

OFFICE OF THE
ARIZONA STATE TREASURER



**HON. DEAN MARTIN
TREASURER**



SEPTEMBER 2008

Presented To:

Arizona State Board of Investment

OCTOBER 15, 2008

STATE BOARD OF INVESTMENT

A G E N D A

October 15, 2008

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. Review and Approval of Proposed and or Pending Securities Dealers
8. General Business
9. Call to the Public
10. Notice of Next Meeting
11. 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

October 15, 2008

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**Minutes of
BOARD OF INVESTMENT MEETING**

The regular meeting of the State Board of Investment was held on September 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 10:38 a.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
Alan E. Maguire, President, The Maguire Company (*Audio Conference Call*)
Bruce Tunell, Deputy Superintendent, Department of Financial Institutions, designee for Felecia A. Rotellini, Superintendent, Department of Financial Institutions

Members Absent:

None

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, Chief Investment Officer, Arizona State Treasurer's Office
Chris Petkiewicz, Portfolio Manager, Arizona State Treasurer's Office
Dale Stomberg, Investment Accounting Manager, Arizona State Treasurer's Office
Kenton McCarthy, Vice President, Stone & Youngberg, Member of the Public
John Combe, Audit Senior, Office of the Auditor General
Mark L. Manoil, Attorney at Law, Carson, Messinger, Laughlin and Ragan, PLLC, Member of the Public

Pursuant to A.R.S. 35-311, the following reports for August, 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

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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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- 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 September 17, 2008 BOI meeting to order at approximately 10:38 a.m.

2. Treasurers Comments:

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

3. Approval of Minutes:

Mr. Jacobs made a motion to approve the minutes for the August 27, 2008 Board of Investment Meeting. Mr. Tunell seconded the motion. Motion carried.

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

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

Earnings Distribution – Investment Pools

Mr. White 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 August, 2008.

State Agency Pools Portfolio Yield Analysis

Mr. White reported the gross yields for the State Agency Pools for the month of August, 2008.

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

Mr. White 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 August, 2008.

Pool 500

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

Investments Outstanding in State Agency Pools

Mr. White reported the total ending par, book, market value, and unrealized gain/loss on the State Investment Pools as of August 31, 2008.

Investments Outstanding Pools 5, 7, and 500

Mr. White reported the ending par, book, market value, and unrealized gain/loss on the LGIP, LGIP-Gov, and LGIP Long Term pools as of August 31, 2008.

Investments Outstanding Pool 500 Shares

Mr. White reported the ending par, book, market value, and unrealized gain/loss for the LGIP Long Term Pool (share balances) as of August 31, 2008.

Rating Summary for State Agencies

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

Rating Summary for LGIP Pool 5

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

Rating Summary LGIP-Long Term Pool 500

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

Rating Summary LGIP-Gov Pool 7

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

LGIP Maturity Summary Pool 5

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

LGIP Maturity Summary Pool 7

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

LGIP Long Term Maturity Summary Pool 500

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

Operating Monies Average Invested Balance

Mr. White reported the Operating Monies average invested balance for the month of August, 2008.

Treasurer Martin noted that the operating monies are down almost three times as much as compared to August 2007. He also advised the board that the state could be using Warrant Notes before the end of the calendar year.

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

Mr. Tim White presented 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 August, 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 August, 2008.

Monthly Return Analysis for the Endowment Funds

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

Treasurer Martin commented that the bond fund in the Endowment Portfolio has shorter maturities and carries less credit risk than the benchmark fund it is compared with.

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 August, 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 August, 2008.

Equity Funds Purchases & Sales

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

Investments Outstanding in Endowment Funds

Mr. White reported the par, book, market value, and unrealized gains/loss of the Endowment Funds as of August 31, 2008.

Rating Summary Endowment Fixed Income Fund

Mr. White reported the credit ratings for the Endowment Funds as of August 31, 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 August 31, 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 August 31, 2008.

Equity Holdings – By Participant

Mr. White reported the equity holdings of the Endowment Funds as of August 31, 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 no proposed changes to the Investment Policy at this time.

7. Review and Approval of Proposed/Pending Securities Dealers

Treasurer Martin reported that there were no proposed or pending security dealer's issues at this time.

7. General Business:

Treasurer Martin spoke about the Lehman Chapter 11 Bankruptcy filed on September 14th. He advised the board that the three remaining Lehman bond positions, which are held in pool 5, will be segregated into a new pool. The new pool will be pool 57. The only positions in Pool 57 will be the Lehman bonds.

Treasurer Martin also noted that there have been no unexpected redemptions in Pool 5. Mr. Jacobs asked if the assets in the new pool will be treated in the same manner as the NCFE assets. Treasurer Martin responded that the NCFE situation was a little different than the problems Lehman is facing. NCFE was dealing with fraud and bankruptcy and no longer existed, while Lehman has filed under chapter 11. Essentially the accounting would be the same for both pools.

Mr. Maguire advised the Board of the following:

- 1. The creation of pool 57 protects the new depositors from liability for the Lehman Bonds.*
- 2. The Fed stepped into the AIG situation because they were going to experience immediate Capital Calls, where as Lehman has long term liabilities that may exceed assets, but the Chapter 11 filing will allow the Bankruptcy Court to manage those withdrawals.*

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October 15, 2008 Meeting
Minutes of the September 17, 2008 Meeting*

3. *"The worst time to sell anything is immediately after the loss."*
4. *Some of the Local Governments may want to move from Pool 5 to Pool 7 so planning to increase the pool 7 eligibility holdings for those depositors should be considered.*

Treasurer Martin noted that in preparation for transfer requests, a lot of liquidity has been provided in the pools.

Ms. Hosseini inquired about the state's holdings. Treasurer Martin advised the Board that the state's share of the Lehman Bonds in Pool 5 was about 4.9 million. Ms. Hosseini then asked if there are limits on the percentage of a position that can be held in the pools. Treasurer Martin responded that the limit is 5 percent. Mr. White noted that the Lehman exposure in Pool 5 was about 1.266 percent.

Mr. Jacobs asked if the Endowment Pools were affected. Treasurer Martin responded that the only exposure to Lehman for the Endowment was in the S & P 500 Pool. The percentage of holdings in the pool would be the same as the percentage of the Lehman assets in the S & P 500 Index, because the pool has been designed to mirror that index.

The Treasurer also commented that Pool 500 had \$250,000 exposure to Lehman. Pool 500 was not segregated because it has a floating NAV. He noted that Pool 12, Pool 15 and Pool 205 have exposure to AIG. The total exposure in these pools is \$14,500,000 and these pools are floating NAV pools as well.

Treasurer Martin advised the Members of the Board that plans for the divestment bill are moving forward and he would like to have it completed by the end of the calendar year. It will be discussed in a future meeting.

8. *Notice of Next Meeting:*

The next regular meeting of the Board of Investment will be Wednesday, October 15, 2008 at 10:30 a.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.

11. Adjournment:

Ms. Hosseini made a motion to adjourn the BOI meeting. Mr. Tunell seconded the motion. Upon unanimous approval, the BOI meeting was adjourned at 11:47 a.m.

Respectfully Submitted by:

Helen D. Garafola
Executive Consultant

Approved by:

Dean Martin, Chair

Date:

EARNINGS DISTRIBUTION - INVESTMENT POOLS
 SEPTEMBER 2008

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Recipient	Earnings Distributed			Fiscal YTD Investment Management Fees Received
	SEPTEMBER 2008	Fiscal YTD 08/09	Fiscal YTD 07/08	
General Fund	\$1,491,501	\$6,545,711	\$39,110,870	
2 State Agencies I - Full Faith & Credit	2,168,672	9,885,457	7,701,490	\$142,486
3 State Agencies II - Diversified	4,220,575	14,092,441	24,241,011	324,173
5 Local Governments	2,838,276	12,999,866	26,590,710	468,352
6 State Agencies III - US Govt & Agency	5,387	15,849	73,958	1,133
7 LGIP Gov't	2,075,528	13,727,759	21,750,838	344,869
8 State Agencies IV - Restricted Diversified	2,307,637	3,463,178	2,887,468	96,694
9 * ADOT - BFO	0	0	0	0
11 School Facilities Board	9,040	30,425	17,174	1,776
12 CAWCD Medium-Term	351,833	1,111,636	1,354,691	17,787
14 School Facilities Board 2002 Series	17,406	47,088	353,837	2,851
15 GADA Long-Term	64,639	166,719	250,423	2,658
Subtotal	\$15,550,494	\$62,086,130	\$124,332,472	\$1,402,780
NAV POOL				
500 LGIP LT	209,608	602,068	349,794	9,123
Total	\$15,760,103	\$62,688,198	\$124,682,266	\$1,411,903

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

**STATE AGENCY POOLS
PORTFOLIO YIELD ANALYSIS**
September 30, 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	2,511,797	0.0000%	0.2503%	3.0929%	3.3432%
3	STATE AGENCIES II - DIVERSIFIED	4,527,756	-0.3215%	0.7513%	2.5618%	2.9916%
6	STATE AGENCIES III - US GOVT & AGENCY	13,041	0.0000%	0.6236%	1.5813%	2.2049%
8	STATE AGENCIES IV-RESTRICTED DIVERSIFIED	1,429,713	0.0000%	-0.8315%	3.8104%	2.9789%
9	BOARD FUNDING OBLIGATION	433,973	0.0000%	0.0000%	4.8600%	4.8600%
11	SCHOOL FACILITIES BOARD	15,648	0.0000%	1.3540%	0.2572%	1.6112%
12	CAWCD MEDIUM TERM	406,915	0.0000%	-0.1013%	4.3883%	4.2870%
14	SCHOOL FACILITIES BOARD BONDS	30,933	0.0000%	1.0196%	1.1438%	2.1634%
15	GADA	57,236	0.0000%	0.1750%	3.9032%	4.0782%
TOTAL STATE AGENCIES		9,427,012				

LGIP & LGIP-GOV
PORTFOLIO YIELD ANALYSIS
September 30, 2008

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FUND	DESCRIPTION	NET EARNINGS	SALES EARNINGS YIELD	AMORT/DISC EARNINGS YIELD	COUPON EARNINGS YIELD	GROSS YIELD
5	LGIP	5,218,484	-0.2434%	1.1324%	1.2834%	2.1724%
7	LGIP - GOV	3,101,793	0.0000%	-0.0700%	1.7326%	1.6626%
	TOTAL LGIP & LGIP-GOV	8,320,277				
		07/31/08	08/31/08	09/30/08		
5	LGIP MONTHLY YIELD (NET)	2.44%	2.47%	2.11%		
	S & P LGIP INDEX YIELD	2.26%	2.28%	2.32%		
	LGIP YTD YIELD (NET)	2.44%	2.45%	2.34%		
	S & P LGIP YTD INDEX YIELD	2.26%	2.27%	2.29%		
7	LGIP - GOV MONTHLY YIELD (NET)	2.03%	2.08%	1.60%		
	3 MONTH T-BILL	1.65%	1.72%	1.25%		
	* S & P LGIP - GOV INDEX YIELD	2.07%	2.10%	2.14%		
	LGIP - GOV YTD YIELD (NET)	2.03%	2.05%	1.90%		
	YTD 3 MONTH T-BILL	1.65%	1.69%	1.56%		
	* S & P LGIP - GOV YTD INDEX YIELD	2.07%	2.09%	2.10%		

* 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**
September 30, 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	211,061	0.0186%	0.0374%	4.1147%	4.1707%
	TOTAL LGIP LONG TERM POOL	211,061				

	07/31/08	08/31/08	09/30/08
LGIP LONG TERM MONTHLY YIELD (NET)	3.83%	3.90%	4.11%
MERRILL 1-5 US D M INDEX MONTHLY YIELD	4.11%	4.06%	4.46%
LGIP LONG TERM YTD YIELD (NET)	3.83%	3.87%	3.95%
MERRILL 1-5 US D M INDEX YTD YIELD	4.11%	4.08%	4.21%

STATE AGENCY POOLS
INVESTMENTS OUTSTANDING
 SEPTEMBER 30, 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	0	0	0	0	
	U.S. Government & Agencies	982,615	983,149	983,490	340	
	Total	982,615	983,149	983,490	340	1.000
3	State Agencies II - Diversified					
	Commercial Paper	30,000	29,984	29,984	(0)	
	U.S. Government & Agencies	724,812	724,337	725,615	1,278	
	Corporate Securities	834,634	833,613	815,870	(17,743)	
	Total	1,589,447	1,587,934	1,571,469	(16,465)	0.990
6	State Agencies III - US Govt & Agency					
	Repurchase Agreements	0	0	0	0	
	U.S. Government & Agencies	8,000	7,996	7,983	(13)	
	Total	8,000	7,996	7,983	(13)	0.998
8	State Agencies IV - Restricted Diversified					
	Repurchase Agreements	0	0	0	0	
	U.S. Government & Agencies	588,751	589,520	588,753	(767)	
	Total	588,751	589,520	588,753	(767)	0.999
9	ADOT B.F.O.					
	Board Funding Obligations	110,000	110,000	110,000	0	
	Total	110,000	110,000	110,000	0	1.000
11	School Facilities Board					
	Repurchase Agreements	0	0	0	0	
	U.S. Government & Agencies	14,000	13,979	13,982	3	
	Total	14,000	13,979	13,982	3	1.000
12	CAWCD Medium-Term					
	Money Market Mutual Shares	376	376	376	0	
	U.S. Government & Agencies	73,760	73,735	73,438	(297)	
	Corporate Securities	43,060	43,152	40,119	(3,033)	
	Total	117,197	117,264	113,933	(3,331)	0.972

STATE AGENCY POOLS
INVESTMENTS OUTSTANDING
 SEPTEMBER 30, 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	0	0	0	0	
	U.S. Government & Agencies	18,000	17,992	17,971	(21)	
	Total	18,000	17,992	17,971	(21)	0.999
15	GADA					
	Money Market Mutual Shares	4,666	4,666	4,666	0	
	U.S. Government & Agencies	8,678	8,666	8,623	(43)	
	Corporate Securities	4,025	4,044	3,416	(628)	
	Total	17,369	17,376	16,705	(671)	0.961
55	LGIP - NPF					
	<i>NPF Securities</i>	61,939	61,924	0	(61,924)	
	Total	61,939	61,924	0	(61,924)	0.000
57	LGIP - LEHMAN BROTHERS HOLDINGS					
	<i>Lehman Bonds</i>	39,450	39,427	4,931	(34,495)	
	Total	39,450	39,427	4,931	(34,495)	0.125
TOTALS - AGENCY POOLS						
	Repurchase Agreements	0	0	0	0	
	Money Market Mutual Shares	5,042	5,042	5,042	0	
	Commercial Paper	30,000	29,984	29,984	(0)	
	U.S. Government & Agencies	2,418,617	2,419,374	2,419,855	480	
	Corporate Securities	881,720	880,809	859,405	(21,404)	
	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	4,931	(34,495)	
	Grand Total	3,546,767	3,546,560	3,429,217	(117,344)	

L.G.I.P.
INVESTMENTS OUTSTANDING
SEPTEMBER 30, 2008
(in thousands)

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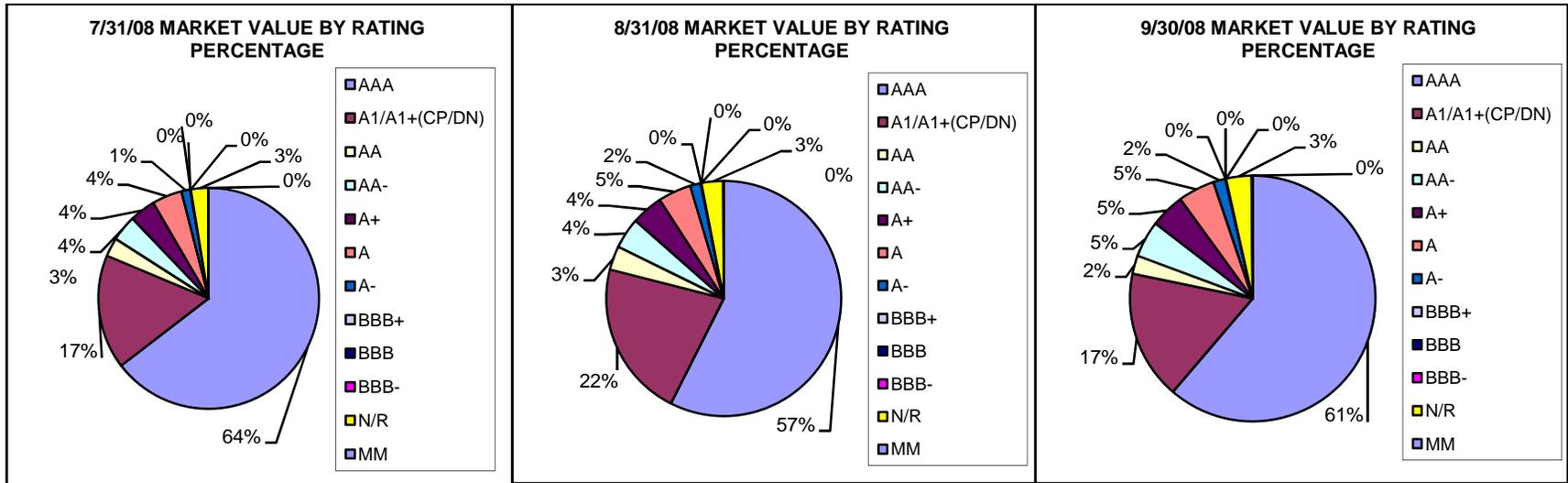
POOL	INVESTMENT POOL	PAR VALUE	BOOK VALUE	MARKET VALUE	UNREALIZED GAINS (LOSSES)	Mkt Value/ Book Value
5	Local Governments					
	Repurchase Agreements	0	0	0	0	
	Commercial Paper	60,000	59,915	59,915	0	
	Certificates of Deposit	5,000	4,989	4,993	4	
	U.S. Government & Agencies	2,539,761	2,536,495	2,535,634	(861)	
	Corporate Securities	678,915	678,333	662,021	(16,312)	
	Total	3,283,676	3,279,733	3,262,563	(17,170)	0.995
7	LGIP - Gov't					
	Repurchase Agreements	475,000	475,000	475,000	0	
	U.S. Government & Agencies	2,055,498	2,056,336	2,056,703	367	
	Total	2,530,498	2,531,336	2,531,703	367	1.000
500	LGIP LT					
	Money Market Mutual Shares	44	44	44	0	
	Commercial Paper	430	429	429	0	
	U.S. Government & Agencies	43,241	43,385	43,540	154	
	Corporate Securities	17,390	17,458	16,850	(608)	
	Dividends Payable/Other	(72)	(72)	(72)	0	
	Total	61,034	61,245	60,791	(454)	
	TOTALS - LGIP POOLS					
	Repurchase Agreements	475,000	475,000	475,000	0	
	Money Market Mutual Shares	44	44	44	0	
	Commercial Paper	60,430	60,344	60,344	0	
	Certificates of Deposit	5,000	4,989	4,993	4	
	U.S. Government & Agencies	4,638,500	4,636,217	4,635,877	(340)	
	Corporate Securities	696,305	695,791	678,871	(16,921)	
	Dividends Payable/Other	(72)	(72)	(72)	0	
	Grand Total	5,875,208	5,872,314	5,855,057	(17,257)	

SHARES OUTSTANDING
LOCAL GOVERNMENT LONG TERM FUNDS
 SEPTEMBER 30, 2008
 (In Thousands)

State Treasurer's Report
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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>	61,186	61,570	61,260	(311)	
	Total	61,186	61,570	61,260	(311)	0.995

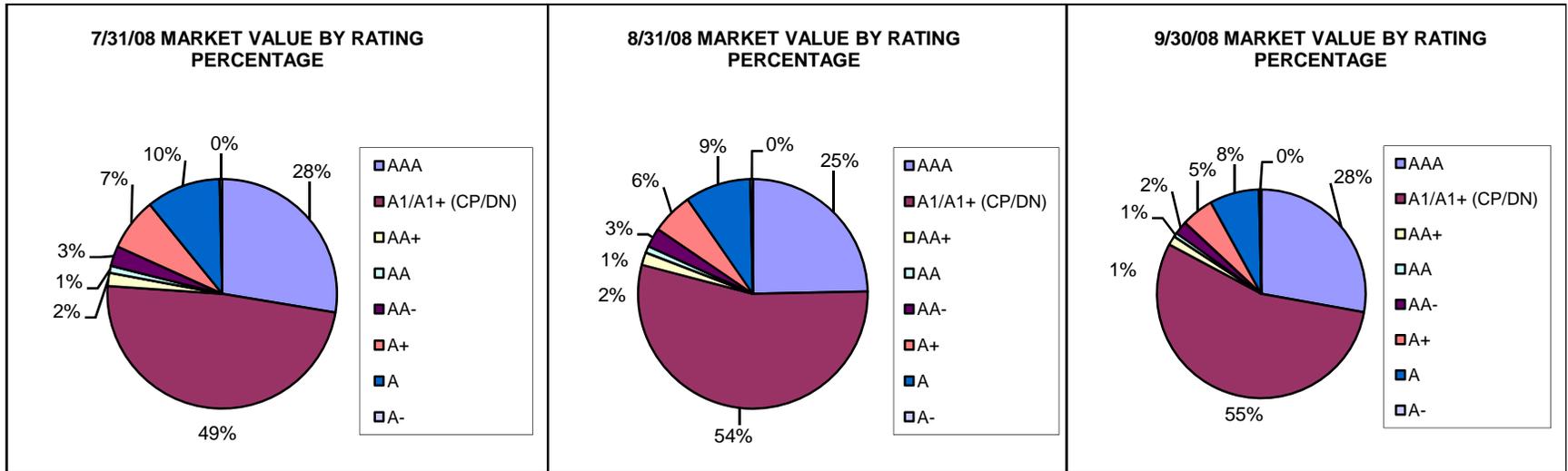
**ARIZONA STATE TREASURER'S OFFICE
RATING SUMMARY
STATE AGENCY POOLS 2, 3, 6, 8, 9, 11 - 15**



	07/31/08			08/31/08			09/30/08		
RATING	POSITIONS	MARKET VALUE	PERCENT	POSITIONS	MARKET VALUE	PERCENT	POSITIONS	MARKET VALUE	PERCENT
AAA	290	\$2,747,045,227	64%	278	\$2,107,710,240	58%	263	\$2,101,565,953	61%
A1/A1+(CP/DN)	24	\$708,858,904	17%	26	\$791,443,281	22%	19	\$599,792,017	17%
AA	7	\$116,233,169	3%	8	\$120,065,818	3%	5	\$63,855,000	2%
AA-	15	\$160,863,724	4%	14	\$156,076,955	4%	15	\$164,405,968	5%
A+	19	\$159,522,801	4%	19	\$159,826,102	4%	17	\$155,831,682	5%
A	16	\$192,064,273	4%	15	\$167,015,677	5%	15	\$165,710,905	5%
A-	4	\$54,778,536	1%	4	\$54,335,375	1%	4	\$54,472,288	2%
BBB+	1	\$1,764,588	0%	1	\$1,789,200	0%	1	\$1,659,231	0%
BBB	0	\$0	0%	0	\$0	0%	2	\$1,123,195	0%
BBB-	1	\$989,440	0%	1	\$992,470	0%	1	\$820,000	0%
N/R	13	\$110,007,071	3%	13	\$110,007,071	3%	21	\$114,938,321	3%
MM	2	\$421,922	0%	2	\$2,725,460	0%	2	\$5,042,150	0%
TOTAL	392	\$4,252,549,655	100%	381	\$3,671,987,649	100%	365	\$3,429,216,711	100%

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

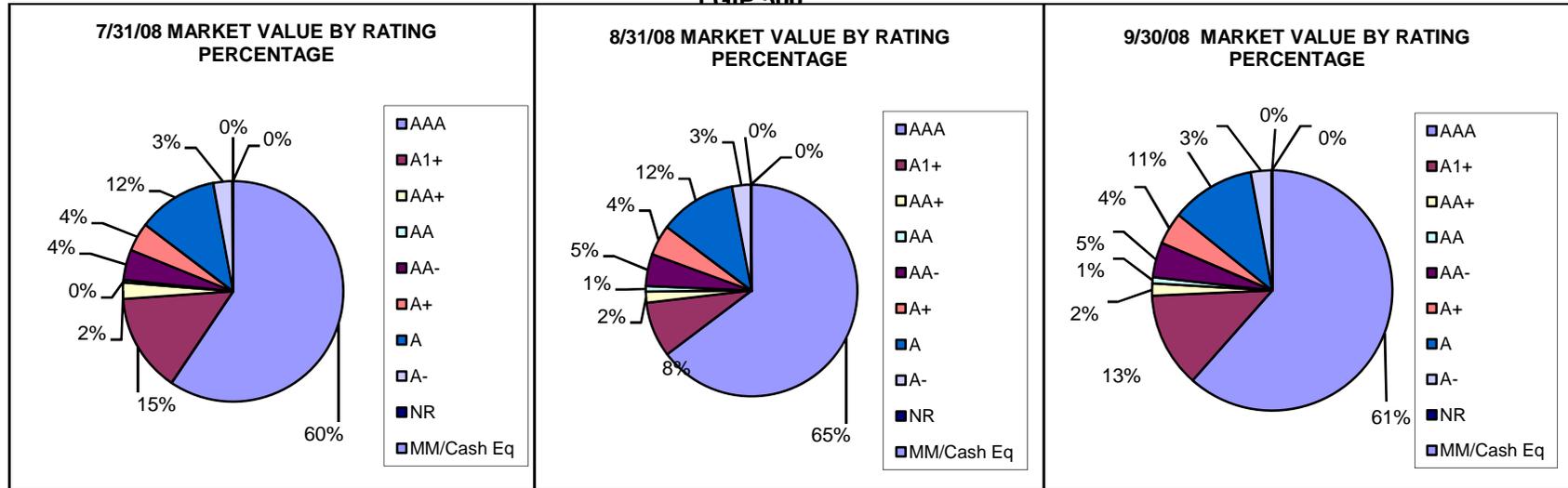
**ARIZONA STATE TREASURER'S OFFICE
RATING SUMMARY
LGIP**



RATING	07/31/08			08/31/08			09/30/08		
	POSITIONS	MARKET VALUE	PERCENT	POSITIONS	MARKET VALUE	PERCENT	POSITIONS	MARKET VALUE	PERCENT
AAA	45	\$842,565,534	28%	46	\$783,335,496	25%	45	\$907,990,600	28%
A1/A1+ (CP/DN)	41	\$1,475,160,217	49%	53	\$1,727,614,243	54%	52	\$1,794,698,641	55%
AA+	7	\$57,369,949	2%	6	\$56,702,759	2%	5	\$46,539,133	1%
AA	3	\$30,014,815	1%	3	\$29,953,704	1%	2	\$19,968,550	1%
AA-	8	\$85,898,431	3%	8	\$85,887,115	3%	6	\$67,238,121	2%
A+	17	\$226,266,680	7%	16	\$186,017,224	6%	15	\$163,981,637	5%
A	24	\$318,810,027	10%	21	\$294,519,949	9%	17	\$250,841,388	8%
A-	2	\$11,308,425	0%	2	\$11,313,958	0%	2	\$11,304,978	0%
TOTAL	147	\$3,047,394,077	100%	155	\$3,175,344,448	100%	144	\$3,262,563,047	100%

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

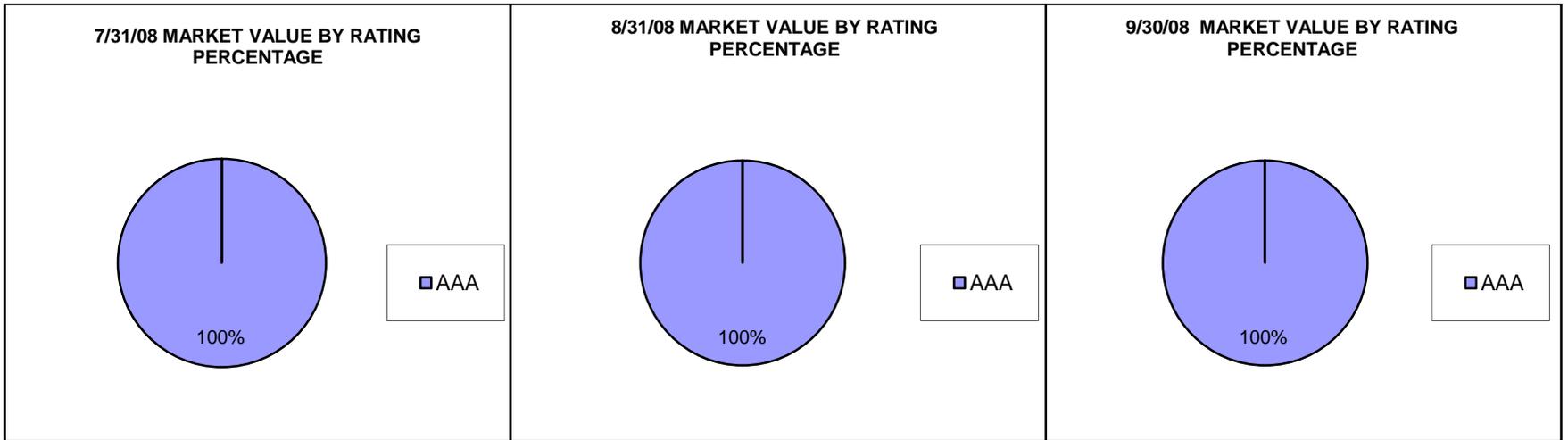
LGIP 500



	7/31/2008			8/31/2008			9/30/2008		
RATING	POSITIONS	MARKET VALUE	PERCENT	POSITIONS	MARKET VALUE	PERCENT	POSITIONS	MARKET VALUE	PERCENT
AAA	57	\$34,924,540	60%	61	\$38,812,312	64%	60	\$37,482,014	61%
A1+	6	\$8,859,438	15%	7	\$4,781,112	8%	12	\$7,771,352	13%
AA+	3	\$1,399,100	2%	2	\$994,580	2%	2	\$994,046	2%
AA	1	\$248,665	0%	2	\$513,528	1%	2	\$503,758	1%
AA-	6	\$2,633,498	4%	7	\$2,896,696	5%	7	\$2,840,289	5%
A+	7	\$2,484,180	4%	8	\$2,743,491	5%	8	\$2,638,398	4%
A	15	\$6,976,213	12%	15	\$6,993,841	12%	15	\$6,872,074	11%
A-	4	\$1,694,602	3%	4	\$1,691,886	3%	4	\$1,685,215	3%
NR	0	\$0	0%	0	\$0	0%	1	\$31,250	0%
MM/Cash Eq	2	\$27,001	0%	2	\$59,601	0%	2	(\$27,435)	0%
TOTAL	101	\$59,247,236	100%	108	\$59,487,046	100%	113	\$60,790,960	100%

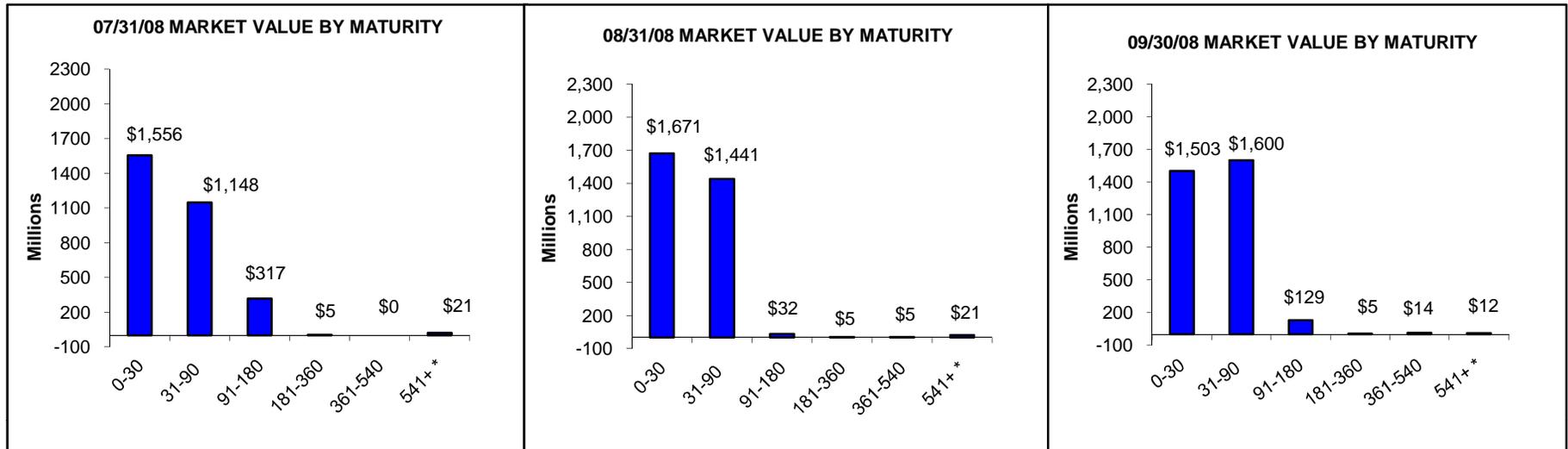
*MM/Cash Equivalent includes dividends payable

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



		07/31/08				08/31/08				09/30/08		
RATING	POSITIONS	MARKET VALUE	PERCENT	POSITIONS	MARKET VALUE	PERCENT	POSITIONS	MARKET VALUE	PERCENT	POSITIONS	MARKET VALUE	PERCENT
AAA	13	\$2,177,226,201	100%	13	\$2,213,908,971	100%	47	\$2,531,702,530	100%			

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



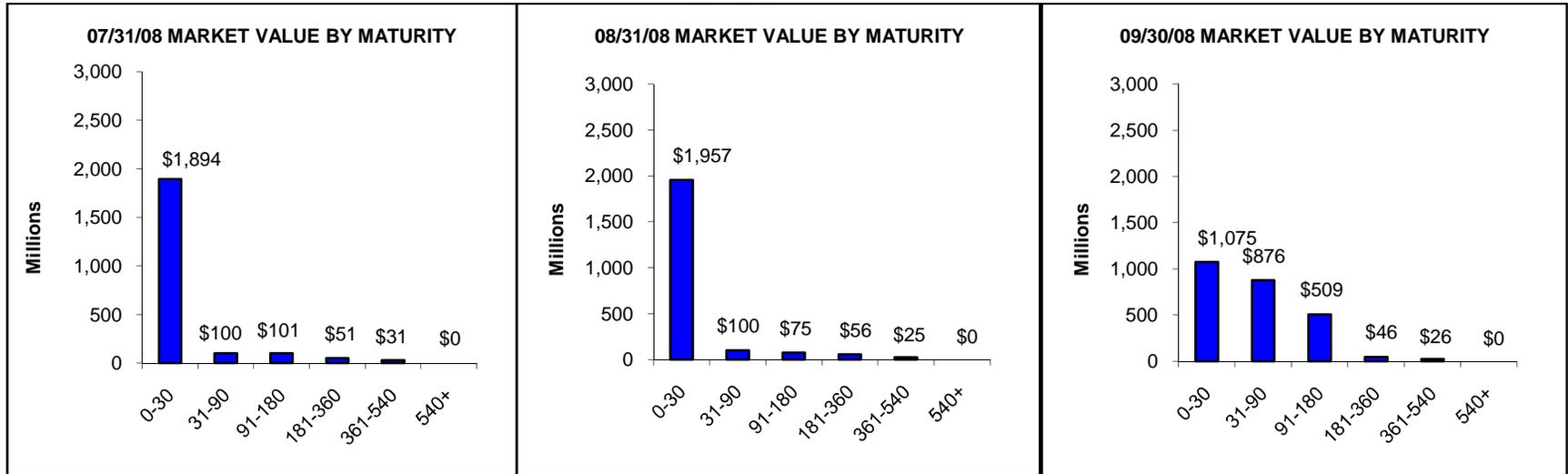
07/31/08				08/31/08			09/30/08		
MATURITY	POSITIONS	MARKET VALUE	PERCENT	POSITIONS	MARKET VALUE	PERCENT	POSITIONS	MARKET VALUE	PERCENT
0-30	74	\$1,556,451,489	51%	79	\$1,671,448,307	53%	62	\$1,502,733,733	46%
31-90	57	\$1,147,785,489	38%	68	\$1,441,146,463	45%	73	\$1,599,972,861	49%
91-180	12	\$317,168,765	11%	3	\$31,695,200	1%	4	\$128,932,000	4%
181-360	1	\$5,038,235	0%	1	\$5,038,979	0%	1	\$4,992,909	0%
361-540	0	\$0	0%	1	\$5,045,313	0%	2	\$14,292,856	0%
541+ *	3	\$20,950,100	1%	3	\$20,970,188	1%	2	\$11,638,688	0%
TOTAL	147	\$3,047,394,077	100%	155	\$3,175,344,448	100%	144	\$3,262,563,047	100%

07/31/08		08/31/08		09/30/08	
MATURITY	WAM	MATURITY	WAM	MATURITY	WAM
0-30	6.58	0-30	7.43	0-30	5.93
31-90	19.99	31-90	27.55	31-90	27.81
91-180	11.47	91-180	1.27	91-180	4.18
181-360	0.53	181-360	0.46	181-360	0.39
361-540	0.00	361-540	0.70	361-540	2.13
541+	4.75	541+	4.36	541+	2.53
TOTAL	43.31	TOTAL	41.76	TOTAL	42.98 * corrected

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

MATURITY SUMMARY

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



07/31/08				08/31/08			09/30/08		
MATURITY	POSITIONS	MARKET VALUE	PERCENT	POSITIONS	MARKET VALUE	PERCENT	POSITIONS	MARKET VALUE	PERCENT
0-30	4	\$1,894,293,889	87%	4	\$1,957,053,642	88%	14	\$1,074,975,623	42%
31-90	2	\$100,351,500	5%	3	\$100,374,123	5%	19	\$876,244,386	35%
91-180	3	\$100,613,250	5%	2	\$74,625,500	3%	11	\$508,739,375	20%
181-360	2	\$50,990,650	2%	3	\$56,383,051	3%	2	\$46,231,428	2%
361-540	2	\$30,976,913	1%	1	\$25,472,656	1%	1	\$25,511,719	1%
540+	0	\$0	0%	0	\$0	0%	0	\$0	0%
TOTAL	13	\$2,177,226,202	100%	13	\$2,213,908,972	100%	47	\$2,531,702,531	100%

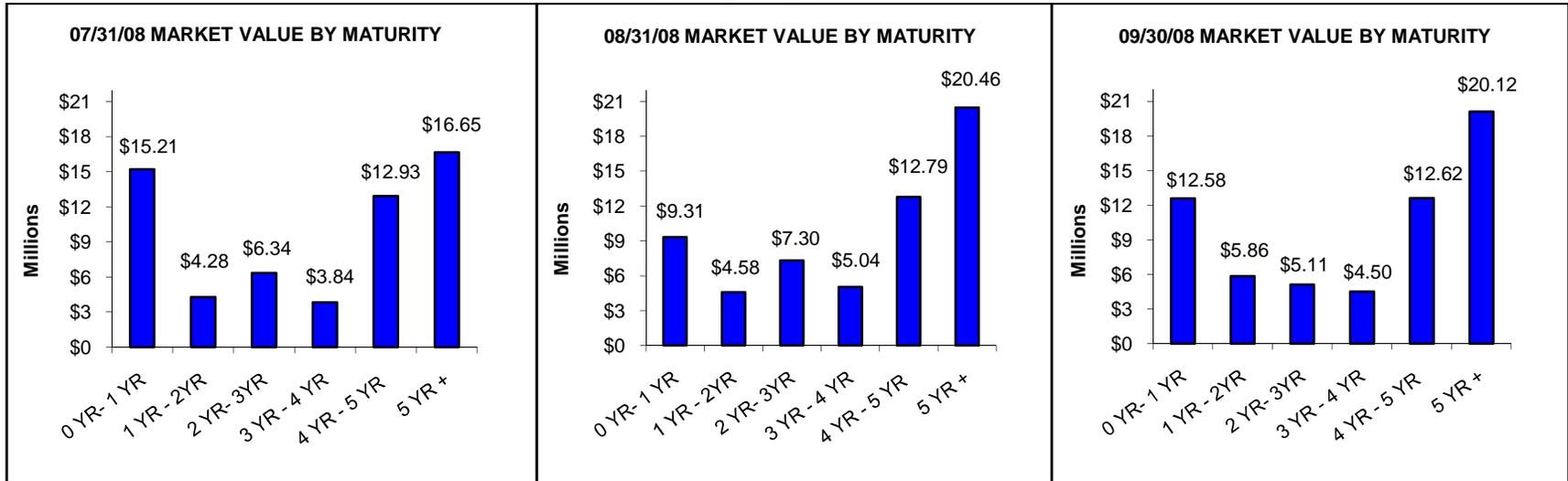
07/31/08	
MATURITY	WAM
0-30	1.33
31-90	2.12
91-180	4.60
181-360	6.39
361-540	5.91
540+	0.00
TOTAL	20.35

08/31/08	
MATURITY	WAM
0-30	2.90
31-90	3.11
91-180	3.60
181-360	6.39
361-540	4.54
540+	0.00
TOTAL	20.53

09/30/08	
MATURITY	WAM
0-30	6.37
31-90	17.83
91-180	20.30
181-360	4.31
361-540	3.68
540+	0.00
TOTAL	52.49

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	07/31/08			08/31/08			09/30/08		
	POSITIONS	MARKET VALUE	PERCENT	POSITIONS	MARKET VALUE	PERCENT	POSITIONS	MARKET VALUE	PERCENT
0 YR- 1 YR	22	\$15,213,121	26%	21	\$9,309,485	16%	27	\$12,584,515	21%
1 YR - 2YR	12	\$4,281,533	7%	13	\$4,579,655	8%	16	\$5,857,496	10%
2 YR- 3YR	14	\$6,335,281	11%	17	\$7,304,286	12%	14	\$5,111,898	8%
3 YR - 4 YR	8	\$3,838,094	6%	11	\$5,043,603	8%	10	\$4,504,154	7%
4 YR - 5 YR	24	\$12,927,723	22%	23	\$12,788,000	21%	23	\$12,615,031	21%
5 YR +	21	\$16,651,484	28%	23	\$20,462,016	34%	23	\$20,117,866	33%
TOTAL	101	\$59,247,236	100%	108	\$59,487,046	100%	113	\$60,790,960	100%

	7/31/2008	8/31/2008	9/30/2008
LGIP LT MONTHLY DURATION	2.08	2.12	2.12
MERRILL 1-5 US DOMESTIC MASTER INDEX	2.62	2.66	2.76

*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 September 30, 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	
NOVEMBER	2,198	1,880	
DECEMBER	2,181	1,893	
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	
Y-T-D			
Average	\$2,258	\$1,597	\$1,040

**EARNINGS DISTRIBUTED
ENDOWMENT FUNDS
SEPTEMBER 2008**

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Distributed in Current Month

Recipient	September-08	Fiscal YTD 08/09	Fiscal YTD 07/08
101 A & M Colleges	\$22,756	\$68,268	\$98,145
102 State Hospital	\$11,222	\$33,666	\$48,858
103 Leg., Exec., & Jud.	\$16,124	\$48,372	\$64,521
104 Military Institute	\$1,272	\$3,816	\$5,055
105 Miners Hospital	\$20,090	\$60,270	\$77,988
107 Normal School ASU/NAU	\$6,366	\$19,098	\$25,233
108 Penitentiaries	\$16,931	\$50,793	\$70,614
109 Permanent Common School	\$4,537,088	\$13,611,264	\$17,314,938
110 School for Deaf & Blind	\$10,072	\$30,216	\$41,475
111 School of Mines	\$21,610	\$64,830	\$80,664
112 State Charitable-Pioneers Home	\$95,063	\$285,188	\$360,465
112 State Charitable-Corrections	\$47,531	\$142,594	\$180,234
112 State Charitable-Youth Treatment	\$47,531	\$142,594	\$180,234
113 University Fund	\$31,395	\$94,185	\$126,153
114 U of A Land - 1881	\$73,861	\$221,583	\$291,696
Total	\$4,958,912	\$14,876,736	\$18,966,273

Posted in USAS in current month

ENDOWMENT FUNDS
PORTFOLIO YIELD ANALYSIS
September 30, 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	5,113,531	0.0034%	-0.2948%	5.0659%	4.7744%
	TOTAL ENDOWMENTS - FIXED INCOME	5,113,531				

RETURN ANALYSIS
ENDOWMENT FUNDS
(\$ In Thousands)

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ENDOWMENT FUNDS	SEPTEMBER 2008 MONEY WEIGHTED RETURN	FISCAL YEAR 2008/2009 MONEY WEIGHTED RETURN
101 A & M Colleges	-5.61%	-5.37%
102 State Hospital	-5.65%	-5.39%
103 Leg., Exec., & Jud.	-5.43%	-5.16%
104 Military Institute	-5.41%	-5.15%
105 Miners Hospital	-5.56%	-5.29%
107 Normal School ASU/NAU	-5.52%	-5.26%
108 Penitentiaries	-5.42%	-5.16%
109 Permanent Common School	-5.54%	-5.32%
110 School for Deaf & Blind	-5.46%	-5.19%
111 School of Mines	-5.53%	-5.26%
112 State Charitable	-5.63%	-5.34%
113 University Fund	-5.53%	-5.26%
114 U Of A Land - 1881	-5.50%	-5.29%
<hr/>		
WEIGHTED PORTFOLIO RETURN	-5.53%	-5.31%
WEIGHTED BENCHMARK	-5.29%	-4.68%
S&P 500 EQUITY FUND RETURN:	-9.02%	-8.48%
S & P 500 LARGE CAP INDEX:	-8.91%	-8.37%
FIXED INCOME FUND RETURN:	-1.16%	-0.34%
CITIGROUP BIG INDEX RETURN:	-1.04%	-0.11%
S&P 400 EQUITY FUND RETURN:	-11.60%	-13.22%
S&P 400 MID-CAP INDEX:	-10.71%	-10.87%

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

	Jul-08	Aug-08	Sep-08	Jul-08	Aug-08	Sep-08
S&P 500	-0.84%	1.45%	-8.91%	1267.38	1282.83	1166.36
S&P 400	-1.85%	1.71%	-10.71%	803.01	815.60	727.29
S&P 600	2.06%	4.18%	-6.76%	372.13	387.35	360.68
DOW JONES	0.25%	1.45%	-6.00%	11378.02	11543.55	10850.66
NASDAQ	1.46%	1.92%	-11.60%	2325.55	2367.52	2091.58

NET REALIZED CAPITAL GAINS / LOSSES - ENDOWMENT FUNDS

Endowment Fund -----	Sep-08 NET GAIN(LOSS) -----	FISCAL YTD GAINS(LOSSES) -----
Fixed Income Pool Net Gain (Loss)	(14,686)	(43,150)
Equity Pool (500) Net Gain (Loss)	(11,824,977)	(13,884,794)
Equity Pool (400) Net Gain (Loss)	(1,292,762)	820,571
Totals	(13,132,425) =====	(13,107,373) =====

ENDOWMENT FUNDS FIXED-INCOME POOL
PURCHASES & SALES
 Month of September 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&P RATING</u>
GOLDMAN SACHS GROUP	2.89	11/10/2008	N/A	\$10,000,000	\$9,995,218	3.13	Aa3/AA-
GOLDMAN SACHS GROUP	3.81	3/30/2009	N/A	\$1,800,000	\$1,728,000	9.36	Aa3/AA-
BANK OF AMERICA FLOATING	2.75	12/18/2008	N/A	\$10,000,000	\$9,992,500	3.09	Aaa/AA

TOTAL ENDOWMENT FUNDS PURCHASES				\$21,800,000	\$21,715,718		
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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&P RATING</u>
FIRST UNION CORP.	6.00	10/30/2008	\$1,750,000	\$1,750,875	\$3,601	A2/A

TOTAL ENDOWMENT FUNDS SALES			\$1,750,000	\$1,750,875	\$3,601	
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*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 September 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	852,020	\$29,275,533	\$12,360
S&P 500 Large-Cap Fund	210,228	\$9,194,028	\$2,463
TOTAL EQUITY PURCHASES	1,062,248	\$38,469,561	\$14,823

II. Equity Funds Sales

	<u>SHARES</u>	<u>SALES AMOUNT</u>	<u>COMMISSIONS</u>
S&P 400 Mid-Cap Fund	917,912	\$26,749,550	\$11,809
S&P 500 Large-Cap Fund	477,879	\$5,688,823	\$6,646
TOTAL EQUITY SALES	1,395,791	\$32,438,373	\$18,455

ENDOWMENT FUNDS
INVESTMENTS OUTSTANDING
 SEPTEMBER 30, 2008
 (In Thousands)

State Treasurer's Report
 October 15, 2008
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FUND	NAME OF FUND	SHARES OUTSTANDING	BOOK VALUE	MARKET VALUE	UNREALIZED GAINS (LOSSES)	Mkt Value/ Book Value
101	A & M Colleges					
	<i>Shares in S&P 500 Index Fund</i>	2,542	2,315	2,485	170	
	<i>Shares in Fixed Income Fund</i>	2,813	3,112	4,023	911	
	<i>Shares in Mid-Cap 400 Equity Fund</i>	830	794	1,294	500	
	Total	6,185	6,222	7,802	1,580	1.254
102	State Hospital					
	<i>Shares in S&P 500 Index Fund</i>	1,543	1,328	1,508	180	
	<i>Shares in Fixed Income Fund</i>	1,576	1,785	2,254	470	
	<i>Shares in Mid-Cap 400 Equity Fund</i>	441	455	687	232	
	Total	3,560	3,568	4,450	882	1.247
103	Leg., Exec., & Jud.					
	<i>Shares in S&P 500 Index Fund</i>	1,970	1,938	1,926	(12)	
	<i>Shares in Fixed Income Fund</i>	2,367	2,605	3,386	781	
	<i>Shares in Mid-Cap 400 Equity Fund</i>	641	664	999	335	
	Total	4,978	5,207	6,310	1,103	1.212
104	Military Institute					
	<i>Shares in S&P 500 Index Fund</i>	134	134	131	(3)	
	<i>Shares in Fixed Income Fund</i>	169	180	242	62	
	<i>Shares in Mid-Cap 400 Equity Fund</i>	47	46	73	28	
	Total	350	360	446	86	1.240
105	Miners Hospital					
	<i>Shares in S&P 500 Index Fund</i>	3,631	3,592	3,549	(43)	
	<i>Shares in Fixed Income Fund</i>	3,849	4,824	5,505	681	
	<i>Shares in Mid-Cap 400 Equity Fund</i>	1,029	1,230	1,605	375	
	Total	8,509	9,646	10,659	1,013	1.105

ENDOWMENT FUNDS
INVESTMENTS OUTSTANDING
 SEPTEMBER 30, 2008
 (In Thousands)

State Treasurer's Report
 October 15, 2008
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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&P 500 Index Fund</i>	852	811	833	22	
	<i>Shares in Fixed Income Fund</i>	957	1,089	1,368	279	
	<i>Shares in Mid-Cap 400 Equity Fund</i>	262	278	409	131	
	Total	2,071	2,177	2,610	432	1.199
108	Penitentiaries					
	<i>Shares in S&P 500 Index Fund</i>	2,103	2,010	2,055	46	
	<i>Shares in Fixed Income Fund</i>	2,531	2,702	3,620	918	
	<i>Shares in Mid-Cap 400 Equity Fund</i>	683	689	1,065	376	
	Total	5,317	5,400	6,740	1,340	1.248
109	Permanent Common School					
	<i>Shares in S&P 500 Index Fund</i>	782,208	764,299	764,640	341	
	<i>Shares in Fixed Income Fund</i>	833,448	1,026,749	1,192,119	165,370	
	<i>Shares in Mid-Cap 400 Equity Fund</i>	220,492	261,606	343,791	82,185	
	Total	1,836,148	2,052,654	2,300,550	247,896	1.121
110	School for Deaf & Blind					
	<i>Shares in S&P 500 Index Fund</i>	1,159	1,099	1,133	34	
	<i>Shares in Fixed Income Fund</i>	1,380	1,478	1,974	496	
	<i>Shares in Mid-Cap 400 Equity Fund</i>	379	377	591	214	
	Total	2,918	2,954	3,698	744	1.252
111	School of Mines					
	<i>Shares in S&P 500 Index Fund</i>	2,882	2,818	2,817	(0)	
	<i>Shares in Fixed Income Fund</i>	3,228	3,786	4,617	831	
	<i>Shares in Mid-Cap 400 Equity Fund</i>	886	965	1,381	416	
	Total	6,996	7,569	8,816	1,247	1.165

ENDOWMENT FUNDS
INVESTMENTS OUTSTANDING
 SEPTEMBER 30, 2008
 (In Thousands)

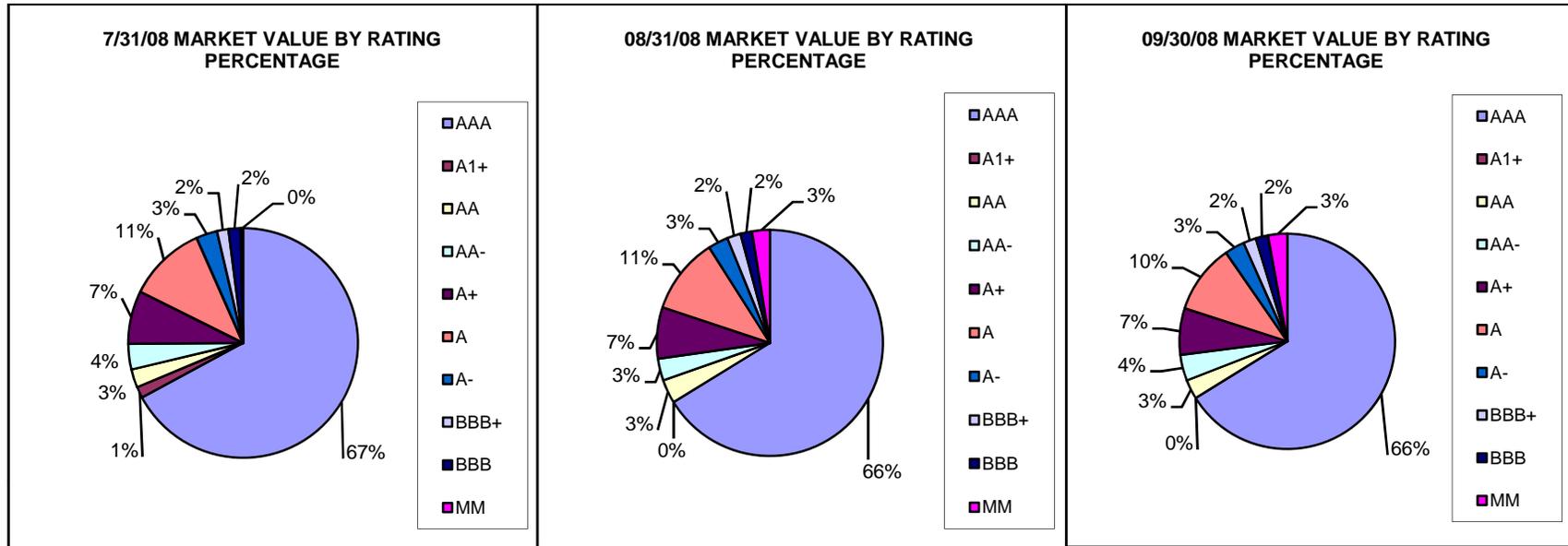
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FUND	NAME OF FUND	SHARES OUTSTANDING	BOOK VALUE	MARKET VALUE	UNREALIZED GAINS (LOSSES)	Mkt Value/ Book Value
112	State Charitable					
	<i>Shares in S&P 500 Index Fund</i>	32,284	30,114	31,559	1,445	
	<i>Shares in Fixed Income Fund</i>	32,147	40,443	45,981	5,538	
	<i>Shares in Mid-Cap 400 Equity Fund</i>	8,490	10,311	13,238	2,928	
	Total	72,921	80,868	90,778	9,910	1.123
113	University Fund					
	<i>Shares in S&P 500 Index Fund</i>	4,778	4,604	4,671	66	
	<i>Shares in Fixed Income Fund</i>	5,312	6,186	7,598	1,412	
	<i>Shares in Mid-Cap 400 Equity Fund</i>	1,445	1,577	2,253	676	
	Total	11,535	12,368	14,521	2,154	1.174
114	U Of A Land - 1881					
	<i>Shares in S&P 500 Index Fund</i>	10,034	9,644	9,809	165	
	<i>Shares in Fixed Income Fund</i>	11,326	12,961	16,200	3,240	
	<i>Shares in Mid-Cap 400 Equity Fund</i>	3,083	3,301	4,807	1,506	
	Total	24,443	25,905	30,816	4,911	1.190
TOTALS - ALL FUNDS						
	<i>Shares in S&P 500 Index Fund</i>	846,119	824,706	827,116	2,410	
	<i>Shares in Fixed Income Fund</i>	901,102	1,107,900	1,288,887	180,987	
	<i>Shares in Mid-Cap 400 Equity Fund</i>	238,708	282,292	372,194	89,902	
	Grand Total	1,985,930	2,214,898	2,488,197	273,299	

ASSET ALLOCATION PERCENTAGE

	SHARES OUTSTANDING	BOOK VALUE	MARKET VALUE	UNREALIZED GAINS (LOSSES)
<i>Shares in S&P 500 Index Fund</i>	42.61%	37.23%	33.24%	0.88%
<i>Shares in Fixed Income Fund</i>	45.37%	50.02%	51.80%	66.22%
<i>Shares in Mid-Cap 400 Equity Fund</i>	12.02%	12.75%	14.96%	32.90%
Total	100.00%	100.00%	100.00%	100.00%

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



	07/31/08			08/31/08			09/30/08		
RATING	POSITIONS	MARKET VALUE	PERCENT	POSITIONS	MARKET VALUE	PERCENT	POSITIONS	MARKET VALUE	PERCENT
AAA	130	\$851,099,932	67%	133	\$866,234,548	66%	131	\$844,090,058	66%
A1+	1	\$19,985,667	2%	0	\$0	0%	0	\$0	0%
AA	6	\$32,744,900	3%	6	\$33,321,733	3%	6	\$37,185,295	3%
AA-	7	\$45,442,716	4%	6	\$40,585,950	3%	8	\$49,701,317	4%
A+	15	\$94,934,677	7%	15	\$95,328,699	7%	14	\$88,924,751	7%
A	22	\$139,829,824	11%	22	\$140,987,483	11%	21	\$132,548,650	10%
A-	7	\$37,741,470	3%	7	\$37,652,461	3%	8	\$38,195,350	3%
BBB+	4	\$20,440,644	2%	5	\$24,837,104	2%	5	\$24,212,220	2%
BBB	3	\$21,470,030	2%	3	\$21,615,960	2%	4	\$23,772,080	2%
MM	1	\$4,298,645	0%	2	\$32,779,209	3%	2	\$36,746,106	3%
TOTAL	196	\$1,267,988,505	100%	199	\$1,293,343,147	100%	199	\$1,275,375,827	100%

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&P SECTOR</u>	<u>MARKET</u> <u>VALUE</u>	<u>% POOL</u> <u>BALANCE</u>	<u>% S&P 500</u> <u>BALANCE</u>	<u>DIFFERENCE</u>
201	S&P 500 INDEX					
		CONSUMER DISCRETIONARY	65,293	8.49%	8.48%	0.01%
		CONSUMER STAPLES	94,016	12.22%	12.20%	0.02%
		ENERGY	102,947	13.38%	13.36%	0.02%
		FINANCIALS	122,115	15.87%	15.85%	0.02%
		HEALTH CARE	100,838	13.11%	13.09%	0.02%
		INDUSTRIALS	85,368	11.10%	11.08%	0.02%
		INFORMATION TECHNOLOGY	121,895	15.84%	15.96%	-0.12%
		MATERIALS	25,928	3.37%	3.37%	0.00%
		TELECOMMUNICATION SERVICES	23,475	3.05%	3.05%	0.00%
		UTILITIES	27,424	3.56%	3.56%	0.00%
		TOTALS LESS CASH / SPDR'S:	769,300	100.00%	100.00%	
		SPYDER'S	56,361			
		CASH **	1,456			
		TOTAL:	<u>827,116</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
September 30, 2008
(in thousands)

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<u>POOL #</u>	<u>POOL DESCRIPTION</u>	<u>S & P SECTOR</u>	<u>MARKET</u> <u>VALUE</u>	<u>% POOL</u> <u>BALANCE</u>	<u>% S&P 400</u> <u>BALANCE</u>	<u>DIFFERENCE</u>
203	S&P 400 INDEX					
	CONSUMER DISCRETIONARY		24,130	9.66%	13.69%	-4.04%
	CONSUMER STAPLES		10,268	4.11%	3.86%	0.25%
	ENERGY		21,302	8.53%	7.36%	1.17%
	FINANCIALS		49,461	19.80%	19.16%	0.63%
	HEALTH CARE		34,193	13.69%	12.33%	1.35%
	INDUSTRIALS		39,673	15.88%	15.36%	0.52%
	INFORMATION TECHNOLOGY		26,920	10.77%	13.02%	-2.24%
	MATERIALS		17,478	7.00%	6.93%	0.06%
	TELECOMMUNICATION SERVICES		1,414	0.57%	0.49%	0.08%
	UTILITIES		25,006	10.01%	7.79%	2.22%
	TOTALS LESS CASH / SPDR'S:		249,845	100.00%	100.00%	
	SPYDER'S		121,286			
	CASH **		1,063			
	TOTAL:		372,194			

*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

SEPTEMBER 30, 2008

(thousands)

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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	\$3,109	\$3,779	\$670
102	State Hospital	1,783	2,196	412
103	Leg., Exec., & Jud.	2,602	2,925	322
104	Military Institute	180	204	25
105	Miners Hospital	4,822	5,154	332
107	Normal School	1,088	1,241	153
108	Penitentiaries	2,698	3,120	422
109	Permanent Common School	1,025,905	1,108,431	82,526
110	School for Deaf & Blind	1,476	1,725	249
111	School of Mines	3,783	4,199	416
112	State Charitable	40,425	44,797	4,372
113	University Fund	6,182	6,924	742
114	U of A Land - 1881	12,944	14,616	1,672
	Totals:	<u>\$1,106,998</u>	<u>\$1,199,310</u>	<u>\$92,312</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
JULY 1 - SEPTEMBER 30, 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>
BA SECURITIES INC.				
	REPO	7,243,000,000	44.01%	35.34%
	COMM-PAP	70,000,000	36.94%	0.34%
	US-AGENCY	357,196,000	12.00%	1.74%
	US TREAS	20,000,000	3.54%	0.10%
BARCLAYS CAPITAL INC.				
	CORP NOTES	25,000,000	38.46%	0.12%
	US-AGENCY	1,122,195,000	37.70%	5.47%
	US TREAS	50,000,000	8.85%	0.24%
BONY MONEY MARKET				
	MONEY-MARK	57,187,522	100.00%	0.28%
CANTOR FITZGERALD				
	CORP ABS	3,944,606	100.00%	0.02%
	US-AGENCY	10,000,000	0.34%	0.05%
	USA-MBS	183,592,179	100.00%	0.90%
CITIGROUP				
	REPO	6,539,000,000	39.74%	31.90%
	COMM-PAP	69,500,000	36.68%	0.34%
	US-AGENCY	460,500,000	15.47%	2.25%
DEUTSCHE BANC				
	REPO	2,315,000,000	14.07%	11.29%
	US AGENCY	100,000,000	3.36%	0.49%
	US TREAS	100,000,000	17.70%	0.49%
FIRST TENNESSEE				
	US AGENCY	205,000,000	6.89%	1.00%
	US TREAS	20,000,000	3.54%	0.10%

BROKER ACTIVITY REPORT
STATE AGENCY FUNDS 2, 3, 6, 8, 9, 11-15, 55
JULY 1 - SEPTEMBER 30, 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>
GOLDMAN SACHS				
	US-AGENCY	100,000,000	3.36%	0.49%
JP MORGAN				
	CORP NOTES	40,000,000	61.54%	0.20%
	US-AGENCY	300,000,000	10.08%	1.46%
	US TREAS	40,000,000	7.08%	0.20%
MERRILL LYNCH				
	US-AGENCY	160,037,000	5.38%	0.78%
MIZUHO SECURITIES				
	REPO	359,000,000	2.18%	1.75%
	US-AGENCY	122,000,000	4.10%	0.60%
MORGAN STANLEY				
	US-AGENCY	40,000,000	1.34%	0.20%
SECURITIES TRANSFERS (NO BROKER)				
	US TREAS	50,000,000	8.85%	0.24%
RBS GREENWICH CAPITAL				
	US TREAS	285,000,000	50.44%	1.39%
UBS PAINE WEBBER				
	COMM-PAP	50,000,000	26.39%	0.24%

BROKER ACTIVITY REPORT
POOL 5 - L.G.I.P.
JULY 1 - SEPTEMBER 30, 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>
BA SECURITIES INC.				
	REPO	20,000,000	3.97%	0.32%
	US-AGENCY	703,200,000	13.35%	11.36%
	US TREAS	50,000,000	25.00%	0.81%
BARCLAYS CAPITAL INC.				
	US-AGENCY	1,245,993,000	23.65%	20.12%
CANTOR FITZGERALD				
	US-AGENCY	24,765,000	0.47%	0.40%
CITIGROUP				
	REPO	281,000,000	55.75%	4.54%
	COMM-PAP	25,000,000	16.39%	0.40%
	US-AGENCY	230,000,000	4.37%	3.71%
	US TREAS	50,000,000	25.00%	0.81%
DEUTSCHE BANC				
	REPO	26,000,000	5.16%	0.42%
	US-AGENCY	307,000,000	5.83%	4.96%
FIRST TENNESSEE				
	US-AGENCY	175,000,000	3.32%	2.83%
	US TREAS	50,000,000	25.00%	0.81%
J.P. MORGAN				
	COMM-PAP	2,550,000	1.67%	0.04%
	CORP NOTES	1,000,000	1.49%	0.02%
	US-AGENCY	246,674,000	4.68%	3.98%

BROKER ACTIVITY REPORT
POOL 5 - L.G.I.P.
JULY 1 - SEPTEMBER 30, 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>
LEHMAN BROTHERS				
	COMM-PAP	60,000,000	39.33%	0.97%
MERRILL LYNCH				
	COMM-PAP	25,000,000	16.39%	0.40%
	US-AGENCY	296,000,000	5.62%	4.78%
	US TREAS	50,000,000	25.00%	0.81%
MIZUHO SECURITIES				
	REPO	177,000,000	35.12%	2.86%
	US-AGENCY	453,868,000	8.62%	7.33%
MORGAN STANLEY				
	CORP NOTES	5,000,000	7.43%	0.08%
	US-AGENCY	1,333,298,000	25.31%	21.53%
SECURITIES TRANSFERS (NO BROKER)				
	CORP NOTES	61,250,000	91.08%	0.99%
UBS PAINE WEBBER				
	COMM-PAP	40,000,000	26.22%	0.65%
	US-AGENCY	252,518,000	4.79%	4.08%

BROKER ACTIVITY REPORT
POOL 500 - L.G.I.P. LONG-TERM
JULY 1 - SEPTEMBER 30, 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>
BA SECURITIES INC.				
	COMM-PAP	2,300,000	41.97%	1.56%
	CORP NOTES	200,000	11.76%	0.14%
	US AGENCY	15,400,000	14.94%	10.47%
BARCLAYS CAPITAL INC.				
	US AGENCY	18,923,000	18.36%	12.87%
BONY MONEY MARKET				
	MONEY-MARK	31,990,962	100.00%	21.76%
CANTOR FITZGERALD				
	US AGENCY	750,000	0.73%	0.51%
	USA-MBS	1,520,834	33.71%	1.03%
CITIGROUP				
	CORP NOTES	250,000	14.71%	0.17%
	US AGENCY	600,000	0.58%	0.41%
	USA-MBS	2,990,304	66.29%	2.03%
FIRST TENNESSEE				
	US AGENCY	6,850,000	6.64%	4.66%
	US TREAS	250,000	100.00%	0.17%
GOLDMAN SACHS				
	CORP NOTES	500,000	29.41%	0.34%
J.P. MORGAN				
	COMM-PAP	930,000	16.97%	0.63%
	US AGENCY	4,600,000	4.46%	3.13%
LEHMAN BROTHERS				
	COMM-PAP	450,000	8.21%	0.31%

BROKER ACTIVITY REPORT
POOL 500 - L.G.I.P. LONG-TERM
JULY 1 - SEPTEMBER 30, 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>
MERRILL LYNCH				
	US AGENCY	16,025,000	15.54%	10.90%
MIZUHO SECURITIES				
	US AGENCY	10,320,000	10.01%	7.02%
MORGAN STANLEY				
	CORP NOTES	250,000	14.71%	0.17%
	US AGENCY	12,645,000	12.27%	8.60%
OPPENHEIMER & CO				
	CORP NOTES	500,000	29.41%	0.34%
RBS GREENWICH CAPITAL				
	US AGENCY	477,000	0.46%	0.32%
UBS PAINE WEBBER				
	COMM-PAP	1,800,000	32.85%	1.22%
	US AGENCY	16,500,000	16.01%	11.22%

BROKER ACTIVITY REPORT
POOL 7 - L.G.I.P.- GOV
JULY 1 - SEPTEMBER 30, 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>
BA SECURITIES INC.				
	REPO	40,197,000,000	38.07%	37.32%
	US TREAS	500,000,000	23.64%	0.46%
CITIGROUP				
	REPO	26,440,000,000	25.04%	24.55%
	US TREAS	50,000,000	2.36%	0.05%
DEUTSCHE BANC				
	REPO	25,034,000,000	23.71%	23.24%
	US TREAS	125,000,000	5.91%	0.12%
MERRILL LYNCH				
	US TREAS	800,000,000	37.83%	0.74%
MIZUHO SECURITIES				
	REPO	13,914,000,000	13.18%	12.92%
	US TREAS	300,000,000	14.18%	0.28%
SECURITIES TRANSFERS (NO BROKER)				
	US TREAS	50,000,000	2.36%	0.05%
RBS GREENWICH CAPITAL				
	US TREAS	290,000,000	13.71%	0.27%

**BROKER ACTIVITY REPORT
FIXED INCOME FUND 205
JULY 1 - SEPTEMBER 30, 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>
BARCLAYS CAPITAL INC.				
	US AGENCY	20,000,000	66.67%	8.46%
BONY MONEY MARKET				
	MONEY-MARK	158,268,710	100.00%	66.93%
CANTOR FITZGERALD				
	US AGENCY	5,000,000	16.67%	2.11%
CITIGROUP				
	USA-MBS	9,963,028	50.72%	4.21%
J.P. MORGAN				
	CORP-NOTE	5,000,000	17.51%	2.11%
MERRILL LYNCH				
	USA-MBS	9,679,195	49.28%	4.09%
	US AGENCY	5,000,000	16.67%	2.11%
SECURITIES TRANSFERS (NO BROKER)				
	CORP-NOTE	21,800,000	76.36%	9.22%
WACHOVIA SECURITIES				
	CORP-NOTE	1,750,000	6.13%	0.74%