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# MINNESOTA STATE BOARD OF INVESTMENT



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

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MINNESOTA STATE BOARD  
OF INVESTMENT  
MEETING  
**February 25, 2010**

**STATE BOARD OF INVESTMENT**

**AGENDA AND MINUTES**

**February 25, 2010**

**AGENDA**  
**STATE BOARD OF INVESTMENT MEETING**  
**Thursday, February 25, 2010**  
**9:30 A.M. – Room 107**  
**State Capitol, St. Paul**

- |  |            |
|--|------------|
| <b>1. Approval of Minutes of December 14, 2009</b>   | <b>TAB</b> |
| <b>2. Report from the Executive Director (H. Bicker)</b>   | <b>A</b>   |
| A. Quarterly Investment Review<br>(October 1, 2009 – December 31, 2009)  |            |
| B. Administrative Report   | <b>B</b>   |
| 1. Reports on budget and travel  |            |
| 2. FY09 Financial Audit  |            |
| 3. Legislative Update  |            |
| 4. Update on Sudan   |            |
| 5. Update on Iran  |            |
| 6. Litigation Update   |            |
| <b>3. Investment Advisory Council (J. Bailey)</b>  | <b>C</b>   |
| 1. Review of manager performance for the period ending<br>December 31, 2009.   |            |
| 2. Review of Domestic Equity performance-based fee calculation.  |            |
| 3. Presentation by the Retirement Systems on Funding Updates.  |            |
| 4. Consideration to make changes to the Domestic Equity<br>Semi Passive Program.   |            |
| <b>4. Alternative Investment Report</b>  | <b>D</b>   |
| 1. Review of current strategy.   |            |
| 2. Consideration of investment commitments to new funds with two<br>existing private equity managers, one existing resource manager<br>and one new yield-oriented manager. |            |
| <b>5. Other items</b>  |            |

**Minutes  
State Board of Investment  
December 14, 2009**

The State Board of Investment (SBI) met at 10:00 A.M. Monday, December 14, 2009 in Room 123, State Capitol, St. Paul, Minnesota. Governor Tim Pawlenty; State Auditor Rebecca Otto; Secretary of State Mark Ritchie and Attorney General Lori Swanson were present.

The minutes of the September 29, 2009 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 matched its Composite Index over the ten year period ending September 30, 2009 (Combined Funds 3.8% vs. Composite 3.8%), and had provided a real rate of return over the latest 20 year period (Combined Funds 8.1% vs. CPI 2.7%.) He noted that this is the first reporting period since the Post merged with the Basics.

Mr. Bicker reported that the Combined Funds' assets increased for the quarter ending September 30, 2009 due to strong investment returns. He reported that the Combined Funds outperformed its Composite Index for the quarter (Combined Funds 12.0% vs. Composite 11.2%) and for the year (Combined Funds -1.4% vs. Composite -2.4%.)

Mr. Bicker reported that the domestic stock manager group outperformed its target for the quarter (Domestic Stock 16.4% vs. Domestic Equity Asset Class Target 16.3%) and for the year (Domestic Stocks -6.1% vs. Domestic Equity Asset Class Target -6.4%.) He said the International Stock manager group underperformed its Composite Index for the quarter (International Stocks 19.4% vs. International Equity Asset Class Target 19.7%) and matched it for the year (International Stocks 5.9% vs. International Equity Asset Class Target 5.9%.) Mr. Bicker stated that the bond segment outperformed its target for the quarter (Bonds 6.3% vs. Fixed Income Asset Class Target 3.7%) and for the year (Bonds 12.1% vs. Fixed Income Asset Class Target 10.6%.) He stated that the alternative investments returned -19.9% for the year, and he noted the lag in reporting for the alternative investments asset class. He concluded his report with the comment that, as of September 30, 2009, the SBI was responsible for over \$51 billion in assets.

Mr. Bicker referred members to Tab B of the meeting materials for an update on the budget and travel for the quarter. He stated that the Combined Funds benefit increase for FY09 will be 2.5%, effective January 1, 2010. He said that the Legislative Auditor is nearly finished with its financial audit of SBI operations and that members had received a draft of the SBI's FY09 Annual Report. Mr. Bicker noted the tentative meeting dates for

calendar year 2010. He stated that updated information on Sudan and Iran is included in Tab B, and he noted that staff is in the process of implementing the requirements of the new Iran legislation.

### **Litigation Update**

Ms. Eller reported that the State sold off some small portions of its claim in the Lehman bankruptcy, and she noted that the case continues to proceed slowly. In response to a comment from Governor Pawlenty, Mr. Bicker reviewed the timetable for implementation of both the Sudan and Iran divestment legislation.

### **Investment Advisory Council Report**

Mr. Bailey referred members to Tab C of the meeting materials and reported that staff and the IAC recommend Mellon Capital be terminated as a large cap core active manager. He noted that staff will continue to monitor Mellon as a semi-passive manager for the SBI. Mr. Ritchie moved approval of the recommendation, as stated in Tab C, which reads: **“Due to the loss of assets and underperformance, the SBI staff and the IAC recommend that the SBI terminate the relationship with Mellon Capital Management for investment management services for the large cap core portfolio.”** The motion passed.

Mr. Bailey referred members to Tab D of the meeting materials and stated that the IAC concurs with the recommendation from staff to increase the amount of investment in Prudential Capital III which was originally approved by the Board at the March 2009 meeting. Ms. Otto moved approval of the recommendation, as stated in Tab D, which reads: **“The Investment Advisory Council recommends that the SBI authorize the Executive Director, with assistance from the SBI’s legal counsel, to negotiate and execute an additional commitment of up to \$50 million in Prudential Capital Partners Fund III, L.P. This would increase the SBI’s total commitment from \$50 million to \$100 million or 20% of the total fund, whichever is less, in Prudential Capital Partners Fund III, L.P. Approval by the SBI of this potential additional commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the Investment Advisory Council, the State Board of Investment nor its Executive Director have any liability for reliance by Prudential upon this approval. Until the Executive Director on behalf of the SBI executes a formal agreement, further due diligence and negotiations may result in the imposition of additional terms and conditions on Prudential or reduction or termination of the commitment.”** The motion passed.

In response to a question from Governor Pawlenty, Mr. Bailey stated that the IAC periodically reviews the long-term asset allocation policies and that Council members continue to be comfortable with the investment policies currently in place. Mr. Bicker added that SBI staff also reviewed with the IAC the commitment levels in alternative

assets. Mr. Bailey noted that the IAC believes the SBI's asset allocation strategy for alternatives has resulted in the SBI being well positioned from a liquidity standpoint and that the SBI has appropriate policies in place to avoid becoming over committed.

The meeting adjourned at 10:25 A.M.

Respectfully submitted,

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

Howard Bicker  
Executive Director

# **Tab A**



**LONG TERM OBJECTIVES**  
**Period Ending 12/31/2009**

<b>COMBINED FUNDS: \$41.1 Billion</b>	<b>Result</b>	<b>Compared to Objective</b>
<b>Match or Exceed Composite Index (10 Yr.)</b>  Outperform a composite market index weighted in a manner that reflects the long-term asset allocation of the Combined Funds over the latest 10 year period.	<b>3.2% (1)</b>	0.1 percentage point above the target
<b>Provide Real Return (20 yr.)</b>  Provide returns that are 3-5 percentage points greater than inflation over the latest 20 year period.	<b>8.2%</b>	5.5 percentage points above CPI

(1) Performance is calculated net of fees.

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

Actuarially Accrued Liabilities \$60.7 billion

**Assets**

Current Actuarial Value \$46.8 billion

**Funding Ratio**Current Actuarial Value divided by  
Accrued Liabilities 77.1%**Actuarial Assumptions:**

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

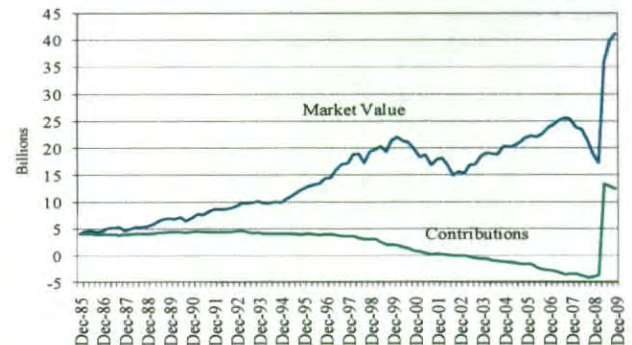
**EXECUTIVE SUMMARY**  
**Combined Funds (Net of Fees)**

**Asset Growth**

The market value of the Combined Funds increased 3.5% during the fourth quarter of 2009. Strong investment returns accounted for the increase.

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

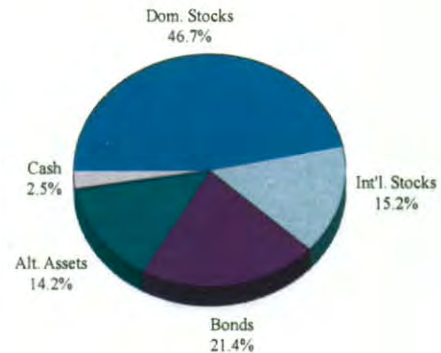
Beginning Value	\$ 39,705
Net Contributions	-419
Investment Return	1,793
Ending Value	\$ 41,079



**Asset Mix**

The allocation to domestic stocks increased due to a strong equity market. The allocation to international equity decreased due to a rebalance from this asset class into cash and fixed income. The alternatives allocation increased due to new commitments and strong performance of existing commitments.

	Policy Targets	Actual Mix 12/31/2009	Actual Market Value (Millions)
Domestic Stocks	45.0%	46.7%	\$19,175
Int'l. Stocks	15.0	15.2	6,260
Bonds	18.0	21.4	8,785
Alternative Assets*	20.0	14.2	5,823
Unallocated Cash	2.0	2.5	1,036
	100.0%	100.0%	\$41,079

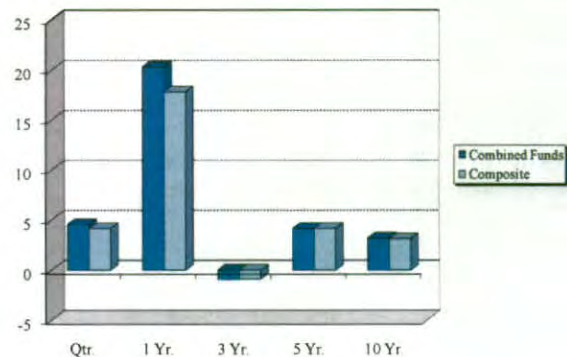


\* Any uninvested allocation is held in domestic bonds.

**Fund Performance (Net of Fees)**

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

	Period Ending 12/31/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Combined Funds	4.6%	20.3%	-0.9%	4.1%	3.2%
Composite	4.1	17.8	-0.9	4.2	3.1



## 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.

	Period Ending 12/31/2009				
	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Dom. Stocks</b>	<b>6.0%</b>	<b>29.6%</b>	<b>-5.6%</b>	<b>0.5%</b>	<b>-0.8%</b>
Asset Class Target*	5.9	28.3	-5.4	0.8	-0.6

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

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

#### International Stocks

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

	Period Ending 12/31/2009				
	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Int'l. Stocks</b>	<b>4.0%</b>	<b>41.2%</b>	<b>-3.3%</b>	<b>6.0%</b>	<b>2.8%</b>
Asset Class Target*	3.7	41.5	-3.4	5.9	2.6

**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.

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

#### Bonds

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

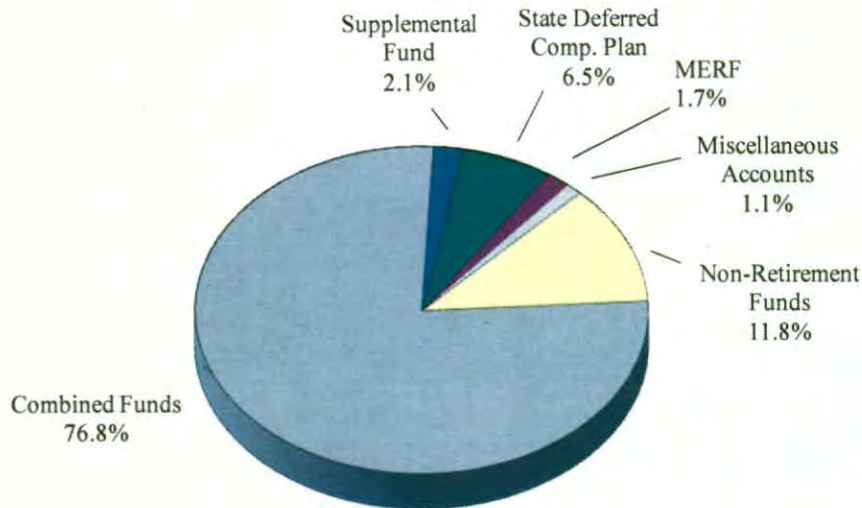
	Period Ending 12/31/2009				
	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Bonds</b>	<b>1.3%</b>	<b>14.3%</b>	<b>5.2%</b>	<b>4.6%</b>	<b>6.3%</b>
Asset Class Target	0.2	5.9	6.0	5.0	6.3

**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.

#### Alternative Investments

	Period Ending 12/31/2009				
	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Alternatives</b>	<b>6.1%</b>	<b>-10.0%</b>	<b>5.7%</b>	<b>15.8%</b>	<b>12.9%</b>

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



	<b>12/31/2009 Market Value (Billions)</b>
<b>Retirement Funds</b>	
Combined Funds	\$41.1
Supplemental Investment Fund	1.1
State Deferred Compensation Plan Non-SIF Assets	3.5
Minneapolis Employees Retirement Fund (MERF)	0.9
<b>Non-Retirement Funds</b>	
Assigned Risk Plan	0.3
Permanent School Fund	0.7
Environmental Trust Fund	0.5
State Cash Accounts	4.8
<b>Miscellaneous Accounts</b>	
	0.6
<b>Total</b>	<b>\$53.5</b>

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# MINNESOTA STATE BOARD OF INVESTMENT

## QUARTERLY INVESTMENT REPORT

Fourth Quarter 2009  
(October 1, 2009 - December 31, 2009)

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## VARIOUS CAPITAL MARKET INDICES

	Period Ending 12/31/2009				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Domestic Equity</b>					
Dow Jones Wilshire Composite	5.8%	28.6%	-5.2%	1.0%	-0.2%
Dow Jones Industrials	8.1	22.6	-3.1	1.9	1.3
S&P 500	6.0	26.5	-5.6	0.4	-0.9
Russell 3000 (broad market)	5.9	28.3	-5.4	0.8	-0.2
Russell 1000 (large cap)	6.1	28.4	-5.4	0.8	-0.5
Russell 2000 (small cap)	3.9	27.2	-6.1	0.5	3.5
<b>Domestic Fixed Income</b>					
Barclays Capital Aggregate (1)	0.2	5.9	6.0	5.0	6.3
Barclays Capital Gov't./Corp.	-0.2	4.5	5.8	4.7	6.3
3 month U.S. Treasury Bills	0.0	0.1	2.1	2.9	2.8
<b>International</b>					
EAFE (2)	2.2	31.8	-6.0	3.5	1.2
Emerging Markets Free (3)	8.6	79.0	5.4	15.9	10.1
ACWI Free ex-U.S. (4)	3.8	42.1	-3.0	6.3	3.1
World ex-U.S. (5)	2.4	33.7	-5.3	4.1	1.6
Salomon Non U.S. Gov't. Bond	-2.1	4.4	8.6	4.5	6.6
<b>Inflation Measure</b>					
Consumer Price Index CPI-U (6)	0.0	2.7	2.3	2.4	2.4
Consumer Price Index CPI-W (7)	0.2	3.4	2.4	2.6	2.5

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

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

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

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

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

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

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



FINANCIAL MARKETS REVIEW

DOMESTIC STOCKS

The U.S. stock market, as measured by the Russell 3000 index, posted a 5.9% return during the fourth quarter of 2009. Equity markets posted positive results for the third consecutive quarter as investors saw more signs of a sustained economic recovery. Within the Russell 3000, the Autos & Transportation sector reported the strongest return, up 12.0% for the quarter. The "Other" sector, which includes multi-sector companies, was the worst performing sector with a -2.4% return for the quarter. Large cap companies outperformed small cap companies within the Russell 3000.

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

Large Growth	Russell 1000 Growth	7.9%
Large Value	Russell 1000 Value	4.2%
Small Growth	Russell 2000 Growth	4.1%
Small Value	Russell 2000 Value	3.6%

The Russell 3000 index returned 28.3% for the year ending December 31, 2009.

DOMESTIC BONDS

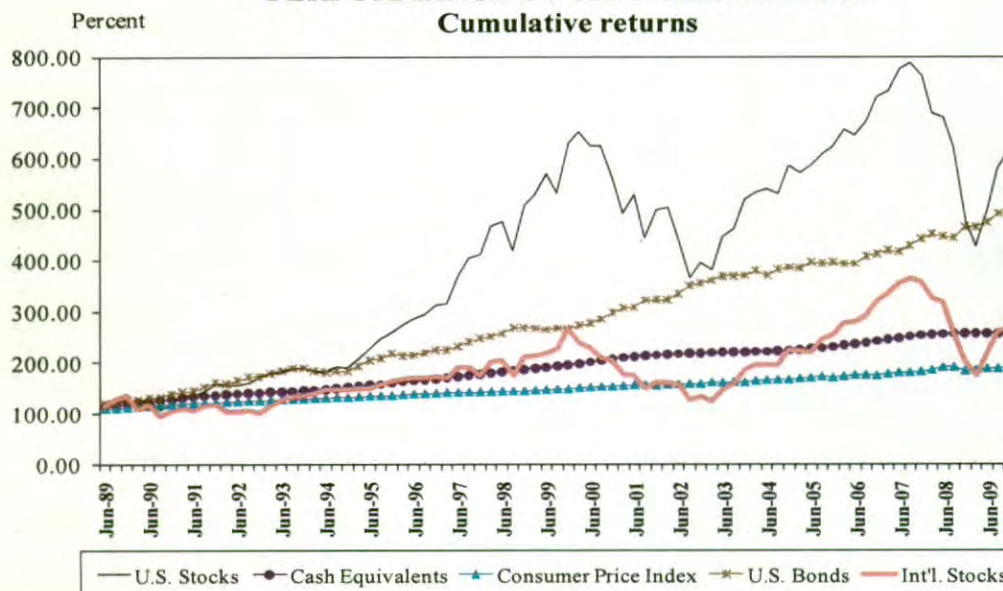
The rally in the spread sectors that started in 2Q09 and continued through 3Q09 finally slowed in 4Q09, though all spread sectors once again outperformed Treasuries. The Barclays Capital Aggregate Index returned 0.2% for the quarter and 5.9% for the full year.

Treasuries sold off throughout the quarter as longer-term interest rates ended the fourth quarter higher on a quarter-over-quarter and year-over-year basis. Corporate bonds continued to outperform, though by a smaller margin than in 2Q and 3Q. Investor demand was strong for the record-setting corporate bond new issuance in calendar year 2009. CMBS and ABS performed well due to support from the government's TALF program and increased investor appetite for yield. The Fed has maintained its support of the Agency MBS market as it continues with its plan to purchase a total of \$1.25 trillion in Agency MBS by the end of March 2010.

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

U.S. Treasury	-1.3%
Agency	0.0
Corporates	1.4
Agency MBS	0.6
Commercial Mortgages	3.3
Asset-backed	1.3

PERFORMANCE OF CAPITAL MARKETS  
Cumulative returns



## FINANCIAL MARKETS REVIEW

### INTERNATIONAL STOCKS

In aggregate, developed international stock markets (as measured by the MSCI World ex U.S. index) provided a return of 2.4% for the quarter. The quarterly performance of the six largest stock markets is shown below:

Japan	-2.8%
United Kingdom	7.0
France	2.1
Canada	5.0
Germany	2.2
Switzerland	3.8

The World ex U.S. index returned 33.7% during the last year.

The World ex U.S. index is compiled by Morgan Stanley Capital International (MSCI) and is a measure of 22 markets located in Europe, Australasia, Far East, and Canada. The major markets listed above comprise about 73% of the value of the international markets in the index.

### EMERGING MARKETS

Emerging markets (as measured by MSCI Emerging Markets Free index) provided a return of 8.6% for the quarter. The quarterly performance of the six largest stock markets in the index is shown below:

China	9.6%
Brazil	13.1
Korea	2.3
Taiwan	8.1
India	7.7
South Africa	9.4

The Emerging Markets Free index returned 79.0% during the last year.

The Emerging Markets Free (EMF) index is compiled by MSCI and measures performance of 22 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 73% of the value of the international markets in the index.

### REAL ESTATE

With high unemployment rates in the US as well as abroad, the global real estate market continued to remain weak in the fourth quarter of 2009. The commercial real estate market is currently lagging the rest of the real estate market and has yet to find a bottom. Many economists believe that residential real estate bottomed sometime in the second half of 2009, and many managers are beginning to see slight increases in apartment valuations. There have also been some recent positive indications in the retail sector of the real estate market.

### PRIVATE EQUITY

2009 marked a year in which global buyout deal volume fell 60% and US buyout deal volume fell 43% as compared to 2008. However, 49% of all 2009 US buyout activity occurred in the Q4 of 2009 as M&A and IPO activity continued to improve. Fundraising activity in Q4 2009 was at its lowest level since 2003. The groups that were able to raise money and/or still had capital available from previous fundraising activities are finding themselves in an attractive investment environment. Deals in 2009 had less debt and were executed at lower EBITDA multiples than 2008. The average 2009 LBO deal closed at 7.7x EBITDA as compared to an average of 9.1x EBITDA for 2008.

### RESOURCE FUNDS

During the fourth quarter of 2009, crude oil averaged \$76 per barrel up from the average price of \$68 per barrel during the third quarter. Oil prices bottomed around the \$30/bbl level earlier in the year which was primarily due to the global economic slowdown. However, the rebound has been credited mainly to inflationary concerns and a weak U.S. dollar.

The biggest news in the energy industry in the fourth quarter was Exxon Mobil Corp.'s \$31 billion purchase of XTO Energy Inc. This purchase demonstrates that with lower company valuations and natural gas prices around \$6, it is attractive for large energy companies to engage in M&A activity.

COMBINED FUNDS

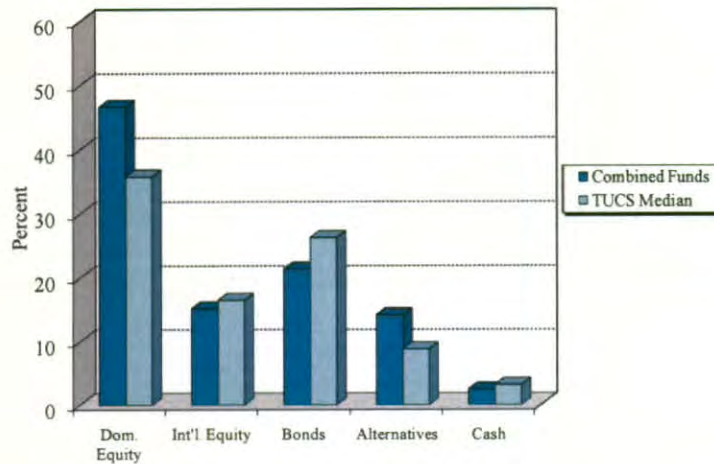
The comparison universe used by the SBI is the Trust Universe Comparison Service (TUCS). Only funds with assets over \$1 billion are included in the comparisons shown in this section.

Asset Mix Compared to Other Pension Funds

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

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

	\$ Millions	%
Domestic Stocks	\$19,175	46.7%
International Stocks	6,260	15.2
Bonds	8,785	21.4
Alternative Assets	5,823	14.2
Unallocated Cash	1,036	2.5
<b>Total</b>	<b>\$41,079</b>	<b>100.0%</b>



	Dom. Equity	Int'l Equity	Bonds	Alternatives	Cash
<b>Combined Funds</b>	<b>46.7%</b>	<b>15.2%</b>	<b>21.4%</b>	<b>14.2%</b>	<b>2.5%</b>
Median Allocation in TUCS*	35.8	16.5	26.3	8.8**	3.2

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

\*\* May include assets other than alternatives.

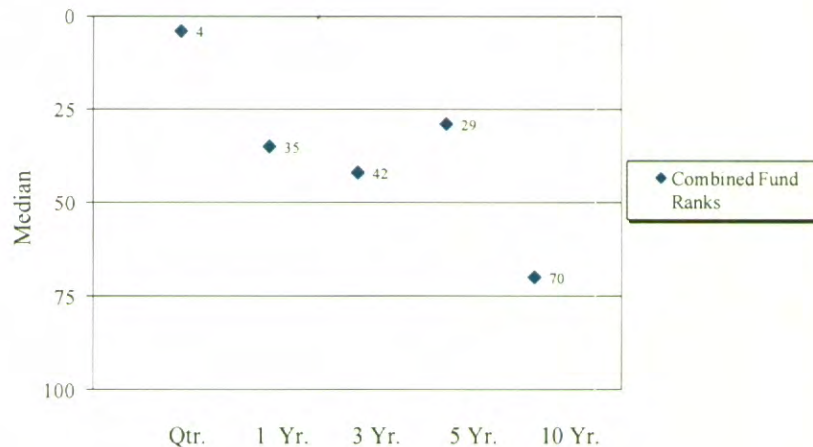
**COMBINED FUNDS  
Performance Compared to Other Pension Funds**

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

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

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

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



	Period Ending 12/31/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Combined Funds Percentile Rank in TUCS*	4th	35th	42nd	29th	70th

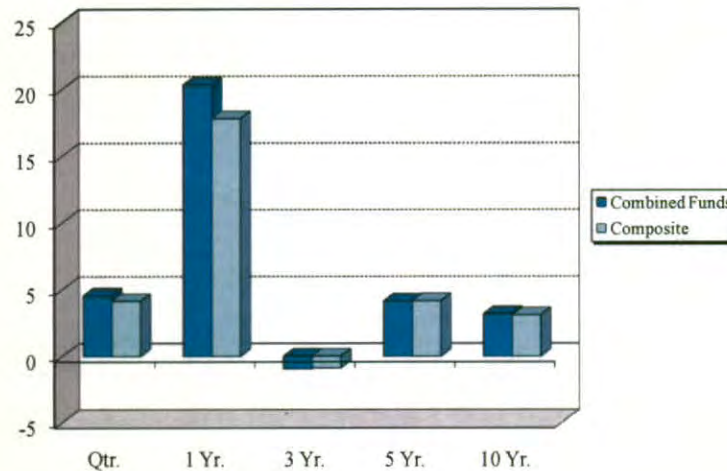
\* Compared to public and corporate plans greater than \$1 billion, gross of fees.

**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:

	<b>Market Index</b>	<b>Combined Funds Composite* 4Q09</b>
Domestic Stocks	Russell 3000	46.1%
Int'l. Stocks	MSCI ACWI Free ex-U.S.	16.3
Bonds	Barclays Capital Aggregate	21.4*
Alternative Investments	Alternative Investments	13.7*
Unallocated Cash	3 Month T-Bills	2.5
		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 12/31/2009**

	<b>Qtr.</b>	<b>1 Yr.</b>	<b>3 Yr.</b>	<b>5 Yr.</b>	<b>10 Yr.</b>
<b>Combined Funds**</b>	<b>4.6%</b>	<b>20.3%</b>	<b>-0.9%</b>	<b>4.1%</b>	<b>3.2%</b>
<b>Composite Index</b>	<b>4.1</b>	<b>17.8</b>	<b>-0.9</b>	<b>4.2</b>	<b>3.1</b>

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

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## STOCK AND BOND MANAGERS

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

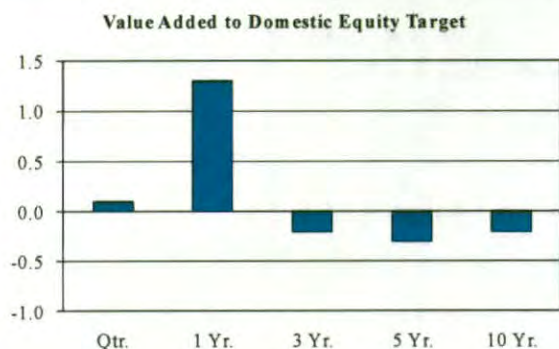
#### Domestic Stocks

**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 12/31/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Domestic Stocks</b>	<b>6.0%</b>	<b>29.6%</b>	<b>-5.6%</b>	<b>0.5%</b>	<b>-0.8%</b>
Asset Class Target*	5.9	28.3	-5.4	0.8	-0.6

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



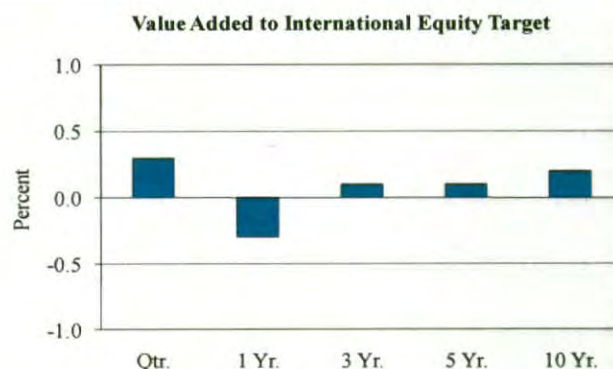
#### International Stocks

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

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

	Period Ending 12/31/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Int'l. Stocks</b>	<b>4.0%</b>	<b>41.2%</b>	<b>-3.3%</b>	<b>6.0%</b>	<b>2.8%</b>
Asset Class Target*	3.7	41.5	-3.4	5.9	2.6

\* 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.

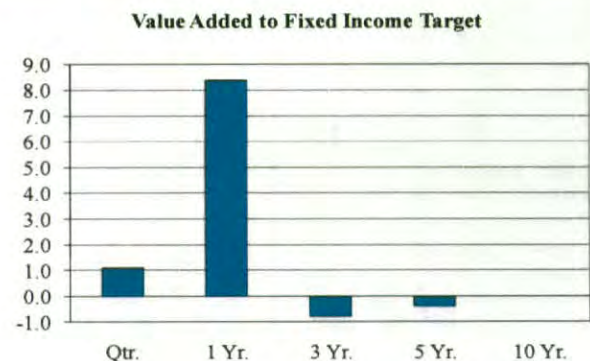


#### Bonds

**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 12/31/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Bonds</b>	<b>1.3%</b>	<b>14.3%</b>	<b>5.2%</b>	<b>4.6%</b>	<b>6.3%</b>
Asset Class Target	0.2	5.9	6.0	5.0	6.3



**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 12/31/2009				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Alternatives	6.1%	-10.0%	5.7%	15.8%	12.9%
Inflation	0.0%	2.7%	2.3%	2.4%	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 12/31/2009				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Real Estate	-4.5%	-33.0%	-5.5%	4.1%	7.3%

**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 12/31/2009				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Private Equity	7.9%	-1.5%	6.9%	16.3%	11.9%

**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 12/31/2009				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Resource	3.7%	-12.3%	11.0%	39.7%	26.2%

**Yield Oriented Investments (Debt emphasis)**

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

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

	Period Ending 12/31/2009				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Yield Oriented	10.6%	-10.3%	10.8%	18.5%	16.1%



## SUPPLEMENTAL INVESTMENT FUND

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

1. It functions as the investment manager for all assets of the Unclassified Employees Retirement Plan, Public Employees Defined Contribution Plan and Hennepin County Supplemental Retirement Plan.
2. It is one investment vehicle offered to employees as part of Minnesota State Colleges and University's Individual Retirement Account Plan and College Supplemental Retirement Plan.
3. It serves as an external money manager for a portion of some local police and firefighter retirement plans.
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 December 31, 2009 the market value of the entire Fund was \$1.1 billion.**

## Investment Options

	12/31/2009 Market Value (In Millions)
<b>Income Share Account</b> – a balanced portfolio utilizing both common stocks and bonds.	\$226
<b>Growth Share Account</b> – an actively managed, all common stock portfolio.	\$105
<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.	\$242
<b>International Share Account</b> – a portfolio of non U.S. stocks that incorporates both active and passive management.	\$117
<b>Bond Market Account</b> – an actively managed, all bond portfolio.	\$120
<b>Money Market Account</b> – a portfolio utilizing short-term, liquid debt securities.	\$164
<b>Fixed Interest Account</b> – a portfolio of guaranteed investment contracts (GIC's) and GIC type investments which offer a fixed rate of return for a specified period of time.	\$107
<b>Volunteer Firefighters Account</b> – a balanced portfolio only used by the Voluntary Statewide Volunteer Firefighter Plan.	\$1

## SUPPLEMENTAL INVESTMENT FUND ACCOUNTS

## INCOME SHARE ACCOUNT

**Investment Objective**

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

**Asset Mix**

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

	Target	Actual
Stocks	60.0%	61.2%
Bonds	35.0	37.1
Unallocated Cash	5.0	1.7
	100.0%	100.0%

## Period Ending 12/31/2009

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	4.0%	22.3%	-0.3%	3.1%	2.5%
Benchmark*	3.6	19.2	-1.3	2.3	2.1

\* 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 12/31/2009

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	6.1%	30.2%	-5.8%	0.2%	-1.0%
Benchmark*	5.9	28.3	-5.4	0.8	-0.6

\* 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 12/31/2009

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	5.9%	28.4%	-5.3%	0.9%	-0.4%
Benchmark*	5.9	28.3	-5.4	0.8	-0.6

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

## INTERNATIONAL SHARE ACCOUNT

**Investment Objective and Asset Mix**

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

## Period Ending 12/31/2009

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Total Account	4.0%	41.4%	-3.2%	6.1%	2.9%
Benchmark*	3.7	41.5	-3.4	5.9	2.6

\* 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 12/31/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Total Account</b>	<b>1.3%</b>	<b>14.4%</b>	<b>5.2%</b>	<b>4.6%</b>	<b>6.4%</b>
Barclays Capital Aggregate	0.2	5.9	6.0	5.0	6.3

### MONEY MARKET ACCOUNT

#### Investment Objective

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

#### Asset Mix

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

	Period Ending 12/31/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Total Account</b>	<b>0.0%</b>	<b>0.3%</b>	<b>2.8%</b>	<b>3.3%</b>	<b>3.2%</b>
3 month T-Bills	0.0	0.1	2.1	2.9	2.8

### FIXED INTEREST ACCOUNT

#### Investment Objectives

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

#### Asset Mix

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

	Period Ending 12/31/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Total Account</b>	<b>1.2%</b>	<b>4.7%</b>	<b>4.7%</b>	<b>4.6%</b>	<b>5.0%</b>
Benchmark*	0.5	1.9	3.1	3.8	3.9

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

### VOLUNTEER FIREFIGHTER ACCOUNT

Assets of \$789 thousand were transferred to this account on 12/31/09.

## DEFERRED COMPENSATION PLAN ACCOUNTS

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

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

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

### Investment Options

	<b>12/31/2009 Market Value (in Millions)</b>
Vanguard Institutional Index (passive)	\$371
Janus Twenty (active)	\$432
Legg Mason Appreciation Y (active)	\$112
Vanguard Mid Cap Index (passive)	\$145
T. Rowe Price Small Cap (active)	\$331
Fidelity Diversified International (active)	\$236
Vanguard Institutional Developed Markets (passive)	\$73
Dodge & Cox Balanced Fund (active)	\$249
Vanguard Balanced Fund (passive)	\$162
Dodge & Cox Income Fund (active)	\$122
Vanguard Total Bond Market Fund (passive)	\$101
SIF Money Market Account	\$91
SIF Fixed Interest Account	\$1,094

## DEFERRED COMPENSATION PLAN ACCOUNTS

## LARGE CAP EQUITY

**Vanguard Institutional Index (passive)**

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

		Period Ending 12/31/2009			
		Annualized			
	Fund	Qtr.	1 Yr.	3 Yr.	5 Yr.
	S&P 500	6.1%	26.7%	-5.5%	0.5%
		6.0	26.5	-5.6	0.4

**Janus Twenty (active)**

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

		Period Ending 12/31/2009			
		Annualized			
	Fund	Qtr.	1 Yr.	3 Yr.	5 Yr.
	S&P 500	5.1%	43.3%	4.2%	6.8%
		6.0	26.5	-5.6	0.4

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

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

		Period Ending 12/31/2009			
		Annualized			
	Fund	Qtr.	1 Yr.	3 Yr.	5 Yr.
	S&P 500	5.3%	21.8%	-2.0%	2.5%
		6.0	26.5	-5.6	0.4

## MID CAP EQUITY

**Vanguard Mid Cap Index (passive)**

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

		Period Ending 12/31/2009			
		Annualized			
	Fund	Qtr.	1 Yr.	3 Yr.	5 Yr.
	MSCI US	6.6%	40.5%	-4.6%	2.4%
	Mid-Cap 450	6.6	40.5	-4.6	2.4

## SMALL CAP EQUITY

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

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

		Period Ending 12/31/2009			
		Annualized			
	Fund	Qtr.	1 Yr.	3 Yr.	5 Yr.
	Russell 2000	5.0%	38.5%	-3.2%	2.1%
		3.9	27.2	-6.1	0.5

## INTERNATIONAL EQUITY

**Fidelity Diversified International (active)**

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

		Period Ending 12/31/2009			
		Annualized			
	Fund	Qtr.	1 Yr.	3 Yr.	5 Yr.
	MSCI EAFE	3.3%	31.8%	-5.7%	3.8%
		2.2	31.8	-6.0	3.5

**Vanguard Institutional Developed Markets (passive)**

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

		Period Ending 12/31/2009			
		Annualized			
	Fund	Qtr.	1 Yr.	3 Yr.	5 Yr.
	MSCI EAFE	1.7%	28.2%	-5.9%	3.6%
		2.2	31.8	-6.0	3.5

## DEFERRED COMPENSATION PLAN ACCOUNTS

## BALANCED

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

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

	Period Ending 12/31/2009			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
<b>Fund</b>	<b>3.8%</b>	<b>28.4%</b>	<b>-4.6%</b>	<b>1.0%</b>
Benchmark	3.7	18.4	-0.8	2.4

**Vanguard Balanced Fund (passive)**

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

	Period Ending 12/31/2009			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
<b>Fund</b>	<b>3.6%</b>	<b>20.2%</b>	<b>-0.2%</b>	<b>3.0%</b>
Benchmark	3.6	19.7	-0.4	2.8

## FIXED INCOME

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

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

	Period Ending 12/31/2009			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
<b>Fund</b>	<b>1.8%</b>	<b>16.1%</b>	<b>6.6%</b>	<b>5.4%</b>
Barclays Capital Aggregate	0.2	5.9	6.0	5.0

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

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

	Period Ending 12/31/2009			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
<b>Fund</b>	<b>0.1%</b>	<b>6.1%</b>	<b>6.1%</b>	<b>5.0%</b>
Barclays Capital Aggregate	0.2	5.9	6.0	5.0

**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 12/31/2009			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
<b>Fund</b>	<b>0.0%</b>	<b>0.3%</b>	<b>2.8%</b>	<b>3.3%</b>
3-Mo. Treas.	0.0	0.1	2.1	2.9

## 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 12/31/2009			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
<b>Fund</b>	<b>1.2%</b>	<b>4.7%</b>	<b>4.7%</b>	<b>4.6%</b>
Benchmark	0.5	1.9	3.3	3.8

## MINNEAPOLIS EMPLOYEES RETIREMENT FUND

### Investment Objectives

On October 1, 2008 the MERF Board appointed the SBI to be the investment manager of all MERF assets as authorized by Minnesota Statutes, Chapter 422A.05. The MERF Board retains the responsibility for all administrative issues and establishes the Fund's investment objectives and asset allocation policy. On December 31, 2009, the market value of the Fund was \$922 million.

### Asset Allocation

As noted above, the MERF Board is responsible for setting the asset allocation policy for the Fund. The target allocation and actual allocation information as of December 31, 2009 is shown below.

#### Asset Mix 12/31/09

	\$ Thousands	% Target Allocation	% Actual Allocation
U.S. Equities	429,877	45.0	46.6
Non-U.S. Equities	175,119	20.0	19.0
Bonds	282,821	30.0	30.7
Cash	33,853	5.0	3.7
<b>Total</b>	<b>921,670</b>	<b>100.0</b>	<b>100.0</b>

### Investment Management

The SBI serves as an investment manager for the Fund. MERF participates in the same investment pools that are used by the Combined Funds, with the exception of the alternative investment pool. State law does not allow MERF to invest in the alternative investment pool. The bond and equity segments are managed to add incremental value through sector and security selection.

### Performance

Quarterly performance through December 31, 2009 for MERF was:

<b>4Q09</b>	<b>1 Year</b>
4.0%	26.6%

## 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.

	12/31/2009 Target	12/31/2009 Actual
Stocks	20.0%	19.4%
Bonds	80.0	80.6
Total	100.0%	100.0%

### Investment Management

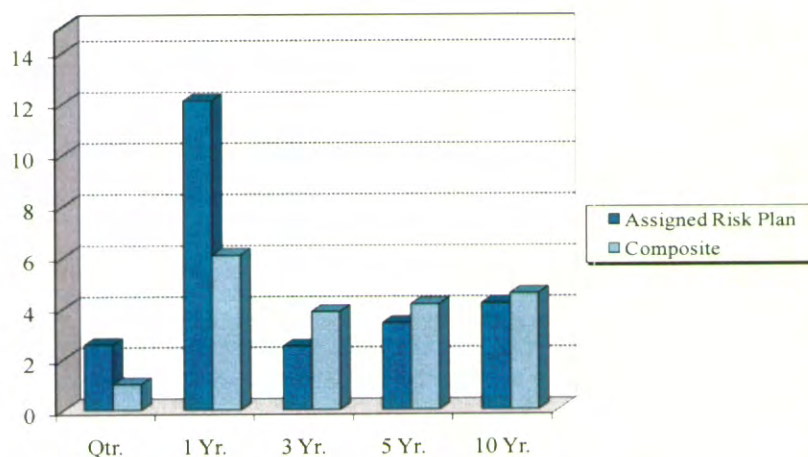
Voyageur Asset Management manages the bond segment of the Fund. GE Investment Management manages the equity segment.

### Performance Benchmarks

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

### Market Value

On December 31, 2009 the market value of the Assigned Risk Plan was \$313 million.



### Period Ending 12/31/2009

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Total Fund*</b>	<b>2.6%</b>	<b>12.1%</b>	<b>2.5%</b>	<b>3.4%</b>	<b>4.2%</b>
Composite	1.0	6.1	3.9	4.1	4.6
<b>Equity Segment*</b>	<b>4.5</b>	<b>32.3</b>	<b>-2.6</b>	<b>2.0</b>	<b>0.8</b>
Benchmark	6.0	26.5	-5.6	0.4	-0.9
<b>Bond Segment*</b>	<b>2.1</b>	<b>8.3</b>	<b>3.8</b>	<b>3.7</b>	<b>4.8</b>
Benchmark	-0.2	0.9	6.0	4.9	5.7

\* 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.

	12/31/2009 Target	12/31/2009 Actual
Stocks	50.0%	54.2%
Bond	48.0	44.4
Cash	2.0	1.4
Total	100.0%	100.0%

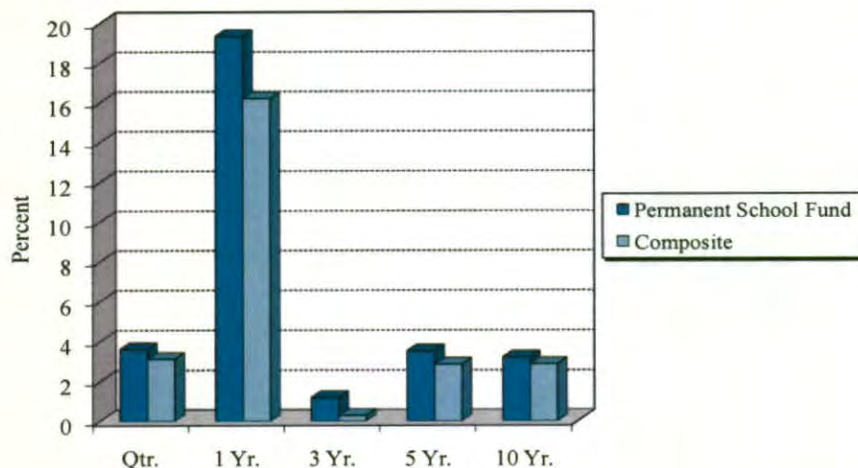
Prior to FY98, the Fund was invested entirely in fixed income securities in order to maximize current income. It is understood that the change in asset mix will reduce portfolio income in the short term, but will enhance the value of the fund, over time.

**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 December 31, 2009 the market value of the Permanent School Fund was \$687 million.



**Period Ending 12/31/2009**

**Annualized**

	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Total Fund (1)</b>	<b>3.6%</b>	<b>19.3%</b>	<b>1.2%</b>	<b>3.5%</b>	<b>3.2%</b>
Composite	3.1	16.2	0.3	2.8	2.9
<b>Equity Segment (1)</b>	<b>6.1</b>	<b>26.3</b>	<b>-5.6</b>	<b>0.5</b>	<b>-0.9</b>
S&P 500	6.0	26.5	-5.6	0.4	-0.9
<b>Bond Segment (1)</b>	<b>0.9</b>	<b>12.2</b>	<b>7.3</b>	<b>5.9</b>	<b>6.9</b>
Barclays Capital Agg.	0.2	5.9	6.0	5.0	6.3

(1) 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.

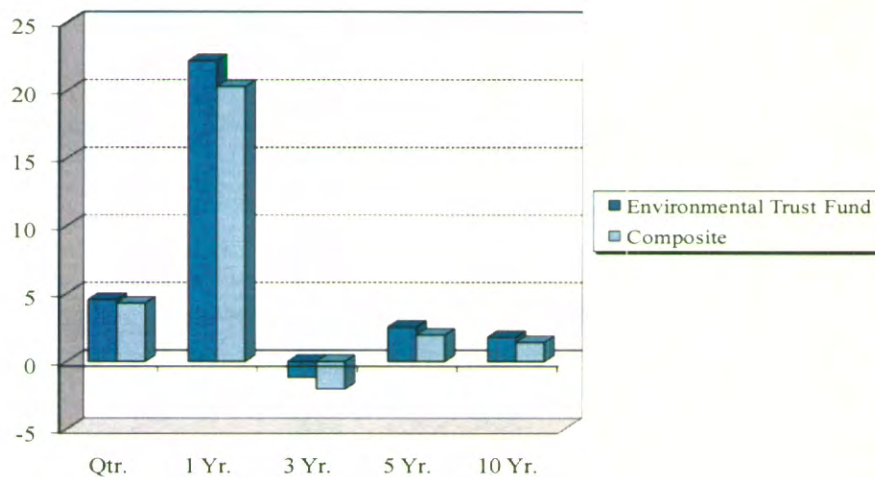
**Investment Management**

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 December 31, 2009 the market value of the Environmental Trust Fund was \$473 million.

	12/31/2009 Target	12/31/2009 Actual
Stocks	70.0%	72.1%
Bonds	28.0	26.2
Cash	2.0	1.7
Total	100.0%	100.0%



	Period Ending 12/31/2009				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Total Fund*</b>	<b>4.6%</b>	<b>22.2%</b>	<b>-1.2%</b>	<b>2.5%</b>	<b>1.8%</b>
Composite	4.3	20.3	-2.0	1.9	1.4
<b>Equity Segment*</b>	<b>6.1</b>	<b>26.3</b>	<b>-5.5</b>	<b>0.5</b>	<b>-0.8</b>
S&P 500	6.0	26.5	-5.6	0.4	-0.9
<b>Bond Segment*</b>	<b>0.9</b>	<b>12.2</b>	<b>7.2</b>	<b>5.9</b>	<b>7.0</b>
Barclays Capital Agg.	0.2	5.9	6.0	5.0	6.3

\* Actual returns are calculated net of fees.

**CLOSED LANDFILL INVESTMENT FUND**

**Investment Objectives**

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

**Investment Management**

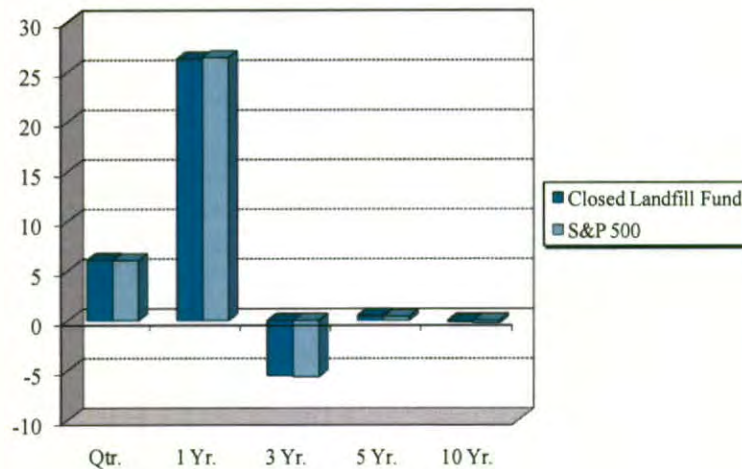
SBI staff manage all assets of the Closed Landfill Investment Fund. The assets are managed to passively track the performance of the S&P 500 index.

**Market Value**

On December 31, 2009, the market value of the Closed Landfill Investment Fund was \$46.1 million.

**Asset Mix**

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



**Period Ending 12/31/2009**

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Total Fund (1)</b>	<b>6.1%</b>	<b>26.3%</b>	<b>-5.5%</b>	<b>0.5%</b>	<b>-0.8%</b>
<b>S&amp;P 500</b>	<b>6.0</b>	<b>26.5</b>	<b>-5.6</b>	<b>0.4</b>	<b>-0.9</b>

(1) Actual returns are calculated net of fees.

## STATE CASH ACCOUNTS

**Description**

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

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

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

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

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

**Investment Objectives**

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

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

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

**Asset Mix**

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

**Investment Management**

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

	Market Value (Millions)	Period Ending 12/31/2009				
		Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Treasurer's Cash Pool*</b>	<b>\$4,713</b>	<b>0.3%</b>	<b>3.0%</b>	<b>3.7%</b>	<b>3.9%</b>	<b>3.7%</b>
Custom Benchmark**		0.0	0.2	2.3	2.8	2.9
<b>Trust Fund Cash Pool*</b>	<b>\$145</b>	<b>0.1</b>	<b>1.1</b>	<b>2.6</b>	<b>3.2</b>	<b>3.2</b>
Custom Benchmark		0.0	0.2	2.3	2.8	2.6
3 month T-Bills		0.0	0.1	2.1	2.9	2.8

\* Actual returns are calculated net of fees.

\*\* Beginning in January 2003, the Treasurer's Cash Pool is measured against the iMoneyNet, All Taxable Money Fund Report Average. From January 1997 to December 2002 the fund was measured against a blended benchmark consisting of the Barclays Capital 1-3 year Government Index and the iMoneyNet, All Taxable Money Fund Report Average. The proportion of each component of the blended benchmark is adjusted periodically as the asset allocation of the Cash Pool is modified.

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

	Cash & ST	Bonds Int	Bonds Ext	Stock Int	Stock Ext	Ext Intl	Alternative	Total
<b>COMBINED RETIREMENT FUNDS</b>								
Teachers Retirement Fund	405,503 2.60%	0	3,336,743 21.37%	0	7,282,763 46.64%	2,377,810 15.23%	2,211,760 14.16%	15,614,579 100%
Public Employees Retirement Fund	294,007 2.54%	0	2,480,235 21.38%	0	5,413,774 46.67%	1,767,510 15.24%	1,643,800 14.17%	11,599,326 100%
State Employees Retirement Fund	184,234 2.33%	0	1,689,800 21.43%	0	3,688,371 46.77%	1,204,206 15.27%	1,119,968 14.20%	7,886,579 100%
Public Employees Police & Fire	120,985 2.64%	0	980,105 21.36%	0	2,139,293 46.62%	698,453 15.22%	649,599 14.16%	4,588,435 100%
Highway Patrol Retirement Fund	10,636 2.10%	0	108,865 21.48%	0	237,612 46.88%	77,579 15.30%	72,160 14.24%	506,852 100%
Judges Retirement Fund	2,842 2.19%	0	27,802 21.46%	0	60,683 46.84%	19,812 15.29%	18,428 14.22%	129,567 100%
Correctional Employees Retirement	12,929 2.44%	0	113,296 21.40%	0	247,307 46.72%	80,740 15.25%	75,084 14.19%	529,356 100%
Public Employees Correctional	4,153 2.05%	0	43,279 21.38%	0	95,495 47.17%	30,845 15.24%	28,675 14.16%	202,447 100%
Legislative Retirement Fund	1,159 5.29%	0	4,778 21.79%	0	9,418 42.95%	3,404 15.52%	3,169 14.45%	21,928 100%
<b>TOTAL COMBINED FUNDS</b>	<b>1,036,448 2.52%</b>	<b>0</b>	<b>8,784,903 21.39%</b>	<b>0</b>	<b>19,174,716 46.68%</b>	<b>6,260,359 15.24%</b>	<b>5,822,643 14.17%</b>	<b>41,079,069 100%</b>

	Cash & ST	Bonds Int	Bonds Ext	Stock Int	Stock Ext	Ext Intl	Alternative	Total
Mpls EE Retirement Plan	27,507 3.36%	0	252,392 30.83%	0	382,867 46.78%	155,766 19.03%	0	818,532 100%
Mpls EE Retirement Active	5,459 5.34%	0	30,421 29.75%	0	47,010 45.98%	19,353 18.93%	0	102,243 100%
Mpls EE Retirement Deposit Acct	897 100.00%	0	0	0	0	0	0	897 100%
<b>TOTAL MERF FUNDS</b>	33,863 3.67%	0	282,813 30.69%	0	429,877 46.64%	175,119 19.00%	0	921,672 100%
<b>MINNESOTA SUPPLEMENTAL FUNDS:</b>								
Income Share Account	3,756 1.66%	83,847 37.16%	0	0	138,048 61.18%	0	0	225,651 100%
Growth Share Account	0	0	0	0	105,084 100.00%	0	0	105,084 100%
Money Market Account	164,479 100.00%	0	0	0	0	0	0	164,479 100%
Common Stock Index	0	0	0	0	242,258 100.00%	0	0	242,258 100%
Bond Market Account	0	0	120,197 100.00%	0	0	0	0	120,197 100%
International Share Account	0	0	0	0	0	117,103 100.00%	0	117,103 100%
Stable Value Fund	0	0	107,454 100.00%	0	0	0	0	107,454 100%
Volunteer Firefighters Account	40 5.07%	0	356 45.12%	0	274 34.73%	119 15.08%	0	789 100%
<b>TOTAL SUPPLEMENTAL FUNDS</b>	168,275 15.54%	83,847 7.74%	228,007 21.05%	0	485,664 44.85%	117,222 10.82%	0	1,083,015 100%

	Cash & ST	Bonds Int	Bonds Ext	Stock Int	Stock Ext	Ext Intl	Alternative	Total
MN DEFERRED COMP PLAN	100,388 2.85%	0	1,444,045 41.03%	0	1,666,328 47.35%	308,740 8.77%	0	3,519,501 100%
TOTAL RETIREMENT FUNDS	1,338,974 2.87%	83,847 0.18%	10,739,768 23.05%	0	21,756,585 46.69%	6,861,440 14.72%	5,822,643 12.49%	46,603,257 100%
ASSIGNED RISK PLAN	5,490 1.75%	0	247,613 79.15%	0	59,747 19.10%	0	0	312,850 100%
ENVIRONMENTAL FUND	8,056 1.70%	123,739 26.18%		340,841 72.12%	0	0	0	472,636 100%
PERMANENT SCHOOL FUND	10,010 1.46%	304,608 44.36%		371,996 54.18%	0	0	0	686,614 100%
CLOSED LANDFILL INVESTMENT	0	0	0	46,139 100.00%	0	0	0	46,139 100%
TREASURERS CASH	4,709,912 100.00%	0	0	0	0	0	0	4,709,912 100%
HOUSING FINANCE AGENCY	0	43,339 100.00%	0	0	0	0	0	43,339 100%
MINNESOTA DEBT SERVICE FUND	0	52,539 100.00%	0	0	0	0	0	52,539 100%
MISCELLANEOUS ACCOUNTS	191,850 33.71%	203,748 35.81%	0	173,465 30.48%	0	0	0	569,063 100%
TOTAL CASH AND NON-RETIREMENT	4,925,318 71.45%	727,973 10.56%	247,613 3.59%	932,441 13.53%	59,747 0.87%	0	0	6,893,092 100%
GRAND TOTAL	6,264,292 11.71%	811,820 1.52%	10,987,381 20.54%	932,441 1.74%	21,816,332 40.78%	6,861,440 12.83%	5,822,643 10.88%	53,496,349 100%

# **Tab B**



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

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DATE: February 9, 2010

TO: Members, State Board of Investment

FROM: **Howard Bicker**

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

A report on the SBI's administrative budget for the period ending January 31, 2010 is included as **Attachment A**.

A report on travel for the period from November 5, 2009 - February 4, 2010 is included as **Attachment B**.

### **2. Results of FY09 Financial Audit**

The Office of the Legislative Auditor has completed its audit of SBI operations for Fiscal Year 2009. Each member of the State Board of Investment and the Investment Advisory Council will receive a copy of the final report.

### **3. Legislative Update**

I will present a verbal update on any legislation activity of interest to the SBI.

### **4. 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 has received periodic reports from the Sudan Divestment Task Force about the status of companies with operations in Sudan. The Sudan Divestment Task Force was recently reorganized as part of the Conflict Risk Network (CRN). The reports staff has received from the Task Force now come from the Conflict Risk Network in somewhat different form. Until further notice, staff will continue to receive the reports free of charge.

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

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

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

There was no divestment activity required in the fourth quarter of 2009.

**Attachment C** is a copy of the December 8, 2009 letter sent to each international equity manager and domestic equity manager containing the most recent restricted list and the list of stocks to be divested.

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

## 5. Update on Iran

Last quarter staff provided a report on implementing Laws of Minnesota 2009, Chapter 90, codified as *Minnesota Statutes*, section 11A.244, that requires SBI actions concerning companies with operations in Iran.

SBI subscribes to the Iran service provided by RiskMetrics and regularly receives a list of companies with operations in Iran. SBI received its initial list of scrutinized companies in October. See **Attachment E** for this list. Staff created a List of Restricted Iran Companies and sent a letter dated November 9, 2009 to each domestic and international equity manager and fixed income manager with instructions that the managers may not purchase additional publicly traded securities of the companies.

Staff also identified and wrote to the companies in which the SBI has current equity or fixed income investments. The letters requested a written response within 90 days. Staff will review the responses in order to determine if any of the companies must be placed on a divestment list.

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

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

As required by the law, the SBI provided a status report in January 2010 to the Legislative Committees having jurisdiction over the SBI.

#### **6. Litigation Update**

SBI legal counsel will give the Board a verbal update on the status of the litigation at the Board meeting on February 25, 2010.

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ATTACHMENT A

**STATE BOARD OF INVESTMENT  
FISCAL YEAR 2010 ADMINISTRATIVE BUDGET REPORT  
FISCAL YEAR TO DATE THROUGH JANUARY 31, 2010**

ITEM	FISCAL YEAR 2010 BUDGET	FISCAL YEAR 2010 1/31/2010
<b>PERSONAL SERVICES</b>		
FULL TIME EMPLOYEES	\$ 2,923,000	\$ 1,536,015
PART TIME EMPLOYEES	\$ 75,000	\$ 37,998
SEVERENCE PAYOFF	20,000	0
WORKERS COMPENSATION INSURANCE	1,000	568
MISCELLANEOUS PAYROLL	4,000	0
<b>SUBTOTAL</b>	<b>\$ 3,023,000</b>	<b>\$ 1,574,581</b>
<b>STATE OPERATIONS</b>		
RENTS & LEASES	205,000	115,549
REPAIRS/ALTERATIONS/MAINTENANCE	10,000	6,167
PRINTING & BINDING	10,000	2,643
PROFESSIONAL/TECHNICAL SERVICES	0	0
COMPUTER SYSTEMS SERVICES	20,000	13,296
COMMUNICATIONS	30,000	14,161
TRAVEL, IN-STATE	3,000	119
TRAVEL, OUT-STATE	60,000	18,059
SUPPLIES	40,000	16,425
EQUIPMENT	25,000	1,711
EMPLOYEE DEVELOPMENT	20,000	485
OTHER OPERATING COSTS	10,000	6,139
<b>SUBTOTAL</b>	<b>\$ 433,000</b>	<b>\$ 194,754</b>
<b>TOTAL ADMINISTRATIVE BUDGET</b>	<b>\$ 3,456,000</b>	<b>\$ 1,769,335</b>



ATTACHMENT B

STATE BOARD OF INVESTMENT

**Travel Summary by Date**  
**SBI Travel November 5, 2009 – February 4, 2010**

<b>Purpose</b>	<b>Name(s)</b>	<b>Destination and Date</b>	<b>Total Cost</b>
<b>Manager Monitoring:</b> <b>International Equity Managers:</b> AllianceBernstein L.P.; Pyramis Global Advisors Trust Co.; J.P. Morgan Inv. Mgmt. Marathon Asset Mgmt.; State Street Global Advisors; Threadneedle Asset Mgmt. <b>Manager Monitoring:</b> <b>Alternative Investment Managers:</b> Advent International; CVC Capital Partners <b>Manager Search:</b> <b>Alternative Investment Manager:</b> Apax Partners	T. Richardson	London, England 11/4-11/12	\$2,935.22
<b>Conference:</b> Public Funds Summit sponsored by: Opal Financial Group	H. Bicker	Phoenix, AZ 1/5-1/8	573.20
<b>Manager Search:</b> <b>Alternative Investment Managers:</b> Audax; Hancock Timber	M. McGirr	Boston, MA New York, NY 1/19-1/20	334.00
<b>Manager Monitoring:</b> <b>Domestic Equity Manager:</b> INTECH Investment Mgmt.	T. Brusehaver P. Ammann	West Palm Beach, FL 1/27-1/28	1,455.08

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## ATTACHMENT C

Letter to SBI International Equity Managers

December 8, 2009

### **Regarding: Sudan Companies**

Dear Manager:

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

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

**Attachment 1** is the List of Restricted Sudan Stocks. **These securities may not be purchased for the SBI portfolio that your organization manages.** Please note that the attached List makes changes to the List of Restricted Sudan Stocks that was attached to the September 29, 2009 letter you received. **This new list is effective December 11, 2009.**

- The following companies have been added to the restricted list:
  - Oil India Limited
  - PTT Public Company Limited (PTT)
  - Seadrill Limited
  
- The following companies have been deleted from the restricted list:
  - Dietswell Engineering
  - Kencana Petroleum Berhad
  - Kejuruteraan Samudra Timur Berhad
  - PECD Berhad

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

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

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

**Attachment 3** is a list of security identifiers for the companies on the List of Restricted Sudan Stocks (**Attachment 1**) that your organization may use. Please note that the list of security identifiers has information on companies not on the restricted list.

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

Sincerely,

Teresa J. Richardson  
Assistant Executive Director

Enclosures

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

Letter to SBI Domestic Equity Managers

December 8, 2009

**Regarding: Sudan Companies**

Dear Manager:

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

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

**Attachment 1** is the List of Restricted Sudan Stocks. **These securities may not be purchased for the SBI portfolio that your organization manages.** Please note that the attached List makes changes to the List of Restricted Sudan Stocks that was attached to the September 29, 2009 letter you received. **This new list is effective December 11, 2009.**

- The following companies have been added to the restricted list:
  - Oil India Limited
  - PTT Public Company Limited (PTT)
  - Seadrill Limited
  
- The following companies have been deleted from the restricted list:
  - Dietswell Engineering
  - Kencana Petroleum Berhad
  - Kejuruteraan Samudra Timur Berhad
  - PECD Berhad

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

**Attachment 3** is a list of security identifiers for the companies on the List of Restricted Sudan Stocks (**Attachment 1**) that your organization may use. Please note that the list of security identifiers has information on companies not on the restricted list.

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

Sincerely,

Teresa J. Richardson  
Assistant Executive Director

Enclosures

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

**ATTACHMENT 1**

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

**ATTACHMENT 1**

**Restricted Sudan Stocks**

<b>Company Name</b>	<b>Country of Origin</b>
Scomi Engineering Berhad	Malaysia
Electricity Generating PCL AKA EGCO	Thailand
PTT Public Company AKA PTT	Thailand
Mercator Lines Singapore	Singapore
Alstom	France
Areva SA	France
Seadrill Limited	Bermuda

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

Source: Genocide Intervention Network

December 4, 2009

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

Note: AKA means "Also Known As"

Source: Genocide Intervention Network

December 4, 2009





Company	Primary Company (Affiliate/Parent)	Exchange	Security Type	Security Name	Ticker	WPK Number	ISIN	CUSIP	ISOCOM	IBIN	COMMON	CFIS	Fundcode	CATS Code
BHARAT ELECTRONICS LIMITED (INDIA)	BHARAT ELECTRONICS LIMITED	Mumbai (XBOM)	Common Stock	BHARAT ELECTRONICS LIMITED	BHE IN	120304	IN139715 IN			INE203A01016				
BHARAT HEAVY ELECTRICALS (INDIA)	BHARAT HEAVY ELECTRICALS	Nat India (DNBE)	Common Stock	BHARAT HEAVY ELECTRICALS	BHEF US	846085	IN129503 US			INE207A01018			Y088ZL117	
BHARAT HEAVY ELECTRICALS (INDIA)	BHARAT HEAVY ELECTRICALS	OTC US (OQTC)	Common Stock	BHARAT HEAVY ELECTRICALS	BHEF US	846085	IN129503 US			INE207A01018				
CNPC HONG KONG LTD (BERMUDA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Hong Kng (XHKG)	Common Stock	CNPC HONG KONG LIMITED	135 HK		952131	952131	952131	BM02237F1280	048000027			
CNPC HONG KONG LTD (BERMUDA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Frankfurt (XFR)	Common Stock	CNPC HONG KONG LIMITED	CTJ GR	888613	5387753 DE			BM02237F1005	007778755			
CNPC HONG KONG LTD (BERMUDA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	OTC Exchange (OQTC)	Common Stock	CNPC HONG KONG LIMITED	CKHGF US	888613	8010023 US			BM02237F1005	007778755			
CNPC HONG KONG LTD (BERMUDA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	OTC Exchange (OQTC)	Common Stock	CNPC HONG KONG LTD-UNEF ADR	CKHGF US	888613	8010023 US			BM02237F1005	007778755			
DAQING HUAKE GROUP CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Shenzhen (XSHZ)	Common Stock	DAQING HUAKE GROUP CO-A	00085 CH		ADMA62	827768 US		CNE0000038				
DAQING HUAKE GROUP CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Shenzhen (XSHZ)	Common Stock	DAQING HUAKE GROUP CO-A	00085 CH		ADMA62	827768 US		CNE0000038				
IRAN DIESEL ENGINE CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Frankfurt (XFR)	Common Stock	IRAN DIESEL ENGINE CO-A	000617 CH		ADMA32T	6486109 CH		CNE00000083				
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Hong Kng (XHKG)	Common Stock	PETROCHINA CO LTD-H	857 HK		ADMA4YQ	8228578 HK		CNE10000036	011014674			
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	OTC US (OQTC)	Common Stock	PETROCHINA CO LTD-H	PCB GR		ADMA4YQ	5935057 DE		CNE10000036	011014674			
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	OTC US (OQTC)	Common Stock	PETROCHINA CO LTD-H	PCBYF US		ADMA4YQ	801048 US		CNE10000036	011014674			Y8883Q104
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Shanghai (XSHG)	Common Stock	PETROCHINA CO LTD	801857 CH			8285L03 CH		CNE10000071				
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	London Int (XLON)	Common Stock	PETROCHINA CO LTD-H	PCA LI		ADMA4YQ	8177087 GB		CNE10000036	011014674			
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Chi-X AS TS (CHX)	Common Stock	PETROCHINA CO LTD-H	PCGG IX		ADMA4YQ	5939567 DE		CNE10000036	011014674			
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	New York (XNY)	ADR	PETROCHINA CO LTD-ADR	PTR US		836663	258841 US		US17646E1001	011511449			
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Frankfurt (XFR)	ADR	PETROCHINA CO LTD-ADR	PCGA GR		836663	4833327 DE		US17646E1001	011511449			
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Buenos Floor (XBUE)	Receipt	PETROCHINA CO LTD-CEDEAR	PTR AR			81C5832 AR		ARDEUT113958				
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Buenos Floor (XBUE)	Receipt	PETROCHINA CO LTD-CEDEAR BLK	PTR AR			81C5832 AR		ARDEUT113958				
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Buenos Floor (XBUE)	Receipt	PETROCHINA CO LTD-CEDEAR G/E	PTR AR			81C5832 AR		ARDEUT113958				
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Chi-X AS TS (CHX)	ADR	PETROCHINA CO LTD-ADR	PTY1 IX		836663	4833327 DE	71046E100	US17646E1001	011511449			
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Chi-X AS TS (CHX)	Common Stock	PETROCHINA CO LTD-H	LO857 IX		836663	4833327 DE		CNE10000036	011014674			
PETROCHINA CO LTD (CHINA)	CHINA NATIONAL PETROLEUM CORP aka CNPC	Buenos Floor (XBUE)	Receipt	PETROCHINA CO LTD-CEDEAR S	PTD AR			81C5832 AR		ARDEUT113958				
NORINCO INTERNATIONAL COOPERATION LTD	CHINA NORTH INDUSTRIAL CORPORATION (CHONG/NORINCO)	Shenzhen (XSHZ)	Common Stock	NORINCO INTL COOPERATION-A	000655 CH		ADMA35W	8112313 CH		CNE00000029				
CHINA PETROCHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Hong Kng (XHKG)	Common Stock	CHINA PETROCHEMICAL CORP-H	924 HK		ADMA35W	8291818 HK		CNE10000022	012150204			
CHINA PETROCHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Frankfurt (XFR)	Common Stock	CHINA PETROCHEMICAL CORP-H	CHU GR		ADMA35W	8291818 HK		CNE10000022	012150204			
CHINA PETROCHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	OTC US (OQTC)	Common Stock	CHINA PETROCHEMICAL CORP-H	SINP US		ADMA35W	8013KX7 US		CNE10000022	012150204			Y15010104
CHINA PETROCHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Shanghai (XSHG)	Common Stock	CHINA PETROCHEMICAL CORP-H	800228 CH		ADMA404	8373728 CH		CNE10000022				
CHINA PETROCHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	OTC US (OQTC)	Common Stock	CHINA PETROCHEMICAL CORP-H	SINP US		ADMA404	8373728 CH		CNE10000022				
CHINA PETROCHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	New York (XNY)	ADR	CHINA PETROCHEMICAL CORP-H	SNP US		578971	263189 US		CNE00000161	011802974			Y15010112
CHINA PETROCHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Munich (XMUN)	ADR	CHINA PETROCHEMICAL CORP-H	CHU GR		578971	263189 US		US16841R1086	011802974			
CHINA PETROCHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	London Int (XLON)	ADR	CHINA PETROCHEMICAL CORP-H	SNP AR			2654375 GB		US16841R1086	011802974			
CHINA PETROCHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Buenos Floor (XBUE)	Receipt	CHINA PETROCHEMICAL CORP-H	SINP AR			81C5832 AR		ARDEUT114671				
CHINA PETROCHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Buenos Floor (XBUE)	Receipt	CHINA PETROCHEMICAL CORP-H	SINP AR			81C5832 AR		ARDEUT114671				
CHINA PETROCHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Buenos Floor (XBUE)	Receipt	CHINA PETROCHEMICAL CORP-H	SINP AR			81C5832 AR		ARDEUT114671				
CHINA PETROCHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Buenos Floor (XBUE)	Receipt	CHINA PETROCHEMICAL CORP-H	SINP AR			81C5832 AR		ARDEUT114671				
CHINA PETROCHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Shenzhen (XSHZ)	Common Stock	KINDREAR PUBLIC LIMITED-A	000852 US		ADMA37A	8136363 CH		CNE00000082				
CHINA PETROCHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Hong Kng (XHKG)	Common Stock	SINOPEC KANTONS HOLDINGS	924 HK		923292	8162282 HK		BM08185U1009	011563384			
CHINA PETROCHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Frankfurt (XFR)	Common Stock	SINOPEC KANTONS HOLDINGS	SAK GR		923292	4601187 DE		011563384				
CHINA PETROCHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	OTC US (OQTC)	Common Stock	SINOPEC KANTONS HOLDINGS	CKHNF US		923292	83K3V3 US		BM08185U1009	011563384			G8169U100
CHINA PETROCHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	OTC US (OQTC)	ADR	SINOPEC KANTONS-UNSPON ADR	SPKOF US			83R1R70 US		US8234V2070				
CHINA PETROCHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Shanghai (XSHG)	Common Stock	SINOPEC SHANGHAI PETROCHEM	800098 CH		ADMA38A	8802784 CH		CNE00000082				
CHINA PETROCHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	London Int (XLON)	Common Stock	SINOPEC SHANGHAI PETROCHEM	SHH LI		ADMA38A	817YK11 GB		CNE10000048	005096182			
CHINA PETROCHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Frankfurt (XFR)	Common Stock	SINOPEC SHANGHAI PETROCHEM	SGJ GR		ADMA45	588632 DE		CNE10000048	005096182			
CHINA PETROCHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Hong Kng (XHKG)	Common Stock	SINOPEC SHANGHAI PETROCHEM-H	334 HK		ADMA45	6787458 HK		CNE10000048	005096182			Y80373106
CHINA PETROCHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	OTC US (OQTC)	Common Stock	SINOPEC SHANGHAI PETROCHEM-H	SP7F US		ADMA45	8011T08 US		CNE10000048	005096182			
CHINA PETROCHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	New York (XNY)	ADR	SINOPEC SHANGHAI PETROCHEM	SHI US		902828	280059 US		US8233811099	012487590			
CHINA PETROCHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Frankfurt (XFR)	ADR	SINOPEC SHANGHAI-SPONS ADR	SHI GR		887189	5734638 DE		US8233811099	012487590			
CHINA PETROCHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	OTC US (OQTC)	Common Stock	SINOPEC SHANGHAI PETROCHEM	SINFF US		ADMA38A	80378V0 US		CNE10000048	005096182			Y80373114
CHINA PETROCHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Hong Kng (XHKG)	Common Stock	SINOPEC YIZHENG CHEMICAL-H	1033 HK		ADMA45	6984699 HK		CNE10000046	008088682			
CHINA PETROCHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	OTC US (OQTC)	Common Stock	SINOPEC YIZHENG CHEMICAL-H	YZCF US		ADMA45	801V4V5 US		CNE10000046	008088682			Y8641W106
CHINA PETROCHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Frankfurt (XFR)	Common Stock	SINOPEC YIZHENG CHEMICAL-H	YZ2H GR		ADMA45	801V4V5 US		CNE10000046	008088682			
CHINA PETROCHEMICAL CORP aka SINOPEC CORP (CHINA)	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Shanghai (XSHG)	Common Stock	SINOPEC YIZHENG CHEMICAL-H	600871 CH		ADMA38	8986740 CH		CNE00000083				
CHINA POLY GROUP CORPORATION	CHINA POLY GROUP CORPORATION	Hong Kng (XHKG)	Common Stock	POLY HONG KONG INVESTMENT LTD	119 HK		885546	6220987 HK		HK0119000674	004580702			
CHINA POLY GROUP CORPORATION	CHINA POLY GROUP CORPORATION	Berlin (XBSE)	Common Stock	POLY HONG KONG INVESTMENT LTD	CMJ GR		885546	814J137 DE		HK0119000674	004580702			
CHINA POLY GROUP CORPORATION	CHINA POLY GROUP CORPORATION	OTC US (OQTC)	Common Stock	POLY HONG KONG INVESTMENT LTD	PKIF US		885546	825CF11 US		HK0119000674	004580702			Y70820102
DONGFENG AUTOMOBILE CO LTD (CHINA)	DONGFENG AUTOMOBILE CO LTD	Shanghai (XSHG)	Common Stock	DONGFENG AUTOMOBILE CO LTD-A	600006 CH		ADMA38C	8163833 CH		CNE00000023				
EGYPTIAN KUWAIT HOLDING CO (EGYPT)	EGYPTIAN KUWAIT HOLDING CO (EGYPT)	Cairo (XCAI)	Common Stock	EGYPTIAN KUWAIT HOLDING CO	EKHO EY		ADH167	806M000		CNE00000023				
EGYPTIAN KUWAIT HOLDING CO (EGYPT)	EGYPTIAN KUWAIT HOLDING CO (EGYPT)	Kuwait (XKUW)	Common Stock	EGYPTIAN KUWAIT HOLDING CO	EKHO DKKK		ADH167	8058H15 JW		E680802C013				
ELECTRICITY GENERATING PCL aka EGCO (THAILAND)	ELECTRICITY GENERATING CO (EGCO)	Bangkok (XBKK)	Common Stock	ELECTRICITY GENERATING PCL	EGCO TH		893182	6304832 TH		EG000000000	006148590			
ELECTRICITY GENERATING PCL aka EGCO (THAILAND)	ELECTRICITY GENERATING CO (EGCO)	OTC US (OQTC)	Common Stock	ELECTRICITY GENERATING PCL	EYGF US		893182	6304832 TH	929728	TH0485010008	006148590			Y22834108
ELECTRICITY GENERATING PCL aka EGCO (THAILAND)	ELECTRICITY GENERATING CO (EGCO)	Bangkok (XBKK)	Common Stock	ELECTRICITY GEN PUB CO-FOR R	EGCOF TB		893183	6304843 TH	930467	TH0485010013	006148593			
ELECTRICITY GENERATING PCL aka EGCO (THAILAND)	ELECTRICITY GENERATING CO (EGCO)	Frankfurt (XFR)	Common Stock	ELECTRICITY GEN PUB CO-FOR R	EGCF GR		893183	6304843 TH	930467	TH0485010013	006148593			
ELECTRICITY GENERATING PCL aka EGCO (THAILAND)	ELECTRICITY GENERATING CO (EGCO)	OTC US (OQTC)	Common Stock	ELECTRICITY GEN PUB CO-FOR R	EYGF US		893183	6304843 TH	930467	TH0485010013	006148593			Y22834108
ELECTRICITY GENERATING PCL aka EGCO (THAILAND)	ELECTRICITY GENERATING CO (EGCO)	Bangkok (XBKK)	Common Stock	ELECTRICITY GENERA PCL-NVDR	EGCOGR TB		893183	6385553 TH	930467	TH0485010013	015682583			Y22834108
ELECTRICITY GENERATING PCL aka EGCO (THAILAND)	ELECTRICITY GENERATING CO (EGCO)	OTC US (OQTC)	Common Stock	ELECTRICITY GENERA PCL-NVDR	EYUJF US		893183	6385553 TH	930467	TH0485010013	015682583			
ESSAR OIL (INDIA)	ESSAR OIL	Munich (XMUN)	Receipt	ELECTRICITY GENERA PCL-NVDR	ESVJF US		893183	6385553 TH	930467	TH0485010013	015682583			
ESSAR OIL (INDIA)	ESSAR OIL	Naal India (XNBE)	Common Stock	ESSAR OIL LTD	ESOL IN		ADNRVKL	6152217 IN		INE011A01019				Y2287G113
GAZ AUTO PLANT (RUSSIA)	GAZ GROUP	RTS (RTSX)	Common Stock	ESSAR OIL LIMITED	ESOL US		ADNRVKL	6152217 IN		INE011A01019				
GAZ AUTO PLANT (RUSSIA)	GAZ GROUP	RTS (RTSX)	Common Stock	GAZ-CLS	GAZAR RU		804428	436225 RU		RU0009093428				
GAZ AUTO PLANT (RUSSIA)	GAZ GROUP	RTS (RTSX)	Common Stock	GAZ-CLS	GAZAR RU		804428	436225 RU		RU0009093428				
GAZ AUTO PLANT (RUSSIA)	GAZ GROUP	RTS (RTSX)	Common Stock	GAZ-T40	GAZAG RU		804428	436225 RU		RU0009093428				
GAZ AUTO PLANT (RUSSIA)	GAZ GROUP	OTC US (OQTC)	Common Stock	GAZ-T40	GAZAF US		804428	436225 RU						

Company	Primary Company (Affiliate/Parent)	Exchange	Security Type	Security Name	Ticker	WPK Number	SECDL	CUSIP	Sicowam	ISIN	COMBRON	CINS	Fundcode	CAT's Code
MAN SE (GERMANY)	MAN SE	Turquoise (TRGX)	Common Stock	MAN SE	MAN TQ	583700	583700		944020	DE0005937007	001117254			
MAN SE (GERMANY)	MAN SE	NSDQQ OMA Eur (NURD)	Common Stock	MAN SE	MAN NG	593700	593700		944020	DE0005937007	001117254			
MAN SE (GERMANY)	MAN SE	Equiset (XEQT)	Common Stock	MAN SE	MAN EQ	583700	583700		944020	DE0005937007	001117254			
MAN SE (GERMANY)	MAN SE	BATS Europe (BATE)	Common Stock	MAN SE	MAN EB	583700	583700		944020	DE0005937007	001117254			
MAN SE (GERMANY)	MAN SE	Euro OTC (XLON)	Common Stock	MAN SE	MAN EO	583700	583700			B10LXR1 GB	DE0005937007	001117254		
MAN SE (GERMANY)	MAN SE	Euro Comp (XLON)	Common Stock	MAN SE	MANGX EU	583700	583700			B10LXR1 GB	DE0005937007	001117254		
MAN SE (GERMANY)	MAN SE	Euro OTC (XLON)	Common Stock	MAN SE	MANGX EU	583700	583700			B10LXR1 GB	DE0005937007	001117254		
MAN SE (GERMANY)	MAN SE	Euro Comp (XLON)	Common Stock	MAN SE	MANCHP EO	583700	583700			B10LXR1 GB	DE0005937007	001117254		
MAN SE (GERMANY)	MAN SE	Euro OTC (XLON)	Common Stock	MAN SE	MANCHP EO	583700	583700			B10LXR1 GB	DE0005937007	001117254		
MAN SE (GERMANY)	MAN SE	Euro Comp (XLON)	Common Stock	MAN SE	MANUSU EO	583700	583700			B10LXR1 GB	DE0005937007	001117254		
MAN SE (GERMANY)	MAN SE	Euro OTC (XLON)	Common Stock	MAN SE	MANGBP EO	583700	583700			B10LXR1 GB	DE0005937007	001117254		
MAN SE (GERMANY)	MAN SE	Euro OTC (XLON)	Common Stock	MAN SE	MANAUD EO	583700	583700			B10LXR1 GB	DE0005937007	001117254		
MAN SE (GERMANY)	MAN SE	Euro Comp (XLON)	Common Stock	MAN SE	MANAUD EO	583700	583700			B10LXR1 GB	DE0005937007	001117254		
MAN SE (GERMANY)	MAN SE	Euro OTC (XLON)	Common Stock	MAN SE	MANNOV EO	583700	583700			B10LXR1 GB	DE0005937007	001117254		
MAN SE (GERMANY)	MAN SE	Euro Comp (XLON)	Common Stock	MAN SE	MANNOV EO	583700	583700			B10LXR1 GB	DE0005937007	001117254		
MAN SE (GERMANY)	MAN SE	Euro OTC (XLON)	Common Stock	MAN SE	MANPLN EO	583700	583700			B10LXR1 GB	DE0005937007	001117254		
MAN SE (GERMANY)	MAN SE	Euro Comp (XLON)	Common Stock	MAN SE	MANPLN EO	583700	583700			B10LXR1 GB	DE0005937007	001117254		
MAN SE (GERMANY)	MAN SE	Euro OTC (XLON)	Common Stock	MAN SE	MANPSE US	583700	583700			B3D7656 US	US5816411014	001117254		
MAN SE (GERMANY)	MAN SE	NYSE ARCA Eu (XHPF)	Common Stock	MAN SE UNSPONSORED ADR	MAN NR	583700	583700		944020	DE0005937007	001117254			
RENK AG (GERMANY)	RENK AG	Frankfurt (XFRA)	Common Stock	RENK AG	ZAR GR	784000	555969 DE		916291	DE0007850000	001121936			
RENK AG (GERMANY)	RENK AG	OTC US (OQTC)	Common Stock	RENK AG	RENK US	795000	8068M84 US		916291	DE0007850000	001121936		D6412108	
RENK AG (GERMANY)	RENK AG	Euro OTC (XLON)	Common Stock	RENK AG	ZAR EO	795000	B28LX31 GB			DE0007850000	001121936			
RENK AG (GERMANY)	RENK AG	Euro OTC (XLON)	Common Stock	RENK AG	ZAR US	795000	B28LX31 GB			DE0007850000	001121936			
RENK AG (GERMANY)	RENK AG	PLUS Mkt Grp (XPLU)	Common Stock	RENK AG	ZAR PZ	795000	B28LX31 GB		916291	DE0007850000	001121936			
ONA S.A. (MORROCCO)	MANAGEM	EN Paris (XPAR)	Common Stock	ONA SA	ONA FP	808173	4658386 FR		040869	MA0000010316	015107839			
ONA S.A. (MORROCCO)	MANAGEM	Casablanca (XCAS)	Common Stock	ONA SA	ONA MC	808173	8393209 MA			MA0000010316	015107839			
ONA S.A. (MORROCCO)	MANAGEM	Euro OTC (XLON)	Common Stock	ONA SA	ONA EU	808173	B290YGB GB			MA0000010316	015107839			
ONA S.A. (MORROCCO)	MANAGEM	Euro Comp (XLON)	Common Stock	ONA SA	ONA EU	808173	B290YGB GB			MA0000010316	015107839			
ONA S.A. (MORROCCO)	MANAGEM	PLUS Mkt Grp (XPLU)	Common Stock	ONA SA	ONA PZ	808173	B290YGB GB			MA0000010316	015107839			
ONA S.A. (MORROCCO)	MANAGEM	Euro OTC (XLON)	Common Stock	ONA SA	MANAUR EO	808173	B290YGB GB			MA0000010316	015107839			
ONA S.A. (MORROCCO)	MANAGEM	Euro Comp (XLON)	Common Stock	ONA SA	MNG MC	185414	6287454 MA			MA0000010584	015107839			
ONA S.A. (MORROCCO)	MANAGEM	OTC US (OQTC)	Common Stock	MANAGEM	MNAGF US	185414				MA0000010584	015107839			
SOCIETE METALLURGIQUE D'IMITER (MORROCCO)	MANAGEM	Casablanca (XCAS)	Common Stock	SOCIETE METALLURGIQUE D'IMITER	SMI MC	258307	6007759 MA			MA0000010968			V58715109	
MERCATOR LINES (INDIA)	MERCATOR LINES	Nat India (XNSE)	Common Stock	MERCATOR LINES LIMITED	MRLN IN	ADLGOH	B05H315 IN			INE348010228				
MERCATOR LINES (INDIA)	MERCATOR LINES	OTC US (OQTC)	Common Stock	MERCATOR LINES LIMITED	MORCF US	ADLGOH	B05H315 IN			INE348010228				
MERCATOR LINES (SINGAPORE)	MERCATOR LINES	Berlin (XBER)	Common Stock	MERCATOR LINES SINGAPORE LTD	MRLN SG	ADLGOH	B05H315 IN			INE348010228				
MERCATOR LINES (SINGAPORE)	MERCATOR LINES	Singapore (XSE)	Common Stock	MERCATOR LINES SINGAPORE LTD	MRLN SP	ADLGOH	B05H315 IN			INE348010228				
FAVELLE FAVCO BHD (MALAYSIA)	MUHIBBAH ENGINEERING BHD	Kuala Lumpur (XKLS)	Common Stock	FAVELLE FAVCO BHD	FFB MK	884787	B186V09 MY			MYF172290007				7229
MUHIBBAH ENGINEERING (M) BHD (MALAYSIA)	MUHIBBAH ENGINEERING BHD	Kuala Lumpur (XKLS)	Common Stock	MUHIBBAH ENGINEERING (M) BHD	MUHB MK	884787	B186V09 MY			MYF172290007				5703
MUHIBBAH ENGINEERING (M) BHD (MALAYSIA)	MUHIBBAH ENGINEERING BHD	OTC US (XOTC)	Common Stock	MUHIBBAH ENGINEERING (M) BHD	MUHB US	884787	B186V09 MY			MYF172290007				
NAM FATT CORP BHD (MALAYSIA)	NAM FATT CORP BHD	Kuala Lumpur (XKLS)	Common Stock	NAM FATT CORPORATION BERHAD	NAF MK	885047	6621159 MY		920375	MYL490100004	008141277			4801
NAM FATT CORP BHD (MALAYSIA)	NAM FATT CORP BHD	OTC US (OQTC)	Common Stock	NAM FATT CORPORATION BERHAD	NAMAF US	885047	6621159 MY		920375	MYL490100004	008141277			
NIPPON OIL CORPORATION (JAPAN)	NIPPON OIL CORPORATION	Tokyo (XTKS)	Common Stock	NIPPON OIL CORPORATION	NOI JP	989513	6641403 JP			JP396790008	000614834			
NIPPON OIL CORPORATION (JAPAN)	NIPPON OIL CORPORATION	Frankfurt (XFRA)	Common Stock	NIPPON OIL CORPORATION	NIO GR	989513	6641403 JP			JP396790008	000614834			
NIPPON OIL CORPORATION (JAPAN)	NIPPON OIL CORPORATION	OTC US (OQTC)	Common Stock	NIPPON OIL CORPORATION	NPOIF US	989513	6641403 JP			JP396790008	000614834			
NIPPON OIL CORPORATION (JAPAN)	NIPPON OIL CORPORATION	ADP	Common Stock	NIPPON OIL CORP-UNSPON ADR	NPOY US	989513	6641403 JP			JP396790008	000614834			J548F100
NIPPON OIL CORPORATION (JAPAN)	NIPPON OIL CORPORATION	Tokyo (XTKS)	Common Stock	NIPPON OIL CORPORATION	NOI JP	989513	6641403 JP			JP396790008	000614834			
NIPPON OIL CORPORATION (JAPAN)	NIPPON OIL CORPORATION	OTC US (OQTC)	Common Stock	NIPPON OIL CORPORATION	NPOY US	989513	6641403 JP			JP396790008	000614834			
MANGALORE REFINERY & PETROCHEMICALS LIMITED (INDIA)	OIL & NATURAL GAS CORP	Mumbai (XBOM)	Common Stock	MANGALORE REFINERY & PETRO	MRLN IN	ADNANW	8121530 IN			INE103A01014				
MANGALORE REFINERY & PETROCHEMICALS LIMITED (INDIA)	OIL & NATURAL GAS CORP	Nat India (XNSE)	Common Stock	MANGALORE REFINERY & PETRO	MRLN IN	ADNANW	8121530 IN			INE103A01014				
MANGALORE REFINERY & PETROCHEMICALS LIMITED (INDIA)	OIL & NATURAL GAS CORP	OTC US (OQTC)	Common Stock	MANGALORE REFINERY & PETRO	MRLN IN	ADNANW	8121530 IN			INE103A01014				
OIL & NATURAL GAS CORP LTD (INDIA)	OIL & NATURAL GAS CORP LTD	Mumbai (XBOM)	Common Stock	OIL & NATURAL GAS CORP LTD	ONGC IN	779547	8139362 IN			INE13A01011				Y578P137
OIL & NATURAL GAS CORP LTD (INDIA)	OIL & NATURAL GAS CORP LTD	Nat India (XNSE)	Common Stock	OIL & NATURAL GAS CORP LTD	ONGC IN	779547	8139362 IN			INE13A01011				
OIL & NATURAL GAS CORP LTD (INDIA)	OIL & NATURAL GAS CORP LTD	OTC US (OQTC)	Common Stock	OIL & NATURAL GAS CORP LTD	ONGCF US	779547	8139362 IN			INE13A01011				Y6406E17
OIL INDIA LTD (INDIA)	OIL INDIA LTD	Nat India (XNSE)	Common Stock	OIL INDIA LTD	ONIL IN	849496	849496 IN			INE274201014				
PETROFAC LTD (UK)	PETROFAC LTD	London (XLON)	Common Stock	PETROFAC LTD	PFC LN	ADHFYF	80H2K53 GB			G800B0H2K534	023209284			
PETROFAC LTD (UK)	PETROFAC LTD	Frankfurt (XFRA)	Common Stock	PETROFAC LTD	P2F GR	ADHFYF	80LWH84 DE			G800B0H2K534	023209284			
PETROFAC LTD (UK)	PETROFAC LTD	SWX Europe1 (AVTX)	Common Stock	PETROFAC LTD	PFC VX	ADHFYF	80H2K53 GB			G800B0H2K534	023209284			
PETROFAC LTD (UK)	PETROFAC LTD	Euro Comp (XLON)	Common Stock	PETROFAC LTD	PFC VX	ADHFYF	80H2K53 GB			G800B0H2K534	023209284			
PETROFAC LTD (UK)	PETROFAC LTD	OTC US (OQTC)	Common Stock	PETROFAC LTD	PFC VX	ADHFYF	80H2K53 GB			G800B0H2K534	023209284			7G0527101
PETROFAC LTD (UK)	PETROFAC LTD	Chi-X AIR TS (CHIX)	Common Stock	PETROFAC LTD	PFC VX	ADHFYF	80H2K53 GB			G800B0H2K534	023209284			
PETROFAC LTD (UK)	PETROFAC LTD	PLUS Mkt Grp (XPLU)	Common Stock	PETROFAC LTD	PFC PZ	ADHFYF	80H2K53 GB			G800B0H2K534	023209284			
PETROFAC LTD (UK)	PETROFAC LTD	Turquoise (TRGX)	Common Stock	PETROFAC LTD	PFC TO	ADHFYF	80H2K53 GB			G800B0H2K534	023209284			
PETROFAC LTD (UK)	PETROFAC LTD	NSDQQ OMA Eur (NURD)	Common Stock	PETROFAC LTD	PFC TO	ADHFYF	80H2K53 GB			G800B0H2K534	023209284			
PETROFAC LTD (UK)	PETROFAC LTD	Equiset (XEQT)	Common Stock	PETROFAC LTD	PFC BO	ADHFYF	80H2K53 GB			G800B0H2K534	023209284			
PETROFAC LTD (UK)	PETROFAC LTD	BATS Europe (BATE)	Common Stock	PETROFAC LTD	PFC BE	ADHFYF	80H2K53 GB			G800B0H2K534	023209284			
PETROFAC LTD (UK)	PETROFAC LTD	Euro Comp (XLON)	Common Stock	PETROFAC LTD	PFCUR EU	ADHFYF	80H2K53 GB			G800B0H2K534	023209284			
PETROFAC LTD (UK)	PETROFAC LTD	Euro OTC (XLON)	Common Stock	PETROFAC LTD	PFCUR EU	ADHFYF	80H2K53 GB			G800B0H2K534	023209284			
PETROFAC LTD (UK)	PETROFAC LTD	Euro OTC (XLON)	Common Stock	PETROFAC LTD	PFCBP EO	ADHFYF	80H2K53 GB			G800B0H2K534	023209284			
PETROFAC LTD (UK)	PETROFAC LTD	Euro OTC (XLON)	Common Stock	PETROFAC LTD	PFCUSG EO	ADHFYF	80H2K53 GB			G800B0H2K534	023209284			
PETROFAC LTD (UK)	PETROFAC LTD	Euro Comp (XLON)	Common Stock	PETROFAC LTD	PFCUSG EO	ADHFYF	80H2K53 GB			G800B0H2K534	023209284			
PETROFAC LTD (UK)	PETROFAC LTD	Euro Comp (XLON)	Common Stock	PETROFAC LTD	PFCUR EU	ADHFYF	80H2K53 GB			G800B0H2K534	023209284			
KLCC PROPERTY HOLDINGS BHD (MALAYSIA)	PETROLIUM NASIONAL BERHAD aka PETRONAS	OTC US (OQTC)	Common Stock	KLCC PROPERTY HOLDINGS BHD	KPYHF US	ADJ6EE	B08H8K8 US			MYF150890007				Y4804V10
KLCC PROPERTY HOLDINGS BHD (MALAYSIA)	PETROLIUM NASIONAL BERHAD aka PETRONAS	Kuala Lumpur (XKLS)	Common Stock	KLCC PROPERTY HOLDINGS BHD	KLCC MK	880296	8029917 MY			MYF150890007				5089
MALAYSIA INTERNATIONAL SHIPPING COMPANY aka MISC BHD (MALAY)	PETROLIUM NASIONAL BERHAD aka PETRONAS	Kuala Lumpur (XKLS)	Common Stock	MISC BHD	MISC MK	880504	6557997 MY		905279	MYF381601005	003527883			3816
MALAYSIA INTERNATIONAL SHIPPING COMPANY aka MISC BHD (MALAY)	PETROLIUM NASIONAL BERHAD aka PETRONAS	OTC US (OQTC)	Common Stock	MISC BHD	MISC MK	880504	6557997 MY		905550	MYF381601005	003527883			3816
MALAYSIA INTERNATIONAL SHIPPING COMPANY aka MISC BHD (MALAY)	PETROLIUM NASIONAL BERHAD aka PETRONAS	OTC US (OQTC)	Common Stock	MISC BHD	MHOF US	880504	8020753 US		905279	MYF381601005	003527883			5
PETRONAS DAGANGAN BHD (MALAYSIA)	PETROLIUM NASIONAL BERHAD aka PETRONAS	Kuala Lumpur (XKLS)	Common Stock	PETRONAS DAGANGAN BHD	PETD MK	895131	6695838 MY			MYF158100105	005378044			5681
PETRONAS DAGANGAN BHD (MALAYSIA)	PETROLIUM NASIONAL BERHAD aka PETRONAS	OTC US (OQTC)	Common Stock	PETRONAS DAGANGAN BHD	PANF US	895131	6695838 MY							

Company	Primary Company (Affiliate/Parent)	Exchange	Security Type	Security Name	Ticker	WPK Number	SEDOL	CUSIP	Bloomberg	ISIN	CORPORATION	CNS	Frederick	CATS Code
SCHLUMBERGER LTD (NETHERLAND ANTLLES)	SCHLUMBERGER LTD	Mexico (MEXE)	Common Stock	SCHLUMBERGER LTD	SLB.MX	853390	8043L5 MX		981783	AN0808571086	010104491			
SCHLUMBERGER LTD (NETHERLAND ANTLLES)	SCHLUMBERGER LTD	Euro Comp (XLON)	Common Stock	SCHLUMBERGER LTD	SLB.EU	853390	779203 GB			AN0808571086	010104491			
SCHLUMBERGER LTD (NETHERLAND ANTLLES)	SCHLUMBERGER LTD	Buenos Aires (XBUE)	Receipt	SCHLUMBERGER LTD - CEDEAR C/E	SLB.AR					ARDEU111915	010104491			
SCHLUMBERGER LTD (NETHERLAND ANTLLES)	SCHLUMBERGER LTD	SIX Swiss Ex (XSXW)	Common Stock	SCHLUMBERGER LTD	SLB.SW	853390	4532651 CH		981783	AN0808571086	010104491			
SCHLUMBERGER LTD (NETHERLAND ANTLLES)	SCHLUMBERGER LTD	Euro Comp (XLON)	Common Stock	SCHLUMBERGER LTD	SLB.EUR	853390	0779203 GB			AN0808571086	010104491			
SCHLUMBERGER LTD (NETHERLAND ANTLLES)	SCHLUMBERGER LTD	Buenos Aires (XBUE)	Receipt	SCHLUMBERGER LTD - CEDEAR	SLB.AR					ARDEU111915	010104491			
SCHLUMBERGER LTD (NETHERLAND ANTLLES)	SCHLUMBERGER LTD	London Int'l (XLON)	Common Stock	SCHLUMBERGER LTD	SLB.LI	853390	0779203 GB		981783	AN0808571086	010104491			
SCHLUMBERGER LTD (NETHERLAND ANTLLES)	SCHLUMBERGER LTD	Euro OTC (XLON)	Common Stock	SCHLUMBERGER LTD	SLB.EO	853390	0779203 GB			AN0808571086	010104491			
SCHLUMBERGER LTD (NETHERLAND ANTLLES)	SCHLUMBERGER LTD	PLUS Mkt Grp (XPLU)	Common Stock	SCHLUMBERGER LTD	SLB.PZ	853390	0779203 GB		981783	AN0808571086	010104491			
SCHLUMBERGER LTD (NETHERLAND ANTLLES)	SCHLUMBERGER LTD	Euro OTC (XLON)	Common Stock	SCHLUMBERGER LTD	SLB.EUR	853390	0779203 GB			AN0808571086	010104491			
SCHLUMBERGER LTD (NETHERLAND ANTLLES)	SCHLUMBERGER LTD	Buenos Aires (XBUE)	Receipt	SCHLUMBERGER LTD - CEDEAR BUS	SLB.AR					ARDEU111915	010104491			
SCOM ENGINEERING BERHAD (MALAYSIA)	SCOM GROUP BERHAD	OTC US (OQTC)	Common Stock	SCOM GROUP BHD	SMI.US	120748	80SPR31 US			MYL738600007	02483128	Y7671106		
SCOM ENGINEERING BERHAD (MALAYSIA)	SCOM GROUP BERHAD	Kuala Lumpur (XKLS)	Common Stock	SCOM ENGINEERING BHD	SEB.MK	903056	6098452 MY			MYL738600007			7366	
SCOM ENGINEERING BERHAD (MALAYSIA)	SCOM GROUP BERHAD	OTC US (OQTC)	Common Stock	SCOM ENGINEERING BHD	BLORF.US	903058				MYL738600007		Y78410108		
SCOM ENGINEERING BERHAD (MALAYSIA)	SCOM GROUP BERHAD	Kuala Lumpur (XKLS)	Common Stock	SCOM GROUP BHD	SGR.MK	120748	800PL43 MY			MYL738600008			7156	
SEADRILL LTD	SEADRILL LTD	OSLO (XOSL)	Common Stock	SEADRILL LTD	SEDRIL.NO	ACERZ0	809RMO1 NO			BMG79455E1057	022416162			
SEADRILL LTD	SEADRILL LTD	OTC US (OQTC)	Common Stock	SEADRILL LTD	SEDRIL.US	ACERZ0	809RMO1 NO			BMG79455E1057	022416162	07945E105		
SEADRILL LTD	SEADRILL LTD	Frankfurt (XFR)	Common Stock	SEADRILL LTD	88A.GR	ACERZ0	807BD32 DE			BMG79455E1057	022416162			
SEADRILL LTD	SEADRILL LTD	Chi-X AS TS (CHIX)	Common Stock	SEADRILL LTD	SDRIL.X	ACERZ0	809RMO1 NO			BMG79455E1057	022416162			
SEADRILL LTD	SEADRILL LTD	Euro OTC (XLON)	Common Stock	SEADRILL LTD	SDRIL.EO	ACERZ0	828ZVNO GB			BMG79455E1057	022416162			
SEADRILL LTD	SEADRILL LTD	Euro Comp (XLON)	Common Stock	SEADRILL LTD	SDRIL.EU	ACERZ0	828ZVNO GB			BMG79455E1057	022416162			
SEADRILL LTD	SEADRILL LTD	Euro Comp (XLON)	Common Stock	SEADRILL LTD	SDRLEUR.EU	ACERZ0	828ZVNO GB			BMG79455E1057	022416162			
SEADRILL LTD	SEADRILL LTD	Euro OTC (XLON)	Common Stock	SEADRILL LTD	SDRLEUR.EO	ACERZ0	828ZVNO GB			BMG79455E1057	022416162			
SEADRILL LTD	SEADRILL LTD	Euro OTC (XLON)	Common Stock	SEADRILL LTD	SDRLEUR.EO	ACERZ0	828ZVNO GB			BMG79455E1057	022416162			
SEADRILL LTD	SEADRILL LTD	PLUS Mkt Grp (XPLU)	Common Stock	SEADRILL LTD	SDRIL.PZ	ACERZ0	828ZVNO GB			BMG79455E1057	022416162			
SEADRILL LTD	SEADRILL LTD	Euro Comp (XLON)	Common Stock	SEADRILL LTD	SDRILUSD.EU	ACERZ0	828ZVNO GB			BMG79455E1057	022416162			
SEADRILL LTD	SEADRILL LTD	Euro OTC (XLON)	Common Stock	SEADRILL LTD	SDRILUSD.EO	ACERZ0	828ZVNO GB			BMG79455E1057	022416162			
SEADRILL LTD	SEADRILL LTD	NYSE ARCA EUR (NURC)	Common Stock	SEADRILL LTD	SDRIL.NO	ACERZ0	809RMO1 NO			BMG79455E1057	022416162			
SEADRILL LTD	SEADRILL LTD	NYSE ARCA EUR (NURC)	Common Stock	SEADRILL LTD	SDRIL.NO	ACERZ0	809RMO1 NO			BMG79455E1057	022416162			
SEADRILL LTD	SEADRILL LTD	BATS Europe (BATE)	Common Stock	SEADRILL LTD	SDRIL.EE	ACERZ0	809RMO1 NO			BMG79455E1057	022416162			
SEADRILL LTD	SEADRILL LTD	NYSE ARCA EU (XHF)	Common Stock	SEADRILL LTD	SDRIL.HR	ACERZ0	809RMO1 NO			BMG79455E1057	022416162			
SEADRILL LTD	SEADRILL LTD	Stockholm (XSTO)	Common Stock	SEADRILL LTD	SDRIL.SE	ACERZ0	809RMO1 NO			BMG79455E1057	022416162			
SEADRILL LTD	SEADRILL LTD	Turquoise (TRQX)	Common Stock	SEADRILL LTD	SDRIL.TQ	ACERZ0	809RMO1 NO			BMG79455E1057	022416162			
SEADRILL LTD	SEADRILL LTD	Bangundy (BURG)	Common Stock	SEADRILL LTD	SDRIL.BY	ACERZ0	809RMO1 NO			BMG79455E1057	022416162			
SEADRILL LTD	SEADRILL LTD	QUOTE MTF (QMTF)	Common Stock	SEADRILL LTD	SDRIL.QM	ACERZ0	809RMO1 NO			BMG79455E1057	022416162			
SEADRILL LTD	SEADRILL LTD	NYSE ARCA EU (XHF)	Common Stock	SEADRILL LTD	SDRIL.LI	ACERZ0	809RMO1 NO			BMG79455E1057	022416162			
SEADRILL LTD	SEADRILL LTD	OTC US (OQTC)	ADR	SEADRILL LTD	SDRIL.US		857HYK6 US			USM17271089				
SHANGHAI ELECTRIC GROUP CO LTD (CHINA)	SHANGHAI ELECTRIC GROUP CO LTD	Hong Kong (XHKG)	Common Stock	SHANGHAI ELECTRIC GRP CO L-H	2727.HK	ADM4YX	8071656 HK			CNE100000437	021854387			
SHANGHAI ELECTRIC GROUP CO LTD (CHINA)	SHANGHAI ELECTRIC GROUP CO LTD	Frankfurt (XFR)	Common Stock	SHANGHAI ELECTRIC GRP CO L-H	USHR.GR	ADM4YX	8072010 DE			CNE100000437	021854387			
SHANGHAI ELECTRIC GROUP CO LTD (CHINA)	SHANGHAI ELECTRIC GROUP CO LTD	OTC US (OQTC)	Common Stock	SHANGHAI ELECTRIC GRP CO L-H	SEELF.US	ADM4YX	8072010 DE			CNE100000437	021854387	Y76824104		
SHANGHAI ELECTRIC GROUP CO LTD (CHINA)	SHANGHAI ELECTRIC GROUP CO LTD	Shanghai (XSHG)	Common Stock	SHANGHAI ELECTRIC GRP CO L-A	601777.CH		83F19X8 CN			CNE100000555				
SHANGHAI ELECTRIC GROUP CO LTD (CHINA)	SHANGHAI ELECTRIC GROUP CO LTD	OTC US (OQTC)	ADR	SHANGHAI ELECTRIC-UNSP ADR	811283.US		831283 US			US818431088				
SHANGHAI MECHANICAL AND ELECTRICAL INDUSTRY CO LTD (CHINA)	SHANGHAI MECHANICAL AND ELECTRICAL INDUSTRY CO LTD	Shanghai (XSHG)	Common Stock	SHANGHAI MECHANICAL AND EL-B	900225.CH	ADM3UQ	6797436 CN			CNE00000029		Y76911108		
SHANGHAI MECHANICAL AND ELECTRICAL INDUSTRY CO LTD (CHINA)	SHANGHAI MECHANICAL AND ELECTRICAL INDUSTRY CO LTD	OTC US (OQTC)	Common Stock	SHANGHAI MECHANICAL AND EL-B	SHHEB.US	ADM3UQ	6797436 CN		916589	CNE00000029				
SHANGHAI MECHANICAL AND ELECTRICAL INDUSTRY CO LTD (CHINA)	SHANGHAI MECHANICAL AND ELECTRICAL INDUSTRY CO LTD	Shanghai (XSHG)	Common Stock	SHANGHAI MECHANICAL AND ELEC	600835.CH	ADM654	6785851 CN			CNE000000291		Y76911116		
SHANGHAI MECHANICAL AND ELECTRICAL INDUSTRY CO LTD (CHINA)	SHANGHAI ELECTRIC GROUP CO LTD	OTC US (OQTC)	Common Stock	SHANGHAI MECHANICAL AND ELEC	BHEZF.US	ADM654	6785851 CN			CNE000000291				
TANJUNG OFFSHORE SERVICES SDN BHD	TANJUNG OFFSHORE SERVICES SDN BHD	Kuala Lumpur (XKLS)	Common Stock	TANJUNG OFFSHORE BHD	TOFF.MK	ADM3AS	809RMO1 NO			MYL722800009			7229	
TOTAL SA (FRANCE)	TOTAL SA	EN Paris (XPAR)	Common Stock	TOTAL SA	FP.FR	850727	8128V13 FR		012027	FR0000120271	001179616	00332		
TOTAL SA (FRANCE)	TOTAL SA	Xive EU Str (XETR)	Common Stock	TOTAL SA	TOTB.BR	850727	815CS57 DE		012027	FR0000120271	001179616	00332		
TOTAL SA (FRANCE)	TOTAL SA	EN Brussels (XBRU)	Common Stock	TOTAL SA	FPB.BR	850727	815CS80 BE		012027	FR0000120271	001179616	00332		
TOTAL SA (FRANCE)	TOTAL SA	EN Amsterdam (XAMS)	Common Stock	TOTAL SA	FPA.NA	850727	815C702 NL		012027	FR0000120271	001179616	00332		
TOTAL SA (FRANCE)	TOTAL SA	OTC US (OQTC)	Common Stock	TOTAL SA	TIFF.US	850727	812V13 US		012027	FR0000120271	001179616	00332	F92124100	
TOTAL SA (FRANCE)	TOTAL SA	Milan (IMTA)	Common Stock	TOTAL SA	TOTM.IT	850727	8189081 IT		012027	FR0000120271	001179616	00332		
TOTAL SA (FRANCE)	TOTAL SA	Chi-X AS TS (CHIX)	Common Stock	TOTAL SA	TOTX.IX	850727	815C557 FR		012027	FR0000120271	001179616	00332		
TOTAL SA (FRANCE)	TOTAL SA	SWX Etc (SXWX)	Common Stock	TOTAL SA	TOTX.BW	850727	81YVWP3 CH		012027	FR0000120271	001179616	00332		
TOTAL SA (FRANCE)	TOTAL SA	Euro Comp (XLON)	Common Stock	TOTAL SA	FP.EU	850727	8139WJ1 GB			FR0000120271	001179616	00332		
TOTAL SA (FRANCE)	TOTAL SA	EN Brussels (XBRU)	Misc	TOTAL SA-STRIP VVPR	TOTS.BB	846112	815CL18 BE			BE000554268	009854575			
TOTAL SA (FRANCE)	TOTAL SA	New York (XNY)	ADR	TOTAL SA-SPON ADR	TOTS.BB	882930	2988032 US	8915E109	916480	US8915E109	010107385			
TOTAL SA (FRANCE)	TOTAL SA	Frankfurt (XFR)	ADR	TOTAL SA-SPON ADR	TOTA.GR	882930	4247832 DE	8915E109	916480	US8915E109	010107385			
TOTAL SA (FRANCE)	TOTAL SA	Buenos Aires (XBUE)	Receipt	TOTAL SA-CEDEAR	TOT.AR		2646220 AR			ARDEU112075				
TOTAL SA (FRANCE)	TOTAL SA	Buenos Aires (XBUE)	Receipt	TOTAL SA-CE	TOT.AR		2646220 AR			ARDEU112075				
TOTAL SA (FRANCE)	TOTAL SA	Mexico (MEXE)	ADR	TOTAL SA-SPON ADR	TOTN.MM	882930	2195119 MX		916480	US8915E109	010107385			
TOTAL SA (FRANCE)	TOTAL SA	BATS Europe (BATE)	Common Stock	TOTAL SA	FP.BE	850727	815C557 FR		012927	FR0000120271	001179616	00332		
TOTAL SA (FRANCE)	TOTAL SA	Eschdorf (XESD)	Common Stock	TOTAL SA	FP.BO	850727	815C557 FR		012027	FR0000120271	001179616	00332		
TOTAL SA (FRANCE)	TOTAL SA	EN Paris (XPAR)	Common Stock	TOTAL SA - NEW	FPNV.FR	850727	83KXG8 FR			FR001087259	040736953			
TOTAL SA (FRANCE)	TOTAL SA	Euro OTC (XLON)	Common Stock	TOTAL SA	FP.EO	850727	8128WJ1 GB			FR0000120271	001179616			
TOTAL SA (FRANCE)	TOTAL SA	Euro Comp (XLON)	Common Stock	TOTAL SA	FPGB.EU	850727	8128WJ1 GB			FR0000120271	001179616			
TOTAL SA (FRANCE)	TOTAL SA	Euro OTC (XLON)	Common Stock	TOTAL SA	FPGB.EO	850727	8128WJ1 GB		012027	FR0000120271	001179616			
TOTAL SA (FRANCE)	TOTAL SA	PLUS Mkt Grp (XPLU)	Common Stock	TOTAL SA	FPF.PZ	850727	8128WJ1 GB			FR0000120271	001179616			
TOTAL SA (FRANCE)	TOTAL SA	Euro OTC (XLON)	Common Stock	TOTAL SA	FPGB.EO	850727	8128WJ1 GB			FR0000120271	001179616			
TOTAL SA (FRANCE)	TOTAL SA	Euro Comp (XLON)	Common Stock	TOTAL SA	FPUS.EU	850727	8128WJ1 GB			FR0000120271	001179616			
TOTAL SA (FRANCE)	TOTAL SA	Euro OTC (OQTC)	Common Stock	TOTAL SA	FPUS.EO	850727	8128WJ1 GB			FR0000120271	001179616			
TOTAL SA (FRANCE)	TOTAL SA	Euro Comp (XLON)	Common Stock	TOTAL SA	FPFCH.FR	850727	8128WJ1 GB		012027	FR0000120271	001179616			
TOTAL SA (FRANCE)	TOTAL SA	Turquoise (TRQX)	Common Stock	TOTAL SA	FP.TQ	850727	815C557 FR		012027	FR0000120271	001179616			
TOTAL SA (FRANCE)	TOTAL SA	NYSE ARCA EUR (NURC)	Common Stock	TOTAL SA	FP.NQ	850727	815C557 FR		012027	FR0000120271	001179616			
TOTAL SA (FRANCE)	TOTAL SA	Euro OTC (XLON)	Common Stock	TOTAL SA	FPCHF.EO	850727	8128WJ1 GB			FR0000120271	001179616			
TOTAL SA (FRANCE)	TOTAL SA	Euro OTC (XLON)	Common Stock	TOTAL SA	FPCHF.IT	850727	8128WJ1 GB			FR0000120271	001179616			
TOTAL SA (FRANCE)	TOTAL SA	Euro Comp (XLON)	Common Stock	TOTAL SA	FPNOK.EO	850727	8128WJ1 GB			FR0000120271	001179616			
TOTAL SA (FRANCE)	TOTAL SA	Euro Comp (XLON)	Common Stock	TOTAL SA	FPNOK.EO	850727	8128WJ1 GB			FR0000120271	001179616	</		



**ATTACHMENT D**

**Genocide Intervention Network List of "Highest Offenders" Companies in Sudan**  
**List Effective Through February 28, 2010**

<b>Company Name</b>	<b>Country of Origin</b>
China National Petroleum Corporation AKA CNPC	China
Jinan Diesel Co. Ltd.	China
Daqing Huake Group Co. Ltd.	China
PetroChina	China
CNPC Hong Kong	Hong Kong
Petronas Gas Berhad	Malaysia
Petronas Dagangan	Malaysia
Malaysia International Shipping Company AKA MISC Berhad	Malaysia
Oil and Natural Gas Company, AKA ONGC	India
Mangalore Refinery and Petrochemicals Ltd.	India
Sinopec Group AKA China Petrochemical Corporation	China
Kingdream PLC	China
Sinopec Corporation AKA China Petroleum and Chemical Corporation	China
Sinopec Shanghai Petrochemical Co. Ltd.	China
Sinopec Kanton Holdings	China
Sinopec Yizheng Chemical Fibre Company, Ltd.	China
AREF Energy Holding Company	Kuwait
Egypt Kuwaiti Holding Company	Egypt
Ranhill Berhad	Malaysia
Muhibbah Engineering Berhad	Malaysia
China North Industries Corporation AKA Norinco	China
Norinco International Cooperation Ltd.	China
AviChina Industry & Technology Company, Ltd.	China
Jiangxi Hongdu Aviation AKA Hongdu Aviation	China
Hafei Aviation Industry	China
Jiangxi Changhe Automobile Co.	China
Harbin Dongan Auto Engine Co.	China
China Hydraulic and Hydroelectric Construction Group AKA Sinohydro	China
Mercator Lines	India
Mercator Lines Singapore	Singapore
Dongfeng Automotive Company Limited	China
Indian Oil Corporation Ltd. AKA IOCL	India
Lanka IOC Limited	India
Bongaigaon Refinery & Petrochemicals Limited AKA BRPL	India
Chennai Petroleum Corporation Limited AKA CPCL	India
Oil India Limited	India
Scomi Group Berhad	Malaysia
Scomi Engineering Berhad	Malaysia
Alstom	France
Alstom Projects India Ltd	India
Wuhan Boiler Company	France
Electricity Generating Company Limited AKA EGCO	Thailand
ONA S.A.	Morocco
Managem	Morocco
PTT Public Company, Limited AKA PTT	Thailand
Seadrill Limited	Bermuda

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

Genocide Intervention Network List of Companies in Sudan for "Ongoing Engagement"  
List Effective Through February 28, 2010

<u>Company Name</u>	<u>Country of Origin</u>
Shanghai Electric Group Company, Ltd..	China
Harbin Power Equipment Company Limited	China
China Poly Group Corporation	China
Bharat Electronics Limited	India
Bharat Heavy Electricals	India
Essar Oil	India
Tanjung Offshore Services	Malaysia
Nam Fatt Corporation Berhad	Malaysia
Kencana Petroleum Berhad	Malaysia
Kejuruteraan Samundra Timur Bhd	Malaysia
Nippon Oil Corporation	Japan
Total SA	France
Lundin International SA	France
Saras S.p.A.	Italy
Atlas Copco AB	Sweden
Lundin Petroleum AB	Sweden
Andritz VA TECH HYDRO	Austria
Man SE	Germany
GAZ Group	Russia
Kamaz	Russia

**Genocide Intervention Network List of Companies in Sudan with No Publicly Traded Equity**  
**List Effective Through February 28, 2010**

<b>Company Name</b>	<b>Country of Origin</b>
Africa Energy	Nigeria
Al-Qahtani & Sons Group of Companies	Saudi Arabia
Ansan Wikfs/Shaher Trading Company	Yemen
APS Engineering Company	Italy
Arcadia Petroleum	UK
Ascom Group SA	Moldova
China International Water & Electric Corp AKA CWE	China
China National Machinery and Equipment Import Export Corporation (CMEC)	China
China Petroleum Engineering Company AKA CPEC	China
Citadel Capital	Egypt
Coyne et Bellier	France
Delta Petroleum	Turkey/Luxembourg
Dindir Petroleum International/Edgo Group	Jordan
Express Petroleum and Gas Company	Nigeria
GIAD Industrial City	Sudan
H Oil Group	Spain
Harbin Power Engineering AKA HPE	China
Hi Tech Petroleum Group Co. Ltd.	Sudan
HTC Yemen International Limited	Yemen
K & K Capital Group AKA KKCG	Czech Republic
Kuwait Foreign Petroleum Exploration Company AKA Kufpec	Kuwait
Lahmeyer International	Germany
Mott MacDonald	UK
Mubadala Development Company	UAE
Peremba Construction	Malaysia
Peschaud & Cie International	France
Petrolin	Gabon
Petroneeds Service International Company	Sudan
PT Pertamina Persero AKA Pertamina	Indonesia
Shandong Electric Power Construction Corporation AKA Shandong Electric Power Group	China
Snowy Mountain Engineering Corporation	Australia
Star Petroleum	Spain
Sudan Petroleum Company AKA Sudapet	Sudan
Supiri Resources	Canada
Tamoil	Libya
Trafigura Beheer	Netherlands
Vitol Group	Switzerland
Zaver Petroleum Corporation Ltd.	Pakistan

Source: Genocide Intervention Network

December 4, 2009





## ATTACHMENT E

### List of Scrutinized Iran Companies

Entity_name	Country	Iranian Sector of Involvement
Aker Solutions ASA (formerly Aker Kvaerner)	Norway	Petroleum
China Petroleum & Chemical Corp.	Hong Kong	Petroleum
CNOOC LTD	China	Petroleum
CNPC Hong Kong Ltd.	Bermuda	Petroleum
Costain Group PLC	United Kingdom	Natural Gas
Daelim Industrial Co.	South Korea	Petroleum
DUBAI ISLAMIC BANK LTD	United Arab Emirates	Banking
Edison Spa (Formerly Montedison Spa)	Italy	Petroleum
ENI Spa	Italy	Petroleum
Finmeccanica SPA	Italy	Natural Gas
Gazprom OAO	Russia	Petroleum
GS Engineering & Construction Ltd. (fmlly LS Engineering & Construction)	South Korea	Petroleum
GS Holdings Corp.	South Korea	Petroleum
Indian Oil Corporation Ltd	India	Petroleum
Inpex Corporation	Japan	Petroleum
L air Liquide	France	Petroleum
Lukoil Oao	Russia	Petroleum
Oil & Natural Gas Corporation Ltd.	India	Petroleum
OMV AG	Austria	Petroleum
Petrochina Company Limited	China	Petroleum
Petronas Dagangan Bhd	Malaysia	Petroleum
Royal Dutch Shell PLC	United Kingdom	Petroleum
Samsung Engineering Co. Ltd.	South Korea	Petroleum
Sasol Ltd.	South Africa	Petroleum
StatoilHydro ASA (formerly Statoil ASA)	Norway	Petroleum
Total SA	France	Petroleum

November 9, 2009

# Tab C

## INVESTMENT ADVISORY COUNCIL REPORT

DATE: February 18, 2010

TO: Members, State Board Investment

**FROM: Members, Investment Advisory Council**

The Investment Advisory Council met on Tuesday, February 16, 2010 to consider the following agenda items:

- Review the manager performance for the period ending December 31, 2009.
- Review of Domestic Equity performance-based fee calculation.
- Presentation by the Retirement Systems on Funding Updates.
- Consideration to make changes to the Domestic Equity Semi Passive Program.

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

### **INFORMATION ITEMS:**

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

- *Domestic Equity Program*

For the period ending December 31, 2009, the **Domestic Equity Program** outperformed for the quarter and year and underperformed over the three and five-year time periods.

<b>Time period</b>	<b>Total Program</b>	<b>Russell 3000</b>
<b>Quarter</b>	6.0%	5.9%
<b>1 Year</b>	29.6%	28.3%
<b>3 Years</b>	-5.6%	-5.4%
<b>5 Years</b>	0.5%	0.8%

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 December 31, 2009, the **Fixed Income Program** outperformed for the quarter and the year and underperformed over the three and five-year time periods.

<b>Time period</b>	<b>Total Program</b>	<b>Barclays Capital Aggregate</b>
<b>Quarter</b>	1.3%	0.2%
<b>1 Year</b>	14.3%	5.9%
<b>3 Years</b>	5.2%	6.0%
<b>5 Years</b>	4.6%	5.0%

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

- **International Equity Program**

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

<b>Time Period</b>	<b>Total Program</b>	<b>Int'l Equity Asset Class Target*</b>
<b>Quarter</b>	4.0%	3.7%
<b>1 Year</b>	41.2%	41.5%
<b>3 Year</b>	-3.3%	-3.4%
<b>5 Year</b>	6.0%	5.9%

\* Since 6/1/08 the International Equity asset class target is the Standard MSCI ACWI ex U.S. (net). From 10/1/07 to 5/31/08, the International Equity asset class target was the Provisional Standard MSCI ACWI ex U.S. (net). From 10/1/03 to 9/30/07, the target was the MSCI ACWI Free ex. U.S. (net).

The performance evaluation reports for the international equity managers start on the **blue page A-101** of this Tab.

## **2. Review of Domestic Equity performance-based fee calculation.**

The Minnesota State Board of Investment (SBI) has utilized performance fees for over twenty years. Periodically, Staff reviews the performance based fee structure to determine if there are opportunities for enhancement.

The SBI started using performance fees to share the risk of performance more equitably between the SBI and the Manager, and to provide more incentive for the Manager to manage the client's portfolio as efficiently as possible. All active domestic equity managers are required to participate once their portfolio market values exceed \$100 million. Semi-passive and passive managers do not participate in performance based fees.

Staff reviewed Performance Based Fee formulas from other public plans and found that the SBI's Performance Based Fee continues to have the following advantages:

- 1) The SBI's formula includes symmetrical distribution so the manager shares in outperformance as well as underperformance.
- 2) Having a performance hurdle that the manager must exceed before any performance fee is earned allows the fund to maintain the majority of that outperformance.
- 3) The dollar value of the actual portfolio is compared to the dollar value of the benchmark portfolio.
- 4) The cash flows are properly accounted for.

Staff presented the Minnesota State Board of Investment's Performance Fee calculation to the Investment Advisory Council. Staff and the IAC recommend no change to the current performance based fee structure.

## **3. Presentation by the Retirement Systems on Funding Updates.**

The Executive Directors of the three statewide retirement systems, Public Employees Retirement System, Teachers Retirement Association, and the Minnesota State Retirement System, made a presentation to the IAC outlining the proposals their Boards' are making to the 2010 Legislative Session to stabilize the funded status of each of their plans.

## **ACTION ITEM:**

### **4. Consideration to make changes to the Domestic Equity Semi Passive Program.**

A domestic equity Semi-Passive manager review was conducted to update the short list of managers. The Semi-Passive mandate is a significant portion of the domestic equity program. There are currently three managers that each manage between \$2.1B and \$2.7B.

Staff screened the Wilshire Compass database with specific criteria for candidates for the semi-passive program and also considered candidates suggested by Staff and other sources. Important considerations to determine which firms best fit the SBI's requirements included investment philosophy and process, organizational and investment team stability, accounts gained/lost, and portfolio manager experience and tenure with firm.

Currently, Mellon (formerly Franklin) and BlackRock (formerly BGI) are working through organizational changes which could impact their respective investment processes. Staff believes further diversification to the semi-passive group would be prudent for additional flexibility. Based on Staff's research, questionnaire responses, conference calls, Nuveen's analysis, quantitative analysis, site visit, and other information provided, Staff recommended the addition of INTECH Investment Management (INTECH) to the Semi-Passive manager program.

#### **INTECH Organization**

INTECH is a subsidiary of Janus Capital Group Inc. and as of December 31, 2009, the firm's total assets under management were \$47.7 billion.

INTECH was founded in 1987 by Dr. Robert Fernholz, CIO and Chairman of the Investment Committee. Robert Garvy is the Chairman and CEO. In January 2009, Jennifer Young was appointed as Co-Chief Executive Officer and Dr. Adrian Banner was appointed as Co-Chief Investment Officer as part of its succession plan. Jennifer Young and Dr. Banner will lead the firm upon Dr. Fernholz's and Robert Garvey's anticipated retirement in December 2011. This organizational change will have no impact on INTECH's investment process. Dr. Fernholz and Dr. Banner are located in the Princeton, New Jersey research facility and oversee the management of all portfolios. The research team is supported by the portfolio management team at INTECH's headquarters, which is located in West Palm Beach, Florida. That team is led by Dr. Robert Ferguson, Senior Investment Officer, and Joseph Runnels, Vice President, Portfolio Management. All portfolios are managed on a team basis.

## **Summary**

Staff met with INTECH in January at their headquarters and is confident that the upcoming personnel changes will have no impact on their investment process.

INTECH has managed an active Russell 1000 growth mandate for the SBI since December 2004. INTECH has a seasoned and stable team of investment professionals with over 20 years of experience investing in active risk-managed strategies. INTECH has sufficient capacity to manage a large size portfolio. The expected risk and return for the Broad Enhanced Plus strategy match the objectives of the Semi-Passive asset class. INTECH ranked favorably in the qualitative analysis generated and fit well with the current Semi-Passive managers.

### **RECOMMENDATION:**

**SBI Staff and the IAC recommend that INTECH Investment Management's Broad Enhanced Plus strategy be considered as an addition to the Semi-Passive manager program. Funding will be at staff's discretion.**



# STATE BOARD OF INVESTMENT

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## Domestic Equity Manager Evaluation Reports

Fourth Quarter, 2009



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# Domestic Equity

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

	Quarter		1 Year		3 Years		5 Years	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
Russell 1000 Core Aggregate	5.5	6.1	27.6	28.4	-7.6	-5.4	-0.6	0.8
Russell 1000 Growth Aggregate	8.1	7.9	44.5	37.2	-1.6	-1.9	0.9	1.6
Russell 1000 Value Aggregate	5.4	4.2	23.8	19.7	-7.3	-9.0	-0.2	-0.3
Russell 2000 Growth Aggregate	6.1	4.1	33.6	34.5	-4.8	-4.0	-0.1	0.9
Russell 2000 Value Aggregate	4.5	3.6	36.3	20.6	-8.9	-8.2	-1.7	0.0
<b>Active Manager Aggregate</b>	<b>6.1</b>	<b>5.6</b>	<b>32.3</b>	<b>28.1</b>	<b>-5.8</b>	<b>-5.6</b>	<b>-0.1</b>	<b>0.6</b>
<b>Semi-Passive Aggregate</b>	<b>6.1</b>	<b>6.1</b>	<b>28.5</b>	<b>28.4</b>	<b>-5.9</b>	<b>-5.4</b>	<b>0.5</b>	<b>0.8</b>
<b>Passive Manager (BlackRock)</b>	<b>5.9</b>	<b>5.9</b>	<b>28.2</b>	<b>28.3</b>	<b>-5.3</b>	<b>-5.4</b>	<b>0.8</b>	<b>0.8</b>
<b>Total Domestic Equity Aggregate</b>	<b>6.0</b>	<b>5.9</b>	<b>29.6</b>	<b>28.3</b>	<b>-5.6</b>	<b>-5.4</b>	<b>0.5</b>	<b>0.7</b>
<b>SBI DE Asset Class Target</b>		<b>5.9</b>		<b>28.3</b>		<b>-5.4</b>		<b>0.8</b>
<b>Russell 3000 Index</b>		<b>5.9</b>		<b>28.3</b>		<b>-5.4</b>		<b>0.8</b>

	2009		2008		2007		2006		2005	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
Russell 1000 Core Aggregate	27.6	28.4	-39.6	-37.6	2.4	5.8	15.8	15.5	6.4	6.3
Russell 1000 Growth Aggregate	44.5	37.2	-42.7	-38.4	14.9	11.8	2.2	9.1	7.3	5.3
Russell 1000 Value Aggregate	23.8	19.7	-38.0	-36.8	3.6	-0.2	17.4	22.2	6.0	7.1
Russell 2000 Growth Aggregate	33.6	34.5	-46.8	-38.5	21.6	7.0	10.0	13.3	4.7	4.2
Russell 2000 Value Aggregate	36.3	20.6	-36.1	-28.9	-13.4	-9.8	13.1	23.5	7.7	4.7
Active Manager Aggregate	32.3	28.1	-40.5	-36.9	6.3	4.2	11.5	15.8	6.5	6.0
Semi-Passive Aggregate	28.5	28.4	-37.2	-37.6	3.2	5.8	16.1	15.5	6.2	6.3
Passive Manager (BlackRock)	28.2	28.3	-37.1	-37.3	5.1	5.1	15.8	15.7	6.2	6.1
Total Domestic Equity Aggregate	29.6	28.3	-38.1	-37.3	4.9	5.1	14.5	15.7	6.4	6.1
SBI DE Asset Class Target		28.3		-37.3		5.1		15.7		6.1
Russell 3000 Index		28.3		-37.3		5.1		15.7		6.1

**COMBINED RETIREMENT FUNDS  
ACTIVE DOMESTIC STOCK MANAGERS**

Periods Ending December, 2009

Performance versus Russell Style Benchmarks for All Periods

	Quarter		1 Year		3 Years		5 Years		Since Inception (1)		Market Value (in millions)	Pool %
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %		
<b>LARGE CAP</b>												
<b>Russell 1000 Core</b>												
New Amsterdam Partners	5.5	6.1	24.8	28.4	-6.0	-5.4	-0.5	0.8	9.7	8.7	\$321.1	1.6%
UBS Global	7.4	6.1	41.3	28.4	-5.8	-5.4	1.2	0.8	8.3	7.8	\$325.9	1.6%
<b>Aggregate</b>	<b>5.5</b>	<b>6.1</b>	<b>27.6</b>	<b>28.4</b>	<b>-7.6</b>	<b>-5.4</b>	<b>-0.6</b>	<b>0.8</b>			<b>\$647.0</b>	<b>3.2%</b>
<b>Russell 1000 Growth</b>												
Alliance Capital	6.9	7.9	38.4	37.2	-1.6	-1.9	1.7	1.6	12.3	9.4	\$260.8	1.3%
INTECH	7.9	7.9	34.0	37.2	-5.1	-1.9	-0.2	1.6	-0.2	1.6	\$275.8	1.4%
Jacobs Levy	6.5	7.9	37.1	37.2	-6.4	-1.9	-1.7	1.6	-1.7	1.6	\$243.2	1.2%
Knelman Asset Mgmt	6.9	7.9	31.1	37.2	-2.4	-1.9	1.2	1.6	1.2	1.6	\$53.4	0.3%
Sands Capital	10.8	7.9	71.6	37.2	1.8	-1.9	2.0	1.6	2.0	1.6	\$219.8	1.1%
Winslow-Large Cap	8.2	7.9	40.9	37.2	1.6	-1.9	4.5	1.6	4.5	1.6	\$117.3	0.6%
Zevenbergen Capital	8.9	7.9	57.4	37.2	3.5	-1.9	5.1	1.6	8.9	7.0	\$269.7	1.3%
<b>Aggregate</b>	<b>8.1</b>	<b>7.9</b>	<b>44.5</b>	<b>37.2</b>	<b>-1.6</b>	<b>-1.9</b>	<b>0.9</b>	<b>1.6</b>			<b>\$1,439.9</b>	<b>7.2%</b>
<b>Russell 1000 Value</b>												
Barrow, Hanley	9.5	4.2	23.2	19.7	-6.4	-9.0	0.7	-0.3	3.2	1.9	\$386.7	1.9%
Earnest Partners	4.9	4.2	31.6	19.7	-5.5	-9.0	2.1	-0.3	3.0	3.1	\$158.6	0.8%
Lord Abbett & Co.	1.9	4.2	20.5	19.7	-7.1	-9.0	-0.3	-0.3	1.5	1.9	\$268.8	1.3%
LSV Asset Mgmt.	4.3	4.2	24.0	19.7	-8.7	-9.0	0.9	-0.3	3.1	1.9	\$352.0	1.8%
Systematic Financial Mgmt.	5.1	4.2	23.2	19.7	-7.5	-9.0	0.6	-0.3	2.5	1.9	\$258.8	1.3%
<b>Aggregate</b>	<b>5.4</b>	<b>4.2</b>	<b>23.8</b>	<b>19.7</b>	<b>-7.3</b>	<b>-9.0</b>	<b>-0.2</b>	<b>-0.3</b>			<b>\$1,424.9</b>	<b>7.1%</b>
<b>SMALL CAP</b>												
<b>Russell 2000 Growth</b>												
McKinley Capital	6.0	4.1	28.0	34.5	-8.8	-4.0	-3.1	0.9	-0.7	3.0	\$171.6	0.9%
Next Century Growth	7.8	4.1	35.0	34.5	-2.8	-4.0	5.3	0.9	-1.8	-1.6	\$207.5	1.0%
Turner Investment Partners	4.5	4.1	36.9	34.5	-3.0	-4.0	2.0	0.9	3.5	3.0	\$213.1	1.1%
<b>Aggregate</b>	<b>6.1</b>	<b>4.1</b>	<b>33.6</b>	<b>34.5</b>	<b>-4.8</b>	<b>-4.0</b>	<b>-0.1</b>	<b>0.9</b>			<b>\$592.3</b>	<b>2.9%</b>
<b>Russell 2000 Value</b>												
Goldman Sachs	5.9	3.6	27.8	20.6	-3.9	-8.2	1.7	0.0	4.6	3.4	\$122.2	0.6%
Hotchkis & Wiley	3.5	3.6	62.5	20.6	-9.6	-8.2	-3.5	0.0	1.1	3.4	\$99.7	0.5%
Martingale Asset Mgmt.	2.3	3.6	19.4	20.6	-13.0	-8.2	-4.3	0.0	0.8	3.4	\$98.1	0.5%
Peregrine Capital	5.4	3.6	45.8	20.6	-8.5	-8.2	-0.8	0.0	8.6	8.1	\$170.6	0.8%
<b>Aggregate</b>	<b>4.5</b>	<b>3.6</b>	<b>36.3</b>	<b>20.6</b>	<b>-8.9</b>	<b>-8.2</b>	<b>-1.7</b>	<b>0.0</b>			<b>\$490.6</b>	<b>2.4%</b>
<b>Active Mgr. Aggregate (2)</b>	<b>6.1</b>	<b>5.6</b>	<b>32.3</b>	<b>28.1</b>	<b>-5.8</b>	<b>-5.6</b>	<b>-0.1</b>	<b>0.6</b>			<b>\$4,594.7</b>	<b>22.8%</b>

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

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

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

	2009		2008		2007		2006		2005	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
<b>LARGE CAP</b>										
<b>Russell 1000 Core</b>										
Mellon Capital		28.4	-40.7	-37.6	2.4	5.8	20.4	15.5	3.4	6.3
New Amsterdam Partners	24.8	28.4	-36.7	-37.6	5.0	5.8	9.3	15.5	7.6	6.3
UBS Global	41.3	28.4	-41.3	-37.6	0.8	5.8	16.8	15.5	8.6	6.3
<b>Aggregate</b>	<b>27.6</b>	<b>28.4</b>	<b>-39.6</b>	<b>-37.6</b>	<b>2.4</b>	<b>5.8</b>	<b>15.8</b>	<b>15.5</b>	<b>6.4</b>	<b>6.3</b>
<b>Russell 1000 Growth</b>										
Alliance Capital	38.4	37.2	-40.3	-38.4	15.4	11.8	-0.4	9.1	14.2	5.3
INTECH	34.0	37.2	-42.8	-38.4	11.4	11.8	7.4	9.1	7.8	5.3
Jacobs Levy	37.1	37.2	-44.9	-38.4	8.4	11.8	6.1	9.1	5.3	5.3
Knelman Asset Mgmt.	31.1	37.2	-39.9	-38.4	18.0	11.8	7.1	9.1	6.6	5.3
Sands Capital	71.6	37.2	-48.6	-38.4	19.5	11.8	-5.5	9.1	10.9	5.3
Winslow-Large Cap	40.9	37.2	-39.1	-38.4	22.0	11.8	7.6	9.1	10.5	5.3
Zevenbergen Capital	57.4	37.2	-43.2	-38.4	24.0	11.8	6.2	9.1	9.0	5.3
<b>Aggregate</b>	<b>44.5</b>	<b>37.2</b>	<b>-42.7</b>	<b>-38.4</b>	<b>14.9</b>	<b>11.8</b>	<b>2.2</b>	<b>9.1</b>	<b>7.3</b>	<b>5.3</b>
<b>Russell 1000 Value</b>										
Barrow, Hanley	23.2	19.7	-35.2	-36.8	2.6	-0.2	15.4	22.2	9.6	7.1
Earnest Partners	31.6	19.7	-39.8	-36.8	6.5	-0.2	13.8	22.2	15.6	7.1
Lord Abbett & Co.	20.5	19.7	-36.3	-36.8	4.4	-0.2	18.6	22.2	3.5	7.1
LSV Asset Mgmt.	24.0	19.7	-39.3	-36.8	1.3	-0.2	21.7	22.2	12.5	7.1
Systematic Financial Mgmt.	23.2	19.7	-40.6	-36.8	8.3	-0.2	17.9	22.2	10.3	7.1
<b>Aggregate</b>	<b>23.8</b>	<b>19.7</b>	<b>-38.0</b>	<b>-36.8</b>	<b>3.6</b>	<b>-0.2</b>	<b>17.4</b>	<b>22.2</b>	<b>6.0</b>	<b>7.1</b>
<b>SMALL CAP</b>										
<b>Russell 2000 Growth</b>										
McKinley Capital	28.0	34.5	-49.1	-38.5	16.2	7.0	12.5	13.3	0.2	4.2
Next Century Growth	35.0	34.5	-49.3	-38.5	34.2	7.0	12.4	13.3	25.2	4.2
Turner Investment Partners	36.9	34.5	-41.9	-38.5	14.8	7.0	13.6	13.3	6.2	4.2
<b>Aggregate</b>	<b>33.6</b>	<b>34.5</b>	<b>-46.8</b>	<b>-38.5</b>	<b>21.6</b>	<b>7.0</b>	<b>10.0</b>	<b>13.3</b>	<b>4.7</b>	<b>4.2</b>
<b>Russell 2000 Value</b>										
Goldman Sachs	27.8	20.6	-26.8	-28.9	-5.0	-9.8	17.8	23.5	4.1	4.7
Hotchkis & Wiley	62.5	20.6	-44.1	-28.9	-18.8	-9.8	3.0	23.5	10.4	4.7
Martingale Asset Mgmt.	19.4	20.6	-33.8	-28.9	-16.8	-9.8	14.8	23.5	6.2	4.7
Peregrine Capital	45.8	20.6	-39.4	-28.9	-13.4	-9.8	14.3	23.5	10.1	4.7
<b>Aggregate</b>	<b>36.3</b>	<b>20.6</b>	<b>-36.1</b>	<b>-28.9</b>	<b>-13.4</b>	<b>-9.8</b>	<b>13.1</b>	<b>23.5</b>	<b>7.7</b>	<b>4.7</b>
<b>Active Mgr. Aggregate (1)</b>	<b>32.3</b>	<b>28.1</b>	<b>-40.5</b>	<b>-36.9</b>	<b>6.3</b>	<b>4.2</b>	<b>11.5</b>	<b>15.8</b>	<b>6.5</b>	<b>6.0</b>

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

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

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

	Quarter		1 Year		3 Years		5 Years		Since Inception (2)		Market Value (in millions)	Pool %
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %		
<b>SEMI-PASSIVE MANAGERS (1)</b>												
BlackRock Institutional	5.9	6.1	27.6	28.4	-6.4	-5.4	0.4	0.8	7.7	7.4	\$2,733.4	10.6%
JP Morgan	6.4	6.1	32.1	28.4	-4.4	-5.4	1.3	0.8	7.6	7.4	\$2,494.3	12.4%
Mellon Capital	6.1	6.1	25.6	28.4	-7.0	-5.4	-0.1	0.8	6.8	7.4	\$2,126.5	13.6%
<b>Semi-Passive Aggregate (R1000)</b>	<b>6.1</b>	<b>6.1</b>	<b>28.5</b>	<b>28.4</b>	<b>-5.9</b>	<b>-5.4</b>	<b>0.5</b>	<b>0.8</b>			<b>\$7,354.3</b>	<b>36.6%</b>
<b>PASSIVE MANAGER (R3000)</b>												
BlackRock Institutional	5.9	5.9	28.2	28.3	-5.3	-5.4	0.8	0.8	7.0	6.8	\$8,141.3	40.5%
<b>Historical Aggregate (3)</b>	<b>6.0</b>	<b>5.9</b>	<b>29.6</b>	<b>28.3</b>	<b>-5.6</b>	<b>-5.4</b>	<b>0.5</b>	<b>0.7</b>	<b>9.6</b>	<b>9.9</b>	<b>\$20,090.2</b>	<b>100.0%</b>
SBI DE Asset Class Target (4)		5.9		28.3		-5.4		0.8		9.8		
Russell 3000		5.9		28.3		-5.4		0.8		10.2		
Russell 1000		6.1		28.4		-5.4		0.8		10.4		
Russell 2000		3.9		27.2		-6.1		0.5		8.6		

- (1) Semi-Passive managers' benchmark is the Russell 1000 index beginning 1/1/04 and was the Completeness Fund benchmark prior to 1/1/04.
- (2) Since retention by the SBI. Time period varies for each manager.
- (3) Includes the performance of terminated managers. The aggregate benchmark is the weighted average of the manager benchmarks and is not the Russell 3000.
- (4) The Domestic Equity Asset Class Target is the Russell 3000 effective 10/1/03. From 7/1/99 to 9/30/03, it was the Wilshire 5000 Investable Index. From 11/1/93 to 6/30/99, the target was the Wilshire 5000 as reported with no adjustments. Prior to 11/1/93, the Wilshire 5000 was adjusted to reflect SBI mandated restrictions, which included liquor and tobacco, American Home Products and South Africa.

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

	2009		2008		2007		2006		2005	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
<b>SEMI-PASSIVE MANAGERS</b>										
BlackRock Institutional	27.6	28.4	-37.1	-37.6	2.2	5.8	15.6	15.5	7.6	6.3
JP Morgan	32.1	28.4	-37.1	-37.6	5.1	5.8	16.5	15.5	4.7	6.3
Mellon Capital	25.6	28.4	-37.6	-37.6	2.5	5.8	16.5	15.5	6.1	6.3
<b>Semi-Passive Aggregate (R1000)</b>	<b>28.5</b>	<b>28.4</b>	<b>-37.2</b>	<b>-37.6</b>	<b>3.2</b>	<b>5.8</b>	<b>16.1</b>	<b>15.5</b>	<b>6.2</b>	<b>6.3</b>
<b>PASSIVE MANAGER (R3000)</b>										
BlackRock Institutional	28.2	28.3	-37.1	-37.3	5.1	5.1	15.8	15.7	6.2	6.1
<b>Historical Aggregate (1)</b>	<b>29.6</b>	<b>28.3</b>	<b>-38.1</b>	<b>-37.3</b>	<b>4.9</b>	<b>5.1</b>	<b>14.5</b>	<b>15.7</b>	<b>6.4</b>	<b>6.1</b>
SBI DE Asset Class Target		28.3		-37.3		5.1		15.7		6.1
Russell 3000		28.3		-37.3		5.1		15.7		6.1
Russell 1000		28.4		-37.6		5.8		15.5		6.3
Russell 2000		27.2		-33.8		-1.6		18.4		4.6

(1) Includes the performance of terminated managers.

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



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

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# Large Cap Core (R1000)

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

**Portfolio Manager: Michelle Clayman**

**Assets Under Management: \$321,097,590**

**Investment Philosophy**

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

**Staff Comments**

No comment at this time.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell Index</b>
Last Quarter	5.5%	6.1%
Last 1 year	24.8	28.4
Last 2 years	-11.1	-10.5
Last 3 years	-6.0	-5.4
Last 4 years	-2.4	-0.5
Last 5 years	-0.5	0.8
Since Inception (1) (4/94)	9.7	8.7

**Calendar Year Returns**

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

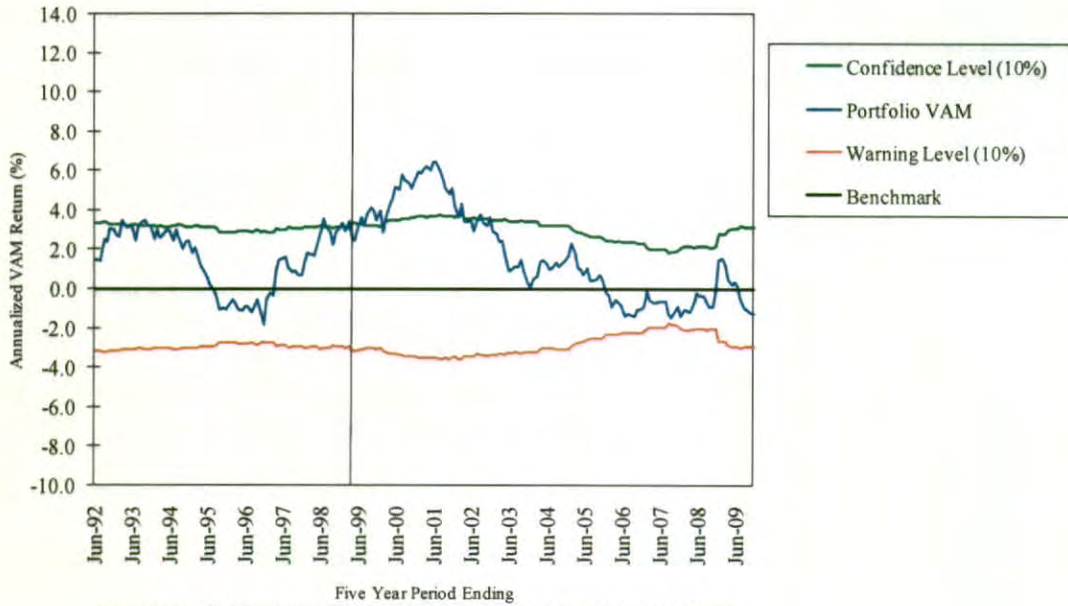
(1) New Amsterdam Partners' published benchmark is the Russell 1000 Core beginning 10/1/03. Prior to that date it was the Russell Midcap index.

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

**Portfolio Manager: Michelle Clayman**

**Assets Under Management: \$321,097,590**

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



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

**Portfolio Manager: John Leonard**

**Assets Under Management: \$325,915,480**

**Investment Philosophy**

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

**Staff Comments**

UBS outperformed for the quarter and for the year. Both periods were helped by overall sector allocation and stock selection. The Burlington Northern holding was the largest contributor over the quarter. For the year, stock selection was the strongest in the Technology sector.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 1000 Core</b>
Last Quarter	7.4%	6.1%
Last 1 year	41.3	28.4
Last 2 years	-8.9	-10.5
Last 3 years	-5.8	-5.4
Last 4 years	-0.6	-0.5
Last 5 years	1.2	0.8
Since Inception (7/93)	8.3	7.8

**Calendar Year Returns**

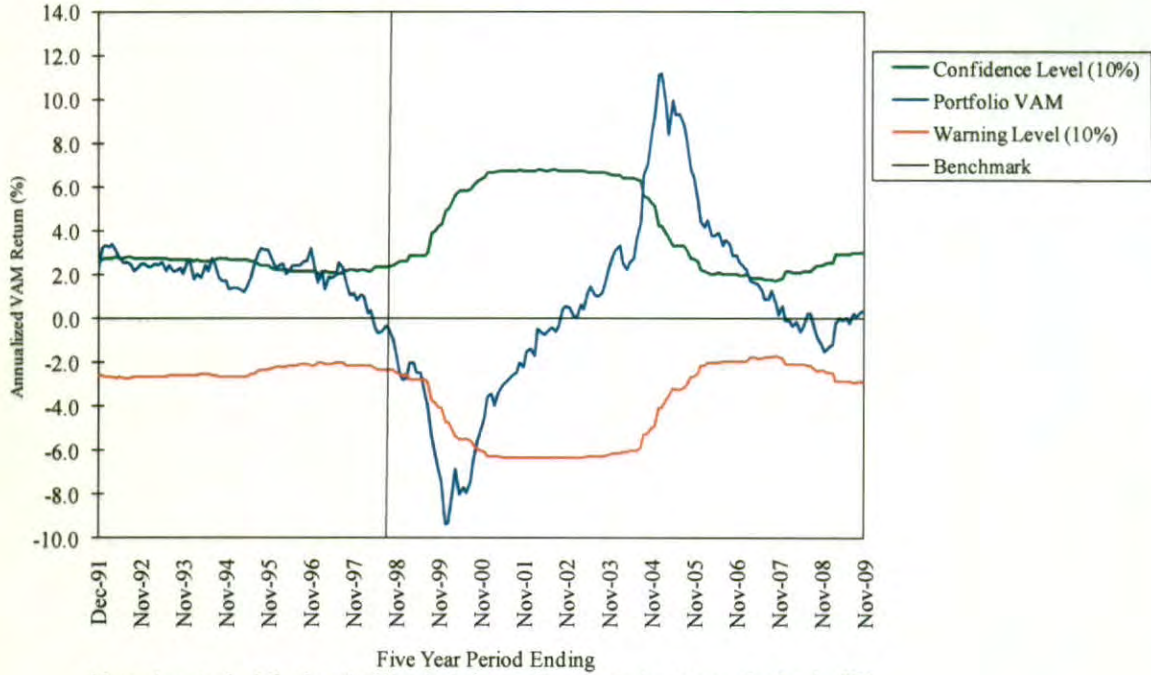
	<b>Actual</b>	<b>Russell 1000 Core</b>
2009	41.3%	28.4%
2008	-41.3	-37.6
2007	0.8	5.8
2006	16.8	15.5
2005	8.6	6.3

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

**Portfolio Manager: John Leonard**

**Assets Under Management: \$325,915,480**

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



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



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



## Large Cap Growth (R1000 Growth)

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

**Portfolio Manager: Stephanie Simon**

**Assets Under Management: \$260,813,974**

**Investment Philosophy**

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

**Staff Comments**

No comment at this time.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 1000 Growth</b>
Last Quarter	6.9%	7.9%
Last 1 year	38.4	37.2
Last 2 years	-9.1	-8.1
Last 3 years	-1.6	-1.9
Last 4 years	-1.3	0.7
Last 5 years	1.7	1.6
Since Inception (1/84)	12.3	9.4

**Calendar Year Returns**

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

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

**Portfolio Manager: Stephanie Simon**

**Assets Under Management: \$260,813,974**

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



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

**Portfolio Manager: Robert Fernholz**

**Assets Under Management: \$275,752,241**

**Investment Philosophy**

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

**Staff Comments**

No comment at this time.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 1000 Growth</b>
Last Quarter	7.9%	7.9%
Last 1 year	34.0	37.2
Last 2 years	-12.4	-8.1
Last 3 years	-5.1	-1.9
Last 4 years	-2.1	0.7
Last 5 years	-0.2	1.6
Since Inception (1/05)	-0.2	1.6

**Calendar Year Returns**

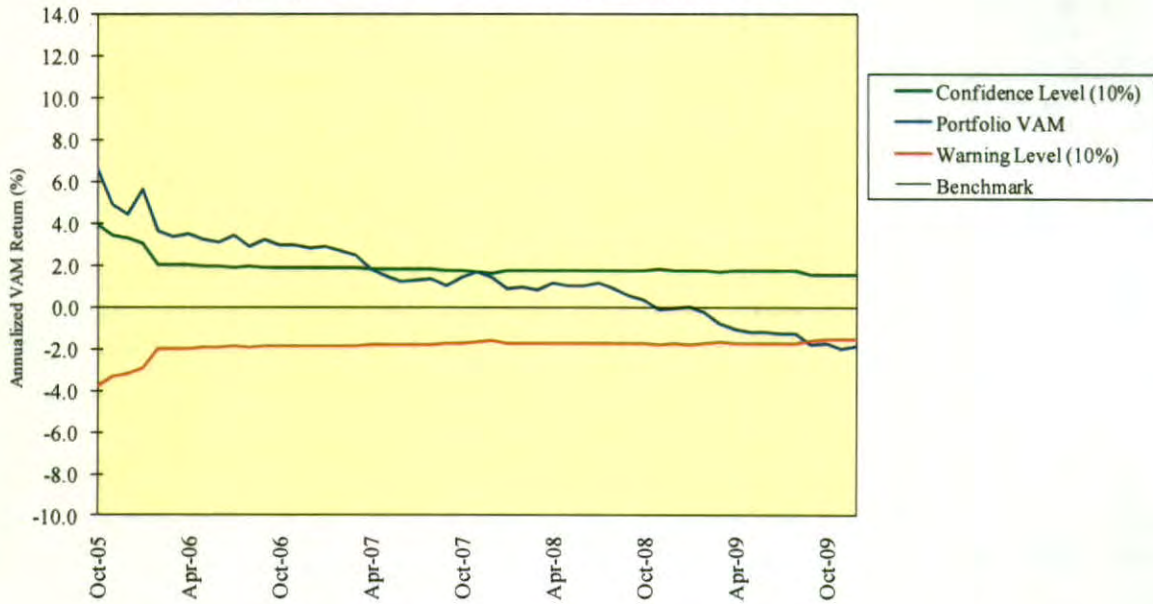
	<b>Actual</b>	<b>Russell 1000 Growth</b>
2009	34.0%	37.2%
2008	-42.8	-38.4
2007	11.4	11.8
2006	7.4	9.1
2005	7.8	5.3

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

**Portfolio Manager: Robert Fernholz**

**Assets Under Management: \$275,752,241**

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



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



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

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

**Assets Under Management: \$243,242,857**

**Investment Philosophy**

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

**Staff Comments**

No comment at this time.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 1000 Growth</b>
Last Quarter	6.5%	7.9%
Last 1 year	37.1	37.2
Last 2 years	-13.1	-8.1
Last 3 years	-6.4	-1.9
Last 4 years	-3.4	0.7
Last 5 years	-1.7	1.6
Since Inception (1/05)	-1.7	1.6

**Calendar Year Returns**

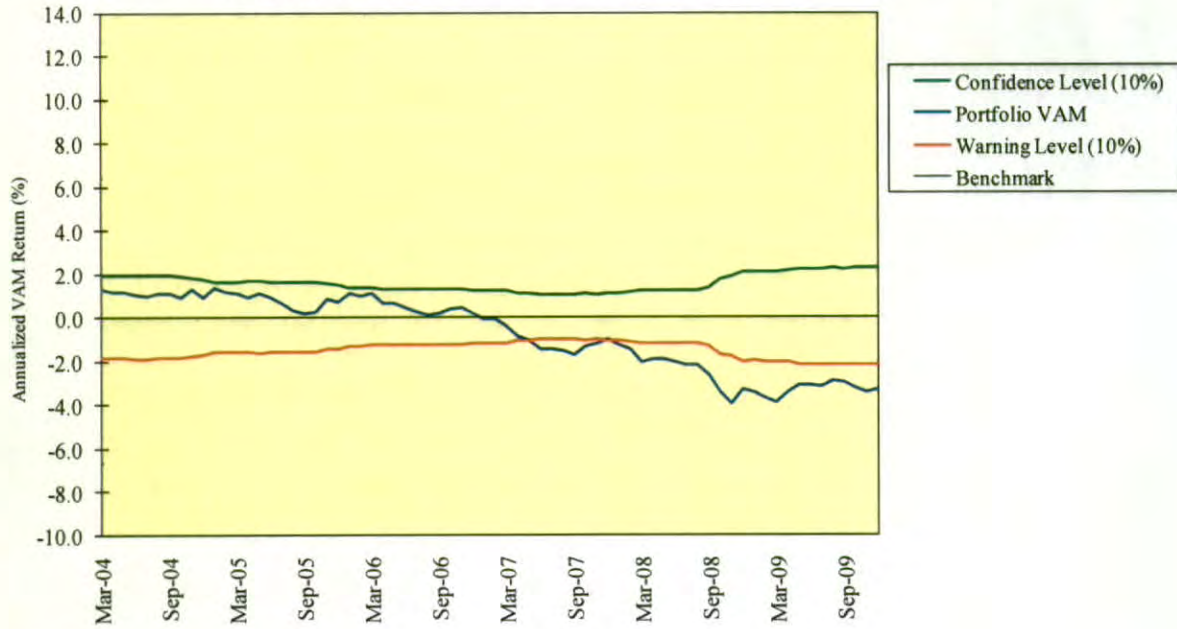
	<b>Actual</b>	<b>Russell 1000 Growth</b>
2009	37.1%	37.2%
2008	-44.9	-38.4
2007	8.4	11.8
2006	6.1	9.1
2005	5.3	5.3

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

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

**Assets Under Management: \$243,242,857**

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



Five Year Period Ending

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

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

**Portfolio Manager: Kip Knelman**

**Assets Under Management: \$53,423,007**

**Investment Philosophy**

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

**Staff Comments**

No comment at this time.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 1000 Growth</b>
Last Quarter	6.9%	7.9%
Last 1 year	31.1	37.2
Last 2 years	-11.2	-8.1
Last 3 years	-2.4	-1.9
Last 4 years	-0.1	0.7
Last 5 years	1.2	1.6
Since Inception (1/05)	1.2	1.6

**Calendar Year Returns**

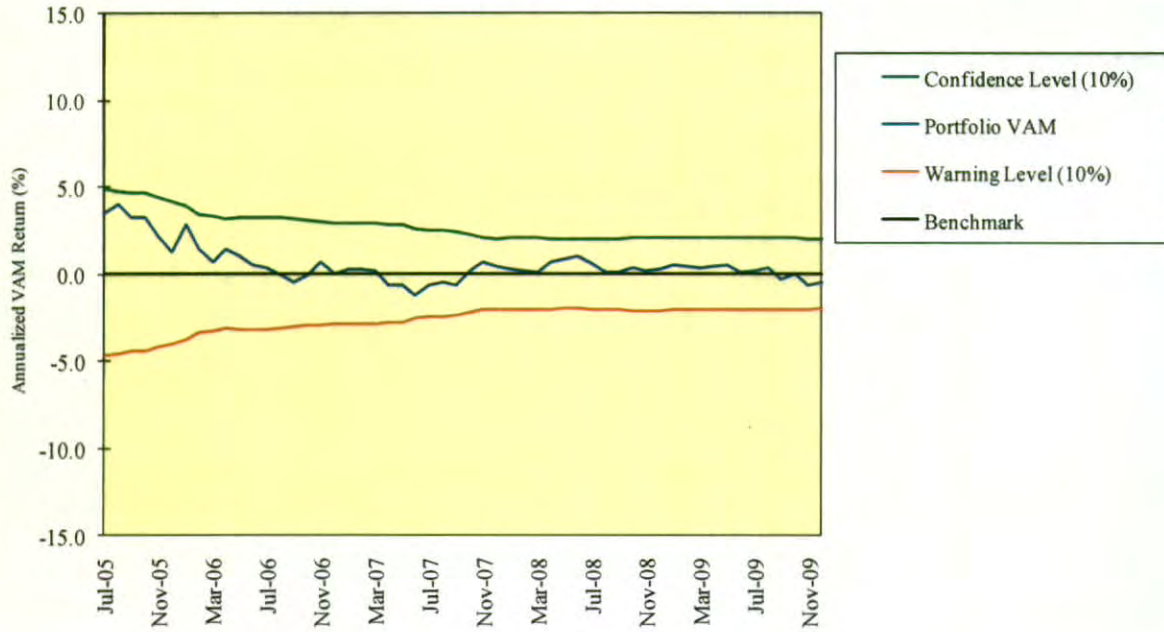
	<b>Actual</b>	<b>Russell 1000 Growth</b>
2009	31.1%	37.2%
2008	-39.9	-38.4
2007	18.0	11.8
2006	7.1	9.1
2005	6.6	5.3

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

**Portfolio Manager: Kip Knelman**

**Assets Under Management: \$53,423,007**

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



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

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

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

**Assets Under Management: \$219,800,513**

**Investment Philosophy**

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

**Staff Comments**

Sands outperformed for the quarter and for the year, driven by strong stock selection. For both periods, stock selection was positive across most sectors, especially Consumer Discretionary, Financial Services and Technology.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 1000 Growth</b>
Last Quarter	10.8%	7.9%
Last 1 year	71.6	37.2
Last 2 years	-6.1	-8.1
Last 3 years	1.8	-1.9
Last 4 years	-0.1	0.7
Last 5 years	2.0	1.6
Since Inception (1/05)	2.0	1.6

**Calendar Year Returns**

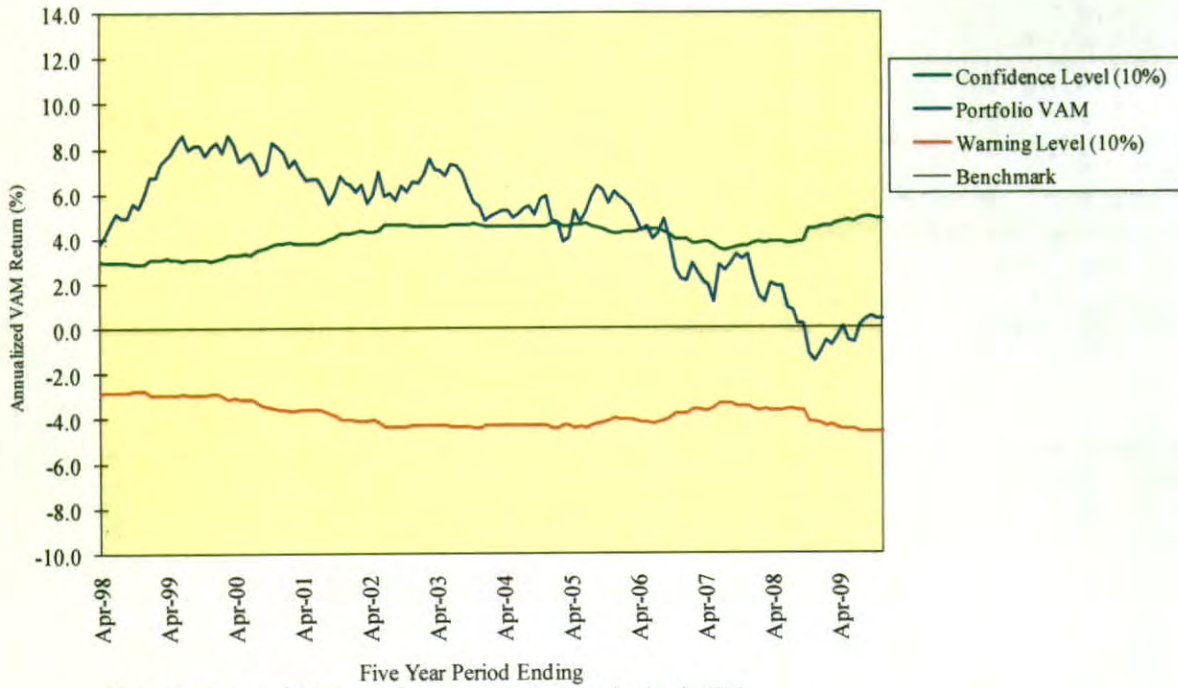
	<b>Actual</b>	<b>Russell 1000 Growth</b>
2009	71.6%	37.2%
2008	-48.6	-38.4
2007	19.5	11.8
2006	-5.5	9.1
2005	10.9	5.3

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

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

**Assets Under Management: \$219,800,513**

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



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

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

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

**Assets Under Management: \$117,262,252**

**Investment Philosophy**

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

**Staff Comments**

No comment at this time.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 1000 Growth</b>
Last Quarter	8.2%	7.9%
Last 1 year	40.9	37.2
Last 2 years	-7.3	-8.1
Last 3 years	1.6	-1.9
Last 4 years	3.0	0.7
Last 5 years	4.5	1.6
Since Inception (1/05)	4.5	1.6

**Calendar Year Returns**

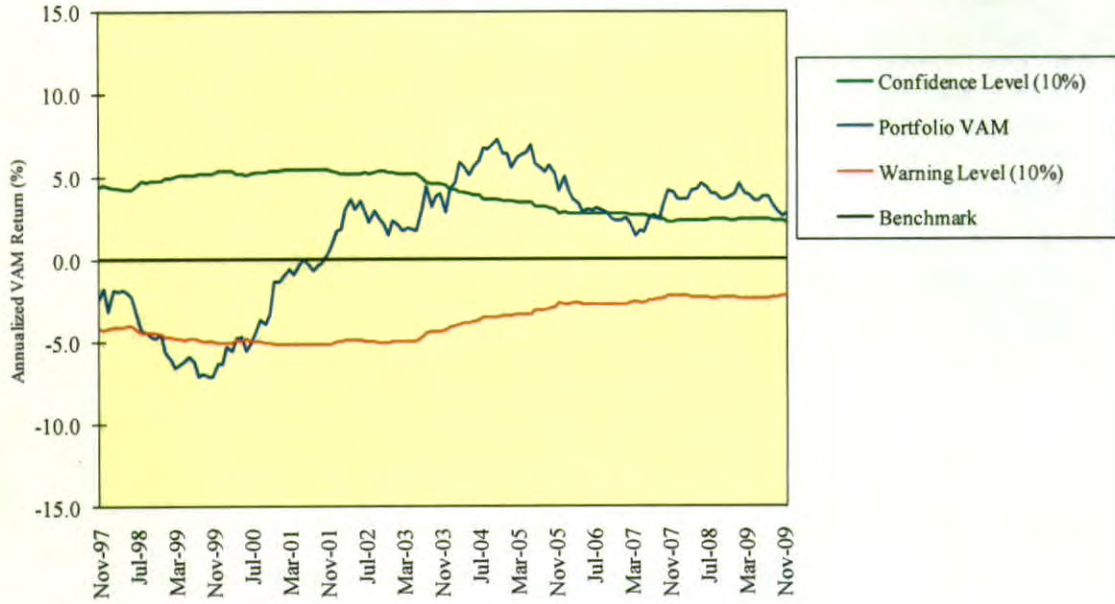
	<b>Actual</b>	<b>Russell 1000 Growth</b>
2009	40.9%	37.2%
2008	-39.1	-38.4
2007	22.0	11.8
2006	7.6	9.1
2005	10.5	5.3

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

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

**Assets Under Management: \$117,262,252**

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



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



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

**Portfolio Manager: Nancy Zevenbergen**

**Assets Under Management: \$269,654,024**

**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 for the year. Stock selection was strong in Consumer Discretionary for both periods, especially the long-term holding in the portfolio, Amazon. Positions in Vistaprint and Blue Nile, which are in the Consumer Discretionary sector, also contributed to the one year return.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 1000 Growth</b>
Last Quarter	8.9%	7.9%
Last 1 year	57.4	37.2
Last 2 years	-5.5	-8.1
Last 3 years	3.5	-1.9
Last 4 years	4.1	0.7
Last 5 years	5.1	1.6
Since Inception (4/94)	8.9	7.0

**Calendar Year Returns**

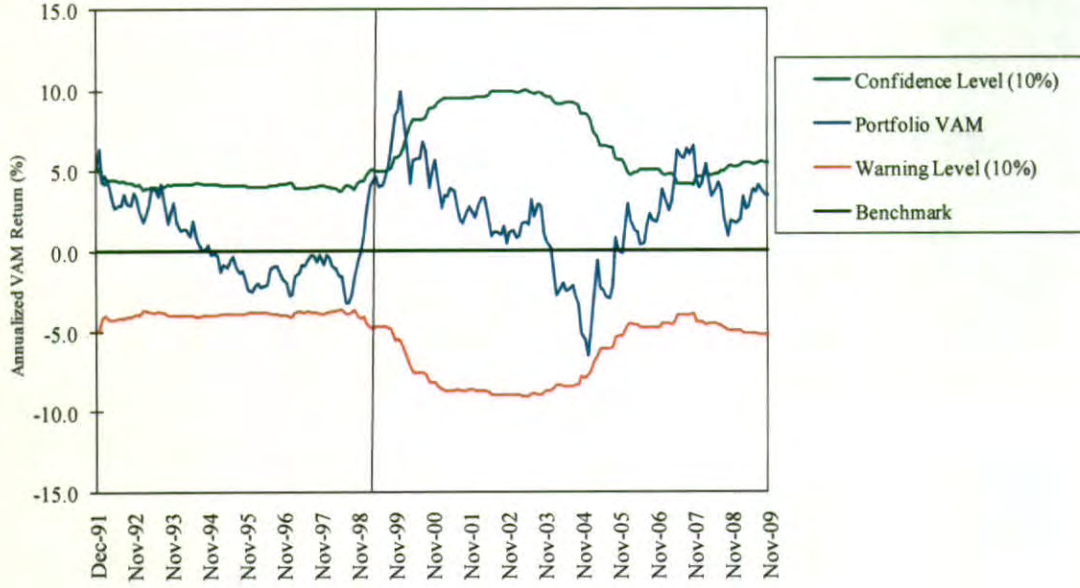
	<b>Actual</b>	<b>Russell 1000 Growth</b>
2009	57.4%	37.2%
2008	-43.2	-38.4
2007	24.0	11.8
2006	6.2	9.1
2005	9.0	5.3

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

**Portfolio Manager: Nancy Zevenbergen**

**Assets Under Management: \$269,654,024**

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



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

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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 December 2009**

**Portfolio Manager: Tim Culler**

**Assets Under Management: \$386,682,270**

**Investment Philosophy**

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

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

**Staff Comments**

Barrow Hanley outperformed the benchmark for the quarter and the year. An underweight to the Financial sector coupled with strong stock selection made it the highest relative contributing sector for the quarter. The one year return was helped by stock selection in Integrated Oils.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 1000 Value</b>
Last Quarter	9.5%	4.2%
Last 1 year	23.2	19.7
Last 2 years	-10.7	-13.1
Last 3 years	-6.4	-9.0
Last 4 years	-1.4	-2.0
Last 5 years	0.7	-0.3
Since Inception (4/04)	3.2	1.9

**Calendar Year Returns**

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

BARROW, HANLEY, MEWHINNEY & STRAUSS, INC.  
Periods Ending December, 2009

Portfolio Manager: Tim Culler

Assets Under Management: \$386,682,270

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



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



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

**Portfolio Manager: Paul Viera**

**Assets Under Management: \$158,595,255**

**Investment Philosophy**

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

**Staff Comments**

No comment at this time.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 1000 Value</b>
Last Quarter	4.9%	4.2%
Last 1 year	31.6	19.7
Last 2 years	-11.0	-13.1
Last 3 years	-5.5	-9.0
Last 4 years	-1.0	-2.0
Last 5 years	2.1	-0.3
Since Inception (7/00)	3.0	3.1

**Calendar Year Returns**

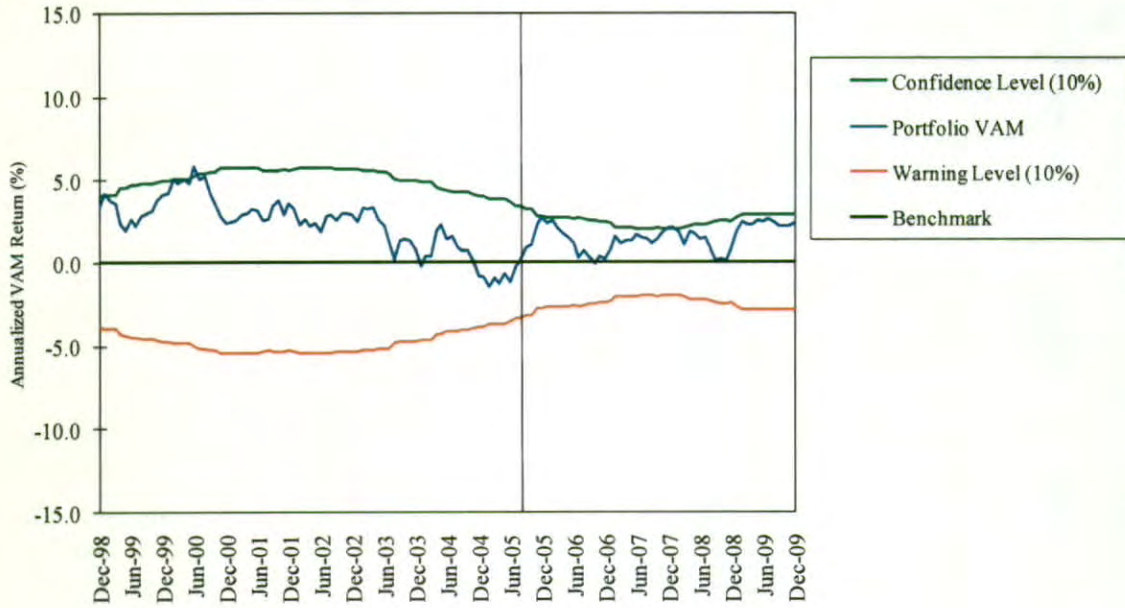
	<b>Actual</b>	<b>Russell 1000 Value</b>
2009	31.6%	19.7%
2008	-39.8	-36.8
2007	6.5	-0.2
2006	13.8	22.2
2005	15.6	7.1

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

**Portfolio Manager: Paul Viera**

**Assets Under Management: \$158,595,255**

Earnest Partners  
 Rolling Five Year VAM vs. Russell 1000 Value



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

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

**Portfolio Manager: Eli Salzmann**

**Assets Under Management: \$268,801,745**

**Investment Philosophy**

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

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

**Staff Comments**

Lord Abbett trailed the benchmark for the quarter. Stock selection within the Healthcare sector was the largest detractor from relative performance. The one-year outperformance was helped by an overweight to and stock selection within the Consumer Discretionary sector.

Ken Fuller, Partner & Portfolio Manager on the large cap value team, left Lord Abbett on December 31, 2009. Eli Salzmann continues to be the lead portfolio manager for the institutional large cap value portfolios.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 1000 Value</b>
Last Quarter	1.9%	4.2%
Last 1 year	20.5	19.7
Last 2 years	-12.4	-13.1
Last 3 years	-7.1	-9.0
Last 4 years	-1.3	-2.0
Last 5 years	-0.3	-0.3
Since Inception (4/04)	1.5	1.9

**Calendar Year Returns**

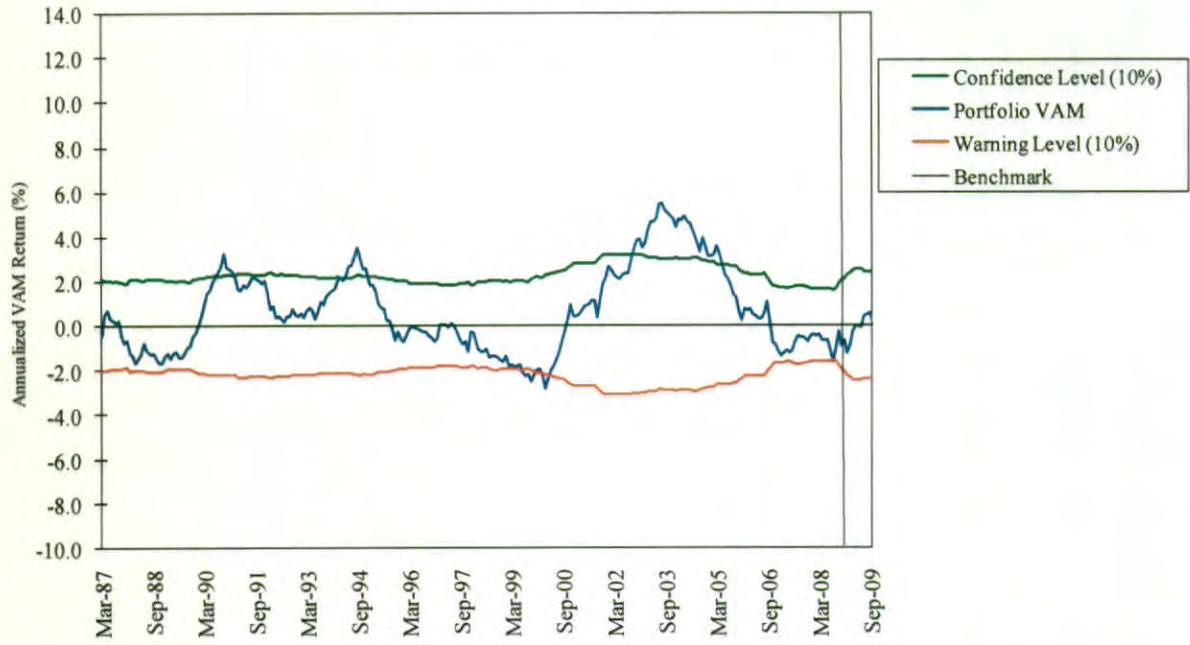
	<b>Actual</b>	<b>Russell 1000 Value</b>
2009	20.5%	19.7%
2008	-36.3	-36.8
2007	4.4	-0.2
2006	18.6	22.2
2005	3.5	7.1

LORD ABBETT & CO. LLC  
Periods Ending December, 2009

Portfolio Manager: Eli Salzmann

Assets Under Management: \$268,801,745

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



Five Year Period Ending

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

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

**Portfolio Manager: Josef Lakonishok**

**Assets Under Management: \$352,029,305**

**Investment Philosophy**

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

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

**Staff Comments**

No comment at this time.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 1000 Value</b>
Last Quarter	4.3%	4.2%
Last 1 year	24.0	19.7
Last 2 years	-13.2	-13.1
Last 3 years	-8.7	-9.0
Last 4 years	-1.9	-2.0
Last 5 years	0.9	-0.3
Since Inception (4/04)	3.1	1.9

**Calendar Year Returns**

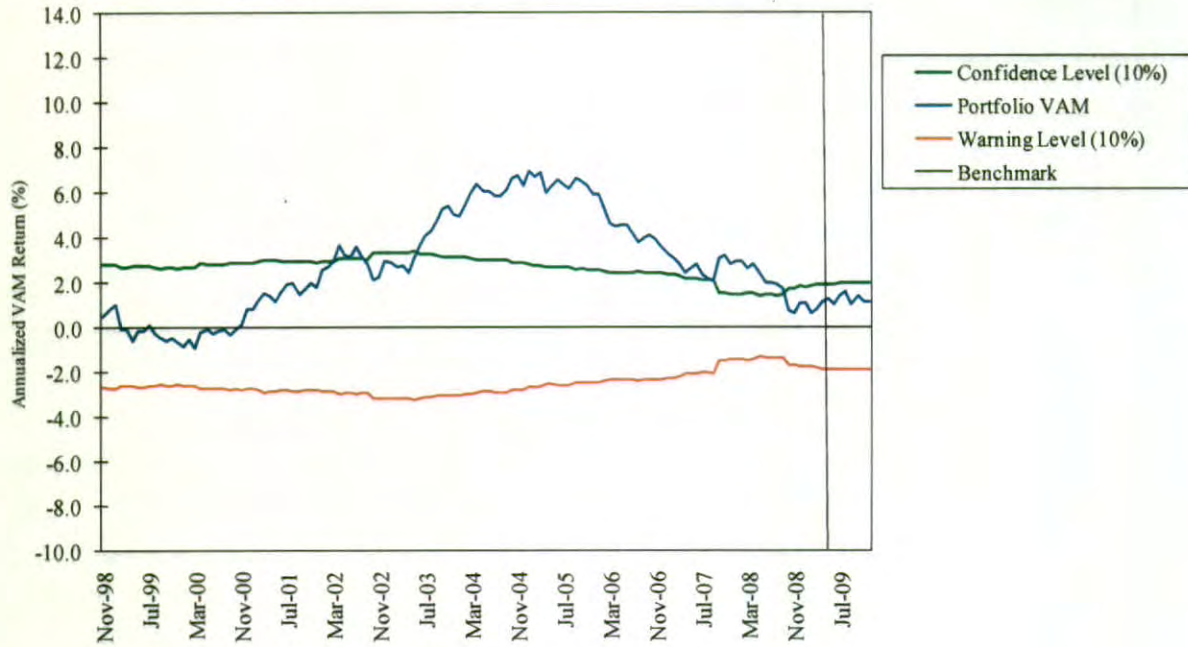
	<b>Actual</b>	<b>Russell 1000 Value</b>
2009	24.0%	19.7%
2008	-39.3	-36.8
2007	1.3	-0.2
2006	21.7	22.2
2005	12.5	7.1

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

**Portfolio Manager: Josef Lakonishok**

**Assets Under Management: \$352,029,305**

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



Five Year Period Ending

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

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

**Portfolio Manager: Kevin McCreesh**

**Assets Under Management: \$258,809,154**

**Investment Philosophy**

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

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

**Staff Comments**

No comment at this time.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 1000 Value</b>
Last Quarter	5.1%	4.2%
Last 1 year	23.2	19.7
Last 2 years	-14.5	-13.1
Last 3 years	-7.5	-9.0
Last 4 years	-1.7	-2.0
Last 5 years	0.6	-0.3
Since Inception (4/04)	2.5	1.9

**Calendar Year Returns**

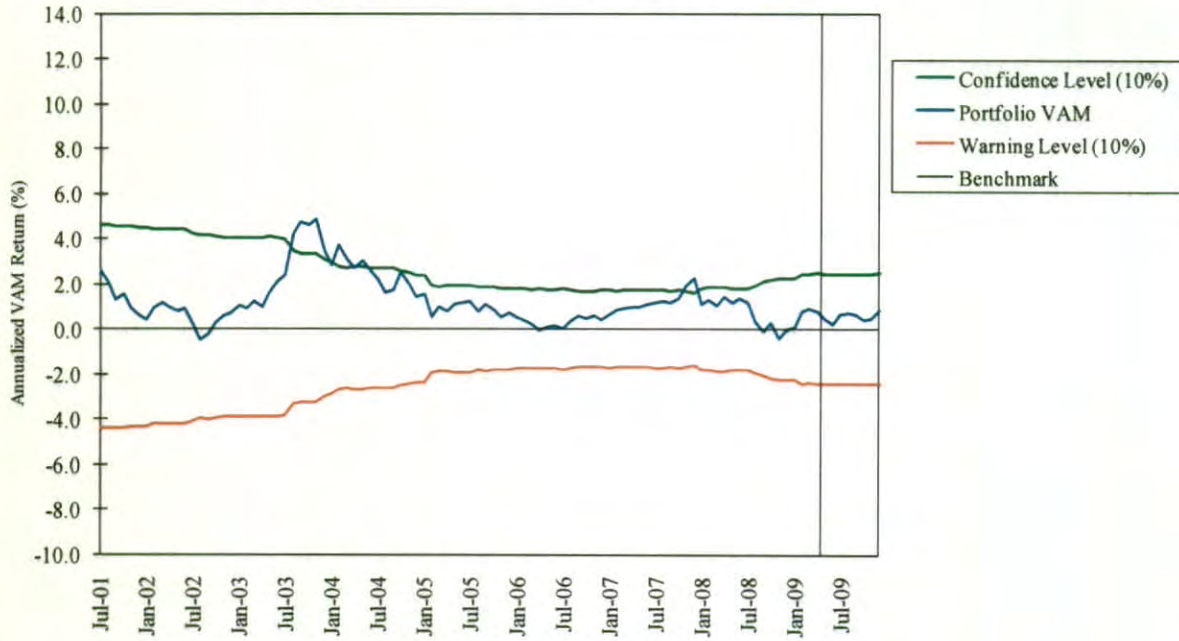
	<b>Actual</b>	<b>Russell 1000 Value</b>
2009	23.2%	19.7%
2008	-40.6	-36.8
2007	8.3	-0.2
2006	17.9	22.2
2005	10.3	7.1

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

**Portfolio Manager: Kevin McCreesh**

**Assets Under Management: \$258,809,154**

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



Five Year Period Ending

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



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

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## Small Cap Growth (R2000 Growth)

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

**Portfolio Manager: Robert A. Gillam**

**Assets Under Management: \$171,639,254**

**Investment Philosophy**

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

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

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 2000 Growth</b>
Last Quarter	6.0%	4.1%
Last 1 year	28.0	34.5
Last 2 years	-19.2	-9.1
Last 3 years	-8.8	-4.0
Last 4 years	-3.9	0.1
Last 5 years	-3.1	0.9
Since Inception (1/04)	-0.7	3.0

**Calendar Year Returns**

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

**Staff Comments**

McKinley outperformed for the quarter. Stock selection in Healthcare contributed to the quarterly performance. McKinley's exposure to momentum helped them for the quarter, but was a drag on the one-year return. Negative stock selection across several sectors also hurt the one-year performance.

**Recommendation**

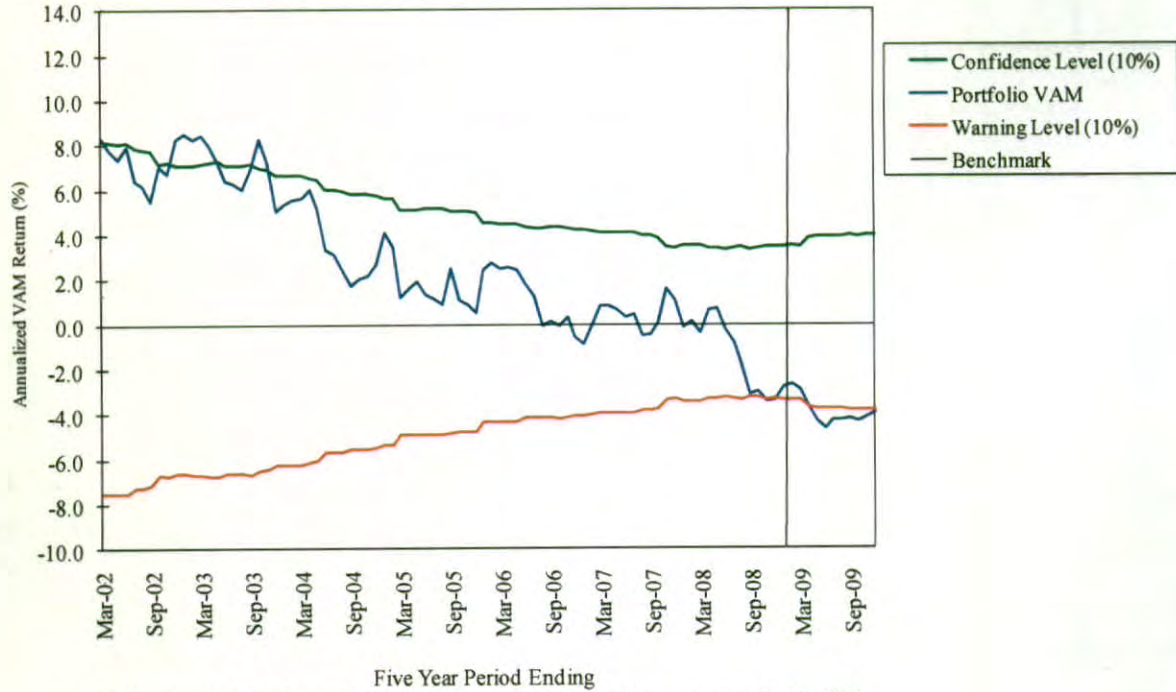
No action required.

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

**Portfolio Manager: Robert A. Gillam**

**Assets Under Management: \$171,639,254**

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



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

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

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

**Assets Under Management: \$207,532,125**

**Investment Philosophy**

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

**Staff Comments**

No comment at this time.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 2000 Growth</b>
Last Quarter	7.8%	4.1%
Last 1 year	35.0	34.5
Last 2 years	-17.2	-9.1
Last 3 years	-2.8	-4.0
Last 4 years	0.8	0.1
Last 5 years	5.3	0.9
Since Inception (7/00)	-1.8	-1.6

**Calendar Year Returns**

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

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

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

**Assets Under Management: \$207,532,125**

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



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



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

**Portfolio Manager: William McVail**

**Assets Under Management: \$213,079,815**

**Investment Philosophy**

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

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

**Staff Comments**

No comment at this time.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 2000 Growth</b>
Last Quarter	4.5%	4.1%
Last 1 year	36.9	34.5
Last 2 years	-10.8	-9.1
Last 3 years	-3.0	-4.0
Last 4 years	0.9	0.1
Last 5 years	2.0	0.9
Since Inception (1/04)	3.5	3.0

**Calendar Year Returns**

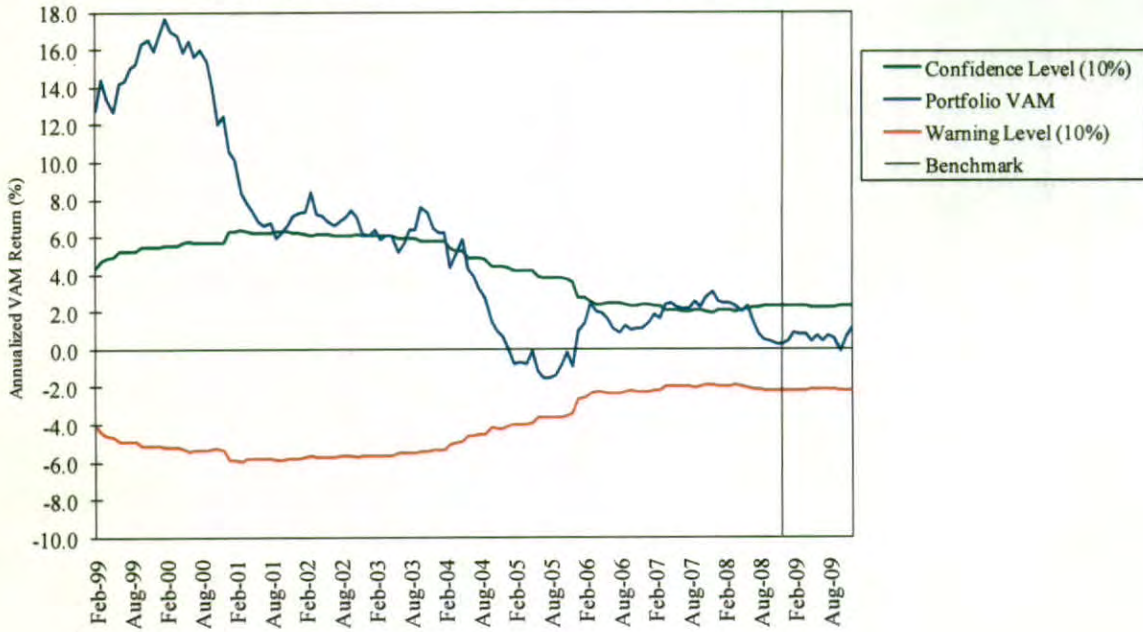
	<b>Actual</b>	<b>Russell 2000 Growth</b>
2009	36.9%	34.5%
2008	-41.9	-38.5
2007	14.8	7.0
2006	13.6	13.3
2005	6.2	4.2

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

**Portfolio Manager: William McVail**

**Assets Under Management: \$213,079,815**

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



Five Year Period Ending

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

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

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## Small Cap Value (R2000 Value)

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

**Portfolio Manager: Chip Otness**

**Assets Under Management: \$122,160,603**

**Investment Philosophy**

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

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

**Staff Comments**

No comment at this time.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 2000 Value</b>
Last Quarter	5.9%	3.6%
Last 1 year	27.8	20.6
Last 2 years	-3.3	-7.4
Last 3 years	-3.9	-8.2
Last 4 years	1.1	-1.2
Last 5 years	1.7	0.0
Since Inception (1/04)	4.6	3.4

**Calendar Year Returns**

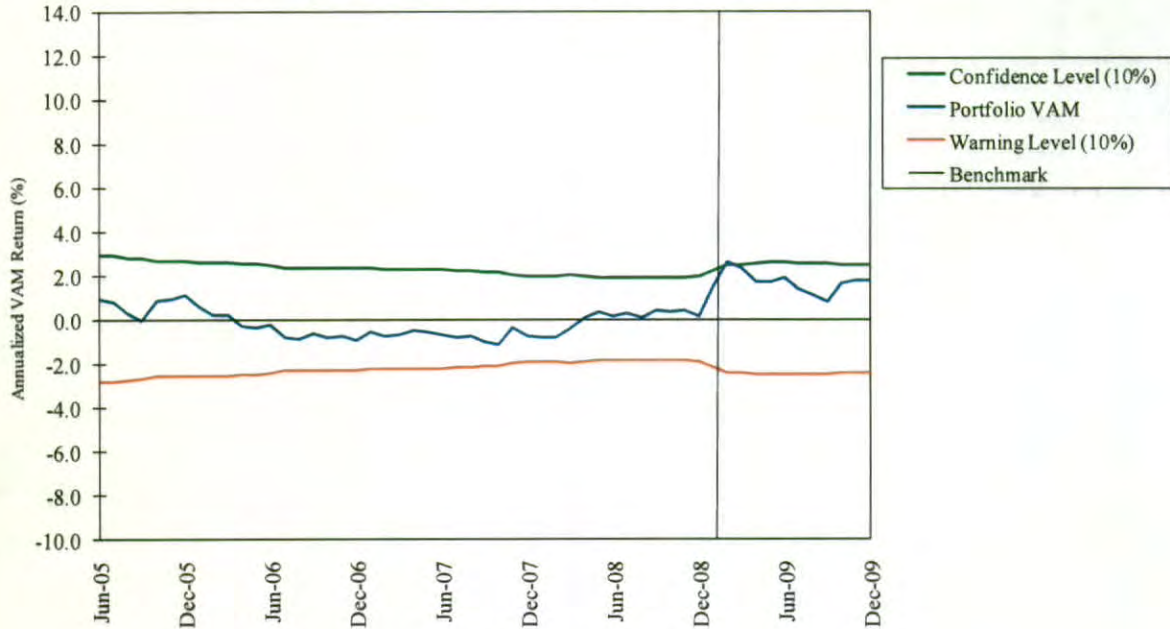
	<b>Actual</b>	<b>Russell 2000 Value</b>
2009	27.8%	20.6%
2008	-26.8	-28.9
2007	-5.0	-9.8
2006	17.8	23.5
2005	4.1	4.7

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

**Portfolio Manager: Chip Otness**

**Assets Under Management: \$122,160,603**

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



Five Year Period Ending

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



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

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

**Assets Under Management: \$99,691,014**

**Investment Philosophy**

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

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

**Staff Comments**

Hotchkis & Wiley slightly trailed the benchmark for the quarter and outperformed for the year. The overweight and strong stock selection in the Consumer Discretionary sector, primarily media and retail companies, was the largest contributor to the return for the year. Overall sector allocation and stock selection was very robust for the year.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 2000 Value</b>
Last Quarter	3.5%	3.6%
Last 1 year	62.5	20.6
Last 2 years	-4.7	-7.4
Last 3 years	-9.6	-8.2
Last 4 years	-6.6	-1.2
Last 5 years	-3.5	0.0
Since Inception (1/04)	1.1	3.4

**Calendar Year Returns**

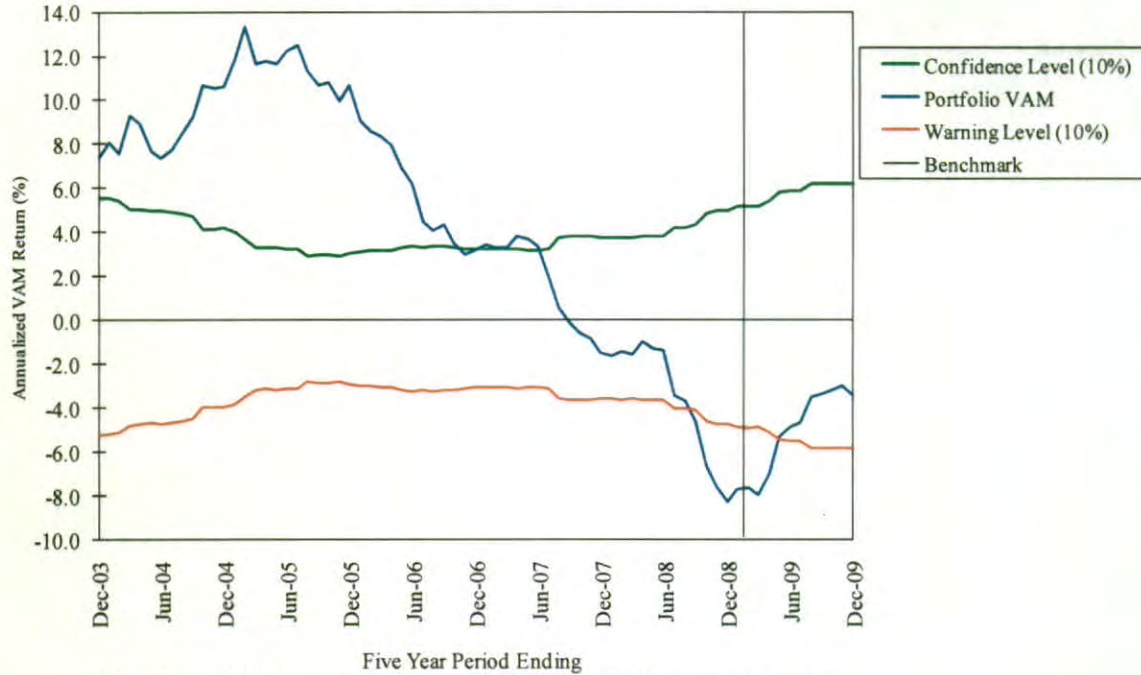
	<b>Actual</b>	<b>Russell 2000 Value</b>
2009	62.5%	20.6%
2008	-44.1	-28.9
2007	-18.8	-9.8
2006	3.0	23.5
2005	10.4	4.7

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

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

**Assets Under Management: \$99,691,014**

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



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

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

**Portfolio Manager: William Jacques**

**Assets Under Management: \$98,126,541**

**Investment Philosophy**

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

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

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

**Staff Comments**

Martingale lagged the benchmark for the quarter and for the year. The quarterly performance was hurt by overall sector allocation and overall stock selection. Martingale's model avoided the low-priced, high-risk companies that performed well in 2009. This resulted in negative stock selection across several sectors for the past twelve months.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 2000 Value</b>
Last Quarter	2.3%	3.6%
Last 1 year	19.4	20.6
Last 2 years	-11.1	-7.4
Last 3 years	-13.0	-8.2
Last 4 years	-6.8	-1.2
Last 5 years	-4.3	0.0
Since Inception (1/04)	0.8	3.4

**Calendar Year Returns**

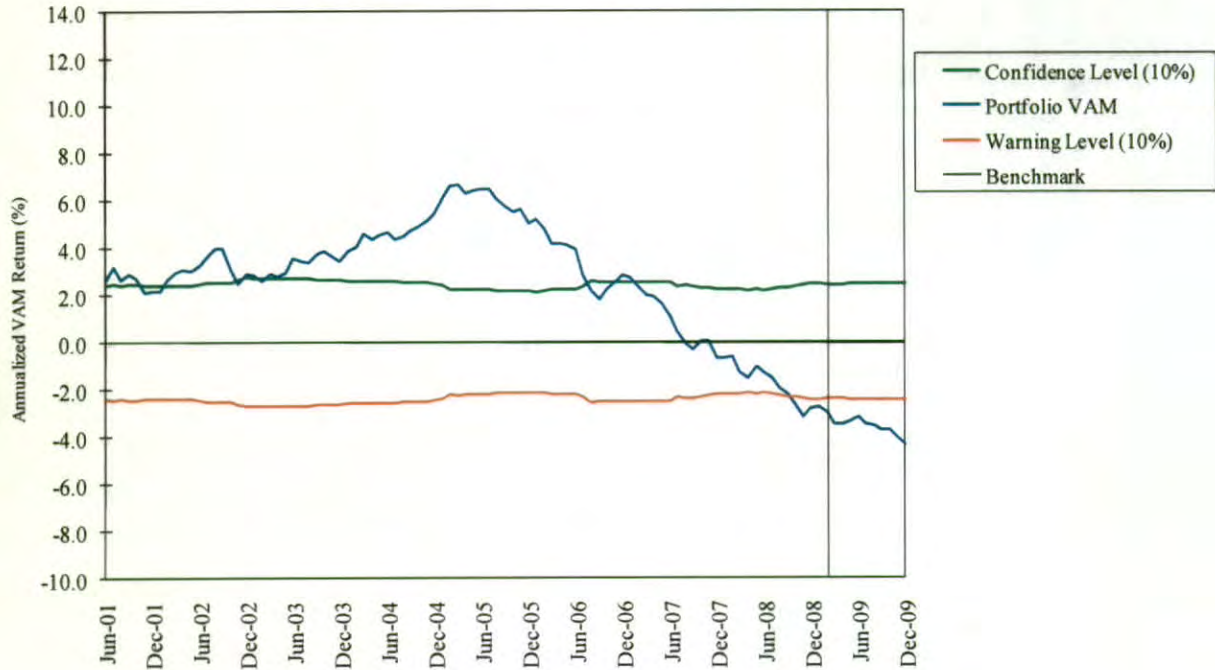
	<b>Actual</b>	<b>Russell 2000 Value</b>
2009	19.4%	20.6%
2008	-33.8	-28.9
2007	-16.8	-9.8
2006	14.8	23.5
2005	6.2	4.7

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

**Portfolio Manager: William Jacques**

**Assets Under Management: \$98,126,541**

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



Five Year Period Ending

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

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

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

**Assets Under Management: \$170,584,544**

**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**

No comment at this time.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Russell 2000 Value</b>
Last Quarter	5.4%	3.6%
Last 1 year	45.8	20.6
Last 2 years	-6.0	-7.4
Last 3 years	-8.5	-8.2
Last 4 years	-3.3	-1.2
Last 5 years	-0.8	0.0
Since Inception (7/00)	8.6	8.1

**Calendar Year Returns**

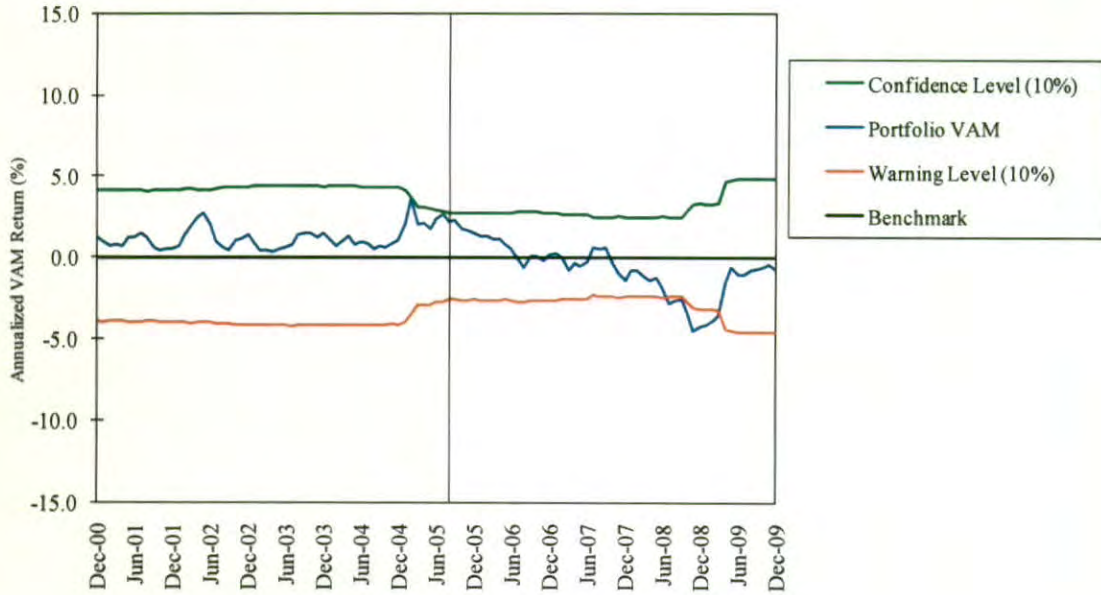
	<b>Actual</b>	<b>Russell 2000 Value</b>
2009	45.8%	20.6%
2008	-39.4	-28.9
2007	-13.4	-9.8
2006	14.3	23.5
2005	10.1	4.7

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

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

**Assets Under Management: \$170,584,544**

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



Five Year Period Ending

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

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## **Semi-Passive and Passive**



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## **Semi-Passive and Passive**

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**BLACKROCK INSTITUTIONAL TRUST CO., N.A.**  
**Periods Ending December, 2009**

**Portfolio Manager: Russ Koesterich**

**Assets Under Management: \$2,733,419,732**

**Investment Philosophy – Semi-Passive Style**

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

**Staff Comments**

On December 1, 2009 BlackRock, Inc. completed its acquisition of Barclays Global Investors, N.A. It is now BlackRock Institutional Trust Co., N.A.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Manager Benchmark*</b>
Last Quarter	5.9%	6.1%
Last 1 year	27.6	28.4
Last 2 years	-10.4	-10.5
Last 3 years	-6.4	-5.4
Last 4 years	-1.3	-0.5
Last 5 years	0.4	0.8
Since Inception (1/95)	7.7	7.4

**Calendar Year Returns**

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

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

**BLACKROCK INSTITUTIONAL TRUST CO., N.A.**  
**Periods Ending December, 2009**

**Portfolio Manager: Russ Koesterich**

**Assets Under Management: \$2,733,419,732**

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



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

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

**Portfolio Manager: Ralph Zingone and Scott Blasdell      Assets Under Management: \$2,494,298,256**

**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**

Scott Blasdell has replaced Terance Chen as co-portfolio manager for the SBI's account. Scott has worked with Terance and Ralph on the portfolio since 2008. Terance remains on the team, but his primary focus has shifted to the 130/30 and market neutral strategies at JP Morgan.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Manager Benchmark*</b>
Last Quarter	6.4%	6.1%
Last 1 year	32.1	28.4
Last 2 years	-8.9	-10.5
Last 3 years	-4.4	-5.4
Last 4 years	0.4	-0.5
Last 5 years	1.3	0.8
Since Inception (1/95)	7.6	7.4

**Calendar Year Returns**

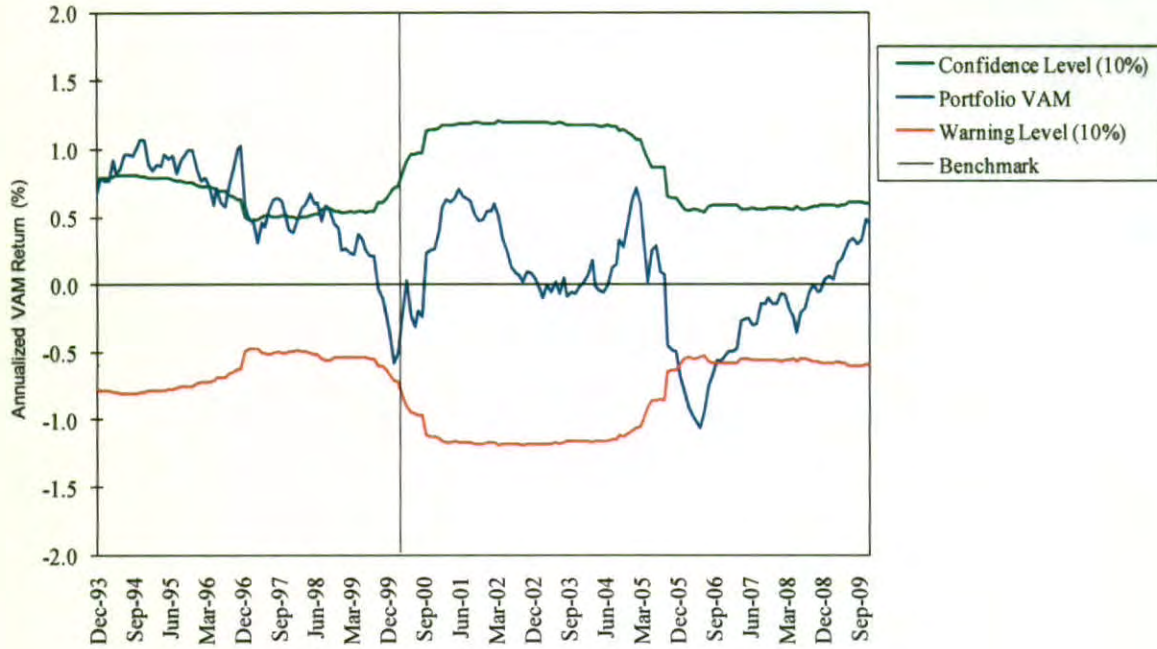
	<b>Actual</b>	<b>Manager Benchmark</b>
2009	32.1%	28.4%
2008	-37.1	-37.6
2007	5.1	5.8
2006	16.5	15.5
2005	4.7	6.3

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

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

**Portfolio Manager: Ralph Zingone and Scott Blasdell      Assets Under Management: \$2,494,298,256**

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



Five Year Period Ending

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

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

**Portfolio Manager: Tony Garvin**

**Assets Under Management: \$2,126,542,754**

**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**

Oliver Buckley, previously CIO and CEO of legacy Franklin, has been appointed CIO of Active Equity at Mellon. Warren Chiang, who had been the head of Active Equity at Mellon will now be the Managing Director of Active Equity and will report to Oliver. It is anticipated that the integration of the legacy Franklin and legacy Mellon Capital stock selection models should be completed by 1Q10.

Staff continues to monitor the portfolio closely.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Manager Benchmark*</b>
Last Quarter	6.1%	6.1%
Last 1 year	25.6	28.4
Last 2 years	-11.5	-10.5
Last 3 years	-7.0	-5.4
Last 4 years	-1.6	-0.5
Last 5 years	-0.1	0.8
Since Inception (1/95)	6.8	7.4

**Calendar Year Returns**

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

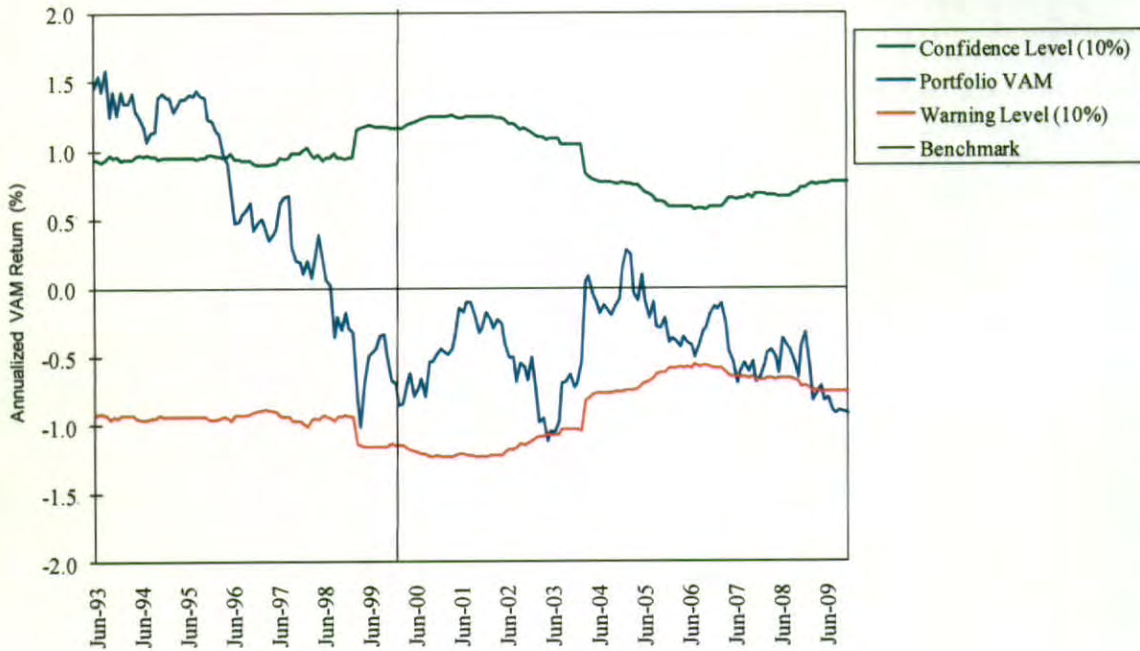
\*Russell 1000 since 1/1/04, Completeness Fund through 12/31/03.

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

**Portfolio Manager: Tony Garvin**

**Assets Under Management: \$2,126,542,754**

**MELLON CAPITAL MANAGEMENT- SEMI-PASSIVE**  
**Rolling Five Year VAM vs. Manager Benchmark**



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



**BLACKROCK INSTITUTIONAL TRUST CO., N.A.**  
**Periods Ending December, 2009**

**Portfolio Manager:** Amy Schioldager

**Assets Under Management:** \$8,141,267,188

**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**

On December 1, 2009 BlackRock, Inc. completed its acquisition of Barclays Global Investors, N.A. It is now BlackRock Institutional Trust Co., N.A.

**Recommendation**

No action required.

**Quantitative Evaluation**

**Period Returns**

*(Annualized for multi-year periods)*

	<b>Actual</b>	<b>Manager Benchmark*</b>
Last Quarter	5.9%	5.9%
Last 1 year	28.2	28.3
Last 2 years	-10.2	-10.3
Last 3 years	-5.3	-5.4
Last 4 years	-0.5	-0.5
Last 5 years	0.8	0.8
Since Inception (7/95)	7.0	6.8

**Calendar Year Returns**

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

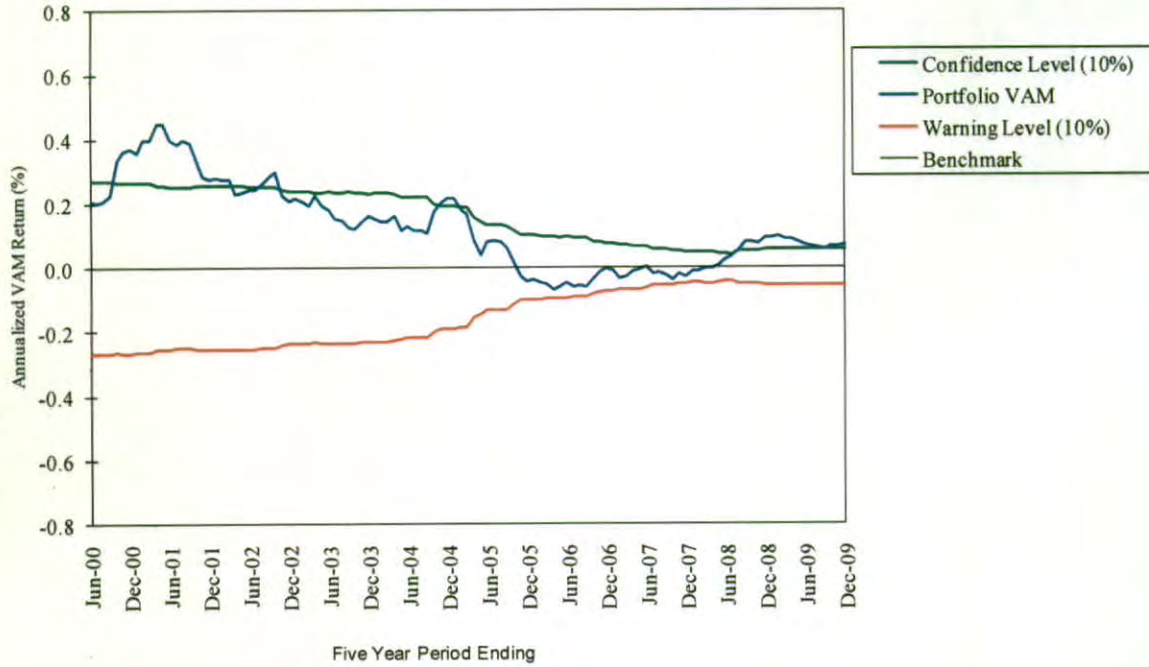
\* The Domestic Equity Asset Class Target is the Russell 3000 Index effective 10/1/03. From Account inception to 6/30/99, the target was the Wilshire 5000 as reported with no adjustments.

**BLACKROCK INSTITUTIONAL TRUST CO., N.A.**  
**Periods Ending December, 2009**

**Portfolio Manager: Amy Schioldager**

**Assets Under Management: \$8,141,267,188**

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



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# STATE BOARD OF INVESTMENT

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## Bond Manager Evaluation Reports

Fourth Quarter, 2009

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## **Bond Managers**

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**COMBINED RETIREMENT FUNDS  
BOND MANAGERS  
Periods Ending December, 2009**

	Quarter		1 Year		3 Years		5 Years		Since (1) Inception		Market Value (in millions)	Pool %
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %		
<b>Active Managers</b>												
Aberdeen	1.5	0.2	18.4	5.9	2.2	6.0	2.8	5.0	5.5	6.3	\$892.4	9.7%
Dodge & Cox	2.2	0.2	16.5	5.9	7.1	6.0	5.8	5.0	7.4	6.3	\$934.1	10.2%
PIMCO	1.2	0.2	15.5	5.9					12.6	8.5	\$809.1	8.8%
RiverSource	0.9	0.2	14.0	5.9	4.9	6.0	4.4	5.0	5.8	6.2	\$772.4	8.4%
Western	1.8	0.2	17.5	5.9	4.9	6.0	4.6	5.0	9.6	8.5	\$1,202.3	13.1%
<b>Active Mgr. Aggregate</b>	<b>1.6</b>	<b>0.2</b>	<b>16.5</b>	<b>5.9</b>	<b>4.6</b>	<b>6.0</b>	<b>4.3</b>	<b>5.0</b>			<b>\$4,610.4</b>	<b>50.2%</b>
<b>Semi-Passive Managers</b>												
BlackRock	0.6	0.2	9.6	5.9	5.0	6.0	4.4	5.0	6.2	6.3	\$1,531.7	16.7%
Goldman	0.8	0.2	12.0	5.9	5.8	6.0	4.9	5.0	6.4	6.1	\$1,551.3	16.9%
Neuberger	1.5	0.2	14.3	5.9	6.0	6.0	5.0	5.0	7.4	7.3	\$1,494.9	16.3%
<b>Semi-Passive Mgr. Aggregate</b>	<b>1.0</b>	<b>0.2</b>	<b>12.0</b>	<b>5.9</b>	<b>5.6</b>	<b>6.0</b>	<b>4.8</b>	<b>5.0</b>			<b>\$4,577.9</b>	<b>49.8%</b>
<b>Historical Aggregate (2)</b>	<b>1.3</b>	<b>0.2</b>	<b>14.3</b>	<b>5.9</b>	<b>5.2</b>	<b>6.0</b>	<b>4.6</b>	<b>5.0</b>	<b>8.6</b>	<b>8.6</b>	<b>\$9,188.26</b>	<b>100.0%</b>
Barclays Capital Aggregate (3)		0.2		5.9		6.0		5.0		8.6		

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

(2) Includes performance of terminated managers.

(3) Prior to July 1994, this index reflects the Salomon BIG.

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

	2009		2008		2007		2006		2005	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
<b>Active Managers</b>										
Aberdeen	18.4	5.9	-14.7	5.2	5.6	7.0	4.8	4.3	2.7	2.4
Dodge & Cox	16.5	5.9	0.1	5.2	5.3	7.0	5.5	4.3	2.5	2.4
RiverSource	14.0	5.9	-4.9	5.2	6.6	7.0	4.7	4.3	2.6	2.4
Western	17.5	5.9	-6.8	5.2	5.4	7.0	5.4	4.3	2.7	2.4
<b>Active Mgr. Aggregate</b>	<b>16.5</b>	<b>5.9</b>	<b>-7.3</b>	<b>5.2</b>	<b>5.8</b>	<b>7.0</b>	<b>5.0</b>	<b>4.3</b>	<b>2.9</b>	<b>2.4</b>
<b>Semi-Passive Managers</b>										
BlackRock	9.6	5.9	-1.1	5.2	6.8	7.0	4.3	4.3	2.7	2.4
Goldman	12.0	5.9	-1.2	5.2	7.0	7.0	4.5	4.3	2.8	2.4
Neuberger	14.3	5.9	-1.9	5.2	6.3	7.0	4.5	4.3	2.5	2.4
<b>Semi-Passive Mgr. Aggregate</b>	<b>12.0</b>	<b>5.9</b>	<b>-1.4</b>	<b>5.2</b>	<b>6.7</b>	<b>7.0</b>	<b>4.5</b>	<b>4.3</b>	<b>2.6</b>	<b>2.4</b>
<b>Historical Aggregate</b>										
Barclays Capital Aggregate		5.9		5.2		7.0		4.3		2.4



**ABERDEEN ASSET MANAGEMENT**  
**Periods Ending December, 2009**

**Portfolio Manager: Neil Moriarty**

**Assets Under Management: \$892,442,527**

**Investment Philosophy**

Aberdeen (formerly Deutsche) believes there are significant pricing inefficiencies inherent in bond markets and that diligent credit analysis, security structure evaluation, and relative value assessment can be used to exploit these inefficiencies. The firm avoids interest rate forecasting and sector rotation because they believe these strategies will not deliver consistent out performance versus the benchmark over time. The firm's valued added is derived primarily from individual security selection. Portfolio managers and analysts research bonds within their sector of expertise and construct portfolios from the bottom-up, bond by bond. Sector weightings are a byproduct of the bottom-up security selection. Aberdeen was retained by the SBI in February 2000.

**Staff Comments**

Aberdeen outperformed the benchmark by 130 bps in 4Q09 and by 1,250 bps over the last 12 months. Corporate bond security selection/sector overweight as well as a strong quarter from non-Agency MBS were the main drivers of 4Q09 excess return. Over the last year, outperformance was driven by allocations to non-Agency MBS, security selection in CMBS and ABS, and a corporate bond sector overweight.

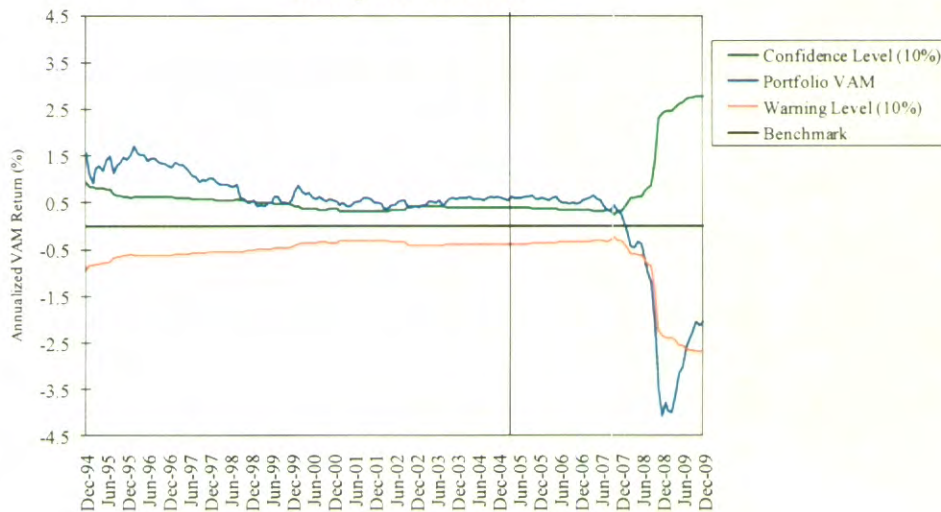
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	1.5%	0.2%
Last 1 year	18.4	5.9
Last 2 years	0.5	5.6
Last 3 years	2.2	6.0
Last 4 years	2.8	5.6
Last 5 years	2.8	5.0
Since Inception (2/00)	5.5	6.3

**Recommendations**

No action required.

**ABERDEEN ASSET MANAGEMENT**  
**Rolling Five Year VAM**



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

**DODGE & COX INVESTMENT MANAGERS**  
**Periods Ending December, 2009**

**Portfolio Manager: Dana Emery**

**Assets Under Management: \$934,142,924**

**Investment Philosophy**

Dodge & Cox manages a high quality, diversified portfolio of securities that are selected through fundamental analysis. The firm believes that by combining fundamental research with a long-term investment horizon it is possible to uncover inefficiencies in market sectors and individual securities. The firm combines this fundamental research with a disciplined program of risk analysis. To seek superior returns over the long-term, Dodge & Cox emphasizes sector and security selection, strives to build portfolios that have a higher yield than the broad bond market, and analyzes portfolio and individual security risk. Dodge & Cox was retained by the SBI in February 2000.

**Staff Comments**

Dodge & Cox outperformed the benchmark by 200 bps in 4Q09 and by 1,060 bps over the last 12 months. The portfolio's significant corporate bond sector overweight was the main driver of returns in 4Q09 and over the last 12 months. Agency MBS holdings also contributed to returns in 4Q09 and over the last 12 months.

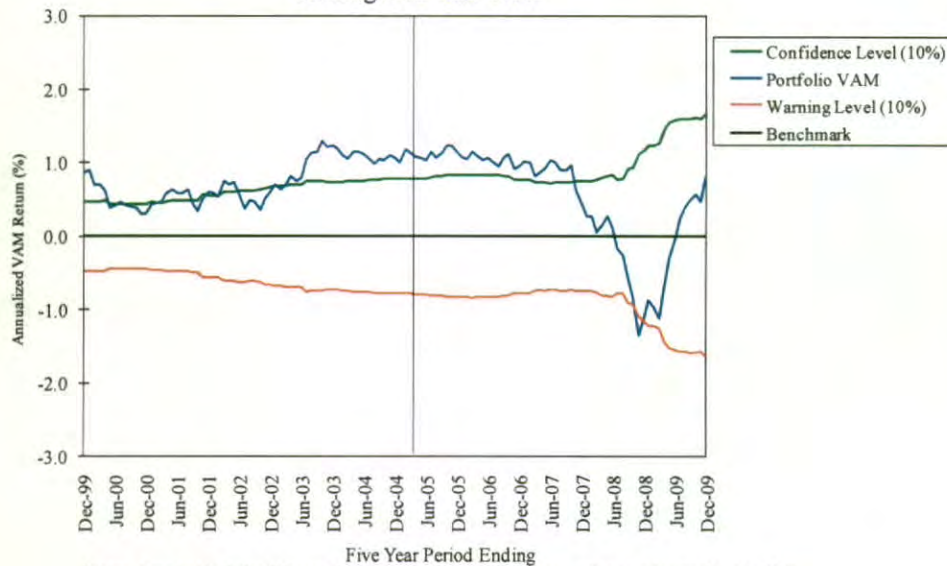
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	2.2%	0.2%
Last 1 year	16.5	5.9
Last 2 years	8.0	5.6
Last 3 years	7.1	6.0
Last 4 years	6.7	5.6
Last 5 years	5.8	5.0
Since Inception (2/00)	7.4	6.3

**Recommendations**

No action required.

**DODGE & COX INVESTMENT MANAGERS**  
**Rolling Five Year VAM**



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

**PACIFIC INVESTMENT MANAGEMENT CO. LLC (PIMCO)**  
**Periods Ending December, 2009**

**Portfolio Manager: Bill Gross**

**Assets Under Management: \$809,069,901**

**Investment Philosophy**

PIMCO's investment approach seeks to outperform a client's benchmark on a consistent basis, while maintaining overall risk similar to the index. PIMCO's approach to investing has three key principles: the utilization of multiple strategies, a long-term orientation and bond selection from a broad universe. PIMCO's investment process starts with an annual Secular Forum. The goal of this Forum is to look beyond the current business cycle and determine how secular forces will play out over the next 3 to 5 years. Quarterly, PIMCO holds Economic Forums to evaluate growth and inflation over the next 6 to 9 months. Following PIMCO's Secular and Economic Forums, the PIMCO Investment Committee (IC) develops key portfolio strategies. They consider both the "top-down" conclusions emanating from PIMCO's Forum, as well as the "bottom-up" market intelligence provided by PIMCO's teams of sector specialist portfolio managers. Through an interactive series of meetings, the IC defines a set of consistent strategies that are then implemented.

**Staff Comments**

PIMCO outperformed the benchmark by 100 bps in 4Q09 and by 960 bps over the last 12 months. An exposure to non-Agency MBS added to excess returns, as did an overweight to the corporate bond sector in 4Q09. An overweight to the CMBS sector generated excess returns throughout 2009, as did corporate bond overweight/security selection and non-Agency MBS exposure.

**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	1.2%	0.2%
Last 1 year	15.5	5.9
Last 2 years	N/A	N/A
Last 3 years	N/A	N/A
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (9/08)	12.6	8.5

**Recommendations**

No action required.

**VAM Graph will be drawn for period ending 3/31/2010.**

**RIVERSOURCE INVESTMENTS**  
**Periods Ending December, 2009**

**Portfolio Manager: Colin Lundgren**

**Assets Under Management: \$772,393,391**

**Investment Philosophy**

RiverSource (formerly American Express) manages portfolios using a top-down approach culminating with in-depth fundamental research and credit analysis. Five portfolio components are actively managed: duration, maturity structure, sector selection, industry emphasis, and security selection. Duration and maturity structure are determined by the firm's economic analysis and interest rate outlook. This analysis also identifies sectors and industries expected to produce the best risk adjusted return. In-depth fundamental research and credit analysis combined with proprietary valuation disciplines is used to identify attractive individual securities. RiverSource was retained by the SBI in July 1993.

**Staff Comments**

Riversource outperformed the benchmark by 70 bps in 4Q09 and by 810 bps over the last 12 months. Quarterly performance was driven by overweights to investment grade and high yield corporate bond sectors as well as the CMBS sector. Security selection within the non-Agency MBS sector detracted from returns over the last 12 months, but the corporate bond sector overweight added to annual performance.

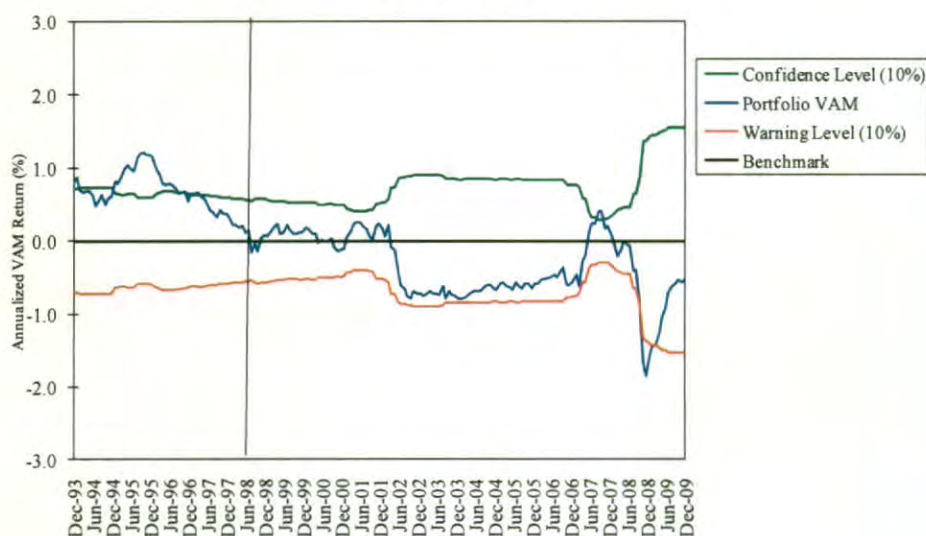
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	0.9%	0.2%
Last 1 year	14.0	5.9
Last 2 years	4.1	5.6
Last 3 years	4.9	6.0
Last 4 years	4.9	5.6
Last 5 years	4.4	5.0
Since Inception (7/93)	5.8	6.2

**Recommendations**

No action required.

**RIVERSOURCE INVESTMENTS - FIXED INCOME**  
**Rolling Five Year VAM**



Five Year Period Ending

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

**WESTERN ASSET MANAGEMENT**  
**Periods Ending December, 2009**

**Portfolio Manager: Steve Walsh**

**Assets Under Management: \$1,202,315,332**

**Investment Philosophy**

Western emphasizes the use of multiple strategies and active sector and issue selection, while constraining interest rate risk. Multiple strategies are proportioned so that results do not depend on one or two opportunities. This approach adds consistent value over time and can reduce volatility. Long term value investing is Western's fundamental approach. In making their sector decision, the firm seeks out the greatest long-term value by analyzing all fixed income market sectors and their economic expectations. Individual issues are identified based on relative credit strength, liquidity, issue structure, event risk, and market valuation. Western believes that successful interest rate forecasting is extremely difficult and consequently keeps portfolio duration within a narrow band around the benchmark. Western was retained by the SBI in July 1984.

**Staff Comments**

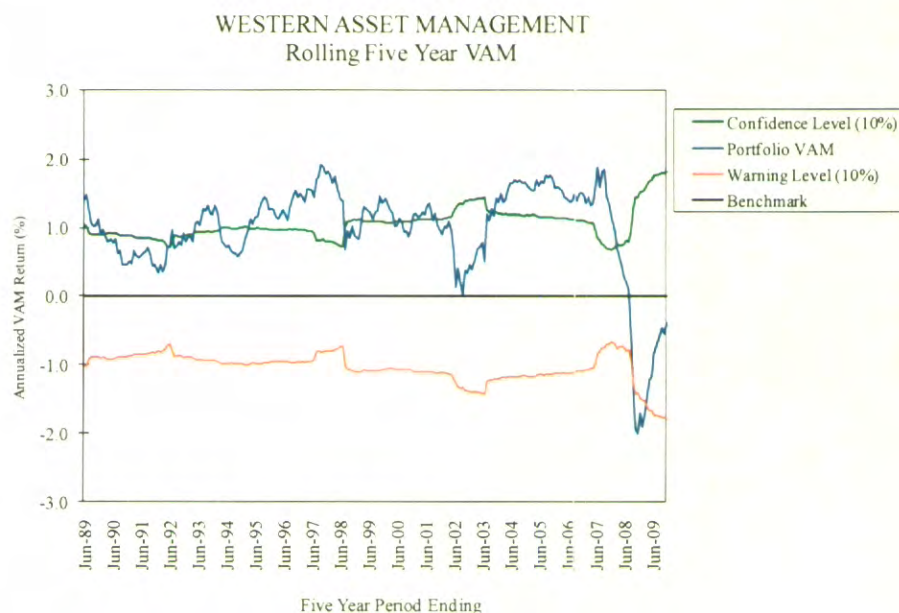
Western outperformed the benchmark by 160 bps in 4Q09 and by 1,160 bps over the last 12 months. Quarterly and one year performance were driven by exposure to non-Agency MBS, while an underweight to Agency MBS was a slight detractor from quarterly performance as the Fed has continued to support this part of the market. An overweight to Corporate bonds was also a significant contributor to performance during 4Q09 and the last 12 months.

**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	1.8%	0.2%
Last 1 year	17.5	5.9
Last 2 years	4.7	5.6
Last 3 years	4.9	6.0
Last 4 years	5.0	5.6
Last 5 years	4.6	5.0
Since Inception (7/84)	9.6	8.5

**Recommendations**

No action required.



**BLACKROCK, INC.**  
**Periods Ending December, 2009**

**Portfolio Manager: Keith Anderson**

**Assets Under Management: \$1,531,697,752**

**Investment Philosophy**

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

**Staff Comments**

Blackrock outperformed the benchmark by 40 bps in 4Q09 and by 370 bps over the last 12 months. Exposure to non-Agency MBS contributed to excess returns, as did overweights to the CMBS and ABS sectors for the quarter and last 12 months. An underweight to Agency MBS was a slight detractor during 4Q09.

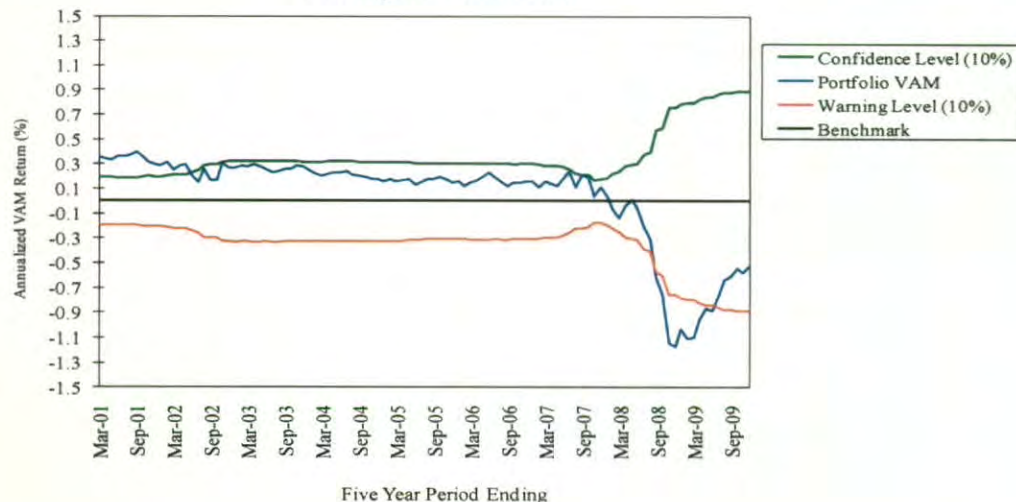
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	0.6%	0.2%
Last 1 year	9.6	5.9
Last 2 years	4.2	5.6
Last 3 years	5.0	6.0
Last 4 years	4.9	5.6
Last 5 years	4.4	5.0
Since Inception (4/96)	6.2	6.3

**Recommendation**

No action required.

BLACKROCK, INC.  
 Rolling Five Year VAM



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

**Portfolio Manager: Jonathon Beinner**

**Assets Under Management: \$1,551,339,895**

**Investment Philosophy**

Goldman manages an enhanced index portfolio closely tracking the Lehman Aggregate. Goldman's process can be viewed as active management within a very risk-controlled framework. The firm relies primarily on sector allocation and security selection strategies to generate incremental return. To a lesser degree, term structure strategies are also implemented. Goldman combines long-term strategic investment tilts with short-term tactical trading opportunities. Strategic tilts are based on fundamental and quantitative sector research and seek to optimize the long-term risk/return profile of portfolios. Tactical trades between sectors and securities within sectors are implemented to take advantage of short-term market anomalies. Goldman was retained by the SBI in July 1993.

**Staff Comments**

Goldman Sachs outperformed the benchmark by 60 bps in 4Q09 and by 610 bps over the last 12 months. The non-Agency mortgage market performed well in 4Q09 and for the year, generating significant excess returns for both periods. Corporate bond security selection also added to 4Q09 and one year excess returns.

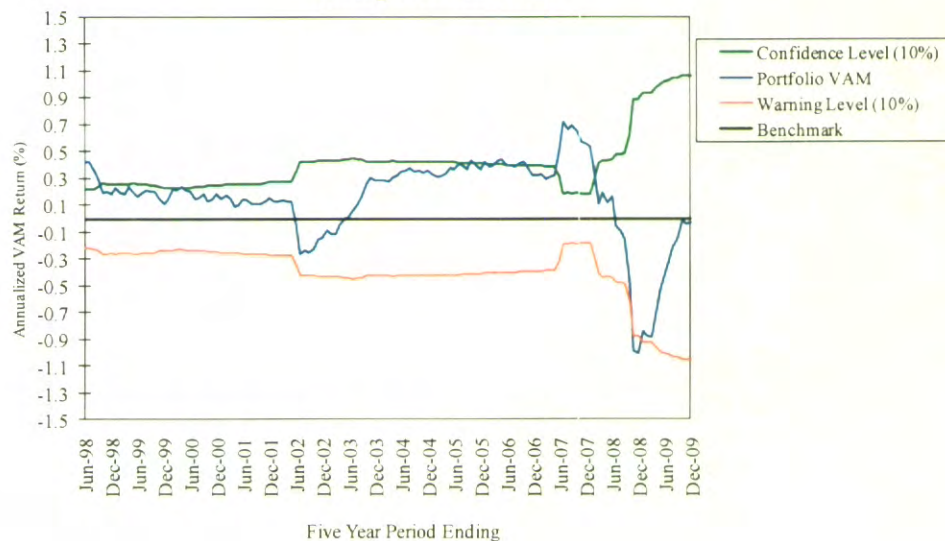
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	0.8%	0.2%
Last 1 year	12.0	5.9
Last 2 years	5.2	5.6
Last 3 years	5.8	6.0
Last 4 years	5.5	5.6
Last 5 years	4.9	5.0
Since Inception (7/93)	6.4	6.1

**Recommendations**

No action required.

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



**NEUBERGER INVESTMENT MANAGEMENT**  
**Periods Ending December, 2009**

**Portfolio Manager: Andrew Johnson**

**Assets Under Management: \$1,494,860,716**

**Investment Philosophy**

Neuberger (formerly Lincoln) manages an enhanced index portfolio closely tracking the Barclay's Capital Aggregate. Neuberger's process relies on a combination of quantitative tools and active management judgment. Explicit quantification and control of risks are at the heart of their process. Neuberger uses proprietary risk exposure measures to analyze 25 interest rate factors, and over 30 spread-related factors. For each interest rate factor, the portfolio is very closely matched to the index to ensure that the portfolio earns the same return as the index for any change in interest rates. For each spread factor, the portfolio can deviate slightly from the index as a means of seeking value-added. Setting target active risk exposures that must fall within pre-established maximums controls risk. To control credit risk, corporate holdings are diversified across a large number of issues. Neuberger was retained by the SBI in July 1988.

**Staff Comments**

Neuberger outperformed the benchmark by 130 bps in 4Q09 and by 840 bps over the last 12 months. Corporate bond and CMBS sector overweights drove performance during 4Q09 and the last 12 months. Investments in non-Agency Hybrid ARM MBS also contributed to 4Q09 and one year excess returns.

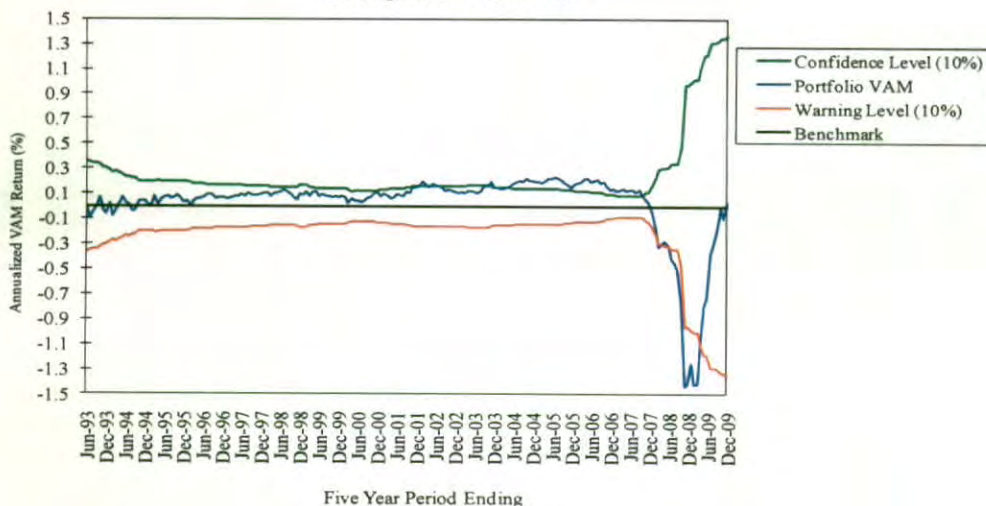
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	1.5%	0.2%
Last 1 year	14.3	5.9
Last 2 years	5.9	5.6
Last 3 years	6.0	6.0
Last 4 years	5.7	5.6
Last 5 years	5.0	5.0
Since Inception (7/88)	7.4	7.3

**Recommendations**

No action required.

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





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# STATE BOARD OF INVESTMENT

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## International Manager Evaluation Reports

Fourth Quarter, 2009

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# International Managers

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**COMBINED RETIREMENT FUNDS  
INTERNATIONAL STOCK MANAGERS  
Periods Ending December, 2009**

	Quarter		1 Year		3 Years		5 Years		Since (1)		Market Value (in millions)	Pool %
	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk		
	%	%	%	%	%	%	%	%	%	%		%
<b>Active Developed Markets (2)</b>												
Acadian	0.7	2.4	28.8	33.7	-11.1	-5.3			2.6	4.7	\$302.5	4.6%
Invesco	3.0	2.4	32.0	33.7	-4.3	-5.3	4.1	4.1	3.9	1.9	\$275.6	4.2%
J.P. Morgan	3.9	2.4	37.5	33.7	-4.4	-5.3			4.7	4.7	\$224.2	3.4%
Marathon	1.4	2.4	29.8	33.7	-2.4	-5.3	6.6	4.1	8.4	5.1	\$478.7	7.3%
McKinley	6.8	2.4	24.1	33.7	-8.4	-5.3			2.8	4.7	\$216.2	3.3%
Pyramis (Fidelity)	3.3	2.4	35.1	33.7	-3.1	-5.3			6.1	4.7	\$242.1	3.7%
RiverSource	1.9	2.4	29.3	33.7	-4.9	-5.3	3.9	4.1	-0.7	1.9	\$239.4	3.7%
<b>Aggregate</b>	<b>2.6</b>	<b>2.4</b>	<b>31.9</b>	<b>33.7</b>	<b>-5.2</b>	<b>-5.3</b>	<b>4.0</b>	<b>4.1</b>			<b>\$1,978.7</b>	<b>30.2%</b>
<b>Active Emerging Markets (3)</b>												
AllianceBernstein	11.8	8.5	78.4	78.5	2.9	5.3	13.5	15.7	13.2	14.4	\$165.6	2.5%
Capital International	8.6	8.5	83.1	78.5	9.0	5.3	19.4	15.7	14.0	14.4	\$664.9	10.1%
Morgan Stanley	8.4	8.5	71.7	78.5	3.8	5.3	15.6	15.7	14.4	14.4	\$616.5	9.4%
<b>Aggregate</b>	<b>9.0</b>	<b>8.5</b>	<b>77.3</b>	<b>78.5</b>	<b>5.3</b>	<b>5.3</b>	<b>16.2</b>	<b>15.7</b>			<b>\$1,447.1</b>	<b>22.1%</b>
<b>Semi-Passive Developed Markets (2)</b>												
AQR	2.5	2.4	36.0	33.7	-6.0	-5.3			4.5	4.7	\$243.4	3.7%
Pyramis (Fidelity)	2.2	2.4	30.2	33.7	-4.8	-5.3			5.4	4.7	\$252.4	3.9%
State Street	2.5	2.4	34.9	33.7	-7.0	-5.3			3.9	4.7	\$236.1	3.6%
<b>Aggregate</b>	<b>2.4</b>	<b>2.4</b>	<b>33.6</b>	<b>33.7</b>	<b>-5.9</b>	<b>-5.3</b>					<b>\$731.9</b>	<b>11.2%</b>
<b>Passive Developed Markets (2)</b>												
State Street	2.5	2.4	34.0	33.7	-5.0	-5.3	4.3	4.1	6.6	6.4	\$2,394.8	36.5%
									<b>Since 10/1/92</b>			
Equity Only (4) (6)	4.0	3.7	41.2	41.5	-3.3	-3.4	6.0	5.9	7.2	6.8	\$6,552.7	100.0%
<b>Total Program (5) (6)</b>	<b>4.0</b>	<b>3.7</b>	<b>41.2</b>	<b>41.5</b>	<b>-3.3</b>	<b>-3.4</b>	<b>6.0</b>	<b>5.9</b>	<b>7.4</b>	<b>6.8</b>	<b>\$6,552.7</b>	<b>100.0%</b>
SBI Int'l Equity Target (6)		3.7	41.5		-3.4		5.9		6.8			
MSCI ACWI Free ex. U.S. (7)		3.7	41.5		-3.5		5.8		7.1			
MSCI World ex U.S. (net)		2.4	33.7		-5.3		4.1		6.5			
MSCI EAFE Free (net)		2.2	31.8		-6.0		3.5		6.2			
MSCI Emerging Markets Free (8)		8.5	78.5		5.1		15.5		9.6			

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

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

	2009		2008		2007		2006		2005	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
<b>Active Developed Markets (1)</b>										
Acadian	28.8	33.7	-50.5	-43.5	10.0	12.6	31.9	25.7		
Invesco	32.0	33.7	-38.8	-43.5	8.4	12.6	26.0	25.7	10.6	14.5
J.P. Morgan	37.5	33.7	-41.5	-43.5	8.8	12.6	23.1	25.7		
Marathon	29.8	33.7	-38.0	-43.5	15.4	12.6	27.5	25.7	16.4	14.5
McKinley	24.1	33.7	-48.5	-43.5	20.4	12.6	25.4	25.7		
Pyramis (Fidelity)	35.1	33.7	-42.9	-43.5	17.7	12.6	22.7	25.7		
RiverSource	29.3	33.7	-40.8	-43.5	12.4	12.6	23.6	25.7	14.2	14.5
<b>Aggregate</b>	<b>31.9</b>	<b>33.7</b>	<b>-42.8</b>	<b>-43.5</b>	<b>13.0</b>	<b>12.6</b>	<b>25.8</b>	<b>25.7</b>	<b>13.6</b>	<b>14.5</b>
<b>Active Emerging Markets (2)</b>										
AllianceBernstein	78.4	78.5	-56.0	-53.2	38.8	39.9	30.4	32.2	32.7	34.0
Capital International	83.1	78.5	-48.9	-53.2	38.4	39.9	35.6	32.2	38.4	34.0
Morgan Stanley	71.7	78.5	-54.5	-53.2	43.0	39.9	37.6	32.2	34.3	34.0
<b>Aggregate</b>	<b>77.3</b>	<b>78.5</b>	<b>-53.0</b>	<b>-53.2</b>	<b>40.0</b>	<b>39.9</b>	<b>34.4</b>	<b>32.2</b>	<b>34.9</b>	<b>34.0</b>
<b>Semi-Passive Developed Markets (1)</b>										
AQR	36.0	33.7	-44.0	-43.5	9.0	12.6	25.2	25.7		
Pyramis (Fidelity)	30.2	33.7	-44.0	-43.5	18.2	12.6	26.8	25.7		
State Street	34.9	33.7	-45.3	-43.5	9.1	12.6	27.1	25.7		
<b>Aggregate</b>	<b>33.6</b>	<b>33.7</b>	<b>-44.4</b>	<b>-43.5</b>	<b>12.1</b>	<b>12.6</b>	<b>26.4</b>	<b>25.7</b>		
<b>Passive Developed Markets (1)</b>										
State Street	34.0	33.7	-43.4	-43.5	12.9	12.6	26.0	25.7	14.6	14.5
Equity Only (3) (5)	41.2	41.5	-45.3	-45.5	17.1	16.9	27.0	26.7	16.4	16.6
<b>Total Program (4) (5)</b>	<b>41.2</b>	<b>41.5</b>	<b>-45.3</b>	<b>-45.5</b>	<b>17.1</b>	<b>16.9</b>	<b>27.0</b>	<b>26.7</b>	<b>16.4</b>	<b>16.6</b>
SBI Int'l Equity Target (5)		41.5		-45.5		16.9		26.7		16.6
MSCI ACWI Free ex. U.S. (6)		41.5		-45.5		16.7		26.7		16.6
MSCI World ex U.S. (net)		33.7		-43.6		12.4		25.7		14.5
MSCI EAFE Free (net)		31.8		-43.4		11.2		26.3		13.5
MSCI Emerging Markets Free (7)		78.5		-53.3		39.4		32.2		34.0

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

**ACADIAN ASSET MANAGEMENT LLC**  
**Periods Ending December, 2009**

**Portfolio Manager:** John Chisholm

**Assets Under Management:** \$302,498,126

**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**

The portfolio underperformed significantly over the quarter and the year. Stock selection in Japan was the most significant negative contributor over both time periods. Stock selection in the utilities, energy, and telecommunications sectors also contributed negatively.

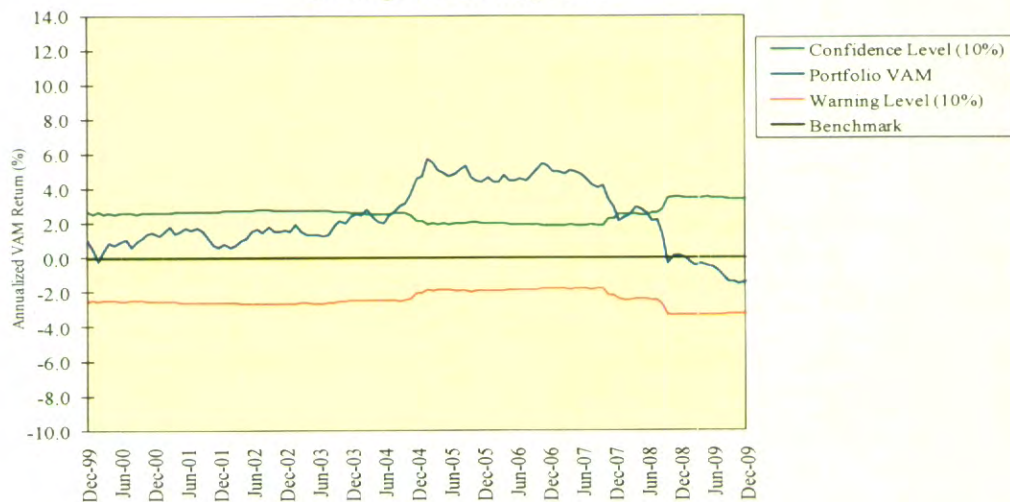
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	0.7%	2.4%
Last 1 year	28.8	33.7
Last 2 years	-20.1	-13.1
Last 3 years	-11.1	-5.3
Last 4 years	-1.9	1.7
Last 5 years	N/A	N/A
Since Inception (7/05)	2.6	4.7

**Recommendations**

No action required.

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



5 Year Period Ending

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

**INVESCO GLOBAL ASSET MANAGEMENT**  
**Periods Ending December, 2009**

**Portfolio Manager: Erik Granade**

**Assets Under Management: \$275,590,083**

**Investment Philosophy**

INVESCO believes they can add value by identifying and investing in companies whose share price does not reflect the proven and sustainable growth of the company's earnings and assets. They also believe that a systematic process that identifies mis-valued companies, combined with a consistently applied portfolio design process, can control the predictability and consistency of returns. Portfolios are constructed on a bottom-up basis; they select individual companies rather than countries, themes, or industry groups. This is the first of four cornerstones of their investment approach. Secondly, they conduct financial analysis on a broad universe of non-U.S. companies whose key financial data is adjusted to be comparable across borders and currencies. Third, Invesco believes that using local investment professionals enhances fundamental company research. Finally, they manage risk and assure broad diversification relative to clients' benchmarks through a statistics-based portfolio construction approach rather than resorting to country or industry constraints.

**Staff Comments**

The portfolio outperformed for the quarter, but trailed the index for the year. While stock selection in Japan and the Netherlands contributed positively to performance over both periods, it was offset over the one-year period by negative stock selection in the financials sector in the United Kingdom.

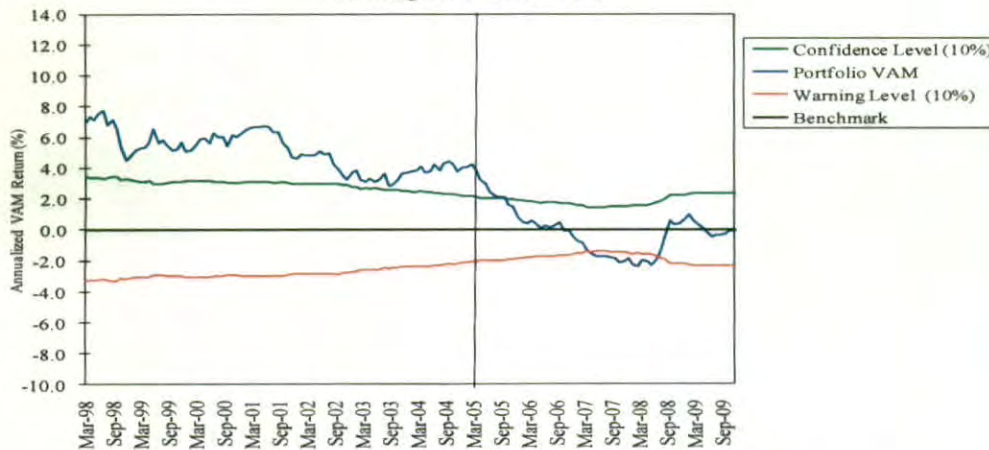
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	3.0%	2.4%
Last 1 year	32.0	33.7
Last 2 years	-10.1	-13.1
Last 3 years	-4.3	-5.3
Last 4 years	2.5	1.7
Last 5 years	4.1	4.1
Since Inception (3/00)	3.9	1.9

**Recommendations**

No action required.

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



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



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

**Portfolio Manager: James Fisher**

**Assets Under Management: \$224,170,778**

**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**

The portfolio outperformed over the quarter and the year. During both periods, stock selection in the consumer discretionary sector, a strong performer over both periods, contributed to returns, as did stock selection in Japan and France.

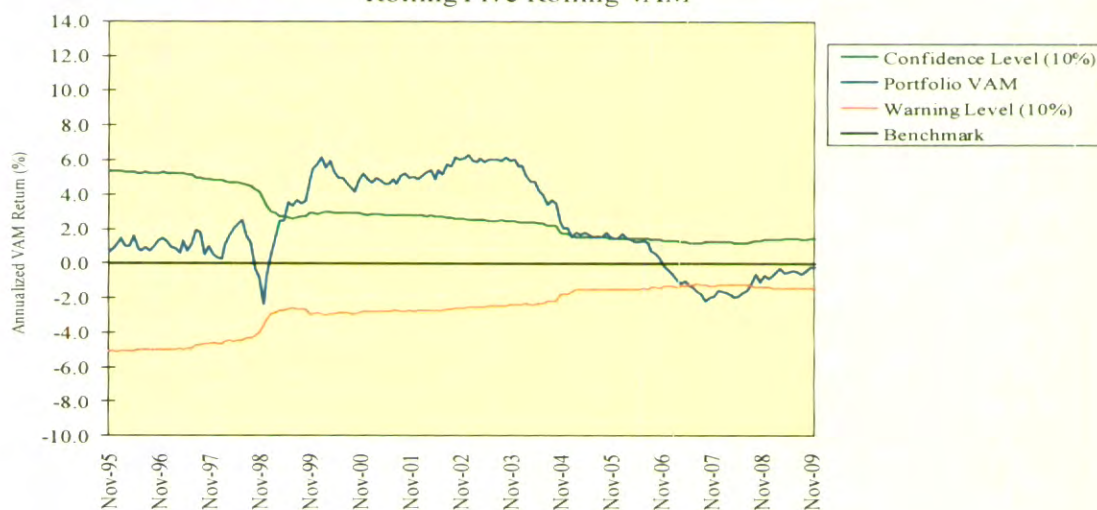
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	3.9%	2.4%
Last 1 year	37.5	33.7
Last 2 years	-10.3	-13.1
Last 3 years	-4.4	-5.3
Last 4 years	1.9	1.7
Last 5 years	N/A	N/A
Since Inception (7/05)	4.7	4.7

**Recommendations**

No action required.

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



5 Year Period Ending

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

**MARATHON ASSET MANAGEMENT**  
**Periods Ending December, 2009**

**Portfolio Manager: William Arah**

**Assets Under Management: \$478,745,286**

**Investment Philosophy**

Marathon uses a blend of flexible, qualitative disciplines to construct portfolios which exhibit a value bias. Style and emphasis will vary over time and by market, depending on Marathon's perception of lowest risk opportunity. Since they believe that competition determines profitability, Marathon is attracted to industries where the level of competition is declining and they will hold a sector position as long as the level of competition does not increase. At the stock level, Marathon tracks a company's competitive position versus the attractiveness of their products or services and attempts to determine whether the company is following an appropriate reinvestment strategy for their current competitive position.

**Staff Comments**

The portfolio underperformed over the quarter and the year. Stock selection in Japan was the largest negative contributor over both time periods. The portfolio's underweight to Canada, a strong performer, together with stock selection in the consumer staples sector also detracted from performance.

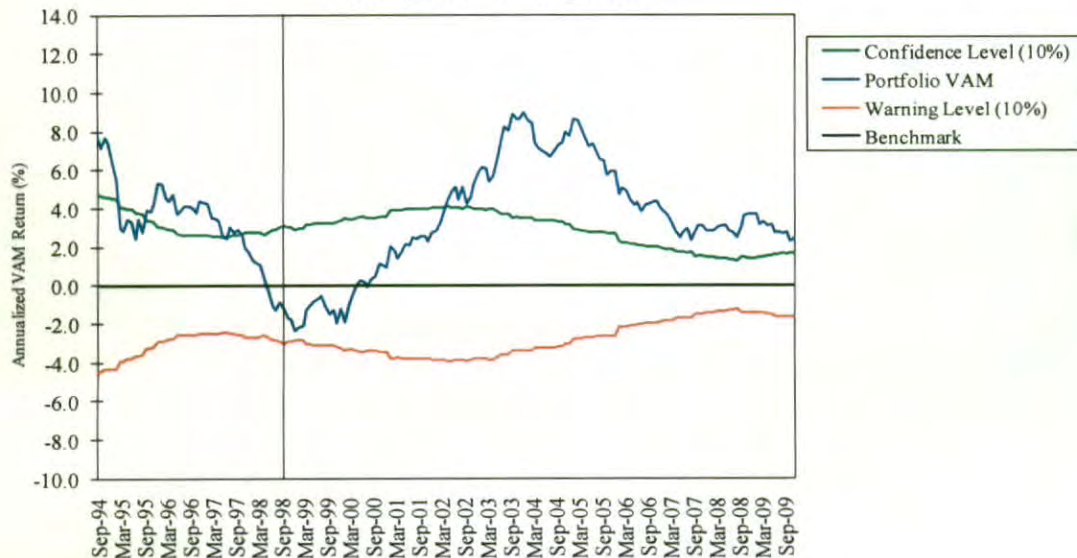
**Quantitative Evaluation**

	<b>Custom</b>	
	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	1.4%	2.4%
Last 1 year	29.8	33.7
Last 2 years	-10.3	-13.1
Last 3 years	-2.4	-5.3
Last 4 years	4.3	1.7
Last 5 years	6.6	4.1
Since Inception (11/93)	8.4	5.1

**Recommendations**

No action required.

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



5 Year Period Ending

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

**MCKINLEY CAPITAL MANAGEMENT, INC.**  
**Periods Ending December, 2009**

**Portfolio Manager: Robert A. Gillam**

**Assets Under Management: \$216,230,149**

**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**

The portfolio outperformed significantly over the quarter and underperformed over the year. As the financial sector rotated from a strong performer for the year to the weakest performing sector for the recent quarter, McKinley's portfolio was hurt by and then benefitted from its significant underweight to this sector.

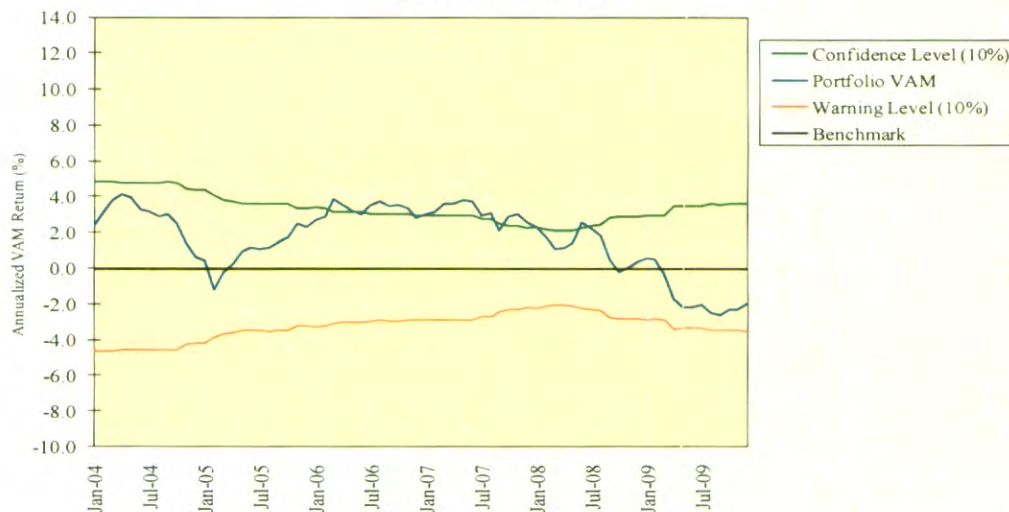
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	6.8%	2.4%
Last 1 year	24.1	33.7
Last 2 years	-20.1	-13.1
Last 3 years	-8.4	-5.3
Last 4 years	-0.9	1.7
Last 5 years	N/A	N/A
Since Inception (7/05)	2.8	4.7

**Recommendations**

No action required.

McKINLEY CAPITAL MANAGEMENT, INC.  
 Rolling Five Rolling VAM



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

**PYRAMIS GLOBAL ADVISORS TRUST COMPANY**  
**(Formerly Fidelity Management Trust Company)**  
**Periods Ending December, 2009**

**Portfolio Manager:** Michael Strong

**Assets Under Management:** \$242,142,951

**Investment Philosophy**

International Growth is a core, growth-oriented strategy that provides diversified exposure to the developed international markets. The investment process combines active stock selection and regional asset allocation. Four portfolio managers in London, Tokyo, Hong Kong, and Boston construct regional sub-portfolios, selecting stocks based on Fidelity analysts' bottom-up research and their own judgment and expertise. Portfolio guidelines seek to ensure risk is commensurate with the performance target and to focus active risk on stock selection. Resulting portfolios typically contain between 200-250 holdings.

**Staff Comments**

Over both the quarter and the year, stock selection in the materials and information technology sectors contributed to the portfolio's outperformance.

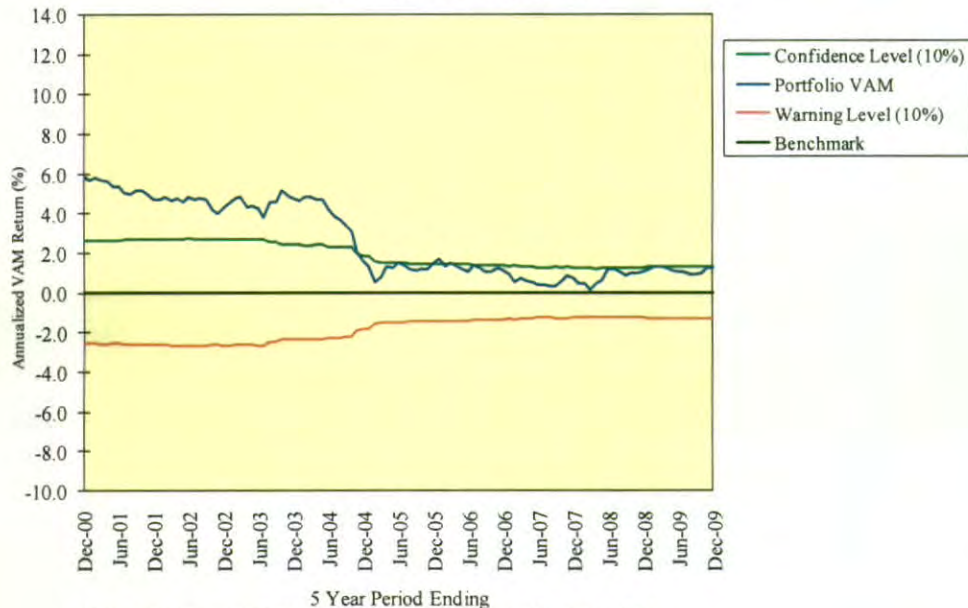
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	3.3%	2.4%
Last 1 year	35.1	33.7
Last 2 years	-12.2	-13.1
Last 3 years	-3.1	-5.3
Last 4 years	2.8	1.7
Last 5 years	N/A	N/A
Since Inception (7/05)	6.1	4.7

**Recommendations**

No action required.

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



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

**RIVERSOURCE INVESTMENTS**  
**Periods Ending December, 2009**

**Portfolio Manager:** Esther Perkins

**Assets Under Management:** \$239,371,153

**Investment Philosophy**

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

**Staff Comments**

Stock selection in the financials and consumer staples sectors contributed to the portfolio's underperformance over the quarter and the year.

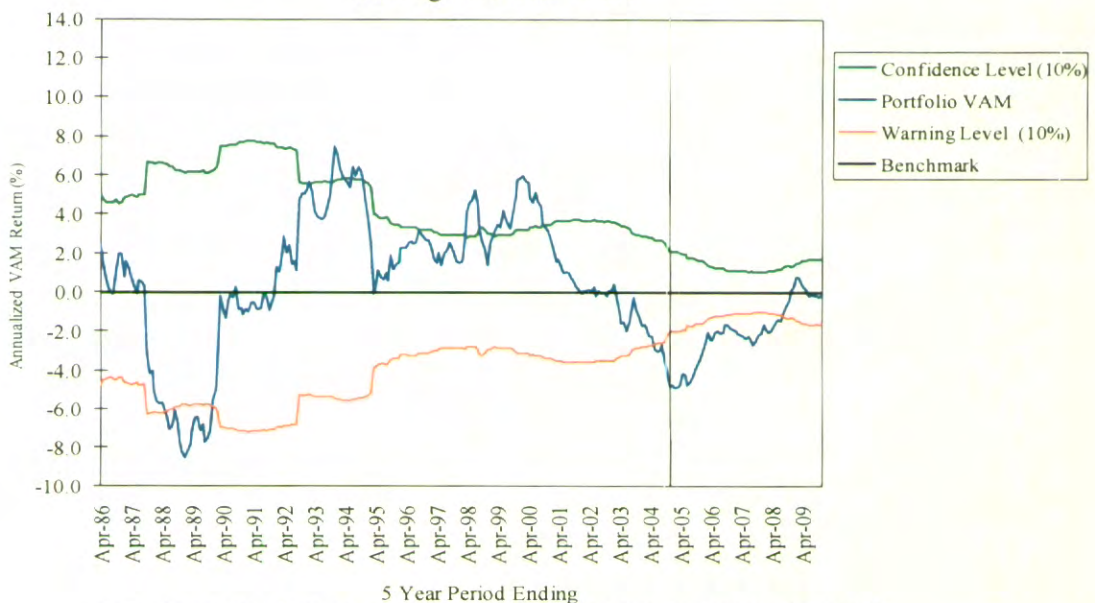
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	1.9%	2.4%
Last 1 year	29.3	33.7
Last 2 years	-12.5	-13.1
Last 3 years	-4.9	-5.3
Last 4 years	1.5	1.7
Last 5 years	3.9	4.1
Since Inception (3/00)	-0.7	1.9

**Recommendations**

No action required.

**RIVERSOURCE INVESTMENTS**  
**Rolling Five Year VAM**



**ALLIANCEBERNSTEIN L.P.**  
**Periods Ending December, 2009**

**Portfolio Manager: Steve Beinhacker**

**Assets Under Management: \$165,649,006**

**Investment Philosophy**

Alliance employs a growth style of investment management. They believe that fundamental research-driven stock selection, structured by industries within regions, will produce superior investment performance. Their strategy emphasizes bottom-up, large capitalization stock selection. Country and industry exposures are a by-product of stock selection. Alliance looks for companies with the best combination of forward-looking growth and valuation attractiveness.

**Staff Comments**

Stock selection in China, Brazil, Korea and India as well as in the industrials sector contributed to the portfolio's outperformance over the quarter. For the year, stock selection in India and in the information technology sector detracted from returns.

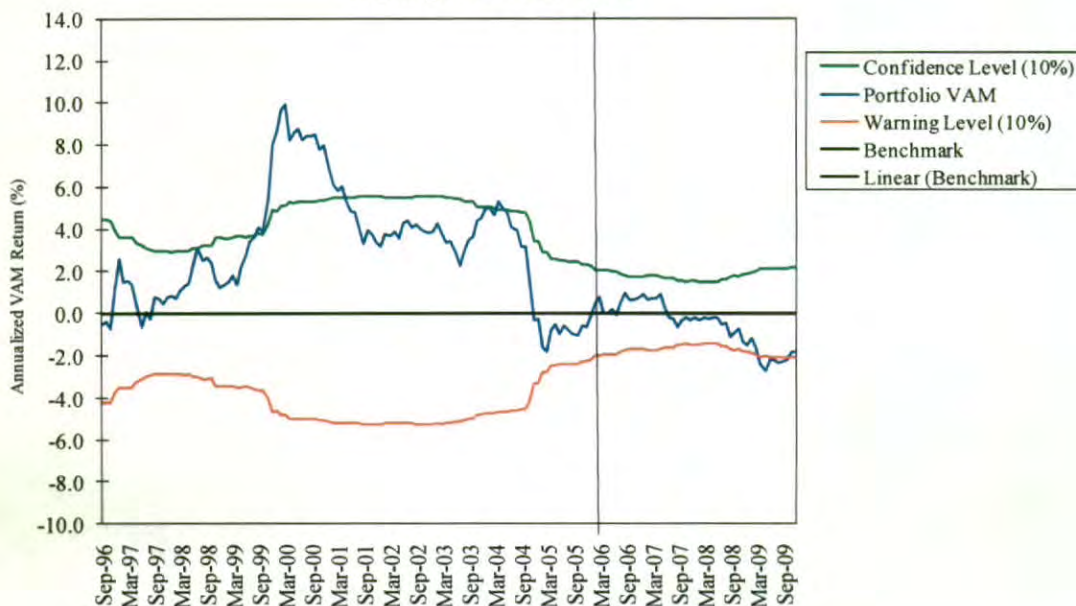
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	11.8%	8.5%
Last 1 year	78.4	78.5
Last 2 years	-11.4	-8.6
Last 3 years	2.9	5.3
Last 4 years	9.2	11.5
Last 5 years	13.5	15.7
Since Inception (3/01)	13.2	14.4

**Recommendations**

No action required.

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



5 Year Period Ending

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

**CAPITAL INTERNATIONAL, INC.**  
**Periods Ending December, 2009**

**Portfolio Manager: Victor Kohn**

**Assets Under Management: \$664,920,013**

**Investment Philosophy**

Capital International's philosophy is value-oriented, as they focus on identifying the difference between the underlying value of a company and the price of its securities in its home market. Capital International's basic, fundamental, bottom-up approach is blended with macroeconomic and political judgments on the outlook for economies, industries, currencies and markets. The team of portfolio managers and analysts each select stocks for the portfolio based on extensive field research and direct company contact.

**Staff Comments**

Stock selection in China and in the consumer staples and industrials sectors contributed positively to performance over the quarter and the year.

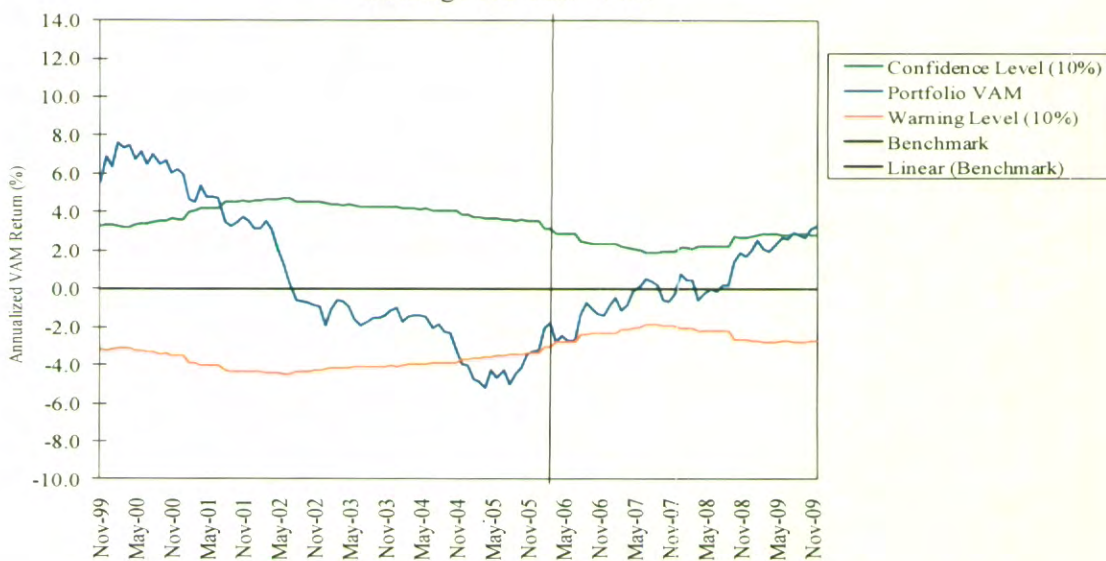
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	8.6%	8.5%
Last 1 year	83.1	78.5
Last 2 years	-3.3	-8.6
Last 3 years	9.0	5.3
Last 4 years	15.1	11.5
Last 5 years	19.4	15.7
Since Inception (3/01)	14.0	14.4

**Recommendations**

No action required.

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



5 Year Period Ending

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

**MORGAN STANLEY INVESTMENT MANAGEMENT**  
**Periods Ending December, 2009**

**Portfolio Manager: Ruchir Sharma**

**Assets Under Management: \$616,492,683**

**Investment Philosophy**

Morgan Stanley's style is core with a growth bias. They follow a top-down approach to country allocation and a bottom-up approach to stock selection. Morgan Stanley's macro-economic and stock selection analyses are qualitative as well as quantitative, concentrating on fundamentals. Their top-down analysis highlights countries with improving fundamentals and attractive valuations. Their bottom-up approach to stock selection focuses on purchasing companies with strong operating earnings potential at attractive valuations.

**Staff Comments**

The portfolio's underweight position in Brazil and in the materials sector contributed to the portfolio's underperformance over the quarter and the year.

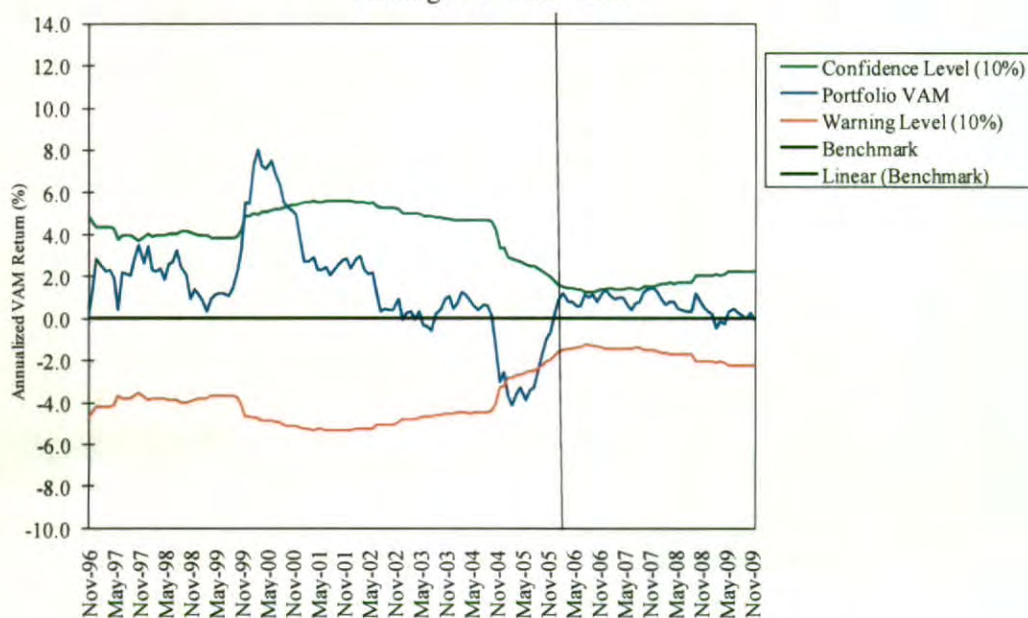
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	8.4%	8.5%
Last 1 year	71.7	78.5
Last 2 years	-11.6	-8.6
Last 3 years	3.8	5.3
Last 4 years	11.4	11.5
Last 5 years	15.6	15.7
Since Inception (3/01)	14.4	14.4

**Recommendations**

No action required.

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



5 Year Period Ending

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



**AQR CAPITAL MANAGEMENT, LLC**  
**Periods Ending December, 2009**

**Portfolio Manager:** Cliff Asness

**Assets Under Management:** \$243,444,787

**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**

Stock selection in the financials and information technology sectors contributed to the portfolio's outperformance during the quarter while stock selection in the industrials and consumer discretionary sectors contributed to outperformance over the year.

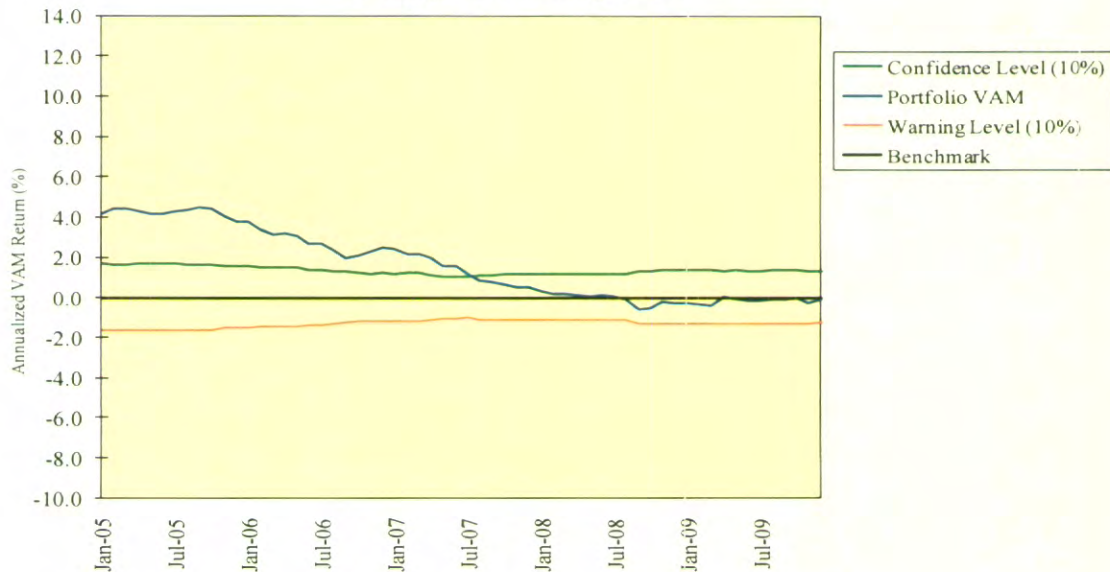
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	2.5%	2.4%
Last 1 year	36.0	33.7
Last 2 years	-12.7	-13.1
Last 3 years	-6.0	-5.3
Last 4 years	1.0	1.7
Last 5 years	N/A	N/A
Since Inception (7/05)	4.5	4.7

**Recommendations**

No action required.

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



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

**PYRAMIS GLOBAL ADVISORS TRUST COMPANY**  
**(Formerly Fidelity Management Trust Company)**  
**Periods Ending December, 2009**

**Portfolio Manager: Cesar Hernandez**

**Assets Under Management: \$252,350,719**

**Investment Philosophy**

Select International combines active stock selection with quantitative risk control to provide consistent excess returns above the benchmark while minimizing relative volatility and risk. By combining five regional sub-portfolios in the U.K., Canada, Continental Europe, Japan, and the Pacific Basin ex Japan, the portfolio manager produces a portfolio made up of the best ideas of the firm's research analysts. Each regional portfolio is created so that stock selection is the largest contributor to active return while systematic, sector, and factor risks are minimized. The portfolio manager uses a combination of proprietary and third-party optimization models to monitor and control risk within each regional module. Resulting portfolios typically contain between 275-325 holdings.

**Staff Comments**

Negative stock selection in the financials and materials sectors contributed to the portfolio's underperformance over the quarter and the year.

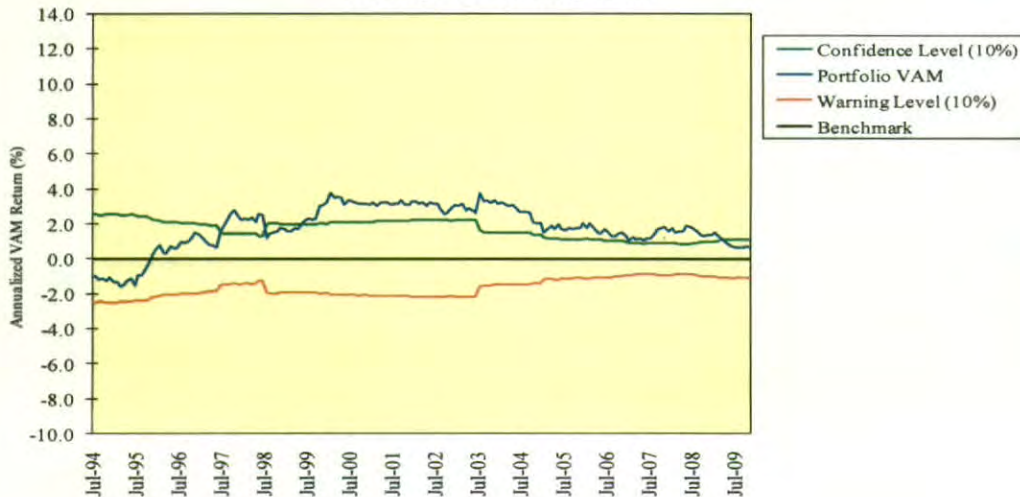
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	2.2%	2.4%
Last 1 year	30.2	33.7
Last 2 years	-14.6	-13.1
Last 3 years	-4.8	-5.3
Last 4 years	2.3	1.7
Last 5 years	N/A	N/A
Since Inception (7/05)	5.4	4.7

**Recommendations**

No action required.

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



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

**STATE STREET GLOBAL ADVISORS**  
**Periods Ending December, 2009**

**Portfolio Manager: Didier Rosenfeld**

**Assets Under Management: \$236,060,441**

**Investment Philosophy**

SSgA's Alpha strategy is managed using a quantitative process. Stock selection provides the best opportunity to add consistent value. Industry factors have come to dominate country factors and an approach that uses industry weights to add incremental value complements stock selection. Unwanted biases are controlled for through disciplined risk-control techniques. Country and regional allocations are a result of the security selection process but are managed to remain with +/- 5% of the benchmarks allocation. Sector and industry allocations are managed to be within +/- 3% of the benchmarks allocation. The portfolio managers on this team have extensive experience and insight, which is used in conjunction with the models to create core portfolios.

**Staff Comments**

The portfolio added value relative to the benchmark index return over the quarter and the year. Stock selection in the United Kingdom and in the materials sector contributed positively over both periods.

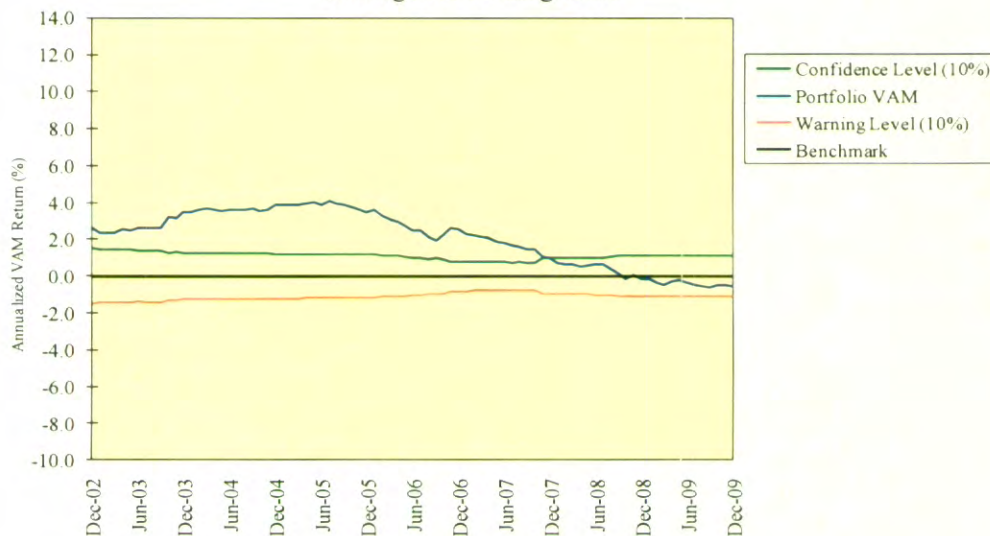
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	2.5%	2.4%
Last 1 year	34.9	33.7
Last 2 years	-14.1	-13.1
Last 3 years	-7.0	-5.3
Last 4 years	0.6	1.7
Last 5 years	N/A	N/A
Since Inception (7/05)	3.9	4.7

**Recommendations**

No action required.

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



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

**STATE STREET GLOBAL ADVISORS**  
**Periods Ending December, 2009**

**Portfolio Manager: Lynn Blake**

**Assets Under Management: \$2,394,795,131**

**Investment Philosophy**

State Street Global Advisors passively manages the portfolio against the Morgan Stanley Capital International (MSCI) World ex U.S. index of 22 markets located in the developed markets outside of the United States (including Canada). SSgA fully replicates the index whenever possible because it results in lower turnover, higher tracking accuracy and lower market impact costs. The MSCI World ex U.S. (net) index reinvests dividends assuming a withholding tax on dividends, according to the Luxembourg tax rate. Whereas the portfolio reinvests dividends using all available reclaims and tax credits available to a U.S. pension fund, which should result in modest positive tracking error, over time.

**Staff Comments**

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

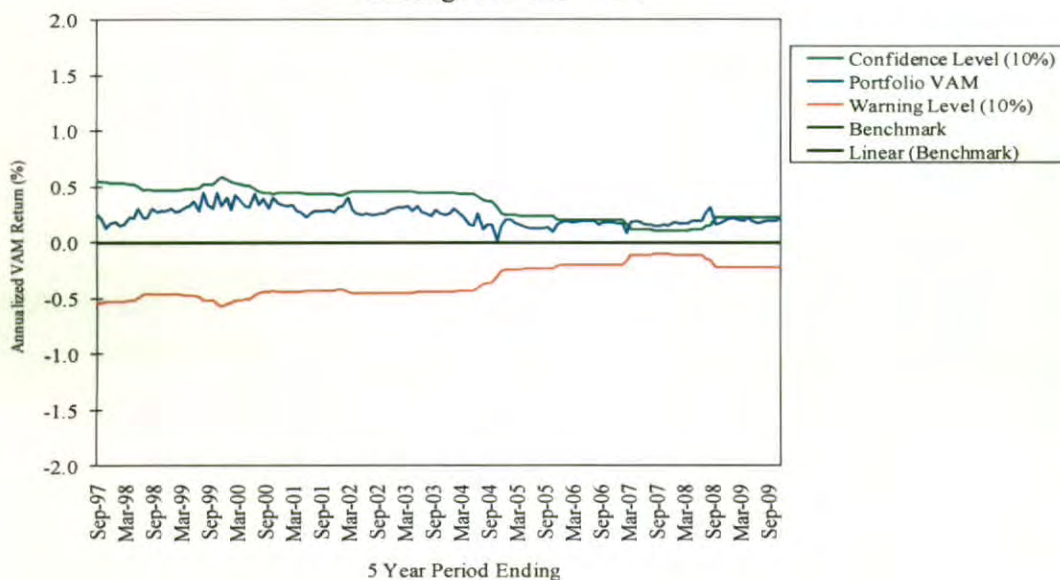
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	2.5%	2.4%
Last 1 year	34.0	33.7
Last 2 years	-12.9	-13.1
Last 3 years	-5.0	-5.3
Last 4 years	1.9	1.7
Last 5 years	4.3	4.1
Since Inception (10/92)	6.6	6.4

**Recommendation**

No action required.

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



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# STATE BOARD OF INVESTMENT

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## Non-Retirement Manager Evaluation Reports

Fourth Quarter, 2009

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## Non-Retirement Managers

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**NON - RETIREMENT MANAGERS**  
**Periods Ending December, 2009**

	Quarter		1 Year		3 Years		5 Years		Since (1)		Market Value (in millions)
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Inception %	Bmk %	
GE Asset Management (S&P 500 Index)	4.5	6.0	32.3	26.5	-2.6	-5.6	2.0	0.4	9.1	8.0	\$60.7
RBC Global Asset Management (Custom Benchmark)	2.1	-0.2	8.3	0.9	3.8	6.0	3.7	4.9	5.9	6.3	\$252.1
Galliard Capital Management (3 yr. Constant Maturity Treasury + 45 bp)	1.2	0.5	4.7	1.9	4.7	3.1	4.6	3.8	5.5	4.6	\$1,201.8
Internal Stock Pool (S&P 500 Index)	6.1	6.0	26.3	26.5	-5.5	-5.6	0.5	0.4	7.8	7.7	\$931.1
Internal Bond Pool - Income Share (Barclays Capital Aggregate) (2)	1.1	0.2	12.9	5.9	6.7	6.0	5.6	5.0	7.7	7.3	\$83.8
Internal Bond Pool - Trust (Barclays Capital Aggregate)	0.9	0.2	12.2	5.9	7.2	6.0	5.9	5.0	7.2	6.6	\$532.7

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

(2) Prior to July 1994, the benchmark was the Salomon BIG.

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

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

**GE ASSET MANAGEMENT - Assigned Risk Plan**  
**Periods Ending December, 2009**

**Portfolio Manager: Dave Carlson**

**Assets Under Management: \$60,729,741**

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

GE's Multi-Style Equity program attempts to outperform the S&P 500 consistently while controlling overall portfolio risk through a multiple manager approach. A value portfolio, a growth portfolio and a research portfolio are combined to create a well diversified equity portfolio while maintaining low relative volatility and a style-neutral position between growth and value. All GE managers focus on stock selection from a bottom-up perspective.

**Staff Comments**

No comment at this time.

**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	4.5%	6.0%
Last 1 year	32.3	26.5
Last 2 years	-7.7	-10.7
Last 3 years	-2.6	-5.6
Last 4 years	1.9	-0.7
Last 5 years	2.0	0.4
Since Inception (1/95)	9.1	8.0

**Recommendation**

No action required.

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



**RBC GLOBAL ASSET MANAGEMENT (U.S.) - Assigned Risk Plan**  
**Periods Ending December, 2009**

**Portfolio Manager: John Huber**

**Assets Under Management: \$252,120,721**

**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**

On December 31, 2010 Voyageur Asset Management changed its name to RBC Global Asset Management (U.S.) to reflect the firm's position as the U.S. institutional client arm of RBC Global Asset Management, owned by Royal Bank of Canada.

**Quantitative Evaluation**

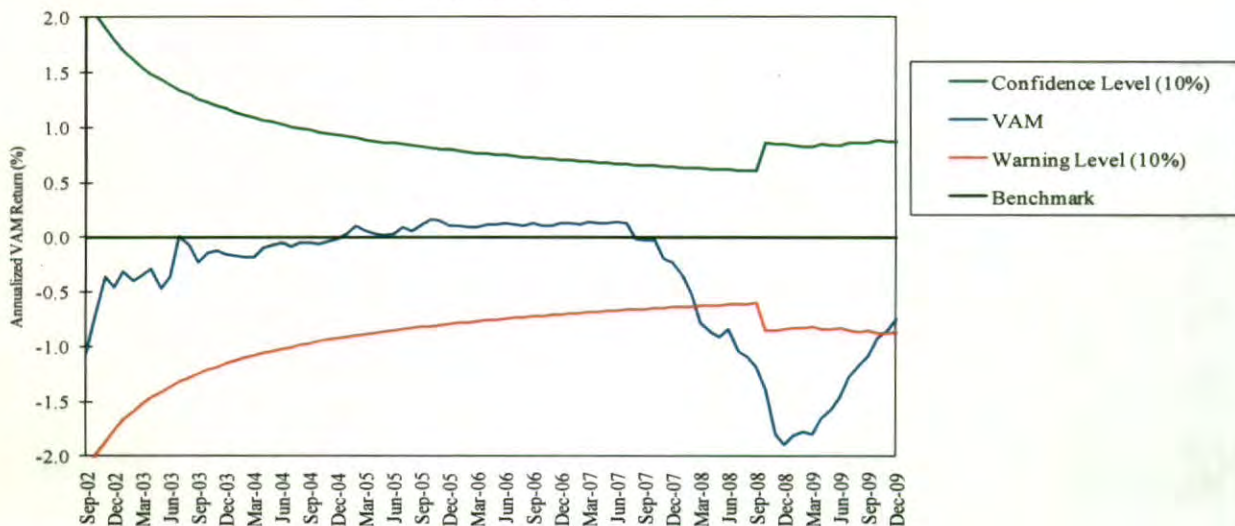
	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	2.1%	-0.2%
Last 1 year	8.3	0.9
Last 2 years	2.8	5.1
Last 3 years	3.8	6.0
Last 4 years	4.0	5.6
Last 5 years	3.7	4.9
Since Inception (7/91)	5.9	6.3

**Recommendation**

No action required.

\* Effective 4/1/02 blended benchmark consists of 25% Merrill Lynch (ML) Mortgage Master, 25% ML 1-3 Yr. Gov't, 25% ML 5-10 Yr. Tsy/Ag, 15% ML 3-5 Yr. Tsy/Ag, 10% ML 91 day T-Bill.

**RBC GLOBAL ASSET MANAGEMENT**  
**Cumulative VAM**



**GALLIARD CAPITAL MANAGEMENT**  
**Periods Ending July, 2009**

**Portfolio Manager: Karl Tourville**

**Assets Under Management: \$1,201,809,346**

**Investment Philosophy**

**Staff Comments**

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

No comment at this time.

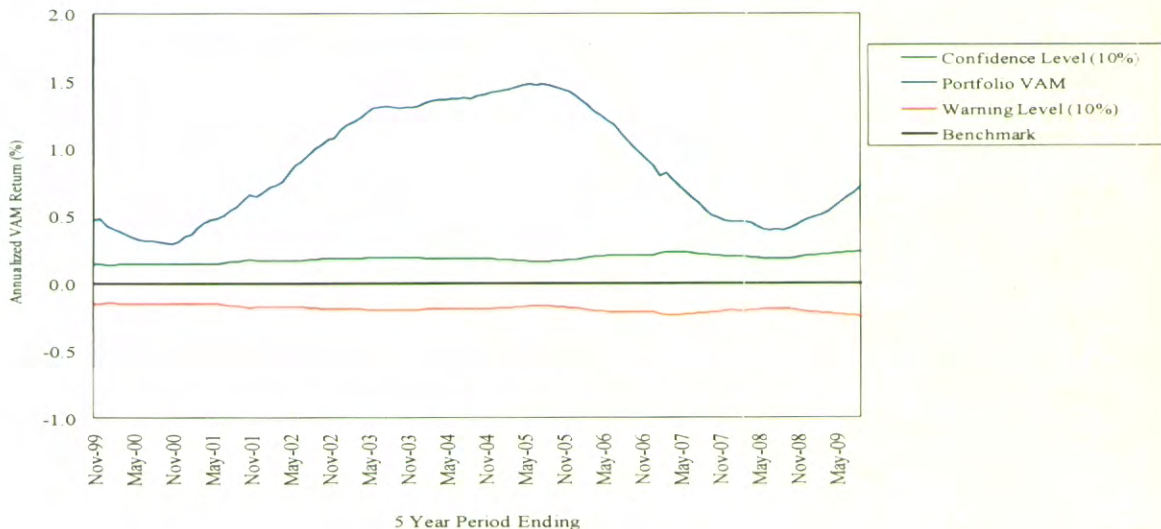
**Quantitative Evaluation**

**Recommendation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	1.2%	0.5%
Last 1 year	4.7	1.9
Last 2 years	4.7	2.2
Last 3 years	4.7	3.1
Last 4 years	4.7	3.6
Last 5 years	4.6	3.8
Since Inception (11/94)	5.5	4.6

No action required.

Galliard Capital Management  
 Rolling Five Year VAM



**INTERNAL STOCK POOL - Trust/Non-Retirement Assets**  
**Periods Ending December, 2009**

**Portfolio Manager: Mike Messen**

**Assets Under Management: \$931,054,564**

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

**Staff Comments**

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

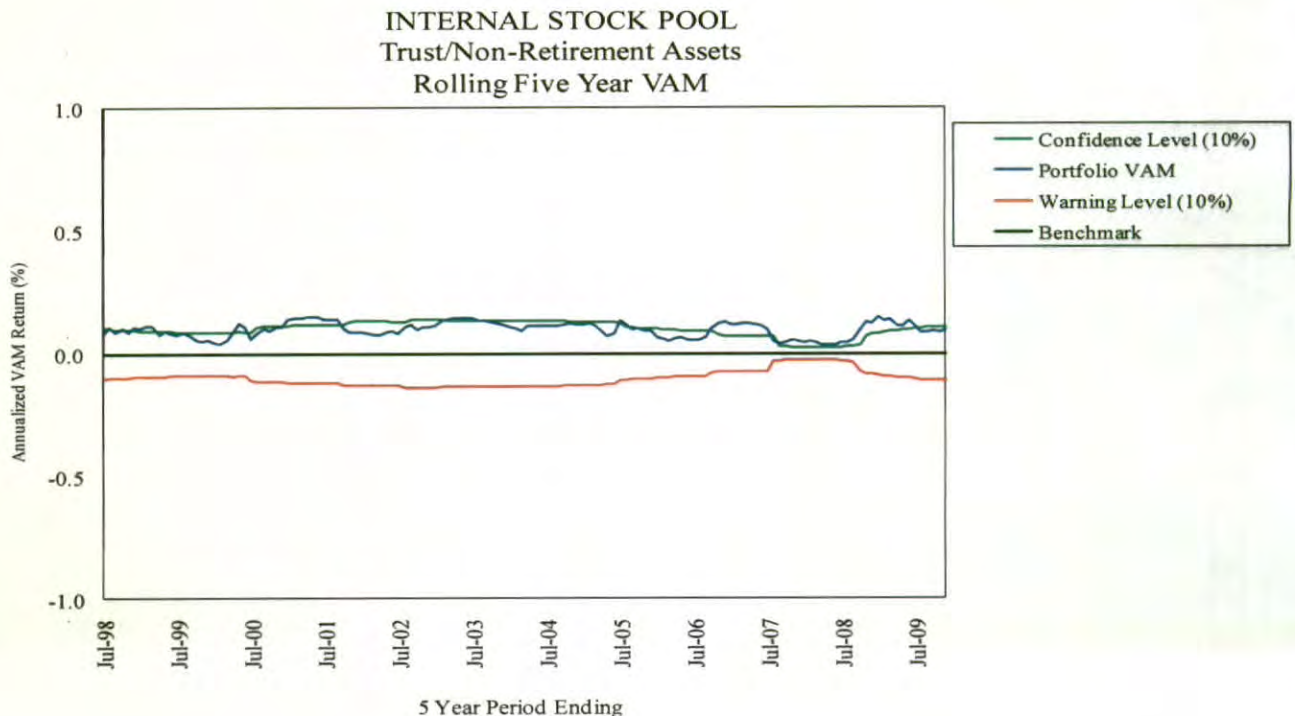
No comment at this time.

**Quantitative Evaluation**

**Recommendation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	6.1%	6.0%
Last 1 year	26.3	26.5
Last 2 years	-10.6	-10.7
Last 3 years	-5.5	-5.6
Last 4 years	-0.6	-0.7
Last 5 years	0.5	0.4
Since Inception (7/93)	7.8	7.7

No action required.



**INTERNAL BOND POOL - Income Share Account**  
**Periods Ending December, 2009**

**Portfolio Manager: Mike Messen**

**Assets Under Management: \$83,846,554**

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

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

**Staff Comments**

No comment at this time.

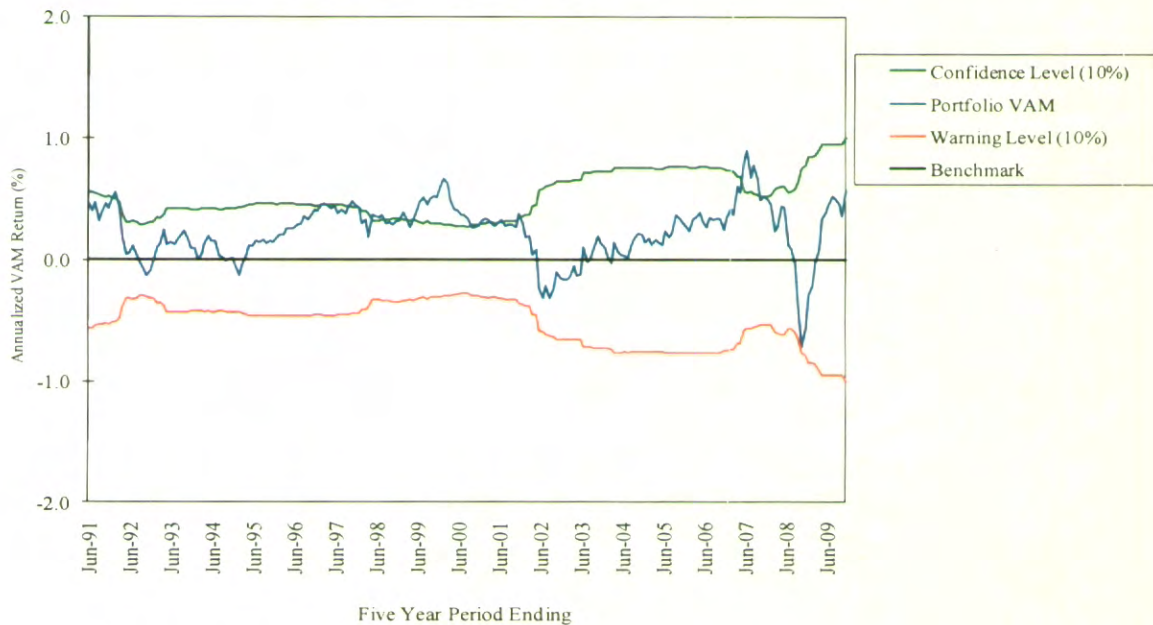
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	1.1%	0.2%
Last 1 year	12.9	5.9
Last 2 years	6.9	5.6
Last 3 years	6.7	6.0
Last 4 years	6.3	5.6
Last 5 years	5.6	5.0
Since Inception (7/86)	7.7	7.3

**Recommendation**

No action required.

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



**INTERNAL BOND POOL - Trust/Non-Retirement Assets**  
**Periods Ending December, 2009**

**Portfolio Manager: Mike Messen**

**Assets Under Management: \$532,714,980**

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

**Staff Comments**

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

No comment at this time.

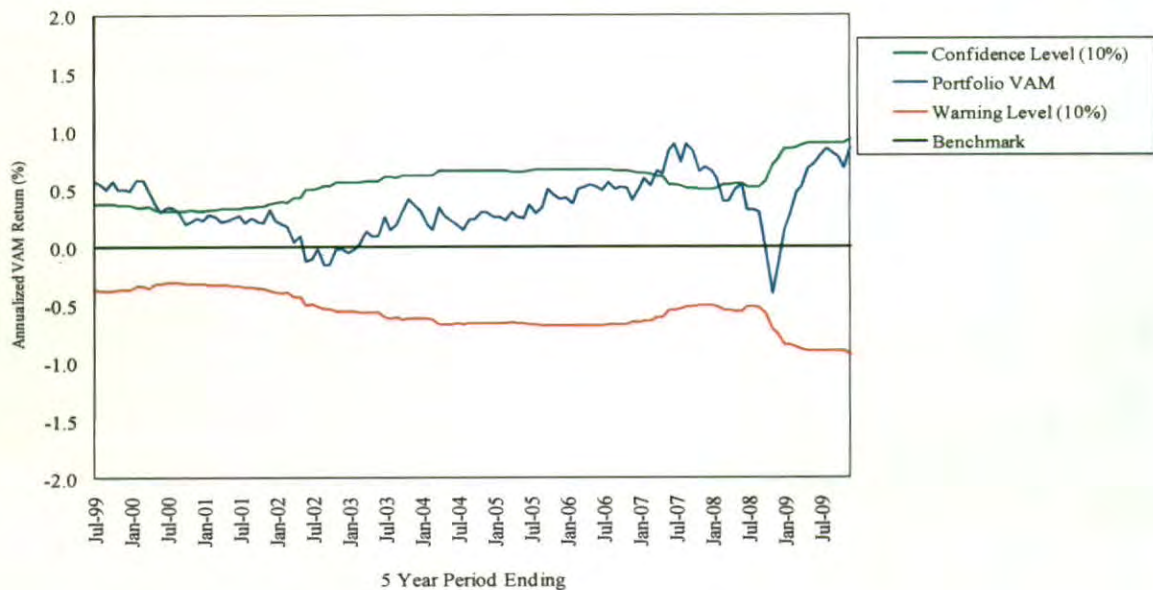
**Quantitative Evaluation**

**Recommendation**

	<b>Actual</b>	<b>Benchmark</b>	
Last Quarter	0.9%	0.2%	No action required.
Last 1 year	12.2	5.9	
Last 2 years	7.3	5.6	
Last 3 years	7.2	6.0	
Last 4 years	6.7	5.6	
Last 5 years	5.9	5.0	
Since Inception (7/94)*	7.2	6.6	

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

**INTERNAL BOND POOL - TRUST/NON-RETIREMENT ASSETS**  
**Rolling Five Year VAM**





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# STATE BOARD OF INVESTMENT

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## Deferred Compensation Plan Evaluation Reports

Fourth Quarter, 2009

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# Mutual Fund Managers

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**MN STATE 457 DEFERRED COMPENSATION PLAN**  
**MUTUAL FUND MANAGERS**  
**Periods Ending December, 2009**

457 Mutual Funds	Quarter		1 Year		3 Years		5 Years		Since Retention		State's
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	by SBI * %	%	Participation In Fund (\$ millions)
<b>Large Cap Equity:</b>											
Janus Twenty (S&P 500)	5.1	6.0	43.3	26.5	4.2	-5.6	6.8	0.4	0.9	-0.2	\$431.5
Legg Mason Partners Appr I (S&P 500)	5.3	6.0	21.8	26.5	-2.0	-5.6	2.5	0.4	4.4	2.9	\$112.4
Vanguard Institutional Index Plus (S&P 500)	6.1	6.0	26.7	26.5	-5.5	-5.6	0.5	0.4	-0.1	-0.2	\$371.1
<b>Mid Cap Equity:</b>											
Vanguard Mid-Cap Index (MSCI US Mid-Cap 450)	6.6	6.6	40.5	40.5	-4.6	-4.6	2.4	2.4	5.2	5.2	\$145.4
<b>Small Cap Equity:</b>											
T. Rowe Price Small-Cap Stock (Russell 2000)	5.0	3.9	38.5	27.2	-3.2	-6.1	2.1	0.5	7.1	4.4	\$330.6
<b>Balanced:</b>											
Dodge & Cox Balanced Fund (60% S&P 500/40% Lehman Agg)	3.8	3.7	28.4	18.4	-4.6	-0.8	1.0	2.4	4.4	4.4	\$249.0
Vanguard Balanced Index Inst. Fund (60% MSCI US Broad Market, 40% Barclays Capital Agg)	3.6	3.6	20.2	19.7	-0.2	-0.4	3.0	2.8	4.5	4.4	\$161.7
<b>Bond:</b>											
Dodge & Cox Income Fund (Barclays Capital Aggregate)	1.8	0.2	16.1	5.9	6.6	6.0	5.4	5.0	6.5	6.1	\$122.5
Vanguard Total Bond Market Index Inst (Barclays Capital Aggregate)	0.1	0.2	6.1	5.9	6.1	6.0	5.0	5.0	5.0	5.0	\$101.0
<b>International:</b>											
Fidelity Diversified International (MSCI EAFE-Free)	3.3	2.2	31.8	31.8	-5.7	-6.0	3.8	3.5	6.9	3.1	\$236.2
Vanguard Inst. Dev. Mkts. Index (MSCI EAFE)	1.7	2.2	28.2	31.8	-5.9	-6.0	3.6	3.5	7.5	7.4	\$72.6

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

\* Vanguard Mid-Cap Index Fund retained January 2004; Legg Mason, Vanguard Inst. Dev. Mkt., Vanguard Balanced, Vanguard Total Bond Mkt. retained December 2003; Dodge & Cox Balanced Fund retained in October 2003; all others, July 1999.

**MN STATE 457 DEFERRED COMPENSATION PLAN**  
**MUTUAL FUND MANAGERS**  
**Calendar Year Returns**

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

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

**MN STATE 457 DEFERRED COMPENSATION PLAN  
LARGE CAP EQUITY – JANUS TWENTY  
Periods Ending December, 2009**

**Portfolio Manager: Ron Sachs**

**State's Participation in Fund: \$431,524,340  
Total Assets in Fund: \$9,600,000,000**

**Investment Philosophy  
Janus Twenty**

The investment objective of this fund is long-term growth of capital from increases in the market value of the stocks it owns. The fund will concentrate its investments in a core position of between twenty to thirty common stocks. This non-diversified fund seeks to invest in companies that the portfolio manager believes have strong current financial positions and offer growth potential.

**Staff Comments**

No comment at this time.

**Quantitative Evaluation**

	Actual	Benchmark*
Last Quarter	5.1%	6.0%
Last 1 year	43.3	26.5
Last 2 years	-8.8	-10.7
Last 3 years	4.2	-5.6
Last 4 years	6.1	-0.7
Last 5 years	6.8	0.4
Since Retention by SBI (7/99)	0.9	-0.2

**Recommendation**

No action required.

\*Benchmark is the S&P 500.

**LARGE CAP EQUITY - JANUS TWENTY  
Rolling Five Year VAM**



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

**MN STATE 457 DEFERRED COMPENSATION PLAN  
LARGE CAP EQUITY – LEGG MASON PARTNERS APPRECIATION I  
Periods Ending December, 2009**

**Portfolio Manager: Scott Glasser**

**State's Participation in Fund: \$112,444,623  
Total Assets in Fund: \$4,270,021,488**

**Investment Philosophy  
Legg Mason Partners Appreciation I**

The Fund invests in U.S. growth and value stocks, primarily blue-chip companies that are dominant in their industries. Investments are selected from among a core base of stocks with a strong financial history, recognized industry leadership, and effective management teams that strive to earn consistent returns for shareholders. The portfolio manager looks for companies that he believes are undervalued with the belief that a catalyst will occur to unlock these values.

**Staff Comments**

No comment at this time.

**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	5.3%	6.0%
Last 1 year	21.8	26.5
Last 2 years	-6.9	-10.7
Last 3 years	-2.0	-5.6
Last 4 years	2.0	-0.7
Last 5 years	2.5	0.4
Since Retention by SBI (12/03)	4.4	2.9

**Recommendation**

No action required.

\*Benchmark is the S&P 500.

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



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



**MN STATE 457 DEFERRED COMPENSATION PLAN  
EQUITY INDEX – VANGUARD INSTITUTIONAL INDEX PLUS  
Periods Ending December, 2009**

<b>Portfolio Manager: Donald Butler</b>	<b>State's Participation in Fund: \$371,066,707</b>
	<b>Total Assets in Fund: \$24,767,000,000</b>

**Investment Philosophy  
Vanguard Institutional Index**

This fund attempts to provide investment results, before fund expenses, that parallel the performance of the Standard & Poor's 500 Index. The fund invests in all 500 stocks listed in the S&P 500 index in approximately the same proportions as they are represented in the index. The managers have tracked the S&P 500's performance with a high degree of accuracy. The fund may use futures and options for temporary purposes, but generally remains fully invested in common stock.

**Staff Comments**

No comment at this time.

**Quantitative Evaluation**

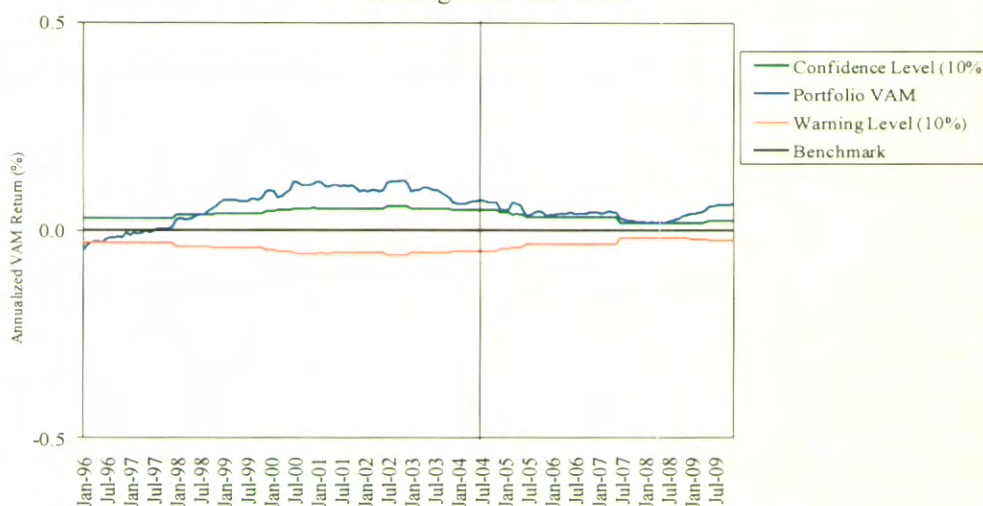
	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	6.1%	6.0%
Last 1 year	26.7	26.5
Last 2 years	-10.6	-10.7
Last 3 years	-5.5	-5.6
Last 4 years	-0.6	-0.7
Last 5 years	0.5	0.4
Since Retention by SBI (7/99)	-0.1	-0.2

**Recommendation**

No action required.

\*Benchmark is the S&P 500.

**EQUITY INDEX - VANGUARD INSTITUTIONAL INDEX PLUS  
Rolling Five Year VAM**



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

**MN STATE 457 DEFERRED COMPENSATION PLAN  
MID CAP EQUITY – VANGUARD MID-CAP INDEX  
Periods Ending December, 2009**

**Portfolio Manager: Donald Butler**

**State's Participation in Fund: \$145,394,348  
Total Assets in Fund: \$5,960,000,000**

**Investment Philosophy  
Vanguard Mid-Cap Index**

The fund employs a "passive management"- or indexing-investment approach designed to track the performance of the MSCI US Mid Cap 450 Index, a broadly diversified index of stocks of medium-size U.S. companies. The fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting within the index.

**Staff Comments**

No comment at this time.

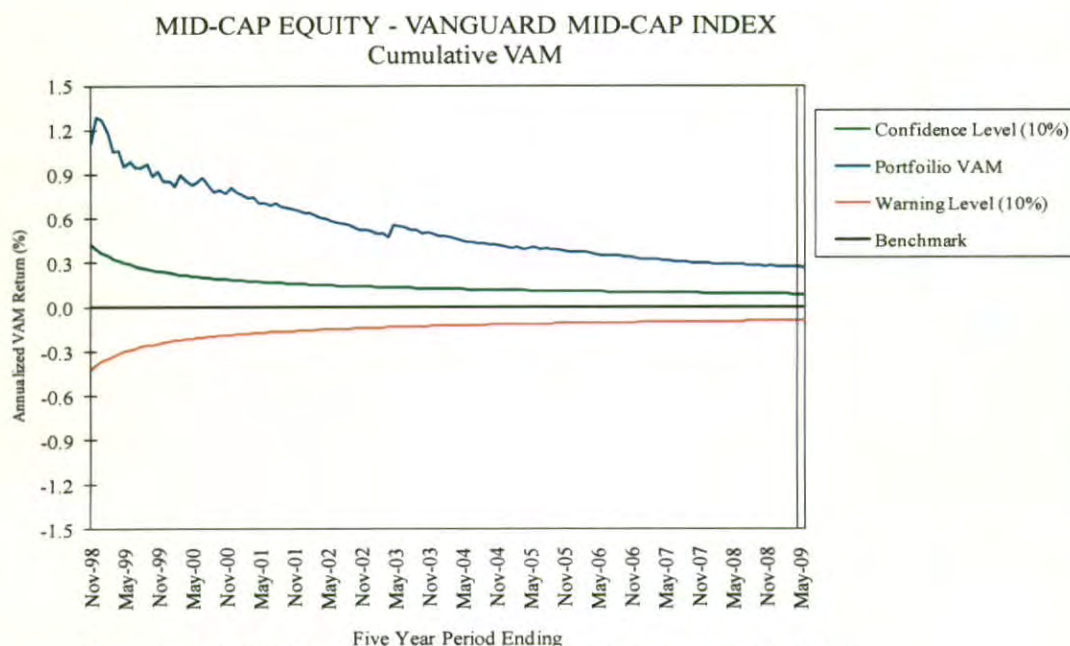
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	6.6%	6.6%
Last 1 year	40.5	40.5
Last 2 years	-9.5	-9.6
Last 3 years	-4.6	-4.6
Last 4 years	-0.3	-0.3
Last 5 years	2.4	2.4
Since Retention by SBI (1/04)	5.2	5.2

**Recommendation**

No action required.

\*Benchmark is the MSCI US Mid Cap 450.



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

**MN STATE 457 DEFERRED COMPENSATION PLAN  
SMALL CAP EQUITY – T. ROWE PRICE SMALL CAP STOCK FUND  
Periods Ending December, 2009**

<b>Portfolio Manager:</b> Gregory A. McCrickard	<b>State's Participation in Fund:</b> \$330,580,930
	<b>Total Assets in Fund:</b> \$5,133,700,000

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

**Staff Comments**

The strategy of this fund is to invest primarily in stocks of small to medium-sized companies that are believed to offer either superior earnings growth or appear undervalued. The fund normally invests at least 80% of assets in equities traded in the U.S. over-the-counter market. The manager does not favor making big bets on any particular sector or any particular stock. The fund's combination of growth and value stocks offers investors relatively more stable performance compared to other small cap stock funds.

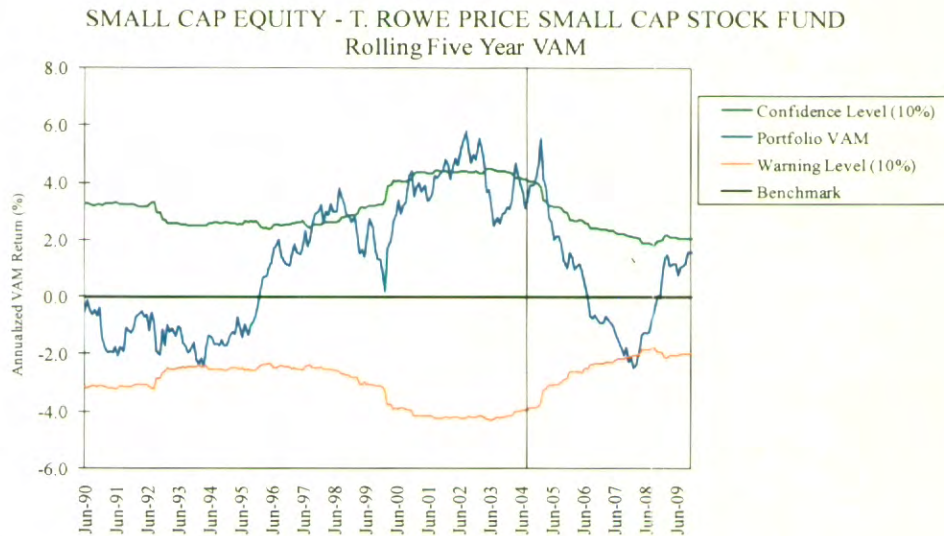
No comment at this time.

**Quantitative Evaluation**

**Recommendation**

	Actual	Benchmark*	
Last Quarter	5.0%	3.9%	No action required.
Last 1 year	38.5	27.2	
Last 2 years	-3.9	-8.2	
Last 3 years	-3.2	-6.1	
Last 4 years	0.6	-0.5	
Last 5 years	2.1	0.5	
Since Retention by SBI (7/99)	7.1	4.4	

\*Benchmark is the Russell 2000.



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

**STATE 457 DEFERRED COMPENSATION PLAN  
BALANCED – DODGE & COX BALANCED FUND  
Periods Ending December, 2009**

**Portfolio Manager: John Gunn**

**State's Participation in Fund: \$248,998,261  
Total Assets in Fund: \$15,400,000,000**

**Investment Philosophy  
Dodge & Cox Balanced Fund**

The Fund seeks regular income, conservation of principal and an opportunity for long-term growth of principal and income. The Fund invests in a diversified portfolio of common stocks preferred stocks and fixed income securities.

**Staff Comments**

No comment at this time.

**Quantitative Evaluation**

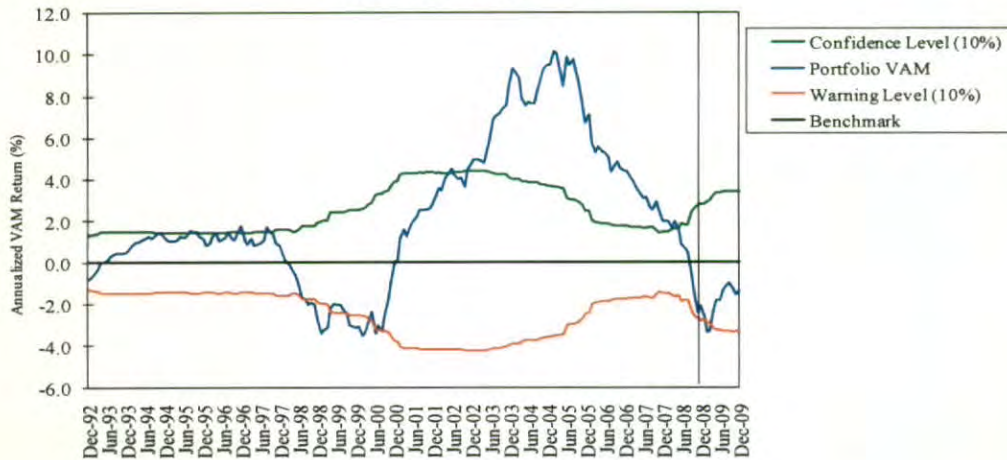
	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	3.8%	3.7%
Last 1 year	28.4	18.4
Last 2 years	-7.6	-4.1
Last 3 years	-4.6	-0.8
Last 4 years	-0.3	2.1
Last 5 years	1.0	2.4
Since Retention By SBI (10/03)	4.4	4.4

**Recommendation**

No action required.

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

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



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

**MN STATE 457 DEFERRED COMPENSATION PLAN  
BALANCED – VANGUARD BALANCED INDEX INSTITUTIONAL FUND  
Periods Ending December, 2009**

**Portfolio Manager: Michael Perre**

**State's Participation in Fund: \$161,680,946  
Total Assets in Fund: \$2,869,000,000**

**Investment Philosophy  
Vanguard Balanced Index Fund**

**Staff Comments**

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.

No comment at this time.

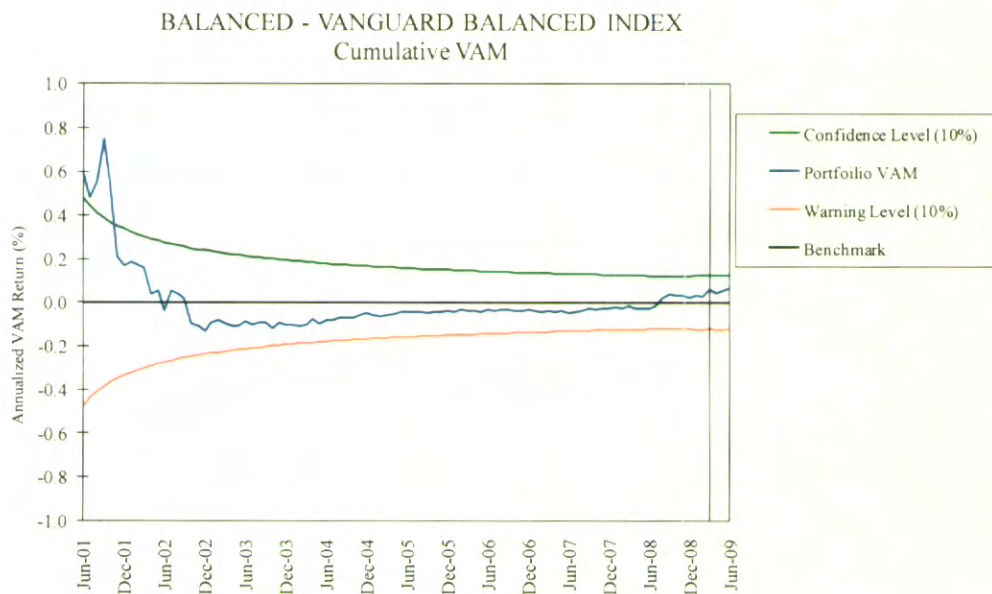
**Quantitative Evaluation**

**Recommendation**

	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	3.6%	3.6%
Last 1 year	20.2	19.7
Last 2 years	-3.2	-3.6
Last 3 years	-0.2	-0.4
Last 4 years	2.5	2.3
Last 5 years	3.0	2.8
Since Retention by SBI (12/03)	4.5	4.4

No action required.

\*Benchmark is 60% MSCI US Broad Market, 40% Barclays Capital Aggregate.  
Equity benchmark was Wilshire 5000 prior to April 1, 2005.



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

**MN STATE 457 DEFERRED COMPENSATION PLAN  
BOND – DODGE & COX INCOME FUND  
Periods Ending December, 2009**

**Portfolio Manager: Dana Emery**

**State's Participation in Fund: \$122,455,385  
Total Assets in Fund: \$19,300,000,000**

**Investment Philosophy  
Dodge & Cox Income Fund**

**Staff Comments**

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

No comment at this time.

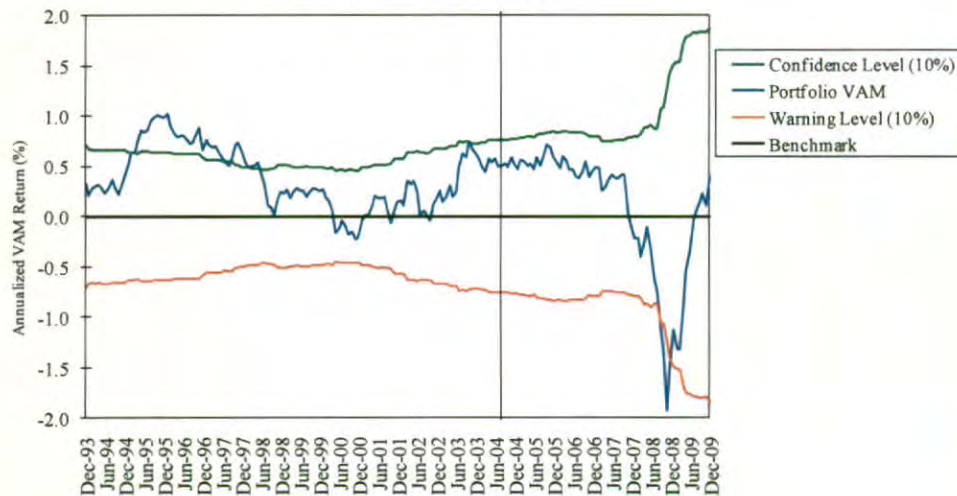
**Quantitative Evaluation**

**Recommendation**

	<b>Actual</b>	<b>Benchmark*</b>	
Last Quarter	1.8%	0.2%	No action required.
Last 1 year	16.1	5.9	
Last 2 years	7.6	5.6	
Last 3 years	6.6	6.0	
Last 4 years	6.3	5.6	
Last 5 years	5.4	5.0	
Since Retention By SBI (7/99)	6.5	6.1	

\*Benchmark is the Barclays Capital Aggregate.

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



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

**MN STATE 457 DEFERRED COMPENSATION PLAN  
BOND – VANGUARD TOTAL BOND MARKET INDEX INSTITUTIONAL  
Periods Ending December, 2009**

**Portfolio Manager: Kenneth Volpert**

**State's Participation in Fund: \$101,010,836  
Total Assets in Fund: \$4,149,000,000**

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

**Staff Comments**

The fund attempts to track the performance of the Barclays Capital Aggregate Bond Index, which is a widely recognized measure of the entire taxable U.S. bond market. The index consists of more than 5,000 U.S. Treasury, federal agency, mortgage-backed, and investment-grade corporate securities. Because it is not practical or cost-effective to own every security in the index, the fund invests in a large sampling that matches key characteristics of the index (such as market-sector weightings, coupon interest rates, credit quality, and maturity). To boost returns, the fund holds a higher percentage than the index in short-term, investment-grade corporate bonds and a lower percentage in short-term Treasury securities.

No comment at this time.

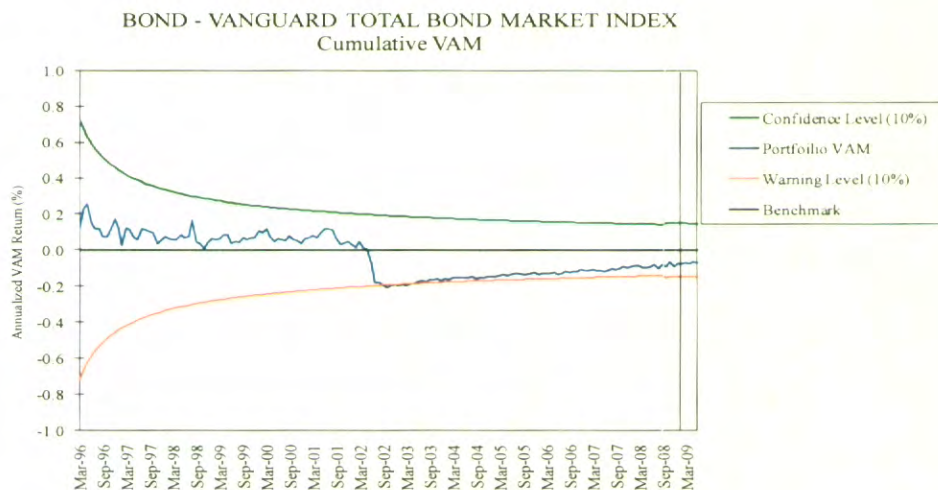
**Quantitative Evaluation**

**Recommendation**

	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	0.1%	0.2%
Last 1 year	6.1	5.9
Last 2 years	5.6	5.6
Last 3 years	6.1	6.0
Last 4 years	5.7	5.6
Last 5 years	5.0	5.0
Since Retention by SBI (12/03)	5.0	5.0

No action required.

\*Benchmark is the Barclays Capital Aggregate.



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

**MN STATE 457 DEFERRED COMPENSATION PLAN  
INTERNATIONAL – FIDELITY DIVERSIFIED INTERNATIONAL  
Periods Ending December, 2009**

**Portfolio Manager: William Bower**

**State's Participation in Fund: \$236,186,952  
Total Assets in Fund: \$32,048,660,000**

**Investment Philosophy  
Fidelity Diversified International**

The goal of this fund is capital appreciation by investing in securities of companies located outside of the United States. While the fund invests primarily in stocks, it may also invest in bonds. Most investments are made in companies that have a market capitalization of \$100 million or more and which are located in developed countries. To select the securities, the fund utilizes a rigorous computer-aided quantitative analysis supplemented by relevant economic and regulatory factors. The manager rarely invests in currency to protect the account from exchange fluctuations.

**Staff Comments**

No comment at this time.

**Quantitative Evaluation**

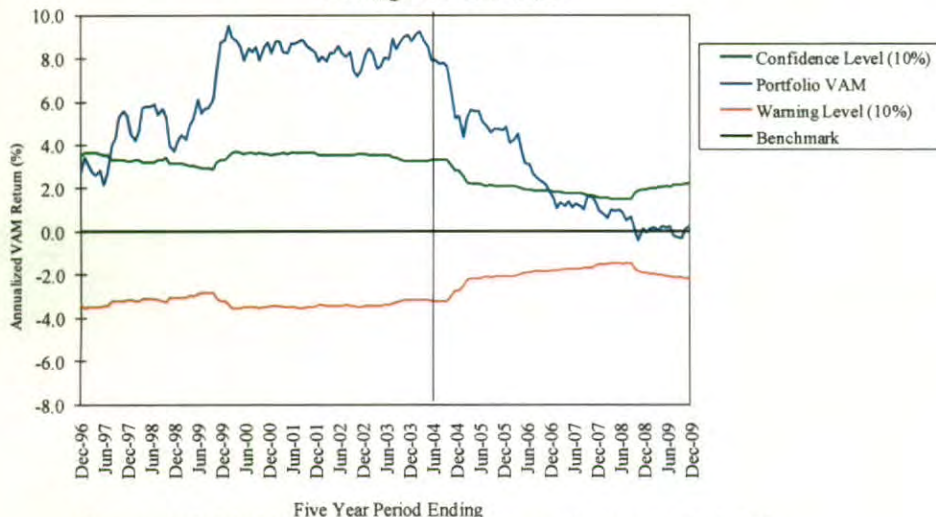
	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	3.3%	2.2%
Last 1 year	31.8	31.8
Last 2 years	-15.0	-13.6
Last 3 years	-5.7	-6.0
Last 4 years	0.7	1.2
Last 5 years	3.8	3.5
Since Retention By SBI (7/99)	6.9	3.1

**Recommendation**

No action required.

\*Benchmark is the MSCI EAFE-Free.

**INTERNATIONAL - FIDELITY DIVERSIFIED INTERNATIONAL  
Rolling Five Year VAM**



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



**MN STATE 457 DEFERRED COMPENSATION PLAN  
INTERNATIONAL – VANGUARD INSTITUTIONAL DEVELOPED MARKETS INDEX  
Periods Ending December, 2009**

**Portfolio Manager: Duane Kelly and Michael Buek**

**State's Participation in Fund: \$72,553,050  
Total Assets in Fund: \$5,768,000,000**

**Investment Philosophy  
Vanguard Institutional Developed Market  
Index**

**Staff Comments**

The fund seeks to track the performance of the MSCI EAFE Index by passively investing in two other Vanguard funds—the European Stock Index Fund and the Pacific Stock Index Fund. The combination of the two underlying index funds, in turn, seeks to track the investment results of the Morgan Stanley Capital International (MSCI) Europe, Australasia, Far East (EAFE) Index. The MSCI EAFE Index includes approximately 1,000 common stocks of companies located in Europe, Australia, Asia, and the Far East.

The magnitude of the underperformance for the quarter and the year is due to fair value pricing adjustments.

**Quantitative Evaluation**

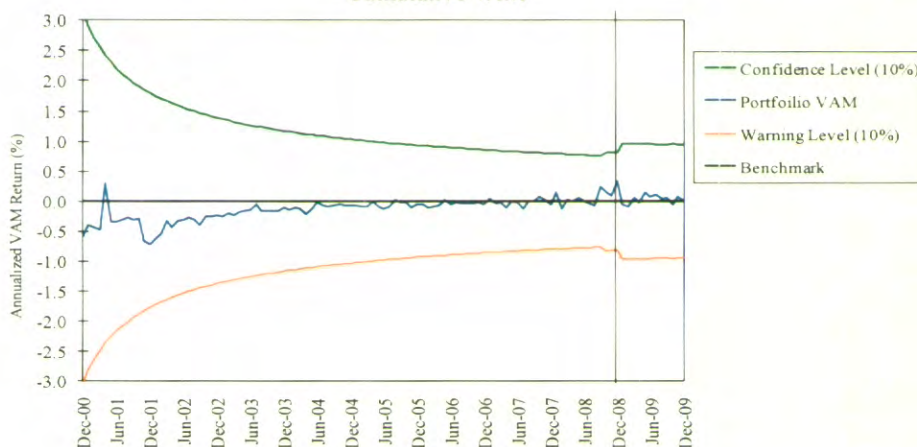
**Recommendation**

	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	1.7%	2.2%
Last 1 year	28.2	31.8
Last 2 years	-13.4	-13.6
Last 3 years	-5.9	-6.0
Last 4 years	1.3	1.2
Last 5 years	3.6	3.5
Since Retention by SBI (12/03)	7.5	7.4

No action required.

\*Benchmark is the MSCI EAFE International

INTERNATIONAL - VANGUARD DEVELOPED MARKET INDEX  
Cumulative VAM



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

# **Tab D**

## **INVESTMENT ADVISORY COUNCIL REPORT**

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DATE: February 18, 2010

TO: Members, State Board of Investment

**FROM: Members, Investment Advisory Council**

The Investment Advisory Council met on February 16, 2010 to review the following information and action agenda items:

1. Review of current strategy.
2. New investments with two existing private equity managers, EBF and Värde, one existing resource manager, TCW Energy, and one new yield-oriented manager, Audax.

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

### **INFORMATION ITEMS:**

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

To increase overall portfolio diversification, 20% of the Combined Funds are allocated to alternative investments. Alternative investments include real estate, private equity, resource, and yield-oriented investments in which Minnesota State Board of Investment (SBI) participation is limited to commingled funds or other pooled vehicles. Charts summarizing the Board's current commitments are attached (see **Attachments A and B**).

- a. The real estate investment strategy is to establish and maintain a broadly diversified real estate portfolio comprised of investments that provide overall diversification by property type and location. The main component of this portfolio consists of investments in diversified Real Estate Investment Trusts (REITs), open-end commingled funds and closed-end commingled funds. The remaining portion of the portfolio can include investments in less diversified, more focused (specialty) commingled funds and REITs.
- b. The private equity investment strategy, which includes leveraged buyouts and venture capital, is to establish and maintain a broadly diversified private equity portfolio comprised of investments that provide diversification by industry type, stage of corporate development and location.

- c. The strategy for resource investments is to establish and maintain a portfolio of resource investment vehicles that provide an inflation hedge and additional diversification. Resource investments will include oil and gas investments, energy service industry investments and other investments that are diversified geographically and by type.
- d. The strategy for yield-oriented investments will target funds that typically provide a current return and may have an equity component such as subordinated debt or mezzanine investments. Yield-oriented investments will provide diversification by including investments in the private equity, resource and real estate categories.

#### **ACTION ITEMS:**

##### **1) Investment with an existing private equity manager, EBF, in Merced Partners III.**

EBF is seeking investors for a new \$750 million private equity fund. This fund is a successor to five other private equity funds managed by EBF. The SBI has invested in Merced Partners II. Like the other funds, this fund will seek to earn attractive returns through a portfolio of public and private investments.

In addition to reviewing the attractiveness of the Merced Partners III investment offering, staff has conducted reference checks, a literature database search and reviewed the potential investor base for fund III.

More information on Merced Partners III 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 \$100 million, or 20% of Merced Partners III, 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.**

**2) Investment with an existing private equity manager, Värde, in Värde Fund X, L.P.**

Värde is seeking investors for a new \$2 billion private equity fund. This fund is a successor to eleven other prior private equity funds managed by Värde. The SBI has invested in fund IX. Like the prior funds, this fund will seek to earn attractive returns through a diversified portfolio of private and public distressed and/or mispriced private equity investments.

In addition to reviewing the attractiveness of the Värde Fund X, L.P. investment offering, staff has conducted reference checks, a literature database search and reviewed the potential investor base for fund X.

More information on Värde Fund X, L.P. is included as **Attachment D**.

**RECOMMENDATION:**

**The Investment Advisory Council recommends that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a commitment of \$150 million, or 20% of Värde Fund X, L.P., whichever is less. Approval by the SBI of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the Investment Advisory Council, the State Board of Investment nor its Executive Director have any liability for reliance by Värde 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 Värde or reduction or termination of the commitment.**

**3) Investment with an existing resource manager, TCW, in TCW Energy Fund XV, L.P.**

TCW is seeking investors for a new \$2.5 billion resource fund. This fund is a successor to six similar resource funds managed by TCW. The SBI has invested in fund XIV. Like the prior funds, this fund will seek to earn attractive returns through a diversified portfolio of resource investments.

In addition to reviewing the attractiveness of the TCW Energy Fund XV, L.P. investment offering, staff has conducted reference checks, a literature database search and reviewed the potential investor base for fund XV.

More information on TCW Energy Fund XV, L.P. 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 \$150 million, or 20% of TCW Energy Fund XV L.P., whichever is less. Approval by the SBI of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the Investment Advisory Council, the State Board of Investment nor its Executive Director have any liability for reliance by TCW 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 TCW or reduction or termination of the commitment.

**4) Investment with a new yield-oriented manager, Audax, in Audax Mezzanine Fund III.**

Audax is seeking investors for a new \$750 million yield-oriented fund. This fund is a successor to two yield-oriented funds managed by Audax. Like the prior funds, this fund will seek to earn attractive returns through a diversified portfolio of yield-oriented investments.

In addition to reviewing the attractiveness of the Audax Mezzanine Fund III investment offering, staff has conducted reference checks, a literature database search and reviewed the potential investor base for fund III.

More information on Audax Mezzanine Fund III 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 \$100 million, or 20% of Audax Mezzanine Fund III, 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 Audax 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 Audax or reduction or termination of the commitment.

ATTACHMENT A

**Minnesota State Board of Investment**  
*Pooled Alternative Investments*  
**Combined Funds**  
*December 31, 2009*

Combined Funds Market Value	\$41,079,069,784
Amount Available for Investment	<b>\$2,423,494,457</b>

	<b>Current Level</b>	<b>Target Level</b>	<b>Difference</b>
Market Value (MV)	\$5,792,319,500	\$8,215,813,957	\$2,423,494,457
MV +Unfunded	\$8,796,044,266	\$12,323,720,935	\$3,527,676,669

<b>Asset Class</b>	<b>Market Value</b>	<b>Unfunded Commitment</b>	<b>Total</b>
Private Equity	\$3,372,915,891	\$1,671,592,394	\$5,044,508,285
Real Estate	\$823,020,954	\$276,172,813	\$1,099,193,767
Resource	\$503,833,577	\$384,829,428	\$888,663,004
Yield-Oriented	\$1,092,549,079	\$671,130,130	\$1,763,679,209
<b>Total</b>	\$5,792,319,500	\$3,003,724,766	\$8,796,044,266

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# ATTACHMENT B

Minnesota State Board of Investment  
- Alternative Investments -  
As of December 31, 2009

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	MOIC**	Period Years
<b><u>I. Real Estate</u></b>								
<b>Blackstone</b>								
Blackstone Real Estate V	100,000,000	86,444,362	52,954,065	23,165,945	13,555,638	-6.88	0.88	3.68
Blackstone Real Estate VI	100,000,000	44,986,019	20,383,975	46,623	55,013,981	-35.13	0.45	2.75
<b>Colony Capital</b>								
Colony Investors III	100,000,000	100,000,000	6,096,200	167,834,385	0	14.80	1.74	12.00
<b>CSFB</b>								
CSFB Strategic Partners III RE	25,000,000	23,976,647	12,319,470	568,588	1,023,353	-30.62	0.54	4.50
CS Strategic Partners IV RE	50,000,000	41,097,283	25,524,356	474,802	8,902,717	-31.94	0.63	1.54
<b>Lehman Brothers Real Estate Partners</b>								
Lehman Brothers Real Estate Partners II	75,000,000	65,568,548	34,218,640	22,008,951	9,431,452	-6.77	0.86	4.50
Lehman Brothers Real Estate Partners III	150,000,000	61,754,328	32,087,240	0	88,245,672	-40.75	0.52	1.62
<b>Prime Property Fund</b>	40,000,000	40,000,000	192,202,154	0	0	5.73	4.81	28.22
<b>T.A. Associates Realty</b>								
Realty Associates Fund V	50,000,000	50,000,000	20,732,164	77,833,557	0	11.44	1.97	10.60
Realty Associates Fund VI	50,000,000	50,000,000	43,396,885	41,552,207	0	13.42	1.70	7.51
Realty Associates Fund VII	75,000,000	75,000,000	69,324,801	19,260,049	0	4.04	1.18	5.13
Realty Associates Fund VIII	100,000,000	100,000,000	84,165,900	4,636,005	0	-6.99	0.89	3.50
Realty Associates Fund IX	100,000,000	0	0	0	100,000,000	N/A	N/A	1.35
UBS Trumbull Property Fund	42,376,529	42,376,529	229,615,103	2,818,431	0	6.81	5.48	27.67
<b>Real Estate Total</b>	<b>1,057,376,529</b>	<b>781,203,716</b>	<b>823,020,954</b>	<b>360,199,543</b>	<b>276,172,813</b>		<b>1.51</b>	
<b><u>II. Resource</u></b>								
<b>Apache Corp III</b>	30,000,000	30,000,000	4,163,070	54,413,654	0	12.16	1.95	23.00
<b>EnCap Energy Capital Fund VII</b>	100,000,000	36,428,848	29,590,043	1,234,124	63,571,152	-14.31	0.85	2.50
<b>First Reserve</b>								
First Reserve Fund VIII	100,000,000	100,000,000	1,855,997	203,073,861	0	15.93	2.05	11.67
First Reserve Fund IX	100,000,000	100,000,000	1,159,000	299,472,865	0	48.15	3.01	8.73
First Reserve Fund X	100,000,000	100,000,000	59,088,255	116,237,179	0	38.38	1.75	5.16
First Reserve Fund XI	150,000,000	116,787,561	106,452,804	2,357,159	33,212,439	-3.88	0.93	3.03
First Reserve Fund XII	150,000,000	55,822,482	42,734,977	15,865	94,177,518	-26.92	0.77	1.17
<b>NGP</b>								
Natural Gas Partners IX	150,000,000	40,678,303	34,922,481	365,317	109,321,697	-12.97	0.87	2.19
NGP Midstream & Resources	100,000,000	62,910,555	66,186,817	1,919,672	37,089,445	5.89	1.08	2.75
<b>Sheridan Production Partners I</b>	100,000,000	84,252,260	84,601,414	9,750,000	15,747,740	11.01	1.12	2.75
<b>Simmons</b>								
SCF-IV	47,626,265	47,626,265	11,022,193	149,814,056	0	24.58	3.38	11.75
T. Rowe Price	71,002,692	71,002,692	0	97,346,757	0	28.11	1.37	N/A
TCW Energy Partners XIV	100,000,000	68,290,564	62,056,525	16,582,650	31,709,436	11.13	1.15	2.70
<b>Resource Total</b>	<b>1,298,628,957</b>	<b>913,799,530</b>	<b>503,833,577</b>	<b>952,583,159</b>	<b>384,829,428</b>		<b>1.59</b>	
<b><u>III. Yield-Oriented</u></b>								
<b>Carbon Capital</b>	46,184,308	46,184,308	1,769,321	59,522,956	0	15.45	1.33	7.63
<b>Citicorp Mezzanine</b>								
Citicorp Mezzanine I	40,000,000	40,000,000	12,423	61,049,740	0	11.48	1.53	15.00
Citicorp Mezzanine III	100,000,000	88,029,296	7,906,938	121,004,131	0	15.14	1.46	10.17
<b>DLJ Investment Partners</b>								
DLJ Investment Partners II	27,375,168	23,164,173	4,188,241	30,724,844	4,210,995	10.54	1.51	10.00
DLJ Investment Partners III	100,000,000	21,077,936	9,568,254	3,841,982	78,922,064	-21.43	0.64	3.53
<b>Gold Hill Venture Lending</b>								
Gold Hill Venture Lending	40,000,000	40,000,000	31,286,854	15,665,425	0	5.42	1.17	5.26
Gold Hill 2008	25,284,190	8,596,625	8,535,339	0	16,687,565	-1.27	0.99	1.50
<b>GS Mezzanine Partners</b>								
GS Mezzanine Partners II	100,000,000	100,000,000	32,530,486	103,262,578	0	8.26	1.36	9.83
GS Mezzanine Partners III	75,000,000	75,000,000	27,335,353	61,227,636	0	6.59	1.18	6.48
GS Mezzanine Partners 2006 Institutional	100,000,000	73,999,888	38,228,993	19,747,828	26,000,112	-13.08	0.78	3.73
GS Mezzanine Partners V	150,000,000	43,483,987	46,515,343	1,110,168	106,516,013	5.00	1.10	2.19
<b>GTCR Capital Partners</b>	80,000,000	69,589,422	1,043,526	105,895,648	10,410,578	10.79	1.54	10.14
<b>KB Mezzanine Fund II</b>	25,000,000	25,000,000	40,488	12,632,685	0	-12.97	0.51	14.25
<b>Merit Capital Partners (fka William Blair)</b>								
William Blair Mezzan. Cap. Fd. III	60,000,000	56,958,000	12,295,605	91,003,489	3,042,000	15.10	1.81	10.00
Merit Mezzanine Fund IV	75,000,000	65,616,758	61,661,792	12,455,542	9,383,242	5.40	1.13	5.04
Merit Mezzanine Fund V	75,000,000	0	0	0	75,000,000	N/A	N/A	0.04
<b>Merit Energy Partners</b>								
Merit Energy Partners B	24,000,000	24,000,000	72,318,952	84,356,786	0	25.22	6.53	13.50
Merit Energy Partners C	50,000,000	50,000,000	193,051,080	175,362,707	0	32.50	7.37	11.18
Merit Energy Partners D	88,000,000	70,938,303	173,118,581	115,973,792	17,061,697	26.09	4.08	8.60
Merit Energy Partners E	100,000,000	41,106,070	63,260,007	18,789,004	58,893,930	17.74	2.00	5.21
Merit Energy Partners F	100,000,000	38,959,831	31,410,387	1,770,831	61,040,169	-9.07	0.85	3.77
<b>Prudential Capital Partners</b>								
Prudential Capital Partners I	100,000,000	96,826,150	35,337,504	105,331,272	3,173,850	11.29	1.45	8.70
Prudential Capital Partners II	100,000,000	91,063,381	88,675,390	24,311,946	8,936,619	9.28	1.24	4.50
Prudential Capital Partners III	100,000,000	20,781,738	17,703,638	3,234,166	79,218,262	1.67	1.01	0.71

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As of December 31, 2009

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	MOIC**	Period Years
<b>Quadrant Real Estate Advisors</b>								
<i>Institutional Commercial Mortgage Fd IV</i>	14,300,000	14,300,000	687,372	22,443,969	0	8.28	1.62	12.01
<i>Institutional Commercial Mortgage Fd V</i>	37,200,000	37,200,000	13,377,542	45,982,565	0	8.10	1.60	10.42
<b>Summit Partners</b>								
<i>Summit Subordinated Debt Fund I</i>	20,000,000	18,000,000	83,084	31,406,578	2,000,000	30.55	1.75	15.75
<i>Summit Subordinated Debt Fund II</i>	45,000,000	40,500,000	2,965,287	84,344,930	4,500,000	56.29	2.16	12.42
<i>Summit Subordinated Debt Fund III</i>	45,000,000	41,115,965	28,706,105	17,249,912	3,884,035	5.21	1.12	5.88
<i>Summit Subordinated Debt Fund IV</i>	50,000,000	3,250,000	3,250,000	0	46,750,000	0.00	1.00	1.76
T. Rowe Price	55,800,931	55,800,931	423,481	54,621,621	0	-4.84	0.99	N/A
<b>TCW/Crescent Mezzanine</b>								
<i>TCW/Crescent Mezzanine Partners III</i>	75,000,000	68,835,264	12,853,414	141,348,082	6,164,736	36.26	2.24	8.76
<b>Windjammer Capital Investors</b>								
<i>Windjammer Mezzanine &amp; Equity Fund II</i>	66,708,861	51,310,048	28,420,264	41,687,969	15,398,813	7.62	1.37	9.75
<i>Windjammer Senior Equity Fund III</i>	75,000,000	41,064,550	43,988,036	4,192,368	33,935,450	8.14	1.17	3.99
<b>Yield-Oriented Total</b>	<b>2,264,853,458</b>	<b>1,581,752,623</b>	<b>1,092,549,079</b>	<b>1,671,553,151</b>	<b>671,130,130</b>		<b>1.75</b>	
<b>IV. Private Equity</b>								
<b>Adams Street Partners</b>								
<i>Adams Street VPAF Fund I</i>	3,800,000	3,800,000	41,239	9,440,295	0	13.23	2.50	21.64
<i>Adams Street VPAF Fund II</i>	20,000,000	20,000,000	52,954	37,988,511	0	24.09	1.90	19.09
Advent International GPE VI-A	50,000,000	13,250,000	12,208,974	0	36,750,000	-9.50	0.92	1.75
<b>Affinity Ventures</b>								
<i>Affinity Ventures IV</i>	4,000,000	2,511,847	957,766	735,493	1,488,153	-16.85	0.67	5.50
<i>Affinity Ventures V</i>	5,000,000	1,600,000	1,200,437	115,993	3,400,000	-19.23	0.82	1.49
<b>Banc Fund</b>								
<i>Banc Fund VII</i>	45,000,000	45,000,000	23,528,610	812,725	0	-20.26	0.54	4.75
<i>Banc Fund VIII</i>	98,250,000	12,772,500	12,743,149	0	85,477,500	-0.46	1.00	1.68
<b>Blackstone</b>								
<i>Blackstone Capital Partners II</i>	47,271,190	47,271,190	4,038,112	95,379,217	0	34.06	2.10	16.11
<i>Blackstone Capital Partners IV</i>	70,000,000	67,451,722	50,134,355	98,083,806	2,548,278	41.15	2.20	7.47
<i>Blackstone Capital Partners V</i>	140,000,000	110,211,506	76,246,512	5,787,541	29,788,494	-13.64	0.74	3.91
<i>Blackstone Capital Partners VI</i>	100,000,000	0	0	0	100,000,000	N/A	N/A	1.43
<b>BLUM Capital Partners</b>								
<i>Blum Strategic Partners I</i>	50,000,000	49,158,307	8,098,493	89,408,820	841,693	12.67	1.98	11.03
<i>Blum Strategic Partners II</i>	50,000,000	40,185,889	10,132,703	73,919,825	9,814,111	22.68	2.09	8.45
<i>Blum Strategic Partners III</i>	75,000,000	74,591,097	39,113,395	41,414,547	408,903	2.33	1.08	4.58
<i>Blum Strategic Partners IV</i>	150,000,000	129,030,203	114,344,742	2,153,018	20,969,797	-6.24	0.90	2.12
CVI Global Value Fund	200,000,000	175,000,000	175,088,660	2,087,004	25,000,000	0.62	1.01	2.97
<b>Chicago Growth Partners (William Blair)</b>								
<i>William Blair Capital Partners VII</i>	50,000,000	48,150,000	9,960,027	59,697,382	1,850,000	9.46	1.45	8.82
<i>Chicago Growth Partners I</i>	50,000,000	47,441,998	37,073,043	5,789,143	2,558,002	5.82	1.11	4.44
<i>Chicago Growth Partners II</i>	60,000,000	12,569,494	11,949,743	0	47,430,506	-6.84	0.95	1.81
<b>Coral Partners</b>								
<i>Coral Partners IV</i>	15,000,000	15,000,000	1,177,566	3,538,879	0	-0.46	0.98	15.45
<i>Coral Partners V</i>	15,000,000	15,000,000	3,901,063	3,106,198	0	-9.65	0.47	11.54
<b>Court Square Capital</b>								
<i>Court Square Capital Partners I</i>	100,000,000	79,996,312	26,717,322	127,259,949	20,003,688	27.92	1.92	8.05
<i>Court Square Capital Partners II</i>	175,000,000	70,400,904	56,521,683	1,815,783	104,599,096	-9.99	0.83	3.32
<b>Crescendo</b>								
<i>Crescendo III</i>	25,000,000	25,000,000	772,497	9,321,908	0	-21.21	0.40	11.15
<i>Crescendo IV</i>	101,500,000	101,500,000	40,962,037	5,627,888	0	-10.33	0.46	9.81
<b>CSFB/ DLJ</b>								
<i>DLJ Merchant Banking Partners III</i>	125,000,000	120,572,572	64,954,003	168,508,995	4,427,428	18.20	1.94	9.25
<i>DLJ Strategic Partners</i>	100,000,000	93,280,930	18,623,485	146,963,314	6,719,070	22.80	1.78	8.95
<i>CSFB Strategic Partners II-B</i>	100,000,000	83,828,517	34,810,065	117,453,834	16,171,483	37.03	1.82	6.46
<i>CSFB Strategic Partners III VC</i>	25,000,000	23,616,305	18,767,749	8,518,535	1,383,695	6.43	1.16	4.58
<i>CSFB Strategic Partners III-B</i>	100,000,000	78,518,666	75,432,200	2,265,414	21,481,334	-0.78	0.99	4.58
<i>CS Strategic Partners IV-B</i>	100,000,000	46,932,100	43,821,061	4,053,787	53,067,900	1.58	1.02	1.77
<i>CS Strategic Partners IV VC</i>	40,500,000	21,802,444	22,568,352	161,108	18,697,556	3.11	1.04	1.54
CVC European Equity Partners V	143,474,905	32,019,157	23,650,835	3,629,900	111,455,748	-17.77	0.85	1.77
<i>Diamond Castle Partners IV</i>	100,000,000	68,541,935	41,545,943	13,219,744	31,458,065	-10.85	0.80	3.31
DSV Partners IV	10,000,000	10,000,000	32,928	39,196,082	0	10.61	3.92	24.73
EBF Merced Partners II	75,000,000	63,768,881	79,792,725	0	11,231,120	14.68	1.25	2.75
Elevation Partners	75,000,000	54,393,315	56,600,168	14,244,712	20,606,685	11.62	1.30	4.62
<b>Fox Paine Capital Fund</b>								
<i>Fox Paine Capital Fund II</i>	50,000,000	45,408,133	28,123,911	45,038,976	4,591,867	20.41	1.61	9.50
<b>GHJM Marathon Fund</b>								
<i>GHJM Marathon Fund IV</i>	40,000,000	39,051,000	15,293,838	44,201,952	949,000	9.15	1.52	10.71
<i>GHJM Marathon Fund V</i>	50,000,000	47,385,516	45,298,220	13,614,933	2,614,484	8.55	1.24	5.25
<b>Golder, Thoma, Cressey, Rauner</b>								
<i>Golder, Thoma, Cressey &amp; Rauner Fund IV</i>	20,000,000	20,000,000	117,097	42,160,456	0	25.01	2.11	15.92
<i>Golder, Thoma, Cressey &amp; Rauner Fund V</i>	30,000,000	30,000,000	699,552	53,955,241	0	11.02	1.82	13.50
<b>GS Capital Partners</b>								
<i>GS Capital Partners 2000</i>	50,000,000	50,000,000	23,873,009	80,799,067	0	23.20	2.09	9.33
<i>GS Capital Partners V</i>	100,000,000	66,390,364	104,324,751	22,855,876	33,609,636	19.85	1.92	4.75
<i>GS Capital Partners VI</i>	100,000,000	39,166,994	26,429,300	2,082,010	60,833,006	-15.33	0.73	2.91

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As of December 31, 2009

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	MOIC**	Period Years
<b>GTCR Golder Rauner</b>								
<i>GTCR VI</i>	90,000,000	90,000,000	5,390,535	75,082,762	0	-3.99	0.89	11.50
<i>GTCR VII</i>	175,000,000	159,249,989	3,422,847	383,622,078	15,750,011	25.29	2.43	9.90
<i>GTCR IX</i>	75,000,000	33,787,586	20,275,943	4,741,730	41,212,414	-23.80	0.74	3.50
<b>Hellman &amp; Friedman</b>								
<i>Hellman &amp; Friedman Capital Partners IV</i>	150,000,000	133,967,494	22,433,131	351,026,979	16,032,506	34.85	2.79	10.00
<i>Hellman &amp; Friedman Capital Partners V</i>	160,000,000	143,229,993	142,539,105	139,326,972	16,770,007	28.87	1.97	5.08
<i>Hellman &amp; Friedman Capital Partners VI</i>	175,000,000	124,106,077	112,385,945	6,955,477	50,893,923	-2.15	0.96	2.75
<i>Hellman &amp; Friedman Capital Partners VII</i>	50,000,000	0	0	0	50,000,000	N/A	N/A	0.70
<b>Kohlberg Kravis Roberts</b>								
<i>KKR 1987 Fund</i>	145,373,652	145,373,652	1,114,692	396,121,354	0	8.71	2.73	22.11
<i>KKR 1993 Fund</i>	150,000,000	150,000,000	438,642	308,173,269	0	16.74	2.06	16.03
<i>KKR 1996 Fund</i>	200,000,000	200,000,000	22,436,373	340,817,786	0	12.94	1.82	13.33
<i>KKR Millennium Fund</i>	200,000,000	200,000,000	161,186,097	153,964,252	0	16.86	1.58	7.06
<i>KKR 2006 Fund</i>	200,000,000	160,582,528	134,589,259	8,515,680	39,417,472	-5.83	0.89	3.26
<b>Lexington Capital Partners</b>								
<i>Lexington Capital Partners VI-B</i>	100,000,000	80,744,175	56,732,661	17,926,783	19,255,825	-4.48	0.92	4.02
<i>Lexington Capital Partners VII</i>	100,000,000	987,715	987,715	0	99,012,285	0.00	1.00	0.55
<b>RWI Ventures</b>								
<i>RWI Ventures I</i>	7,603,265	7,603,265	1,732,858	4,025,809	0	-13.94	0.76	3.50
<i>RWI Group III</i>	616,430	616,430	80,010	330,192	0	-22.68	0.67	3.50
<b>Sightline Healthcare</b>								
<i>Sightline Healthcare Fund II</i>	10,000,000	10,000,000	1,249,405	4,883,002	0	-6.93	0.61	12.84
<i>Sightline Healthcare Fund III</i>	20,000,000	20,000,000	7,172,922	3,288,320	0	-8.65	0.52	10.94
<i>Sightline Healthcare Fund IV</i>	7,700,000	7,210,915	3,196,253	4,008,034	489,085	-0.33	1.00	6.27
<b>Silver Lake Partners</b>								
<i>Silver Lake Partners II</i>	100,000,000	88,703,688	71,066,328	29,645,887	11,296,312	4.16	1.14	5.50
<i>Silver Lake Partners III</i>	100,000,000	37,059,695	31,131,919	984,960	62,940,305	-13.04	0.87	2.75
<b>Split Rock Partners</b>								
<i>Split Rock Partners I</i>	50,000,000	32,709,093	28,006,908	428,377	17,290,907	-6.04	0.87	4.67
<i>Split Rock Partners II</i>	60,000,000	7,560,000	6,509,772	0	52,440,000	-28.23	0.86	1.68
<b>Summit Partners</b>								
<i>Summit Ventures II</i>	30,000,000	28,500,000	166,673	74,524,292	1,500,000	28.82	2.62	21.64
<i>Summit Ventures V</i>	25,000,000	24,125,000	841,306	32,460,571	875,000	8.15	1.38	11.75
<b>T. Rowe Price</b>	846,065,843	846,065,843	66,729,503	830,162,247	0	7.53	1.06	N/A
<b>Thoma Cressey</b>								
<i>Thoma Cressey Fund VI</i>	35,000,000	33,915,000	10,936,199	15,876,781	1,085,000	-3.21	0.79	11.36
<i>Thoma Cressey Fund VII</i>	50,000,000	50,000,000	17,212,373	61,861,701	0	21.52	1.58	9.35
<i>Thoma Cressey Fund VIII</i>	70,000,000	65,852,574	66,316,373	0	4,147,426	0.10	1.01	3.67
<b>Thomas, Mc Nerney &amp; Partners</b>								
<i>Thomas, Mc Nerney &amp; Partners I</i>	30,000,000	26,625,000	15,314,421	10,504,694	3,375,000	-1.05	0.97	7.15
<i>Thomas, Mc Nerney &amp; Partners II</i>	50,000,000	23,625,000	17,546,784	768,885	26,375,000	-15.14	0.78	3.50
<b>Varde Fund IX</b>	100,000,000	100,000,000	118,784,100	0	0	15.07	1.19	1.52
<b>Vestar Capital Partners</b>								
<i>Vestar Capital Partners IV</i>	55,000,000	52,333,466	23,465,610	60,796,212	2,666,534	13.33	1.61	10.05
<i>Vestar Capital Partners V</i>	75,000,000	56,975,878	60,973,897	5,321,047	18,024,122	6.49	1.16	4.04
<b>Warburg Pincus</b>								
<i>Warburg, Pincus Ventures</i>	50,000,000	50,000,000	449,773	255,993,050	0	49.21	5.13	15.00
<i>Warburg Pincus Equity Partners</i>	100,000,000	100,000,000	18,828,145	131,442,977	0	9.16	1.50	11.52
<i>Warburg Pincus Private Equity VIII</i>	100,000,000	100,000,000	76,659,347	92,275,932	0	13.81	1.69	7.71
<i>Warburg Pincus Private Equity IX</i>	100,000,000	100,000,000	92,880,451	13,852,200	0	2.33	1.07	4.43
<i>Warburg Pincus Private Equity X</i>	150,000,000	63,810,914	51,688,308	139,413	86,189,086	-14.09	0.81	2.19
<b>Wayzata</b>								
<i>Wayzata Opportunities Fund</i>	100,000,000	96,800,000	128,742,064	339,109	3,200,000	8.58	1.33	4.03
<i>Wayzata Opportunities Fund II</i>	150,000,000	124,200,000	146,327,099	429,900	25,800,000	10.96	1.18	2.19
<b>Welsh, Carson, Anderson &amp; Stowe</b>								
<i>Welsh, Carson, Anderson &amp; Stowe VIII</i>	100,000,000	100,000,000	30,928,685	85,714,525	0	2.01	1.17	11.44
<i>Welsh, Carson, Anderson &amp; Stowe IX</i>	125,000,000	120,000,000	67,966,561	129,107,565	5,000,000	12.73	1.64	9.51
<i>Welsh, Carson, Anderson &amp; Stowe X</i>	100,000,000	85,578,466	80,343,546	0	14,421,534	-2.33	0.94	4.04
<i>Welsh, Carson, Anderson &amp; Stowe XI</i>	100,000,000	6,093,657	3,974,825	0	93,906,343	-86.75	0.65	1.45
<b>Zell/Chilmark Fund</b>	30,000,000	30,000,000	36,254	77,129,496	0	17.71	2.57	19.47
<b>Private Equity Total</b>	8,031,155,285	6,359,562,891	3,372,915,891	5,628,978,161	1,671,592,394		1.42	
<b>Alternatives Total</b>	12,652,014,229	9,636,318,759	5,792,319,500	8,613,314,014	3,003,724,766		1.49	

\* 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>	Merced Partners III ("the Fund")
<i>Type of Fund:</i>	Private Equity Limited Partnership
<i>Target Fund Size:</i>	\$500 - \$750 million
<i>Fund Manager:</i>	EBF & Associates, L.P.
<i>Administrative Contact:</i>	Dave Ericson 601 Carlson Parkway, Ste. 200 Minnetonka MN 55305 952-476-7236

**II. Organization and Staff**

Founded in 1988 and based in Minneapolis, EBF and Associates, L.P. is forming the Fund to continue and expand EBF's twenty two year successful investment track record.

EBF is led by six partners (Michael Frey, David Ericson, Vince Vertin, Stuart Brown, Hendrik Vroege, and Tom Rock) who are supported by a team of 30, which includes 11 analysts and 19 operations personnel. The six partners average 23 years of experience.

In total, EBF manages \$1.6 billion across five separate prior funds which invested in a wide range of public and private investments.

**III. Investment Strategy**

The investment objective of the Fund is to achieve a substantial return on capital while seeking to bear less than commensurate risk. There can be no assurance that the Fund will achieve its investment objective or that investors will receive a return of all or any part of their capital.

The Fund expects to pursue its objective primarily through investments where the General Partner believes there is strong downside protection from identifiable asset value and compelling return potential from some combination of current income, asset value appreciation, secondary market instrument appreciation (if long) or depreciation (if short), and enterprise value creation or appreciation. The relationship of potential reward to anticipated risk will be the General Partner's primary measure of an investment's merit.

The General Partner currently expects the Fund's investments to include, without limitation, corporate debt and equity, residential and commercial real estate (assets, debt and equity), mortgage-backed debt, asset-backed structured debt and equity, aircraft and aircraft sale leaseback transactions, wind energy development, and investments in debt and equity instruments that allow life insurance-related risk and return to be transferred to investors (these instruments may be issued by life insurance or reinsurance companies, by special purpose vehicles such companies establish, or by other entities involved in a mortality-related business). The Fund may also invest in other corporate enterprises that are start-up or early-stage in nature.

The Fund may make long and short investments in the secondary market debt and equity of below-investment-grade or financially distressed entities – that is, issuers that are in or near default or are otherwise struggling to meet their financial obligations. The Fund may make investments of any other type at the discretion of the General Partner.

The Fund anticipates that its investments will be reasonably diversified in number, industry focus, and geographic region. However, the Fund is not precluded from investing a substantial amount of its capital in a single holding, industry, or geographic area. While the General Partner does not expect to leverage Fund capital, it is not precluded from doing so. The Fund may invest outside the United States and, therefore, may incur foreign exchange or political risk, and the General Partner may enter into hedging arrangements with the intent to protect the Fund from such foreign exchange and other risks.

The Fund expects to control and be actively involved in the stewardship of many of the companies and assets in which it invests. The Fund intends to seek out investments wherein strong management and attentive ownership add meaningful value. However, the Fund may own interests in companies and assets that it does not control and over which it has little, if any, influence.

Investments will be sourced from a wide variety of direct issuer and intermediary relationships of the General Partner and will be evaluated based on the General Partner's thorough analysis and assessment of the multitude of financial, legal, market, operational, industry and other factors that impact credit profile, business prospects, and asset and enterprise value. The Fund also expects to retain outside legal, tax, industry-specific and other advisors to help the General Partner analyze the potential downside and upside of an investment.

The General Partner believes that its investment strategy is particularly appropriate in the current investment environment. Capital markets have rallied meaningfully from the illiquid lows experienced only a year ago. The economy has rebounded as well. Nonetheless, risks remain – as is always the case. The General Partner believes that the most effective way to manage risks is to avoid the use of leverage. Leverage was the most prevalent theme in the countless investment disasters that occurred one year ago. In addition, a focus on asset value and downside protection will help the Fund avoid large losses. Maintaining an opportunistic multi-strategy approach is also important because the Fund will be able to position itself to take advantage of the best risk-reward investments as they present themselves within the General Partner's multiple areas of expertise. Moreover, the Fund's investment strategies are not market-directional and are not based on any particular macroeconomic view, which should result in less correlation with broader debt and equity indices. Finally, the Target Fund Size will allow investments in smaller opportunities and, therefore, minimize competition with larger funds that can only justify an allocation of capital and human resources to larger deals.

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

Previous fund performance as of December 31, 2009 for EBF & Associates and the SBI's investments with previous funds, where applicable, is shown below:

<b>Fund</b>	<b>Inception Date</b>	<b>Total Equity Commitments</b>	<b>SBI Investment</b>	<b>Net IRR from Inception</b>
ILS	2009	\$240 million	--	NM
MNC	2009	\$76 million	--	NM
Merced II	2007	\$474 million	\$75 million	22%
Harrington	2005	\$279 million	--	1%
Merced I	1990	\$300 million	--	13%

Previous Fund investments may be relatively immature and, therefore, returns may not be indicative of future results. ILS and MNC held final closings in the summer of 2009. As a result of the short investing history, the net IRRs are NM. It is generally the Manager's policy to report an IRR once a fund has been investing for at least 12 months.

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

The General Partners and its affiliates will together make Capital Commitments to the Fund equate to 1% of the Fund's aggregate Capital Commitments, up to a maximum of \$7.5 million.

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

Capital will be drawn on an as-needed basis with a minimum of at least 5 business days notice given to the Limited Partners.

#### **VII. Management Fees**

The Fund will pay to the General Partner or its designee, on a quarterly basis in advance, a per annum Management Fee equal to: (i) for the period commencing on the Initial Closing Date through the last day of the Commitment Period, the greater of (a) 75 basis points of aggregate Capital Commitments of all Limited Partners and (b) 150 basis points of the greater of (1) the aggregate capital contributions of all Limited Partners at the time of calculation, and (2) the aggregate cost basis of all assets in the Fund, as reasonably determined by the General Partner; and (ii) from and after the last day of the Commitment Period, 150 basis points of the aggregate cost basis of all assets in the Fund, as reasonably determined by the General Partner; provided, that in each of clauses (i) and (ii), the per annum Management Fee will in no event exceed 150 basis points of the aggregate Capital Commitments of all Limited Partners during any period.

Transaction fees, break-up fees, advisory fees, directors fees, monitoring fees, and other similar fees generally will be paid 100% directly to the Fund, rather than to the General Partner.

#### **VIII. Distributions**

The Fund is not required to make distributions during the Commitment Period, and Partners may not request full or partial redemption of capital during the term of the Fund. Capital may be

redrawn and/or reinvested, in the sole discretion of the General Partner, during the Commitment Period, and in certain circumstances, until the termination of the Fund.

To the extent that the Fund makes distributions, all net proceeds will be apportioned among the Partners in proportion to their relative capital contributions. In general, Partners will receive distributions in the following order of priority:

- (i) First, 100% to the Partners, in proportion to their respective capital contributions, until such time as all Partners shall have received aggregate distributions in an amount equal to the aggregate of their capital contributions as of the time of such distribution;
- (ii) Second, 100% to the Partners, in proportion to their respective capital contributions, until such time as each Partner shall have received cumulative distributions under this subparagraph (ii) in an amount equal to a 6% compounded annual rate of return on the amounts distributed to such Partner under the foregoing subparagraph (i);
- (iii) (iii) Third, 100% to the General Partner in respect of its carried interest (the "Carried Interest") until such time as the General Partner shall have received aggregate distributions under this clause (iii) in an amount equal to 20% of the aggregate amounts distributed under the foregoing subparagraph (ii) and this subparagraph (iii); and
- (iv) (iv) Thereafter, 80% to all Partners in proportion to their respective capital contributions and 20% to the General Partner in respect of its Carried Interest.

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

The investment period will end three years from the Final Closing Date of the Fund.

The Fund will terminate on the seventh anniversary of the Final Closing Date. The term of the Fund may be extended at the option of the General Partner for one additional year.

\* *This document is a summary of more detailed information regarding EBF & Associates & Merced Partners III provided in the Confidential Private Placement Memorandum of Merced Partners III (the "PPM"). It is qualified in its entirety by the more detailed information provided in the PPM.*



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

<b>Name of Fund:</b>	Värde Fund X, L.P.
<b>Type of Fund:</b>	Private Equity Limited Partnership
<b>Total Fund Size:</b>	\$2 billion
<b>Fund Manager:</b>	Värde Partners
<b>Manager Contact:</b>	Kirsten Voss 8500 Normandale Lake Blvd., Ste 1500 Minneapolis, MN 55437 Phone: 952-646-2061

**II. Organization and Staff**

Värde Partners, established in 1993 and headquartered in Minneapolis, Minnesota with offices in London and Singapore, is a leading investor in distressed securities and assets, as well as various types of discounted obligations, including nonperforming and underperforming corporate, consumer and real estate loans and high-yield debt. Värde's investment activities have focused primarily in the U.S. and Europe with a recently established initiative in Asia. Värde currently manages over \$5.5 billion, which is invested in distressed assets through several investment vehicles.

Värde's more than 135 employees, including more than 50 investment professionals, are managed by the Firm's founders and Managing Partners, George G. Hicks and Marcia L. Page, together with Managing Partners Jeremy D. Hedberg and Jason R. Spaeth, and Partners Rick J. Noel and Andrew P. Lenk. In addition, Värde works with a proprietary network of asset managers which has leveraged the firm's ability to originate and workout assets across a wide range of industries and geographies.

**III. Investment Strategy**

A key tenet of Värde's strategy is a flexible investing approach — investing and allocating capital and resources across multiple types of distressed assets in a variety of geographies. The credit markets are large and fluid, and investment opportunities shift among various segments of the marketplace. The Firm's approach involves the Principals moving capital and resources as market opportunities change. Värde's investment strategy incorporates investments across the credit spectrum, including the areas of public and private distressed opportunities as described below.

**Distressed Corporate Assets:** These investments generally include debt and other financial assets of financially troubled companies. Värde typically invests in these situations through purchases of securities or bank loans in the high-yield or other corporate credit markets. Värde generally does not seek to control these companies, but will often be actively involved in any bankruptcy, insolvency or restructuring process. However, in furtherance of certain

opportunities that are otherwise consistent with Värde's investment strategy, Värde may pursue and obtain majority or complete ownership of an entity.

**Special Situations and Capital Structure Arbitrage:** These investments generally include financial assets that are inefficiently priced generally as a result of the substantial volatility in credit markets. For example, Värde seeks to exploit trading inefficiencies through "spread" or capital structure arbitrage trades that rely on certain expected events to remove pricing inefficiencies.

**Structured Products:** This segment builds on the Firm's expertise in the acquisition of portfolios of small balance loans. The Firm pursues investments in asset-backed securities, including RMBS or commercial mortgage-backed securities ("CMBS"), credit card receivables, auto loans and collateralized debt obligations ("CDOs").

**Small Balance Loans:** These investments include pools of small balance loan portfolios collateralized by a wide variety of different asset types, including, residential mortgages, credit card receivables and other secured and unsecured consumer debt, with individual loan balances typically below \$1,000,000. These portfolios of consumer loans are generally acquired in collaboration with one of Värde's network of asset managers.

**Lease and Collateral Backed Assets:** Transactions secured by commercial assets in the transportation (primarily airlines and shipping), energy, manufacturing, construction and technology sectors.

**Commercial and Industrial:** These investments can take the form of purchases of loans or portfolios of loans and direct financings to effect a restructuring or recapitalization. With a credit cycle that is perhaps the most correlated to the high-yield bond and leveraged loan markets, the private loan market for commercial and industrial ("C&I") loans is experiencing increasing default rates and widening credit spreads as companies experience stress in their business models.

**Real Estate Related Loans:** Portfolios of commercial real estate loans and other distressed real estate assets. With most investments in real estate related assets, Värde generally works with specialized real estate partners to acquire, manage and position the assets to seek to maximize value.

As of the date of this memo, Värde believes that investment opportunities will be more focused in the private investment areas where the credit crisis has caused the worst wave of bank failures since 1992. Värde believes that the opportunity to acquire distressed or stressed assets (i.e., portfolios of non-performing commercial real estate loans, consumer loans, whole loan residential mortgages and small business loans) from U.S. financial institutions exceeds \$1 trillion. In addition to acquiring distressed assets sold by existing banks, the Firm is focusing efforts on the loan sales being conducted by the FDIC. Värde believes that investment opportunities arising out of the FDIC's takeover of bank assets should continue to increase through 2012. With regard to the private European markets, Värde's focus will be primarily in the UK, Germany, Spain and Italy, where combined estimates across market segments present nearly \$1.1 trillion in potential supply of distressed investing opportunities

(for example, portfolios of non-performing commercial real estate loans, consumer loans, whole loan residential mortgages and small business loans).

In the publicly traded markets in which Värde invests, opportunities to invest in distressed residential mortgage backed securities continues to be an area offering favorable risk-adjusted rates of returns for investors. The near term opportunities in distressed corporate situations in both the United States and Europe are a little bit more difficult to predict, given the rally in the high yield and leveraged loan markets over the course of 2009. Overall, we view the corporate opportunity as one that has been delayed via maturity and covenant extensions, but one that still requires material deleveraging over the course of the next few years.

The Fund may leverage its investments from time to time with recourse and non-recourse borrowings, primarily from banks, securities firms and other providers of capital, in such amounts and on such terms and conditions as the General Partner, in its sole discretion, deems appropriate.

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

Previous investment performance as of September 30, 2009 for Värde closed end commingled funds (“Lock-Up Funds”) is shown below:

<b>Fund</b>	<b>Inception Date</b>	<b>Total Commitments</b>	<b>SBI Investment</b>	<b>Net IRR from Inception*</b>
Värde Fund IX-A	2008	\$262 million		NM
Värde Fund IX	2008	\$2020 million	\$100 million	12.6%
Värde Fund VII-B	2006	\$47.2 million		3.7%
Värde Fund VIII	2006	\$949.8 million		4.3%
Private Värde Fund	2005	\$351.5 million		6.5%
Värde Fund V-B	2005	\$89.0 million		6.7%
Värde Fund VII	2003	\$96.7 million		8.5%
Värde Fund VII-A	2003	\$50.4 million		9.2%
Värde Fund VI	2001	\$47.5 million		20.2%
Värde Fund V	2000	\$83.4 million		21.3 %
Värde Select Fund	1998	\$51.6 million		6.0%

\* Previous Fund investments may be relatively immature and, therefore, returns may not be indicative of future results. The Varde Fund IX-A, L.P. held a final close on May 1, 2009. As a result of the short investing history, the net IRR is NM. It is generally the Manager’s policy to report an IRR once a fund has been investing for at least 12 months.

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

The General Partner will commit to invest at least 1% of the aggregate Commitments of the Fund.

## **VI. Takedown Schedule**

Each Limited Partner will be obligated to make capital contributions as called by the General Partner from time to time; provided, that any such capital call shall be equal to at least 5% of such Limited Partner's Commitment. All drawdowns shall be made on not less than ten business days prior written notice to the Limited Partners.

## **VII. Management Fee**

The management fee will be 1.75% per year on the lesser of beginning of month capital account balance or committed capital during the Investment Period. Upon expiration of the Investment Period, the fee will be 1.5% on the lesser of beginning of month capital account balance or commitment amount.

100% of any transaction, monitoring and break up fees and other similar fees received in connection with consummated or prospective investments will be applied to reduce the Management Fee.

## **VIII. Distributions**

Any distributions to the Partners shall be made in the following order: (i) to pay Management Fees; (ii) to all Partners in an amount equal to their unrecovered capital contributions; (iii) to all Partners in an amount equal to their unrecovered 8% Preferred Return; (iv) 100% to the General Partner until such time as the aggregate amount distributed to the General Partner shall be equal to 20% of the aggregate amounts distributed pursuant to clause (iii) above and this clause (iv); and, thereafter, (v) 80% to such Limited Partner and 20% to the General Partner..

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

A Limited Partner's Commitment will be available for draw-downs and the reinvestment of portfolio proceeds will be authorized through the fourth anniversary of the Final Closing Date (the "Investment Period"), unless terminated earlier by the General Partner in its sole discretion.

The term of the Fund will be ten years, subject to extension for an additional one-year period by the General Partner, in its sole discretion, and thereafter for two additional consecutive one-year periods by the General Partner with the consent of the majority-in-interest of the Limited Partners.

*\* 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.*

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

<b><i>Name of Fund:</i></b>	TCW Energy Fund XV, L.P. ("Fund XV")
<b><i>Type of Fund:</i></b>	Resource
<b><i>Total Fund Size:</i></b>	\$2.5 billion
<b><i>Fund Manager:</i></b>	TCW Asset Management Company
<b><i>Manager Contact:</i></b>	Judy Hirsch 865 South Figueroa Street Los Angeles CA 90017 Phone: 213-244-0019

**II. Organization and Staff**

TCW-EIG Alternative Investments, LLC (the "General Partner") is forming Energy Fund XV, L.P. (the "Fund" or "Fund XV") to continue the Energy and Infrastructure Group ("EIG" or the "Group") of the Trust Company of the West's (together with its affiliates, "TCW") 28-year history of making asset-based mezzanine and equity investments in energy and energy-related infrastructure projects and companies on a global basis, with an emphasis on the United States, Canada, Western Europe and Australia.

EIG has a 28-year track record investing in the energy sector with approximately \$10 billion of capital invested and more than 250 portfolio investments in 32 countries. The Group has 36 investment professionals operating from offices in Houston, New York, Los Angeles, Washington D.C., London and Sydney.

EIG is led by R. Blair Thomas, who has been a member of the team since 1998 and is currently the Group's CEO and Group Managing Director. In addition to Mr. Thomas, the senior team at EIG includes Kurt A. Talbot (Chief Investment Officer) and Randall S. Wade (Chief Operating Officer). Messrs. Thomas, Talbot and Wade have been with the Group for an average of 15 years.

**III. Investment Strategy**

Fund XV will primarily target asset-based mezzanine and, on an opportunistic basis, equity, investments in energy and energy-related infrastructure projects and companies including (i) upstream oil and gas; (ii) midstream oil and gas; (iii) power generation, transmissions and distribution; (iv) renewables; (v) energy infrastructure; (vi) energy-related industrial processes; and (vii) mining and similar natural resource extraction projects. Fund XV will invest on a global basis, with an emphasis on the United States, Canada, Western Europe and Australia. For Fund XV, EIG will target a gross compounded annual internal rate of return ("IRR") of 15% - 20% and will seek to continue the Group's disciplined, value-oriented approach with the following strategies:

- (a) Identifying companies or projects having hard assets with a long useful life and strong current cash flows;
- (b) Commissioning fundamental “bottom-up” analyses to evaluate the technical viability of each project;
- (c) Structuring the investments in order for EIG’s interests to generally be secured by shares or assets and to benefit from meaningful prepayment protection and upside potential through equity participation; and
- (d) Employing active oversight of its investments such as through rigorous covenants, regular reporting requirements and portfolio company board participation, as directors or observers.

Asset-based mezzanine investments, which EIG defines based on risk profile rather than specific location in the capital structure, has typically included investments structured as first lien, net profit interests, holding company debt or subordinated debt. Mezzanine investments are typically self-liquidating and secured by either assets or shares and structured to provide meaningful covenants or other control rights to facilitate active portfolio management by EIG. The Group’s equity investments generally have taken the form of preferred or common stock. If the equity investment is a minority position, it commonly has been structured in the form of a preferred security to achieve liquidation preference over a company’s common shareholders.

In sourcing investments, EIG typically pursues non sponsored opportunities where it is the sole or control investor within the security class, as this allows the Group to have significant influence in a restructuring, if necessary.

In EIG’s experience, having the capability to invest both in debt and equity positions enables it to structure investments producing an optimal combination of risk and reward based on an investment’s technical and other risk characteristics. EIG believes this flexibility gave it a significant advantage during the recent credit crisis, as Fund XIV was able to capitalize on the lack of available credit in the energy market by investing approximately 70% of its capital in first lien, senior secured positions while still targeting gross IRRs ranging from 15% to 20%. The recent credit crisis has also magnified the importance of having a sophisticated and stable partner and has allowed EIG to achieve preferred terms in what it believes are superior risk-adjusted opportunities, as hedge funds, CLOs and other opportunistic energy players have been forced out of the market.

## V. Investment Performance

Previous fund performance as of December 31, 2009 for TCW's Energy Investment Group is shown below:

<b>Fund</b>	<b>Inception Date</b>	<b>Total Equity Commitments</b>	<b>SBI Investment</b>	<b>Net IRR from Inception</b>
Energy Fund XIV	2006	\$2,569 million	\$100 million	13%
Energy Fund X	2003	\$734 million	--	15%
Debt & Royalty Fund VI	1997	\$278 million	--	14%
Debt & Royalty Fund V	1994	\$600 million	--	17%
Debt & Royalty Fund IV	1993	\$308 million	--	8%
Debt & Royalty Fund III	1989	\$208 million	--	13%

It should be noted that TCW manages other energy funds, not listed here, with mandates that are different from the proposed fund. Hence, the Fund numbers are non-sequential.

Previous fund investments may be relatively immature and, therefore, returns may not be indicative of future results.

## V. General Partner's Investment

The General Partner and its affiliates will have a minimum aggregate Capital Commitment to Fund XV in an amount equal to 1% of the total capital commitments of Fund XV.

## VI. Takedown Schedule

Capital Commitments will be drawn down by the Fund as needed to make investments and to pay Fund liabilities and expenses generally upon 10 business days' prior written notice.

## VII. Management Fee

Through the end of the Investment Period, the Manager will receive an annual management fee (the "Management Fee") equal to 1.25% of Capital Commitments. Thereafter, the Management Fee will be 1.25% of invested capital outstanding (including leverage). The Management Fee is payable quarterly in advance.

The Manager and its affiliates may charge portfolio companies transaction fees, monitoring fees, advisory fees, break-up fees and other similar fees. An amount equal to (i) 80% of all such fees, and 100% of all directors' fees paid by portfolio companies that are received by the Manager with respect to the Fund's investment, net of certain unreimbursed expenses incurred by the Fund, the Manager or its affiliates in connection with unconsummated transactions and (ii) the amount of certain unreimbursed unconsummated transaction expenses borne by the Fund will be applied to reduce the Management Fee otherwise payable. All such fees will be allocated among the Fund and any related co-investing entities on the basis of capital committed by each to the relevant investment. Management Fee reductions will be carried forward if necessary.

## VIII. Distributions

Net proceeds attributable to the disposition of a portfolio investment, including distributions in kind of securities, will be distributed to all Partners participating in such investment. Each such Partner's proportionate share thereof generally will be distributed in the following order of priority (taking into account any prior distributions of current income):

(a) *Return of Capital Contributions*: First, 100% to such Partner until the cumulative distributions to such Partner equal the aggregate capital contributions of such Partner;

(b) *Preferred Return*: Second, 100% to such Partner until the cumulative distributions to such Partner are sufficient to provide such Partner with an 8% annualized effective internal rate of return, on the aggregate capital contributions of such Partner;

(c) *Catch Up*: Third, 100% to the General Partner until the General Partner has received in respect of such Partner 20% of the excess of (i) the cumulative distributions made to such Partner and to the General Partner in respect of such Partner over (ii) the aggregate capital contributions of such Partner; and

(d) *80/20 Split*: Thereafter, 80% to such Partner and 20% to the General Partner (together with the distributions to the General Partner in paragraph (c) above, the "Carried Interest").

Distributions prior to the dissolution of the Fund will be made in cash or marketable securities. Upon dissolution of the Fund, distributions may also include restricted securities or other assets of the Fund for which the General Partner will generally seek a valuation from independent experts.

## IX. Investment Period and Term

The Investment Period will last from the initial closing through the fifth anniversary of the last day of the month of the initial closing.

The term of the Fund will be ten years, subject to up to two consecutive additional one-year extensions as determined by the General Partner to allow for the orderly liquidation of the Fund's investments.

\* *This document is a summary of more detailed information regarding TCW-EIG Alternative Investments provided in the Confidential Private Placement Memorandum of TCW-EIG Energy Fund XV, "PPM". It is qualified in its entirety by the more detailed information provided in the PPM.*



<b>YIELD-ORIENTED MANAGER SUMMARY PROFILE</b>
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**I. Background Data**

<b>Name of Fund:</b>	Audax Mezzanine Fund III ("Fund III")
<b>Type of Fund:</b>	Yield-Oriented
<b>Target Fund Size:</b>	\$750 million
<b>Fund Manager:</b>	Audax Group
<b>Administrative Contact:</b>	Garz Soule Managing Director, Director of Investor Relations 101 Huntington Avenue Boston, MA 02199 617-859-1518

**II. Organization and Staff**

Audax Mezzanine is an integral part of Audax Group, L.P. ("Audax Group" or "Audax"), a middle market-focused alternative asset investment firm with over \$4 billion of assets under management. As part of Audax Group, Audax Mezzanine benefits from the industry-specific knowledge, transaction expertise, middle market business relationships, and deal sourcing capabilities available throughout the firm.

The senior principals of Audax Mezzanine have been together since 2000, and have built a successful mezzanine investment track record. As they have for Audax Mezzanine Fund, L.P. ("Fund I") and Audax Mezzanine Fund II, L.P. ("Fund II"), Kevin P. Magid and U. Peter C. Gummesson will oversee the day-to-day investment activities of Fund III, leading a seasoned team of eleven mezzanine investment professionals.

**III. Investment Strategy**

Audax Mezzanine plans to provide Fund III investors with attractive rates of return by investing primarily in a diversified portfolio of mezzanine securities with a specific focus on middle market companies.

The Audax Mezzanine team has applied a consistent investment strategy in Fund I and Fund II and expects to execute the same strategy in Fund III.

Audax Mezzanine will consider a broad range of middle market investment opportunities for Fund III, including private equity-sponsored leveraged buyouts, recapitalizations, refinancings, acquisitions, and structured financings. Fund III will generally seek to invest in companies with \$10 million to \$60 million of EBITDA.

Utilizing their broad deal sourcing network, the Audax team will seek to maximize deal flow from multiple sources. Audax's deal flow is generated through a combination of their direct marketing effort to middle market private equity sponsors, their long-standing relationships with numerous deal intermediaries, and the efforts of Audax business development professionals, the latter of which provide

access to middle market deals through Audax Group's proprietary relationships with deal sources across the U.S.

The General Partner plans to continue to capitalize on their investment team's extensive capital markets experience and to perform thorough credit analysis and due diligence on all investment opportunities with a focus on principal preservation, in an effort to achieve the best risk-adjusted investment returns in each transaction.

Market conditions today are favorable for private equity sponsor-focused middle market mezzanine funds with committed capital. The effective disappearance of the second lien market and the exit of non-traditional financing sources of junior capital (hedge funds, CLOs and BDCs) have increased the importance of mezzanine funds in the marketplace. Total leverage multiples in the middle market are at historical lows; today, the first dollar of mezzanine investment is being invested at a leverage level that historically has been occupied by senior debt. Despite these lower levels of leverage and larger equity contributions (typically 40% to 50%), mezzanine coupons remain high (15% to 16%), with a high cash pay component in that total (12% to 13%). In addition, more generous levels of equity upside participation are made available to mezzanine providers.

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

Previous fund performance as of September 30, 2009 for Audax Mezzanine and the SBI's investments with previous funds, where applicable, is shown below:

<b>Fund</b>	<b>Inception Date</b>	<b>Total Equity Commitments</b>	<b>SBI Investment</b>	<b>Net IRR from Inception</b>
Audax Mezz II	2006	\$700 million	--	2.6%
Audax Mezz I	2002	\$440 million	--	12.4%

Previous Fund investments may be relatively immature and, therefore, returns may not be indicative of future results.

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

The General Partner, Audax Group, the Management Company, certain of its investment professionals and other employees and certain related persons will commit to Fund III investments an amount equal to 1% of aggregate limited partner capital commitments, excluding affiliates of the General Partner.

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

Commitments are expected generally to be drawn down with not less than ten business days' prior written notice.

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

Fund III will pay the Management Company a management fee at the annual rate of 1.5% of aggregate commitments. The management fee will be payable quarterly in advance. Effective upon the first day of the quarterly period after the end of the Investment Period, Fund III will pay the Management Company a management fee at the annual rate of 1.0% of commitments that have been invested and not realized or written off.

Management fees payable by Fund III will be reduced by an amount equal to 100% of Fund III's pro rata share of any transaction, break-up or similar fees received by the Management Company in connection with any investment or proposed investment of Fund III capital, after provision for any related unreimbursed expenses.

### **VIII. Distributions**

Upon the disposition of an investment, Fund III will return to the partners the capital invested in such realized investment. In general, all income realized from investments in portfolio companies will be allocated and distributed to the partners in the following order of priority:

- A. 100% to the partners to provide for a return of an allocable share of expenses;
- B. 100% to the partners to implement an 8% preferred return calculated on capital contributions and an allocable share of expenses on realized investments;
- C. 100% to the General Partner until such time as the General Partner has received, as its carried interest, 20% of the sum of the amounts distributed pursuant to clause B above and this clause C with respect to the subject investments; and
- D. 80% to the Partners and 20% to the General Partner.

After the dissolution of Fund III, the General Partner will generally be required to restore funds to Fund III to the extent that it may have received with respect to its carried interest distributions in excess of 20% of the net profits from investments, applied on an aggregate basis covering all transactions of Fund III, but in no event more than the cumulative distributions received by the General Partner with respect to its 20% carried interest, less income taxes thereon.

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

Fund III's investment period will begin on the date of admission of the first Limited Partner and expire on the earlier of (i) the fifth anniversary of the final closing of Fund III and (ii) the date that the General Partner, the Management Company or any of their respective affiliates first receive or begin to accrue management fees with respect to a new mezzanine fund with objectives substantially similar to those of Fund III.

Fund III will terminate ten years from the final closing date of Fund III, but may be extended for an additional one-year period at the discretion of the General Partner, and following such one-year extension, for an additional one-year period with the approval of the Mezzanine Fund III, L.P. Committee, and following such two one-year extensions, for one additional one-year period with the approval of the Limited Partners holding a majority of the aggregate capital commitments of Fund III limited partners.

\* *This document is a summary of more detailed information regarding Audax Group and Audax Mezzanine Fund III provided in the Confidential Private Placement Memorandum of Audax Mezzanine Fund III dated January 2009 (as amended by Supplement No. 1 to the Private Placement Memorandum dated December 2009, and as further amended or supplemented from time to time, the "PPM"). It is qualified in its entirety by the more detailed information provided in the PPM.*