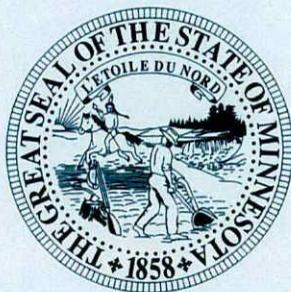


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# MINNESOTA STATE BOARD OF INVESTMENT

MINNESOTA STATE BOARD  
OF INVESTMENT  
MEETING  
**December 11, 2013**



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

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**STATE BOARD OF INVESTMENT**

**AGENDA AND MINUTES**

**December 11, 2013**

**AGENDA**  
**STATE BOARD OF INVESTMENT MEETING**  
**Wednesday, December 11, 2013**  
**10:00 A.M. – Room 123**  
**State Capitol, St. Paul**

- |  |            |
|--|------------|
| <b>1. Approval of Minutes of September 11, 2013</b>  | <b>TAB</b> |
| <b>2. Report from the Executive Director (M. Perry)</b>  | <b>A</b>   |
| A. Quarterly Investment Review<br>(July 1, 2013 – September 30, 2013)  |            |
| B. Administrative Report   | <b>B</b>   |
| 1. Reports on Budget and Travel  |            |
| 2. FY13 Audit Report   |            |
| 3. Draft of FY13 Annual Report   |            |
| 4. Tentative Dates for Calendar 2014   |            |
| 5. Update on Sudan   |            |
| 6. Update on Iran  |            |
| 7. Legislative Initiatives   |            |
| 8. Update on 529 Plan  |            |
| 9. Litigation Update   |            |
| <b>3. Investment Advisory Council Report (J. Bailey)</b>   |            |
| <b>A. Stock and Bond Report</b>  | <b>C</b>   |
| 1. Review of manager performance for the period ending<br>September 30, 2013.  |            |
| 2. Investment Manager Review, Domestic Equity  |            |
| <b>B. Alternative Investment Report</b>  | <b>D</b>   |
| 1. Review of current strategy.   |            |
| 2. Consideration of investment commitments with one existing<br>resource manager and one new private equity manager. |            |
| <b>4. Other items</b>  |            |

**Minutes  
State Board of Investment  
September 11, 2013**

The State Board of Investment (SBI) met at 9:00 A.M. Wednesday, September 11, 2013 in Room 123, State Capitol, St. Paul, Minnesota. Governor Mark Dayton, State Auditor Rebecca Otto, Secretary of State Mark Ritchie and Attorney General Lori Swanson were present. The minutes of the June 5, 2013 meeting were approved.

**Executive Director's Report**

Mr. Bicker, Executive Director, referred members to Tab A of the meeting materials, and he reported that the Combined Funds had outperformed its Composite Index over the ten year period ending June 30, 2013 (Combined Funds 8.2% vs. Composite 7.9%) and had provided a real rate of return over the latest 20 year period (Combined Funds 8.2% vs. CPI 2.4%).

Mr. Bicker reported that the Combined Funds' assets increased 0.3% for the quarter ending June 30, 2013 due to positive market performance. He said that the asset mix is essentially on target, and he stated that the Combined Funds outperformed its Composite Index for the quarter (Combined Funds 1.3% vs. Composite 0.9%) and for the year (Combined Funds 14.2% vs. Composite 12.9%).

Mr. Bicker reported that the domestic stock manager group outperformed its target for the quarter (Domestic Stocks 3.1% vs. Domestic Equity Asset Class Target 2.7%) and for the year (Domestic Stock 21.9% vs. Domestic Equity Asset Class Target 21.5%). He said the international stock manager group outperformed its target for the quarter (International Stock -2.2% vs. International Equity Asset Class Target -3.1%) and for the year (International Stock 16.1% vs. International Equity Asset Class Target 13.7%). Mr. Bicker stated that the bond segment matched its target for the quarter (Bonds -2.3% vs. Fixed Income Asset Class Target -2.3%) and outperformed it for the year (Bonds 0.8% vs. Fixed Income Asset Class Target -0.7%). He stated that the alternative investments returned 4.6% for the quarter and 11.3% for the year. He concluded his report with the comment that, as of June 30, 2013, the SBI was responsible for over \$68 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 Tab B contains updated information on Sudan and Iran, and he noted that there is currently no litigation involving the SBI.

Mr. Bicker updated members on the State's 529 College Savings Plan. He stated that the current contract with TIAA-CREF expires in August 2014 and that staff will need to do an RFP for a new provider. He noted that some changes to the plan may be considered which may involve some legislative changes.

Ms. Mares referred members to Tab C and noted that there were no action items at this time. She referred members to Tab D of the meeting materials and stated that staff and the IAC are recommending a new investment with an existing private equity manager, GTCR; two

investments with two new private equity managers, IK and Nordic Capital; and two new investments with two existing resource managers, First Reserve and EIG Global Energy Partners. Mr. Ritchie moved approval of all five new investments, 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 a commitment of up to \$200 million, or 20% of GTCR XI, whichever is less. Approval by the SBI of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the Investment Advisory Council, the State Board of Investment nor its Executive Director have any liability for reliance by GTCR upon this approval. Until the Executive Director on behalf of the SBI executes a formal agreement, further due diligence and negotiations may result in the imposition of additional terms and conditions on GTCR or reduction or termination of the commitment.**

**The Investment Advisory Council recommends that the SBI authorize the Executive Director, with assistance from the SBI’s legal counsel, to negotiate and execute a commitment of up to €150 million (approximately \$200 million), or 20% of IK VII, whichever is less. Approval by the SBI of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the Investment Advisory Council, the State Board of Investment nor its Executive Director have any liability for reliance by IK upon this approval. Until the Executive Director on behalf of the SBI executes a formal agreement, further due diligence and negotiations may result in the imposition of additional terms and conditions on IK or reduction or termination of the commitment.**

**The Investment Advisory Council recommends that the SBI authorize the Executive Director, with assistance from the SBI’s legal counsel, to negotiate and execute a commitment of up to €150 million (approximately \$200 million), or 20% of Nordic VIII, whichever is less. Approval by the SBI of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the Investment Advisory Council, the State Board of Investment nor its Executive Director have any liability for reliance by Nordic upon this approval. Until the Executive Director on behalf of the SBI executes a formal agreement, further due diligence and negotiations may result in the imposition of additional terms and conditions on Nordic or reduction or termination of the commitment.**

**The Investment Advisory Council recommends that the SBI authorize the Executive Director, with assistance from the SBI’s legal counsel, to negotiate and execute a commitment of up to \$200 million, or 20% of First Reserve XIII, whichever is less. Approval by the SBI of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the Investment Advisory Council, the State Board of Investment nor its Executive Director have any liability for reliance by First Reserve upon this approval. Until the Executive Director on behalf of the**

**SBI executes a formal agreement, further due diligence and negotiations may result in the imposition of additional terms and conditions on First Reserve or reduction or termination of the commitment.**

**The Investment Advisory Council recommends that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to \$200 million, or 20% of EIG XVI, whichever is less. Approval by the SBI of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the Investment Advisory Council, the State Board of Investment nor its Executive Director have any liability for reliance by EIG upon this approval. Until the Executive Director on behalf of the SBI executes a formal agreement, further due diligence and negotiations may result in the imposition of additional terms and conditions on EIG or reduction or termination of the commitment."**  
The motion passed.

Mr. Bicker stated that staff completed a review of the alternative investment asset allocation. He discussed the need to have more flexibility with the unfunded commitment cap and to have a target market value allocation be a range of 20% to 24%. In response to questions from Ms. Swanson, Mr. Bicker stated that staff would provide additional information on how the SBI's alternative asset allocation compares to other large public funds. Mr. Ritchie moved approval of the four recommendations, as stated in Tab D of the meeting materials. In response to questions from Governor Dayton, Mr. Bicker explained the staff's due diligence process and staff's philosophy regarding alternative investments. Members agreed that the motion would be amended to include only recommendations 1 and 2 since the last two items in the recommendation are information items. The amended motion, as stated in Tab D reads as follows:

- "1. Increase the Market Value plus Unfunded Commitment cap of 30% of Combined Funds for alternative investments. Specifically, the Investment Advisory Council recommends lifting this cap to 35% of Combined Funds, with a further 3% buffer in the event of market anomalies.**
- 2. Adopt a target allocation range above the current target market value allocation of 20% for alternative investments. Specifically, the Investment Advisory Council recommends that the alternative investment target market value allocation be a range between 20% and 24%."** The amended motion passed.

Ms. Mares updated members on the progress made by the Executive Director Search Committee in the search for a new Executive Director for the SBI. She stated that Korn/Ferry International had been retained as the SBI's search firm and that 55 candidates from both the public and private sectors had been contacted. She reported that six candidates were screened by the Committee and that three were recommended for a second interview. She stated that the Committee is recommending that Mansco Perry III be appointed as Executive Director of the Minnesota State Board of Investment. A brief interview followed with Mr. Perry providing additional information for members concerning his background, qualifications and overall

investment philosophy. Governor Dayton recommended that the salary for the Executive Director be set at \$325,000 per year. Ms. Eller stated that the recommendation for the entire hiring package should be put together by staff with the advice of legal counsel. Ms. Otto moved approval of the employment and recommended compensation for Mr. Perry with the advice of legal counsel. The motion passed. Board members thanked Mr. Bicker for his dedicated service and Mr. Bicker thanked the Board members, staff and the IAC for all of their service also.

Phil Benson, representing the Minnesota Break the Bonds stated that he had provided a report to two of the Board members prior to the meeting and that he hoped to have continued dialogue with the Board in the future.

Jim Baker of Unite Here and Ms. Elliot, a hotel casino union member, briefly addressed the Board regarding labor issues at two out-of-state casinos in which one of the SBI's alternative investment managers, Wayzata Partners, is a majority owner. In response to a question from Ms. Otto, Mr. Bicker explained that the SBI is a limited partner in the Wayzata Partners investment which protects and limits the SBI's risk. He added that if the SBI becomes involved in the specifics of the individual investments, the SBI would become a general partner, which would expose the SBI to unlimited risk. After a short discussion, Governor Dayton requested that staff provide further information on this issue at the December 2013 meeting.

Mr. Ritchie thanked everyone involved with the process of hiring the new Executive Director.

The meeting adjourned at 10:12 A.M.

Respectfully submitted,



Howard Bicker  
Executive Director

TAB

A

**LONG TERM OBJECTIVES**  
**Period Ending 9/30/2013**

<b>COMBINED FUNDS: \$54.2 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>8.4% (1)</b>	0.3 percentage point above the target
<b>Provide Real Return (20 yr.)</b>  Provide returns that are 3-5 percentage points greater than inflation over the latest 20 year period.	<b>8.3%</b>	5.9 percentage points above CPI

(1) Performance is calculated net of fees.

**SUMMARY OF ACTUARIAL VALUATIONS****Nine Plans of MSRS, PERA and TRA  
July 1, 2013****Liabilities**

Actuarial Accrued Liabilities	\$65.1 billion
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**Assets**

Current Actuarial Value	\$48.8 billion
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**Funding Ratio**

Current Actuarial Value divided by Accrued Liabilities	74.9%
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**Actuarial Assumptions:**

1. Liabilities calculated using entry age normal cost method.
2. Difference between actual returns and actuarially expected returns spread over five years.
3. Interest/Discount Rate – 5-Year Select and Ultimate Rates:

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

2040 – MSRS General
2031 – PERA General
2037 – TRA

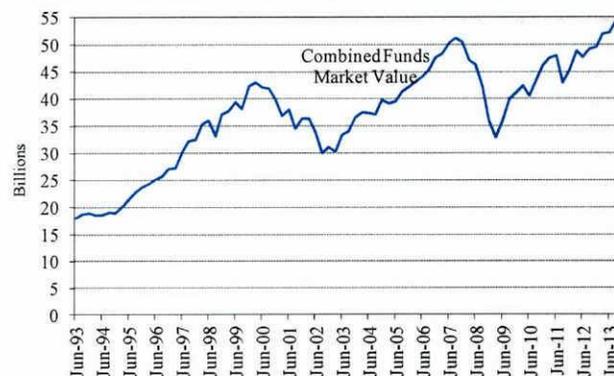
**EXECUTIVE SUMMARY**  
**Combined Funds (Net of Fees)**

**Asset Growth**

The market value of the Combined Funds increased 4.0% during the third quarter of 2013. Positive investment returns caused the increase in market value.

**Asset Growth**  
**During Third Quarter 2013**  
**(Millions)**

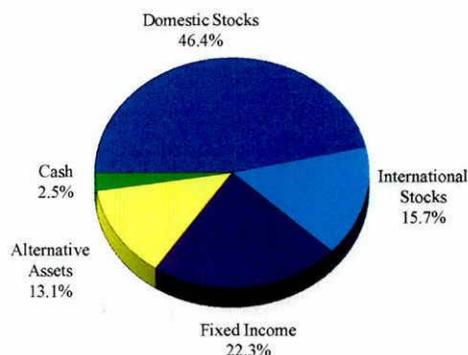
Beginning Value	\$ 52,085
Net Contributions	-553
Investment Return	2,656
Ending Value	\$ 54,188



**Asset Mix**

The allocations to domestic and international equities increased due to their outperformance relative to the other asset classes.

	Policy Targets	Actual Mix 9/30/2013	Actual Market Value (Millions)
Domestic Stocks	45.0%	46.4%	\$25,138
Int'l. Stocks	15.0	15.7	8,502
Bonds	18.0	22.3	12,070
Alternative Assets*	20.0	13.1	7,081
Cash	2.0	2.5	1,397
	100.0%	100.0%	\$54,188

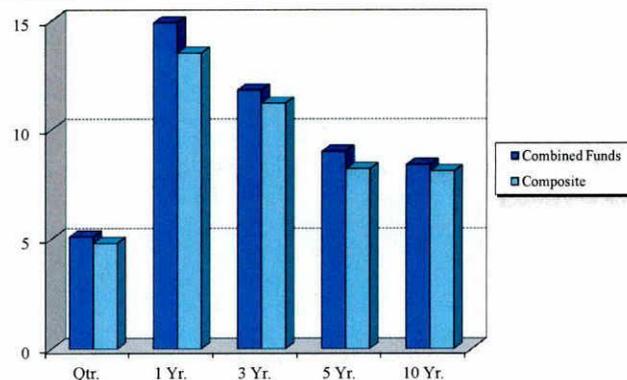


\* Any uninvested allocation is held in bonds.

**Fund Performance (Net of Fees)**

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

	Period Ending 9/30/2013				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Combined Funds	5.1%	14.9%	11.8%	9.0%	8.4%
Composite	4.8	13.5	11.2	8.2	8.1



**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.

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

	Period Ending 9/30/2013				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Dom. Stocks</b>	<b>7.1%</b>	<b>23.0%</b>	<b>17.1%</b>	<b>10.8%</b>	<b>8.1%</b>
Asset Class Target*	6.3	21.6	16.8	10.6	8.1

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

**International Stocks**

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

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

	Period Ending 9/30/2013				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Int'l. Stocks</b>	<b>9.7%</b>	<b>18.2%</b>	<b>6.5%</b>	<b>6.9%</b>	<b>9.0%</b>
Asset Class Target*	10.1	16.5	6.0	6.3	8.8

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

**Bonds**

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

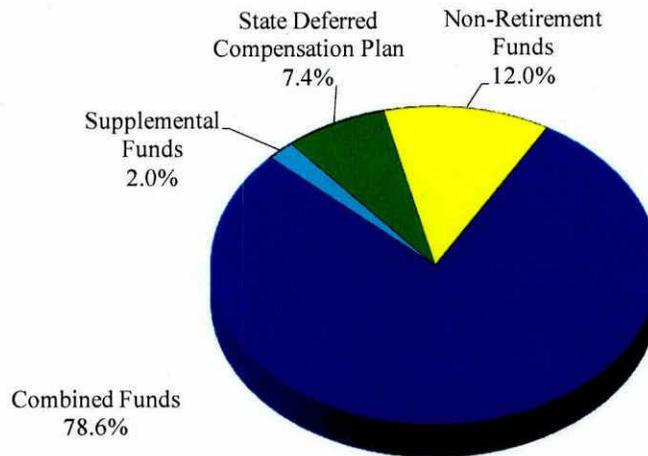
**Barclays Capital Aggregate:** The Barclays Capital Aggregate Bond Index reflects the performance of the broad bond market for investment grade (Baa or higher) bonds, U.S. treasury and agency securities, and mortgage obligations with maturities greater than one year.

	Period Ending 9/30/2013				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Bonds</b>	<b>0.7%</b>	<b>-0.8%</b>	<b>3.8%</b>	<b>6.9%</b>	<b>5.0%</b>
Asset Class Target	0.6	-1.7	2.9	5.4	4.6

**Alternative Investments**

	Period Ending 9/30/2013				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Alternatives</b>	<b>2.1%</b>	<b>13.3%</b>	<b>13.2%</b>	<b>6.1%</b>	<b>15.5%</b>

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



	9/30/2013 Market Value (Billions)
<b>Retirement Funds</b>	
Combined Funds	\$54.2
Supplemental Investment Fund	1.4
- Excluding Deferred Compensation Plan Assets	
State Deferred Compensation Plan	5.1
<b>Non-Retirement Funds</b>	
Assigned Risk Plan	0.3
Permanent School Fund	1.0
Environmental Trust Fund	0.7
Miscellaneous Trust Accounts	0.1
Other Post Employment Benefits Accounts	0.4
State Cash Accounts	5.9
<b>Total</b>	<b>\$69.0*</b>

\* Total may not add due to rounding.

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# MINNESOTA STATE BOARD OF INVESTMENT

## QUARTERLY INVESTMENT REPORT

Third Quarter 2013  
(July 1, 2013 - September 30, 2013)

### Table of Contents

	Page
Capital Market Indices .....	2
Financial Markets Review .....	3
Combined Funds.....	5
Stock and Bond Manager Pools.....	9
Alternative Investments .....	10
Supplemental Investment Fund.....	11
Fund Description	
Income Share Account	
Growth Share Account	
Common Stock Index Account	
International Share Account	
Bond Market Account	
Money Market Account	
Fixed Interest Account	
Volunteer Firefighter Account	
Deferred Compensation Plan.....	14
Assigned Risk Plan .....	17
Permanent School Fund .....	18
Environmental Trust Fund .....	19
State Cash Accounts .....	20
Composition of State Investment Portfolios.....	21

## VARIOUS CAPITAL MARKET INDICES

	Period Ending 9/30/2013				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Domestic Equity</b>					
Russell 3000 (broad market)	6.3%	21.6%	16.8%	10.6%	8.1%
Russell 1000 (large cap)	6.0	20.9	16.6	10.5	8.0
Russell 2000 (small cap)	10.2	30.1	18.3	11.2	9.6
Dow Jones Wilshire Composite	6.2	21.4	16.8	10.7	8.3
Dow Jones Industrials	2.1	15.6	14.9	9.9	7.8
S&P 500	5.2	19.3	16.3	10.0	7.6
<b>Domestic Fixed Income</b>					
Barclays Capital Aggregate (1)	0.6	-1.7	2.9	5.4	4.6
Barclays Capital Gov't./Corp.	0.4	-2.0	2.9	5.7	4.5
3 month U.S. Treasury Bills	0.0	0.1	0.1	0.2	1.7
<b>International</b>					
Emerging Markets Free (2)	5.8	1.0	-0.3	7.2	12.8
ACWI Free ex-U.S. (3)	10.1	16.5	5.9	6.3	8.8
EAFE (4)	11.6	23.8	8.5	6.4	8.0
World ex-U.S. (5)	11.3	21.4	7.9	6.1	8.2
Salomon Non U.S. Gov't. Bond	4.1	-5.6	0.6	4.3	4.9
<b>Inflation Measure</b>					
Consumer Price Index CPI-U (6)	0.3	1.2	2.3	1.4	2.3
Consumer Price Index CPI-W (7)	0.2	1.0	2.5	1.4	2.4

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

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

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

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

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

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

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

FINANCIAL MARKETS REVIEW

DOMESTIC STOCKS

The U.S. stock market, as measured by the Russell 3000 index, posted a 6.3% return for the third quarter of 2013. While there were obstacles to overcome, such as the uprising in Syria, a looming U.S. debt ceiling crunch, and the U.S. government shutdown, investors chose to focus on the stabilization of the U.S. labor market, an improving Europe, and the prospects of an expanding global economy. Within the Russell 3000, Producer Durables was the best performing sector with a 9.8% return while Utilities was the weakest with a -0.9% return for the quarter. Growth capitalization stocks outperformed their value counterparts during the quarter.

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

Large Growth	Russell 1000 Growth	8.1%
Large Value	Russell 1000 Value	3.9%
Small Growth	Russell 2000 Growth	12.8%
Small Value	Russell 2000 Value	7.6%

The Russell 3000 index returned 21.6% for the year ending September 30, 2013.

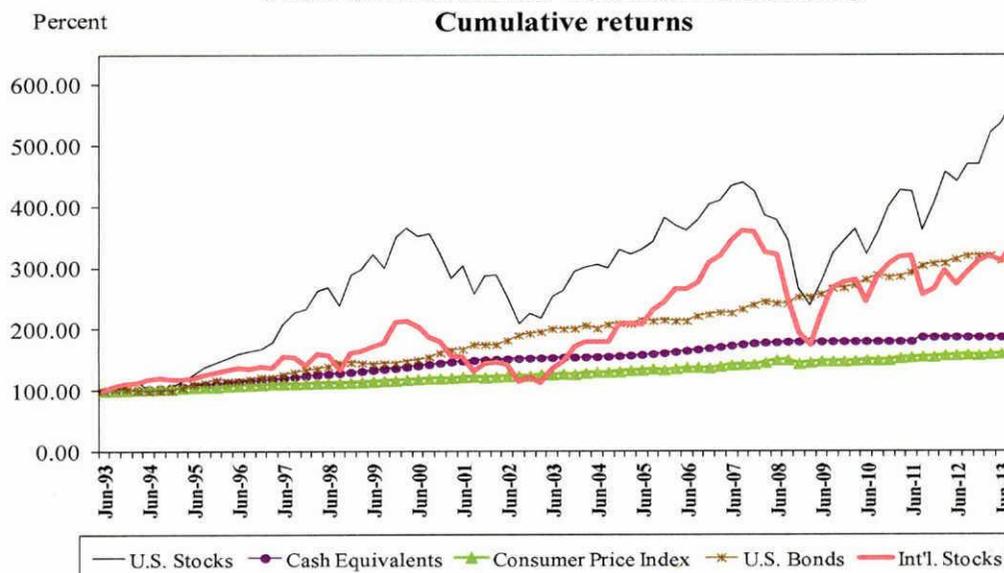
DOMESTIC BONDS

The U.S. bond market, as measured by the Barclays Capital U.S. Aggregate Bond Index, produced a total return of 0.6% for the quarter. Yields on short-dated U.S. Treasuries declined during the quarter, while yields on intermediate and long-dated U.S. Treasuries rose. The 2-year U.S. Treasury ended the third quarter lower by 4 basis points at 0.3%, the 5-year yield decreased by 1 basis point to 1.4%, the 10-year yield increased by 12 basis points to 2.6%, and the 30-year yield increased by 19 basis points to 3.7%. Investment grade corporate bonds, CMBS, and Agency MBS outperformed the benchmark during the quarter, while U.S. Treasuries, Agencies, and asset-backed bonds underperformed the broader benchmark.

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

U.S. Treasury	0.1%
Agency	0.4
Corporates	0.8
Agency MBS	1.0
Commercial Mortgages	1.0
Asset-backed	0.2

PERFORMANCE OF CAPITAL MARKETS  
Cumulative returns



## FINANCIAL MARKETS REVIEW

### INTERNATIONAL STOCKS

In aggregate, developed international stock markets (as measured by the MSCI World ex U.S. index net) provided a return of 11.3% for the quarter. The quarterly performance of the six largest stock markets is shown below:

Japan	6.7%
United Kingdom	12.0
Canada	8.8
France	15.4
Switzerland	9.5
Germany	12.7

The World ex U.S. index returned 21.4% during the last year.

The World ex U.S. index is compiled by Morgan Stanley Capital International (MSCI) and is a measure of 23 markets located in Europe, Australasia, Far East, and Canada. The major markets listed above comprise about 74% of the value of the developed international markets in the index.

### EMERGING MARKETS

Emerging markets (as measured by MSCI Emerging Markets Free index net) provided a return of 5.8% for the quarter. The quarterly performance of the six largest stock markets in the index is shown below:

China	-5.6%
Korea	14.9
Taiwan	3.1
Brazil	8.4
South Africa	8.8
India	-5.3

The Emerging Markets Free index returned 1.0% during the last year.

The Emerging Markets Free (EMF) index is compiled by MSCI and measures performance of 21 stock markets in Latin America, Asia, Africa and Eastern Europe. EMF includes only those securities foreign investors are allowed to hold. The markets listed above comprise about 72% of the value of the emerging international markets in the index.

### REAL ESTATE

During the third quarter of 2013, real estate posted its 15<sup>th</sup> consecutive quarter of positive returns with the NCREIF Property Index posting a return of 2.6%. Real Estate markets have seen a healthy recovery since the 2008-2009 crash. However, high valuations elevated unemployment levels and increasing new supply are reasons to be cautious heading into 2014.

### PRIVATE EQUITY

The buyout industry posted healthy aggregate new deal value of \$61 billion in 3Q13, down only slightly from \$62 billion in 2Q13. The number of buyout deals announced rebounded to 674 in 3Q13, though this relatively low volume level is similar to the early recovery period of mid-2010. Capital markets have been accommodative, as low interest rates and investor demand for yield fuels demand for LBO debt. Private Equity exit volume fell to \$63 billion on 293 exits in 3Q13, down from an aggregate value of \$93 billion in 2Q13. Investor demand for private equity remains strong, with \$89 billion in aggregate capital secured by new private equity funds in 3Q13, bringing the 2013 year-to-date total raised to \$314 billion, more than at any point since 2008 (source: Prequin).

### RESOURCE FUNDS

During the third quarter of 2013, crude oil traded between a range of \$98/bbl and \$110/bbl. The average price for the third quarter of 2013 was \$105/bbl, which is \$11 above the average price from the second quarter of 2013. Strong global energy demand and unrest in the Middle East should continue to provide strength to oil prices.

COMBINED FUNDS

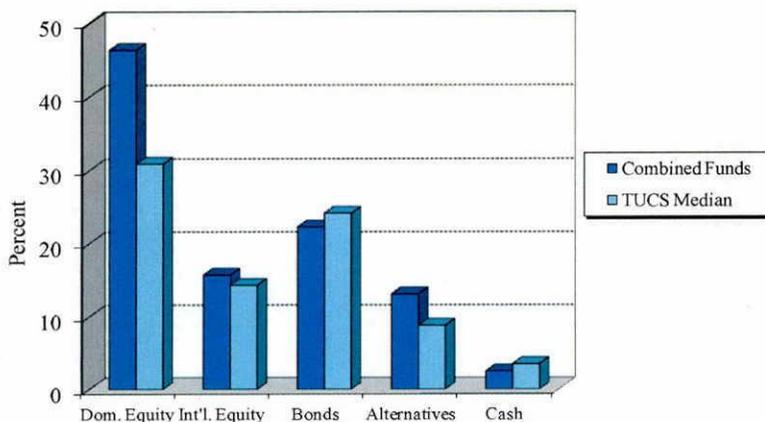
The comparison universe used by the SBI is the Trust Universe Comparison Service (TUCS). Only funds with assets over \$1 billion are included in the comparisons shown in this section.

Asset Mix Compared to Other Pension Funds

On 9/30/2013, the asset mix of the Combined Funds was:

	\$ Millions	%
Domestic Stocks	\$25,138	46.4%
International Stocks	8,502	15.7
Bonds	12,070	22.3
Alternative Assets	7,081	13.1
Unallocated Cash	1,397	2.5
<b>Total</b>	<b>\$54,188</b>	<b>100.0%</b>

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



	Dom. Equity	Int'l Equity	Bonds	Alternatives	Cash
<b>Combined Funds</b>	<b>46.4%</b>	<b>15.7%</b>	<b>22.3%</b>	<b>13.1%</b>	<b>2.5%</b>
Median Allocation in TUCS*	30.9	14.3	24.2	8.8**	3.5

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

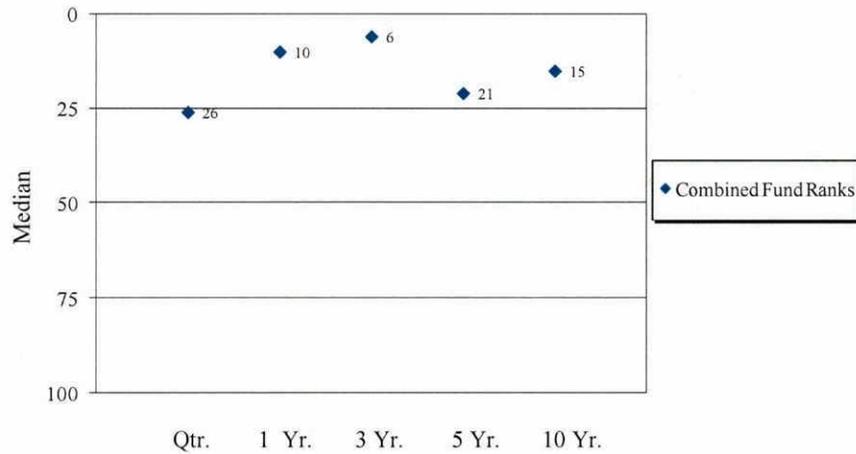
**COMBINED FUNDS  
Performance Compared to Other Pension Funds**

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 9/30/2013				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Combined Funds Percentile Rank in TUCS*	26th	10th	6th	21st	15th

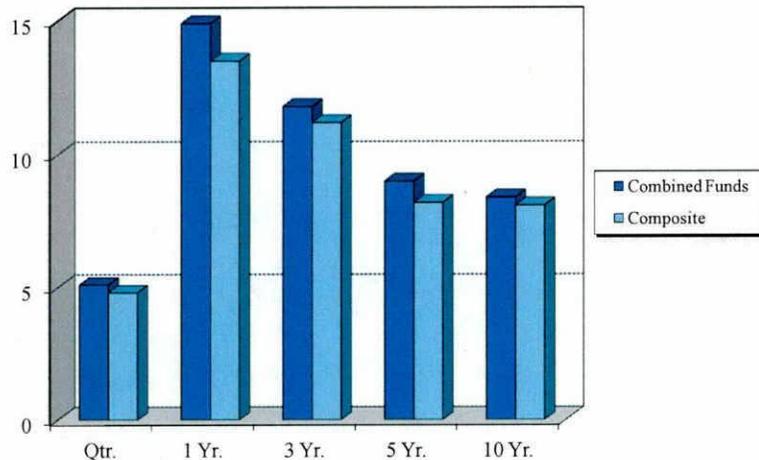
\* Compared to public and corporate plans greater than \$1 billion, gross of fees.

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

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

	Market Index	Combined Funds Composite* 3Q13
Domestic Stocks	Russell 3000	45.0%
Int'l. Stocks	MSCI ACWI Free ex-U.S.	15.0
Bonds	Barclays Capital Aggregate	23.5*
Alternative Investments	Alternative Investments	14.5*
Unallocated Cash	3 Month T-Bills	2.0
		100.0%

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



	Period Ending 9/30/2013				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Combined Funds**</b>	<b>5.1%</b>	<b>14.9%</b>	<b>11.8%</b>	<b>9.0%</b>	<b>8.4%</b>
Composite Index	4.8	13.5	11.2	8.2	8.1

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

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

**Domestic Stocks**

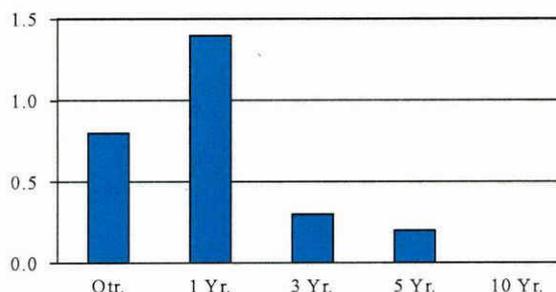
**Target:** Russell 3000

**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 9/30/2013				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Domestic Stocks</b>	<b>7.1%</b>	<b>23.0%</b>	<b>17.1%</b>	<b>10.8%</b>	<b>8.1%</b>
Asset Class Target*	6.3	21.6	16.8	10.6	8.1

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

Value Added to Domestic Equity Target



**International Stocks**

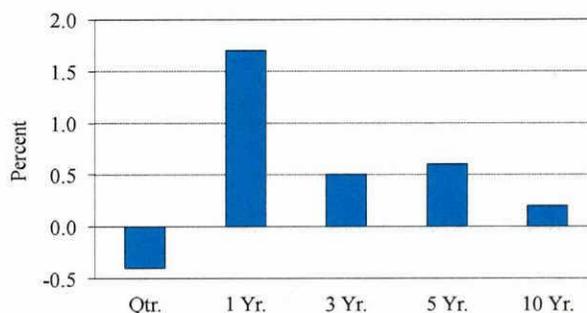
**Target:** Standard MSCI ACWI Free ex U.S. (net)

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

	Period Ending 9/30/2013				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Int'l. Stocks</b>	<b>9.7%</b>	<b>18.2%</b>	<b>6.5%</b>	<b>6.9%</b>	<b>9.0%</b>
Asset Class Target*	10.1	16.5	6.0	6.3	8.8

\* The Int'l Equity Asset Class Target is MSCI ACWI Free ex U.S. (net) effective 10/1/03. From 1/1/01 to 9/30/03, the target was MSCI EAFE Free (net) + Emerging Markets Free (EMF) (net), and from 7/1/99 to 12/31/00 was MSCI EAFE Free (net) + EMF (gross). From 7/1/99 to 9/30/03, the weight of each index fluctuated with market cap.

Value Added to International Equity Target



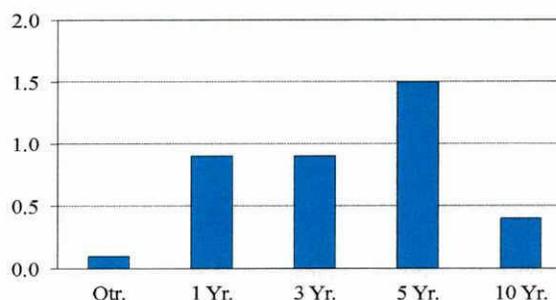
**Bonds**

**Target:** Barclays Capital Aggregate Bond Index

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

	Period Ending 9/30/2013				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Bonds</b>	<b>0.7%</b>	<b>-0.8%</b>	<b>3.8%</b>	<b>6.9%</b>	<b>5.0%</b>
Asset Class Target	0.6	-1.7	2.9	5.4	4.6

Value Added to Fixed Income Target



## ALTERNATIVE INVESTMENTS

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

#### Alternative Investments

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

	Period Ending 9/30/2013				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Alternatives	2.1%	13.3%	13.2%	6.1%	15.5%
Inflation	0.2%	1.1%	2.3%	1.3%	2.3%

#### Real Estate Investments (Equity emphasis)

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

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 9/30/2013				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Real Estate	2.3%	9.2%	11.9%	-2.4%	6.9%

#### 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 9/30/2013				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Private Equity	2.4%	15.0%	13.7%	8.9%	16.5%

#### 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 9/30/2013				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Resource	2.3%	11.1%	14.8%	7.3%	26.9%

#### 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 9/30/2013				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Yield Oriented	0.1%	13.2%	12.3%	5.0%	16.8%

## SUPPLEMENTAL INVESTMENT FUND

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

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

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

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

**On 9/30/2013 the market value of the entire Fund was \$1.4 billion.**

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## Investment Options

	<b>9/30/2013 Market Value (In Millions)</b>
<b>Income Share Account</b> – a balanced portfolio utilizing both common stocks and bonds.	\$312
<b>Growth Share Account</b> – an actively managed, all common stock portfolio.	\$174
<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.	\$218
<b>International Share Account</b> – a portfolio of non U.S. stocks that incorporates both active and passive management.	\$94
<b>Bond Market Account</b> – an actively managed, all bond portfolio.	\$115
<b>Money Market Account</b> – a portfolio utilizing short-term, liquid debt securities.	\$238
<b>Fixed Interest Account</b> – a portfolio of stable value instruments, including security backed contracts and insurance company and bank investment contracts.	\$192
<b>Volunteer Firefighter Account</b> – a balanced portfolio only used by the Voluntary Statewide Volunteer Firefighter Plan.	\$16

## SUPPLEMENTAL INVESTMENT FUND ACCOUNTS

### INCOME SHARE ACCOUNT

#### Investment Objective

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

#### Asset Mix

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

	Target	Actual
Stocks	60.0%	60.6%
Bonds	35.0	34.0
Cash	5.0	5.4
	100.0%	100.0%

#### Period Ending 9/30/2013

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Total Account</b>	<b>4.1%</b>	<b>13.0%</b>	<b>11.6%</b>	<b>9.4%</b>	<b>7.3%</b>
Benchmark*	4.0	11.9	11.1	8.7	6.7

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

### GROWTH SHARE ACCOUNT

#### Investment Objective

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

#### Asset Mix

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

#### Period Ending 9/30/2013

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Total Account</b>	<b>7.5%</b>	<b>23.6%</b>	<b>17.4%</b>	<b>11.0%</b>	<b>7.9%</b>
Benchmark*	6.3	21.6	16.8	10.6	8.1

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

### COMMON STOCK INDEX ACCOUNT

#### Investment Objective and Asset Mix

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

The Account is invested 100% in common stock.

#### Period Ending 9/30/2013

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Total Account</b>	<b>6.3%</b>	<b>21.6%</b>	<b>16.7%</b>	<b>10.6%</b>	<b>8.2%</b>
Benchmark*	6.3	21.6	16.8	10.6	8.1

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

### INTERNATIONAL SHARE ACCOUNT

#### Investment Objective and Asset Mix

The investment objective of the International Share Account is to earn a high rate of return by investing in the stock of companies outside the U.S. At least twenty-five percent of the Account is "passively managed" and no more than 33% of the Account is "semi-passively managed." These portions of the Account are designed to track and modestly outperform, respectively, the return of 23 developed markets included in the Morgan Stanley Capital International World ex U.S. Index. The remainder of the Account is "actively managed" by several international managers and emerging markets specialists who buy and sell stocks in an attempt to maximize market value.

#### Period Ending 9/30/2013

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Total Account</b>	<b>9.7%</b>	<b>18.2%</b>	<b>6.5%</b>	<b>6.9%</b>	<b>9.1%</b>
Benchmark*	10.1	16.5	6.0	6.3	8.8

\* The Int'l Equity Asset Class Target is MSCI ACWI Free ex U.S. (net) since 10/1/03. From 1/1/01 to 9/30/03, the target was MSCI EAFE Free (net) + Emerging Markets Free (EMF) (net), and from 7/1/99 to 12/31/00 was MSCI EAFE Free (net) + EMF (gross). From 7/1/99 to 9/30/03, the weight of each index fluctuated with market cap.

SUPPLEMENTAL INVESTMENT FUND ACCOUNTS

**BOND MARKET ACCOUNT**

**Investment Objective**

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

**Asset Mix**

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

	Period Ending 9/30/2013				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Total Account</b>	<b>0.7%</b>	<b>-0.8%</b>	<b>3.8%</b>	<b>6.9%</b>	<b>5.0%</b>
Barclays Capital Aggregate	0.6	-1.7	2.9	5.4	4.6

**MONEY MARKET ACCOUNT**

**Investment Objective**

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

**Asset Mix**

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

	Period Ending 9/30/2013				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Total Account</b>	<b>0.0%</b>	<b>0.2%</b>	<b>0.2%</b>	<b>0.3%</b>	<b>1.9%</b>
3 month T-Bills	0.0	0.1	0.1	0.1	1.6

**FIXED INTEREST ACCOUNT**

**Investment Objectives**

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

**Asset Mix**

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

	Period Ending 9/30/2013				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Total Account</b>	<b>0.5%</b>	<b>2.4%</b>	<b>3.0%</b>	<b>3.6%</b>	<b>4.0%</b>
Benchmark*	0.3	0.9	1.0	1.3	2.7

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

**VOLUNTEER FIREFIGHTER ACCOUNT**

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

The Account is invested in a balanced portfolio:

	Target	Actual
Domestic Stocks	35.0	36.0%
International Stocks	15.0	15.8
Bonds	45.0	44.0
Cash	5.0	4.2
	100.0%	100.0%

	Period Ending 9/30/2013				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Total Account</b>	<b>4.0%</b>	<b>9.8%</b>	<b>8.7</b>	<b>N/A</b>	<b>N/A</b>
Benchmark*	4.0	8.9	8.2	N/A	N/A

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

## DEFERRED COMPENSATION PLAN ACCOUNTS

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

Participants choose from 4 actively managed mutual funds  
5 passively managed mutual funds and 11 target retirement

fund options. The SBI also offers a money market option and a stable value option. All provide for daily pricing needs of the plan administrator. Participants may also choose from hundreds of funds in a mutual fund window. The current plan structure became effective July 1, 2011. The investment options and objectives are outlined below.

### Investment Options

	<b>9/30/2013 Market Value (in Millions)</b>
Vanguard Index Institutional Plus Shares (passive)	\$786
Janus Twenty (active)	\$474
Vanguard Mid Cap Index Institutional Shares (passive)	\$321
T. Rowe Price Small-Cap Stock (active)	\$567
Fidelity Diversified International (active)	\$266
Vanguard Total International Stock Index Institutional Plus (passive)	\$130
Vanguard Balanced Index Institutional Shares (passive)	\$578
Dodge & Cox Income Fund (active)	\$190
Vanguard Total Bond Market Index Institutional Shares (passive)	\$169
SIF Money Market Account	\$71
SIF Fixed Interest Account (stable value)	\$1,380
State Street Global Advisors MN Target Retirement Funds	
Income Fund	\$22
2015 Fund	\$29
2020 Fund	\$36
2025 Fund	\$28
2030 Fund	\$16
2035 Fund	\$11
2040 Fund	\$7
2045 Fund	\$4
2050 Fund	\$2
2055 Fund	\$1
2060 Fund	\$1

## DEFERRED COMPENSATION PLAN ACCOUNTS

## LARGE CAP EQUITY

**Vanguard Index Institutional Plus (passive)**

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

Fund	Period Ending 9/30/2013			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
				Annualized
S&P 500	5.2%	19.4%	16.3%	10.1%
	5.2	19.3	16.3	10.0

**Janus Twenty (active)**

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

Fund	Period Ending 9/30/2013			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
				Annualized
S&P 500	10.9%	19.4%	13.6%	9.7%
	5.2	19.3	16.3	10.0

## MID CAP EQUITY

**Vanguard Mid Cap Index (passive)**

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

Fund	Period Ending 9/30/2013			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
				Annualized
CRSP US Mid-Cap	7.7%	28.0%	17.2%	13.2%
	7.7	27.8	17.1	13.2

## SMALL CAP EQUITY

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

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

Fund	Period Ending 9/30/2013			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
				Annualized
Russell 2000	9.5%	29.0%	20.6%	15.9%
	10.2	30.1	18.3	11.2

## INTERNATIONAL EQUITY

**Fidelity Diversified International (active)**

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

Fund	Period Ending 9/30/2013			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
				Annualized
MSCI EAFE	10.2%	21.4%	8.8%	5.7%
	11.6	23.8	8.5	6.4

**Vanguard Total International Stock Index (passive)**

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

Fund	Period Ending 9/30/2013			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
				Annualized
ACWI ex US IMI	10.3%	17.2%	N/A	N/A
	10.3	16.9	N/A	N/A

**DEFERRED COMPENSATION PLAN ACCOUNTS**

**BALANCED**

**Vanguard Balanced Index (passive)**

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

Fund	Period Ending 9/30/2013			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
			<b>Annualized</b>	
	<b>3.9%</b>	<b>11.8%</b>	<b>11.4%</b>	<b>9.1%</b>
Benchmark	4.0	11.9	11.3	9.1

**FIXED INCOME**

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

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

Fund	Period Ending 9/30/2013			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
			<b>Annualized</b>	
	<b>0.8%</b>	<b>0.5%</b>	<b>4.1%</b>	<b>7.7%</b>
Barclays Capital Agg.	0.6	-1.7	2.9	5.4

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

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

Fund	Period Ending 9/30/2013			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
			<b>Annualized</b>	
	<b>0.5%</b>	<b>-1.8%</b>	<b>2.8%</b>	<b>5.4%</b>
Barclays Capital Agg.	0.6	-1.7	2.9	5.4

**Money Market Account**

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

Fund	Period Ending 9/30/2013			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
			<b>Annualized</b>	
	<b>0.0%</b>	<b>0.2%</b>	<b>0.2%</b>	<b>0.3%</b>
3-Mo. Treas.	0.0	0.1	0.1	0.1

**FIXED INTEREST ACCOUNT**

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

Fund	Period Ending 9/30/2013			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
			<b>Annualized</b>	
	<b>0.5%</b>	<b>2.4%</b>	<b>3.0%</b>	<b>3.6%</b>
Benchmark	0.3	0.9	1.0	1.3

**MN TARGET RETIREMENT ACCOUNTS**

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

See Page A-107 for returns.

ASSIGNED RISK PLAN

**Investment Objectives**

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

**Asset Mix**

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

	9/30/2013 Target	9/30/2013 Actual
Stocks	20.0%	21.1%
Bonds	80.0	78.9
Total	100.0%	100.0%

**Investment Management**

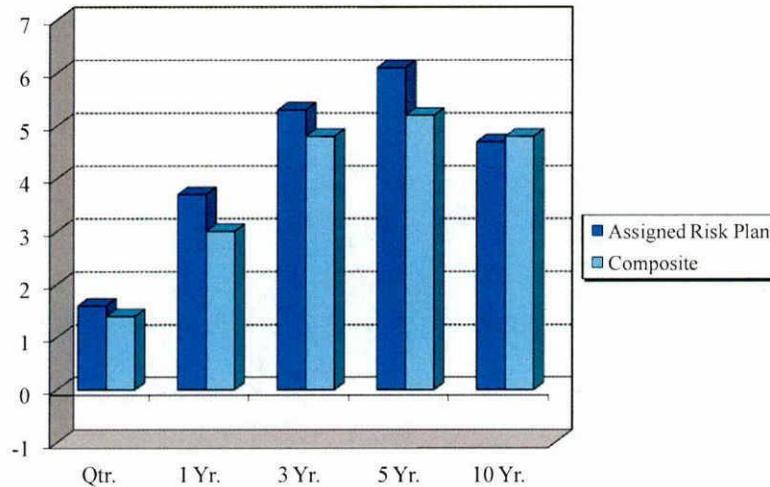
RBC Global Asset Management (US) manages the bond segment of the Fund. GE Investment Management manages the equity segment.

**Performance Benchmarks**

Since July 1, 2011, the fixed income benchmark has been the Barclays Capital Intermediate Government Index. Since July 1, 1994, the equity benchmark has been the S&P 500 index. The total fund benchmark is a combination of the fixed income and equity benchmarks, weighted according to the total fund asset allocation targets.

**Market Value**

On September 30, 2013 the market value of the Assigned Risk Plan was \$275 million.



Period Ending 9/30/2013

	Annualized				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Total Fund*</b>	<b>1.6%</b>	<b>3.7%</b>	<b>5.3%</b>	<b>6.1%</b>	<b>4.7%</b>
Composite	1.4	3.0	4.8	5.2	4.8
<b>Equity Segment*</b>	<b>6.7</b>	<b>22.5</b>	<b>15.8</b>	<b>9.4</b>	<b>7.5</b>
Benchmark	5.2	19.3	16.3	10.0	7.6
<b>Bond Segment*</b>	<b>0.3</b>	<b>-0.9</b>	<b>2.3</b>	<b>4.9</b>	<b>3.8</b>
Benchmark	0.4	-0.8	2.0	3.7	3.9

\* Actual returns are calculated net of fees.

**PERMANENT SCHOOL FUND**

**Investment Objectives**

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

**Asset Mix**

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

	9/30/2013 Target	9/30/2013 Actual
Stocks	50.0%	50.1%
Bond	48.0	47.9
Cash	2.0	2.0
Total	100.0%	100.0%

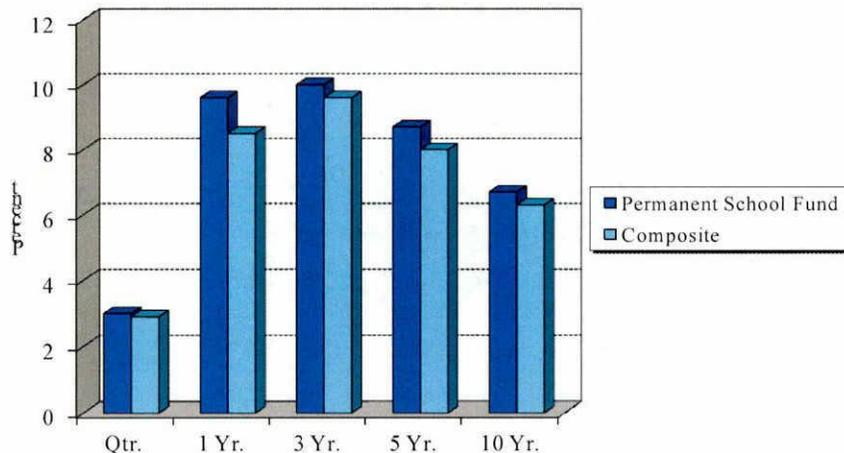
Prior to FY98, the Fund was invested entirely in fixed income securities in order to maximize current income. It is understood that the change in asset mix will reduce portfolio income in the short term, but will enhance the value of the fund, over time.

**Investment Management**

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

**Market Value**

On September 30, 2013 the market value of the Permanent School Fund was \$978 million.



**Period Ending 9/30/2013**

**Annualized**

	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Total Fund*</b>	3.0%	9.6%	10.0%	8.7%	6.7%
Composite	2.9	8.5	9.6	8.0	6.3
<b>Equity Segment*</b>	5.2	19.2	16.3	10.0	7.6
S&P 500	5.2	19.3	16.3	10.0	7.6
<b>Bond Segment*</b>	0.8	0.3	3.5	6.5	5.2
Barclays Capital Agg.	0.6	-1.7	2.9	5.4	4.6

\* Actual returns are calculated net of fees.

**ENVIRONMENTAL TRUST FUND**

**Investment Objective**

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

**Asset Mix**

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

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

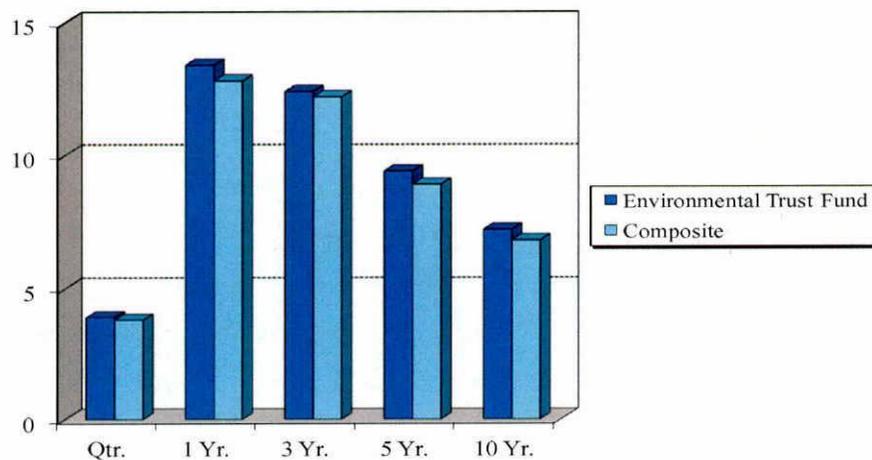
**Investment Management**

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

**Market Value**

On September 30, 2013 the market value of the Environmental Trust Fund was \$741 million.

	9/30/2013 Target	9/30/2013 Actual
Stocks	70.0%	70.3%
Bonds	28.0	27.7
Cash	2.0	2.0
Total	100.0%	100.0%



	Period Ending 9/30/2013				
	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Total Fund*</b>	3.9%	13.4%	12.4%	9.4%	7.2%
Composite	3.8	12.8	12.2	8.9	6.8
<b>Equity Segment*</b>	5.2	19.2	16.3	10.1	7.6
S&P 500	5.2	19.3	16.3	10.0	7.6
<b>Bond Segment*</b>	0.8	0.3	3.5	6.4	5.3
Barclays Capital Agg.	0.6	-1.7	2.9	5.4	4.6

\* Actual returns are calculated net of fees.

STATE CASH ACCOUNTS

**Description**

State Cash Accounts represent the cash balances in more than 400 separate accounts that flow through the Minnesota State Treasury. These accounts vary greatly in size.

Most accounts are invested by SBI staff through a short-term pooled fund referred to as the Treasurer’s Cash Pool. It contains the cash balances of special or dedicated accounts necessary for the operation of certain State agencies and non-dedicated cash in the State Treasury.

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

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

**Investment Objectives**

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

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

**Competitive Rate of Return.** To provide a level of current income consistent with the goal of preserving capital.

**Asset Mix**

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

**Investment Management**

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

	Market Value (Millions)	Period Ending 9/30/2013				
		Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Treasurer’s Cash Pool*	\$5,888	0.1%	0.4%	0.5%	1.2%	2.3%
Custom Benchmark**		0.0	0.0	0.0	0.1	1.5
3 month T-Bills		0.0	0.1	0.1	0.1	1.6

\* Actual returns are calculated net of fees.

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

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

**MINNESOTA STATE BOARD OF INVESTMENT**  
**Composition of State Investment Portfolios By Type of Investment**  
**Market Value September 30, 2013 (in Thousands)**

	Cash & ST	Bonds Int	Bonds Ext	Stock Int	Stock Ext	Ext Intl	Alternative	Total
<b>COMBINED RETIREMENT FUNDS</b>								
Teachers Retirement Fund	470,100 2.53%	0	4,154,056 22.29%	0	8,651,380 46.42%	2,926,202 15.70%	2,436,883 13.07%	18,638,621 100%
Public Employees Retirement Fund	410,826 2.61%	0	3,499,869 22.27%	0	7,288,948 46.37%	2,465,380 15.68%	2,053,112 13.06%	15,718,135 100%
State Employees Retirement Fund	256,354 2.46%	0	2,323,795 22.30%	0	4,839,615 46.45%	1,636,929 15.71%	1,363,199 13.08%	10,419,892 100%
Public Employees Police & Fire	166,370 2.52%	0	1,472,047 22.29%	0	3,065,737 46.42%	1,036,941 15.70%	863,541 13.07%	6,604,636 100%
Highway Patrol Retirement Fund	15,067 2.46%	0	136,633 22.30%	0	284,557 46.45%	96,247 15.71%	80,153 13.08%	612,657 100%
Judges Retirement Fund	4,223 2.64%	0	35,644 22.26%	0	74,233 46.36%	25,108 15.68%	20,910 13.06%	160,118 100%
Correctional Employees Retirement	19,791 2.55%	0	173,469 22.28%	0	361,273 46.41%	122,196 15.70%	101,762 13.07%	778,491 100%
Public Employees Correctional	10,232 2.63%	0	86,664 22.27%	0	180,489 46.37%	61,048 15.68%	50,839 13.06%	389,272 100%
Legislative Retirement Fund	230 2.10%	0	2,456 22.38%	0	5,115 46.62%	1,730 15.77%	1,441 13.13%	10,972 100%
PERA Minneapolis Retirement	43,657 5.10%	0	185,551 21.70%	0	386,438 45.19%	130,707 15.28%	108,850 12.73%	855,203 100%
<b>TOTAL COMBINED FUNDS</b>	<b>1,396,850 2.58%</b>	<b>0</b>	<b>12,070,184 22.27%</b>	<b>0</b>	<b>25,137,785 46.39%</b>	<b>8,502,488 15.69%</b>	<b>7,080,690 13.07%</b>	<b>54,187,997 100%</b>

	Cash & ST	Bonds Int	Bonds Ext	Stock Int	Stock Ext	Ext Intl	Alternative	Total
<b>MINNESOTA SUPPLEMENTAL FUNDS:</b>								
Income Share Account	16,981 5.43%	105,896 33.90%	0	0	189,520 60.67%	0	0	312,397 100%
Growth Share Account	0	0	0	0	173,643 100.00%	0	0	173,643 100%
Money Market Account	237,640 100.00%	0	0	0	0	0	0	237,640 100%
Common Stock Index	0	0	0	0	217,635 100.00%	0	0	217,635 100%
Bond Market Account	0	0	115,091 100.00%	0	0	0	0	115,091 100%
International Share Account	0	0	0	0	0	93,818 100.00%	0	93,818 100%
Fixed Interest Account	0	0	191,938 100.00%	0	0	0	0	191,938 100%
Volunteer Firefighters Account	673 4.20%	0	7,051 44.11%	0	5,740 35.91%	2,522 15.78%	0	15,986 100%
<b>TOTAL SUPPLEMENTAL FUNDS</b>	255,294 18.80%	105,896 7.80%	314,080 23.13%	0	586,538 43.19%	96,340 7.09%	0	1,358,148 100%
<b>MN DEFERRED COMP PLAN</b>	75,005 1.47%	0	2,035,811 40.00%	0	2,556,563 50.24%	421,713 8.29%	0	5,089,092 100%
<b>TOTAL RETIREMENT FUNDS</b>	1,727,149 2.85%	105,896 0.17%	14,420,075 23.78%	0	28,280,886 46.64%	9,020,541 14.88%	7,080,690 11.68%	60,635,237 100%

	Cash & ST	Bonds Int	Bonds Ext	Stock Int	Stock Ext	Ext Intl	Alternative	Total
<b>ASSIGNED RISK PLAN</b>	1,115 0.41%	0	216,038 78.49%	0	58,090 21.10%	0	0	275,243 100%
<b>ENVIRONMENTAL FUND</b>	14,550 1.96%	205,010 27.67%	0	521,483 70.37%	0	0	0	741,043 100%
<b>PERMANENT SCHOOL FUND</b>	19,096 1.95%	468,680 47.94%	0	489,855 50.11%	0	0	0	977,631 100%
<b>Miscellaneous Trust Funds</b>	304 0.24%	57,039 44.56%	0	70,660 55.20%	0	0	0	128,003 100%
<b>Other Post Employment Funds (OPEB's)</b>	34,404 8.73%	62,386 15.83%	0	297,348 75.44%	0	0	0	394,138 100%
<b>TREASURERS CASH</b>	5,613,462 100.00%	0	0	0	0	0	0	5,613,462 100%
<b>MISCELLANEOUS STATE ACCOUNTS</b>	0	274,555 100.00%	0		0	0	0	274,555 100%
<b>TOTAL CASH AND NON-RETIREMENT</b>	5,682,931 67.62%	1,067,670 12.70%	216,038 2.57%	1,379,346 16.41%	58,090 0.69%	0	0	8,404,075 100%
<b>GRAND TOTAL</b>	7,410,080 10.73%	1,173,566 1.70%	14,636,113 21.20%	1,379,346 2.00%	28,338,976 41.05%	9,020,541 13.07%	7,080,690 10.26%	69,039,312 100%

**TAB**

**B**

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

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DATE: December 4, 2013

TO: Members, State Board of Investment

FROM: **Mansco Perry III**

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

A report on the SBI's administrative budget for the fiscal year to date through October 31, 2013 is included as **Attachment A**.

A report on travel for the period from August 4, 2013 – November 2, 2013 is included as **Attachment B**.

### **2. FY13 Audit Report**

The Legislative Auditor is working on the financial audit of SBI operations for FY13. A final copy will be distributed as soon as it is available.

### **3. Draft of FY13 Annual Report**

A draft of the SBI's annual report for FY13 will be distributed to the Board members/designees and IAC members in December. The final report should be distributed by the end of the year.

### **4. Tentative Meeting Dates for Calendar 2014**

The quarterly meetings of the SBI are normally held in March, June, September and December. The dates for the IAC and SBI meetings for calendar 2014 are:

<b>IAC</b>	<b>SBI</b>
<b>Tuesday, February 18, 2014</b>	<b>Wednesday, March 5, 2014</b>
<b>Tuesday, May 20, 2014</b>	<b>Wednesday, June 4, 2014</b>
<b>Tuesday, August 19, 2014</b>	<b>Wednesday, September 3, 2014</b>
<b>Tuesday, November 18, 2014</b>	<b>Wednesday, December 3, 2014</b>

Staff will confirm the availability of Board members for the above dates over the next few weeks.

### **5. Update on Sudan**

Each quarter, staff provides a report to the Board on steps taken to implement *Minnesota Statutes*, section 11A.243 that requires SBI actions concerning companies with

operations in Sudan. Staff receives periodic reports from the Conflict Risk Network (CRN) about the status of companies with operations in Sudan.

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

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

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

In the third quarter, SBI managers divested 1,753 shares in companies on the divestment list.

**Attachment C** is a copy of the September 16, 2013 letter sent to each international equity manager and domestic equity manager containing the most recent restricted list and the list of stocks to be divested.

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

## 6. Update on Iran

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

SBI receives information on companies with Iran operations from IW Financial, through Glass Lewis. Staff receives monthly reports from the SBI's custodian bank concerning SBI holdings of companies on the restricted list and writes letters as required by the law.

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

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

In the third quarter, SBI held no shares of companies on the divestment list.

**Attachment E** is a copy of the September 16, 2013 letter sent to each international equity manager and domestic equity manager and fixed income manager containing the end of quarter restricted list and the list of companies to be divested.

## 7. Legislative Initiatives

SBI Staff and the Minnesota State Retirement System Staff are recommending that MSRS and the SBI propose legislation to modify the language in Minnesota Statutes 11A.17 to provide more flexibility in the options offered in the Supplemental Investment Fund. Currently, the statute provides that the SIF offer seven specific options plus a volunteer firefighter account. The SIF provides investment choices for the Unclassified Retirement Plan, the Health Care Savings Plan, the Deferred Compensation Plan, and various other options for both individuals and organizations served by the SBI. In order to add, eliminate or modify any of the SIF options, it is necessary to change Minnesota Statutes.

### **RECOMMENDATION:**

**The Investment Advisory Council and SBI Staff recommend that legislation be pursued which will enable greater flexibility to provide appropriate investment options through the SIF, mutual funds, or other appropriate investment alternatives.**

## 8. Update on 529 Plan

The manager of the state's College Savings Plan, TIAA-CREF, has requested approval of changes in the Plan's options. Staff has reviewed and concurs with the following recommendations:

A. Increase the number of age bands in the Managed Allocation Option to nine from six. This change will:

- Reduce investor "timing risk" from large allocation shifts when moving from one age band to the next
- Provide investors with a smoother reduction to their equity allocations over time
- Result in no fee change to investors

B. Increase the allocation to the TIAA-CREF Short-term Bond Fund and decrease the weights of the Bond Index Fund, Inflation-Linked Bond Fund and the Money Market Fund in the Managed Allocation Option. This change will:

- Lower duration in each age band to reduce interest rate sensitivity
- Result in no fee change to investors

- C. Add an allocation to the TIAA-CREF High Yield Fund and reduce the allocations to the Bond Index Fund and the Inflation-linked Bond Fund in the Managed Allocation Option, the Balanced Option and the 100% Fixed Income Option. This change will:
- Increase diversification benefits and enhance long-term expected returns in these options
  - Result in no fee change to investors
- D. Increase the allocation to the TIAA-CREF Emerging Markets Equity Index Fund and similarly decrease the International Equity Index Fund in the Managed Allocation Option, the Balanced Option and the 100% Equity Option. This change will:
- Reallocate exposure within international equities to be more in line with the global market capitalization
  - Increase diversification benefits and enhance long-term expected returns in these options
  - Result in no fee change to investors in the Managed Allocation Option and the Balanced Option
  - Result in a .0017% increase in fees to investors in the 100% Equity Option

**RECOMMENDATION:**

**Staff requests that the Board approve the recommendations from TIAA-CREF to enhance the Minnesota College Savings Plan. These changes are:**

- **Increase the number of age bands in the Managed Allocation Option to nine from six.**
- **Increase the allocation to the TIAA-CREF Short-term Bond Fund and decrease the weights of the Bond Index Fund, Inflation-Linked Bond Fund and the Money Market Fund in the Managed Allocation Option.**
- **Add an allocation to the TIAA-CREF High Yield Fund and reduce the allocations to the Bond Index Fund and the Inflation-linked Bond Fund in the Managed Allocation Option, the Balanced Option and the 100% Fixed Income Option.**

**Increase the allocation to the TIAA-CREF Emerging Markets Equity Index Fund and decrease the International Equity Index Fund in the Managed Allocation Option, the Balanced Option and the 100% Equity Option.**

**9. Litigation Update**

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

ATTACHMENT A

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

ITEM	FISCAL YEAR 2014 BUDGET	FISCAL YEAR 2014 10/31/2013
<b>PERSONAL SERVICES</b>		
FULL TIME EMPLOYEES	\$ 3,286,000	\$ 847,450
PART TIME EMPLOYEES	\$ 72,000	20,124
MISCELLANEOUS PAYROLL	235,000	0
<b>SUBTOTAL</b>	<b>\$ 3,593,000</b>	<b>\$ 867,574</b>
<b>STATE OPERATIONS</b>		
RENTS & LEASES	200,000	66,838
REPAIRS/ALTERATIONS/MAINTENANCE	10,000	1,074
PRINTING & BINDING	5,000	2,136
PROFESSIONAL/TECHNICAL SERVICES	250,000	47,562
COMPUTER SYSTEMS SERVICES	23,000	2,036
COMMUNICATIONS	26,000	5,164
TRAVEL, IN-STATE	1,000	418
TRAVEL, OUT-STATE	42,000	15,976
SUPPLIES	20,000	6,716
EQUIPMENT	20,000	2,266
EMPLOYEE DEVELOPMENT	10,000	275
<b>SUBTOTAL</b>	<b>\$ 747,000</b>	<b>\$ 153,602</b>
<b>TOTAL ADMINISTRATIVE BUDGET</b>	<b>\$ 4,340,000</b>	<b>\$ 1,021,176</b>



## ATTACHMENT B

## STATE BOARD OF INVESTMENT

**Travel Summary by Date**  
**SBI Travel August 4, 2013 – November 2, 2013**

<b>Purpose</b>	<b>Name(s)</b>	<b>Destination and Date</b>	<b>Total Cost</b>
<b>Manager Monitoring  Alternative Investment  Manager:</b> Blackstone <b>Manager Monitoring  Fixed Income Manager:</b> BlackRock <b>Manager Monitoring  International Manager:</b> Capital International <b>Manager Search  Alternative Investment  Managers:</b> ClearBridge Investments; Kramer Levin Naftalis & Fankel; Dynasty Partners	H. Bicker	New York, NY 8/5-8/8	\$2,405.39
<b>In State Travel:</b> Iron Range Resources and Rehabilitation Board (IRRRB) Presentation	L. Stagg	Eveleth, MN 8/15	\$226.00
<b>Manager Monitoring  Alternative Investment  Manager:</b> Merit Energy	J. Kirby	Traverse City, MI 8/21-8/22	\$1,217.19
<b>Manager Monitoring  International Managers:</b> Capital International; Marathon; McKinley; Pyramis; Acadian; State Street Global Advisors	S. Gleeson	New York, NY Smithfield, RI Boston, MA 9/9-9/12	\$1,884.55

Purpose	Name(s)	Destination and Date	Total Cost
<b>Manager Monitoring International Managers: AQR; Morgan Stanley Conference: Executive Women's Conference sponsored by Morgan Stanley</b>	S. Gleeson	New York, NY 9/30-10/3	\$1,716.96
<b>Manager Monitoring Alternative Investment Managers: Energy Capital Partners; Blackstone Strategic Partners; Lexington Partners Manager Search: Alternative Investment Manager: Permira Advisers</b>	J. Griebenow	Short Hills, NJ New York, NY 10/15-10/17	\$2,026.31
<b>Conference: Public Pension Financial Forum</b>	P. Anderson	Scottsdale, AZ 10/27-10/30	\$1,388.83
<b>Manager Monitoring Domestic Equity Managers: INTECH; Jacobs Levy; Systematic; Elkins McSherry; Goldman Sachs; J.P. Morgan</b>	T. Brusehaver P. Ammann	Princeton, NJ Florham Park, NJ Teaneck, NJ New York, NY 10/28-10/31	\$2,668.77
<b>Conference: DRRT Conference on Global Investor Protection</b>	S. Gleeson	Miami, FL 10/28-10/29	\$1,278.62

ATTACHMENT C

Letter to SBI International Equity Managers and Domestic Equity Managers  
September 16, 2013

**Regarding: Sudan Companies**

Dear Manager:

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

*Minnesota Statutes*, section 11A.243 requires the SBI to implement a Sudan restriction.

**Attachment 1** is the List of Restricted Sudan Stocks. **These securities may not be purchased for the SBI portfolio that your organization manages.** If you own securities of companies on the Restricted List **and** the companies are **not** on the divestment list, then you do not need to sell your holdings. Please note that the attached List makes changes to the List of Restricted Sudan Companies that was attached to the June 18, 2013 letter you received. **This new list is effective September 18, 2013.**

- The following company has been **added** to the Restricted List:
  - **Atlas Copco AB** Sweden
  
- The following company has changed its name:
  - **Alstom T&D India Ltd** previously known as **Areva T&D India**

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

- **FMC Technologies Inc.** was added to the Divestment List.

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

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

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

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

Sincerely,

James E. Heidelberg  
Assistant Executive Director

Enclosures

cc: LeaAnn M. Stagg, Manager, Public Programs  
Tammy Brusehaver, Manager, Domestic Equities  
Patricia Ammann, Portfolio Manager, Domestic Equities  
Stephanie Gleeson, Manager, International Equities

**ATTACHMENT 1**

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

ATTACHMENT 1

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

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

Source: Conflict Risk Network

SBI Effective Date: September 18, 2013

ATTACHMENT 2

**Sudan Stocks Requiring Divestment**

<b>Company Name</b>	<b>Country of Origin</b>	<b>Divest 50 Percent By this Date</b>	<b>Divest 100 Percent By this date</b>
China Petroleum and Chemical Corporation AKA Sinopec Corp	China	April 30, 2008	October 31, 2008
PetroChina Company	China	April 30, 2008	October 31, 2008
Oil and Natural Gas Corp AKA ONGC	India	April 30, 2008	October 31, 2008
Malaysia International Shipping Company AKA MISC Berhad	Malaysia	April 30, 2008	October 31, 2008
Alstom	France	April 30, 2008	October 31, 2008
Dongfeng Motor Group Company Limited	China	March 31, 2011	September 30, 2011
FMC Technologies Inc.	United States	March 31, 2014	September 30, 2014

Note: AKA means "Also Known As"

Source: Conflict Risk Network

SBI Effective Date: September 18, 2013





PETROCHINA CO LTD	CHINA NATIONAL PETROLEUM CORP aka CNPC	Hong Kong (XHKG)	Common Stock	PETROCHINA CO LTD-H	857 HK	ADM4YQ	8226576 HK	CNE1000003WB	011014674	
PETROCHINA CO LTD	CHINA NATIONAL PETROLEUM CORP aka CNPC	OTC US (OQTC)	Common Stock	PETROCHINA CO LTD	PCCYF US	ADM4YQ	801DNL9 US	CNE1000003WB	011014674	Y6883Q104
PETROCHINA CO LTD	CHINA NATIONAL PETROLEUM CORP aka CNPC	OTC US (OQTC)	Common Stock	PETROCHINA CO LTD	PCCYF US	ADM4YQ	801DNL9 US	CNE1000003WB	011014674	Y6883Q104
PETROCHINA CO LTD	CHINA NATIONAL PETROLEUM CORP aka CNPC	Shanghai (XSHG)	Common Stock	PETROCHINA CO LTD	501857 CG	ADM4NC	828SLD9 CN	CNE1000007Q1	033421064	
PETROCHINA CO LTD	CHINA NATIONAL PETROLEUM CORP aka CNPC	Shanghai (XSHG)	Common Stock	PETROCHINA CO LTD	501857 CH	ADM4NC	828SLD9 CN	CNE1000007Q1	033421064	
PETROCHINA CO LTD	CHINA NATIONAL PETROLEUM CORP aka CNPC	New York (XNYS)	ADR	PETROCHINA CO LTD-ADR	PTR UB	936983	2568841 US	74646E100	US71646E1001	011511449
PETROCHINA CO LTD	CHINA NATIONAL PETROLEUM CORP aka CNPC	New York (XNYS)	ADR	PETROCHINA CO LTD-ADR	PTR UC	936983	2568841 US	74646E100	US71646E1001	011511449
PETROCHINA CO LTD	CHINA NATIONAL PETROLEUM CORP aka CNPC	New York (XNYS)	ADR	PETROCHINA CO LTD-ADR	PTR UD	936983	2568841 US	74646E100	US71646E1001	011511449
PETROCHINA CO LTD	CHINA NATIONAL PETROLEUM CORP aka CNPC	New York (XNYS)	ADR	PETROCHINA CO LTD-ADR	PTR UF	936983	2568841 US	74646E100	US71646E1001	011511449
PETROCHINA CO LTD	CHINA NATIONAL PETROLEUM CORP aka CNPC	New York (XNYS)	ADR	PETROCHINA CO LTD-ADR	PTR LM	936983	2568841 US	74646E100	US71646E1001	011511449
PETROCHINA CO LTD	CHINA NATIONAL PETROLEUM CORP aka CNPC	New York (XNYS)	ADR	PETROCHINA CO LTD-ADR	PTR LN	936983	2568841 US	74646E100	US71646E1001	011511449
PETROCHINA CO LTD	CHINA NATIONAL PETROLEUM CORP aka CNPC	New York (XNYS)	ADR	PETROCHINA CO LTD-ADR	PTR UO	936983	2568841 US	74646E100	US71646E1001	011511449
PETROCHINA CO LTD	CHINA NATIONAL PETROLEUM CORP aka CNPC	New York (XNYS)	ADR	PETROCHINA CO LTD-ADR	PTR UP	936983	2568841 US	74646E100	US71646E1001	011511449
PETROCHINA CO LTD	CHINA NATIONAL PETROLEUM CORP aka CNPC	New York (XNYS)	ADR	PETROCHINA CO LTD-ADR	PTR US	936983	2568841 US	74646E100	US71646E1001	011511449
PETROCHINA CO LTD	CHINA NATIONAL PETROLEUM CORP aka CNPC	New York (XNYS)	ADR	PETROCHINA CO LTD-ADR	PTR UT	936983	2568841 US	74646E100	US71646E1001	011511449
PETROCHINA CO LTD	CHINA NATIONAL PETROLEUM CORP aka CNPC	New York (XNYS)	ADR	PETROCHINA CO LTD-ADR	PTR UX	936983	2568841 US	74646E100	US71646E1001	011511449
PETROCHINA CO LTD	CHINA NATIONAL PETROLEUM CORP aka CNPC	New York (XNYS)	ADR	PETROCHINA CO LTD-ADR	PTR VJ	936983	2568841 US	74646E100	US71646E1001	011511449
PETROCHINA CO LTD	CHINA NATIONAL PETROLEUM CORP aka CNPC	New York (XNYS)	ADR	PETROCHINA CO LTD-ADR	PTR VK	936983	2568841 US	74646E100	US71646E1001	011511449
PETROCHINA CO LTD	CHINA NATIONAL PETROLEUM CORP aka CNPC	New York (XNYS)	ADR	PETROCHINA CO LTD-ADR	PTR VY	936983	2568841 US	74646E100	US71646E1001	011511449
PETROCHINA CO LTD	CHINA NATIONAL PETROLEUM CORP aka CNPC	Frankfurt (XFRA)	ADR	PETROCHINA CO LTD-ADR	PC6A GB	936983	4633327 DE	71646E100	US71646E1001	011511449
PETROCHINA CO LTD	CHINA NATIONAL PETROLEUM CORP aka CNPC	Frankfurt (XFRA)	ADR	PETROCHINA CO LTD-ADR	PC6A GF	936983	4633327 DE	71646E100	US71646E1001	011511449
PETROCHINA CO LTD	CHINA NATIONAL PETROLEUM CORP aka CNPC	Frankfurt (XFRA)	ADR	PETROCHINA CO LTD-ADR	PC6A GM	936983	4633327 DE	71646E100	US71646E1001	011511449
PETROCHINA CO LTD	CHINA NATIONAL PETROLEUM CORP aka CNPC	Frankfurt (XFRA)	ADR	PETROCHINA CO LTD-ADR	PC6A GR	936983	4633327 DE	71646E100	US71646E1001	011511449
PETROCHINA CO LTD	CHINA NATIONAL PETROLEUM CORP aka CNPC	Frankfurt (XFRA)	ADR	PETROCHINA CO LTD-ADR	PC6A GV	936983	4633327 DE	71646E100	US71646E1001	011511449
PETROCHINA CO LTD	CHINA NATIONAL PETROLEUM CORP aka CNPC	Frankfurt (XFRA)	ADR	PETROCHINA CO LTD-ADR	PC6A GY	936983	4633327 DE	71646E100	US71646E1001	011511449
PETROCHINA CO LTD	CHINA NATIONAL PETROLEUM CORP aka CNPC	Singapore (XSSE)	ADR	PETROCHINA CO LTD-ADR	PTR SP	936983	83KTK63 SG		US71646E1001	011511449
PETROCHINA CO LTD	CHINA NATIONAL PETROLEUM CORP aka CNPC	Tradegate (XGAT)	ADR	PETROCHINA CO LTD-ADR	PC6A TH	936983		74646E100	US71646E1001	011511449
AKM INDUSTRIAL CO. LTD.	CHINA NORTH INDUSTRIES GROUP CORPORATION (CNGC/NORINCO)	Hong Kong (XHKG)	Common Stock	AKM INDUSTRIAL CO LTD	8298 HK	A0086T	802J0J3 HK	HK8298013897	021553654	
AKM INDUSTRIAL CO. LTD.	CHINA NORTH INDUSTRIES GROUP CORPORATION (CNGC/NORINCO)	Berlin (XBER)	Common Stock	AKM INDUSTRIAL CO LTD	AIQ GB	A0086T	806L0H3 DE	HK8298013897	021553654	
AKM INDUSTRIAL CO. LTD.	CHINA NORTH INDUSTRIES GROUP CORPORATION (CNGC/NORINCO)	Berlin (XBER)	Common Stock	AKM INDUSTRIAL CO LTD	AIQ GR	A0086T	806L0H3 DE	HK8298013897	021553654	
LIAONING HUAJIN TONGDA CHEMICALS CO. LTD	CHINA NORTH INDUSTRIES GROUP CORPORATION (CNGC/NORINCO)	Shenzhen (XSHE)	Common Stock	LIAONING HUAJIN TONGDA CHEMICALS CO LTD-A	000059 CH	ADM30T	6796143 CN		CNE000000N9Y	
LIAONING HUAJIN TONGDA CHEMICALS CO. LTD	CHINA NORTH INDUSTRIES GROUP CORPORATION (CNGC/NORINCO)	Shenzhen (XSHE)	Common Stock	LIAONING HUAJIN TONGDA CHEMICALS CO LTD-A	000059 CS	ADM30T	6796143 CN		CNE000000N9Y	
NORTH NAVIGATION CONTROL TECHNOLOGY CO. LTD.	CHINA NORTH INDUSTRIES GROUP CORPORATION (CNGC/NORINCO)	Shenzhen (XSHE)	Common Stock	NORTH NAVIGATION CONTROL TECHNOLOGY CO LTD-A	600435 CG	ADM4LS	6649946 CN		CNE000001F88	
NORTH NAVIGATION CONTROL TECHNOLOGY CO. LTD.	CHINA NORTH INDUSTRIES GROUP CORPORATION (CNGC/NORINCO)	Shenzhen (XSHE)	Common Stock	NORTH NAVIGATION CONTROL TECHNOLOGY CO LTD-A	600435 CH	ADM4LS	6649946 CN		CNE000001F88	
NORINCO INTERNATIONAL COOPERATION LTD.	CHINA NORTH INDUSTRIES GROUP CORPORATION (CNGC/NORINCO)	Shenzhen (XSHE)	Common Stock	NORINCO INTL COOPERATION -A	000065 CH	ADM35V	6112125 CN		CNE000000V29	
NORINCO INTERNATIONAL COOPERATION LTD.	CHINA NORTH INDUSTRIES GROUP CORPORATION (CNGC/NORINCO)	Shenzhen (XSHE)	Common Stock	NORINCO INTL COOPERATION -A	000065 CS	ADM35V	6112125 CN		CNE000000V29	
SICHUAN NITROCELL CO. LTD.	CHINA NORTH INDUSTRIES GROUP CORPORATION (CNGC/NORINCO)	Shenzhen (XSHE)	Common Stock	SICHUAN NITROCELL CO LTD-A	002248 CH	AORPGJ	839G5K4 CN		CNE1000008W7	
SICHUAN NITROCELL CO. LTD.	CHINA NORTH INDUSTRIES GROUP CORPORATION (CNGC/NORINCO)	Shenzhen (XSHE)	Common Stock	SICHUAN NITROCELL CO LTD-A	002248 CS	AORPGJ	839G5K4 CN		CNE1000008W7	
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP GROUP	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Hong Kong (XHKG)	Common Stock	CHINA PETROLEUM & CHEMICAL GROUP	388 HK	ADM4XN	6291819 HK		CNE1000002Q2	012150504
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP GROUP	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Shanghai (XSHG)	Common Stock	CHINA PETROLEUM & CHEMICAL GROUP	600028 CH	ADM4G4	6373728 CN		CNE1000002Q2	012150504
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP GROUP	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Frankfurt (XFRA)	Common Stock	CHINA PETROLEUM & CHEMICAL GROUP	CHU GB	ADM4XN	7027756 DE		CNE1000002Q2	012150504
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP GROUP	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Frankfurt (XFRA)	Common Stock	CHINA PETROLEUM & CHEMICAL GROUP	CHU GD	ADM4XN	7027756 DE		CNE1000002Q2	012150504
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP GROUP	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Frankfurt (XFRA)	Common Stock	CHINA PETROLEUM & CHEMICAL GROUP	CHU GF	ADM4XN	7027756 DE		CNE1000002Q2	012150504
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP GROUP	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Frankfurt (XFRA)	Common Stock	CHINA PETROLEUM & CHEMICAL GROUP	CHU GH	ADM4XN	7027756 DE		CNE1000002Q2	012150504
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP GROUP	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Frankfurt (XFRA)	Common Stock	CHINA PETROLEUM & CHEMICAL GROUP	CHU GM	ADM4XN	7027756 DE		CNE1000002Q2	012150504
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP GROUP	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Frankfurt (XFRA)	Common Stock	CHINA PETROLEUM & CHEMICAL GROUP	CHU GR	ADM4XN	7027756 DE		CNE1000002Q2	012150504
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP GROUP	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Frankfurt (XFRA)	Common Stock	CHINA PETROLEUM & CHEMICAL GROUP	CHU GS	ADM4XN	7027756 DE		CNE1000002Q2	012150504
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP GROUP	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Frankfurt (XFRA)	Common Stock	CHINA PETROLEUM & CHEMICAL GROUP	CHU GY	ADM4XN	7027756 DE		CNE1000002Q2	012150504
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP GROUP	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	OTC US (OQTC)	Common Stock	CHINA PETROLEUM & CHEMICAL GROUP	SNPMF PQ	ADM4XN	801XKR4 US		CNE1000002Q2	012150504
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP GROUP	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	OTC US (OQTC)	Common Stock	CHINA PETROLEUM & CHEMICAL GROUP	SNPMF US	ADM4XN	801XKR4 US		CNE1000002Q2	012150504
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP GROUP	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	OTC US (OQTC)	Common Stock	CHINA PETROLEUM & CHEMICAL GROUP	SNPMF UV	ADM4XN	801XKR4 US		CNE1000002Q2	012150504
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP GROUP	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	Shanghai (XSHG)	Common Stock	CHINA PETROLEUM & CHEMICAL GROUP	600028 CG	ADM4G4	6373728 CN		CNE1000018G1	
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP GROUP	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	New York (XNYS)	ADR	CHINA PETROLEUM & CHEMICAL GROUP	SNP UB	578971	2639189 US	16941R108	US16941R1086	011899374
CHINA PETROLEUM & CHEMICAL CORP aka SINOPEC CORP GROUP	CHINA PETROCHEMICAL CORP aka SINOPEC GROUP	New York (XNYS)	ADR	CHINA PETROLEUM & CHEMICAL GROUP	SNP UC	578971	2639189 US	16941R108	US16941R1086	011899374









## ATTACHMENT D

**Conflict Risk Network (CRN) List of "Scrutinized" Companies in Sudan  
List Effective Through November 30, 2013**

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

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

**Conflict Risk Network (CRN) List of Companies in Sudan for "Substantial Action"**  
**List Effective Through November 30, 2013**

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

**Conflict Risk Network (CRN) List of Companies in Sudan with "No Publicly Traded Equity"  
or "Not Relevant under the CRN Targeted Divestment Model"  
List Effective Through November 30, 2013**

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

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



ATTACHMENT E

Letter to SBI International Equity Managers and Domestic Equity Managers

September 16, 2013

**Regarding: Iran Companies**

Dear Manager:

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

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

**Attachment 1** is the List of Restricted Iran Companies. **These securities may not be purchased for the SBI portfolio that your organization manages.** If you own securities of companies on the Restricted List **and** the companies are **not** on the divestment list, then you do not need to sell your holdings. Please note that the attached List makes changes to the List of Restricted Iran Companies that was attached to the June 18, 2013 letter you received. **This new list is effective September 18, 2013.**

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

- **LG International** South Korea
- **Sasol Ltd.** South Africa

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

- **Sasol Ltd.** has been removed from the divestment list.

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

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

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

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

Sincerely,

James E. Heidelberg  
Assistant Executive Director

Enclosures

cc: LeaAnn M. Stagg, Manager, Public Programs  
Tammy Brusehaver, Manager, Domestic Equity  
Patricia Ammann, Portfolio Manager, Domestic Equity  
Stephanie Gleeson, Manager, International Equity

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

<b>COMPANY NAME</b>	<b>COUNTRY</b>
Bharat Petroleum Corporation Ltd.	India
China Petroleum & Chemical Corp	China
Daelim Industrial	South Korea
Gail (India) Ltd.	India
Gazprom	Russia
GS Engineering & Construction Corp	South Korea
GS Holdings	South Korea
Gubre Fabrikalari T.A.S.	Turkey
Ina-Industrija Nafta DD	Croatia
Indian Oil Corporation Ltd.	India
Liquefied Natural Gas Ltd	Australia
Mitsui & Co. Ltd	Japan
Nagarjuna Fertilizers & Chemicals Ltd.	India
Oil & Natural Gas Corporation Ltd.	India
PetroChina Co. Ltd.	China
Petrofac	United Kingdom
Punj Lloyd Ltd.	India
Technip	France
Toyota Tsusho Corporation	Japan

Effective Date: Sept. 18, 2013

**ATTACHMENT 2**

**LIST OF IRAN COMPANIES REQUIRING DIVESTMENT**

<b>Company Name</b>	<b>Country of Origin</b>	<b>Divest 50 Percent By this Date</b>	<b>Divest 100 Percent By this Date</b>
Gazprom Oao	Russia	July 31, 2010	January 31, 2011
Mitsui & Company, Ltd.	Japan	September 30, 2012	March 31, 2013
Petrofac	United Kingdom	September 30, 2012	March 31, 2013
Technip	France	September 30, 2012	March 31, 2013
Toyota Tsusho	Japan	September 30, 2012	March 31, 2013

Effective Date: September 18, 2013

**ATTACHMENT 3  
IRAN RESTRICTED COMPANIES  
Security Identifiers**

COMPANY_NAME	SEDOL	ISIN	SYMBOL	CUSIP	CUSIP_2	COUNTRY
Bharat Petroleum Corporation Ltd.	6099723	INE029A01011	500547			India
China Petroleum & Chemical Corp	2654375	US16941R1086	386	16941R108		China
China Petroleum & Chemical Corp	B0RSW00	US16941R1086	386	16941R108		China
China Petroleum & Chemical Corp	2639189	US16941R1086	386	16941R108		China
China Petroleum & Chemical Corp	B01XKR4	CNE1000002Q2	386	16941R108		China
China Petroleum & Chemical Corp	7027756	CNE1000002Q2	386	16941R108		China
China Petroleum & Chemical Corp	6291819	CNE1000002Q2	386	16941R108		China
China Petroleum & Chemical Corp	6373728	CNE0000018G1	386	16941R108		China
China Petroleum & Chemical Corp	B1C5SX8	ARDEUT114071	386	16941R108		China
Daelim Industrial	6246604	KR7000211003	A000210			Korea South
Daelim Industrial	B1T52M8	KR7000211003	A000210			Korea South
Daelim Industrial	6249584	KR7000210005	A000210			Korea South
Gail (India) Ltd.	B1HJ0L7	US36268T2069	532155	36268T206	36268T107	India
Gail (India) Ltd.	3235520	US36268T2069	532155	36268T206	36268T107	India
Gail (India) Ltd.	B2NTDN1	US36268T2069	532155	36268T206	36268T107	India
Gail (India) Ltd.	B033102	US36268T2069	532155	36268T206	36268T107	India
Gail (India) Ltd.	2498517	US36268T1079	532155	36268T206	36268T107	India
Gail (India) Ltd.	3235490	US36268T1079	532155	36268T206	36268T107	India
Gail (India) Ltd.	6133405	INE129A01019	532155	36268T206	36268T107	India
Gazprom	B0338T0	US3682873068	GAZP	368287207	368287108	Russia
Gazprom	5385003	US3682873068	GAZP	368287207	368287108	Russia
Gazprom	2016629	US3682872078	GAZP	368287207	368287108	Russia
Gazprom	5259528	US3682872078	GAZP	368287207	368287108	Russia
Gazprom	5140989	US3682872078	GAZP	368287207	368287108	Russia
Gazprom	2398899	US3682871088	GAZP	368287207	368287108	Russia
Gazprom	3313181	US3682871088	GAZP	368287207	368287108	Russia
Gazprom	4364928	RU0007661625	GAZP	368287207	368287108	Russia
Gazprom	B2NH841	ARDEUT114261	GAZP	368287207	368287108	Russia
GS Engineering & Construction Corp	B06ZHC9	KR7006360002	A006360			Korea South
GS Engineering & Construction Corp	6537096	KR7006360002	A006360			Korea South
GS Holdings	B02FVX2	KR7078931003	A078930	Y2901P103		Korea South
GS Holdings	B01RJV3	KR7078930005	A078930	Y2901P103		Korea South
Gubre Fabrikalari T.A.S.	B03MTC7	TRAGUBRF91E2	GUBRF			Turkey
Gubre Fabrikalari T.A.S.	B188YV1	TRAGUBRF91E2	GUBRF			Turkey

**ATTACHMENT 3  
IRAN RESTRICTED COMPANIES  
Security Identifiers**

<b>COMPANY_NAME</b>	<b>SEDOL</b>	<b>ISIN</b>	<b>SYMBOL</b>	<b>CUSIP</b>	<b>CUSIP_2</b>	<b>COUNTRY</b>
Ina-Industrija Nafta DD	B1L56D5	US45325E2019	INA-R-A	45325E102		Croatia
Ina-Industrija Nafta DD	B1L1YV7	US45325E2019	INA-R-A	45325E102		Croatia
Ina-Industrija Nafta DD	B1HJKC8	US45325E2019	INA-R-A	45325E102		Croatia
Ina-Industrija Nafta DD	B1HJKF1	US45325E1029	INA-R-A	45325E102		Croatia
Ina-Industrija Nafta DD	B1L5RN2	US45325E1029	INA-R-A	45325E102		Croatia
Ina-Industrija Nafta DD	B1JMYF6	HRINA0RA0007	INA-R-A	45325E102		Croatia
Indian Oil Corporation Ltd.	6253767	INE242A01010	530965			India
Liquefied Natural Gas Ltd	B05KKL5	AU000000LNG0	LNG			Australia
Liquefied Natural Gas Ltd	B2RHN19	AU000000LNG0	LNG			Australia
Liquefied Natural Gas Ltd	B02L5H2	AU000000LNG0	LNG			Australia
Mitsui & Co. Ltd	4597058	XS0029348686	8031	606827202		Japan
Mitsui & Co. Ltd	2597061	US6068272029	8031	606827202		Japan
Mitsui & Co. Ltd	B1HHX89	US6068272029	8031	606827202		Japan
Mitsui & Co. Ltd	B0ZGPX0	JP3893600001	8031	606827202		Japan
Mitsui & Co. Ltd	B03KWZ5	JP3893600001	8031	606827202		Japan
Mitsui & Co. Ltd	5736463	JP3893600001	8031	606827202		Japan
Mitsui & Co. Ltd	4594071	JP3893600001	8031	606827202		Japan
Mitsui & Co. Ltd	6597302	JP3893600001	8031	606827202		Japan
Nagarjuna Fertilizers & Chemicals Ltd.	6628644	INE580A01013	500075			India
Oil & Natural Gas Corporation Ltd.	6139362	INE213A01011	500312	Y64606117		India
PetroChina Co. Ltd.	2568841	US71646E1001	857	71646E100		China
PetroChina Co. Ltd.	4633327	US71646E1001	857	71646E100		China
PetroChina Co. Ltd.	B28SLD9	CNE1000007Q1	857	71646E100		China
PetroChina Co. Ltd.	B17H0R7	CNE1000003W8	857	71646E100		China
PetroChina Co. Ltd.	5939507	CNE1000003W8	857	71646E100		China
PetroChina Co. Ltd.	B01DNL9	CNE1000003W8	857	71646E100		China
PetroChina Co. Ltd.	6226576	CNE1000003W8	857	71646E100		China
PetroChina Co. Ltd.	B1C5SR2	ARDEUT113958	857	71646E100		China
Petrofac Ltd.	B0H2K53	GB00B0H2K534	PFC	716473103		United Kingdom
Petrofac Ltd.	B11B6G6	GB00B0H2K534	PFC	716473103		United Kingdom
Petrofac Ltd.	B0LWHB4	GB00B0H2K534	PFC	716473103		United Kingdom
Punj Lloyd Ltd.	B1VJSG4	INE701B01021	532693			India
Technip	2811620	US8785462099	TEC	878546209		France
Technip	2878658	US8785461000	TEC	878546209		France

**ATTACHMENT 3  
IRAN RESTRICTED COMPANIES  
Security Identifiers**

<b>COMPANY_NAME</b>	<b>SEDOL</b>	<b>ISIN</b>	<b>SYMBOL</b>	<b>CUSIP</b>	<b>CUSIP_2</b>	<b>COUNTRY</b>
Technip	B2NG4D9	FR0010565044	TEC	878546209		France
Technip	B1MD4Y5	FR0010412353	TEC	878546209		France
Technip	B0WC5Z3	FR0010273250	TEC	878546209		France
Technip	B05K6W8	FR0010150342	TEC	878546209		France
Technip	7328482	FR0000206039	TEC	878546209		France
Technip	B06PC80	FR0000131708	TEC	878546209		France
Technip	4122018	FR0000131708	TEC	878546209		France
Technip	4874160	FR0000131708	TEC	878546209		France
Technip	B28MSJ6	FR0000131708	TEC	878546209		France
Toyota Tsusho Corporation	6900580	JP3635000007	8015	89240C106		Japan

Effective Date: September 18, 2013

Letter to SBI Fixed Income Managers

September 16, 2013

**Regarding: Iran Companies**

Dear Manager:

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

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

**Attachment 1** is the List of Restricted Iran Companies. **These securities may not be purchased for the SBI portfolio that your organization manages.** If you own securities of companies on the Restricted List **and** the companies are **not** on the divestment list, then you do not need to sell your holdings. Please note that the attached List makes changes to the List of Restricted Iran Companies that was attached to the June 18, 2013 letter you received. **This new list is effective September 18, 2013.**

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

- **LG International** South Korea
- **Sasol Ltd.** South Africa

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

- **Sasol Ltd.** has been removed from the divestment list.

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

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

If you have any questions about this matter, please contact Ryan Hill, Portfolio Manager, Long-Term Debt or me.

Sincerely,

James E. Heidelberg  
Assistant Executive Director

Enclosures

cc: LeaAnn M. Stagg, Manager, Public Programs  
Ryan Hill, Portfolio Manager, Long-Term Debt  
Steve Kuettel, Manager, Short-Term Debt  
Michael J. Menssen, Manager, Long-Term Debt

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

<b>COMPANY NAME</b>	<b>COUNTRY</b>
Bharat Petroleum Corporation Ltd.	India
China Petroleum & Chemical Corp	China
Daelim Industrial	South Korea
Gail (India) Ltd.	India
Gazprom	Russia
GS Engineering & Construction Corp	South Korea
GS Holdings	South Korea
Gubre Fabrikalari T.A.S.	Turkey
Ina-Industrija Nafta DD	Croatia
Indian Oil Corporation Ltd.	India
Liquefied Natural Gas Ltd	Australia
Mitsui & Co. Ltd	Japan
Nagarjuna Fertilizers & Chemicals Ltd.	India
Oil & Natural Gas Corporation Ltd.	India
PetroChina Co. Ltd.	China
Petrofac	United Kingdom
Punj Lloyd Ltd.	India
Technip	France
Toyota Tsusho Corporation	Japan

Effective Date: Sept. 18, 2013

**ATTACHMENT 2**

**LIST OF IRAN COMPANIES REQUIRING DIVESTMENT**

<b>Company Name</b>	<b>Country of Origin</b>	<b>Divest 50 Percent By this Date</b>	<b>Divest 100 Percent By this Date</b>
Gazprom Oao	Russia	July 31, 2010	January 31, 2011
Mitsui & Company, Ltd.	Japan	September 30, 2012	March 31, 2013
Petrofac	United Kingdom	September 30, 2012	March 31, 2013
Technip	France	September 30, 2012	March 31, 2013
Toyota Tsusho	Japan	September 30, 2012	March 31, 2013

Effective Date: September 18, 2013

**TAB**

**C**

## INVESTMENT ADVISORY COUNCIL REPORT

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DATE: December 4, 2013

TO: Members, State Board Investment

FROM: **Members, Investment Advisory Council**

The Investment Advisory Council met on Tuesday, November 19, 2013 to consider the following agenda items:

- Review the manager performance for the period ending September 30, 2013.
- Investment manager review, Domestic Equity.

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

### INFORMATION ITEMS:

**1. Review the manager performance for the period ending September 30, 2013.**

- *Domestic Equity Program*

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

<b>Time period</b>	<b>Total Program</b>	<b>Russell 3000</b>
<b>Quarter</b>	7.1%	6.3%
<b>1 Year</b>	23.0%	21.6%
<b>3 Years</b>	17.1%	16.8%
<b>5 Years</b>	10.8%	10.6%

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

- **Fixed Income Program**

For the period ending September 30, 2013, the **Fixed Income Program** outperformed the benchmark return over all time periods.

<b>Time period</b>	<b>Total Program</b>	<b>Barclays Capital Aggregate</b>
<b>Quarter</b>	0.7%	0.6 %
<b>1 Year</b>	-0.8%	-1.7%
<b>3 Years</b>	3.8%	2.9%
<b>5 Years</b>	6.9%	5.4%

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

- **International Equity Program**

For the period ending September 30, 2013, the **International Equity Program** underperformed the benchmark for the quarter and outperformed over all other time periods.

<b>Time Period</b>	<b>Total Program</b>	<b>Int'l Equity Asset Class Target</b>
<b>Quarter</b>	9.7%	10.1%
<b>1 Year</b>	18.2%	16.5%
<b>3 Year</b>	6.5%	6.0%
<b>5 Year</b>	6.9%	6.3%

The performance evaluation reports for the international equity managers start on the **blue page A-71** of this Tab.

**ACTION ITEM:**

**1. Investment Manager Review, Domestic Equity.**

**Organization**

The SBI hired Knelman Asset Management Group LLC in January 2005 to manage a large-cap growth portfolio.

### Securities and Exchange Commission sanction

On October 28, SBI staff was informed that the Securities and Exchange Commission sanctioned Knelman for violating the "custody rule" that requires the manager to meet certain standards when maintaining custody of client funds or securities. In consenting to a censure and cease-and-desist order KAMG (Knelman Asset Management Group) agreed to pay a \$60,000 penalty, and Kip Knelman agreed to pay a \$75,000 penalty and is barred from acting as chief compliance officer for at least three years. All citations were related to a fund of private equity funds named Rancho Partners I in which the SBI did not invest. The SBI's equity mandate with Knelman is custodied at State Street.

### Investment Staff

The manager's investment staff has had significant turnover. At the beginning of the year, the staff included Kip Knelman, Senior Managing Director; David Lettenberger, Senior Portfolio Manager/Chief Compliance Officer; and Seth Heimermann, Analyst. Seth left in February 2013. David left in May 2013. Knelman hired Derek Jose as a Senior Portfolio Manager/Chief Compliance Officer and Minzhi Qiu as an intern in July 2013. Kip Knelman remains on the investment staff.

### **Performance**

As of September 2013, the portfolio has underperformed its benchmark for all time periods shown below.

As of September 30, 2013

	<b>One year</b>	<b>Two years</b>	<b>Three years</b>	<b>Four years</b>	<b>Five years</b>	<b>Since inception</b>
Knelman	15.1	21.2	14.3	13.3	10.1	5.8
Russell 1000 Growth	19.3	24.1	16.9	15.9	12.1	7.0
<b>Net performance</b>	<b>-4.2</b>	<b>-2.9</b>	<b>-2.6</b>	<b>-2.6</b>	<b>-2.0</b>	<b>-1.2</b>

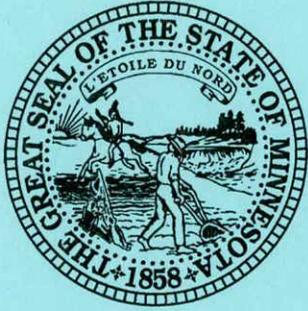
Calendar Year Ending

	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Knelman	16.6	-3.3	18.1	31.1	-39.9
Russell 1000 Growth	15.3	2.6	16.7	37.2	-38.4
<b>Net performance</b>	<b>1.3</b>	<b>-5.9</b>	<b>1.4</b>	<b>-6.1</b>	<b>-1.5</b>

### **RECOMMENDATION:**

**Due to the Securities and Exchange Commission sanction, the turnover in investment staff, and underperformance the IAC and staff recommend that the SBI terminate the relationship with Knelman Asset Management Group LLC.**





# STATE BOARD OF INVESTMENT

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## Domestic Equity Manager Evaluation Reports

Third Quarter, 2013

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A-2

## Domestic Equity

### Table of Contents

	<b>Page</b>
Domestic Equity Performance Summary	A-5
Active Manager Performance Summary (quarter, 1, 3, 5 year periods)	A-6
Semi-Passive and Passive Manager Performance Summary (quarter, 1, 3, 5 year periods)	A-7
Active Manager Performance Summary (by calendar year)	A-8
Semi-Passive and Passive Manager Performance Summary (by calendar years)	A-9
Large Cap Growth (R1000 Growth)	A-11
Large Cap Value (R1000 Value)	A-21
Small Cap Growth (R2000 Growth)	A-29
Small Cap Value (R2000 Value)	A-35
Semi-Passive and Passive	A-43

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A-4

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

	Quarter		1 Year		3 Years		5 Years	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
Russell 1000 Growth Aggregate	14.2	8.1	27.8	19.3	19.0	16.9	13.8	12.1
Russell 1000 Value Aggregate	5.7	3.9	25.9	22.3	16.4	16.2	9.8	8.9
Russell 2000 Growth Aggregate	16.7	12.8	36.9	33.1	20.2	20.0	12.1	13.2
Russell 2000 Value Aggregate	8.5	7.6	32.5	27.0	19.5	16.6	12.8	9.1
<b>Active Manager Aggregate</b>	<b>10.7</b>	<b>7.2</b>	<b>28.5</b>	<b>23.3</b>	<b>17.8</b>	<b>17.1</b>	<b>11.4</b>	<b>10.7</b>
<b>Semi-Passive Aggregate</b>	<b>5.4</b>	<b>6.0</b>	<b>20.6</b>	<b>20.9</b>	<b>17.2</b>	<b>16.6</b>	<b>10.7</b>	<b>10.5</b>
<b>Passive Manager (BlackRock)</b>	<b>6.4</b>	<b>6.3</b>	<b>21.6</b>	<b>21.6</b>	<b>16.7</b>	<b>16.8</b>	<b>10.6</b>	<b>10.6</b>
<b>Total Aggregate</b>	<b>7.1</b>	<b>6.3</b>	<b>23.0</b>	<b>21.6</b>	<b>17.1</b>	<b>16.8</b>	<b>10.8</b>	<b>10.6</b>
<b>Russell 3000 Index</b>		<b>6.3</b>		<b>21.6</b>		<b>16.8</b>		<b>10.6</b>

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

**COMBINED RETIREMENT FUNDS**  
**ACTIVE DOMESTIC EQUITY MANAGERS**  
**Periods Ending September, 2013**  
**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 %								
<b>Russell 1000 Growth</b>												
INTECH	8.2	8.1	18.7	19.3	17.1	16.9	11.3	12.1	6.1	7.0	\$468.8	1.8%
Jacobs Levy	9.3	8.1	20.8	19.3	18.4	16.9	12.6	12.1	5.7	7.0	\$542.7	2.1%
Knelman Asset Mgmt.	8.1	8.1	15.1	19.3	14.3	16.9	10.0	12.1	5.8	7.0	\$82.4	0.3%
Sands Capital	18.9	8.1	28.5	19.3	24.1	16.9	20.0	12.1	10.1	7.0	\$579.8	2.3%
Winslow-Large Cap	11.1	8.1	21.9	19.3	16.2	16.9	12.2	12.1	8.5	7.0	\$248.9	1.0%
Zevenbergen Capital	22.9	8.1	50.7	19.3	18.4	16.9	15.5	12.1	10.4	8.4	\$553.8	2.2%
<b>Aggregate</b>	<b>14.2</b>	<b>8.1</b>	<b>27.8</b>	<b>19.3</b>	<b>19.0</b>	<b>16.9</b>	<b>13.8</b>	<b>12.1</b>			<b>\$2,476.5</b>	<b>9.6%</b>
<b>Russell 1000 Value</b>												
Barrow, Hanley	4.8	3.9	24.9	22.3	16.4	16.2	10.1	8.9	7.0	6.6	\$670.2	2.6%
Earnest Partners	4.7	3.9	19.4	22.3	12.7	16.2	9.5	8.9	5.3	6.1	\$450.3	1.8%
LSV Asset Mgmt.	5.8	3.9	31.2	22.3	18.2	16.2	10.3	8.9	7.9	6.6	\$662.0	2.6%
Systematic Financial Mgmt.	7.3	3.9	24.4	22.3	15.4	16.2	9.1	8.9	6.7	6.6	\$635.7	2.5%
<b>Aggregate</b>	<b>5.7</b>	<b>3.9</b>	<b>25.9</b>	<b>22.3</b>	<b>16.4</b>	<b>16.2</b>	<b>9.8</b>	<b>8.9</b>			<b>\$2,418.2</b>	<b>9.4%</b>
<b>SMALL CAP</b>												
<b>Russell 2000 Growth</b>												
McKinley Capital	17.5	12.8	43.3	33.1	22.8	20.0	12.6	13.2	7.0	8.8	\$345.6	1.3%
Next Century Growth	16.2	12.8	34.8	33.1	19.7	20.0	11.1	13.2	3.3	3.8	\$379.4	1.5%
Turner Investment Partners	16.6	12.8	33.6	33.1	18.6	20.0	12.8	13.2	8.8	8.8	\$393.1	1.5%
<b>Aggregate</b>	<b>16.7</b>	<b>12.8</b>	<b>36.9</b>	<b>33.1</b>	<b>20.2</b>	<b>20.0</b>	<b>12.1</b>	<b>13.2</b>			<b>\$1,118.2</b>	<b>4.3%</b>
<b>Russell 2000 Value</b>												
Goldman Sachs	9.3	7.6	30.0	27.0	20.0	16.6	12.7	9.1	9.8	7.8	\$232.6	0.9%
Hotchkis & Wiley	8.2	7.6	36.3	27.0	20.8	16.6	16.2	9.1	8.4	7.8	\$204.9	0.8%
Martingale Asset Mgmt.	8.9	7.6	34.1	27.0	19.2	16.6	10.0	9.1	7.1	7.8	\$182.3	0.7%
Peregrine Capital	7.8	7.6	31.2	27.0	18.5	16.6	12.7	9.1	11.0	10.1	\$312.5	1.2%
<b>Aggregate</b>	<b>8.5</b>	<b>7.6</b>	<b>32.5</b>	<b>27.0</b>	<b>19.5</b>	<b>16.6</b>	<b>12.8</b>	<b>9.1</b>			<b>\$932.3</b>	<b>3.6%</b>
<b>Active Mgr. Aggregate (2)</b>	<b>10.7</b>	<b>7.2</b>	<b>28.5</b>	<b>23.3</b>	<b>17.8</b>	<b>17.1</b>	<b>11.4</b>	<b>10.7</b>			<b>\$6,945.1</b>	<b>27.0%</b>

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

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

Note: All aggregates include the performance of terminated managers.

**COMBINED RETIREMENT FUNDS  
DOMESTIC EQUITY MANAGERS  
Periods Ending September, 2013  
Versus Manager Benchmarks**

	Quarter		1 Year		3 Years		5 Years		Since Inception (1)		Market Value (in millions)	Pool %
	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk		
	%	%	%	%	%	%	%	%	%	%		%
<b>SEMI-PASSIVE MANAGERS (2)</b>												
BlackRock Institutional	5.9	6.0	21.4	20.9	17.5	16.6	10.6	10.5	9.1	8.8	\$2,660.6	10.3%
INTECH	5.7	6.0	20.1	20.9	16.7	16.6			13.8	13.7	\$2,194.1	8.5%
JP Morgan	5.2	6.0	20.7	20.9	16.9	16.6	11.5	10.5	9.0	8.8	\$3,221.7	12.5%
Mellon Capital	4.7	6.0	19.7	20.9	17.9	16.6	10.2	10.5	8.3	8.8	\$2,278.6	8.9%
<b>Semi-Passive Aggregate (R1000)</b>	<b>5.4</b>	<b>6.0</b>	<b>20.6</b>	<b>20.9</b>	<b>17.2</b>	<b>16.6</b>	<b>10.7</b>	<b>10.5</b>			<b>\$10,355.0</b>	<b>40.3%</b>
<b>PASSIVE MANAGER (R3000)</b>												
BlackRock Institutional	6.4	6.3	21.6	21.6	16.7	16.8	10.6	10.6	8.5	8.4	\$8,424.2	32.7%
<b>Total Aggregate (3) (4)</b>	<b>7.1</b>	<b>6.3</b>	<b>23.0</b>	<b>21.6</b>	<b>17.1</b>	<b>16.8</b>	<b>10.8</b>	<b>10.6</b>	<b>10.2</b>	<b>10.4</b>	<b>\$25,724.3</b>	<b>100.0%</b>
Russell 3000		6.3		21.6		16.8		10.6		10.7		
Russell 1000		6.0		20.9		16.6		10.5		10.9		
Russell 2000		10.2		30.1		18.3		11.2		9.6		

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

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

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

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

Note: All aggregates include the performance of terminated managers.

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

	2012		2011		2010		2009		2008	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
<b>Russell 1000 Growth</b>										
INTECH	17.8	15.3	0.1	2.6	19.5	16.7	34.0	37.2	-42.8	-38.4
Jacobs Levy	13.0	15.3	6.6	2.6	19.5	16.7	37.1	37.2	-44.9	-38.4
Knelman Asset Mgmt.	16.6	15.3	-3.3	2.6	18.1	16.7	31.1	37.2	-39.9	-38.4
Sands Capital	24.2	15.3	2.7	2.6	26.8	16.7	71.6	37.2	-48.6	-38.4
Winslow-Large Cap	13.7	15.3	0.1	2.6	16.8	16.7	40.9	37.2	-39.1	-38.4
Zevenbergen Capital	8.0	15.3	-9.8	2.6	22.9	16.7	57.4	37.2	-43.2	-38.4
<b>Aggregate</b>	<b>15.5</b>	<b>15.3</b>	<b>-0.4</b>	<b>2.6</b>	<b>19.3</b>	<b>16.7</b>	<b>44.5</b>	<b>37.2</b>	<b>-42.7</b>	<b>-38.4</b>
<b>Russell 1000 Value</b>										
Barrow, Hanley	15.5	17.5	1.7	0.4	10.4	15.5	23.2	19.7	-35.2	-36.8
Earnest Partners	10.7	17.5	-4.7	0.4	18.5	15.5	31.6	19.7	-39.8	-36.8
LSV Asset Mgmt.	20.4	17.5	-0.8	0.4	14.0	15.5	24.0	19.7	-39.3	-36.8
Systematic Financial Mgmt.	18.2	17.5	-7.4	0.4	18.1	15.5	23.2	19.7	-40.6	-36.8
<b>Aggregate</b>	<b>16.9</b>	<b>17.5</b>	<b>-2.1</b>	<b>0.4</b>	<b>15.0</b>	<b>15.5</b>	<b>23.8</b>	<b>19.7</b>	<b>-38.0</b>	<b>-36.8</b>
<b>SMALL CAP</b>										
<b>Russell 2000 Growth</b>										
McKinley Capital	23.2	14.6	-7.9	-2.9	28.5	29.1	28.0	34.5	-49.1	-38.5
Next Century Growth	1.9	14.6	-4.5	-2.9	29.6	29.1	35.0	34.5	-49.3	-38.5
Turner Investment Partners	13.1	14.6	-4.8	-2.9	29.0	29.1	36.9	34.5	-41.9	-38.5
<b>Aggregate</b>	<b>12.0</b>	<b>14.6</b>	<b>-5.6</b>	<b>-2.9</b>	<b>29.1</b>	<b>29.1</b>	<b>33.6</b>	<b>34.5</b>	<b>-46.8</b>	<b>-38.5</b>
<b>Russell 2000 Value</b>										
Goldman Sachs	16.6	18.1	1.3	-5.5	27.0	24.5	27.8	20.6	-26.8	-28.9
Hotchkis & Wiley	24.1	18.1	-10.8	-5.5	43.4	24.5	62.5	20.6	-44.1	-28.9
Martingale Asset Mgmt.	20.1	18.1	-5.2	-5.5	27.4	24.5	19.4	20.6	-33.8	-28.9
Peregrine Capital	18.8	18.1	-4.1	-5.5	27.3	24.5	45.8	20.6	-39.4	-28.9
<b>Aggregate</b>	<b>19.6</b>	<b>18.1</b>	<b>-4.5</b>	<b>-5.5</b>	<b>30.5</b>	<b>24.5</b>	<b>36.3</b>	<b>20.6</b>	<b>-36.1</b>	<b>-28.9</b>
<b>Active Mgr. Aggregate (1)</b>	<b>15.4</b>	<b>16.3</b>	<b>-2.7</b>	<b>0.0</b>	<b>19.7</b>	<b>18.7</b>	<b>32.3</b>	<b>27.9</b>	<b>-40.5</b>	<b>-36.9</b>

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

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

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

	2012		2011		2010		2009		2008	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
<b>SEMI-PASSIVE MANAGERS</b>										
BlackRock Institutional	19.0	16.4	1.6	1.5	14.0	16.1	27.6	28.4	-37.1	-37.6
INTECH	16.6	16.4	2.9	1.5						
JP Morgan	17.6	16.4	1.1	1.5	16.8	16.1	32.1	28.4	-37.1	-37.6
Mellon Capital	17.3	16.4	4.6	1.5	13.7	16.1	25.6	28.4	-37.6	-37.6
<b>Semi-Passive Aggregate (R1000)</b>	<b>17.7</b>	<b>16.4</b>	<b>2.2</b>	<b>1.5</b>	<b>15.2</b>	<b>16.1</b>	<b>28.5</b>	<b>28.4</b>	<b>-37.2</b>	<b>-37.6</b>
<b>PASSIVE MANAGER (R3000)</b>										
BlackRock Institutional	16.4	16.4	0.8	1.0	17.2	16.9	28.2	28.3	-37.1	-37.3
<b>Total Aggregate</b>	<b>16.6</b>	<b>16.4</b>	<b>0.4</b>	<b>1.0</b>	<b>17.1</b>	<b>16.9</b>	<b>29.6</b>	<b>28.3</b>	<b>-38.1</b>	<b>-37.3</b>
Russell 3000		16.4		1.0		16.9		28.3		-37.3
Russell 1000		16.4		1.5		16.1		28.4		-37.6
Russell 2000		16.3		-4.2		26.9		27.2		-33.8

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



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

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A-12

## Large Cap Growth (R1000 Growth)

### Table of Contents

	<b>Page</b>
INTECH Investment Management LLC	A-14
Jacobs Levy Equity Management, Inc.	A-15
Knelman Asset Management Group, LLC	A-16
Sands Capital Management, LLC	A-17
Winslow Capital Management, LLC	A-18
Zevenbergen Capital Investments LLC	A-19

**INTECH INVESTMENT MANAGEMENT LLC**  
**Periods Ending September, 2013**

**Portfolio Manager: Adrian Banner**

**Assets Under Management: \$468,827,076**

**Investment Philosophy**

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

**Staff Comments**

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

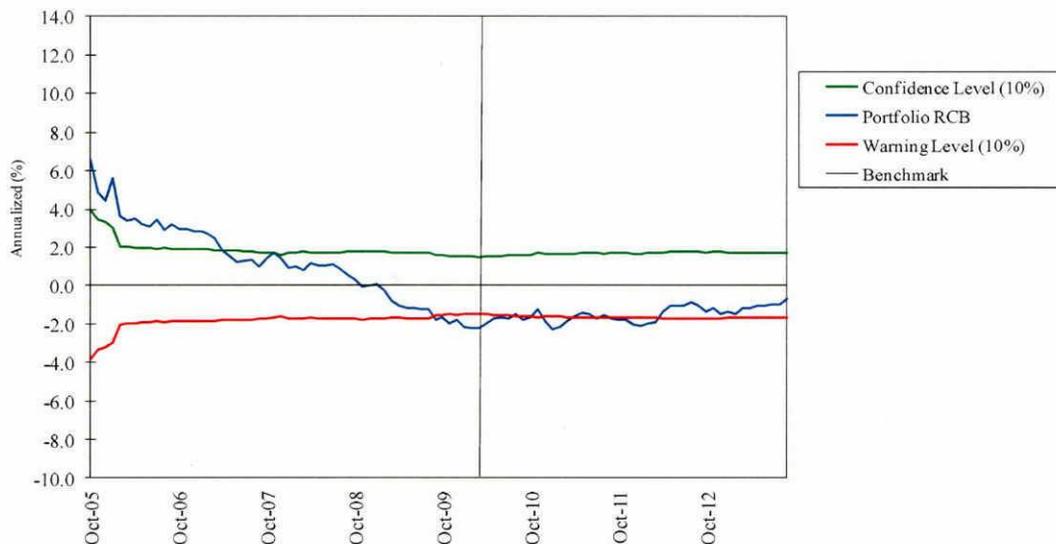
**Quantitative Evaluation**

	<b>Actual</b>	<b>R1000 Growth</b>
Last Quarter	8.2%	8.1%
Last 1 year	18.7	19.3
Last 2 years	24.3	24.1
Last 3 years	17.1	16.9
Last 4 years	16.4	15.9
Last 5 years	11.3	12.1
Since Inception (1/05)	6.1	7.0

**Recommendation**

No action required.

INTECH INVESTMENT MANAGEMENT LLC  
 Rolling Five Year Returns Compared to Benchmark



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

# JACOBS LEVY EQUITY MANAGEMENT, INC.

Periods Ending September, 2013

Portfolio Manager: Bruce Jacobs and Ken Levy

Assets Under Management: \$542,744,614

## Investment Philosophy

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

## Staff Comments

Staff has no concerns with Jacobs Levy at this time.

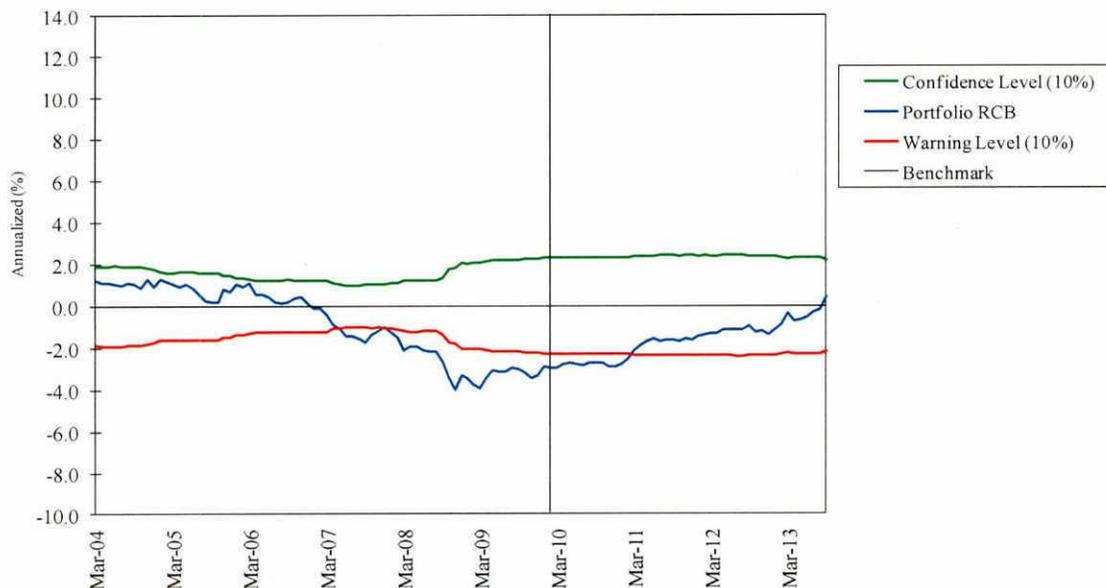
## Quantitative Evaluation

	Actual	R1000 Growth
Last Quarter	9.3%	8.1%
Last 1 year	20.8	19.3
Last 2 years	23.9	24.1
Last 3 years	18.4	16.9
Last 4 years	17.2	15.9
Last 5 years	12.6	12.1
Since Inception (1/05)	5.7	7.0

## Recommendation

No action required.

JACOBS LEVY EQUITY MANAGEMENT  
Rolling Five Year Returns Compared to Benchmark



Five Year Period Ending

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

**KNELMAN ASSET MANAGEMENT GROUP, LLC**  
**Periods Ending September, 2013**

**Portfolio Manager: Kip Knelman**

**Assets Under Management: \$82,368,033**

**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**

Knelman has had organizational changes which have significantly impacted the investment team. Staff will continue to monitor and provide updates as necessary.

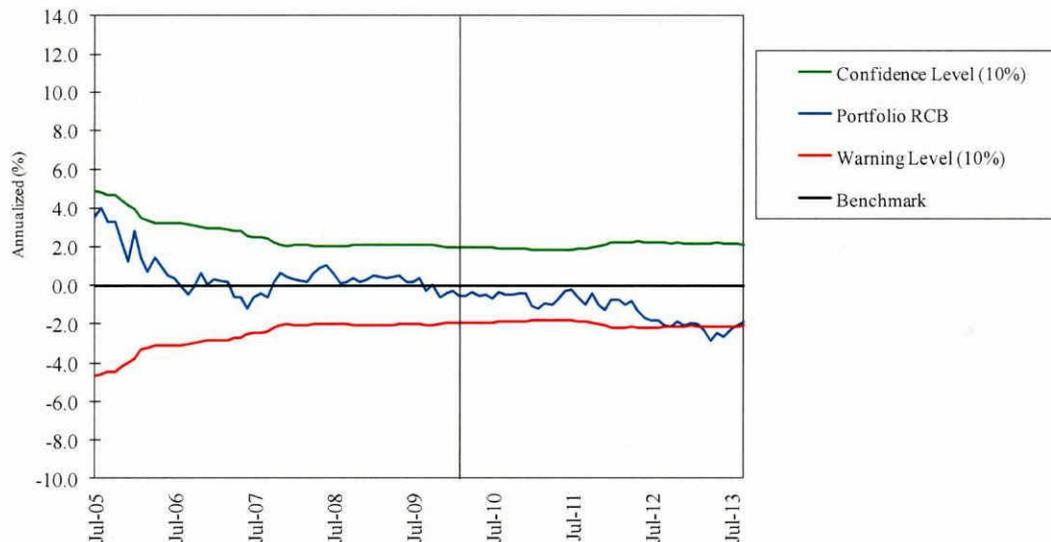
**Quantitative Evaluation**

	<b>Actual</b>	<b>R1000 Growth</b>
Last Quarter	8.1%	8.1%
Last 1 year	15.1	19.3
Last 2 years	21.2	24.1
Last 3 years	14.3	16.9
Last 4 years	13.3	15.9
Last 5 years	10.0	12.1
Since Inception (1/05)	5.8	7.0

**Recommendation**

No action required.

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



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

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

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

**Assets Under Management: \$579,831,395**

**Investment Philosophy**

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

**Staff Comments**

Staff has no concerns with Sands at this time.

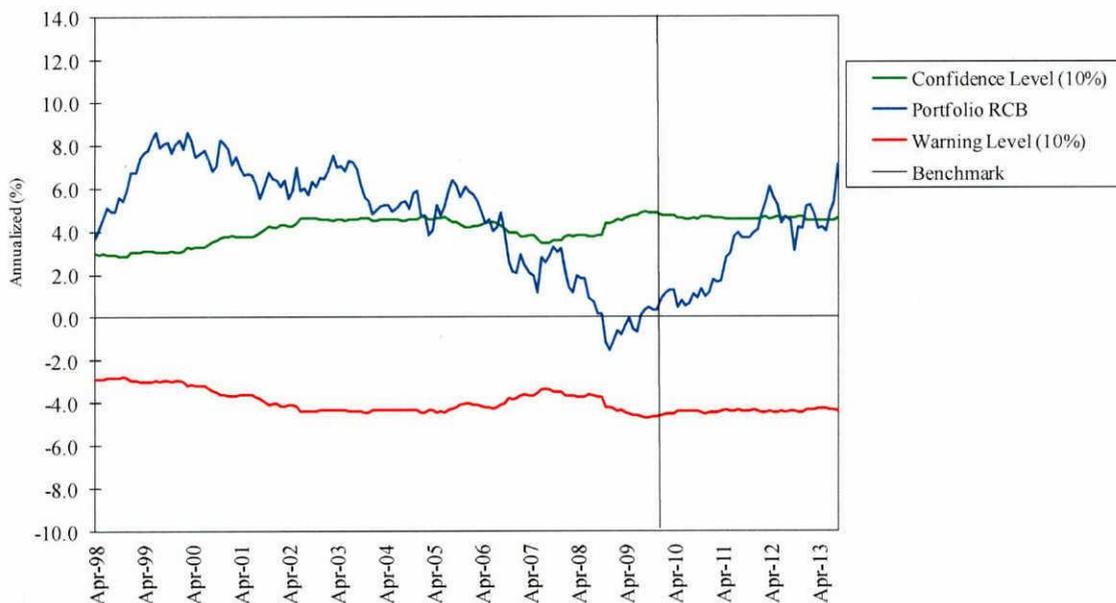
**Quantitative Evaluation**

	<b>Actual</b>	<b>R1000 Growth</b>
Last Quarter	18.9%	8.1%
Last 1 year	28.5	19.3
Last 2 years	32.2	24.1
Last 3 years	24.1	16.9
Last 4 years	23.4	15.9
Last 5 years	20.0	12.1
Since Inception (1/05)	10.1	7.0

**Recommendation**

No action required.

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



Five Year Period Ending

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

**WINSLOW CAPITAL MANAGEMENT, LLC**  
**Periods Ending September, 2013**

**Portfolio Manager: Justin Kelly and Patrick Burton**

**Assets Under Management: \$248,922,021**

**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**

Staff has no concerns with Winslow at this time.

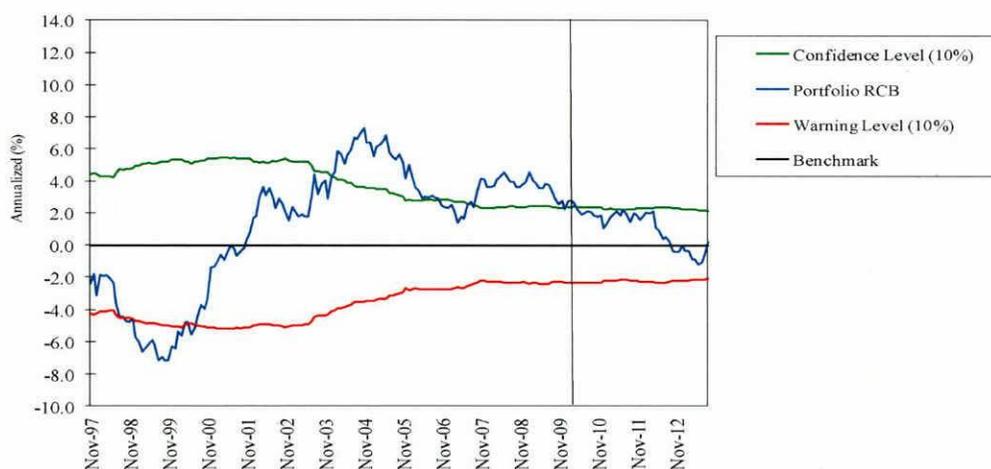
**Quantitative Evaluation**

	<b>Actual</b>	<b>R1000 Growth</b>
Last Quarter	11.1%	8.1%
Last 1 year	21.9	19.3
Last 2 years	24.0	24.1
Last 3 years	16.2	16.9
Last 4 years	15.5	15.9
Last 5 years	12.2	12.1
Since Inception (1/05)	8.5	7.0

**Recommendation**

No action required.

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



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

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

**Portfolio Manager: Nancy Zevenbergen**

**Assets Under Management: \$553,772,356**

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

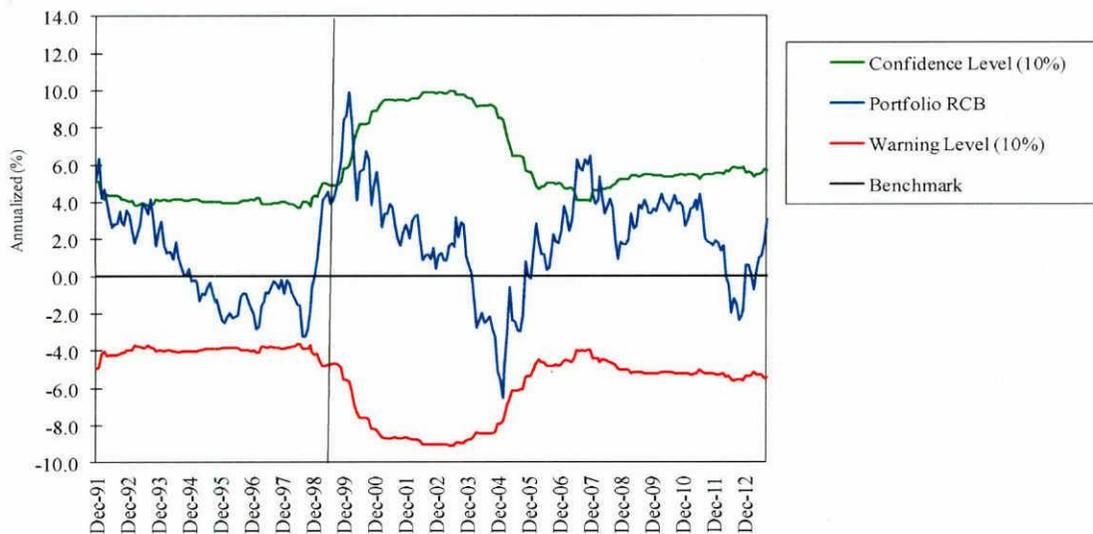
**Quantitative Evaluation**

	<b>Actual</b>	<b>R1000 Growth</b>
Last Quarter	22.9%	8.1%
Last 1 year	50.7	19.3
Last 2 years	32.6	24.1
Last 3 years	18.4	16.9
Last 4 years	18.5	15.9
Last 5 years	15.5	12.1
Since Inception (4/94)	10.4	8.4

**Recommendation**

No action required.

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



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

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

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A-22

## Large Cap Value (R1000 Value)

### Table of Contents

	Page
Barrow, Hanley, Mewhinney & Strauss, Inc.	A-24
Earnest Partners, LLC	A-25
LSV Asset Management	A-26
Systematic Financial Management, L.P.	A-27

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

**Portfolio Manager: Tim Culler**

**Assets Under Management: \$670,221,149**

**Investment Philosophy**

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

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

**Staff Comments**

Staff has no concerns with Barrow Hanley at this time.

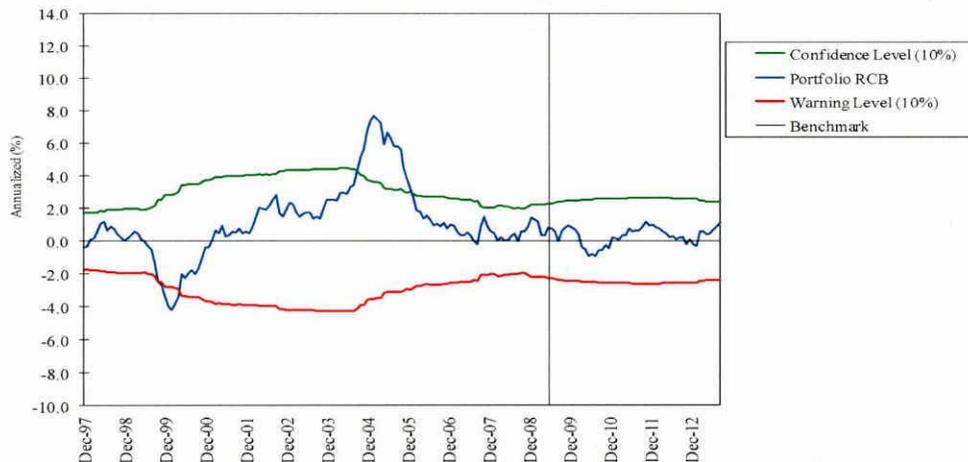
**Quantitative Evaluation**

	<b>Actual</b>	<b>R1000 Value</b>
Last Quarter	4.8%	3.9%
Last 1 year	24.9	22.3
Last 2 years	26.7	26.5
Last 3 years	16.4	16.2
Last 4 years	14.9	14.4
Last 5 years	10.1	8.9
Since Inception (4/04)	7.0	6.6

**Recommendation**

No action required.

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



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

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

**Portfolio Manager: Paul Viera**

**Assets Under Management: \$450,260,651**

**Investment Philosophy**

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

**Staff Comments**

Earnest has been consistent with their investment process and the organization has remained stable.

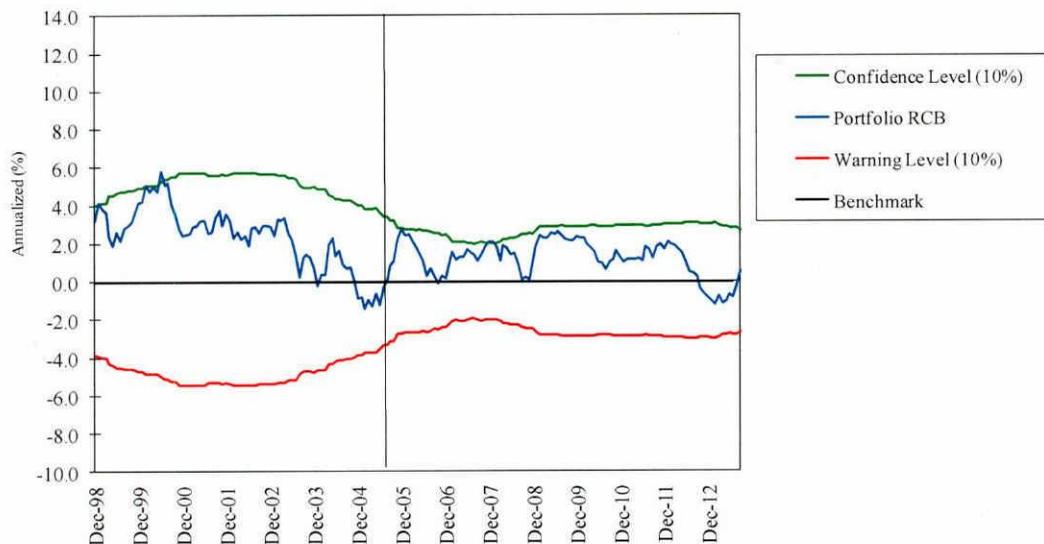
**Quantitative Evaluation**

	<b>Actual</b>	<b>R1000 Value</b>
Last Quarter	4.7%	3.9%
Last 1 year	19.4	22.3
Last 2 years	21.8	26.5
Last 3 years	12.7	16.2
Last 4 years	12.0	14.4
Last 5 years	9.5	8.9
Since Inception (7/00)	5.3	6.1

**Recommendation**

No action required.

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



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

**LSV ASSET MANAGEMENT**  
**Periods Ending September, 2013**

**Portfolio Manager: Josef Lakonishok**

**Assets Under Management: \$661,968,848**

**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**

Staff has no concerns with LSV at this time.

**Quantitative Evaluation**

	<b>Actual</b>	<b>R1000 Value</b>
Last Quarter	5.8%	3.9%
Last 1 year	31.2	22.3
Last 2 years	32.2	26.5
Last 3 years	18.2	16.2
Last 4 years	15.8	14.4
Last 5 years	10.3	8.9
Since Inception (4/04)	7.9	6.6

**Recommendation**

No action required.



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

# SYSTEMATIC FINANCIAL MANAGEMENT, L.P.

Periods Ending September, 2013

**Portfolio Manager: Kevin McCreesh**

**Assets Under Management: \$635,721,266**

## Investment Philosophy

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

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

## Staff Comments

Staff has no concerns with Systematic at this time.

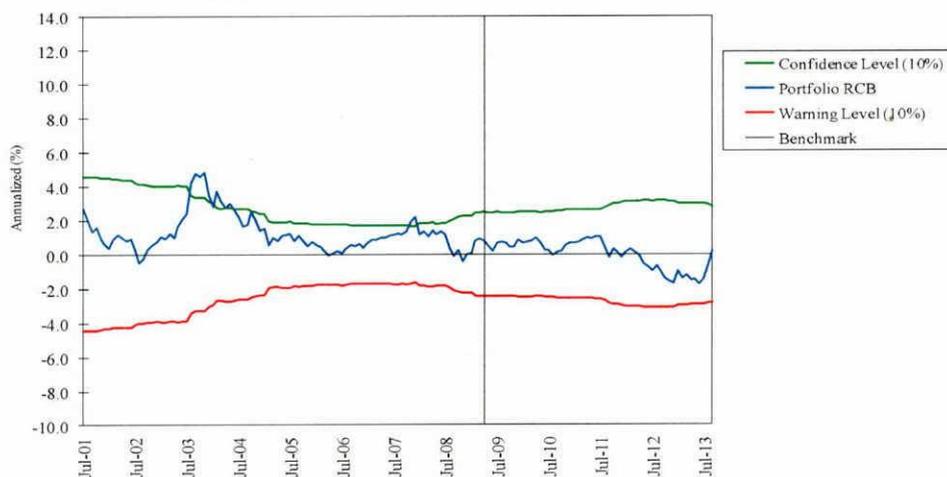
## Quantitative Evaluation

	Actual	R1000 Value
Last Quarter	7.3%	3.9%
Last 1 year	24.4	22.3
Last 2 years	28.3	26.5
Last 3 years	15.4	16.2
Last 4 years	14.0	14.4
Last 5 years	9.1	8.9
Since Inception (4/04)	6.7	6.6

## Recommendation

No action required.

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



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

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

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A-30

## Small Cap Growth (R2000 Growth)

### Table of Contents

	<b>Page</b>
McKinley Capital Management, LLC	A-32
Next Century Growth Investors, LLC	A-33
Turner Investment Partners, L.P.	A-34

**MCKINLEY CAPITAL MANAGEMENT, LLC.**  
**Periods Ending September, 2013**

**Portfolio Manager: Robert A. Gillam**

**Assets Under Management: \$345,649,943**

**Investment Philosophy**

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

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

**Staff Comments**

As McKinley continues their performance rebound, they have been consistent with their investment process and the organization has remained stable. Staff is monitoring the portfolio closely.

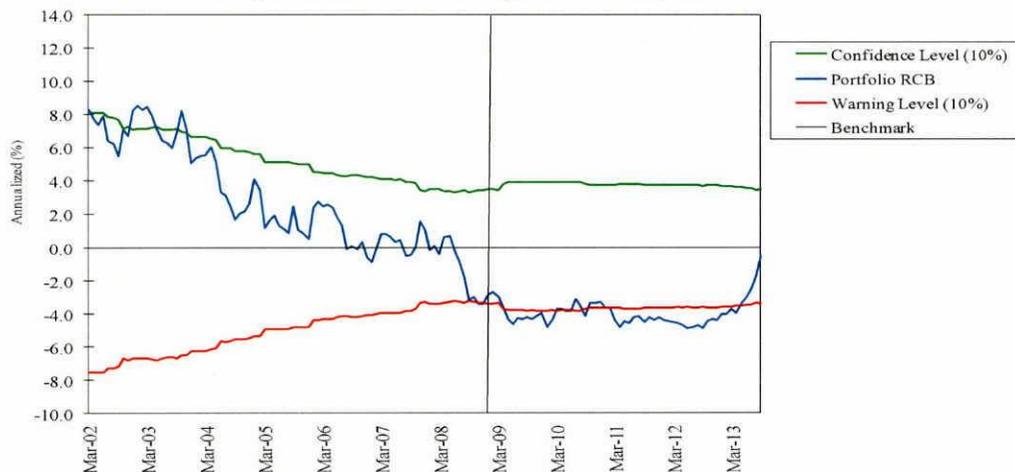
**Quantitative Evaluation**

	<b>Actual</b>	<b>R2000 Growth</b>
Last Quarter	17.5%	12.8%
Last 1 year	43.3	33.1
Last 2 years	38.7	32.1
Last 3 years	22.8	20.0
Last 4 years	20.9	18.6
Last 5 years	12.6	13.2
Since Inception (1/04)	7.0	8.8

**Recommendation**

No action required.

MCKINLEY CAPITAL MANAGEMENT  
 Rolling Five Year Returns Compared to Benchmark



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

**NEXT CENTURY GROWTH INVESTORS, LLC**  
**Periods Ending September, 2013**

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

**Assets Under Management: \$379,422,156**

**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**

Staff has no concerns with Next Century at this time.

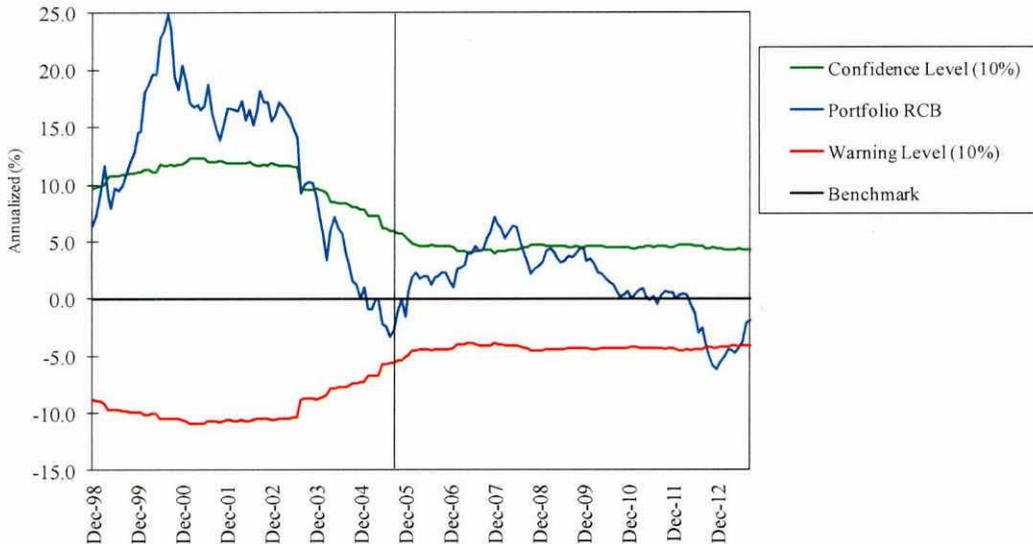
**Quantitative Evaluation**

	<b>Actual</b>	<b>R2000 Growth</b>
Last Quarter	16.2%	12.8%
Last 1 year	34.8	33.1
Last 2 years	30.3	32.1
Last 3 years	19.7	20.0
Last 4 years	18.5	18.6
Last 5 years	11.1	13.2
Since Inception (7/00)	3.3	3.8

**Recommendation**

No action required.

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



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

**TURNER INVESTMENT PARTNERS, L.P.**  
**Periods Ending September, 2013**

**Portfolio Manager: William McVail**

**Assets Under Management: \$393,106,193**

**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**

Staff has no concerns with Turner at this time.

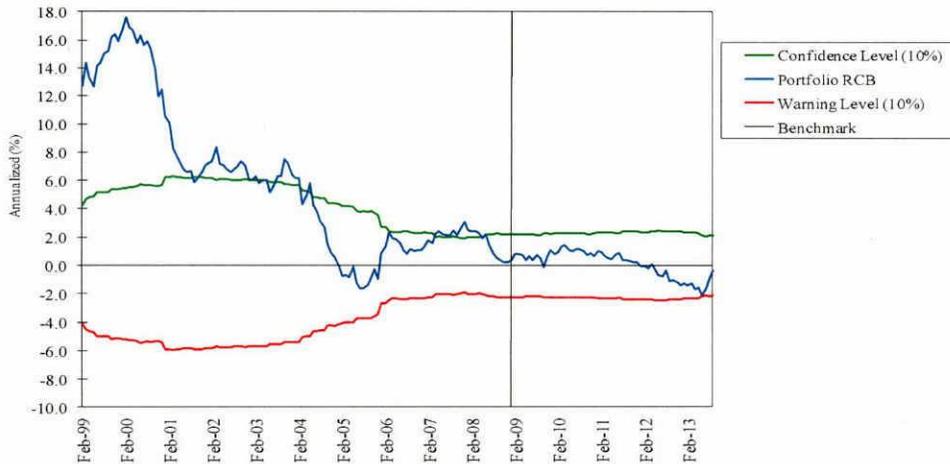
**Quantitative Evaluation**

	<b>Actual</b>	<b>R2000 Growth</b>
Last Quarter	16.6%	12.8%
Last 1 year	33.6	33.1
Last 2 years	31.7	32.1
Last 3 years	18.6	20.0
Last 4 years	17.8	18.6
Last 5 years	12.8	13.2
Since Inception (1/04)	8.8	8.8

**Recommendation**

No action required.

TURNER INVESTMENT PARTNERS, L.P.  
 Rolling Five Returns Compared to Benchmark



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

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

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A-36

## Small Cap Value (R2000 Value)

### Table of Contents

	<b>Page</b>
Goldman Sachs Asset Management, L.P.	A-38
Hotchkis & Wiley Capital Management	A-39
Martingale Asset Management, L.P.	A-40
Peregrine Capital Management	A-41

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

**Portfolio Manager: Sally Pope-Davis and Rob Crystal      Assets Under Management: \$232,647,600**

**Investment Philosophy**

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

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

**Staff Comments**

Staff has no concerns with Goldman at this time.

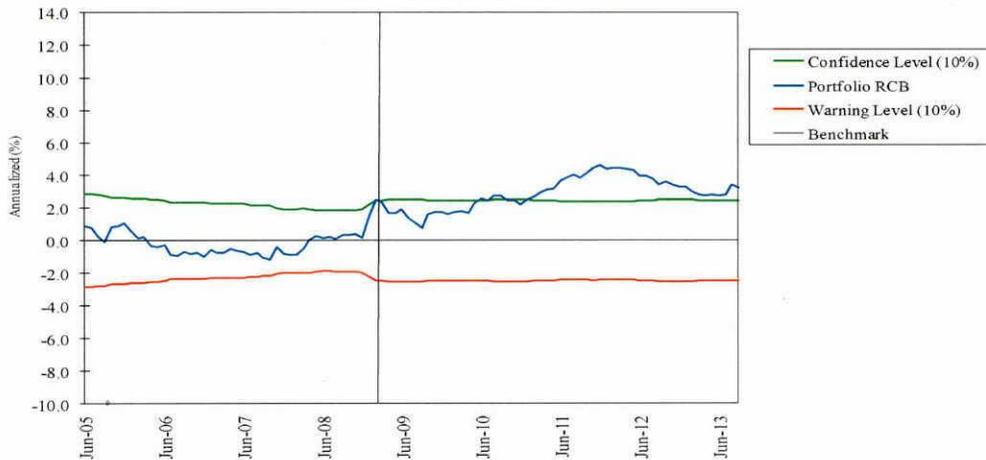
**Quantitative Evaluation**

	<b>Actual</b>	<b>R2000 Value</b>
Last Quarter	9.3%	7.6%
Last 1 year	30.0	27.0
Last 2 years	32.6	29.8
Last 3 years	20.0	16.6
Last 4 years	19.2	15.4
Last 5 years	12.7	9.1
Since Inception (1/04)	9.8	7.8

**Recommendation**

No action required.

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



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

**HOTCHKIS & WILEY CAPITAL MANAGEMENT**  
**Periods Ending September, 2013**

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

**Assets Under Management: \$204,883,597**

**Investment Philosophy**

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

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

**Staff Comments**

Staff has no concerns with Hotchkis at this time.

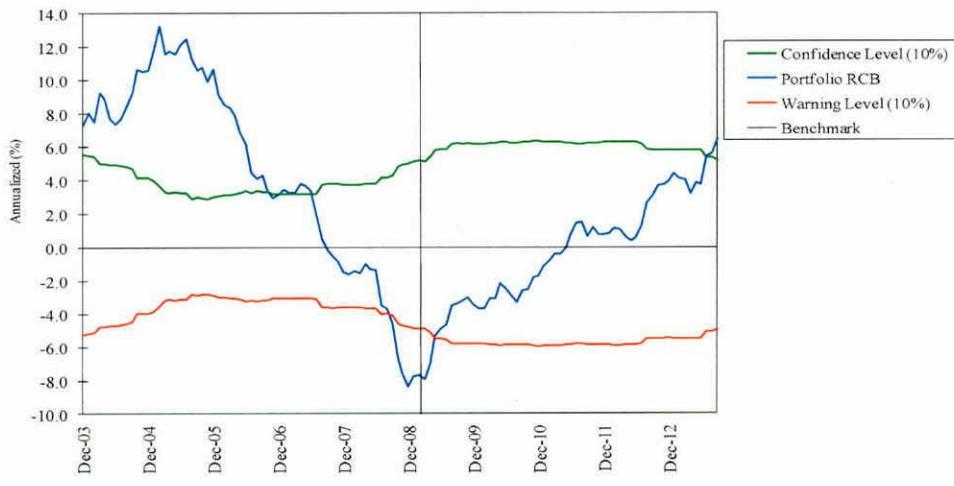
**Quantitative Evaluation**

	<b>Actual</b>	<b>R2000 Value</b>
Last Quarter	8.2%	7.6%
Last 1 year	36.3	27.0
Last 2 years	36.1	29.8
Last 3 years	20.8	16.6
Last 4 years	20.8	15.4
Last 5 years	16.2	9.1
Since Inception (1/04)	8.4	7.8

**Recommendation**

No action required.

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



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

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

**Portfolio Manager: William Jacques**

**Assets Under Management: \$182,263,437**

**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 has been consistent with their investment process and the organization has remained stable.

**Quantitative Evaluation**

	<b>Actual</b>	<b>R2000 Value</b>
Last Quarter	8.9%	7.6%
Last 1 year	34.1	27.0
Last 2 years	34.8	29.8
Last 3 years	19.2	16.6
Last 4 years	17.4	15.4
Last 5 years	10.0	9.1
Since Inception (1/04)	7.1	7.8

**Recommendation**

No action required.

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



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

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

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

**Assets Under Management: \$312,473,736**

**Investment Philosophy**

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

**Staff Comments**

Staff has no concerns with Peregrine at this time.

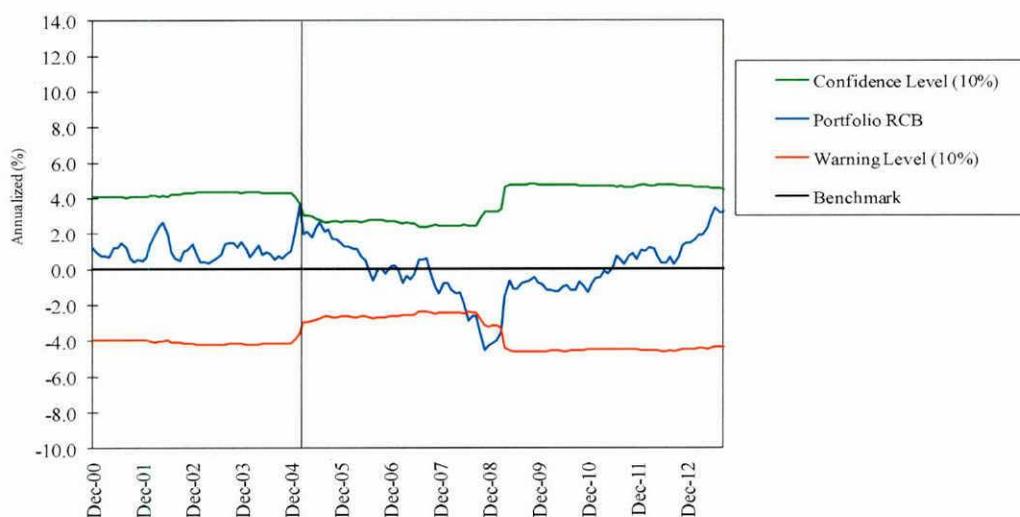
**Quantitative Evaluation**

	<b>Actual</b>	<b>R2000 Value</b>
Last Quarter	7.8%	7.6%
Last 1 year	31.2	27.0
Last 2 years	32.2	29.8
Last 3 years	18.5	16.6
Last 4 years	17.9	15.4
Last 5 years	12.7	9.1
Since Inception (7/00)	11.0	10.1

**Recommendation**

No action required.

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



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

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## **Semi-Passive and Passive**

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A-44

# **Semi-Passive and Passive**

## **Table of Contents**

	<b>Page</b>
<b>Semi-Passive</b>	
BlackRock Institutional Trust Co., N.A. (Russell 1000)	A-46
INTECH Investment Management LLC (Russell 1000)	A-47
J.P. Morgan Investment Management, Inc. (Russell 1000)	A-48
Mellon Capital Management Corporation (Russell 1000)	A-49
<b>Passive</b>	
BlackRock Institutional Trust Co., N.A. (Russell 3000)	A-50

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

**Portfolio Manager: Raffaele Savi**

**Assets Under Management: \$2,660,561,166**

**Investment Philosophy – Semi-Passive Style**

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

**Staff Comments**

Blackrock had significant organizational changes at the top level due to the merger with Barclays Global Investors, including numerous structural and personnel changes within the Client Services Division. However, the portfolio management team assigned to the SBI domestic equity portfolio has been stable since that time. Staff will continue to monitor and provide updates as necessary.

**Quantitative Evaluation**

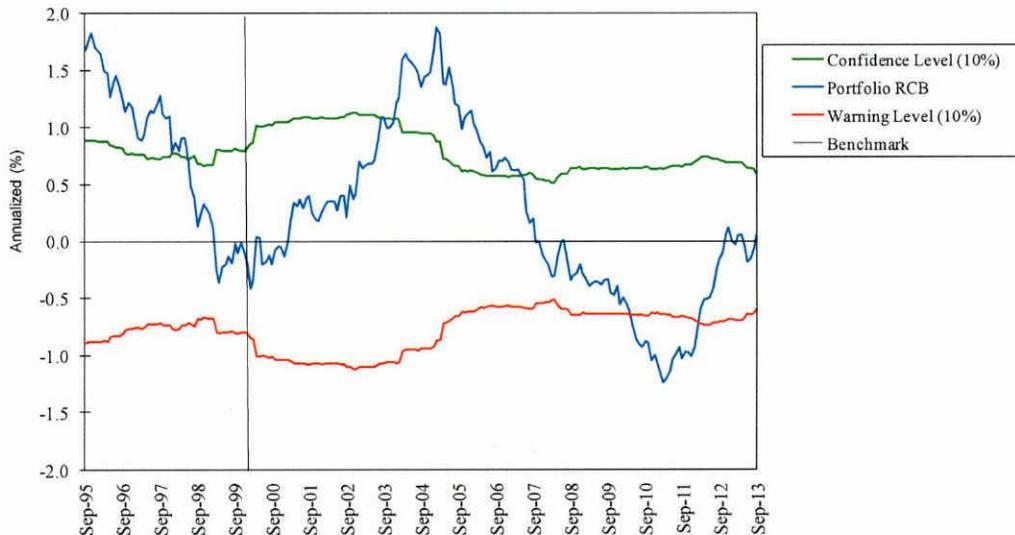
	<b>Actual</b>	<b>Manager Benchmark*</b>
Last Quarter	5.9%	6.0%
Last 1 year	21.4	20.9
Last 2 years	26.9	25.4
Last 3 years	17.5	16.6
Last 4 years	15.2	15.1
Last 5 years	10.6	10.5
Since Inception (1/95)	9.1	8.8

**Recommendation**

No action required.

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

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



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

**INTECH INVESTMENT MANAGEMENT LLC**  
**Periods Ending September, 2013**

**Portfolio Manager: Adrian Banner**

**Assets Under Management: \$2,194,108,006**

**Investment Philosophy – Semi-Passive Style**

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

**Staff Comments**

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

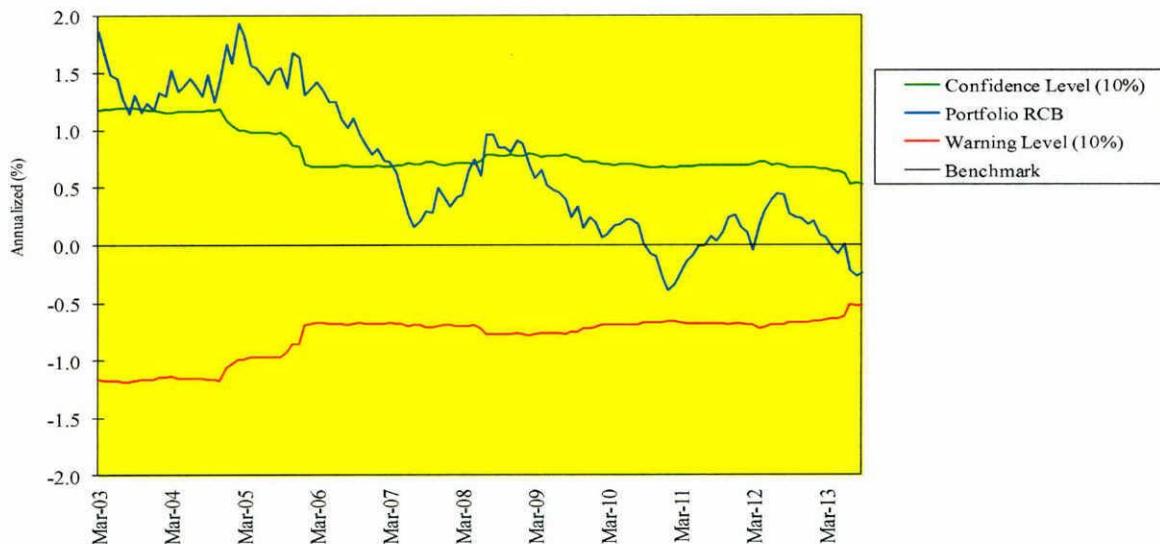
**Quantitative Evaluation**

	<b>Actual</b>	<b>Russell 1000</b>
Last Quarter	5.7%	6.0%
Last 1 year	20.1	20.9
Last 2 years	25.3	25.4
Last 3 years	16.7	16.6
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (4/10)	13.8	13.7

**Recommendation**

No action required.

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



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

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

**Portfolio Manager: Ralph Zingone and Scott Blasdell      Assets Under Management: \$3,221,730,953**

**Investment Philosophy – Semi-Passive Style**

**Staff Comments**

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

Staff has no concerns with JP Morgan at this time.

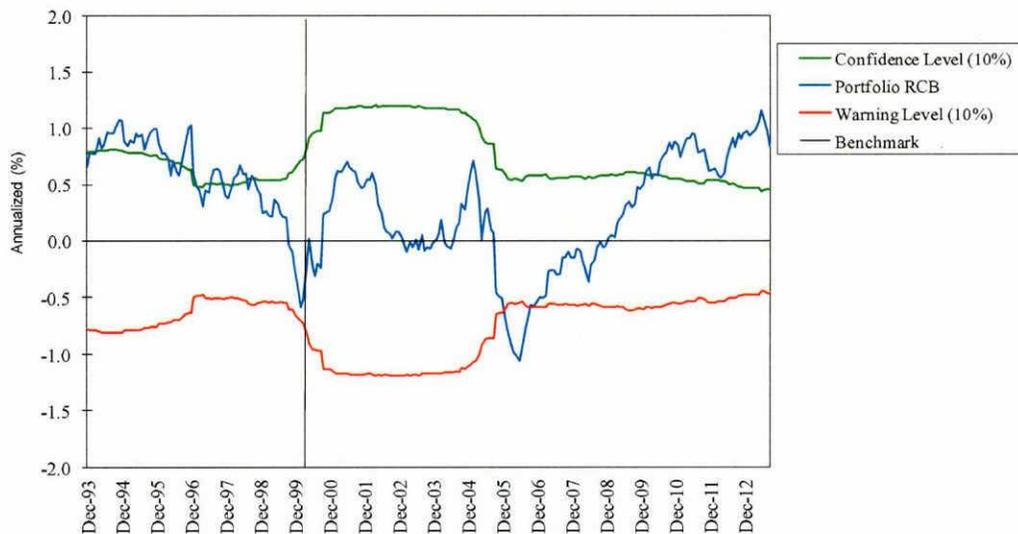
**Quantitative Evaluation**

**Recommendation**

	<b>Actual</b>	<b>Manager Benchmark*</b>	
Last Quarter	5.2%	6.0%	No action required.
Last 1 year	20.7	20.9	
Last 2 years	25.5	25.4	
Last 3 years	16.9	16.6	
Last 4 years	15.5	15.1	
Last 5 years	11.5	10.5	
Since Inception (1/95)	9.0	8.8	

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

JP MORGAN - SEMI-PASSIVE  
 Rolling Five Year Returns Compared to Benchmark



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

**MELLON CAPITAL MANAGEMENT CORPORATION**  
**Periods Ending September, 2013**

**Portfolio Manager: Warren Chiang**

**Assets Under Management: \$2,278,608,677**

**Investment Philosophy – Semi-Passive Style**

**Staff Comments**

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 has no concerns with Mellon at this time.

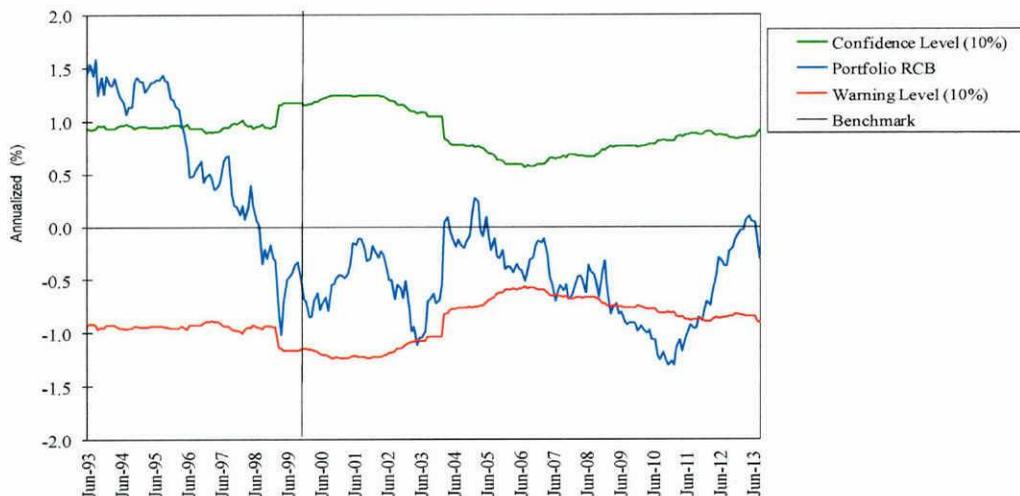
**Quantitative Evaluation**

**Recommendation**

	<b>Actual</b>	<b>Manager Benchmark*</b>	
Last Quarter	4.7%	6.0%	No action required.
Last 1 year	19.7	20.9	
Last 2 years	25.9	25.4	
Last 3 years	17.9	16.6	
Last 4 years	15.4	15.1	
Last 5 years	10.2	10.5	
Since Inception (1/95)	8.3	8.8	

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

MELLON CAPITAL MANAGEMENT- SEMI-PASSIVE  
 Rolling Five Year Returns Compared to Benchmark



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

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

**Portfolio Manager: Peter Sietsema**

**Assets Under Management: \$8,424,230,344**

**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**

Blackrock had significant organizational changes at the top level due to the merger with Barclays Global Investors, including numerous structural and personnel changes within the Client Services Division. However, the portfolio management team assigned to the SBI domestic equity portfolio has been stable since that time. Staff will continue to monitor and provide updates as necessary.

**Quantitative Evaluation**

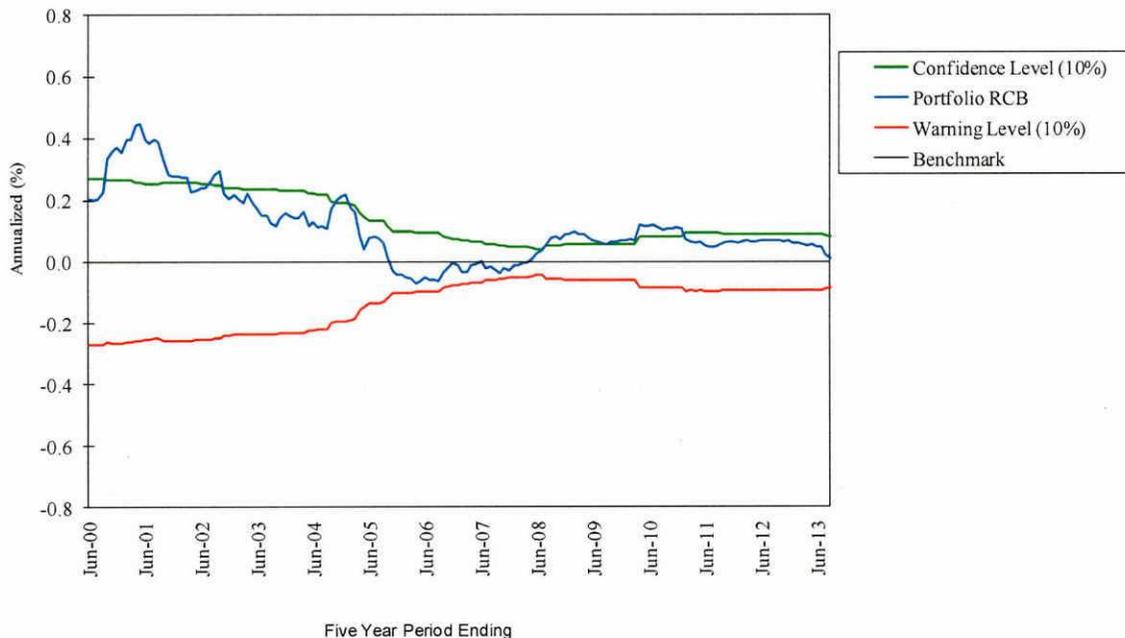
	<b>Actual</b>	<b>Manager Benchmark*</b>
Last Quarter	6.4%	6.3%
Last 1 year	21.6	21.6
Last 2 years	25.8	25.8
Last 3 years	16.7	16.8
Last 4 years	15.3	15.3
Last 5 years	10.6	10.6
Since Inception (7/95)	8.5	8.4

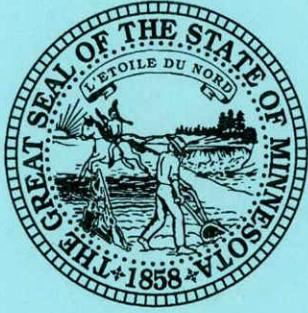
**Recommendation**

No action required.

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

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





# STATE BOARD OF INVESTMENT

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## Bond Manager Evaluation Reports

Third Quarter, 2013

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A-52

## **Bond Managers**

### **Table of Contents**

	<b>Page</b>
Bond Manager Performance Summary (quarter, 1, 3, 5, year periods)	A-54
Bond Manager Performance Summary (by calendar years)	A-55
Aberdeen Asset Management Inc.	A-56
Columbia Management Investment Advisers, LLC	A-57
Dodge & Cox	A-58
Pacific Investment Management Company LLC (PIMCO)	A-59
Western Asset Management Company	A-60
BlackRock Financial Management, Inc.	A-61
Goldman Sachs Asset Management	A-62
Neuberger Berman Fixed Income LLC	A-63

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

	Quarter		1 Year		3 Years		5 Years		Since (1) Inception		Market Value (in millions)	Pool %
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %		
<b>Active Managers</b>												
Aberdeen	0.5	0.6	-0.9	-1.7	4.3	2.9	6.3	5.4	5.8	5.8	\$917.3	7.5%
Columbia (RiverSource)	0.7	0.6	-0.8	-1.7	4.3	2.9	6.5	5.4	5.8	5.8	\$1,093.4	9.0%
Dodge & Cox	0.9	0.6	1.0	-1.7	4.4	2.9	7.9	5.4	6.9	5.8	\$1,277.8	10.5%
PIMCO	0.8	0.6	0.3	-1.7	4.1	2.9	8.0	5.4	8.0	5.4	\$1,390.5	11.4%
Western	0.7	0.6	-0.8	-1.7	4.1	2.9	7.8	5.4	9.1	8.0	\$1,417.0	11.6%
<b>Active Mgr. Aggregate</b>	<b>0.7</b>	<b>0.6</b>	<b>-0.2</b>	<b>-1.7</b>	<b>4.3</b>	<b>2.9</b>	<b>7.3</b>	<b>5.4</b>			<b>\$6,095.9</b>	<b>50.0%</b>
<b>Semi-Passive Managers</b>												
BlackRock	0.8	0.6	-1.3	-1.7	3.3	2.9	5.8	5.4	5.9	5.9	\$1,716.2	14.1%
Goldman	0.7	0.6	-1.3	-1.7	3.5	2.9	6.4	5.4	6.2	5.8	\$2,200.1	18.0%
Neuberger	0.6	0.6	-1.6	-1.7	3.4	2.9	6.7	5.4	7.1	6.9	\$2,180.0	17.9%
<b>Semi-Passive Mgr. Aggregate</b>	<b>0.7</b>	<b>0.6</b>	<b>-1.4</b>	<b>-1.7</b>	<b>3.4</b>	<b>2.9</b>	<b>6.3</b>	<b>5.4</b>			<b>\$6,096.3</b>	<b>50.0%</b>
<b>Historical Aggregate (2)</b>	<b>0.7</b>	<b>0.6</b>	<b>-0.8</b>	<b>-1.7</b>	<b>3.8</b>	<b>2.9</b>	<b>6.9</b>	<b>5.4</b>	<b>8.2</b>	<b>8.0</b>	<b>\$12,192.2</b>	<b>100.0%</b>
Barclays Capital Aggregate (3)		0.6		-1.7		2.9		5.4		8.0		

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

(2) Includes performance of terminated managers.

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

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

	2012		2011		2010		2009		2008	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
<b>Active Managers</b>										
Aberdeen	7.7	4.2	8.0	7.8	10.7	6.5	18.4	5.9	-14.7	5.2
Columbia (RiverSource)	6.9	4.2	8.1	7.8	8.1	6.5	14.0	5.9	-4.9	5.2
Dodge & Cox	8.5	4.2	5.0	7.8	7.8	6.5	16.5	5.9	0.1	5.2
PIMCO	9.3	4.2	4.5	7.8	12.1	6.5	15.5	5.9		
Western	7.8	4.2	7.1	7.8	10.9	6.5	17.5	5.9	-6.8	5.2
<b>Active Mgr. Aggregate</b>	<b>8.1</b>	<b>4.2</b>	<b>6.4</b>	<b>7.8</b>	<b>10.0</b>	<b>6.5</b>	<b>16.5</b>	<b>5.9</b>	<b>-7.3</b>	<b>5.2</b>
<b>Semi-Passive Managers</b>										
BlackRock	5.0	4.2	8.0	7.8	6.5	6.5	9.6	5.9	-1.1	5.2
Goldman	5.4	4.2	8.3	7.8	8.0	6.5	12.0	5.9	-1.2	5.2
Neuberger	5.4	4.2	7.6	7.8	9.1	6.5	14.3	5.9	-1.9	5.2
<b>Semi-Passive Mgr. Aggregate</b>	<b>5.3</b>	<b>4.2</b>	<b>8.0</b>	<b>7.8</b>	<b>7.9</b>	<b>6.5</b>	<b>12.0</b>	<b>5.9</b>	<b>-1.4</b>	<b>5.2</b>
<b>Historical Aggregate</b>	<b>6.7</b>	<b>4.2</b>	<b>7.2</b>	<b>7.8</b>	<b>9.0</b>	<b>6.5</b>	<b>14.3</b>	<b>5.9</b>	<b>-4.2</b>	<b>5.2</b>
Barclays Capital Aggregate		4.2		7.8		6.5		5.9		5.2

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

**ABERDEEN ASSET MANAGEMENT INC.**  
**Periods Ending September, 2013**

**Portfolio Manager: Neil Moriarty**

**Assets Under Management: \$917,325,844**

**Investment Philosophy**

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

**Staff Comments**

Aberdeen completed an acquisition of Artio Global Investors, Inc. during the second quarter of 2013. Artio managed \$9.2 billion in global high-yield and total return fixed income assets and \$1.4 billion in global equities prior to the acquisition. The global high-yield and total return fixed income teams from Artio will remain separate from the core fixed income team in Philadelphia, PA. The acquisition should not impact the SBI portfolio. Staff has no additional organizational or performance issues to note.

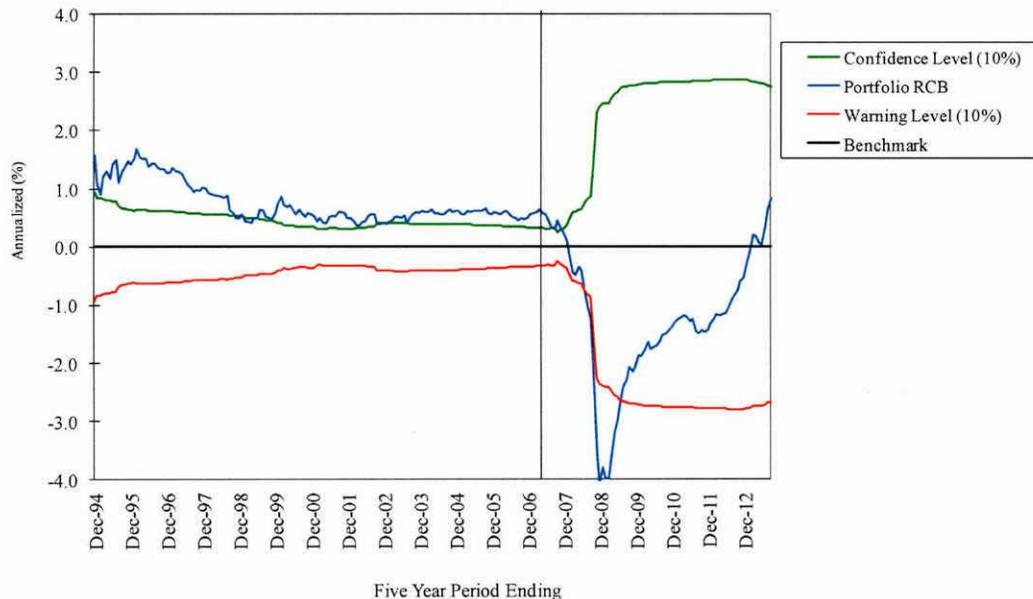
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	0.5%	0.6%
Last 1 year	-0.9	-1.7
Last 2 years	3.7	1.7
Last 3 years	4.3	2.9
Last 4 years	6.5	4.2
Last 5 years	6.3	5.4
Since Inception (2/00)	5.8	5.8

**Recommendations**

No action required.

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



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

**COLUMBIA MANAGEMENT INVESTMENT ADVISERS, LLC**  
**Periods Ending September, 2013**

**Portfolio Manager: Colin Lundgren**

**Assets Under Management: \$1,093,364,919**

**Investment Philosophy**

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

**Staff Comments**

Staff has no organizational or performance issues to note.

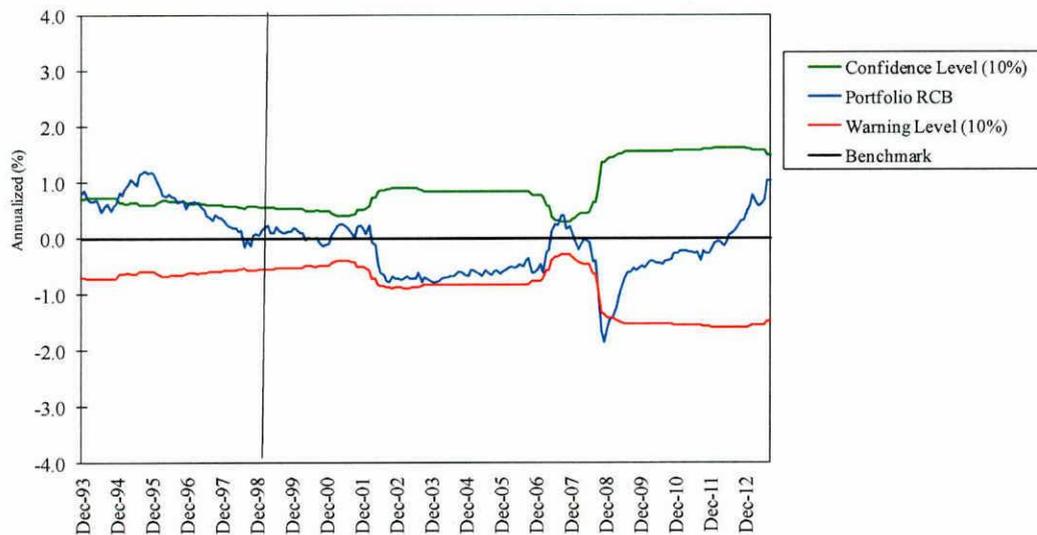
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	0.7%	0.6%
Last 1 year	-0.8	-1.7
Last 2 years	3.7	1.7
Last 3 years	4.3	2.9
Last 4 years	5.6	4.2
Last 5 years	6.5	5.4
Since Inception (7/93)	5.8	5.8

**Recommendations**

No action required.

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



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

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

**Portfolio Manager: Dana Emery**

**Assets Under Management: \$1,277,750,852**

**Investment Philosophy**

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

**Staff Comments**

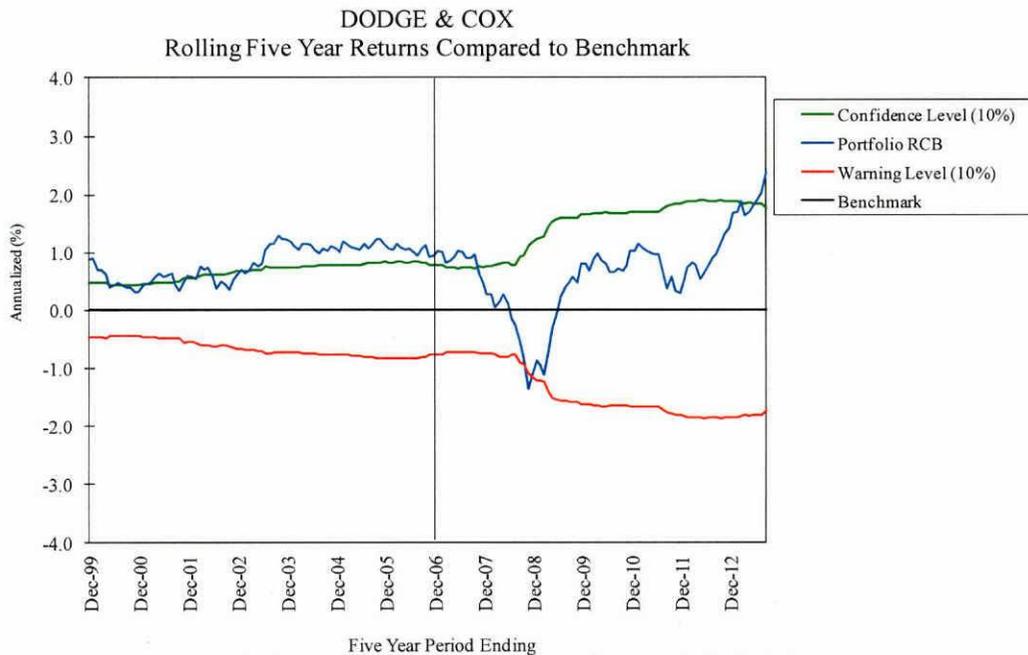
Kenneth Oliver, Chairman and Chief Executive Officer, assumed the role of Chairman Emeritus during the second quarter of 2013. Dana Emery assumed the role of Chief Executive Officer and President. Ms. Emery will continue in her role as Director of Fixed Income. Charles Pohl assumed the role of Chairman and CIO. The organizational change should not impact the SBI portfolio. Staff has no additional organizational or performance issues to note.

**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	0.9%	0.6%
Last 1 year	1.0	-1.7
Last 2 years	4.7	1.7
Last 3 years	4.4	2.9
Last 4 years	5.8	4.2
Last 5 years	7.9	5.4
Since Inception (2/00)	6.9	5.8

**Recommendations**

No action required.



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

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

**Portfolio Manager: Bill Gross**

**Assets Under Management: \$1,390,527,268**

**Investment Philosophy**

PIMCO's investment approach seeks to outperform a client's benchmark on a consistent basis, while maintaining overall risk similar to the index. PIMCO's approach to investing has three key principles: the utilization of multiple strategies, a long-term orientation and bond selection from a broad universe. PIMCO's investment process starts with an annual Secular Forum. The goal of this Forum is to look beyond the current business cycle and determine how secular forces will play out over the next 3 to 5 years. Quarterly, PIMCO holds Economic Forums to evaluate growth and inflation over the next 6 to 9 months. Following PIMCO's Secular and Economic Forums, the PIMCO Investment Committee (IC) develops key portfolio strategies. They consider both the "top-down" conclusions emanating from PIMCO's Forum, as well as the "bottom-up" market intelligence provided by PIMCO's teams of sector specialist portfolio managers. Through an interactive series of meetings, the IC defines a set of consistent strategies that are then implemented. PIMCO was retained by the SBI in September 2008.

**Staff Comments**

Staff has no organizational or performance issues to note.

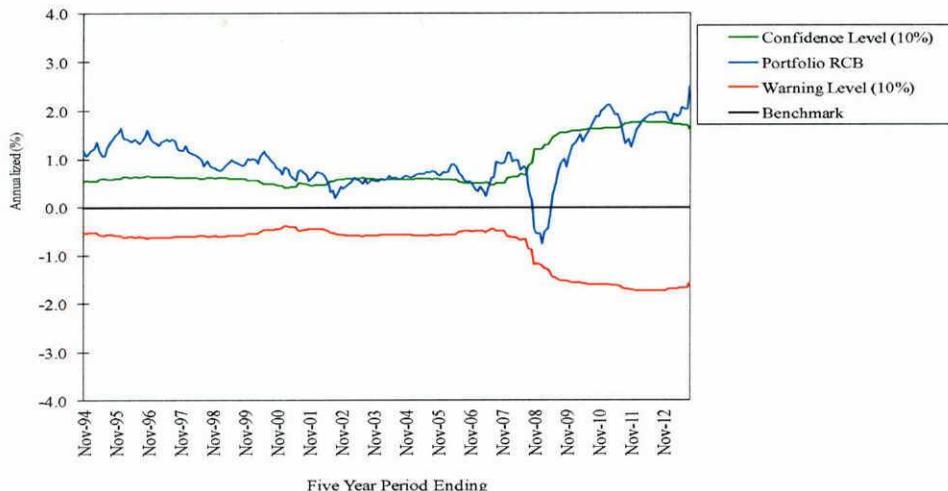
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	0.8%	0.6%
Last 1 year	0.3	-1.7
Last 2 years	4.7	1.7
Last 3 years	4.1	2.9
Last 4 years	6.5	4.2
Last 5 years	8.0	5.4
Since Inception (9/08)	8.0	5.4

**Recommendations**

No action required.

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



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

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

**Portfolio Manager: Steve Walsh**

**Assets Under Management: \$1,416,965,634**

**Investment Philosophy**

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

**Staff Comments**

Steve Walsh, CIO, will retire in March 2014. Ken Leech will become CIO at that time. Mr. Leech previously served as Western's co-CIO from 1998 to 2008 with Mr. Walsh. Paul Jablansky, Head of Structured Credit, left the firm during the 2<sup>nd</sup> quarter of 2013. Deborah Slogoff, Head of CMBS, left the firm during the 3<sup>rd</sup> quarter. Steve Fulton, Head of Agency MBS, retired at the end of the 3<sup>rd</sup> quarter. Anup Agarwal was hired as Head of Structured Credit during the 3<sup>rd</sup> quarter and also assumed leadership of the Agency MBS and CMBS teams. Staff will continue to monitor the personnel changes within the Structured Credit area and their impact to the SBI portfolio. Staff has no additional organizational or performance issues to note.

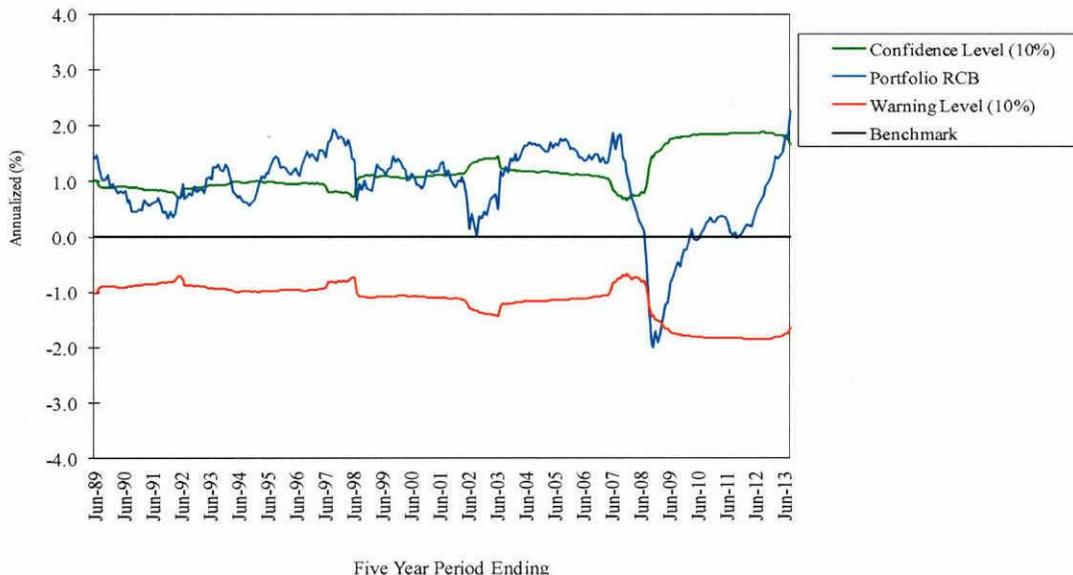
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	0.7%	0.6%
Last 1 year	-0.8	-1.7
Last 2 years	3.7	1.7
Last 3 years	4.1	2.9
Last 4 years	6.4	4.2
Last 5 years	7.8	5.4
Since Inception (7/84)	9.1	8.0

**Recommendations**

No action required.

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



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

**Portfolio Manager: Brian Weinstein**

**Assets Under Management: \$1,716,190,728**

**Investment Philosophy**

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

**Staff Comments**

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

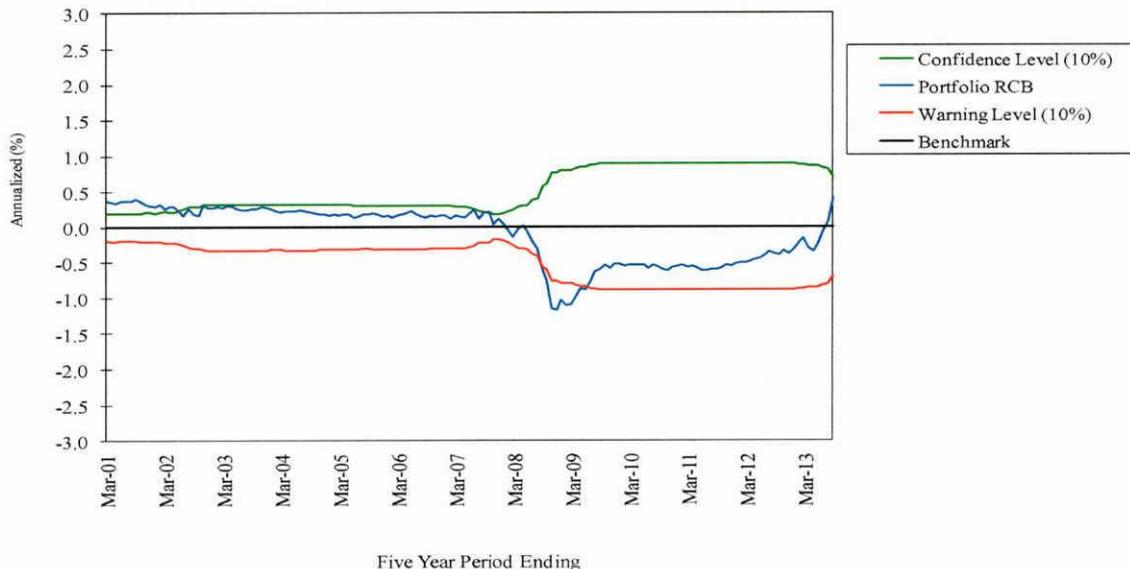
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	0.8%	0.6%
Last 1 year	-1.3	-1.7
Last 2 years	2.3	1.7
Last 3 years	3.3	2.9
Last 4 years	4.6	4.2
Last 5 years	5.8	5.4
Since Inception (4/96)	5.9	5.9

**Recommendation**

No action required.

**BLACKROCK, INC.**  
**Rolling Five Year Returns Compared to Benchmark**



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

**Portfolio Manager: Mike Goosay**

**Assets Under Management: \$2,200,107,173**

**Investment Philosophy**

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

**Staff Comments**

Goldman Sachs announced during the third quarter that it had agreed to buy Deutsche Bank's stable value business. The purchase is the second acquisition made by Goldman Sachs in the past year as part of an effort to expand its defined contribution business. The acquisition should not impact the SBI portfolio. Staff has no organizational or performance issues to note.

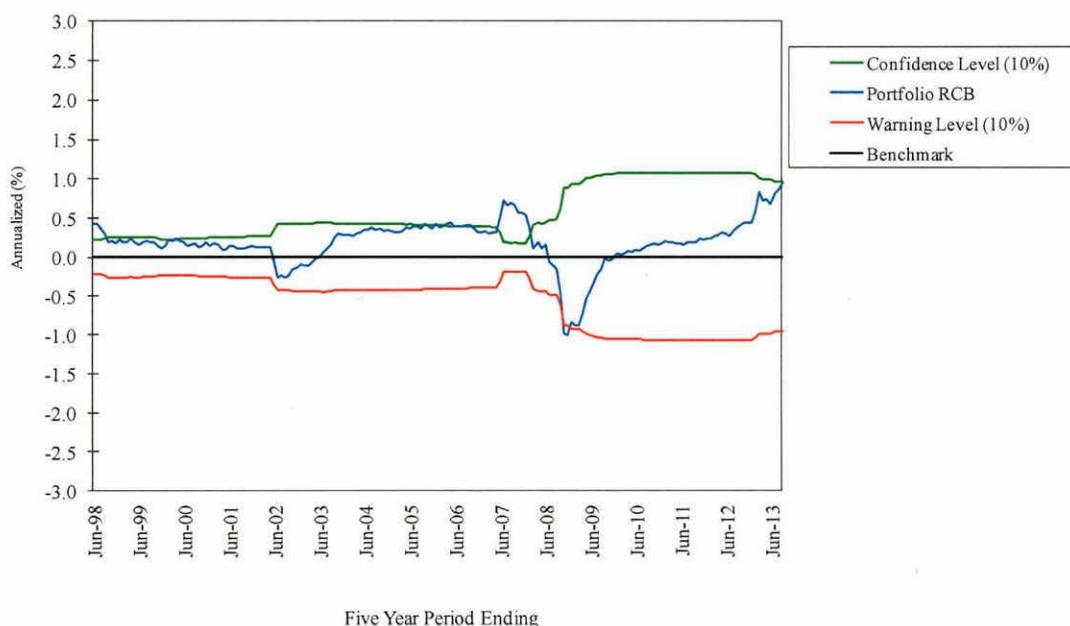
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	0.7%	0.6%
Last 1 year	-1.3	-1.7
Last 2 years	2.4	1.7
Last 3 years	3.5	2.9
Last 4 years	5.2	4.2
Last 5 years	6.4	5.4
Since Inception (7/93)	6.2	5.8

**Recommendations**

No action required.

**GOLDMAN SACHS ASSET MANAGEMENT**  
**Rolling Five Year Returns Compared to Benchmark**



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

**Portfolio Manager: Andrew Johnson**

**Assets Under Management: \$2,179,989,237**

**Investment Philosophy**

Neuberger (formerly Lincoln) manages an enhanced index portfolio closely tracking the Barclays Capital U.S. Aggregate Bond Index. Neuberger's process relies on a combination of quantitative tools and active management judgment. Explicit quantification and control of risks are at the heart of their process. Neuberger uses proprietary risk exposure measures to analyze 24 interest rate factors, and over 30 spread-related factors. For each interest rate factor, the portfolio is very closely matched to the index to ensure that the portfolio earns the same return as the index for any change in interest rates. For each spread factor, the portfolio can deviate slightly from the index as a means of seeking value-added. Setting target active risk exposures that must fall within pre-established maximums controls risk. To control credit risk, corporate holdings are diversified across a large number of issues. Neuberger was retained by the SBI in July 1988.

**Staff Comments**

Neuberger significantly expanded its emerging markets debt team during the second quarter of 2013 by hiring 22 investment professionals, 19 of whom joined the firm from a competitor. The firm also hired Jon Jonsson for the newly created role of Senior Portfolio Manager of Global Fixed Income. Neither the expansion of the emerging markets debt team nor the hiring of Mr. Jonsson should impact the SBI portfolio. Staff has no additional organizational or performance issues to note.

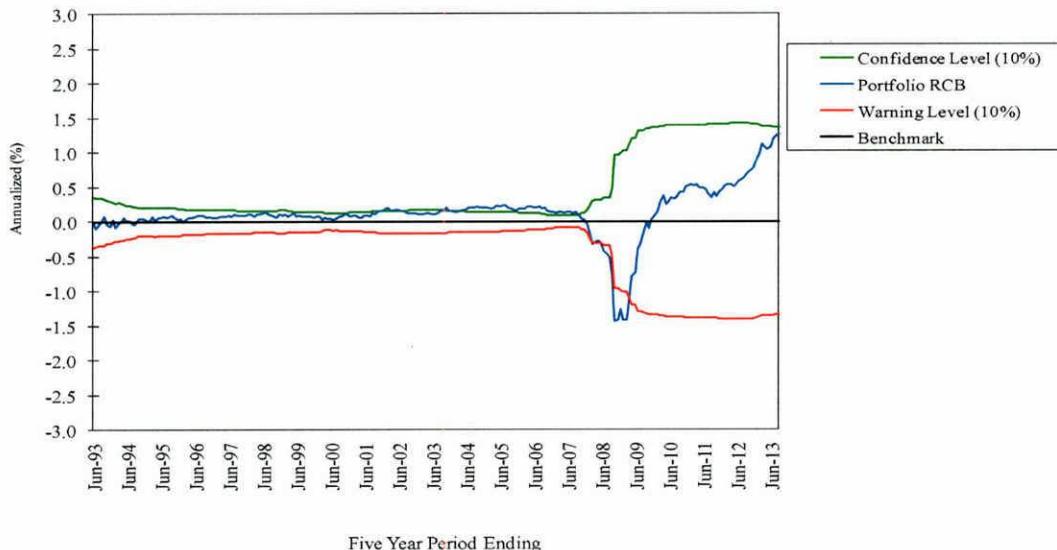
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	0.6%	0.6%
Last 1 year	-1.6	-1.7
Last 2 years	2.4	1.7
Last 3 years	3.4	2.9
Last 4 years	5.3	4.2
Last 5 years	6.7	5.4
Since Inception (7/88)	7.1	6.9

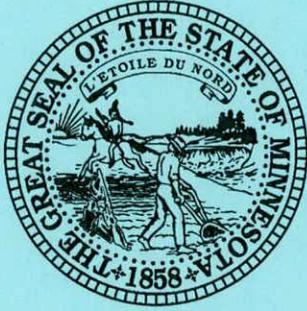
**Recommendations**

No action required.

NEUBERGER BERMAN  
 Rolling Five Year Returns Compared to Benchmark



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# STATE BOARD OF INVESTMENT

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## International Manager Evaluation Reports

Third Quarter, 2013

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A-66

# International Managers

## Table of Contents

	<b>Page</b>
International Manager Performance Summary (quarter, 1, 3, 5, year periods)	A-68
International Manager Performance Summary (by calendar years)	A-69
Acadian Asset Management, LLC	A-70
Columbia Management Investment Advisers, LLC	A-71
J.P. Morgan Investment Management Inc.	A-72
Marathon Asset Management LLP	A-73
McKinley Capital Management LLC	A-74
Pyramis Global Advisors Trust Company – Active	A-75
Capital International, Inc.	A-76
Morgan Stanley Investment Management Inc.	A-77
AQR Capital Management, LLC	A-78
Pyramis Global Advisors Trust Company – Semi-Passive	A-79
State Street Global Advisors – Semi-Passive	A-80
State Street Global Advisors – Passive Emerging Markets	A-81
State Street Global Advisors – Passive Developed Markets	A-82

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

	Quarter		1 Year		3 Years		5 Years		Since (1) Inception		Market Value (in millions)	Pool %
	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk		
	%	%	%	%	%	%	%	%	%	%		
<b>Active Developed Markets (2)</b>												
Acadian	9.6	11.3	23.6	21.4	9.1	7.9	5.5	6.1	5.3	5.6	\$341.3	4.0%
Columbia	10.5	11.3	21.5	21.4	10.1	7.9	8.1	6.1	2.1	3.2	\$338.0	3.9%
J.P. Morgan	11.3	11.3	21.8	21.4	8.9	7.9	7.5	6.1	5.8	5.6	\$291.7	3.4%
Marathon	10.2	11.3	25.7	21.4	11.0	7.9	9.5	6.1	8.8	5.4	\$702.3	8.2%
McKinley	9.4	11.3	24.0	21.4	8.8	7.9	5.2	6.1	4.9	5.6	\$283.8	3.3%
Pyramis (Fidelity)	10.6	11.3	25.8	21.4	10.9	7.9	8.4	6.1	7.6	5.6	\$339.4	3.9%
<b>Aggregate</b>	<b>10.2</b>	<b>11.3</b>	<b>23.8</b>	<b>21.4</b>	<b>9.6</b>	<b>7.9</b>	<b>7.6</b>	<b>6.1</b>			<b>\$2,296.6</b>	<b>26.7%</b>
<b>Active Emerging Markets (3)</b>												
Capital International	6.9	5.8	3.2	1.0	-3.4	-0.3	7.1	7.2	9.6	10.7	\$725.4	8.4%
Morgan Stanley	3.5	5.8	3.2	1.0	1.4	-0.3	8.1	7.2	11.2	10.7	\$782.6	9.1%
<b>Aggregate</b>	<b>5.1</b>	<b>5.8</b>	<b>3.2</b>	<b>1.0</b>	<b>-1.1</b>	<b>-0.3</b>	<b>7.1</b>	<b>7.2</b>			<b>\$1,507.9</b>	<b>17.5%</b>
<b>Semi-Passive Developed Markets (2)</b>												
AQR	10.7	11.3	26.5	21.4	9.3	7.9	8.0	6.1	6.2	5.6	\$328.5	3.8%
Pyramis (Fidelity)	11.0	11.3	22.2	21.4	9.2	7.9	6.4	6.1	6.6	5.6	\$487.7	5.7%
State Street	11.7	11.3	25.8	21.4	7.3	7.9	5.8	6.1	5.0	5.6	\$296.7	3.5%
<b>Aggregate</b>	<b>11.1</b>	<b>11.3</b>	<b>24.4</b>	<b>21.4</b>	<b>8.7</b>	<b>7.9</b>	<b>6.8</b>	<b>6.1</b>			<b>\$1,112.9</b>	<b>12.9%</b>
<b>Passive Developed Markets (2)</b>												
State Street	11.3	11.3	21.8	21.4	8.2	7.9	6.4	6.1	6.7	6.4	\$3,387.0	39.4%
<b>Passive Emerging Markets (3)</b>												
State Street	6.0	5.8	1.4	1.0					7.4	7.3	\$294.1	3.4%
<b>Since 10/1/92</b>												
Equity Only (4) (6)	9.7	10.1	18.2	16.5	6.5	6.0	6.9	6.3	7.1	6.6	\$8,598.8	100.0%
<b>Total Program (5) (6)</b>	<b>9.7</b>	<b>10.1</b>	<b>18.2</b>	<b>16.5</b>	<b>6.5</b>	<b>6.0</b>	<b>6.9</b>	<b>6.3</b>	<b>7.3</b>	<b>6.6</b>	<b>\$8,598.8</b>	<b>100.0%</b>
SBI Int'l Equity Target (6)		10.1		16.5		6.0		6.3		6.6		
MSCI ACWI Free ex. U.S. (7)		10.1		16.5		6.0		6.3		6.9		
MSCI World ex U.S. (net)		11.3		21.4		7.9		6.1		6.6		
MSCI EAFE Free (net)		11.6		23.8		8.5		6.4		6.3		
MSCI Emerging Markets Free (8)		5.8		1.0		-0.3		7.2		8.3		

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

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

	2012		2011		2010		2009		2008	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %
<b>Active Developed Markets (1)</b>										
Acadian	17.6	16.4	-12.9	-12.2	13.9	8.9	28.8	33.7	-50.5	-43.5
Columbia	19.0	16.4	-12.1	-12.2	15.2	8.9	29.3	33.7	-40.8	-43.5
J.P. Morgan	18.4	16.4	-10.2	-12.2	7.6	8.9	37.5	33.7	-41.5	-43.5
Marathon	17.9	16.4	-9.2	-12.2	14.4	8.9	29.8	33.7	-38.0	-43.5
McKinley	16.9	16.4	-15.5	-12.2	11.8	8.9	24.1	33.7	-48.5	-43.5
Pyramis (Fidelity)	20.3	16.4	-11.9	-12.2	11.7	8.9	35.1	33.7	-42.9	-43.5
<b>Aggregate</b>	<b>17.9</b>	<b>16.4</b>	<b>-11.7</b>	<b>-12.2</b>	<b>11.9</b>	<b>8.9</b>	<b>31.9</b>	<b>33.7</b>	<b>-42.8</b>	<b>-43.5</b>
<b>Active Emerging Markets (2)</b>										
Capital International	13.8	18.2	-22.8	-18.4	16.1	18.9	83.1	78.5	-48.9	-53.2
Morgan Stanley	21.1	18.2	-17.8	-18.4	18.4	18.9	71.7	78.5	-54.5	-53.2
<b>Aggregate</b>	<b>17.5</b>	<b>18.2</b>	<b>-20.6</b>	<b>-18.4</b>	<b>17.1</b>	<b>18.9</b>	<b>77.3</b>	<b>78.5</b>	<b>-53.0</b>	<b>-53.2</b>
<b>Semi-Passive Developed Markets (1)</b>										
AQR	20.8	16.4	-13.9	-12.2	11.4	8.9	36.0	33.7	-44.0	-43.5
Pyramis (Fidelity)	19.4	16.4	-12.6	-12.2	11.5	8.9	30.2	33.7	-44.0	-43.5
State Street	17.3	16.4	-15.6	-12.2	8.7	8.9	34.9	33.7	-45.3	-43.5
<b>Aggregate</b>	<b>19.2</b>	<b>16.4</b>	<b>-13.8</b>	<b>-12.2</b>	<b>10.6</b>	<b>8.9</b>	<b>33.6</b>	<b>33.7</b>	<b>-44.4</b>	<b>-43.5</b>
<b>Passive Developed Markets (1)</b>										
State Street	16.7	16.4	-11.9	-12.2	9.9	8.9	34.0	33.7	-43.4	-43.5
<b>Passive Emerging Markets (2)</b>										
State Street	18.5	18.2								
Equity Only (3) (4)	17.6	16.8	-14.2	-13.7	12.3	11.2	41.2	41.5	-45.3	-45.5
<b>Total Program (4)</b>	<b>17.6</b>	<b>16.8</b>	<b>-14.2</b>	<b>-13.7</b>	<b>12.3</b>	<b>11.2</b>	<b>41.2</b>	<b>41.5</b>	<b>-45.3</b>	<b>-45.5</b>
SBI Int'l Equity Target (5)		16.8		-13.7		11.2		41.5		-45.5
MSCI ACWI Free ex. U.S. (net)		16.8		-13.7		11.2		41.5		-45.5
MSCI World ex U.S. (net)		16.4		-12.2		8.9		33.7		-43.6
MSCI EAFE Free (net)		17.3		-12.1		7.7		31.8		-43.4
MSCI Emerging Markets Free (net)		18.2		-18.4		18.9		78.5		-53.3

(1) Since 6/1/08 the developed markets manager's benchmark is the Standard (large + mid) MSCI World ex U.S. (net). From 10/1/07 through 5/31/08 the benchmark was the Provisional Standard MSCI World ex U.S. (net). From 10/1/03 to 9/30/07 the benchmark was MSCI World ex U.S. (net).

(2) Since 6/1/08 the emerging markets manager's benchmark is the Standard (large + mid) MSCI Emerging Markets Free (net). From 10/1/07 through 5/31/08 the benchmark was the Provisional Standard MSCI Emerging Markets Free (net). From 1/1/01 to 9/30/07 the benchmark was MSCI Emerging Markets Free (net).

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

(4) Since 6/1/08 the International Equity asset class target is the Standard (large + mid) MSCI ACWI ex U.S. (net). From 10/1/07 through 5/31/08 the benchmark was the Provisional Standard MSCI ACWI ex U.S. (net). From 10/1/03 to 9/30/07 the target was MSCI ACWI ex U.S. (net).

**ACADIAN ASSET MANAGEMENT, LLC**  
**Periods Ending September, 2013**

**Portfolio Manager: John Chisholm**

**Assets Under Management: \$341,333,619**

**Investment Philosophy**

Acadian believes there are inefficiencies in the global equity markets that can be exploited by a disciplined quantitative investment process. In evaluating markets and stocks, Acadian believes it is most effective to use a range of measures, including valuation, price trends, financial quality and earnings information. Risk control is a critical part of the Acadian approach. Acadian's process seeks to capture value-added at both the stock and the sector/country level. The process is active and bottom-up, but each stock forecast also contains a sector/country forecast. Selection is made from a very broad investment universe using disciplined, factor-driven quantitative models. Portfolios are constructed with an optimizer and are focused on targeting a desired level of active risk relative to a client's chosen benchmark index.

**Staff Comments**

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

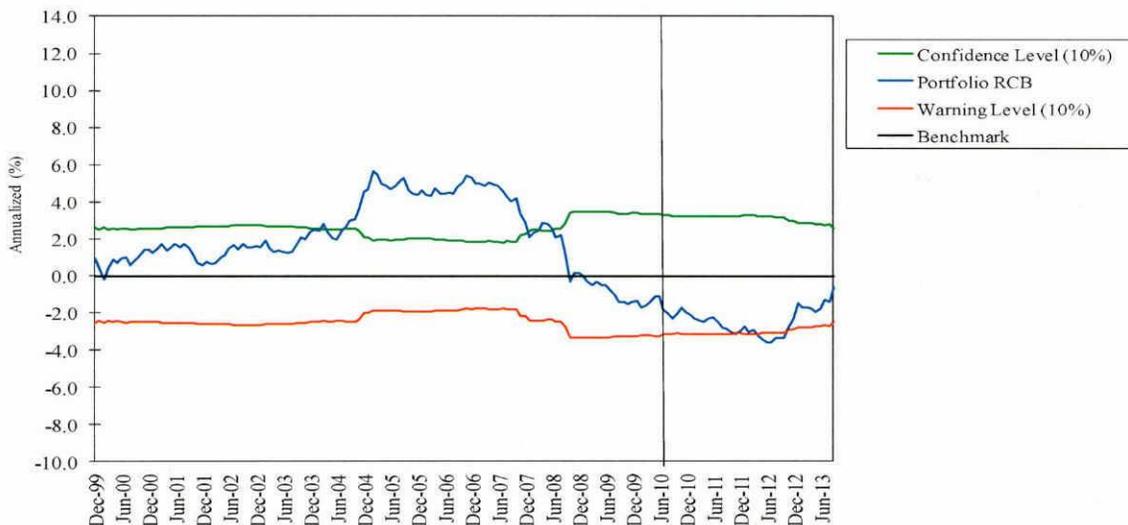
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	9.6%	11.3%
Last 1 year	23.6	21.4
Last 2 years	19.1	17.5
Last 3 years	9.1	7.9
Last 4 years	8.2	6.9
Last 5 years	5.5	6.1
Since Inception (7/05)	5.3	5.6

**Recommendations**

No action required.

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



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

**COLUMBIA MANAGEMENT INVESTMENT ADVISERS, LLC**  
**Periods Ending September, 2013**

**Portfolio Manager: William Davies**

**Assets Under Management: \$337,981,204**

**Investment Philosophy**

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

**Staff Comments**

In September 2013, Columbia announced that portfolio manager, Esther Perkins, would be leaving the firm. She has been replaced by William Davies who is head of the Global Equity team. The SBI will closely monitor this transition and the portfolio's performance going forward.

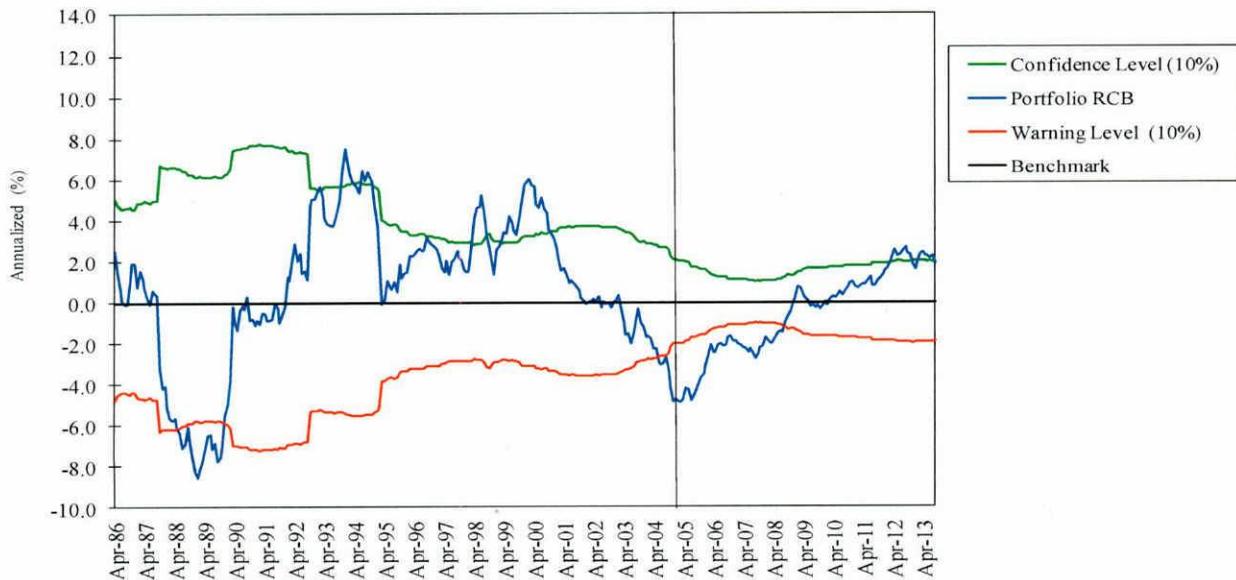
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	10.5%	11.3%
Last 1 year	21.5	21.4
Last 2 years	21.0	17.5
Last 3 years	10.1	7.9
Last 4 years	9.5	6.9
Last 5 years	8.1	6.1
Since Inception (3/00)	2.1	3.2

**Recommendations**

No action required.

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



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

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

**Portfolio Manager: James Fisher**

**Assets Under Management: \$291,697,876**

**Investment Philosophy**

JP Morgan's international equity strategy seeks to add value through active stock selection, while remaining diversified by both sector and region. The portfolio displays a large capitalization size bias and a slight growth orientation. Stock selection decisions reflect the insights of approximately 150 locally based investors, ranking companies within their respective local markets. The most attractive names in each region are then further validated by a team of Global Sector Specialists who seek to take the regional team rankings and put these into a global context. The team of six senior portfolio managers draws together the insights of both the regional and global specialists, constructing a portfolio of the most attractive names.

**Staff Comments**

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

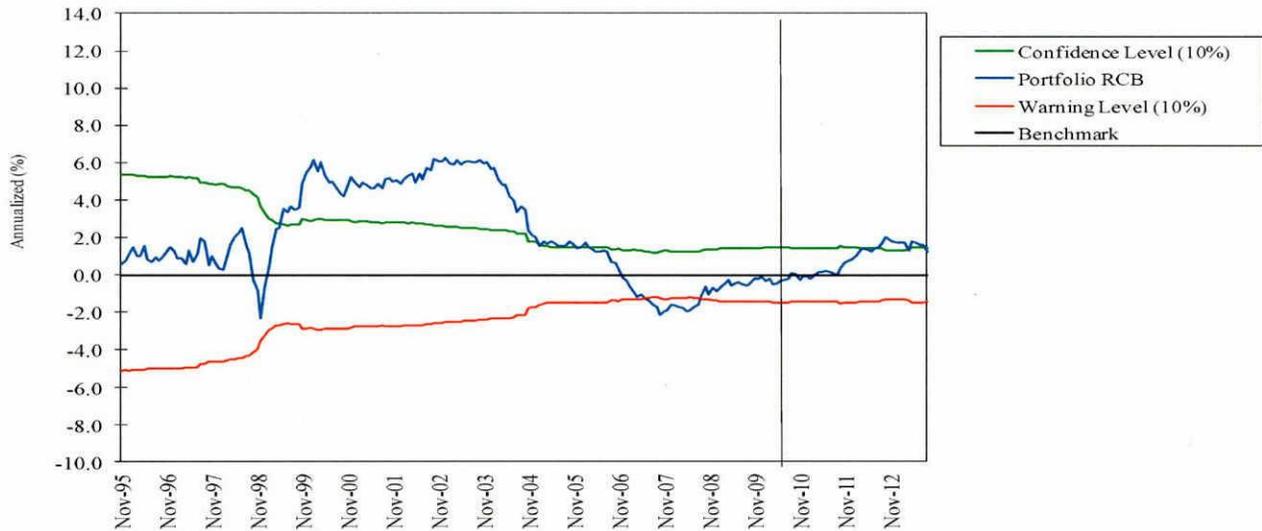
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	11.3%	11.3%
Last 1 year	21.8	21.4
Last 2 years	19.5	17.5
Last 3 years	8.9	7.9
Last 4 years	7.8	6.9
Last 5 years	7.5	6.1
Since Inception (7/05)	5.8	5.6

**Recommendations**

No action required.

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



5 Year Period Ending

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

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

**Portfolio Manager: William Arah**

**Assets Under Management: \$702,340,062**

**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**

Previous changes to the investment team do not materially affect the management of the SBI's portfolio and are not expected to affect the significant long-term added value in the strategy.

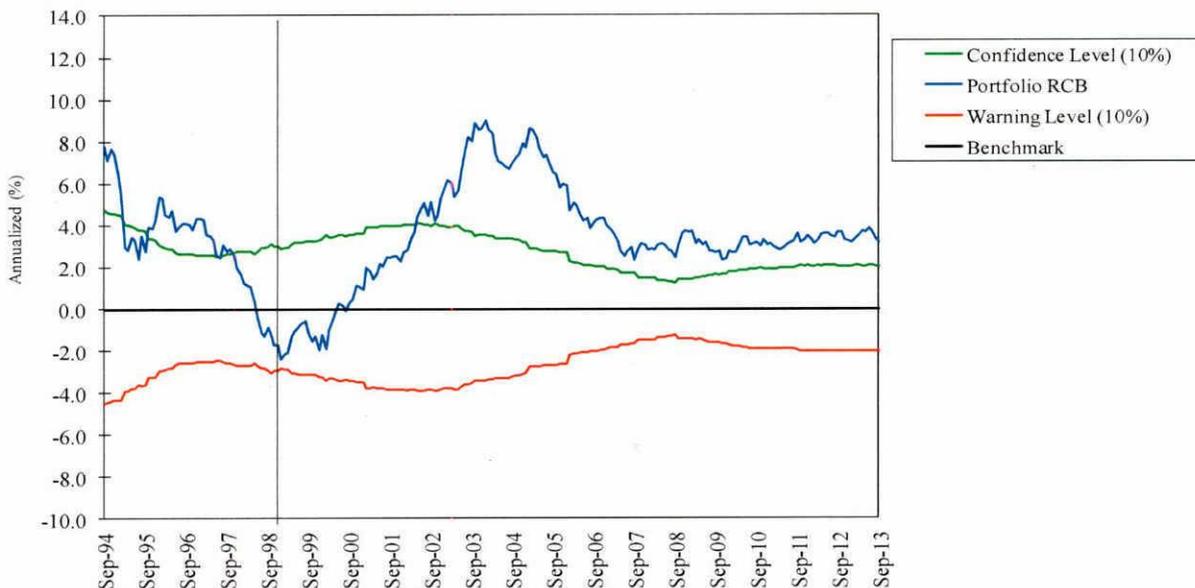
**Quantitative Evaluation**

	<b>Custom</b>	
	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	10.2%	11.3%
Last 1 year	25.7	21.4
Last 2 years	20.7	17.5
Last 3 years	11.0	7.9
Last 4 years	10.4	6.9
Last 5 years	9.5	6.1
Since Inception (11/93)	8.8	5.4

**Recommendations**

No action required.

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



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

**MCKINLEY CAPITAL MANAGEMENT LLC**  
**Periods Ending September, 2013**

**Portfolio Manager: Robert A. Gillam**

**Assets Under Management: \$283,825,595**

**Investment Philosophy**

At McKinley Capital, investment decisions are based on the philosophy that excess market returns can be achieved through the construction and active management of a diversified, fundamentally sound portfolio of inefficiently priced common stocks whose earnings growth rates are accelerating above market expectations. A disciplined quantitative investment process drives all product strategies. The firm can be described as a bottom-up growth manager. They employ both a systematic screening process and a qualitative overview to construct and manage portfolios. Investment ideas are initially generated by the quantitative investment process. The balance of the qualitative overlay seeks to identify securities with earnings estimates that are reasonable and sustainable. All portfolios managed by McKinley Capital use the same investment process and construction methodology to manage portfolios.

**Staff Comments**

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

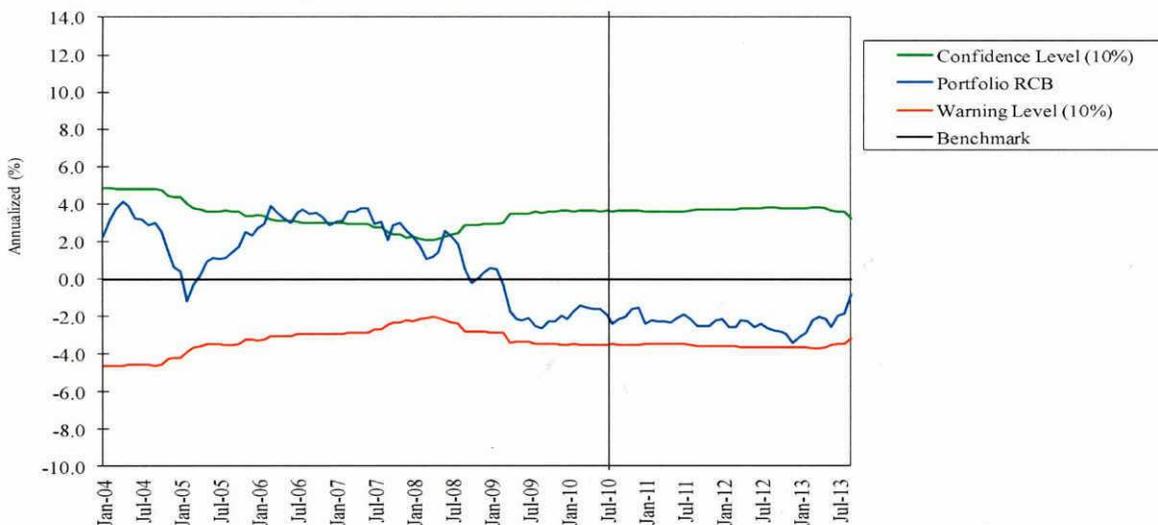
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	9.4%	11.3%
Last 1 year	24.0	21.4
Last 2 years	20.8	17.5
Last 3 years	8.8	7.9
Last 4 years	8.8	6.9
Last 5 years	5.2	6.1
Since Inception (7/05)	4.9	5.6

**Recommendations**

No action required.

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



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

**PYRAMIS GLOBAL ADVISORS TRUST COMPANY (Active)**  
**Periods Ending September, 2013**

**Portfolio Manager: Chris Steward & Brian Hoesly      Assets Under Management: \$339,412,606**

**Investment Philosophy**

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

**Staff Comments**

Michael Strong, the lead portfolio manager, retired at the end of September 2013. His duties, which included regional and cash flow allocation, have been assumed by co-lead portfolio managers Chris Steward and Brian Hoesly. Pyramis announced that it replaced one of the four regional portfolio managers responsible for stock selection. Henry Chan, the portfolio manager for Asia Pacific ex-Japan has been replaced by Eileen Dibb, who will also retain her current role as portfolio manager for Japan. Pyramis also announced that Pam Holden will assume the role of CIO for Pyramis on 1/11/14, upon the retirement of Young Chin. SBI staff will closely monitor these changes.

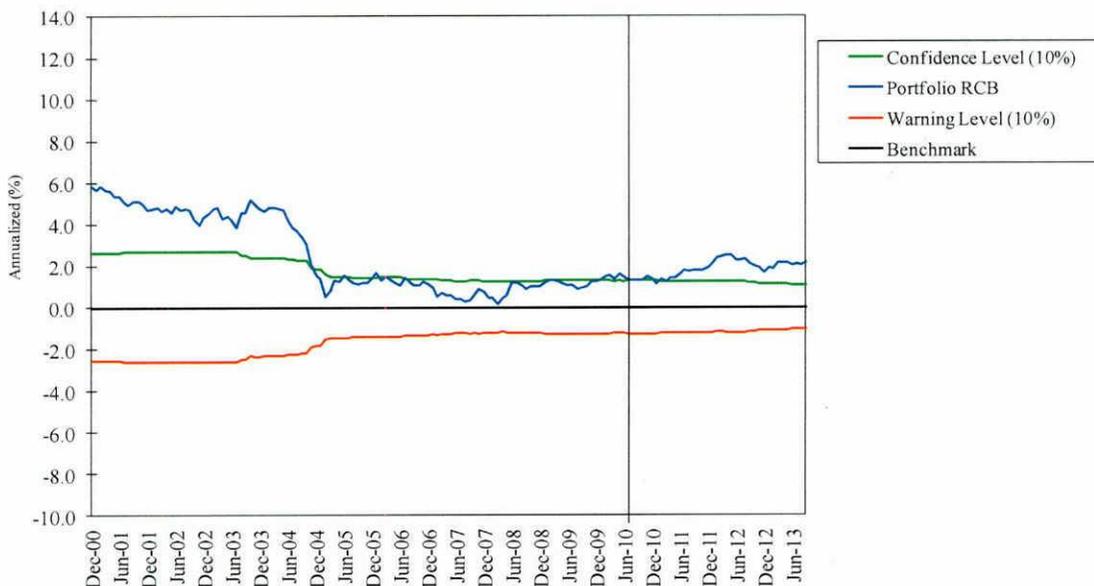
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	10.6%	11.3%
Last 1 year	25.8	21.4
Last 2 years	21.8	17.5
Last 3 years	10.9	7.9
Last 4 years	9.7	6.9
Last 5 years	8.4	6.1
Since Inception (7/05)	7.6	5.6

**Recommendations**

No action required.

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



5 Year Period Ending

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

**CAPITAL INTERNATIONAL, INC.**  
**Periods Ending September, 2013**

**Portfolio Manager: Victor Kohn**

**Assets Under Management: \$725,363,332**

**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**

Capital announced that Lisa Thompson, one of the six portfolio managers in the multi-manager portfolio in which the state is invested, will be replaced by Ricardo Torres in the fourth quarter of 2013. Like Lisa, Ricardo, who has twenty years of investment experience with Capital, will manage a specialist Latin American portfolio. The SBI will monitor this transition and the portfolio's performance.

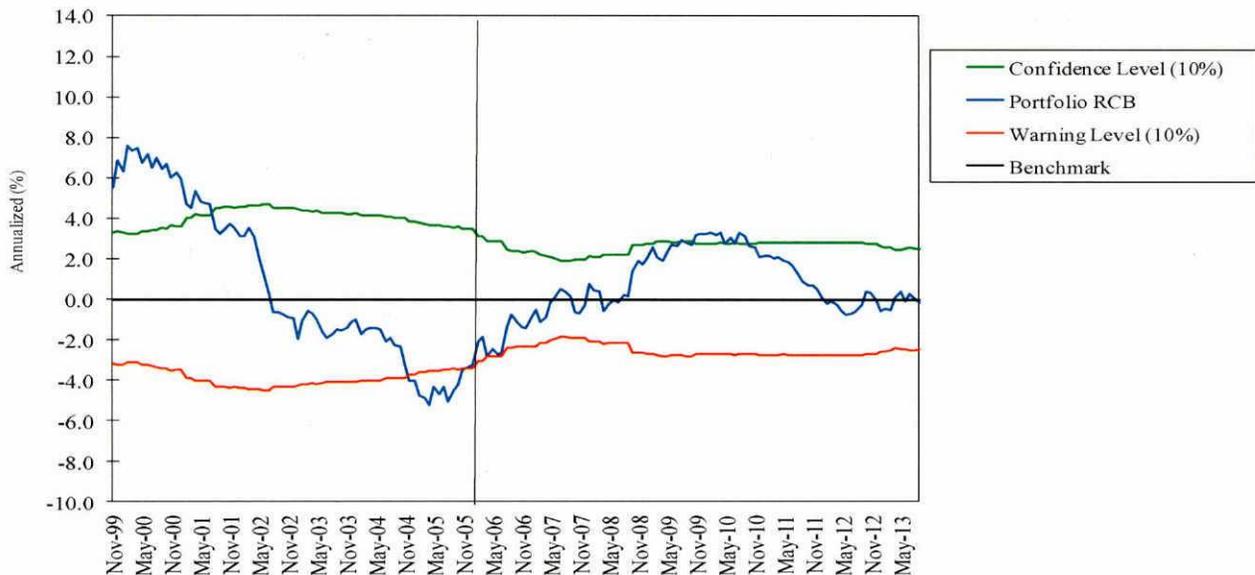
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	6.9%	5.8%
Last 1 year	3.2	1.0
Last 2 years	6.8	8.7
Last 3 years	-3.4	-0.3
Last 4 years	2.0	4.4
Last 5 years	7.1	7.2
Since Inception (3/01)	9.6	10.7

**Recommendations**

No action required.

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



5 Year Period Ending

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

**MORGAN STANLEY INVESTMENT MANAGEMENT INC.**  
**Periods Ending September, 2013**

**Portfolio Manager: Ruchir Sharma**

**Assets Under Management: \$782,566,165**

**Investment Philosophy**

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

**Staff Comments**

Stable organization and team.

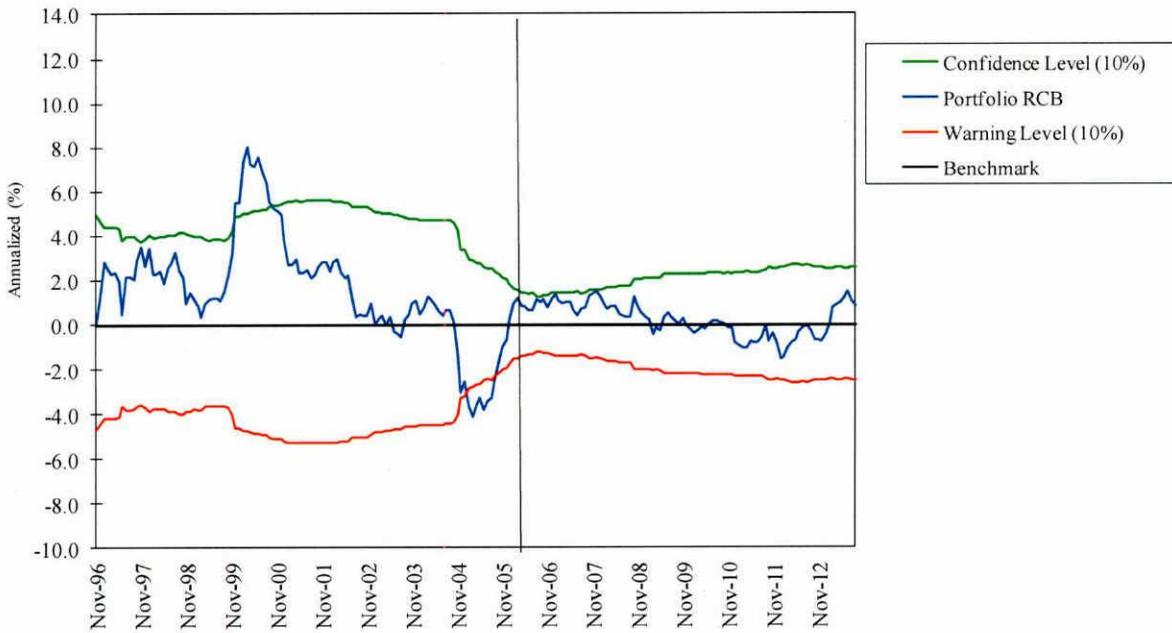
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	3.5%	5.8%
Last 1 year	3.2	1.0
Last 2 years	10.3	8.7
Last 3 years	1.4	-0.3
Last 4 years	5.9	4.4
Last 5 years	8.1	7.2
Since Inception (3/01)	11.2	10.7

**Recommendations**

No action required.

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



5 Year Period Ending

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

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

**Portfolio Manager:** Cliff Asness

**Assets Under Management:** \$328,487,641

**Investment Philosophy**

AQR employs a disciplined quantitative approach emphasizing both top-down country/currency allocation and bottom-up security selection decisions to generate excess returns. AQR's investment philosophy is based on the fundamental concepts of value and momentum. AQR's international equity product incorporates stock selection, country selection, and currency selection models as the primary alpha sources. Dynamic strategy allocation (between the three primary alpha sources) and style weighting are employed as secondary alpha sources.

**Staff Comments**

AQR has a stable organization and investment process.

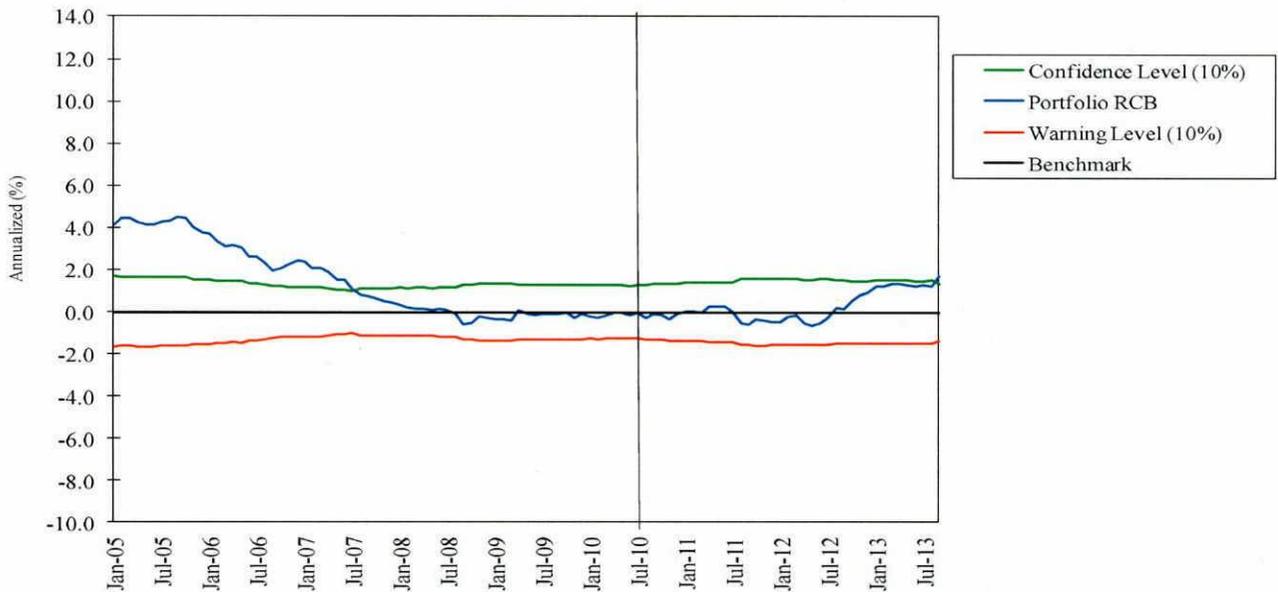
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	10.7%	11.3%
Last 1 year	26.5	21.4
Last 2 years	21.4	17.5
Last 3 years	9.3	7.9
Last 4 years	8.4	6.9
Last 5 years	8.0	6.1
Since Inception (7/05)	6.2	5.6

**Recommendations**

No action required.

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



5 Year Period Ending

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

**PYRAMIS GLOBAL ADVISORS TRUST COMPANY (Semi-Passive)**  
**Periods Ending September, 2013**

**Portfolio Manager:** Cesar Hernandez

**Assets Under Management:** \$487,716,997

**Investment Philosophy**

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

**Staff Comments**

Stable organization and team.

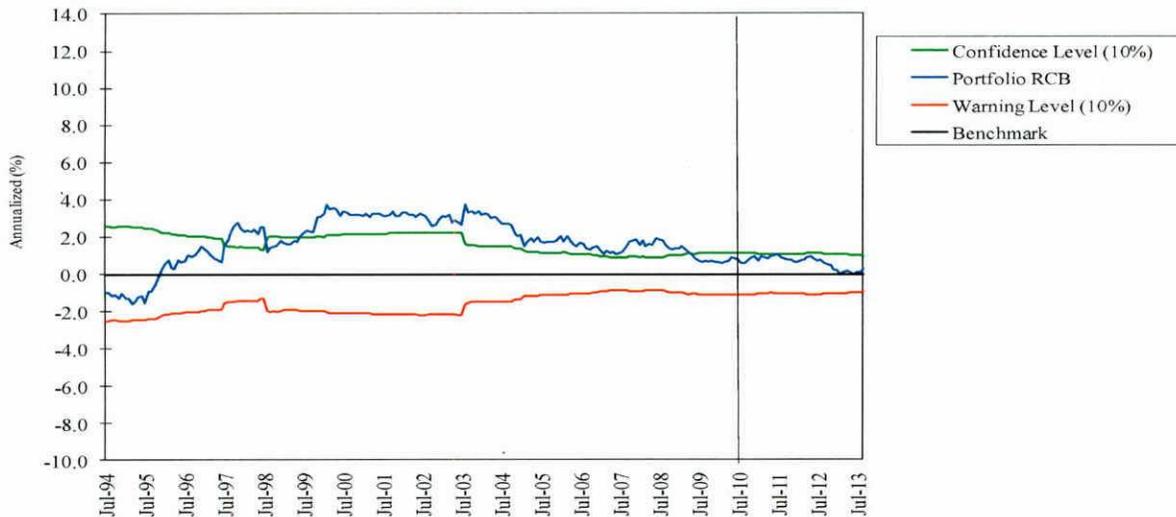
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	11.0%	11.3%
Last 1 year	22.2	21.4
Last 2 years	19.6	17.5
Last 3 years	9.2	7.9
Last 4 years	8.2	6.9
Last 5 years	6.4	6.1
Since Inception (7/05)	6.6	5.6

**Recommendations**

No action required.

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



5 Year Period Ending

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

**STATE STREET GLOBAL ADVISORS (Semi-Passive)**  
**Periods Ending September, 2013**

**Portfolio Manager: Adel Daghmouri**

**Assets Under Management: \$296,665,982**

**Investment Philosophy**

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

**Staff Comments**

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

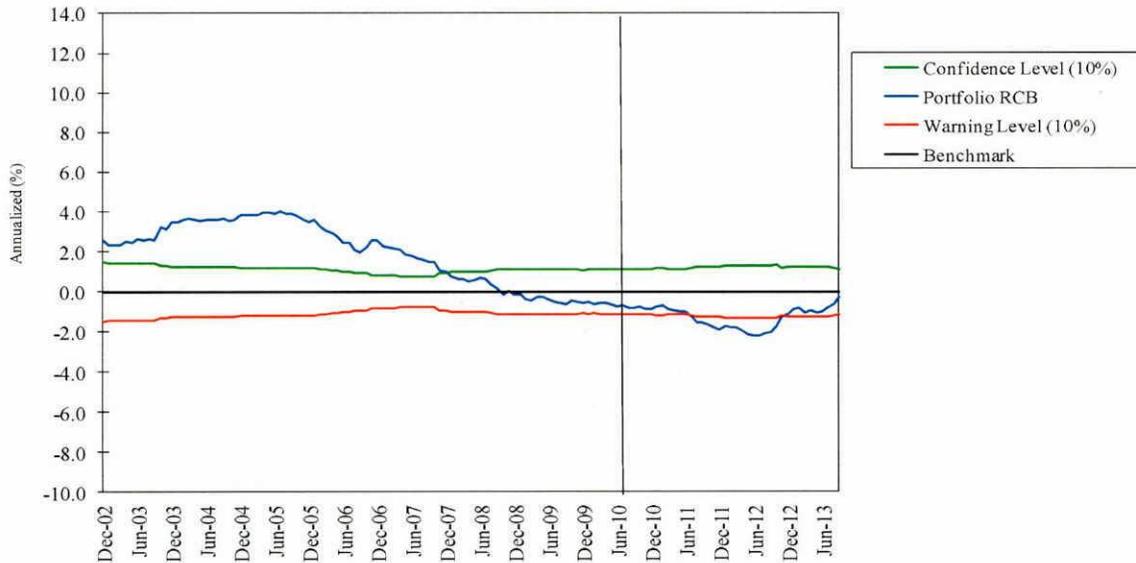
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	11.7%	11.3%
Last 1 year	25.8	21.4
Last 2 years	18.5	17.5
Last 3 years	7.3	7.9
Last 4 years	6.5	6.9
Last 5 years	5.8	6.1
Since Inception (7/05)	5.0	5.6

**Recommendations**

No action required.

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



5 Year Period Ending

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

**STATE STREET GLOBAL ADVISORS (Passive Developed Markets)**  
**Periods Ending September, 2013**

**Portfolio Manager: Lynn Blake**

**Assets Under Management: \$3,387,043,694**

**Investment Philosophy**

State Street Global Advisors (SSgA) passively manages the portfolio against the Morgan Stanley Capital International (MSCI) World ex U.S. index of 23 markets located in the developed markets outside of the United States (including Canada). SSgA fully replicates the index whenever possible because it results in lower turnover, higher tracking accuracy and lower market impact costs. The MSCI World ex U.S. (net) index reinvests dividends assuming a withholding tax on dividends, according to the Luxembourg tax rate. Whereas the portfolio reinvests dividends using all available reclaims and tax credits available to a U.S. pension fund, which should result in modest positive tracking error, over time.

**Staff Comments**

Stable investment team with consistent tracking error within expectation over time.

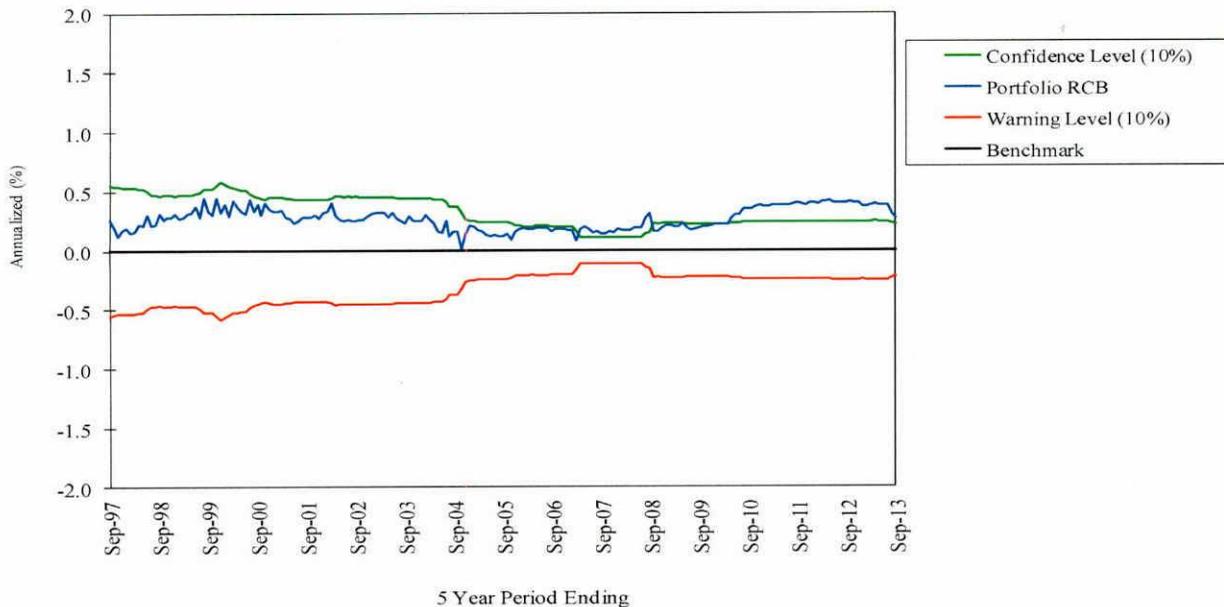
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	11.3%	11.3%
Last 1 year	21.8	21.4
Last 2 years	17.8	17.5
Last 3 years	8.2	7.9
Last 4 years	7.4	6.9
Last 5 years	6.4	6.1
Since Inception (10/92)	6.7	6.4

**Recommendation**

No action required.

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



**STATE STREET GLOBAL ADVISORS (Passive Emerging Markets)**  
**Periods Ending September, 2013**

**Portfolio Manager: Tom Coleman**

**Assets Under Management: \$294,093,135**

**Investment Philosophy**

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

**Staff Comments**

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

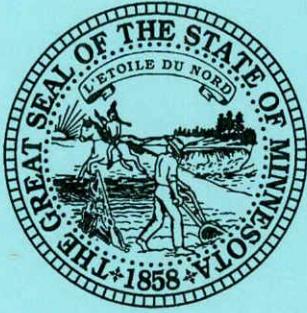
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	6.0%	5.8%
Last 1 year	1.4	1.0
Last 2 years	N/A	N/A
Last 3 years	N/A	N/A
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (12/11)	7.4	7.3

**Recommendation**

No action required.

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



# STATE BOARD OF INVESTMENT

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## Non-Retirement Manager Evaluation Reports

Third Quarter, 2013

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A-84

## Non-Retirement Managers

### Table of Contents

	<b>Page</b>
Non-Retirement Manager Performance Summary (quarter, 1, 3, 5 year periods)	A-86
Non-Retirement Manager Performance Summary (by calendar year)	A-87
GE Asset Management Inc. – Assigned Risk Plan	A-88
RBC Global Asset Management (U.S.) Inc. – Assigned Risk Plan	A-89
Galliard Capital Management, Inc.	A-90
Internal Stock Pool – Trust/Non-Retirement Assets	A-91
Internal Bond Pool – Income Share Account	A-92
Internal Bond Pool – Trust/Non-Retirement Assets	A-93

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

	Quarter		1 Year		3 Years		5 Years		Since (1) Inception		Market Value (in millions)
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	
GE Asset Management (S&P 500 Index)	6.7	5.2	22.5	19.3	15.8	16.3	9.4	10.0	9.8	9.2	\$59.2
RBC Global Asset Management (2) (Barclays Capital Intermediate Government)	0.3	0.4	-0.9	-0.8	2.3	2.0	4.9	3.7	5.7	5.8	\$216.1
Galliard Capital Management (3 yr. Constant Maturity Treasury + 45 bp)	0.5	0.3	2.4	0.9	3.0	1.0	3.6	1.3	5.1	3.9	\$1,571.5
Internal Stock Pool (S&P 500 Index)	5.2	5.2	19.2	19.3	16.2	16.3	10.1	10.0	8.9	8.8	\$1,377.3
Internal Bond Pool - Income Share (Barclays Capital Aggregate) (3)	0.8	0.6	0.7	-1.7	3.7	2.9	6.7	5.4	7.3	6.9	\$105.9
Internal Bond Pool - Trust (Barclays Capital Aggregate)	0.8	0.6	0.3	-1.7	3.4	2.9	6.4	5.4	6.7	6.2	\$791.2

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

(2) Prior to July 2011, a blended benchmark consisting of 25% Merrill Lynch (ML) Mortgage Master, 25% ML 1-3 Yr. Gov't, 25% ML 5-10 Yr. Tsy/Ag, 15% ML 3-5 Yr. Tsy/Ag, and 10% ML 91 day T-Bill was utilized.

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

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

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

(1) Prior to July 2011, a blended benchmark consisting of 25% Merrill Lynch (ML) Mortgage Master, 25% ML 1-3 Yr. Gov't, 25% ML 5-10 Yr. Tsy/Ag, 15% ML 3-5 Yr. Tsy/Ag, and 10% ML 91 day T-Bill was utilized.

**GE ASSET MANAGEMENT INC. - Assigned Risk Plan**  
**Periods Ending September, 2013**

**Portfolio Manager: Dave Carlson**

**Assets Under Management: \$59,184,182**

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

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

**Staff Comments**

No long-term performance concerns. No organizational concerns.

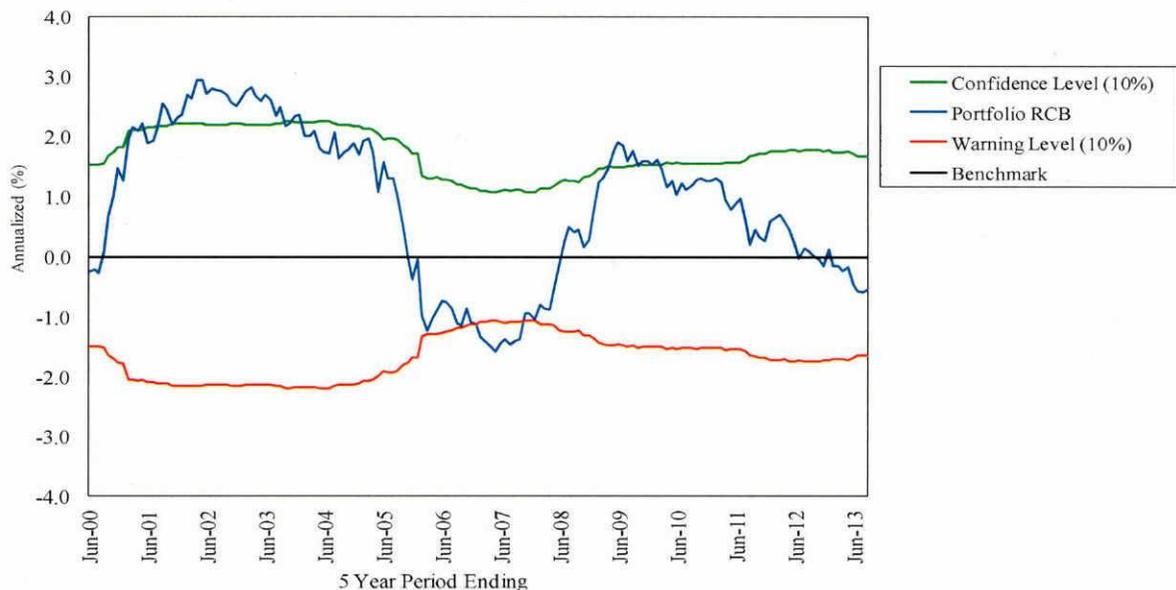
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	6.7%	5.2%
Last 1 year	22.5	19.3
Last 2 years	26.5	24.7
Last 3 years	15.8	16.3
Last 4 years	12.9	14.7
Last 5 years	9.4	10.0
Since Inception (1/95)	9.8	9.2

**Recommendation**

No action required.

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



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

**Portfolio Manager: Brian Svendahl**

**Assets Under Management: \$216,058,976**

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

RBC uses a top-down approach to fixed income investing. Their objective is to obtain superior long-term investment returns over a pre-determined benchmark that reflects the quality constraints and risk tolerance of the Assigned Risk Plan. Due to the specific liability requirement of the plan, return enhancement will focus on sector analysis and security selection. Yield curve and duration analysis are secondary considerations.

**Staff Comments**

No long-term performance concerns. No organizational concerns.

**Quantitative Evaluation**

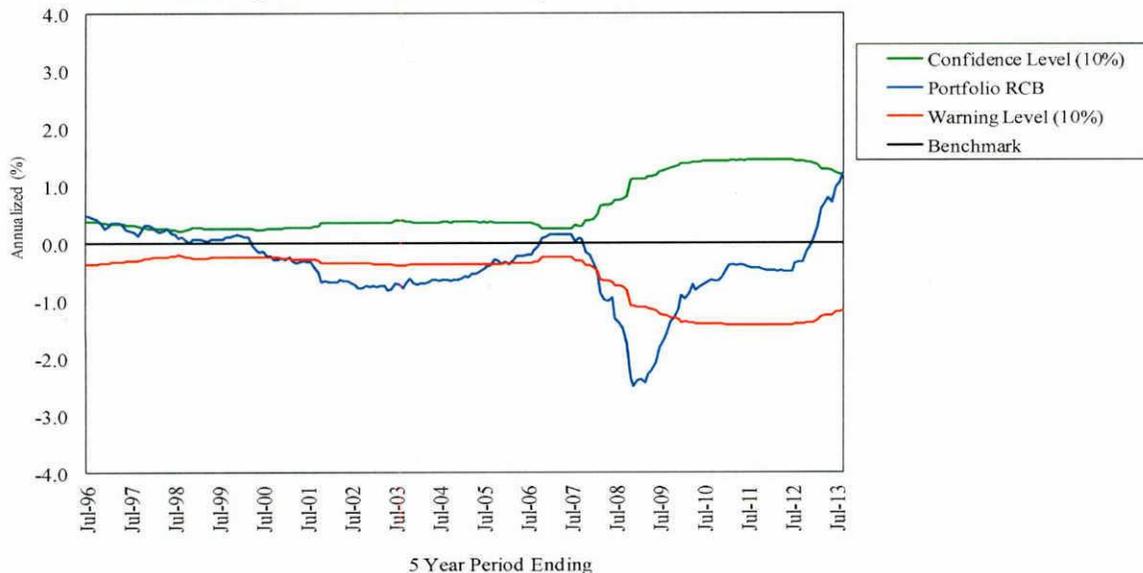
	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	0.3%	0.4%
Last 1 year	-0.9	-0.8
Last 2 years	0.7	0.8
Last 3 years	2.3	2.0
Last 4 years	4.6	2.9
Last 5 years	4.9	3.7
Since Inception (7/91)	5.7	5.8

**Recommendation**

No action required.

\* From 4/1/02-6/30/11, blended benchmark consisted of 25% Merrill Lynch (ML) Mortgage Master, 25% ML 1-3 Yr. Gov't, 25% ML 5-10 Yr. Tsy/Ag, 15% ML 3-5 Yr. Tsy/Ag, 10% ML 91 day T-Bill. Effective 7/1/11, Barclays Capital Intermediate Government Index.

**RBC GLOBAL ASSET MANAGEMENT**  
**Rolling Five Year Returns Compared to Benchmark**



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

**Portfolio Manager: Karl Tourville**

**Assets Under Management: \$1,571,493,178**

**Investment Philosophy**

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

**Staff Comments**

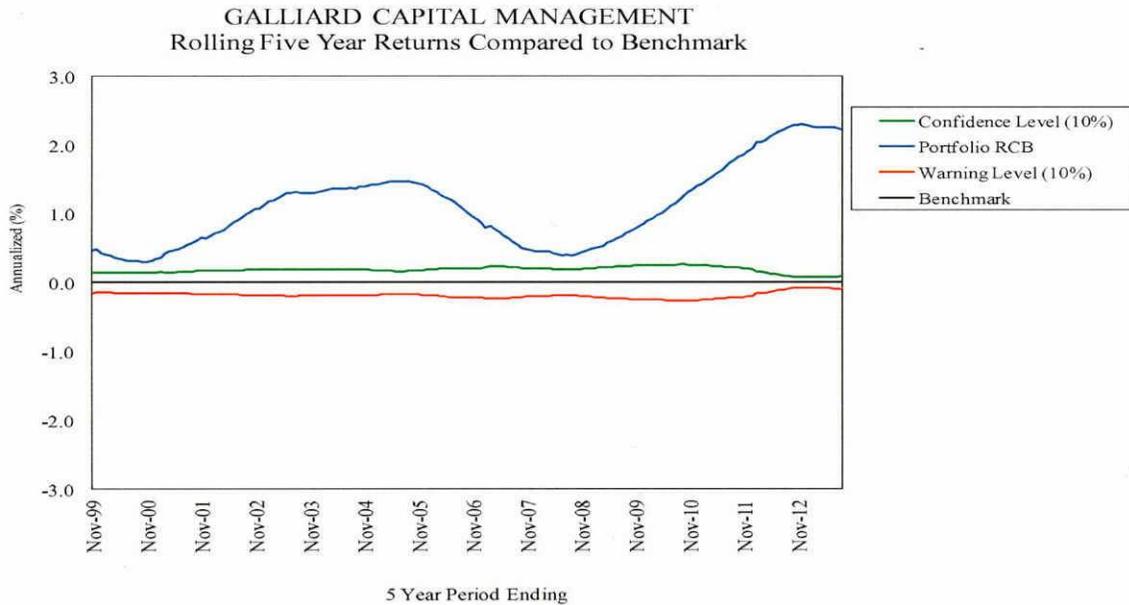
No long-term performance concerns. No organizational concerns.

**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	0.5%	0.3%
Last 1 year	2.4	0.9
Last 2 years	2.7	0.9
Last 3 years	3.0	1.0
Last 4 years	3.3	1.2
Last 5 years	3.6	1.3
Since Inception (11/94)	5.1	3.9

**Recommendation**

No action required.



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

**Portfolio Manager: Mike Messen**

**Assets Under Management: \$1,377,317,517**

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

**Staff Comments**

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

No tracking issues.

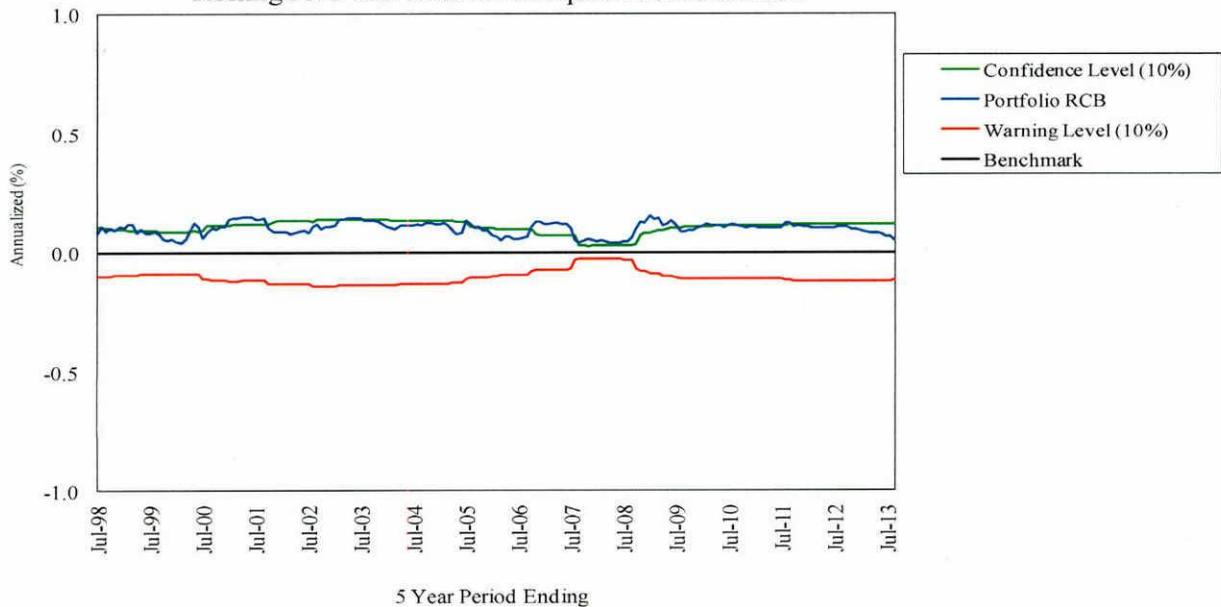
**Quantitative Evaluation**

**Recommendation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	5.2%	5.2%
Last 1 year	19.2	19.3
Last 2 years	24.5	24.7
Last 3 years	16.2	16.3
Last 4 years	14.7	14.7
Last 5 years	10.1	10.0
Since Inception (7/93)	8.9	8.8

No action required.

**INTERNAL STOCK POOL**  
**Trust/Non-Retirement Assets**  
**Rolling Five Year Returns Compared to Benchmark**



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

**Portfolio Manager: Mike Menssen**

**Assets Under Management: \$105,896,295**

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

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

**Staff Comments**

No long-term performance concerns.

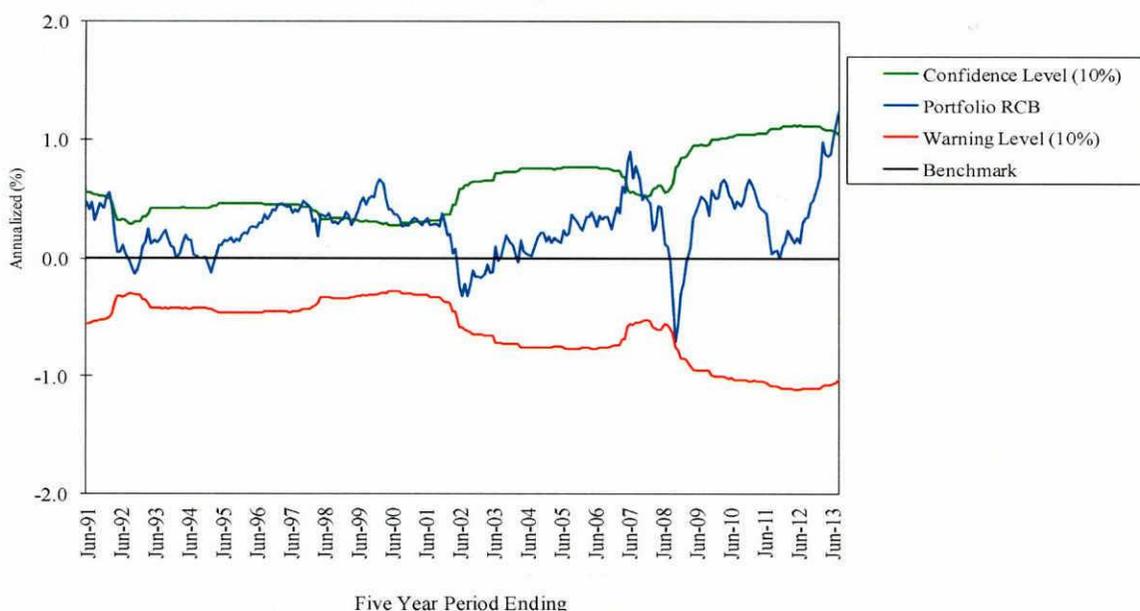
**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	0.8%	0.6%
Last 1 year	0.7	-1.7
Last 2 years	3.6	1.7
Last 3 years	3.7	2.9
Last 4 years	4.9	4.2
Last 5 years	6.7	5.4
Since Inception (7/86)	7.3	6.9

**Recommendation**

No action required.

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



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

**Portfolio Manager: Mike Messen**

**Assets Under Management: \$791,186,515**

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

**Staff Comments**

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

No long-term performance concerns.

**Quantitative Evaluation**

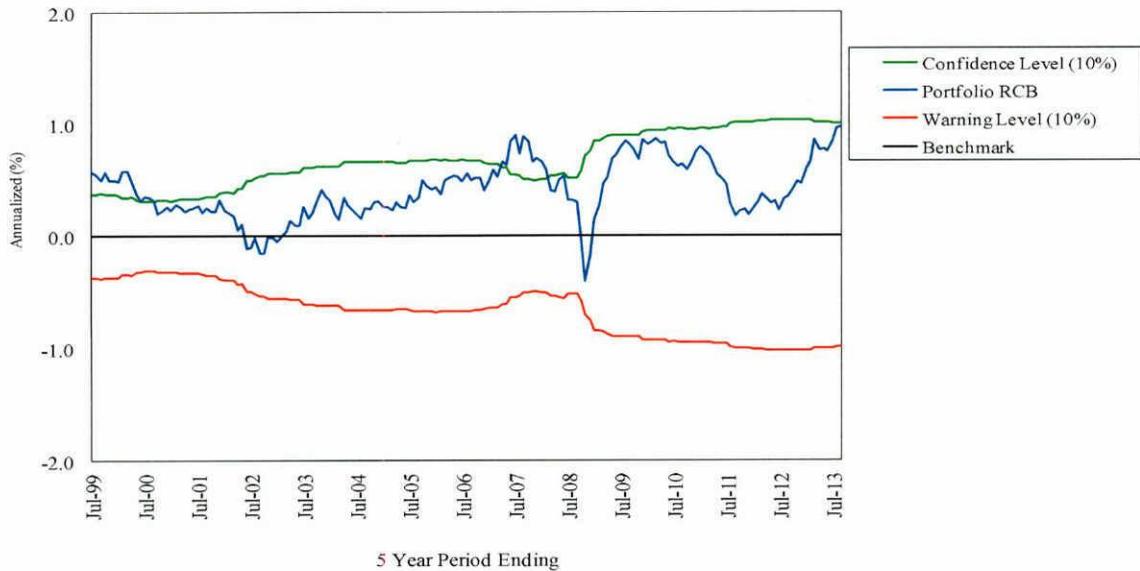
**Recommendation**

	<b>Actual</b>	<b>Benchmark</b>
Last Quarter	0.8%	0.6%
Last 1 year	0.3	-1.7
Last 2 years	3.3	1.7
Last 3 years	3.4	2.9
Last 4 years	4.5	4.2
Last 5 years	6.4	5.4
Since Inception (7/94)*	6.7	6.2

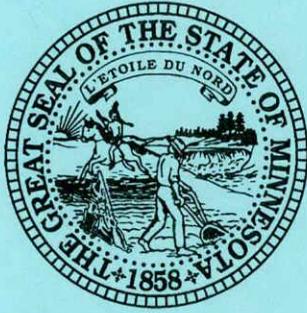
No action required.

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

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



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# STATE BOARD OF INVESTMENT

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## Deferred Compensation Plan Evaluation Reports

Third Quarter, 2013

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A-96

# Deferred Compensation Plan

## Table of Contents

	<b>Page</b>
Fund Manager Performance Summary (quarter, 1, 3, 5 year periods)	A-98
Fund Manager Performance Summary (by calendar year)	A-100
Janus Twenty	A-102
Vanguard Index Institutional Plus	A-103
Vanguard Mid-Cap Index Institutional	A-104
T. Rowe Price Small Cap Stock Fund	A-105
Vanguard Balanced Index Institutional Fund	A-106
Dodge & Cox Income Fund	A-107
Vanguard Total Bond Market Index Institutional	A-108
Fidelity Diversified International	A-109
Vanguard Total International Stock Index Institutional Plus	A-110
State Street Global Advisors MN Target Retirement Funds	A-111

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

457 Mutual Funds	Quarter		1 Year		3 Years		5 Years		Since (2) Retention by SBI		State's Participation In Fund (\$ millions)
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	%	%	
<b>Large Cap Equity:</b>											
Janus Twenty (S&P 500)	10.9	5.2	19.4	19.3	13.6	16.3	9.7	10.0	3.2	3.3	\$474.0
Vanguard Institutional Index Plus (S&P 500)	5.2	5.2	19.4	19.3	16.3	16.3	10.1	10.0	3.4	3.3	\$786.1
<b>Mid Cap Equity:</b>											
Vanguard Mid-Cap Index (CRSP US Mid-Cap) (3)	7.7	7.7	28.0	27.8	17.2	17.1	13.2	13.2	9.5	9.5	\$320.7
<b>Small Cap Equity:</b>											
T. Rowe Price Small-Cap Stock (Russell 2000)	9.5	10.2	29.0	30.1	20.6	18.3	15.9	11.2	10.4	7.6	\$566.6
<b>Balanced:</b>											
Vanguard Balanced Index Inst. Fund (60% CRSP US Total Market, 40% Barclays Capital Agg) (4)	3.9	4.0	11.8	11.9	11.4	11.3	9.1	9.1	6.9	6.8	\$578.4
<b>Bond:</b>											
Dodge & Cox Income Fund (Barclays Capital Aggregate)	0.8	0.6	0.5	-1.7	4.1	2.9	7.7	5.4	6.2	5.6	\$190.5
Vanguard Total Bond Market Index Inst. (Barclays Capital Aggregate)	0.5	0.6	-1.8	-1.7	2.8	2.9	5.4	5.4	4.8	4.7	\$169.1
<b>International:</b>											
Fidelity Diversified International (MSCI EAFE-Free)	10.2	11.6	21.4	23.8	8.8	8.5	5.7	6.4	7.0	4.1	\$266.4
Vanguard Total International Stock Index (FTSE Global All Cap ex US) (5)	10.3	10.3	17.2	16.9	5.9	5.9	5.9	6.2	3.1	3.1	\$129.9

Numbers in blue include returns prior to retention by SBI.

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

- (1) Money Market Account and Fixed Interest Accounts are also offered in the Supplemental Investment Fund, which is described within Tab A. Performance for these accounts is reported under the Deferred Compensation Plan accounts within Tab A.
- (2) Vanguard Total International retained July 2011; Vanguard Mid-Cap Index Fund retained January 2004; Vanguard Balanced, Vanguard Total Bond Mkt. retained December 2003; all others, July 1999.
- (3) Benchmark is the CRSP US Mid-Cap Index beginning February 2013. Prior to that date it was the MSCI US Mid-Cap 450 Index.
- (4) Benchmark is 60% CRSP US Total Market Index and 40% Barclays Capital US Aggregate Bond Index beginning January 2013. Prior to that date it was 60% MSCI US Broad Market Index and 40% Barclays Capital US Aggregate Bond Index.
- (5) Benchmark is the FTSE Global All Cap ex US Index beginning June 2013; MSCI ACWI ex US IMI beginning December 2010; MSCI EAFE and Emerging Markets Index beginning August 2006. Prior to that date it was the total International Composite Index, which is the MSCI EAFE Index and the Select Emerging Markets Free Index.

**MN STATE 457 DEFERRED COMPENSATION PLAN  
FUND OPTIONS  
Periods Ending September, 2013**

SSgA Target Retirement Funds	Quarter		1 Year		3 Years		5 Years		Since Retention by the SBI*		State Participation in Fund (\$ millions)
	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk	
	%	%	%	%	%	%	%	%	%	%	
Income Fund	2.6	2.6	3.9	4.1	6.8	7.0	6.6	6.8	5.7	5.9	\$21.6
2015 Fund	2.7	2.8	4.3	4.4	8.2	8.3	7.9	7.7	7.3	7.5	\$29.1
2020 Fund	3.5	3.6	6.6	6.6	10.0	10.1	8.8	8.6	9.1	9.2	\$36.2
2025 Fund	4.6	4.6	9.7	9.8	11.3	11.4	9.4	9.2	10.1	10.3	\$28.1
2030 Fund	5.3	5.3	11.6	11.7	12.0	12.1	9.6	9.4	10.7	10.8	\$15.9
2035 Fund	5.9	5.9	13.3	13.3	12.6	12.7	9.7	9.5	10.9	11.0	\$10.5
2040 Fund	6.3	6.4	14.6	14.7	12.7	12.8	9.4	9.4	10.6	10.7	\$6.8
2045 Fund	6.8	6.9	16.0	16.1	12.8	12.9	9.5	9.5	10.5	10.6	\$4.3
2050 Fund	6.9	6.9	16.0	16.1	12.8	12.9	9.6	9.5	10.5	10.6	\$2.3
2055 Fund	6.9	6.9	16.0	16.1	12.8	12.9	9.6	9.5	10.5	10.6	\$1.1
2060 Fund	6.9	6.9	16.0	16.1					10.5	10.6	\$1.2

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

SSgA Index Funds	Quarter		1 Year		3 Years		5 Years			
	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk		
	%	%	%	%	%	%	%	%		
S&P 500 Index Fund (S&P 500)	5.2	5.2	19.4	19.3	16.3	16.3	10.1	10.0	13.8	13.8
DJ-UBS Roll Select Commodity Index Fund (DJ-UBS Roll Select Commodity Index)	2.2	2.3	-13.5	-13.3					-4.0	-3.7
Russell Small/Mid Cap Index Fund (Russell Small Cap Completeness Index)	10.7	10.7	31.4	31.5					30.0	30.0
Global All Cap Equity ex US Index Fund (MSCI ACWI ex U.S. IMI)	10.4	10.4	17.3	16.9					3.4	3.1
Global Real Estate Securities Index Fund (FTSE EPRA/NAREIT Dev Liquid)	2.0	1.8	9.8	9.2	10.0	9.3			8.1	7.3
Long Government Bond Index Fund (Barclays Capital Long Government)	-2.1	-2.1	-10.6	-10.4	3.6	3.6	6.5	6.5	7.6	7.7
Bond Index Fund (Barclays Capital Aggregate)	0.6	0.6	-1.7	-1.7	2.9	2.9	5.5	5.4	3.2	3.2
Inflation Protection Bond Index Fund (Barclays Capital U.S. TIPS)	0.7	0.7	-6.2	-6.1	4.0	4.0	5.2	5.3	3.0	3.1
High Yield Bond Index Fund (Barclays Capital U.S. High Yield Very Liquid)	2.4	2.4	6.3	6.4	8.9	9.3			8.1	8.4
U.S. Short-Term Govt/Credit Index Fund (Barclays Capital 1-3 Yr Govt/Credit)	0.4	0.4	0.5	0.6	1.9	1.1			2.1	1.0

Numbers in blue include returns prior to retention by SBI.

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

\*Target Retirement Funds inception date is July 2011.

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

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

Numbers in blue include returns prior to retention by SBI.

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

- (1) Money Market Account and Fixed Interest Accounts are also offered in the Supplemental Investment Fund, which is described within Tab A. Performance for these accounts are reported under the Deferred Compensation Plan accounts within Tab A.
- (2) Benchmark is the CRSP US Mid-Cap Index beginning February 2013. Prior to that date it was the MSCI US Mid-Cap 450 Index.
- (3) Benchmark is 60% CRSP US Total Market Index and 40% Barclays Capital US Aggregate Bond Index beginning January 2013. Prior to that date it was 60% MSCI US Broad Market Index and 40% Barclays Capital US Aggregate Bond Index.
- (4) Benchmark is the FTSE Global All Cap ex US Index beginning June 2013; MSCI ACWI ex US IMI beginning December 2010; MSCI EAFE and Emerging Markets Index beginning August 2006. Prior to that date it was the total International Composite Index, which is the MSCI EAFE Index and the Select Emerging Markets Free Index.

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

SSgA Target Retirement Funds	2012		2011		2010		2009		2008	
	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk
	%	%	%	%	%	%	%	%	%	%
Income Fund	9.7	9.8	4.6	4.8	9.6	10.1	14.8	15.0	-12.9	-13.2
2015 Fund	11.0	11.0	6.9	7.1	12.1	12.5	15.3	14.4	-16.7	-17.6
2020 Fund	12.5	12.5	7.3	7.4	13.6	13.9	18.3	17.5	-22.2	-23.1
2025 Fund	13.7	13.7	5.9	6.0	14.6	14.7	20.3	19.6	-25.2	-26.1
2030 Fund	14.3	14.1	4.9	5.0	15.1	15.3	21.9	21.4	-28.1	-29.0
2035 Fund	14.9	14.7	3.5	3.6	15.7	15.8	24.3	23.9	-30.9	-31.6
2040 Fund	15.5	15.3	1.5	1.6	15.9	16.1	26.7	26.5	-33.6	-34.1
2045 Fund	16.0	15.8	0.0	0.1	16.2	16.2	27.2	27.0	-33.7	-34.1
2050 Fund	15.9	15.8	0.1	0.1	16.1	16.2	27.2	27.0	-33.5	-34.1
2055 Fund	15.9	15.8	0.1	0.1	16.1	16.2	27.2	27.0	-33.5	-34.1
2060 Fund	16.0	15.8								

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

SSgA Index Funds	2012		2011		2010		2009		2008	
	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk
	%	%	%	%	%	%	%	%	%	%
S&P 500 Index Fund (S&P 500)	16.0	16.0	2.1	2.1	15.1	15.1	26.7	26.5	-36.9	-37.0
DJ-UBS Roll Sheet Commodity Index Fund (DJ-UBS Roll Select Commodity Index)										
Russell Small/Mid Cap Index Fund (Russell Small Cap Completeness Index)										
Global All Cap Equity ex U.S. Index Fund (MSCI ACWI ex U.S. IMI)	18.2	17.0								
Global Real Estate Securities Index Fund (FTSE EPRA/NAREIT Dev Liquid)	28.9	27.5	-5.4	-5.8	19.1	18.4				
Long Government Bond Index Fund (Barclays Capital Long Government)	3.8	3.8	29.2	29.1	9.5	9.4	-12.2	-12.2	22.6	22.7
Bond Index Fund (Barclays Capital Aggregate)	4.2	4.2	7.8	7.8	6.6	6.5	6.4	5.9	5.6	5.2
Inflation Protection Bond Index Fund (Barclays Capital U.S. TIPS)	6.9	7.0	13.5	13.6	6.2	6.3	11.3	11.4	-2.4	-2.4
High Yield Bond Index Fund (Barclays Capital U.S. High Yield Very Liquid)	14.8	15.4	5.7	6.1	12.5	15.1				
U.S. Short-Term Govt/Credit Bond Index Fund (Barclays Capital 1-3 Yr Govt/Credit)	3.9	1.3	1.5	1.6	2.4	2.8				

Numbers in blue include returns prior to retention by SBI.

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

**MN STATE 457 DEFERRED COMPENSATION PLAN  
LARGE CAP EQUITY – JANUS TWENTY  
Periods Ending September, 2013**

**Portfolio Manager: Marc Pinto**

**State's Participation in Fund: \$473,959,012  
Total Assets in Fund: \$9,200,000,000**

**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**

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

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

**Quantitative Evaluation**

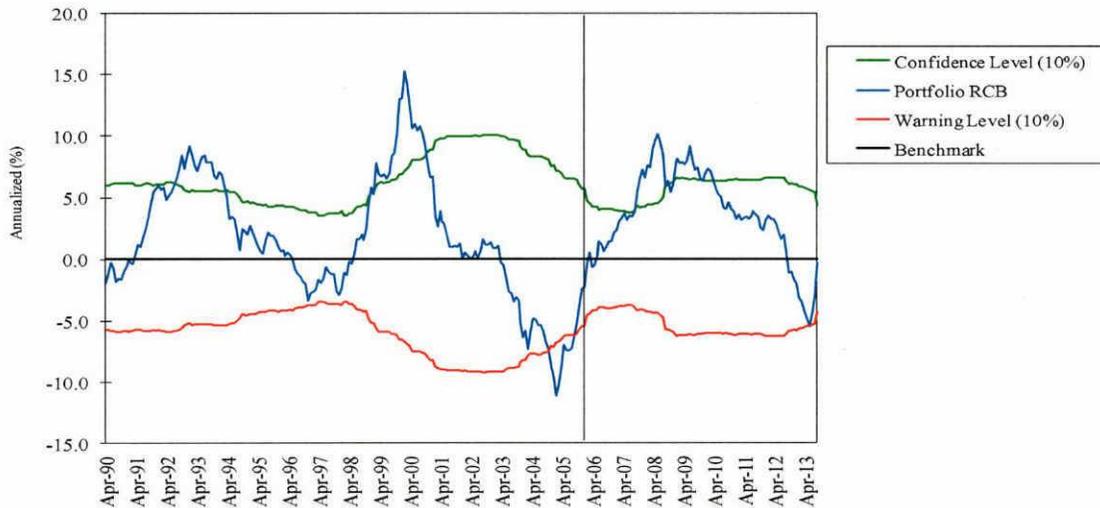
	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	10.9%	5.2%
Last 1 year	19.4	19.3
Last 2 years	25.7	24.7
Last 3 years	13.6	16.3
Last 4 years	10.8	14.7
Last 5 years	9.7	10.0
Since Retention by SBI (7/99)	3.2	3.3

**Recommendation**

No action required.

\*Benchmark is the S&P 500.

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



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

**MN STATE 457 DEFERRED COMPENSATION PLAN  
EQUITY INDEX – VANGUARD INSTITUTIONAL INDEX PLUS  
Periods Ending September, 2013**

**Portfolio Manager: Mike Buek**

**State's Participation in Fund: \$786,058,614  
Total Assets in Fund: \$66,331,000,000**

**Investment Philosophy  
Vanguard Institutional Index**

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

**Staff Comments**

No tracking issues.

**Quantitative Evaluation**

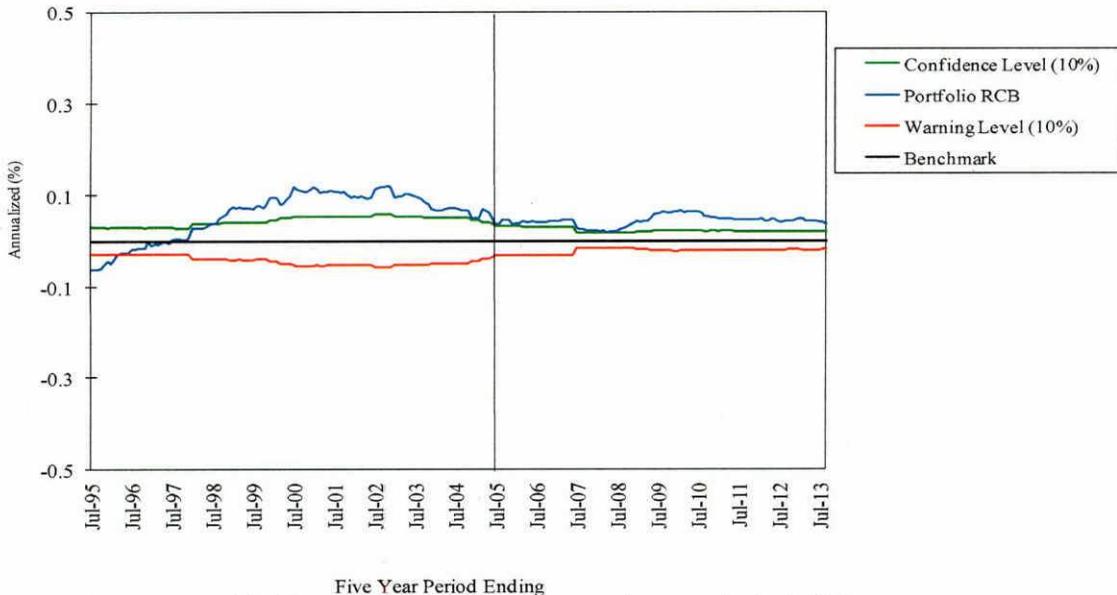
	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	5.2%	5.2%
Last 1 year	19.4	19.3
Last 2 years	24.7	24.7
Last 3 years	16.3	16.3
Last 4 years	14.7	14.7
Last 5 years	10.1	10.0
Since Retention by SBI (7/99)	3.4	3.3

**Recommendation**

No action required.

\*Benchmark is the S&P 500.

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



**MN STATE 457 DEFERRED COMPENSATION PLAN  
MID CAP EQUITY – VANGUARD MID-CAP INDEX  
Periods Ending September, 2013**

**Portfolio Manager: Donald Butler**

**State's Participation in Fund: \$320,656,201  
Total Assets in Fund: \$8,450,000,000**

**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 tracking issues.

**Quantitative Evaluation**

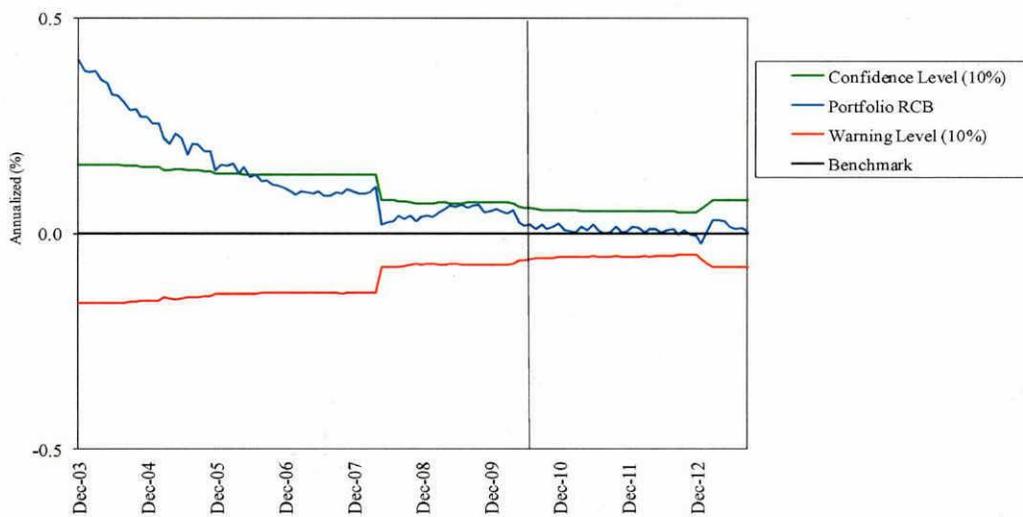
	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	7.7%	7.7%
Last 1 year	28.0	27.8
Last 2 years	27.2	27.2
Last 3 years	17.2	17.1
Last 4 years	17.3	17.4
Last 5 years	13.2	13.2
Since Retention by SBI (1/04)	9.5	9.5

**Recommendation**

No action required.

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

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



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

**MN STATE 457 DEFERRED COMPENSATION PLAN  
SMALL CAP EQUITY – T. ROWE PRICE SMALL CAP STOCK FUND  
Periods Ending September, 2013**

**Portfolio Manager: Gregory A. McCrickard**

**State's Participation in Fund: \$566,589,505  
Total Assets in Fund: \$9,543,313,689**

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

The strategy of this fund is to invest primarily in stocks of small to medium-sized companies that are believed to offer either superior earnings growth or appear undervalued. The fund normally invests at least 80% of assets in equities of small companies in the Russell 2000 or S&P Small-Cap 600. The manager does not favor making big bets on any particular sector or any particular stock. The fund's combination of growth and value stocks offers investors relatively more stable performance compared to other small cap stock funds.

**Staff Comments**

No performance concerns. No organizational concerns.

**Quantitative Evaluation**

	Actual	Benchmark*
Last Quarter	9.5%	10.2%
Last 1 year	29.0	30.1
Last 2 years	32.2	31.0
Last 3 years	20.6	18.3
Last 4 years	20.1	17.0
Last 5 years	15.9	11.2
Since Retention by SBI (7/99)	10.4	7.6

**Recommendation**

No action required.

\*Benchmark is the Russell 2000.

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



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

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

**Portfolio Manager: Michael Perre**

**State's Participation in Fund: \$578,445,225  
Total Assets in Fund: \$6,392,000,000**

**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 tracking issues.

**Quantitative Evaluation**

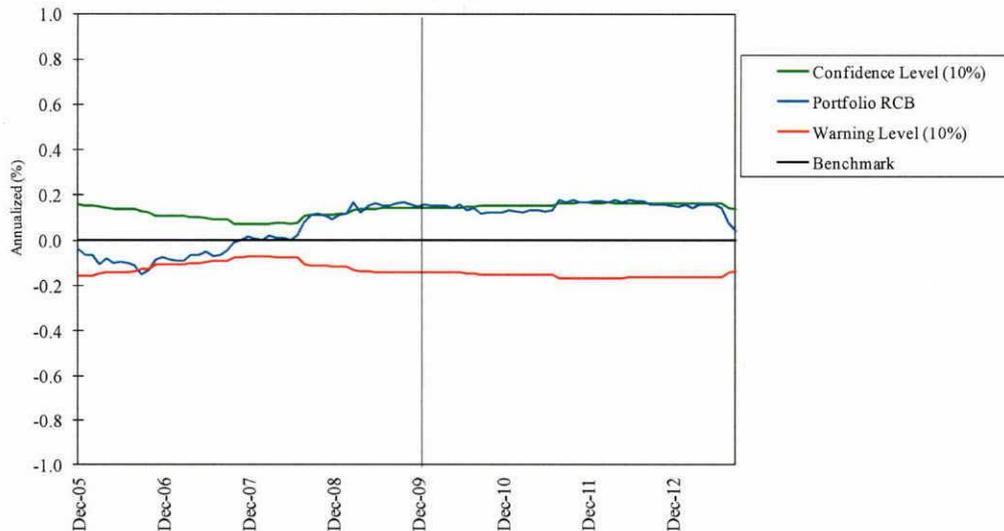
**Recommendation**

	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	3.9%	4.0%
Last 1 year	11.8	11.9
Last 2 years	15.7	15.8
Last 3 years	11.4	11.3
Last 4 years	11.1	11.1
Last 5 years	9.1	9.1
Since Retention by SBI (12/03)	6.9	6.8

No action required.

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

**BALANCED - VANGUARD BALANCED INDEX  
Rolling Five Year Returns Compared to Benchmark**



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

**MN STATE 457 DEFERRED COMPENSATION PLAN  
BOND – DODGE & COX INCOME FUND  
Periods Ending September, 2013**

**Portfolio Manager: Dana Emery**

**State's Participation in Fund: \$190,472,289  
Total Assets in Fund: \$25,563,134,661**

**Investment Philosophy  
Dodge & Cox Income Fund**

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

**Staff Comments**

Kenneth Oliver, Chairman and Chief Executive Officer, assumed the role of Chairman Emeritus during the second quarter of 2013. Dana Emery assumed the role of Chief Executive Officer and President. Ms. Emery will continue in her role as Director of Fixed Income. Charles Pohl assumed the role of Chairman and CIO. The organizational change should not impact the SBI portfolio. Staff has no additional organizational or performance issues to note.

**Quantitative Evaluation**

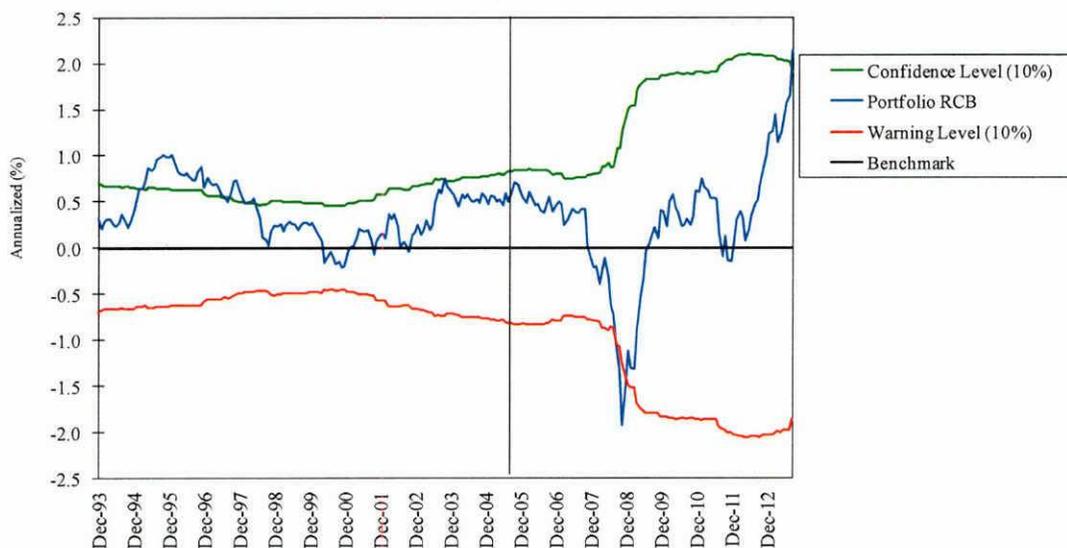
	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	0.8%	0.6%
Last 1 year	0.5	-1.7
Last 2 years	4.4	1.7
Last 3 years	4.1	2.9
Last 4 years	5.3	4.2
Last 5 years	7.7	5.4
Since Retention By SBI (7/99)	6.2	5.6

**Recommendation**

No action required.

\*Benchmark is the Barclays Capital Aggregate.

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



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

**MN STATE 457 DEFERRED COMPENSATION PLAN**  
**BOND – VANGUARD TOTAL BOND MARKET INDEX INSTITUTIONAL**  
 Periods Ending September, 2013

**Portfolio Manager: Kenneth Volpert**

**State's Participation in Fund: \$169,112,138**  
**Total Assets in Fund: \$20,000,000,000**

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

**Staff Comments**

The fund attempts to track the performance of the Barclays Capital Aggregate Bond Index, which is a widely recognized measure of the entire taxable U.S. bond market. The index consists of more than 7,800 U.S. Treasury, federal agency, mortgage-backed, and investment-grade corporate securities. Because it is not practical or cost-effective to own every security in the index, the fund invests in a large sampling that matches key characteristics of the index (such as market-sector weightings, coupon interest rates, credit quality, and maturity). To boost returns, the fund holds a higher percentage than the index in short-term, investment-grade corporate bonds and a lower percentage in short-term Treasury securities.

No tracking issues.

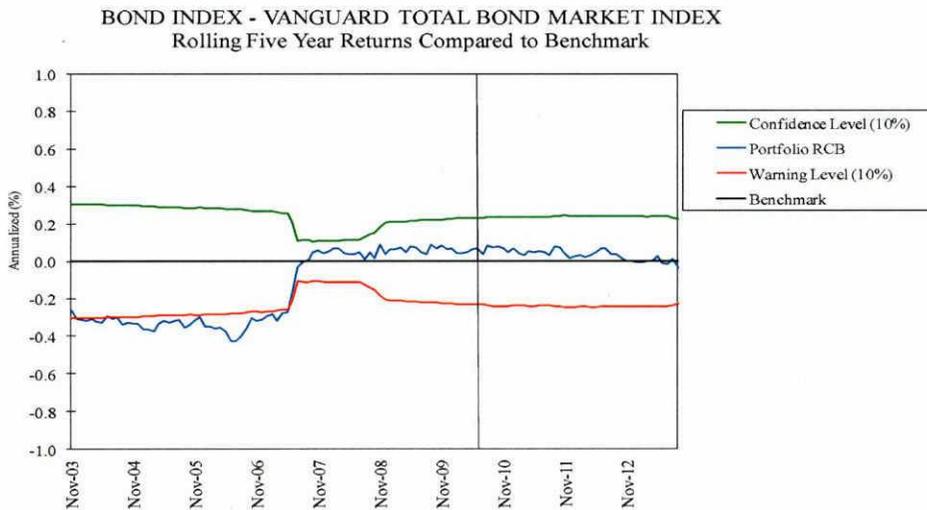
**Quantitative Evaluation**

**Recommendation**

	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	0.5%	0.6%
Last 1 year	-1.8	-1.7
Last 2 years	1.6	1.7
Last 3 years	2.8	2.9
Last 4 years	4.1	4.2
Last 5 years	5.4	5.4
Since Retention by SBI (12/03)	4.8	4.7

No action required.

\*Benchmark is the Barclays Capital Aggregate.



**MN STATE 457 DEFERRED COMPENSATION PLAN  
INTERNATIONAL – FIDELITY DIVERSIFIED INTERNATIONAL  
Periods Ending September, 2013**

**Portfolio Manager: William Bower**

**State's Participation in Fund: \$266,387,973  
Total Assets in Fund: \$14,115,010,000**

**Investment Philosophy  
Fidelity Diversified International**

The goal of this fund is capital appreciation by investing in securities of companies located outside of the United States. While the fund invests primarily in stocks, it may also invest in bonds. Most investments are made in companies that have a market capitalization of \$100 million or more and which are located in developed countries. To select the securities, the manager uses fundamental analysis of companies supplemented by relevant economic and regulatory factors and computer-aided quantitative analysis. The manager rarely invests in currency to protect the account from exchange fluctuations.

**Staff Comments**

No performance concerns or organizational concerns.

**Quantitative Evaluation**

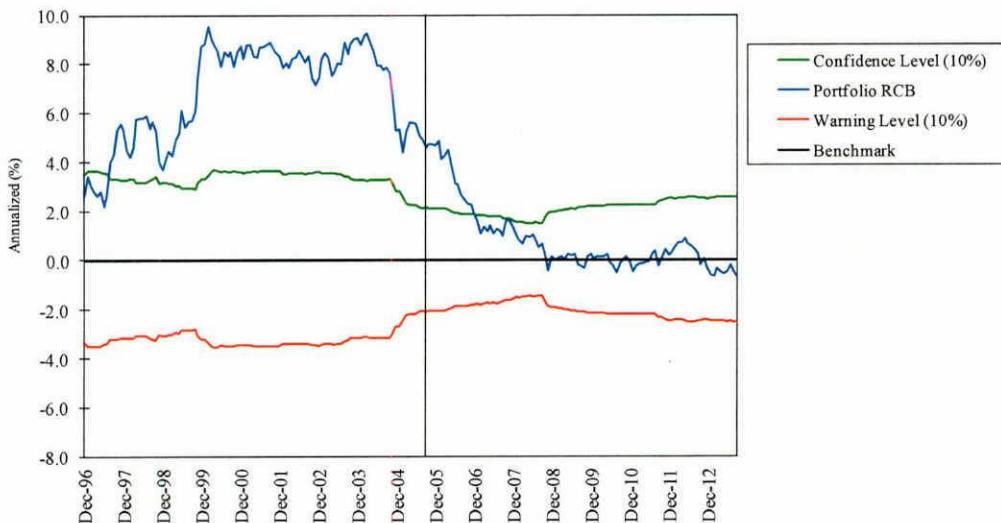
	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	10.2%	11.6%
Last 1 year	21.4	23.8
Last 2 years	20.3	18.7
Last 3 years	8.8	8.5
Last 4 years	7.7	7.1
Last 5 years	5.7	6.4
Since Retention By SBI (7/99)	7.0	4.1

**Recommendation**

No action required.

\*Benchmark is the MSCI EAFE-Free.

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



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

**MN STATE 457 DEFERRED COMPENSATION PLAN  
INTERNATIONAL – VANGUARD TOTAL INTERNATIONAL STOCK INDEX  
Periods Ending September, 2013**

**Portfolio Manager: Michael Perre**

**State's Participation in Fund: \$129,941,412  
Total Assets in Fund: \$21,584,000,000**

**Investment Philosophy  
Vanguard Total International Stock Index**

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

**Staff Comments**

Tracking error due to fair value pricing.

**Quantitative Evaluation**

	<b>Actual</b>	<b>Benchmark*</b>
Last Quarter	10.3%	10.3%
Last 1 year	17.2	16.9
Last 2 years	16.3	15.6
Last 3 years	5.9	5.9
Last 4 years	6.2	6.2
Last 5 years	5.9	6.2
Since Retention by SBI (7/11)	3.1	3.1

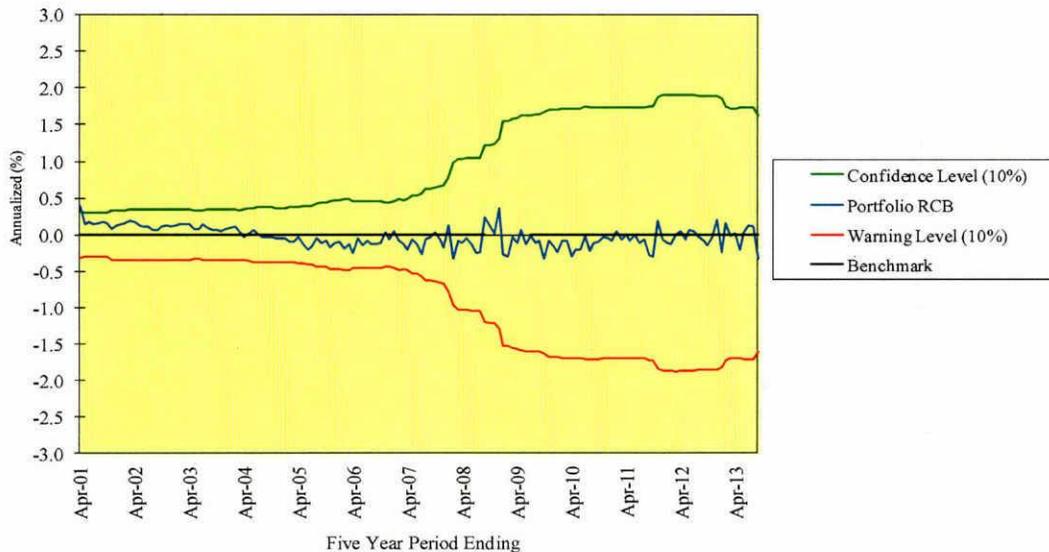
**Recommendation**

No action required.

Numbers in blue include returns prior to retention by SBI.

\* Benchmark is the FTSE Global All Cap ex US Index beginning June 2013; MSCI ACWI ex US IMI Index beginning December 2010; MSCI EAFE + Emerging Markets Index beginning August 2006. Prior to that date it was the Total International Composite Index, which is the MSCI EAFE Index and the Select Emerging Markets Free Index.

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



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

**MN STATE 457 DEFERRED COMPENSATION PLAN  
TARGET RETIREMENT FUNDS – STATE STREET GLOBAL ADVISORS (SSgA)  
Periods Ending September, 2013**

**Portfolio Manager: Various Index Fund Managers**      **State's Participation in Fund: \$157,290,774**  
**Total Assets in Fund: \$2,227,472,013**

**Investment Philosophy  
Target Retirement Funds**

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

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

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

**Staff Comments**

No tracking issues. No organizational concerns.

**Recommendation**

No action required.

**Targeted Asset Allocations: Rebalanced Quarterly**

Fund	Total Equity	Total Fixed Income	US 1-3 Yr Gov't Credit		US Agg - Bonds	US High Yield Bonds	US Long-Term Gov't Bonds	Large US Stocks	Small/Mid Cap Stocks	Commodities	Non-US Stocks	Global REITs
			US	TIPS								
2060	90.0	10.0	0.0	0.0	0.0	0.0	10.0	38.9	17.3	3.5	30.3	0.0
2055	90.0	10.0	0.0	0.0	0.0	0.0	10.0	38.9	17.3	3.5	30.3	0.0
2050	90.0	10.0	0.0	0.0	0.0	0.0	10.0	38.9	17.3	3.5	30.3	0.0
2045	89.8	10.2	0.0	0.0	0.2	0.0	10.0	38.9	17.2	3.5	30.2	0.0
2040	84.7	15.3	0.0	0.0	5.3	0.0	10.0	38.4	14.8	3.5	28.0	0.0
2035	79.6	20.4	0.0	0.0	10.3	0.1	10.0	37.8	12.5	3.5	25.8	0.0
2030	72.1	27.9	0.0	2.2	12.6	3.1	10.0	35.3	10.3	3.5	23.0	0.0
2025	64.4	35.6	0.0	4.3	15.5	5.8	10.0	31.7	7.9	3.5	19.7	1.6
2020	51.9	48.1	0.0	7.1	25.0	6.0	10.0	24.8	5.3	3.5	14.2	4.1
2015	39.4	60.6	11.3	18.0	20.9	7.0	3.4	18.8	3.1	3.5	9.0	5.0
Income	35.0	65.0	20.0	18.0	20.0	7.0	0.0	15.8	3.0	3.5	7.7	5.0

Note: Totals may not add due to rounding.

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## **INVESTMENT ADVISORY COUNCIL REPORT**

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DATE: December 4, 2013

TO: Members, State Board of Investment

**FROM: Members, Investment Advisory Council**

The Investment Advisory Council met on November 19, 2013 to review the following information and action agenda items:

- Review of current strategy.
- New investments with one existing (Energy Capital Partners) resource manager and one new (Permira) private equity manager.

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

### **INFORMATION ITEM:**

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

To increase overall portfolio diversification, 20% of the Combined Funds is allocated to alternative investments. Alternative investments include real estate, private equity, resource, and yield-oriented investments in which Minnesota State Board of Investment (SBI) participation is limited to commingled funds or other pooled vehicles. Charts summarizing the Board's current commitments are attached (see **Attachments A and B**).

- a. The real estate investment strategy is to establish and maintain a broadly diversified real estate portfolio comprised of investments that provide overall diversification by property type and location. The main component of this portfolio consists of investments in diversified Real Estate Investment Trusts (REITs) and closed-end commingled funds. The remaining portion of the portfolio may include investments in less diversified, more focused (specialty) commingled funds and REITs.
- b. The private equity investment strategy, which includes leveraged buyouts and venture capital, is to establish and maintain a broadly diversified private equity portfolio comprised of investments that provide diversification by industry type, stage of corporate development and location.

- c. The strategy for resource investments is to establish and maintain a portfolio of resource investment vehicles that provide an inflation hedge and additional diversification. Resource investments will include oil and gas investments, energy service industry investments and other investments that are diversified geographically and by type.
- d. The strategy for yield-oriented investments is to target funds that typically provide a current return and may have an equity component such as subordinated debt or mezzanine investments. Yield-oriented investments will provide diversification by including investments in the private equity, resource and real estate categories.

#### **ACTION ITEMS:**

**1) Investment with an existing resource manager, Energy Capital Partners (ECP), in Energy Capital Partners III, L.P. (ECP III).**

ECP is seeking investors for a new \$3.5 billion resource fund, ECP III. This fund is a successor to two flagship resource funds managed by ECP. The SBI invested in the most recent fund. Like the prior resource funds, this fund will focus on investments in existing and new-build energy infrastructure projects, primarily in North America.

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

More information on the ECP III fund is included as **Attachment C**.

#### **RECOMMENDATION:**

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

**2) Investment with a new private equity manager, Permira, in Permira V.**

Permira is seeking investors for a new €4.5 billion private equity fund, Permira V. This fund is a successor to four flagship buyout funds managed by Permira. The SBI has never invested with Permira. Like the prior private equity funds, this fund will focus on buyouts in most European countries in targeted sectors.

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

More information on the Permira V fund is included as **Attachment D**.

**RECOMMENDATION:**

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

(Blank)

ATTACHMENT A

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

Combined Funds Market Value	\$54,187,996,286
Amount Available for Investment	<b>\$3,931,332,169</b>

	Current Level	Target Level	Difference
Market Value (MV)	\$6,906,267,088	\$10,837,599,257	\$3,931,332,169
MV +Unfunded	\$11,467,387,187	\$18,965,798,700	\$7,498,411,513

Asset Class	Market Value	Unfunded Commitment	Total
Private Equity	\$4,092,599,714	\$3,085,687,437	\$7,178,287,151
Real Estate	\$683,172,926	\$214,864,058	\$898,036,984
Resource	\$1,141,138,343	\$621,035,200	\$1,762,173,543
Yield-Oriented	\$989,356,105	\$639,533,404	\$1,628,889,509
<b>Total</b>	<b>\$6,906,267,088</b>	<b>\$4,561,120,099</b>	<b>\$11,467,387,187</b>



# ATTACHMENT B

## Minnesota State Board of Investment - Alternative Investments -

As of September 30, 2013

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	MOIC*	Period Years
<b>I. REAL ESTATE</b>								
<b>Blackstone</b>								
Blackstone Real Estate Partners V	100,000,000	96,786,582	120,182,372	38,111,286	4,417,812	9.12	1.64	7.43
Blackstone Real Estate Partners VI	100,000,000	98,141,814	124,405,337	27,436,391	4,116,284	9.87	1.55	6.50
Blackstone Real Estate Partners VII	100,000,000	55,060,799	62,762,432	8,261,163	44,939,201	22.23	1.29	1.84
<b>Blackstone Strategic Partners (CSFB/ DLJ)</b>								
CSFB Strategic Partners III RE	25,000,000	25,166,647	12,080,513	617,398	398,070	-12.06	0.50	8.25
CS Strategic Partners IV RE	50,000,000	49,245,183	30,627,674	11,112,729	1,343,030	-4.07	0.85	5.29
<b>Colony Capital</b>								
Colony Investors II	80,000,000	78,482,328	2,800	90,022,404	1,517,672	4.68	1.15	18.50
Colony Investors III	100,000,000	100,000,000	4,295,900	167,834,385	0	14.56	1.72	15.75
<b>Retail Properties of America</b>								
Retail Properties of America A Common St	5,582	5,582	2,970	1,048	0	-36.43	0.72	1.53
Retail Properties of America, Class B3	1,864	1,864	1,485	107	0	-10.11	0.85	1.53
<b>Silverpeak Real Estate Partners</b>								
Silverpeak Legacy Pension Partners II	75,000,000	70,753,841	35,859,340	34,070,874	9,857,501	-0.27	0.99	8.25
Silverpeak Legacy Pension Partners III	150,000,000	66,143,137	26,392,170	0	83,274,488	-17.23	0.40	5.36
<b>T.A. Associates Realty</b>								
Realty Associates Fund V	50,000,000	50,000,000	7,674	90,962,198	0	10.20	1.82	14.35
Realty Associates Fund VI	50,000,000	50,000,000	13,336,594	64,559,691	0	9.78	1.56	11.26
Realty Associates Fund VII	75,000,000	75,000,000	47,185,541	30,409,107	0	0.54	1.03	8.87
Realty Associates Fund VIII	100,000,000	100,000,000	69,404,749	6,034,547	0	-5.10	0.75	7.25
Realty Associates Fund IX	100,000,000	100,000,000	101,331,202	24,417,784	0	9.19	1.26	5.10
Realty Associates Fund X	100,000,000	35,000,000	35,294,175	9,827	65,000,000	1.35	1.01	1.58
<b>Real Estate Total</b>	<b>1,255,007,446</b>	<b>1,049,787,776</b>	<b>683,172,926</b>	<b>593,860,939</b>	<b>214,864,058</b>		<b>1.22</b>	
<b>II. RESOURCE</b>								
<b>Apache Corp.</b>								
1986 Net Profits Interest	30,000,000	30,000,000	2,847,000	56,781,079	0	12.16	1.99	26.75
<b>EnCap Energy</b>								
EnCap Energy Capital Fund VII	100,000,000	88,390,685	29,160,899	103,010,815	12,162,058	18.53	1.50	6.25
EnCap Energy Capital Fund VIII	100,000,000	52,352,472	54,781,620	4,606,133	47,647,529	11.18	1.13	3.00
EnCap Energy Capital Fund IX	100,000,000	9,194,200	8,347,993	0	90,805,800	-22.30	0.91	0.81
<b>Energy &amp; Minerals Group</b>								
NGP Midstream & Resources	100,000,000	96,715,051	107,001,696	81,071,059	3,595,972	21.66	1.94	6.50
The Energy & Minerals Group Fund II	100,000,000	59,735,328	64,619,766	100,956	40,264,672	9.80	1.08	2.02
<b>Energy Capital Partners</b>								
Energy Capital Partners II	100,000,000	82,600,591	98,495,618	10,643,882	21,339,942	18.30	1.32	3.20
<b>First Reserve Corp.</b>								
First Reserve Fund X	100,000,000	100,000,000	18,229,697	161,689,400	0	30.52	1.80	8.91
First Reserve Fund XI	150,000,000	149,805,301	118,626,606	66,690,430	194,699	5.34	1.24	6.77
First Reserve Fund XII	150,000,000	123,061,013	116,399,412	13,666,053	26,938,987	1.82	1.06	4.92
<b>Natural Gas Partners</b>								
Natural Gas Partners IX	150,000,000	133,502,963	126,352,741	62,303,199	13,836,846	12.48	1.41	5.94
NGP Natural Resources X	150,000,000	61,875,199	67,462,901	989,135	88,124,801	12.93	1.11	1.97
<b>Sheridan</b>								
Sheridan Production Partners I	100,000,000	100,002,260	84,264,988	65,750,000	0	12.06	1.50	6.50
Sheridan Production Partners II	100,000,000	91,750,000	86,426,017	3,500,000	8,250,000	-2.18	0.98	3.00
<b>EIG Global Energy Partners</b>								
Energy Partners XIV	100,000,000	100,532,370	51,798,138	78,805,932	14,081,066	9.57	1.30	6.45
Energy Partners XV	150,000,000	96,207,172	106,323,251	17,832,662	53,792,828	17.28	1.29	3.32
Energy Partners XVI	200,000,000	0	0	0	200,000,000	N/A	0.00	0.05
<b>Resource Total</b>	<b>1,980,000,000</b>	<b>1,375,724,604</b>	<b>1,141,138,343</b>	<b>727,440,734</b>	<b>621,035,200</b>		<b>1.36</b>	
<b>III. YIELD-ORIENTED</b>								
<b>Audax Group</b>								
Audax Mezzanine Fund III	100,000,000	44,832,249	39,300,142	10,820,215	55,167,751	7.98	1.12	3.49
<b>Court Square Capital Partners</b>								
Citicorp Mezzanine III	100,000,000	88,029,296	511,384	132,324,719	0	15.61	1.51	13.91
<b>Crescent Capital Group</b>								
TCW/Crescent Mezzanine Partners III	75,000,000	68,868,042	5,843,936	156,103,491	29,701,079	36.06	2.35	12.50
<b>DLJ Investment Partners</b>								
DLJ Investment Partners II	27,375,168	23,164,217	574,284	34,750,077	4,955,172	10.53	1.52	13.75
DLJ Investment Partners III	100,000,000	53,129,624	16,647,624	46,530,155	48,869,665	3.89	1.19	7.27
<b>Gold Hill Venture Lending</b>								
Gold Hill Venture Lending	40,000,000	40,000,000	3,480,375	54,870,900	0	8.90	1.46	9.01
Gold Hill 2008	25,852,584	25,852,584	26,304,772	11,677,354	0	16.27	1.47	5.25
<b>GS Mezzanine Partners</b>								
GS Mezzanine Partners II	100,000,000	100,000,000	315,829	131,871,972	0	7.09	1.32	13.58
GS Mezzanine Partners III	75,000,000	74,934,629	5,373,873	95,166,088	65,371	8.31	1.34	10.22
GS Mezzanine Partners 2006 Institutional	100,000,000	74,999,888	37,546,262	82,134,916	25,000,112	2.43	1.60	7.48
GS Mezzanine Partners V	150,000,000	75,756,155	46,676,211	47,620,593	65,227,832	8.41	1.24	5.94
<b>Merit Capital Partners</b>								
William Blair Mezzan. Cap. Fd. III	60,000,000	57,243,241	3,475,036	104,659,304	2,756,759	15.13	1.89	13.75
Merit Mezzanine Fund IV	75,000,000	69,807,692	34,109,813	63,801,135	5,192,308	8.17	1.40	8.79
Merit Mezzanine Fund V	75,000,000	39,734,694	35,250,130	2,098,228	35,265,306	-3.32	0.94	3.78
<b>Merit Energy Partners</b>								
Merit Energy Partners B	24,000,000	24,000,000	54,557,456	135,288,619	0	24.58	7.91	17.25
Merit Energy Partners C	50,000,000	50,000,000	164,320,753	310,300,446	0	31.06	9.49	14.92
Merit Energy Partners D	88,000,000	70,938,303	112,876,723	219,387,027	0	23.30	4.68	12.35
Merit Energy Partners E	100,000,000	39,983,197	51,834,276	51,293,762	0	15.62	2.58	8.96
Merit Energy Partners F	100,000,000	57,841,607	40,913,223	19,273,487	42,158,394	1.00	1.04	7.52
Merit Energy Partners H	100,000,000	32,547,044	28,518,219	1,385,483	67,452,956	-5.84	0.92	2.66

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

As of September 30, 2013

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	MOIC*	Period Years
<b>Prudential Capital Partners</b>								
<i>Prudential Capital Partners I</i>	100,000,000	97,649,912	24,678,022	127,020,892	7,093,524	11.04	1.55	12.45
<i>Prudential Capital Partners II</i>	100,000,000	94,296,891	35,563,322	101,765,394	6,105,077	9.41	1.46	8.25
<i>Prudential Capital Partners III</i>	100,000,000	92,073,255	83,407,444	42,511,142	10,833,212	13.64	1.37	4.46
<i>Prudential Capital Partners IV</i>	100,000,000	8,814,201	9,213,740	167,094	91,185,799	11.35	1.06	1.70
<b>Summit Partners</b>								
<i>Summit Subordinated Debt Fund I</i>	20,000,000	18,000,000	77,156	31,406,578	2,000,000	30.54	1.75	19.50
<i>Summit Subordinated Debt Fund II</i>	45,000,000	40,500,000	5,285,115	88,397,053	4,500,000	56.29	2.31	16.16
<i>Summit Subordinated Debt Fund III</i>	45,000,000	42,690,965	15,348,235	40,181,103	2,850,000	8.65	1.30	9.62
<i>Summit Subordinated Debt Fund IV</i>	50,000,000	31,605,902	29,868,935	7,739,336	18,394,098	8.06	1.19	5.51
<b>Windjammer Capital Investors</b>								
<i>Windjammer Mezzanine &amp; Equity Fund II</i>	66,708,861	52,095,147	10,600,664	67,156,653	14,360,347	8.31	1.49	13.50
<i>Windjammer Senior Equity Fund III</i>	75,000,000	64,451,545	56,201,956	49,818,871	13,139,865	15.63	1.64	7.74
<i>Windjammer Senior Equity Fund IV</i>	100,000,000	12,741,221	10,681,195	0	87,258,779	-35.20	0.84	1.60
<b>Yield-Oriented Total</b>	<b>2,366,936,613</b>	<b>1,666,581,503</b>	<b>989,356,105</b>	<b>2,267,522,088</b>	<b>639,533,404</b>		<b>1.95</b>	
<b>IV. Private Equity</b>								
<b>Adams Street Partners</b>								
<i>Adams Street Global Secondary Fund 5</i>	100,000,000	8,070,000	7,542,488	0	91,930,000	-9.33	0.93	1.28
<b>Advent International</b>								
<i>Advent International GPE VI-A</i>	50,000,000	47,450,005	49,838,462	20,909,035	2,549,995	16.11	1.49	5.50
<i>Advent International GPE VII</i>	90,000,000	20,925,000	21,978,720	0	69,075,000	5.41	1.05	1.03
<b>Affinity Ventures</b>								
<i>Affinity Ventures IV</i>	4,000,000	4,000,000	1,933,484	1,541,970	0	-3.88	0.87	9.25
<i>Affinity Ventures V</i>	5,000,000	4,250,000	2,881,012	1,003,976	750,000	-3.30	0.91	5.24
<b>APAX Partners</b>								
<i>Apax VIII</i>	200,000,000	18,600,000	18,554,951	0	181,400,000	-0.27	1.00	0.56
<b>Banc Fund</b>								
<i>Banc Fund VII</i>	45,000,000	45,000,000	33,042,105	812,725	0	-4.25	0.75	8.50
<i>Banc Fund VIII</i>	98,250,000	85,477,500	101,727,457	2,829,301	12,772,500	10.76	1.22	5.43
<b>Blackstone</b>								
<i>Blackstone Capital Partners IV</i>	70,000,000	72,005,894	36,085,455	149,196,309	2,265,414	37.72	2.57	11.22
<i>Blackstone Capital Partners V</i>	140,000,000	129,074,727	129,704,520	40,128,267	12,847,978	4.81	1.32	7.66
<i>Blackstone Capital Partners VI</i>	100,000,000	24,132,308	28,177,424	1,198,838	75,867,692	6.78	1.22	5.18
<b>Blackstone Strategic Partners (CSFB/DLJ)</b>								
<i>DLJ Strategic Partners</i>	100,000,000	95,078,348	5,383,753	168,189,237	3,371,652	22.48	1.83	12.70
<i>Strategic Partners II-B</i>	100,000,000	83,939,060	6,090,520	154,053,878	10,260,940	35.25	1.91	10.20
<i>Strategic Partners III VC</i>	25,000,000	24,027,783	12,684,500	18,947,724	972,217	6.60	1.32	8.33
<i>Strategic Partners III-B</i>	100,000,000	76,464,096	46,817,363	60,813,656	16,693,808	6.40	1.41	8.33
<i>Strategic Partners IV-B</i>	100,000,000	88,533,353	65,133,207	67,875,048	11,466,647	13.69	1.50	5.51
<i>Strategic Partners IV VC</i>	40,500,000	38,061,779	27,982,297	23,407,114	2,273,327	9.53	1.35	5.29
<i>Strategic Partners V</i>	100,000,000	55,489,811	66,137,854	12,620,501	44,510,189	42.28	1.42	2.12
<b>BLUM Capital Partners</b>								
<i>Blum Strategic Partners II</i>	50,000,000	40,185,889	301,965	89,708,870	2,127,584	22.44	2.24	12.20
<i>Blum Strategic Partners III</i>	75,000,000	74,806,485	15,029,440	57,725,386	193,515	-2.04	0.97	8.33
<i>Blum Strategic Partners IV</i>	150,000,000	147,168,674	87,959,749	48,467,702	15,258,645	-1.81	0.93	5.86
<b>Carval Investors</b>								
<i>CVI Global Value Fund</i>	200,000,000	190,000,000	117,149,019	172,500,341	10,000,000	9.00	1.52	6.72
<i>CVI Credit Value Fund I</i>	100,000,000	95,000,000	150,113,300	63,000	5,000,000	21.69	1.58	3.00
<i>CVI Credit Value Fund A II</i>	150,000,000	75,000,000	81,036,568	428,690	75,000,000	13.43	1.09	0.92
<b>Chicago Growth Partners (William Blair)</b>								
<i>William Blair Capital Partners VII</i>	50,000,000	48,150,000	5,212,302	63,741,199	1,650,000	8.69	1.43	12.56
<i>Chicago Growth Partners I</i>	50,000,000	52,441,998	31,008,105	32,588,932	300,000	5.12	1.21	8.18
<i>Chicago Growth Partners II</i>	60,000,000	51,416,980	52,839,558	23,416,224	8,331,020	17.49	1.48	5.56
<i>Chicago Growth Partners III</i>	75,000,000	0	0	0	75,000,000	N/A	0.00	0.59
<b>Court Square Capital Partners</b>								
<i>Court Square Capital Partners</i>	100,000,000	80,271,218	1,720,318	179,560,740	10,528,927	28.95	2.26	11.80
<i>Court Square Capital Partners II</i>	175,000,000	158,828,352	124,500,268	95,863,208	17,811,854	9.60	1.39	7.07
<i>Court Square Capital Partners III</i>	175,000,000	18,123,651	16,887,889	1,463,611	156,876,349	-12.96	1.01	1.33
<b>Crescendo</b>								
<i>Crescendo III</i>	25,000,000	25,000,000	699,739	10,854,713	0	-12.80	0.46	14.90
<i>Crescendo IV</i>	101,500,000	101,500,000	17,180,767	30,237,762	0	-7.85	0.47	13.56
<b>DLJ (CSFB/DLJ)</b>								
<i>DLJ Merchant Banking Partners III</i>	125,000,000	121,862,168	24,465,505	252,112,091	3,137,832	19.14	2.27	13.00
<b>CVC Capital Partners</b>								
<i>CVC European Equity Partners V</i>	122,094,957	103,762,404	96,526,994	45,161,096	18,332,553	12.23	1.37	5.51
<i>CVC Capital Partners VI</i>	288,776,231	0	0	0	288,776,231	N/A	0.00	0.23
<b>Diamond Castle Partners</b>								
<i>Diamond Castle Partners IV</i>	100,000,000	87,835,761	49,475,445	49,344,168	12,204,724	2.35	1.13	7.06
<b>DSV Partners</b>								
<i>DSV Partners IV</i>	10,000,000	10,000,000	31,935	39,196,082	0	10.61	3.92	28.47
<b>EBF and Associates</b>								
<i>Merced Partners II</i>	75,000,000	63,768,881	18,659,487	104,406,983	0	24.64	1.93	6.50
<i>Merced Partners III</i>	100,000,000	100,000,000	116,561,400	0	0	8.17	1.17	3.40
<i>Merced Partners IV</i>	125,000,000	6,718,688	6,718,688	0	118,281,313	0.00	1.00	0.22
<b>Elevation Partners</b>								
<i>Elevation Partners</i>	75,000,000	68,817,836	23	97,223,858	12,267,754	8.65	1.41	8.37
<b>Fox Paine &amp; Company</b>								
<i>Fox Paine Capital Fund II</i>	50,000,000	45,804,112	16,346,318	73,394,027	12,448,726	19.70	1.96	13.25
<b>Goldner, Hawn, Johnson &amp; Morrison</b>								
<i>GHJM Marathon Fund V</i>	50,000,000	49,578,441	44,109,275	41,798,048	498,270	11.21	1.73	9.00
<i>TrailHead Fund</i>	20,000,000	7,064,187	6,693,148	0	12,935,813	-5.51	0.95	1.60

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

As of September 30, 2013

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	MOIC*	Period Years
<b>GS Capital Partners</b>								
GS Capital Partners 2000	50,000,000	50,000,000	5,934,931	103,043,781	0	22.40	2.18	13.08
GS Capital Partners V	100,000,000	66,390,364	48,252,024	122,675,807	26,041,099	16.68	2.57	8.50
GS Capital Partners VI	100,000,000	66,809,547	38,205,124	44,458,496	25,357,447	3.37	1.24	6.66
<b>GTCR Golder Rauner</b>								
Golder, Thoma, Cressey, Rauner Fund IV	20,000,000	20,000,000	97,022	42,300,018	0	25.06	2.12	19.66
GTCR VI	90,000,000	90,000,000	2,574,247	77,813,800	0	-3.74	0.89	15.25
GTCR VII								
GTCR Fund VII	131,250,000	129,390,615	541,097	306,551,141	1,859,375	21.93	2.37	13.65
GTCR Fund VII-A	43,750,000	29,859,374	173,504	80,771,585	13,890,626	82.03	2.71	12.70
GTCR IX	75,000,000	69,539,933	61,607,915	41,689,591	5,460,067	11.81	1.49	7.25
GTCR X	100,000,000	64,198,604	71,750,735	0	35,801,396	8.08	1.12	2.81
<b>Hellman &amp; Friedman</b>								
Hellman & Friedman Capital Partners V	160,000,000	145,859,479	56,369,844	335,939,474	16,173,543	27.59	2.69	8.83
Hellman & Friedman Capital Partners VI	175,000,000	168,207,164	112,430,319	128,404,006	7,915,455	8.31	1.43	6.50
Hellman & Friedman Capital Partners VII	50,000,000	16,206,070	14,121,509	2,385,664	33,793,930	1.21	1.02	4.45
<b>IK Investment Partners</b>								
IK Fund VII	203,047,610	37,031,523	37,031,523	0	166,016,087	0.00	1.00	0.05
<b>Kohlberg Kravis Roberts</b>								
KKR Millennium Fund	200,000,000	200,000,000	95,534,925	288,538,742	0	16.08	1.92	10.81
KKR 2006 Fund	200,000,000	200,982,764	148,654,923	128,400,266	12,321,434	6.85	1.38	7.01
<b>Leonard Green &amp; Partners</b>								
Green Equity Investors VI	200,000,000	31,754,166	30,463,455	508,257	168,245,834	-3.62	0.98	1.54
<b>Lexington Capital Partners</b>								
Lexington Capital Partners VI-B	100,000,000	97,799,408	61,235,518	67,811,541	2,200,592	7.49	1.32	7.76
Lexington Capital Partners VII	200,000,000	135,493,878	127,770,722	49,395,458	64,506,122	19.07	1.31	4.30
<b>Nordic Capital</b>								
Nordic Capital Fund VIII	199,627,628	0	0	0	199,627,628	N/A	0.00	0.05
<b>RWI Ventures</b>								
RWI Group III	616,430	616,430	32,546	526,806	0	-3.35	0.91	7.25
RWI Ventures I	7,603,265	7,603,265	547,248	6,094,262	0	-4.44	0.87	7.25
<b>Sightline Healthcare</b>								
Sightline Healthcare Fund III	20,000,000	20,000,000	1,661,486	5,465,766	0	-11.72	0.36	14.69
Sightline Healthcare Fund IV	7,700,000	7,753,673	2,574,829	4,621,834	0	-1.94	0.93	10.02
<b>Silver Lake Partners</b>								
Silver Lake Partners II	100,000,000	89,314,415	47,187,932	95,096,890	11,681,453	9.50	1.59	9.25
Silver Lake Partners III	100,000,000	73,873,225	59,946,004	50,967,761	26,862,202	15.04	1.50	6.50
Silver Lake Partners IV	100,000,000	0	0	0	100,000,000	N/A	0.00	1.01
<b>Split Rock Partners</b>								
Split Rock Partners	50,000,000	44,799,999	32,215,343	597,892	5,200,001	-6.22	0.73	8.42
Split Rock Partners II	60,000,000	36,200,000	29,623,787	479,262	23,100,000	-9.46	0.83	5.42
<b>Summit Partners</b>								
Summit Ventures V	25,000,000	24,125,000	80,814	33,274,796	875,000	8.10	1.38	15.50
Summit Partners Growth Equity Fund VIII	100,000,000	15,000,000	14,230,830	0	85,000,000	-7.20	0.95	2.41
T. Rowe Price	89,944,611	89,944,611	53,107,848	31,468,239	0	-14.93	0.94	5.57
<b>Thoma Cressey</b>								
Thoma Cressey Fund VI	35,000,000	33,915,000	1,486,005	33,205,262	1,085,000	0.27	1.02	15.11
Thoma Cressey Fund VII	50,000,000	50,000,000	8,864,527	90,795,848	0	23.17	1.99	13.10
Thoma Cressey Fund VIII	70,000,000	68,932,574	72,084,325	81,527,810	770,000	15.12	2.23	7.42
<b>Thomas, Mc Nerney &amp; Partners</b>								
Thomas, Mc Nerney & Partners I	30,000,000	28,950,000	12,117,309	10,504,694	1,050,000	-5.39	0.78	10.90
Thomas, Mc Nerney & Partners II	50,000,000	42,875,000	30,604,774	13,574,160	7,125,000	0.85	1.03	7.25
<b>Varde Fund</b>								
Varde Fund IX	100,000,000	100,000,000	81,041,058	99,326,288	0	13.71	1.80	5.27
Varde Fund X	150,000,000	150,000,000	191,878,650	0	0	10.78	1.28	3.44
Varde Fund XI	200,000,000	68,000,000	67,938,460	0	132,000,000	-0.11	1.00	0.22
<b>Vestar Capital Partners</b>								
Vestar Capital Partners IV	55,000,000	52,761,494	8,224,611	86,623,176	746,945	13.45	1.80	13.79
Vestar Capital Partners V	75,000,000	74,467,459	57,927,610	22,488,956	857,770	1.72	1.08	7.78
Vestar Capital Partners VI	100,000,000	11,339,736	9,054,995	0	88,660,264	-87.83	0.80	2.02
<b>Warburg Pincus</b>								
Warburg Pincus Equity Partners	100,000,000	100,000,000	3,755,153	157,951,853	0	9.96	1.62	15.26
Warburg Pincus Private Equity VIII	100,000,000	100,000,000	57,301,088	168,599,178	0	15.43	2.26	11.46
Warburg Pincus Private Equity IX	100,000,000	100,000,000	47,186,741	122,311,648	0	10.13	1.69	8.18
Warburg Pincus Private Equity X	150,000,000	150,060,914	124,371,441	54,327,846	0	5.28	1.19	5.94
Warburg Pincus Private Equity XI	200,000,000	40,883,377	41,881,218	680,000	159,116,623	4.44	1.04	0.77
<b>Wayzata</b>								
Wayzata Opportunities Fund	100,000,000	93,180,000	63,236,642	107,465,230	6,820,000	10.11	1.83	7.78
Wayzata Opportunities Fund II	150,000,000	57,450,000	127,086,793	39,069,900	92,550,000	15.24	2.89	5.94
Wayzata Opportunities Fund III	150,000,000	8,625,000	7,617,108	136,917	141,375,000	-11.98	0.90	1.29
<b>Welsh, Carson, Anderson &amp; Stowe</b>								
Welsh, Carson, Anderson & Stowe VIII	100,000,000	100,000,000	366,951	128,500,208	0	3.11	1.29	15.19
Welsh, Carson, Anderson & Stowe IX	125,000,000	123,750,000	23,465,101	173,034,273	1,250,000	10.83	1.59	13.26
Welsh, Carson, Anderson & Stowe X	100,000,000	97,578,466	76,939,146	61,192,807	3,000,000	6.55	1.42	7.79
Welsh, Carson, Anderson & Stowe XI	100,000,000	78,616,923	81,289,233	16,616,366	21,383,077	10.77	1.25	5.19
<b>Private Equity Total</b>	<b>9,593,660,732</b>	<b>6,503,824,840</b>	<b>4,092,599,714</b>	<b>5,749,997,865</b>	<b>3,085,687,437</b>		<b>1.51</b>	
<b>Alternatives Total</b>	<b>15,195,604,790</b>	<b>10,595,918,723</b>	<b>6,906,267,088</b>	<b>9,338,821,626</b>	<b>4,561,120,099</b>		<b>1.53</b>	

**Notes**

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

<i>Name of Fund:</i>	Energy Capital Partners III, LP
<i>Type of Fund:</i>	Resource Limited Partnership
<i>Target Fund Size:</i>	\$3.5 Billion
<i>Fund Manager:</i>	Energy Capital Partners
<i>Administrative Contact:</i>	Paul Parshley 51 John F. Kennedy Parkway Short Hills, N.J. 07078 P: (973) 671-6100

**II. Organization and Staff**

Energy Capital was established in 2005 and is led by a team of highly experienced investment professionals, the core members of which have worked together over the past 16 years. The team collectively has over 375 years of energy industry experience, deep industry relationships and a successful track record of investing in energy infrastructure assets. ECP was founded by Douglas Kimmelman, whose entire career has been focused on the electricity, natural gas and related sectors. ECP continues to be led by Mr. Kimmelman together with Peter Labbat, Thomas Lane, Tyler Reeder and Andrew Singer (collectively, the "ECP Partners"). Since 2005, Energy Capital Partners has grown to a team of 24 investment professionals, two senior advisors and 19 additional professionals focused on legal, accounting, investor relations and administrative functions.

**III. Investment Strategy**

The firm's investment strategy is making value-added, control investments in existing and new-build energy infrastructure projects, primarily in North America. Energy Capital is a leading investor in the power generation, midstream oil and gas, environmental infrastructure and energy services sectors as evidenced by ECP's current asset base, which includes over 8,200 MWs of operating power generation capacity across 11 facilities, approximately 2,500 miles of operating oil and gas gathering pipeline systems and over 10,000 employees across 14 current investment platforms. Fund III plans to continue to pursue ECP's diversified energy investment strategy across the energy value chain with a concentration in six main areas:

- Fossil power generation
- Renewable power generation
- Midstream oil and gas pipeline, storage, processing and related fee based asset systems
- Energy related environmental infrastructure assets and services
- Electric transmission
- Energy services and construction businesses

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

Previous fund performance as of September 30, 2013 for Energy Capital Partners and the SBI's investments with previous funds, where applicable, is shown below:

<b>Fund</b>	<b>Inception Date</b>	<b>Total Commitments</b>	<b>SBI Investment</b>	<b>Net IRR from Inception *</b>	<b>Net MOIC from Inception*</b>
Energy Capital Partners II	2009	\$4.3 billion	\$100 million	24.0%	1.4
Energy Capital Partners I	2006	\$2.25 billion	--	0%	1.0

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

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

The General Partner will invest at least \$75 million, assuming aggregate Limited Partner Commitments of at least \$3.5 billion.

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

1.5% to 1.65% of capital committed to the Fund, depending on the timing of commitment to the fund, declining after the investment period as the portfolio is liquidated.

#### **VII. Distributions**

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

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

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

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

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

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

<i>Name of Fund:</i>	Permira V
<i>Type of Fund:</i>	Private Equity Limited Partnership
<i>Target Fund Size:</i>	€4.5 Billion
<i>Fund Manager:</i>	Permira Advisers LLC
<i>Administrative Contact:</i>	Chris Davison 80 Pall Mall London SW1Y 5ES +44 (0) 20 7632 1132

**II. Organization and Staff**

Permira, formerly known as Schroder Ventures, was one of the first entrants into the European private equity market in the 1980s. The firm entered in the UK private equity industry in 1985. It was the first entrant into Germany in 1986 and Italy in 1988 as well as having an early presence from 1989 in France. In 1996 these operations were integrated to form a single organization (Schroder Ventures Europe, renamed Permira in 2001). Permira expanded its investing office network throughout the last decade to address growing market opportunity and to strengthen its local presence across Europe. The firm also established a global reach to enhance origination within sectors the firm knows well and to support portfolio companies' growth ambitions. It was one of the earliest European firms to establish a presence in the U.S.

Permira's Investment Committee comprises seven Partners: Kurt Bjorklund, Tom Lister, Damon Buffini, Veronica Eng, Carlos Mallo, Jorg Rockenhauser, and Charles Sherwood. In total, Permira has 29 Partners, 22 principals, and 42 other investment professionals. On average the Partners have been with the firm for 13 years, reflecting a blend of highly experienced individuals with the promotion of younger Partners over the years.

**III. Investment Strategy**

The Permira funds make long-term investments in businesses to transform their performance and create strategically desirable assets, an approach that has delivered strong investment returns over 26 years. Permira V (P5) will invest primarily in mid to large cap European buy-outs with exposure to faster-growing global markets and sectors. In addition, P5 will pursue opportunities outside Europe, which are consistent with Permira's thematic sector approach.

P5's strategy will be based on: a clear focus on market-leading businesses with the potential for strong and sustainable growth; Permira's strength in originating distinctive investment opportunities; and supporting management in driving business transformation to deliver operational value creation. The objective is to build a strong portfolio of businesses with a broad range of exit options, thus delivering superior cash returns to investors.

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

Previous fund performance as of June 30, 2013 for Permira and the SBI's investments with previous funds, where applicable, is shown below:

<b>Fund</b>	<b>Inception Date</b>	<b>Total Commitments</b>	<b>SBI Investment</b>	<b>Net IRR from Inception *</b>	<b>Net MOIC from Inception*</b>
Permira IV	2006	€7,223 million	--	8%	1.4
Permira III	2003	€4,955 million	--	24%	1.6
Permira II	2000	€3,300 million	--	17%	1.6
Permira I	1997	€890 million	--	84%	2.5

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

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

The General Partner will commit a minimum of €200 million to the fund.

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

1.5% of the committed capital of the fund during the Investment Period and declining as the portfolio is liquidated.

#### **VII. Distributions**

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

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

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

The Fund will have a term of 10 years, subject to possible extensions.

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