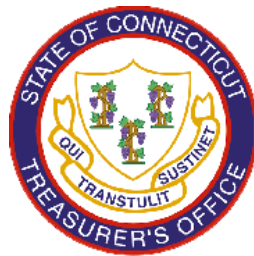


# STATE OF CONNECTICUT OFFICE OF THE TREASURER

# 2010



## COMBINED INVESTMENT FUNDS COMPREHENSIVE ANNUAL FINANCIAL REPORT

*For the fiscal year ended June 30, 2010*

*Revised October 23, 2013 and October 23, 2014*

# STATE OF CONNECTICUT

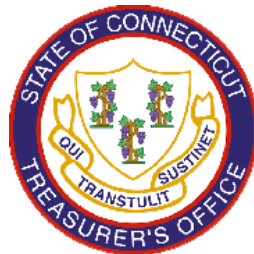
## Office of the State Treasurer



The State Motto "Qui Transtulit Sustinet," (He Who Transplanted Still Sustains), has been associated with the various versions of the state seal from the creation of the Saybrook Colony Seal.

# STATE OF CONNECTICUT OFFICE OF THE TREASURER

# 2010



## COMBINED INVESTMENT FUNDS COMPREHENSIVE ANNUAL FINANCIAL REPORT

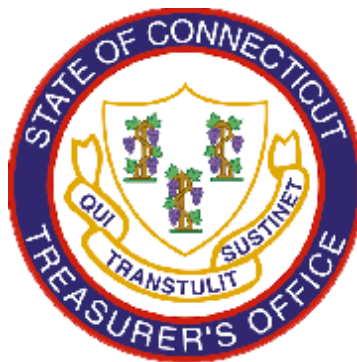
*For the fiscal year ended June 30, 2010*

Prepared by: State of Connecticut  
Office of the Treasurer  
55 Elm Street  
Hartford, CT 06106-1773

*Revised October 23, 2013 and October 23, 2014*

# STATE OF CONNECTICUT

## Office of the State Treasurer



The State Motto "Qui Transtulit Sustinet," (He Who Transplanted Still Sustains), has been associated with the various versions of the state seal from the creation of the Saybrook Colony Seal.

**COMBINED INVESTMENT FUNDS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
 FOR FISCAL YEAR ENDED JUNE 30, 2010

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# **Introductory Section**







**State of Connecticut**  
**Office of the Treasurer**

DENISE L. NAPPIER  
TREASURER

HOWARD G. RIFKIN  
DEPUTY TREASURER

December 30, 2010

To the State of Connecticut  
Combined Investment Funds  
Fellow Beneficiaries

I am pleased to submit this Comprehensive Annual Financial Report (CAFR) for the State of Connecticut Combined Investment Funds (CIF) for the fiscal year ended June 30, 2010. During 2010, the Connecticut Retirement Plans and Trust Funds (CRPTF) rebounded strongly from 2009, a year of unprecedented downturn in the global economy. The value of the CRPTF assets increased by \$1.5 billion earning an average net return of 12.88% as noted under Financial Information below.

Responsibility for both the accuracy of the data and the completeness and fairness of this report rests with Treasury management. All disclosures necessary and required to enable fellow beneficiaries and the financial community to gain an understanding of CIF's financial activities have been included.

We believe the enclosed financial statements and data are presented fairly in all material respects and are reported in a manner designed to present the financial position and results of CIF's operations accurately.

The CIF were established pursuant to Connecticut General Statutes Section 3-31b to provide a means for investing pension and other trust fund assets entrusted to the Treasurer in a variety of investment classes. The Funds are separate, legally-defined open-end portfolios consisting of: the Liquidity Fund, the Mutual Equity Fund, the Core Fixed Income Fund, the Emerging Market Debt Fund, the High Yield Debt Fund, the Inflation Linked Bond Fund, the Developed Markets International Stock Fund, the Emerging Markets International Stock Fund, the Real Estate Fund, the Commercial Mortgage Fund, and the Private Investment Fund.

The units of the Funds are owned by six pension funds, which include: the Teachers' Retirement Fund; State Employees' Retirement Fund; Connecticut Municipal Employees' Retirement Fund; State Judges Retirement Fund; Probate Judges and Employees' Retirement Fund; and State's Attorney Retirement Fund. In addition, there are eight trust funds which include: the Soldiers' Sailors' and Marines' Fund; Policemen and Firemen Survivors' Benefit Fund; Arts Endowment Fund; School Fund; Ida Eaton Cotton Fund; Hopmead State Park Fund; Andrew C. Clark Fund; and the Agricultural College Fund.

### **Financial Information**

The CIF assets in 2010 were \$21.9 billion and are valued at fair value. The CIF is in full compliance with the standards of the Governmental Accounting Standards Board. To meet CIF's obligations for investing pension plans and other trust funds, CIF's assets are diversified over a number of investments, and a host of different investment strategies are employed to control risk. In the past year, the three largest retirement plans, Teachers' Retirement Fund, State Employees' Retirement Fund and the Municipal Employees' Retirement Fund, representing 99% of the State's retirement assets, posted net total returns (after all expenses) of 12.87%, 12.93% and 12.57%, respectively, compared to the three funds' customized benchmarks, of 12.29%, 12.60% and 11.82%, respectively. Additional information on the Combined Investment Funds can be found in the Notes to the Financial Statements.

55 ELM STREET, HARTFORD, CONNECTICUT 06106-1773, TELEPHONE: (860) 702-3000  
*AN EQUAL OPPORTUNITY EMPLOYER*

## Internal Control Structure

Management is responsible for maintaining a system of adequate internal accounting controls designed to provide reasonable assurance that transactions are executed in accordance with management's general or specific authorization, and are recorded as necessary to maintain accountability for assets and to permit preparation of financial statements in accordance with generally accepted accounting principles. We believe the internal controls in effect during the fiscal year ended June 30, 2010, adequately safeguard CIF's assets and provide reasonable assurance regarding the safekeeping of assets and reliability of all financial records.

## Independent Audit

The State of Connecticut's independent Auditors of Public Accounts conducted an annual audit of this Comprehensive Annual Financial Report in accordance with generally accepted auditing standards. The auditors' report on the basic financial statements is included in the Financial Section of this report.

## Management Discussion and Analysis

The Government Accounting Standards Board requires that CIF provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found in the Financial Section immediately following the report of the independent auditors.

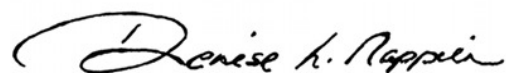
## Awards

The Government Finance Officers Association of the United States and Canada awarded the Fund a Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2009. The Certificate is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

## Requests for Information

This Comprehensive Annual Financial Report is designed to provide a general overview of the CIF for all those with an interest in the funds' investment activities. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Treasurer, 55 Elm Street, Hartford, Connecticut 06106-1773, or by telephone to (860) 702-3000. Copies of the Report will also be available on the Internet at [www.state.ct.us/ott](http://www.state.ct.us/ott).

Sincerely,



Denise L. Nappier  
Treasurer  
State of Connecticut



**State of Connecticut**  
**Office of the Treasurer**

DENISE L. NAPIER  
TREASURER

HOWARD G. RIFKIN  
DEPUTY TREASURER

December 30, 2010

To the State of Connecticut  
Combined Investment Funds  
Fellow Beneficiaries

This report was prepared by the Office of the Treasurer, which is responsible for the accuracy of the data, the completeness and fairness of the presentation and all disclosures. We present the financial statements and data as being accurate in all material respects and prepared in conformity with generally accepted accounting principles and such financial statements are audited annually by the State of Connecticut Auditors of Public Accounts.

To carry out this responsibility, the Office of the Treasurer maintains financial policies, procedures, accounting systems and internal controls that management believes provide reasonable, but not absolute, assurance that accurate financial records are maintained and investments and other assets are safeguarded.

It is our belief that the contents of this Combined Investment Funds Comprehensive Annual Financial Report make evident the State of Connecticut Office of the Treasurer support of the safe custody and conscientious stewardship of the State's property and money held by the State.

In management's opinion, the internal control structure of the Office of the Treasurer is adequate to ensure that the financial information in this report presents fairly the financial condition and results of operations of the funds that follow.

Sincerely,

A handwritten signature in black ink, appearing to read "H. Rifkin", with a long horizontal line extending to the right.

Howard G. Rifkin  
Deputy Treasurer

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## Connecticut State Treasurer's Combined Investment Funds

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

### Mission Statement

To serve as the premier State Treasurer’s Office in the nation through effective management of public resources, high standards of professionalism and integrity, and expansion of opportunity for the citizens and businesses of Connecticut.

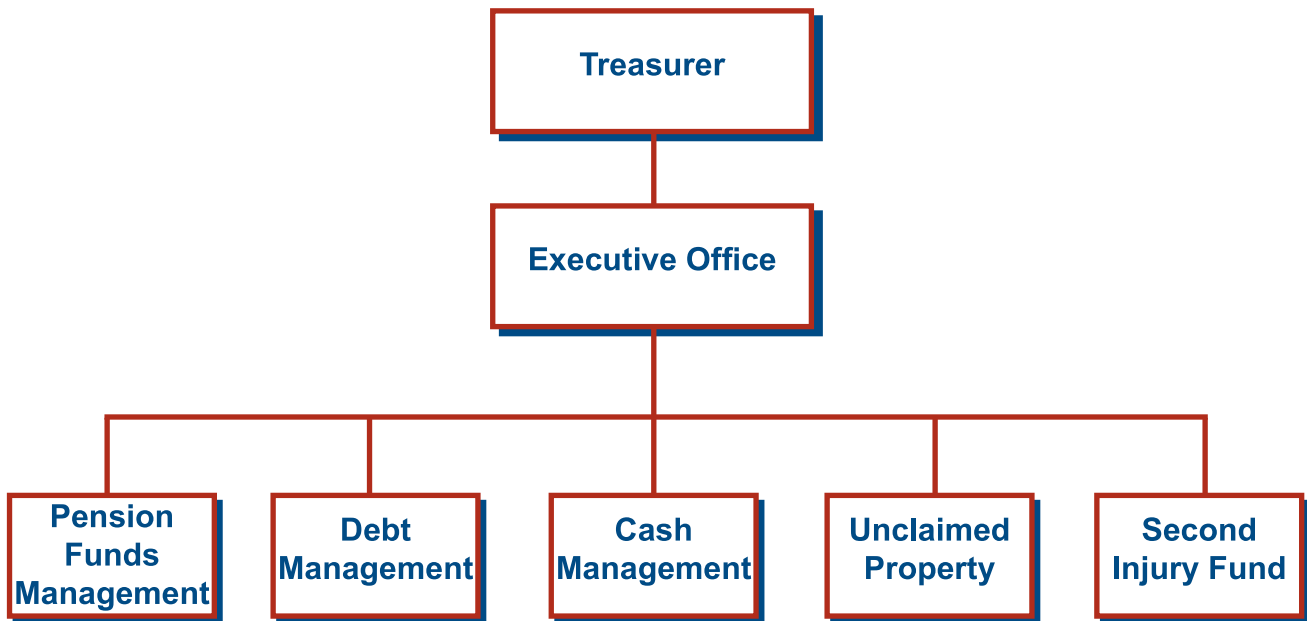
### Statutory Responsibility

The Office of the Treasurer was established following the adoption of the fundamental orders of Connecticut in 1638. The Treasurer shall receive all funds belonging to the State and disburse the same only as may be directed by law, as described in Article Fourth, Section 22 of the Connecticut Constitution and in Title 3 of the Connecticut General Statutes.

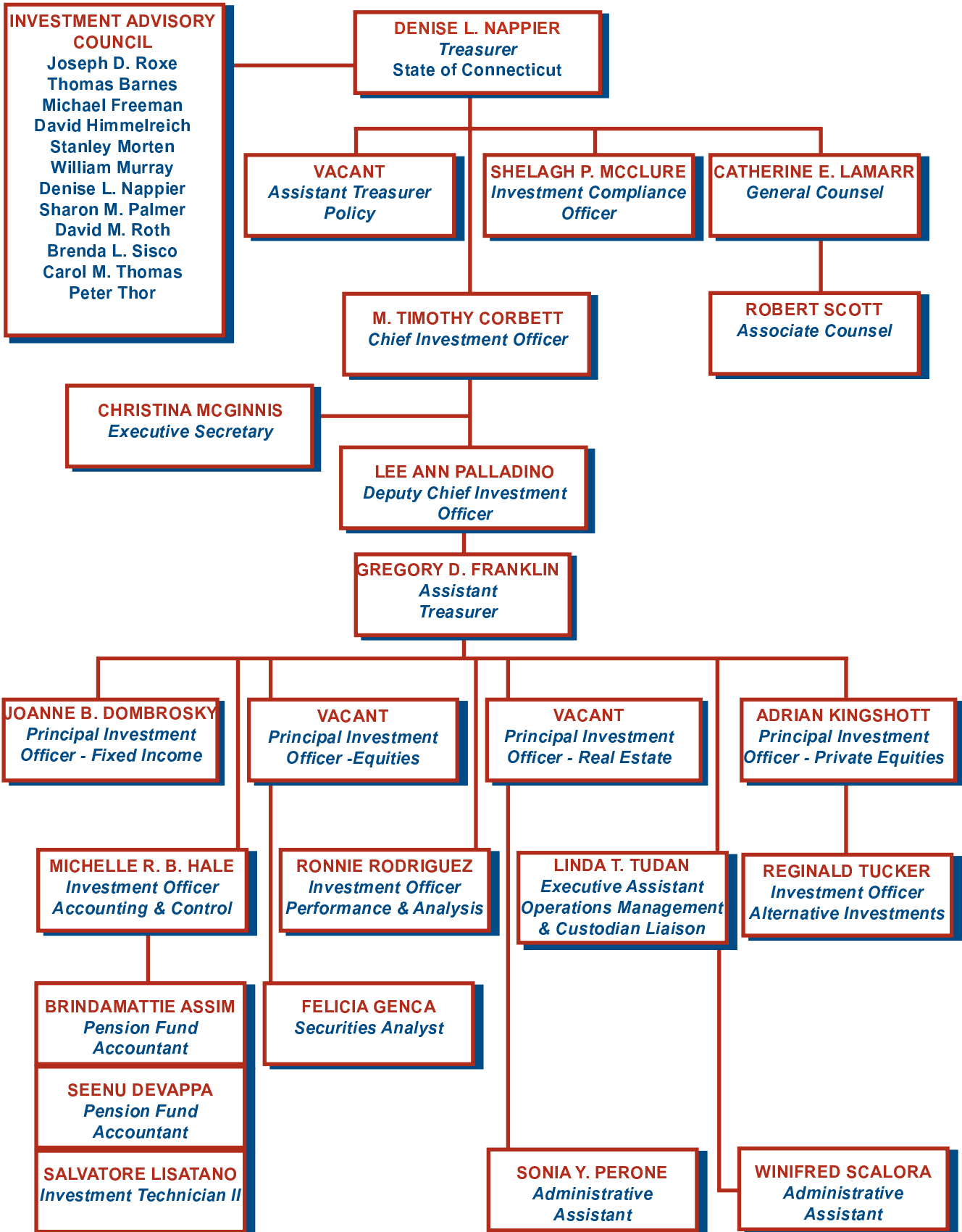
The Treasurer is also responsible for prudently investing approximately \$21.9 billion in State pension and trust fund assets, \$4.7 billion in total State, local short-term, and other investments, \$0.6 billion in the extended investment portfolio, and over \$1.2 billion in the Connecticut Higher Education Trust.

### Public Service

The Office of the Treasurer includes an Executive Office as well as five distinct divisions, each with specific responsibilities: Pension Funds Management, Cash Management, Debt Management, Unclaimed Property, and the Second Injury Fund.



**COMBINED INVESTMENT FUNDS ADMINISTRATION**



Effective November 15, 2010.

**LIST OF PRINCIPAL OFFICIALS**

**COMBINED INVESTMENT FUNDS**

**55 Elm Street, 6th Floor  
Hartford, CT. 06106-2773  
Telephone: (860) 702-3155  
Facsimile: (860) 702-3042  
World Wide Web: [www.state.ct.us/ott](http://www.state.ct.us/ott)**

**Treasurer, State of Connecticut  
DENISE L. NAPPIER (860) 702-3010**

**Deputy Treasurer, State of Connecticut  
HOWARD G. RIFKIN (860) 702-3292**

**Chief Investment Officer  
M. TMOthy CORBETT (860)702-3005**

**Deputy Chief Investment Officer  
LEE ANN PALLADINO (860) 702-3229**

**Assistant Treasurer  
GREGORY D. FRANKLIN, CFA (860) 702-3162**

**Principal Investment Officer  
JOANNE B. DOMBROSKY (860) 702-3066**

**Investment Officer  
MICHELLE R. B. HALE, CPA (860) 702-3275**

**Investment Officer  
RONNIE RODRIGUEZ (860) 702-3167**

**Investment Officer  
REGINALD TUCKER (860) 702-3101**

**Investment Compliance Officer  
SHELAGH P. MCCLURE (860) 702-3280**

**General Counsel  
CATHERINE E. LAMARR (860) 702-3018**

## INVESTMENT ADVISORY COUNCIL

The Investment Advisory Council (IAC) consists of The State Treasurer and Secretary of the Office of Policy and Management (as ex-officio members of the council), five public members all of whom shall be experienced in matters relating to investments appointed by the Governor and legislative leadership, and three representatives of the teachers' unions and two representatives of the state employees' unions (CGS Sec. 3-13b).

Pursuant to C.G.S. Sec.3-13b, the IAC annually reviews the Investment Policy (IPS) Statement recommended by the Treasurer which includes an outline of the standards governing investment of the plan and trust funds by the Treasurer. The IPS includes, with respect to each plan and trust fund, (A) investment objectives; (B) asset allocation policy and risk tolerance; (C) asset class definitions, including specific types of permissible investments within each asset class and any specific limitations or other considerations governing the investment of any funds; (D) investment and money manager guidelines; (E) investment performance evaluation guidelines; (F) guidelines for the selection and termination of providers of investment related services who shall include, but not be limited to, external investment and money managers, investment consultants, custodians, broker-dealers, legal counsel, and similar investment industry professionals; and (G) proxy voting guidelines. The Treasurer shall thereafter adopt the IPS, including any such changes recommended by the IAC the Treasurer deems appropriate, with the approval of a majority of the members appointed to the IAC. The current IPS was adopted by the Treasurer and approved by the IAC in October 2007. Subsequently in May 2008, the IAC approved the Treasurer's adopted asset allocation modifications for various plans to increase the allocations to the Liquidity Fund and subsequently in February 2009, the IAC approved the Treasurer's adopted revision to set forth guidelines for the Connecticut Retirement Plans and Trust Funds' ("CRPTF") new Alternative Investment Fund ("AIF")

All plan and trust fund investments by the State Treasurer shall be reviewed by the Investment Advisory Council along with all information regarding such investments provided to the IAC which the Treasurer deems relevant to the council's review and such other information as may be requested by the council. The IAC shall also review the report provided by the Treasurer at each regularly scheduled meeting of the IAC as to the status of the plan and trust funds and any significant changes which may have occurred or which may be pending with regard to the funds. The council shall promptly notify the Auditors of Public Accounts and the Comptroller of any unauthorized, illegal, irregular or unsafe handling or expenditure of plan and trust funds or breakdowns in the safekeeping of plan and trust funds or contemplated action to do the same within their knowledge.

At the close of the fiscal year, the IAC shall make a complete examination of the security investments of the State and determine as of June thirtieth, the value of such investments in the custody of the Treasurer and report thereon to the Governor, the General Assembly and beneficiaries of plan and trust fund assets administered, held or invested by the Treasurer (CGS Sec. 3-13b(c)(2)).

---

### **Council members who contributed their time and knowledge to the IAC during fiscal 2010 include:**

**JOSEPH D. ROXE**, Chairman, as appointed by the Governor. Chairman, Bay Holdings LLC.

**THOMAS BARNES**, Branch Manager, Riverside Investment Services.

**MICHAEL FREEMAN**, Representative of State Teachers' unions, Teacher, Stonington High School.

**ROBERT L. GENUARIO**, Secretary, State Office of Policy and Management (Ex-officio member). (Served until May 10, 2010.)

**DAVID HIMMELREICH**, Principal, Hynes, Himmelreich, Glennon & Company.

**STANLEY MORTEN**, Independent consultant, CitiGroup/Smith Barney.

**WILLIAM MURRAY**, Representative of State Teachers' unions, NEA, Danbury.

**DENISE L. NAPPIER**, Treasurer, State of Connecticut (Ex-officio member) and council secretary.

**SHARON M. PALMER**, Representative of State Teachers' unions, President, AFT Connecticut.

**DAVID M. ROTH**, Principal and Managing Director, WLD Enterprises, Inc.

**BRENDA L. SISCO**, Acting Secretary, State Office of Policy and Management (Ex-officio member).

**CAROL M. THOMAS**, Representative of State Employees' unions, Retiree, Department of Developmental Services.

**PETER THOR**, Representative of State Employees' unions, Coordinator, Policy & Planning, AFSCME Council 4.



## LIST OF EXTERNAL ADVISORS

### **INVESTMENT CONSULTANTS**

CRA RogersCasey - Darien, Connecticut  
Franklin Park Associates - Conshohocken, Pennsylvania  
Mercer Investment Consulting - New York, New York  
New England Pension Consultants - Cambridge, Massachusetts  
The Townsend Group - Cleveland, Ohio

### **MASTER CUSTODIAN**

State Street Bank and Trust Co. - Boston, Massachusetts

### **AUDITORS**

Auditors of Public Accounts - Hartford, Connecticut

### **INVESTMENT ADVISORS**

#### **LIQUIDITY FUND**

Ambassador Capital Management - Detroit, Michigan  
Colchester Global Investors Ltd. - London, England  
Lazard Asset Management LLC - New York, New York  
Payden & Rygel - Los Angeles, California  
Pacific Investment Management Company - Newport Beach, California  
State Street Global Advisors - Boston, Massachusetts

#### **MUTUAL EQUITY FUND**

##### **Large Cap**

BGI Barclays Global Investors, N.A. - San Francisco, California  
State Street Global Advisors - Boston, Massachusetts  
T. Rowe Price Associates - Baltimore, Maryland

##### **Active Extension**

AXA Rosenberg Investment Management - Orinda, California  
Numeric Investors LLC - Boston, Massachusetts  
Pyramis Global Advisors - Boston, Massachusetts

##### **All Cap**

Capital Prospects, LLC - Stamford, Connecticut  
FIS Group, Inc. - Philadelphia, Pennsylvania

##### **Small/Mid Cap Passive Enhance**

AXA Rosenberg Investment Management - Orinda, California

##### **Small/Mid Cap Active**

Bivium Capital Partners - San Francisco, California

#### **CORE FIXED INCOME FUND**

##### **Passive**

State Street Global Advisors - Boston, Massachusetts

##### **Active**

BlackRock Financial Management, Inc. - New York, New York  
Phoenix Investment Counsel - Hartford, Connecticut  
Progress Investment Management Company - San Francisco, California  
Wellington - Boston, Massachusetts

#### **INFLATION LINKED BOND FUND**

Brown Brothers Harriman - New York, New York  
Hartford Investment Management Company - Hartford, Connecticut

## LIST OF EXTERNAL ADVISORS

### EMERGING MARKET DEBT FUND

Ashmore Emerging Markets Debt Fund - London, England  
ING Investment Management - Hartford, Connecticut  
Pyramis Global Investors - Boston, Massachusetts  
Stone Harbor Investment Partners - New York, New York  
UBS Global Asset Management - Chicago, Illinois

### HIGH YIELD INCOME FUND

Loomis Sayles & Co., Inc. - Boston, Massachusetts  
Oaktree Capital Management, L.L.C. - Los Angeles, California  
Shenkman Capital Management - Stamford, Connecticut  
Stone Harbor Investment Partners - New York, New York

### DEVELOPED MARKET INTERNATIONAL STOCK FUND <sup>(1)</sup>

#### **Index**

State Street Global Advisors - Boston, Massachusetts

#### **Core**

Acadian Asset Management - Boston, Massachusetts  
AQR Capital Management - Greenwich, Connecticut  
Artio Global Management - New York, New York  
Invesco Global Asset Management - Denver, Colorado  
Progress Investment Management Company - San Francisco, California

#### **Active - Growth**

MFS Institutional Advisors, Inc. - Boston, Massachusetts

#### **Active - Value**

Grantham, Mayo, Van Otterloo & Co. - Boston, Massachusetts

#### **Small Cap**

Dimensional Fund Advisors - Austin, Texas  
Schroder Investment Management - New York, New York  
William Blair & Company - Chicago, Illinois

#### **Risk Controlled**

BlackRock Investment Management - New York, New York  
Pyramis Global Advisors Trust - Boston, Massachusetts

### EMERGING MARKET INTERNATIONAL STOCK FUND <sup>(1)</sup>

Aberdeen Asset Management, Inc. - Philadelphia, Pennsylvania  
Emerging Markets Management - Arlington, Virginia  
Grantham, Mayo, Van Otterloo & Co. - Boston, Massachusetts  
Schroder Investment Management - New York, New York

### REAL ESTATE FUND

AEW Capital Management, LP - Boston, Massachusetts  
Apollo Real Estate Investment Fund - New York, New York  
Alliance Bernstein Legacy - New York, New York  
Blackstone Real Estate Advisors - New York, New York  
Canyon Johnson Urban Funds - Beverly Hills, California  
Capri Capital Advisors - Chicago, Illinois  
Colony Realty Partners II - Los Angeles, California  
Cornerstone Real Estate Advisors - Hartford, Connecticut  
Covenant Apartment Funds - Nashville, Tennessee  
IL & FS India Realty Fund II, LLC - Ebene, Mauritius  
Macfarlane Urban Real Estate Fund - San Francisco, California

(1) Not included in the listing are currency overlay managers: The Bank of New York and Bridgewater Associates, Inc.

## LIST OF EXTERNAL ADVISORS

Marathon Legacy Securities PPI - New York, New York  
Mullica Hill Plaza - Mullica Hill, New Jersey  
North Scottsdale Corporate Center - Scottsdale, Arizona  
Prime Property Fund - New York, New York  
RLJ Urban Lodging Funds - Bethesda, Maryland  
Rockwood Capital - Greenwich, Connecticut  
Starwood Global Opportunity Fund - Greenwich, Connecticut  
Urban Strategy America Fund - Boston, Massachusetts  
Walton Street Real Estate Fund II - Chicago, Illinois  
Westport Senior Living Fund – Palm Beach Gardens, Florida  
WLR Recovery Associates IV LLC - New York, New York

### COMMERCIAL MORTGAGE FUND

AEW Capital Management, LP - Boston, Massachusetts

### PRIVATE INVESTMENT FUND

#### **Corporate Buyouts**

AIG Healthcare Partners LP - New York, New York  
AIG Altaris Health Partners II LP - New York, New York  
Blackstone Capital Partners III - New York, New York  
Boston Ventures VII - Boston, Massachusetts  
Candover 2008 Fund - St Peter Port, Channel Islands  
Charterhouse Equity Partners IV - New York, New York  
Courthouse Square Capital Partners II - New York, New York  
DLJ Merchant Banking Fund II - New York, New York  
Ethos Private Equity Fund V - Jersey, Channel Islands  
Forstmann Little Equity Fund VI - New York, New York  
FS Equity Partners V - Los Angeles, California  
FS Equity Partners VI - Los Angeles, California  
Green Equity Investors III – Los Angeles, California  
Hicks Muse Tate & Furst Equity Fund III - Dallas, Texas  
ICV Capital Partners II LLC - New York, New York  
Kelso Investment Associates VI - New York, New York  
KKR 1996 Fund - New York, New York  
KKR 2006 Fund - New York, New York  
KKR Millenium Fund - New York, New York  
Leeds Equity Partners V LP - New York, New York  
Nogales Investors Fund II - Los Angeles, California  
RFE Investment Partners - New Canaan, Connecticut  
RFE Investment Partners VII - New Canaan, Connecticut  
SCP Private Equity Partners - Wayne, Pennsylvania  
Thayer Equity Investors IV – Washington D.C.  
Thomas H. Lee Equity Fund VI - Boston, Massachusetts  
Wellspring Capital Partners II - New York, New York  
Wellspring Capital Partners III - New York, New York  
Welsh, Carson, Anderson & Stowe VIII – New York, New York  
Welsh, Carson, Anderson & Stowe X – New York, New York  
Welsh, Carson, Anderson & Stowe XI – New York, New York  
Vista Equity Partners Fund III - San Francisco, California  
Yucaipa American Alliance Fund II LP - Los Angeles, California

#### **Venture Capital**

Conning Capital Partners V - Hartford, Connecticut  
Crescendo III – Minneapolis, Minnesota  
Crescendo World Fund – Minneapolis, Minnesota  
Grotech Partners V - Timonium, Maryland  
Syndicated Communications Venture Partners V - Silver Spring, Maryland

## LIST OF EXTERNAL ADVISORS

### Mezzanine

GarMark Partners – Stamford, Connecticut  
GarMark Partners II LP – Stamford, Connecticut  
SW Pelham Fund - Hartford, Connecticut  
SW Pelham Fund II LP - Hartford, Connecticut

### International

AIG Global Emerging Markets Fund - New York, New York  
Carlyle Asia Partners– Washington D.C.  
Carlyle Europe Partners– Washington D.C.  
Compass European Partners – New York, New York  
Gilbert Global Equity Partners - Tacoma, Washington

### Fund of Funds

CS/CT Cleantech Opportunities Fund - New York, New York  
M<sup>2</sup> CT Emerging Private Equity - Chicago, Illinois  
M<sup>2</sup> CT Horizon Legacy Fund - Wilmington, Delaware  
Fairview Constitution II LP - Farmington, Connecticut  
Fairview Constitution III LP - Farmington, Connecticut  
Goldman Sachs Private Equity Fund - New York, New York  
JP Morgan Nutmeg Opportunity Fund - New York, New York  
Landmark Private Equity Fund VIII – Simsbury, Connecticut  
Landmark Private Equity Fund XIV – Simsbury, Connecticut  
Lexington Capital Partners II - New York, New York  
Parish Capital I LLP - Chapel Hill, North Carolina  
Parish Capital Buyout Fund II - Chapel Hill, North Carolina  
The Constitution Liquidating Fund - Farmington, Connecticut

### Special Situations

Greenwich Street Capital Partners II – New York, New York  
KPS Special Situations Fund - New York, New York  
Levine Leichtman Capital Partners IV LP - Beverly Hills, California  
Pegasus Partners IV - Cos Cob, Connecticut  
Welsh, Carson, Anderson & Stowe Capital Partners III - New York, New York  
WLR Recovery Fund IV - New York, New York

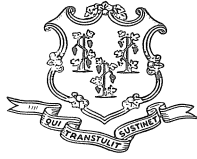
# **Financial**

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# **Section**



# STATE OF CONNECTICUT



## AUDITORS OF PUBLIC ACCOUNTS

STATE CAPITOL

210 CAPITOL AVENUE

HARTFORD, CONNECTICUT 06106-1559

KEVIN P. JOHNSTON

ROBERT G. JAEKLE

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statement of net assets of the Combined Investment Funds, as of June 30, 2010, and the related statements of changes in net assets for the fiscal years ended June 30, 2010, and 2009. These financial statements are the responsibility of the management of the State Treasury. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.

Our procedures included confirmation of securities owned as of June 30, 2010, by correspondence with the custodians. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Combined Investment Funds as of June 30, 2010, and the results of their operations and changes in net assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As explained in Note 1B, the State Treasurer's policy is to present investments at fair value. The fair value of most of the assets of the Real Estate Fund, the Commercial Mortgage Fund and the Private Investment Fund are estimated by investment advisors in the absence of readily ascertainable market values, and reviewed and adjusted, when appropriate, by the State Treasurer. The fair value of most of the assets of the Real Estate Fund and the Private Investment Fund are presented at the cash adjusted fair values, which utilize the investment advisors' March 31, 2010, quarter ending estimated values adjusted for cash flows of the Funds during the subsequent quarter that affect the value at the Funds' level. Adjustments are made for underlying investments that experienced significant changes in value during the quarter, if deemed appropriate. We have reviewed the investment advisors' values, the relevant cash flows and the procedures used by the State Treasurer in reviewing the estimated values and have read underlying documentation and, in the circumstances, we believe the procedures to be reasonable and the documentation appropriate. However, because of the inherent uncertainty of valuation, those estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

Our audit was made for the purpose of forming an opinion on the financial statements of the Combined Investment Funds taken as a whole. The Combined Investment Funds Schedule of Net Assets by Investment Fund, Schedules of Changes in Net Assets by Investment Fund, Total Net Asset Value by Pension Plans and Trust Funds and the Schedules of Investment Activity by Pension Plan and by Trust, contained within the Investment Section of this document, are presented for purposes of additional analysis and are not a required part of the financial statements of the Combined Investment Funds. Such information has been subjected to the auditing procedures applied in the audit of the financial statements of the Combined Investment Funds and, in our opinion, is fairly presented in all material respects in relation to the financial statements of the Combined Investment Funds taken as a whole. The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the Management's Discussion and Analysis and express no opinion on it.

This opinion is being issued for inclusion in an annual report for the State Treasurer's Combined Investment Funds for the fiscal year ended June 30, 2010. Other information contained within the Statistical Section and the Investment and Introductory Sections of this document has not been audited.



Kevin P. Johnston  
Auditor of Public Accounts



Robert G. Jaekle  
Auditor of Public Accounts

December 17, 2010  
State Capitol  
Hartford, Connecticut



## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents Management's Discussion and Analysis (MD&A) of the Comprehensive Annual Financial Report (CAFR) of the State of Connecticut's Office of the Treasurer Combined Investment Funds (CIF) financial position and performance for the fiscal year ended June 30, 2010. It is presented as a narrative overview and analysis. Management of the State of Connecticut's Office of the Treasurer encourage readers to review it in conjunction with the transmittal letter included in the Introductory Section at the front of this report and the financial statements in the Financial Section that follow.

The Combined Investment Funds serve as an investment vehicle for the six State pension plans and eight trust funds collectively known as the Connecticut Retirement Plans and Trust Funds representing the pension funds of the State teachers, State and municipal employees, as well as non-retirement trust funds that support academic programs, grants and initiatives throughout the State and are managed for the sole benefit of the participants. CIF investments range in investment diversity from domestic and international stocks to fixed income, real estate and private investment equity. Investments of the pension plans and trust funds are combined in a commingled investment pool as authorized by state statute. Each pension plan and trust fund owns an equity position in the CIF and receives proportionate investment income from the CIF in accordance with each respective ownership percentage. Each pension plan and trust fund's allocated share of each type of investment in the CIF is shown in the Schedule of Investment Activity of each respective pension plan and trust fund on pages 116 - 125. Investment gains or losses are also reported in the Statement of Investment Activity of each pensions plan and trust. The Market Value per share is therefore approximately the same for each of the pension plans and trust funds investments in the CIF.

The CIF financial statements reported by the Treasurer's Office for which the Treasurer has fiduciary responsibility for the investment thereof begin on page 20 and provide detailed information about individual funds.

### **FINANCIAL HIGHLIGHTS** **Condensed Financial Information**

#### **Combined Investment Funds**

##### ***Net Assets and Changes in Net Assets***

**Net Assets** - The net assets of the Combined Investment Funds at the close of the 2010 fiscal year were \$21.9 billion, an increase of \$1.5 billion from the previous year. The change in net assets resulted from net investment gains from operations of \$2.6 billion and \$1.1 billion of net cash outflows to the Connecticut Retirement Plans and Trust Funds. The net cash outflow of \$1.1 billion was comprised of distributions to the plans and trusts.

The net assets under management in the Combined Investment Funds at the close of the 2009 fiscal year were \$20.4 billion, a decrease of \$5.5 billion from the previous year. The change in net assets resulted from net investment losses from operations of \$4.5 billion and \$1.0 billion of net cash outflows to the Connecticut Retirement Plans and Trust Funds. As is the case with any pension fund, \$0.7 billion of the total investment income was used, coupled with contributions of participants and plan sponsors, to make payments to beneficiaries of the Connecticut Retirement Plans and Trust Funds

**Operating Income** – Favorable performance results achieved a return of 12.88%, net of all management fees and expenses, resulting in an increase in net assets from operations in the 2010 fiscal year, compared to a negative return of -17.37%, net of all expenses for the previous fiscal year. Returns were positive in the Funds investment classes except for the Real Estate Fund in fiscal year 2010 due to the solid U.S. economic recovery following two years of market volatility related to credit market tightening around the world.

For the previous fiscal year, unfavorable performance results achieved a negative return of -17.37%, net of all management fees and expenses, compared to a negative return of -4.71%, net of all expenses for the previous fiscal year. Returns were negative in the Funds investment classes in fiscal year 2009 due to continuing market volatility related to credit market tightening around the world.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Net Assets held in trust for Participants

A summary of the net assets held in trust for participants is presented below.

#### Condensed Statement of Net Assets Fiscal Year Ended June 30,

| Assets                      | 2010                    | Increase (Decrease)    | 2009                    | Increase (Decrease)      | 2008                    |
|-----------------------------|-------------------------|------------------------|-------------------------|--------------------------|-------------------------|
| Investments at Fair Value   | \$21,784,939,405        | \$1,353,759,257        | \$20,431,180,148        | \$(5,697,980,362)        | \$26,129,160,510        |
| Cash, Receivables and Other | 7,494,616,324           | (4,025,732,123)        | 11,520,348,447          | (4,364,299,273)          | 15,884,647,720          |
| <b>Total Assets</b>         | <b>29,279,555,729</b>   | <b>(2,671,972,866)</b> | <b>31,951,528,595</b>   | <b>(10,062,279,635)</b>  | <b>42,013,808,230</b>   |
| Liabilities                 | (7,409,965,367)         | 4,159,396,944          | (11,569,362,311)        | 4,572,623,241            | (16,141,985,552)        |
| <b>Net Assets</b>           | <b>\$21,869,590,362</b> | <b>\$1,487,424,078</b> | <b>\$20,382,166,284</b> | <b>\$(5,489,656,394)</b> | <b>\$25,871,822,678</b> |

#### Condensed Statement of Changes in Net Assets Fiscal Year Ended June 30,

| Additions  | 2010                    | Increase (Decrease)    | 2009                    | Increase (Decrease)      | 2008                    |
|--|-------------------------|------------------------|-------------------------|--------------------------|-------------------------|
| Dividends  | \$417,408,272           | \$17,548,252           | \$399,860,020           | \$(254,235,550)          | \$650,095,570           |
| Interest   | 324,045,018             | (34,875,299)           | 358,920,317             | (101,106,945)            | 460,027,262             |
| Securities Lending &<br>Other Income   | 29,034,334              | (45,853,028)           | 74,887,362              | (87,569,314)             | 162,456,676             |
| Total Investment Income  | 770,487,624             | (63,180,075)           | 833,667,699             | (438,911,809)            | 1,272,579,508           |
| Total Investment Expenses  | 83,801,294              | 6,071,663              | 89,872,957              | 111,975,929              | 201,848,886             |
| Net Investment Income  | 686,686,330             | (57,108,412)           | 743,794,742             | (326,935,880)            | 1,070,730,622           |
| Net Realized Gain/(Loss)   | 214,424,589             | 3,156,785,285          | (2,942,360,696)         | (3,617,993,995)          | 675,633,299             |
| Net Change in Unrealized<br>Gains on Investments                               | 1,737,661,123           | 4,071,262,087          | (2,333,600,964)         | 670,720,903              | (3,004,321,867)         |
| <b>Net Increase (Decrease) in<br/>Net Assets resulting<br/>from operations</b> | <b>2,638,772,042</b>    | <b>7,170,938,960</b>   | <b>(4,532,166,918)</b>  | <b>(3,274,208,972)</b>   | <b>(1,257,957,946)</b>  |
| Purchase of Units by<br>Participants   | 3,647,050,210           | (2,952,232,462)        | 6,599,282,672           | (1,585,243,282)          | 8,184,525,954           |
| <b>Total Additions</b>   | <b>6,285,822,252</b>    | <b>4,218,706,498</b>   | <b>2,067,115,754</b>    | <b>(4,859,452,254)</b>   | <b>6,926,568,008</b>    |
| <b>Deductions</b>  |                         |                        |                         |                          |                         |
| Administrative Expense   | 3,835,777               | (442,484)              | 3,393,293               | (154,702)                | 3,238,591               |
| Distribution of Income to<br>Unit Owners                                       | 579,288,269             | 128,352,904            | 707,641,173             | 264,764,948              | 972,406,121             |
| Redemption of Units by<br>Participants   | 4,215,274,128           | 2,630,463,556          | 6,845,737,682           | (838,346,131)            | 6,007,391,551           |
| <b>Total Deductions</b>  | <b>4,798,398,174</b>    | <b>2,758,373,976</b>   | <b>7,556,772,148</b>    | <b>(573,735,885)</b>     | <b>6,983,036,263</b>    |
| <b>Change in Net Assets</b>  | <b>1,487,424,078</b>    | <b>6,977,080,472</b>   | <b>(5,489,656,394)</b>  | <b>(5,433,188,139)</b>   | <b>(56,468,255)</b>     |
| Beginning Net Assets   | 20,382,166,284          | (5,489,656,394)        | 25,871,822,678          | (56,468,255)             | 25,928,290,933          |
| <b>Ending Net Assets</b>   | <b>\$21,869,590,362</b> | <b>\$1,487,424,078</b> | <b>\$20,382,166,284</b> | <b>\$(5,489,656,394)</b> | <b>\$25,871,822,678</b> |

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the Office of the Treasurer's Combined Investment Funds basic financial statements, which are comprised of: 1) Statement of Net Assets, 2) Statement of Changes in Net Assets and 3) Notes to the Financial Statements.

The Statement of Net Assets and the Statement of Changes in Net Assets are two financial statements that report information about the Combined Investment Funds. These statements include all assets and liabilities using the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Statement of Net Assets (page 20) presents all of the Combined Investment Funds assets and liabilities, with the difference between the two reported as "net assets". Over time, increases and decreases in net assets measure whether the Combined Investment Funds financial position is improving or deteriorating.

The Statement of Changes in Net Assets (page 21 and 22) presents information showing how the Combined Investment Funds net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e. g. security lending rebates and dividend and interest income).

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the Combined Investment Funds financial statements. The notes can be found on pages 23 - 39 of this report.

### ECONOMIC CONDITIONS AND OUTLOOK

After an extended run of dismal performance, the equity markets finally returned to positive territory. As Fiscal Year 2010 began, the S&P 500 turned positive after a string of five consecutive quarters of negative performance. Buoyed by improving liquidity conditions and signs that the worst of the downturn and financial crisis may now be over, stocks posted solid gains across most regions and sectors. The Federal Open Market Committee (FOMC) maintained its zero-to-25 basis point target in the federal funds rate. However in response to the improving economic outlook and record Treasury issuance, interest rates rose significantly during the first half of 2010.

After starting the fiscal year off with generally rising prices, U.S. and global equity markets underwent a correction in the last half of the fiscal year. During Fiscal Year 2010, indications of long-term strength in the domestic and global economies continued. Corporate profits were strong. The European Union responded effectively to the sovereign debt crisis. Inflation in developed countries remained under control. Emerging economies grew, as did large developed economies of the U.S., Germany and China. Nevertheless, the Dow ended the fiscal year at 9,774, 15.7% better than the 8,447 level it was at when the fiscal year began, but down from 11,204 reached in April 2010. Most analysts attributed the decline in stock prices to investor doubts about European debt, the sustainability of recovery, fiscal policy in Europe and China, and the consequences of the oil spill in the Gulf of Mexico. The percent of the U.S. labor force that is unemployed remained at 9.5 percent at the end of the fiscal year 2010, unchanged from 2009. The percent of the Connecticut labor force that is unemployed rose to 8.9 percent for the fiscal year ended June 2010. Throughout this period the Fed's FOMC has continued to employ all available tools to promote economic recovery and to preserve price stability. While the FOMC expects that the economic recovery is proceeding and that the labor market is improving gradually, at its June 2010 meeting the Committee maintained the target range for the federal funds rate at 0 to ¼ percent for an extended period in 2010.

### CONTACTING THE OFFICE OF THE TREASURER

This financial report is designed to provide a general overview of the Office of the Treasurer's finances and to show the Office's accountability for the money it receives. Questions about this report or requests for additional information should be addressed to:

Connecticut State Treasury  
55 Elm Street  
Hartford, CT 06106-1773  
Telephone (860) 702-3000  
[www.state.ct.us/ott](http://www.state.ct.us/ott)

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**STATEMENT OF NET ASSETS  
JUNE 30, 2010**

|  | <u>TOTAL</u>             |
|--|--------------------------|
| <b>ASSETS</b>                                    |                          |
| Investments in Securities, at Fair Value         |                          |
| Liquidity Fund                                   | \$ -                     |
| Cash Equivalents                                 | 1,640,653,567            |
| Asset Backed Securities                          | 91,299,042               |
| Government Securities                            | 2,823,711,217            |
| Government Agency Securities                     | 834,378,865              |
| Mortgage Backed Securities                       | 323,166,587              |
| Corporate Debt                                   | 1,603,717,186            |
| Convertible Securities                           | 42,184,097               |
| Common Stock                                     | 10,344,453,334           |
| Preferred Stock                                  | 68,897,290               |
| Real Estate Investment Trust                     | 98,855,754               |
| Mutual Fund                                      | 1,010,283,472            |
| Limited Liability Corporation                    | 4,238,959                |
| Trusts   | 2,708,893                |
| Limited Partnerships                             | 2,896,391,142            |
| Annuities  | -                        |
| Total Investments in Securities, at Fair Value   | <u>21,784,939,405</u>    |
| Cash   | 40,214,066               |
| Receivables                                      | -                        |
| Foreign Exchange Contracts                       | 4,248,215,036            |
| Interest Receivable                              | 77,124,682               |
| Dividends Receivable                             | 19,811,134               |
| Due from Brokers                                 | 284,542,369              |
| Foreign Taxes                                    | 10,668,171               |
| Securities Lending Receivable                    | 1,032,633                |
| Reserve for Doubtful Receivables                 | (2,324,597)              |
| Total Receivables                                | <u>4,639,069,428</u>     |
| Invested Securities Lending Collateral           | 2,811,954,840            |
| Other Funds on Deposit                           | -                        |
| Prepaid Expenses                                 | 3,377,990                |
| <b>Total Assets</b>                              | <u>29,279,555,729</u>    |
| <br><b>LIABILITIES</b>                           |                          |
| Payables   |                          |
| Foreign Exchange Contracts                       | 4,181,944,637            |
| Due to Brokers                                   | 388,858,600              |
| Income Distribution                              | 84,688                   |
| Other Payable                                    | 11,311,177               |
| Total Payables                                   | <u>4,582,199,102</u>     |
| Securities Lending Collateral                    | 2,811,954,840            |
| Accrued Expenses                                 | 15,811,425               |
| <b>Total Liabilities</b>                         | <u>7,409,965,367</u>     |
| <b>NET ASSETS HELD IN TRUST FOR PARTICIPANTS</b> | <u>\$ 21,869,590,362</u> |

The accompanying notes are an integral part of these financial statements.

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**STATEMENT OF CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

| <b>ADDITIONS<br/>OPERATIONS</b>   | <u><b>TOTAL</b></u>        |
|---|----------------------------|
| <b>Investment Income</b>  |                            |
| Dividends   | \$ 417,408,272             |
| Interest  | 324,045,018                |
| Other Income  | 5,608,105                  |
| Securities Lending  | <u>23,426,229</u>          |
| <b>Total Income</b>   | <u>770,487,624</u>         |
| <br><b>Expenses</b>   |                            |
| Investment Advisory Fees  | 69,739,420                 |
| Custody and Transfer Agent Fees   | 2,019,838                  |
| Professional Fees   | 2,744,429                  |
| Security Lending Fees   | 3,303,483                  |
| Security Lending Rebates  | 4,383,689                  |
| Investment Expenses   | <u>1,610,435</u>           |
| <b>Total Expenses</b>   | <u>83,801,294</u>          |
| <br><b>Net Investment Income</b>  | <br>686,686,330            |
| <br><b>Net Realized Gain (Loss)</b>   | <br>214,424,589            |
| <b>Net Change in Unrealized Gain/(Loss)<br/>on Investments and Foreign Currency</b> | <br>1,737,661,123          |
| <br><b>Net Increase (Decrease) in Net<br/>Assets Resulting from Operations</b>      | <br><u>2,638,772,042</u>   |
| <br><b>Unit Transactions</b>  |                            |
| Purchase of Units by Participants   | <u>3,647,050,210</u>       |
| <br><b>TOTAL ADDITIONS</b>  | <br>6,285,822,252          |
| <br><b>DEDUCTIONS</b>   |                            |
| <b>Administrative Expenses</b>  |                            |
| Salary and Fringe Benefits  | (3,835,777)                |
| <br><b>Distributions to Unit Owners</b>   |                            |
| Income Distributed  | (579,288,269)              |
| <br><b>Unit Transactions</b>  |                            |
| Redemption of Units by Participants   | (4,215,274,128)            |
| <br><b>TOTAL DEDUCTIONS</b>   | <br><u>(4,798,398,174)</u> |
| <br><b>Change in Net Assets Held in Trust for Participants</b>                      | <br><u>1,487,424,078</u>   |
| <b>Net Assets- Beginning of Period</b>  | <u>20,382,166,284</u>      |
| <b>Net Assets- End of Period</b>  | <u>\$ 21,869,590,362</u>   |

The accompanying notes are an integral part of these financial statements

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**STATEMENT OF CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

| <b>ADDITIONS<br/>OPERATIONS</b>   | <u><b>TOTAL</b></u>      |
|---|--------------------------|
| <b>Investment Income</b>  |                          |
| Dividends   | \$ 399,860,020           |
| Interest  | 358,920,317              |
| Other Income  | 8,701,607                |
| Securities Lending  | 66,185,755               |
| <b>Total Income</b>   | <u>833,667,699</u>       |
| <b>Expenses</b>   |                          |
| Investment Advisory Fees  | 55,934,969               |
| Custody and Transfer Agent Fees   | 1,748                    |
| Professional Fees   | 2,517,327                |
| Security Lending Fees   | 6,251,980                |
| Security Lending Rebates  | 24,212,508               |
| Investment Expenses   | 954,425                  |
| <b>Total Expenses</b>   | <u>89,872,957</u>        |
| <b>Net Investment Income</b>  | 743,794,742              |
| <b>Net Realized Gain (Loss)</b>   | (2,942,360,696)          |
| <b>Net Change in Unrealized Gain/(Loss)<br/>on Investments and Foreign Currency</b> | <u>(2,333,600,964)</u>   |
| <b>Net Increase (Decrease) in Net<br/>Assets Resulting from Operations</b>          | (4,532,166,918)          |
| <b>Unit Transactions</b>  |                          |
| Purchase of Units by Participants   | 6,599,282,672            |
| <b>TOTAL ADDITIONS</b>  | <u>2,067,115,754</u>     |
| <b>DEDUCTIONS</b>   |                          |
| <b>Administrative Expenses:</b>   |                          |
| Salary and Fringe Benefits  | (3,393,293)              |
| <b>Distributions to Unit Owners:</b>  |                          |
| Income Distributed  | (707,641,173)            |
| <b>Unit Transactions</b>  |                          |
| Redemption of Units by Participants   | <u>(6,845,737,682)</u>   |
| <b>TOTAL DEDUCTIONS</b>   | (7,556,772,148)          |
| <b>Change in Net Assets Held in Trust for Participants</b>                          | <u>(5,489,656,394)</u>   |
| <b>NET ASSETS HELD IN TRUST FOR PARTICIPANTS</b>                                    |                          |
| <b>Net Assets- Beginning of Period</b>  | 25,871,822,678           |
| <b>Net Assets- End of Period</b>  | <u>\$ 20,382,166,284</u> |

The accompanying notes are an integral part of these financial statements

## NOTES TO FINANCIAL STATEMENTS

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Combined Investment Funds (the "Funds") are separate legally defined funds, which have been created by the Treasurer of the State of Connecticut (the "Treasurer") under the authority of the Connecticut General Statutes (CGS) Section 3-31b. The Funds are open-end, unitized portfolios consisting of the Liquidity Fund, Mutual Equity Fund, Core Fixed Income Fund, Inflation Linked Bond Fund, Emerging Market Debt Fund, High Yield Fund, Developed Market International Stock Fund, Emerging Market International Stock Fund, Real Estate Fund, Commercial Mortgage Fund and the Private Investment Fund. The Funds were established to provide a means for investing pension and other trust fund assets entrusted to the Treasurer in a variety of investment classes. The units of the Funds are owned by these pension and trust funds. For financial reporting purposes of the State of Connecticut, the Funds are considered to be internal investment pools and are not reported in the State's combined financial statements. Instead, each fund type's investment in the fund is reported as "equity in combined investment funds" in the State's combined balance sheet.

The Treasurer, as sole fiduciary of the Funds, is authorized to invest in a broad range of fixed income and equity securities, as well as real estate properties, mortgages and private equity. This authority is restricted only by statute. Such limitations include prohibitions against investment in companies doing business in Iran and those doing business in Northern Ireland, but who have failed to implement the MacBride Principles (CGS Section 3-13h). Other legislation restricts the maximum aggregate investment in equity securities to 60% of the fair value of the Trust Funds.

The Funds are not subject to regulatory oversight and are not registered with the Securities and Exchange Commission as an investment company.

The following is a summary of significant accounting policies consistently followed by the Funds in the preparation of their financial statements.

**A. NEW PRONOUNCEMENTS**

The financial statements and corresponding footnotes include the application of GASB 53, "Accounting and Financial Reporting for Derivative Instruments." This Statement requires that the fair value of financial arrangements called derivatives or derivative instruments be reported in the financial statements. The provisions of this Statement are effective for periods beginning after June 15, 2009.

**B. SECURITY VALUATION**

Investments are stated at fair value for each of the Funds as described below. For the Commercial Mortgage Fund, the investments listed on the Statement of Net Assets, other than the amounts invested in the Liquidity Fund, are shown at fair values provided to the Fund by the investment advisor, and adjusted, when appropriate, by the Treasurer's staff. For the Real Estate and Private Investment Funds substantially all of the investments, other than those in the Liquidity Fund, are shown at values that are estimated by the Treasurer's staff. Such estimations utilize the investment advisors' prior quarter end estimated fair value, plus or minus the appropriate related cash flows as described later in this section. The Treasurer's staff reviews the valuations for all investments in these alternative asset classes (Commercial Mortgage, Real Estate, and Private Investment Funds) to see that they are reasonable and consistent. Due to the inherent uncertainty of valuation, those estimated values may differ significantly from the values that would have been used had a ready market for the securities existed and the differences could be material.

Liquidity Fund

Existing money market vehicles are valued at amortized cost on a daily basis, which approximates fair value. A standard price hierarchy is utilized in the daily valuation of the Liquidity Fund.

The Liquidity Fund at times may utilize foreign currency contracts to facilitate transactions in foreign securities and to manage the Funds' currency exposure. Contracts to buy are used to acquire exposure to foreign currencies, while contracts to sell are used to hedge the Funds' investments against currency fluctuations. Also, a contract to buy or sell can offset a previous contract. Losses may arise from changes in the value of the foreign currency or failure of the counterparties to perform under the contracts' terms.

Investing in forward currency contracts may increase the volatility of the Funds' performance. Price movements of currency contracts are influenced by, among other things, international trade, fiscal, monetary, and exchange control programs and policies; national and international political and economic events; and changes in worldwide interest rates.

## CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

### NOTES TO FINANCIAL STATEMENTS (Continued)

Governments from time to time intervene in the currency markets with the specific intent of influencing currency prices. Such intervention may cause certain currency prices to move rapidly. Additionally, the currency markets may be particularly sensitive to interest rate fluctuations.

The U. S. dollar value of forward foreign currency contracts is determined using forward currency exchange rates supplied by a quotation service.

Investments are valued based on quoted market prices when available. For securities that have no quoted market value, fair value is estimated based on yields currently available on comparable securities of issuers with similar credit ratings.

When-issued securities held are fully collateralized by U.S Government securities and such collateral is in the possession of the Fund's custodian. The collateral is evaluated daily to ensure its market value exceeds the current market value of the instruments including accrued interest

The Liquidity Fund invests in Mortgage Backed Securities (MBSs) and Asset Backed Securities (ABSs), which are included in the Statement of Net Assets. These are bonds issued by a special purpose trust that collects payments on an underlying collateral pool of mortgage or other loans and remits payments to bondholders. The bonds are structured in a series of classes or tranches, each with a different coupon rate and stated maturity date. Interest payments to the bondholders are made in accordance with the trust indentures and amounts received from borrowers in excess of interest payments and expenses are used to amortize the principal on the bonds. Such principal payments are made to retire the tranches of bonds in order of their stated maturity. Because mortgage prepayments are largely dependent on market interest rates, the ultimate maturity date of the bonds is unpredictable and is sensitive to changes in market interest rates, but is generally prior to the stated maturity date. At June 30, 2010, the Fund held MBSs of \$10,124,847 and ABSs of \$42,554,779.

Repurchase Agreements held are collateralized at 100 percent of the securities' value. Such transactions are only entered into with primary government securities dealers who report directly to the Federal Reserve Bank of New York. The collateral is evaluated daily to ensure its fair value exceeds the current fair value of the repurchase agreements including accrued interest.

#### Mutual Equity Fund

Securities traded on securities exchanges are valued at the last reported sales price on the last business day of the fiscal year. Corporate bonds and certain over-the-counter stocks are valued at the mean of bid and asked prices as furnished by broker-dealers.

#### Core Fixed Income Fund

Investments are valued based on quoted market prices when available. For securities that have no quoted market value, fair value is estimated based on yields currently available on comparable securities of issuers with similar credit ratings.

When-issued securities held are fully collateralized by U.S Government securities and such collateral is in the possession of the Fund's custodian. The collateral is evaluated daily to ensure its market value exceeds the current market value of the instruments including accrued interest.

The Core Fixed Income Fund invests in Mortgage Backed Securities (MBSs) and Asset Backed Securities (ABSs), which are included in the Statement of Net Assets. These are bonds issued by a special purpose trust that collects payments on an underlying collateral pool of mortgage or other loans and remits payments to bondholders. The bonds are structured in a series of classes or tranches, each with a different coupon rate and stated maturity date. Interest payments to the bondholders are made in accordance with the trust indentures and amounts received from borrowers in excess of interest payments and expenses are used to amortize the principal on the bonds. Such principal payments are made to retire the tranches of bonds in order of their stated maturity. Because mortgage prepayments are largely dependent on market interest rates, the ultimate maturity date of the bonds is unpredictable and is sensitive to changes in market interest rates, but is generally prior to the stated maturity date. At June 30, 2010, the Fund held MBSs of \$304,081,637 and ABSs of \$32,251,192.

Interest-only stripped mortgage backed securities (IOs), a specialized type of Collateralized Mortgage Obligation (CMO), are included as Mortgage Backed Securities on the statement of Net Assets. The cash flow on these invest-



## CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

### NOTES TO FINANCIAL STATEMENTS (Continued)

ments is derived from the interest payments on the underlying mortgage loans. Prepayments on the underlying loans curtail these interest payments, reducing the value of the IOs and, as such, these instruments are extremely sensitive to changes in interest rates, which encourage or discourage such prepayments. At June 30, 2010 the Fund's holdings had a fair value of \$709,218 and a cost of \$7.9 million. The valuations were provided by the custodian.

Investments in non-U.S. fixed income securities are utilized on an opportunistic basis. Certain advisors within the Core Fixed Income Fund are authorized to invest in global fixed income securities.

#### Inflation Linked Bond Fund

Investments are valued based on quoted market prices when available. For securities that have no quoted market value, fair value is estimated based on yields currently available on comparable securities of issuers with similar credit ratings.

When-issued securities held are fully collateralized by U.S Government securities and such collateral is in the possession of the Fund's custodian. The collateral is evaluated daily to ensure its market value exceeds the current market value of the instruments including accrued interest.

Investments in non-U.S. fixed income securities are utilized on an opportunistic basis. Certain advisors within the Inflation Linked Bond Fund are authorized to invest in global fixed income securities.

#### Emerging Market Debt Fund

Investments are valued based on quoted market prices when available. For securities that have no quoted market value, fair value is estimated based on yields currently available on comparable securities of issuers with similar credit ratings.

When-issued securities held are fully collateralized by U.S Government securities and such collateral is in the possession of the Fund's custodian. The collateral is evaluated daily to ensure its market value exceeds the current market value of the instruments including accrued interest.

The Emerging Market Debt Fund invests in Mortgage Backed Securities (MBSs), which are included in the Statement of Net Assets. These are bonds issued by a special purpose trust that collects payments on an underlying collateral pool of mortgage or other loans and remits payments to bondholders. The bonds are structured in a series of classes or tranches, each with a different coupon rate and stated maturity date. Interest payments to the bondholders are made in accordance with the trust indentures and amounts received from borrowers in excess of interest payments and expenses are used to amortize the principal on the bonds. Such principal payments are made to retire the tranches of bonds in order of their stated maturity. Because mortgage prepayments are largely dependent on market interest rates, the ultimate maturity date of the bonds is unpredictable and is sensitive to changes in market interest rates, but is generally prior to the stated maturity date. At June 30, 2010, the Fund held MBSs of \$202,701.

Investments in non-U.S. fixed income securities are utilized on an opportunistic basis. Certain advisors within the Emerging Market Debt Fund are authorized to invest in global fixed income securities.

#### High Yield Debt Fund

Investments are valued based on quoted market prices when available. For securities that have no quoted market value, fair value is estimated based on yields currently available on comparable securities of issuers with similar credit ratings.

When-issued securities held are fully collateralized by U.S Government securities and such collateral is in the possession of the Fund's custodian. The collateral is evaluated daily to ensure its market value exceeds the current market value of the instruments including accrued interest.

The High Yield Fund invests in Mortgage Backed Securities (MBSs) and Asset Backed Securities (ABSs), which are included in the Statement of Net Assets. These are bonds issued by a special purpose trust that collects payments on an underlying collateral pool of mortgage or other loans and remits payments to bondholders. The bonds are structured in a series of classes or tranches, each with a different coupon rate and stated maturity date. Interest payments to the bondholders are made in accordance with the trust indentures and amounts received from borrowers in excess of interest payments and expenses are used to amortize the principal on the bonds. Such principal payments are made to retire the tranches of bonds in order of their stated maturity. Because mortgage prepayments are largely dependent on market interest rates, the ultimate maturity date of the bonds is unpredictable and is sensitive to changes in market

## CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

### NOTES TO FINANCIAL STATEMENTS (Continued)

interest rates, but is generally prior to the stated maturity date. At June 30, 2010, the Fund held MBSs of \$8,564,348 and ABSs of \$16,493,071.

Investments in non-U.S. fixed income securities are utilized on an opportunistic basis. Certain advisors within the High Yield Fund are authorized to invest in global fixed income securities.

#### Developed Market International Stock Fund

Investments in securities listed on security exchanges are valued at the last reported sales price on the last business day of the fiscal year; securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the mean of the last reported bid and asked prices.

Certain cash held in non-U.S. dollar denominated trading accounts is non-interest bearing.

#### Emerging Market International Stock Fund

Investments in securities listed on security exchanges are valued at the last reported sales price on the last business day of the fiscal year; securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the mean of the last reported bid and asked prices.

Certain cash held in non-U.S. dollar denominated trading accounts is non-interest bearing.

#### Real Estate Fund

Investments in securities not listed on security exchanges and investments in trusts, limited partnerships, and annuities, which comprise substantially all of the Fund's investments, are carried at the cash adjusted fair value. The cash adjusted fair value utilizes the prior calendar quarter end fair value as estimated by the investment advisor, (i) plus cash flows relating to capitalized expenses and principal contributions disbursed from and (ii) minus amounts received by the Real Estate Fund, to estimate the current fair value. The Treasurer's staff reviews the prior quarter estimated fair values provided by the investment advisors for reasonableness. In those instances where an advisor's value appears to be overstated, this estimated fair value is adjusted accordingly. Additionally, the staff monitors the estimated cash adjusted fair values against the estimated values subsequently reported by the investment advisors. In the event of significant total Fund-level differences between the cash adjusted estimates and the investment advisors' estimated values, adjustments to the reported cash adjusted fair values are made to prevent overstatement. At June 30, 2010, the estimated investment values provided by the investment advisors, net of the adjustments noted above, exceeded cash adjusted fair values reported on the Statement of Net Assets by approximately \$19 million. Consistent with the cash adjusted fair value presentation this increase will be considered for the next quarter's adjustment.

#### Commercial Mortgage Fund

This Fund invests in commercial mortgage loans and mortgage backed securities generally through indirect ownership vehicles such as trusts and corporations. The value of the Fund's interest in these entities is based on the fair value of the underlying commercial loan portfolio or securities held. Fair value for the mortgage portfolio is computed by discounting the expected cash flows of the loans at a rate commensurate with the risk inherent in the loans. The discount rate is determined using the yield on U.S. Treasury securities of comparable remaining maturities plus an appropriate market spread for credit and liquidity risk. The Fund does not record fair values in excess of amounts at which the borrower could settle the obligation, giving effect to any prepayment premiums. In the event that the fair value of the loan collateral, based on an appraisal, is less than the outstanding principal balance, the collateral value is used as fair value. These calculations are performed by the investment advisor and reviewed by Treasury personnel.

#### Private Investment Fund

The Private Investment Fund is comprised of investments in various limited partnerships, limited liability companies and securities. The general partner or managing member is the investment advisor and is compensated on a fee basis for management services in addition to its participation in partnership profits and losses. These investments are carried at their cash adjusted fair values. The cash adjusted fair value utilizes the prior quarter fair value as estimated by the investment advisor, (i) plus cash flows relating to capitalized expenses and principal contributions disbursed from and (ii) minus amounts received by the Private Investment Fund, to estimate the current fair value. The Treasurer's staff reviews the prior quarter estimated fair values provided by the investment advisors for reasonableness. In those instances where an advisor's value appears to be overstated, the estimated fair value is adjusted accordingly. Additionally, the staff monitors the estimated cash adjusted fair values against the estimated values subsequently reported by the investment advisors. In the event of significant total Fund-level differences between the cash adjusted estimates and the investment advisors' estimated values, adjustments of reported cash adjusted values are made to prevent overstatement. At June

**NOTES TO FINANCIAL STATEMENTS (Continued)**

30, 2010, the estimated investment values provided by the investment advisors, net of the adjustments noted above, exceeded cash adjusted fair values reported on the Statement of Net Assets by approximately \$35 million. Consistent with the cash adjusted fair value presentation this increase will be considered for the next quarter's adjustment. Securities traded on securities exchanges are valued at the last reported sales price on the last business day of the fiscal year. Corporate bonds and certain over-the-counter stocks are valued at the mean of bid and asked prices as furnished by broker-dealers.

Fair values of the underlying investments are generally represented by cost unless there has been an additional arms-length indication of value, such as a public offering or a new investment by a third party.

**C. INVESTMENT TRANSACTIONS AND RELATED INCOME**

Investment transactions are accounted for on a trade date basis. Dividend income is recognized as earned on the ex-dividend date. Interest income is recorded on the accrual basis as earned. Realized gains and losses are computed on the basis of the average cost of investments sold. Such amounts are calculated independent of and are presented separately from the Net Change in Unrealized Gains and Losses on the Statement of Operations and the Statement of Changes in Net Assets. Realized gains and losses on investments held more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year(s) and the current year. Unrealized gains and losses represent the difference between the fair value and the cost of investments. The increase (decrease) in such difference is accounted for as a change in unrealized gain (loss). In the Funds' cost basis records, premiums are amortized using the straight-line method that approximates the interest method.

Dividends earned by the Private Investment, Real Estate, Commercial Mortgage Funds relate to investments that are not listed on security exchanges. Such dividends are recognized as income when received, generally net of advisory fees.

**D. FOREIGN CURRENCY TRANSLATION**

The value of investments, assets and liabilities denominated in currencies other than U.S. dollars are translated into U.S. dollars based upon appropriate fiscal year end foreign exchange rates. Purchases and sales of foreign investments and income and expenses are converted into U.S. dollars based on currency exchange rates prevailing on the respective dates of such transactions. The Funds do not isolate that portion of the results of operations arising from changes in the exchange rates from that portion arising from changes in the market prices of securities.

**E. SHARE TRANSACTIONS AND PRICING**

All unit prices are determined at the end of each month based on the net asset value of each fund divided by the number of units outstanding. Purchases and redemptions of units are based on the prior month end price and are generally processed on the first business day of the month.

**F. EXPENSES**

Expenses of the funds are recognized on the accrual basis and are deducted in calculating net investment income and net asset value on a monthly basis. Fees and expenses of the Real Estate Fund are generally recognized when paid, by netting them against dividends received. Each of the funds bears its direct expenses, such as investment advisory fees, and, in addition, each of the funds is allocated a portion of the overhead expenses of the Pension Funds Management Division of the Office of the State Treasurer, which services the funds. These expenses include salary and fringe benefit costs and other administrative expenses. Certain of these costs are allocated among the Funds based on relative net asset values. Other costs are charged directly based on the specific duties of personnel.

**G. DISTRIBUTIONS**

Net investment income earned by the Combined Investment Funds is distributed monthly to the unit owners of the funds, generally in the following month.

## NOTES TO FINANCIAL STATEMENTS (Continued)

**H. DERIVATIVE FINANCIAL INSTRUMENTS**

GASB Statement Number 53 Accounting and Financial Reporting for Derivative Instruments, requires that the fair value of financial arrangements called derivatives or derivative instruments be reported in the financial statements. GASB defines a derivative instrument as a financial instrument or other contract with all of the following characteristics: a) It has one or more reference rates and (2) one or more notional amounts or payment provisions or both. b) It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors. c) Its terms require or permit net settlement, it can readily be settled net by a means outside the contract, or it provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement.

For the fiscal year ended June 30, 2010, the funds maintained positions in a variety of such securities that are all reported at fair value on the statement of net assets. The Liquidity Fund held adjustable rate securities with a fair value of \$684,901,790 and cost of \$684,749,050, asset backed securities with a fair value of \$42,554,779 and a cost of \$42,695,795, and mortgage backed securities net of CMOs with a fair value of \$ 9,628,140 and a cost of \$9,654,805 and CMOs with a fair value and cost of \$496,708 and TBAs with a fair value of \$4,333,905 and a cost of \$4,302,812. The Core Fixed Income Fund held adjustable rate securities with a fair value of \$329,785,107 and a cost of \$331,955,243, asset backed securities with a fair value of \$32,251,192 and a cost of \$32,075,020, mortgage backed securities net of CMOs with a fair value of \$91,352,516 and a cost of \$93,016,705 and CMOs with a fair value of \$212,729,121 and a fair value \$217,205,099, TBAs with a fair value of \$97,064,046 and a cost of \$96,673,956, and IOs securities with a fair value of \$709,218 and a cost of \$7,860,727. The Emerging Market Debt Fund held adjustable rate securities with a fair value of \$77,186,197 and a cost of \$72,885,655, mortgage backed securities with a fair value of \$202,701 and a cost of \$204,120. The Emerging Market Debt Fund also held futures with a notional cost of \$11,541,279 and an unrealized gain of \$306,103 reported in the Due From Brokers in the Statement of Net Assets. The High Yield Fund held adjustable rate securities with a fair value of \$18,135,922 and a cost of \$18,226,992, mortgage backed securities net of CMOs with a fair value of \$8,564,348 and a cost of \$8,606,191, and CMOs with a fair value of \$16,493,071 and a cost of \$14,402,118. The Developed Market International Stock held adjustable rate securities with a fair value of \$48,420 and a cost of \$47,305 and option securities with a fair value of \$942,566 and a cost of \$786,600. The Developed Market International Stock also held futures with a notional cost of \$30,870,542 and an unrealized gain of \$3,425,619 reported in the Due From Brokers and an unrealized loss of \$5,836,114 reported in the Due to Brokers in the Statement of Net Assets.

The Liquidity Fund, Core Fixed Income Fund, Emerging Market Debt Fund, High Yield Debt Fund, Developed Market International Stock Fund and Emerging Market International Stock Fund, and were invested in foreign exchange contracts. The specific nature of these investments is discussed more fully in the foreign exchange contract note for each respective fund, where appropriate. These financial instruments are utilized for trading and other purposes. Those that are used for other than trading purposes are foreign exchange contracts, which can be used to facilitate trade settlements, and may serve as foreign currency hedges. The credit exposure resulting from such contracts is limited to the recorded fair value of the contracts on the Statement of Net Assets.

The remaining such securities are utilized for trading purposes and are intended to enhance investment returns. All positions are reported at fair value and changes in fair value are reflected in income as they occur. The funds' credit exposure resulting from such investments is limited to the recorded fair value of the derivative financial instruments.

The Mutual Equity Fund, Core Fixed Income Fund, Emerging Market Debt Fund, Developed International Stock Fund, and the Emerging Market International Stock Fund also utilize derivatives indirectly through participation in mutual funds. These mutual funds may hold derivatives from time to time. Such derivatives may be used for hedging, investment and risk management purposes. These transactions subject the investor to credit and market risk.

**I. COMBINATION/ELIMINATION ENTRY**

The financial statements depict a full presentation of each of the Combined Investment Funds. However, one of these funds, the Liquidity Fund, is owned both directly by the pension plans and trust funds which have accounts in the Fund, and also indirectly because each of the other Combined Investment Funds has an account with the Liquidity Fund. As a result, elimination entries are presented for the purpose of netting out balances and transactions relating to the ownership of the Liquidity Fund by the other Combined Investment Funds. The combined presentation totals to the overall net assets owned by the pension plans and trust funds.

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**J. FEES AND REALIZED GAINS**

Investment advisory fees incurred for the Private Investment Fund are generally charged to the entity in which the Fund has been invested. In such cases, these amounts are either capitalized in the cost basis of the investment and become a component of unrealized gain (loss) or are netted against the corresponding income generated. Certain other fees are incurred directly by the Funds. These amounts are expensed and are reflected as Investment Advisory Fees on the Statement of Operations. The appropriate treatment is determined depending on the terms of the investment agreement. Capitalized fees are not separately presented on the Statement of Operations. These fees are borne by the partners in their respective shares. The following is a listing of the Fund's total fees for the fiscal year ended June 30, 2010:

|                         | <u>Netted</u> | <u>Capitalized</u> | <u>Expensed</u> | <u>Total</u>  |
|-------------------------|---------------|--------------------|-----------------|---------------|
| Private Investment Fund | \$14,889,379  | \$15,543,033       | \$8,323,349     | \$ 38,755,761 |

In addition, realized gains and losses are not reported at the level of the Fund's investment since these relate to realized gains and losses on the underlying securities held by the Funds' investment vehicles. The following is the Fund's share of such net realized gains and losses for the fiscal year ended June 30, 2010:

|                         |               |
|-------------------------|---------------|
| Private Investment Fund | \$104,738,115 |
|-------------------------|---------------|

Periodically the Private Investment Fund may receive stock distributions in lieu of cash. These securities are included as common stock on the Statement of Net Assets. When one of these individual securities is sold the realized gain or loss is presented on the Statement of Operations. Realized loss for such transactions for the fiscal year ended June 30, 2010 were \$1,509,276.

The Mutual Equity Fund includes an investment in a limited partnership and investments in mutual funds. Fees incurred from these investments are deducted from the operations of the fund and are not separately presented on the Statement of Operations. The corresponding fees incurred for the fiscal year ended June 30, 2010 totaled \$1,505,090.

The Core Fixed Income Fund includes an investment in a mutual fund. Fees incurred are deducted from the operations of the fund and are not separately presented on the Statement of Operations. The corresponding fees incurred for the fiscal year ended June 30, 2010 totaled \$813.

The Emerging Market Debt Fund includes an investment in a mutual fund. Fees incurred are deducted from the operations of the fund and are not separately presented on the Statement of Operations. The corresponding fees incurred for the fiscal year ended June 30, 2010 totaled \$2,077,039.

The Emerging Market International Stock Fund includes investments in mutual funds. Fees incurred are deducted from the operations of the fund and are not separately presented on the Statement of Operations. The corresponding fees incurred for the fiscal year ended June 30, 2010 totaled \$1,156,047.

The Developed Market International Stock Fund includes investment in a mutual fund. The corresponding fees incurred for the fiscal year ended June 30, 2010 totaled \$269,260.

Investment advisory fees incurred for certain investments in the Real Estate Fund are generally charged to the entity in which the Fund has been invested. In such cases, these amounts are either capitalized in the cost basis of the investment and become a component of unrealized gain (loss) or are netted against the corresponding income generated. Certain other fees are incurred directly by the Funds. These amounts are expensed and are reflected as Investment Advisory Fees on the Statement of Operations. The appropriate treatment is determined depending on the terms of the investment agreement. Capitalized fees are not separately presented on the Statement of Operations. These fees are borne by the partners in their respective shares. The following is a listing of the Fund's total fees for the fiscal year ended June 30, 2010:

|                  | <u>Netted</u> | <u>Capitalized</u> | <u>Expensed</u> | <u>Total</u>  |
|------------------|---------------|--------------------|-----------------|---------------|
| Real Estate Fund | \$ 9,600,333  | \$4,717,389        | \$3,100,126     | \$ 17,417,848 |

Investment advisory fees for the Liquidity, Mutual Equity, Core Fixed Income Fund, Inflation Linked Bond Fund, Emerging Market Debt Fund, and the High Yield Investment Fund (except as noted above) and Developed Market International Stock Fund and the Emerging Market International Stock Fund are estimated monthly based on periodic reviews of asset values and performance results. Accordingly, the amounts listed as Investment Advisory Fees on the Statement of Operations represent estimates of annual management fee expenses.

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**K. RECLASSIFICATIONS**

Certain prior year amounts have been reclassified to conform to the current year presentation.

**L. RELATED PARTY AND OTHER TRANSACTIONS**

There were no related party transactions during the fiscal year. Additionally, there were no "soft dollar" transactions. Soft dollar transactions result from arrangements whereby firms doing business with organizations such as the Treasury arrange for third parties to provide other services in lieu of cash payment. These arrangements tend to obscure the true cost of operations and can result in potential overpayment for services. Such transactions have been prohibited by the Treasurer.

**M. ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2: DEPOSITS, INVESTMENTS AND SECURITIES LENDING PROGRAM**

**Deposits:**

The Funds minimize custodial credit risk by maintaining certain restrictions set forth in the Investment Policy Statement. Custodial credit risk is risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure the Funds would not be able to recover its deposits or collateralized securities that are in the possession of the outside parties. The Funds utilize a Liquidity Account that is a cash management pool investing primarily in highly liquid money market securities such as commercial paper, certificates of deposit, bank notes and other cash equivalents, asset backed securities, and floating rate corporate bonds. Deposits shall consist of cash instruments generally maturing in less than one year and having a quality rating, by at least one widely recognized rating agency, of A-1 or P-1 and earn interest at a rate equal to or better than the International Business Communications ("IBC") First Tier Institutions-Only Rated Money Fund Report Index.

At June 30, 2010, the reported amount of Funds deposits were \$40,214,066 and the bank balance was \$40,214,066. Of the bank amount, \$40,214,066 was uncollateralized and uninsured. Through the Securities Lending Program \$2,810,567,318 was collateralized with securities held by the counterparty's trust department or agent but not in the State's name.

**Investments:**

Pursuant to the Connecticut General Statutes, the Treasurer is the principal fiduciary of the Funds, authorized to invest in a broad range of equity and fixed income securities, as well as real estate properties, mortgages and private equity. The Funds minimizes credit risk, the risk of loss due to the failure of the security issuer or backer, in accordance with a comprehensive Investment Policy Statement (IPS), as developed by The Office of the Treasurer and the State's Investment Advisory Council (IAC), that provides policy guidelines for the Funds and includes an asset allocation plan. The asset allocation plan's main objective is to maximize investment returns over the long term at an acceptable level of risk. There have been no violations of these investment restrictions during the 2010 fiscal year.

The Funds concentration of credit risk, the risk attributed to the magnitude of an investment in a single issuer. There are no restrictions in the amount that can be invested in Government Securities and Government Agency Securities. However, there can be no more than 5% of the total portfolio market value invested in other securities.

The following table provides average credit quality and exposure levels information on the credit ratings associated with Funds investments in debt securities.

|     | Fair Value      | Percentage of Fair Value |
|-----|-----------------|--------------------------|
| Aaa | \$3,038,954,690 | 39.81%                   |
| Aa  | 300,391,602     | 3.94%                    |
| A   | 410,861,176     | 5.38%                    |
| Baa | 558,752,848     | 7.32%                    |
| Ba  | 304,202,228     | 3.99%                    |
| B   | 330,842,451     | 4.33%                    |

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

|  |                        |                |
|--|------------------------|----------------|
| Caa  | 139,359,080            | 1.83%          |
| Ca   | 7,252,325              | 0.10%          |
| C  | 1,468,633              | 0.02%          |
| MIG  | 8,259,249              | 0.11%          |
| Prime 1  | 345,685,399            | 4.53%          |
| Government fixed income securities (not rated) | 374,616,745            | 4.91%          |
| Not Rated                                      | 1,812,426,581          | 23.73%         |
|  | <u>\$7,633,073,007</u> | <u>100.00%</u> |

The investments in the Private Equity Fund, Real Estate Fund and Commercial Mortgage Fund generally utilize investment vehicles such as annuity contracts, common stocks, limited partnerships and trusts to comply with investment guidelines against direct ownership of such investment assets.

The investments of the Liquidity, Mutual Equity, Core Fixed Income, Inflation Linked Bond, Emerging Market Debt, High Yield Investment, Developed Market International Stock and the Emerging Market International Stock Funds were securities registered under the State Street Bank and Trust Co. nominee name Pondwave & Co. and held by a designated agency of the Pension Plans and Trust Funds of the State of Connecticut, or bearer and held by a designated agency of the Pension Plans and Trust Funds of the State of Connecticut.

Investments of cash collateral received under securities lending arrangements are registered in the master custodian's name and are invested in a fund maintained by the master custodian exclusively for the Funds. In circumstances where securities or letters of credit are received as collateral under securities lending arrangements, the collateral is held by the master custodian in a commingled pool in the master custodian's name, as trustee. When "tri-party" collateral is received, the collateral consists of cash, letters of credit or securities but is held in a commingled pool by a third party master custodian in the Funds' master custodian's name. The breakdown of Securities Lending is as follows:

| <b>Investment</b>   | <b>Fair Value</b>       |
|---|-------------------------|
| Government Securities   | \$ 10,384,675           |
| Government Agency Securities  | 3,068,569               |
| U.S. Corporate Stock  | 3,467,328               |
| International Equity  | 980,580                 |
| Collateral Securities held by Investment Pools under Securities Lending Arrangements: |                         |
| Other   | 676,715,661             |
| Corporate Debt  | 2,115,950,505           |
| <b>Total</b>  | <u>\$ 2,810,567,318</u> |

The following table provides information about the interest rate risks associated with the Funds investments. Interest rate risk is the risk that the value of fixed income securities will decline because of rising interest rates. The prices of fixed income securities with a longer time to maturity tend to be more sensitive to changes in interest rates and therefore, more volatile than those with shorter maturities. Investment Managers that manage the CRPTF portfolio are given full discretion to manage their portion of CRPTF assets within their respective guidelines and constraints. The guidelines and constraints require each manager to maintain a diversified portfolio at all times. In addition, each core manager is required to maintain a target duration that is similar to its respective benchmark which is typically the Barclays Aggregate – an intermediate duration index.

The investments include certain short-term cash equivalents, various long term items, and restricted assets by maturity in years.

| <b>Investment Type</b>       | <b>Fair Value</b>      | <b>Investment Maturities (in Years)</b> |                        |                        |                        |
|------------------------------|------------------------|---|------------------------|------------------------|------------------------|
|                              |                        | <b>Less Than 1</b>                      | <b>1 - 5</b>           | <b>6 - 10</b>          | <b>More Than 10</b>    |
| Cash Equivalents             | \$1,640,653,567        | \$1,476,783,186                         | \$ -                   | \$ -                   | \$ 163,870,381         |
| Asset Backed Securities      | 91,299,042             | 1,441,659                               | 83,311,934             | 6,545,449              | -                      |
| Government Securities        | 2,823,711,217          | 284,301,075                             | 968,336,430            | 712,400,267            | 858,673,445            |
| Government Agency Securities | 834,378,865            | 1,872,841                               | 44,189,769             | 57,216,313             | 731,099,942            |
| Mortgage Backed Securities   | 323,166,587            | 3,651,038                               | 49,251,865             | 9,873,919              | 260,389,765            |
| Corporate Debt               | 1,603,717,186          | 92,533,128                              | 599,208,355            | 624,132,111            | 287,843,592            |
| Convertible Debt             | 42,184,097             | 2,708,209                               | 24,392,706             | 2,068,476              | 13,014,706             |
| Mutual Fund                  | 273,962,446            | -                                       | -                      | -                      | 273,962,446            |
|                              | <u>\$7,633,073,007</u> | <u>\$1,863,291,136</u>                  | <u>\$1,768,691,059</u> | <u>\$1,412,236,535</u> | <u>\$2,588,854,277</u> |

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

Exposure to foreign currency risk results from investments in foreign currency-denominated equity or fixed income securities. As a means of limiting its exposure, the CRPTF utilizes a strategic hedge ratio of 50% for the developed market portion of the International Stock Fund. This strategic hedge ratio represents the neutral stance or desired long-term exposure to currency for the ISF. To implement this policy, currency specialists actively manage the currency portfolio as an overlay strategy to the equity investment managers. These specialists may manage the portfolio passively or actively depending on opportunities in the market place. While managers within the fixed income portion of the portfolio are allowed to invest in non-U.S. dollar denominated securities, managers are required to limit that investment to a portion of their respective portfolios. The following table provides information on deposits and investments held in various foreign currencies, which are stated in U.S. dollars.

| Foreign Currency     | Total           | Cash         | Fixed Income Securities |              |                |                        | Equities        |               |                 | Real Estate Investment Trust |                 |
|----------------------|-----------------|--------------|-------------------------|--------------|----------------|------------------------|-----------------|---------------|-----------------|------------------------------|-----------------|
|                      |                 |              | Government Securities   | Mutual Funds | Corporate Debt | Convertible Securities | Mortgage Backed | Asset Backed  | Common Stock    |                              | Preferred Stock |
| Argentine Peso       | \$ 1,083,475    | \$ 76,799    | \$ 1,006,676            | \$ -         | \$ -           | \$ -                   | \$ -            | \$ -          | \$ -            | \$ -                         | \$ -            |
| Australian Dollar    | 258,255,700     | 308,533      | 12,197,221              | -            | 17,519,150     | -                      | -               | -             | 214,960,524     | 18,502                       | 13,251,770      |
| Brazilian Real       | 179,427,518     | 3,165,987    | 50,776,861              | -            | 7,233,544      | 294,688                | -               | -             | 76,404,469      | 41,551,969                   | -               |
| Canadian Dollar      | 100,681,277     | 441,703      | 8,159,577               | -            | -              | -                      | -               | -             | 92,079,997      | -                            | -               |
| Chilean Peso         | 1,083,343       | 685          | -                       | -            | 581,805        | -                      | -               | -             | 344,522         | 156,331                      | -               |
| Colombian Peso       | 16,602,812      | -            | 7,618,816               | -            | 8,983,996      | -                      | -               | -             | -               | -                            | -               |
| Czech Koruna         | 15,382,072      | 211,386      | -                       | -            | -              | -                      | -               | -             | 15,170,686      | -                            | -               |
| Danish Krone         | 44,276,777      | 215,217      | -                       | -            | -              | -                      | -               | -             | 44,061,560      | -                            | -               |
| Egyptian Pound       | 21,262,769      | 238,718      | 5,989,349               | -            | -              | -                      | -               | -             | 15,034,702      | -                            | -               |
| Euro Currecny        | 1,229,218,036   | 3,988,614    | 39,039,670              | -            | 6,523,916      | 2,148,965              | 1,538,434       | 1,158,611,807 | 13,634,183      | 3,732,447                    | -               |
| Ghana Cedi           | 239,820         | -            | 239,820                 | -            | -              | -                      | -               | -             | -               | -                            | -               |
| Hong Hong Dollar     | 423,373,365     | 600,195      | -                       | 92,876       | -              | -                      | -               | -             | 422,052,344     | -                            | 627,950         |
| Hungarian Fornit     | 39,427,421      | 366,365      | 8,176,890               | -            | -              | -                      | -               | -             | 30,884,166      | -                            | -               |
| Iceland Krona        | 1,862           | 1,862        | -                       | -            | -              | -                      | -               | -             | -               | -                            | -               |
| Indian Rupee         | 237,899         | -            | -                       | -            | 237,899        | -                      | -               | -             | -               | -                            | -               |
| Indonesian Rupiah    | 92,501,452      | 124,687      | 13,065,967              | -            | 13,082,704     | -                      | -               | -             | 66,228,094      | -                            | -               |
| Israeleli Shekel     | 335,876         | -            | -                       | -            | -              | -                      | -               | -             | 335,876         | -                            | -               |
| Japanese Yen         | 889,508,639     | 4,766,674    | 4,160,587               | -            | -              | 361,659                | -               | -             | 878,276,673     | -                            | 1,943,046       |
| Kazakhstan Tenge     | 2,063,073       | -            | -                       | -            | 2,063,073      | -                      | -               | -             | -               | -                            | -               |
| Malaysian Ringgit    | 76,138,073      | 14,984       | 22,445,128              | -            | 3,679,468      | -                      | -               | -             | 49,998,493      | -                            | -               |
| Mexican Peso         | 96,932,397      | 1,838,814    | 41,405,768              | -            | -              | -                      | -               | -             | 53,687,815      | -                            | -               |
| Moroccan Dirham      | 430,079         | 30,364       | -                       | -            | -              | -                      | -               | -             | 399,715         | -                            | -               |
| New Russian Rubel    | 3,622,453       | 70,116       | -                       | -            | 3,552,337      | -                      | -               | -             | -               | -                            | -               |
| New Taiwan Dollar    | 64,029,377      | 473,811      | -                       | -            | -              | -                      | -               | -             | 63,555,566      | -                            | -               |
| New Zealand Dollar   | 42,680,958      | 190,786      | 32,822,412              | 48,537       | -              | -                      | -               | -             | 9,609,060       | -                            | 10,163          |
| Nigerian Naria       | 3,933,903       | -            | -                       | -            | 3,933,903      | -                      | -               | -             | -               | -                            | -               |
| Norwegian Krone      | 32,835,686      | 110,840      | 6,430,940               | -            | -              | -                      | -               | -             | 26,293,906      | -                            | -               |
| Pakistan Rupee       | 170,269         | 170,269      | -                       | -            | -              | -                      | -               | -             | -               | -                            | -               |
| Peruvian Nouveau Sol | 1,296,066       | 468          | 1,295,598               | -            | -              | -                      | -               | -             | -               | -                            | -               |
| Philippine Peso      | 21,159,849      | 11,013       | -                       | -            | -              | -                      | -               | -             | 21,148,836      | -                            | -               |
| Polish Zloty         | 60,926,632      | 5,478        | 33,589,116              | -            | -              | -                      | -               | -             | 27,332,038      | -                            | -               |
| Pound Sterling       | 789,570,795     | 1,744,317    | -                       | -            | -              | -                      | -               | -             | 784,189,355     | -                            | 3,637,123       |
| Singapore Dollar     | 79,384,416      | 512,770      | -                       | -            | -              | -                      | -               | -             | 74,599,610      | -                            | 4,272,036       |
| South African Rand   | 115,932,736     | 982,516      | 26,424,619              | -            | 96,075         | -                      | -               | -             | 88,429,526      | -                            | -               |
| South Korean Won     | 386,352,790     | 465,618      | 5,368,622               | -            | -              | -                      | -               | -             | 369,386,847     | 11,131,703                   | -               |
| Sri Lanka Rupee      | 201,651         | -            | -                       | -            | 201,651        | -                      | -               | -             | -               | -                            | -               |
| Swedish Krona        | 93,853,800      | 1,647,093    | -                       | -            | -              | -                      | -               | -             | 92,206,707      | -                            | -               |
| Swiss Franc          | 345,584,385     | 650,866      | -                       | -            | -              | -                      | -               | -             | 344,933,519     | -                            | -               |
| Thailand Baht        | 96,870,986      | -            | 9,468,445               | -            | 995,689        | -                      | -               | -             | 86,406,852      | -                            | -               |
| Turkish Lira         | 111,661,969     | 308,307      | 17,446,109              | -            | -              | -                      | -               | -             | 93,907,553      | -                            | -               |
| Zambian Kwacha       | 361,670         | -            | -                       | -            | 361,670        | -                      | -               | -             | -               | -                            | -               |
|                      | \$5,738,894,126 | \$23,735,855 | \$347,128,191           | \$141,413    | \$69,046,880   | \$656,347              | \$2,148,965     | \$1,538,434   | \$5,200,530,818 | \$66,492,688                 | \$27,474,535    |

**Securities Lending:**

Certain of the Funds engage in securities lending transactions to provide incremental returns to the Funds. The Funds are permitted to enter into securities lending transactions pursuant to Section 3-13d of the Connecticut General Statutes and Amendment No.2 of the Custodial Contract. The Funds' master custodian is authorized to lend available securities to authorized broker-dealers and banks subject to a form loan agreement.

During the period ended June 30, 2010, the master custodian lent certain securities of the Client and received cash or other collateral as indicated on the Securities Lending Authorization Agreement. The master custodian did not have the ability to pledge or sell collateral securities delivered therefore absent a borrower default. Borrowers were required to deliver collateral for each loan equal to at least 100% of the market value of the loaned securities.

Pursuant to the Securities Lending Authorization Agreement, the master custodian has an obligation to indemnify the Client in the event any borrower failed to return the loaned securities or pay distributions thereon. There were no such



**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year that resulted in a declaration or notice of Default of the Borrower. During the fiscal year, the Client and the borrowers maintained the right to terminate all securities lending transactions upon notice. The cash collateral received on each loan was invested in an individual account known as the State of Connecticut Collateral Investment Trust. On June 30, 2010, the Client had no credit risk exposure to borrowers. The market value of collateral held and the market value of securities on loan for the Funds as of June 30, 2010 was \$2,830,292,919 and \$ 2,750,910,865 respectively.

Under ordinary circumstances, the average effective duration of the security lending operations will be managed such that it will not exceed 120 days, or fall below 1 day. Under such ordinary circumstances, the net duration, as defined by the duration of assets less the duration of liabilities, will not exceed 45 days. In the event that the average effective duration does exceed 120 days, or the net duration does exceed 45 days for any 3-day period, the Trustee shall, (i) notify the Funds within 5 business days and (ii) take appropriate action as is reasonable to return an average effective duration below 120 days or a net duration below 45 days. The average effective duration is calculated using the weighted average effective duration of holdings. The average effective duration of the security lending program at June 30, 2010 was 25.93 days.

The average effective duration is managed to be within 45 days due to the inability to monitor the weighted average duration of liabilities. The weighted average duration of liabilities is assumed to remain at 1 day.

The fair value of collateral held and the fair value of securities on loan are as follows for the Funds as of June 30, 2010:

| <b>Fund</b>                          | <b>Fair Value of Collateral</b> | <b>Fair Value of Securities Lent</b> |
|--------------------------------------|---------------------------------|--------------------------------------|
| Mutual Equity                        | \$ 511,009,406                  | \$ 495,375,649                       |
| Core Fixed Income                    | 707,447,138                     | 698,763,725                          |
| Inflation Linked Bond                | 911,795,306                     | 898,460,346                          |
| Emerging Market Debt                 | 46,954,074                      | 46,397,155                           |
| High Yield Investment                | 146,066,280                     | 143,769,407                          |
| Developed Market International Stock | 348,253,732                     | 332,165,138                          |
| Emerging Market International Stock  | 141,169,029                     | 135,979,445                          |
| <b>Total</b>                         | <b>\$2,812,694,965</b>          | <b>\$2,750,910,865</b>               |

Investments made using the cash collateral received from security loans were included in the Statement of Net Assets. The fair value of these amounts is as follows:

| <b>Fund</b>                          | <b>Cash Equivalents</b> | <b>Corporate Debt</b>  | <b>Total Investments</b> |
|--------------------------------------|-------------------------|------------------------|--------------------------|
| Mutual Equity                        | \$122,891,920           | \$384,257,723          | \$507,149,643            |
| Core Fixed Income                    | 167,999,496             | 525,299,826            | 693,299,322              |
| Inflation Linked Bond                | 220,812,310             | 690,434,618            | 911,246,928              |
| Emerging Market Debt                 | 11,371,014              | 35,554,821             | 46,925,835               |
| High Yield Investment                | 35,373,326              | 110,605,104            | 145,978,430              |
| Developed Market International Stock | 84,080,252              | 262,901,631            | 346,981,883              |
| Emerging Market International Stock  | 34,187,343              | 106,896,782            | 141,084,125              |
| <b>Total</b>                         | <b>\$676,715,661</b>    | <b>\$2,115,950,505</b> | <b>\$2,792,666,166</b>   |

These amounts are invested in a pool which is maintained solely on behalf of the Funds, but whose investments are held in the master custodian's name. The above total amounts were included on the Statement of Net Assets in "Invested Securities Lending Collateral".

**NOTE 3: PURCHASES AND SALES OF INVESTMENT SECURITIES**

For the period ended June 30, 2010, the aggregate cost of purchases and proceeds from sales of investment securities were as follows:

| <b>Fund</b>                          | <b>Purchases</b> | <b>Sales</b>    |
|--------------------------------------|------------------|-----------------|
| Mutual Fixed Income                  | \$5,830,682,200  | \$6,821,284,249 |
| Core Fixed Income                    | 6,943,432,138    | 7,303,232,349   |
| Inflation Linked Bond                | 2,393,378,390    | 2,216,063,537   |
| Emerging Market Debt                 | 1,576,055,994    | 1,706,265,347   |
| High Yield Investment                | 1,067,119,692    | 1,237,486,225   |
| Developed Market International Stock | 4,574,996,572    | 5,035,185,143   |
| Emerging Market International Stock  | 4,078,915,212    | 3,500,397,136   |

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

|                         |             |             |
|-------------------------|-------------|-------------|
| Real Estate             | 528,633,276 | 375,913,282 |
| Commercial Mortgage     | 4,138,291   | 5,403,408   |
| Private Investment Fund | 921,935,605 | 880,203,812 |

The above amounts include the effect of cost adjustments processed during the year.

**NOTE 4: UNREALIZED APPRECIATION AND DEPRECIATION ON INVESTMENTS AND FOREIGN EXCHANGE CONTRACTS**

At June 30, 2010, the gross appreciation of investment securities and foreign currency in which there was an excess of fair value over cost, the gross depreciation of investment securities and foreign currency in which there was an excess of cost over fair value and the resulting net appreciation (depreciation) by fund were as follows:

| <b>Fund</b>                          | <b>Gross<br/>Appreciation</b> | <b>Gross<br/>Depreciation</b> | <b>Net Appreciation<br/>(Depreciation)</b> |
|--------------------------------------|-------------------------------|-------------------------------|--|
| Mutual Equity                        | \$755,093,305                 | \$641,810,486                 | \$113,282,819                              |
| Core Fixed Income                    | 141,174,375                   | 34,511,735                    | 106,662,640                                |
| Inflation Linked Bond                | 37,233,130                    | 292,698                       | 36,940,432                                 |
| Emerging Market Debt                 | 153,909,581                   | 80,585,039                    | 73,324,542                                 |
| High Yield Investment                | 33,484,299                    | 36,324,514                    | (2,840,215)                                |
| Developed Market International Stock | 359,962,263                   | 583,791,146                   | (223,828,883)                              |
| Emerging Market International Stock  | 298,499,867                   | 94,081,585                    | 204,418,282                                |
| Real Estate                          | 6,216,980                     | 388,452,250                   | (382,235,270)                              |
| Commercial Mortgage                  | 48,551                        | 17                            | 48,534                                     |
| Private Investment Fund              | 322,436,469                   | 168,920,379                   | 153,516,090                                |

**NOTE 5: FOREIGN EXCHANGE CONTRACTS**

From time to time the Liquidity, Core Fixed Income, Emerging Market Debt, High Yield Investment, Developed Market International Stock, Emerging Market International Funds utilize foreign currency contracts to facilitate transactions in foreign securities and to manage the Funds' currency exposure. Contracts to buy are used to acquire exposure to foreign currencies, while contracts to sell are used to hedge the Funds' investments against currency fluctuations. Also, a contract to buy or sell can offset a previous contract. Losses may arise from changes in the value of the foreign currency or failure of the counterparties to perform under the contracts' terms.

The U. S. dollar value of forward foreign currency contracts is determined using forward currency exchange rates supplied by a quotation service.

Investing in forward currency contracts may increase the volatility of the Funds' performance. Price movements of currency contracts are influenced by, among other things, international trade, fiscal, monetary, and exchange control programs and policies; national and international political and economic events; and changes in worldwide interest rates. Governments from time to time intervene in the currency markets with the specific intent of influencing currency prices. Such intervention may cause certain currency prices to move rapidly. Additionally, the currency markets may be particularly sensitive to interest rate fluctuations.

At June 30, 2010, the Funds had recorded unrealized gains (losses) from open forward currency contracts as follows:

| <b>Liquidity Fund:</b>   |            |                        |
|--------------------------|------------|------------------------|
| Foreign Currency         | Value      | Unrealized Gain/(Loss) |
| <b>Contracts to Buy:</b> |            |                        |
| Brazilian Real           | \$ 362,000 | \$ 11,870              |
| Chilean Peso             | 3,401,000  | (52,229)               |
| Colombian Peso           | 1,772,000  | 57,391                 |
| Czech Koruna             | -          | 4,639                  |
| Egyptian Pound           | 26,423,381 | (279,382)              |
| Euro Currency            | 18,573,390 | (1,224,529)            |
| Ghana Cedi               | 7,694,740  | 11,785                 |
| Hungarian Forint         | -          | (391,979)              |
| Indian Rupee             | 10,231,951 | 108,967                |
| Indonesian Rupiah        | 7,250,000  | 105,398                |
| Israeli Shekel           | 8,484,824  | (73,083)               |
| Japanese Yen             | 18,508,725 | 673,928                |
| Kazakhstan Tenge         | 6,398,000  | (8,729)                |
| Kenyan Shilling          | 6,917,192  | (77,617)               |

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

|                    |                |                |
|--------------------|----------------|----------------|
| Malaysian Ringgit  | 14,702,557     | (23,681)       |
| Mexican Peso       | 23,895,819     | (435,435)      |
| New Romanian Leu   | -              | (809,440)      |
| New Russian Ruble  | 3,010,000      | (4,749)        |
| New Taiwan Dollar  | 5,255,710      | (77,817)       |
| New Zealand Dollar | 654,279        | (28,947)       |
| Norwegian Krone    | 228,872        | (2,828)        |
| Philippine Peso    | 11,309,383     | (105,270)      |
| Polish Zloty       | -              | (235,438)      |
| Pound Sterling     | 9,727,624      | (137,692)      |
| Serbian Dinar      | -              | (86,301)       |
| Singapore Dollar   | 17,018,189     | 22,768         |
| South Korean Won   | 17,242,573     | (708,732)      |
| Swedish Krona      | 7,892,783      | (488,569)      |
| Turkish Lira       | 10,209,000     | (23,409)       |
| Uganda Shilling    | 5,704,764      | (36,549)       |
| Yuan Renminbi      | 5,477,604      | (53,500)       |
| Zambian Kwacha     | 7,012,648      | (207,615)      |
|                    | \$ 255,359,008 | \$ (4,576,774) |

**Contracts to Sell:**

|                    |                |              |
|--------------------|----------------|--------------|
| Australian Dollar  | \$ 31,958,500  | \$ 2,429,734 |
| Canadian Dollar    | 8,615,170      | 461,267      |
| Colombian Peso     | 1,783,487      | (45,903)     |
| Egyptian Pound     | 13,191,474     | 14,359       |
| Euro Currency      | 107,872,365    | 4,172,697    |
| Ghana Cedi         | 1,111,265      | (1,582)      |
| Hungarian Forint   | 7,895,965      | 650,316      |
| Indonesian Rupiah  | 2,071,000      | 14,490       |
| Israeli Shekel     | 1,512,157      | 473          |
| Japanese Yen       | 12,494,634     | (323,073)    |
| Kenyan Shilling    | 1,944,000      | 16,022       |
| Mexican Peso       | 19,652,355     | 366,709      |
| New Romanian Leu   | 819,118        | 39,645       |
| New Taiwan Dollar  | 5,176,492      | (1,401)      |
| New Zealand Dollar | 33,918,255     | 487,024      |
| Norwegian Krone    | 6,821,398      | 244,886      |
| Philippine Peso    | 1,710,982      | (1,624)      |
| Polish Zloty       | 13,502,427     | 1,814,469    |
| Pound Sterling     | 2,964          | (28)         |
| South Korean Won   | 6,112,898      | 111,013      |
| Yuan Renminbi      | 53,269         | (443)        |
|                    | 278,220,175    | 10,449,050   |
| Total              | \$ 533,579,183 | \$ 5,872,276 |

**Financial Statement Amounts:**

|                      | Receivable     | Payable        | Net          |
|----------------------|----------------|----------------|--------------|
| FX Value             | \$ 533,579,183 | \$ 533,579,183 | \$ -         |
| Unrealized Gain/Loss | (4,576,774)    | 10,449,050     | 5,872,276    |
| Net                  | \$ 529,002,409 | \$ 523,130,133 | \$ 5,872,276 |

**Core Fixed Income Fund:**

| Foreign Currency | Value | Unrealized Gain/(Loss) |
|------------------|-------|------------------------|
|------------------|-------|------------------------|

**Contracts to Sell:**

|               |              |            |
|---------------|--------------|------------|
| Euro Currency | \$ 8,971,425 | \$ 214,699 |
|               | 8,971,425    | 214,699    |
| Total         | \$ 8,971,425 | \$ 214,699 |

**Financial Statement Amounts:**

|                      | Receivable   | Payable      | Net        |
|----------------------|--------------|--------------|------------|
| FX Value             | \$ 8,971,425 | \$ 8,971,425 | \$ -       |
| Unrealized Gain/Loss | -            | 214,699      | 214,699    |
| Net                  | \$ 8,971,425 | \$ 8,756,726 | \$ 214,699 |

**Emerging Market Debt Fund:**

| Foreign Currency | Value | Unrealized Gain/(Loss) |
|------------------|-------|------------------------|
|------------------|-------|------------------------|

**Contracts to Buy:**

|                |              |           |
|----------------|--------------|-----------|
| Brazilian Real | \$ 7,906,080 | \$ 16,454 |
| Chilean Peso   | 2,937,390    | (119,269) |
| Colombian Peso | 1,892,802    | 86,668    |

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

|                      |                       |                     |
|----------------------|-----------------------|---------------------|
| Euro Currency        | 4,602,493             | (2,716)             |
| Indian Rupee         | 13,581,783            | 127,262             |
| Indonesian Rupiah    | 6,574,781             | 223,466             |
| Israeli Shekel       | 4,577,783             | (95,801)            |
| Malaysian Ringgit    | 7,583,947             | 66,550              |
| Mexican Peso         | 9,605,455             | (17,172)            |
| New Russian Ruble    | 4,724,296             | (130,175)           |
| Peruvian Nouveau Sol | 3,494,423             | 13,926              |
| Philippine Peso      | 5,276,924             | (84,645)            |
| Polish Zloty         | 4,652,859             | (274,144)           |
| South African Rand   | 495,593               | (3,468)             |
| South Korean Won     | 6,432,518             | (72,259)            |
| Thailand Baht        | 2,098,259             | (5,398)             |
| Turkish Lira         | 4,897,822             | 10,128              |
| Yuan Renminbi        | 24,693,663            | (93,462)            |
|                      | <u>\$ 116,028,871</u> | <u>\$ (354,055)</u> |

**Contracts to Sell:**

|                    |                       |                     |
|--------------------|-----------------------|---------------------|
| Brazilian Real     | \$ 13,070,297         | \$ (665,539)        |
| Chilean Peso       | 1,319,584             | 22,360              |
| Colombian Peso     | 5,026,641             | (59,914)            |
| Euro Currency      | 19,620,490            | 675,896             |
| Hungarian Forint   | 5,320,128             | 99,298              |
| Indonesian Rupiah  | 3,192,034             | 3,002               |
| Israeli Shekel     | 4,510,165             | 27,773              |
| Japanese Yen       | 4,057,506             | (41,875)            |
| Mexican Peso       | 892,268               | (4,688)             |
| Polish Zloty       | 4,514,227             | 86,104              |
| South African Rand | 6,781,859             | 18,215              |
| Thailand Baht      | 3,792,559             | (27,489)            |
| Turkish Lira       | 4,914,355             | 45,701              |
| Yuan Renminbi      | 8,136,649             | 48,820              |
|                    | <u>85,148,762</u>     | <u>227,664</u>      |
| Total              | <u>\$ 201,177,633</u> | <u>\$ (126,391)</u> |

**Financial Statement Amounts:**

|                      | Receivable            | Payable               | Net                 |
|----------------------|-----------------------|-----------------------|---------------------|
| FX Value             | \$ 201,177,633        | \$ 201,177,633        | \$ -                |
| Unrealized Gain/Loss | (354,055)             | 227,664               | (126,391)           |
| Net                  | <u>\$ 200,823,578</u> | <u>\$ 200,949,969</u> | <u>\$ (126,391)</u> |

**High Yield Investment Fund:**

|                  |       |                        |
|------------------|-------|------------------------|
| Foreign Currency | Value | Unrealized Gain/(Loss) |
|------------------|-------|------------------------|

**Contracts to Sell:**

|              |                     |                  |
|--------------|---------------------|------------------|
| Mexican Peso | \$ 4,393,045        | \$ 12,966        |
|              | <u>4,393,045</u>    | <u>12,966</u>    |
| Total        | <u>\$ 4,393,045</u> | <u>\$ 12,966</u> |

**Financial Statement Amounts:**

|                      | Receivable          | Payable             | Net              |
|----------------------|---------------------|---------------------|------------------|
| FX Value             | \$ 4,393,045        | \$ 4,393,045        | \$ -             |
| Unrealized Gain/Loss | -                   | 12,966              | 12,966           |
| Net                  | <u>\$ 4,393,045</u> | <u>\$ 4,380,079</u> | <u>\$ 12,966</u> |

**Developed Market International Stock Fund:**

|                  |       |                        |
|------------------|-------|------------------------|
| Foreign Currency | Value | Unrealized Gain/(Loss) |
|------------------|-------|------------------------|

**Contracts to Buy:**

|                    |                |                |
|--------------------|----------------|----------------|
| Australian Dollar  | \$ 210,719,469 | \$ (7,447,662) |
| Brazilian Real     | 475,700        | (1,504)        |
| Canadian Dollar    | 334,648        | (2,567)        |
| Danish Krone       | 590,768        | (3,070)        |
| Euro Currency      | 141,198,501    | (3,402,985)    |
| Hong Kong Dollar   | 10,880,454     | (16,670)       |
| Japanese Yen       | 177,730,813    | 3,094,171      |
| New Zealand Dollar | 80,120,318     | (1,299,633)    |
| Norwegian Krone    | 68,590,609     | (1,029,170)    |
| Pound Sterling     | 83,606,954     | 1,209,825      |
| Singapore Dollar   | 72,288,268     | (607,712)      |
| South Korean Won   | 11,146,379     | (417,766)      |
| Swedish Krona      | 68,539,912     | 311,511        |

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

|                           |                         |                       |
|---------------------------|-------------------------|-----------------------|
| Swiss Franc               | 113,411,938             | 2,438,975             |
|                           | <u>\$ 1,039,634,731</u> | <u>\$ (7,174,257)</u> |
| <b>Contracts to Sell:</b> |                         |                       |
| Australian Dollar         | \$ 258,106,876          | \$ 6,070,665          |
| Czech Koruna              | 415,176                 | (5,071)               |
| Danish Krone              | 21,139,336              | 1,568,522             |
| Euro Currency             | 931,986,093             | 80,271,268            |
| Hong Kong Dollar          | 90,458,078              | 298,659               |
| Hungarian Forint          | 100,872                 | (1,741)               |
| Japanese Yen              | 529,919,554             | (29,169,268)          |
| Mexican Peso              | 498,137                 | (1,067)               |
| New Zealand Dollar        | 80,439,094              | (399,696)             |
| Norwegian Krone           | 28,741,857              | 1,755,258             |
| Polish Zloty              | 45,983                  | (577)                 |
| Pound Sterling            | 560,067,843             | 5,214,329             |
| Singapore Dollar          | 106,851,250             | (72,581)              |
| South Korean Won          | 46,482,397              | 3,416,347             |
| Swedish Krona             | 70,992,694              | 1,497,495             |
| Swiss Franc               | 272,850,591             | 2,900,265             |
|                           | <u>2,999,095,831</u>    | <u>73,342,807</u>     |
| Total                     | <u>\$ 4,038,730,562</u> | <u>\$ 66,168,550</u>  |

**Financial Statement Amounts:**

|                      | Receivable              | Payable                 | Net                  |
|----------------------|-------------------------|-------------------------|----------------------|
| FX Value             | \$ 4,038,730,562        | \$ 4,038,730,562        | \$ -                 |
| Unrealized Gain/Loss | (7,174,257)             | 73,342,807              | 66,168,550           |
| Net                  | <u>\$ 4,031,556,305</u> | <u>\$ 3,965,387,755</u> | <u>\$ 66,168,550</u> |

**Emerging Market International Stock Fund:**

| Foreign Currency          | Value               | Unrealized Gain/(Loss) |
|---------------------------|---------------------|------------------------|
| <b>Contracts to Buy:</b>  |                     |                        |
| Brazilian Real            | \$ 85,774           | \$ (271)               |
| Hong Kong Dollar          | 342,508             | (67)                   |
| Hungarian Forint          | 1,098,067           | 6,646                  |
| Malaysian Ringgit         | 15,921              | 16                     |
| Philippine Peso           | 369,180             | (10)                   |
| South African Rand        | 15,343              | 7                      |
| Thailand Baht             | 2,500               | 1                      |
|                           | <u>\$ 1,929,293</u> | <u>\$ 6,322</u>        |
| <b>Contracts to Sell:</b> |                     |                        |
| Brazilian Real            | \$ 135,044          | \$ (45)                |
| Hungarian Forint          | 227,623             | (3,972)                |
| Philippine Peso           | 10,414              | (50)                   |
| Thailand Baht             | 2,786               | (6)                    |
| Turkish Lira              | 159,201             | (1,674)                |
|                           | <u>535,068</u>      | <u>(5,747)</u>         |
| Total                     | <u>\$ 2,464,361</u> | <u>\$ 575</u>          |

**Financial Statement Amounts:**

|                      | Receivable          | Payable             | Net           |
|----------------------|---------------------|---------------------|---------------|
| FX Value             | \$ 2,464,361        | \$ 2,464,361        | \$ -          |
| Unrealized Gain/Loss | 6,322               | (5,747)             | 575           |
| Net                  | <u>\$ 2,470,683</u> | <u>\$ 2,470,108</u> | <u>\$ 575</u> |

The net unrealized gain has been included in the Statement of Operations as a component of Net Change in Unrealized Gain (Loss) on Investments.

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 6: COMMITMENTS**

In accordance with the terms of the individual investment agreements, the Private Investment Fund and the Real Estate Fund have outstanding commitments to make additional investments. These commitments will be fulfilled as suitable investment opportunities become available. Unfunded commitments at June 30, 2010, were as follows:

| Fund               | Total<br>Commitment | Cumulative<br>Amounts<br>Funded | Unfunded<br>Commitment |
|--------------------|---------------------|---------------------------------|------------------------|
| Real Estate        | \$1,874,303,364     | \$1,443,464,395                 | \$430,838,969          |
| Private Investment | \$5,929,664,766     | \$4,279,031,600                 | \$1,650,633,166        |

**NOTE 7: CONTINGENCY**

There was no pending or threatened litigation against the Connecticut Retirement Plans and Trust Funds ("CRPTF") during the fiscal year ended June 30, 2010.

The CRPTF continues to with investment partners to recover assets lost due to the malfeasance of others. Related to an action against the former general partner of a limited partnership in the Private Investment Fund ("PIF"), members of the advisory committee of the limited partnership entered into a settlement agreement with the partnership's former law firm, having allegedly participated in the actions that lead to losses. The CRPTF led an effort to seek additional compensation for failure to furnish adequate information during the settlement negotiations. The majority of the proceeds from the aggregate \$6.8 million settlement were distributed. A related action has been initiated by the Philadelphia office of the Securities and Exchange Commission. The SEC has assured the partnership that assets recovered in its action will be turned over to the partnership for distribution to the limited partners. A liquidating trustee was appointed in 2007 to dissolve the partnership and wind up its business activities. The remaining reserve was scheduled to be distributed, on a pro rata basis, in December 2008. The liquidating trustee is waiting for the conclusion of the related SEC action. The SEC has not furnished the liquidating trustee or the limited partners with information concerning its anticipated schedule for completion of its action.

**NOTE 8: COST BASIS OF INVESTMENTS**

The aggregate cost values of investments in the Funds are as follows at June 30, 2010:

|   | LIQUIDITY<br>FUND      | MUTUAL<br>EQUITY<br>FUND | CORE<br>FIXED INCOME<br>FUND | INFLATION<br>LINKED BOND<br>FUND | EMERGING<br>MARKET DEBT<br>FUND |
|---|------------------------|--------------------------|------------------------------|----------------------------------|---------------------------------|
| Investments in Securities, at Cost              |                        |                          |                              |                                  |                                 |
| Cash Reserve Fund                               | \$ -                   | \$ 45,057,017            | \$ 126,934,505               | \$ 40,958,353                    | \$ 50,203,094                   |
| Cash Equivalents                                | 1,639,611,001          | -                        | -                            | -                                | 100,000                         |
| Asset Backed Securities                         | 42,695,795             | -                        | 32,075,020                   | -                                | -                               |
| Government Securities                           | 366,851,679            | -                        | 739,197,591                  | 992,762,087                      | 621,517,935                     |
| Government Agency Securities                    | 23,073,630             | -                        | 765,869,889                  | -                                | -                               |
| Mortgage Backed Securities                      | 10,151,513             | -                        | 310,221,804                  | -                                | 204,120                         |
| Corporate Debt                                  | 136,715,714            | -                        | 708,113,323                  | -                                | 173,352,313                     |
| Convertible Securities                          | -                      | -                        | -                            | -                                | -                               |
| Common Stock                                    | -                      | 4,391,546,548            | -                            | -                                | -                               |
| Preferred Stock                                 | -                      | -                        | -                            | -                                | -                               |
| Real Estate Investment Trust                    | -                      | 73,215,549               | -                            | -                                | -                               |
| Mutual Fund                                     | -                      | 410,481,217              | 531,171                      | -                                | 236,649,609                     |
| Limited Liability Corporation                   | -                      | -                        | -                            | -                                | -                               |
| Trusts  | -                      | -                        | -                            | -                                | -                               |
| Limited Partnerships                            | -                      | 255,270,416              | -                            | -                                | -                               |
| Partnerships                                    | -                      | -                        | -                            | -                                | -                               |
| Annuities                                       | -                      | -                        | -                            | -                                | -                               |
| <b>Total Investments in Securities, at cost</b> | <b>\$2,219,099,332</b> | <b>\$5,175,570,747</b>   | <b>\$2,682,943,303</b>       | <b>\$1,033,720,440</b>           | <b>\$1,082,027,071</b>          |

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

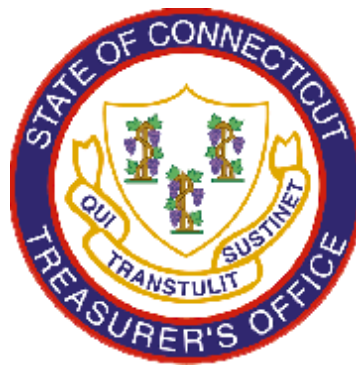
**NOTES TO FINANCIAL STATEMENTS (Continued)**

Additionally, another limited partnership in the PIF invested \$15 million in a portfolio company that reported double digit revenue growth. In 2005, the General Partner initiated a sales process expecting to realize significant gain. Lack of cooperation from management challenged the sale process, resulting in legal action from the partnership and other investors in the portfolio company to force a sale. This process uncovered serious financial irregularities in the portfolio company, resulting in the removal and criminal investigation of the CEO and other senior managers. The portfolio company is currently in bankruptcy. In July 2008, the Bankruptcy Court approved the portfolio company's plan of liquidation. A liquidation trustee was appointed to oversee further liquidation efforts, including investigation and pursuit of potential litigation claims. The liquidation trustee has filed law suits or arbitration proceedings against certain parties, including the bank that issued the credit facility, the investment bank, an equipment manufacturer, accounting firms, and a law firm, among others. In January 2009, the liquidation trustee entered into a settlement agreement with the General Partner, exchanging mutual releases for the GP, the fund and its investors. Additionally, the settlement agreement provides for a sharing of recovery from further prosecution of the matter, including any settlement reached with the insurance carrier. Recoveries are anticipated to be quite modest, if at all. In 2009, the bank has filed a motion under seal which, if granted, may permit the bank to reduce any liability to the liquidation trustee by the proportionate amount that it can attribute to either the minority shareholders (including the fund) or their director designees. Though the filing is under seal and the ultimate resolution of this motion cannot be determined at this time, counsel to the GP believes the contribution claims against the GP, if any, should be precluded as to the result of the settlement agreement with the liquidation trustee. Finally, the United States Attorney in Pittsburgh has obtained indictments against five (5) company insiders. The GP's director designees have and will continue to provide testimony in the liquidation trustee's various actions.

**NOTE 9: SUBSEQUENT EVENT**

During the fiscal year ending June 30, 2010 the Treasurer named five fund of hedge funds managers as preferred vendors. Contracts for the five managers were in negotiations subsequent to June 30, 2010.

| <b>HIGH YIELD<br/>DEBT<br/>FUND</b> | <b>DEVELOPED<br/>MARKET<br/>INTERNATIONAL<br/>STOCK FUND</b> | <b>EMERGING<br/>MARKET<br/>INTERNATIONAL<br/>STOCK FUND</b> | <b>REAL<br/>ESTATE<br/>FUND</b> | <b>COMMERCIAL<br/>MORTGAGE<br/>FUND</b> | <b>PRIVATE<br/>INVESTMENT<br/>FUND</b> |
|-------------------------------------|--|---|---------------------------------|---|--|
| \$ 24,448,850                       | \$ 91,772,233  | \$ 27,905,931   | \$ 77,279,240                   | \$ 160,863                              | \$ 108,530,584                         |
| -                                   | 815,707  | -   | -                               | -                                       | -                                      |
| 16,402,118                          | -  | -   | -                               | -                                       | -                                      |
| 4,012,362                           | -  | -   | -                               | -                                       | -                                      |
| -                                   | -  | -   | -                               | -                                       | -                                      |
| 8,606,191                           | -  | -   | -                               | 193,054                                 | -                                      |
| 551,485,899                         | 1,530,122  | -   | -                               | -                                       | -                                      |
| 36,718,841                          | 459,966  | -   | -                               | -                                       | -                                      |
| 14,765,695                          | 4,361,130,307  | 1,615,186,015   | -                               | 3,415,664                               | 5,311,781                              |
| 2,276,783                           | 19,857,323   | 39,825,882  | -                               | -                                       | -                                      |
| 299,200                             | 33,480,704   | -   | -                               | -                                       | -                                      |
| -                                   | 43,233,458   | 177,919,847   | -                               | -                                       | -                                      |
| -                                   | -  | -   | -                               | -                                       | 4,452,180                              |
| -                                   | -  | -   | 8,193,224                       | -                                       | -                                      |
| -                                   | -  | -   | 1,089,246,027                   | -                                       | 1,741,290,563                          |
| -                                   | -  | -   | -                               | -                                       | -                                      |
| -                                   | -  | -   | -                               | -                                       | -                                      |
| <b>\$659,015,939</b>                | <b>\$4,552,279,820</b>                                       | <b>\$1,860,837,675</b>                                      | <b>\$1,174,718,491</b>          | <b>\$3,769,581</b>                      | <b>\$1,859,585,108</b>                 |





# **Investment**

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# **Section**



# 2010 pension fund management division

## Division Overview

### Introduction

As principal fiduciary of six state pension funds and eight trust funds, (known collectively as the “Connecticut Retirement Plans and Trust Funds” or “CRPTF”), the Treasurer is responsible for managing \$21.9 billion of net assets of retirement plans for approximately 190,000 teachers, state and municipal employees, as well as trust funds that support academic programs, grants, and initiatives throughout the state. The Pension Funds Management Division (“PFM” or “the Division”) is responsible for the day-to-day administration of the CRPTF.

Prudent investment management requires properly safeguarding pension assets in order to ensure the retirement security of the beneficiaries. Funding of the pension benefit liability is dependent on investment returns, state contributions and the contribution requirements of eligible retirement plan participants.

As shown in Figure 1-1, over the last year pension and trust assets have grown from \$20.4 billion to \$21.9 billion, or 7.4%. The Teachers’ Retirement Fund (“TERF”), with \$12.3 billion of assets under management at June 30, 2010, is the largest participating fund. The State Employees’ Retirement Fund (“SERF”) and the Municipal Employees’ Retirement Fund (“MERF”) have \$7.8 billion and \$1.5 billion of assets, respectively. During the fiscal year ended June 30, 2010, total investment return (comprised of interest income, dividends, securities lending income, and net realized gains and unrealized capital gains, net of Fund operating expenses) was \$2.6 billion. (See figure 1-2.)

CRPTF’s total investment in securities at fair value as of June 30, 2010 is illustrated below:

| <b>COMBINED INVESTMENT FUNDS</b>                    |                              |                               |
|---|------------------------------|-------------------------------|
| <b>Investment Summary at June 30, 2010</b>          |                              |                               |
|   | Fair<br>Value <sup>(1)</sup> | % of Total Fund<br>Fair Value |
| Liquidity Fund (“LF”) <sup>(2)</sup>                | \$1,621,182,259              | 7.44%                         |
| Mutual Equity Fund (“MEF”)                          | 5,288,853,566                | 24.28%                        |
| Developed Market International Stock Fund (“DMISF”) | 4,328,450,937                | 19.87%                        |
| Emerging Market International Stock Fund (“EMISF”)  | 2,065,255,957                | 9.48%                         |
| Real Estate Fund (“REF”)                            | 792,483,221                  | 3.64%                         |
| Core Fixed Income Fund (“CFIF”)                     | 2,789,605,943                | 12.81%                        |
| Inflation Linked Bond Fund (“ILBF”)                 | 1,070,660,872                | 4.91%                         |
| Emerging Market Debt Fund (“EMDF”)                  | 1,155,351,613                | 5.30%                         |
| High Yield Debt Fund (“HYDF”)                       | 656,175,724                  | 3.01%                         |
| Commercial Mortgage Fund (“CMF”)                    | 3,818,115                    | 0.02%                         |
| Private Investment Fund (“PIF”)                     | 2,013,101,198                | 9.24%                         |
| <b>Total Fund</b>                                   | <b>\$21,784,939,405</b>      | <b>100.00%</b>                |

(1) “Fair Value” includes securities and cash invested in Liquidity Fund (LF), and excludes receivables (FX contracts, interest, dividends, due from brokers, foreign tax, securities lending receivables, reserve for doubtful accounts, invested securities lending collateral and prepaid expenses), payables (FX contracts, due to brokers, income distribution, securities lending collateral and accrued expenses), and cash not invested in LF.

(2) The market value of LF presented represents the market value of the pension and trust balances in LF only (excluding receivables and payables); the LF balances of the other combined investment funds are shown in the market value of each fund.

## Fund Management

Under the supervision of a Chief Investment Officer, the Division executes and manages the investment programs of the pension and trust funds with a fifteen-member professional staff. Internal resources are augmented by several outside consulting firms that provide research and analytical expertise to the Treasurer, the Chief Investment Officer and Pension Fund Management Division staff. State Street Bank and Trust, as the custodian of record for the CRPTF, retains physical custody, safeguards plan assets and provides record keeping services under the supervision of PFM staff.

The Treasurer employs external money and investment managers to invest each Fund. The money and investment managers are selected based on asset class expertise, investment performance and style and are expected to comply with the parameters, guidelines, and restrictions set forth in the Investment Policy Statement ("IPS"). As of June 30, 2010, 150 external money and investment managers were employed by the Treasury to invest the pension and trust assets, an increase of 2 managers from June 30, 2009. (See figure 1-5.)

The Division allocates all operating overhead directly to the earnings of the pension and trust fund assets under management. It is therefore incumbent upon the Division to manage assets in a cost-effective manner consistent with maximizing long-term returns.

## Investment Policy

One of the immutable principles of investment management is that asset allocation decisions are responsible for as much as 90% of the resulting returns. In October 2007, the independent Investment Advisory Council ("IAC") approved, and the Treasurer adopted, the IPS including the asset allocation plan, which governs CRPTF investments. The asset allocation plan is customized for each plan and trust and each plan's main objective is to maximize investment returns over the long term at an acceptable level of risk, primarily through asset diversification. Risk, in this context, is defined as volatility of investment returns. (See the Understanding Investment Performance discussion in the Supplemental Section.)

Diversification across asset classes is a critical component in structuring portfolios to maximize return at a given level of risk. Likewise, asset allocation is used to minimize risk while seeking a specific level of return. In selecting an asset allocation strategy, there is a careful examination of the expected risk/return tradeoffs, correlation of investment returns, and diversification benefits of the available asset classes (i.e., those not restricted by statute) under different economic scenarios.

As shown in Figure 1-3, the number and complexity of asset classes comprising the asset allocation policy have fluctuated during the last ten years. As of June 30, 2010, multiple asset classes were included in the IPS, including public market funds associated with the management of global equities and fixed income, and alternative investments such, real estate, private investments and other opportunistic investment strategies..

At fiscal year-end, global developed and emerging markets equities comprised the largest percent of the total CRPTF, at 53.9%. Equities have an established record of maximizing investment returns over the long term. Fixed income and alternative investments were also included to enhance portfolio returns during highly inflationary or deflationary environments and to mitigate the effects of volatility in the stock market.

## Asset Classes

To realize the asset allocations set forth in the IPS, the Treasurer administers the Combined Investment Funds as a series of mutual funds in which the CRPTF may invest through the purchase of ownership interests. The asset mix for each of the 14 plans and trusts is established by the Treasurer, with approval of the independent IAC, based on (1) capital market theory, (2) financial and fiduciary requirements, and (3) liquidity needs. A broad array of asset classes is considered for inclusion in a potential asset allocation structure. Each asset class has its own distinct characteristics, as well as expectations for long-term return and risk behavior.

The asset classes which make up the CRPTF's portfolio include:

### ***Domestic Equity***

The Mutual Equity Fund ("MEF") invests primarily in the common stocks of U.S. corporations. These investments are made using external money managers. MEF assets, which are allocated across the U.S. stock market, ensure diversification by both market capitalization and investment style, such as value and growth. The MEF may invest opportunistically to take advantage of shifts in the investment landscape that offer diversification and/or risk return benefits. This opportunistic allocation is made within the broad context of the MEF. The Fund measures its performance against the Russell 3000 Index. As currently structured, the MEF replicates the approximate capitalization of the U. S. equity market as a whole with 85.45% of the portfolio invested in large-cap stocks, 9.47% in small/mid-cap stocks, and 5.08% in all-cap.

Management of the MEF entails pure indexing, enhanced indexing, active management, and opportunistic strategies executed by external money managers. The goal of enhanced indexing is to generate a return slightly in excess of the selected index. Indexing is a particularly appropriate strategy for the "large-cap" segment of the equity markets, which is defined as the securities of the largest capitalized public companies, typically comprising the major market indices. Given the efficiency of the domestic equity market, approximately 92.48% of the portfolio adheres to indexing, enhanced indexing, or risk controlled strategies. The balance of the portfolio is activity managed, mainly in the "small- and mid-cap" sections of the equity markets, to allow the CRPTF the opportunity to achieve enhanced returns. Small- and mid-cap securities are issued by companies that are much smaller and not as closely monitored, researched or analyzed as the larger capitalization companies. Consequently, the small-cap segment of the U.S. equity market is less efficient. Certain active money managers are therefore more likely to outperform the markets over the long term, while earning an acceptable level of return per unit of risk.

### ***International Equity***

The international equities are divided into two funds: the Developed Markets International Stock Fund ("DMISF") and the Emerging Markets International Stock Fund ("EMISF"). The DMISF and the EMISF are separate asset classes and provide flexibility for each plan and trust fund to pursue individual allocation to each stock fund. DMISF and EMISF assets are allocated across foreign markets so that there is diversification by market, capitalization and style, comprising a mix which is structured to replicate the characteristics of the comparable developed and emerging non-U.S. stock market indices.

The DMISF invests primarily in the common stocks of non-U.S. corporations, and the investments are made using external money managers. Non-U.S. stocks are defined as common stocks issued by companies domiciled outside the U.S. International developed markets are defined as the countries included in the S&P/Citigroup Broad Market Index (BMI) EPAC (Europe, Pacific Asia Composite). The Performance Benchmark for DMISF is the S&P/Citigroup Broad Market Index (BMI) EPAC (Europe, Pacific Asia Composite) 50% hedged with net dividends reinvested.

The EMISF invests primarily in the common stocks of non-U.S. corporations, defined as the countries included in the Morgan Stanley Capital International (MSCI) Emerging Markets Free Index ("EMF Index"). The Performance Benchmark for EMISF is the MSCI Emerging Markets Investable Index (IMI) with net dividends reinvested. These investments are made using external money managers.

The DMISF is comprised of passive indexing, risk controlled, core developed markets and opportunistic strategies. Mandates for active growth/value and small cap developed market strategies represent roughly 24% and 13% of the DMISF, respectively, and introduce greater flexibility with regard to benchmark weightings. The currency exposure of the DMISF investments is managed through a currency hedging overlay strategy.

The EMISF is invested 100 percent in active, unhedged emerging markets strategies.

### ***Fixed Income Investments***

The fixed income assets are diversified across four types of funds: the Core Fixed Income Fund ("CFIF"), the Inflation Linked Bond Fund ("ILBF"), the Emerging Markets Debt Fund ("EMDF"), and the High Yield Debt Fund ("HYDF"). Investments in the various fixed income fund serves to reduce volatility of the CRPTF

## CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

returns under various economic scenarios. Further, the fixed income portfolio provides cash flow to the CRPTF over all economic cycles, through interest payments and bond maturities.

The CFIF consists of managed fixed income portfolios that include debt instruments issued by the U.S. Government and its agencies, quasi-government agencies, U.S. corporations or any other public or private U.S. corporation whose debt security is regulated by the Securities and Exchange Commission. The Performance Benchmark for CFIF is the Barclay's US Aggregate Index.

The ILBF consists of managed fixed income portfolios containing domestic and foreign government-issued bonds. These bonds offer protection against inflation and contribute to overall diversification. Treasury Inflation Protected Securities (TIPS) pay semi-annual interest according to the bonds' coupon; the principal of the bonds are adjusted for inflation as measured by the Consumer Price Index ("CPI"). The Performance Benchmark for ILBF is the Barclay's US TIPS Index.

The EMDF consists of managed fixed income portfolios that contain debt instruments issued by governments and companies operating in emerging countries as defined by the benchmark and/or by The World Bank. The Performance Benchmark for EMDF is the J.P. Morgan Emerging Markets Bonds Global Index.

The HYDF consists of managed fixed income portfolios that included debt instruments rated below investment grade by a nationally recognized rating agency service (example: Standard & Poors, Moody's or Fitch). The majority of the bonds are U.S. dollar denominated. The Performance Benchmark for HYDF is the Citigroup High Yield Market Index.

### ***Liquidity Fund***

The Liquidity Fund ("LF") is designed to provide the ability to generate cash, as needed for benefit payments, through the sale of readily marketable securities. This structure enables the core holdings of the CRPTF to remain fully invested according to their investment mandate. A secondary objective of the LF is to earn a return above money market rates. While the majority of the LF is invested in money market instruments, there are allocations to intermediate maturities and developed and emerging global markets. The benchmark for the LF is the one-month LIBOR.

### ***Real Estate and Private Equity***

The Real Estate Fund ("REF") is the vehicle by which the CRPTF makes investments in the real estate asset class. The investments may consist of a number of different investment strategies and investment vehicles, including externally managed commingled funds, separate accounts and/or publicly traded real estate securities. The REF invests in real estate properties and mortgages and is designed to dampen volatility of overall returns through diversification and to provide long-term rates of return. The REF will invest in the following types: core investments; value added (investments involving efforts to increase property value through repositioning, development and redevelopment); opportunistic (investments that represent niche opportunities, market inefficiencies, or special purpose markets); and publicly traded (primarily Real Estate Investment Trusts and Real Estate Operating Companies). Leverage within the REF is limited to 60%. These investments also adhere to the Responsible Contractor Policy. The Performance Benchmark for REF is the NCREIF Property Index.

The Private Investment Fund (PIF) investments generally are made in externally managed limited partnerships or through separate accounts that focus on private stock investments, which include both venture capital and corporate finance investment strategies. Venture capital typically involves equity capital invested in young or development stage companies, whether start-up, early, mid or late-stage companies. Corporate finance typically involves equity and debt capital invested in growth, mature or distressed stage companies, often through the financing of acquisitions, spin-offs, mergers or changes in capitalization. The Performance Benchmark for PIF is the S&P 500 plus 500 basis points Index.

### ***Alternative Investments***

The Alternative Investment Fund ("AIF") invests CRPTF assets in investment strategies which offer the potential to enhance return characteristics and/or reduce risk. The AIF provides a vehicle for investment in

## CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

portfolio strategies which are not easily classified, categorized, or described in the other investment funds. Hybrid strategies which contain multiple asset classes are also considered part of the opportunity set.

### **Securities Lending**

The Treasury maintains a securities lending program for the CIF designed to enhance investment returns. This program involves the lending of securities to broker/dealers secured by collateral valued slightly in excess of the market value of the loaned securities. Typically, the loaned securities are used by broker/dealers as collateral for repurchase agreements, as well as to cover short sales, customer defaults, dividend recapture, and arbitrage trades. To mitigate the risks of securities lending transactions, the master custodian carefully monitors the credit ratings of each counter-party and overall collateral level. Collateral held is marked-to-market on a daily basis to ensure adequate coverage. The guidelines of the securities lending collateral investment pool require a high level of creditworthiness and consist of short duration assets.

State Street Bank and Trust Company, the current master custodian for the Funds, is responsible for marketing the program, lending the securities, and obtaining adequate collateral. For the fiscal year ended June 30, 2010, securities with a market value of approximately \$2.7 billion had been loaned against collateral of approximately \$2.8 billion. Income generated by securities lending totaled \$15.7 million for the fiscal year.

## **The Year in Review**

### **Total Fund Performance**

During the fiscal year, the value of CRPTF's portfolio increased to \$21.9 billion from \$20.4 billion as of June 30, 2010. The portfolio posted a net inflow of funds from operations of \$2.6 billion (net investment income of \$0.7 billion, realized gains of \$0.2 billion and unrealized gains of approximately \$1.7 billion) and a net cash outflow of \$1.1 billion. The net cash outflow of \$1.1 billion was comprised of pension payments to beneficiaries of \$1.7 billion that were offset by net contributions from unit holders of \$0.6 billion.

For the fiscal year ended June 30, 2010, the CRPTF posted an investment return of 12.88% (3), net of all expenses. The CRPTF is made up of 14 plans and trusts and the return for each plan or trust is measured against its customized benchmark. The three largest plans, which represent approximately 99% of the CRPTF assets, are the State Employees' Retirement Fund (SERF), TERF, and the Municipal Employees' Retirement Fund (MERF). The returns of TERF, SERF and MERF are measured against a hybrid benchmark customized to reflect each plan's asset allocation and performance objectives. Investment return calculations are prepared using a time weighted rate of return based on market rate of return.

(3) Represents a composite return of the total pension and trust funds. Individual returns for the three primary pension funds (Teachers'; State Employees'; and Municipal Employees') are separately presented as the asset allocations of each fund are different.

TERF's benchmark is comprised of 25% Russell 3000 Index; 20% S&P/Citigroup EPAC Broad Market 50% Hedged index; 9% MSCI Emerging Market Investable Market Index; 13% Barclay's US Aggregate Index; 4% JP Morgan Emerging Markets Global Index; 2% Citigroup High Yield Market Index; 6% Barclay's US TIPS Index; 6% One Month Libor Index; 5% NCREIF Index; and 10% S&P 500 Index.

SERF's benchmark is comprised of 26% Russell 3000 Index; 20% S&P/Citigroup EPAC Broad Market 50% Hedged index; 9% MSCI Emerging Market Investable Market Index; 13% Barclay's US Aggregate Index; 4% JP Morgan Emerging Markets Global Index; 2% Citigroup High Yield Market Index; 6% Barclay's US TIPS Index; 4% One Month Libor Index; 5% NCREIF Index; and 11% S&P 500 Index.

MERF's benchmark is comprised of 20% Russell 3000 Index; 16% S&P/Citigroup EPAC Broad Market 50% Hedged index; 8% MSCI Emerging Market Investable Market Index; 19% Barclay's US Aggregate Index; 5% JP Morgan Emerging Markets Global Index; 2% Citigroup High Yield Market Index; 10% Barclay's US TIPS Index; 3% One Month Libor Index; 7% NCREIF Index; and 10% S&P 500 Index.

### ***Domestic Equity Performance***

Over the first half of the fiscal year, equity markets rebounded strongly across all market caps (large, mid, small) and investment styles (value, core, growth) following news of increases in US economic growth and investor appetite for taking on risk. The broad market continued to recover through March driven by performance in the consumer discretionary and industrial sectors. However, the MEF suffered in the quarter ending June 30, 2010 as all major domestic equity indices posted losses led by events such as the European debt crisis, the Gulf of Mexico oil spill, and a rebound of uncertainty regarding the health of the economic recovery. All ten sectors of the S&P 500 posted losses during the last quarter of the fiscal year. The materials, industrials, financials and energy sectors were particularly hard hit. During fiscal year 2010, the MEF generated a positive return of 14.01%, net of fees and operating expenses, which underperformed the Russell 3000 Index return of 15.72% by 171 basis points.

### ***International Equity Performance***

Like the US, the developed international markets were affected by the same global economic environment and they rose in unison with, and rebounded similar to, US equity markets. In particular, the DMISF posted a gain of 11.03%, net of fees and operating expenses, which outperformed its benchmark index return of 9.68% by 135 basis points.

During the fiscal year ended June 30, 2010, the emerging markets continued to lead the global equity rally led by the strength in the financial sector. As many investors regained confidence and viewed the emerging market countries as significant players in the global economic recovery, performance of the BRIC (Brazil, Russia, India and China) led the rally. However beginning in calendar year 2010, countries such as China and Brazil experienced negative returns and the market value advances came to a halt over the quarter ending June 2010. The financial instability in several European countries fueled by the sovereign debt crisis, decreased investment appetite throughout the region. Despite the pull back during the last quarter of the fiscal year, the EMISF generated a return of 25.23%, net of fees and operating expenses, which outperformed its benchmark index return of 24.57% by 66 basis points.

### ***Fixed Income Performance***

The fixed income markets continued to improve and become more liquid by virtue of Government programs such as TALF and PPIP, which stabilized the more illiquid fixed income mortgage and asset backed sectors of the market. Risk appetite returned given the improving economic environment, which ultimately led to a further narrowing of credit spreads resulting in a dramatic improvement in the overall return for all fixed income markets in which the CRPTF invests.

For the fiscal year 2010 the CFIF generated a total return of 11.81%, net of fees and operating expenses, outperforming the benchmark return of 9.50% by 231 basis points. The outperformance was attributable to the fact that core holdings were underweight U.S. Treasury notes and overweight credit sensitive securities. The improvement in risk appetite helped support the below investment grade market and the HYDF posted a return of 24.54% net of fees and operating expenses, the fund did underperform the benchmark return of 25.64% by 110 basis points due to the fact that the CRPTF's high yield portfolio had a higher than average credit quality profile. The ILBF, supported by falling US Treasury rates, generated a total return of 9.48% net of fees and operating expenses, virtually even to its benchmark return of 9.52%. The EMDF generated a total return of 23.02%, net of fees and operating expenses, outperforming the benchmark return of 17.90% by 512 basis points. Finally, the LF generated a return of .98%, outperforming the one month LIBOR benchmark of .27%, by 71 basis points.

### ***Real Estate and Private Equity Performance***

For the fiscal period ending June 30, 2010, the REF generated a total return of -20.18%; net of fees, which underperformed the un-levered National Council of Real Estate Investment Fiduciaries Index (NCREIF) of -9.60% by 10.58%. The underperformance was caused by the falling real estate market values, the fact that the REF portfolio uses leverage, and the addition of several new funds that are still in the early stages and have not generated pro-forma returns. The REF increased its portfolio from \$769.7 million to \$783.8 million primarily due to new purchases offset by net unrealized losses. The strategy for the REF is to invest in core real estate holdings, value add and opportunistic funds. Allocated to the lower risk strategy of core real estate is 36%, and these funds have a maximum leverage requirement of only 30%. The remaining



## CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

64% of the portfolio is invested in value add and opportunistic strategies and allow for a higher amount of leverage, typically 60% - 75% loan to value. The REF also has outstanding commitments of approximately \$400 million which are being held in reserve by various investment managers to take advantage of distressed commercial real estate sales. At fiscal year-end the REF represented 3.6% of the CRPTF assets

For the fiscal year ended June 30, 2010, the Private Investment Fund ("PIF") generated a one year 17.32% compounded annual rate of return. This compares favorably to its public market benchmark, the S&P 500, which returned 14.43% over the same period. Following a relatively slow start, U.S. buyout and venture markets were active during the latter half of fiscal year 2010, with deal volume increasing 29% and 23%, respectively, compared to the same time period one year earlier. There were 22 venture-backed IPOs in the first six months of calendar year 2010, the highest level since the last market peak in 2007. The fund-raising environment continues to be challenging for private equity fund managers. U.S. buyout fundraising dropped 43% and venture fundraising was down 33% through the first half of calendar year 2010 compared the same period in 2009.

### 2010 Management Initiatives

During the fiscal year the Office of the Treasurer completed the implementation of the Alternative Investment Fund (AIF), including a structure review of the asset class and the conclusion of the first phase manager search in which the Treasurer named five absolute return fund of hedge fund managers as preferred vendors. In furtherance of the asset class objectives, the AIF will provide the CRPTF the flexibility to consider evolving and market-driven investment strategies.

As a result of a competitive search, two Emerging Markets International Stock Fund managers were hired. Also during fiscal year 2010 two investment commitments totaling \$175 million were awarded to Private Investment Fund managers. There were three Real Estate Fund commitments this fiscal year with the investment in the Public-Private Investment Program, or PPIP. This is a U.S. Treasury opportunity designed to repair the capital markets by investing in legacy, distressed residential and commercial mortgage-backed securities and loans. Three of the eligible investment firms were hired to manage a total investment commitment of \$200 million.

The Connecticut Horizon Fund ("CHF"), funded in August 2005, is a \$631 million fund-of-funds public market program and a \$155 million private equity allocation created to give access to the Treasury's business to a wider number of firms, and to open up such business to more women-owned, minority-owned, Connecticut-based and emerging firms. In fiscal year 2010, public market managers totaled 42 CHF sub-managers; 16 were minority-owned, 8 were women-owned, and 7 were Connecticut-based firms (3 of which are also women and/or minority owned) and 14 were emerging firms. There are 7 private equity submanagers, including 4 minority-owned, 2 emerging strategies and 1 Connecticut-based. Additionally, there are 7 private equity submanagers, including 4 minority-owned, 2 emerging strategies and 1 Connecticut-based.

The CRPTF continued to expand the diversity of firms with which PFM does business. Overall, minority-owned, women-owned, Connecticut-based and emerging firms, 34 in all, comprised 29% of the firms with which the division did business; these firms earned fees of over \$36 million, representing 39% of all fees paid by the division. In actual dollars this was the highest level ever and as a percentage of all fees paid by the division, the second highest level ever, trailing only 2009. Since 1999, the number of minority-owned, women-owned, Connecticut-based and emerging firms has more than doubled, the annual fees paid to such firms have increased 3 times and the assets under management have nearly tripled.

### Proxy Voting and Corporate Governance

During 1999 and 2000, the Treasurer's Office developed comprehensive domestic and international proxy voting policies. These policies, which are part of the Investment Policy Statement as mandated by state law, guide proxy voting at Connecticut Retirement Plans and Trust Funds ("CRPTF") portfolio companies. Under these policies, the Treasurer not only votes proxies, but also engages with companies through letters, dialogues, and filing shareholder resolutions either alone or in concert with other institutional investors to

## CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

protect and enhance the value of the CRPTF. The Office also advocates for the protection and enhancement of shareholder rights with the Securities and Exchange Commission (SEC), the U.S. Congress and the stock exchanges. In spring of 2007, the Investment Advisory Counsel approved changes to the domestic policies to reflect recent developments in the laws and regulations affecting proxy voting.

Connecticut law requires the Treasurer to consider the economic, social, and environmental impact of investment decisions. State law also prohibits investment in companies doing business in Northern Ireland that have not implemented the MacBride Principles of fair employment. Similar statutory prohibitions allow the Treasurer to engage with, and divest of holdings in, companies conducting business with Sudan and with Iran counter to U.S. foreign policy.

The Treasurer's activities in 2010 were against a backdrop of the continuing international financial crisis that severely impacted the global economy and all companies in which the CRPTF invests, as well as government initiatives to address the crisis. During the 2010 fiscal year, Treasurer Nappier provided formal policy comments to regulatory agencies on issues that have a significant impact on institutional investors. She also provided input to the U.S. Congress on its regulatory reform legislation, which was signed into law by the President in July 2010. In letters to the U.S. congressional leadership the Treasurer joined with other investors providing input and making recommendations on how the then pending legislation would impact the Treasury. These issues included corporate governance, executive compensation, regulation of banks, financial advisors and hedge funds, use and transparency of financial derivatives, securities lending, credit rating agencies, and financial literacy, and other related issues. The legislative process will be followed by an intense period of adoption of regulations by administrative agencies (particularly the SEC), and implementation. The Treasurer has and will continue to provide the SEC and other oversight agencies with comments on proposed rules affecting these issues.

The issues surrounding the fiscal crisis were evidenced on the CRPTF shareholder front as well. In fiscal year 2010, the CRPTF filed shareholder resolutions at 16 companies. The CRPTF engaged with companies through activities ranging from writing letters and attending annual shareholder meetings, to holding face-to-face dialogues with corporate management and board members. In support of its efforts, the Treasurer's Office worked with a wide cross-section of investors representing public pension funds, labor funds, and faith-based investors. Executive compensation is one of the key issues for the CRPTF, and the fund was active in this area throughout the reporting period. In 2010, the Treasurer addressed executive compensation on a number of fronts including advocating for an annual advisory vote on executive compensation at all companies (say on pay), calling for independence of compensation consultants, working with several portfolio companies to adopt policies related to severance payments, addressing internal pay equity, and requesting policies requiring equity compensation be held until retirement.

In the area of climate change and related energy issues, the Office continued to take a leading role in the Investor Network on Climate Risk (INCR) and the Global Warming Shareholder Campaign (GWSC). The Treasurer engaged with a number of companies on these issues, including asking companies to set greenhouse gas emission goals, to set targets for energy use reductions and report to shareholders on progress in achieving those targets, to issue sustainability reports to shareholders that directly address climate and energy issues, calling on auto companies to produce more energy efficient vehicles, and engaging with investors and electric utility companies on new business models that will be needed in that industry.

As part of its corporate governance practices, the Treasurer's office is charged with enforcing the state law relating to religious non-discrimination practices in the workplace in Northern Ireland. During the fiscal year, two companies agreed to implement the MacBride Principles, which are a corporate code of conduct for companies doing business in Northern Ireland and consist of nine fair employment and affirmative action principles. The list of adopting companies in fiscal year 2010 includes Art Technologies and The Public-Card Inc.

In addition to the MacBride Principles, the Treasurer's Office proposed, and the General Assembly adopted a law, requiring the CRPTF to review pension fund investments in companies doing business in the Republic of Sudan. The 2006 law grants the Treasurer authority to engage and potentially divest holdings from companies shown to contribute to the Sudanese government-backed genocide. In May 2007, the

Treasurer announced the first divestment of CRPTF holdings companies doing business in Sudan. Through the end of FY 2010, the Treasurer has directed CRPTF's investment managers to divest from and refrain from further investment in 13 companies: Bharat Heavy Electricals Ltd. (BHEL), China Petroleum and Chemical Corp., CNPC (Hong Kong), Dongfeng Motor Corporation, MISC Bhd, Nam Fatt Corp., Oil and Natural Gas Corp. (ONGC), PECD Group, PetroChina Co. Ltd., Petronas Capital Ltd., Sinopec Shanghai Petrochemical Corp., Sudan Telecom (Sudatel), and Wartsila Oyj.

Copies of the Connecticut pension fund's proxy voting policies and a report of proxy votes cast are available for review and download at the State Treasurer's web site: <http://www.state.ct.us/ott/proxyvoting.htm>

### **Asset Recovery and Loss Prevention**

While market risk will always be a component of any investment program, Treasurer Nappier's Legal and Compliance Units work to manage such risk by limiting opportunities for loss due to the malfeasance of others. Extensive pre-contracting due diligence helps the Office of the Treasurer select the best vendors and products to meet the needs of the Office. Careful contract negotiation, coupled with implementation of best practice contract language, lends clarity to the obligations of the Office of the Treasurer and of the vendors of the Office. The Office maintains contact with other similar governmental offices and shares ideas for enhancement of contract language, frequently offering advice to counterparts in other states.

The Office of the Treasurer deters malfeasance with its reputation for aggressive pursuit of all opportunities to recover assets lost due to the misfeasance or malfeasance of others.

While Congress considered the Dodd-Frank Wall Street Reform and Consumer Protection Act, enacted into law on July 21, 2010, the Office of the Treasurer carefully monitored the proposals and offered suggestions and shareholder perspective on the bill's original language and amendments, both directly and in conjunction with other shareholders and elected officials.

The US Treasury and the Securities and Exchange Commission continue to propose structural regulatory and rule changes that are designed to rebuild and enhance financial supervision of our nation's financial industry. The Office of the Treasurer has carefully reviewed the proposals and, where appropriate, supported or offered comment on the proposed language. As an institutional investor, the Office believes stronger federal regulation of financial institutions is likely to result in increased compliance and reduced risk.

The Office of the Treasurer takes a measured approach to litigation, but is prepared, when necessary, to pursue judicial solutions where negotiations are unsuccessful. The Office of the Treasurer continues to consider making application to serve as lead plaintiff in class action litigation and encourages other institutional investor lead plaintiffs to aggressively negotiate reasonable legal fees. From time to time, the Office of the Treasurer has used litigation to encourage corporate governance enhancements. Although rare, the Office of the Treasurer has filed individual and group actions to pursue specific rights where disputing parties are unwilling or unable to reach an extra-judicial conclusion.

### **Class Action Securities Litigation**

The CRPTF recovered \$5.76 million from class action settlements in the fiscal year ended 2010, including substantial recovery from the securities litigation involving Enron, McKesson and Merrill Lynch. We continue to closely monitor opportunities to recover lost assets through participation in class action litigation. The Office of the Treasurer, as the Trustee for the CRPTF, is currently the lead plaintiff in the matter known as *In Re Amgen, Inc. Securities Litigation*, filed in the federal district court for the Southern District of California.

The court in Amgen approved the class certification motion. We entered the discovery phase of the case in the fall of 2009. The Defendants have filed an appeal to the 9th Circuit Court of Appeals, seeking to set aside the class certification order. All discovery activities have been stayed, pending the appeal.

### **Corporate Governance Related Litigation**

Litigation has not been required for corporate governance matters in the past fiscal year. The Office of the Treasurer prefers to focus on engagement of companies with these issues. Litigation is an effective tool, but used judiciously.

***Other Litigation***

The Office of the Treasurer engaged legal counsel in Belgium to pursue recovery of losses in connection with certain alleged malfeasance by the Dutch-Belgian financial firm Fortis, N.A. This matter is in very early stages of litigation.

The matter involving Keystone Venture V L.P. (the "Partnership") is awaiting final distribution of the partnership's assets. Although such final distribution was anticipated to have occurred in December 2008, counsel and the liquidating trustee are in agreement that such distribution should wait until the conclusion of a certain action initiated by the Securities and Exchange Commission against the Managing Partners and Michael Liberty. Expected to have been resolved in the fall of 2008, the matter was not concluded during the fiscal year ended 2010. The limited partners have requested that any disgorged assets obtained by these federal agencies be turned over to the investors. The SEC's case against Mr. Liberty settled in October 2010. Upon receipt of amounts to be distributed to the limited partners pursuant to the order of the court, the remaining assets will be distributed.

## CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 1-1

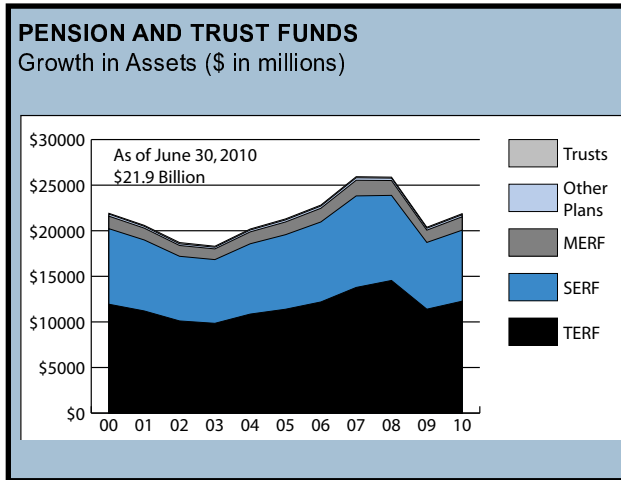
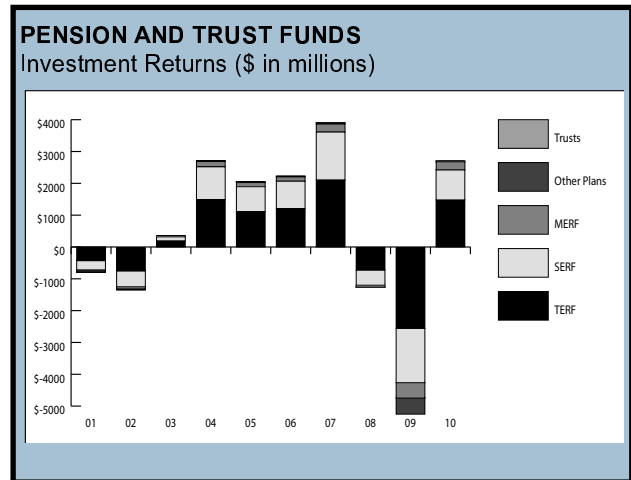


Figure 1-2



TERF - Teachers' Retirement Fund  
SERF - State Employees Retirement Fund  
MERF - Connecticut Municipal Employees' Retirement Fund

TERF - Teachers' Retirement Fund  
SERF - State Employees Retirement Fund  
MERF - Connecticut Municipal Employees' Retirement Fund

Figure 1-3

| PENSION AND TRUST FUNDS ASSET ALLOCATION |               |               |             |             |               |               |             |             |               |               |             |             |
|--|---------------|---------------|-------------|-------------|---------------|---------------|-------------|-------------|---------------|---------------|-------------|-------------|
| Actual vs. Policy at June 30, 2010       |               |               |             |             |               |               |             |             |               |               |             |             |
|  | TERF          |               |             |             | SERF          |               |             |             | MERF          |               |             |             |
|  | Actual        | Target Policy | Lower Range | Upper Range | Actual        | Target Policy | Lower Range | Upper Range | Actual        | Target Policy | Lower Range | Upper Range |
| <b>U.S. EQUITY</b>                       |               |               |             |             |               |               |             |             |               |               |             |             |
| Mutual Equity Fund (MEF)                 | 24.4%         | 25.0%         | 17.0%       | 35.0%       | 25.3%         | 26.0%         | 17.0%       | 35.0%       | 18.4%         | 20.0%         | 12.0%       | 27.0%       |
| <b>INTERNATIONAL EQUITY</b>              |               |               |             |             |               |               |             |             |               |               |             |             |
| Developed Market Intl Stock Fund (DMISF) | 20.7%         | 20.0%         | 13.0%       | 27.0%       | 20.9%         | 20.0%         | 13.0%       | 27.0%       | 15.5%         | 16.0%         | 8.0%        | 21.0%       |
| Emerging Market Intl Stock Fund (EMISF)  | 9.5%          | 9.0%          | 6.0%        | 12.0%       | 9.7%          | 9.0%          | 6.0%        | 12.0%       | 8.8%          | 8.0%          | 6.0%        | 10.0%       |
| <b>REAL ESTATE</b>                       |               |               |             |             |               |               |             |             |               |               |             |             |
| Real Estate Fund (REF)                   | 3.6%          | 5.0%          | 4.0%        | 7.0%        | 3.6%          | 5.0%          | 4.0%        | 7.0%        | 3.5%          | 7.0%          | 5.0%        | 9.0%        |
| <b>FIXED INCOME</b>                      |               |               |             |             |               |               |             |             |               |               |             |             |
| Core Fixed Income Fund (CFIF)            | 11.6%         | 13.0%         | 9.0%        | 20.0%       | 11.8%         | 13.0%         | 9.0%        | 20.0%       | 17.1%         | 19.0%         | 14.0%       | 26.0%       |
| Inflation Linked Bond Fund (ILBF)        | 4.5%          | 6.0%          | 4.0%        | 8.0%        | 4.5%          | 6.0%          | 4.0%        | 8.0%        | 9.3%          | 10.0%         | 7.0%        | 13.0%       |
| Emerging Market Debt Fund (EMDF)         | 5.3%          | 4.0%          | 3.0%        | 5.0%        | 5.4%          | 4.0%          | 3.0%        | 5.0%        | 5.3%          | 5.0%          | 3.0%        | 7.0%        |
| High Yield Debt Fund (HYDF)              | 3.1%          | 2.0%          | 1.0%        | 3.0%        | 3.2%          | 2.0%          | 1.0%        | 3.0%        | 3.1%          | 2.0%          | 1.0%        | 3.0%        |
| Liquidity Fund (LF)                      | 8.0%          | 6.0%          | 4.0%        | 10.0%       | 6.3%          | 4.0%          | 2.0%        | 7.0%        | 10.0%         | 3.0%          | 1.0%        | 6.0%        |
| Commercial Mortgage Fund (CMF)           | 0.0%          | 0.0%          | 0.0%        | 0.0%        | 0.0%          | 0.0%          | 0.0%        | 0.0%        | 0.0%          | 0.0%          | 0.0%        | 0.0%        |
| <b>PRIVATE EQUITY</b>                    |               |               |             |             |               |               |             |             |               |               |             |             |
| Private Investment Fund (PIF)            | 9.3%          | 10.0%         | 8.0%        | 14.0%       | 9.3%          | 11.0%         | 8.0%        | 14.0%       | 9.0%          | 10.0%         | 7.0%        | 13.0%       |
| <b>TOTAL</b>                             | <b>100.0%</b> | <b>100.0%</b> |             |             | <b>100.0%</b> | <b>100.0%</b> |             |             | <b>100.0%</b> | <b>100.0%</b> |             |             |

# CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 1-4

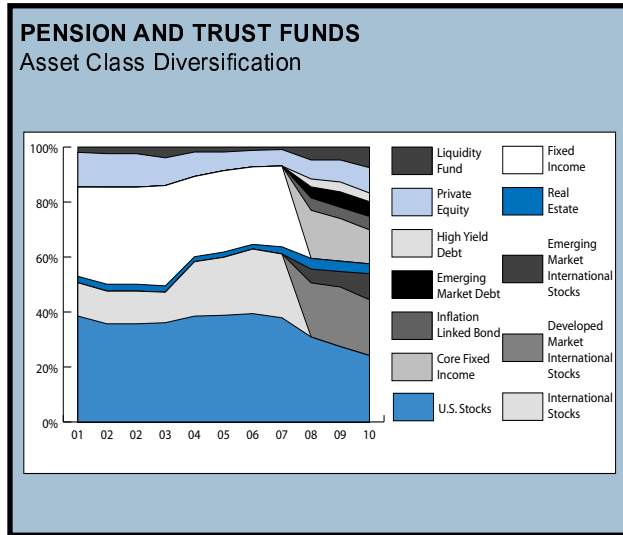
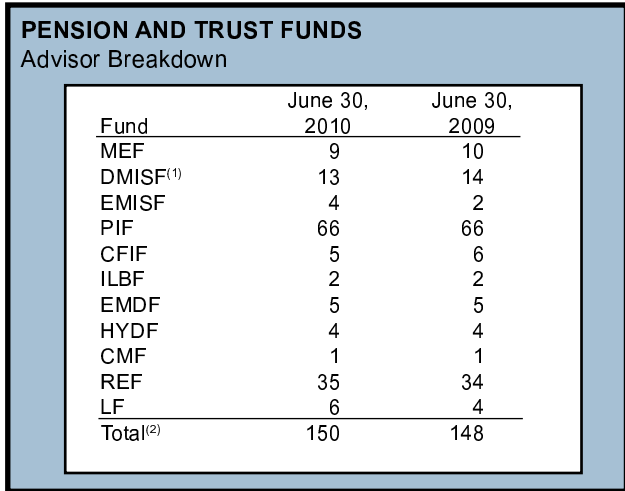
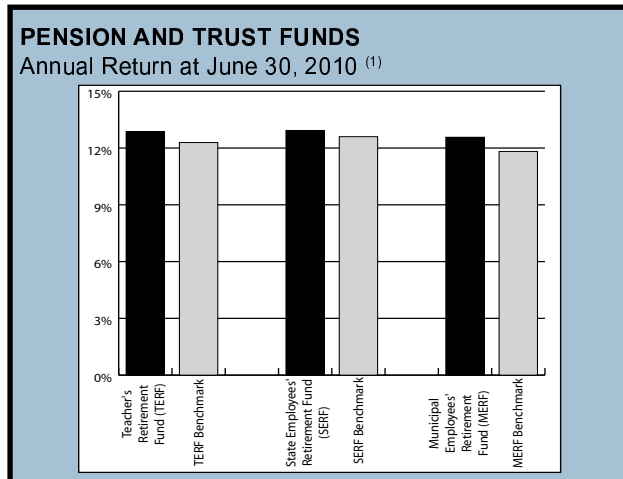


Figure 1-5



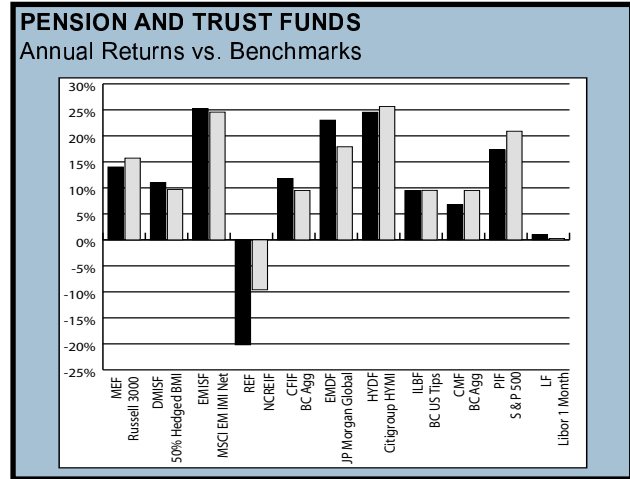
- (1) Does not include the Currency Overlay Manager.
- (2) Actual total advisors was 142 and 139, respectively when factoring in advisors across multiple funds. Private Investment Fund partnerships with a \$0 market value are not included.

Figure 1-6



- (1) Each Plan benchmark composite represents the Plans policy allocation weights times each investment Fund's return.

Figure 1-7



**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**Combined Investment Funds Total Return Analysis (%)**

|  | Fiscal Years Ending June 30, |         |         |       |        | Annualized |            |             |
|--|------------------------------|---------|---------|-------|--------|------------|------------|-------------|
|  | 2010                         | 2009    | 2008    | 2007  | 2006   | 3<br>Years | 5<br>Years | 10<br>Years |
| <i>(Investment performance is calculated using a time-weighted rate of return based on the market rate of return.)</i> |                              |         |         |       |        |            |            |             |
| <b>PLANS</b>   |                              |         |         |       |        |            |            |             |
| Teacher's Retirement Fund (TERF)   | 12.87                        | (17.14) | (4.77)  | 17.47 | 10.74  | (3.79)     | 2.99       | 3.10        |
| TERF Benchmark-NCREIF  | 12.29                        | (16.85) | (6.03)  | 17.85 | 10.55  | (4.27)     | 2.71       | 2.59        |
| TERF Benchmark-Russell 3000  | 13.63                        | (17.62) | (7.29)  | 18.00 | 10.01  | (4.61)     | 2.41       | 2.15        |
| State Employees' Retirement Fund (SERF)  | 12.93                        | (18.25) | (4.83)  | 17.37 | 10.57  | (4.22)     | 2.66       | 2.89        |
| SERF Benchmark-NCREIF  | 12.60                        | (17.42) | (6.20)  | 17.85 | 10.55  | (4.46)     | 2.59       | 2.53        |
| SERF Benchmark-Russell 3000  | 13.93                        | (18.19) | (7.46)  | 18.00 | 10.01  | (4.81)     | 2.29       | 2.08        |
| Municipal Employees' Retirement Fund (MERF)  | 12.57                        | (14.90) | (4.11)  | 16.96 | 9.87   | (2.79)     | 3.37       | 3.19        |
| MERF Benchmark-NCREIF  | 11.82                        | (14.20) | (5.11)  | 17.85 | 10.55  | (3.08)     | 3.47       | 2.97        |
| MERF Benchmark-Russell 3000  | 13.71                        | (15.26) | (6.57)  | 18.00 | 10.01  | (3.44)     | 3.17       | 2.52        |
| <b>COMBINED INVESTMENT FUNDS</b>   |                              |         |         |       |        |            |            |             |
| <u>U.S. Stocks</u>   |                              |         |         |       |        |            |            |             |
| Mutual Equity Fund   | 14.01                        | (28.36) | (12.99) | 18.24 | 10.29  | (10.76)    | (1.51)     | (0.66)      |
| Russell 3000 Index   | 15.72                        | (26.56) | (12.69) | 20.07 | 9.56   | (9.47)     | (0.48)     | (0.92)      |
| <u>International Stocks</u>  |                              |         |         |       |        |            |            |             |
| Developed Markets International Stock Fund   | 11.03                        | (27.98) | (14.60) | 26.36 | 23.91  | (11.93)    | 1.35       | N/A         |
| S&P/Citigroup EPAC BMI 50% Hedged  | 9.68                         | (26.79) | (16.05) | 27.07 | 27.37  | (12.32)    | 1.76       | N/A         |
| Emerging Markets International Stock Fund  | 25.23                        | (30.90) | 0.19    | 42.27 | 35.85  | (4.65)     | 10.88      | 10.12       |
| MSCI Emerging Market Investable Market Index   | 24.57                        | (26.84) | 3.49    | 44.99 | 35.47  | (1.93)     | 13.12      | 10.21       |
| <u>Equity Commercial Real Estate</u>   |                              |         |         |       |        |            |            |             |
| <sup>(1)</sup> Real Estate Fund  | (20.18)                      | (28.66) | 6.04    | 14.21 | 6.87   | (15.48)    | (5.92)     | 1.18        |
| Russell 3000 Index   | 15.72                        | (26.56) | (12.69) | 20.07 | 9.56   | (9.47)     | (0.48)     | (0.92)      |
| Russell NCREIF (1 Qtr. Lag)  | (9.60)                       | (14.68) | 13.58   | 16.59 | 20.19  | (4.32)     | 4.19       | 7.12        |
| <u>U.S. Fixed Income</u>   |                              |         |         |       |        |            |            |             |
| Core Fixed Income Fund   | 11.81                        | 2.84    | 5.65    | 5.84  | (0.39) | 6.70       | 5.07       | 6.45        |
| BC Aggregate Bond Index  | 9.50                         | 6.05    | 7.13    | 6.12  | (0.81) | 7.55       | 5.54       | 6.47        |
| Emerging Market Debt   | 23.02                        | (3.62)  | 5.59    | 14.84 | 11.07  | 7.78       | 9.81       | N/A         |
| JP Morgan EMBI Global  | 17.90                        | 2.24    | 5.10    | 11.12 | 4.62   | 8.21       | 8.16       | N/A         |
| High Yield Debt  | 24.54                        | (4.59)  | (1.88)  | 12.01 | 4.49   | 5.25       | 6.41       | 6.49        |
| Citigroup High Yield Market Index  | 25.64                        | (3.26)  | (2.29)  | 11.63 | 4.14   | 5.90       | 6.66       | 7.18        |
| Inflation Linked Bonds   | 9.48                         | (0.20)  | 16.81   | 3.45  | (1.70) | 8.47       | 5.35       | N/A         |
| BC US Tips   | 9.52                         | (1.11)  | 15.09   | 3.99  | (1.64) | 7.62       | 4.98       | 7.46        |
| Commercial Mortgage Fund   | 6.75                         | (3.14)  | 12.05   | 8.17  | 9.51   | 5.03       | 6.54       | 7.88        |
| BC Aggregate Bond Index  | 9.50                         | 6.05    | 7.13    | 6.12  | (0.81) | 7.55       | 5.54       | 6.47        |
| <u>Alternative Assets</u>  |                              |         |         |       |        |            |            |             |
| <sup>(1)</sup> Private Investment Fund   | 17.32                        | (16.36) | 13.66   | 19.56 | 11.46  | 3.71       | 8.25       | 3.49        |
| S & P 500  | 14.43                        | (26.22) | (13.12) | 20.59 | 8.63   | (9.81)     | (0.79)     | (1.59)      |
| State Street Private Equity Index (1 Qtr. Lag)   | 20.89                        | (29.34) | 13.54   | 29.75 | 27.89  | (1.02)     | 9.98       | N/A         |
| <u>Liquidity Fund</u>  |                              |         |         |       |        |            |            |             |
| <sup>(2)</sup> Liquidity Fund  | 0.98                         | 1.54    | 4.59    | 5.61  | 4.51   | 2.36       | 3.43       | 3.19        |
| Libor 1 Month Index  | 0.27                         | 1.35    | 4.10    | 5.37  | 4.51   | 1.89       | 3.10       | 2.87        |

(1) Real Estate and Private Investment returns published for prior years were net of management fees and for 2008 forward published numbers are net of all expenses.

(2) The Liquidity Fund includes all cash balances, including manager cash. However all fund returns still reflect cash balances.

# 2010 liquidity fund

## Fund Facts at June 30, 2010

**Investment Strategy/Goals:** To provide a liquid source of funds to meet the cash flow needs of the pension and trust funds, thereby enabling the other investment funds to remain fully invested.

**Performance Objective:** An annual total return in excess of the benchmark.

**Benchmark:** One Month LIBOR Index

**Date of Inception:** November 1, 2007

**Total Net Assets:** \$2,218,880,969

**Number of Advisors:** 6 external

**Management Fees:** \$2,892,287

**Operating Expenses:** \$388,757

**Expense Ratio:** .15%

## Description of the Fund

The Liquidity Fund is structured into three tiers for the purpose of enhancing investment returns and better matching cash outflows. The first tier invests solely in money market instruments, which are highly liquid securities with maturities of less than one year. The second tier adds incremental credit risk and an extension of maturities, to match future expected benefit cash outflows and to generate additional interest income. The third tier adds foreign exposure and further maturity extension, providing global diversification and enhanced expected return. This structure enables the CRPTF to strategically manage cash to meet the outflow requirements of the plans and trusts, while maximizing potential returns and avoiding forced securities sales in other investment funds, especially in down markets.

## Portfolio Characteristics

The preservation of the Fund's capital, a high degree of liquidity and a strong focus on credit fundamentals represent the core of the investment philosophy for the Liquidity Fund. The Liquidity Fund investments include Treasury securities, Government Agency paper, commercial paper, certificates of deposit, asset-backed securities, mortgage backed securities, domestic and foreign corporate bonds, sovereign debt and foreign currency. Preferred stock and convertible bonds are not permitted, nor are derivative securities, with the exception of currency spot or forward contracts. At June 30, 2010, the weighted average maturity of the LF was 202 days and the average quality rating was AA-1. (See Figure 2-5.)

## Market Review

Short term interest rates remained historically low and relatively stable during the fiscal year. One-month LIBOR traded around 25 basis points for the period while the targeted Fed Funds rate was between zero and 25 basis points. During early fiscal 2010, Treasury yields rose due to increased investor risk appetite and concerns about excess supply of Treasury issues. The Treasury yield curve steepened significantly with the difference between two and ten year Treasuries widening to 270 basis points during the first half of the fiscal year, but flattening by almost 50 basis points in the second half of the year. The sovereign debt crisis, along with discouraging domestic economic data, led to a shift back towards higher quality assets. The U.S. dollar declined against a basket of major currencies during the first five months of the year and rose steadily thereafter, although there were marked differences in relative currency movements across countries. For example, the reverse trends occurred against the Euro, with the U.S. dollar rising through November and declining into early June before turning upward again. The Euro was adversely impacted by the Greece debt crisis and fears of contagion. The dollar was flat against the Chinese yuan most of the fiscal year due to Chinese central bank intervention.



### Performance Summary

For the fiscal year ended June 30, 2010, the Liquidity Fund generated a return of .98%, net of all expenses, outperforming the one month LIBOR benchmark of .27%, by 71 basis points. (See Figure 2-6.) Tier 1 returned .30%, having the lowest credit and interest rate risk of the three tiers. During fiscal 2010, Tiers 2 and 3 were fully funded. Their annual return contributions of 2.00% and 3.87%, respectively, were the result of maturity extension, credit exposure and foreign diversification.

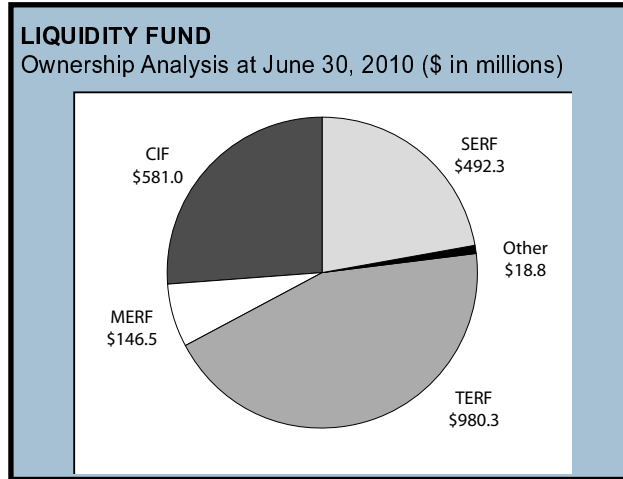
As of June 30, 2010, the Fund's compounded annualized total returns for the trailing three, five and ten year periods were 2.36%, 3.43% and 3.19%, respectively, net of all expenses. These returns exceeded those of the Fund's benchmark for the time periods listed by 47, 33 and 32 basis points, respectively. The cumulative returns of the Liquidity Fund for the three, five and ten year periods were 7.24%, 18.37% and 36.88%, respectively. (See Figure 2-6.)

### Risk Profile

By maintaining a short average maturity the Fund has relatively low interest rate risk and by investing in high quality securities, the Liquidity Fund has a lower risk of credit default. The Fund does assume currency risk through its investments in global sovereign bonds and emerging market currencies. The Fund has negligible liquidity risk, reinvestment risk or inflation risk. Counter party risk is carefully managed by dealing only with reputable, very high quality firms.

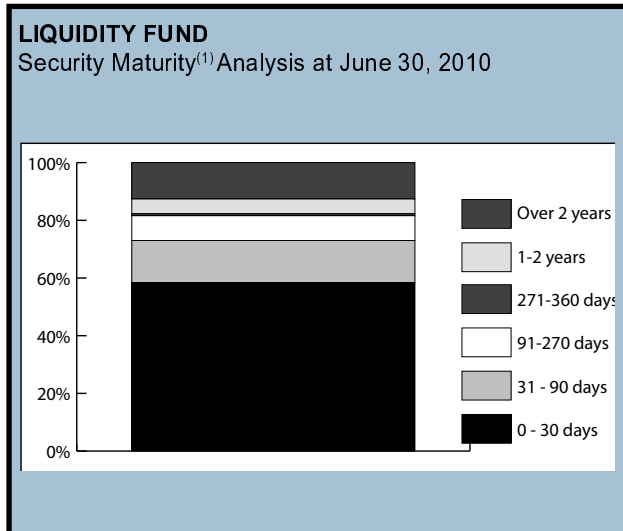
## CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 2-1



TERF - Teachers' Retirement Fund  
SERF - State Employees' Retirement Fund  
MERF - Connecticut Municipal Employees' Retirement Fund  
CIF - Combined Investment Funds

Figure 2-3



(1) Or Interest Rate Reset Period.

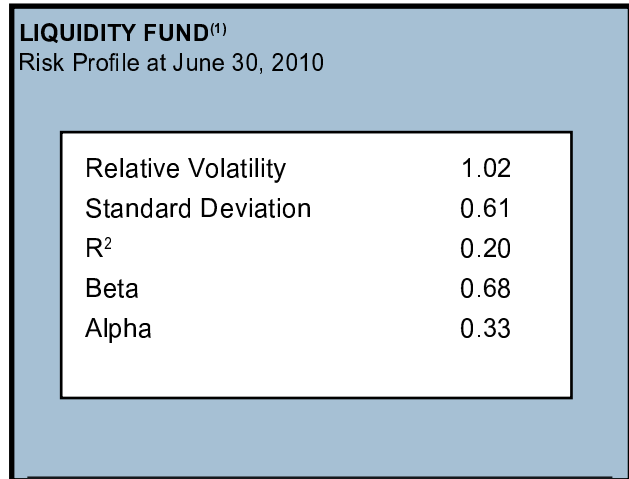
Figure 2-5

**LIQUIDITY FUND**  
Comprehensive Profile

| Date | Number of Issues | Yield <sup>(1)</sup> | Average Maturity | Average Quality |
|------|------------------|----------------------|------------------|-----------------|
| 2010 | 244              | 0.98%                | 202 days         | AA-1            |
| 2009 | 162              | 1.54%                | 36 days          | AA-2            |
| 2008 | 71               | 4.59%                | 39 days          | A-1+/AA+        |
| 2007 | 97               | 5.61%                | 87 days          | A-1+/AA+        |
| 2006 | 69               | 4.54%                | 54 days          | A-1+/AA+        |
| 2005 | 100              | 2.38%                | 44 days          | A-1+/AA+        |
| 2004 | 92               | 1.30%                | 48 days          | A-1+/AA+        |
| 2003 | 109              | 1.80%                | 48 days          | A-1+/AA+        |
| 2002 | 104              | 3.03%                | 51 days          | A-1+/AA+        |
| 2001 | 90               | 6.35%                | 65 days          | A-1+/AA+        |

(1) Represents annual total return of the Fund for year ended June 30.

Figure 2-2



(1) Based upon returns over the last five years.

Figure 2-4

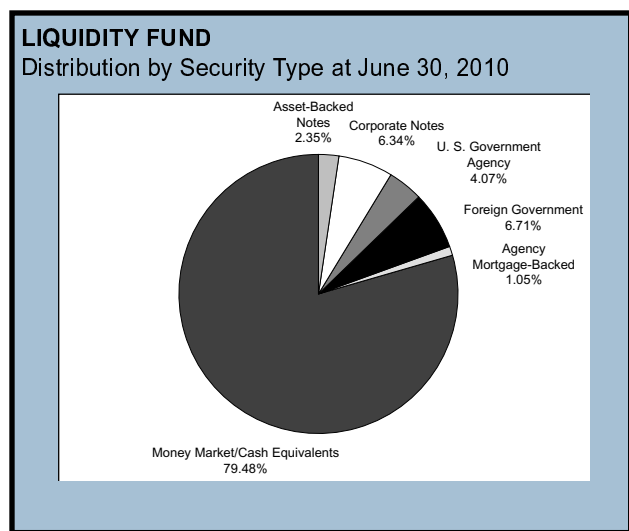


Figure 2-6

**LIQUIDITY FUND**  
Periods ending June 30, 2010

|  | 1 YR | 3 YRS | 5 YRS | 10 YRS |
|--|------|-------|-------|--------|
| <b>Compounded, Annual Total Return (%)</b> |      |       |       |        |
| LF   | 0.98 | 2.36  | 3.43  | 3.19   |
| Libor 1 Month Index                        | 0.27 | 1.89  | 3.10  | 2.87   |
| <b>Cumulative Total Return (%)</b>         |      |       |       |        |
| LF   | 0.98 | 7.24  | 18.37 | 36.88  |
| Libor 1 Month Index                        | 0.27 | 5.79  | 16.49 | 32.74  |

## CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 2-7

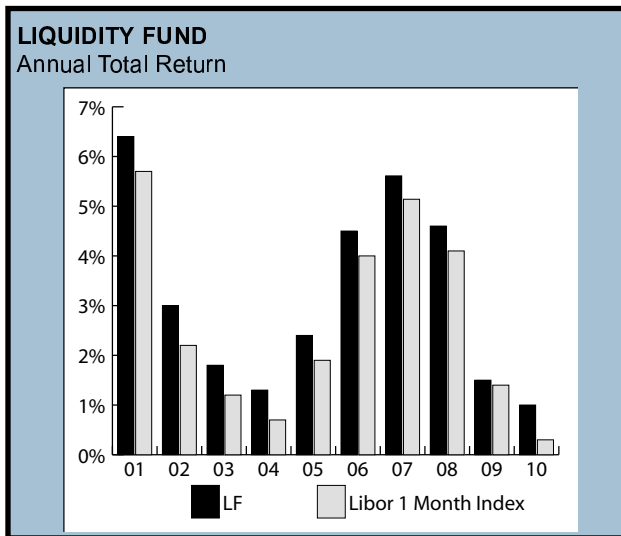


Figure 2-8

**LIQUIDITY FUND**  
Investment Advisor Tiers at June 30, 2010

| Investments     | Net Asset Value        | % of Fund      |
|-----------------|------------------------|----------------|
| Tier I          | \$1,493,003,627        | 67.29%         |
| Tier II         | 376,918,808            | 16.99%         |
| Tier III        | 348,958,534            | 15.72%         |
| <b>Total LF</b> | <b>\$2,218,880,969</b> | <b>100.00%</b> |

Figure 2-9

**LIQUIDITY FUND**  
Investment Advisors at June 30, 2010

| Investment Advisor               | Net Asset Value        | % of Fund      |
|----------------------------------|------------------------|----------------|
| State Street Global Advisors     | \$1,493,003,644        | 67.29%         |
| Payden & Rygel                   | 100,657,036            | 4.54%          |
| PIMCO                            | 176,020,927            | 7.93%          |
| Ambassador Capital Management    | 100,240,839            | 4.52%          |
| Lazard                           | 172,298,394            | 7.76%          |
| Colchester Global Investors Ltd. | 176,660,129            | 7.96%          |
| <b>TOTAL LF</b>                  | <b>\$2,218,880,969</b> | <b>100.00%</b> |

Figure 2-10

**LIQUIDITY FUND**  
Ten Largest Holdings\* at June 30, 2010

| Security Name                   | Maturity Date | Market Value         | %             |
|---------------------------------|---------------|----------------------|---------------|
| Barclays Cap Tri Party C        | 7/1/2010      | \$99,245,000         | 4.48%         |
| Bank Of Nova Scotia             | 7/14/2010     | 53,000,000           | 2.39%         |
| Westpac Banking Corp            | 7/12/2010     | 47,996,187           | 2.16%         |
| Deutsche Bank Ag Ny             | 7/6/2010      | 45,000,000           | 2.03%         |
| Barclays Capital Repo           | 7/1/2010      | 44,000,000           | 1.99%         |
| Credit Suisse First Boston Repo | 7/1/2010      | 44,000,000           | 1.99%         |
| Barclays Bank Plc               | 1/7/2011      | 40,000,000           | 1.81%         |
| HSBC Tri Party C                | 7/1/2010      | 40,000,000           | 1.81%         |
| CSFB Tri Party C                | 7/1/2010      | 40,000,000           | 1.81%         |
| Deutsche Tri Party C            | 7/1/2010      | 40,000,000           | 1.81%         |
| <b>Top Ten</b>                  |               | <b>\$493,241,187</b> | <b>22.28%</b> |

\* A complete list of portfolio holdings is available from the Office of the Treasurer.

# 2010 mutual equity fund

## Fund Facts at June 30, 2010

**Investment Strategy/Goals:** To participate in the growth of the U. S. economy through the ownership of domestic equity securities.

**Performance Objective:** An annual total return that is 65 to 135 basis points greater than that of the Russell 3000 after expenses.

**Benchmark:** Russell 3000 Index

**Date of Inception:** July 1, 1972

**Total Net Assets:** \$5,289,091,696

**Number of Advisors:** 9 external

**Management Fees:** \$10,744,251

**Operating Expenses:** \$2,224,959

**Expense Ratio:** 0.24%

## Description of the Fund

The Mutual Equity Fund (MEF) is an externally managed fund investing in primarily the common stocks of U.S. corporations. MEF serves as an investment vehicle for the Pension and Trust Funds with the goal of earning a long-term real rate of return significantly above the inflation rate.

At the close of the fiscal year, MEF consisted of ten externally managed equity portfolios structured to approximate the composition of the Russell 3000 Index. The ten portfolios were managed by nine advisors grouped into five style categories. By style, investments at year end were diversified as 63.7% in large capitalization, 5.1% in all capitalization 9.5% in small to mid-capitalization, 14.4% in active- extension, and 7.3% in cash equivalents and other net assets.

## Portfolio Characteristics

The largest industry weightings at June 30, 2010 were information technology (15.8%), followed by financials (14.1%) and consumer discretionary (11.3%). (See Figure 3-3.)

The MEF's ten largest holdings, aggregating to 13.1% of Fund investments, included a variety of blue chip companies and were broadly diversified with the largest holding of 2.2% in Exxon Mobil. (See Figure 3-9.)

## Market Review

The fiscal year began with a rally within the domestic equity markets as investor appetite for risk increased, following the worst global recession in the post- WWII era. Over the first half of the fiscal year, markets rebounded strongly across all market caps (large, mid, small) and investment styles (value, core, growth) following news of increases in home-building and automotive sales. The broad market continued to recover through March as markets were driven by performance in the consumer discretionary and industrial sectors. However, the MEF suffered in the quarter ending June 30, 2010 as all major domestic equity indices posted losses. Several events, including the European debt crisis, the Gulf of Mexico oil spill, and a Congressional vote on new financial regulatory measures resulted in a sell-off by investors. All ten sectors of the S&P 500 posted losses during the last quarter of the fiscal year. The materials, industrials, financials and energy sectors were particularly hit hard. Domestic equity markets posted positive returns for the one-year period ending June 30, 2010.

### Performance Summary

For the fiscal year ended June 30, 2010, the Mutual Equity Fund (MEF) posted a return of 14.01%, net of fees and operating expenses, which underperformed the Russell 3000 Index return of 15.72% by 171 basis points. (See Figure 3-5.) The returns from the small cap portion of the portfolio were higher than the large cap returns, but the small cap segment had a lower dollar allocation than the large cap. The active extension segment of the portfolio created the greatest drag on performance. During this same period, MEF's net assets fell from \$5.590 billion to \$5.289 billion, a decrease of \$.301 billion. Of this net total change, an increase of \$.691 billion was due to net realized and unrealized gains and \$1.078 billion in net cash outflows to participating pension plans and trusts. Offsetting this amount is an inflow of \$87 million in net investment income.

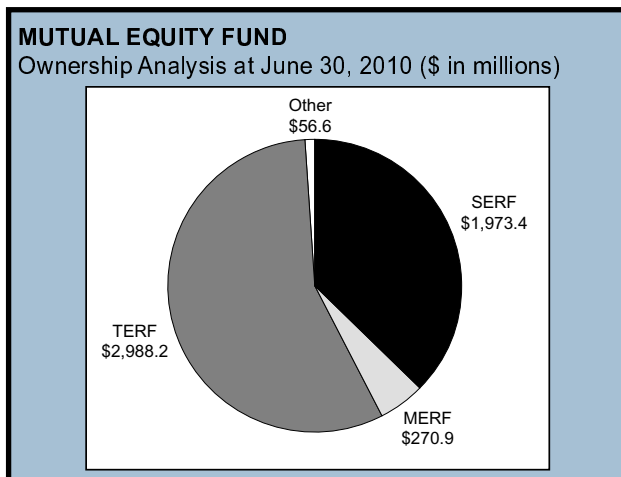
While volatility in investment returns is expected in the short-term, the Fund's long-term performance remains the most important comparative measure. As Figure 3-4 illustrates, MEF has generated annualized total returns, net of fees, of -10.76%, -1.51%, and -0.66% over the last three, five, and ten-year periods, respectively. The Fund returns underperformed the Russell 3000 for the three and five-year periods by 129 and 103 basis points, respectively, and outperformed for the ten-year period by 26 basis points.

The MEF's cumulative total returns for the three, five, and ten year periods ending June 30, 2010, were -28.94%, -7.33%, and -6.42%, respectively.

### Risk Profile

Based on returns over the last five years, the Fund has exhibited a similar degree of risk as that of its benchmark, the Russell 3000 Index. With a relative volatility of 1.01, the MEF's returns have almost equal volatility to those of the Index and reflect a strong degree of correlation, as shown by the fund's beta of 1.00. MEF's annual excess return during the five year period, or return relative to that achieved by the benchmark, was a negative 1.03%. (See Figure 3-2.)

Figure 3-1



TERF - Teachers' Retirement Fund  
 SERF - State Employees Retirement Fund  
 MERF - Connecticut Municipal Employees' Retirement Fund

Figure 3-2

|                     |       |
|---------------------|-------|
| Relative Volatility | 1.01  |
| Standard Deviation  | 17.55 |
| R <sup>2</sup>      | 1.00  |
| Beta                | 1.00  |
| Alpha               | -1.03 |

(1) Based upon returns over the last five years.

## CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 3-3

| MUTUAL EQUITY FUND  |                 |               |                 |               |
|---|-----------------|---------------|-----------------|---------------|
| Fiscal 2010 Industrial Sector vs. Index (%)                 |                 |               |                 |               |
| Based on Investments in Securities, at Value <sup>(1)</sup> |                 |               |                 |               |
| At 6/30/2010:   | MEF             |               | Russel 3000     |               |
|   | % of Net Assets | Annual Return | % of Net Assets | Annual Return |
| Energy  | 8.9             | 3.1           | 9.8             | 4.2           |
| Materials   | 4.0             | 19.3          | 4.0             | 18.3          |
| Industrials   | 9.1             | 17.9          | 11.6            | 24.2          |
| Consumer Discretionary                                      | 11.3            | 25.7          | 11.9            | 28.2          |
| Consumer Staples  | 8.6             | 15.5          | 8.7             | 14.9          |
| Health Care   | 11.2            | 9.9           | 12.2            | 10.5          |
| Financials  | 14.1            | 15.5          | 17.4            | 17.2          |
| Information Technology                                      | 15.8            | 19.8          | 17.9            | 17.0          |
| Telecommunication Services                                  | 2.7             | 5.2           | 2.8             | 6.0           |
| Utilities   | 2.9             | 4.3           | 3.7             | 6.9           |
| Commingled Fund   | 11.4            | 10.4          | 0.0             | -             |
|   | 100.0           |               | 100.0           |               |

(1) Excludes the Liquidity Fund.

Figure 3-4

| MUTUAL EQUITY FUND                         |       |        |       |        |  |
|--|-------|--------|-------|--------|--|
| Periods ending June 30, 2010               |       |        |       |        |  |
|  | 1 YR  | 3 YRS  | 5 YRS | 10 YRS |  |
| <b>Compounded, Annual Total Return (%)</b> |       |        |       |        |  |
| MEF  | 14.01 | -10.76 | -1.51 | -0.66  |  |
| Russell 3000                               | 15.72 | -9.47  | -0.48 | -0.92  |  |
| <b>Cumulative Total Return (%)</b>         |       |        |       |        |  |
| MEF  | 14.01 | -28.94 | -7.33 | -6.42  |  |
| Russell 3000                               | 15.72 | -25.80 | -2.39 | -8.82  |  |

Figure 3-5

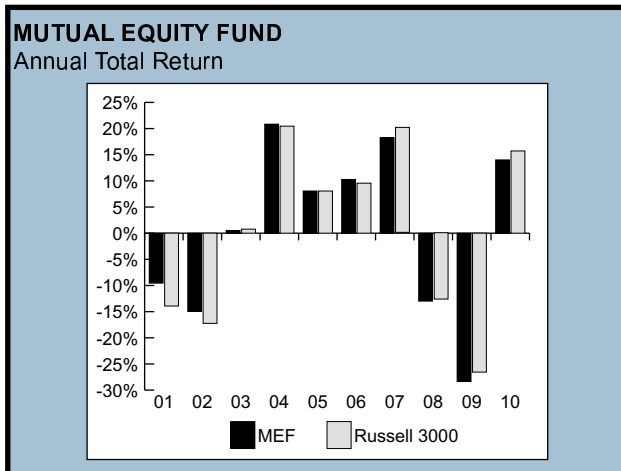


Figure 3-6

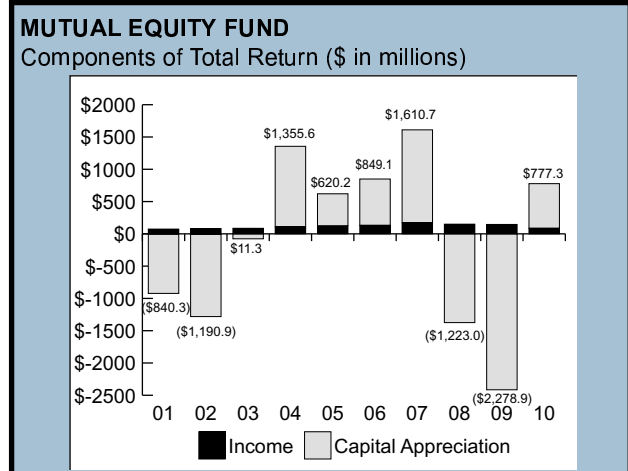


Figure 3-7

| MUTUAL EQUITY FUND   |        |         |        |         |        |         |        |         |        |         |
|--|--------|---------|--------|---------|--------|---------|--------|---------|--------|---------|
| Comprehensive Profile for the Fiscal Years ending June 30, |        |         |        |         |        |         |        |         |        |         |
|  | 2010   |         | 2009   |         | 2008   |         | 2007   |         | 2006   |         |
|  | MEF    | Russell | MEF    | Russell | MEF    | Russell | MEF    | Russell | MEF    | Russell |
| # of Issues  | 1,914  | 3,000   | 1,954  | 3,000   | 2,206  | 3,000   | 2,175  | 3,000   | 2,033  | 3,000   |
| Cap (\$ Bil)   | \$57.2 | \$59.0  | \$52.8 | \$58.7  | \$69.6 | \$72.2  | \$81.1 | \$81.5  | \$67.9 | \$69.3  |
| P/E  | 16.3   | 17.5    | 20.5   | 19.8    | 18.5   | 18.1    | 17.6   | 18.8    | 17.0   | 18.2    |
| Div Yield  | 1.90%  | 2.00%   | 1.98%  | 2.19%   | 1.90%  | 2.10%   | 1.60%  | 1.70%   | 1.70%  | 1.80%   |
| ROE  | 15.9%  | 15.8%   | 18.4%  | 20.2%   | 19.0%  | 20.2%   | 19.5%  | 20.0%   | 19.3%  | 19.1%   |
| P/B  | 2.7    | 2.9     | 2.9x   | 3.0x    | 3.6x   | 3.8x    | 3.6x   | 4.0x    | 3.5x   | 3.6x    |
| Cash & Equiv.  | 0.9%   | 0.0%    | 9.7%   | 0.0%    | 0.8%   | 0.0%    | 0.7%   | 0.0%    | 1.0%   | 0.0%    |

Source: Monthly Bundle-Equity Portfolio Characteristics under Russell 3000

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

Figure 3-8

| <b>MUTUAL EQUITY FUND</b>            |                        |                  |
|--------------------------------------|------------------------|------------------|
| Investment Advisors at June 30, 2010 |                        |                  |
| <b>Investment Advisor</b>            | <b>Net Asset Value</b> | <b>% of Fund</b> |
| <b>Large Cap</b>                     | <b>\$3,369,646,357</b> | <b>63.71%</b>    |
| BGI Barclays                         | 765,654,045            | 14.48%           |
| T. Rowe Price Associates             | 741,404,050            | 14.01%           |
| State Street Global Advisors         | 1,862,588,262          | 35.22%           |
| <b>Active Extension</b>              | <b>762,654,863</b>     | <b>14.42%</b>    |
| AXA Rosenberg Investment Management  | 187,719,220            | 3.55%            |
| Pyramis                              | 291,501,068            | 5.51%            |
| Numeric                              | 283,434,575            | 5.36%            |
| <b>All Cap</b>                       | <b>268,916,132</b>     | <b>5.08%</b>     |
| Capital Prospects                    | 135,861,230            | 2.57%            |
| FIS Group, Inc.                      | 133,054,902            | 2.51%            |
| <b>Small/Mid Cap Enhanced</b>        | <b>371,812,347</b>     | <b>7.03%</b>     |
| AXA Rosenberg                        | 371,812,347            | 7.03%            |
| <b>Small/Mid Cap Active</b>          | <b>129,038,328</b>     | <b>2.44%</b>     |
| Bivium                               | 129,038,328            | 2.44%            |
| <b>Other<sup>(1)</sup></b>           | <b>387,023,669</b>     | <b>7.32%</b>     |
| <b>TOTAL MEF</b>                     | <b>5,289,091,696</b>   | <b>100.00%</b>   |

(1) Other represents cash equivalents and other net assets.

Figure 3-9

| <b>MUTUAL EQUITY FUND</b>              |                  |                      |               |
|--|------------------|----------------------|---------------|
| Ten Largest Holdings* at June 30, 2010 |                  |                      |               |
| <b>Security Name</b>                   | <b>Sector</b>    | <b>Market Value</b>  | <b>%</b>      |
| Exxon Mobil Corp                       | Energy           | \$117,859,718        | 2.23%         |
| Apple Inc                              | Information Tech | 80,523,053           | 1.52%         |
| Microsoft                              | Technology       | 75,320,543           | 1.42%         |
| Proctor & Gamble Co                    | Consumer Staples | 72,737,506           | 1.37%         |
| JP Morgan Chase & Co                   | Financials       | 64,376,818           | 1.22%         |
| AT&T Inc                               | Telecomm Svcs    | 63,320,107           | 1.20%         |
| Johnson & Johnson                      | Health Care      | 59,811,952           | 1.13%         |
| Wells Fargo & Co                       | Financials       | 54,879,258           | 1.04%         |
| Intl Business Machines                 | Information Tech | 52,635,202           | 1.00%         |
| Bank of America Corp                   | Financials       | 51,993,821           | 0.98%         |
| <b>Top Ten</b>                         |                  | <b>\$693,457,978</b> | <b>13.11%</b> |

\* A complete list of portfolio holdings is available from the Office of the Treasurer.

# 2010

## core fixed income fund

### Fund Facts at June 30, 2010

**Investment Strategy/Goals:** To provide a long-term real rate of return above the inflation rate and provide a stream of income to meet the cash flow needs of the pension and trust funds, by investing in a range of fixed income securities.

**Performance Objective:** To achieve a net return that exceeds its benchmark by 37 to 125 basis points per annum, over rolling three to five year periods.

**Benchmark:** Barclays Capital U. S. Aggregate

**Date of Inception:** November 1, 2007

**Total Net Assets:** \$2,701,446,209

**Number of Advisors:** 5 external

**Management Fees:** \$3,499,757

**Operating Expenses:** \$790,443

**Expense Ratio:** 0.15%

### Description of the Fund

The Core Fixed Income Fund ("CFIF") is an externally managed fund investing primarily in domestic fixed income securities with the goal of achieving a long-term, real rate of return above the inflation rate and to generate income. Diversification of the assets across the spectrum of fixed income classes and among multiple money managers is expected to reduce the volatility of investment returns under various economic scenarios. Fixed income securities include both fixed and variable rate coupon bonds that are issued by U.S. federal and state governments, domestic corporations and municipalities, as well as securitized assets such as mortgage-backed and asset-backed securities.

At June 30, 2010 the CFIF was managed by one passive and four active money managers, representing 38% and 62% of the Fund, respectively. The active strategies included a fund-of-funds manager for the Connecticut Horizon Fund.

The CFIF's long-term objective has been to achieve an annual return, net of management fees and operating expenses, of between 37.5 and 125 basis points in excess of the Barclays Capital U.S. Aggregate, which is widely considered to be a proxy for the performance of the overall U.S. bond market.

### Portfolio Characteristics

CFIF continues to be well diversified across the spectrum of available fixed income securities. The Fund was invested in U.S. Government (22%), agency (36%), corporate (24%), mortgage-backed (8%) and asset-backed (4%) securities. The remaining 6% was invested in the Liquidity Fund and other assets. For the purpose of enhancing value, each CFIF active manager is given some discretion to deviate from the Barclays Capital Aggregate in the management of its funds. This active investment management can result in weighting differences between CFIF and the Barclays Capital Aggregate in terms of sectors, quality ratings and maturities. The Fund's average quality rating of AA-1, as judged by Moody's Investor Services, was the same as the Barclays Aggregate rating. At June 30, 2010, the CFIF was under weighted U.S. Treasury and agency securities and over weighted corporate bonds, mortgage-backed securities and asset backed securities versus the Barclays Capital Aggregate. (See Figure 4-4.)

### Market Review

Fiscal 2010 was a year in which the global economy began to recover from the worst recession in the post-WWII era. Investors became more confident with market conditions, leading them to favor riskier products, which in turn led to credit spreads narrowing. Specifically, corporate bonds were especially strong performers benefiting from investors seeking alternatives to Treasuries, as the financial stability of corporations



improved relative to that of the Government. Collateralized mortgage-backed securities (CMBS) performed well as investors showed increase interest for bonds that were anticipated to be eligible for the Government's legacy TALF and PPIP programs. Treasuries performed poorly into early 2010, as concerns over Treasury issuance and poor auction results resulted in a sell-off, causing an increase in yields. However, over the quarter ending June 2010, concerns regarding debt challenges facing Greece and several of its European neighbors, along with unease associated with domestic economic data, led many investors to favor higher quality assets. Treasuries and investment grade credit rallied over the final quarter amid a flight-to-quality.

### Performance Summary

The CFIF's value as of June 30, 2010 was \$2.7 billion, down from \$3.2 billion one year earlier. Of this \$458 million decline, \$787.1 million was due to net cash outflows from participating pension and trust funds, \$206.3 million from net realized and unrealized gains, and \$122.9 million from net investment income.

For the fiscal year ended June 30, 2010 the Core Fixed Income Fund generated a total return of 11.81%, net of fees and operating expenses, outperforming the benchmark return of 9.50% by 231 basis points. The out performance for the fiscal year was primarily attributable to underweighting of U.S. Treasuries and over weightings of mortgage-backed and credit securities. For the trailing three, five and ten-year periods, CFIF's compounded annual total returns were 6.70%, 5.07% and 6.45% respectively, net of all expenses. The cumulative total returns for the three, five, and ten-year periods ending June 30, 2010, were 21.48%, 28.08% and 86.90%, respectively. (See Figure 4-8.)

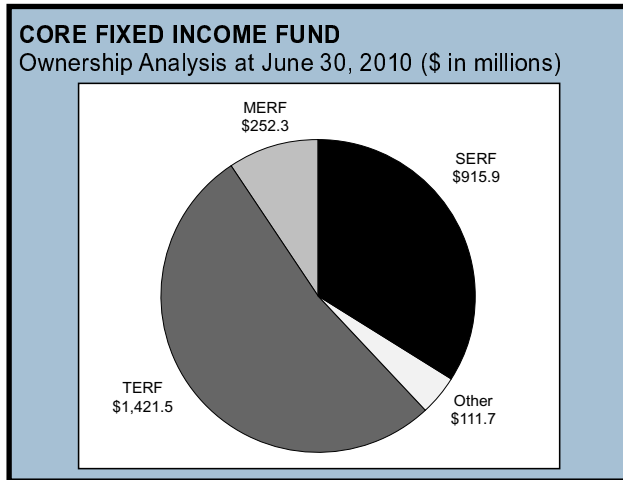
### Risk Profile

Given CFIF's investment policies and objectives, the Fund is exposed to various forms of risk, such as credit default risk, interest rate risk, liquidity risk, inflation risk, reinvestment risk and counter party risk. These risks are monitored on an on-going basis and actions are taken to mitigate identified risks.

External rating agencies assign credit ratings to individual securities reflecting their view of the underlying firm's credit worthiness or in the case of securitized debt, the underlying assets. U.S. Treasury bonds, which carry the highest rating of AAA, are backed by the full faith and credit of the U.S. Government and, therefore, have no credit risk. The overall quality of the Core Fixed Income Fund is very high quality at AA-1. Sixty nine percent of the Fund is rated AAA the same average quality of the AAA Barclays Capital Aggregate. (See Figure 4-5.)

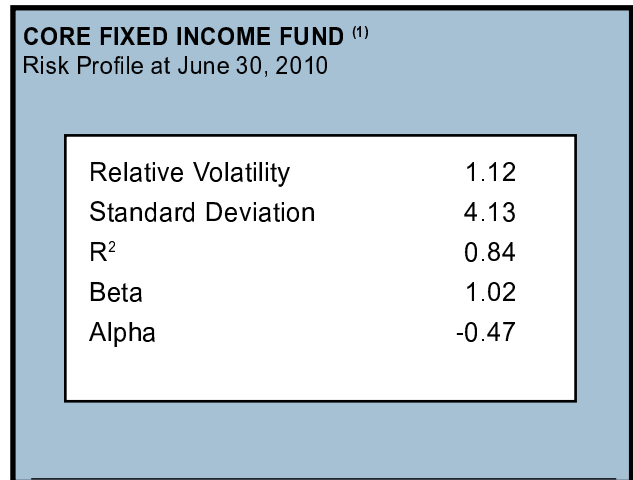
**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

Figure 4-1



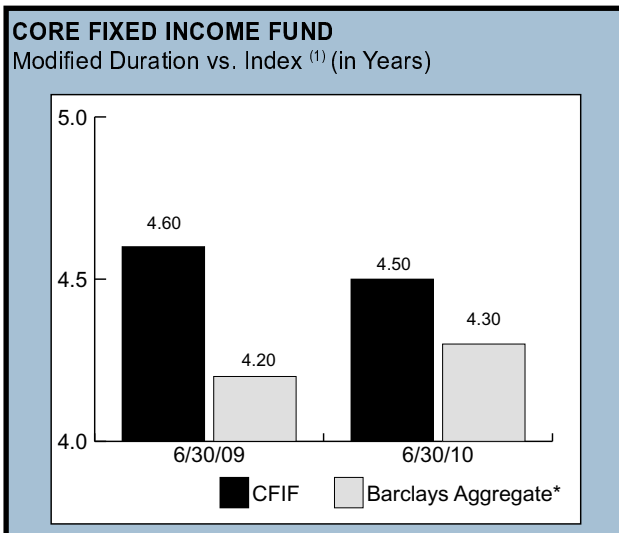
TERF - Teachers' Retirement Fund  
SERF - State Employees' Retirement Fund  
MERF - Connecticut Municipal Employees' Retirement Fund

Figure 4-2



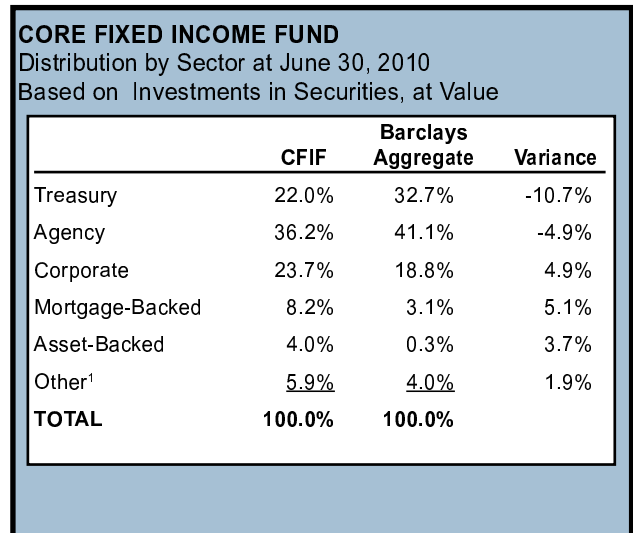
(1) Based upon returns over the last five years.

Figure 4-3



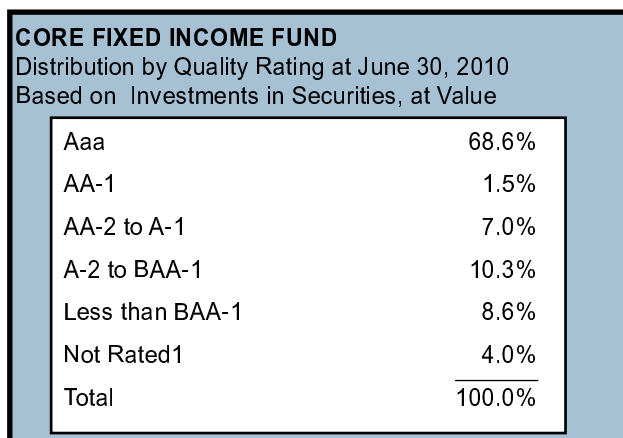
(1) Computed without the effect of Cash and other Net Assets.

Figure 4-4



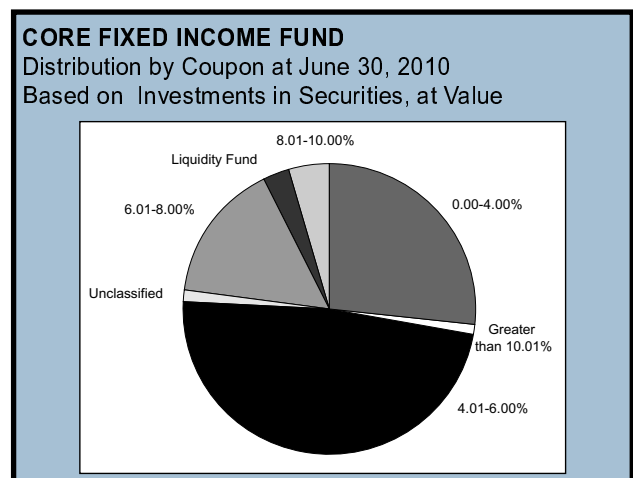
(1) Other category includes Liquidity Fund and other assets

Figure 4-5



(1) Represents securities for which ratings are unavailable.

Figure 4-6



**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

Figure 4-7

| <b>CORE FIXED INCOME FUND</b>  |               |
|--|---------------|
| Duration Distribution at June 30, 2010<br>Based on Investments in Securities, at Value |               |
| 0-3 Years  | 44.3%         |
| 3-5 Years  | 20.7%         |
| 5-7 Years  | 11.1%         |
| 7-10 Years   | 8.6%          |
| 10+ Years  | 9.2%          |
| Unknown <sup>(1)</sup>   | 1.6%          |
| Liquidity Fund   | 4.5%          |
| <b>Total</b>   | <b>100.0%</b> |

(1) Represents securities for which the duration could not be calculated by the custodian.

Figure 4-8

| <b>CORE FIXED INCOME FUND</b>              |  | 1 YR  | 3 YRS | 5 YRS | 10 YRS |
|--|--|-------|-------|-------|--------|
| Periods ending June 30, 2010               |  |       |       |       |        |
| <b>Compounded, Annual Total Return (%)</b> |  |       |       |       |        |
| CFIF                                       |  | 11.81 | 6.70  | 5.07  | 6.45   |
| BC Aggregate                               |  | 9.50  | 7.55  | 5.54  | 6.47   |
| <b>Cumulative Total Return (%)</b>         |  |       |       |       |        |
| CFIF                                       |  | 11.81 | 21.48 | 28.08 | 86.90  |
| BC Aggregate                               |  | 9.50  | 24.39 | 30.94 | 87.14  |

Figure 4-9

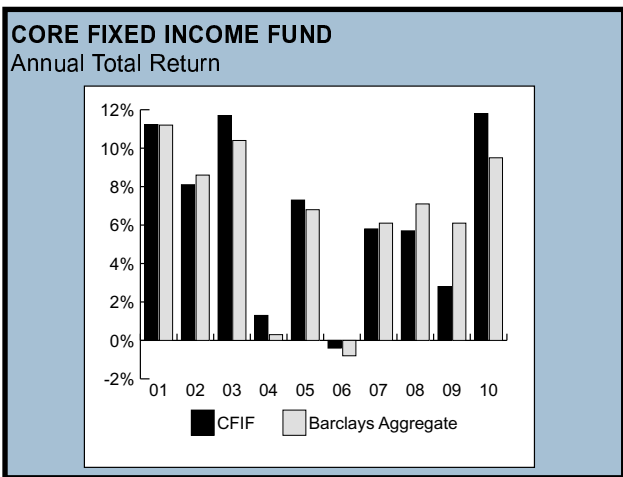


Figure 4-10

| <b>CORE FIXED INCOME FUND</b> |  | 2010  |         | 2009  |       |
|-------------------------------|--|-------|---------|-------|-------|
|                               |  | CFIF  | BC AGG* | CFIF  | LBAI* |
| Number of Issues              |  | 3,398 | 7,755   | 3,421 | 8,454 |
| Average Coupon                |  | 4.70% | 4.50%   | 4.90% | 5.00% |
| Yield Maturity                |  | 3.10% | 2.70%   | 5.70% | 4.00% |
| Average Maturity              |  | 6.60  | 6.10    | 6.70  | 5.90  |
| Modified Duration             |  | 4.50  | 4.30    | 4.60  | 4.20  |
| Average Quality               |  | AA-1  | AA-1    | AA-1  | AAA   |
| *Cash                         |  | 4.5%  | 0.0%    | 6.8%  | 0.0%  |

\* Note: Beginning weights.

Figure 4-11

| <b>CORE FIXED INCOME FUND</b>        |                        |                |
|--------------------------------------|------------------------|----------------|
| Investment Advisors at June 30, 2010 |                        |                |
| Investment Advisor                   | Net Asset Value        | % of Fund      |
| State Street Global Advisors         | \$1,038,045,975        | 38.43%         |
| BlackRock Financial Mgmt, Inc.       | 662,480,061            | 24.52%         |
| Wellington                           | 531,174,461            | 19.66%         |
| Phoenix                              | 324,967,803            | 12.03%         |
| Progress                             | 131,722,970            | 4.88%          |
| Other <sup>(1)</sup>                 | 13,054,939             | 0.48%          |
| <b>TOTAL CFIF</b>                    | <b>\$2,701,446,209</b> | <b>100.00%</b> |

(1) Other represents Liquidity Fund, other assets and terminated advisor balances.

## CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 4-12

| <b>CORE FIXED INCOME FUND</b>                        |            |                    |              |
|--|------------|--------------------|--------------|
| Ten Largest Holdings <sup>(1)</sup> at June 30, 2010 |            |                    |              |
| Security Name  | Maturity   | Market Value       | %            |
| U.S. Treasury N/B                                    | 5/15/2040  | 35,747,721         | 1.28%        |
| FNMA TBA Aug 30 Single Fam                           | 12/1/2099  | 27,365,490         | 0.98%        |
| U.S. Treasury Bonds                                  | 2/15/2015  | 25,408,076         | 0.91%        |
| U.S. Treasury N/B                                    | 8/31/2011  | 24,356,816         | 0.87%        |
| U.S. Treasury N/B                                    | 10/31/2014 | 21,562,948         | 0.77%        |
| U.S. Treasury N/B                                    | 5/15/2020  | 21,538,205         | 0.77%        |
| FHLMC TBA Aug 30 Gold Single                         | 12/1/2099  | 18,332,466         | 0.66%        |
| FNMA TBA Aug 30 Single Fam                           | 12/1/2099  | 18,132,584         | 0.65%        |
| FNMA Pool 745275                                     | 2/1/2036   | 16,724,202         | 0.60%        |
| FNMA Pool 888876                                     | 5/1/2033   | <u>15,272,804</u>  | <u>0.55%</u> |
| <b>Top Ten</b>                                       |            | <b>224,441,312</b> | <b>8.04%</b> |

(1) A complete list of portfolio holdings is available from the Office of the Treasurer.

Figure 4-13

| <b>CORE FIXED INCOME FUND</b>                          |             |             |             |             |             |
|--|-------------|-------------|-------------|-------------|-------------|
| Quarterly Current Yield <sup>(1)</sup> vs. Indices (%) |             |             |             |             |             |
|  | 6/30/10     | 3/31/10     | 12/31/09    | 9/30/09     | 6/30/09     |
| <b>CORE FIXED INCOME</b>                               | <b>4.53</b> | <b>4.71</b> | <b>4.82</b> | <b>7.47</b> | <b>7.90</b> |
| Barclays Aggregate                                     | 4.18        | 4.38        | 4.51        | 4.63        | 4.80        |
| Citigroup 3 Month T-Bill                               | 0.17        | 0.15        | 0.05        | 0.11        | 0.19        |
| Barclays Treasury                                      | 2.90        | 3.09        | 3.19        | 3.25        | 3.47        |
| Barclays Agency  | 3.05        | 3.20        | 3.27        | 3.40        | 3.59        |
| Barclays Mortgage                                      | 4.80        | 4.96        | 5.05        | 5.06        | 5.20        |
| Barclays Corporate                                     | 5.48        | 5.62        | 5.74        | 5.79        | 6.20        |
| Barclays Asset Backed                                  | 4.38        | 4.56        | 4.76        | 4.79        | 5.36        |

(1) Current Yield represents annual coupon interest divided by the market value of securities.

\* All of the Barclays Capital indices were formerly known as the Lehman Brothers indices.

# 2010 inflation linked bond fund

## Fund Facts at June 30, 2010

**Investment Strategy/Goals:** To invest primarily in U.S. inflation-linked securities with a goal of achieving a long-term real rate of return above the inflation rate.

**Performance Objective:** To achieve a net return that exceeds its benchmark by 20 to 40 basis points per annum, over rolling three to five year periods.

**Benchmark:** Barclays Capital U.S. Treasury Inflation Protection Securities ("BC TIPS") Index.

**Date of Inception:** November 1, 2007

**Total Net Assets:** \$1,062,889,500

**Number of Advisors:** 2 external

**Management Fees:** \$901,014

**Operating Expenses:** \$289,217

**Expense Ratio:** 0.13

## Description of the Fund

### Description of the Fund

The Inflation Linked Bond Fund ("ILBF") is an externally managed fund investing primarily in U.S. Treasury Inflation Protection Securities ("TIPS"), although nominal U.S. Treasuries and foreign government securities can be included on a limited basis. The goal of the Fund is to achieve a long-term rate of return above the inflation rate and provide a source of interest income to help offset the outflow of retirement benefit payments. Inflation-linked bonds can provide protection against rampant inflation and this asset class has low to negative correlations to other asset classes within the CRPTF. An inflation-linked bond pays a fixed real coupon on an inflation-adjusted principal amount. Therefore, while the rate of the coupon payment is locked the actual dollars of interest earned will vary according to the change in principal. The ultimate amount of interest paid over the life of the bond will depend on the change in inflation. At June 30, 2010, the Fund had two investment advisors.

The ILBF's long-term objective has been to achieve an annual return, net of management fees and operating expenses, of between 20 and 40 basis points in excess of the Fund's benchmark.

## Portfolio Characteristics

The ILBF is comprised mainly of U.S. TIPS. The Fund has Moody's Investor Services highest quality rating, AAA, matching the quality rating of the benchmark. The Fund's average coupon at June 30, 2010 was 2.25% versus 2.19% for the benchmark. The average maturity of Fund and its benchmark were 9.15 years and 9.17 years, respectively. (Figure 5-9.)

## Market Review

During the first half of the fiscal year, improvements in the economy, reductions in deflationary concerns, firmer commodity prices and an increase in nominal Treasury supply drove the performance of the TIPS market. Crude oil prices began the fiscal year at \$72/barrel and jumped up to \$80/barrel by the end of December. The five year TIPS' breakeven rate, defined as the difference between nominal U.S. Treasury bonds and the TIPS rate, was flat during the quarter ending September 2009 but returned close to its long-term average ending 2009 at 2.2%.

During the beginning of 2010, long-term inflation expectations fell after news of weaker core inflation. However, as the US economy slowed down, investors became more risk averse. In conjunction with a dip in commodity prices, the TIPS market improved on an absolute basis towards the end of the fiscal year. However, the high supply and low price of oil negatively influenced the relative performance of the TIPS market over the last half of the fiscal year. Crude oil prices increased during the beginning of 2010 to \$84/

barrel but ended the fiscal year down at \$76/barrel. The five year TIPS breakeven rate dipped in 2010 to 1.6%, lower than the long-term average.

### **Performance Summary**

The ILBF's value as of June 30, 2010 was \$1,062.9 million, an increase of \$ 225.6 million from the prior fiscal year. Of this total, \$142 million was due to net cash inflows from participating pension and trust funds and \$34.1 million of net investment income, plus \$ 49.5 million from net realized and unrealized gains.

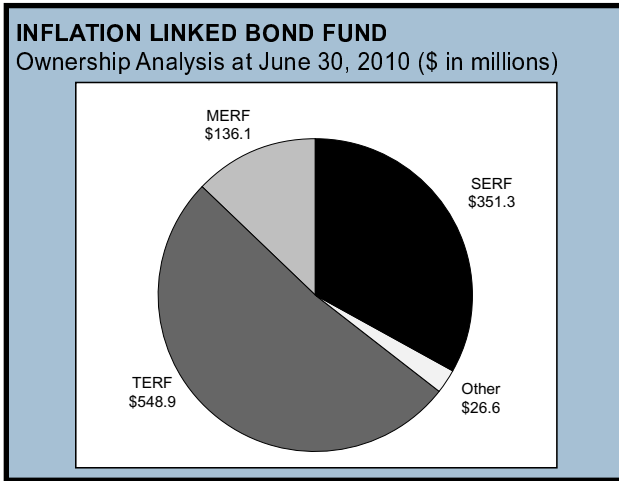
For the fiscal year ended June 30, 2010 the ILBF generated a total return of 9.48%, net of fees and operating expenses, underperforming the benchmark return of 9.52% by 4 basis points. For the trailing three year period, ILBF's compounded annual total return was 8.47%, net of fees and operating expenses, outperforming the benchmark by 85 basis points (Figure 5-7.)

### **Risk Profile**

The major risk facing the Inflation Linked Bond Fund is a rise in real interest rates. Real interest rates are primarily driven by expectations for real growth in the economy and for monetary policy. Economic growth and tight monetary policy to stem inflationary pressures are conditions that can drive up real interest rates. A rise in real interest rates decreases the effectiveness of TIPS as an inflation hedge, as bond prices fall.

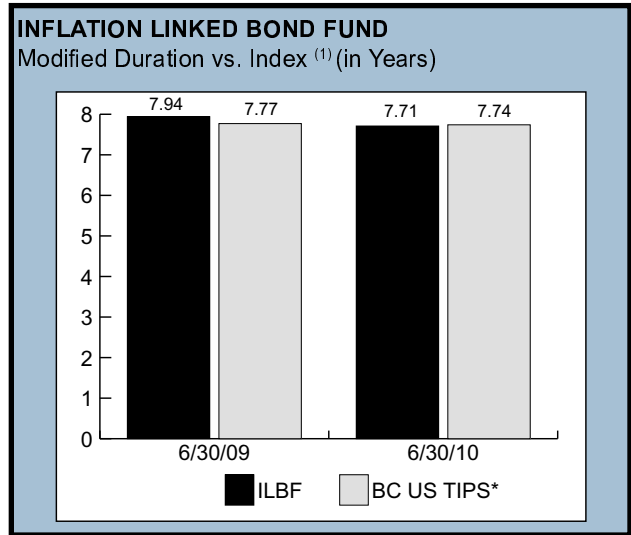
**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

Figure 5-1



TERF - Teachers' Retirement Fund  
SERF - State Employees Retirement Fund  
MERF - Connecticut Municipal Employees' Retirement Fund

Figure 5-2



(1) Computed without the effect of Cash and other Net Assets.

Figure 5-3

**INFLATION LINKED BOND FUND**  
Distribution by Sector at June 30, 2010  
Based on Investments in Securities, at Value

|                | ILBF          | BC US TIPS*   | Variance |
|----------------|---------------|---------------|----------|
| Treasury       | 96.2%         | 100.0%        | -3.8%    |
| Agency         | 0.0%          | 0.0%          | 0.0%     |
| Corporate      | 0.0%          | 0.0%          | 0.0%     |
| Foreign        | 0.0%          | 0.0%          | 0.0%     |
| Liquidity Fund | <u>3.8%</u>   | <u>0.0%</u>   | 3.8%     |
| <b>TOTAL</b>   | <b>100.0%</b> | <b>100.0%</b> |          |

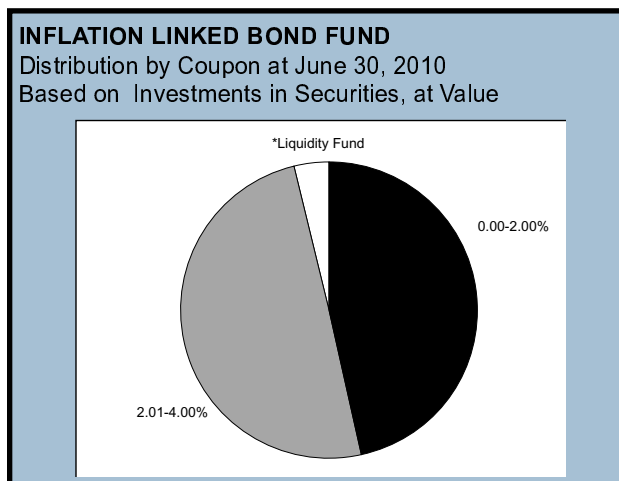
Figure 5-4

**INFLATION LINKED BOND FUND**  
Distribution by Quality Rating at June 30, 2010  
Based on Investments in Securities, at Value

|                        |               |
|------------------------|---------------|
| Aaa                    | 100.0%        |
| AA-1                   | 0.0%          |
| AA-2 to A-1            | 0.0%          |
| A-2 to BAA-1           | 0.0%          |
| Less than BAA-1        | 0.0%          |
| Not Rated <sup>1</sup> | 0.0%          |
| <b>Total</b>           | <u>100.0%</u> |

(1) Represents securities for which ratings are unavailable.

Figure 5-5



\*Note: Ending weights

Figure 5-6

**INFLATION LINKED BOND FUND**  
Duration Distribution at June 30, 2010  
Based on Investments in Securities, at Value

|                        |               |
|------------------------|---------------|
| 0-3 Years              | 54.2%         |
| 3-5 Years              | 5.8%          |
| 5-7 Years              | 10.8%         |
| 7-10 Years             | 22.6%         |
| 10+ Years              | 2.8%          |
| Unknown <sup>(1)</sup> | 0.0%          |
| Liquidity Fund         | <u>3.8%</u>   |
| <b>Total</b>           | <u>100.0%</u> |

(1) Represents securities for which the duration could not be calculated by the custodian.

## CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 5-7

| <b>INFLATION LINKED BOND FUND</b>          |      |       |       |
|--|------|-------|-------|
| Periods ending June 30, 2010               |      |       |       |
|  | 1 YR | 3 YRS | 5YRS  |
| <b>Compounded, Annual Total Return (%)</b> |      |       |       |
| ILBF                                       | 9.48 | 8.47  | 5.35  |
| LB U.S. Tips                               | 9.52 | 7.62  | 4.98  |
| <b>Cumulative Total Return (%)</b>         |      |       |       |
| ILBF                                       | 9.48 | 27.63 | 29.79 |
| LB U.S. Tips                               | 9.52 | 24.64 | 27.49 |

Figure 5-8

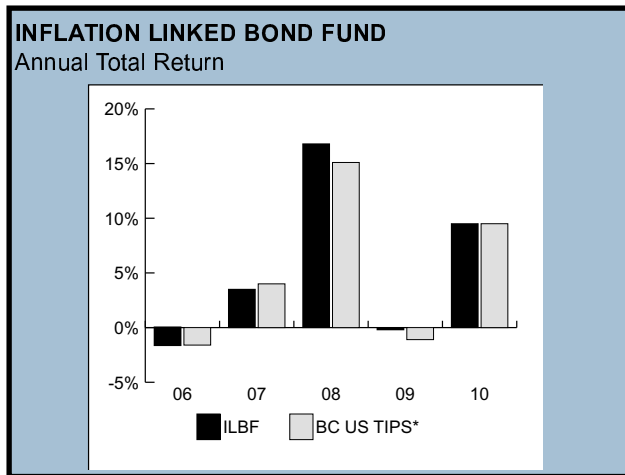


Figure 5-9

| <b>INFLATION LINKED BOND FUND</b>                         |             |            |             |             |
|---|-------------|------------|-------------|-------------|
| Comprehensive Profile for the Fiscal Year ending June 30, |             |            |             |             |
|   | <b>2010</b> |            | <b>2009</b> |             |
|   | ILBF        | BC US TIPS | ILBF        | BC US TIPS* |
| Number of Issues  | 26          | 29         | 26          | 27          |
| Average Coupon  | 2.25%       | 2.19%      | 2.22%       | 2.28%       |
| Average Maturity  | 9.15        | 9.17       | 9.23        | 9.19        |
| Modified Duration   | 7.71        | 7.74       | 7.94        | 7.77        |
| Average Quality   | AAA         | AAA        | AAA         | AAA         |
| Cash <sup>(1)</sup>                                       | 3.8%        | 0.0%       | 1.6%        | 0.0%        |

Figure 5-10

| <b>INFLATION LINKED BOND FUND</b>    |                        |                |
|--------------------------------------|------------------------|----------------|
| Investment Advisors at June 30, 2010 |                        |                |
| Investment Advisor                   | Net Asset Value        | % of Fund      |
| Brown Brothers Harriman              | \$600,761,965          | 56.52%         |
| Hartford Investment Mgmt Co.         | 461,830,308            | 43.45%         |
| Other <sup>(1)</sup>                 | 297,227                | 0.03%          |
| <b>TOTAL ILBF</b>                    | <b>\$1,062,889,500</b> | <b>100.00%</b> |

(1) Ending Weights

(1) Other represents Liquidity Fund, other assets and terminated advisor balances.

Figure 5-11

| <b>INFLATION LINKED BOND FUND</b>                    |          |                    |               |
|--|----------|--------------------|---------------|
| Ten Largest Holdings <sup>(1)</sup> at June 30, 2010 |          |                    |               |
| Security Name  | Maturity | Market Value       | %             |
| U.S. Treasury Bonds                                  | 01/15/25 | 99,213,493         | 9.27%         |
| U.S. Treasury Bonds                                  | 01/15/26 | 87,043,947         | 8.13%         |
| U.S. Treasury Notes                                  | 01/15/16 | 84,301,286         | 7.87%         |
| U.S. Treasury Notes                                  | 04/15/11 | 72,610,257         | 6.78%         |
| U.S. Treasury Notes                                  | 01/15/14 | 66,797,952         | 6.24%         |
| U.S. Treasury Notes                                  | 07/15/16 | 64,307,460         | 6.01%         |
| U.S. Treasury Notes                                  | 01/15/17 | 57,903,348         | 5.41%         |
| U.S. Treasury Notes                                  | 01/15/15 | 54,088,528         | 5.05%         |
| U.S. Treasury Bonds                                  | 04/15/28 | 52,389,083         | 4.89%         |
| U.S. Treasury Notes                                  | 07/15/12 | 46,685,398         | 4.36%         |
| <b>Top Ten</b>                                       |          | <b>685,340,752</b> | <b>64.01%</b> |

(1) A complete list of portfolio holdings is available from the Office of the Treasurer.

\* The Barclays Capital U. S. TIPS Index was formerly known as the Lehman Brothers U. S. TIPS Index.



# 2010 emerging market debt fund

## Fund Facts at June 30, 2010

**Investment Strategy/Goals:** To invest primarily in debt securities of select foreign emerging markets with a goal of portfolio diversification and enhanced risk-adjusted returns.

**Performance Objective:** To achieve a net return that exceeds its benchmark by 100 to 200 basis points per annum, over rolling three to five year periods.

**Benchmark:** J.P. Morgan Emerging Market Bond Index (EMBI) Global Index.

**Date of Inception:** November 1, 2007

**Total Net Assets:** \$1,175,862,368

**Number of Advisors:** 5 external

**Management Fees:** \$4,544,477

**Operating Expenses:** \$385,283

**Expense Ratio:** 0.43%

## Description of the Fund

The Emerging Market Debt Fund (EMDF) is an externally managed fund investing primarily in government and corporate debt securities of select foreign emerging markets with a goal of achieving a long-term real rate of return above the inflation rate. The economies and financial markets of emerging countries have historically had lower correlations to U.S. markets and provide desirable risk diversification for the portfolio. Emerging markets are expected to have higher economic growth rates than developed countries. The EMDF money managers have different investment approaches and generate returns from both country and currency selection. Securities can be dollar denominated or in the local currency of the country, with the latter sometimes hedged back to the U.S. dollar. Sovereign loans, Brady bonds and Eurobonds, along with quasi-sovereigns, multinational companies and local corporate debt are examples of securities held in this fund.

At June 30, 2010, the Fund had five money managers.

## Portfolio Characteristics

The Emerging Market Debt Fund is a diversified portfolio with an overall yield to maturity of 6.33%. This compares favorably to the benchmark yield to maturity of 5.86%. (See Figure 6-11.) The Fund is diversified across geographic regions with the highest weighting in Latin American countries at 40%. Europe was the second highest regional concentration in the portfolio and was also the highest underweight compared to the index. Investments in Africa also out weighed those of the index. (See Figure 6-3.) The average quality of EMDF was Baa-3, the same quality as the benchmark. (See Figure 6-11.) The distribution by quality ratings for the Fund is portrayed in Figure 6-4. With a duration lower than the index, 6 years versus 7.1 years, the fund has less interest rate risk than the index.

## Market Review

The emerging debt markets began the fiscal year strongly, rallying behind news of recovering market conditions. Specifically, optimistic views of the global GDP recovery, the loosening of credit conditions and government policies propelled the emerging debt market during the quarter ending September 2009. The rally continued into the end of 2009; however fears of central banks abandoning their economic stimulus plans, a rise in US interest rates as well as the strengthening of the US dollar slowed the emerging debt markets rally. Regardless of these setbacks, emerging debt market spreads continued to tighten. News of the European sovereign debt crisis and the debt crisis involving state-owned Dubai World led investors to favor emerging market sovereigns in lieu of their developed market counterparts. Sovereign risk concerns temporarily dwindled during the beginning of 2010 after reports of EU financial aid and hopes of IMF involvement in the Greek debt crisis. An increase in large flows into the emerging market debt asset class, fundamental improvements in credit quality, improvements in global liquidity and attractive bond yield curves led inves-

tors into higher yielding emerging market bonds. However, over the quarter ending June 2010, emerging debt market spreads widened in most emerging market countries as fears of contagion of the European debt crisis outside of the Euro zone were met. As a result, S&P downgraded Greece to junk status and downgraded Portugal and Spain further fueling the mounting sovereign debt problems. The emerging debt markets faced extreme volatility in May, ending the month lower. Sentiment improved in June, reopening the new issue market, which was closed during the economic crisis.

### **Performance Summary**

The EMDF's value as of June 30, 2010 was \$1.2 billion, a rise of \$.44 million. Of this increase, \$199 million was due to net cash outflows from participating pension and trust funds and \$87.3 million was generated from net investment income. Net realized and unrealized gains contributed \$155.8 million.

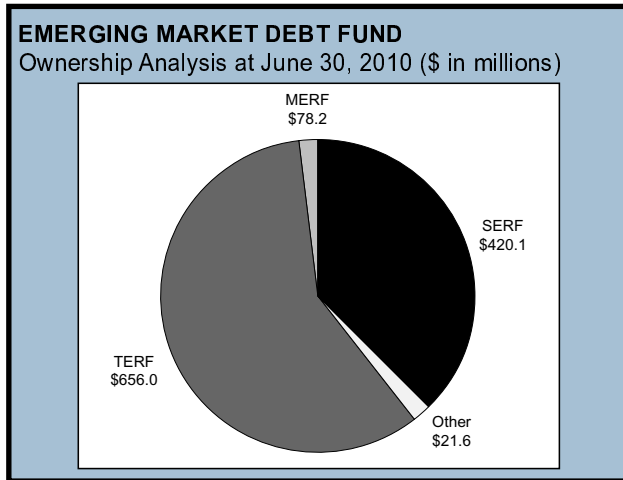
For the fiscal year ended June 30, 2010 the Emerging Market Debt Fund outperformed its benchmark by 512 basis points. It generated a return of 23.02%, net of fees and operating expenses compared the benchmark return of 17.90%. For the trailing three year and five year periods, EMDF's compounded annual total returns were 7.78% and 9.81%, respectively, net of fees. The cululative return over the past five years was 1166 basis points more than the benchmark. (See Figure 6-7.)

### **Risk Profile**

Given EMDF's investment policies and objectives, the Fund is exposed to various forms of risk. These include, but are not limited to interest rate risk, currency risk, purchasing power risk, default risk, and reinvestment risk. In addition, the Fund is potentially exposed to geopolitical risk. These risks are monitored on an on-going basis and actions are taken as appropriate to mitigate identified risks.

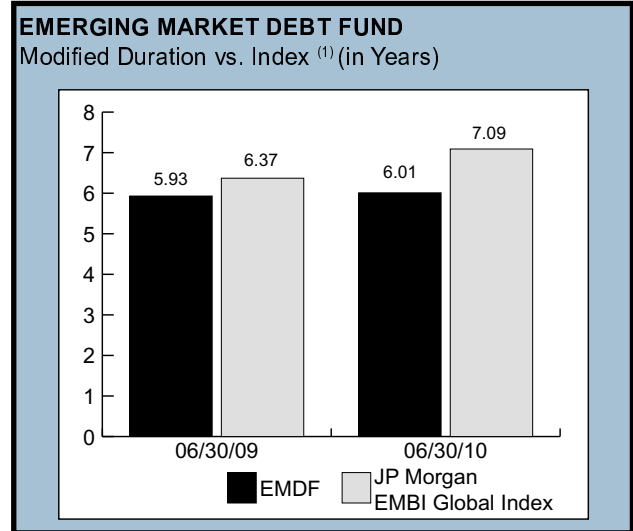
**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

Figure 6-1



TERF - Teachers' Retirement Fund  
SERF - State Employees Retirement Fund  
MERF - Connecticut Municipal Employees' Retirement Fund

Figure 6-2



(1) Computed without the effect of Cash and other Net Assets.

Figure 6-3

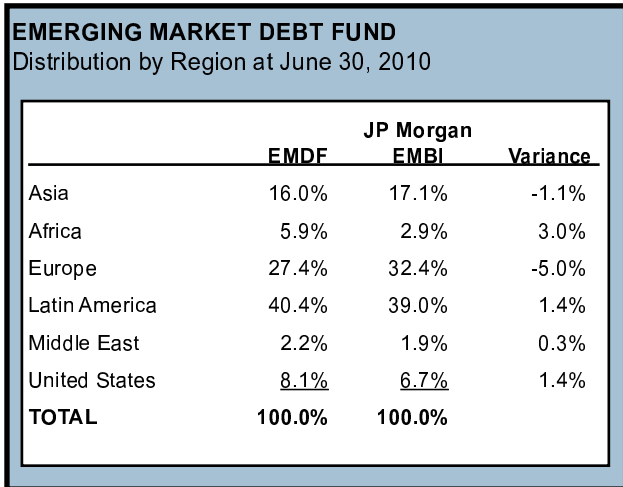
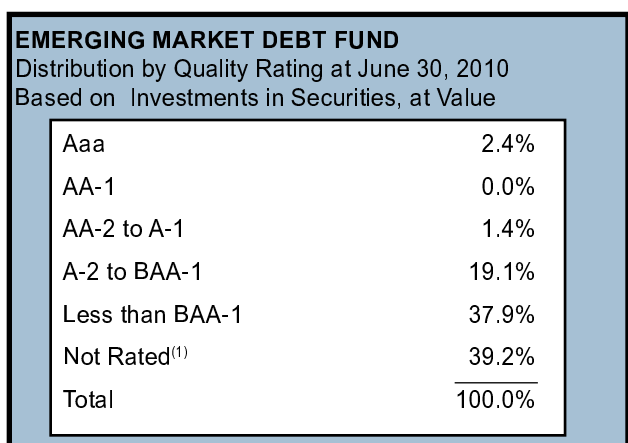
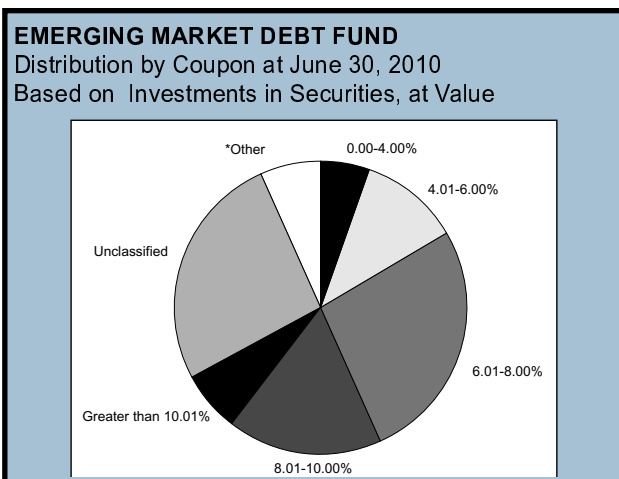


Figure 6-4



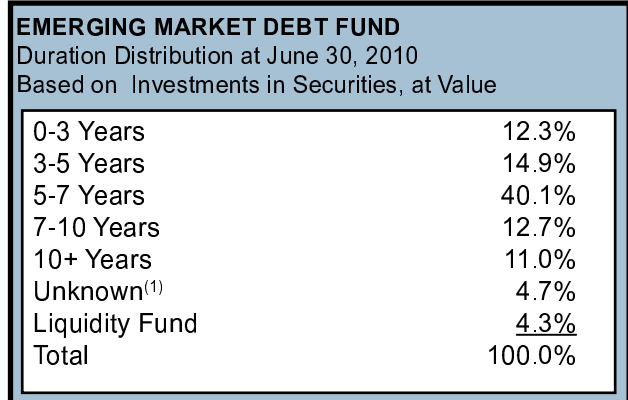
(1) Represents securities for which ratings are unavailable.

Figure 6-5



\* Includes Liquidity Fund and other assets. Note: Ending weights.

Figure 6-6



(1) Represents securities for which the duration could not be calculated by the custodian.

## CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 6-7

|  | 1 YR  | 3 YRS | 5 YRS |
|--|-------|-------|-------|
| <b>EMERGING MARKET DEBT FUND</b>           |       |       |       |
| Periods ending June 30, 2010               |       |       |       |
| <b>Compounded, Annual Total Return (%)</b> |       |       |       |
| EMDF                                       | 23.02 | 7.78  | 9.81  |
| JP Morgan<br>EMBI Global Index             | 17.90 | 8.21  | 8.16  |
| <b>Cumulative Total Return (%)</b>         |       |       |       |
| EMDF                                       | 23.02 | 25.19 | 59.68 |
| JP Morgan<br>EMBI Global Index             | 17.90 | 26.69 | 48.02 |

Figure 6-8

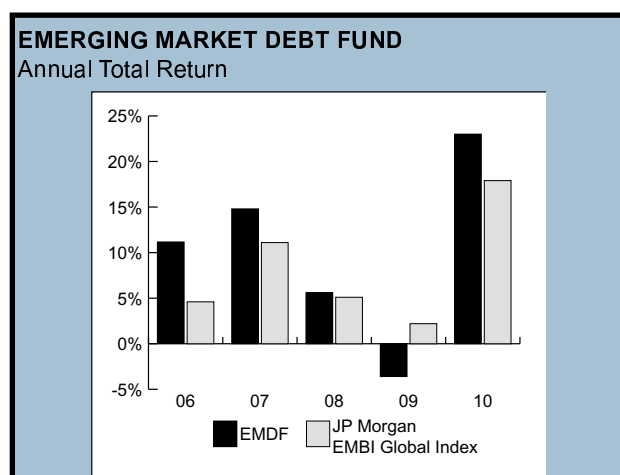


Figure 6-9

| Investment Advisor                   | Net Asset Value        | % of Fund      |
|--------------------------------------|------------------------|----------------|
| <b>EMERGING MARKET DEBT FUND</b>     |                        |                |
| Investment Advisors at June 30, 2010 |                        |                |
| Ashmore                              | \$275,397,208          | 23.42%         |
| Stone Harbor Investment Partners     | 258,043,051            | 21.95%         |
| ING Investment Management            | 204,085,677            | 17.36%         |
| Pyramis                              | 220,008,611            | 18.71%         |
| UBS Global Asset Management          | 216,987,326            | 18.45%         |
| Other <sup>(1)</sup>                 | 1,340,495              | 0.11%          |
| <b>TOTAL EMDF</b>                    | <b>\$1,175,862,368</b> | <b>100.00%</b> |

(1) Other represents cash equivalents, other net assets and terminated advisor balances.

Figure 6-10

| Security Name                          | Maturity | Market Value         | %             |
|--|----------|----------------------|---------------|
| <b>EMERGING MARKET DEBT FUND</b>       |          |                      |               |
| Ten Largest Holdings* at June 30, 2010 |          |                      |               |
| Russian Federation                     | 03/31/30 | 32,278,161           | 2.79%         |
| Nota Tesouro Nacional                  | 01/01/21 | 19,304,440           | 1.67%         |
| Republic of Argentina                  | 03/28/11 | 18,368,845           | 1.59%         |
| UBS Glam REF 70325                     | 03/05/11 | 12,458,890           | 1.08%         |
| UBS Glam REF 70325                     | 03/05/15 | 12,243,246           | 1.06%         |
| Republic of Indonesia                  | 03/04/19 | 12,175,625           | 1.05%         |
| UBS Glam REF 70491                     | 03/20/17 | 10,605,430           | 0.92%         |
| South Africa (Republic)                | 12/21/18 | 10,496,341           | 0.91%         |
| Republic of Poland                     | 07/15/19 | 10,315,502           | 0.89%         |
| Brazil (FED REP)                       | 05/15/45 | 10,142,666           | 0.88%         |
| <b>Top Ten</b>                         |          | <b>\$148,389,146</b> | <b>12.84%</b> |

\* A complete list of portfolio holdings is available from the Office of the Treasurer.

Figure 6-11

|   | 2010   |        | 2009   |        |
|---|--------|--------|--------|--------|
|   | EMDF   | EMBI   | EMDF   | EMBI   |
| <b>EMERGING MARKET DEBT FUND</b>                          |        |        |        |        |
| Comprehensive Profile for the Fiscal Year ending June 30, |        |        |        |        |
| Number of Issues  | 475    | 225    | 391    | 203    |
| Yield to Maturity   | 6.33%  | 5.86%  | 14.48% | 7.77%  |
| Average Maturity  | 10.19% | 12.40% | 10.98% | 12.30% |
| Modified Duration   | 6.01   | 7.09   | 5.93   | 6.37   |
| Average Quality   | BAA-3  | BAA-3  | BA-1   | BA-1   |
| *Other  | 6.7%   | 0.0%   | 6.9%   | 0.0%   |

\* Includes Liquidity Fund and other assets. Note: Ending weights

# 2010

## high yield debt fund

### Fund Facts at June 30, 2010

**Investment Strategy/Goals:** To invest in below investment grade debt securities with a goal of achieving a long-term real rate of return above the inflation rate.

**Performance Objective:** To achieve a net return that exceeds its benchmark by 150 to 300 basis points per annum, over rolling three to five year periods.

**Benchmark:** Citigroup High Yield Market Index

**Date of Inception:** November 1, 2007

**Total Net Assets:** \$692,764,499

**Number of Advisors:** 4 external

**Management Fees:** \$2,544,771

**Operating Expenses:** \$239,169

**Expense Ratio:** 0.39%

### Description of the Fund

The High Yield Debt Fund (HYDF) is an externally managed fund investing in below investment grade debt securities with a goal of achieving a long-term real rate of return above the inflation rate. This asset class pays a higher interest rate than investment grade credit to compensate the investor for higher default risk. Combining top-down macro analysis with fundamental bottom-up security selection, the Fund managers identify distressed corporations that have upside potential. Higher interest income and security price appreciation are the drivers of investment return.

At June 30, 2010 the Fund had four money managers. (See Figure 7-11.)

The HYDF's long-term objective is to achieve an annual return, net of management fees and operating expenses, of between 150 and 300 basis points in excess of the Citigroup High Yield Market Index over rolling three-to-five year periods.

### Portfolio Characteristics

The HYDF is comprised of 679 securities and is well diversified across a range of corporate high yield securities, predominantly in the U. S. Two of the fund's managers tend to invest in the higher quality end of the spectrum while the other two will consider opportunities in lower quality investments. The Fund's average quality rating was B-2, matching the average quality of the benchmark. (See Figure 7-10.) At June 30, 2010, two-thirds of the portfolio's investments had maturities in the three to seven year time frame.

### Market Review

As investors began to show a willingness to take on more risk, the bond market saw a decline in credit spreads in high yield securities during the fiscal year ended June 30, 2010. As a result, high yield bonds displayed strong returns at the beginning of the fiscal year, continuing the rally that began in early 2009. Over the first three quarters of the fiscal year, CCC-rated bonds were the best performers versus higher-quality bonds as investors sought higher yielding, riskier assets. High yield bonds returned positive performance in eleven out of the twelve months in 2009, resulting in the asset class's best performance on record. The rally began to slow down in the quarter ending March 2010, but high yield continued to generate positive returns due to optimistic economic news and improved corporate balance sheets. Over the quarter ending June 2010, investors began to question the legitimacy of the market recovery. Concerns regarding debt challenges facing Greece and several of its European neighbors, along with unease associated with domestic economic data, led many investors to seek higher quality assets, leaving high yield bonds out of favor. BB-rated bonds became the best performer, contrasting the strong performance of CCC-rated bonds throughout most of the fiscal year.

### Performance Summary

The HYDF's value as of June 30, 2010 was \$692.8 million, a decline of \$40.4 million since June 2009. This decrease was the result of, \$206.7million from net cash outflows to participating pension and trust funds, \$63.7 million from net investment income and \$102.6 million from net realized and unrealized gains.

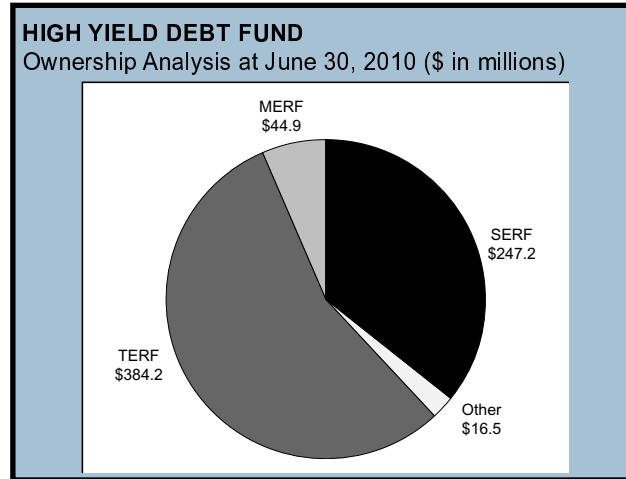
For the fiscal year ended June 30, 2010 the HYDF gained 24.5%, net of fees and operating expenses, compared to the benchmark return of 25.6%. Over the five year period, HYDF had an annualized return of 6.4% versus the index return of 6.7%. On a cumulative basis over the same period, this fund returned 36.5% compared to the index return of 38% (See Figure 7-8.)

### Risk Profile

Given the HYDF's investment policies and objectives, the Fund is exposed to several forms of risk. These include, but are not limited to credit default risk, interest rate risk, liquidity risk, reinvestment risk and inflation risk. In addition, the Fund is occasionally exposed to political, economic and currency risk resulting from investments in international high yield securities.

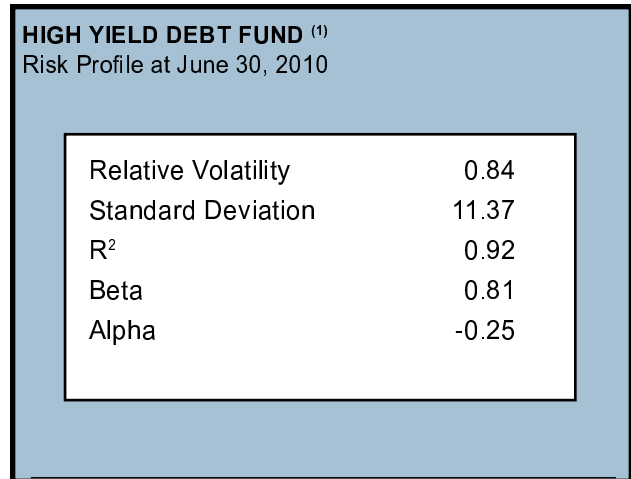
**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

Figure 7-1



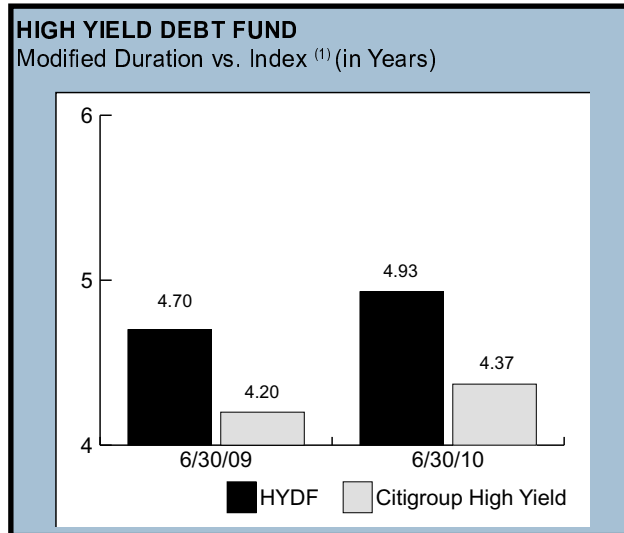
TERF - Teachers' Retirement Fund  
SERF - State Employees Retirement Fund  
MERF - Connecticut Municipal Employees' Retirement Fund

Figure 7-2



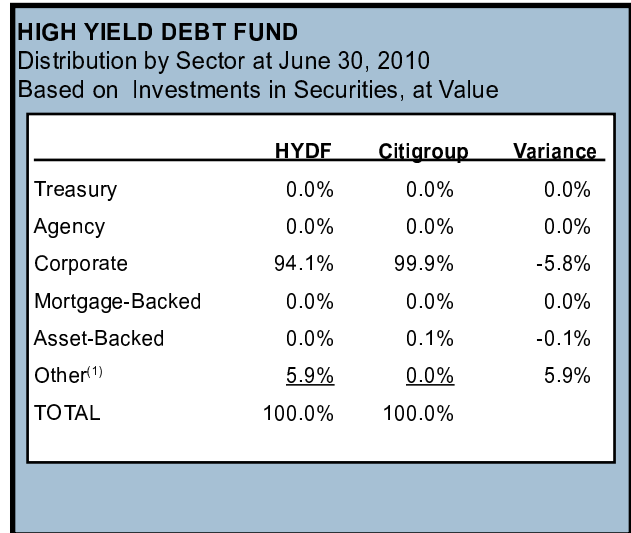
(1) Based upon returns over the last five years.

Figure 7-3



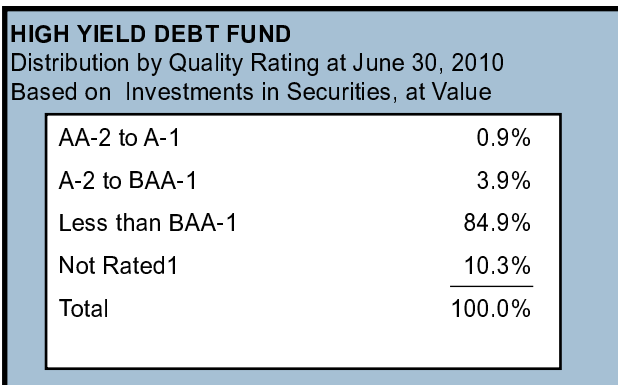
(1) Computed without the effect of Cash and other Net Assets.

Figure 7-4



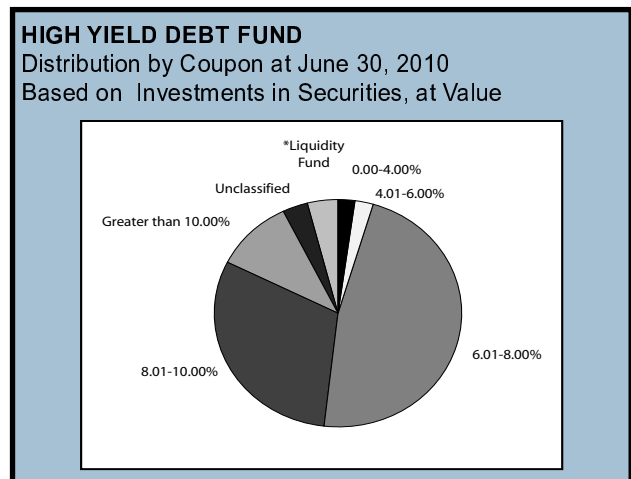
(1) Other category includes non fixed-income securities such as common and preferred stock and convertible securities, Liquidity Fund and other assets.

Figure 7-5



(1) Represents securities for which ratings are unavailable.

Figure 7-6



\* Note: Ending weights.

## CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 7-7

| <b>HIGH YIELD DEBT FUND</b>                  |               |
|--|---------------|
| Duration Distribution at June 30, 2010       |               |
| Based on Investments in Securities, at Value |               |
| 0-3 Years                                    | 18.7%         |
| 3-5 Years                                    | 35.4%         |
| 5-7 Years                                    | 27.2%         |
| 7-10 Years                                   | 9.0%          |
| 10+ Years                                    | 2.3%          |
| Unknown <sup>(1)</sup>                       | 3.4%          |
| Liquidity Fund                               | 4.0%          |
| <b>Total</b>                                 | <b>100.0%</b> |

(1) Represents securities for which the duration could not be calculated by the custodian.

Figure 7-8

|  | 1 YR  | 3 YRS | 5 YRS | 10 YRS |
|--|-------|-------|-------|--------|
| <b>HIGH YIELD DEBT FUND</b>                |       |       |       |        |
| Periods ending June 30, 2010               |       |       |       |        |
| <b>Compounded, Annual Total Return (%)</b> |       |       |       |        |
| HYDF                                       | 24.54 | 5.25  | 6.41  | 6.49   |
| Citigroup High Yield Market Index          | 25.64 | 5.90  | 6.66  | 7.18   |
| <b>Cumulative Total Return (%)</b>         |       |       |       |        |
| HYDF                                       | 24.54 | 16.58 | 36.45 | 87.46  |
| Citigroup High Yield Market Index          | 25.64 | 18.76 | 38.06 | 100.12 |

Figure 7-9

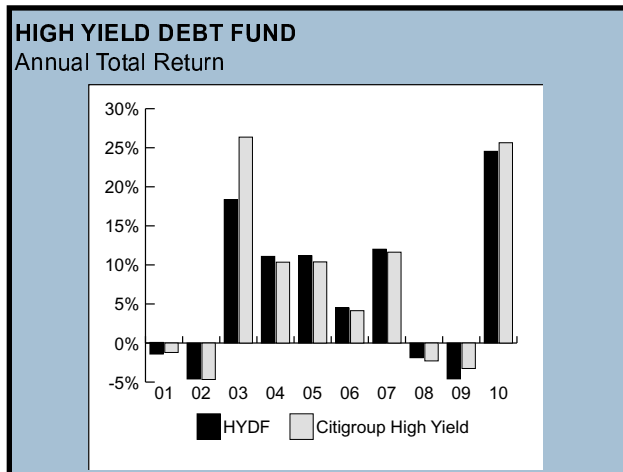


Figure 7-10

|                   | <b>2010</b> |           | <b>2009</b> |           |
|-------------------|-------------|-----------|-------------|-----------|
|                   | HYDF        | Citigroup | HYDF        | Citigroup |
| Number of Issues  | 679         | 1,394     | 605         | 1,222     |
| Average Coupon    | 8.10%       | 8.34%     | 7.90%       | 8.10%     |
| Yield Maturity    | 9.11%       | 8.95%     | 11.90%      | 12.20%    |
| Average Maturity  | 6.86        | 5.71      | 7.8         | 6.5       |
| Modified Duration | 4.93        | 4.37      | 4.7         | 4.2       |
| Average Quality   | B-2         | B-2       | B-1         | B-1       |
| Liquidity Fund    | 4.0%        | 0.0%      | 8.2%        | 0.0%      |

\*Note: Ending Weights

Figure 7-11

| <b>HIGH YIELD DEBT FUND</b>          |                      |                |
|--------------------------------------|----------------------|----------------|
| Investment Advisors at June 30, 2010 |                      |                |
| Investment Advisor                   | Net Asset Value      | % of Fund      |
| Loomis Sayles & Co., Inc.            | \$229,269,448        | 33.10%         |
| Stone Harbor Investment Partners     | 94,233,670           | 13.60%         |
| Shenkman Capital Management          | 226,634,207          | 32.71%         |
| Oaktree Capital Management, L.L.C.   | 137,825,017          | 19.90%         |
| Other <sup>(1)</sup>                 | 4,802,157            | 0.69%          |
| <b>TOTAL HYDF</b>                    | <b>\$692,764,499</b> | <b>100.00%</b> |

(1) Other represents Liquidity Fund, other assets and terminated advisor balances.

Figure 7-12

| <b>HIGH YIELD DEBT FUND</b>            |            |                   |              |
|--|------------|-------------------|--------------|
| Ten Largest Holdings* at June 30, 2010 |            |                   |              |
| Security Name                          | Maturity   | Market Value      | %            |
| Borden Inc                             | 02/15/23   | \$ 6,832,875      | 1.04%        |
| Toys R Us Inc                          | 10/15/18   | 6,603,500         | 1.00%        |
| Qwest Capital Funding                  | 07/15/28   | 6,236,100         | 0.95%        |
| Dynegy Hldgs Inc                       | 05/01/16   | 5,234,119         | 0.80%        |
| Valeant Pharmaceuticals Intl           | 11/15/13   | 5,222,100         | 0.80%        |
| Tenet Healthcare Corp                  | 11/15/31   | 5,190,900         | 0.79%        |
| AES Corp                               | 10/15/17   | 5,181,300         | 0.79%        |
| Citibank NA                            | 07/02/10   | 4,976,173         | 0.76%        |
| Vertex Pharmaceuticals Inc             | Com. Stock | 4,908,187         | 0.75%        |
| Aramark Corp                           | 02/01/15   | 4,545,000         | 0.69%        |
| <b>Top Ten</b>                         |            | <b>54,930,254</b> | <b>8.37%</b> |

\* A complete list of portfolio holdings is available from the Office of the Treasurer.



# 2010 developed market international stock fund

## Fund Facts at June 30, 2010

**Investment Strategy/Goals:** To achieve a long-term real rate of return above the U.S. inflation rate and provide asset diversification through equity investments in developed foreign countries.

**Performance Objective:** An annual total return 100 to 250 basis points greater than the Benchmark after expenses.

**Benchmark:** S&P/Citigroup BMI EPAC (Europe, Pacific, Asia Composite) Index 50% Hedged

**Date of Inception:** November 1, 2007

**Total Net Assets:** \$4,434,960,564

**Number of Advisors:** 14 external

**Management Fees:** \$22,085,148

**Operating Expenses:** \$1,839,727

**Expense Ratio:** 0.54%

## Description of the Fund

The Developed Markets International Stock Fund ("DMISF") is an externally managed fund, which invests in equity securities of non-U.S. corporations. The goal of this asset class is to participate in the growth of developed foreign markets and achieve a long-term, real rate of return above the U.S. inflation rate. At the end of fiscal year 2010, the Fund had fourteen external advisors specializing in different aspects of the market. (See Figure 8-6.) Based on the Fund's net asset value as of June 30, 2010, actively managed core investments accounted for approximately 32.19% of the portfolio. The remaining portion of the portfolio that was actively managed was allocated as follows: 22.3% in active growth/value, 14.5% in small cap, and 14.4% risk controlled. Fourteen and a half percent of the portfolio was passively managed and 1.6% was contained in the currency management account. Additionally, approximately 2.3% was managed through the Connecticut Horizon Fund (CHF) with the final .5% held in cash equivalents.

## Portfolio Characteristics

At fiscal year-end, DMISF was 99.5% invested in developed market foreign securities, reflecting the Fund's policy to be fully invested. The DMISF country allocations were generally similar to the weightings of the index, with Japan, Australia, and Korea slightly underweighted relative to the index. The largest geographic concentrations were Japan (19.4%) and the United Kingdom (18.1%). The variances from the index weightings reflect the active management of the portfolio. (See Figure 8-5.)

The DMISF was well diversified by market, sector and capitalization. At year-end, the Fund's largest investment, consumer staples' leader Nestlé's, comprised 1.8% of the total aggregate investment securities. At June 30, 2010, the top ten holdings of the portfolio accounted for only 10.5% of the Fund's investments indicating broad stock diversification. (See Figure 8-7.)

## Market Review

The developed markets began the fiscal year on a high note, rallying throughout the quarter ending September 30, 2009. Performance was driven by strong gains within the European equities' market. Significant exposure to the financials sector, specifically within banking stocks, led the equities' rally over the quarter. However, by June the rally in developed markets subsided. The Greek debt crisis led investors to raise concerns regarding the fiscal and economic policies of many other European countries and also threatened the stability of the Euro. In addition, concerns over the rising debt to GDP ratios across the region and further questions about financial stability drove down performance across the region. Greece ended the fiscal year down 46.8%. As a result of the instability within the European markets, the developed markets rally came to a halt over the quarter ending June 30, 2010.

## Performance Summary

For the fiscal year ended June 30, 2010, the Developed Markets International Stock Fund generated a return of 11.03%, net of fees and operating expenses, which outperformed its benchmark return of 9.68% by 135 basis points.

DMISF's market value grew from \$4,415.9 million on June 30, 2009 to \$4,434.9 million, an increase of \$19 million. Net realized and unrealized gains of \$412.9 million along with \$110.8 million of net investment income were offset by cash withdrawals of \$503.7 million by participating pension plans and trusts. The Fund outperformed its benchmark by 39 basis points over the three year period, generating a return of -11.93% versus -12.32% for the index. Over the five year period, the Fund's annualized return was 1.35% versus 1.76% for its benchmark, an underperformance of 41 basis points. (Figure 8-3).

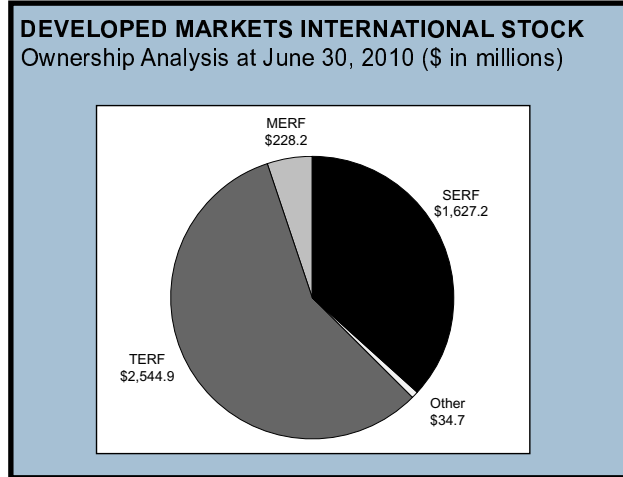
The cumulative total returns produced by DMISF exceeded the benchmark over the one and three year periods and was below the index over the five year period.

## Risk Profile

Given DMISF's investment policies and objectives, the Fund is exposed to several risks. These include, but are not limited to, political and economic risk, currency exchange risk, market risk, and individual company risk. A currency hedging strategy is employed. As stated in the Investment Policy Statement, a 50% hedge ratio should provide an acceptable reduction in the portfolio's currency risk profile over time. The Fund has been slightly less volatile than its benchmark over the five-year period ending June 30, 2010. DMISF's high R2 score of 0.99 demonstrates a relatively strong overall correlation with the performance of the index. The results of these two measurements indicate that the Fund is producing higher risk-adjusted returns compared to its benchmark.

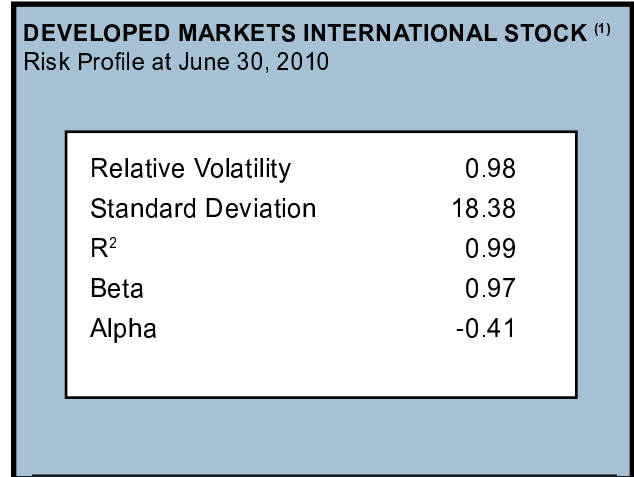
## CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 8-1



TERF - Teachers' Retirement Fund  
SERF - State Employees Retirement Fund  
MERF - Connecticut Municipal Employees' Retirement Fund

Figure 8-2



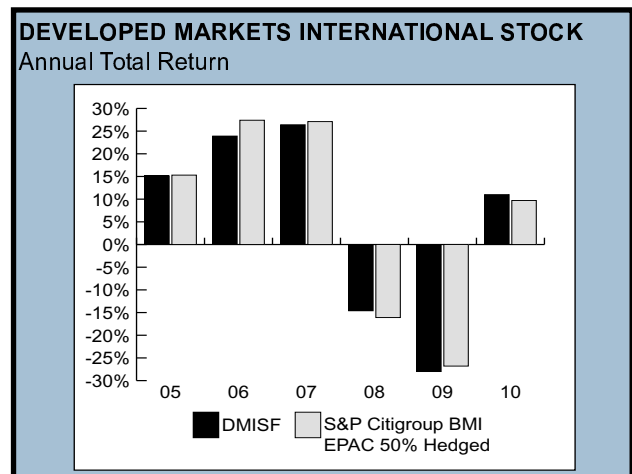
(1) Based upon returns over the last five years.

Figure 8-3

**DEVELOPED MARKETS INTERNATIONAL STOCK**  
Periods ending June 30, 2010

|  | 1 YR  | 3 YRS  | 5YRS |
|--|-------|--------|------|
| <b>Compounded, Annual Total Return (%)</b> |       |        |      |
| DMISF                                      | 11.03 | -11.93 | 1.35 |
| S&P/Citigroup BMI                          |       |        |      |
| EPAC 50% Hedged                            | 9.68  | -12.32 | 1.76 |
| <b>Cumulative Total Return (%)</b>         |       |        |      |
| DMISF                                      | 11.03 | -31.69 | 6.95 |
| S&P/Citigroup BMI                          |       |        |      |
| EPAC 50% Hedged                            | 9.68  | -32.59 | 9.11 |

Figure 8-4



## CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 8-5

| <b>DEVELOPED MARKETS INTERNATIONAL STOCK</b>   |  |  |          |
|--|--|--|----------|
| Diversification by Benchmark Country with Return (%) at June 30, 2010 <sup>(1)</sup> |  |  |          |
|  | DMISF<br>% of<br>Net Assets<br>6/30/10 | Benchmark<br>% of<br>Net Assets<br>6/30/10 | Variance |
| Australia  | 5.2                                    | 7.7  | -2.5     |
| Austria  | 0.6                                    | 0.4  | 0.2      |
| Belgium  | 0.8                                    | 1.0  | -0.2     |
| Denmark  | 1.0                                    | 1.0  | 0.0      |
| Finland  | 0.9                                    | 1.1  | -0.2     |
| France   | 8.0                                    | 8.7  | -0.7     |
| Germany  | 6.7                                    | 7.0  | -0.3     |
| Greece   | 0.3                                    | 0.3  | 0.0      |
| Hong Kong  | 3.1                                    | 3.1  | 0.0      |
| Ireland  | 0.4                                    | 0.4  | 0.0      |
| Italy  | 2.7                                    | 3.0  | -0.3     |
| Japan  | 19.4                                   | 22.2                                       | -2.8     |
| Korea  | 3.2                                    | 4.8  | -1.6     |
| Luxembourg   | 0.2                                    | 0.5  | -0.3     |
| Netherlands  | 3.5                                    | 2.6  | 0.9      |
| New Zealand  | 0.2                                    | 0.1  | 0.1      |
| Norway   | 0.6                                    | 0.9  | -0.3     |
| Portugal   | 0.2                                    | 0.4  | -0.2     |
| Singapore  | 1.9                                    | 1.8  | 0.1      |
| Spain  | 2.1                                    | 3.2  | -1.1     |
| Sweden   | 2.1                                    | 2.9  | -0.8     |
| Switzerland  | 8.2                                    | 7.5  | 0.7      |
| United Kingdom   | 18.1                                   | 19.4                                       | -1.3     |
| Other  | <u>10.6</u>                            | <u>0.0</u>                                 | 10.6     |
| <b>Total</b>   | <b>100.0</b>                           | <b>100.0</b>                               |          |

Figure 8-6

| <b>DEVELOPED MARKETS INTERNATIONAL STOCK</b> |                      |                |
|--|----------------------|----------------|
| Investment Advisors at June 30, 2010         |                      |                |
| Investment Advisor                           | Net Asset<br>Value   | % of<br>Fund   |
| <b>Index</b>                                 | <b>\$643,899,823</b> | <b>14.52%</b>  |
| State Street Global Advisors                 | 643,899,823          | 14.52%         |
| <b>Core</b>                                  | <b>1,427,372,133</b> | <b>32.19%</b>  |
| Invesco Global Asset Mgmt.                   | 175,522,939          | 3.96%          |
| AQR Capital Management                       | 518,387,343          | 11.69%         |
| Acadian Asset Management                     | 182,882,308          | 4.12%          |
| Artio Global                                 | 449,467,939          | 10.14%         |
| Progress                                     | 101,111,604          | 2.28%          |
| <b>Active-Growth</b>                         | <b>511,832,524</b>   | <b>11.54%</b>  |
| MFS Institutional Advisors, Inc.             | 511,832,524          | 11.54%         |
| <b>Active-Value</b>                          | <b>479,311,240</b>   | <b>10.81%</b>  |
| Grantham, Mayo, Van Otterloo                 | 479,311,240          | 10.81%         |
| <b>Small Cap</b>                             | <b>644,021,970</b>   | <b>14.52%</b>  |
| Schroder Investment Mgmt.                    | 221,955,384          | 5.00%          |
| Dimensional Fund Advisors                    | 201,856,115          | 4.55%          |
| William Blair & Company                      | 220,210,471          | 4.97%          |
| <b>Risk Controlled</b>                       | <b>640,159,768</b>   | <b>14.43%</b>  |
| BlackRock                                    | 314,448,922          | 7.09%          |
| Pyramis                                      | 325,710,846          | 7.34%          |
| <b>Other <sup>(1)</sup></b>                  | <b>88,363,106</b>    | <b>1.99%</b>   |
| <b>TOTAL DMISF</b>                           | <b>4,434,960,564</b> | <b>100.00%</b> |

(1) Other represents Liquidity Fund, other assets and terminated advisor balances, as well as, currency overlay balances for the DMISF (managed by Pareto).

Figure 8-7

| <b>DEVELOPED MARKETS INTERNATIONAL STOCK</b> |                |                    |               |
|--|----------------|--------------------|---------------|
| Ten Largest Holdings* at June 30, 2010       |                |                    |               |
| Security Name                                | Country        | Market Value       | %             |
| Nestle SA CHFO.10 REGD                       | Switzerland    | \$ 77,999,342      | 1.80%         |
| Royal Dutch Shell PLC A Shares Eur .07       | United Kingdom | 53,794,807         | 1.24%         |
| Roche Holdings AG Genusscheine NPV           | Switzerland    | 51,536,598         | 1.19%         |
| HSBC Holdings ORD USD 0.50 UK REG            | United Kingdom | 46,545,054         | 1.08%         |
| Novartis AG CHF 0.50 REGD                    | Switzerland    | 44,326,091         | 1.02%         |
| Glaxosmithkline ORD GBP 0.25                 | United Kingdom | 40,731,126         | 0.94%         |
| Sanofi Aventis EUR 2.0                       | France         | 36,436,956         | 0.84%         |
| Total SA Eur 2.5 Post Division               | France         | 35,270,998         | 0.82%         |
| Astrazeneca ORD USD 0.25                     | United Kingdom | 33,785,298         | 0.78%         |
| Vodafone Group ORD USD 0.11428571            | United Kingdom | 33,235,013         | 0.77%         |
| <b>Top Ten</b>                               |                | <b>453,661,283</b> | <b>10.48%</b> |

\* A complete list of portfolio holdings is available from the Office of the Treasurer.

# 2010 emerging markets international stock fund

## Fund Facts at June 30, 2010

**Investment Strategy/Goals:** To achieve a long-term, real rate of return above the U.S. inflation rate by participating in the growth of emerging market economies through the ownership of equity securities.

**Performance Objective:** An annual total return of 200 basis points greater than the MSCI Emerging Markets IMI (with net dividends) Index benchmark after expenses.

**Benchmark:** MSCI Emerging Markets IMI (Investable Market Index) Index

**Date of Inception:** November 1, 2007

**Total Net Assets:** \$2,073,164,572

**Number of Advisors:** 4 external

**Management Fees:** \$12,333,677

**Operating Expenses:** \$1,689,274

**Expense Ratio:** 0.87%

## Description of the Fund

The Emerging Market International Stock Fund (“EMISF”) is an externally managed fund, which invests in foreign companies located in countries having developing or emerging economies. Emerging markets are expected to grow at a higher rate than developed markets and investments in these markets also provide further diversification for CRPTF assets. EMISF is managed by four emerging markets external money managers. The newest manager was hired during the third quarter of fiscal 2010 as a result of an increased strategic asset allocation to emerging markets’ equity investments.

## Portfolio Characteristics

The EMISF country allocations differ, in some cases significantly, to the weightings of the index. Each manager is permitted some discretion to deviate from the index in order to enhance performance. China had the largest variance from the index representing 5.7% of the EMISF portfolio compared to 19.4% of the index. Other countries that were meaningfully underweighted relative to the benchmark were India, South Africa and Taiwan. Thailand and Turkey had significant over weights to the index. Twenty percent of the fund was allocated to stocks in emerging countries outside of the benchmark. (See Figure 9-6.).

The EMISF was well diversified at year-end. The top ten holdings accounted for 19.24% of the Fund’s investments across six countries. (Figure 9-8.). The EMISF’s largest holdings included a variety of “blue chip” companies located in Latin America, Eastern Europe, and the Far East. The Fund’s largest investment, comprising 2.62% of investment securities, was Korea’s Samsung Electric.

## Market Review

During the fiscal year ended June 30, 2010, emerging markets continued to lead the global equity rally, which began at the beginning of 2009. The rally was led by the financials’ sector as investor confidence recovered over 2009. As many investors saw emerging market countries as being significant players in the global economic recovery, performance of the BRIC countries (Brazil, Russia, India and China) led the rally in 2009. However beginning in 2010, the emerging markets’ rally began to lose steam, as countries such as China and Brazil experienced negative returns. China’s underperformance is attributable to poor returns amongst banks and real estate companies, as investors grew concerned over the lending practices of banks, coupled with the bubble developing within the real estate market. Brazil’s poor performance was a result of a decline in returns within telecommunications and consumer discretionary companies, as well as a sharp decline in Petrobras, the largest company in Latin America. The emerging markets’ rally came to a halt over the quarter ending June 2010, as the financial instability in several European countries, fueled by the sovereign debt crisis, decreased investor confidence throughout the region.

## Performance Summary

For the fiscal year ended June 30, 2010, the Emerging Markets International Stock Fund (EMISF) generated a return of 25.23%, net of fees and operating expenses, outperforming its benchmark index return of 24.57% by 66 basis points. Under weighting China, India and South Africa, and over weighting Turkey, relative to the index, contributed positively to performance. Over weighting Hungary and under weighting Taiwan detracted from performance.

The EMISF's value as of June 30, 2010 was \$2,073.1 million, up from \$1,147.3 million one year earlier. Of this \$925.8 million increase, \$548.1 million emanated from net cash inflows from participating pension and trust funds, \$343.1 million from net realized and unrealized gains, and \$34.9 million from net investment income.

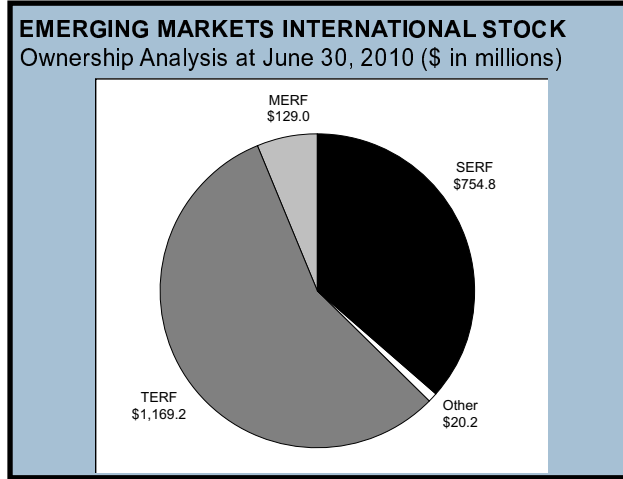
The Fund returned -4.65% and 10.88% for the three and five year periods, underperforming by 272 basis points and 224 basis points respectively. Over the ten year period, the fund was within 9 basis points of the benchmark return of 10.21%, returning 10.12%. The cumulative returns for the Fund for the three, five and ten year periods were -13.30%, 67.56% and 162.26%, respectively, as illustrated in Figure 9-4.

## Risk Profile

Given EMISF's investment policies and objectives, the Fund is exposed to several forms of risk. These include, but are not limited to, political and economic risk, currency exchange risk, market risk, and individual company risk. Based on returns over the last five years, the Fund's risk profile is similar to that of the benchmark. Its high R2 of 0.99 demonstrates a strong overall correlation with the performance of the index. In the aggregate, EMISF's annualized excess return over the five-year period, or return in excess of that earned by the benchmark, was -2.24%. (See Figure 9-2.) Over the past five years, the fund has experienced less volatility than the benchmark as evidenced by its .97% relative volatility.

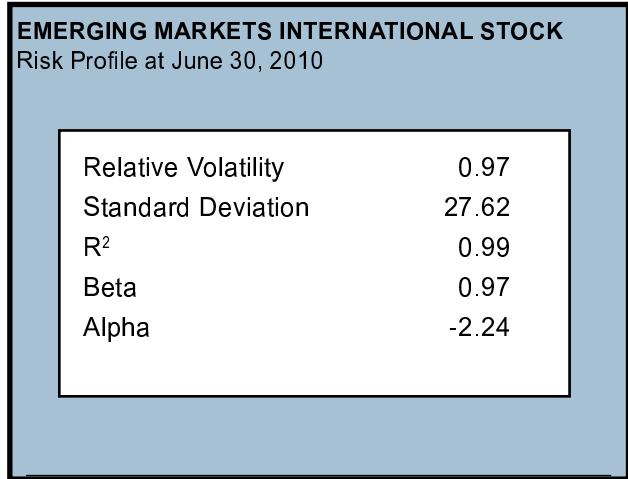
**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

Figure 9-1



TERF - Teachers' Retirement Fund  
SERF - State Employees Retirement Fund  
MERF - Connecticut Municipal Employees' Retirement Fund

Figure 9-2



(1) Based upon returns over the last five years.

Figure 9-3

**EMERGING MARKETS INTERNATIONAL STOCK**  
Fiscal 2010 Economic Sector vs. Index (%)

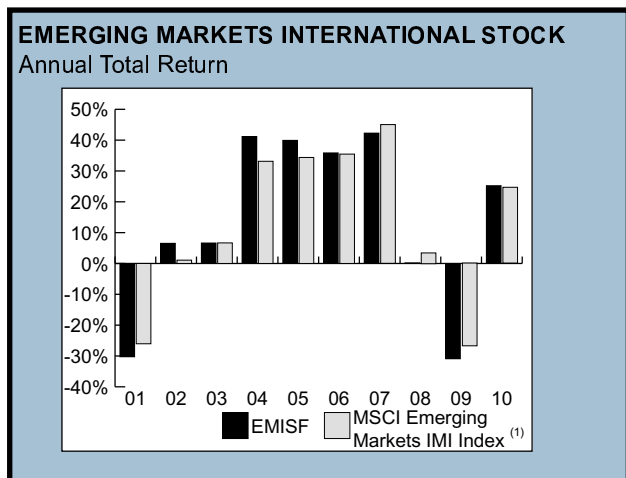
|                            | EM ISF | MSCI Index | Variance |
|----------------------------|--------|------------|----------|
| Energy                     | 13.6   | 12.4       | 1.2      |
| Materials                  | 10.5   | 15.8       | -5.3     |
| Industrials                | 8.2    | 8.8        | -0.6     |
| Consumer Discretionary     | 7.4    | 7.1        | 0.3      |
| Consumer Staples           | 5.5    | 5.4        | 0.1      |
| Health Care                | 1.4    | 0.7        | 0.7      |
| Financials                 | 24.3   | 25.6       | -1.3     |
| Information Technology     | 9.3    | 12.5       | -3.2     |
| Telecommunication Services | 6.4    | 8.3        | -1.9     |
| Utilities                  | 1.8    | 3.4        | -1.6     |
| Commingled Fund            | 10.0   | 0.0        | 10.0     |
| Preferred Stock            | 0.0    | 0.0        | 0.0      |
| Private Placement          | 0.0    | 0.0        | 0.0      |
| Liquidity Fund             | 1.6    | 0.0        | 1.6      |
|                            | 100.0  | 100.0      |          |

Figure 9-4

**EMERGING MARKETS INTERNATIONAL STOCK**  
Periods ending June 30, 2010

|  | 1 YR  | 3 YRS  | 5 YRS | 10 YRS |
|--|-------|--------|-------|--------|
| <b>Compounded, Annual Total Return (%)</b> |       |        |       |        |
| EMISF                                      | 25.23 | -4.65  | 10.88 | 10.12  |
| MSCI EMERGING MARKETS IMI INDEX            | 24.57 | -1.93  | 13.12 | 10.21  |
| <b>Cumulative Total Return (%)</b>         |       |        |       |        |
| EMISF                                      | 25.23 | -13.30 | 67.56 | 162.26 |
| MSCI EMERGING MARKETS IMI INDEX            | 24.57 | -5.69  | 85.25 | 164.33 |

Figure 9-5



## CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 9-6

| <b>EMERGING MARKETS INTERNATIONAL STOCK</b>  |                               |                 |                               |                 |
|--|-------------------------------|-----------------|-------------------------------|-----------------|
| Diversification by Benchmark Country with Return (%) at June 30, 2010 <sup>(1)</sup> |                               |                 |                               |                 |
|  | EMISF                         |                 | EMISF Benchmark               |                 |
|  | % of<br>Net Assets<br>6/30/10 | Total<br>Return | % of<br>Net Assets<br>6/30/10 | Total<br>Return |
| Argentina  | 0.1                           | 15.3            | 0.1                           | 39.9            |
| Brazil   | 14.7                          | 26.8            | 15.3                          | 21.8            |
| Chile  | 0.6                           | 35.4            | 1.5                           | 25.2            |
| China  | 5.7                           | 20.3            | 19.4                          | 10.9            |
| Columbia   | 0.1                           | 52.8            | 0.8                           | 53.6            |
| Czech Republic   | 0.5                           | 1.9             | 0.4                           | -1.5            |
| Egypt  | 0.8                           | 9.2             | 0.5                           | 11.4            |
| Hungary  | 1.4                           | -1.6            | 0.4                           | 15.5            |
| India  | 2.9                           | 48.2            | 8.3                           | 32.0            |
| Indonesia  | 3.1                           | 69.2            | 2.4                           | 66.0            |
| Israel   | 0.6                           | 12.7            | 0.0                           | 0.0             |
| Jordan   | 0.0                           | 0.0             | 0.0                           | 0.0             |
| Kazakhstan   | 0.0                           | 0.0             | 0.0                           | 0.0             |
| Korea  | 12.9                          | 25.3            | 13.5                          | 31.9            |
| Malaysia   | 2.4                           | 42.0            | 2.9                           | 33.9            |
| Mexico   | 4.6                           | 31.9            | 4.4                           | 31.7            |
| Morocco  | 0.0                           | -20.7           | 0.2                           | -11.5           |
| Pakistan   | 0.0                           | -4.8            | 0.1                           | 34.3            |
| Peru   | 0.2                           | 27.1            | 0.6                           | 52.2            |
| Philippines  | 1.0                           | 50.1            | 0.5                           | 35.5            |
| Poland   | 1.0                           | 11.3            | 1.3                           | 23.1            |
| Russia   | 7.9                           | 18.5            | 6.3                           | 26.5            |
| South Africa   | 3.6                           | 23.9            | 7.2                           | 18.4            |
| Taiwan   | 7.2                           | 11.9            | 10.8                          | 15.4            |
| Thailand   | 4.2                           | 39.6            | 1.5                           | 34.6            |
| Turkey   | 4.4                           | 54.8            | 1.6                           | 43.7            |
| Venezuela  | 0.0                           | 0.0             | 0.0                           | 0.0             |
| Other Countries  | 20.1                          | 0.0             | 0.0                           | 0.0             |
| <b>Total</b>   | <b>100.0</b>                  |                 | <b>100.0</b>                  |                 |

(1) Includes Liquidity Fund and cash equivalents at each country level.

Figure 9-7

| <b>EMERGING MARKETS INTERNATIONAL STOCK</b> |                      |                |
|---|----------------------|----------------|
| Investment Advisors at June 30, 2010        |                      |                |
| Investment Advisor                          | Net Asset<br>Value   | % of<br>Fund   |
| Grantham, Mayo, Van Otterloo                | 579,031,270          | 27.93%         |
| Emerging Markets Management                 | 562,542,529          | 27.13%         |
| Aberdeen Asset Management                   | 511,208,154          | 24.66%         |
| Schroders Investment Mgt                    | 415,973,739          | 20.07%         |
| Other <sup>(1)</sup>                        | 4,408,880            | 0.21%          |
| <b>TOTAL EMISF</b>                          | <b>2,073,164,572</b> | <b>100.00%</b> |

(1) Other represents Liquidity Fund, other assets and terminated advisor balances, as well as, currency overlay balances for the DMISF.

Figure 9-8

| <b>EMERGING MARKETS INTERNATIONAL STOCK</b> |                    |                    |               |
|---|--------------------|--------------------|---------------|
| Ten Largest Holdings* at June 30, 2010      |                    |                    |               |
| Security Name                               | Country            | Market Value       | %             |
| Samsung Electronic<br>KRW 5000              | Republic of Korea  | 54,210,055         | 2.62%         |
| Vale SA Depository<br>Receipts              | Brazil             | 53,183,480         | 2.58%         |
| Petroleo Brasileiro SA<br>Sponsored ADR     | Brazil             | 51,738,522         | 2.51%         |
| Gazprom ADR OAO                             | Russian Federation | 47,943,655         | 2.32%         |
| China Mobile Ltd.<br>HKD 0.10               | Hong Kong          | 47,795,789         | 2.31%         |
| CNOOC Ltd HKD 0.02                          | Hong Kong          | 38,764,655         | 1.88%         |
| Lukoil OAO ADR<br>Rub 0.025                 | Russian Federation | 30,949,045         | 1.50%         |
| America Movil ADR<br>Series L               | Mexico             | 24,795,570         | 1.20%         |
| Grupo Financiero<br>Banorte NPV             | Mexico             | 24,162,107         | 1.17%         |
| Taiwan Semiconductor<br>SP ADR              | Taiwan             | 23,838,175         | 1.15%         |
| <b>Top Ten</b>                              |                    | <b>397,381,053</b> | <b>19.24%</b> |

\* A complete list of portfolio holdings is available from the Office of the Treasurer.



# 2010 real estate fund

## Fund Facts at June 30, 2010

**Investment Strategy/Goals:** To provide diversification to the overall CRPTF investment program; preserve investment capital and generate attractive risk-adjusted rates of return. The REF also provides current income and serves as a hedge against inflation.

**Performance Objective:** An annual total return which is equal to or greater than CRPTF's actuarially determined assumed rate of return and competitive with that of other asset classes in which CRPTF invests, on a risk adjusted basis.

**Benchmark:** National Council of Real Estate Investment Fiduciaries Index (NCREIF) with a one quarter lag.

**Date of Inception:** July 1, 1982

**Total Net Assets:** \$783,828,981

**Number of Partnerships:** 35 external

**Management Fees** <sup>(1)</sup>: \$3,100,126

**Operating Expenses:** \$861,849

**Expense Ratio:** 0.51%

**Capitalized and Netted Fees:** \$14,317,722

*(1) See note 1 to the Financial Statements for a discussion of similar fees incurred at the investment level.*

## Description of the Fund

The Real Estate Fund (REF) is an externally managed fund that invests in real estate, real estate related investments and mortgages. These investments are restricted by policy to the purchase of shares in group annuities, limited partnerships, group trusts, corporations, and other indirect ownership structures managed by professional commercial real estate investment firms.

REF is benchmarked against the NCREIF index. Its strategic objectives are: (1) to provide diversification to the overall CRPTF investment program; (2) to preserve investment capital and generate attractive risk-adjusted rates of return; (3) to provide current income; and (4) to provide a hedge against inflation. Its returns are expected to be equal to or greater than CRPTF's actuarially determined assumed rate of return (currently 8.5%) and competitive with that of other asset classes in which CRPTF invests, on a risk adjusted basis.

## Portfolio Characteristics

At June 30, 2010, the portfolio consisted of 35 externally managed portfolios/investments with 0.3% invested in real estate trusts, 89.9% invested in limited partnerships or limited liability companies and 9.8% invested in cash. The Fund's ten largest holdings aggregated to 47.25% of the fund. (See figure 10-12.)

As currently structured, 9.7% of the REF is invested in cash, 13.4% apartment, 11.4% hotel, 9.1% retail, 21.9% office 8.4% industrial and 26.1% in other real estate including mixed use, land, resorts, senior housing and condominiums. (See figure 10-7.)

The portfolio is reasonably well diversified geographically with 22.6% in the West, 22.4% in the South, 28.4% in the East and 6.6% in the Midwest. The balance of 4.2% is invested internationally with 15.8% invested in cash and other assets. (See figure 10-6.)

## Performance Summary

For the fiscal year ending June 30, 2010, the REF generated a total return of -20.18%, net of fees, which under performed the National Council of Real Estate Investment Fiduciaries Index (NCREIF) of -9.60% by 1,058 basis points. Most of the underperformance was due to early recognition of valuation declines resulting from the national credit crisis and the REF's 59% leverage which compounds the valuation declines in a down market versus the unleveraged index.

## CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

During the fiscal year, the value of REF increased from \$769.6 million to \$783.8 million, due primarily to \$202.8 million of new purchases offset by (\$174.4) net unrealized losses, \$13.9 million of distributions and \$0.3 million in salaries.

For the trailing three, five and ten year periods, REF's compounded annual returns were (15.48%), (5.92%), and 1.18%, respectively, net of all expenses (see figure 10-8). The REF returns underperformed the benchmark in the three, five and ten year periods by 1,116 basis points, 1,011 basis points and 594 basis points, respectively. Most of the long-term underperformance is due to a legacy portfolio (1998 commitments) that has underperformed. The short-term underperformance is due to 59% portfolio leverage versus an unlevered index.

During fiscal year 2010, the CRPTF committed \$200 million to three Public Private Investment Funds, which was part of a broad effort to repair balance sheets throughout the U.S. financial system and ensure that credit is available to households and businesses. Three separate limited partnership investment were made into these fund: \$50 million into AllianceBernstein Legacy Securities (Delaware) LP; \$50 million into Marathon Legacy Securities Public-Private Investment Fund, LP, and \$100 million into WLR IV PPIP Co-Invest, LP.

### Market Review

The outlook for the US real estate markets is highly contingent upon a growing economy and a low unemployment rate. Despite recent encouraging trends for both the US economy and the job market, job creation is expected to remain sluggish and the economic outlook uncertain. The broader economic recovery will ultimately filter through to office jobs, which will support an office property recovery, but first must overcome hesitancy by tenants to expand space needs. The recession has also taken its toll on industrial and retail properties. The downturn in demand for these properties is primarily due to lack of consumer demand, which has led to a reduction in inventories and higher vacancy rates for retail space. One bright spot has been the growth in the apartment sector, vacancies have declined and improvements have been seen across virtually all markets helped by the expiration of the home buyer's tax credit. More recently, there are continued signs of decelerating declines in market value, and in some cases modest appreciation across the asset class. Transaction activity is increasing, and capitalization rates are beginning to compress within certain lower risk real estate sectors. Institutional investors have begun to refocus on making investments within this battered real estate asset class.

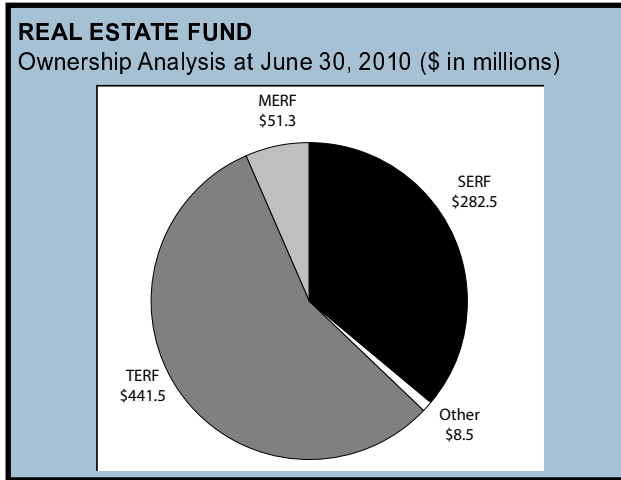
### Risk Profile

Given REF's investment policy and objectives, the Fund is exposed to several forms of risk. These include risks attendant to alternative investments, such as management, operations, market, and liquidity risk, but also include geographic, financing, and construction risks specific to real estate investments.

As shown below, based on returns over the last five years, the Fund has exhibited substantially more volatility than its benchmark. The Fund's statistics are consistent with its extraordinarily low R2 of 0.00, signifying almost no correlation between Fund returns and those of the benchmark. Its beta of -0.03 indicates little sensitivity to overall fluctuations in the benchmark. In the aggregate, the Fund's monthly alpha, or return relative to that achieved by the benchmark, was negative 10.11 over the five-year time period. Work continues on rebuilding the portfolio to more closely align the Fund with the benchmark.

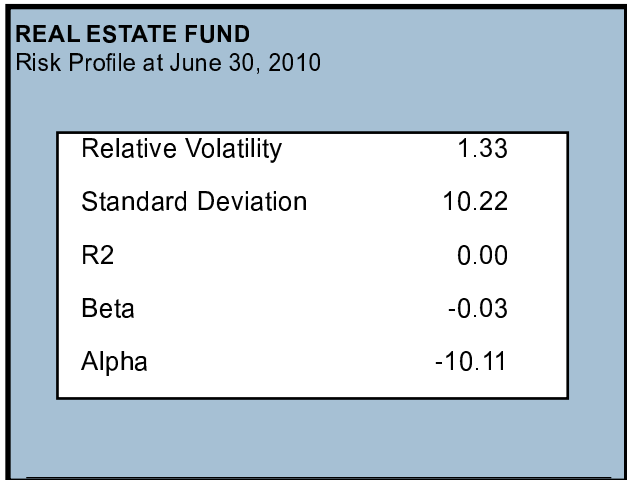
**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

Figure 10-1



TERF - Teachers' Retirement Fund  
SERF - State Employees Retirement Fund  
MERF - Connecticut Municipal Employees' Retirement Fund

Figure 10-2



(1) Based upon returns over the last five years.

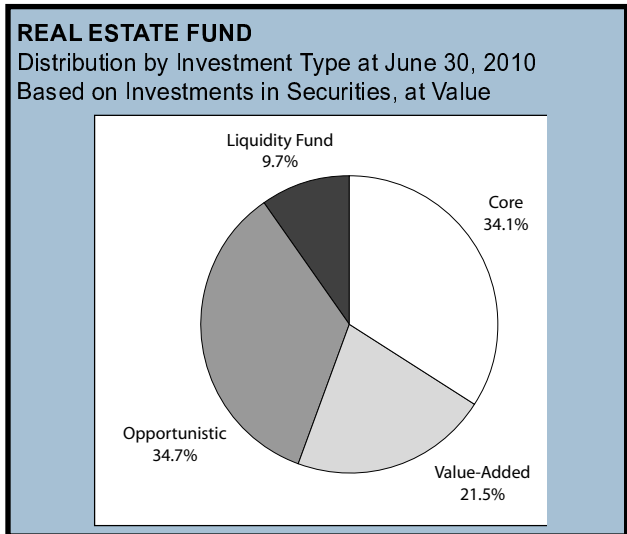
Figure 10-3

**REAL ESTATE FUND**  
Investments Analysis <sup>(1)</sup>

| At        | No. of REF Investments | REF Book Value | REF Market Value |
|-----------|------------------------|----------------|------------------|
| 6/30/2010 | 35                     | 1,097,439,251  | 715,310,010      |
| 6/30/2009 | 34                     | 996,474,812    | 745,643,849      |
| 6/30/2008 | 31                     | 920,921,272    | 968,885,960      |
| 6/30/2007 | 23                     | 485,341,324    | 531,570,750      |
| 6/30/2006 | 12                     | 259,551,191    | 330,169,779      |
| 6/30/2005 | 11                     | 304,926,401    | 394,855,227      |
| 6/30/2004 | 10                     | 324,142,113    | 344,673,596      |
| 6/30/2003 | 10                     | 393,641,512    | 420,132,363      |
| 6/30/2002 | 10                     | 413,693,249    | 467,819,628      |
| 6/30/2001 | 10                     | 403,106,638    | 471,662,581      |

(1) Number of investments in annuities, partnerships, corporations, and trusts, excluding the Liquidity Fund.

Figure 10-4



(1) Liquidity Fund and other monetary assets.

## CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 10-5

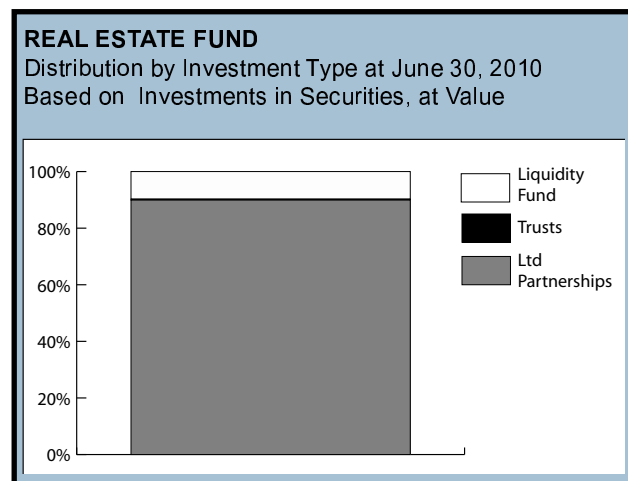
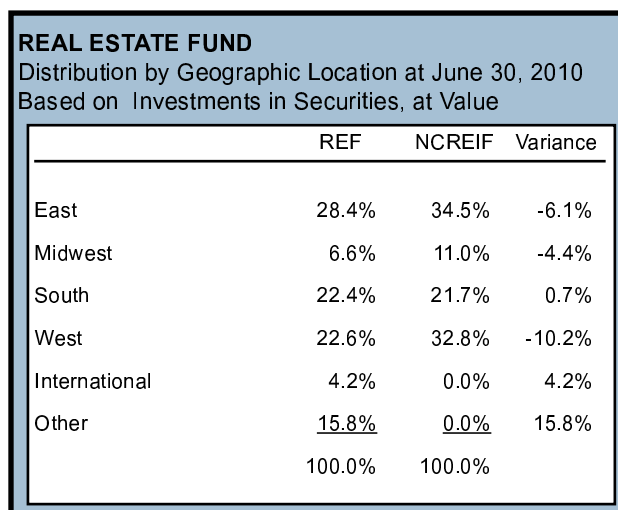
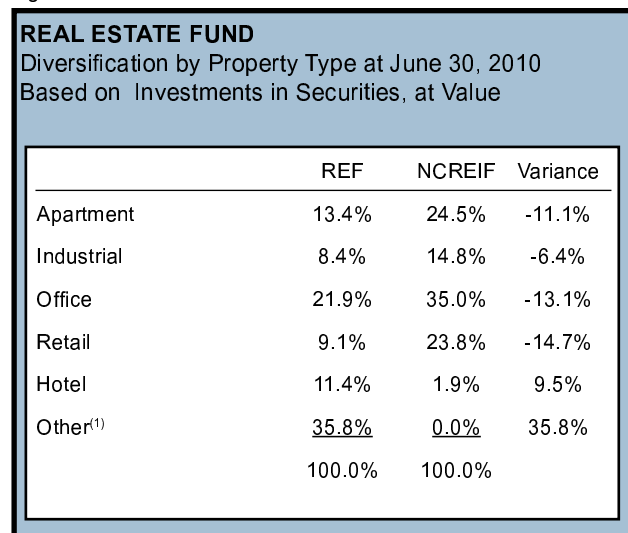


Figure 10-6



(1) Includes Liquidity Fund and other assets.

Figure 10-7



(1) Includes senior living, real estate mixed use, land, Liquidity Fund and other assets.

Figure 10-8

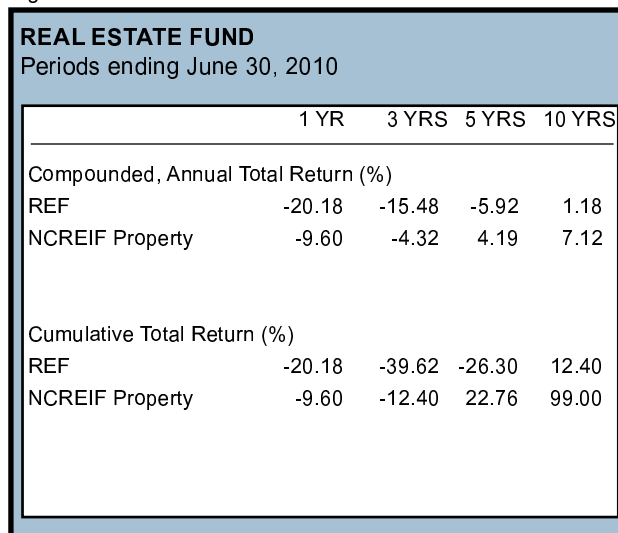


Figure 10-9

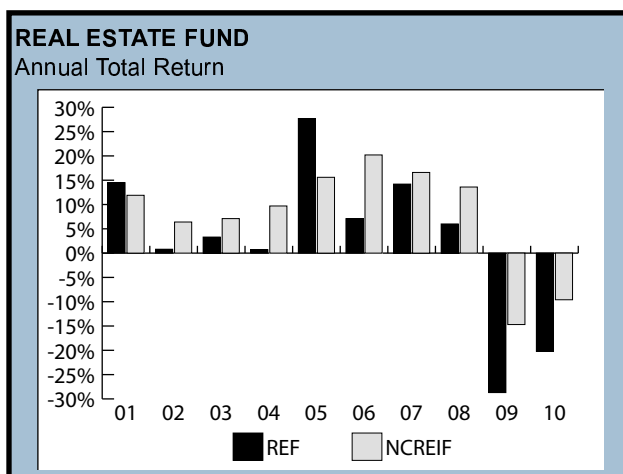
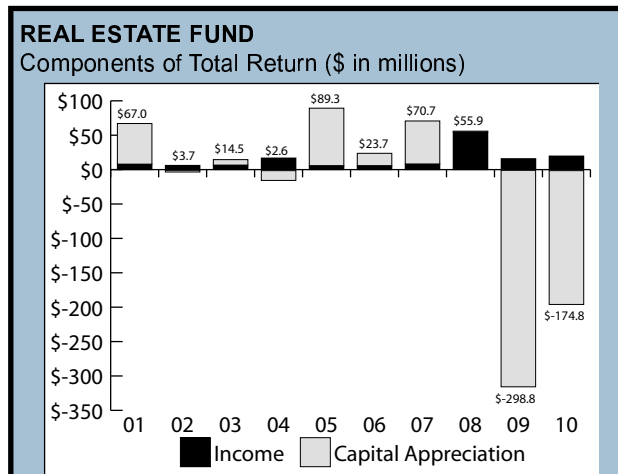


Figure 10-10



**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

Figure 10-11

| <b>REAL ESTATE FUND</b>                      |                        |                  |
|--|------------------------|------------------|
| Funds at June 30, 2010                       |                        |                  |
| <b>Fund</b>                                  | <b>Net Asset Value</b> | <b>% of Fund</b> |
| 1800 E. St. Andrew Place                     | \$18,156,905           | 2.32%            |
| 1155 Perimeter Center West                   | 26,639,547             | 3.40%            |
| AEW Partners III                             | 7,883,709              | 1.01%            |
| AEW 221 Trust                                | 2,708,893              | 0.35%            |
| AEW Core                                     | 481,132                | 0.06%            |
| Alliance Bernstein Legacy                    | 42,887,005             | 5.47%            |
| Apollo Real Estate                           | 15,223,252             | 1.94%            |
| Blackstone Real Estate VI LP                 | 30,978,400             | 3.95%            |
| Blackstone Real Estate Partner Europe III LP | 2,405,287              | 0.31%            |
| Canyon Johnson Urban Fund II                 | 29,275,945             | 3.73%            |
| Canyon Johnson Urban Fund III                | 1,142,460              | 0.15%            |
| Capri Select Income II LLC                   | 6,985,650              | 0.89%            |
| Colony Realty Partners II LP                 | 18,531,176             | 2.36%            |
| Cornerstone Patriot                          | 42,865,500             | 5.47%            |
| Covenant Apartment Fund V LP                 | 24,673,550             | 3.15%            |
| Covenant Apartment Fund VI                   | 10,103,790             | 1.29%            |
| The Glen at Lafayette Hill                   | 12,622,352             | 1.61%            |
| IL & FS India Realty Fund II                 | 25,725,591             | 3.28%            |
| Macfarlane Urban Real Estate Fund II LP      | 14,320,948             | 1.83%            |
| Marathon Legacy Securities PPI               | 33,072,845             | 4.22%            |
| Mullica Hill Plaza                           | 7,446,307              | 0.95%            |
| North Scottsdale Corporate Center            | 43,404,835             | 5.54%            |
| Prime Property Fund                          | 60,641,800             | 7.74%            |
| Rio Hill Shopping Center                     | 38,727,058             | 4.94%            |
| RLJ RE Fund III LP                           | 8,659,408              | 1.10%            |
| RLJ Urban Lodging Fund II                    | 28,751,650             | 3.67%            |
| Rocky Creek Apartments                       | 11,896,889             | 1.52%            |
| Rockwood Capital Fund V                      | 8,109,795              | 1.03%            |
| Rockwood Capital VI Limited Partnership      | 9,708,590              | 1.24%            |
| Rockwood Capital VII Limited Partnership     | 6,509,793              | 0.83%            |
| Starwood Opportunity Fund VII                | 31,755,800             | 4.05%            |
| Starwood Opportunity Fund VIII               | 10,955,630             | 1.40%            |
| Urban Strategy America Fund LP               | 17,116,204             | 2.18%            |
| Walton Street Real Estate                    | 15,366,560             | 1.96%            |
| WLR IV PPIP Co Invest LP                     | 49,575,756             | 6.32%            |
| Other <sup>(1)</sup>                         | 68,518,969             | 8.74%            |
| <b>TOTAL REF</b>                             | <b>\$783,828,981</b>   | <b>100.00%</b>   |

(1) Other represents moneys earmarked for distribution to participants, reinvestment, and expenses as well as terminated advisor balances.

Figure 10-12

| <b>REAL ESTATE FUND</b>                |               |                      |               |
|--|---------------|----------------------|---------------|
| Ten Largest Holdings* at June 30, 2010 |               |                      |               |
| <b>Property Name</b>                   | <b>Type</b>   | <b>Market Value</b>  | <b>%</b>      |
| Prime Property Fund                    | Core          | \$60,641,800         | 7.65%         |
| WLR IV PPIP Co Invest LP               | Opportunistic | 49,575,756           | 6.26%         |
| Alliance Bernstein Legacy              | Value-Added   | 42,887,005           | 5.41%         |
| Cornerstone Patriot                    | Core          | 42,865,500           | 5.41%         |
| Marathon Legacy Securities PPI         | Value-Added   | 33,072,845           | 4.17%         |
| Starwood Opportunity Fund VII          | Opportunistic | 31,755,800           | 4.01%         |
| Blackstone Real Estate VI LP           | Opportunistic | 30,978,400           | 3.91%         |
| Canyon Johnson Urban Fund II           | Opportunistic | 29,275,945           | 3.69%         |
| RLJ Urban Lodging Fund II              | Opportunistic | 28,751,650           | 3.63%         |
| Covenant Apartment Fund V LP           | Value-Added   | 24,673,550           | 3.11%         |
| <b>Top Ten</b>                         |               | <b>\$374,478,251</b> | <b>47.25%</b> |

\* A complete list of portfolio holdings is available from the Office of the Treasurer.

Figure 10-13

| <b>REAL ESTATE FUND</b>  |                          |                                |
|--|--------------------------|--------------------------------|
| New Investments Made in Fiscal Year 2010 <sup>(1)</sup> (in Excess of \$3 Million) |                          |                                |
| <b>Partnership Name</b>  | <b>Commitment Amount</b> | <b>Investment Type</b>         |
| Alliance Bernstein Legacy Securities   | \$50 million             | Public-Private Investment Fund |
| Marathon Legacy Securities Public-Private Investment Fund, LP                      | \$50 million             | Public-Private Investment Fund |
| WLR IV PPIP Co-Invest, LP  | <u>\$100 million</u>     | Public-Private Investment Fund |
| Total  | \$200 million            |                                |

(1) These represent new Real Estate Partnerships that were invested in by the Fund during fiscal year 2010.

# 2010 commercial mortgage fund

## Fund Facts at June 30, 2010

**Investment Strategy/Goals:** To achieve yields in excess of those available on domestic fixed income securities by investing in mortgages on income producing property or in commercial mortgage backed securities (CMBS).

**Performance Objective:** An annual total return which is one percentage point greater than that of the BC Aggregate Bond Index after expenses.

**Benchmark:** Barclays Aggregate Bond Index (BCI)

**Date of Inception:** November 2, 1987

**Total Net Assets:** \$3,826,443

**Number of Advisors:** 1 external

**Management Fees:** \$37,125

**Operating Expenses:** \$17,286

**Expense Ratio:** 1.21%

## Description of the Fund

The Commercial Mortgage Fund (CMF) is an externally managed fund that holds mortgages on income-producing commercial property. Established in 1982, it serves as a fixed income investment tool for the pension plans with the goal of realizing yields in excess of those available from traditional domestic fixed income securities, while accepting slightly greater credit risk.

CMF's investment assets consist of one externally managed commercial real estate mortgage loan and interests in Yankee Mac pooled residential mortgage-backed securities created pursuant to a previous Connecticut State Treasury program.

The CMF's performance objective is an annual total return, net of management fees and operating expenses, which exceeds that of the BCI by 100 basis points.

## Portfolio Characteristics

The sole remaining commercial mortgage loan is secured by three mobile home parks in Phoenix, AZ. The loan has a 9.55% interest rate and a maturity of September 2012. The loan amortized by approximately \$1.27 million during the fiscal year. Debt service coverage is abundant at 2.99 times.

The portfolio is healthy from a credit risk standpoint. CMF had no delinquent or non-performing loans at fiscal year end. None of the Fund's investments are scheduled to mature in the next 12 months.

## Performance Summary

For the fiscal year ended June 30, 2010, the CMF generated a return of 6.75%, net of management fees and operating expenses, under performing the BCI of 9.50% by 275 basis points. The CMF's unfavorable performance is attributable to an unrealized valuation adjustment.

During the fiscal year, CMF assets declined from \$5.137 million to \$3.826 million. This reduction was due to distributions of \$0.391 million, redemptions of \$1.267 million, net gains from operations of \$0.364 million and \$0.02 million in salaries.

For the trailing three, five, and ten-year periods, CMF's total compounded annual portfolio return was 5.0%, 6.54% and 7.88%, respectively, net of all expenses. The Fund's results over the three year period under-performed the benchmark by 252 basis points. For the five and 10 year periods the fund's results exceeded the benchmark by 100 basis points and 141 basis points, respectively.

At June 30, 2010, the Fund consisted of one commercial mortgage loan in the amount of \$3,464,167 and five residential mortgage pools with a combined value of \$193,054 and cash of \$160,894 at fair value.

The CMF continues to be inactive regarding new loans and is being managed to maximize the total return of its remaining holdings.

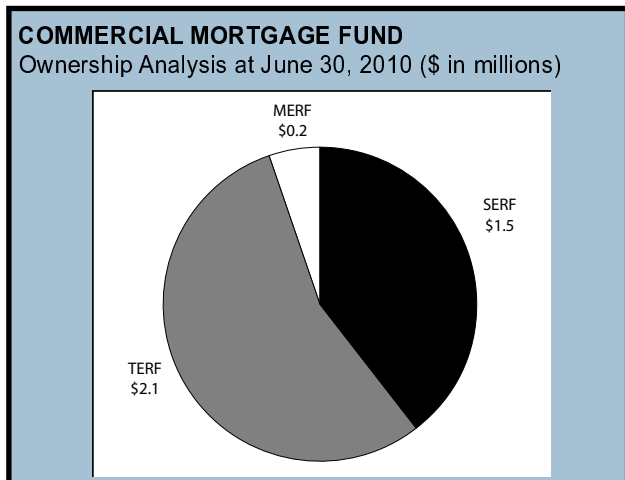
### **Risk Profile**

Given CMF's investment policies and objectives, the Fund is exposed to several forms of risk. These include risks specific to fixed income investing, such as purchasing power risk, market risk, and default risk. Moreover, falling interest rates subject commercial mortgages to the risk of prepayment, thereby shortening investors' assumed time horizon and exposing them to reinvestment risk. However, yield maintenance-based prepayment penalties, which are included in the majority of the Fund's commercial mortgage investments, help minimize this risk.

Based on returns over the last five years, the Fund's risk profile is similar to that of the BC Aggregate Bond Index. With a relative volatility of 2.13, its returns are more volatile than the index. The Fund's beta of .35 signifies a limited amount of sensitivity to movements in the Index as a whole. CMF's five-year monthly alpha, or return in excess of that predicted by returns in the overall market, at June 30, 2010 was 1.00.

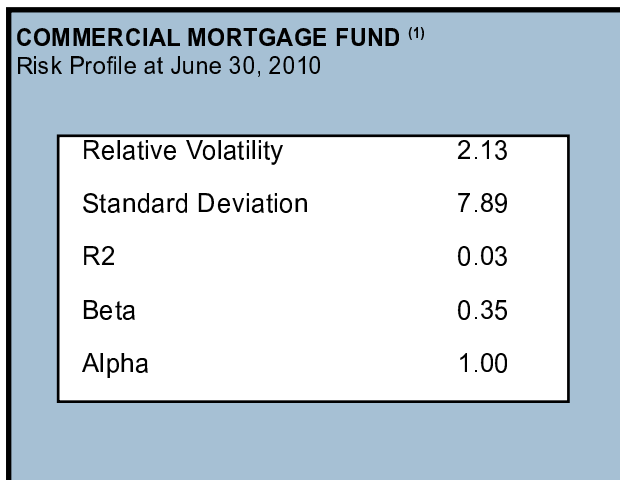
**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

Figure 11-1



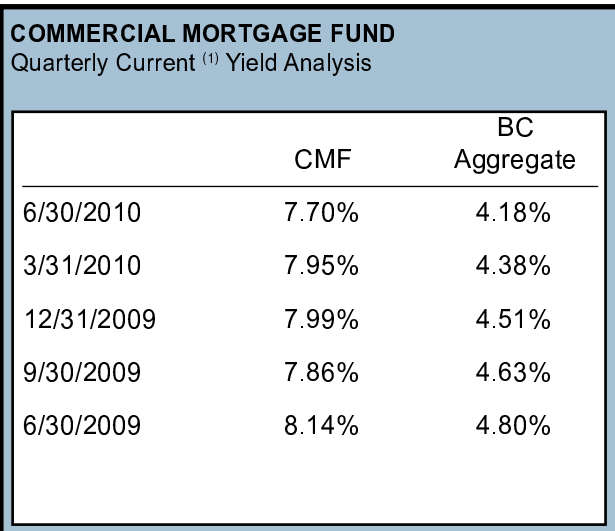
TERF - Teachers' Retirement Fund  
SERF - State Employees Retirement Fund  
MERF - Connecticut Municipal Employees' Retirement Fund

Figure 11-2



(1) Based upon returns over the last five years.

Figure 11-3



(1) Current Yield represents annual coupon interest divided by the market value of securities.

Figure 11-4

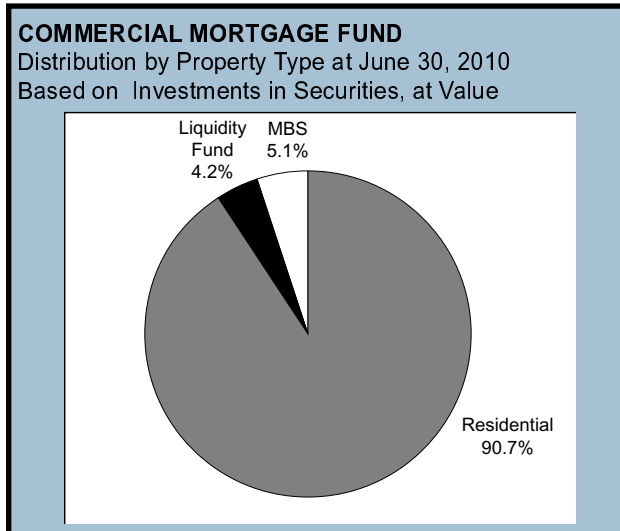


Figure 11-5

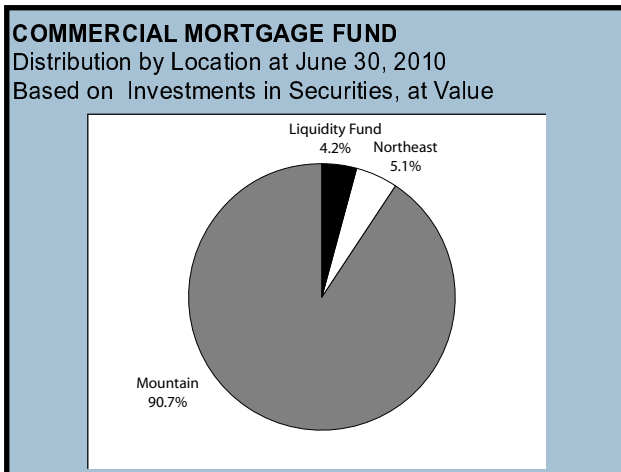
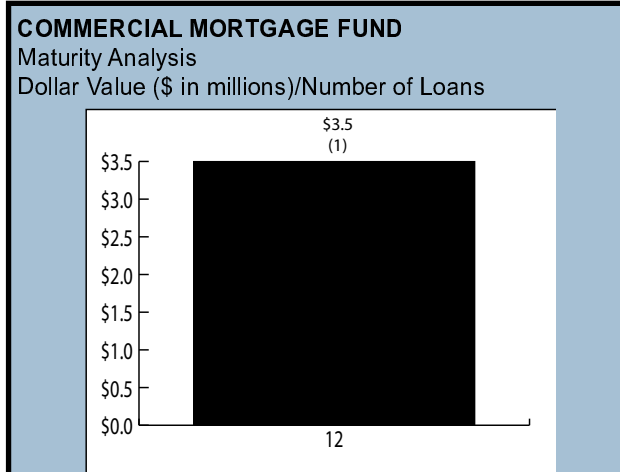


Figure 11-6





**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

Figure 11-7

|   | 1 YR | 3 YRS | 5 YRS | 10 YRS |
|---|------|-------|-------|--------|
| <b>COMMERCIAL MORTGAGE FUND</b><br>Periods ending June 30, 2010 |      |       |       |        |
| Compounded, Annual Total Return (%)                             |      |       |       |        |
| CMF   | 6.75 | 5.03  | 6.54  | 7.88   |
| BC Aggregate  | 9.50 | 7.55  | 5.54  | 6.47   |
| Cumulative Total Return (%)                                     |      |       |       |        |
| CMF   | 6.75 | 15.87 | 37.26 | 113.60 |
| BC Aggregate  | 9.50 | 24.39 | 30.94 | 87.14  |

Figure 11-8

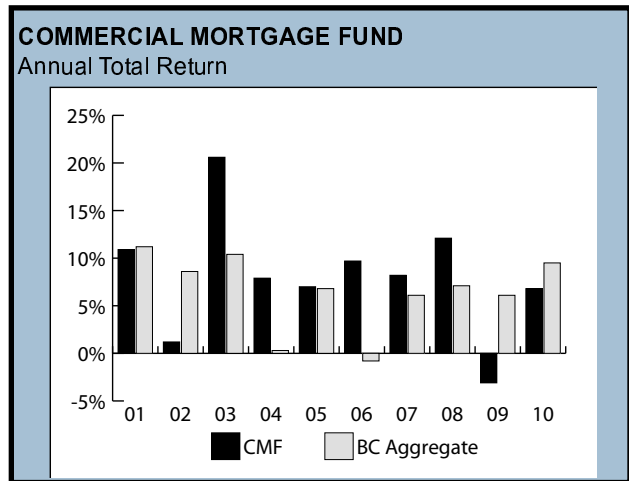


Figure 11-9

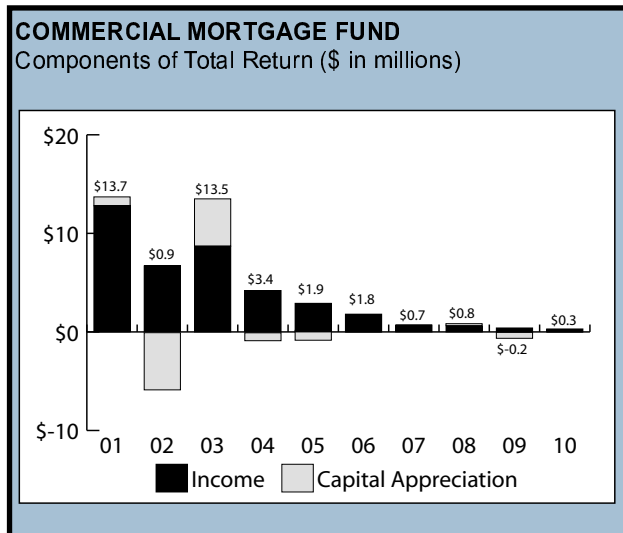


Figure 11-10

**COMMERCIAL MORTGAGE FUND**  
Investment Advisors at June 30, 2010

| Investment Advisor     | Net Asset Value    | % of Fund      |
|------------------------|--------------------|----------------|
| AEW Capital Management | \$3,464,356        | 90.54%         |
| Other <sup>(1)</sup>   | 362,087            | 9.46%          |
| <b>TOTAL CMF</b>       | <b>\$3,826,443</b> | <b>100.00%</b> |

Figure 11-11

**COMMERCIAL MORTGAGE FUND**  
Five Largest Holdings\* at June 30, 2010

| Property Name               | Property Type | Market Value       | %             |
|-----------------------------|---------------|--------------------|---------------|
| SASCO                       | Other         | \$3,464,167        | 90.73%        |
| Yankee Mac Series G 11.125% | Residential   | 94,453             | 2.47%         |
| Yankee Mac Series E 11.056% | Residential   | 68,224             | 1.79%         |
| Yankee Mac Series F 12.981% | Residential   | 28,227             | 0.74%         |
| Yankee Mac Series A 13.075% | Residential   | 2,149              | 0.06%         |
| <b>Top Five</b>             |               | <b>\$3,657,220</b> | <b>95.79%</b> |

\* A complete list of portfolio holdings is available from the Office of the Treasurer.

(1) Other also includes residential mortgage-backed securities for the Commercial Mortgage Fund.

# 2010

## private investment fund

Fund Facts at June 30, 2010

**Investment Strategy/Goals:** A long-term asset allocation with the goal of earning returns in excess of the public equity markets through investments in private equity companies.

**Performance Objective:** To outperform the Standard & Poor 500 Index ("S&P 500") by 500 basis points at the end of ten years.

**Benchmark:** S&P 500

**Date of Inception:** July 1, 1987

**Total Net Assets:** \$2,013,846,298

**Number of Partnerships:** 66 external

**Expensed Management Fees** <sup>(1)</sup>: \$8,323,349

**Operating Expenses:** \$1,654,756

**Expense Ratio:** 0.55%

**Capitalized and Netted Fees:** \$30,432,412

(1) See Note 1 to the Financial Statements for a discussion of similar fees incurred at the investment level.

### Description of the Fund

The Private Investment Fund (PIF) is an externally managed fund whose strategic focus is divided into two sub-asset classes: venture capital and corporate finance. Further corporate finance encompasses several underlying strategies, including buyout, mezzanine, and special situations. The Private Investment Fund serves as a long-term investment tool for the Pension and Trust Funds, with the goal of earning returns in excess of the public equity markets through investments in private and public companies.

This Fund structure allows for experienced industry professionals to manage PIF's assets while allowing the Fund to realize the benefits of a diversified private market portfolio in the areas of investment type, strategic focus, industry type and geographic region. The performance objective of the Fund is to outperform, net of management fees and Division operating expenses over a rolling ten-year period, the Standard & Poor's 500 Index by 500 basis points.

### Portfolio Characteristics

The Private Investment Fund invests in private equity funds either directly as a Limited Partner to a specific fund or indirectly as a limited partner to a fund of funds vehicle. Fund-of-funds investments are investment funds which may have multiple areas of strategic focus. These funds invest in multiple private equity partnerships that invest in underlying companies. Private equity investments include two general areas of strategic focus:

#### Corporate Finance

- Buyout focused investments can be defined as controlling or majority investments in private equity or equity-like securities of more established companies on the basis of the company's asset values and/or cash flow.
- Mezzanine Debt focused investments can be defined as investments in securities located between equity and senior debt in the company's capital structure. Mezzanine debt investments offer higher current income than senior debt securities and often offer equity participation features that may take the form of warrants or contingent equity interests.
- Special Situations focused investments can be defined as investments in a variety of securities (Debt, Preferred Equity, Common Equity) in portfolio companies at a variety of stages of development (Seed, Early Stage, Later Stage).
- International Private Equity focused investments can be defined as investments in private equity or

equity-like securities in companies located outside the continental United States. International Private Equity investments often offer higher return potential as a result of the above average rates of growth available in select international economies.

### **Venture Capital**

- Venture Capital focused investments can be narrowly defined as investments in the private equity or equity-like securities of developing companies in need of growth or expansion capital. These investments can range from early-stage financing, where a company has little more than a marketable idea, to expansion financing, where a company has a marketable product but requires additional capital to bring the product to market.

Through June 30, 2010, the PIF had 70 funds with aggregate capital commitments in the amount of \$5.9 billion of which approximately 75 percent, or \$4.3 billion has been “drawn down” for investment purposes while the balance of approximately \$1.6 billion or 25 percent is committed but not yet drawn. (See Figure 12-6.)

### **Market Review**

The private equity market has shown some signs of recovery in 2010. Despite continued volatility in the global capital markets and softness in the U.S. economy, private equity firms are deploying capital at an increasing rate. In addition, exit activity is increasing and the operating and financial performance of portfolio companies is improving.

The slowdown in private equity fundraising has persisted through 2010. Global fundraising in 2010 is on pace to be 12% below 2009 and 70% below the peak in 2007, according to Thomson One. Conversely, the amount of capital invested in U.S. private equity transactions has increased. Approximately \$81 billion was invested in 4,141 buyout and venture deals in first half of 2010, versus \$28 billion invested in 3,323 deals in the first half of 2009, according to Thomson One.

U.S. credit markets rebounded in the first half of 2010. Average debt-to-EBITDA ratios for all transaction sizes rose from a low of 3.7x in 2009 to 4.4x in the second quarter of 2010; but still significantly lower than the peak of 6.0x in 2007, according to Standard & Poor's Leveraged Commentary.

The IPO and M&A markets have also strengthened this year. Through the first half of 2010 there were 322 private equity backed IPO and M&A transactions versus 368 in all of 2009, according to Thomson One.

The Dodd-Frank Wall Street Reform and the Consumer Protection Act have impacted regulatory oversight of the private equity industry. In particular, private equity firms with more than \$150 million of assets under management are now required to register with the SEC and adhere to certain disclosure requirements.

### **Performance Summary**

For the fiscal year ended June 30, 2010, PIF generated a compounded annual rate of return of 17.32%. This return was measured using a Time Weighted Return (“TWR”) calculation methodology.

While short-term returns are evaluated, longer term (e.g. 10 years) returns are more meaningful in evaluating private equity portfolio performance. Long-term horizons better reflect the illiquid nature of PIF's holdings and the time it takes these investments to mature. PIF's performance return is benchmarked against the S&P 500 plus 500 basis points. Over the last 10 years through June 30, 2010, PIF has exceeded its benchmark of the S&P 500 plus 500 by 8 basis points. From a TWR perspective, the PIF has underperformed the State Street Private Equity Index time-weighted benchmark of 20.89% by 357 basis points.

The institutional standard for measuring private equity performance is the Internal Rate of Return (“IRR”), rather than the TWR. IRR is a dollar-weighted annualized return that considers both cash flows and time. Since its inception in 1987, PIF has generated a 7.9% IRR. A tool commonly used by institutional investors to benchmark IRR performance is the public market equivalent (“PME”). The PME essentially converts a

public equity index TWR into an IRR. From inception through June 30, 2010, PIF has generated 590 basis points in excess of its S&P 500 PME benchmark.

During fiscal 2010, PIF added \$175 million of new commitments to two private equity fund managers (See Figure 12-10).

During fiscal year 2010, PIF's assets increased from \$1,626 million to \$2,014 million, an increase of \$388 million.

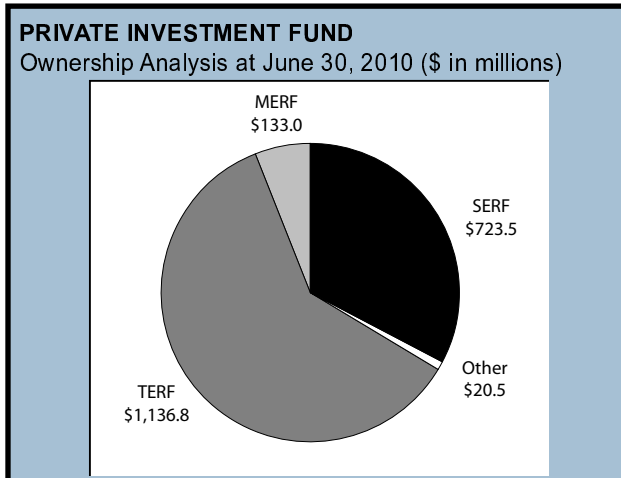
### **Risk Profile**

Given PIF's investment policy and objectives, the Fund is exposed to several forms of risk. These include, but are not limited to, risks attendant with alternative investments, such as management, operations, and product risk, as well as overall liquidity risk. Assuming these risks as part of a prudent, total portfolio strategy enables PIF to participate in the possibility of substantial long-term investment returns.

PIF's risk profile is complex given the valuation judgments and liquidity constraints placed on it due to its alternative investment strategy. Over the last five years, PIF's volatility relative to its benchmark has been 0.51 with a correlation of 0.03. Over the last five years, the Fund has returned an annual alpha, or return relative to that predicted by its benchmark, of -1.73. (See Figure 12-2.)

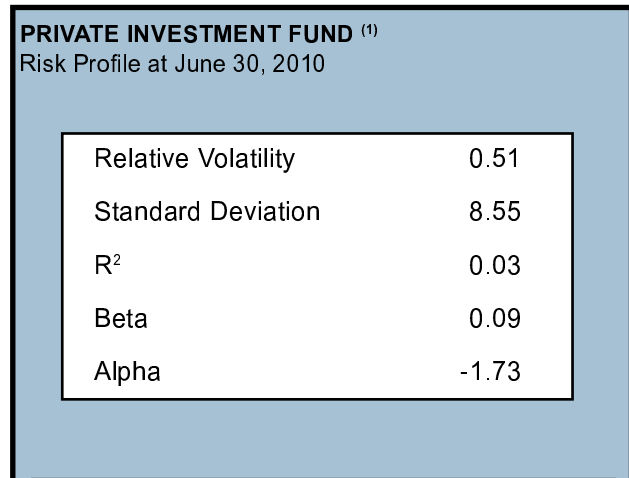
## CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 12-1



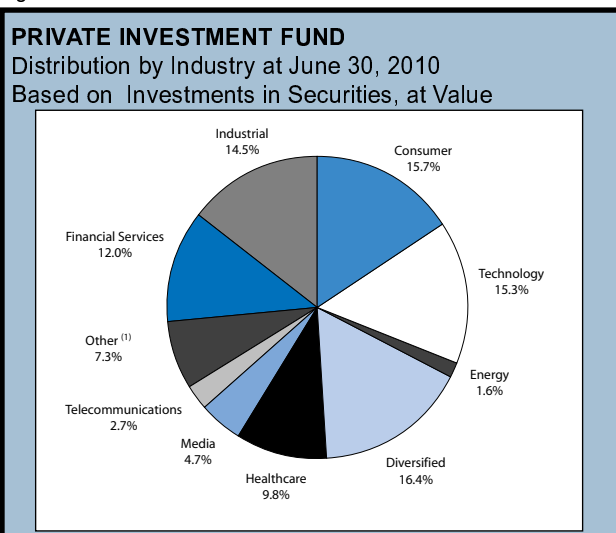
TERF - Teachers' Retirement Fund  
SERF - State Employees Retirement Fund  
MERF - Connecticut Municipal Employees' Retirement Fund

Figure 12-2



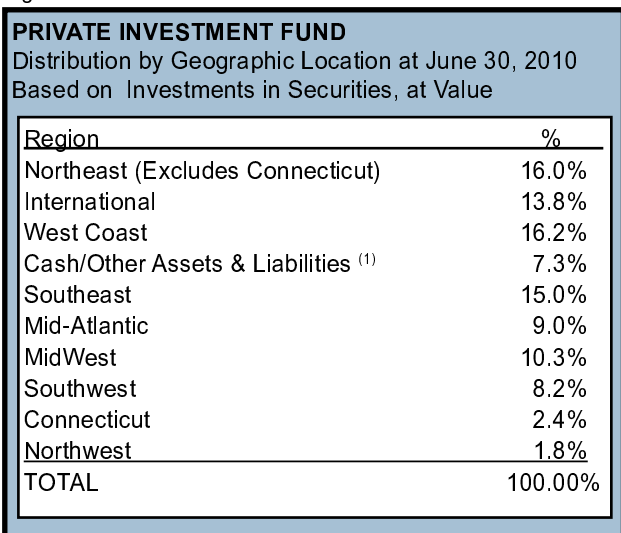
(1) Based upon quarterly returns over the last five years.

Figure 12-3



(1) Includes Liquidity Fund and other assets at the partnership level.

Figure 12-4



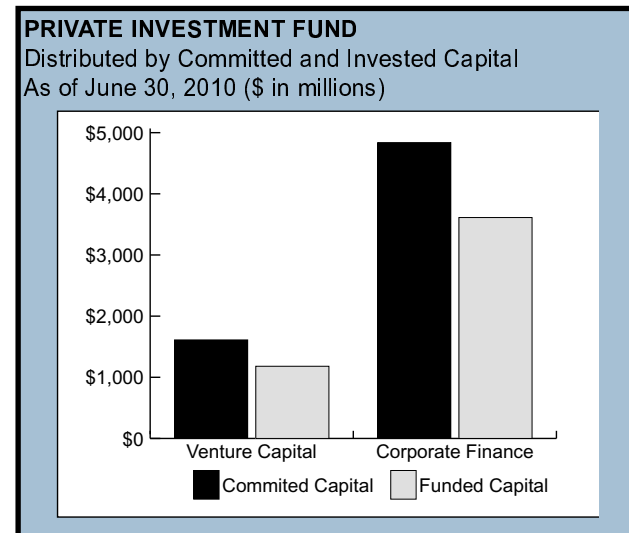
(1) Includes the Liquidity Fund and other assets at the partnership level..

Figure 12-5

**PRIVATE INVESTMENT FUND**  
Periods ending June 30, 2010

|  | 1 YR  | 3 YRS  | 5 YRS | 10 YRS |
|--|-------|--------|-------|--------|
| <b>Compounded, Annual Total Return (%)</b>     |       |        |       |        |
| PIF  | 17.32 | 3.71   | 8.25  | 3.49   |
| S & P 500                                      | 14.43 | -9.81  | -0.79 | -1.59  |
| State Street Private Equity Index (1 Qtr. Lag) | 20.89 | -1.02  | 9.98  | 5.14   |
| <b>Cumulative Total Return (%)</b>             |       |        |       |        |
| PIF  | 17.32 | 11.54  | 48.64 | 40.88  |
| S & P 500                                      | 14.43 | -26.65 | -3.91 | -14.78 |
| State Street Private Equity Index (1 Qtr. Lag) | 20.89 | -3.01  | 60.93 | 65.09  |

Figure 12-6



## CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 12-7

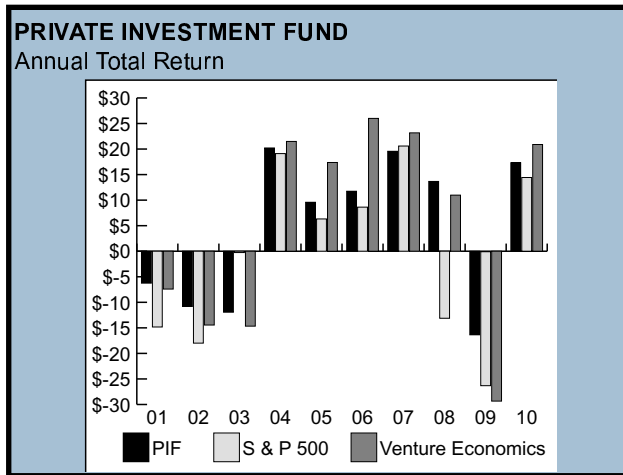


Figure 12-8

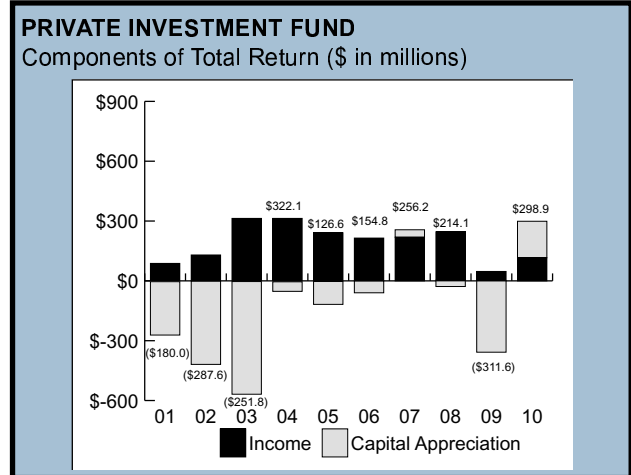


Figure 12-9

**PRIVATE INVESTMENT FUND**  
Ten Largest Holdings\* at June 30, 2010

| Partnership Name                   | Partnership Type   | Market Value       | %             |
|------------------------------------|--------------------|--------------------|---------------|
| Constitution Liquidating Fund      | Fund of Funds      | 160,725,705        | 7.99%         |
| Fairview Constitution II LP        | Fund of Funds      | 123,187,147        | 6.12%         |
| Carlyle Asia Partners LP           | International      | 99,721,385         | 4.95%         |
| Parish Capital Buyout Fund II      | Fund of Funds      | 96,260,356         | 4.78%         |
| KKR 2006 Fund                      | Buyout             | 88,197,715         | 4.38%         |
| Pegasus Partners IV                | Special Situations | 88,133,949         | 4.38%         |
| KKR Millennium Fund                | Buyout             | 86,909,736         | 4.32%         |
| Welsh Carson Anderson & Stowe X LP | Buyout             | 84,599,510         | 4.20%         |
| FS Equity Partners V               | Buyout             | 78,460,140         | 3.90%         |
| Charterhouse Equity Partners IV    | Buyout             | 71,505,266         | 3.55%         |
| <b>Top Ten</b>                     |                    | <b>977,700,909</b> | <b>48.57%</b> |

\* A complete list of portfolio holdings is available from the Office of the Treasurer.

Figure 12-10

**PRIVATE INVESTMENT FUND**  
New Investments Made in Fiscal Year 2010<sup>(1)</sup> (in Excess of \$3 Million)

| Partnership Name    | Commitment Amount | Partnership Type | Inv. Date         |
|---------------------|-------------------|------------------|-------------------|
| Landmark XIV        | \$100 million     | Fund-of-Funds    | February 25, 2010 |
| Audax Mezzanine III | 75 million        | Mezzanine        | May 10, 2010      |
| Total:              | \$175 million     |                  |                   |

(1) These represent new Private Equity Partnerships that were invested in by the Fund during fiscal year 2010.

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

Figure 12-11

**PRIVATE INVESTMENT FUND**

Investment Advisors at June 30, 2010

| Investment Advisor                       | Net Asset Value      | % of Fund     | Investment Advisor                                 | Net Asset Value      | % of Fund      |
|--|----------------------|---------------|--|----------------------|----------------|
| <b>Buyout</b>                            | <b>\$916,118,768</b> | <b>45.49%</b> | <b>Mezzanine</b>                                   | <b>\$40,477,895</b>  | <b>2.01%</b>   |
| KKR Millennium Fund                      | 86,909,736           | 4.32%         | SW Pelham Fund                                     | 3,398,397            | 0.17%          |
| Yucaipa American Alliance Fund II LP     | 52,968,853           | 2.63%         | GarMark Partners                                   | 526,570              | 0.02%          |
| Hicks, Muse Tate & Furst Equity Fund III | 23,531,328           | 1.17%         | GarMark Partners II LP                             | 30,345,402           | 1.51%          |
| Thomas H. Lee Equity Fund VI             | 46,016,032           | 2.28%         | SW Pelham Fund II                                  | 6,207,526            | 0.31%          |
| Welsh Carson Anderson & Stowe VIII       | 15,962,376           | 0.79%         | <b>International</b>                               | <b>\$170,876,573</b> | <b>8.49%</b>   |
| Wellspring Capital Partners III          | 18,019,745           | 0.89%         | Compass Partners European Equity Fund              | 16,426,114           | 0.82%          |
| SCP Private Equity Partners              | 3,471,924            | 0.17%         | Gilbert Global Equity Partners                     | 35,300,379           | 1.75%          |
| Charterhouse Equity Partners IV          | 71,505,266           | 3.55%         | Carlyle Europe Partners                            | 8,250,076            | 0.41%          |
| Forstmann Little Equity Fund VI          | 735,755              | 0.04%         | AIG Global Emerging Markets Fund                   | 11,178,619           | 0.56%          |
| DLJ Merchant Banking Fund II             | 14,447,823           | 0.72%         | Carlyle Asia Partners                              | 99,721,385           | 4.95%          |
| KKR 1996 Fund                            | 5,973,159            | 0.30%         | <b>Fund of Funds</b>                               | <b>\$550,355,818</b> | <b>27.33%</b>  |
| FS Equity Partners V                     | 78,460,140           | 3.90%         | The Constitution Liquidating Fund                  | 160,725,704          | 7.98%          |
| FS Equity Partners VI                    | 10,679,364           | 0.53%         | Landmark Private Equity Fund VIII                  | 23,804,890           | 1.18%          |
| Blackstone Capital Partners III          | 8,258,510            | 0.41%         | CS/CT Cleantech Opp Fund                           | 13,459,707           | 0.67%          |
| Thayer Equity Investors IV               | 14,279,684           | 0.71%         | CT Emerging Pvt Equity                             | 9,121,390            | 0.45%          |
| Kelso Investment Associates VI           | 5,181,616            | 0.26%         | Fairview Constitution III                          | 52,459,954           | 2.60%          |
| Green Equity Investors III               | 2,310,785            | 0.11%         | Goldman Sachs Private Equity Partners CT           | 8,426,270            | 0.42%          |
| Wellspring Capital Partners II           | 2,151,798            | 0.11%         | Lexington Capital Partners II                      | 4,073,132            | 0.20%          |
| Candover 2008 Fund                       | 6,289,922            | 0.31%         | Parish Capital I LP                                | 37,666,321           | 1.87%          |
| Leeds Equity Partners V LP               | 4,855,229            | 0.24%         | Parish Capital Buyout Fund II                      | 96,260,356           | 4.78%          |
| Welsh Carson Anderson & Stowe XI         | 13,409,239           | 0.67%         | Fairview Constitution II LP                        | 123,187,147          | 6.12%          |
| AIG Healthcare Partners LP               | 32,643,135           | 1.62%         | Connecticut Horizon Legacy                         | 7,822,662            | 0.39%          |
| AIG Altaris Health Partners II           | 11,761,887           | 0.58%         | Landmark Equity Partners XIV LP                    | 8,968,930            | 0.45%          |
| Welsh Carson Anderson & Stowe X LP       | 84,599,510           | 4.20%         | JP Morgan Nutmeg I                                 | 4,379,355            | 0.22%          |
| Court Square Capital Partners II         | 43,143,342           | 2.14%         | <b>Special Situations</b>                          | <b>\$203,240,295</b> | <b>10.09%</b>  |
| Ethos Private Equity Fund V              | 26,590,596           | 1.32%         | Welsh Carson Anderson & Stowe Capital Partners III | 16,209,171           | 0.80%          |
| Boston Ventures VII                      | 37,232,513           | 1.85%         | Levine Leichtman Capital Partners IV LP            | 10,511,435           | 0.52%          |
| KKR 2006 Fund                            | 88,197,715           | 4.38%         | Greenwich Street Capital Partners II               | 2,450,819            | 0.12%          |
| Nogales Investors Fund II                | 10,213,598           | 0.51%         | Pegasus Partners IV                                | 88,133,949           | 4.38%          |
| ICV Partners II LP                       | 18,061,711           | 0.90%         | WLR Recovery Fund IV                               | 55,193,279           | 2.74%          |
| Vista Equity Partners Fund III           | 50,354,935           | 2.50%         | KPS Special Situations Fund II                     | 30,741,642           | 1.53%          |
| RFE Investments Partners                 | 4,893,452            | 0.24%         | <b>Other <sup>(1)</sup></b>                        | <b>109,436,668</b>   | <b>5.43%</b>   |
| RFE Investment Partners VII              | 23,008,090           | 1.14%         | <b>SUBTOTAL PIF</b>                                | <b>2,013,846,298</b> | <b>100.00%</b> |
| <b>Venture Capital</b>                   | <b>\$23,340,281</b>  | <b>1.16%</b>  |  |                      |                |
| Conning Capital Partners V               | 1,943,359            | 0.10%         |  |                      |                |
| Crescendo World Fund                     | 72,584               | 0.00%         |  |                      |                |
| Grotech Partners V                       | 6,155,241            | 0.31%         |  |                      |                |
| Crescendo III                            | 2,087,161            | 0.10%         |  |                      |                |
| Syndicated Communications                | 13,081,936           | 0.65%         |  |                      |                |

(1) Other represents moneys earmarked for distribution to participants, reinvestment, and expenses as well as terminated advisor balances.

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**  
**SCHEDULE OF INVESTMENT ADVISORS AND FEES IN EXCESS OF \$5,000<sup>(1)</sup>**  
**FOR PERIODS ENDED JUNE 30**

| Name of Firm  | Description of Services   | Aggregate Compensation Paid in Fiscal Year: |                     |                    |                     |                     |
|---|---------------------------|---|---------------------|--------------------|---------------------|---------------------|
|   |                           | 2010  | 2009                | 2008               | 2007                | 2006                |
| <b>INVESTMENT ADVISORY SERVICES</b>                       |                           |   |                     |                    |                     |                     |
| <b>Equity Advisory Services</b>                           |                           |   |                     |                    |                     |                     |
| AXA Rosenberg Institutional Equity Mgmt                   | Equity Advisor            | 817,894                                     | 12,728,108          | 795,699            | 3,258,030           | 3,496,797           |
| Barclay's Global Investors                                | Equity Advisor            | 1,279,650                                   | 3,170,678           | 3,091,096          | 19,330,302          | 17,556,658          |
| Bivium Capital Partners, LLC                              | Equity Advisor            | 1,302,624                                   | 1,493,573           | 1,629,037          | 1,264,146           | 761,024             |
| Brown Capital Management                                  | Equity Advisor            | -   | -                   | -                  | 163,926             | 211,591             |
| Capital Prospects LLC                                     | Equity Advisor            | 832,638                                     | 967,215             | 1,064,352          | 747,721             | 361,850             |
| FIS Group Inc.  | Equity Advisor            | 779,667                                     | 890,947             | 941,430            | 754,413             | 407,648             |
| State Street Global Advisors                              | Equity Advisor            | 134,862                                     | 194,106             | 247,748            | 237,897             | 216,988             |
| Travelers Investment Management                           | Equity Advisor            | -   | -                   | -                  | -                   | 306,075             |
| T. Rowe Price Associates                                  | Equity Advisor            | 2,052,593                                   | 406,114             | -                  | -                   | -                   |
| Trust Company of the West (Cowen)                         | Equity Advisor            | 809,009                                     | 996,397             | 1,343,817          | 1,178,375           | 1,011,678           |
| <b>Total Equity Advisor Compensation</b>                  |                           | <b>\$8,008,937</b>                          | <b>\$20,847,138</b> | <b>\$9,113,179</b> | <b>\$26,934,810</b> | <b>\$24,330,309</b> |
| <b>Fixed Income Investment Advisory Services</b>          |                           |   |                     |                    |                     |                     |
| Blackrock Financial Management                            | Fixed Income Advisor      | -   | -                   | 392,489            | 1,498,458           | 1,519,240           |
| Bridgewater Associates                                    | Fixed Income Advisor      | -   | -                   | 165,115            | 568,577             | -                   |
| Brown Brothers Harriman & Co.                             | Fixed Income Advisor      | -   | -                   | 47,021             | 186,107             | 154,386             |
| Goodwin Capital Advisors (Phoenix)                        | Fixed Income Advisor      | -   | -                   | 169,499            | 555,070             | 544,902             |
| Hartford Investment Management Co.                        | Fixed Income Advisor      | -   | -                   | 33,974             | 103,466             | 85,799              |
| Loomis Sayles & Co., Inc.                                 | Fixed Income Advisor      | -   | -                   | 204,110            | 763,360             | 523,406             |
| Oaktree Capital Management                                | Fixed Income Advisor      | -   | -                   | 282,324            | 716,556             | 445,258             |
| Progress Investment Management                            | Fixed Income Advisor      | -   | -                   | 134,134            | 529,293             | 340,907             |
| State Street Global Advisors                              | Fixed Income Advisor      | -   | -                   | 89,263             | 318,064             | 309,376             |
| W. R. Huff Asset Management                               | Fixed Income Advisor      | -   | -                   | -                  | 1,360,812           | 319,873             |
| Wellington Asset Management                               | Fixed Income Advisor      | -   | -                   | 246,808            | 978,643             | 1,007,301           |
| Western Asset Management                                  | Fixed Income Advisor      | -   | -                   | 349,720            | 1,229,034           | 1,235,635           |
| <b>Total Fixed Income Advisor Compensation</b>            |                           | <b>\$-</b>                                  | <b>\$-</b>          | <b>\$2,114,457</b> | <b>\$8,807,440</b>  | <b>\$6,486,083</b>  |
| <b>Core Fixed Income Investment Advisory Services</b>     |                           |   |                     |                    |                     |                     |
| Blackrock Financial Management                            | Core Income Advisor       | 1,055,013                                   | 1,281,605           | 1,217,479          | -                   | -                   |
| Goodwin Capital Advisors (Phoenix)                        | Core Income Advisor       | 534,754                                     | 624,559             | 567,745            | -                   | -                   |
| Progress Investment Management                            | Core Income Advisor       | 823,293                                     | 898,894             | 561,890            | -                   | -                   |
| State Street Global Advisors                              | Core Income Advisor       | 250,696                                     | 277,369             | 267,092            | -                   | -                   |
| Wellington Asset Management                               | Core Income Advisor       | 449,376                                     | 771,263             | 734,363            | -                   | -                   |
| Western Asset Management                                  | Core Income Advisor       | 425,920                                     | 1,131,334           | 1,146,230          | -                   | -                   |
| <b>Total Fixed Income Advisor Compensation</b>            |                           | <b>\$3,539,052</b>                          | <b>\$4,985,024</b>  | <b>\$4,494,799</b> | <b>\$-</b>          | <b>\$-</b>          |
| <b>Inflation Linked Bond Investment Advisory Services</b> |                           |   |                     |                    |                     |                     |
| Brown Brothers Harriman & Co.                             | Inflation Income Advisor  | 973,728                                     | -                   | 143,593            | -                   | -                   |
| Hartford Investment Management Co.                        | Inflation Income Advisor  | 399,253                                     | 443,712             | 124,559            | -                   | -                   |
| <b>Total Fixed Income Advisor Compensation</b>            |                           | <b>\$1,372,981</b>                          | <b>\$443,712</b>    | <b>\$268,152</b>   | <b>\$-</b>          | <b>\$-</b>          |
| <b>Emerging Market Debt Investment Advisory Services</b>  |                           |   |                     |                    |                     |                     |
| Bridgewater Associates                                    | Emerging Market Advisor   | -   | -                   | 161,018            | -                   | -                   |
| ING Investment Management Co.                             | Emerging Market Advisor   | 598,270                                     | -                   | -                  | -                   | -                   |
| Pyramis Global Advisors                                   | Emerging Market Advisor   | 978,290                                     | 931,896             | 356,836            | -                   | -                   |
| Stone Harbor Investment Partners                          | Emerging Market Advisor   | 1,102,088                                   | 1,065,029           | 399,164            | -                   | -                   |
| UBS Global Asset Management Co.                           | Emerging Market Advisor   | 1,229,146                                   | 1,249,932           | 432,348            | -                   | -                   |
| <b>Total Fixed Income Advisor Compensation</b>            |                           | <b>\$3,907,794</b>                          | <b>\$3,246,857</b>  | <b>\$1,349,366</b> | <b>\$-</b>          | <b>\$-</b>          |
| <b>High Yield Debt Investment Advisory Services</b>       |                           |   |                     |                    |                     |                     |
| Loomis Sayles & Co., Inc.                                 | High Yield Income Advisor | 511,590                                     | 582,544             | 565,179            | -                   | -                   |
| Oaktree Capital Management                                | High Yield Income Advisor | 613,714                                     | 612,726             | 695,140            | -                   | -                   |
| Shenkman Capital Management                               | High Yield Income Advisor | 826,854                                     | 605,877             | 148,105            | -                   | -                   |
| Stone Harbor Investment Partners                          | High Yield Income Advisor | 526,281                                     | 592,866             | 216,775            | -                   | -                   |
| <b>Total Fixed Income Advisor Compensation</b>            |                           | <b>\$2,478,439</b>                          | <b>\$2,394,013</b>  | <b>\$1,625,199</b> | <b>\$-</b>          | <b>\$-</b>          |



**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**SCHEDULE OF INVESTMENT ADVISORS AND FEES IN EXCESS OF \$5,000<sup>(1)</sup>  
FOR PERIODS ENDED JUNE 30 (Continued)**

| Name of Firm  | Description of Services | Aggregate Compensation Paid in Fiscal Year: |                     |                     |                     |                     |
|---|-------------------------|---|---------------------|---------------------|---------------------|---------------------|
|   |                         | 2010  | 2009                | 2008                | 2007                | 2006                |
| <b>Liquidity Fund Advisory Services</b>                                   |                         |   |                     |                     |                     |                     |
| Ambassador Capital Management   | Liquidity Fund Advisor  | 107,885                                     | -                   | -                   | -                   | -                   |
| Colchester Global Investors   | Liquidity Fund Advisor  | 373,734                                     | -                   | -                   | -                   | -                   |
| Lazard Asset Management   | Liquidity Fund Advisor  | 987,397                                     | -                   | -                   | -                   | -                   |
| Pacific Investment Management   | Liquidity Fund Advisor  | 263,309                                     | -                   | -                   | -                   | -                   |
| Payden & Rygel  | Liquidity Fund Advisor  | 118,006                                     | -                   | -                   | -                   | -                   |
| State Street Global Advisors  | Liquidity Fund Advisor  | 314,126                                     | 459,099             | 376,487             | 273,564             | 277,189             |
| <b>Total Liquidity Fund Advisor Compensation</b>                          |                         | <b>\$2,164,457</b>                          | <b>\$459,099</b>    | <b>\$376,487</b>    | <b>\$273,564</b>    | <b>\$277,189</b>    |
| <b>International Equity Investment Advisory Services</b>                  |                         |   |                     |                     |                     |                     |
| Acadian Asset Management  | Intrntl Equity Advisor  | -   | -                   | 385,075             | 481,894             | -                   |
| AQR Capital Management, LLC   | Intrntl Equity Advisor  | -   | -                   | 439,067             | 543,524             | -                   |
| Bank of New York  | Intrntl Equity Advisor  | -   | -                   | 642,250             | 2,633,092           | 2,367,488           |
| Bridgewater Associates  | Intrntl Equity Advisor  | -   | -                   | 770,700             | 3,159,711           | 2,840,985           |
| Clay Finlay Inc.  | Intrntl Equity Advisor  | -   | -                   | 295,382             | 1,231,976           | 1,109,359           |
| Emerging Markets Management LLC   | Intrntl Equity Advisor  | -   | -                   | 882,918             | 3,404,431           | 2,876,360           |
| Grantham, Mayo, Van Otterloo & Co.  | Intrntl Equity Advisor  | -   | -                   | 1,900,375           | 6,746,594           | 5,471,090           |
| Invesco Global Asset Management   | Intrntl Equity Advisor  | -   | -                   | 277,644             | 1,935,871           | 1,788,745           |
| Julius Baer Asset Management  | Intrntl Equity Advisor  | -   | -                   | 287,012             | 315,222             | -                   |
| Merrill Lynch Investment Managers   | Intrntl Equity Advisor  | -   | -                   | -                   | 1,223,614           | 1,380,677           |
| MFS Institutional Advisors  | Intrntl Equity Advisor  | -   | -                   | 345,384             | 1,064,812           | 844,424             |
| Morgan Stanely Asset Management   | Intrntl Equity Advisor  | -   | -                   | -                   | 1,321,446           | 2,700,870           |
| Progress Investment Management  | Intrntl Equity Advisor  | -   | -                   | 133,380             | 467,163             | 245,073             |
| Pyramis Invtmnt Global Adv Trust (Fidelity)                               | Intrntl Equity Advisor  | -   | -                   | 308,411             | 1,274,755           | 1,106,184           |
| Schroder Investment Management  | Intrntl Equity Advisor  | -   | -                   | 484,771             | 1,709,124           | 1,415,160           |
| State Street Global Advisors  | Intrntl Equity Advisor  | -   | -                   | 107,789             | 485,705             | 420,498             |
| <b>Total International Equity Advisor Compensation</b>                    |                         | <b>\$-</b>                                  | <b>\$-</b>          | <b>\$7,260,158</b>  | <b>\$27,998,934</b> | <b>\$24,566,913</b> |
| <b>Developed Market International Equity Investment Advisory Services</b> |                         |   |                     |                     |                     |                     |
| Acadian Asset Management  | Intrntl Equity Advisor  | 1,145,707                                   | 1,708,983           | 1,259,086           | -                   | -                   |
| AQR Capital Management, LLC   | Intrntl Equity Advisor  | 2,501,900                                   | 1,885,640           | 1,397,341           | -                   | -                   |
| Artio Global Asset Management   | Intrntl Equity Advisor  | 1,981,372                                   | 1,742,580           | -                   | -                   | -                   |
| Blackrock Financial Management (Merrill Lynch)                            | Intrntl Equity Advisor  | 824,192                                     | 964,902             | 899,869             | -                   | -                   |
| Bridgewater Associates  | Intrntl Equity Advisor  | -   | -                   | 521,600             | -                   | -                   |
| Clay Finlay Inc.  | Intrntl Equity Advisor  | -   | 1,416,044           | 883,935             | -                   | -                   |
| Dimensional Fund Advisors   | Intrntl Equity Advisor  | 1,349,548                                   | -                   | -                   | -                   | -                   |
| Grantham, Mayo, Van Otterloo & Co.  | Intrntl Equity Advisor  | 2,770,547                                   | 3,189,715           | 2,706,318           | -                   | -                   |
| Invesco Global Asset Management   | Intrntl Equity Advisor  | 522,925                                     | 738,126             | 748,211             | -                   | -                   |
| Julius Baer Asset Management  | Intrntl Equity Advisor  | -   | -                   | 1,007,647           | -                   | -                   |
| MFS Institutional Advisors  | Intrntl Equity Advisor  | 1,841,425                                   | 1,554,152           | 1,078,968           | -                   | -                   |
| Pareto Partners (Bank of New York)  | Intrntl Equity Advisor  | 2,379,251                                   | 2,193,806           | 1,848,626           | -                   | -                   |
| Progress Investment Management  | Intrntl Equity Advisor  | 625,136                                     | 498,924             | 448,836             | -                   | -                   |
| Pyramis Invtmnt Global Adv Trust (Fidelity)                               | Intrntl Equity Advisor  | 847,138                                     | 1,321,148           | 933,148             | -                   | -                   |
| Schroder Investment Management  | Intrntl Equity Advisor  | 1,314,860                                   | 1,480,826           | 1,501,099           | -                   | -                   |
| State Street Global Advisors  | Intrntl Equity Advisor  | 412,631                                     | 388,527             | 302,429             | -                   | -                   |
| William Blair & Comapny   | Intrntl Equity Advisor  | 1,594,531                                   | -                   | -                   | -                   | -                   |
| <b>Total International Equity Advisor Compensation</b>                    |                         | <b>\$20,111,163</b>                         | <b>\$19,083,373</b> | <b>\$15,537,113</b> | <b>\$-</b>          | <b>\$-</b>          |
| <b>Emerging Market International Equity Investment Advisory Services</b>  |                         |   |                     |                     |                     |                     |
| Aberdeen Asset Management   | Intrntl Equity Advisor  | 1,953,646                                   | -                   | -                   | -                   | -                   |
| Emerging Markets Management LLC   | Intrntl Equity Advisor  | 3,355,933                                   | 3,344,579           | 2,952,146           | -                   | -                   |
| Grantham, Mayo, Van Otterloo & Co.  | Intrntl Equity Advisor  | 4,359,800                                   | 4,302,557           | 3,901,398           | -                   | -                   |
| Schroder Investment Management  | Intrntl Equity Advisor  | 441,983                                     | -                   | -                   | -                   | -                   |
| <b>Total International Equity Advisor Compensation</b>                    |                         | <b>\$10,111,362</b>                         | <b>\$7,647,136</b>  | <b>\$6,853,544</b>  | <b>\$-</b>          | <b>\$-</b>          |

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**SCHEDULE OF INVESTMENT ADVISORS AND FEES IN EXCESS OF \$5,000<sup>(1)</sup>  
FOR PERIODS ENDED JUNE 30 (Continued)**

| Name of Firm   | Description of Services | Aggregate Compensation Paid in Fiscal Year: |                    |                    |                    |                    |
|--|-------------------------|---|--------------------|--------------------|--------------------|--------------------|
|  |                         | 2010  | 2009               | 2008               | 2007               | 2006               |
| <b>Real Estate Investment Advisory Services <sup>(2)</sup></b>         |                         |   |                    |                    |                    |                    |
| AEW Capital Management, L.P.   | Real Estate Advisor     | 865,688                                     | 1,353,600          | 1,145,997          | 407,045            | 319,561            |
| AEW Partners III, LP   | Real Estate Advisor     | -   | 261,146            | 82,925             | 205,033            | 255,775            |
| Apollo Real Estate Investment Fund III                                 | Real Estate Advisor     | -   | -                  | 224,129            | 314,799            | 437,899            |
| Blackstone Real Estate Partners VI                                     | Real Estate Advisor     | 1,484,438                                   | 1,500,000          | 1,708,333          | -                  | -                  |
| Blackstone Real Estate Partners Europe III                             | Real Estate Advisor     | 750,000                                     | 572,917            | -                  | -                  | -                  |
| Canyon Johnson Urban Fund II, LP                                       | Real Estate Advisor     | 571,243                                     | 771,875            | 937,500            | 937,500            | 921,875            |
| Canyon Johnson Urban Fund III, LP                                      | Real Estate Advisor     | 913,043                                     | -                  | -                  | -                  | -                  |
| Capri Select Income II LLC   | Real Estate Advisor     | -   | -                  | -                  | -                  | 177,143            |
| Colony Realty Partners II, LP  | Real Estate Advisor     | -   | -                  | 714,285            | -                  | -                  |
| MacFarlane Urban Real Estate   | Real Estate Advisor     | 2,250,000                                   | 1,412,579          | 592,856            | -                  | -                  |
| RLJ Urban Lodging Fund, LP   | Real Estate Advisor     | -   | -                  | 139,753            | 312,500            | 312,500            |
| RLJ Urban Lodging Fund II, LP  | Real Estate Advisor     | -   | -                  | 468,750            | 722,603            | -                  |
| RLJ Urban Lodging Fund III, LP   | Real Estate Advisor     | 781,250                                     | 1,076,199          | -                  | -                  | -                  |
| RMK Timberland Group (Wachovia)  | Real Estate Advisor     | -   | -                  | -                  | -                  | 112,065            |
| Rockwood Capital Partners VII  | Real Estate Advisor     | 171,250                                     | -                  | -                  | 381,075            | -                  |
| Urban Strategy America Fund  | Real Estate Advisor     | 30,603                                      | -                  | -                  | 251,546            | -                  |
| Westport Senior Living Fund  | Real Estate Advisor     | -   | -                  | -                  | -                  | 789,347            |
| <b>Total Real Estate Advisor Compensation</b>                          |                         | <b>\$7,817,515</b>                          | <b>\$6,948,316</b> | <b>\$6,014,528</b> | <b>\$3,532,101</b> | <b>\$3,326,165</b> |
| <b>Commercial Mortgage Investment Advisory Services <sup>(2)</sup></b> |                         |   |                    |                    |                    |                    |
| AEW Capital Management, L.P.   | Comm Mortgage Advisor   | 37,125                                      | 73,500             | 73,500             | 100,083            | 183,500            |
| <b>Total Commercial Mortgage Advisor Compensation</b>                  |                         | <b>\$37,125</b>                             | <b>\$73,500</b>    | <b>\$73,500</b>    | <b>\$100,083</b>   | <b>\$183,500</b>   |
| <b>Private Investment Advisory Services <sup>(2)</sup></b>             |                         |   |                    |                    |                    |                    |
| AIG Altaris Health Partners, LP  | Private Inv Advisor     | 504,218                                     | 323,621            | 753,103            | 761,202            | 764,402            |
| AIG Altaris Healthcare Partners II, LP                                 | Private Inv Advisor     | 1,033,732                                   | 713,206            | 600,548            | -                  | -                  |
| AIG Global Emerging Mkts Fund LP                                       | Private Inv Advisor     | 67,953                                      | 385,337            | 242,944            | 658,764            | 815,309            |
| Aldus\CT Emerging Manager  | Private Inv Advisor     | -   | 650,000            | -                  | -                  | -                  |
| Blackstone Capital Partners III LP                                     | Private Inv Advisor     | 10,089                                      | 47,872             | 29,555             | 52,275             | 27,471             |
| Boston Venture Capital Partners VII, LP                                | Private Inv Advisor     | 1,489,320                                   | 647,015            | 551,900            | 1,178,501          | -                  |
| Carlyle Asia Partners LP   | Private Inv Advisor     | 303,371                                     | 318,454            | 341,317            | 120,806            | 252,787            |
| Carlyle European Partners LP   | Private Inv Advisor     | 266,426                                     | 158,379            | 295,071            | 165,746            | 300,610            |
| Charterhouse Equity Partners IV, LP                                    | Private Inv Advisor     | 524,818                                     | 1,240,180          | 1,266,277          | 1,263,500          | 1,055,527          |
| Conning & Co   | Private Inv Advisor     | -   | 74,176             | 39,671             | -                  | -                  |
| Constitution Liquidating Fund LP (Crossroads)                          | Private Inv Advisor     | 400,000                                     | 444,368            | 671,841            | 838,736            | 746,703            |
| Courthouse Square Capital Partners                                     | Private Inv Advisor     | 1,289,728                                   | 1,253,282          | -                  | 1,255,539          | -                  |
| CS/CT Cleantech Opportunities Fund                                     | Private Inv Advisor     | 181,893                                     | 183,480            | 176,070            | -                  | -                  |
| DLJ Merchant Banking Fund II LP  | Private Inv Advisor     | 166,752                                     | 73,659             | 84,787             | 330,288            | 83,355             |
| Ethos Capital Fund V, LP   | Private Inv Advisor     | 839,611                                     | 411,692            | 646,943            | 1,307,329          | -                  |
| Fairview Constitution II, LP   | Private Inv Advisor     | 1,300,000                                   | 1,300,000          | 1,600,000          | 1,600,000          | 800,000            |
| Fairview Constitution III, LP  | Private Inv Advisor     | 2,400,000                                   | 2,400,000          | 2,426,519          | -                  | -                  |
| Forstmann Little & Company   | Private Inv Advisor     | -   | 115,155            | 142,141            | 182,868            | 186,838            |
| FS Equity Partners V LP  | Private Inv Advisor     | 94,055                                      | 475,145            | 1,101,934          | 895,172            | 562,5008           |
| FS Equity Partners VI LP   | Private Inv Advisor     | 1,603,591                                   | -                  | -                  | -                  | -                  |
| Garmark Partners LP  | Private Inv Advisor     | -   | 9,925              | 83,239             | 57,487             | 1,008,239          |
| Garmark Partners, II LP  | Private Inv Advisor     | 929,689                                     | 571,623            | 426,718            | 735,085            | 88,608             |
| Gilbert Global Equity Partners LP                                      | Private Inv Advisor     | -   | -                  | 117,030            | 222,718            | -                  |
| Goldman Sachs Private Equity Fund LP                                   | Private Inv Advisor     | -   | -                  | 151,189            | 358,382            | 315,324            |
| Green Equity III LP  | Private Inv Advisor     | 29,747                                      | 50,025             | 44,098             | 90,314             | -                  |
| Greenwich Street Capital Partners II LP                                | Private Inv Advisor     | 9,511                                       | 34,495             | 239,525            | 354,628            | 220,310            |
| ICV Associates II LP   | Private Inv Advisor     | 667,546                                     | 655,725            | 706,702            | 356,364            | 1,140,602          |
| KKR 1996 Fund LP   | Private Inv Advisor     | -   | 33,880             | 12,349             | 10,433             | -                  |
| KKR Millenium Fund LP  | Private Inv Advisor     | 67,797                                      | -                  | 1,549,415          | -                  | 126,005            |
| KKR 2006 Fund LP   | Private Inv Advisor     | 1,089,981                                   | 1,553,700          | -                  | -                  | -                  |
| KPS Special Situations Fund II LP                                      | Private Inv Advisor     | -   | 7,429              | 164,600            | -                  | 388,971            |
| Leeds Equity Associates V LP   | Private Inv Advisor     | 616,274                                     | 711,110            | -                  | -                  | -                  |

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**  
**SCHEDULE OF INVESTMENT ADVISORS AND FEES IN EXCESS OF \$5,000<sup>(1)</sup>**  
**FOR PERIODS ENDED JUNE 30 (Continued)**

| Name of Firm   | Description of Services | Aggregate Compensation Paid in Fiscal Year: |                     |                     |                     |                     |
|--|-------------------------|---|---------------------|---------------------|---------------------|---------------------|
|  |                         | 2010  | 2009                | 2008                | 2007                | 2006                |
| LLCP Partners IV LP                                  | Private Inv Advisor     | 1,227,249                                   | 1,733,219           | -                   | -                   | -                   |
| Muller & Monroe Asset Management                     | Private Inv Advisor     | 1,013,699                                   | 550,000             | 327,740             | -                   | -                   |
| Nogales Investors II, LP                             | Private Inv Advisor     | 449,947                                     | 753,308             | 802,527             | 668,203             | -                   |
| Parish Capital I, LP                                 | Private Inv Advisor     | -   | -                   | 123,181             | 322,441             | 470,791             |
| Parish Capital II, LP                                | Private Inv Advisor     | -   | -                   | 13,889              | 1,260,562           | -                   |
| Pegasus Investors IV, LP                             | Private Inv Advisor     | 1,246,983                                   | 796,345             | 2,744,224           | -                   | -                   |
| Pioneer Venture Associates LP                        | Private Inv Advisor     | -   | -                   | -                   | -                   | 220,000             |
| REF Associates VII, LP                               | Private Inv Advisor     | 201,644                                     | -                   | 93,213              | -                   | -                   |
| Snycom Partners V, LP                                | Private Inv Advisor     | 579,099                                     | 607,136             | 390,546             | 386,655             | -                   |
| SW Pelham Fund II, LP                                | Private Inv Advisor     | 223,425                                     | 295,500             | 263,401             | 288,569             | -                   |
| SW Pelham Fund, LP                                   | Private Inv Advisor     | -   | -                   | -                   | 207,936             | 195,511             |
| Thayer Equity Investors IV LP                        | Private Inv Advisor     | 195,955                                     | 234,511             | 243,425             | 137,579             | 457,716             |
| Thomas H. Lee Advisors IV LP                         | Private Inv Advisor     | -   | -                   | 96,816              | 121,716             | 57,163              |
| Thomas H. Lee Equity Fund VI LP                      | Private Inv Advisor     | 1,030,058                                   | 592,155             | 1,374,287           | -                   | -                   |
| Vista Equity Partners III, LP                        | Private Inv Advisor     | 688,224                                     | 558,093             | 877,027             | -                   | -                   |
| WCAS X LP  | Private Inv Advisor     | -   | -                   | -                   | -                   | 521,918             |
| Wellspring Capital Partners III LP                   | Private Inv Advisor     | 353,904                                     | 93,045              | -                   | -                   | 1,496,936           |
| Yucaipa American Alliance Fund LP                    | Private Inv Advisor     | 693,750                                     | 1,469,767           | -                   | -                   | -                   |
| <b>Total Private Investment Advisor Compensation</b> |                         | <b>\$23,887,560</b>                         | <b>\$22,526,012</b> | <b>\$21,815,762</b> | <b>\$16,189,798</b> | <b>\$12,303,596</b> |
| <b>TOTAL COMPENSATION TO INVESTMENT ADVISORS</b>     |                         | <b>\$83,436,385</b>                         | <b>\$88,654,180</b> | <b>\$76,896,244</b> | <b>\$83,836,730</b> | <b>\$71,473,755</b> |
| <b>CUSTODY SERVICES</b>                              |                         |   |                     |                     |                     |                     |
| State Street Bank & Trust                            | Custody of Assets       | -   | 80,000              | 113,000             | 114,500             | 1,046,595           |
| <b>TOTAL CUSTODY SERVICES COMPENSATION</b>           |                         | <b>\$-</b>                                  | <b>\$80,000</b>     | <b>\$113,000</b>    | <b>\$114,500</b>    | <b>\$1,046,595</b>  |

(1) Expenses are presented on a cash basis.

(2) Alternative Investment Management fees for the Private Investment Fund and the Real Estate Fund include capitalized fees and expensed fees. Capitalized fees are part of the cost of the investment and become a component of unrealized gain (loss). Capitalized fees are disclosed in Note 1 of the Combined Investment Funds Financial Statements. Expensed fees which are not part of the cost of the investment are recorded in the Statement of Operations. Not included in the above amounts are those amounts that are netted. Netted amounts include credits and fees paid out of cash on hand at the partnership level. Netted amounts are disclosed in Note 1 of the Combined Investment Funds Financial Statements.







**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**SCHEDULE OF BROKERAGE COMMISSIONS (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

| Broker Name                             | \$<br>Commission       | Shares/<br>Par Value | Avg<br>Comm |
|---|------------------------|----------------------|-------------|
| SIMMONS + COMPANY INTERNATIONAL         | 1,272.00               | 40,025.00            | 0.03        |
| SKANDINAVISKA ENSKILDA BANK             | 538.97                 | 57,215.00            | 0.01        |
| SKANDINAVISKA ENSKILDA BANKEN LONDON    | 8,336.70               | 430,057.00           | 0.02        |
| SOCIETE GENERALE                        | 17,975.95              | 1,378,815.00         | 0.01        |
| SOCIETE GENERALE BANK AND TRUST         | 487.55                 | 5,270.00             | 0.09        |
| SOCIETE GENERALE LONDON BRANCH          | 78,493.07              | 3,280,123.00         | 0.02        |
| SOLEIL SECURITIES                       | 5,866.75               | 146,775.00           | 0.04        |
| SOUTHERN CROSS EQUITIES                 | 211.62                 | 21,877.00            | 0.01        |
| SOUTHWESTSECURITIES                     | 696.99                 | 2,879,392.00         | 0.00        |
| SOUTHWESTSECURITIES, INC.               | 2,086.00               | 17,089,834.40        | 0.00        |
| SPEAR, LEEDS AND KELLOGG                | 148.88                 | 25,766.00            | 0.01        |
| STANDARD CHARTERED BANK (HONG KONG) LIM | 12,034.83              | 2,662,400.00         | 0.00        |
| STANLEY (CHARLES) + CO LIMITED          | 186.95                 | 92,752.00            | 0.00        |
| STATE STREET BANK + TRUST CO LONDON     | 143,044.91             | 9,508,972.00         | 0.02        |
| STATE STREET GLOBAL MARKETS             | 101,740.00             | 5,415,000.00         | 0.02        |
| STATE STREET GLOBAL MARKETS, LLC        | 19,353.70              | 1,139,148.00         | 0.02        |
| STEPHENS, INC.                          | 3,887.22               | 11,055,754.90        | 0.00        |
| STERNE AGEE & LEACH INC.                | 1,618.71               | 1,202,480.00         | 0.00        |
| STIFEL NICOLAUS + CO INC                | 29,592.47              | 29,239,726.36        | 0.00        |
| STUART FRANKEL + CO INC                 | 14,377.07              | 751,602.00           | 0.02        |
| STUDNESS RESEARCH                       | 1,029.00               | 37,400.00            | 0.03        |
| STURDIVANT + CO INC                     | 309.00                 | 10,300.00            | 0.03        |
| SUNTRUST CAPITAL MARKETS, INC.          | 11,796.48              | 425,116.00           | 0.03        |
| SVENSKA HANDELSBANKEN                   | 15,245.61              | 818,736.00           | 0.02        |
| SVENSKA HANDELSBANKEN LONDON BRANCH     | 4,626.78               | 161,827.00           | 0.03        |
| SWAP BROKER                             | 7,336.72               | 85,074,843.00        | 0.00        |
| SWEDBANK                                | 2,698.37               | 104,828.00           | 0.03        |
| TD WATERHOUSE CDA                       | 2,220.03               | 11,411,708.00        | 0.00        |
| TEB YATIRIM MENKUL DEGERLER A.S.        | 1,374.64               | 122,500.00           | 0.01        |
| THE BENCHMARK COMPANY, LLC              | 413.65                 | 8,613.00             | 0.05        |
| THE ROYALBANK OF SCOTLAND N.V.UK EQUITI | 50,781.57              | 7,517,675.00         | 0.01        |
| THEMIS TRADING LLC                      | 47,467.87              | 2,482,760.00         | 0.02        |
| THINKEQUITY PARTNERS LLC                | 4,724.19               | 103,666.00           | 0.05        |
| THINKEQUITY PARTNERS, LLC               | 60.00                  | 2,000.00             | 0.03        |
| THOMAS WEISEL PARTNERS LLC              | 47,062.40              | 1,979,036.00         | 0.02        |
| TORONTO DOMINION BANK                   | 1,108.30               | 610,709.00           | 0.00        |
| TROIKA DIALOG USA, INC                  | 2,108.54               | 163,525.00           | 0.01        |
| UBS AG                                  | 299,451.32             | 152,822,570.63       | 0.00        |
| UBS AG LONDON                           | 84,592.90              | 167,067,287.00       | 0.00        |
| UBS SECS LLC/EQUITIES,NY                | 2,480.73               | 5,550.00             | 0.45        |
| UBS SECURITIES ASIA LTD                 | 139,851.66             | 70,470,362.00        | 0.00        |
| UBS SECURITIES CANADA INC               | 2,544.03               | 96,780.00            | 0.03        |
| UBS SECURITIES LLC                      | 219,901.87             | 299,667,475.22       | 0.00        |
| UBS SECURITIES PTE.LTD., SEOUL          | 32,280.01              | 195,179.00           | 0.17        |
| UBS SECURITIES SINGAPORE PTE            | 6,767.42               | 12,748,190.00        | 0.00        |
| UBS WARBURG (HONG KONG) LIMITED         | 2,180.57               | 233,200.00           | 0.01        |
| UBS WARBURG AUSTRALIA EQUITIES          | 406.44                 | 12,203.00            | 0.03        |
| UBS WARBURG LLC                         | 81,464.27              | 6,086,179.00         | 0.01        |
| UNICREDITSPA                            | 38.83                  | 1,833.00             | 0.02        |
| UNX INC.                                | 9,670.31               | 507,601.00           | 0.02        |
| UOB KAY HIAN (HONG KONG) LTD            | 858.66                 | 879,670.00           | 0.00        |
| UOB KAY HIAN PTE LIMITED                | 9,797.16               | 1,039,597.00         | 0.01        |
| UOB KAY HIAN SECURITIES                 | 5,977.12               | 1,888,850.00         | 0.00        |
| UOB KAY HIAN SECURITIES PT              | 4,897.93               | 11,230,000.00        | 0.00        |
| UTENDAHL CAPITAL PARTNERS               | 188.00                 | 4,700.00             | 0.04        |
| VANDHAM SECURITIES CORP                 | 8,297.64               | 207,441.00           | 0.04        |
| VICKERS BALLAS TAMARA PT                | 2,586.66               | 9,450,000.00         | 0.00        |
| VTB BANK EUROPE PLC                     | 1,653.87               | 475,969.00           | 0.00        |
| W.J. BONFANTI INC                       | 3.08                   | 154.00               | 0.02        |
| WACHOVIACAPITAL MARKETS, LLC            | 36,999.27              | 11,815,244.00        | 0.00        |
| WEDBUSH MORGAN SECURITIES INC           | 9,944.19               | 16,508,400.73        | 0.00        |
| WEEDEN + CO.                            | 119,168.71             | 8,248,490.00         | 0.01        |
| WELLS FARGO INVT LLC                    | 574.75                 | 10,703.00            | 0.05        |
| WILLIAM BLAIR & COMPANY L.L.C           | 19,791.97              | 461,508.00           | 0.04        |
| WILLIAMS CAPITAL GROUP LP (THE)         | 51,338.93              | 2,571,276.00         | 0.02        |
| WINTERFLOOD SECURITIES LTD              | 237.71                 | 50,000.00            | 0.00        |
| WOOD AND COMPANY                        | 3,444.60               | 46,627.00            | 0.07        |
| WOORI INVESTMENT SECURITIES             | 7,130.59               | 120,800.00           | 0.06        |
| YAMNER & CO INC (CLS THRU 443)          | 6,425.09               | 641,573.00           | 0.01        |
| YUANTA CORE PACIFIC SECURITIES          | 338.18                 | 84,000.00            | 0.00        |
| ZANNEX SECURITIES                       | 117.78                 | 19,586.00            | 0.01        |
| <b>TOTAL</b>                            | <b>\$14,385,489.29</b> |                      |             |

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**SCHEDULE OF NET ASSETS BY INVESTMENT FUND  
JUNE 30, 2010**

|  | LIQUIDITY<br>FUND      | MUTUAL<br>EQUITY<br>FUND | CORE<br>FIXED INCOME<br>FUND | INFLATION<br>LINKED BOND<br>FUND | EMERGING<br>MARKET DEBT<br>FUND |
|--|------------------------|--------------------------|------------------------------|----------------------------------|---------------------------------|
| <b>ASSETS</b>  |                        |                          |                              |                                  |                                 |
| Investments in Securities , at Fair Value            |                        |                          |                              |                                  |                                 |
| Liquidity Fund                                       | \$ -                   | \$45,038,142             | \$126,859,828                | \$40,960,160                     | \$50,151,134                    |
| Cash Equivalents                                     | 1,639,611,001          | -                        | -                            | -                                | 100,000                         |
| Asset Backed Securities                              | 42,554,779             | -                        | 32,251,192                   | -                                | -                               |
| Government Securities                                | 361,204,296            | -                        | 779,359,724                  | 1,029,700,712                    | 648,990,654                     |
| Government Agency Securities                         | 23,140,094             | -                        | 811,238,771                  | -                                | -                               |
| Mortgage Backed Securities                           | 10,124,847             | -                        | 304,081,637                  | -                                | 202,701                         |
| Corporate Debt                                       | 137,469,391            | -                        | 735,272,491                  | -                                | 182,486,978                     |
| Convertible Securities                               | -                      | -                        | -                            | -                                | -                               |
| Common Stock   | -                      | 4,407,035,856            | -                            | -                                | -                               |
| Preferred Stock                                      | -                      | -                        | -                            | -                                | -                               |
| Real Estate Investment Trust                         | -                      | 71,138,098               | -                            | -                                | -                               |
| Mutual Fund  | -                      | 482,022,115              | 542,300                      | -                                | 273,420,146                     |
| Limited Liability Corporation                        | -                      | -                        | -                            | -                                | -                               |
| Trusts   | -                      | -                        | -                            | -                                | -                               |
| Limited Partnerships                                 | -                      | 283,619,355              | -                            | -                                | -                               |
| Annuities  | -                      | -                        | -                            | -                                | -                               |
| Total Investments in Securities,<br>at Fair Value    | 2,214,104,408          | 5,288,853,566            | 2,789,605,943                | 1,070,660,872                    | 1,155,351,613                   |
| Cash   | 9,233                  | -                        | -                            | 2,414                            | 6,700,024                       |
| Receivables  |                        |                          |                              |                                  |                                 |
| Foreign Exchange Contracts                           | 529,002,409            | -                        | 8,971,425                    | -                                | 200,823,578                     |
| Interest Receivable                                  | 3,908,398              | 6,227                    | 22,126,985                   | 8,225,278                        | 16,814,018                      |
| Dividends Receivable                                 | -                      | 5,214,814                | -                            | -                                | -                               |
| Due from Brokers                                     | -                      | 18,216,606               | 200,605,856                  | -                                | 4,926,560                       |
| Foreign Taxes  | -                      | 35,996                   | 62,244                       | -                                | 773,454                         |
| Securities Lending Receivable                        | -                      | 156,747                  | 124,013                      | 141,338                          | 10,945                          |
| Reserve for Doubtful Receivables                     | -                      | (1,901)                  | (640,030)                    | -                                | (294,154)                       |
| Total Receivables                                    | 532,910,807            | 23,628,489               | 231,250,493                  | 8,366,616                        | 223,054,401                     |
| Invested Securities Lending Collateral               | -                      | 510,652,476              | 698,087,873                  | 917,540,821                      | 47,249,947                      |
| Other Funds on Deposit                               | -                      | -                        | -                            | -                                | -                               |
| Prepaid Expenses                                     | -                      | -                        | -                            | -                                | -                               |
| <b>Total Assets</b>                                  | <b>2,747,024,448</b>   | <b>5,823,134,531</b>     | <b>3,718,944,309</b>         | <b>1,996,570,723</b>             | <b>1,432,355,985</b>            |
| <b>LIABILITIES</b>                                   |                        |                          |                              |                                  |                                 |
| Payables   |                        |                          |                              |                                  |                                 |
| Foreign Exchange Contracts                           | 523,130,133            | -                        | 8,756,726                    | -                                | 200,949,969                     |
| Due to Brokers                                       | 4,302,812              | 20,993,419               | 309,694,880                  | 15,850,448                       | 7,045,386                       |
| Income Distribution                                  | 26,490                 | -                        | -                            | -                                | -                               |
| Other Payable  | -                      | 120,569                  | 488                          | -                                | -                               |
| Total Payables                                       | 527,459,435            | 21,113,988               | 318,452,094                  | 15,850,448                       | 207,995,355                     |
| Securities Lending Collateral                        | -                      | 510,652,476              | 698,087,873                  | 917,540,821                      | 47,249,947                      |
| Accrued Expenses                                     | 684,044                | 2,276,371                | 958,133                      | 289,954                          | 1,248,315                       |
| <b>Total Liabilities</b>                             | <b>528,143,479</b>     | <b>534,042,835</b>       | <b>1,017,498,100</b>         | <b>933,681,223</b>               | <b>256,493,617</b>              |
| <b>NET ASSETS HELD IN TRUST<br/>FOR PARTICIPANTS</b> | <b>\$2,218,880,969</b> | <b>\$5,289,091,696</b>   | <b>\$2,701,446,209</b>       | <b>\$1,062,889,500</b>           | <b>\$1,175,862,368</b>          |
| Units Outstanding                                    | 2,214,775,395          | 7,275,474                | 22,919,294                   | 7,733,564                        | 9,150,803                       |
| Net Asset Value and Redemption<br>Price per Unit     | \$1.00                 | \$726.98                 | \$117.87                     | \$137.44                         | \$128.50                        |



**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**SCHEDULE OF NET ASSETS BY INVESTMENT FUND  
JUNE 30, 2010**

| <b>HIGH YIELD-<br/>DEBT<br/>FUND</b> | <b>DEVELOPED<br/>MARKET<br/>INTERNATIONAL<br/>STOCK FUND</b> | <b>EMERGING<br/>MARKET<br/>INTERNATIONAL<br/>STOCK FUND</b> | <b>REAL<br/>ESTATE<br/>FUND</b> | <b>COMMERCIAL<br/>MORTGAGE<br/>FUND</b> | <b>PRIVATE<br/>INVESTMENT<br/>FUND</b> | <b>ELIMINATION<br/>ENTRY</b> | <b>TOTAL</b>     |
|--------------------------------------|--|---|---------------------------------|---|--|------------------------------|------------------|
| \$24,439,960                         | \$91,745,456   | \$27,896,128  | \$77,173,211                    | \$160,894                               | \$108,497,236                          | \$(592,922,149)              | \$ -             |
| -                                    | 942,566  | -   | -                               | -                                       | -                                      | -                            | 1,640,653,567    |
| 16,493,071                           | -  | -   | -                               | -                                       | -                                      | -                            | 91,299,042       |
| 4,455,831                            | -  | -   | -                               | -                                       | -                                      | -                            | 2,823,711,217    |
| -                                    | -  | -   | -                               | -                                       | -                                      | -                            | 834,378,865      |
| 8,564,348                            | -  | -   | -                               | 193,054                                 | -                                      | -                            | 323,166,587      |
| 548,301,512                          | 186,814  | -   | -                               | -                                       | -                                      | -                            | 1,603,717,186    |
| 41,527,750                           | 656,347  | -   | -                               | -                                       | -                                      | -                            | 42,184,097       |
| 9,745,529                            | 4,142,927,367  | 1,781,086,082   | -                               | 3,464,167                               | 194,333                                | -                            | 10,344,453,334   |
| 2,404,603                            | 18,359,743   | 48,132,944  | -                               | -                                       | -                                      | -                            | 68,897,290       |
| 243,120                              | 27,474,536   | -   | -                               | -                                       | -                                      | -                            | 98,855,754       |
| -                                    | 46,158,108   | 208,140,803   | -                               | -                                       | -                                      | -                            | 1,010,283,472    |
| -                                    | -  | -   | -                               | -                                       | 4,238,959                              | -                            | 4,238,959        |
| -                                    | -  | -   | 2,708,893                       | -                                       | -                                      | -                            | 2,708,893        |
| -                                    | -  | -   | 712,601,117                     | -                                       | 1,900,170,670                          | -                            | 2,896,391,142    |
| -                                    | -  | -   | -                               | -                                       | -                                      | -                            | -                |
| 656,175,724                          | 4,328,450,937  | 2,065,255,957   | 792,483,221                     | 3,818,115                               | 2,013,101,198                          | (592,922,149)                | 21,784,939,405   |
| -                                    | 28,837,505   | 4,674,123   | -                               | -                                       | -                                      | (9,233)                      | 40,214,066       |
| -                                    | -  | -   | -                               | -                                       | -                                      | -                            | -                |
| 4,393,045                            | 4,031,556,305  | 2,470,683   | -                               | -                                       | -                                      | (529,002,409)                | 4,248,215,036    |
| 12,934,828                           | 20,316   | 2,122   | -                               | 62                                      | 3                                      | 13,086,445                   | 77,124,682       |
| 17,268                               | 7,598,438  | 6,980,614   | -                               | -                                       | -                                      | -                            | 19,811,134       |
| 26,845,726                           | 28,490,983   | 5,456,638   | -                               | -                                       | -                                      | -                            | 284,542,369      |
| 1,205                                | 9,655,776  | 139,496   | -                               | -                                       | -                                      | -                            | 10,668,171       |
| 39,896                               | 467,915  | 91,779  | -                               | -                                       | -                                      | -                            | 1,032,633        |
| (611,040)                            | (766,395)  | (11,077)  | -                               | -                                       | -                                      | -                            | (2,324,597)      |
| 43,620,928                           | 4,077,023,338  | 15,130,255  | -                               | 62                                      | 3                                      | (515,915,964)                | 4,639,069,428    |
| -                                    | -  | -   | -                               | -                                       | -                                      | -                            | -                |
| 146,986,690                          | 349,378,453  | 142,058,580   | -                               | -                                       | -                                      | -                            | 2,811,954,840    |
| -                                    | -  | -   | -                               | -                                       | -                                      | -                            | -                |
| -                                    | -  | -   | -                               | 8,266                                   | 3,369,724                              | -                            | 3,377,990        |
| 846,783,342                          | 8,783,690,233  | 2,227,118,915   | 792,483,221                     | 3,826,443                               | 2,016,470,925                          | (1,108,847,346)              | 29,279,555,729   |
| -                                    | -  | -   | -                               | -                                       | -                                      | -                            | -                |
| 4,380,079                            | 3,965,387,755  | 2,470,108   | -                               | -                                       | -                                      | (523,130,133)                | 4,181,944,637    |
| 1,548,934                            | 28,321,136   | 5,404,397   | -                               | -                                       | -                                      | (4,302,812)                  | 388,858,600      |
| -                                    | -  | -   | -                               | -                                       | -                                      | 58,198                       | 84,688           |
| 439,296                              | -  | -   | 8,129,912                       | -                                       | 2,620,912                              | -                            | 11,311,177       |
| 6,368,309                            | 3,993,708,891  | 7,874,505   | 8,129,912                       | -                                       | 2,620,912                              | (527,374,747)                | 4,582,199,102    |
| 146,986,690                          | 349,378,453  | 142,058,580   | -                               | -                                       | -                                      | -                            | 2,811,954,840    |
| 663,844                              | 5,642,325  | 4,021,258   | 524,328                         | -                                       | 3,715                                  | (500,862)                    | 15,811,425       |
| 154,018,843                          | 4,348,729,669  | 153,954,343   | 8,654,240                       | -                                       | 2,624,627                              | (527,875,609)                | 7,409,965,367    |
| \$692,764,499                        | \$4,434,960,564  | \$2,073,164,572   | \$783,828,981                   | \$3,826,443                             | \$2,013,846,298                        | \$(580,971,737)              | \$21,869,590,362 |
| 6,093,481                            | 15,004,114   | 6,325,412   | 25,784,009                      | 78,886                                  | 40,577,585                             | -                            | -                |
| \$113.69                             | \$295.58   | \$327.75  | \$30.40                         | \$48.51                                 | \$49.63                                | -                            | -                |

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**SCHEDULE OF CHANGES IN NET ASSETS BY INVESTMENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

|   | LIQUIDITY<br>FUND      | MUTUAL<br>EQUITY<br>FUND | CORE<br>FIXED INCOME<br>FUND | INFLATION<br>LINKED BOND<br>FUND | EMERGING<br>MARKET DEBT<br>FUND |
|---|------------------------|--------------------------|------------------------------|----------------------------------|---------------------------------|
| <b>ADDITIONS</b>  |                        |                          |                              |                                  |                                 |
| <b>OPERATIONS</b>   |                        |                          |                              |                                  |                                 |
| <b>Investment Income</b>  |                        |                          |                              |                                  |                                 |
| Dividends   | \$ -                   | \$88,910,121             | \$37,103                     | \$ -                             | \$7,100,299                     |
| Interest  | 18,673,154             | 955,780                  | 124,264,831                  | 33,200,382                       | 84,874,231                      |
| Other Income  | -                      | 4,709,232                | 706,117                      | -                                | -                               |
| Securities Lending  | -                      | 6,397,444                | 3,562,763                    | 4,199,924                        | 197,765                         |
| <b>Total Income</b>   | <b>18,673,154</b>      | <b>100,972,577</b>       | <b>128,570,814</b>           | <b>37,400,306</b>                | <b>92,172,295</b>               |
| <b>Expenses</b>   |                        |                          |                              |                                  |                                 |
| Investment Advisory Fees  | 2,892,287              | 10,744,251               | 3,499,757                    | 901,014                          | 4,544,477                       |
| Custody and Transfer Agent Fees   | -                      | 592,083                  | 240,034                      | 88,901                           | 105,570                         |
| Professional Fees   | 92,550                 | 385,394                  | 151,501                      | 47,887                           | 59,984                          |
| Security Lending Fees   | -                      | 942,176                  | 447,671                      | 494,268                          | 28,462                          |
| Security Lending Rebates  | -                      | 921,876                  | 1,185,704                    | 1,628,574                        | 42,543                          |
| Investment Expenses   | 106,429                | 35,539                   | 50,550                       | 9,461                            | 46,200                          |
| <b>Total Expenses</b>   | <b>3,091,266</b>       | <b>13,621,319</b>        | <b>5,575,217</b>             | <b>3,170,105</b>                 | <b>4,827,236</b>                |
| <b>Net Investment Income</b>  | <b>15,581,888</b>      | <b>87,351,258</b>        | <b>122,995,597</b>           | <b>34,230,201</b>                | <b>87,345,059</b>               |
| <b>Net Realized Gain (Loss)</b>   | <b>1,398,777</b>       | <b>146,422,841</b>       | <b>(85,671,834)</b>          | <b>28,198,333</b>                | <b>54,206,617</b>               |
| <b>Net Change in Unrealized Gain/(Loss)<br/>on Investments and Foreign Currency</b> | <b>2,448,634</b>       | <b>544,793,180</b>       | <b>292,061,850</b>           | <b>21,323,807</b>                | <b>101,685,851</b>              |
| <b>Net Increase (Decrease) in Net<br/>Assets Resulting from Operations</b>          | <b>19,429,299</b>      | <b>778,567,279</b>       | <b>329,385,613</b>           | <b>83,752,341</b>                | <b>243,237,527</b>              |
| <b>Unit Transactions</b>  |                        |                          |                              |                                  |                                 |
| Purchase of Units by Participants   | 3,308,833,684          | -                        | -                            | 162,500,000                      | -                               |
| <b>TOTAL ADDITIONS</b>  | <b>3,328,262,983</b>   | <b>778,567,279</b>       | <b>329,385,613</b>           | <b>246,252,341</b>               | <b>243,237,527</b>              |
| <b>DEDUCTIONS</b>   |                        |                          |                              |                                  |                                 |
| <b>Administrative Expenses</b>  |                        |                          |                              |                                  |                                 |
| Salary and Fringe Benefits  | (189,778)              | (1,211,943)              | (348,358)                    | (142,968)                        | (173,529)                       |
| <b>Distributions to Unit Owners</b>   |                        |                          |                              |                                  |                                 |
| Income Distributed  | (16,790,887)           | (93,114,520)             | (136,994,857)                | (20,312,559)                     | (47,140,193)                    |
| <b>Unit Transactions</b>  |                        |                          |                              |                                  |                                 |
| Redemption of Units by Participants   | (3,263,630,115)        | (985,500,000)            | (650,500,000)                | (150,000)                        | (151,900,000)                   |
| <b>TOTAL DEDUCTIONS</b>   | <b>(3,280,610,780)</b> | <b>(1,079,826,463)</b>   | <b>(787,843,215)</b>         | <b>(20,605,527)</b>              | <b>(199,213,722)</b>            |
| <b>Change in Net Assets Held in Trust<br/>for Participants</b>                      | <b>47,652,203</b>      | <b>(301,259,184)</b>     | <b>(458,457,602)</b>         | <b>225,646,814</b>               | <b>44,023,805</b>               |
| <b>Net Assets- Beginning of Period</b>  | <b>2,171,228,766</b>   | <b>5,590,350,880</b>     | <b>3,159,903,811</b>         | <b>837,242,686</b>               | <b>1,131,838,563</b>            |
| <b>Net Assets- End of Period</b>  | <b>\$2,218,880,969</b> | <b>\$5,289,091,696</b>   | <b>\$2,701,446,209</b>       | <b>\$1,062,889,500</b>           | <b>\$1,175,862,368</b>          |
| Other Information:  |                        |                          |                              |                                  |                                 |
| Units   |                        |                          |                              |                                  |                                 |
| Purchased   | 12,644,875,668         | -                        | -                            | 1,197,687                        | -                               |
| Redeemed  | (12,603,477,742)       | (1,347,647)              | (5,661,321)                  | (1,171)                          | (1,263,797)                     |
| <b>Net Increase (Decrease)</b>  | <b>41,397,926</b>      | <b>(1,347,647)</b>       | <b>(5,661,321)</b>           | <b>1,196,516</b>                 | <b>(1,263,797)</b>              |

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**SCHEDULE OF CHANGES IN NET ASSETS BY INVESTMENT FUND (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

| <b>HIGH YIELD-<br/>DEBT<br/>FUND</b> | <b>DEVELOPED<br/>MARKET<br/>INTERNATIONAL<br/>STOCK FUND</b> | <b>EMERGING<br/>MARKET<br/>INTERNATIONAL<br/>STOCK FUND</b> | <b>REAL<br/>ESTATE<br/>FUND</b> | <b>COMMERCIAL<br/>MORTGAGE<br/>FUND</b> | <b>PRIVATE<br/>INVESTMENT<br/>FUND</b> | <b>ELIMINATION<br/>ENTRY</b> | <b>TOTAL</b>     |
|--------------------------------------|--|---|---------------------------------|---|--|------------------------------|------------------|
| \$282,352                            | \$126,496,894  | \$46,751,825  | \$23,136,047                    | \$401,965                               | \$124,291,666                          | \$ -                         | \$417,408,272    |
| 65,514,621                           | 1,899,449  | 733,623   | 561,298                         | 741                                     | 1,544,075                              | (8,177,167)                  | 324,045,018      |
| 19,119                               | 159,831  | 13,806  | -                               | -                                       | -                                      | -                            | 5,608,105        |
| 846,690                              | 6,768,954  | 1,452,689   | -                               | -                                       | -                                      | -                            | 23,426,229       |
| 66,662,782                           | 135,325,128  | 48,951,943  | 23,697,345                      | 402,706                                 | 125,835,741                            | (8,177,167)                  | 770,487,624      |
| 2,544,771                            | 22,085,148   | 12,333,677  | 3,100,126                       | 37,125                                  | 8,323,349                              | (1,266,562)                  | 69,739,420       |
| 67,120                               | 473,622  | 210,474   | 67,787                          | 445                                     | 173,802                                | -                            | 2,019,838        |
| 39,049                               | 269,350  | 98,187  | 470,006                         | 262                                     | 1,170,788                              | (40,529)                     | 2,744,429        |
| 125,269                              | 1,041,161  | 224,476   | -                               | -                                       | -                                      | -                            | 3,303,483        |
| 144,344                              | 344,222  | 116,426   | -                               | -                                       | -                                      | -                            | 4,383,689        |
| 9,828                                | 302,349  | 1,064,587   | 12,918                          | 89                                      | 19,091                                 | (46,606)                     | 1,610,435        |
| 2,930,381                            | 24,515,852   | 14,047,827  | 3,650,837                       | 37,921                                  | 9,687,030                              | (1,353,697)                  | 83,801,294       |
| 63,732,401                           | 110,809,276  | 34,904,116  | 20,046,508                      | 364,785                                 | 116,148,711                            | (6,823,470)                  | 686,686,330      |
| 22,294,432                           | 110,381,007  | 169,221,914   | (63,080,704)                    | 419                                     | (168,334,674)                          | (612,539)                    | 214,424,589      |
| 80,344,795                           | 302,435,776  | 173,923,657   | (131,384,936)                   | (1,691)                                 | 351,373,634                            | (1,343,434)                  | 1,737,661,123    |
| 166,371,628                          | 523,626,059  | 378,049,687   | (174,419,132)                   | 363,513                                 | 299,187,671                            | (8,779,443)                  | 2,638,772,042    |
| -                                    | -  | 575,000,000   | 202,788,350                     | -                                       | 180,455,000                            | (782,526,824)                | 3,647,050,210    |
| 166,371,628                          | 523,626,059  | 953,049,687   | 28,369,218                      | 363,513                                 | 479,642,671                            | (791,306,267)                | 6,285,822,252    |
| (123,172)                            | (794,406)  | (316,026)   | (311,138)                       | (16,490)                                | (291,075)                              | 83,106                       | (3,835,777)      |
| (56,649,900)                         | (83,870,390)   | (25,395,091)  | (13,884,655)                    | (390,812)                               | (92,097,306)                           | 7,352,901                    | (579,288,269)    |
| (150,000,000)                        | (419,900,000)  | (1,500,000)   | -                               | (1,267,000)                             | -                                      | 1,409,072,987                | (4,215,274,128)  |
| (206,773,072)                        | (504,564,796)  | (27,211,117)  | (14,195,793)                    | (1,674,302)                             | (92,388,381)                           | 1,416,508,994                | (4,798,398,174)  |
| (40,401,444)                         | 19,061,263   | 925,838,570   | 14,173,425                      | (1,310,789)                             | 387,254,290                            | 625,202,727                  | 1,487,424,078    |
| 733,165,943                          | 4,415,899,301  | 1,147,326,002   | 769,655,556                     | 5,137,232                               | 1,626,592,008                          | (1,206,174,464)              | 20,382,166,284   |
| \$692,764,499                        | \$4,434,960,564  | \$2,073,164,572   | \$783,828,981                   | \$3,826,443                             | \$2,013,846,298                        | \$(580,971,737)              | \$21,869,590,362 |
| -                                    | -  | 1,998,863   | 5,924,671                       | -                                       | 3,970,176                              | -                            | -                |
| (1,351,154)                          | (1,309,307)  | (4,199)   | -                               | (24,940)                                | -                                      | -                            | -                |
| (1,351,154)                          | (1,309,307)  | 1,994,664   | 5,924,671                       | (24,940)                                | 3,970,176                              | -                            | -                |

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**SCHEDULE OF CHANGES IN NET ASSETS BY INVESTMENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

|   | LIQUIDITY<br>FUND      | MUTUAL<br>EQUITY<br>FUND | CORE<br>FIXED INCOME<br>FUND | INFLATION<br>LINKED BOND<br>FUND | EMERGING<br>MARKET DEBT<br>FUND |
|---|------------------------|--------------------------|------------------------------|----------------------------------|---------------------------------|
| <b>ADDITIONS</b>  |                        |                          |                              |                                  |                                 |
| <b>OPERATIONS</b>   |                        |                          |                              |                                  |                                 |
| <b>Investment Income</b>  |                        |                          |                              |                                  |                                 |
| Dividends   | \$ -                   | \$ 136,986,761           | \$ 2,416,239                 | \$ -                             | \$ 25,241,007                   |
| Interest  | 34,435,214             | 1,094,293                | 171,793,662                  | 12,472,336                       | 75,342,282                      |
| Other Income  | -                      | 4,740,295                | 3,584,612                    | 15,149                           | -                               |
| Securities Lending  | -                      | 23,059,408               | 11,744,830                   | 13,172,181                       | 517,333                         |
| <b>Total Income</b>   | <b>34,435,214</b>      | <b>165,880,757</b>       | <b>189,539,343</b>           | <b>25,659,666</b>                | <b>101,100,622</b>              |
| <b>Expenses</b>   |                        |                          |                              |                                  |                                 |
| Investment Advisory Fees  | 571,942                | 7,729,408                | 4,595,441                    | 944,154                          | 3,241,988                       |
| Custody and Transfer Agent Fees   | 1,000                  | 500                      | -                            | -                                | -                               |
| Professional Fees   | 61,477                 | 428,461                  | 201,704                      | 60,170                           | 53,434                          |
| Security Lending Fees   | -                      | 2,111,513                | 980,091                      | 1,258,955                        | 40,097                          |
| Security Lending Rebates  | -                      | 8,729,527                | 5,529,129                    | 5,290,231                        | 261,329                         |
| Investment Expenses   | -                      | 200,046                  | 47,959                       | -                                | 108,409                         |
| <b>Total Expenses</b>   | <b>634,419</b>         | <b>19,199,455</b>        | <b>11,354,324</b>            | <b>7,553,510</b>                 | <b>3,705,257</b>                |
| <b>Net Investment Income</b>  | <b>33,800,795</b>      | <b>146,681,302</b>       | <b>178,185,019</b>           | <b>18,106,156</b>                | <b>97,395,365</b>               |
| <b>Net Realized Gain (Loss)</b>   | <b>(118,002)</b>       | <b>(1,527,195,580)</b>   | <b>(55,634,344)</b>          | <b>(33,431,634)</b>              | <b>(77,667,777)</b>             |
| <b>Net Change in Unrealized Gain/(Loss)<br/>on Investments and Foreign Currency</b> | <b>(1,571,310)</b>     | <b>(885,144,418)</b>     | <b>(56,799,550)</b>          | <b>6,044,613</b>                 | <b>(61,696,680)</b>             |
| <b>Net Increase (Decrease) in Net<br/>Assets Resulting from Operations</b>          | <b>32,111,483</b>      | <b>(2,265,658,696)</b>   | <b>65,751,125</b>            | <b>(9,280,865)</b>               | <b>(41,969,092)</b>             |
| <b>Unit Transactions</b>  |                        |                          |                              |                                  |                                 |
| Purchase of Units by Participants   | 4,262,166,388          | -                        | -                            | -                                | 177,000,000                     |
| <b>TOTAL ADDITIONS</b>  | <b>4,294,277,871</b>   | <b>(2,265,658,696)</b>   | <b>65,751,125</b>            | <b>(9,280,865)</b>               | <b>135,030,908</b>              |
| <b>DEDUCTIONS</b>   |                        |                          |                              |                                  |                                 |
| <b>Administrative Expenses</b>  |                        |                          |                              |                                  |                                 |
| Salary and Fringe Benefits  | (143,452)              | (1,042,522)              | (403,141)                    | (133,576)                        | (113,176)                       |
| <b>Distributions to Unit Owners</b>   |                        |                          |                              |                                  |                                 |
| Income Distributed  | (33,539,341)           | (142,409,677)            | (206,684,638)                | (26,128,284)                     | (45,615,798)                    |
| <b>Unit Transactions</b>  |                        |                          |                              |                                  |                                 |
| Redemption of Units by Participants   | (4,251,018,707)        | -                        | (1,235,821,000)              | (300,000,000)                    | (4,798,000)                     |
| <b>TOTAL DEDUCTIONS</b>   | <b>(4,284,701,500)</b> | <b>(143,452,199)</b>     | <b>(1,442,908,779)</b>       | <b>(326,261,860)</b>             | <b>(50,526,974)</b>             |
| <b>Change in Net Assets Held in Trust<br/>for Participants</b>                      | <b>9,576,371</b>       | <b>(2,409,110,895)</b>   | <b>(1,377,157,654)</b>       | <b>(335,542,725)</b>             | <b>84,503,934</b>               |
| <b>Net Assets- Beginning of Period</b>  | <b>2,161,652,395</b>   | <b>7,999,461,775</b>     | <b>4,537,061,465</b>         | <b>1,172,785,411</b>             | <b>1,047,334,629</b>            |
| <b>Net Assets- End of Period</b>  | <b>\$2,171,228,766</b> | <b>\$5,590,350,880</b>   | <b>\$3,159,903,811</b>       | <b>\$837,242,686</b>             | <b>\$1,131,838,563</b>          |
| <b>Other Information:</b>   |                        |                          |                              |                                  |                                 |
| <b>Units</b>  |                        |                          |                              |                                  |                                 |
| Purchased   | 4,262,166,388          | -                        | -                            | -                                | 1,650,096                       |
| Redeemed  | (4,251,018,707)        | -                        | (11,267,665)                 | (2,402,691)                      | (53,227)                        |
| <b>Net Increase (Decrease)</b>  | <b>11,147,681</b>      | <b>-</b>                 | <b>(11,267,665)</b>          | <b>(2,402,691)</b>               | <b>1,596,869</b>                |

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**SCHEDULE OF CHANGES IN NET ASSETS BY INVESTMENT FUND (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

| HIGH YIELD-<br>DEBT<br>FUND | DEVELOPED<br>MARKET<br>INTERNATIONAL<br>STOCK FUND | EMERGING<br>MARKET<br>INTERNATIONAL<br>STOCK FUND | REAL<br>ESTATE<br>FUND | COMMERCIAL<br>MORTGAGE<br>FUND | PRIVATE<br>INVESTMENT<br>FUND | ELIMINATION<br>ENTRY | TOTAL            |
|-----------------------------|--|---|------------------------|--------------------------------|-------------------------------|----------------------|------------------|
| \$ 231,436                  | \$ 128,686,192                                     | \$ 30,737,495                                     | \$ 20,148,337          | \$ 516,781                     | \$ 54,895,772                 | \$ -                 | \$ 399,860,020   |
| 68,921,759                  | 1,232,239  | 420,912   | 406,674                | 2,371                          | 1,461,987                     | (8,663,412)          | 358,920,317      |
| 26,516                      | 330,691  | -   | -                      | -                              | 4,344                         | -                    | 8,701,607        |
| 2,182,786                   | 12,948,255   | 2,560,962   | -                      | -                              | -                             | -                    | 66,185,755       |
| 71,362,497                  | 143,197,377  | 33,719,369  | 20,555,011             | 519,152                        | 56,362,103                    | (8,663,412)          | 833,667,699      |
| 2,321,899                   | 18,200,409   | 6,970,008   | 3,567,394              | 73,500                         | 7,862,719                     | (143,893)            | 55,934,969       |
| -                           | 500  | -   | -                      | -                              | -                             | (252)                | 1,748            |
| 38,092                      | 242,176  | 56,665  | 468,049                | 364                            | 922,202                       | (15,467)             | 2,517,327        |
| 189,237                     | 1,393,473  | 278,614   | -                      | -                              | -                             | -                    | 6,251,980        |
| 955,409                     | 2,763,059  | 683,824   | -                      | -                              | -                             | -                    | 24,212,508       |
| 990                         | 298,821  | 87,404  | 210,782                | 14                             | -                             | -                    | 954,425          |
| 3,505,627                   | 22,898,438   | 8,076,515   | 4,246,225              | 73,878                         | 8,784,921                     | (159,612)            | 89,872,957       |
| 67,856,870                  | 120,298,939  | 25,642,854  | 16,308,786             | 445,274                        | 47,577,182                    | (8,503,800)          | 743,794,742      |
| (49,939,172)                | (789,853,210)                                      | (211,076,783)                                     | (15,921,318)           | (55)                           | (181,552,509)                 | 29,688               | (2,942,360,696)  |
| (44,167,904)                | (659,994,091)                                      | (154,148,813)                                     | (298,815,024)          | (600,220)                      | (177,220,802)                 | 513,235              | (2,333,600,964)  |
| (26,250,206)                | (1,329,548,362)                                    | (339,582,742)                                     | (298,427,556)          | (155,001)                      | (311,196,129)                 | (7,960,877)          | (4,532,166,918)  |
| 58,000,000                  | 746,427,991  | 200,000,000                                       | 86,000,000             | -                              | 201,700,000                   | 867,988,293          | 6,599,282,672    |
| 31,749,794                  | (583,120,371)                                      | (139,582,742)                                     | (212,427,556)          | (155,001)                      | (109,496,129)                 | 860,027,416          | 2,067,115,754    |
| (78,923)                    | (626,374)  | (141,674)   | (357,659)              | (18,085)                       | (370,801)                     | 36,090               | (3,393,293)      |
| (57,719,321)                | (108,635,249)                                      | (16,708,680)                                      | (19,880,236)           | (508,827)                      | (58,249,143)                  | 8,438,021            | (707,641,173)    |
| -                           | -  | -   | -                      | (1,091,960)                    | -                             | (1,053,008,015)      | (6,845,737,682)  |
| (57,798,244)                | (109,261,623)                                      | (16,850,354)                                      | (20,237,895)           | (1,618,872)                    | (58,619,944)                  | (1,044,533,904)      | (7,556,772,148)  |
| (26,048,450)                | (692,381,994)                                      | (156,433,096)                                     | (232,665,451)          | (1,773,873)                    | (168,116,073)                 | (184,506,488)        | (5,489,656,394)  |
| 759,214,393                 | 5,108,281,295                                      | 1,303,759,098                                     | 1,002,321,007          | 6,911,105                      | 1,794,708,081                 | (1,021,667,976)      | 25,871,822,678   |
| \$733,165,943               | \$4,415,899,301                                    | \$1,147,326,002                                   | \$769,655,556          | \$5,137,232                    | \$1,626,592,008               | \$(1,206,174,464)    | \$20,382,166,284 |
| 704,073                     | 3,030,577  | 982,505   | 1,793,138              | -                              | 3,887,834                     | -                    | -                |
| -                           | -  | -   | -                      | (20,527)                       | -                             | -                    | -                |
| 704,073                     | 3,030,577  | 982,505   | 1,793,138              | (20,527)                       | 3,887,834                     | -                    | -                |

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**COMBINED INVESTMENT FUNDS  
SCHEDULE OF INVESTMENT ACTIVITY BY PENSION PLAN  
FOR THE FISCAL YEAR ENDING JUNE 30, 2010**

|   | <b>LIQUIDITY<br/>FUND</b> | <b>MUTUAL<br/>EQUITY<br/>FUND</b> | <b>CORE<br/>FIXED INCOME<br/>FUND</b> | <b>INFLATION<br/>LINKED BOND<br/>FUND</b> | <b>EMERGING<br/>MARKET DEBT<br/>FUND</b> |
|---|---------------------------|-----------------------------------|---------------------------------------|---|--|
| <b>Teachers' Retirement Fund</b>            |                           |                                   |                                       |   |  |
| Book Value at June 30, 2009                 | \$601,371,211             | \$1,065,529,266                   | \$1,585,132,229                       | \$396,310,624                             | \$637,484,209                            |
| Market Value at June 30, 2009               | \$600,827,585             | \$3,162,911,966                   | \$1,647,520,615                       | \$409,901,381                             | \$623,777,296                            |
| Shares Purchased                            | 1,601,014,944             | -                                 | -                                     | 107,820,000                               | -  |
| Shares Redeemed                             | (1,222,100,130)           | (562,200,000)                     | (326,349,000)                         | (150,000)                                 | (76,640,000)                             |
| Returns of Capital                          | -                         | -                                 | -                                     | -   | -  |
| Gain/(Loss) on Shares Redeemed              | 1,324,479                 | 394,390,612                       | 24,091,498                            | 4,972                                     | 6,175,641                                |
| Net Investment Income Earned                | 6,749,887                 | 52,653,639                        | 71,846,187                            | 10,140,706                                | 26,258,926                               |
| Net Investment Income Distributed           | (6,749,887)               | (52,653,639)                      | (71,846,187)                          | (10,140,706)                              | (26,258,926)                             |
| Changes in Market Value of Fund Shares      | (777,105)                 | (6,915,587)                       | 76,222,324                            | 31,346,615                                | 102,702,142                              |
| Market Value at June 30, 2010               | \$980,289,773             | \$2,988,186,991                   | \$1,421,485,437                       | \$548,922,968                             | \$656,015,079                            |
| Book Value at June 30, 2010                 | \$981,610,504             | \$897,719,878                     | \$1,282,874,727                       | \$503,985,596                             | \$567,019,850                            |
| Shares Outstanding                          | 978,475,979               | 4,110,437                         | 12,060,001                            | 3,993,953                                 | 5,105,245                                |
| Market Value per Share                      | \$1.00                    | \$726.98                          | \$117.87                              | \$137.44                                  | \$128.50                                 |
| <b>State Employees' Retirement Fund</b>     |                           |                                   |                                       |   |  |
| Book Value at June 30, 2009                 | \$279,531,124             | \$612,494,866                     | \$1,058,244,987                       | \$277,633,554                             | \$417,713,694                            |
| Market Value at June 30, 2009               | \$279,284,499             | \$2,083,109,849                   | \$1,102,708,090                       | \$289,586,326                             | \$414,145,861                            |
| Shares Purchased                            | 762,136,222               | -                                 | -                                     | 40,000,000                                | -  |
| Shares Redeemed                             | (549,586,900)             | (364,300,000)                     | (253,340,000)                         | -   | (64,750,000)                             |
| Returns of Capital                          | -                         | -                                 | -                                     | -   | -  |
| Gain/(Loss) on Shares Redeemed              | 715,555                   | 269,240,141                       | 19,572,916                            | -   | 5,369,559                                |
| Net Investment Income Earned                | 3,577,764                 | 34,703,926                        | 46,961,454                            | 6,862,984                                 | 16,918,267                               |
| Net Investment Income Distributed           | (3,577,764)               | (34,703,926)                      | (46,961,454)                          | (6,862,984)                               | (16,918,267)                             |
| Changes in Market Value of Fund Shares      | (272,548)                 | (14,669,781)                      | 46,954,985                            | 21,692,652                                | 65,300,218                               |
| Market Value at Jun 30, 2010                | \$492,276,828             | \$1,973,380,209                   | \$915,895,991                         | \$351,278,978                             | \$420,065,638                            |
| Book Value at June 30, 2010                 | 492,796,001               | 517,435,007                       | 824,477,903                           | 317,633,554                               | 358,333,253                              |
| Shares Outstanding                          | 491,365,983               | 2,714,507                         | 7,770,538                             | 2,555,899                                 | 3,269,037                                |
| Market Value per Share                      | \$1.00                    | \$726.98                          | \$117.87                              | \$137.44                                  | \$128.50                                 |
| <b>Municipal Employees' Retirement Fund</b> |                           |                                   |                                       |   |  |
| Book Value at June 30, 2009                 | \$69,668,966              | \$82,332,337                      | \$284,999,955                         | \$114,224,641                             | \$76,995,683                             |
| Market Value at June 30, 2009               | \$69,606,721              | \$286,240,301                     | \$294,261,605                         | \$115,978,170                             | \$74,193,368                             |
| Shares Purchased                            | 132,938,420               | -                                 | -                                     | 11,500,000                                | -  |
| Shares Redeemed                             | (56,114,554)              | (50,400,000)                      | (59,796,000)                          | -   | (8,900,000)                              |
| Returns of Capital                          | -                         | -                                 | -                                     | -   | -  |
| Gain/(Loss) on Shares Redeemed              | 101,515                   | 37,546,297                        | 4,017,314                             | -   | 526,394                                  |
| Net Investment Income Earned                | 870,335                   | 4,767,885                         | 12,743,670                            | 2,776,266                                 | 3,113,843                                |
| Net Investment Income Distributed           | (870,335)                 | (4,767,885)                       | (12,743,670)                          | (2,776,266)                               | (3,113,843)                              |
| Changes in Market Value of Fund Shares      | (14,137)                  | (2,519,128)                       | 13,828,276                            | 8,621,089                                 | 12,364,258                               |
| Market Value at Jun 30, 2010                | \$146,517,965             | \$270,867,470                     | \$252,311,195                         | \$136,099,259                             | \$78,184,020                             |
| Book Value at June 30, 2010                 | 146,594,347               | 69,478,634                        | 229,221,269                           | 125,724,641                               | 68,622,077                               |
| Shares Outstanding                          | 146,246,866               | 372,595                           | 2,140,629                             | 990,256                                   | 608,444                                  |
| Market Value per Share                      | \$1.00                    | \$726.98                          | \$117.87                              | \$137.44                                  | \$128.50                                 |

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**COMBINED INVESTMENT FUNDS  
SCHEDULE OF INVESTMENT ACTIVITY BY PENSION PLAN (Continued)  
FOR THE FISCAL YEAR ENDING JUNE 30, 2010**

| <b>HIGH YIELD<br/>DEBT<br/>FUND</b> | <b>DEVELOPED<br/>MARKET<br/>INTERNATIONAL<br/>STOCK FUND</b> | <b>EMERGING<br/>MARKET<br/>INTERNATIONAL<br/>STOCK FUND</b> | <b>REAL<br/>ESTATE<br/>FUND</b> | <b>COMMERCIAL<br/>MORTGAGE<br/>FUND</b> | <b>PRIVATE<br/>INVESTMENT<br/>FUND</b> | <b>TOTAL</b>     |
|-------------------------------------|--|---|---------------------------------|---|--|------------------|
| \$429,429,053                       | \$2,161,823,166  | \$404,996,878   | \$644,635,686                   | \$4,237,586                             | \$1,534,511,271                        | \$9,465,461,178  |
| \$408,703,567                       | \$2,544,193,415  | \$645,686,803   | \$433,701,795                   | \$2,801,732                             | \$916,655,606                          | \$11,396,681,762 |
| -                                   | -  | 326,864,000   | 113,868,800                     | -                                       | 103,761,100                            | 2,253,328,844    |
| (85,571,095)                        | (251,905,000)  | (1,500,000)   | -                               | (690,994)                               | -                                      | (2,527,106,219)  |
| -                                   | -  | -   | -                               | -                                       | -                                      | -                |
| 5,785,832                           | 70,381,253   | 639,458   | -                               | (326,928)                               | -                                      | 502,466,817      |
| 31,467,764                          | 48,147,276   | 14,305,278  | 7,809,802                       | 213,140                                 | 51,805,776                             | 321,398,381      |
| (31,467,764)                        | (48,147,276)   | (14,305,278)  | (7,809,802)                     | (213,140)                               | (51,805,776)                           | (321,398,381)    |
| 55,234,627                          | 182,203,312  | 197,536,983   | (106,076,318)                   | 303,037                                 | 116,404,206                            | 648,184,236      |
| \$384,152,931                       | \$2,544,872,980  | \$1,169,227,244   | \$441,494,277                   | \$2,086,847                             | \$1,136,820,912                        | \$12,273,555,439 |
| \$349,643,790                       | \$1,980,299,419  | \$731,000,336   | \$758,504,486                   | \$3,219,664                             | \$1,638,272,371                        | \$9,694,150,621  |
| 3,378,967                           | 8,609,674  | 3,567,418   | 14,522,929                      | 43,023                                  | 22,906,141                             | 1,056,773,768    |
| \$113.69                            | \$295.58   | \$327.75  | \$30.40                         | \$48.51                                 | \$49.63                                |                  |
| \$285,750,721                       | \$1,265,854,419  | \$253,049,266   | \$416,435,047                   | \$2,969,182                             | \$1,008,857,699                        | \$5,878,534,559  |
| \$261,829,983                       | \$1,612,683,866  | \$414,859,773   | \$276,024,130                   | \$1,973,645                             | \$584,637,690                          | \$7,320,843,712  |
| -                                   | -  | 212,848,000   | 74,550,400                      | -                                       | 64,250,100                             | 1,153,784,722    |
| (53,828,060)                        | (146,200,000)  | -   | -                               | (486,762)                               | -                                      | (1,432,491,722)  |
| -                                   | -  | -   | -                               | -                                       | -                                      | -                |
| 1,733,598                           | 50,011,572   | -   | -                               | (226,469)                               | -                                      | 346,416,872      |
| 20,232,184                          | 30,767,826   | 9,208,195   | 5,006,620                       | 150,143                                 | 33,253,636                             | 207,642,999      |
| (20,232,184)                        | (30,767,826)   | (9,208,195)   | (5,006,620)                     | (150,143)                               | (33,253,636)                           | (207,642,999)    |
| 37,420,267                          | 110,673,467  | 127,104,836   | (68,020,750)                    | 209,651                                 | 74,660,721                             | 401,053,718      |
| \$247,155,788                       | \$1,627,168,905  | \$754,812,609   | \$282,553,780                   | \$1,470,065                             | \$723,548,511                          | \$7,789,607,302  |
| 233,656,259                         | 1,169,665,991  | 465,897,266   | 490,985,447                     | 2,255,951                               | 1,073,107,799                          | 5,946,244,431    |
| 2,173,955                           | 5,504,948  | 2,303,001   | 9,294,591                       | 30,307                                  | 14,578,993                             | 541,561,761      |
| \$113.69                            | \$295.58   | \$327.75  | \$30.40                         | \$48.51                                 | \$49.63                                |                  |
| \$51,351,295                        | \$151,603,090  | \$47,634,043  | \$75,532,874                    | \$461,805                               | \$178,187,322                          | \$1,132,992,011  |
| \$46,996,607                        | \$223,428,802  | \$74,879,338  | \$51,106,840                    | \$309,151                               | \$108,094,611                          | \$1,345,095,513  |
| -                                   | -  | 30,814,000  | 12,562,400                      | -                                       | 11,297,000                             | 199,111,820      |
| (9,102,523)                         | (17,250,000)   | -   | -                               | (76,248)                                | -                                      | (201,639,325)    |
| -                                   | -  | -   | -                               | -                                       | -                                      | -                |
| 280,933                             | 7,435,895  | -   | -                               | (34,684)                                | -                                      | 49,873,664       |
| 3,660,713                           | 4,285,338  | 1,625,631   | 913,764                         | 23,519                                  | 6,091,534                              | 40,872,498       |
| (3,660,713)                         | (4,285,338)  | (1,625,631)   | (913,764)                       | (23,519)                                | (6,091,534)                            | (40,872,498)     |
| 6,758,334                           | 14,565,993   | 23,335,533  | (12,409,208)                    | 32,052                                  | 13,616,319                             | 78,179,381       |
| \$44,933,351                        | \$228,180,690  | \$129,028,871   | \$51,260,032                    | \$230,271                               | \$133,007,930                          | \$1,470,621,054  |
| 42,529,705                          | 141,788,985  | 78,448,043  | 88,095,274                      | 350,873                                 | 189,484,322                            | 1,180,338,170    |
| 395,229                             | 771,968  | 393,679   | 1,686,196                       | 4,747                                   | 2,680,016                              | 156,290,625      |
| \$113.69                            | \$295.58   | \$327.75  | \$30.40                         | \$48.51                                 | \$49.63                                |                  |

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**COMBINED INVESTMENT FUNDS  
SCHEDULE OF INVESTMENT ACTIVITY BY PENSION PLAN (Continued)  
FOR THE FISCAL YEAR ENDING JUNE 30, 2010**

|   | LIQUIDITY<br>FUND | MUTUAL<br>EQUITY<br>FUND | CORE<br>FIXED INCOME<br>FUND | INFLATION<br>LINKED BOND<br>FUND | EMERGING<br>MARKET DEBT<br>FUND |
|---|-------------------|--------------------------|------------------------------|----------------------------------|---------------------------------|
| <b>Probate Court Retirement Fund</b>      |                   |                          |                              |                                  |                                 |
| Book Value at June 30, 2009               | \$4,685,213       | \$4,025,351              | \$13,107,887                 | \$4,550,209                      | \$3,763,953                     |
| Market Value at June 30, 2009             | \$4,680,899       | \$14,435,746             | \$13,898,180                 | \$4,634,219                      | \$3,682,044                     |
| Shares Purchased                          | 5,453,694         | -                        | -                            | 1,660,000                        | -                               |
| Shares Redeemed                           | (3,500,234)       | (2,500,000)              | (2,364,000)                  | -                                | (470,000)                       |
| Returns of Capital                        | -                 | -                        | -                            | -                                | -                               |
| Gain/(Loss) on Shares Redeemed            | 7,600             | 1,879,957                | 214,789                      | -                                | 33,407                          |
| Net Investment Income Earned              | 42,910            | 240,404                  | 617,827                      | 124,240                          | 153,436                         |
| Net Investment Income Distributed         | (42,910)          | (240,404)                | (617,827)                    | (124,240)                        | (153,436)                       |
| Changes in Market Value of Fund Shares    | 3,983             | (121,493)                | 638,318                      | 359,458                          | 603,124                         |
| Market Value at June 30, 2010             | \$6,645,942       | \$13,694,210             | \$12,387,287                 | \$6,653,677                      | \$3,848,575                     |
| Book Value at June 30, 2010               | 6,646,273         | 3,405,308                | 10,958,676                   | 6,210,209                        | 3,327,360                       |
| Shares Outstanding                        | 6,633,642         | 18,837                   | 105,095                      | 48,412                           | 29,950                          |
| Market Value per Share                    | \$1.00            | \$726.98                 | \$117.87                     | \$137.44                         | \$128.50                        |
| <b>Judges' Retirement Fund</b>            |                   |                          |                              |                                  |                                 |
| Book Value at June 30, 2009               | \$6,598,973       | \$13,491,385             | \$32,915,860                 | \$13,389,682                     | \$8,433,783                     |
| Market Value at June 30, 2009             | \$6,593,172       | \$31,279,920             | \$33,511,252                 | \$13,563,243                     | \$8,062,467                     |
| Shares Purchased                          | 19,376,968        | -                        | -                            | 1,520,000                        | -                               |
| Shares Redeemed                           | (18,008,296)      | (6,100,000)              | (8,651,000)                  | -                                | (1,140,000)                     |
| Returns of Capital                        | -                 | -                        | -                            | -                                | -                               |
| Gain/(Loss) on Shares Redeemed            | 13,035            | 3,796,838                | 489,832                      | -                                | 63,988                          |
| Net Investment Income Earned              | 62,857            | 519,631                  | 1,394,263                    | 326,615                          | 334,424                         |
| Net Investment Income Distributed         | (62,857)          | (519,631)                | (1,394,263)                  | (326,615)                        | (334,424)                       |
| Changes in Market Value of Fund Shares    | (7,346)           | 111,348                  | 1,517,942                    | 1,010,391                        | 1,330,173                       |
| Market Value at Jun 30, 2010              | \$7,967,533       | \$29,088,106             | \$26,868,026                 | \$16,093,634                     | \$8,316,628                     |
| Book Value\Cost at Jun 30, 2010           | 7,980,680         | 11,188,223               | 24,754,692                   | 14,909,682                       | 7,357,771                       |
| Book Value at June 30, 2010               | 7,952,793         | 40,012                   | 227,951                      | 117,097                          | 64,722                          |
| Market Value per Share                    | \$1.00            | \$726.98                 | \$117.87                     | \$137.44                         | \$128.50                        |
| <b>State's Attorneys' Retirement Fund</b> |                   |                          |                              |                                  |                                 |
| Book Value at June 30, 2009               | \$127,706         | \$37,049                 | \$435,160                    | \$17,299                         | \$45,435                        |
| Market Value at June 30, 2009             | \$127,589         | \$141,509                | \$446,259                    | \$20,732                         | \$46,206                        |
| Shares Purchased                          | 70,212            | -                        | -                            | -                                | -                               |
| Shares Redeemed                           | (7,596)           | -                        | -                            | -                                | -                               |
| Returns of Capital                        | -                 | -                        | -                            | -                                | -                               |
| Gain/(Loss) on Shares Redeemed            | 23                | -                        | -                            | -                                | -                               |
| Net Investment Income Earned              | 1,309             | 2,620                    | 22,519                       | 472                              | 2,094                           |
| Net Investment Income Distributed         | (1,309)           | (2,620)                  | (22,519)                     | (472)                            | (2,094)                         |
| Changes in Market Value of Fund Shares    | 225               | 17,176                   | 29,491                       | 1,516                            | 8,427                           |
| Market Value at Jun 30, 2010              | \$190,453         | \$158,685                | \$475,750                    | \$22,248                         | \$54,633                        |
| Book Value\Cost at Jun 30, 2010           | 190,345           | 37,049                   | 435,160                      | 17,299                           | 45,435                          |
| Book Value at June 30, 2010               | 190,100           | 218                      | 4,036                        | 162                              | 425                             |
| Market Value per Share                    | \$1.00            | \$726.98                 | \$117.87                     | \$137.44                         | \$128.50                        |



**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**COMBINED INVESTMENT FUNDS  
SCHEDULE OF INVESTMENT ACTIVITY BY PENSION PLAN (Continued)  
FOR THE FISCAL YEAR ENDING JUNE 30, 2010**

| <b>HIGH YIELD<br/>DEBT<br/>FUND</b> | <b>DEVELOPED<br/>MARKET<br/>INTERNATIONAL<br/>STOCK FUND</b> | <b>EMERGING<br/>MARKET<br/>INTERNATIONAL<br/>STOCK FUND</b> | <b>REAL<br/>ESTATE<br/>FUND</b> | <b>COMMERCIAL<br/>MORTGAGE<br/>FUND</b> | <b>PRIVATE<br/>INVESTMENT<br/>FUND</b> | <b>TOTAL</b>  |
|-------------------------------------|--|---|---------------------------------|---|--|---------------|
| \$2,471,379                         | \$7,312,843  | \$2,294,710   | \$3,796,709                     | \$27,599                                | \$7,904,409                            | \$53,940,262  |
| \$2,296,081                         | \$11,086,606   | \$3,722,305   | \$2,517,226                     | \$18,169                                | \$5,334,070                            | \$66,305,544  |
| -                                   | -  | 1,456,000   | 605,800                         | -                                       | 507,400                                | 9,682,894     |
| (438,293)                           | (1,200,000)  | -   | -                               | (4,482)                                 | -                                      | (10,477,009)  |
| -                                   | -  | -   | -                               | -                                       | -                                      | -             |
| 19,909                              | 540,760  | -   | -                               | (2,151)                                 | -                                      | 2,694,271     |
| 179,216                             | 210,317  | 80,250  | 44,877                          | 1,382                                   | 299,040                                | 1,993,899     |
| (179,216)                           | (210,317)  | (80,250)  | (44,877)                        | (1,382)                                 | (299,040)                              | (1,993,899)   |
| 324,202                             | 587,380  | 1,158,860   | (609,396)                       | 2,000                                   | 668,966                                | 3,615,402     |
| \$2,201,899                         | \$11,014,746   | \$6,337,165   | \$2,513,630                     | \$13,536                                | \$6,510,436                            | \$71,821,103  |
| 2,052,995                           | 6,653,603  | 3,750,710   | 4,402,509                       | 20,966                                  | 8,411,809                              | 55,840,418    |
| 19,368                              | 37,264   | 19,335  | 82,686                          | 279                                     | 131,181                                | 7,126,049     |
| \$113.69                            | \$295.58   | \$327.75  | \$30.40                         | \$48.51                                 | \$49.63                                |               |
| \$5,543,161                         | \$17,887,599   | \$5,501,959   | \$8,294,612                     | \$45,383                                | \$19,288,254                           | \$131,390,652 |
| \$4,986,372                         | \$24,506,612   | \$8,177,783   | \$5,586,493                     | \$30,457                                | \$11,870,031                           | \$148,167,802 |
| -                                   | -  | 3,018,000   | 1,041,800                       | -                                       | 639,400                                | 25,596,168    |
| (1,060,029)                         | (3,345,000)  | -   | -                               | (7,511)                                 | -                                      | (38,311,836)  |
| -                                   | -  | -   | -                               | -                                       | -                                      | -             |
| 20,983                              | 1,315,003  | -   | -                               | (3,391)                                 | -                                      | 5,696,288     |
| 387,587                             | 459,633  | 175,737   | 96,949                          | 2,317                                   | 647,320                                | 4,407,333     |
| (387,587)                           | (459,633)  | (175,737)   | (96,949)                        | (2,317)                                 | (647,320)                              | (4,407,333)   |
| 730,006                             | 1,246,628  | 2,562,900   | (1,327,621)                     | 3,128                                   | 1,449,078                              | 8,626,627     |
| \$4,677,332                         | \$23,723,243   | \$13,758,683  | \$5,300,672                     | \$22,683                                | \$13,958,509                           | \$149,775,049 |
| 4,504,115                           | 15,857,602   | 8,519,959   | 9,336,412                       | 34,481                                  | 19,927,654                             | 124,371,271   |
| 41,141                              | 80,259   | 41,979  | 174,365                         | 468                                     | 281,254                                | 9,022,041     |
| \$113.69                            | \$295.58   | \$327.75  | \$30.40                         | \$48.51                                 | \$49.63                                |               |
| \$53,177                            | \$-  | \$-   | \$45,799                        | \$-                                     | \$-                                    | \$761,625     |
| \$48,447                            | \$-  | \$-   | \$32,805                        | \$-                                     | \$-                                    | \$863,547     |
| -                                   | -  | -   | 8,250                           | -                                       | -                                      | 78,462        |
| -                                   | -  | -   | -                               | -                                       | -                                      | (7,596)       |
| -                                   | -  | -   | -                               | -                                       | -                                      | -             |
| -                                   | -  | -   | -                               | -                                       | -                                      | 23            |
| 4,189                               | -  | -   | 588                             | -                                       | -                                      | 33,791        |
| (4,189)                             | -  | -   | (588)                           | -                                       | -                                      | (33,791)      |
| 7,482                               | -  | -   | (7,971)                         | -                                       | -                                      | 56,346        |
| \$55,929                            | \$-  | \$-   | \$33,084                        | \$-                                     | \$-                                    | \$990,782     |
| 53,177                              | -  | -   | 54,049                          | -                                       | -                                      | 832,514       |
| 492                                 | -  | -   | 1,088                           | -                                       | -                                      | 196,522       |
| \$113.69                            | \$-  | \$-   | \$30.40                         | \$-                                     | \$-                                    |               |

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**COMBINED INVESTMENT FUNDS  
SCHEDULE OF INVESTMENT ACTIVITY BY TRUST  
FOR THE FISCAL YEAR ENDING JUNE 30, 2010**

|   | <b>LIQUIDITY<br/>FUND</b> | <b>MUTUAL<br/>EQUITY<br/>FUND</b> | <b>CORE<br/>FIXED INCOME<br/>FUND</b> | <b>INFLATION<br/>LINKED BOND<br/>FUND</b> | <b>EMERGING<br/>MARKET DEBT<br/>FUND</b> |
|---|---------------------------|-----------------------------------|---------------------------------------|---|--|
| <b>Soldiers' Sailors' &amp; Marines' Fund</b> |                           |                                   |                                       |   |  |
| Book Value at June 30, 2009                   | \$606,749                 | \$983,642                         | \$37,929,520                          | \$1,725,943                               | \$4,533,494                              |
| Market Value at June 30, 2009                 | \$606,449                 | \$3,992,473                       | \$40,323,946                          | \$2,125,588                               | \$4,737,600                              |
| Shares Purchased                              | 3,067,225                 | -                                 | -                                     | -   | -  |
| Shares Redeemed                               | (3,021,999)               | -                                 | -                                     | -   | -  |
| Returns of Capital                            | -                         | -                                 | -                                     | -   | -  |
| Gain/(Loss) on Shares Redeemed                | 1,058                     | -                                 | -                                     | -   | -  |
| Net Investment Income Earned                  | 5,442                     | 73,903                            | 2,034,728                             | 48,546                                    | 214,564                                  |
| Net Investment Income Distributed             | (5,442)                   | (73,903)                          | (2,034,728)                           | (48,546)                                  | (214,564)                                |
| Changes in Market Value of Fund Shares        | (534)                     | 484,529                           | 2,664,902                             | 155,375                                   | 864,021                                  |
| Market Value at June 30, 2010                 | \$652,199                 | \$4,477,002                       | \$42,988,848                          | \$2,280,963                               | \$5,601,621                              |
| Book Value at June 30, 2010                   | 653,033                   | 983,642                           | 37,929,520                            | 1,725,943                                 | 4,533,494                                |
| Shares Outstanding                            | 650,992                   | 6,158                             | 364,721                               | 16,596                                    | 43,593                                   |
| Market Value per Share                        | \$1.00                    | \$726.98                          | \$117.87                              | \$137.44                                  | \$128.50                                 |
| <b>Endowment for the Arts</b>                 |                           |                                   |                                       |   |  |
| Book Value at June 30, 2009                   | \$1,150,970               | \$-                               | \$11,040,873                          | \$502,392                                 | \$1,319,527                              |
| Market Value at June 30, 2009                 | \$1,149,949               | \$-                               | \$11,215,770                          | \$591,204                                 | \$1,317,599                              |
| Shares Purchased                              | 931,182                   | -                                 | -                                     | -   | -  |
| Shares Redeemed                               | (1,013,747)               | -                                 | -                                     | -   | -  |
| Returns of Capital                            | -                         | -                                 | -                                     | -   | -  |
| Gain/(Loss) on Shares Redeemed                | 2,577                     | -                                 | -                                     | -   | -  |
| Net Investment Income Earned                  | 8,060                     | -                                 | 565,941                               | 13,503                                    | 59,673                                   |
| Net Investment Income Distributed             | (8,060)                   | -                                 | (565,941)                             | (13,503)                                  | (59,673)                                 |
| Changes in Market Value of Fund Shares        | 1,181                     | -                                 | 741,221                               | 43,213                                    | 240,299                                  |
| Market Value at Jun 30, 2010                  | \$1,071,142               | \$-                               | \$11,956,991                          | \$634,417                                 | \$1,557,898                              |
| Book Value at June 30, 2010                   | 1,070,982                 | -                                 | 11,040,873                            | 502,392                                   | 1,319,527                                |
| Shares Outstanding                            | 1,069,156                 | -                                 | 101,444                               | 4,616                                     | 12,124                                   |
| Market Value per Share                        | \$1.00                    | \$-                               | \$117.87                              | \$137.44                                  | \$128.50                                 |
| <b>Agricultural College Fund</b>              |                           |                                   |                                       |   |  |
| Book Value at June 30, 2009                   | \$48,883                  | \$25,364                          | \$302,380                             | \$13,760                                  | \$36,140                                 |
| Market Value at June 30, 2009                 | \$48,838                  | \$105,176                         | \$312,915                             | \$16,495                                  | \$36,763                                 |
| Shares Purchased                              | 24,818                    | -                                 | -                                     | -   | -  |
| Shares Redeemed                               | (27,968)                  | -                                 | -                                     | -   | -  |
| Returns of Capital                            | -                         | -                                 | -                                     | -   | -  |
| Gain/(Loss) on Shares Redeemed                | 15                        | -                                 | -                                     | -   | -  |
| Net Investment Income Earned                  | 307                       | 1,946                             | 15,790                                | 376                                       | 1,665                                    |
| Net Investment Income Distributed             | (307)                     | (1,946)                           | (15,790)                              | (376)                                     | (1,665)                                  |
| Changes in Market Value of Fund Shares        | 50                        | 12,766                            | 20,679                                | 1,205                                     | 6,703                                    |
| Market Value at Jun 30, 2010                  | \$45,753                  | \$117,942                         | \$333,594                             | \$17,700                                  | \$43,466                                 |
| Book Value at June 30, 2010                   | 45,748                    | 25,364                            | 302,380                               | 13,760                                    | 36,140                                   |
| Shares Outstanding                            | 45,669                    | 162                               | 2,830                                 | 129                                       | 338                                      |
| Market Value per Share                        | \$1.00                    | \$726.98                          | \$117.87                              | \$137.44                                  | \$128.50                                 |

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**COMBINED INVESTMENT FUNDS  
SCHEDULE OF INVESTMENT ACTIVITY BY TRUST (Continued)  
FOR THE FISCAL YEAR ENDING JUNE 30, 2010**

| <b>HIGH YIELD<br/>DEBT<br/>FUND</b> | <b>DEVELOPED<br/>MARKET<br/>INTERNATIONAL<br/>STOCK FUND</b> | <b>EMERGING<br/>MARKET<br/>INTERNATIONAL<br/>STOCK FUND</b> | <b>REAL<br/>ESTATE<br/>FUND</b> | <b>COMMERCIAL<br/>MORTGAGE<br/>FUND</b> | <b>PRIVATE<br/>INVESTMENT<br/>FUND</b> | <b>TOTAL</b> |
|-------------------------------------|--|---|---------------------------------|---|--|--------------|
| \$5,301,306                         | \$-  | \$-   | \$-                             | \$-                                     | \$-                                    | \$51,080,654 |
| \$4,935,796                         | \$-  | \$-   | \$-                             | \$-                                     | \$-                                    | \$56,721,852 |
| -                                   | -  | -   | -                               | -                                       | -                                      | 3,067,225    |
| -                                   | -  | -   | -                               | -                                       | -                                      | (3,021,999)  |
| -                                   | -  | -   | -                               | -                                       | -                                      | -            |
| -                                   | -  | -   | -                               | -                                       | -                                      | 1,058        |
| 426,871                             | -  | -   | -                               | -                                       | -                                      | 2,804,054    |
| (426,871)                           | -  | -   | -                               | -                                       | -                                      | (2,804,054)  |
| 762,154                             | -  | -   | -                               | -                                       | -                                      | 4,930,447    |
| \$5,697,950                         | \$-  | \$-   | \$-                             | \$-                                     | \$-                                    | \$61,698,583 |
| 5,301,306                           | -  | -   | -                               | -                                       | -                                      | 51,126,938   |
| 50,119                              | -  | -   | -                               | -                                       | -                                      | 1,132,180    |
| \$113.69                            | \$-  | \$-   | \$-                             | \$-                                     | \$-                                    |              |
| \$1,545,250                         | \$-  | \$-   | \$-                             | \$-                                     | \$-                                    | \$15,559,012 |
| \$1,387,609                         | \$-  | \$-   | \$-                             | \$-                                     | \$-                                    | \$15,662,131 |
| -                                   | -  | -   | -                               | -                                       | -                                      | 931,182      |
| -                                   | -  | -   | -                               | -                                       | -                                      | (1,013,747)  |
| -                                   | -  | -   | -                               | -                                       | -                                      | -            |
| -                                   | -  | -   | -                               | -                                       | -                                      | 2,577        |
| 120,006                             | -  | -   | -                               | -                                       | -                                      | 767,183      |
| (120,006)                           | -  | -   | -                               | -                                       | -                                      | (767,183)    |
| 214,262                             | -  | -   | -                               | -                                       | -                                      | 1,240,176    |
| \$1,601,871                         | \$-  | \$-   | \$-                             | \$-                                     | \$-                                    | \$16,822,319 |
| 1,545,250                           | -  | -   | -                               | -                                       | -                                      | 15,479,024   |
| 14,090                              | -  | -   | -                               | -                                       | -                                      | 1,201,430    |
| \$113.69                            | \$-  | \$-   | \$-                             | \$-                                     | \$-                                    |              |
| \$42,296                            | \$-  | \$-   | \$-                             | \$-                                     | \$-                                    | \$468,823    |
| \$38,542                            | \$-  | \$-   | \$-                             | \$-                                     | \$-                                    | \$558,729    |
| -                                   | -  | -   | -                               | -                                       | -                                      | 24,818       |
| -                                   | -  | -   | -                               | -                                       | -                                      | (27,968)     |
| -                                   | -  | -   | -                               | -                                       | -                                      | -            |
| -                                   | -  | -   | -                               | -                                       | -                                      | 15           |
| 3,335                               | -  | -   | -                               | -                                       | -                                      | 23,419       |
| (3,335)                             | -  | -   | -                               | -                                       | -                                      | (23,419)     |
| 5,953                               | -  | -   | -                               | -                                       | -                                      | 47,356       |
| \$44,495                            | \$-  | \$-   | \$-                             | \$-                                     | \$-                                    | \$602,950    |
| 42,296                              | -  | -   | -                               | -                                       | -                                      | 465,688      |
| 391                                 | -  | -   | -                               | -                                       | -                                      | 49,519       |
| \$113.69                            | \$-  | \$-   | \$-                             | \$-                                     | \$-                                    |              |

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**COMBINED INVESTMENT FUNDS  
SCHEDULE OF INVESTMENT ACTIVITY BY TRUST (Continued)  
FOR THE FISCAL YEAR ENDING JUNE 30, 2010**

|  | LIQUIDITY<br>FUND | MUTUAL<br>EQUITY<br>FUND | CORE<br>FIXED INCOME<br>FUND | INFLATION<br>LINKED BOND<br>FUND | EMERGING<br>MARKET DEBT<br>FUND |
|--|-------------------|--------------------------|------------------------------|----------------------------------|---------------------------------|
| <b>Ida Eaton Cotton Fund</b>           |                   |                          |                              |                                  |                                 |
| Book Value at June 30, 2009            | \$164,272         | \$87,363                 | \$1,021,247                  | \$46,470                         | \$122,060                       |
| Market Value at June 30, 2009          | \$164,122         | \$358,376                | \$1,064,766                  | \$56,127                         | \$125,093                       |
| Shares Purchased                       | 80,018            | -                        | -                            | -                                | -                               |
| Shares Redeemed                        | (90,719)          | -                        | -                            | -                                | -                               |
| Returns of Capital                     | -                 | -                        | -                            | -                                | -                               |
| Gain/(Loss) on Shares Redeemed         | 36                | -                        | -                            | -                                | -                               |
| Net Investment Income Earned           | 1,027             | 6,634                    | 53,729                       | 1,282                            | 5,664                           |
| Net Investment Income Distributed      | (1,027)           | (6,634)                  | (53,729)                     | (1,282)                          | (5,664)                         |
| Changes in Market Value of Fund Shares | 182               | 43,495                   | 70,366                       | 4,103                            | 22,814                          |
| Market Value at June 30, 2010          | \$153,639         | \$401,871                | \$1,135,132                  | \$60,230                         | \$147,907                       |
| Book Value at June 30, 2010            | 153,607           | 87,363                   | 1,021,247                    | 46,470                           | 122,060                         |
| Shares Outstanding                     | 153,355           | 553                      | 9,631                        | 438                              | 1,151                           |
| Market Value per Share                 | \$1.00            | \$726.98                 | \$117.87                     | \$137.44                         | \$128.50                        |
| <b>Andrew Clark Fund</b>               |                   |                          |                              |                                  |                                 |
| Book Value at June 30, 2009            | \$78,489          | \$41,101                 | \$495,688                    | \$22,555                         | \$59,240                        |
| Market Value at June 30, 2009          | \$78,416          | \$167,656                | \$500,623                    | \$26,388                         | \$58,812                        |
| Shares Purchased                       | 50,641            | -                        | -                            | -                                | -                               |
| Shares Redeemed                        | (55,648)          | -                        | -                            | -                                | -                               |
| Returns of Capital                     | -                 | -                        | -                            | -                                | -                               |
| Gain/(Loss) on Shares Redeemed         | 27                | -                        | -                            | -                                | -                               |
| Net Investment Income Earned           | 520               | 3,102                    | 25,262                       | 603                              | 2,663                           |
| Net Investment Income Distributed      | (520)             | (3,102)                  | (25,262)                     | (603)                            | (2,663)                         |
| Changes in Market Value of Fund Shares | 62                | 20,348                   | 33,085                       | 1,929                            | 10,724                          |
| Market Value at Jun 30, 2010           | \$73,498          | \$188,004                | \$533,708                    | \$28,317                         | \$69,536                        |
| Book Value at June 30, 2010            | 73,509            | 41,101                   | 495,688                      | 22,555                           | 59,240                          |
| Shares Outstanding                     | 73,362            | 259                      | 4,528                        | 206                              | 541                             |
| Market Value per Share                 | \$1.00            | \$726.98                 | \$117.87                     | \$137.44                         | \$128.50                        |
| <b>School Fund</b>                     |                   |                          |                              |                                  |                                 |
| Book Value at June 30, 2009            | \$461,575         | \$384,307                | \$4,757,413                  | \$216,479                        | \$568,594                       |
| Market Value at June 30, 2009          | \$461,172         | \$1,576,067              | \$4,925,234                  | \$259,620                        | \$578,627                       |
| Shares Purchased                       | 410,697           | -                        | -                            | -                                | -                               |
| Shares Redeemed                        | (425,420)         | -                        | -                            | -                                | -                               |
| Returns of Capital                     | -                 | -                        | -                            | -                                | -                               |
| Gain/(Loss) on Shares Redeemed         | 1,036             | -                        | -                            | -                                | -                               |
| Net Investment Income Earned           | 4,780             | 29,174                   | 248,525                      | 5,931                            | 26,207                          |
| Net Investment Income Distributed      | (4,780)           | (29,174)                 | (248,525)                    | (5,931)                          | (26,207)                        |
| Changes in Market Value of Fund Shares | 583               | 191,275                  | 325,494                      | 18,977                           | 105,527                         |
| Market Value at Jun 30, 2010           | \$448,068         | \$1,767,342              | \$5,250,728                  | \$278,597                        | \$684,154                       |
| Book Value at June 30, 2010            | 447,888           | 384,307                  | 4,757,413                    | 216,479                          | 568,594                         |
| Shares Outstanding                     | 447,239           | 2,431                    | 44,548                       | 2,027                            | 5,324                           |
| Market Value per Share                 | \$1.00            | \$726.98                 | \$117.87                     | \$137.44                         | \$128.50                        |

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**COMBINED INVESTMENT FUNDS  
SCHEDULE OF INVESTMENT ACTIVITY BY TRUST (Continued)  
FOR THE FISCAL YEAR ENDING JUNE 30, 2010**

| <b>HIGH YIELD<br/>DEBT<br/>FUND</b> | <b>DEVELOPED<br/>MARKET<br/>INTERNATIONAL<br/>STOCK FUND</b> | <b>EMERGING<br/>MARKET<br/>INTERNATIONAL<br/>STOCK FUND</b> | <b>REAL<br/>ESTATE<br/>FUND</b> | <b>COMMERCIAL<br/>MORTGAGE<br/>FUND</b> | <b>PRIVATE<br/>INVESTMENT<br/>FUND</b> | <b>TOTAL</b> |
|-------------------------------------|--|---|---------------------------------|---|--|--------------|
| \$142,819                           | \$-  | \$-   | \$-                             | \$-                                     | \$-                                    | \$1,584,231  |
| \$130,925                           | \$-  | \$-   | \$-                             | \$-                                     | \$-                                    | \$1,899,409  |
| -                                   | -  | -   | -                               | -                                       | -                                      | 80,018       |
| -                                   | -  | -   | -                               | -                                       | -                                      | (90,719)     |
| -                                   | -  | -   | -                               | -                                       | -                                      | -            |
| -                                   | -  | -   | -                               | -                                       | -                                      | 36           |
| 11,322                              | -  | -   | -                               | -                                       | -                                      | 79,658       |
| (11,322)                            | -  | -   | -                               | -                                       | -                                      | (79,658)     |
| 20,214                              | -  | -   | -                               | -                                       | -                                      | 161,174      |
| \$151,139                           | \$-  | \$-   | \$-                             | \$-                                     | \$-                                    | \$2,049,918  |
| 142,819                             | -  | -   | -                               | -                                       | -                                      | 1,573,566    |
| 1,329                               | -  | -   | -                               | -                                       | -                                      | 166,457      |
| \$113.69                            | \$-  | \$-   | \$-                             | \$-                                     | \$-                                    |              |
| \$69,389                            | \$-  | \$-   | \$-                             | \$-                                     | \$-                                    | \$766,462    |
| \$62,024                            | \$-  | \$-   | \$-                             | \$-                                     | \$-                                    | \$893,919    |
| -                                   | -  | -   | -                               | -                                       | -                                      | 50,641       |
| -                                   | -  | -   | -                               | -                                       | -                                      | (55,648)     |
| -                                   | -  | -   | -                               | -                                       | -                                      | -            |
| -                                   | -  | -   | -                               | -                                       | -                                      | 27           |
| 5,365                               | -  | -   | -                               | -                                       | -                                      | 37,515       |
| (5,365)                             | -  | -   | -                               | -                                       | -                                      | (37,515)     |
| 9,577                               | -  | -   | -                               | -                                       | -                                      | 75,725       |
| \$71,601                            | \$-  | \$-   | \$-                             | \$-                                     | \$-                                    | \$964,664    |
| 69,389                              | -  | -   | -                               | -                                       | -                                      | 761,482      |
| 630                                 | -  | -   | -                               | -                                       | -                                      | 79,526       |
| \$113.69                            | \$-  | \$-   | \$-                             | \$-                                     | \$-                                    |              |
| \$665,451                           | \$-  | \$-   | \$-                             | \$-                                     | \$-                                    | \$7,053,819  |
| \$606,610                           | \$-  | \$-   | \$-                             | \$-                                     | \$-                                    | \$8,407,330  |
| -                                   | -  | -   | -                               | -                                       | -                                      | 410,697      |
| -                                   | -  | -   | -                               | -                                       | -                                      | (425,420)    |
| -                                   | -  | -   | -                               | -                                       | -                                      | -            |
| -                                   | -  | -   | -                               | -                                       | -                                      | 1,036        |
| 52,464                              | -  | -   | -                               | -                                       | -                                      | 367,081      |
| (52,464)                            | -  | -   | -                               | -                                       | -                                      | (367,081)    |
| 93,668                              | -  | -   | -                               | -                                       | -                                      | 735,524      |
| \$700,278                           | \$-  | \$-   | \$-                             | \$-                                     | \$-                                    | \$9,129,167  |
| 665,451                             | -  | -   | -                               | -                                       | -                                      | 7,040,132    |
| 6,160                               | -  | -   | -                               | -                                       | -                                      | 507,729      |
| \$113.69                            | \$-  | \$-   | \$-                             | \$-                                     | \$-                                    |              |

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**COMBINED INVESTMENT FUNDS  
SCHEDULE OF INVESTMENT ACTIVITY BY TRUST (Continued)  
FOR THE FISCAL YEAR ENDING JUNE 30, 2010**

|   | <b>LIQUIDITY<br/>FUND</b> | <b>MUTUAL<br/>EQUITY<br/>FUND</b> | <b>CORE<br/>FIXED INCOME<br/>FUND</b> | <b>INFLATION<br/>LINKED BOND<br/>FUND</b> | <b>EMERGING<br/>MARKET DEBT<br/>FUND</b> |
|---|---------------------------|-----------------------------------|---------------------------------------|---|--|
| <b>Hopemead Fund</b>                                  |                           |                                   |                                       |   |  |
| Book Value at June 30, 2009                           | \$256,075                 | \$94,338                          | \$1,240,840                           | \$54,187                                  | \$142,321                                |
| Market Value at June 30, 2009                         | \$255,836                 | \$384,141                         | \$1,254,833                           | \$63,632                                  | \$141,816                                |
| Shares Purchased                                      | 102,517                   | -                                 | -                                     | -   | -  |
| Shares Redeemed                                       | (8,856)                   | -                                 | -                                     | -   | -  |
| Returns of Capital                                    | -                         | -                                 | -                                     | -   | -  |
| Gain/(Loss) on Shares Redeemed                        | 18                        | -                                 | -                                     | -   | -  |
| Net Investment Income Earned                          | 2,434                     | 7,112                             | 63,318                                | 1,453                                     | 6,421                                    |
| Net Investment Income Distributed                     | (2,434)                   | (7,112)                           | (63,318)                              | (1,453)                                   | (6,421)                                  |
| Changes in Market Value of Fund Shares                | 567                       | 46,618                            | 82,927                                | 4,652                                     | 25,865                                   |
| Market Value at June 30, 2010                         | \$350,082                 | \$430,759                         | \$1,337,760                           | \$68,284                                  | \$167,681                                |
| Book Value at June 30, 2010                           | 349,754                   | 94,338                            | 1,240,840                             | 54,187                                    | 142,321                                  |
| Shares Outstanding                                    | 349,435                   | 593                               | 11,350                                | 497                                       | 1,305                                    |
| Market Value per Share                                | \$1.00                    | \$726.98                          | \$117.87                              | \$137.44                                  | \$128.50                                 |
| <b>Police &amp; Fireman's Survivors' Benefit Fund</b> |                           |                                   |                                       |   |  |
| Book Value at June 30, 2009                           | \$1,170,118               | \$6,467,744                       | \$8,140,446                           | \$370,407                                 | \$972,808                                |
| Market Value at June 30, 2009                         | \$1,169,055               | \$5,647,700                       | \$7,959,723                           | \$419,563                                 | \$935,011                                |
| Shares Purchased                                      | 649,304                   | -                                 | -                                     | -   | -  |
| Shares Redeemed                                       | (595,059)                 | -                                 | -                                     | -   | -  |
| Returns of Capital                                    | -                         | -                                 | -                                     | -   | -  |
| Gain/(Loss) on Shares Redeemed                        | 1,303                     | -                                 | -                                     | -   | -  |
| Net Investment Income Earned                          | 9,693                     | 104,544                           | 401,644                               | 9,582                                     | 42,346                                   |
| Net Investment Income Distributed                     | (9,693)                   | (104,544)                         | (401,644)                             | (9,582)                                   | (42,346)                                 |
| Changes in Market Value of Fund Shares                | 1,754                     | 685,405                           | 526,039                               | 30,665                                    | 170,521                                  |
| Market Value at Jun 30, 2010                          | \$1,226,357               | \$6,333,105                       | \$8,485,762                           | \$450,228                                 | \$1,105,532                              |
| Book Value at June 30, 2010                           | 1,225,666                 | 6,467,744                         | 8,140,446                             | 370,407                                   | 972,808                                  |
| Shares Outstanding                                    | 1,224,085                 | 8,712                             | 71,994                                | 3,276                                     | 8,603                                    |
| Market Value per Share                                | \$1.00                    | \$726.98                          | \$117.87                              | \$137.44                                  | \$128.50                                 |

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**COMBINED INVESTMENT FUNDS  
SCHEDULE OF INVESTMENT ACTIVITY BY TRUST (Continued)  
FOR THE FISCAL YEAR ENDING JUNE 30, 2010**

| <b>HIGH YIELD<br/>DEBT<br/>FUND</b> | <b>DEVELOPED<br/>MARKET<br/>INTERNATIONAL<br/>STOCK FUND</b> | <b>EMERGING<br/>MARKET<br/>INTERNATIONAL<br/>STOCK FUND</b> | <b>REAL<br/>ESTATE<br/>FUND</b> | <b>COMMERCIAL<br/>MORTGAGE<br/>FUND</b> | <b>PRIVATE<br/>INVESTMENT<br/>FUND</b> | <b>TOTAL</b> |
|-------------------------------------|--|---|---------------------------------|---|--|--------------|
| \$166,677                           | \$-  | \$-   | \$-                             | \$-                                     | \$-                                    | \$1,954,438  |
| \$149,426                           | \$-  | \$-   | \$-                             | \$-                                     | \$-                                    | \$2,249,684  |
| -                                   | -  | -   | -                               | -                                       | -                                      | 102,517      |
| -                                   | -  | -   | -                               | -                                       | -                                      | (8,856)      |
| -                                   | -  | -   | -                               | -                                       | -                                      | -            |
| -                                   | -  | -   | -                               | -                                       | -                                      | 18           |
| 12,923                              | -  | -   | -                               | -                                       | -                                      | 93,661       |
| (12,923)                            | -  | -   | -                               | -                                       | -                                      | (93,661)     |
| 23,075                              | -  | -   | -                               | -                                       | -                                      | 183,704      |
| \$172,501                           | \$-  | \$-   | \$-                             | \$-                                     | \$-                                    | \$2,527,067  |
| 166,677                             | -  | -   | -                               | -                                       | -                                      | 2,048,117    |
| 1,517                               | -  | -   | -                               | -                                       | -                                      | 364,696      |
| \$113.69                            | \$-  | \$-   | \$-                             | \$-                                     | \$-                                    |              |
| \$1,140,668                         | \$-  | \$-   | \$985,066                       | \$6,350                                 | \$-                                    | \$19,253,607 |
| \$993,954                           | \$-  | \$-   | \$686,267                       | \$4,077                                 | \$-                                    | \$17,815,350 |
| -                                   | -  | -   | 150,900                         | -                                       | -                                      | 800,204      |
| -                                   | -  | -   | -                               | (1,003)                                 | -                                      | (596,062)    |
| -                                   | -  | -   | -                               | -                                       | -                                      | -            |
| -                                   | -  | -   | -                               | (517)                                   | -                                      | 786          |
| 85,962                              | -  | -   | 12,056                          | 311                                     | -                                      | 666,138      |
| (85,962)                            | -  | -   | (12,056)                        | (311)                                   | -                                      | (666,138)    |
| 153,480                             | -  | -   | (163,661)                       | 484                                     | -                                      | 1,404,687    |
| \$1,147,434                         | \$-  | \$-   | \$673,506                       | \$3,041                                 | \$-                                    | \$19,424,965 |
| 1,140,668                           | -  | -   | 1,135,966                       | 4,830                                   | -                                      | 19,458,535   |
| 10,093                              | -  | -   | 22,155                          | 63                                      | -                                      | 1,348,981    |
| \$113.69                            | \$-  | \$-   | \$30.40                         | \$48.51                                 | \$-                                    |              |

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

COMBINED INVESTMENT FUNDS  
TOTAL NET ASSET VALUE BY PENSION PLANS AND TRUST FUNDS  
JUNE 30, 2010

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| <u>Retirement Funds</u>                    | <u>Net Asset Value</u>  |
|--|-------------------------|
| Teachers' Retirement Fund                  | \$12,273,555,439        |
| State Employees' Retirement Fund           | 7,789,607,302           |
| Municipal Employees' Retirement Fund       | 1,470,621,054           |
| State Judges' Retirement Fund              | 149,775,049             |
| The Probate Court Retirement Fund          | 71,821,103              |
| State's Attorneys Retirement Fund          | 990,782                 |
|  |                         |
| Non-retirement Trust Funds                 |                         |
| Soldiers' Sailors' & Marines' Fund         | 61,698,583              |
| Police & Firemans' Survivors' Benefit Fund | 19,424,965              |
| Connecticut Arts Endowment Fund            | 16,822,319              |
| School Fund                                | 9,129,167               |
| Ida Eaton Cotton Fund                      | 2,049,918               |
| Hopemead Fund                              | 2,527,067               |
| Andrew Clark Fund                          | 964,664                 |
| Agricultural College Fund                  | 602,950                 |
| TOTAL                                      | <u>\$21,869,590,362</u> |



**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**LIST OF INVESTMENT ADVISORS AND NET ASSETS UNDER MANAGEMENT  
JUNE 30, 2010**

| <b>Name of Fund</b>                      | <b>Investment Strategy</b> | <b>Net Assets Under Management</b> | <b>Percent of Fund Total</b> |
|--|----------------------------|------------------------------------|------------------------------|
| <b>LIQUIDITY (LF)</b>                    |                            |                                    |                              |
| State Street Global Advisors             | Active                     | \$ 1,493,003,644                   | 67.29%                       |
| Payden & Rygel                           | Active                     | 100,657,036                        | 4.54%                        |
| PIMCO                                    | Active                     | 176,020,927                        | 7.93%                        |
| Ambassador Capital Management            | Active                     | 100,240,839                        | 4.52%                        |
| Lazard                                   | Active                     | 172,298,394                        | 7.76%                        |
| Colchester Global Investors Ltd.         | Active                     | 176,660,129                        | 7.96%                        |
| <b>SUBTOTAL LF</b>                       |                            | <b>\$ 2,218,880,969</b>            | <b>100.00%</b>               |
| <b>MUTUAL EQUITY FUND (MEF)</b>          |                            |                                    |                              |
| <b>Large Cap</b>                         |                            |                                    |                              |
| BGI Barclays Global Investors, N.A.      | Enhanced - Index           | \$ 765,654,045                     | 14.48%                       |
| T. Rowe Price Associates                 | Enhanced - Index           | 741,404,050                        | 14.01%                       |
| State Street Global Advisors             | Passive - Indexed          | 1,862,588,262                      | 35.22%                       |
| <b>Active Extension</b>                  |                            | <b>762,654,863</b>                 | <b>14.42%</b>                |
| AXA Rosenberg Investment Management      | Active                     | 187,719,220                        | 3.55%                        |
| Pyramis                                  | Active                     | 291,501,068                        | 5.51%                        |
| Numeric                                  | Active                     | 283,434,575                        | 5.36%                        |
| <b>All Cap</b>                           |                            | <b>268,916,132</b>                 | <b>5.08%</b>                 |
| Capital Prospects                        | Active                     | 135,861,230                        | 2.57%                        |
| FIS Group, Inc.                          | Active                     | 133,054,902                        | 2.51%                        |
| <b>Small/Mid Cap</b>                     |                            | <b>371,812,347</b>                 | <b>7.03%</b>                 |
| AXA Rosenberg Investment Management      | Enhanced - Index           | 371,812,347                        | 7.03%                        |
| <b>Small/Mid Cap</b>                     |                            | <b>129,038,328</b>                 | <b>2.44%</b>                 |
| Bivium                                   | Active                     | 129,038,328                        | 2.44%                        |
| <b>Other</b> <sup>(1)</sup>              |                            | <b>387,023,669</b>                 | <b>7.32%</b>                 |
| <b>SUBTOTAL MEF</b>                      |                            | <b>\$ 5,289,091,696</b>            | <b>100.00%</b>               |
| <b>CORE FIXED INCOME FUND (CFIF)</b>     |                            |                                    |                              |
| State Street Global Advisors             | Passive                    | \$ 1,038,045,975                   | 38.43%                       |
| BlackRock Financial Management, Inc.     | Active                     | 662,480,061                        | 24.52%                       |
| Wellington                               | Active                     | 531,174,461                        | 19.66%                       |
| Phoenix                                  | Active                     | 324,967,803                        | 12.03%                       |
| Progress                                 | Active                     | 131,722,970                        | 4.88%                        |
| <b>Other</b> <sup>(1)</sup>              |                            | <b>13,054,939</b>                  | <b>0.48%</b>                 |
| <b>SUBTOTAL CFIF</b>                     |                            | <b>\$ 2,701,446,209</b>            | <b>100.00%</b>               |
| <b>INFLATION LINKED BOND FUND (ILBF)</b> |                            |                                    |                              |
| Brown Brothers Harriman                  | Active                     | \$ 600,761,965                     | 56.52%                       |
| Hartford Investment Mgmt Co.             | Active                     | 461,830,308                        | 43.45%                       |
| <b>Other</b> <sup>(1)</sup>              |                            | <b>297,227</b>                     | <b>0.03%</b>                 |
| <b>SUBTOTAL ILBF</b>                     |                            | <b>\$ 1,062,889,500</b>            | <b>100.00%</b>               |
| <b>EMERGING MARKET DEBT FUND (EMDF)</b>  |                            |                                    |                              |
| Ashmore                                  | Active                     | \$ 275,397,208                     | 23.42%                       |
| Stone Harbor Investment Partners         | Active                     | 258,043,051                        | 21.95%                       |
| ING Investment Management                | Active                     | 204,085,677                        | 17.36%                       |
| Pyramis                                  | Active                     | 220,008,611                        | 18.71%                       |
| UBS Global Asset Management              | Active                     | 216,987,326                        | 18.45%                       |
| <b>Other</b> <sup>(1)</sup>              |                            | <b>1,340,495</b>                   | <b>0.11%</b>                 |
| <b>SUBTOTAL EMDF</b>                     |                            | <b>\$ 1,175,862,368</b>            | <b>100.00%</b>               |
| <b>HIGH YIELD INCOME FUND (HYIF)</b>     |                            |                                    |                              |
| Loomis Sayles & Co., Inc.                | Active                     | \$ 229,269,448                     | 33.10%                       |
| Stone Harbor Investment Partners         | Active                     | 94,233,670                         | 13.60%                       |
| Shenkman Capital Management              | Active                     | 226,634,207                        | 32.71%                       |
| Oaktree Capital Management, L.L.C.       | Active                     | 137,825,017                        | 19.90%                       |
| <b>Other</b> <sup>(1)</sup>              |                            | <b>4,802,157</b>                   | <b>0.69%</b>                 |
| <b>SUBTOTAL HYIF</b>                     |                            | <b>\$ 692,764,499</b>              | <b>100.00%</b>               |

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**LIST OF INVESTMENT ADVISORS AND NET ASSETS UNDER MANAGEMENT (Continued)  
JUNE 30, 2010**

| Name of Fund   | Investment Strategy | Net Assets Under Management | Percent of Fund Total |
|--|---------------------|-----------------------------|-----------------------|
| <b>DEVELOPED MARKET INTERNATIONAL STOCK FUND (DMISF)</b> |                     |                             |                       |
| <b>Index</b>   |                     | \$ <b>643,899,823</b>       | <b>14.52%</b>         |
| State Street Global Advisors                             | Index-Passive       | 643,899,823                 | 14.52%                |
| <b>Core</b>  |                     | <b>1,427,372,133</b>        | <b>32.19%</b>         |
| Invesco Global Asset Mgmt.                               | Active              | 175,522,939                 | 3.96%                 |
| AQR Capital Management                                   | Active              | 518,387,343                 | 11.69%                |
| Acadian Asset Management                                 | Active              | 182,882,308                 | 4.12%                 |
| Artio Global   | Active              | 449,467,939                 | 10.14%                |
| Progress   | Active              | 101,111,604                 | 2.28%                 |
| <b>Active-Growth</b>                                     |                     | <b>511,832,524</b>          | <b>11.54%</b>         |
| MFS Institutional Advisors, Inc.                         | Active              | 511,832,524                 | 11.54%                |
| <b>Active-Value</b>                                      |                     | <b>479,311,240</b>          | <b>10.81%</b>         |
| Grantham, Mayo, Van Otterloo                             | Active              | 479,311,240                 | 10.81%                |
| <b>Small Cap</b>   |                     | <b>644,021,970</b>          | <b>14.52%</b>         |
| Schroder Investment Mgmt.                                | Active              | 221,955,384                 | 5.00%                 |
| Dimensional Fund Advisors                                | Active              | 201,856,115                 | 4.55%                 |
| William Blair & Company                                  | Active              | 220,210,471                 | 4.97%                 |
| <b>Risk Controlled</b>                                   |                     | <b>640,159,768</b>          | <b>14.43%</b>         |
| BlackRock  | Active              | 314,448,922                 | 7.09%                 |
| Pyramis  | Active              | 325,710,846                 | 7.34%                 |
| <b>Other <sup>(1)</sup></b>                              |                     | <b>88,363,106</b>           | <b>1.99%</b>          |
| <b>SUBTOTAL DMISF</b>                                    |                     | \$ <b>4,434,960,564</b>     | <b>100.00%</b>        |
| <b>EMERGING MARKET INTERNATIONAL STOCK FUND (EMISF)</b>  |                     |                             |                       |
| Aberdeen Asset Management                                | Active              | \$ 511,208,154              | 24.66%                |
| Schroders Investment Mgt                                 | Active              | 415,973,739                 | 20.07%                |
| Grantham, Mayo, Van Otterloo                             | Active              | 579,031,270                 | 27.93%                |
| Emerging Markets Management                              | Active              | 562,542,529                 | 27.13%                |
| <b>Other <sup>(1)</sup></b>                              |                     | <b>4,408,880</b>            | <b>0.21%</b>          |
| <b>SUBTOTAL EMISF</b>                                    |                     | \$ <b>2,073,164,572</b>     | <b>100.00%</b>        |
| <b>REAL ESTATE FUND (REF)</b>                            |                     |                             |                       |
| 1800 E. St. Andrew Place                                 | Active              | \$ 18,156,905               | 2.32%                 |
| 1155 Perimeter Center West                               | Active              | 26,639,547                  | 3.40%                 |
| AEW Partners III   | Active              | 7,883,709                   | 1.01%                 |
| AEW 221 Trust  | Active              | 2,708,893                   | 0.35%                 |
| AEW Core   | Active              | 481,132                     | 0.06%                 |
| Alliance Bernstein Legacy                                | Active              | 42,887,005                  | 5.47%                 |
| Apollo Real Estate                                       | Active              | 15,223,252                  | 1.94%                 |
| Blackstone Real Estate VI LP                             | Active              | 30,978,400                  | 3.95%                 |
| Blackstone Real Estate Partner Europe III LP             | Active              | 2,405,287                   | 0.31%                 |
| Canyon Johnson Urban Fund II                             | Active              | 29,275,945                  | 3.73%                 |
| Canyon Johnson Urban Fund III                            | Active              | 1,142,460                   | 0.15%                 |
| Capri Select Income II LLC                               | Active              | 6,985,650                   | 0.89%                 |
| Colony Realty Partners II LP                             | Active              | 18,531,176                  | 2.36%                 |
| Cornerstone Patriot                                      | Active              | 42,865,500                  | 5.47%                 |
| Covenant Apartment Fund V LP                             | Active              | 24,673,550                  | 3.15%                 |
| Covenant Apartment Fund VI                               | Active              | 10,103,790                  | 1.29%                 |
| The Glen at Lafayette Hill                               | Active              | 12,622,352                  | 1.61%                 |
| IL & FS India Realty Fund II                             | Active              | 25,725,591                  | 3.28%                 |
| Macfarlane Urban Real Estate Fund II LP                  | Active              | 14,320,948                  | 1.83%                 |
| Marathon Legacy Securities PPI                           | Active              | 33,072,845                  | 4.22%                 |
| Mullica Hill Plaza                                       | Active              | 7,446,307                   | 0.95%                 |
| North Scottsdale Corporate Center                        | Active              | 43,404,835                  | 5.54%                 |
| Prime Property Fund                                      | Active              | 60,641,800                  | 7.74%                 |
| Rio Hill Shopping Center                                 | Active              | 38,727,058                  | 4.94%                 |
| RLJ RE Fund III LP                                       | Active              | 8,659,408                   | 1.10%                 |
| RLJ Urban Lodging Fund II                                | Active              | 28,751,650                  | 3.67%                 |
| Rocky Creek Apartments                                   | Active              | 11,896,889                  | 1.52%                 |
| Rockwood Capital Fund V                                  | Active              | 8,109,795                   | 1.03%                 |
| Rockwood Capital VI Limited Partnership                  | Active              | 9,708,590                   | 1.24%                 |

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**LIST OF INVESTMENT ADVISORS AND NET ASSETS UNDER MANAGEMENT (Continued)  
JUNE 30, 2010**

| Name of Fund                             | Investment Strategy | Net Assets Under Management | Percent of Fund Total |
|--|---------------------|-----------------------------|-----------------------|
| Rockwood Capital VII Limited Partnership | Active              | 6,509,793                   | 0.83%                 |
| Starwood Opportunity Fund VII            | Active              | 31,755,800                  | 4.05%                 |
| Starwood Opportunity Fund VIII           | Active              | 10,955,630                  | 1.40%                 |
| Urban Strategy America Fund LP           | Active              | 17,116,204                  | 2.18%                 |
| Walton Street Real Estate                | Active              | 15,366,560                  | 1.96%                 |
| WLR IV PPIP Co Invest LP                 | Active              | 49,575,756                  | 6.32%                 |
| <b>Other<sup>(3)</sup></b>               | <b>Active</b>       | <b>68,518,969</b>           | <b>8.74%</b>          |
| <b>SUBTOTAL REF</b>                      |                     | <b>\$ 783,828,981</b>       | <b>100.00%</b>        |
| <b>COMMERCIAL MORTGAGE FUND (CMF)</b>    |                     |                             |                       |
| AEW Capital Management                   | Active              | \$ 3,464,356                | 90.54%                |
| <b>Other<sup>(2)</sup></b>               |                     | <b>362,087</b>              | <b>9.46%</b>          |
| <b>SUBTOTAL CMF</b>                      |                     | <b>\$ 3,826,443</b>         | <b>100.00%</b>        |
| <b>PRIVATE INVESTMENT FUND (PIF)</b>     |                     |                             |                       |
| <b>Buyout</b>                            |                     | <b>\$ 916,118,768</b>       | <b>45.49%</b>         |
| KKR Millennium Fund                      | Active              | 86,909,736                  | 4.32%                 |
| Yucaipa American Alliance Fund II LP     | Active              | 52,968,853                  | 2.63%                 |
| Hicks, Muse Tate & Furst Equity Fund III | Active              | 23,531,328                  | 1.17%                 |
| Thomas H. Lee Equity Fund VI             | Active              | 46,016,032                  | 2.28%                 |
| Welsh Carson Anderson & Stowe VIII       | Active              | 15,962,376                  | 0.79%                 |
| Wellspring Capital Partners III          | Active              | 18,019,745                  | 0.89%                 |
| SCP Private Equity Partners              | Active              | 3,471,924                   | 0.17%                 |
| Charterhouse Equity Partners IV          | Active              | 71,505,266                  | 3.55%                 |
| Forstmann Little Equity Fund VI          | Active              | 735,755                     | 0.04%                 |
| DLJ Merchant Banking Fund II             | Active              | 14,447,823                  | 0.72%                 |
| KKR 1996 Fund                            | Active              | 5,973,159                   | 0.30%                 |
| FS Equity Partners V                     | Active              | 78,460,140                  | 3.90%                 |
| FS Equity Partners VI                    | Active              | 10,679,364                  | 0.53%                 |
| Blackstone Capital Partners III          | Active              | 8,258,510                   | 0.41%                 |
| Thayer Equity Investors IV               | Active              | 14,279,684                  | 0.71%                 |
| Kelso Investment Associates VI           | Active              | 5,181,616                   | 0.26%                 |
| Green Equity Investors III               | Active              | 2,310,785                   | 0.11%                 |
| Wellspring Capital Partners II           | Active              | 2,151,798                   | 0.11%                 |
| Candover 2008 Fund                       | Active              | 6,289,922                   | 0.31%                 |
| Leeds Equity Partners V LP               | Active              | 4,855,229                   | 0.24%                 |
| Welsh Carson Anderson & Stowe XI         | Active              | 13,409,239                  | 0.67%                 |
| AIG Healthcare Partners LP               | Active              | 32,643,135                  | 1.62%                 |
| AIG Altaris Health Partners II           | Active              | 11,761,887                  | 0.58%                 |
| Welsh Carson Anderson & Stowe X LP       | Active              | 84,599,510                  | 4.20%                 |
| Court Square Capital Partners II         | Active              | 43,143,342                  | 2.14%                 |
| Ethos Private Equity Fund V              | Active              | 26,590,596                  | 1.32%                 |
| Boston Ventures VII                      | Active              | 37,232,513                  | 1.85%                 |
| KKR 2006 Fund                            | Active              | 88,197,715                  | 4.38%                 |
| Nogales Investors Fund II                | Active              | 10,213,598                  | 0.51%                 |
| ICV Partners II LP                       | Active              | 18,061,711                  | 0.90%                 |
| Vista Equity Partners Fund III           | Active              | 50,354,935                  | 2.50%                 |
| RFE Investments Partners                 | Active              | 4,893,452                   | 0.24%                 |
| RFE Investment Partners VII              | Active              | 23,008,090                  | 1.14%                 |
| <b>Venture Capital</b>                   |                     | <b>23,340,281</b>           | <b>1.16%</b>          |
| Conning Capital Partners V               | Active              | 1,943,359                   | 0.10%                 |
| Crescendo World Fund                     | Active              | 72,584                      | 0.00%                 |
| Grotech Partners V                       | Active              | 6,155,241                   | 0.31%                 |
| Crescendo III                            | Active              | 2,087,161                   | 0.10%                 |
| Syndicated Communications                | Active              | 13,081,936                  | 0.65%                 |
| <b>Mezzanine</b>                         |                     | <b>40,477,895</b>           | <b>2.01%</b>          |
| SW Pelham Fund                           | Active              | 3,398,397                   | 0.17%                 |
| GarMark Partners                         | Active              | 526,570                     | 0.02%                 |
| GarMark Partners II LP                   | Active              | 30,345,402                  | 1.51%                 |

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**LIST OF INVESTMENT ADVISORS AND NET ASSETS UNDER MANAGEMENT (Continued)  
JUNE 30, 2010**

| Name of Fund                                       | Investment Strategy | Net Assets Under Management | Percent of Fund Total |
|--|---------------------|-----------------------------|-----------------------|
| SW Pelham Fund II                                  | Active              | 6,207,526                   | 0.31%                 |
| <b>International</b>                               |                     | <b>170,876,573</b>          | <b>8.49%</b>          |
| Compass Partners European Equity Fund              | Active              | 16,426,114                  | 0.82%                 |
| Gilbert Global Equity Partners                     | Active              | 35,300,379                  | 1.75%                 |
| Carlyle Europe Partners                            | Active              | 8,250,076                   | 0.41%                 |
| AIG Global Emerging Markets Fund                   | Active              | 11,178,619                  | 0.56%                 |
| Carlyle Asia Partners                              | Active              | 99,721,385                  | 4.95%                 |
| <b>Fund of Funds</b>                               |                     | <b>550,355,818</b>          | <b>27.33%</b>         |
| The Constitution Liquidating Fund                  | Active              | 160,725,704                 | 7.98%                 |
| Landmark Private Equity Fund VIII                  | Active              | 23,804,890                  | 1.18%                 |
| CS/CT Cleantech Opp Fund                           | Active              | 13,459,707                  | 0.67%                 |
| CT Emerging Pvt Equity                             | Active              | 9,121,390                   | 0.45%                 |
| Fairview Constitution III                          | Active              | 52,459,954                  | 2.60%                 |
| Goldman Sachs Private Equity Partners Connecticut  | Active              | 8,426,270                   | 0.42%                 |
| Lexington Capital Partners II                      | Active              | 4,073,132                   | 0.20%                 |
| Parish Capital I LP                                | Active              | 37,666,321                  | 1.87%                 |
| Parish Capital Buyout Fund II                      | Active              | 96,260,356                  | 4.78%                 |
| Fairview Constitution II LP                        | Active              | 123,187,147                 | 6.12%                 |
| Connecticut Horizon Legacy                         | Active              | 7,822,662                   | 0.39%                 |
| Landmark Equity Partners XIV LP                    | Active              | 8,968,930                   | 0.45%                 |
| JP Morgan Nutmeg I                                 | Active              | 4,379,355                   | 0.22%                 |
| <b>Special Situations</b>                          |                     | <b>203,240,295</b>          | <b>10.09%</b>         |
| Welsh Carson Anderson & Stowe Capital Partners III | Active              | 16,209,171                  | 0.80%                 |
| Levine Leichtman Capital Partners IV LP            | Active              | 10,511,435                  | 0.52%                 |
| Greenwich Street Capital Partners II               | Active              | 2,450,819                   | 0.12%                 |
| Pegasus Partners IV                                | Active              | 88,133,949                  | 4.38%                 |
| WLR Recovery Fund IV                               | Active              | 55,193,279                  | 2.74%                 |
| KPS Special Situations Fund II                     | Active              | 30,741,642                  | 1.53%                 |
| <b>Other<sup>(3)</sup></b>                         |                     | <b>109,436,668</b>          | <b>5.43%</b>          |
| <b>SUBTOTAL PIF</b>                                |                     | <b>\$ 2,013,846,298</b>     | <b>100.00%</b>        |
| <b>TOTAL</b>                                       |                     | <b>\$ 22,450,562,099</b>    |                       |
| <b>Adjustments<sup>(4)</sup></b>                   |                     | <b>(580,971,737)</b>        |                       |
| <b>GRAND TOTAL</b>                                 |                     | <b>\$ 21,869,590,362</b>    |                       |

- (1) Other represents cash equivalents, other net assets and terminated advisor balances, as well as, currency overlay balances for the DMISF.
- (2) Other also includes residential mortgage-backed securities for the Commercial Mortgage Fund.
- (3) Other represents moneys earmarked for distribution to participants, reinvestment, and expenses as well as terminated advisor balances.
- (4) Represents Elimination Entry to the Financial Statements to account for investment of Combined Investment Funds in the Liquidity Fund.

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**SCHEDULE OF CONSULTING SERVICES IN EXCESS OF \$5,000<sup>(1)</sup> FOR PERIODS ENDED JUNE 30**

| Name of Firm                                  | Description of Services   | Aggregate Compensation Paid in Fiscal Year: |                    |                    |                    |                    |
|---|---------------------------|---|--------------------|--------------------|--------------------|--------------------|
|   |                           | 2010  | 2009               | 2008               | 2007               | 2006               |
| <b>CONSULTING SERVICES</b>                    |                           |   |                    |                    |                    |                    |
| Alignment Capital Management                  | Private Equity Consultant | -   | -                  | -                  | 227,147            | 325,000            |
| CRA RogersCasey Consulting Inc.               | Pension Funds Consultant  | 160,599                                     | 130,208            | 555,055            | 401,495            | 519,885            |
| Franklin Park Associates LLC                  | Private Equity Consultant | 943,208                                     | 995,521            | 791,426            | 905,569            | 863,056            |
| FTI Consulting, Inc.                          | Pension Funds Consultant  | -   | -                  | -                  | -                  | 19,372             |
| Independent Fiduciary Service                 | Pension Funds Consultant  | -   | 42,500             | 142,500            | -                  | -                  |
| Korn Ferry International                      | Pension Funds Consultant  | -   | 11,413             | 182,392            | -                  | -                  |
| Mercer Investment Consulting                  | Pension Funds Consultant  | 500,000                                     | 500,000            | 250,000            | -                  | -                  |
| New England Pension Consultants               | Pension Funds Consultatn  | 445,487                                     | 419,964            | -                  | -                  | -                  |
| Pension Consulting Alliance                   | Pension Funds Consultant  | -   | -                  | 103,350            | 202,768            | 196,851            |
| The Townsend Group                            | Pension Funds Consultant  | 250,000                                     | 271,527            | -                  | -                  | --                 |
| <b>TOTAL CONSULTING SERVICES COMPENSATION</b> |                           | <b>\$2,299,294</b>                          | <b>\$2,371,133</b> | <b>\$2,024,723</b> | <b>\$1,736,979</b> | <b>\$1,924,164</b> |

(1) Expenses are presented on a cash basis.

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**TOP TEN HOLDINGS BY FUND AT JUNE 30, 2010\***

**LIQUIDITY FUND**

| <b>Security Name</b>            | <b>Maturity Date</b> | <b>Market Value</b>     | <b>%</b>      |
|---------------------------------|----------------------|-------------------------|---------------|
| Barclays Cap Tri Party C        | 07/01/2010           | \$99,245,000.00         | 4.48%         |
| Bank of Nova Scotia             | 07/14/2010           | 53,000,000.00           | 2.39%         |
| Westpac Banking Corp            | 07/12/2010           | 47,996,186.67           | 2.16%         |
| Deutsche Bank AG NY             | 07/06/2010           | 45,000,000.00           | 2.03%         |
| Barclays Capital Repo           | 07/01/2010           | 44,000,000.00           | 1.99%         |
| Credit Suisse First Boston Repo | 07/01/2010           | 44,000,000.00           | 1.99%         |
| Barclays Bank PLC               | 01/07/2011           | 40,000,000.00           | 1.81%         |
| HSBC Tri Party C                | 07/01/2010           | 40,000,000.00           | 1.81%         |
| CSFB Tri Party C                | 07/01/2010           | 40,000,000.00           | 1.81%         |
| Deutsche Tri Party C            | 07/01/2010           | 40,000,000.00           | 1.81%         |
| <b>Top Ten</b>                  |                      | <b>\$493,241,186.67</b> | <b>22.28%</b> |

**Fair Value LF** **2,214,104,408.00**

**MUTUAL EQUITY FUND**

| <b>Security Name</b>            | <b>Industry Sector</b> | <b>Market Value</b>  | <b>%</b>      |
|---------------------------------|------------------------|----------------------|---------------|
| Exxon Mobil Corp                | Energy                 | \$117,859,718        | 2.23%         |
| Apple Inc                       | Information Technology | 80,523,053           | 1.52%         |
| Microsoft                       | Technology             | 75,320,543           | 1.42%         |
| Proctor & Gamble Co             | Consumer Staples       | 72,737,506           | 1.37%         |
| JP Morgan Chase & Co            | Financials             | 64,376,818           | 1.22%         |
| AT&T Inc                        | Telecommunication Svcs | 63,320,107           | 1.20%         |
| Johnson & Johnson               | Health Care            | 59,811,952           | 1.13%         |
| Wells Fargo & Co                | Financials             | 54,879,258           | 1.04%         |
| International Business Machines | Information Technology | 52,635,202           | 1.00%         |
| Bank of America Corp            | Financials             | 51,993,821           | 0.98%         |
| <b>Top Ten</b>                  |                        | <b>\$693,457,978</b> | <b>13.11%</b> |

**FAIR VALUE MEF** **\$5,288,853,566**

**CORE FIXED INCOME FUND**

| <b>Security Name</b>         | <b>Coupon</b> | <b>Maturity</b> | <b>Security Type</b> | <b>Market Value</b>  | <b>%</b>     |
|------------------------------|---------------|-----------------|----------------------|----------------------|--------------|
| U.S. Treasury N/B            | 4.375%        | 05/15/2040      | U.S. Govt Agency     | \$35,747,721         | 1.28%        |
| FNMA TBA Aug 30 Single Fam   | 4.500%        | 12/01/2099      | U.S. Govt Agency     | 27,365,490           | 0.98%        |
| U.S. Treasury Bonds          | 11.250%       | 02/15/2015      | U.S. Govt Agency     | 25,408,076           | 0.91%        |
| U.S. Treasury N/B            | 1.000%        | 08/31/2011      | U.S. Govt Agency     | 24,356,816           | 0.87%        |
| U.S. Treasury N/B            | 2.250%        | 10/31/2014      | U.S. Govt Agency     | 21,562,948           | 0.77%        |
| U.S. Treasury N/B            | 3.500%        | 05/15/2020      | U.S. Govt Agency     | 21,538,205           | 0.77%        |
| FHLMC TBA Aug 30 Gold Single | 5.000%        | 12/01/2099      | U.S. Govt Agency     | 18,332,466           | 0.66%        |
| FNMA TBA Aug 30 Single Fam   | 5.000%        | 12/01/2099      | U.S. Govt Agency     | 18,132,584           | 0.65%        |
| FNMA Pool 745275             | 5.000%        | 02/01/2036      | U.S. Govt Agency     | 16,724,202           | 0.60%        |
| FNMA Pool 888876             | 5.500%        | 05/01/2033      | U.S. Govt Agency     | 15,272,804           | 0.55%        |
| <b>Top Ten</b>               |               |                 |                      | <b>\$224,441,312</b> | <b>8.04%</b> |

**FAIR VALUE CFI** **\$2,789,605,943**

**INFLATION LINKED BOND FUND**

| <b>Security Name</b> | <b>Coupon</b> | <b>Maturity</b> | <b>Security Type</b> | <b>Market Value</b> | <b>%</b> |
|----------------------|---------------|-----------------|----------------------|---------------------|----------|
| U.S. Treasury Bonds  | 2.375%        | 01/15/2025      | U.S. Govt Agency     | \$99,213,493        | 9.27%    |
| U.S. Treasury Bonds  | 2.000%        | 01/15/2026      | U.S. Govt Agency     | 87,043,947          | 8.13%    |
| U.S. Treasury Notes  | 2.000%        | 01/15/2016      | U.S. Govt Agency     | 84,301,286          | 7.87%    |
| U.S. Treasury Notes  | 2.375%        | 04/15/2011      | U.S. Govt Agency     | 72,610,257          | 6.78%    |
| U.S. Treasury Notes  | 2.000%        | 01/15/2014      | U.S. Govt Agency     | 66,797,952          | 6.24%    |
| U.S. Treasury Notes  | 2.500%        | 07/15/2016      | U.S. Govt Agency     | 64,307,460          | 6.01%    |

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**TOP TEN HOLDINGS BY FUND AT JUNE 30, 2010\* (Continued)**

|                     |        |            |                  |                      |               |
|---------------------|--------|------------|------------------|----------------------|---------------|
| U.S. Treasury Notes | 2.375% | 01/15/2017 | U.S. Govt Agency | 57,903,348           | 5.41%         |
| U.S. Treasury Notes | 1.625% | 01/15/2015 | U.S. Govt Agency | 54,088,528           | 5.05%         |
| U.S. Treasury Bonds | 3.625% | 04/15/2028 | U.S. Govt Agency | 52,389,083           | 4.89%         |
| U.S. Treasury Notes | 3.000% | 07/15/2012 | U.S. Govt Agency | 46,685,398           | 4.36%         |
| <b>Top Ten</b>      |        |            |                  | <b>\$685,340,752</b> | <b>64.01%</b> |

**FAIR VALUE ILB** **\$1,070,660,872**

**EMERGING MARKET DEBT FUND**

| Security Name           | Coupon  | Maturity   | Market Value         | %             |
|-------------------------|---------|------------|----------------------|---------------|
| Russian Federation      | 1.000%  | 03/31/2030 | \$32,278,161         | 2.79%         |
| Nota Tesouro Nacional   | 10.000% | 01/01/2021 | 19,304,440           | 1.67%         |
| Republic of Argentina   | 7.000%  | 03/28/2011 | 18,368,845           | 1.59%         |
| UBS Glam REF 70325      | 4.960%  | 03/05/2011 | 12,458,890           | 1.08%         |
| UBS Glam REF 70325      | 7.010%  | 03/05/2015 | 12,243,246           | 1.06%         |
| Republic of Indonesia   | 11.625% | 03/04/2019 | 12,175,625           | 1.05%         |
| UBS Glam REF 70491      | 8.520%  | 03/20/2017 | 10,605,430           | 0.92%         |
| South Africa (Republic) | 8.000%  | 12/21/2018 | 10,496,341           | 0.91%         |
| Republic of Poland      | 6.375%  | 07/15/2019 | 10,315,502           | 0.89%         |
| Brazil (FED REP)        | 6.000%  | 05/15/2045 | 10,142,666           | 0.88%         |
| <b>Top Ten</b>          |         |            | <b>\$148,389,146</b> | <b>12.84%</b> |

**FAIR VALUE EMD** **\$1,155,351,613**

**HIGH YIELD DEBT FUND**

| Security Name                | Coupon       | Maturity   | Market Value        | %            |
|------------------------------|--------------|------------|---------------------|--------------|
| Borden Inc                   | 7.875%       | 02/15/2023 | \$6,832,875         | 1.04%        |
| Toys R Us Inc                | 7.375%       | 10/15/2018 | 6,603,500           | 1.00%        |
| Qwest Capital Funding        | 6.875%       | 07/15/2028 | 6,236,100           | 0.95%        |
| Dynegy Hldgs Inc             | 8.375%       | 05/01/2016 | 5,234,119           | 0.80%        |
| Valeant Pharmaceuticals Intl | 4.000%       | 11/15/2013 | 5,222,100           | 0.80%        |
| Tenet Healthcare Corp        | 6.875%       | 11/15/2031 | 5,190,900           | 0.79%        |
| AES Corp                     | 8.000%       | 10/15/2017 | 5,181,300           | 0.79%        |
| Citibank NA                  | 15.000%      | 07/02/2010 | 4,976,173           | 0.76%        |
| Vertex Pharmaceuticals Inc   | Common Stock |            | 4,908,187           | 0.75%        |
| Aramark Corp                 | 8.500%       | 02/01/2015 | 4,545,000           | 0.69%        |
| <b>Top Ten</b>               |              |            | <b>\$54,930,254</b> | <b>8.37%</b> |

**FAIR VALUE HYI** **\$656,175,724**

**DEVELOPED MARKET INTERNATIONAL STOCK FUND**

| Security Name                          | Country        | Market Value         | %             |
|--|----------------|----------------------|---------------|
| Nestle SA CHFO.10 REGD                 | Switzerland    | \$77,999,342         | 1.80%         |
| Royal Dutch Shell PLC A Shares Eur .07 | United Kingdom | 53,794,807           | 1.24%         |
| Roche Holdings AG Genusscheine NPV     | Switzerland    | 51,536,598           | 1.19%         |
| HSBC Holdings ORD USD 0.50 UK REG      | United Kingdom | 46,545,054           | 1.08%         |
| Novartis AG CHF 0.50 REGD              | Switzerland    | 44,326,091           | 1.02%         |
| Glaxosmithkline ORD GBP 0.25           | United Kingdom | 40,731,126           | 0.94%         |
| Sanofi Aventis EUR 2.0                 | France         | 36,436,956           | 0.84%         |
| Total SA Eur 2.5 Post Division         | France         | 35,270,998           | 0.82%         |
| Astrazeneca ORD USD 0.25               | United Kingdom | 33,785,298           | 0.78%         |
| Vodafone Group ORD USD 0.11428571      | United Kingdom | 33,235,013           | 0.77%         |
| <b>Top Ten</b>                         |                | <b>\$453,661,283</b> | <b>10.48%</b> |

**FAIR VALUE DM ISF** **\$4,328,450,937**

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**TOP TEN HOLDINGS BY FUND AT JUNE 30, 2010\* (Continued)**

**EMERGING MARKET INTERNATIONAL STOCK FUND**

| <b>Security Name</b>                 | <b>Country</b>     | <b>Market Value</b>  | <b>%</b>      |
|--------------------------------------|--------------------|----------------------|---------------|
| Samsung Electronic KRW 5000          | Republic of Korea  | \$54,210,055         | 2.62%         |
| Vale SA Depository Receipts          | Brazil             | 53,183,480           | 2.58%         |
| Petroleo Brasileiro SA Sponsored ADR | Brazil             | 51,738,522           | 2.51%         |
| Gazprom ADR OAO                      | Russian Federation | 47,943,655           | 2.32%         |
| China Mobile Ltd. HKD 0.10           | Hong Kong          | 47,795,789           | 2.31%         |
| CNOOC Ltd HKD 0.02                   | Hong Kong          | 38,764,655           | 1.88%         |
| Lukoil OAO ADR Rub 0.025             | Russian Federation | 30,949,045           | 1.50%         |
| America Movil ADR Series L           | Mexico             | 24,795,570           | 1.20%         |
| Grupo Financiero Banorte NPV         | Mexico             | 24,162,107           | 1.17%         |
| Taiwan Semiconductor SP ADR          | Taiwan             | 23,838,175           | 1.15%         |
| <b>Top Ten</b>                       |                    | <b>\$397,381,053</b> | <b>19.24%</b> |

**FAIR VALUE EM ISF**

**\$2,065,255,957**

**REAL ESTATE FUND**

| <b>Property Name</b>           | <b>Partnership Type</b> | <b>Market Value</b>  | <b>%</b>      |
|--------------------------------|-------------------------|----------------------|---------------|
| Prime Property Fund            | Core                    | \$60,641,800         | 7.65%         |
| WLR IV PPIP Co Invest LP       | Opportunistic           | 49,575,756           | 6.26%         |
| Alliance Bernstein Legacy      | Value-Added             | 42,887,005           | 5.41%         |
| Cornerstone Patriot            | Core                    | 42,865,500           | 5.41%         |
| Marathon Legacy Securities PPI | Value-Added             | 33,072,845           | 4.17%         |
| Starwood Opportunity Fund VII  | Opportunistic           | 31,755,800           | 4.01%         |
| Blackstone Real Estate VI LP   | Opportunistic           | 30,978,400           | 3.91%         |
| Canyon Johnson Urban Fund II   | Opportunistic           | 29,275,945           | 3.69%         |
| RLJ Urban Lodging Fund II      | Opportunistic           | 28,751,650           | 3.63%         |
| Covenant Apartment Fund V LP   | Value-Added             | 24,673,550           | 3.11%         |
| <b>Top Ten</b>                 |                         | <b>\$374,478,251</b> | <b>47.25%</b> |

**FAIR VALUE REF**

**\$792,483,221**

**COMMERCIAL MORTGAGE FUND**

| <b>Property Name</b>        | <b>Location</b> | <b>Property Type</b> | <b>Market Value</b> | <b>%</b>      |
|-----------------------------|-----------------|----------------------|---------------------|---------------|
| SASCO                       | Various         | Other                | \$3,464,167         | 90.73%        |
| Yankee Mac Series G 11.125% | Various         | Residential          | 94,453              | 2.47%         |
| Yankee Mac Series E 11.056% | Various         | Residential          | 68,224              | 1.79%         |
| Yankee Mac Series F 12.981% | Various         | Residential          | 28,227              | 0.74%         |
| Yankee Mac Series A 13.075% | Various         | Residential          | 2,149               | 0.06%         |
| <b>Top Five</b>             |                 |                      | <b>\$3,657,220</b>  | <b>95.79%</b> |

**FAIR VALUE CMF**

**\$3,818,115**

**PRIVATE INVESTMENT FUND**

| <b>Partnership Name</b>            | <b>Partnership Type</b> | <b>Market Value</b>  | <b>%</b>      |
|------------------------------------|-------------------------|----------------------|---------------|
| Constitution Liquidating Fund      | Fund of Funds           | \$160,725,705        | 7.99%         |
| Fairview Constitution II LP        | Fund of Funds           | 123,187,147          | 6.12%         |
| Carlyle Asia Partners LP           | International           | 99,721,385           | 4.95%         |
| Parish Capital Buyout Fund II      | Fund of Funds           | 96,260,356           | 4.78%         |
| KKR 2006 Fund                      | Buyout                  | 88,197,715           | 4.38%         |
| Pegasus Partners IV                | Special Situations      | 88,133,949           | 4.38%         |
| KKR Millennium Fund                | Buyout                  | 86,909,736           | 4.32%         |
| Welsh Carson Anderson & Stowe X LP | Buyout                  | 84,599,510           | 4.20%         |
| FS Equity Partners V               | Buyout                  | 78,460,140           | 3.90%         |
| Charterhouse Equity Partners IV    | Buyout                  | 71,505,266           | 3.55%         |
| <b>Top Ten</b>                     |                         | <b>\$977,700,909</b> | <b>48.57%</b> |

**FAIR VALUE PIF**

**\$2,013,101,198**

\* A complete list of portfolio holdings is available from the Office of the Treasurer.



## GLOSSARY OF INVESTMENT TERMS

- Agency Securities** – Securities, usually bonds, issued by U.S. Government agencies. These securities have high credit ratings but are not backed by the full faith and credit of the U.S. Government.
- Alpha** - A coefficient which measures risk-adjusted performance, factoring in the risk due to the specific security, rather than the overall market. A high value for alpha implies that the stock or mutual fund has performed better than would have been expected given its beta (volatility).
- Asset** - Anything owned that has economic value; any interest in property, tangible or intangible, that can be used for payment of debts.
- Asset Backed Security**- Bonds or notes collateralized by one or more types of assets including real property, mortgages, and receivables.
- Banker's Acceptance (BA)** - A high-quality, short-term negotiable discount note, drawn on and accepted by banks which are obligated to pay the face amount at maturity.
- Basis Point (bp)** - The smallest measure used in quoting yields or returns. One basis point is 0.01% of yield, 100 basis points equals 1%. For example, a yield that changed from 8.75% to 9.50% has increased by 75 basis points.
- Benchmark** - A standard unit used as the basis of comparison; a universal unit that is identified with sufficient detail so that other similar classifications can be compared as being above, below, or comparable to the benchmark.
- Beta** - A quantitative measure of the volatility of a given stock, mutual fund or portfolio relative to the overall market.
- Book Value (BV)** - The value of individual assets, calculated as actual cost minus accumulated depreciation. Book value may be more or less than current market value.
- Capital Gain (Loss)** - Also known as capital appreciation (depreciation), capital gain (loss) measures the increase (decrease) in value of an asset over time.
- Certificates of Deposit (CDs)** - A debt instrument issued by banks, usually paying interest, with maturities ranging from 3 months to six years.
- Citigroup Broad Investment-Grade Bond Index (CBIG)** - A market value-weighted index composed of over 4,000 individually priced securities with a quality rating of at least BBB. Each issue has a minimum maturity of one year with an outstanding par amount of at least \$25 million.
- Citigroup World Government Bond Index Non-U.S. (CWGBI)** - An unhedged index measuring government issues of 12 major industrialized countries.
- Coefficient of Determination ( $R^2$ )** - A statistic which indicates the amount of variability in a dependent variable, such as Fund returns, which may be explained by an independent variable, such as market returns, in a regression model. The coefficient of determination is denoted  $R^2$  and ranges from 0 to 1.0. If the statistic measures 0, the independent variable offers no explanation of the dependent variable. If the statistic measures 1.0, the independent variable fully explains the dependent variable.
- Collateral** – Assets pledged by a borrower to secure a loan or other credit, and subject to seizure in the event of default.
- Collateralized Mortgage Obligation (CMO)** – A mortgage-backed, investment-grade bond that separates mortgage pools into different maturity classes. CMO payment obligations are backed by mortgage-backed securities with a fixed maturity.
- Commercial Paper** - Short-term obligations with maturities ranging from 2 to 270 days. An unsecured obligation issued by a corporation or bank to finance its short-term credit needs.
- Compounded Annual Total Return** - Compounded annual total return measures the implicit annual percentage change in value of an investment, assuming reinvestment of dividends, interest, and realized capital gains, including those attributable to currency fluctuations. In effect, compounded annual total return “smoothes” fluctuations in long-term investment returns to derive an implied year-to-year annual return.
- Consumer Price Index (CPI)** - A measure of change in the cost of a fixed basket of products and services as determined by a monthly survey of the U.S. Bureau of Labor Statistics. Components of the CPI include housing costs, food, transportation, and electricity.
- Cumulative Rate of Return** - A measure of the total return earned for a particular time period. This calculation measures the absolute percentage change in value of an investment over a specified period, assuming reinvestment of dividends, interest income, and realized capital gains. For example, if a \$100 investment grew to \$120 in a two-year period, the cumulative rate of return would be 20%.
- Current Yield** - The relationship between the stated annual interest or dividend rate and the market price of a security. In calculating current yield, only income payments are considered; no consideration is given to capital gain/loss.
- Derivative** - Derivatives are generally defined as contracts whose value depend on, or derived from, the value of an underlying asset, reference rate, or index. For example, an option is a derivative instrument because its value derives from an underlying stock, stock index, or future.
- Discount Rate** - The interest rate that the Federal Reserve charges banks for loans, using government securities or eligible paper as collateral.

## CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

### GLOSSARY OF INVESTMENT TERMS (Continued)

- Diversification** – A portfolio strategy designed to reduce exposure to risk by putting assets in several different securities or categories of investments.
- Duration** - A measure of the average time to receipt of all bond cash flows. Duration is used to determine the percentage change in price of a fixed income security for a given change in the security's yield to maturity. Duration is stated in terms of time periods, generally years. (See Modified and Macaulay duration).
- Equity** - The ownership interest possessed by shareholders in a corporation in the form of common stock or preferred stock.
- ERISA (Employee Retirement Income Security Act)** - The 1974 federal law which established legal guidelines for private pension plan administration and investment practices.
- Expense Ratio** – Operating costs (including management fees) expressed as a percentage of the fund's average net assets for a given time period.
- Fair Value** - The amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.
- Federal Funds Rate** - The interest rate that banks charge each other for the use of Federal Funds. This rate changes daily and is a sensitive indicator of general interest rate trends.
- Federal Reserve Board** – The 7- member Board of Governors that oversees Federal Reserve Banks, establishes monetary policy and monitors the economic health of the economy.
- Fiduciary** - A person, company, or association holding assets in trust for a beneficiary. The fiduciary is charged with the responsibility to invest the money prudently for the beneficiary's benefit.
- Fitch Investor Services** - A financial services rating agency.
- Floating Rate Note** - A fixed principal instrument which has a long or even indefinite life and whose yield is periodically reset relative to a reference index rate to reflect changes in short- or intermediate-term interest rates.
- Gross Domestic Product** - Total final value of goods and services produced in the United States over a particular period or time, usually one year. The GDP growth rate is the primary indicator of the health of the economy.
- Hedge** - An investment in assets which serves to reduce the risk of adverse price movements in a security, by taking an offsetting position in a related security, such as an option or short sale.
- Index** - A benchmark used in executing investment strategy which is viewed as an independent representation of market performance. Example: S&P 500 index.
- Index Fund** – A passively managed fund that tries to mirror the performance of a specific index, such as the S&P 500.
- Inflation** – The overall general upward price movement of goods and services in an economy, usually as measured by the Consumer Price Index and the Producer Price Index.
- Investment Income** - The equity dividends, bond interest, and/or cash interest paid on an investment.
- J-Curve** - An economic theory stating that a policy designed to have one effect will initially have the opposite effect. With regard to closed end commingled fund investments, this generally refers to the impact on returns of contributions made in the early portion of a fund's existence. Invested capital is used to pay fees and organizational costs as well as to make investments in non-income producing enterprises. Such uses negatively impact returns in early periods but are expected to generate increasing income and valuations in the late periods as the previously non-income producing entities start producing income and the relative size of fees and other costs diminish relative to the value of invested capital.
- JP Morgan Emerging Markets Bond Index Plus (EMBI+)** - An index which tracks total returns for traded external debt instruments in the emerging markets. The instruments include external-currency-denominated Brady bonds, loans and Eurobonds, as well as U.S. dollar local markets instruments. The EMBI+ expands upon Morgan's original Emerging Markets Bond Index, which was introduced in 1992 and covers only Brady bonds.
- LB Aggregate Index** - An index made up of Government, Corporate, Mortgage Backed, and Asset Backed securities, all rated investment grade. Returns are market value weighted inclusive of interest. Issues must have at least one year to maturity and an outstanding par value of at least \$200 million.
- Letter of Credit** - An instrument or document issued by a bank, guaranteeing the payment of a customer's drafts up to a stated amount for a specified period. It substitutes the bank's credit for the buyer's and eliminates the seller's risk.
- Liability** - The claim on the assets of a company or individual - excluding ownership equity. An obligation that legally binds an individual or company to settle a debt.
- Leverage** - The use of borrowed funds to increase purchasing power and, ideally, to increase profitability of an investment transaction or business.
- Macaulay Duration** - The weighted-average term to maturity of a bond's cash flows. The weighting is based on the present value of each cash flow divided by price.
- Market Value** – A security's last reported sale price or its current bid and ask prices. The price as determined dynamically by buyers and sellers in an open market.

## CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

### GLOSSARY OF INVESTMENT TERMS (Continued)

- Master Custodian** - An entity, usually a bank, used for safekeeping of securities and other assets. Responsible for other functions including accounting, performance measurement and securities lending.
- Maturity Date** - The date on which the principal amount of a bond or other debt instrument becomes payable or due.
- Mezzanine Debt** – Debt that incorporates equity –based options, such as warrants, with a lower – priority debt.
- MFR Index (iMoneyNet's First Tier Institutional-only Rated Money Fund Report Averages<sup>TM</sup> Index)** - An index which represents an average of the returns of institutional money market mutual funds that invest primarily in first-tier (securities rated A-1, P-1) taxable securities.
- Modified Duration** - A measure of the price sensitivity of a bond to interest rate movements. It is the primary basis for comparing the effect of interest rate changes on prices of fixed income securities.
- Money Market Fund** - An open-ended mutual fund that invests in commercial paper, bankers' acceptances, repurchase agreements, government securities, certificates of deposit, and other highly liquid and safe securities and pays money market rates of interest. The fund's net asset value remains a constant \$1 per share - only the interest rate goes up or down.
- Moody's (Moody's Investors Service)** - A financial services rating agency.
- MSCI-EAFE** - Morgan Stanley Europe Australasia Far East foreign equity index. An arithmetic value weighted average of the performance of over 900 securities on the stock exchanges of 21 countries on three continents. The index is calculated on a total return basis, which includes reinvestment of dividends net of withholding taxes.
- Net Asset Value (NAV)** - The total assets (including any valuation gains or losses on investments or currencies) minus total liabilities divided by shares outstanding.
- NCREIF (National Council of Real Estate Investment Fiduciaries)** - An index consisting of investment-grade, non-agricultural, income-producing properties: apartments, hotels, offices, and warehouses. Its return includes appreciation, realized capital gains, and income. It is computed by adding the income return and capital appreciation return generated by the properties in the index, on a quarterly basis.
- Par Value** - The stated or face value of a stock or bond. It has little significance for common stocks, however, for bonds it specifies the payment amount at maturity.
- Pension Fund** - A fund set up by a corporation, labor union, governmental entity, or other organization to pay the pension benefits of retired workers.
- Percentile** - A description of the percentage of the total universe in which portfolio performance is ranked.
- Price/Book (P/B)** - A ratio showing the price of a stock divided by its book value. The P/B measures the multiple at which the market is capitalizing the net asset value per share of a company at any given time.
- Price/Earnings (P/E)** - A ratio showing the price of a stock divided by its earnings per share. The P/E measures the multiple at which the market is capitalizing the earnings per share of a company at any given time.
- Present Value** - The current value of a future cash flow or series of cash flows discounted at an appropriate interest rate or rates. For example, at a 12% interest rate, the receipt of one dollar a year from now has a present value of \$0.89286.
- Principal** - Face value of an obligation, such as a bond or a loan, that must be repaid at maturity.
- Prudent Person Rule** - The standard adopted by some states to guide those fiduciaries with responsibility for investing money of others. Such fiduciaries must act as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investment.
- Realized Gain (Loss)** - A gain (loss) that has occurred financially. The difference between the principal amount received and the cost basis of an asset realized at sale.
- Relative Volatility** - The standard deviation of the Fund divided by the standard deviation of its selected benchmark. A relative volatility greater than 1.0 suggests comparatively more volatility in Fund returns than those of the benchmark.
- Repurchase Agreements ("Repos")** – A contract in which the seller of securities, such as Treasury Bills, agrees to buy them back at a specified time and price. Repos are widely used as a money market instrument.
- Reverse Repurchase Agreements ("Reverse Repos")** - A purchase of securities with an agreement to resell them at a higher price at a specific future date.
- Return on Equity (ROE)** - The net income for the accounting period after payment of preferred stock dividends and before payment of common stock dividends of a company divided by the common stock equity at the beginning of the accounting period.
- Risk Adjusted Return** - A modified (usually reduced) return which accounts for the cost of a specific investment exposure as well as the aggregate risk of such exposure.
- Russell 3000** - An equity index comprised of the securities of the 3,000 largest public U.S. companies as determined by total market capitalization. This index represents approximately 98% of the U.S. equity market's capitalization.

## CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

### GLOSSARY OF INVESTMENT TERMS (Continued)

- Securities Lending** - A carefully collateralized process of loaning portfolio positions to custodians, dealers, and short sellers who must make physical delivery of positions. Securities lending can reduce custody costs or enhance annual returns by a full percentage point or more in certain market environments.
- Soft Dollars** - The value of research or other services that brokerage houses and other service entities provide to a client "free of charge" in exchange for the client's brokerage.
- S&P 500 (Standard & Poor's)** - A basket of 500 stocks considered to be widely held. The performance of this index is thought to be representative of the stock market as a whole. The index selects its constituents based upon their market size, liquidity and sector. S&P 500 stocks are considered to be the leading large (to mid) cap corporations in a given sector.
- S&P Credit Ratings Service** - A financial services rating agency.
- Standard Deviation** - A statistical measure showing the deviation of an individual value in a probability distributed from the mean (average) of the distribution. The greater the degree of dispersion from the mean rate of return, the higher the standard deviation; therefore, the higher the risk.
- Total Fund Benchmark** - A hybrid benchmark customized to reflect the CRPTF's asset allocation and performance objectives. This benchmark is comprised of 36% Russell 3000 Index; 18% International Stock Fund benchmark; 29% Mutual Fixed Income benchmark; 5% Russell 3000 Index; 11% S&P 500 Index; and 1% MFR First Tier Rated Index. The International Stock Fund benchmark is comprised of 83% Citigroup Europe, Pacific, Asia Composite Broad Market Index (50% Hedged) and 17% MSCI Emerging Market Free Index. The Mutual Fixed Income benchmark consists of 73% Lehman Brothers U. S. Aggregate Index, 17% S&P/Citigroup High Yield Market Index, and 10% JPM Emerging Markets Bond Index.
- Treasury Bill (T-Bill)** - Short-term, highly liquid government securities issued at a discount from the face value and returning the face amount at maturity.
- Treasury Bond or Note** - Debt obligations of the Federal government that make semiannual coupon payments and are sold at or near par value in denominations of \$1,000 or more.
- Trust** - A fiduciary relationship in which a person, called a trustee, holds title to property for the benefit of another person, called a beneficiary.
- TUCS** - Trust Universe Comparison Service. TUCS is based upon a pooling of quarterly trust accounting data from participating banks and other organizations that provide custody for trust assets.
- Turnover** - Security purchases or sales divided by the fiscal year's beginning and ending market values for a given portfolio.
- Unrealized Gain (Loss)** - A profit (loss) that has not been realized through the sale of a security. The gain (loss) is realized when a security or futures contract is actually sold or settled.
- Variable Rate Note** - Floating rate notes with a coupon rate adjusted at set intervals, such as daily, weekly, or monthly, based on different interest rate indices, such as LIBOR, Fed Funds, and Treasury Bills.
- Volatility** - A statistical measure of the tendency of a market price or yield to vary over time. Volatility is said to be high if the price, yield, or return typically changes dramatically in a short period of time.
- Yield** - The return on an investor's capital investment.
- Yield Curve** - A graph showing the term structure of interest rates by plotting the yields of all bonds of the same quality with maturities ranging from the shortest to the longest possible. The Y-axis represents the interest rate and the X-axis represents time, generally with a normal curve that is convex in shape.
- Zero Coupon Bond** - A bond paying no interest that sells at a discount and returns principal only at maturity.

## UNDERSTANDING INVESTMENT PERFORMANCE

## Introduction

This section discusses the Treasury's approach to measuring performance, including risk and return of the Connecticut Retirement Plans and Trust Funds (CRPTF).

## Understanding Performance

To measure success in achieving the primary objective of the Asset Allocation Plan, the Fund's performance is evaluated in two principal areas: risk and return. The results of these reviews, coupled with information on portfolio characteristics, are used to monitor and improve the performance of the Fund's external investment advisors.

To bring accountability and perspective to Fund performance and measurements of risk and return, The Connecticut Retirement Plans and Trust Funds are compared to those of similarly structured peer groups and indices. These comparisons enable plan participants, the Treasurer and the Investment Advisory Council, to determine whether and by how much Fund returns exceeded or fell short of the benchmarks. Each Fund's benchmark is selected on the basis of portfolio composition, investment style, and objectives.

Comparative performance is reviewed over both the near-term and the long-term for two reasons. First, pension management is, by its very nature, a long-term process. While both young and old employees comprise the pool of plan beneficiaries, the average age of plan participants is relatively low and requires that plan assets be managed for the long term. Second, as experience has shown, results attained in the short term are not necessarily an indicator of results to be achieved over the long term. Performance must be viewed in a broader context.

Overall performance is measured by calculating monthly returns and linking them to provide one-, three-, five- and ten-year histories of overall investment performance. Short-term performance is measured by total return over one-month, quarter-end, and trailing one-year time periods. Risk is also measured over both short- and the long-term periods.

## Risk

The measurement of risk is a critical component in investment management. It is the basis for both strategic decision-making and investment evaluation. As an investment tool, investors assume risk to enhance portfolio returns. These enhancements, viewed as returns in excess of those available on "risk-free" investments, such as Treasury Bills, vary in magnitude according to the degree of risk assumed. Many investors focus on the negative aspects of risk and in doing so forego substantial upside potential, which can significantly enhance long-term returns. Thus, while risk can never be completely eliminated from a portfolio, the prudent management of risk can maximize investment returns at acceptable levels of risk.

Risk can take several forms and include: market risk, the risk of fluctuations in the overall market for securities; company risk, the risk of investing in any single company's stock or bonds; currency-exchange risk, the risk that a foreign country's currency may appreciate or depreciate relative to the U.S. dollar, thus impacting the value of foreign investments; and political risk, risk incurred through investing in foreign countries with volatile economies and political systems.

With respect to fixed income investments, investors also assume: reinvestment risk, the risk that cash flows received from a security will be reinvested at lower rates due to declining interest rates; credit or default risk, the risk that the issuer of a fixed income security may fail to make principal and interest payments on the security; interest rate risk, the risk that prices of fixed coupon bonds will decline in the event of rising market interest rates; and inflation or purchasing power risk, the risk that the real value of a security and its cash flows may be reduced by inflation. The level of risk incurred in fixed income investing increases as the investment time horizon is lengthened. This is demonstrated by the comparatively higher yields available on "long bonds," or bonds maturing in 20 to 30 years, versus those available on short-term fixed income securities.

In the alternative investment category, risks are significantly greater than those of publicly traded investments. Assessment of progress is more tenuous and valuation judgments are more complex. The investor assumes not only management, product, market, and operations risk, similar to equity investing, but also assumes liquidity risk, the risk that one's investment cannot be immediately liquidated at other than substantially discounted value.

**UNDERSTANDING INVESTMENT PERFORMANCE****Volatility**

To measure the effects of risk on the portfolio, the volatility of returns is calculated over time. Volatility, viewed as deviation of returns from an average of these returns over time, is measured statistically by standard deviation. Standard deviation is one of the most widely accepted and descriptive risk measures used by investment professionals today. Funds with high standard deviations are considered riskier than those with low standard deviations.

To evaluate the significance of the Funds' standard deviation, each Fund's relative volatility, or the ratio of the Fund's standard deviation to that of the benchmark is calculated. A relative volatility greater than 1.0 indicates that the Fund is more volatile than the benchmark while a measure less than 1.0 indicates less volatility. A relative volatility of 1.0 signifies an equal degree of volatility between the Fund and the benchmark.

As an extension of standard deviation, each Fund's beta, or a measure of the relative price fluctuation of the Fund to its benchmark, is also calculated. The measurement of beta allows one to evaluate the sensitivity of Fund returns to given movements in the market and/or its benchmark. A beta greater than 1.0 compared to the selected market benchmark signifies greater price sensitivity while a beta less than 1.0 indicates less sensitivity.

To measure the degree of correlation between Fund returns and the benchmark, the Division calculates the coefficient of determination, or R<sup>2</sup>. This calculation, which is used in conjunction with beta, allows one to evaluate how much of the volatility in Fund returns is explained by returns in the selected market benchmark. An R<sup>2</sup> of 1.0 indicates that Fund returns are perfectly explained by returns of the benchmark, while a value less than 1.0 indicates that the returns of the benchmark explain only a portion of the fund return.

Finally, to evaluate how well each of the above measures actually predicted returns of the Fund, a calculation is performed on the Fund's alpha. This calculation measures the absolute difference between the Fund's monthly return and that predicted by its beta. Used together, these measures provide a comprehensive view of a Fund's relative risk profile.

**Return**

The Pension and Trust Funds are managed for maximum return with minimal risk. Return, viewed in this context, includes realized and unrealized gains in the market value of a security, including those attributable to currency fluctuations, as well as income distributed from a security such as dividends and interest. Return is measured through two calculations: compounded annual total return and cumulative total return.

Compounded Annual Total Return - This return measure evaluates performance over the short and long-term. Compounded annual total return measures the implicit annual percentage change in value of an investment, assuming reinvestment of dividends, interest, and realized and unrealized capital gains, including those attributable to currency fluctuations. In effect, compounded annual total return "smoothes" fluctuations in long-term investment returns to derive an implied year-to-year annual return.

Cumulative Total Return - This calculation measures the absolute percentage change in value of an investment over a specified period, assuming reinvestment of dividends, interest income, and realized capital gains. While this calculation does not "smooth" year-to-year fluctuations in long-term returns to derive implied annual performance, cumulative total return allows one to see on an absolute basis the percentage increase in the total Fund's value over a specified time. Viewed graphically, cumulative total return shows one what a \$10 million investment in the CRPTF a set number of years ago would be worth today.

**Statistical**  

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**Section**





**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**  
**STATISTICAL SECTION**

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This part of the Combined Investment Fund's (CIF's) comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial schedules and other supplementary information say about the overall financial health of CIF. The schedules within this statistical section comply with the requirements of GASB 44.

**Financial Trends**

These schedules contain the ten-year trend information on the financial performance of CIF.

| <u>Schedule</u>                                     | <u>Page</u> |
|---|-------------|
| o Per share data                                    | 142         |
| o Schedule of rates of return                       | 142         |
| o Schedule of financial ratios                      | 142         |
| o Schedule of balances in Combined Investment Funds | 144         |

**Revenue Capacity**

Revenue capacity is not applicable to CIF.

**Borrowing Capacity**

Borrowing capacity is not applicable to CIF.

**Demographic and Economic Information**

These schedules show the breakdown between CIF funds, growth of the fund and rate of return information.

| <u>Schedule</u>      | <u>Page</u> |
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| o Investment summary | 145 - 147   |

**Operating Information**

The summary of operations schedule outlines the expenses, additions and deductions associated with the management of CIF.

| <u>Schedule</u>          | <u>Page</u> |
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| o Schedule of Net Assets | 148         |

*Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. CIF implemented Statement 34 in fiscal year 2005.*

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**SUPPLEMENTAL SCHEDULE OF FINANCIAL HIGHLIGHTS**

| FISCAL YEAR ENDED JUNE 30,<br>PER SHARE DATA                                   | LIQUIDITY FUND |               |               |              |              | MUTUAL EQUITY |                |                |               |               |
|--|----------------|---------------|---------------|--------------|--------------|---------------|----------------|----------------|---------------|---------------|
|  | 2010           | 2009          | 2008          | 2007         | 2006         | 2010          | 2009           | 2008           | 2007          | 2006          |
| Net Asset Value- Beginning of Period   | \$1.00         | \$1.00        | \$-           | \$-          | \$-          | \$648.30      | \$927.68       | \$1,085.16     | \$933.70      | \$858.25      |
| INTRAFUND TRANSFER IN (OUT)  | -              | -             | -             | -            | -            | -             | -              | -              | -             | -             |
| <b>INCOME FROM INVESTMENT OPERATIONS</b>                                       |                |               |               |              |              |               |                |                |               |               |
| Net Investment Income (Loss)   | 0.01           | 0.02          | -             | -            | -            | 10.86         | 16.89          | 16.87          | 18.04         | 13.66         |
| Net Gains or (Losses) on Securities<br>(Both Realized and Unrealized)          | -              | -             | -             | -            | -            | 79.56         | (279.76)       | (156.38)       | 151.06        | 74.43         |
| Total from Investment Operations   | 0.01           | 0.02          | -             | -            | -            | 90.42         | (262.87)       | (139.51)       | 169.10        | 88.09         |
| <b>LESS DISTRIBUTIONS</b>  |                |               |               |              |              |               |                |                |               |               |
| Dividends from Net Investment Income   | (0.01)         | (0.02)        | -             | -            | -            | (11.74)       | (16.51)        | (17.97)        | (17.64)       | (12.64)       |
| Net Asset Value - End of Period  | \$1.00         | \$1.00        | \$-           | \$-          | \$-          | \$726.98      | \$648.30       | \$927.68       | \$1,085.16    | \$933.70      |
| <b>TOTAL RETURN</b>  | <b>0.98%</b>   | <b>1.54%</b>  | <b>0.00%</b>  | <b>0.00%</b> | <b>0.00%</b> | <b>14.01%</b> | <b>-28.68%</b> | <b>-12.99%</b> | <b>18.24%</b> | <b>10.27%</b> |
| <b>RATIOS</b>  |                |               |               |              |              |               |                |                |               |               |
| Net Assets - End of Period (\$000,000 Omitted)                                 | \$2,219        | \$2,171       | \$-           | \$-          | \$-          | \$5,289       | \$5,590        | \$7,999        | \$9,818       | \$8,982       |
| Ratio of Expenses to Average Net Assets<br>(excl. sec. lending fees & rebates) | 0.15%          | 0.04%         | 0.00%         | 0.00%        | 0.00%        | 0.24%         | 0.14%          | 0.26%          | 0.12%         | 0.32%         |
| Ratio of Expenses to Average Net Assets  | 0.15%          | 0.04%         | 0.00%         | 0.00%        | 0.00%        | 0.27%         | 0.30%          | 0.80%          | 0.75%         | 0.66%         |
| Ratio of Net Investment Income ( Loss)<br>to Average Net Assets                | 0.70%          | 1.55%         | 0.00%         | 0.00%        | 0.00%        | 1.58%         | 2.14%          | 1.68%          | 1.83%         | 1.53%         |
| <b>FISCAL YEAR ENDED JUNE 30,<br/>PER SHARE DATA</b>                           | <b>2010</b>    | <b>2009</b>   | <b>2008</b>   | <b>2007</b>  | <b>2006</b>  | <b>2010</b>   | <b>2009</b>    | <b>2008</b>    | <b>2007</b>   | <b>2006</b>   |
| Net Asset Value- Beginning of Period   | \$-            | \$-           | \$114.53      | \$112.04     | \$116.37     | \$110.56      | \$113.86       | \$-            | \$-           | \$-           |
| INTRAFUND TRANSFER IN (OUT)  | -              | -             | (116.90)      | -            | -            | -             | -              | -              | 115.45        | -             |
| <b>INCOME FROM INVESTMENT OPERATIONS</b>                                       |                |               |               |              |              |               |                |                |               |               |
| Net Investment Income (Loss)   | -              | -             | 2.00          | 6.23         | 5.92         | 4.92          | 5.30           | 4.09           | -             | -             |
| Net Gains or (Losses) on Securities<br>(Both Realized and Unrealized)          | -              | -             | 2.08          | 1.53         | (4.98)       | 7.88          | (2.44)         | (1.44)         | -             | -             |
| Total from Investment Operations   | -              | -             | 4.08          | 7.76         | 0.94         | 12.80         | 2.86           | 2.65           | -             | -             |
| <b>LESS DISTRIBUTIONS</b>  |                |               |               |              |              |               |                |                |               |               |
| Dividends from Net Investment Income   | -              | -             | (1.71)        | (5.27)       | (5.27)       | (5.49)        | (6.16)         | (4.24)         | -             | -             |
| Net Asset Value - End of Period  | \$-            | \$-           | \$-           | \$114.53     | \$112.04     | \$117.87      | \$110.56       | \$113.86       | \$-           | \$-           |
| <b>TOTAL RETURN</b>  | <b>0.00%</b>   | <b>0.00%</b>  | <b>0.00%</b>  | <b>6.92%</b> | <b>0.77%</b> | <b>11.81%</b> | <b>2.84%</b>   | <b>5.65%</b>   | <b>0.00%</b>  | <b>0.00%</b>  |
| <b>RATIOS</b>  |                |               |               |              |              |               |                |                |               |               |
| Net Assets - End of Period (\$000,000 Omitted)                                 | \$-            | \$-           | \$-           | \$7,594      | \$6,419      | \$2,701       | \$3,160        | \$4,537        | \$-           | \$-           |
| Ratio of Expenses to Average Net Assets<br>(excl. sec. lending fees & rebates) | -              | -             | -             | 0.13%        | 0.13%        | 0.15%         | 0.14%          | 0.20%          | -             | -             |
| Ratio of Expenses to Average Net Assets  | -              | -             | -             | 1.01%        | 0.90%        | 0.20%         | 0.31%          | 1.30%          | -             | -             |
| Ratio of Net Investment Income ( Loss)<br>to Average Net Assets                | -              | -             | -             | 5.19%        | 5.19%        | 4.18%         | 4.62%          | 8.62%          | -             | -             |
| <b>FISCAL YEAR ENDED JUNE 30,<br/>PER SHARE DATA</b>                           | <b>2010</b>    | <b>2009</b>   | <b>2008</b>   | <b>2007</b>  | <b>2006</b>  | <b>2010</b>   | <b>2009</b>    | <b>2008</b>    | <b>2007</b>   | <b>2006</b>   |
| Net Asset Value- Beginning of Period   | \$128.08       | \$131.19      | \$-           | \$-          | \$-          | \$108.68      | \$118.78       | \$-            | \$-           | \$-           |
| INTRAFUND TRANSFER IN (OUT)  | -              | -             | \$120.07      | -            | -            | -             | -              | 121.80         | -             | -             |
| <b>INCOME FROM INVESTMENT OPERATIONS</b>                                       |                |               |               |              |              |               |                |                |               |               |
| Net Investment Income (Loss)   | 4.87           | 2.21          | 10.41         | -            | -            | 9.02          | 10.90          | 4.34           | -             | -             |
| Net Gains or (Losses) on Securities<br>(Both Realized and Unrealized)          | 7.39           | (2.11)        | 2.15          | -            | -            | 15.68         | (15.89)        | (5.90)         | -             | -             |
| Total from Investment Operations   | 12.26          | 0.10          | 12.56         | -            | -            | 24.70         | (4.99)         | (1.56)         | -             | -             |
| <b>LESS DISTRIBUTIONS</b>  |                |               |               |              |              |               |                |                |               |               |
| Dividends from Net Investment Income   | (2.90)         | (3.21)        | (1.44)        | -            | -            | (4.88)        | (5.11)         | (1.46)         | -             | -             |
| Net Asset Value - End of Period  | \$137.44       | \$128.08      | \$131.19      | \$-          | \$-          | \$128.50      | \$108.68       | \$118.78       | \$-           | \$-           |
| <b>TOTAL RETURN</b>  | <b>9.48%</b>   | <b>-0.20%</b> | <b>16.81%</b> | <b>0.00%</b> | <b>0.00%</b> | <b>23.02%</b> | <b>-3.62%</b>  | <b>5.59%</b>   | <b>0.00%</b>  | <b>0.00%</b>  |
| <b>RATIOS</b>  |                |               |               |              |              |               |                |                |               |               |
| Net Assets - End of Period (\$000,000 Omitted)                                 | \$1,063        | \$837         | \$1,173       | \$-          | \$-          | \$1,176       | \$1,132        | \$1,047        | \$-           | \$-           |
| Ratio of Expenses to Average Net Assets<br>(excl. sec. lending fees & rebates) | 0.13%          | 0.11%         | 0.07%         | -            | -            | 0.43%         | 0.32%          | 0.32%          | -             | -             |
| Ratio of Expenses to Average Net Assets  | 0.35%          | 0.76%         | 0.55%         | -            | -            | 0.43%         | 0.35%          | 0.40%          | -             | -             |
| Ratio of Net Investment Income ( Loss)<br>to Average Net Assets                | 3.59%          | 1.79%         | 5.45%         | -            | -            | 7.55%         | 8.93%          | 5.16%          | -             | -             |

Source: Amounts were derived from custodial records.

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**SUPPLEMENTAL SCHEDULE OF FINANCIAL HIGHLIGHTS (Continued)**

| FISCAL YEAR ENDED JUNE 30,<br>PER SHARE DATA                          | HIGH YIELD DEBT |               |               |              |              | INTERNATIONAL STOCK |              |              |               |               |
|---|-----------------|---------------|---------------|--------------|--------------|---------------------|--------------|--------------|---------------|---------------|
|   | 2010            | 2009          | 2008          | 2007         | 2006         | 2010                | 2009         | 2008         | 2007          | 2006          |
| Net Asset Value- Beginning of Period                                  | \$98.48         | \$112.63      | \$-           | \$-          | \$-          | \$-                 | \$-          | \$442.47     | \$347.57      | \$282.09      |
| INTRAFUND TRANSFER IN (OUT)   | -               | -             | \$119.44      | -            | -            | -                   | -            | (473.81)     | -             | -             |
| <b>INCOME FROM INVESTMENT OPERATIONS</b>                              |                 |               |               |              |              |                     |              |              |               |               |
| Net Investment Income (Loss)  | 9.33            | 9.72          | 5.41          | -            | -            | -                   | -            | 2.41         | 9.09          | 7.91          |
| Net Gains or (Losses) on Securities<br>(Both Realized and Unrealized) | 14.19           | (15.60)       | (7.68)        | -            | -            | -                   | -            | 31.53        | 92.81         | 64.29         |
| Total from Investment Operations                                      | 23.52           | (5.88)        | (2.27)        | -            | -            | -                   | -            | 33.94        | 101.90        | 72.20         |
| <b>LESS DISTRIBUTIONS</b>   |                 |               |               |              |              |                     |              |              |               |               |
| Dividends from Net Investment Income                                  | (8.31)          | (8.27)        | (4.54)        | -            | -            | -                   | -            | (2.60)       | (7.00)        | (6.72)        |
| Net Asset Value - End of Period                                       | \$113.69        | \$98.48       | \$112.63      | \$-          | \$-          | \$-                 | \$-          | \$0.00       | \$442.47      | \$347.57      |
| <b>TOTAL RETURN</b>   | <b>24.54%</b>   | <b>-4.59%</b> | <b>-1.88%</b> | <b>0.00%</b> | <b>0.00%</b> | <b>0.00%</b>        | <b>0.00%</b> | <b>0.00%</b> | <b>29.65%</b> | <b>25.69%</b> |

| <b>RATIOS</b>  |       |       |       |     |     |     |     |     |         |         |
|--|-------|-------|-------|-----|-----|-----|-----|-----|---------|---------|
| Net Assets - End of Period (\$000,000 Omitted)                                 | \$693 | \$733 | \$759 | \$- | \$- | \$- | \$- | \$- | \$6,021 | \$5,357 |
| Ratio of Expenses to Average Net Assets<br>(excl. sec. lending fees & rebates) | 0.39% | 0.32% | 0.45% | -   | -   | -   | -   | -   | 0.52%   | 0.53%   |
| Ratio of Expenses to Average Net Assets  | 0.43% | 0.48% | 1.03% | -   | -   | -   | -   | -   | 1.19%   | 1.19%   |
| Ratio of Net Investment Income ( Loss)<br>to Average Net Assets                | 8.92% | 9.08% | 9.37% | -   | -   | -   | -   | -   | 2.42%   | 2.51%   |

| FISCAL YEAR ENDED JUNE 30,<br>PER SHARE DATA                          | DEVELOPED MARKET INTERNATIONAL |                |                |              |              | EMERGING MARKET INTERNATIONAL STOCK |                |              |              |              |
|---|--------------------------------|----------------|----------------|--------------|--------------|-------------------------------------|----------------|--------------|--------------|--------------|
|   | 2010                           | 2009           | 2008           | 2007         | 2006         | 2010                                | 2009           | 2008         | 2007         | 2006         |
| Net Asset Value- Beginning of Period                                  | \$270.69                       | \$384.58       | \$-            | \$-          | \$-          | \$264.93                            | \$389.39       | \$-          | \$-          | \$-          |
| INTRAFUND TRANSFER IN (OUT)   | -                              | -              | 478.96         | -            | -            | -                                   | -              | 474.35       | -            | -            |
| <b>INCOME FROM INVESTMENT OPERATIONS</b>                              |                                |                |                |              |              |                                     |                |              |              |              |
| Net Investment Income (Loss)  | 6.97                           | 8.45           | 9.49           | -            | -            | 6.05                                | 6.72           | 18.06        | -            | -            |
| Net Gains or (Losses) on Securities<br>(Both Realized and Unrealized) | 23.23                          | (114.67)       | (97.18)        | -            | -            | 61.21                               | (126.78)       | (100.62)     | -            | -            |
| Total from Investment Operations                                      | 30.20                          | (106.22)       | (87.69)        | -            | -            | 67.26                               | (120.06)       | (82.56)      | -            | -            |
| <b>LESS DISTRIBUTIONS</b>   |                                |                |                |              |              |                                     |                |              |              |              |
| Dividends from Net Investment Income                                  | (5.31)                         | (7.67)         | (6.69)         | -            | -            | (4.44)                              | (4.40)         | (2.40)       | -            | -            |
| Net Asset Value - End of Period                                       | \$295.58                       | \$270.69       | \$384.58       | \$-          | \$-          | \$327.75                            | \$264.93       | \$389.39     | \$-          | \$-          |
| <b>TOTAL RETURN</b>   | <b>11.03%</b>                  | <b>-27.98%</b> | <b>-14.60%</b> | <b>0.00%</b> | <b>0.00%</b> | <b>25.23%</b>                       | <b>-30.90%</b> | <b>0.19%</b> | <b>0.00%</b> | <b>0.00%</b> |

| <b>RATIOS</b>  |         |         |         |     |     |         |         |         |     |     |
|--|---------|---------|---------|-----|-----|---------|---------|---------|-----|-----|
| Net Assets - End of Period (\$000,000 Omitted)                                 | \$4,435 | \$4,416 | \$5,108 | \$- | \$- | \$2,073 | \$1,147 | \$1,304 | \$- | \$- |
| Ratio of Expenses to Average Net Assets<br>(excl. sec. lending fees & rebates) | 0.54%   | 0.41%   | 0.54%   | -   | -   | 0.87%   | 0.59%   | 0.99%   | -   | -   |
| Ratio of Expenses to Average Net Assets  | 0.57%   | 0.49%   | 0.96%   | -   | -   | 0.89%   | 0.67%   | 1.38%   | -   | -   |
| Ratio of Net Investment Income ( Loss)<br>to Average Net Assets                | 2.49%   | 2.51%   | 3.92%   | -   | -   | 2.15%   | 2.08%   | 9.28%   | -   | -   |

| FISCAL YEAR ENDED JUNE 30,<br>PER SHARE DATA                          | REAL ESTATE    |                |              |               |              | COMMERCIAL MORTGAGE |               |               |              |              |
|---|----------------|----------------|--------------|---------------|--------------|---------------------|---------------|---------------|--------------|--------------|
|   | 2010           | 2009           | 2008         | 2007          | 2006         | 2010                | 2009          | 2008          | 2007         | 2006         |
| Net Asset Value- Beginning of Period                                  | \$38.76        | \$55.48        | \$55.10      | \$56.53       | \$62.31      | \$49.48             | \$55.58       | \$54.86       | \$59.31      | \$58.76      |
| INTRAFUND TRANSFER IN (OUT)   | -              | -              | -            | -             | -            | -                   | -             | -             | -            | -            |
| <b>INCOME FROM INVESTMENT OPERATIONS</b>                              |                |                |              |               |              |                     |               |               |              |              |
| Net Investment Income (Loss)  | 0.88           | 0.86           | 3.41         | 0.81          | 0.86         | 3.76                | 3.71          | 4.25          | 4.18         | 5.41         |
| Net Gains or (Losses) on Securities<br>(Both Realized and Unrealized) | (8.62)         | (16.51)        | 0.13         | 6.98          | 2.84         | (0.51)              | (5.39)        | 1.26          | (0.88)       | (0.10)       |
| Total from Investment Operations                                      | (7.74)         | (15.65)        | 3.54         | 7.79          | 3.70         | 3.25                | (1.68)        | 5.51          | 3.30         | 5.31         |
| <b>LESS DISTRIBUTIONS</b>   |                |                |              |               |              |                     |               |               |              |              |
| Dividends from Net Investment Income                                  | (0.62)         | (1.07)         | (3.16)       | (9.22)        | (9.48)       | (4.22)              | (4.42)        | (4.79)        | (7.75)       | (4.76)       |
| Net Asset Value - End of Period                                       | \$30.40        | \$38.76        | \$55.48      | \$55.10       | \$56.53      | \$48.51             | \$49.48       | \$55.58       | \$54.86      | \$59.31      |
| <b>TOTAL RETURN</b>   | <b>-20.18%</b> | <b>-28.66%</b> | <b>6.04%</b> | <b>14.21%</b> | <b>7.09%</b> | <b>6.75%</b>        | <b>-3.14%</b> | <b>12.05%</b> | <b>8.17%</b> | <b>9.69%</b> |

| <b>IRATIOS</b>   |       |       |         |       |       |       |       |       |       |       |
|--|-------|-------|---------|-------|-------|-------|-------|-------|-------|-------|
| Net Assets - End of Period (\$000,000 Omitted)                                 | \$784 | \$770 | \$1,002 | \$686 | \$399 | \$4   | \$5   | \$7   | \$8   | \$18  |
| Ratio of Expenses to Average Net Assets<br>(excl. sec. lending fees & rebates) | 0.51% | 0.52% | 0.48%   | 0.25% | 0.41% | 1.21% | 1.53% | 1.16% | 0.82% | 1.03% |
| Ratio of Expenses to Average Net Assets  | 0.51% | 0.52% | 0.48%   | na    | na    | 1.21% | 1.53% | 1.16% | na    | na    |
| Ratio of Net Investment Income ( Loss)<br>to Average Net Assets                | 2.54% | 1.80% | 6.42%   | 1.45% | 1.39% | 7.77% | 7.09% | 7.77% | 5.65% | 9.23% |

Source: Amounts were derived from custodial records.

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**SUPPLEMENTAL SCHEDULE OF FINANCIAL HIGHLIGHTS (Continued)**

| FISCAL YEAR ENDED JUNE 30,<br>PER SHARE DATA                                   | PRIVATE INVESTMENT |                |               |               |               |
|--|--------------------|----------------|---------------|---------------|---------------|
|  | 2010               | 2009           | 2008          | 2007          | 2006          |
| Net Asset Value- Beginning of Period   | \$44.43            | \$54.85        | \$56.43       | \$55.35       | \$57.45       |
| INTRAFUND TRANSFER IN (OUT)  | -                  | -              | -             | -             | -             |
| INCOME FROM INVESTMENT OPERATIONS  |                    |                |               |               |               |
| Net Investment Income (Loss)   | 2.97               | 1.83           | 8.15          | 8.47          | 8.69          |
| Net Gains or (Losses) on Securities<br>(Both Realized and Unrealized)          | 4.59               | (9.99)         | (0.92)        | 1.29          | (2.45)        |
| Total from Investment Operations   | 7.56               | (8.16)         | 7.23          | 9.76          | 6.24          |
| LESS DISTRIBUTIONS   |                    |                |               |               |               |
| Dividends from Net Investment Income   | (2.36)             | (2.26)         | (8.81)        | (8.68)        | (8.34)        |
| Net Asset Value - End of Period  | \$49.63            | \$44.43        | \$54.85       | \$56.43       | \$55.35       |
| <b>TOTAL RETURN</b>  | <b>17.32%</b>      | <b>-16.36%</b> | <b>13.66%</b> | <b>19.56%</b> | <b>11.74%</b> |
| IRATIOS  |                    |                |               |               |               |
| Net Assets - End of Period (\$000,000 Omitted)                                 | \$2,014            | \$1,627        | \$1,795       | \$1,564       | \$1,360       |
| Ratio of Expenses to Average Net Assets<br>(excl. sec. lending fees & rebates) | 0.55%              | 0.54%          | 0.66%         | 0.36%         | 0.43%         |
| Ratio of Expenses to Average Net Assets  | 0.55%              | 0.54%          | 0.66%         | na            | na            |
| Ratio of Net Investment Income ( Loss)<br>to Average Net Assets                | 6.37%              | 2.76%          | 14.65%        | 14.97%        | 15.32%        |

Source: Amounts were derived from custodial records.

**PENSION AND TRUST FUNDS  
BALANCES IN COMBINED INVESTMENT FUNDS (Dollars in Thousands)**

| Pension Plans                        | 2010         |            |           |           |       |           |           |           |         |       |           | Fund Name |         |       |           |
|--------------------------------------|--------------|------------|-----------|-----------|-------|-----------|-----------|-----------|---------|-------|-----------|-----------|---------|-------|-----------|
|                                      | Percent of   |            | LF        | MEF       | FIF   | CFIF      | ILBF      | EMDF      | HYDF    | ISF   | DMISF     |           | EMISF   | REF   | CMF       |
|                                      | Total System | Assets     |           |           |       |           |           |           |         |       |           |           |         |       |           |
| Teachers' Retirement Fund            | 56.12%       | \$12,273.6 | \$980.3   | \$2,988.2 | \$0.0 | \$1,421.5 | \$548.9   | \$656.0   | \$384.1 | \$0.0 | \$2,544.9 | \$1,169.2 | \$441.5 | \$2.1 | \$1,136.8 |
| State Employees' Retirement Fund     | 35.62%       | 7,789.6    | 492.3     | 1,973.4   | 0.0   | 915.9     | 351.3     | 420.1     | 247.2   | 0.0   | 1,627.2   | 754.8     | 282.6   | 1.5   | 723.5     |
| Municipal Employees' Retirement Fund | 6.72%        | 1,470.6    | 146.5     | 270.9     | 0.0   | 252.3     | 136.1     | 78.2      | 44.9    | 0.0   | 228.2     | 129.0     | 51.3    | 0.2   | 133.0     |
| State Judges' Retirement Fund        | 0.69%        | 149.8      | 8.0       | 29.1      | 0.0   | 26.7      | 16.1      | 8.3       | 4.7     | 0.0   | 23.7      | 13.8      | 5.3     | 0.0   | 14.0      |
| The Probate Court Retirement Fund    | 0.33%        | 71.8       | 6.6       | 13.7      | 0.0   | 12.4      | 6.7       | 3.8       | 2.2     | 0.0   | 11.0      | 6.3       | 2.5     | 0.0   | 6.5       |
| State's Attorneys Retirement Fund    | 0.00%        | 1.0        | 0.2       | 0.2       | 0.0   | 0.5       | 0.0       | 0.1       | 0.1     | 0.0   | 0.0       | 0.0       | 0.0     | 0.0   | 0.0       |
| Trust Funds                          | 0.52%        | 113.2      | 4.0       | 13.7      | 0.0   | 72.0      | 3.8       | 9.4       | 9.6     | 0.0   | 0.0       | 0.0       | 0.7     | 0.0   | 0.0       |
|                                      | 100.00%      | \$21,869.6 | \$1,637.9 | \$5,289.2 | \$0.0 | \$2,701.3 | \$1,062.9 | \$1,175.9 | \$692.8 | \$0.0 | \$4,435.0 | \$2,073.1 | \$783.9 | \$3.8 | \$2,013.8 |

| Pension Plans                        | 2001         |            |         |           |           |       |       |       |           |       |       | Fund Name |         |         |            |
|--------------------------------------|--------------|------------|---------|-----------|-----------|-------|-------|-------|-----------|-------|-------|-----------|---------|---------|------------|
|                                      | Percent of   |            | LF      | MEF       | FIF       | CFIF  | ILBF  | EMDF  | HYDF      | ISF   | DMISF |           | EMISF   | REF     | CMF        |
|                                      | Total System | Assets     |         |           |           |       |       |       |           |       |       |           |         |         |            |
| Teachers' Retirement Fund            | 54.41%       | \$11,204.0 | \$243.1 | \$4,337.1 | \$3,525.2 | \$0.0 | \$0.0 | \$0.0 | \$1,366.3 | \$0.0 | \$0.0 | \$0.0     | \$259.4 | \$55.2  | \$1,417.7  |
| State Employees' Retirement Fund     | 37.81%       | 7,785.1    | 88.7    | 3,001.2   | 2,511.4   | 0.0   | 0.0   | 0.0   | 964.7     | 0.0   | 183.2 | 38.9      | 183.2   | 38.9    | 997.1      |
| Municipal Employees' Retirement Fund | 6.30%        | 1,297.7    | 41.8    | 496.6     | 406.2     | 0.0   | 0.0   | 0.0   | 148.0     | 0.0   | 0.0   | 0.0       | 28.7    | 6.1     | 170.4      |
| State Judges' Retirement Fund        | 0.66%        | 135.8      | 5.8     | 49.5      | 45.3      | 0.0   | 0.0   | 0.0   | 14.6      | 0.0   | 0.0   | 0.0       | 2.6     | 0.6     | 17.2       |
| The Probate Court Retirement Fund    | 0.32%        | 66.7       | 2.5     | 25.3      | 22.7      | 0.0   | 0.0   | 0.0   | 9.2       | 0.0   | 0.0   | 0.0       | 1.6     | 0.4     | 5.0        |
| State's Attorneys Retirement Fund    | 0.00%        | 0.7        | 0.1     | 0.4       | 0.2       | 0.0   | 0.0   | 0.0   | 0.0       | 0.0   | 0.0   | 0.0       | 0.0     | 0.0     | 0.0        |
| Trust Funds                          | 0.50%        | 103.2      | 7.5     | 20.4      | 74.8      | 0.0   | 0.0   | 0.0   | 0.0       | 0.0   | 0.0   | 0.0       | 0.4     | 0.1     | 0.0        |
|                                      | 100.00%      | \$20,593.2 | \$389.5 | \$7,930.5 | \$6,585.8 | \$0.0 | \$0.0 | \$0.0 | \$2,502.8 | \$0.0 | \$0.0 | \$0.0     | \$475.9 | \$101.3 | \$2,607.40 |

LF Liquidity Fund (formerly Cash Reserve Account)  
 MEF Mutual Equity Fund  
 FIF Fixed Income Fund  
 CFIF Core Fixed Income Fund  
 ILBF Inflation Linked Bond Fund  
 EMDF Emerging Market Debt Fund  
 HYDF High Yield Debt Fund  
 ISF International Stock Fund  
 DMISF Developed Market International Stock Fund  
 EMISF Emerging Market International Stock Fund  
 REF Real Estate Fund  
 CMF Commercial Mortgage Fund  
 PIF Private Investment Fund (formerly Venture Capital Fund)

Source: Amounts were derived from custodial records.

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**INVESTMENT SUMMARY AT JUNE 30, 2010 <sup>(1)</sup>**

**Liquidity Fund <sup>(2)</sup>**

|      | Book Value      | Market Value    | % of Total Fund MV | Rate of Return |
|------|-----------------|-----------------|--------------------|----------------|
| 2010 | \$1,626,177,183 | \$1,621,182,259 | 7.44%              | 0.98%          |
| 2009 | 952,212,787     | \$950,605,428   | 4.65%              | 1.54%          |
| 2008 | 1,140,821,830   | 1,140,821,830   | 4.36%              | 4.59%          |
| 2007 | 236,297,695     | 236,297,695     | 0.88%              | 5.61%          |
| 2006 | 280,548,978     | 280,548,978     | 1.20%              | 4.51%          |
| 2005 | 395,948,288     | 395,948,288     | 1.84%              | 2.36%          |
| 2004 | 363,170,856     | 363,170,856     | 1.76%              | 1.28%          |
| 2003 | 710,832,993     | 710,832,993     | 3.75%              | 1.80%          |
| 2002 | 481,664,484     | 481,664,484     | 2.46%              | 3.03%          |
| 2001 | 391,346,777     | 391,346,777     | 1.85%              | 6.35%          |

**Mutual Equity Fund**

|                 | Book Value      | Market Value | % of Total Fund MV | Rate of Return |
|-----------------|-----------------|--------------|--------------------|----------------|
| \$5,175,570,747 | \$5,288,853,566 | 24.28%       | 14.01%             |                |
| 6,019,782,554   | 5,588,272,211   | 27.35%       | -28.36%            |                |
| 7,563,373,750   | 8,017,007,807   | 30.68%       | -12.99%            |                |
| 7,628,304,018   | 9,810,773,724   | 36.64%       | 18.24%             |                |
| 7,501,163,477   | 8,983,043,768   | 38.25%       | 10.29%             |                |
| 6,991,797,244   | 8,284,992,409   | 38.40%       | 8.06%              |                |
| 6,544,070,199   | 7,779,104,677   | 37.67%       | 20.86%             |                |
| 6,047,280,312   | 6,603,061,918   | 34.77%       | 0.48%              |                |
| 6,401,472,709   | 6,688,728,705   | 34.20%       | -14.95%            |                |
| 6,649,619,519   | 7,949,775,481   | 37.49%       | -9.55%             |                |

**Mutual Fixed Income Fund <sup>(6)</sup>**

|      | Book Value    | Market Value  | % of Total Fund MV | Rate of Return |
|------|---------------|---------------|--------------------|----------------|
| 2010 | \$ -          | \$ -          | -                  | -              |
| 2009 | -             | -             | -                  | -              |
| 2008 | -             | -             | -                  | -              |
| 2007 | 8,604,509,537 | 8,537,943,917 | 31.89%             | 6.92%          |
| 2006 | 7,179,817,139 | 7,052,537,386 | 30.03%             | 0.77%          |
| 2005 | 6,567,168,651 | 6,662,163,634 | 30.88%             | 7.70%          |
| 2004 | 6,368,703,625 | 6,325,884,136 | 30.63%             | 2.79%          |
| 2003 | 7,082,889,175 | 7,308,417,293 | 38.49%             | 12.03%         |
| 2002 | 7,412,105,698 | 7,295,007,838 | 37.30%             | 5.64%          |
| 2001 | 7,363,064,249 | 7,218,746,648 | 34.04%             | 8.03%          |

**Core Fixed Income Fund <sup>(6)</sup>**

|                 | Book Value      | Market Value | % of Total Fund MV | Rate of Return |
|-----------------|-----------------|--------------|--------------------|----------------|
| \$2,682,943,303 | \$2,789,605,943 | 12.81%       | 11.81%             |                |
| \$3,400,625,343 | \$3,215,718,047 | 15.74%       | 2.84%              |                |
| 4,979,684,914   | 4,851,300,830   | 18.57%       | 5.65%              |                |
| -               | -               | -            | -                  |                |
| -               | -               | -            | -                  |                |
| -               | -               | -            | -                  |                |
| -               | -               | -            | -                  |                |
| -               | -               | -            | -                  |                |
| -               | -               | -            | -                  |                |
| -               | -               | -            | -                  |                |
| -               | -               | -            | -                  |                |

**Inflation Linked Bond Fund <sup>(6)</sup>**

|      | Book Value      | Market Value    | % of Total Fund MV | Rate of Return |
|------|-----------------|-----------------|--------------------|----------------|
| 2010 | \$1,033,720,440 | \$1,070,660,872 | 4.91%              | 9.48%          |
| 2009 | 813,926,651     | 829,543,021     | 4.06%              | -0.20%         |
| 2008 | 1,152,973,047   | 1,162,545,028   | 4.45%              | 16.81%         |
| 2007 | -               | -               | -                  | -              |
| 2006 | -               | -               | -                  | -              |
| 2005 | -               | -               | -                  | -              |
| 2004 | -               | -               | -                  | -              |
| 2003 | -               | -               | -                  | -              |
| 2002 | -               | -               | -                  | -              |
| 2001 | -               | -               | -                  | -              |

**Emerging Market Debt Fund <sup>(6)</sup>**

|                 | Book Value      | Market Value | % of Total Fund MV | Rate of Return |
|-----------------|-----------------|--------------|--------------------|----------------|
| \$1,082,027,071 | \$1,155,351,613 | 5.30%        | 23.02%             |                |
| 1,153,012,696   | 1,125,226,197   | 5.51%        | -3.62%             |                |
| 1,006,342,436   | 1,040,295,964   | 3.98%        | 5.59%              |                |
| -               | -               | -            | -                  |                |
| -               | -               | -            | -                  |                |
| -               | -               | -            | -                  |                |
| -               | -               | -            | -                  |                |
| -               | -               | -            | -                  |                |
| -               | -               | -            | -                  |                |
| -               | -               | -            | -                  |                |
| -               | -               | -            | -                  |                |

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**INVESTMENT SUMMARY AT JUNE 30, 2010 (Continued)**

| <b>High Yield Debt Fund <sup>(6)</sup></b> |               |               |                    |                |
|--|---------------|---------------|--------------------|----------------|
|  | Book Value    | Market Value  | % of Total Fund MV | Rate of Return |
| 2010                                       | \$659,015,939 | \$656,175,724 | 3.01%              | 24.54%         |
| 2009                                       | 801,755,724   | 718,563,903   | 3.52%              | -4.59%         |
| 2008                                       | 784,159,491   | 745,137,049   | 2.85%              | -1.88%         |
| 2007                                       | -             | -             | -                  | -              |
| 2006                                       | -             | -             | -                  | -              |
| 2005                                       | -             | -             | -                  | -              |
| 2004                                       | -             | -             | -                  | -              |
| 2003                                       | -             | -             | -                  | -              |
| 2002                                       | -             | -             | -                  | -              |
| 2001                                       | -             | -             | -                  | -              |

| <b>International Stock Fund <sup>(5)</sup></b> |               |               |                    |                |
|--|---------------|---------------|--------------------|----------------|
|  | Book Value    | Market Value  | % of Total Fund MV | Rate of Return |
| \$   | -             | \$ -          | -                  | -              |
|  | -             | -             | -                  | -              |
|  | -             | -             | -                  | -              |
|  | 4,293,498,472 | 5,940,213,814 | 22.19%             | 29.65%         |
|  | 4,145,802,552 | 5,392,666,574 | 22.96%             | 25.69%         |
|  | 3,587,545,036 | 4,372,185,115 | 20.27%             | 19.23%         |
|  | 3,407,481,400 | 3,995,868,265 | 19.35%             | 29.69%         |
|  | 2,047,590,656 | 2,026,297,000 | 10.67%             | -6.39%         |
|  | 2,306,936,221 | 2,272,810,463 | 11.62%             | -9.00%         |
|  | 2,449,711,883 | 2,466,657,788 | 11.63%             | -13.29%        |

| <b>Developed Market International Stock Fund <sup>(5)</sup></b> |                 |                 |                    |                |
|---|-----------------|-----------------|--------------------|----------------|
|   | Book Value      | Market Value    | % of Total Fund MV | Rate of Return |
| 2010  | \$4,552,279,820 | \$4,328,450,937 | 19.87%             | 11.03%         |
| 2009  | 4,847,669,826   | 4,464,491,006   | 21.85%             | -27.98%        |
| 2008  | 4,879,325,913   | 5,077,825,949   | 19.43%             | -14.60%        |
| 2007  | -               | -               | -                  | -              |
| 2006  | -               | -               | -                  | -              |
| 2005  | -               | -               | -                  | -              |
| 2004  | -               | -               | -                  | -              |
| 2003  | -               | -               | -                  | -              |
| 2002  | -               | -               | -                  | -              |
| 2001  | -               | -               | -                  | -              |

| <b>Emerging Market International Stock Fund <sup>(5)</sup></b> |                 |              |                    |                |
|--|-----------------|--------------|--------------------|----------------|
|  | Book Value      | Market Value | % of Total Fund MV | Rate of Return |
| \$1,860,837,675  | \$2,065,255,957 | 9.48%        | 25.23%             |                |
| 1,110,911,776  | 1,141,401,975   | 5.59%        | -30.90%            |                |
| 1,111,317,184  | 1,295,936,888   | 4.96%        | 0.19%              |                |
| -  | -               | -            | -                  |                |
| -  | -               | -            | -                  |                |
| -  | -               | -            | -                  |                |
| -  | -               | -            | -                  |                |
| -  | -               | -            | -                  |                |
| -  | -               | -            | -                  |                |
| -  | -               | -            | -                  |                |
| -  | -               | -            | -                  |                |

| <b>Real Estate Fund <sup>(3)</sup></b> |                 |               |                    |                |
|--|-----------------|---------------|--------------------|----------------|
|  | Book Value      | Market Value  | % of Total Fund MV | Rate of Return |
| 2010                                   | \$1,174,718,491 | \$792,483,221 | 3.64%              | -20.18%        |
| 2009                                   | 1,021,805,530   | 770,955,194   | 3.77%              | -28.66%        |
| 2008                                   | 954,279,128     | 1,002,243,816 | 3.84%              | 6.04%          |
| 2007                                   | 638,511,736     | 684,741,163   | 2.56%              | 14.21%         |
| 2006                                   | 327,772,520     | 398,391,108   | 1.70%              | 6.87%          |
| 2005                                   | 309,798,748     | 399,727,575   | 1.85%              | 27.56%         |
| 2004                                   | 348,015,445     | 368,546,928   | 1.78%              | 0.53%          |
| 2003                                   | 399,402,161     | 425,893,012   | 2.24%              | 3.30%          |
| 2002                                   | 417,067,553     | 471,193,932   | 2.41%              | 0.81%          |
| 2001                                   | 407,455,431     | 476,011,373   | 2.24%              | 14.45%         |

| <b>Commercial Mortgage Fund <sup>(3)</sup></b> |             |              |                    |                |
|--|-------------|--------------|--------------------|----------------|
|  | Book Value  | Market Value | % of Total Fund MV | Rate of Return |
| \$3,769,581                                    | \$3,818,115 | 0.02%        | 6.75%              |                |
| 5,084,919                                      | 5,135,144   | 0.02%        | -3.14%             |                |
| 6,255,651                                      | 6,906,096   | 0.03%        | 12.05%             |                |
| 7,355,621                                      | 7,763,461   | 0.03%        | 8.17%              |                |
| 17,729,189                                     | 18,192,114  | 0.08%        | 9.51%              |                |
| 19,796,542                                     | 20,267,798  | 0.09%        | 6.76%              |                |
| 35,210,421                                     | 36,228,371  | 0.18%        | 7.83%              |                |
| 69,871,489                                     | 71,990,878  | 0.38%        | 20.62%             |                |
| 69,553,258                                     | 71,468,307  | 0.37%        | 1.19%              |                |
| 92,793,153                                     | 100,727,402 | 0.47%        | 10.88%             |                |

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**INVESTMENT SUMMARY AT JUNE 30, 2010 (Continued)**

|      | <b>Private Investment Fund <sup>(3)</sup></b> |                 |                    |                | <b>Total Fund <sup>(4)</sup></b> |                  |                    |                |
|------|---|-----------------|--------------------|----------------|----------------------------------|------------------|--------------------|----------------|
|      | Book Value                                    | Market Value    | % of Total Fund MV | Rate of Return | Book Value                       | Market Value     | % of Total Fund MV | Rate of Return |
| 2010 | \$1,859,585,108                               | \$2,013,101,198 | 9.24%              | 17.32%         | \$21,710,645,358                 | \$21,784,939,405 | 100.00%            | 12.88%         |
| 2009 | 1,819,125,566                                 | 1,621,268,022   | 7.94%              | -16.36%        | 21,945,913,372                   | 20,431,180,148   | 100.00%            | -17.37%        |
| 2008 | 1,809,775,995                                 | 1,789,139,253   | 6.85%              | 13.66%         | 25,388,309,339                   | 26,129,160,510   | 100.00%            | -4.71%         |
| 2007 | 1,657,888,536                                 | 1,556,795,484   | 5.81%              | 19.56%         | 23,066,365,615                   | 26,774,529,258   | 100.00%            | 17.34%         |
| 2006 | 1,692,805,252                                 | 1,357,518,114   | 5.78%              | 11.46%         | 21,145,639,107                   | 23,482,898,042   | 100.00%            | 10.55%         |
| 2005 | 2,046,726,560                                 | 1,437,979,798   | 6.67%              | 8.94%          | 19,918,781,069                   | 21,573,264,617   | 100.00%            | 10.46%         |
| 2004 | 2,406,829,047                                 | 1,781,312,669   | 8.63%              | 18.70%         | 19,473,480,993                   | 20,650,115,902   | 100.00%            | 15.23%         |
| 2003 | 2,413,582,348                                 | 1,842,900,019   | 9.70%              | -11.94%        | 18,771,449,134                   | 18,989,393,113   | 100.00%            | 2.49%          |
| 2002 | 2,315,048,277                                 | 2,276,642,374   | 11.64%             | -10.81%        | 19,403,848,200                   | 19,557,516,103   | 100.00%            | -6.39%         |
| 2001 | 2,217,285,786                                 | 2,601,575,275   | 12.28%             | -6.25%         | 19,571,276,798                   | 21,204,840,744   | 100.00%            | -3.68%         |

- (1) All rates of return are net of management fees and division operating expenses.
- (2) The market value of the Liquidity Fund for the periods presented represents the market value of the pension and trust balances in the Liquidity Fund only (excluding receivables and payables); the Liquidity Fund balances of the other combined investment funds are shown in the market value of each fund.
- (3) Investment returns published for prior years were net of management fees, but were restated in 2008 net of all expenses.
- (4) Represents a composite return of the total pension and trust funds. Individual returns for the three primary pension funds (Teachers, State Employees and Municipal Employees) are separately presented elsewhere due to different asset allocations of each fund.
- (5) On November 1, 2007 the International Stock Fund (ISF) was reallocated into two sub portfolios of international equity securities. The reallocation was a result of the modifications to the Investment Policy Statement (IPS) as approved by the Investment Advisory Council (IAC) and adopted by the Treasurer in October 2007. The reallocation of assets, outlined in the IPS, was based on an asset liability study that identified the need to reallocate the international stock fund into two components: developed markets international stocks and emerging markets international stocks to allow for greater flexibility in managing risk and return in the various Connecticut Retirement Plans and Trust Funds.
- (6) On November 1, 2007 the Mutual Fixed Income Fund was reallocated into four sub portfolios of fixed income securities. The reallocation was a result of the modifications to the Investment Policy Statement (IPS) as approved by the Investment Advisory Council (IAC) and adopted by the Treasurer in October 2007. The reallocation of assets, outlined in the IPS, was based on an asset liability study that identified the need to reallocate the mutual fixed income fund into four components: core fixed income, emerging market debt, high yield debt and inflation-linked bonds to allow for greater flexibility in managing risk and return in the various Connecticut Retirement Plans and Trust Funds.



**CONDENSED SCHEDULE OF ASSETS  
FISCAL YEAR ENDED JUNE 30 (dollars in millions)**

|                             | 2010       | 2009       | 2008       | 2007       | 2006       | 2005       | 2004       | 2003       | 2002       | 2001       |
|-----------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| <b>Assets</b>               |            |            |            |            |            |            |            |            |            |            |
| Investments at Fair Value   | \$21,784.9 | \$20,431.2 | \$26,129.2 | \$26,774.5 | \$23,482.9 | \$21,573.3 | \$20,650.1 | \$18,989.4 | \$19,557.5 | \$21,207.0 |
| Cash, Receivables and Other | 7,494.7    | 11,520.3   | 15,884.6   | 14,440.5   | 16,145.9   | 12,212.7   | 10,456.4   | 4,253.9    | 3,855.0    | 4,161.7    |
| Total Assets                | 29,279.6   | 31,951.5   | 42,013.8   | 41,215.0   | 39,628.8   | 33,786.0   | 31,106.5   | 23,243.3   | 23,412.5   | 25,368.7   |
| Liabilities                 | 7,410.0    | 11,569.3   | 16,142.0   | 15,286.7   | 16,812.0   | 12,486.9   | 10,917.2   | 4,942.9    | 4,706.3    | 4,775.5    |
| Net Assets                  | \$21,869.6 | \$20,382.2 | \$25,871.8 | \$25,928.3 | \$22,816.8 | \$21,299.1 | \$20,189.3 | \$18,300.4 | \$18,706.2 | \$20,593.2 |

**CONDENSED SCHEDULE OF CHANGES IN NET ASSETS  
FISCAL YEAR ENDED JUNE 30 (dollars in millions)**

|   | <b>Fiscal Year Ended June 30,</b> |            |            |            |            |            |            |            |            |            |
|---|-----------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
|   | 2010                              | 2009       | 2008       | 2007       | 2006       | 2005       | 2004       | 2003       | 2002       | 2001       |
| <b>Additions</b>                              |                                   |            |            |            |            |            |            |            |            |            |
| Dividends                                     | \$417.4                           | \$399.9    | \$650.1    | \$558.9    | \$525.6    | \$500.2    | \$607.5    | \$484.1    | \$298.8    | \$271.4    |
| Interest                                      | 324.0                             | 358.9      | 460.0      | 396.0      | 350.8      | 302.1      | 303.0      | 352.4      | 432.8      | 504.6      |
| Securities Lending & Other Income             | 29.1                              | 74.9       | 162.4      | 176.7      | 124.6      | 76.0       | 52.8       | 28.9       | 42.9       | 100.1      |
| Total Investment Income                       | 770.5                             | 833.7      | 1,272.5    | 1,131.6    | 1,001.0    | 878.3      | 963.3      | 865.4      | 774.5      | 876.1      |
| Total Investment Expenses                     | 83.8                              | 89.9       | 201.8      | 212.3      | 178.0      | 112.1      | 63.6       | 65.6       | 91.7       | 154.7      |
| Net Investment Income                         | 686.7                             | 743.8      | 1,070.7    | 919.3      | 823.0      | 766.2      | 899.7      | 799.8      | 682.8      | 721.4      |
| Net Realized Gain/(Loss)                      | 214.4                             | (2,942.4)  | 675.7      | 1,524.1    | 886.0      | 698.7      | 881.0      | (566.4)    | (445.6)    | 269.3      |
| Net Change in Unrealized Gains on Investments | 1,737.7                           | (2,333.6)  | (3,004.3)  | 1,472.3    | 520.4      | 591.2      | 936.9      | 123.8      | (1,567.6)  | (1,776.4)  |
| Purchase of Units by Participants             | 3,647.0                           | 6,599.3    | 8,184.5    | 3,643.8    | 1,829.8    | 1,632.3    | 2,889.5    | 1,299.5    | 1,117.5    | 1,348.1    |
| Total Additions                               | 6,285.8                           | 2,067.1    | 6,926.6    | 7,559.5    | 4,059.2    | 3,688.4    | 5,607.1    | 1,656.7    | (212.9)    | 562.4      |
| <b>Deductions</b>                             |                                   |            |            |            |            |            |            |            |            |            |
| Administrative Expense                        | (3.8)                             | (3.4)      | (3.2)      | (3.2)      | (2.9)      | (2.7)      | (2.3)      | (2.1)      | (1.5)      | (1.4)      |
| Distributions to Unit Holders                 | (579.3)                           | (707.6)    | (972.4)    | (911.9)    | (802.5)    | (859.6)    | (816.1)    | (837.0)    | (717.8)    | (734.6)    |
| Redemption of Units by Participants           | (4,215.3)                         | (6,845.7)  | (6,007.4)  | (3,532.9)  | (1,736.1)  | (1,716.3)  | (2,899.8)  | (1,223.4)  | (954.8)    | (1,147.4)  |
| Total Deductions                              | (4,798.4)                         | (7,556.7)  | (6,983.0)  | (4,448.0)  | (2,541.5)  | (2,578.6)  | (3,718.2)  | (2,062.5)  | (1,674.1)  | (1,863.4)  |
| Net Change in Assets                          | 1,487.4                           | (5,489.6)  | (56.5)     | 3,111.5    | 1,517.7    | 1,109.8    | 1,888.9    | (405.8)    | (1,887.0)  | (1,321.0)  |
| Beginning Net Assets                          | 20,382.2                          | 25,871.8   | 25,928.3   | 22,816.8   | 21,299.1   | 20,189.3   | 18,300.4   | 18,706.2   | 20,593.2   | 21,914.2   |
| Ending Net Assets                             | \$21,869.6                        | \$20,382.2 | \$25,871.8 | \$25,928.3 | \$22,816.8 | \$21,299.1 | \$20,189.3 | \$18,300.4 | \$18,706.2 | \$20,593.2 |



*Office of the State Treasurer*  
LIST OF PRINCIPAL OFFICIALS AND PHONE NUMBERS

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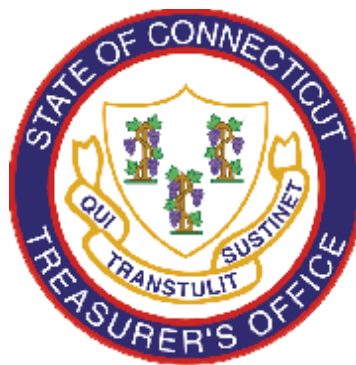
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