

# Wyoming State Treasurer's Office

## *Investment Performance Analysis For the Quarter ended*

**June 30, 2005**

Prepared by:  
Benjamin J. Mahon

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## MEMORANDUM

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**To:** Wyoming State Loan and Investment Board

**From:** Rebecca Gratsinger, Josh Kevan, and Ashlee Moehring  
R.V. Kuhns & Associates, Inc.

**Subject:** June 30, 2005, Investment Performance Analysis Commentary

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Outlined below please find a summary of significant observations regarding performance of the State's Funds for the period ended June 30, 2005. We hope this brief summary will facilitate your review of our Investment Performance Analysis Report.

- The Total Fund (including Permanent Mineral Trust, Common School, State Agency, Workers Compensation, and Tobacco Settlement) finished the quarter ended June 30, 2005 with a return of 2.17% and returned 7.69% for fiscal year 2005. This performance is compared to the custom index returns of 2.51% and 6.66% respectively.
- The Permanent Mineral Trust Fund finished the recent quarter with a return of 2.29% and returned 8.40% for fiscal year ending June 30, 2005.
- The Common School Fund finished the quarter ended June 30, 2005 with a return of 2.35% and returned 8.66% for fiscal year 2005.
- The Federal Reserve continued its campaign of rate increases, raising rates twice during the second quarter, bringing the overnight rate up to 3.25% as of June 30, 2005. Long-term Treasury Notes returned a rather dramatic 7% during the quarter as the yield curve continued to flatten. The State's fixed income portfolio underperformed the Lehman Aggregate for the quarter with a return of 2.73%, but outperformed over the past year with a return of 8.68%. The Lehman Aggregate Index returned 3.0% and 6.8% respectively.
- U.S. stocks rose in the second quarter across all capitalizations as the S&P posted a 1.4% gain. However, year to date as of June 30, 2005, the broad U.S. equity market remained flat. The State's large-cap domestic equity investments, managed by State Street, were in line with the market with a 1.3% gain during the quarter.
- Small-capitalization equities outperformed larger stocks during the second quarter as the Russell 2000 index was up 4.3%. Small/mid-cap value was the best performing segment of the market. However, Gabelli, the State's small/mid cap value manager, underperformed for the quarter, with a 3.56% return compared to a 5.33% gain from their benchmark (Russell 2500 Value). During second quarter, Brazos was terminated and assets were transferred to Friess for management of the small/mid-cap growth portfolio.
- The strength of the dollar versus most major currencies caused international developed equity markets to underperformed domestic markets in U.S. dollar terms for the quarter. The dollar surged, rising 6% against a basket of world currencies and posting its strongest quarterly gain in four years. The MSCI EAFE index was negative for the second quarter with a 0.8% loss, compared to a 1.4% gain from the S&P 500. For the quarter, Fisher had a negative return of 1.60% while Capital's portfolio had a 0.72% loss.

**CAPITAL MARKETS REVIEW**  
**Quarter Ended 6/30/2005**

**Second Quarter Economic Environment:**

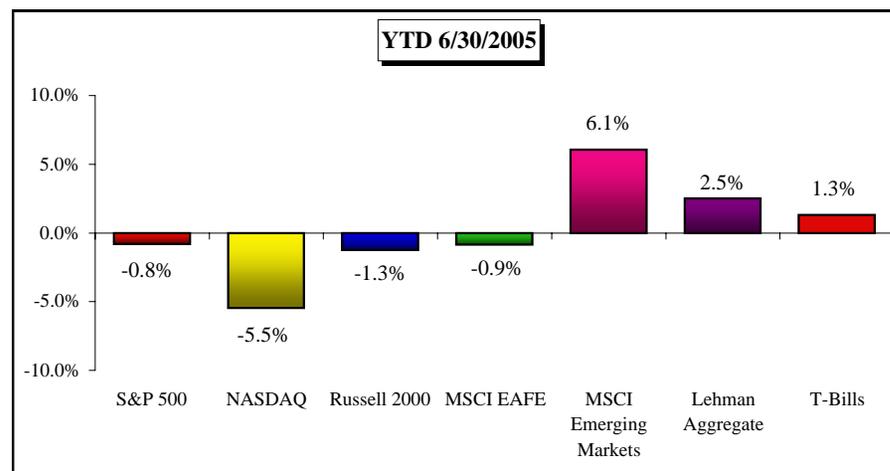
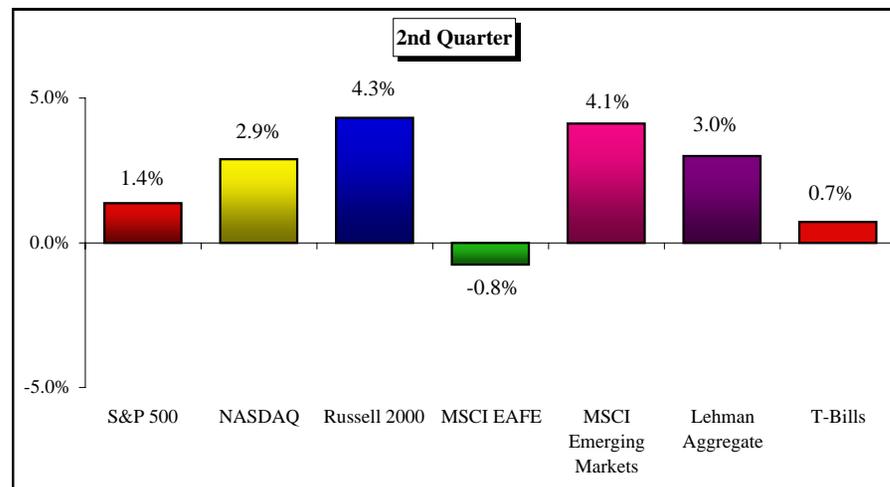
While the U.S. macroeconomic environment showed signs of growth and continued improvement, corporate profits clearly slowed from last year's blistering 20-plus percent rates. The unemployment rate fell in the quarter from 5.2% to 5.0%, and jobs and wages grew modestly. Meanwhile, the Federal Reserve continued its campaign of rate increases, twice increasing the Federal Funds rate, to 3.25%. The dollar surged, rising 6% against a basket of world currencies and posting its strongest quarterly gain in four years. In the year to date, the dollar has risen 12% against the euro. The Fed gave no signal of when the campaign of rate increases will come to an end, and it again voiced concerns that the threat of inflation remains "elevated," causing some market participants to fear that rate increases will continue longer than was previously expected. The price of oil remained elevated, rising slightly from \$55.40 per barrel to \$56.50. Investors recall that it was the presidential election last year that ignited a significant market gain in 2004's final months. At the close of the second quarter, they await a similar event – such as a Federal Reserve meeting without a rate hike, or a sharp decline in oil prices – that may push the market in one direction or another. At the year's midpoint, however, no such event looms on the immediate horizon.

**Second Quarter Equities:**

U.S. stocks rose in the second quarter across all capitalization ranges, while in U.S. dollar terms, international equities fell. In the year to date, however, the broad U.S. equity market is flat. The second quarter saw large growth equities (2.5%) outperform their value (1.7%) counterparts, and small-capitalization equities (4.3%) outperform larger stocks (2.1%). The best-performing market segment was small-cap value, which returned 5.1%. Non-U.S. markets were led by those in the emerging countries, whose equities rose, in dollar terms, by 4.1%.

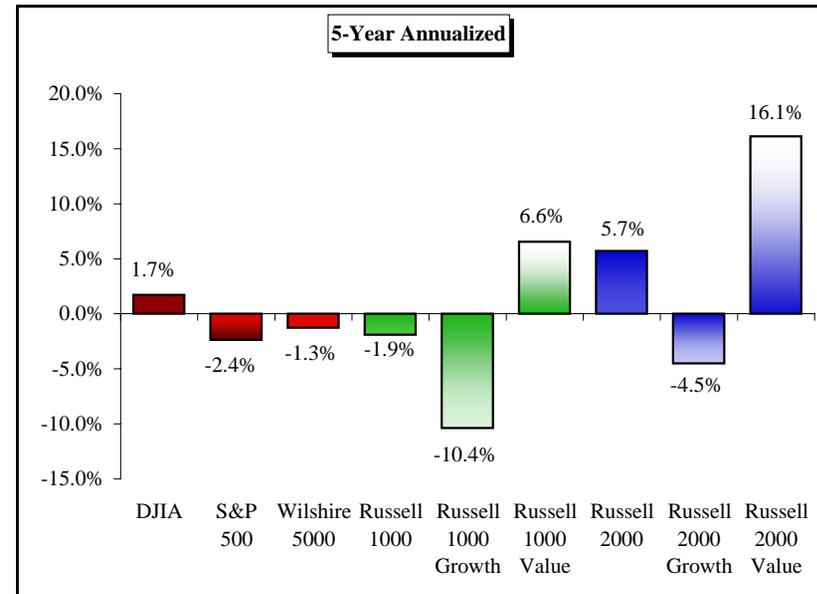
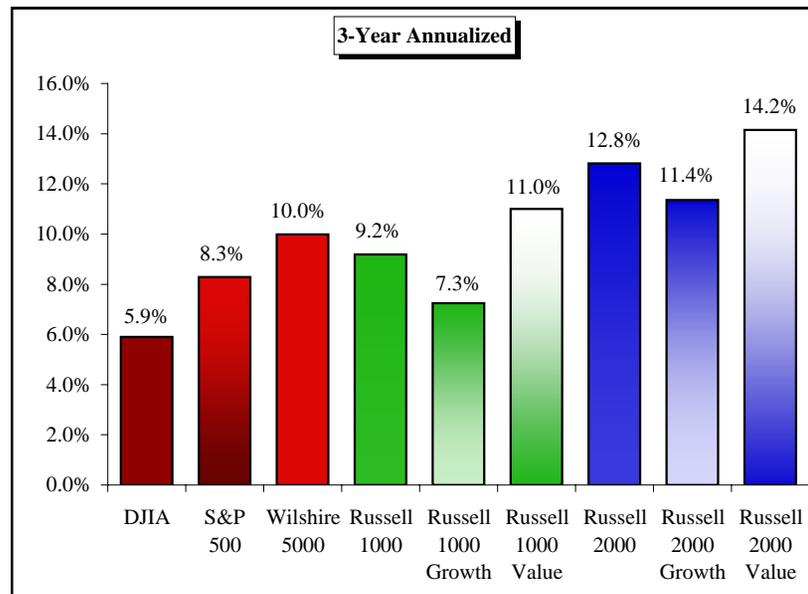
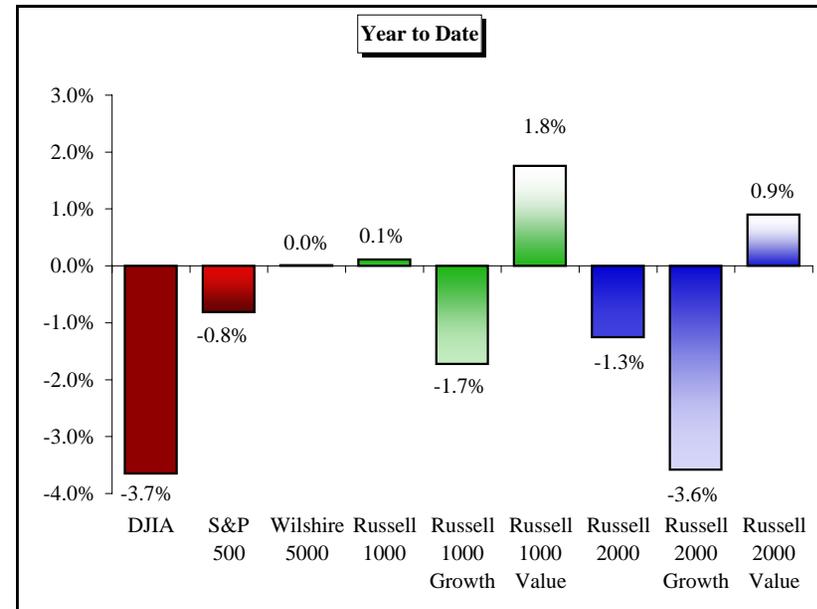
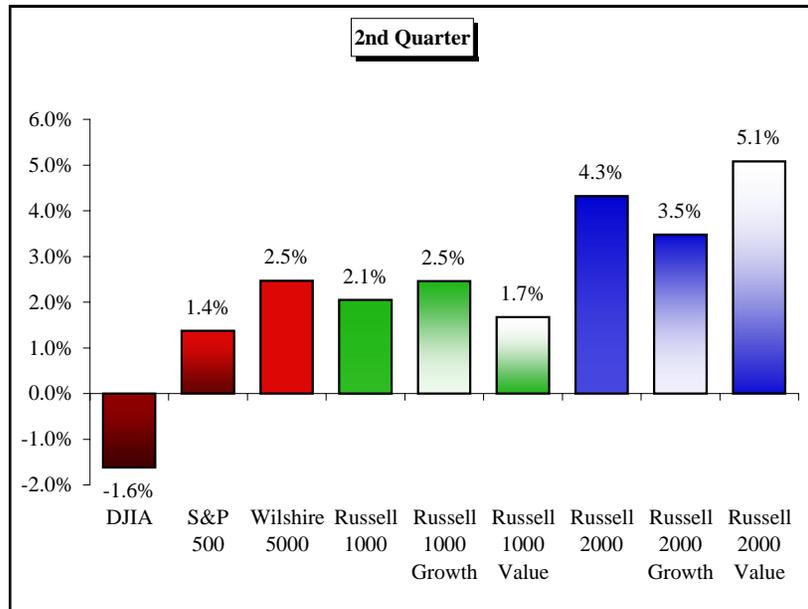
**Second Quarter Domestic Fixed Income:**

Bond prices proved resilient after the debt of General Motors and Ford staged dramatic falls late in the first quarter. Early in the second quarter, Standard and Poors simultaneously downgraded both companies to "junk" status, shifting approximately \$85 billion of their debt into the \$600 billion market for below-investment grade securities. This ratings change, coupled with increasing concerns for the creditworthiness of corporate America, caused high-yield spreads to widen. The price of the ten-year Treasury, meanwhile, rose, boosted by purchases by Asian central banks intent on keeping their exports inexpensive. The ten-year note began the quarter yielding 4.5% but ended the quarter at 3.9%. Long-term Treasuries rose by a rather dramatic 7% in the quarter as the yield curve continued to flatten.

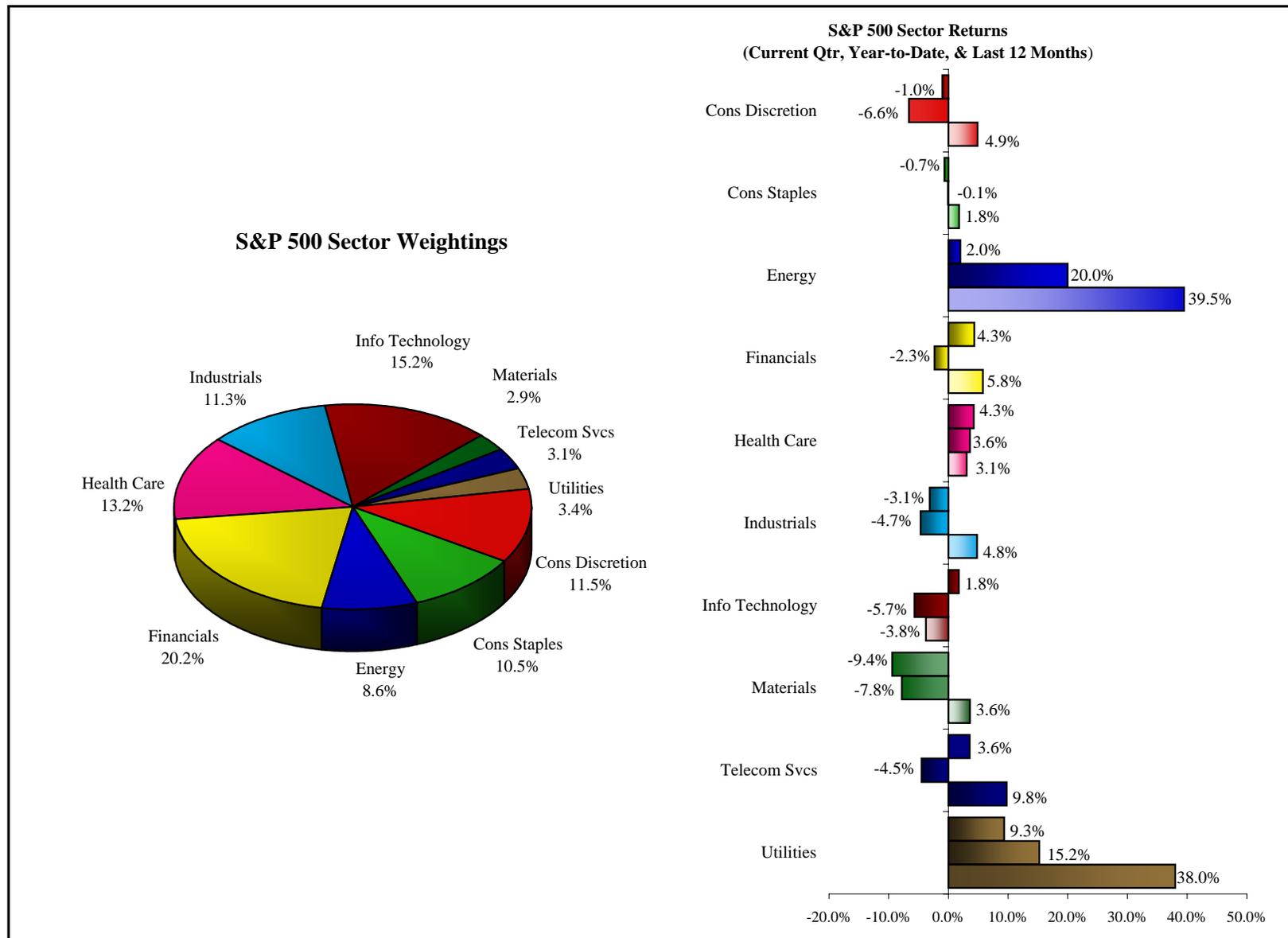


	2nd Quarter	YTD 6/30/2005	1 Year	3 year	5 Year	10 Year
<b>S&amp;P 500</b>	<b>1.4%</b>	<b>-0.8%</b>	<b>6.3%</b>	<b>8.3%</b>	<b>-2.4%</b>	<b>9.9%</b>
<b>NASDAQ</b>	<b>2.9%</b>	<b>-5.5%</b>	<b>0.5%</b>	<b>12.0%</b>	<b>-12.3%</b>	<b>8.2%</b>
<b>Russell 2000</b>	<b>4.3%</b>	<b>-1.3%</b>	<b>9.5%</b>	<b>12.8%</b>	<b>5.7%</b>	<b>9.9%</b>
<b>MSCI EAFE</b>	<b>-0.8%</b>	<b>-0.9%</b>	<b>14.1%</b>	<b>12.5%</b>	<b>-0.2%</b>	<b>5.6%</b>
<b>MSCI Emerging Markets</b>	<b>4.1%</b>	<b>6.1%</b>	<b>34.5%</b>	<b>24.1%</b>	<b>7.5%</b>	<b>4.2%</b>
<b>Lehman Aggregate</b>	<b>3.0%</b>	<b>2.5%</b>	<b>6.8%</b>	<b>5.8%</b>	<b>7.4%</b>	<b>6.8%</b>
<b>T-Bills</b>	<b>0.7%</b>	<b>1.3%</b>	<b>2.2%</b>	<b>1.6%</b>	<b>2.6%</b>	<b>3.0%</b>

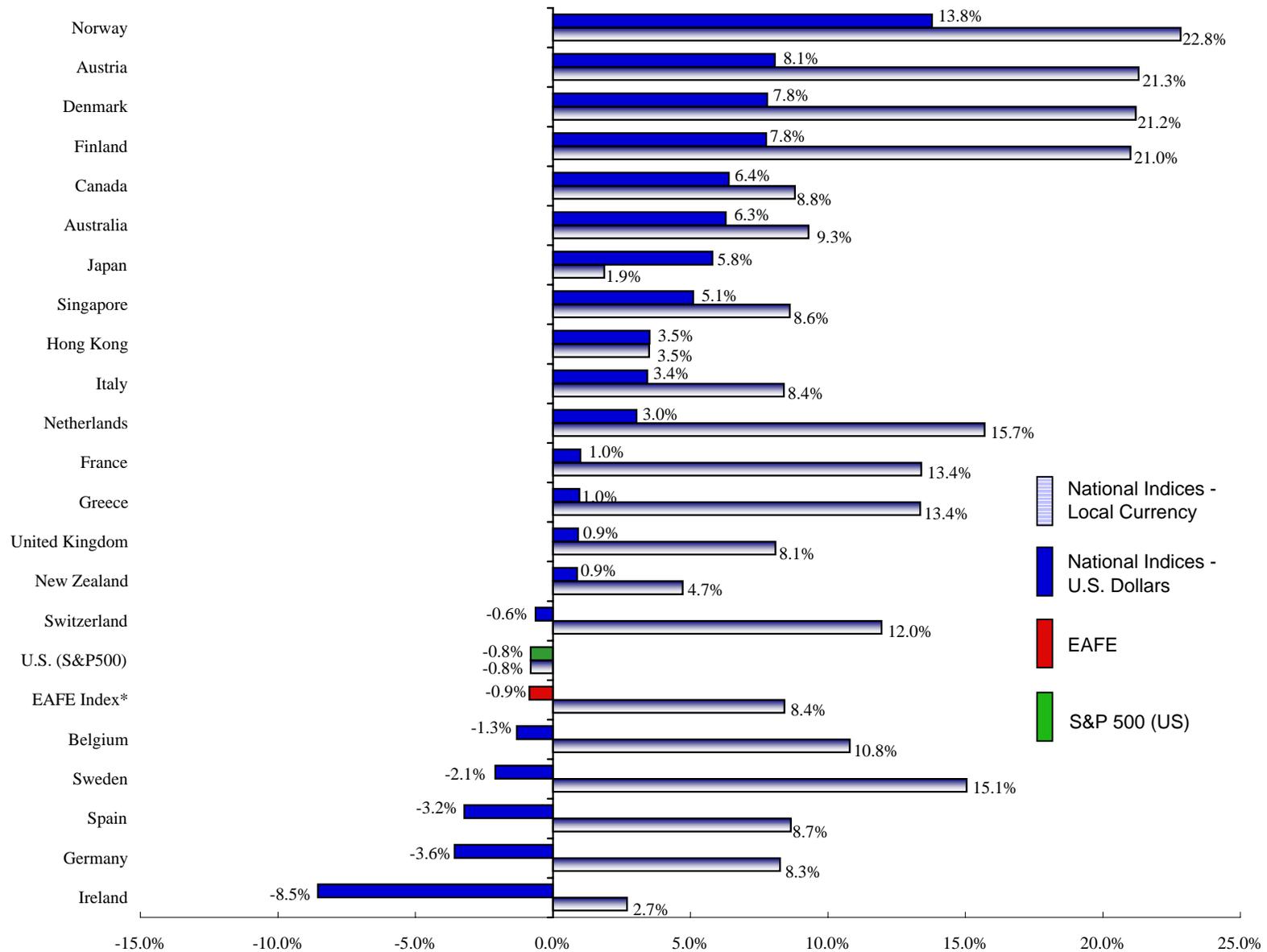
**EQUITY STYLE MARKET RETURNS**  
**Quarter Ended 6/30/2005**



**Quarter Ended 6/30/2005**



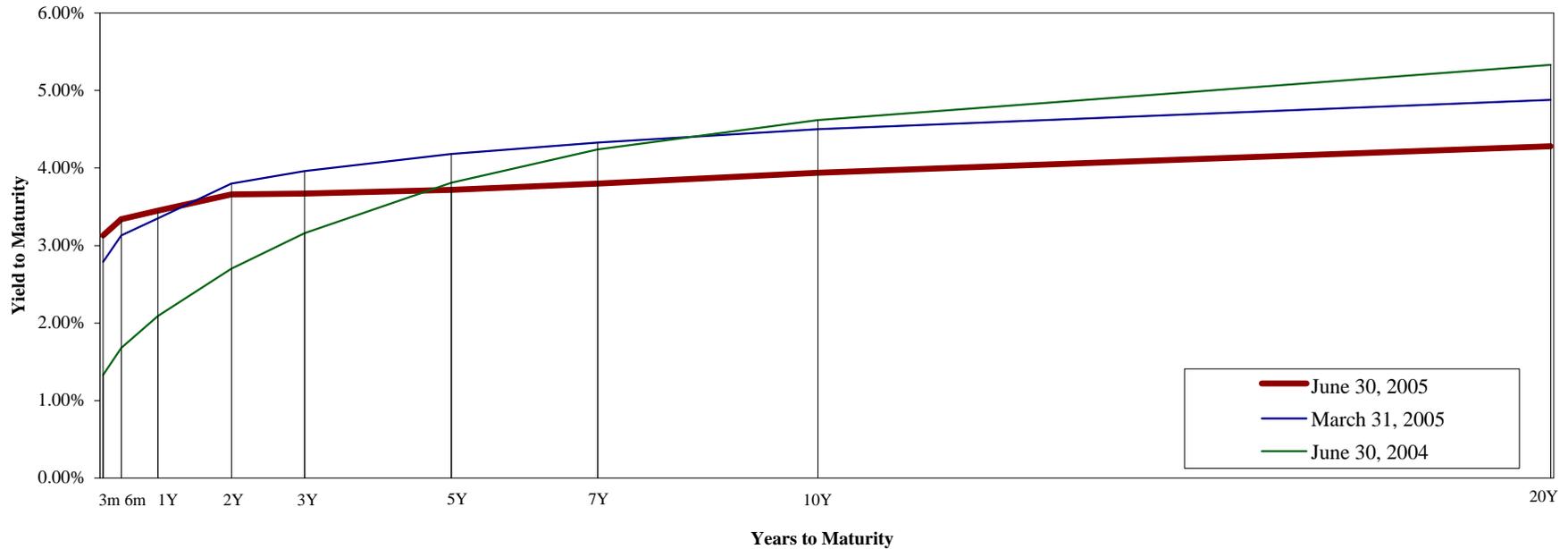
**INTERNATIONAL MARKET PERFORMANCE**  
**Year to Date Through 6/30/2005**



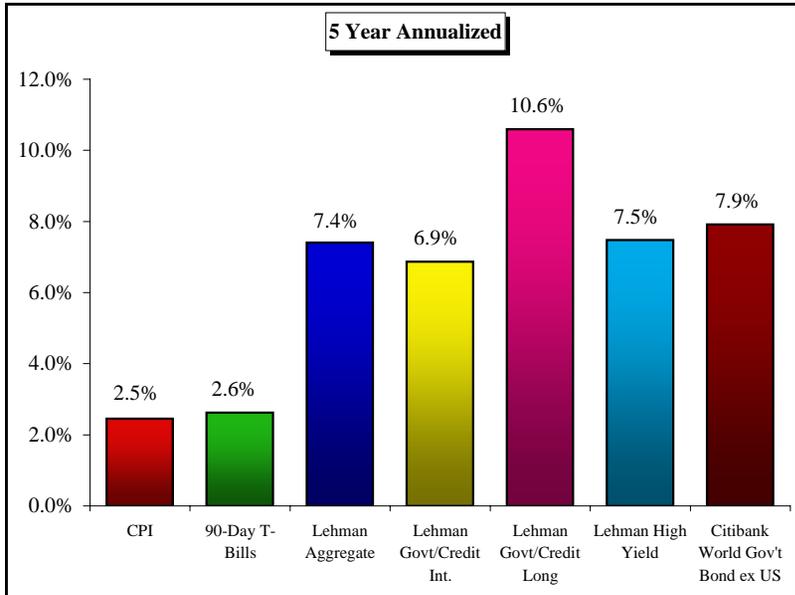
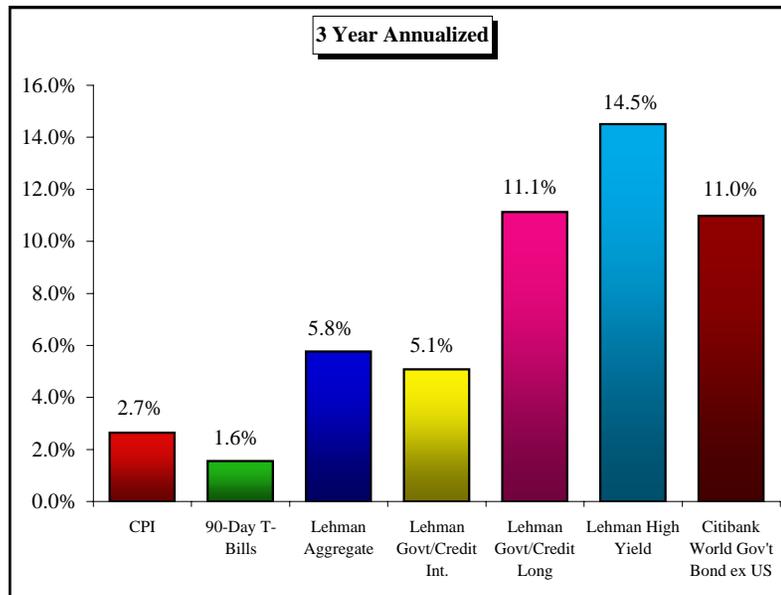
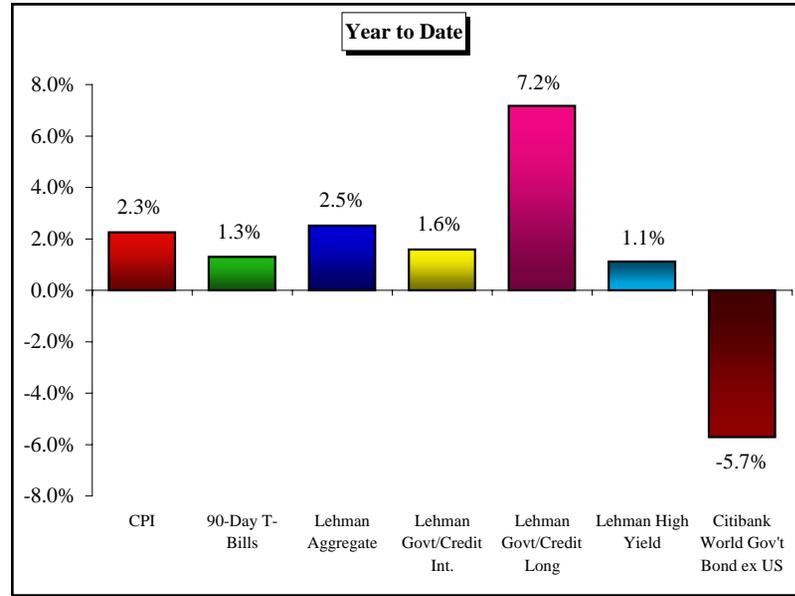
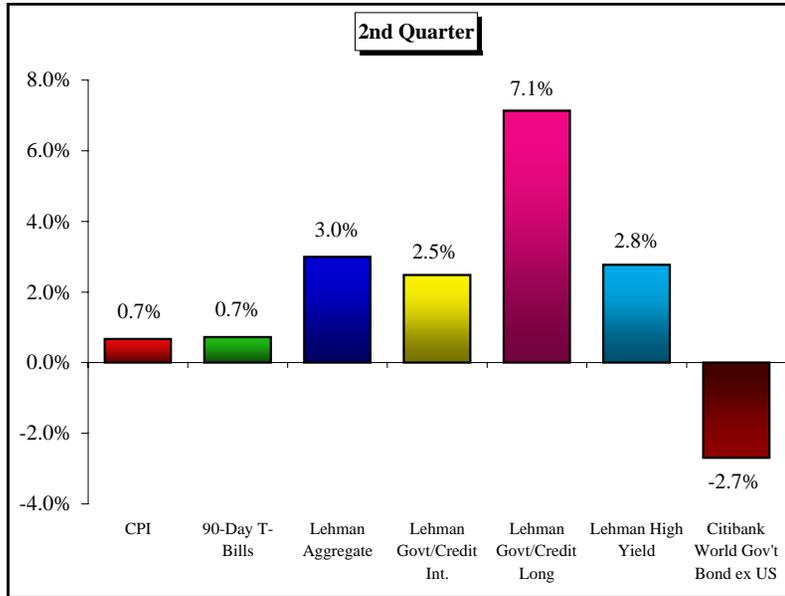
Data Source: Morgan Stanley Capital International.  
 \*EAFE Index Local Currency is shown with gross dividends.

**TREASURY YIELD CURVE**  
**Quarter Ended 6/30/2005**

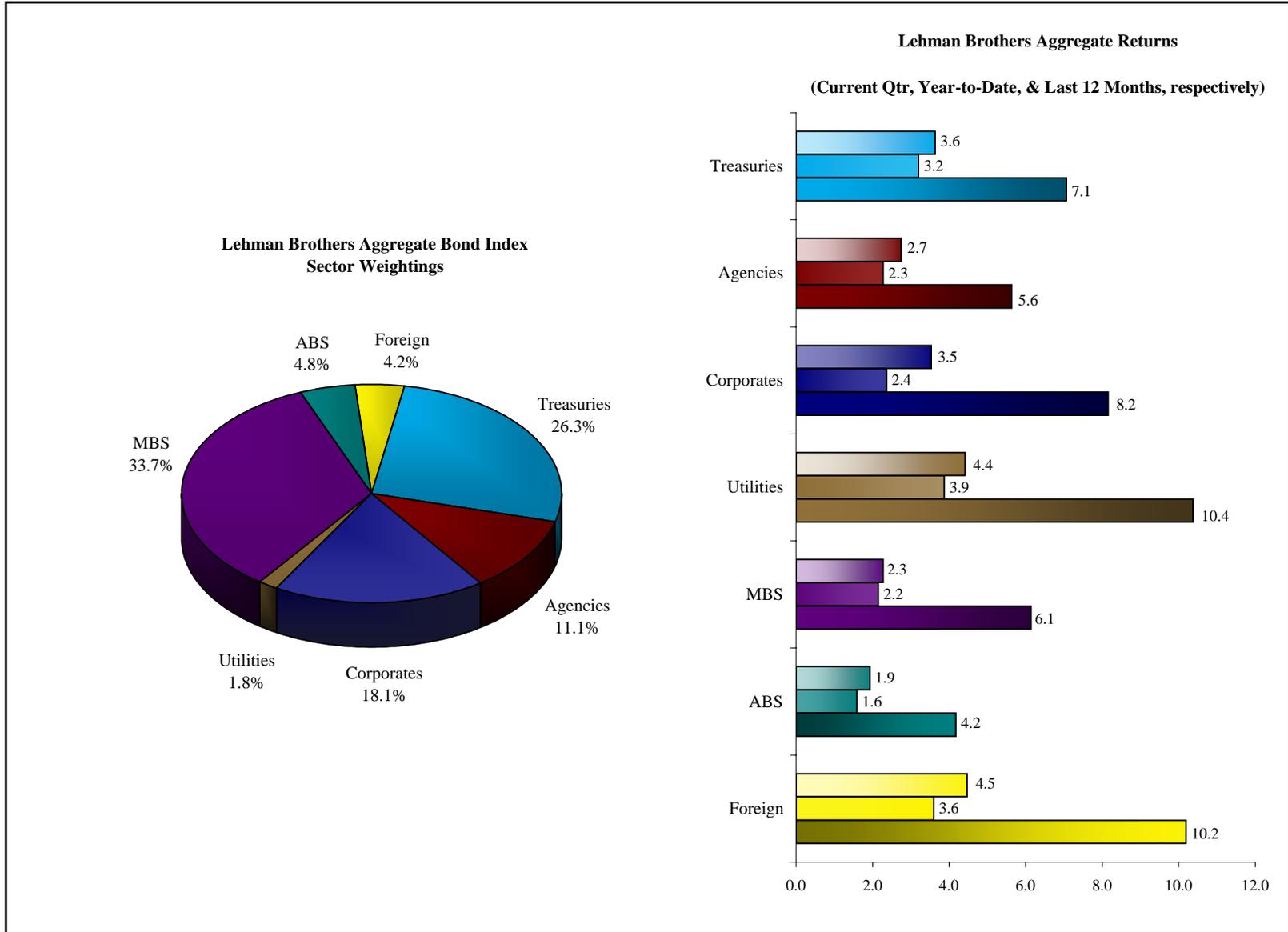
	<b>June 30, 2005</b>	<b>March 31, 2005</b>	<b>June 30, 2004</b>
<b>3 mo.</b>	3.13%	2.79%	1.33%
<b>6 mo.</b>	3.34%	3.13%	1.68%
<b>1 year</b>	3.45%	3.35%	2.09%
<b>2 year</b>	3.66%	3.80%	2.70%
<b>3 year</b>	3.67%	3.96%	3.16%
<b>5 year</b>	3.72%	4.18%	3.81%
<b>7 year</b>	3.80%	4.33%	4.24%
<b>10 year</b>	3.94%	4.50%	4.62%
<b>20 year</b>	4.28%	4.88%	5.33%



**FIXED INCOME MARKET RETURNS**  
**Quarter Ended 6/30/2005**



**BOND SECTOR WEIGHTS AND RETURNS**  
**Lehman Brothers Aggregate Bond Index**  
**Quarter Ended 6/30/2005**

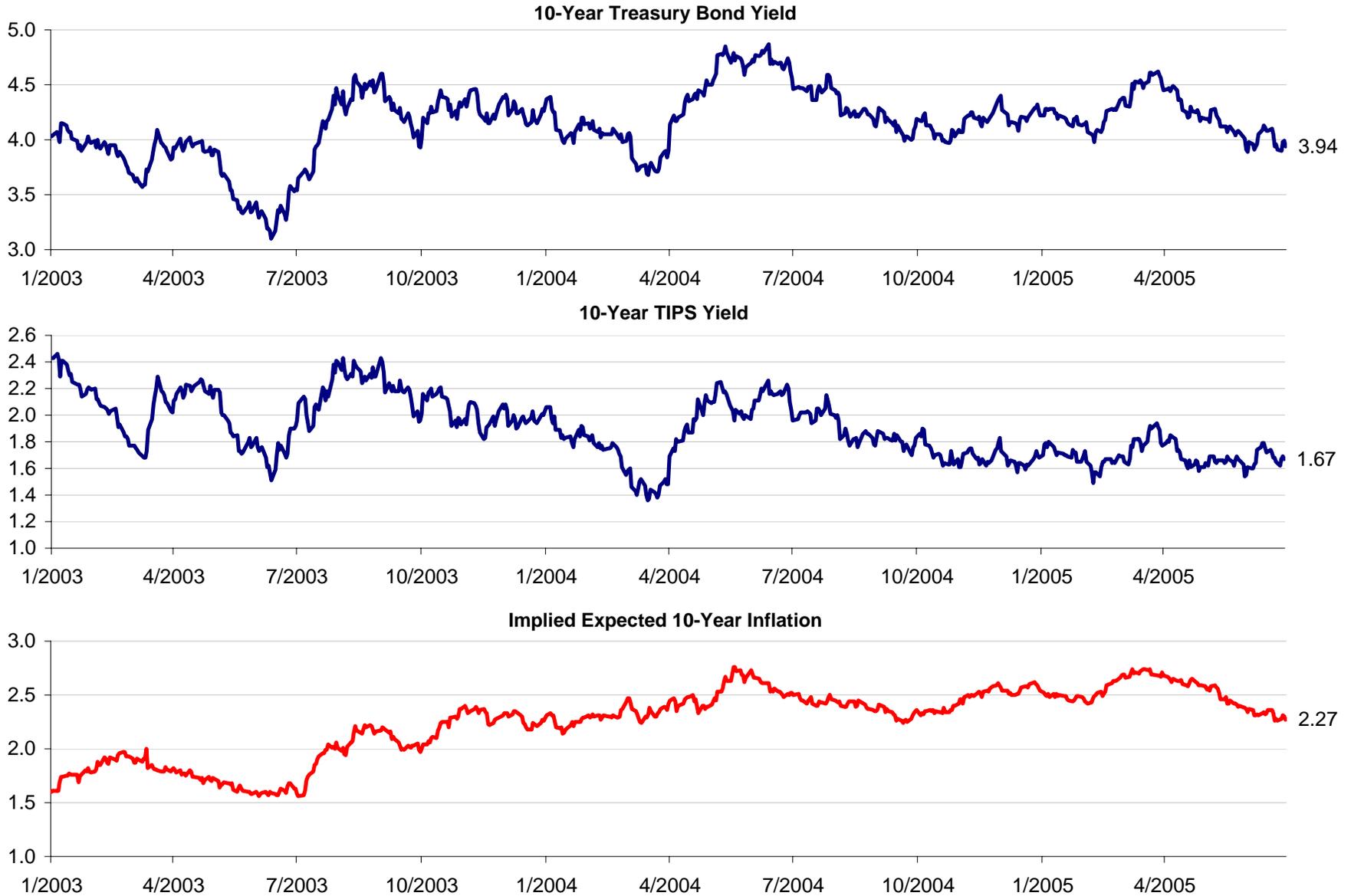


## ANNUAL ASSET CLASS PERFORMANCE

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	YTD 2005
Best ↑	17.53%	59.91%	29.14%	74.86%	8.05%	38.35%	23.12%	35.18%	38.71%	66.41%	22.80%	14.02%	10.27%	55.82%	25.56%	9.04%
	8.96%	51.18%	18.41%	33.31%	6.39%	37.77%	22.45%	32.85%	27.02%	43.10%	12.24%	8.42%	6.74%	48.53%	22.25%	6.06%
	7.90%	46.05%	15.75%	26.32%	4.24%	37.19%	21.64%	31.78%	20.33%	33.14%	11.63%	7.28%	1.78%	47.25%	20.70%	2.52%
	2.30%	41.70%	13.81%	23.84%	2.66%	31.04%	21.37%	30.49%	16.24%	27.29%	7.02%	5.28%	1.02%	46.02%	18.33%	1.76%
	-0.26%	41.16%	12.33%	18.91%	0.38%	28.44%	16.49%	22.36%	15.63%	26.47%	6.18%	4.42%	-1.37%	39.17%	16.49%	1.30%
	-4.20%	46.19%	11.40%	18.12%	-1.02%	25.75%	14.39%	16.20%	8.67%	21.26%	4.07%	2.80%	-6.01%	30.03%	11.48%	1.21%
	-9.59%	33.03%	9.04%	17.12%	-1.55%	19.17%	11.35%	13.89%	5.23%	20.91%	-3.03%	2.49%	-11.42%	29.90%	14.31%	1.12%
	-8.08%	24.61%	7.77%	13.36%	-1.82%	18.48%	11.26%	12.74%	1.87%	11.36%	-5.86%	-2.42%	-15.53%	29.74%	11.40%	0.90%
	-10.55%	16.00%	7.40%	10.15%	-1.99%	11.50%	10.29%	12.95%	1.23%	7.35%	-7.79%	-5.59%	-15.66%	28.97%	11.14%	0.11%
	-17.41%	14.50%	5.00%	9.75%	-2.43%	11.10%	6.36%	9.68%	-2.55%	4.85%	-13.96%	-9.23%	-20.48%	11.61%	6.86%	-0.85%
	-19.51%	12.48%	3.61%	2.90%	-2.92%	7.53%	6.03%	5.33%	-5.11%	2.40%	-22.43%	-12.46%	-21.65%	8.97%	6.30%	-1.25%
	-21.77%	5.75%	-4.26%	3.09%	-3.48%	5.88%	5.30%	2.05%	-6.45%	-0.84%	-22.44%	-20.42%	-27.74%	4.11%	4.34%	-1.72%
Worst ↓	-23.18%	-5.59%	-11.69%	-1.38%	-7.32%	-5.21%	3.61%	-11.58%	-25.34%	-1.49%	-30.61%	-21.23%	-30.27%	1.15%	1.33%	-3.58%

Small Cap Value = R2000V	Small Cap Growth = R2000G	Small Cap Core = R2000	Large Cap Value = R1000V	Large Cap Growth = R1000G	Large Cap Core = R1000	Emerging Markets = MSCI Em. Free	International = MSCI EAFE	Real Estate = NCREIF	Absolute Return = HFRI Fund of Funds	Fixed Income = LB Agg	Cash = 90-Day T-bill	High Yield = LB High Yield
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**MARKET EXPECTATIONS FOR INFLATION**  
January 1, 2003 - June 30, 2005  
The Federal Reserve believes the threat of inflation is "elevated."



Expected inflation is the difference between the nominal 10-Year Treasury Bond Yield and the 10-Year TIPS Yield.

## Wyoming State Treasurer's Office

### Investment Performance

June 30, 2005

**Investment Policy:**

It is the investment policy for the State of Wyoming State Loan and Investment Board to invest public funds in a manner that ensures maximum safety, provides adequate liquidity to meet all operating requirements, and achieves the highest possible investment return consistent with the primary objectives of safety and liquidity.

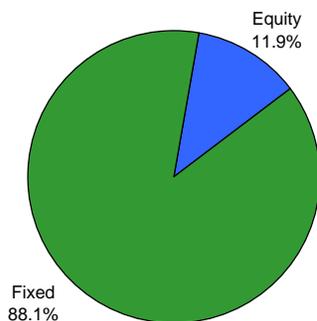
**Investment Objectives and Priorities:**

All available funds shall be invested with the following objectives and priorities:

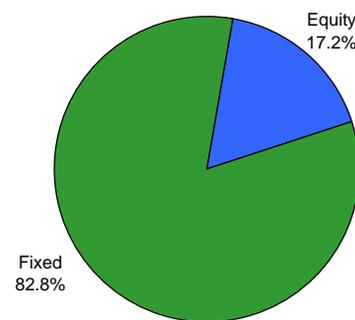
- a) Safety of principal. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.
- b) Liquidity requirements of anticipated and unanticipated expenditures.
- c) Yield.
- d) Recognition of differing objectives and needs of various fund portfolios.
- e) Conformance with State law and other pertinent legal restrictions.
- f) Maximization of the total rate of return on investment consistent with the foregoing objectives.
- g) Diversification by asset type, security, and investment manager in order to smooth the volatility of quarterly returns.

**Asset Allocation:**

**6/30/2004 Allocation**



**6/30/2005 Allocation**



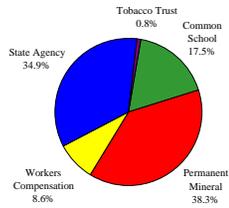
**Historical Performance:**

	Total Asset Value	Fiscal Year Ending 6/30/04 Market Value	Current Market Value	June Return	Qtr Ending 6/30/05 Return	Fiscal YTD Return	1 Year Return	3 Year Return	5 Year Return
<b>Wyoming State Total Fund</b>	<b>\$6,507.77</b>	<b>\$5,583.93</b>	<b>\$6,676.90</b>	<b>0.52%</b>	<b>2.17%</b>	<b>7.69%</b>	<b>7.69%</b>	<b>5.60%</b>	<b>6.08%</b>
Wyoming State Custom Index				0.54%	2.51%	6.66%	6.66%	5.83%	6.09%

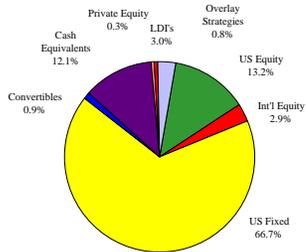
**Wyoming State Treasurer's Office**  
**Investment Performance - Total Performance**  
June 30, 2005

	Total Asset Value	Fiscal Year Ending 6/30/04 Market Value	Current Market Value	Qtr Ending 6/30/05 Return	Fiscal YTD Return	1 Year Return	3 Year Return	5 Year Return
<b>Wyoming State Total Fund</b>	<b>\$6,507,766,340</b>	<b>\$5,583,933,832</b>	<b>\$6,676,903,391</b>	<b>2.17%</b>	<b>7.69%</b>	<b>7.69%</b>	<b>5.60%</b>	<b>6.08%</b>
Custom Index				2.51%	6.66%	6.66%	5.83%	6.09%
<b><u>Pooled Funds</u></b>								
<b>Common School</b>	<b>\$1,118,632,377</b>	<b>\$1,070,044,071</b>	<b>\$1,165,218,792</b>	<b>2.35%</b>	<b>8.66%</b>	<b>8.66%</b>	<b>8.55%</b>	<b>N/A</b>
<b>Permanent Mineral Trust</b>	<b>\$2,465,357,770</b>	<b>\$2,222,767,762</b>	<b>\$2,557,758,285</b>	<b>2.29%</b>	<b>8.40%</b>	<b>8.40%</b>	<b>8.21%</b>	<b>N/A</b>
<b>Workers Compensation</b>	<b>\$567,446,792</b>	<b>\$475,904,738</b>	<b>\$573,817,361</b>	<b>2.31%</b>	<b>8.11%</b>	<b>8.11%</b>	<b>6.68%</b>	<b>N/A</b>
<b>State Agency Pool</b>	<b>\$2,304,520,961</b>	<b>\$1,763,658,903</b>	<b>\$2,327,879,123</b>	<b>2.00%</b>	<b>6.73%</b>	<b>6.73%</b>	<b>4.04%</b>	<b>N/A</b>
<b>Tobacco Settlement Trust</b>	<b>\$51,808,440</b>	<b>\$51,558,359</b>	<b>\$52,229,830</b>	<b>2.28%</b>	<b>6.73%</b>	<b>6.73%</b>	<b>3.28%</b>	<b>N/A</b>
<b><u>Asset Class Performance</u></b>								
<b>US Equity</b>		<b>\$609.94</b>	<b>\$880.91</b>	<b>1.85%</b>	<b>6.72%</b>	<b>6.72%</b>	<b>7.61%</b>	<b>-0.85%</b>
S&P 500				1.37%	6.33%	6.33%	8.29%	-2.37%
<b>International Equity</b>		<b>\$43.04</b>	<b>\$196.50</b>	<b>-1.16%</b>	<b>11.69%</b>	<b>11.69%</b>	<b>N/A</b>	<b>N/A</b>
MSCI EAFE				-0.75%	14.13%	14.13%	12.51%	-0.18%
<b>US Fixed</b>				<b>2.74%</b>	<b>8.69%</b>	<b>8.69%</b>	<b>6.13%</b>	<b>7.60%</b>
<b>Excluding Convertibles</b>		<b>\$3,740.64</b>	<b>\$4,455.98</b>	<b>2.73%</b>	<b>8.68%</b>	<b>8.68%</b>	<b>6.02%</b>	<b>7.85%</b>
Lehman Aggregate				3.00%	6.80%	6.80%	5.76%	7.41%
<b>Convertible Bonds</b>		<b>\$63.26</b>	<b>\$63.26</b>	<b>2.95%</b>	<b>7.71%</b>	<b>7.71%</b>	<b>10.80%</b>	<b>N/A</b>
ML All Quality Convertible				1.28%	2.11%	2.11%	10.36%	0.86%
<b>Cash Equivalents</b>		<b>\$949.31</b>	<b>\$810.86</b>	<b>0.72%</b>	<b>2.19%</b>	<b>2.19%</b>	<b>1.57%</b>	<b>2.68%</b>
90 Day U.S. T-Bills				0.72%	2.16%	2.16%	1.56%	2.62%
<b>Private Equity</b>		<b>\$12.08</b>	<b>\$21.92</b>	<b>N/M</b>	<b>N/M</b>	<b>N/M</b>	<b>N/M</b>	<b>N/M</b>
S&P 500 + 5%				2.61%	11.62%	11.62%	13.67%	2.53%
<b>Overlay Strategies</b>		<b>\$0.00</b>	<b>\$50.48</b>	<b>0.51%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>LDI's</b>		<b>\$165.67</b>	<b>\$197.00</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

Allocation by Pool



Allocation by Asset Class



Market values shown for LDI's reflect cost value of the investments.

Pooled investment performance is calculated without State Agency money, but market values do reflect participation.

Pooled investment performance is calculated on a capital weighted basis using current allocations.

Cash Equivalents performance does not include Extended Cash performance.

Investment performance is calculated on invested assets only.

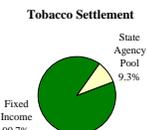
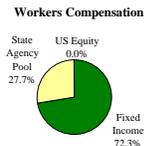
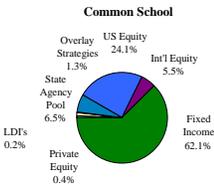
There is no participation in the Water Development Trust. Current market value is included within the State Agency Pool.

Overlay Strategies were inceptioned during 1st Quarter 2005. Market value shown represents cash held as collateral. Performance shown is calculated based on a notional principle of \$500 million.

Interim performance for Private Equity is highly immature and is shown as "N/M" or "Not Material." A supplemental alternative asset report will accompany the report beginning 3rd quarter 2005.

**Wyoming State Treasurer's Office**  
**Investment Performance - Total Performance**  
June 30, 2005

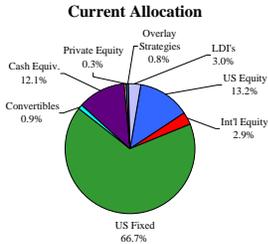
	Total Asset Value	Fiscal Year Ending 6/30/04 Market Value	Current Market Value	% of MV	June Return	Qtr Ending 6/30/05 Return	Fiscal YTD Return	1 Year Return	3 Year Return
<b>Wyoming State Total Fund</b>	<b>\$6,507,766,340</b>	<b>\$5,583,933,832</b>	<b>\$6,676,903,391</b>		<b>0.52%</b>	<b>2.17%</b>	<b>7.69%</b>	<b>7.69%</b>	<b>5.60%</b>
<b>Pooled Funds:</b>									
<b>Common School</b>	<b><u>\$1,118,632,377</u></b>	<b><u>\$1,070,044,071</u></b>	<b><u>\$1,165,218,792</u></b>	<b>100.0%</b>	<b>0.69%</b>	<b>2.35%</b>	<b>8.66%</b>	<b>8.66%</b>	<b>8.55%</b>
US Equity		\$193,920,317	\$280,865,460	24.1%					
Int'l Equity		\$13,606,601	\$63,661,091	5.5%					
Fixed Income		\$675,000,228	\$723,436,145	62.1%					
Private Equity		\$0	\$5,046,956	0.4%					
Overlay Strategies		\$0	\$15,144,089	1.3%					
LDI's		\$2,327,807	\$1,884,244	0.2%					
State Agency Pool		\$185,189,118	\$75,180,808	6.5%					
<i>Custom Index</i>					0.48%	2.37%	7.50%	7.50%	6.84%
<b>Permanent Mineral Trust</b>	<b><u>\$2,465,357,770</u></b>	<b><u>\$2,222,767,761</u></b>	<b><u>\$2,557,758,285</u></b>	<b>100.0%</b>	<b>0.62%</b>	<b>2.29%</b>	<b>8.40%</b>	<b>8.40%</b>	<b>8.21%</b>
US Equity		\$393,465,612	\$600,041,806	23.5%					
Int'l Equity		\$29,431,680	\$132,837,431	5.2%					
Fixed Income		\$1,204,355,947	\$1,458,977,936	57.0%					
Private Equity		\$12,077,505	\$16,870,490	0.7%					
Overlay Strategies		\$0	\$35,336,208	1.4%					
LDI's		\$146,584,811	\$120,407,321	4.7%					
State Agency Pool		\$436,852,206	\$193,287,092	7.6%					
<i>Custom Index</i>					0.48%	2.32%	7.42%	7.42%	7.04%
<b>Workers Compensation</b>	<b><u>\$567,446,792</u></b>	<b><u>\$475,904,738</u></b>	<b><u>\$573,817,361</u></b>	<b>100.0%</b>	<b>0.40%</b>	<b>2.31%</b>	<b>8.11%</b>	<b>8.11%</b>	<b>6.68%</b>
US Equity		\$22,554,798	\$2	0.0%					
Fixed Income		\$299,947,950	\$414,890,726	72.3%					
State Agency Pool		\$153,401,990	\$158,926,633	27.7%					
<i>Custom Index</i>					0.55%	2.92%	6.90%	6.90%	6.33%
<b>State Agency Pool</b>	<b><u>\$2,304,520,961</u></b>	<b><u>\$1,763,658,903</u></b>	<b><u>\$2,327,879,123</u></b>	<b>100.0%</b>	<b>0.43%</b>	<b>2.00%</b>	<b>6.73%</b>	<b>6.73%</b>	<b>4.04%</b>
Fixed Income		\$1,093,734,171	\$1,580,999,698	67.9%					
Cash Equiv.		\$658,305,602	\$683,873,157	29.4%					
LDI's		\$11,619,130	\$63,006,268	2.7%					
<i>Custom Index</i>					0.45%	2.06%	5.00%	5.00%	4.16%
<b>Tobacco Settlement Trust</b>	<b><u>\$51,808,440</u></b>	<b><u>\$51,558,359</u></b>	<b><u>\$52,229,830</u></b>	<b>100.0%</b>	<b>0.56%</b>	<b>2.28%</b>	<b>6.73%</b>	<b>6.73%</b>	<b>3.28%</b>
Fixed Income		\$47,378,580	\$47,354,670	90.7%					
State Agency Pool		\$4,179,779	\$4,875,160	9.3%					
<i>Custom Index</i>					0.55%	3.01%	6.81%	6.81%	5.76%



Pooled Investment and Custom Index performance is calculated on a capital weighted basis using current allocations.  
Pooled Investment performance is calculated without State Agency money.  
There is no participation in the Water Development Trust. Current market value is included within the State Agency Pool.  
Overlay Strategies were inceptioned during 1st Quarter 2005. Market values shown represent cash held as collateral.  
Market values shown for LDI's reflect cost value of the investments.

**Wyoming State Treasurer's Office**  
**Investment Performance - Total Performance**  
June 30, 2005

	Fiscal Year Ending 6/30/04 Market Value	Current Market Value	% of MV	June Return	Qtr Ending 6/30/05 Return	Fiscal YTD Return	1 Year Return	3 Year Return	5 Year Return
<b>Wyoming State Total Fund</b>	<b>\$5,583.93</b>	<b>\$6,676.90</b>	<b>100.0%</b>	<b>0.52%</b>	<b>2.17%</b>	<b>7.69%</b>	<b>7.69%</b>	<b>5.60%</b>	<b>6.08%</b>
Wyoming State Custom Index				0.54%	2.51%	6.66%	6.66%	5.83%	6.09%
<b>US Equity</b>									
State Street (Index)(1)	437.23	700.10		0.12%	1.32%	6.36%	6.36%	N/A	N/A
Gabelli (Sm-Mid Cap Value)(2)	90.38	101.98		2.94%	3.56%	13.29%	13.29%	17.37%	N/A
Brazos (Sm-Mid Cap Growth)(3)	82.33	0.00		N/A	N/A	N/A	N/A	N/A	N/A
Friess (Sm-Mid Cap Growth)(3)	0.00	78.82		3.34%	N/A	N/A	N/A	N/A	N/A
Total US Equity	<b>\$609.94</b>	<b>\$880.91</b>	<b>13.2%</b>						
<b>US Equity Indices</b>									
S&P 500(1)				0.14%	1.37%	6.33%	6.33%	8.29%	-2.37%
Russell 2500 Value(2)				3.67%	5.33%	17.44%	17.44%	16.05%	15.83%
Russell 2500 Growth(3)				2.64%	3.56%	7.46%	7.46%	13.34%	-3.84%
<b>International Equity</b>									
Int'l Exchange Traded Funds(4)	43.04	13.36		1.43%	-1.05%	8.61%	8.61%	N/A	N/A
Fisher(4)	0.00	92.85		1.39%	-1.60%	N/A	N/A	N/A	N/A
Capital Guardian(4)	0.00	90.29		1.16%	-0.72%	N/A	N/A	N/A	N/A
Total International Equity	<b>\$43.04</b>	<b>\$196.50</b>	<b>2.9%</b>						
<b>Int'l Equity Indices</b>									
MSCI EAFE(4)				1.37%	-0.75%	14.13%	14.13%	12.51%	-0.18%
<b>US Fixed Income</b>									
WestAM(5)	153.89	156.02		0.53%	2.67%	6.08%	6.08%	5.12%	6.93%
Western Asset Management(5)	152.78	153.73		0.65%	2.96%	7.21%	7.21%	6.34%	7.72%
Wyoming State Treasurer's Office	3,433.97	4,146.22							
Total US Fixed Income	<b>\$3,740.64</b>	<b>\$4,455.98</b>	<b>66.7%</b>						
<b>US Fixed Income Indices</b>									
Lehman Aggregate(5)				0.55%	3.00%	6.80%	6.80%	5.76%	7.41%
Lehman Gov/Credit(6)				0.65%	3.44%	7.26%	7.26%	6.41%	7.71%
Lehman Gov/Credit Long(7)				1.52%	7.13%	16.87%	16.87%	11.13%	10.59%
<b>Convertible Bonds</b>									
Nicholas Applegate Convertibles(8)	<b>\$63.26</b>	<b>\$63.26</b>	<b>0.9%</b>	<b>3.37%</b>	<b>2.95%</b>	<b>7.71%</b>	<b>7.71%</b>	<b>10.80%</b>	<b>N/A</b>
<b>Convertible Bond Indices</b>									
ML All Quality Convertible(8)				2.11%	1.28%	2.11%	2.11%	10.36%	0.86%
<b>Cash &amp; Cash Equivalents</b>									
Wyoming Treasury Cash(9)	810.37	668.27		0.25%	0.72%	2.19%	2.19%	1.57%	2.68%
Wyoming Treasury Extd Cash(10)	138.94	142.59		0.28%	1.23%	2.64%	2.64%	2.93%	4.56%
Total Cash & Cash Equivalents	<b>\$949.31</b>	<b>\$810.86</b>	<b>12.1%</b>						
<b>Cash &amp; Cash Equivalents Indices</b>									
90 Day U.S. T-Bills(9)				0.23%	0.72%	2.16%	2.16%	1.56%	2.62%
JP Morgan Blended Index(10)				0.24%	0.71%	2.06%	2.06%	2.55%	4.77%
<b>Private Equity</b>									
Cheyenne Equity Partners(11)	<b>\$12.08</b>	<b>\$21.92</b>	<b>0.3%</b>	<b>N/M</b>	<b>N/M</b>	<b>N/M</b>	<b>N/M</b>	<b>N/M</b>	<b>N/M</b>
<b>Private Equity Indices</b>									
S&P 500 + 5%(11)				0.55%	2.61%	11.62%	11.62%	13.67%	2.53%
<b>Overlay Strategies</b>									
First Quadrant	<b>\$0.00</b>	<b>\$50.48</b>	<b>0.8%</b>	<b>0.14%</b>	<b>0.51%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>LDI's</b>									
	<b>\$165.67</b>	<b>\$197.00</b>	<b>3.0%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>



Returns are stated in traditional total return terms and do not specify realized income. The State of Wyoming has the dual goals of maximizing returns while meeting income targets. First Quadrant was inception during 1st Quarter 2005. Market value shown represents cash held as collateral. Performance shown is calculated based on a notional principle of \$500 million. During 2nd Quarter 2005, Brazos was liquidated and Friess was inception. Fiscal Year End Market Value represents Brazos market value as of 6/30/2004. Interim performance for Cheyenne Equity Partners is highly immature and is shown as "N/M" or "Not Material." A supplemental alternative asset report will accompany the report beginning 3rd quarter 2005. Market values shown for LDI's reflect cost value of the investments.

# Wyoming State Loan and Investment Board Investment Policy Compliance Report

June 30, 2005

Investment Policy Guidelines		Compliance			Explanation
		Yes	No	N/A	
<b>1. Total Return Objective for the Total Fund</b>					
	- Exceed the rate of inflation (C.P.I.) over a market cycle of 3 years.	X			Wyoming returned 5.6% vs. 2.6% for the CPI for the current 3 year period
	- Exceed a weighted index of the total fund's asset allocation and component benchmarks over rolling three-year periods by an appropriate amount.		X		Wyoming returned 5.6% vs. 5.8% for the Custom Index for the current 3 year period
<b>2. Total Fund Diversification</b>					
a)	Total Fund				
	- Preferred stock allocation less than or equal to 3% of total book value of permanent funds.	X			
	- Total Stock allocation less than or equal to 55%.	X			
	- Not more than 1% of the outstanding common shares of any corporation shall be owned by the state.	X			
	- Not more than 1 ½% of the total book value of permanent funds shall be invested in the common stock of any corporation.	X			

*Report is consistent with the current investment policy as adopted by the Board, and does not reflect changes currently being contemplated by the Board.*

Compliance

		Yes	No	N/A	Explanation
<b>3. Domestic Equity Portfolios</b>					
a)	State Street				
	- At time of purchase, a maximum of 5% of the total stock portfolio of a manager may be invested in the security of any company.	X			Determined by the company's weight in the S&P 500 Index.
	- Providing there are 35 securities in the portfolio, individual stock positions may not exceed 7.5% of market value.	X			
	- A maximum of 5% of the outstanding shares at market of one security may be held.	X			
	- Maximum allowable weight in any industry is 2.5 times the respective benchmark weighting.	X			
	- Meet performance of the S&P 500 Index, before fees, over a market cycle of 3 to 5 years.			X	Inception date: 4/2003
	- Performance must exceed the CPI by 600 basis points over 3 to 5 years, net of fees.			X	Inception date: 4/2003
	- Minimum number of issues: 35.	X			

*Report is consistent with the current investment policy as adopted by the Board, and does not reflect changes currently being contemplated by the Board.*

**Compliance**

		Yes	No	N/A	Explanation
b)	<b>Gabelli</b>				
	- At time of purchase, a maximum of 5% of the total stock portfolio of a manager may be invested in the security of any company.	X			
	- Providing there are 35 securities in the portfolio, individual stock positions may not exceed 7.5% of market value.	X			
	- A maximum of 5% of the outstanding shares at market of one security may be held.	X			
	- Maximum allowable weight in any industry is 2.5 times the respective benchmark weighting.	X			
	- Outperform the Russell 2500 Value Index by 100 basis points, net of fees, over a market cycle of 3 to 5 years.		X		3 Year: Gabelli net return was 16.8% vs. 16.1% for the Russell 2500 Value Index
	- Performance should rank on the top 40 <sup>th</sup> percentile of the small cap peer universe over 3 to 5 years, gross of fees.	X			3 Year: US Small Value rank was 29
	- Performance must exceed the CPI by 600 basis points over 3 to 5 years, net of fees.	X			3 Year: Gabelli net return was 16.8% vs. 2.6% for the CPI
	- Minimum number of issues: 35.	X			

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Compliance

		Yes	No	N/A	Explanation
<b>4. International Equity Portfolios</b>					
a)	Fisher				
	- At time of purchase, a maximum of 5% of the total stock portfolio of a manager may be invested in the security of any company.	X			
	- Providing there are 35 securities in the portfolio, individual stock positions may not exceed 7.5% of market value.	X			
	- A maximum of 5% of the outstanding shares at market of one security may be held.	X			
	- Maximum allowable weight in any industry sector is 2.5 times the respective benchmark weighting.	X			
	- Outperform the MSCI EAFE Index by 100 basis points, net of fees, over a market cycle of 3 to 5 years.			X	Inception date: 8/2004
	- Performance should rank on the top 40 <sup>th</sup> percentile of the international equity peer universe over 3 to 5 years, gross of fees.			X	Inception date: 8/2004
	- Performance must exceed the CPI by 600 basis points over 3 to 5 years, net of fees.			X	Inception date: 8/2004
	- Minimum number of issues: 35.	X			

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**Compliance**

		Yes	No	N/A	Explanation
b)	<b>Capital Guardian</b>				
	- At time of purchase, a maximum of 5% of the total stock portfolio of a manager may be invested in the security of any company.	X			
	- Providing there are 35 securities in the portfolio, individual stock positions may not exceed 7.5% of market value.	X			
	- A maximum of 5% of the outstanding shares at market of one security may be held.	X			
	- Maximum allowable weight in any industry sector is 2.5 times the respective benchmark weighting.	X			
	- Outperform the MSCI EAFE Index by 100 basis points, net of fees, over a market cycle of 3 to 5 years.			X	Inception date: 9/2004
	- Performance should rank on the top 40 <sup>th</sup> percentile of the international equity peer universe over 3 to 5 years, gross of fees.			X	Inception date: 9/2004
	- Performance must exceed the CPI by 600 basis points over 3 to 5 years, net of fees.			X	Inception date: 9/2004
	- Minimum number of issues: 35.	X			

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**Compliance**

		Yes	No	N/A	Explanation
<b>5. Fixed Income Portfolios</b>					
a)	<b>WestAM</b>				
	- Not more than 10% of assets at time of purchase may be invested in the securities of a single issuer (other than government securities).	X			
	- Commercial paper of all issuers shall not exceed \$100 million.	X			
	- Duration +/- 20% of Lehman Brothers Aggregate Index.	X			
	- Minimum Issue Credit Rating A1/P1 for Commercial Paper, BAA for long-term corporate debt, AA for MBS, AA for Asset Backed Securities.	X			
	- U.S. Government issues will comprise a minimum of 20% of the portfolio market value; corporate and MBS will each subject to a maximum limit of 65%.	X			
	- Average portfolio quality A or better.	X			
	- Minimum number of issues: 25.	X			
	- No more than 10% of the portfolio will be invested in the securities of a single issuer other than U.S. Government and Agency issues.	X			
	- No IOs or POs are permitted.	X			
	- Commercial MBS are permitted but shall not comprise greater than 5% of the portfolio market value.	X			
	- Private placements, futures and options, reverse floaters are not allowed.	X			
	- Outperform the Lehman Brothers Aggregate by 75 basis points, net of fees, over a market cycle of 3 to 5 years.		X X		3 Year: WestAM net return was 5.0% vs. 5.8% for the Lehman Aggregate Index 5 Year: WestAM net return was 6.8% vs. 7.4% for the Lehman Aggregate Index
	- Performance should rank in the top 40 <sup>th</sup> percentile of a peer universe over 3 to 5 years, gross of fees.		X X		3 Year: US Fixed Income rank was 75 5 Year: US Fixed Income rank was 73
	- Performance must exceed the CPI by 350 basis points over 3 to 5 years, net of fees.	X	X		3 Year: WestAM net return was 5.0% vs. 2.6% for the CPI 5 Year: WestAM net return was 6.8% vs. 2.4% for the CPI

*Report is consistent with the current investment policy as adopted by the Board, and does not reflect changes currently being contemplated by the Board.*

**Compliance**

		Yes	No	N/A	Explanation
b)	<b>Western Asset</b>				
	- Not more than 10% of assets at time of purchase may be invested in the securities of a single issuer (other than government securities).	X			
	- Commercial paper of all issuers shall not exceed \$100 million.	X			
	- Duration +/- 20% of Lehman Brothers Aggregate Index.	X			
	- Minimum Issue Credit Rating A1/P1 for Commercial Paper, BAA for long-term corporate debt, AA for MBS, AA for Asset Backed Securities.		X		Downgrades include: El Paso, RJ Reynolds, Tenet, Sonat, Southern Nat'l Gas, Tennessee Gas, Williams, First Energy, Lehman ABS, Green Tree, Eastman Kodak, Liberty Media, GM, NWA, and Ford
	- U.S. Government issues will comprise a minimum of 20% of the portfolio market value; corporate and MBS will each subject to a maximum limit of 65%.	X			
	- Average portfolio quality A or better.	X			
	- Minimum number of issues: 25.	X			
	- No more than 10% of the portfolio will be invested in the securities of a single issuer other than U.S. Government and Agency issues.	X			
	- No IOs or POs are permitted.	X			
	- Commercial MBS are permitted but shall not comprise greater than 5% of the portfolio market value.	X			
	- Private placements, futures and options, reverse floaters are not allowed.	X			
	- Outperform the Lehman Brothers Aggregate by 75 basis points, net of fees, over a market cycle of 3 to 5 years.		X		3 Year: Western Asset net return was 6.2% vs. 5.8% for the Lehman Aggregate Index
			X		5 Year: Western Asset net return was 7.6% vs. 7.4% for the Lehman Aggregate Index
	- Performance should rank in the top 40 <sup>th</sup> percentile of a peer universe over 3 to 5 years, gross of fees.		X		3 Year: US Fixed Income rank was 49
			X		5 Year: US Fixed Income rank was 48
	- Performance must exceed the CPI by 350 basis points over 3 to 5 years, net of fees.	X			3 Year: Western Asset net return was 6.2% vs. 2.6% for the CPI
		X			5 Year: Western Asset net return was 7.6% vs. 2.4% for the CPI

*Report is consistent with the current investment policy as adopted by the Board, and does not reflect changes currently being contemplated by the Board.*

**Compliance**

		Yes	No	N/A	Explanation
<b>6. Convertible Bond Portfolios</b>					
a)	<b>Nicholas Applegate Convertibles</b>				
	- Performance must exceed ML All Quality Convertible Bond Index by 100 basis points, net of fees over a three-year and five-year rolling average.		X		3 Year: Nicholas Applegate net return was 10.2% vs. 10.4% for the ML All Quality Convertible Bond Index
	- Performance must exceed the CPI by 500 basis points on an annual basis, net of fees.		X		Nicholas Applegate net return was 7.1% vs. 2.5% for the CPI Index for the current 1 year period

*Report is consistent with the current investment policy as adopted by the Board, and does not reflect changes currently being contemplated by the Board.*

**Compliance**

		Yes	No	N/A	Explanation
<b>7. Cash and Cash Equivalents Portfolios</b>					
a)	<b>JP Morgan Treasury Cash</b>				
	- Portfolio's weighted average maturity is not to exceed 90 days.	X			
	- Portfolio's maximum average cash flow weighted duration of the portfolio must not exceed 90 days.	X			
	- The market value of the portfolio must remain within plus or minus ½ of 1% of amortized cost.	X			
	- A maximum of 10% of total assets shall be placed in the securities of one issuer except for government securities.	X			
	- Investment in any single issuer must not exceed 5% of the outstanding issues of that issuer.	X			
	- Investment performance must exceed Monitored Repurchase Agreement Rate plus 20 basis points net of fees over a market cycle of 3 to 5 years.		X		With the prolonged low rate environment and money market "like" guidelines, returning 20 bp net of fees over is not sustainable or currently attainable. As rates continue to move the higher the alpha will grow.

*Report is consistent with the current investment policy as adopted by the Board, and does not reflect changes currently being contemplated by the Board.*

Compliance

		Yes	No	N/A	Explanation
b)	<b>JP Morgan Wyo-Star Cash</b>				
	- Portfolio's weighted average maturity is not to exceed 90 days.	X			
	- Portfolio's maximum average cash flow weighted duration of the portfolio must not exceed 90 days.	X			
	- The market value of the portfolio must remain within plus or minus ½ of 1% of amortized cost.	X			
	- A maximum of 10% of total assets shall be placed in the securities of one issuer except for government securities.	X			
	- Investment in any single issuer must not exceed 5% of the outstanding issues of that issuer.	X			
	- Investment performance must exceed Monitored Repurchase Agreement Rate plus 20 basis points net of fees over a market cycle of 3 to 5 years.		X		With the prolonged low rate environment and money market "like" guidelines, returning 20 bp net of fees over is not sustainable or currently attainable. As rates continue to move the higher the alpha will grow.

*Report is consistent with the current investment policy as adopted by the Board, and does not reflect changes currently being contemplated by the Board.*

**Compliance**

		Yes	No	N/A	Explanation
c)	<b>JP Morgan Treasury Extended Cash</b>				
	- Portfolio's average cash flow weighted duration is not to exceed 3 years.	X			
	- Average cash flow weighted duration is not to exceed 3 years.	X			
	- Individual securities must not exceed cash flow weighted duration of greater than 5 years.	X			
	- A maximum of 10% of total assets shall be placed in the securities of one issuer except for government securities.	X			
	- Investment Performance Must Exceed An Equal Weighted Blend of the Merrill Lynch 1-3 Year Agency, 1-3 Year Treasury, and a 0-3 Year Mortgage Index net of fees over a market cycle of 3 to 5 years.	X	X		3 Year: JP Morgan returned 2.9% vs. 2.5% for the Blended Index 5 Year: JP Morgan returned 4.6% vs. 4.8% for the Blended Index
	- The extended portfolio must not exceed 35% of the total JP Morgan managed portfolio.	X			

*Report is consistent with the current investment policy as adopted by the Board, and does not reflect changes currently being contemplated by the Board.*

**Compliance**

		Yes	No	N/A	Explanation
d)	<b>JP Morgan Wyo-Star Extended Cash</b>				
	- Portfolio's average cash flow weighted duration is not to exceed 3 years.	X			
	- Average cash flow weighted duration is not to exceed 3 years.	X			
	- Individual securities must not exceed cash flow weighted duration of greater than 5 years.	X			
	- A maximum of 10% of total assets shall be placed in the securities of one issuer except for government securities.	X			
	- Investment Performance Must Exceed An Equal Weighted Blend of the Merrill Lynch 1-3 Year Agency, 1-3 Year Treasury, and a 0-3 Year Mortgage Index net of fees over a market cycle of 3 to 5 years.	X	X		3 Year: JP Morgan returned 2.9% vs. 2.5% for the Blended Index 5 Year: JP Morgan returned 4.6% vs. 4.8% for the Blended Index
	- The extended portfolio must not exceed 35% of the total JP Morgan managed portfolio.	X			

*Report is consistent with the current investment policy as adopted by the Board, and does not reflect changes currently being contemplated by the Board.*