OFFICE OF THE

# ARIZONA STATE TREASURER

HON. DEAN MARTIN
TREASURER

# JULY 2009

## Presented To:

## Arizona State Board of Investment

## AUGUST 26, 2009

STATE BOARD OF INVESTMENT

# AGENDA

August 26, 2009

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

   Earnings Distribution; Investment Pools

   LGIP Pools Investments and Performance Reports

   State Agency Pools Investments and Performance Reports

   Operating Monies Invested Balances

   Endowment Investments and Performance Reports

5. Proposed Changes to the Investment Policy

   A. Review of Proposed Changes
   B. Public Comment on Proposed Changes
   C. Discussion and Action on Proposed Changes

6. Review and approval of Proposed/Pending Securities Dealers
7. General Business

   A. Board of Investment Sunset Review
   B. Securities Lending
   C. Proposed SEC rules

8. Call to the Public
9. Notice of Next Meeting
10. Adjournment

REPORT OF THE STATE TREASURER

FOR

August 26, 2009

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**Minutes of**
**BOARD OF INVESTMENT MEETING**

The regular meeting of the State Board of Investment was held on July 22, 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 1:32 p.m.

***Members Present:***

Dean Martin, Chair, State Treasurer
David Raber, Arizona Department of Administration, designee for William Bell, Director, Arizona Department of Administration
Alan E. Maguire, President, The Maguire Company
Beth Ford, Treasurer, Pima County
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
John Coughlin, Intern for the Treasurers Office, attending Miami University, Oxford, Ohio
Sheila W. Asher, Vice President Relationship Manager J. P. Morgan

Pursuant to A.R.S. 35-311, the following reports for June, 2009 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 July 22, 2009 BOI meeting to order at approximately 1:32 p.m.

2. ***Treasurers Comments:***
   Treasurer Martin welcomed board members and guests and thanked all present for attending the July 22, 2009 meeting.

3. ***Approval of Minutes:***
   Mr. Maguire made a motion to approve the minutes for the June 17, 2009 Board of Investment Meeting. Mr. Raber 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 June, 2009.

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

Mr. Petkiewicz reported the gross yields for the State Agency Pools for the month of June, 2009.

***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 June, 2009.

***Pool 500 Portfolio Yield Analysis***

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 June, 2009.

***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 June 30, 2009.

***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 June 30, 2009.

*Ms. Ford asked if any information had been made available regarding the NCFE Securities and the Lehman Bonds settlements and what the potential for recovery on either of these issues was. Treasurer Martin advised that Bloomberg News reported that a recovery deal had been recently turned down, so there may be a lot more value in the Lehman bonds than is showing in the price. Mr. Swenson noted that another motion for*

*an extension for discovery had been filed, so the final payment of claims may be delayed.*

***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 June 30, 2009.

***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 June, 2009.

*Mr. Petkiewicz explained that "operating is another term for all of the money that the General Fund earns interest on; it is not necessarily just General Fund Money." Treasurer Martin added that "when the Legislature creates a fund, if they allow it to earn its own interest, it goes into an account that is tracked as part of the other state pools. If it doesn't earn its own interest, it gets included with the operating balance, and the general fund benefits from the interest from that fund." Mr. Raber asked "what pool numbers does this apply to?" Treasurer Martin responded that it applies to all of them.*

*Treasurer Martin, referring to the chart "State Operating Balance: Actual vs Adjusted for One Time Transfers" which was included with the BOI Report, noted that there was a slight improvement in the economy. He also pointed out that the June numbers are the most unusual for the year because of the end of fiscal year adjustments, so it may not be a true improvement.*

### *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 June, 2009, 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 June, 2009.

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

Mr. White reported the total return numbers for the Endowment Funds for the month of June, 2009 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 June, 2009 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 June, 2009.

*Ms. Rotellini asked Mr. White to clarify his investment decisions for June. He advised*

*the Board that his objective was to replace some of the MBS investments that pay down each month. He added that corporate bonds had been tightening, and he was taking advantage of that as well. Mr. White also mentioned that the goal of the pool is to be competitive with the Citi Big Index.*

***Equity Funds Purchases & Sales***

Mr. White reported the purchases and sales (summary) of the Endowment Equity Pools for the month of June, 2009.

***Investments Outstanding in Endowment Funds***

Mr. White reported the par, book, market value, and unrealized gains/loss of the Endowment Funds as of June 30, 2009.

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

Mr. White reported the credit ratings for the Endowment Funds as of June 30, 2009.

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

Mr. White reported the investments outstanding by industry sector for the S&P 500 Pool as of June 30, 2009.

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

Mr. White reported the investments outstanding by industry sector for the S&P 400 Pool as of June 30, 2009.

***Equity Holdings – By Participant***

Mr. White reported the equity holdings of the Endowment Funds as of June 30, 2009.

*Mr. Raber questioned if the Legislature had passed the request to add another person to the Board of Investment. Treasurer Martin responded that the request for another member was not passed by the Senate.*

*Mr. Swenson advised that the Board of Investment is on Sunset Review this cycle.*

***Broker Activity Reports***

Mr. White reported briefly on the broker activity reports for the quarter ending June 30, 2009.

*Treasurer Martin noted Treasurer Warrant Notes are now included as an asset group in the Broker Activity Report. Mr. Maguire asked where Warrant Notes would*

*show up in the main part of the report. Mr. Swenson responded that they would be on page 5, under Investments Outstanding.*

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

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

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

*Treasurer Martin advised the board that there were two proposed changes to the Investment Policy, one technical which is on page 6 and one substantive which is on page 8.*

*The technical change is moving the assets in Pool 8 to Pool 4.*

*The substantive change is regarding the diversification rule. This request is in regard to a change in policy which will allow us to invest up to half of Pool 3 in Treasurer Warrant notes. Treasurer Martin noted that "The question for the board is how much concentration risk are you comfortable with for the State of Arizona?" Treasurer Martin also stated that "an alternative could be 50% or 600 million which ever is greater. That would make 600 million the target; if we go beyond that we would be able to go to an outside investment." He counseled that the Treasurer's Office will more than likely be holding more than 600 million of Warrant Notes in this fund this year and possibly will be holding them for months at a time. Ms. Ford noted that these are strictly state operating funds, Treasurer Martin agreed.*

*Mr. Swenson advised the board that the change will allow us to purchase the Treasurer's Warrant Notes and not be required to maintain the 5% diversification rule which is stipulated in the Investment Policy.*

*Mr. Raber asked "what analysis has been done to show that it is likely we will exceed 600 million in Treasurer Warrant Notes this year, and are we going to be able to secure outside financing?" Treasurer Martin responded that " the budget we are operating under now is not a balanced budget." This budget must be fixed before the banks would be willing to loan monies to us.*

*Ms. Ford questioned "where does the 50% limitation come from?" Treasurer Martin replied "that is where our normal liquidity would allow us to operate right now." He added "this is the most we could offer without affecting the yield of the state pools." Mr. Swenson pointed out that "the Governor can take money from Pool 3 to give to the General Fund to pay bills. That same pot of money that they are using to balance the budget is also the same pot of money that they are using to pay bills." Ms. Ford asked "where is the*

*General Fund Money?" Treasurer Martin responded "there is no General Fund money."*

*Mr. Raber stated that he was not comfortable voting on this issue today. He said that he would like to have some time to discuss this with the State Comptroller and the Budget offices. Treasurer Martin responded that we are in violation of current policy by holding any Warrant Notes.*

*Mr. Maguire questioned what process the bank would be using to securitize the borrowed funds. Mr. Swenson responded that the primary concern for the banks will be getting paid back, so until the budget is balanced it will be difficult for the Treasurer's Office to borrow from the banks. Mr. Maguire noted that it is a question of pure cash flow for the banks at this time, rather than a balanced budget, so the banks are not doing the correct analysis for this situation. Mr. Maguire added that a consideration might be given to converting the Warrant Notes held in Pool 3, and securitize them into a structure where they would be paid back like a tranche. He noted it would reduce the risk to the bank significantly. The bank would be paid back first, and the Treasurer's Office would be second in line.*

*Treasurer Martin suggested that the change to the Investment Policy state that it is within policy to have Warrant Notes in Pool 3 in excess of 5%.*

*Mr. Maguire pointed out that the only downside to the purchase of Warrant Notes would be a possible liquidity problem for the participants in Pool 3. He suggested that the approval of a 50% limit would be a better recommendation.*

*Mr. Maguire made the motion that the changes as presented on the topic of Treasurer Warrant Notes be revisited by the board in the next meeting. Ms. Rotellini seconded the motion. Motion carried.*

7. ***Review and approval of Proposed/Pending Securities Dealers:***

There were no Securities Dealers to be approved this month.

8. ***General Business:***

There was no general business.

9. ***Call to the Public***

There was no public comment.

*Treasurer Martin advised the Board of Investment that the request for independent counsel and the request regarding the long term investment pools*

*have been passed by the Legislature and signed by the Governor. The cap on management fees were lowered from 12% to 6%, which is what we are charging now. Also, the Warrant Note Bill passed, which allow us to have more flexibility. We will not have to go to zero for the cash reserve before issuing Warrant Notes. This will also allow us to have more flexibility if we have to borrow funds from the bank.*

*Ms. Rotellini questioned how the independent counsel would be hired. Treasurer Martin responded that it would be through the RFP process.*

***10. Notice of Next Meeting:***

The Treasurer advised the Board that the next regular meeting of the Board of Investment will be Wednesday, August 26, 2009 at 1:30 p.m. at 1700 West Washington, State Capitol, West Wing, Treasurer's Conference Room, Phoenix, Arizona.

***11. Adjournment:***

Mr. Maguire made a motion to adjourn the BOI meeting. Mr. Raber seconded the motion. Upon unanimous approval, the BOI meeting was adjourned at 2:47 p.m.

Respectfully Submitted by:

_____
Helen D. Garafola
Executive Consultant

Approved by:

_____ _____
Dean Martin, Chair Date:

## EARNINGS DISTRIBUTION - INVESTMENT POOLS

JULY 2009

| Recipient | Earnings Distributed JULY 2009 | Earnings Distributed Fiscal YTD 09/10 | Earnings Distributed Fiscal YTD 08/09 | Fiscal YTD Investment Management Fees Received |
|---|---|---|---|---|
| General Fund | $312,643 | $312,643 | $2,197,132 | |
| 2 State Agencies I - Full Faith & Credit | 4,263,531 | 4,263,531 | 2,088,927 | 29,784 |
| 3 State Agencies II - Diversified | 4,635,422 | 4,635,422 | 4,320,987 | 60,020 |
| 4 State Agencies IV - Restricted Diversified | 2,356,461 | 2,356,461 | 688,838 | 43,949 |
| 5 Local Governments | 3,605,256 | 3,605,256 | 3,029,746 | 89,419 |
| 7 LGIP Gov't | 2,747,556 | 2,747,556 | 7,586,082 | 139,339 |
| 12 CAWCD Medium-Term | 1,328,396 | 1,328,396 | 291,476 | 5,800 |
| 15 GADA Long-Term | 110,951 | 110,951 | 65,626 | 622 |
| **Subtotal** | **$19,360,215** | **$19,360,215** | **$20,268,813** | **$368,933** |
| **NAV POOL** | | | | |
| 500 LGIP LT | 182,542 | 182,542 | 193,720 | 3,637 |
| **Total** | **$19,542,757** | **$19,542,757** | **$20,462,533** | **$372,570** |

Note: Distribution for July includes one time distribution of accrued interest receivable at June 30, 2009, for all pools except LGIP LT.

## LGIP & LGIP-GOV
## PORTFOLIO YIELD ANALYSIS
July 31, 2009

| FUND | DESCRIPTION | NET EARNINGS |
|---|---|---|
| 5 | LGIP | 640,858 |
| 7 | LGIP - GOV | 433,699 |
| | **TOTAL LGIP & LGIP-GOV** | **1,074,557** |

| | | 05/31/09 | 06/30/09 | 07/31/09 |
|---|---|---|---|---|
| 5 | LGIP MONTHLY YIELD (NET) | 0.51% | 0.44% | 0.42% |
| | S & P LGIP INDEX YIELD | 0.51% | 0.44% | 0.38% |
| | LGIP YTD YIELD (NET) | 1.40% | 1.34% | 0.42% |
| | S & P LGIP YTD INDEX YIELD | 1.48% | 1.40% | 0.38% |
| 7 | LGIP - GOV MONTHLY YIELD (NET) | 0.20% | 0.16% | 0.18% |
| | 3 MONTH T-BILL | 0.16% | 0.16% | 0.17% |
| | * S & P LGIP - GOV INDEX YIELD | 0.43% | 0.37% | 0.35% |
| | LGIP - GOV YTD YIELD (NET) | 0.70% | 0.65% | 0.18% |
| | YTD 3 MONTH T-BILL | 0.57% | 0.53% | 0.17% |
| | * S & P LGIP - GOV YTD INDEX YIELD | 1.33% | 1.26% | 0.35% |

* 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
July 31, 2009

| FUND | DESCRIPTION | NET EARNINGS |
|---|---|---|
| 500 | LGIP LONG TERM POOL | 182,542 |
| | **TOTAL LGIP LONG TERM POOL** | **182,542** |

| | 05/31/09 | 06/30/09 | 07/31/09 |
|---|---|---|---|
| **LGIP LONG TERM MONTHLY YIELD (NET)** | 3.25% | 3.39% | 3.01% |
| **MERRILL 1-5 US D M INDEX MONTHLY YIELD** | 2.97% | 3.08% | 2.85% |
| **LGIP LONG TERM YTD YIELD (NET)** | 3.71% | 3.68% | 3.01% |
| **MERRILL 1-5 US D M INDEX YTD YIELD** | 3.63% | 3.59% | 2.85% |

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## Manager Allocation - Monthly
**Arizona State Treasury (05509)**
**As at July 2009**

**LGIP composite (00550903)**

| Account Name | Market Value(MIL) | Percent of Portfolio |
|---|---|---|
| State of Arizona - Pool 5 (LGIP) (10327300) | 1,672.88 | 37.3% |
| State of Arizona - Pool 500 (LGIP - Med Term) (10327700) | 71.32 | 1.6% |
| State of Arizona - Pool 7 (LGIP - FF&C) (10327400) | 2,736.43 | 61.1% |
| **TOTAL** | **4,480.63** | **100.0%** |

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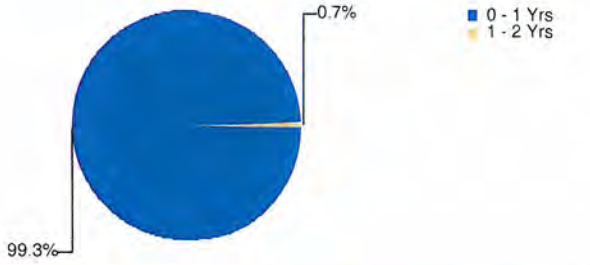
**State of Arizona - Pool 5 (LGIP) (10327300)**

**Portfolio Fact Sheet**
**July 2009**

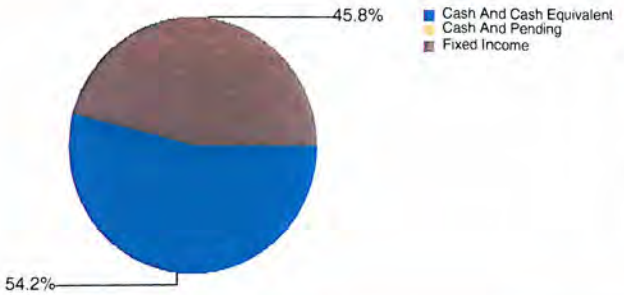
## Portfolio Characteristics

| | |
|---|---|
| Total Net Assets (Millions) | 1,672.9 |
| Weighted Average Life (Years) | 0.30 |
| Weighted Avg. Effective Duration (Years) | 0.12 |
| Weighted Average Rating | AA+ |
| Number of Holdings | 63 |

## Duration Mix



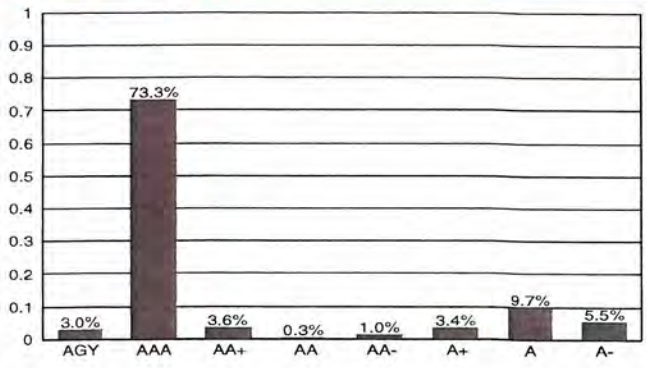

## Asset Mix



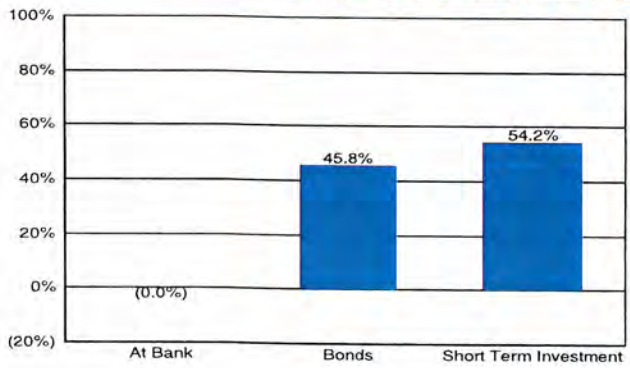

## Top Ten Portfolio Holdings

| Security ID | Security Name | % of Assets | Coupon Rate | Maturity Date (d-m-yyyy) |
|---|---|---|---|---|
| 892995T50 | ARIZONA TREASURY REPO | 24.12% | 5.00 | 1/8/2009 |
| 3133XPK52 | FEDERAL HOME LOAN BANKS 2.56% BDS 04/ | 4.54% | 2.56 | 4/8/2009 |
| 313589KF9 | FEDERAL NATL MTG ASSN DISC NT MATURES | 2.99% | 0.00 | 10/8/2009 |
| 313589KQ5 | FEDERAL NATL MTG ASSN DISC NT | 2.99% | 0.00 | 19/8/2009 |
| 17314GWF2 | CITIGROUP FDG IN. FDIC CORPORATE COMM | 2.99% | 0.00 | 15/9/2009 |
| 36161CWH1 | GE CAPITAL CORP FDIC ZCP 17/SEP/2009 | 2.99% | 0.00 | 17/9/2009 |
| 36161CXL1 | GE CAPITAL CORP FDIC | 2.99% | 0.00 | 20/10/2009 |
| 3133XTLZ7 | FEDERAL HOME LOAN BANKS CONS BD FLT 1 | 2.98% | 0.07 | 29/4/2010 |
| 313385NE2 | FHLB DN | 2.98% | 0.00 | 20/10/2009 |
| 313385MX1 | FEDL HOME LOAN BK ZCP 13/OCT/2009 | 2.69% | 0.00 | 13/10/2009 |

## Quality/Rating Weightings




## Sector Weightings (as % of Market Value)



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**State of Arizona - Pool 7 (LGIP - FF&C) (10327400)**

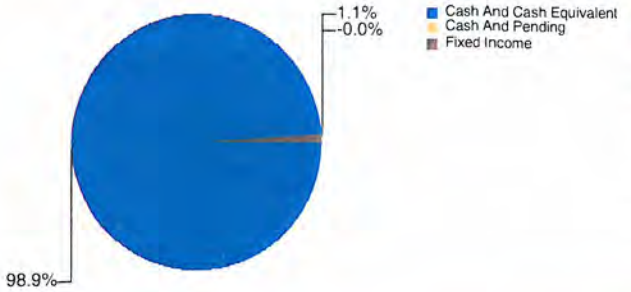
**Portfolio Fact Sheet**
**July 2009**

## Portfolio Characteristics

| | |
|---|---|
| Total Net Assets (Millions) | 2,736.4 |
| Weighted Average Life (Years) | 0.03 |
| Weighted Avg. Effective Duration (Years) | 0.04 |
| Weighted Average Rating | AAA |
| Number of Holdings | 14 |

## Duration Mix

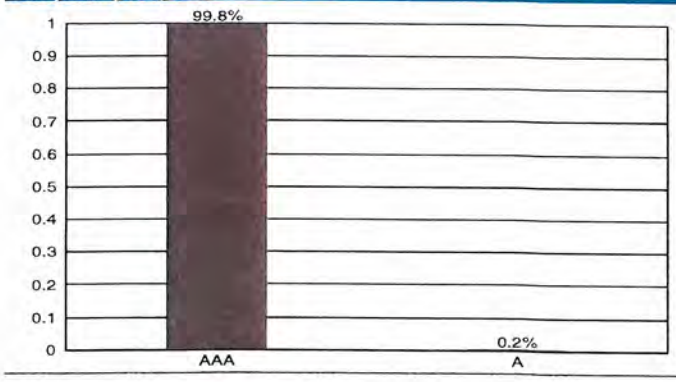
## Asset Mix



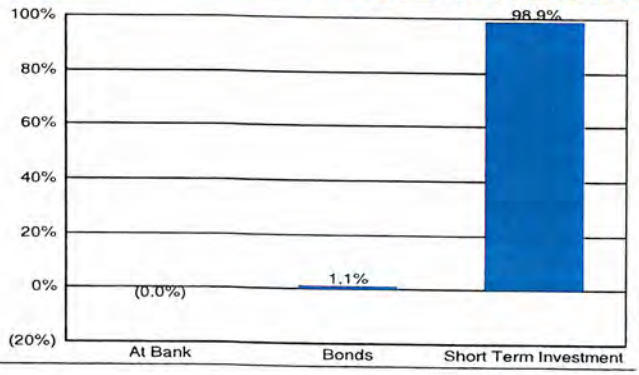

## Top Ten Portfolio Holdings

| Security ID | Security Name | % of Assets | Coupon Rate | Maturity Date |
|---|---|---|---|---|
| 17299I484 | TRI-PARTY REPO CITIGROUP GLOBAL MARKE | 18.27% | 0.18 | 14/8/2009 |
| 17399C254 | TRI-PARTY REPO CITIGROUP GLOBAL MARKE | 18.27% | 0.17 | 10/8/2009 |
| 60699A289 | TRI-PARTY REPO MIZUHO SECURITIES 0.15 | 18.27% | 0.15 | 10/8/2009 |
| 15199X460 | TRI-PARTY REPO DEUTSCHE BANK 0.17% 04 | 18.27% | 0.17 | 4/8/2009 |
| 892995T50 | ARIZONA TREASURY REPO | 17.76% | 5.00 | 1/8/2009 |
| 912795N56 | US GOVT NATIONAL ZCP 06/AUG/2009 | 2.74% | 0.00 | 6/8/2009 |
| 912795R60 | UNITED STATES TREAS BILLS DT | 1.83% | 0.00 | 31/12/2009 |
| 912795S69 | UNITED STATES TREAS BILLS DT | 1.46% | 0.00 | 17/12/2009 |
| 912828HD5 | UNITED STATES TREAS NTS 04.000% 30/SE | 0.93% | 4.00 | 30/9/2009 |
| 912795N98 | UNITED STATES TREAS BILLS DT | 0.91% | 0.00 | 3/9/2009 |

## Quality/Rating Weightings




## Sector Weightings (as % of Market Value)



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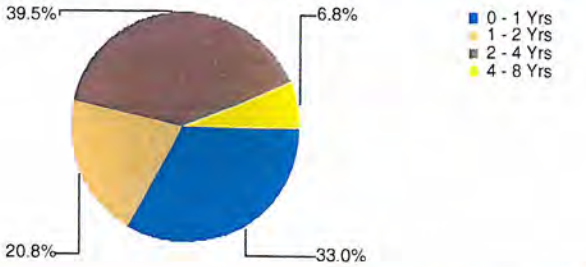
**State of Arizona - Pool 500 (LGIP - Med Term) (10327700)**

**Portfolio Fact Sheet**
**July 2009**

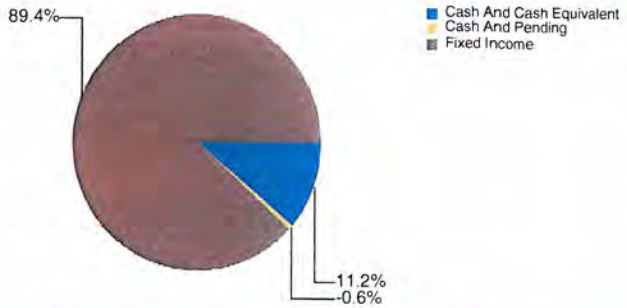
## Portfolio Characteristics

| | |
|---|---|
| Total Net Assets (Millions) | 71.3 |
| Weighted Average Life (Years) | 2.23 |
| Weighted Avg. Effective Duration (Years) | 1.90 |
| Weighted Average Rating | AA+ |
| Number of Holdings | 119 |

## Duration Mix




## Asset Mix

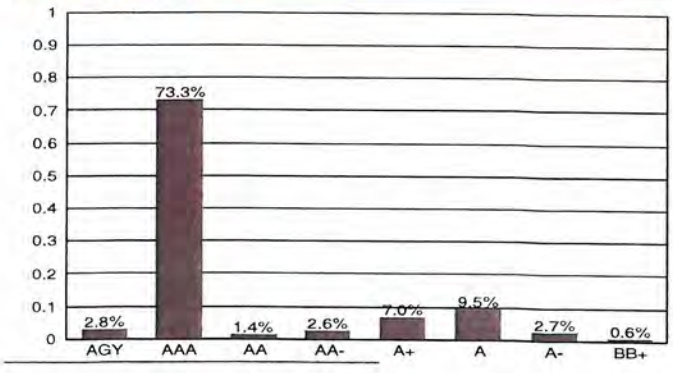



## Top Ten Portfolio Holdings

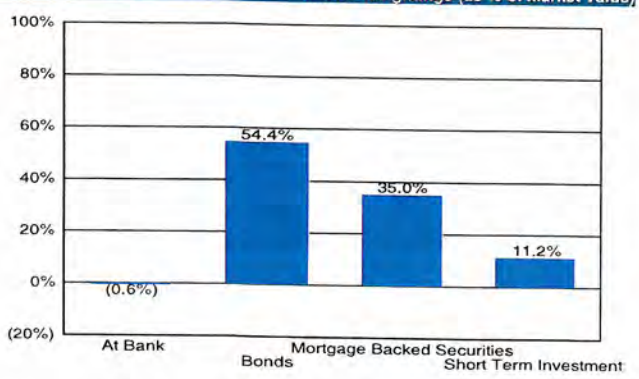
d mm yyyy

| Security ID | Security Name | % of Assets | Coupon Rate | Maturity Date |
|---|---|---|---|---|
| 928989383 | JP MORGAN U S GOVT AGENCY SHARES | 8.88% | 4.18 | 31/12/2049 |
| 3128MMKJ1 | FHLMCGLD MORTPASS 4.5% 01/FEB/2024 G1 | 2.98% | 4.50 | 1/2/2024 |
| 31402QTN1 | FEDERAL NATIONAL MORTGAGE ASSOCIATION | 2.68% | 4.50 | 1/1/2019 |
| 313385PA8 | FEDL HOME LOAN BK CONS DISC NT MATURE | 2.34% | 0.00 | 9/11/2009 |
| 31371MAT4 | FNMA MORTPASS 5.0% 01/APR/2015 POOL#2 | 2.26% | 5.00 | 1/4/2015 |
| 31416BN36 | FNMA MORTPASS 5.5% 01/NOV/2018 CI PN# | 1.83% | 5.50 | 1/11/2018 |
| 31403DHB8 | FNMA MORTPASS 6% 01/MAY/2021 CI PN# 7 | 1.81% | 6.00 | 1/5/2021 |
| 3128MBZR1 | FHLMCGLD MORTPASS 6% 01/FEB/2019 G1 P | 1.78% | 6.00 | 1/2/2019 |
| 31413MFY8 | FNMA MORTPASS 6% 01/AUG/2022 CI PN# 9 | 1.76% | 6.00 | 1/8/2022 |
| 3128MBWE3 | FHLMCGLD MORTPASS 5.5% 01/APR/2023 G1 | 1.70% | 5.50 | 1/4/2023 |

## Quality/Rating Weightings




## Sector Weightings (as % of Market Value)



## STATE AGENCY POOLS
## PORTFOLIO YIELD ANALYSIS
July 31, 2009

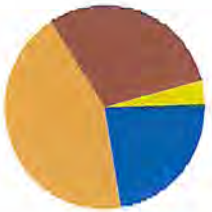
| FUND | DESCRIPTION | NET EARNINGS | NET YIELD |
|---|---|---|---|
| 2 | STATE AGENCIES I - FULL FAITH & CREDIT | 2,016,287 | 4.1600% |
| 3 | STATE AGENCIES II - DIVERSIFIED | 1,080,907 | 1.0800% |
| 4 | STATE AGENCIES IV-RESTRICTED DIVERSIFIED | 473,482 | 0.6400% |
| 12 | CAWCD MEDIUM TERM | 317,474 | 3.2700% |
| 15 | GADA | 39,260 | 3.7900% |
| | **TOTAL STATE AGENCIES** | **3,927,410** | |

J.P.Morgan

## Manager Allocation - Monthly
**Arizona State Treasury (05509)**
**As at July 2009**

**Pool Composite (00550904)**

| Account Name | Market Value(MIL) | Percent of Portfolio |
|---|---|---|
| State Agencies IV - Restricted Diversified (10327200) | 830.89 | 29.7% |
| State of Arizona - Pool 12 (CAWCD - Med Term) (10327500) | 114.47 | 4.1% |
| State of Arizona - Pool 15 (GADA) (10327600) | 12.20 | 0.4% |
| State of Arizona - Pool 2 (State Agency - FF&C) (10327000) | 620.63 | 22.2% |
| State of Arizona - Pool 3 (State Agency - Diversified) (10327100) | 1,217.80 | 43.6% |
| **TOTAL** | **2,795.98** | **100.0%** |



State of Arizona - Pool 2 (State Agency - FF&C) (10327000)
State of Arizona - Pool 3 (State Agency - Diversified) (10327100)
State Agencies IV - Restricted Diversified (10327200)
State of Arizona - Pool 12 (CAWCD - Med Term) (10327500)
State of Arizona - Pool 15 (GADA) (10327600)

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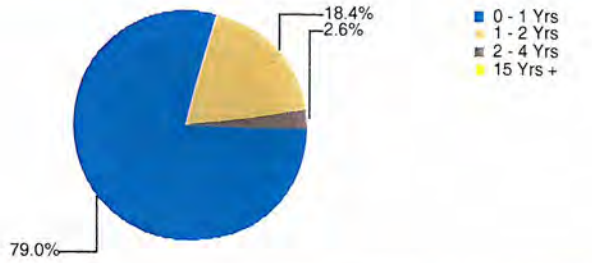
**State of Arizona - Pool 2 (State Agency - FF&C) (10327000)**

**Portfolio Fact Sheet**
**July 2009**

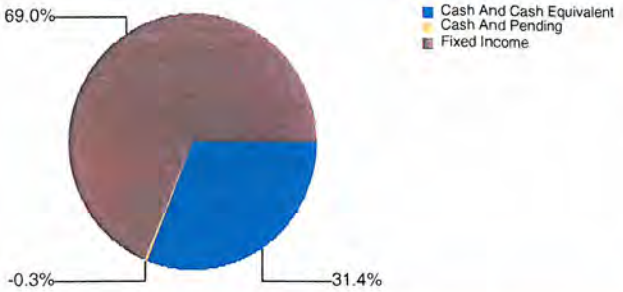
## Portfolio Characteristics

| | |
|---|---|
| Total Net Assets (Millions) | 620.6 |
| Weighted Average Life (Years) | 0.78 |
| Weighted Avg. Effective Duration (Years) | 0.43 |
| Weighted Average Rating | AAA |
| Number of Holdings | 51 |

## Duration Mix




## Asset Mix

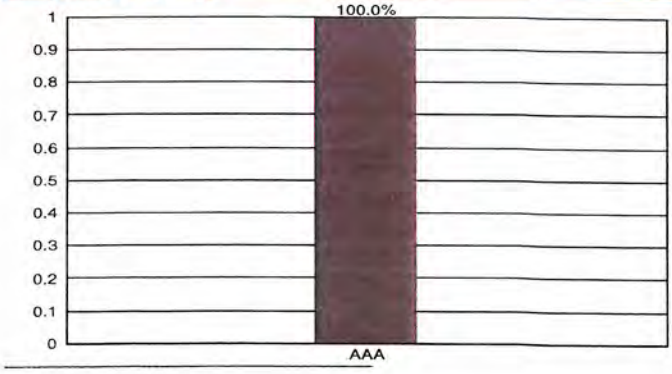



## Top Ten Portfolio Holdings

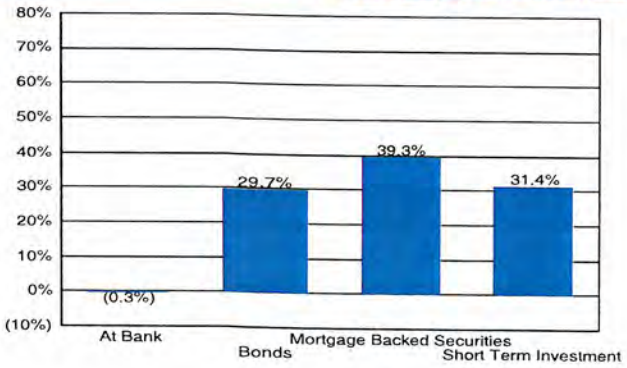
d m yyyy

| Security ID | Security Name | % of Assets | Coupon Rate | Maturity Date |
|---|---|---|---|---|
| 892995T50 | ARIZONA TREASURY REPO | 29.75% | 5.00 | 1/8/2009 |
| 912820EA1 | U S TREAS NT STRIPPED PRIN PMT 6.00% | 4.03% | 0.00 | 15/8/2009 |
| 912828ED8 | UNITED STATES OF AMER TREAS NOTES 4.1 | 3.40% | 4.12 | 15/8/2010 |
| 38374J6E1 | GNMA REMIC TRUST 2004-93 PB 16/DEC/20 | 3.33% | 5.00 | 16/12/2032 |
| 7591EAAA1 | REGIONS BANK 2.75% BDS 10/DEC/2010 US | 3.32% | 2.75 | 10/12/2010 |
| 912828JA9 | UNITED STATES TREAS NTS 2.625% 31/MAY | 3.30% | 2.62 | 31/5/2010 |
| 912828HB9 | UNITED STATES OF AMER TREAS NOTES 4% | 3.28% | 4.00 | 31/8/2009 |
| 38373YG65 | GINNIE MAE 2003-00 TC-MX 4.500% 16/MA | 3.27% | 4.50 | 16/5/2031 |
| 36967HAG2 | GENERAL ELECTRIC CAPITAL CORP SER'G'1 | 3.26% | 1.62 | 7/1/2011 |
| 36241KM54 | GNMA I MORTPASS 5% 15/APR/2021 JP PN# | 3.20% | 5.00 | 15/4/2021 |

## Quality/Rating Weightings




## Sector Weightings (as % of Market Value)



J.P.Morgan

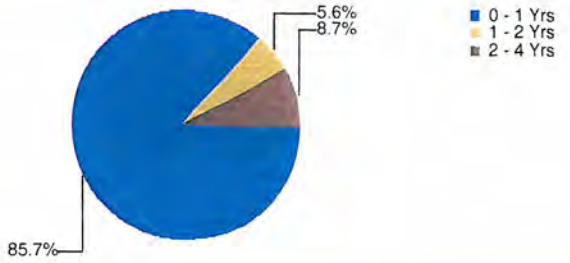
**State of Arizona - Pool 3 (State Agency - Diversified) (10327100)**

**Portfolio Fact Sheet**
**July 2009**

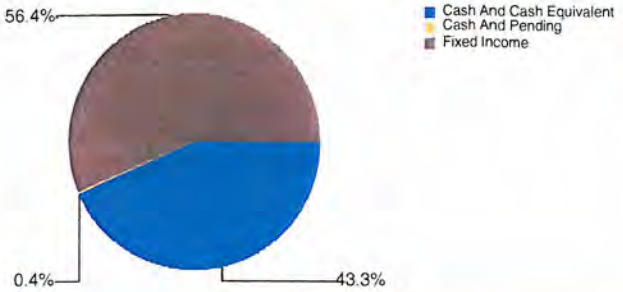
## Portfolio Characteristics

| | |
|---|---|
| **Total Net Assets (Millions)** | **1,217.8** |
| **Weighted Average Life (Years)** | **0.73** |
| **Weighted Avg. Effective Duration (Years)** | **0.35** |
| **Weighted Average Rating** | **AA** |
| **Number of Holdings** | **61** |

## Duration Mix



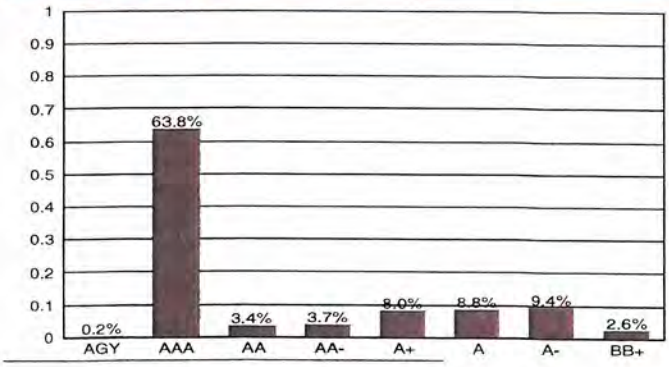

## Asset Mix



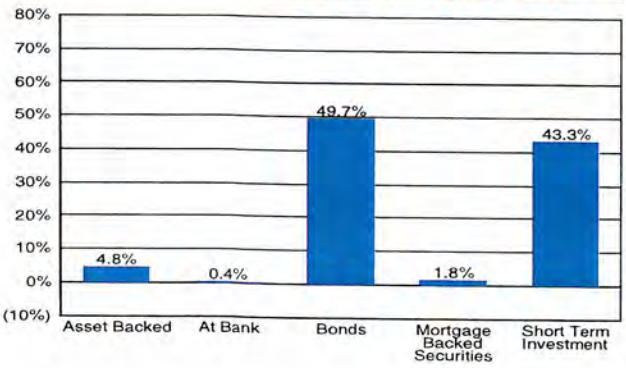

## Top Ten Portfolio Holdings

| Security ID | Security Name | % of Assets | Coupon Rate | Maturity Date |
|---|---|---|---|---|
| 892995T50 | ARIZONA TREASURY REPO | 43.27% | 5.00 | 1/8/2009 |
| 919050B | ARIZONA WARRANT ZCP 31/DEC/2049 | 5.40% | 0.00 | 31/12/2049 |
| 172967EG2 | CITIGROUP INC VAR 13/AUG/2010 | 4.01% | 1.07 | 13/8/2010 |
| 36962G2H6 | GENERAL ELECTRIC CAPITAL CORP FLTG RA | 2.69% | 0.67 | 12/3/2010 |
| 46623ECW7 | JP MORGAN CHASE & CO VAR 07/MAY/2010 | 2.48% | 0.51 | 7/5/2010 |
| 87612EAQ9 | TARGET CORP 5.485000 8/7/2009 | 2.47% | 1.11 | 7/8/2009 |
| 59018YE72 | MERRILL LYNCH & CO INC FLTG RATE NTS | 1.94% | 0.87 | 5/6/2012 |
| 88319QM26 | TEXTRON FINL CORP MTN BE VR | 1.83% | 1.66 | 14/2/2011 |
| 931142CF8 | WAL-MART STORES INC 5% BDS 05/APR/201 | 1.81% | 5.00 | 5/4/2012 |
| 9128275N8 | USA TREASURY NTS 6.00% NTS 15/AUG/200 | 1.69% | 6.00 | 15/8/2009 |

## Quality/Rating Weightings




## Sector Weightings (as % of Market Value)



J.P.Morgan

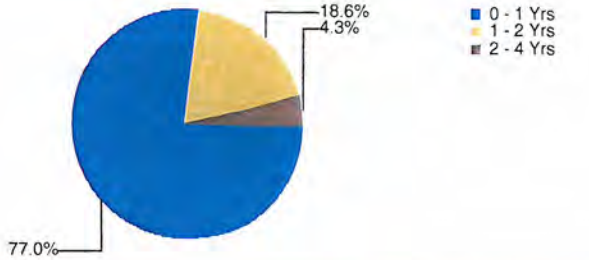
**State Agencies IV - Restricted Diversified (10327200)**

**Portfolio Fact Sheet**
**July 2009**

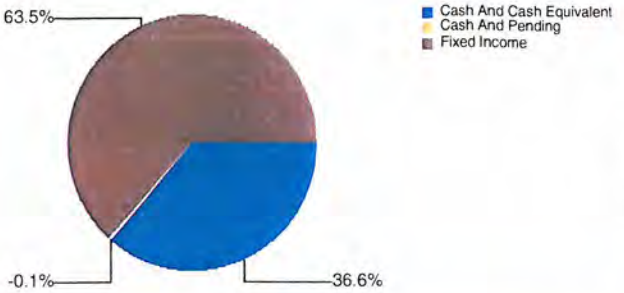
## Portfolio Characteristics

| | |
|---|---|
| Total Net Assets (Millions) | 830.9 |
| Weighted Average Life (Years) | 1.25 |
| Weighted Avg. Effective Duration (Years) | 0.55 |
| Weighted Average Rating | AAA |
| Number of Holdings | 61 |

## Duration Mix




## Asset Mix

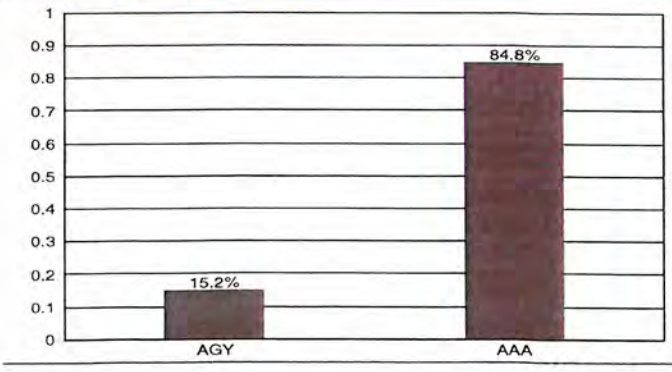



## Top Ten Portfolio Holdings

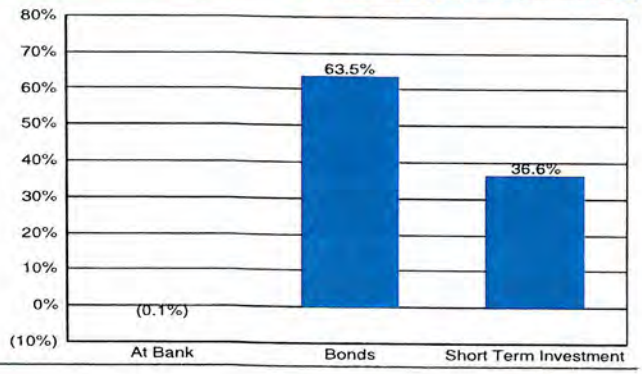
d m yyyy

| Security ID | Security Name | % of Assets | Coupon Rate | Maturity Date |
|---|---|---|---|---|
| 892995T50 | ARIZONA TREASURY REPO | 11.91% | 5.00 | 1/8/2009 |
| 912795N56 | US GOVT NATIONAL ZCP 06/AUG/2009 | 6.02% | 0.00 | 6/8/2009 |
| 31331GEL9 | FEDERAL FARM CR BKS GLOBAL CONS BD 4. | 3.06% | 4.40 | 18/11/2013 |
| 3128X8RR5 | FEDERAL HOME LOAN MORTGAGE CORP 2.625 | 3.06% | 2.62 | 19/3/2012 |
| 446436AB3 | HUNTINGTON NATL BK FDIC TLGP GTD NT F | 3.05% | 1.07 | 1/6/2012 |
| 912820EA1 | U S TREAS NT STRIPPED PRIN PMT 6.00% | 3.01% | 0.00 | 15/8/2009 |
| 9128275Z1 | UNITED STATES OF AMER TREAS NOTES 6.5 | 2.56% | 6.50 | 15/2/2010 |
| 3128X6NS1 | FREDDIE MAC 5.05% 15/OCT/2012 | 2.46% | 5.05 | 15/10/2012 |
| 31359M2S1 | FEDERAL NATIONAL MORTGAGE ASSOC 4.625 | 2.46% | 4.62 | 15/12/2009 |
| 3128X82R2 | FHLMC 1.50% 29/JUN/2012 | 2.41% | 1.50 | 29/6/2012 |

## Quality/Rating Weightings




## Sector Weightings (as % of Market Value)



J.P.Morgan

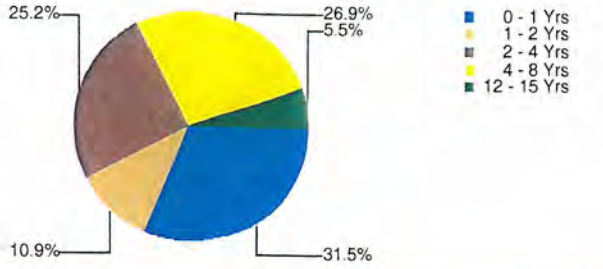
**State of Arizona - Pool 12 (CAWCD - Med Term) (10327500)**

**Portfolio Fact Sheet**
**July 2009**

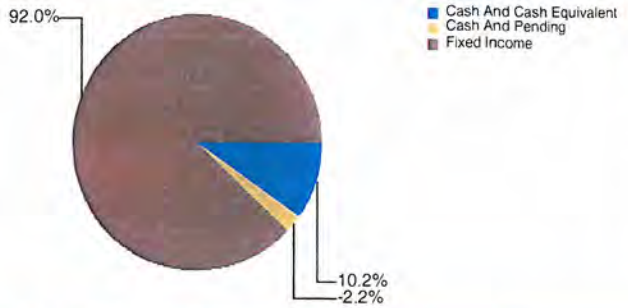
## Portfolio Characteristics

| | |
|---|---|
| Total Net Assets (Millions) | 114.5 |
| Weighted Average Life (Years) | 2.38 |
| Weighted Avg. Effective Duration (Years) | 3.29 |
| Weighted Average Rating | AA |
| Number of Holdings | 67 |

## Duration Mix



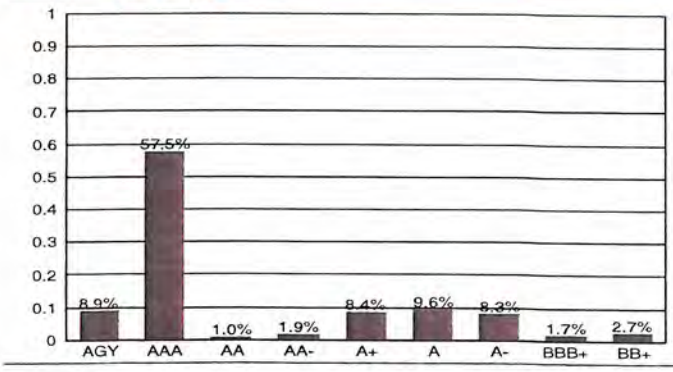

## Asset Mix



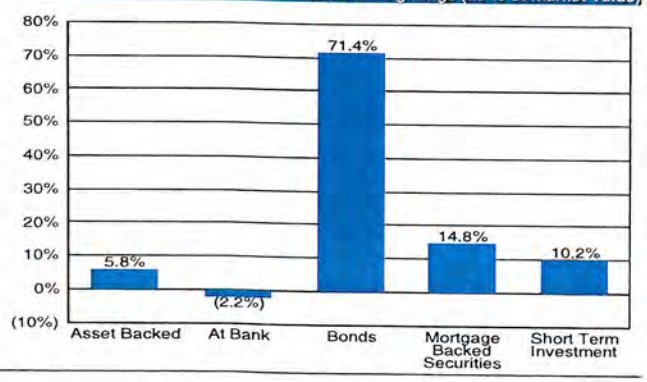

## Top Ten Portfolio Holdings

| Security ID | Security Name | % of Assets | Coupon Rate | Maturity Date |
|---|---|---|---|---|
| 928989383 | JP MORGAN U S GOVT AGENCY SHARES | 10.21% | 4.18 | 31/12/2049 |
| 31398AST0 | FEDERAL NATIONAL MORTGAGE ASSOC 4.15% | 4.45% | 4.15 | 13/1/2012 |
| 31398ARC8 | FEDERAL NATIONAL MORTGAGE ASSOC 4.12% | 4.45% | 4.12 | 6/5/2013 |
| 3133XMXZ9 | FEDERAL HOME LN BKS CONS BD FLT 12 16 | 4.37% | 0.44 | 16/11/2012 |
| 3128X6XS0 | FEDERAL HOME LN MTG CORP 5.55%25/JAN/ | 4.32% | 5.55 | 25/1/2023 |
| 06423RBK1 | BANK ONE ISSUANCE TRUST SER 2004-A3 C | 4.09% | 0.46 | 15/2/2017 |
| 740816AD5 | PRESIDENT & FELLOWS HARVARD COLLEGE 5 | 3.54% | 5.63 | 1/10/2038 |
| 459200GJ4 | INTERNATIONAL BUS MACH CORP 5.7% BDS | 3.26% | 5.70 | 14/9/2017 |
| 58013MEC4 | MCDONALD'S CORP 6.3% BDS 15/OCT/2037 | 1.98% | 6.30 | 15/10/2037 |
| 31398AVR0 | FEDERAL NATIONAL MORTGAGE ASSOC 3.375 | 1.95% | 3.38 | 10/3/2014 |

## Quality/Rating Weightings




## Sector Weightings (as % of Market Value)



J.P.Morgan

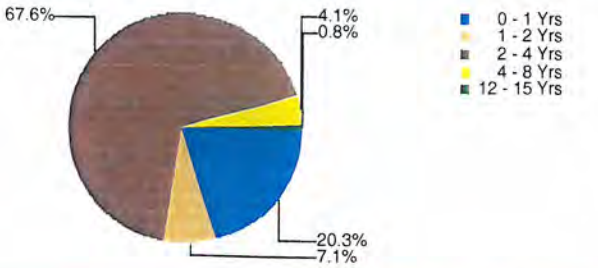
**State of Arizona - Pool 15 (GADA) (10327600)**

**Portfolio Fact Sheet**
**July 2009**

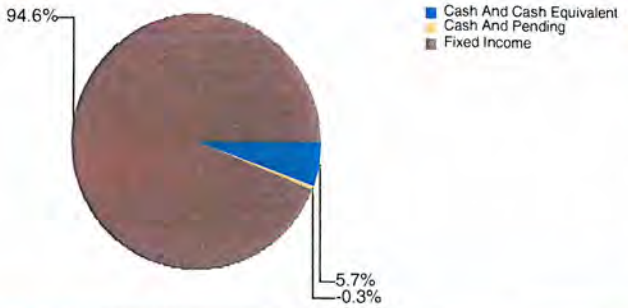
## Portfolio Characteristics

| | |
|---|---|
| **Total Net Assets (Millions)** | **12.2** |
| **Weighted Average Life (Years)** | **2.67** |
| **Weighted Avg. Effective Duration (Years)** | **2.44** |
| **Weighted Average Rating** | **AA+** |
| **Number of Holdings** | **25** |

## Duration Mix



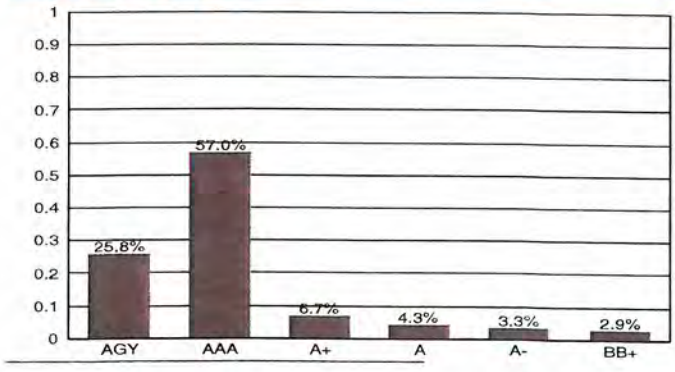

## Asset Mix



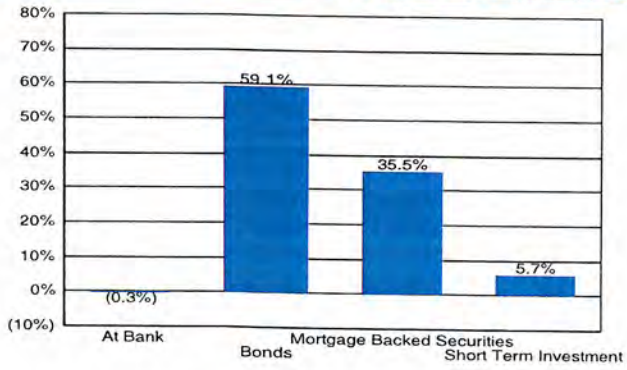

## Top Ten Portfolio Holdings

| Security ID | Security Name | % of Assets | Coupon Rate | Maturity Date (d m yyyy) |
|---|---|---|---|---|
| 31294KTB1 | FEDERAL HOME LN MTG CORP GOLD POOL # | 17.53% | 4.50 | 1/9/2018 |
| 36241KJZ2 | GNMA I MORTPASS 4.5% 15/FEB/2021 JP P | 8.24% | 4.50 | 15/2/2021 |
| 31396WBV7 | 2007-56 EP 0.000% 25/JUN/2037 | 6.46% | 5.50 | 25/6/2037 |
| 928989383 | JP MORGAN U S GOVT AGENCY SHARES | 5.70% | 4.18 | 31/12/2049 |
| 10138MAH8 | BOTTLING GROUP 6.95% SNR NTS 15/MAR/2 | 4.87% | 6.95 | 15/3/2014 |
| 5526E2AC3 | MBNA AMERICA BANK NA 7.125% 15/NOV/20 | 4.26% | 7.12 | 15/11/2012 |
| 3128X7U36 | FEDERAL HOME LOAN MORTGAGE CORP 3.75% | 4.22% | 3.75 | 30/7/2010 |
| 31398AST0 | FEDERAL NATIONAL MORTGAGE ASSOC 4.15% | 4.17% | 4.15 | 13/1/2012 |
| 31398ARC8 | FEDERAL NATIONAL MORTGAGE ASSOC 4.12% | 4.17% | 4.12 | 6/5/2013 |
| 3133XNH85 | FEDERAL HOME LN BKS 5.25% 18/DEC/2017 | 4.15% | 5.25 | 18/12/2017 |

## Quality/Rating Weightings

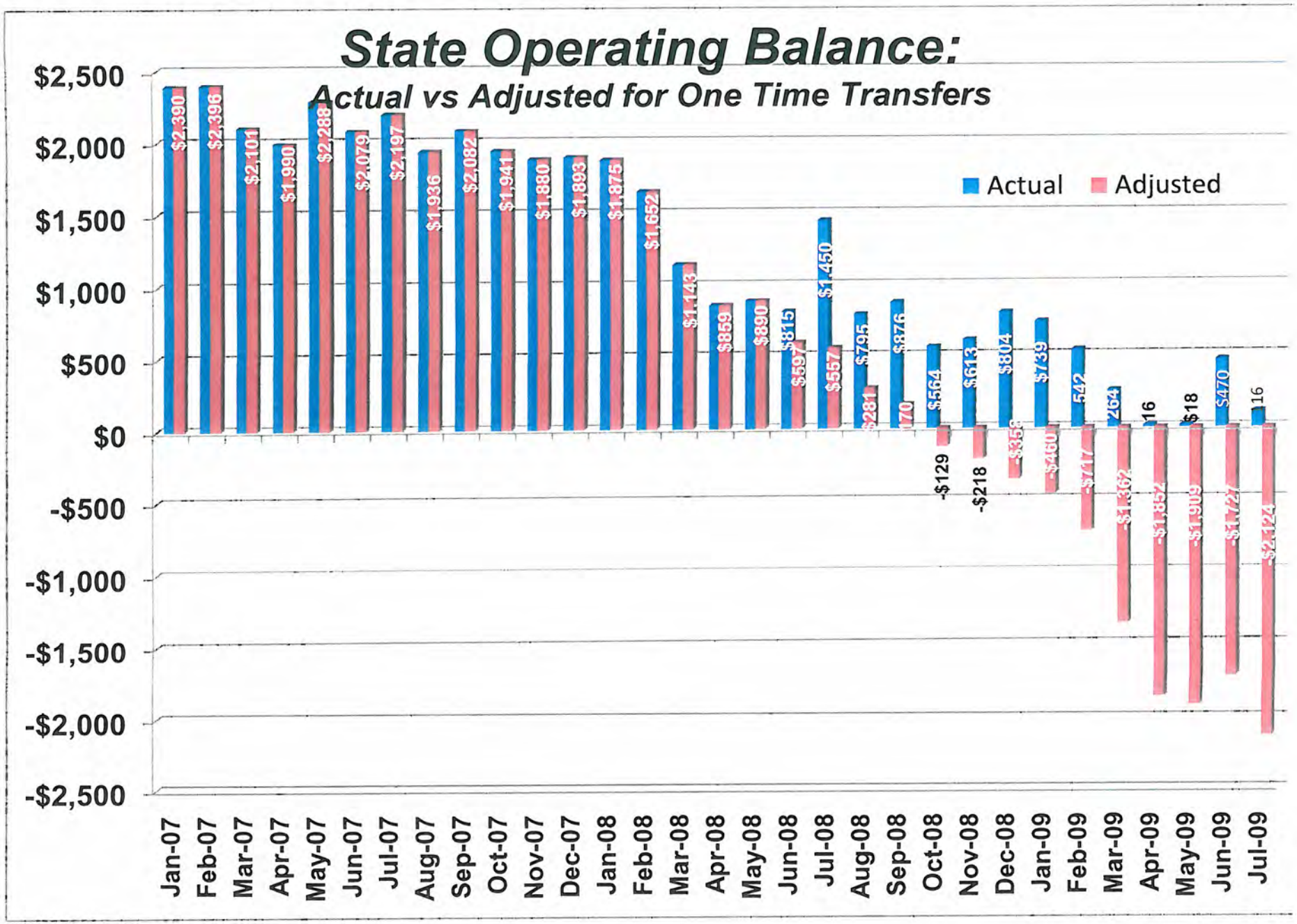



## Sector Weightings (as % of Market Value)



**OPERATING MONIES**
**AVERAGE INVESTED BALANCE**
Through July 31, 2009
(in millions of dollars)

| Month | Fiscal Year 2007/2008 | Fiscal Year 2008/2009 | Fiscal Year 2009/2010 |
|---|---|---|---|
| JULY | 2,197 | 1,450 | 116 |
| AUGUST | 1,936 | 795 | |
| SEPTEMBER | 2,082 | 876 | |
| OCTOBER | 1,941 | 564 | |
| NOVEMBER | 1,880 | 613 | |
| DECEMBER | 1,893 | 804 | |
| JANUARY | 1,875 | 739 | |
| FEBRUARY | 1,652 | 542 | |
| MARCH | 1,143 | 264 | |
| APRIL | 859 | 16 | |
| MAY | 890 | 18 | |
| JUNE | 815 | 470 | |
| **Y-T-D Average** | **$1,597** | **$596** | **$116** |


State Operating Balance:
Actual vs Adjusted for One Time Transfers
Actual
Adjusted
$2,500
$2,000
$1,500
$1,000
$500
$0
-$500
-$1,000
-$1,500
-$2,000
-$2,500
Jan-07
Feb-07
Mar-07
Apr-07
May-07
Jun-07
Jul-07
Aug-07
Sep-07
Oct-07
Nov-07
Dec-07
Jan-08
Feb-08
Mar-08
Apr-08
May-08
Jun-08
Jul-08
Aug-08
Sep-08
Oct-08
Nov-08
Dec-08
Jan-09
Feb-09
Mar-09
Apr-09
May-09
Jun-09
Jul-09

## ENDOWMENT FUNDS
## PORTFOLIO YIELD ANALYSIS
July 31, 2009

| FUND | DESCRIPTION | NET EARNINGS | NET YIELD |
|---|---|---|---|
| 205 | ENDOWMENTS - FIXED INCOME | 2,037,439 | 2.6700% |
| | **TOTAL ENDOWMENTS - FIXED INCOME** | **2,037,439** | |

## NET REALIZED CAPITAL GAINS / LOSSES - ENDOWMENT FUNDS

| Endowment Fund | Jul-09 NET GAIN(LOSS) | FISCAL YTD GAINS(LOSSES) |
|---|---|---|
| Fixed Income Pool Net Gain (Loss) | (2,466,339) | (2,466,339) |
| Equity Pool (500) Net Gain (Loss) | (682,211) | (682,211) |
| Equity Pool (400) Net Gain (Loss) | (585,562) | (585,562) |
| **Totals** | **(3,734,112)** | **(3,734,112)** |

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



**I. Endowment Funds Purchases**

| SECURITY DESCRIPTION | RATE | MATURITY | *WAL YEARS | PAR VALUE | PURCHASE COST | YIELD | MOODY'S / S&P RATING |
|---|---|---|---|---|---|---|---|
| FMAC MBS | 3.75 | 2/15/2018 | 2.42 | $5,037,952 | $5,167,050 | 3.41 | Aaa/AAA |
| FNMA MBS | 5.56 | 8/27/2012 | 3.13 | $5,000,000 | $5,207,813 | 4.11 | Aaa/AAA |
| FMAC MBS | 4.50 | 4/15/2019 | 2.67 | $9,541,613 | $9,715,117 | 2.87 | Aaa/AAA |
| U S TREASURY NOTE | 4.88 | 7/31/2011 | N/A | $5,000,000 | $5,389,063 | 1.06 | Aaa/AAA |
| U S TREASURY NOTE | 4.50 | 9/30/2011 | N/A | $5,000,000 | $5,370,703 | 1.13 | Aaa/AAA |
| ORACLE CORP | 3.75 | 7/8/2014 | N/A | $7,000,000 | $7,000,000 | 3.75 | A2/A |
| **TOTAL ENDOWMENT FUNDS PURCHASES** | | | | **$36,579,565** | **$37,849,745** | | |

**II. Endowment Funds Sales**

| SECURITY DESCRIPTION | RATE | MATURITY | PAR VALUE | AMORTIZED COST/PROCEEDS | SALES GAINS/(LOSSES) | MOODY'S / S&P RATING |
|---|---|---|---|---|---|---|
| CIT GROUP INC | 7.75 | 4/2/2012 | $5,000,000 | $2,875,000 | ($2,403,127) | Baa3/BB+ |
| **TOTAL ENDOWMENT FUNDS SALES** | | | **$5,000,000** | **$2,875,000** | **($2,403,127)** | |

*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 July 2009

## I. Equity Fund Purchases

| | SHARES | PURCHASE COST | COMMISSIONS |
|---|---|---|---|
| S&P 400 Mid-Cap Fund | 0 | $0 | $0 |
| S&P 500 Large-Cap Fund | 134,345 | $2,400,873 | $2,014 |
| **TOTAL EQUITY PURCHASES** | **134,345** | **$2,400,873** | **$2,014** |

## II. Equity Funds Sales

| | SHARES | SALES AMOUNT | COMMISSIONS |
|---|---|---|---|
| S&P 400 Mid-Cap Fund | 495,058 | $6,648,482 | $7,426 |
| S&P 500 Large-Cap Fund | 32,352 | $32,383 | $485 |
| **TOTAL EQUITY SALES** | **527,410** | **$6,680,865** | **$7,910** |

## ENDOWMENT FUNDS
## INVESTMENTS OUTSTANDING
JULY 31, 2009
(In Thousands)

| FUND | NAME OF FUND | SHARES OUTSTANDING | BOOK VALUE | MARKET VALUE | UNREALIZED GAINS (LOSSES) | **Mkt Value/ Book Value** |
|---|---|---|---|---|---|---|
| 101 | A & M Colleges | | | | | |
| | *Shares in S&P 500 Index Fund* | 2,508 | 2,276 | 2,132 | (144) | |
| | *Shares in Fixed Income Fund* | 2,712 | 3,031 | 4,201 | 1,170 | |
| | *Shares in Mid-Cap 400 Equity Fund* | 812 | 780 | 1,084 | 304 | |
| | Total | 6,033 | 6,087 | 7,417 | 1,330 | **1.219** |
| 102 | State Hospital | | | | | |
| | *Shares in S&P 500 Index Fund* | 1,569 | 1,345 | 1,333 | (12) | |
| | *Shares in Fixed Income Fund* | 1,555 | 1,795 | 2,409 | 614 | |
| | *Shares in Mid-Cap 400 Equity Fund* | 443 | 460 | 592 | 132 | |
| | Total | 3,568 | 3,601 | 4,335 | 734 | **1.204** |
| 103 | Leg., Exec., & Jud. | | | | | |
| | *Shares in S&P 500 Index Fund* | 1,957 | 1,913 | 1,663 | (250) | |
| | *Shares in Fixed Income Fund* | 2,293 | 2,548 | 3,551 | 1,003 | |
| | *Shares in Mid-Cap 400 Equity Fund* | 630 | 656 | 842 | 186 | |
| | Total | 4,880 | 5,117 | 6,056 | 939 | **1.184** |
| 104 | Military Institute | | | | | |
| | *Shares in S&P 500 Index Fund* | 133 | 132 | 113 | (19) | |
| | *Shares in Fixed Income Fund* | 163 | 175 | 252 | 77 | |
| | *Shares in Mid-Cap 400 Equity Fund* | 46 | 45 | 62 | 16 | |
| | Total | 342 | 352 | 427 | 75 | **1.212** |
| 105 | Miners Hospital | | | | | |
| | *Shares in S&P 500 Index Fund* | 3,809 | 3,710 | 3,237 | (473) | |
| | *Shares in Fixed Income Fund* | 3,884 | 4,943 | 6,016 | 1,073 | |
| | *Shares in Mid-Cap 400 Equity Fund* | 1,065 | 1,271 | 1,422 | 150 | |
| | Total | 8,758 | 9,925 | 10,675 | 750 | **1.076** |

## ENDOWMENT FUNDS
## INVESTMENTS OUTSTANDING
JULY 31, 2009
(In Thousands)

| FUND | NAME OF FUND | SHARES OUTSTANDING | BOOK VALUE | MARKET VALUE | UNREALIZED GAINS (LOSSES) | **Mkt Value/ Book Value** |
|---|---|---|---|---|---|---|
| 107 | Normal School ASU/NAU | | | | | |
| | *Shares in S&P 500 Index Fund* | 880 | 827 | 747 | (79) | |
| | *Shares in Fixed Income Fund* | 947 | 1,101 | 1,467 | 366 | |
| | *Shares in Mid-Cap 400 Equity Fund* | 266 | 283 | 355 | 72 | |
| | Total | 2,092 | 2,211 | 2,569 | 359 | **1.162** |
| 108 | Penitentiaries | | | | | |
| | *Shares in S&P 500 Index Fund* | 3,219 | 2,907 | 2,736 | (171) | |
| | *Shares in Fixed Income Fund* | 3,213 | 3,872 | 4,977 | 1,105 | |
| | *Shares in Mid-Cap 400 Equity Fund* | 933 | 996 | 1,246 | 250 | |
| | Total | 7,366 | 7,775 | 8,959 | 1,184 | **1.152** |
| 109 | Permanent Common School | | | | | |
| | *Shares in S&P 500 Index Fund* | 815,588 | 785,081 | 693,120 | (91,961) | |
| | *Shares in Fixed Income Fund* | 833,745 | 1,045,577 | 1,291,463 | 245,886 | |
| | *Shares in Mid-Cap 400 Equity Fund* | 227,432 | 268,727 | 303,718 | 34,990 | |
| | Total | 1,876,765 | 2,099,385 | 2,288,300 | 188,915 | **1.090** |
| 110 | School for Deaf & Blind | | | | | |
| | *Shares in S&P 500 Index Fund* | 1,147 | 1,082 | 975 | (107) | |
| | *Shares in Fixed Income Fund* | 1,333 | 1,441 | 2,064 | 623 | |
| | *Shares in Mid-Cap 400 Equity Fund* | 372 | 371 | 497 | 126 | |
| | Total | 2,852 | 2,894 | 3,536 | 641 | **1.222** |
| 111 | School of Mines | | | | | |
| | *Shares in S&P 500 Index Fund* | 2,871 | 2,787 | 2,440 | (347) | |
| | *Shares in Fixed Income Fund* | 3,138 | 3,712 | 4,861 | 1,148 | |
| | *Shares in Mid-Cap 400 Equity Fund* | 875 | 955 | 1,168 | 213 | |
| | Total | 6,884 | 7,454 | 8,469 | 1,014 | **1.136** |

# ENDOWMENT FUNDS
# INVESTMENTS OUTSTANDING
JULY 31, 2009
(In Thousands)

| FUND | NAME OF FUND | SHARES OUTSTANDING | BOOK VALUE | MARKET VALUE | UNREALIZED GAINS (LOSSES) | **Mkt Value/ Book Value** |
|---|---|---|---|---|---|---|
| 112 | State Charitable | | | | | |
| | *Shares in S&P 500 Index Fund* | 29,874 | 27,818 | 25,388 | (2,430) | |
| | *Shares in Fixed Income Fund* | 29,012 | 37,047 | 44,940 | 7,893 | |
| | *Shares in Mid-Cap 400 Equity Fund* | 7,842 | 9,524 | 10,473 | 949 | |
| | Total | 66,729 | 74,388 | 80,801 | 6,412 | **1.086** |
| 113 | University Fund | | | | | |
| | *Shares in S&P 500 Index Fund* | 4,780 | 4,576 | 4,062 | (513) | |
| | *Shares in Fixed Income Fund* | 5,183 | 6,095 | 8,028 | 1,933 | |
| | *Shares in Mid-Cap 400 Equity Fund* | 1,432 | 1,568 | 1,912 | 344 | |
| | Total | 11,395 | 12,239 | 14,003 | 1,764 | **1.144** |
| 114 | U Of A Land - 1881 | | | | | |
| | *Shares in S&P 500 Index Fund* | 10,099 | 9,654 | 8,583 | (1,071) | |
| | *Shares in Fixed Income Fund* | 11,108 | 12,859 | 17,206 | 4,347 | |
| | *Shares in Mid-Cap 400 Equity Fund* | 3,080 | 3,308 | 4,114 | 805 | |
| | Total | 24,287 | 25,821 | 29,902 | 4,081 | **1.158** |
| | TOTALS - ALL FUNDS | | | | | |
| | *Shares in S&P 500 Index Fund* | 878,433 | 844,108 | 746,529 | (97,579) | |
| | *Shares in Fixed Income Fund* | 898,286 | 1,124,196 | 1,391,436 | 267,239 | |
| | *Shares in Mid-Cap 400 Equity Fund* | 245,229 | 288,946 | 327,485 | 38,539 | |
| | **Grand Total** | **2,021,949** | **2,257,250** | **2,465,450** | **208,199** | |

## ASSET ALLOCATION PERCENTAGE

| | SHARES OUTSTANDING | BOOK VALUE | MARKET VALUE |
|---|---|---|---|
| *Shares in S&P 500 Index Fund* | 43.44% | 37.40% | 30.28% |
| *Shares in Fixed Income Fund* | 44.43% | 49.80% | 56.44% |
| *Shares in Mid-Cap 400 Equity Fund* | 12.13% | 12.80% | 13.28% |
| **Total** | **100.00%** | **100.00%** | **100.00%** |

J.P.Morgan

# Performance Worksheet

**Arizona State Treasury (05509)**

**As At July 2009**

Gross of Fee

**Total Endowment Fund Composite (00550902)**

| ID | Name | Beginning Market Value | Ending Market Value | Cashflow | Current Month | Trailing Three Months | Year to Date | Trailing One Year | Trailing Three Years | Trailing Five Years | Since Inception |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 10327800 | S&P 500 | 692,801,413.58 | 746,528,997.91 | 996,440 | 7.61 | 13.86 | 11.08 | (19.73) | (6.30) | (0.26) | |
| 10327900 | S&P 400 | 304,137,951.08 | 327,484,841.75 | -404,089 | 7.81 | 10.68 | 14.02 | (23.67) | (4.20) | 3.00 | |
| 10328000 | Fixed Income | 1,368,018,250.92 | 1,391,435,709.71 | 9,139,248 | 0.99 | 3.03 | 3.92 | 8.10 | 6.69 | 5.15 | |
| **00550902** | **Total Endowment Fund Composite** | **2,364,957,615.58** | **2,465,449,549.37** | **9,731,598** | **3.82** | | | | | | **3.82** |

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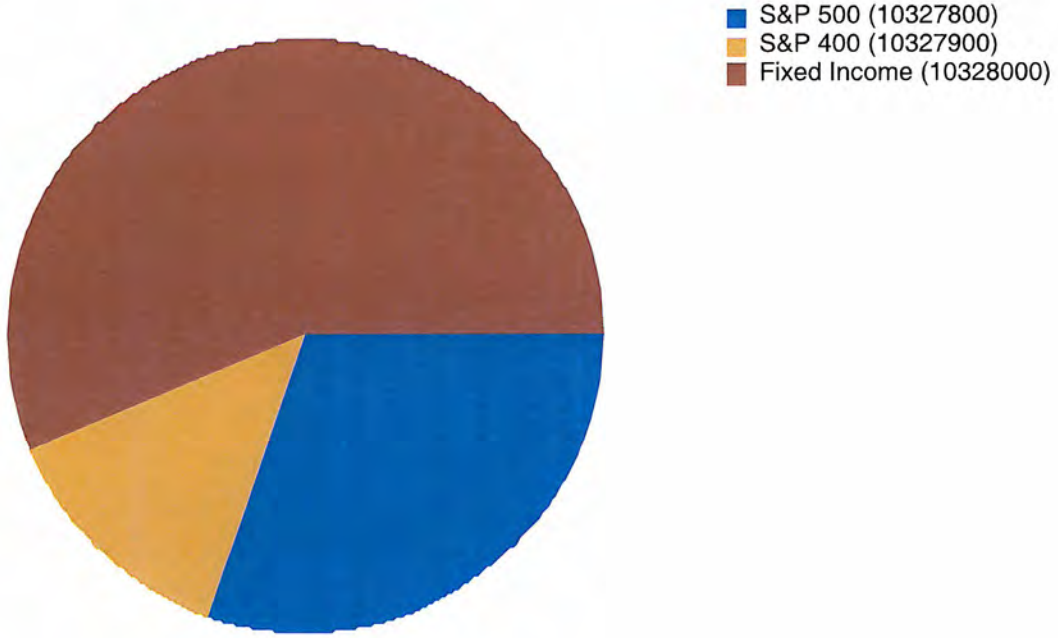
## Manager Allocation - Monthly
**Arizona State Treasury (05509)**
**As at July 2009**

**Total Endowment Fund Composite (00550902)**

| Account Name | Market Value(MIL) | Percent of Portfolio |
|---|---|---|
| Fixed Income (10328000) | 1,391.44 | 56.4% |
| S&P 400 (10327900) | 327.48 | 13.3% |
| S&P 500 (10327800) | 746.53 | 30.3% |
| **TOTAL** | **2,465.45** | **100.0%** |



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**S&P 500 (10327800)**

**Portfolio Fact Sheet**
**July 2009**

## Portfolio Characteristics

| | |
|---|---|
| Total Asset Value (in Millions) | 746.5 |
| P/E Ratio | 17.74 |
| Price to Book Ratio | 3.37 |
| Dividend Yield (%) | 2.08 |
| Return on Equity (%) | 21.18 |
| Sales Growth (%) | 14.19 |
| Market Capitalization ($ Billions) | 71,445.82 |
| Earnings per Share ($) | 2.18 |
| Number of Holdings | 501 |

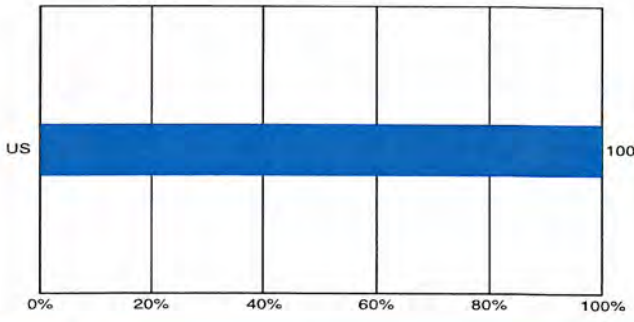
## Risk Measures

| | Trailing 1 Year | Trailing 3 Years | Trailing 5 Years | Since Inception |
|---|---|---|---|---|
| Tracking Error | 0.27 | 0.50 | 0.45 | - |
| Information Ratio | 0.86 | (0.28) | (0.29) | - |
| Std Deviation of Port. | 30.00 | 19.37 | 15.65 | - |
| Std Deviation of Bench. | 30.11 | 19.54 | 15.80 | 15.80 |
| Sharpe Ratio of Port. | (0.68) | (0.49) | (0.22) | - |
| Sharpe Ratio of Bench. | (0.69) | (0.47) | (0.21) | 0.29 |
| R-Squared | 1.00 | 1.00 | 1.00 | - |
| Jensen's Alpha | 0.15 | (0.22) | (0.16) | - |

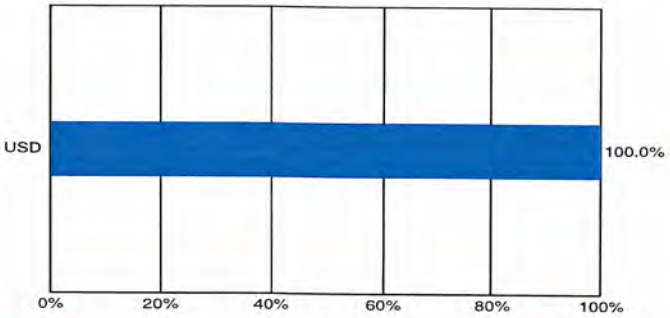
## Top Ten Portfolio Holdings

| Security ID | Security Name | % of Assets |
|---|---|---|
| 78462F103 | SPDR TRUST UNITS SER 1 NPV | 4.15% |
| 30231G102 | EXXON MOBIL CORP COM NPV | 3.80% |
| 594918104 | MICROSOFT CORP COM USD0.0000125 | 1.99% |
| 478160104 | JOHNSON & JOHNSON COM STK USD1 | 1.85% |
| 742718109 | PROCTER & GAMBLE CO COM STK NPV | 1.80% |
| 00206R102 | AT&T INC COM STK USD1 | 1.74% |
| 459200101 | INTERNATIONAL BUS MACH CORP COM STK U | 1.72% |
| 46625H100 | JPMORGAN CHASE & CO COM STK USD1 | 1.67% |
| 037833100 | APPLE INC COM STK NPV | 1.61% |
| 369604103 | GENERAL ELECTRIC CO. COM STK USD0.06 | 1.57% |

## Top Ten Country Weights

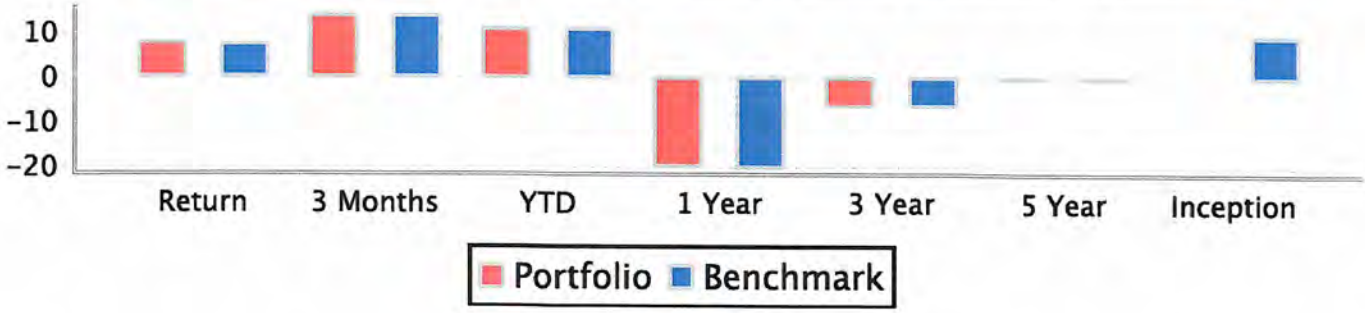



## Top Ten Currency Weights

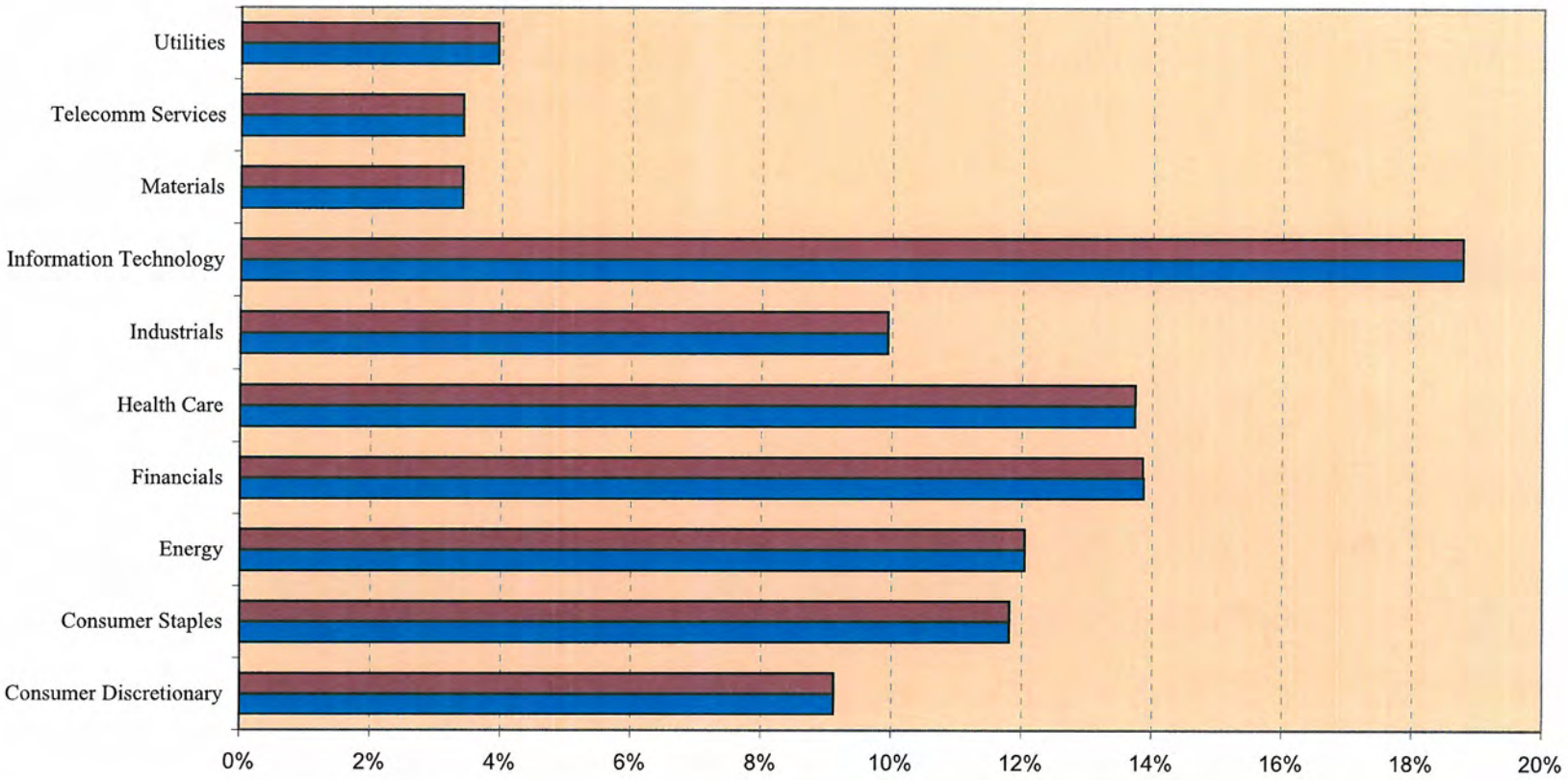



## Returns Series

| | Current Month | Trailing 3 | Year-To-Date | Trailing 1 Year | Trailing 3 Years | Trailing 5 Years | Inception |
|---|---|---|---|---|---|---|---|
| Portfolio | 7.61 | 13.86 | 11.08 | (19.73) | (6.30) | (0.26) | |
| Benchmark | 7.56 | 13.81 | 10.97 | (19.96) | (6.16) | (0.14) | 9.30 |
| Excess | 0.05 | 0.05 | 0.11 | 0.23 | (0.14) | (0.13) | |



**STATE OF ARIZONA**
**POOL 201 (S&P 500)**
**As of July 31, 2009**




| | Consumer Discretionary | Consumer Staples | Energy | Financials | Health Care | Industrials | Information Technology | Materials | Telecomm Services | Utilities |
|---|---|---|---|---|---|---|---|---|---|---|
| S&P 500 Index | 9.11% | 11.81% | 12.04% | 13.86% | 13.73% | 9.93% | 18.76% | 3.40% | 3.41% | 3.94% |
| STATE OF ARIZONA - POOL 201 | 9.11% | 11.81% | 12.04% | 13.87% | 13.73% | 9.93% | 18.76% | 3.40% | 3.41% | 3.94% |

J.P.Morgan

S&P 400 (10327900)

Portfolio Fact Sheet
July 2009

## Portfolio Characteristics

| | |
|---|---|
| Total Asset Value (in Millions) | 327.5 |
| P/E Ratio | 11.89 |
| Price to Book Ratio | 2.07 |
| Dividend Yield (%) | 1.01 |
| Return on Equity (%) | 9.28 |
| Sales Growth (%) | 10.65 |
| Market Capitalization ($ Billions) | 2,030.65 |
| Earnings per Share ($) | 0.67 |
| Number of Holdings | 193 |

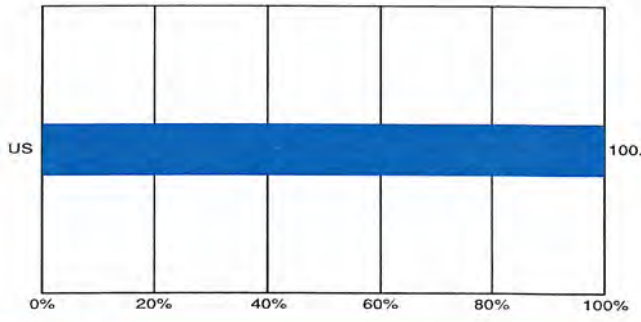
## Risk Measures

| | Trailing 1 Year | Trailing 3 Years | Trailing 5 Years | Since Inception |
|---|---|---|---|---|
| Tracking Error | 3.65 | 2.65 | 2.21 | - |
| Information Ratio | (0.94) | (0.08) | (0.02) | - |
| Std Deviation of Port. | 33.93 | 21.97 | 18.30 | - |
| Std Deviation of Bench. | 36.36 | 23.12 | 19.24 | 17.70 |
| Sharpe Ratio of Port. | (0.72) | (0.33) | (0.01) | - |
| Sharpe Ratio of Bench. | (0.58) | (0.31) | (0.01) | 0.41 |
| R-Squared | 0.99 | 0.99 | 0.99 | - |
| Jensen's Alpha | (4.86) | (0.59) | (0.05) | - |

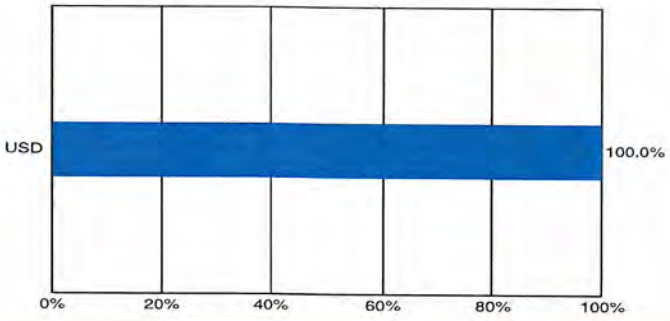
## Top Ten Portfolio Holdings

| Security ID | Security Name | % of Assets |
|---|---|---|
| 595635103 | MIDCAP SPDR TRUST UNIT SERIES 1 | 34.72% |
| 92532F100 | VERTEX PHARMACEUTICAL COM STK USD0.01 | 0.77% |
| 778296103 | ROSS STORES INC COM STK USD0.01 | 0.69% |
| 741503403 | PRICELINE.COM INC COM STK USD0.008 | 0.67% |
| 651290108 | NEWFIELD EXPLORATION CO COM STK USD0. | 0.64% |
| G3223R108 | EVEREST RE GROUP COM STK USD0.01 | 0.61% |
| 806407102 | HENRY SCHEIN INC COM STK NPV | 0.57% |
| 29266R108 | ENERGIZER HLDGS INC COM STK USD0.01 | 0.55% |
| 156782104 | CERNER CORP COM STK USD0.01 | 0.54% |
| 00751Y106 | ADVANCE AUTO PARTS INC COM STK USD0.0 | 0.54% |

## Top Ten Country Weights



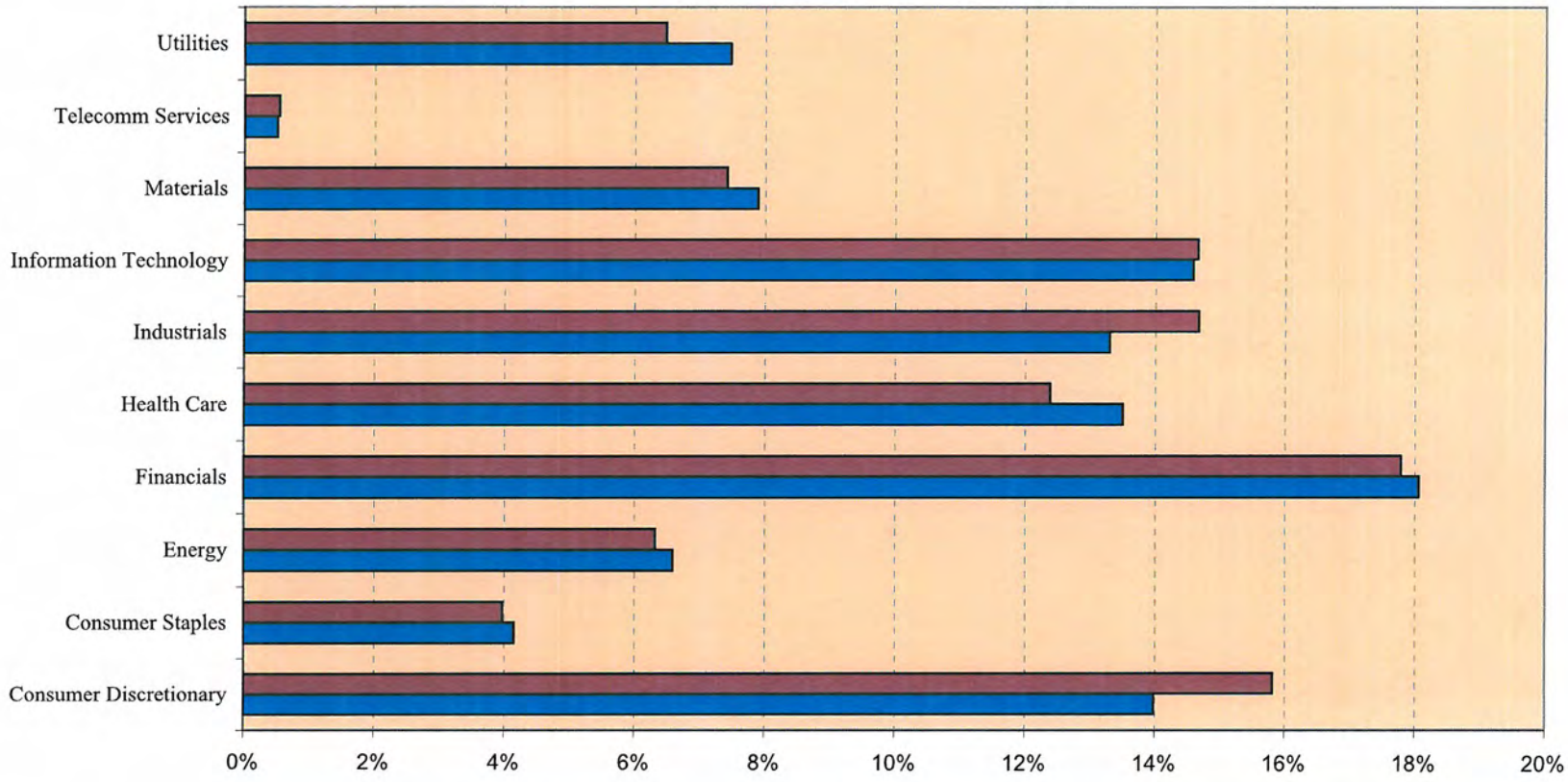

## Top Ten Currency Weights




## Returns Series

| | Current Month | Trailing 3 | Year-To-Date | Trailing 1 Year | Trailing 3 Years | Trailing 5 Years | Inception |
|---|---|---|---|---|---|---|---|
| Portfolio | 7.81 | 10.68 | 14.02 | (23.67) | (4.20) | 3.00 | |
| Benchmark | 8.74 | 12.41 | 17.95 | (20.25) | (4.00) | 3.05 | 12.03 |
| Excess | (0.93) | (1.73) | (3.93) | (3.41) | (0.20) | (0.04) | |

**STATE OF ARIZONA**
**POOL 203 (S&P MIDCAP 400)**
**As of July 31, 2009**




| | Consumer Discretionary | Consumer Staples | Energy | Financials | Health Care | Industrials | Information Technology | Materials | Telecomm Services | Utilities |
|---|---|---|---|---|---|---|---|---|---|---|
| S&P MIDCAP 400 | 15.81% | 3.98% | 6.32% | 17.78% | 12.38% | 14.66% | 14.65% | 7.41% | 0.54% | 6.47% |
| STATE OF ARIZONA - POOL 203 | 13.98% | 4.15% | 6.59% | 18.05% | 13.50% | 13.30% | 14.58% | 7.89% | 0.51% | 7.47% |

STATE OF ARIZONA - POOL 203 S&P MIDCAP 400

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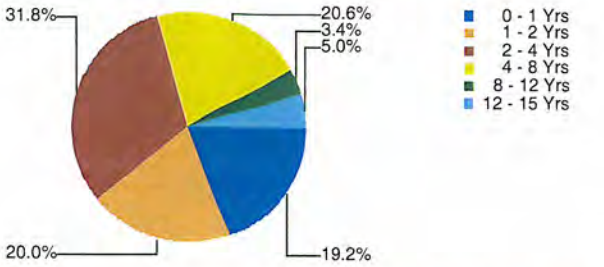
**Fixed Income (10328000)**

**Portfolio Fact Sheet**
**July 2009**

## Portfolio Characteristics

| | |
|---|---|
| Total Net Assets (Millions) | 1,391.4 |
| Weighted Average Life (Years) | 2.14 |
| Weighted Avg. Effective Duration (Years) | 3.52 |
| Weighted Average Coupon (%) | 4.61 |
| Weighted Average Current Yield (%) | 1.78 |
| Weighted Average Yield to Maturity (%) | 2.36 |
| Weighted Average Rating | AA |
| Number of Holdings | 204 |

## Duration Mix

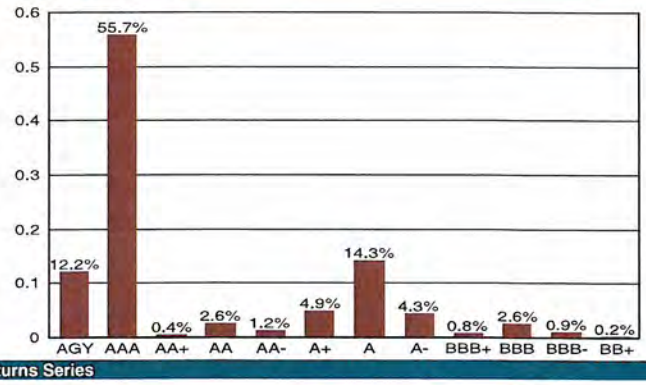



## Asset Mix

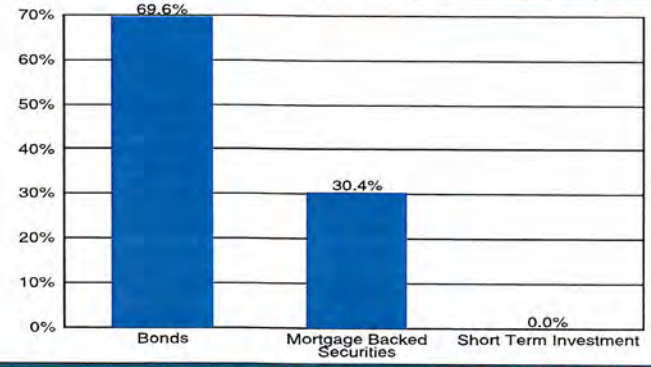
## Top Ten Portfolio Holdings

| Security ID | Security Name | % of Assets | Coupon Rate | Maturity Date |
|---|---|---|---|---|
| 539992AA5 | LOCAL GOVERNMENT INVESTMENT POOL | 8.89% | 0.00 | 31/12/2049 |
| 31359MQV8 | FANNIE MAE BOND 4.75% | 1.58% | 4.75 | 21/2/2013 |
| 724479AG5 | PITNEY BOWES, INC. | 1.52% | 5.00 | 15/3/2015 |
| 9128275N8 | USA TREASURY NTS 6.00% NTS 15/AUG/200 | 1.48% | 6.00 | 15/8/2009 |
| 912828FK1 | UNITED STATES OF AMER TREAS NOTES 5.1 | 1.16% | 5.12 | 30/6/2011 |
| 931142BV4 | WAL MART STORES 931142BV4 4.125% 15/F | 1.14% | 4.12 | 15/2/2011 |
| 92343VAN4 | VERIZON COMMUNICATIONS INC 5.25% NTS | 1.13% | 5.25 | 15/4/2013 |
| 31395LZM6 | FREDDIE MAC 2936 PB 5.000% 15/FEB/202 | 0.93% | 5.00 | 15/2/2028 |
| 31396VAS7 | 2007-B1 VA 0.000% 25/APR/2017 | 0.88% | 5.50 | 25/4/2017 |
| 31406FBL4 | FNMA MORTPASS 5.5% 01/SEP/2034 CL PN# | 0.83% | 5.50 | 1/9/2034 |

## Quality/Rating Weightings

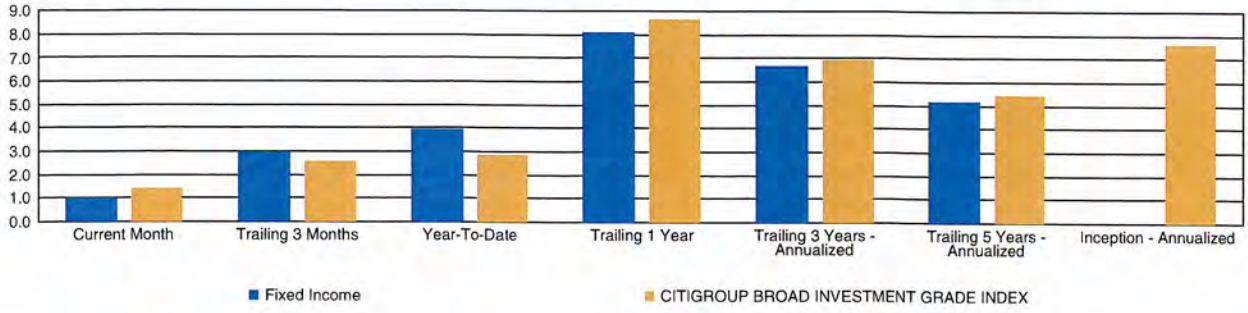



## Sector Weightings (as % of Market Value)




## Returns Series

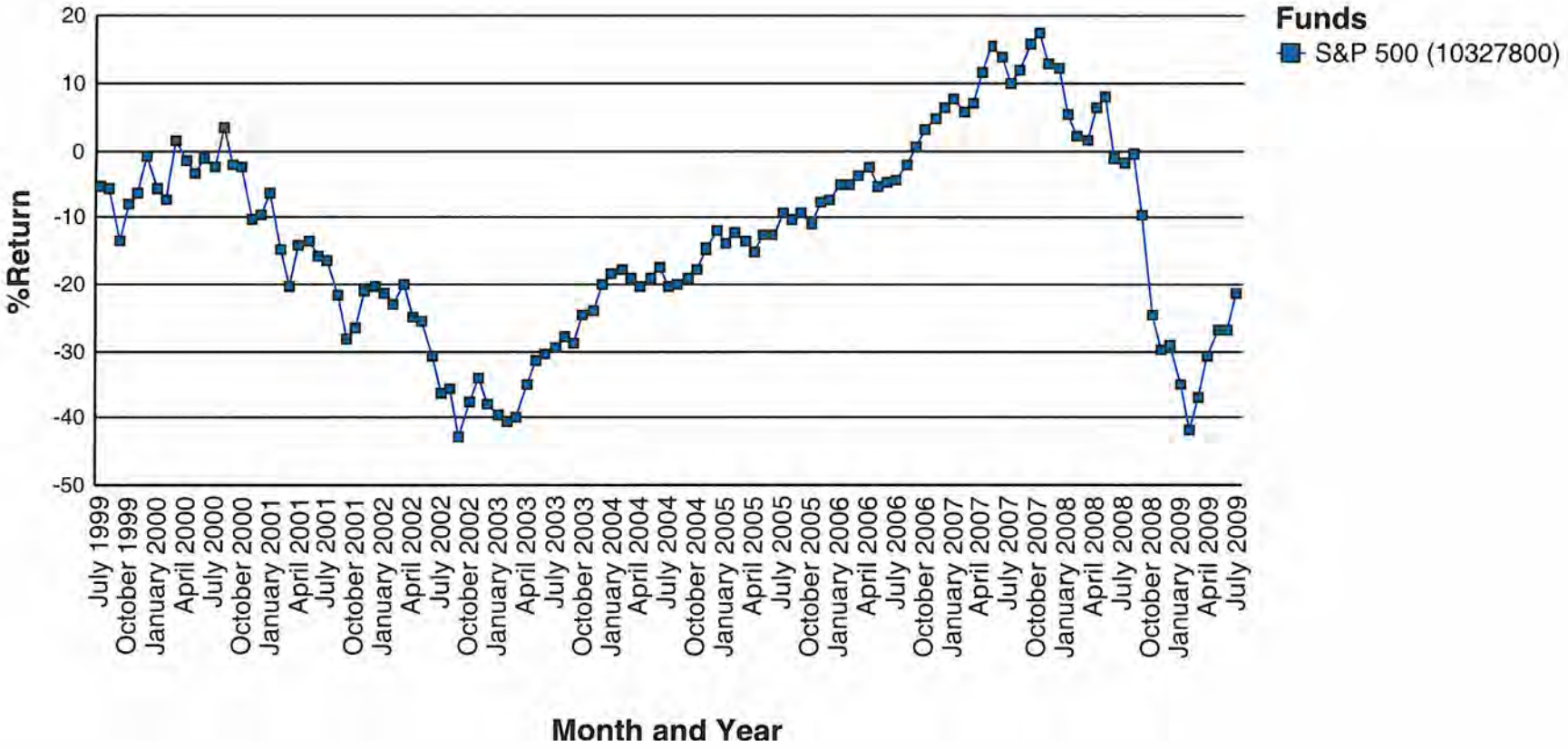
| | Current Month | Trailing 3 Months | Year-To-Date | Trailing 1 Year | Trailing 3 Years | Trailing 5 Years | Inception |
|---|---|---|---|---|---|---|---|
| Fixed Income | 0.99 | 3.03 | 3.92 | 8.10 | 6.69 | 5.15 | |
| CITIGROUP BROAD INVESTMENT GRADE INDEX | 1.39 | 2.57 | 2.87 | 8.65 | 6.98 | 5.46 | 7.63 |
| **Excess** | (0.40) | 0.46 | 1.05 | (0.54) | (0.29) | (0.31) | |



J.P.Morgan

## Performance Growth by Account

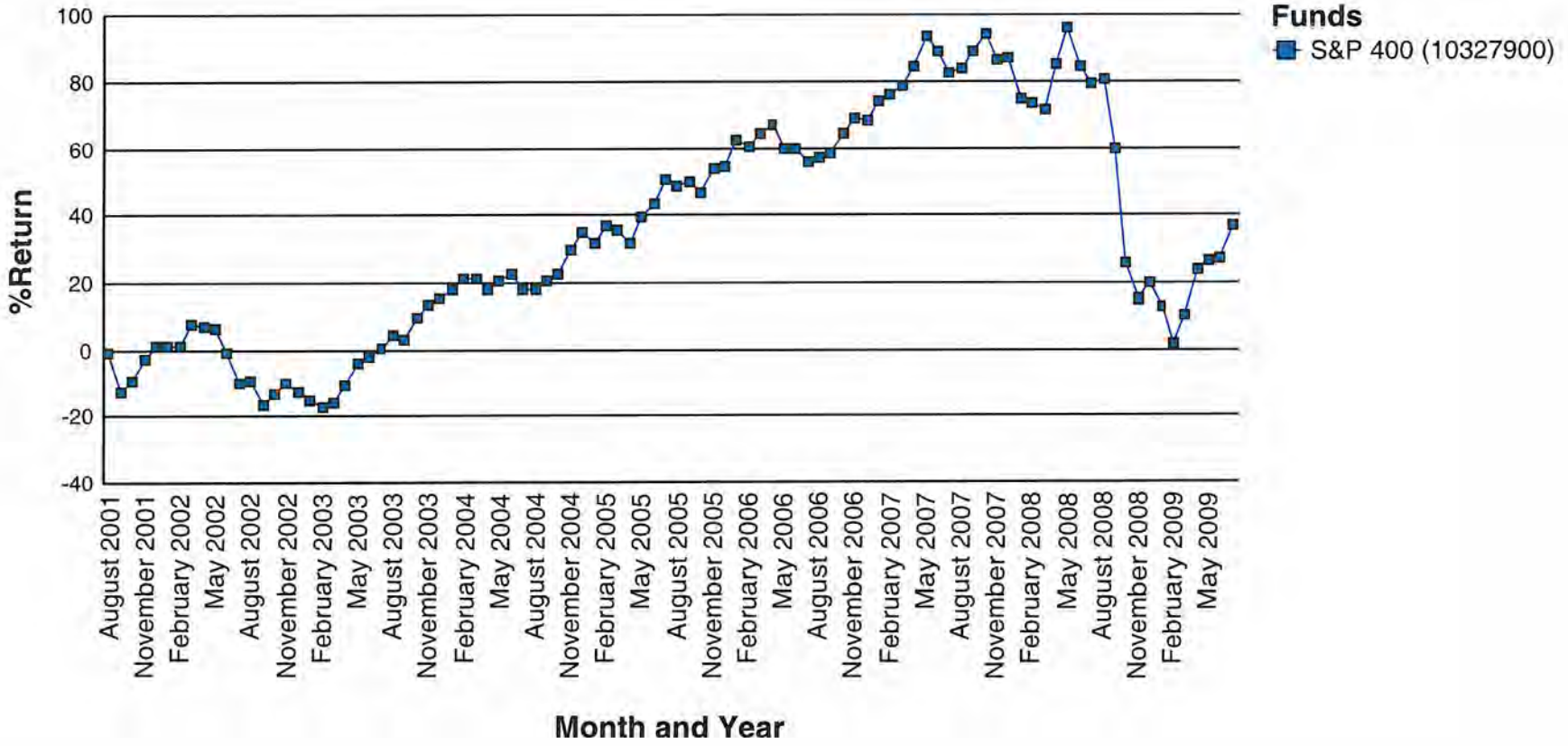
**Arizona State Treasury (05509)**
From **July 1999** to **July 2009**
Gross of Fee



J.P.Morgan

## Performance Growth by Account

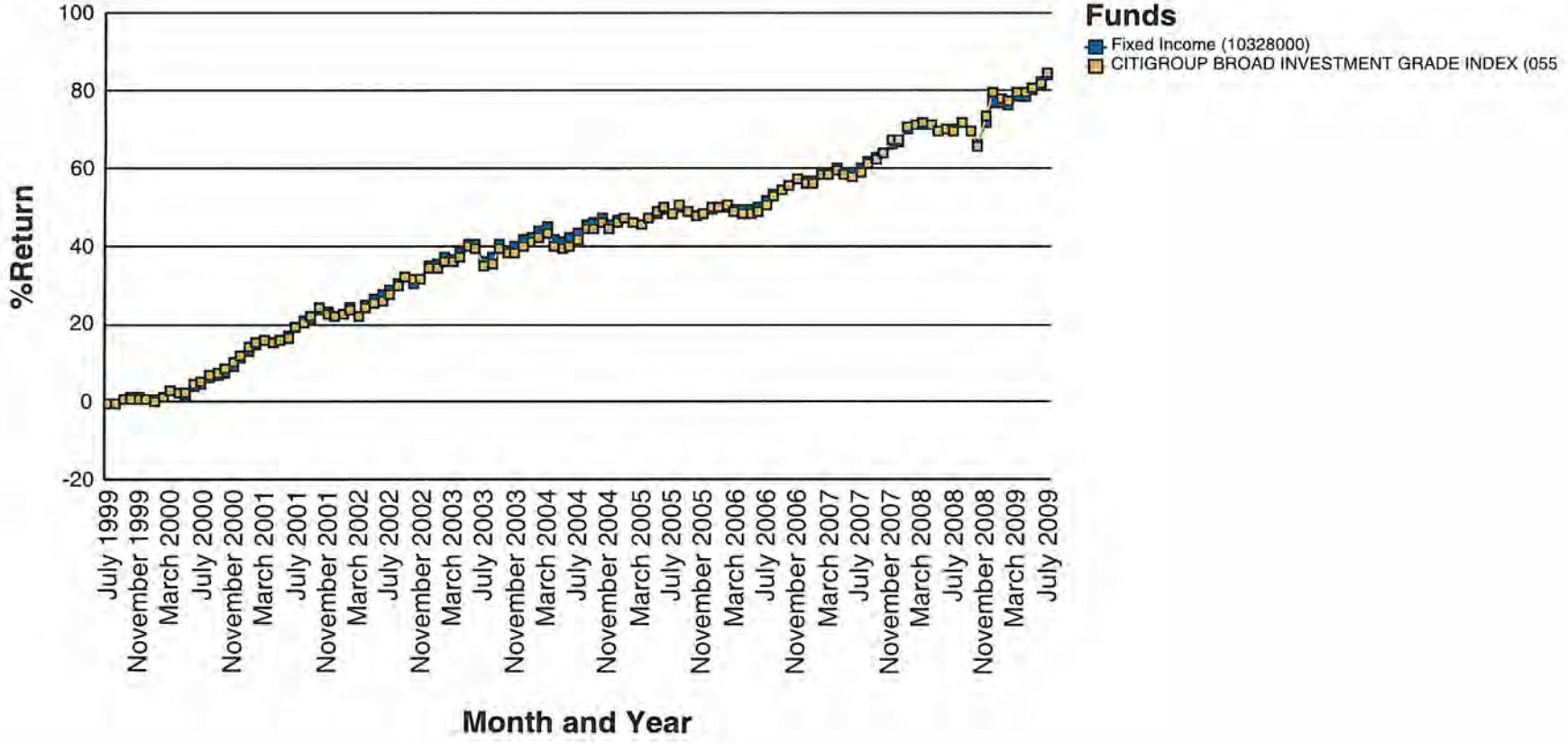
**Arizona State Treasury (05509)**
From **August 2001** to **July 2009**
Gross of Fee



J.P.Morgan

## Performance Growth by Account

**Arizona State Treasury (05509)**

From **July 1999** to **July 2009**

Gross of Fee