

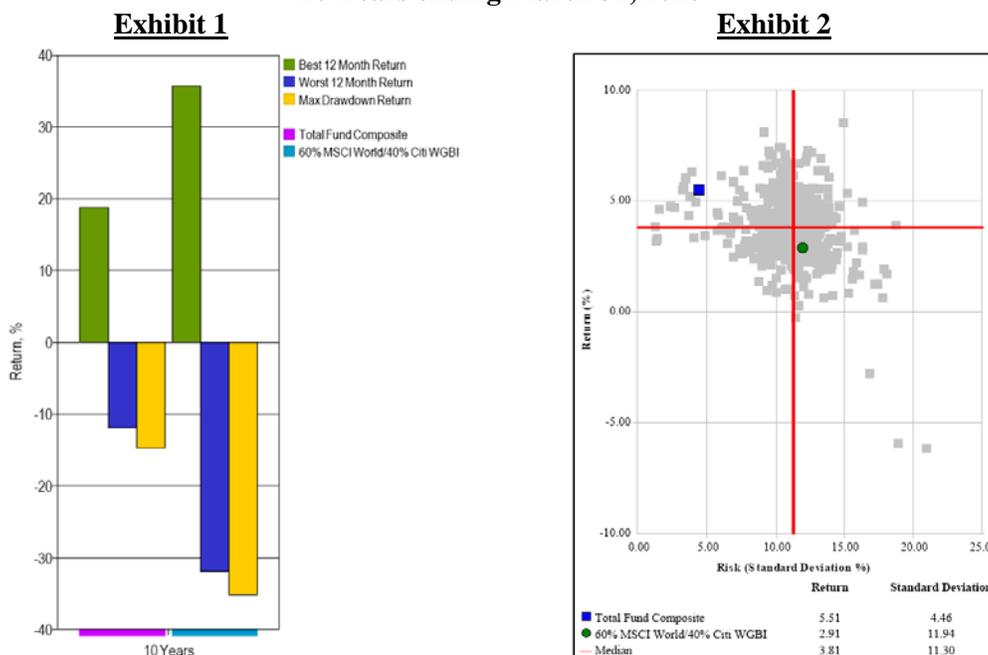
MEMORANDUM

To: Wyoming State Treasurer’s Office
From: R.V. Kuhns & Associates, Inc.
Re: Wyoming State Treasurer’s Office Portfolio Positioning
Date: May 28, 2010

The purpose of this memo is to address the positioning of the State’s investment funds should a dramatic decline in the markets occur in the future, similar to the one experienced in 2008-2009. The State’s investment funds have a diversified asset allocation with a conservative posture. The State has employed an exhaustive manager selection process, identifying the best “fit” manager given Wyoming’s specific needs. The addition of alternative strategies over time has created flexibility in the sources of performance. For these reasons the Wyoming State investment funds are likely to do better than most large institutional funds in the face of a significant market decline.

The following charts show the experience of the Wyoming State Treasurer’s Office Total Fund Composite over the last 10 years. Exhibit 1 focuses on the portfolio’s performance in extreme markets, compared to a global portfolio of 60% equity and 40% fixed income, demonstrating better downside protection and roughly 50% better capital preservation in the most extreme market drawdown (2008). Exhibit 2 shows the risk/return profile of Wyoming’s Composite over the 10 year period relative to a universe of other institutional investors, demonstrating the conservative risk posture of the portfolio relative to peers.

Wyoming State Treasurer’s Office 10 Years ending March 31, 2010

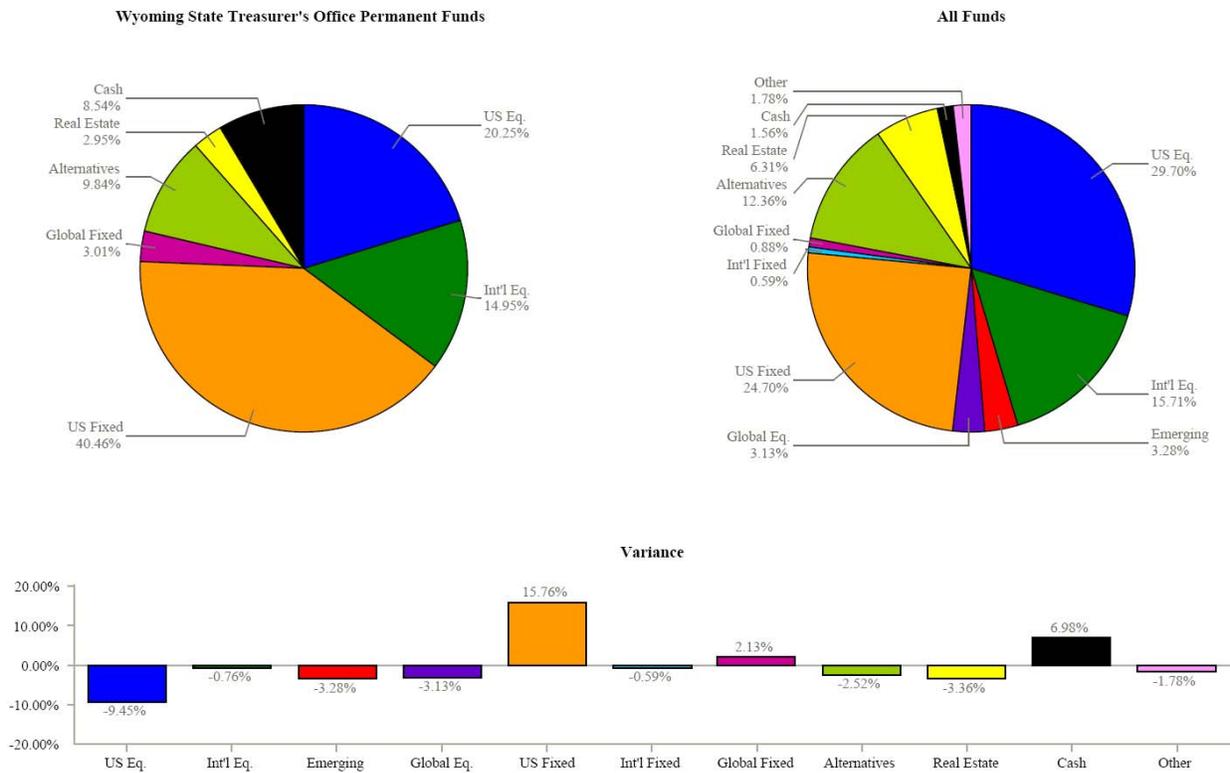


The State Loan and Investment Board has adopted conservative asset allocations for the six Permanent Funds, with just over 50% of the portfolio dedicated to equities and alternative investments and the remaining portion allocated to fixed income. Within both the equity and fixed income allocations, the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

Exhibit 3

Asset Allocation

**Wyoming State Treasurer's Office Permanent Funds vs. Weighted Average of All Funds
As of December 31, 2009**



The Worker's Compensation Fund is positioned similarly to the Permanent Funds, but with a slightly more conservative tilt. The Worker's Comp 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, the State Agency Pool and the Tobacco Settlement Fund, invests exclusively in fixed income and cash equivalents. The conservative positioning of these two plans should greatly benefit the preservation of capital should equity markets decline.

Even though all of the State's investment funds have adopted conservative target asset allocations, this does not ensure that the portfolios will avoid declines in value during periods of market distress (in fact it is very likely they will experience periods of decline). It should however position the State's investments to weather the storms that markets will invariably bring from time to time. For example in 2008, the Permanent Funds returned -15.60% while the median fund in the public fund peer group returned -

