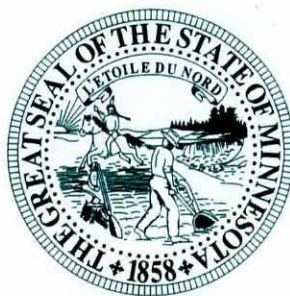


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# **MINNESOTA STATE BOARD OF INVESTMENT**

MINNESOTA STATE BOARD  
OF INVESTMENT  
MEETING  
September 12, 2012



**Governor Mark Dayton**  
**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 12, 2012**



**AGENDA**  
**STATE BOARD OF INVESTMENT MEETING**  
**Wednesday, September 12, 2012**  
**9:00 A.M. – Room 123**  
**State Capitol, St. Paul**

- |   |            |
|---|------------|
| <b>1. Approval of Minutes of June 6, 2012</b>   | <b>TAB</b> |
| <b>2. Report from the Executive Director (H. Bicker)</b>  | <b>A</b>   |
| A. Quarterly Investment Review<br>(April 1, 2012 – June 30, 2012)                                       |            |
| B. Administrative Report  | <b>B</b>   |
| 1. Reports on budget and travel   |            |
| 2. Update on Executive Director Search Process  |            |
| 3. Update on Sudan  |            |
| 4. Update on Iran   |            |
| 5. Litigation Update  |            |
| <b>3. Report from the Accounting System Review Committee (H. Bicker)</b>                                | <b>C</b>   |
| <b>4. Investment Advisory Council Report (J. Bailey)</b>  |            |
| A. Stock and Bond Report  | <b>D</b>   |
| 1. Review of manager performance for the period ending<br>June 30, 2012                                 |            |
| B. Alternative Investment Report  | <b>E</b>   |
| 1. Review of current strategy   |            |
| 2. Consideration of investment commitments to new funds with<br>Three existing private equity managers. |            |
| <b>5. Other items</b>   |            |

**Minutes  
State Board of Investment  
June 6, 2012**

The State Board of Investment (SBI) met at 9:00 A.M. Wednesday, June 6, 2012 in Room 123, State Capitol, St. Paul, Minnesota. Governor Mark Dayton, State Auditor Rebecca Otto, and Attorney General Lori Swanson were present. The minutes of the March 8, 2012 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, 2012 (Combined Funds 6.5% vs. Composite 6.4%) and had provided a real rate of return over the latest 20 year period (Combined Funds 8.3% vs. CPI 2.5%).

Mr. Bicker reported that the Combined Funds' assets increased 7.8% for the quarter ending March 31, 2012 due to positive market performance. He said that the asset mix is essentially on target and he stated that the Combined Funds outperformed its Composite Index for the quarter (Combined Funds 8.7% vs. Composite 8.0%) but underperformed for the year (Combined Funds 5.7% vs. Composite 5.9%).

Mr. Bicker reported that the domestic stock manager group outperformed its target for the quarter (Domestic Stocks 13.6% vs. Domestic Equity Asset Class Target 12.9%) but slightly underperformed the year (Domestic Stock 7.1% vs. Domestic Equity Asset Class Target 7.2%). He said the international stock manager group outperformed for the quarter (International Stock 11.3% vs. International Equity Asset Class Target 11.2%) and matched its target for the year (International Stock -7.2% vs. International Equity Asset Class Target -7.2%). Mr. Bicker stated that the bond segment outperformed for the quarter (Bonds 1.4% vs. Fixed Income Asset Class Target 0.3%) and matched its target for the year (Bonds 7.7% vs. Fixed Income Asset Class Target 7.7%). He stated that the alternative investments returned 3.7% for the quarter. He concluded his report with the comment that, as of March 31 2012, the SBI was responsible for over \$61 billion in assets.

Mr. Bicker referred members to Tab B of the meeting materials for an update on the budget and travel for the quarter. He stated that the Omnibus Pension bill passed, and he briefly discussed the changes regarding accounting and alternative investment language in the bill. He said that the bill also contained some changes that make it more attractive for volunteer relief associations to merge with the Public Employees Retirement Association (PERA). Mr. Bicker also noted that the only remaining salaried fire and police group, the Fairmont Police, will also be merging with PERA in the coming months. He added that the legislation also included changes in the pension plans' assumed rate of return from 8.5% to 8% using a "select and ultimate" policy.

Mr. Bicker stated that updated information on Sudan and Iran is also included in Tab B.

Ms. Eller reported that the judge dismissed the lawsuit brought by the Break the Bonds group, which challenged the SBI's investment in Israeli bonds, and she noted that the plaintiffs have appealed.



### **SBI Administrative Committee Report**

Mr. Bicker referred members to Tab C of the meeting materials and briefly reviewed the Executive Director's Proposed Workplan for FY13, the Budget Plan for FY13, the Continuing Fiduciary Education Plan and approval of the process used to evaluate the Executive Director. Ms. Swanson moved approval of the Committee's four recommendations, as stated in Tab C of the meeting materials which reads: **"The Committee recommends that the SBI approve the FY13 Executive Director's Workplan. Further, the Committee recommends that the workplan serve as the basis for the Executive Director's performance evaluation for FY13.**

**The Committee recommends that the SBI approve the FY12, FY13, and FY14 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 FY12 performance evaluation:**

- **The evaluation will be completed prior to the September 2012 meeting of the SBI and will be based on the results of the Executive Director's workplan for FY12.**
- **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.**
- **Minnesota Management and 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."** Ms. Otto seconded the motion. The motion passed.

Mr. Bicker referred members to Tab D of the meeting materials and briefly discussed the recommendation from the Local Custody Review Committee to retain Wells Fargo as the local custodian for the investment related transactions for the state's general revenue funds. In response to questions from Governor Dayton and Ms. Swanson, Mr. Bicker clarified that the SBI and Minnesota Management and Budget (MMB) each bid out their contracts for services separately. Ms. Swanson moved approval of the Committee's recommendation, as stated in the meeting materials, which reads: **"Based on the results of the RFP, the Committee recommends that the Board authorize the Executive Director, with the assistance of SBI Counsel, to negotiate and execute a contract with Wells Fargo for local custodial services for a five year period ending December 31, 2017.**

**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 obligation on the State Board of Investment and neither the State of Minnesota, the State Board of Investment or its Executive Director have any liability for reliance by Wells Fargo upon this approval. Until a formal agreement is executed by the Executive Director on behalf of**

**the SBI, further due diligence and negotiations may result in the imposition of additional terms and conditions on Wells Fargo or reduction or termination of the commitment."** The motion passed.

Mr. Bailey referred members to Tab E of the meeting materials and noted that there were no action items for the stock and bond areas. He said that staff presented a report evaluating the current fixed income asset class target, the Barclays Capital U.S. Aggregate Bond Index, and various alternative fixed income indices to determine which index is best suited to reflect the Fixed Income Program's objectives going forward. He reported that no action is needed at this time.

Mr. Bailey discussed issues related to the management of emerging markets equity using separate accounts. He noted that for the SBI's non-U.S. equity investments, the SBI is required to register as a foreign investor and comply with each country's local tax laws and registration requirements. He said that in certain emerging market countries those requirements have become increasingly difficult to meet. Mr. Bailey said that staff will continue to research options for gaining investment exposure to emerging markets equities, while minimizing these operational issues and that staff and the IAC are recommending that the Board authorize staff to make modifications to the Emerging Markets Program. In response to questions from Governor Dayton and Ms. Swanson, Mr. Bailey stated that commingled accounts would likely be less risky than separately managed accounts. Ms. Swanson moved approval of the recommendation, as state in the meeting materials, which reads: **"The Staff and IAC recommend that the Board authorize staff to make necessary modifications to the Emerging Markets Program to ensure that it can operate effectively."** The motion passed.

Mr. Bailey referred members to Tab F of the materials and noted that there were no action items for alternative investments this quarter.

Mr. Bicker stated that he will be retiring in late 2013 and he said that staff plan to bring a recommendation to the Board at its September 2012 meeting regarding the search process, the composition and responsibilities of the Search Committee, selection of a search firm, and a budget for the various aspects related to the search.

The meeting adjourned at 9:32 A.M.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Howard Bicker".

Howard Bicker  
Executive Director



TAB

A

**LONG TERM OBJECTIVES**  
**Period Ending 6/30/2012**

<b>COMBINED FUNDS: \$47.5 Billion</b>	<b>Result</b>	<b>Compared to Objective</b>
<b>Match or Exceed Composite Index (10 Yr.)</b>  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.	<b>7.0% (1)</b>	0.1 percentage point above the target
<b>Provide Real Return (20 yr.)</b>  Provide returns that are 3-5 percentage points greater than inflation over the latest 20 year period.	<b>8.2%</b>	5.7 percentage points above CPI

(1) Performance is calculated net of fees.

**SUMMARY OF ACTUARIAL VALUATIONS****Eight Plans of MSRS, PERA and TRA  
July 1, 2011****Liabilities**

Actuarial Accrued Liabilities	\$60.4 billion
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**Assets**

Current Actuarial Value	\$47.5 billion
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**Funding Ratio**

Current Actuarial Value divided by Accrued Liabilities	78.7%
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**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:
  - 2040 – MSRS General
  - 2031 – PERA General
  - 2037 – TRA



## EXECUTIVE SUMMARY

### Combined Funds (Net of Fees)

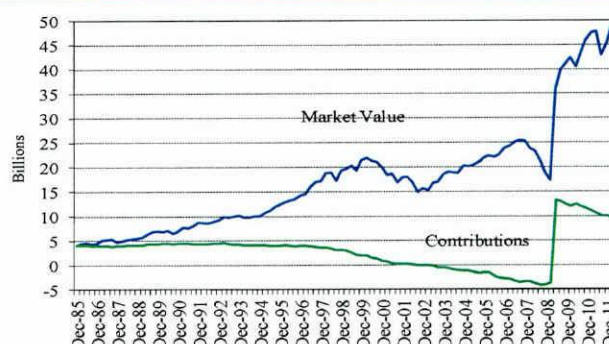
#### Asset Growth

The market value of the Combined Funds decreased 2.5% during the second quarter of 2012. Negative investment returns and contributions caused the decrease in market value.

#### Asset Growth During Second Quarter 2012 (Millions)

Beginning Value	\$ 48,772
Net Contributions	-490
Investment Return	-748
Ending Value	\$ 47,534

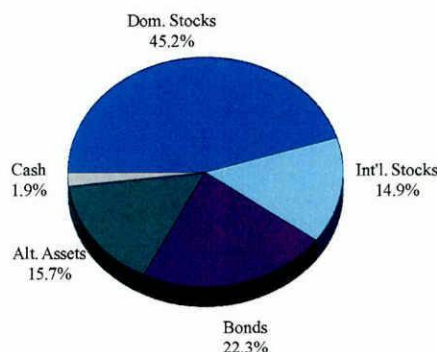
Note: The significant increase in market value and contributions in June 2009 was due to the merger of the Basics and Post Funds.



#### Asset Mix

The allocation to fixed income and alternative assets increased due to outperformance relative to the other asset classes. The domestic equities allocation decreased due to a rebalancing of assets into international equities along with negative investment return.

	Policy Targets	Actual Mix 6/30/2012	Actual Market Value (Millions)
Domestic Stocks	45.0%	45.2%	\$21,508
Int'l. Stocks	15.0	14.9	7,074
Bonds	18.0	22.3	10,597
Alternative Assets*	20.0	15.7	7,441
Cash	2.0	1.9	914
	100.0%	100.0%	\$47,534

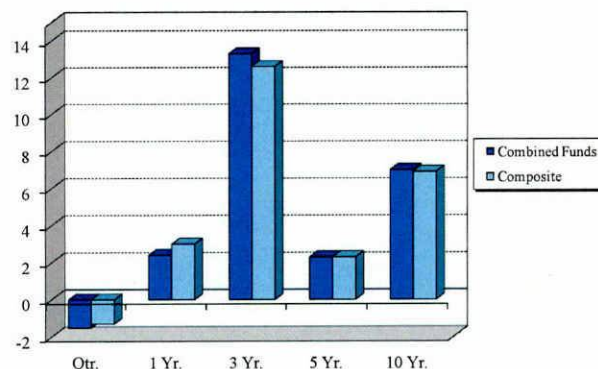


\* Any uninvested allocation is held in domestic bonds.

#### Fund Performance (Net of Fees)

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

	Period Ending 6/30/2012				
	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Combined Funds	-1.5%	2.4%	13.3%	2.3%	7.0%
Composite	-1.3	3.0	12.6	2.3	6.9





## 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 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 6/30/2012				
	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Dom. Stocks</b>	<b>-3.5%</b>	<b>3.1%</b>	<b>16.7%</b>	<b>0.2%</b>	<b>5.6%</b>
Asset Class Target*	-3.1	3.8	16.7	0.4	5.8

\* 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 underperformed its target 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 6/30/2012				
	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Int'l. Stocks</b>	<b>-7.4%</b>	<b>-14.7%</b>	<b>7.3%</b>	<b>-4.5%</b>	<b>6.6%</b>
Asset Class Target*	-7.6	-14.6	7.0	-4.6	6.7

\* 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) matched its target for the quarter and outperformed its target 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.

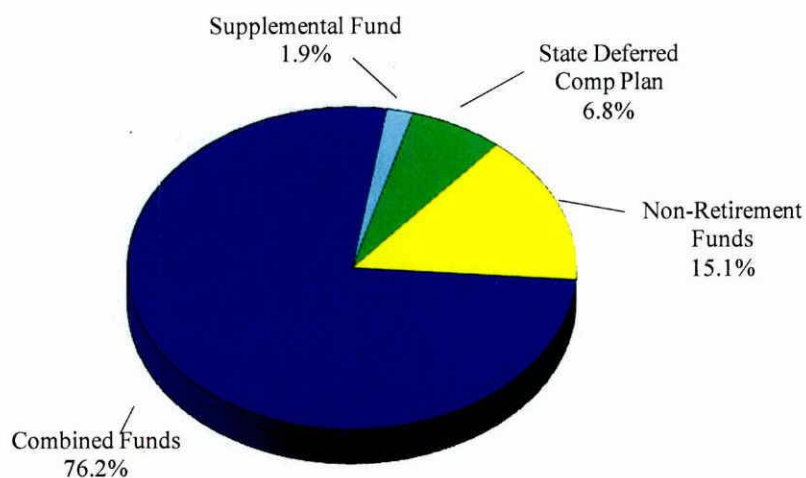
	Period Ending 6/30/2012				
	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Bonds</b>	<b>2.1%</b>	<b>7.8%</b>	<b>9.2%</b>	<b>6.8%</b>	<b>5.9%</b>
Asset Class Target	2.1	7.5	6.9	6.8	5.6

#### Alternative Investments

	Period Ending 6/30/2012				
	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Alternatives</b>	<b>5.0%</b>	<b>9.8%</b>	<b>14.4%</b>	<b>6.8%</b>	<b>14.2%</b>

## EXECUTIVE SUMMARY

### Funds Under Management



### 6/30/2012 Market Value (Billions)

#### Retirement Funds

Combined Funds	\$47.5
Supplemental Investment Fund	1.2
- Excluding Deferred Compensation Plan Assets	
State Deferred Compensation Plan	4.2

#### Non-Retirement Funds

Assigned Risk Plan	0.3
Permanent School Fund	0.8
Environmental Trust Fund	0.6
Miscellaneous Trust Accounts	0.1
Other Post Employment Benefits Accounts	0.3
State Cash Accounts	7.3

<b>Total</b>	<b>\$62.3</b>
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# MINNESOTA STATE BOARD OF INVESTMENT

## QUARTERLY INVESTMENT REPORT

Second Quarter 2012  
(April 1, 2012 - June 30, 2012)

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## VARIOUS CAPITAL MARKET INDICES

	Period Ending 6/30/2012				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Domestic Equity</b>					
Dow Jones Wilshire Composite	-3.1%	4.0%	16.9%	0.6%	6.1%
Dow Jones Industrials	-1.9	6.6	18.2	2.0	6.0
S&P 500	-2.8	5.4	16.4	0.2	5.3
Russell 3000 (broad market)	-3.1	3.8	16.7	0.4	5.8
Russell 1000 (large cap)	-3.1	4.4	16.6	0.4	5.7
Russell 2000 (small cap)	-3.5	-2.1	17.8	0.5	7.0
<b>Domestic Fixed Income</b>					
Barclays Capital Aggregate (1)	2.1	7.5	6.9	6.8	5.6
Barclays Capital Gov't./Corp.	2.6	8.8	7.3	6.9	5.8
3 month U.S. Treasury Bills	0.0	0.0	0.1	0.8	1.8
<b>International</b>					
EAFE (2)	-7.1	-13.8	6.0	-6.1	5.1
World ex-U.S. (3)	-7.2	-14.1	6.2	-5.7	5.6
Emerging Markets Free (4)	-8.8	-15.7	10.1	0.2	14.4
ACWI Free ex-U.S. (5)	-7.4	-14.1	7.4	-4.2	7.2
Salomon Non U.S. Gov't. Bond	0.2	0.4	5.1	7.4	7.1
<b>Inflation Measure</b>					
Consumer Price Index CPI-U (6)	0.0	1.7	2.1	2.0	2.4
Consumer Price Index CPI-W (7)	-0.1	1.6	2.3	2.1	2.5

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

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

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

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

(5) Morgan Stanley Capital International All Country World Index Ex-U.S. (Gross 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 -3.1% return during the second quarter of 2012. The stock market's oscillation between risk tolerance and risk aversion resurfaced again in the second quarter, and the results were not favorable to investors. Slowing economic growth both in the United States and abroad weighed heavily on the market. Within the Russell 3000, the Utilities sector reported the highest return for the quarter up 8.5%. Technology was the worst performing sector with a -8.1% return for the quarter. Value stocks outperformed their growth counterparts.

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

Large Growth	Russell 1000 Growth	-4.0%
Large Value	Russell 1000 Value	-2.2%
Small Growth	Russell 2000 Growth	-3.9%
Small Value	Russell 2000 Value	-3.0%

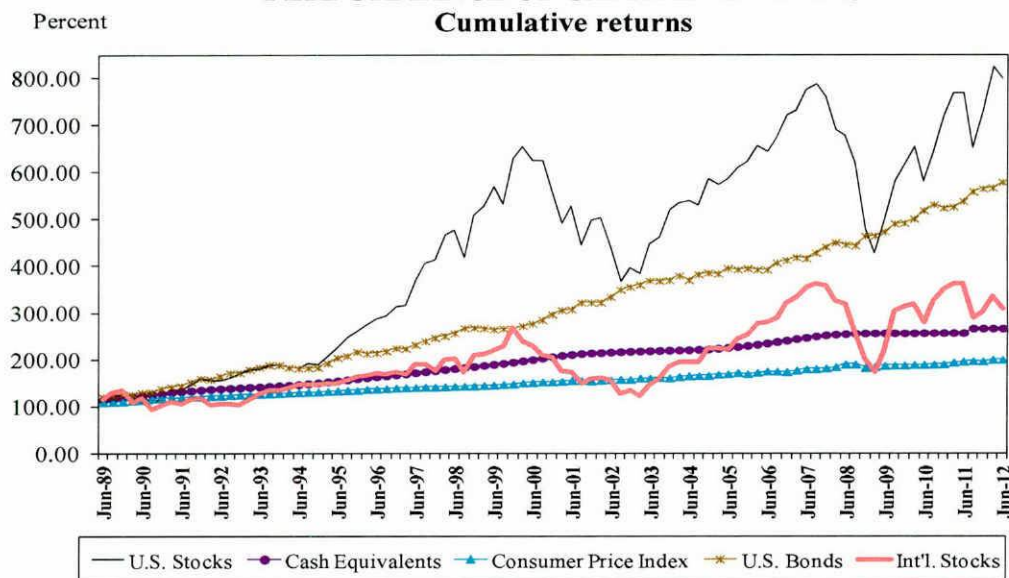
The Russell 3000 index returned 3.8% for the year ending June 30, 2012.

## DOMESTIC BONDS

The U.S. bond market, as measured by the Barclays Capital U.S. Aggregate Bond Index, produced a total return of 2.1% for the quarter. Yields on U.S. Treasuries declined as concerns over Europe intensified, payroll growth in the U.S. slowed, and emerging market economies continued to decelerate. Investors sought safety and liquidity in high-quality government bonds. The 2-year U.S. Treasury ended the second quarter three basis points lower at 0.30%, the 10-year yield declined by 56 basis points to 1.65%, and the 30-year decreased by 59 basis points to 2.75%. U.S. Treasuries and higher quality investment grade corporate bonds outperformed the benchmark during the second quarter, while all other sectors of the Barclays Agg underperformed the broader benchmark.

The major sector returns for the Barclays Capital U.S. Aggregate Bond Index for the quarter were:

U.S. Treasury	2.8%
Agency	1.4
Corporates	2.5
Agency MBS	1.1
Commercial Mortgages	0.9
Asset-backed	1.3

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 net) provided a return of -7.2% for the quarter. The quarterly performance of the six largest stock markets is shown below:

United Kingdom	-4.0%
Japan	-7.3
Canada	-7.8
France	-9.0
Australia	-5.1
Germany	-12.4

The World ex U.S. index returned -14.1% 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 74% of the value of the international markets in the index.

## EMERGING MARKETS

Emerging markets (as measured by MSCI Emerging Markets Free index gross) provided a return of -8.8% for the quarter. The quarterly performance of the six largest stock markets in the index is shown below:

China	-5.3%
Brazil	-18.8
Korea	-8.6
Taiwan	-9.5
India	-9.5
South Africa	-5.6

The Emerging Markets Free index returned -15.7% 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 72% of the value of the international markets in the index.

## REAL ESTATE

During the second quarter of 2012, real estate posted its tenth consecutive quarter of positive returns with the NCREIF Property Index posting a return of 2.7%. Even with accommodative monetary and fiscal policies, the real estate outlook for 2012 continues to be one of caution due to continued weakness in employment and weak demand.

## PRIVATE EQUITY

Increased transaction volume over the last two years has lead to a record number of managers hitting the fundraising trail at the same time, as the amount of capital available for investment has decreased. This has been a driver of performance across the asset class as private equity firms are attempting to stand out from the crowd by returning capital to investors. However, uncertainty about the Euro-zone as well as the outcomes of elections in the U.S. has caused a decline in deal volume so far in 2012.

## RESOURCE FUNDS

During the second quarter of 2012, crude oil traded between a range of \$78/bbl and \$107/bbl. The average price for the second quarter of 2012 was \$94/bbl which is approximately \$10/bbl less than the average price for the first quarter of 2012. Improved economic growth and unrest in the Middle East should continue to provide strength to oil prices.



# COMBINED FUNDS

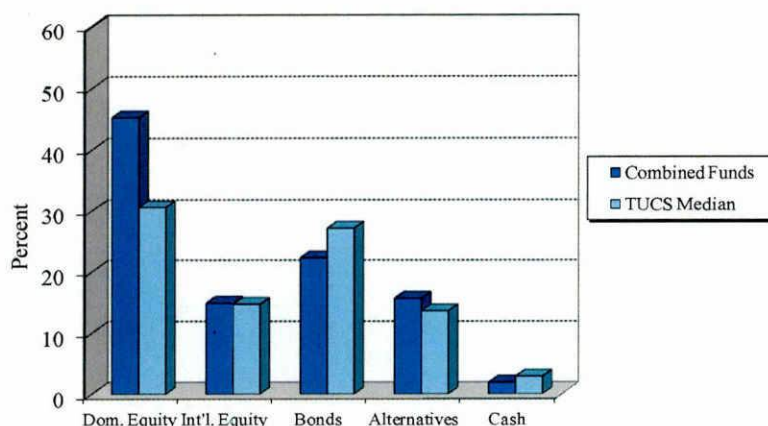
The comparison universe used by the SBI is the Trust Universe Comparison Service (TUCS). Only funds with assets over \$1 billion are included in the comparisons shown in this section.

## Asset Mix Compared to Other Pension Funds

On June 30, 2012, the 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	\$21,508	45.2%
International Stocks	7,074	14.9
Bonds	10,597	22.3
Alternative Assets	7,441	15.7
Unallocated Cash	914	1.9
<b>Total</b>	<b>\$47,534</b>	<b>100.0%</b>



	Dom. Equity	Int'l Equity	Bonds	Alternatives	Cash
<b>Combined Funds</b>	<b>45.2%</b>	<b>14.9%</b>	<b>22.3%</b>	<b>15.7%</b>	<b>1.9%</b>
Median Allocation in TUCS*	30.6	14.7	27.1	13.6**	2.9

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

\*\* May include assets other than alternatives.



### COMBINED FUNDS

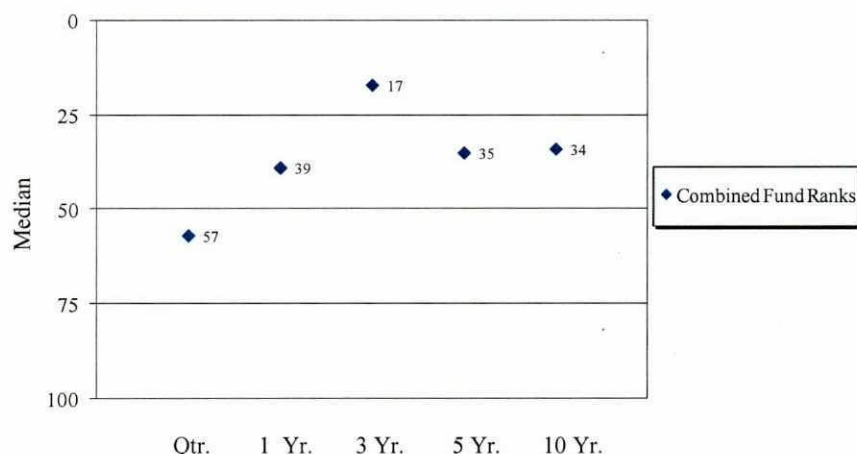
#### Performance Compared to Other Pension Funds

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 6/30/2012				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Combined Funds					
Percentile Rank in TUCS*	57th	39th	17th	35th	34th

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

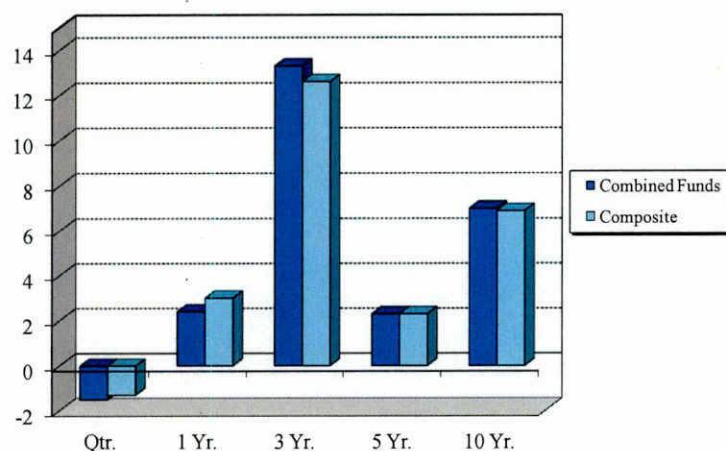
### COMBINED FUNDS

#### 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* 2Q12
Domestic Stocks	Russell 3000	45.0%
Int'l. Stocks	MSCI ACWI Free ex-U.S.	15.0
Bonds	Barclays Capital Aggregate	23.2*
Alternative Investments	Alternative Investments	14.8*
Unallocated Cash	3 Month T-Bills	2.0
		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 6/30/2012				
	Qtr.	1 Yr.	3 Yr.	5 Yr. Annualized	10 Yr.
Combined Funds**	-1.5%	2.4%	13.3%	2.3%	7.0%
Composite Index	-1.3	3.0	12.6	2.3	6.9

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

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## STOCK AND BOND MANAGERS

### Performance of Asset Pools (Net of Fees)

#### Domestic Stocks

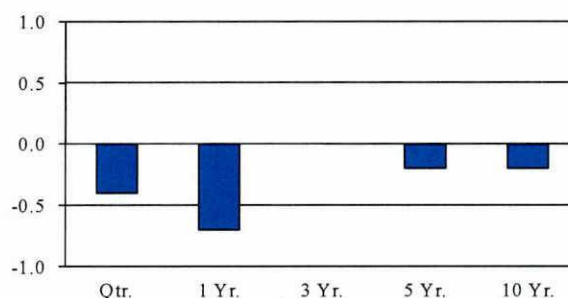
**Target:** Russell 3000

**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 6/30/2012				
	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Domestic Stocks	-3.5%	3.1%	16.7%	0.2%	5.6%
Asset Class Target*	-3.1	3.8	16.7	0.4	5.8

\* 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

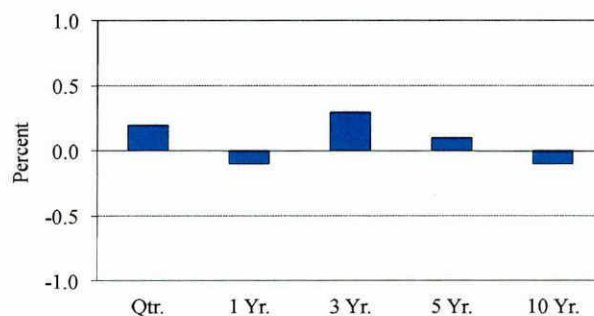
**Target:** Standard MSCI ACWI Free ex U.S. (net)

**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 6/30/2012				
	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Int'l. Stocks	-7.4%	-14.7%	7.3%	-4.5%	6.6%
Asset Class Target*	-7.6	-14.6	7.0	-4.6	6.7

\* 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



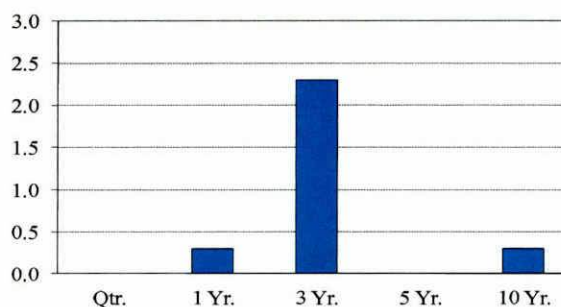
#### Bonds

**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 6/30/2012				
	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Bonds	2.1%	7.8%	9.2%	6.8%	5.9%
Asset Class Target	2.1	7.5	6.9	6.8	5.6

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 6/30/2012				
	Annualized				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Alternatives	5.0%	9.8%	14.4%	6.8%	14.2%
Inflation	0.0%	1.7%	2.1%	2.0%	2.4%

#### Real Estate Investments (Equity emphasis)

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

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

	Period Ending 6/30/2012				
	Annualized				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Real Estate	2.7%	9.6%	1.4%	-2.4%	6.7%

#### Private Equity Investments (Equity emphasis)

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

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

	Period Ending 6/30/2012				
	Annualized				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Private Equity	5.6%	7.8%	18.3%	7.7%	14.4%

#### Resource Investments (Equity emphasis)

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

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

	Period Ending 6/30/2012				
	Annualized				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Resource	6.1%	15.7%	18.8%	11.2%	26.6%

#### Yield Oriented Investments (Debt emphasis)

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

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

	Period Ending 6/30/2012				
	Annualized				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Yield Oriented	4.3%	13.2%	11.6%	10.1%	16.1%



## 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, 2012 the market value of the entire Fund was \$1.2 billion.**

## Investment Options

	6/30/2012 Market Value (In Millions)
<b>Income Share Account</b> – a balanced portfolio utilizing both common stocks and bonds.	\$260
<b>Growth Share Account</b> – an actively managed, all common stock portfolio.	\$131
<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.	\$165
<b>International Share Account</b> – a portfolio of non U.S. stocks that incorporates both active and passive management.	\$74
<b>Bond Market Account</b> – an actively managed, all bond portfolio.	\$133
<b>Money Market Account</b> – a portfolio utilizing short-term, liquid debt securities.	\$204
<b>Fixed Interest Account</b> – a portfolio of stable value instruments, including security backed contracts and insurance company and bank investment contracts.	\$181
<b>Volunteer Firefighter Account</b> – a balanced portfolio only used by the Voluntary Statewide Volunteer Firefighter Plan.	\$7



## 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%	60.0%
Bonds	35.0	35.3
Cash	5.0	4.7
	100.0%	100.0%

## Period Ending 6/30/2012

## Annualized

	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	-1.3%	5.3%	13.1%	3.3%	6.2%
Benchmark*	-1.1	5.4	12.8	2.8	5.7

\* 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 6/30/2012

## Annualized

	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	-3.8%	2.7%	16.7%	0.0%	5.4%
Benchmark*	-3.1	3.8	16.7	0.4	5.8

\* 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 6/30/2012

## Annualized

	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	-3.1%	3.8%	16.8%	0.5%	5.9%
Benchmark*	-3.1	3.8	16.7	0.4	5.8

\* 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 no more than 33% of the Account is "semi-passively managed." These portions of the Account are designed to track and modestly outperform, respectively, the return of 23 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 6/30/2012

## Annualized

	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	-7.4%	-14.7%	7.3%	-4.4%	6.7%
Benchmark*	-7.6	-14.6	7.0	-4.6	6.7

\* 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 6/30/2012

## Annualized

	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Total Account</b>	<b>2.1%</b>	<b>7.8%</b>	<b>9.2%</b>	<b>6.9%</b>	<b>5.9%</b>
Barclays Capital Aggregate	2.1	7.5	6.9	6.8	5.6

## 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 6/30/2012

## Annualized

	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Total Account</b>	<b>0.1%</b>	<b>0.2%</b>	<b>0.2%</b>	<b>1.3%</b>	<b>2.1%</b>
3 month T-Bills	0.0	0.0	0.1	0.8	1.8

## 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 6/30/2012

## Annualized

	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Total Account</b>	<b>0.7%</b>	<b>3.1%</b>	<b>3.8%</b>	<b>4.2%</b>	<b>4.4%</b>
Benchmark*	0.2	0.9	1.3	1.9	2.9

\* 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	36.3%
International Stocks	15.0	15.5
Bonds	45.0	44.6
Cash	5.0	3.6
	100.0%	100.0%

## Period Ending 6/30/2012

## Annualized

	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Total Account</b>	<b>-1.1%</b>	<b>2.6%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
Benchmark*	-1.2	2.9	N/A	N/A	N/A

\* 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 4 actively managed mutual funds  
5 passively managed mutual funds and 11 target retirement

fund options. The SBI also offers a money market option and a stable value 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 July 1, 2011. The investment options and objectives are outlined below.

### Investment Options

	6/30/2012 Market Value (in Millions)
Vanguard Index Institutional Plus Shares (passive)	\$593
Janus Twenty (active)	\$391
Vanguard Mid Cap Index Institutional Shares (passive)	\$224
T. Rowe Price Small-Cap Stock (active)	\$433
Fidelity Diversified International (active)	\$206
Vanguard Total International Stock Index Institutional Plus (passive)	\$95
Vanguard Balanced Index Institutional Shares (passive)	\$493
Dodge & Cox Income Fund (active)	\$181
Vanguard Total Bond Market Index Institutional Shares (passive)	\$181
SIF Money Market Account	\$67
SIF Fixed Interest Account (stable value)	\$1,285
State Street Global Advisors MN Target Retirement Funds	
Income Fund	\$11
2015 Fund	\$16
2020 Fund	\$17
2025 Fund	\$10
2030 Fund	\$7
2035 Fund	\$4
2040 Fund	\$2
2045 Fund	\$2
2050 Fund	<\$1
2055 Fund	<\$1
2060 Fund	<\$1



## DEFERRED COMPENSATION PLAN ACCOUNTS

## LARGE CAP EQUITY

## Vanguard Index Institutional Plus (passive)

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

	Period Ending 6/30/2012			
	Annualized			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
<b>Fund</b>	<b>-2.8%</b>	<b>5.4%</b>	<b>16.4%</b>	<b>0.3%</b>
S&P 500	-2.8	5.4	16.4	0.2

## Janus Twenty (active)

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

	Period Ending 6/30/2012			
	Annualized			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
<b>Fund</b>	<b>-5.2%</b>	<b>3.4%</b>	<b>10.1%</b>	<b>2.5%</b>
S&P 500	-2.8	5.4	16.4	0.2

## 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 6/30/2012			
	Annualized			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
<b>Fund</b>	<b>-5.5%</b>	<b>-2.8%</b>	<b>19.6%</b>	<b>0.7%</b>
MSCI US	-5.5	-2.7	19.7	0.7
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 6/30/2012			
	Annualized			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
<b>Fund</b>	<b>-2.6%</b>	<b>1.7%</b>	<b>22.7%</b>	<b>4.3%</b>
Russell 2000	-3.5	-2.1	17.8	0.5

## 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 6/30/2012			
	Annualized			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
<b>Fund</b>	<b>-6.0%</b>	<b>-11.6%</b>	<b>6.8%</b>	<b>-5.5%</b>
MSCI EAFE	-7.1	-13.8	6.0	-6.1

## Vanguard Total International Stock Index (passive)

- A fund that seeks to track the investment performance of the MSCI All Country World ex USA Investable Market Index, an index designed to measure equity market performance in developed and emerging markets, excluding the United States.

	Period Ending 6/30/2012			
	Annualized			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
<b>Fund</b>	<b>-7.5%</b>	<b>-14.6%</b>	<b>N/A</b>	<b>N/A</b>
ACWI ex US IMI	-7.8	-14.8	N/A	N/A

## DEFERRED COMPENSATION PLAN ACCOUNTS

### BALANCED

#### Vanguard Balanced Index (passive)

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

	Period Ending 6/30/2012			
	Annualized			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Fund	-1.0%	6.0%	13.3%	3.7%
Benchmark	-1.0	5.8	13.3	3.5

### FIXED INCOME

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

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

	Period Ending 6/30/2012			
	Annualized			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Fund	1.3%	5.9%	8.1%	7.0%
Barclays Capital Agg.	2.1	7.5	6.9	6.8

#### Vanguard Total Bond Market Index (passive)

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

	Period Ending 6/30/2012			
	Annualized			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Fund	2.2%	7.6%	6.9%	6.9%
Barclays Capital Agg.	2.1	7.5	6.9	6.8

#### Money Market Account

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

	Period Ending 6/30/2012			
	Annualized			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Fund	0.1%	0.2%	0.2%	1.3%
3-Mo. Treas.	0.0	0.0	0.1	0.8

### FIXED INTEREST ACCOUNT

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

	Period Ending 6/30/2012			
	Annualized			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Fund	0.7%	3.1%	3.8%	4.2%
Benchmark	0.2	0.9	1.3	1.9

### MN TARGET RETIREMENT ACCOUNTS

- Target retirement funds offer a mix of investments that are adjusted over time to reduce risk and become more conservative as the target retirement date approaches.

See Page A-107 for returns.

## 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.

	6/30/2012 Target	6/30/2012 Actual
Stocks	20.0%	27.6%
Bonds	80.0	72.4
Total	100.0%	100.0%

### Investment Management

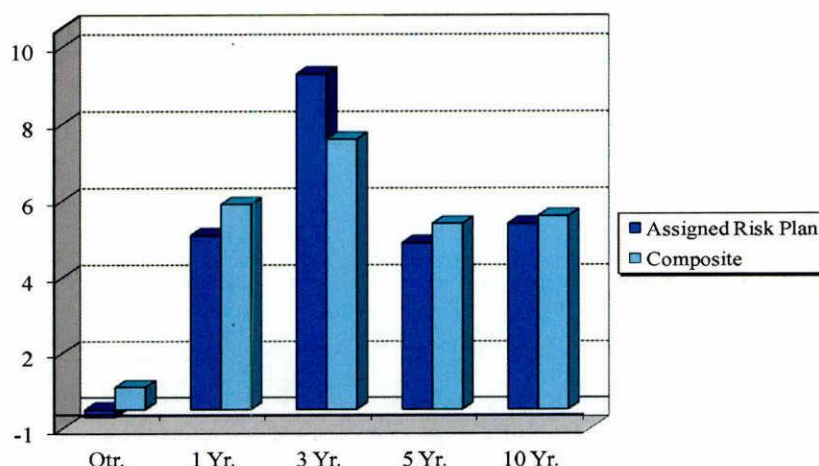
RBC Global Asset Management (US) manages the bond segment of the Fund. GE Investment Management manages the equity segment.

### Performance Benchmarks

Since July 1, 2011, the fixed income benchmark has been the Barclays Capital Intermediate Government Index. 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, 2012 the market value of the Assigned Risk Plan was \$283 million.



### Period Ending 6/30/2012

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Total Fund*</b>	<b>-0.2%</b>	<b>4.6%</b>	<b>8.8%</b>	<b>4.4%</b>	<b>4.9%</b>
Composite	0.6	5.4	7.1	4.9	5.1
<b>Equity Segment*</b>	<b>-4.5</b>	<b>2.3</b>	<b>12.3</b>	<b>0.4</b>	<b>4.7</b>
Benchmark	-2.8	5.4	16.4	0.2	5.3
<b>Bond Segment*</b>	<b>1.4</b>	<b>4.6</b>	<b>7.7</b>	<b>5.3</b>	<b>4.6</b>
Benchmark	1.5	5.0	4.6	5.8	4.8

\* 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.

	6/30/2012 Target	6/30/2012 Actual
Stocks	50.0%	49.4%
Bond	48.0	48.7
Cash	2.0	1.9
Total	100.0%	100.0%

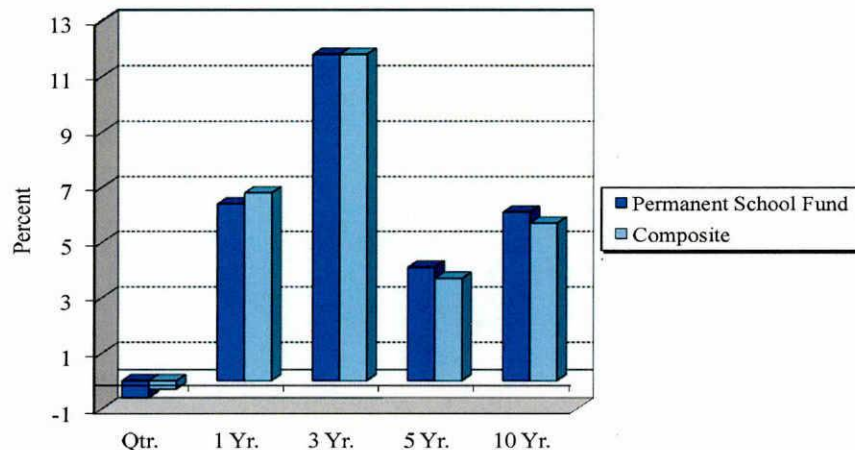
Prior to FY98, the Fund was invested entirely in fixed income securities in order to maximize current income. It is understood that the change in asset mix will reduce portfolio income in the short term, but will enhance the value of the fund, over time.

### 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, 2012 the market value of the Permanent School Fund was \$842 million.



### Period Ending 6/30/2012

#### Annualized

	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Total Fund*</b>	-0.6%	6.4%	11.8%	4.1%	6.1%
Composite	-0.3	6.8	11.8	3.7	5.7
<b>Equity Segment*</b>	-2.8	5.5	16.4	0.3	5.4
S&P 500	-2.8	5.4	16.4	0.2	5.3
<b>Bond Segment*</b>	1.7	6.5	6.8	7.2	6.2
Barclays Capital Agg.	2.1	7.5	6.9	6.8	5.6

\* 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.

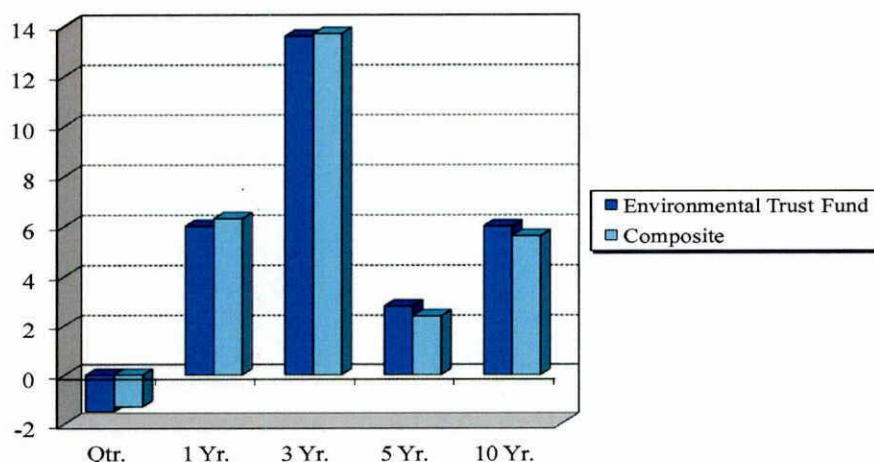
**Investment Management**

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, 2012 the market value of the Environmental Trust Fund was \$615 million.

	6/30/2012 Target	6/30/2012 Actual
Stocks	70.0%	70.1%
Bonds	28.0	28.0
Cash	2.0	1.9
Total	100.0%	100.0%



	Period Ending 6/30/2012				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Total Fund*</b>	-1.5%	6.0%	13.6%	2.8%	6.0%
Composite	-1.3	6.3	13.7	2.4	5.6
<b>Equity Segment*</b>	-2.8	5.5	16.4	0.3	5.5
S&P 500	-2.8	5.4	16.4	0.2	5.3
<b>Bond Segment*</b>	1.7	6.5	6.8	7.1	6.2
Barclays Capital Agg.	2.1	7.5	6.9	6.8	5.6

\* 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 vary greatly in size.

Most accounts are invested by SBI staff through a short-term pooled fund referred to as the Treasurer's Cash Pool. The Pool has an average daily balance of about \$5.0 billion. It 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 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.

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

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

**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 SBI investment staff. As noted above, most of the assets of the cash accounts are invested through the large commingled investment pool.

	Market Value (Millions)	Period Ending 6/30/2012				
		Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Treasurer's Cash Pool*</b>	<b>\$6,994</b>	<b>0.1%</b>	<b>0.6%</b>	<b>0.8%</b>	<b>2.0%</b>	<b>2.5%</b>
Custom Benchmark**		0.0	0.0	0.0	0.9	1.6
3 month T-Bills		0.0	0.0	0.1	0.8	1.8

\* 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.

Note: Effective March 6, 2012 the Trust Fund Cash Pool was dissolved. The Trust Fund Cash Pool which invested temporary cash balances of retirement related accounts was no longer needed with the adoption of daily transfers to the SBI's custodian bank.



**MINNESOTA STATE BOARD OF INVESTMENT**  
**Composition of State Investment Portfolios By Type of Investment**  
**Market Value June 30, 2012 (in Thousands)**

	Cash & ST	Bonds Int	Bonds Ext	Stock Int	Stock Ext	Ext Intl	Alternative	Total
<b>COMBINED RETIREMENT FUNDS</b>								
Teachers Retirement Fund	320,984 1.93%	0	3,716,922 22.29%	0	7,544,079 45.25%	2,481,316 14.88%	2,609,840 15.65%	16,673,141 100%
Public Employees Retirement Fund	266,040 1.97%	0	3,020,636 22.28%	0	6,130,857 45.23%	2,016,495 14.88%	2,120,943 15.65%	13,554,971 100%
State Employees Retirement Fund	166,848 1.84%	0	2,026,807 22.31%	0	4,113,723 45.29%	1,353,041 14.90%	1,423,124 15.67%	9,083,543 100%
Public Employees Police & Fire	113,088 1.97%	0	1,284,985 22.28%	0	2,608,078 45.23%	857,821 14.88%	902,253 15.65%	5,766,225 100%
Highway Patrol Retirement Fund	10,337 1.88%	0	122,482 22.30%	0	248,596 45.27%	81,765 14.89%	86,001 15.66%	549,181 100%
Judges Retirement Fund	3,138 2.18%	0	31,977 22.23%	0	64,903 45.13%	21,347 14.84%	22,453 15.61%	143,818 100%
Correctional Employees Retirement	13,651 2.08%	0	146,439 22.26%	0	297,221 45.18%	97,759 14.86%	102,822 15.63%	657,892 100%
Public Employees Correctional	6,723 2.21%	0	67,796 22.23%	0	137,603 45.12%	45,259 14.84%	47,603 15.61%	304,984 100%
Legislative Retirement Fund	229 1.60%	0	3,208 22.37%	0	6,510 45.40%	2,141 14.93%	2,252 15.70%	14,340 100%
PERA Minneapolis Retirement	12,675 1.61%	0	175,810 22.36%	0	356,837 45.39%	117,367 14.93%	123,446 15.70%	786,135 100%
PERA Virginia Fire	0	0	0	0	0	0	0	0
<b>TOTAL COMBINED FUNDS</b>	913,713 1.92%	0	10,597,062 22.29%	0	21,508,407 45.25%	7,074,311 14.88%	7,440,737 15.65%	47,534,230 100%

	Cash & ST	Bonds Int	Bonds Ext	Stock Int	Stock Ext	Ext Intl	Alternative	Total
<b>MINNESOTA SUPPLEMENTAL FUNDS:</b>								
Income Share Account	12,100 4.65%	91,734 35.30%	0	0	156,062 60.05%	0	0	259,896 100%
Growth Share Account	0	0	0	0	131,384 100.00%	0	0	131,384 100%
Money Market Account	203,728 100.00%	0	0	0	0	0	0	203,728 100%
Common Stock Index	0	0	0	0	165,062 100.00%	0	0	165,062 100%
Bond Market Account	0	0	133,311 100.00%	0	0	0	0	133,311 100%
International Share Account	0	0	0	0	0	74,441 100.00%	0	74,441 100%
Fixed Interest Account	0	0	180,803 100.00%	0	0	0	0	180,803 100%
Volunteer Firefighters Account	243 3.59%	0	3,018 44.63%	0	2,457 36.33%	1,045 15.45%	0	6,763 100%
<b>TOTAL SUPPLEMENTAL FUNDS</b>	216,071 18.70%	91,734 7.94%	317,132 27.45%	0	454,965 39.38%	75,486 6.53%	0	1,155,388 100%
<b>MN DEFERRED COMP PLAN</b>	77,497 1.84%	0	1,861,274 44.11%	0	1,969,422 46.68%	311,275 7.38%	0	4,219,468 100%
<b>TOTAL RETIREMENT FUNDS</b>	1,207,281 2.28%	91,734 0.17%	12,775,468 24.15%	0	23,932,794 45.23%	7,461,072 14.10%	7,440,737 14.06%	52,909,086 100%

	Cash & ST	Bonds Int	Bonds Ext	Stock Int	Stock Ext	Ext Intl	Alternative	Total
<b>ASSIGNED RISK PLAN</b>	7,484 2.65%	0	204,780 72.44%	0	70,444 24.92%	0	0	282,708 100%
<b>ENVIRONMENTAL FUND</b>	11,745 1.91%	171,844 27.95%	0	431,148 70.14%	0	0	0	614,737 100%
<b>PERMANENT SCHOOL FUND</b>	16,364 1.94%	409,405 48.63%	0	416,137 49.43%	0	0	0	841,906 100%
<b>Miscellaneous Trust Funds</b>	264 0.24%	55,237 50.12%	0	54,716 49.64%	0	0	0	110,217 100%
<b>Other Post Employment Funds (OPEB's)</b>	28,757 9.32%	66,819 21.65%	0	213,123 69.04%	0	0	0	308,699 100%
23 <b>TREASURERS CASH</b>	6,993,598 100.00%	0	0	0	0	0	0	6,993,598 100%
<b>MISCELLANEOUS ACCOUNTS</b>	0	269,678 100.00%	0		0	0	0	269,678 100%
<b>TOTAL CASH AND NON-RETIREMENT</b>	7,058,212 74.92%	972,983 10.33%	204,780 2.17%	1,115,124 11.84%	70,444 0.75%	0	0	9,421,543 100%
<b>GRAND TOTAL</b>	8,265,493 13.26%	1,064,717 1.71%	12,980,248 20.82%	1,115,124 1.79%	24,003,238 38.51%	7,461,072 11.97%	7,440,737 11.94%	62,330,629 100%



TAB

B

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

---

DATE: September 5, 2012

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 2012 is included as **Attachment A**. A report on the SBI's administrative budget for the Fiscal Year 2012 Year to Date is included as **Attachment B**.

A report on travel for the period from May 6, 2012 – August 4, 2012 is included as **Attachment C**.

### **2. Update on Executive Director Search Process**

I will give the Board an update on the Executive Director Search Process at the Board meeting on September 12, 2012.

### **3. 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.

According to the law, 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.

In the second quarter, SBI managers held no shares in companies on the divestment list.

**Attachment D** is a copy of the June 19, 2012 letter sent to each international equity manager and domestic equity manager containing the most recent restricted list and the list of stocks to be divested.

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

#### 4. Update on Iran

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

SBI receives information on companies with Iran operations from IW Financial, through Glass Lewis. 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 the law.

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

In the second quarter, SBI managers divested 29,902 shares in companies on the divestment list.

**Attachment F** is a copy of the June 19, 2012 letter sent to each international equity manager and domestic equity manager and fixed income manager containing the end of quarter restricted list and the list of companies to be divested.

#### 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 12, 2012.



ATTACHMENT A

STATE BOARD OF INVESTMENT  
FISCAL YEAR 2012 ADMINISTRATIVE BUDGET REPORT  
FISCAL YEAR 2012 FINAL

ITEM	FISCAL YEAR 2012 BUDGET	FISCAL YEAR 2012 ACTUAL
<b>PERSONAL SERVICES</b>		
FULL TIME EMPLOYEES	\$ 2,815,000	\$ 2,793,582
PART TIME EMPLOYEES	\$ 69,000	\$ 68,320
SEVERENCE PAYOFF	0	0
WORKERS COMPENSATION INSURANCE	600	0
MISCELLANEOUS PAYROLL	55,000	33,008
<b>SUBTOTAL</b>	<b>\$ 2,939,600</b>	<b>\$ 2,894,910</b>
<b>STATE OPERATIONS</b>		
RENTS & LEASES	200,000	204,479
REPAIRS/ALTERATIONS/MAINTENANCE	10,000	7,692
PRINTING & BINDING	4,000	3,086
PROFESSIONAL/TECHNICAL SERVICES	0	5,469
COMPUTER SYSTEMS SERVICES	18,000	15,003
COMMUNICATIONS	28,000	23,524
TRAVEL, IN-STATE	900	202
TRAVEL, OUT-STATE	46,000	44,926
SUPPLIES	30,000	20,939
EQUIPMENT	12,000	12,218
EMPLOYEE DEVELOPMENT	5,000	4,264
OTHER OPERATING COSTS	9,000	14,438
<b>SUBTOTAL</b>	<b>\$ 362,900</b>	<b>\$ 356,239</b>
<b>TOTAL ADMINISTRATIVE BUDGET</b>	<b>\$ 3,302,500</b>	<b>\$ 3,251,149</b>

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## ATTACHMENT B

**STATE BOARD OF INVESTMENT**  
**FISCAL YEAR 2013 ADMINISTRATIVE BUDGET REPORT**  
**FISCAL YEAR TO DATE THROUGH JULY 31, 2012**

ITEM	FISCAL YEAR 2013 BUDGET	FISCAL YEAR 2013 7/31/2012
<b>PERSONAL SERVICES</b>		
FULL TIME EMPLOYEES	\$ 2,845,000	\$ 123,674
PART TIME EMPLOYEES	\$ 69,000	\$ 3,192
SEVERENCE PAYOFF	0	0
WORKERS COMPENSATION INSURANCE	600	0
MISCELLANEOUS PAYROLL	0	0
<b>SUBTOTAL</b>	<b>\$ 2,914,600</b>	<b>\$ 126,866</b>
<b>STATE OPERATIONS</b>		
RENTS & LEASES	200,000	16,173
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	0
TRAVEL, IN-STATE	900	0
TRAVEL, OUT-STATE	40,000	5,081
SUPPLIES	30,000	393
EQUIPMENT	10,000	0
EMPLOYEE DEVELOPMENT	5,000	2,000
OTHER OPERATING COSTS	9,000	4,030
<b>SUBTOTAL</b>	<b>\$ 357,900</b>	<b>\$ 27,677</b>
<b>TOTAL ADMINISTRATIVE BUDGET</b>	<b>\$ 3,272,500</b>	<b>\$ 154,542</b>



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ATTACHMENT C

STATE BOARD OF INVESTMENT

Travel Summary by Date  
SBI Travel May 6, 2012 – August 4, 2012

Purpose	Name(s)	Destination and Date	Total Cost
<b>Conference:</b> Skybridge Alternatives "SALT" Conference 2012	H. Bicker	Las Vegas, NV 5/8-5/12	\$697.17
<b>Manager Monitoring Alternative Investments Manager:</b> Hellman & Freidman <b>Manager Monitoring Consultant:</b> Callan Associates	J. Griebenow J. Kirby	San Francisco, CA 5/9-5/11	\$2,982.42
<b>Manager Monitoring Alternative Investments Managers:</b> Advent International Group; TA Associates Realty; UBS-Trumbull Property Fund; Summit Partners <b>Manager Monitoring Custodian:</b> State Street Bank	J. Kirby	Boston, MA Hartford, CT 7/10-7/13	\$1,559.42
<b>Manager Monitoring Alternative Investments Managers:</b> Crescendo; Elevation; Silver Lake	J. Griebenow	Menlo Park, CA Palo Alto, CA 7/16-7/18	\$1,563.39
<b>Conference:</b> Public Funds Summit East "Navigate the Future" sponsored by Opal Financial Group	H. Bicker	Newport, RI 7/23-7/25	\$668.88

**STATE BOARD OF INVESTMENT**

**Travel Summary by Date**  
**SBI Travel May 6, 2012 – August 4, 2012**

<b>Purpose</b>	<b>Name(s)</b>	<b>Destination and Date</b>	<b>Total Cost</b>
<b>Conference:</b> Badger/Gopher Roundtable sponsored by: Sentry Insurance Company	J. Kirby	Stevens Point, WI 7/26-7/27	\$295.78



ATTACHMENT D

Letter to SBI International Equity Managers and Domestic Equity Managers

June 19, 2012

**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 12, 2012 letter you received. **This new list is effective June 22, 2012.**

- The following company has a new name:
  - North Navigation Control Technology Co. Ltd. (China)  
was formerly China North Optical-Electrical Technology  
Company Limited.

**Attachment 2** is the List of Sudan Stocks Requiring Divestment.

- There were no changes to the divestment 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 may have 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 me.

Sincerely,

James E. Heidelberg  
Assistant Executive Director

Enclosures

cc: 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
China Gezhouba Group 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 Hongdu Aviation AKA 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
North Navigation Control Technology Co. Ltd (formerly China North Optical-Electrical Technology Company Limited)	China
Sichuan Nitrocell Company Limited	China
AKM Industrial Company Limited	China
Sinopec Kanton Holdings Limited	Hong Kong
Kunlun Energy Company Limited	Hong Kong
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



**ATTACHMENT 1**

<b>Restricted Sudan Stocks</b>	
<b>Company Name</b>	<b>Country of Origin</b>
Petronas Chemicals Group Berhad	Malaysia
Scomi Group Berhad	Malaysia
Scomi Engineering Berhad	Malaysia
Electricity Generating PCL AKA EGCO	Thailand
Mercator Lines Singapore	Singapore
Alstom	France
KEPCO Plant Service & Engineering Company Limited	South Korea
LS Industrial Systems	South Korea

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

Source: Conflict Risk Network

SBI Effective Date:

June 22, 2012

## ATTACHMENT 2

### **Sudan Stocks 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>
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
Dongfeng Motor Group Company Limited	China	March 31, 2011	September 30, 2011

Note: AKA means "Also Known As"

Source: Conflict Risk Network

SBI Effective Date:

June 22, 2012



Security Identifiers for "Scrutinized" Stocks

Attachment 3

The following security identifiers correlate with the May 31, 2012 issue of the Sudan Company Report

ALL DATA IS FROM BLOOMBERG LP UNLESS OTHERWISE NOTED.

STOCKS ADDED SINCE LAST REPORT ARE HIGHLIGHTED

Company	Primary Company (Affiliate/Parent)	Exchange	Security Type	Security Name	Ticker	WPK Number	SEDOL	CUSIP	Sicovam	ISIN	COMMON	CINS	Fondscode
ALSTOM (FRANCE)	ALSTOM	EN Paris (XPAR)	Common Stock	ALSTOM	ALO FP	A0F7BK	B0DJ8Q5 FR			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	OTC US (XOTC)	Common Stock	ALSTOM	AOMFF US	A0F7BK	B0GLY93 US			FR0010220475	022581074	F0259M475	
ALSTOM (FRANCE)	ALSTOM	Frankfurt (XFRA)	Common Stock	ALSTOM	AOMD GR	A0F7BK	B0G0412 DE			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro Comp (XLON)	Common Stock	ALSTOM	ALO EU	A0F7BK	B0YLTQ7 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Chi-X AR TS (CHIX)	Common Stock	ALSTOM	ALSP IX	A0F7BK	B0DJ8Q5 FR			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro Comp (XLON)	Common Stock	ALSTOM	ALOGBX EU	A0F7BK	B0YLTQ7 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro OTC (XLON)	Common Stock	ALSTOM	ALOGBX EO	A0F7BK	B0YLTQ7 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro OTC (XLON)	Common Stock	ALSTOM	ALOGBP EO	A0F7BK	B0YLTQ7 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro Comp (XLON)	Common Stock	ALSTOM	ALOUSD EU	A0F7BK	B0YLTQ7 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro OTC (XLON)	Common Stock	ALSTOM	ALOUSD EO	A0F7BK	B0YLTQ7 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Turquoise (TRQX)	Common Stock	ALSTOM	ALO TQ	A0F7BK	B0DJ8Q5 FR			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Equiduct (XEQT)	Common Stock	ALSTOM	ALO BQ	A0F7BK	B0DJ8Q5 FR			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	BATS Europe (BATE)	Common Stock	ALSTOM	ALO EB	A0F7BK	B0DJ8Q5 FR			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro OTC (XLON)	Common Stock	ALSTOM	ALO EO	A0F7BK	B0YLTQ7 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro Comp (XLON)	Common Stock	ALSTOM	ALOGHF EO	A0F7BK	B0YLTQ7 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro OTC (XLON)	Common Stock	ALSTOM	ALOGHF EU	A0F7BK	B0YLTQ7 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro Comp (XLON)	Common Stock	ALSTOM	ALONOK EO	A0F7BK	B0YLTQ7 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro OTC (XLON)	Common Stock	ALSTOM	ALONOK EU	A0F7BK	B0YLTQ7 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro Comp (XLON)	Common Stock	ALSTOM	ALOAUD EO	A0F7BK	B0YLTQ7 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro Comp (XLON)	Common Stock	ALSTOM	ALOAUD EU	A0F7BK	B0YLTQ7 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Quote MTF (QMTF)	Common Stock	ALSTOM	ALO QM	A0F7BK	B0DJ8Q5 FR			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	LSE EuropeGS (XLON)	Common Stock	ALSTOM	ALO LI	A0F7BK	B0YLTQ7 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Tradegate (XGAT)	Common Stock	ALSTOM	AOMD TH	A0F7BK	B0G0412 DE			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	EN Paris (XPAR)	Common Stock	ALSTOM	ALO S1	A0F7BK	B0DJ8Q5 FR			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	EN Paris (XPAR)	Common Stock	ALSTOM	ALONV FP		B7VY300 FR			FR0011163948	07899013		
ALSTOM PROJECTS INDIA LTD (INDIA)	ALSTOM	Natl India (XNSE)	Common Stock	ALSTOM PROJECTS INDIA LTD	ABAP IN	A0EAYM	6230834 IN			INE878A01011			
AREVA T&D INDIA LTD	ALSTOM	Natl India (XNSE)	Common Stock	AREVA T&D INDIA LTD	ATD IN	A0R8B7	6139890 IN			INE200A01026			
WUHAN BOILER CO (CHINA)	ALSTOM	Shenzhen (XSHE)	Common Stock	WUHAN BOILER CO-B	200770 CH	913669	6111928 CN			CNE000000VW7			
AREF ENERGY HOLDING COMPANY (KUWAIT)	AREF ENERGY HOLDING COMPANY	Kuwait (XKUW)	Common Stock	AREF ENERGY HOLDING CO KSCC	AREFENRGKK	A0K4C	B13BW98 KW			KWQE0Q601801			
AVICHINA INDUSTRY & TECHNOLOGY LTD (CHINA)	AVICHINA INDUSTRY & TECHNOLOGY LTD	Hong Kong (XHKG)	Common Stock	AVICHINA INDUSTRY & TECH-H	2357 HK	A0M4WY	6707899 HK			CNE1000001Y8			
AVICHINA INDUSTRY & TECHNOLOGY LTD (CHINA)	AVICHINA INDUSTRY & TECHNOLOGY LTD	Frankfurt (XFRA)	Common Stock	AVICHINA INDUSTRY & TECH-H	AVT GR	A0M4WY	B1BJK68 DE			CNE1000001Y8			
AVICHINA INDUSTRY & TECHNOLOGY LTD (CHINA)	AVICHINA INDUSTRY & TECHNOLOGY LTD	OTC US (XOTC)	Common Stock	AVICHINA INDUSTRY & TECH-H	AVIJF US	A0M4WY	B01W4B3 US			CNE1000001Y8		Y0485Q109	
HAFEI AVIATION INDUSTRY CO (CHINA)	AVICHINA INDUSTRY & TECHNOLOGY LTD	Shanghai (XSHG)	Common Stock	HAFEI AVIATION INDUSTRY CO	600038 CH	A0M4ER	6306586 CN			CNE0000015V6			
HARBIN DONGAN AUTO ENGINE CO (CHINA)	AVICHINA INDUSTRY & TECHNOLOGY LTD	Shanghai (XSHG)	Common Stock	HARBIN DONGAN AUTO ENGINE-A	600178 CH	A0M369	6128519 CN			CNE000000XJ9			
CHINA GEZHOUBA GROUP COMPANY LTD (CHINA)	CHINA GEZHOUBA GROUP COMPANY LTD	Shanghai (XSHG)	Common Stock	CHINA GEZHOUBA GROUP CO LT-A	600088 CH	A0M31Z	6377214 CN			CNE000000QF1			
SINOHYDRO GROUP (CHINA)	CHINA HYDRAULIC AND HYDROELECTRIC CONSTRUCTION GROUP (SINOHYDRO)	Shanghai (XSHG)	Common Stock	SINOHYDRO GROUP LTD-A	601669 CH		B4TH690 CN						
DAQING HUAKE GROUP CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Shenzhen (XSHE)	Common Stock	DAQING HUAKE GROUP CO-A	000985 CH	A0M4C2	6277949 CN			CNE000001402			
JINAN DIESEL ENGINE CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Shenzhen (XSHE)	Common Stock	JINAN DIESEL ENGINE CO-A	000617 CH	A0M3ZT	6486109 CN			CNE000000MS3			
KUNLUN ENERGY CO LTD	CHINA NATIONAL PETROLEUM CORP aka CNPC	Hong Kong (XHKG)	Common Stock	KUNLUN ENERGY CO LTD	135 HK	A1CV3E	6340078 HK	952131		BMG5320C1082	050092003		
KUNLUN ENERGY CO LTD	CHINA NATIONAL PETROLEUM CORP aka CNPC	Frankfurt (XFRA)	Common Stock	KUNLUN ENERGY CO LTD	CTJ1 GR	A1CV3E	5387753 DE	952131		BMG5320C1082	050092003		
KUNLUN ENERGY CO LTD	CHINA NATIONAL PETROLEUM CORP aka CNPC	OTC Exchange (XOTC)	Common Stock	KUNLUN ENERGY CO LTD	KUNUF US	A1CV3E	B01D0Z3 US	952131		BMG5320C1082	050092003		
KUNLUN ENERGY CO LTD	CHINA NATIONAL PETROLEUM CORP aka CNPC	OTC Exchange (XOTC)	ADR	CNPC HONG KONG LTD-UNSP ADR	KLICY US		B3L2812 US			US60126A1016			
KUNLUN ENERGY CO LTD	CHINA NATIONAL PETROLEUM CORP aka CNPC	Tradegate (XGAT)	Common Stock	KUNLUN ENERGY CO LTD	CTJ1 TH	A1CV3E	5387753 DE	952131		BMG5320C1082	050092003		
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Hong Kong (XHKG)	Common Stock	PETROCHINA CO LTD-H	857 HK	A0M4YQ	6226576 HK			CNE1000003w8	011014674		
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Frankfurt (XFRA)	Common Stock	PETROCHINA CO LTD	PC6 GR	A0M4YQ	5939507 DE			CNE1000003w8	011014674		
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	OTC US (XOTC)	Common Stock	PETROCHINA CO LTD	PCCYF US	A0M4YQ	B01DNL9 US			CNE1000003w8	011014674	Y6883Q104	
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Shanghai (XSHG)	Common Stock	PETROCHINA CO LTD	601857 CH		B28SL09 CN			CNE1000007Q1			
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	New York (KNYS)	ADR	PETROCHINA CO LTD -ADR	PTR US	936983	2588841 US			US71646E1001	011511449		
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Frankfurt (XFRA)	ADR	PETROCHINA CO LTD -ADR	PC6A GR	936983	4633327 DE			US71646E1001	011511449		
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Buenos Floor (XBUE)	Receipt	PETROCHINA CO LTD-CEDEAR	PTR AR		B1C5SR2 AR			ARDEUT113958			
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Buenos Floor (XBUE)	Receipt	PETROCHINA CO LTD-CEDEAR BLK	PTRB AR					ARDEUT113958			
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Buenos Floor (XBUE)	Receipt	PETROCHINA CO LTD-CEDEAR C/E	PTRC AR					ARDEUT113958			
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Buenos Floor (XBUE)	Receipt	PETROCHINA CO LTD-CEDEAR \$	PTRD AR					ARDEUT113958			
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Tradegate (XGAT)	Common Stock	PETROCHINA CO LTD-H	PC8 TH	A0M4YQ	5939507 DE			CNE1000003w8	011014674		
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Tradegate (XGAT)	ADR	PETROCHINA CO LTD -ADR	PC6A TH	936983				US71646E1001	011511449		
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Singapore (XSSE)	ADR	PETROCHINA CO LTD -ADR	PTR SP	936983	B3KTK63			US71646E1001	011511449		
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Mexico (XMEX)	ADR	PETROCHINA CO LTD -ADR	PTRN MM	936983	B566834 MX			US71646E1001	011511449		



NORINCO INTERNATIONAL COOPERATION LTD.	CHINA NORTH INDUSTRIES GROUP CORPORATION (CNGC/NORINCO)	Shenzhen (XSHE)	Common Stock	NORINCO INTL COOPERATION - A	000065 CH	A0M35W	6112125 CN	CNE000000V29	
LIAONING HUAJIN TONGDA CHEMICALS CO. LTD	CHINA NORTH INDUSTRIES GROUP CORPORATION (CNGC/NORINCO)	Shenzhen (XSHE)	Common Stock	LIAONING HUAJIN TONGDA CHE - A	000059 CH	A0M30T	6796143 CN	CNE000000N9Y	
LIAONING HUAJIN TONGDA CHEMICALS CO. LTD	CHINA NORTH INDUSTRIES GROUP CORPORATION (CNGC/NORINCO)	Shenzhen (XSHE)	Common Stock	LIAONING HUAJIN TONGDA CHE - A	000059 CH	A0M30T	6796143 CN	CNE000000N9Y	
SICHUAN NITROCELL CO. LTD.	CHINA NORTH INDUSTRIES GROUP CORPORATION (CNGC/NORINCO)	Shenzhen (XSHE)	Common Stock	SICHUAN NITROCELL CO LTD-A	002246 CH	A0RPGJ	6396544 CN	CNE1000008W7	
NORTH NAVIGATION CONTROL TECHNOLOGY CO. LTD.	CHINA NORTH INDUSTRIES GROUP CORPORATION (CNGC/NORINCO)	Shenzhen (XSHE)	Common Stock	CHINA NORTH OPTICAL-ELECTR-A	600435 CH	A0M4LS	6649946 CN	CNE000001F88	
NORTH NAVIGATION CONTROL TECHNOLOGY CO. LTD.	CHINA NORTH INDUSTRIES GROUP CORPORATION (CNGC/NORINCO)	Shenzhen (XSHE)	Common Stock	CHINA NORTH OPTICAL-ELECTR-A	600435 CG	A0M4LS	6649946 CN	CNE000001F88	
AKM INDUSTRIAL CO. LTD.	CHINA NORTH INDUSTRIES GROUP CORPORATION (CNGC/NORINCO)	Hong Kong (XHKG)	Common Stock	AKM INDUSTRIAL CO LTD	8298 HK	A0D86T	802J0J3 HK	HK8298013897	
AKM INDUSTRIAL CO. LTD.	CHINA NORTH INDUSTRIES GROUP CORPORATION (CNGC/NORINCO)	Berlin (XBBER)	Common Stock	AKM INDUSTRIAL CO LTD	AIQ GR	A0D86T	B06L0H3 DE	HK8298013897	
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Hong Kong (XHKG)	Common Stock	CHINA PETROLEUM & CHEMICAL-H	386 HK	A0M4XN	6291819 HK	CNE1000002Q2	012150504
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Frankfurt (XFRA)	Common Stock	CHINA PETROLEUM & CHEMICAL -H	CHU GR	A0M4XN	7027756 DE	CNE1000002Q2	012150504
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	OTC US (XOTC)	Common Stock	CHINA PETROLEUM & CHEMICAL-H	SNPMF US	A0M4XN	B01XKR4 US	CNE1000002Q2	012150504
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Shanghai (XSHG)	Common Stock	CHINA PETROLEUM & CHEMICAL-A	600028 CH	A0M4G4	6373728 CN	CNE1000002Q2	Y15010104
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	New York (XNYS)	ADR	CHINA PETROLEUM & CHEMICAL-ADR	SNP US	578971	2639189 US	US16941R1086	011899374
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Munich (XMUN)	ADR	CHINA PETROLEUM & CHEMICAL-ADR	CHUA GR	578971	B0RSW00 DE	US16941R1086	011899374
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	London Intl (XLON)	ADR	CHINA PETROLEUM & CHEMICAL-ADR	SNP LI		2654375 GB	US16941R1086	011899374
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Buenos Floor (XBUE)	Receipt	CHINA PETROLEUM & CHEMICAL-CEDEA	SNP AR		B1C5SX8	ARDEUT114071	
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Buenos Floor (XBUE)	Receipt	CHINA PETROLEUM & CHEMICAL-CEDEB	SNPB AR			ARDEUT114071	
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Buenos Floor (XBUE)	Receipt	CHINA PETROLEUM & CHEM-C/C/E	SNPC AR			ARDEUT114071	
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Buenos Floor (XBUE)	Receipt	CHINA PETROLEUM & CHEM-CED \$	SNPD AR			ARDEUT114071	
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Tradegate (XGAT)	Common Stock	CHINA PETROLEUM & CHEMICAL -H	CHU TH	A0M4XN	7027756 DE	CNE1000002Q2	012150504
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Mexico (XMEX)	ADR	CHINA PETROLEUM & CHEM - ADR	SNPN MM	578971	B4QSP22 MX	US16941R1086	011899374
KINGDREAM PLC	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Shenzhen (XSHE)	Common Stock	KINGDREAM PUBLIC LIMITED - A	000852 CH	A0M37A	6136385 CN	CNE000000KK7	
SINOPEC KANTON HOLDINGS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Hong Kong (XHKG)	Common Stock	SINOPEC KANTONS HOLDINGS	934 HK	923923	6162692 HK	BMG8165U1009	011563384
SINOPEC KANTON HOLDINGS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Frankfurt (XFRA)	Common Stock	SINOPEC KANTONS HOLDINGS	SAK GR	923923	4601197 DE	BMG8165U1009	011563384
SINOPEC KANTON HOLDINGS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	OTC US (OOTC)	ADR	SINOPEC KANTONS-UNSPON ADR	SPKOV US		B3KRT60 US	US82934W2070	
SINOPEC SHANGHAI PETROCHEMICALS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Singapore (XSES)	ADR	SINOPEC SHANGHAI-SPONS ADR	SHI SP	887169	B3MGN2N	US82935M1099	012248750
SINOPEC SHANGHAI PETROCHEMICALS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Shanghai (XSHG)	Common Stock	SINOPEC SHANGHAI PETROCHEM	600688 CH	A0M3RA	6802794 CN	CNE000000B82	
SINOPEC SHANGHAI PETROCHEMICALS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Frankfurt (XFRA)	Common Stock	SINOPEC SHANGHAI PETROCHEM	SGJH GR	A0M4Y5	5888632 DE	CNE1000004C8	005096162
SINOPEC SHANGHAI PETROCHEMICALS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Hong Kong (XHKG)	Common Stock	SINOPEC SHANGHAI PETROCHEM-H	338 HK	A0M4Y5	6787458 HK	CNE1000004C8	005096162
SINOPEC SHANGHAI PETROCHEMICALS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	OTC US (XOTC)	Common Stock	SINOPEC SHANGHAI PETROCHEM-H	SPTJF US	A0M4Y5	B01XTG6 US	CNE1000004C8	005096162
SINOPEC SHANGHAI PETROCHEMICALS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	New York (XNYS)	ADR	SINOPEC SHANGHAI-SPONS ADR	SHI US	887169	2800059 US	US82935M1099	012248750
SINOPEC SHANGHAI PETROCHEMICALS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Frankfurt (XFRA)	ADR	SINOPEC SHANGHAI-SPONS ADR	SHI GR	887169	5734638 DE	US82935M1099	012248750
SINOPEC SHANGHAI PETROCHEMICALS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Hong Kong (XHKG)	Common Stock	SINOPEC YIZHENG CHEMICAL-H	1033 HK	A0M4Y6	6984669 HK	CNE1000004D6	008096662
SINOPEC SHANGHAI PETROCHEMICALS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	OTC US (OOTC)	Common Stock	SINOPEC YIZHENG CHEMICAL-H	YZCHF US	A0M4Y6	B01XLVL US	CNE1000004D6	008096662
SINOPEC SHANGHAI PETROCHEMICALS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Frankfurt (XFRA)	Common Stock	SINOPEC YIZHENG CHEMICAL-H	YIZF GR	A0M4Y6	4303675 DE	CNE1000004D6	008096662
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Tradegate	ADR	CHINA PETROLEUM & CHEM-ADR	CHUA TH	578971		US16941R1086	011899374
SINOPEC YIZHENG CHEMICAL FIBRE CO LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Shanghai (XSHG)	Common Stock	SINOPEC YIZHENG CHEMICAL-H	600871 CH	A0M3V6	6986740 CN	CNE000000H53	
DONGFENG MOTOR GROUP COMPANY LIMITED	DONGFENG MOTOR GROUP COMPANY LIMITED	Hong Kong (XHKG)	Common Stock	DONGFENG MOTOR GRP CO LTD-H	489 HK	A0M4XY	B0PH5N3 HK	CNE100000312	023857456
DONGFENG MOTOR GROUP COMPANY LIMITED	DONGFENG MOTOR GROUP COMPANY LIMITED	OTC US (OOTC)	Common Stock	DONGFENG MOTOR GRP CO LTD-H	DNFGF US	A0M4XY	B0XZY65 US	CNE100000312	023857456
DONGFENG MOTOR GROUP COMPANY LIMITED	DONGFENG MOTOR GROUP COMPANY LIMITED	Frankfurt (XFRA)	Common Stock	DONGFENG MOTOR GRP CO LTD-H	D4D GR	A0M4XY	B0TB866 DE	CNE100000312	023857456
DONGFENG MOTOR GROUP COMPANY LIMITED	DONGFENG MOTOR GROUP COMPANY LIMITED	Tradegate (XGAT)	Common Stock	DONGFENG MOTOR GRP CO LTD-H	D4D TH	A0M4XY	B0TB866 DE	CNE100000312	023857456
DONGFENG MOTOR GROUP COMPANY LIMITED	DONGFENG MOTOR GROUP COMPANY LIMITED	OTC US	ADR	DONGFENG MOTOR GRP-H-UNS ADR	DNFGY US		B3SQPT4 US	US2577382037	
EGYPTIAN KUWAIT HOLDING CO (EGYPT)	EGYPTIAN KUWAIT HOLDING CO (EGYPT)	Cairo (XCAI)	Common Stock	EGYPTIAN KUWAITI HOLDING CO	EKHO EY	A0H1G7	B0QMD00		
EGYPTIAN KUWAIT HOLDING CO (EGYPT)	EGYPTIAN KUWAITI HOLDING CO (EGYPT)	Kuwait (XKUWJ)	Common Stock	EGYPTIAN KUWAITI HOLDING CO	EKHOLDINKK	A0H1G7	B0S8H15 KW	EG69082C013	
ELECTRICITY GENERATING PCL, aka EGCO (THAILAND)	ELECTRICITY GENERATING CO (EGCO)	Bangkok (XBKK)	Common Stock	ELECTRICITY GENERATING PCL	EGCO TB	893182	6304632 TH	TH0465010005	006148590
ELECTRICITY GENERATING PCL, aka EGCO (THAILAND)	ELECTRICITY GENERATING CO (EGCO)	Bangkok (XBKK)	Common Stock	ELECTRICITY GEN PUB CO-FOR R	EGCO/F TB	893183	6304643 TH	TH0465010013	006149839
ELECTRICITY GENERATING PCL, aka EGCO (THAILAND)	ELECTRICITY GENERATING CO (EGCO)	Frankfurt (XFRA)	Common Stock	ELECTRICITY GEN PUB CO-FOR R	EGCF GR	893183	5336799 DE	TH0465010013	006149839
ELECTRICITY GENERATING PCL, aka EGCO (THAILAND)	ELECTRICITY GENERATING CO (EGCO)	Bangkok (XBKK)	Receipt	ELECTRICITY GENERA PCL-NVDR	EGCO-R TB	676043	6368553 TH	TH0465010R13	015662883
ELECTRICITY GENERATING PCL, aka EGCO (THAILAND)	ELECTRICITY GENERATING CO (EGCO)	OTC US (XOTC)	Receipt	ELECTRICITY GENERA PCL-NVDR	EYUUF US	676043	B0SPBX9 US	TH0465010R13	015662883
ELECTRICITY GENERATING PCL, aka EGCO (THAILAND)	ELECTRICITY GENERATING CO (EGCO)	Munich (XMUN)	Receipt	ELECTRICITY GENERA PCL-NVDR	UNVAE GR	676043	B01LYC1 DE	TH0465010R13	015662883
GLENCORE INTERNATIONAL PLC	GLENCORE INTERNATIONAL PLC	Hong Kong (XHKG)	Common Stock	Glencore International PLC	805 HK	A1JAGV	B3NFY58	JE00B4T3BW64	063082236
GLENCORE INTERNATIONAL PLC	GLENCORE INTERNATIONAL PLC	London Intl (XLON)	Common Stock	Glencore International PLC	GLEN LV	A1JAGV	B4T3BW6 GB	JE00B4T3BW64	063082236
GLENCORE INTERNATIONAL PLC	GLENCORE INTERNATIONAL PLC	Stuttgart (XSTU)	Common Stock	Glencore International PLC	BGC GR	A1JAGV	B55NST3 DE	JE00B4T3BW64	063082236
GLENCORE INTERNATIONAL PLC	GLENCORE INTERNATIONAL PLC	BATS Europe (BATE)	Common Stock	Glencore International PLC	GLEN EB	A1JAGV	B4T3BW6 GB	JE00B4T3BW64	063082236
GLENCORE INTERNATIONAL PLC	GLENCORE INTERNATIONAL PLC	Tradegate (XGAT)	Common Stock	Glencore International PLC	BGC TH	A1JAGV		JE00B4T3BW64	063082236
GLENCORE INTERNATIONAL PLC	GLENCORE INTERNATIONAL PLC	Quote MTF (QMTF)	Common Stock	Glencore International PLC	GLEN QM	A1JAGV		JE00B4T3BW64	063082236
GLENCORE INTERNATIONAL PLC	GLENCORE INTERNATIONAL PLC	Euro OTC (XLON)	Common Stock	Glencore International PLC	GLEN EO	A1JAGV		JE00B4T3BW64	063082236
GLENCORE INTERNATIONAL PLC	GLENCORE INTERNATIONAL PLC	Euro Comp (XLON)	Common Stock	Glencore International PLC	GLEN EU	A1JAGV		JE00B4T3BW64	063082236
GLENCORE INTERNATIONAL PLC	GLENCORE INTERNATIONAL PLC	Euro Comp (XLON)	Common Stock	Glencore International PLC	GLENEUR EU	A1JAGV		JE00B4T3BW64	063082236
GLENCORE INTERNATIONAL PLC	GLENCORE INTERNATIONAL PLC	Turquoise (TROX)	Common Stock	Glencore International PLC	GLEN TX	A1JAGV	B4T3BW6 GB	JE00B4T3BW64	063082236
GLENCORE INTERNATIONAL PLC	GLENCORE INTERNATIONAL PLC	Chi-X Air TS (CHIX)	Common Stock	Glencore International PLC	GLEN IX	A1JAGV	B4T3BW6 GB	JE00B4T3BW64	063082236
GLENCORE INTERNATIONAL PLC	GLENCORE INTERNATIONAL PLC	Equiduct (XEQT)	Common Stock	Glencore International PLC	GLEN BQ	A1JAGV		JE00B4T3BW64	063082236
GLENCORE INTERNATIONAL PLC	GLENCORE INTERNATIONAL PLC	NYSE Arca EU (XHFT)	Common Stock	Glencore International PLC	GLEN NR	A1JAGV	B4T3BW6 GB	JE00B4T3BW64	063082236
GLENCORE INTERNATIONAL PLC	GLENCORE INTERNATIONAL PLC	OTC US (OOTC)	Common Stock	Glencore International PLC	GLCNF US	A1JAGV	B4MSCG9 US	JE00B4T3BW64	063082236
BIOPETROL INDUSTRIES AG	GLENCORE INTERNATIONAL PLC	OTC US (OOTC)	ADR	Glencore International PLC-UNSP ADR	GLNCY US		B6Q2367 US	US3782731067	
BIOPETROL INDUSTRIES AG	GLENCORE INTERNATIONAL PLC	Xetra (XETR)	Common Stock	Biopetrol Industries AG	B2I GR	A0HNQ5	B0Q9VP2 DE	CH0023225938	023647729
BIOPETROL INDUSTRIES AG	GLENCORE INTERNATIONAL PLC	OTC US (OOTC)	Common Stock	Biopetrol Industries AG	BIOPF US	A0HNQ5	B1FDC93 US	CH0023225938	023647729
BIOPETROL INDUSTRIES AG	GLENCORE INTERNATIONAL PLC	Euro OTC (XLON)	Common Stock	Biopetrol Industries AG	B2I EO	A0HNQ5		CH0023225938	023647729
BIOPETROL INDUSTRIES AG	GLENCORE INTERNATIONAL PLC	Tradegate (XGAT)	Common Stock	Biopetrol Industries AG	B2I TH	A0HNQ5	B0Q9VP2 DE	CH0023225938	023647729



CHEMOIL ENERGY LIMITED	GLENCORE INTERNATIONAL PLC	Singapore (XSES)	Common Stock	CHEMOIL ENERGY LTD	CHEME SP	A0LBTG	B1DL5V2 SG		HK0000035819	027111866	
CHEMOIL ENERGY LIMITED	GLENCORE INTERNATIONAL PLC	Berlin (XBER)	Common Stock	CHEMOIL ENERGY LTD	LHT GR	A0LBTG	B1L8R79 DE		HK0000035819	027111866	
CHEMOIL ENERGY LIMITED	GLENCORE INTERNATIONAL PLC	OTC US (OOTC)	Common Stock	CHEMOIL ENERGY LTD	CLRGF US	A0LBTG	B1L97F6 US		HK0000035813	027111866	Y1306Z104
CHEMOIL ENERGY LIMITED	GLENCORE INTERNATIONAL PLC	OTC US (OOTC)	ADR	CHEMOIL ENERGY LTD-UNSPN ADR	CLRGF US		B3L34K6 US	16383N102	US16383N1028		
CHENNAI PETROLEUM CORPORATION LIMITED (INDIA)	INDIAN OIL CORP LTD aka IOCL	Mumbai (XBOM)	Common Stock	CHENNAI PETROLEUM CORP LTD	MRL IN	A0B968	6121563 IN		INE178A01016		
INDIAN OIL CORP LTD (INDIA)	INDIAN OIL CORP LTD aka IOCL	Natl India (XNSE)	Common Stock	INDIAN OIL CORPORATION LTD	IOCL IN	A0B9FM	6253767 IN		INE242A01010		
LANKA IOC LTD (INDIA)	INDIAN OIL CORP LTD aka IOCL	Colombo (XCOL)	Common Stock	LANKA IOC LTD	LIQC SL	A0D83L	B0591G4 LK		LK0345N00005		
JIANGXI HONGDU AVIATION INDUSTRY CO LTD (CHINA)	JIANGXI HONGDU AVIATION INDUSTRY CO LTD	Shanghai (XSHG)	Common Stock	JIANGXI HONGDU AVIATION-A	600316 CH	A0M4EK	6304375 CN		CNE0000015N3		
JX HOLDINGS INC (JAPAN)	JX HOLDINGS INC	Tokyo (XTKS)	Common Stock	JX HOLDINGS INC	5020 JP	A1C59H	B627LW9 JP		JP3386450005	049326777	
JX HOLDINGS INC (JAPAN)	JX HOLDINGS INC	Stuttgart (XSTU)	Common Stock	JX HOLDINGS INC	JHJ GR	A1C59H	B55WTCO DE		JP3386450005	049326777	
JX HOLDINGS INC (JAPAN)	JX HOLDINGS INC	OTC US (OOTC)	ADR	JX HOLDINGS INC - UNSPN ADR	JXHLV US	A1CVU3	B588T28 US	968503	US4662961023		
JX HOLDINGS INC (JAPAN)	JX HOLDINGS INC	OTC US (OOTC)	Common Stock	JX HOLDINGS INC	JXHGJ US	A1C59H	B6R59M4 US		JP3386450005	049326777	J29699105
NIPPO CORP (JAPAN)	JX HOLDINGS INC	Tokyo (XTKS)	Common Stock	NIPPO CORP	1881 JP	B57846	B640789 JP	968503	JP3750200002	001227858	
KEPCO PLANT SERVICE & ENGINEERING CO LTD (SOUTH KOREA)	KEPCO PLANT SERVICE & ENGINEERING CO., LTD	Korea (XKRX)	Common Stock	KEPCO PLANT SERVICE & ENGINE	051600 KS	A0Q15P	B292GV2 KR		KR7051600005		
KEPCO PLANT SERVICE & ENGINEERING CO LTD (SOUTH KOREA)	KEPCO PLANT SERVICE & ENGINEERING CO., LTD	Korea (XKRX)	Common Stock	KEPCO PLANT SERVICE & ENGINE	051600 KP	A0Q15P	B292GV2 KR		KR7051600005		
LS INDUSTRIAL SYSTEMS CO., LTD (SOUTH KOREA)	LS INDUSTRIAL SYSTEMS CO., LTD	Korea (XKRX)	Common Stock	LS INDUSTRIAL SYSTEMS	010120 KS	B85487	B378217 KR		KR7010120004		
MANAGEM (MOROCCO)	MANAGEM	Casablanca (XCAS)	Common Stock	MANAGEM	MNG MC	165414	6287454 MA		MA0000011058		
MANAGEM (MOROCCO)	MANAGEM	Casablanca (XCAS)	Common Stock	MANAGEM	MNG21 MC		B6Q8FB5 MA		MA0000012098		
SOCIETE METALLURGIQUE D'IMITER (MOROCCO)	MANAGEM	Casablanca (XCAS)	Common Stock	SOCIETE METALLURGI D'IMITER	SMI MC	256307	6007759 MA		MA0000011068		
MERCATOR LTD (INDIA)	MERCATOR	Natl India (XNSE)	Common Stock	MERCATOR LINES LIMITED	MRLN IN	A0LGOH	B05H3T5 IN		INE934B01028		
MERCATOR LINES SINGAPORE (SINGAPORE)	MERCATOR	Berlin (XBER)	Common Stock	MERCATOR LINES SINGAPORE LTD	3KD GR	A0M91H	B2N8MJ6 DE		SG1W39939069	033670079	
MERCATOR LINES SINGAPORE (SINGAPORE)	MERCATOR	Singapore (XSES)	Common Stock	MERCATOR LINES SINGAPORE LTD	MRLN SP	A0M91H	B29Y4W6 SG		SG1W39939069	033670079	
MANGALORE REFINERY & PETROCHEMICALS LIMITED (INDIA)	OIL & NATURAL GAS CORP	Mumbai (XBOM)	Common Stock	MANGALORE REFINERY & PETRO	MRPL IN	A0NANW	6121530 IN		INE103A01014		
OIL & NATURAL GAS CORP LTD (INDIA)	OIL & NATURAL GAS CORP	Mumbai (XBOM)	Common Stock	OIL & NATURAL GAS CORP LTD	ONGC IN	A1H6P4	6139362 IN		INE213A01029		
OIL INDIA LTD (INDIA)	OIL INDIA LTD	Natl India (XNSE)	Common Stock	OIL INDIA LTD	OINL IN	A0X9FF	B409HQ9 IN		INE274J01014		
KLCC PROPERTY HOLDINGS BHD (MALAYSIA)	PETROLIAM NASIONAL BERHAD aka PETRONAS	OTC US (OOTC)	Common Stock	KLCC PROPERTY HOLDINGS BHD	KPYHF US	A0DJJE	B08HKS8 US		MYL508900007		Y4804V104
KLCC PROPERTY HOLDINGS BHD (MALAYSIA)	PETROLIAM NASIONAL BERHAD aka PETRONAS	Kuala Lumpur (XKLS)	Common Stock	KLCC PROPERTY HOLDINGS BHD	KLCC MK	A0DJJE	B02FW17		MYL508900007		5089
MALAYSIA INTERNATIONAL SHIPPING COMPANY aka MISC BHD	PETROLIAM NASIONAL BERHAD aka PETRONAS	Kuala Lumpur (XKLS)	Common Stock	MISC BHD	MISC MK	880504	6557997 MY	905279	MYL381600005	003527883	3816
PETRONAS DAGANGAN BHD (MALAYSIA)	PETROLIAM NASIONAL BERHAD aka PETRONAS	Kuala Lumpur (XKLS)	Common Stock	PETRONAS DAGANGAN BHD	PETD MK	895131	6695938 MY		MYL568100001	005378044	5681
PETRONAS CHEMICALS GROUP BHD (MALAYSIA)	PETROLIAM NASIONAL BERHAD aka PETRONAS	Kuala Lumpur (XKLS)	Common Stock	PETRONAS CHEMICALS GROUP BHD	PCHM MK	A1C891	85KQGT3		MYL518300008	055800235	5183
PETRONAS GAS BHD (MALAYSIA)	PETROLIAM NASIONAL BERHAD aka PETRONAS	Kuala Lumpur (XKLS)	Common Stock	PETRONAS GAS BHD	PTG MK	896633	6703972 MY		MYL603300004	007076959	6033
PETRONAS GAS BHD (MALAYSIA)	PETROLIAM NASIONAL BERHAD aka PETRONAS	Munich (XMUN)	Common Stock	PETRONAS GAS BERHAD	PTR GR	896633	5330694 DE		MYL603300004	007076959	
PTT PCL (THAILAND)	PTT PUBLIC COMPANY LTD	Bangkok (XBKK)	Common Stock	PTT PCL	PTT TB	983094	6420389 TH		TH0646010007	015040319	
PTT PCL (THAILAND)	PTT PUBLIC COMPANY LTD	OTC US (OOTC)	Common Stock	PTT PCL	PETTF	983094	B05PCH0 US		TH0646010007	015040319	Y6883U105
PTT PCL (THAILAND)	PTT PUBLIC COMPANY LTD	OTC US (OOTC)	Common Stock	PTT PCL-FOREIGN	PETTF US	811962	B1G40G8 US		TH0646010015	013973369	Y6883U113
PTT PCL (THAILAND)	PTT PUBLIC COMPANY LTD	Bangkok (XBKK)	Common Stock	PTT PCL/FOREIGN	PTTF TB	811962	6420390 TH		TH0646010015	013973369	
PTT PCL (THAILAND)	PTT PUBLIC COMPANY LTD	Frankfurt (XFRA)	Common Stock	PTT PCL/FOREIGN	PTOF GR	811962	B1B0GH3 DE		TH0646010015	013973369	
PTT PCL (THAILAND)	PTT PUBLIC COMPANY LTD	Bangkok (XBKK)	Receipt	PTT PCL-NVDR	PTT-R TB	754704	6420408 TH		TH0646010R18	016320307	
PTT PCL (THAILAND)	PTT PUBLIC COMPANY LTD	OTC US (OOTC)	Receipt	PTT PCL-NVDR	PUTRF US	754704	B0305R8 US		TH0646010R18	016320307	Y6883U121
PTT PCL (THAILAND)	PTT PUBLIC COMPANY LTD	Frankfurt (XFRA)	Receipt	PTT PCL-NVDR	NVA3 GR	754704	B01LYK9 DE		TH0646010R18	016320307	
PTT PCL (THAILAND)	PTT PUBLIC COMPANY LTD	OTC US (OOTC)	ADR	PTT PCL-UNSP ADR	PUTRY US		B627G76 US	69367C105	US69367C1053		
PTT EXPLORATION & PRODUCTION PCL (THAILAND)	PTT PUBLIC COMPANY LTD	Bangkok (XBKK)	Common Stock	PTT EXPLOR & PROD PUBLIC CO	PTTEP TB	A0JKZ6	B1359K1 TH	907061	TH0355A10204	025513029	
PTT EXPLORATION & PRODUCTION PCL (THAILAND)	PTT PUBLIC COMPANY LTD	Bangkok (XBKK)	Common Stock	PTT EXPLORATION & PROD-FOR	PTTEP/F TB	A0JKZV	B1359JO TH	904717	TH0355A10212	025257804	
PTT EXPLORATION & PRODUCTION PCL (THAILAND)	PTT PUBLIC COMPANY LTD	Frankfurt (XFRA)	Common Stock	PTT EXPLORATION & PROD-FOR	PTTG GR	A0JKZV	B138738 DE	904717	TH0355A10212	025257804	
PTT EXPLORATION & PRODUCTION PCL (THAILAND)	PTT PUBLIC COMPANY LTD	OTC US (OOTC)	Common Stock	PTT EXPLORATION & PROD-FOR	PTXLF US	A0JKZV	B13JK44 US	904717	TH0355A10212	025257804	Y7145P165
PTT EXPLORATION & PRODUCTION PCL (THAILAND)	PTT PUBLIC COMPANY LTD	OTC US (OOTC)	ADR	PTT EXPLORATION & PR-SP ADR	PEXNY US	A0RGRM	2408806 US		US69364V1061		
PTT EXPLORATION & PRODUCTION PCL (THAILAND)	PTT PUBLIC COMPANY LTD	Bangkok (XBKK)	Receipt	PTT EXPLOR & PROD PCL-NVDR	PTTEP-R TB	676051	B1359L2 TH		TH0355010R16	016048000	
PTT EXPLORATION & PRODUCTION PCL (THAILAND)	PTT PUBLIC COMPANY LTD	OTC US (OOTC)	Receipt	PTT EXPLOR & PROD PCL-NVDR	PEXUF US		B13JKM2 US		TH0355010R16	016048000	Y7145P140
PTT EXPLORATION & PRODUCTION PCL (THAILAND)	PTT PUBLIC COMPANY LTD	Frankfurt (XFRA)	Receipt	PTT EXPLOR & PROD PCL-NVDR	NVAL GR	676051	B138P45 DE		TH0355010R16	016048000	
RELiance INDUSTRIES LTD (INDIA)	RELiance INDUSTRIES LTD	Natl India (XNSE)	Common Stock	RELiance INDUSTRIES LTD	RIL IN	946078	6099626 IN	964067	INE002A01018		
RELiance INDUSTRIES LTD (INDIA)	RELiance INDUSTRIES LTD	SIGMA	GDR	RELiance INDUSTRIES LTD	RIGD S1	884241	B16CYP9 GB	759470107	964066	US7594701077	010146160
SCOMI ENGINEERING BERHAD (MALAYSIA)	SCOMI GROUP BERHAD	Kuala Lumpur (XKLS)	Common Stock	SCOMI ENGINEERING BHD	SEB MK	903056	6098452 MY		MYL736600007		7366
SCOMI GROUP BERHAD (MALAYSIA)	SCOMI GROUP BERHAD	Kuala Lumpur (XKLS)	Common Stock	SCOMI GROUP BHD	SGB MK	120745	B00PKJ3 MY		MYL715800008		7158

# ATTACHMENT E

## Conflict Risk Network List of "Scrutinized" Companies in Sudan, formerly "Highest Offenders" Companies List Effective Through August 31, 2012

<b>Company Name</b>	<b>Country of Origin</b>
China National Petroleum Corporation AKA CNPC	China
Jinan Diesel Co. Ltd.	China
Daqing Huake Group Co. Ltd.	China
PetroChina	China
Petronas Gas Berhad	Malaysia
Petronas Dagangan	Malaysia
Malaysia International Shipping Company AKA MISC Berhad	Malaysia
Petronas Chemicals Group 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
China North Industries Corporation AKA Norinco	China
Norinco International Cooperation Ltd.	China
North Navigation Control Technology Co. Ltd (formerly China North Optical-Electrical Technology Company Ltd)	China
Sichuan Nitrocell Company Limited	China
AKM Industrial Company Limited	China
AviChina Industry & Technology Company, Ltd.	China
Hafei Aviation Industry	China
Jiangxi Hongdu Aviation AKA Hongdu Aviation	China
Harbin Dongan Auto Engine Co.	China
China Hydraulic and Hydroelectric Construction Group AKA Sinohydro	China
Mercator Limited (formerly Mercator Lines)	India
Mercator Lines Singapore	Singapore
Dongfeng Motor Group Company Limited	China
Indian Oil Corporation Ltd. AKA IOCL	India
Lanka IOC Limited	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
Kunlun Energy Company, Limited	Hong Kong
China Gezhouba Group Company Limited	China
KEPCO Plant Service & Engineering Company Limited	South Korea
LS Industrial Systems	South Korea
Caterpillar Inc.	US

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



**Genocide Intervention Network List of Companies in Sudan for "Substantial Action or  
Business Operations" formerly "Ongoing Engagement"  
List Effective Through August 31, 2012**

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

**Conflict Risk Network List of Companies in Sudan with No Publicly Traded Equity or Relevant only to CRN**  
**Formerly No Publicly Traded Equity**  
**List Effective Through August 31, 2012**

<b><u>Company Name</u></b>	<b><u>Country of Origin</u></b>
Africa Energy	Nigeria
Al-Qahtani & Sons Group of Companies	Saudi Arabia
Ansan Wikfs/Shaher Trading Company	Yemen
APS Engineering Company	Italy
Arcadia Petroleum	UK
Ascom Group SA	Moldova
China International Water & Electric Corp AKA CWE	China
China Machinery Engineering Company (CMEC)	China
China National United Oil Company	China
China Petroleum Engineering Company AKA CPEC	China
Coyne et Bellier	France
Daedong Industrial machinery Company Limited	South Korea
Dindir Petroleum International/Edgo Group	Jordan
Express Petroleum and Gas Company	Nigeria
GIAD Industrial City	Sudan
Harbin Power Engineering AKA HPE	China
Hi Tech Petroleum Group Co. Ltd.	Sudan
HTC Yemen International Limited	Yemen
JX Nippon Oil & Energy Corporation	Japan
Kuwait Foreign Petroleum Exploration Company AKA Kufpec	Kuwait
Lahmeyer International	Germany
Mott MacDonald	UK
Petrolin	Gabon
Petroneeds Service International Company	Sudan
PT Pertamina Persero AKA Pertamina	Indonesia
Ranhill Berhad	Malaysia
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
UAE for Gold Minerals and Investment Company Limited	Canada
Vitol Group	Switzerland
Zaver Petroleum Corporation Ltd.	Pakistan

Source: Conflict Risk Network: CRN is a project of the merger November 10, 2010 of  
Save Darfur Coalition and Genocide Intervention Network

June 18, 2012

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## ATTACHMENT F

Letter to SBI International Equity Managers and Domestic Equity Managers

June 19, 2012

### Regarding: Iran Companies

Dear Manager:

The Minnesota State Board of Investment (SBI) sent you prior communication concerning holdings in companies doing business in Iran. **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.244, requires the Minnesota State Board of Investment (SBI) to implement an Iran restriction.

**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. If you own securities of companies on the Restricted List **and** the companies are **not** on the divestment list, then you do not need to sell your holdings. Please note that the attached List makes changes to the List of Restricted Iran Companies that was attached to the March 12, 2012 letter you received. **This new list is effective June 22, 2012.**

- The following companies have been added to the restricted list:
  - Linde AG Germany
  - Petronet LNG Ltd. India
- The following companies have been removed from the restricted list:
  - Mitsui Engineering & Shipbuilding Co. Ltd. Japan
  - Techicas Reunidas Spain

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

- The following companies have been added to the divestment list:
  - Mitsui & Company, Ltd Japan
  - Petrofac United Kingdom
  - Saipem SA Italy
  - Technip France
  - Toyota Tsusho Japan

**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.

**Attachment 3** is a list of security identifiers for the companies on the List of Restricted Iran Companies (**Attachment 1**) that your organization may use. The SBI does not represent that this is a complete list of identifiers. The manager is responsible for identifying all listings.

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

Sincerely,

James E. Heidelberg  
Assistant Executive Director

Enclosures

cc: Tammy Brusehaver, Manager, Domestic Equity  
Patricia Ammann, Portfolio Manager, Domestic Equity  
Stephanie Gleeson, Manager, International Equity

**ATTACHMENT 1**  
**RESTRICTED IRAN COMPANIES**  
**SECURITIES OF COMPANIES MAY NOT BE PURCHASED FOR PORTFOLIO**

<b>COMPANY NAME</b>	<b>COUNTRY</b>
Bharat Petroleum Corporation Ltd.	India
China Petroleum & Chemical Corp	China
Daelim Industrial	Korea South
Gail (India) Ltd.	India
Gazprom	Russia
GS Engineering & Construction Corp	Korea South
GS Holdings	Korea South
Gubre Fabrikalari T.A.S.	Turkey
Ina-Industrija Nafta DD	Croatia
Indian Oil Corporation Ltd.	India
L G International	Korea South
Linde AG	Germany
Liquefied Natural Gas Ltd	Australia
Maire Tecnimont S.p.A.	Italy
Mitsui & Co. Ltd	Japan
MOL Magyar Olaj-es Gazipari Nyrt	Hungary
Nagarjuna Fertilizers & Chemicals Ltd.	India
Oil & Natural Gas Corporation Ltd.	India
PetroChina Co. Ltd.	China
Petrofac	United Kingdom
Petronet LNG Ltd.	India
Punj Lloyd Ltd.	India
Saipem Spa	Italy
Sasol Ltd	South Africa
Technip	France
Toyo Engineering Corporation	Japan
Toyota Tsusho Corporation	Japan

Effective Date: June 22, 2012



## ATTACHMENT 2

### LIST OF IRAN COMPANIES REQUIRING DIVESTMENT

Company Name	Country of Origin	Divest 50 Percent By this Date	Divest 100 Percent By this Date
Gazprom Oao	Russia	July 31, 2010	January 31, 2011
Sasol Ltd	South Africa	July 31, 2010	January 31, 2011
Mitsui & Company, Ltd.	Japan	September 30, 2012	March 31, 2013
Petrofac	United Kingdom	September 30, 2012	March 31, 2013
Saipem SA	Italy	September 30, 2012	March 31, 2013
Technip	France	September 30, 2012	March 31, 2013
Toyota Tsusho	Japan	September 30, 2012	March 31, 2013

Effective Date: June 22, 2012

**ATTACHMENT 3**  
**IRAN RESTRICTED COMPANIES**  
**Security Identifiers**

<b>COMPANY_NAME</b>	<b>SEDOL</b>	<b>ISIN</b>	<b>SYMBOL</b>	<b>CUSIP</b>	<b>CUSIP_2</b>	<b>COUNTRY</b>
Bharat Petroleum Corporation Ltd.	6099723	INE029A01011	500547			India
China Petroleum & Chemical Corp	2654375	US16941R1086		16941R108		China
China Petroleum & Chemical Corp	B0RSW00	US16941R1086		16941R108		China
China Petroleum & Chemical Corp	2639189	US16941R1086		16941R108		China
China Petroleum & Chemical Corp	B01XKR4	CNE1000002Q2	386	16941R108		China
China Petroleum & Chemical Corp	7027756	CNE1000002Q2	386	16941R108		China
China Petroleum & Chemical Corp	6291819	CNE1000002Q2	386	16941R108		China
China Petroleum & Chemical Corp	6373728	CNE0000018G1		16941R108		China
China Petroleum & Chemical Corp	B1C5SX8	ARDEUT114071		16941R108		China
Daelim Industrial	6246604	KR7000211003				Korea South
Daelim Industrial	B1T52M8	KR7000211003				Korea South
Daelim Industrial	6249584	KR7000210005	A000210			Korea South
Gail (India) Ltd.	B1HJ0L7	US36268T2069		36268T206		India
Gail (India) Ltd.	3235520	US36268T2069		36268T206		India
Gail (India) Ltd.	B2NTDN1	US36268T2069		36268T206		India
Gail (India) Ltd.	B033102	US36268T2069		36268T206		India
Gail (India) Ltd.	2498517	US36268T1079		36268T206		India
Gail (India) Ltd.	3235490	US36268T1079		36268T206		India
Gail (India) Ltd.	6133405	INE129A01019	532155	36268T206		India
Gazprom	B0338T0	US3682873068		368287207		Russia
Gazprom	5385003	US3682873068		368287207		Russia
Gazprom	2016629	US3682872078		368287207		Russia
Gazprom	5259528	US3682872078		368287207		Russia
Gazprom	5140989	US3682872078		368287207		Russia
Gazprom	2398899	US3682871088		368287207		Russia
Gazprom	3313181	US3682871088		368287207		Russia
Gazprom	4364928	RU0007661625	GAZP	368287207		Russia
Gazprom	B2NH841	ARDEUT114261		368287207		Russia
GS Engineering & Construction Corp	B06ZHC9	KR7006360002	A006360			Korea South

**ATTACHMENT 3**  
**IRAN RESTRICTED COMPANIES**  
**Security Identifiers**

<b>COMPANY_NAME</b>	<b>SEDOL</b>	<b>ISIN</b>	<b>SYMBOL</b>	<b>CUSIP</b>	<b>CUSIP_2</b>	<b>COUNTRY</b>
GS Engineering & Construction Corp	6537096	KR7006360002	A006360			Korea South
GS Holdings	B02FVX2	KR7078931003		Y2901P103		Korea South
GS Holdings	B01RVJ3	KR7078930005	A078930	Y2901P103		Korea South
Gubre Fabrikalari T.A.S.	B03MTC7	TRAGUBRF91E2	GUBRF			Turkey
Gubre Fabrikalari T.A.S.	B188YV1	TRAGUBRF91E2	GUBRF			Turkey
Ina-Industrija Nafta DD	B1L56D5	US45325E2019		45325E102	45325E201	Croatia
Ina-Industrija Nafta DD	B1L1YV7	US45325E2019		45325E102	45325E201	Croatia
Ina-Industrija Nafta DD	B1HJKC8	US45325E2019		45325E102	45325E201	Croatia
Ina-Industrija Nafta DD	B1HJKF1	US45325E1029		45325E102	45325E201	Croatia
Ina-Industrija Nafta DD	B1L5RN2	US45325E1029		45325E102	45325E201	Croatia
Ina-Industrija Nafta DD	B1JMYF6	HRINA0RA0007	INA-R-A	45325E102	45325E201	Croatia
Indian Oil Corporation Ltd.	6253767	INE242A01010	530965			India
L G International	B02PV43	KR7001120005	A001120			Korea South
L G International	6537115	KR7001120005	A001120			Korea South
Linde AG	B5MZDP3	US5352232004		535223200		Germany
Linde AG	B2NRT04	DE000A0PNN54		535223200		Germany
Linde AG	B2NBZR5	DE000A0PNN54		535223200		Germany
Linde AG	B1LHVK3	DE000A0LD522		535223200		Germany
Linde AG	B0WCPX1	DE000A0JXB5		535223200		Germany
Linde AG	B05H6F2	DE000A0DMKZ3		535223200		Germany
Linde AG	B0YVBM7	DE0006483001	LIN	535223200		Germany
Linde AG	5740817	DE0006483001	LIN	535223200		Germany
Linde AG	5740732	DE0006483001	LIN	535223200		Germany
Linde AG	7159187	DE0006483001	LIN	535223200		Germany
Liquefied Natural Gas Ltd	B05KKL5	AU000000LNG0	LNG			Australia
Liquefied Natural Gas Ltd	B2RHN19	AU000000LNG0	LNG			Australia
Liquefied Natural Gas Ltd	B02L5H2	AU000000LNG0	LNG			Australia
Maire Tecnimont S.p.A.	B2N7CX8	IT0004251689	MT	56064T101		Italy
Maire Tecnimont S.p.A.	B298VS3	IT0004251689	MT	56064T101		Italy



**ATTACHMENT 3**  
**IRAN RESTRICTED COMPANIES**  
**Security Identifiers**

<b>COMPANY_NAME</b>	<b>SEDOL</b>	<b>ISIN</b>	<b>SYMBOL</b>	<b>CUSIP</b>	<b>CUSIP_2</b>	<b>COUNTRY</b>
Maire Tecnimont S.p.A.	B29M561	IT0004251689	MT	56064T101		Italy
Mitsui & Co. Ltd	4597058	XS0029348686		606827202		Japan
Mitsui & Co. Ltd	2597061	US6068272029		606827202		Japan
Mitsui & Co. Ltd	B1HHX89	US6068272029		606827202		Japan
Mitsui & Co. Ltd	B0ZGPX0	JP3893600001	8031	606827202		Japan
Mitsui & Co. Ltd	B03KWZ5	JP3893600001	8031	606827202		Japan
Mitsui & Co. Ltd	5736463	JP3893600001	8031	606827202		Japan
Mitsui & Co. Ltd	4594071	JP3893600001	8031	606827202		Japan
Mitsui & Co. Ltd	6597302	JP3893600001	8031	606827202		Japan
MOL Magyar Olaj-es Gazipari Nyrt	5981616	US6084642023		608464202	608464103	Hungary
MOL Magyar Olaj-es Gazipari Nyrt	B11JTL6	US6084642023		608464202	608464103	Hungary
MOL Magyar Olaj-es Gazipari Nyrt	531522	US6084642023		608464202	608464103	Hungary
MOL Magyar Olaj-es Gazipari Nyrt	B0337L5	US6084642023		608464202	608464103	Hungary
MOL Magyar Olaj-es Gazipari Nyrt	4743549	US6084642023		608464202	608464103	Hungary
MOL Magyar Olaj-es Gazipari Nyrt	2587017	US6084641033		608464202	608464103	Hungary
MOL Magyar Olaj-es Gazipari Nyrt	5357950	HU0000068952	MOL	608464202	608464103	Hungary
MOL Magyar Olaj-es Gazipari Nyrt	B28K243	HU0000068952	MOL	608464202	608464103	Hungary
MOL Magyar Olaj-es Gazipari Nyrt	4742494	HU0000068952	MOL	608464202	608464103	Hungary
MOL Magyar Olaj-es Gazipari Nyrt	B01YTX6	HU0000068952	MOL	608464202	608464103	Hungary
MOL Magyar Olaj-es Gazipari Nyrt	B0590W3	HU0000068952	MOL	608464202	608464103	Hungary
MOL Magyar Olaj-es Gazipari Nyrt	5076880	HU0000068952	MOL	608464202	608464103	Hungary
Nagarjuna Fertilizers & Chemicals Ltd.	6628644	INE580A01013	500075			India
Oil & Natural Gas Corporation Ltd.	6139362	INE213A01011	500312	Y64606117		India
PetroChina Co. Ltd.	2568841	US71646E1001		71646E100		China
PetroChina Co. Ltd.	4633327	US71646E1001		71646E100		China
PetroChina Co. Ltd.	B28SLD9	CNE1000007Q1		71646E100		China
PetroChina Co. Ltd.	B17H0R7	CNE1000003W8	857	71646E100		China
PetroChina Co. Ltd.	5939507	CNE1000003W8	857	71646E100		China
PetroChina Co. Ltd.	B01DNL9	CNE1000003W8	857	71646E100		China

**ATTACHMENT 3**  
**IRAN RESTRICTED COMPANIES**  
**Security Identifiers**

<b>COMPANY_NAME</b>	<b>SEDOL</b>	<b>ISIN</b>	<b>SYMBOL</b>	<b>CUSIP</b>	<b>CUSIP_2</b>	<b>COUNTRY</b>
PetroChina Co. Ltd.	6226576	CNE1000003W8	857	71646E100		China
PetroChina Co. Ltd.	B1C5SR2	ARDEUT113958		71646E100		China
Petrofac	B0H2K53	GB00B0H2K534	PFC	G7052T101		United Kingdom
Petrofac	B11B6G6	GB00B0H2K534	PFC	G7052T101		United Kingdom
Petrofac	B0LWHB4	GB00B0H2K534	PFC	G7052T101		United Kingdom
Petronet LNG Ltd.	B00KT68	INE347G01014	532522			India
Punj Lloyd Ltd.	B1VJSG4	INE701B01021	532693			India
Saipem Spa	2209076	US79376W1099		79376W208	79376W109	Italy
Saipem Spa	B28LP70	IT0000068533		79376W208	79376W109	Italy
Saipem Spa	B02ZP63	IT0000068533		79376W208	79376W109	Italy
Saipem Spa	4768779	IT0000068533		79376W208	79376W109	Italy
Saipem Spa	4769103	IT0000068525	SPM	79376W208	79376W109	Italy
Saipem Spa	B020R51	IT0000068525	SPM	79376W208	79376W109	Italy
Saipem Spa	4765996	IT0000068525	SPM	79376W208	79376W109	Italy
Saipem Spa	4768768	IT0000068525	SPM	79376W208	79376W109	Italy
Saipem Spa	B28LP69	IT0000068525	SPM	79376W208	79376W109	Italy
Sasol Ltd	B03NQB8	ZAE000006896	SAOA	803866300	803866102	South Africa
Sasol Ltd	5734304	ZAE000006896	SAOA	803866300	803866102	South Africa
Sasol Ltd	6777450	ZAE000006896	SAOA	803866300	803866102	South Africa
Sasol Ltd	4776910	US8038663006		803866300	803866102	South Africa
Sasol Ltd	2777294	US8038663006		803866300	803866102	South Africa
Technip	2811620	US8785462099		878546209	F90676101	France
Technip	2878658	US8785461000		878546209	F90676101	France
Technip	B2NG4D9	FR0010565044		878546209	F90676101	France
Technip	B1MD4Y5	FR0010412353		878546209	F90676101	France
Technip	B0WC5Z3	FR0010273250		878546209	F90676101	France
Technip	B05K6W8	FR0010150342		878546209	F90676101	France
Technip	7328482	FR0000206039		878546209	F90676101	France
Technip	B06PC80	FR0000131708	TEC	878546209	F90676101	France

**ATTACHMENT 3**  
**IRAN RESTRICTED COMPANIES**  
**Security Identifiers**

<b>COMPANY_NAME</b>	<b>SEDOL</b>	<b>ISIN</b>	<b>SYMBOL</b>	<b>CUSIP</b>	<b>CUSIP_2</b>	<b>COUNTRY</b>
Technip	4122018	FR0000131708	TEC	878546209	F90676101	France
Technip	4874160	FR0000131708	TEC	878546209	F90676101	France
Technip	B28MSJ6	FR0000131708	TEC	878546209	F90676101	France
Toyo Engineering Corporation	6899718	JP3607800004	6330			Japan
Toyo Engineering Corporation	B02MHK2	JP3607800004	6330			Japan
Toyota Tsusho Corporation	6900580	JP3635000007	8015	J92719111		Japan

Effective Date: June 22, 2012



Letter to SBI Fixed Income Managers

June 19, 2012

**Regarding: Iran Companies**

Dear Manager:

The Minnesota State Board of Investment (SBI) sent you prior communication concerning holdings in companies doing business in Iran. **This communication applies to the SBI fixed income portfolio managed by your organization.**

*Minnesota Statutes*, section 11A.244, requires the Minnesota State Board of Investment (SBI) to implement an Iran restriction.

**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. If you own securities of companies on the Restricted List **and** the companies are **not** on the divestment list, then you do not need to sell your holdings. Please note that the attached List makes changes to the List of Restricted Iran Companies that was attached to the March 12, 2012 letter you received. **This new list is effective June 22, 2012.**

- The following companies have been added to the restricted list:
  - Linde AG Germany
  - Petronet LNG Ltd. India
- The following companies have been removed from the restricted list:
  - Mitsui Engineering & Shipbuilding Co. Ltd. Japan
  - Tecnicas Reunidas Spain

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

- The following companies have been added to the divestment list:
  - Mitsui & Company, Ltd. Japan
  - Petrofac United Kingdom
  - Saipem SA Italy
  - Technip France
  - Toyota Tsusho Japan

**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 Ryan Hill, Portfolio Manager, Long-Term Debt or me.

Sincerely,

James E. Heidelberg  
Assistant Executive Director

Enclosures

cc.: Ryan Hill, Portfolio Manager, Long-Term Debt  
Steve Kuettel, Manager, Short-Term Debt  
Michael J. Menssen, Manager, Long-Term Debt

**ATTACHMENT 1**  
**RESTRICTED IRAN COMPANIES**  
**SECURITIES OF COMPANIES MAY NOT BE PURCHASED FOR PORTFOLIO**

<b>COMPANY NAME</b>	<b>COUNTRY</b>
Bharat Petroleum Corporation Ltd.	India
China Petroleum & Chemical Corp	China
Daelim Industrial	Korea South
Gail (India) Ltd.	India
Gazprom	Russia
GS Engineering & Construction Corp	Korea South
GS Holdings	Korea South
Gubre Fabrikalari T.A.S.	Turkey
Ina-Industrija Nafta DD	Croatia
Indian Oil Corporation Ltd.	India
L G International	Korea South
Linde AG	Germany
Liquefied Natural Gas Ltd	Australia
Maire Tecnimont S.p.A.	Italy
Mitsui & Co. Ltd	Japan
MOL Magyar Olaj-es Gazipari Nyrt	Hungary
Nagarjuna Fertilizers & Chemicals Ltd.	India
Oil & Natural Gas Corporation Ltd.	India
PetroChina Co. Ltd.	China
Petrofac	United Kingdom
Petronet LNG Ltd.	India
Punj Lloyd Ltd.	India
Saipem Spa	Italy
Sasol Ltd	South Africa
Technip	France
Toyo Engineering Corporation	Japan
Toyota Tsusho Corporation	Japan

Effective Date: June 22, 2012



**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>
Gazprom Oao	Russia	July 31, 2010	January 31, 2011
Sasol Ltd	South Africa	July 31, 2010	January 31, 2011
Mitsui & Company, Ltd.	Japan	September 30, 2012	March 31, 2013
Petrofac	United Kingdom	September 30, 2012	March 31, 2013
Saipem SA	Italy	September 30, 2012	March 31, 2013
Technip	France	September 30, 2012	March 31, 2013
Toyota Tsusho	Japan	September 30, 2012	March 31, 2013

Effective Date: June 22, 2012

TAB

C



## **COMMITTEE REPORT**

---

DATE: September 5, 2012

TO: Members, State Board of Investment

**FROM: Accounting System Review Committee**

The Accounting System Review Committee met August 9, 2012 to review responses to the SBI's accounting system request for proposal.

The SBI's current contract for its trading/ticketing system and internal controls expires on June 30, 2013. The trading/ticketing system is needed to process trades for and manage the state's cash accounts. The internal control system is needed to provide data that can be used to provide assurance of the validity of the accounting records for all SBI assets under management.

Staff sent an RFP to 17 firms on July 23, 2012 requesting proposals for a trading/ticketing system and an internal control system. The firms were allowed to bid for the total system or on each system separately.

The firms who received RFP's were:

### Internal Control

Calypso Technology	New York, NY
Clearwater Analytics	Boise, ID
Deloitte	Minneapolis, MN
e.Republic	Folsom, CA
Eagle Investment Systems	Wellesley, MA
Financial Control Systems	Chadds Ford, PA
Infor	Woodbury, MN
TPG Software	Houston, TX
QED Financial Systems	Marlton, NJ
Oracle	Reston, VA
SunGard	Lombard, IL

### Trading System

Blackrock	New York, NY
Bloomberg LP	New York, NY
Charles River	Boston, MA
Eze Castle Software (ConvergEx Group)	New York, NY
Fidessa	Boston, MA
Linedata	Boston, MA



Firms submitting proposals were:

- Bloomberg
- Financial Control Systems (FCS)
- Linedata
- QED Financial Systems

The Committee discussed the responses and the cost comparison information presented by staff (see **Attachment A**). The Committee made the following observations:

- Linedata did not adequately respond to the RFP. The firm's proposal is expensive, and the fee proposal is difficult to decipher.
- FCS has not maintained the technical standards the SBI seeks for both the trading/ticketing system and the internal control system. The firm, which is the incumbent, has made promises to upgrade their systems that have not been fulfilled. Their proposal cost is relatively high.
- Bloomberg is a highly capable organization that responded only to the trading/ticketing system portion of the RFP. The firm's proposal is expensive when the internal control system is added. The firm does not sign a contract with a term longer than two years.
- QED's proposal displayed a keen understanding of the SBI's needs. The firm has many public entities like the SBI. Its proposal is the most cost effective.
- Staff made an on-site visit to QED offices, interviewed QED personnel, tested its systems, and concluded that QED meets the SBI requirements.
- Since QED is a new vendor, it is appropriate for staff to run the new systems parallel with the existing systems to minimize disruptions.

The Committee concluded that QED is the best choice to provide the SBI with requested services.

#### **RECOMMENDATION:**

**The Committee recommends that the Board authorize the Executive Director, with assistance from SBI counsel, to negotiate and execute a contract with QED Financial Systems for trading/ticketing system and internal control system services for a five year period ending no later than June 30, 2018.**

The Committee recommends that the Board authorize staff to initiate the QED services for an appropriate period of time before the current vendor's services contract expires and to make necessary adjustments in the SBI's administrative budget to implement this initiative.

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 obligation on the State Board of Investment and neither the State of Minnesota, the State Board of Investment or its Executive Director have any liability for reliance by QED Financial Systems upon this approval. Until a formal agreement is executed by the Executive Director on behalf of the SBI, further due diligence and negotiations may result in the imposition of additional terms and conditions on QED Financial Systems or reduction or termination of the commitment.

(Blank)



# ATTACHMENT A

## Estimated Cost Comparison for Trading/Ticketing and Internal Control

	Line Data	FCS	Bloomberg	QED
<b><u>Trading/Ticketing</u></b>				
Annual Base Fee (Including Reporting)	420,400	-	160,000	240,000
Conversion/Setup Costs - One Time Costs	225,000	-		182,400
Straight Through Processing			50,000	
Integration Package (Support)			50,000	
Reconciliation			50,000	
Discount for Upgrade			(35,000)	
<b><u>Internal Control</u></b>				
Annual Base Fee (Including Reporting)	NA	465,000	NA	Included
Conversion/Setup Costs	NA	-	NA	
Other Fees		18,000		
Total	\$ 645,400	\$ 483,000	\$ 275,000	\$ 422,400

Note:

**Line Data:** Line Data estimates \$150,000 to \$300,000 for conversion/setup costs; used \$225,000 for the average.

**FCS:** FCS did not meet the specifications of the trading/ticketing portion in their current format. They stated we could use their current system until their upgrade is complete. They noted they are moving forward to automate, interface and real time transactions, but it has been in development for sometime and we have not seen it come to fruition

**Bloomberg:** Bloomberg pricing was difficult to understand and they only covered trading/ticketing in their response. To get to what is needed for internal controls the cost would more than double.

**QED:** QED proposal has one price for both components; price would be the same if we choose one component or both components of their proposal.

TAB

D

## INVESTMENT ADVISORY COUNCIL REPORT

---

DATE: September 5, 2012

TO: Members, State Board Investment

FROM: **Members, Investment Advisory Council**

The Investment Advisory Council met on Tuesday, August 21, 2012 to consider the following agenda items:

- Review of manager performance for the period ending June 30, 2012.

No action is needed.

### INFORMATION ITEMS:

#### 1. Review of manager performance for the period ending June 30, 2012.

- *Domestic Equity Program*

For the period ending June 30, 2012, the **Domestic Equity Program** underperformed the benchmark for the quarter, one and five-year periods and matched over the three-year period.

Time period	Total Program	Russell 3000
<b>Quarter</b>	-3.5%	-3.1%
<b>1 Year</b>	3.1%	3.8%
<b>3 Years</b>	16.7%	16.7%
<b>5 Years</b>	0.2%	0.4%

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, 2012, the **Fixed Income Program** matched the benchmark return over the quarter and five-year time periods and outperformed over the one and three-year time periods.

Time period	Total Program	Barclays Capital Aggregate
<b>Quarter</b>	2.1%	2.1%
<b>1 Year</b>	7.8%	7.5%
<b>3 Years</b>	9.2%	6.9%
<b>5 Years</b>	6.8%	6.8%

The performance evaluation reports for the fixed income managers start on the **blue page A-57** of this Tab.

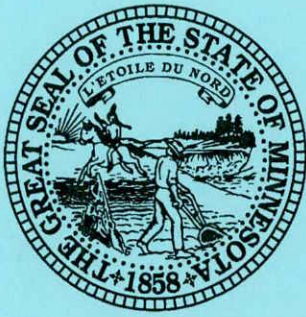
- **International Equity Program**

For the period ending June 30, 2012, the **International Equity Program** outperformed the benchmark for the quarter, three and five-year time periods and underperformed the index over the one-year time period.

Time Period	Total Program	Int'l Equity Asset Class Target*
<b>Quarter</b>	-7.4%	-7.6%
<b>1 Year</b>	-14.7%	-14.6%
<b>3 Year</b>	7.3%	7.0%
<b>5 Year</b>	-4.5%	-4.6%

\* 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-71** of this Tab.



# STATE BOARD OF INVESTMENT

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## Domestic Equity Manager Evaluation Reports

Second Quarter, 2012





## **Domestic Equity**

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**COMBINED RETIREMENT FUNDS**  
**ACTIVE DOMESTIC EQUITY MANAGERS**  
Periods Ending June, 2012

	Quarter		1 Year		3 Years		5 Years	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
Russell 1000 Core Aggregate	-7.7	-3.1	-2.9	4.4	12.2	16.6	-2.9	0.4
Russell 1000 Growth Aggregate	-6.1	-4.0	1.2	5.8	18.4	17.5	3.0	2.9
Russell 1000 Value Aggregate	-4.2	-2.2	-1.2	3.0	14.5	15.8	-2.2	-2.2
Russell 2000 Growth Aggregate	-4.7	-3.9	-6.8	-2.7	17.6	18.1	-0.2	2.0
Russell 2000 Value Aggregate	-4.4	-3.0	-1.5	-1.4	20.8	17.4	-0.5	-1.0
<b>Active Manager Aggregate</b>	<b>-5.4</b>	<b>-3.3</b>	<b>-1.7</b>	<b>2.5</b>	<b>16.3</b>	<b>16.8</b>	<b>-0.4</b>	<b>0.3</b>
<b>Semi-Passive Aggregate</b>	<b>-2.8</b>	<b>-3.1</b>	<b>5.6</b>	<b>4.4</b>	<b>17.0</b>	<b>16.6</b>	<b>0.3</b>	<b>0.4</b>
<b>Passive Manager (BlackRock)</b>	<b>-3.1</b>	<b>-3.1</b>	<b>3.9</b>	<b>3.8</b>	<b>16.8</b>	<b>16.7</b>	<b>0.5</b>	<b>0.4</b>
<b>Total Aggregate</b>	<b>-3.5</b>	<b>-3.1</b>	<b>3.1</b>	<b>3.8</b>	<b>16.7</b>	<b>16.7</b>	<b>0.2</b>	<b>0.4</b>
<b>Russell 3000 Index</b>		<b>-3.1</b>		<b>3.8</b>		<b>16.7</b>		<b>0.4</b>

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	2011		2010		2009		2008		2007	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
Russell 1000 Core Aggregate	-3.5	1.5	13.3	16.1	27.6	28.4	-39.6	-37.6	2.4	5.8
Russell 1000 Growth Aggregate	-0.4	2.6	19.3	16.7	44.5	37.2	-42.7	-38.4	14.9	11.8
Russell 1000 Value Aggregate	-2.1	0.4	15.0	15.5	23.8	19.7	-38.0	-36.8	3.6	-0.2
Russell 2000 Growth Aggregate	-5.6	-2.9	29.1	29.1	33.6	34.5	-46.8	-38.5	21.6	7.0
Russell 2000 Value Aggregate	-4.5	-5.5	30.5	24.5	36.3	20.6	-36.1	-28.9	-13.4	-9.8
Active Manager Aggregate	-2.7	0.0	19.7	18.7	32.3	27.9	-40.5	-36.9	6.3	4.2
Semi-Passive Aggregate	2.2	1.5	15.2	16.1	28.5	28.4	-37.2	-37.6	3.2	5.8
Passive Manager (BlackRock)	0.8	1.0	17.2	16.9	28.2	28.3	-37.1	-37.3	5.1	5.1
Total Aggregate	0.4	1.0	17.1	16.9	29.6	28.3	-38.1	-37.3	4.9	5.1
Russell 3000 Index		1.0		16.9		28.3		-37.3		5.1



**COMBINED RETIREMENT FUNDS**  
**ACTIVE DOMESTIC EQUITY MANAGERS**  
Periods Ending June, 2012  
Performance versus Russell Style Benchmarks for All Periods

	Quarter		1 Year		3 Years		5 Years		Since Inception (1)		Market Value	Pool
	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk	(in millions)	%
	%	%	%	%	%	%	%	%	%	%		
<b>LARGE CAP</b>												
<b>Russell 1000 Core</b>												
New Amsterdam Partners	-7.5	-3.1	-5.1	4.4	11.5	16.6	-1.6	0.4	9.3	9.0	\$381.4	1.7%
UBS Global	-7.9	-3.1	-0.6	4.4	13.6	16.6	-2.2	0.4	7.9	8.2	\$372.2	1.7%
<b>Aggregate</b>	<b>-7.7</b>	<b>-3.1</b>	<b>-2.9</b>	<b>4.4</b>	<b>12.2</b>	<b>16.6</b>	<b>-2.9</b>	<b>0.4</b>			<b>\$753.6</b>	<b>3.4%</b>
<b>Russell 1000 Growth</b>												
INTECH	-2.2	-4.0	4.0	5.8	18.4	17.5	1.8	2.9	4.0	4.9	\$373.5	1.7%
Jacobs Levy	-4.0	-4.0	4.6	5.8	19.5	17.5	1.7	2.9	3.4	4.9	\$340.0	1.5%
Knelman Asset Mgmt.	-6.7	-4.0	0.6	5.8	15.4	17.5	1.2	2.9	4.0	4.9	\$67.6	0.3%
Sands Capital	-6.9	-4.0	10.0	5.8	26.5	17.5	8.2	2.9	7.0	4.9	\$331.4	1.5%
Winslow-Large Cap	-7.5	-4.0	0.8	5.8	16.4	17.5	3.7	2.9	6.3	4.9	\$148.9	0.7%
Zevenbergen Capital	-11.0	-4.0	-11.7	5.8	14.7	17.5	2.4	2.9	8.5	7.6	\$312.7	1.4%
<b>Aggregate</b>	<b>-6.1</b>	<b>-4.0</b>	<b>1.2</b>	<b>5.8</b>	<b>18.4</b>	<b>17.5</b>	<b>3.0</b>	<b>2.9</b>			<b>\$1,574.2</b>	<b>7.2%</b>
<b>Russell 1000 Value</b>												
Barrow, Hanley	-2.7	-2.2	0.5	3.0	14.6	15.8	-1.9	-2.2	4.6	4.2	\$467.9	2.1%
Earnest Partners	-3.8	-2.2	0.2	3.0	14.2	15.8	-1.2	-2.2	4.1	4.4	\$193.3	0.9%
LSV Asset Mgmt.	-5.2	-2.2	-0.7	3.0	14.8	15.8	-3.3	-2.2	4.6	4.2	\$428.3	2.0%
Systematic Financial Mgmt.	-5.3	-2.2	-5.1	3.0	14.5	15.8	-2.9	-2.2	4.0	4.2	\$308.9	1.4%
<b>Aggregate</b>	<b>-4.2</b>	<b>-2.2</b>	<b>-1.2</b>	<b>3.0</b>	<b>14.5</b>	<b>15.8</b>	<b>-2.2</b>	<b>-2.2</b>			<b>\$1,398.4</b>	<b>6.4%</b>
<b>SMALL CAP</b>												
<b>Russell 2000 Growth</b>												
McKinley Capital	-4.1	-3.9	-4.9	-2.7	17.6	18.1	-3.0	2.0	2.6	5.9	\$223.6	1.0%
Next Century Growth	-4.6	-3.9	-6.8	-2.7	18.3	18.1	0.8	2.0	1.1	1.3	\$280.7	1.3%
Turner Investment Partners	-5.1	-3.9	-8.3	-2.7	16.8	18.1	1.3	2.0	5.8	5.9	\$279.3	1.3%
<b>Aggregate</b>	<b>-4.7</b>	<b>-3.9</b>	<b>-6.8</b>	<b>-2.7</b>	<b>17.6</b>	<b>18.1</b>	<b>-0.2</b>	<b>2.0</b>			<b>\$783.5</b>	<b>3.6%</b>
<b>Russell 2000 Value</b>												
Goldman Sachs	-4.1	-3.0	1.2	-1.4	20.3	17.4	2.9	-1.0	7.1	5.3	\$168.1	0.8%
Hotchkis & Wiley	-2.4	-3.0	-4.1	-1.4	25.8	17.4	-0.5	-1.0	5.2	5.3	\$143.5	0.7%
Martingale Asset Mgmt.	-4.5	-3.0	-2.1	-1.4	17.0	17.4	-3.3	-1.0	3.7	5.3	\$127.7	0.6%
Peregrine Capital	-5.7	-3.0	-1.5	-1.4	20.9	17.4	-0.7	-1.0	9.4	8.5	\$227.9	1.0%
<b>Aggregate</b>	<b>-4.4</b>	<b>-3.0</b>	<b>-1.5</b>	<b>-1.4</b>	<b>20.8</b>	<b>17.4</b>	<b>-0.5</b>	<b>-1.0</b>			<b>\$667.2</b>	<b>3.0%</b>
<b>Active Mgr. Aggregate (2)</b>	<b>-5.4</b>	<b>-3.3</b>	<b>-1.7</b>	<b>2.5</b>	<b>16.3</b>	<b>16.8</b>	<b>-0.4</b>	<b>0.3</b>			<b>\$5,176.9</b>	<b>23.6%</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.

Note: All aggregates include the performance of terminated managers.

**COMBINED RETIREMENT FUNDS  
DOMESTIC EQUITY MANAGERS**  
Periods Ending June, 2012  
Versus Manager Benchmarks

	Quarter		1 Year		3 Years		5 Years		Since Inception (1)		Market Value	Pool
	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk	(in millions)	%
	%	%	%	%	%	%	%	%	%	%		
<b>SEMI-PASSIVE MANAGERS (2)</b>												
BlackRock Institutional	-3.1	-3.1	6.3	4.4	16.6	16.6	-0.1	0.4	8.2	7.9	\$2,384.4	10.9%
INTECH	-2.4	-3.1	4.4	4.4					9.6	9.2	\$1,715.2	7.8%
JP Morgan	-2.7	-3.1	4.8	4.4	17.3	16.6	1.1	0.4	8.1	7.9	\$2,827.7	12.9%
Mellon Capital	-2.7	-3.1	7.3	4.4	17.3	16.6	0.1	0.4	7.5	7.9	\$1,795.2	8.2%
<b>Semi-Passive Aggregate</b>	<b>-2.8</b>	<b>-3.1</b>	<b>5.6</b>	<b>4.4</b>	<b>17.0</b>	<b>16.6</b>	<b>0.3</b>	<b>0.4</b>			<b>\$8,722.5</b>	<b>39.7%</b>
<b>(R1000)</b>												
<b>PASSIVE MANAGER (R3000)</b>												
BlackRock Institutional	-3.1	-3.1	3.9	3.8	16.8	16.7	0.5	0.4	7.5	7.4	\$8,064.0	36.7%
									<b>Since 1/1/84</b>			
<b>Total Aggregate (3)</b>	<b>-3.5</b>	<b>-3.1</b>	<b>3.1</b>	<b>3.8</b>	<b>16.7</b>	<b>16.7</b>	<b>0.2</b>	<b>0.4</b>	<b>9.7</b>	<b>9.9</b>	<b>\$21,963.4</b>	<b>100.0%</b>
Russell 3000		-3.1		3.8		16.7		0.4		10.2		
Russell 1000		-3.1		4.4		16.6		0.4		10.4		
Russell 2000		-3.5		-2.1		17.8		0.5		8.8		

(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) The Total Aggregate benchmark 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.

Note: All aggregates include the performance of terminated managers.

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

	2011		2010		2009		2008		2007	
	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk
	%	%	%	%	%	%	%	%	%	%
<b>LARGE CAP</b>										
<b>Russell 1000 Core</b>										
New Amsterdam Partners	-3.0	1.5	16.2	16.1	24.8	28.4	-36.7	-37.6	5.0	5.8
UBS Global	-4.1	1.5	10.3	16.1	41.3	28.4	-41.3	-37.6	0.8	5.8
<b>Aggregate</b>	<b>-3.5</b>	<b>1.5</b>	<b>13.3</b>	<b>16.1</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>Russell 1000 Growth</b>										
INTECH	0.1	2.6	19.5	16.7	34.0	37.2	-42.8	-38.4	11.4	11.8
Jacobs Levy	6.6	2.6	19.5	16.7	37.1	37.2	-44.9	-38.4	8.4	11.8
Knelman Asset Mgmt.	-3.3	2.6	18.1	16.7	31.1	37.2	-39.9	-38.4	18.0	11.8
Sands Capital	2.7	2.6	26.8	16.7	71.6	37.2	-48.6	-38.4	19.5	11.8
Winslow-Large Cap	0.1	2.6	16.8	16.7	40.9	37.2	-39.1	-38.4	22.0	11.8
Zevenbergen Capital	-9.8	2.6	22.9	16.7	57.4	37.2	-43.2	-38.4	24.0	11.8
<b>Aggregate</b>	<b>-0.4</b>	<b>2.6</b>	<b>19.3</b>	<b>16.7</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>Russell 1000 Value</b>										
Barrow, Hanley	1.7	0.4	10.4	15.5	23.2	19.7	-35.2	-36.8	2.6	-0.2
Earnest Partners	-4.7	0.4	18.5	15.5	31.6	19.7	-39.8	-36.8	6.5	-0.2
LSV Asset Mgmt.	-0.8	0.4	14.0	15.5	24.0	19.7	-39.3	-36.8	1.3	-0.2
Systematic Financial Mgmt.	-7.4	0.4	18.1	15.5	23.2	19.7	-40.6	-36.8	8.3	-0.2
<b>Aggregate</b>	<b>-2.1</b>	<b>0.4</b>	<b>15.0</b>	<b>15.5</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>SMALL CAP</b>										
<b>Russell 2000 Growth</b>										
McKinley Capital	-7.9	-2.9	28.5	29.1	28.0	34.5	-49.1	-38.5	16.2	7.0
Next Century Growth	-4.5	-2.9	29.6	29.1	35.0	34.5	-49.3	-38.5	34.2	7.0
Turner Investment Partners	-4.8	-2.9	29.0	29.1	36.9	34.5	-41.9	-38.5	14.8	7.0
<b>Aggregate</b>	<b>-5.6</b>	<b>-2.9</b>	<b>29.1</b>	<b>29.1</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>Russell 2000 Value</b>										
Goldman Sachs	1.3	-5.5	27.0	24.5	27.8	20.6	-26.8	-28.9	-5.0	-9.8
Hotchkis & Wiley	-10.8	-5.5	43.4	24.5	62.5	20.6	-44.1	-28.9	-18.8	-9.8
Martingale Asset Mgmt.	-5.2	-5.5	27.4	24.5	19.4	20.6	-33.8	-28.9	-16.8	-9.8
Peregrine Capital	-4.1	-5.5	27.3	24.5	45.8	20.6	-39.4	-28.9	-13.4	-9.8
<b>Aggregate</b>	<b>-4.5</b>	<b>-5.5</b>	<b>30.5</b>	<b>24.5</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>Active Mgr. Aggregate (1)</b>	<b>-2.7</b>	<b>0.0</b>	<b>19.7</b>	<b>18.7</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>

(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: All aggregates include the performance of terminated managers. Returns shown are full-year returns only.  
Performance of managers hired during a calendar year are reported beginning with the following calendar year.



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

	2011		2010		2009		2008		2007	
	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk
	%	%	%	%	%	%	%	%	%	%
<b>SEMI-PASSIVE MANAGERS</b>										
BlackRock Institutional	1.6	1.5	14.0	16.1	27.6	28.4	-37.1	-37.6	2.2	5.8
INTECH	2.9	1.5								
JP Morgan	1.1	1.5	16.8	16.1	32.1	28.4	-37.1	-37.6	5.1	5.8
Mellon Capital	4.6	1.5	13.7	16.1	25.6	28.4	-37.6	-37.6	2.5	5.8
Semi-Passive Aggregate (R1000)	2.2	1.5	15.2	16.1	28.5	28.4	-37.2	-37.6	3.2	5.8
<b>PASSIVE MANAGER (R3000)</b>										
BlackRock Institutional	0.8	1.0	17.2	16.9	28.2	28.3	-37.1	-37.3	5.1	5.1
<b>Total Aggregate</b>	<b>0.4</b>	<b>1.0</b>	<b>17.1</b>	<b>16.9</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>
Russell 3000		1.0		16.9		28.3		-37.3		5.1
Russell 1000		1.5		16.1		28.4		-37.6		5.8
Russell 2000		-4.2		26.9		27.2		-33.8		-1.6

Note: All aggregates include the performance of terminated managers. Returns shown are 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 LLC**  
**Periods Ending June, 2012**

**Portfolio Manager: Michelle Clayman**

**Assets Under Management: \$381,365,021**

**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 the benchmark for the quarter and for the year. For the quarter, stock selection was negative across all sectors but two. For the year, stock selection was very weak, mainly in Technology, Energy and Utilities, and overall sector allocation was negative.

**Quantitative Evaluation**

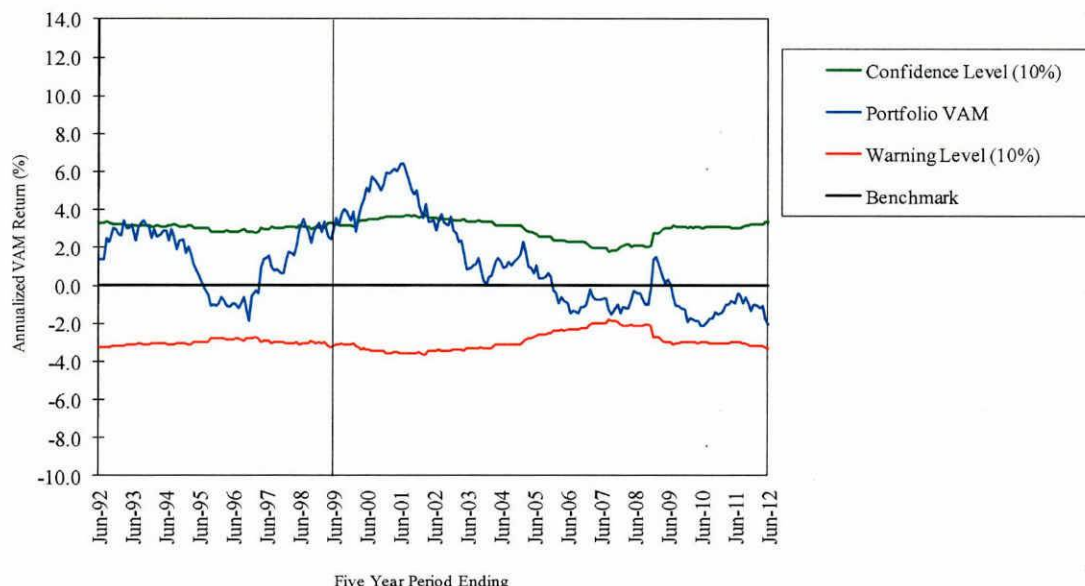
	<b>Actual</b>	<b>Russell Index</b>
Last Quarter	-7.5%	-3.1%
Last 1 year	-5.1	4.4
Last 2 years	13.7	17.3
Last 3 years	11.5	16.6
Last 4 years	1.4	3.9
Last 5 years	-1.6	0.4
Since Inception (1) (4/94)	9.3	9.0

**Recommendation**

No action required.

- (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**  
**Rolling Five Year VAM vs. Russell Index (1)**





**UBS GLOBAL ASSET MANAGEMENT (AMERICAS) INC.**  
**Periods Ending June, 2012**

**Portfolio Manager: John Leonard**

**Assets Under Management: \$372,193,098**

**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**

UBS trailed the benchmark for the quarter and for the year. Negative stock selection hurt performance for both periods. The quarterly returns were negative across most sectors, especially Financial, Consumer Discretionary and Technology. For the year, stock selection in Energy, Consumer Discretionary and Financial Services were the largest detractors.

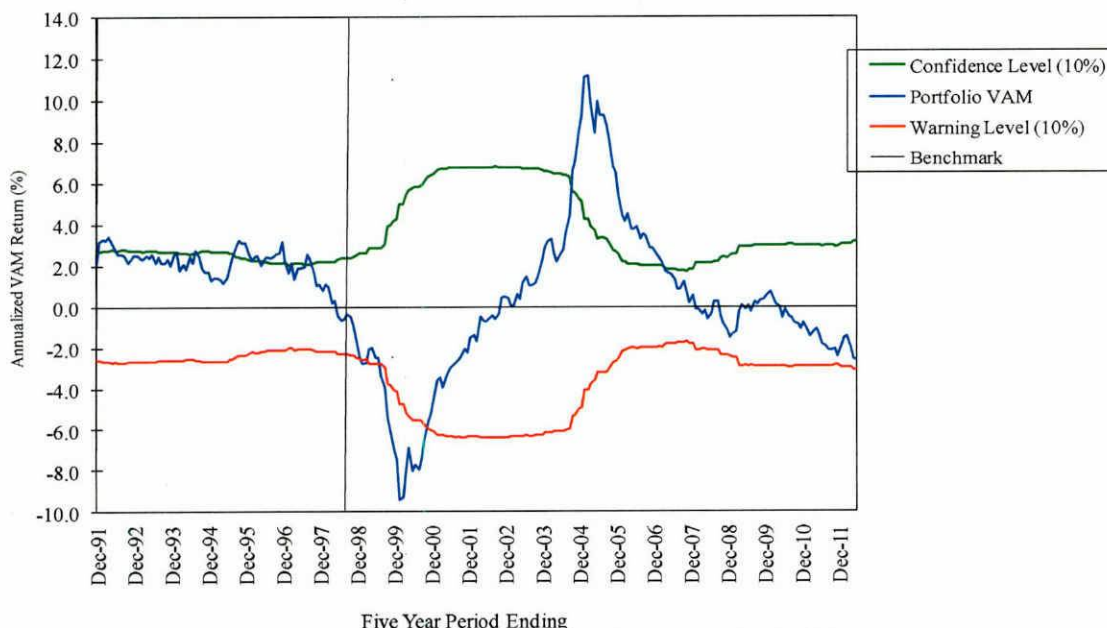
**Quantitative Evaluation**

	Actual	(R1000 Core)
Last Quarter	-7.9%	-3.1%
Last 1 year	-0.6	4.4
Last 2 years	12.6	17.3
Last 3 years	13.6	16.6
Last 4 years	2.4	3.9
Last 5 years	-2.2	0.4
Since Inception (7/93)	7.9	8.2

**Recommendation**

No action required.

**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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# INTECH INVESTMENT MANAGEMENT LLC

Periods Ending June, 2012

Portfolio Manager: Adrian Banner

Assets Under Management: \$373,480,656

## 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.

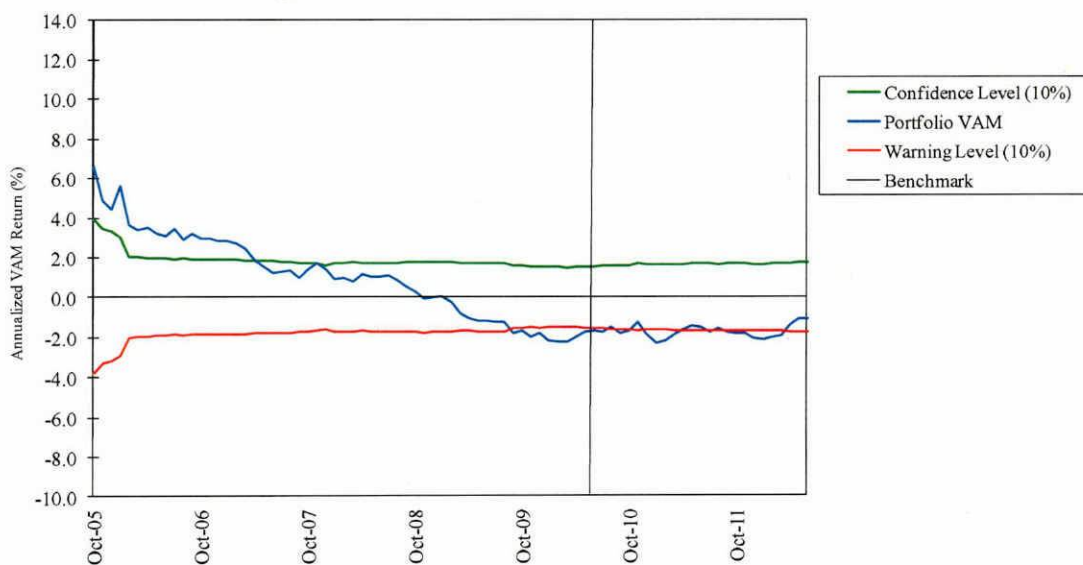
## Quantitative Evaluation

	Actual	R1000 Growth
Last Quarter	-2.2%	-4.0%
Last 1 year	4.0	5.8
Last 2 years	19.5	19.5
Last 3 years	18.4	17.5
Last 4 years	4.1	5.2
Last 5 years	1.8	2.9
Since Inception (1/05)	4.0	4.9

## Recommendation

No action required.

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, INC.

Periods Ending June, 2012

Portfolio Manager: Bruce Jacobs and Ken Levy

Assets Under Management: \$339,986,007

## 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.

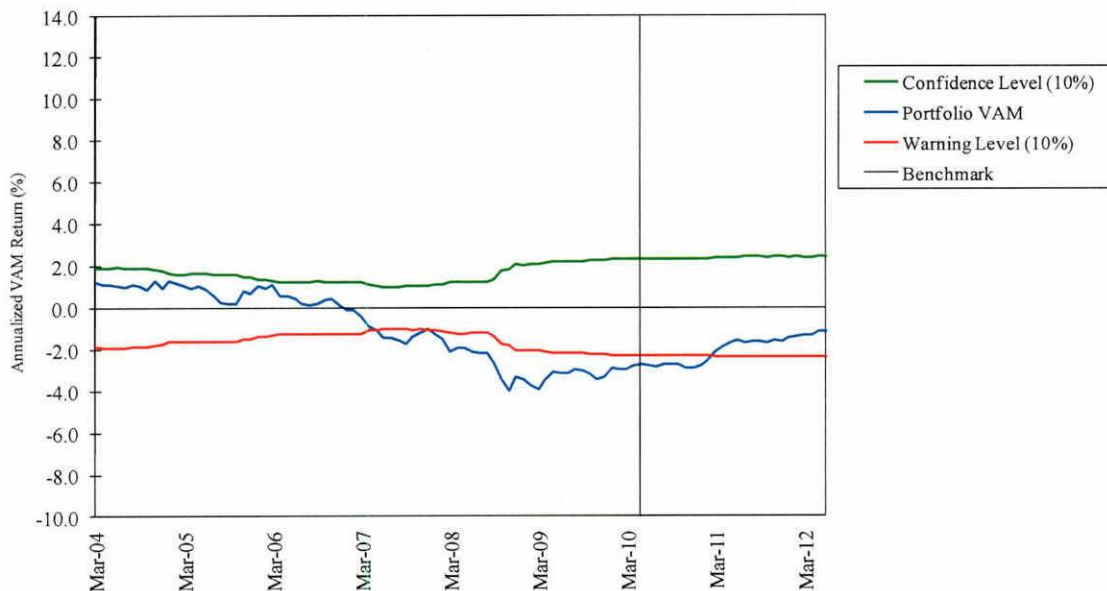
## Quantitative Evaluation

	Actual	R1000 Growth
Last Quarter	-4.0%	-4.0%
Last 1 year	4.6	5.8
Last 2 years	21.3	19.5
Last 3 years	19.5	17.5
Last 4 years	4.8	5.2
Last 5 years	1.7	2.9
Since Inception (1/05)	3.4	4.9

## Recommendation

No action required.

JACOBS LEVY EQUITY MANAGEMENT  
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.

# KNELMAN ASSET MANAGEMENT GROUP, LLC

Periods Ending June, 2012

Portfolio Manager: Kip Knelman

Assets Under Management: \$67,609,351

## 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.

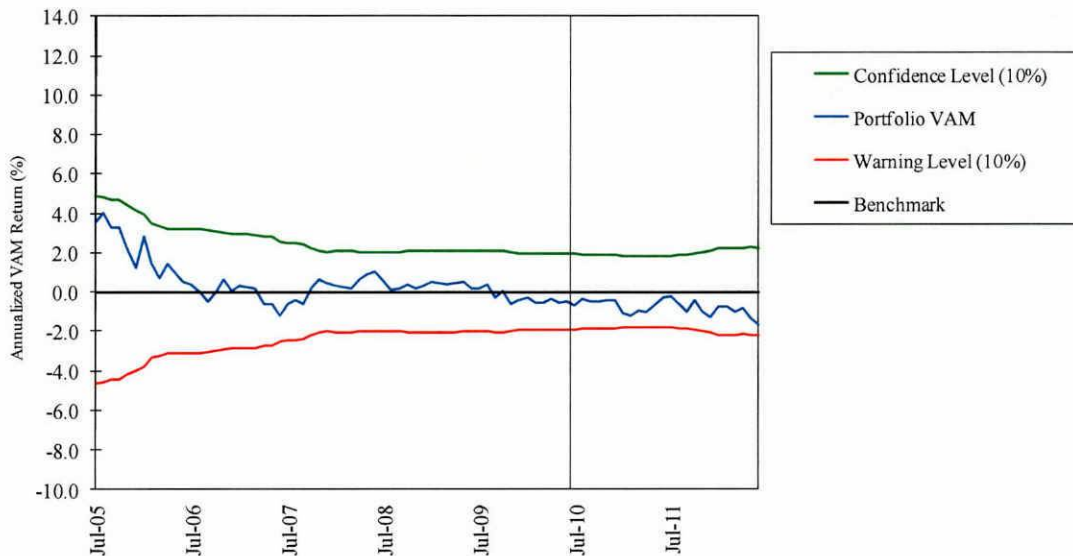
## Quantitative Evaluation

	Actual	R1000 Growth
Last Quarter	-6.7%	-4.0%
Last 1 year	0.6	5.8
Last 2 years	17.9	19.5
Last 3 years	15.4	17.5
Last 4 years	2.7	5.2
Last 5 years	1.2	2.9
Since Inception (1/05)	4.0	4.9

## Recommendation

No action required.

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, 2012**

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

**Assets Under Management: \$331,403,151**

**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 underperformed for the quarter and outperformed for the year. Stock selection in Energy, Technology, and Consumer Discretionary sectors hurt the quarterly performance. For the year, stock selection in the Health Care, Producer Durables, and Financial Services sectors, along with an underweight to Producer Durables, drove the outperformance.

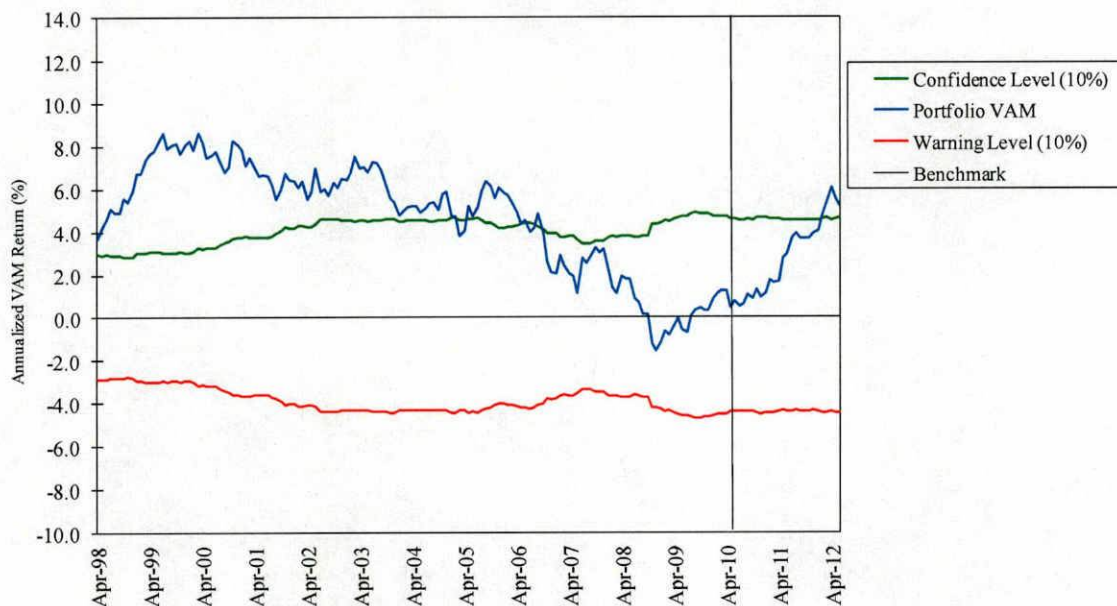
**Quantitative Evaluation**

	<b>Actual</b>	<b>R1000 Growth</b>
Last Quarter	-6.9%	-4.0%
Last 1 year	10.0	5.8
Last 2 years	26.8	19.5
Last 3 years	26.5	17.5
Last 4 years	10.6	5.2
Last 5 years	8.2	2.9
Since Inception (1/05)	7.0	4.9

**Recommendation**

No action required.

**SANDS CAPITAL 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.



# WINSLOW CAPITAL MANAGEMENT, INC.

Periods Ending June, 2012

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

**Assets Under Management:** \$148,945,678

## 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.

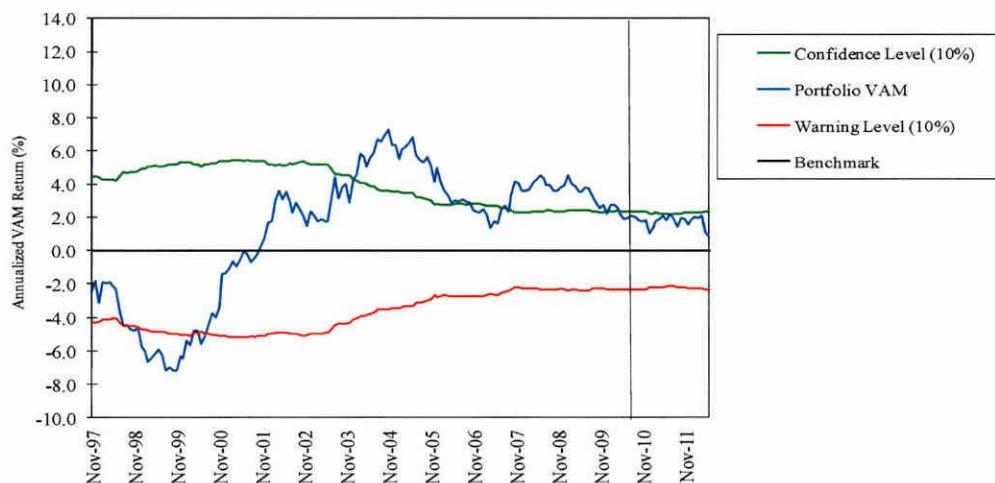
## Quantitative Evaluation

	Actual	R1000 Growth
Last Quarter	-7.5%	-4.0%
Last 1 year	0.8	5.8
Last 2 years	18.8	19.5
Last 3 years	16.4	17.5
Last 4 years	3.8	5.2
Last 5 years	3.7	2.9
Since Inception (1/05)	6.3	4.9

## Recommendation

No action required.

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 INVESTMENTS LLC

Periods Ending June, 2012

**Portfolio Manager:** Nancy Zevenbergen

**Assets Under Management:** \$312,736,969

## 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

Zevenbergen underperformed the benchmark for the quarter and for the year. Stock selection was negative for both periods, particularly in the Technology sector. For the year, stock selection was negative across most sectors.

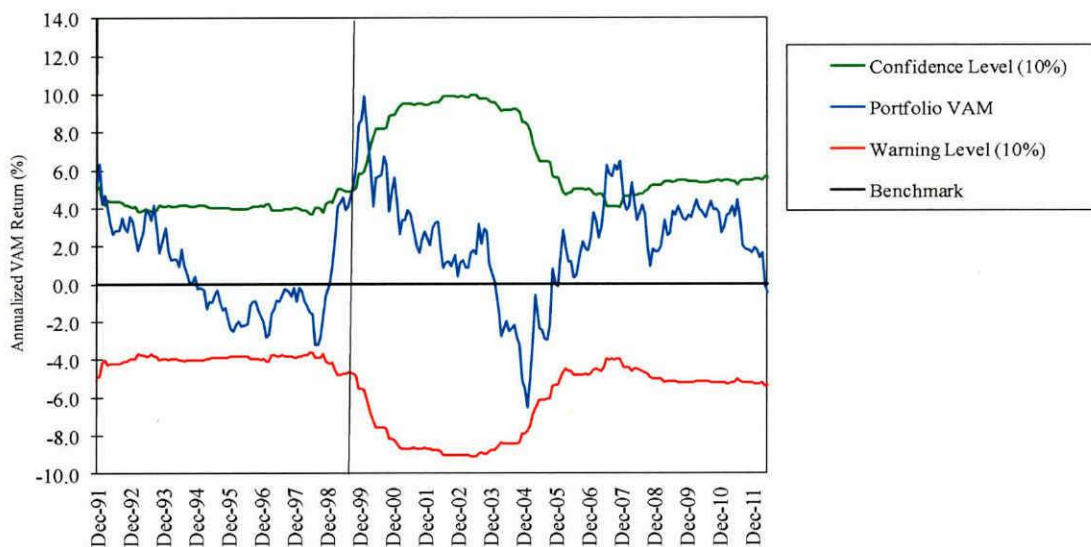
## Quantitative Evaluation

	Actual	R1000 Growth
Last Quarter	-11.0%	-4.0%
Last 1 year	-11.7	5.8
Last 2 years	11.9	19.5
Last 3 years	14.7	17.5
Last 4 years	4.3	5.2
Last 5 years	2.4	2.9
Since Inception (4/94)	8.5	7.6

## Recommendation

No action required.

ZEVENBERGEN CAPITAL INVESTMENTS 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.

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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, 2012**

**Portfolio Manager: Tim Culler**

**Assets Under Management: \$467,885,052**

**Investment Philosophy**

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

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

**Staff Comments**

No comment at this time.

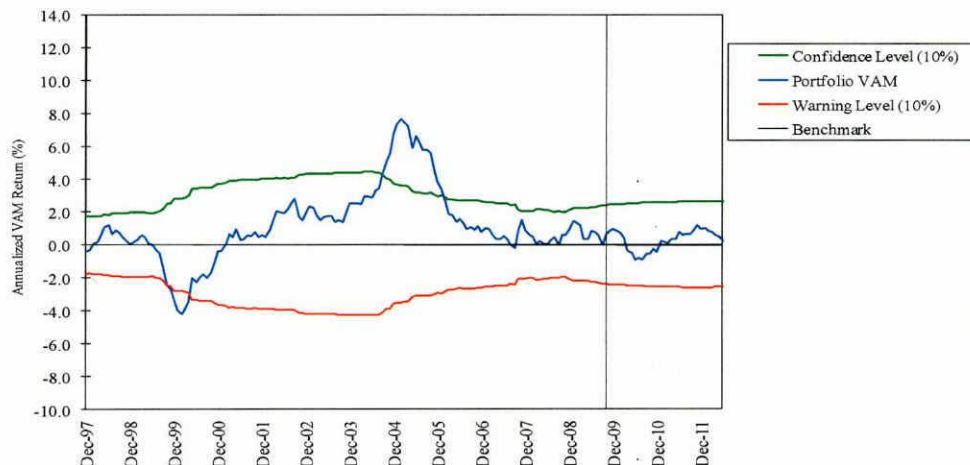
**Quantitative Evaluation**

	<b>Actual</b>	<b>R1000 Value</b>
Last Quarter	-2.7%	-2.2%
Last 1 year	0.5	3.0
Last 2 years	15.9	15.2
Last 3 years	14.6	15.8
Last 4 years	3.1	2.5
Last 5 years	-1.9	-2.2
Since Inception (4/04)	4.6	4.2

**Recommendation**

No action required.

BARROW, HANLEY, MEWHINNEY & STRAUSS, INC.  
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.

**EARNEST PARTNERS, LLC**  
**Periods Ending June, 2012**

**Portfolio Manager: Paul Viera**

**Assets Under Management: \$193,335,051**

**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.

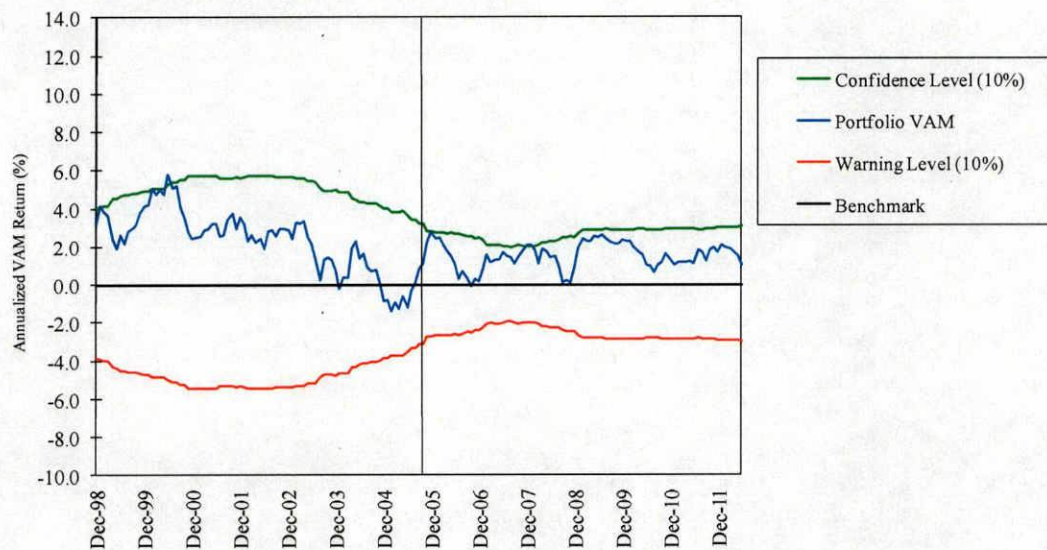
**Quantitative Evaluation**

	<b>Actual</b>	<b>R1000 Value</b>
Last Quarter	-3.8%	-2.2%
Last 1 year	0.2	3.0
Last 2 years	13.7	15.2
Last 3 years	14.2	15.8
Last 4 years	3.3	2.5
Last 5 years	-1.2	-2.2
Since Inception (7/00)	4.1	4.4

**Recommendation**

No action required.

**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.

**LSV ASSET MANAGEMENT**  
**Periods Ending June, 2012**

**Portfolio Manager: Josef Lakonishok**

**Assets Under Management: \$428,342,502**

**Investment Philosophy**

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

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

**Staff Comments**

No comment at this time.

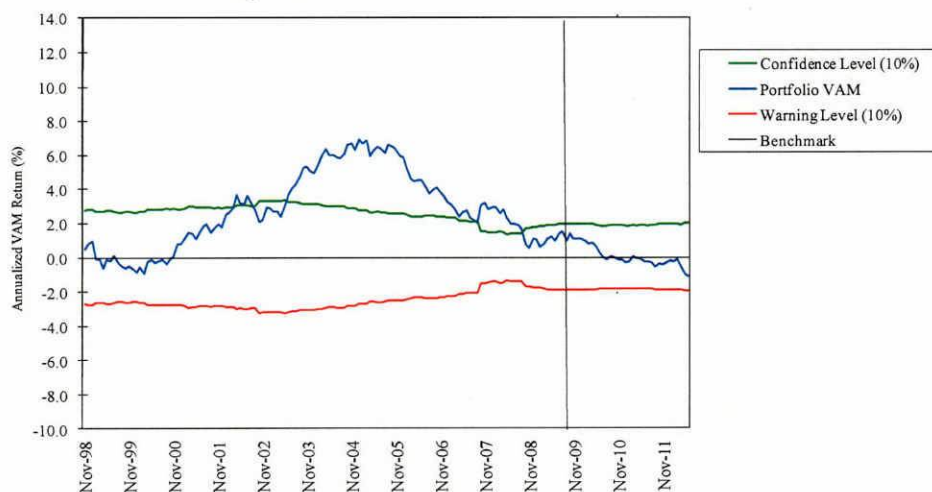
**Quantitative Evaluation**

	<b>Actual</b>	<b>R1000 Value</b>
Last Quarter	-5.2%	-2.2%
Last 1 year	-0.7	3.0
Last 2 years	13.4	15.2
Last 3 years	14.8	15.8
Last 4 years	2.1	2.5
Last 5 years	-3.3	-2.2
Since Inception (4/04)	4.6	4.2

**Recommendation**

No action required.

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, 2012**

**Portfolio Manager: Kevin McCreesh**

**Assets Under Management: \$308,851,910**

**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**

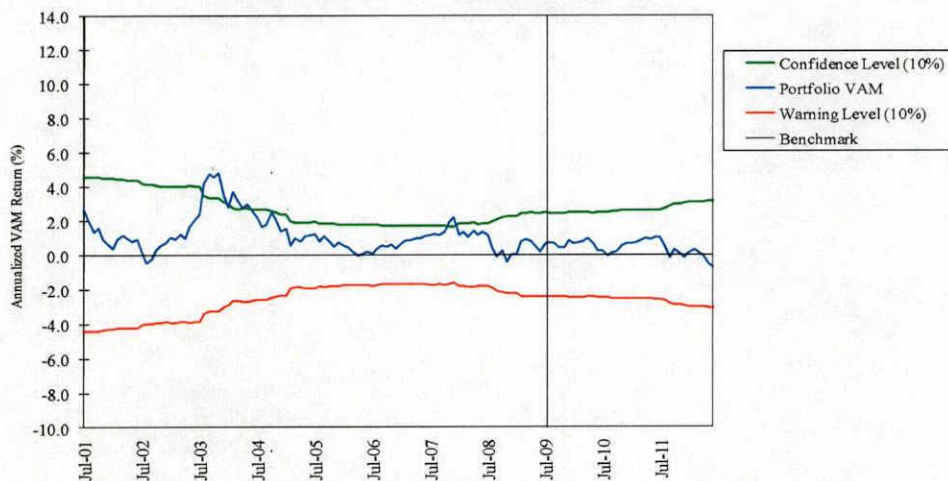
Systematic trailed the benchmark for the quarter and for the year. Stock selection was negative for both periods. For the quarter, stock selection in the Financial Sector had the biggest negative impact. For the year, stock selection in Technology and Materials & Processing, along with an overweight to the Materials sector, were the largest detractors to performance.

**Quantitative Evaluation**

	<b>Actual</b>	<b>R1000 Value</b>	
Last Quarter	-5.3%	-2.2%	No action required.
Last 1 year	-5.1	3.0	
Last 2 years	13.1	15.2	
Last 3 years	14.5	15.8	
Last 4 years	0.2	2.5	
Last 5 years	-2.9	-2.2	
Since Inception (4/04)	4.0	4.2	

**Recommendation**

SYSTEMATIC FINANCIAL MANAGEMENT, LP  
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.

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





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

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**MCKINLEY CAPITAL MANAGEMENT, INC.**  
**Periods Ending June, 2012**

**Portfolio Manager: Robert A. Gillam**

**Assets Under Management: \$223,596,148**

**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 its 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**

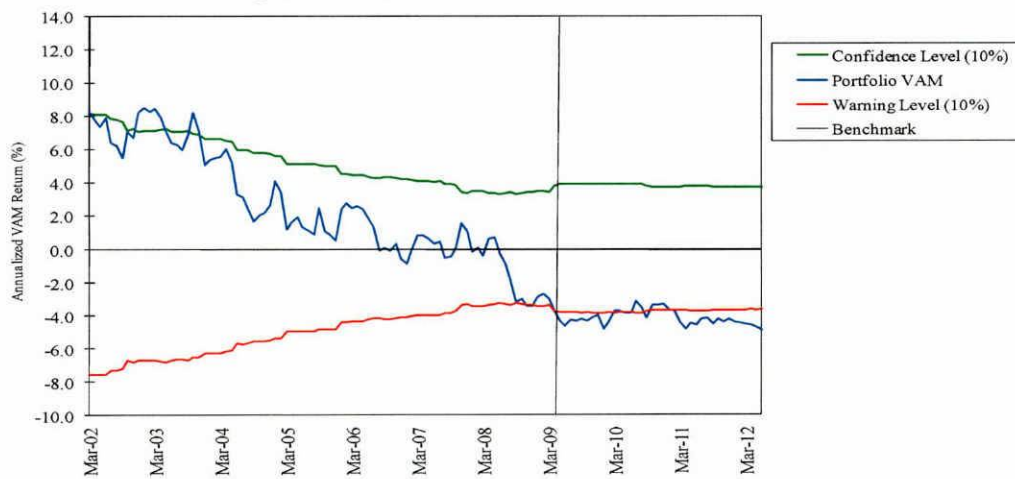
No comment at this time.

**Quantitative Evaluation**

	<b>Actual</b>	<b>R2000 Growth</b>	<b>No action required.</b>
Last Quarter	-4.1%	-3.9%	
Last 1 year	-4.9	-2.7	
Last 2 years	16.3	18.2	
Last 3 years	17.6	18.1	
Last 4 years	0.0	5.5	
Last 5 years	-3.0	2.0	
Since Inception (1/04)	2.6	5.9	

**Recommendation**

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



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



**NEXT CENTURY GROWTH INVESTORS, LLC**  
**Periods Ending June, 2012**

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

**Assets Under Management: \$280,666,079**

**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.

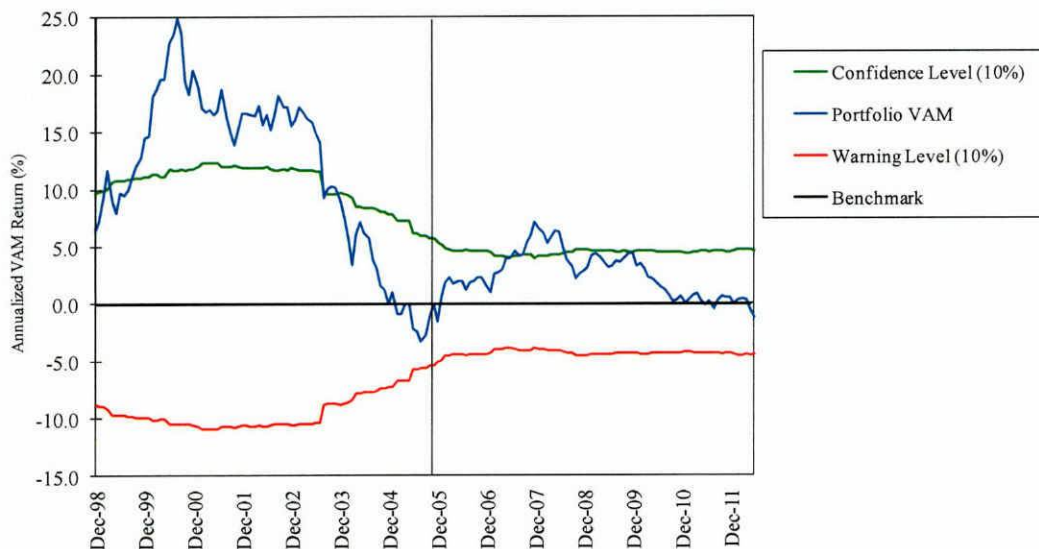
**Quantitative Evaluation**

	<b>Actual</b>	<b>R2000 Growth</b>
Last Quarter	-4.6%	-3.9%
Last 1 year	-6.8	-2.7
Last 2 years	17.9	18.2
Last 3 years	18.3	18.1
Last 4 years	1.3	5.5
Last 5 years	0.8	2.0
Since Inception (7/00)	1.1	1.3

**Recommendation**

No action required.

**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, INC.

Periods Ending June, 2012

Portfolio Manager: William McVail

Assets Under Management: \$279,274,366

## 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

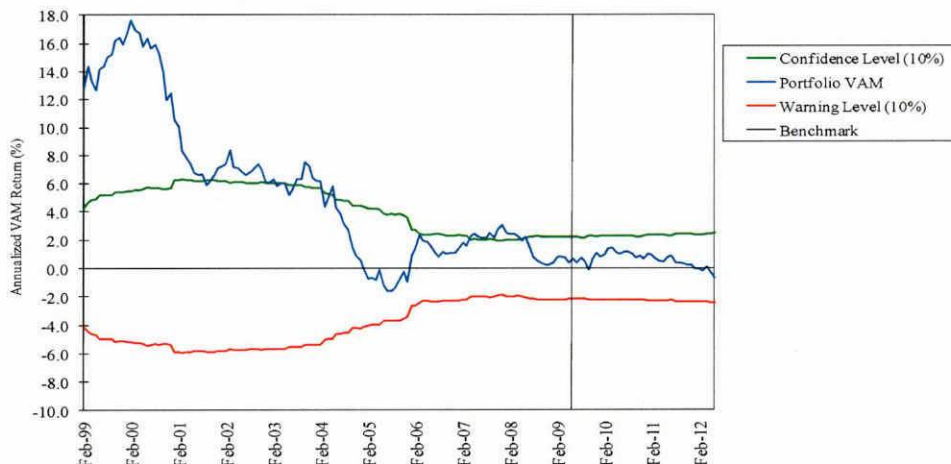
Turner underperformed the benchmark for the quarter and for the year. Both periods were hurt by negative stock selection, particularly in the Consumer Discretionary and Technology sectors.

## Quantitative Evaluation

	Actual	R2000 Growth	No action required.
Last Quarter	-5.1%	-3.9%	
Last 1 year	-8.3	-2.7	
Last 2 years	16.0	18.2	
Last 3 years	16.8	18.1	
Last 4 years	3.3	5.5	
Last 5 years	1.3	2.0	
Since Inception (1/04)	5.8	5.9	

## Recommendation

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.



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



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

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**GOLDMAN SACHS ASSET MANAGEMENT, L.P.**  
**Periods Ending June, 2012**

**Portfolio Manager:** Sally Pope-Davis and Rob Crystal      **Assets Under Management:** \$168,098,394

**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.

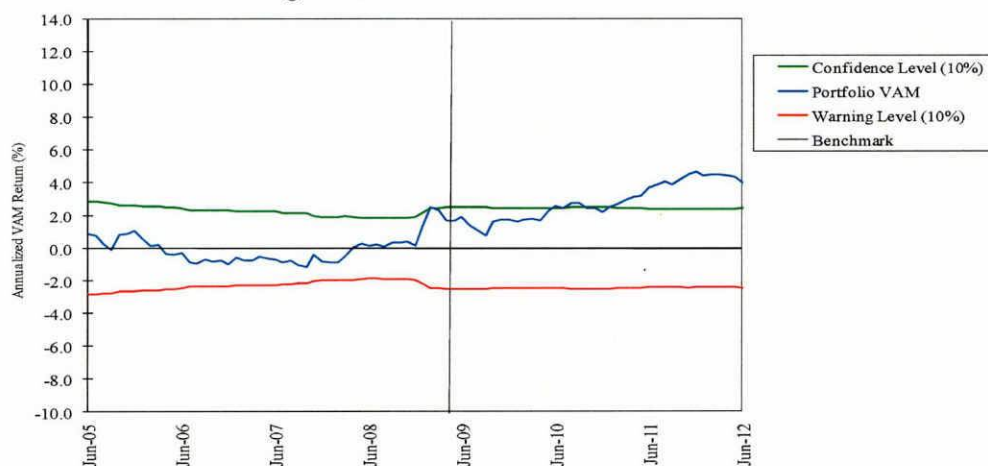
**Quantitative Evaluation**

	<b>Actual</b>	<b>R2000 Value</b>
Last Quarter	-4.1%	-3.0%
Last 1 year	1.2	-1.4
Last 2 years	17.3	13.8
Last 3 years	20.3	17.4
Last 4 years	8.1	4.9
Last 5 years	2.9	-1.0
Since Inception (1/04)	7.1	5.3

**Recommendation**

No action required.

GOLDMAN SACHS ASSET MANAGEMENT, L.P.  
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 the SBI.



# HOTCHKIS & WILEY CAPITAL MANAGEMENT, LLC

## Periods Ending June, 2012

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

**Assets Under Management: \$143,497,629**

### Investment Philosophy

The firm seeks to exploit mispriced 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

No comment at this time.

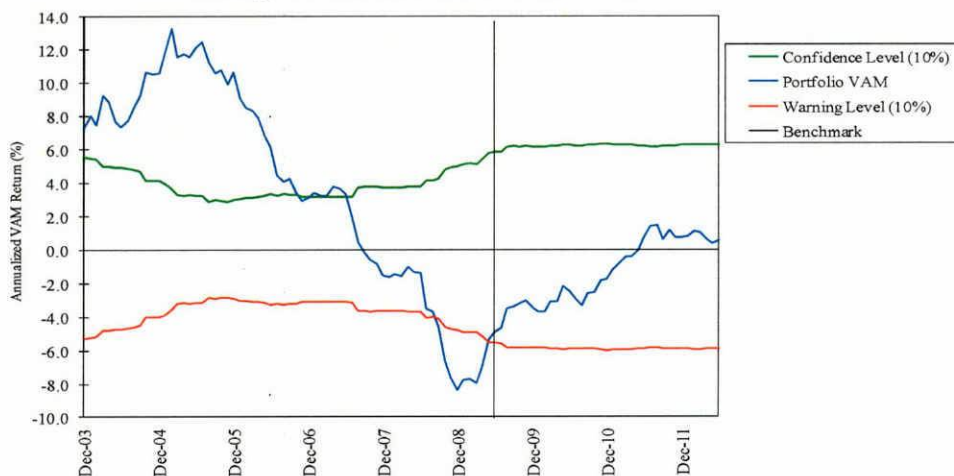
### Quantitative Evaluation

	Actual	R2000 Value
Last Quarter	-2.4%	-3.0%
Last 1 year	-4.1	-1.4
Last 2 years	16.4	13.8
Last 3 years	25.8	17.4
Last 4 years	8.3	4.9
Last 5 years	-0.5	-1.0
Since Inception (1/04)	5.2	5.3

### Recommendation

No action required.

HOTCHKIS & WILEY 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 the SBI.

# MARTINGALE ASSET MANAGEMENT, L.P.

Periods Ending June, 2012

Portfolio Manager: William Jacques

Assets Under Management: \$127,693,524

## 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

No comment at this time.

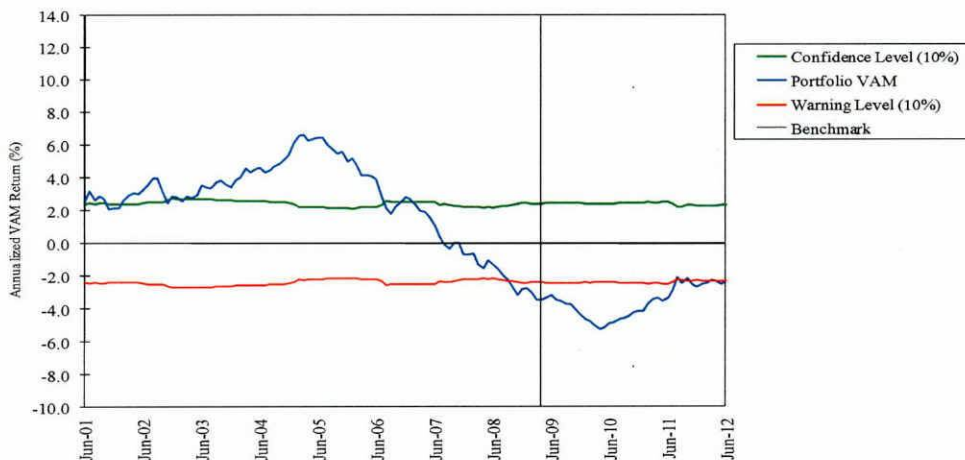
## Quantitative Evaluation

	Actual	R2000 Value
Last Quarter	-4.5%	-3.0%
Last 1 year	-2.1	-1.4
Last 2 years	15.2	13.8
Last 3 years	17.0	17.4
Last 4 years	2.8	4.9
Last 5 years	-3.3	-1.0
Since Inception (1/04)	3.7	5.3

## Recommendation

No action required.

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



**PEREGRINE CAPITAL MANAGEMENT**  
**Periods Ending June, 2012**

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

**Assets Under Management: \$227,922,614**

**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 trailed the benchmark for the quarter and for the year. For the quarter, stock selection in the Consumer Discretionary sector was the biggest detractor. For the year, overall sector allocation was negative.

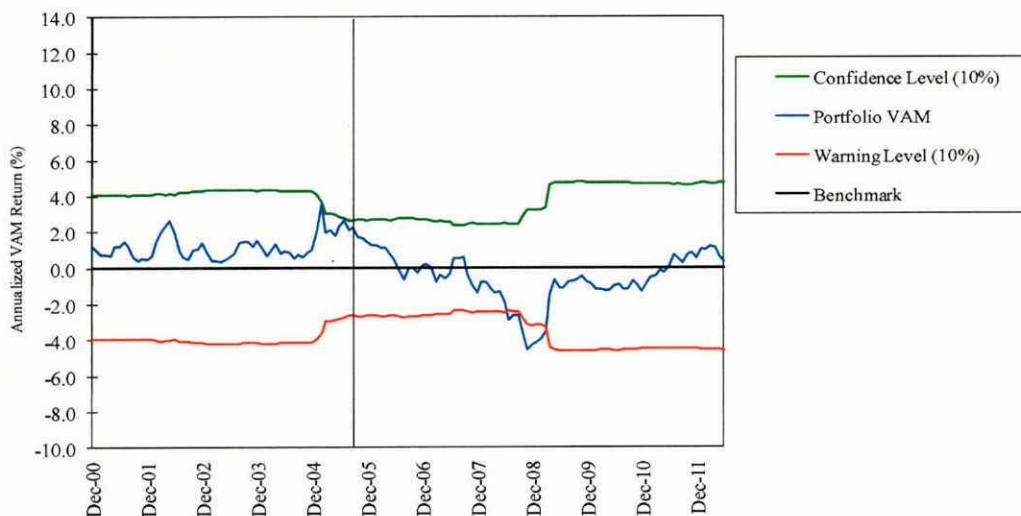
**Quantitative Evaluation**

	<b>Actual</b>	<b>R2000 Value</b>
Last Quarter	-5.7%	-3.0%
Last 1 year	-1.5	-1.4
Last 2 years	15.3	13.8
Last 3 years	20.9	17.4
Last 4 years	8.3	4.9
Last 5 years	-0.7	-1.0
Since Inception (7/00)	9.4	8.5

**Recommendation**

No action required.

**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, 2012**

**Portfolio Manager: Raffaele Savi**

**Assets Under Management: \$2,384,351,828**

**Investment Philosophy – Semi-Passive Style**

**Staff Comments**

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

No comment at this time.

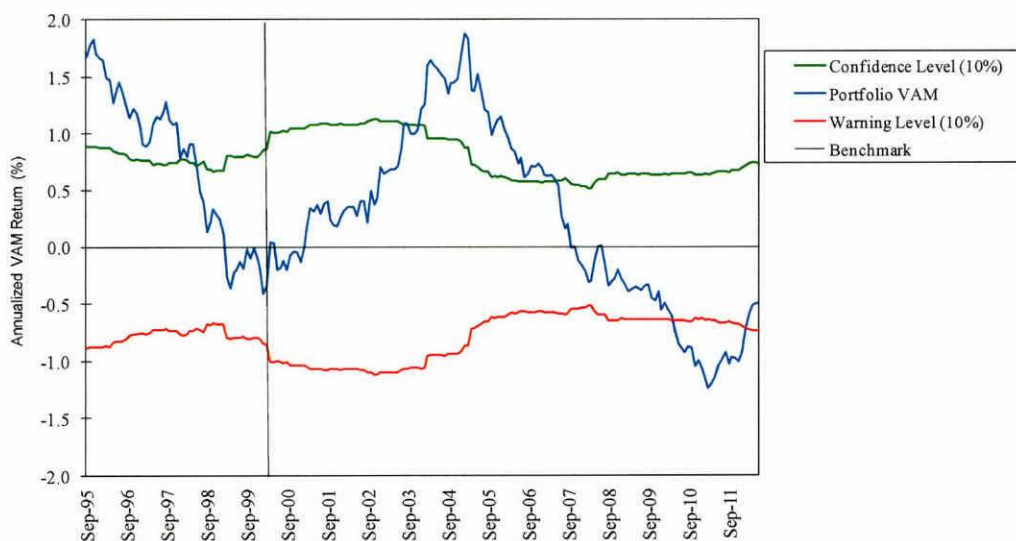
**Quantitative Evaluation**

**Recommendation**

	<b>Actual</b>	<b>Manager Benchmark*</b>	
Last Quarter	-3.1%	-3.1%	No action required.
Last 1 year	6.3	4.4	
Last 2 years	18.3	17.3	
Last 3 years	16.6	16.6	
Last 4 years	3.5	3.9	
Last 5 years	-0.1	0.4	
Since Inception (1/95)	8.2	7.9	

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

**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, 2012**

**Portfolio Manager: Adrian Banner**

**Assets Under Management: \$1,715,157,274**

**Investment Philosophy – Semi-Passive Style**

**Staff Comments**

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.

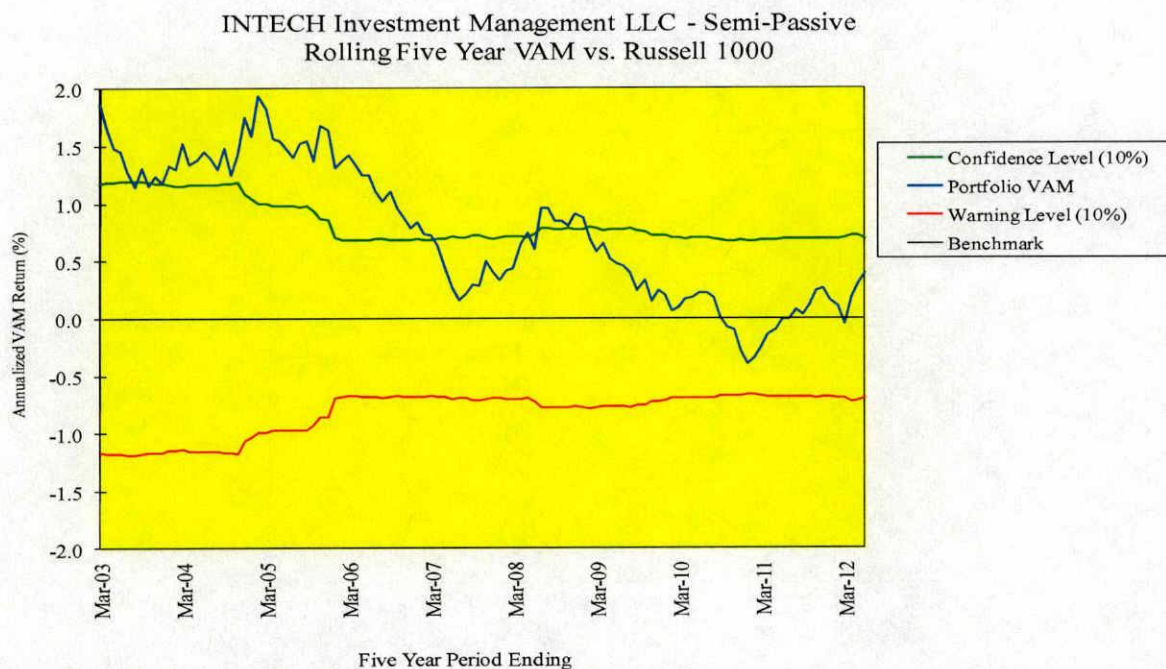
No comment at this time.

**Quantitative Evaluation**

**Recommendation**

	<b>Actual</b>	<b>Russell 1000</b>
Last Quarter	-2.4%	-3.1%
Last 1 year	4.4	4.4
Last 2 years	17.5	17.3
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)	9.6	9.2

No action required.





**J.P. MORGAN INVESTMENT MANAGEMENT INC.**

Periods Ending June, 2012

**Portfolio Manager: Ralph Zingone and Scott Blasdel****Assets Under Management: \$2,827,714,420****Investment Philosophy – Semi-Passive Style****Staff Comments**

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.

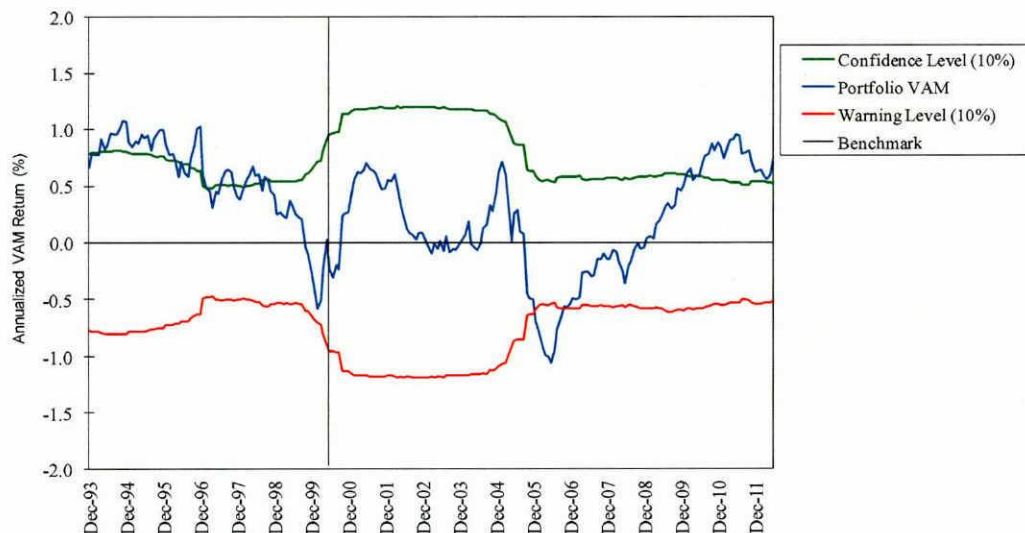
No comment at this time.

**Quantitative Evaluation****Recommendation**

	<b>Actual</b>	<b>Manager Benchmark*</b>	
Last Quarter	-2.7%	-3.1%	No action required.
Last 1 year	4.8	4.4	
Last 2 years	17.7	17.3	
Last 3 years	17.3	16.6	
Last 4 years	5.1	3.9	
Last 5 years	1.1	0.4	
Since Inception (1/95)	8.1	7.9	

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

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 CORPORATION**  
**Periods Ending June, 2012**

**Portfolio Manager: Warren Chiang**

**Assets Under Management: \$1,795,228,037**

**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**

Mellon outperformed for the quarter and for the year. For the quarter, the portfolio was helped by overall stock selection and sector allocation. For the year, stock selection was positive across most sectors.

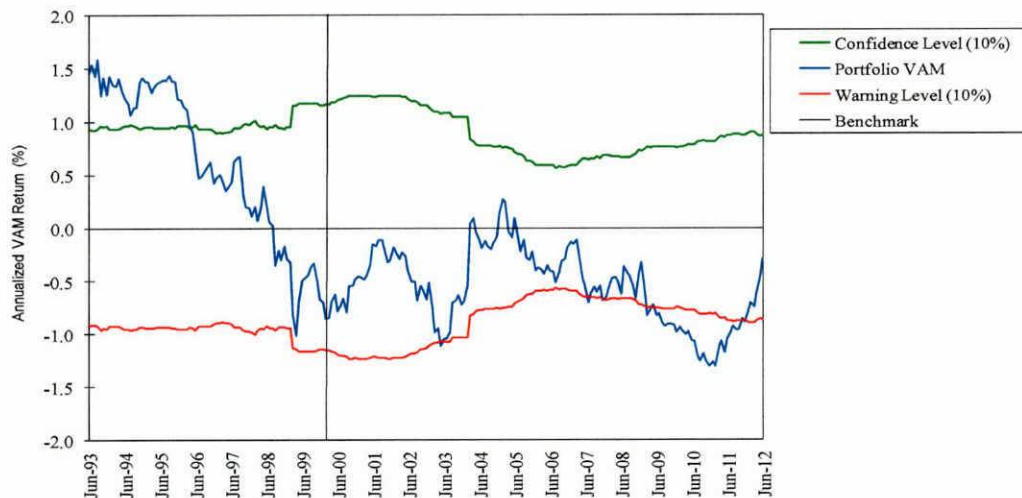
**Quantitative Evaluation**

	<b>Actual</b>	<b>Manager Benchmark*</b>	
Last Quarter	-2.7%	-3.1%	No action required.
Last 1 year	7.3	4.4	
Last 2 years	19.1	17.3	
Last 3 years	17.3	16.6	
Last 4 years	3.9	3.9	
Last 5 years	0.1	0.4	
Since Inception (1/95)	7.5	7.9	

**Recommendation**

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

**MELLON CAPITAL MANAGEMENT- 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.

**BLACKROCK INSTITUTIONAL TRUST CO., N.A.**  
**Periods Ending June, 2012**

**Portfolio Manager:** Amy Schioldager

**Assets Under Management:** \$8,064,037,602

**Investment Philosophy – Passive Style**

**Staff Comments**

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.

No comment at this time.

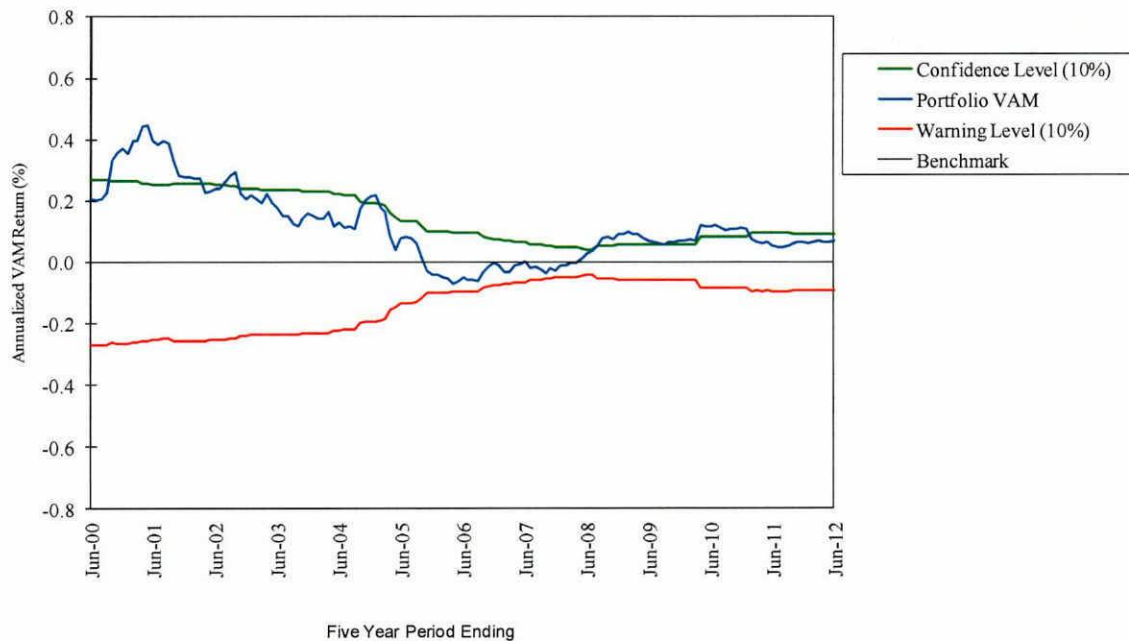
**Quantitative Evaluation**

**Recommendation**

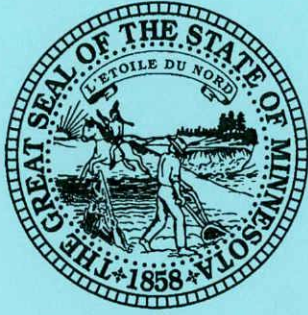
	<b>Actual</b>	<b>Manager Benchmark*</b>	
Last Quarter	-3.1%	-3.1%	No action required.
Last 1 year	3.9	3.8	
Last 2 years	17.1	17.2	
Last 3 years	16.8	16.7	
Last 4 years	4.0	4.0	
Last 5 years	0.5	0.4	
Since Inception (7/95)	7.5	7.4	

\* Russell 3000 since 10/1/03, Wilshire 5000 through 7/1/95.

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







# STATE BOARD OF INVESTMENT

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## Bond Manager Evaluation Reports

Second Quarter, 2012



## **Bond Managers**

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**COMBINED RETIREMENT FUNDS**  
**BOND MANAGERS**  
Periods Ending June, 2012

	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		
	%	%	%	%	%	%	%	%	%	%		
Active Managers												
Aberdeen	2.3	2.1	8.7	7.5	10.9	6.9	5.6	6.8	6.2	6.4	\$833.5	7.8%
Columbia (RiverSource)	2.2	2.1	8.7	7.5	8.9	6.9	6.7	6.8	6.1	6.2	\$947.8	8.8%
Dodge & Cox	1.5	2.1	6.2	7.5	8.6	6.9	7.5	6.8	7.3	6.4	\$1,109.3	10.3%
PIMCO	2.0	2.1	6.5	7.5	10.0	6.9			9.8	7.3	\$1,216.0	11.3%
Western	2.3	2.1	8.2	7.5	10.4	6.9	7.2	6.8	9.5	8.4	\$1,263.1	11.8%
Active Mgr. Aggregate	2.0	2.1	7.6	7.5	9.8	6.9	6.6	6.8			\$5,369.7	50.0%
Semi-Passive Managers												
BlackRock	2.3	2.1	7.9	7.5	7.8	6.9	6.3	6.8	6.3	6.3	\$1,707.0	15.9%
Goldman	2.4	2.1	8.3	7.5	8.6	6.9	7.1	6.8	6.5	6.2	\$1,835.3	17.1%
Neuberger	2.0	2.1	7.8	7.5	9.4	6.9	7.4	6.8	7.5	7.3	\$1,821.3	17.0%
Semi-Passive Mgr. Aggregate	2.2	2.1	8.0	7.5	8.6	6.9	7.0	6.8			\$5,363.6	50.0%
Historical Aggregate (2)												
	2.1	2.1	7.8	7.5	9.2	6.9	6.8	6.8	Since 7/1/84 8.5	8.4	\$10,733.3	100.0%
Barclays Capital Aggregate (3)		2.1		7.5		6.9		6.8		8.4		

(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 Solomon BIG.

**COMBINED RETIREMENT FUNDS**  
**BOND MANAGERS**  
**Calendar Year Returns**

	2011		2010		2009		2008		2007	
	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk
	%	%	%	%	%	%	%	%	%	%
<b>Active Managers</b>										
Aberdeen	8.0	7.8	10.7	6.5	18.4	5.9	-14.7	5.2	5.6	7.0
Columbia (RiverSource)	8.1	7.8	8.1	6.5	14.0	5.9	-4.9	5.2	6.6	7.0
Dodge & Cox	5.0	7.8	7.8	6.5	16.5	5.9	0.1	5.2	5.3	7.0
PIMCO	4.5	7.8	12.1	6.5	15.5	5.9				
Western	7.1	7.8	10.9	6.5	17.5	5.9	-6.8	5.2	5.4	7.0
<b>Active Mgr. Aggregate</b>	<b>6.4</b>	<b>7.8</b>	<b>10.0</b>	<b>6.5</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>Semi-Passive Managers</b>										
BlackRock	8.0	7.8	6.5	6.5	9.6	5.9	-1.1	5.2	6.8	7.0
Goldman	8.3	7.8	8.0	6.5	12.0	5.9	-1.2	5.2	7.0	7.0
Neuberger	7.6	7.8	9.1	6.5	14.3	5.9	-1.9	5.2	6.3	7.0
<b>Semi-Passive Mgr. Aggregate</b>	<b>8.0</b>	<b>7.8</b>	<b>7.9</b>	<b>6.5</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>Historical Aggregate</b>	<b>7.2</b>	<b>7.8</b>	<b>9.0</b>	<b>6.5</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>
Barclays Capital Aggregate		7.8		6.5		5.9		5.2		7.0

The benchmark for the Fixed Income Asset Class is the Barclays Capital U.S. Aggregate Bond Index.

# ABERDEEN ASSET MANAGEMENT INC.

Periods Ending June, 2012

Portfolio Manager: Neil Moriarty

Assets Under Management: \$833,460,948

## Investment Philosophy

Aberdeen (formerly Deutsche) believes there are 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 outperformance 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 21 bps for the quarter and 122 bps over the last 12 months. Quarterly performance was driven by security selection within the CMBS and corporate bond sectors and overweight positions in CMBS and ABS. Exposure to taxable municipal bonds generated excess negative returns for the quarter. One-year performance was driven by overweight positions in CMBS, corporates, and taxable municipal bonds, while security selection within the Utilities sub-sector detracted from performance.

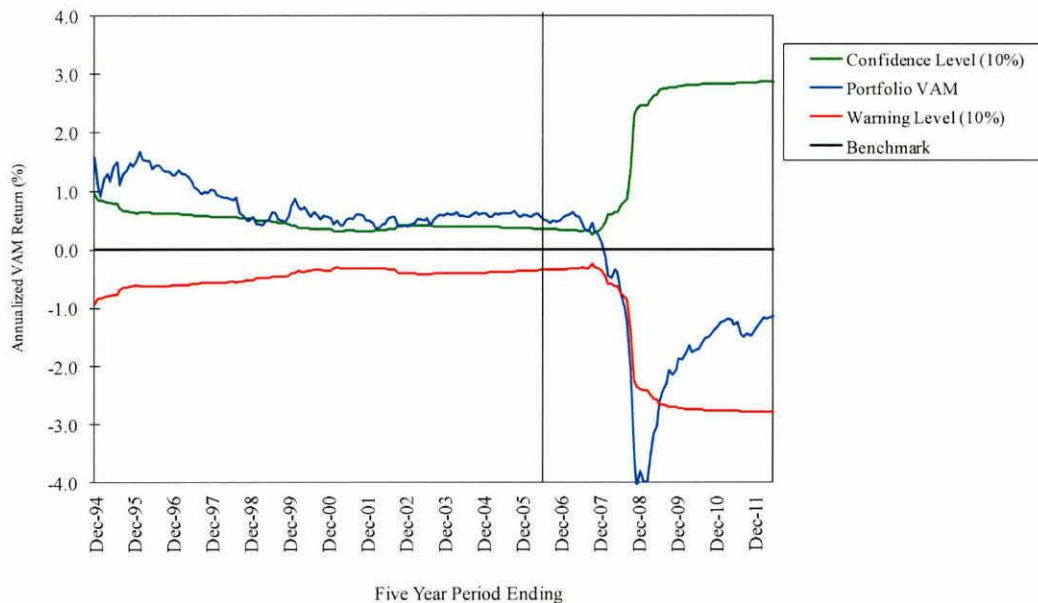
## Quantitative Evaluation

	Actual	Benchmark
Last Quarter	2.3%	2.1%
Last 1 year	8.7	7.5
Last 2 years	7.6	5.7
Last 3 years	10.9	6.9
Last 4 years	6.2	6.7
Last 5 years	5.6	6.8
Since Inception (2/00)	6.2	6.4

## Recommendations

No action required.

ABERDEEN ASSET MANAGEMENT  
Rolling Five Year VAM



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



# COLUMBIA MANAGEMENT INVESTMENT ADVISERS, LLC

Periods Ending June, 2012

**Portfolio Manager:** Colin Lundgren

**Assets Under Management:** \$947,829,164

## Investment Philosophy

Columbia (formerly American Express and RiverSource) 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. Columbia was retained by the SBI in July 1993.

## Staff Comments

Columbia outperformed the benchmark by 18 bps for the quarter and 119 bps over the last 12 months. Security selection in the MBS and Corporate sectors contributed to performance for the quarter and full year period, while exposure to high-yield corporates also produced excess returns for the year. A short relative duration position detracted from quarterly performance for the quarter, while an underweight to Treasuries negatively impacted performance for the one-year period.

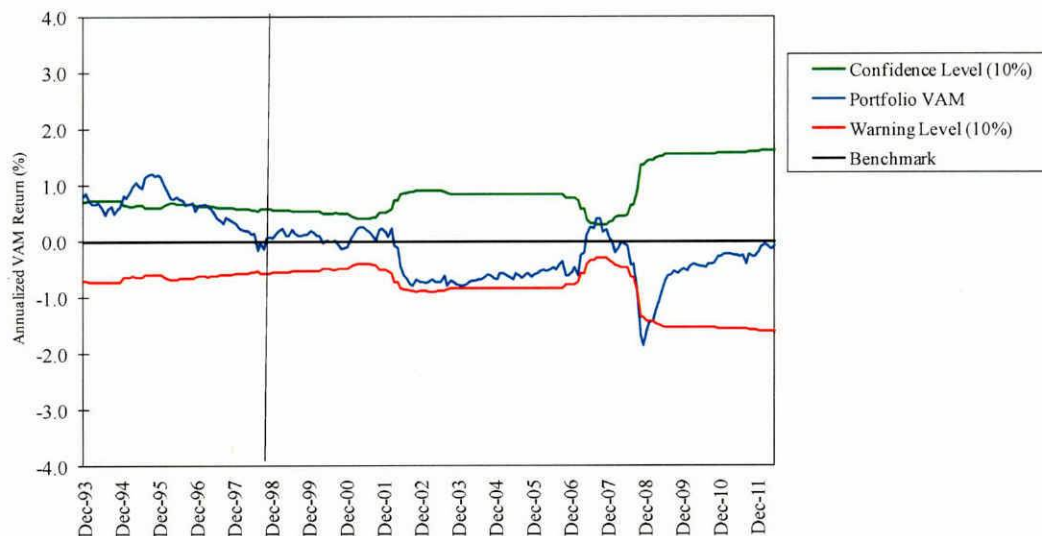
## Quantitative Evaluation

	Actual	Benchmark
Last Quarter	2.2%	2.1%
Last 1 year	8.7	7.5
Last 2 years	7.2	5.7
Last 3 years	8.9	6.9
Last 4 years	7.1	6.7
Last 5 years	6.7	6.8
Since Inception (7/93)	6.1	6.2

## Recommendations

No action required.

COLUMBIA MANAGEMENT - FIXED INCOME  
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.

**DODGE & COX**  
Periods Ending June, 2012

**Portfolio Manager:** Dana Emery

**Assets Under Management:** \$1,109,323,834

**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**

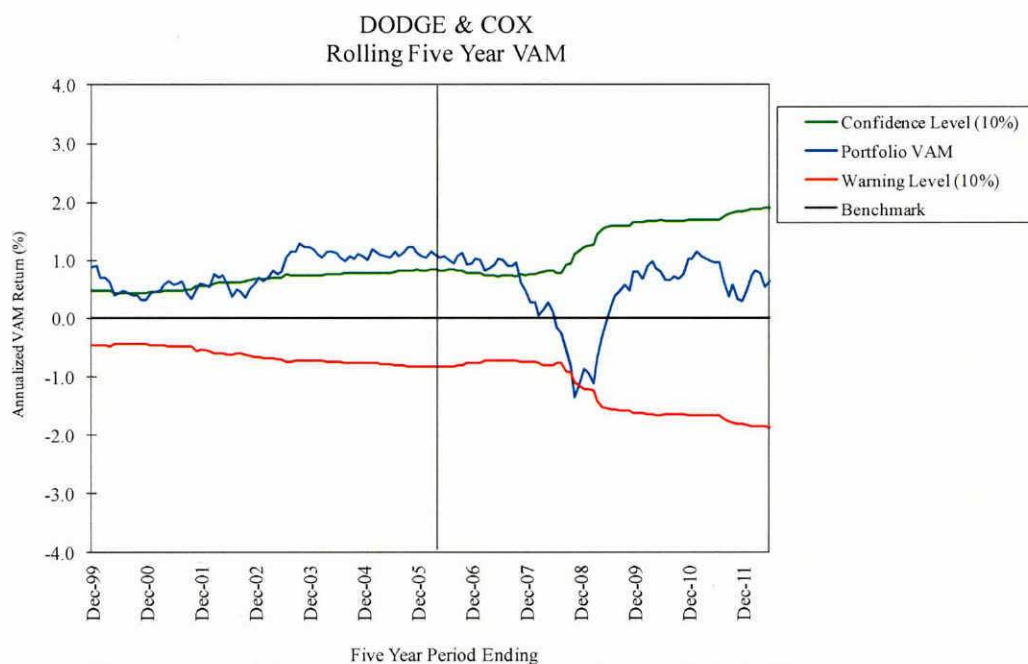
Dodge & Cox underperformed the benchmark by 57 bps for the quarter and 123 bps over the last 12 months. Underweight exposure to U.S. Treasuries and a short relative duration position contributed to excess negative quarterly and one-year returns, while an overweight to corporates detracted from quarterly returns. Security selection within the Agency MBS sector added to performance for the quarter, and security selection within the taxable municipal sector added to performance for the year.

**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	1.5%	2.1%
Last 1 year	6.2	7.5
Last 2 years	6.3	5.7
Last 3 years	8.6	6.9
Last 4 years	8.2	6.7
Last 5 years	7.5	6.8
Since Inception (2/00)	7.3	6.4

**Recommendations**

No action required.



**PACIFIC INVESTMENT MANAGEMENT COMPANY LLC (PIMCO)**  
**Periods Ending June, 2012**

**Portfolio Manager: Bill Gross**

**Assets Under Management: \$1,215,979,896**

**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. PIMCO was retained by the SBI in September 2008.

**Staff Comments**

PIMCO underperformed the benchmark by 6 bps for the quarter and 93 bps over the last 12 months. A short relative duration position and an overweight to Agency MBS were detractors to quarterly performance, while security selection within high-yield corporates was a positive contributor. A short relative duration position for most of the last 12 months detracted from one-year performance, while an overweight position in Financials and exposure to non-Agency MBS added to performance.

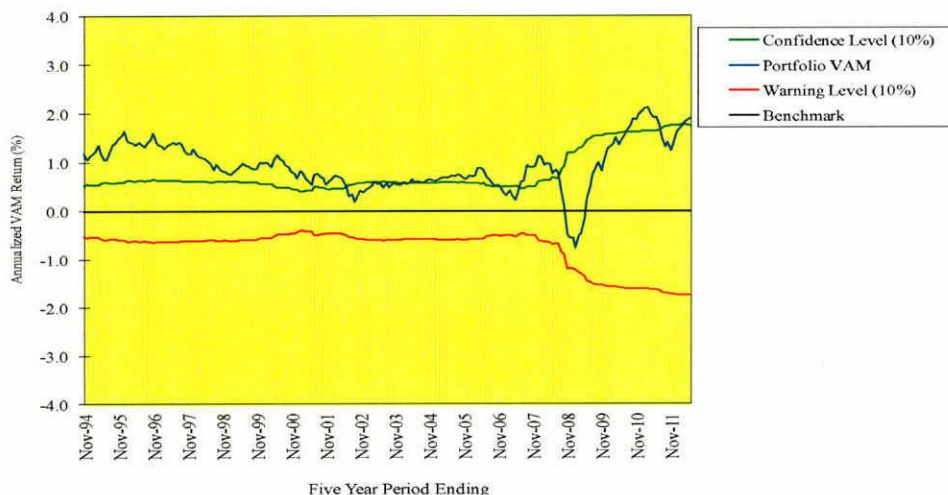
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	2.0%	2.1%
Last 1 year	6.5	7.5
Last 2 years	6.6	5.7
Last 3 years	10.0	6.9
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (9/08)	9.8	7.3

No action required.

**Recommendations**

PACIFIC INVESTMENT MANAGEMENT CO.  
Rolling Five Year VAM



Note: Graph includes performance of the manager prior to retention by SBI.



**WESTERN ASSET MANAGEMENT COMPANY**  
**Periods Ending June, 2012**

**Portfolio Manager:** Steve Walsh

**Assets Under Management:** \$1,263,096,288

**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 21 bps for the quarter and 74 bps over the last 12 months. Security selection within the investment grade corporate sector, particularly Financials, and exposure to non-Agency MBS and high-yield corporate bonds were the largest positive contributors to performance for the quarter. Allocations to high-yield corporate bonds and non-Agency MBS and an underweight to Agency MBS added to performance for the year. Exposure to U.S. TIPS and a short-to-neutral relative duration position detracted from one-year performance.

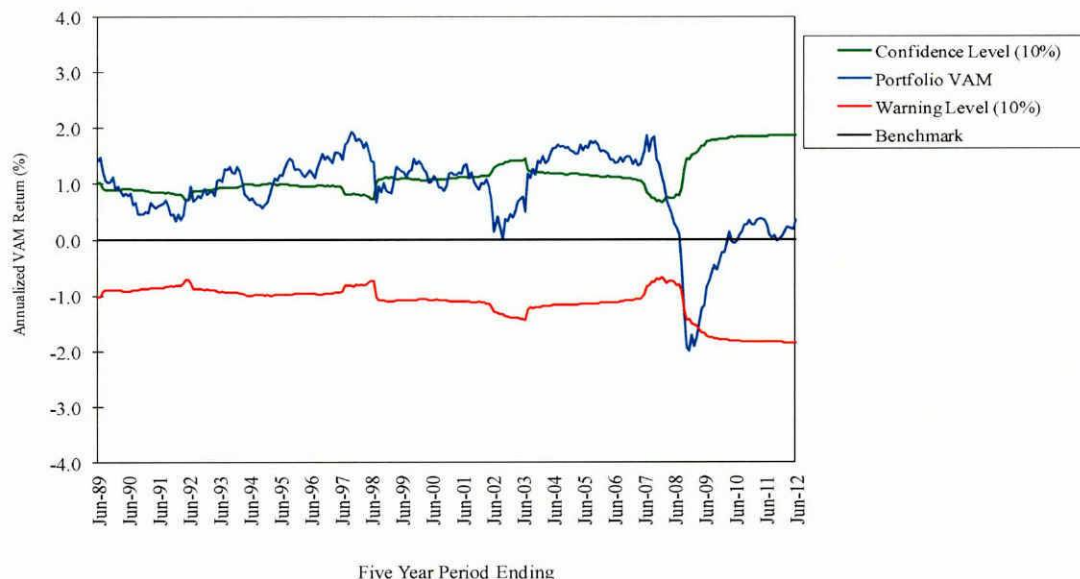
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	2.3%	2.1%
Last 1 year	8.2	7.5
Last 2 years	7.4	5.7
Last 3 years	10.4	6.9
Last 4 years	8.2	6.7
Last 5 years	7.2	6.8
Since Inception (7/84)	9.5	8.4

**Recommendations**

No action required.

WESTERN ASSET MANAGEMENT  
Rolling Five Year VAM



**BLACKROCK FINANCIAL MANAGEMENT, INC.**  
**Periods Ending June, 2012**

**Portfolio Manager: Brian Weinstein**

**Assets Under Management: \$1,706,992,284**

**Investment Philosophy**

BlackRock manages an enhanced index portfolio closely tracking the Barclays Capital U.S. Aggregate Bond Index. The firm's enhanced index strategy is a controlled-duration, sector rotation style, which can be described as active management with tighter duration, sector, and quality constraints. BlackRock seeks to add value through: (i) controlling portfolio duration within a narrow band relative to the benchmark, (ii) relative value sector/sub-sector rotation and security selection, (iii) rigorous quantitative analysis to the valuation of each security and of the portfolio as a whole, (iv) intense credit analysis and review, and (v) the judgment of experienced portfolio managers. Advanced risk analytics measure the potential impact of various sector and security strategies to ensure consistent value added and controlled volatility. BlackRock was retained by the SBI in April 1996.

**Staff Comments**

Blackrock outperformed the benchmark by 20 bps for the quarter and 46 bps over the last 12 months. Security selection within the investment grade corporate sector contributed to positive quarterly performance, while duration positioning negatively contributed to performance. Positive contributors to one-year performance included an overweight position in ABS, yield curve positioning, and security selection within the corporate and ABS sectors. One-year performance was negatively impacted by corporate security selection.

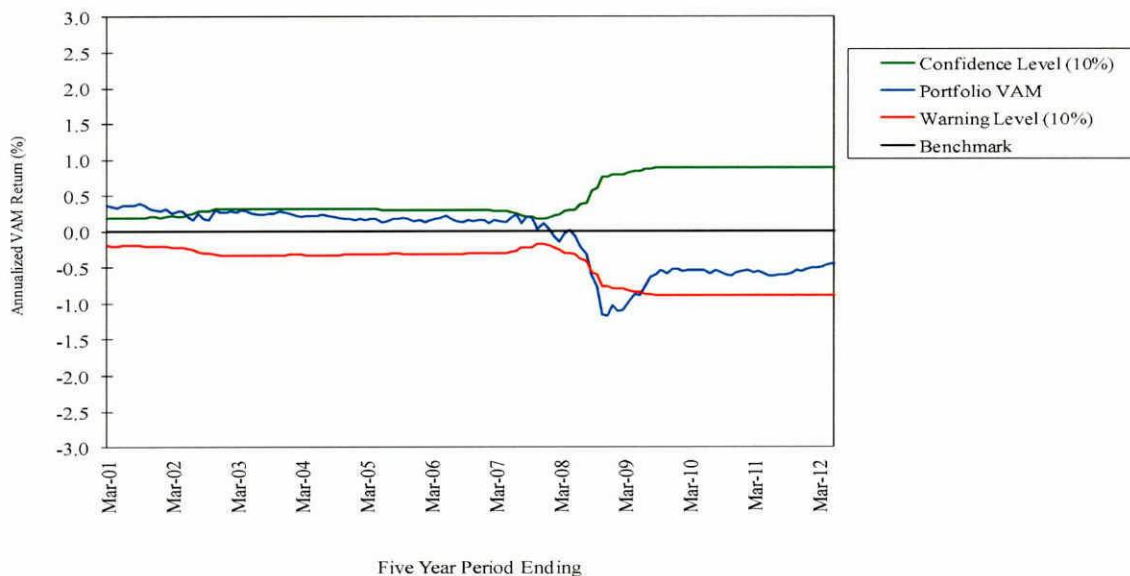
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	2.3%	2.1%
Last 1 year	7.9	7.5
Last 2 years	5.9	5.7
Last 3 years	7.8	6.9
Last 4 years	6.3	6.7
Last 5 years	6.3	6.8
Since Inception (4/96)	6.3	6.3

**Recommendation**

No action required.

BLACKROCK, INC.  
Rolling Five Year VAM



**GOLDMAN SACHS ASSET MANAGEMENT**  
**Periods Ending June, 2012**

**Portfolio Manager:** Jonathon Beinner

**Assets Under Management:** \$1,835,343,602

**Investment Philosophy**

Goldman manages an enhanced index portfolio closely tracking the Barclays Capital U.S. Aggregate Bond Index. 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 for the quarter and 85 bps over the last 12 months. Quarterly performance was driven by security selection within the investment grade corporate, Agency MBS, and emerging market sectors. CMBS holdings detracted from quarterly performance. Security selection within the Agency MBS, ABS, and corporate sectors were the largest positive contributors to one-year performance, while security selection in non-Agency MBS was a detractor.

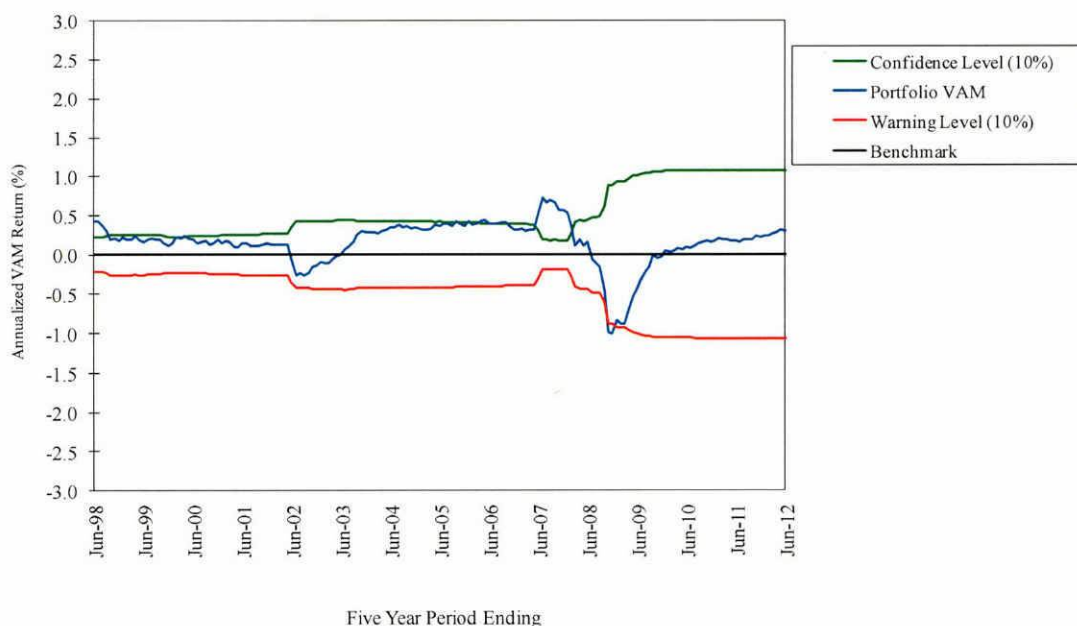
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	2.4%	2.1%
Last 1 year	8.3	7.5
Last 2 years	6.5	5.7
Last 3 years	8.6	6.9
Last 4 years	7.4	6.7
Last 5 years	7.1	6.8
Since Inception (7/93)	6.5	6.2

**Recommendations**

No action required.

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





**NEUBERGER BERMAN FIXED INCOME LLC**  
**Periods Ending June, 2012**

**Portfolio Manager: Andrew Johnson**

**Assets Under Management: \$1,821,252,539**

**Investment Philosophy**

Neuberger (formerly Lincoln) manages an enhanced index portfolio closely tracking the Barclays Capital U.S. Aggregate Bond Index. 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 24 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 Berman underperformed the benchmark by 4 bps for the quarter and outperformed the benchmark by 32 bps over the last 12 months. Quarterly results were driven by security selection within the investment grade corporate and MBS sectors and an overweight position in the CMBS sector. One-year performance was driven by an overweight position in CMBS and security selection within the Agency MBS sector. Security selection in investment grade corporate bonds detracted from one-year performance.

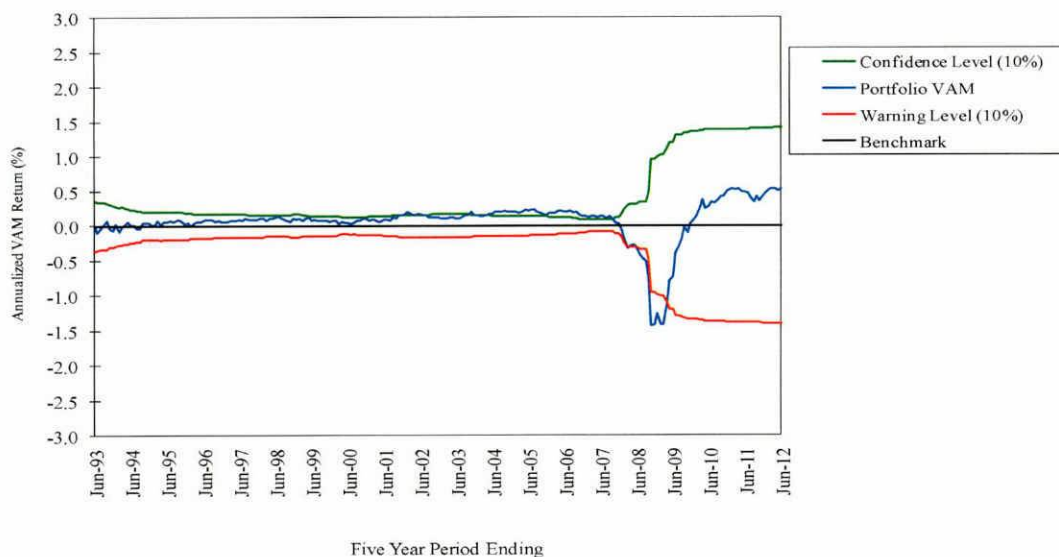
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	2.0%	2.1%
Last 1 year	7.8	7.5
Last 2 years	6.5	5.7
Last 3 years	9.4	6.9
Last 4 years	8.0	6.7
Last 5 years	7.4	6.8
Since Inception (7/88)	7.5	7.3

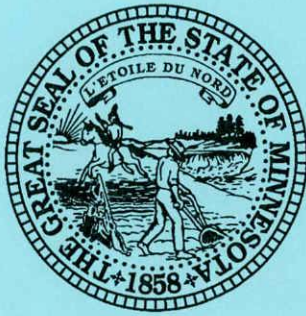
**Recommendations**

No action required.

**NEUBERGER BERMAN**  
**Rolling Five Year VAM**



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# **STATE BOARD OF INVESTMENT**

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## **International Manager Evaluation Reports**

**Second Quarter, 2012**





# **International Managers**

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**COMBINED RETIREMENT FUNDS  
INTERNATIONAL STOCK MANAGERS  
Periods Ending June, 2012**

	Quarter		1 Year		3 Years		5 Years		Since (1) Inception		Market Value	Pool
	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk	(in millions)	%
	%	%	%	%	%	%	%	%	%	%		
<b>Active Developed Markets (2)</b>												
Acadian	-6.9	-7.2	-15.2	-14.1	7.3	6.2	-9.0	-5.6	2.0	2.7	\$256.2	3.6%
Columbia (RiverSource)	-6.5	-7.2	-11.6	-14.1	8.7	6.2	-3.5	-5.6	0.0	1.4	\$256.7	3.6%
Invesco	-8.0	-7.2	-16.9	-14.1	3.5	6.2	-6.2	-5.6	2.4	1.4	\$202.6	2.8%
J.P. Morgan	-7.1	-7.2	-12.7	-14.1	7.7	6.2	-4.4	-5.6	2.9	2.7	\$223.6	3.1%
Marathon	-5.9	-7.2	-10.2	-14.1	8.8	6.2	-2.3	-5.6	7.7	4.3	\$521.2	7.3%
McKinley	-5.1	-7.2	-13.6	-14.1	7.1	6.2	-8.0	-5.6	1.7	2.7	\$214.9	3.0%
Pyramis (Fidelity)	-6.7	-7.2	-12.3	-14.1	8.2	6.2	-3.5	-5.6	4.3	2.7	\$249.1	3.5%
<b>Aggregate</b>	<b>-6.5</b>	<b>-7.2</b>	<b>-12.8</b>	<b>-14.1</b>	<b>7.6</b>	<b>6.2</b>	<b>-4.8</b>	<b>-5.6</b>			<b>\$1,924.5</b>	<b>26.9%</b>
<b>Active Emerging Markets (3)</b>												
Capital International	-11.8	-8.9	-22.7	-16.0	5.5	9.8	-0.7	0.0	9.7	11.2	\$650.4	9.1%
Morgan Stanley	-6.2	-8.9	-11.7	-16.0	10.3	9.8	-0.3	0.0	11.4	11.2	\$697.5	9.8%
<b>Aggregate</b>	<b>-9.0</b>	<b>-8.9</b>	<b>-17.6</b>	<b>-16.0</b>	<b>7.9</b>	<b>9.8</b>	<b>-1.1</b>	<b>0.0</b>			<b>\$1,347.9</b>	<b>18.9%</b>
<b>Semi-Passive Developed Markets (2)</b>												
AQR	-7.6	-7.2	-16.8	-14.1	6.7	6.2	-6.1	-5.6	2.6	2.7	\$238.8	3.3%
Pyramis (Fidelity)	-6.3	-7.2	-13.2	-14.1	7.2	6.2	-4.8	-5.6	3.7	2.7	\$370.6	5.2%
State Street	-9.0	-7.2	-19.1	-14.1	4.2	6.2	-7.7	-5.6	1.4	2.7	\$218.7	3.1%
<b>Aggregate</b>	<b>-7.4</b>	<b>-7.2</b>	<b>-15.9</b>	<b>-14.1</b>	<b>6.3</b>	<b>6.2</b>	<b>-6.1</b>	<b>-5.6</b>			<b>\$828.2</b>	<b>11.6%</b>
<b>Passive Emerging &amp; Developed Markets (2) (3)</b>												
State Street (Emerging Mkts.)	-8.5	-8.9							3.8	3.9	\$150.0	2.1%
State Street (Developed Mkts.)	-7.1	-7.2	-13.9	-14.1	6.7	6.2	-5.2	-5.6	5.7	5.4	\$2,899.2	40.5%
<b>Since 10/1/92</b>												
Equity Only (4) (6)	-7.4	-7.6	-14.7	-14.6	7.3	7.0	-4.5	-4.6	6.3	5.8	\$7,149.8	100.0%
<b>Total Program (5) (6)</b>	<b>-7.4</b>	<b>-7.6</b>	<b>-14.7</b>	<b>-14.6</b>	<b>7.3</b>	<b>7.0</b>	<b>-4.5</b>	<b>-4.6</b>	<b>6.4</b>	<b>5.8</b>	<b>\$7,149.8</b>	<b>100.0%</b>
SBI Int'l Equity Target (6)	-7.6		-14.6		7.0		-4.6		5.8			
MSCI ACWI Free ex. U.S. (7)	-7.6		-14.6		7.0		-4.6		6.1			
MSCI World ex U.S. (net)	-7.2		-14.1		6.2		-5.7		5.6			
MSCI EAFE Free (net)	-7.1		-13.8		6.0		-6.1		5.2			
MSCI Emerging Markets Free (8)	-8.9		-16.0		9.8		-0.1		8.4			

- (1) Since retention by the SBI. Time period varies for each manager.
- (2) Since 6/1/08 the developed markets manager's benchmark is the Standard (large + mid) MSCI World ex U.S. (net). From 10/1/07 through 5/31/08 the benchmark was the Provisional Standard MSCI World ex U.S. (net). From 10/1/03 to 9/30/07 the benchmark was MSCI World ex U.S. (net). Prior to that date, it was MSCI EAFE Free (net). From 10/1/01 to 5/31/02 the benchmark was the Provisional MSCI EAFE Free (net).
- (3) Since 6/1/08 the emerging markets manager's benchmark is the Standard (large + mid) MSCI Emerging Markets Free (net). From 10/1/07 through 5/31/08 the benchmark was the Provisional Standard MSCI Emerging Markets Free (net). From 1/1/01 to 9/30/07 the benchmark was MSCI Emerging Markets Free (net). Prior to that date, it was MSCI Emerging Markets Free (gross). From 10/1/01 to 5/31/02 the benchmark was the Provisional MSCI Emerging Markets Free (net).
- (4) Equity managers only. Includes impact of terminated managers.
- (5) Includes impact of currency overlay on the passive EAFE portfolio from 12/1/95-10/31/00.
- (6) Since 6/1/08 the International Equity asset class target is the Standard (large + mid) MSCI ACWI ex U.S. (net). From 10/1/07 through 5/31/08 the benchmark was the Provisional Standard MSCI ACWI ex U.S. (net). From 10/1/03 to 9/30/07 the target was MSCI ACWI ex U.S. (net). From 1/1/01 to 9/30/03, the target was MSCI EAFE Free (net) plus Emerging Markets Free (net), and from 7/1/99 to 12/31/00 the target was MSCI EAFE Free (net) plus Emerging Markets Free (gross). From 7/1/99 to 9/30/03, the weighting of each index fluctuated with market capitalization. From 10/1/01 to 5/31/02 all international benchmarks being reported were the MSCI Provisional indices. From 12/31/96 to 6/30/99 the benchmark was fixed at 87% EAFE Free (net)/13% Emerging Markets Free (gross). On 5/1/96, the portfolio began transitioning from 100% EAFE Free (net) to the 12/31/96 fixed weights. 100% EAFE Free (net) prior to 5/1/96.
- (7) MSCI ACWI Free ex U.S. (gross) through 12/31/00. MSCI ACWI Free ex U.S. (net) thereafter.
- (8) MSCI Emerging Markets Free (gross) through 12/31/00. MSCI Emerging Markets Free (net) thereafter.



**COMBINED RETIREMENT FUNDS  
INTERNATIONAL STOCK MANAGERS  
Calendar Year Returns**

	2011		2010		2009		2008		2007	
	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk
	%	%	%	%	%	%	%	%	%	%
<b>Active Developed Markets (1)</b>										
Acadian	-12.9	-12.2	13.9	8.9	28.8	33.7	-50.5	-43.5	10.0	12.6
Columbia (RiverSource)	-12.1	-12.2	15.2	8.9	29.3	33.7	-40.8	-43.5	12.4	12.6
Invesco	-13.0	-12.2	5.8	8.9	32.0	33.7	-38.8	-43.5	8.4	12.6
J.P. Morgan	-10.2	-12.2	7.6	8.9	37.5	33.7	-41.5	-43.5	8.8	12.6
Marathon	-9.2	-12.2	14.4	8.9	29.8	33.7	-38.0	-43.5	15.4	12.6
McKinley	-15.5	-12.2	11.8	8.9	24.1	33.7	-48.5	-43.5	20.4	12.6
Pyramis (Fidelity)	-11.9	-12.2	11.7	8.9	35.1	33.7	-42.9	-43.5	17.7	12.6
<b>Aggregate</b>	<b>-11.7</b>	<b>-12.2</b>	<b>11.9</b>	<b>8.9</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>Active Emerging Markets (2)</b>										
Capital International	-22.8	-18.4	16.1	18.9	83.1	78.5	-48.9	-53.2	38.4	39.9
Morgan Stanley	-17.8	-18.4	18.4	18.9	71.7	78.5	-54.5	-53.2	43.0	39.9
<b>Aggregate</b>	<b>-20.6</b>	<b>-18.4</b>	<b>17.1</b>	<b>18.9</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>Semi-Passive Developed Markets (1)</b>										
AQR	-13.9	-12.2	11.4	8.9	36.0	33.7	-44.0	-43.5	9.0	12.6
Pyramis (Fidelity)	-12.6	-12.2	11.5	8.9	30.2	33.7	-44.0	-43.5	18.2	12.6
State Street	-15.6	-12.2	8.7	8.9	34.9	33.7	-45.3	-43.5	9.1	12.6
<b>Aggregate</b>	<b>-13.8</b>	<b>-12.2</b>	<b>10.6</b>	<b>8.9</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>Passive Developed Markets (1)</b>										
State Street	-11.9	-12.2	9.9	8.9	34.0	33.7	-43.4	-43.5	12.9	12.6
Equity Only (3) (4)	-14.2	-13.7	12.3	11.2	41.2	41.5	-45.3	-45.5	17.1	16.9
<b>Total Program (4)</b>	<b>-14.2</b>	<b>-13.7</b>	<b>12.3</b>	<b>11.2</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>
SBI Int'l Equity Target (5)	-13.7		11.2		41.5		-45.5		16.9	
MSCI ACWI Free ex. U.S. (net)	-13.7		11.2		41.5		-45.5		16.7	
MSCI World ex U.S. (net)	-12.2		8.9		33.7		-43.6		12.4	
MSCI EAFE Free (net)	-12.1		7.7		31.8		-43.4		11.2	
MSCI Emerging Markets Free (net)	-18.4		18.9		78.5		-53.3		39.4	

- (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).
- (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).
- (3) Equity managers only. Includes impact of terminated managers.
- (4) 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).

# ACADIAN ASSET MANAGEMENT, LLC

Periods Ending June, 2012

Portfolio Manager: John Chisholm

Assets Under Management: \$256,235,723

## 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

No comment at this time.

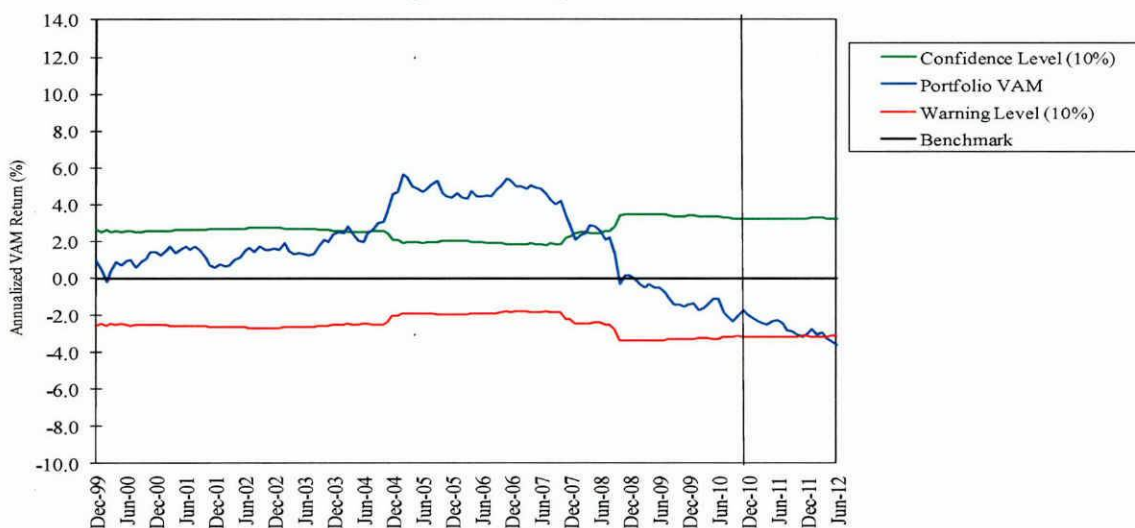
## Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-6.9%	-7.2%
Last 1 year	-15.2	-14.1
Last 2 years	6.0	5.8
Last 3 years	7.3	6.2
Last 4 years	-7.8	-4.9
Last 5 years	-9.0	-5.6
Since Inception (7/05)	2.0	2.7

## Recommendations

No action required.

ACADIAN 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.

**COLUMBIA MANAGEMENT INVESTMENT ADVISERS, LLC**  
**Periods Ending June, 2012**

**Portfolio Manager:** Esther Perkins

**Assets Under Management:** \$256,730,791

**Investment Philosophy**

Columbia's (formerly RiverSource) 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**

No comment at this time.

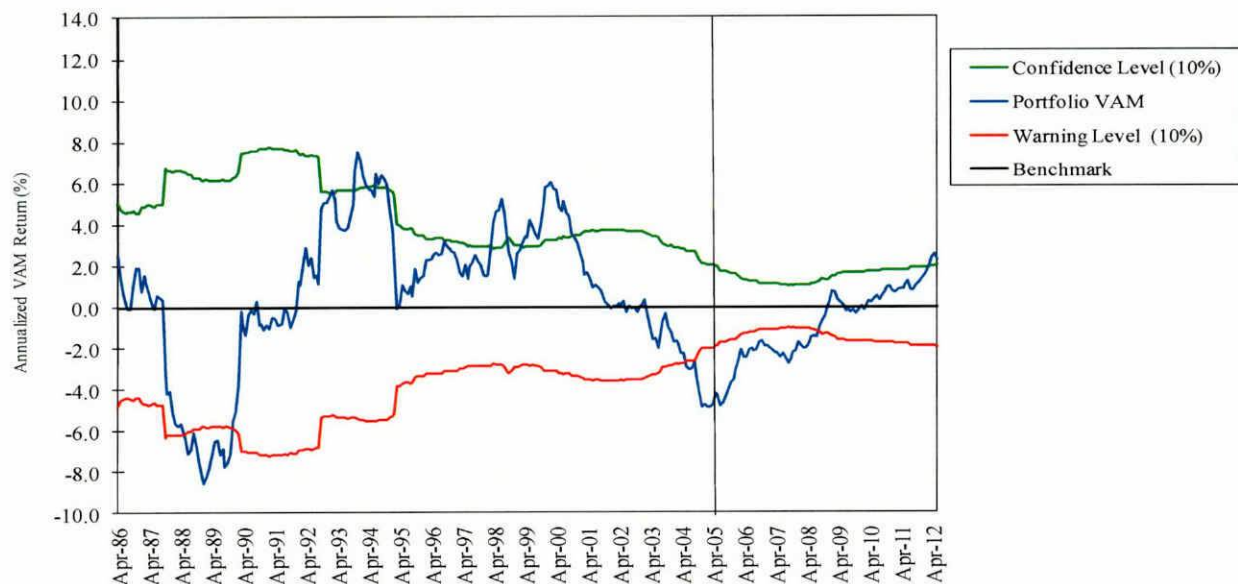
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-6.5%	-7.2%
Last 1 year	-11.6	-14.1
Last 2 years	9.7	5.8
Last 3 years	8.7	6.2
Last 4 years	-2.6	-4.9
Last 5 years	-3.5	-5.6
Since Inception (3/00)	0.0	1.4

**Recommendations**

No action required.

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



5 Year Period Ending

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



**INVESCO GLOBAL ASSET MANAGEMENT (N.A.), INC.**  
**Periods Ending June, 2012**

**Portfolio Manager:** W. Lindsay Davidson

**Assets Under Management:** \$202,647,373

**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**

On June 22, 2012, INVESCO announced the resignation of Kirk Holland, the business head of the global equity product, and Kent Starke, a portfolio manager on the global equity team with coverage of the materials and energy sectors.

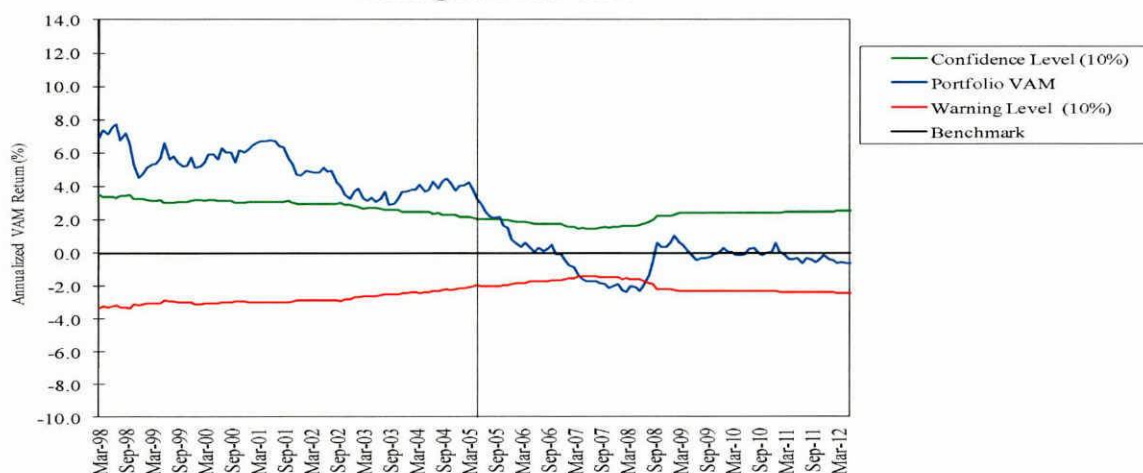
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-8.0%	-7.2%
Last 1 year	-16.9	-14.1
Last 2 years	2.7	5.8
Last 3 years	3.5	6.2
Last 4 years	-4.3	-4.9
Last 5 years	-6.2	-5.6
Since Inception (3/00)	2.4	1.4

**Recommendations**

No action required.

**INVESCO GLOBAL ASSET 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.

**J.P. MORGAN INVESTMENT MANAGEMENT INC.**  
**Periods Ending June, 2012**

**Portfolio Manager: James Fisher**

**Assets Under Management: \$223,622,522**

**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**

No comment at this time.

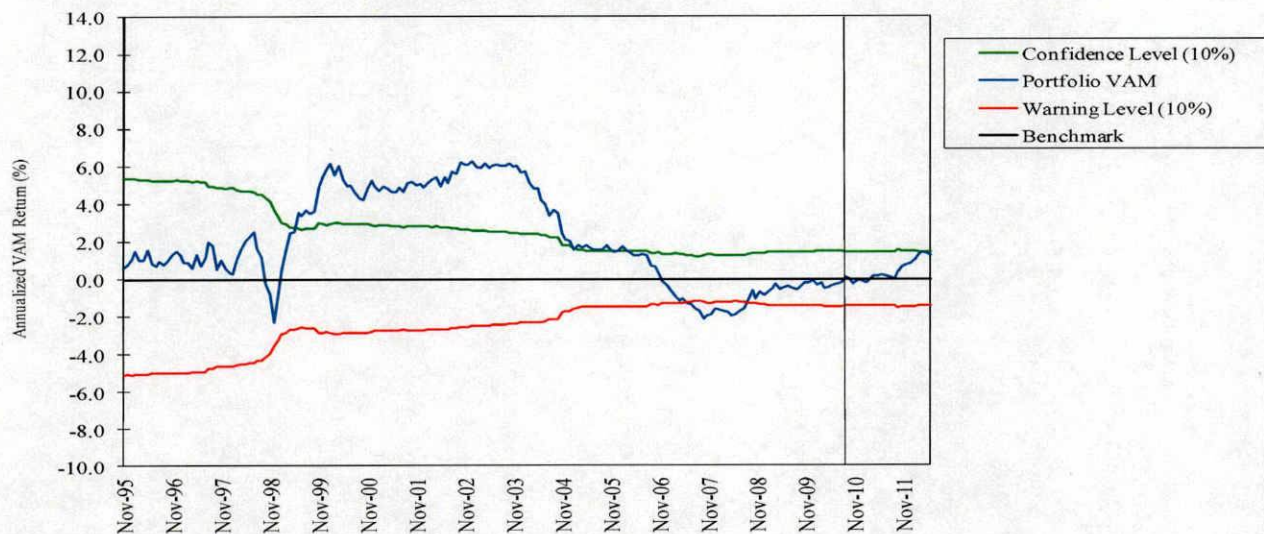
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-7.1%	-7.2%
Last 1 year	-12.7	-14.1
Last 2 years	7.4	5.8
Last 3 years	7.7	6.2
Last 4 years	-2.8	-4.9
Last 5 years	-4.4	-5.6
Since Inception (7/05)	2.9	2.7

**Recommendations**

No action required.

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





**MARATHON ASSET MANAGEMENT LLP**  
**Periods Ending June, 2012**

**Portfolio Manager:** William Arah

**Assets Under Management:** \$521,206,952

**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**

On July 18, 2012, Marathon announced the retirement, in December 2012, of Jeremy Hosking, one of the three founding partners of the firm. Jeremy has managed the Asia ex-Japan portion (less than 5%) of the state's portfolio. This will now be handled by other members of the global equity team at Marathon.

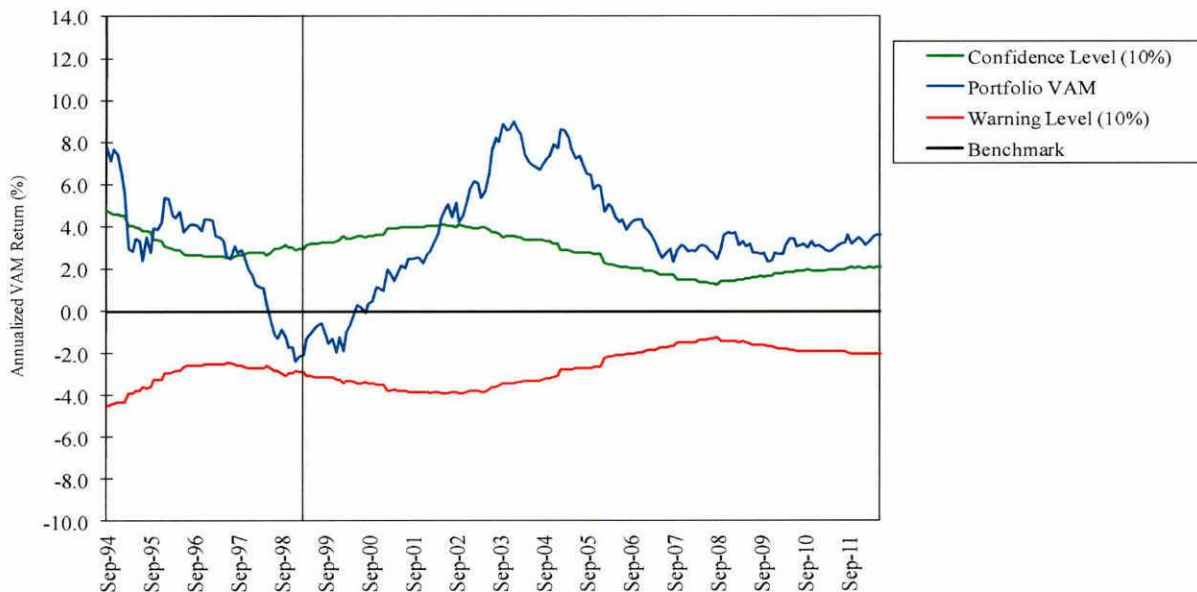
**Quantitative Evaluation**

	<b>Custom</b>	
	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-5.9%	-7.2%
Last 1 year	-10.2	-14.1
Last 2 years	7.7	5.8
Last 3 years	8.8	6.2
Last 4 years	-1.3	-4.9
Last 5 years	-2.3	-5.6
Since Inception (11/93)	7.7	4.3

**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 LLC**  
**Periods Ending June, 2012**

**Portfolio Manager:** Robert A. Gillam

**Assets Under Management:** \$214,927,063

**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**

No comment at this time.

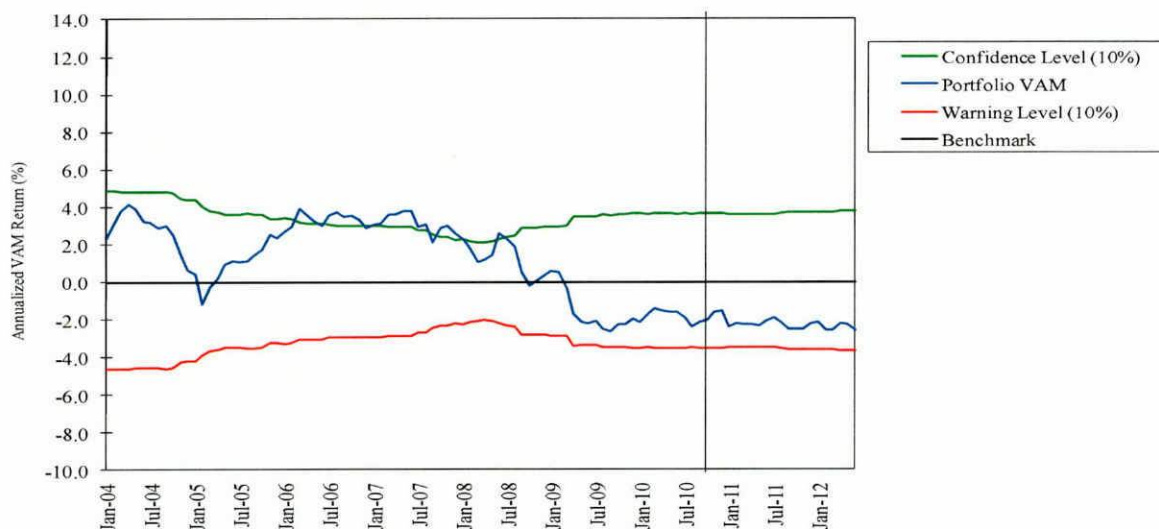
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-5.1%	-7.2%
Last 1 year	-13.6	-14.1
Last 2 years	6.3	5.8
Last 3 years	7.1	6.2
Last 4 years	-8.6	-4.9
Last 5 years	-8.0	-5.6
Since Inception (7/05)	1.7	2.7

**Recommendations**

No action required.

**MCKINLEY CAPITAL 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

**PYRAMIS GLOBAL ADVISORS TRUST COMPANY (Active)**  
**Periods Ending June, 2012**

**Portfolio Manager:** Michael Strong

**Assets Under Management:** \$249,110,209

**Investment Philosophy**

Pyramis' 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, Smithfield Rhode Island, and Toronto 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**

No comment at this time.

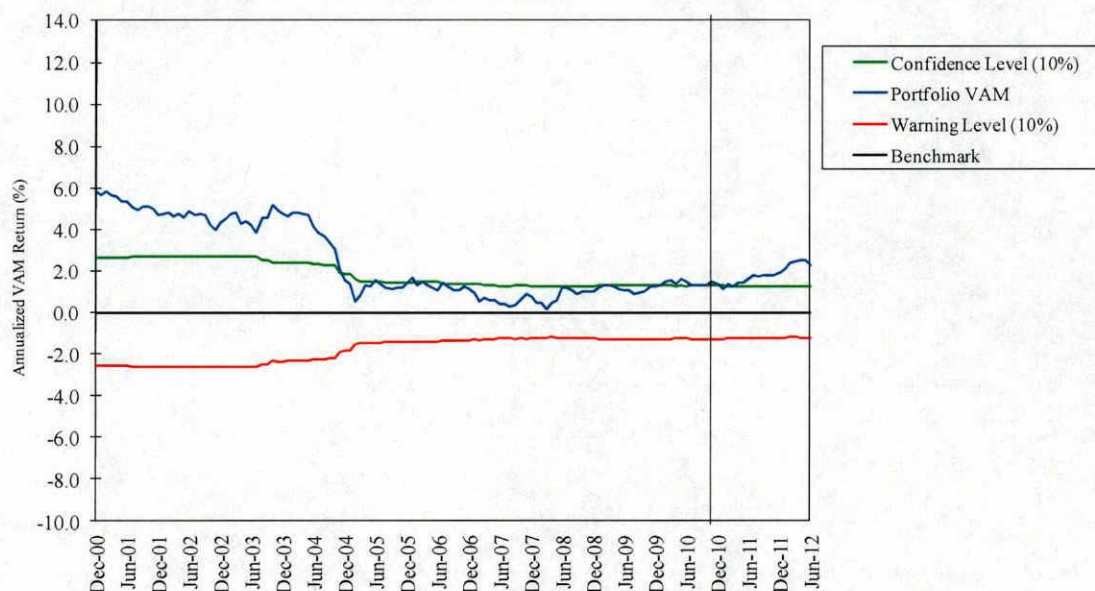
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-6.7%	-7.2%
Last 1 year	-12.3	-14.1
Last 2 years	7.5	5.8
Last 3 years	8.2	6.2
Last 4 years	-3.7	-4.9
Last 5 years	-3.5	-5.6
Since Inception (7/05)	4.3	2.7

**Recommendations**

No action required.

**PYRAMIS GLOBAL ADVISORS TRUST Co. - INTL GROWTH**  
**Rolling Five Rolling 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, 2012

Portfolio Manager: Victor Kohn

Assets Under Management: \$650,351,255

## 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 China and South Africa and in the materials, telecommunications and consumer sectors contributed to the portfolio's significant underperformance over the quarter and the year.

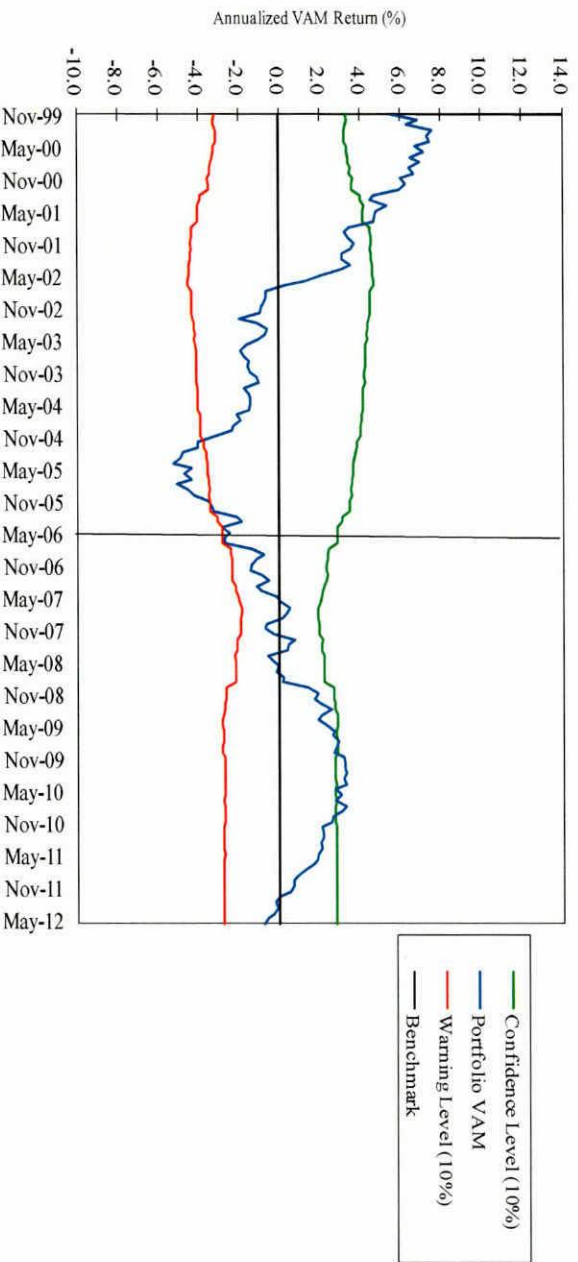
## Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-11.8%	-8.9%
Last 1 year	-22.7	-16.0
Last 2 years	-2.7	3.6
Last 3 years	5.5	9.8
Last 4 years	-1.7	-1.2
Last 5 years	-0.7	0.0
Since Inception (3/01)	9.7	11.2

## 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 INC.

Periods Ending June, 2012

Portfolio Manager: Ruchir Sharma

Assets Under Management: \$697,542,379

## 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

No comment at this time.

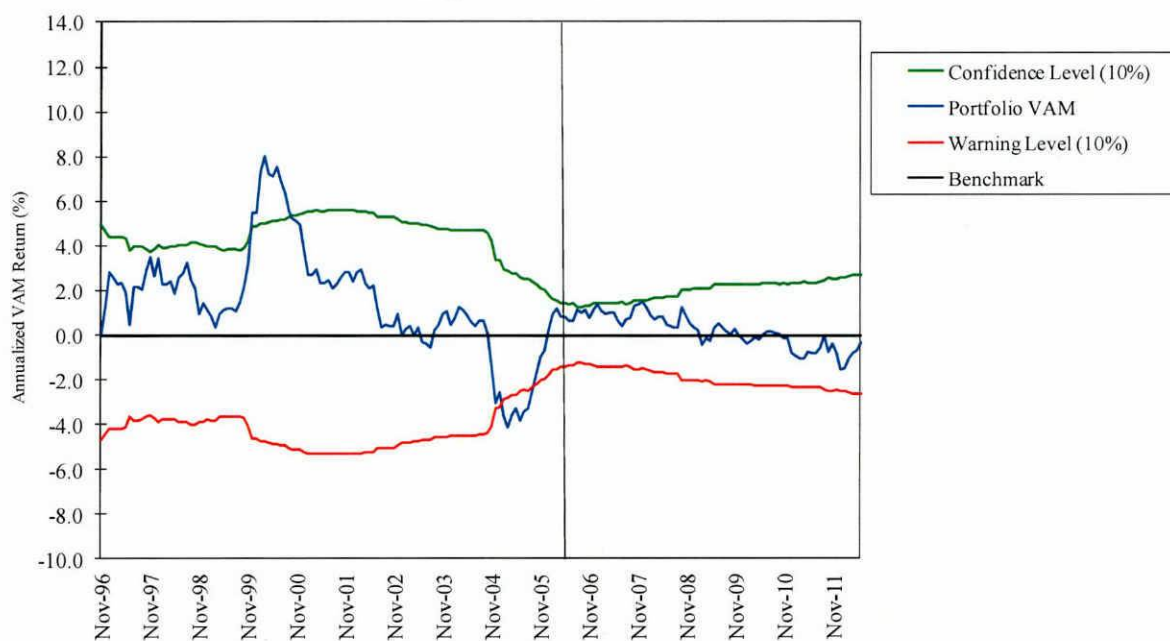
## Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-6.2%	-8.9%
Last 1 year	-11.7	-16.0
Last 2 years	5.1	3.6
Last 3 years	10.3	9.8
Last 4 years	-1.0	-1.2
Last 5 years	-0.3	0.0
Since Inception (3/01)	11.4	11.2

## Recommendations

No action required.

## MORGAN STANLEY INVESTMENT MANAGEMENT Rolling Five Year VAM



**AQR CAPITAL MANAGEMENT, LLC**  
**Periods Ending June, 2012**

**Portfolio Manager:** Cliff Asness

**Assets Under Management:** \$238,842,177

**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**

No comment at this time.

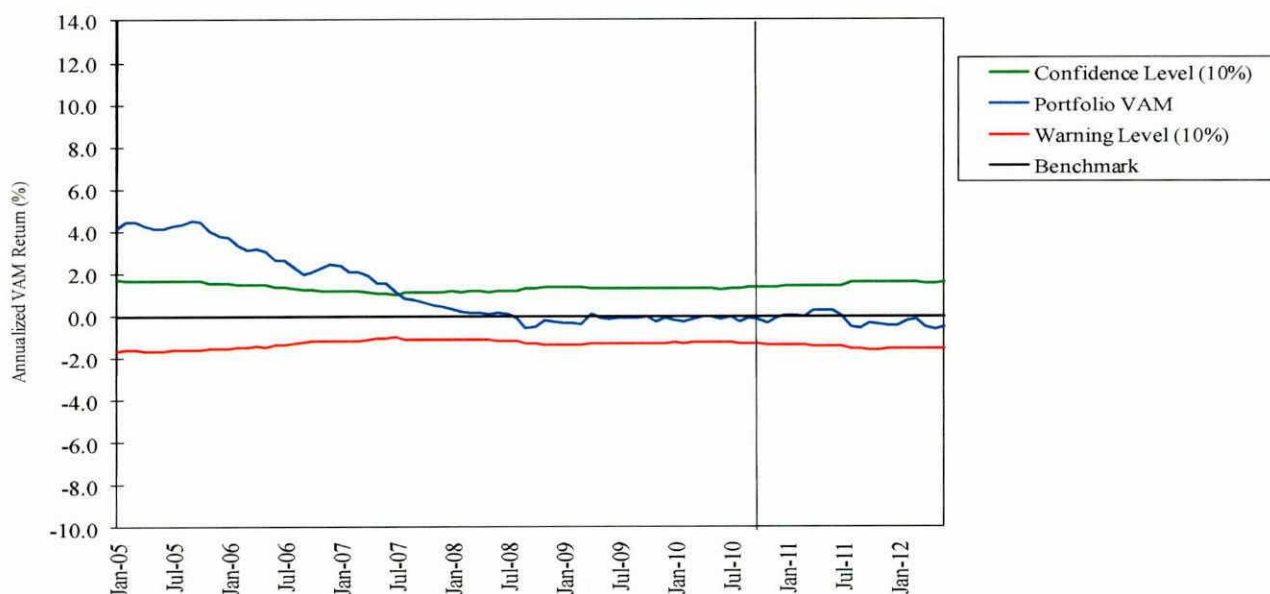
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-7.6%	-7.2%
Last 1 year	-16.8	-14.1
Last 2 years	5.6	5.8
Last 3 years	6.7	6.2
Last 4 years	-4.8	-4.9
Last 5 years	-6.1	-5.6
Since Inception (7/05)	2.6	2.7

**Recommendations**

No action required.

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



5 Year Period Ending

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

# **PYRAMIS GLOBAL ADVISORS TRUST COMPANY (Semi-Passive)**

**Periods Ending June, 2012**

**Portfolio Manager:** Cesar Hernandez

**Assets Under Management:** \$370,618,194

## **Investment Philosophy**

Pyramis' Select International strategy 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 and 325 holdings.

## **Staff Comments**

No comment at this time.

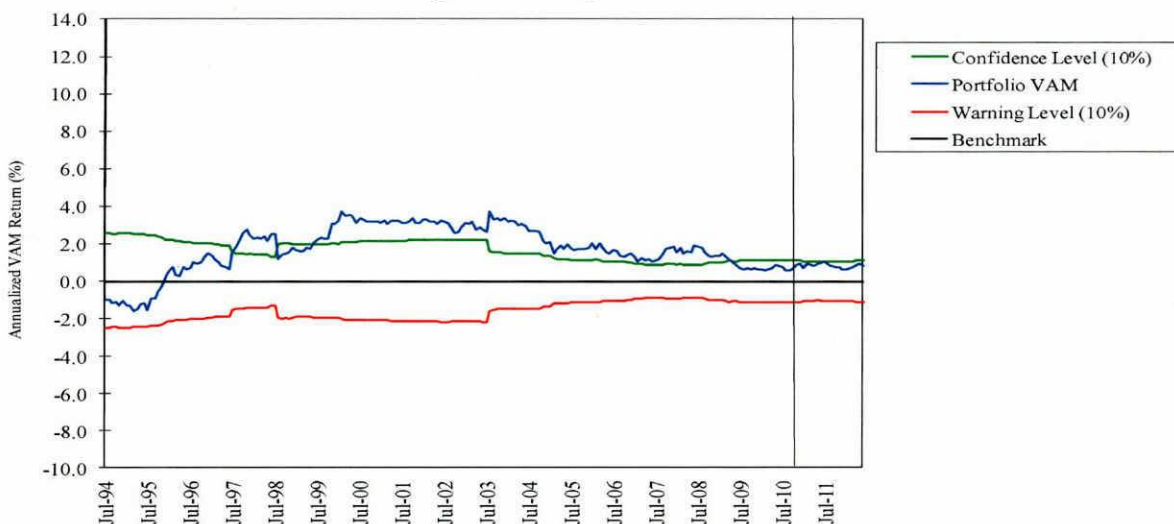
## **Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-6.3%	-7.2%
Last 1 year	-13.2	-14.1
Last 2 years	7.1	5.8
Last 3 years	7.2	6.2
Last 4 years	-5.2	-4.9
Last 5 years	-4.8	-5.6
Since Inception (7/05)	3.7	2.7

## **Recommendations**

No action required.

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



5 Year Period Ending

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



**STATE STREET GLOBAL ADVISORS (Semi-Passive)**  
**Periods Ending June, 2012**

**Portfolio Manager:** Didier Rosenfeld

**Assets Under Management:** \$218,725,101

**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 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 financials, industrials, energy and materials sectors contributed to the portfolio's significant underperformance over the quarter and the year.

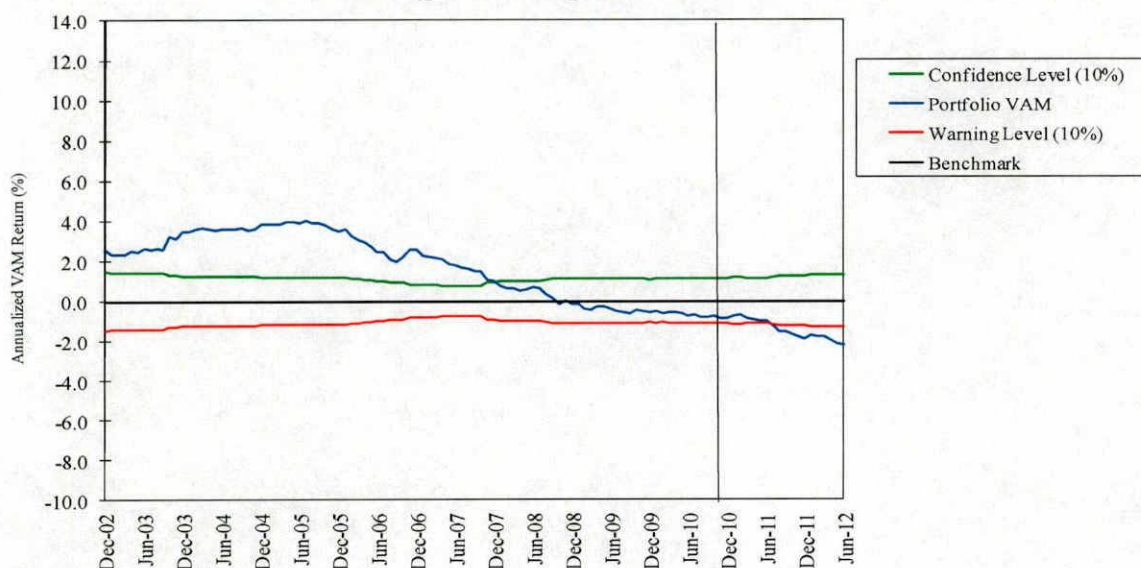
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-9.0%	-7.2%
Last 1 year	-19.1	-14.1
Last 2 years	2.9	5.8
Last 3 years	4.2	6.2
Last 4 years	-6.9	-4.9
Last 5 years	-7.7	-5.6
Since Inception (7/05)	1.4	2.7

**Recommendations**

No action required.

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



5 Year Period Ending

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

**STATE STREET GLOBAL ADVISORS (Passive Emerging Markets)**  
**Periods Ending June, 2012**

**Portfolio Manager: Tom Coleman**

**Assets Under Management: \$150,009,854**

**Investment Philosophy**

State Street Global Advisors passively manages the portfolio against the Morgan Stanley Capital International (MSCI) Emerging Markets index of 21 markets located in the emerging markets outside of the United States. SSgA fully replicates the index whenever possible because it results in lower turnover, higher tracking accuracy and lower market impact costs.

**Staff Comments**

The portfolio's positive tracking error is within expectation.

**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-8.5%	-8.9%
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 (12/11)	3.8	3.9

**Recommendation**

No action required.

**VAM Graph will be drawn for period ending 3/31/14.**

**STATE STREET GLOBAL ADVISORS (Passive Developed Markets)**  
**Periods Ending June, 2012**

**Portfolio Manager:** Lynn Blake

**Assets Under Management:** \$2,899,228,435

**Investment Philosophy**

State Street Global Advisors (SSgA) passively manages the portfolio against the Morgan Stanley Capital International (MSCI) World ex U.S. index of 23 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 positive tracking error is within expectation over all time periods.

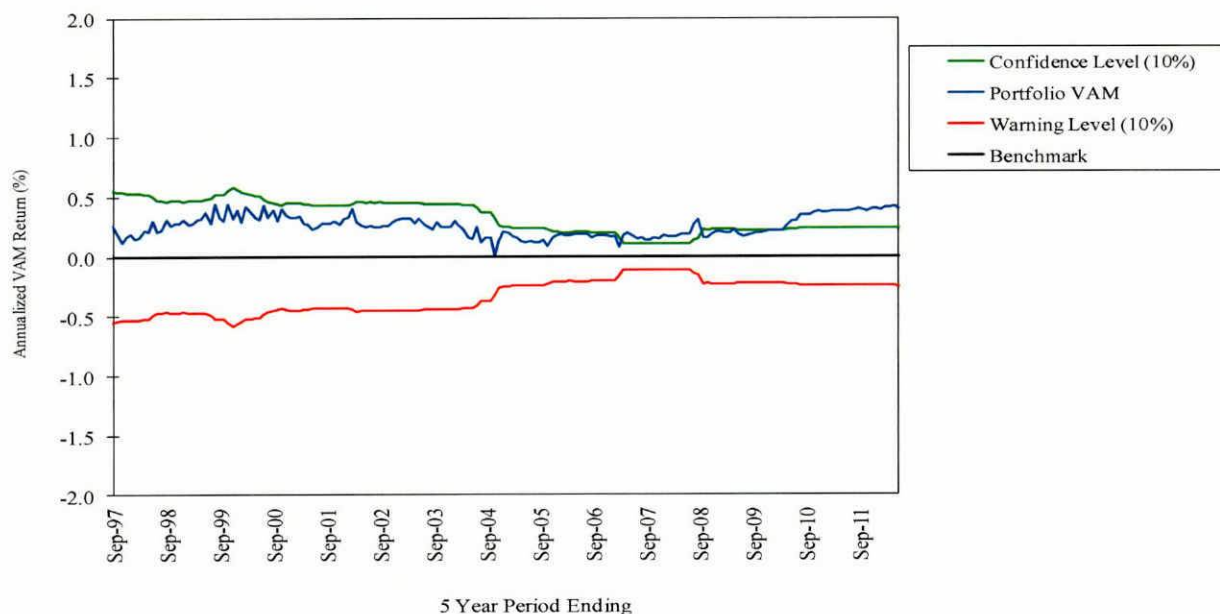
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-7.1%	-7.2%
Last 1 year	-13.9	-14.1
Last 2 years	6.2	5.8
Last 3 years	6.7	6.2
Last 4 years	-4.5	-4.9
Last 5 years	-5.2	-5.6
Since Inception (10/92)	5.7	5.4

**Recommendation**

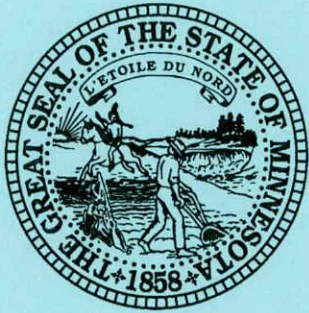
No action required.

**SSGA - PASSIVE DEVELOPED MARKETS**  
**Rolling Five Year VAM**





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# STATE BOARD OF INVESTMENT

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## Non-Retirement Manager Evaluation Reports

Second Quarter, 2012





## **Non-Retirement Managers**

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**NON - RETIREMENT MANAGERS**  
**Periods Ending June, 2012**

	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)	-4.5	-2.8	2.3	5.4	12.3	16.4	0.4	0.2	8.8	8.4	\$71.8
RBC Global Asset Management (2) (Barclays Capital Intermediate Government)	1.4	1.5	4.6	5.0	7.7	4.6	5.3	5.8	6.0	6.2	\$210.9
Galliard Capital Management (3 yr. Constant Maturity Treasury + 45 bp)	0.7	0.2	3.1	0.9	3.8	1.3	4.2	1.9	5.3	4.1	\$1,465.8
Internal Stock Pool (S&P 500 Index)	-2.8	-2.8	5.5	5.4	16.4	16.4	0.3	0.2	8.2	8.1	\$1,113.6
Internal Bond Pool - Income Share (Barclays Capital Aggregate) (3)	1.8	2.1	6.6	7.5	7.2	6.9	7.0	6.8	7.6	7.3	\$91.7
Internal Bond Pool - Trust (Barclays Capital Aggregate)	1.7	2.1	6.5	7.5	6.8	6.9	7.1	6.8	7.1	6.6	\$701.3

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

(2) Prior to July 2011, a blended benchmark consisting 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, and 10% ML 91 day T-Bill was utilized.

(3) Prior to July 1994, the benchmark was the Solomon BIG.

**NON - RETIREMENT MANAGERS**  
**Calendar Year Returns**

	2011		2010		2009		2008		2007	
	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk
	%	%	%	%	%	%	%	%	%	%
GE Asset Management (S&P 500 Index)	-2.2	2.1	10.7	15.1	32.3	26.5	-35.6	-37.0	8.5	5.5
RBC Global Asset Management (1) (Barclays Capital intermediate Government)	7.1	6.2	8.4	5.0	8.3	0.9	-2.4	9.5	5.8	7.9
Galliard Capital Management (3 yr. Constant Maturity Treasury + 45 bp)	3.4	1.2	4.1	1.5	4.7	1.9	4.7	2.6	4.8	4.7
Internal Stock Pool (S&P 500 Index)	2.2	2.1	15.1	15.1	26.3	26.5	-36.7	-37.0	5.5	5.5
Internal Bond Pool - Income Share (Barclays Capital Aggregate)	5.3	7.8	7.0	6.5	12.9	5.9	1.3	5.2	6.4	7.0
Internal Bond Pool - Trust (Barclays Capital Aggregate)	5.6	7.8	6.3	6.5	12.2	5.9	2.6	5.2	7.1	7.0

(1) Prior to July 2011, a blended benchmark consisting 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, and 10% ML 91 day T-Bill was utilized.



**GE ASSET MANAGEMENT INC. - Assigned Risk Plan**  
**Periods Ending June, 2012**

**Portfolio Manager: Dave Carlson**

**Assets Under Management: \$71,837,984**

**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.

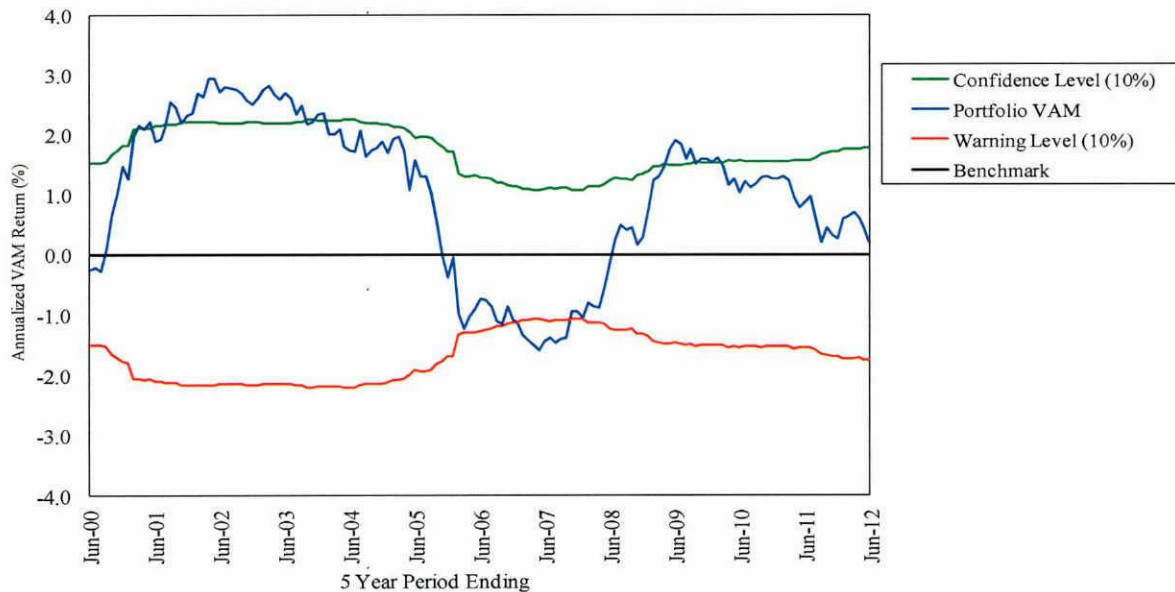
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-4.5%	-2.8%
Last 1 year	2.3	5.4
Last 2 years	14.2	17.4
Last 3 years	12.3	16.4
Last 4 years	2.7	3.9
Last 5 years	0.4	0.2
Since Inception (1/95)	8.8	8.4

**Recommendation**

No action required.

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



**RBC GLOBAL ASSET MANAGEMENT (U.S.) INC. - Assigned Risk Plan**  
**Periods Ending June, 2012**

**Portfolio Manager: John Huber**

**Assets Under Management: \$210,869,652**

**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**

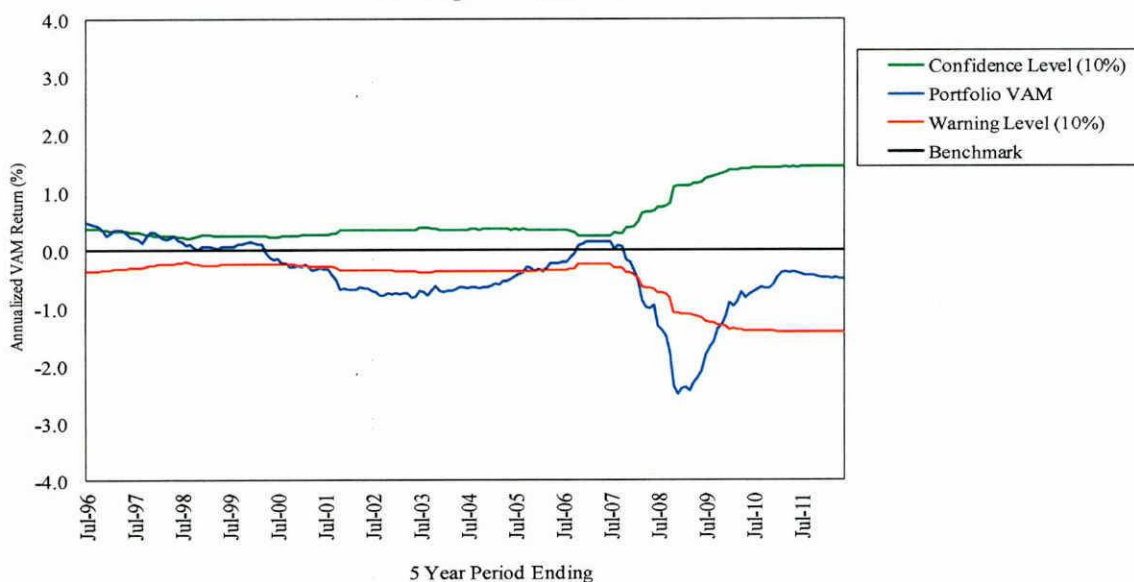
	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	1.4%	1.5%
Last 1 year	4.6	5.0
Last 2 years	5.0	3.9
Last 3 years	7.7	4.6
Last 4 years	6.0	5.1
Last 5 years	5.3	5.8
Since Inception (7/91)	6.0	6.2

**Recommendation**

No action required.

\* From 4/1/02-6/30/11, blended benchmark consisted 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. Effective 7/1/11, Barclays Capital Intermediate Government Index.

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



# GALLIARD CAPITAL MANAGEMENT, INC.

Periods Ending June, 2012

**Portfolio Manager:** Karl Tourville

**Assets Under Management:** \$1,465,835,003

## Investment Philosophy

Galliard Capital Management manages the Fixed Interest Account in the Supplemental Investment Fund. The stable value fund is managed to protect principal and provide competitive interest rates using instruments somewhat longer than typically found in money market-type accounts. The manager invests cash flows to optimize yields. The manager invests in high quality fixed income securities and investment contracts with U.S. and non-U.S. financial institutions. To maintain necessary liquidity, the manager invests a portion of the portfolio in its Stable Return Fund and in cash equivalents. The Stable Return Fund is a large, daily priced fund consisting of a wide range of stable value instruments that is available to retirement plans of all sizes.

## Staff Comments

No comment at this time.

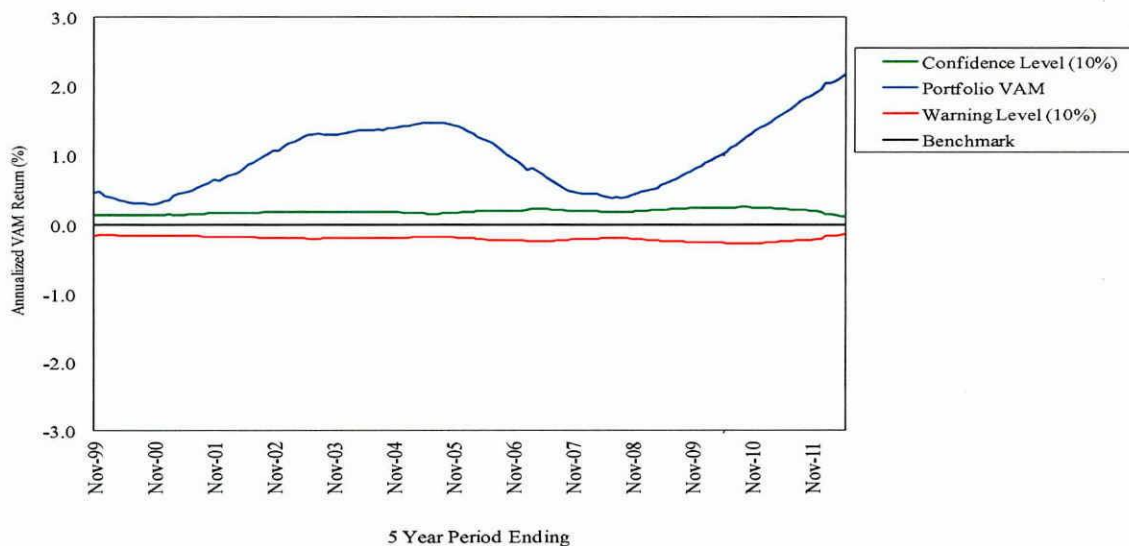
## Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.7%	0.2%
Last 1 year	3.1	0.9
Last 2 years	3.5	1.1
Last 3 years	3.8	1.3
Last 4 years	4.0	1.5
Last 5 years	4.2	1.9
Since Inception (11/94)	5.3	4.1

## Recommendation

No action required.

Galliard Capital Management  
Rolling Five Year VAM





**INTERNAL STOCK POOL - Trust/Non-Retirement Assets**  
**Periods Ending June, 2012**

**Portfolio Manager: Mike Menssen**

**Assets Under Management: \$1,113,623,980**

**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.

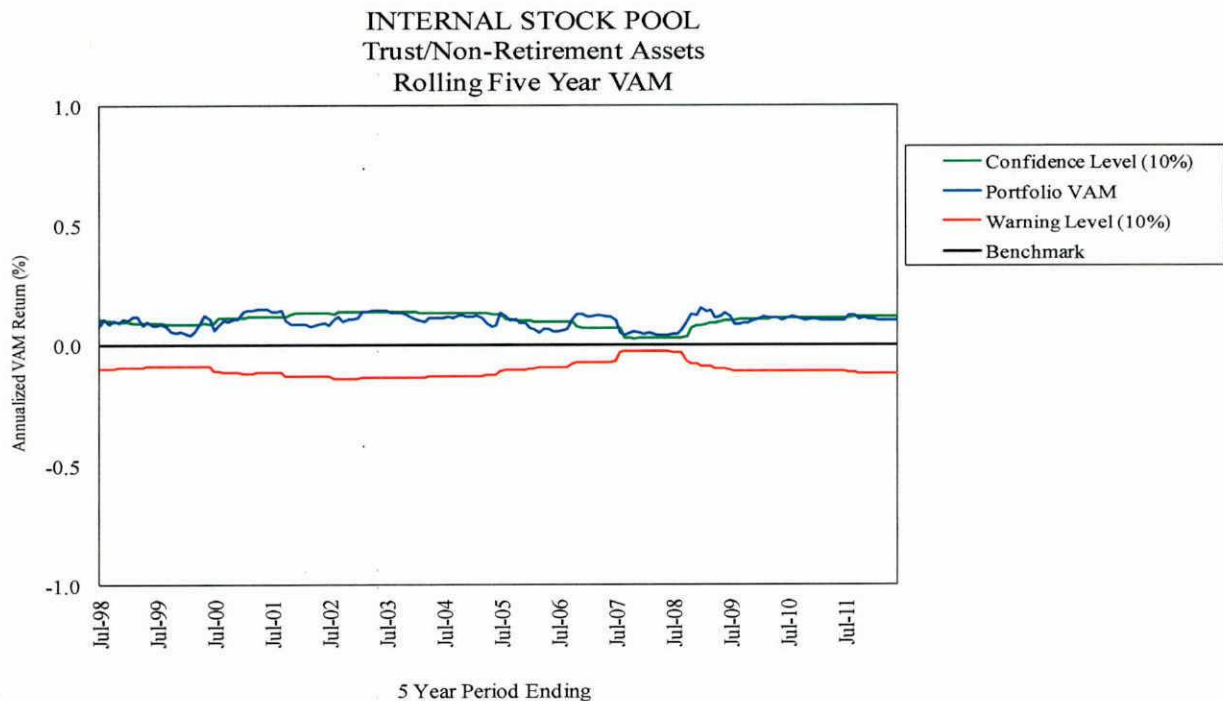
No comment at this time.

**Quantitative Evaluation**

**Recommendation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-2.8%	-2.8%
Last 1 year	5.5	5.4
Last 2 years	17.5	17.4
Last 3 years	16.4	16.4
Last 4 years	4.0	3.9
Last 5 years	0.3	0.2
Since Inception (7/93)	8.2	8.1

No action required.



**INTERNAL BOND POOL - Income Share Account**  
**Periods Ending June, 2012**

**Portfolio Manager: Mike Menssen**

**Assets Under Management: \$91,734,122**

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

The investment approach emphasizes sector and security selection. The approach utilizes sector trading and relative spread analysis of both sectors and individual issues. The portfolio weightings in mortgage and corporate securities are consistently equal to or greater than the market weightings. The portfolio duration remains close to the benchmark duration but may be shortened or lengthened depending on changes in the economic outlook.

**Staff Comments**

No comment at this time.

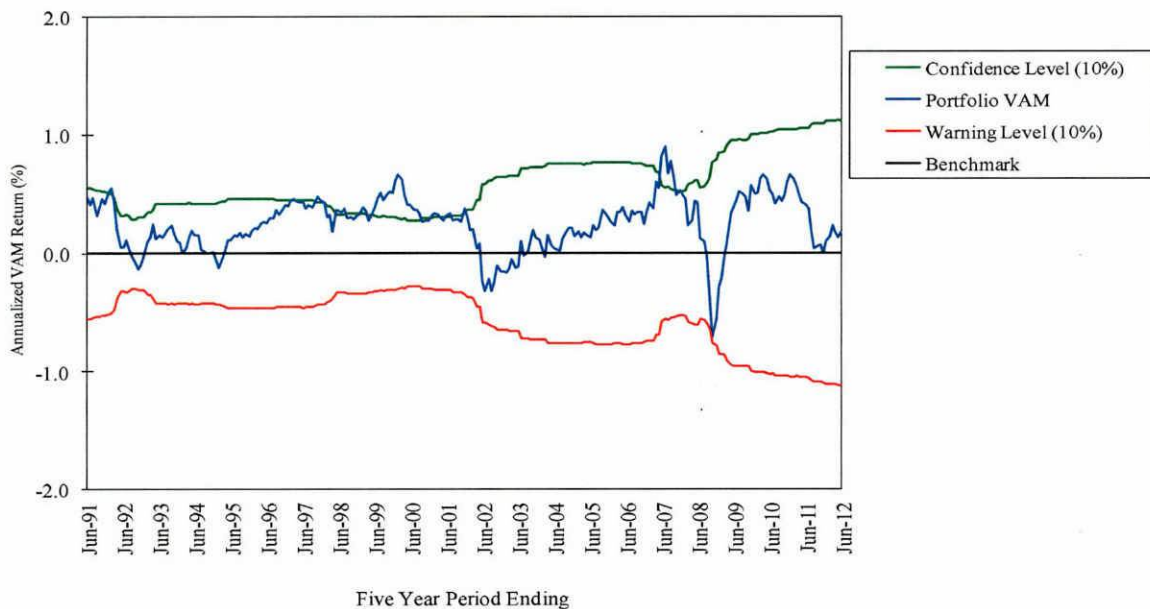
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	1.8%	2.1%
Last 1 year	6.6	7.5
Last 2 years	5.5	5.7
Last 3 years	7.2	6.9
Last 4 years	7.2	6.7
Last 5 years	7.0	6.8
Since Inception (7/86)	7.6	7.3

**Recommendation**

No action required.

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



**INTERNAL BOND POOL - Trust/Non-Retirement Assets**  
**Periods Ending June, 2012**

**Portfolio Manager: Mike Menssen**

**Assets Under Management: \$701,265,878**

**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.

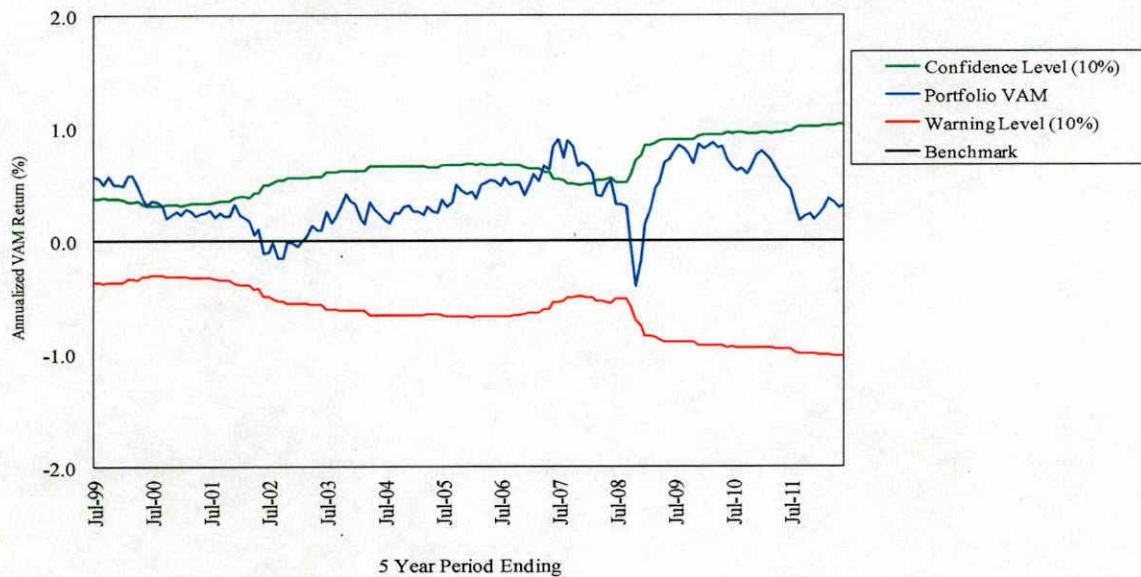
**Quantitative Evaluation**

**Recommendation**

	<b>Actual</b>	<b>Benchmark</b>	
Last Quarter	1.7%	2.1%	No action required.
Last 1 year	6.5	7.5	
Last 2 years	5.4	5.7	
Last 3 years	6.8	6.9	
Last 4 years	7.2	6.7	
Last 5 years	7.1	6.8	
Since Inception (7/94)*	7.1	6.6	

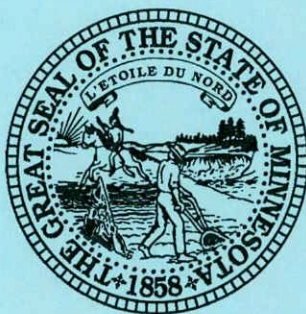
\* Date started managing the pool against the Barclays Capital Aggregate.

**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, 2012

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# Deferred Compensation Plan

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**MN STATE 457 DEFERRED COMPENSATION PLAN**  
**FUND OPTIONS (1)**  
**Periods Ending June, 2012**

	Quarter		1 Year		3 Years		5 Years		Since (2) Retention by SBI		State's Participation In Fund (\$ millions)
457 Mutual Funds	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	%	%	
<b>Large Cap Equity:</b>											
Janus Twenty (S&P 500)	-5.2	-2.8	3.4	5.4	10.1	16.4	2.5	0.2	1.6	1.8	\$391.2
Vanguard Institutional Index Plus (S&P 500)	-2.8	-2.8	5.4	5.4	16.4	16.4	0.3	0.2	1.8	1.8	\$593.4
<b>Mid Cap Equity:</b>											
Vanguard Mid-Cap Index (MSCI US Mid-Cap 450)	-5.5	-5.5	-2.8	-2.7	19.6	19.7	0.7	0.7	7.1	7.1	\$224.0
<b>Small Cap Equity:</b>											
T. Rowe Price Small-Cap Stock (Russell 2000)	-2.6	-3.5	1.7	-2.1	22.7	17.8	4.3	0.5	8.8	5.8	\$433.0
<b>Balanced:</b>											
Vanguard Balanced Index Inst. Fund (60% MSCI US Broad Market, 40% Barclays Capital Agg)	-1.0	-1.0	6.0	5.8	13.3	13.3	3.7	3.5	6.0	5.9	\$492.9
<b>Bond:</b>											
Dodge & Cox Income Fund (Barclays Capital Aggregate)	1.3	2.1	5.9	7.5	8.1	6.9	7.0	6.8	6.5	6.2	\$181.3
Vanguard Total Bond Market Index Inst. (Barclays Capital Aggregate)	2.2	2.1	7.6	7.5	6.9	6.9	6.9	6.8	5.5	5.5	\$180.8
<b>International:</b>											
Fidelity Diversified International (MSCI EAFE-Free)	-6.0	-7.1	-11.6	-13.8	6.8	6.0	-5.5	-6.1	5.6	2.3	\$206.4
Vanguard Total International Stock Index (ACWI ex US IMI) (3)	-7.5	-7.8	-14.6	-14.8	6.7	6.6	-4.9	-5.0	-14.6	-14.8	\$95.0

Numbers in blue include returns prior to retention by SBI.

Benchmarks for the Funds are noted in parentheses below the Fund names.

- (1) Money Market Account and Fixed Interest Accounts are also offered in the Supplemental Investment Fund, which is described within Tab A. Performance for these accounts is reported under the Deferred Compensation Plan accounts within Tab A.
- (2) Vanguard Total International retained July 2011; Vanguard Mid-Cap Index Fund retained January 2004; Vanguard Balanced, Vanguard Total Bond Mkt. retained December 2003; all others, July 1999.
- (3) Benchmark is the MSCI ACWI ex US IMI beginning December 2010; MSCI EAFE and Emerging Markets Index beginning August 2006. Prior to that date it was the total International Composite Index, which is the MSCI EAFE Index and the Select Emerging Markets Free Index.

**MN STATE 457 DEFERRED COMPENSATION PLAN**  
**FUND OPTIONS**  
**Periods Ending June, 2012**

SSgA Target Retirement Funds	Quarter		1 Year		3 Years		5 Years		Since Retention by the SBI*		State Participation in Fund (\$ millions)
	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk	
	%	%	%	%	%	%	%	%	%	%	
Income Fund	0.2	0.2	5.6	5.7	9.8	10.2	4.5	4.6	5.6	5.7	\$10.6
2015 Fund	0.7	0.7	8.4	8.5	12.6	12.8	4.7	4.5	8.4	8.5	\$16.0
2020 Fund	0.7	0.7	9.4	9.6	14.3	14.5	4.2	3.9	9.4	9.6	\$16.9
2025 Fund	-0.3	-0.3	8.1	8.2	14.8	15.0	3.6	3.3	8.1	8.2	\$9.8
2030 Fund	-0.8	-0.9	7.1	7.2	15.1	15.3	2.9	2.6	7.1	7.2	\$6.9
2035 Fund	-1.4	-1.5	5.8	5.8	15.3	15.5	2.2	1.9	5.8	5.8	\$3.8
2040 Fund	-2.2	-2.3	3.5	3.6	15.0	15.2	1.3	1.1	3.5	3.6	\$2.3
2045 Fund	-2.9	-3.0	1.9	1.9	14.6	14.8	1.1	0.9	1.9	1.9	\$1.5
2050 Fund	-2.9	-3.0	2.0	1.9	14.6	14.8	1.1	0.9	2.0	1.9	\$0.6
2055 Fund	-2.9	-3.0	2.0	1.9	14.6	14.8			2.0	1.9	\$0.3
2060 Fund	-2.8	-3.0	2.0	1.9					2.0	1.9	\$0.4

Note: Each Fund benchmark is the aggregate of the returns of the Fund's underlying index funds weighted by the Fund's asset allocation.  
The underlying index funds are listed below.

SSgA Index Funds	Quarter		1 Year		3 Years		5 Years			
	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk		
	%	%	%	%	%	%	%	%		
S&P 500 Index Fund (S&P 500)	-2.7	-2.8	5.5	5.4	16.4	16.4	0.3	0.2	5.5	5.4
S&P Mid Cap Index Fund (S&P 400)	-4.9	-4.9	-2.3	-2.3	19.3	19.4	2.6	2.6	-2.3	-2.3
Russell Small Cap Index Fund (Russell 2000)	-3.5	-3.5	-2.1	-2.1	17.7	17.8	0.5	0.5	-2.1	-2.1
Global All Cap Equity ex US Index Fund (MSCI ACWI ex U.S. IMI)	-7.2	-7.8	-14.1	-14.8					-14.1	-14.8
Global Real Estate Securities Index Fund (FTSE EPRA/NAREIT Dev Liquid)	2.4	1.8	3.1	1.9					3.1	1.9
Long Government Bond Index Fund (Barclays Capital Long Government)	10.3	10.3	31.3	31.4	13.5	13.5	11.9	11.9	31.3	31.4
Bond Index Fund (Barclays Capital Aggregate)	2.1	2.1	7.5	7.5	7.0	6.9	7.0	6.8	7.5	7.5
Inflation Protection Bond Index Fund (Barclays Capital U.S. TIPS)	3.1	3.2	11.6	11.7	9.6	9.6	8.4	8.4	11.6	11.7
High Yield Bond Index Fund (Barclays Capital U.S. High Yield Very Liquid)	1.2	1.5	7.5	8.0					7.5	8.0
U.S. Short-Term Govt/Credit Index Fund (Barclays Capital 1-3 Yr Govt/Credit)	0.2	0.2	3.8	1.1					3.8	1.1

Numbers in blue include returns prior to retention by SBI.  
Benchmarks for the Funds are noted in parenthesis below the Fund names.  
\*Target Retirement Funds inception date is July 2011.



**MN STATE 457 DEFERRED COMPENSATION PLAN**  
**FUND OPTIONS (1)**  
**Calendar Year Returns**

	2011		2010		2009		2008		2007	
<b>457 Mutual Funds</b>	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk
	%	%	%	%	%	%	%	%	%	%
<b>Large Cap Equity:</b>										
Janus Twenty (S&P 500)	-8.2	2.1	7.0	15.1	43.3	26.5	-42.0	-37.0	35.9	5.5
Vanguard Institutional Index Plus (S&P 500)	2.1	2.1	15.1	15.1	26.7	26.5	-36.9	-37.0	5.5	5.5
<b>Mid Cap Equity:</b>										
Vanguard Mid-Cap Index (MSCI US Mid-Cap 450)	-2.0	-1.9	25.7	25.7	40.5	40.5	-41.8	-41.8	6.2	6.2
<b>Small Cap Equity:</b>										
T. Rowe Price Small-Cap Stock (Russell 2000)	-0.1	-4.2	32.5	26.9	38.5	27.2	-33.4	-33.8	-1.7	-1.6
<b>Balanced:</b>										
Vanguard Balanced Index Inst. Fund (60% MSCI US Broad Market, 40% Barclays Capital Agg)	4.3	4.1	13.3	13.5	20.2	19.7	-22.1	-22.4	6.3	6.3
<b>Bond:</b>										
Dodge & Cox Income Fund (Barclays Capital Aggregate)	4.8	7.8	7.2	6.5	16.1	5.9	-0.3	5.2	4.7	7.0
Vanguard Total Bond Market Index Inst. (Barclays Capital Aggregate)	7.7	7.8	6.6	6.5	6.1	5.9	5.2	5.2	7.0	7.0
<b>International:</b>										
Fidelity Diversified International (MSCI EAFE-Free)	-13.8	-12.1	9.7	7.7	31.8	31.8	-45.2	-43.4	16.0	11.2
Vanguard Total International Stock Index (ACWI ex US IMI) (2)	-14.6	-14.3	11.1	10.7	36.7	40.4	-44.1	-45.5	15.5	15.9

Numbers in blue include returns prior to retention by SBI.

Benchmarks for the Funds are noted in parentheses below the Fund names.

- (1) Money Market Account and Fixed Interest Accounts are also offered in the Supplemental Investment Fund, which is described within Tab A. Performance for these accounts are reported under the Deferred Compensation Plan accounts within Tab A.
- (2) Benchmark is the MSCI ACWI ex US IMI beginning December 2010; MSCI EAFE and Emerging Markets Index beginning August 2006. Prior to that date it was the total International Composite Index, which is the MSCI EAFE Index and the Select Emerging Markets Free Index.

**MN STATE 457 DEFERRED COMPENSATION PLAN**  
**FUND OPTIONS**  
**Calendar Year Returns**

SSgA Target Retirement Funds	2011		2010		2009		2008		2007	
	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk
	%	%	%	%	%	%	%	%	%	%
Income Fund	4.6	4.8	9.6	10.1	14.8	15.0	-12.9	-13.2	6.4	6.7
2015 Fund	6.9	7.1	12.1	12.5	15.3	14.4	-16.7	-17.6	6.9	7.2
2020 Fund	7.3	7.4	13.6	13.9	18.3	17.5	-22.2	-23.1	7.2	7.4
2025 Fund	5.9	6.0	14.6	14.7	20.3	19.6	-25.2	-26.1	7.6	7.7
2030 Fund	4.9	5.0	15.1	15.3	21.9	21.4	-28.1	-29.0	7.7	7.8
2035 Fund	3.5	3.6	15.7	15.8	24.3	23.9	-30.9	-31.6	7.8	7.9
2040 Fund	1.5	1.6	15.9	16.1	26.7	26.5	-33.6	-34.1	7.8	7.9
2045 Fund	0.0	0.1	16.2	16.2	27.2	27.0	-33.7	-34.1	8.1	8.2
2050 Fund	0.1	0.1	16.1	16.2	27.2	27.0	-33.5	-34.1	8.5	8.5
2055 Fund	0.1	0.1	16.1	16.2	27.2	27.0	-33.5	-34.1		
2060 Fund										

Note: Each Fund benchmark is the aggregate of the returns of the Fund's underlying index funds weighted by the Fund's asset allocation.  
The underlying index funds are listed below.

SSgA Index Funds	2011		2010		2009		2008		2007	
	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk
	%	%	%	%	%	%	%	%	%	%
S&P 500 Index Fund (S&P 500)	2.1	2.1	15.1	15.1	26.7	26.5	-36.9	-37.0	5.5	5.5
S&P Mid Cap Index Fund (S&P 400)	-1.7	-1.7	26.6	26.6	37.3	37.4	-36.1	-36.2	8.0	8.0
Russell Small Cap Index Fund (Russell 2000)	-4.1	-4.2	26.7	26.9	26.8	27.2	-33.6	-33.8	-1.7	-1.6
Global All Cap Equity ex U.S. Index Fund (MSCI ACWI ex U.S. IMI)										
Global Real Estate Securities Index Fund (FTSE EPRA/NAREIT Dev Liquid)	-5.4	-5.8	19.1	18.4						
Long Government Bond Index Fund (Barclays Capital Long Government)	29.2	29.1	9.5	9.4	-12.2	-12.2	22.6	22.7	9.6	9.6
Bond Index Fund (Barclays Capital Aggregate)	7.8	7.8	6.6	6.5	6.4	5.9	5.6	5.2	7.0	7.0
Inflation Protection Bond Index Fund (Barclays Capital U.S. TIPS)	13.5	13.6	6.2	6.3	11.3	11.4	-2.4	-2.4	11.6	11.6
High Yield Bond Index Fund (Barclays Capital U.S. High Yield Very Liquid)	5.7	6.1	12.5	15.1						
U.S. Short-Term Govt/Credit Bond Index Fund (Barclays Capital 1-3 Yr Govt/Credit)	1.5	1.6	2.4	2.8						

Numbers in blue include returns prior to retention by SBI.

Benchmarks for the Funds are noted in parenthesis below the Fund names.

**MN STATE 457 DEFERRED COMPENSATION PLAN**  
**LARGE CAP EQUITY – JANUS TWENTY**  
**Periods Ending June, 2012**

**Portfolio Manager: Ron Sachs**

**State's Participation in Fund: \$391,213,741**  
**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	-5.2%	-2.8%
Last 1 year	3.4	5.4
Last 2 years	12.5	17.4
Last 3 years	10.1	16.4
Last 4 years	-2.2	3.9
Last 5 years	2.5	0.2
Since Retention by SBI (7/99)	1.6	1.8

**Recommendation**

No action required.

\*Benchmark is the S&P 500.

**LARGE CAP EQUITY - JANUS TWENTY**  
**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, 2012**

**Portfolio Manager: Mike Buck**

**State's Participation in Fund: \$593,419,937**  
**Total Assets in Fund: \$45,041,000,000**

**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**

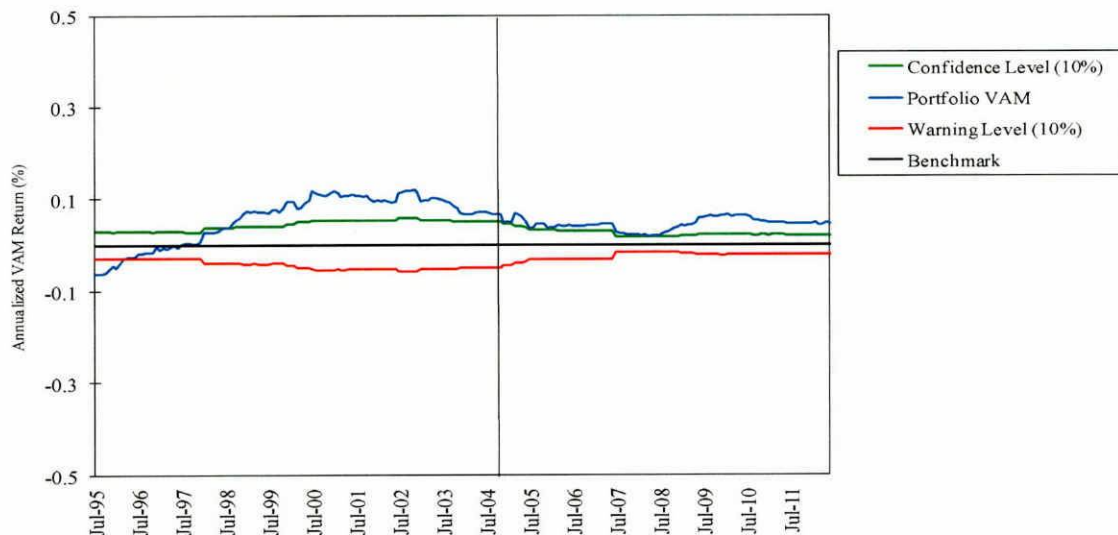
	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	-2.8%	-2.8%
Last 1 year	5.4	5.4
Last 2 years	17.4	17.4
Last 3 years	16.4	16.4
Last 4 years	3.9	3.9
Last 5 years	0.3	0.2
Since Retention by SBI (7/99)	1.8	1.8

**Recommendation**

No action required.

\*Benchmark is the S&P 500.

**EQUITY INDEX - VANGUARD INSTITUTIONAL INDEX PLUS**  
**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  
MID CAP EQUITY – VANGUARD MID-CAP INDEX  
Periods Ending June, 2012**

**Portfolio Manager: Donald Butler**

**State's Participation in Fund: \$224,041,601  
Total Assets in Fund: \$6,342,000,000**

**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**

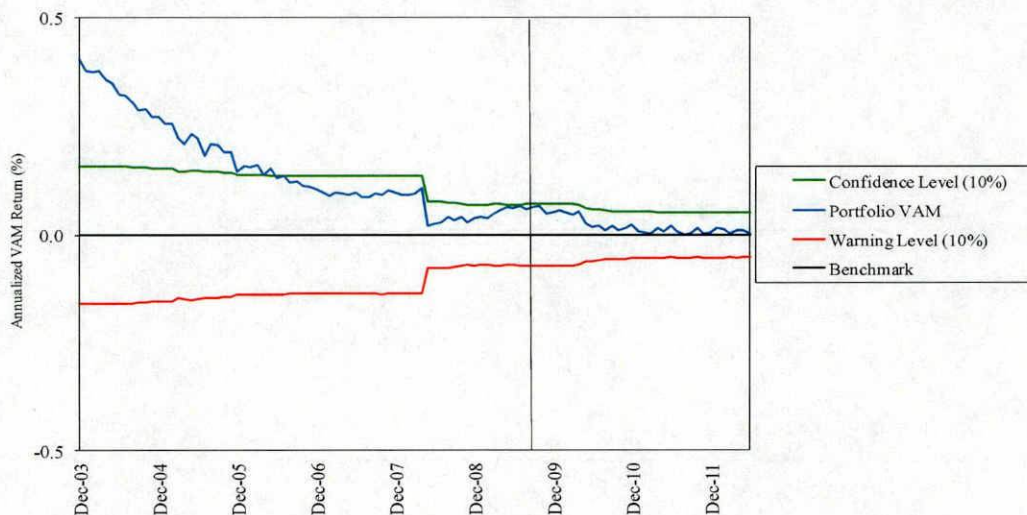
	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	-5.5%	-5.5%
Last 1 year	-2.8	-2.7
Last 2 years	16.1	16.2
Last 3 years	19.6	19.7
Last 4 years	4.1	4.1
Last 5 years	0.7	0.7
Since Retention by SBI (1/04)	7.1	7.1

**Recommendation**

No action required.

\*Benchmark is the MSCI US Mid Cap 450.

**MID CAP EQUITY - VANGUARD MID-CAP INDEX  
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**  
**SMALL CAP EQUITY – T. ROWE PRICE SMALL CAP STOCK FUND**  
**Periods Ending June, 2012**

<b>Portfolio Manager:</b> Gregory A. McCrickard	<b>State's Participation in Fund:</b> \$433,012,955 <b>Total Assets in Fund:</b> \$6,830,600,000
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**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 of small companies in the Russell 2000 or S&P Small-Cap 600. 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.

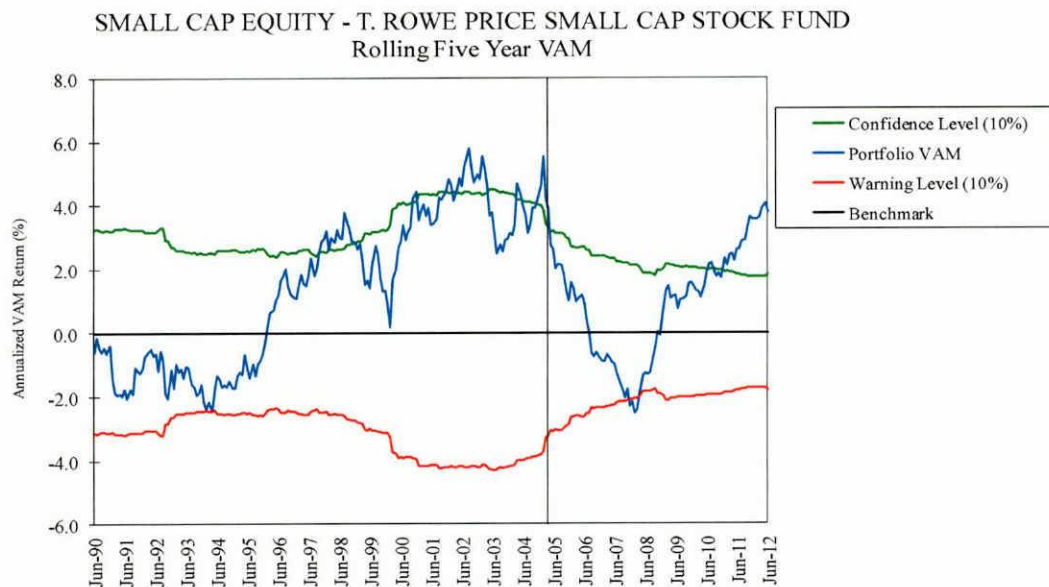
No comment at this time.

**Quantitative Evaluation**

**Recommendation**

	Actual	Benchmark*	
Last Quarter	-2.6%	-3.5%	No action required.
Last 1 year	1.7	-2.1	
Last 2 years	21.0	16.0	
Last 3 years	22.7	17.8	
Last 4 years	10.7	5.2	
Last 5 years	4.3	0.5	
Since Retention by SBI (7/99)	8.8	5.8	

\*Benchmark is the Russell 2000.



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, 2012**

<b>Portfolio Manager: Michael Perre</b>	<b>State's Participation in Fund: \$492,943,182</b> <b>Total Assets in Fund: \$5,241,000,000</b>
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**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.

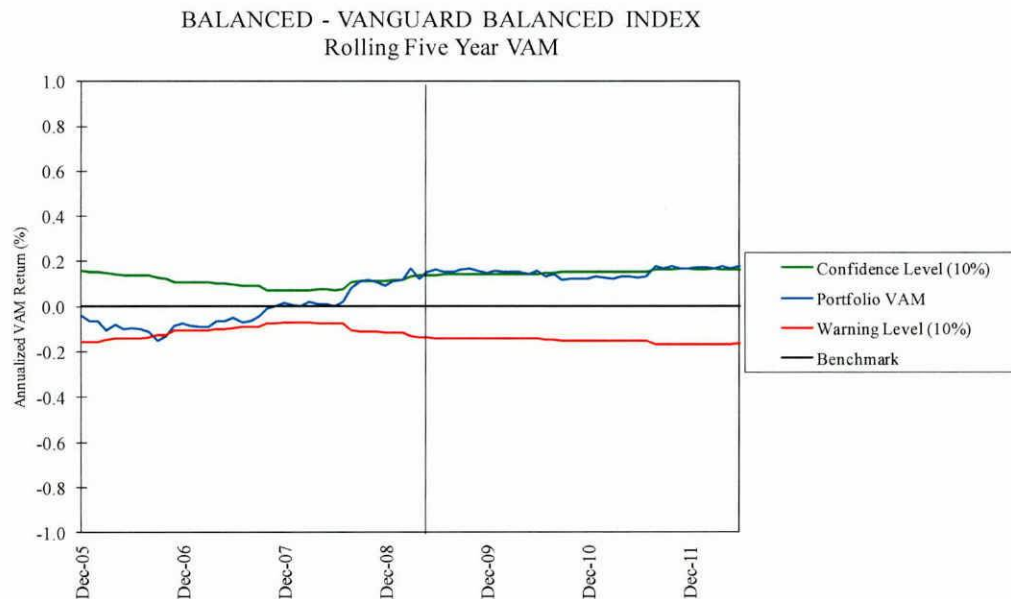
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	-1.0%	-1.0%
Last 1 year	6.0	5.8
Last 2 years	13.0	13.0
Last 3 years	13.3	13.3
Last 4 years	5.9	5.7
Last 5 years	3.7	3.5
Since Retention by SBI (12/03)	6.0	5.9

**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.



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**  
**BOND – DODGE & COX INCOME FUND**  
**Periods Ending June, 2012**

**Portfolio Manager:** Dana Emery

**State's Participation in Fund:** \$181,282,345  
**Total Assets in Fund:** \$24,848,806,106

**Investment Philosophy**  
**Dodge & Cox Income Fund**

**Staff Comments**

The objective of this fund is a high and stable rate of current income with capital appreciation being a secondary consideration. This portfolio is invested primarily in intermediate term, investment-grade quality corporate and mortgage bonds and, to a lesser extent, government issues. While the fund invests primarily in the U.S. bond market, it may invest a small portion of assets in dollar-denominated foreign securities. The duration of the portfolio is kept near that of the bond market as a whole.

No comment at this time.

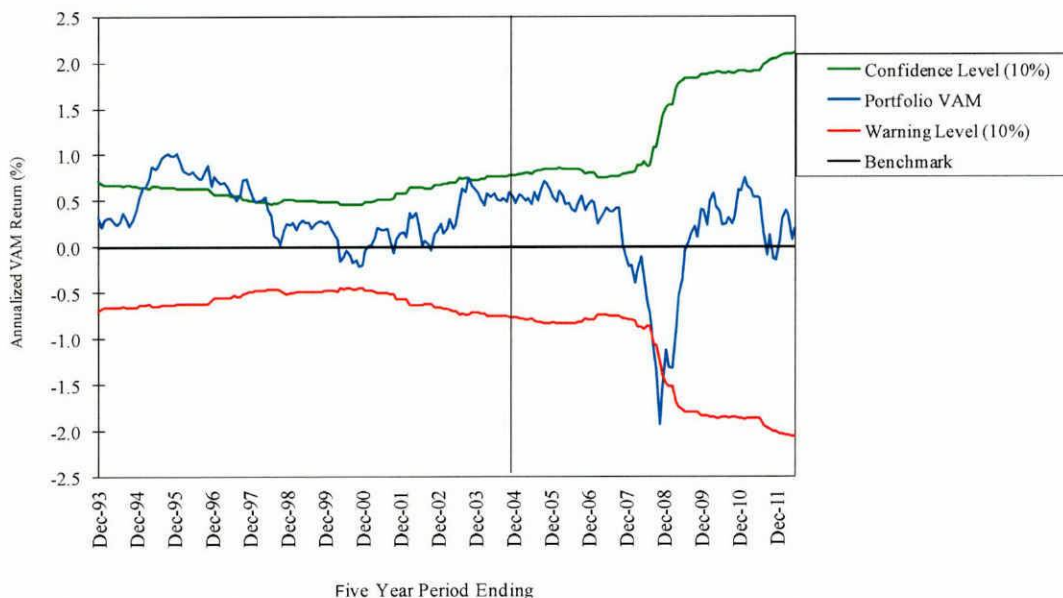
**Quantitative Evaluation**

**Recommendation**

	<b>Actual</b>	<b>Benchmark*</b>	No action required.
Last Quarter	1.3%	2.1%	
Last 1 year	5.9	7.5	
Last 2 years	6.0	5.7	
Last 3 years	8.1	6.9	
Last 4 years	7.8	6.7	
Last 5 years	7.0	6.8	
Since Retention By SBI (7/99)	6.5	6.2	

\*Benchmark is the Barclays Capital Aggregate.

**BOND - DODGE & COX INCOME FUND**  
**Rolling Five Year VAM**



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

**MN STATE 457 DEFERRED COMPENSATION PLAN**  
**BOND – VANGUARD TOTAL BOND MARKET INDEX INSTITUTIONAL**  
**Periods Ending June, 2012**

**Portfolio Manager: Kenneth Volpert**

**State's Participation in Fund: \$180,796,096**  
**Total Assets in Fund: \$23,308,000,000**

**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 7,800 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.

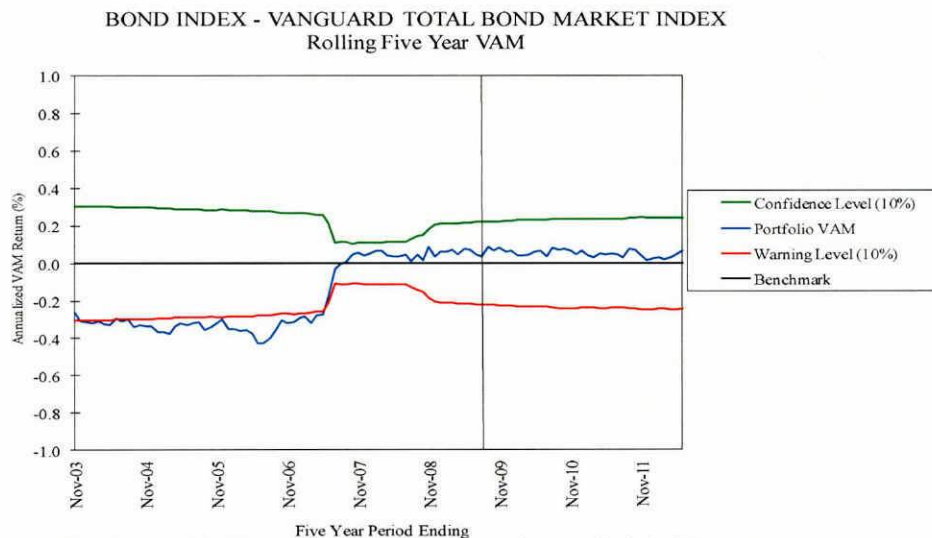
**Quantitative Evaluation**

**Recommendation**

	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	2.2%	2.1%
Last 1 year	7.6	7.5
Last 2 years	5.6	5.7
Last 3 years	6.9	6.9
Last 4 years	6.7	6.7
Last 5 years	6.9	6.8
Since Retention by SBI (12/03)	5.5	5.5

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  
INTERNATIONAL – FIDELITY DIVERSIFIED INTERNATIONAL  
Periods Ending June, 2012**

**Portfolio Manager: William Bower**

**State's Participation in Fund: \$206,412,862  
Total Assets in Fund: \$13,233,560,000**

**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 manager uses fundamental analysis of companies supplemented by relevant economic and regulatory factors and computer-aided quantitative analysis. The manager rarely invests in currency to protect the account from exchange fluctuations.

**Staff Comments**

No comment at this time.

**Quantitative Evaluation**

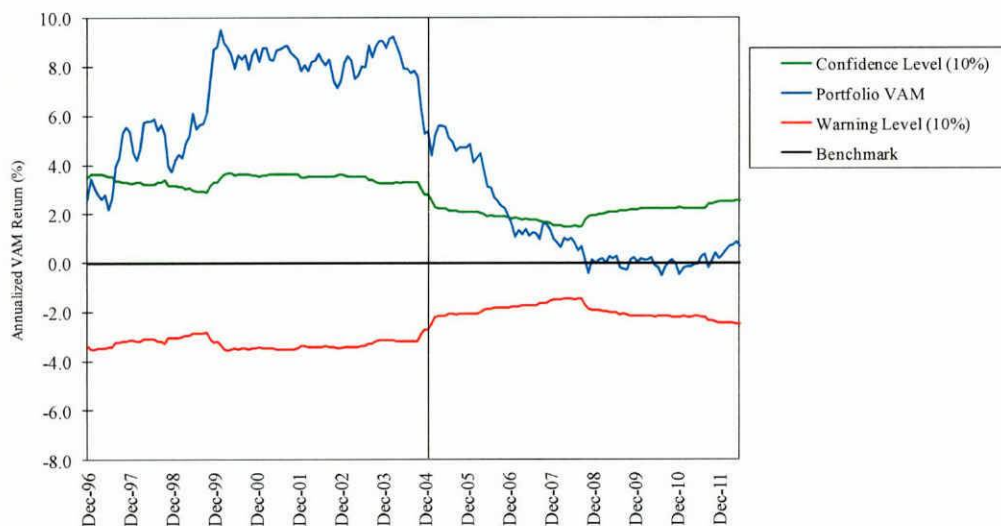
	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	-6.0%	-7.1%
Last 1 year	-11.6	-13.8
Last 2 years	7.4	6.0
Last 3 years	6.8	6.0
Last 4 years	-5.4	-4.9
Last 5 years	-5.5	-6.1
Since Retention By SBI (7/99)	5.6	2.3

**Recommendation**

No action required.

\*Benchmark is the MSCI EAFE-Free.

INTERNATIONAL - FIDELITY DIVERSIFIED INTERNATIONAL  
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**  
**INTERNATIONAL – VANGUARD TOTAL INTERNATIONAL STOCK INDEX**  
**Periods Ending June, 2012**

**Portfolio Manager: Michael Perre**

**State's Participation in Fund: \$94,994,076**  
**Total Assets in Fund: \$11,918,000,000**

**Investment Philosophy**  
**Vanguard Total International Stock Index**

**Staff Comments**

The fund seeks to track the performance of the MSCI All Country World ex USA Investable Market Index, an index designed to measure equity market performance in developed and emerging markets, excluding the United States. The fund assets are invested in the small, mid, and large cap common stocks included in the target index. The fund assets are allocated based on each region's weighting in the index.

No comment at this time.

**Quantitative Evaluation**

**Recommendation**

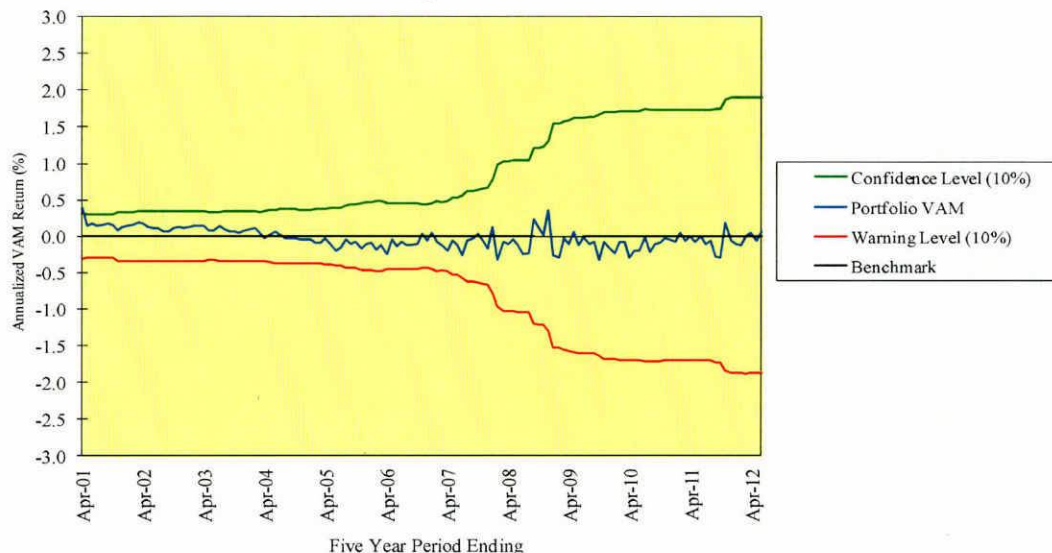
	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	-7.5%	-7.8%
Last 1 year	-14.6	-14.8
Last 2 years	5.8	5.1
Last 3 years	6.7	6.6
Last 4 years	-4.1	-4.2
Last 5 years	-4.9	-5.0
Since Retention by SBI (7/11)	-14.6	-14.8

No action required.

Numbers in blue include returns prior to retention by SBI.

\* Benchmark is the MSCI ACWI ex US IMI Index beginning December 2010; MSCI EAFE + Emerging Markets Index beginning August 2006. Prior to that date it was the Total International Composite Index, which is the MSCI EAFE Index and the Select Emerging Markets Free Index.

**INTERNATIONAL - VANGUARD TOTAL INTERNATIONAL INDEX**  
**Rolling Five Year VAM**



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

**MN STATE 457 DEFERRED COMPENSATION PLAN**  
**TARGET RETIREMENT FUNDS – STATE STREET GLOBAL ADVISORS (SSgA)**  
**Periods Ending June, 2012**

<b>Portfolio Manager: Various Index Fund Managers</b>	<b>State's Participation in Fund: \$69,155,019</b> <b>Total Assets in Fund: \$1,002,090,477</b>
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**Investment Philosophy**  
**Target Retirement Funds**

The most important factor in determining the asset allocation mix is the time horizon of each fund. Funds with longer time horizons are assigned initial risk and return objectives which reflect the need to outpace inflation, the ability to take on more short-term volatility, and a reduced need for regular income. This results in larger starting equity allocations. Funds with shorter time horizons are assigned risk and return objectives that reflect a lower tolerance for volatility and an increased need for regular income, and therefore lower equity allocations.

The broad equity/fixed allocations are driven by the risk and return objectives for each fund. In determining the mix, the following factors are considered:

- The time horizon of each fund, which translates into a specific risk/return objective.
- SSgA current capital market assumptions and their impact on the forward looking risk/return of the portfolio.
- The need to differentiate the risk/return profiles for each portfolio so as to offer distinctly different options for plan participants.

**Staff Comments**

No comment at this time.

**Recommendation**

No action required.

**Targeted Asset Allocations: Rebalanced Quarterly**

Fund	Total Equity	Total Fixed Income	US 1-3 Yr Gov't Credit	US TIPS	US Agg - Bonds	US High Yield Bonds	US Long-Term Gov't Bonds	Large US Stocks	Small/Mid Cap Stocks	Commodities	Non-US Stocks	Global REITs
2060	90.0	10.0	0.0	0.0	0.0	0.0	10.0	40.3	18.0	3.5	28.2	0.0
2055	90.0	10.0	0.0	0.0	0.0	0.0	10.0	40.3	18.0	3.5	28.2	0.0
2050	90.0	10.0	0.0	0.0	0.0	0.0	10.0	40.3	18.0	3.5	28.2	0.0
2045	90.0	10.0	0.0	0.0	0.0	0.0	10.0	40.3	18.0	3.5	28.2	0.0
2040	85.5	14.5	0.0	0.0	0.0	0.0	14.5	40.1	15.8	3.5	26.1	0.0
2035	80.5	19.5	0.0	0.0	0.0	0.0	19.5	39.7	13.5	3.5	23.8	0.0
2030	73.2	26.8	0.0	1.9	2.3	2.6	20.0	37.4	11.2	3.5	21.1	0.0
2025	65.7	34.3	0.0	4.0	4.8	5.5	20.0	34.0	8.7	3.5	18.3	1.2
2020	53.7	46.3	0.0	6.3	14.0	6.0	20.0	27.3	6.0	3.5	13.2	3.7
2015	41.2	58.8	8.8	16.8	17.5	6.9	8.8	21.1	3.6	3.5	8.0	5.0
Income	35.0	65.0	20.0	18.0	20.0	7.0	0.0	17.0	3.3	3.5	6.2	5.0

Note: Totals may not add due to rounding.



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# TAB E

## **INVESTMENT ADVISORY COUNCIL REPORT**

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DATE: September 5, 2012

TO: Members, State Board of Investment

**FROM: Members, Investment Advisory Council**

The Investment Advisory Council met on August 21, 2012 and reviewed the following information and action agenda items:

1. Review of current strategy.
2. New investments with three existing private equity managers, Silver Lake Partners, Advent International, and CarVal Investors

**Board action is required on the last item.**

### **INFORMATION ITEMS:**

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

To increase overall portfolio diversification, 20% of the Combined Funds is 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 is to target funds that typically provide a current return and may have an equity component such as subordinated debt or mezzanine investments. Yield-oriented investments will provide diversification by including investments in the private equity, resource and real estate categories.

#### **ACTION ITEMS:**

**1) Investment with an existing private equity manager, Silver Lake Partners (Silver Lake) in Silver Lake Partners IV, L.P. (SLP IV).**

Silver Lake is seeking investors for a new \$7.5 billion private equity fund, Silver Lake Partners IV, L.P. This fund is a successor to three other private equity funds managed by Silver Lake. The SBI has invested in the two most recent private equity funds with Silver Lake. Like the two prior private equity funds, this fund will focus on large-scale investing in the technology, technology-enabled, and related growth industries

In addition to reviewing the attractiveness of the Silver Lake IV investment offering, staff has conducted on-site due diligence, reference checks, a literature database search and reviewed the potential investor base for the fund.

More information on Silver Lake Partners IV, L.P. is included as **Attachment C**.

#### **RECOMMENDATION:**

The Investment Advisory Council recommends that the SBI authorize the Executive Director, with the assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to \$100 million, or 20% of Silver Lake Partners IV, L.P., 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 Silver Lake 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 Silver Lake or reduction or termination of the commitment.



**2) Investment with an existing private equity manager, Advent International (Advent), in Advent International GPE VII, L.P. (Advent GPE VII).**

Advent is seeking investors for a new €7 billion private equity fund, Advent GPE VII. This fund is a successor to six other private equity funds managed by Advent. The SBI has invested in the most recent private equity fund with Advent. Like the prior private equity funds, this fund will continue the primary focus on investing in control buyouts and recapitalizations in the developed private equity markets of Continental Europe, the U.K. and North America.

In addition to reviewing the attractiveness of the Advent VII investment offering, staff has conducted on-site due diligence, reference checks, a literature database search and reviewed the potential investor base for the fund.

More information on the Advent GPE VII fund is included as **Attachment D**.

**RECOMMENDATION:**

**The Investment Advisory Council recommends that the SBI authorize the Executive Director, with the assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to \$200 million, or 20% of Advent International GPE VII, L.P., 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 Advent 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 Advent or reduction or termination of the commitment.**

**3) Investment with an existing private equity manager, CarVal Investors (CarVal), in CVI Credit Value Fund II, L.P. (CVF II).**

CarVal is seeking investors for a new \$1.50 billion private equity fund, CVF II. This fund is a successor to several other similar private equity funds managed by CarVal. The SBI has invested in the last three of the prior private equity funds with CarVal. Like the prior private equity funds, this fund will continue the primary focus to capitalize on investment opportunities in distressed and credit-intensive assets.

In addition to reviewing the attractiveness of the CVF II investment offering, staff has conducted on-site due diligence reference checks, a literature database search and reviewed the potential investor base for the fund.

More information on the CVF II fund is included as **Attachment E**.

## **RECOMMENDATION:**

The Investment Advisory Council recommends that the SBI authorize the Executive Director, with the assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to \$150 million, or 20% of CVI Credit Value Fund II, L.P., 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.



# ATTACHMENT A

## Minnesota State Board of Investment Pooled Alternative Investments Combined Funds June 30, 2012

Combined Funds Market Value \$47,534,230,384

Amount Available for Investment \$2,098,917,254

	Current Level	Target Level	Difference
Market Value (MV)	\$7,407,928,823	\$9,506,846,077	\$2,098,917,254
MV +Unfunded	\$10,927,291,737	\$14,260,269,115	\$3,332,977,379

Asset Class	Market Value	Unfunded Commitment	Total
Private Equity	\$4,230,229,013	\$1,830,829,811	\$6,061,058,824
Real Estate	\$1,177,868,541	\$294,294,606	\$1,472,163,147
Resource	\$984,501,771	\$641,242,002	\$1,625,743,773
Yield-Oriented	\$1,015,329,497	\$752,996,494	\$1,768,325,991
<b>Total</b>	<b>\$7,407,928,823</b>	<b>\$3,519,362,914</b>	<b>\$10,927,291,737</b>

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# ATTACHMENT B

## Minnesota State Board of Investment - Alternative Investments -

As of June 30, 2012

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	MOIC*	Period Years
<b>I. REAL ESTATE</b>								
Blackstone								
Blackstone Real Estate Partners V	100,000,000	96,786,582	110,655,592	27,765,128	4,417,812	8.10	1.43	6.17
Blackstone Real Estate Partners VI	100,000,000	93,137,159	115,359,652	9,094,914	9,120,939	8.07	1.34	5.25
Blackstone Real Estate Partners VII	100,000,000	21,201,509	21,350,773	1,768,304	78,798,491	6.76	1.09	0.68
Colony Capital								
Colony Investors II	80,000,000	78,482,328	2,600	90,022,404	1,517,672	4.68	1.15	17.25
Colony Investors III	100,000,000	100,000,000	4,418,500	167,834,385	0	14.60	1.72	14.50
CSFB/DLJ								
CSFB Strategic Partners III RE	25,000,000	25,166,647	11,927,510	568,588	398,070	-15.75	0.50	7.00
CS Strategic Partners IV RE	50,000,000	47,678,580	31,666,839	5,228,747	2,909,633	-7.82	0.77	4.04
Silverpeak Real Estate Partners								
Silverpeak Legacy Pension Partners II	75,000,000	70,753,841	36,593,903	31,758,951	9,857,501	-0.93	0.97	7.00
Silverpeak Legacy Pension Partners III	150,000,000	66,143,137	30,178,071	0	83,274,488	-19.59	0.46	4.11
Prime Property Fund	40,000,000	40,000,000	258,744,100	0	0	6.31	6.47	30.72
PRISA Real Estate Fund	9,111,000	9,111,000	9,382,881	190,812	0	5.10	1.05	0.50
T.A. Associates Realty								
Realty Associates Fund V	50,000,000	50,000,000	295,748	90,653,530	0	10.20	1.82	13.10
Realty Associates Fund VI	50,000,000	50,000,000	26,824,544	56,582,028	0	11.38	1.67	10.01
Realty Associates Fund VII	75,000,000	75,000,000	52,505,731	21,677,821	0	-0.26	0.99	7.62
Realty Associates Fund VIII	100,000,000	100,000,000	67,809,400	4,889,226	0	-7.25	0.73	6.00
Realty Associates Fund IX	100,000,000	96,000,000	102,846,600	9,224,887	4,000,000	10.00	1.17	3.85
Realty Associates Fund X	100,000,000	0	0	0	100,000,000	N/A	0.00	0.33
UBS- Trumbull Property Fund	42,376,529	42,376,529	297,306,098	0	0	7.11	7.02	30.17
<b>Real Estate Total</b>	<b>1,346,487,529</b>	<b>1,061,837,312</b>	<b>1,177,868,541</b>	<b>517,259,725</b>	<b>294,294,606</b>		<b>1.60</b>	
<b>II. RESOURCE</b>								
Apache Corp III	30,000,000	30,000,000	5,821,860	56,404,176	0	12.30	2.07	25.50
EnCap Energy								
EnCap Energy Capital Fund VII	100,000,000	82,356,870	72,899,535	53,965,620	18,195,873	23.27	1.54	5.00
EnCap Energy Capital Fund VIII	100,000,000	29,983,180	35,652,642	3,306,827	70,016,820	51.37	1.30	1.75
Energy & Minerals Group								
NGP Midstream & Resources	100,000,000	93,020,887	95,108,559	65,498,476	7,290,136	22.10	1.73	5.25
The Energy & Minerals Group Fund II	100,000,000	4,459,621	2,905,648	17,890	95,540,379	-44.34	0.66	0.77
Energy Capital Partners II-A	100,000,000	47,317,574	49,826,777	5,080,856	56,622,959	12.21	1.16	1.95
First Reserve								
First Reserve Fund X	100,000,000	100,000,000	42,510,156	135,835,808	0	31.42	1.78	7.66
First Reserve Fund XI	150,000,000	141,518,715	123,716,508	42,366,260	8,481,285	4.89	1.17	5.52
First Reserve Fund XII	150,000,000	112,233,387	111,768,664	8,895,980	37,766,613	3.40	1.08	3.67
NGP								
Natural Gas Partners IX	150,000,000	121,463,630	146,558,130	16,754,898	25,876,179	15.13	1.34	4.69
NGP Natural Resources X	150,000,000	10,968,088	10,348,336	28,571	139,031,912	-7.25	0.95	0.72
Sheridan								
Sheridan Production Partners I	100,000,000	100,002,260	116,376,016	35,000,000	0	15.55	1.51	5.25
Sheridan Production Partners II	100,000,000	13,250,000	11,218,007	0	86,750,000	-14.70	0.85	1.75
EIG Global Energy Partners								
TCW Energy Partners XIV	100,000,000	97,693,590	79,111,921	49,697,636	16,919,846	12.49	1.32	5.20
Energy Partners XV	150,000,000	71,250,000	80,679,011	1,466,319	78,750,000	21.69	1.15	2.06
<b>Resource Total</b>	<b>1,680,000,000</b>	<b>1,055,517,802</b>	<b>984,501,771</b>	<b>474,319,318</b>	<b>641,242,002</b>		<b>1.38</b>	
<b>III. YIELD-ORIENTED</b>								
Audax Mezzanine Fund III	100,000,000	18,959,076	18,728,356	984,491	81,040,924	4.89	1.04	2.24
Citicorp Mezzanine III	100,000,000	88,029,296	511,384	132,324,719	0	15.62	1.51	12.66
DLJ Investment Partners								
DLJ Investment Partners II	27,375,168	23,164,217	453,139	34,714,861	4,955,172	10.50	1.52	12.50
DLJ Investment Partners III	100,000,000	47,526,585	21,248,425	28,796,751	54,472,704	-1.59	1.05	6.02
Gold Hill Venture Lending								
Gold Hill Venture Lending	40,000,000	40,000,000	9,805,065	44,661,773	0	7.70	1.36	7.76
Gold Hill 2008	25,852,584	22,233,222	25,264,789	6,023,816	3,619,362	19.36	1.41	4.00
GS Mezzanine Partners								
GS Mezzanine Partners II	100,000,000	100,000,000	3,783,562	128,064,866	0	7.06	1.32	12.33
GS Mezzanine Partners III	75,000,000	75,000,000	10,468,989	87,393,988	0	7.81	1.30	8.97
GS Mezzanine Partners 2006 Institutional	100,000,000	74,999,888	33,901,538	56,875,563	25,000,112	-2.30	1.21	6.23
GS Mezzanine Partners V	150,000,000	58,465,770	50,608,727	32,286,773	82,518,217	9.76	1.42	4.69
Merit Capital Partners								
William Blair Mezzan. Cap. Fd. III	60,000,000	57,633,241	5,705,817	102,802,072	2,366,759	15.21	1.88	12.50
Merit Mezzanine Fund IV	75,000,000	69,807,692	36,956,208	57,341,881	5,192,308	8.16	1.35	7.54
Merit Mezzanine Fund V	75,000,000	26,693,878	23,258,482	0	48,306,122	-12.27	0.87	2.53



**Minnesota State Board of Investment**  
- Alternative Investments -

As of June 30, 2012

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	MOIC*	Period Years
<b>Merit Energy Partners</b>								
Merit Energy Partners B	24,000,000	24,000,000	63,680,039	119,038,492	0	24.81	7.61	16.00
Merit Energy Partners C	50,000,000	50,000,000	158,628,353	268,957,592	0	31.15	8.55	13.67
Merit Energy Partners D	88,000,000	70,938,303	116,307,766	191,470,909	0	23.45	4.34	11.10
Merit Energy Partners E	100,000,000	39,983,197	65,532,327	41,307,177	0	17.78	2.67	7.71
Merit Energy Partners F	100,000,000	57,841,607	62,586,736	12,807,125	42,158,394	8.39	1.30	6.27
Merit Energy Partners H	100,000,000	18,848,793	20,577,312	182,279	81,151,207	15.33	1.10	1.41
<b>Prudential Capital Partners</b>								
Prudential Capital Partners I	100,000,000	97,244,439	30,980,517	116,903,325	7,498,997	11.11	1.52	11.20
Prudential Capital Partners II	100,000,000	93,307,126	43,718,603	87,987,026	7,094,842	9.50	1.41	7.00
Prudential Capital Partners III	100,000,000	83,015,675	82,961,278	16,390,809	19,890,792	11.74	1.20	3.21
Prudential Capital Partners IV	100,000,000	0	0	0	100,000,000	N/A	0.00	0.45
<b>Summit Partners</b>								
Summit Subordinated Debt Fund I	20,000,000	18,000,000	79,359	31,406,578	2,000,000	30.54	1.75	18.25
Summit Subordinated Debt Fund II	45,000,000	40,500,000	3,380,754	87,083,277	4,500,000	56.28	2.23	14.91
Summit Subordinated Debt Fund III	45,000,000	42,690,965	20,502,555	32,867,580	2,850,000	8.51	1.25	8.37
Summit Subordinated Debt Fund IV	50,000,000	27,749,999	30,706,281	-525,495	22,250,001	6.72	1.09	4.26
TCW/Crescent Mezzanine Partners III	75,000,000	68,868,042	5,535,072	155,871,552	29,701,079	36.13	2.34	11.25
<b>Windjammer Capital Investors</b>								
Windjammer Mezzanine & Equity Fund II	66,708,861	52,064,413	9,904,700	65,388,707	14,391,081	8.00	1.45	12.25
Windjammer Senior Equity Fund III	75,000,000	64,841,139	58,841,514	41,987,962	12,750,271	17.30	1.56	6.49
Windjammer Senior Equity Fund IV	100,000,000	711,849	711,849	0	99,288,151	0.00	1.00	0.35
<b>Yield-Oriented Total</b>	<b>2,366,936,613</b>	<b>1,553,118,413</b>	<b>1,015,329,497</b>	<b>1,981,396,450</b>	<b>752,996,494</b>		<b>1.93</b>	
<b>IV. PRIVATE EQUITY</b>								
<b>Adams Street Partners</b>								
Adams Street VPAF Fund I	3,800,000	3,800,000	25,485	9,440,295	0	13.22	2.49	24.14
Adams Street VPAF Fund II	20,000,000	20,000,000	31,689	37,988,511	0	24.09	1.90	21.59
Advent International GPE VI-A	50,000,000	39,625,000	46,809,157	2,400,000	10,375,000	12.24	1.24	4.25
<b>Affinity Ventures</b>								
Affinity Ventures IV	4,000,000	4,000,000	2,548,709	1,423,858	0	-0.23	0.99	8.00
Affinity Ventures V	5,000,000	3,550,000	3,124,404	814,728	1,450,000	4.70	1.11	3.99
<b>Banc Fund</b>								
Banc Fund VII	45,000,000	45,000,000	27,314,235	812,725	0	-8.51	0.63	7.25
Banc Fund VIII	98,250,000	50,107,500	55,581,845	0	48,142,500	6.86	1.11	4.18
<b>Blackstone</b>								
Blackstone Capital Partners IV	70,000,000	71,453,174	50,612,865	123,990,405	2,818,134	38.54	2.44	9.97
Blackstone Capital Partners V	140,000,000	128,744,799	125,383,788	16,222,192	13,177,906	1.65	1.10	6.41
Blackstone Capital Partners VI	100,000,000	11,844,346	11,509,341	0	88,155,654	-21.41	0.97	3.93
<b>BLUM Capital Partners</b>								
Blum Strategic Partners I	50,000,000	49,158,307	302,179	99,450,576	2,009,928	12.72	2.03	13.52
Blum Strategic Partners II	50,000,000	40,185,889	8,919,330	80,886,033	2,127,584	22.54	2.23	10.95
Blum Strategic Partners III	75,000,000	74,806,485	23,735,849	54,876,520	193,515	0.35	1.05	7.08
Blum Strategic Partners IV	150,000,000	155,830,205	98,562,522	36,515,160	6,597,114	-4.67	0.87	4.61
<b>Carval Investors</b>								
CVI Global Value Fund	200,000,000	190,000,000	183,470,519	69,342,224	10,000,000	7.08	1.33	5.46
CarVal Credit Value Fund I	100,000,000	95,000,000	106,727,845	63,000	5,000,000	11.51	1.12	1.75
<b>Chicago Growth Partners (William Blair)</b>								
William Blair Capital Partners VII	50,000,000	48,150,000	7,148,943	63,741,199	1,650,000	9.30	1.47	11.31
Chicago Growth Partners I	50,000,000	50,791,998	33,109,831	30,540,179	1,950,000	6.82	1.25	6.93
Chicago Growth Partners II	60,000,000	38,440,601	37,271,562	13,397,771	21,307,399	14.55	1.32	4.30
<b>Coral Partners V</b>	15,000,000	15,000,000	65,663	9,286,100	0	-5.50	0.62	14.04
<b>Court Square Capital</b>								
Court Square Capital Partners	100,000,000	80,247,564	22,759,194	153,663,862	10,552,581	28.79	2.20	10.55
Court Square Capital Partners II	175,000,000	155,408,763	185,757,111	11,368,164	21,231,443	9.44	1.27	5.82
Court Square Capital Partners III	175,000,000	0	0	0	175,000,000	N/A	1.00	0.22
<b>Crescendo</b>								
Crescendo III	25,000,000	25,000,000	756,843	10,804,457	0	-13.14	0.46	13.65
Crescendo IV	101,500,000	101,500,000	23,544,501	20,124,650	0	-8.95	0.43	12.31
<b>CSFB/ DLJ</b>								
DLJ Merchant Banking Partners III	125,000,000	121,531,280	29,366,586	244,962,405	3,468,720	19.30	2.26	11.75
DLJ Strategic Partners	100,000,000	94,677,908	8,596,622	163,883,055	3,772,092	22.57	1.82	11.44
CSFB Strategic Partners II-B	100,000,000	83,839,042	10,437,096	148,800,247	10,360,958	35.45	1.90	8.95
CSFB Strategic Partners III VC	25,000,000	23,575,569	14,473,099	14,945,021	1,424,431	6.03	1.25	7.08
CSFB Strategic Partners III-B	100,000,000	76,342,785	75,911,399	27,264,391	16,815,119	6.57	1.35	7.08
CS Strategic Partners IV VC	40,500,000	36,498,073	38,137,823	9,968,749	3,837,033	11.32	1.32	4.04
CS Strategic Partners IV-B	100,000,000	81,367,059	80,591,457	35,672,690	18,632,941	14.70	1.43	4.26
CS Strategic Partners V	100,000,000	16,093,761	20,131,144	1,412,419	83,906,239	66.10	1.34	0.87
CVC European Equity Partners V	126,905,003	89,945,025	88,839,655	22,066,241	18,192,033	10.82	1.23	4.26
<b>Diamond Castle Partners IV</b>	100,000,000	88,059,040	86,717,488	23,449,033	11,981,445	5.84	1.25	5.81
<b>DSV Partners IV</b>	10,000,000	10,000,000	32,187	39,196,082	0	10.61	3.92	27.22

**Minnesota State Board of Investment**  
- Alternative Investments -

As of June 30, 2012

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	MOIC*	Period Years
<b>EBF and Associates</b>								
Merced Partners II	75,000,000	63,768,881	21,085,770	100,001,458	0	25.47	1.90	5.25
Merced Partners III	100,000,000	75,000,000	80,430,150	0	25,000,000	5.82	1.07	2.15
Elevation Partners	75,000,000	68,390,584	61,693,391	45,311,808	12,695,006	13.34	1.56	7.12
Fox Paine Capital Fund II	50,000,000	45,685,414	42,948,862	46,170,294	12,567,424	20.31	1.95	12.00
<b>GHJM Marathon Fund</b>								
GHJM Marathon Fund IV	40,000,000	39,051,000	478,561	57,012,488	949,000	8.35	1.47	13.21
GHJM Marathon Fund V	50,000,000	49,041,460	54,088,859	30,587,635	1,035,251	12.79	1.73	7.75
TrailHead Fund	20,000,000	4,071,611	4,071,611	0	15,928,389	0.00	1.00	0.35
<b>Golder, Thoma, Cressey, Rauner</b>								
Golder, Thoma, Cressey & Rauner Fund IV	20,000,000	20,000,000	77,624	42,300,018	0	25.06	2.12	18.41
Golder, Thoma, Cressey & Rauner Fund V	30,000,000	30,000,000	719,011	53,955,241	0	10.99	1.82	16.00
<b>GS Capital Partners</b>								
GS Capital Partners 2000	50,000,000	50,000,000	8,375,529	99,515,214	0	22.46	2.16	11.83
GS Capital Partners V	100,000,000	66,390,364	51,055,093	98,998,131	26,041,099	15.72	2.26	7.25
GS Capital Partners VI	100,000,000	67,466,382	53,598,575	16,445,230	24,700,612	-0.24	1.04	5.41
<b>GTCR Golder Rauner</b>								
GTCR VI	90,000,000	90,000,000	770,942	77,813,800	0	-4.91	0.87	14.00
GTCR VII								
GTCR Fund VII	131,250,000	129,390,615	544,627	306,551,141	1,859,375	21.93	2.37	12.39
GTCR Fund VII-A	43,750,000	29,859,374	177,337	80,771,585	13,890,626	82.03	2.71	11.44
GTCR IX	75,000,000	68,002,159	71,072,626	11,044,356	6,997,841	7.40	1.21	6.00
GTCR X	100,000,000	36,948,604	34,914,546	0	63,051,396	-9.41	0.94	1.56
<b>Hellman &amp; Friedman</b>								
Hellman & Friedman Capital Partners IV	150,000,000	133,967,494	230,640	383,769,706	15,365,585	34.67	2.87	12.50
Hellman & Friedman Capital Partners V	160,000,000	145,270,923	119,632,489	272,918,080	16,762,099	29.44	2.70	7.58
Hellman & Friedman Capital Partners VI	175,000,000	167,385,043	136,281,734	61,919,525	8,737,576	5.08	1.18	5.25
Hellman & Friedman Capital Partners VII	50,000,000	10,890,954	10,080,732	0	39,109,046	-9.44	0.93	3.20
<b>Kohlberg Kravis Roberts</b>								
KKR 1996 Fund	200,000,000	199,902,841	2,308,227	372,364,247	0	13.17	1.87	15.83
KKR Millennium Fund	200,000,000	200,000,000	147,168,796	225,724,457	0	16.71	1.86	9.56
KKR 2006 Fund	200,000,000	198,774,411	164,254,239	78,340,848	14,529,787	4.76	1.22	5.76
Green Equity Investors VI	200,000,000	0	0	0	200,000,000	N/A	0.00	0.29
<b>Lexington Capital Partners</b>								
Lexington Capital Partners VI-B	100,000,000	94,294,310	68,752,766	46,943,964	5,705,690	6.49	1.23	6.51
Lexington Capital Partners VII	200,000,000	91,968,528	94,545,225	18,060,712	108,031,472	22.54	1.22	3.05
<b>RWI Ventures</b>								
RWI Ventures I	7,603,265	7,603,265	566,708	5,974,262	0	-5.21	0.86	6.00
RWI Group III	616,430	616,430	34,868	526,806	0	-3.29	0.91	6.00
<b>Sightline Healthcare</b>								
Sightline Healthcare Fund II	10,000,000	10,000,000	305,445	5,635,402	0	-7.12	0.59	15.33
Sightline Healthcare Fund III	20,000,000	20,000,000	2,208,571	5,465,766	0	-11.20	0.38	13.44
Sightline Healthcare Fund IV	7,700,000	7,753,673	1,836,127	4,621,834	0	-5.40	0.83	8.76
<b>Silver Lake Partners</b>								
Silver Lake Partners II	100,000,000	89,308,381	65,099,919	75,962,515	11,687,487	10.31	1.58	8.00
Silver Lake Partners III	100,000,000	67,373,560	59,385,782	42,177,424	33,361,867	18.66	1.51	5.25
<b>Split Rock Partners</b>								
Split Rock Partners	50,000,000	43,509,090	34,133,085	555,384	6,490,910	-5.84	0.80	7.16
Split Rock Partners II	60,000,000	22,000,000	17,467,254	475,376	37,300,000	-12.02	0.82	4.17
<b>Summit Partners</b>								
Summit Ventures V	25,000,000	24,125,000	282,640	32,936,046	875,000	8.06	1.38	14.25
Summit Partners Growth Equity Fund VIII	100,000,000	4,500,000	4,500,000	0	95,500,000	0.00	1.00	1.16
<b>T. Rowe Price</b>	37,831,523	37,831,523	17,667,503	15,688,894	0	-7.81	0.88	7.37
<b>Thoma Cressey</b>								
Thoma Cressey Fund VI	35,000,000	33,915,000	3,955,781	29,371,225	1,085,000	-0.21	0.98	13.86
Thoma Cressey Fund VII	50,000,000	50,000,000	20,478,507	76,900,507	0	23.38	1.95	11.85
Thoma Cressey Fund VIII	70,000,000	68,932,574	75,642,575	56,926,700	770,000	14.28	1.92	6.17
<b>Thomas, McNerney &amp; Partners</b>								
Thomas, McNerney & Partners I	30,000,000	28,350,000	13,360,402	10,504,694	1,650,000	-4.26	0.84	9.65
Thomas, McNerney & Partners II	50,000,000	40,375,000	33,615,167	5,132,263	9,625,000	-1.56	0.96	6.00
<b>Varde Fund</b>								
Varde Fund IX	100,000,000	100,000,000	151,380,500	0	0	11.78	1.51	4.02
Varde Fund X	150,000,000	127,500,000	137,195,228	0	22,500,000	5.34	1.08	2.19
<b>Vestar Capital Partners</b>								
Vestar Capital Partners IV	55,000,000	52,731,036	14,213,676	79,670,109	777,403	13.66	1.78	12.54
Vestar Capital Partners V	75,000,000	73,586,279	58,064,324	22,488,956	1,738,950	2.47	1.09	6.53
Vestar Capital Partners VI	100,000,000	551,630	551,630	0	99,448,370	0.00	1.00	0.77
<b>Warburg Pincus</b>								
Warburg Pincus Equity Partners	100,000,000	100,000,000	4,986,101	155,167,955	0	9.88	1.60	14.01
Warburg Pincus Private Equity VIII	100,000,000	100,000,000	88,440,561	137,652,116	0	16.35	2.26	10.21
Warburg Pincus Private Equity IX	100,000,000	100,000,000	105,622,218	53,881,423	0	10.14	1.60	6.93
Warburg Pincus Private Equity X	150,000,000	143,910,914	145,521,832	10,360,197	6,150,000	3.37	1.08	4.68



**Minnesota State Board of Investment**  
- Alternative Investments -

As of June 30, 2012

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	MOIC*	Period Years
<b>Wayzata</b>								
Wayzata Opportunities Fund	100,000,000	93,180,000	107,469,932	61,139,109	6,820,000	10.93	1.81	6.53
Wayzata Opportunities Fund II	150,000,000	60,450,000	144,452,166	429,900	89,550,000	15.24	2.40	4.69
Wayzata Opportunities Fund III	150,000,000	0	0	0	150,000,000	N/A	0.00	0.04
<b>Welsh, Carson, Anderson &amp; Stowe</b>								
Welsh, Carson, Anderson & Stowe VIII	100,000,000	100,000,000	844,549	128,163,520	0	3.12	1.29	13.94
Welsh, Carson, Anderson & Stowe IX	125,000,000	122,500,000	35,694,079	161,871,334	2,500,000	11.30	1.61	12.01
Welsh, Carson, Anderson & Stowe X	100,000,000	96,578,466	83,979,001	28,546,446	4,000,000	3.41	1.17	6.54
Welsh, Carson, Anderson & Stowe XI	100,000,000	58,087,217	63,606,955	0	41,912,783	6.26	1.10	3.94
<i>Private Equity Total</i>	<b>8,133,706,221</b>	<b>6,280,364,164</b>	<b>4,230,229,013</b>	<b>5,313,519,044</b>	<b>1,830,829,811</b>		<b>1.52</b>	
<i>Alternatives Total</i>	<b>13,527,130,363</b>	<b>9,950,837,690</b>	<b>7,407,928,823</b>	<b>8,286,494,537</b>	<b>3,519,362,914</b>		<b>1.58</b>	

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



<p align="center"><b>PRIVATE EQUITY MANAGER SUMMARY PROFILE</b></p>
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**I. Background Data**

<b>Name of Fund:</b>	Silver Lake Partners IV, L.P.
<b>Type of Fund:</b>	Private Equity
<b>Target Fund Size:</b>	\$7.5 billion
<b>Fund Manager:</b>	Silver Lake Management Company IV, L.L.C.
<b>Manager Contact:</b>	Jim Davidson Silver Lake Partners 2775 Sand Hill Rd, Suite 100 Menlo Park, CA 94025 (650) 233 8120

**II. Organization and Staff**

Silver Lake Partners is led by 17 Managing Directors that oversee all investing and business operations. In addition, five of the Managing Directors sit on the Managing Partner Committee, which determines the strategic direction of the Firm.

SLP's 70 investment professionals are located in Silicon Valley, New York, London, Hong Kong, Shanghai, and Tokyo. The Firm's value creation team works with the investment teams to help portfolio companies create value through strategic and operational initiatives. The 13 member global team of dedicated value creation professionals and advisors consists of former and current operating executives in technology companies who have long-established business relationships and expertise across technology industries.

The Firm has grown since the launch of SLP III from 71 to 123 professionals. With the consistency of leadership, Mike Bingle, Jim Davidson, Egon Durban, Ken Hao, and Greg Mondre (each of whom is a "Managing Partner", and collectively, the "Managing Partner Committee") are responsible for the day to day management of the Silver Lake Partners business. The Managing Partner Committee will be responsible for hiring, compensation, policy-making, and other aspects of operations, strategy and business development, among other responsibilities. Co-founder Jim Davidson will chair the Managing Partner Committee.

The Firm also has a number of professionals dedicated to supporting the investing and business functions with legal, marketing and investor relations, communications, finance and accounting, human resources, and information technology services.

### **III. Investment Strategy**

At the highest level, Silver Lake Partners' investment strategy is to (i) apply its technology expertise; (ii) leverage its global relationship network; (iii) focus on market leaders with transformational opportunities; (iv) invest in companies with exceptional growth prospects; (v) utilize creative investment structures and formats; and (vi) partner with its management teams to implement value creation initiatives.

Silver Lake believes it is the leading private equity firm focused on large-scale investing in the technology, technology-enabled, and related growth industries. The Firm further believes that the size, complexity, and growth of these industries globally present a substantial opportunity for a specialist private equity firm. As a result of Silver Lake's specialization, the Firm's ideal target company has a leading position in its market, a competitively advantaged business model, a strong management team, proprietary core technologies, sound business processes, opportunities for further value creation, and outsized growth prospects. Silver Lake has invested in companies that are important participants in a variety of critical sectors. These companies not only have contributed to the Prior Funds' investment performance, but have also enhanced the Firm's reputation, and its network within and understanding of the global technology industries.

### **IV. Investment Performance**

Previous fund performance as of June 30, 2012 for Silver Lake and the SBI's investments with previous funds, where applicable, is shown below:

<b>Fund</b>	<b>Inception Date</b>	<b>Total Commitments (\$ in millions)</b>	<b>SBI Investment (\$ in millions)</b>	<b>Net IRR from Inception*</b>	<b>Net MOIC from Inception*</b>
Silver Lake Partners I	1999	\$2,312	\$0	25%	2.2x
Silver Lake Partners II	2004	\$3,577	\$100	10%	1.5x
Silver Lake Partners III	2007	\$9,357	\$100	17%	1.4x

\* Previous Fund investments may be relatively immature and, therefore, returns may not be indicative of future results. Net IRR and Multiple of Invested Capital (MOIC) were provided by Silver Lake

### **V. General Partner's Investment**

The General Partner will commit to invest a minimum of the lesser of (i) \$225 million and (ii) 3% of aggregate Commitments.

### **VI. Takedown Schedule**

Limited Partners will generally receive 10 business days' advance notice prior to each capital call.

## **VII. Management Fee**

1.5% of committed capital during the investment period, stepping down after the investment period.

## **VIII. Distributions**

80% of realized profits to the Limited Partners and 20% to the General Partner, subject to an 8% preferred return to the Limited Partners.

## **IX. Investment Period and Term**

The Fund will terminate upon the later of ten years from the Effective Date and five years after the end of the Commitment Period, but may be subject to extension provisions.

The Commitment Period will last for a period of six years from the effective date of commencement of the Fund's activities.

*\* This document is a summary of more detailed information provided in the Confidential Private Placement Memorandum (the "PPM"). It is qualified in its entirety by the more detailed information provided in the PPM and any supplemental thereto.*



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<b>PRIVATE EQUITY MANAGER SUMMARY PROFILE</b>
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**I. Background Data**

<b>Name of Fund:</b>	Advent International GPE VII, L.P.
<b>Type of Fund:</b>	Private Equity
<b>Target Fund Size:</b>	€7 billion
<b>Fund Manager:</b>	Advent International Corporation
<b>Manager Contact:</b>	Robert D. Brown Advent International Corporation 75 State Street Boston, MA 02109 (617) 951 9400

**II. Organization and Staff**

With 160 investment professionals, Advent has a leading position in the buyout industry in terms of relative team size. GPE VII will be invested by one of the largest and most experienced, dedicated teams focused on developed private equity markets. The GPE Team (the "Team") comprises 96 investment professionals with a mix of operating, strategic consulting and financial backgrounds. Its 26 Partners average 18 years in private equity and have worked with Advent on average for 14 years. Senior members of the Team were responsible for investing the predecessor GPE Funds. The Team is organized systematically across geography and sector to ensure the most efficient use of resources. This promotes cross-border transfer of best practices and business models and ensures the Firm's deep sector knowledge is widely shared, particularly in relation to deal origination.

Advent has 17 offices focusing on private equity in 16 countries across the Firm's target markets, which it believes offers among the most extensive global coverage compared to its peers. In addition to six generations of GPE Funds, Advent advises a number of Central European and Latin American buyout funds. GPE VII will be able to draw on the expertise and networks of an additional 64 investment professionals who work in these regional private equity programs. Advent has 107 corporate professionals who support the Firm's investment activity, fund operations and Limited Partners. Advent has been regulated by the Securities Exchange Commission (SEC) since 1989 and the U.K. Financial Services Authority (FSA) since 2001.

**III. Investment Strategy**

The Fund will pursue the same successful investment strategy as GPE VII's six predecessor funds, primarily developing and investing in control buyouts and



recapitalizations in the developed private equity markets of Continental Europe, the U.K. and North America. The Fund will invest in targeted sectors and sub-sectors that have the potential for meaningful business transformation. Advent defines a “transformation” as enabling management to deliver major operational and strategic improvement, resulting in sustained revenue and profit growth under Advent ownership and beyond.

#### **IV. Investment Performance**

Previous fund performance as of March 31, 2012 for Advent and the SBI's investments with previous funds, where applicable, is shown below:

<b>Fund</b>	<b>Inception Date</b>	<b>Total Commitments (in millions)</b>	<b>SBI Investment (\$ in millions)</b>	<b>Net IRR from Inception*</b>	<b>Net MOIC from Inception*</b>
ESSF(GPE I)	1989	\$173	\$0	16.9%	2.23
GPE II	1993	\$315	\$0	22.4%	2.02
GPE III	1997	\$1,000	\$0	10.5%	1.60
GPE IV	2001	\$1,500	\$0	44.7%	3.02
GPE V	2005	€2,500	\$0	61.0%	2.47
GPE VI	2008	€6,600	\$50	14.5%	1.25

\* Previous Fund investments may be relatively immature and, therefore, returns may not be indicative of future results. Net IRR and Multiple of Invested Capital (MOIC) were provided by Advent.

#### **V. General Partner's Investment**

Minimum of €150 million.

#### **VI. Takedown Schedule**

Limited Partners will generally receive 10 business days' advance notice prior to each capital call.

#### **VII. Management Fee**

1.50% of capital committed to the Fund, declining after the investment period as the portfolio is liquidated.

#### **VIII. Distributions**

80% of realized profits to the Limited Partners and 20% to the General Partner, subject to an 8% preferred return to the Limited Partners.

#### **IX. Investment Period and Term**

The Fund will terminate after 10 years, subject to extension provisions.



The Commitment Period will last for a period of six years from the initial closing date of the Fund.

*\* This document is a summary of more detailed information provided in the Confidential Private Placement Memorandum (the "PPM"). It is qualified in its entirety by the more detailed information provided in the PPM and any supplemental thereto.*

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<b>PRIVATE EQUITY MANAGER SUMMARY PROFILE</b>
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**I. Background Data**

<b>Name of Fund:</b>	CVI Credit Value Fund II L.P.
<b>Type of Fund:</b>	Private Equity
<b>Target Fund Size:</b>	\$1.5 billion
<b>Fund Manager:</b>	CarVal Investors
<b>Manager Contact:</b>	Ryan M. Savell 12700 Whitewater Drive Minnetonka, MN 55343 P: 952.984.3548

**II. Organization and Staff**

Founded in 1987 by Cargill, CarVal Investors has invested approximately \$53 billion in over 3,980 transactions, including opportunistic investments in corporate securities, liquidations, whole loan portfolios, real estate and real estate loans, and special opportunities. CarVal Investors is headquartered in Minneapolis, with operations in London, Luxembourg, New York, Paris, Shanghai, Singapore and Tokyo. CarVal Investors employs more than 200 people worldwide, including approximately 80 investment professionals and approximately 120 professionals dedicated to legal, tax, operational, accounting and administrative functions. The investment activities of CarVal Investors are overseen by the senior leadership team which leads investment strategies and geographic locations. The senior leadership team members average 12 years of service with CarVal Investors and its predecessor and are assisted by 16 investment managing directors and other investment professionals.

In particular, the global deleveraging cycle is creating very attractive distressed investment opportunities within Europe and beyond. To this end, CarVal has had a consistent and active presence in Europe since 1993, and currently has a team of 40 employees based in its London office. CarVal's longstanding presence in Europe has allowed the Firm to pursue negotiated deal opportunities at attractive prices.

**III. Investment Strategy**

CVI Credit Value Fund II LP (the "Fund") is being formed to capitalize on investment opportunities in distressed and credit-intensive assets including, but not limited to, whole loan portfolios, liquidations, structured credit and corporate securities, and selected debt-for-equity swaps. CarVal believes there are five key elements that underpin the current



market opportunity and uniquely position the Firm to successfully take advantage of these conditions:

- Banks are deleveraging on a global basis;
- European dislocation is creating an opportunity both within Europe and across the globe;
- Asset mix to be sold will be diverse and complicated and will require specific domain expertise to maximize value;
- Market fluidity requires an asset manager that can assess relative value and adapt to fluctuating market conditions;
- CarVal has the depth and breadth of experience and proven track record over 25 years to effectively source, execute and maximize returns across a range of asset classes.

The Fund will initially seek to opportunistically invest in assets that are available at favorable prices as a result of the financial crisis in Europe, regulatory changes facing financial institutions, and macroeconomic challenges and uncertainties which are impacting markets globally. As market conditions evolve the Fund will continually seek to deploy and re-deploy capital across asset classes and geographies to capture the best risk-adjusted returns.

CarVal believes this market cycle is unlike any other. Nearly four years after the onset of the global financial crisis following the failure of Lehman Brothers, the global financial system continues to be burdened by over-indebtedness across almost all economic food chains, and, because liquidity is scarce, the ability to solve debt problems by layering on more debt is no longer a viable interim "solution". CarVal expects these conditions to drive financial institutions to continue to dispose of non-core assets and tighten credit availability, while governments will continue to pursue fiscal paths of greater austerity which will significantly restrain economic growth for some time to come. With its 25-year track record, depth and breadth of investment team, and market insight, CarVal believes it is uniquely positioned to take advantage of the resulting market opportunities.

#### **IV. Investment Performance**

Previous fund performance as of June 30, 2012 for CarVal and the SBI's investments with previous funds, where applicable, is shown below:

<b>Fund</b>	<b>Inception Date</b>	<b>Total Commitments (\$ in millions)</b>	<b>SBI Investment (\$ in millions)</b>	<b>Net IRR from Inception*</b>	<b>Net MOIC from Inception*</b>
Cargill Managed Account **	1989	\$10,744	-	21.2%	1.5
CVI Global Value Fund I	2007	\$5,777	\$125	4.0%	1.2
CVI Global Value Fund II	2008	\$1,966	\$75	15.8%	1.6
CVI Credit Value Fund I	2010	\$855	\$100	15.0%	1.1

\* Previous Fund investments may be relatively immature and, therefore, returns may not be indicative of future results. Net IRR and Multiple of Invested Capital (MOIC) were provided by CarVal.

**\*\*Cargill Managed Account excluding Real Estate. Data as of December, 31, 2011. The performance figures for the Cargill Managed Account relate to the investment of a proprietary pool of capital from Cargill by CVI. A simulated fund structure was used to provide the hypothetical net IRR and MOIC for the Cargill Managed Account.**

## **V. General Partner's Investment**

The total Capital Commitment of the Senior Investment Team and other senior investment professionals to the Fund, the Offshore Fund and the Employee Entities will be an amount equal to at least one percent (1%) of the Aggregate Capital Commitments. Cargill is investing \$300 million.

## **VI. Takedown Schedule**

Limited Partners will generally receive 10 business days' advance notice prior to each investment capital call.

## **VII. Management Fee**

1.5% of funded capital commitment during the investment period, stepping down after the investment period.

## **VIII. Distributions**

80% of realized profits to the Limited Partners and 20% to the General Partner, subject to an 8% preferred return to the Limited Partners.

## **IX. Investment Period and Term**

The Fund will terminate six years from Final Closing, subject to extension.

The Commitment Period will last for a period of three years from Final Closing.

*\* This document is a summary of more detailed information provided in the Confidential Private Placement Memorandum (the "PPM"). It is qualified in its entirety by the more detailed information provided in the PPM and any supplemental thereto.*