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# MINNESOTA STATE BOARD OF INVESTMENT

MINNESOTA STATE BOARD  
OF INVESTMENT  
MEETING  
**September 27, 2010**



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

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**STATE BOARD OF INVESTMENT**

**AGENDA AND MINUTES**

**September 27, 2010**

**AGENDA**  
**STATE BOARD OF INVESTMENT MEETING**  
**Monday, September 27, 2010**  
**1:00 P.M. – Room 123**  
**State Capitol, St. Paul**

- |  |            |
|--|------------|
| <b>1. Approval of Minutes of June 2, 2010</b>  | <b>TAB</b> |
| <b>2. Report from the Executive Director (H. Bicker)</b>   | <b>A</b>   |
| A. Quarterly Investment Review<br>(April 1, 2010 – June 30, 2010)                                    |            |
| B. Administrative Report   | <b>B</b>   |
| 1. Reports on budget and travel  |            |
| 2. Update on Sudan   |            |
| 3. Update on Iran  |            |
| 4. Update on Cash Management   |            |
| 5. Litigation Update   |            |
| 6. State Street Bank   |            |
| <b>3. Investment Advisory Council Report (J. Bailey)</b>   |            |
| <b>A. Stock and Bond Report</b>  |            |
| 1. Review of manager performance for the period ending<br>June 30, 2010.                             | <b>C</b>   |
| 2. Update on the potential use of customized MSCI benchmarks<br>in the International Equity program. |            |
| <b>B. Alternative Investment Report</b>  | <b>D</b>   |
| 1. Review of current strategy.   |            |
| <b>4. Other items</b>  |            |

**Minutes  
State Board of Investment  
June 2, 2010**

The State Board of Investment (SBI) met at 9:00 A.M. Wednesday, June 2, 2010 in Room 123, 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 February 25, 2010 meeting were approved.

**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 outperformed its Composite Index over the ten year period ending March 31, 2010 (Combined Funds 3.3% vs. Composite 3.2%,) and had provided a real rate of return over the latest 20 year period (Combined Funds 8.6% vs. CPI 2.6%.)

Mr. Bicker reported that the Combined Funds' assets increased for the quarter ending March 31, 2010 due to strong investment returns. He said that the asset mix was rebalanced during the quarter, and he reported that the Combined Funds outperformed its Composite Index for the quarter (Combined Funds 4.1% vs. Composite 3.9%) and for the year (Combined Funds 35.5% vs. Composite 33.0%).

Mr. Bicker reported that the domestic stock manager group outperformed its target for the quarter (Domestic Stock 6.0% vs. Domestic Equity Asset Class Target 5.9%) and for the year (Domestic Stocks 53.4% vs. Domestic Equity Asset Class Target 52.4%). He said the International Stock manager group matched its Composite Index for the quarter (International Stocks 1.6% vs. International Equity Asset Class Target 1.6%) and underperformed it for the year (International Stocks 60.4% vs. International Equity Asset Class Target 60.9%). Mr. Bicker stated that the bond segment outperformed its target for the quarter (Bonds 2.7% vs. Fixed Income Asset Class Target 1.8%) and for the year (Bonds 16.4% vs. Fixed Income Asset Class Target 7.7%). He stated that the alternative investments returned 2.5% for the year. He concluded his report with the comment that, as of March 31, 2010, the SBI was responsible for over \$54.6 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.

Mr. Bicker gave a brief summary of legislation that affected the SBI. He reported that the retirement pension bill passed and has been signed into law. He noted that the bill includes both benefit reductions and some contribution rate increases. He stated that this bill includes an administrative merger of the Minneapolis Employees Retirement Fund

(MERF) with the Public Employees Retirement Association (PERA.) He noted that MERF will become a subaccount within PERA and will now be eligible to participate in the SBI's alternative investment pool. He stated that the budget bill passed and that the SBI will have a slight budget reduction. He reported that the Assigned Risk Plan and the Closed Landfill Fund had \$14 million and \$48 million, respectively, taken from their assets for budget balancing purposes. He noted that some assets will need to be liquidated and transferred to the State's General Fund. Mr. Bicker stated that updated information on Sudan and Iran is included in Tab B, and he noted that staff is in the process of implementing the requirements of the new Iran legislation. He noted that because of the various investment restrictions, staff is considering moving to a customized benchmark for the international program. He stated that more information on that topic will be presented later in the agenda.

### **Legislative Update**

Mr. Bicker stated that the SBI has utilized repurchase agreements (repos) with several financial institutions as a low risk means of meeting the State's short term liquidity needs. He said that the language in the repo agreements is changing and that several firms are now requiring language regarding indemnification to which the State of Minnesota cannot legally agree. He reported that staff is exploring options to address this issue, and he noted that one alternative is to have the SBI's custodian bank manage a short-term cash pool for the SBI. He said that staff will examine this issue further and will have a recommendation at the September 2010 Board meeting.

### **Litigation Update**

Ms. Eller stated that there is nothing new to report regarding the Lehman bankruptcy proceedings. She noted that the State Board of Investment is not named in the litigation challenging the pension bill. In response to a question from Governor Pawlenty, Ms. Eller stated that the litigation appears to be on a fairly slow timetable.

In response to a question from Ms. Otto, Mr. Bicker confirmed that if any new issues arise regarding implementing the Iran legislation or with cash management issues that a special Board meeting could take place, if needed.

### **SBI Administrative Committee Report**

Ms. Kardell referred members to Tab C of the meeting materials and stated that the committee had four recommendations for the Board's consideration. She stated that the committee recommends that the Board approve the Executive Director's Proposed Workplan for FY11; the FY11 Administrative Budget Plan; the Continuing Fiduciary Education Plan; and the Executive Director's Evaluation Process. She noted that the last item is an information item that the Disaster Recovery Plan has been updated.

Ms. Otto noted a wording correction that needed to be changed for the recommendation shown in the last bullet on page three of Tab C. The words "Department of Finance" need to be replaced with the correct reference to "Minnesota Management & Budget."

Ms. Otto moved approval of the four recommendations, as stated and revised in the Committee Report which reads: **“The Committee recommends that the SBI approve the FY11 Executive Director’s Workplan. Further, the Committee recommends that the workplan serve as the basis for the Executive Director’s performance evaluation for FY11.**

**The Committee recommends that the SBI approve the FY11 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.**

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

**The Committee recommends that the SBI adopt the following process for the Executive Director’s FY10 performance evaluation:**

- **The evaluation will be completed prior to the September 2010 meeting of the SBI and will be based on the results of the Executive Director’s workplan for FY10.**
- **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 (Minnesota Management & Budget) 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.”** The motion passed.

#### **Investment Advisory Committee Report**

Mr. Bailey referred members to Tab D of the meeting materials and briefly reviewed the recent manager performance. He stated that staff had completed a review of semi-passive investing in the Fixed Income, International Equity and Domestic Equity programs and that no changes are recommended at this time. He reported that staff is analyzing the impact of the various investment restrictions such as Sudan and Iran on the international equity program and whether customized MSCI benchmarks are needed. He noted that staff will continue to examine the various issues in this area.

Mr. Bailey referred members to Tab E of the meeting materials and stated that staff and the IAC are recommending new investments with one existing private equity manager, CarVal; two existing resource managers, Encap and Sheridan; and one new resource manager, Energy Capital. He also noted that staff had conducted a review of the timberland asset class and that, at this time, no new allocation to timberland is being recommended. Mr. Ritchie moved approval of the recommendations as stated in Tab E,

which read: “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 \$100 million, or 20% of CVI Credit Value Fund A LP, whichever is less. 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 CarVal 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 CarVal 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 \$100 million, or 20% of Encap Energy Capital Fund VIII, L.P, whichever is less. Approval by the Investment Advisory Council 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 Encap 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 Encap 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 \$100 million, or 20% of Sheridan Production Partners II, L.P, whichever is less. Approval by the Investment Advisory Council 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 Sheridan 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 Sheridan 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 \$100 million, or 20% of Energy Capital Partners II, L.P, whichever is less. Approval by the Investment Advisory Council 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 Energy Capital 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 Energy Capital or reduction or termination of the commitment.”** The motion passed.

The meeting adjourned at 9:35 A.M.

Respectfully submitted,

A handwritten signature in cursive script that reads "Howard Bicker".

Howard Bicker  
Executive Director



# Tab A

**LONG TERM OBJECTIVES**  
**Period Ending 6/30/2010**

<b>COMBINED FUNDS: \$40.5 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>	<p><b>2.9% (1)</b></p>	<p>0.1 percentage point above the target</p>
<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>	<p><b>8.0%</b></p>	<p>5.4 percentage points above CPI</p>

(1) Performance is calculated net of fees.

**SUMMARY OF ACTUARIAL VALUATIONS****Eight Plans of MSRS, PERA and TRA  
July 1, 2009****Liabilities**

Actuarially Accrued Liabilities \$60.7 billion

**Assets**

Current Actuarial Value \$46.8 billion

**Funding Ratio**

Current Actuarial Value divided by  
Accrued Liabilities 77.1%

**Actuarial Assumptions:**

1. Liabilities calculated using entry age normal cost method.
2. Difference between actual returns and actuarially expected returns spread over five years.
3. Interest/Discount Rate: 8.5%
4. Full Funding Target Date:
  - 2020 – MSRS General
  - 2031 – PERA General
  - 2037 – TRA

**EXECUTIVE SUMMARY**  
**Combined Funds (Net of Fees)**

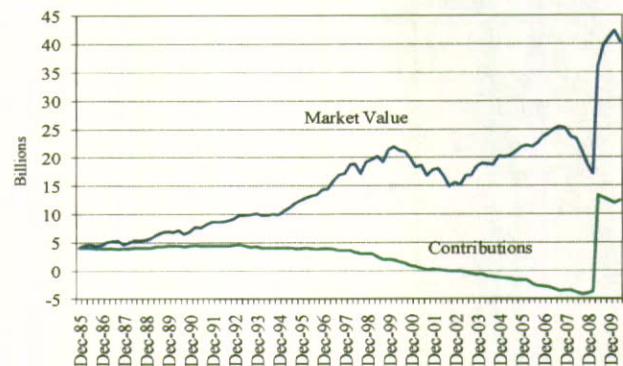
**Asset Growth**

The market value of the Combined Funds decreased 4.4% during the second quarter of 2010. Poor investment returns caused the decrease in market value.

**Asset Growth**  
**During Second Quarter 2010**  
**(Millions)**

Beginning Value	\$ 42,319
Net Contributions	464
Investment Return	-2,317
Ending Value	\$ 40,466

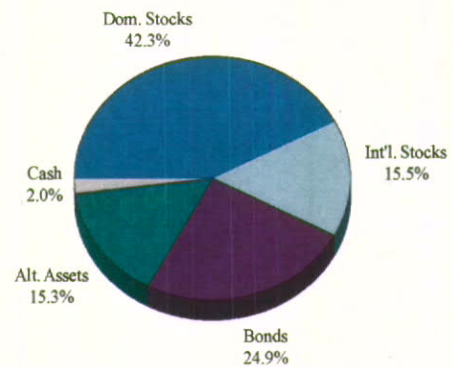
Note: The significant increase in market value and contributions in June 2009 was due to the merger of the Basics and Post Funds.



**Asset Mix**

The allocation to domestic stocks decreased due to poor investment returns. The allocation to fixed income increased due to positive investment returns.

	Policy Targets	Actual Mix 6/30/2010	Actual Market Value (Millions)
Domestic Stocks	45.0%	42.3%	\$17,125
Int'l. Stocks	15.0	15.5	6,285
Bonds	18.0	24.9	10,061
Alternative Assets*	20.0	15.3	6,196
Unallocated Cash	2.0	2.0	799
	100.0%	100.0%	\$40,466

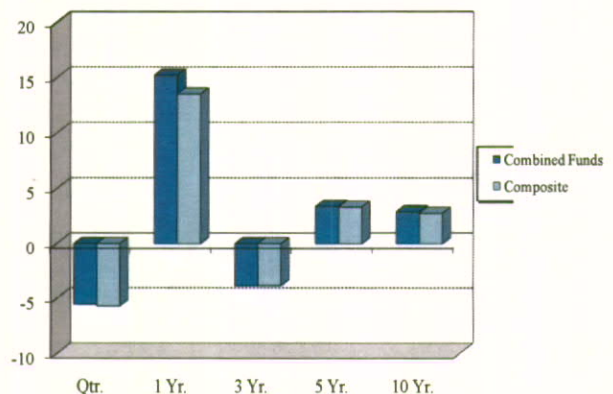


\* Any uninvested allocation is held in domestic bonds.

**Fund Performance (Net of Fees)**

The Combined Funds outperformed its target for the quarter and for the year.

	Period Ending 6/30/2010				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Combined Funds	-5.5%	15.2%	-3.8%	3.4%	2.9%
Composite	-5.7	13.5	-3.8	3.3	2.8



## EXECUTIVE SUMMARY

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

#### Domestic Stocks

The domestic stock manager group (active, semi-passive and passive combined) underperformed its target for the quarter and outperformed 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 6/30/2010				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Dom. Stocks</b>	<b>-11.5%</b>	<b>15.8%</b>	<b>-9.7%</b>	<b>-0.8%</b>	<b>-1.3%</b>
Asset Class Target*	-11.3	15.7	-9.5	-0.5	-1.1

\* 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.

#### 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 6/30/2010				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Int'l. Stocks</b>	<b>-11.5%</b>	<b>11.7%</b>	<b>-10.4%</b>	<b>3.8%</b>	<b>2.1%</b>
Asset Class Target*	-12.4	10.4	-10.6	3.4	1.8

\* 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.

#### Bonds

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

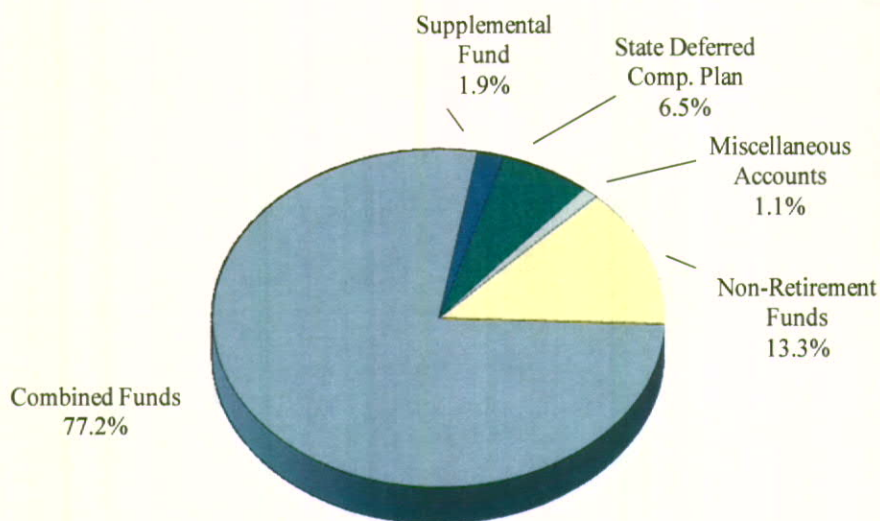
**Barclays Capital Aggregate:** The Barclays Capital Aggregate Bond Index reflects the performance of the broad bond market for investment grade (Baa or higher) bonds, U.S. treasury and agency securities, and mortgage obligations with maturities greater than one year.

	Period Ending 6/30/2010				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Bonds</b>	<b>3.6%</b>	<b>14.5%</b>	<b>7.0%</b>	<b>5.4%</b>	<b>6.6%</b>
Asset Class Target	3.5	9.5	7.5	5.5	6.5

#### Alternative Investments

	Period Ending 6/30/2010				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Alternatives</b>	<b>3.9%</b>	<b>15.0%</b>	<b>2.3%</b>	<b>14.1%</b>	<b>11.7%</b>

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



	<b>6/30/2010 Market Value (Billions)</b>
<b>Retirement Funds</b>	
Combined Funds	\$40.5
Supplemental Investment Fund	1.0
- Excluding Deferred Compensation Plan Assets	
State Deferred Compensation Plan	3.4
<b>Non-Retirement Funds</b>	
Assigned Risk Plan	0.3
Permanent School Fund	0.7
Environmental Trust Fund	0.5
State Cash Accounts	5.5
<b>Miscellaneous Accounts</b>	<b>0.6</b>
<b>Total</b>	<b>\$52.5</b>

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# MINNESOTA STATE BOARD OF INVESTMENT

## QUARTERLY INVESTMENT REPORT

Second Quarter 2010  
(April 1, 2010 - June 30, 2010)

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## VARIOUS CAPITAL MARKET INDICES

	Period Ending 6/30/2010				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Domestic Equity</b>					
Dow Jones Wilshire Composite	-11.1%	16.1%	-9.2%	-0.2%	-0.7%
Dow Jones Industrials	-9.4	18.9	-7.4	1.6	1.7
S&P 500	-11.4	14.4	-9.8	-0.8	-1.6
Russell 3000 (broad market)	-11.3	15.7	-9.5	-0.5	-0.9
Russell 1000 (large cap)	-11.4	15.2	-9.5	-0.6	-1.2
Russell 2000 (small cap)	-9.9	21.5	-8.6	0.4	3.0
<b>Domestic Fixed Income</b>					
Barclays Capital Aggregate (1)	3.5	9.5	7.5	5.5	6.5
Barclays Capital Gov't./Corp.	3.9	9.7	7.4	5.3	6.5
3 month U.S. Treasury Bills	0.0	0.1	1.3	2.6	2.5
<b>International</b>					
EAFE (2)	-14.0	5.9	-13.4	0.9	0.2
Emerging Markets Free (3)	-8.3	23.5	-2.2	13.1	10.3
ACWI Free ex-U.S. (4)	-12.3	10.9	-10.3	3.8	2.3
World ex-U.S. (5)	-13.6	7.0	-12.6	1.5	0.6
Salomon Non U.S. Gov't. Bond	-1.3	1.5	7.7	5.0	6.4
<b>Inflation Measure</b>					
Consumer Price Index CPI-U (6)	0.2	1.1	1.5	2.2	2.3
Consumer Price Index CPI-W (7)	0.1	1.4	1.6	2.4	2.4

(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 -11.3% return during the second quarter of 2010. The rally that began in the equity markets from the March 2009 low began to reverse in the second quarter of 2010. Just as investors seemed to be embracing the budding economic recovery, macroeconomic fears returned to give investors pause. The potential for a sovereign debt crisis in Europe, fear of a continued economic slowdown in China, continued high unemployment in the U.S., the environmental disaster in the Gulf of Mexico and increasing regulation out of Washington D.C. combined to weaken the confidence of investors. Within the Russell 3000, the Utilities sector reported the best relative sector return, -4.5% for the quarter. The "Other" sector, which includes multi-sector companies, was the worst performing sector with a -16.7% return for the quarter. Small cap companies outperformed large cap companies within the Russell 3000.

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

Large Growth	Russell 1000 Growth	-11.7%
Large Value	Russell 1000 Value	-11.1%
Small Growth	Russell 2000 Growth	-9.2%
Small Value	Russell 2000 Value	-10.6%

The Russell 3000 index returned 15.7% for the year ending June 30, 2010.

DOMESTIC BONDS

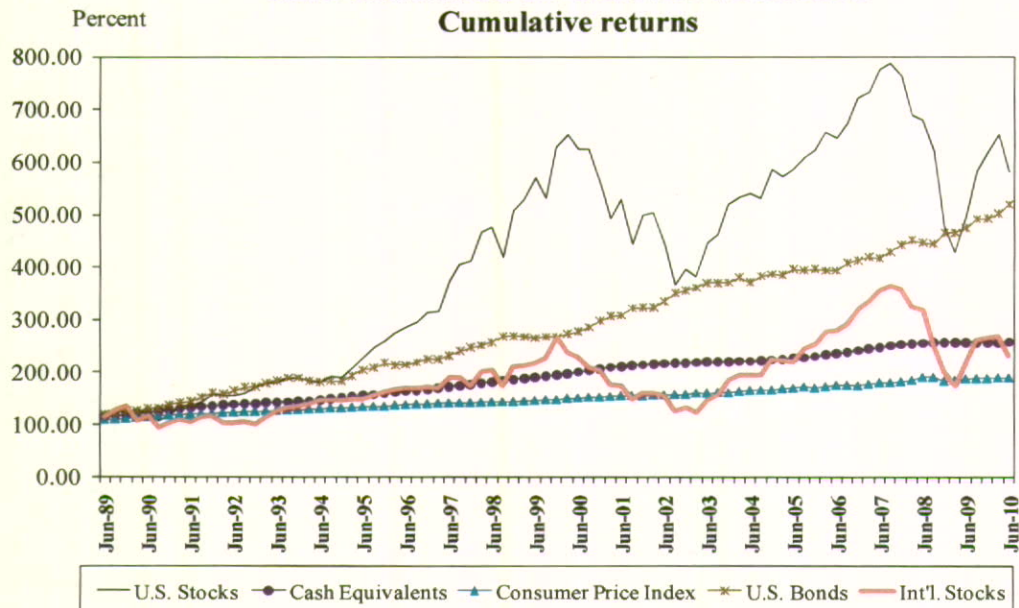
The U.S. bond market, as measured by the Barclays Capital Aggregate Index, returned 3.5% for the quarter. The rally in the spread sectors that started in 2Q09 ended in 2Q10. The sovereign debt crisis in Europe, the BP Gulf of Mexico oil spill, and uncertainty around financial regulation also had a negative impact on bond markets. A flight-to-quality drove Treasury yields to their lowest levels in a year.

The Treasury Yield Curve flattened over the quarter, as longer yields declined 94 bps and 84 bps in the 10 and 30 year sectors, respectively. This is compared to a 45 bps decline in the 2 year sector. Corporate bonds underperformed Treasuries in 2Q as investors became skittish over the economy's recovery prospects. RMBS, CMBS, and ABS all underperformed Treasuries as weak housing-related numbers indicated that the fundamentals of that market remain challenged.

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

U.S. Treasury	4.7%
Agency	2.5
Corporates	3.4
Agency MBS	2.9
Commercial Mortgages	2.8
Asset-backed	2.5

PERFORMANCE OF CAPITAL MARKETS  
Cumulative returns



## 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 -13.6% for the quarter. The quarterly performance of the six largest stock markets is shown below:

Japan	-10.1%
United Kingdom	-13.9
Canada	-10.5
France	-18.9
Australia	-19.0
Switzerland	-11.8

The World ex U.S. index returned 7.0% during the last year.

The World ex U.S. index is compiled by Morgan Stanley Capital International (MSCI) and is a measure of 23 markets located in Europe, Australasia, Far East, and Canada. The major markets listed above comprise about 73% 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 -8.3% for the quarter. The quarterly performance of the six largest stock markets in the index is shown below:

China	-4.5%
Brazil	-15.2
Korea	-7.6
Taiwan	-9.3
India	-2.2
South Africa	-9.5

The Emerging Markets Free index returned 23.5% during the last year.

The Emerging Markets Free (EMF) index is compiled by MSCI and measures performance of 21 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 74% of the value of the international markets in the index.

### REAL ESTATE

During the second quarter of 2010, real estate posted its second consecutive quarter of positive returns with the NCREIF Property Index posting a return of 3.31%. Even with accommodative monetary and fiscal policies, the real estate outlook for the remainder of 2010 continues to be one of caution due to weakness in employment.

### PRIVATE EQUITY

From a capital markets perspective, the second quarter was characterized by a great deal of volatility. The sovereign debt issues impacting Greece, Spain and other European countries as well as the concern regarding slowing growth in China appeared to have impacted the capital markets most significantly. Global deal flow in the second quarter of 2010 represented the strongest quarter for buyout deals in the post-credit crunch landscape. A total of 411 private equity buyout deals were announced, with an aggregate value of \$43.3b. The equity market's volatility resulted in many IPO deals being canceled and other deals pricing below original offering ranges. Overall, second quarter IPO activity in the U.S. was comparable to first quarter activity and well ahead of activity one year ago.

### RESOURCE FUNDS

For the first half of 2010, crude oil traded between a range of \$85/bbl and \$70/bbl. Oil prices were fairly volatile in the second quarter primarily during the month of May when crude oil prices dropped more than \$15/bbl. The average price for the second quarter of 2010 was \$79/bbl which is close to the average price for the first half of the year. The second quarter of 2010 saw a continued focus on unconventional natural gas with the horizontal drilling rig count doubling since the same period in 2009. The biggest news in the resource industry in the second quarter of 2010 was the explosion of the deepwater horizon offshore oil rig and subsequent oil spill. The oil spill has resulted in millions of barrels of oil entering and contaminating the Gulf of Mexico. It is likely that additional regulations and focus on safety will be a trend for years to come.

COMBINED FUNDS

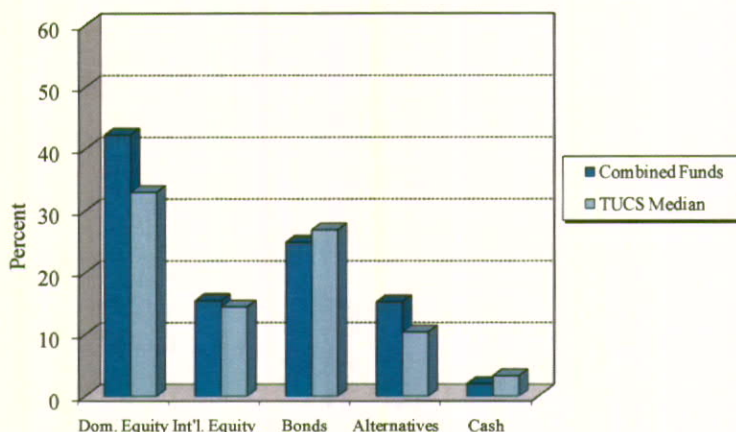
The comparison universe used by the SBI is the Trust Universe Comparison Service (TUCS). Only funds with assets over \$1 billion are included in the comparisons shown in this section.

Asset Mix Compared to Other Pension Funds

On June 30, 2010, the actual asset mix of the Combined Funds was:

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:

	\$ Millions	%
Domestic Stocks	\$17,125	42.3%
International Stocks	6,285	15.5
Bonds	10,061	24.9
Alternative Assets	6,196	15.3
Unallocated Cash	799	2.0
<b>Total</b>	<b>\$40,466</b>	<b>100.0%</b>



	Dom. Equity	Int'l Equity	Bonds	Alternatives	Cash
<b>Combined Funds</b>	<b>42.3%</b>	<b>15.5%</b>	<b>24.9%</b>	<b>15.3%</b>	<b>2.0%</b>
Median Allocation in TUCS*	33.0	14.5	26.9	10.4**	3.3

\* Public and corporate plans over \$1 billion.  
 \*\* May include assets other than alternatives.

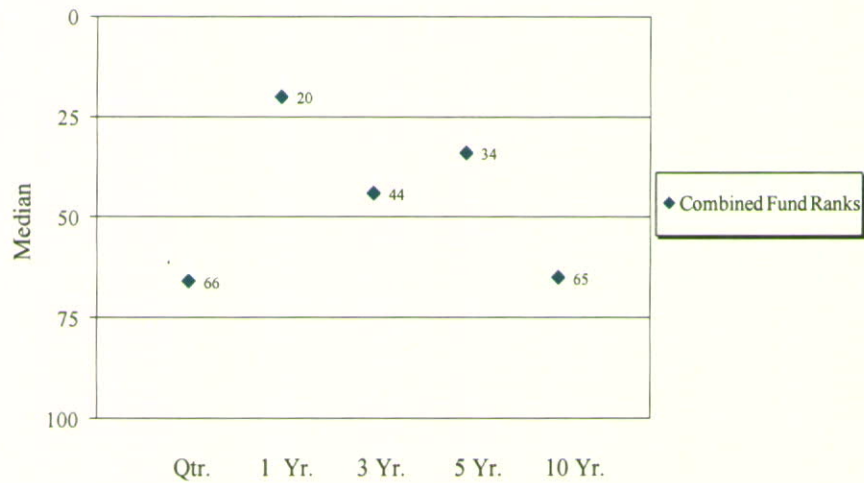
**COMBINED FUNDS**  
**Performance Compared to Other Pension Funds**

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 6/30/2010				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Combined Funds Percentile Rank in TUCS*	66th	20th	44th	34th	65th

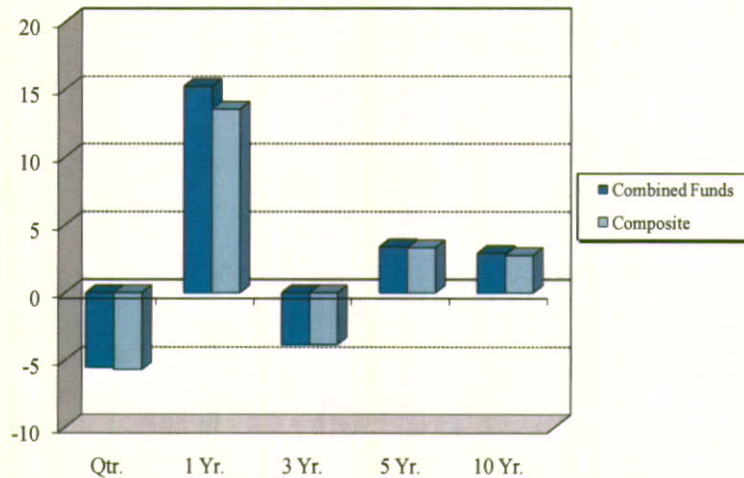
\* Compared to public and corporate plans greater than \$1 billion, gross of fees.

**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* 1Q10
Domestic Stocks	Russell 3000	45.0%
Int'l. Stocks	MSCI ACWI Free ex-U.S.	15.0
Bonds	Barclays Capital Aggregate	25.0*
Alternative Investments	Alternative Investments	14.0*
Unallocated Cash	3 Month T-Bills	1.0
		100.0%

\* Alternative asset and fixed income 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 6/30/2010**

	Qtr.	1 Yr.	3 Yr.	Annualized 5 Yr.	10 Yr.
<b>Combined Funds**</b>	-5.5%	15.2%	-3.8%	3.4%	2.9%
Composite Index	-5.7	13.5	-3.8	3.3	2.8

\*\* Actual returns are reported net of fees.

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

**Domestic Stocks**

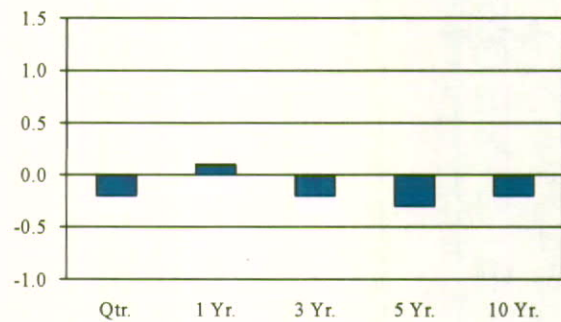
**Target:** Russell 3000

**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 6/30/2010				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Domestic Stocks</b>	-11.5%	15.8%	-9.7%	-0.8%	-1.3%
Asset Class Target*	-11.3	15.7	-9.5	-0.5	-1.1

\* 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.

Value Added to Domestic Equity Target



**International Stocks**

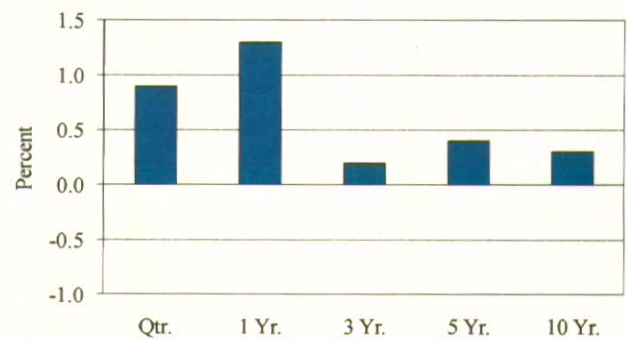
**Target:** MSCI ACWI Free ex U.S. (net)

**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 6/30/2010				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Int'l. Stocks</b>	-11.5%	11.7%	-10.4%	3.8%	2.1%
Asset Class Target*	-12.4	10.4	-10.6	3.4	1.8

\* 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.

Value Added to International Equity Target



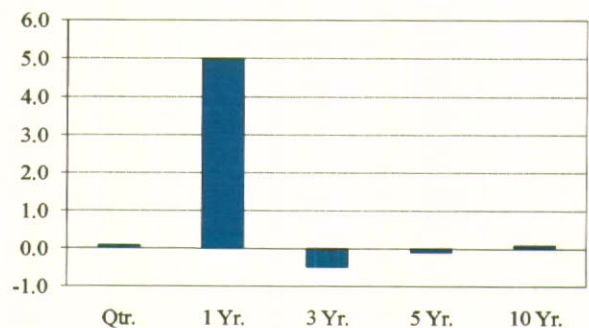
**Bonds**

**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 6/30/2010				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Bonds</b>	3.6%	14.5%	7.0%	5.4%	6.6%
Asset Class Target	3.5	9.5	7.5	5.5	6.5

Value Added to Fixed Income Target





## 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 6/30/2010				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Alternatives	3.9%	15.0%	2.3%	14.1%	11.7%
Inflation	0.2%	1.1%	1.5%	2.2%	2.3%

#### 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.

	Period Ending 6/30/2010				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Real Estate	1.2%	-19.9%	-12.0%	0.6%	5.8%

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.

#### 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.

	Period Ending 6/30/2010				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Private Equity	4.8%	27.9%	3.8%	14.3%	9.8%

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.

#### Resource Investments (Equity emphasis)

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

	Period Ending 6/30/2010				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Resource	1.9%	20.9%	7.0%	28.6%	25.9%

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.

#### 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.

	Period Ending 6/30/2010				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Yield Oriented	4.0%	9.0%	8.2%	19.8%	15.8%

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.

## 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, Hennepin County Supplemental Retirement Plan, and Health Care Savings 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.
4. It serves as the investment vehicle for the Voluntary Statewide Volunteer Firefighter Plan.

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. All returns are net of investment management fees.

**On June 30, 2010 the market value of the entire Fund was \$1.0 billion.**

## Investment Options

	6/30/2010 Market Value (In Millions)
<b>Income Share Account</b> – a balanced portfolio utilizing both common stocks and bonds.	\$216
<b>Growth Share Account</b> – an actively managed, all common stock portfolio.	\$99
<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.	\$195
<b>International Share Account</b> – a portfolio of non U.S. stocks that incorporates both active and passive management.	\$104
<b>Bond Market Account</b> – an actively managed, all bond portfolio.	\$128
<b>Money Market Account</b> – a portfolio utilizing short-term, liquid debt securities.	\$163
<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.	\$121
<b>Volunteer Firefighters Account</b> – a balanced portfolio only used by the Voluntary Statewide Volunteer Firefighter Plan.	\$1

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%	58.2%
Bonds	35.0	39.0
Unallocated Cash	5.0	2.8
	100.0%	100.0%

Period Ending 6/30/2010

Annualized

	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	-5.8%	13.8%	-2.5%	2.6%	2.2%
Benchmark*	-5.7	13.1	-3.3	1.8	1.9

\* 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 6/30/2010

Annualized

	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	-11.8%	15.6%	-10.0%	-1.2%	-1.6%
Benchmark*	-11.3	15.7	-9.5	-0.5	-1.1

\* Russell 3000 since 10/1/03. 100% Wilshire 5000 Investable from July 1999 to September 2003.

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 6/30/2010

Annualized

	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	-11.0%	16.2%	-9.2%	-0.3%	-1.0%
Benchmark*	-11.3	15.7	-9.5	-0.5	-1.1

\* 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 6/30/2010

Annualized

	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	-11.5%	11.7%	-10.3%	3.9%	2.3%
Benchmark*	-12.4	10.4	-10.6	3.4	1.8

\* 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.

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 6/30/2010				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Total Account</b>	<b>3.6%</b>	<b>14.5%</b>	<b>7.0%</b>	<b>5.4%</b>	<b>6.6%</b>
Barclays Capital Aggregate	3.5	9.5	7.5	5.5	6.5

**MONEY MARKET ACCOUNT**

**Investment Objective**

The investment objective of the Money Market Account is to protect principal by investing in short-term, liquid U.S. Government securities.

**Asset Mix**

The Account is invested entirely in high quality, short-term U.S. Treasury and Agency securities. The average maturity of the portfolios is less than 90 days.

	Period Ending 6/30/2010				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Total Account</b>	<b>0.0%</b>	<b>0.2%</b>	<b>2.0%</b>	<b>3.0%</b>	<b>2.9%</b>
3 month T-Bills	0.0	0.1	1.3	2.6	2.5

**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 Account is invested in a well-diversified portfolio of high-quality fixed income securities with strong credit ratings. The Account also invests in contracts issued by highly rated insurance companies and banks which are structured to provide principal protection for the Account's diversified bond portfolios, regardless of daily market changes.

	Period Ending 6/30/2010				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Total Account</b>	<b>1.0%</b>	<b>4.4%</b>	<b>4.6%</b>	<b>4.6%</b>	<b>4.9%</b>
Benchmark*	0.4	1.9	2.5	3.5	3.6

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

**VOLUNTEER FIREFIGHTER ACCOUNT**

The investment objective of the Volunteer Firefighter Account is to maximize long-term returns while limiting short-term portfolio return volatility.

The Account is invested in a balanced portfolio:

	Target	Actual
Domestic Stocks	35.0	34.1%
International Stocks	15.0	14.2
Bonds	45.0	49.9
Cash	5.0	1.8
	100.0%	100.0%

	Period Ending 6/30/2010	
	Qtr.	1 Yr.
<b>Total Account</b>	<b>-4.1</b>	<b>N/A</b>
Benchmark*	-4.4	

\* The benchmark for this account is 35% Russell 3000, 15% MSCI ACWI Free ex U.S. (net), 45% Barclays Capital Aggregate, 5% 3 month T-Bills.

## 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>6/30/2010 Market Value (in Millions)</b>
Vanguard Institutional Index (passive)	\$350
Janus Twenty (active)	\$368
Legg Mason Appreciation Y (active)	\$105
Vanguard Mid Cap Index (passive)	\$153
T. Rowe Price Small Cap (active)	\$326
Fidelity Diversified International (active)	\$200
Vanguard Institutional Developed Markets (passive)	\$73
Dodge & Cox Balanced Fund (active)	\$241
Vanguard Balanced Fund (passive)	\$160
Dodge & Cox Income Fund (active)	\$136
Vanguard Total Bond Market Fund (passive)	\$117
SIF Money Market Account	\$83
SIF Fixed Interest Account	\$1,130

## DEFERRED COMPENSATION PLAN ACCOUNTS

## LARGE CAP EQUITY

**Vanguard Institutional Index (passive)**

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

	Period Ending 6/30/2010			
	Annualized			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
<b>Fund</b>	-11.4%	14.5%	-9.7%	-0.7%
S&P 500	-11.4	14.4	-9.8	-0.8

**Janus Twenty (active)**

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

	Period Ending 6/30/2010			
	Annualized			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
<b>Fund</b>	-15.0%	5.3%	-3.8%	4.4%
S&P 500	-11.4	14.4	-9.8	-0.8

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

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

	Period Ending 6/30/2010			
	Annualized			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
<b>Fund</b>	-10.2%	11.7%	-5.8%	1.4%
S&P 500	-11.4	14.4	-9.8	-0.8

## 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.

	Period Ending 6/30/2010			
	Annualized			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
<b>Fund</b>	-9.9%	27.0%	-8.5%	1.2%
MSCI US	-9.9	27.0	-8.5	1.2
Mid-Cap 450				

## 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.

	Period Ending 6/30/2010			
	Annualized			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
<b>Fund</b>	-8.8%	26.3%	-5.5%	2.3%
Russell 2000	-9.9	21.5	-8.6	0.4

## 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.

	Period Ending 6/30/2010			
	Annualized			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
<b>Fund</b>	-13.7%	5.6%	-13.2%	0.8%
MSCI EAFE	-14.0	5.9	-13.4	0.9

**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.

	Period Ending 6/30/2010			
	Annualized			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
<b>Fund</b>	-14.5%	5.9%	-13.1%	1.1%
MSCI EAFE	-14.0	5.9	-13.4	0.9

## 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.

Fund	Period Ending 6/30/2010			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
			<b>Annualized</b>	
	<b>-9.6%</b>	<b>14.9%</b>	<b>-7.7%</b>	<b>-0.1%</b>
Benchmark	-5.6	12.8	-2.9	2.0

**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.

Fund	Period Ending 6/30/2010			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
			<b>Annualized</b>	
	<b>-5.4%</b>	<b>13.8%</b>	<b>-2.1%</b>	<b>2.5%</b>
Benchmark	-5.5	13.8	-2.4	2.4

## 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.

Fund	Period Ending 6/30/2010			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
			<b>Annualized</b>	
	<b>2.0%</b>	<b>12.3%</b>	<b>7.7%</b>	<b>5.9%</b>
Barclays Capital Aggregate	3.5	9.5	7.5	5.5

**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.

Fund	Period Ending 6/30/2010			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
			<b>Annualized</b>	
	<b>3.6%</b>	<b>9.4%</b>	<b>7.7%</b>	<b>5.6%</b>
Barclays Capital Aggregate	3.5	9.5	7.5	5.5

**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.

Fund	Period Ending 6/30/2010			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
			<b>Annualized</b>	
	<b>0.0%</b>	<b>0.2%</b>	<b>2.0%</b>	<b>3.0%</b>
3-Mo. Treas.	0.0	0.1	1.3	2.6

## 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.

Fund	Period Ending 6/30/2010			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
			<b>Annualized</b>	
	<b>1.0%</b>	<b>4.4%</b>	<b>4.6%</b>	<b>4.6%</b>
Benchmark	0.4	1.9	2.5	3.5

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.

	6/30/2010 Target	6/30/2010 Actual
Stocks	20.0%	18.0%
Bonds	80.0	82.0
Total	100.0%	100.0%

**Investment Management**

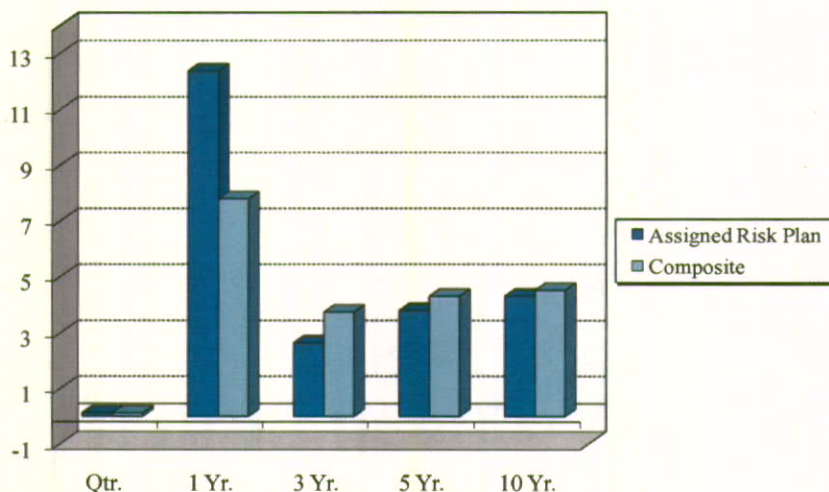
Voyageur Asset Management manages the bond segment of the Fund. GE Investment Management manages the equity segment.

**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 June 30, 2010 the market value of the Assigned Risk Plan was \$306 million.



Period Ending 6/30/2010

	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Total Fund*</b>	<b>0.1%</b>	<b>12.4%</b>	<b>2.7%</b>	<b>3.8%</b>	<b>4.3%</b>
Composite	0.1	7.8	3.8	4.3	4.5
<b>Equity Segment*</b>	<b>-13.6</b>	<b>8.5</b>	<b>-7.8</b>	<b>0.2</b>	<b>-0.3</b>
Benchmark	-11.4	14.4	-9.8	-0.8	-1.6
<b>Bond Segment*</b>	<b>3.6</b>	<b>13.4</b>	<b>5.5</b>	<b>4.6</b>	<b>5.2</b>
Benchmark	3.1	5.9	7.1	5.4	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.

	6/30/2010 Target	6/30/2010 Actual
Stocks	50.0%	47.6%
Bond	48.0	50.8
Cash	2.0	1.6
Total	100.0%	100.0%

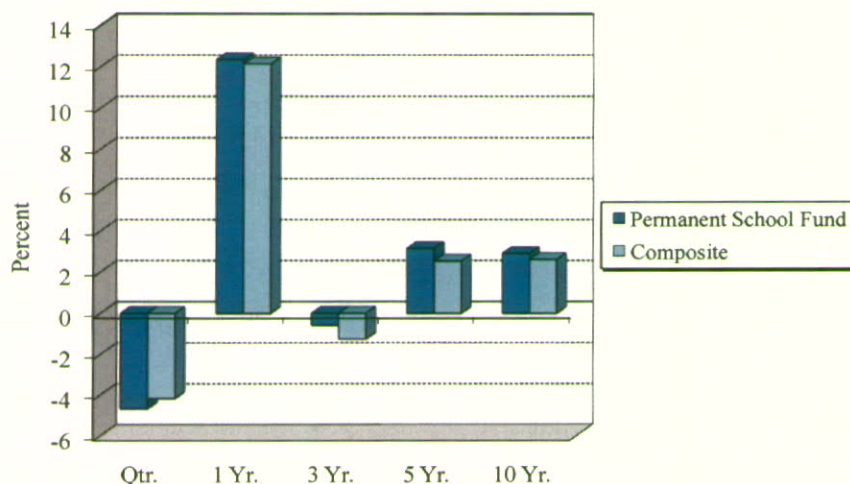
Prior to FY98, the Fund was invested entirely in fixed income securities in order to maximize current income. It is understood that the change in asset mix will reduce portfolio income in the short term, but will enhance the value of the fund, over time.

**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 June 30, 2010 the market value of the Permanent School Fund was \$674 million.



Period Ending 6/30/2010

Annualized

	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Total Fund*</b>	-4.7%	12.3%	-0.6%	3.2%	2.9%
Composite	-4.2	12.1	-1.3	2.5	2.6
<b>Equity Segment*</b>	-11.5	14.2	-9.7	-0.7	-1.5
S&P 500	-11.4	14.4	-9.8	-0.8	-1.6
<b>Bond Segment*</b>	2.5	9.7	8.4	6.3	7.0
Barclays Capital Agg.	3.5	9.5	7.5	5.5	6.5

\* Actual returns are calculated net of fees.

**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.

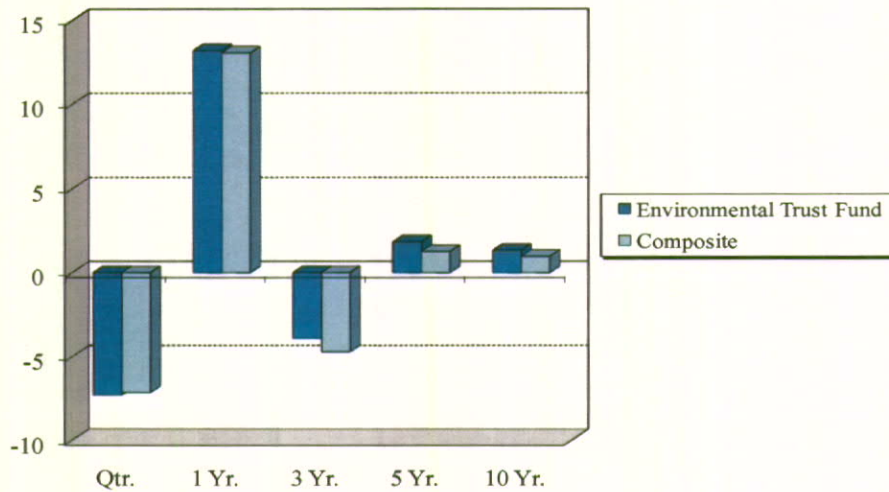
**Investment Management**

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 June 30, 2010 the market value of the Environmental Trust Fund was \$461 million.

	6/30/2010 Target	6/30/2010 Actual
Stocks	70.0%	66.8%
Bonds	28.0	31.1
Cash	2.0	2.1
Total	100.0%	100.0%



	Period Ending 6/30/2010				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Total Fund*</b>	-7.3%	13.2%	-3.9%	1.8%	1.3%
Composite	-7.1	13.1	-4.7	1.3	1.0
<b>Equity Segment*</b>	-11.5	14.2	-9.7	-0.7	-1.5
S&P 500	-11.4	14.4	-9.8	-0.8	-1.6
<b>Bond Segment*</b>	2.5	9.7	8.3	6.3	7.0
Barclays Capital Agg.	3.5	9.5	7.5	5.5	6.5

\* 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.

**Asset Mix**

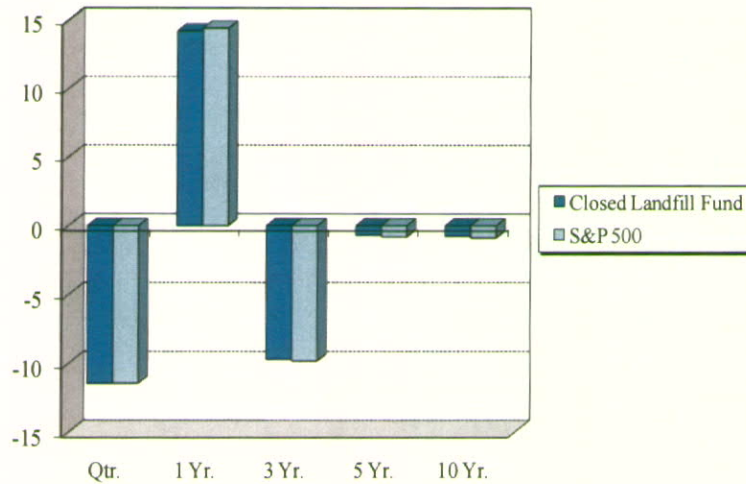
Effective July 1999, the Closed Landfill Investment Fund is invested entirely in common stock. Given the long time horizon of this Fund and the lack of need for any short or mid-term withdrawals, this strategy will maximize the long-term gain of the Fund.

**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 June 30, 2010, the market value of the Closed Landfill Investment Fund was \$0.6 million. Legislation in the 2010 session required the withdrawal for budget purposes of \$48 million.



**Period Ending 6/30/2010**

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Total Fund (1)</b>	-11.5%	14.2%	-9.7%	-0.7%	-1.5%
S&P 500	-11.4	14.4	-9.8	-0.8	-1.6

(1) Actual returns are calculated net of fees.

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 6/30/2010				
		Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Treasurer's Cash Pool*</b>	<b>\$5,358</b>	<b>0.1%</b>	<b>1.2%</b>	<b>2.9%</b>	<b>3.7%</b>	<b>3.4%</b>
Custom Benchmark**		0.0	0.0	1.5	2.6	2.6
<b>Trust Fund Cash Pool*</b>	<b>\$135</b>	<b>0.1</b>	<b>0.6</b>	<b>1.8</b>	<b>3.0</b>	<b>2.9</b>
Custom Benchmark		0.0	0.0	1.5	2.6	2.3
3 month T-Bills		0.0	0.1	1.3	2.6	2.5

\* 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.

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**MINNESOTA STATE BOARD OF INVESTMENT**  
**Composition of State Investment Portfolios By Type of Investment**  
**Market Value June 30, 2010 (in Thousands)**

	<b>Cash &amp; ST</b>	<b>Bonds Int</b>	<b>Bonds Ext</b>	<b>Stock Int</b>	<b>Stock Ext</b>	<b>Ext Intl</b>	<b>Alternative</b>	<b>Total</b>
<b>COMBINED RETIREMENT FUNDS</b>								
Teachers Retirement Fund	279,996 1.88%	0	3,672,327 24.68%	0	6,298,170 42.33%	2,301,526 15.47%	2,327,655 15.64%	14,879,674 100%
Public Employees Retirement Fund	212,000 1.88%	0	2,782,004 24.68%	0	4,771,234 42.33%	1,743,541 15.47%	1,763,333 15.64%	11,272,112 100%
State Employees Retirement Fund	164,985 2.15%	0	1,889,761 24.61%	0	3,241,007 42.21%	1,184,353 15.43%	1,197,798 15.60%	7,677,904 100%
Public Employees Police & Fire	83,505 1.88%	0	1,095,813 24.68%	0	1,879,358 42.33%	686,769 15.47%	694,566 15.64%	4,440,011 100%
Highway Patrol Retirement Fund	10,605 2.17%	0	120,107 24.61%	0	205,987 42.20%	75,274 15.42%	76,128 15.60%	488,101 100%
Judges Retirement Fund	3,251 2.58%	0	30,833 24.50%	0	52,879 42.03%	19,324 15.36%	19,543 15.53%	125,830 100%
Correctional Employees Retirement	12,648 2.41%	0	128,517 24.55%	0	220,411 42.10%	80,544 15.38%	81,459 15.56%	523,579 100%
Public Employees Correctional	3,924 1.88%	0	51,485 24.68%	0	88,299 42.33%	32,267 15.47%	32,633 15.64%	208,608 100%
Legislative Retirement Fund	367 1.88%	0	4,821 24.68%	0	8,267 42.33%	3,021 15.47%	3,055 15.64%	19,531 100%
PERA Minneapolis Retirement	27,400 3.30%	0	285,590 34.36%	0	359,420 43.24%	158,811 19.10%	0	831,221 100%
<b>TOTAL COMBINED FUNDS</b>	<b>798,681</b> <b>1.98%</b>	<b>0</b>	<b>10,061,258</b> <b>24.86%</b>	<b>0</b>	<b>17,125,032</b> <b>42.32%</b>	<b>6,285,430</b> <b>15.53%</b>	<b>6,196,170</b> <b>15.31%</b>	<b>40,466,571</b> <b>100%</b>

	Cash & ST	Bonds Int	Bonds Ext	Stock Int	Stock Ext	Ext Intl	Alternative	Total
<b>MINNESOTA SUPPLEMENTAL FUNDS:</b>								
Income Share Account	6,042 2.80%	84,234 38.99%	0	0	125,755 58.21%	0	0	216,031 100%
Growth Share Account	0	0	0	0	98,732 100.00%	0	0	98,732 100%
Money Market Account	163,010 100.00%	0	0	0	0	0	0	163,010 100%
Common Stock Index	0	0	0	0	195,468 100.00%	0	0	195,468 100%
Bond Market Account	0	0	127,810 100.00%	0	0	0	0	127,810 100%
International Share Account	0	0	0	0	0	104,197 100.00%	0	104,197 100%
Stable Value Fund	0	0	121,273 100.00%	0	0	0	0	121,273 100%
Volunteer Firefighters Account	14 1.85%	0	378 49.87%	0	259 34.17%	107 14.11%	0	758 100%
<b>TOTAL SUPPLEMENTAL FUNDS</b>	169,066 16.46%	84,234 8.20%	249,461 24.28%	0	420,214 40.91%	104,304 10.15%	0	1,027,279 100%
<b>MN DEFERRED COMP PLAN</b>	89,059 2.59%	0	1,516,471 44.04%	0	1,565,003 45.45%	272,741 7.92%	0	3,443,274 100%
<b>TOTAL RETIREMENT FUNDS</b>	1,056,806 2.35%	84,234 0.19%	11,827,190 26.32%	0	19,110,249 42.53%	6,662,475 14.82%	6,196,170 13.79%	44,937,124 100%

<b>ASSIGNED RISK PLAN</b>	13,061 4.26%	0	239,880 78.28%	0	53,494 17.46%	0	0	306,435 100%
<b>ENVIRONMENTAL FUND</b>	9,784 2.13%	143,232 31.10%	0	307,500 66.77%	0	0	0	460,516 100%
<b>PERMANENT SCHOOL FUND</b>	11,223 1.66%	342,184 50.78%	0	320,486 47.56%	0	0	0	673,893 100%
<b>CLOSED LANDFILL INVESTMENT</b>	0	0	0	593 100.00%	0	0	0	593 100%
<b>TREASURERS CASH</b>	5,358,190 100.00%	0	0	0	0	0	0	5,358,190 100%
<b>HOUSING FINANCE AGENCY</b>	0	117,066 100.00%	0	0	0	0	0	117,066 100%
<b>MINNESOTA DEBT SERVICE FUND</b>	0	56,751 100.00%	0	0	0	0	0	56,751 100%
<b>MISCELLANEOUS ACCOUNTS</b>	170,705 28.83%	255,734 43.20%	0	165,604 27.97%	0	0	0	592,043 100%
<b>TOTAL CASH AND NON-RETIREMENT</b>	5,562,963 73.53%	914,967 12.09%	239,880 3.17%	794,183 10.50%	53,494 0.71%	0	0	7,565,487 100%
<b>GRAND TOTAL</b>	6,619,769 12.61%	999,201 1.90%	12,067,070 22.99%	794,183 1.51%	19,163,743 36.50%	6,662,475 12.69%	6,196,170 11.80%	52,502,611 100%



# **Tab B**

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

---

DATE: September 20, 2010

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 Fiscal Year 2010 is included as **Attachment A**. A report on the SBI's administrative budget for the Fiscal Year 2011 Year to Date is included as **Attachment B**.

A report on travel for the period from May 5, 2010 – August 4, 2010 is included as **Attachment C**.

### **2. Update on Sudan**

Each quarter, staff provides a report to the Board on steps taken to implement *Minnesota Statutes*, section 11A.243 that requires SBI actions concerning companies with operations in Sudan. Staff receives periodic reports from the Conflict Risk Network (CRN) 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 CRN. 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 CRN list and writes letters as required by law.

If after 90 days following the SBI's communication, a company continues to have active business operations in Sudan, 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.

There was no divestment activity required in the first quarter of 2010.

**Attachment D** is a copy of the June 8, 2010 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.

### **3. Update on Iran**

Each quarter, staff provides a report to the Board on steps taken to implement Laws of Minnesota 2009, Chapter 90, codified as *Minnesota Statutes*, section 11A.244 that requires SBI actions concerning companies with operations in Iran.

SBI subscribes to the Iran service provided by RiskMetrics and regularly receives a list of companies with operations in Iran. SBI received a new list of scrutinized companies for August 2010. See **Attachment F** for this list. Staff sent a letter dated August 4, 2010 (see **Attachment G**) to each domestic and international equity manager and fixed income manager with instructions that the managers may not purchase additional publicly traded securities of the companies. Staff receives monthly reports from the SBI's custodian bank concerning SBI holdings of companies on the restricted list and writes letters as required by law.

The first divestment of Iran holdings was made by July 31, 2010. The August 4, 2010 letter contained an updated list of companies requiring divestment.

According to the law, if after 90 days from the SBI's communication with the company, the company continues to have scrutinized business operations, the SBI must divest all publicly traded securities of the company according to following schedule:

- at least 50 percent shall be sold within nine months after the company appeared on the scrutinized list.
- 100 percent, within fifteen months after the company appeared on the scrutinized list.

### **4. Update on Cash Management**

As a matter of good business practice, staff has been attempting to update existing repurchase agreements with current counterparties with a goal of establishing a template with which to start negotiating with other counterparties. Of the counterparties contacted, all have balked at the state's terms or demanded terms to which the State cannot legally agree. Two of the contacted dealers no longer do business with the State due to the outdated agreements. Since then, staff has explored several alternatives for short term investments should the remaining counterparties also refuse to do repo business with the State.

At this time, staff believes the remaining repo counterparties offer sufficient capacity to meet the State's liquidity needs. Therefore, staff will continue to invest in repurchase agreements with them. However, if all remaining counterparties decide to no longer do repo business with the State, staff recommends utilizing State Street Bank to manage a short-term pool for the State's short term investment needs. Staff will keep the Board informed as this situation develops.

#### **5. Litigation Update**

SBI legal counsel will give the Board a verbal update on the status of the litigation at the Board meeting on September 27, 2010.

#### **6. State Street Bank**

In May 2008, after an RFP and review process, the Board entered into a new five year contract with State Street Bank to be its custodian bank. Since that date, there have been significant changes in the financial markets. One result of the changes is that State Street can no longer generate the income projected from securities lending to offset fees. In addition, staff has required additional services from the bank.

The SBI expects and needs continued high quality services from its custodian bank and should also be prepared to appropriately compensate the provider for those services.

#### **RECOMMENDATION:**

**Staff and the IAC recommend that staff be granted authority to renegotiate its contract with State Street Bank to ensure that the SBI continues to receive the high quality services the Board needs to operate effectively.**



## ATTACHMENT A

**STATE BOARD OF INVESTMENT  
FISCAL YEAR 2010 ADMINISTRATIVE BUDGET REPORT  
FISCAL YEAR 2010 FINAL**

ITEM	FISCAL YEAR 2010 BUDGET	FISCAL YEAR 2010 ACTUAL
<b>PERSONAL SERVICES</b>		
FULL TIME EMPLOYEES	\$ 2,923,000	\$ 2,826,721
PART TIME EMPLOYEES	\$ 75,000	\$ 68,752
SEVERENCE PAYOFF	20,000	0
WORKERS COMPENSATION INSURANCE	1,000	568
MISCELLANEOUS PAYROLL	4,000	0
<b>SUBTOTAL</b>	<b>\$ 3,023,000</b>	<b>\$ 2,896,041</b>
<b>STATE OPERATIONS</b>		
RENTS & LEASES	205,000	199,940
REPAIRS/ALTERATIONS/MAINTENANCE	10,000	8,624
PRINTING & BINDING	10,000	2,861
PROFESSIONAL/TECHNICAL SERVICES	0	0
COMPUTER SYSTEMS SERVICES	20,000	17,513
COMMUNICATIONS	30,000	29,882
TRAVEL, IN-STATE	3,000	172
TRAVEL, OUT-STATE	60,000	34,084
SUPPLIES	40,000	33,922
EQUIPMENT	25,000	18,098
EMPLOYEE DEVELOPMENT	20,000	9,440
OTHER OPERATING COSTS	10,000	8,473
<b>SUBTOTAL</b>	<b>\$ 433,000</b>	<b>\$ 363,009</b>
<b>TOTAL ADMINISTRATIVE BUDGET</b>	<b>\$ 3,456,000</b>	<b>\$ 3,259,050</b>

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ATTACHMENT B

STATE BOARD OF INVESTMENT  
 FISCAL YEAR 2011 ADMINISTRATIVE BUDGET REPORT  
 FISCAL YEAR TO DATE THROUGH JULY 31, 2010

ITEM	FISCAL YEAR 2011 BUDGET	FISCAL YEAR 2011 7/31/2010
<b>PERSONAL SERVICES</b>		
FULL TIME EMPLOYEES	\$ 2,845,000	\$ 239,883
PART TIME EMPLOYEES	\$ 69,000	\$ 5,812
SEVERENCE PAYOFF	0	0
WORKERS COMPENSATION INSURANCE	600	0
MISCELLANEOUS PAYROLL	0	0
<b>SUBTOTAL</b>	<b>\$ 2,914,600</b>	<b>\$ 245,695</b>
<b>STATE OPERATIONS</b>		
RENTS & LEASES	200,000	17,051
REPAIRS/ALTERATIONS/MAINTENANCE	10,000	0
PRINTING & BINDING	4,000	0
PROFESSIONAL/TECHNICAL SERVICES	0	0
COMPUTER SYSTEMS SERVICES	20,000	0
COMMUNICATIONS	29,000	180
TRAVEL, IN-STATE	900	0
TRAVEL, OUT-STATE	40,000	1,894
SUPPLIES	30,000	861
EQUIPMENT	10,000	0
EMPLOYEE DEVELOPMENT	5,000	370
OTHER OPERATING COSTS	9,000	97
<b>SUBTOTAL</b>	<b>\$ 357,900</b>	<b>\$ 20,453</b>
<b>TOTAL ADMINISTRATIVE BUDGET</b>	<b>\$ 3,272,500</b>	<b>\$ 266,148</b>





ATTACHMENT C

STATE BOARD OF INVESTMENT

Travel Summary by Date  
SBI Travel May 5, 2010 – August 4, 2010

<b>Purpose</b>	<b>Name(s)</b>	<b>Destination and Date</b>	<b>Total Cost</b>
<b>Conference:</b> Public Funds Summit East sponsored by: Opal Financial Group	H. Bicker	Newport, R.I. 7/20-7/23	\$642.40
<b>Conference:</b> Gopher/Badger Annual Conference sponsored by: Sentry Insurance Company	J. Griebenow M. McGirr	Stevens Point, WI 7/29-7/30	410.06



ATTACHMENT D

Letter to SBI International Equity Managers and Domestic Equity Managers

June 8, 2010

**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 equity portfolios managed by your organization and replaces all prior communications. This communication also applies to all depository receipts or ADR's of any of the listed companies.**

*Minnesota Statutes*, section 11A.243 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 changes to the List of Restricted Sudan Stocks that was attached to the March 18, 2010 letter you received. **This new list is effective June 11, 2010.**

- The following companies have been added to the restricted list:
  - Dongfeng Motor Group Co. Ltd.
  - JX Holdings, Inc.
  - PTT Exploration & Production PCL
  - Kunlun Energy Co. Ltd. (formerly CNPC Hong Kong)
  - China Avic Avionics Equipment Co. Ltd. (formerly Jiangxi Hongdu Aviation)
  
- The following companies have been removed from the restricted list:
  - Dongfeng Automotive Company Limited
  - Muhibbah Engineering Berhad
  - Nippon Oil Corporation
  - CNPC Hong Kong
  - Jiangxi Hongdu Aviation

**Attachment 2** is the List of Sudan Stocks Requiring Divestment. There are no changes to this list.

**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 has information on companies not on the restricted list.

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

Sincerely,

Teresa J. Richardson  
Assistant Executive Director

Enclosures

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

## ATTACHMENT 1

<b>Restricted Sudan Stocks</b>	
<b>Company Name</b>	<b>Country of Origin</b>
AviChina Industry & Technology Company Limited	China
Daqing Huake Group Company Limited	China
Dongfeng Motor Group Company Limited	China
Hafei Aviation Industry Company	China
Harbin Dongan Auto Engine Company	China
Jiangxi Changhe Automobile Company Limited	China
China Avic Avionics Equipment Co. Ltd. (formerly Jiangxi Hongdu Aviation)	China
Jinan Diesel Company Limited	China
PetroChina	China
Sinopec Corporation AKA China Petroleum and Chemical Corporation	China
Sinopec Shanghai Petrochemical Company Limited	China
Sinopec Yizheng Chemical Fibre Company Limited	China
Wuhan Boiler Company.	China
China North Industries Group Corporation AKA CNGC/Norinco	China
Norinco International Cooperation Limited	China
Kunlun Energy Co. Ltd. (formerly CNPC Hong Kong)	Hong Kong
Sinopec Kanton Holdings Limited	Hong Kong
Bongaigaon Refinery & Petrochemicals Limited AKA BRPL	India
Chennai Petroleum Corporation Ltd. AKA CPCL	India
Indian Oil Corporation Ltd. AKA IOCL	India
Lanka IOC Limited	India
Mangalore Refinery and Petrochemical Limited	India
Mercator Lines	India
Oil and Natural Gas Company AKA ONGC	India
Alstom Projects India Limited	India
Oil India Limited	India
Egypt Kuwaiti Holding Company	Egypt
Kingdream PLC	Egypt/China
AREF Energy Holding Company	Kuwait
ONA S.A.	Morocco
Managem	Morocco
Malaysia International Shipping Company AKA MISC Berhad	Malaysia
Petronas Gas Berhad	Malaysia
Petronas Dagangan Berhad	Malaysia
Ranhill Berhad	Malaysia
Scomi Group Berhad	Malaysia
Scomi Engineering Berhad	Malaysia

**ATTACHMENT 1**

**Restricted Sudan Stocks**

<b>Company Name</b>	<b>Country of Origin</b>
Electricity Generating PCL AKA EGCO	Thailand
PTT Public Company AKA PTT	Thailand
PTT Exploration & Production PCL	Thailand
Mercator Lines Singapore	Singapore
Alstom	France
Areva SA	France
Seadrill Limited	Bermuda
JX Holdings, Inc.	Japan

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

Source: Genocide Intervention Network

June 8, 2010

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
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
PTT Public Company Limited	Thailand	August 31, 2010	February 28, 2011
Seadrill Limited	Bermuda	August 31, 2010	February 28, 2011

Note: AKA means "Also Known As"

Source: Genocide Intervention Network

June 8, 2010









Company	Primary Company (Affiliate/Parent)	Exchange	Security Type	Security Name	Ticker	WPK Number	SEDL	CUSIP	ISIN	COMMON	CNE	Fonds/Use
SCHLUMBERGER LTD (NETHERLAND ANTILLES)	SCHLUMBERGER LTD	EN Amsterdam (XAMS)	Common Stock	SCHLUMBERGER LTD	SLBA NA	853390	477922 NL		981783	AN808571086	010104491	45433
SCHLUMBERGER LTD (NETHERLAND ANTILLES)	SCHLUMBERGER LTD	Frankfurt (XFWA)	Common Stock	SCHLUMBERGER LTD	SLB FP	853390	477922 DE		981783	AN808571086	010104491	
SCHLUMBERGER LTD (NETHERLAND ANTILLES)	SCHLUMBERGER LTD	EN Paris (XPAR)	Common Stock	SCHLUMBERGER LTD	SLB GP	853390	477922 FR		981783	AN808571086	010104491	
SCHLUMBERGER LTD (NETHERLAND ANTILLES)	SCHLUMBERGER LTD	Mexico (XMEC)	Common Stock	SCHLUMBERGER LTD	SLB MM	853390	8043L56 MX		981783	AN808571086	010104491	
SCHLUMBERGER LTD (NETHERLAND ANTILLES)	SCHLUMBERGER LTD	Euro Comp (XLON)	Common Stock	SCHLUMBERGER LTD	SLB EU	853390	779203			AN808571086	010104491	
SCHLUMBERGER LTD (NETHERLAND ANTILLES)	SCHLUMBERGER LTD	Buenos Floor (XBUE)	Receipt	SCHLUMBERGER LTD-CEDEAR CIE	SLB AU					ARDEUT111515		
SCHLUMBERGER LTD (NETHERLAND ANTILLES)	SCHLUMBERGER LTD	SIX Swiss Ex (XSWE)	Common Stock	SCHLUMBERGER LTD	SLB SW	853390	4532651 CH		981783	AN808571086	010104491	
SCHLUMBERGER LTD (NETHERLAND ANTILLES)	SCHLUMBERGER LTD	Euro Comp (XLON)	Common Stock	SCHLUMBERGER LTD	SLB EU	853390	779203			AN808571086	010104491	
SCHLUMBERGER LTD (NETHERLAND ANTILLES)	SCHLUMBERGER LTD	Buenos Floor (XBUE)	Receipt	SCHLUMBERGER LTD-CEDEAR	SLB AR					ARDEUT111515		
SCHLUMBERGER LTD (NETHERLAND ANTILLES)	SCHLUMBERGER LTD	Euro Comp (XLON)	Common Stock	SCHLUMBERGER LTD	SLB LI	853390	0779203 GB		981783	AN808571086	010104491	
SCHLUMBERGER LTD (NETHERLAND ANTILLES)	SCHLUMBERGER LTD	London Int'l (XLON)	Common Stock	SCHLUMBERGER LTD	SLB EO	853390	0779203 GB		981783	AN808571086	010104491	
SCHLUMBERGER LTD (NETHERLAND ANTILLES)	SCHLUMBERGER LTD	Euro OTC (XLON)	Common Stock	SCHLUMBERGER LTD	SCL PZ	853390	0779203 GB		981783	AN808571086	010104491	
SCHLUMBERGER LTD (NETHERLAND ANTILLES)	SCHLUMBERGER LTD	PLUS Mid Grn (XPLU)	Common Stock	SCHLUMBERGER LTD	SCL PZ	853390	0779203 GB		981783	AN808571086	010104491	
SCHLUMBERGER LTD (NETHERLAND ANTILLES)	SCHLUMBERGER LTD	Euro OTC (XLON)	Common Stock	SCHLUMBERGER LTD	SLEUR EO	853390	0779203 GB		981783	AN808571086	010104491	
SCHLUMBERGER LTD (NETHERLAND ANTILLES)	SCHLUMBERGER LTD	Buenos Floor (XBUE)	Receipt	SCHLUMBERGER LTD-CEDEAR BUS	SLB AR					ARDEUT111515		
SCOM ENGINEERING BERHAD	SCOM GROUP BERHAD	OTC US (OQTC)	Common Stock	SCOM GROUP BHD	SMF JF US	120745	809P31 US			MYL175800008	024633128	Y787T108
SCOM ENGINEERING BERHAD (MALAYSIA)	SCOM GROUP BERHAD	Kuala Lumpur (KLSE)	Common Stock	SCOM ENGINEERING BHD	SBE MK	903056	608452 MY			MYL738600007		7386
SCOM ENGINEERING BERHAD (MALAYSIA)	SCOM GROUP BERHAD	OTC US (OQTC)	Common Stock	SCOM ENGINEERING BHD	BLORF US	903056	903056			MYL738600007		Y7541G108
SCOM ENGINEERING BERHAD (MALAYSIA)	SCOM GROUP BERHAD	Kuala Lumpur (KLSE)	Common Stock	SCOM GROUP BHD	SOB MK	120745	809PKJ3 MY			MYL75800008		7158
SEADRILL LTD	SEADRILL LTD	OSELO (XOSL)	Common Stock	SEADRILL LTD	SORL NO	A0ERZO	828ZVNO GB			BMG79455E1057	022416162	
SEADRILL LTD	SEADRILL LTD	OTC US (OQTC)	Common Stock	SEADRILL LTD	SORL US	A0ERZO	828ZVNO GB			BMG79455E1057	022416162	
SEADRILL LTD	SEADRILL LTD	Frankfurt (XFWA)	Common Stock	SEADRILL LTD	SORL FP	A0ERZO	828ZVNO GB			BMG79455E1057	022416162	G794SE105
SEADRILL LTD	SEADRILL LTD	CH-X AB TS (CHX)	Common Stock	SEADRILL LTD	SORL IX	A0ERZO	828ZVNO GB			BMG79455E1057	022416162	
SEADRILL LTD	SEADRILL LTD	Euro OTC (XLON)	Common Stock	SEADRILL LTD	SORL EO	A0ERZO	828ZVNO GB			BMG79455E1057	022416162	
SEADRILL LTD	SEADRILL LTD	Euro Comp (XLON)	Common Stock	SEADRILL LTD	SORL EU	A0ERZO	828ZVNO GB			BMG79455E1057	022416162	
SEADRILL LTD	SEADRILL LTD	Euro Comp (XLON)	Common Stock	SEADRILL LTD	SORLEUR EU	A0ERZO	828ZVNO GB			BMG79455E1057	022416162	
SEADRILL LTD	SEADRILL LTD	Euro OTC (XLON)	Common Stock	SEADRILL LTD	SORLEUR EO	A0ERZO	828ZVNO GB			BMG79455E1057	022416162	
SEADRILL LTD	SEADRILL LTD	Euro Comp (XLON)	Common Stock	SEADRILL LTD	SORLGBX EU	A0ERZO	828ZVNO GB			BMG79455E1057	022416162	
SEADRILL LTD	SEADRILL LTD	Euro OTC (XLON)	Common Stock	SEADRILL LTD	SORLGBX EO	A0ERZO	828ZVNO GB			BMG79455E1057	022416162	
SEADRILL LTD	SEADRILL LTD	PLUS Mid Grn (XPLU)	Common Stock	SEADRILL LTD	SORL PZ	A0ERZO	828ZVNO GB			BMG79455E1057	022416162	
SEADRILL LTD	SEADRILL LTD	Euro Comp (XLON)	Common Stock	SEADRILL LTD	SORLJUD EU	A0ERZO	828ZVNO GB			BMG79455E1057	022416162	
SEADRILL LTD	SEADRILL LTD	Euro OTC (XLON)	Common Stock	SEADRILL LTD	SORLJUD EO	A0ERZO	828ZVNO GB			BMG79455E1057	022416162	
SEADRILL LTD	SEADRILL LTD	NSDQ OMX EUR (NURQ)	Common Stock	SEADRILL LTD	SORL NO	A0ERZO	828ZVNO GB			BMG79455E1057	022416162	
SEADRILL LTD	SEADRILL LTD	Euro OTC (XLON)	Common Stock	SEADRILL LTD	SORLGPB EO	A0ERZO	828ZVNO GB			BMG79455E1057	022416162	
SEADRILL LTD	SEADRILL LTD	BATS Europe (BATE)	Common Stock	SEADRILL LTD	SORL EB	A0ERZO	828ZVNO GB			BMG79455E1057	022416162	
SEADRILL LTD	SEADRILL LTD	NYSE ARCA Ew (DOWFT)	Common Stock	SEADRILL LTD	SORL NR	A0ERZO	828ZVNO GB			BMG79455E1057	022416162	
SEADRILL LTD	SEADRILL LTD	Stockholm (XSTO)	Common Stock	SEADRILL LTD	SORL SE	A0ERZO	828ZVNO GB			BMG79455E1057	022416162	
SEADRILL LTD	SEADRILL LTD	Turquoise (TRQX)	Common Stock	SEADRILL LTD	SORL TQ	A0ERZO	828ZVNO GB			BMG79455E1057	022416162	
SEADRILL LTD	SEADRILL LTD	Burgundy (BURG)	Common Stock	SEADRILL LTD	SORL BY	A0ERZO	828ZVNO GB			BMG79455E1057	022416162	
SEADRILL LTD	SEADRILL LTD	QUOTE MTF (GMTF)	Common Stock	SEADRILL LTD	SORL GM	A0ERZO	828ZVNO GB			BMG79455E1057	022416162	
SEADRILL LTD	SEADRILL LTD	LSE EuropeIS (XLON)	Common Stock	SEADRILL LTD	SORL LD	A0ERZO	828ZVNO GB			BMG79455E1057	022416162	
SHANGHAI ELECTRIC GROUP CO LTD (CHINA)	SHANGHAI ELECTRIC GROUP CO LTD	Hong Kong (XSHG)	Common Stock	SHANGHAI ELECTRIC GRP CO L-H	SORL LK	A0ERZO	828ZVNO GB			CNE10000437	021854387	
SHANGHAI ELECTRIC GROUP CO LTD (CHINA)	SHANGHAI ELECTRIC GROUP CO LTD	Frankfurt (XFWA)	Common Stock	SHANGHAI ELECTRIC GRP CO L-H	USGR	ADMYX	807ZG16 DE			CNE10000437	021854387	
SHANGHAI ELECTRIC GROUP CO LTD (CHINA)	SHANGHAI ELECTRIC GROUP CO LTD	OTC US (OQTC)	Common Stock	SHANGHAI ELECTRIC GRP CO L-H	SIEF US	ADMYX	808XV90 US			CNE10000437	021854387	Y78824104
SHANGHAI ELECTRIC GROUP CO LTD (CHINA)	SHANGHAI ELECTRIC GROUP CO LTD	Shanghai (XSHG)	Common Stock	SHANGHAI ELECTRIC GRP CO L-A	891727 CH	ADMYX	83FJXK CN			CNE10000306		
SHANGHAI ELECTRIC GROUP CO LTD (CHINA)	SHANGHAI ELECTRIC GROUP CO LTD	ADR	Common Stock	SHANGHAI ELECTRIC-UNSP ADR	SIEF US	ADMYX	83L2823 US			CNE10000306		
SHANGHAI MECHANICAL AND ELECTRICAL INDUSTRY CO LTD (CHINA)	SHANGHAI ELECTRIC GROUP CO LTD	Shanghai (XSHG)	Common Stock	SHANGHAI MECHANICAL AND EL-B	809295 CH	ADMJQU	8707438 CN		916599	CNE00000038		
SHANGHAI MECHANICAL AND ELECTRICAL INDUSTRY CO LTD (CHINA)	SHANGHAI ELECTRIC GROUP CO LTD	OTC US (OQTC)	Common Stock	SHANGHAI MECHANICAL AND EL-B	SHEP US	ADMJQU	802JZ06 US			CNE00000038		Y78911108
SHANGHAI MECHANICAL AND ELECTRICAL INDUSTRY CO LTD (CHINA)	SHANGHAI ELECTRIC GROUP CO LTD	Shanghai (XSHG)	Common Stock	SHANGHAI MECHANICAL AND ELEC	808535 CH	ADMJSA	8785511 CN			CNE00000891		
SHANGHAI MECHANICAL AND ELECTRICAL INDUSTRY CO LTD (CHINA)	SHANGHAI ELECTRIC GROUP CO LTD	OTC US (OQTC)	Common Stock	SHANGHAI MECHANICAL AND ELEC	SHEZF US	ADMJSA	8785511 CN			CNE00000891		Y78911116
TOTAL SA (FRANCE)	EN Paris (XPAR)	Common Stock	TOTAL SA	FP	850727	82N8XB6 FR		012027		FR0000120271	001179616	
TOTAL SA (FRANCE)	Xtra EU Srs (XETR)	Common Stock	TOTAL SA	TOTB BR	850727	815C9P7 DE		012027		FR0000120271	001179616	00532
TOTAL SA (FRANCE)	EN Brussels (XBRL)	Common Stock	TOTAL SA	FPB BB	850727	815C50E BE		012027		FR0000120271	001179616	00532
TOTAL SA (FRANCE)	EN Amsterdam (XAMS)	Common Stock	TOTAL SA	FPA NA	850727	815C702 NL		012027		FR0000120271	001179616	00532
TOTAL SA (FRANCE)	OTC US (OQTC)	Common Stock	TOTAL SA	TFPFP US	850727	815CVJ3 US		012027		FR0000120271	001179616	F92124100
TOTAL SA (FRANCE)	Milan (MTAA)	Common Stock	TOTAL SA	TOTM	850727	81908R1 IT		012027		FR0000120271	001179616	00532
TOTAL SA (FRANCE)	CH-X AB TS (CHX)	Common Stock	TOTAL SA	TOTF IK	850727	815C557 FR		012027		FR0000120271	001179616	00532
TOTAL SA (FRANCE)	SWX Elec (XSWX)	Common Stock	TOTAL SA	TOTF SW	850727	81YYWP3 CH		012027		FR0000120271	001179616	00532
TOTAL SA (FRANCE)	Euro Comp (XLON)	Common Stock	TOTAL SA	FP EU	850727	8128WJ1 GB				FR0000120271	001179616	00532
TOTAL SA (FRANCE)	EN Brussels (XBRL)	Common Stock	TOTAL SA-STRIP VWPB	TOTF BB	946112	815CLJ3 BE		8015E108	916490	BE0005554258	000855475	
TOTAL SA (FRANCE)	New York (DNYS)	ADR	TOTAL SA-SPON ADR	TOTF US	882930	268802 US				US8815E1091	010107385	
TOTAL SA (FRANCE)	Frankfurt (XFWA)	ADR	TOTAL SA-SPON ADR	TOTF AR	882930	4247632 DE		8815E108	916480	US8815E1091	010107385	
TOTAL SA (FRANCE)	Buenos Floor (XBUE)	Receipt	TOTAL SA-CEDEAR	TOTF AR		2646220 AR				ARDEUT112075		
TOTAL SA (FRANCE)	Buenos Floor (XBUE)	Receipt	TOTAL SA-CIE	TOTF AR		2646220 AR				ARDEUT112075		
TOTAL SA (FRANCE)	Mexico (XMEC)	ADR	TOTAL SA-SPON ADR	TOTF AR		2646220 AR				ARDEUT112075		
TOTAL SA (FRANCE)	BATS Europe (BATE)	Common Stock	TOTAL SA	FP EB	850727	815C557 FR			916490	FR0000120271	010107385	
TOTAL SA (FRANCE)	Euro OTC (XLON)	Common Stock	TOTAL SA	FP BQ	850727	815C587 FR		012027		FR0000120271	001179616	00532
TOTAL SA (FRANCE)	Euro Comp (XLON)	Common Stock	TOTAL SA	FP EO	850727	8128WJ1 GB				FR0000120271	001179616	
TOTAL SA (FRANCE)	Euro OTC (XLON)	Common Stock	TOTAL SA	FPGB EU	850727	8128WJ1 GB				FR0000120271	001179616	
TOTAL SA (FRANCE)	PLUS Mid Grn (XPLU)	Common Stock	TOTAL SA	FPFZ	850727	8128WJ1 GB		012027		FR0000120271	001179616	
TOTAL SA (FRANCE)	Euro OTC (XLON)	Common Stock	TOTAL SA	FPGB EU	850727	8128WJ1 GB				FR0000120271	001179616	
TOTAL SA (FRANCE)	Euro Comp (XLON)	Common Stock	TOTAL SA	FPJSD EU	850727	8128WJ1 GB				FR0000120271	001179616	
TOTAL SA (FRANCE)	Euro OTC (XLON)	Common Stock	TOTAL SA	FTI LU	850727	8128WJ1 GB		012027		FR0000120271	001179616	
TOTAL SA (FRANCE)	London Int'l (XLON)	Common Stock	TOTAL SA	FTA LU	850727	815C587 FR		012027		FR0000120271	001179616	
TOTAL SA (FRANCE)	Turquoise (TRQX)	Common Stock	TOTAL SA	FP NQ	850727	815C557 FR		012027		FR0000120271	001179616	
TOTAL SA (FRANCE)	NSDQ OMX EUR (NURQ)	Common Stock	TOTAL SA	FPCH FR	850727	8128WJ1 GB				FR0000120271	001179616	
TOTAL SA (FRANCE)	Euro Comp (XLON)	Common Stock	TOTAL SA	FPCH EU	850727	8128WJ1 GB				FR0000120271	001179616	
TOTAL SA (FRANCE)	Euro OTC (XLON)	Common Stock	TOTAL SA	FPNOK EO	850727	8128WJ1 GB				FR0000120271	001179616	
TOTAL SA (FRANCE)	Euro Comp (XLON)	Common Stock	TOTAL SA	FPNOK EU	850727	8128WJ1 GB				FR0000120271	001179616	
TOTAL SA (FRANCE)	Euro OTC (XLON)	Common Stock	TOTAL SA	FPALD EU	850727	8128WJ1 GB				FR0000120271	001179616	
TOTAL SA (FRANCE)	Euro Comp (XLON)	Common Stock	TOTAL SA-STRIP VWPB	FPALD EU	850727	8128WJ1 GB				FR0000120271	001179616	
TOTAL SA (FRANCE)	New York (DNYS)	ADR	TOTAL SA-STRIP VWPB	TOTF US	946112	815CLJ3 BE				BE0005554258	000855475	
TOTAL SA (FRANCE)	Buenos Floor (XBUE)	Receipt	TOTAL SA-SUS	TOTD AR		2646220 AR				ARDEUT112075		
TOTAL SA (FRANCE)	Euro OTC (XLON)	Common Stock	TOTAL SA	FPZAR EU	850727	8128WJ1 GB				FR0000120271	001179616	
TOTAL SA (FRANCE)	Euro Comp (XLON)	Common Stock	TOTAL SA	FPZAR EU	850727	8128WJ1 GB				FR0000120271	001179616	
TOTAL SA (FRANCE)	Nairobi (NBAI)	Common Stock	TOTAL KENYA LTD	TRNL KN		899107 KE				KE000000463		
WARTSILA OYJ (FINLAND)	Burgundy (BURG)	Common Stock	WARTSILA OYJ	WRTV BY	881050							



## ATTACHMENT E

### Genocide Intervention Network List of "Highest Offenders" Companies in Sudan List Effective Through August 31, 2010

Company Name	Country of Origin
China National Petroleum Corporation AKA CNPC	China
Jinan Diesel Co. Ltd.	China
Daqing Huake Group Co. Ltd.	China
PetroChina	China
KunLun Energy Co. Ltd. (formerly 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 Energy Holding Company	Kuwait
Egypt Kuwaiti Holding Company	Egypt
Ranhill Berhad	Malaysia
China North Industries Corporation AKA Norinco	China
Norinco International Cooperation Ltd.	China
AviChina Industry & Technology Company, Ltd.	China
China Avic Avionics Equipment Co. Ltd. (formerly Jiangxi Hongdu Aviation AKA Hongdu Aviation)	China
Hafei Aviation Industry	China
Jiangxi Changhe Automobile Co.	China
Harbin Dongan Auto Engine Co.	China
China Hydraulic and Hydroelectric Construction Group AKA Sinohydro	China
Mercator Lines	India
Mercator Lines Singapore	Singapore
Dongfeng Motor Group 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
Oil India Limited	India
Scomi Group Berhad	Malaysia
Scomi Engineering Berhad	Malaysia
Alstom	France
Alstom Projects India Ltd	India
Wuhan Boiler Company	France
Electricity Generating Company Limited AKA EGCO	Thailand
ONA S.A.	Morocco
Managem	Morocco
PTT Public Company, Limited AKA PTT	Thailand
PTT Exploration & Production PCL	Thailand
Seadrill Limited	Bermuda
JX Holdings, Inc.	Japan

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

**Genocide Intervention Network List of Companies in Sudan for "Ongoing Engagement"**  
**List Effective Through August 31, 2010**

<b><u>Company Name</u></b>	<b><u>Country of Origin</u></b>
Shanghai Electric Group Company, Ltd..	China
Harbin Power Equipment Company Limited	China
China Poly Group Corporation	China
Bharat Electronics Limited	India
Bharat Heavy Electricals	India
Essar Oil	India
Citadel Capital	Egypt
Lundin International SA	France
Saras S.p.A.	Italy
Atlas Copco AB	Sweden
Lundin Petroleum AB	Sweden
Andritz VA Tech Hydro	Austria
Man SE	Germany
GAZ Group	Russia
Yaroclavsky Diesel Equipment Plant Oao	Russia
Kamaz	Russia

**Genocide Intervention Network List of Companies in Sudan with No Publicly Traded Equity**  
**List Effective Through August 31, 2010**

<b><u>Company Name</u></b>	<b><u>Country of Origin</u></b>
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
China National Machinery and Equipment Import Export Corporation (CMEC)	China
China Petroleum Engineering Company AKA CPEC	China
Coyne et Bellier	France
Dindir Petroleum International/Edgo Group	Jordan
Express Petroleum and Gas Company	Nigeria
GIAD Industrial City	Sudan
Glencore International AG	Switzerland
H Oil Group	Spain
Harbin Power Engineering AKA HPE	China
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
Mott MacDonald	UK
Petrolin	Gabon
Petronneeds 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
Star Petroleum	Spain
Sudan Petroleum Company AKA Sudapet	Sudan
Tamoil	Libya
Trafigura Beheer	Netherlands
Vitol Group	Switzerland
Zaver Petroleum Corporation Ltd.	Pakistan

Source: Genocide Intervention Network

June 4, 2010





ATTACHMENT F

ATTACHMENT 1

LIST OF SCRUTINIZED IRAN COMPANIES

<b>COMPANY</b>	<b>COUNTRY</b>
China Petroleum & Chemical Corporation	China
CNOOC Ltd	Hong Kong
Costain Group PLC	UK
Daelim Industrial Company Limited	South Korea
Edison SpA	Italy
Gazprom Neft Oao	Russia
Gazprom Oao	Russia
Hyundai Engineering & Construction Co., Ltd.	South Korea
Indian Oil Corporation Ltd.	India
JGC Corporation	Japan
KunLun Energy Company Limited	Hong Kong
L'Air Liquide SA	France
Liquefied Natural Gas Ltd	Australia
Oil and Natural Gas Corporation Limited	India
OMV Aktiengesellschaft	Austria
PetroChina Company Limited	China
Petronas Dagangan Bhd	Malaysia
Petronas Gas Berhad	Malaysia
PTT Exploration and Production Public Company Ltd	Thailand
PTT Public Company Limited	Thailand
Royal Dutch Shell Plc	Netherlands
Saipem S.p.A.	Italy
Sasol Limited	South Africa
Sinopec Kantons Holdings Ltd.	Hong Kong
Sinopec Shanghai Petrochemical Company Ltd	China
Statoil ASA	Norway
Technip	France
Trevi-Finanziaria Industriale S.p.A.	Italy

August 4, 2010



ATTACHMENT G

Letter to SBI International Equity Managers and Domestic Equity Managers

August 4, 2010

**Regarding: Iran Companies**

Dear Manager:

Laws of Minnesota 2009, Chapter 90, codified as *Minnesota Statutes*, section 11A.244, required the Minnesota State Board of Investment (SBI) to implement an Iran restriction. **This communication applies to all SBI equity portfolios managed by your organization. This communication also applies to all depository receipts or ADR's of any of the listed companies.**

**Attachment 1** is the List of Restricted Iran Companies. Securities of these companies **may not be purchased** for the SBI portfolio that your organization manages. Please note that the attached List makes changes to the List of Restricted Iran Companies that was attached to the June 2, 2010 letter you received. **This new list is effective August 9, 2010.**

- Two companies have been removed from the restricted list:
  - GAIL (India) Limited
  - Welspun Corporation Limited

**Attachment 1** has select company security identifiers that may help your organization identify prohibited securities. However, this list does not include all identifiers for the restricted companies. It is your organization's responsibility to identify all listings of the companies on the Restricted List and not to purchase any listing of these companies.

**Attachment 2** is the List of Iran Companies Requiring Divestment.

- The following companies have been added to the divestment list:
  - JGC Corporation
  - PTT Exploration and Production Public Company Limited
  - Saipem S.p.A.
  - Technip

**If you own securities of companies on the List of Iran Companies Requiring Divestment in the SBI portfolio that your company manages, then you must divest those holdings** according to the schedule 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.

If you have any questions about this matter, please contact Tammy Brusehaver or Patricia Ammann, Domestic Equities; Stephanie Gleeson, Manager, International 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  
Stephanie Gleeson, Manager, International Equities

**ATTACHMENT 1**  
**RESTRICTED IRAN COMPANIES**

<b>COMPANY</b>	<b>ID</b>	<b>TICKER</b>	<b>CUSIP</b>	<b>SEDOL</b>	<b>ISIN</b>	<b>COUNTRY</b>
China Petroleum & Chemical Corporation	IID000000002161850	386	16941R108	6373728	CNE0000018G1	China
CNOOC Ltd	IID000000002140797	883	126132109	B00G0S5	HK0883013259	Hong Kong
Costain Group PLC	IID000000002133808	COST		0227218	GB0002272184	UK
Daelim Industrial Company Limited	IID000000002163524	000210	EF8583876	6249584	KR7000210005	South Korea
Edison SpA	IID000000002164934	EDN		7513578	IT0003152417	Italy
Gazprom Neft Oao	IID000000002145433	SIBN	36829G107	B59L417	RU0009062467	Russia
Gazprom Oao	IID000000002167503	GAZP	368287207	B59L4L7	RU0007661625	Russia
Hyundai Engineering & Construction Co., Ltd.	IID000000002169828	000720		6450988	KR7000720003	South Korea
Indian Oil Corporation Ltd.	IID000000002170424	530965	Y3925YAB0	6253767	INE242A01010	India
JGC Corporation	IID000000002171605	1963	466140100	6473468	JP3667600005	Japan
KunLun Energy Company Limited	IID000000002160624	135	50126A101	6340078	BMG5320C1082	Hong Kong
L'Air Liquide SA	IID000000002124820	AI	009126202	B1YXBJ7	FR0000120073	France
Liquefied Natural Gas Ltd	IID000000002124395	LNG		B02L5H2	AU000000LNG0	Australia
Oil and Natural Gas Corporation Limited	IID000000002178040	500312		6139362	INE213A01011	India
OMV Aktiengesellschaft	IID000000002127907	OMV	670875509	4651459	AT0000743059	Austria
PetroChina Company Limited	IID000000002179403	601857	71646E100	B28SLD9	CNE1000007Q1	China
Petronas Dagangan Bhd	IID000000002179442	PETDAG		6695938	MYL56810O001	Malaysia
Petronas Gas Berhad	IID000000002178591	6033s		6703972	MYL60330O004	Malaysia
PTT Exploration and Production Public Company Ltd	IID000000002178717	PTTEP-F	69364V106	B1359K1	TH0355A10Z04	Thailand
PTT Public Company Limited	IID000000002136205	PTT	Y71548BF0	6420390	TH0646010015	Thailand
Royal Dutch Shell Plc	IID000000002137074	RDSB	780259206	B03MLX2	GB00B03MLX29	Netherlands
Saipem S.p.A.	IID000000002127281	SPM	79376W208	4768768	IT0000068525	Italy
Sasol Limited	IID000000002129090	SOL	803866102	6777450	ZAE000006896	South Africa
Sinopec Kantons Holdings Ltd.	IID000000002149237	934	G8165U100	6162692	BMG8165U1009	Hong Kong
Sinopec Shanghai Petrochemical Company Ltd	IID000000002133087	600688	82935M109	6802794	CNE000000BB2	China
Statoil ASA	IID000000002184880	STL	85771P102	7133608	NO0010096985	Norway
Technip	IID000000002186315	TEC	878546209	4874160	FR0000131708	France
Trevi-Finanziaria Industriale S.p.A.	IID000000002145536	TFI		5731446	IT0001351383	Italy

August 4, 2010

## ATTACHMENT 2

### LIST OF IRAN COMPANIES REQUIRING DIVESTMENT

<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>
CNOOC Ltd	China	July 31, 2010	January 31, 2011
Gazprom Oao	Russia	July 31, 2010	January 31, 2011
L' Air Liquide	France	July 31, 2010	January 31, 2011
OMV AG	Austria	July 31, 2010	January 31, 2011
Royal Dutch Shell PLC	U.K.	July 31, 2010	January 31, 2011
Sasol Ltd	South Africa	July 31, 2010	January 31, 2011
Statoil Hydro ASA	Norway	July 31, 2010	January 31, 2011

JGC Corporation	Japan	January 28, 2011	July 28, 2011
PTT Exploration and Production Public Company Limited	Thailand	January 28, 2011	July 28, 2011
Saipem S.p.A.	Italy	January 28, 2011	July 28, 2011
Technip	France	January 28, 2011	July 28, 2011

August 4, 2010

Letter to Fixed Income Managers

August 4, 2010

### **Regarding Iran Companies**

Dear Manager:

Laws of Minnesota 2009, Chapter 90, codified as *Minnesota Statutes*, section 11A.244, required the Minnesota State Board of Investment (SBI) to implement an Iran restriction. **This communication applies to the SBI fixed income portfolio managed by your organization.**

**Attachment 1** is the List of Restricted Iran Companies. Securities of these companies **may not be purchased** for the SBI portfolio that your organization manages. Please note that the attached List makes changes to the List of Restricted Iran Companies that was attached to the June 2, 2010 letter you received. **This new list is effective August 9, 2010.**

- Two companies have been removed from the restricted list:
  - GAIL (India) Limited
  - Welspun Corporation Limited

**Attachment 2** is the List of Iran Companies Requiring Divestment.

- The following companies have been added to the divestment list:
  - JGC Corporation
  - PTT Exploration and Production Public Company Limited
  - Saipem S.p.A.
  - Technip



**If you own securities of companies on the List of Iran Companies Requiring Divestment in the SBI portfolio that your company manages, then you must divest those holdings** according to the schedule 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.

If you have any questions about this matter, please contact J. J. Kirby, Portfolio Manager, Long-Term Debt; or James E. Heidelberg, Manager, Public Programs.

Sincerely,

Teresa J. Richardson  
Assistant Executive Director

Enclosures

cc.: James E. Heidelberg, Manager, Public Programs  
Steve Kuettel, Manager, Short-Term Debt  
J. J. Kirby, Portfolio Manager, Long-Term Debt

**ATTACHMENT 1**  
**RESTRICTED IRAN COMPANIES**

<b>COMPANY</b>	<b>COUNTRY</b>
China Petroleum & Chemical Corporation	China
CNOOC Ltd	Hong Kong
Costain Group PLC	UK
Daelim Industrial Company Limited	South Korea
Edison SpA	Italy
Gazprom Neft Oao	Russia
Gazprom Oao	Russia
Hyundai Engineering & Construction Co., Ltd.	South Korea
Indian Oil Corporation Ltd.	India
JGC Corporation	Japan
KunLun Energy Company Limited	Hong Kong
L'Air Liquide SA	France
Liquefied Natural Gas Ltd	Australia
Oil and Natural Gas Corporation Limited	India
OMV Aktiengesellschaft	Austria
PetroChina Company Limited	China
Petronas Dagangan Bhd	Malaysia
Petronas Gas Berhad	Malaysia
PTT Exploration and Production Public Company Ltd	Thailand
PTT Public Company Limited	Thailand
Royal Dutch Shell Plc	Netherlands
Saipem S.p.A.	Italy
Sasol Limited	South Africa
Sinopec Kantons Holdings Ltd.	Hong Kong
Sinopec Shanghai Petrochemical Company Ltd	China
Statoil ASA	Norway
Technip	France
Trevi-Finanziaria Industriale S.p.A.	Italy

August 4, 2010

## ATTACHMENT 2

### LIST OF IRAN COMPANIES REQUIRING DIVESTMENT

<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>
CNOOC Ltd	China	July 31, 2010	January 31, 2011
Gazprom Oao	Russia	July 31, 2010	January 31, 2011
L' Air Liquide	France	July 31, 2010	January 31, 2011
OMV AG	Austria	July 31, 2010	January 31, 2011
Royal Dutch Shell PLC	U.K.	July 31, 2010	January 31, 2011
Sasol Ltd	South Africa	July 31, 2010	January 31, 2011
Statoil Hydro ASA	Norway	July 31, 2010	January 31, 2011

JGC Corporation	Japan	January 28, 2011	July 28, 2011
PTT Exploration and Production Public Company Limited	Thailand	January 28, 2011	July 28, 2011
Saipem S.p.A.	Italy	January 28, 2011	July 28, 2011
Technip	France	January 28, 2011	July 28, 2011

August 4, 2010

# **Tab C**

## INVESTMENT ADVISORY COUNCIL REPORT

---

DATE: September 20, 2010

TO: Members, State Board Investment

FROM: **Members, Investment Advisory Council**

The Investment Advisory Council met on Tuesday, August 17, 2010 to consider the following agenda items:

- Review the manager performance for the period ending June 30, 2010.
- Update on the potential use of customized MSCI benchmarks in the International Equity program.

**Action is required by the SBI on the last item.**

### INFORMATION ITEMS:

**1. Review the manager performance for the period ending June 30, 2010.**

- ***Domestic Equity Program***

For the period ending June 30, 2010, the **Domestic Equity Program** outperformed for the year and underperformed over the quarter, three and five-year time periods.

<b>Time period</b>	<b>Total Program</b>	<b>Russell 3000</b>
<b>Quarter</b>	-11.5%	-11.3%
<b>1 Year</b>	15.8%	15.7%
<b>3 Years</b>	-9.7%	-9.5%
<b>5 Years</b>	-0.8%	-0.5%

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 June 30, 2010, the **Fixed Income Program** outperformed for the quarter and the year and underperformed over the three and five-year time periods.

<b>Time period</b>	<b>Total Program</b>	<b>Barclays Capital Aggregate</b>
<b>Quarter</b>	3.6%	3.5%
<b>1 Year</b>	14.5%	9.5%
<b>3 Years</b>	7.0%	7.5%
<b>5 Years</b>	5.4%	5.5%

The performance evaluation reports for the fixed income managers start on the **blue page A-87** of this Tab.

- **International Equity Program**

For the period ending June 30, 2010, the **International Equity Program** outperformed over all time periods.

<b>Time Period</b>	<b>Total Program</b>	<b>Int'l Equity Asset Class Target*</b>
<b>Quarter</b>	-11.5%	-12.4%
<b>1 Year</b>	11.7%	10.4%
<b>3 Year</b>	-10.4%	-10.6%
<b>5 Year</b>	3.8%	3.4%

\* 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 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-101** of this Tab.

## **ACTION ITEM:**

### **2. Update on the potential use of customized MSCI benchmarks in the International Equity program.**

As outlined last quarter, the SBI staff is considering whether or not to recommend the use of customized market indices as the asset class target, and as individual investment manager benchmarks in the SBI's International Equity Program. The need to consider this issue has arisen as a result of the Board-mandated and legislatively-mandated investment restrictions including tobacco companies, and companies with activities in Sudan and Iran. These restrictions represent significant percentages of indexes against which the performance of the SBI's asset class investments and the individual investment managers are being benchmarked/measured, but in which the SBI may not invest.

Since the last IAC meeting, the SBI's Iran Restricted List was updated to reflect deletions from the list. As previously mentioned, the third-party provider of the Iran and tobacco restricted lists, RiskMetrics, recently merged with KLD, another provider of this type of research. The recent updates to the Iran Restricted List were due to the consolidation of research following this merger, and subsequent corrections to the research. As a result of these changes, over the 2Q10, the average index weight in the MSCI World ex US index of the SBI's tobacco, Sudan and Iran restrictions was 4.1% versus 6.0% without any changes (see **Appendix 1**). The index weight of the Iran restrictions declined from 4.8% to 2.9% with the recent deletions from the Iran Restricted List. There were no changes to the tobacco and Sudan restricted lists. The impact on the average index weights in the MSCI Emerging Markets index of the SBI's tobacco, Sudan and Iran restrictions following the updates to the Iran Restricted List was much less significant, since only one index name was removed from the list (see **Appendix 2**).

Staff consulted the SBI's external international equity investment managers, and determined that a majority of the managers do not want to be benchmarked to a custom MSCI index and would bill back the SBI for all associated costs should this be mandated by the SBI.

## **RECOMMENDATION:**

**At this time, Staff does not recommend the use of customized MSCI market indices as the asset class target, and as individual investment manager benchmarks in the SBI's International Equity Program. Staff will continue to evaluate, based on updates to the various restricted lists, whether or not it makes sense to subscribe to MSCI custom index data (while not necessarily mandating custom indexes as manager benchmarks) to provide the SBI with returns against which to evaluate manager and program performance in the event that these restrictions begin to have a significantly adverse effect on performance. (At this time, the Iran divestment schedule does not mandate full divestment of restricted securities until January 31, 2011.)**

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**APPENDIX 1**

**Performance Attribution**

MSCI World Ex-United States vs. MSCI World Ex-United States  
3/31/2010 to 6/30/2010  
U.S. Dollar

Restricted List	
Iran	
Sudan	
Tobacco	

MNSBI Sector		Average Weight	Total Return To	Contribution To Return -USD	Contribution To Return (Local)
<b>Consumer Discretionary</b>		<b>9.49</b>	<b>-9.87</b>	<b>-0.98</b>	<b>-0.86</b>
<b>Consumer Staples</b>		<b>9.40</b>	<b>-7.69</b>	<b>-0.67</b>	<b>-0.37</b>
Beverages		1.75	-6.74	-0.11	-0.04
Food & Staples Retailing		2.41	-10.58	-0.26	-0.15
Food Products		3.24	-5.88	-0.16	-0.07
Household Products		0.47	-10.54	-0.05	-0.03
Personal Products		0.46	-4.31	-0.02	-0.00
Tobacco		1.06	-8.49	-0.07	-0.07
JAPAN		0.14	-15.69	-0.02	-0.03
	Japan Tobacco Inc.	0.14	-15.69	-0.02	-0.03
	SWEDEN	0.05	-6.26	-0.00	0.00
	Swedish Match AB	0.05	-6.26	-0.00	0.00
	UNITED KINGDOM	0.87	-7.41	-0.05	-0.04
	British American Tobacco	0.60	-7.23	-0.03	-0.03
	Imperial Tobacco Group	0.27	-7.80	-0.02	-0.02
<b>Energy</b>		<b>9.69</b>	<b>-19.21</b>	<b>-1.92</b>	<b>-1.51</b>
Energy Equipment & Services		0.55	-19.30	-0.11	-0.07
AUSTRALIA		0.04	-19.69	-0.01	-0.01
CANADA		0.03	-17.81	-0.01	-0.00
FRANCE		0.10	-30.34	-0.03	-0.02
	CGG Veritas	0.03	-36.43	-0.01	-0.01
	Technip S.A.	0.07	-27.10	-0.02	-0.01
ITALY		0.09	-19.00	-0.02	-0.01
	Saipem S.p.A.	0.09	-19.00	-0.02	-0.01
NETHERLANDS		0.06	-26.19	-0.02	-0.01
NORWAY		0.01	-15.13	-0.00	-0.00
UNITED KINGDOM		0.08	5.45	0.01	0.01
[Unassigned]		0.15	-18.61	-0.03	-0.01
	Seadrill Ltd.	0.06	-19.34	-0.01	-0.01
	Tenaris S.A.	0.09	-18.19	-0.02	-0.01
Oil & Gas		0.02	-11.27	-0.00	-0.00
Oil Gas & Consumable Fuels		9.12	-19.22	-1.81	-1.44
AUSTRALIA		0.45	-18.76	-0.09	-0.05
AUSTRIA		0.05	-17.05	-0.01	-0.00
	OMV AG	0.05	-17.05	-0.01	-0.00
CANADA		2.67	-9.37	-0.24	-0.13
FINLAND		0.02	-15.06	-0.00	-0.00
FRANCE		1.02	-20.41	-0.21	-0.12
GREECE		0.01	-35.35	-0.00	-0.00
HONG KONG		0.01	-23.62	-0.00	-0.00
ITALY		0.51	-18.91	-0.10	-0.05
JAPAN		0.25	-3.37	-0.01	-0.03
	Inpex Corp.	0.05	-23.44	-0.01	-0.02
	Japan Petroleum Explor	0.01	-18.58	-0.00	-0.00
	JX Holdings Inc.	0.11	6.40	0.00	-0.00
	TonenGeneral Sekiyu K	0.02	5.37	0.00	0.00
	Idemitsu Kosan Co. Ltd.	0.02	0.22	-0.00	-0.00
	Cosmo Oil Co. Ltd.	0.01	-0.01	-0.00	-0.00
	Showa Shell Sekiyu K.K	0.01	4.11	0.00	-0.00
NORWAY		0.23	-13.17	-0.03	-0.01
	Statoil ASA	0.23	-13.17	-0.03	-0.01
PORTUGAL		0.03	-12.59	-0.00	0.00
SPAIN		0.15	-13.94	-0.02	-0.01
SWEDEN		0.01	-32.11	-0.00	-0.00
UNITED KINGDOM		3.71	-27.03	-1.10	-1.03
	BG Group PLC	0.52	-12.49	-0.06	-0.05
	Royal Dutch Shell PLC	0.68	-10.08	-0.08	-0.07
	Royal Dutch Shell PLC	0.94	-11.11	-0.11	-0.10
	BP PLC	1.35	-50.08	-0.82	-0.79
	Tullow Oil PLC	0.14	-20.62	-0.03	-0.03
	Cairn Energy PLC	0.08	-1.87	0.00	0.00
<b>Financials</b>		<b>25.93</b>	<b>-16.78</b>	<b>-4.43</b>	<b>-3.50</b>
<b>Health Care</b>		<b>7.48</b>	<b>-9.74</b>	<b>-0.64</b>	<b>-0.45</b>
<b>Industrials</b>		<b>11.49</b>	<b>-11.04</b>	<b>-1.29</b>	<b>-1.06</b>
Aerospace & Defense		0.69	-10.18	-0.06	-0.04
Air Freight & Logistics		0.31	-13.09	-0.04	-0.02
Airlines		0.22	-11.80	-0.03	-0.02
Building Products		0.54	-14.22	-0.08	-0.08
Commercial Services & Supplies		0.47	-9.33	-0.05	-0.05
Construction & Engineering		0.82	-21.23	-0.18	-0.13
AUSTRALIA		0.04	-31.69	-0.02	-0.01
CANADA		0.07	-17.77	-0.01	-0.01
FRANCE		0.32	-24.34	-0.08	-0.05
GERMANY		0.03	-27.11	-0.01	-0.01
JAPAN		0.14	-12.11	-0.02	-0.03
	Kinden Corp.	0.01	-2.17	-0.00	-0.00
	Shimizu Corp.	0.02	-17.15	-0.00	-0.00
	JGC Corp.	0.03	-13.65	-0.01	-0.01
	Kajima Corp.	0.02	-6.39	-0.00	-0.00

**APPENDIX 1**

**Performance Attribution**

MSCI World Ex-United States vs. MSCI World Ex-United States  
3/31/2010 to 6/30/2010  
U.S. Dollar

Restricted List	
Iran	
Sudan	
Tobacco	

MNSBI Sector		Average Weight	Total Return	Contribution To Return -USD	Contribution To Return (Local)
	Taisei Corp.	0.02	-8.25	-0.00	-0.00
	Obayashi Corp.	0.03	-9.67	-0.00	-0.00
	Chiyoda Corp.	0.01	-25.65	-0.00	-0.00
NETHERLANDS		0.03	5.75	0.00	0.00
SPAIN		0.10	-27.41	-0.03	-0.02
SWEDEN		0.06	-17.17	-0.01	-0.01
UNITED KINGDOM		0.03	-17.23	-0.00	-0.00
Electrical Equipment		1.40	-16.61	-0.23	-0.20
DENMARK		0.10	-22.88	-0.03	-0.02
FRANCE		0.38	-14.49	-0.05	-0.02
	Schneider Electric S.A.	0.24	-11.14	-0.02	-0.00
	Alstom S.A.	0.10	-24.74	-0.03	-0.02
	LeGrand S.A.	0.03	-3.27	-0.00	0.00
ISRAEL-DOMESTIC		0.00	7.77	0.00	0.00
ITALY		0.02	-24.76	-0.00	-0.00
JAPAN		0.48	-13.08	-0.07	-0.09
SPAIN		0.02	-36.69	-0.01	-0.01
SWITZERLAND		0.40	-19.60	-0.08	-0.07
Industrial Conglomerates		1.53	-8.49	-0.12	-0.03
Machinery		2.14	-6.10	-0.15	-0.13
Marine		0.37	0.14	-0.00	0.00
Professional Services		0.36	-7.60	-0.03	-0.02
Road & Rail		1.21	-2.77	-0.04	-0.05
Trading Companies & Distributors		1.07	-18.14	-0.21	-0.25
Transportation Infrastructure		0.35	-18.34	-0.07	-0.04
Information Technology		5.08	-15.99	-0.87	-0.86
Materials		11.21	-15.81	-1.74	-1.35
Chemicals		3.18	-14.20	-0.45	-0.34
AUSTRALIA		0.13	-17.78	-0.02	-0.01
BELGIUM		0.09	-15.00	-0.01	-0.00
CANADA		0.37	-28.50	-0.11	-0.10
DENMARK		0.05	-3.08	-0.00	0.00
FRANCE		0.27	-7.55	-0.01	0.01
	Air Liquide S.A.	0.27	-7.55	-0.01	0.01
GERMANY		0.76	-10.43	-0.07	-0.01
ISRAEL-DOMESTIC		0.03	-3.60	-0.00	-0.00
JAPAN		0.90	-13.36	-0.13	-0.18
NETHERLANDS		0.18	-6.63	-0.01	0.00
NORWAY		0.06	-33.50	-0.02	-0.02
SWITZERLAND		0.29	-11.58	-0.03	-0.03
UNITED KINGDOM		0.05	-14.02	-0.01	-0.01
Construction Materials		0.66	-15.51	-0.11	-0.06
Containers & Packaging		0.13	-6.19	-0.01	-0.00
Metals & Mining		6.96	-17.12	-1.16	-0.94
Paper & Forest Products		0.29	-6.05	-0.02	-0.00
Telecommunication Services		5.18	-9.37	-0.44	-0.23
Utilities		5.06	-12.99	-0.65	-0.46
[Unassigned]		0.00	264.58	0.00	0.00
<b>Total</b>		<b>100.00</b>	<b>-13.63</b>	<b>-13.63</b>	<b>-10.66</b>

Holdings Data As Of  
MSCI World Ex-United States 4/01/2010 through 6/30/2010

Iran (after Iran List changes/current)		2.88	-0.34
Sudan		0.16	-0.04
Tobacco		1.06	-0.07
<b>TOTAL (after Iran List changes/current)</b>		<b>4.10</b>	<b>-0.46</b>

Iran (before Iran List changes)		4.80	-1.32
Sudan		0.16	-0.04
Tobacco		1.06	-0.07
<b>TOTAL (before Iran List changes)</b>		<b>6.03</b>	<b>-1.43</b>

APPENDIX 2

Performance Attribution  
 MSCI Emerging Markets vs. MSCI Emerging Markets  
 3/31/2010 to 6/30/2010  
 U.S. Dollar

Restricted List	
Iran	
Sudan	
Tobacco	

MNSBI Sector		Average Weight	Total Return	Contribution To Return -USD	Contribution To Return (Local)
<b>Consumer Discretionary</b>		<b>6.19</b>	<b>-3.09</b>	<b>-0.18</b>	<b>0.04</b>
Auto Components		0.47	20.16	0.07	0.11
Automobiles		1.87	4.68	0.07	0.15
CHINA		0.25	-25.98	-0.07	-0.07
	Dongfeng Motor Group Co. Ltd.	0.11	-26.75	-0.03	-0.03
	BYD Co. Ltd.	0.14	-24.53	-0.04	-0.04
HONG KONG		0.13	-22.93	-0.03	-0.03
INDIA		0.34	8.43	0.03	0.04
INDONESIA		0.31	17.36	0.05	0.05
KOREA		0.82	16.66	0.09	0.17
TAIWAN		0.03	-10.84	-0.00	-0.00
Distributors		0.07	-18.04	-0.01	-0.01
Hotels Restaurants & Leisure		0.36	2.40	0.00	0.01
Household Durables		1.03	-13.64	-0.14	-0.11
Internet & Catalog Retail		0.03	-22.44	-0.01	-0.01
Leisure Equipment & Products		0.03	5.17	0.00	0.00
Media		0.96	-18.75	-0.18	-0.15
Multiline Retail		0.57	4.42	0.03	0.05
Specialty Retail		0.52	-4.90	-0.01	-0.00
Textiles Apparel & Luxury Goods		0.28	-0.56	-0.00	0.00
<b>Consumer Staples</b>		<b>6.22</b>	<b>-0.02</b>	<b>0.05</b>	<b>0.19</b>
Beverages		1.27	0.39	0.01	0.04
Food & Staples Retailing		1.54	-2.68	-0.02	0.03
Food Products		1.99	-2.98	-0.05	-0.03
Household Products		0.39	12.35	0.05	0.06
Personal Products		0.46	8.92	0.04	0.05
Tobacco		0.56	2.04	0.02	0.04
BRAZIL		0.09	8.71	0.01	0.01
	Souza Cruz S.A.	0.09	8.71	0.01	0.01
INDIA		0.21	16.29	0.03	0.04
	ITC Ltd.	0.21	16.29	0.03	0.04
INDONESIA		0.03	-2.33	-0.00	-0.00
	Gudang Garam	0.03	#N/A	-0.00	-0.00
KOREA		0.18	-10.96	-0.02	-0.01
	KT&G Corp.	0.18	-10.96	-0.02	-0.01
MALAYSIA		0.06	1.59	0.00	0.00
	British American Tobacco (Malaysia) Bhd	0.06	1.59	0.00	0.00
<b>Energy</b>		<b>14.15</b>	<b>-11.44</b>	<b>-1.56</b>	<b>-1.23</b>
Energy Equipment & Services		0.09	-21.33	-0.02	-0.02
Oil Gas & Consumable Fuels		14.06	-11.37	-1.53	-1.21
BRAZIL		3.61	-20.20	-0.71	-0.72
CHINA		1.99	-6.10	-0.12	-0.11
	Inner Mongolia Yitai Coal Co. Ltd.	0.10	4.68	0.00	0.00
	China Coal Energy Co. Ltd.	0.16	-17.32	-0.03	-0.03
	PetroChina Co. Ltd.	0.76	-2.10	-0.01	-0.01
	Yanzhou Coal Mining Co. Ltd.	0.14	-17.32	-0.03	-0.03
	China Shenhua Energy Co. Ltd.	0.43	-13.75	-0.06	-0.06
	China Petroleum & Chemical Corp.	0.40	1.42	0.01	0.01
COLOMBIA		0.18	3.43	0.01	0.01
HONG KONG		1.05	4.32	0.04	0.04
	CNOOC Ltd.	0.95	5.83	0.04	0.05
	Kunlun Energy Co. Ltd.	0.10	-3.45	-0.01	-0.01
HUNGARY		0.14	-18.55	-0.03	-0.01
INDIA		1.23	1.40	0.03	0.07
	Oil & Natural Gas Corp. Ltd.	0.18	16.20	0.02	0.03
	Reliance Industries Ltd.	0.96	-1.30	-0.00	0.03
	Bharat Petroleum Corp. Ltd.	0.03	23.66	0.01	0.01
	Cairn India Ltd.	0.07	-3.94	-0.00	0.00
INDONESIA		0.28	-6.67	-0.02	-0.02
KOREA		0.30	-14.57	-0.05	-0.03
MALAYSIA		0.02	4.32	0.00	0.00
	Petronas Dagangan Bhd	0.02	4.32	0.00	0.00
POLAND		0.19	-22.66	-0.04	-0.02
RUSSIA		3.59	-13.71	-0.49	-0.31
	Tatneft	0.21	-5.77	-0.01	0.00
	Rosneft	0.33	-21.56	-0.08	-0.06
	Gazprom OAO	1.70	-17.07	-0.30	-0.21
	Surgutneftegaz Prf	0.11	-16.93	-0.02	-0.01
	NOVATEK JT STK CO SPON GDR REG S	0.21	-0.69	-0.00	-0.00
	Gazprom Neft	0.03	-25.76	-0.02	-0.02
	Surgutneftegaz JSC	0.21	-7.74	-0.02	-0.00
SOUTH AFRICA		0.80	-6.43	-0.05	-0.01
	Lukoil Holdings	0.70	-12.30	-0.08	-0.06
TAIWAN		0.70	-12.30	-0.08	-0.06
	Sasol Ltd.	0.70	-12.30	-0.08	-0.06
THAILAND		0.10	-8.01	-0.01	-0.01
	PTT PCL	0.59	-5.31	-0.04	-0.03
	PTT Exploration & Production PCL	0.21	-6.27	-0.01	-0.01
	PTT Aromatics & Refining PCL	0.17	-3.53	-0.01	-0.01
	IRPC PCL	0.03	-12.32	-0.00	-0.00
	Thai Oil PCL	0.04	-9.40	-0.00	-0.00
	Thai Oil PCL	0.04	-11.65	-0.00	-0.00
	Banpu PCL	0.10	0.33	-0.00	-0.00
TURKEY		0.08	-13.82	-0.01	-0.01
<b>Financials</b>		<b>24.59</b>	<b>-7.91</b>	<b>-1.87</b>	<b>-1.26</b>
Capital Markets		0.65	-13.03	-0.10	-0.07
EGYPT		0.08	-16.95	-0.02	-0.01
	EFG Hermes Holding S.A.E.	0.04	-8.49	-0.00	-0.00
	Egypt Kuwait Holding Co. S.A.E.	0.04	-25.20	-0.01	-0.01
KOREA		0.31	-11.55	-0.04	-0.02
SOUTH AFRICA		0.06	-17.44	-0.01	-0.01
TAIWAN		0.20	-12.29	-0.03	-0.03
Commercial Banks		17.26	-8.07	-1.38	-0.91
Consumer Finance		0.05	-10.30	-0.01	-0.00
Diversified Financial Services		1.71	-5.88	-0.08	-0.06
Insurance		2.77	-8.45	-0.15	-0.11
Real Estate Management & Development		1.74	-11.00	-0.17	-0.15
Thriffs & Mortgage Finance		0.41	8.04	0.02	0.04
<b>Health Care</b>		<b>1.82</b>	<b>-8.57</b>	<b>-0.29</b>	<b>-0.19</b>
<b>Industrials</b>		<b>6.70</b>	<b>-8.28</b>	<b>-0.58</b>	<b>-0.35</b>

APPENDIX 2

Performance Attribution  
 MSCI Emerging Markets vs. MSCI Emerging Markets  
 3/31/2010 to 6/30/2010  
 U.S. Dollar

Restricted List	
Iran	Blue
Sudan	Blue-Green
Tobacco	Green

MNSBI Sector	Average Weight	Total Return	Contribution To Return -USD	Contribution To Return (Local)
Aerospace & Defense	0.12	-15.74	-0.02	-0.02
Air Freight & Logistics	0.04	26.56	0.01	0.01
Airlines	0.41	2.37	0.01	0.02
Building Products	0.07	-18.60	-0.01	-0.01
Commercial Services & Supplies	0.02	3.50	0.00	0.00
Construction & Engineering	1.35	-9.15	-0.11	-0.06
CHINA	0.31	-4.99	-0.01	-0.01
EGYPT	0.13	-16.69	-0.02	-0.02
INDIA	0.23	7.22	0.02	0.03
KOREA	0.45	-19.35	-0.08	-0.05
Hyundai Development Co.	0.04	-22.96	-0.01	-0.01
Doosan Heavy Industries & Construction Co. Ltd.	0.07	-22.74	-0.01	-0.01
Samsung Engineering Co. Ltd.	0.09	-9.39	-0.01	-0.00
Daelin Industrial Co. Ltd.	0.05	-21.36	-0.01	-0.01
GS Engineering & Construction Corp.	0.08	-28.77	-0.03	-0.02
Hyundai Engineering & Construction Co. Ltd.	0.08	-15.46	-0.01	-0.00
Daewoo Engineering & Construction Co. Ltd.	0.03	-12.88	-0.00	-0.00
MALAYSIA	0.10	5.92	0.00	0.00
POLAND	0.02	-17.67	-0.00	-0.00
SOUTH AFRICA	0.11	-12.67	-0.01	-0.01
Electrical Equipment	0.55	-5.12	-0.03	-0.02
Industrial Conglomerates	1.87	-7.48	-0.14	-0.08
Machinery	0.89	-11.52	-0.12	-0.08
Marine	0.42	-8.04	-0.04	-0.03
CHINA	0.19	-19.41	-0.04	-0.04
KOREA	0.03	-21.92	-0.01	-0.01
MALAYSIA	0.10	6.98	0.00	0.00
MISC Bhd	0.10	6.98	0.00	0.00
TAIWAN	0.08	9.20	0.01	0.01
Road & Rail	0.16	-8.27	-0.01	-0.01
Trading Companies & Distributors	0.27	-21.42	-0.06	-0.04
Transportation Infrastructure	0.54	-7.20	-0.04	-0.03
Information Technology	13.47	-8.94	-1.51	-1.04
Materials	14.78	-13.94	-2.05	-1.71
Chemicals	2.32	-3.15	-0.14	-0.04
BRAZIL	0.06	-12.69	-0.01	-0.01
CHILE	0.10	-12.28	-0.01	-0.01
CHINA	0.06	-8.07	-0.00	-0.00
SINOPEC Shanghai Petrochemical Co. Ltd.	0.03	-2.44	-0.00	-0.00
China BlueChemical Ltd.	0.03	-12.81	-0.00	-0.00
EGYPT	0.01	-27.60	-0.00	-0.00
HONG KONG	0.08	-10.77	-0.01	-0.01
INDIA	0.05	2.58	-0.00	-0.00
ISRAEL-DOMESTIC	0.17	-18.65	-0.05	-0.04
KOREA	0.71	15.90	0.08	0.15
MEXICO	0.08	-12.65	-0.01	-0.01
RUSSIA	0.09	-12.72	-0.01	-0.01
TAIWAN	0.88	-10.37	-0.11	-0.10
THAILAND	0.04	10.34	0.00	0.00
Construction Materials	1.15	-2.79	-0.02	-0.01
Containers & Packaging	0.04	-8.40	-0.00	-0.00
Metals & Mining	10.76	-17.23	-1.84	-1.62
Paper & Forest Products	0.52	-11.77	-0.05	-0.04
Telecommunication Services	8.44	-3.38	-0.25	-0.04
Utilities	3.65	-3.86	-0.13	-0.02
Electric Utilities	2.10	-5.34	-0.11	-0.02
Gas Utilities	0.40	-3.50	-0.02	-0.01
HONG KONG	0.06	-11.29	-0.01	-0.01
INDIA	0.12	10.01	0.01	0.01
GAIL (India) Ltd.	0.12	10.01	0.01	0.01
INDONESIA	0.15	-8.48	-0.01	-0.01
KOREA	0.03	-18.55	-0.01	-0.00
MALAYSIA	0.05	1.68	0.00	0.00
Petronas Gas Bhd	0.05	1.68	0.00	0.00
Independent Power Producers & Energy Traders	0.95	-2.31	-0.01	0.00
Multi-Utilities	0.10	0.83	-0.00	-0.00
Water Utilities	0.11	5.52	0.01	0.01
<b>Total</b>	<b>100.00</b>	<b>-8.37</b>	<b>-8.37</b>	<b>-5.61</b>

Holdings Data As Of  
 MSCI Emerging Markets 4/01/2010 through 6/30/2010

Iran* (after Iran List changes/current)	5.54	-0.37
Sudan**	0.26	-0.04
Tobacco	0.56	0.02
<b>TOTAL (after Iran List changes/current)</b>	<b>6.36</b>	<b>-0.40</b>
Iran (before Iran List changes)	5.62	-0.37
Sudan	0.26	-0.04
Tobacco	0.56	0.02
<b>TOTAL (before Iran List changes)</b>	<b>6.44</b>	<b>-0.39</b>

\* includes blue & blue-green  
 \*\* includes green only



# STATE BOARD OF INVESTMENT

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## Domestic Equity Manager Evaluation Reports

Second Quarter, 2010



# Domestic Equity

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**COMBINED RETIREMENT FUNDS**  
**ACTIVE DOMESTIC STOCK MANAGERS**  
**Periods Ending June, 2010**

	Quarter		1 Year		3 Years		5 Years	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
Russell 1000 Core Aggregate	-13.3	-11.4	10.4	15.2	-12.4	-9.5	-2.6	-0.6
Russell 1000 Growth Aggregate	-11.2	-11.7	16.7	13.6	-6.6	-6.9	-0.4	0.4
Russell 1000 Value Aggregate	-13.0	-11.1	15.1	16.9	-11.8	-12.3	-1.9	-1.6
Russell 2000 Growth Aggregate	-9.9	-9.2	19.2	18.0	-10.1	-7.5	-0.3	1.1
Russell 2000 Value Aggregate	-8.7	-10.6	31.2	25.1	-10.2	-9.8	-1.9	-0.5
<b>Active Manager Aggregate</b>	<b>-11.6</b>	<b>-11.1</b>	<b>16.7</b>	<b>16.3</b>	<b>-10.1</b>	<b>-9.5</b>	<b>-1.4</b>	<b>-0.5</b>
<b>Semi-Passive Aggregate</b>	<b>-12.0</b>	<b>-11.4</b>	<b>14.8</b>	<b>15.2</b>	<b>-10.0</b>	<b>-9.5</b>	<b>-1.0</b>	<b>-0.6</b>
<b>Passive Manager (BlackRock)</b>	<b>-11.1</b>	<b>-11.3</b>	<b>16.1</b>	<b>15.7</b>	<b>-9.3</b>	<b>-9.5</b>	<b>-0.4</b>	<b>-0.5</b>
<b>Total Domestic Equity Aggregate</b>	<b>-11.5</b>	<b>-11.3</b>	<b>15.8</b>	<b>15.7</b>	<b>-9.7</b>	<b>-9.5</b>	<b>-0.8</b>	<b>-0.5</b>
<b>SBI DE Asset Class Target</b>		<b>-11.3</b>		<b>15.7</b>		<b>-9.5</b>		<b>-0.5</b>
<b>Russell 3000 Index</b>		<b>-11.3</b>		<b>15.7</b>		<b>-9.5</b>		<b>-0.5</b>

	2009		2008		2007		2006		2005	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
Russell 1000 Core Aggregate	27.6	28.4	-39.6	-37.6	2.4	5.8	15.8	15.5	6.4	6.3
Russell 1000 Growth Aggregate	44.5	37.2	-42.7	-38.4	14.9	11.8	2.2	9.1	7.3	5.3
Russell 1000 Value Aggregate	23.8	19.7	-38.0	-36.8	3.6	-0.2	17.4	22.2	6.0	7.1
Russell 2000 Growth Aggregate	33.6	34.5	-46.8	-38.5	21.6	7.0	10.0	13.3	4.7	4.2
Russell 2000 Value Aggregate	36.3	20.6	-36.1	-28.9	-13.4	-9.8	13.1	23.5	7.7	4.7
Active Manager Aggregate	32.3	27.9	-40.5	-36.9	6.3	4.2	11.5	15.8	6.5	6.0
Semi-Passive Aggregate	28.5	28.4	-37.2	-37.6	3.2	5.8	16.1	15.5	6.2	6.3
Passive Manager (BlackRock)	28.2	28.3	-37.1	-37.3	5.1	5.1	15.8	15.7	6.2	6.1
Total Domestic Equity Aggregate	29.6	28.3	-38.1	-37.3	4.9	5.1	14.5	15.7	6.4	6.1
SBI DE Asset Class Target		28.3		-37.3		5.1		15.7		6.1
Russell 3000 Index		28.3		-37.3		5.1		15.7		6.1

**COMBINED RETIREMENT FUNDS**  
**ACTIVE DOMESTIC STOCK MANAGERS**  
**Periods Ending June, 2010**  
**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>												
New Amsterdam Partners	-12.2	-11.4	7.2	15.2	-10.7	-9.5	-2.6	-0.6	8.8	8.0	\$294.8	1.5%
UBS Global	-14.4	-11.4	15.8	15.2	-11.0	-9.5	-1.1	-0.6	7.4	7.1	\$293.7	1.5%
<b>Aggregate</b>	<b>-13.3</b>	<b>-11.4</b>	<b>10.4</b>	<b>15.2</b>	<b>-12.4</b>	<b>-9.5</b>	<b>-2.6</b>	<b>-0.6</b>			<b>\$588.6</b>	<b>3.0%</b>
<b>Russell 1000 Growth</b>												
Alliance Capital	-14.6	-11.7	10.3	13.6	-7.8	-6.9	-0.8	0.4	11.5	8.8	\$229.2	1.2%
INTECH	-9.4	-11.7	16.3	13.6	-8.6	-6.9	-1.3	0.4	-1.1	0.0	\$261.7	1.4%
Jacobs Levy	-10.6	-11.7	16.0	13.6	-9.6	-6.9	-2.4	0.4	-2.5	0.0	\$230.9	1.2%
Knelman Asset Mgmt.	-12.2	-11.7	10.5	13.6	-8.6	-6.9	-0.1	0.4	-0.6	0.0	\$48.7	0.3%
Sands Capital	-9.2	-11.7	25.9	13.6	-2.6	-6.9	1.1	0.4	0.6	0.0	\$206.1	1.1%
Winslow-Large Cap	-13.1	-11.7	11.8	13.6	-5.3	-6.9	2.3	0.4	2.1	0.0	\$105.5	0.5%
Zevenbergen Capital	-11.0	-11.7	20.4	13.6	-3.5	-6.9	4.3	0.4	8.1	6.3	\$249.7	1.3%
<b>Aggregate</b>	<b>-11.2</b>	<b>-11.7</b>	<b>16.7</b>	<b>13.6</b>	<b>-6.6</b>	<b>-6.9</b>	<b>-0.4</b>	<b>0.4</b>			<b>\$1,331.8</b>	<b>6.9%</b>
<b>Russell 1000 Value</b>												
Barrow, Hanley	-14.8	-11.1	12.2	16.9	-12.2	-12.3	-2.6	-1.6	1.2	0.9	\$348.5	1.8%
Earnest Partners	-12.6	-11.1	15.3	16.9	-10.0	-12.3	-0.6	-1.6	2.3	2.4	\$149.5	0.8%
Lord Abbett & Co.	-12.4	-11.1	13.9	16.9	-10.4	-12.3	-0.8	-1.6	0.6	0.9	\$255.6	1.3%
LSV Asset Mgmt.	-11.4	-11.1	17.6	16.9	-13.0	-12.3	-1.4	-1.6	2.0	0.9	\$333.2	1.7%
Systematic Financial Mgmt.	-13.4	-11.1	17.2	16.9	-12.3	-12.3	-1.4	-1.6	1.2	0.9	\$241.5	1.2%
<b>Aggregate</b>	<b>-13.0</b>	<b>-11.1</b>	<b>15.1</b>	<b>16.9</b>	<b>-11.8</b>	<b>-12.3</b>	<b>-1.9</b>	<b>-1.6</b>			<b>\$1,328.3</b>	<b>6.9%</b>
<b>SMALL CAP</b>												
<b>Russell 2000 Growth</b>												
McKinley Capital	-10.1	-9.2	20.1	18.0	-14.0	-7.5	-2.7	1.1	-1.2	2.4	\$165.2	0.9%
Next Century Growth	-9.3	-9.2	19.2	18.0	-9.2	-7.5	2.9	1.1	-2.0	-1.7	\$202.0	1.0%
Turner Investment Partners	-10.4	-9.2	18.5	18.0	-7.4	-7.5	2.1	1.1	2.8	2.4	\$207.7	1.1%
<b>Aggregate</b>	<b>-9.9</b>	<b>-9.2</b>	<b>19.2</b>	<b>18.0</b>	<b>-10.1</b>	<b>-7.5</b>	<b>-0.3</b>	<b>1.1</b>			<b>\$574.9</b>	<b>3.0%</b>
<b>Russell 2000 Value</b>												
Goldman Sachs	-8.6	-10.6	26.7	25.1	-5.7	-9.8	2.1	-0.5	4.2	2.9	\$122.2	0.6%
Hotchkis & Wiley	-8.3	-10.6	47.1	25.1	-10.4	-9.8	-2.9	-0.5	1.9	2.9	\$106.0	0.5%
Martingale Asset Mgmt.	-9.6	-10.6	20.7	25.1	-14.0	-9.8	-5.4	-0.5	0.4	2.9	\$96.2	0.5%
Peregrine Capital	-8.4	-10.6	32.9	25.1	-10.2	-9.8	-1.5	-0.5	8.2	7.5	\$171.5	0.9%
<b>Aggregate</b>	<b>-8.7</b>	<b>-10.6</b>	<b>31.2</b>	<b>25.1</b>	<b>-10.2</b>	<b>-9.8</b>	<b>-1.9</b>	<b>-0.5</b>			<b>\$495.9</b>	<b>2.6%</b>
<b>Active Mgr. Aggregate (2)</b>	<b>-11.6</b>	<b>-11.1</b>	<b>16.7</b>	<b>16.3</b>	<b>-10.1</b>	<b>-9.5</b>	<b>-1.4</b>	<b>-0.5</b>			<b>\$4,319.4</b>	<b>22.3%</b>

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

(2) 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**

	2009		2008		2007		2006		2005	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
<b>LARGE CAP</b>										
<b>Russell 1000 Core</b>										
New Amsterdam Partners	24.8	28.4	-36.7	-37.6	5.0	5.8	9.3	15.5	7.6	6.3
UBS Global	41.3	28.4	-41.3	-37.6	0.8	5.8	16.8	15.5	8.6	6.3
<b>Aggregate</b>	<b>27.6</b>	<b>28.4</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>Russell 1000 Growth</b>										
Alliance Capital	38.4	37.2	-40.3	-38.4	15.4	11.8	-0.4	9.1	14.2	5.3
INTECH	34.0	37.2	-42.8	-38.4	11.4	11.8	7.4	9.1	7.8	5.3
Jacobs Levy	37.1	37.2	-44.9	-38.4	8.4	11.8	6.1	9.1	5.3	5.3
Knelman Asset Mgmt.	31.1	37.2	-39.9	-38.4	18.0	11.8	7.1	9.1	6.6	5.3
Sands Capital	71.6	37.2	-48.6	-38.4	19.5	11.8	-5.5	9.1	10.9	5.3
Winslow-Large Cap	40.9	37.2	-39.1	-38.4	22.0	11.8	7.6	9.1	10.5	5.3
Zevenbergen Capital	57.4	37.2	-43.2	-38.4	24.0	11.8	6.2	9.1	9.0	5.3
<b>Aggregate</b>	<b>44.5</b>	<b>37.2</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>Russell 1000 Value</b>										
Barrow, Hanley	23.2	19.7	-35.2	-36.8	2.6	-0.2	15.4	22.2	9.6	7.1
Earnest Partners	31.6	19.7	-39.8	-36.8	6.5	-0.2	13.8	22.2	15.6	7.1
Lord Abbett & Co.	20.5	19.7	-36.3	-36.8	4.4	-0.2	18.6	22.2	3.5	7.1
LSV Asset Mgmt.	24.0	19.7	-39.3	-36.8	1.3	-0.2	21.7	22.2	12.5	7.1
Systematic Financial Mgmt.	23.2	19.7	-40.6	-36.8	8.3	-0.2	17.9	22.2	10.3	7.1
<b>Aggregate</b>	<b>23.8</b>	<b>19.7</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>SMALL CAP</b>										
<b>Russell 2000 Growth</b>										
McKinley Capital	28.0	34.5	-49.1	-38.5	16.2	7.0	12.5	13.3	0.2	4.2
Next Century Growth	35.0	34.5	-49.3	-38.5	34.2	7.0	12.4	13.3	25.2	4.2
Turner Investment Partners	36.9	34.5	-41.9	-38.5	14.8	7.0	13.6	13.3	6.2	4.2
<b>Aggregate</b>	<b>33.6</b>	<b>34.5</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>Russell 2000 Value</b>										
Goldman Sachs	27.8	20.6	-26.8	-28.9	-5.0	-9.8	17.8	23.5	4.1	4.7
Hotchkis & Wiley	62.5	20.6	-44.1	-28.9	-18.8	-9.8	3.0	23.5	10.4	4.7
Martingale Asset Mgmt.	19.4	20.6	-33.8	-28.9	-16.8	-9.8	14.8	23.5	6.2	4.7
Peregrine Capital	45.8	20.6	-39.4	-28.9	-13.4	-9.8	14.3	23.5	10.1	4.7
<b>Aggregate</b>	<b>36.3</b>	<b>20.6</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>Active Mgr. Aggregate (1)</b>	<b>32.3</b>	<b>27.9</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>

(1) 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 June, 2010  
Versus Manager Benchmarks**

	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>SEMI-PASSIVE MANAGERS (2)</b>												
BlackRock Institutional	-12.5	-11.4	13.1	15.2	-10.8	-9.5	-1.4	-0.6	6.9	6.7	\$2,086.4	10.8%
INTECH	-11.1	-11.4							-11.1	-11.4	\$885.9	4.6%
JP Morgan	-11.7	-11.4	16.6	15.2	-8.6	-9.5	0.0	-0.6	6.9	6.7	\$2,349.0	12.1%
Mellon Capital	-12.1	-11.4	13.8	15.2	-10.8	-9.5	-1.6	-0.6	6.1	6.7	\$1,101.1	5.7%
<b>Semi-Passive Aggregate (3)</b> (R1000)	<b>-12.0</b>	<b>-11.4</b>	<b>14.8</b>	<b>15.2</b>	<b>-10.0</b>	<b>-9.5</b>	<b>-1.0</b>	<b>-0.6</b>			<b>\$6,422.5</b>	<b>33.2%</b>
<b>PASSIVE MANAGER (R3000)</b>												
BlackRock Institutional	-11.1	-11.3	16.1	15.7	-9.3	-9.5	-0.4	-0.5	6.3	6.2	\$8,624.2	44.5%
<b>Historical Aggregate (3)</b>	<b>-11.5</b>	<b>-11.3</b>	<b>15.8</b>	<b>15.7</b>	<b>-9.7</b>	<b>-9.5</b>	<b>-0.8</b>	<b>-0.5</b>	<b>9.1</b>	<b>9.4</b>	<b>\$19,366.2</b>	<b>100.0%</b>
SBI DE Asset Class Target (4)		-11.3		15.7		-9.5		-0.5		9.3		
Russell 3000		-11.3		15.7		-9.5		-0.5		9.7		
Russell 1000		-11.4		15.2		-9.5		-0.6		9.9		
Russell 2000		-9.9		21.5		-8.6		0.4		8.3		

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

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

(3) Includes the performance of terminated managers. The aggregate benchmark is the weighted average of the manager benchmarks and is not the Russell 3000.

(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**

	2009		2008		2007		2006		2005	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
<b>SEMI-PASSIVE MANAGERS</b>										
BlackRock Institutional	27.6	28.4	-37.1	-37.6	2.2	5.8	15.6	15.5	7.6	6.3
INTECH										
JP Morgan	32.1	28.4	-37.1	-37.6	5.1	5.8	16.5	15.5	4.7	6.3
Mellon Capital	25.6	28.4	-37.6	-37.6	2.5	5.8	16.5	15.5	6.1	6.3
<b>Semi-Passive Aggregate (R1000)</b>	<b>28.5</b>	<b>28.4</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>PASSIVE MANAGER (R3000)</b>										
BlackRock Institutional	28.2	28.3	-37.1	-37.3	5.1	5.1	15.8	15.7	6.2	6.1
<b>Historical Aggregate (1)</b>	<b>29.6</b>	<b>28.3</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>
SBI DE Asset Class Target		28.3		-37.3		5.1		15.7		6.1
Russell 3000		28.3		-37.3		5.1		15.7		6.1
Russell 1000		28.4		-37.6		5.8		15.5		6.3
Russell 2000		27.2		-33.8		-1.6		18.4		4.6

(1) Includes the performance of terminated managers.

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



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





# Large Cap Core (R1000)

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**NEW AMSTERDAM PARTNERS**  
**Periods Ending June, 2010**

**Portfolio Manager: Michelle Clayman**

**Assets Under Management: \$294,820,135**

**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**

New Amsterdam underperformed for the quarter and the year due to weak stock selection. The quarterly performance was hurt by stock selection in the consumer discretionary, utilities, healthcare and financial services sectors. The one-year return was hurt by negative stock selection across most sectors, including financial services, consumer discretionary and healthcare.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell Index</b>
Last Quarter	-12.2%	-11.4%
Last 1 year	7.2	15.2
Last 2 years	-9.6	-8.1
Last 3 years	-10.7	-9.5
Last 4 years	-4.7	-2.8
Last 5 years	-2.6	-0.6
Since Inception (1) (4/94)	8.8	8.0

**Calendar Year Returns**

	<b>Actual</b>	<b>Russell Index (1)</b>
2009	24.8%	28.4%
2008	-36.7	-37.6
2007	5.0	5.8
2006	9.3	15.5
2005	7.6	6.3

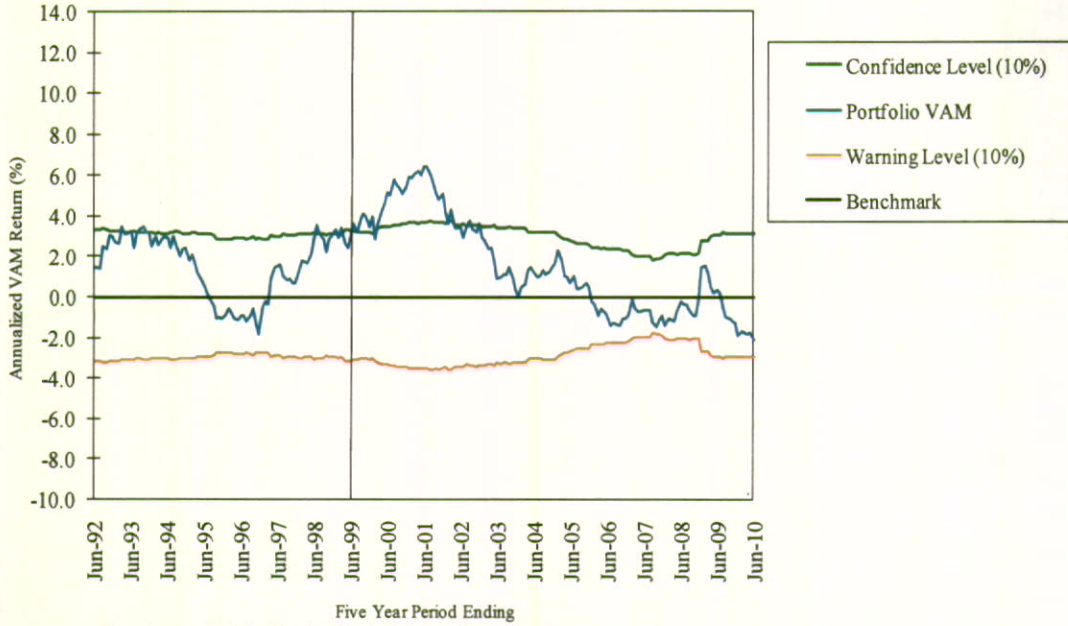
(1) New Amsterdam Partners' published benchmark is the Russell 1000 Core beginning 10/1/03. Prior to that date it was the Russell Midcap index.

**NEW AMSTERDAM PARTNERS**  
**Periods Ending June, 2010**

**Portfolio Manager: Michelle Clayman**

**Assets Under Management: \$294,820,135**

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



**UBS GLOBAL ASSET MANAGEMENT, INC.**  
**Periods Ending June, 2010**

**Portfolio Manager: John Leonard**

**Assets Under Management: \$293,731,331**

**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>Russell 1000</b>	
	<b>Actual</b>	<b>Core</b>
Last Quarter	-14.4%	-11.4%
Last 1 year	15.8	15.2
Last 2 years	-6.8	-8.1
Last 3 years	-11.0	-9.5
Last 4 years	-3.7	-2.8
Last 5 years	-1.1	-0.6
Since Inception (7/93)	7.4	7.1

**Calendar Year Returns**

	<b>Russell 1000</b>	
	<b>Actual</b>	<b>Core</b>
2009	41.3%	28.4%
2008	-41.3	-37.6
2007	0.8	5.8
2006	16.8	15.5
2005	8.6	6.3

**UBS GLOBAL ASSET MANAGEMENT, INC.**  
**Periods Ending June, 2010**

**Portfolio Manager: John Leonard**

**Assets Under Management: \$293,731,331**

**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 June, 2010**

**Portfolio Manager: Stephanie Simon**

**Assets Under Management: \$229,202,107**

**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**

Alliance trailed the benchmark for the quarter and the year due to stock selection, mainly in the financials and healthcare sectors.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 1000 Growth</b>
Last Quarter	-14.6%	-11.7%
Last 1 year	10.3	13.6
Last 2 years	-9.8	-7.4
Last 3 years	-7.8	-6.9
Last 4 years	-2.6	-1.0
Last 5 years	-0.8	0.4
Since Inception (1/84)	11.5	8.8

**Calendar Year Returns**

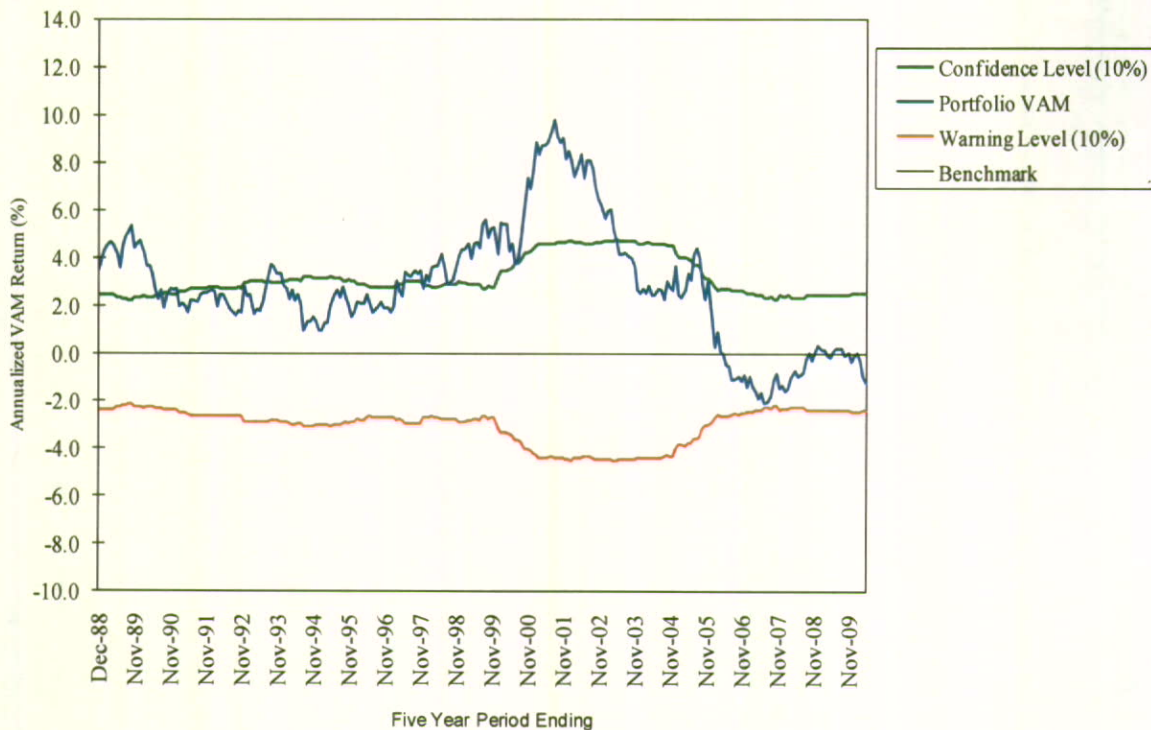
	<b>Actual</b>	<b>Russell 1000 Growth</b>
2009	38.4%	37.2%
2008	-40.3	-38.4
2007	15.4	11.8
2006	-0.4	9.1
2005	14.2	5.3

ALLIANCE CAPITAL MANAGEMENT  
Periods Ending June, 2010

Portfolio Manager: Stephanie Simon

Assets Under Management: \$229,202,107

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



**INTECH INVESTMENT MANAGEMENT LLC**  
**Periods Ending June, 2010**

**Portfolio Manager: Adrian Banner**

**Assets Under Management: \$261,719,377**

**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	-9.4%	-11.7%
Last 1 year	16.3	13.6
Last 2 years	-9.4	-7.4
Last 3 years	-8.6	-6.9
Last 4 years	-3.2	-1.0
Last 5 years	-1.3	0.4
Since Inception (1/05)	-1.1	0.0

**Calendar Year Returns**

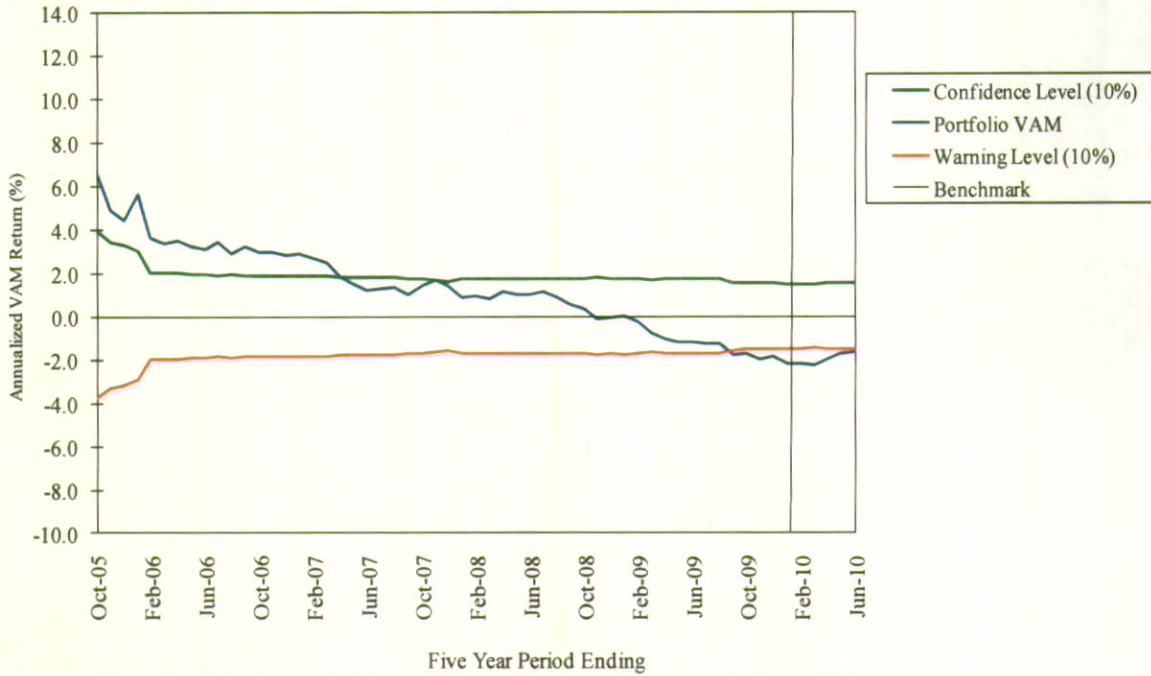
	<b>Actual</b>	<b>Russell 1000 Growth</b>
2009	34.0%	37.2%
2008	-42.8	-38.4
2007	11.4	11.8
2006	7.4	9.1
2005	7.8	5.3

**INTECH INVESTMENT MANAGEMENT LLC**  
**Periods Ending June, 2010**

**Portfolio Manager: Adrian Banner**

**Assets Under Management: \$261,719,377**

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



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

**JACOBS LEVY EQUITY MANAGEMENT**  
**Periods Ending June, 2010**

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

**Assets Under Management: \$230,924,345**

**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**

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	-10.6%	-11.7%
Last 1 year	16.0	13.6
Last 2 years	-9.5	-7.4
Last 3 years	-9.6	-6.9
Last 4 years	-4.0	-1.0
Last 5 years	-2.4	0.4
Since Inception (1/05)	-2.5	0.0

**Calendar Year Returns**

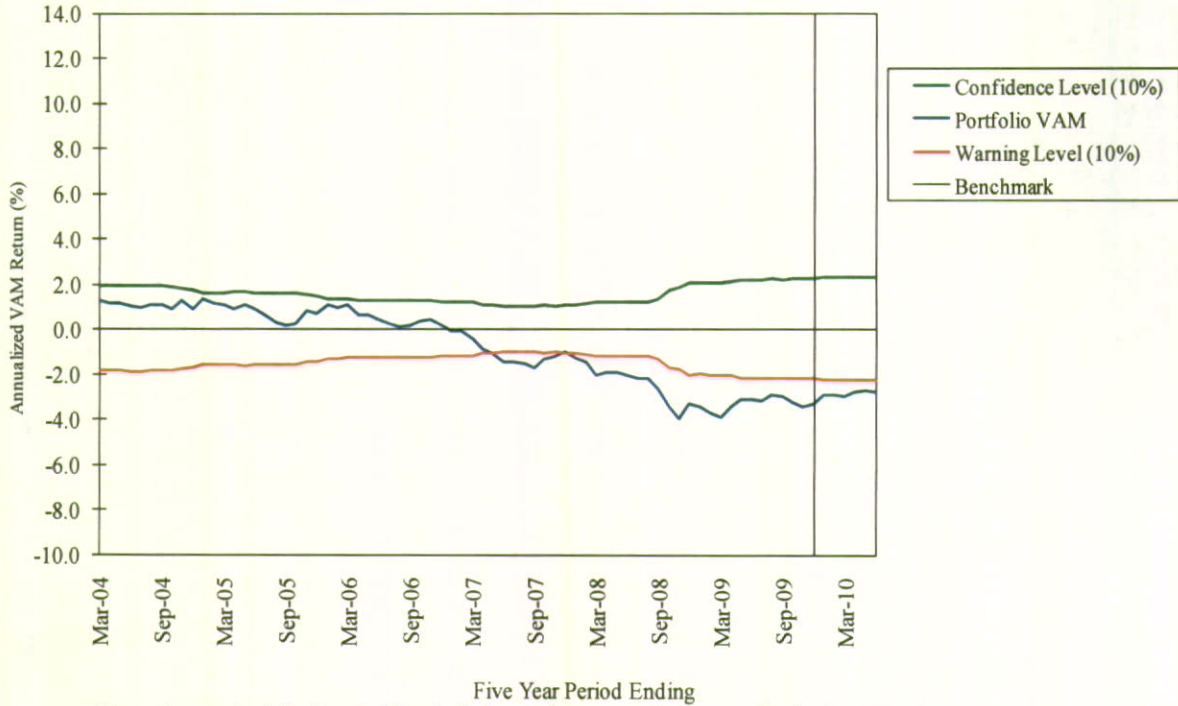
	<b>Actual</b>	<b>Russell 1000 Growth</b>
2009	37.1%	37.2%
2008	-44.9	-38.4
2007	8.4	11.8
2006	6.1	9.1
2005	5.3	5.3

**JACOBS LEVY EQUITY MANAGEMENT**  
**Periods Ending June, 2010**

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

**Assets Under Management: \$230,924,345**

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



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

**KNELMAN ASSET MANAGEMENT, LLC**  
**Periods Ending June, 2010**

**Portfolio Manager: Kip Knelman**

**Assets Under Management: \$48,667,745**

**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	-12.2%	-11.7%
Last 1 year	10.5	13.6
Last 2 years	-10.6	-7.4
Last 3 years	-8.6	-6.9
Last 4 years	-1.9	-1.0
Last 5 years	-0.1	0.4
Since Inception (1/05)	-0.6	0.0

**Calendar Year Returns**

	<b>Actual</b>	<b>Russell 1000 Growth</b>
2009	31.1%	37.2%
2008	-39.9	-38.4
2007	18.0	11.8
2006	7.1	9.1
2005	6.6	5.3

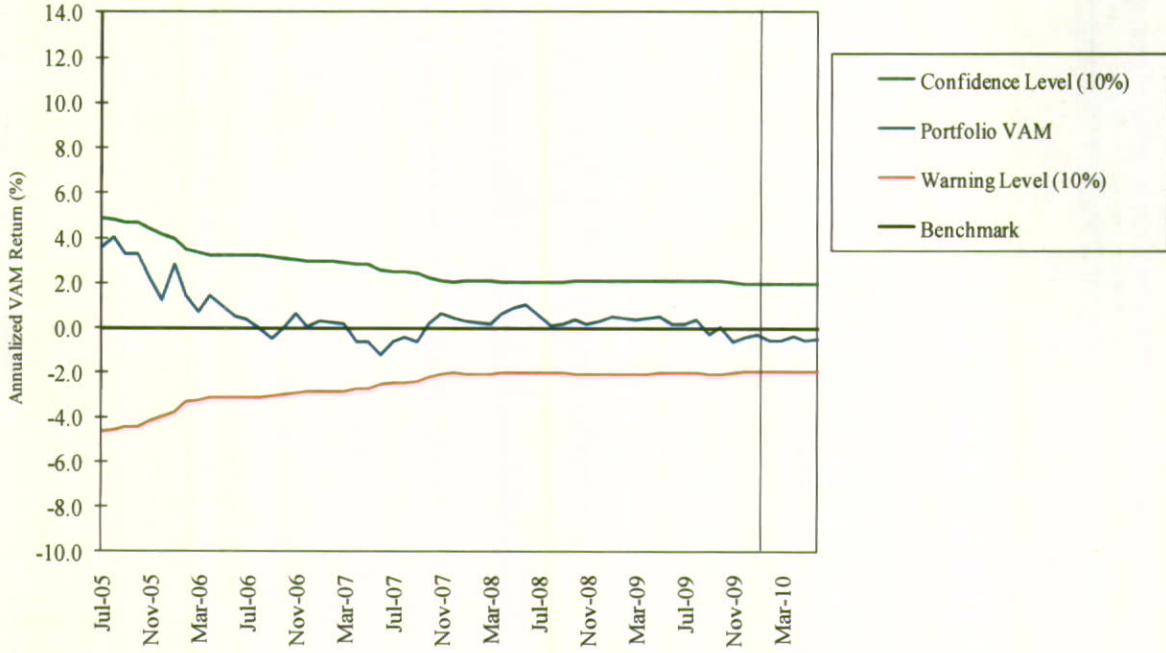


KNELMAN ASSET MANAGEMENT, LLC  
Periods Ending June, 2010

Portfolio Manager: Kip Knelman

Assets Under Management: \$48,667,745

KNELMAN ASSET MANAGEMENT, LLC.  
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.

**SANDS CAPITAL MANAGEMENT LLC**  
**Periods Ending June, 2010**

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

**Assets Under Management: \$206,130,149**

**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 the benchmark for the quarter and for the year. Overall stock selection helped both periods. The quarter benefited with stock selection in the technology and healthcare sectors. The one-year return was helped by stock selection in technology, consumer discretionary and healthcare sectors.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 1000 Growth</b>
Last Quarter	-9.2%	-11.7%
Last 1 year	25.9	13.6
Last 2 years	-3.6	-7.4
Last 3 years	-2.6	-6.9
Last 4 years	0.6	-1.0
Last 5 years	1.1	0.4
Since Inception (1/05)	0.6	0.0

**Calendar Year Returns**

	<b>Actual</b>	<b>Russell 1000 Growth</b>
2009	71.6%	37.2%
2008	-48.6	-38.4
2007	19.5	11.8
2006	-5.5	9.1
2005	10.9	5.3

**SANDS CAPITAL MANAGEMENT LLC**  
**Periods Ending June, 2010**

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

**Assets Under Management: \$206,130,149**

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



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

**WINSLOW CAPITAL MANAGEMENT, INC.**  
**Periods Ending June, 2010**

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

**Assets Under Management: \$105,493,963**

**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**

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	-13.1%	-11.7%
Last 1 year	11.8	13.6
Last 2 years	-9.4	-7.4
Last 3 years	-5.3	-6.9
Last 4 years	0.4	-1.0
Last 5 years	2.3	0.4
Since Inception (1/05)	2.1	0.0

**Calendar Year Returns**

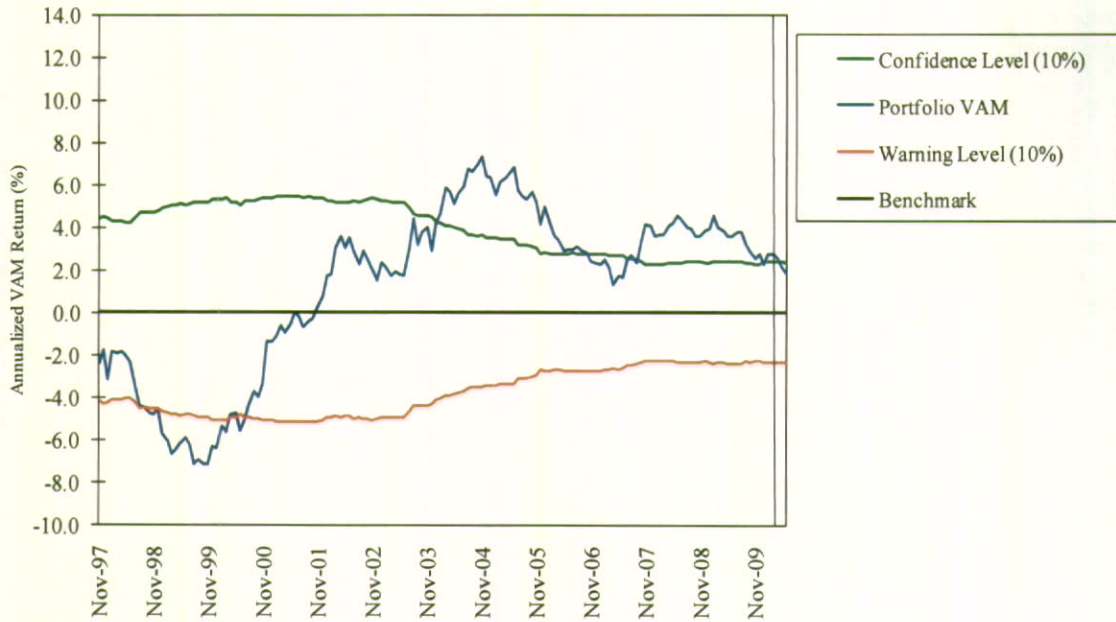
	<b>Actual</b>	<b>Russell 1000 Growth</b>
2009	40.9%	37.2%
2008	-39.1	-38.4
2007	22.0	11.8
2006	7.6	9.1
2005	10.5	5.3

**WINSLOW CAPITAL MANAGEMENT, INC.**  
**Periods Ending June, 2010**

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

**Assets Under Management: \$105,493,963**

**WINSLOW CAPITAL MANAGEMENT, 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.

**ZEVENBERGEN CAPITAL INC.**  
**Periods Ending June, 2010**

**Portfolio Manager: Nancy Zevenbergen**

**Assets Under Management: \$249,691,091**

**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	-11.0%	-11.7%
Last 1 year	20.4	13.6
Last 2 years	-2.7	-7.4
Last 3 years	-3.5	-6.9
Last 4 years	2.2	-1.0
Last 5 years	4.3	0.4
Since Inception (4/94)	8.1	6.3

**Calendar Year Returns**

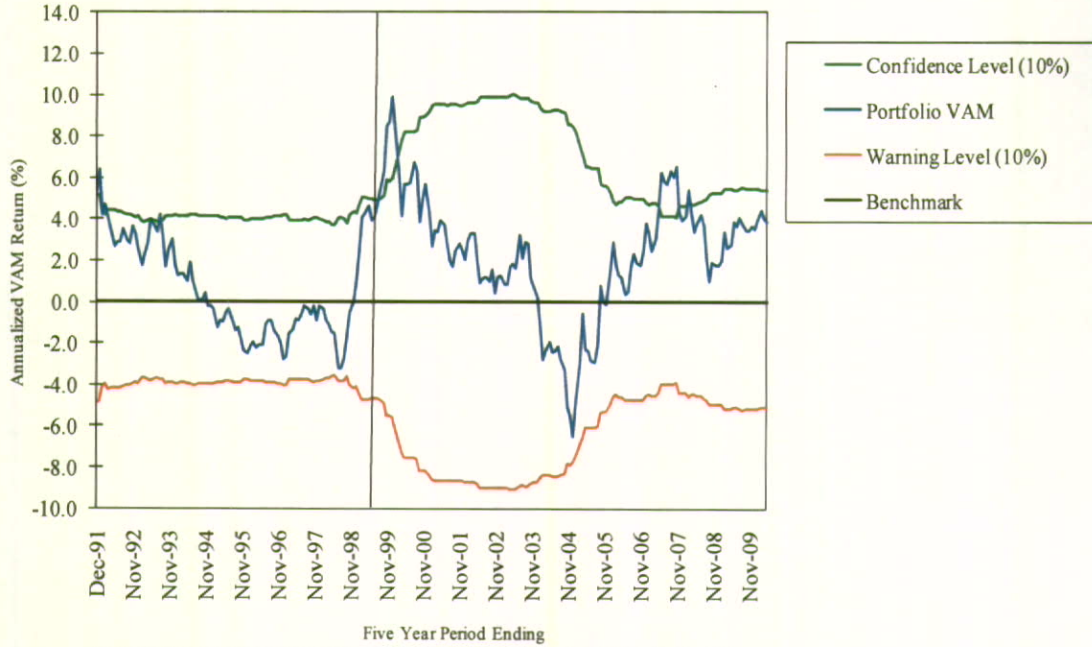
	<b>Actual</b>	<b>Russell 1000 Growth</b>
2009	57.4%	37.2%
2008	-43.2	-38.4
2007	24.0	11.8
2006	6.2	9.1
2005	9.0	5.3

**ZEVENBERGEN CAPITAL INC.**  
**Periods Ending June, 2010**

**Portfolio Manager: Nancy Zevenbergen**

**Assets Under Management: \$249,691,091**

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



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)**



## Large Cap Value (R1000 Value)

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**BARROW, HANLEY, MEWHINNEY & STRAUSS, INC.**  
**Periods Ending June 2010**

**Portfolio Manager: Tim Culler**

**Assets Under Management: \$348,494,944**

**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**

Barrow Hanley trailed the quarterly and one-year benchmark. The biggest detractor for both periods was stock selection which was negative across most sectors.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Russell 1000</b>	
	<b>Actual</b>	<b>Value</b>
Last Quarter	-14.8%	-11.1%
Last 1 year	12.2	16.9
Last 2 years	-8.3	-8.9
Last 3 years	-12.2	-12.3
Last 4 years	-4.7	-4.8
Last 5 years	-2.6	-1.6
Since Inception (4/04)	1.2	0.9

**Calendar Year Returns**

	<b>Russell 1000</b>	
	<b>Actual</b>	<b>Value</b>
2009	23.2%	19.7%
2008	-35.2	-36.8
2007	2.6	-0.2
2006	15.4	22.2
2005	9.6	7.1

BARROW, HANLEY, MEWHINNEY & STRAUSS, INC.  
Periods Ending June, 2010

Portfolio Manager: Tim Culler

Assets Under Management: \$348,494,944

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



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

**EARNEST PARTNERS, LLC**  
**Periods Ending June, 2010**

**Portfolio Manager: Paul Viera**

**Assets Under Management: \$149,534,286**

**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**

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	-12.6%	-11.1%
Last 1 year	15.3	16.9
Last 2 years	-6.1	-8.9
Last 3 years	-10.0	-12.3
Last 4 years	-3.5	-4.8
Last 5 years	-0.6	-1.6
Since Inception (7/00)	2.3	2.4

**Calendar Year Returns**

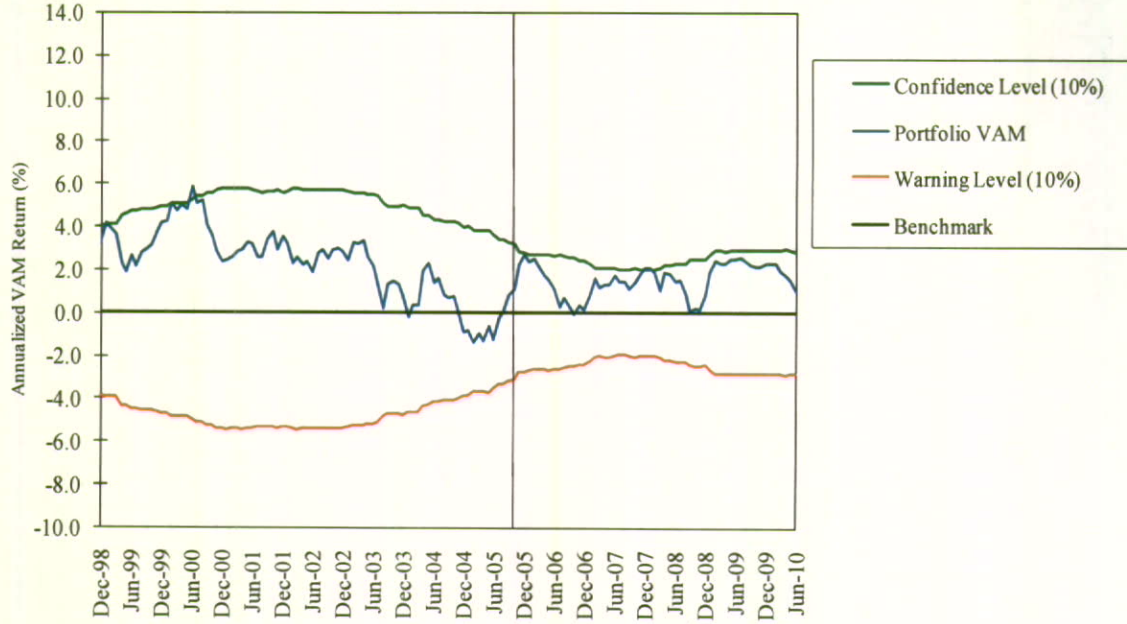
	<b>Actual</b>	<b>Russell 1000 Value</b>
2009	31.6%	19.7%
2008	-39.8	-36.8
2007	6.5	-0.2
2006	13.8	22.2
2005	15.6	7.1

**EARNEST PARTNERS, LLC**  
**Periods Ending June, 2010**

**Portfolio Manager: Paul Viera**

**Assets Under Management: \$149,534,286**

Earnest Partners  
 Rolling Five Year VAM vs. Russell 1000 Value



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

**LORD ABBETT & CO. LLC**  
**Periods Ending June, 2010**

**Portfolio Manager: Eli Salzmann**

**Assets Under Management: \$255,608,788**

**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	-12.4%	-11.1%
Last 1 year	13.9	16.9
Last 2 years	-8.0	-8.9
Last 3 years	-10.4	-12.3
Last 4 years	-3.8	-4.8
Last 5 years	-0.8	-1.6
Since Inception (4/04)	0.6	0.9

**Calendar Year Returns**

	<b>Actual</b>	<b>Russell 1000 Value</b>
2009	20.5%	19.7%
2008	-36.3	-36.8
2007	4.4	-0.2
2006	18.6	22.2
2005	3.5	7.1

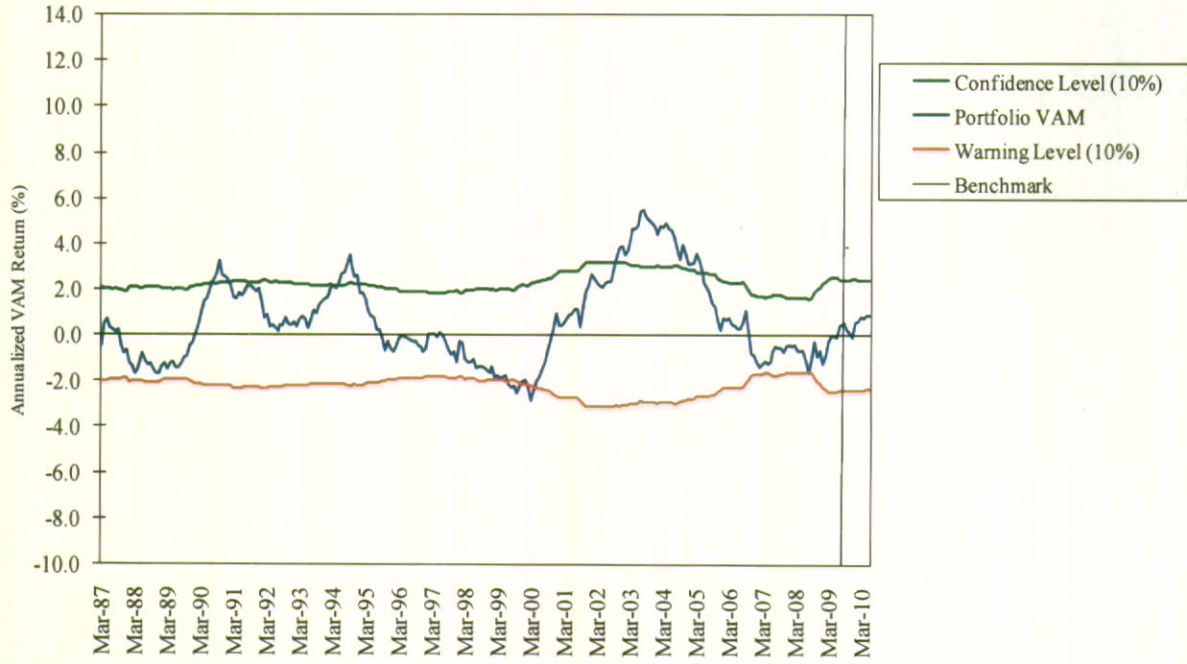


LORD ABBETT & CO. LLC  
Periods Ending June, 2010

Portfolio Manager: Eli Salzmann

Assets Under Management: \$255,608,788

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



Five Year Period Ending

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

**LSV ASSET MANAGEMENT**  
**Periods Ending June, 2010**

**Portfolio Manager: Josef Lakonishok**

**Assets Under Management: \$333,175,298**

**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.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 1000 Value</b>
Last Quarter	-11.4%	-11.1%
Last 1 year	17.6	16.9
Last 2 years	-8.1	-8.9
Last 3 years	-13.0	-12.3
Last 4 years	-5.2	-4.8
Last 5 years	-1.4	-1.6
Since Inception (4/04)	2.0	0.9

**Calendar Year Returns**

	<b>Actual</b>	<b>Russell 1000 Value</b>
2009	24.0%	19.7%
2008	-39.3	-36.8
2007	1.3	-0.2
2006	21.7	22.2
2005	12.5	7.1

**Staff Comments**

No comment at this time.

**Recommendation**

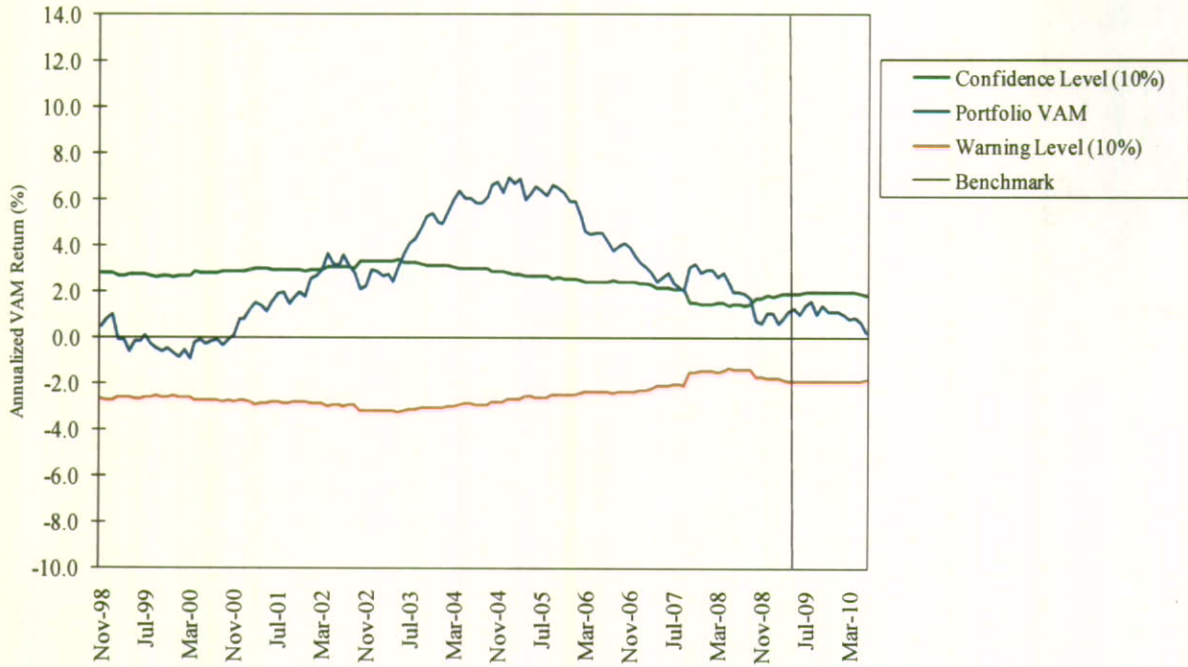
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**LSV ASSET MANAGEMENT**  
**Periods Ending June, 2010**

**Portfolio Manager: Josef Lakonishok**

**Assets Under Management: \$333,175,298**

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



Five Year Period Ending

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

**SYSTEMATIC FINANCIAL MANAGEMENT, L.P.**  
**Periods Ending June, 2010**

**Portfolio Manager: Kevin McCreesh**

**Assets Under Management: \$241,490,213**

**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.

**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	-13.4%	-11.1%
Last 1 year	17.2	16.9
Last 2 years	-11.2	-8.9
Last 3 years	-12.3	-12.3
Last 4 years	-4.6	-4.8
Last 5 years	-1.4	-1.6
Since Inception (4/04)	1.2	0.9

**Calendar Year Returns**

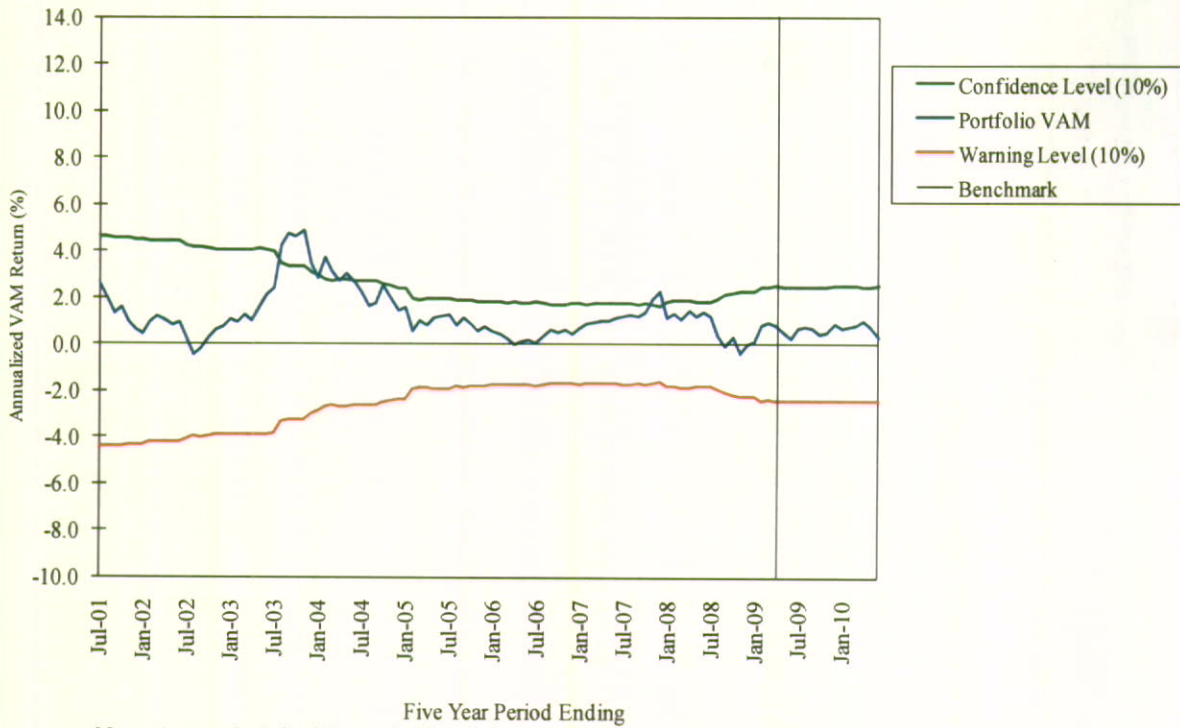
	<b>Actual</b>	<b>Russell 1000 Value</b>
2009	23.2%	19.7%
2008	-40.6	-36.8
2007	8.3	-0.2
2006	17.9	22.2
2005	10.3	7.1

**SYSTEMATIC FINANCIAL MANAGEMENT, L.P.**  
**Periods Ending June, 2010**

**Portfolio Manager: Kevin McCreesh**

**Assets Under Management: \$241,490,213**

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



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

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





## Small Cap Growth (R2000 Growth)

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**MCKINLEY CAPITAL MANAGEMENT**  
**Periods Ending June, 2010**

**Portfolio Manager: Robert A. Gillam**

**Assets Under Management: \$165,185,165**

**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.

**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	-10.1%	-9.2%
Last 1 year	20.1	18.0
Last 2 years	-14.1	-5.8
Last 3 years	-14.0	-7.5
Last 4 years	-7.4	-2.0
Last 5 years	-2.7	1.1
Since Inception (1/04)	-1.2	2.4

**Calendar Year Returns**

	<b>Actual</b>	<b>Russell 2000 Growth</b>
2009	28.0%	34.5%
2008	-49.1	-38.5
2007	16.2	7.0
2006	12.5	13.3
2005	0.2	4.2

**MCKINLEY CAPITAL MANAGEMENT**  
**Periods Ending June, 2010**

**Portfolio Manager: Robert A. Gillam**

**Assets Under Management: \$165,185,165**

**MCKINLEY CAPITAL MANAGEMENT**  
**Rolling Five Year VAM vs. Russell 2000 Growth**



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

**NEXT CENTURY GROWTH INVESTORS, LLC**  
**Periods Ending June, 2010**

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

**Assets Under Management: \$202,027,743**

**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	-9.3%	-9.2%
Last 1 year	19.2	18.0
Last 2 years	-12.9	-5.8
Last 3 years	-9.2	-7.5
Last 4 years	-3.1	-2.0
Last 5 years	2.9	1.1
Since Inception (7/00)	-2.0	-1.7

**Calendar Year Returns**

	<b>Actual</b>	<b>Russell 2000 Growth</b>
2009	35.0%	34.5%
2008	-49.3	-38.5
2007	34.2	7.0
2006	12.4	13.3
2005	25.2	4.2

**NEXT CENTURY GROWTH INVESTORS, LLC**  
**Periods Ending June, 2010**

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

**Assets Under Management: \$202,027,743**

**NEXT CENTURY GROWTH INVESTORS, LLC**  
**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 June, 2010**

**Portfolio Manager: William McVail**

**Assets Under Management: \$207,665,445**

**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	-10.4%	-9.2%
Last 1 year	18.5	18.0
Last 2 years	-7.9	-5.8
Last 3 years	-7.4	-7.5
Last 4 years	-1.5	-2.0
Last 5 years	2.1	1.1
Since Inception (1/04)	2.8	2.4

**Calendar Year Returns**

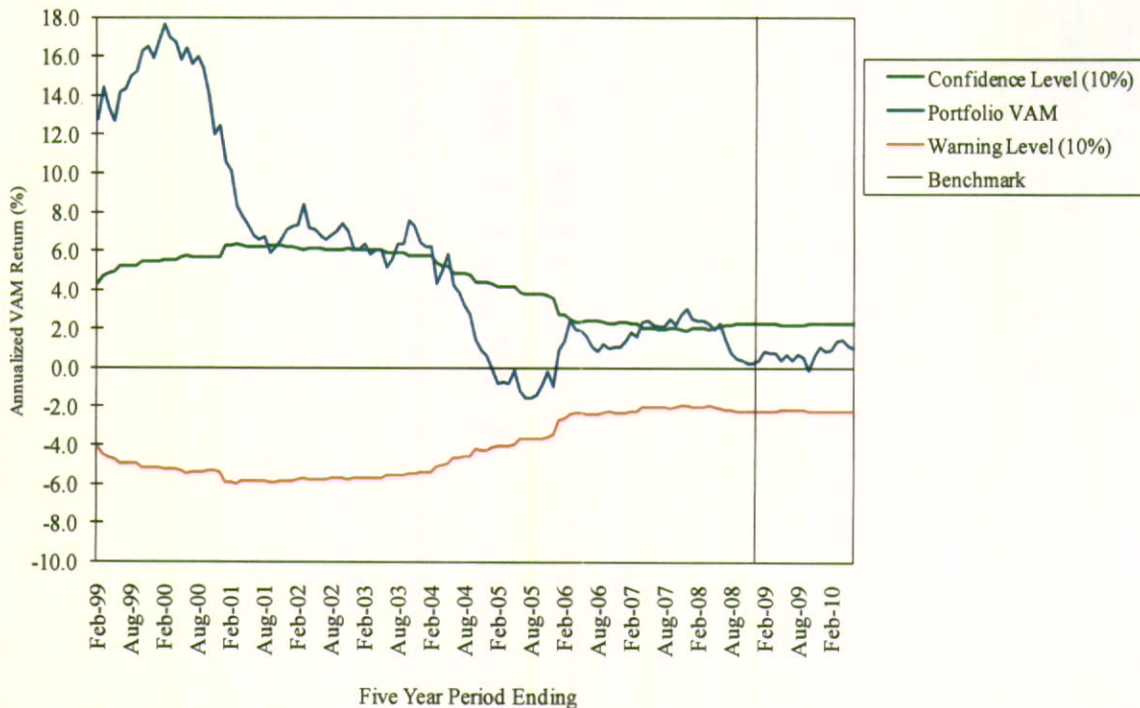
	<b>Actual</b>	<b>Russell 2000 Growth</b>
2009	36.9%	34.5%
2008	-41.9	-38.5
2007	14.8	7.0
2006	13.6	13.3
2005	6.2	4.2

**TURNER INVESTMENT PARTNERS**  
**Periods Ending June, 2010**

**Portfolio Manager: William McVail**

**Assets Under Management: \$207,665,445**

TURNER INVESTMENT PARTNERS, INC.  
 Rolling Five Year VAM vs. Russell 2000 Growth



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

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



## Small Cap Value (R2000 Value)

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**GOLDMAN SACHS ASSET MANAGEMENT**  
**Periods Ending June, 2010**

**Portfolio Manager: Chip Otness**

**Assets Under Management: \$122,226,031**

**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.

**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 Value</b>
Last Quarter	-8.6%	-10.6%
Last 1 year	26.7	25.1
Last 2 years	-0.3	-3.3
Last 3 years	-5.7	-9.8
Last 4 years	-0.4	-4.0
Last 5 years	2.1	-0.5
Since Inception (1/04)	4.2	2.9

**Calendar Year Returns**

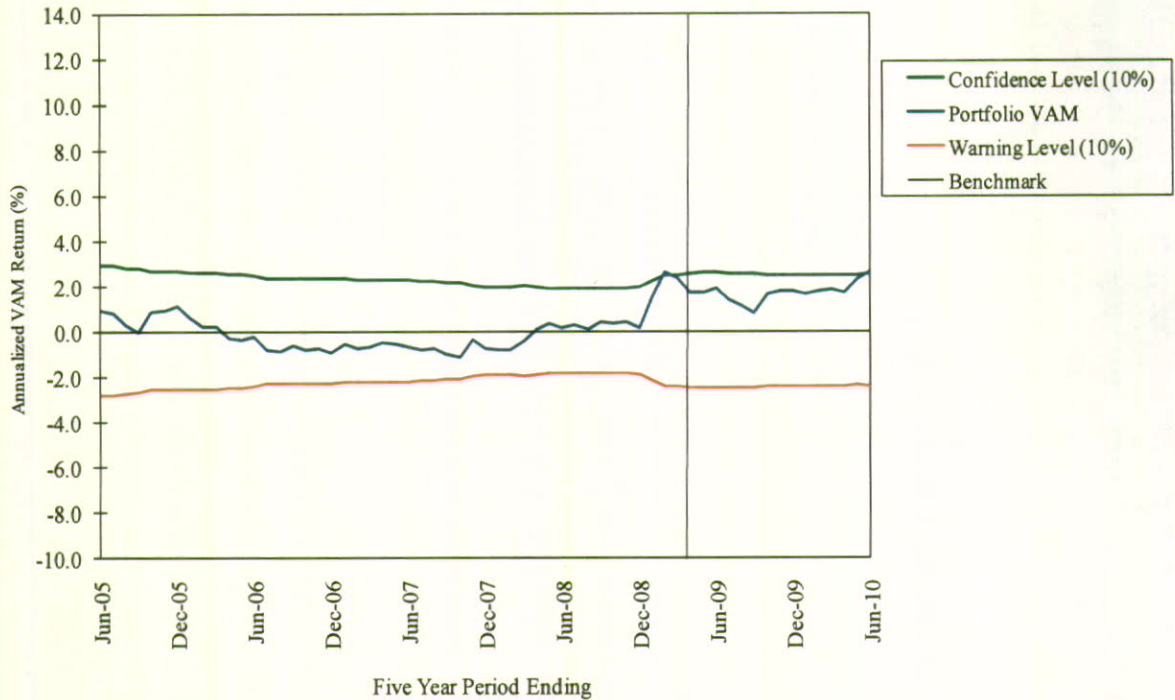
	<b>Actual</b>	<b>Russell 2000 Value</b>
2009	27.8%	20.6%
2008	-26.8	-28.9
2007	-5.0	-9.8
2006	17.8	23.5
2005	4.1	4.7

**GOLDMAN SACHS ASSET MANAGEMENT**  
**Periods Ending June, 2010**

**Portfolio Manager: Chip Otness**

**Assets Under Management: \$122,226,031**

GOLDMAN SACHS ASSET MANAGEMENT, L.P.  
 Rolling Five Year VAM vs. Russell 2000 Value



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

**HOTCHKIS & WILEY CAPITAL MANAGEMENT**  
**Periods Ending June, 2010**

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

**Assets Under Management: \$105,951,937**

**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**

Hotchkis & Wiley exceeded the benchmark for the quarter and for the year due to overall stock selection. The quarterly return was helped by strong stock selection in the consumer discretionary and technology sectors. The overweight and strong stock selection in the consumer discretionary sector, primarily media and retail companies, was the largest contributor to the return for the year.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 2000 Value</b>
Last Quarter	-8.3%	-10.6%
Last 1 year	47.1	25.1
Last 2 years	0.8	-3.3
Last 3 years	-10.4	-9.8
Last 4 years	-4.8	-4.0
Last 5 years	-2.9	-0.5
Since Inception (1/04)	1.9	2.9

**Calendar Year Returns**

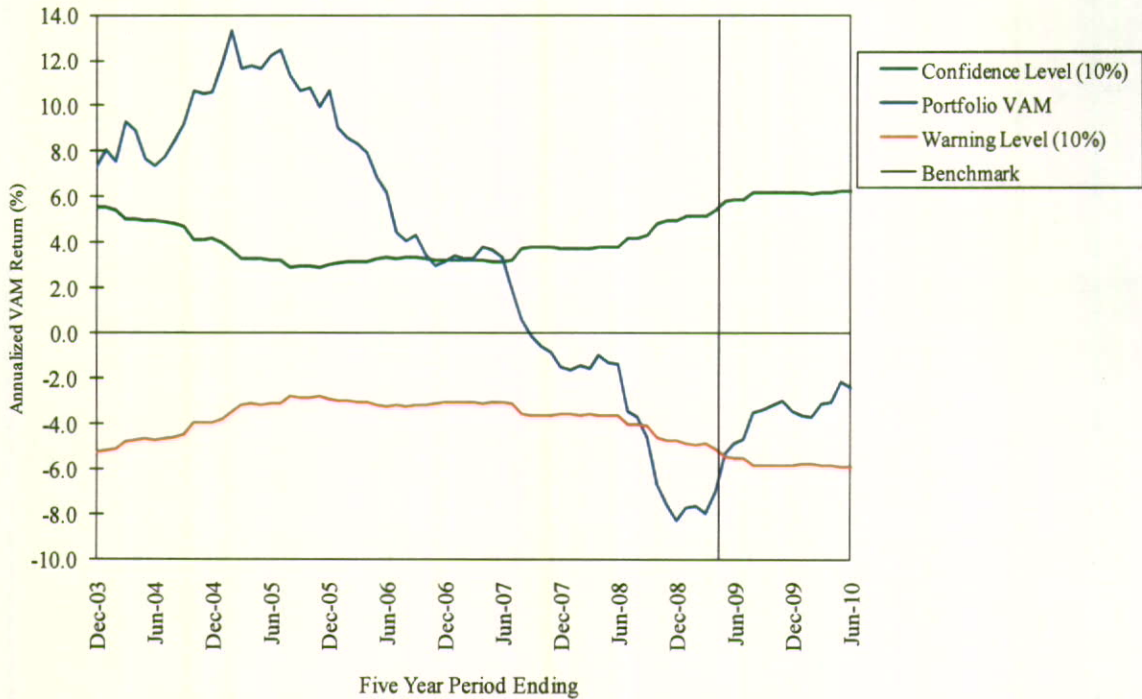
	<b>Actual</b>	<b>Russell 2000 Value</b>
2009	62.5%	20.6%
2008	-44.1	-28.9
2007	-18.8	-9.8
2006	3.0	23.5
2005	10.4	4.7

**HOTCHKIS & WILEY CAPITAL MANAGEMENT**  
**Periods Ending June, 2010**

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

**Assets Under Management: \$105,951,937**

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



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

**MARTINGALE ASSET MANAGEMENT**  
**Periods Ending June, 2010**

**Portfolio Manager: William Jacques**

**Assets Under Management: \$96,228,870**

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**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 outperformed the benchmark for the quarter and lagged for the year. The quarterly performance was helped by overall stock selection. The one-year return was hurt by overall stock selection and sector allocation as Martingale's model avoided the low-priced, high-risk companies that performed well in 2009.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 2000 Value</b>
Last Quarter	-9.6%	-10.6%
Last 1 year	20.7	25.1
Last 2 years	-8.2	-3.3
Last 3 years	-14.0	-9.8
Last 4 years	-8.7	-4.0
Last 5 years	-5.4	-0.5
Since Inception (1/04)	0.4	2.9

**Calendar Year Returns**

	<b>Actual</b>	<b>Russell 2000 Value</b>
2009	19.4%	20.6%
2008	-33.8	-28.9
2007	-16.8	-9.8
2006	14.8	23.5
2005	6.2	4.7



**MARTINGALE ASSET MANAGEMENT**  
**Periods Ending June, 2010**

**Portfolio Manager: William Jacques**

**Assets Under Management: \$96,228,870**

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



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

**PEREGRINE CAPITAL MANAGEMENT**  
**Periods Ending June, 2010**

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

**Assets Under Management: \$171,455,795**

**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 outperformed the benchmark for the quarter and for the year. Both periods benefited from strong stock selection across most sectors, especially the Financial Services sector.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 2000 Value</b>
Last Quarter	-8.4%	-10.6%
Last 1 year	32.9	25.1
Last 2 years	1.8	-3.3
Last 3 years	-10.2	-9.8
Last 4 years	-4.5	-4.0
Last 5 years	-1.5	-0.5
Since Inception (7/00)	8.2	7.5

**Calendar Year Returns**

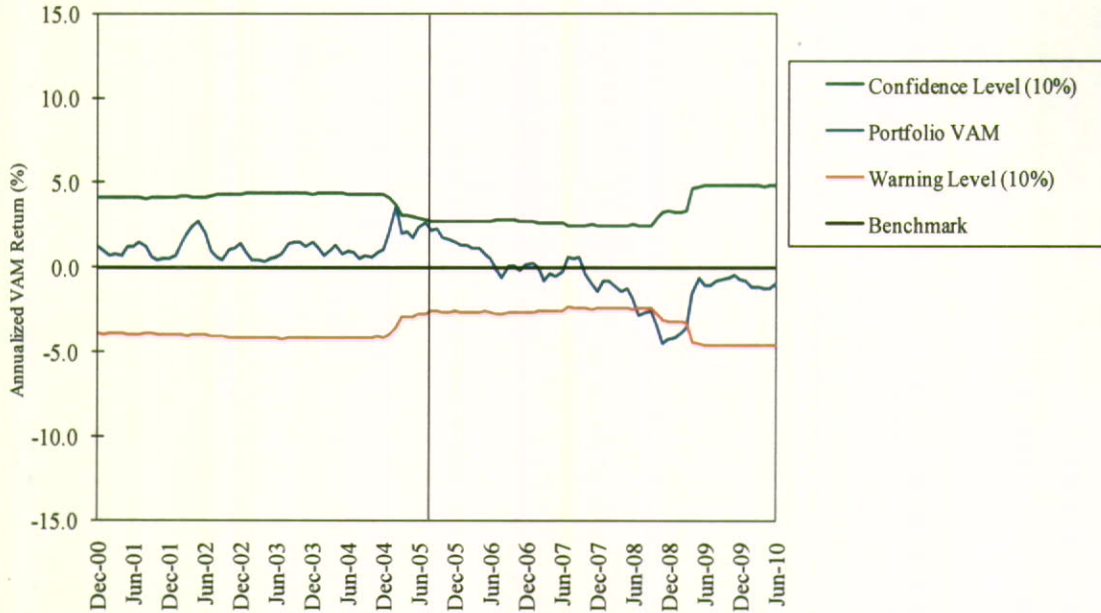
	<b>Actual</b>	<b>Russell 2000 Value</b>
2009	45.8%	20.6%
2008	-39.4	-28.9
2007	-13.4	-9.8
2006	14.3	23.5
2005	10.1	4.7

**PEREGRINE CAPITAL MANAGEMENT**  
**Periods Ending June, 2010**

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

**Assets Under Management: \$171,455,795**

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



Five Year Period Ending

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

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## **Semi-Passive and Passive**



## **Semi-Passive and Passive**

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**BLACKROCK INSTITUTIONAL TRUST CO., N.A.**  
**Periods Ending June, 2010**

**Portfolio Manager: Russ Koesterich**

**Assets Under Management: \$2,086,435,274**

**Investment Philosophy – Semi-Passive Style**

The Core Alpha Model segregates 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.

**Staff Comments**

BlackRock underperformed the benchmark for the quarter and for the year. For both periods, stock selection in the technology and consumer discretionary sectors had a negative impact on performance. Weak stock selection in the materials and the financial services sectors also contributed to the underperformance for the quarter and the year, respectively.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Manager Benchmark*</b>
Last Quarter	-12.5%	-11.4%
Last 1 year	13.1	15.2
Last 2 years	-9.5	-8.1
Last 3 years	-10.8	-9.5
Last 4 years	-4.1	-2.8
Last 5 years	-1.4	-0.6
Since Inception (1/95)	6.9	6.7

**Calendar Year Returns**

	<b>Actual</b>	<b>Manager Benchmark</b>
2009	27.6%	28.4%
2008	-37.1	-37.6
2007	2.2	5.8
2006	15.6	15.5
2005	7.6	6.3

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

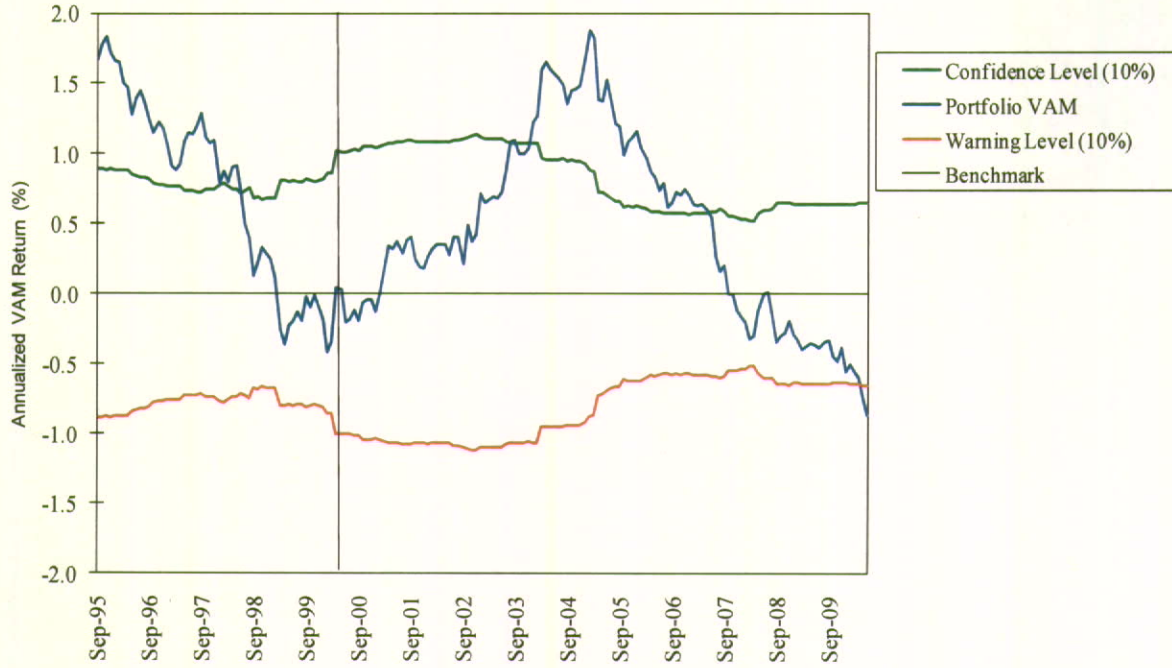


**BLACKROCK INSTITUTIONAL TRUST CO., N.A.**  
**Periods Ending June, 2010**

**Portfolio Manager: Russ Koesterich**

**Assets Under Management: \$2,086,435,274**

**BLACKROCK INSTITUTIONAL TRUST CO.- SEMI-PASSIVE**  
**Rolling Five Year VAM vs. Manager Benchmark**



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

**INTECH INVESTMENT MANAGEMENT LLC**  
**Periods Ending June, 2010**

**Portfolio Manager: Adrian Banner**

**Assets Under Management: \$885,946,933**

**Investment Philosophy – Semi-Passive Style**

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 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 1.0% or 8 times maximum index security weight, 3) beta equal to or less than benchmark beta, and 4) constraining the weighted average capital distribution to be roughly equal to the capital distribution of the benchmark. Target security positions are established using a weekly 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.

**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</b>
Last Quarter	-11.1%	-11.4%
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 (4/10)	-11.1	-11.4

**Calendar Year Returns**

	<b>Actual</b>	<b>Russell 1000</b>
2009	N/A	N/A
2008	N/A	N/A
2007	N/A	N/A
2006	N/A	N/A
2005	N/A	N/A

**INTECH INVESTMENT MANAGEMENT LLC**  
**Periods Ending June, 2010**

**Portfolio Manager: Adrian Banner**

**Assets Under Management: \$885,946,933**

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**VAM Graph will be drawn for period ending 6/30/12.**

**J.P. MORGAN INVESTMENT MANAGEMENT, INC.**  
**Periods Ending June, 2010**

**Portfolio Manager: Ralph Zingone and Scott Blasdell      Assets Under Management: \$2,349,028,476**

**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**

JP Morgan trailed the benchmark for the quarter and outperformed for the year. Stock selection was slightly negative for the quarter. The one-year return was helped by overall stock selection.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Manager Benchmark*</b>
Last Quarter	-11.7%	-11.4%
Last 1 year	16.6	15.2
Last 2 years	-6.1	-8.1
Last 3 years	-8.6	-9.5
Last 4 years	-1.7	-2.8
Last 5 years	0.0	-0.6
Since Inception (1/95)	6.9	6.7

**Calendar Year Returns**

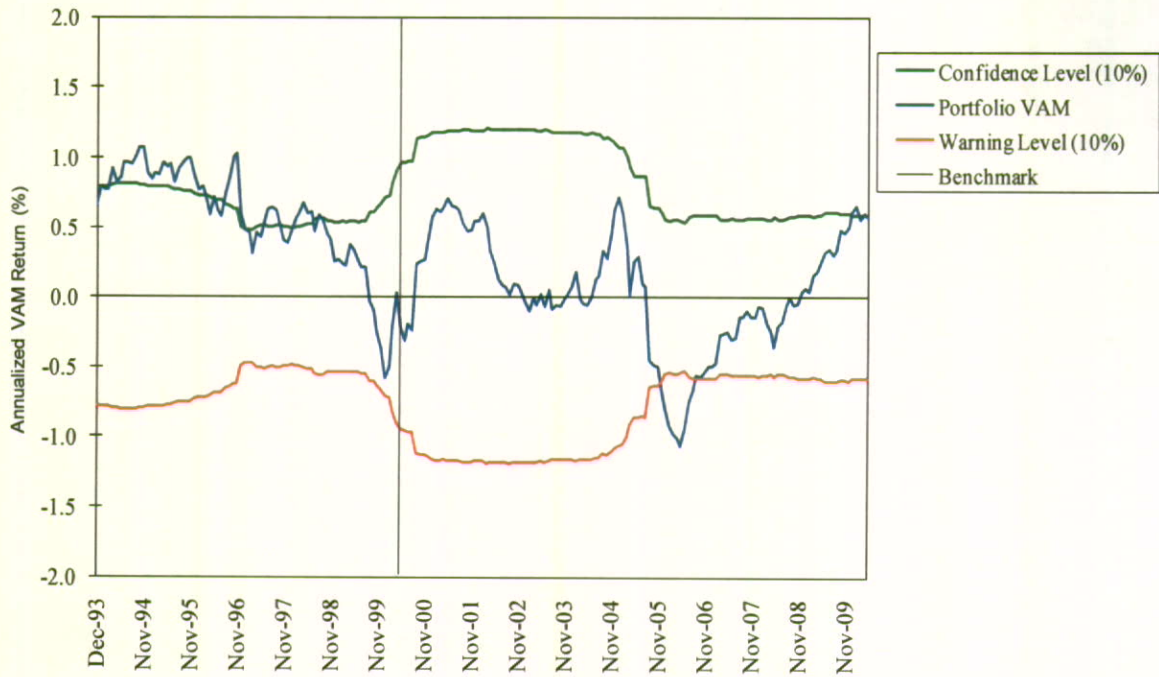
	<b>Actual</b>	<b>Manager Benchmark</b>
2009	32.1%	28.4%
2008	-37.1	-37.6
2007	5.1	5.8
2006	16.5	15.5
2005	4.7	6.3

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

**J.P. MORGAN INVESTMENT MANAGEMENT, INC.**  
**Periods Ending June, 2010**

**Portfolio Manager: Ralph Zingone and Scott Blasdell    Assets Under Management: \$2,349,028,476**

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



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

**MELLON CAPITAL MANAGEMENT**  
**Periods Ending June, 2010**

**Portfolio Manager: Tony Garvin**

**Assets Under Management: \$1,101,135,665**

**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**

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	-12.1%	-11.4%
Last 1 year	13.8	15.2
Last 2 years	-9.3	-8.1
Last 3 years	-10.8	-9.5
Last 4 years	-4.1	-2.8
Last 5 years	-1.6	-0.6
Since Inception (1/95)	6.1	6.7

**Calendar Year Returns**

	<b>Actual</b>	<b>Manager Benchmark</b>
2009	25.6%	28.4%
2008	-37.6	-37.6
2007	2.5	5.8
2006	16.5	15.5
2005	6.1	6.3

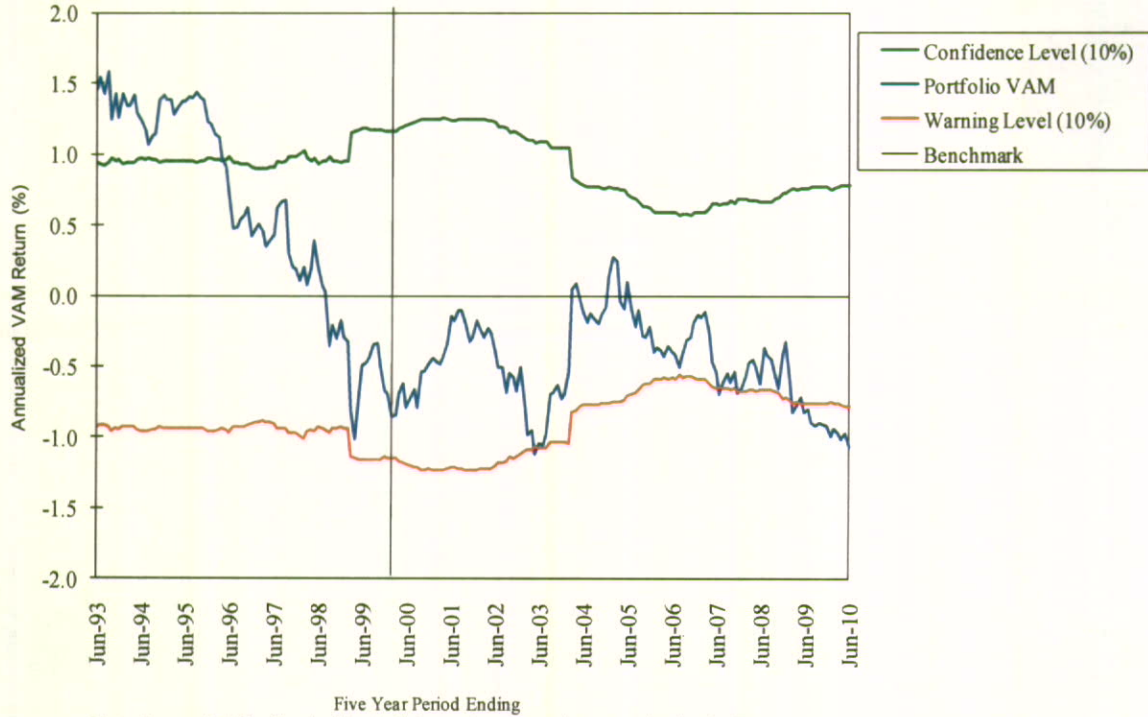
\*Russell 1000 since 1/1/04, Completeness Fund through 12/31/03.

MELLON CAPITAL MANAGEMENT  
Periods Ending June, 2010

Portfolio Manager: Tony Garvin

Assets Under Management: \$1,101,135,665

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.

**BLACKROCK INSTITUTIONAL TRUST CO., N.A.**  
**Periods Ending June, 2010**

**Portfolio Manager: Amy Schioldager**

**Assets Under Management: \$8,624,207,194**

**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	-11.1%	-11.3%
Last 1 year	16.1	15.7
Last 2 years	-7.6	-7.8
Last 3 years	-9.3	-9.5
Last 4 years	-2.7	-2.8
Last 5 years	-0.4	-0.5
Since Inception (7/95)	6.3	6.2

**Calendar Year Returns**

	<b>Actual</b>	<b>Manager Benchmark</b>
2009	28.2%	28.3%
2008	-37.1	-37.3
2007	5.1	5.1
2006	15.8	15.7
2005	6.2	6.1

\* 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.



**BLACKROCK INSTITUTIONAL TRUST CO., N.A.**  
**Periods Ending June, 2010**

**Portfolio Manager: Amy Schioldager**

**Assets Under Management: \$8,624,207,194**

**BLACKROCK INSTITUTIONAL TRUST CO.- PASSIVE**  
**Rolling Five Year VAM vs. Manager Benchmark**



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# STATE BOARD OF INVESTMENT

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## Bond Manager Evaluation Reports

Second Quarter, 2010



## **Bond Managers**

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**COMBINED RETIREMENT FUNDS  
BOND MANAGERS  
Periods Ending June, 2010**

	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	3.9	3.5	17.8	9.5	4.3	7.5	3.7	5.5	6.0	6.6	\$858.1	8.4%
Columbia (RiverSource)	3.2	3.5	12.4	9.5	6.4	7.5	5.1	5.5	6.0	6.3	\$917.9	9.0%
Dodge & Cox	2.3	3.5	13.5	9.5	8.2	7.5	6.4	5.5	7.5	6.6	\$1,029.3	10.1%
PIMCO	4.0	3.5	17.1	9.5					13.6	9.2	\$1,025.4	10.1%
Western	3.7	3.5	16.7	9.5	7.0	7.5	5.5	5.5	9.7	8.6	\$1,193.2	11.7%
<b>Active Mgr. Aggregate</b>	<b>3.4</b>	<b>3.5</b>	<b>15.6</b>	<b>9.5</b>	<b>6.4</b>	<b>7.5</b>	<b>5.1</b>	<b>5.5</b>			<b>\$5,024.0</b>	<b>49.3%</b>
<b>Semi-Passive Managers</b>												
BlackRock	3.4	3.5	11.5	9.5	6.6	7.5	5.0	5.5	6.4	6.4	\$1,716.8	16.8%
Goldman	3.8	3.5	12.9	9.5	7.5	7.5	5.6	5.5	6.5	6.3	\$1,752.3	17.2%
Neuberger	3.6	3.5	15.4	9.5	8.0	7.5	5.8	5.5	7.6	7.4	\$1,696.3	16.6%
<b>Semi-Passive Mgr. Aggregate</b>	<b>3.6</b>	<b>3.5</b>	<b>13.2</b>	<b>9.5</b>	<b>7.4</b>	<b>7.5</b>	<b>5.5</b>	<b>5.5</b>			<b>\$5,165.4</b>	<b>50.7%</b>
<b>Historical Aggregate (2)</b>	<b>3.6</b>	<b>3.5</b>	<b>14.5</b>	<b>9.5</b>	<b>7.0</b>	<b>7.5</b>	<b>5.4</b>	<b>5.5</b>	<b>8.7</b>	<b>8.6</b>	<b>\$10,189.36</b>	<b>100.0%</b>
Barclays Capital Aggregate (3)		3.5		9.5		7.5		5.5		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**

	2009		2008		2007		2006		2005	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
<b>Active Managers</b>										
Aberdeen	18.4	5.9	-14.7	5.2	5.6	7.0	4.8	4.3	2.7	2.4
Columbia (RiverSource)	14.0	5.9	-4.9	5.2	6.6	7.0	4.7	4.3	2.6	2.4
Dodge & Cox	16.5	5.9	0.1	5.2	5.3	7.0	5.5	4.3	2.5	2.4
PIMCO	17.1	9.5								
Western	17.5	5.9	-6.8	5.2	5.4	7.0	5.4	4.3	2.7	2.4
<b>Active Mgr. Aggregate</b>	<b>16.5</b>	<b>5.9</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>Semi-Passive Managers</b>										
BlackRock	9.6	5.9	-1.1	5.2	6.8	7.0	4.3	4.3	2.7	2.4
Goldman	12.0	5.9	-1.2	5.2	7.0	7.0	4.5	4.3	2.8	2.4
Neuberger	14.3	5.9	-1.9	5.2	6.3	7.0	4.5	4.3	2.5	2.4
<b>Semi-Passive Mgr. Aggregate</b>	<b>12.0</b>	<b>5.9</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>Historical Aggregate</b>	<b>14.3</b>	<b>5.9</b>	<b>-4.2</b>	<b>5.2</b>	<b>6.3</b>	<b>7.0</b>	<b>4.7</b>	<b>4.3</b>	<b>2.8</b>	<b>2.4</b>
Barclays Capital Aggregate		5.9		5.2		7.0		4.3		2.4

**ABERDEEN ASSET MANAGEMENT**  
**Periods Ending June, 2010**

**Portfolio Manager: Neil Moriarty**

**Assets Under Management: \$858,142,285**

**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**

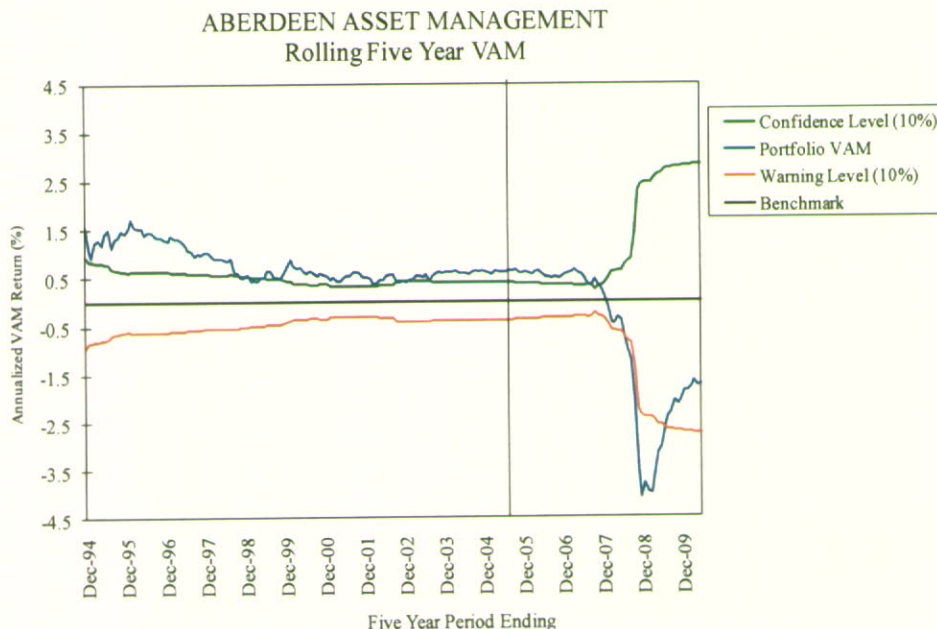
Aberdeen outperformed the benchmark by 40bps in 2Q10 and by 830 bps over the last 12 months. Quarterly outperformance was driven by security selection in CMBS and Agency MBS. Over the last 12 months, outperformance was driven by overweights to the CMBS and corporate bond sectors as well as Non-Agency MBS holdings.

**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	3.9%	3.5%
Last 1 year	17.8	9.5
Last 2 years	4.9	7.8
Last 3 years	4.3	7.5
Last 4 years	4.8	7.2
Last 5 years	3.7	5.5
Since Inception (2/00)	6.0	6.6

**Recommendations**

No action required.



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



**COLUMBIA MANAGEMENT INVESTMENT ADVISERS, LLC**  
**(Formerly RiverSource Investments)**  
**Periods Ending June, 2010**

**Portfolio Manager: Colin Lundgren**

**Assets Under Management: \$917,867,182**

**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**

Columbia underperformed the benchmark by 30 bps in 2Q10 and outperformed the benchmark by 290 bps over the last 12 months. Quarterly performance was hurt by a short duration interest rate position as yields fell. An overweight to corporate bonds also was a detractor. Over the last 12 months, outperformance was driven by overweights to the CMBS and corporate bond sectors.

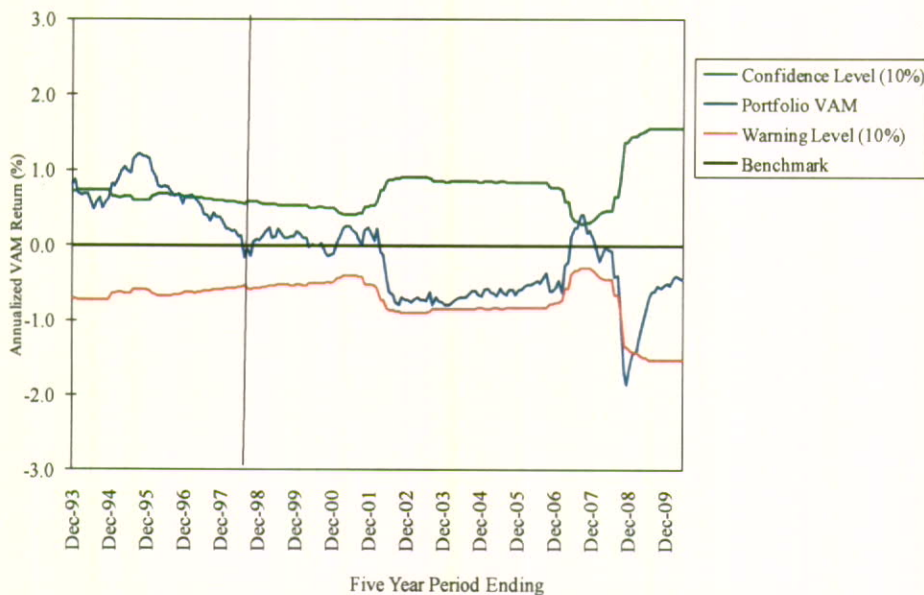
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	3.2%	3.5%
Last 1 year	12.4	9.5
Last 2 years	7.0	7.8
Last 3 years	6.4	7.5
Last 4 years	6.4	7.2
Last 5 years	5.1	5.5
Since Inception (7/93)	6.0	6.3

**Recommendations**

No action required.

**COLUMBIA MANAGEMENT - FIXED INCOME**  
**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 June, 2010**

**Portfolio Manager: Dana Emery**

**Assets Under Management: \$1,029,340,775**

**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**

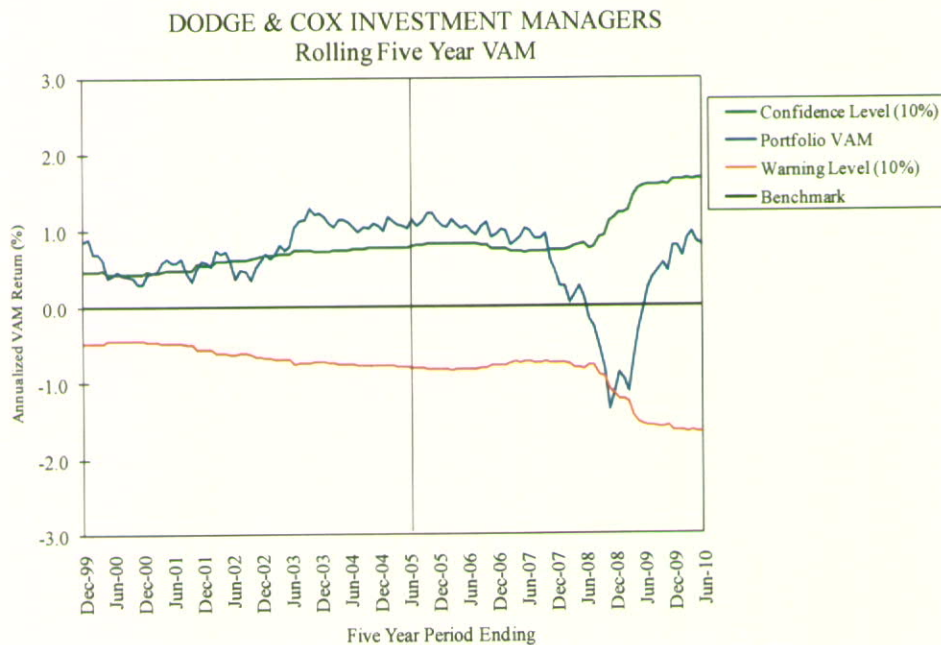
Dodge & Cox underperformed the benchmark by 120 bps in 2Q10 but outperformed by 400 bps over the last 12 months. A short duration stance relative to the benchmark hindered quarterly and one year performance as rates rallied. An overweight to the corporate bond sector was the largest quarterly performance detractor, but this same overweight was the largest contributor to one year performance.

**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	2.3%	3.5%
Last 1 year	13.5	9.5
Last 2 years	10.2	7.8
Last 3 years	8.2	7.5
Last 4 years	7.9	7.2
Last 5 years	6.4	5.5
Since Inception (2/00)	7.5	6.6

**Recommendations**

No action required.



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 June, 2010**

**Portfolio Manager: Bill Gross**

**Assets Under Management: \$1,025,418,903**

**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 50 bps in 2Q10 and by 760 bps over the last 12 months. Quarterly outperformance was driven by a long duration interest rate positioning as well as an underweight to the Agency MBS sector. Over the last 12 months, overweights to the corporate bond sector and Non-Agency MBS holdings were significant drivers of outperformance.

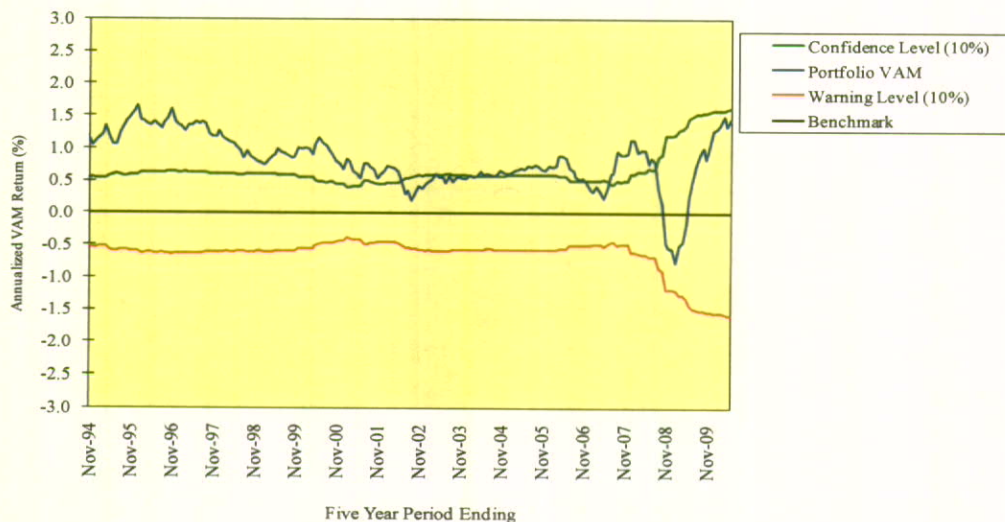
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	4.0%	3.5%
Last 1 year	17.1	9.5
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)	13.6	9.2

**Recommendations**

No action required.

PACIFIC INVESTMENT MANAGEMENT CO.  
 Rolling Five Year VAM



**WESTERN ASSET MANAGEMENT**  
**Periods Ending June, 2010**

**Portfolio Manager: Steve Walsh**

**Assets Under Management: \$1,193,210,121**

**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 20 bps in 2Q10 and by 720 bps over the last 12 months. Quarterly outperformance was driven by a long duration interest rate positioning, an underweight to the Agency MBS sector and select holdings in Non-Agency MBS. Over the last 12 months, outperformance was driven by Non-Agency MBS holdings and an overweight to investment-grade and high yield corporate bonds.

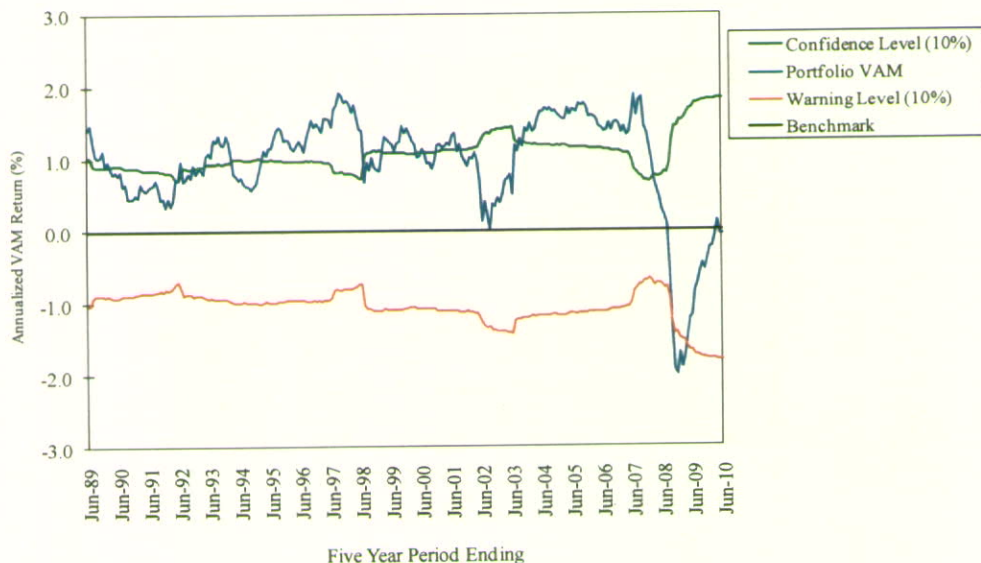
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	3.7%	3.5%
Last 1 year	16.7	9.5
Last 2 years	9.1	7.8
Last 3 years	7.0	7.5
Last 4 years	7.0	7.2
Last 5 years	5.5	5.5
Since Inception (7/84)	9.7	8.6

**Recommendations**

No action required.

**WESTERN ASSET MANAGEMENT**  
**Rolling Five Year VAM**



**BLACKROCK, INC.**  
**Periods Ending June, 2010**

**Portfolio Manager: Keith Anderson**

**Assets Under Management: \$1,716,770,380**

**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**

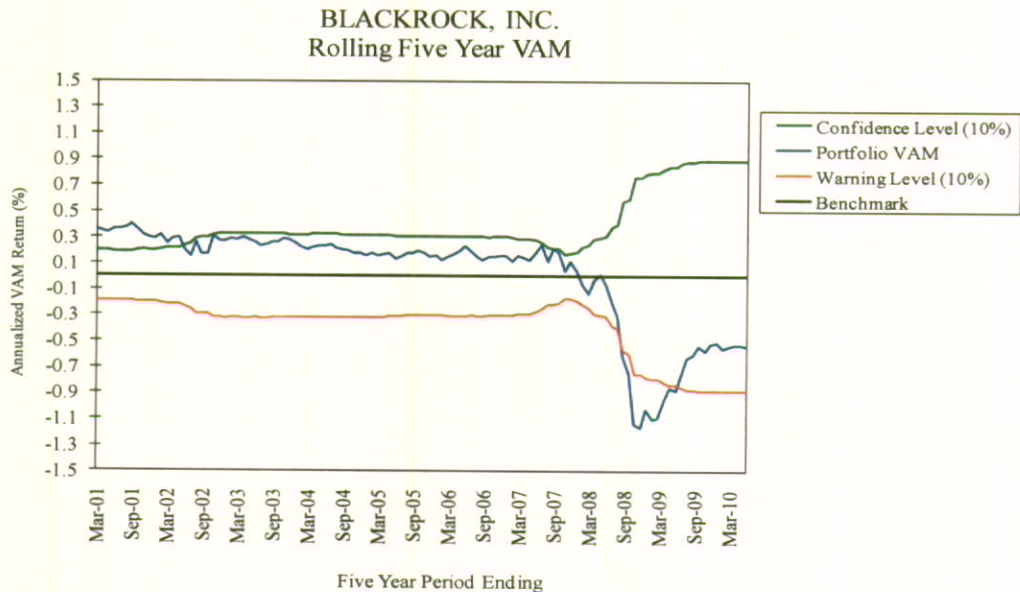
Blackrock underperformed the benchmark by 10 bps in 2Q10 but outperformed by 200 bps over the last 12 months. Quarterly performance was hurt by an overweight and security selection within the corporate bond sector, but security selection within the Agency MBS sector added to performance. Over the last 12 months, performance was driven by CMBS, ABS, and corporate bond sector overweights as well as Non-Agency MBS holdings.

**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	3.4%	3.5%
Last 1 year	11.5	9.5
Last 2 years	6.6	7.8
Last 3 years	6.6	7.5
Last 4 years	6.4	7.2
Last 5 years	5.0	5.5
Since Inception (4/96)	6.4	6.4

**Recommendation**

No action required.



**GOLDMAN SACHS ASSET MANAGEMENT**  
**Periods Ending June, 2010**

**Portfolio Manager: Jonathon Beinner**

**Assets Under Management: \$1,752,269,737**

**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 30 bps in 2Q10 and by 340 bps over the last 12 months. Quarterly outperformance was driven by security selection in Non-Agency MBS and Government/Agency bonds. Over the last 12 months, outperformance was driven by security selection in corporate bonds and Non-Agency MBS.

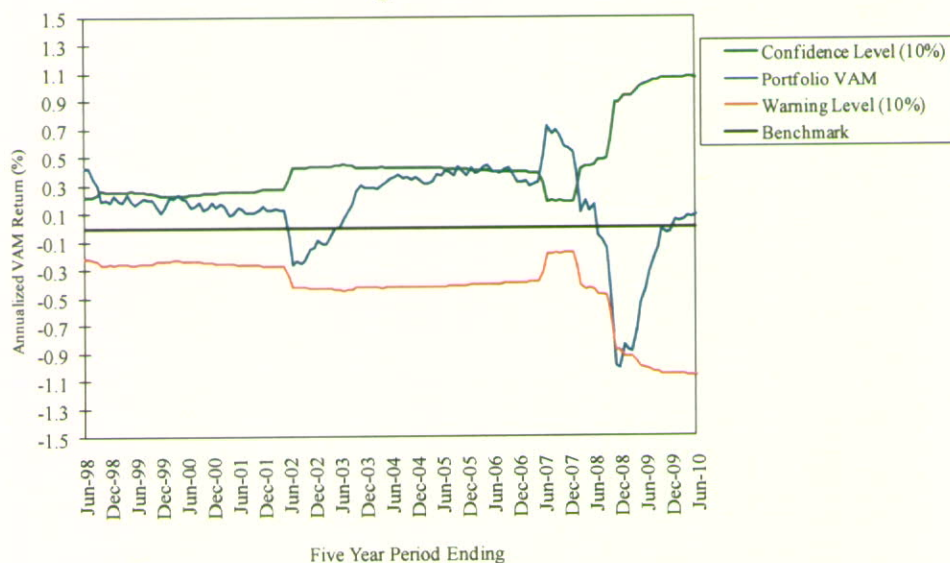
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	3.8%	3.5%
Last 1 year	12.9	9.5
Last 2 years	8.4	7.8
Last 3 years	7.5	7.5
Last 4 years	7.2	7.2
Last 5 years	5.6	5.5
Since Inception (7/93)	6.5	6.3

**Recommendations**

No action required.

**GOLDMAN SACHS ASSET MANAGEMENT**  
**Rolling Five Year VAM**



**NEUBERGER INVESTMENT MANAGEMENT**  
**Periods Ending June, 2010**

**Portfolio Manager: Andrew Johnson**

**Assets Under Management: \$1,696,342,489**

**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 outperformed the benchmark by 10 bps in 2Q10 and by 590 bps over the last 12 months. Quarterly performance was driven by security selection within the Agency MBS sector, but performance was hindered by security selection within the corporate bond sector. Over the last 12 months, performance was driven by overweights to the corporate bond and CMBS sectors.

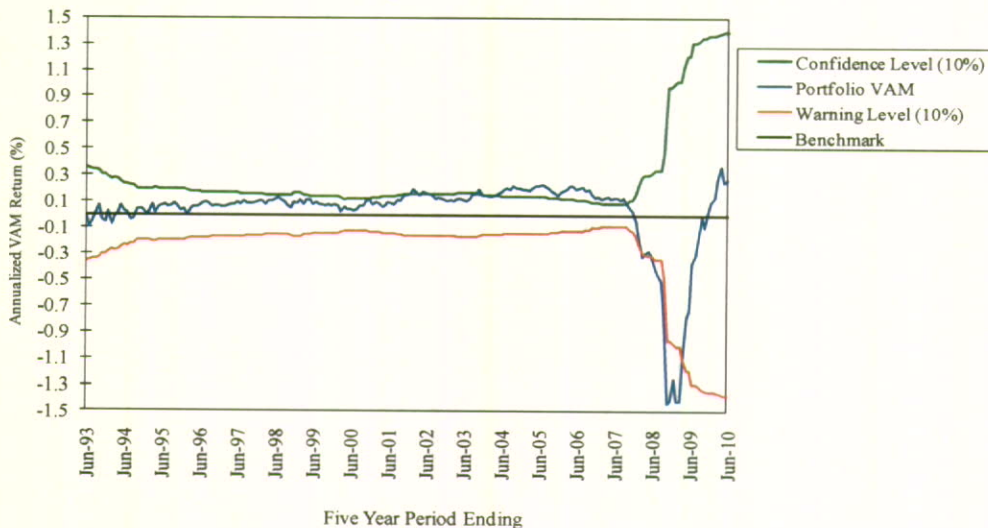
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	3.6%	3.5%
Last 1 year	15.4	9.5
Last 2 years	9.6	7.8
Last 3 years	8.0	7.5
Last 4 years	7.5	7.2
Last 5 years	5.8	5.5
Since Inception (7/88)	7.6	7.4

**Recommendations**

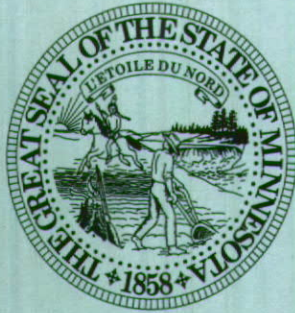
No action required.

**NEUBERGER INVESTMENT MANAGEMENT**  
**Rolling Five Year VAM**



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# STATE BOARD OF INVESTMENT

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## International Manager Evaluation Reports

Second Quarter, 2010



# International Managers

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**COMBINED RETIREMENT FUNDS  
INTERNATIONAL STOCK MANAGERS  
Periods Ending June, 2010**

	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	-10.9	-13.6	9.7	7.0	-17.8	-12.5	0.4	1.5	0.4	1.5	\$275.3	4.3%
Columbia (RiverSource)	-12.7	-13.6	6.9	7.0	-11.4	-12.5	1.9	1.5	-1.7	0.5	\$213.4	3.3%
Invesco	-15.1	-13.6	5.0	7.0	-11.8	-12.5	1.4	1.5	2.3	0.5	\$238.0	3.7%
J.P. Morgan	-13.9	-13.6	8.2	7.0	-11.6	-12.5	1.2	1.5	1.2	1.5	\$193.7	3.0%
Marathon	-10.1	-13.6	11.2	7.0	-8.4	-12.5	5.0	1.5	7.7	4.1	\$449.4	7.0%
McKinley	-13.1	-13.6	8.6	7.0	-16.5	-12.5	-0.1	1.5	-0.1	1.5	\$190.1	3.0%
Pyramis (Fidelity)	-12.5	-13.6	9.5	7.0	-10.2	-12.5	3.0	1.5	3.0	1.5	\$215.4	3.4%
<b>Aggregate</b>	<b>-12.3</b>	<b>-13.6</b>	<b>8.8</b>	<b>7.0</b>	<b>-12.0</b>	<b>-12.5</b>	<b>2.0</b>	<b>1.5</b>			<b>\$1,775.3</b>	<b>27.8%</b>
<b>Active Emerging Markets (3)</b>												
AllianceBernstein	-8.6	-8.4	24.5	23.1	-5.1	-2.3	10.5	12.9	11.5	12.8	\$149.7	2.3%
Capital International	-7.0	-8.4	24.0	23.1	0.6	-2.3	16.3	12.9	12.5	12.8	\$696.6	10.9%
Morgan Stanley	-7.2	-8.4	21.4	23.1	-3.8	-2.3	12.9	12.9	12.8	12.8	\$647.2	10.1%
<b>Aggregate</b>	<b>-7.3</b>	<b>-8.4</b>	<b>23.1</b>	<b>23.1</b>	<b>-2.6</b>	<b>-2.3</b>	<b>13.3</b>	<b>12.9</b>			<b>\$1,493.5</b>	<b>23.4%</b>
<b>Semi-Passive Developed Markets (2)</b>												
AQR	-13.4	-13.6	8.9	7.0	-13.2	-12.5	1.4	1.5	1.4	1.5	\$214.1	3.4%
Pyramis (Fidelity)	-12.2	-13.6	7.4	7.0	-12.1	-12.5	2.4	1.5	2.4	1.5	\$323.2	5.1%
State Street	-13.9	-13.6	6.7	7.0	-14.2	-12.5	0.7	1.5	0.7	1.5	\$206.5	3.2%
<b>Aggregate</b>	<b>-13.1</b>	<b>-13.6</b>	<b>7.8</b>	<b>7.0</b>	<b>-13.1</b>	<b>-12.5</b>	<b>1.5</b>	<b>1.5</b>			<b>\$743.9</b>	<b>11.6%</b>
<b>Passive Developed Markets (2)</b>												
State Street	-13.2	-13.6	7.8	7.0	-12.2	-12.5	1.8	1.5	5.7	5.4	\$2,376.9	37.2%
<b>Since 10/1/92</b>												
Equity Only (4) (6)	-11.5	-12.4	11.7	10.4	-10.4	-10.6	3.8	3.4	6.4	5.9	\$6,389.7	100.0%
<b>Total Program (5) (6)</b>	<b>-11.5</b>	<b>-12.4</b>	<b>11.7</b>	<b>10.4</b>	<b>-10.4</b>	<b>-10.6</b>	<b>3.8</b>	<b>3.4</b>	<b>6.6</b>	<b>5.9</b>	<b>\$6,389.7</b>	<b>100.0%</b>
SBI Int'l Equity Target (6)	-12.4		10.4		-10.6		3.4		5.9			
MSCI ACWI Free ex. U.S. (7)	-12.4		10.4		-10.7		3.4		6.2			
MSCI World ex U.S. (net)	-13.6		7.0		-12.6		1.5		5.5			
MSCI EAFE Free (net)	-14.0		5.9		-13.4		0.9		5.2			
MSCI Emerging Markets Free (8)	-8.4		23.1		-2.5		12.7		9.0			

(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**

	2009		2008		2007		2006		2005	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
<b>Active Developed Markets (1)</b>										
Acadian	28.8	33.7	-50.5	-43.5	10.0	12.6	31.9	25.7		
Columbia (RiverSource)	29.3	33.7	-40.8	-43.5	12.4	12.6	23.6	25.7	14.2	14.5
Invesco	32.0	33.7	-38.8	-43.5	8.4	12.6	26.0	25.7	10.6	14.5
J.P. Morgan	37.5	33.7	-41.5	-43.5	8.8	12.6	23.1	25.7		
Marathon	29.8	33.7	-38.0	-43.5	15.4	12.6	27.5	25.7	16.4	14.5
McKinley	24.1	33.7	-48.5	-43.5	20.4	12.6	25.4	25.7		
Pyramis (Fidelity)	35.1	33.7	-42.9	-43.5	17.7	12.6	22.7	25.7		
<b>Aggregate</b>	<b>31.9</b>	<b>33.7</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>Active Emerging Markets (2)</b>										
AllianceBernstein	78.4	78.5	-56.0	-53.2	38.8	39.9	30.4	32.2	32.7	34.0
Capital International	83.1	78.5	-48.9	-53.2	38.4	39.9	35.6	32.2	38.4	34.0
Morgan Stanley	71.7	78.5	-54.5	-53.2	43.0	39.9	37.6	32.2	34.3	34.0
<b>Aggregate</b>	<b>77.3</b>	<b>78.5</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>Semi-Passive Developed Markets (1)</b>										
AQR	36.0	33.7	-44.0	-43.5	9.0	12.6	25.2	25.7		
Pyramis (Fidelity)	30.2	33.7	-44.0	-43.5	18.2	12.6	26.8	25.7		
State Street	34.9	33.7	-45.3	-43.5	9.1	12.6	27.1	25.7		
<b>Aggregate</b>	<b>33.6</b>	<b>33.7</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	34.0	33.7	-43.4	-43.5	12.9	12.6	26.0	25.7	14.6	14.5
Equity Only (3) (5)	41.2	41.5	-45.3	-45.5	17.1	16.9	27.0	26.7	16.4	16.6
<b>Total Program (4) (5)</b>	<b>41.2</b>	<b>41.5</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>
SBI Int'l Equity Target (5)		41.5		-45.5		16.9		26.7		16.6
MSCI ACWI Free ex. U.S. (6)		41.5		-45.5		16.7		26.7		16.6
MSCI World ex U.S. (net)		33.7		-43.6		12.4		25.7		14.5
MSCI EAFE Free (net)		31.8		-43.4		11.2		26.3		13.5
MSCI Emerging Markets Free (7)		78.5		-53.3		39.4		32.2		34.0

- (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 June, 2010**

**Portfolio Manager:** John Chisholm

**Assets Under Management:** \$275,252,550

**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**

Over both the quarter and the year, stock selection in the United Kingdom and in the energy sector contributed to the portfolio's outperformance relative to the index.

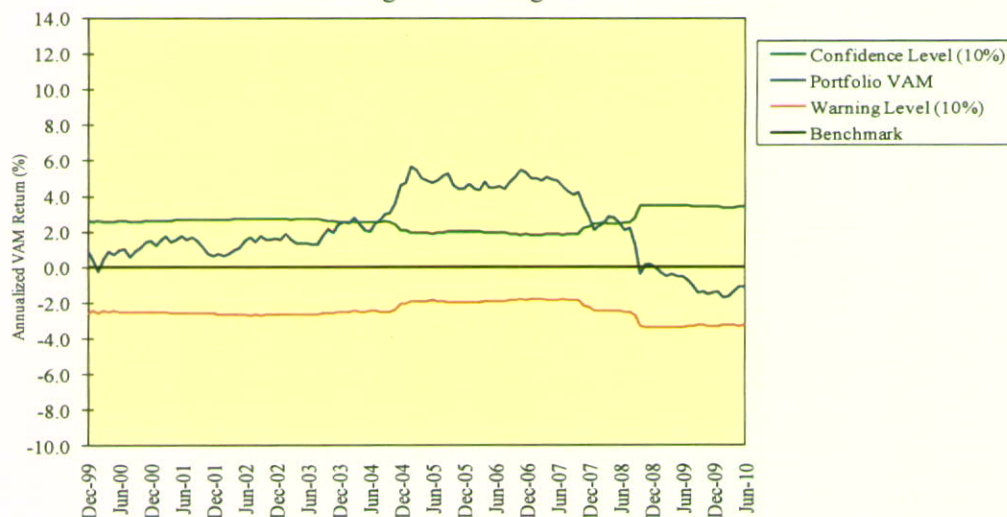
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-10.9%	-13.6%
Last 1 year	9.7	7.0
Last 2 years	-19.9	-14.5
Last 3 years	-17.8	-12.5
Last 4 years	-7.1	-4.0
Last 5 years	0.4	1.5
Since Inception (7/05)	0.4	1.5

**Recommendations**

No action required.

**ACADIAN ASSET MANAGEMENT**  
**Rolling Five Rolling VAM**



5 Year Period Ending

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

**COLUMBIA MANAGEMENT INVESTMENT ADVISERS, LLC**  
**(Formerly RiverSource Investments)**  
**Periods Ending June, 2010**

**Portfolio Manager:** Esther Perkins

**Assets Under Management:** \$213,409,021

**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 in the United Kingdom and in the industrials sector contributed to the portfolio's outperformance over the quarter. For the year, stock selection in the financials sector detracted from returns.

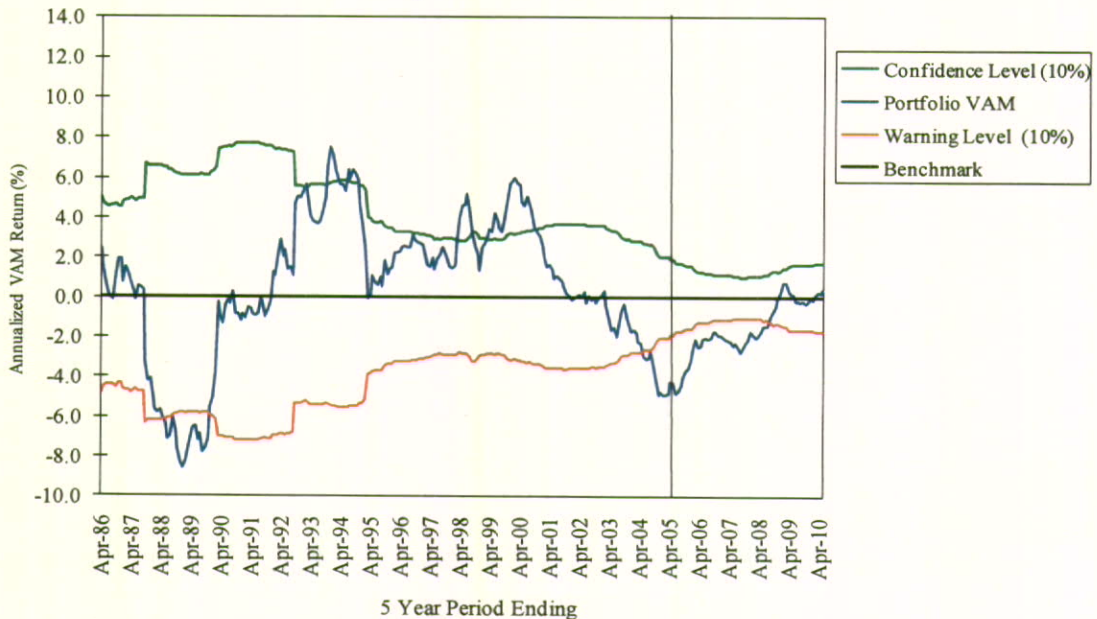
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-12.7%	-13.6%
Last 1 year	6.9	7.0
Last 2 years	-13.5	-14.5
Last 3 years	-11.4	-12.5
Last 4 years	-3.8	-4.0
Last 5 years	1.9	1.5
Since Inception (3/00)	-1.7	0.5

**Recommendations**

No action required.

**COLUMBIA MANAGEMENT INVESTMENT ADVISERS**  
**Rolling Five Year VAM**



**INVESCO GLOBAL ASSET MANAGEMENT**  
**Periods Ending June, 2010**

**Portfolio Manager: Erik Granade**

**Assets Under Management: \$238,010,282**

**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**

The portfolio underperformed during the quarter and the year. Stock selection in the consumer discretionary, information technology, and materials sectors detracted from returns over both periods.

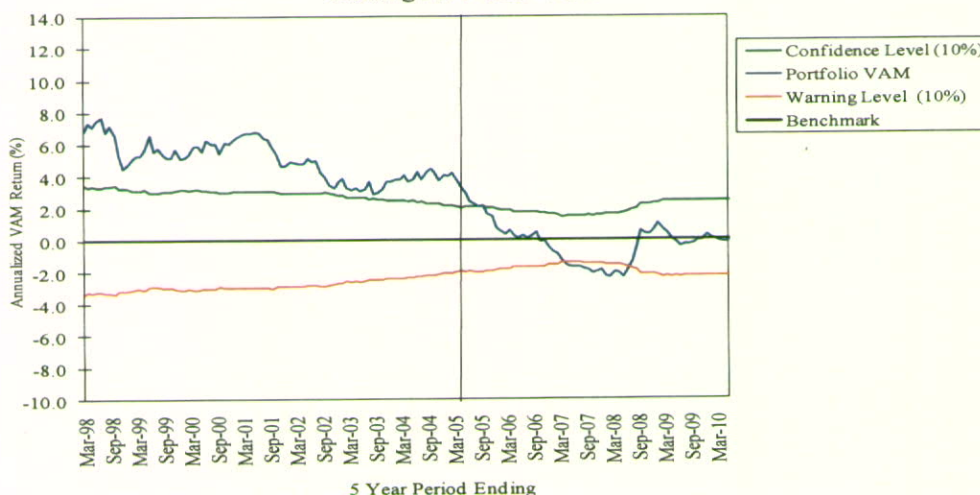
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-15.1%	-13.6%
Last 1 year	5.0	7.0
Last 2 years	-10.7	-14.5
Last 3 years	-11.8	-12.5
Last 4 years	-3.8	-4.0
Last 5 years	1.4	1.5
Since Inception (3/00)	2.3	0.5

**Recommendations**

No action required.

**INVESCO GLOBAL ASSET MANAGEMENT**  
**Rolling Five Year VAM**





**J.P. MORGAN INVESTMENT MANAGEMENT INC.**  
**Periods Ending June, 2010**

**Portfolio Manager: James Fisher**

**Assets Under Management: \$193,706,513**

**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**

While over the quarter, stock selection in Japan contributed to the portfolio's underperformance relative to the index, it was the most significant contributor to the portfolio's outperformance during the year. The sharp appreciation of the Yen versus the U.S. dollar during the quarter hurt Japanese export companies where the portfolio's holdings are focused.

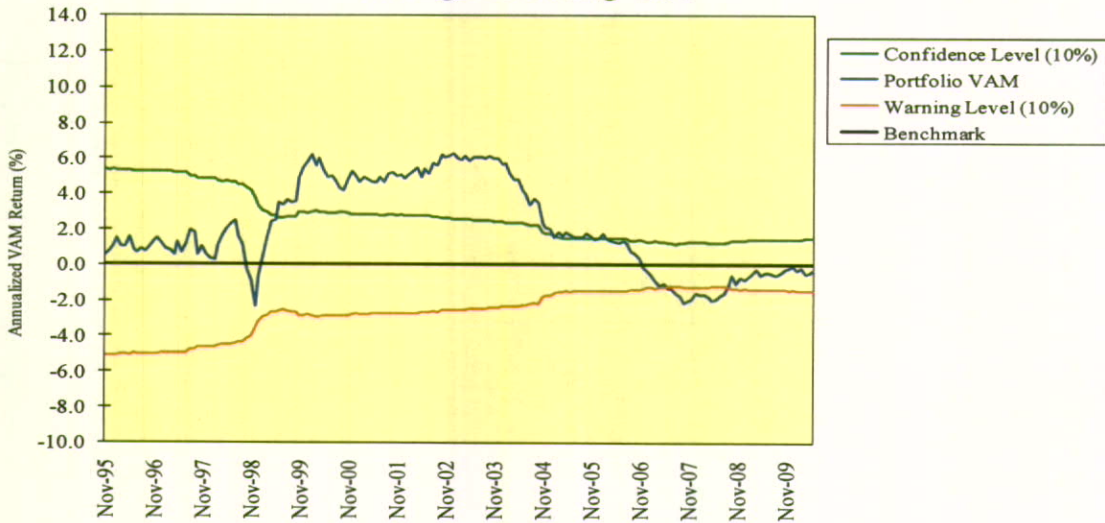
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-13.9%	-13.6%
Last 1 year	8.2	7.0
Last 2 years	-12.1	-14.5
Last 3 years	-11.6	-12.5
Last 4 years	-4.1	-4.0
Last 5 years	1.2	1.5
Since Inception (7/05)	1.2	1.5

**Recommendations**

No action required.

J.P. MORGAN INVESTMENT MANAGEMENT, INC.  
**Rolling Five Rolling VAM**



5 Year Period Ending

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

**MARATHON ASSET MANAGEMENT**  
**Periods Ending June, 2010**

**Portfolio Manager: William Arah**

**Assets Under Management: \$449,444,020**

**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 outperformed over the quarter and the year. An overweight position and stock selection in the industrials sector, together with stock selection in the information technology sector, contributed positively over both periods.

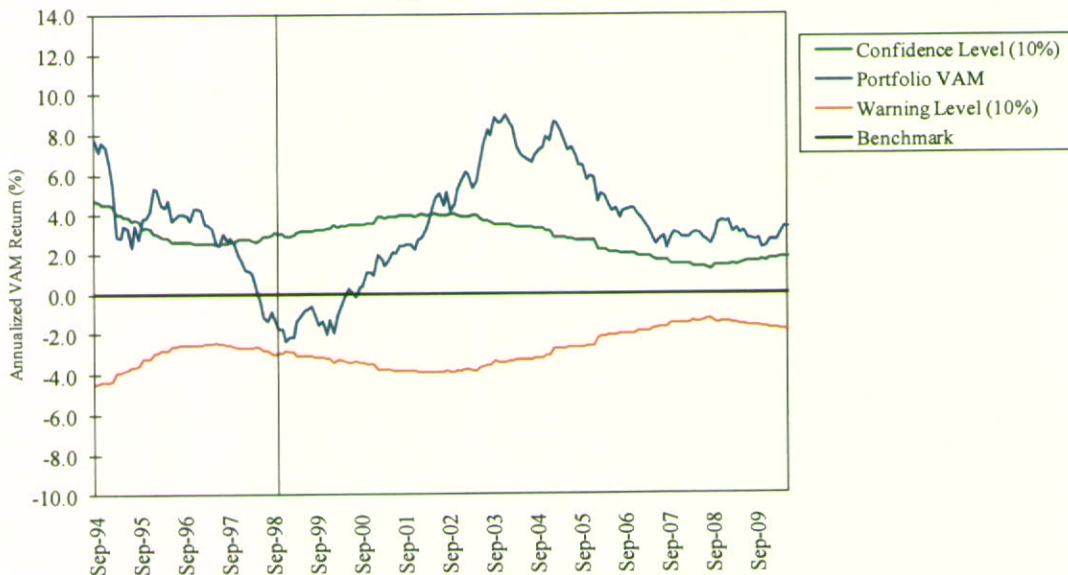
**Quantitative Evaluation**

	<b>Custom</b>	
	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-10.1%	-13.6%
Last 1 year	11.2	7.0
Last 2 years	-9.6	-14.5
Last 3 years	-8.4	-12.5
Last 4 years	0.0	-4.0
Last 5 years	5.0	1.5
Since Inception (11/93)	7.7	4.1

**Recommendations**

No action required.

**MARATHON ASSET MANAGEMENT**  
**Rolling Five Rolling VAM**



5 Year Period Ending

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

**MCKINLEY CAPITAL MANAGEMENT, INC.**  
**Periods Ending June, 2010**

**Portfolio Manager: Robert A. Gillam**

**Assets Under Management: \$190,086,530**

**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**

An overweight position and stock selection in the consumer staples sector, the top performing sector over the quarter and the year, contributed to the portfolio's outperformance over both periods. In addition, the portfolio's underweight position in the energy sector, an underperformer, also contributed positively over the quarter and the year.

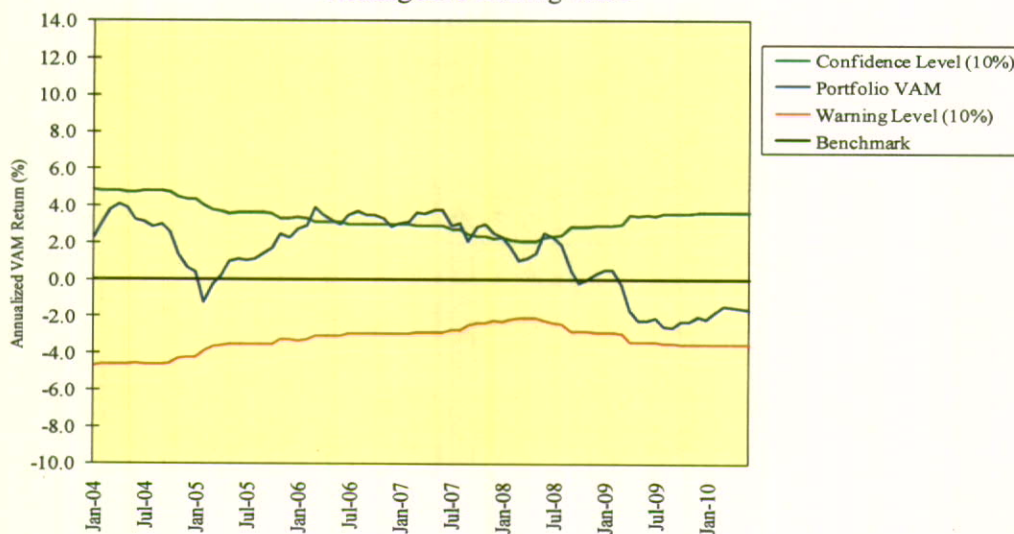
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-13.1%	-13.6%
Last 1 year	8.6	7.0
Last 2 years	-21.5	-14.5
Last 3 years	-16.5	-12.5
Last 4 years	-6.6	-4.0
Last 5 years	-0.1	1.5
Since Inception (7/05)	-0.1	1.5

**Recommendations**

No action required.

MCKINLEY CAPITAL MANAGEMENT, INC.  
 Rolling Five Rolling VAM



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

**PYRAMIS GLOBAL ADVISORS TRUST COMPANY**  
**(Formerly Fidelity Management Trust Company)**  
**Periods Ending June, 2010**

**Portfolio Manager: Michael Strong**

**Assets Under Management: \$215,414,947**

**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**

Over both the quarter and the year, stock selection in the energy, consumer discretionary, and healthcare sectors contributed to the portfolio's outperformance.

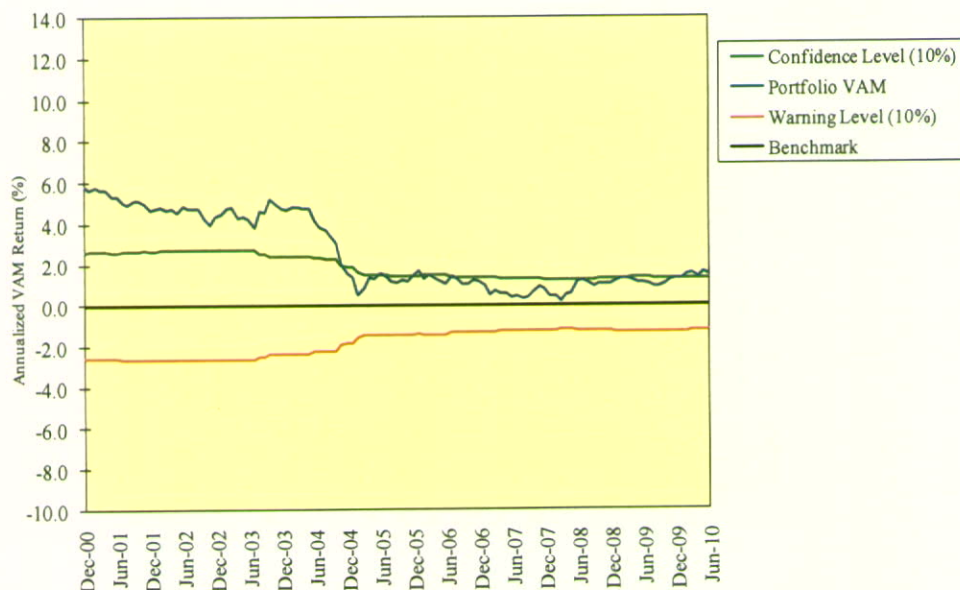
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-12.5%	-13.6%
Last 1 year	9.5	7.0
Last 2 years	-13.7	-14.5
Last 3 years	-10.2	-12.5
Last 4 years	-2.3	-4.0
Last 5 years	3.0	1.5
Since Inception (7/05)	3.0	1.5

**Recommendations**

No action required.

**PYRAMIS GLOBAL ADVISORS TRUST Co. - INTL GROWTH**  
**Rolling Five Rolling VAM**



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

**ALLIANCEBERNSTEIN L.P.**  
**Periods Ending June, 2010**

**Portfolio Manager: Steve Beinhacker**

**Assets Under Management: \$149,700,273**

**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**

Stock selection in the materials and consumer discretionary sectors contributed to the portfolio's underperformance over the quarter. During the year, the portfolio outperformed. Stock selection in Brazil, Korea, and in the industrials and consumer staples sectors added value.

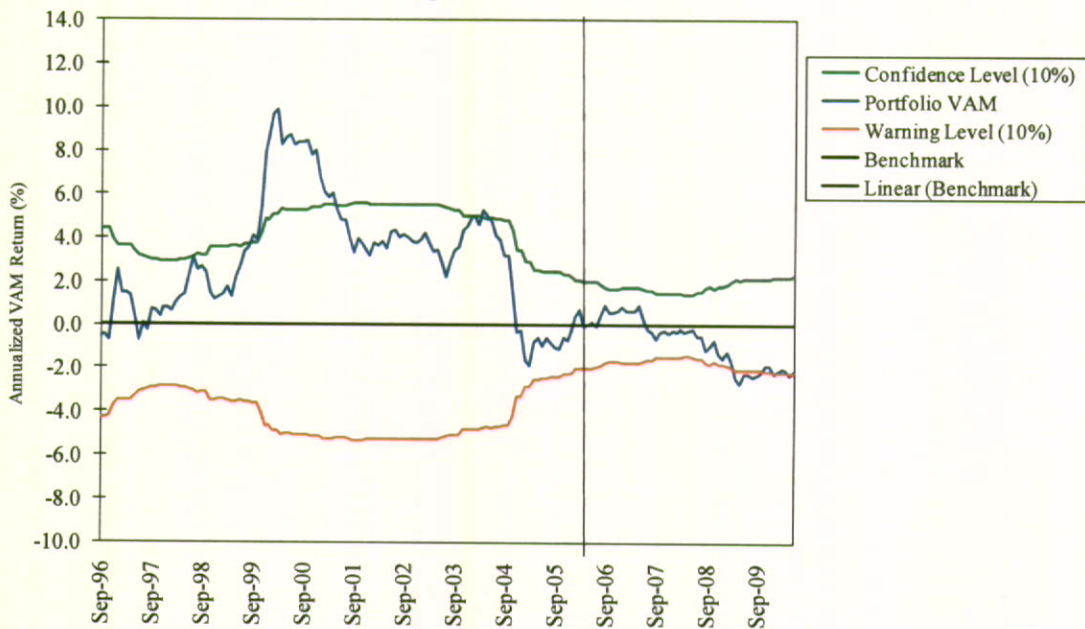
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-8.6%	-8.4%
Last 1 year	24.5	23.1
Last 2 years	-9.9	-5.9
Last 3 years	-5.1	-2.3
Last 4 years	5.5	7.8
Last 5 years	10.5	12.9
Since Inception (3/01)	11.5	12.8

**Recommendations**

No action required.

**ALLIANCEBERNSTEIN L.P.**  
**Rolling Five Year VAM**



5 Year Period Ending

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

**CAPITAL INTERNATIONAL, INC.**  
**Periods Ending June, 2010**

**Portfolio Manager: Victor Kohn**

**Assets Under Management: \$696,616,509**

**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**

Stock selection in Brazil, Indonesia, and in the materials and industrials sectors contributed to the portfolio's outperformance over both the quarter and the year.

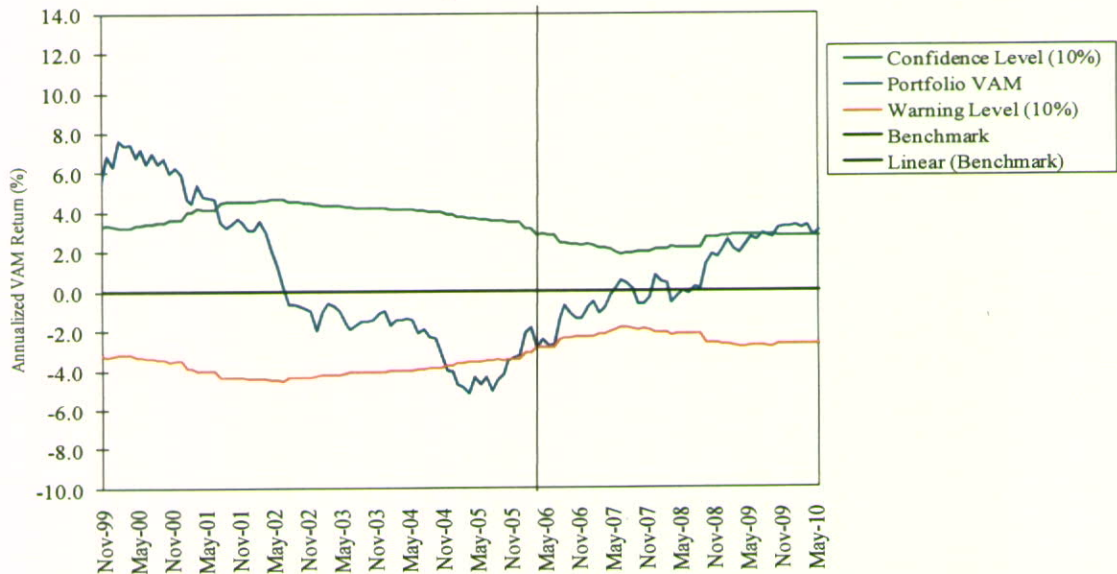
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-7.0%	-8.4%
Last 1 year	24.0	23.1
Last 2 years	-0.8	-5.9
Last 3 years	0.6	-2.3
Last 4 years	11.5	7.8
Last 5 years	16.3	12.9
Since Inception (3/01)	12.5	12.8

**Recommendations**

No action required.

**CAPITAL INTERNATIONAL, INC.**  
**Rolling Five Year VAM**



5 Year Period Ending

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

**MORGAN STANLEY INVESTMENT MANAGEMENT**  
**Periods Ending June, 2010**

**Portfolio Manager: Ruchir Sharma**

**Assets Under Management: \$647,173,920**

**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's underweight position in the materials sector contributed to the portfolio's outperformance during the quarter, and to the underperformance for the year. The materials sector rotated from a strong performer for the year, to the worst performing sector for the quarter.

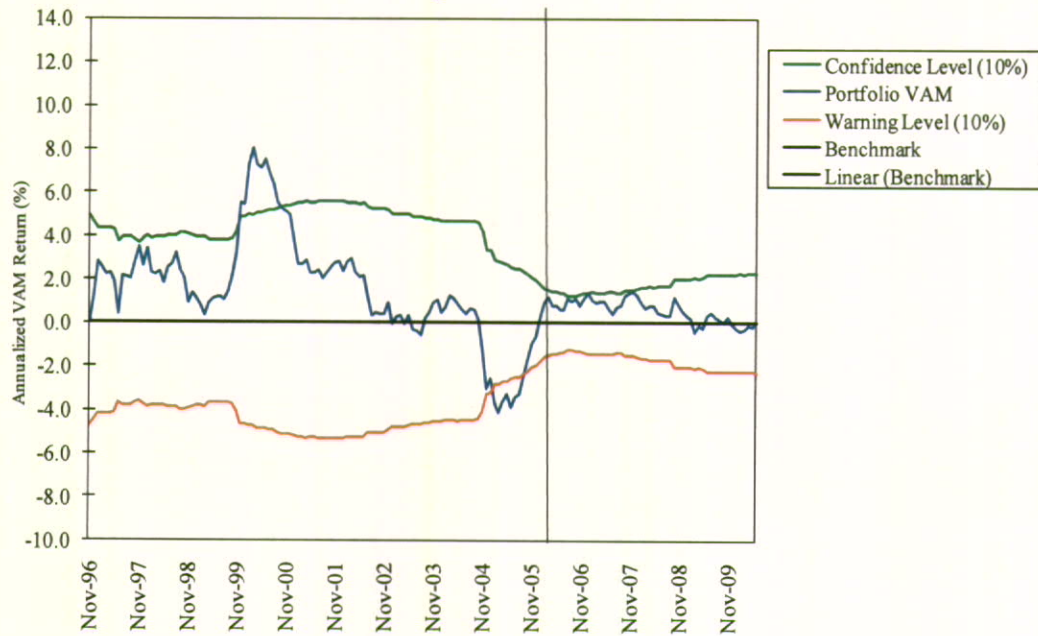
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-7.2%	-8.4%
Last 1 year	21.4	23.1
Last 2 years	-6.7	-5.9
Last 3 years	-3.8	-2.3
Last 4 years	7.3	7.8
Last 5 years	12.9	12.9
Since Inception (3/01)	12.8	12.8

**Recommendations**

No action required.

**MORGAN STANLEY INVESTMENT MANAGEMENT**  
**Rolling Five Year VAM**



5 Year Period Ending

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

**AQR CAPITAL MANAGEMENT, LLC**  
**Periods Ending June, 2010**

**Portfolio Manager:** Cliff Asness

**Assets Under Management:** \$214,084,301

**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**

An underweight position together with stock selection in the financials sector contributed to the portfolio's outperformance over both the quarter and the year.

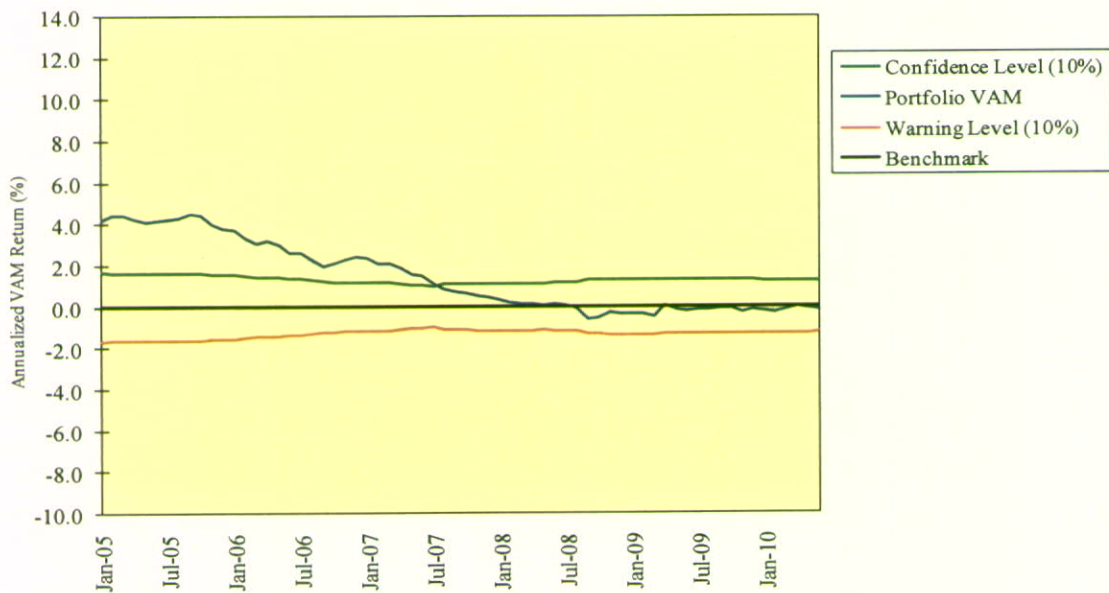
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-13.4%	-13.6%
Last 1 year	8.9	7.0
Last 2 years	-14.2	-14.5
Last 3 years	-13.2	-12.5
Last 4 years	-4.3	-4.0
Last 5 years	1.4	1.5
Since Inception (7/05)	1.4	1.5

**Recommendations**

No action required.

**AQR CAPITAL MANAGEMENT, LLC**  
**Rolling Five Rolling VAM**



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



**PYRAMIS GLOBAL ADVISORS TRUST COMPANY**  
**(Formerly Fidelity Management Trust Company)**  
**Periods Ending June, 2010**

**Portfolio Manager:** Cesar Hernandez

**Assets Under Management:** \$323,230,849

**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**

Positive stock selection in the energy, materials, and utilities sectors contributed to the portfolio's outperformance over the quarter and the year.

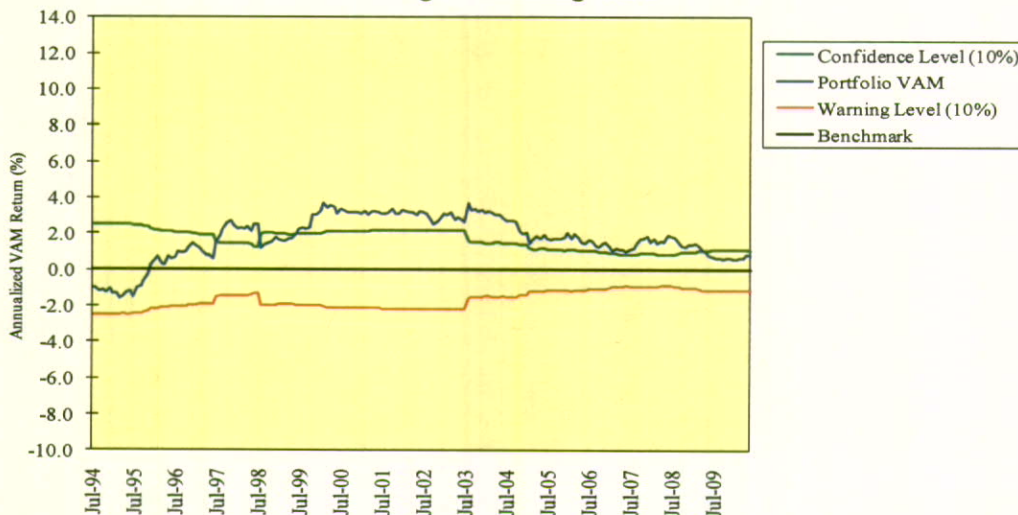
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-12.2%	-13.6%
Last 1 year	7.4	7.0
Last 2 years	-16.1	-14.5
Last 3 years	-12.1	-12.5
Last 4 years	-3.1	-4.0
Last 5 years	2.4	1.5
Since Inception (7/05)	2.4	1.5

**Recommendations**

No action required.

PYRAMIS GLOBAL ADVISORS TRUST Co. - SELECT INTL  
 Rolling Five Rolling VAM



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

**STATE STREET GLOBAL ADVISORS**  
**Periods Ending June, 2010**

**Portfolio Manager: Didier Rosenfeld**

**Assets Under Management: \$206,549,079**

**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**

Stock selection in the United Kingdom and in the energy sector contributed to the portfolio's underperformance for the quarter and the year. The portfolio held British Petroleum (BP) which declined significantly during the quarter due to the oil spill in the Gulf of Mexico.

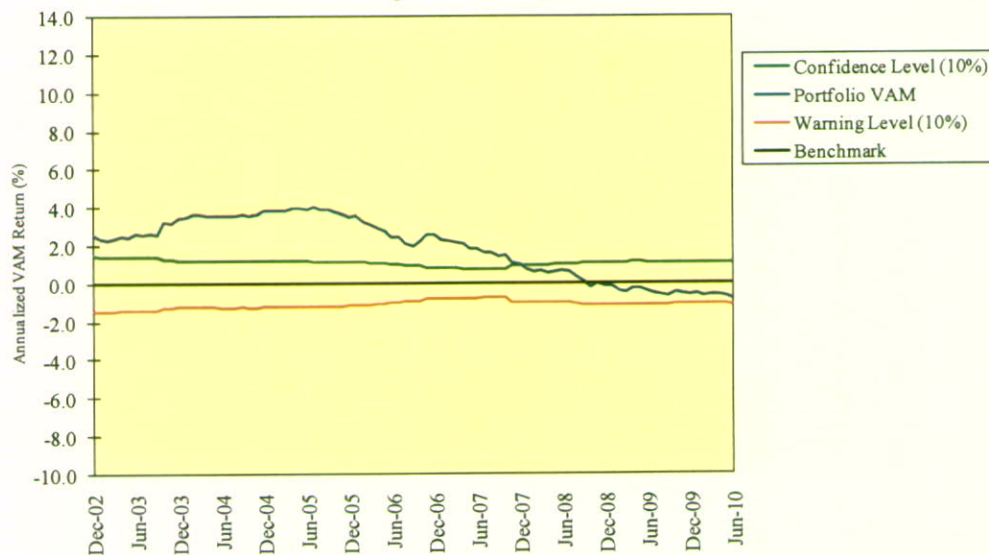
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-13.9%	-13.6%
Last 1 year	6.7	7.0
Last 2 years	-15.8	-14.5
Last 3 years	-14.2	-12.5
Last 4 years	-5.3	-4.0
Last 5 years	0.7	1.5
Since Inception (7/05)	0.7	1.5

**Recommendations**

No action required.

**STATE STREET GLOBAL ADVISORS - ALPHA**  
**Rolling Five Rolling VAM**



5 Year Period Ending

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

**STATE STREET GLOBAL ADVISORS**  
**Periods Ending June, 2010**

**Portfolio Manager: Lynn Blake**

**Assets Under Management: \$2,376,854,364**

**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 portfolio's tracking error is within expectation over all time periods.

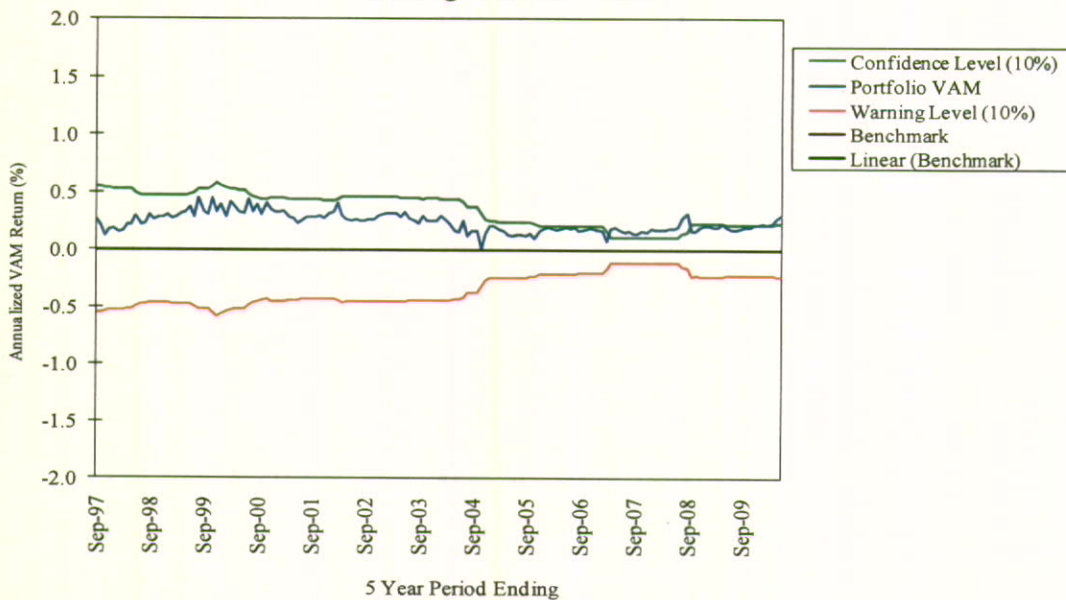
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-13.2%	-13.6%
Last 1 year	7.8	7.0
Last 2 years	-14.1	-14.5
Last 3 years	-12.2	-12.5
Last 4 years	-3.7	-4.0
Last 5 years	1.8	1.5
Since Inception (10/92)	5.7	5.4

**Recommendation**

No action required.

**STATE STREET GLOBAL ADVISORS - PASSIVE**  
**Rolling Five Year VAM**



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# STATE BOARD OF INVESTMENT

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## Non-Retirement Manager Evaluation Reports

Second Quarter, 2010



## **Non-Retirement Managers**

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**NON - RETIREMENT MANAGERS**  
**Periods Ending June, 2010**

	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)	-13.6	-11.4	8.5	14.4	-7.8	-9.8	0.2	-0.8	8.1	7.3	\$55.0
RBC Global Asset Management (Custom Benchmark)	3.6	3.1	13.4	5.9	5.5	7.1	4.6	5.4	6.1	6.4	\$251.4
Galliard Capital Management (3 yr. Constant Maturity Treasury + 45 bp)	1.0	0.4	4.4	1.9	4.6	2.5	4.6	3.5	5.5	4.5	\$1,251.7
Internal Stock Pool (S&P 500 Index)	-11.5	-11.4	14.2	14.4	-9.7	-9.8	-0.7	-0.8	7.1	7.0	\$792.9
Internal Bond Pool - Income Share (Barclays Capital Aggregate) (2)	2.6	3.5	10.6	9.5	8.0	7.5	6.1	5.5	7.8	7.4	\$84.2
Internal Bond Pool - Trust (Barclays Capital Aggregate)	2.4	3.5	9.7	9.5	8.3	7.5	6.3	5.5	7.3	6.8	\$602.2

(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**

	2009		2008		2007		2006		2005	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
GE Asset Management (S&P 500 Index)	32.3	26.5	-35.6	-37.0	8.5	5.5	16.4	15.8	2.6	4.9
RBC Global Asset Management (Custom Benchmark)	8.3	0.9	-2.4	9.5	5.8	7.9	4.5	4.3	2.5	2.1
Galliard Capital Management (3 yr. Constant Maturity Treasury + 45 bp)	4.7	1.9	4.7	2.6	4.8	4.7	4.6	5.2	4.3	4.4
Internal Stock Pool (S&P 500 Index)	26.3	26.5	-36.7	-37.0	5.5	5.5	15.9	15.8	4.9	4.9
Internal Bond Pool - Income Share (Barclays Capital Aggregate)	12.9	5.9	1.3	5.2	6.4	7.0	5.0	4.3	2.7	2.4
Internal Bond Pool - Trust (Barclays Capital Aggregate)	12.2	5.9	2.6	5.2	7.1	7.0	5.1	4.3	2.8	2.4

**GE ASSET MANAGEMENT - Assigned Risk Plan**  
**Periods Ending June, 2010**

**Portfolio Manager: Dave Carlson**

**Assets Under Management: \$55,049,789**

**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**

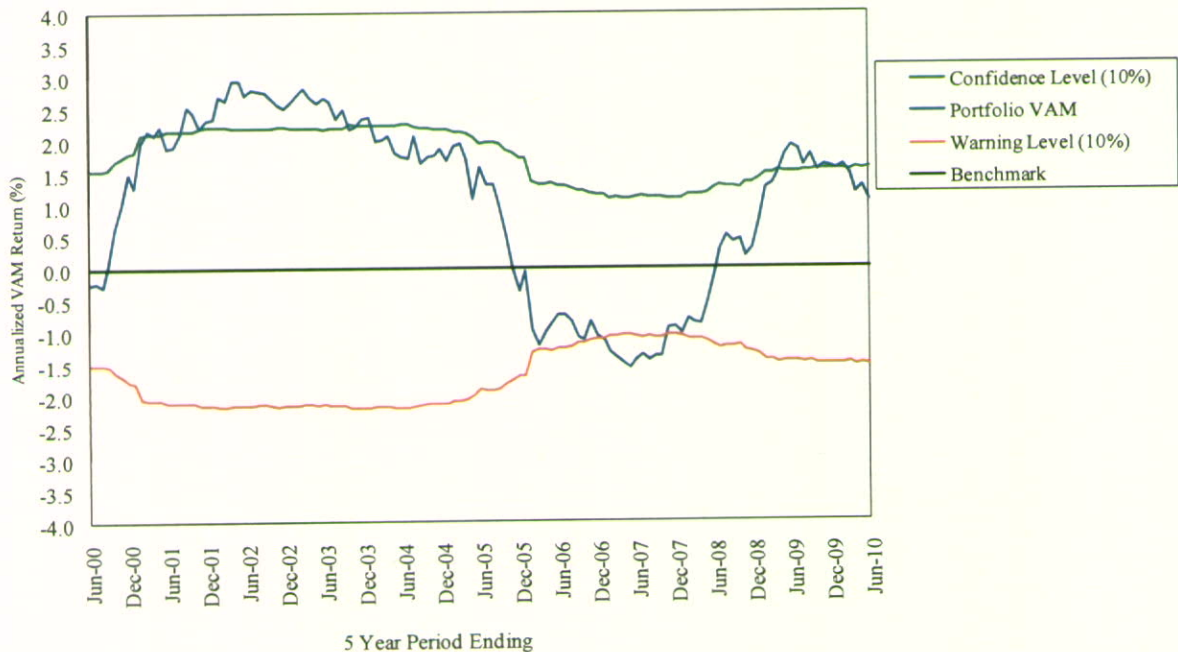
No comment at this time.

**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>	
Last Quarter	-13.6%	-11.4%	No action required.
Last 1 year	8.5	14.4	
Last 2 years	-7.7	-8.1	
Last 3 years	-7.8	-9.8	
Last 4 years	-1.4	-3.0	
Last 5 years	0.2	-0.8	
Since Inception (1/95)	8.1	7.3	

**Recommendation**

**GE ASSET MANAGEMENT**  
**Rolling Five Year VAM**



**RBC GLOBAL ASSET MANAGEMENT (U.S.) - Assigned Risk Plan**  
**Periods Ending June, 2010**

**Portfolio Manager: John Huber**

**Assets Under Management: \$251,385,338**

**Investment Philosophy**  
**Assigned Risk Plan**

RBC 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**

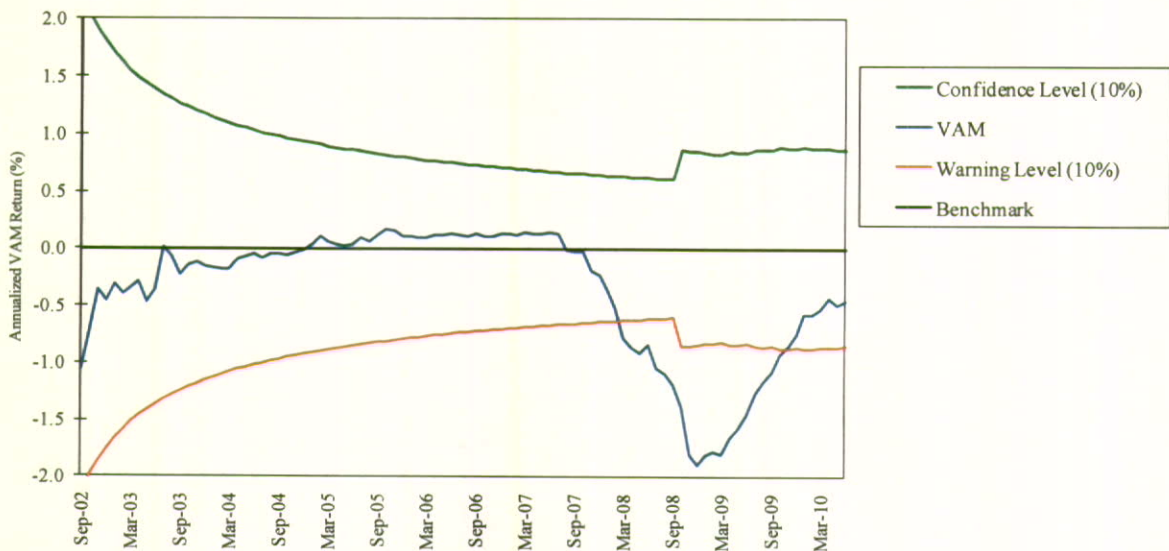
	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	3.6%	3.1%
Last 1 year	13.4	5.9
Last 2 years	7.1	6.3
Last 3 years	5.5	7.1
Last 4 years	5.6	6.7
Last 5 years	4.6	5.4
Since Inception (7/91)	6.1	6.4

**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.

RBC GLOBAL ASSET MANAGEMENT  
 Cumulative VAM



**GALLIARD CAPITAL MANAGEMENT**  
**Periods Ending June, 2010**

**Portfolio Manager: Karl Tourville**

**Assets Under Management: \$1,251,695,525**

**Investment Philosophy**

**Staff Comments**

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.

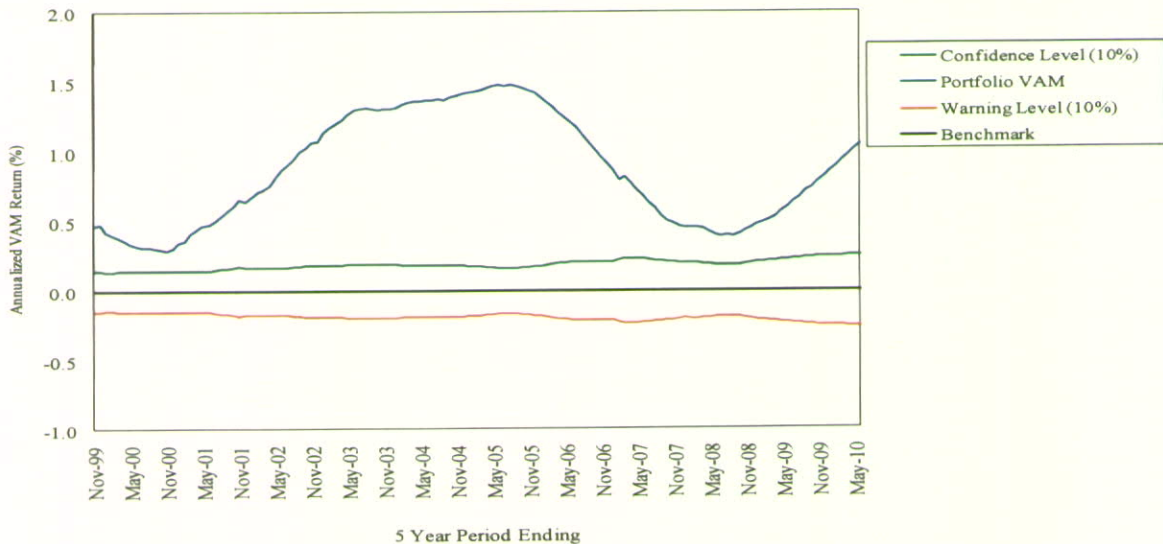
No comment at this time.

**Quantitative Evaluation**

**Recommendation**

	<b>Actual</b>	<b>Benchmark</b>	
Last Quarter	1.0%	0.4%	No action required.
Last 1 year	4.4	1.9	
Last 2 years	4.5	2.0	
Last 3 years	4.6	2.5	
Last 4 years	4.6	3.2	
Last 5 years	4.6	3.5	
Since Inception (11/94)	5.5	4.5	

Galliard Capital Management  
 Rolling Five Year VAM



**INTERNAL STOCK POOL - Trust/Non-Retirement Assets**  
**Periods Ending June, 2010**

**Portfolio Manager: Mike Menssen**

**Assets Under Management: \$792,939,513**

**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.

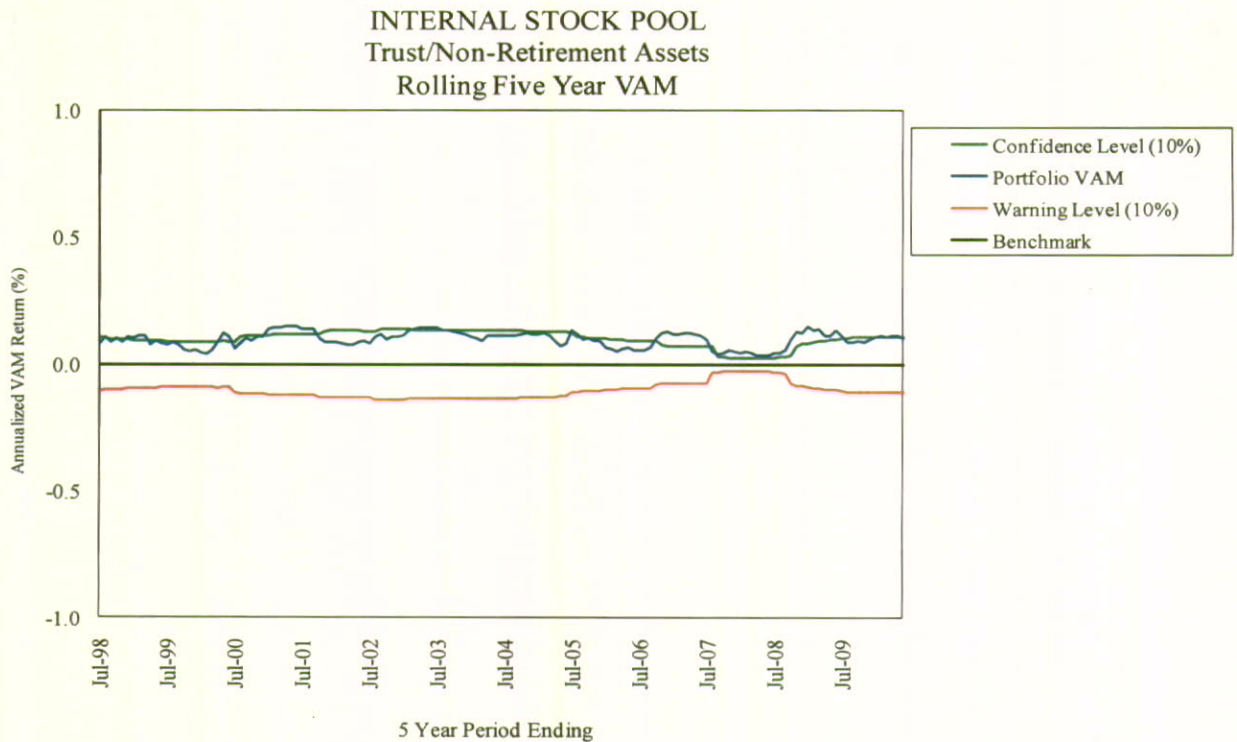
No comment at this time.

**Quantitative Evaluation**

**Recommendation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-11.5%	-11.4%
Last 1 year	14.2	14.4
Last 2 years	-7.9	-8.1
Last 3 years	-9.7	-9.8
Last 4 years	-2.9	-3.0
Last 5 years	-0.7	-0.8
Since Inception (7/93)	7.1	7.0

No action required.



**INTERNAL BOND POOL - Income Share Account**  
**Periods Ending June, 2010**

**Portfolio Manager: Mike Messen**

**Assets Under Management: \$84,233,466**

**Investment Philosophy**  
**Income Share Account**

**Staff Comments**

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.

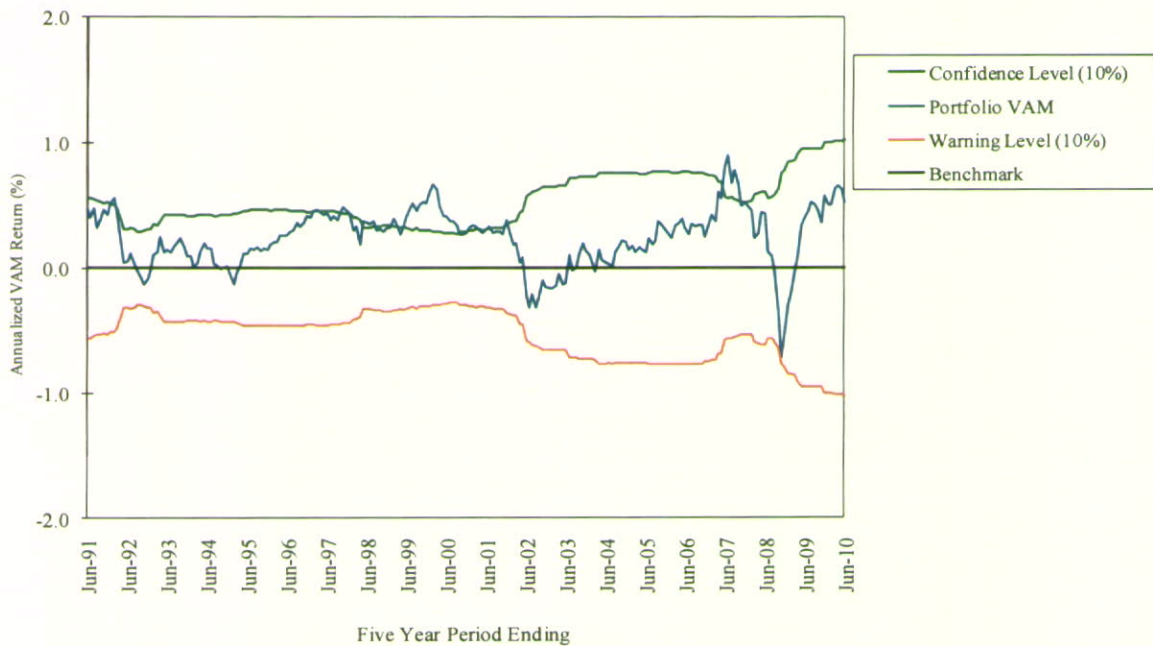
No comment at this time.

**Quantitative Evaluation**

**Recommendation**

	<b>Actual</b>	<b>Benchmark</b>	
Last Quarter	2.6%	3.5%	No action required.
Last 1 year	10.6	9.5	
Last 2 years	8.9	7.8	
Last 3 years	8.0	7.5	
Last 4 years	7.6	7.2	
Last 5 years	6.1	5.5	
Since Inception (7/86)	7.8	7.4	

**INTERNAL BOND POOL - INCOME SHARE ACCOUNT**  
**Rolling Five Year VAM**



**INTERNAL BOND POOL - Trust/Non-Retirement Assets**  
**Periods Ending June, 2010**

**Portfolio Manager: Mike Messen**

**Assets Under Management: \$602,242,352**

**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	2.4%	3.5%	No action required.
Last 1 year	9.7	9.5	
Last 2 years	9.0	7.8	
Last 3 years	8.3	7.5	
Last 4 years	7.8	7.2	
Last 5 years	6.3	5.5	
Since Inception (7/94)*	7.3	6.8	

\* 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

Second Quarter, 2010



# Mutual Fund Managers

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**MN STATE 457 DEFERRED COMPENSATION PLAN**  
**MUTUAL FUND MANAGERS**  
**Periods Ending June, 2010**

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)	-15.0	-11.4	5.3	14.4	-3.8	-9.8	4.4	-0.8	-0.3	-0.8	\$368.0
Legg Mason Partners Appr I (S&P 500)	-10.2	-11.4	11.7	14.4	-5.8	-9.8	1.4	-0.8	3.1	1.6	\$105.4
Vanguard Institutional Index Plus (S&P 500)	-11.4	-11.4	14.5	14.4	-9.7	-9.8	-0.7	-0.8	-0.8	-0.8	\$350.1
<b>Mid Cap Equity:</b>											
Vanguard Mid-Cap Index (MSCI US Mid-Cap 450)	-9.9	-9.9	27.0	27.0	-8.5	-8.5	1.2	1.2	4.5	4.5	\$152.8
<b>Small Cap Equity:</b>											
T. Rowe Price Small-Cap Stock (Russell 2000)	-8.8	-9.9	26.3	21.5	-5.5	-8.6	2.3	0.4	6.8	4.0	\$326.2
<b>Balanced:</b>											
Dodge & Cox Balanced Fund (60% S&P 500/40% Barclays Capital Agg)	-9.6	-5.6	14.9	12.8	-7.7	-2.9	-0.1	2.0	3.4	3.8	\$241.1
Vanguard Balanced Index Inst. Fund (60% MSCI US Broad Market, 40% Barclays Capital Agg)	-5.4	-5.5	13.8	13.8	-2.1	-2.4	2.5	2.4	3.9	3.8	\$159.9
<b>Bond:</b>											
Dodge & Cox Income Fund (Barclays Capital Aggregate)	2.0	3.5	12.3	9.5	7.7	7.5	5.9	5.5	6.6	6.3	\$136.2
Vanguard Total Bond Market Index Inst. (Barclays Capital Aggregate)	3.6	3.5	9.4	9.5	7.7	7.5	5.6	5.5	5.5	5.4	\$117.2
<b>International:</b>											
Fidelity Diversified International (MSCI EAFE-Free)	-13.7	-14.0	5.6	5.9	-13.2	-13.4	0.8	0.9	5.2	1.6	\$199.6
Vanguard Inst. Dev. Mkts. Index (MSCI EAFE)	-14.5	-14.0	5.9	5.9	-13.1	-13.4	1.1	0.9	4.7	4.5	\$73.1

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**

	2009		2008		2007		2006		2005	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
<b>457 Mutual Funds</b>										
<b>Large Cap Equity:</b>										
Janus Twenty (S&P 500)	43.3	26.5	-42.0	-37.0	35.9	5.5	12.3	15.8	9.4	4.9
Legg Mason Partners Appr I (S&P 500)	21.8	26.5	-28.8	-37.0	8.6	5.5	15.0	15.8	4.6	4.9
Vanguard Institutional Index Plus (S&P 500)	26.7	26.5	-36.9	-37.0	5.5	5.5	15.8	15.8	5.0	4.9
<b>Mid Cap Equity:</b>										
Vanguard Mid-Cap Index (MSCI US Mid-Cap 450)	40.5	40.5	-41.8	-41.8	6.2	6.2	13.8	13.7	14.1	13.9
<b>Small Cap Equity:</b>										
T. Rowe Price Small-Cap Stock (Russell 2000)	38.5	27.2	-33.4	-33.8	-1.7	-1.6	12.8	18.4	8.4	4.6
<b>Balanced:</b>										
Dodge & Cox Balanced Fund (60% S&P 500/40% Barclays Capital Agg)	28.4	18.4	-33.6	-22.4	1.7	6.2	13.8	11.1	6.6	4.0
Vanguard Balanced Index Inst. Fund (60% MSCI US Broad Market, 40% Barclays Capital Agg)	20.2	19.7	-22.1	-22.4	6.3	6.3	11.1	11.1	4.8	4.8
<b>Bond:</b>										
Dodge & Cox Income Fund (Barclays Capital Aggregate)	16.1	5.9	-0.3	5.2	4.7	7.0	5.3	4.3	2.0	2.4
Vanguard Total Bond Market Index Inst. (Barclays Capital Aggregate)	6.1	5.9	5.2	5.2	7.0	7.0	4.4	4.3	2.5	2.4
<b>International:</b>										
Fidelity Diversified International (MSCI EAFE-Free)	31.8	31.8	-45.2	-43.4	16.0	11.2	22.5	26.3	17.2	13.5
Vanguard Inst. Dev. Mkts. Index (MSCI EAFE)	28.2	31.8	-41.5	-43.4	11.0	11.2	26.3	26.3	13.6	13.5

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 June, 2010**

**Portfolio Manager: Ron Sachs**

**State's Participation in Fund: \$368,039,710  
Total Assets in Fund: \$8,100,000,000**

**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.

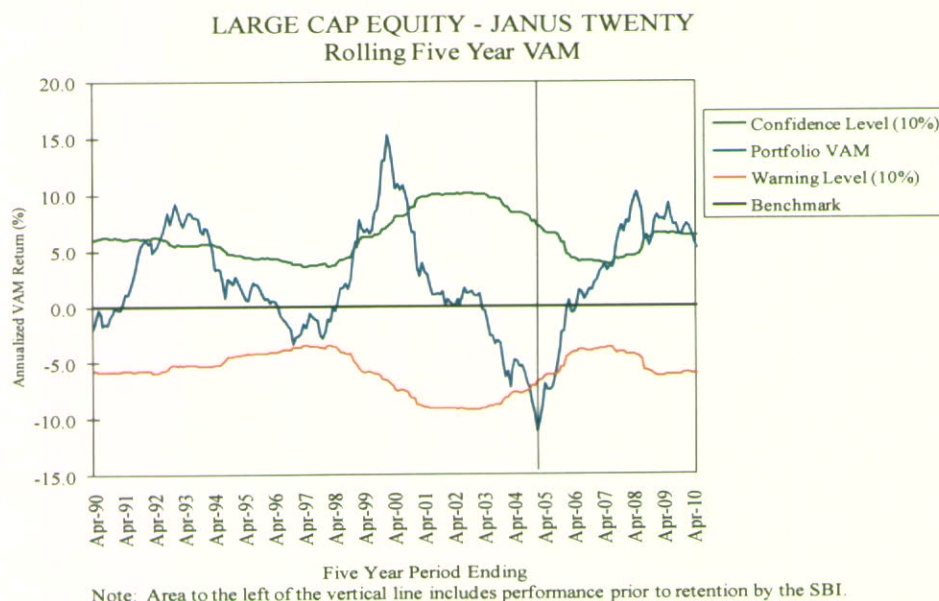
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	-15.0%	-11.4%
Last 1 year	5.3	14.4
Last 2 years	-15.0	-8.1
Last 3 years	-3.8	-9.8
Last 4 years	2.7	-3.0
Last 5 years	4.4	-0.8
Since Retention by SBI (7/99)	-0.3	-0.8

**Recommendation**

No action required.

\*Benchmark is the S&P 500.



**MN STATE 457 DEFERRED COMPENSATION PLAN  
LARGE CAP EQUITY – LEGG MASON PARTNERS APPRECIATION I  
Periods Ending June, 2010**

**Portfolio Manager: Scott Glasser**

**State's Participation in Fund: \$105,420,690  
Total Assets in Fund: \$3,835,074,227**

**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**

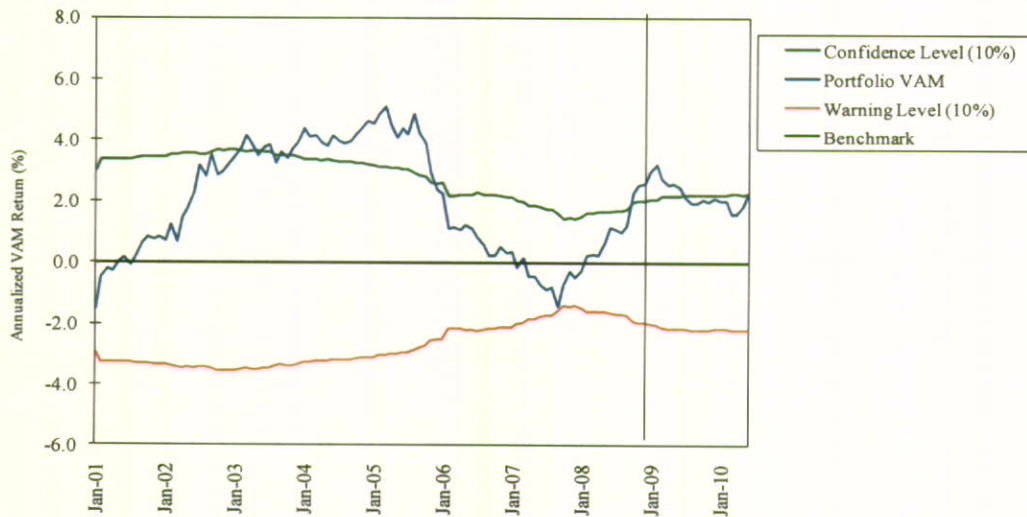
	Actual	Benchmark*
Last Quarter	-10.2%	-11.4%
Last 1 year	11.7	14.4
Last 2 years	-6.9	-8.1
Last 3 years	-5.8	-9.8
Last 4 years	-0.5	-3.0
Last 5 years	1.4	-0.8
Since Retention by SBI (12/03)	3.1	1.6

**Recommendation**

No action required.

\*Benchmark is the S&P 500.

**LARGE CAP EQUITY - LEGG MASON PARTNERS APPRECIATION I  
Rolling Five Year VAM**



Five Year Period Ending  
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 June, 2010**

**Portfolio Manager: Donald Butler**

**State's Participation in Fund: \$350,146,329  
Total Assets in Fund: \$23,746,000,000**

**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.

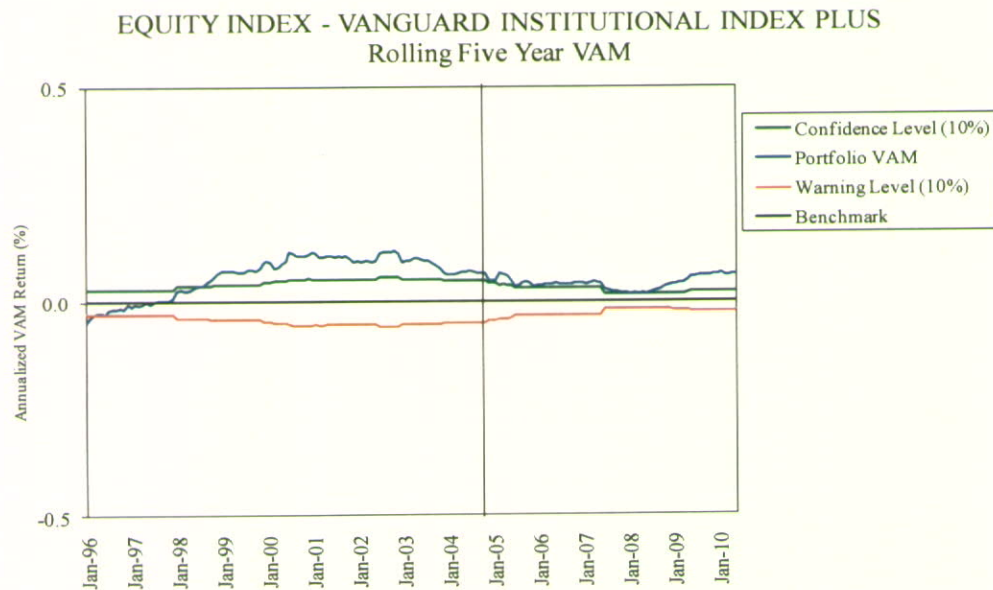
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	-11.4%	-11.4%
Last 1 year	14.5	14.4
Last 2 years	-8.0	-8.1
Last 3 years	-9.7	-9.8
Last 4 years	-3.0	-3.0
Last 5 years	-0.7	-0.8
Since Retention by SBI (7/99)	-0.8	-0.8

**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 June, 2010**

**Portfolio Manager: Donald Butler**

**State's Participation in Fund: \$152,795,415  
Total Assets in Fund: \$6,213,000,000**

**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.

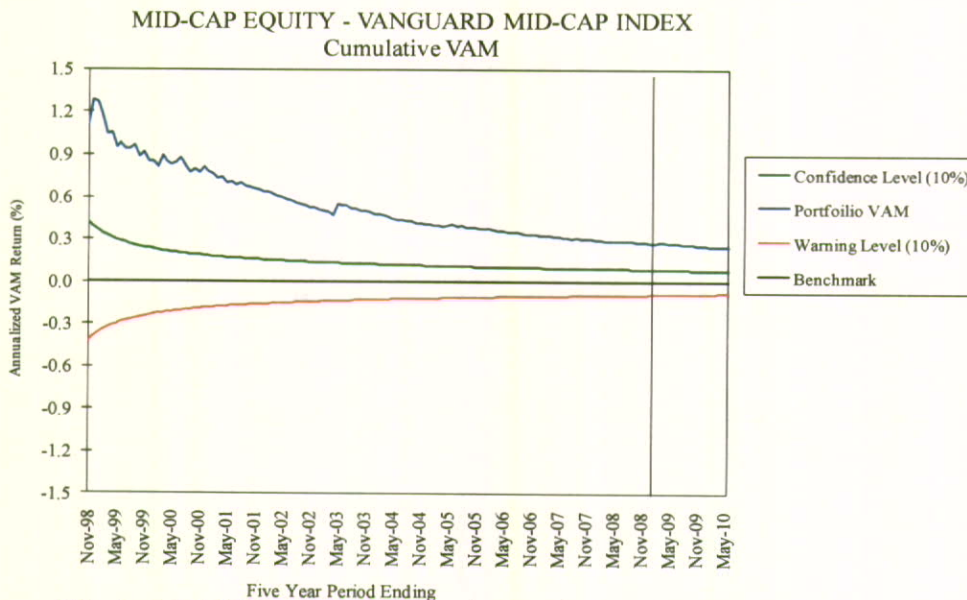
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	-9.9%	-9.9%
Last 1 year	27.0	27.0
Last 2 years	-6.8	-6.8
Last 3 years	-8.5	-8.5
Last 4 years	-1.9	-1.9
Last 5 years	1.2	1.2
Since Retention by SBI (1/04)	4.5	4.5

**Recommendation**

No action required.

\*Benchmark is the MSCI US Mid Cap 450.



**MN STATE 457 DEFERRED COMPENSATION PLAN  
SMALL CAP EQUITY – T. ROWE PRICE SMALL CAP STOCK FUND  
Periods Ending June, 2010**

<b>Portfolio Manager: Gregory A. McCrickard</b>	<b>State's Participation in Fund:</b>	<b>\$326,206,672</b>
	<b>Total Assets in Fund:</b>	<b>\$5,251,065,710</b>

**Investment Philosophy  
T. Rowe Price Small Cap Equity Fund**

**Staff Comments**

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.

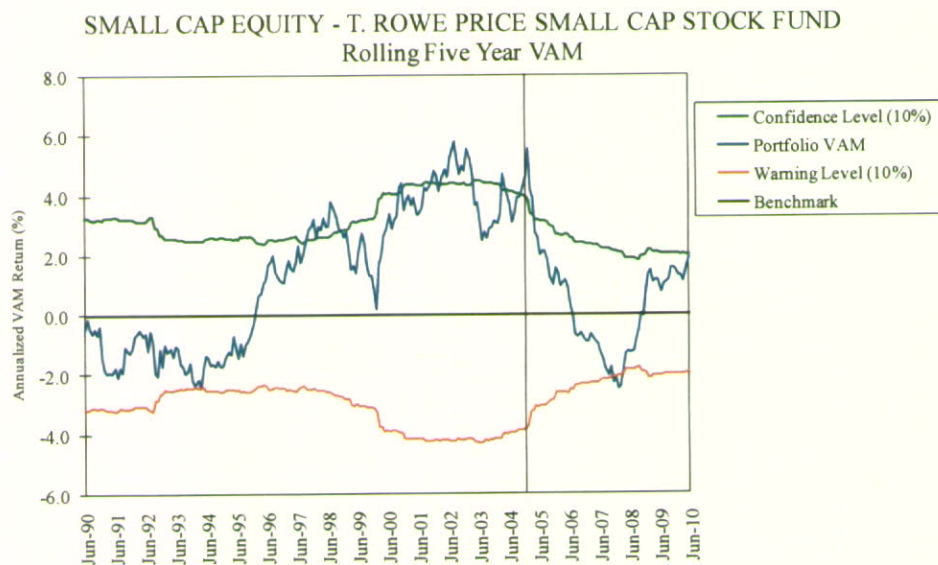
No comment at this time.

**Quantitative Evaluation**

**Recommendation**

	<b>Actual</b>	<b>Benchmark*</b>	
Last Quarter	-8.8%	-9.9%	No action required.
Last 1 year	26.3	21.5	
Last 2 years	1.3	-4.6	
Last 3 years	-5.5	-8.6	
Last 4 years	-0.8	-2.9	
Last 5 years	2.3	0.4	
Since Retention by SBI (7/99)	6.8	4.0	

\*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 June, 2010**

**Portfolio Manager: John Gunn**

**State's Participation in Fund: \$241,057,226  
Total Assets in Fund: \$13,791,537,447**

**Investment Philosophy  
Dodge & Cox Balanced Fund**

**Staff Comments**

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.

No comment at this time.

**Quantitative Evaluation**

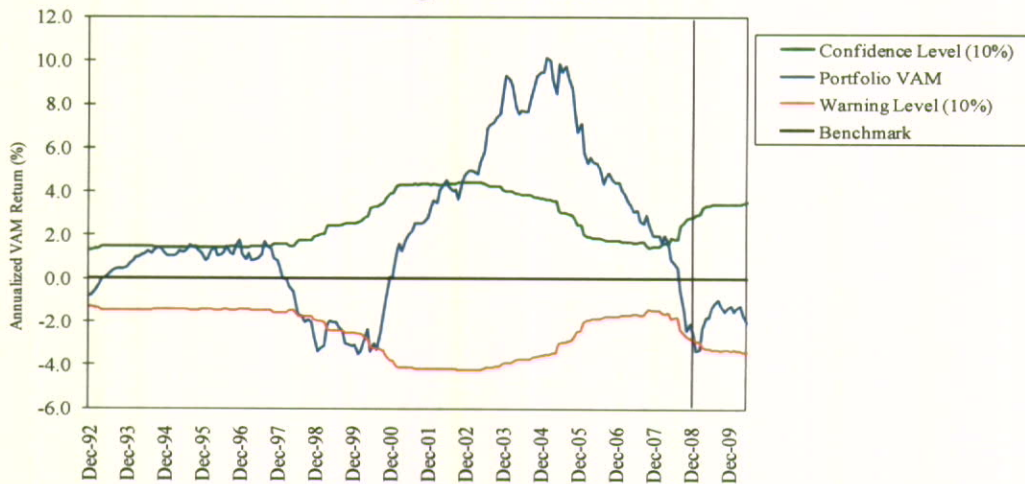
**Recommendation**

	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	-9.6%	-5.6%
Last 1 year	14.9	12.8
Last 2 years	-4.2	-1.6
Last 3 years	-7.7	-2.9
Last 4 years	-2.5	1.3
Last 5 years	-0.1	2.0
Since Retention By SBI (10/03)	3.4	3.8

No action required.

\*Benchmark is 60% S&P 500, 40% Barclays Capital Aggregate.

**BALANCED - DODGE & COX BALANCED FUND  
Rolling Five Year VAM**



Five Year Period Ending  
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 June, 2010**

<b>Portfolio Manager: Michael Perre</b>	<b>State's Participation in Fund: \$159,945,654</b>
	<b>Total Assets in Fund: \$2,904,000,000</b>

**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 Barclays Capital Aggregate Bond Index, an unmanaged index that covers virtually all taxable fixed-income securities.

**Staff Comments**

No comment at this time.

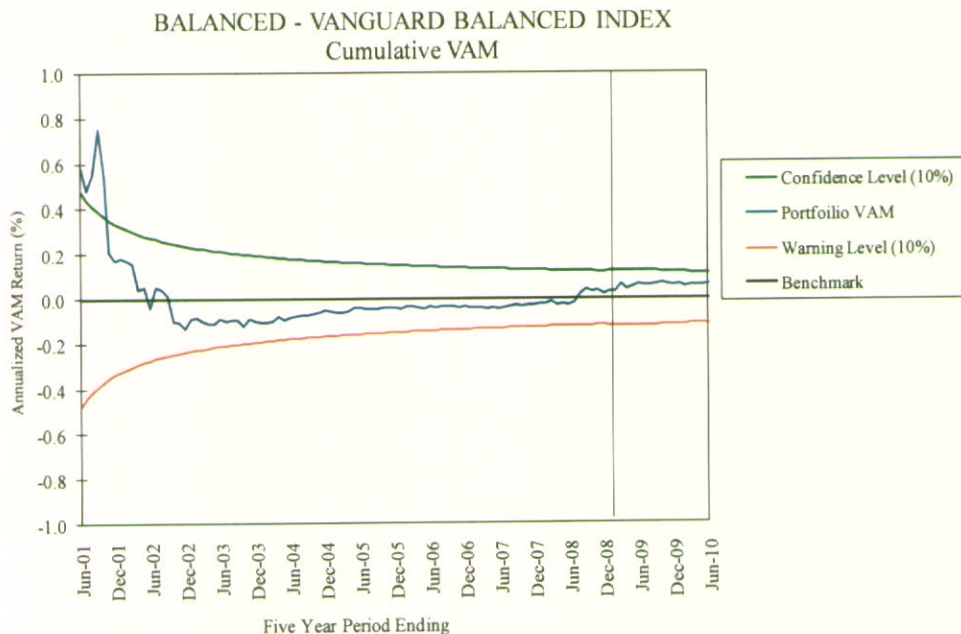
**Quantitative Evaluation**

	Actual	Benchmark*
Last Quarter	-5.4%	-5.5%
Last 1 year	13.8	13.8
Last 2 years	-0.8	-1.2
Last 3 years	-2.1	-2.4
Last 4 years	1.8	1.6
Last 5 years	2.5	2.4
Since Retention by SBI (12/03)	3.9	3.8

**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 June, 2010**

**Portfolio Manager: Dana Emery**

**State's Participation in Fund: \$136,221,847  
Total Assets in Fund: \$21,883,022,614**

**Investment Philosophy  
Dodge & Cox Income Fund**

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.

**Staff Comments**

No comment at this time.

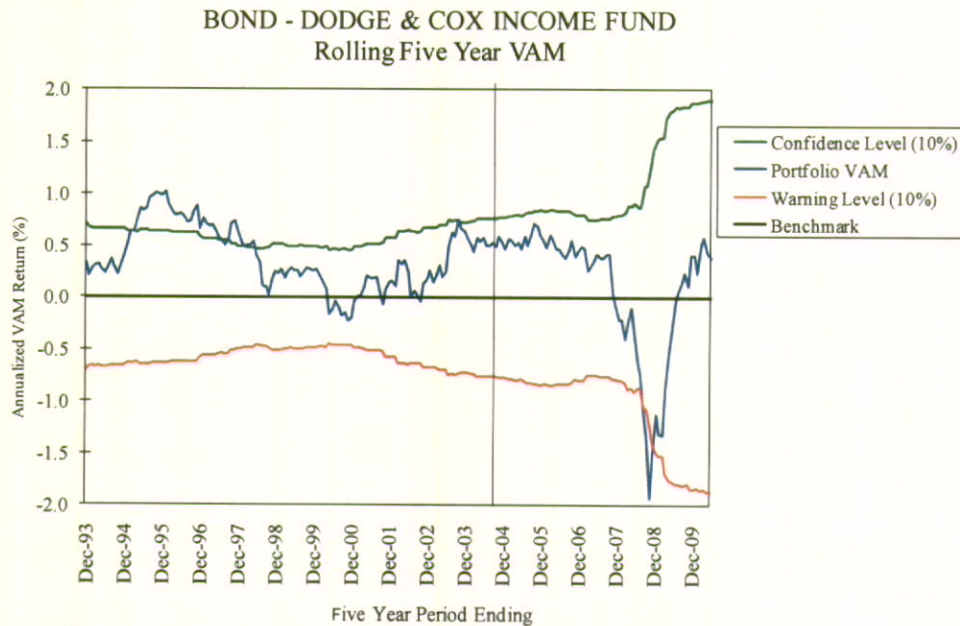
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	2.0%	3.5%
Last 1 year	12.3	9.5
Last 2 years	9.7	7.8
Last 3 years	7.7	7.5
Last 4 years	7.4	7.2
Last 5 years	5.9	5.5
Since Retention By SBI (7/99)	6.6	6.3

**Recommendation**

No action required.

\*Benchmark is the Barclays Capital Aggregate.



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 June, 2010**

**Portfolio Manager: Kenneth Volpert**

**State's Participation in Fund: \$117,180,979  
Total Assets in Fund: \$18,873,000,000**

**Investment Philosophy  
Vanguard Total Bond Market Index  
Institutional**

**Staff Comments**

The fund attempts to track the performance of the Barclays Capital 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.

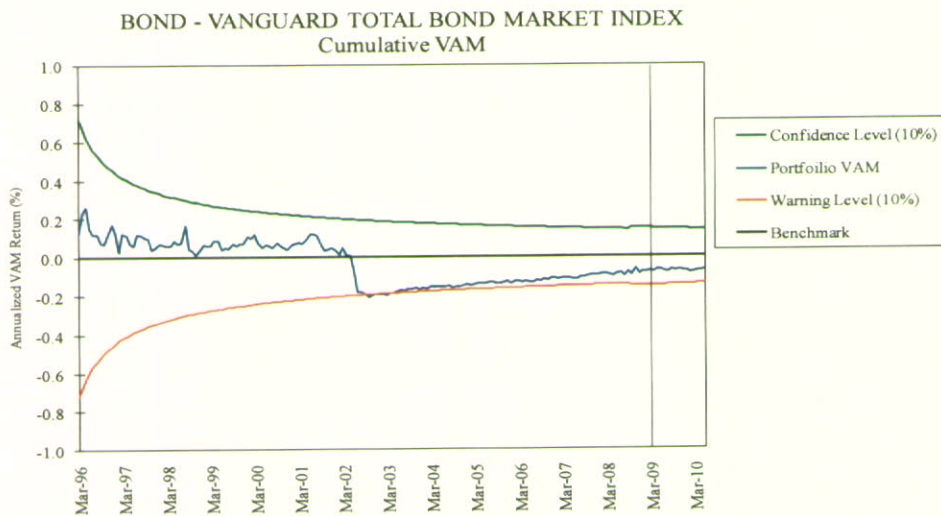
**Quantitative Evaluation**

**Recommendation**

	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	3.6%	3.5%
Last 1 year	9.4	9.5
Last 2 years	7.9	7.8
Last 3 years	7.7	7.5
Last 4 years	7.3	7.2
Last 5 years	5.6	5.5
Since Retention by SBI (12/03)	5.5	5.4

No action required.

\*Benchmark is the Barclays Capital Aggregate.



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

**MN STATE 457 DEFERRED COMPENSATION PLAN  
INTERNATIONAL – FIDELITY DIVERSIFIED INTERNATIONAL  
Periods Ending June, 2010**

**Portfolio Manager: William Bower**

**State's Participation in Fund: \$199,619,475  
Total Assets in Fund: \$30,871,070,000**

**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.

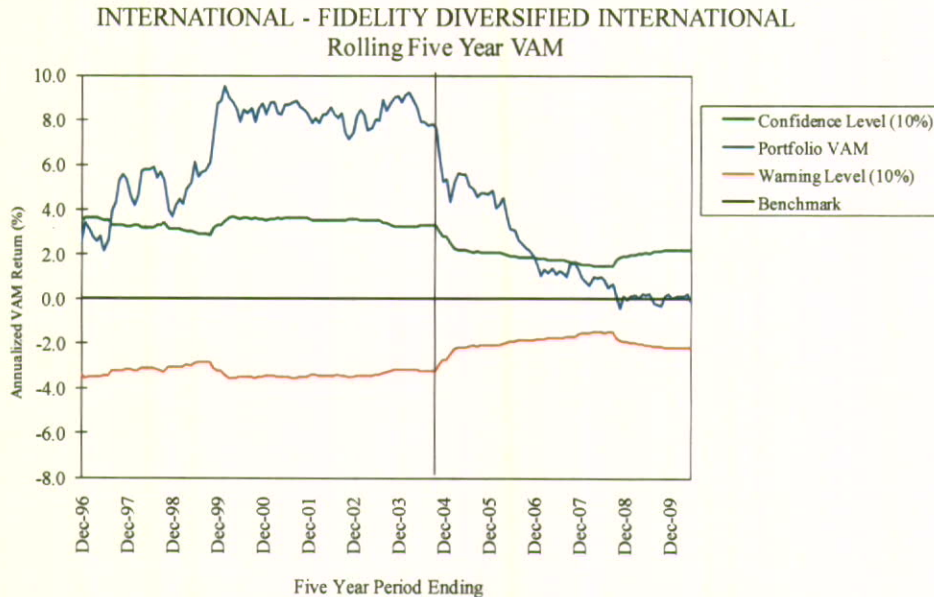
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	-13.7%	-14.0%
Last 1 year	5.6	5.9
Last 2 years	-16.7	-14.7
Last 3 years	-13.2	-13.4
Last 4 years	-4.8	-4.7
Last 5 years	0.8	0.9
Since Retention By SBI (7/99)	5.2	1.6

**Recommendation**

No action required.

\*Benchmark is the MSCI EAFE-Free.



**MN STATE 457 DEFERRED COMPENSATION PLAN  
INTERNATIONAL – VANGUARD INSTITUTIONAL DEVELOPED MARKETS INDEX  
Periods Ending June, 2010**

**Portfolio Manager: Duane Kelly and Michael Buek**      **State's Participation in Fund: \$73,121,475**  
**Total Assets in Fund: \$5,752,000,000**

**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.

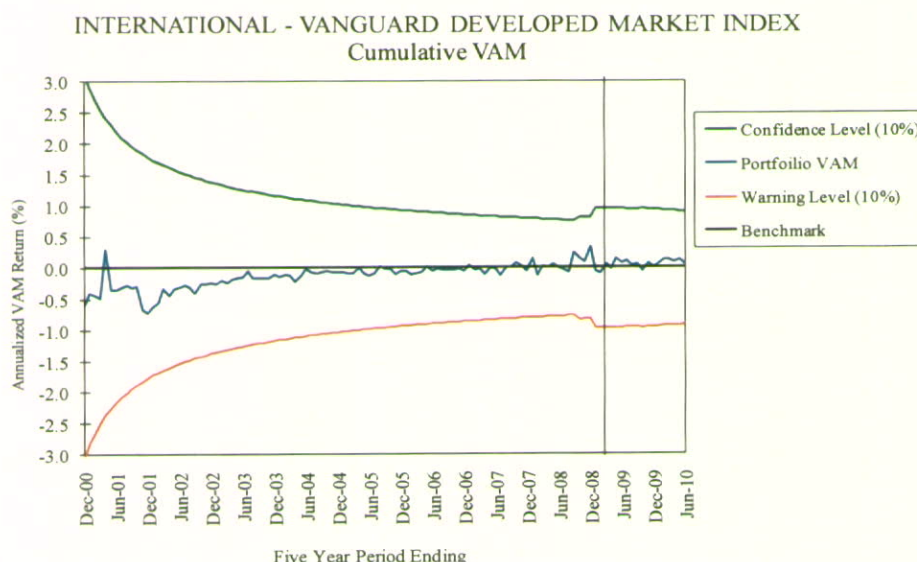
**Quantitative Evaluation**

**Recommendation**

	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	-14.5%	-14.0%
Last 1 year	5.9	5.9
Last 2 years	-14.5	-14.7
Last 3 years	-13.1	-13.4
Last 4 years	-4.5	-4.7
Last 5 years	1.1	0.9
Since Retention by SBI (12/03)	4.7	4.5

No action required.

\*Benchmark is the MSCI EAFE International





# **Tab D**

## **INVESTMENT ADVISORY COUNCIL REPORT**

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DATE: September 20, 2010

TO: Members, State Board of Investment

**FROM: Members, Investment Advisory Council**

The Investment Advisory Council met on August 17, 2010 to review the following information agenda item:

1. Review of current strategy.

### **INFORMATION ITEM:**

#### **1) Review of Current Strategy.**

To increase overall portfolio diversification, 20% of the Combined 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**).

- a. The real estate investment strategy is to establish and maintain 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.
- b. 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.
- c. 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.

- d. 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.

**ATTACHMENT A**

**Minnesota State Board of Investment**  
*Pooled Alternative Investments*  
**Combined Funds**  
*June 30, 2010*

Combined Funds Market Value	\$40,466,569,133
Amount Available for Investment	<b>\$1,934,110,759</b>

	<b>Current Level</b>	<b>Target Level</b>	<b>Difference</b>
Market Value (MV)	\$6,159,203,068	\$8,093,313,827	\$1,934,110,759
MV +Unfunded	\$9,275,575,300	\$12,139,970,740	\$2,864,395,441

<b>Asset Class</b>	<b>Market Value</b>	<b>Unfunded Commitment</b>	<b>Total</b>
Private Equity	\$3,686,613,590	\$1,728,997,933	\$5,415,611,523
Real Estate	\$826,122,890	\$223,497,206	\$1,049,620,096
Resource	\$577,054,921	\$430,996,800	\$1,008,051,721
Yield-Oriented	\$1,069,411,667	\$732,880,292	\$1,802,291,959
<b>Total</b>	\$6,159,203,068	\$3,116,372,232	\$9,275,575,300



# ATTACHMENT B

Minnesota State Board of Investment  
- Alternative Investments -  
As of June 30, 2010

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	MOIC**	Period Years
<b><u>I. Real Estate</u></b>								
<b>Blackstone</b>								
Blackstone Real Estate V	100,000,000	86,444,362	55,064,331	23,165,945	13,555,638	-5.02	0.90	4.17
Blackstone Real Estate VI	100,000,000	50,187,497	30,978,383	46,623	49,812,503	-22.21	0.62	3.25
<b>Colony Capital</b>								
Colony Investors III	100,000,000	100,000,000	5,204,200	167,834,385	0	14.72	1.73	12.50
<b>CSFB</b>								
CSFB Strategic Partners III RE	25,000,000	24,791,647	10,691,148	568,588	208,353	-31.67	0.45	5.00
CS Strategic Partners IV RE	50,000,000	43,068,912	26,553,599	474,802	6,931,088	-25.36	0.63	2.03
<b>Lehman Brothers Real Estate Partners</b>								
Lehman Brothers Real Estate Partners II	75,000,000	70,256,048	37,366,525	22,008,951	4,743,952	-7.01	0.85	5.00
Lehman Brothers Real Estate Partners III	150,000,000	61,754,328	29,486,024	0	88,245,672	-34.40	0.48	2.11
Prime Property Fund	40,000,000	40,000,000	190,886,305	0	0	5.59	4.77	28.72
<b>T.A. Associates Realty</b>								
Realty Associates Fund V	50,000,000	50,000,000	17,074,168	77,850,447	0	10.95	1.90	11.10
Realty Associates Fund VI	50,000,000	50,000,000	37,776,635	41,595,263	0	12.18	1.59	8.01
Realty Associates Fund VII	75,000,000	75,000,000	52,791,192	19,268,948	0	-1.18	0.96	5.62
Realty Associates Fund VIII	100,000,000	100,000,000	66,114,300	4,684,293	0	-13.56	0.71	4.00
Realty Associates Fund IX	100,000,000	40,000,000	40,000,000	0	60,000,000	0.00	1.00	1.85
UBS Trumbull Property Fund	42,376,529	42,376,529	226,136,080	0	0	6.57	5.34	28.17
<b>Real Estate Total</b>	<b>1,057,376,529</b>	<b>833,879,323</b>	<b>826,122,890</b>	<b>357,498,245</b>	<b>223,497,206</b>		<b>1.42</b>	
<b><u>II. Resource</u></b>								
<b>Apache Corp III</b>	30,000,000	30,000,000	3,705,570	54,851,897	0	12.16	1.95	23.50
<b>EnCap Energy Capital Fund VII</b>	100,000,000	46,005,088	38,008,513	7,037,230	53,994,912	-1.60	0.98	3.00
<b>First Reserve</b>								
First Reserve Fund VIII	100,000,000	100,000,000	662,003	203,073,861	0	15.86	2.04	12.17
First Reserve Fund IX	100,000,000	100,000,000	338,000	299,472,865	0	48.12	3.00	9.22
First Reserve Fund X	100,000,000	100,000,000	67,491,988	116,762,523	0	38.10	1.84	5.66
First Reserve Fund XI	150,000,000	118,066,297	118,290,169	8,058,765	31,933,703	3.07	1.07	3.52
First Reserve Fund XII	150,000,000	65,454,964	47,358,146	4,244,609	84,545,036	-18.92	0.79	1.66
<b>NGP</b>								
NGP Midstream & Resources	100,000,000	67,049,882	73,446,225	2,498,762	32,950,118	7.30	1.13	3.25
Natural Gas Partners IX	150,000,000	69,671,973	65,788,963	365,317	80,328,027	-5.38	0.95	2.69
<b>Sheridan Production Partners I</b>	100,000,000	81,002,260	98,927,998	9,250,000	18,997,740	19.53	1.34	3.25
<b>Simmons</b>								
SCF-IV	47,626,265	47,626,265	6,192	162,222,423	0	24.63	3.41	12.25
<b>T. Rowe Price</b>	71,002,692	71,002,692	0	97,346,757	0	28.11	1.37	N/A
<b>Trust Company of the West</b>								
TCW Energy Partners XIV	100,000,000	73,357,911	60,957,579	29,268,050	26,642,089	13.64	1.23	3.20
TCW Energy Partners XV	103,678,750	2,073,575	2,073,575	0	101,605,175	0.00	1.00	0.06
<b>Resource Total</b>	<b>1,402,307,707</b>	<b>971,310,907</b>	<b>577,054,921</b>	<b>994,453,058</b>	<b>430,996,800</b>		<b>1.62</b>	
<b><u>III. Yield-Oriented</u></b>								
<b>Audax Mezzanine Fund III</b>	100,000,000	0	0	0	100,000,000	N/A	N/A	0.24
<b>Carbon Capital</b>	46,184,308	46,184,308	5,222	61,178,042	0	15.38	1.32	8.13
<b>Citicorp Mezzanine</b>								
Citicorp Mezzanine I	40,000,000	40,000,000	115,818	61,049,740	0	11.50	1.53	15.50
Citicorp Mezzanine III	100,000,000	88,029,296	5,780,181	124,585,857	0	15.32	1.48	10.66
<b>DLJ Investment Partners</b>								
DLJ Investment Partners II	27,375,168	23,164,173	1,114,962	33,609,546	4,210,995	10.34	1.50	10.49
DLJ Investment Partners III	100,000,000	25,427,801	11,690,462	6,879,748	74,572,199	-18.33	0.73	4.02
<b>Gold Hill Venture Lending</b>								
Gold Hill Venture Lending	40,000,000	40,000,000	28,082,952	20,151,577	0	5.72	1.21	5.75
Gold Hill 2008	25,852,584	8,789,879	9,165,013	0	17,062,705	4.08	1.04	2.00
<b>GS Mezzanine Partners</b>								
GS Mezzanine Partners II	100,000,000	100,000,000	19,823,586	116,561,398	0	8.06	1.36	10.33
GS Mezzanine Partners III	75,000,000	75,000,000	26,980,555	61,227,636	0	5.96	1.18	6.97
GS Mezzanine Partners 2006 Institutional	100,000,000	73,999,888	51,965,749	19,747,828	26,000,112	-1.98	0.97	4.23
GS Mezzanine Partners V	150,000,000	58,483,987	57,540,874	10,914,357	91,516,013	8.17	1.17	2.69
<b>GTCR Capital Partners</b>	80,000,000	69,589,422	357,298	106,814,249	10,410,578	10.82	1.54	10.63
<b>KB Mezzanine Fund II</b>	25,000,000	25,000,000	31,363	12,632,685	0	-12.99	0.51	14.75
<b>Merit Capital Partners (fka William Blair)</b>								
William Blair Mezzan. Cap. Fd. III	60,000,000	56,958,000	12,503,592	91,477,981	3,042,000	15.07	1.83	10.49
Merit Mezzanine Fund IV	75,000,000	65,616,758	58,646,356	14,668,314	9,383,242	4.19	1.12	5.54
Merit Mezzanine Fund V	75,000,000	0	0	0	75,000,000	N/A	N/A	0.53
<b>Merit Energy Partners</b>								
Merit Energy Partners B	24,000,000	24,000,000	61,690,304	98,647,419	0	25.03	6.68	14.00
Merit Energy Partners C	50,000,000	50,000,000	178,092,650	203,248,956	0	32.13	7.63	11.67
Merit Energy Partners D	88,000,000	70,938,303	153,765,794	141,739,068	17,061,697	25.43	4.17	9.10
Merit Energy Partners E	100,000,000	39,983,197	60,338,149	24,619,674	60,016,803	17.49	2.12	5.71
Merit Energy Partners F	100,000,000	38,959,831	33,106,168	3,327,931	61,040,169	-1.53	0.94	4.27
<b>Prudential Capital Partners</b>								
Prudential Capital Partners I	100,000,000	96,826,150	35,450,727	106,539,770	3,173,850	11.32	1.47	9.20
Prudential Capital Partners II	100,000,000	91,902,444	83,089,720	29,979,811	8,097,556	8.24	1.23	5.00
Prudential Capital Partners III	100,000,000	34,989,521	31,904,299	3,985,012	65,010,479	4.95	1.03	1.20
<b>Quadrant Real Estate Advisors</b>								
Institutional Commercial Mortgage Fd V	37,200,000	37,200,000	12,181,028	47,544,642	0	8.06	1.61	10.91

Minnesota State Board of Investment  
- Alternative Investments -  
As of June 30, 2010

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	MOIC**	Period Years
<b>Summit Partners</b>								
<i>Summit Subordinated Debt Fund I</i>	20,000,000	18,000,000	81,810	31,406,578	2,000,000	30.55	1.75	16.25
<i>Summit Subordinated Debt Fund II</i>	45,000,000	40,500,000	3,128,209	84,344,930	4,500,000	56.28	2.16	12.91
<i>Summit Subordinated Debt Fund III</i>	45,000,000	42,690,965	29,577,164	21,253,196	2,309,035	9.59	1.19	6.37
<i>Summit Subordinated Debt Fund IV</i>	50,000,000	5,750,000	5,718,433	0	44,250,000	-0.84	0.99	2.26
<b>T. Rowe Price</b>	55,800,931	55,800,931	283,200	54,744,943	0	-4.92	0.99	N/A
<b>TCW/Crescent Mezzanine</b>								
<i>TCW/Crescent Mezzanine Partners III</i>	75,000,000	68,835,264	13,316,380	141,348,082	6,164,736	36.21	2.25	9.25
<b>Windjammer Capital Investors</b>								
<i>Windjammer Mezzanine &amp; Equity Fund II</i>	66,708,861	51,834,885	34,206,195	43,220,822	14,873,976	9.15	1.49	10.25
<i>Windjammer Senior Equity Fund III</i>	75,000,000	41,815,853	49,677,454	4,780,096	33,184,147	11.58	1.30	4.49
<b>Yield-Oriented Total</b>	2,351,121,852	1,606,270,856	1,069,411,667	1,782,229,888	732,880,292		1.78	
<b>IV. Private Equity</b>								
<b>Adams Street Partners</b>								
<i>Adams Street VPAF Fund I</i>	3,800,000	3,800,000	41,880	9,440,295	0	13.22	2.50	22.14
<i>Adams Street VPAF Fund II</i>	20,000,000	20,000,000	54,629	37,988,511	0	24.09	1.90	19.59
<b>Advent International GPE VI-A</b>	50,000,000	17,375,000	17,415,255	1,000,000	32,625,000	5.81	1.06	2.25
<b>Affinity Ventures</b>								
<i>Affinity Ventures IV</i>	4,000,000	3,031,847	1,467,511	762,818	968,153	-14.04	0.74	6.00
<i>Affinity Ventures V</i>	5,000,000	2,400,000	2,076,533	115,993	2,600,000	-8.89	0.91	1.99
<b>Banc Fund</b>								
<i>Banc Fund VII</i>	45,000,000	45,000,000	24,820,740	812,725	0	-15.90	0.57	5.25
<i>Banc Fund VIII</i>	98,250,000	18,667,500	19,403,765	0	79,582,500	5.38	1.04	2.18
<b>Blackstone</b>								
<i>Blackstone Capital Partners II</i>	47,271,190	47,271,190	4,381,169	95,529,928	0	34.06	2.11	16.60
<i>Blackstone Capital Partners IV</i>	70,000,000	68,861,959	52,357,303	103,378,041	1,138,041	40.64	2.26	7.97
<i>Blackstone Capital Partners V</i>	140,000,000	115,556,779	100,330,072	6,460,711	24,443,221	-3.84	0.92	4.41
<i>Blackstone Capital Partners VI</i>	100,000,000	0	0	0	100,000,000	N/A	N/A	1.93
<b>BLUM Capital Partners</b>								
<i>Blum Strategic Partners I</i>	50,000,000	49,158,307	460,695	99,450,576	841,693	12.75	2.03	11.52
<i>Blum Strategic Partners II</i>	50,000,000	40,185,889	12,132,437	73,919,825	9,814,111	22.85	2.14	8.95
<i>Blum Strategic Partners III</i>	75,000,000	74,591,097	41,150,131	47,901,306	408,903	5.50	1.19	5.08
<i>Blum Strategic Partners IV</i>	150,000,000	137,030,203	130,792,936	11,658,447	12,969,797	1.71	1.04	2.61
<b>CVI Global Value Fund</b>	200,000,000	190,000,000	205,681,193	2,087,004	10,000,000	3.90	1.09	3.46
<b>Chicago Growth Partners (William Blair)</b>								
<i>William Blair Capital Partners VII</i>	50,000,000	48,150,000	9,364,232	60,968,327	1,850,000	9.54	1.46	9.31
<i>Chicago Growth Partners I</i>	50,000,000	49,291,998	40,399,632	15,789,143	708,002	6.16	1.14	4.93
<i>Chicago Growth Partners II</i>	60,000,000	15,253,064	14,870,075	0	44,746,936	-3.15	0.97	2.30
<b>Coral Partners</b>								
<i>Coral Partners IV</i>	15,000,000	15,000,000	1,173,591	13,538,879	0	-0.47	0.98	15.94
<i>Coral Partners V</i>	15,000,000	15,000,000	1,373,932	7,748,717	0	-6.02	0.61	12.04
<b>Court Square Capital</b>								
<i>Court Square Capital Partners</i>	100,000,000	80,084,837	29,130,848	130,729,784	19,915,163	28.21	2.00	8.55
<i>Court Square Capital Partners II</i>	175,000,000	83,220,447	75,592,975	2,054,737	91,779,553	-3.48	0.93	3.82
<b>Crescendo</b>								
<i>Crescendo III</i>	25,000,000	25,000,000	1,416,952	9,321,908	0	-17.38	0.43	11.65
<i>Crescendo IV</i>	101,500,000	101,500,000	36,874,377	5,627,888	0	-10.90	0.42	10.31
<b>CSFB/ DLJ</b>								
<i>DLJ Merchant Banking Partners III</i>	125,000,000	120,652,194	71,032,233	174,904,412	4,347,806	18.70	2.04	9.75
<i>DLJ Strategic Partners</i>	100,000,000	93,424,448	17,802,879	149,410,226	6,575,552	22.74	1.79	9.44
<i>CSFB Strategic Partners II-B</i>	100,000,000	82,922,930	36,821,947	119,008,306	11,277,070	36.80	1.88	6.95
<i>CSFB Strategic Partners III-B</i>	100,000,000	78,518,666	81,780,804	2,265,414	21,481,334	2.25	1.07	5.08
<i>CSFB Strategic Partners III VC</i>	25,000,000	22,282,506	16,960,667	9,742,785	2,717,494	6.55	1.20	5.08
<i>CS Strategic Partners IV-B</i>	100,000,000	62,557,116	66,492,209	4,556,353	37,442,884	9.86	1.14	2.26
<i>CS Strategic Partners IV VC</i>	40,500,000	21,802,697	22,413,221	161,361	18,697,303	1.74	1.04	2.03
<b>CVC European Equity Partners V</b>	122,490,026	34,237,112	26,676,040	3,858,852	88,252,914	-9.11	0.89	2.26
<b>Diamond Castle Partners IV</b>	100,000,000	76,241,559	56,353,089	14,160,164	23,758,441	-3.81	0.92	3.81
<b>DSV Partners IV</b>	10,000,000	10,000,000	32,782	39,196,082	0	10.61	3.92	25.22
<b>EBF and Associates</b>								
<i>EBF Merced Partners II</i>	75,000,000	63,768,881	70,750,591	26,250,000	11,231,120	22.54	1.52	3.25
<i>EBF Merced Partners III</i>	100,000,000	2,800,000	2,800,000	0	97,200,000	0.00	1.00	0.15
<b>Elevation Partners</b>	75,000,000	63,833,346	37,715,106	14,244,712	11,166,654	-11.04	0.81	5.12
<b>Fox Paine Capital Fund</b>								
<i>Fox Paine Capital Fund II</i>	50,000,000	45,408,133	23,176,350	45,397,941	4,591,867	17.94	1.51	10.00
<b>GHJM Marathon Fund</b>								
<i>GHJM Marathon Fund IV</i>	40,000,000	39,051,000	6,916,476	53,984,488	949,000	9.49	1.56	11.21
<i>GHJM Marathon Fund V</i>	50,000,000	47,885,516	49,883,434	13,636,048	2,114,484	9.76	1.33	5.74
<b>Golder, Thoma, Cressey, Rauner</b>								
<i>Golder, Thoma, Cressey &amp; Rauner Fund IV</i>	20,000,000	20,000,000	196,478	42,160,456	0	25.01	2.12	16.41
<i>Golder, Thoma, Cressey &amp; Rauner Fund V</i>	30,000,000	30,000,000	697,836	53,955,241	0	11.01	1.82	14.00
<b>GS Capital Partners</b>								
<i>GS Capital Partners 2000</i>	50,000,000	50,000,000	22,023,373	82,563,958	0	22.78	2.09	9.83
<i>GS Capital Partners V</i>	100,000,000	66,390,364	84,110,359	42,669,888	33,609,636	17.37	1.91	5.25
<i>GS Capital Partners VI</i>	100,000,000	39,166,994	29,571,785	2,082,010	60,833,006	-8.62	0.81	3.41
<b>GTCR Golder Rauner</b>								
<i>GTCR VI</i>	90,000,000	90,000,000	7,621,735	75,082,762	0	-2.81	0.92	12.00
<i>GTCR VII</i>	175,000,000	159,249,989	905,561	387,322,726	15,750,011	25.32	2.44	10.39
<i>GTCR IX</i>	75,000,000	52,432,606	43,459,992	4,741,730	22,567,394	-7.51	0.92	4.00

Minnesota State Board of Investment  
Alternative Investments -  
As of June 30, 2010

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	MOIC**	Period Years
<b>Hellman &amp; Friedman</b>								
<i>Hellman &amp; Friedman Capital Partners IV</i>	150,000,000	133,967,494	25,469,967	351,026,979	16,032,506	34.83	2.81	10.49
<i>Hellman &amp; Friedman Capital Partners V</i>	160,000,000	143,730,628	145,902,943	148,836,182	16,269,372	28.18	2.05	5.58
<i>Hellman &amp; Friedman Capital Partners VI</i>	175,000,000	130,896,549	135,715,839	7,806,416	44,103,451	4.32	1.10	3.25
<i>Hellman &amp; Friedman Capital Partners VII</i>	50,000,000	0	0	0	50,000,000	N/A	N/A	1.19
<b>Kohlberg Kravis Roberts</b>								
<i>KKR 1987 Fund</i>	145,373,652	145,373,652	1,399,979	396,121,354	0	8.71	2.73	22.60
<i>KKR 1993 Fund</i>	150,000,000	150,000,000	563,968	308,173,269	0	16.74	2.06	16.53
<i>KKR 1996 Fund</i>	200,000,000	200,000,000	21,888,935	345,523,451	0	13.03	1.84	13.83
<i>KKR Millennium Fund</i>	200,000,000	200,000,000	175,325,593	166,956,034	0	18.13	1.71	7.56
<i>KKR 2006 Fund</i>	200,000,000	163,079,528	148,243,407	17,271,349	36,920,472	-0.41	1.01	3.76
<b>Lexington Capital Partners</b>								
<i>Lexington Capital Partners VI-B</i>	100,000,000	82,747,583	60,485,251	21,504,012	17,252,417	-0.45	0.99	4.51
<i>Lexington Capital Partners VII</i>	100,000,000	1,468,705	457,416	586	98,531,295	-79.28	0.31	1.05
<b>RWI Ventures</b>								
<i>RWI Ventures I</i>	7,603,265	7,603,265	1,558,651	4,025,809	0	-14.43	0.73	4.00
<i>RWI Group III</i>	616,430	616,430	122,230	330,192	0	-15.00	0.73	4.00
<b>Sightline Healthcare</b>								
<i>Sightline Healthcare Fund II</i>	10,000,000	10,000,000	1,244,684	4,883,002	0	-6.82	0.61	13.33
<i>Sightline Healthcare Fund III</i>	20,000,000	20,000,000	6,207,188	3,620,472	0	-9.10	0.49	11.44
<i>Sightline Healthcare Fund IV</i>	7,700,000	7,521,061	3,126,970	4,008,034	178,939	-1.94	0.95	6.76
<b>Silver Lake Partners</b>								
<i>Silver Lake Partners II</i>	100,000,000	88,740,757	81,909,314	32,954,779	11,259,243	7.59	1.29	6.00
<i>Silver Lake Partners III</i>	100,000,000	40,350,605	41,194,416	984,960	59,649,395	2.60	1.05	3.25
<b>Split Rock Partners</b>								
<i>Split Rock Partners</i>	50,000,000	34,963,636	29,474,166	428,377	15,036,364	-5.94	0.86	5.16
<i>Split Rock Partners II</i>	60,000,000	9,200,000	7,411,584	0	50,800,000	-24.89	0.81	2.17
<b>Summit Partners</b>								
<i>Summit Ventures II</i>	30,000,000	28,500,000	166,096	74,524,292	1,500,000	28.82	2.62	22.13
<i>Summit Ventures V</i>	25,000,000	24,125,000	559,106	32,460,571	875,000	7.99	1.37	12.25
<b>T. Rowe Price</b>	850,179,169	850,179,169	51,625,024	847,624,018	0	7.18	1.06	N/A
<b>Thoma Cressey</b>								
<i>Thoma Cressey Fund VI</i>	35,000,000	33,915,000	11,445,528	15,876,781	1,085,000	-2.85	0.81	11.86
<i>Thoma Cressey Fund VII</i>	50,000,000	50,000,000	22,032,968	61,861,701	0	22.47	1.68	9.85
<i>Thoma Cressey Fund VIII</i>	70,000,000	67,882,574	78,015,745	0	2,117,426	4.59	1.15	4.16
<b>Thomas, McNerney &amp; Partners</b>								
<i>Thomas, McNerney &amp; Partners I</i>	30,000,000	26,925,000	14,977,858	10,504,694	3,075,000	-1.74	0.95	7.65
<i>Thomas, McNerney &amp; Partners II</i>	50,000,000	24,625,000	17,674,058	2,106,240	25,375,000	-10.48	0.80	4.00
<b>Varde Fund</b>								
<i>Varde Fund IX</i>	100,000,000	100,000,000	130,547,800	0	0	16.73	1.31	2.02
<i>Varde Fund X</i>	150,000,000	45,000,000	44,494,515	0	105,000,000	-1.88	0.99	0.19
<b>Vestar Capital Partners</b>								
<i>Vestar Capital Partners IV</i>	55,000,000	52,378,078	24,844,611	61,970,529	2,621,922	13.56	1.66	10.54
<i>Vestar Capital Partners V</i>	75,000,000	57,386,789	64,506,597	5,321,047	17,613,211	7.11	1.22	4.53
<b>Warburg Pincus</b>								
<i>Warburg, Pincus Ventures</i>	50,000,000	50,000,000	449,773	255,993,050	0	49.21	5.13	15.50
<i>Warburg Pincus Equity Partners</i>	100,000,000	100,000,000	23,581,268	131,442,977	0	9.55	1.55	12.01
<i>Warburg Pincus Private Equity VIII</i>	100,000,000	100,000,000	86,327,761	99,241,562	0	15.19	1.86	8.21
<i>Warburg Pincus Private Equity IX</i>	100,000,000	100,000,000	98,439,466	18,802,200	0	4.98	1.17	4.93
<i>Warburg Pincus Private Equity X</i>	150,000,000	78,435,914	67,674,121	502,077	71,564,086	-8.73	0.87	2.68
<b>Wayzata</b>								
<i>Wayzata Opportunities Fund I</i>	100,000,000	80,500,000	131,159,294	339,109	19,500,000	11.28	1.63	4.53
<i>Wayzata Opportunities Fund II</i>	150,000,000	97,500,000	138,169,785	429,900	52,500,000	14.97	1.42	2.69
<b>Welsh, Carson, Anderson &amp; Stowe</b>								
<i>Welsh, Carson, Anderson &amp; Stowe VIII</i>	100,000,000	100,000,000	31,924,895	85,714,525	0	2.08	1.18	11.93
<i>Welsh, Carson, Anderson &amp; Stowe IX</i>	125,000,000	120,000,000	62,718,768	132,385,489	5,000,000	12.16	1.63	10.01
<i>Welsh, Carson, Anderson &amp; Stowe X</i>	100,000,000	87,578,466	85,172,752	3,293,451	12,421,534	0.32	1.01	4.54
<i>Welsh, Carson, Anderson &amp; Stowe XI</i>	100,000,000	16,238,742	13,409,239	0	83,761,258	-41.50	0.83	1.94
<b>Zell/ Chilmark Fund</b>	30,000,000	30,000,000	36,254	77,129,496	0	17.71	2.57	19.97
<b>Private Equity Total</b>	8,264,283,733	6,529,485,799	3,686,613,590	5,829,620,442	1,728,997,933		1.46	
<b>Alternatives Total</b>	13,075,089,821	9,940,946,885	6,159,203,068	8,963,801,634	3,116,372,232		1.52	

\* 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.

\*\* MOIC: Multiple of Invested Capital