

OFFICE OF THE
ARIZONA STATE TREASURER



**HON. DEAN MARTIN
TREASURER**



JANUARY 2009

Presented To:

Arizona State Board of Investment

FEBRUARY 18, 2009

STATE BOARD OF INVESTMENT

A G E N D A

February 18, 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
- 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

February 18, 2009

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| Minutes of Board of Investment Meetings | iv-x |
| Review of Treasurer’s Monthly Reports – Investment Pools | |
| <u>Activity Reports</u> | |
| A. Earnings Distribution; Investment Pools | 1 |
| B. Yield Analysis – MTD & YTD; Investment Pools | 2-4 |
| <u>Holdings Reports</u> | |
| C. Investments Outstanding; Investment Pools | 5-8 |
| D. Rating Summaries – Operating and LGIP | 9-12 |
| E. Maturity Summary – LGIP | 13-15 |
| <u>Balance Report</u> | |
| F. Operating Monies Invested Balances | 16 |
| Review of Treasurer’s Monthly Reports - Endowments | |
| <u>Activity Reports</u> | |
| A. Earnings Distribution; Endowment Funds | 17 |
| B. Yield Analysis – MTD; Endowments | 18 |
| C. Return Analysis – MTD & YTD; Endowment Funds | 19 |
| D. Capital Gains/Losses; Endowment Funds | 20 |
| E. Endowment Funds Fixed Income Purchases and Sales | 21 |
| F. Endowment Funds Equity Purchases and Sales | 22 |
| <u>Holdings Reports</u> | |
| G. Investments Outstanding; Endowment Pools | 23-25 |
| H. Rating Summaries – Endowments | 26 |
| I. Equity Holdings – Investments Outstanding by Sector | 27-28 |
| J. Equity Holdings by Participant | 29 |

**Minutes of
BOARD OF INVESTMENT MEETING**

The regular meeting of the State Board of Investment was held on January 21, 2009 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 1:10 p.m.

Members Present:

Dean Martin, Chair, State Treasurer
Ross Jacobs, Treasurer, Yavapai County
Alan E. Maguire, President, The Maguire Company
Charlotte Hosseini, Arizona Department of Administration, designee for William Bell, Director, Arizona Department of Administration
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, Senior 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
E. Blaine Vance, Member of the Public
Robert Steele, Acting Accounting Manager, City of Glendale, Arizona, Member of the Public
Julianne Loyd, Accountant 2, City of Glendale, Arizona, Member of the Public

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

1. Call to Order:

Treasurer Martin called the January 21, 2009 BOI meeting to order at approximately 1:10 p.m.

2. Treasurers Comments:

Treasurer Martin welcomed board members and guests and thanked all present for attending the January 21, 2009 meeting.

3. Approval of Minutes:

Ms. Hosseini made a motion to approve the minutes for the December 17, 2008 Board of Investment Meeting. Mr. Jacobs 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 December, 2008.

State Agency Pools Portfolio Yield Analysis

Mr. Petkiewicz reported the gross yields for the State Agency Pools for the month of December, 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 December, 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 December, 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 December 31, 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 December 31, 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 December 31, 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 December, 2008.

Treasurer Martin noted that the average invested balance for December was 804 million, and advised the Board it was because "December is the first month we are carrying the full SF (School Facilities) bonds." He then pointed out that the real number for December is a negative 358 million.

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 December, 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 December, 2008.

Monthly Return Analysis for the Endowment Funds

Mr. White reported the total return numbers for the Endowment Funds for the month of December, 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 December, 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 December, 2008.

Equity Funds Purchases & Sales

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

Investments Outstanding in Endowment Funds

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

Rating Summary Endowment Fixed Income Fund

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

Equity Holdings – By Participant

Mr. White reported the equity holdings of the Endowment Funds as of December 31, 2008.

Approval of Treasurer's Report

Mr. Maguire made a motion to approve the Treasurer's Report as submitted.
Ms. Rotellini seconded the motion. Motion carried.

6. Proposed Changes to Investment Policy

None

7. Adoption of Divestment Policy

Treasurer Martin asked the board if there were any questions regarding the draft of the Divestment Policy that was given out in the December 17, 2008 meeting. There were no questions or suggested changes.

Mr. Maguire made a motion to approve the Divestment Policy as submitted. Mr. Jacobs seconded the motion. Motion carried.

8. Review and Approval of Proposed/Pending Securities Dealers

None

9. General Business:

None

10. Call to the Public

There was no public comment.

11. Notice of Next Meeting:

The Treasurer advised the Board that the next regular meeting of the Board of Investment will be Wednesday, February 18, 2009 at 10:30 a.m. at 1700 West Washington, State Capitol, West Wing, Treasurer's Conference Room, Phoenix, Arizona. He noted that the Appropriations Committee had scheduled the Budget Hearing for that day, so it was necessary to change the time from the afternoon back to the morning.

*State Treasurer's Report
February 18, 2009 Meeting
Minutes of the January 21, 2009 Meeting*

12. Adjournment:

Mr. Maguire made a motion to adjourn the BOI meeting. Ms. Rotellini seconded the motion. Upon unanimous approval, the BOI meeting was adjourned at 1:32 p.m.

Respectfully Submitted by:

Helen D. Garafola
Executive Consultant

Approved by:

Dean Martin, Chair

Date:

EARNINGS DISTRIBUTION - INVESTMENT POOLS
JANUARY 2009

State Treasurer's Report
 February 18, 2009
 Page 1

| Recipient | Earnings Distributed | | | Fiscal YTD Investment Management Fees Received |
|--|-----------------------------|-----------------------------|-----------------------------|---|
| | JANUARY 2009 | Fiscal YTD 08/09 | Fiscal YTD 07/08 | |
| General Fund | \$311,858 | \$9,777,385 | \$69,520,115 | |
| 2 State Agencies I - Full Faith & Credit | 1,471,182 | 18,240,306 | 21,809,347 | \$340,317 |
| 3 State Agencies II - Diversified | 807,428 | 23,679,958 | 59,380,765 | 653,574 |
| 5 Local Governments | 219,361 | 21,806,913 | 68,787,513 | 961,099 |
| 6 State Agencies III - US Govt & Agency | 110 | 52,505 | 125,773 | 2,151 |
| 7 LGIP Gov't | 1,957,726 | 21,927,729 | 49,785,718 | 989,908 |
| 8 State Agencies IV - Restricted Diversified | 451,729 | 11,973,256 | 8,512,427 | 191,412 |
| 9 * ADOT - BFO | 0 | 0 | 0 | 0 |
| 11 School Facilities Board | 275 | 62,790 | 216,793 | 4,782 |
| 12 CAWCD Medium-Term | 237,677 | 2,838,221 | 2,908,814 | 41,619 |
| 14 School Facilities Board 2002 Series | 2 | 128,213 | 768,100 | 6,563 |
| 15 GADA Long-Term | 81,248 | 447,588 | 493,519 | 6,172 |
| Subtotal | \$5,538,595 | \$110,934,864 | \$282,308,883 | \$3,197,597 |
| NAV POOL | | | | |
| 500 LGIP LT | 203,515 | 1,434,934 | 818,449 | 22,158 |
| Total | \$5,742,110 | \$112,369,798 | \$283,127,331 | \$3,219,756 |

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

**STATE AGENCY POOLS
PORTFOLIO YIELD ANALYSIS**
January 31, 2009

State Treasurer's Report
February 18, 2009
Page 2

| FUND | DESCRIPTION | NET EARNINGS | SALES EARNINGS YIELD | AMORT/DISC EARNINGS YIELD | COUPON EARNINGS YIELD | GROSS YIELD |
|-----------------------------|--|------------------|----------------------------|---------------------------------|-----------------------------|----------------|
| 2 | STATE AGENCIES I - FULL FAITH & CREDIT | 1,929,300 | 0.0000% | 0.1787% | 2.2615% | 2.4401% |
| 3 | STATE AGENCIES II - DIVERSIFIED | 1,985,720 | -0.4329% | -0.1331% | 2.0614% | 1.4954% |
| 6 | STATE AGENCIES III - US GOVT & AGENCY | 0 | 0.0000% | 0.0000% | 0.0000% | 0.0000% |
| 8 | STATE AGENCIES IV-RESTRICTED DIVERSIFIED | 816,223 | 0.0000% | -0.3380% | 2.1157% | 1.7777% |
| 9 | BOARD FUNDING OBLIGATION | 448,438 | 0.0000% | 0.0000% | 4.8600% | 4.8600% |
| 11 | SCHOOL FACILITIES BOARD | 0 | 0.0000% | 0.0000% | 0.0000% | 0.0000% |
| 12 | CAWCD MEDIUM TERM | 346,802 | 0.0000% | -0.2079% | 3.8725% | 3.6646% |
| 14 | SCHOOL FACILITIES BOARD BONDS | 0 | 0.0000% | 0.0000% | 0.0000% | 0.0000% |
| 15 | GADA | 51,463 | 0.0000% | 0.0721% | 3.4831% | 3.5552% |
| TOTAL STATE AGENCIES | | 5,577,947 | | | | |

LGIP & LGIP-GOV
PORTFOLIO YIELD ANALYSIS
 January 31, 2009

State Treasurer's Report
 February 18, 2009
 Page 3

| FUND | DESCRIPTION | NET EARNINGS | SALES EARNINGS YIELD | AMORT/DISC EARNINGS YIELD | COUPON EARNINGS YIELD | GROSS YIELD |
|----------------------------------|-------------|------------------|----------------------------|---------------------------------|-----------------------------|----------------|
| 5 | LGIP | 1,860,243 | -0.0064% | -0.5040% | 1.5462% | 1.0358% |
| 7 | LGIP - GOV | 531,541 | 0.0000% | -0.0797% | 0.3315% | 0.2518% |
| TOTAL LGIP & LGIP-GOV | | 2,391,784 | | | | |

| | | 11/30/08 | 12/31/08 | 01/31/09 |
|---|------------------------------------|----------|----------|----------|
| 5 | LGIP MONTHLY YIELD (NET) | 1.51% | 0.61% | 0.98% |
| | S & P LGIP INDEX YIELD | 1.88% | 1.54% | 1.18% |
| | LGIP YTD YIELD (NET) | 2.10% | 1.88% | 1.77% |
| | S & P LGIP YTD INDEX YIELD | 2.18% | 2.08% | 1.93% |
| 7 | LGIP - GOV MONTHLY YIELD (NET) | 0.62% | 0.38% | 0.19% |
| | 3 MONTH T-BILL | 0.16% | 0.01% | 0.11% |
| | * S & P LGIP - GOV INDEX YIELD | 1.66% | 1.38% | 1.05% |
| | LGIP - GOV YTD YIELD (NET) | 1.33% | 1.12% | 0.97% |
| | YTD 3 MONTH T-BILL | 1.16% | 0.88% | 0.77% |
| | * S & P LGIP - GOV YTD INDEX YIELD | 1.98% | 1.89% | 1.75% |

* 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**
January 31, 2009

State Treasurer's Report
February 18, 2009
Page 4

| FUND | DESCRIPTION | GROSS EARNINGS | SALES EARNINGS YIELD | AMORT/DISC EARNINGS YIELD | COUPON EARNINGS YIELD | GROSS YIELD |
|------|----------------------------------|-------------------|----------------------------|---------------------------------|-----------------------------|----------------|
| 500 | LGIP LONG TERM POOL | 205,085 | 0.0000% | -0.2906% | 3.9624% | 3.6718% |
| | TOTAL LGIP LONG TERM POOL | 205,085 | | | | |

| | 11/30/08 | 12/31/08 | 01/31/09 |
|---|----------|----------|----------|
| LGIP LONG TERM MONTHLY YIELD (NET) | 3.94% | 3.75% | 3.61% |
| MERRILL 1-5 US D M INDEX MONTHLY YIELD | 4.14% | 3.25% | 3.42% |
| | | | |
| LGIP LONG TERM YTD YIELD (NET) | 3.94% | 3.91% | 3.86% |
| MERRILL 1-5 US D M INDEX YTD YIELD | 4.23% | 4.07% | 3.97% |

**STATE AGENCY POOLS
INVESTMENTS OUTSTANDING**

JANUARY 31, 2009
(in thousands)

State Treasurer's Report
February 18, 2009
Page 5

| 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 | 312,000 | 312,000 | 312,000 | 0 | |
| | FDIC - Commercial Paper | 39,000 | 38,979 | 38,979 | (0) | |
| | U.S. Government & Agencies | 756,696 | 757,731 | 763,729 | 5,998 | |
| | FDIC - Corporate Securities | 28,000 | 28,426 | 28,352 | (74) | |
| | Total | 1,135,696 | 1,137,136 | 1,143,060 | 5,923 | 1.005 |
| 3 | State Agencies II - Diversified | | | | | |
| | Repurchase Agreements | 226,000 | 226,000 | 226,000 | 0 | |
| | U.S. Government & Agencies | 730,148 | 730,008 | 731,873 | 1,865 | |
| | FDIC - Corporate Securities | 13,000 | 13,079 | 13,083 | 3 | |
| | Corporate Securities | 757,467 | 755,416 | 725,269 | (30,147) | |
| | Total | 1,726,615 | 1,724,504 | 1,696,225 | (28,278) | 0.984 |
| 6 | State Agencies III - US Govt & Agency | | | | | |
| | Repurchase Agreements | 0 | 0 | 0 | 0 | |
| | U.S. Government & Agencies | 0 | 0 | 0 | 0 | |
| | Total | 0 | 0 | 0 | 0 | 0.000 |
| 8 | State Agencies IV - Restricted Diversified | | | | | |
| | Repurchase Agreements | 69,000 | 69,000 | 69,000 | 0 | |
| | U.S. Government & Agencies | 478,480 | 479,181 | 480,484 | 1,303 | |
| | FDIC - Corporate Securities | 5,000 | 5,084 | 5,098 | 15 | |
| | Total | 552,480 | 553,265 | 554,583 | 1,317 | 1.002 |
| 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 | 0 | 0 | 0 | 0 | |
| | Total | 0 | 0 | 0 | 0 | 0.000 |
| 12 | CAWCD Medium-Term | | | | | |
| | Money Market Mutual Shares | 5,720 | 5,720 | 5,720 | 0 | |
| | U.S. Government & Agencies | 57,792 | 58,042 | 58,341 | 298 | |
| | Corporate Securities | 42,265 | 42,356 | 38,913 | (3,443) | |
| | Total | 105,777 | 106,118 | 102,974 | (3,145) | 0.970 |

STATE AGENCY POOLS
INVESTMENTS OUTSTANDING
 JANUARY 31, 2009
 (in thousands)

State Treasurer's Report
 February 18, 2009
 Page 6

| 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 | 0 | 0 | 0 | 0 | |
| | Total | 0 | 0 | 0 | 0 | 0.000 |
| 15 | GADA | | | | | |
| | Money Market Mutual Shares | 4,888 | 4,888 | 4,888 | 0 | |
| | U.S. Government & Agencies | 8,960 | 8,962 | 9,045 | 83 | |
| | Corporate Securities | 3,525 | 3,543 | 3,276 | (267) | |
| | Total | 17,373 | 17,393 | 17,209 | (184) | 0.989 |
| 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 | 5,227 | (34,199) | |
| | Total | 39,450 | 39,427 | 5,227 | (34,199) | 0.133 |
| TOTALS - AGENCY POOLS | | | | | | |
| | Repurchase Agreements | 607,000 | 607,000 | 607,000 | 0 | |
| | Money Market Mutual Shares | 10,608 | 10,608 | 10,608 | 0 | |
| | FDIC - Commercial Paper | 39,000 | 38,979 | 38,979 | (0) | |
| | Commercial Paper | 0 | 0 | 0 | 0 | |
| | U.S. Government & Agencies | 2,032,076 | 2,033,925 | 2,043,472 | 9,547 | |
| | FDIC - Corporate Securities | 46,000 | 46,589 | 46,533 | (57) | |
| | Corporate Securities | 803,257 | 801,315 | 767,458 | (33,857) | |
| | 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 | 5,227 | (34,199) | |
| | Grand Total | 3,749,329 | 3,749,767 | 3,629,277 | (120,490) | |

L.G.I.P.
INVESTMENTS OUTSTANDING
 JANUARY 31, 2009
 (in thousands)

State Treasurer's Report
 February 18, 2009
 Page 7

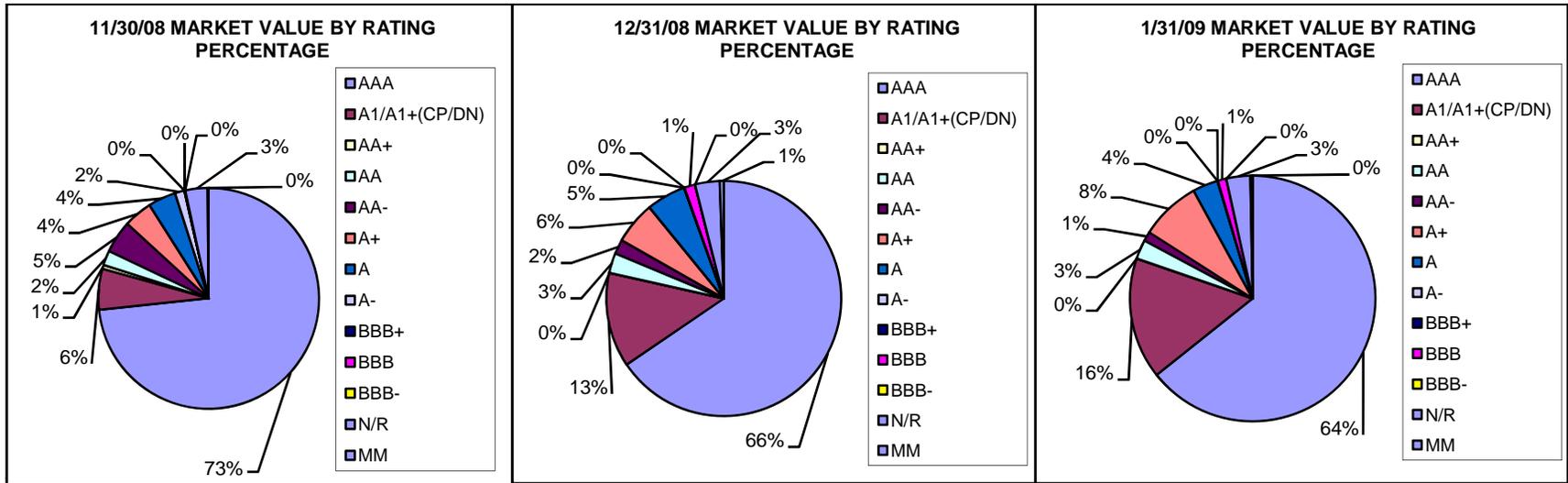
| POOL | INVESTMENT POOL | PAR VALUE | BOOK VALUE | MARKET VALUE | UNREALIZED GAINS (LOSSES) | Mkt Value/ Book Value |
|------|-----------------------------|------------------|------------------|------------------|------------------------------|--------------------------|
| 5 | Local Governments | | | | | |
| | Repurchase Agreements | 0 | 0 | 0 | 0 | |
| | Commercial Paper | 15,000 | 14,996 | 14,996 | 0 | |
| | Certificates of Deposit | 5,000 | 4,994 | 5,090 | 96 | |
| | U.S. Government & Agencies | 1,744,399 | 1,749,389 | 1,757,185 | 7,797 | |
| | Corporate Securities | 417,865 | 417,478 | 408,745 | (8,733) | |
| | Total | 2,182,264 | 2,186,857 | 2,186,017 | (840) | 1.000 |
| 7 | LGIP - Gov't | | | | | |
| | Repurchase Agreements | 2,443,000 | 2,443,000 | 2,443,084 | 84 | |
| | FDIC - Commercial Paper | 270,000 | 269,902 | 269,902 | (0) | |
| | U.S. Government & Agencies | 355,498 | 357,612 | 359,717 | 2,106 | |
| | Total | 3,068,498 | 3,070,514 | 3,072,703 | 2,189 | 1.001 |
| 500 | LGIP LT | | | | | |
| | Money Market Mutual Shares | 868 | 868 | 868 | 0 | |
| | Commercial Paper | 0 | 0 | 0 | 0 | |
| | U.S. Government & Agencies | 46,888 | 47,191 | 48,089 | 898 | |
| | Corporate Securities | 16,790 | 16,848 | 16,550 | (297) | |
| | FDIC - Corporate Securities | 500 | 499 | 495 | (4) | |
| | Dividends Payable/Other | (65) | (65) | (65) | 0 | |
| | Total | 64,981 | 65,341 | 65,938 | 597 | |
| | TOTALS - LGIP POOLS | | | | | |
| | Repurchase Agreements | 2,443,000 | 2,443,000 | 2,443,084 | 84 | |
| | Money Market Mutual Shares | 868 | 868 | 868 | 0 | |
| | FDIC - Commercial Paper | 270,000 | 269,902 | 269,902 | (0) | |
| | Commercial Paper | 15,000 | 14,996 | 14,996 | 0 | |
| | Certificates of Deposit | 5,000 | 4,994 | 5,090 | 96 | |
| | U.S. Government & Agencies | 2,146,785 | 2,154,191 | 2,164,992 | 10,800 | |
| | Corporate Securities | 434,655 | 434,325 | 425,295 | (9,031) | |
| | FDIC - Corporate Securities | 500 | 499 | 495 | (4) | |
| | Dividends Payable/Other | (65) | (65) | (65) | 0 | |
| | Grand Total | 5,315,743 | 5,322,712 | 5,324,657 | 1,946 | |

SHARES OUTSTANDING
LOCAL GOVERNMENT LONG TERM FUNDS
 JANUARY 31, 2009
 (In Thousands)

State Treasurer's Report
 February 18, 2009
 Page 8

| FUND | NAME OF FUND | SHARES OUTSTANDING | BOOK VALUE | MARKET VALUE | UNREALIZED GAINS (LOSSES) | NAV |
|------|-------------------------------|-----------------------|---------------|-----------------|------------------------------|--------------|
| 500 | <i>Shares in LGIP LT Fund</i> | 65,401 | 65,764 | 66,450 | 687 | |
| | Total | 65,401 | 65,764 | 66,450 | 687 | 1.010 |

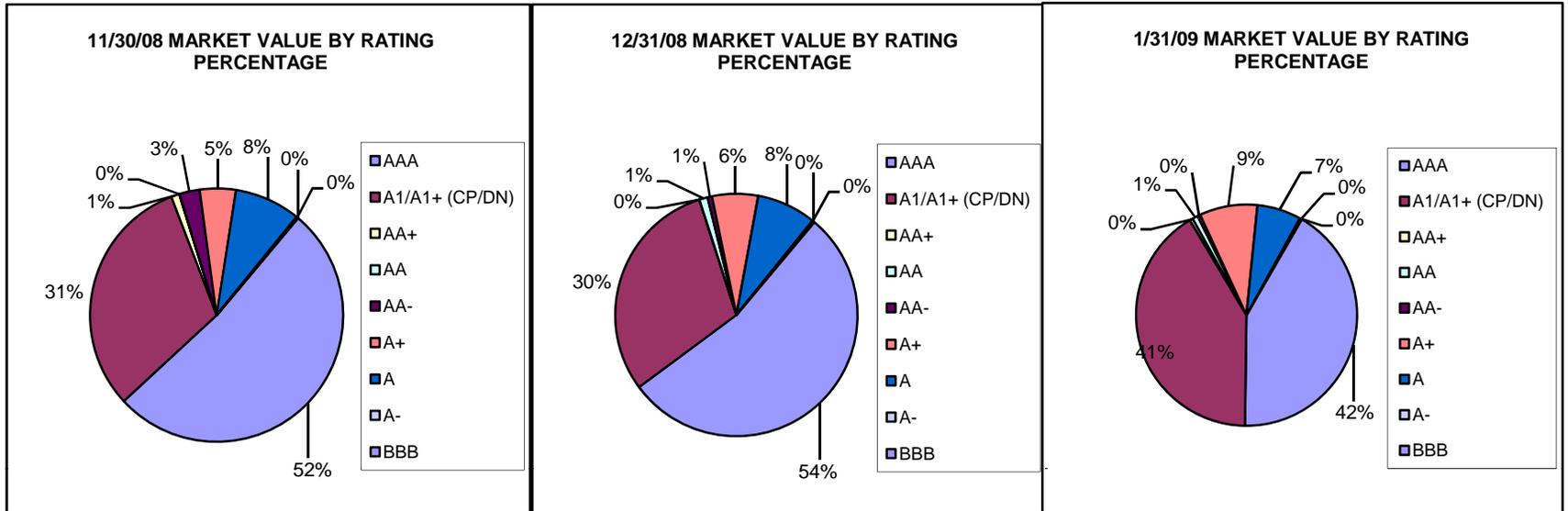
**ARIZONA STATE TREASURER'S OFFICE
RATING SUMMARY
STATE AGENCY POOLS 2, 3, 6, 8, 9, 11 - 15, 55, 57**



| | 11/30/08 | | | 12/31/08 | | | 01/31/09 | | |
|---------------|------------|------------------------|-------------|------------|------------------------|-------------|------------|------------------------|-------------|
| RATING | POSITIONS | MARKET VALUE | PERCENT | POSITIONS | MARKET VALUE | PERCENT | POSITIONS | MARKET VALUE | PERCENT |
| AAA | 251 | \$2,513,506,881 | 74% | 227 | \$2,187,666,487 | 66% | 232 | \$2,329,999,106 | 65% |
| A1/A1+(CP/DN) | 10 | \$217,060,248 | 6% | 13 | \$435,632,919 | 13% | 14 | \$580,892,012 | 16% |
| AA+ | 2 | \$18,869,461 | 1% | 0 | \$0 | 0% | 0 | \$0 | 0% |
| AA | 5 | \$74,217,962 | 2% | 7 | \$92,513,092 | 3% | 7 | \$92,202,037 | 3% |
| AA- | 15 | \$164,430,496 | 5% | 7 | \$66,059,800 | 2% | 6 | \$45,864,280 | 1% |
| A+ | 17 | \$144,426,126 | 4% | 22 | \$195,888,891 | 6% | 28 | \$289,535,577 | 8% |
| A | 14 | \$140,545,869 | 4% | 16 | \$181,245,834 | 5% | 13 | \$121,628,980 | 3% |
| A- | 4 | \$48,907,139 | 1% | 1 | \$397,574 | 0% | 0 | \$0 | 0% |
| BBB+ | 1 | \$1,687,350 | 0% | 1 | \$1,769,943 | 0% | 1 | \$1,719,396 | 0% |
| BBB | 2 | \$1,044,885 | 0% | 5 | \$49,159,365 | 1% | 5 | \$41,593,215 | 1% |
| BBB- | 1 | \$999,940 | 0% | 1 | \$999,981 | 0% | 0 | \$0 | 0% |
| N/R | 21 | \$113,557,571 | 3% | 21 | \$113,557,571 | 3% | 21 | \$115,234,196 | 3% |
| MM | 2 | \$4,554,288 | 0% | 2 | \$18,204,168 | 1% | 2 | \$10,607,953 | 0% |
| TOTAL | 345 | \$3,443,808,216 | 100% | 323 | \$3,343,095,626 | 100% | 329 | \$3,629,276,751 | 100% |

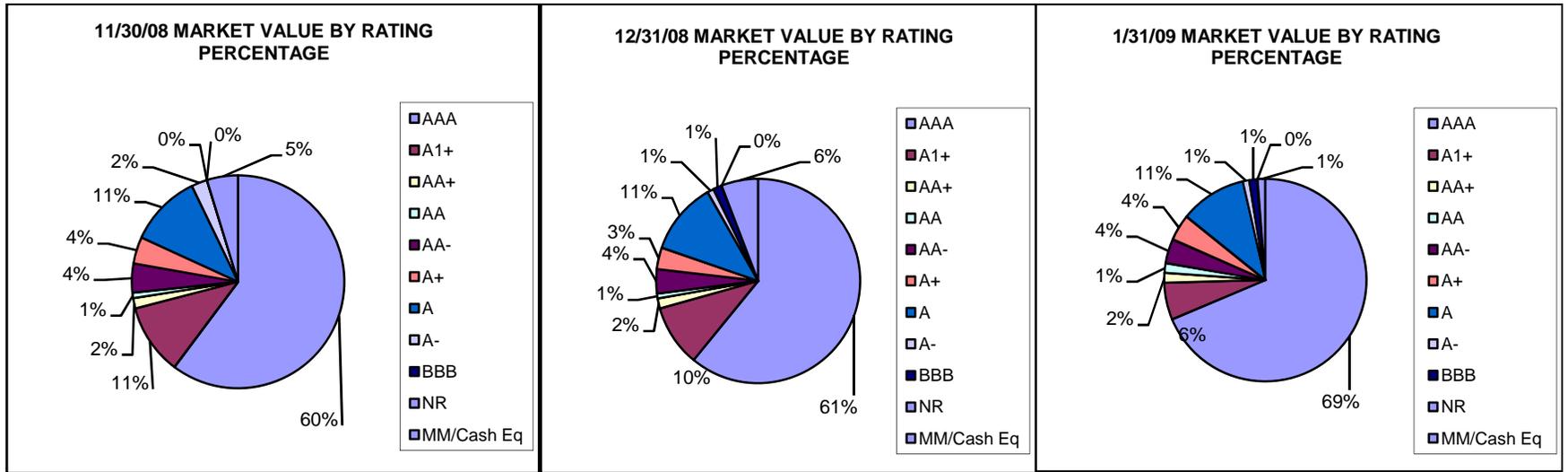
MM = MONEY MARKET (DREYFUS INST'L)
N/R = ADOT BONDS (110,000,000), TAX DEFERRED (7,071) AND NCFE

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



| RATING | 11/30/08 | | | 12/31/08 | | | 01/31/09 | | |
|----------------|------------|------------------------|-------------|-----------|------------------------|-------------|------------|------------------------|-------------|
| | POSITIONS | MARKET VALUE | PERCENT | POSITIONS | MARKET VALUE | PERCENT | POSITIONS | MARKET VALUE | PERCENT |
| AAA | 40 | \$1,348,505,167 | 52% | 39 | \$1,299,265,784 | 54% | 42 | \$919,747,768 | 42% |
| A1/A1+ (CP/DN) | 26 | \$806,589,614 | 31% | 22 | \$729,692,021 | 30% | 31 | \$903,459,898 | 41% |
| AA+ | 3 | \$27,325,174 | 1% | 0 | \$0 | 0% | 1 | \$10,009,028 | 0% |
| AA | 0 | \$0 | 0% | 3 | \$27,247,443 | 1% | 2 | \$17,385,244 | 1% |
| AA- | 6 | \$67,470,669 | 3% | 2 | \$14,381,000 | 1% | 1 | \$9,574,167 | 0% |
| A+ | 12 | \$119,546,410 | 5% | 9 | \$148,019,875 | 6% | 11 | \$184,698,722 | 9% |
| A | 15 | \$218,314,492 | 8% | 18 | \$192,354,579 | 8% | 16 | \$134,972,129 | 7% |
| A- | 1 | \$6,278,368 | 0% | 0 | \$0 | 0% | 0 | \$0 | 0% |
| BBB | 0 | \$0 | 0% | 1 | \$6,268,192 | 0% | 1 | \$6,169,857 | 0% |
| TOTAL | 103 | \$2,594,029,893 | 100% | 94 | \$2,417,228,894 | 100% | 105 | \$2,186,016,814 | 100% |

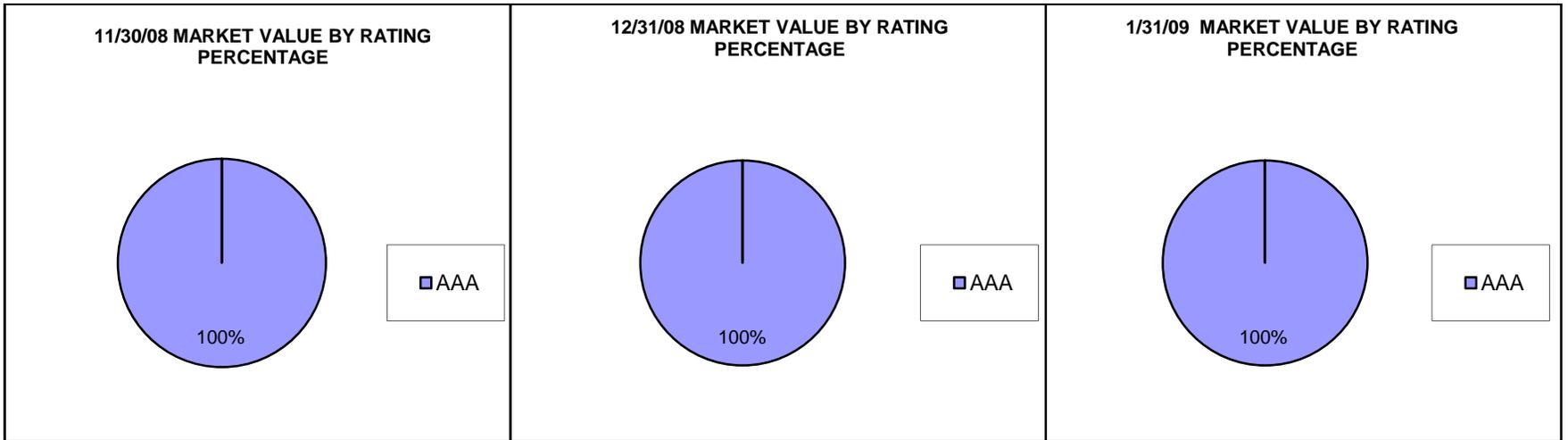
**ARIZONA STATE TREASURER'S OFFICE
RATING SUMMARY
LGIP 500**



| | 11/30/2008 | | | 12/31/2008 | | | 1/31/2009 | | |
|--------------|------------|---------------------|-------------|------------|---------------------|-------------|------------|---------------------|-------------|
| RATING | POSITIONS | MARKET VALUE | PERCENT | POSITIONS | MARKET VALUE | PERCENT | POSITIONS | MARKET VALUE | PERCENT |
| AAA | 61 | \$38,727,469 | 60% | 63 | \$40,110,561 | 61% | 68 | \$45,354,084 | 68% |
| A1+ | 8 | \$6,903,948 | 11% | 7 | \$6,418,264 | 10% | 6 | \$3,872,855 | 6% |
| AA+ | 2 | \$1,019,411 | 2% | 2 | \$1,033,750 | 2% | 2 | \$1,030,495 | 2% |
| AA | 2 | \$509,396 | 1% | 2 | \$521,283 | 1% | 4 | \$1,024,863 | 2% |
| AA- | 7 | \$2,864,989 | 4% | 5 | \$2,526,220 | 4% | 5 | \$2,557,086 | 4% |
| A+ | 8 | \$2,611,580 | 4% | 6 | \$2,253,711 | 3% | 7 | \$2,751,615 | 4% |
| A | 16 | \$7,063,296 | 11% | 19 | \$7,558,146 | 11% | 17 | \$6,998,462 | 11% |
| A- | 4 | \$1,546,594 | 2% | 2 | \$680,022 | 1% | 2 | \$686,188 | 1% |
| BBB | 0 | \$0 | 0% | 2 | \$889,105 | 1% | 2 | \$825,570 | 1% |
| NR | 1 | \$22,500 | 0% | 1 | \$22,500 | 0% | 1 | \$33,125 | 0% |
| MM/Cash Eq | 2 | \$3,041,924 | 5% | 2 | \$3,836,453 | 6% | 2 | \$803,193 | 1% |
| TOTAL | 111 | \$64,311,107 | 100% | 111 | \$65,850,015 | 100% | 116 | \$65,937,535 | 100% |

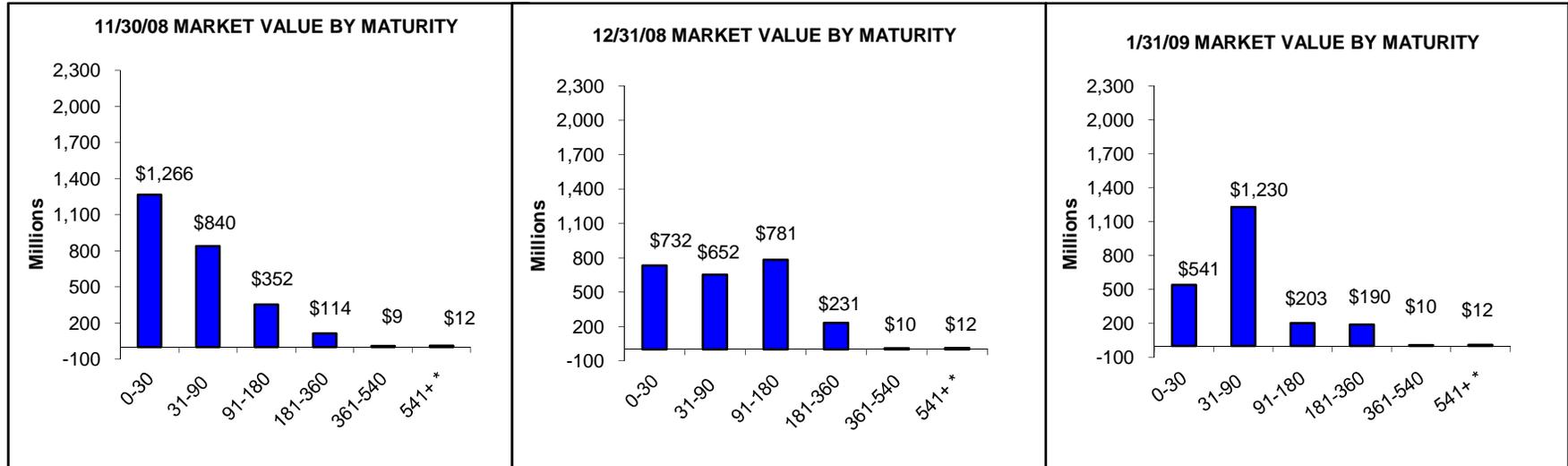
*MM/Cash Equivalent includes dividends payable

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



| | | 11/30/08 | | | | 12/31/08 | | | | 01/31/09 | | |
|--------|-----------|-----------------|---------|-----------|-----------------|----------|-----------|-----------------|---------|-----------|--------------|---------|
| RATING | POSITIONS | MARKET VALUE | PERCENT | POSITIONS | MARKET VALUE | PERCENT | POSITIONS | MARKET VALUE | PERCENT | POSITIONS | MARKET VALUE | PERCENT |
| AAA | 30 | \$3,431,693,911 | 100% | 19 | \$3,238,935,081 | 100% | 24 | \$3,072,703,005 | 100% | | | |

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

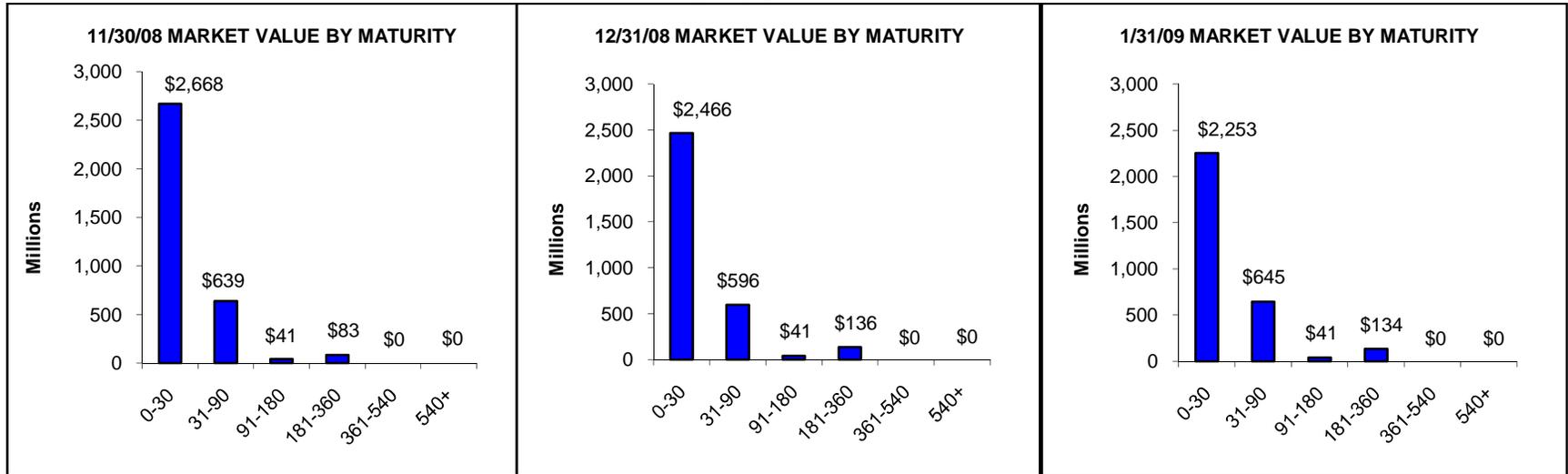


| 11/30/08 | | | | 12/31/08 | | | 01/31/09 | | |
|--------------|------------|------------------------|-------------|-----------|------------------------|-------------|------------|------------------------|-------------|
| MATURITY | POSITIONS | MARKET VALUE | PERCENT | POSITIONS | MARKET VALUE | PERCENT | POSITIONS | MARKET VALUE | PERCENT |
| 0-30 | 45 | \$1,265,912,639 | 49% | 23 | \$731,727,665 | 30% | 36 | \$541,353,978 | 25% |
| 31-90 | 40 | \$840,200,730 | 32% | 44 | \$651,962,839 | 27% | 51 | \$1,229,748,599 | 56% |
| 91-180 | 11 | \$352,237,637 | 14% | 18 | \$781,025,790 | 32% | 9 | \$203,160,643 | 9% |
| 181-360 | 4 | \$114,272,753 | 4% | 6 | \$230,687,504 | 10% | 6 | \$190,017,603 | 9% |
| 361-540 | 1 | \$9,466,771 | 0% | 1 | \$9,618,546 | 0% | 1 | \$9,586,440 | 0% |
| 541+ * | 2 | \$11,939,363 | 0% | 2 | \$12,206,550 | 1% | 2 | \$12,149,550 | 1% |
| TOTAL | 103 | \$2,594,029,893 | 100% | 94 | \$2,417,228,894 | 100% | 105 | \$2,186,016,814 | 100% |

| 11/30/08 | | | 12/31/08 | | | 01/31/09 | | |
|--------------|--------------|--|--------------|--------------|--|--------------|--------------|--|
| MATURITY | WAM | | MATURITY | WAM | | MATURITY | WAM | |
| 0-30 | 4.39 | | 0-30 | 3.19 | | 0-30 | 3.78 | |
| 31-90 | 20.99 | | 31-90 | 15.10 | | 31-90 | 39.25 | |
| 91-180 | 15.30 | | 91-180 | 36.47 | | 91-180 | 12.71 | |
| 181-360 | 9.28 | | 181-360 | 20.10 | | 181-360 | 16.54 | |
| 361-540 | 1.70 | | 361-540 | 1.73 | | 361-540 | 1.78 | |
| 541+ | 2.99 | | 541+ | 3.12 | | 541+ | 3.26 | |
| TOTAL | 54.65 | | TOTAL | 79.72 | | TOTAL | 77.32 | |

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 | 11/30/08 | | | 12/31/08 | | | 01/31/09 | | |
|--------------|-----------|------------------------|-------------|-----------|------------------------|-------------|-----------|------------------------|-------------|
| | POSITIONS | MARKET VALUE | PERCENT | POSITIONS | MARKET VALUE | PERCENT | POSITIONS | MARKET VALUE | PERCENT |
| 0-30 | 15 | \$2,668,309,093 | 78% | 9 | \$2,465,996,732 | 76% | 8 | \$2,253,184,910 | 73% |
| 31-90 | 11 | \$639,054,796 | 19% | 5 | \$596,000,115 | 18% | 11 | \$644,924,001 | 21% |
| 91-180 | 1 | \$40,873,688 | 1% | 1 | \$40,939,177 | 1% | 1 | \$40,935,766 | 1% |
| 181-360 | 3 | \$83,456,334 | 2% | 4 | \$135,999,058 | 4% | 4 | \$133,658,328 | 4% |
| 361-540 | 0 | \$0 | 0% | 0 | \$0 | 0% | 0 | \$0 | 0% |
| 540+ | 0 | \$0 | 0% | 0 | \$0 | 0% | 0 | \$0 | 0% |
| TOTAL | 30 | \$3,431,693,911 | 100% | 19 | \$3,238,935,081 | 100% | 24 | \$3,072,703,005 | 100% |

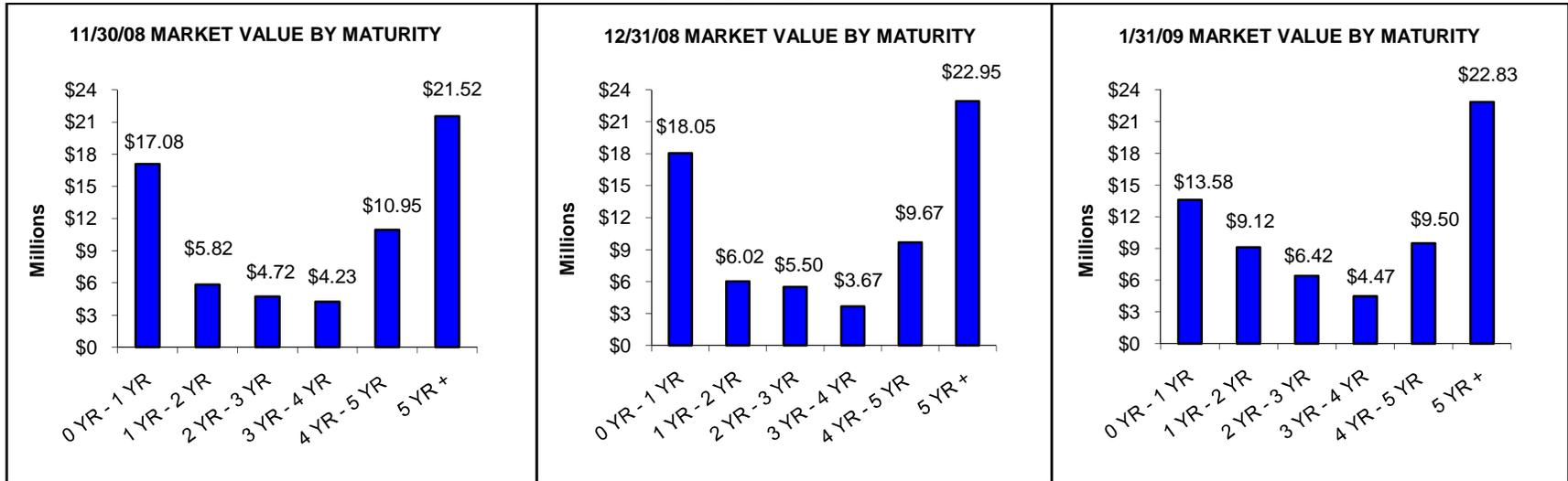
| 11/30/08 | |
|--------------|--------------|
| MATURITY | WAM |
| 0-30 | 7.44 |
| 31-90 | 9.13 |
| 91-180 | 1.98 |
| 181-360 | 6.37 |
| 361-540 | 0.00 |
| 540+ | 0.00 |
| TOTAL | 24.92 |

| 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 |
| TOTAL | 25.63 |

| 01/31/09 | |
|--------------|--------------|
| MATURITY | WAM |
| 0-30 | 6.53 |
| 31-90 | 11.27 |
| 91-180 | 1.39 |
| 181-360 | 8.39 |
| 361-540 | 0.00 |
| 540+ | 0.00 |
| TOTAL | 27.57 |

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 | 11/30/08 | | | 12/31/08 | | | 01/31/09 | | |
|--------------|------------|---------------------|-------------|------------|---------------------|-------------|------------|---------------------|-------------|
| | POSITIONS | MARKET VALUE | PERCENT | POSITIONS | MARKET VALUE | PERCENT | POSITIONS | MARKET VALUE | PERCENT |
| 0 YR - 1 YR | 27 | \$17,075,695 | 27% | 28 | \$18,045,392 | 27% | 27 | \$13,584,130 | 21% |
| 1 YR - 2 YR | 16 | \$5,824,187 | 9% | 17 | \$6,017,957 | 9% | 20 | \$9,119,965 | 14% |
| 2 YR - 3 YR | 13 | \$4,716,203 | 7% | 14 | \$5,500,716 | 8% | 15 | \$6,424,926 | 10% |
| 3 YR - 4 YR | 10 | \$4,229,953 | 7% | 8 | \$3,669,304 | 6% | 10 | \$4,474,299 | 7% |
| 4 YR - 5 YR | 21 | \$10,948,556 | 17% | 19 | \$9,669,107 | 15% | 18 | \$9,501,422 | 14% |
| 5 YR + | 24 | \$21,516,513 | 33% | 25 | \$22,947,539 | 35% | 26 | \$22,832,794 | 35% |
| TOTAL | 111 | \$64,311,107 | 100% | 111 | \$65,850,015 | 100% | 116 | \$65,937,535 | 100% |

| | 11/30/2008 | 12/31/2008 | 1/31/2009 |
|---|------------|------------|-----------|
| LGIP LT MONTHLY DURATION | 1.67 | 1.31 | 1.38 |
| MERRILL 1-5 US DOMESTIC MASTER INDEX | 2.60 | 2.06 | 2.19 |

*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 January 31, 2009
(in millions of dollars)

State Treasurer's Report
February 18, 2009
Page 16

| <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 | 739 |
| 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 | \$835 |

**EARNINGS DISTRIBUTED
ENDOWMENT FUNDS
JANUARY 2009**

State Treasurer's Report
February 18, 2009
Page 17

Distributed in Current Month

| Recipient | January-09 | Fiscal YTD 08/09 | Fiscal YTD 07/08 |
|--------------------------------------|--------------------|---------------------|---------------------|
| 101 A & M Colleges | \$22,686 | \$159,012 | \$229,089 |
| 102 State Hospital | \$11,186 | \$78,410 | \$114,046 |
| 103 Leg., Exec., & Jud. | \$16,072 | \$112,660 | \$150,609 |
| 104 Military Institute | \$1,269 | \$8,892 | \$11,799 |
| 105 Miners Hospital | \$20,025 | \$140,370 | \$182,048 |
| 107 Normal School ASU/NAU | \$6,345 | \$44,478 | \$58,905 |
| 108 Penitentiaries | \$16,874 | \$118,289 | \$164,834 |
| 109 Permanent Common School | \$4,521,984 | \$31,699,200 | \$40,418,358 |
| 110 School for Deaf & Blind | \$10,040 | \$70,376 | \$96,811 |
| 111 School of Mines | \$21,542 | \$150,998 | \$188,296 |
| 112 State Charitable-Pioneers Home | \$94,777 | \$664,296 | \$841,393 |
| 112 State Charitable-Corrections | \$47,388 | \$332,146 | \$420,698 |
| 112 State Charitable-Youth Treatment | \$47,388 | \$332,146 | \$420,698 |
| 113 University Fund | \$31,283 | \$219,317 | \$294,489 |
| 114 U of A Land - 1881 | \$73,623 | \$516,075 | \$680,904 |
| Total | \$4,942,482 | \$34,646,664 | \$44,272,977 |
| | | | |

Posted in USAS in current month

ENDOWMENT FUNDS
PORTFOLIO YIELD ANALYSIS
 January 31, 2009

State Treasurer's Report
 February 18, 2009
 Page 18

| FUND | DESCRIPTION | NET EARNINGS | SALES EARNINGS YIELD | AMORT/DISC EARNINGS YIELD | COUPON EARNINGS YIELD | NET YIELD |
|------|--|------------------|----------------------------|---------------------------------|-----------------------------|--------------|
| 205 | ENDOWMENTS - FIXED INCOME | 4,748,443 | 0.0000% | -0.2392% | 4.4841% | 4.2449% |
| | TOTAL ENDOWMENTS - FIXED INCOME | 4,748,443 | | | | |

**RETURN ANALYSIS
ENDOWMENT FUNDS**

(\$ In Thousands)

State Treasurer's Report

February 18, 2009

Page 19

| ENDOWMENT FUNDS | JANUARY 2009 MONEY WEIGHTED RETURN | FISCAL YEAR 2008/2009 MONEY WEIGHTED RETURN |
|--|---|--|
| 101 A & M Colleges | -3.11% | -17.62% |
| 102 State Hospital | -3.22% | -17.92% |
| 103 Leg., Exec., & Jud. | -2.96% | -16.67% |
| 104 Military Institute | -2.91% | -16.48% |
| 105 Miners Hospital | -3.16% | -17.41% |
| 107 Normal School ASU/NAU | -3.07% | -17.20% |
| 108 Penitentiaries | -3.22% | -15.56% |
| 109 Permanent Common School | -3.13% | -17.48% |
| 110 School for Deaf & Blind | -2.98% | -16.80% |
| 111 School of Mines | -3.07% | -17.21% |
| 112 State Charitable | -3.23% | -17.87% |
| 113 University Fund | -3.07% | -17.22% |
| 114 U Of A Land - 1881 | -3.06% | -17.21% |
| WEIGHTED PORTFOLIO RETURN | -3.22% | -14.52% |
| WEIGHTED BENCHMARK | -3.81% | -14.13% |
| S&P 500 EQUITY FUND RETURN: | -8.29% | -34.30% |
| S & P 500 LARGE CAP INDEX: | -8.43% | -34.51% |
| FIXED INCOME FUND RETURN: | -0.21% | 3.82% |
| CITIGROUP BIG INDEX RETURN: | -0.87% | 4.61% |
| S&P 400 EQUITY FUND RETURN: | -5.90% | -38.67% |
| S&P 400 MID-CAP INDEX: | -7.25% | -38.45% |

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

| | Nov-08 | Dec-08 | Jan-09 | Nov-08 | Dec-08 | Jan-09 |
|-----------|---------|--------|---------|---------|---------|---------|
| S&P 500 | -7.17% | 1.06% | -8.43% | 896.24 | 903.25 | 825.88 |
| S&P 400 | -9.27% | 4.85% | -7.25% | 514.56 | 538.28 | 498.68 |
| S&P 600 | -11.68% | 6.10% | -12.70% | 253.76 | 268.73 | 234.32 |
| DOW JONES | -5.32% | -0.60% | -8.84% | 8829.04 | 8776.39 | 8000.86 |
| NASDAQ | -10.61% | 2.79% | -6.35% | 1535.57 | 1577.03 | 1476.42 |

NET REALIZED CAPITAL GAINS / LOSSES - ENDOWMENT FUNDS

| Endowment Fund ----- | Jan-09 NET GAIN(LOSS) ----- | FISCAL YTD GAINS(LOSSES) ----- |
|-----------------------------------|-----------------------------------|--------------------------------------|
| Fixed Income Pool Net Gain (Loss) | (17,408) | 899,834 |
| Equity Pool (500) Net Gain (Loss) | (716,105) | (26,519,532) |
| Equity Pool (400) Net Gain (Loss) | (345,694) | (23,346,477) |
| Totals | (1,079,207) ===== | (48,966,174) ===== |

ENDOWMENT FUNDS FIXED-INCOME POOL
PURCHASES & SALES
 Month of JANUARY 2009

State Treasurer's Report
 February 18, 2009
 Page 21

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> |
|--|-------------|-----------------|-----------------------|----------------------|--------------------------|--------------|-------------------------------------|
| FREDDIE MAC CMO | 6.00 | 5/15/2035 | 7.66 | \$1,867,381 | \$1,915,233 | 5.84 | Aaa/AAA |
| WELLS FARGO MBS | 4.75 | 4/25/2019 | 3.88 | \$3,967,129 | \$3,885,307 | 5.01 | Aaa/AAA |
| JP MORGAN MORTGAGE TRUST | 5.00 | 9/25/2034 | 4.39 | \$2,185,702 | \$2,154,283 | 5.10 | Aaa/AAA |
| TOTAL ENDOWMENT FUNDS PURCHASES | | | | \$8,020,212 | \$7,954,822 | | |

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> |
|------------------------------------|-------------|-----------------|----------------------|------------------------------------|---------------------------------|-------------------------------------|
| TOTAL ENDOWMENT FUNDS SALES | | | \$0 | \$0 | \$0 | |

*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 January 2009

State Treasurer's Report
February 18, 2009
Page 22

I. Equity Fund Purchases

| | <u>SHARES</u> | <u>PURCHASE COST</u> | <u>COMMISSIONS</u> |
|-------------------------------|---------------|----------------------|--------------------|
| S&P 400 Mid-Cap Fund | 14,000 | \$1,311,758 | \$210 |
| S&P 500 Large-Cap Fund | 43,573 | \$1,948,563 | \$532 |
| TOTAL EQUITY PURCHASES | 57,573 | \$3,260,321 | \$742 |

II. Equity Funds Sales

| | <u>SHARES</u> | <u>SALES AMOUNT</u> | <u>COMMISSIONS</u> |
|---------------------------|---------------|---------------------|--------------------|
| S&P 400 Mid-Cap Fund | 41,381 | \$1,550,083 | \$499 |
| S&P 500 Large-Cap Fund | 39,467 | \$2,027,789 | \$742 |
| TOTAL EQUITY SALES | 80,848 | \$3,577,871 | \$1,241 |

ENDOWMENT FUNDS
INVESTMENTS OUTSTANDING
 JANUARY 31, 2009
 (In Thousands)

State Treasurer's Report
 February 18, 2009
 Page 23

| 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> | 2,512 | 2,288 | 1,763 | (525) | |
| | <i>Shares in Fixed Income Fund</i> | 2,775 | 3,079 | 4,141 | 1,062 | |
| | <i>Shares in Mid-Cap 400 Equity Fund</i> | 820 | 784 | 903 | 119 | |
| | Total | 6,106 | 6,151 | 6,807 | 657 | 1.107 |
| 102 | State Hospital | | | | | |
| | <i>Shares in S&P 500 Index Fund</i> | 1,546 | 1,330 | 1,085 | (244) | |
| | <i>Shares in Fixed Income Fund</i> | 1,570 | 1,788 | 2,343 | 554 | |
| | <i>Shares in Mid-Cap 400 Equity Fund</i> | 441 | 455 | 486 | 30 | |
| | Total | 3,557 | 3,573 | 3,914 | 340 | 1.095 |
| 103 | Leg., Exec., & Jud. | | | | | |
| | <i>Shares in S&P 500 Index Fund</i> | 1,949 | 1,918 | 1,368 | (550) | |
| | <i>Shares in Fixed Income Fund</i> | 2,339 | 2,580 | 3,491 | 911 | |
| | <i>Shares in Mid-Cap 400 Equity Fund</i> | 634 | 657 | 699 | 42 | |
| | Total | 4,922 | 5,155 | 5,558 | 403 | 1.078 |
| 104 | Military Institute | | | | | |
| | <i>Shares in S&P 500 Index Fund</i> | 132 | 132 | 93 | (39) | |
| | <i>Shares in Fixed Income Fund</i> | 167 | 178 | 249 | 71 | |
| | <i>Shares in Mid-Cap 400 Equity Fund</i> | 47 | 45 | 51 | 6 | |
| | Total | 346 | 356 | 393 | 37 | 1.105 |
| 105 | Miners Hospital | | | | | |
| | <i>Shares in S&P 500 Index Fund</i> | 3,733 | 3,666 | 2,620 | (1,046) | |
| | <i>Shares in Fixed Income Fund</i> | 3,902 | 4,928 | 5,824 | 897 | |
| | <i>Shares in Mid-Cap 400 Equity Fund</i> | 1,052 | 1,256 | 1,160 | (96) | |
| | Total | 8,688 | 9,849 | 9,604 | (245) | 0.975 |

ENDOWMENT FUNDS
INVESTMENTS OUTSTANDING
 JANUARY 31, 2009
 (In Thousands)

State Treasurer's Report
 February 18, 2009
 Page 24

| 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> | 846 | 805 | 594 | (211) | |
| | <i>Shares in Fixed Income Fund</i> | 948 | 1,083 | 1,416 | 333 | |
| | <i>Shares in Mid-Cap 400 Equity Fund</i> | 260 | 276 | 287 | 11 | |
| | Total | 2,055 | 2,164 | 2,297 | 133 | 1.061 |
| 108 | Penitentiaries | | | | | |
| | <i>Shares in S&P 500 Index Fund</i> | 3,178 | 2,881 | 2,230 | (651) | |
| | <i>Shares in Fixed Income Fund</i> | 3,238 | 3,872 | 4,833 | 960 | |
| | <i>Shares in Mid-Cap 400 Equity Fund</i> | 927 | 987 | 1,022 | 35 | |
| | Total | 7,343 | 7,740 | 8,085 | 345 | 1.045 |
| 109 | Permanent Common School | | | | | |
| | <i>Shares in S&P 500 Index Fund</i> | 778,951 | 761,111 | 546,681 | (214,430) | |
| | <i>Shares in Fixed Income Fund</i> | 829,074 | 1,023,114 | 1,237,376 | 214,262 | |
| | <i>Shares in Mid-Cap 400 Equity Fund</i> | 219,692 | 260,657 | 242,123 | (18,534) | |
| | Total | 1,827,718 | 2,044,882 | 2,026,180 | (18,702) | 0.991 |
| 110 | School for Deaf & Blind | | | | | |
| | <i>Shares in S&P 500 Index Fund</i> | 1,147 | 1,087 | 805 | (282) | |
| | <i>Shares in Fixed Income Fund</i> | 1,362 | 1,463 | 2,033 | 570 | |
| | <i>Shares in Mid-Cap 400 Equity Fund</i> | 375 | 372 | 413 | 41 | |
| | Total | 2,884 | 2,923 | 3,251 | 329 | 1.112 |
| 111 | School of Mines | | | | | |
| | <i>Shares in S&P 500 Index Fund</i> | 2,852 | 2,788 | 2,002 | (787) | |
| | <i>Shares in Fixed Income Fund</i> | 3,192 | 3,750 | 4,764 | 1,014 | |
| | <i>Shares in Mid-Cap 400 Equity Fund</i> | 877 | 955 | 966 | 11 | |
| | Total | 6,921 | 7,494 | 7,732 | 238 | 1.032 |

ENDOWMENT FUNDS
INVESTMENTS OUTSTANDING
 JANUARY 31, 2009
 (In Thousands)

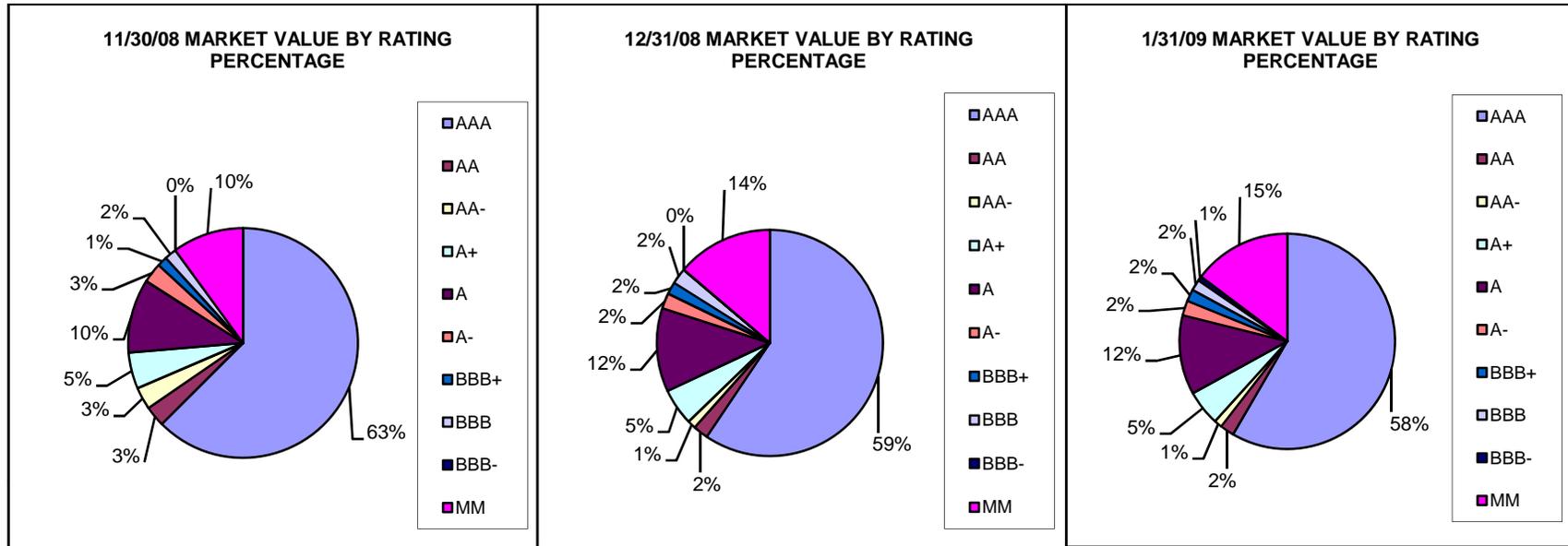
State Treasurer's Report
 February 18, 2009
 Page 25

| 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> | 32,084 | 29,928 | 22,517 | (7,411) | |
| | <i>Shares in Fixed Income Fund</i> | 31,927 | 40,225 | 47,651 | 7,426 | |
| | <i>Shares in Mid-Cap 400 Equity Fund</i> | 8,439 | 10,248 | 9,300 | (948) | |
| | Total | 72,450 | 80,400 | 79,468 | (932) | 0.988 |
| 113 | University Fund | | | | | |
| | <i>Shares in S&P 500 Index Fund</i> | 4,734 | 4,562 | 3,323 | (1,240) | |
| | <i>Shares in Fixed Income Fund</i> | 5,260 | 6,135 | 7,850 | 1,715 | |
| | <i>Shares in Mid-Cap 400 Equity Fund</i> | 1,432 | 1,563 | 1,578 | 15 | |
| | Total | 11,425 | 12,260 | 12,750 | 490 | 1.040 |
| 114 | U Of A Land - 1881 | | | | | |
| | <i>Shares in S&P 500 Index Fund</i> | 9,957 | 9,570 | 6,988 | (2,581) | |
| | <i>Shares in Fixed Income Fund</i> | 11,222 | 12,872 | 16,748 | 3,876 | |
| | <i>Shares in Mid-Cap 400 Equity Fund</i> | 3,062 | 3,278 | 3,375 | 96 | |
| | Total | 24,241 | 25,720 | 27,111 | 1,391 | 1.054 |
| TOTALS - ALL FUNDS | | | | | | |
| | <i>Shares in S&P 500 Index Fund</i> | 843,622 | 822,066 | 592,069 | (229,998) | |
| | <i>Shares in Fixed Income Fund</i> | 896,977 | 1,105,067 | 1,338,719 | 233,652 | |
| | <i>Shares in Mid-Cap 400 Equity Fund</i> | 238,057 | 281,533 | 262,362 | (19,171) | |
| | Grand Total | 1,978,655 | 2,208,666 | 2,193,150 | (15,517) | |

ASSET ALLOCATION PERCENTAGE

| | SHARES OUTSTANDING | BOOK VALUE | MARKET VALUE |
|--|-----------------------|----------------|-----------------|
| <i>Shares in S&P 500 Index Fund</i> | 42.64% | 37.22% | 27.00% |
| <i>Shares in Fixed Income Fund</i> | 45.33% | 50.03% | 61.04% |
| <i>Shares in Mid-Cap 400 Equity Fund</i> | 12.03% | 12.75% | 11.96% |
| Total | 100.00% | 100.00% | 100.00% |

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



| | 11/30/08 | | | 12/31/08 | | | 01/31/09 | | |
|--------------|------------|------------------------|-------------|------------|------------------------|-------------|------------|------------------------|-------------|
| RATING | POSITIONS | MARKET VALUE | PERCENT | POSITIONS | MARKET VALUE | PERCENT | POSITIONS | MARKET VALUE | PERCENT |
| AAA | 128 | \$808,545,116 | 63% | 126 | \$791,085,217 | 59% | 128 | \$773,628,336 | 58% |
| AA | 6 | \$37,533,469 | 3% | 5 | \$28,497,958 | 2% | 5 | \$28,172,650 | 2% |
| AA- | 7 | \$40,710,490 | 3% | 2 | \$15,795,973 | 1% | 2 | \$15,522,945 | 1% |
| A+ | 12 | \$65,827,971 | 5% | 12 | \$70,016,123 | 5% | 12 | \$70,533,468 | 5% |
| A | 22 | \$134,538,890 | 10% | 25 | \$159,197,144 | 12% | 25 | \$157,574,821 | 12% |
| A- | 7 | \$36,346,480 | 3% | 6 | \$29,291,104 | 2% | 6 | \$29,522,730 | 2% |
| BBB+ | 4 | \$17,987,970 | 1% | 5 | \$23,264,170 | 2% | 5 | \$23,777,690 | 2% |
| BBB | 4 | \$21,875,170 | 2% | 5 | \$30,441,075 | 2% | 4 | \$21,993,825 | 2% |
| BBB- | 0 | \$0 | 0% | 0 | \$0 | 0% | 1 | \$8,700,700 | 1% |
| MM | 2 | \$130,063,060 | 10% | 2 | \$183,403,114 | 14% | 2 | \$195,521,528 | 15% |
| TOTAL | 192 | \$1,293,428,616 | 100% | 188 | \$1,330,991,877 | 100% | 190 | \$1,324,948,693 | 100% |

MM = MONEY MARKET (LGIP AND DREYFUS INST'L)

EQUITY HOLDINGS
INVESTMENTS OUTSTANDING
January 31, 2009
(in thousands)

State Treasurer's Report
February 18, 2009
Page 27

| <u>POOL #</u> | <u>POOL DESCRIPTION</u> | <u>S&P SECTOR</u> | <u>MARKET VALUE</u> | <u>% POOL BALANCE</u> | <u>% S&P 500 BALANCE</u> | <u>DIFFERENCE</u> |
|---------------|--------------------------|----------------------------|---------------------|-----------------------|------------------------------|-------------------|
| 201 | S&P 500 INDEX | | | | | |
| | | CONSUMER DISCRETIONARY | 46,326 | 8.19% | 8.19% | 0.00% |
| | | CONSUMER STAPLES | 72,684 | 12.85% | 12.85% | 0.00% |
| | | ENERGY | 79,757 | 14.10% | 14.10% | 0.00% |
| | | FINANCIALS | 60,635 | 10.72% | 10.72% | 0.00% |
| | | HEALTH CARE | 90,166 | 15.94% | 15.94% | 0.00% |
| | | INDUSTRIALS | 60,054 | 10.62% | 10.62% | 0.00% |
| | | INFORMATION TECHNOLOGY | 91,747 | 16.22% | 16.22% | 0.00% |
| | | MATERIALS | 17,130 | 3.03% | 3.04% | -0.02% |
| | | TELECOMMUNICATION SERVICES | 21,060 | 3.72% | 3.72% | 0.00% |
| | | UTILITIES | 26,071 | 4.61% | 4.61% | 0.00% |
| | | TOTALS LESS CASH / SPDR'S: | 565,631 | 100.00% | 100.00% | |
| | | SPYDER'S | 25,415 | | | |
| | | CASH ** | 1,023 | | | |
| | | TOTAL: | <u>592,069</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
January 31, 2009
(in thousands)

State Treasurer's Report
February 18, 2009
Page 28

| <u>POOL #</u> | <u>POOL DESCRIPTION</u> | <u>S & P SECTOR</u> | <u>MARKET VALUE</u> | <u>% POOL BALANCE</u> | <u>% S&P 400 BALANCE</u> | <u>DIFFERENCE</u> |
|---------------|----------------------------|-------------------------|---------------------|-----------------------|------------------------------|-------------------|
| 203 | S&P 400 INDEX | | | | | |
| | CONSUMER DISCRETIONARY | | 20,651 | 11.57% | 14.32% | -2.75% |
| | CONSUMER STAPLES | | 9,834 | 5.51% | 4.56% | 0.95% |
| | ENERGY | | 11,966 | 6.70% | 6.86% | -0.16% |
| | FINANCIALS | | 35,205 | 19.72% | 18.19% | 1.53% |
| | HEALTH CARE | | 23,513 | 13.17% | 12.53% | 0.64% |
| | INDUSTRIALS | | 24,776 | 13.88% | 14.31% | -0.43% |
| | INFORMATION TECHNOLOGY | | 20,216 | 11.32% | 12.99% | -1.67% |
| | MATERIALS | | 10,449 | 5.85% | 6.87% | -1.02% |
| | TELECOMMUNICATION SERVICES | | 1,319 | 0.74% | 0.58% | 0.16% |
| | UTILITIES | | 20,606 | 11.54% | 8.79% | 2.76% |
| | TOTALS LESS CASH / SPDR'S: | | 178,536 | 100.00% | 100.00% | |
| | SPYDER'S | | 81,706 | | | |
| | CASH ** | | 2,120 | | | |
| | TOTAL: | | 262,362 | | | |

*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

JANUARY 31, 2009

(thousands)

State Treasurer's Report

February 18, 2009

Page 29

| <u>Fund #</u> | <u>PARTICIPANT DESCRIPTION</u> | <u>BOOK VALUE</u> | <u>MARKET VALUE</u> | <u>UNREALIZED GAIN (LOSS)</u> |
|---------------|--------------------------------|-----------------------|-------------------------|-----------------------------------|
| 101 | A & M Colleges | \$3,072 | \$2,666 | (\$406) |
| 102 | State Hospital | 1,785 | 1,571 | (214) |
| 103 | Leg., Exec., & Jud. | 2,575 | 2,067 | (508) |
| 104 | Military Institute | 178 | 144 | (34) |
| 105 | Miners Hospital | 4,922 | 3,780 | (1,142) |
| 107 | Normal School | 1,081 | 881 | (200) |
| 108 | Penitentiaries | 3,867 | 3,252 | (615) |
| 109 | Permanent Common School | 1,021,768 | 788,804 | (232,964) |
| 110 | School for Deaf & Blind | 1,460 | 1,218 | (242) |
| 111 | School of Mines | 3,744 | 2,968 | (776) |
| 112 | State Charitable | 40,175 | 31,817 | (8,358) |
| 113 | University Fund | 6,125 | 4,900 | (1,225) |
| 114 | U of A Land - 1881 | 12,848 | 10,363 | (2,485) |
| | Totals: | <u>\$1,103,599</u> | <u>\$854,430</u> | <u>(\$249,169)</u> |

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