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TO: WYO-STAR Participants

FROM: Michael Walden-Newman, Chief Investment Officer

DATE: March 9, 2009

SUBJ: WYO-STAR Portfolio Update

As you know, we keep a constant eye on your WYO-STAR funds, as we do all of the investments within the State treasurer's Office.

Last September we sent to you a memo specific to the WYO-STAR portfolio. We think it is time for an update.

Please find a status report from our portfolio manager, Ted Ufferfilge at JP Morgan Asset Management.

It gives you a snapshot of WYO-STAR performance through February 2009, as well as market color.

Cindy Braden (cbrade@state.wy.us or 307-777-7297) remains your contact in our office for the WYO-STAR program. Let us know when we can be of service.

Thank you for your continued participation.

J.P.Morgan
Asset Management

Ted Ufferfilge
Managing Director

March 9, 2009

Dear WYO-STAR participant,

The primary goal of the State of Wyoming WYO-STAR portfolio is pursue a short-term and extended-term fixed income investing strategy designed to optimize yield by investing in eligible securities that satisfy guidelines as written in the State's statutes. The JPMorgan Asset Management (JPMAM) investment process is built upon a rigorous risk management approach which we tailor to meet the State's investment guidelines. JPMorgan Asset Management, almost two years ago now, began to position the WyoSTAR portfolio defensively. We continue this defensive posture today and will remain defensive until we see clear signs of economic recovery and more important, stability in the markets. To that extent, the WYO-STAR portfolio has an exceptionally strong credit and liquidity profile. The WyoSTAR Pool has no exposure to corporate bonds.

As of February 28, 2009:

Total Market Value of the WyoSTAR Pool: $ 268,056,936.43

Total Unrealized Gain Position: $ 1,926,429.64

Purchase Yield: 1.60%

Portfolio Weighted Average Maturity: 0.67 years (243 days)

The performance of the WYO-STAR Pool **As of 2-28-09**				
	Feb-08	**3-Month**	**Fiscal Year-to-Date**	**1-Year**
WYO-STAR POOL	0.10%	0.07%	2.38%	2.71%
WYOMING'S CUSTOM REPO BENCHMARK	0.10%	0.03%	0.53%	2.03%

As of 2-28-09

	PERFORMANCE (Annualized Total Returns)			
	Feb-08	**3-Month**	**Fiscal Year-to-Date**	**1-Year**
WYO-STAR POOL	1.30%	0.28%	3.60%	2.71%
WYOMING'S CUSTOM REPO BENCHMARK	1.30%	0.12%	0.80%	2.03%

Market Recap and Outlook

Favorable economic news is getting very scarce. The labor market is in free fall. The industrial sector is contracting at a rate rarely seen during recessions of the past fifty years. Confidence, both business and consumer, stands at or close to post-war lows. To make matters worse, the improvement in financial conditions seen between November and January has partly reversed: equity prices are making new lows, credit spreads are widening again, and importantly, the decline in mortgage rates has also stalled. All this has happened after a fourth quarter when GDP fell at a stunning -6.2% annual rate. Unfortunately, the policy response has been short of clarity and implementation so far.

J.P.Morgan
Asset Management

Ted Ufferfilge
Managing Director

In labor markets, the news could hardly have been much worse. In February, 651,000 jobs were lost, following downward revised losses of 655,000 in January and 681,000 in December. More than 2.5 million jobs have now been lost over the past four months, and December's losses mark the largest monthly decline since 1949. Initial claims continued to rise throughout February, averaging 641,750 over the four weeks, up from the 583,000 in January and 438,000 in December. Continuing claims have exceeded five million for the first time in history. The unemployment rate soared to 8.1% in February from 7.6% in January, and should the recent pace of increases continue, it will hit 9% around mid-year.

The housing decline, even at this advanced stage, has gathered additional momentum. Notwithstanding the drop in mortgage rates since November, new home sales fell -10.2% in January and a remarkable -65.8% at an annual rate over the three months to January. To be sure, foreclosure sales are crowding out sales of new homes. However, even existing home sales declined -5.3% in January and 31.8% at an annual rate over the three months to January. In a backdrop of record high affordability, such declines are remarkable and underscore a key adverse psychology that has beset housing: demand is being postponed by expectations of lower future prices. The Case-Shiller 20-city index declined -18.3% year over year in December, while the index produced by FHFA, formerly OFHEO, declined -4.5%.

The only potential silver lining has been in consumer spending data. Up 0.4%, real consumer spending posted the first increase in six months this January. But with continued wealth carnage, labor markets plummeting, and confidence at record lows, it would be foolhardy to extrapolate.

In essence, we are in a recession matching the depths of 1980 and 1974-75. On monetary policy, the efficacy of the Fed's focus on both balance sheet expansion and change in the composition of the balance sheet toward risky assets will determine how quickly financial conditions can ease. Some tentative signs of improvement following the announcement of the Term Asset-backed Securities Loan Facility (TALF) have stalled recently. Fiscal stimulus is also key. The package enacted is quite front-loaded and should boost second and third quarter growth by around 2%-3% at an annual rate.

The combination of fiscal stimulus, reduced inventory cutbacks, and slightly easier financial conditions should gradually restore growth into positive territory in the second half of 2009 after a large contraction in the first half of the year: -5% in the first quarter, -1% in the second. However, we still expect only tepid below-trend growth of just over 1%, low enough that the unemployment rate will keep rising. Moreover, there remains much downside risk. In particular, some recovery in confidence is crucial for fiscal and monetary policy to work. Right now the economy is stuck in a vicious cycle of low confidence begetting low activity—hiring and capital spending for businesses; consumer spending and housing for households—which begets still lower confidence. This cycle has to be broken.

Regards,

Ted Ufferfilge
Global Head Short-Term Fixed Income
Client Portfolio Management