

OFFICE OF THE  
**ARIZONA STATE TREASURER**



**HON. DEAN MARTIN  
TREASURER**



**DECEMBER 2008**

**Presented To:**

**Arizona State Board of Investment**

**JANUARY 21, 2009**

STATE BOARD OF INVESTMENT

**A G E N D A**

January 21, 2009

1. Call to Order
2. Chairman Remarks
3. Approval of Minutes
4. Review of Treasurer's Monthly Reports – Investment Pools

Activity Reports

- A. Earnings Distribution; Investment Pools
- B. Yield Analysis – MTD & YTD; Investment Pools
  - State Agency Pools
  - LGIP Pools 5 & 7
  - LGIP Pool 500

Holdings Reports

- C. Investments Outstanding; Investment Pools
  - State Agency Pools
  - LGIP Pools 5, 7, & 500
  - Shares, LGIP Pool 500
- D. Rating Summaries
  - State Agency Pools
  - LGIP Pool 5
  - LGIP Pool 7
  - LGIP Pool 500
- E. Maturity Summary – LGIP
  - LGIP Pool 5
  - LGIP Pool 7
  - LGIP Pool 500

Balance Report

- F. Operating Monies Invested Balances

5. Review of Treasurer's Monthly Reports - Endowments

Activity Reports

- A. Earnings Distribution; Endowment Funds
- B. Yield Analysis – MTD; Endowment
- C. Return Analysis – MTD & YTD; Endowment Funds
- D. Capital Gains/Losses; Endowment Funds
- E. Endowment Funds Fixed Income Purchases and Sales
- F. Endowment Funds Equity Purchases and Sales

### Holdings Reports

- G. Investments Outstanding; Endowment Pools
  - H. Rating Summaries – Endowments
  - I. Equity Holdings – Investments Outstanding by Sector
    - S&P 500
    - S&P 400
  - J. Equity Holdings by Participant
  - K. Broker Activity Report
6. Proposed Changes to the Investment Policy
- A. Review of Proposed Changes
  - B. Public Comment on Proposed Changes
  - C. Discussion and Action on Proposed Changes
7. Adoption of Divestment Policy
8. Review and Approval of Proposed and or Pending Securities Dealers
9. General Business
10. Call to the Public
11. Notice of Next Meeting
12. Adjournment

A person with a disability may request a reasonable accommodation such as a sign language interpreter by contacting Deputy Treasurer Klint Tegland, ADA Coordinator, Office of the State Treasurer, 1700 West Washington, West Wing, State Capitol, Phoenix, Arizona 85007, telephone (602) 604-7816. Requests should be made as early as possible to allow time to arrange the accommodation.

*Note: To ensure compliance with the Open Meeting Law, recipients of this message should not forward it to other members of the public body. Members of the public body may reply to this message, but they should not send a copy of the reply to other members (please do not “reply to all”).*

**REPORT OF THE STATE TREASURER**

**FOR**

**January 21, 2009**

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**Minutes of  
BOARD OF INVESTMENT MEETING**

The regular meeting of the State Board of Investment was held on December 17, 2008 in the Office of the State Treasurer, 1700 West Washington, State Capitol, West Wing, Treasurer's Conference Room, Phoenix, Arizona. Treasurer Martin, Chair called the meeting to order at approximately 1:35 p.m.

***Members Present:***

Dean Martin, Chair, State Treasurer  
Ross Jacobs, Treasurer, Yavapai County  
Charlotte Hosseini, Arizona Department of Administration, designee for William Bell, Director, Arizona Department of Administration  
Thomas J. Giallanza, Assistant Superintendent, Department of Financial Institutions, designee for Felecia A. Rotellini, Superintendent, Department of Financial Institutions

***Members Absent:***

Alan E. Maguire, President, The Maguire Company

***Others Present:***

Mark Swenson, Deputy Treasurer Strategic Planning, Audit & Research, Arizona State Treasurer's Office  
Klint Tegland, Deputy Treasurer of Operations, Arizona State Treasurer's Office  
Tim White, Portfolio Manager, Arizona State Treasurer's Office  
Chris Petkiewicz, Portfolio Manager, Arizona State Treasurer's Office  
Patty Humbert, Portfolio Manager, Arizona State Treasurer's Office  
Dale Stomberg, Investment Accounting Manager, Arizona State Treasurer's Office  
Richard Petrenka, Vice President and Portfolio Manager, Davidson Fixed Income Management Company, Member of the Public

Pursuant to A.R.S. 35-311, the following reports for November, 2008 were submitted for the Board's approval:

Review of Treasurer's Monthly Reports – Investment Pools

Activity Reports

- A. Earnings Distribution; Investment Pools
- B. Yield Analysis – MTD & YTD; Investment Pools
  - State Agency Pools
  - LGIP Pools 5 & 7
  - LGIP Pool 500

Holdings Reports

- C. Investments Outstanding; Investment Pools
  - State Agency Pools
  - LGIP Pools 5, 7, & 500
  - Shares, LGIP Pool 500

- D. Rating Summaries
  - State Agency Pools
  - LGIP Pool 5
  - LGIP Pool 7
  - LGIP Pool 500
- E. Maturity Summary – LGIP
  - LGIP Pool 5
  - LGIP Pool 7
  - LGIP Pool 500

Balance Report

- F. Operating Monies Invested Balances

Review of Treasurer's Monthly Reports – Endowments

Activity Reports

- A. Earnings Distribution; Endowment Funds
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- C. Return Analysis – MTD & YTD; Endowment Funds
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- E. Endowment Funds Fixed Income Purchases and Sales
- F. Endowment Funds Equity Purchases and Sales

Holdings Reports

- G. Investments Outstanding; Endowment Pools
- H. Rating Summaries – Endowments
- I. Equity Holdings – Investments Outstanding by Sector
  - S&P 500
  - S&P 400
- J. Equity Holdings by Participant

**1. Call to Order:**

Treasurer Martin called the December 17, 2008 BOI meeting to order at approximately 1:35 p.m.

**2. Treasurers Comments:**

Treasurer Martin welcomed board members and guests and thanked all present for attending the December 17, 2008 meeting.

**3. Approval of Minutes:**

Ms. Hosseini made a motion to approve the minutes for the November 19, 2008 Board of Investment Meeting. Mr. Giallanza seconded the motion. Motion carried.

**4. Review of Treasurer's Monthly Report – Investment Pools:**

Mr. Petkiewicz presented the monthly report for the non-endowment portion of the Arizona State Treasurer's Office to the Board of Investment as follows:

***Earnings Distribution – Investment Pools***

Mr. Petkiewicz reported the earnings distributed month-to-date, year-to-date, prior year-to-date, and investment management fees deposited in the General Fund for the month of November, 2008.

***State Agency Pools Portfolio Yield Analysis***

Mr. Petkiewicz reported the gross yields for the State Agency Pools for the month of November, 2008.

***LGIP (Pool 5) & LGIP GOV (Pool 7) Portfolio Yield Analysis***

Mr. Petkiewicz reported the gross yields and net yields for the LGIP and LGIP-Gov pools, as well as the comparisons to their relative benchmarks for the month of November, 2008.

***Pool 500***

Mr. Petkiewicz reported the gross yield and net yield for the LGIP Long Term Pool and the comparison to the benchmark for the month of November, 2008.

***Investments Outstanding in State Agency Pools***

Mr. Petkiewicz reported the total ending par, book, market value, and unrealized gain/loss on the State Investment Pools as of November 30, 2008.

***Investments Outstanding Pools 5, 7, and 500***

Mr. Petkiewicz reported the ending par, book, market value, and unrealized gain/loss on the LGIP, LGIP-Gov, and LGIP Long Term pools as of November 30, 2008.

***Investments Outstanding Pool 500 Shares***

Mr. Petkiewicz reported the ending par, book, market value, and unrealized gain/loss for the LGIP Long Term Pool (share balances) as of November 30, 2008.

***Rating Summary for State Agencies***

Mr. Petkiewicz reported on the credit ratings for the State Agency Funds for the last three months.

***Rating Summary for LGIP Pool 5***

Mr. Petkiewicz reported on the credit ratings for the LGIP for the last three months.

***Rating Summary LGIP-Long Term Pool 500***

Mr. Petkiewicz reported on the credit ratings for the LGIP Long Term Pool for the last three months.

***Rating Summary LGIP-Gov Pool 7***

Mr. Petkiewicz reported on the credit ratings for the LGIP-Gov Pool for the last three months.

***LGIP Maturity Summary Pool 5***

Mr. Petkiewicz reported the weighted average maturity (WAM) for the LGIP for the last three months.

***LGIP Maturity Summary Pool 7***

Mr. Petkiewicz reported the weighted average maturity (WAM) for the LGIP-Gov for the last three months.

***LGIP Long Term Maturity Summary Pool 500***

Mr. Petkiewicz reported the duration for the LGIP Long Term Pool for the last three months.

***Operating Monies Average Invested Balance***

Mr. Petkiewicz reported the Operating Monies average invested balance for the month of November, 2008.

*Treasurer Martin gave the BOI members a chart updating the operating balance. He advised the board of the projections for the operating monies for December.*

***5. Review of Treasurer's Monthly Report – Endowments:***

Mr. White presented the endowment portion of the monthly report of the Arizona State Treasurer's Office to the Board of Investment as follows:

***Earnings Distributed Endowment Funds***

Mr. White reported the earnings distributed for the Endowment Funds for the month of November, 2008, FY09 fiscal year to date, and FY08 fiscal year to date.

***Endowment Funds Yield Analysis***

Mr. White reported the book yield of the Endowment Fund Fixed Income Pool for the month of November, 2008.

***Monthly Return Analysis for the Endowment Funds***

Mr. White reported the total return numbers for the Endowment Funds for the month of November, 2008 and FY09 fiscal year to date, as well as the comparison to their respective benchmarks.

***Net Realized Capital Gains/Losses – Endowment Funds***

Mr. White reported the net realized capital gains for the Endowment Fixed Income, S&P 500, and S&P 400 pools for the month of November, 2008 and FY09 fiscal year to date.

***Endowment Funds Fixed-Income Pool Purchases & Sales***

Mr. White reported the purchases and sales of the Endowment Fixed Income Pool for the month of November, 2008.

***Equity Funds Purchases & Sales***

Mr. White reported the purchases and sales (summary) of the Endowment Equity Pools for the month of November, 2008.

***Investments Outstanding in Endowment Funds***

Mr. White reported the par, book, market value, and unrealized gains/loss of the Endowment Funds as of November 30, 2008.

***Rating Summary Endowment Fixed Income Fund***

Mr. White reported the credit ratings for the Endowment Funds as of November 30, 2008.

***Equity Holdings Investments Outstanding S&P 500***

Mr. White reported the investments outstanding by industry sector for the S&P 500 Pool as of November 30, 2008.

***Equity Holdings Investments Outstanding S&P 400***

Mr. White reported the investments outstanding by industry sector for the S&P 400 Pool as of November 30, 2008.

***Equity Holdings – By Participant***

Mr. White reported the equity holdings of the Endowment Funds as of November 30, 2008.

***Approval of Treasurer's Report***

Mr. Jacobs made a motion to approve the Treasurer's Report as submitted.  
Ms. Hosseini, seconded the motion. Motion carried.

***6. Proposed Changes to Investment Policy***

*Treasurer Martin reported that there were proposed changes to the Investment Policy regarding consolidating some of the pools in order to eliminate pools 6, 11, and 14. Pool 6 would be absorbed into pool 8 and pools 11 and 14 would move into pool 2.*

*There was one other change on page 10. NASD no longer exists and has become FINRA (Financial Industry Regulatory Authority).*

*A draft of the proposed changes was given to the members.*

Mr. Jacobs made a motion to approve the changes to the Investment Policy.  
Mr. Giallanza, seconded the motion. Motion carried.

***7. Review and Approval of Proposed/Pending Securities Dealers***

None

***9. General Business:***

*Treasurer Martin gave the board members a copy of the draft for the State Board of Investment Terrorism Divestment Policy. He requested that they review it, so it could be discussed and adopted at the meeting in January.*

***9. Notice of Next Meeting:***

The next regular meeting of the Board of Investment will be Wednesday, January 21, 2009 at 1:30 p.m. at 1700 West Washington, State Capitol, West Wing, Treasurer's Conference Room, Phoenix, Arizona.

***10. Call to the Public***

There was no public comment.

*State Treasurer's Report  
January 21, 2009 Meeting  
Minutes of the December 17, 2008 Meeting*

**11. Adjournment:**

Treasurer Martin adjourned the BOI meeting adjourned at 2:14 p.m.

Respectfully Submitted by:

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Helen D. Garafola  
Executive Consultant

Approved by:

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Dean Martin, Chair

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Date:

**EARNINGS DISTRIBUTION - INVESTMENT POOLS**  
DECEMBER 2008

State Treasurer's Report  
January 21, 2009  
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<b>Recipient</b>	<b>Earnings Distributed</b>			<b>Fiscal YTD Investment Management Fees Received</b>
	<b>DECEMBER 2008</b>	<b>Fiscal YTD 08/09</b>	<b>Fiscal YTD 07/08</b>	
General Fund	\$511,513	\$9,465,527	\$63,993,742	
2 State Agencies I - Full Faith & Credit	1,942,501	16,769,123	19,387,741	\$291,682
3 State Agencies II - Diversified	1,121,997	22,872,530	53,136,456	570,572
5 Local Governments	2,151,575	21,587,552	59,284,865	846,713
6 State Agencies III - US Govt & Agency	0	52,395	114,947	2,151
7 LGIP Gov't	390,756	19,970,004	43,867,163	823,607
8 State Agencies IV - Restricted Diversified	2,453,882	11,521,527	6,224,112	162,900
9 * ADOT - BFO	0	0	0	0
11 School Facilities Board	18,219	62,515	181,679	4,782
12 CAWCD Medium-Term	384,291	2,600,544	2,692,969	35,847
14 School Facilities Board 2002 Series	8,492	128,212	673,671	6,563
15 GADA Long-Term	69,927	366,341	439,362	5,288
<b>Subtotal</b>	<b>\$9,053,153</b>	<b>\$105,396,269</b>	<b>\$249,996,707</b>	<b>\$2,750,104</b>
<b>NAV POOL</b>				
500 LGIP LT	211,135	1,231,419	703,735	18,807
<b>Total</b>	<b>\$9,264,288</b>	<b>\$106,627,688</b>	<b>\$250,700,442</b>	<b>\$2,768,912</b>

\*Note: All earnings distributed for the ADOT - BFO Pool are distributed to the General Fund.

**STATE AGENCY POOLS  
PORTFOLIO YIELD ANALYSIS**  
December 31, 2008

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FUND	DESCRIPTION	NET EARNINGS	SALES EARNINGS YIELD	AMORT/DISC EARNINGS YIELD	COUPON EARNINGS YIELD	GROSS YIELD
2	STATE AGENCIES I - FULL FAITH & CREDIT	2,086,647	0.0000%	0.2916%	2.3473%	2.6390%
3	STATE AGENCIES II - DIVERSIFIED	2,227,998	-0.5378%	0.0347%	2.1619%	1.6587%
6	STATE AGENCIES III - US GOVT & AGENCY	0	0.0000%	0.0000%	0.0460%	0.0460%
8	STATE AGENCIES IV-RESTRICTED DIVERSIFIED	1,141,714	0.0000%	-0.1780%	2.6668%	2.4888%
9	BOARD FUNDING OBLIGATION	448,438	0.0000%	0.0000%	4.8600%	4.8600%
11	SCHOOL FACILITIES BOARD	7,432	0.0000%	0.1812%	0.3340%	0.5151%
12	CAWCD MEDIUM TERM	384,696	0.0000%	0.2691%	3.5649%	3.8341%
14	SCHOOL FACILITIES BOARD BONDS	4,280	0.0000%	0.0035%	0.2242%	0.2276%
15	GADA	58,388	0.0000%	0.2060%	3.8185%	4.0245%
<b>TOTAL STATE AGENCIES</b>		<b>6,359,595</b>				

**LGIP & LGIP-GOV**  
**PORTFOLIO YIELD ANALYSIS**  
December 31, 2008

State Treasurer's Report  
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FUND	DESCRIPTION	NET EARNINGS	SALES EARNINGS YIELD	AMORT/DISC EARNINGS YIELD	COUPON EARNINGS YIELD	GROSS YIELD
5	LGIP	1,230,776	-0.8967%	-0.1040%	1.6710%	0.6703%
7	LGIP - GOV	1,098,098	0.0000%	0.0101%	0.4271%	0.4372%
	<b>TOTAL LGIP &amp; LGIP-GOV</b>	<b>2,328,874</b>				
		<b>10/31/08</b>	<b>11/30/08</b>	<b>12/31/08</b>		
5	LGIP MONTHLY YIELD (NET)	1.73%	1.51%	0.61%		
	S & P LGIP INDEX YIELD	2.14%	1.88%	1.54%		
	LGIP YTD YIELD (NET)	2.21%	2.10%	1.88%		
	S & P LGIP YTD INDEX YIELD	2.24%	2.18%	2.08%		
7	LGIP - GOV MONTHLY YIELD (NET)	0.76%	0.62%	0.38%		
	3 MONTH T-BILL	0.64%	0.16%	0.01%		
	* S & P LGIP - GOV INDEX YIELD	1.93%	1.66%	1.38%		
	LGIP - GOV YTD YIELD (NET)	1.57%	1.33%	1.12%		
	YTD 3 MONTH T-BILL	1.34%	1.16%	0.88%		
	* S & P LGIP - GOV YTD INDEX YIELD	2.06%	1.98%	1.89%		

\* Note: The LGIP-GOV Pool consists of only securities explicitly backed by the full faith & credit of the US Government. The S&P LGIP-Gov Index consists of both securities implicitly and explicitly backed by the full faith & credit of the US Government.

**LGIP LONG TERM POOL  
PORTFOLIO YIELD ANALYSIS**  
December 31, 2008

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FUND	DESCRIPTION	GROSS EARNINGS	SALES EARNINGS YIELD	AMORT/DISC EARNINGS YIELD	COUPON EARNINGS YIELD	GROSS YIELD
500	LGIP LONG TERM POOL	212,292	0.0000%	-0.0113%	3.8197%	3.8084%
	<b>TOTAL LGIP LONG TERM POOL</b>	<b>212,292</b>				

	10/31/08	11/30/08	12/31/08
<b>LGIP LONG TERM MONTHLY YIELD (NET)</b>	3.92%	3.94%	3.75%
<b>MERRILL 1-5 US D M INDEX MONTHLY YIELD</b>	4.38%	4.14%	3.25%
<b>LGIP LONG TERM YTD YIELD (NET)</b>	3.94%	3.94%	3.91%
<b>MERRILL 1-5 US D M INDEX YTD YIELD</b>	4.25%	4.23%	4.07%

**STATE AGENCY POOLS**  
**INVESTMENTS OUTSTANDING**  
DECEMBER 31, 2008  
(in thousands)

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POOL	INVESTMENT POOL	PAR VALUE	BOOK VALUE	MARKET VALUE	UNREALIZED GAINS (LOSSES)	Mkt Value/ Book Value
2	State Agencies I - Full Faith & Credit					
	Repurchase Agreements	141,000	141,000	141,000	0	
	U.S. Government & Agencies	786,569	787,523	792,727	5,204	
	Corporate Securities-Full Faith	5,000	5,088	5,100	13	
	<b>Total</b>	<b>932,569</b>	<b>933,610</b>	<b>938,827</b>	<b>5,217</b>	<b>1.006</b>
3	State Agencies II - Diversified					
	Repurchase Agreements	335,000	335,000	335,000	0	
	U.S. Government & Agencies	483,168	484,452	486,494	2,041	
	Corporate Securities-Full Faith	10,000	10,083	10,132	49	
	Corporate Securities	771,803	769,347	738,803	(30,545)	
	<b>Total</b>	<b>1,599,971</b>	<b>1,598,883</b>	<b>1,570,428</b>	<b>(28,454)</b>	<b>0.982</b>
6	State Agencies III - US Govt & Agency					
	Repurchase Agreements	6,000	6,000	6,000	0	
	U.S. Government & Agencies	0	0	0	0	
	<b>Total</b>	<b>6,000</b>	<b>6,000</b>	<b>6,000</b>	<b>0</b>	<b>1.000</b>
8	State Agencies IV - Restricted Diversified					
	Repurchase Agreements	32,000	32,000	32,000	0	
	U.S. Government & Agencies	501,155	501,635	503,278	1,644	
	Corporate Securities -Full Faith	5,000	5,088	5,100	13	
	<b>Total</b>	<b>538,155</b>	<b>538,723</b>	<b>540,379</b>	<b>1,656</b>	<b>1.003</b>
9	ADOT B.F.O.					
	Board Funding Obligations	110,000	110,000	110,000	0	
	<b>Total</b>	<b>110,000</b>	<b>110,000</b>	<b>110,000</b>	<b>0</b>	<b>1.000</b>
11	School Facilities Board					
	Repurchase Agreements	15,000	15,000	15,000	0	
	U.S. Government & Agencies	0	0	0	0	
	<b>Total</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>0</b>	<b>1.000</b>
12	CAWCD Medium-Term					
	Money Market Mutual Shares	15,054	15,054	15,054	0	
	U.S. Government & Agencies	63,547	63,577	64,027	450	
	Corporate Securities	42,470	42,561	39,573	(2,988)	
	<b>Total</b>	<b>121,071</b>	<b>121,192</b>	<b>118,654</b>	<b>(2,538)</b>	<b>0.979</b>

**STATE AGENCY POOLS**  
**INVESTMENTS OUTSTANDING**  
DECEMBER 31, 2008  
(in thousands)

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POOL	INVESTMENT POOL	PAR VALUE	BOOK VALUE	MARKET VALUE	UNREALIZED GAINS (LOSSES)	Mkt Value/ Book Value
14	School Facilities Board Bonds					
	Repurchase Agreements	3,000	3,000	3,000	0	
	U.S. Government & Agencies	20,000	19,997	19,997	0	
	<b>Total</b>	<b>23,000</b>	<b>22,997</b>	<b>22,997</b>	<b>0</b>	<b>1.000</b>
15	GADA					
	Money Market Mutual Shares	3,151	3,151	3,151	0	
	U.S. Government & Agencies	9,711	9,688	9,817	129	
	Corporate Securities	4,525	4,543	4,293	(250)	
	<b>Total</b>	<b>17,386</b>	<b>17,381</b>	<b>17,260</b>	<b>(121)</b>	<b>0.993</b>
55	LGIP - NPF					
	<i>NPF Securities</i>	61,939	61,924	0	(61,924)	
	<b>Total</b>	<b>61,939</b>	<b>61,924</b>	<b>0</b>	<b>(61,924)</b>	<b>0.000</b>
57	LGIP - LEHMAN BROTHERS HOLDINGS					
	<i>Lehman Bonds</i>	39,450	39,427	3,551	(35,876)	
	<b>Total</b>	<b>39,450</b>	<b>39,427</b>	<b>3,551</b>	<b>(35,876)</b>	<b>0.090</b>
<b>TOTALS - AGENCY POOLS</b>						
	Repurchase Agreements	532,000	532,000	532,000	0	
	Money Market Mutual Shares	18,204	18,204	18,204	0	
	Commercial Paper	0	0	0	0	
	U.S. Government & Agencies	1,864,150	1,866,872	1,876,339	9,467	
	Corporate Securities-Full Faith	20,000	20,259	20,333	74	
	Corporate Securities	818,798	816,451	782,669	(33,782)	
	Board Funding Obligations	110,000	110,000	110,000	0	
	<i>NPF Securities</i>	61,939	61,924	0	(61,924)	
	<i>Lehman Bonds</i>	39,450	39,427	3,551	(35,876)	
	<b>Grand Total</b>	<b>3,464,541</b>	<b>3,465,136</b>	<b>3,343,096</b>	<b>(122,041)</b>	

**L.G.I.P.**  
**INVESTMENTS OUTSTANDING**  
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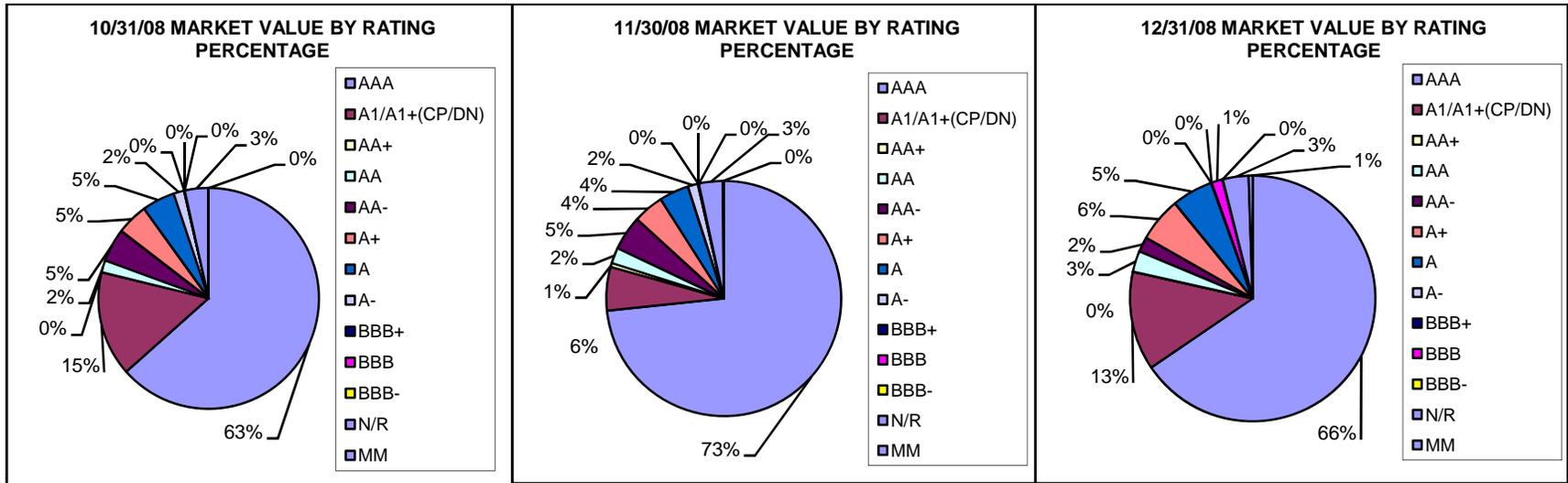
POOL	INVESTMENT POOL	PAR VALUE	BOOK VALUE	MARKET VALUE	UNREALIZED GAINS (LOSSES)	Mkt Value/ Book Value
5	Local Governments					
	Repurchase Agreements	416,000	416,000	416,000	0	
	Commercial Paper	0	0	0	0	
	Certificates of Deposit	5,000	4,993	5,075	82	
	U.S. Government & Agencies	1,551,456	1,555,780	1,562,993	7,213	
	Corporate Securities	446,865	446,432	433,160	(13,272)	
	Total	2,419,321	2,423,205	2,417,229	(5,977)	<b>0.998</b>
7	LGIP - Gov't					
	Repurchase Agreements	2,602,000	2,602,000	2,602,040	40	
	U.S. Government & Agencies	630,498	632,853	636,895	4,043	
	Total	3,232,498	3,234,853	3,238,935	4,082	<b>1.001</b>
500	LGIP LT					
	Money Market Mutual Shares	3,909	3,909	3,909	0	
	Commercial Paper	0	0	0	0	
	U.S. Government & Agencies	44,582	44,788	45,809	1,021	
	Corporate Securities	16,640	16,701	16,204	(497)	
	Dividends Payable/Other	(72)	(72)	(72)	0	
	Total	65,059	65,326	65,850	524	
	TOTALS - LGIP POOLS					
	Repurchase Agreements	3,018,000	3,018,000	3,018,040	40	
	Money Market Mutual Shares	3,909	3,909	3,909	0	
	Commercial Paper	0	0	0	0	
	Certificates of Deposit	5,000	4,993	5,075	82	
	U.S. Government & Agencies	2,226,536	2,233,421	2,245,698	12,276	
	Corporate Securities	463,505	463,133	449,365	(13,769)	
	Dividends Payable/Other	(72)	(72)	(72)	0	
	<b>Grand Total</b>	<b>5,716,878</b>	<b>5,723,384</b>	<b>5,722,014</b>	<b>(1,370)</b>	

**SHARES OUTSTANDING**  
**LOCAL GOVERNMENT LONG TERM FUNDS**  
 DECEMBER 31, 2008  
 (In Thousands)

State Treasurer's Report  
 January 21, 2009  
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FUND	NAME OF FUND	SHARES OUTSTANDING	BOOK VALUE	MARKET VALUE	UNREALIZED GAINS (LOSSES)	NAV
500	<i>Shares in LGIP LT Fund</i>	65,274	65,633	66,254	621	
	Total	65,274	65,633	66,254	621	<b>1.009</b>

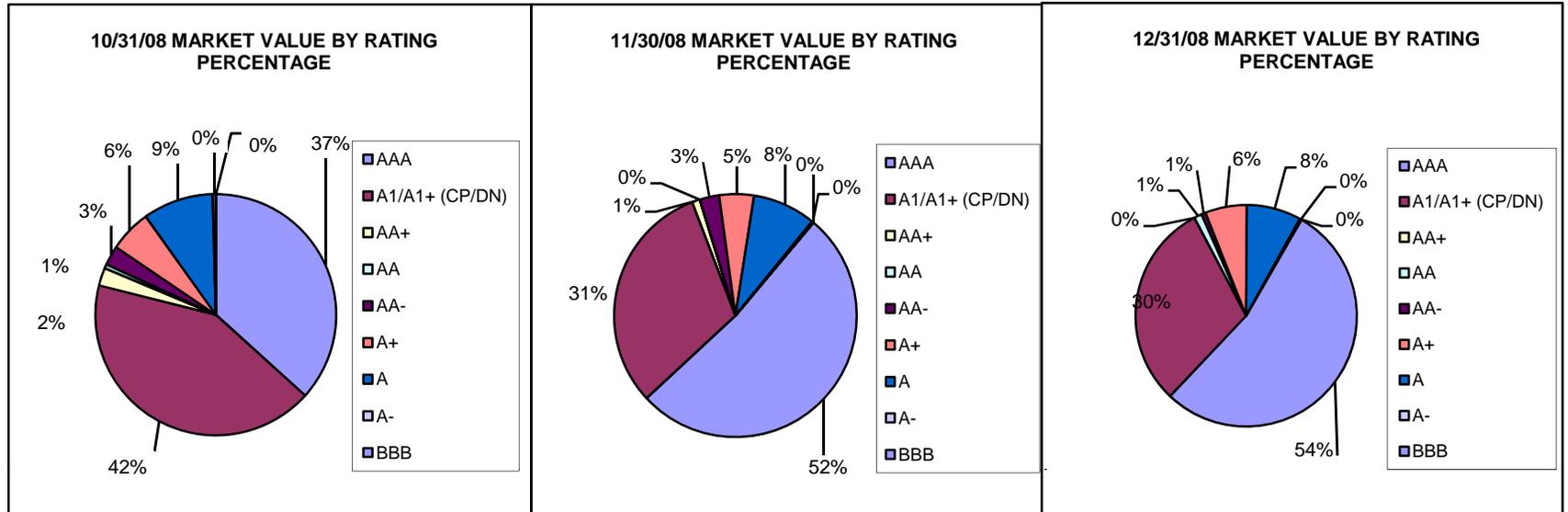
**ARIZONA STATE TREASURER'S OFFICE  
RATING SUMMARY  
STATE AGENCY POOLS 2, 3, 6, 8, 9, 11 - 15, 55, 57**



	10/31/08			11/30/08			12/31/08		
RATING	POSITIONS	MARKET VALUE	PERCENT	POSITIONS	MARKET VALUE	PERCENT	POSITIONS	MARKET VALUE	PERCENT
AAA	256	\$2,136,502,996	63%	251	\$2,513,506,881	74%	227	\$2,187,666,487	66%
A1/A1+(CP/DN)	18	\$516,784,906	15%	10	\$217,060,248	6%	13	\$435,632,919	13%
AA+	0	\$0	0%	2	\$18,869,461	1%	0	\$0	0%
AA	4	\$59,188,210	2%	5	\$74,217,962	2%	7	\$92,513,092	3%
AA-	15	\$163,980,513	5%	15	\$164,430,496	5%	7	\$66,059,800	2%
A+	17	\$154,309,985	5%	17	\$144,426,126	4%	22	\$195,888,891	6%
A	16	\$162,275,782	5%	14	\$140,545,869	4%	16	\$181,245,834	5%
A-	4	\$52,013,248	2%	4	\$48,907,139	1%	1	\$397,574	0%
BBB+	1	\$1,489,488	0%	1	\$1,687,350	0%	1	\$1,769,943	0%
BBB	2	\$917,205	0%	2	\$1,044,885	0%	5	\$49,159,365	1%
BBB-	1	\$999,899	0%	1	\$999,940	0%	1	\$999,981	0%
N/R	21	\$114,642,446	3%	21	\$113,557,571	3%	21	\$113,557,571	3%
MM	2	\$2,676,647	0%	2	\$4,554,288	0%	2	\$18,204,168	1%
<b>TOTAL</b>	<b>357</b>	<b>\$3,365,781,323</b>	<b>100%</b>	<b>345</b>	<b>\$3,443,808,216</b>	<b>100%</b>	<b>323</b>	<b>\$3,343,095,626</b>	<b>100%</b>

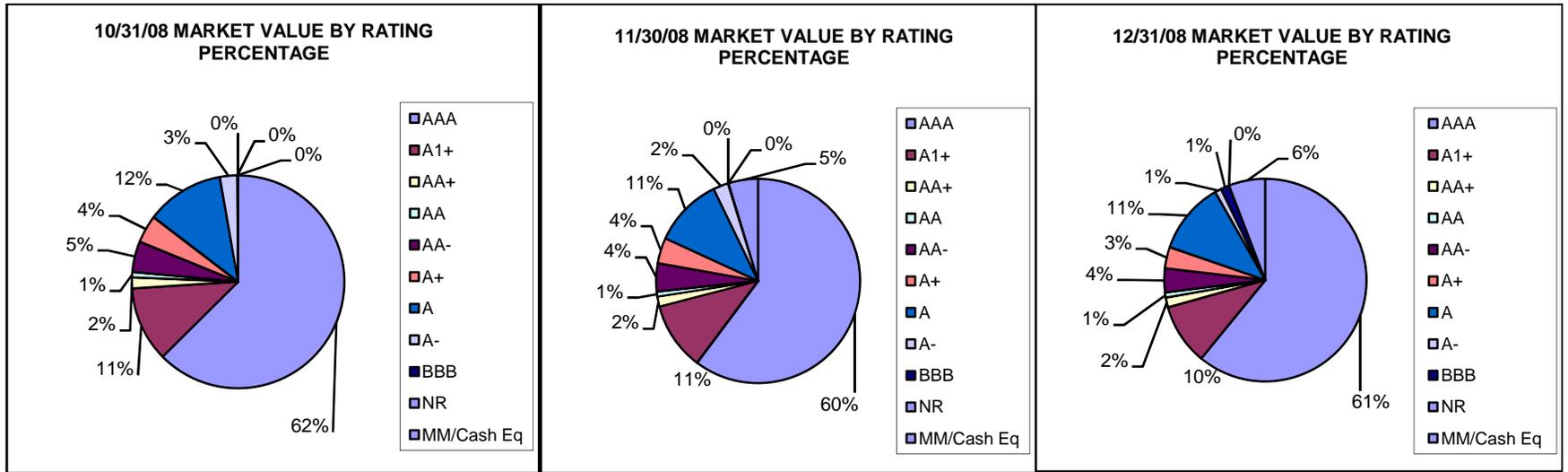
MM = MONEY MARKET (BONY/HAMILTON TREASURY)  
N/R = ADOT BONDS (110,000,000), TAX DEFERRED (7,071) AND NCFE

**ARIZONA STATE TREASURER'S OFFICE  
RATING SUMMARY  
LGIP**



RATING	10/31/08			11/30/08			12/31/08		
	POSITIONS	MARKET VALUE	PERCENT	POSITIONS	MARKET VALUE	PERCENT	POSITIONS	MARKET VALUE	PERCENT
AAA	42	\$966,800,779	37%	40	\$1,348,505,167	52%	39	\$1,299,265,784	54%
A1/A1+ (CP/DN)	30	\$1,066,133,908	42%	26	\$806,589,614	31%	22	\$729,692,021	30%
AA+	5	\$46,267,435	2%	3	\$27,325,174	1%	0	\$0	0%
AA	1	\$13,990,408	1%	0	\$0	0%	3	\$27,247,443	1%
AA-	6	\$67,398,963	3%	6	\$67,470,669	3%	2	\$14,381,000	1%
A+	13	\$145,263,840	6%	12	\$119,546,410	5%	9	\$148,019,875	6%
A	17	\$242,273,267	9%	15	\$218,314,492	8%	18	\$192,354,579	8%
A-	2	\$11,380,804	0%	1	\$6,278,368	0%	0	\$0	0%
BBB	0	\$0	0%	0	\$0	0%	1	\$6,268,192	0%
<b>TOTAL</b>	<b>116</b>	<b>\$2,559,509,405</b>	<b>100%</b>	<b>103</b>	<b>\$2,594,029,893</b>	<b>100%</b>	<b>94</b>	<b>\$2,417,228,894</b>	<b>100%</b>

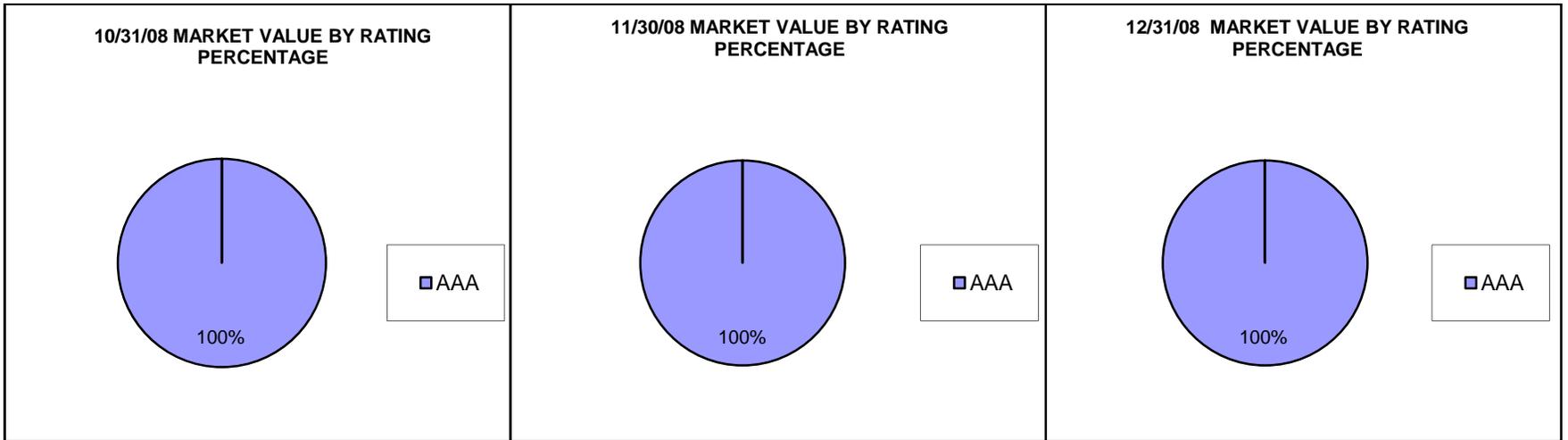
**ARIZONA STATE TREASURER'S OFFICE  
RATING SUMMARY  
LGIP 500**



	10/31/2008			11/30/2008			12/31/2008		
RATING	POSITIONS	MARKET VALUE	PERCENT	POSITIONS	MARKET VALUE	PERCENT	POSITIONS	MARKET VALUE	PERCENT
AAA	60	\$38,497,728	62%	61	\$38,727,469	60%	63	\$40,110,561	61%
A1+	10	\$6,546,114	11%	8	\$6,903,948	11%	7	\$6,418,264	10%
AA+	2	\$994,471	2%	2	\$1,019,411	2%	2	\$1,033,750	2%
AA	2	\$498,603	1%	2	\$509,396	1%	2	\$521,283	1%
AA-	7	\$2,806,030	5%	7	\$2,864,989	4%	5	\$2,526,220	4%
A+	8	\$2,551,018	4%	8	\$2,611,580	4%	6	\$2,253,711	3%
A	16	\$6,902,924	12%	16	\$7,063,296	11%	19	\$7,558,146	11%
A-	4	\$1,604,963	3%	4	\$1,546,594	2%	2	\$680,022	1%
BBB	0	\$0	0%	0	\$0	0%	2	\$889,105	1%
NR	1	\$29,375	0%	1	\$22,500	0%	1	\$22,500	0%
MM/Cash Eq	2	(\$41,820)	0%	2	\$3,041,924	5%	2	\$3,836,453	6%
<b>TOTAL</b>	<b>112</b>	<b>\$60,389,406</b>	<b>100%</b>	<b>111</b>	<b>\$64,311,107</b>	<b>100%</b>	<b>111</b>	<b>\$65,850,015</b>	<b>100%</b>

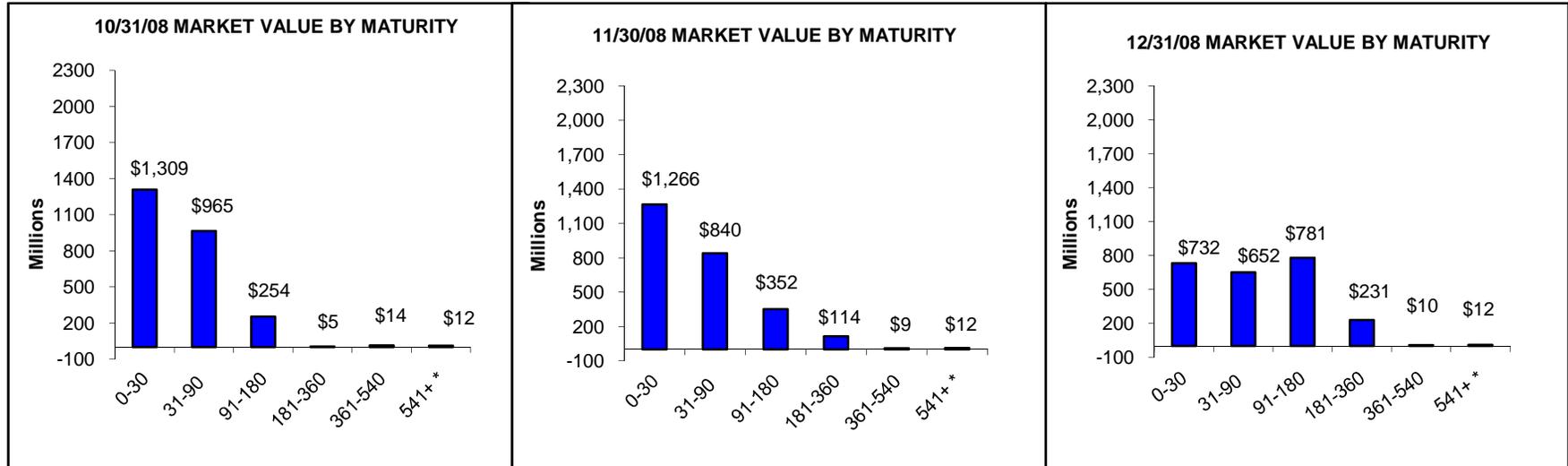
\*MM/Cash Equivalent includes dividends payable

**ARIZONA STATE TREASURER'S OFFICE  
RATING SUMMARY  
LGIP-GOV**



		10/31/08				11/30/08				12/31/08	
RATING	POSITIONS	MARKET VALUE	PERCENT	POSITIONS	MARKET VALUE	PERCENT	POSITIONS	MARKET VALUE	PERCENT		
AAA	33	\$2,887,577,582	100%	30	\$3,431,693,911	100%	19	\$3,238,935,081	100%		

**ARIZONA STATE TREASURER'S OFFICE  
MATURITY SUMMARY  
LGIP**

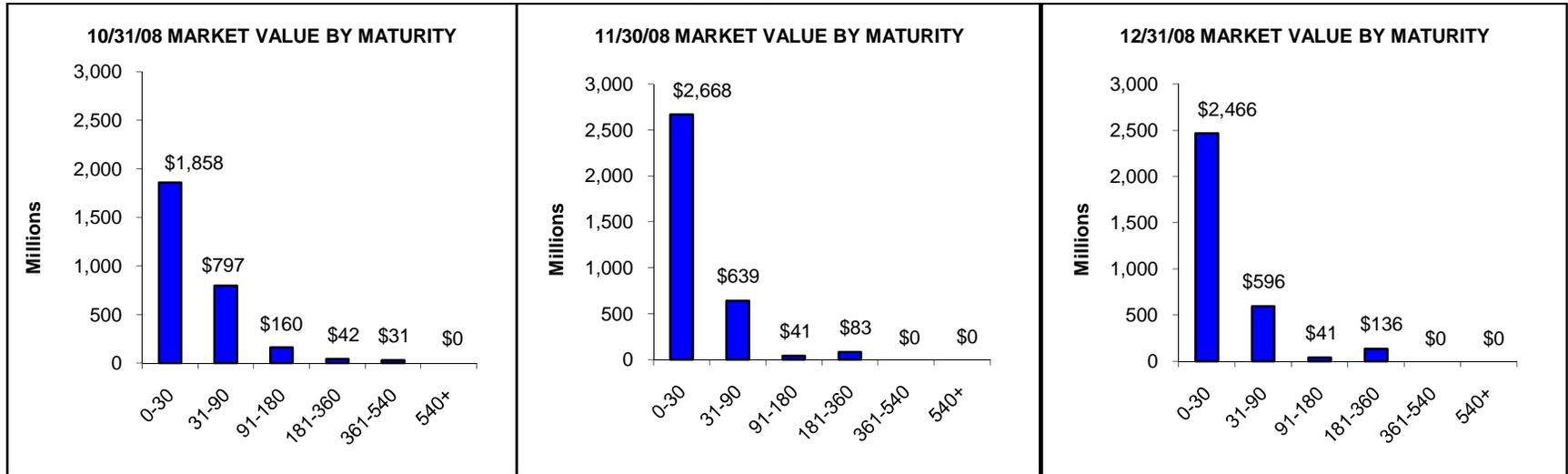


10/31/08				11/30/08			12/31/08		
MATURITY	POSITIONS	MARKET VALUE	PERCENT	POSITIONS	MARKET VALUE	PERCENT	POSITIONS	MARKET VALUE	PERCENT
0-30	61	\$1,309,390,848	51%	45	\$1,265,912,639	49%	23	\$731,727,665	30%
31-90	44	\$965,064,287	38%	40	\$840,200,730	32%	44	\$651,962,839	27%
91-180	6	\$253,833,438	10%	11	\$352,237,637	14%	18	\$781,025,790	32%
181-360	1	\$5,084,383	0%	4	\$114,272,753	4%	6	\$230,687,504	10%
361-540	2	\$14,425,088	1%	1	\$9,466,771	0%	1	\$9,618,546	0%
541+ *	2	\$11,711,363	0%	2	\$11,939,363	0%	2	\$12,206,550	1%
<b>TOTAL</b>	<b>116</b>	<b>\$2,559,509,405</b>	<b>100%</b>	<b>103</b>	<b>\$2,594,029,893</b>	<b>100%</b>	<b>94</b>	<b>\$2,417,228,894</b>	<b>100%</b>

10/31/08			11/30/08			12/31/08		
MATURITY	WAM		MATURITY	WAM		MATURITY	WAM	
0-30	7.33		0-30	4.39		0-30	3.19	
31-90	20.76		31-90	20.99		31-90	15.10	
91-180	12.00		91-180	15.30		91-180	36.47	
181-360	0.45		181-360	9.28		181-360	20.10	
361-540	2.57		361-540	1.70		361-540	1.73	
541+	3.11		541+	2.99		541+	3.12	
<b>TOTAL</b>	<b>46.21</b>		<b>TOTAL</b>	<b>54.65</b>		<b>TOTAL</b>	<b>79.72</b>	

**Note:** The Average Maturity is calculated to the next interest reset date for all floating rate securities in the portfolio.

**ARIZONA STATE TREASURER'S OFFICE  
MATURITY SUMMARY  
LGIP-GOV**



MATURITY	10/31/08			11/30/08			12/31/08		
	POSITIONS	MARKET VALUE	PERCENT	POSITIONS	MARKET VALUE	PERCENT	POSITIONS	MARKET VALUE	PERCENT
0-30	11	\$1,858,173,020	64%	15	\$2,668,309,093	78%	9	\$2,465,996,732	76%
31-90	15	\$796,543,129	28%	11	\$639,054,796	19%	5	\$596,000,115	18%
91-180	4	\$159,974,554	6%	1	\$40,873,688	1%	1	\$40,939,177	1%
181-360	1	\$41,675,815	1%	3	\$83,456,334	2%	4	\$135,999,058	4%
361-540	2	\$31,211,065	1%	0	\$0	0%	0	\$0	0%
540+	0	\$0	0%	0	\$0	0%	0	\$0	0%
<b>TOTAL</b>	<b>33</b>	<b>\$2,887,577,582</b>	<b>100%</b>	<b>30</b>	<b>\$3,431,693,911</b>	<b>100%</b>	<b>19</b>	<b>\$3,238,935,081</b>	<b>100%</b>

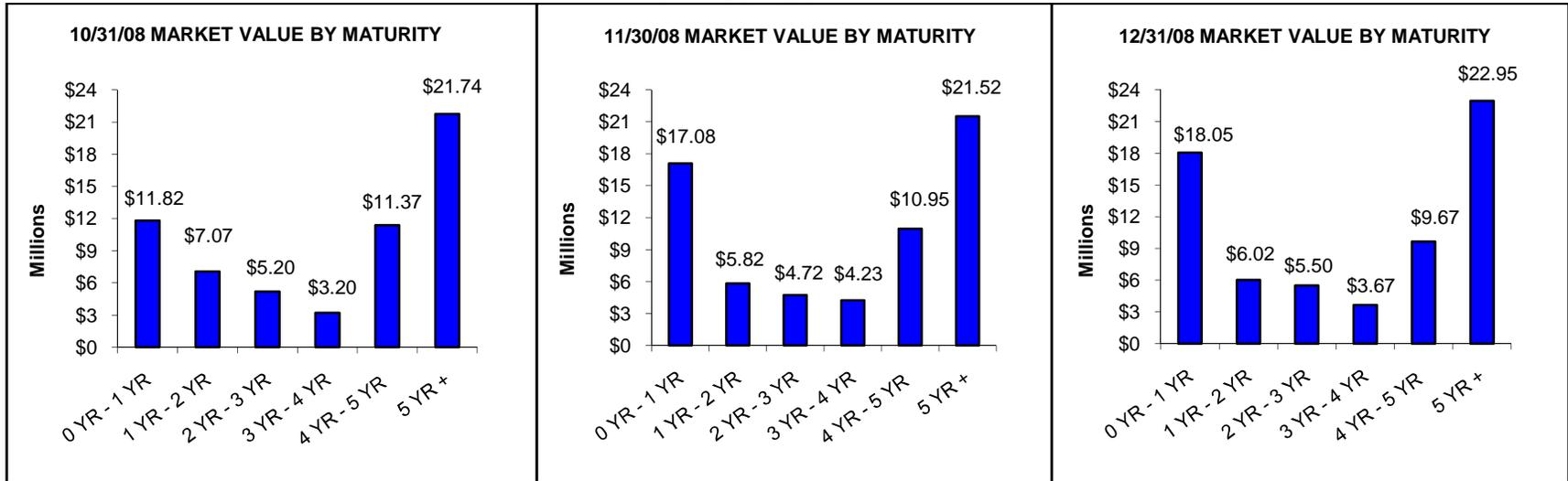
10/31/08	
MATURITY	WAM
0-30	5.23
31-90	16.18
91-180	6.54
181-360	2.83
361-540	3.49
540+	0.00
<b>TOTAL</b>	<b>34.27</b>

11/30/08	
MATURITY	WAM
0-30	7.44
31-90	9.13
91-180	1.98
181-360	6.37
361-540	0.00
540+	0.00
<b>TOTAL</b>	<b>24.92</b>

12/31/08	
MATURITY	WAM
0-30	7.26
31-90	7.26
91-180	1.71
181-360	9.39
361-540	0.00
540+	0.00
<b>TOTAL</b>	<b>25.63</b>

**Note:** The Average Maturity is calculated to the next interest reset date for all floating rate securities in the portfolio.

**ARIZONA STATE TREASURER'S OFFICE  
MATURITY SUMMARY  
LGIP POOL 500**



MATURITY	10/31/08			11/30/08			12/31/08		
	POSITIONS	MARKET VALUE	PERCENT	POSITIONS	MARKET VALUE	PERCENT	POSITIONS	MARKET VALUE	PERCENT
0 YR - 1 YR	25	\$11,819,824	20%	27	\$17,075,695	27%	28	\$18,045,392	27%
1 YR - 2 YR	18	\$7,069,224	12%	16	\$5,824,187	9%	17	\$6,017,957	9%
2 YR - 3 YR	14	\$5,195,624	9%	13	\$4,716,203	7%	14	\$5,500,716	8%
3 YR - 4 YR	8	\$3,196,179	5%	10	\$4,229,953	7%	8	\$3,669,304	6%
4 YR - 5 YR	22	\$11,366,059	19%	21	\$10,948,556	17%	19	\$9,669,107	15%
5 YR +	25	\$21,742,497	36%	24	\$21,516,513	33%	25	\$22,947,539	35%
<b>TOTAL</b>	<b>112</b>	<b>\$60,389,406</b>	<b>100%</b>	<b>111</b>	<b>\$64,311,107</b>	<b>100%</b>	<b>111</b>	<b>\$65,850,015</b>	<b>100%</b>

	10/31/2008	11/30/2008	12/31/2008
LGIP LT MONTHLY DURATION	2.12	1.67	1.31
MERRILL 1-5 US DOMESTIC MASTER INDEX	2.63	2.60	2.06

\*0 YR-1 YR includes dividends payable

\*At the time of purchase Bloomberg Average Life pre-payment estimates are used as proxy for maturity for mtg bonds.

**OPERATING MONIES**  
**AVERAGE INVESTED BALANCE**  
Through December 31, 2008  
(in millions of dollars)

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<u>Month</u>	<u>Fiscal Year</u> <u>2006/2007</u>	<u>Fiscal Year</u> <u>2007/2008</u>	<u>Fiscal Year</u> <u>2008/2009</u>
JULY	2,594	2,197	1,450
AUGUST	2,263	1,936	795
SEPTEMBER	2,305	2,082	876
OCTOBER	2,311	1,941	564
NOVEMBER	2,198	1,880	613
DECEMBER	2,181	1,893	804
JANUARY	2,390	1,875	
FEBRUARY	2,396	1,652	
MARCH	2,101	1,143	
APRIL	1,990	859	
MAY	2,288	890	
JUNE	2,079	815	
<b>Y-T-D</b>			
<b>Average</b>	<b>\$2,258</b>	<b>\$1,597</b>	<b>\$850</b>

**EARNINGS DISTRIBUTED  
ENDOWMENT FUNDS  
DECEMBER 2008**

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Distributed in Current Month

Recipient	December-08	Fiscal YTD 08/09	Fiscal YTD 07/08
101 A & M Colleges	\$22,686	\$136,326	\$196,353
102 State Hospital	\$11,186	\$67,224	\$97,749
103 Leg., Exec., & Jud.	\$16,072	\$96,588	\$129,087
104 Military Institute	\$1,269	\$7,623	\$10,113
105 Miners Hospital	\$20,025	\$120,345	\$156,033
107 Normal School ASU/NAU	\$6,345	\$38,133	\$50,487
108 Penitentiaries	\$16,874	\$101,415	\$141,279
109 Permanent Common School	\$4,521,984	\$27,177,216	\$34,642,503
110 School for Deaf & Blind	\$10,040	\$60,336	\$82,977
111 School of Mines	\$21,542	\$129,456	\$161,388
112 State Charitable-Pioneers Home	\$94,777	\$569,519	\$721,161
112 State Charitable-Corrections	\$47,388	\$284,758	\$360,582
112 State Charitable-Youth Treatment	\$47,388	\$284,758	\$360,582
113 University Fund	\$31,283	\$188,034	\$252,405
114 U of A Land - 1881	\$73,623	\$442,452	\$583,602
<b>Total</b>	<b>\$4,942,482</b>	<b>\$29,704,182</b>	<b>\$37,946,301</b>

Posted in USAS in current month

**ENDOWMENT FUNDS**  
**PORTFOLIO YIELD ANALYSIS**  
December 31, 2008

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FUND	DESCRIPTION	NET EARNINGS	SALES EARNINGS YIELD	AMORT/DISC EARNINGS YIELD	COUPON EARNINGS YIELD	NET YIELD
205	ENDOWMENTS - FIXED INCOME	6,001,098	1.1196%	-0.2565%	4.5051%	5.3683%
	<b>TOTAL ENDOWMENTS - FIXED INCOME</b>	<b>6,001,098</b>				

**RETURN ANALYSIS  
ENDOWMENT FUNDS**

(\$ In Thousands)

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<b>ENDOWMENT FUNDS</b>	<b>DECEMBER 2008 MONEY WEIGHTED RETURN</b>	<b>FISCAL YEAR 2008/2009 MONEY WEIGHTED RETURN</b>
101 A & M Colleges	2.63%	-14.57%
102 State Hospital	2.58%	-14.76%
103 Leg., Exec., & Jud.	2.65%	-13.76%
104 Military Institute	2.67%	-13.62%
105 Miners Hospital	2.59%	-14.29%
107 Normal School ASU/NAU	2.62%	-14.19%
108 Penitentiaries	2.59%	-12.22%
109 Permanent Common School	2.59%	-14.40%
110 School for Deaf & Blind	2.64%	-13.87%
111 School of Mines	2.62%	-14.20%
112 State Charitable	2.56%	-14.70%
113 University Fund	2.61%	-14.20%
114 U Of A Land - 1881	2.62%	-14.20%
<b>WEIGHTED PORTFOLIO RETURN</b>	2.59%	-12.25%
<b>WEIGHTED BENCHMARK</b>	2.93%	-11.35%
<b>S&amp;P 500 EQUITY FUND RETURN:</b>	1.11%	-28.36%
<b>S &amp; P 500 LARGE CAP INDEX:</b>	1.06%	-28.48%
<b>FIXED INCOME FUND RETURN:</b>	2.97%	4.08%
<b>CITIGROUP BIG INDEX RETURN:</b>	3.46%	5.53%
<b>S&amp;P 400 EQUITY FUND RETURN:</b>	4.30%	-34.82%
<b>S&amp;P 400 MID-CAP INDEX:</b>	4.85%	-33.64%

Bond Fund Total Return Includes Returns on Money Market Account

Money Weighted Return is based on shares owned by individual participants

Weighted Average Benchmark represents proportional holdings in the funds

	Oct-08	Nov-08	Dec-08	Oct-08	Nov-08	Dec-08
S&P 500	-16.80%	-7.17%	1.06%	968.75	896.24	903.25
S&P 400	-21.74%	-9.27%	4.85%	568.49	514.56	538.28
S&P 600	-20.15%	-11.68%	6.10%	287.67	253.76	268.73
DOW JONES	-14.06%	-5.32%	-0.60%	9325.66	8829.04	8776.39
NASDAQ	-17.69%	-10.61%	2.79%	1720.95	1535.57	1577.03

**NET REALIZED CAPITAL GAINS / LOSSES - ENDOWMENT FUNDS**

Endowment Fund -----	Dec-08 NET GAIN(LOSS) -----	FISCAL YTD GAINS(LOSSES) -----
Fixed Income Pool Net Gain (Loss)	1,236,018	917,242
Equity Pool (500) Net Gain (Loss)	(2,748,654)	(25,803,427)
Equity Pool (400) Net Gain (Loss)	(10,715,245)	(23,000,783)
<b>Totals</b>	<b>(12,227,881)</b> =====	<b>(47,886,968)</b> =====

**ENDOWMENT FUNDS FIXED-INCOME POOL**  
**PURCHASES & SALES**  
 Month of DECEMBER 2008

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**I. Endowment Funds Purchases**

<u>SECURITY DESCRIPTION</u>	<u>RATE</u>	<u>MATURITY</u>	<u>*WAL YEARS</u>	<u>PAR VALUE</u>	<u>PURCHASE COST</u>	<u>YIELD</u>	<u>MOODY'S / S&amp;P RATING</u>
				-----	-----		
<b>TOTAL ENDOWMENT FUNDS PURCHASES</b>				<b>\$0</b>	<b>\$0</b>		
				-----	-----		

**II. Endowment Funds Sales**

<u>SECURITY DESCRIPTION</u>	<u>RATE</u>	<u>MATURITY</u>	<u>PAR VALUE</u>	<u>AMORTIZED COST/PROCEEDS</u>	<u>SALES GAINS/(LOSSES)</u>	<u>MOODY'S / S&amp;P RATING</u>
U S TREASURY NOTE	8.88	8/15/2017	\$5,000,000	\$7,236,719	\$482,989	Aaa/AAA
U S TREASURY NOTE	6.00	2/15/2026	\$5,000,000	\$6,602,344	\$768,710	Aaa/AAA
<b>TOTAL ENDOWMENT FUNDS SALES</b>			-----	-----	-----	
			<b>\$10,000,000</b>	<b>\$13,839,063</b>	<b>\$1,251,699</b>	
			-----	-----	-----	

\*WAL is the weighted average life of the security based on the Bloomberg calculation at the time the trade is executed. The calculation is used only with mortgage-backed pass-through/CMO securities.

**EQUITY FUNDS**  
**PURCHASES & SALES**  
Month of December 2008

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**I. Equity Fund Purchases**

	<u>SHARES</u>	<u>PURCHASE COST</u>	<u>COMMISSIONS</u>
S&P 400 Mid-Cap Fund	1,096,994	\$25,492,746	\$16,455
S&P 500 Large-Cap Fund	294,435	\$9,349,558	\$3,807
<b>TOTAL EQUITY PURCHASES</b>	<b>1,391,429</b>	<b>\$34,842,304</b>	<b>\$20,263</b>

**II. Equity Funds Sales**

	<u>SHARES</u>	<u>SALES AMOUNT</u>	<u>COMMISSIONS</u>
S&P 400 Mid-Cap Fund	1,214,094	\$21,145,720	\$16,729
S&P 500 Large-Cap Fund	179,341	\$5,710,343	\$2,853
<b>TOTAL EQUITY SALES</b>	<b>1,393,435</b>	<b>\$26,856,063</b>	<b>\$19,582</b>

**ENDOWMENT FUNDS**  
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FUND	NAME OF FUND	SHARES OUTSTANDING	BOOK VALUE	MARKET VALUE	UNREALIZED GAINS (LOSSES)	<b>Mkt Value/ Book Value</b>
101	A & M Colleges					
	<i>Shares in S&amp;P 500 Index Fund</i>	2,519	2,295	1,928	(367)	
	<i>Shares in Fixed Income Fund</i>	2,785	3,088	4,159	1,071	
	<i>Shares in Mid-Cap 400 Equity Fund</i>	822	786	963	176	
	Total	6,126	6,169	7,049	881	<b>1.143</b>
102	State Hospital					
	<i>Shares in S&amp;P 500 Index Fund</i>	1,550	1,333	1,187	(147)	
	<i>Shares in Fixed Income Fund</i>	1,574	1,793	2,351	559	
	<i>Shares in Mid-Cap 400 Equity Fund</i>	442	457	518	61	
	Total	3,567	3,582	4,055	473	<b>1.132</b>
103	Leg., Exec., & Jud.					
	<i>Shares in S&amp;P 500 Index Fund</i>	1,954	1,923	1,496	(427)	
	<i>Shares in Fixed Income Fund</i>	2,346	2,587	3,504	918	
	<i>Shares in Mid-Cap 400 Equity Fund</i>	635	659	744	86	
	Total	4,936	5,168	5,744	576	<b>1.111</b>
104	Military Institute					
	<i>Shares in S&amp;P 500 Index Fund</i>	133	133	102	(31)	
	<i>Shares in Fixed Income Fund</i>	167	179	250	71	
	<i>Shares in Mid-Cap 400 Equity Fund</i>	47	46	55	9	
	Total	347	357	406	49	<b>1.138</b>
105	Miners Hospital					
	<i>Shares in S&amp;P 500 Index Fund</i>	3,742	3,675	2,864	(811)	
	<i>Shares in Fixed Income Fund</i>	3,910	4,936	5,840	904	
	<i>Shares in Mid-Cap 400 Equity Fund</i>	1,054	1,258	1,235	(23)	
	Total	8,706	9,869	9,938	69	<b>1.007</b>

**ENDOWMENT FUNDS**  
**INVESTMENTS OUTSTANDING**  
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FUND	NAME OF FUND	SHARES OUTSTANDING	BOOK VALUE	MARKET VALUE	UNREALIZED GAINS (LOSSES)	Mkt Value/ Book Value
107	Normal School ASU/NAU					
	<i>Shares in S&amp;P 500 Index Fund</i>	849	807	650	(158)	
	<i>Shares in Fixed Income Fund</i>	951	1,085	1,421	335	
	<i>Shares in Mid-Cap 400 Equity Fund</i>	261	276	306	29	
	Total	2,061	2,169	2,376	206	<b>1.095</b>
108	Penitentiaries					
	<i>Shares in S&amp;P 500 Index Fund</i>	3,185	2,887	2,437	(450)	
	<i>Shares in Fixed Income Fund</i>	3,245	3,879	4,846	967	
	<i>Shares in Mid-Cap 400 Equity Fund</i>	929	988	1,088	100	
	Total	7,358	7,755	8,371	616	<b>1.079</b>
109	Permanent Common School					
	<i>Shares in S&amp;P 500 Index Fund</i>	780,857	762,973	597,573	(165,400)	
	<i>Shares in Fixed Income Fund</i>	830,883	1,025,029	1,240,903	215,874	
	<i>Shares in Mid-Cap 400 Equity Fund</i>	220,132	261,179	257,807	(3,372)	
	Total	1,831,872	2,049,182	2,096,283	47,102	<b>1.023</b>
110	School for Deaf & Blind					
	<i>Shares in S&amp;P 500 Index Fund</i>	1,150	1,090	880	(210)	
	<i>Shares in Fixed Income Fund</i>	1,367	1,467	2,041	575	
	<i>Shares in Mid-Cap 400 Equity Fund</i>	376	373	440	67	
	Total	2,893	2,930	3,362	431	<b>1.147</b>
111	School of Mines					
	<i>Shares in S&amp;P 500 Index Fund</i>	2,860	2,796	2,188	(607)	
	<i>Shares in Fixed Income Fund</i>	3,201	3,759	4,781	1,021	
	<i>Shares in Mid-Cap 400 Equity Fund</i>	879	958	1,029	72	
	Total	6,940	7,513	7,998	486	<b>1.065</b>

**ENDOWMENT FUNDS**  
**INVESTMENTS OUTSTANDING**  
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 (In Thousands)

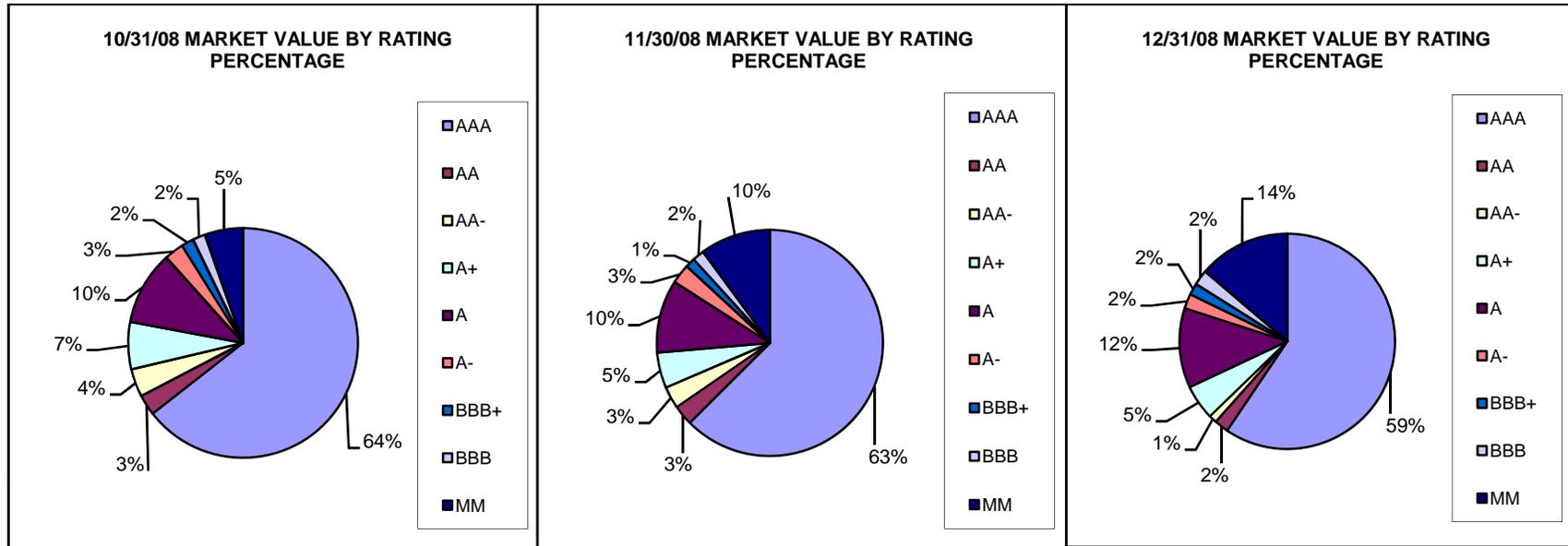
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FUND	NAME OF FUND	SHARES OUTSTANDING	BOOK VALUE	MARKET VALUE	UNREALIZED GAINS (LOSSES)	Mkt Value/ Book Value
112	State Charitable					
	<i>Shares in S&amp;P 500 Index Fund</i>	32,161	29,999	24,612	(5,387)	
	<i>Shares in Fixed Income Fund</i>	32,004	40,310	47,798	7,488	
	<i>Shares in Mid-Cap 400 Equity Fund</i>	8,458	10,271	9,905	(366)	
	Total	72,622	80,580	82,315	1,734	<b>1.022</b>
113	University Fund					
	<i>Shares in S&amp;P 500 Index Fund</i>	4,745	4,573	3,632	(942)	
	<i>Shares in Fixed Income Fund</i>	5,273	6,148	7,875	1,727	
	<i>Shares in Mid-Cap 400 Equity Fund</i>	1,435	1,566	1,680	114	
	Total	11,453	12,287	13,187	900	<b>1.073</b>
114	U Of A Land - 1881					
	<i>Shares in S&amp;P 500 Index Fund</i>	9,986	9,597	7,642	(1,955)	
	<i>Shares in Fixed Income Fund</i>	11,253	12,901	16,805	3,905	
	<i>Shares in Mid-Cap 400 Equity Fund</i>	3,069	3,286	3,594	308	
	Total	24,307	25,784	28,042	2,258	<b>1.088</b>
<b>TOTALS - ALL FUNDS</b>						
	<i>Shares in S&amp;P 500 Index Fund</i>	845,691	824,082	647,189	(176,893)	
	<i>Shares in Fixed Income Fund</i>	898,960	1,107,161	1,342,574	235,413	
	<i>Shares in Mid-Cap 400 Equity Fund</i>	238,539	282,103	279,364	(2,739)	
	<b>Grand Total</b>	<b>1,983,189</b>	<b>2,213,345</b>	<b>2,269,126</b>	<b>55,781</b>	

**ASSET ALLOCATION PERCENTAGE**

	SHARES OUTSTANDING	BOOK VALUE	MARKET VALUE
<i>Shares in S&amp;P 500 Index Fund</i>	42.64%	37.23%	28.52%
<i>Shares in Fixed Income Fund</i>	45.33%	50.02%	59.17%
<i>Shares in Mid-Cap 400 Equity Fund</i>	12.03%	12.75%	12.31%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

**TREASURER'S OFFICE  
RATING SUMMARY  
ENDOWMENT FIXED INCOME FUND**



	10/31/08			11/30/08			12/31/08		
RATING	POSITIONS	MARKET VALUE	PERCENT	POSITIONS	MARKET VALUE	PERCENT	POSITIONS	MARKET VALUE	PERCENT
AAA	130	\$810,426,386	64%	128	\$808,545,116	63%	126	\$791,085,217	59%
AA	6	\$36,590,867	3%	6	\$37,533,469	3%	5	\$28,497,958	2%
AA-	8	\$49,202,297	4%	7	\$40,710,490	3%	2	\$15,795,973	1%
A+	14	\$82,704,972	7%	12	\$65,827,971	5%	12	\$70,016,123	5%
A	21	\$122,979,553	10%	22	\$134,538,890	10%	25	\$159,197,144	12%
A-	7	\$33,992,130	3%	7	\$36,346,480	3%	6	\$29,291,104	2%
BBB+	5	\$21,924,743	2%	4	\$17,987,970	1%	5	\$23,264,170	2%
BBB	4	\$21,961,756	2%	4	\$21,875,170	2%	5	\$30,441,075	2%
MM	2	\$68,716,790	5%	2	\$130,063,060	10%	2	\$183,403,114	14%
<b>TOTAL</b>	<b>197</b>	<b>\$1,248,499,493</b>	<b>100%</b>	<b>192</b>	<b>\$1,293,428,616</b>	<b>100%</b>	<b>188</b>	<b>\$1,330,991,877</b>	<b>100%</b>

MM = MONEY MARKET (LGIP AND BONY/HAMILTON TREASURY)

**EQUITY HOLDINGS**  
**INVESTMENTS OUTSTANDING**  
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<u>POOL #</u>	<u>POOL DESCRIPTION</u>	<u>S&amp;P SECTOR</u>	<u>MARKET VALUE</u>	<u>% POOL BALANCE</u>	<u>% S&amp;P 500 BALANCE</u>	<u>DIFFERENCE</u>
<b>201</b>	<b>S&amp;P 500 INDEX</b>					
		CONSUMER DISCRETIONARY	51,845	8.38%	8.38%	0.00%
		CONSUMER STAPLES	79,517	12.86%	12.85%	0.00%
		ENERGY	82,361	13.31%	13.31%	0.00%
		FINANCIALS	82,183	13.29%	13.29%	0.00%
		HEALTH CARE	91,348	14.77%	14.76%	0.00%
		INDUSTRIALS	68,418	11.06%	11.06%	0.00%
		INFORMATION TECHNOLOGY	94,617	15.30%	15.30%	0.00%
		MATERIALS	18,413	2.98%	2.99%	-0.01%
		TELECOMMUNICATION SERVICES	23,678	3.83%	3.83%	0.00%
		UTILITIES	26,181	4.23%	4.23%	0.00%
		TOTALS LESS CASH / SPDR'S:	618,561	100.00%	100.00%	
		SPYDER'S	27,109			
		CASH **	1,519			
		TOTAL:	<u>647,189</u>			

\*Numbers may not add up to 100% due to rounding. Differences may be off up to 1 bp due to rounding  
\*\* Includes dividends receivable and receivables (+)/payables (-) for sales/purchases.

**EQUITY HOLDINGS**  
**INVESTMENTS OUTSTANDING**  
December 31, 2008  
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<u>POOL #</u>	<u>POOL DESCRIPTION</u>	<u>S &amp; P SECTOR</u>	<u>MARKET</u> <u>VALUE</u>	<u>% POOL</u> <u>BALANCE</u>	<u>% S&amp;P 400</u> <u>BALANCE</u>	<u>DIFFERENCE</u>
<b>203</b>	<b>S&amp;P 400 INDEX</b>					
	CONSUMER DISCRETIONARY		21,611	11.18%	14.05%	-2.86%
	CONSUMER STAPLES		10,593	5.48%	4.54%	0.94%
	ENERGY		12,123	6.27%	6.39%	-0.11%
	FINANCIALS		43,589	22.56%	21.13%	1.43%
	HEALTH CARE		24,219	12.53%	11.35%	1.19%
	INDUSTRIALS		26,638	13.79%	14.44%	-0.66%
	INFORMATION TECHNOLOGY		21,035	10.89%	12.51%	-1.63%
	MATERIALS		11,213	5.80%	6.78%	-0.98%
	TELECOMMUNICATION SERVICES		1,372	0.71%	0.58%	0.13%
	UTILITIES		20,834	10.78%	8.24%	2.54%
	TOTALS LESS CASH / SPDR'S:		193,229	100.00%	100.00%	
	SPYDER'S		83,863			
	CASH **		2,272			
	TOTAL:		279,364			

\*Numbers may not add up to 100% due to rounding. Differences may be off up to 1 bp due to rounding

\*\* Includes dividends receivable and receivables (+)/payables (-) for sales/purchases.

\*\*\* Pool 203 primarily holds the largest 200 equity positions in the S&P 400 Index based upon market capitalization; as well as cash and SPYDER'S (S&P MidCap 400 Depository Receipts) which represent ownership of all 400 common stocks in the index.

**EQUITY HOLDINGS - BY PARTICIPANT**

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<u>Fund #</u>	<u>PARTICIPANT DESCRIPTION</u>	<u>BOOK VALUE</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN (LOSS)</u>
101	A & M Colleges	\$3,081	\$2,891	(\$190)
102	State Hospital	1,790	1,704	(86)
103	Leg., Exec., & Jud.	2,582	2,240	(342)
104	Military Institute	178	156	(22)
105	Miners Hospital	4,933	4,098	(834)
107	Normal School	1,084	955	(129)
108	Penitentiaries	3,876	3,525	(350)
109	Permanent Common School	1,024,152	855,380	(168,772)
110	School for Deaf & Blind	1,464	1,320	(143)
111	School of Mines	3,753	3,218	(536)
112	State Charitable	40,270	34,517	(5,753)
113	University Fund	6,139	5,312	(827)
114	U of A Land - 1881	12,883	11,236	(1,647)
	Totals:	<u>\$1,106,184</u>	<u>\$926,553</u>	<u>(\$179,632)</u>

Includes equity holdings of S&P 500 fund and S&P 400 Mid-Cap Fund

**BROKER ACTIVITY REPORT**  
**STATE AGENCY FUNDS 2, 3, 6, 8, 9, 11-15, 55, 57**  
**OCTOBER 1 - DECEMBER 31, 2008**

<i>Broker Name</i>	<i>Asset Group</i>	<i>Sum Of Book Value</i>	<i>Pct Of Type</i>	<i>Pct Of Total</i>
<b>BA SECURITIES INC.</b>				
	REPO	2,017,000,000	18.30%	15.43%
	US-AGENCY	2,800,000	0.19%	0.02%
	US TREAS	100,000,000	30.30%	0.77%
<b>BARCLAYS CAPITAL INC.</b>				
	US-AGENCY	692,000,000	47.05%	5.29%
	US TREAS	40,000,000	12.12%	0.31%
<b>BONY MONEY MARKET</b>				
	MONEY-MARK	41,985,672	100.00%	0.32%
<b>CANTOR FITZGERALD</b>				
	CORP ABS	7,911,140	72.16%	0.06%
	CORP CMO	17,085,594	100.00%	0.13%
	USA-MBS	26,788,527	100.00%	0.20%
<b>CITIGROUP</b>				
	REPO	3,221,000,000	29.23%	24.65%
	US-AGENCY	183,500,000	12.48%	1.40%
	US TREAS	70,000,000	21.21%	0.54%
<b>DEUTSCHE BANC</b>				
	REPO	4,232,000,000	38.40%	32.38%
	US TREAS	50,000,000	15.15%	0.38%
<b>FIRST TENNESSEE</b>				
	US AGENCY	113,600,000	7.72%	0.87%
	US TREAS	20,000,000	6.06%	0.15%

**BROKER ACTIVITY REPORT**  
**STATE AGENCY FUNDS 2, 3, 6, 8, 9, 11-15, 55, 57**  
**OCTOBER 1 - DECEMBER 31, 2008**

<i>Broker Name</i>	<i>Asset Group</i>	<i>Sum Of Book Value</i>	<i>Pct Of Type</i>	<i>Pct Of Total</i>
<b>GOLDMAN SACHS</b>				
	US-AGENCY	655,000	0.04%	0.01%
<b>JP MORGAN</b>				
	CORP NOTES	72,000,000	59.10%	0.55%
	CORP ABS	3,052,926	27.84%	0.02%
	US-AGENCY	500,000	0.03%	0.00%
<b>MERRILL LYNCH</b>				
	US-AGENCY	220,200,000	14.97%	1.68%
<b>MIZUHO SECURITIES</b>				
	REPO	1,220,000,000	11.07%	9.33%
<b>MORGAN STANLEY</b>				
	CORP NOTES	5,500,000	4.51%	0.04%
	US-AGENCY	100,000	0.01%	0.00%
<b>SECURITIES TRANSFERS (NO BROKER)</b>				
	REPO	330,000,000	2.99%	2.52%
	CORP NOTES	44,325,000	36.38%	0.34%
	US-AGENCY	210,000,000	14.28%	1.61%
	US TREAS	50,000,000	15.15%	0.38%
<b>RBS GREENWICH CAPITAL</b>				
	US-AGENCY	500,000	0.03%	0.00%
<b>STIFEL NICOLAUS</b>				
	US-AGENCY	46,985,000	3.19%	0.36%
<b>UBS PAINE WEBBER</b>				
	COMM-PAP	30,000,000	100.00%	0.23%

**BROKER ACTIVITY REPORT**  
**POOL 5 - L.G.I.P.**  
**OCTOBER 1 - DECEMBER 31, 2008**

<i>Broker Name</i>	<i>Asset Group</i>	<i>Sum Of Book Value</i>	<i>Pct Of Type</i>	<i>Pct Of Total</i>
<b>BA SECURITIES INC.</b>				
	REPO	267,000,000	8.58%	3.19%
	US-AGENCY	292,000,000	6.49%	3.49%
<b>BARCLAYS CAPITAL INC.</b>				
	US-AGENCY	1,204,406,000	26.75%	14.38%
	US TREAS	50,000,000	8.20%	0.60%
<b>CANTOR FITZGERALD</b>				
	US-AGENCY	65,000,000	1.44%	0.78%
<b>CITIGROUP</b>				
	REPO	931,000,000	29.92%	11.12%
	CORP NOTES	5,000,000	3.80%	0.06%
	US-AGENCY	166,000,000	3.69%	1.98%
	US TREAS	35,000,000	5.74%	0.42%
<b>DEUTSCHE BANC</b>				
	REPO	1,329,000,000	42.71%	15.87%
	CORP NOTES	40,300,000	30.65%	0.48%
	US-AGENCY	180,000,000	4.00%	2.15%
	US TREAS	50,000,000	8.20%	0.60%
<b>FIRST TENNESSEE</b>				
	US-AGENCY	923,500,000	20.51%	11.03%
<b>J.P. MORGAN</b>				
	CORP NOTES	14,450,000	10.99%	0.17%
	US-AGENCY	350,000,000	7.77%	4.18%
<b>MERRILL LYNCH</b>				
	CORP NOTES	5,000,000	3.80%	0.06%
	US-AGENCY	274,166,000	6.09%	3.27%
	US TREAS	50,000,000	8.20%	0.60%

**BROKER ACTIVITY REPORT**  
**POOL 5 - L.G.I.P.**  
**OCTOBER 1 - DECEMBER 31, 2008**

<i>Broker Name</i>	<i>Asset Group</i>	<i>Sum Of Book Value</i>	<i>Pct Of Type</i>	<i>Pct Of Total</i>
<b>MIZUHO SECURITIES</b>				
	REPO	390,000,000	12.53%	4.66%
	US-AGENCY	206,346,000	4.58%	2.46%
	US TREAS	200,000,000	32.79%	2.39%
<b>MORGAN STANLEY</b>				
	CORP NOTES	19,000,000	14.45%	0.23%
	US-AGENCY	316,244,000	7.02%	3.78%
<b>SECURITIES TRANSFERS (NO BROKER)</b>				
	REPO	195,000,000	6.27%	2.33%
	CORP NOTES	44,325,000	33.71%	0.53%
	US-AGENCY	210,000,000	4.66%	2.51%
	US TREAS	175,000,000	28.69%	2.09%
<b>RAYMOND JAMES AND ASSOCIATES</b>				
	CORP NOTES	3,400,000	2.59%	0.04%
<b>RBC DAIN RAUSCHER</b>				
	US-AGENCY	50,000,000	1.11%	0.60%
<b>RBS GREENWICH CAPITAL</b>				
	US TREAS	50,000,000	8.20%	0.60%
<b>UBS PAINE WEBBER</b>				
	COMM-PAP	20,000,000	100.00%	0.24%
	US-AGENCY	264,160,000	5.87%	3.15%

**BROKER ACTIVITY REPORT**  
**POOL 500 - L.G.I.P. LONG-TERM**  
**OCTOBER 1 - DECEMBER 31, 2008**

<i>Broker Name</i>	<i>Asset Group</i>	<i>Sum Of Book Value</i>	<i>Pct Of Type</i>	<i>Pct Of Total</i>
<b>BA SECURITIES INC.</b>				
	COMM-PAP	390,000	47.56%	0.87%
<b>BONY MONEY MARKET</b>				
	MONEY-MARK	28,410,340	100.00%	63.59%
<b>CANTOR FITZGERALD</b>				
	US AGENCY	4,570,000	40.36%	10.23%
	USA-MBS	3,369,680	100.00%	7.54%
<b>CITIGROUP</b>				
	US AGENCY	3,000,000	26.49%	6.72%
<b>J.P. MORGAN</b>				
	CORP NOTES	250,000	33.33%	0.56%
<b>MERRILL LYNCH</b>				
	US AGENCY	1,600,000	14.13%	3.58%
<b>MORGAN STANLEY</b>				
	US AGENCY	654,000	5.78%	1.46%
<b>SECURITIES TRANSFERS (NO BROKER)</b>				
	CORP NOTES	500,000	66.67%	1.12%
<b>UBS PAINE WEBBER</b>				
	COMM-PAP	430,000	52.44%	0.96%
	US AGENCY	1,500,000	13.25%	3.36%

**BROKER ACTIVITY REPORT**  
**POOL 7 - L.G.I.P.- GOV**  
**OCTOBER 1 - DECEMBER 31, 2008**

<i>Broker Name</i>	<i>Asset Group</i>	<i>Sum Of Book Value</i>	<i>Pct Of Type</i>	<i>Pct Of Total</i>
<b>BA SECURITIES INC.</b>				
	REPO	5,121,000,000	10.16%	9.73%
<b>BARCLAYS CAPITAL INC</b>				
	US TREAS	200,000,000	8.99%	0.38%
<b>CANTOR FITZGERALD</b>				
	US TREAS	150,000,000	6.74%	0.29%
<b>CITIGROUP</b>				
	REPO	20,208,000,000	40.10%	38.41%
	US TREAS	50,000,000	2.25%	0.10%
<b>DEUTSCHE BANC</b>				
	REPO	20,825,000,000	41.33%	39.58%
	US TREAS	200,000,000	8.99%	0.38%
<b>FIRST TENNESSEE</b>				
	US TREAS	50,000,000	2.25%	0.10%
<b>MERRILL LYNCH</b>				
	US TREAS	650,000,000	29.21%	1.24%
<b>MIZUHO SECURITIES</b>				
	REPO	4,155,000,000	8.25%	7.90%
	US TREAS	550,000,000	24.72%	1.05%
<b>SECURITIES TRANSFERS (NO BROKER)</b>				
	REPO	80,000,000	0.16%	0.15%
	US TREAS	225,000,000	10.11%	0.43%

*BROKER ACTIVITY REPORT  
POOL 7 - L.G.I.P.- GOV  
OCTOBER 1 - DECEMBER 31, 2008*

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<i>Broker Name</i>	<i>Asset Group</i>	<i>Sum Of Book Value</i>	<i>Pct Of Type</i>	<i>Pct Of Total</i>
<hr/> <i>RBS GREENWICH CAPITAL</i>				
	US TREAS	150,000,000	6.74%	0.29%

**BROKER ACTIVITY REPORT  
FIXED INCOME FUND 205  
OCTOBER 1 - DECEMBER 31, 2008**

<i>Broker Name</i>	<i>Asset Group</i>	<i>Sum Of Book Value</i>	<i>Pct Of Type</i>	<i>Pct Of Total</i>
<b><i>BANK OF AMERICA SECURITIES</i></b>				
	US TREAS	5,000,000	16.67%	1.77%
<b><i>BONY MONEY MARKET</i></b>				
	MONEY-MARK	224,333,639	100.00%	79.26%
<b><i>CANTOR FITZGERALD</i></b>				
	CORP-NOTE	3,695,000	15.59%	1.31%
<b><i>DEUTSCHE BANC</i></b>				
	US TREAS	5,000,000	16.67%	1.77%
<b><i>GOVERNMENT PERSPECTIVES</i></b>				
	US AGENCY	5,000,000	100.00%	1.77%
	US TREAS	5,000,000	16.67%	1.77%
<b><i>J.P. MORGAN</i></b>				
	CORP-NOTE	20,000,000	84.41%	7.07%
<b><i>RBS GREENWICH CAPITAL</i></b>				
	US TREAS	15,000,000	50.00%	5.30%