MEMORANDUM

To: Wyoming State Treasurer's Office

From: R.V. Kuhns & Associates, Inc.

Subject: Wyoming State Treasurer's Office – Portfolio Positioning

Date: Updated as of July 2, 2012

The purpose of this memo is to address the positioning of the State's investment funds and their ability to weather volatile market environments and absorb potential losses should broad markets decline in value. The State has worked diligently to ensure the investment funds are well diversified and allocated efficiently while maintaining a relatively conservative posture. Furthermore, the State has utilized an exhaustive manager selection process to identify investment managers that are best suited to meet the unique needs of Wyoming's assets. The systematic inclusion of alternative strategies over time has created flexibility in the sources of performance and provided further diversification benefits. The Wyoming State investment funds have demonstrated an ability to fare better than most large institutional funds in the face of significant market declines while participating meaningfully in up market environments.

The following charts show the experience of the Wyoming State Treasurer's Office Total Fund Composite over the most recent 5 years. **Exhibit 1** focuses on the portfolio's performance over a complete market cycle, including the extreme markets of 2008 and 2009, compared to a global portfolio of 60% equity and 40% fixed income along with median plans in a very broad peer group of other institutional funds. This data illustrates the State's success in protecting in down markets, with significantly better capital preservation during the most extreme market drawdown as was experienced in calendar year 2008. The State has also been able to generate strong absolute returns in up market environments.

Exhibit 1

	2007	2008	2009	2010	2011
Total Fund Composite	**8.50**	**-9.54**	**13.27**	**9.65**	**2.81**
60% MSCI World/40% Citi WGBI	9.98	-22.98	18.73	9.50	-0.64
All Master Trust - Median	8.15	-24.84	20.04	12.73	0.13

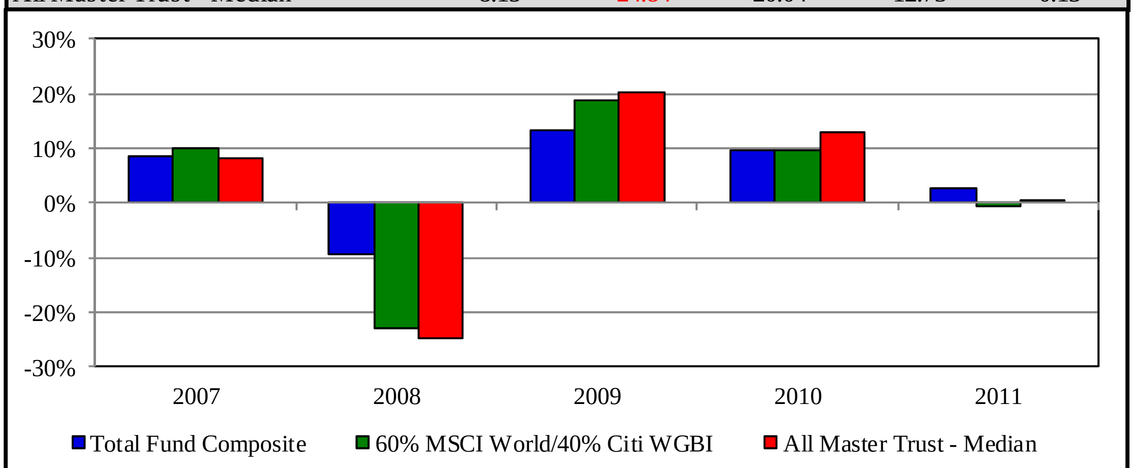
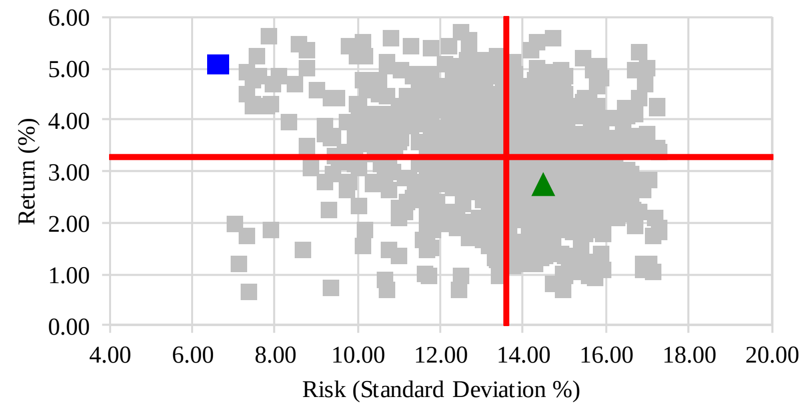


Exhibit 2 illustrates the risk/return profile of Wyoming's Total Fund Composite over the most recent 5 year period relative to a broad market index and a peer group of other institutional investors. The State has achieved returns well in excess of the median plan while assuming less than half the risk, as measured by standard deviation, thus resulting in the highest and therefore most efficient reward-to-risk ratio (Sharpe Ratio).

Exhibit 2



5 Years Ending March 31, 2012	Return	Standard Deviation	Sharpe Ratio
Total Fund Composite	5.08	6.63	0.58
60% MSCI World/40% Citi WGBI	2.73	14.50	0.17
All Master Trust - Median	3.25	13.58	0.21

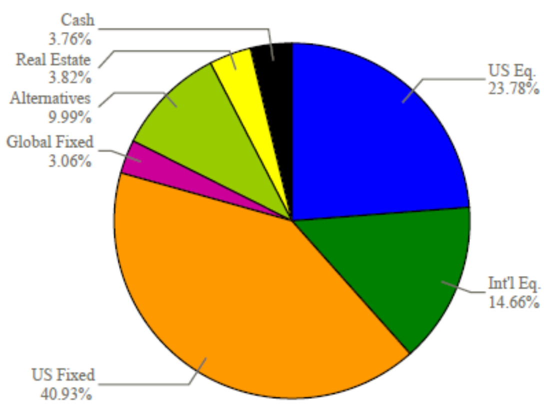
The State Loan and Investment Board has adopted conservative asset allocations for the six Permanent Funds, with just over 50% of the portfolio dedicated to equities and alternative investments with the remaining portion allocated to fixed income. Within both the equity and fixed income allocations, the State has worked diligently to extensively diversify and refine the portfolios of the individual Permanent Funds. The pie charts in **Exhibit 3** compare the Wyoming State Treasurer's Office Permanent Funds' asset allocation versus the weighted average of all funds in a peer group of other institutional public funds.

The Worker's Compensation Fund is positioned with a more conservative tilt than the Permanent Funds given its unique purpose. The Worker's Compensation Fund has a target allocation of 30% across equities and alternative investments and 70% dedicated to fixed income and cash equivalents. The State has also adopted asset class and manager diversification within this fund. The State's non-Permanent Funds, which include the State Agency Pool and Tobacco Settlement Trust, invest exclusively in fixed income and cash equivalents. The conservative positioning of these two plans enhances the overall capital preservation characteristics in the event that equity markets decline.

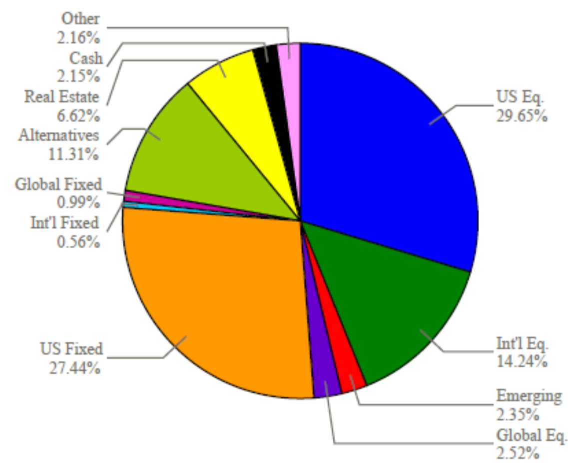
Exhibit 3

Asset Allocation
As of December 31, 2011
Wyoming State Treasurer's Office Permanent Funds vs. Average of All Funds

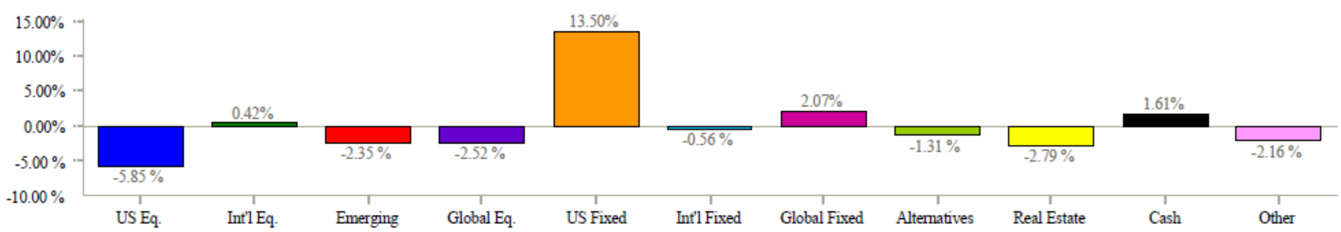
Wyoming State Treasurer's Office Permanent Funds



Average of All Funds



Variance

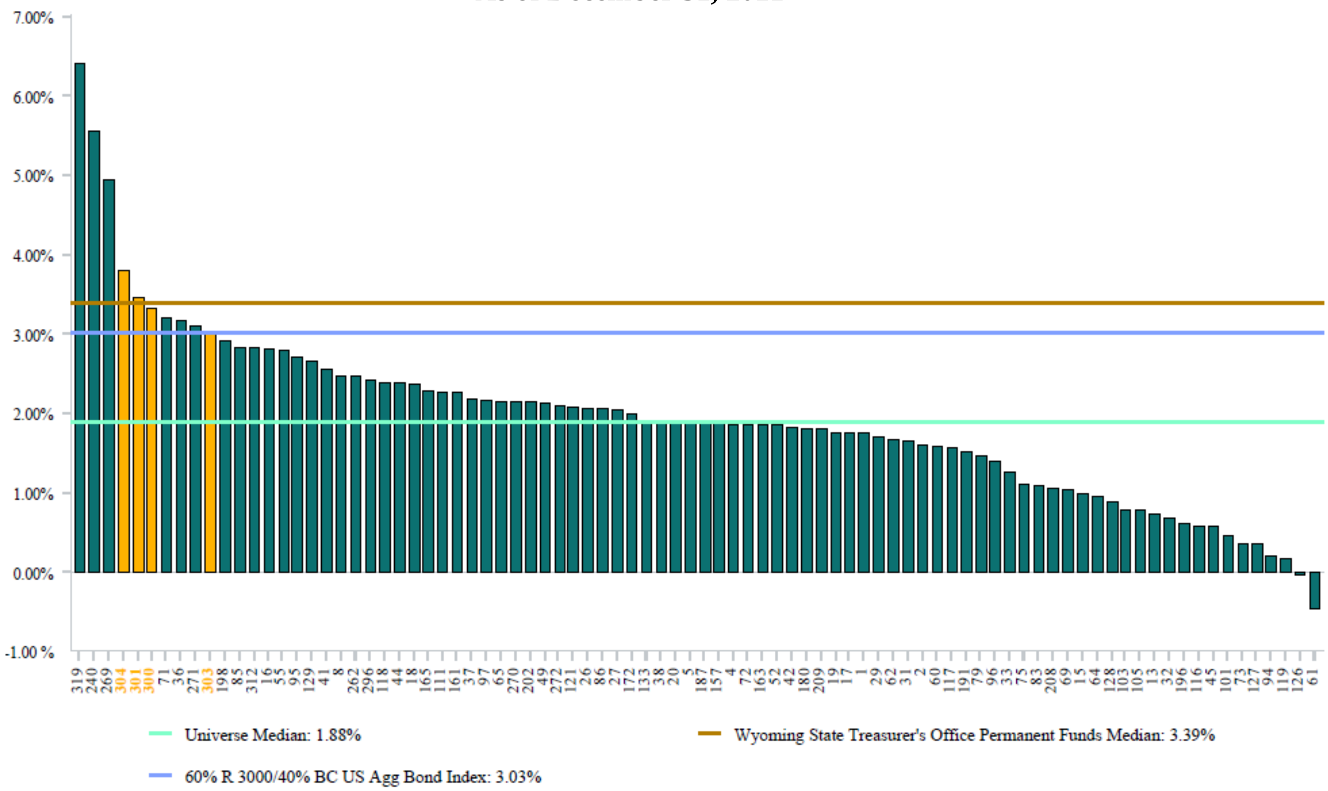


We believe that Wyoming's more conservative overall stance remains appropriate given the requirement to generate income and provide stable return patterns. We continue to evaluate the asset allocation structure of the State's investments, and each fund individually, for the opportunity to improve the structure and the related risk/return trade-off.

The Public Fund Survey continues to suggest that the risk/return trade-off for the State has consistently been highly efficient relative to other public plans over the long-term. **Exhibit 4** illustrates the State's 5 year annualized Total Fund returns for the Permanent Funds and collectively versus other institutional funds. The gold bars depicted below represent the individual Permanent Funds, all of which rank in the Top 10 plans and some even in the Top 5 compared to a universe of nearly 90 peer funds. It is noteworthy to point out that the survey includes some peer Permanent Funds, but also a large number of Retirement Plans. Despite the broad inclusion of different plan types, the survey remains a good representation of the investment patterns, results, and characteristics of public funds in general within the United States.

Exhibit 4

5 Year Annualized Total Fund Returns
As of December 31, 2011



The primary goal of long-term investing should not be to avoid declines altogether, but to maximize long-term real wealth while providing sufficient liquidity for near to intermediate term needs. That can't be accomplished without a level of risk that will result in periodic episodes in which values decline. This is a natural part of investing and required for creating intergenerational equity in Wyoming (i.e. growing the value of the portfolio in inflation-adjusted terms). The market decline of 2008 resulted in negative returns; however, because of the relatively conservative positioning, extensive diversification, and thoroughness of the manager selection process, the portfolio has performed well against the peer group and custom benchmark both in the periods of the market decline and the subsequent recovery. We would expect these characteristics to continue well into the future.

As a firm, we look forward to continue collaborating with the State to evaluate and assimilate new market information while capitalizing on deliberate opportunities when appropriate in order to achieve the performance goals within a suitable risk framework.