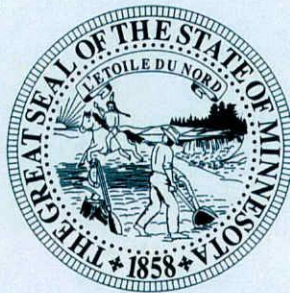


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# **MINNESOTA STATE BOARD OF INVESTMENT**

MINNESOTA STATE BOARD  
OF INVESTMENT  
MEETING  
September 11, 2013



**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 11, 2013**



**AGENDA**  
**STATE BOARD OF INVESTMENT MEETING**  
**Wednesday, September 11, 2013**  
**9:00 A.M. – Room 123**  
**State Capitol, St. Paul**

- |  |            |
|--|------------|
| <b>1. Approval of Minutes of June 5, 2013</b>  | <b>TAB</b> |
| <b>2. Report from the Executive Director (H. Bicker)</b>   | <b>A</b>   |
| A. Quarterly Investment Review<br>(April 1, 2013 – June 30, 2013)  |            |
| B. Administrative Report   | <b>B</b>   |
| 1. Reports on Budget and Travel  |            |
| 2. Update on Sudan   |            |
| 3. Update on Iran  |            |
| 4. Litigation Update   |            |
| 5. Update on 529 Plan  |            |
| <b>3. Investment Advisory Council Report (J. Mares)</b>  |            |
| A. Stock and Bond Report   | <b>C</b>   |
| 1. Review of manager performance for the period ending<br>June 30, 2013  |            |
| B. Alternative Investment Report   | <b>D</b>   |
| 1. Review of current strategy  |            |
| 2. Consideration of investment commitments to one existing and two<br>new private equity managers and two existing resource managers |            |
| 3. Review of alternative investment allocation   |            |
| <b>4. Report from the Search Committee (J. Mares)</b>  |            |
| <b>5. Other items</b>  |            |



**Minutes  
State Board of Investment  
June 5, 2013**

The State Board of Investment (SBI) met at 9:00 A.M. Wednesday, June 5, 2013 in Room 123, State Capitol, St. Paul, Minnesota. Governor Mark Dayton, State Auditor Rebecca Otto, Secretary of State Mark Ritchie and Attorney General Lori Swanson were present. The minutes of the March 6, 2013 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, 2013 (Combined Funds 9.2% vs. Composite 9.0%) and had provided a real rate of return over the latest 20 year period (Combined Funds 8.2% vs. CPI 2.4%).

Mr. Bicker reported that a correction to Tab A needed to be noted. He said that the Combined Funds' assets increased 4.9% (and not 0.7% as reported) for the quarter ending March 31, 2013 due to positive market performance. He said that staff is in the process of rebalancing the asset mix back to targets, and he stated that the Combined Funds outperformed its Composite Index for the quarter (Combined Funds 6.1% vs. Composite 5.8%) and for the year (Combined Funds 11.0% vs. Composite 10.6%).

Mr. Bicker reported that the domestic stock manager group matched its target for the quarter (Domestic Stocks 11.1% vs. Domestic Equity Asset Class Target 11.1%) and underperformed for the year (Domestic Stock 14.1% vs. Domestic Equity Asset Class Target 14.6%). He said the international stock manager group outperformed its target for the quarter (International Stock 4.1% vs. International Equity Asset Class Target 3.2%) and for the year (International Stock 9.9% vs. International Equity Asset Class Target 8.4%). Mr. Bicker stated that the bond segment outperformed its target for the quarter (Bonds 0.1% vs. Fixed Income Asset Class Target -0.1%) and for the year (Bonds 5.4% vs. Fixed Income Asset Class Target 3.8%). He stated that the alternative investments returned 2.7% for the quarter and 11.7% for the year. He concluded his report with the comment that, as of March 31, 2013, the SBI was responsible for over \$65 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 said that the SBI had submitted legislation authorizing the SBI to invest in swaps, and he reported that the bill had passed. He stated that Tab B contains updated information on Sudan and Iran. He noted that there is currently no litigation involving the SBI. Mr. Bicker also noted that members had received an SBI Policy Book for their reference.

Mr. Bicker gave members a brief update on the search process for a new Executive Director. He stated that the Search Committee had recommended the retention of Korn/Ferry as a search firm, and he noted that he will keep members informed as the process continues. In response to a question from Governor Dayton, Mr. Bicker stated that the updated actuarial data will be



available later in the calendar year. Mr. Bicker also briefly reviewed international markets performance in response to a question from Governor Dayton.

#### **SBI Administrative Committee Report**

Mr. Bicker referred members to Tab C of the meeting materials for a report from the Administrative Committee. Mr. Bicker stated that the Committee is recommending approval of the Executive Director's Proposed Workplan for FY14, the Administrative Budget Plan for FY13-FY15, the Continuing Education Plan, and the Executive Director's Evaluation and Salary Process. He also noted that staff had updated the Disaster Recovery Plan. Mr. Ritchie moved approval of all four recommendations from the Administrative Committee, as stated in Tab C of the meeting materials, which reads: **"The Committee recommends that the SBI approve the FY14 Executive Director's Workplan with the additional item recommended by the IAC. Further, the Committee recommends that the Workplan serve as the basis for the Executive Director's performance evaluation for FY14.**

**The Committee recommends that the SBI approve the FY13, FY14, and FY15 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 FY13 performance evaluation:**

- **The evaluation will be completed prior to the September 2013 meeting of the SBI and will be based on the results of the Executive Director's workplan for FY13.**
- **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.**
- **The Office of Minnesota Management and Budget has approved a new compensation plan for managerial employees. If approved by the Administrative Committee and the Board, the adjustments in the plan can be awarded to the SBI's executive director. The plan calls for a three percent performance merit increase effective January 1, 2012, two percent general increase effective January 1, 2013, and performance merit increase of three percent effective January 1, 2013."**

The motion passed.



Mr. Bailey referred members to Tab D of the meeting materials and reported that staff and the IAC are recommending the termination of three managers due to issues related to performance and staff turnover. Ms. Otto moved approval of the three recommendations, as stated in Tab D of the meeting materials, which read: **"The Committee recommends that the Board terminate INVESCO from the International Equity Program due to organizational change of key investment personnel, continued underperformance and asset loss.**

**Due to the turnover in senior management, the significant reduction in the analyst team, loss of institutional assets, and underperformance staff and the IAC recommend that the SBI terminate the relationship with UBS Global Asset Management Inc. Staff also recommends eliminating the large cap core allocation in domestic equity.**

**Due to the continued loss of institutional assets, the long-term performance issues, and the recommendation to eliminate the large core mandate, staff and the IAC recommend that the SBI terminate the relationship with New Amsterdam Partners, LLC."** The motion passed.

Mr. Bailey referred members to Tab E of the meeting materials and stated that staff and the IAC are recommending new investments with three existing private equity managers: CVC Capital Partners, EBF & Associates and Varde Partners. He also said that staff and the IAC are recommending to extend the fundraising time deadline for the SBI's commitment to Public Pension Capital (PPC). He noted that the original investment was approved at the December 2012 Board meeting. Mr. Ritchie moved approval of the four recommendations, as stated in Tab E of the meeting materials, which read: **"The Investment Advisory Council recommends that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to €250 million, or 20% of CVC VI, 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 CVC 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 CVC or reduction or termination of the commitment.**

**The Investment Advisory Council recommends that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to \$125 million, or 20% of Merced IV, 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 EBF 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 EBF or reduction or termination of the commitment.**



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

The Investment Advisory Council recommends that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to \$100 million, or 20% of the PPC Fund, whichever is less. Additionally, the commitment is contingent on PPC obtaining at least \$500 million in signed and finalized Limited Partner commitments to the Fund from at least four (4) other Limited Partner investors in the Fund by June 30, 2014. 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 PPC 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 PPC or reduction or termination of the commitment." The motion passed.

Mr. Bailey reported that staff and the IAC had discussed the SBI's allocation to alternative investments and examined how different market and investment scenarios impact the SBI's alternative investment allocation. He said that staff and the IAC will discuss this issue again in August 2013 and if action is needed, recommendations would be presented to the Board at the September 2013 meeting.

The meeting adjourned at 9:35 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 6/30/2013

COMBINED FUNDS: \$52.1 Billion	Result	Compared to Objective
<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.	8.2% (1)	0.3 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.	8.2%	5.8 percentage points above CPI

(1) Performance is calculated net of fees.

**SUMMARY OF ACTUARIAL VALUATIONS****Nine Plans of MSRS, PERA and TRA****July 1, 2012****Liabilities**

Actuarial Accrued Liabilities \$63.7 billion

**Assets**

Current Actuarial Value \$47.9 billion

**Funding Ratio**Current Actuarial Value divided by  
Accrued Liabilities 75.3%**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 – 5-Year Select and Ultimate Rates:

July 1, 2012 – June 30, 2017	8%
July 1, 2017 – and later	8.5%
4. Full Funding Target Date:

2040 – MSRS General
2031 – PERA General
2037 – TRA



## EXECUTIVE SUMMARY

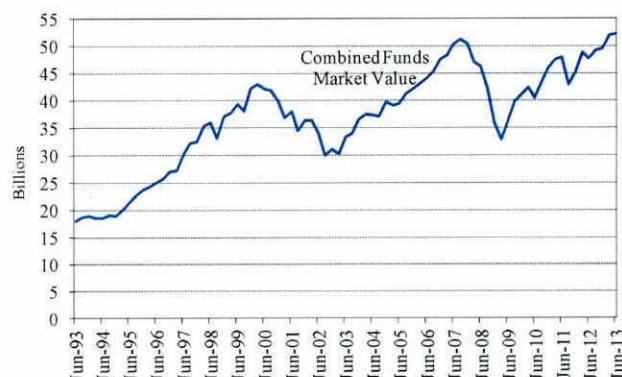
### Combined Funds (Net of Fees)

#### Asset Growth

The market value of the Combined Funds increased 0.3% during the second quarter of 2013. Positive investment returns caused the increase in market value.

#### Asset Growth During Second Quarter 2013 (Millions)

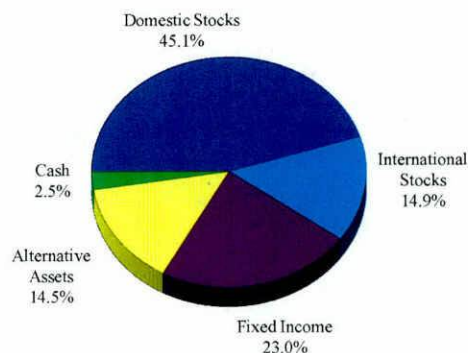
Beginning Value	\$ 51,911
Net Contributions	-508
Investment Return	682
Ending Value	\$ 52,085



#### Asset Mix

The allocation to domestic equity decreased from the last quarter due to a rebalance into fixed income, international equity, and cash.

	Policy Targets	Actual Mix 6/30/2013	Actual Market Value (Millions)
Domestic Stocks	45.0%	45.1%	\$23,474
Int'l. Stocks	15.0	14.9	7,751
Bonds	18.0	23.0	11,973
Alternative Assets*	20.0	14.5	7,559
Cash	2.0	2.5	1,328
	100.0%	100.0%	\$52,085

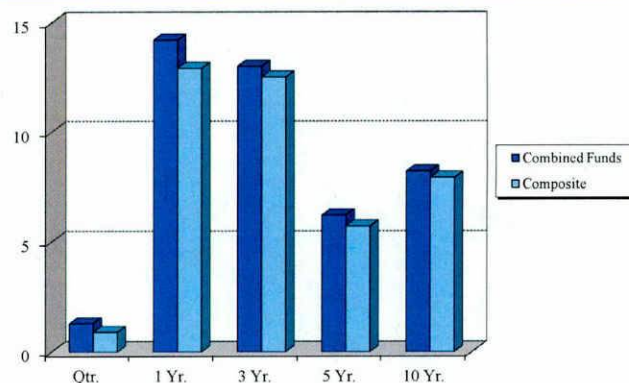


\* Any uninvested allocation is held in bonds.

#### Fund Performance (Net of Fees)

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

	Period Ending 6/30/2013 Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Combined Funds	1.3%	14.2%	13.0%	6.2%	8.2%
Composite	0.9	12.9	12.5	5.7	7.9



## EXECUTIVE SUMMARY

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

#### Domestic Stocks

The domestic stock manager group (active, semi-passive and passive combined) outperformed its target for the quarter and 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 6/30/2013				
	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Dom. Stocks</b>	<b>3.1%</b>	<b>21.9%</b>	<b>18.7%</b>	<b>7.2%</b>	<b>7.7%</b>
Asset Class Target*	2.7	21.5	18.6	7.2	7.8

\* 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 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 6/30/2013				
	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Int'l. Stocks</b>	<b>-2.2%</b>	<b>16.1%</b>	<b>8.7%</b>	<b>-0.2%</b>	<b>8.9%</b>
Asset Class Target*	-3.1	13.7	8.0	-0.8	8.7

\* 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 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 6/30/2013				
	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Bonds</b>	<b>-2.3%</b>	<b>0.8%</b>	<b>4.7%</b>	<b>6.1%</b>	<b>4.9%</b>
Asset Class Target	-2.3	-0.7	3.5	5.2	4.5

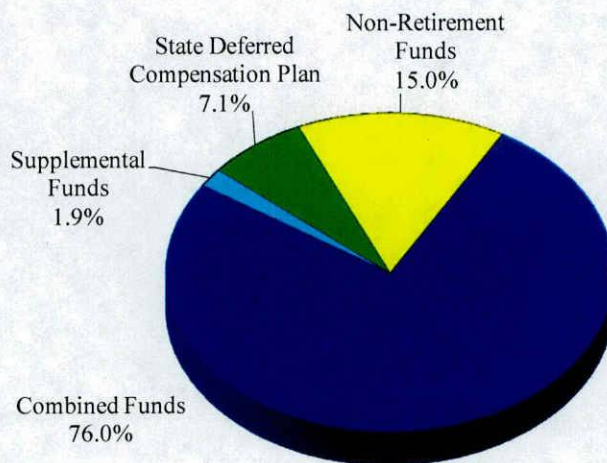
#### Alternative Investments

	Period Ending 6/30/2013				
	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Alternatives</b>	<b>4.6%</b>	<b>11.3%</b>	<b>13.1%</b>	<b>6.4%</b>	<b>15.3%</b>



## EXECUTIVE SUMMARY

### Funds Under Management



	6/30/2013 Market Value (Billions)
<b>Retirement Funds</b>	
Combined Funds	\$52.1
Supplemental Investment Fund	1.3
- Excluding Deferred Compensation Plan Assets	
State Deferred Compensation Plan	4.9
<b>Non-Retirement Funds</b>	
Assigned Risk Plan	0.3
Permanent School Fund	0.9
Environmental Trust Fund	0.7
Miscellaneous Trust Accounts	0.1
Other Post Employment Benefits Accounts	0.4
State Cash Accounts	7.9
<b>Total</b>	<b>\$68.6</b>

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# MINNESOTA STATE BOARD OF INVESTMENT

## QUARTERLY INVESTMENT REPORT

Second Quarter 2013  
(April 1, 2013 - June 30, 2013)

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## VARIOUS CAPITAL MARKET INDICES

	Period Ending 6/30/2013				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Domestic Equity</b>					
Russell 3000 (broad market)	2.7%	21.5%	18.6%	7.2%	7.8%
Russell 1000 (large cap)	2.7	21.2	18.6	7.1	7.7
Russell 2000 (small cap)	3.1	24.2	18.7	8.8	9.5
Dow Jones Wilshire Composite	2.8	21.5	18.7	7.4	8.1
Dow Jones Industrials	2.9	18.8	18.2	8.6	7.9
S&P 500	2.9	20.6	18.5	7.0	7.3
<b>Domestic Fixed Income</b>					
Barclays Capital Aggregate (1)	-2.3	-0.7	3.5	5.2	4.5
Barclays Capital Gov't./Corp.	-2.5	-0.6	3.9	5.3	4.4
3 month U.S. Treasury Bills	0.0	0.1	0.1	0.3	1.7
<b>International</b>					
Emerging Markets Free (2)	-8.1	2.8	3.4	-0.4	13.7
ACWI Free ex-U.S. (3)	-3.1	13.6	8.0	-0.8	8.6
EAFE (4)	-1.0	18.6	10.0	-0.6	7.7
World ex-U.S. (5)	-1.6	17.1	9.4	-0.8	7.9
Salomon Non U.S. Gov't. Bond	-3.4	-5.7	2.6	2.6	4.8
<b>Inflation Measure</b>					
Consumer Price Index CPI-U (6)	0.3	1.8	2.3	1.3	2.4
Consumer Price Index CPI-W (7)	0.3	1.8	2.5	1.3	2.5

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

(2) Morgan Stanley Capital International Emerging Markets Free index. (Net index)

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

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

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

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

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



## FINANCIAL MARKETS REVIEW

## DOMESTIC STOCKS

The U.S. stock market, as measured by the Russell 3000 index, posted a 2.7% return during the second quarter of 2013. For most of the quarter, the stock market shrugged off macroeconomic worries with new all-time highs. In late May, the markets were jolted by the Fed suggesting they will consider scaling back quantitative easing but still managed to end the quarter modestly positive. Within the Russell 3000, Consumer Discretionary was the best performing sector with a 6.5% return while Materials & Processing was the weakest with a -1.8% return for the quarter.

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

Large Growth	Russell 1000 Growth	2.1%
Large Value	Russell 1000 Value	3.2%
Small Growth	Russell 2000 Growth	3.7%
Small Value	Russell 2000 Value	2.5%

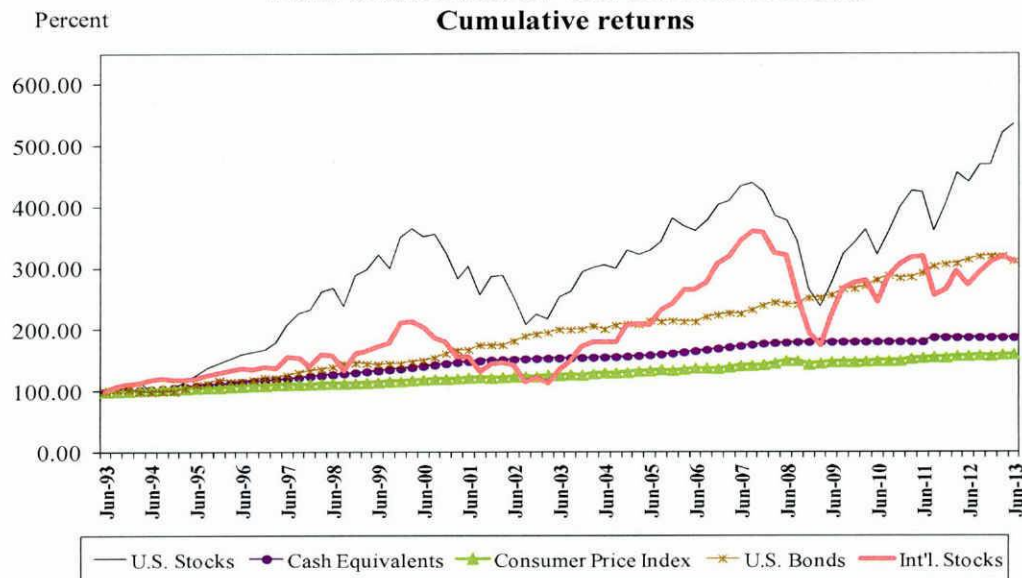
The Russell 3000 index returned 21.5% for the year ending June 30, 2013.

## DOMESTIC BONDS

The U.S. bond market, as measured by the Barclays Capital U.S. Aggregate Bond Index, produced a total return of -2.3% for the quarter. Yields on U.S. Treasuries rose during the quarter. The 2-year U.S. Treasury ended the second quarter higher by 11 basis points at 0.4%, the 5-year yield increased by 63 basis points to 1.4%, the 10-year yield increased by 64 basis points to 2.5%, and the 30-year increased by 40 basis points to 3.50%. Investment grade corporate bonds underperformed the benchmark during the quarter, while the CMBS and asset-backed sectors outperformed the broader benchmark.

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

U.S. Treasury	-1.9%
Agency	-1.9
Corporates	-3.3
Agency MBS	-2.0
Commercial Mortgages	-1.4
Asset-backed	-0.8

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 -1.6% for the quarter. The quarterly performance of the six largest stock markets is shown below:

Japan	4.4%
United Kingdom	-2.2
Canada	-7.5
France	2.7
Switzerland	-0.3
Germany	2.7

The World ex U.S. index returned 17.1% 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 66% of the value of the international markets in the index.

## EMERGING MARKETS

Emerging markets (as measured by MSCI Emerging Markets Free index net) provided a return of -8.1% for the quarter. The quarterly performance of the six largest stock markets in the index is shown below:

China	-6.8%
Korea	-10.0
Taiwan	1.6
Brazil	-17.3
South Africa	-7.4
India	-5.6

The Emerging Markets Free index returned 2.8% 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 63% of the value of the international markets in the index.

## REAL ESTATE

During the second quarter of 2013, real estate posted its 14<sup>th</sup> consecutive quarter of positive returns with the NCREIF Property Index posting a return of 2.9%. Real Estate markets have seen a healthy recovery since the 2008-2009 crash. However, the real estate outlook for 2013 continues to be one of caution due to continued weakness in employment and the prospect of rising interest rates.

## PRIVATE EQUITY

The buyout industry posted healthy aggregate deal value (\$62 billion) in 2Q13, although that figure was down 28% from 1Q13. The number of buyout deals announced continues to fall (622) to its lowest amount since 1Q10. Capital markets have been accommodative, as low interest rates and investor demand for yield fuels demand for LBO debt. An aggregate value of \$93 billion in private equity investments was exited during 2Q13, the second highest such quarterly value since 1Q06. Investor demand for private equity remains strong, with \$124 billion in aggregate capital secured by new private equity funds in 2Q13, the highest level since the end of 2008 (source: Prequin).

## RESOURCE FUNDS

During the second quarter of 2013, crude oil traded between a range of \$86/bbl and \$98/bbl. The average price for the second quarter of 2013 was \$94/bbl which is approximately the same average price as the first quarter of 2013. Strong global energy demand and unrest in the Middle East should continue to provide strength to oil prices.



## COMBINED FUNDS

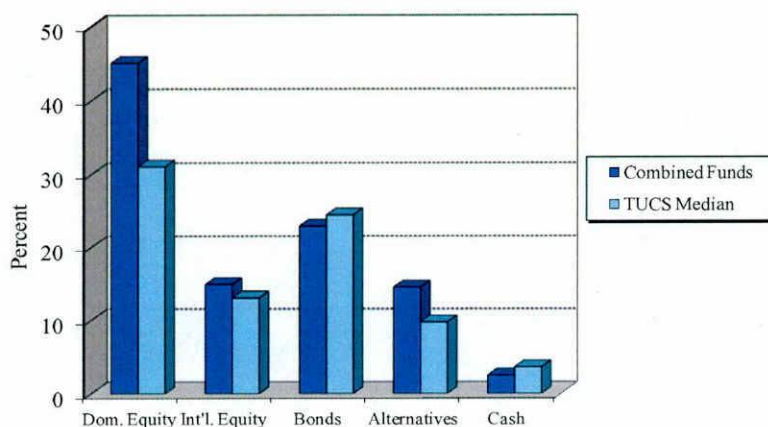
The comparison universe used by the SBI is the Trust Universe Comparison Service (TUCS). Only funds with assets over \$1 billion are included in the comparisons shown in this section.

## Asset Mix Compared to Other Pension Funds

On 6/30/2013, the asset mix of the Combined Funds was:

	\$ Millions	%
Domestic Stocks	\$23,474	45.1%
International Stocks	7,751	14.9
Bonds	11,973	23.0
Alternative Assets	7,559	14.5
Unallocated Cash	1,328	2.5
Total	\$52,085	100.0%

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



	Dom. Equity	Int'l Equity	Bonds	Alternatives	Cash
<b>Combined Funds</b>	<b>45.1%</b>	<b>14.9%</b>	<b>23.0%</b>	<b>14.5%</b>	<b>2.5%</b>
Median Allocation in TUCS*	31.1	13.0	24.5	9.7**	3.6

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

\*\* May include assets other than alternatives.

### COMBINED FUNDS

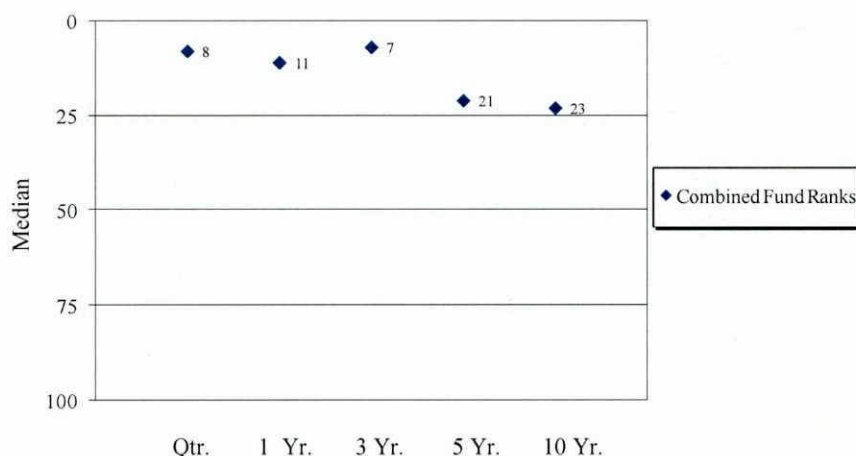
#### Performance Compared to Other Pension Funds

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

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

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

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



	Qtr.	Period Ending 6/30/2013			
		1 Yr.	3 Yr.	5 Yr.	10 Yr.
Combined Funds					
Percentile Rank in TUCS*	8th	11th	7th	21st	23rd

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



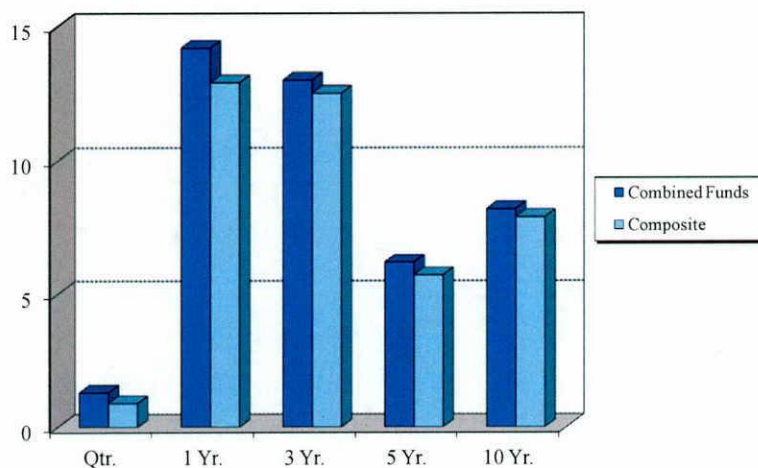
### COMBINED FUNDS

#### 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* 2Q13
Domestic Stocks	Russell 3000	45.0%
Int'l. Stocks	MSCI ACWI Free ex-U.S.	15.0
Bonds	Barclays Capital Aggregate	23.5*
Alternative Investments	Alternative Investments	14.5*
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 6/30/2013				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Combined Funds**	1.3%	14.2%	13.0%	6.2%	8.2%
Composite Index	0.9	12.9	12.5	5.7	7.9

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

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## STOCK AND BOND MANAGERS

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

#### Domestic Stocks

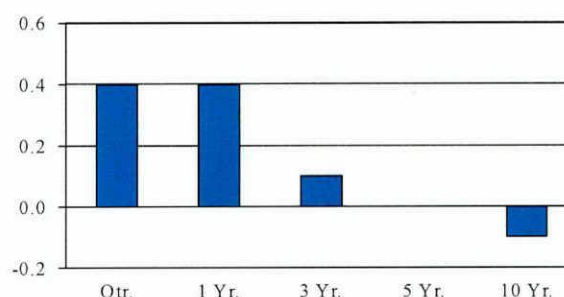
**Target:** Russell 3000

**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 6/30/2013				
	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Domestic Stocks	3.1%	21.9%	18.7%	7.2%	7.7%
Asset Class Target*	2.7	21.5	18.6	7.2	7.8

\* 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

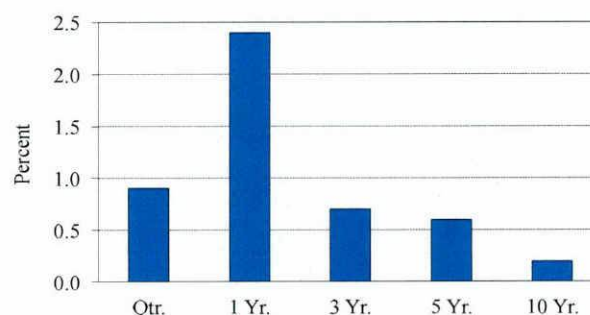
**Target:** Standard MSCI ACWI Free ex U.S. (net)

**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 6/30/2013				
	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Int'l. Stocks	-2.2%	16.1%	8.7%	-0.2%	8.9%
Asset Class Target*	-3.1	13.7	8.0	-0.8	8.7

\* 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



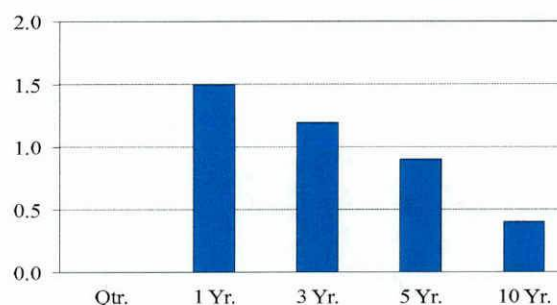
#### Bonds

**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 6/30/2013				
	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Bonds	-2.3%	0.8%	4.7%	6.1%	4.9%
Asset Class Target	-2.3	-0.7	3.5	5.2	4.5

Value Added to Fixed Income Target



## ALTERNATIVE INVESTMENTS

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

#### Alternative Investments

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

	Period Ending 6/30/2013				
	Annualized				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Alternatives	4.6%	11.3%	13.1%	6.4%	15.3%
Inflation	0.3%	1.8%	2.3%	1.3%	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 6/30/2013				
	Annualized				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Real Estate	2.7%	8.6%	12.2%	-2.9%	6.8%

#### 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 6/30/2013				
	Annualized				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Private Equity	5.1%	12.9%	13.5%	8.0%	16.2%

#### 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 6/30/2013				
	Annualized				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Resource	5.8%	5.0%	13.3%	9.4%	26.5%

#### 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 6/30/2013				
	Annualized				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Yield Oriented	4.2%	14.4%	13.4%	8.6%	16.9%



## 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 6/30/2013 the market value of the entire Fund was \$1.3 billion.**

## Investment Options

	6/30/2013 Market Value (In Millions)
<b>Income Share Account</b> – a balanced portfolio utilizing both common stocks and bonds.	\$298
<b>Growth Share Account</b> – an actively managed, all common stock portfolio.	\$163
<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.	\$205
<b>International Share Account</b> – a portfolio of non U.S. stocks that incorporates both active and passive management.	\$87
<b>Bond Market Account</b> – an actively managed, all bond portfolio.	\$126
<b>Money Market Account</b> – a portfolio utilizing short-term, liquid debt securities.	\$216
<b>Fixed Interest Account</b> – a portfolio of stable value instruments, including security backed contracts and insurance company and bank investment contracts.	\$188
<b>Volunteer Firefighter Account</b> – a balanced portfolio only used by the Voluntary Statewide Volunteer Firefighter Plan.	\$15

## 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%	59.7%
Bonds	35.0	35.2
Cash	5.0	5.1
	100.0%	100.0%

## Period Ending 6/30/2013

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	1.1%	13.5%	12.9%	7.3%	7.1%
Benchmark*	0.8	12.2	12.5	6.3	6.5

\* 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 6/30/2013

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	3.3%	22.1%	18.8%	7.2%	7.5%
Benchmark*	2.7	21.5	18.6	7.2	7.8

\* 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 6/30/2013

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	2.7%	21.5%	18.5%	7.3%	7.9%
Benchmark*	2.7	21.5	18.6	7.2	7.8

\* 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 6/30/2013

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	-2.2%	16.1%	8.7%	-0.2%	9.0%
Benchmark*	-3.1	13.7	8.0	-0.8	8.7

\* 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 6/30/2013

## Annualized

	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Total Account</b>	<b>-2.3%</b>	<b>0.8%</b>	<b>4.7%</b>	<b>6.1%</b>	<b>5.0%</b>
Barclays Capital Aggregate	-2.3	-0.7	3.5	5.2	4.5

## MONEY MARKET ACCOUNT

## Investment Objective

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

## Asset Mix

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

## Period Ending 6/30/2013

## Annualized

	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Total Account</b>	<b>0.0%</b>	<b>0.2%</b>	<b>0.3%</b>	<b>0.5%</b>	<b>1.9%</b>
3 month T-Bills	0.0	0.1	0.1	0.2	1.6

## 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 6/30/2013

## Annualized

	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Total Account</b>	<b>0.6%</b>	<b>2.5%</b>	<b>3.1%</b>	<b>3.7%</b>	<b>4.1%</b>
Benchmark*	0.2	0.8	1.0	1.4	2.7

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

## VOLUNTEER FIREFIGHTER ACCOUNT

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

The Account is invested in a balanced portfolio:

	Target	Actual
Domestic Stocks	35.0	34.9%
International Stocks	15.0	14.9
Bonds	45.0	45.2
Cash	5.0	5.0
	100.0%	100.0%

## Period Ending 6/30/2013

## Annualized

	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Total Account</b>	<b>-0.3%</b>	<b>10.4%</b>	<b>10.0</b>	<b>N/A</b>	<b>N/A</b>
Benchmark*	-0.6	8.9	9.5	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

	6/30/2013 Market Value (in Millions)
Vanguard Index Institutional Plus Shares (passive)	\$745
Janus Twenty (active)	\$434
Vanguard Mid Cap Index Institutional Shares (passive)	\$294
T. Rowe Price Small-Cap Stock (active)	\$517
Fidelity Diversified International (active)	\$243
Vanguard Total International Stock Index Institutional Plus (passive)	\$117
Vanguard Balanced Index Institutional Shares (passive)	\$556
Dodge & Cox Income Fund (active)	\$201
Vanguard Total Bond Market Index Institutional Shares (passive)	\$178
SIF Money Market Account	\$68
SIF Fixed Interest Account (stable value)	\$1,358
State Street Global Advisors MN Target Retirement Funds	
Income Fund	\$22
2015 Fund	\$29
2020 Fund	\$35
2025 Fund	\$26
2030 Fund	\$14
2035 Fund	\$9
2040 Fund	\$6
2045 Fund	\$3
2050 Fund	\$2
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.

Fund	Period Ending 6/30/2013			
	Annualized			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
S&P 500	2.9%	20.6%	18.4%	7.1%
	2.9	20.6	18.5	7.0

**Janus Twenty (active)**

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

Fund	Period Ending 6/30/2013			
	Annualized			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
S&P 500	2.6%	15.8%	13.6%	1.2%
	2.9	20.6	18.5	7.0

## MID CAP EQUITY

**Vanguard Mid Cap Index (passive)**

- A fund that passively invests in companies with medium market capitalizations that tracks the CRSP US Mid-Cap Index.

Fund	Period Ending 6/30/2013			
	Annualized			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
CRSP US Mid-Cap	2.4%	25.0%	19.0%	8.0%
	2.4	24.9	19.0	7.9

## SMALL CAP EQUITY

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

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

Fund	Period Ending 6/30/2013			
	Annualized			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Russell 2000	2.9%	23.6%	21.8%	13.2%
	3.1	24.2	18.7	8.8

## INTERNATIONAL EQUITY

**Fidelity Diversified International (active)**

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

Fund	Period Ending 6/30/2013			
	Annualized			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
MSCI EAFE	0.5%	18.2%	10.9%	-1.1%
	-1.0	18.6	10.0	-0.6

**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.

Fund	Period Ending 6/30/2013			
	Annualized			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
ACWI ex US IMI	-3.2%	13.6%	N/A	N/A
	-3.2	14.0	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% CRSP US Total Market Index/40% Barclays Capital Aggregate.

	Period Ending 6/30/2013			
	Annualized			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
<b>Fund</b>	<b>0.7%</b>	<b>12.2%</b>	<b>12.7%</b>	<b>7.1%</b>
Benchmark	0.7	12.2	12.7	6.9

## 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 6/30/2013			
	Annualized			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
<b>Fund</b>	<b>-1.8%</b>	<b>2.2%</b>	<b>4.7%</b>	<b>6.7%</b>
Barclays Capital Agg.	-2.3	-0.7	3.5	5.2

**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 6/30/2013			
	Annualized			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
<b>Fund</b>	<b>-2.4%</b>	<b>-0.8%</b>	<b>3.4%</b>	<b>5.2%</b>
Barclays Capital Agg.	-2.3	-0.7	3.5	5.2

**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 6/30/2013			
	Annualized			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
<b>Fund</b>	<b>0.0%</b>	<b>0.2%</b>	<b>0.3%</b>	<b>0.5%</b>
3-Mo. Treas.	0.0	0.1	0.1	0.2

## 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 6/30/2013			
	Annualized			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
<b>Fund</b>	<b>0.6%</b>	<b>2.5%</b>	<b>3.1%</b>	<b>3.7%</b>
Benchmark	0.2	0.8	1.0	1.4

## 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.

	6/30/2013 Target	6/30/2013 Actual
Stocks	20.0%	19.3%
Bonds	80.0	80.7
Total	100.0%	100.0%

### Investment Management

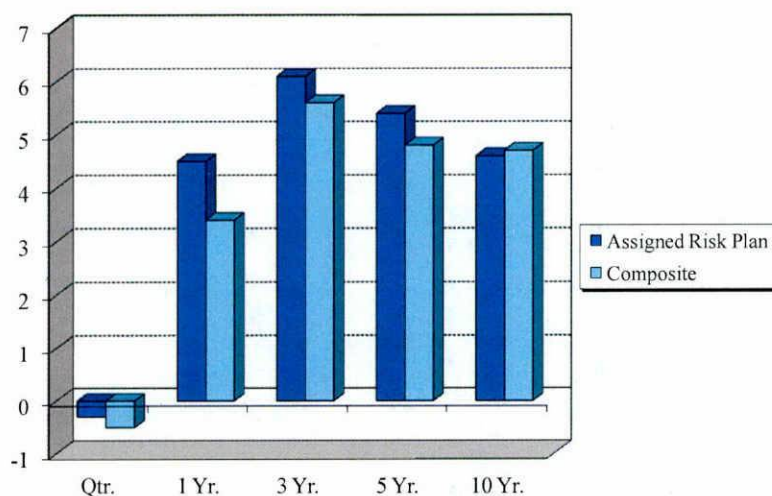
RBC Global Asset Management (US) manages the bond segment of the Fund. GE Investment Management manages the equity segment.

### 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, 2013 the market value of the Assigned Risk Plan was \$284 million.



### Period Ending 6/30/2013

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Total Fund*</b>	<b>-0.3%</b>	<b>4.5%</b>	<b>6.1%</b>	<b>5.4%</b>	<b>4.6%</b>
Composite	-0.5	3.4	5.6	4.8	4.7
<b>Equity Segment*</b>	<b>3.8</b>	<b>23.2</b>	<b>17.1</b>	<b>6.5</b>	<b>7.0</b>
Benchmark	2.9	20.6	18.5	7.0	7.3
<b>Bond Segment*</b>	<b>-1.4</b>	<b>-0.5</b>	<b>3.1</b>	<b>4.7</b>	<b>3.8</b>
Benchmark	-1.4	-0.6	2.4	3.9	3.9

\* 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.

	6/30/2013 Target	6/30/2013 Actual
Stocks	50.0%	49.7%
Bond	48.0	48.3
Cash	2.0	2.0
Total	100.0%	100.0%

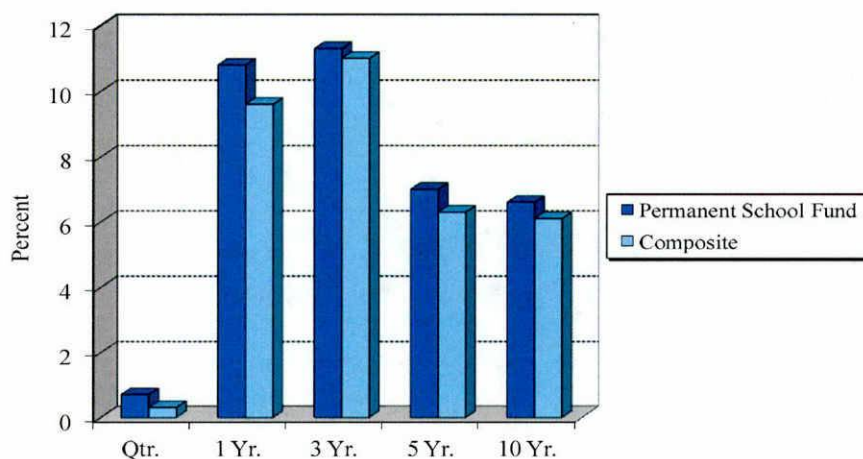
Prior to FY98, the Fund was invested entirely in fixed income securities in order to maximize current income. It is understood that the change in asset mix will reduce portfolio income in the short term, but will enhance the value of the fund, over time.

### 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, 2013 the market value of the Permanent School Fund was \$939 million.



### Period Ending 6/30/2013

#### Annualized

Qtr.    1 Yr.    3 Yr.    5 Yr.    10 Yr.

<b>Total Fund*</b>	<b>0.7%</b>	<b>10.8%</b>	<b>11.3%</b>	<b>7.0%</b>	<b>6.6%</b>
Composite	0.3	9.6	11.0	6.3	6.1
<b>Equity Segment*</b>	<b>2.9</b>	<b>20.5</b>	<b>18.5</b>	<b>7.1</b>	<b>7.3</b>
S&P 500	2.9	20.6	18.5	7.0	7.3
<b>Bond Segment*</b>	<b>-1.7</b>	<b>1.4</b>	<b>4.0</b>	<b>6.0</b>	<b>5.2</b>
Barclays Capital Agg.	-2.3	-0.7	3.5	5.2	4.5

\* Actual returns are calculated net of fees.



## ENVIRONMENTAL TRUST FUND

**Investment Objective**

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

**Asset Mix**

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

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

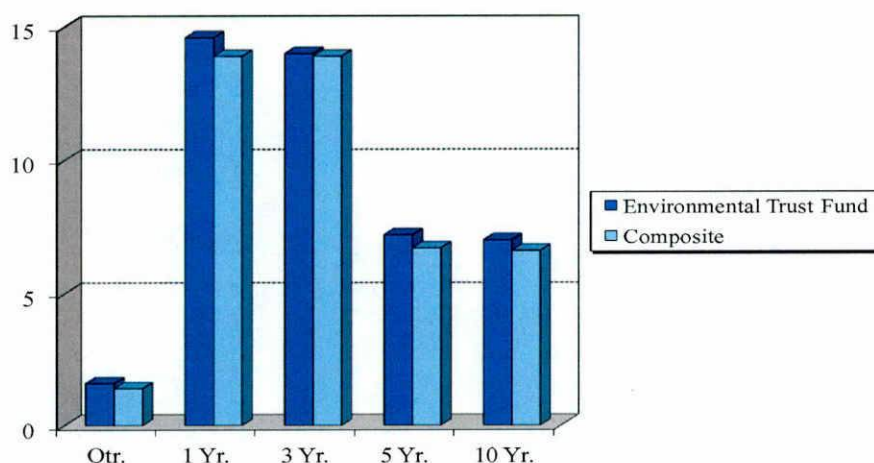
**Investment Management**

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

**Market Value**

On June 30, 2013 the market value of the Environmental Trust Fund was \$714 million.

	6/30/2013 Target	6/30/2013 Actual
Stocks	70.0%	69.8%
Bonds	28.0	28.2
Cash	2.0	2.0
Total	100.0%	100.0%



	Period Ending 6/30/2013				
		Annualized			
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Total Fund*</b>	1.6%	14.6%	14.0%	7.2%	7.0%
Composite	1.4	13.9	13.9	6.7	6.6
<b>Equity Segment*</b>	2.9	20.5	18.5	7.1	7.4
S&P 500	2.9	20.6	18.5	7.0	7.3
<b>Bond Segment*</b>	-1.7	1.4	4.0	6.0	5.2
Barclays Capital Agg.	-2.3	-0.7	3.5	5.2	4.5

\* 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. 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 level of current income consistent with the goal of preserving capital.

**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 6/30/2013				
		Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Treasurer's Cash Pool*</b>	<b>\$7,881</b>	<b>0.0%</b>	<b>0.4%</b>	<b>0.5%</b>	<b>1.1%</b>	<b>2.3%</b>
Custom Benchmark**		0.0	0.0	0.0	0.2	1.5
3 month T-Bills		0.0	0.1	0.1	0.2	1.6

\* 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, 2013 (in Thousands)**

	Cash & ST	Bonds Int	Bonds Ext	Stock Int	Stock Ext	Ext Intl	Alternative	Total
<b>COMBINED RETIREMENT FUNDS</b>								
Teachers Retirement Fund	469,717 2.62%	0	4,134,002 22.97%	0	8,105,154 45.04%	2,676,467 14.87%	2,610,107 14.50%	17,995,447 100%
Public Employees Retirement Fund	386,304 2.56%	0	3,462,343 22.98%	0	6,788,297 45.06%	2,241,617 14.88%	2,186,034 14.51%	15,064,595 100%
State Employees Retirement Fund	245,604 2.45%	0	2,303,788 23.01%	0	4,516,823 45.11%	1,491,536 14.90%	1,454,553 14.53%	10,012,304 100%
Public Employees Police & Fire	159,250 2.52%	0	1,456,052 22.99%	0	2,854,747 45.08%	942,689 14.89%	919,315 14.52%	6,332,053 100%
Highway Patrol Retirement Fund	14,719 2.49%	0	136,228 23.00%	0	267,091 45.10%	88,198 14.89%	86,011 14.52%	592,247 100%
Judges Retirement Fund	4,073 2.63%	0	35,620 22.97%	0	69,837 45.03%	23,061 14.87%	22,490 14.50%	155,081 100%
Correctional Employees Retirement	19,091 2.57%	0	171,241 22.98%	0	335,736 45.06%	110,866 14.88%	108,117 14.51%	745,051 100%
Public Employees Correctional	10,169 2.78%	0	84,021 22.94%	0	164,732 44.96%	54,397 14.85%	53,048 14.48%	366,367 100%
Legislative Retirement Fund	271 2.35%	0	2,659 23.03%	0	5,214 45.16%	1,722 14.92%	1,679 14.54%	11,545 100%
PERA Minneapolis Retirement	19,176 2.37%	0	186,720 23.03%	0	366,089 45.15%	120,889 14.91%	117,893 14.54%	810,767 100%
<b>TOTAL COMBINED FUNDS</b>	<b>1,328,374 2.55%</b>	<b>0</b>	<b>11,972,674 22.99%</b>	<b>0</b>	<b>23,473,720 45.07%</b>	<b>7,751,442 14.88%</b>	<b>7,559,247 14.51%</b>	<b>52,085,457 100%</b>

	Cash & ST	Bonds Int	Bonds Ext	Stock Int	Stock Ext	Ext Intl	Alternative	Total
<b>MINNESOTA SUPPLEMENTAL FUNDS:</b>								
Income Share Account	15,138 5.07%	105,084 35.22%	0	0	178,206 59.71%	0	0	298,428 100%
Growth Share Account	0	0	0	0	163,103 100.00%	0	0	163,103 100%
Money Market Account	215,567 100.00%	0	0	0	0	0	0	215,567 100%
Common Stock Index	0	0	0	0	205,468 100.00%	0	0	205,468 100%
Bond Market Account	0	0	125,907 100.00%	0	0	0	0	125,907 100%
International Share Account	0	0	0	0	0	86,686 100.00%	0	86,686 100%
Fixed Interest Account	0	0	188,305 100.00%	0	0	0	0	188,305 100%
Volunteer Firefighters Account	774 5.00%	0	7,001 45.25%	0	5,398 34.89%	2,299 14.86%	0	15,472 100%
<b>TOTAL SUPPLEMENTAL FUNDS</b>	231,479 17.82%	105,084 8.10%	321,213 24.73%	0	552,175 42.51%	88,985 6.85%	0	1,298,936 100%
<b>MN DEFERRED COMP PLAN</b>	71,802 1.48%	0	2,022,078 41.60%	0	2,382,705 49.03%	383,838 7.90%	0	4,860,423 100%
<b>TOTAL RETIREMENT FUNDS</b>	1,631,655 2.80%	105,084 0.18%	14,315,965 24.58%	0	26,408,600 45.34%	8,224,265 14.12%	7,559,247 12.98%	58,244,816 100%



	Cash & ST	Bonds Int	Bonds Ext	Stock Int	Stock Ext	Ext Intl	Alternative	Total
ASSIGNED RISK PLAN	898 0.32%	0	228,370 80.44%	0	54,639 19.25%	0	0	283,907 100%
ENVIRONMENTAL FUND	14,560 2.04%	201,335 28.19%	0	498,192 69.77%	0	0	0	714,087 100%
PERMANENT SCHOOL FUND	19,116 2.04%	453,387 48.27%	0	466,720 49.69%	0	0	0	939,223 100%
Miscellaneous Trust Funds	304 0.26%	53,885 45.72%	0	63,677 54.02%	0	0	0	117,866 100%
Other Post Employment Funds (OPEB's)	51,620 13.08%	65,440 16.58%	0	277,526 70.33%	0	0	0	394,586 100%
TREASURERS CASH	7,601,269 100.00%	0	0	0	0	0	0	7,601,269 100%
MISCELLANEOUS ACCOUNTS	0	280,386 100.00%	0		0	0	0	280,386 100%
TOTAL CASH AND NON-RETIREMENT	7,687,767 74.41%	1,054,433 10.21%	228,370 2.21%	1,306,115 12.64%	54,639 0.53%	0	0	10,331,324 100%
GRAND TOTAL	9,319,422 13.59%	1,159,517 1.69%	14,544,335 21.21%	1,306,115 1.90%	26,463,239 38.59%	8,224,265 11.99%	7,559,247 11.02%	68,576,140 100%





**TAB**

**B**





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

---

DATE: September 4, 2013

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 2013 is included as **Attachment A**. A report on the SBI's administrative budget for the Fiscal Year 2014 Year to Date is included as **Attachment B**.

A report on travel for the period from May 5, 2013 – August 3, 2013 is included as **Attachment C**.

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

Each quarter, staff provides a report to the Board on steps taken to implement *Minnesota Statutes*, section 11A.243 that requires SBI actions concerning companies with operations in Sudan. Staff receives periodic reports from the Conflict Risk Network (CRN) about the status of companies with operations in Sudan.

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

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 18, 2013 letter sent to each international equity manager and domestic equity manager containing the most recent restricted list and the list of stocks to be divested.

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

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

Each quarter, staff provides a report to the Board on steps taken to implement *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 held no shares of companies on the divestment list.

**Attachment F** is a copy of the June 18, 2013 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.

### **4. Litigation Update**

SBI legal counsel will give the Board a verbal update on status of litigation at the Board meeting on September 11, 2013.

### **5. Update on 529 Plan**

I will give a verbal update on the 529 Plan at the Board meeting on September 11, 2013.



## ATTACHMENT A

**STATE BOARD OF INVESTMENT**  
**FISCAL YEAR 2013 ADMINISTRATIVE BUDGET REPORT**  
**FISCAL YEAR 2013 FINAL**

ITEM	FISCAL YEAR 2013 BUDGET	FISCAL YEAR 2013 ACTUAL
<b>PERSONAL SERVICES</b>		
FULL TIME EMPLOYEES	\$ 3,124,500	\$ 3,025,515
PART TIME EMPLOYEES	\$ 69,000	\$ 69,294
SEVERENCE PAYOFF	0	0
WORKERS COMPENSATION INSURANCE	0	0
MISCELLANEOUS PAYROLL	5,000	858
<b>SUBTOTAL</b>	<b>\$ 3,198,500</b>	<b>\$ 3,095,667</b>
<b>STATE OPERATIONS</b>		
RENTS & LEASES	203,000	194,541
REPAIRS/ALTERATIONS/MAINTENANCE	10,000	12,434
PRINTING & BINDING	4,000	3,719
PROFESSIONAL/TECHNICAL SERVICES	350,000	67,059
COMPUTER SYSTEMS SERVICES	23,000	15,939
COMMUNICATIONS	26,000	23,102
TRAVEL, IN-STATE	900	485
TRAVEL, OUT-STATE	42,000	43,101
SUPPLIES	28,000	22,322
EQUIPMENT	62,000	54,624
EMPLOYEE DEVELOPMENT	5,000	14,700
OTHER OPERATING COSTS	73,000	60,975
<b>SUBTOTAL</b>	<b>\$ 826,900</b>	<b>\$ 513,001</b>
<b>TOTAL ADMINISTRATIVE BUDGET</b>	<b>\$ 4,025,400</b>	<b>\$ 3,608,668</b>



## ATTACHMENT B

**STATE BOARD OF INVESTMENT**  
**FISCAL YEAR 2014 ADMINISTRATIVE BUDGET REPORT**  
**FISCAL YEAR TO DATE THROUGH JULY 31, 2013**

ITEM	FISCAL YEAR 2014 BUDGET	FISCAL YEAR 2014 7/31/2013
<b>PERSONAL SERVICES</b>		
FULL TIME EMPLOYEES	\$ 3,286,000	\$ 142,804
PART TIME EMPLOYEES	\$ 72,000	\$ 3,284
SEVERENCE PAYOFF	0	0
WORKERS COMPENSATION INSURANCE	0	0
MISCELLANEOUS PAYROLL	235,000	0
<b>SUBTOTAL</b>	<b>\$ 3,593,000</b>	<b>\$ 146,088</b>
<b>STATE OPERATIONS</b>		
RENTS & LEASES	200,000	17,145
REPAIRS/ALTERATIONS/MAINTENANCE	10,000	165
PRINTING & BINDING	5,000	0
PROFESSIONAL/TECHNICAL SERVICES	250,000	0
COMPUTER SYSTEMS SERVICES	23,000	678
COMMUNICATIONS	26,000	1,250
TRAVEL, IN-STATE	1,000	0
TRAVEL, OUT-STATE	42,000	2,356
SUPPLIES	20,000	0
EQUIPMENT	20,000	0
EMPLOYEE DEVELOPMENT	10,000	0
OTHER OPERATING COSTS	140,000	414
<b>SUBTOTAL</b>	<b>\$ 747,000</b>	<b>\$ 22,008</b>
<b>TOTAL ADMINISTRATIVE BUDGET</b>	<b>\$ 4,340,000</b>	<b>\$ 168,096</b>





## ATTACHMENT C

## STATE BOARD OF INVESTMENT

**Travel Summary by Date**  
**SBI Travel May 5, 2013 – August 3, 2013**

<b>Purpose</b>	<b>Name(s)</b>	<b>Destination and Date</b>	<b>Total Cost</b>
<b>Conference:</b> Skybridge Alternatives Conference (SALT) sponsored by Skybridge Capital	H. Bicker	Las Vegas, NV 5/7-5/10	\$578.71
<b>Manager Monitoring:</b> <b>Alternative Investment</b> <b>Manager:</b> First Reserve	J. Kirby	New York, NY 5/29-5/30	\$1,570.41
<b>Manager Monitoring:</b> <b>Alternative Investment</b> <b>Managers:</b> Advent International; Apax Partners; CVC Capital Partners <b>Manager Search:</b> <b>Alternative Investment</b> <b>Managers:</b> Bridgepoint; Cinven; IK Investment Partners; Nordic Capital Partners; Permira Advisers; Triton Advisers <b>Conference:</b> Institutional Limited Partners Association (ILPA) Members-Only Conference	J. Kirby	London, England 6/7-6/18	\$3,669.24
<b>Manager Monitoring:</b> <b>Fixed Income Managers:</b> Dodge & Cox; Western Asset Mgmt; PIMCO <b>Manager Monitoring:</b> <b>Consultant:</b> Callan Associates Inc.	M. Menssen R. Hill	San Francisco, CA Pasadena, CA Newport Beach, CA 6/17-6/20	\$3,730.25

Purpose	Name(s)	Destination and Date	Total Cost
<b>Conference:</b> National Association of Public Pension Attorneys (NAPPA) Conference	J. Mule	Santa Fe, NM 6/24-6/28	\$1,554.54
<b>Manager Monitoring:</b> <b>Alternative Investment</b> <b>Managers:</b> EIG; First Reserve	J. Kirby	Houston, TX 7/16-7/17	\$1,483.63
<b>Conference:</b> Public Funds Summit East Sponsored by Opal Financial Group	H. Bicker	Newport, RI 7/22-7/24	\$730.59
<b>In State Travel:</b> Duluth Teachers' Retirement Fund Association	H. Bicker	Duluth, MN 7/31-8/1	\$148.88



ATTACHMENT D

Letter to SBI International Equity Managers and Domestic Equity Managers

June 18, 2013

**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.** 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 Sudan Companies that was attached to the March 13, 2013 letter you received. **This new list is effective June 20, 2013.**

- The following companies have been **added** to the list:
  - **Orca Gold Inc.** Canada
  - **FMC Technologies Inc.** US
- The following companies have been **removed** from the list:
  - **Wartsila Oyj** Finland
  - **Electricity Generating PCL AKA EGCO** Thailand

**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 Companies Requiring Divestment in the SBI portfolio that your organization 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 Sudan Stocks (**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. 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: LeaAnn M. Stagg, Manager, Public Programs  
Tammy Brusehaver, Manager, Domestic Equities  
Patricia Ammann, Portfolio Manager, Domestic Equities  
Stephanie Gleeson, Manager, International Equities

# ATTACHMENT 1

Restricted Sudan Stocks	
Company Name	Country of Origin
Orca Gold Inc.	Canada
Statesman Resources Limited	Canada
Wuhan Boiler Company	China
AviChina Industry & Technology Limited	China
Hafei Aviation Industry Company	China
Harbin Dongan Auto Engine Company	China
China Gezhouba Group Company Limited	China
China Hydraulic and Hydroelectric Construction Group AKA Sinohydro Group	China
Daqing Huake Group Company Limited	China
Jinan Diesel Company Limited	China
PetroChina	China
China North Industries Group Corporation AKA CNGC/Norinco	China
Norinco International Cooperation Ltd	China
Liaoning Huajin Tongda Chemical Co. Ltd.	China
Sichuan Nitrocell Co. Ltd	China
North Navigation Control Technology Co. Ltd (formerly China North Optical-Electrical Technology Company Limited)	China
AKM Industrial Company Limited	China
China Petroleum and Chemical Corporation AKA Sinopec Corp.	China
Kingdream PLC	China
Sinopec Shanghai Petrochemicals Ltd	China
Sinopec Yizheng Chemical Fibre Co Ltd	China
Jiangxi Hongdu Aviation AKA Hongdu Aviation	China
Dongfeng Motor Group Company Limited	China
Egypt Kuwait Holding Company	Egypt
Alstom	France
Kunlun Energy Co. Ltd	Hong Kong
Sinopec Kanton Holdings Limited	Hong Kong
Alstom India Ltd	India
Areva T&D India	India
Indian Oil Corporation Ltd. AKA IOCL	India
Chennai Petroleum Corporation Ltd. AKA CPCL	India
Lanka IOC Limited	India
Mercator Ltd	India
Oil and Natural Gas Company AKA ONGC	India
Mangalore Refinery and Petrochemicals Limited	India
Oil India Limited	India
Energy Holding Co KSCC, Te AKA AREF Energy Holding Company	Kuwait
Managem	Morocco
Societe Metallurgique D'imiter	Morocco
Petroliaam Nasional Berhad AKA Petronas	Malaysia
KLCC Property Holdings Bhd	Malaysia
Malaysia International Shipping Company AKA MISC Berhad	Malaysia
Petronas Gas Berhad	Malaysia



**ATTACHMENT 1**

<b>Restricted Sudan Stocks</b>	
<b>Company Name</b>	<b>Country of Origin</b>
Petronas Dagangan Berhad	Malaysia
Petronas Chemicals Group Berhad	Malaysia
Scomi Group Berhad	Malaysia
Scomi Engineering Berhad	Malaysia
Mercator Lines Singapore	Singapore
LS Industrial Systems	South Korea
FMC Technologies Inc.	US

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

Source: Conflict Risk Network

SBI Effective Date: June 20, 2013

## 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 20, 2013

**Attachment 3**

**Security Identifiers for "Scrutinized" Stocks**

The following security identifiers correlate with the Second Quarter 2013 Sudan Company Report and are current as of May 29, 2013

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	Tricker	WPK Number	SEDOL	CUSIP	Sigovm	ISIN	COMMON	CNS	Fondcode
ALSTOM (FRANCE)	ALSTOM	EN Paris (XPAR)	Common Stock	ALSTOM	ALO FP	AOF7BK	B0JJK5 FR			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	OTC US (XOTC)	Common Stock	ALSTOM	AOMFF US	AOF7BK	B0JJK5 US			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Frankfurt (XFRA)	Common Stock	ALSTOM	AOMD GR	AOF7BK	B0JJK5 DE			FR0010220475	022581074		F0259M475
ALSTOM (FRANCE)	ALSTOM	Euro Comp (XLON)	Common Stock	ALSTOM	ALO EU	AOF7BK	B0JJK5 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Chi-X Alt Ts (CHX)	Common Stock	ALSTOM	ALSP IX	AOF7BK	B0JJK5 FR			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro Comp (XLON)	Common Stock	ALSTOM	ALOGBX EU	AOF7BK	B0JJK5 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro OTC (XLON)	Common Stock	ALSTOM	ALOGBX EO	AOF7BK	B0JJK5 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro Comp (XLON)	Common Stock	ALSTOM	ALOGBP EO	AOF7BK	B0JJK5 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro OTC (XLON)	Common Stock	ALSTOM	ALOUSD EO	AOF7BK	B0JJK5 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Turquoise (TROX)	Common Stock	ALSTOM	ALO TO	AOF7BK	B0JJK5 FR			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Equiduct (XEQT)	Common Stock	ALSTOM	ALO BO	AOF7BK	B0JJK5 FR			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	BATS Europe (BATE)	Common Stock	ALSTOM	ALO EB	AOF7BK	B0JJK5 FR			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro OTC (XLON)	Common Stock	ALSTOM	ALO EO	AOF7BK	B0JJK5 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro OTC (XLON)	Common Stock	ALSTOM	ALOCHE EO	AOF7BK	B0JJK5 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro Comp (XLON)	Common Stock	ALSTOM	ALOCHE EU	AOF7BK	B0JJK5 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro OTC (XLON)	Common Stock	ALSTOM	ALONOK EO	AOF7BK	B0JJK5 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro Comp (XLON)	Common Stock	ALSTOM	ALONOK EU	AOF7BK	B0JJK5 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro OTC (XLON)	Common Stock	ALSTOM	ALOAU EO	AOF7BK	B0JJK5 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Euro Comp (XLON)	Common Stock	ALSTOM	ALOAU EU	AOF7BK	B0JJK5 GB			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Quelie MTF (QMTF)	Common Stock	ALSTOM	ALO OM	AOF7BK	B0JJK5 FR			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	LSE Europe (LSE)	Common Stock	ALSTOM	ALO LI	AOF7BK	B0JJK5 DE			FR0010220475	022581074		
ALSTOM (FRANCE)	ALSTOM	Tradegate (XGAT)	Common Stock	ALSTOM	AOMD TH	AOF7BK	B0JJK5 FR			FR0010220475	022581074		
ALSTOM SA	ALSTOM	EN Paris (XPAR)	Common Stock	ALSTOM	ALO NV	AOF7BK	B0JJK5 FR			FR0010220475	022581074		
ALSTOM PROJECTS INDIA LTD (INDIA)	ALSTOM	Natl India (XNSE)	Common Stock	ALSTOM PROJECTS INDIA LTD	ALONV FP	AOEAYM	5230834 IN			FR0011375682	091177358		
AREVA T&D INDIA LTD	ALSTOM	Natl India (XNSE)	Common Stock	AREVA T&D INDIA LTD	ATD IN	ADR887	INE878A01011			FR0010220475	022581074		
WUHAN BOILER CO (CHINA)	ALSTOM	Shenzhen (XSHE)	Common Stock	WUHAN BOILER CO-B	200770 CH	913669	6111928 CN			CNE000000VM7			
AVICHINA INDUSTRY & TECHNOLOGY LTD (CHINA)	AVICHINA INDUSTRY & TECHNOLOGY LTD	Hong Kong (XHKG)	Common Stock	AVICHINA INDUSTRY & TECH-H	2357 HK	ADM4WY	6707899 HK			CNE1000001Y8			
AVICHINA INDUSTRY & TECHNOLOGY LTD (CHINA)	AVICHINA INDUSTRY & TECHNOLOGY LTD	Frankfurt (XFRA)	Common Stock	AVICHINA INDUSTRY & TECH-H	AVT GR	ADM4WY	B1BJK68 DE			CNE1000001Y8			
AVICHINA INDUSTRY & TECHNOLOGY LTD (CHINA)	AVICHINA INDUSTRY & TECHNOLOGY LTD	OTC US (XOTC)	Common Stock	AVICHINA INDUSTRY & TECH-H	AVJF US	ADM4WY	B01W4B3 US			CNE1000001Y8			Y0485Q109
HAFEI AVIATION INDUSTRY CO (CHINA)	AVICHINA INDUSTRY & TECHNOLOGY LTD	Shanghai (XSHG)	Common Stock	HAFEI AVIATION INDUSTRY CO	600038 CH	ADM4ER	6306586 CN			CNE0000015V6			
HARBIN DONGAN AUTO ENGINE CO (CHINA)	AVICHINA INDUSTRY & TECHNOLOGY LTD	Shanghai (XSHG)	Common Stock	HARBIN DONGAN AUTO ENGINE-A	600178 CH	ADM369	6128519 CN			CNE000000XJ9			
CATERPILLAR INC	CATERPILLAR INC	New York (XNYS)	Common Stock	CATERPILLAR INC	CAT US	850598	2180201 US	005976		US1491231015	00986537		
CATERPILLAR INC	CATERPILLAR INC	Frankfurt (XFRA)	Common Stock	CATERPILLAR INC	CAT1 GR	850598	5626520	919161		US1491231015	00986537		
CATERPILLAR INC	CATERPILLAR INC	EN Paris (XPAR)	Common Stock	CATERPILLAR INC	CAT FP	850598	4180254 FR	005976		US1491231015	00986537		
CATERPILLAR INC	CATERPILLAR INC	LIMA (XLM)	Common Stock	CATERPILLAR INC	CAT PE	850598	2743778	919161		US1491231015	00986537		
CATERPILLAR INC	CATERPILLAR INC	London Intl (XLON)	Common Stock	CATERPILLAR INC	CAT ES	850598	7151600 BE	005976		US1491231015	00986537		
CATERPILLAR INC	CATERPILLAR INC	Mexico (XME)	Common Stock	CATERPILLAR INC	CAT MM	850598	2665979 MX	005976		US1491231015	00986537		
CATERPILLAR INC	CATERPILLAR INC	Euro OTC (XLON)	Common Stock	CATERPILLAR INC	CAT IX	850598	5626520 DE	919161		US1491231015	00986537		
CATERPILLAR INC	CATERPILLAR INC	Euro Comp (XLON)	Common Stock	CATERPILLAR INC	CAT EO	850598	0180162 GB			US1491231015	00986537		
CATERPILLAR INC	CATERPILLAR INC	Euro OTC (XLON)	Common Stock	CATERPILLAR INC	CAT EU	850598	0180162 GB			US1491231015	00986537		
CATERPILLAR INC	CATERPILLAR INC	Euro Comp (XLON)	Common Stock	CATERPILLAR INC	CATGBX EU	850598	0180162 GB			US1491231015	00986537		
CATERPILLAR INC	CATERPILLAR INC	Euro OTC (XLON)	Common Stock	CATERPILLAR INC	CATEUR EU	850598	0180162 GB			US1491231015	00986537		
CATERPILLAR INC	CATERPILLAR INC	Euro Comp (XLON)	Common Stock	CATERPILLAR INC	CATR PZ	850598	0180162 GB	005976		US1491231015	00986537		
CATERPILLAR INC	CATERPILLAR INC	Euro OTC (XLON)	Common Stock	CATERPILLAR INC	CATEUR EO	850598	0180162 GB			US1491231015	00986537		
CATERPILLAR INC	CATERPILLAR INC	Turquoise (TROX)	Common Stock	CATERPILLAR INC	CAT TE	850598	2180201 US	005976		US1491231015	00986537		
CATERPILLAR INC	CATERPILLAR INC	NYSE ARCA Eu (XNYS)	Common Stock	CATERPILLAR INC	CAT NR	850598	2180201 US	005976		US1491231015	00986537		
CATERPILLAR INC	CATERPILLAR INC	Tradegate (XGAT)	Common Stock	CATERPILLAR INC	CAT1 TH	850598	5626520 DE	919161		US1491231015	00986537		
CATERPILLAR INC	CATERPILLAR INC	Bolsa Colomb (XBOG)	Common Stock	CATERPILLAR INC	CAT CB	850598	8631975 CO	005976		US1491231015	00986537		
CATERPILLAR INC	CATERPILLAR INC	Euro OTC (XLON)	Common Stock	CATERPILLAR INC	CATCHF EU	850598				US1491231015	00986537		
CATERPILLAR INC	CATERPILLAR INC	Euro Comp (XLON)	Common Stock	CATERPILLAR INC	CATCHF EU	850598				US1491231015	00986537		
CATERPILLAR INC	CATERPILLAR INC	BATS Europe (BATE)	Common Stock	CATERPILLAR INC	CAT EB	850598	2180201 US	005976		US1491231015	00986537		
CATERPILLAR INC	CATERPILLAR INC	Buenos Floor (XBUE)	Receipt	CATERPILLAR-CEB	CAT AR		2378277 AR			ARDEUT110079	033876874		
CATERPILLAR INC	CATERPILLAR INC	Buenos Floor (XBUE)	Receipt	CATERPILLAR-CEB	CAT AR		2378277 AR			ARDEUT110079	033876874		
CATERPILLAR INC	CATERPILLAR INC	Buenos Floor (XBUE)	Receipt	CATERPILLAR-CEB	CAT AR		2378277 AR			ARDEUT110079	033876874		
CATERPILLAR INC	CATERPILLAR INC	Buenos Floor (XBUE)	Receipt	CATERPILLAR-CEB	CAT AR		2378277 AR			ARDEUT110079	033876874		
CATERPILLAR INC	CATERPILLAR INC	Soma (BVMF)	Receipt	CATERPILLAR-BDR	CATP11B BZ		B463079 BR			3			
CATERPILLAR INC	CATERPILLAR INC	SIX Swiss Ex (XSXX)	Receipt	CATERPILLAR INC	CAT SW	850598	4516310 CH	919161		US1491231015	00986537		
CATERPILLAR INC	CATERPILLAR INC	Santiago Comercio	Common Stock	CATERPILLAR INC	CAT CI	850598		005976		US1491231015	00986537		
CATERPILLAR INC	CATERPILLAR INC	EN Brussels (XBRU)	Receipt	CATERPILLAR INC	CATER BB		B752850 BE			BE0004810516	002789370		
CHINA GEZHOUBA GROUP COMPANY LTD (CHINA)	CHINA GEZHOUBA GROUP COMPANY LTD	Shanghai (XSHG)	Common Stock	CHINA GEZHOUBA GROUP CO-LTA	600088 CH	ADM31Z	6377214 CN			CNE000000QF1			
SINOHYDRO GROUP (CHINA)	CHINA HYDRAULIC AND HYDROELECTRIC CONSTRUCTION GROUP (SINOHYDRO)	Shanghai (XSHG)	Common Stock	SINOHYDRO GROUP LTD-A	601689 CH		B4TH890 CN						
DAQING HUAKE GROUP CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Shenzhen (XSHE)	Common Stock	DAQING HUAKE GROUP CO-A	000985 CH	ADM4C2	6277949 CN			CNE000001402			
JINAN DIESEL ENGINE CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Shenzhen (XSHE)	Common Stock	JINAN DIESEL ENGINE CO-A	000617 CH	ADM3ZT	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	5367753 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	B01DD23 US	952131	BMG5320C1082	050092003
KUNLUN ENERGY CO LTD	CHINA NATIONAL PETROLEUM CORP aka CNPC	OTC Exchange (OOTC)	ADR	CNPC HONG KONG LTD-UNSP ADR	KLYCY US		B3L2812 US		US50126A1016	
KUNLUN ENERGY CO LTD	CHINA NATIONAL PETROLEUM CORP aka CNPC	Tradegate (XGAT)	Common Stock	KUNLUN ENERGY CO LTD	CTJ1 TH	A1CV3E	5367753 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
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Shanghai (XSHG)	Common Stock	PETROCHINA CO LTD	601857 CH		B26SLD9 CN		CNE1000007Q1	
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	New York (XNYS)	ADR	PETROCHINA CO LTD -ADR	PTR US	936983	2568841 US		US71646E1001	011511449
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Frankfurt (XFRA)	ADR	PETROCHINA CO LTD -ADR	PC6A GR	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 CIE	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	PC6 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 (XSES)	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	B569834 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		CNE0000000V29	
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		CNE0000000NY9	
LIAONING HUAJIN TONGDA CHEMICALS CO. LTD	CHINA NORTH INDUSTRIES GROUP CORPORATION (CNGC/NORINCO)	Shenzhen (XSHE)	Common Stock	LIAONING HUAJIN TONGDA CHE - A	000059 CS	A0M30T	6796143 CN		CNE0000000NY9	
SICHUAN NITROCELL CO. LTD.	CHINA NORTH INDUSTRIES GROUP CORPORATION (CNGC/NORINCO)	Shenzhen (XSHE)	Common Stock	SICHUAN NITROCELL CO LTD-A	002246 CH	A0RPGJ	839G5K4 CN		CNE1000008BV7	
NORTH NAVIGATION CONTROL TECHNOLOGY CO. LTD.	CHINA NORTH INDUSTRIES GROUP CORPORATION (CNGC/NORINCO)	Shenzhen (XSHE)	Common Stock	CHINA NORTH OPTICAL-ELECTR-A	600435 CH	A0M4L5	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	A0M4L5	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	B02J0J3 HK		HK8298013897	
AKM INDUSTRIAL CO. LTD.	CHINA NORTH INDUSTRIES GROUP CORPORATION (CNGC/NORINCO)	Berlin (XBER)	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	6291619 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	
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	B0RSVWG 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/CIE	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		CNE0000000XK7	
SINOPEC KANTON HOLDINGS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Hong Kong (XHKG)	Common Stock	SINOPEC KANTONS HOLDINGS	934 HK	923923	6162692 HK		BMG6165U1009	011563384
SINOPEC KANTON HOLDINGS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Frankfurt (XFRA)	Common Stock	SINOPEC KANTONS HOLDINGS	SAK GR	923923	4601197 DE		BMG6165U1009	011563384
SINOPEC KANTON HOLDINGS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	OTC US (OOTC)	ADR	SINOPEC KANTONS-UNSPON ADR	SPKOY US		B3KRT60 US		US829354V2070	
SINOPEC SHANGHAI PETROCHEMICALS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Singapore (XSES)	ADR	SINOPEC SHANGHAI-SPONS ADR	SHI SP	887169	B3MNGN2	908289	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		CNE0000000B82	
SINOPEC SHANGHAI PETROCHEMICALS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Frankfurt (XFRA)	Common Stock	SINOPEC SHANGHAI PETROCHEM	SGJH GR	A0M4Y5	5888632 DE	908303	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	6797458 HK	908303	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	908289	US82935M1099	012248750
SINOPEC SHANGHAI PETROCHEMICALS LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Frankfurt (XFRA)	ADR	SINOPEC SHANGHAI-SPONS ADR	SHI GR	887169	5734636 DE	908289	US82935M1099	012248750
SINOPEC YIZHENG CHEMICAL FIBRE CO LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Hong Kong (XHKG)	Common Stock	SINOPEC YIZHENG CHEMICAL-H	1033 HK	A0M4Y6	6984669 HK	917709	CNE1000004D6	006096662



SINOPEC YIZHENG CHEMICAL FIBRE CO LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	OTC US (OOTC)	Common Stock	SINOPEC YIZHENG CHEMICAL-H	YZCF US	ADM4Y6	B01XVLS US	CNE1000004D6	008069662	Y9841V106
SINOPEC YIZHENG CHEMICAL FIBRE CO LTD (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Frankfurt (XFRA)	Common Stock	SINOPEC YIZHENG CHEMICAL-H	YZH GR	ADM4Y6	4303675 DE	917709	CNE1000004D6	008069662
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Tradedgate	ADR	CHINA PETROLEUM & CHEM-ADR	CHUA TH	578971	16941R108	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	ADM3V6	6986740 CN	CNE000000H33		
DONGFENG MOTOR GROUP COMPANY LIMITED	DONGFENG MOTOR GROUP COMPANY LIMITED	Hong Kong (XHKG)	Common Stock	DONGFENG MOTOR GRP CO LTD-H	489 HK	ADM4XY	B0PHSN3 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	ADM4XY	B0KZY65 US	CNE100000312	023857456	Y21042109
DONGFENG MOTOR GROUP COMPANY LIMITED	DONGFENG MOTOR GROUP COMPANY LIMITED	Frankfurt (XFRA)	Common Stock	DONGFENG MOTOR GRP CO LTD-H	D4D GR	ADM4XY	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	ADM4XY	B0TB866 DE	CNE 100000312	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	B00MD00			
EGYPTIAN KUWAIT HOLDING CO (EGYPT)	EGYPTIAN KUWAITI HOLDING CO (EGYPT)	Kuwait (XKUW)	Common Stock	EGYPTIAN KUWAITI HOLDING CO	EKHOLDINKK	A0H1G7	B0S8H15 KW	EG69082C013		
ENERGY HOLDING CO KSCC/THE	ENERGY HOLDING CO KSCC/THE	Kuwait (XKUW)	Common Stock	ENERGY HOLDING CO KSCC/THE	ENERGYH KK	A0KD4C	B13BW69 KW	KWDC0601801		
FMC TECHNOLOGIES INC	New York (XNYS)	Common Stock	FMC TECHNOLOGIES INC	FTI US Equity	634793	2763561 US	US30249U101	6	012672969	
FMC TECHNOLOGIES INC	New York (XNYS)	Common Stock	FMC TECHNOLOGIES INC	FTI UN Equity	634793	2763561 US	US30249U101	6	012672969	
FMC TECHNOLOGIES INC	Frankfurt (XFRA)	Common Stock	FMC TECHNOLOGIES INC	FMH GR Equity	634793	B1BXTDO DE	US30249U101	6	012672969	
FMC TECHNOLOGIES INC	Frankfurt (XFRA)	Common Stock	FMC TECHNOLOGIES INC	FMH GF Equity	634793	B1BXTDO DE	US30249U101	6	012672969	
FMC TECHNOLOGIES INC	Frankfurt (XFRA)	Common Stock	FMC TECHNOLOGIES INC	FMH GB Equity	634793	B1BXTDO DE	US30249U101	6	012672969	
FMC TECHNOLOGIES INC	Frankfurt (XFRA)	Common Stock	FMC TECHNOLOGIES INC	FMH GD Equity	634793	B1BXTDO DE	US30249U101	6	012672969	
FMC TECHNOLOGIES INC	Frankfurt (XFRA)	Common Stock	FMC TECHNOLOGIES INC	FMH GM Equity	634793	B1BXTDO DE	US30249U101	6	012672969	
FMC TECHNOLOGIES INC	Frankfurt (XFRA)	Common Stock	FMC TECHNOLOGIES INC	FMH GS Equity	634793	B1BXTDO DE	US30249U101	6	012672969	
FMC TECHNOLOGIES INC	Tradegate (XGAT)	Common Stock	FMC TECHNOLOGIES INC	FMH TH Equity	634793	B1BXTDO DE	US30249U101	6	012672969	
FMC TECHNOLOGIES INC	New York (XNYS)	Common Stock	FMC TECHNOLOGIES INC	FTI US Equity	634793	2763561 US	US30249U101	6	012672969	
FMC TECHNOLOGIES INC	New York (XNYS)	Common Stock	FMC TECHNOLOGIES INC	FTI UC Equity	634793	2763561 US	US30249U101	6	012672969	
FMC TECHNOLOGIES INC	New York (XNYS)	Common Stock	FMC TECHNOLOGIES INC	FTI UD Equity	634793	2763561 US	US30249U101	6	012672969	
FMC TECHNOLOGIES INC	New York (XNYS)	Common Stock	FMC TECHNOLOGIES INC	FTI UF Equity	634793	2763561 US	US30249U101	6	012672969	
FMC TECHNOLOGIES INC	New York (XNYS)	Common Stock	FMC TECHNOLOGIES INC	FTI UM Equity	634793	2763561 US	US30249U101	6	012672969	
FMC TECHNOLOGIES INC	New York (XNYS)	Common Stock	FMC TECHNOLOGIES INC	FTI UO Equity	634793	2763561 US	US30249U101	6	012672969	
FMC TECHNOLOGIES INC	New York (XNYS)	Common Stock	FMC TECHNOLOGIES INC	FTI UP Equity	634793	2763561 US	US30249U101	6	012672969	
FMC TECHNOLOGIES INC	New York (XNYS)	Common Stock	FMC TECHNOLOGIES INC	FTI US Equity	634793	2763561 US	US30249U101	6	012672969	
FMC TECHNOLOGIES INC	New York (XNYS)	Common Stock	FMC TECHNOLOGIES INC	FTI UX Equity	634793	2763561 US	US30249U101	6	012672969	
FMC TECHNOLOGIES INC	New York (XNYS)	Common Stock	FMC TECHNOLOGIES INC	FTI VJ Equity	634793	2763561 US	US30249U101	6	012672969	
FMC TECHNOLOGIES INC	New York (XNYS)	Common Stock	FMC TECHNOLOGIES INC	FTI VK Equity	634793	2763561 US	US30249U101	6	012672969	
FMC TECHNOLOGIES INC	New York (XNYS)	Common Stock	FMC TECHNOLOGIES INC	FTI VY Equity	634793	2763561 US	US30249U101	6	012672969	
GLENCORE INTERNATIONAL PLC	GLENCORE XSTRATA PLC	Mexico (XMEX)	N Share	Glencore International PLC	GLEH MM	A1JAGV	B7NQY6 MX	JE00B4T3BW64	063082236	
GLENCORE INTERNATIONAL PLC	GLENCORE XSTRATA PLC	Hong Kong (XHKG)	Common Stock	Glencore International PLC	805 HK	A1JAGV	B3NFY8	JE00B4T3BW64	063082236	
GLENCORE INTERNATIONAL PLC	GLENCORE XSTRATA PLC	London Int (XLON)	Common Stock	Glencore International PLC	GLEH LN	A1JAGV	B4T3BW6 GB	JE00B4T3BW64	063082236	
GLENCORE INTERNATIONAL PLC	GLENCORE XSTRATA PLC	Stuttgart (XSTU)	Common Stock	Glencore International PLC	86C GR	A1JAGV	B55N373 DE	JE00B4T3BW64	063082236	
GLENCORE INTERNATIONAL PLC	GLENCORE XSTRATA PLC	BATS Europe (BATE)	Common Stock	Glencore International PLC	GLEH EB	A1JAGV	B4T3BW6 GB	JE00B4T3BW64	063082236	
GLENCORE INTERNATIONAL PLC	GLENCORE XSTRATA PLC	Tradegate (XGAT)	Common Stock	Glencore International PLC	86C TH	A1JAGV		JE00B4T3BW64	063082236	
GLENCORE INTERNATIONAL PLC	GLENCORE XSTRATA PLC	Quote MTF (QMTF)	Common Stock	Glencore International PLC	GLEH QM	A1JAGV		JE00B4T3BW64	063082236	
GLENCORE INTERNATIONAL PLC	GLENCORE XSTRATA PLC	Euro OTC (XLOH)	Common Stock	Glencore International PLC	GLEH EO	A1JAGV		JE00B4T3BW64	063082236	
GLENCORE INTERNATIONAL PLC	GLENCORE XSTRATA PLC	Euro Comp (XLOH)	Common Stock	Glencore International PLC	GLENEUR EU	A1JAGV		JE00B4T3BW64	063082236	
GLENCORE INTERNATIONAL PLC	GLENCORE XSTRATA PLC	Turquoise (TRGX)	Common Stock	Glencore International PLC	GLEH TQ	A1JAGV	B4T3BW6 GB	JE00B4T3BW64	063082236	
GLENCORE INTERNATIONAL PLC	GLENCORE XSTRATA PLC	Chi-X An Ts (CHX)	Common Stock	Glencore International PLC	GLEH IX	A1JAGV	B4T3BW6 GB	JE00B4T3BW64	063082236	
GLENCORE INTERNATIONAL PLC	GLENCORE XSTRATA PLC	Euro OTC (XLOH)	Common Stock	Glencore International PLC	GLEH EQ	A1JAGV		JE00B4T3BW64	063082236	
GLENCORE INTERNATIONAL PLC	GLENCORE XSTRATA PLC	NYSE ARCA Eu (XHF)	Common Stock	Glencore International PLC	GLEH NR	A1JAGV	B4T3BW6 GB	JE00B4T3BW64	063082236	
GLENCORE INTERNATIONAL PLC	GLENCORE XSTRATA PLC	OTC US (OOTC)	Common Stock	Glencore International PLC	GLCNF US	A1JAGV	B4MSCG5 US	JE00B4T3BW64	063082236	
GLENCORE INTERNATIONAL PLC	GLENCORE XSTRATA PLC	OTC US (OOTC)	ADR	Glencore International PLC-UNSP ADR	GLNCY US	A1WY82	B89L415 US	US37827X1000		
BIOPETROL INDUSTRIES AG	GLENCORE XSTRATA PLC	Xetra (XETR)	Common Stock	Biopetrol Industries AG	B2I GR	B0G9VP2 DE	CH0023225938	023647729		
BIOPETROL INDUSTRIES AG	GLENCORE XSTRATA PLC	Euro OTC (XLOH)	Common Stock	Biopetrol Industries AG	B2I EO	A0HNS5		CH0023225938	023647729	
BIOPETROL INDUSTRIES AG	GLENCORE XSTRATA PLC	Tradegate (XGAT)	Common Stock	Biopetrol Industries AG	B2I TH	A0HNS5	B0G9VP2 DE	CH0023225938	023647729	
CHEMOIL ENERGY LIMITED	GLENCORE XSTRATA PLC	Singapore (XSES)	Common Stock	CHEMOIL ENERGY LTD	CHEME SP	A0LBTG	B1DL5V2 SG	HK0000035819	02711866	
CHEMOIL ENERGY LIMITED	GLENCORE XSTRATA PLC	Berlin (XBER)	Common Stock	CHEMOIL ENERGY LTD	LHT GR	A0LBTG	B1L9776 US	HK0000035819	02711866	
CHEMOIL ENERGY LIMITED	GLENCORE XSTRATA PLC	OTC US (OOTC)	Common Stock	CHEMOIL ENERGY LTD	CLRGF US	A0LBTG		HK0000035819	02711866	Y13062104
CHEMOIL ENERGY LIMITED	GLENCORE XSTRATA PLC	OTC US (OOTC)	ADR	CHEMOIL ENERGY LTD-UNSPN ADR	CLRGV US		B3L34K6 US	US16363N1028		
CHENNAI PETROLEUM CORPORATION LIMITED (INDIA)	INDIAN OIL CORP LTD aka IOCL	Mumbai (XBOM)	Common Stock	CHENNAI PETROLEUM CORP LTD	MRL IN	A0B868	6121583 IN	INE178A01016		
INDIAN OIL CORP LTD (INDIA)	INDIAN OIL CORP LTD aka IOCL	Natl India (XNSE)	Common Stock	INDIAN OIL CORPORATION LTD	IOCL IN	A0B868	6253767 IN	INE242A01010		
LANKA IOC LTD (INDIA)	INDIAN OIL CORP LTD aka IOCL	Colombo (XCGL)	Common Stock	LANKA IOC LTD	LIQD SL	A0D83L	B0591G4 LK	LN0345N00025		
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 (XJTS)	Common Stock	JX HOLDINGS INC	5020 JP	A1CS9H	B627LW9 JP	JP3386450005	049326777	
JX HOLDINGS INC (JAPAN)	JX HOLDINGS INC	Stuttgart (XSTU)	Common Stock	JX HOLDINGS INC	JHU GR	A1CS9H	B55WTC0 DE	JP3386450005	049326777	
JX HOLDINGS INC (JAPAN)	JX HOLDINGS INC	OTC US (OOTC)	ADR	JX HOLDINGS INC - UNSPON ADR	JXHLV US	A1CVU3	B588T28 US	US4662951023		
JX HOLDINGS INC (JAPAN)	JX HOLDINGS INC	OTC US (OOTC)	Common Stock	JX HOLDINGS INC	JXHGF US	A1CS9H	B6R59M4 US	JP3386450005	049326777	J29699105
NIPPO CORP (JAPAN)	JX HOLDINGS INC	Tokyo (XJTS)	Common Stock	NIPPO CORP	1891 JP	857848	B640789 JP	JP3750200002	001227858	









# ATTACHMENT E

## Conflict Risk Network (CRN) List of "Scrutinized" Companies in Sudan List Effective Through August 31, 2013

<u>Company Name</u>	<u>Country of Origin</u>
<b>Alstom</b>	France
Alstom India Ltd	India
Areva T&D India Ltd.	India
Wuhan Boiler Company	China
<b>AviChina Industry &amp; Technology Ltd.</b>	China
Hafei Aviation Industry Co.	China
Harbin Dongan Auto Engine Co.	China
<b>Caterpillar Inc.</b>	US
<b>China Gezhouba Group Company Ltd.</b>	China
<b>China Hydraulic and Hydroelectric Construction Group AKA Sinohydro</b>	China
Sichuan Power Development Co., Ltd.	China
Sinohydro Bureau 7 Co., Ltd.	China
Sinohydro Group Ltd.	China
<b>China National Petroleum Corporation AKA CNPC</b>	China
Daqing Huake Group Co., Ltd.	China
Jinan Diesel Co., Ltd.	China
Kunlun Energy Co., Ltd.	Hong Kong
PetroChina Co., Ltd.	China
<b>China North Industries Group Corporation AKA CNGC/NORINCO</b>	China
AKM Industrial Co., Ltd.	Hong Kong
China North Industries Corporation AKA NORINCO	China
Liaoning Huajin Tongda Chemicals	China
NORINCO International Cooperation Ltd.	China
North Navigation Control Technology Co., Ltd	China
Sichuan Nitrocell Co., Ltd	China
<b>China Petrochemical Corporation AKA Sinopec Group</b>	China
China Petroleum and Chemical Corporation AKA Sinopec Corp	China
Kingdream PLC	China
Sinopec Kanton Holdings Ltd.	Hong Kong
Sinopec Shanghai Petrochemicals Ltd.	China
Sinopec Yizheng Chemical Fibre Co., Ltd.	China
<b>Dongfeng Motor Group Co. Ltd.</b>	China
<b>Egypt Kuwait Holding Company</b>	Egypt
<b>Energy Holding Company KSCC</b> (previously known as AREF Energy Holding Company)	Kuwait
<b>FMC Technologies Inc.</b>	US
<b>Glencore Xstrata PLC</b>	Switzerland
Biopetrol Industries	Switzerland
Chemoil Energy Ltd	Singapore
Viterra Inc.	Canada
<b>Indian Oil Corporation Ltd. AKA IOCL</b>	India
Chennai Petroleum Corporation Limited AKA CPCL	India
Lanka IOC Ltd	India
<b>Jiangxi Hongdu Aviation AKA Hongdu Aviation</b>	China
<b>JX Holdings</b>	Japan
Nippo Corporation	Japan
<b>LS Industrial Systems</b>	South Korea
<b>Managem</b>	Morocco
ONA S.A.	Morocco
Societe Metallurgique D'imiter	Morocco
<b>Mercator Ltd</b>	India
Mercator Lines Singapore	Singapore
<b>Oil and Natural Gas Company, AKA ONGC</b>	India
Mangalore Refinery and Petrochemicals Ltd. AKA MRPL	India
<b>Oil India Ltd.</b>	India
<b>Orca Gold Inc.</b> (previously known as Shark Minerals)	Canada
<b>Petroleum Nasional Berhad AKA Petronas</b>	Malaysia
KLCC Property Holdings Bhd	Malaysia
Malaysia International Shipping Company AKA MISC Berhad	Malaysia
Petronas Chemicals Group Berhad	Malaysia
Petronas Dagangan Bhd	Malaysia
Petronas Gas Bhd	Malaysia
<b>PT Pertamina Persero</b>	Indonesia
<b>Ranhill Berhad</b>	Malaysia
<b>Reliance Industries Ltd.</b>	India
<b>Scomi Group Berhad</b>	Malaysia
Scomi Engineering Berhad	Malaysia
<b>Statesman Resources Limited</b>	Canada
<b>Trafigura Beheer</b>	Netherlands

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

**Conflict Risk Network (CRN) List of Companies in Sudan for "Substantial Action"**  
**List Effective Through August 31, 2013**

<b><u>Company Name</u></b>	<b><u>Country of Origin</u></b>
Petrofac LTD	UK
Schlumberger LTD	Netherlands
Wartsila OYJ	Finland



**Conflict Risk Network (CRN) List of Companies in Sudan with "No Publicly Traded Equity"**  
**or "Not Relevant under the CRN Targeted Divestment Model"**  
**List Effective Through August 31, 2013**

<b>Company Name</b>	<b>Country of Origin</b>
Abdel Hadi Abdullah Al-Qahtani & Sons Group of Companies	Saudi Arabia
Africa Energy	Nigeria
Andritz AG	Austria
Andritz Hydro	Austria
Ansan Wikfs Investments Ltd.	Yemen
APS Engineering Company S.p.A.	Italy
Arcadia Petroleum	UK
Ascom Group SA	Moldova
Atlas Copco AB	Sweden
Bharat Electronics Ltd.	India
Bharat Heavy Electricals Ltd.	India
China International Water & Electric Corp AKA CWE	China
China Machinery Engineering Company (CMEC)	China
China Poly Group Corporation	China
Poly Investment Ltd.	Hong Kong
Citadel Capital	Egypt
Daedong Industrial Machinery Co., Ltd	South Korea
Dindir Petroleum International/Edgo Group	Jordan
Etisalat	Abu Dhabi
Express Petroleum and Gas Company	Nigeria
GAZ Group	Russia
Avtodizel OAO	Russia
GAZ Auto Plant	Russia
Pavlovsky Bus Plant	Russia
Tverskoy Excavator OSJC	Russia
Yaroslavsky Diesel Equipment Plant OAO	Russia
GIAD Industrial City	Sudan
Harbin Electric Co. Ltd	China
Harbin Power Engineering AKA HPE	China
Hi-Tech Petroleum Group Co., Ltd.	Sudan
HTC Yemen International Ltd.	Yemen
Kamaz	Russia
Neftekamsky Avtozavod AKA NEFAZ	Russia
Kuwait Foreign Petroleum Exploration Company AKA KUFPEC	Kuwait
La Mancha Resources	Canada
Lahmeyer International	Germany
MAN SE	Germany
Mott MacDonald	UK
MTN Group	South Africa
Petrolin	Gabon
Petroneeds Service International Company	Sudan
Saras S.p.A.	Italy
Shandong Electric Power Construction Corporation	China
Shanghai Electric Group Co.	China
Shanghai Electric Group Finance Co. Ltd.	China
Shanghai Mechanical and Electrical Industry Co. Ltd.	China
Shanghai Power Transmission and Distribution Co. Ltd.	China
Snowy Mountain Engineering Corporation	Australia
Star Petroleum S.A.	Spain
Sudan Petroleum Corporation AKA Sudapet	Sudan
Tamoil	Libya
Total SA (several locations)	Belgium
Rosier S.A.	US
Sunpower Corporation	Canada
Total Gabon	Africa
Total Kenya Ltd.	Africa
Total Nigeria PLC	Africa
UAE for Gold Minerals and Investment Company Ltd.	United Arab Emirates
Vitol Group	Switzerland
Zain Group	Kuwait
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



ATTACHMENT F

Letter to SBI International Equity Managers and Domestic Equity Managers

June 18, 2013

**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. **These securities 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 13, 2013 letter you received. **This new list is effective June 20, 2013.**

The following companies have been **removed** from the restricted list:

- **Saipem Spa** Italy
- **Toyo Engineering Corporation** Japan

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

- **Saipem Spa** has been removed from the divestment list.



**If you own securities of companies on the List of Iran Companies Requiring Divestment in the SBI portfolio that your organization 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: LeaAnn M. Stagg, Manager, Public Programs  
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 Nafte DD	Croatia
Indian Oil Corporation Ltd.	India
L G International	Korea South
Liquefied Natural Gas Ltd	Australia
Mitsui & Co. Ltd	Japan
Nagarjuna Fertilizers & Chemicals Ltd.	India
Oil & Natural Gas Corporation Ltd.	India
PetroChina Co. Ltd.	China
Petrofac	United Kingdom
Punj Lloyd Ltd.	India
Sasol Ltd	South Africa
Technip	France
Toyota Tsusho Corporation	Japan

Effective Date: June 20, 2013

## 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
Technip	France	September 30, 2012	March 31, 2013
Toyota Tsusho	Japan	September 30, 2012	March 31, 2013

Effective Date: June 20, 2013



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

COMPANY_NAME	SEDOL	ISIN	SYMBOL	CUSIP	CUSIP_2	COUNTRY
Bharat Petroleum Corporation Ltd.	6099723	INE029A01011	500547			India
China Petroleum & Chemical Corp	2654375	US16941R1086	386	16941R108		China
China Petroleum & Chemical Corp	B0RSW00	US16941R1086	386	16941R108		China
China Petroleum & Chemical Corp	2639189	US16941R1086	386	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	386	16941R108		China
China Petroleum & Chemical Corp	B1C5SX8	ARDEUT114071	386	16941R108		China
Daelim Industrial	6246604	KR7000211003	A000210			Korea South
Daelim Industrial	B1T52M8	KR7000211003	A000210			Korea South
Daelim Industrial	6249584	KR7000210005	A000210			Korea South
Gail (India) Ltd.	B1HJ0L7	US36268T2069	532155	36268T206	36268T107	India
Gail (India) Ltd.	3235520	US36268T2069	532155	36268T206	36268T107	India
Gail (India) Ltd.	B2NTDN1	US36268T2069	532155	36268T206	36268T107	India
Gail (India) Ltd.	B033102	US36268T2069	532155	36268T206	36268T107	India
Gail (India) Ltd.	2498517	US36268T1079	532155	36268T206	36268T107	India
Gail (India) Ltd.	3235490	US36268T1079	532155	36268T206	36268T107	India
Gail (India) Ltd.	6133405	INE129A01019	532155	36268T206	36268T107	India
Gazprom	B0338T0	US3682873068	GAZP	368287207	368287108	Russia
Gazprom	5385003	US3682873068	GAZP	368287207	368287108	Russia
Gazprom	2016629	US3682872078	GAZP	368287207	368287108	Russia
Gazprom	5259528	US3682872078	GAZP	368287207	368287108	Russia
Gazprom	5140989	US3682872078	GAZP	368287207	368287108	Russia
Gazprom	2398899	US3682871088	GAZP	368287207	368287108	Russia
Gazprom	3313181	US3682871088	GAZP	368287207	368287108	Russia
Gazprom	4364928	RU0007661625	GAZP	368287207	368287108	Russia
Gazprom	B2NH841	ARDEUT114261	GAZP	368287207	368287108	Russia
GS Engineering & Construction Corp	B06ZHC9	KR7006360002	A006360			Korea South
GS Engineering & Construction Corp	6537096	KR7006360002	A006360			Korea South
GS Holdings	B02FVX2	KR7078931003	A078930	Y2901P103		Korea South
GS Holdings	B01RJV3	KR7078930005	A078930	Y2901P103		Korea South
Gubre Fabrikalari T.A.S.	B03MTC7	TRAGUBRF91E2	GUBRF			Turkey
Gubre Fabrikalari T.A.S.	B188YV1	TRAGUBRF91E2	GUBRF			Turkey

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

COMPANY_NAME	SEDOL	ISIN	SYMBOL	CUSIP	CUSIP_2	COUNTRY
Ina-Industrija Nafta DD	B1L56D5	US45325E2019	INA-R-A	45325E102		Croatia
Ina-Industrija Nafta DD	B1L1YV7	US45325E2019	INA-R-A	45325E102		Croatia
Ina-Industrija Nafta DD	B1HJKC8	US45325E2019	INA-R-A	45325E102		Croatia
Ina-Industrija Nafta DD	B1HJKF1	US45325E1029	INA-R-A	45325E102		Croatia
Ina-Industrija Nafta DD	B1L5RN2	US45325E1029	INA-R-A	45325E102		Croatia
Ina-Industrija Nafta DD	B1JMYF6	HRINA0RA0007	INA-R-A	45325E102		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
Liquefied Natural Gas Ltd	B05KKL5	AU000000LNG0	LNG			Australia
Liquefied Natural Gas Ltd	B2RHN19	AU000000LNG0	LNG			Australia
Liquefied Natural Gas Ltd	B02L5H2	AU000000LNG0	LNG			Australia
Mitsui & Co. Ltd	4597058	XS0029348686	8031	606827202		Japan
Mitsui & Co. Ltd	2597061	US6068272029	8031	606827202		Japan
Mitsui & Co. Ltd	B1HHX89	US6068272029	8031	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
Nagarjuna Fertilizers & Chemicals Ltd.	6628644	INE580A01013	500075			India
Oil & Natural Gas Corporation Ltd.	6139362	INE213A01011	500312	Y64606117		India
PetroChina Co. Ltd.	2568841	US71646E1001	857	71646E100		China
PetroChina Co. Ltd.	4633327	US71646E1001	857	71646E100		China
PetroChina Co. Ltd.	B28SLD9	CNE1000007Q1	857	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
PetroChina Co. Ltd.	6226576	CNE1000003W8	857	71646E100		China
PetroChina Co. Ltd.	B1C5SR2	ARDEUT113958	857	71646E100		China
Petrofac Ltd.	B0H2K53	GB00B0H2K534	PFC	716473103		United Kingdom
Petrofac Ltd.	B11B6G6	GB00B0H2K534	PFC	716473103		United Kingdom
Petrofac Ltd.	B0LWHB4	GB00B0H2K534	PFC	716473103		United Kingdom
Punj Lloyd Ltd.	B1VJSG4	INE701B01021	532693			India

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

COMPANY_NAME	SEDOL	ISIN	SYMBOL	CUSIP	CUSIP_2	COUNTRY
Sasol Ltd	B03NQB8	ZAE000006896	SAOA	803866300		South Africa
Sasol Ltd	5734304	ZAE000006896	SAOA	803866300		South Africa
Sasol Ltd	6777450	ZAE000006896	SAOA	803866300		South Africa
Sasol Ltd	4776910	US8038663006	SAOA	803866300		South Africa
Sasol Ltd	2777294	US8038663006	SAOA	803866300		South Africa
Technip	2811620	US8785462099	TEC	878546209		France
Technip	2878658	US8785461000	TEC	878546209		France
Technip	B2NG4D9	FR0010565044	TEC	878546209		France
Technip	B1MD4Y5	FR0010412353	TEC	878546209		France
Technip	B0WC5Z3	FR0010273250	TEC	878546209		France
Technip	B05K6W8	FR0010150342	TEC	878546209		France
Technip	7328482	FR0000206039	TEC	878546209		France
Technip	B06PC80	FR0000131708	TEC	878546209		France
Technip	4122018	FR0000131708	TEC	878546209		France
Technip	4874160	FR0000131708	TEC	878546209		France
Technip	B28MSJ6	FR0000131708	TEC	878546209		France
Toyota Tsusho Corporation	6900580	JP3635000007	8015	89240C106		Japan

Effective Date: June 20, 2013



Letter to SBI Fixed Income Managers

June 18, 2013

**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. **These securities 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 13, 2013 letter you received. **This new list is effective June 20, 2013.**

The following companies have been **removed** from the restricted list:

- **Saipem Spa** Italy
- **Toyo Engineering Corporation** Japan

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

- **Saipem Spa** has been removed from the divestment list.

**If you own securities of companies on the List of Iran Companies Requiring Divestment in the SBI portfolio that your organization 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.: LeaAnn M. Stagg, Manager, Public Programs  
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 Nafte DD	Croatia
Indian Oil Corporation Ltd.	India
L G International	Korea South
Liquefied Natural Gas Ltd	Australia
Mitsui & Co. Ltd	Japan
Nagarjuna Fertilizers & Chemicals Ltd.	India
Oil & Natural Gas Corporation Ltd.	India
PetroChina Co. Ltd.	China
Petrofac	United Kingdom
Punj Lloyd Ltd.	India
Sasol Ltd	South Africa
Technip	France
Toyota Tsusho Corporation	Japan

Effective Date: June 20, 2013



**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
Technip	France	September 30, 2012	March 31, 2013
Toyota Tsusho	Japan	September 30, 2012	March 31, 2013

Effective Date: June 20, 2013



TAB

C





## INVESTMENT ADVISORY COUNCIL REPORT

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DATE: September 4, 2013

TO: Members, State Board Investment

FROM: Members, Investment Advisory Council

The Investment Advisory Council met on Tuesday, August 20<sup>th</sup>, 2013 to consider the following agenda items:

- Review the manager performance for the period ending June 30, 2013.

**No Board action is required.**

### INFORMATION ITEMS:

#### 1. Review the manager performance for the period ending June 30, 2013.

- *Domestic Equity Program*

For the period ending June 30, 2013, the **Domestic Equity Program** outperformed the benchmark for the quarter, one and three-year periods and matched the benchmark over the five-year time period.

Time period	Total Program	Russell 3000
Quarter	3.1%	2.7%
1 Year	21.9%	21.5%
3 Years	18.7%	18.6%
5 Years	7.2%	7.2%

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, 2013, the **Fixed Income Program** matched the benchmark for the quarter and outperformed over all other time periods.

<b>Time period</b>	<b>Total Program</b>	<b>Barclays Capital Aggregate</b>
<b>Quarter</b>	-2.3%	-2.3%
<b>1 Year</b>	0.8%	-0.7%
<b>3 Years</b>	4.7%	3.5%
<b>5 Years</b>	6.1%	5.2%

The performance evaluation reports for the fixed income managers start on the **blue page A-51** of this Tab.

- ***International Equity Program***

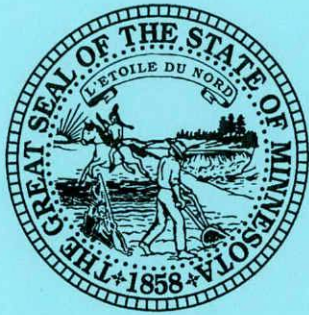
For the period ending June 30, 2013, the **International Equity Program** outperformed over all time periods.

<b>Time Period</b>	<b>Total Program</b>	<b>Int'l Equity Asset Class Target*</b>
<b>Quarter</b>	-2.2%	-3.1%
<b>1 Year</b>	16.1%	13.7%
<b>3 Year</b>	8.7%	8.0%
<b>5 Year</b>	-0.2%	-0.8%

\* Since 6/1/08 the International Equity asset class target is the Standard MSCI ACWI ex U.S. (net). From 10/1/07 to 5/31/08, the 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-65** of this Tab.





# **STATE BOARD OF INVESTMENT**

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## **Domestic Equity Manager Evaluation Reports**

**Second Quarter, 2013**



## **Domestic Equity**

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**COMBINED RETIREMENT FUNDS**  
**ACTIVE DOMESTIC EQUITY MANAGERS**  
**Periods Ending June, 2013**

	Quarter		1 Year		3 Years		5 Years	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
Russell 1000 Growth Aggregate	3.8	2.1	18.2	17.1	18.9	18.7	7.6	7.5
Russell 1000 Value Aggregate	4.8	3.2	26.8	25.3	18.3	18.5	6.7	6.7
Russell 2000 Growth Aggregate	5.1	3.7	22.3	23.7	18.6	20.0	5.4	8.9
Russell 2000 Value Aggregate	3.9	2.5	28.8	24.8	20.1	17.3	11.0	8.6
<b>Active Manager Aggregate</b>	<b>4.1</b>	<b>2.8</b>	<b>22.7</b>	<b>21.9</b>	<b>18.3</b>	<b>18.6</b>	<b>6.8</b>	<b>7.4</b>
<b>Semi-Passive Aggregate</b>	<b>2.7</b>	<b>2.7</b>	<b>21.7</b>	<b>21.2</b>	<b>19.3</b>	<b>18.6</b>	<b>7.4</b>	<b>7.1</b>
<b>Passive Manager (BlackRock)</b>	<b>2.7</b>	<b>2.7</b>	<b>21.4</b>	<b>21.5</b>	<b>18.5</b>	<b>18.6</b>	<b>7.3</b>	<b>7.2</b>
<b>Total Aggregate</b>	<b>3.1</b>	<b>2.7</b>	<b>21.9</b>	<b>21.5</b>	<b>18.7</b>	<b>18.6</b>	<b>7.2</b>	<b>7.2</b>
<b>Russell 3000 Index</b>		<b>2.7</b>		<b>21.5</b>		<b>18.6</b>		<b>7.2</b>

	2012		2011		2010		2009		2008	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
Russell 1000 Growth Aggregate	15.5	15.3	-0.4	2.6	19.3	16.7	44.5	37.2	-42.7	-38.4
Russell 1000 Value Aggregate	16.9	17.5	-2.1	0.4	15.0	15.5	23.8	19.7	-38.0	-36.8
Russell 2000 Growth Aggregate	12.0	14.6	-5.6	-2.9	29.1	29.1	33.6	34.5	-46.8	-38.5
Russell 2000 Value Aggregate	19.6	18.1	-4.5	-5.5	30.5	24.5	36.3	20.6	-36.1	-28.9
Active Manager Aggregate	15.4	16.3	-2.7	0.0	19.7	18.7	32.3	27.9	-40.5	-36.9
Semi-Passive Aggregate	17.7	16.4	2.2	1.5	15.2	16.1	28.5	28.4	-37.2	-37.6
Passive Manager (BlackRock)	16.4	16.4	0.8	1.0	17.2	16.9	28.2	28.3	-37.1	-37.3
Total Aggregate	16.6	16.4	0.4	1.0	17.1	16.9	29.6	28.3	-38.1	-37.3
Russell 3000 Index		16.4		1.0		16.9		28.3		-37.3

**COMBINED RETIREMENT FUNDS  
ACTIVE DOMESTIC EQUITY MANAGERS**

Periods Ending June, 2013

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>Russell 1000 Growth</b>												
INTECH	3.1	2.1	16.0	17.1	18.3	18.7	6.3	7.5	5.3	6.2	\$433.2	1.8%
Jacobs Levy	2.2	2.1	16.0	17.1	19.5	18.7	6.9	7.5	4.8	6.2	\$496.5	2.1%
Knelman Asset Mgmt.	1.4	2.1	12.7	17.1	16.1	18.7	4.6	7.5	5.0	6.2	\$76.2	0.3%
Sands Capital	1.6	2.1	16.8	17.1	23.4	18.7	11.8	7.5	8.1	6.2	\$487.6	2.0%
Winslow-Large Cap	1.7	2.1	16.5	17.1	18.0	18.7	6.2	7.5	7.4	6.2	\$224.0	0.9%
Zevenbergen Capital	10.1	2.1	27.1	17.1	16.7	18.7	8.5	7.5	9.4	8.1	\$450.6	1.9%
<b>Aggregate</b>	<b>3.8</b>	<b>2.1</b>	<b>18.2</b>	<b>17.1</b>	<b>18.9</b>	<b>18.7</b>	<b>7.6</b>	<b>7.5</b>			<b>\$2,168.1</b>	<b>9.0%</b>
<b>Russell 1000 Value</b>												
Barrow, Hanley	5.3	3.2	25.6	25.3	19.0	18.5	7.2	6.7	6.7	6.3	\$639.2	2.7%
Earnest Partners	4.4	3.2	17.3	25.3	14.9	18.5	6.0	6.7	5.1	5.9	\$430.1	1.8%
LSV Asset Mgmt.	5.5	3.2	33.9	25.3	19.9	18.5	7.8	6.7	7.5	6.3	\$625.5	2.6%
Systematic Financial Mgmt.	3.9	3.2	25.4	25.3	17.0	18.5	4.8	6.7	6.1	6.3	\$592.7	2.5%
<b>Aggregate</b>	<b>4.8</b>	<b>3.2</b>	<b>26.8</b>	<b>25.3</b>	<b>18.3</b>	<b>18.5</b>	<b>6.7</b>	<b>6.7</b>			<b>\$2,287.5</b>	<b>9.5%</b>
<b>SMALL CAP</b>												
<b>Russell 2000 Growth</b>												
McKinley Capital	4.7	3.7	31.6	23.7	21.2	20.0	5.6	8.9	5.4	7.6	\$294.2	1.2%
Next Century Growth	9.0	3.7	16.3	23.7	17.4	20.0	4.2	8.9	2.2	2.9	\$326.5	1.4%
Turner Investment Partners	1.8	3.7	20.8	23.7	17.5	20.0	6.6	8.9	7.3	7.6	\$337.3	1.4%
<b>Aggregate</b>	<b>5.1</b>	<b>3.7</b>	<b>22.3</b>	<b>23.7</b>	<b>18.6</b>	<b>20.0</b>	<b>5.4</b>	<b>8.9</b>			<b>\$958.0</b>	<b>4.0%</b>
<b>Russell 2000 Value</b>												
Goldman Sachs	3.0	2.5	26.7	24.8	20.3	17.3	11.6	8.6	9.0	7.2	\$212.9	0.9%
Hotchkis & Wiley	3.4	2.5	32.0	24.8	21.4	17.3	12.7	8.6	7.7	7.2	\$189.4	0.8%
Martingale Asset Mgmt.	4.2	2.5	31.0	24.8	20.2	17.3	7.9	8.6	6.3	7.2	\$167.3	0.7%
Peregrine Capital	4.6	2.5	27.1	24.8	19.1	17.3	11.9	8.6	10.6	9.7	\$289.7	1.2%
<b>Aggregate</b>	<b>3.9</b>	<b>2.5</b>	<b>28.8</b>	<b>24.8</b>	<b>20.1</b>	<b>17.3</b>	<b>11.0</b>	<b>8.6</b>			<b>\$859.4</b>	<b>3.6%</b>
<b>Active Mgr. Aggregate (2)</b>	<b>4.1</b>	<b>2.8</b>	<b>22.7</b>	<b>21.9</b>	<b>18.3</b>	<b>18.6</b>	<b>6.8</b>	<b>7.4</b>			<b>\$6,273.2</b>	<b>26.1%</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, 2013  
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	2.7	21.9	21.2	19.5	18.6	6.9	7.1	8.9	8.5	\$2,511.5	10.5%
INTECH	2.2	2.7	21.0	21.2	18.7	18.6			13.0	12.8	\$2,075.3	8.6%
JP Morgan	2.9	2.7	22.4	21.2	19.2	18.6	8.4	7.1	8.8	8.5	\$3,062.4	12.7%
Mellon Capital	2.6	2.7	21.2	21.2	19.8	18.6	7.2	7.1	8.2	8.5	\$2,175.5	9.1%
<b>Semi-Passive Aggregate (R1000)</b>	<b>2.7</b>	<b>2.7</b>	<b>21.7</b>	<b>21.2</b>	<b>19.3</b>	<b>18.6</b>	<b>7.4</b>	<b>7.1</b>			<b>\$9,824.6</b>	<b>40.9%</b>
<b>PASSIVE MANAGER (R3000)</b>												
BlackRock Institutional	2.7	2.7	21.4	21.5	18.5	18.6	7.3	7.2	8.2	8.1	\$7,921.1	33.0%
									<b>Since 1/1/84</b>			
<b>Total Aggregate (3) (4)</b>	<b>3.1</b>	<b>2.7</b>	<b>21.9</b>	<b>21.5</b>	<b>18.7</b>	<b>18.6</b>	<b>7.2</b>	<b>7.2</b>	<b>10.1</b>	<b>10.2</b>	<b>\$24,025.9</b>	<b>100.0%</b>
Russell 3000		2.7		21.5		18.6		7.2		10.6		
Russell 1000		2.7		21.2		18.6		7.1		10.7		
Russell 2000		3.1		24.2		18.7		8.8		9.3		

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

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

(3) 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.

(4) The Total Aggregate market value includes residual cash held in the Transition Account from a June rebalance.

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**

	2012		2011		2010		2009		2008	
	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk
	%	%	%	%	%	%	%	%	%	%
<b>Russell 1000 Growth</b>										
INTECH	17.8	15.3	0.1	2.6	19.5	16.7	34.0	37.2	-42.8	-38.4
Jacobs Levy	13.0	15.3	6.6	2.6	19.5	16.7	37.1	37.2	-44.9	-38.4
Knelman Asset Mgmt.	16.6	15.3	-3.3	2.6	18.1	16.7	31.1	37.2	-39.9	-38.4
Sands Capital	24.2	15.3	2.7	2.6	26.8	16.7	71.6	37.2	-48.6	-38.4
Winslow-Large Cap	13.7	15.3	0.1	2.6	16.8	16.7	40.9	37.2	-39.1	-38.4
Zevenbergen Capital	8.0	15.3	-9.8	2.6	22.9	16.7	57.4	37.2	-43.2	-38.4
<b>Aggregate</b>	<b>15.5</b>	<b>15.3</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>Russell 1000 Value</b>										
Barrow, Hanley	15.5	17.5	1.7	0.4	10.4	15.5	23.2	19.7	-35.2	-36.8
Earnest Partners	10.7	17.5	-4.7	0.4	18.5	15.5	31.6	19.7	-39.8	-36.8
LSV Asset Mgmt.	20.4	17.5	-0.8	0.4	14.0	15.5	24.0	19.7	-39.3	-36.8
Systematic Financial Mgmt.	18.2	17.5	-7.4	0.4	18.1	15.5	23.2	19.7	-40.6	-36.8
<b>Aggregate</b>	<b>16.9</b>	<b>17.5</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>SMALL CAP</b>										
<b>Russell 2000 Growth</b>										
McKinley Capital	23.2	14.6	-7.9	-2.9	28.5	29.1	28.0	34.5	-49.1	-38.5
Next Century Growth	1.9	14.6	-4.5	-2.9	29.6	29.1	35.0	34.5	-49.3	-38.5
Turner Investment Partners	13.1	14.6	-4.8	-2.9	29.0	29.1	36.9	34.5	-41.9	-38.5
<b>Aggregate</b>	<b>12.0</b>	<b>14.6</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>Russell 2000 Value</b>										
Goldman Sachs	16.6	18.1	1.3	-5.5	27.0	24.5	27.8	20.6	-26.8	-28.9
Hotchkis & Wiley	24.1	18.1	-10.8	-5.5	43.4	24.5	62.5	20.6	-44.1	-28.9
Martingale Asset Mgmt.	20.1	18.1	-5.2	-5.5	27.4	24.5	19.4	20.6	-33.8	-28.9
Peregrine Capital	18.8	18.1	-4.1	-5.5	27.3	24.5	45.8	20.6	-39.4	-28.9
<b>Aggregate</b>	<b>19.6</b>	<b>18.1</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>Active Mgr. Aggregate (1)</b>	<b>15.4</b>	<b>16.3</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>

(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**

	2012		2011		2010		2009		2008	
	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk
	%	%	%	%	%	%	%	%	%	%
<b>SEMI-PASSIVE MANAGERS</b>										
BlackRock Institutional	19.0	16.4	1.6	1.5	14.0	16.1	27.6	28.4	-37.1	-37.6
INTECH	16.6	16.4	2.9	1.5						
JP Morgan	17.6	16.4	1.1	1.5	16.8	16.1	32.1	28.4	-37.1	-37.6
Mellon Capital	17.3	16.4	4.6	1.5	13.7	16.1	25.6	28.4	-37.6	-37.6
<b>Semi-Passive Aggregate (R1000)</b>	<b>17.7</b>	<b>16.4</b>	<b>2.2</b>	<b>1.5</b>	<b>15.2</b>	<b>16.1</b>	<b>28.5</b>	<b>28.4</b>	<b>-37.2</b>	<b>-37.6</b>
<b>PASSIVE MANAGER (R3000)</b>										
BlackRock Institutional	16.4	16.4	0.8	1.0	17.2	16.9	28.2	28.3	-37.1	-37.3
<b>Total Aggregate</b>	<b>16.6</b>	<b>16.4</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>
Russell 3000		16.4		1.0		16.9		28.3		-37.3
Russell 1000		16.4		1.5		16.1		28.4		-37.6
Russell 2000		16.3		-4.2		26.9		27.2		-33.8

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 Growth (R1000 Growth)**





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

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# INTECH INVESTMENT MANAGEMENT LLC

Periods Ending June, 2013

**Portfolio Manager:** Adrian Banner

**Assets Under Management:** \$433,201,038

## 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

Staff continues to monitor for any organizational or portfolio impact from a CEO change during the fourth quarter of 2012. Adrian Banner replaced Jennifer Young as CEO effective November 2012.

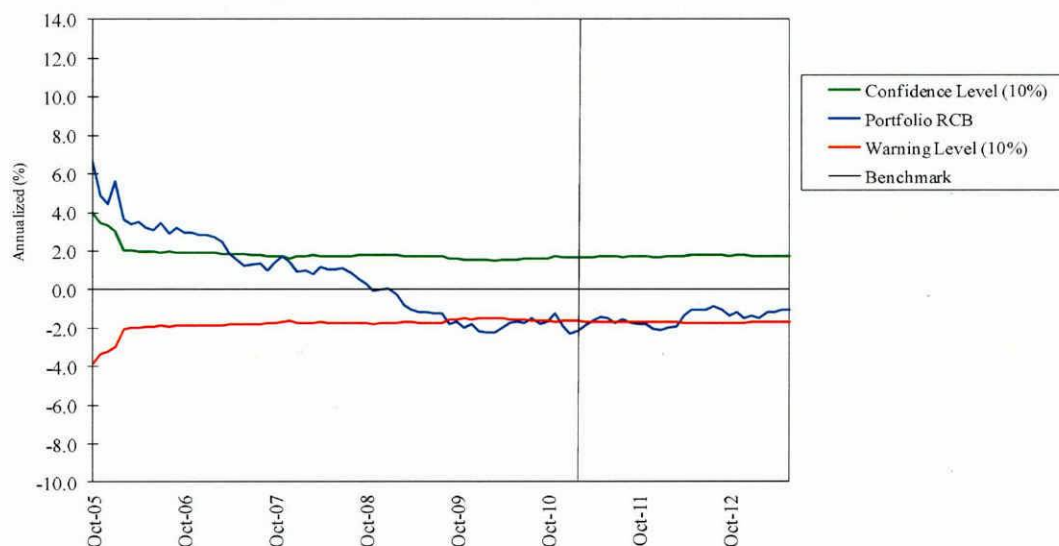
## Quantitative Evaluation

	Actual	R1000 Growth
Last Quarter	3.1%	2.1%
Last 1 year	16.0	17.1
Last 2 years	9.8	11.3
Last 3 years	18.3	18.7
Last 4 years	17.8	17.4
Last 5 years	6.3	7.5
Since Inception (1/05)	5.3	6.2

## Recommendation

No action required.

INTECH INVESTMENT MANAGEMENT LLC  
Rolling Five Year Returns Compared to Benchmark



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

# JACOBS LEVY EQUITY MANAGEMENT, INC.

Periods Ending June, 2013

Portfolio Manager: Bruce Jacobs and Ken Levy

Assets Under Management: \$496,546,939

## 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

Staff has no concerns with Jacobs Levy at this time.

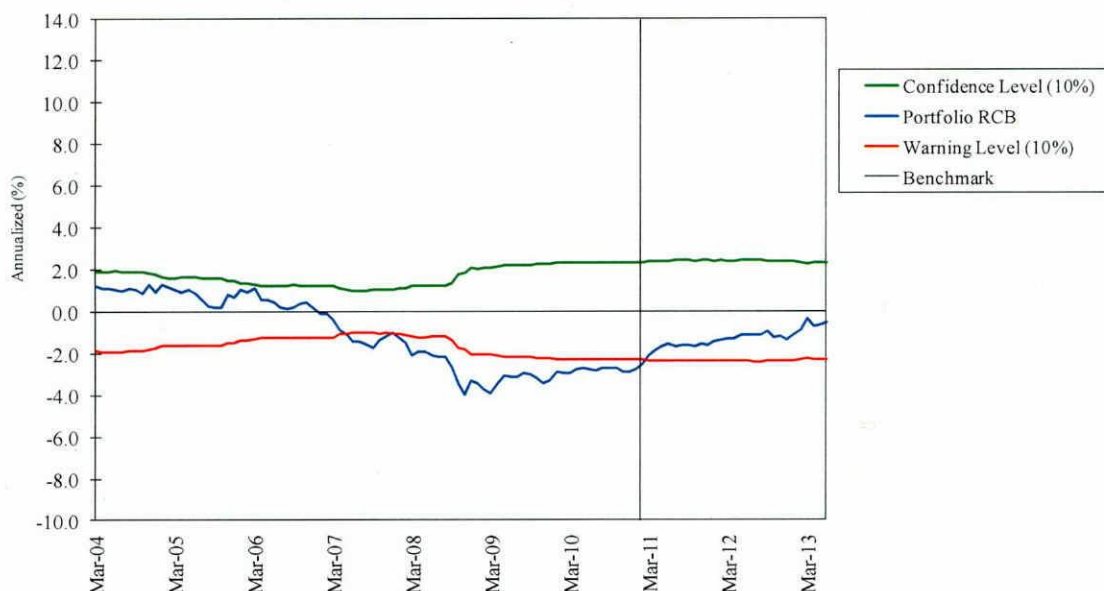
## Quantitative Evaluation

	Actual	R1000 Growth
Last Quarter	2.2%	2.1%
Last 1 year	16.0	17.1
Last 2 years	10.1	11.3
Last 3 years	19.5	18.7
Last 4 years	18.6	17.4
Last 5 years	6.9	7.5
Since Inception (1/05)	4.8	6.2

## Recommendation

No action required.

JACOBS LEVY EQUITY MANAGEMENT  
Rolling Five Year Returns Compared to Benchmark



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, 2013

Portfolio Manager: Kip Knelman

Assets Under Management: \$76,179,802

## 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

The portfolio performance relative to the Russell 1000 Growth has lagged all time periods shown. Knelman has been consistent with their investment process and staff will continue to monitor their performance.

David Lettenberger, Sr. Portfolio Manager, left the firm during the quarter and has been replaced with Derek Jose.

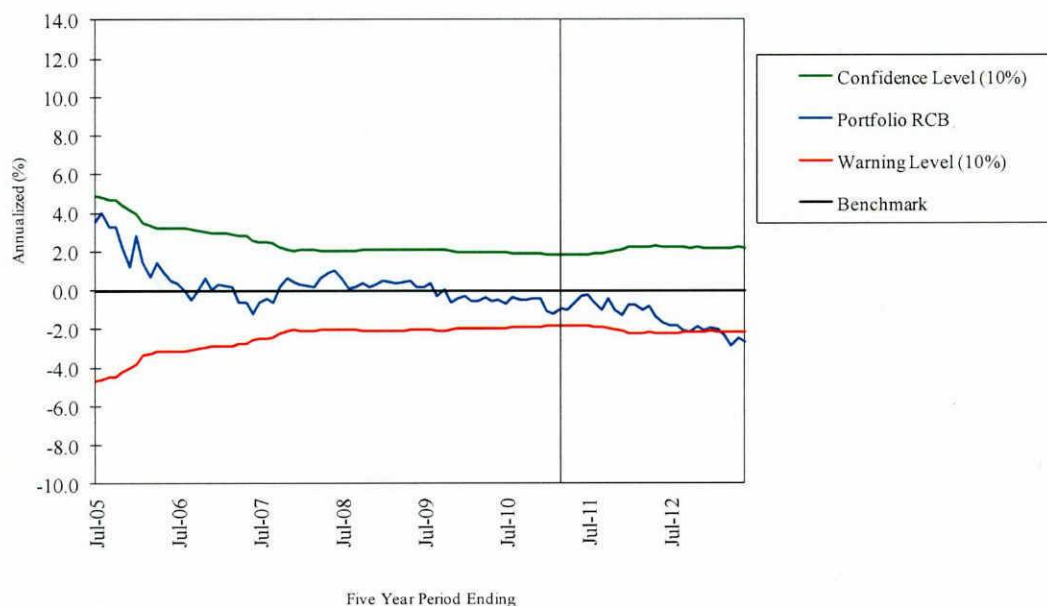
## Quantitative Evaluation

	Actual	R1000 Growth
Last Quarter	1.4%	2.1%
Last 1 year	12.7	17.1
Last 2 years	6.5	11.3
Last 3 years	16.1	18.7
Last 4 years	14.7	17.4
Last 5 years	4.6	7.5
Since Inception (1/05)	5.0	6.2

## Recommendation

No action required.

KNELMAN ASSET MANAGEMENT, LLC  
Rolling Five Year Returns Compared to Benchmark



**SANDS CAPITAL MANAGEMENT, LLC**  
**Periods Ending June, 2013**

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

**Assets Under Management:** \$487,637,524

**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**

Staff has no concerns with Sands at this time.

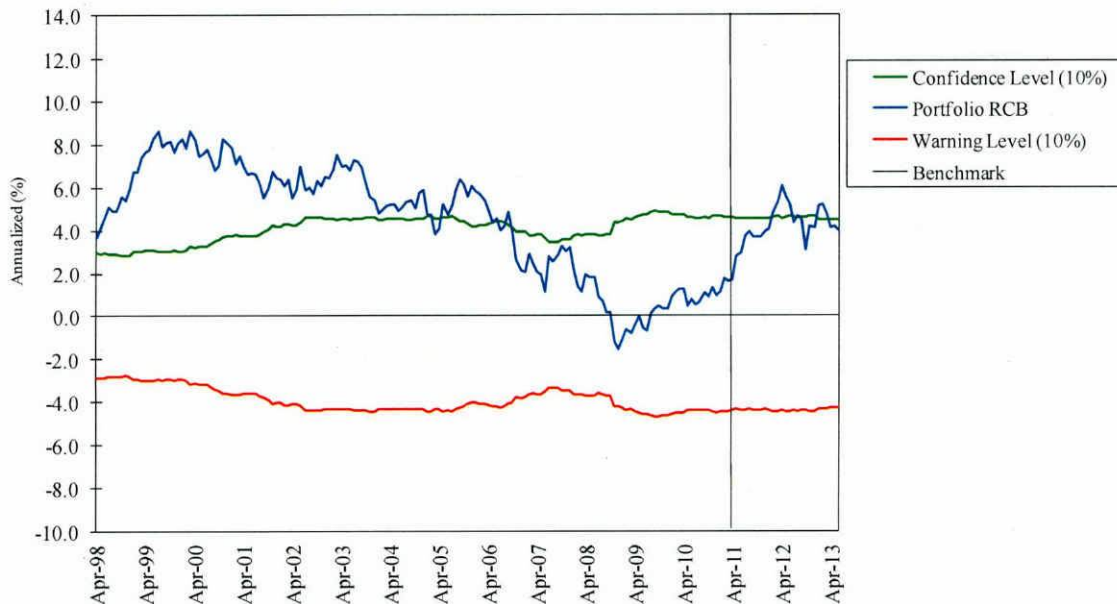
**Quantitative Evaluation**

	<b>Actual</b>	<b>R1000 Growth</b>
Last Quarter	1.6%	2.1%
Last 1 year	16.8	17.1
Last 2 years	13.3	11.3
Last 3 years	23.4	18.7
Last 4 years	24.0	17.4
Last 5 years	11.8	7.5
Since Inception (1/05)	8.1	6.2

**Recommendation**

No action required.

**SANDS CAPITAL MANAGEMENT, LLC**  
**Rolling Five Year Returns Compared to Benchmark**



Five Year Period Ending

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

# WINSLOW CAPITAL MANAGEMENT, LLC

Periods Ending June, 2013

Portfolio Manager: Justin Kelly and Patrick Burton

Assets Under Management: \$223,973,552

## Investment Philosophy

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

## Staff Comments

Winslow has trailed the benchmark for all periods shown, except for since inception. Winslow has made organizational changes to improve performance. Winslow has been consistent with their investment process and staff will continue to monitor their performance.

During the first quarter of 2013 Patrick Burton replaced Bart Wear as the co-portfolio manager.

## Quantitative Evaluation

	Actual	R1000 Growth
Last Quarter	1.7%	2.1%
Last 1 year	16.5	17.1
Last 2 years	8.3	11.3
Last 3 years	18.0	18.7
Last 4 years	16.4	17.4
Last 5 years	6.2	7.5
Since Inception (1/05)	7.4	6.2

## Recommendation

No action required.

WINSLOW CAPITAL MANAGEMENT, LLC  
Rolling Five Year Returns Compared to Benchmark



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



**ZEVENBERGEN CAPITAL INVESTMENTS LLC**  
**Periods Ending June, 2013**

**Portfolio Manager:** Nancy Zevenbergen

**Assets Under Management:** \$450,584,993

**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 outperformed for the quarter and the one-year period. Zevenbergen has been consistent with their investment process and the organization has remained stable. The significant outperformance from the quarter is not a concern due to the higher tracking error, or active risk, for this portfolio.

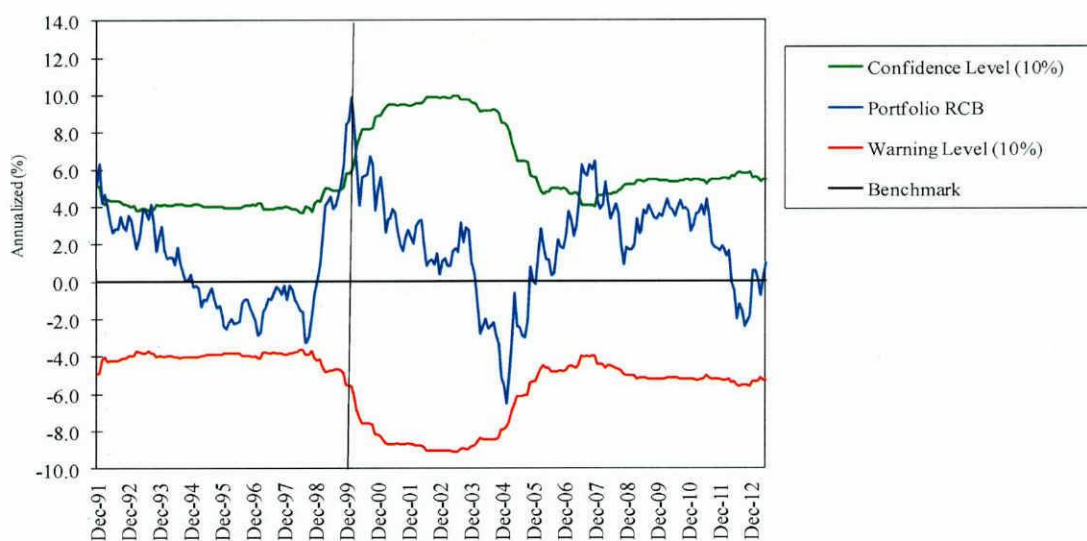
**Quantitative Evaluation**

	<b>Actual</b>	<b>R1000 Growth</b>
Last Quarter	10.1%	2.1%
Last 1 year	27.1	17.1
Last 2 years	5.9	11.3
Last 3 years	16.7	18.7
Last 4 years	17.7	17.4
Last 5 years	8.5	7.5
Since Inception (4/94)	9.4	8.1

**Recommendation**

No action required.

**ZEVENBERGEN CAPITAL INVESTMENTS LLC**  
**Rolling Five Year Returns Compared to Benchmark**



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

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



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

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**BARROW, HANLEY, MEWHINNEY & STRAUSS, INC.**  
**Periods Ending June, 2013**

**Portfolio Manager: Tim Culler**

**Assets Under Management: \$639,222,900**

**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**

Staff has no concerns with Barrow Hanley at this time.

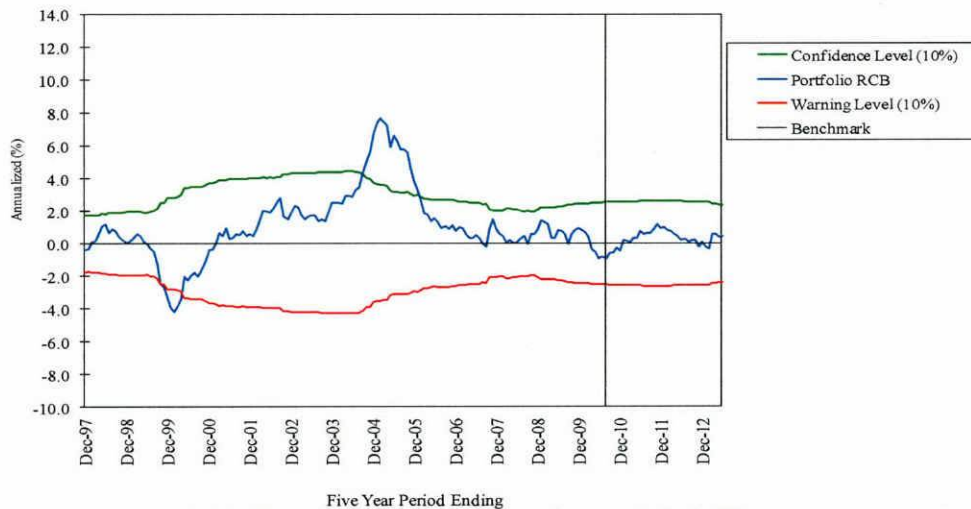
**Quantitative Evaluation**

	<b>Actual</b>	<b>R1000 Value</b>
Last Quarter	5.3%	3.2%
Last 1 year	25.6	25.3
Last 2 years	12.3	13.6
Last 3 years	19.0	18.5
Last 4 years	17.3	18.1
Last 5 years	7.2	6.7
Since Inception (4/04)	6.7	6.3

**Recommendation**

No action required.

BARROW, HANLEY, MEWHINNEY & STRAUSS, INC.  
Rolling Five Year Returns Compared to Benchmark





**EARNEST PARTNERS, LLC**  
**Periods Ending June, 2013**

**Portfolio Manager: Paul Viera**

**Assets Under Management: \$430,092,800**

**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**

Earnest outperformed for the quarter and trailed the one-year benchmark. The organization is stable and the process remains the same.

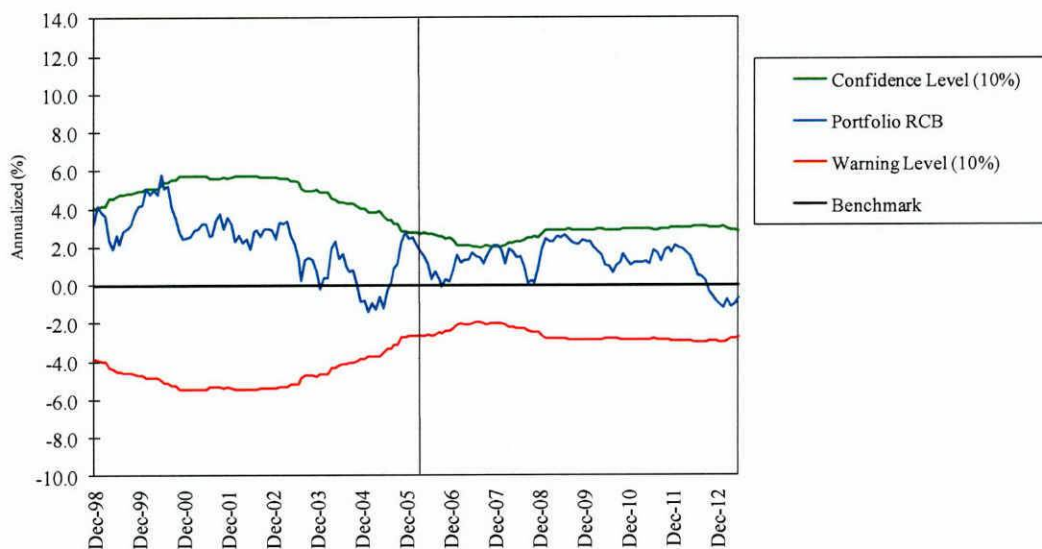
**Quantitative Evaluation**

	<b>Actual</b>	<b>R1000 Value</b>
Last Quarter	4.4%	3.2%
Last 1 year	17.3	25.3
Last 2 years	8.4	13.6
Last 3 years	14.9	18.5
Last 4 years	15.0	18.1
Last 5 years	6.0	6.7
Since Inception (7/00)	5.1	5.9

**Recommendation**

No action required.

**EARNEST PARTNERS**  
**Rolling Five Year Returns Compared to Benchmark**



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, 2013**

**Portfolio Manager: Josef Lakonishok**

**Assets Under Management: \$625,505,816**

**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**

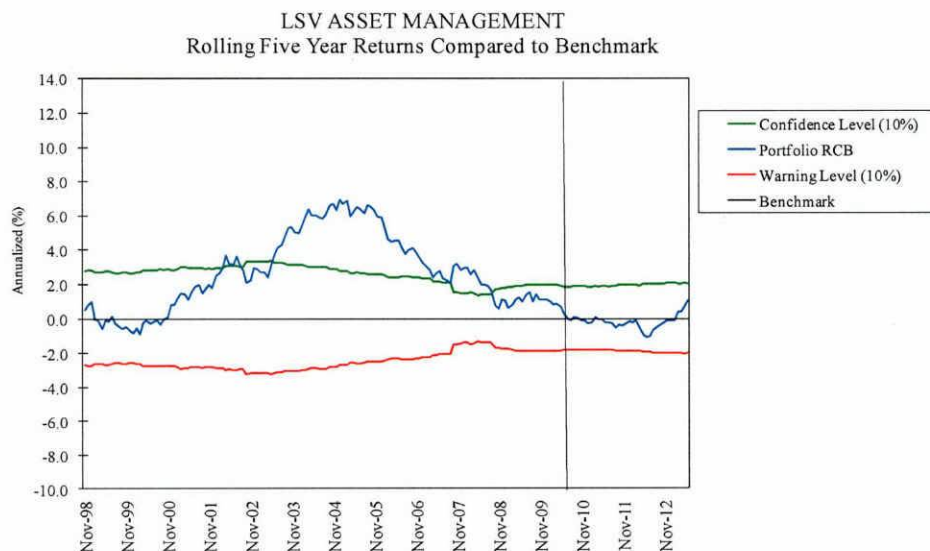
Strong stock selection and positive sector allocation added value during the quarter and the year. LSV has been consistent with their investment process and the organization has remained stable.

**Quantitative Evaluation**

	<b>Actual</b>	<b>R1000 Value</b>
Last Quarter	5.5%	3.2%
Last 1 year	33.9	25.3
Last 2 years	15.3	13.6
Last 3 years	19.9	18.5
Last 4 years	19.3	18.1
Last 5 years	7.8	6.7
Since Inception (4/04)	7.5	6.3

**Recommendation**

No action required.



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, 2013

Portfolio Manager: Kevin McCreesh

Assets Under Management: \$592,713,415

## 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

Staff has no concerns with Systematic at this time.

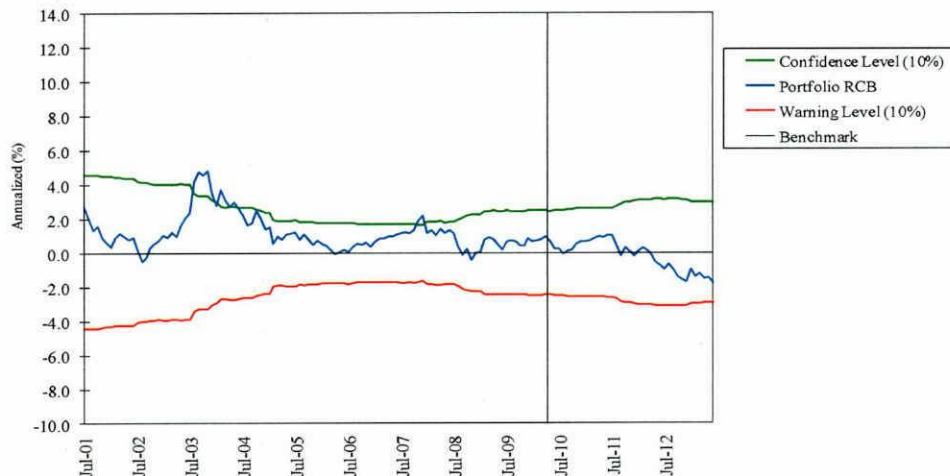
## Quantitative Evaluation

	Actual	R1000 Value
Last Quarter	3.9%	3.2%
Last 1 year	25.4	25.3
Last 2 years	9.1	13.6
Last 3 years	17.0	18.5
Last 4 years	17.1	18.1
Last 5 years	4.8	6.7
Since Inception (4/04)	6.1	6.3

## Recommendation

No action required.

SYSTEMATIC FINANCIAL MANAGEMENT, LP  
Rolling Five Year Returns Compared to Benchmark



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)**

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

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# MCKINLEY CAPITAL MANAGEMENT, LLC.

Periods Ending June, 2013

Portfolio Manager: Robert A. Gillam

Assets Under Management: \$294,215,418

## 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

The portfolio benefited from strong stock selection for the quarter and the year. The organization is stable and the process remains the same. Staff will continue to monitor their performance.

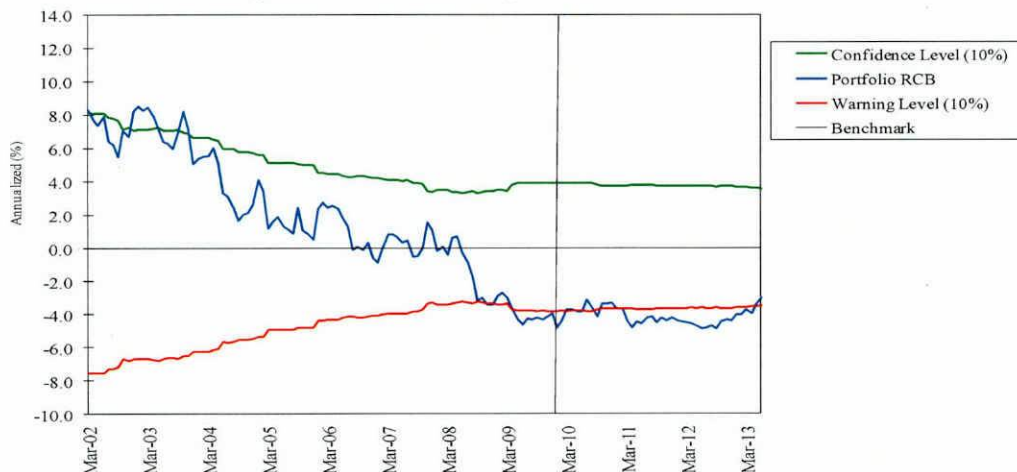
## Quantitative Evaluation

	Actual	R2000 Growth
Last Quarter	4.7%	3.7%
Last 1 year	31.6	23.7
Last 2 years	11.9	9.7
Last 3 years	21.2	20.0
Last 4 years	20.9	19.5
Last 5 years	5.6	8.9
Since Inception (1/04)	5.4	7.6

## Recommendation

No action required.

MCKINLEY CAPITAL MANAGEMENT  
Rolling Five Year Returns Compared to Benchmark



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, 2013**

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

**Assets Under Management:** \$326,511,035

**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**

Next Century has outperformed for two consecutive quarters and underperformed in all longer time periods shown. Next Century has been consistent with their investment process and the organization has remained stable. Staff will continue to monitor their performance.

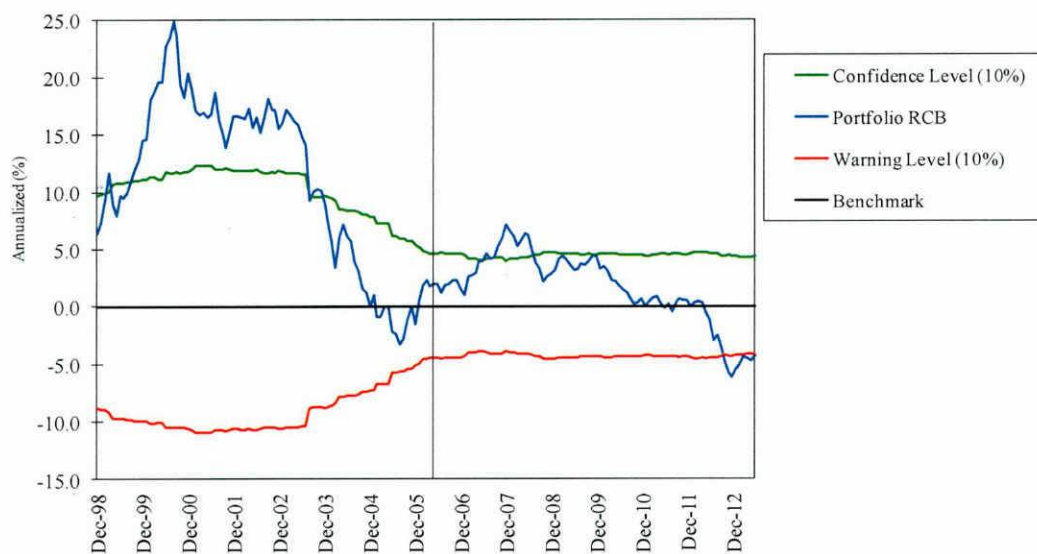
**Quantitative Evaluation**

	<b>Actual</b>	<b>R2000 Growth</b>
Last Quarter	9.0%	3.7%
Last 1 year	16.3	23.7
Last 2 years	4.1	9.7
Last 3 years	17.4	20.0
Last 4 years	17.8	19.5
Last 5 years	4.2	8.9
Since Inception (7/00)	2.2	2.9

**Recommendation**

No action required.

NEXT CENTURY GROWTH INVESTORS, LLC  
Rolling Five Year Returns Compared to Benchmark



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, 2013

Portfolio Manager: William McVail

Assets Under Management: \$337,274,291

## 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's performance continues to lag the benchmark. Turner has been consistent with their investment process and the organization has remained stable. Staff will continue to monitor Turner's performance.

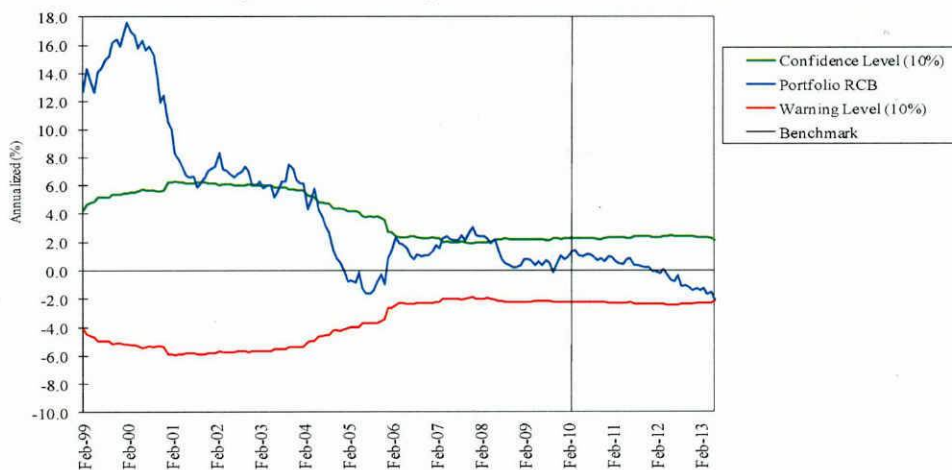
## Quantitative Evaluation

	Actual	R2000 Growth
Last Quarter	1.8%	3.7%
Last 1 year	20.8	23.7
Last 2 years	5.2	9.7
Last 3 years	17.5	20.0
Last 4 years	17.8	19.5
Last 5 years	6.6	8.9
Since Inception (1/04)	7.3	7.6

## Recommendation

No action required.

TURNER INVESTMENT PARTNERS, INC.  
Rolling Five Returns Compared to Benchmark



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



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



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

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**GOLDMAN SACHS ASSET MANAGEMENT, L.P.**  
**Periods Ending June, 2013**

**Portfolio Manager:** Sally Pope-Davis and Rob Crystal      **Assets Under Management:** \$212,932,208

**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**

Staff has no concerns with Goldman at this time.

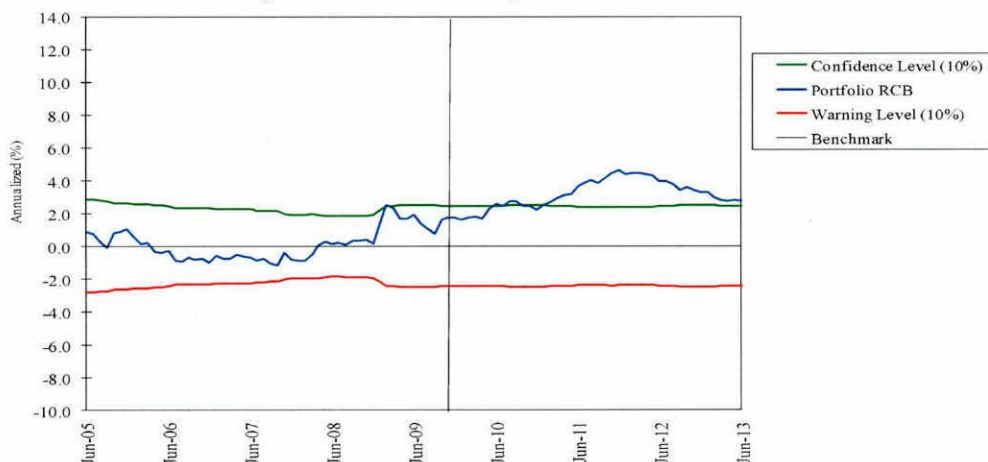
**Quantitative Evaluation**

	<b>Actual</b>	<b>R2000 Value</b>
Last Quarter	3.0%	2.5%
Last 1 year	26.7	24.8
Last 2 years	13.2	10.9
Last 3 years	20.3	17.3
Last 4 years	21.9	19.2
Last 5 years	11.6	8.6
Since Inception (1/04)	9.0	7.2

**Recommendation**

No action required.

GOLDMAN SACHS ASSET MANAGEMENT, L.P.  
Rolling Five Year Returns Compared to Benchmark



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



# HOTCHKIS & WILEY CAPITAL MANAGEMENT

## Periods Ending June, 2013

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

**Assets Under Management: \$189,369,046**

### 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

Staff has no concerns with Hotchkis at this time.

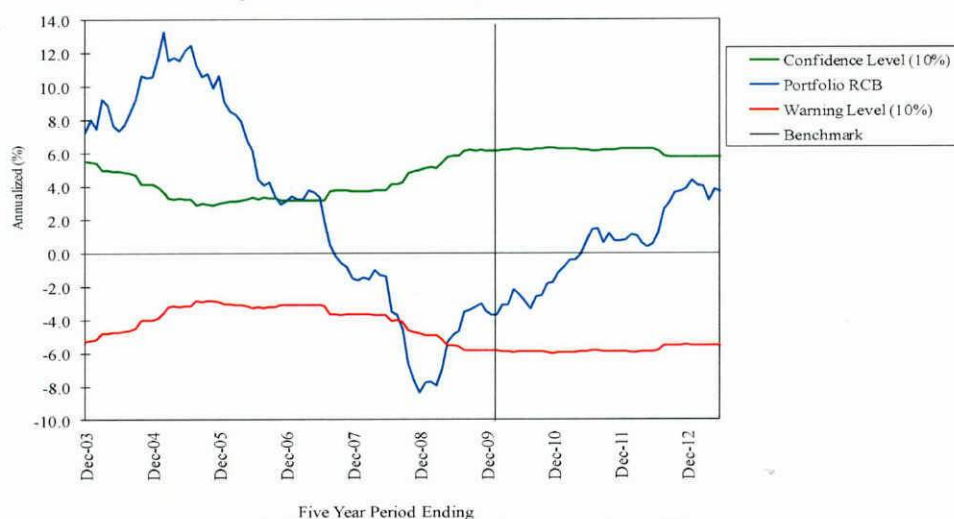
### Quantitative Evaluation

	Actual	R2000 Value
Last Quarter	3.4%	2.5%
Last 1 year	32.0	24.8
Last 2 years	12.5	10.9
Last 3 years	21.4	17.3
Last 4 years	27.3	19.2
Last 5 years	12.7	8.6
Since Inception (1/04)	7.7	7.2

### Recommendation

No action required.

HOTCHKIS & WILEY CAPITAL MANAGEMENT  
Rolling Five Year Returns Compared to Benchmark



**MARTINGALE ASSET MANAGEMENT, L.P.**  
**Periods Ending June, 2013**

**Portfolio Manager: William Jacques**

**Assets Under Management: \$167,311,020**

**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**

Staff has no concerns with Martingale at this time.

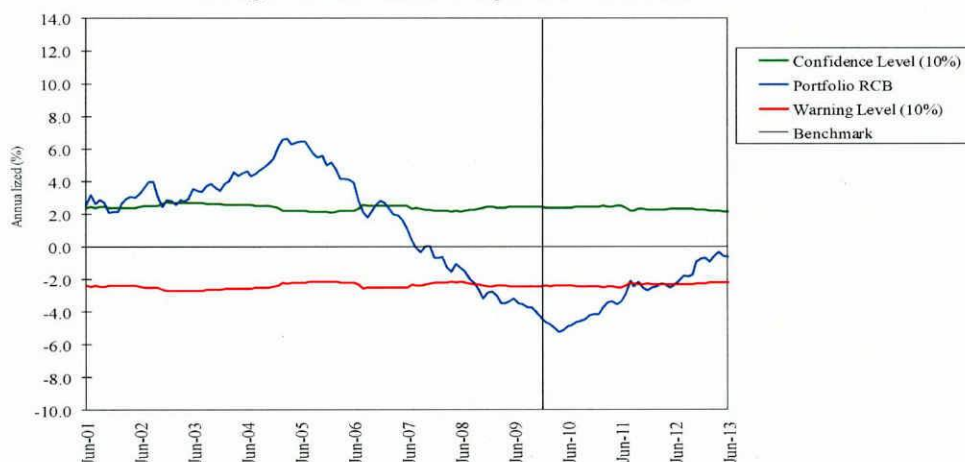
**Quantitative Evaluation**

	<b>Actual</b>	<b>R2000 Value</b>
Last Quarter	4.2%	2.5%
Last 1 year	31.0	24.8
Last 2 years	13.2	10.9
Last 3 years	20.2	17.3
Last 4 years	20.4	19.2
Last 5 years	7.9	8.6
Since Inception (1/04)	6.3	7.2

**Recommendation**

No action required.

MARTINGALE ASSET MANAGEMENT, L.P.  
Rolling Five Year Returns Compared to Benchmark



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

**PEREGRINE CAPITAL MANAGEMENT, INC**  
**Periods Ending June, 2013**

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

**Assets Under Management: \$289,740,164**

**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**

Staff has no concerns with Peregrine at this time.

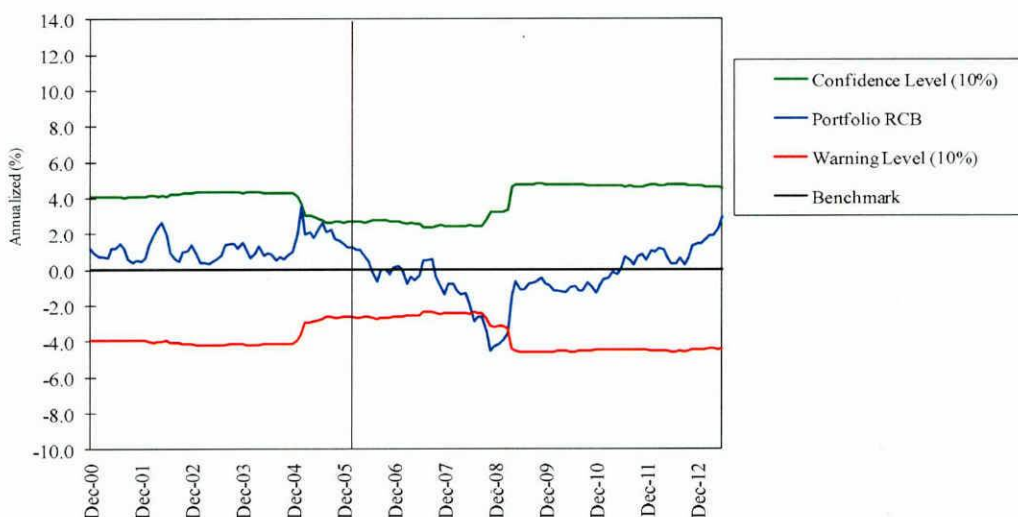
**Quantitative Evaluation**

	<b>Actual</b>	<b>R2000 Value</b>
Last Quarter	4.6%	2.5%
Last 1 year	27.1	24.8
Last 2 years	11.9	10.9
Last 3 years	19.1	17.3
Last 4 years	22.4	19.2
Last 5 years	11.9	8.6
Since Inception (7/00)	10.6	9.7

**Recommendation**

No action required.

PEREGRINE CAPITAL MANAGEMENT, INC.  
Rolling Five Year Returns Compared to Benchmark



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**

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## **Semi-Passive and Passive**

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**BLACKROCK INSTITUTIONAL TRUST CO., N.A.**  
**Periods Ending June, 2013**

**Portfolio Manager: Raffaele Savi**

**Assets Under Management: \$2,511,452,840**

**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.

Staff has no concerns with BlackRock at this time.

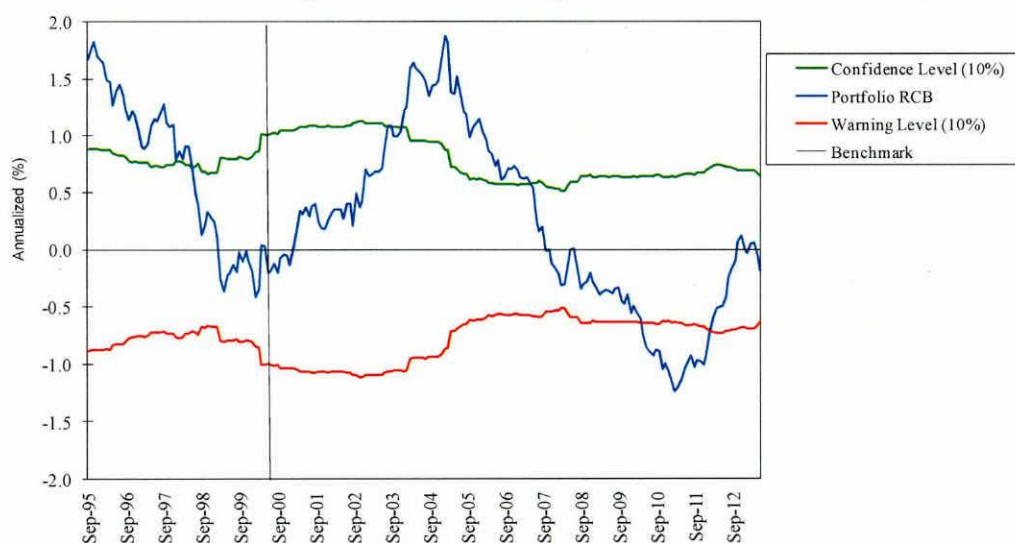
**Quantitative Evaluation**

**Recommendation**

	<b>Actual</b>	<b>Manager Benchmark*</b>	
Last Quarter	3.1%	2.7%	No action required.
Last 1 year	21.9	21.2	
Last 2 years	13.8	12.5	
Last 3 years	19.5	18.6	
Last 4 years	17.9	17.8	
Last 5 years	6.9	7.1	
Since Inception (1/95)	8.9	8.5	

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

**BLACKROCK INSTITUTIONAL TRUST CO.- SEMI-PASSIVE**  
**Rolling Five Year Returns Compared to 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, 2013**

**Portfolio Manager: Adrian Banner**

**Assets Under Management: \$2,075,275,410**

**Investment Philosophy – Semi-Passive Style**

Through the application of a proprietary mathematical process, the investment strategy is designed to determine more efficient weightings of the securities within the Russell 1000 benchmark. No specific sector or security selection decisions based on fundamentals are required. Risk parameters include: 1) minimize absolute standard deviation or maximize information ratio, 2) security positions limited to lesser of 1.0% or 8 times maximum index security weight, 3) beta equal to or less than benchmark beta, and 4) constraining the weighted average capital distribution to be roughly equal to the capital distribution of the benchmark. Target security positions are established using a weekly optimization routine designed to build a portfolio that will outperform a passive benchmark over the long term. Rebalancing to target proportions occurs every six (6) business days.

**Staff Comments**

Staff continues to monitor for any organizational or portfolio impact from a CEO change during the fourth quarter of 2012. Adrian Banner replaced Jennifer Young as CEO effective November 2012.

**Quantitative Evaluation**

	<b>Actual</b>	<b>Russell 1000</b>
Last Quarter	2.2%	2.7%
Last 1 year	21.0	21.2
Last 2 years	12.4	12.5
Last 3 years	18.7	18.6
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (4/10)	13.0	12.8

**Recommendation**

No action required.

INTECH Investment Management LLC - Semi-Passive  
Rolling Five Year Returns Compared to Benchmark



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

# J.P. MORGAN INVESTMENT MANAGEMENT INC.

Periods Ending June, 2013

**Portfolio Manager:** Ralph Zingone and Scott Blasdel

**Assets Under Management:** \$3,062,376,699

## Investment Philosophy – Semi-Passive Style

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

## Staff Comments

Ralph Zingone became the lead portfolio manager on the SBI's account this quarter. Scott Blasdel, co-portfolio manager, transitioned to the lead portfolio manager position for the large cap value product.

## Quantitative Evaluation

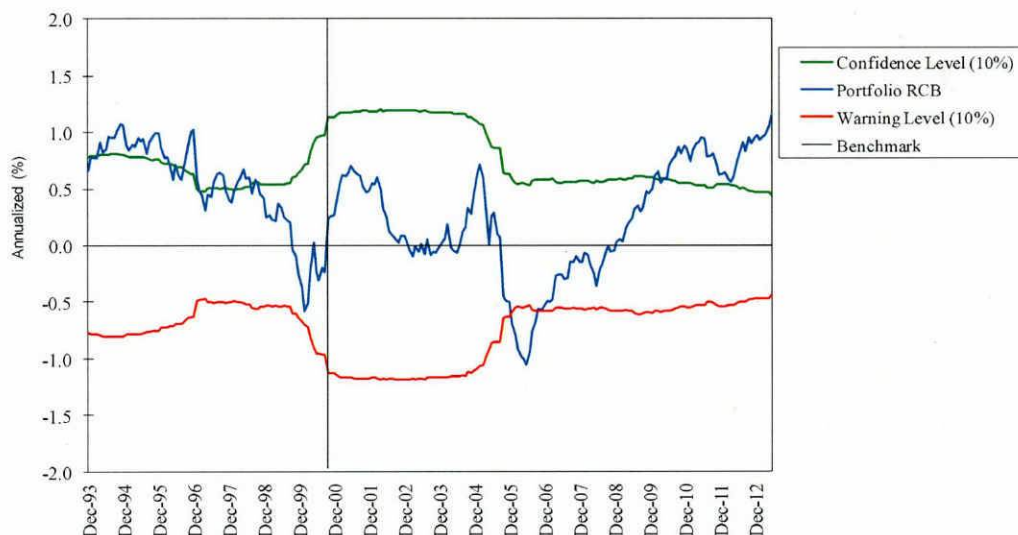
	Actual	Manager Benchmark*
Last Quarter	2.9%	2.7%
Last 1 year	22.4	21.2
Last 2 years	13.2	12.5
Last 3 years	19.2	18.6
Last 4 years	18.6	17.8
Last 5 years	8.4	7.1
Since Inception (1/95)	8.8	8.5

## Recommendation

No action required.

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

JP MORGAN - SEMI-PASSIVE  
Rolling Five Year Returns Compared to 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, 2013**

**Portfolio Manager: Warren Chiang**

**Assets Under Management: \$2,175,515,460**

**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**

Staff has no concerns with Mellon at this time.

**Quantitative Evaluation**

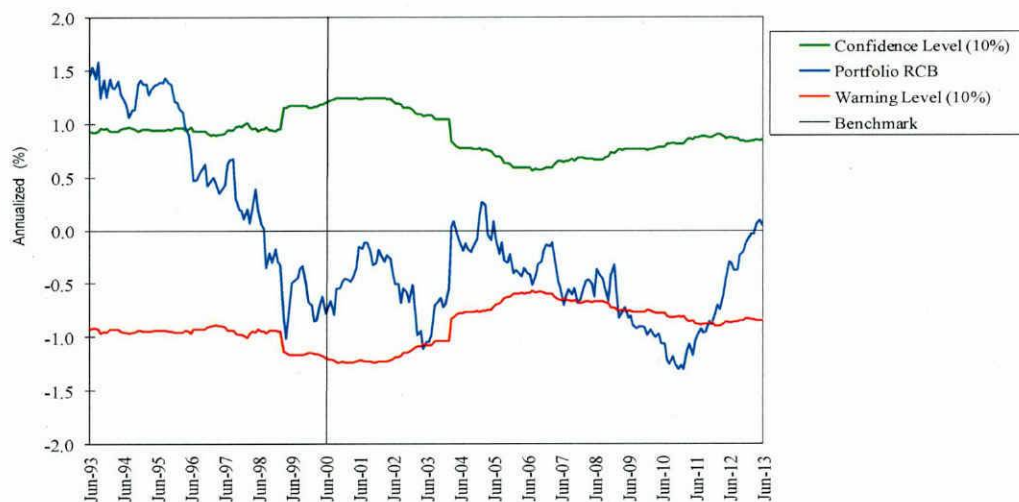
	<b>Actual</b>	<b>Manager Benchmark*</b>
Last Quarter	2.6%	2.7%
Last 1 year	21.2	21.2
Last 2 years	14.0	12.5
Last 3 years	19.8	18.6
Last 4 years	18.3	17.8
Last 5 years	7.2	7.1
Since Inception (1/95)	8.2	8.5

**Recommendation**

No action required.

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

**MELLON CAPITAL MANAGEMENT- SEMI-PASSIVE**  
**Rolling Five Year Returns Compared to 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, 2013**

**Portfolio Manager:** Peter Sietsema

**Assets Under Management:** \$7,921,149,375

**Investment Philosophy – Passive Style**

Barclays Global Investors seeks to minimize 1) tracking error, 2) transaction costs, and 3) investment and operational risks. The portfolio is passively managed against the asset class target using a proprietary optimization process that integrates a transaction cost model. The resulting portfolio closely matches the characteristics of the benchmark with less exposure to illiquid stocks.

**Staff Comments**

Staff has no concerns with BlackRock at this time.

**Quantitative Evaluation**

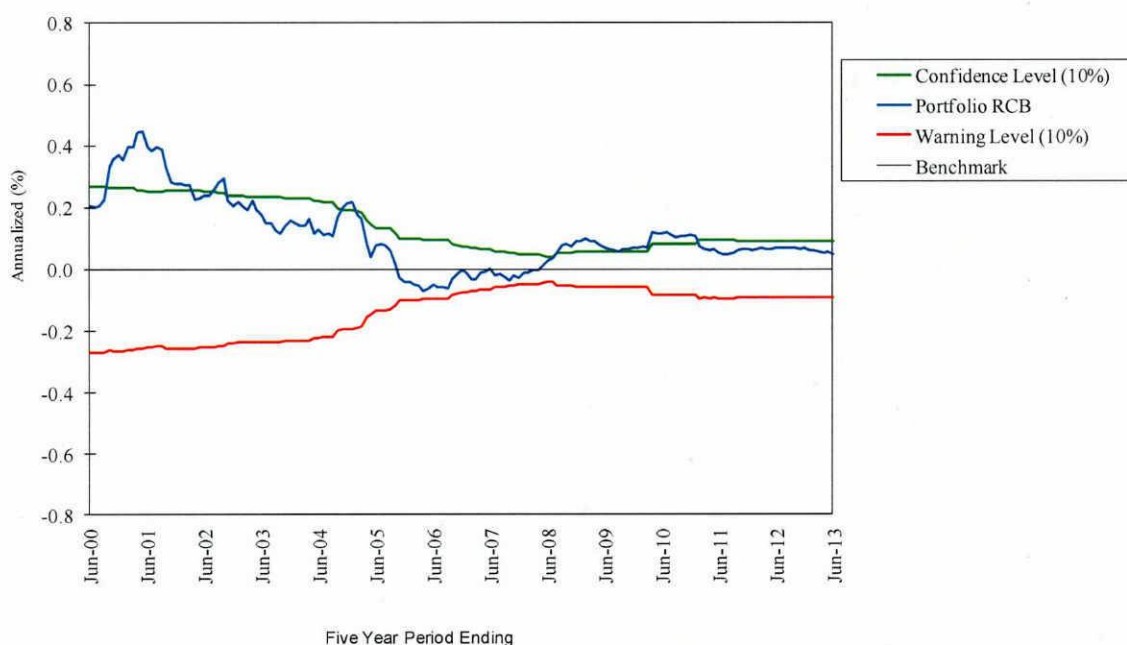
	<b>Actual</b>	<b>Manager Benchmark*</b>
Last Quarter	2.7%	2.7%
Last 1 year	21.4	21.5
Last 2 years	12.3	12.3
Last 3 years	18.5	18.6
Last 4 years	17.9	17.9
Last 5 years	7.3	7.2
Since Inception (7/95)	8.2	8.1

No action required.

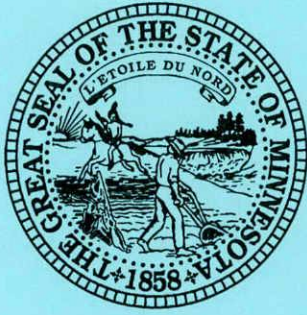
\* Russell 3000 since 10/1/03, Wilshire 5000 through 7/1/95.

**Recommendation**

**BLACKROCK INSTITUTIONAL TRUST CO.- PASSIVE**  
**Rolling Five Year Returns Compared to Benchmark**







# STATE BOARD OF INVESTMENT

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## Bond Manager Evaluation Reports

Second Quarter, 2013



## **Bond Managers**

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**COMBINED RETIREMENT FUNDS**  
**BOND MANAGERS**  
Periods Ending June, 2013

	Quarter		1 Year		3 Years		5 Years		Since (1) Inception		Market Value (in millions)	Pool %
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %		
<b>Active Managers</b>												
Aberdeen	-2.4	-2.3	1.3	-0.7	5.4	3.5	5.2	5.2	5.9	5.9	\$912.9	7.5%
Columbia (RiverSource)	-2.2	-2.3	1.0	-0.7	5.1	3.5	5.8	5.2	5.9	5.9	\$1,085.5	9.0%
Dodge & Cox	-1.7	-2.3	2.6	-0.7	5.1	3.5	7.1	5.2	6.9	5.9	\$1,266.5	10.5%
PIMCO	-2.2	-2.3	2.9	-0.7	5.3	3.5			8.3	5.6	\$1,379.3	11.4%
Western	-2.5	-2.3	1.3	-0.7	5.3	3.5	6.8	5.2	9.2	8.0	\$1,407.4	11.6%
<b>Active Mgr. Aggregate</b>	<b>-2.2</b>	<b>-2.3</b>	<b>1.9</b>	<b>-0.7</b>	<b>5.2</b>	<b>3.5</b>	<b>6.4</b>	<b>5.2</b>			<b>\$6,051.6</b>	<b>50.0%</b>
<b>Semi-Passive Managers</b>												
BlackRock	-2.3	-2.3	-0.3	-0.7	3.8	3.5	4.9	5.2	5.9	5.9	\$1,702.2	14.1%
Goldman	-2.3	-2.3	0.0	-0.7	4.3	3.5	5.9	5.2	6.2	5.9	\$2,184.9	18.0%
Neuberger	-2.4	-2.3	-0.3	-0.7	4.2	3.5	6.3	5.2	7.1	6.9	\$2,166.7	17.9%
<b>Semi-Passive Mgr. Aggregate</b>	<b>-2.3</b>	<b>-2.3</b>	<b>-0.2</b>	<b>-0.7</b>	<b>4.1</b>	<b>3.5</b>	<b>5.7</b>	<b>5.2</b>			<b>\$6,053.8</b>	<b>50.0%</b>
<b>Historical Aggregate (2)</b>												
	-2.3	-2.3	0.8	-0.7	4.7	3.5	6.1	5.2	Since 7/1/84 8.2	8.1	\$12,105.5	100.0%
Barclays Capital Aggregate (3)		-2.3		-0.7		3.5		5.2		8.1		

(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**

	2012		2011		2010		2009		2008	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
<b>Active Managers</b>										
Aberdeen	7.7	4.2	8.0	7.8	10.7	6.5	18.4	5.9	-14.7	5.2
Columbia (RiverSource)	6.9	4.2	8.1	7.8	8.1	6.5	14.0	5.9	-4.9	5.2
Dodge & Cox	8.5	4.2	5.0	7.8	7.8	6.5	16.5	5.9	0.1	5.2
PIMCO	9.3	4.2	4.5	7.8	12.1	6.5	15.5	5.9		
Western	7.8	4.2	7.1	7.8	10.9	6.5	17.5	5.9	-6.8	5.2
<b>Active Mgr. Aggregate</b>	<b>8.1</b>	<b>4.2</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>Semi-Passive Managers</b>										
BlackRock	5.0	4.2	8.0	7.8	6.5	6.5	9.6	5.9	-1.1	5.2
Goldman	5.4	4.2	8.3	7.8	8.0	6.5	12.0	5.9	-1.2	5.2
Neuberger	5.4	4.2	7.6	7.8	9.1	6.5	14.3	5.9	-1.9	5.2
<b>Semi-Passive Mgr. Aggregate</b>	<b>5.3</b>	<b>4.2</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>Historical Aggregate</b>										
	<b>6.7</b>	<b>4.2</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>
Barclays Capital Aggregate		4.2		7.8		6.5		5.9		5.2

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

# ABERDEEN ASSET MANAGEMENT INC.

Periods Ending June, 2013

**Portfolio Manager:** Neil Moriarty

**Assets Under Management:** \$912,853,683

## 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 completed an acquisition of Artio Global Investors, Inc. during the second quarter. Artio managed \$9.2 billion in global high-yield and total return fixed income assets and \$1.4 billion in global equities prior to the acquisition. The global high-yield and total return fixed income teams from Artio will remain separate from the core fixed income team in Philadelphia, PA. The acquisition should not impact the SBI portfolio. Staff has no additional organizational or performance issues to note.

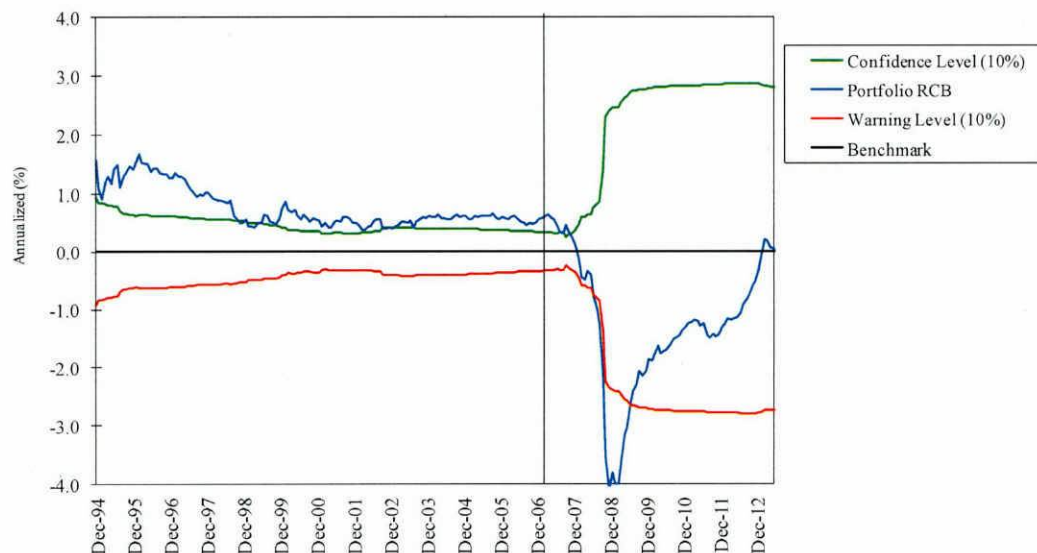
## Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-2.4%	-2.3%
Last 1 year	1.3	-0.7
Last 2 years	4.9	3.3
Last 3 years	5.4	3.5
Last 4 years	8.4	5.0
Last 5 years	5.2	5.2
Since Inception (2/00)	5.9	5.9

## Recommendations

No action required.

ABERDEEN ASSET MANAGEMENT  
Rolling Five Year Returns Compared to Benchmark



Five Year Period Ending

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, 2013**

**Portfolio Manager:** Colin Lundgren

**Assets Under Management:** \$1,085,484,165

**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**

Staff has no organizational or performance issues to note.

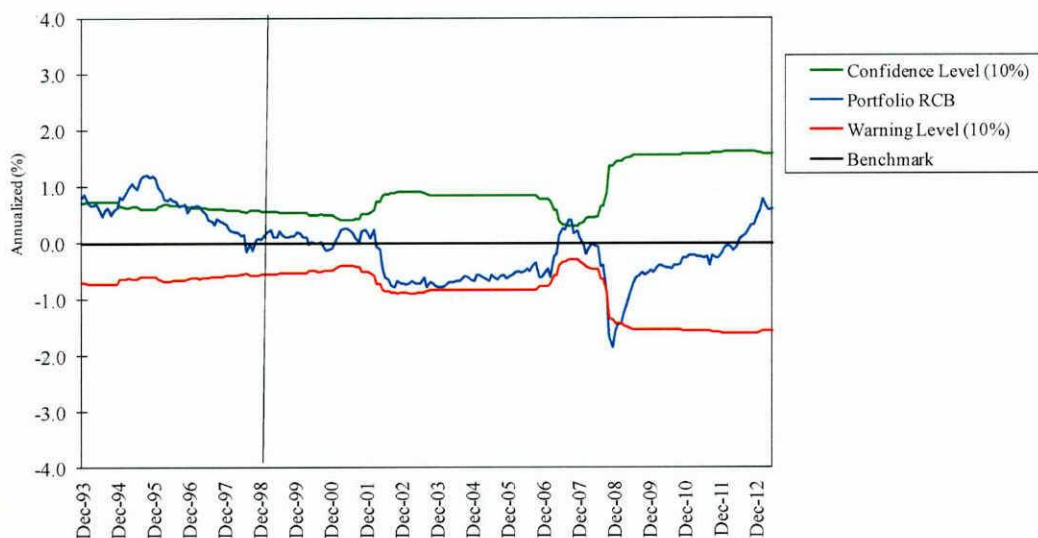
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-2.2%	-2.3%
Last 1 year	1.0	-0.7
Last 2 years	4.7	3.3
Last 3 years	5.1	3.5
Last 4 years	6.9	5.0
Last 5 years	5.8	5.2
Since Inception (7/93)	5.9	5.9

**Recommendations**

No action required.

**COLUMBIA MANAGEMENT - FIXED INCOME**  
**Rolling Five Year Returns Compared to Benchmark**



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

**DODGE & COX, INC.**  
**Periods Ending June, 2013**

**Portfolio Manager:** Dana Emery

**Assets Under Management:** \$1,266,535,717

**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**

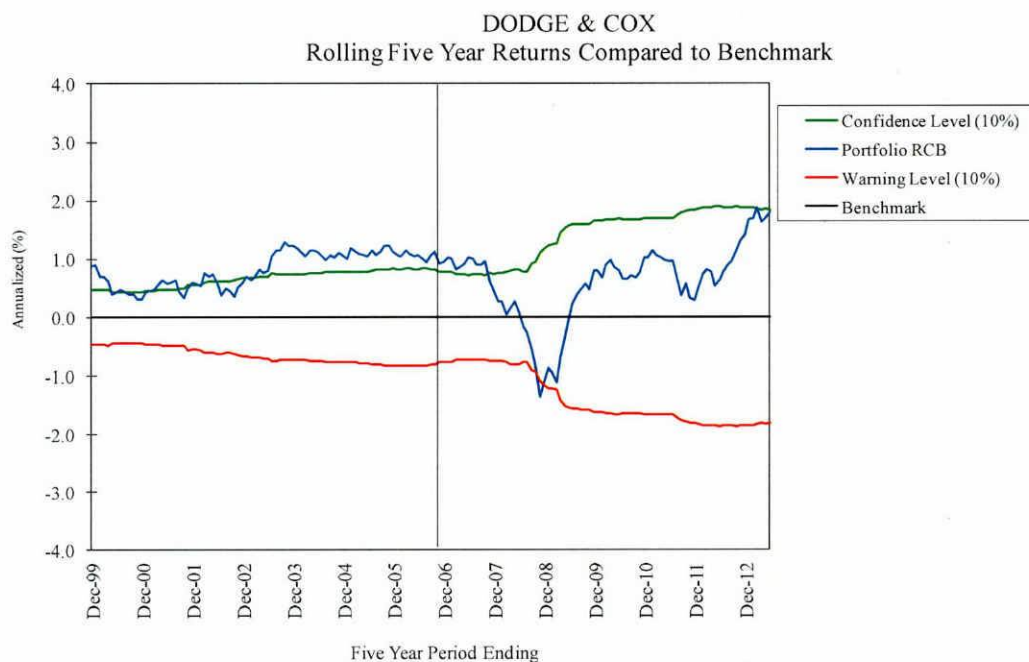
Kenneth Oliver, Chairman and Chief Executive Officer, assumed the role of Chairman Emeritus during the second quarter. Dana Emery assumed the role of Chief Executive Officer and President. Ms. Emery will continue in her role as Director of Fixed Income. Charles Pohl assumed the role of Chairman and CIO. The organizational change should not impact the SBI portfolio. Staff has no additional organizational or performance issues to note.

**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-1.7%	-2.3%
Last 1 year	2.6	-0.7
Last 2 years	4.4	3.3
Last 3 years	5.1	3.5
Last 4 years	7.1	5.0
Last 5 years	7.1	5.2
Since Inception (2/00)	6.9	5.9

**Recommendations**

No action required.



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



**PACIFIC INVESTMENT MANAGEMENT COMPANY LLC (PIMCO)**  
**Periods Ending June, 2013**

**Portfolio Manager: Bill Gross**

**Assets Under Management: \$1,379,313,673**

**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**

Staff has no organizational or performance issues to note.

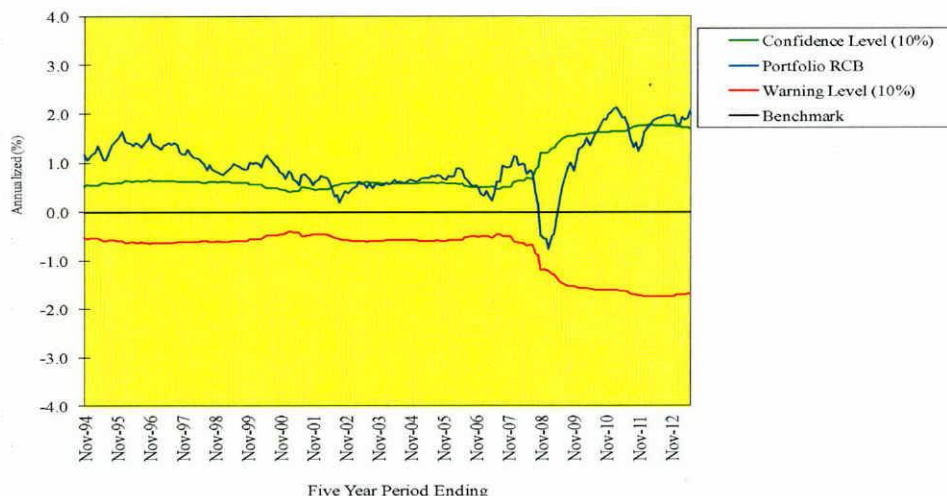
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-2.2%	-2.3%
Last 1 year	2.9	-0.7
Last 2 years	4.7	3.3
Last 3 years	5.3	3.5
Last 4 years	8.1	5.0
Last 5 years	N/A	N/A
Since Inception (9/08)	8.3	5.6

**Recommendations**

No action required.

PACIFIC INVESTMENT MANAGEMENT CO.  
Rolling Five Year Returns Compared to Benchmark



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

**WESTERN ASSET MANAGEMENT COMPANY**  
**Periods Ending June, 2013**

**Portfolio Manager: Steve Walsh**

**Assets Under Management: \$1,407,436,793**

**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**

Steve Walsh, Chief Investment Officer (CIO), plans to retire in March 2014. Ken Leech will become CIO effective March 31, 2014. Mr. Leech previously served as Western's co-CIO from 1998 to 2008 with Mr. Walsh, and since that time has served as Chairman of Western's Global Investment Strategy Committee. Paul Jablansky, Head of Structured Credit, left the firm during the second quarter. Dennis McNamara, a generalist portfolio manager, will serve as Head of Structured Credit on an interim basis until a replacement is found. In addition, Steve Fulton, Head of Agency MBS, will also assist the structured products team during the search process. The organizational changes should not impact the SBI portfolio. Staff has no additional organizational or performance issues to note.

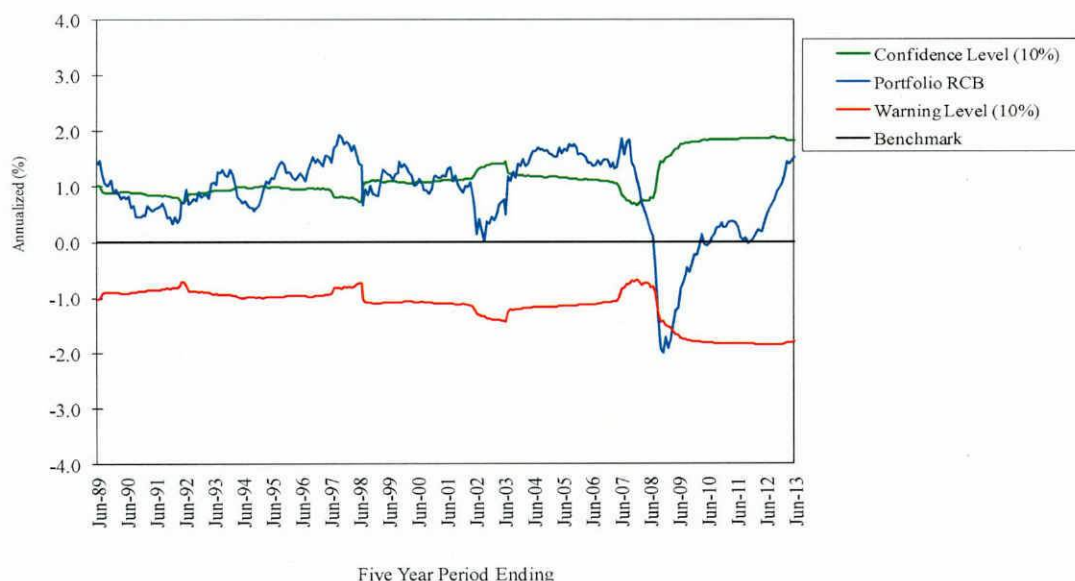
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-2.5%	-2.3%
Last 1 year	1.3	-0.7
Last 2 years	4.7	3.3
Last 3 years	5.3	3.5
Last 4 years	8.1	5.0
Last 5 years	6.8	5.2
Since Inception (7/84)	9.2	8.0

**Recommendations**

No action required.

WESTERN ASSET MANAGEMENT  
Rolling Five Year Returns Compared to Benchmark



**BLACKROCK FINANCIAL MANAGEMENT**  
**Periods Ending June, 2013**

**Portfolio Manager: Brian Weinstein**

**Assets Under Management: \$1,702,174,147**

**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 has experienced significant organizational changes at the top level in the firm. However, the portfolio management team assigned to the SBI fixed income portfolio has been stable since that time. Staff will continue to monitor and provide updates as necessary. Staff has no additional organizational or performance issues to note.

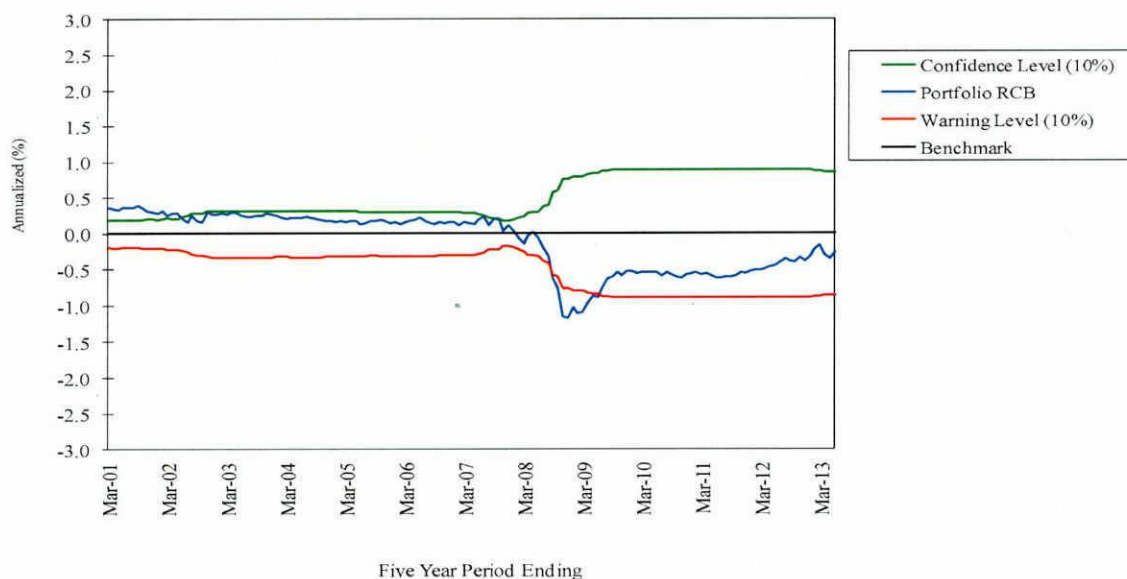
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-2.3%	-2.3%
Last 1 year	-0.3	-0.7
Last 2 years	3.7	3.3
Last 3 years	3.8	3.5
Last 4 years	5.7	5.0
Last 5 years	4.9	5.2
Since Inception (4/96)	5.9	5.9

**Recommendation**

No action required.

BLACKROCK, INC.  
Rolling Five Year Returns Compared to Benchmark





**GOLDMAN SACHS ASSET MANAGEMENT**  
**Periods Ending June, 2013**

**Portfolio Manager: Mike Goosay**

**Assets Under Management: \$2,184,940,572**

**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**

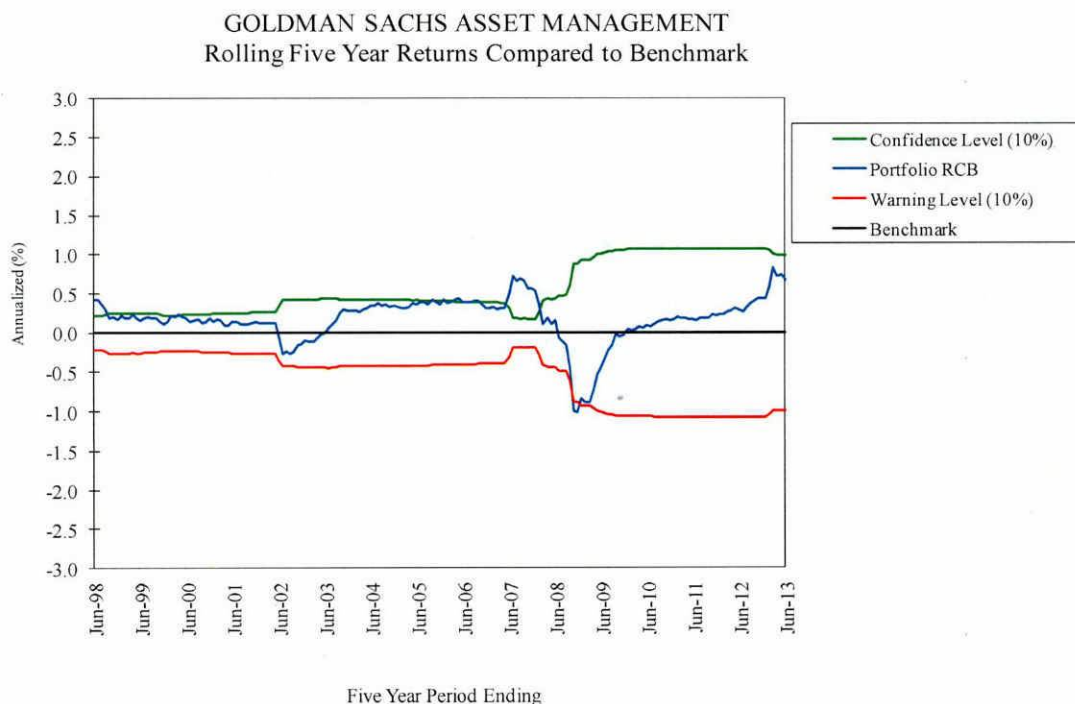
Staff has no organizational or performance issues to note.

**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-2.3%	-2.3%
Last 1 year	0.0	-0.7
Last 2 years	4.1	3.3
Last 3 years	4.3	3.5
Last 4 years	6.4	5.0
Last 5 years	5.9	5.2
Since Inception (7/93)	6.2	5.9

**Recommendations**

No action required.





**NEUBERGER BERMAN FIXED INCOME LLC**  
**Periods Ending June, 2013**

**Portfolio Manager: Andrew Johnson**

**Assets Under Management: \$2,166,735,138**

**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 significantly expanded its emerging markets debt team during the second quarter by hiring 22 investment professionals, 19 of whom joined the firm from a competitor. The expansion of the emerging markets debt team should not impact the SBI portfolio. Staff has no additional organizational or performance issues to note.

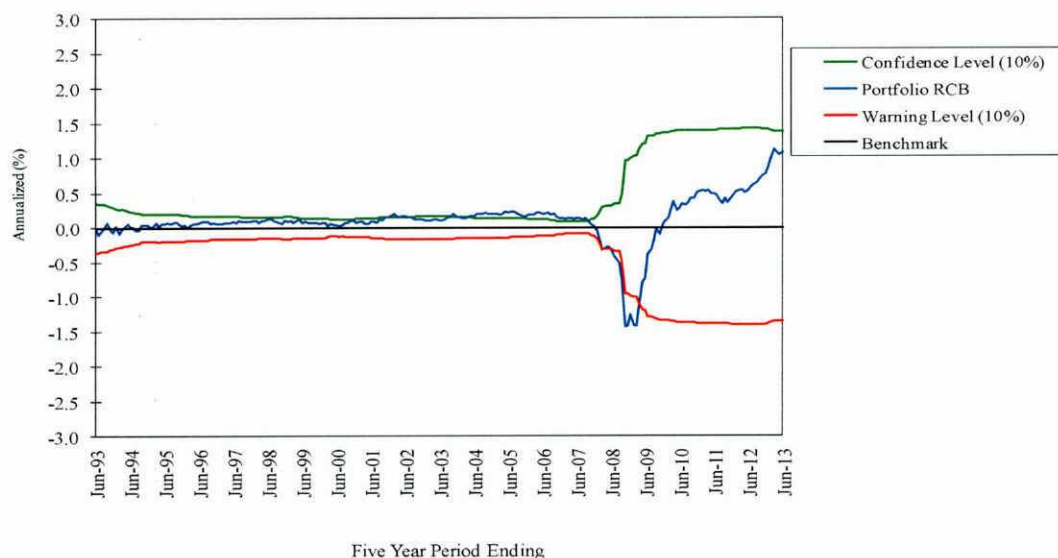
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-2.4%	-2.3%
Last 1 year	-0.3	-0.7
Last 2 years	3.7	3.3
Last 3 years	4.2	3.5
Last 4 years	6.9	5.0
Last 5 years	6.3	5.2
Since Inception (7/88)	7.1	6.9

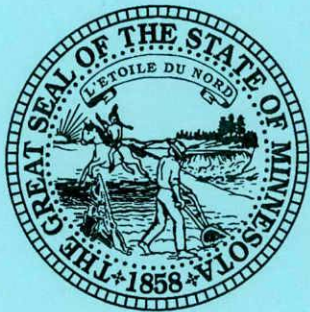
No action required.

**Recommendations**

NEUBERGER BERMAN  
Rolling Five Year Returns Compared to Benchmark



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# **STATE BOARD OF INVESTMENT**

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## **International Manager Evaluation Reports**

**Second Quarter, 2013**





# **International Managers**

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**COMBINED RETIREMENT FUNDS  
INTERNATIONAL STOCK MANAGERS**  
Periods Ending June, 2013

	Quarter		1 Year		3 Years		5 Years		Since (1) Inception		Market	Pool
	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk	Value	%
	%	%	%	%	%	%	%	%	%	%	(in millions)	%
<b>Active Developed Markets (2)</b>												
Acadian	-0.6	-1.6	21.5	17.1	11.0	9.4	-2.6	-0.8	4.2	4.4	\$311.4	4.0%
Columbia	-0.3	-1.6	19.1	17.1	12.7	9.4	1.4	-0.8	1.3	2.5	\$305.8	3.9%
J.P. Morgan	-1.4	-1.6	17.2	17.1	10.6	9.4	0.9	-0.8	4.6	4.4	\$262.0	3.3%
Marathon	0.9	-1.6	22.3	17.1	12.4	9.4	3.0	-0.8	8.4	4.9	\$637.6	8.1%
McKinley	0.2	-1.6	20.7	17.1	10.9	9.4	-3.4	-0.8	3.9	4.4	\$259.4	3.3%
Pyramis (Fidelity)	1.1	-1.6	23.2	17.1	12.5	9.4	1.2	-0.8	6.5	4.4	\$306.9	3.9%
<b>Aggregate</b>	<b>0.1</b>	<b>-1.6</b>	<b>20.8</b>	<b>17.1</b>	<b>11.4</b>	<b>9.4</b>	<b>0.7</b>	<b>-0.8</b>			<b>\$2,083.1</b>	<b>26.6%</b>
<b>Active Emerging Markets (3)</b>												
Capital International	-8.4	-8.1	4.4	2.8	-0.4	3.4	-0.5	-0.4	9.3	10.5	\$678.7	8.7%
Morgan Stanley	-6.0	-8.1	8.4	2.8	6.2	3.4	0.8	-0.4	11.1	10.5	\$756.2	9.6%
<b>Aggregate</b>	<b>-7.2</b>	<b>-8.1</b>	<b>6.0</b>	<b>2.8</b>	<b>2.7</b>	<b>3.4</b>	<b>-0.7</b>	<b>-0.4</b>			<b>\$1,434.9</b>	<b>18.3%</b>
<b>Semi-Passive Developed Markets (2)</b>												
AQR	-0.3	-1.6	24.2	17.1	11.5	9.4	0.4	-0.8	5.1	4.4	\$296.7	3.8%
Pyramis (Fidelity)	-0.5	-1.6	18.6	17.1	10.8	9.4	-0.9	-0.8	5.4	4.4	\$439.6	5.6%
State Street	-0.1	-1.6	21.4	17.1	8.7	9.4	-1.8	-0.8	3.7	4.4	\$265.6	3.4%
<b>Aggregate</b>	<b>-0.4</b>	<b>-1.6</b>	<b>21.0</b>	<b>17.1</b>	<b>10.4</b>	<b>9.4</b>	<b>-0.7</b>	<b>-0.8</b>			<b>\$1,001.9</b>	<b>12.8%</b>
<b>Passive Developed Markets (2)</b>												
State Street	-1.4	-1.6	17.4	17.1	9.8	9.4	-0.5	-0.8	6.3	6.0	\$3,042.0	38.8%
<b>Passive Emerging Markets (3)</b>												
State Street	-7.8	-8.1	3.0	2.8					4.6	4.5	\$277.5	3.5%
<b>Since 10/1/92</b>												
Equity Only (4) (6)	-2.2	-3.1	16.1	13.7	8.7	8.0	-0.2	-0.8	6.7	6.2	\$7,840.4	100.0%
<b>Total Program (5) (6)</b>	<b>-2.2</b>	<b>-3.1</b>	<b>16.1</b>	<b>13.7</b>	<b>8.7</b>	<b>8.0</b>	<b>-0.2</b>	<b>-0.8</b>	<b>6.9</b>	<b>6.2</b>	<b>\$7,840.4</b>	<b>100.0%</b>
SBI Int'l Equity Target (6)	-3.1		13.7		8.0		-0.8		6.2			
MSCI ACWI Free ex. U.S. (7)	-3.1		13.7		8.0		-0.8		6.5			
MSCI World ex U.S. (net)	-1.6		17.1		9.4		-0.8		6.1			
MSCI EAFE Free (net)	-1.0		18.6		10.0		-0.6		5.9			
MSCI Emerging Markets Free (8)	-8.1		2.8		3.4		-0.4		8.1			

- (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**

	2012		2011		2010		2009		2008	
	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk
	%	%	%	%	%	%	%	%	%	%
<b>Active Developed Markets (1)</b>										
Acadian	17.6	16.4	-12.9	-12.2	13.9	8.9	28.8	33.7	-50.5	-43.5
Columbia	19.0	16.4	-12.1	-12.2	15.2	8.9	29.3	33.7	-40.8	-43.5
J.P. Morgan	18.4	16.4	-10.2	-12.2	7.6	8.9	37.5	33.7	-41.5	-43.5
Marathon	17.9	16.4	-9.2	-12.2	14.4	8.9	29.8	33.7	-38.0	-43.5
McKinley	16.9	16.4	-15.5	-12.2	11.8	8.9	24.1	33.7	-48.5	-43.5
Pyramis (Fidelity)	20.3	16.4	-11.9	-12.2	11.7	8.9	35.1	33.7	-42.9	-43.5
<b>Aggregate</b>	<b>17.9</b>	<b>16.4</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>Active Emerging Markets (2)</b>										
Capital International	13.8	18.2	-22.8	-18.4	16.1	18.9	83.1	78.5	-48.9	-53.2
Morgan Stanley	21.1	18.2	-17.8	-18.4	18.4	18.9	71.7	78.5	-54.5	-53.2
<b>Aggregate</b>	<b>17.6</b>	<b>18.2</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>Semi-Passive Developed Markets (1)</b>										
AQR	20.8	16.4	-13.9	-12.2	11.4	8.9	36.0	33.7	-44.0	-43.5
Pyramis (Fidelity)	19.4	16.4	-12.6	-12.2	11.5	8.9	30.2	33.7	-44.0	-43.5
State Street	17.3	16.4	-15.6	-12.2	8.7	8.9	34.9	33.7	-45.3	-43.5
<b>Aggregate</b>	<b>19.2</b>	<b>16.4</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>Passive Developed Markets (1)</b>										
State Street	16.7	16.4	-11.9	-12.2	9.9	8.9	34.0	33.7	-43.4	-43.5
<b>Passive Emerging Markets (2)</b>										
State Street	18.5	18.2								
Equity Only (3) (4)	17.6	16.8	-14.2	-13.7	12.3	11.2	41.2	41.5	-45.3	-45.5
<b>Total Program (4)</b>	<b>17.6</b>	<b>16.8</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>
SBI Int'l Equity Target (5)	16.8		-13.7		11.2		41.5		-45.5	
MSCI ACWI Free ex. U.S. (net)	16.8		-13.7		11.2		41.5		-45.5	
MSCI World ex U.S. (net)	16.4		-12.2		8.9		33.7		-43.6	
MSCI EAFE Free (net)	17.3		-12.1		7.7		31.8		-43.4	
MSCI Emerging Markets Free (net)	18.2		-18.4		18.9		78.5		-53.3	

- (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, 2013**

**Portfolio Manager:** John Chisholm

**Assets Under Management:** \$311,360,470

**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**

Acadian has a stable organization and team with mixed performance. The SBI has confidence that the strategy will add value over time.

**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-0.6%	-1.6%
Last 1 year	21.5	17.1
Last 2 years	1.5	0.3
Last 3 years	11.0	9.4
Last 4 years	10.7	8.8
Last 5 years	-2.6	-0.8
Since Inception (7/05)	4.2	4.4

**Recommendations**

No action required.

ACADIAN ASSET MANAGEMENT  
Rolling Five Year Returns Compared to Benchmark



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, 2013

Portfolio Manager: Esther Perkins

Assets Under Management: \$305,830,518

## Investment Philosophy

Columbia's philosophy focuses on key forces of change in markets and the companies that will benefit. The firm believes that in a global marketplace, where sustainable competitive advantage is rare, their research should focus on the dynamics of change. A good understanding of the likely impact of these changes at a company level, complemented with an appreciation of the ability of management to exploit these changes, creates significant opportunities to pick winners and avoid losers.

## Staff Comments

Columbia has a stable organization and team.

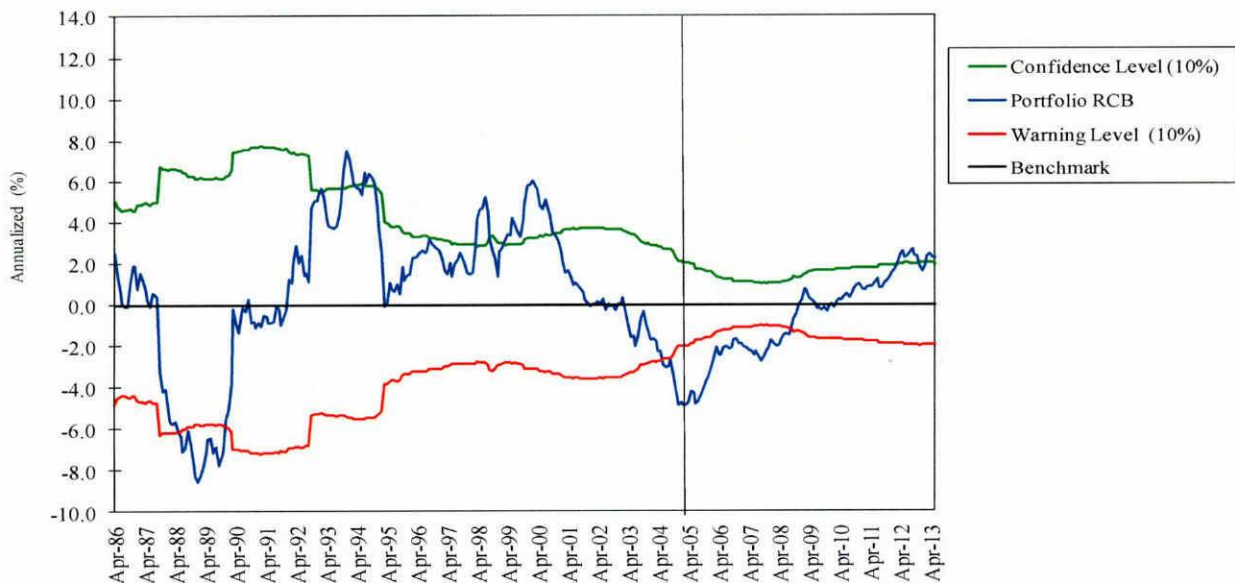
## Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-0.3%	-1.6%
Last 1 year	19.1	17.1
Last 2 years	2.6	0.3
Last 3 years	12.7	9.4
Last 4 years	11.2	8.8
Last 5 years	1.4	-0.8
Since Inception (3/00)	1.3	2.5

## Recommendations

No action required.

## COLUMBIA MANAGEMENT INVESTMENT ADVISERS Rolling Five Year Returns Compared to Benchmark



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

**J.P. MORGAN INVESTMENT MANAGEMENT INC.**  
**Periods Ending June, 2013**

**Portfolio Manager: James Fisher**

**Assets Under Management: \$262,021,254**

**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**

J.P. Morgan has a stable organization and team.

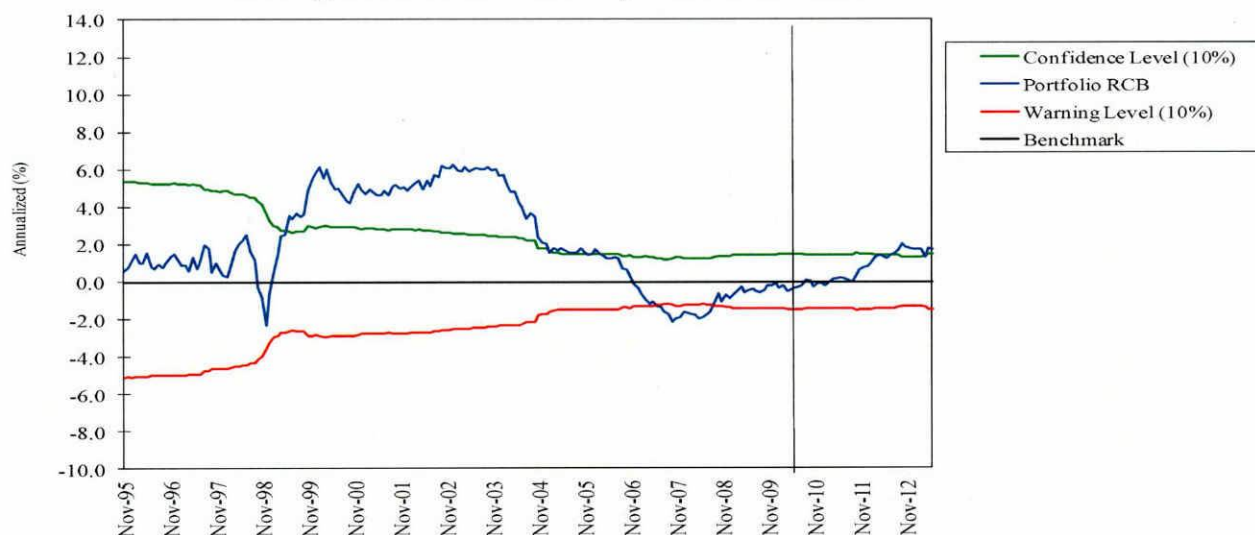
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-1.4%	-1.6%
Last 1 year	17.2	17.1
Last 2 years	1.1	0.3
Last 3 years	10.6	9.4
Last 4 years	10.0	8.8
Last 5 years	0.9	-0.8
Since Inception (7/05)	4.6	4.4

**Recommendations**

No action required.

**J.P. MORGAN INVESTMENT MANAGEMENT, INC.**  
**Rolling Five Year Returns Compared to Benchmark**



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

**MARATHON ASSET MANAGEMENT LLP**  
**Periods Ending June, 2013**

**Portfolio Manager:** William Arah

**Assets Under Management:** \$637,597,752

**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**

Recent changes to the investment team do not materially impact the management of the SBI's portfolio and are not expected to affect the significant long-term added value in the strategy. The SBI will closely monitor any potential further changes to the investment team.

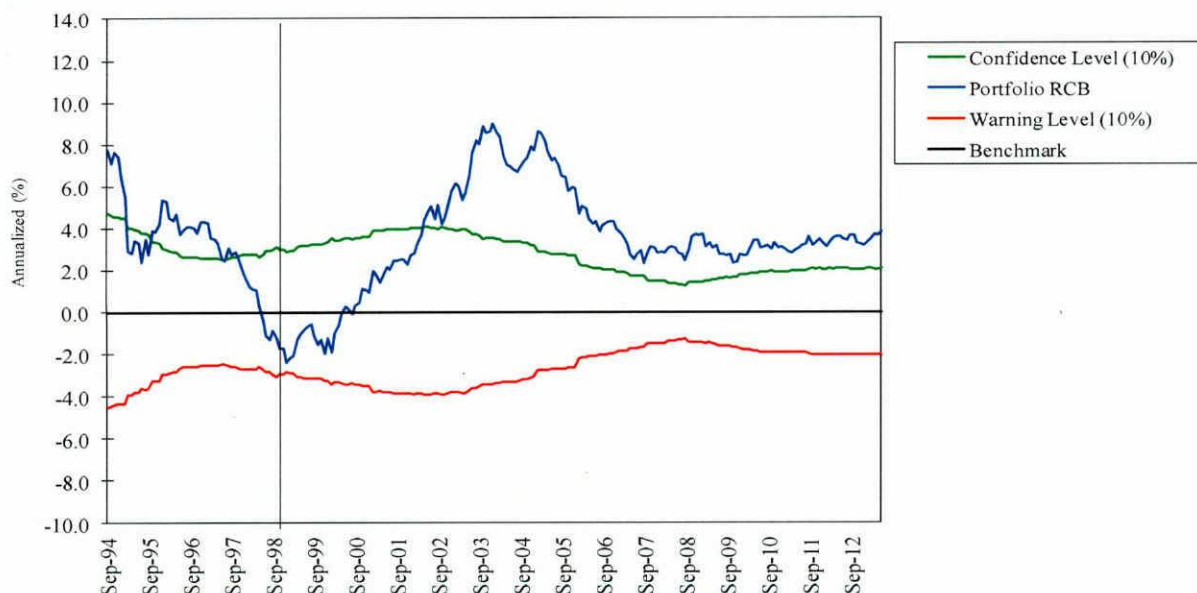
**Quantitative Evaluation**

	<b>Actual</b>	<b>Custom Benchmark</b>
Last Quarter	0.9%	-1.6%
Last 1 year	22.3	17.1
Last 2 years	4.8	0.3
Last 3 years	12.4	9.4
Last 4 years	12.1	8.8
Last 5 years	3.0	-0.8
Since Inception (11/93)	8.4	4.9

**Recommendations**

No action required.

**MARATHON ASSET MANAGEMENT**  
**Rolling Five Year Returns Compared to Benchmark**



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, 2013**

**Portfolio Manager:** Robert A. Gillam

**Assets Under Management:** \$259,443,490

**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**

Stable organization and process with mixed returns. The SBI has confidence in the strategy to add value when growth is being rewarded in the market.

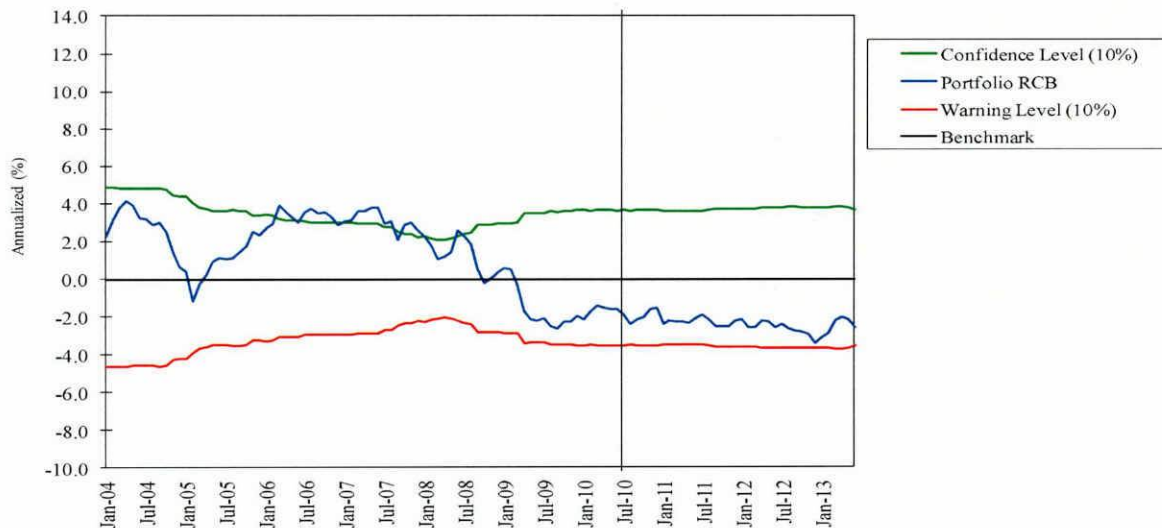
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	0.2%	-1.6%
Last 1 year	20.7	17.1
Last 2 years	2.1	0.3
Last 3 years	10.9	9.4
Last 4 years	10.4	8.8
Last 5 years	-3.4	-0.8
Since Inception (7/05)	3.9	4.4

**Recommendations**

No action required.

**MCKINLEY CAPITAL MANAGEMENT**  
**Rolling Five Year Returns Compared to Benchmark**



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, 2013**

**Portfolio Manager:** Michael Strong

**Assets Under Management:** \$306,865,520

**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**

In March 2013, Pyramis announced that Michael Strong, lead portfolio manager, will retire at the end of September 2013. His duties, which include regional allocation and cash flow allocation, will be assumed by Chris Steward and Brian Hoesly who currently assist Michael Strong. Stock selection remains the responsibility of the four regional portfolio managers. SBI staff expects a seamless transition which will not negatively impact the management of the state's portfolio.

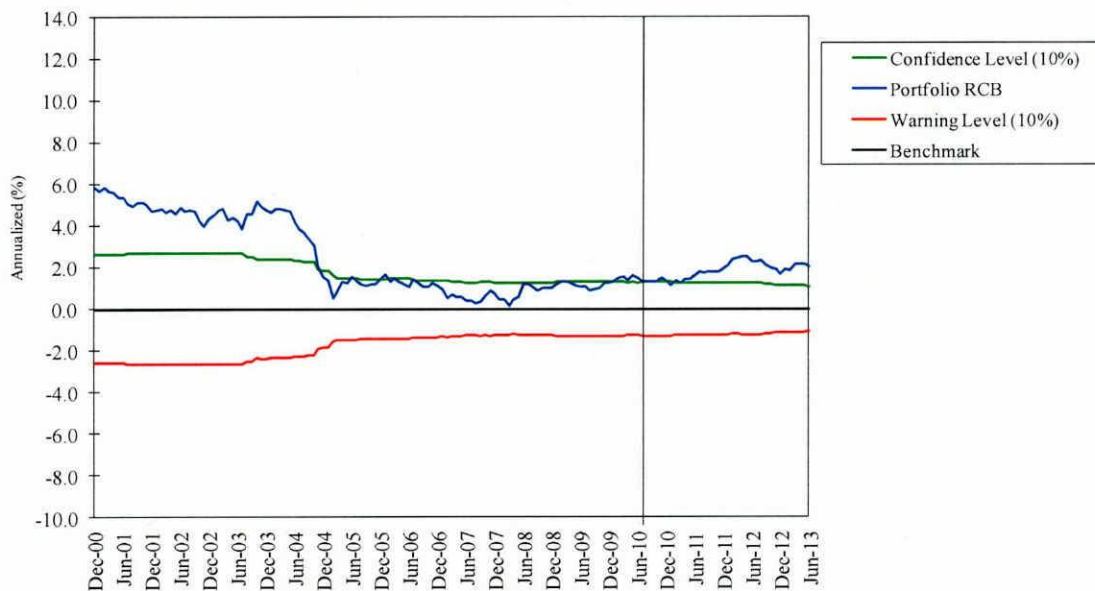
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	1.1%	-1.6%
Last 1 year	23.2	17.1
Last 2 years	4.0	0.3
Last 3 years	12.5	9.4
Last 4 years	11.7	8.8
Last 5 years	1.2	-0.8
Since Inception (7/05)	6.5	4.4

**Recommendations**

No action required.

**PYRAMIS GLOBAL ADVISORS TRUST CO. - INTL GROWTH**  
**Rolling Five Year Returns Compared to Benchmark**



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, 2013**

**Portfolio Manager: Victor Kohn**

**Assets Under Management: \$678,670,791**

**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**

Stable organization and team.

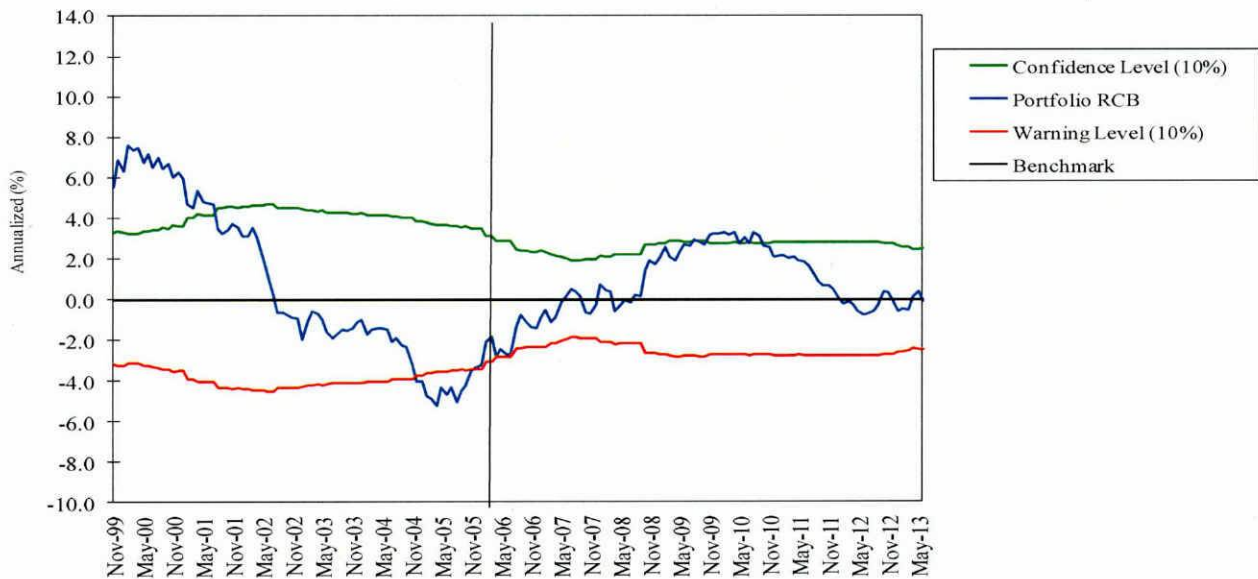
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-8.4%	-8.1%
Last 1 year	4.4	2.8
Last 2 years	-10.2	-7.0
Last 3 years	-0.4	3.4
Last 4 years	5.2	8.0
Last 5 years	-0.5	-0.4
Since Inception (3/01)	9.3	10.5

**Recommendations**

No action required.

**CAPITAL INTERNATIONAL, INC.**  
**Rolling Five Year Returns Compared to Benchmark**



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, 2013**

**Portfolio Manager: Ruchir Sharma**

**Assets Under Management: \$756,244,194**

**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**

Stable organization and team.

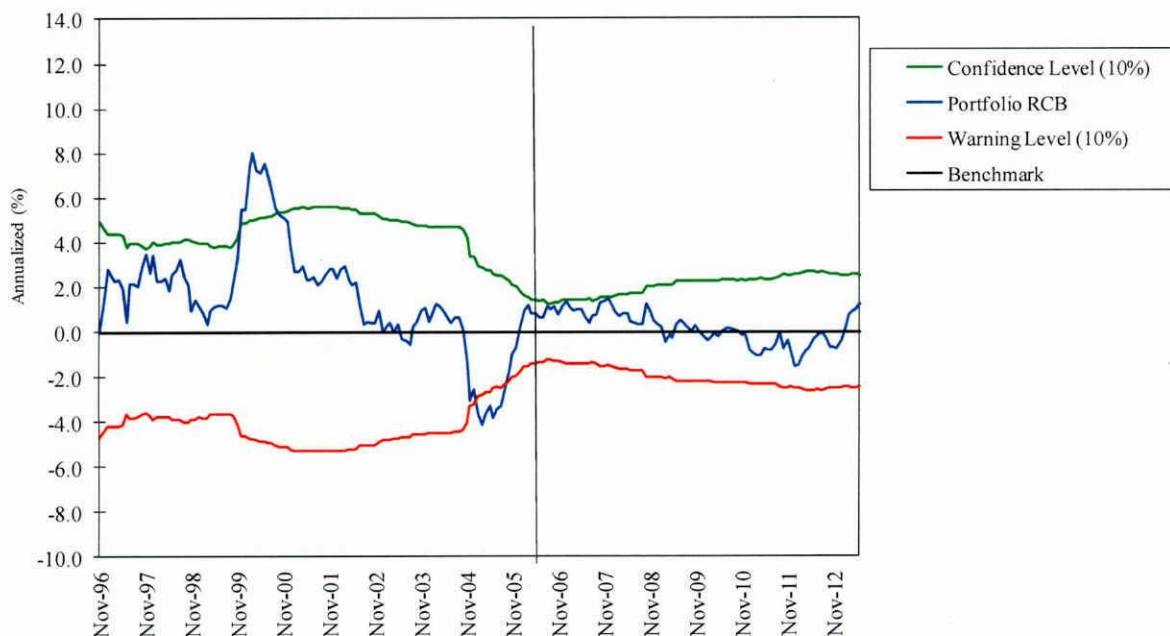
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-6.0%	-8.1%
Last 1 year	8.4	2.8
Last 2 years	-2.2	-7.0
Last 3 years	6.2	3.4
Last 4 years	9.8	8.0
Last 5 years	0.8	-0.4
Since Inception (3/01)	11.1	10.5

**Recommendations**

No action required.

**MORGAN STANLEY INVESTMENT MANAGEMENT**  
**Rolling Five Year Returns Compared to Benchmark**



5 Year Period Ending

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



**AQR CAPITAL MANAGEMENT, LLC**  
**Periods Ending June, 2013**

**Portfolio Manager:** Cliff Asness

**Assets Under Management:** \$296,734,027

**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**

AQR has a stable organization and investment process.

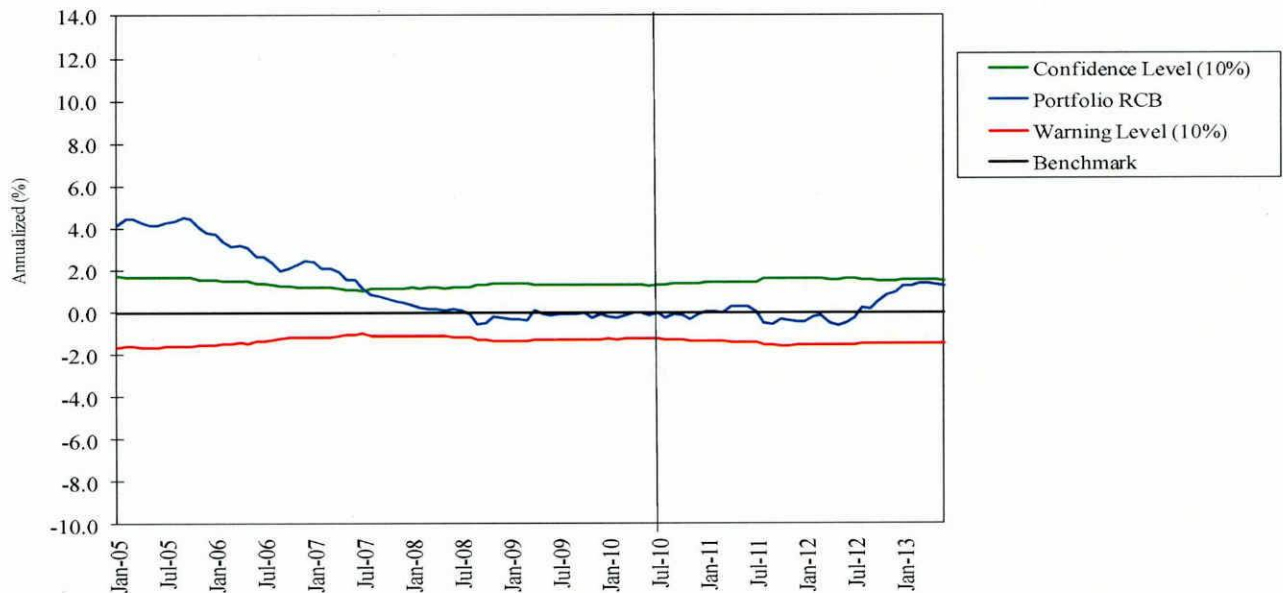
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-0.3%	-1.6%
Last 1 year	24.2	17.1
Last 2 years	1.7	0.3
Last 3 years	11.5	9.4
Last 4 years	10.9	8.8
Last 5 years	0.4	-0.8
Since Inception (7/05)	5.1	4.4

**Recommendations**

No action required.

**AQR CAPITAL MANAGEMENT, LLC**  
**Rolling Five Year Returns Compared to Benchmark**



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, 2013**

**Portfolio Manager:** Cesar Hernandez

**Assets Under Management:** \$439,580,042

**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**

Stable organization and team.

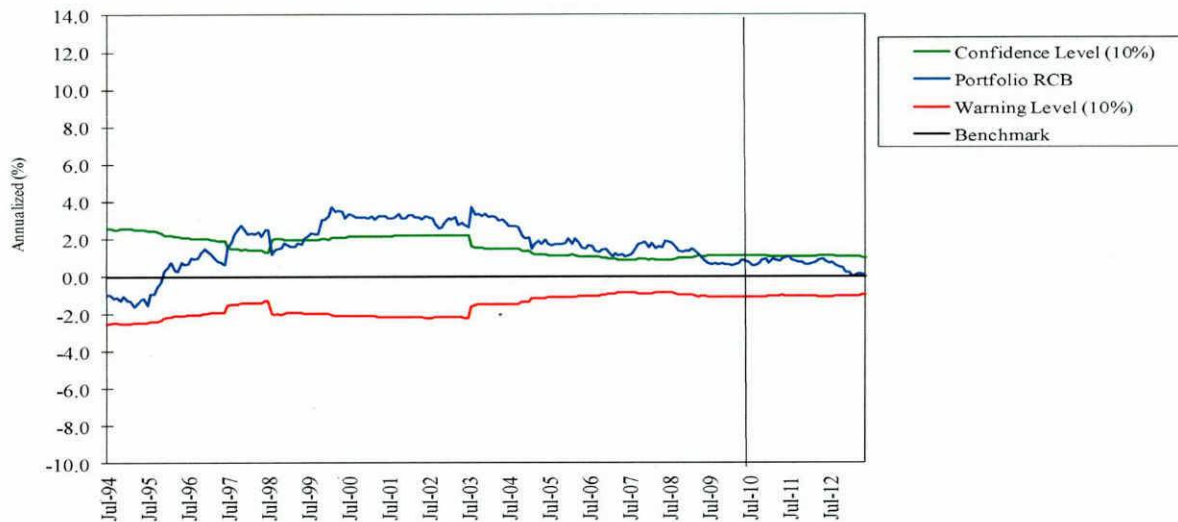
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-0.5%	-1.6%
Last 1 year	18.6	17.1
Last 2 years	1.4	0.3
Last 3 years	10.8	9.4
Last 4 years	9.9	8.8
Last 5 years	-0.9	-0.8
Since Inception (7/05)	5.4	4.4

**Recommendations**

No action required.

**PYRAMIS GLOBAL ADVISORS TRUST CO. - SELECT INTL**  
**Rolling Five Year Returns Compared to Benchmark**



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, 2013**

**Portfolio Manager:** Adel Daghmouri

**Assets Under Management:** \$265,556,956

**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**

Adel Daghmouri replaced Didier Rosenfeld in June 2013 as the lead portfolio manager. There have also been other significant changes to the investment team recently and shortly after inception of the account. In addition, changes have been made to the investment process in the near term. The SBI is monitoring this strategy closely due to recent investment team changes and to the portfolio's underperformance.

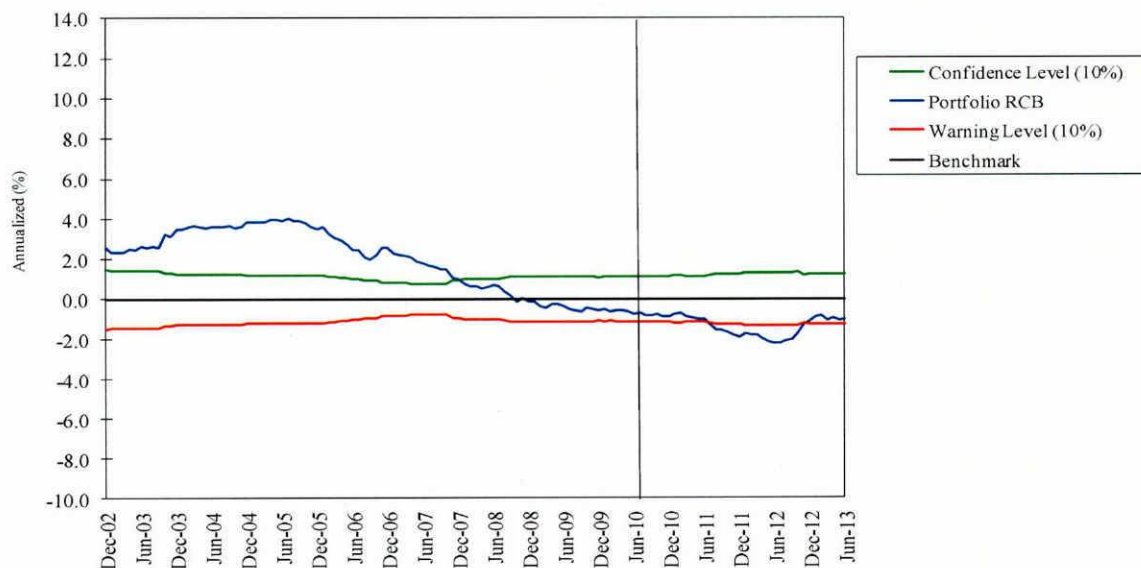
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-0.1%	-1.6%
Last 1 year	21.4	17.1
Last 2 years	-0.9	0.3
Last 3 years	8.7	9.4
Last 4 years	8.2	8.8
Last 5 years	-1.8	-0.8
Since Inception (7/05)	3.7	4.4

**Recommendations**

No action required.

**STATE STREET GLOBAL ADVISORS - ALPHA**  
**Rolling Five Year Returns Compared to Benchmark**



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, 2013**

**Portfolio Manager: Tom Coleman**

**Assets Under Management: \$277,481,844**

**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**

Retained at the beginning of 2012. Stable team with tracking error within expectation.

**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-7.8%	-8.1%
Last 1 year	3.0	2.8
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)	4.6	4.5

**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, 2013**

**Portfolio Manager:** Lynn Blake

**Assets Under Management:** \$3,041,980,346

**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**

Very stable investment team with consistent tracking error within expectation over time.

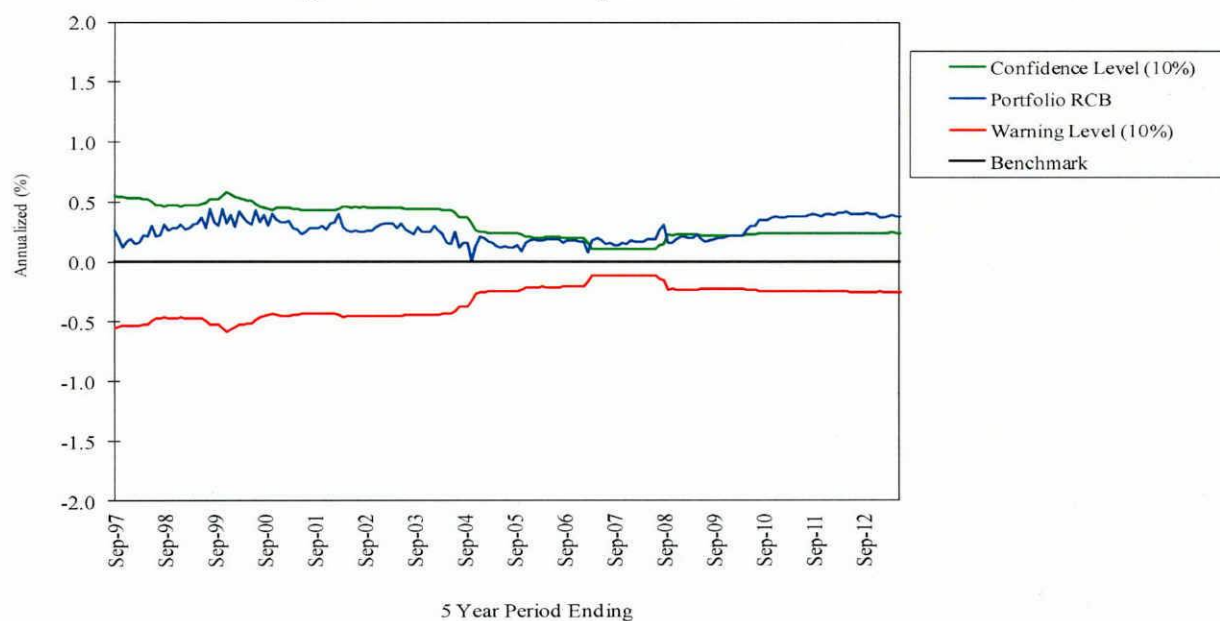
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-1.4%	-1.6%
Last 1 year	17.4	17.1
Last 2 years	0.6	0.3
Last 3 years	9.8	9.4
Last 4 years	9.3	8.8
Last 5 years	-0.5	-0.8
Since Inception (10/92)	6.3	6.0

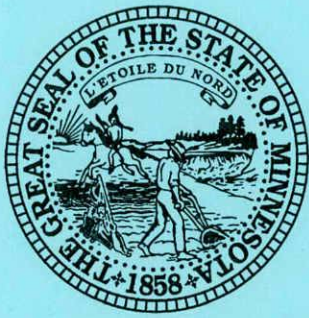
**Recommendation**

No action required.

**SSGA - PASSIVE DEVELOPED MARKETS**  
**Rolling Five Year Returns Compared to Benchmark**







# STATE BOARD OF INVESTMENT

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## Non-Retirement Manager Evaluation Reports

Second Quarter, 2013



## **Non-Retirement Managers**

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**NON - RETIREMENT MANAGERS**  
**Periods Ending June, 2013**

	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)	3.8	2.9	23.2	20.6	17.1	18.5	6.5	7.0	9.5	9.0	\$55.5
RBC Global Asset Management (2) (Barclays Capital Intermediate Government)	-1.4	-1.4	-0.5	-0.6	3.1	2.4	4.7	3.9	5.7	5.8	\$228.4
Galliard Capital Management (3 yr. Constant Maturity Treasury + 45 bp)	0.6	0.2	2.5	0.8	3.1	1.0	3.7	1.4	5.1	4.0	\$1,546.3
Internal Stock Pool (S&P 500 Index)	2.9	2.9	20.5	20.6	18.5	18.5	7.1	7.0	8.7	8.7	\$1,304.0
Internal Bond Pool - Income Share (Barclays Capital Aggregate) (3)	-1.7	-2.3	1.9	-0.7	4.3	3.5	6.1	5.2	7.4	7.0	\$105.1
Internal Bond Pool - Trust (Barclays Capital Aggregate)	-1.7	-2.3	1.4	-0.7	4.0	3.5	6.0	5.2	6.8	6.2	\$772.0

(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**

	2012		2011		2010		2009		2008	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
GE Asset Management (S&P 500 Index)	16.8	16.0	-2.2	2.1	10.7	15.1	32.3	26.5	-35.6	-37.0
RBC Global Asset Management (1) (Barclays Capital intermediate Government)	1.8	1.7	7.1	6.2	8.4	5.0	8.3	0.9	-2.4	9.5
Galliard Capital Management (3 yr. Constant Maturity Treasury + 45 bp)	2.8	0.8	3.4	1.2	4.1	1.5	4.7	1.9	4.7	2.6
Internal Stock Pool (S&P 500 Index)	16.0	16.0	2.2	2.1	15.1	15.1	26.3	26.5	-36.7	-37.0
Internal Bond Pool - Income Share (Barclays Capital Aggregate)	6.2	4.2	5.3	7.8	7.0	6.5	12.9	5.9	1.3	5.2
Internal Bond Pool - Trust (Barclays Capital Aggregate)	5.8	4.2	5.6	7.8	6.3	6.5	12.2	5.9	2.6	5.2

(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, 2013**

**Portfolio Manager: Dave Carlson**

**Assets Under Management: \$55,459,066**

**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 long-term performance concerns. No organizational concerns.

**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	3.8%	2.9%
Last 1 year	23.2	20.6
Last 2 years	12.3	12.8
Last 3 years	17.1	18.5
Last 4 years	14.9	17.4
Last 5 years	6.5	7.0
Since Inception (1/95)	9.5	9.0

**Recommendation**

No action required.

**GE ASSET MANAGEMENT**  
**Rolling Five Year Returns Compared to Benchmark**



**RBC GLOBAL ASSET MANAGEMENT (U.S.) INC. - Assigned Risk Plan**  
**Periods Ending June, 2013**

**Portfolio Manager: Brian Svendahl**

**Assets Under Management: \$228,448,620**

**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 long-term performance concerns. No organizational concerns.

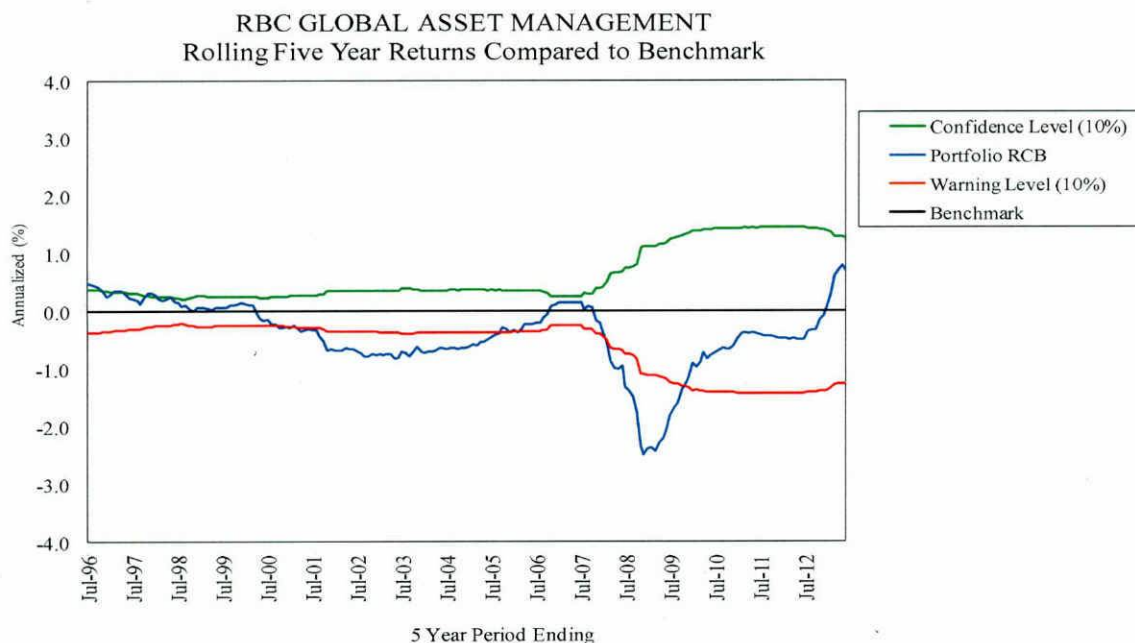
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	-1.4%	-1.4%
Last 1 year	-0.5	-0.6
Last 2 years	2.0	2.2
Last 3 years	3.1	2.4
Last 4 years	5.6	3.3
Last 5 years	4.7	3.9
Since Inception (7/91)	5.7	5.8

**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.



**GALLIARD CAPITAL MANAGEMENT, INC.**  
**Periods Ending June, 2013**

**Portfolio Manager: Karl Tourville**

**Assets Under Management: \$1,546,256,240**

**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**

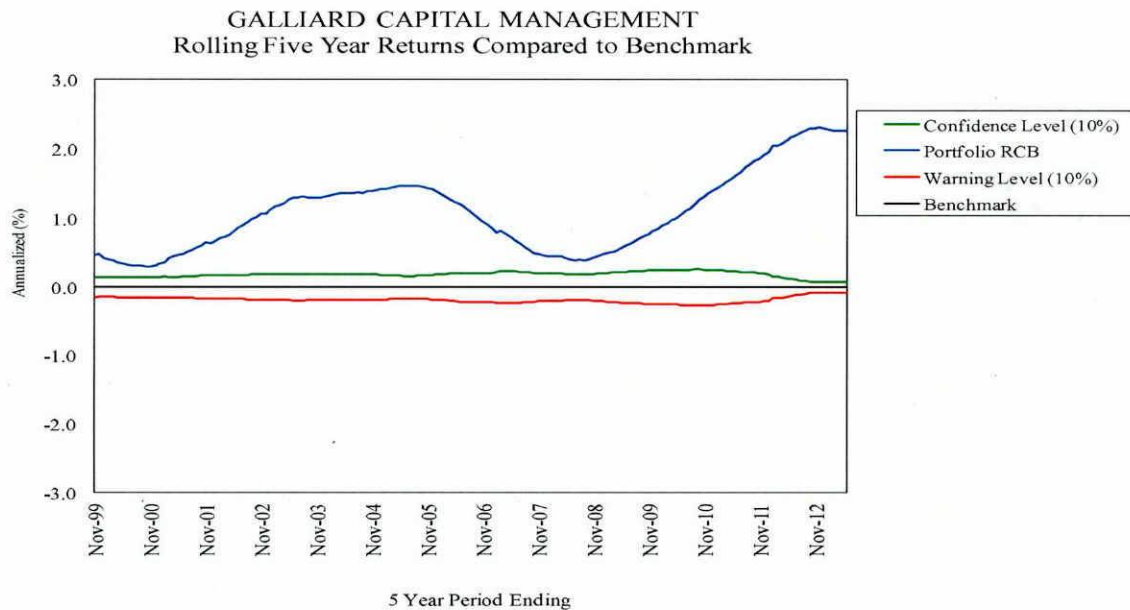
No long-term performance concerns. No organizational concerns.

**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	0.6%	0.2%
Last 1 year	2.5	0.8
Last 2 years	2.8	0.8
Last 3 years	3.1	1.0
Last 4 years	3.5	1.2
Last 5 years	3.7	1.4
Since Inception (11/94)	5.1	4.0

**Recommendation**

No action required.





**INTERNAL STOCK POOL - Trust/Non-Retirement Assets**  
**Periods Ending June, 2013**

**Portfolio Manager: Mike Menssen**

**Assets Under Management: \$1,304,010,261**

**Investment Philosophy**  
**Environmental Trust Fund**  
**Permanent School Fund**

**Staff Comments**

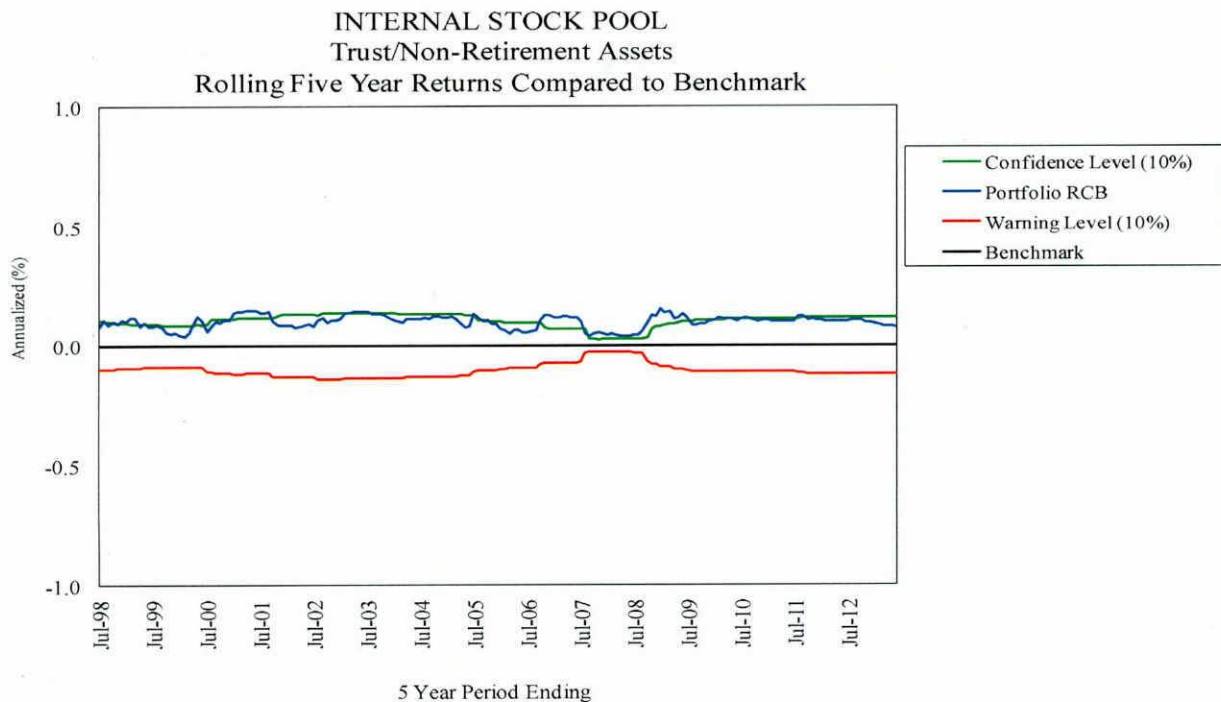
The Internal Equity Pool is managed to closely track the S&P 500 Index. The strategy replicates the S&P 500 by owning all of the names in the index at weightings similar to those of the index. The optimization model's estimate of tracking error with this strategy is approximately 10 basis points per year.

No tracking issues.

**Quantitative Evaluation**

**Recommendation**

	<b>Actual</b>	<b>Benchmark</b>	
Last Quarter	2.9%	2.9%	No action required.
Last 1 year	20.5	20.6	
Last 2 years	12.7	12.8	
Last 3 years	18.5	18.5	
Last 4 years	17.4	17.4	
Last 5 years	7.1	7.0	
Since Inception (7/93)	8.7	8.7	



**INTERNAL BOND POOL - Income Share Account**  
**Periods Ending June, 2013**

**Portfolio Manager: Mike Menssen**

**Assets Under Management: \$105,084,133**

**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 long-term performance concerns.

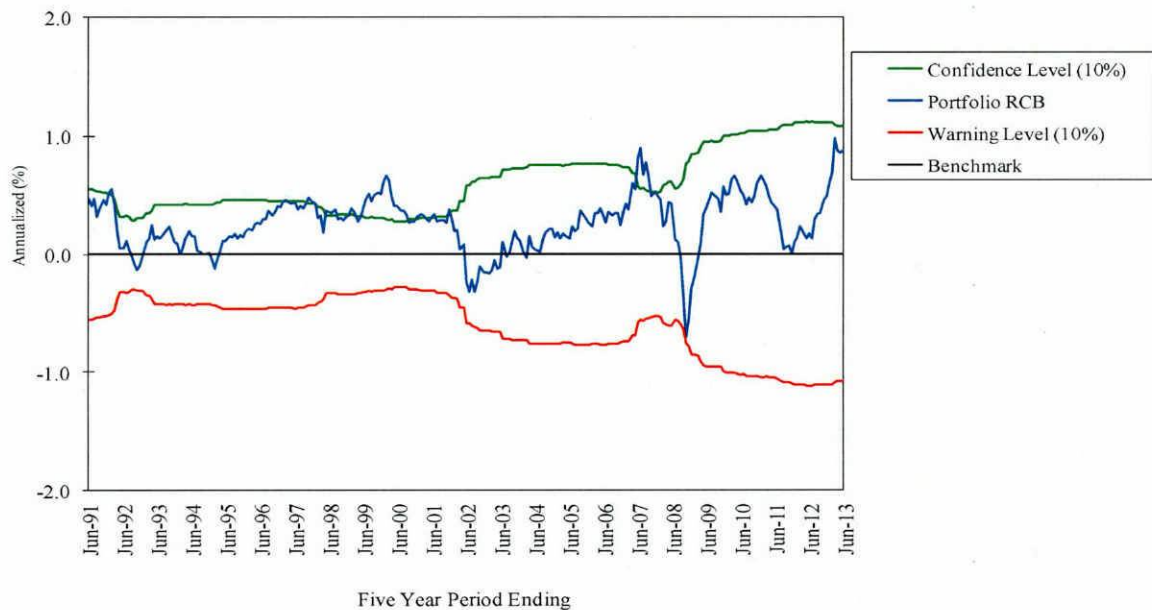
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	-1.7%	-2.3%
Last 1 year	1.9	-0.7
Last 2 years	4.3	3.3
Last 3 years	4.3	3.5
Last 4 years	5.9	5.0
Last 5 years	6.1	5.2
Since Inception (7/86)	7.4	7.0

**Recommendation**

No action required.

**INTERNAL BOND POOL - INCOME SHARE ACCOUNT**  
**Rolling Five Year Returns Compared to Benchmark**



**INTERNAL BOND POOL - Trust/Non-Retirement Assets**  
**Periods Ending June, 2013**

**Portfolio Manager: Mike Menssen**

**Assets Under Management: \$771,975,524**

**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 long-term performance concerns.

**Quantitative Evaluation**

**Recommendation**

	<b>Actual</b>	<b>Benchmark</b>	
Last Quarter	-1.7%	-2.3%	No action required.
Last 1 year	1.4	-0.7	
Last 2 years	3.9	3.3	
Last 3 years	4.0	3.5	
Last 4 years	5.4	5.0	
Last 5 years	6.0	5.2	
Since Inception (7/94)*	6.8	6.2	

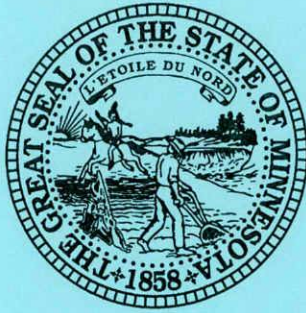
\* Date started managing the pool against the Barclays Capital Aggregate.

**INTERNAL BOND POOL - TRUST/NON-RETIREMENT ASSETS**  
**Rolling Five Year Returns Compared to Benchmark**



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# **STATE BOARD OF INVESTMENT**

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## **Deferred Compensation Plan Evaluation Reports**

**Second Quarter, 2013**



## **Deferred Compensation Plan**

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**MN STATE 457 DEFERRED COMPENSATION PLAN**  
**FUND OPTIONS (1)**  
**Periods Ending June, 2013**

	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)	2.6	2.9	15.8	20.6	13.6	18.5	1.2	7.0	2.5	3.0	\$433.5
Vanguard Institutional Index Plus (S&P 500)	2.9	2.9	20.6	20.6	18.4	18.5	7.1	7.0	3.1	3.0	\$745.3
<b>Mid Cap Equity:</b>											
Vanguard Mid-Cap Index (CRSP US Mid-Cap) (3)	2.4	2.4	25.0	24.9	19.0	19.0	8.0	7.9	8.9	8.9	\$294.3
<b>Small Cap Equity:</b>											
T. Rowe Price Small-Cap Stock (Russell 2000)	2.9	3.1	23.6	24.2	21.8	18.7	13.2	8.8	9.8	7.0	\$517.0
<b>Balanced:</b>											
Vanguard Balanced Index Inst. Fund (60% CRSP US Total Market, 40% Barclays Capital Agg) (4)	0.7	0.7	12.2	12.2	12.7	12.7	7.1	6.9	6.6	6.5	\$556.5
<b>Bond:</b>											
Dodge & Cox Income Fund (Barclays Capital Aggregate)	-1.8	-2.3	2.2	-0.7	4.7	3.5	6.7	5.2	6.2	5.7	\$200.7
Vanguard Total Bond Market Index Inst. (Barclays Capital Aggregate)	-2.4	-2.3	-0.8	-0.7	3.4	3.5	5.2	5.2	4.8	4.8	\$178.2
<b>International:</b>											
Fidelity Diversified International (MSCI EAFE-Free)	0.5	-1.0	18.2	18.6	10.9	10.0	-1.1	-0.6	6.4	3.4	\$243.3
Vanguard Total International Stock Index (FTSE Global All Cap ex US) (5)	-3.2	-3.2	13.6	14.0	8.3	7.9	-0.8	-0.9	-1.5	-1.5	\$116.8

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 CRSP US Mid-Cap Index beginning February 2013. Prior to that date it was the MSCI US Mid-Cap 450 Index.
- (4) Benchmark is 60% CRSP US Total Market Index and 40% Barclays Capital US Aggregate Bond Index beginning January 2013. Prior to that date it was 60% MSCI US Broad Market Index and 40% Barclays Capital US Aggregate Bond Index.
- (5) Benchmark is the FTSE Global All Cap ex US Index beginning June 2013; 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, 2013**

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	-2.2	-2.1	4.7	4.9	8.0	8.2	5.2	5.3	5.1	5.3	\$22.2
2015 Fund	-2.3	-2.3	5.2	5.4	10.0	10.2	6.1	5.9	6.8	6.9	\$29.1
2020 Fund	-1.9	-1.9	7.3	7.4	12.1	12.2	6.5	6.2	8.3	8.5	\$35.1
2025 Fund	-1.3	-1.3	9.9	10.1	13.3	13.4	6.7	6.4	9.0	9.1	\$25.8
2030 Fund	-0.9	-0.9	11.4	11.5	14.0	14.1	6.6	6.3	9.2	9.3	\$13.6
2035 Fund	-0.6	-0.6	12.7	12.9	14.5	14.6	6.4	6.1	9.2	9.3	\$9.3
2040 Fund	-0.5	-0.5	13.9	14.1	14.7	14.7	5.9	5.7	8.6	8.7	\$5.8
2045 Fund	-0.4	-0.4	15.0	15.2	14.6	14.7	5.9	5.7	8.3	8.4	\$3.5
2050 Fund	-0.4	-0.4	15.0	15.2	14.6	14.7	5.9	5.7	8.3	8.4	\$2.0
2055 Fund	-0.4	-0.4	15.0	15.2	14.6	14.7	5.9	5.7	8.3	8.4	\$0.9
2060 Fund	-0.4	-0.4	15.0	15.2					8.3	8.4	\$1.3

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)	2.9	2.9	20.6	20.6	18.5	18.5	7.1	7.0	12.8	12.8
DJ-UBS Roll Select Commodity Index Fund (DJ-UBS Roll Select Commodity Index)	-9.3	-9.3	-7.0	-6.7					-7.0	-6.7
Russell Small/Mid Cap Index Fund (Russell Small Cap Completeness Index)	2.1	2.1	25.3	25.4					25.3	25.4
Global All Cap Equity ex US Index Fund (MSCI ACWI ex U.S. IMI)	-3.1	-3.3	13.7	13.9					-1.2	-1.5
Global Real Estate Securities Index Fund (FTSE EPRA/NAREIT Dev Liquid)	-3.2	-3.3	13.3	13.1	15.6	15.0			8.1	7.3
Long Government Bond Index Fund (Barclays Capital Long Government)	-5.7	-5.7	-8.2	-8.2	6.2	6.2	7.5	7.5	9.8	9.8
Bond Index Fund (Barclays Capital Aggregate)	-2.3	-2.3	-0.7	-0.7	3.5	3.5	5.3	5.2	3.3	3.3
Inflation Protection Bond Index Fund (Barclays Capital U.S. TIPS)	-7.1	-7.1	-4.8	-4.8	4.6	4.6	4.3	4.4	3.1	3.1
High Yield Bond Index Fund (Barclays Capital U.S. High Yield Very Liquid)	-2.0	-1.9	8.3	8.6	10.7	11.0			7.9	8.3
U.S. Short-Term Govt/Credit Index Fund (Barclays Capital 1-3 Yr Govt/Credit)	-0.1	-0.1	0.7	0.7	2.1	1.3			2.2	0.9

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**

	2012		2011		2010		2009		2008	
<b>457 Mutual Funds</b>	<b>Actual</b>	<b>Bmk</b>	<b>Actual</b>	<b>Bmk</b>	<b>Actual</b>	<b>Bmk</b>	<b>Actual</b>	<b>Bmk</b>	<b>Actual</b>	<b>Bmk</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Large Cap Equity:</b>										
Janus Twenty (S&P 500)	22.3	16.0	-8.2	2.1	7.0	15.1	43.3	26.5	-42.0	-37.0
Vanguard Institutional Index Plus (S&P 500)	16.0	16.0	2.1	2.1	15.1	15.1	26.7	26.5	-36.9	-37.0
<b>Mid Cap Equity:</b>										
Vanguard Mid-Cap Index (CRSP US Mid-Cap) (2)	16.0	16.0	-2.0	-1.9	25.7	25.7	40.5	40.5	-41.8	-41.8
<b>Small Cap Equity:</b>										
T. Rowe Price Small-Cap Stock (Russell 2000)	18.0	16.3	-0.1	-4.2	32.5	26.9	38.5	27.2	-33.4	-33.8
<b>Balanced:</b>										
Vanguard Balanced Index Inst. Fund (60% CRSP US Total Market, 40% Barclays Capital Agg) (3)	11.5	11.6	4.3	4.1	13.3	13.5	20.2	19.7	-22.1	-22.4
<b>Bond:</b>										
Dodge & Cox Income Fund (Barclays Capital Aggregate)	8.0	4.2	4.8	7.8	7.2	6.5	16.1	5.9	-0.3	5.2
Vanguard Total Bond Market Index Inst. (Barclays Capital Aggregate)	4.2	4.2	7.7	7.8	6.6	6.5	6.1	5.9	5.2	5.2
<b>International:</b>										
Fidelity Diversified International (MSCI EAFE-Free)	19.4	17.3	-13.8	-12.1	9.7	7.7	31.8	31.8	-45.2	-43.4
Vanguard Total International Stock Index (FTSE Global All Cap ex US) (4)	18.3	17.0	-14.6	-14.3	11.1	10.7	36.7	40.4	-44.1	-45.5

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 CRSP US Mid-Cap Index beginning February 2013. Prior to that date it was the MSCI US Mid-Cap 450 Index.
- (3) Benchmark is 60% CRSP US Total Market Index and 40% Barclays Capital US Aggregate Bond Index beginning January 2013. Prior to that date it was 60% MSCI US Broad Market Index and 40% Barclays Capital US Aggregate Bond Index.
- (4) Benchmark is the FTSE Global All Cap ex US Index beginning June 2013; 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	2012		2011		2010		2009		2008	
	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk
	%	%	%	%	%	%	%	%	%	%
Income Fund	9.7	9.8	4.6	4.8	9.6	10.1	14.8	15.0	-12.9	-13.2
2015 Fund	11.0	11.0	6.9	7.1	12.1	12.5	15.3	14.4	-16.7	-17.6
2020 Fund	12.5	12.5	7.3	7.4	13.6	13.9	18.3	17.5	-22.2	-23.1
2025 Fund	13.7	13.7	5.9	6.0	14.6	14.7	20.3	19.6	-25.2	-26.1
2030 Fund	14.3	14.1	4.9	5.0	15.1	15.3	21.9	21.4	-28.1	-29.0
2035 Fund	14.9	14.7	3.5	3.6	15.7	15.8	24.3	23.9	-30.9	-31.6
2040 Fund	15.5	15.3	1.5	1.6	15.9	16.1	26.7	26.5	-33.6	-34.1
2045 Fund	16.0	15.8	0.0	0.1	16.2	16.2	27.2	27.0	-33.7	-34.1
2050 Fund	15.9	15.8	0.1	0.1	16.1	16.2	27.2	27.0	-33.5	-34.1
2055 Fund	15.9	15.8	0.1	0.1	16.1	16.2	27.2	27.0	-33.5	-34.1
2060 Fund	16.0	15.8								

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	2012		2011		2010		2009		2008	
	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk
	%	%	%	%	%	%	%	%	%	%
S&P 500 Index Fund (S&P 500)	16.0	16.0	2.1	2.1	15.1	15.1	26.7	26.5	-36.9	-37.0
DJ-UBS Roll Sheet Commodity Index Fund (DJ-UBS Roll Select Commodity Index)										
Russell Small/Mid Cap Index Fund (Russell Small Cap Completeness Index)										
Global All Cap Equity ex U.S. Index Fund (MSCI ACWI ex U.S. IMI)	18.2	17.0								
Global Real Estate Securities Index Fund (FTSE EPRA/NAREIT Dev Liquid)	28.9	27.5	-5.4	-5.8	19.1	18.4				
Long Government Bond Index Fund (Barclays Capital Long Government)	3.8	3.8	29.2	29.1	9.5	9.4	-12.2	-12.2	22.6	22.7
Bond Index Fund (Barclays Capital Aggregate)	4.2	4.2	7.8	7.8	6.6	6.5	6.4	5.9	5.6	5.2
Inflation Protection Bond Index Fund (Barclays Capital U.S. TIPS)	6.9	7.0	13.5	13.6	6.2	6.3	11.3	11.4	-2.4	-2.4
High Yield Bond Index Fund (Barclays Capital U.S. High Yield Very Liquid)	14.8	15.4	5.7	6.1	12.5	15.1				
U.S. Short-Term Govt/Credit Bond Index Fund (Barclays Capital 1-3 Yr Govt/Credit)	3.9	1.3	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, 2013**

**Portfolio Manager:** Marc Pinto

**State's Participation in Fund:** \$433,526,817  
**Total Assets in Fund:** \$8,500,000,000

**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**

Janus announced that Marc Pinto, a 19 year veteran of Janus' large-cap growth equity team would replace Ron Sachs as Manager of the Janus Twenty Fund, effective May 31, 2013. Staff will continue monitoring the organization and performance.

Janus Capital Group also announced the appointment of Enrique Chang as the Chief Investment Officer of Equities and Asset Allocation effective September 2013.

**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	2.6%	2.9%
Last 1 year	15.8	20.6
Last 2 years	9.4	12.8
Last 3 years	13.6	18.5
Last 4 years	11.5	17.4
Last 5 years	1.2	7.0
Since Retention by SBI (7/99)	2.5	3.0

**Recommendation**

No action required.

\*Benchmark is the S&P 500.

**LARGE CAP EQUITY - JANUS TWENTY**  
**Rolling Five Year Returns Compared to Benchmark**



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, 2013**

**Portfolio Manager: Mike Buek**

**State's Participation in Fund: \$745,310,404**

**Total Assets in Fund: \$58,770,000,000**

**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**

Long-term CIO, Gus Sauter retired; Tim Buckley, Managing Director, Vanguard veteran succeeded Sauter January 2013. No tracking issues.

**Quantitative Evaluation**

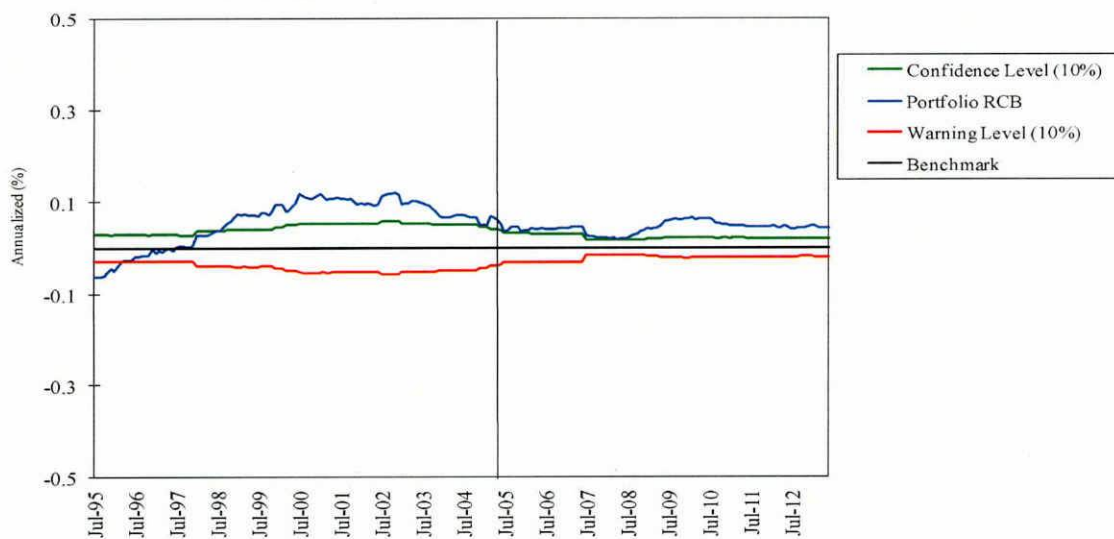
	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	2.9%	2.9%
Last 1 year	20.6	20.6
Last 2 years	12.8	12.8
Last 3 years	18.4	18.5
Last 4 years	17.4	17.4
Last 5 years	7.1	7.0
Since Retention by SBI (7/99)	3.1	3.0

**Recommendation**

No action required.

\*Benchmark is the S&P 500.

**EQUITY INDEX - VANGUARD INSTITUTIONAL INDEX PLUS**  
**Rolling Five Year Returns Compared to Benchmark**



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, 2013**

**Portfolio Manager: Donald Butler**

**State's Participation in Fund: \$294,335,301**  
**Total Assets in Fund: \$6,620,000,000**

**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**

Long-term CIO, Gus Sauter retired; Tim Buckley, Managing Director, Vanguard veteran, succeeded Sauter January 2013. No tracking issues.

**Quantitative Evaluation**

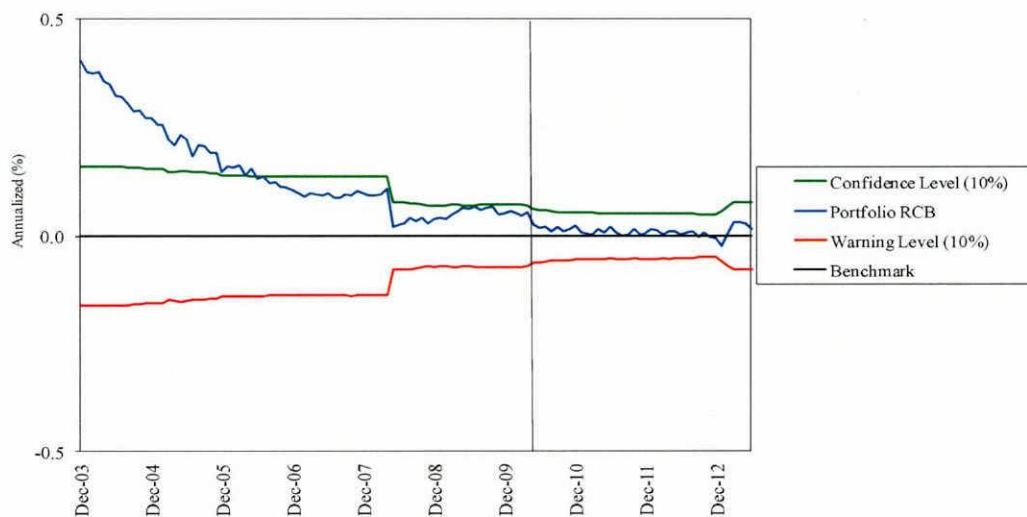
	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	2.4%	2.4%
Last 1 year	25.0	24.9
Last 2 years	10.3	10.2
Last 3 years	19.0	19.0
Last 4 years	21.0	21.0
Last 5 years	8.0	7.9
Since Retention by SBI (1/04)	8.9	8.9

**Recommendation**

No action required.

\*Benchmark is the CRSP US Mid-Cap Index.

**MID CAP EQUITY - VANGUARD MID-CAP INDEX**  
**Rolling Five Year Returns Compared to Benchmark**



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, 2013**

**Portfolio Manager:** Gregory A. McCrickard

**State's Participation in Fund:** \$516,984,541  
**Total Assets in Fund:** \$8,661,725,981

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

The strategy of this fund is to invest primarily in stocks of small to medium-sized companies that are believed to offer either superior earnings growth or appear undervalued. The fund normally invests at least 80% of assets in equities 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.

**Staff Comments**

No long-term performance concerns. No organizational concerns.

**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	2.9%	3.1%
Last 1 year	23.6	24.2
Last 2 years	12.1	10.3
Last 3 years	21.8	18.7
Last 4 years	22.9	19.4
Last 5 years	13.2	8.8
Since Retention by SBI (7/99)	9.8	7.0

**Recommendation**

No action required.

\*Benchmark is the Russell 2000.

**SMALL CAP EQUITY - T. ROWE PRICE SMALL CAP STOCK FUND**  
**Rolling Five Year Returns Compared to Benchmark**



Five Year Period Ending

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

**MN STATE 457 DEFERRED COMPENSATION PLAN**  
**BALANCED – VANGUARD BALANCED INDEX INSTITUTIONAL FUND**  
**Periods Ending June, 2013**

**Portfolio Manager: Michael Perre**

**State's Participation in Fund: \$556,494,124**  
**Total Assets in Fund: \$5,979,000,000**

**Investment Philosophy**  
**Vanguard Balanced Index Fund**

The fund's assets are divided between stocks and bonds, with an average of 60% of its assets in stocks and 40% in bonds. The fund's stock segment attempts to track the performance of the MSCI US Broad Market Index, an unmanaged index representing the overall U.S. equity market. The fund's bond segment attempts to track the performance of the Barclays Capital Aggregate Bond Index, an unmanaged index that covers virtually all taxable fixed-income securities.

**Staff Comments**

Long-term CIO, Gus Sauter retired; Tim Buckley, Managing Director, Vanguard veteran succeeded Sauter January 2013. No tracking issues.

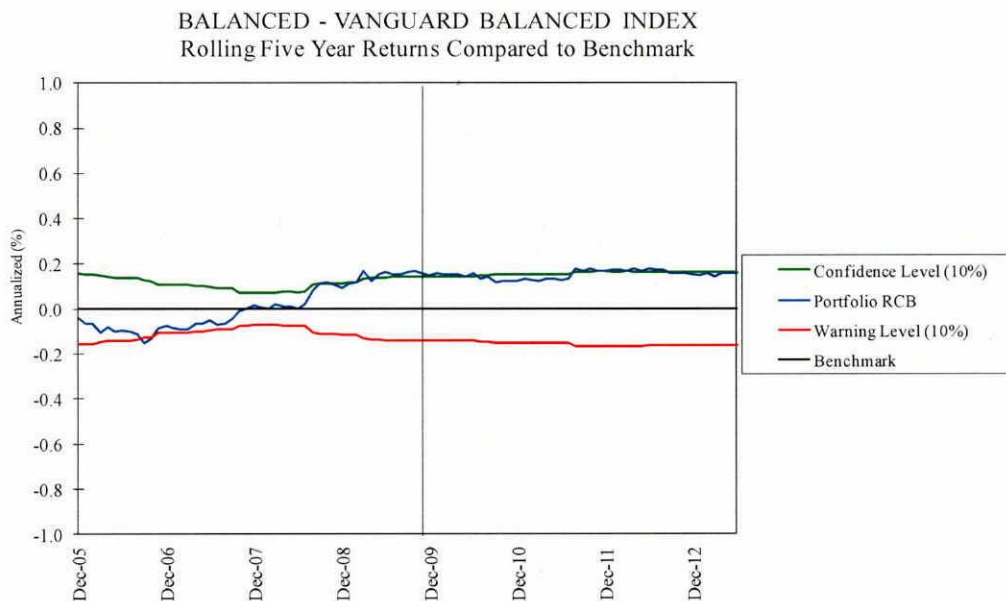
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	0.7%	0.7%
Last 1 year	12.2	12.2
Last 2 years	9.1	9.0
Last 3 years	12.7	12.7
Last 4 years	13.0	13.0
Last 5 years	7.1	6.9
Since Retention by SBI (12/03)	6.6	6.5

**Recommendation**

No action required.

\*Benchmark is 60% CRSP US Total Market Index and 40% Barclays Capital US Aggregate Bond Index.



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, 2013

**Portfolio Manager:** Dana Emery

**State's Participation in Fund:** \$200,663,170  
**Total Assets in Fund:** \$25,865,387,594

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

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

**Staff Comments**

No long-term performance concerns. Dana Emery was named Chief Executive Officer and President at Dodge and Cox. Ms. Emery will also continue as the Director of Fixed Income and Portfolio Manager for the Dodge and Cox Income Fund. Charles Pohl was named Chairman at Dodge and Cox. These changes became effective May 14, 2013.

**Quantitative Evaluation**

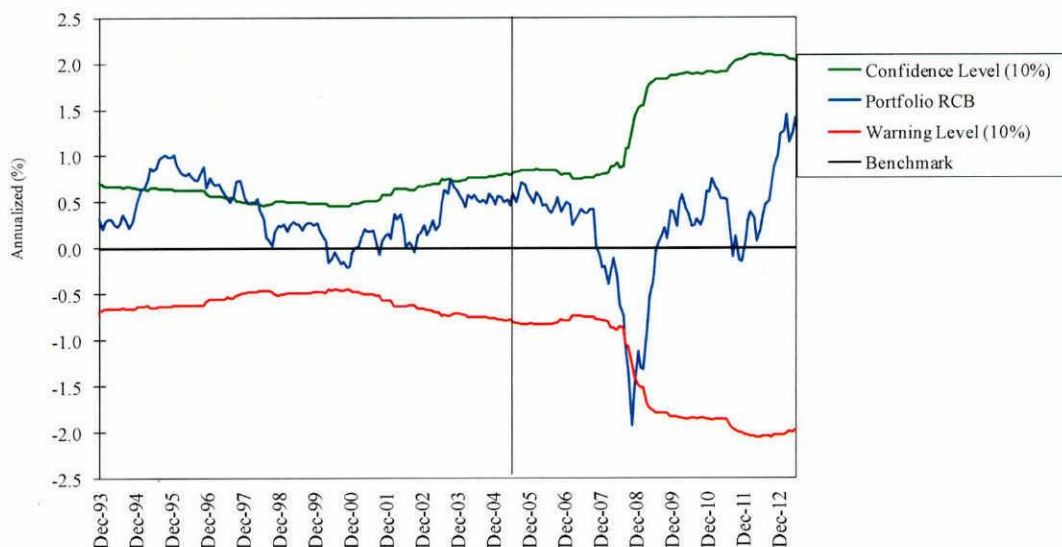
	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	-1.8%	-2.3%
Last 1 year	2.2	-0.7
Last 2 years	4.0	3.3
Last 3 years	4.7	3.5
Last 4 years	6.5	5.0
Last 5 years	6.7	5.2
Since Retention By SBI (7/99)	6.2	5.7

**Recommendation**

No action required.

\*Benchmark is the Barclays Capital Aggregate.

**BOND - DODGE & COX INCOME FUND**  
Rolling Five Year Returns Compared to Benchmark



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 – VANGUARD TOTAL BOND MARKET INDEX INSTITUTIONAL**  
**Periods Ending June, 2013**

**Portfolio Manager: Kenneth Volpert**

**State's Participation in Fund: \$178,157,819**  
**Total Assets in Fund: \$16,832,000,000**

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

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.

**Staff Comments**

Long-term CIO, Gus Sauter retired; Tim Buckley, Managing Director, Vanguard veteran succeeded Sauter January 2013. No tracking issues.

**Quantitative Evaluation**

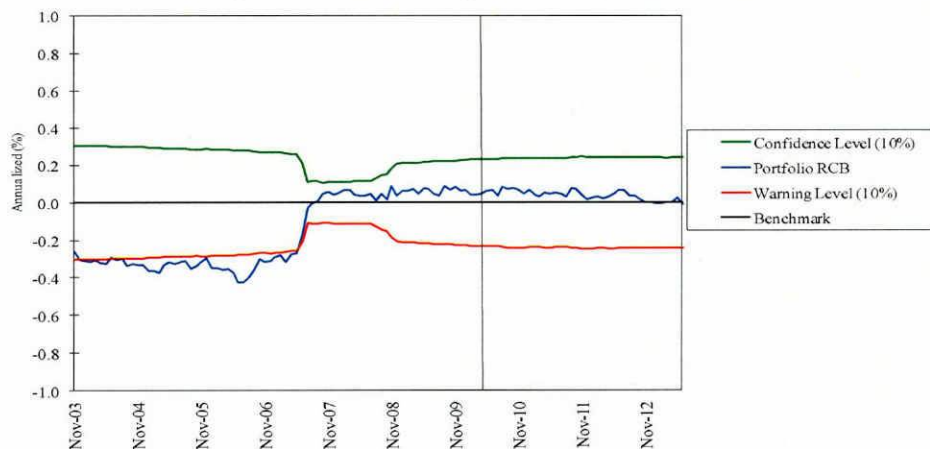
	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	-2.4%	-2.3%
Last 1 year	-0.8	-0.7
Last 2 years	3.3	3.3
Last 3 years	3.4	3.5
Last 4 years	4.9	5.0
Last 5 years	5.2	5.2
Since Retention by SBI (12/03)	4.8	4.8

**Recommendation**

No action required.

\*Benchmark is the Barclays Capital Aggregate.

**BOND INDEX - VANGUARD TOTAL BOND MARKET INDEX**  
**Rolling Five Year Returns Compared to Benchmark**



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 – FIDELITY DIVERSIFIED INTERNATIONAL  
Periods Ending June, 2013**

**Portfolio Manager: William Bower**

**State's Participation in Fund: \$243,340,602  
Total Assets in Fund: \$13,017,270,000**

**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 long-term performance concerns. No organizational concerns.

**Quantitative Evaluation**

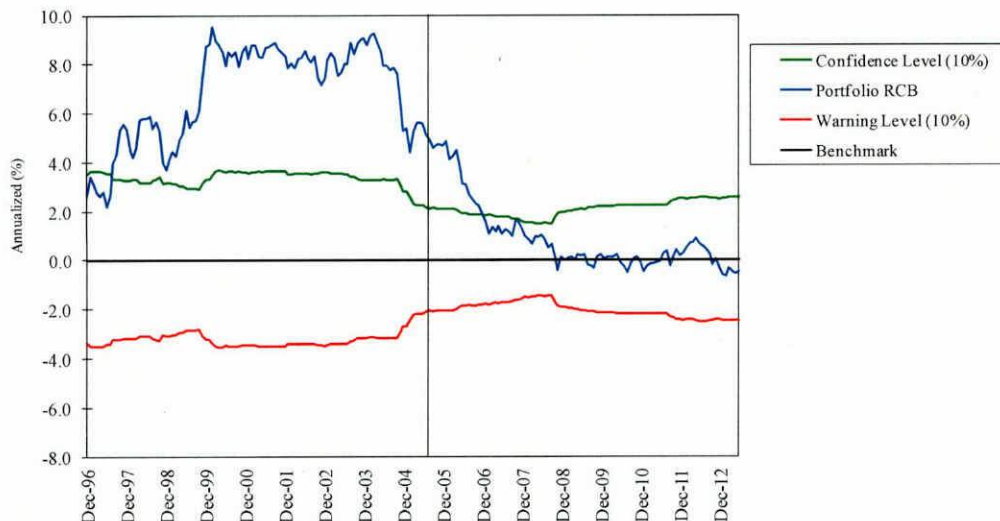
	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	0.5%	-1.0%
Last 1 year	18.2	18.6
Last 2 years	2.2	1.1
Last 3 years	10.9	10.0
Last 4 years	9.5	9.0
Last 5 years	-1.1	-0.6
Since Retention By SBI (7/99)	6.4	3.4

**Recommendation**

No action required.

\*Benchmark is the MSCI EAFE-Free.

INTERNATIONAL - FIDELITY DIVERSIFIED INTERNATIONAL  
Rolling Five Year Returns Compared to Benchmark



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, 2013**

<b>Portfolio Manager:</b> Michael Perre	<b>State's Participation in Fund:</b> \$116,815,042 <b>Total Assets in Fund:</b> \$16,955,000,000
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**Investment Philosophy**  
**Vanguard Total International Stock Index**

The fund seeks to track the performance of the FTSE Global All Cap ex US 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.

**Staff Comments**

Long-term CIO, Gus Sauter retired; Tim Buckley, Managing Director, Vanguard veteran succeeded Sauter January 2013. Tracking error due to fair value pricing.

**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	-3.2%	-3.2%
Last 1 year	13.6	14.0
Last 2 years	-1.5	-1.5
Last 3 years	8.3	7.9
Last 4 years	8.4	8.4
Last 5 years	-0.8	-0.9
Since Retention by SBI (7/11)	-1.5	-1.5

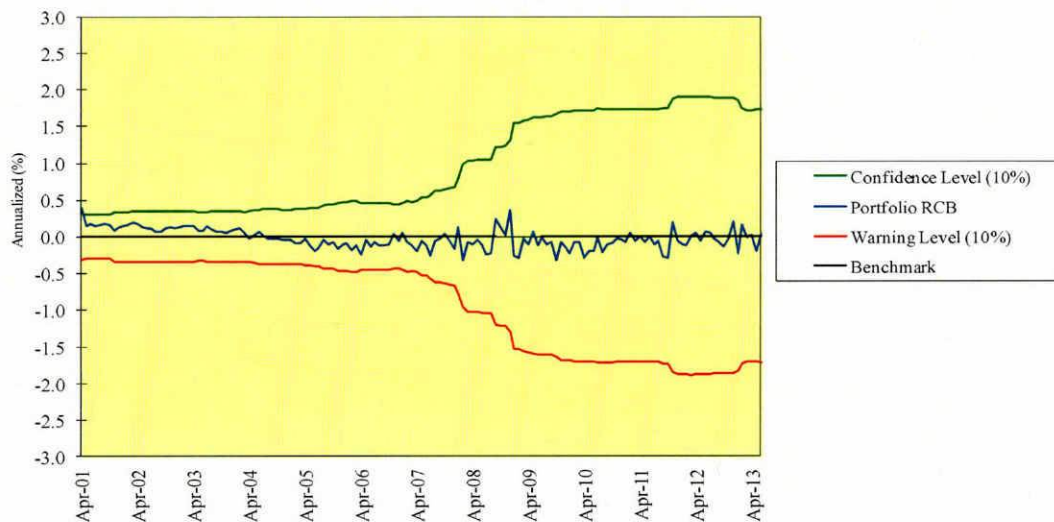
**Recommendation**

No action required.

Numbers in blue include returns prior to retention by SBI.

\* Benchmark is the FTSE Global All Cap ex US Index beginning June 2013; 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 Returns Compared to Benchmark**



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, 2013**

<b>Portfolio Manager: Various Index Fund Managers</b>	<b>State's Participation in Fund: \$148,452,762</b> <b>Total Assets in Fund: \$1,991,757,149</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 tracking issues. No organizational concerns.

**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	38.9	17.3	3.5	30.3	0.0
2055	90.0	10.0	0.0	0.0	0.0	0.0	10.0	38.9	17.3	3.5	30.3	0.0
2050	90.0	10.0	0.0	0.0	0.0	0.0	10.0	38.9	17.3	3.5	30.3	0.0
2045	89.5	10.5	0.0	0.0	0.5	0.0	10.0	38.8	17.1	3.5	30.1	0.0
2040	84.5	15.5	0.0	0.0	5.5	0.0	10.0	38.4	14.7	3.5	27.9	0.0
2035	79.2	20.8	0.0	0.0	10.5	0.3	10.0	37.7	12.4	3.5	25.6	0.0
2030	71.7	28.3	0.0	2.3	12.8	3.2	10.0	35.2	10.2	3.5	22.8	0.0
2025	63.8	36.2	0.0	4.4	16.0	5.8	10.0	31.3	7.7	3.5	19.5	1.8
2020	51.2	48.8	0.0	7.7	25.0	6.1	10.0	24.5	5.1	3.5	13.9	4.2
2015	38.8	61.2	12.5	18.0	20.6	7.0	3.1	18.3	3.1	3.5	8.9	5.0
Income	35.0	65.0	20.0	18.0	20.0	7.0	0.0	15.8	3.0	3.5	7.7	5.0

Note: Totals may not add due to rounding.

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## **INVESTMENT ADVISORY COUNCIL REPORT**

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DATE: September 4, 2013

TO: Members, State Board of Investment

**FROM: Members, Investment Advisory Council**

The Investment Advisory Council met on August 20, 2013 and reviewed the following information and action agenda items:

- Review of current strategy.
- New investments with one existing (GTCR) and two new private equity managers (IK and Nordic Capital) and two existing resource managers (First Reserve and EIG)
- Review of alternative investment allocation.

**Board action is required on the second and third items.**

### **INFORMATION ITEM:**

#### **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, GTCR, in GTCR Fund XI (GTCR XI).**

GTCR is seeking investors for a new \$3.25 billion private equity fund, GTCR XI. This fund is a successor to ten flagship buyout funds managed by GTCR. The SBI invested in the two most recent funds, as well as several other previous funds. Like the prior private equity funds, this fund will focus on buyouts in the U.S. in targeted sectors.

In addition to reviewing the attractiveness of the GTCR 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 GTCR XI fund is included as **Attachment C**.

#### **RECOMMENDATION:**

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



**2) Investment with a new private equity manager, IK Investment Partners (IK), in The IK VII Fund (IK VII).**

IK is seeking investors for a new €1.7 billion private equity fund, IK VII. This fund is a successor to six flagship buyout funds managed by IK. The SBI has never invested with IK. Like the prior private equity funds, this fund will focus on buyouts in Northern European countries in targeted sectors.

In addition to reviewing the attractiveness of the IK 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 IK VII fund is included as **Attachment D**.

**RECOMMENDATION:**

**The Investment Advisory Council recommends that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to €150 million (approximately \$200 million), or 20% of IK VII, 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 IK 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 IK or reduction or termination of the commitment.**

**3) Investment with a new private equity manager, Nordic Capital (Nordic), in Nordic Capital VIII (Nordic VIII).**

Nordic is seeking investors for a new €3 billion private equity fund, Nordic VIII. This fund is a successor to seven flagship buyout funds managed by Nordic. The SBI has never invested with Nordic. Like the prior private equity funds, this fund will focus on buyouts primarily in the Nordic region of Europe in targeted sectors.

In addition to reviewing the attractiveness of the Nordic VIII 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 Nordic VIII fund is included as **Attachment E**.

## **RECOMMENDATION:**

The Investment Advisory Council recommends that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to €150 million (approximately \$200 million), or 20% of Nordic VIII, 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 Nordic 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 Nordic or reduction or termination of the commitment.

### **4) Investment with an existing resource manager, First Reserve, in First Reserve XIII, L.P. (First Reserve XIII).**

First Reserve is seeking investors for a new \$5 billion resource fund, First Reserve XIII. This fund is a successor to twelve flagship resource funds managed by First Reserve. The SBI has invested in the six most recent First Reserve funds, as well as several of their earlier funds. Like the prior resource funds, this fund will focus on buyouts in the oil and gas, equipment and services, and midstream and downstream sectors.

In addition to reviewing the attractiveness of the First Reserve XIII 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 First Reserve XIII fund is included as **Attachment F**.

## **RECOMMENDATION:**

The Investment Advisory Council recommends that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to \$200 million, or 20% of First Reserve XIII, 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 First Reserve 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 First Reserve or reduction or termination of the commitment.



**5) Investment with an existing resource manager, EIG Global Energy Partners (EIG), in EIG Energy Fund XVI, L.P. (EIG XVI).**

EIG is seeking investors for a new \$4.25 billion resource fund, EIG XVI. This fund is a successor to seven flagship resource funds managed by EIG. The SBI has invested in the two most recent EIG funds. Like the prior resource funds, this fund will focus on debt and equity investments in all sectors of the energy industry.

In addition to reviewing the attractiveness of the EIG XVI 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 EIG XVI fund is included as **Attachment G**.

**RECOMMENDATION:**

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

**ACTION ITEM:**

**REVIEW OF ALTERNATIVE INVESTMENT ASSET ALLOCATION.**

At the August Investment Advisory Council meeting, staff presented the results of an analysis of the SBI's alternative investment allocation limits and provided recommendations regarding the allocation limits and targeted spending levels. In the latest run of the SBI's Alternative Investment Commitment Model, the results of the model, while merely an estimation, revealed the unlikelihood of the Alternative Investments reaching the 20% target allocation within the Combined Funds due to the SBI's self-imposed Market Value plus Unfunded Commitments cap of 30% of Combined Funds. **See the Policy Paper in Attachment H.**

At the request of the IAC, staff analyzed the allocation limits and provided recommendations to the IAC regarding the allocation limits and targeted spending levels

necessary to achieve the 20% target alternative investment allocation target. Based on that analysis, the IAC has four recommendations for the SBI.

**RECOMMENDATIONS:**

1. Increase the Market Value plus Unfunded Commitment cap of 30% of Combined Funds for alternative investments. **Specifically, the Investment Advisory Council recommends lifting this cap to 35% of Combined Funds, with a further 3% buffer in the event of market anomalies.**
2. Adopt a target allocation range above the current target market value allocation of 20% for alternative investments. **Specifically, the Investment Advisory Council recommends that the alternative investment target market value allocation be a range between 20% and 24%.**
3. **The Investment Advisory Council recommends annual alternative investment commitment levels of \$2 to \$3 billion, depending on the availability of attractive investment opportunities.**
4. **The Investment Advisory Council recommends reviewing the alternative investment commitment levels annually at the end of each fiscal year.**

## ATTACHMENT A

**Minnesota State Board of Investment**  
*Pooled Alternative Investments*  
*Combined Funds*  
*June 30, 2013*

Combined Funds Market Value \$52,085,459,268

Amount Available for Investment **\$3,070,317,008**

	Current Level	Target Level	Difference
Market Value (MV)	\$7,346,774,846	\$10,417,091,854	\$3,070,317,008
MV +Unfunded	\$10,947,786,863	\$15,625,637,780	\$4,677,850,918

Asset Class	Market Value	Unfunded Commitment	Total
Private Equity	\$4,041,901,288	\$2,270,291,980	\$6,312,193,267
Real Estate	\$1,125,541,551	\$237,071,131	\$1,362,612,683
Resource	\$1,122,437,050	\$453,891,148	\$1,576,328,198
Yield-Oriented	\$1,056,894,957	\$639,757,758	\$1,696,652,715
<b>Total</b>	<b>\$7,346,774,846</b>	<b>\$3,601,012,017</b>	<b>\$10,947,786,863</b>





# ATTACHMENT B

## Minnesota State Board of Investment - Alternative Investments -

As of June 30, 2013

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	116,194,648	37,129,447	4,417,812	8.83	1.58	7.17
Blackstone Real Estate Partners VI	100,000,000	97,086,037	118,523,304	26,034,772	5,172,061	9.23	1.49	6.25
Blackstone Real Estate Partners VII	100,000,000	49,211,464	55,897,294	5,195,416	50,788,536	20.85	1.24	1.59
Colony Capital								
Colony Investors II	80,000,000	78,482,328	2,600	90,022,404	1,517,672	4.68	1.15	18.25
Colony Investors III	100,000,000	100,000,000	4,335,100	167,834,385	0	14.56	1.72	15.50
CSFB/ DLJ								
CSFB Strategic Partners III RE	25,000,000	25,166,647	11,928,386	617,398	398,070	-12.82	0.50	8.00
CS Strategic Partners IV RE	50,000,000	48,943,222	31,271,015	9,300,968	1,644,991	-4.78	0.83	5.03
Morgan Stanley								
Prime Property Fund	40,000,000	40,000,000	147,887,336	140,800,000	0	6.49	7.22	31.72
Prudential Real Estate Investors								
PRISA Real Estate	9,111,000	9,111,000	488,577	9,869,721	0	9.19	1.14	1.50
Retail Properties of America								
Retail Properties of America A Common St	5,582	5,582	3,084	1,012	0	-44.92	0.73	1.28
Retail Properties of America, Class B3	1,864	1,864	1,542	89	0	-10.16	0.88	1.28
Silverpeak Real Estate Partners								
Silverpeak Legacy Pension Partners II	75,000,000	70,753,841	35,112,437	34,070,874	9,857,501	-0.53	0.98	8.00
Silverpeak Legacy Pension Partners III	150,000,000	66,143,137	26,194,204	0	83,274,488	-18.23	0.40	5.11
T.A. Associates Realty								
Realty Associates Fund V	50,000,000	50,000,000	7,674	90,962,198	0	10.20	1.82	14.10
Realty Associates Fund VI	50,000,000	50,000,000	19,118,507	62,369,578	0	10.54	1.63	11.01
Realty Associates Fund VII	75,000,000	75,000,000	46,838,104	30,248,131	0	0.44	1.03	8.62
Realty Associates Fund VIII	100,000,000	100,000,000	69,042,223	5,462,195	0	-5.55	0.75	7.00
Realty Associates Fund IX	100,000,000	100,000,000	102,506,841	21,907,906	0	9.52	1.24	4.85
Realty Associates Fund X	100,000,000	20,000,000	20,047,380	9,827	80,000,000	0.29	1.00	1.33
UBS Realty Investors								
UBS Trumbull Property Fund	42,376,529	42,376,529	320,141,295	0	0	7.13	7.55	31.17
<b>Real Estate Total</b>	<b>1,346,494,975</b>	<b>1,119,068,232</b>	<b>1,125,541,551</b>	<b>731,836,322</b>	<b>237,071,131</b>		<b>1.66</b>	
<b>II. RESOURCE</b>								
Apache Corp.								
1986 Net Profits Interest	30,000,000	30,000,000	3,004,320	56,662,793	0	12.16	1.99	26.50
EnCap Investments								
EnCap Energy Capital Fund VII	100,000,000	85,985,821	31,199,652	100,781,007	14,566,922	20.18	1.53	6.00
EnCap Energy Capital Fund VIII	100,000,000	48,439,214	52,188,091	4,606,133	51,560,786	16.29	1.17	2.75
EnCap Energy Capital Fund IX	100,000,000	7,314,340	6,847,912	0	92,685,660	-32.62	0.94	0.56
Energy & Minerals Group								
NGP Midstream & Resources	100,000,000	96,150,341	104,075,153	71,904,765	4,160,682	20.58	1.83	6.25
The Energy & Minerals Group Fund II	100,000,000	46,493,658	50,075,622	89,997	53,506,342	9.66	1.08	1.77
Energy Capital Partners								
Energy Capital Partners II	100,000,000	79,313,756	89,275,692	10,325,226	24,626,777	16.61	1.26	2.95
First Reserve Corp.								
First Reserve Fund X	100,000,000	100,000,000	16,032,778	161,309,210	0	30.37	1.77	8.66
First Reserve Fund XI	150,000,000	149,805,301	120,680,708	58,682,939	194,699	4.72	1.20	6.52
First Reserve Fund XII	150,000,000	121,793,014	122,713,628	13,041,437	28,206,986	3.80	1.11	4.67
Natural Gas Partners								
Natural Gas Partners IX	150,000,000	133,502,963	129,904,741	58,042,106	13,836,846	13.11	1.41	5.69
NGP Natural Resources X	150,000,000	55,746,008	57,743,610	989,135	94,253,992	8.32	1.05	1.72
Sheridan								
Sheridan Production Partners I	100,000,000	100,002,260	87,129,000	63,000,000	0	12.56	1.50	6.25
Sheridan Production Partners II	100,000,000	91,750,000	83,291,996	1,500,000	8,250,000	-11.44	0.92	2.75
EIG Global Energy Partners								
Energy Partners XIV	100,000,000	100,364,808	65,093,109	68,121,575	14,248,628	10.66	1.33	6.20
Energy Partners XV	150,000,000	96,207,172	103,181,038	17,244,420	53,792,828	17.59	1.25	3.06
<b>Resource Total</b>	<b>1,780,000,000</b>	<b>1,342,868,656</b>	<b>1,122,437,050</b>	<b>686,300,743</b>	<b>453,891,148</b>		<b>1.35</b>	
<b>III. YIELD-ORIENTED</b>								
Audax Group								
Audax Mezzanine Fund III	100,000,000	44,832,249	40,468,165	8,634,340	55,167,751	7.49	1.10	3.24
Court Square Capital Partners								
Citicorp Mezzanine III	100,000,000	88,029,296	511,384	132,324,719	0	15.61	1.51	13.66
Crescent Capital Group								
TCW/Crescent Mezzanine Partners III	75,000,000	68,868,042	5,826,251	156,103,491	29,701,079	36.08	2.35	12.25
DLJ Investment Partners								
DLJ Investment Partners II	27,375,168	23,164,217	614,433	34,750,077	4,955,172	10.55	1.53	13.49
DLJ Investment Partners III	100,000,000	51,516,067	17,487,427	42,785,580	50,483,222	3.17	1.17	7.02

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

**As of June 30, 2013**

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	MOIC*	Period Years
Gold Hill Venture Lending								
Gold Hill Venture Lending	40,000,000	40,000,000	6,485,237	54,269,282	0	9.72	1.52	8.76
Gold Hill 2008	25,852,584	23,525,851	23,288,476	8,506,138	2,326,732	12.62	1.35	5.00
GS Mezzanine Partners								
GS Mezzanine Partners II	100,000,000	100,000,000	321,072	131,871,972	0	7.09	1.32	13.33
GS Mezzanine Partners III	75,000,000	74,934,629	8,654,331	90,965,966	65,371	8.14	1.33	9.97
GS Mezzanine Partners 2006 Institutional	100,000,000	74,999,888	44,797,610	72,521,642	25,000,112	2.36	1.56	7.23
GS Mezzanine Partners V	150,000,000	71,140,770	53,438,027	34,933,795	69,843,217	10.41	1.24	5.69
Merit Capital Partners								
William Blair Mezzan. Cap. Fd. III	60,000,000	57,243,241	3,458,951	104,659,304	2,756,759	15.14	1.89	13.49
Merit Mezzanine Fund IV	75,000,000	69,807,692	36,240,361	61,003,857	5,192,308	8.18	1.39	8.54
Merit Mezzanine Fund V	75,000,000	39,734,694	36,156,563	1,515,387	35,265,306	-3.28	0.95	3.53
Merit Energy Partners								
Merit Energy Partners B	24,000,000	24,000,000	57,400,538	133,283,556	0	24.67	7.95	17.00
Merit Energy Partners C	50,000,000	50,000,000	174,478,430	304,211,381	0	31.25	9.57	14.67
Merit Energy Partners D	88,000,000	70,938,303	120,424,568	215,708,965	0	23.57	4.74	12.10
Merit Energy Partners E	100,000,000	39,983,197	55,198,672	49,029,968	0	16.05	2.61	8.71
Merit Energy Partners F	100,000,000	57,841,607	43,508,075	19,273,487	42,158,394	2.14	1.09	7.27
Merit Energy Partners H	100,000,000	32,547,044	31,368,443	1,385,483	67,452,956	0.54	1.01	2.41
Prudential Capital Partners								
Prudential Capital Partners I	100,000,000	97,529,508	26,461,434	124,383,141	7,213,928	11.04	1.55	12.20
Prudential Capital Partners II	100,000,000	94,097,897	37,536,368	95,780,525	6,304,071	8.91	1.42	8.00
Prudential Capital Partners III	100,000,000	91,162,010	86,550,106	32,426,665	11,744,457	12.37	1.31	4.21
Prudential Capital Partners IV	100,000,000	7,941,429	7,896,504	738	92,058,571	-1.25	0.99	1.45
Summit Partners								
Summit Subordinated Debt Fund I	20,000,000	18,000,000	77,792	31,406,578	2,000,000	30.54	1.75	19.25
Summit Subordinated Debt Fund II	45,000,000	40,500,000	4,650,141	87,982,581	4,500,000	56.28	2.29	15.91
Summit Subordinated Debt Fund III	45,000,000	42,690,965	16,059,421	40,181,103	2,850,000	9.07	1.32	9.37
Summit Subordinated Debt Fund IV	50,000,000	31,605,902	32,810,841	4,050,579	18,394,098	7.82	1.17	5.26
Windjammer Capital Investors								
Windjammer Mezzanine & Equity Fund II	66,708,861	52,082,565	9,670,975	67,156,653	14,372,929	8.17	1.48	13.25
Windjammer Senior Equity Fund III	75,000,000	64,451,545	53,925,846	49,477,488	13,139,865	15.46	1.60	7.49
Windjammer Senior Equity Fund IV	100,000,000	23,188,539	21,128,516	0	76,811,461	-79.98	0.91	1.35
<b>Yield-Oriented Total</b>	<b>2,366,936,613</b>	<b>1,666,357,149</b>	<b>1,056,894,957</b>	<b>2,190,584,442</b>	<b>639,757,758</b>		<b>1.95</b>	
<b>IV. PRIVATE EQUITY</b>								
Adams Street Partners								
Adams Street Global Secondary Fund 5	100,000,000	4,960,000	4,893,263	0	95,040,000	-1.21	0.99	1.03
Advent International								
Advent International GPE VI-A	50,000,000	47,450,005	50,967,061	16,884,035	2,549,995	15.47	1.43	5.25
Advent International GPE VII	90,000,000	19,350,000	18,561,159	0	70,650,000	-5.17	0.96	0.78
Affinity Ventures								
Affinity Ventures IV	4,000,000	4,000,000	1,933,484	1,541,970	0	-4.05	0.87	9.00
Affinity Ventures V	5,000,000	4,000,000	2,631,012	1,003,976	1,000,000	-3.53	0.91	4.99
Apax Partners								
Apax Partners VIII	200,000,000	16,000,000	16,000,000	0	184,000,000	0.00	1.00	0.31
Banc Fund								
Banc Fund VII	45,000,000	45,000,000	31,493,835	812,725	0	-5.12	0.72	8.25
Banc Fund VIII	98,250,000	79,582,500	93,225,089	925,707	18,667,500	9.58	1.18	5.18
Blackstone								
Blackstone Capital Partners IV	70,000,000	71,985,787	37,754,133	144,041,565	2,285,521	37.74	2.53	10.97
Blackstone Capital Partners V	140,000,000	129,050,577	127,074,088	35,751,449	12,872,128	4.13	1.26	7.41
Blackstone Capital Partners VI	100,000,000	23,021,189	27,140,716	203,135	76,978,811	6.13	1.19	4.93
BLUM Capital Partners								
Blum Strategic Partners II	50,000,000	40,185,889	298,666	89,708,870	2,127,584	22.44	2.24	11.95
Blum Strategic Partners III	75,000,000	74,806,485	14,577,689	57,725,386	193,515	-2.26	0.97	8.08
Blum Strategic Partners IV	150,000,000	147,168,674	83,344,365	48,467,702	15,258,645	-2.67	0.90	5.61
Carval Investors								
CVI Global Value Fund	200,000,000	190,000,000	129,600,010	158,338,416	10,000,000	9.07	1.52	6.46
CVI Credit Value Fund I	100,000,000	95,000,000	146,300,000	63,000	5,000,000	23.07	1.54	2.75
CVI Credit Value Fund A II	150,000,000	60,000,000	60,000,000	0	90,000,000	0.00	1.00	0.67
Chicago Growth Partners (William Blair)								
William Blair Capital Partners VII	50,000,000	48,150,000	5,285,059	63,741,199	1,650,000	8.73	1.43	12.31
Chicago Growth Partners I	50,000,000	52,441,998	31,290,979	32,588,932	300,000	5.40	1.22	7.93
Chicago Growth Partners II	60,000,000	50,056,645	48,598,412	23,416,224	9,691,355	16.99	1.44	5.30
Chicago Growth Partners III	75,000,000	0	0	0	75,000,000	N/A	N/A	0.38



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

As of June 30, 2013

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	MOIC*	Period Years
<b>Court Square Capital Partners</b>								
<i>Court Square Capital Partners I</i>	100,000,000	80,271,218	2,523,407	179,560,740	10,528,927	28.99	2.27	11.55
<i>Court Square Capital Partners II</i>	175,000,000	158,828,352	143,835,958	74,465,026	17,811,854	9.74	1.37	6.82
<i>Court Square Capital Partners III</i>	175,000,000	18,358,379	17,017,005	1,293,723	156,641,621	-3.01	1.00	1.08
<b>Crescendo</b>								
<i>Crescendo III</i>	25,000,000	25,000,000	701,287	10,854,713	0	-12.87	0.46	14.65
<i>Crescendo IV</i>	101,500,000	101,500,000	17,775,472	28,270,880	0	-8.28	0.45	13.31
<b>CSFB/ DLJ</b>								
<i>DLJ Merchant Banking Partners III</i>	125,000,000	121,724,861	24,097,102	251,678,041	3,275,139	19.16	2.27	12.75
<i>DLJ Strategic Partners</i>	100,000,000	94,916,495	5,931,740	167,230,386	3,533,505	22.49	1.82	12.44
<i>CSFB Strategic Partners II-B</i>	100,000,000	83,939,060	6,469,833	153,713,689	10,260,940	35.29	1.91	9.95
<i>CSFB Strategic Partners III VC</i>	25,000,000	23,956,676	12,335,099	18,428,773	1,043,324	6.16	1.28	8.08
<i>CSFB Strategic Partners III-B</i>	100,000,000	76,438,553	60,483,374	46,650,890	16,719,351	6.48	1.40	8.08
<i>CS Strategic Partners IV-B</i>	100,000,000	87,957,090	68,968,578	61,843,947	12,042,910	13.83	1.49	5.26
<i>CS Strategic Partners IV VC</i>	40,500,000	37,556,818	29,884,757	20,442,959	2,778,288	9.61	1.34	5.03
<i>CS Strategic Partners V</i>	100,000,000	54,042,470	62,616,065	11,865,623	45,957,530	48.87	1.38	1.87
<b>CVC Capital Partners</b>								
<i>CVC European Equity Partners V</i>	129,984,922	106,002,439	96,282,144	40,204,604	5,214,537	10.85	1.29	5.26
<b>Diamond Castle Partners</b>								
<i>Diamond Castle Partners IV</i>	100,000,000	87,685,116	55,594,235	46,397,220	12,355,369	3.18	1.16	6.81
<b>DSV Partners</b>								
<i>DSV Partners IV</i>	10,000,000	10,000,000	31,932	39,196,082	0	10.61	3.92	28.22
<b>EBF and Associates</b>								
<i>Merced Partners II</i>	75,000,000	63,768,881	17,846,927	104,406,983	0	24.68	1.92	6.25
<i>Merced Partners III</i>	100,000,000	85,000,000	101,217,235	0	15,000,000	9.11	1.19	3.15
<b>Elevation Partners</b>								
<i>Elevation Partners</i>	75,000,000	68,759,363	17,639,011	75,800,727	12,326,227	8.28	1.36	8.12
<b>Fox Paine &amp; Company</b>								
<i>Fox Paine Capital Fund II</i>	50,000,000	45,770,013	16,128,017	73,394,027	12,482,825	19.79	1.96	13.00
<b>Goldner, Hawn, Johnson &amp; Morrison</b>								
<i>GHJM Marathon Fund IV</i>	40,000,000	39,051,000	132,653	57,282,488	949,000	8.32	1.47	14.21
<i>GHJM Marathon Fund V</i>	50,000,000	49,431,802	47,913,686	36,880,654	644,909	11.28	1.72	8.74
<i>TrailHead Fund</i>	20,000,000	7,064,187	6,927,446	0	12,935,813	-3.11	0.98	1.35
<b>Leonard Green &amp; Partners</b>								
<i>Green Equity Investors VI</i>	200,000,000	19,263,524	17,972,810	508,257	180,736,476	-4.31	0.96	1.29
<b>GS Capital Partners</b>								
<i>GS Capital Partners 2000</i>	50,000,000	50,000,000	6,027,852	103,043,781	0	22.43	2.18	12.83
<i>GS Capital Partners V</i>	100,000,000	66,390,364	47,468,069	122,675,807	26,041,099	16.80	2.56	8.25
<i>GS Capital Partners VI</i>	100,000,000	66,705,766	41,312,017	39,999,783	25,461,228	3.39	1.22	6.41
<b>GTCR Golder Rauner</b>								
<i>Golder, Thoma, Cressey, Rauner Fund IV</i>	20,000,000	20,000,000	77,624	42,300,018	0	25.06	2.12	19.41
<i>GTCR VI</i>	90,000,000	90,000,000	2,871,956	77,813,800	0	-3.59	0.90	15.00
<b>GTCR VII</b>								
<i>GTCR Fund VII</i>	131,250,000	129,390,615	541,962	306,551,141	1,859,375	21.93	2.37	13.39
<i>GTCR Fund VII-A</i>	43,750,000	29,859,374	174,188	80,771,585	13,890,626	82.03	2.71	12.44
<i>GTCR IX</i>	75,000,000	69,539,933	60,367,399	41,689,591	5,460,067	11.95	1.47	7.00
<i>GTCR X</i>	100,000,000	64,198,604	69,812,772	0	35,801,396	7.37	1.09	2.55
<b>Hellman &amp; Friedman</b>								
<i>Hellman &amp; Friedman Capital Partners V</i>	160,000,000	145,791,120	71,074,840	312,992,765	16,241,902	27.55	2.63	8.58
<i>Hellman &amp; Friedman Capital Partners VI</i>	175,000,000	168,050,014	105,311,958	126,605,360	8,072,605	7.58	1.38	6.25
<i>Hellman &amp; Friedman Capital Partners VII</i>	50,000,000	15,236,143	12,860,757	1,388,758	34,763,857	-4.73	0.94	4.19
<b>Kohlberg Kravis Roberts</b>								
<i>KKR Millennium Fund</i>	200,000,000	200,000,000	104,302,065	282,978,724	0	16.40	1.94	10.56
<i>KKR 2006 Fund</i>	200,000,000	200,841,913	151,166,098	124,573,552	12,462,285	6.98	1.37	6.76
<b>Lexington Capital Partners</b>								
<i>Lexington Capital Partners VI-B</i>	100,000,000	96,480,500	61,225,993	64,253,412	3,519,500	7.26	1.30	7.51
<i>Lexington Capital Partners VII</i>	200,000,000	128,363,976	123,880,585	42,002,184	71,636,024	19.67	1.29	4.05
<b>RWI Ventures</b>								
<i>RWI Group III</i>	616,430	616,430	34,868	526,806	0	-3.21	0.91	7.00
<i>RWI Ventures I</i>	7,603,265	7,603,265	562,156	6,094,262	0	-4.39	0.88	7.00
<b>Sightline Healthcare</b>								
<i>Sightline Healthcare Fund III</i>	20,000,000	20,000,000	1,875,851	5,465,766	0	-11.37	0.37	14.44
<i>Sightline Healthcare Fund IV</i>	7,700,000	7,753,673	2,454,144	4,621,834	0	-2.41	0.91	9.76
<b>Silver Lake Partners</b>								
<i>Silver Lake Partners II</i>	100,000,000	89,314,415	50,062,593	92,386,777	11,681,453	9.69	1.59	9.00
<i>Silver Lake Partners III</i>	100,000,000	73,663,494	60,722,759	45,697,784	27,071,933	14.38	1.44	6.25
<i>Silver Lake Partners IV</i>	100,000,000	0	0	0	100,000,000	N/A	N/A	0.76
<b>Split Rock Partners</b>								
<i>Split Rock Partners I</i>	50,000,000	44,799,999	32,706,120	597,892	5,200,001	-6.24	0.74	8.16
<i>Split Rock Partners II</i>	60,000,000	32,160,000	25,601,493	479,262	27,140,000	-10.84	0.81	5.17

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

As of June 30, 2013

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	MOIC*	Period Years
<b>Summit Partners</b>								
Summit Ventures V	25,000,000	24,125,000	86,425	33,274,796	875,000	8.11	1.38	15.25
Summit Partners Growth Equity Fund VIII	100,000,000	14,000,000	13,336,022	0	86,000,000	-9.23	0.95	2.15
T. Rowe Price	69,487,515	69,487,515	36,989,010	32,126,300	0	-1.32	0.99	5.31
<b>Thoma Cressey</b>								
Thoma Cressey Fund VI	35,000,000	33,915,000	1,635,073	33,205,262	1,085,000	0.32	1.03	14.86
Thoma Cressey Fund VII	50,000,000	50,000,000	8,663,656	90,795,848	0	23.21	1.99	12.85
Thoma Cressey Fund VIII	70,000,000	68,932,574	70,844,592	81,527,810	770,000	15.30	2.21	7.16
<b>Thomas, McNerney &amp; Partners</b>								
Thomas, McNerney & Partners I	30,000,000	28,950,000	12,250,688	10,504,694	1,050,000	-5.43	0.79	10.65
Thomas, McNerney & Partners II	50,000,000	42,875,000	37,609,508	6,240,826	7,125,000	0.67	1.02	7.00
<b>Varde Fund</b>								
Varde Fund IX	100,000,000	100,000,000	92,352,973	85,997,160	0	13.83	1.78	5.02
Varde Fund X	150,000,000	150,000,000	188,382,300	0	0	11.16	1.26	3.19
<b>Vestar Capital Partners</b>								
Vestar Capital Partners IV	55,000,000	52,761,494	8,431,008	86,211,092	746,945	13.46	1.79	13.54
Vestar Capital Partners V	75,000,000	74,186,946	55,620,470	22,488,956	1,138,283	1.21	1.05	7.53
Vestar Capital Partners VI	100,000,000	2,295,848	2,295,848	0	97,704,152	0.00	1.00	1.77
<b>Warburg Pincus</b>								
Warburg Pincus Equity Partners	100,000,000	100,000,000	3,668,450	157,951,853	0	9.96	1.62	15.01
Warburg Pincus Private Equity VIII	100,000,000	100,000,000	67,078,806	156,544,544	0	15.42	2.24	11.21
Warburg Pincus Private Equity IX	100,000,000	100,000,000	64,572,884	105,554,448	0	10.35	1.70	7.93
Warburg Pincus Private Equity X	150,000,000	148,935,914	143,412,568	34,540,190	1,125,000	5.66	1.19	5.68
Warburg Pincus Private Equity XI	200,000,000	37,883,377	39,222,251	680,000	162,116,623	4.90	1.05	0.52
<b>Wayzata</b>								
Wayzata Opportunities Fund I	100,000,000	93,180,000	69,065,023	101,305,230	6,820,000	10.23	1.83	7.53
Wayzata Opportunities Fund II	150,000,000	57,450,000	128,445,360	35,754,900	92,550,000	15.50	2.86	5.69
Wayzata Opportunities Fund III	150,000,000	8,625,000	8,098,452	136,917	141,375,000	-5.36	0.95	1.04
<b>Welsh, Carson, Anderson &amp; Stowe</b>								
Welsh, Carson, Anderson & Stowe VIII	100,000,000	100,000,000	187,014	128,500,208	0	3.09	1.29	14.93
Welsh, Carson, Anderson & Stowe IX	125,000,000	123,750,000	28,106,778	171,415,015	1,250,000	11.10	1.61	13.01
Welsh, Carson, Anderson & Stowe X	100,000,000	97,578,466	88,709,874	43,306,482	3,000,000	5.87	1.35	7.54
Welsh, Carson, Anderson & Stowe XI	100,000,000	67,245,974	79,045,345	4,310,834	32,754,026	10.16	1.24	4.94
<b>Private Equity Total</b>	<b>8,604,642,131</b>	<b>6,311,433,751</b>	<b>4,041,901,288</b>	<b>5,523,468,732</b>	<b>2,270,291,980</b>		<b>1.52</b>	
<b>Alternatives Total</b>	<b>14,098,073,719</b>	<b>10,439,727,788</b>	<b>7,346,774,846</b>	<b>9,132,190,238</b>	<b>3,601,012,017</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



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

<i>Name of Fund:</i>	GTCR Fund XI
<i>Type of Fund:</i>	Private Equity Limited Partnership
<i>Target Fund Size:</i>	\$3.25 Billion
<i>Fund Manager:</i>	GTCR LLC
<i>Administrative Contact:</i>	David Donnini 300 N. LaSalle Street Suite 5600 Chicago, Illinois 60654 P: (312) 382-2240

**II. Organization and Staff**

With 33 years of successful operating history, GTCR LLC (together with its affiliated management entities, "GTCR" or the "firm") is one of the oldest private equity firms in the U.S.

GTCR's entire team is located in Chicago, a single-office setting that helps facilitate deep collaboration, communication and entrepreneurial spirit. The firm is comprised of approximately 80 individuals, roughly half of whom are investment professionals. The firm's commitment to long-run professional development and continuity is evidenced by the fact that GTCR's nine-member Investment Committee has over 130 years of collective private equity experience, more than 115 of which have been spent at GTCR.

**III. Investment Strategy**

GTCR seeks to source and execute investment opportunities through The Leaders Strategy™. The Leaders Strategy™ leverages three key components in pursuit of investment performance: (1) partnering with exceptional management leaders, (2) developing domain expertise and (3) executing transformational opportunities.

GTCR focuses on core growth sectors of the North American economy where GTCR has specific investment expertise and credibility, and an extensive network of key relationships. GTCR has significant experience in four particular sectors of the North American economy in which it concentrates the vast majority of its investment efforts:

- Information Services & Technology;
- Financial Services & Technology;
- Healthcare; and
- Growth Business Services.

**IV. Investment Performance**

Previous fund performance as of March 31, 2013 for GTCR and the SBI's investments with previous funds, where applicable, is shown below:

<b>Fund</b>	<b>Inception Date</b>	<b>Total Commitments</b>	<b>SBI Investment</b>	<b>Net IRR from Inception *</b>	<b>Net MOIC from Inception*</b>
GTCR Fund X	2011	\$3,233 million	\$100 million	10.9%	1.1
GTCR Fund IX	2006	\$2,750 million	\$75 million	13.0%	1.5
GTCR Fund VIII	2003	\$1,837 million	\$0	24.6%	1.8
GTCR Fund VII	2000	\$2,000 million	\$175 million	25.7%	2.4
GTCR Fund VI	1998	\$870 million	\$90 million	-3.7%	0.9
GTCR Fund V	1996	\$521 million	\$30 million	11.1%	1.8
GTCR Fund IV	1994	\$312 million	\$20 million	25.7%	2.1
GTCR Fund III	1987	\$235 million	\$14 million	31.1%	5.6

\* 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 GTCR.

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

The General Partner will invest a minimum of 2.0% of the aggregate fund commitments.

## **VI. Management Fees**

1.5% of capital committed to the Fund, declining after the investment period as the portfolio is liquidated.

## **VII. Distributions**

80% of realized profits to the Limited Partners and 20% to the General Partner, subject to full return of capital and fees to limited partners.

## **VIII. Investment Period and Term**

The Investment Period will last for a period of six years, subject to possible extension.

The Fund will have a term of ten years, subject to possible extension.

*\* 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.*



<b>PRIVATE EQUITY MANAGER SUMMARY PROFILE</b>
---

**I. Background Data**

<i>Name of Fund:</i>	The IK VII Fund
<i>Type of Fund:</i>	Private Equity Limited Partnership
<i>Target Fund Size:</i>	€1.7 billion
<i>Fund Manager:</i>	IK Investment Partners
<i>Administrative Contact:</i>	Mads Ryum Larsen Brettenham House 5 Lancaster Place London, England, WC2E 7EN Ph. +44-20-7304 4300

**II. Organization and Staff**

IK is an independent private equity firm founded in 1989 and is focused on middle market buyout investments in Northern Continental Europe. The firm operates from four investment offices in London, Stockholm, Hamburg and Paris. The IK team comprises 66 people, including 31 investment professionals. IK has 11 partners who have worked together on average for approximately 14 years and have an average of over 20 years of relevant experience. IK's investment professionals represent a broad range of nationalities and professional backgrounds, including general management, management consulting, private equity and investment banking. IK has a strong mid office and support team comprising 35 people including portfolio monitoring, compliance and risk functions. The investment team includes the Firm's Strategy, Operations and Business Control function which comprises three professionals who have general management and consulting backgrounds. The investment team also benefits from the strong strategic and operational expertise of IK's Industrial Advisers, selectively comprising 20 senior industrialists and former IK partners, all of whom work for IK in its target markets on an exclusive basis. Many have directly supported the Firm's portfolio companies through participation on the board of directors and / or by providing substantial strategic and operational advice and input.

**III. Investment Strategy**

The IK VII Fund will continue the Firm's consistent strategy of making control buyouts of middle market companies with strong cash flow and profit improvement potential in Northern Continental Europe (Nordics, DACH, France and Benelux). The Fund will continue to focus primarily on companies with enterprise values of between €100 million and €500 million, investing equity of between €50 million and €150 million.

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

Previous fund performance as of March 31, 2013 for IK Investment Partners and the SBI's investments with previous funds, where applicable, is shown below:

<b>Fund</b>	<b>Inception Date</b>	<b>Total Commitments (€ millions)</b>	<b>SBI Investment</b>	<b>Net IRR from Inception *</b>	<b>Net MOIC from Inception*</b>
IK 2007 Fund	2007	1,675	--	4%	1.1
IK 2004 Fund	2004	825	--	38%	2.1
IK 2000 Fund	2000	2,100	--	9%	1.6
IK 1997 Fund	1997	750	--	9%	1.7
IK 1994 Fund	1994	250	--	49%	3.8
IK 1989 Fund	1989	108	--	46%	5.1

\* 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 IK.

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

The General Partner will invest a minimum of €60 million.

#### **VI. Management Fees**

1.75% of capital committed to the Fund, declining after the investment period as the portfolio is liquidated.

#### **VII. 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.

#### **VIII. Investment Period and Term**

The Investment Period will last for a period of five years, subject to possible extension.

The Fund will have a term of ten years, subject to possible extension.

*\* 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.*



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

<i>Name of Fund:</i>	Nordic Capital VIII
<i>Type of Fund:</i>	Private Equity Limited Partnership
<i>Target Fund Size:</i>	€3 billion
<i>Fund Manager:</i>	Nordic Capital
<i>Administrative Contact:</i>	Janine Peake 105 Piccadilly London W1J 7NJ United Kingdom +44 207 355 5700

**II. Organization and Staff**

Nordic Capital has a leading presence in the Nordic / European private equity industry and is one of the oldest players in Northern Europe. The Firm is a leader in European Healthcare investments where it has historically invested circa 40% of each Fund.

Fund I was established in 1989. Like prior funds, Fund VIII is managed by its General Partner, located in Jersey. All decisions regarding investments and realizations will be made by the Board of Directors of the General Partner. The Board consists of five Directors. Nordic Capital in Jersey has over 20 personnel who focus on risk management and compliance, investor relations, fund accounting, reporting, and other functions. Further, the General Partner is supported by a network of Advisors with personnel across offices in Stockholm, Copenhagen, Helsinki, London, Oslo and Frankfurt. Nordic Capital engages a total of 60 Investment Professionals, of which there are 15 Partners; 7 Principals; 13 Directors; 13 Investment Managers and 12 others (including 2 Senior Advisors).

**III. Investment Strategy**

Fund VIII will pursue the proven and time-tested investment strategy of Nordic Capital's Predecessor Funds, targeting lead investor roles within pure-play generalist buy-outs primarily in the Nordic Region and Germany, as well as healthcare buy-outs across Europe.

Since Fund IV, the Predecessor Funds have typically invested in portfolio companies with enterprise values of between EUR 150-800 million, typically resulting in equity investments of between EUR 75-400 million. This range fits well with historic and expected private equity investments opportunities in the Nordic Region.

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

Previous Fund performances as of March 31, 2013 for Nordic Capital and the SBI's investments with previous funds, where applicable, are shown below:

<b>Fund</b>	<b>Inception Date</b>	<b>Total Commitments (€ millions)</b>	<b>SBI Investment</b>	<b>Net IRR from Inception *</b>	<b>Net MOIC from Inception*</b>
Fund VII	2008	4,300	--	6.4%	1.2
Fund VI	2006	1,900	--	8.1%	1.4
Fund V	2003	1,500	--	20.4%	2.6
Fund IV	2000	760	--	24.1%	2.2
Fund III	1998	350	--	30.5%	3.3
Fund II	1993	110	--	85.1%	4.6
Fund I	1990	55	--	69.3%	4.0

\* 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 Nordic.

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

The General Partner will invest a minimum of 2% of aggregate committed capital.

#### **VI. Management Fees**

1.5% of capital committed to the Fund, declining after the investment period as the portfolio is liquidated.

#### **VII. 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.

#### **VIII. Investment Period and Term**

The Investment Period will last for a period of five years, subject to possible extension.

The Fund will have a term of ten years, subject to possible extension.

*\* 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.*



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

<b>Name of Fund:</b>	First Reserve Fund XIII, L.P.
<b>Type of Fund:</b>	Resource Limited Partnership
<b>Target Fund Size:</b>	\$5 billion
<b>Fund Manager:</b>	First Reserve Management, L.P.
<b>Manager Contact:</b>	Cathleen Ellsworth First Reserve Management, L.P. One Lafayette Place Greenwich, CT 06830

**II. Organization and Staff**

First Reserve began in early 1983, when William E. Macaulay and John A. Hill were retained by the limited partners of certain energy funds (the "AmGO Funds"), which were distressed investments, to replace the existing fund manager. Since 1983, First Reserve has returned the AmGO Funds to a positive Gross IRR, raised ten new investment partnerships with combined capital commitments of approximately \$22.9 billion and successfully invested and settled nine investment partnerships. In the last 20 years, First Reserve has raised \$21.5 billion for its Equity Funds dedicated to the energy and natural resources industries.

The First Reserve team has evolved to include a Chairman and CEO, Vice Chairman, President and Co-Head of the Equity Funds, Co-Head of the Equity Funds, 12 additional Managing Directors, 10 Directors, 12 Vice Presidents, 21 Associates, and additional executives including a Chief Operating Officer, Chief Compliance Officer and General Counsel, Chief Financial Officer, Controller, Chief Technology Officer, Director of Public Relations & Communications, and Head of Human Resources, among other professionals.

**III. Investment Strategy**

Fund XIII currently intends to pursue substantially the same investment strategy that First Reserve employed to achieve the investment success of its prior Equity Funds. First Reserve has invested across the energy industry, spanning from oil and gas companies, to equipment and services companies, to midstream and downstream companies. The first step in First Reserve's investment strategy is utilizing its industry knowledge to develop macroeconomic views and investment themes that can be transacted upon across diverse segments of the worldwide energy industry. Once the investment themes are established, First Reserve turns to its vast relationship network to generate specific investment opportunities. A rigorous filter is then applied to the resulting pipeline of investment opportunities.

Fund XIII will target investments that require equity commitments of between \$100 million and \$500 million. The key components of this strategy include:

- Identify Investment Themes;
- Proactive Generation of Investment Opportunities within Themes;
- Diversification Within the Energy Industry;
- Disciplined Acquisition Analysis;
- Active Management of Portfolio Holdings to Maximize Post-Investment Value;
- Incentives to Attract and Motivate Entrepreneurial Management Teams

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

The historical investment performance of First Reserve as of March 31, 2013 is presented below:

<b>Fund</b>	<b>Inception Date</b>	<b>Total Equity Commitments</b>	<b>SBI Investment</b>	<b>Net IRR from Inception *</b>	<b>Net MOIC from Inception*</b>
First Reserve Fund XII	2008	\$8.8 billion	\$150 million	4.3%	1.1
First Reserve Fund XI	2006	\$7.8 billion	\$150 million	4.8%	1.2
First Reserve Fund X	2004	\$2.3 billion	\$100 million	32.0%	1.8
First Reserve Fund IX	2001	\$1.4 billion	\$100 million	48.7%	3.0
First Reserve Fund VIII	1998	\$812 million	\$100 million	15.9%	2.0
First Reserve Fund VII	1996	\$244 million	\$40 million	10.3%	1.5
First Reserve Fund VI	1992	\$184 million	--	26.4%	2.8
First Reserve Fund V	1990	\$84 million	\$17 million	16%	3.0
First Reserve Fund V-2	1990	\$34 million	--	15%	2.4
First Reserve SEA Fund	1988	\$63 million	\$12 million	13%	2.7
AmGo III	1986	\$17 million	--	7%	1.8
AmGo II	1983	\$36 million	\$7 million	6%	2.2
AmGo I	1981	\$144 million	\$15 million	0%	0.9

\* 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 First Reserve.

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

The General Partner will make a commitment equal to 2.0% of the aggregate commitments.

#### **VI. Management Fee**

1.36% of aggregate commitments during the investment period, declining after the investment period as the portfolio is liquidated.



## **VII. 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 investment period will terminate on the fifth anniversary of the final closing date.

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

*\* 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.*



RESOURCE MANAGER SUMMARY PROFILE
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**I. Background Data**

<b>Name of Fund:</b>	EIG Energy Fund XVI, L.P.
<b>Type of Fund:</b>	Resource Limited Partnership
<b>Target Fund Size:</b>	\$4.25 Billion
<b>Fund Manager:</b>	EIG Global Energy Partners
<b>Manager Contact:</b>	Randy Wade 333 Clay Street, Suite 3500 Houston, TX 77002 P: (713) 615-7414

**II. Organization and Staff**

EIG has a 31-year track record investing in the energy sector with nearly \$15 billion of capital invested across more than 290 portfolio investments in 34 countries. EIG is widely considered to be a pillar of the specialist energy investment business, having been active in the market on a continuous basis since 1982. EIG commenced independent operations following a consensual spinout of the entire Energy and Infrastructure Group from the TCW Group, a prominent US-based investment management company founded in 1971 (together with its affiliates, "TCW"). The spinout commenced in 2009 and was completed on December 31, 2010. The Firm has 66 professionals operating from offices in Washington, DC, Houston, Hong Kong, London, Sydney, Seoul and Rio de Janeiro. EIG invests across the capital structure of energy, resource and related infrastructure companies, providing hybrid debt and structured equity, typically in connection with projects sponsored by large companies.

**III. Investment Strategy**

Fund XVI will primarily target asset-based hybrid debt and structured equity investments in energy, resource and related infrastructure projects and companies on a global basis. For Fund XVI, EIG will seek to continue the Firm's disciplined, value-oriented approach by:

- Identifying companies or projects having hard assets with a long useful life and strong current cash flows;
- Utilizing fundamental "bottom-up" analyses to evaluate the technical viability of each project;
- Structuring the investments in order for the Fund's interests generally to be secured by shares or assets and to benefit from meaningful prepayment protection and upside/inflation protection potential through equity participation; and
- Employing active oversight of its investments, including through rigorous covenants, regular reporting requirements and portfolio company board participation, as directors or observers.

EIG generally will target negotiated private placements with energy companies and projects throughout the energy value chain including (i) upstream oil and gas; (ii) midstream oil and gas; (iii) power generation, transmissions and distribution; (iv) renewable energy; (v) energy infrastructure; (vi) energy-related industrial processes; and (vii) mining and similar natural resource extraction projects. The Firm believes that its experience and expertise investing across multiple sub-sectors of the energy industry will enable it to build a portfolio for Fund XVI that will provide investors with significant diversification benefits and protection from certain commodity and market risks.

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

The historical investment performance of EIG as of March 31, 2013 is presented below:

<b>Fund</b>	<b>Inception Date</b>	<b>Total Equity Commitments</b>	<b>SBI Investment</b>	<b>Net IRR from Inception*</b>	<b>Net MOIC from Inception*</b>
Energy Fund XV	2010	\$4,121 million	\$150 million	23%	1.2x
Energy Fund XIV	2006	\$2,569 million	\$100 million	11%	1.3x
Energy Fund X	2003	\$734 million	--	11%	1.2x
Debt & Royalty Fund VI	1997	\$278 million	--	14%	1.4x
Debt & Royalty Fund V	1994	\$600 million	--	17%	1.9x
Debt & Royalty Fund IV	1993	\$308 million	--	8%	1.1x
Debt & Royalty Fund III	1989	\$208 million	--	13%	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 EIG.

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

The General Partner will make a commitment equal to 1.0% of the aggregate commitments.

#### **VI. Management Fee**

1.25% of aggregate commitments during the investment period, declining after the investment period as the portfolio is liquidated.

#### **VII. 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 investment period will be five years.



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

*\* 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.*



**ALTERNATIVE INVESTMENTS  
ASSET ALLOCATION POLICY**

**Staff Paper**

**September 2013**





## **I. Introduction and Background**

Alternative Investments include real estate, private equity, resource, and yield-oriented investments in which the Minnesota State Board of Investment's (SBI) participation is limited to commingled funds or other pooled vehicles. Generally, Alternative Investments are not publicly traded and are therefore only available to accredited investors as defined by the Securities and Exchange Commission. Alternative investments are funds that participate in leveraged buy-outs, venture capital, opportunistic debt, mezzanine debt, investments in resources and other real assets, and investment in real estate as well as other strategies. The SBI invests in alternative investments for two primary reasons:

1. To take advantage of the illiquid and inefficient markets in which these investment vehicles operate and earn rates of return that have historically been higher than public equity markets, and
2. To diversify the Combined Funds' stock and bond allocations.

Typically, alternative investments are structured as limited partnerships or another form of pooled, non-publicly traded vehicle. The SBI participates in alternative investments exclusively as a limited partner so as to limit the SBI's liability in a given partnership to the amount of capital that has been committed. The general partner of the fund, or fund manager, has sole discretion over investment decisions and the timing of capital calls. As committed capital is called by the fund manager, the remaining commitment becomes known as an *unfunded liability* or *unfunded commitment*.

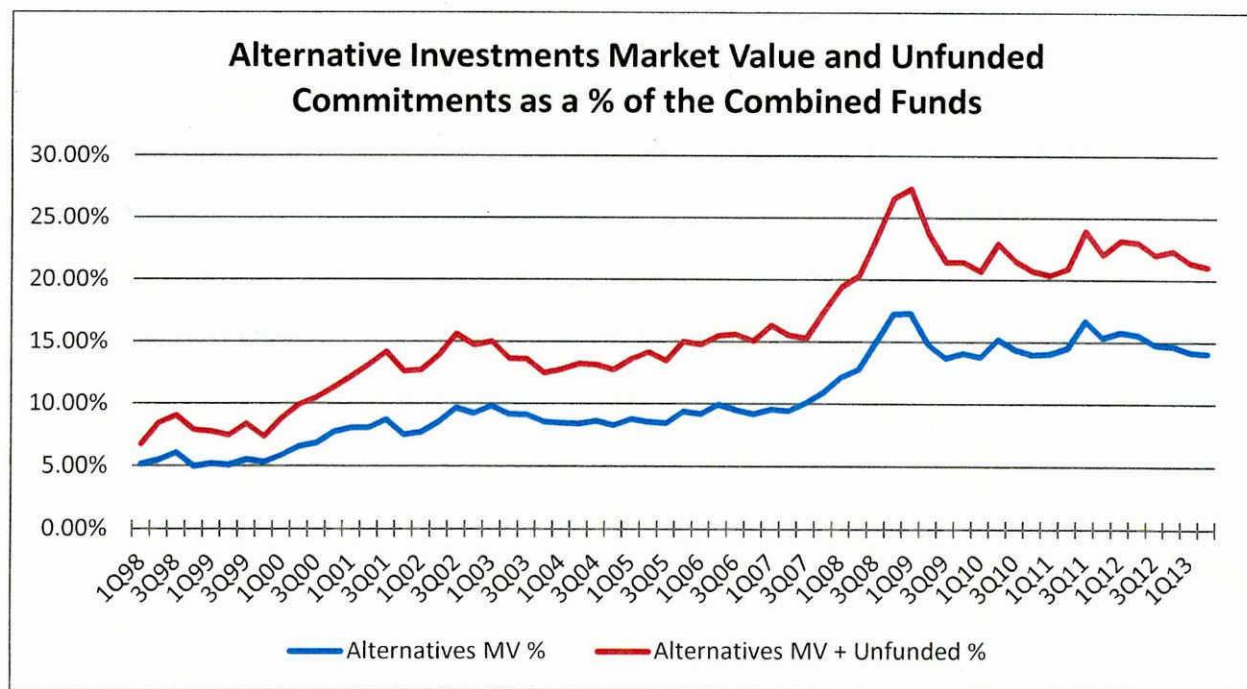
The SBI has a 20% target market value allocation to alternative investments as a percentage of the Combined Funds. The SBI also has a 30% target allocation for the market value *plus* the unfunded commitments as a percentage of the Combined Funds. This 30% limitation was instituted by the SBI to acknowledge the future commitments made but not yet funded. These two allocation

targets are the focus of this paper, as well as the annual commitment levels necessary to reach these allocations.

## II. Alternative Investments Allocation

The SBI's allocation to alternative investments has changed over time, but has gradually increased to the present-day allocation of 20% of the Combined Funds. As the asset class has evolved and become more institutionalized, the SBI has gradually increased the allocation to alternatives because of the relatively attractive rates of returns that can be generated by the asset class. **Figure A** shows the alternative investments allocation both in terms of market value and market value plus unfunded commitments since 1998.

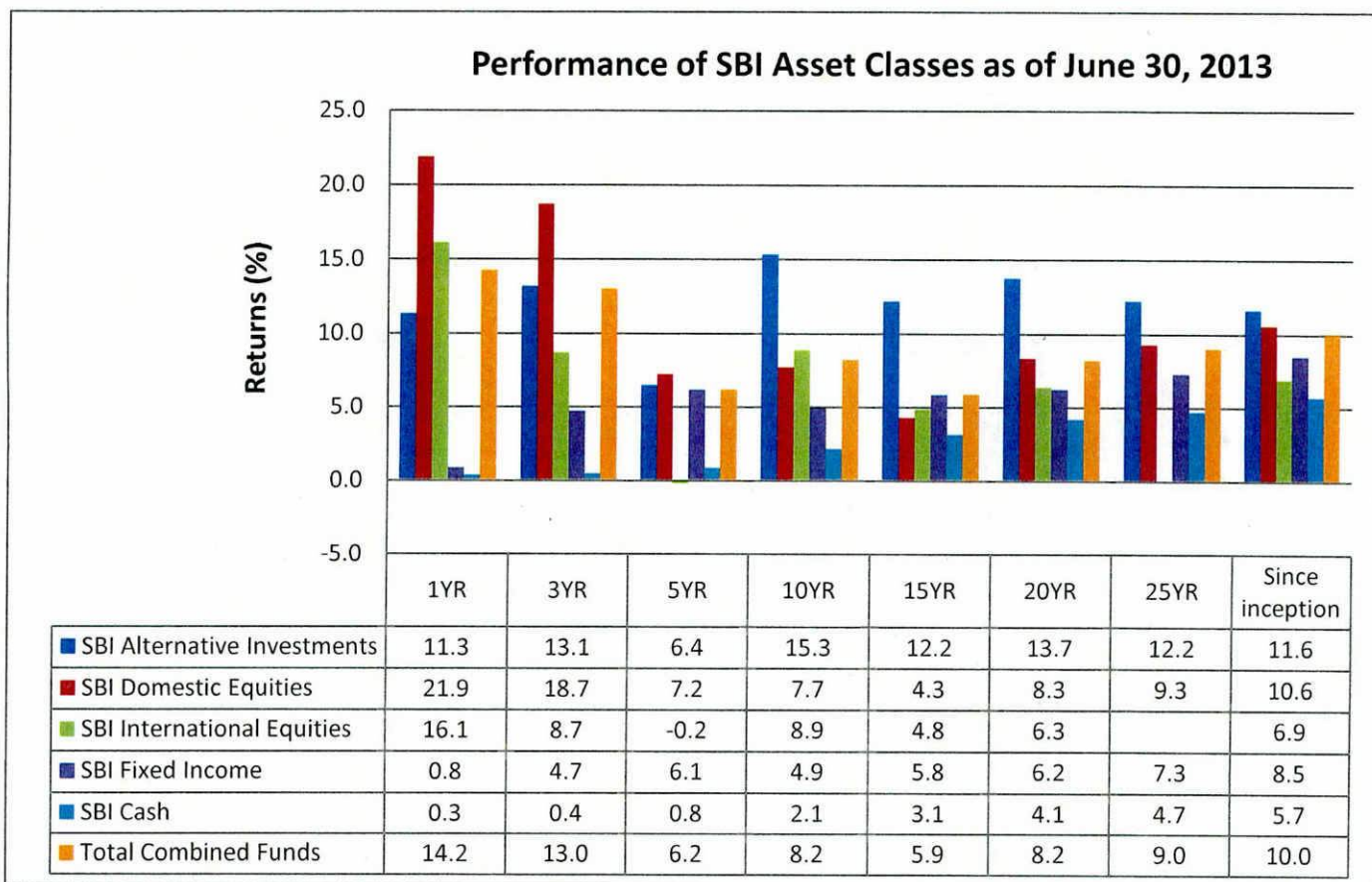
**Figure A**



The alternative investments asset class has provided the combined funds with excess returns over public stock markets over long periods of time. These returns are the primary reason for investing in the asset class and why the SBI has increased its allocation over the years.

**Figure B** shows the performance of the SBI's alternative investments aggregate portfolio compared to public stocks and bonds over various time periods.

**Figure B**



Additionally, the SBI alternative investments have proven to be a diversifying asset class within the Combined Funds. **Figure C** shows the 20 year correlation coefficients of the SBI alternative investments portfolio to those of the other SBI asset classes.



**Figure C**

Correlations, 3Q 1993 - 2Q 2013 (20 years)	
SBI Asset Class	Correlation with SBI Alternative Investments
SBI Domestic Equities	0.03
SBI International Equities	0.01
SBI Fixed Income	-0.06
SBI Cash	0.09
Total Combined Funds	0.09

We have shown that the SBI has invested in alternative investments for over 30 years and has done so at an increasing rate. The SBI has realized excess rates of returns over publicly traded assets and has adequately diversified the Combined Funds as a result of investing in alternative assets. However, as the alternatives portfolio has matured and experienced several volatile market cycles, the SBI has found it to be increasingly difficult to predict the effects of the numerous external variables on the alternative investments allocation percentage. The remainder of this paper discusses the mechanics of alternative investments, building an allocation to the asset class, the variables that affect the alternative investments allocation and the difficulties they have caused, and some recommendations to aid the achievement of the 20% alternative investments market value allocation goal.

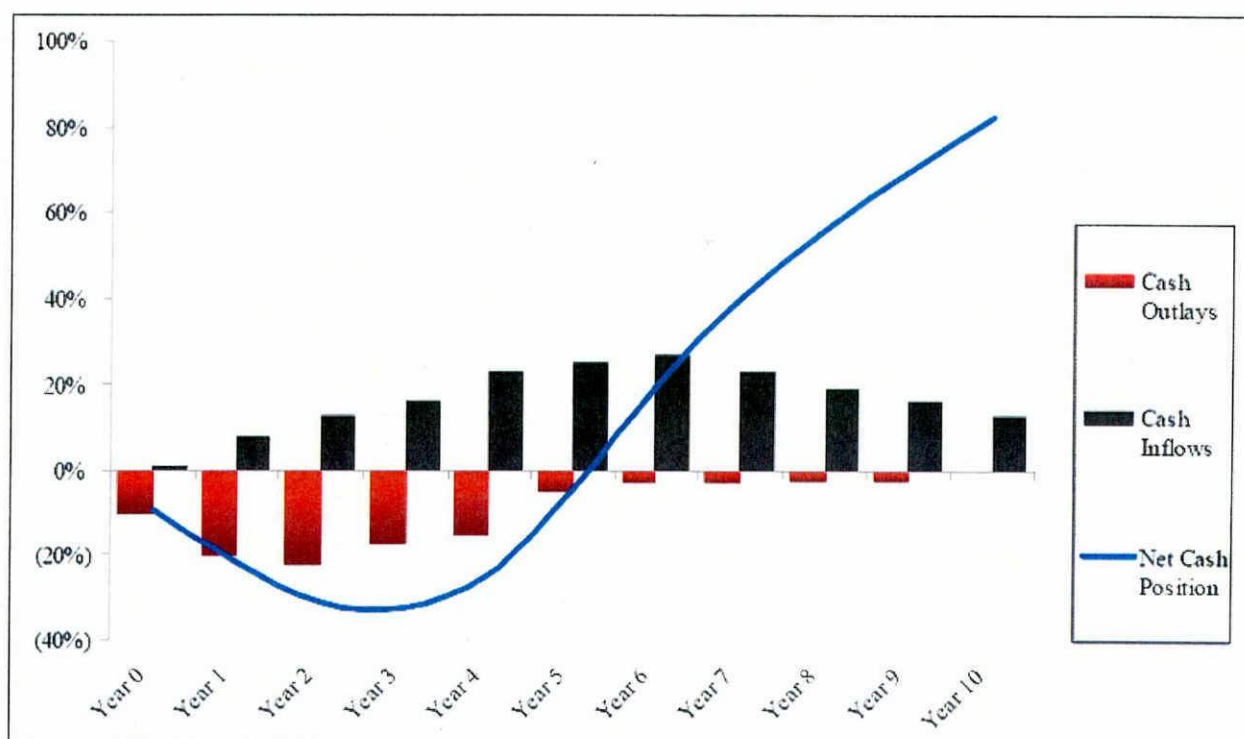
### **III. Mechanics of Alternative Investments**

An alternative investment limited partnership will typically have a life of about 10 years. Each limited partner commits a fixed dollar amount pursuant to the limited partnership agreement that is agreed to by all partners during the formation of the fund. In the first few years of the fund, the general partner will seek new investments according to that particular alternative investment manager's investment strategy. When the new investment is funded, the general partner will request or call capital from its limited partners. The initial years of an alternative



investment partnership, usually labeled the *investment period*, are characterized by requests for money that is subsequently invested. In the later years of a partnership, sometimes labeled as the *harvest period*, the alternative investment manager will seek to sell its previously made investments and return its limited partners' capital along with, provided the investment is successful, a profit. During the life of an alternative investment partnership, the net cash flows are said to follow a "J-Curve", as depicted in **Figure D**.

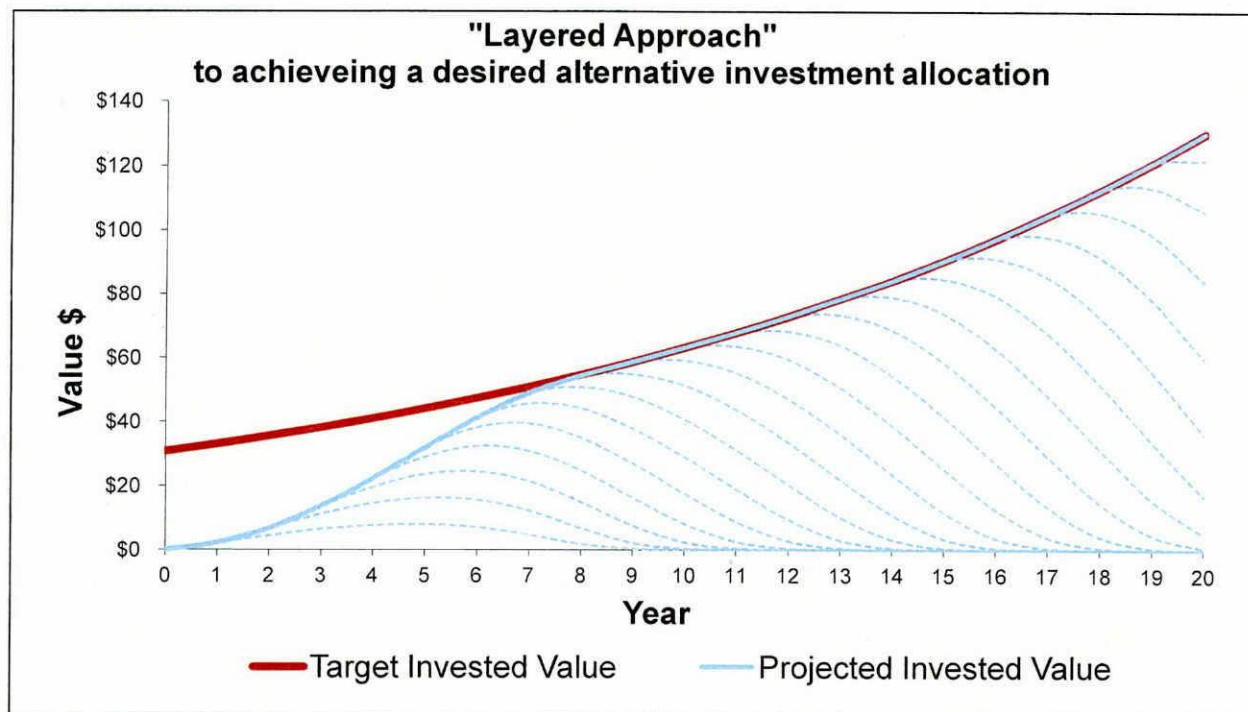
**Figure D**



As the alternative investment manager continues to sell the assets in the investment fund and subsequently distribute the proceeds to its limited partners, the market value of the fund decreases. As final investments are sold and distributed, the fund will ultimately be liquidated entirely. The mechanics of alternative investments are such that in order to obtain a meaningful allocation to alternative investments, it is necessary for an investor to make commitments in a metered and consistent manner. Some industry professionals will describe this approach as a

layering approach, dollar cost averaging, or a consistent pacing or commitment approach. Please see **Figure E** for a visual depiction of this “layered approach”. The red line represents the total target allocation to the alternative investments asset class. The dotted blue lines represent individual limited partnership investments that are “layered” in order to build the total allocation.

**Figure E**



Achieving a desired alternative investment allocation takes commitment, conviction, and patience. In order to determine how best to achieve a desired alternative investment allocation, it is best to first identify the variables that can affect the market value of alternative investments from an institutional investor’s perspective. The variables, definitions, and a brief explanation of these variables are as follows:

1. *Draw Down Rate*. The draw down rate is the rate at which an alternative investment manager will request or call capital. When an institutional investor makes a commitment to a new investment partnership, that commitment is designated as an *unfunded*

commitment until the investment manager requests or calls capital. When the alternative investment manager calls capital, the institutional investor's unfunded commitment is reduced and both its market value and its *funded* commitment are increased. The market value of the investment initially is the capital called by the investment manager. Draw down rates can vary considerably and the decision to call capital is made solely by the general partner.

2. *Distribution Rate.* The distribution rate is the rate at which an alternative investment manager sells its previously made investments and distributes the proceeds to the limited partners of the alternative investment partnership. Distribution rates depend upon the initial public offering and merger and acquisition markets. The decision of when to sell an investment is made solely by the alternative investment manager and can vary considerably. When an investment is distributed and capital is returned to the institutional investor, the market value of the alternative investment is reduced as the investor receives cash or stock.
3. *Alternative Investment Rates of Return.* The alternative investment rate of return is the rate at which the investments in the partnership grow over time. Investments are valued by the general partner according to FASB 157 and are typically reported to institutional investors quarterly. Investment returns can vary considerably and sometimes are negative. Factors that affect rates of returns include the operating performance of the asset, the amount of financial engineering, as well as prevailing market prices or comparable trading asset prices. The SBI's most recent asset allocation study uses a 10 year forecasted rate of return of 9.4% for the alternatives asset class.



4. *Rest of the institutional investor's portfolio rate of return.* The alternative investment dollar amount divided by the total dollar amount of the institutional investor's entire portfolio (in the SBI's case, the Combined Funds) is the equation used to calculate the alternative investment allocation percentage. Because the total dollar amount of the entire institutional investment manager's portfolio is the denominator of this simple equation, a change in the overall portfolio value is commonly referred to as the "denominator effect". If the denominator changes in value, then the percentage of total will change in value. The rate of change or rate of return of the rest of an institutional investor's portfolio is affected by the composition of assets in that investor's portfolio as well as the performance of those assets. If the rest of an institutional investor's portfolio increases, all else equal, the market value of alternative investments as a percentage of the total will decrease. If the rest of the institutional investor's portfolio decreases, all else equal, the market value of alternative investments as a percentage of the total will increase. Therefore, the performance of the rest of an institutional investor's portfolio needs to be carefully monitored when deciding how much and when to commit to an alternative investment partnership.
5. *Net Cash Outflow to Pensioners.* The pension plans in the Combined Funds receive contributions and pay benefits on a regular basis. Based on the composition of these cash flows, the overall value of the Combined Funds will be affected. As the value of the overall portfolio is affected, so is the alternative investment percentage of total.
6. *Commitment Size and Timing.* Committing to new alternative investment partnerships can also affect the market value of the alternative investment portfolio as well as its percentage of total. However, a new commitment does not increase the market value of



the alternative investment portfolio right away. Rather, the alternative investment manager controls the timing of cash flows into alternative investment funds, and only when these capital requests happen does the market value of an alternative investment increase in value. It is important to note that the institutional investor, the SBI, has control over only one variable that affects the market value of alternative investments. That variable is the timing and size of new commitments.

#### **IV. Commitment Modeling**

All of the above mentioned variables must be taken into consideration when making a new commitment to an alternative investment fund. Staff uses a computer model that was developed and designed to take into consideration these variables and which allows staff to analyze various scenarios by changing input assumptions. This computer model, given various input assumptions, will provide an output of how much the SBI should commit on an annual basis in order to achieve its desired target allocation in five years. This model is one of the tools that the SBI staff uses to help make the decision of how much and when to commit to a new alternative investment partnership.

It is important to note that all the variables that affect the market value of an alternative investment program are very sensitive and can fluctuate dramatically. Further, it is also unknown how these variables co-vary with one another. It is also important to mention that accurate forecasting of one of these variables, let alone all of them, is extremely difficult.

The year in which an investment is made by an alternative investment manager can also have a tremendous effect on that investment's performance. The year in which an alternative investment fund makes its first investment is said to be its "vintage year". It is critical for an institutional investor to plan appropriately so that its alternative investment program can be

diversified by vintage year. Vintage year diversification can help smooth the effects of extreme market volatility in any given year. Therefore, a consistent and metered approach to investing in alternative investments is the best way to adequately diversify the program by vintage year and appropriately build the allocation towards its target. Therefore, commitment modeling, while merely an estimation, is a useful tool in assessing the annual commitment levels needed to build the alternative investments allocation toward the desired target.

#### **V. Model Outputs and Limiting Factors**

**Figure F** shows the output of the most recent model simulation. The 20% and 30% targets, as described earlier, become important limitations when viewing these results. As shown, the model suggests that the alternative investments allocation cannot reach the 20% target with the 30% market value plus unfunded commitment limitation in place. Figure F also shows two different cash flow scenarios, each with three different growth scenarios for the total Combined Funds. In Cash Flow Scenario 1, the SBI's historical cash flow patterns from 1994 through 2012 were used to generate a "J-Curve". Cash Flow Scenario 2, by contrast, is a specified "J-Curve" that displays a more gradual or extended cash flow pattern in which individual partnerships do not become cash flow positive until year 6 compared to year 4 in Cash Flow Scenario 1. The relatively shorter time to a cash flow positive position exhibited by Cash Flow Scenario 1 is important in that it helps explain why the SBI's allocation to alternative investments has not grown as fast as was forecasted when staff ran this simulation in 2009.

**Figure G** offers a graphical depiction of the two J-Curves.

The three market scenarios shown are "Base Case", "Base Case plus 10%" and "Base Case less 10%". The Base Case calls for the Combined Funds to grow at the rate assumed in the SBI's most recent asset allocation study (2011). The "Base Case plus 10%" scenario assumes

the Combined Funds grow at the base rate plus 10% for two years, then return to the base case growth rate for three years. The "Base Case less 10%" scenario, by contrast, assumes the Combined Funds grow at the base rate less 10% for two years, then returns to the base case growth rate for three years. It is important to consider varying market scenarios because the growth rate of the Combined Funds, the denominator in the alternatives allocation equation can change, which in turn changes the alternatives allocation percentage.

The black, green and red colored numbers in the "Annual Commitment Size" columns represent the annual commitment amounts the model suggests must be made in each of the next five years in order to reach the 20% market value target or in order to reach the 30% market value plus unfunded commitments limitation. As shown, in all scenarios the alternatives allocation cannot reach the 20% target without breaching the 30% market value plus unfunded commitments limit.



**Figure F**

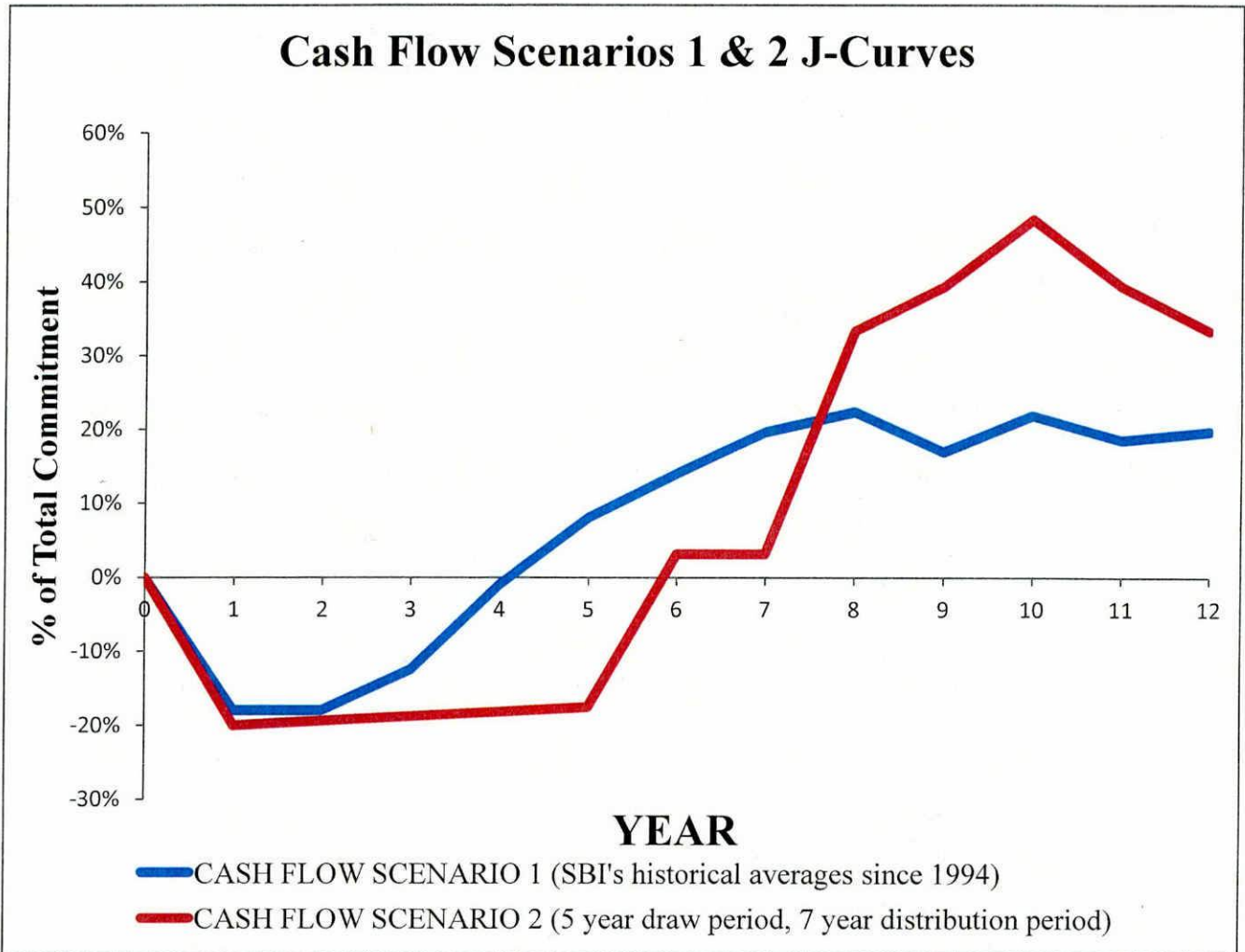
MSBI Commitment Model				
		RESTRICTION: 30% Target Allocation for Market Value + Unfunded	GOAL: 20% Target Allocation for Market Value	
CASH FLOW SCENARIO 1 (MSBI historical cash flows)		ANNUAL COMMITMENT SIZE (in Billions)	MV %	MV + UNFUNDED %
BASE CASE 8.36% Growth		\$2.53	14.8%	30.0%
BASE CASE + 10% 18.36% Growth for 2 yr, then Base		\$3.35	14.1%	30.0%
BASE CASE - 10% -1.64% Growth for 2 yr, then Base		\$1.79	15.8%	30.0%
CASH FLOW SCENARIO 2 (Top down / 5 year draw cash flows)		ANNUAL COMMITMENT SIZE (in Billions)	MV %	MV + UNFUNDED %
BASE CASE 8.36% Growth		\$2.19	17.1%	30.0%
BASE CASE + 10% 18.36% Growth for 2 yr, then Base		\$2.96	16.2%	30.0%
BASE CASE - 10% -1.64% Growth for 2 yr, then Base		\$1.48	18.2%	30.0%

These outputs differ from the outputs generated by the model run by staff in 2009 for two primary reasons:

1. *The Denominator Effect.* The Combined Funds have produced a compounded rate of return of 13.5% over the four year period since the model's results were last published in June 2009. This return is a more rapid rate of growth than the 8.3% return that was assumed in the base case at the time. This growth, while undoubtedly a good outcome, has produced a lower alternatives allocation as a result of the denominator expanding more rapidly than predicted.



**Figure G**



2. *Cash Flow Pattern.* Over the last four years, market anomalies have allowed the SBI's alternative investment managers to return cash to the SBI faster than predicted in the 2009 Commitment Model output. This means that the observed J-Curve has been shorter than expected because distributions have been more rapid than predicted which decreased the market value of the alternatives in aggregate. However, this market phenomena is not expected to persist going forward. In fact, industry-wide holding periods at the portfolio-

company level have increased from 3.9 years to 4.9 years on average since 2008<sup>1</sup>. The longer holding period represents today's macroeconomic environment in which growth is slower, and in which alternative investment managers require more time to add value to their portfolio companies. For this reason, SBI staff believes that, going forward, the J-Curve represented by Cash Flow Scenario 2 will be a more accurate predictor of cash flows.

These factors and others have prevented the alternative investments allocation from reaching the 20% target. Additionally, enhanced analysis and forecasting, as well as conversations with other institutional investors and consultants show that precisely achieving any target allocation, notwithstanding that of an illiquid asset class like alternative investments, is highly improbable due to the external factors discussed previously. Therefore, has the following four recommendations.

## VI. Conclusions and Recommendations

### 1. **Increase the Market Value plus Unfunded Commitments percentage allocation to 35% of the Combined Funds, with a 3% buffer, from the current limitation of 30%.**

The 2009 Commitment Model suggested that the 30% limitation would be enough to accommodate a 20% market value allocation to alternative investments, assuming Cash Flow Scenario 2. The various events that have since occurred and have been discussed here have changed the model outputs. As shown in Figure F, a range of between 35% and 47% needs to be considered in order to reach the targeted 20% market value allocation, depending on the selected cash flow scenario and market scenario. A 35% limitation is more prudent considering the sensitivity of the model to its various inputs

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<sup>1</sup> Source: Prequin

and the fact that those inputs change over time. The 3% buffer would allow the SBI to continue to commit opportunistically to new funds in the event that the 35% market value plus unfunded commitment limitation is reached.

An important consideration that comes with this recommendation is the risk that the alternatives market value allocation could reach 35% of the Combined Funds, which is a statutory limitation. We must consider whether the unfunded commitments could be drawn down quickly and completely after the market value plus unfunded commitments total exceeds 35%. If that were to happen, the market value of the alternatives allocation would exceed the statutory limit of 35%. First, consider that the SBI's historical data on draw down patterns (**Appendix 1 and 2**) shows that in any given year, not more than 50% of total unfunded commitments are drawn down by alternative investment managers. Second, in recent years institutional investors have pushed for various protections in limited partnership agreements, one being a limitation on the amount of unfunded commitments that can be drawn down by fund managers in any given year. Typically, this limitation falls in a range of 30% to 40% of total commitments. This limitation serves as a legal protection from the complete transformation of unfunded commitments into actual alternative investments market value and would allow the SBI considerable time to make adjustments to its annual commitment levels in the event of market anomalies.

2. **Institute a target allocation range of 20% to 24% on a market value basis for Alternative Investments.** As described in detail in this paper, there are several uncontrollable factors that influence the alternative investment market value percentage of the Combined Funds. The unpredictability of these factors makes it nearly impossible



to achieve precisely any target allocation. For this reason several other institutional investors have implemented bands or ranges around their alternative investment allocations. Furthermore, the SBI's two consultants, Callan and PCA, have similarly recommended the institution of a target allocation range. A four percentage point range is a 20% cushion above the 20% allocation target. The SBI's liquid assets—stocks, bonds and cash—have a 10% band around their targets. It is thus appropriate that the illiquid asset class have a wider range to compensate for the inability to easily rebalance the allocation to alternative investments.

3. **Make annual commitments to alternative investment funds ranging from \$2 billion to \$3 billion, subject to the availability of attractive and suitable deal flow.**

Depending on the cash flow scenario selected in Figure F, annual commitments of \$2 billion to \$6 billion are required to achieve the 20% market value allocation. A more conservative range than that is appropriate for two primary reasons:

- a. The extension of portfolio company holding periods, as discussed earlier, will likely lead to extended J-Curves going forward relative to what the SBI has experienced in the recent past, and
- b. the Commitment Model is very sensitive to its various inputs and is a snapshot in time of the allocation. It is quite possible that the next simulation will produce different results.

These two factors point to the commitment sizes under Cash Flow Scenario 2, which range from \$2 billion to \$3 billion.

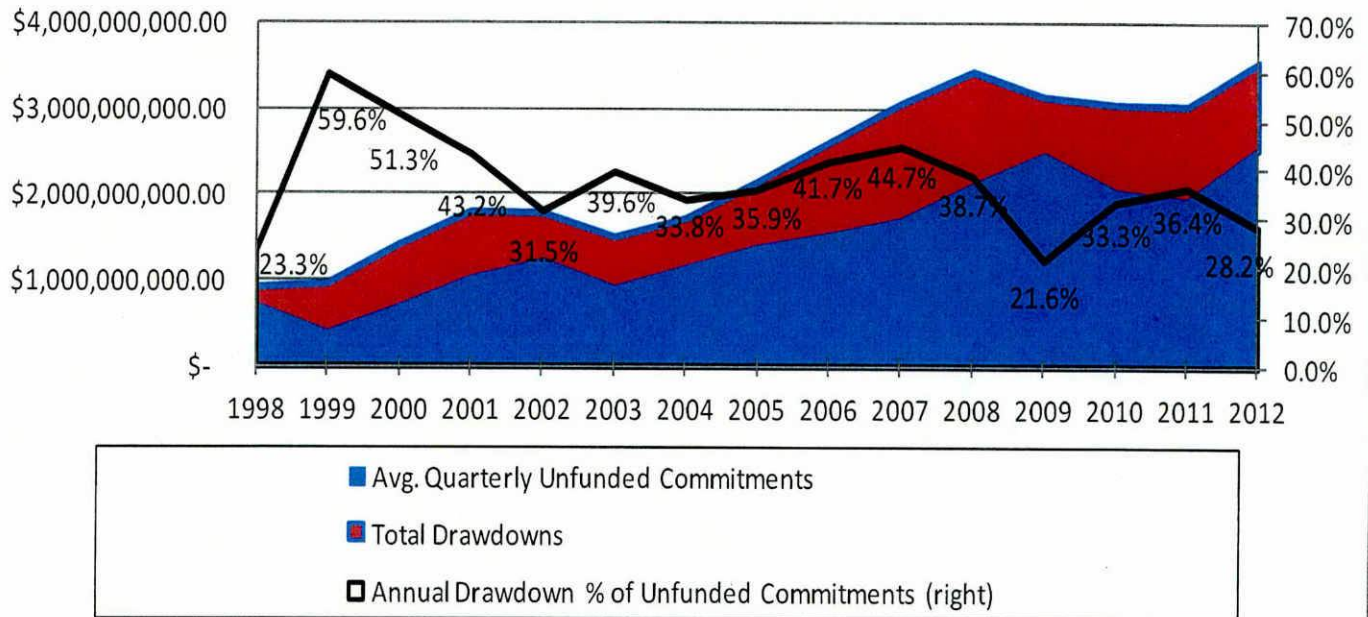
4. **Review the alternative investment commitment levels annually, at the end of each fiscal year.** While the commitment modeling exercise is not a black box solution to the



question of annual commitment levels, it has proven to be a useful tool in staff's effort to build the alternative investment allocation toward the targeted level. As discussed, the uncontrollable external factors that affect the alternative investment allocation must all be considered when evaluating the necessary annual levels of commitment to new alternative investments. Therefore, staff is proposing the incorporation of annual commitment level evaluation at the end of each fiscal year to refresh data and assumptions about the alternative investment allocation.

## APPENDIX 1

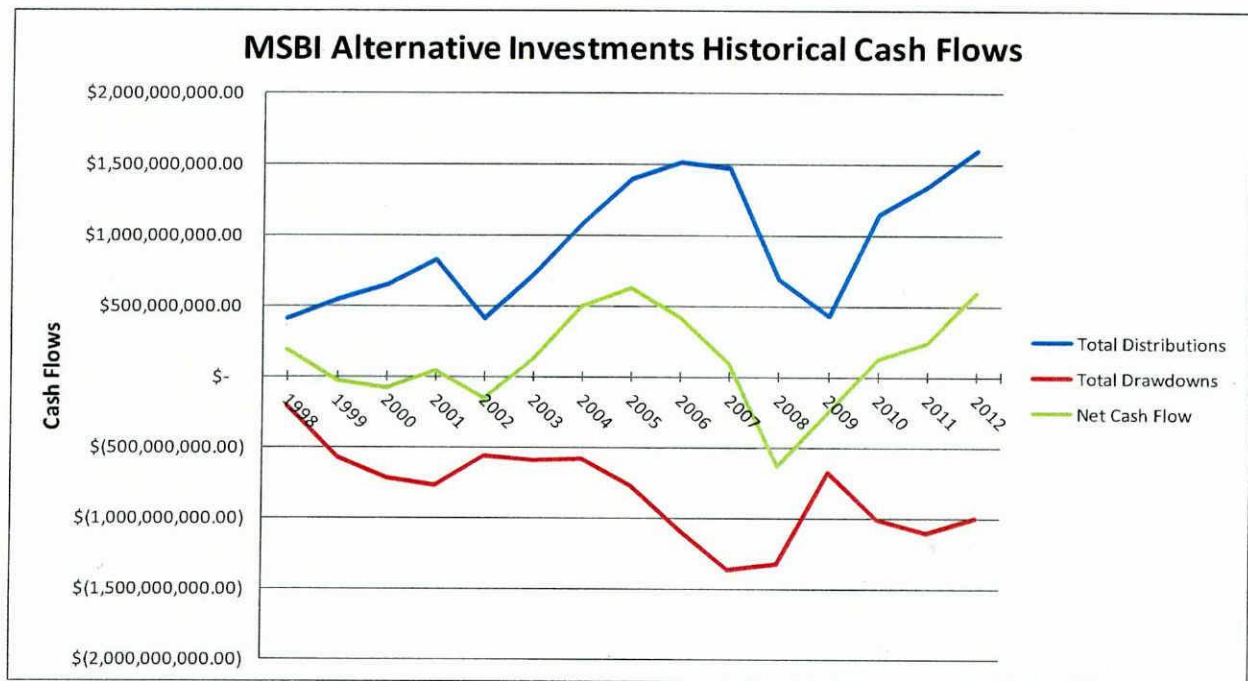
### Unfunded Commitments LESS Total Drawdowns per Year, 1998 - 2012



This chart depicts the annual percentage of the SBI's unfunded commitments to alternative investment funds. Over the last 10 years, it has been common to observe that 30% to 40% of the SBI's average quarterly unfunded commitments are drawn down by fund managers. Essentially, this rate means that it would take the SBI's alternative investment fund managers about 2.5 to 3 years to draw down all of the SBI's unfunded commitments. This scenario does not factor in the rate at which the SBI receives distributions from its fund managers. Distributions often offset the amount of draw downs in a given year (**Appendix 2**). Therefore, for the SBI's alternative investments market value percentage to approach the market value plus unfunded commitments percentage, there would have to be an increase in the rate of draw downs

and a complete halt to distributions which shrink the alternatives market value. This event has never been observed by the SBI.

## APPENDIX 2



This chart shows the SBI's historical alternative investment cash flows since 1998. As shown, distributions back to the SBI have outpaced draw downs by fund managers in 10 of the 15 years shown. In the negative cash flow years of 1999, 2000, 2002, 2008 and 2009 the most negative net cash flow year was 2008 at negative \$640 million. It is important to note that even in the net negative cash flow years, total distributions only dipped below \$500 million twice (2002 and 2009). Essentially, this chart shows that the SBI's alternative investments portfolio has not exhibited a year with \$0 in total distributions, which suggests that the probability of experiencing two or three consecutive years that would be required to close the gap between the alternatives market value percentage and the market value plus unfunded commitments percentage is rather remote.