



**UNIVERSITY OF WISCONSIN SYSTEM
TRUST FUNDS**

**Quarterly Investment Review
September 30, 2011**

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**SECTION 1:
MARKET OVERVIEW**

Quote for the Quarter

“Looking back over this past summer, it is hard to escape the conclusion that policymakers and central bankers on both sides of the Atlantic bear significant responsibility for making a bad economic situation worse.”

From GMO’s Third Quarter 2011 Quarterly Update

MARKET OVERVIEW

Major Economic Developments

Economic Growth and Employment

The economic and market backdrop for the 3rd quarter of 2011 was the anemic growth in the developed economies, the ever-deepening eurozone sovereign debt crisis, and fears of a double-dip recession.

In the U.S., annualized GDP growth figures over the past few quarters have been in the range of 0% to 2% (the 2nd quarter figure came in at just 1.3%). In the eurozone and U.K., the range has been 0% to 1.5%. To promote stronger economic growth in the developed economies, it seemed like central banks had little ammunition left. While ultra-loose monetary policies were maintained (i.e., essentially 0% short-term interest rates), debt and deficit concerns made further major fiscal stimulus seem increasingly unlikely. Quite the opposite, a belief in “austerity” seemed to take greater hold of the political psyche. (Regarding U.S. actions in particular, the Federal Reserve stated that they would likely refrain from raising the Fed Funds rate through at least mid-2013. Also, the Fed began a program to lengthen the maturity of its bond portfolio – the so-called “operation twist” – in an attempt to lower longer term interest rates.)

Meanwhile, in desperate need of stronger growth to bolster government revenue, the sovereign debt situation in the developed economies only worsened. Exacerbating the situation, political and policymaking deadlock seemed to reign despite the crisis. In the eurozone, while the ECB did step in to buy debt of the peripheral economies to lower yields, no constructive long-term plans to solve the crisis were announced. In the U.S., a mini debt crisis (for the time being) played out. First came the largely manufactured, political-posturing debt ceiling crisis, which was then followed by the first ever downgrade of U.S. government debt (S&P downgraded the U.S. from AAA to AA+).

Given the headwinds of anemic and faltering growth, stubborn unemployment levels, government debt and deficit issues, political gridlock, and little ammunition for further stimulus, it is not surprising that fears of a double dip recession resurfaced with a vengeance, as did overall uncertainty. Global macro- economic risks tilted heavily to the downside during the 3rd quarter, and financial markets swooned as investors moved decidedly to the “risk-off” position.

The only bright spot continued to be the still relatively strong economic growth, and the healthy balance sheets, of the emerging economies. While evidence mounted that China was beginning to slow, growth there and in other Asian and Latin American economies remained robust at least through the 2nd quarter of the year. The big question is, at what point and to what extent will the slowing growth or even double-dip in developed economies impact growth in the developing world? While, importantly, domestic and “cross” demand continues to grow within and among the developing economies, they remain significantly dependent on exports to the developed world.

Financial Market Developments and Performance

Growth and High-Yielding Assets

Financial markets remain in a volatility-inducing, “risk-on/risk-off” posture, and during the 3rd quarter, investors seemed to flee indiscriminately from all risky assets in a headlong flight to perceived safety. Even the U.S. dollar, still the world’s primary reserve currency, benefited from the flight to quality and liquidity; the dollar rose significantly against all advanced and emerging country currencies except the Japanese yen and the Chinese renminbi. In the U.S., finishing down almost 14%, the 3rd quarter of 2011 was the worst quarter for the S&P 500 since the 4th quarter

of 2008. The MSCI EAFE Index fell in similar fashion in local currency terms – down almost 16% - but due to the strengthening dollar, the index was down 19% in dollar terms. Within EAFE, not surprisingly, Europe was the laggard, falling almost 23% in dollar terms, whereas Japan declined by only 6.4%. And while developing economies continued to seem largely “de-coupled” from the developed economies, the *financial markets* of both remained firmly coupled in this global risk-off environment. Emerging market equities were the worst performer for the quarter, falling almost 23% in U.S. dollar terms (foreign currency depreciation was an even bigger contributor here – in local currency terms, emerging markets declined 15%). The risk-off flight also impacted higher-risk fixed income markets, depressing prices and widening credit spreads significantly.

The table that follows provides recent as well as longer-term performance for asset classes and markets within the general category of higher risk “growth and high-yielding assets,” which includes public and private equities and lower-quality, higher-yielding fixed income.

Performance – Periods Ended September 30, 2011

<u>Growth and High-Yielding Assets</u>	3 rd Qtr	Year To Date	1 Year	3 Years	5 Years	10 Years	<i>Risk</i> ¹
U.S. Large Cap Equity (S&P 500)	-13.9%	-8.7%	1.1%	1.2%	-1.2%	2.8%	16.4%
U.S. Small Cap Equity (Russell 2000)	-21.9%	-17.0%	-3.5%	-0.4%	-1.0%	6.1%	24.2%
Non-U.S. Equity – Dev Markets (MSCI EAFE)	-19.0%	-14.6%	-8.9%	-0.7%	-3.0%	5.5%	18.0%
Non-U.S. Equity – Emerging Mkts (S&P/IFCI)	-22.6%	-22.0%	-15.9%	7.1%	5.4%	17.5%	25.1%
Private Equity (Cambridge Private Equity) ²	4.5%	18.5%	24.7%	5.4%	10.5%	11.5%	12.2%
Venture Capital (Cambridge Venture Capital) ²	7.0%	21.8%	26.3%	3.6%	7.3%	-0.9%	11.6%
U.S. High Yield (Bank of America High Yield)	-6.3%	-1.7%	1.3%	13.7%	6.9%	8.6%	11.5%
Emerging Markets Debt (JP Morgan EM Debt)	-1.2%	3.7%	1.4%	11.6%	8.0%	11.0%	9.9%

¹ Risk is measured by the annualized standard deviation of monthly returns over the past ten years.

² Private equity and venture capital returns are for periods ended one quarter earlier

Event Risk- and Deflation-Hedge Assets

Despite the U.S. debt ratings downgrade and concerns of a double-dip recession, the global “flight to safety” once again boosted U.S Treasury prices to seemingly precipitous heights. The benchmark 10-year yield started the quarter at 3.2% and ended at a paltry 1.9%, a rate lower than the lows of the financial crisis! Even highly-rated, non-U.S. sovereign bonds, performed well in spite of a negative drag from currency depreciation for U.S. investors.

The following table provides performance data on asset classes and markets falling within the broad category of “event risk- and deflation-hedge assets,” which includes high-quality bonds, cash, and hedge funds.

Performance – Periods Ended September 30, 2011

<u>Event Risk- and Deflation-Hedge Assets</u>	3 rd Qtr	Year To Date	1 Year	3 Years	5 Years	10 Years	<i>Risk</i> ¹
U.S. Broad Market Bonds (Barclay’s Aggregate)	3.8%	6.6%	5.3%	8.0%	6.5%	5.7%	3.8%
U.S. Treasuries (Citigroup Treasury 1-10 Year)	3.4%	5.6%	3.9%	5.2%	6.0%	4.7%	3.5%
Non-U.S. Bonds (JP Morgan Global/Govt)	3.1%	7.1%	5.2%	8.4%	7.9%	7.6%	6.9%
U.S. Cash (CG 1-month U.S. Treasury Bill)	0.0%	0.1%	0.1%	0.1%	1.5%	1.8%	0.5%
Hedge Funds (MSCI Diversified Hedge Funds)	-1.5%	-3.8%	1.2%	6.1%	6.1%	7.2%	5.2%

¹ Risk is measured by the annualized standard deviation of monthly returns over the past ten years

Real and Inflation-Hedge Assets

Although there remains little concern about near term inflation, longer term TIPS also benefited from the “flight to safety.” Returning 5% for the 3rd quarter, TIPS were one of the best performers for the period and for the year-to-date period as well. Commodities, however, retreated significantly as concerns about further slowdowns in economic activity intensified; for example, crude oil prices fell 17% during the period.

The table that follows presents performance data for asset classes categorized as “real and inflation-hedge assets,” which includes Treasury Inflation Protection Securities (TIPS), public and private real estate, timber, and commodities. Inflation, as measured by “headline” CPI which includes energy and food, is also shown.

Performance – Periods Ended September 30, 2011

<u>Real and Inflation-Hedge Assets</u>	3 rd Qtr	Year To Date	1 Year	3 Years	5 Years	10 Years	Risk ¹
U.S. TIPS (Citigroup Inflation Linked)	5.0%	11.0%	10.2%	8.3%	7.2%	7.2%	7.1%
U.S. TIPS (Barclay's 0-5 year TIPS)	-0.2%	3.7%	4.5%	N/A	N/A	N/A	N/A
Commodities (DJ-UBS Futures Index)	-11.3%	-13.6%	0.0%	-5.7%	-1.1%	6.0%	17.6%
Private Real Estate (NCREIF Property)	3.3%	11.0%	16.1%	-1.5%	3.4%	7.8%	N/A ²
Public Real Estate (MSCI U.S. REIT)	-14.5%	-5.7%	1.3%	-1.7%	-2.6%	9.1%	25.7%
Timber (NCREIF Timberland)	-0.4%	1.1%	0.3%	-0.4%	5.8%	6.8%	N/A ²
CPI (Consumer Price Index)	1.2%	3.0%	3.9%	1.2%	2.2%	2.5%	N/A ²

¹ Risk is measured by the annualized standard deviation of monthly returns over the past ten years.

² Due to the infrequency of market-based valuations of these asset classes, standard deviations of monthly returns are not meaningful.

Potential Investment Implications of Current Market and Economic Conditions

The objective of this section is to provide some possible broad, high-level investment implications given the foregoing discussions and assessments of global markets and economics. Given a strong underlying belief in “reversion to the mean” in all things economic (assuming essentially free and competitive capital markets), the value of this exercise is to provide some basis for perceiving current market-level risks and opportunities. This then will aid in, or provide comfort to, real decisions regarding over- and under-weighting various strategic asset classes or strategies, the timing and level of rebalancing efforts, and allocations to non-strategic “opportunistic” investments.

In some ways, the flight to U.S. Treasuries (and other high quality sovereign debt) was the most unexpected market development during the 3rd quarter. Certainly, they have been hugely diversifying in the “risk-on/risk-off” environment and in times of crises. So perhaps they continue to warrant a strategic portfolio position. That said, for investors concerned with maintaining purchasing power, at *current yields*, U.S. Treasuries would seem to be anything but “risk-free” as they are likely to generate negative real returns even at current subdued inflation levels. In other fixed income space, the re-widening of credit spreads on both investment-grade and below-investment-grade debt has made these assets fairly attractive again relative to other assets from a risk/return perspective. Even the most significant downside risk of lower quality bonds – that is, default – seems still very low, especially relative to downside equity risk.

In equity space overall, large-cap global equities moved from fairly richly valued at the end of the 2nd quarter to fairly valued if not somewhat undervalued at the end of the 3rd quarter. Within global equities, high quality stocks overall, emerging market, European, and Japanese equities look relatively more attractive. Small- and mid-cap equities on the other hand, particularly in the U.S., continue to look expensive despite their substantial tumble in the 3rd quarter. Certainly, equities have generally become fairly attractive on a *pure valuation basis* (i.e., relative to reasonable measures of “fair” or “intrinsic” value, and/or historical averages); nevertheless, the risky and volatile macro-economic environment and the abrupt swings in investor sentiment, continue to suggest that there remains significantly more downside risk to equities than upside at this juncture.

So we ask ourselves once again, what is an institutional investor to do in this challenging environment to give their portfolio an edge going forward? Certainly, tilting the global bond and equity components toward the more attractive areas and away from the less attractive ones, as they are briefly described above, makes good sense. But also, to the extent that sources of return which are more independent from general market movements and broad economic developments are available, these should be more strongly considered and potentially more meaningfully incorporated. This could include a variety of private investments, including the following: smaller- to middle-market private equity where the managers have the skills to fundamentally improve the businesses held; venture capital; timber and other real assets “in or on the ground;” “opportunistic” investments in distressed commercial real estate; and absolute-return, market-neutral-oriented hedge fund strategies and managers. And to the extent that an investor can allocate capital “opportunistically,” extra time and effort should be devoted, in times such as these, to sourcing any and all such investments.

SECTION 2: FUND OVERVIEWS

FUND OVERVIEWS

Total Trust Fund Assets		
<i>Quarter Ended September 30, 2011</i>		
	<i>As of September 30, 2011</i>	<i>As of June 30, 2011</i>
Long Term Fund	\$ 308,842,285	\$ 341,717,909
Intermediate Term Fund	\$ 84,348,182	\$ 82,703,045
Income Fund	<u>\$ 39,218,286</u>	<u>\$ 38,415,353</u>
	\$ 432,408,753	\$ 462,836,307

Long Term Fund

The change in the net assets of the Long Term Fund is summarized below.

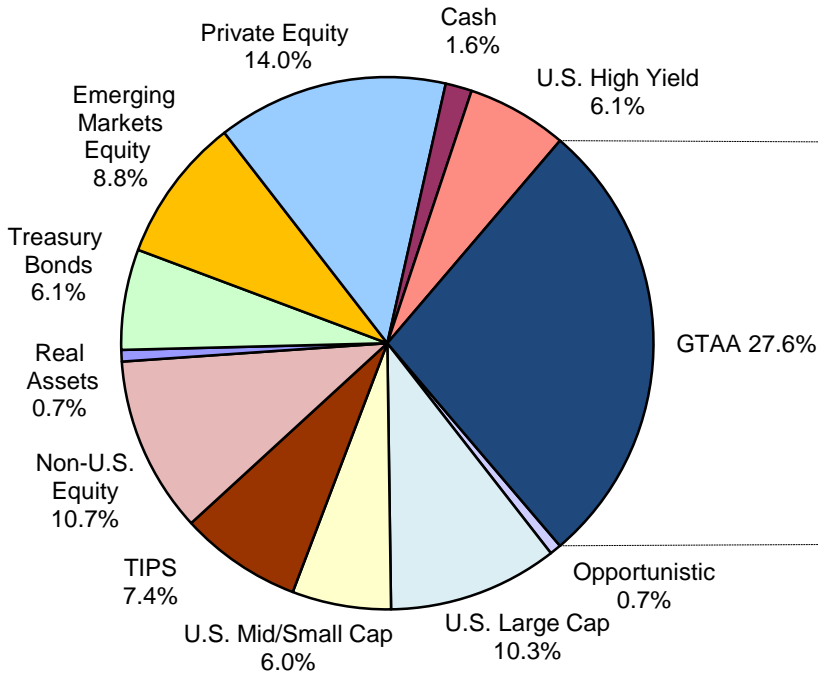
Long Term Fund:	
Change in Net Assets	
<i>Quarter Ended September 30, 2011</i>	
Beginning Market Value (6/30/11)	\$ 341,717,909
Net Contributions/(Withdrawals)	(929,785)
Investment Management and Administrative Expenses	(382,798)
Realized Investment Gains/(Losses)	2,240,532
Unrealized Gains/(Losses)	<u>(33,803,573)</u>
Ending Market Value (9/30/11)*	\$ 308,842,285

**Note: Net contributions/withdrawals and investment management expenses are those processed "as of" the prior quarter-end but processed early in the current quarter; therefore the ending market value shown equals the custodian's market value and does not reflect net contributions/distributions and expenses to be processed "as of" the current quarter-end.*

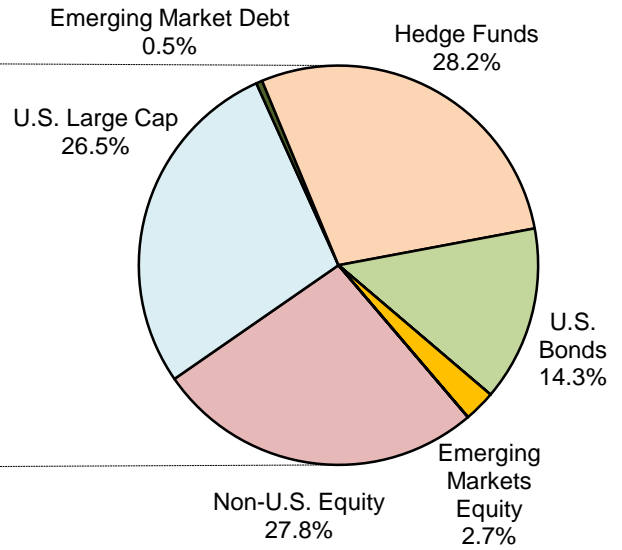
Long Term Fund: Asset/Strategy Allocations

Quarter Ended September 30, 2011

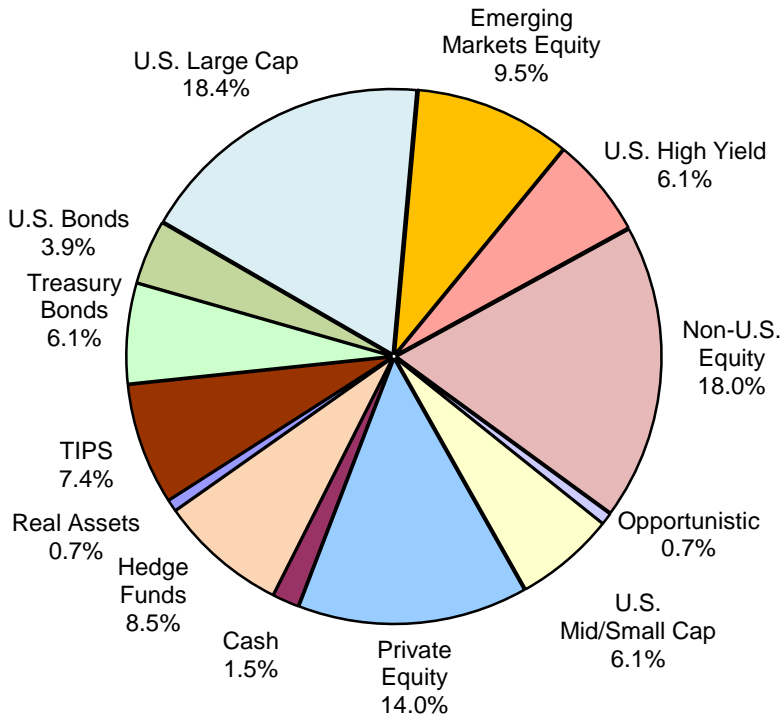
Total Portfolio Asset/Strategy Allocation



Global Tactical Asset Allocation



Total Effective Portfolio Asset Allocation



Long Term Fund: Actual Versus Target Asset/Strategy Allocation

Quarter Ended September 30, 2011

Asset Class/Strategy	Target Allocation (%)	Allowable Ranges (%)	Current Allocation (%)	Current Allocation (\$MM)
Global Tactical Asset Allocation	25.0%	20% - 30%	27.6%	\$85.2
Growth/High Yield Assets				
U.S. Equities	10.0%	7% - 13%	16.3%	\$50.3
Non-U.S. Equities	8.0%	6% - 10%	10.7%	\$33.0
Emerging Market Equities	6.5%	5% - 8%	8.8%	\$27.3
Private Equity	10.0%	5% - 15%	14.0%	\$43.2
High Yield Debt	<u>5.0%</u>	<u>3% - 7%</u>	<u>6.1%</u>	<u>\$18.7</u>
	39.5%	30% - 50%	55.9%	\$172.5
Event Risk- and Deflation-Hedge Assets				
U.S. Bonds	6.5%	5% - 8%	6.1%	\$18.9
U.S. Cash	0.0%	0% - 10%	1.6%	\$4.8
Absolute Return	<u>6.5%</u>	<u>5% - 8%</u>	<u>0.0%</u>	<u>\$0.0</u>
	13.0%	10% - 25%	7.7%	\$23.7
Real and Inflation-Hedge Assets				
U.S. TIPS	5.0%	3% - 7%	7.4%	\$22.9
Real Assets	<u>17.5%</u>	<u>12% - 23%</u>	<u>0.7%</u>	<u>\$2.2</u>
	22.5%	15% - 30%	8.1%	\$25.1
Opportunistic	0.0%	0% - 10%	0.7%	\$2.3
TOTALS	100%	100%	100%	\$308.8

3rd Quarter 2011 Fund-Level Transactions

The net cash drawdown requirement for the Fund (to cover the 2nd quarter 2011 spending distribution, net of new gifts/withdrawals and expenses) was \$1.24 million. To provide cash for this distribution, the full amount was taken from the Long Term Fund Cash account in early August. No other rebalancing or asset allocation shifts were conducted *during* the 3rd quarter (however, some shifts were made after the close of the quarter).

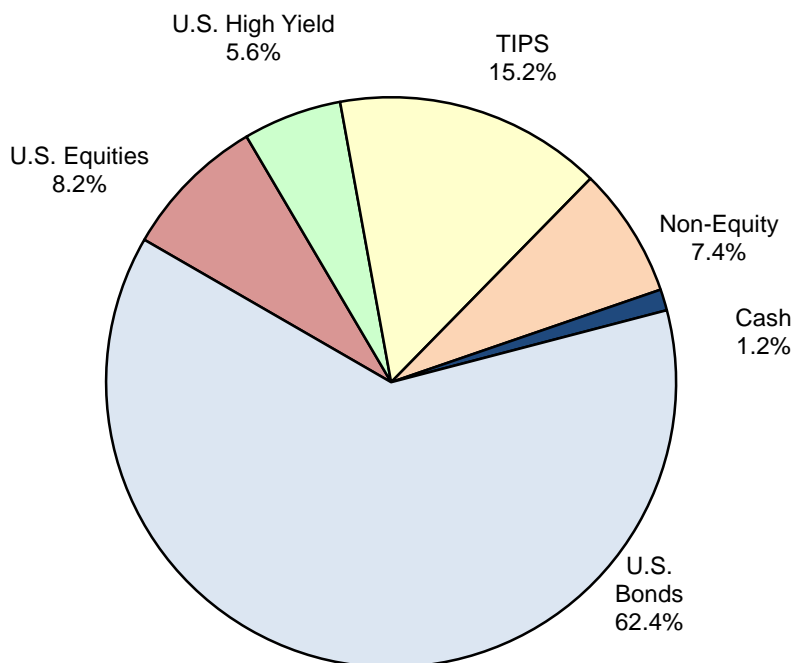
Intermediate Term Fund

The change in the net assets of the Intermediate Term Fund is summarized below.

Intermediate Term Fund: Change in Net Assets		
<i>Quarter Ended September 30, 2011</i>		
Beginning Market Value (6/30/11)	\$	82,703,045
Net Contributions/(Withdrawals)		4,077,034
Investment Management and Administrative Expenses		(46,993)
Realized Investment Gains/(Losses)		842,524
Unrealized Gains/(Losses)		<u>(3,227,428)</u>
Ending Market Value (9/30/11)*	\$	84,348,182

*Note: Net contributions/withdrawals and investment management expenses are those processed "as of" the prior quarter-end but processed early in the current quarter; therefore the ending market value shown equals the custodian's market value and does not reflect net contributions/distributions and expenses to be processed "as of" the current quarter-end.

Intermediate Term Fund: Asset Allocation	
<i>Quarter Ended September 30, 2011</i>	



Intermediate Term Fund: Actual Versus Target Asset/Strategy Allocation				
<i>Quarter Ended September 30, 2011</i>				
Asset Class/Strategy	Target Allocation (%)	Allowable Ranges (%)	Current Allocation (%)	Current Allocation (\$MM)
Growth/High Yield Assets				
U.S. Equities	7.5%	6% - 9%	8.2%	\$6.9
Non-U.S. Equities	7.5%	6% - 9%	7.4%	\$6.2
Emerging Market Equities	0.0%	0% - 3%	0.0%	\$0.0
High Yield Debt	<u>5.0%</u>	<u>4% - 6%</u>	<u>5.6%</u>	<u>\$4.8</u>
	20.0%	15% - 25%	21.2%	\$17.9
Event Risk- and Deflation-Hedge Assets				
U.S. Bonds	40.0%	30% - 50%	62.4%	\$52.6
U.S. Cash	10.0%	5% - 15%	1.1%	\$1.0
Absolute Return	<u>10.0%</u>	<u>8% - 12%</u>	<u>0.0%</u>	<u>\$0.0</u>
	60.0%	45% - 75%	63.5%	\$53.6
Real and Inflation-Hedge Assets				
U.S. TIPS	<u>20.0%</u>	<u>15% - 25%</u>	<u>15.2%</u>	<u>\$12.8</u>
	20.0%	15% - 25%	15.6%	\$12.8
TOTALS	100%	100%	100%	\$84.3

3rd Quarter 2011 Fund-Level Transactions

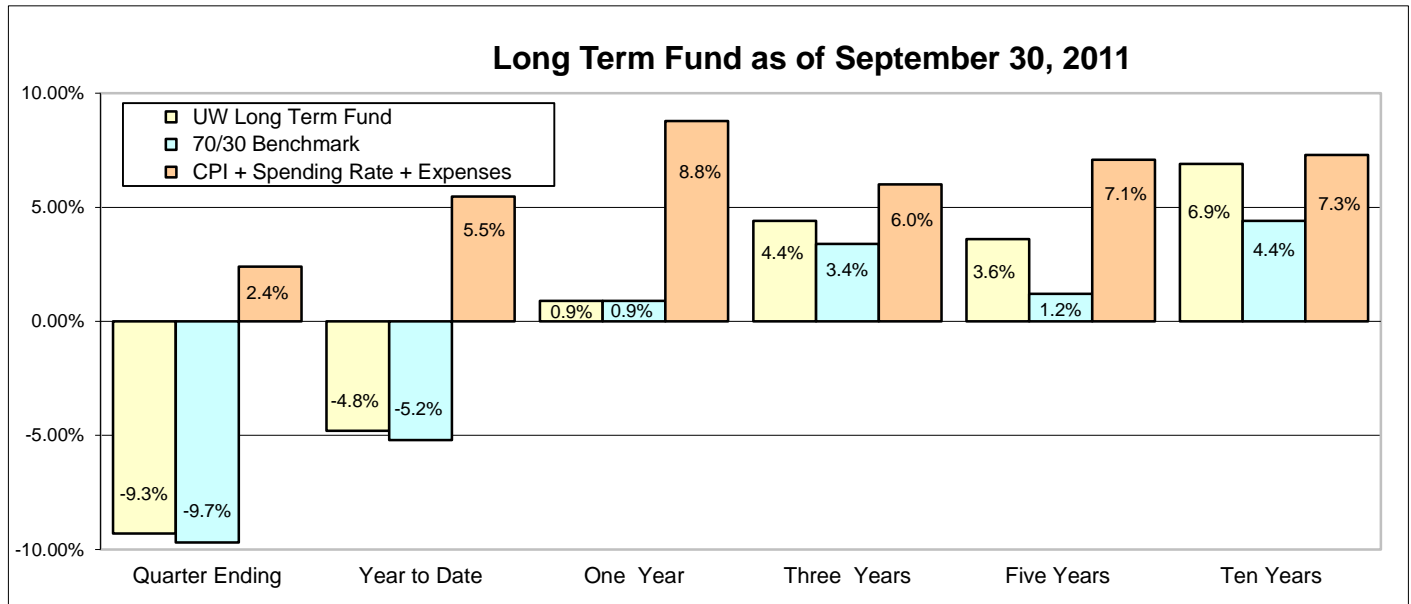
The net 2nd quarter cash flow for the Fund (net new contributions/withdrawals, interest and dividends collected, and expenses) required investment of \$4,579,074. The following transactions were conducted in early September to accommodate this quarterly cash flow and perform some portfolio rebalancing at the same time: \$2.1 million was added to U.S. Bonds, \$1.0 million was added to U.S. Equities, \$1.0 million was added to Non-U.S. Equities, and \$500,000 was added to U.S. High Yield Debt.

SECTION 3: PERFORMANCE ANALYSIS

INVESTMENT PERFORMANCE REVIEW

Long Term Fund: Composite

Performance results for the Long Term Fund are shown below, both graphically and in table format.



Long Term Fund: Composite						
<i>Investment Performance: Periods Ended September 30, 2011</i>						
	Quarter Ending	Year To Date	One Year	Three Years	Five Years	Ten Years
Long Term Fund	-9.3%	-4.8%	0.9%	4.4%	3.6%	6.9%
70/30 Benchmark ¹	-9.7%	-5.2%	0.9%	3.4%	1.2%	4.4%
CPI + Spending Rate + Expenses ²	2.4%	5.5%	8.8%	6.0%	7.1%	7.3%
Peer Median ³	-9.2%	-5.0%	0.4%	3.3%	1.8%	5.4%
Peer Ranking: Percentile	52 nd	48 th	45 th	31 st	13 th	20 th

¹ The "70/30 benchmark" represents a more "traditional" asset allocation of 70% stocks/30% bonds, comprised of 55% S&P 500, 15% MSCI EAFE (unhedged), and 30% Lehman Aggregate Bond indexes.

² The annual spending rate is currently 4.0% and expenses are assumed to average 0.85% per year. The Consumer Price Index (CPI) is used as the inflation indicator, although the Higher Education Price Index (HEPI) may be more appropriate.

³ Peer data is from the Russell Mellon Analytical Services trust universe database based on the "Foundations and Endowments < \$1 Billion" classification.

Long Term Fund: Growth and High-Yielding Assets

The tables that follow provide investment performance data by individual investment manager/portfolio.

Long Term Fund: Growth and High-Yielding Assets						
<i>Investment Performance: Periods Ended September 30, 2011</i>						
Asset Class/Strategy	Quarter Ending	Year To Date	One Year	Three Years	Five Years	Since Mgr Inception
<u>Global Tactical Asset Allocation</u>						
GMO Real Global Balanced¹	-4.5%	0.1%	3.4%	4.3%	4.2%	4.9%
GMO Benchmark	-9.5%	-6.1%	-1.3%	2.3%	0.8%	1.6%
70/30 Benchmark ²	-9.7%	-5.2%	0.9%	3.4%	1.2%	2.1%
<u>U.S. Large-Cap Equity</u>						
UBS Global Asset Mgt³	-15.5%	-10.6%	-1.3%	1.3%	-0.5%	4.5%
S&P 500	-13.9%	-8.7%	1.1%	1.2%	-1.2%	3.1%
Peer Median ³	-15.4%	-10.0%	0.1%	1.6%	-0.5%	N/A
Peer Ranking	53 rd	58 th	65 th	55 th	53 rd	N/A
<u>U.S. Mid/Small-Cap Equity</u>						
Russell Mid-Cap ETF⁵	-18.7%	-12.3%	-0.8%	4.2%	N/A	-3.4%
Russell Mid-Cap	-18.9%	-12.3%	-0.9%	4.0%	N/A	-3.4%
Russell 2000 ETF⁶	-21.7%	-17.1%	-3.4%	-0.4%	N/A	-4.4%
Russell 2000	-21.9%	-17.0%	-3.5%	-0.4%	N/A	-4.5%
300 North Capital⁷	-25.3%	-15.7%	0.5%	5.3%	0.1%	4.2%
Russell 2000 Growth	-22.2%	-15.6%	-1.1%	2.1%	1.0%	2.4%
Peer Median	-22.8%	-15.2%	-0.2%	3.9%	1.6%	N/A
Peer Ranking	84 th	56 th	47 th	36 th	61 st	N/A
<u>Developed Market Non-U.S. Equity</u>						
UBS International Fund⁸	-22.4%	-21.1%	-14.7%	-0.8%	-3.8%	3.7%
MSCI EAFE (Unhedged)	-19.0%	-14.6%	-8.9%	-0.7%	-3.0%	3.9%
MSCI EAFE (Hedged)	-16.3%	-17.9%	-13.5%	-5.4%	-7.9%	0.0%
Peer Median	-19.4%	-14.8%	-7.8%	-0.3%	-2.2%	N/A
Peer Ranking	89 th	95 th	95 th	62 nd	73 rd	N/A
<u>Emerging Market Equity</u>						
GMO Emerging Markets Fund⁹	-23.0%	-20.5%	-13.9%	4.4%	3.4%	12.5%
MSCI Emerging Markets	-22.4%	-21.6%	-15.8%	6.6%	5.2%	13.5%
S&P/IFC Investable Composite	-22.6%	-22.0%	-15.9%	7.1%	5.4%	14.4%
Peer Median	-22.6%	-22.0%	-16.0%	6.2%	4.8%	N/A
Peer Ranking	63 rd	38 th	38 th	75 th	86 th	N/A
<u>U.S. High Yield</u>						
Seix Advisors U.S. High Yield¹⁰	-6.7%	-1.9%	1.5%	9.4%	5.3%	5.6%
Bank of America High Yield Master	-6.3%	-1.7%	1.3%	13.7%	6.9%	6.7%
Bank of America High Yield BB/B	-5.0%	-0.4%	2.0%	12.0%	6.3%	7.4%
Peer Median	-5.5%	-0.7%	2.8%	11.2%	6.5%	N/A
Peer Ranking	81 st	77 th	77 th	97 th	97 th	N/A

¹ The inception date for the GMO Real Global Balanced Fund is February 1, 2006. The benchmark consists of 60% MSCI World, 20% Citigroup 3 month T-Bill, and 20% Lehman Aggregate. No peer data is currently available.

² The "70/30 benchmark" represents a more "traditional" asset allocation of 70% stocks/30% bonds, comprised of 55% S&P 500, 15% MSCI EAFE (unhedged), and 30% Lehman Aggregate Bond indexes.

³ The inception date for UBS Global Asset Mgt is December 1, 1997. Peer data is for "Equity Composite" classification.

⁴ The source for all peer data is the Russell Mellon Analytical Services trust universe database.

⁵ The inception date for the Russell Mid-Cap ETF is May 4, 2007. Peer data is for "Mid-Cap Equity" classification.

⁶ The inception date for the Russell 2000 ETF is May 4, 2007. Peer data is for "Small-Cap Equity" classification.

⁷ The inception date for 300 North Capital (formerly "Provident") is December 1, 1997. Peer data is for "Small-Cap Growth" classification.

⁸ The inception date for the UBS International Fund is December 1, 1997. Peer data is for "Core Non-U.S. Equity" classification.

⁹ The inception date for the GMO Emerging Markets Fund is November 1, 2003. Peer data is for "Emerging Markets Equity" classification.

¹⁰ The inception date for the Seix Advisors U.S. High Yield Fund is April 17, 2006. Peer data is for "High-Yield Bond" classification.

Long Term Fund: U.S. Equity Composite						
<i>Investment Performance: Periods Ended September 30, 2011¹</i>						
	Quarter Ending	Year To Date	One Year	Three Years	Five Years	Since Inception
Long Term Fund U.S. Equity²	-18.1%	-12.2%	-1.0%	2.1%	-0.5%	4.1%
Russell 3000	-15.3%	-9.9%	0.5%	1.5%	-0.9%	2.8%

¹ As the Long Term Fund's allocation to U.S. Equity is comprised of allocations to various equity subclasses (e.g., large-, mid-, small-cap), performance and risk data are also shown for a composite of the Fund's U.S. equity exposure versus a broader market benchmark.

² The inception date for the Long Term Fund U.S. Equity composite is February 28, 1998. The U.S. Equity composite does not include equities held within the GMO Global Tactical Asset Allocation strategy.

Performance data on Private Equity, presented in a different fashion and lagged by one quarter due to the nature of this unique asset class, is provided below. Note too that each of the investment managers and "funds" listed below are in fact "funds-of-funds," comprised of many underlying private equity limited partnerships/funds.

Private Equity						
<i>Investment Results: As of June 30, 2011</i>						
Fund of Funds	Commitments	Dollars Drawn	Remaining Unfunded Commitments	Dollars Returned	Investment Value (Equity)	Equity + Dollars Returned
Adams Street Partners						
2002 Funds	\$ 10,000,000	\$ 9,278,500	\$ 721,500	\$ 5,762,180	\$ 7,752,912	\$13,515,092
2004 Funds	15,000,000	13,031,625	1,968,375	4,605,933	11,840,876	16,446,809
2008 Funds	5,000,000	1,827,500	3,172,500	174,347	2,167,693	2,342,040
2009 Funds	4,000,000	750,200	3,249,800	6,587	847,369	853,956
2010 Funds	3,500,000	421,050	3,078,950	0	445,987	445,987
	\$37,500,000	\$25,308,875	\$12,191,125	\$10,549,047	\$23,054,837	\$33,603,884
J.P. Morgan						
Corporate Finance II (2002)	10,000,000	9,429,270	570,730	6,165,730	9,030,524	15,196,254
Corporate Finance III (2006)	2,000,000	1,607,402	392,598	267,082	1,763,700	2,030,782
Venture Capital III (2006)	8,000,000	5,470,178	2,529,822	527,101	6,090,739	6,617,840
Corporate Finance IV (2008)	9,000,000	1,933,509	7,066,491	65,758	2,134,092	2,199,850
Venture Capital IV (2008)	3,000,000	848,885	2,151,115	0	1,065,931	1,065,931
	\$32,000,000	\$19,289,244	\$12,710,756	\$7,025,671	\$20,084,986	\$27,110,657
TOTALS	\$69,500,000	\$44,598,119	\$24,901,881	\$17,574,718	\$43,139,823	\$60,714,541

The performance numbers shown below are intra-period internal rates of return (IRR) for each manager's entire portfolio, as calculated by the managers.

Private Equity			
<i>Investment Performance: As of June 30, 2011</i>			
	Three Years	Five Years	Since Mgr Inception ¹
Adams Street Partners	6.1%	9.5%	11.3%
J.P. Morgan	10.5%	12.0%	13.5%
Venture Economics Benchmark ²	3.7%	6.8%	N/A
S&P 500	3.3%	2.9%	N/A

¹ The inception date for Adams Street Partners is March 21, 2003. The inception date for JP Morgan is January 14, 2003.

² The Venture Economics Benchmark is a customized global private equity benchmark calculated by Adams Street Partners.

Performance data for the GMO Emerging Illiquid fund, another private equity-like investment, is presented in similar fashion below; however, performance data here is not lagged.

Opportunistic						
<i>Investment Results: As of September 30, 2011</i>						
Fund	Commitments	Dollars Drawn	Remaining Unfunded Commitments	Dollars Returned	Investment Value (Equity)	Equity + Dollars Returned
GMO Emerging Illiquid Fund (2007)	\$ 7,000,000	\$7,000,000	\$0	\$6,602,260	\$2,258,480	\$8,860,740

Opportunistic						
<i>Investment Performance: Periods Ended September 30, 2011¹</i>						
	Quarter Ending	Year To Date	One Year	Three Years	Five Years	Since Inception
GMO Emerging Illiquid Fund¹	-12.8%	-13.1%	-1.8%	12.2%	N/A	8.4%
S&P/IFC Investable Composite	-22.6%	-22.0%	-15.9%	7.1%	N/A	1.7%

¹ The inception date for the GMO Emerging Illiquid Fund is March 9, 2007.

Long Term Fund: Event-Risk and Deflation-Hedge Assets

Long Term Fund: Event-Risk and Deflation-Hedge Assets						
<i>Investment Performance: Periods Ended September 30, 2011</i>						
Asset Class/Strategy	Quarter Ending	Year To Date	One Year	Three Years	Five Years	Since Inception
<u>U.S. Treasurys</u>						
Applied Security Analysis Program¹	0.0%	0.0%	0.1%	0.3%	2.0%	2.6%
Citigroup U.S. Treasury 1-10 Year ²	3.4%	5.6%	3.9%	5.2%	6.0%	6.0%
Cash (1 month Treasury Bill)	0.0%	0.1%	0.1%	0.1%	1.5%	2.0%

¹ On a tactical basis, this portfolio has been maintained in "cash" since former portfolio holdings were liquidated in the transition away from a broad-market bond portfolio benchmarked to the Lehman Aggregate Bond Index. This portfolio transition began on December 1, 2005 and liquidations to cash were largely completed by June/July 2006. Eventually, the portfolio will be structured as a passive, laddered portfolio of U.S. Treasurys.

² Performance is compared only to market indexes. Comparison to a "peer" group of active managers is not appropriate as this is a passively-managed portfolio.

Long Term Fund: Real and Inflation-Hedge Assets

Long Term Fund: Real and Inflation-Hedge Assets						
<i>Investment Performance: Periods Ended September 30, 2011</i>						
Asset Class/Strategy	Quarter Ending	Year To Date	One Year	Three Years	Five Years	Since Inception
U.S. TIPS						
Applied Security Analysis Program ¹	4.3%	10.1%	9.4%	8.0%	7.0%	6.8%
Citigroup Inflation Linked Securities ²	5.0%	11.0%	10.2%	8.3%	7.2%	7.0%

¹ This portfolio was transitioned away from a broad-market bond portfolio benchmarked to the Lehman Aggregate Bond Index beginning on December 1, 2005. The portfolio is now structured as a passive, laddered portfolio of U.S. TIPS.

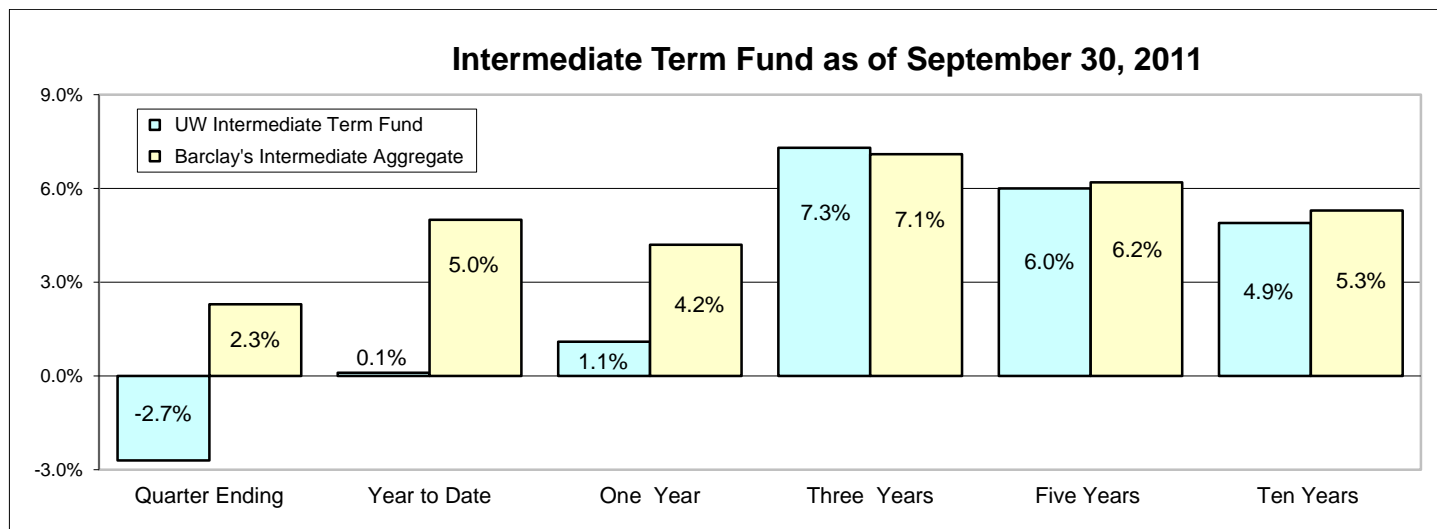
² Performance is compared only to market indexes. Comparison to a "peer" group of active managers is not appropriate as this is a passively-managed portfolio.

Long Term Fund: Real and Inflation-Hedge Assets						
<i>Investment Results: As of September 30, 2011</i>						
Fund	Commitments	Dollars Drawn	Remaining Unfunded Commitments	Dollars Returned	Investment Value (Equity)	Equity + Dollars Returned
GMO						
Forestry Fund 9 ¹	\$ 6,000,000	\$2,070,000	\$3,930,000	\$0	\$2,122,723	\$2,122,723

¹ The inception date for the GMO Forestry Fund 9 is August 10, 2010

Intermediate Term and Income Funds

Returns for the Intermediate Term Fund overall and by individual manager are provided below.



Intermediate Term Fund: Composite						
<i>Investment Performance: Periods Ended September 30, 2011</i>						
	Quarter Ending	Year To Date	One Year	Three Years	Five Years	Ten Years
Intermediate Term Fund	-2.7%	0.1%	1.1%	7.3%	6.0%	4.9%
Barclay's Intermediate Aggregate ¹	2.3%	5.0%	4.2%	7.1%	6.2%	5.3%
CPI	1.2%	3.0%	3.9%	1.2%	2.2%	2.4%

¹ The Barclay's Intermediate Aggregate benchmark, consisting of 100% investment-grade bonds, represents a more "traditional" asset allocation for a portfolio with an intermediate investment "duration."

Intermediate Term Fund						
<i>Investment Performance: Periods Ended September 30, 2011</i>						
Asset Class/Strategy	Quarter Ending	Year To Date	One Year	Three Years	Five Years	Since Mgr Inception*
Intermediate U.S. Fixed Income						
Reams Asset Management¹	0.8%	3.3%	2.6%	9.3%	7.3%	6.3%
Applied Security Program¹	2.0%	4.7%	3.5%	6.9%	6.1%	5.9%
Barclay's Intermediate Aggregate	2.3%	5.0%	4.2%	7.1%	6.2%	6.0%
Peer Median ²	2.1%	4.7%	3.6%	8.4%	6.6%	N/A
Peer Ranking: Reams Asset Management	88 th	94 th	82 nd	22 nd	16 th	N/A
Peer Ranking: Applied Security Program	54 th	47 th	57 th	94 th	79 th	N/A
Multi-Asset Portfolio³	-8.7%	-5.4%	-1.7%	3.9%	N/A	0.8%

* Inception date for Reams and Applied Securities is February 1998.

² Peer data is for "Intermediate Bond" classification.

³ The Intermediate Term Fund's "Multi-Asset Portfolio", which began March 31, 2008, consists of U.S. and Non-U.S. Equities, U.S. TIPS, and High Yield Debt. These investments are primarily managed through ETF's.

The Income Fund, which is SWIB's short-term investment fund for the State, performed as follows:

Income Fund						
<i>Investment Performance: Periods Ended September 30, 2011</i>						
	Quarter Ending	Year To Date	One Year	Three Years	Five Years	Ten Years
Income Fund	0.0%	0.1%	0.2%	0.4%	2.0%	2.1%
Cash (1 month Treasury Bill)	0.0%	0.1%	0.1%	0.1%	1.5%	1.8%

The current annualized yield for the Income Fund is 0.09%.

SECTION 4: RISK ANALYSIS

REVIEW OF PORTFOLIO CHARACTERISTICS, RISK AND COMPLIANCE

Long Term Fund: Composite

Fund-Level Constraints

One fund-level constraint is set by statute. Compliance with this statute is demonstrated below. Fund-level asset allocation constraints are given in the “Fund Overviews” section.

	Maximum Permitted	Allocation as of September 30, 2011
Allocation to public equities:	85%	52.4% ¹

Note: This percent does not include Private Equity or any net long equity position within GMO's Multi-Strategy hedge fund-of-funds.

Risk Measures

Currently, the only statistical measurement made of overall risk is annualized standard deviation of monthly returns. Standard deviations of overall Fund returns for various timeframes are shown below. Also shown are the resulting Sharpe ratios, or return per unit of risk, a common measurement of portfolio efficiency.

Standard Deviation: <i>Periods Ended September 30, 2011</i>				
	1 year	3 year	5 year	10 year
Long Term Fund	9.2%	12.5%	11.0%	10.5%
70/30 Benchmark ¹	9.5%	15.4%	13.3%	11.2%

¹ *The 70/30 benchmark represents a more “traditional” asset allocation comprised of 55% S&P 500, 15% MSCI EAFE (unhedged), and 30% Lehman Aggregate.*

Sharpe Ratio¹: <i>Periods Ended September 30, 2011</i>				
	1 year	3 year	5 year	10 year
Long Term Fund	N/A	0.05	N/A	0.32
70/30 Benchmark	N/A	N/A	N/A	0.06

¹ *Note: The Sharpe measure of risk-adjusted performance is calculated by subtracting the risk-free rate from the rate of return for a portfolio and dividing the result by the standard deviation of the portfolio returns. The greater a portfolio's Sharpe ratio, the better its risk-adjusted performance. Sharpe ratios for periods where portfolio returns less the risk free rate are negative or zero are not meaningful and are shown as N/A.*

Long Term Fund: Individual Manager Portfolios

The tables that follow provide various portfolio characteristics of individual manager portfolios, and in the case of separately-managed accounts, information as to compliance with current investment constraints. These constraints are as follows:

Equity Separate Accounts:

- Maximum of 5% in cash
- Maximum of 15% in any one industry (SIC Classification)
- Maximum of 7% in any one company

Fixed Income Separate Accounts (Investment-Grade):

- The only fixed income separate accounts managed within the Long Term Fund currently are the U.S. Treasuries and U.S. TIPS portfolios. These portfolios are being managed passively to mirror their respective market benchmarks.

Growth and High-Yielding Assets

Global Tactical Asset Allocation

GMO Real Global Balanced Asset Allocation Strategy

This strategy is comprised of two components: 1) GMO's Strategic Opportunities Allocation Fund, a mutual fund-of-funds comprised of underlying GMO mutual funds; and 2) GMO's Multi-Strategy Fund, an internal hedge fund-of-funds comprised of underlying GMO hedge funds. The overall asset allocation of the combined GMO Real Global Balanced Strategy is given on page 8. Given below are some broad characteristics for this strategy.

Global Tactical Asset Allocation		
<i>Portfolio Characteristics as of September 30, 2011</i>		
	GMO	Benchmark¹
Standard deviation ²	7.4%	11.5%
Sharpe ratio	0.16	N/A
<u>Fund allocations:</u>		
<i>U.S. Equity</i>	27.8%	26.0%
<i>U.S. Quality</i>	25.7%	
<i>U.S. Core</i>	2.1%	
<i>Non-U.S. Equity</i>	29.0%	34.0%
<i>International Intrinsic Value</i>	13.0%	
<i>International Growth Equity</i>	9.3%	
<i>Flexible Equity</i>	4.0%	
<i>Emerging Markets</i>	2.7%	
<i>Fixed Income</i>	14.1%	20.0%
<i>Strategic Fixed Income</i>	7.7%	
<i>Special Situations</i>	4.1%	
<i>Domestic Bond</i>	0.8%	
<i>Strategic Opportunities Allocation</i>	0.6%	
<i>Emerging Country Debt</i>	0.5%	
<i>World Opportunity Overlay</i>	0.4%	
<i>Multi Strategy Fund</i>	28.3%	0.0%
<i>Completion Fund</i>	4.6%	
<i>Mean Reversion</i>	4.6%	
<i>Systematic Global Macro</i>	4.2%	
<i>U.S. Tactical Opportunities</i>	3.6%	
<i>U.S. Aggressive Long/Short</i>	3.3%	
<i>Emerging Country Debt</i>	3.1%	
<i>Fixed Income Hedge</i>	3.1%	
<i>Emerging Currency Hedge</i>	1.0%	
<i>Currency Hedge</i>	0.8%	
<i>Other Market Neutral Hedge Funds</i>	0.8%	0.0%
<i>Alpha Only</i>	0.8%	
<i>Cash</i>	0.0%	20.0%
TOTAL	100.0%	100.0%

¹ The benchmark index is comprised of 60% MSCI World, 20% Citigroup 3-month Treasury Bill, and 20% Lehman Aggregate.

² Sharpe ratio and standard deviation are as of March 31, 2010, for the period beginning March 31, 2004 (inception date).

U.S. Large Cap Equity

UBS Global Asset Management

Investment is made via a separately-managed account for UW Trust Funds.

U.S. Large Cap Equity		
<i>Portfolio Characteristics as of September 30, 2011</i>		
	UBS Asset Mgt	S&P 500
Standard deviation ¹	17.2%	16.4%
Sharpe ratio	0.05	N/A
P/E ratio ²	12.8	12.9
Price to book ratio	1.6	1.9
Five-year EPS growth	5.3	7.4
Asset turnover ³	70.5%	N/A
Number of holdings	72	500
% of portfolio held in cash	4.7%	N/A
Average market capitalization (\$mm)	\$60,794	\$87,429
Median market capitalization (\$mm)	\$31,497	\$45,533
<u>Major sector positions:</u>		
<i>Information Technology</i>	19.0%	19.4%
<i>Financials</i>	13.6%	13.6%
<i>Consumer Discretionary</i>	13.6%	10.6%
<i>Health Care</i>	13.1%	12.1%
<i>Consumer Staples</i>	11.4%	11.8%
<i>Industrials</i>	11.3%	10.3%
TOTAL	82.0%	77.8%

¹ Where standard deviations and Sharpe ratios are given, the time period used for computation begins December 1, 1997.

² P/E is calculated as the last 12 months of primary earnings per share before extraordinary items, divided by current market price.

³ Asset turnover is based on a one-year period.

UBS Asset Management: Top Ten Equity Holdings		
<i>As of September 30, 2011</i>		
Company	Market Value	Percent of Portfolio
APPLE INC	\$ 1,372,248	4.3%
PEPSICO INC	829,460	2.6%
PHILIP MORRIS	761,036	2.4%
WELLS FARGO & CO	742,896	2.4%
COLGATE-PALMOLIVE	718,308	2.3%
AT&T INC	707,296	2.2%
CITIGROUP	669,194	2.1%
COMCAST CORP	654,170	2.1%
KRAFT FOODS	651,452	2.1%
TIME WARNER	623,376	2.0%
TOTAL IN TOP TEN HOLDINGS	\$ 7,729,436	24.5%

U.S. Small and Mid-Cap Cap Equity

300 North Capital - Small Cap Growth

Investment is made via a separately-managed account for UW Trust Funds.

Small Cap Equity: Growth		
<i>Portfolio Characteristics as of September 30, 2011</i>		
	300 North Capital	Russell 2000 Growth
Standard deviation ¹	27.9%	25.5%
Sharpe ratio	0.02	N/A
P/E ratio ²	15.9	15.1
Price to book ratio	5.1	4.0
Five-year EPS growth	18.9	12.5
Asset turnover ³	76.8%	N/A
Number of holdings	79	1,141
% of portfolio held in cash	3.9%	N/A
Average market capitalization (\$mm)	\$1,477	\$1,181
Median market capitalization (\$mm)	\$1,215	\$477
<u>Major sector positions:</u>		
<i>Information Technology</i>	21.0%	23.2%
<i>Health Care</i>	18.3%	20.7%
<i>Industrials</i>	16.4%	15.7%
<i>Consumer Discretionary</i>	15.3%	14.8%
TOTAL	71.0%	74.4%

¹ Where standard deviations and Sharpe ratios are given, the time period used for 300 North Capital begins December 1, 1997.

² P/E is calculated as the last 12 months of primary earnings per share before extraordinary items, divided by current market price.

³ Asset turnover is based on a one-year period.

300 North Capital:		
Top Ten Equity Holdings		
<i>As of September 30, 2011</i>		
Company	Market Value	Percent of Portfolio
POLYPORE INTERNATIONAL INC	\$ 214,776	3.3%
HOUSTON WIRE & CABLE CO	182,691	2.8%
ZOLL MEDICAL CORP	156,621	2.4%
SUCCESSFACTORS INC	151,734	2.4%
PHARMASSET INC	140,853	2.2%
ATHENAHEALTH INC	133,988	2.1%
FRESH MARKET INC/THE	131,652	2.0%
HMS HOLDINGS CORP	120,731	1.9%
OASIS PETROLEUM INC	120,582	1.9%
NETSUITE INC	117,494	1.8%
TOTAL IN TOP TEN HOLDINGS	\$ 1,471,122	22.8%

Small Cap Core ETF

Investment is made via a small cap core exchange-traded index fund (“ETF”), pegged to the Russell 2000 Index.

Small-Cap Equity: Core		
<i>Portfolio Characteristics as of September 30, 2011</i>		
	Russell 2000 ETF	Russell 2000
Standard deviation ¹	24.2%	24.7%
Sharpe ratio	N/A	N/A
P/E ratio ²	13.6	14.9
Price to book ratio ³	1.4	1.5
Number of holdings	1,965	1,959
% of portfolio held in cash	0.0%	N/A
Average market capitalization (\$mm)	\$ 955	\$ 1,050
Median market capitalization (\$mm)	\$ 395	\$ 405
<u>Major sector positions:</u>		
<i>Financials</i>	22.7%	22.1%
<i>Information Technology</i>	15.0%	17.2%
<i>Consumer Discretionary</i>	14.5%	13.1%
<i>Health Care</i>	13.0%	12.9%
<i>Energy</i>	5.8%	6.2%
TOTAL	71.0%	71.5%

¹ Where standard deviations and Sharpe ratios are given, the time period used for

the Russell 2000 ETF begins May 4, 2007. Negative Sharpe ratios have been excluded.

² P/E is calculated as the last 12 months of primary earnings (ex-negative earnings) per share before extraordinary items, divided by current market price. P/E figures are provided by Russell Investments.

³ Price to book figures provided by Russell Investments.

Russell 2000 ETF:		
Top Ten Equity Holdings		
<i>As of September 30, 2011</i>		
Company	Market Value	Percent of Portfolio
NETLOGIC MICROSYSTEMS	\$ 20,193	0.3%
AMERICAN CAMPUS COMMUNITIES	15,442	0.3%
NICOR INC	15,442	0.3%
MFA FINANCIAL	15,442	0.3%
JACK HENRY & ASSOCIATES	15,442	0.3%
HEALTHSPRING INC	15,442	0.3%
CLEAN HARBORS INC	14,848	0.3%
CEPHEID INC	14,848	0.3%
WORLD FUEL SERVICES CORP	14,254	0.2%
NATIONAL RETAIL PROPERTIES	14,254	0.2%
TOTAL IN TOP TEN HOLDINGS	\$ 155,607	2.8%

Mid Cap Core ETF

Investment is made via a mid cap core exchange-traded index fund (“ETF”), pegged to the Russell Mid Cap Index.

Mid-Cap Equity: Core		
<i>Portfolio Characteristics as of September 30, 2011</i>		
	Russell Mid-Cap ETF	Russell Mid-Cap
Standard deviation ¹	22.9%	23.1%
Sharpe ratio	N/A	N/A
P/E ratio ²	15.0	14.3
Price to book ratio ³	1.9	1.8
Number of holdings	785	782
% of portfolio held in cash	0.0%	N/A
Average market capitalization (\$mm)	\$ 6,588	\$ 7,082
Median market capitalization (\$mm)	\$ 3,500	\$ 3,540
Major sector positions:		
<i>Financials</i>	20.2%	18.7%
<i>Consumer Discretionary</i>	16.7%	15.6%
<i>Information Technology</i>	11.2%	13.4%
<i>Health Care</i>	9.9%	10.5%
<i>Utilities</i>	8.7%	7.7%
<i>Energy</i>	7.3%	7.5%
TOTAL	74.0%	73.4%

¹ Where standard deviations and Sharpe ratios are given, the time period used for the Russell 2000 ETF begins May 4, 2007. Negative Sharpe ratios have been excluded.

² P/E is calculated as the last 12 months of primary earnings (ex-negative earnings) per share before extraordinary items, divided by current market price. P/E figures are provided by Russell Investments.

³ Price to book figures provided by Russell Investments.

Russell Midcap ETF:		
Top Ten Equity Holdings		
<i>As of September 30, 2011</i>		
Company	Market Value	Percent of Portfolio
CONSOLIDATED EDISON INC	\$ 30,137	0.5%
PPL CORPORATION	29,522	0.5%
HJ HEINZ CO	29,522	0.5%
SPECTRA ENERGY	28,906	0.5%
LORILLARD INC	28,906	0.5%
ANNALY CAPITAL MANAGEMENT	28,291	0.5%
EQUITY RESIDENTIAL	27,676	0.5%
PROGRESS ENERGY INC	27,676	0.5%
GOODRICH CORP	27,061	0.4%
MARSH & MCLENNAN	25,831	0.4%
TOTAL IN TOP TEN HOLDINGS	\$ 283,528	4.8%

U.S. Equity Composite

As the Long Term Fund's allocation to U.S. Equity is comprised of allocations to various equity subclasses (e.g., large-, mid-, small-cap), characteristic and risk data are shown for a composite of the Fund's U.S. equity exposure versus a broader market benchmark. The composite includes all current and prior U.S. Equity managers since April 1, 1998, the composite inception date.

U.S. Equities		
<i>Portfolio Characteristics as of September 30, 2011</i>		
	U.S. Equity Composite¹	Russell 3000
Standard deviation ²	19.1%	16.9%
Sharpe ratio	0.02	N/A
P/E ratio ³	14.7	13.5
Price to book ratio	1.7	1.9
Five-year EPS growth	5.9%	7.1%
Average market capitalization (\$mm)	\$ 38,419	\$ 71,773
Median market capitalization (\$mm)	\$ 12,193	\$ 28,360
<u>Major sector positions:</u>		
<i>Information Technology</i>	18.4%	18.8%
<i>Financials</i>	14.3%	14.8%
<i>Consumer Discretionary</i>	14.1%	11.7%
<i>Health Care</i>	13.4%	12.2%
<i>Industrials</i>	12.8%	10.8%
<i>Energy</i>	6.8%	11.7%
TOTAL	79.8%	80.0%

¹ The Long Term Fund U.S. Equity composite does not include equities held within the GMO Global Tactical Asset Allocation strategy.

² Where standard deviations and Sharpe ratios are given, the time period used begins April 1, 1998.

³ P/E is calculated as the last 12 months of primary earnings per share before extraordinary items, divided by current market price.

Developed Markets Non-U.S. Equity

UBS Global Asset Management

Investment here is made through UBS's institutional commingled fund, the UBS International Equity Fund.

Developed Markets Non-U.S. Equities		
<i>Portfolio Characteristics as of September 30, 2011</i>		
	UBS Intl Equity	MSCI EAFE
Standard deviation ¹	18.0%	18.0%
Sharpe ratio	0.00	0.01
P/E ratio ²	10.0	11.0
Price to book ratio	1.2	1.3
Five-year EPS growth	(2.6)%	2.4%
Asset turnover ³	41.0%	N/A
Number of holdings	61	1,863
% of portfolio held in cash	0.0%	N/A
Average market capitalization (\$mm)	\$ 33,393	\$ 11,778
Median market capitalization (\$mm)	\$ 21,098	\$ 5,336
<u>Major sector positions:</u>		
<i>Financials</i>	21.7%	23.3%
<i>Consumer Staples</i>	13.6%	10.5%
<i>Industrials</i>	13.4%	11.5%
<i>Materials</i>	9.2%	11.3%
<i>Energy</i>	8.8%	10.0%
<i>Telecommunication Services</i>	6.5%	5.9%
TOTAL	73.2%	72.5%

¹ Where standard deviations and Sharpe ratios are given, the time period used begins December 1, 1997.

² P/E is calculated as the last 12 months of primary earnings per share before extraordinary items, divided by current market price.

³ Asset turnover is based on a one-year period. UBS calculates turnover annually.

UBS International Equity Fund:		
Top Ten Equity Holdings		
<i>As of September 30, 2011</i>		
Company	Market Value	Percent of Portfolio
NOVARTIS	\$ 1,238,555	3.8%
BP	1,109,745	3.4%
NESTLE SA	977,633	3.0%
IMPERIAL TOBACCO GROUP	911,576	2.8%
VODAPHONE GROUP	885,154	2.7%
TELENOR ASA	842,217	2.6%
ISHARES MSCI EAFE	795,978	2.4%
CARREFOUR	749,739	2.3%
SUMITOMO MITSUI FINANCIAL	713,408	2.2%
FRESENIUS MEDICAL CARE	696,894	2.1%
TOTAL IN TOP TEN HOLDINGS	\$ 8,920,899	27.3%

UBS International Equity Fund: Top Country Holdings <i>As of September 30, 2011</i>			
Country	Market Value	Percent of Portfolio	Percent of Benchmark
UNITED KINGDOM	\$ 6,143,233	18.6%	19.8%
JAPAN	5,284,501	16.0%	20.6%
GERMANY	4,293,657	13.0%	6.9%
SWITZERLAND	3,104,644	9.4%	7.6%
CANADA	2,378,025	7.2%	10.7%
NETHERLANDS	1,717,463	5.2%	2.2%
TOTAL	\$ 22,921,523	69.4%	67.8%

Emerging Market Equity

GMO

Investment here is made through GMO's institutional mutual fund, the GMO Emerging Markets Fund III.

<u>Emerging Market Equities</u> <i>Portfolio Characteristics as of September 30, 2011</i>		
	GMO Emerging Markets	S&P/IFCI
Standard deviation ¹	25.6%	25.1%
Sharpe ratio	0.34	0.43
P/E ratio ²	10.3	11.3
Price to book ratio	1.5	1.5
Return on equity (1 year)	16.0%	14.6%
Asset turnover ³	126%	N/A
Number of holdings	476	2,083
% of portfolio held in cash	1.8%	N/A
Median market capitalization (\$mm)	\$ 7,900	\$ 5,500
Major sector positions: ⁴		
<i>Energy</i>	19.8%	12.4%
<i>Financials</i>	19.3%	22.5%
<i>Telecommunication Services</i>	16.1%	7.8%
<i>Materials</i>	13.8%	13.5%
<i>Information Technology</i>	12.2%	14.3%
TOTAL	81.2%	70.5%

¹ Where standard deviations and Sharpe ratios are given, the time period used begins November 1, 2003.

² P/E is calculated as the last 12 months of primary earnings per share before extraordinary items, divided by current market price.

³ Asset turnover is based on a one-year period. GMO calculates turnover annually.

⁴ The "Sectors" used are GICS classifications.

GMO Emerging Markets Fund: Top Ten Equity Holdings <i>As of September 30, 2011</i>		
Company	Market Value	Percent of Portfolio
VALE SA	\$ 1,175,202	4.3%
OAO GAZPROM	1,120,541	4.1%
PETROLEO BRASILEIRO	956,560	3.5%
SAMSUNG ELECTRONICS	901,899	3.3%
CHINA MOBILE	874,569	3.2%
LUKOIL OIL CORP	573,936	2.1%
ASTRA INTERNATIONAL	491,945	1.8%
BANCO DO BRASIL	409,954	1.5%
CHINA PETROLEUM	355,294	1.3%
ROSNEFT OJSC	355,294	1.3%
TOTAL IN TOP TEN HOLDINGS	\$ 7,215,194	26.4%

GMO Emerging Markets Fund: Top Country Holdings <i>As of September 30, 2011</i>			
Country	Market Value	Percent of Portfolio	Percent of Benchmark
BRAZIL	\$ 4,755,469	17.4%	14.5%
KOREA	3,962,891	14.5%	15.6%
CHINA	3,853,570	14.1%	16.0%
RUSSIA	3,361,624	12.3%	6.4%
TAIWAN	2,623,707	9.6%	12.3%
INDONESIA	1,530,496	5.6%	3.1%
TOTAL	\$ 20,087,756	73.5%	67.9%

U.S. High Yield

Seix Advisors

Investment here is made through Seix's institutional commingled fund, the Seix U.S. High Yield Fund.

U.S. High Yield		
<i>Portfolio Characteristics as of September 30, 2011</i>		
	Seix High Yield	Bank of America High Yield
Standard deviation ¹	10.5%	11.5%
Sharpe ratio	0.18	0.26
Average quality	BB-	BB-
Duration (years)	4.6	4.6
Yield to maturity	8.7%	8.6%
Average coupon	7.1%	8.0%
Number of holdings	357	1,799
<u>Major industry positions:</u>		
<i>Banking/Finance</i>	14.4%	13.3%
<i>Telecom</i>	13.3%	10.3%
<i>Energy</i>	11.4%	13.2%
<i>Utilities</i>	8.3%	5.4%
<i>Health Care</i>	7.5%	6.9%
<i>Automotive/Airlines/Shipping</i>	5.9%	5.0%
TOTAL	60.8%	54.1%

¹ Where standard deviations and Sharpe ratios are given, the time period used begins April 17, 2006.

Seix Advisors U.S. High Yield Fund:			
Top Ten Fixed Income Holdings			
<i>As of September 30, 2011</i>			
Issuer	Coupon/Final Maturity	Market Value	Percent of Portfolio
HCA INC	7.500% 2/15/2022	\$ 342,961	1.8%
TEXAS COMPETITIVE	11.500% 10/1/2020	336,162	1.8%
NRG ENERGY	7.875% 5/15/2021	308,562	1.6%
CIT GROUP INC	7.000% 5/1/2017	263,623	1.4%
SEARS	6.6250% 10/15/20218	233,670	1.2%
GMAC	8.000% 11/1/2031	228,088	1.2%
COMMUNITY HEALTH	8.875% 7/15/2015	194,052	1.0%
CHC HELICOPTER	9.250% 10/15/2020	180,629	1.0%
ALLY FINANCIAL INC	7.500% 9/15/2020	174,928	0.9%
CIT GROUP INC	7.000% 5/1/2016	173,177	0.9%
TOTAL IN TOP TEN HOLDINGS		\$ 2,435,852	12.8%

Private Equity

Adams Street Partners and J.P. Morgan

Shown below are some key characteristics of the private equity funds-of-funds in which the Long Term Fund is invested. Note that the data is as of the prior quarter-end.

Private Equity		
<i>Portfolio Characteristics As of June 30, 2011</i>		
	Adams Street Partners	J.P. Morgan
Total amount invested	\$ 23,054,837	\$ 20,180,192
Percentage of private equity program	53.3%	46.7%
Percent of commitments funded	67.5%	60.3%
Number of underlying partnerships	352	262
Number of underlying companies	7,410	2,491
<u>Primary/Secondary positions:</u>		
<i>Primary Investments</i>	86.0%	92.5%
<i>Secondary Investments</i>	14.0%	7.5%
<u>Subclass diversification:</u>		
<i>Buyouts</i>	51.0%	39.4%
<i>Venture Capital</i>	30.0%	35.6%
<i>Special Situations</i>	14.0%	11.3%
<i>Restructured/Distressed Debt</i>	3.0%	13.3%
<i>Mezzanine/Subordinated Debt</i>	2.0%	0.4%
<u>Geographic positions:</u>		
<i>United States</i>	75.6 %	77.5%
<i>Western Europe</i>	17.5%	14.6%
<i>Asia</i>	4.3%	7.4%
<i>Other</i>	2.6%	0.5%
<u>Industry positions:</u>		
<i>Computer</i>	21.0%	12.2%
<i>Medical/Health</i>	15.0%	20.9%
<i>Consumer</i>	14.0%	22.5%
<i>Finance/Insurance/Real Estate</i>	12.0%	10.4%
<i>Communications</i>	9.0%	4.3%
<i>Energy</i>	6.0%	3.3%
<i>Other</i>	6.0%	1.3%
<i>Consulting/Other Services</i>	5.0%	8.5%
<i>Industrial Products</i>	4.0%	10.9%
<i>Manufacturing</i>	3.0%	0.0%
<i>Biotechnology</i>	3.0%	0.0%
<i>Electronics</i>	2.0%	0.8%
<i>Transportation</i>	0.0%	4.9%
TOTAL	100.0%	100.0%

Event-Risk and Deflation-Hedge Assets

U.S. Treasurys

Applied Security Analysis Program

This portfolio is to be a passively-managed separate account benchmarked to the Citigroup U.S. Treasury 1-10 Year Index. For tactical reasons, the portfolio has been maintained in “cash” since it was transitioned over from a broad-market bond portfolio in early 2006.

U.S. Treasurys		
<i>Portfolio Characteristics as of September 30, 2011</i>		
	ASAP Treasurys	Citigroup U.S. Treasury
Standard deviation ¹	1.1%	3.4%
Sharpe ratio	N/A	0.66
Average quality	AAA	AAA
Duration (years)	0.1	3.9
Yield to maturity	0.4%	0.8%
Average coupon	0.4%	2.5%
Number of holdings	N/A	160

¹ Where standard deviations and Sharpe ratios are given, the time period used begins December 1, 2005.

Applied Security – U.S. Treasurys: Holdings Report		
<i>As of September 30, 2011</i>		
Mellon Custodial Short Term Fund	Market Value	Percent of Portfolio
CASH	\$ 18,913,403	100.0%

Real and Inflation-Hedge Assets

U.S. TIPS

Applied Security Analysis Program

This portfolio is a passively-managed separate account benchmarked to the Citigroup Inflation Linked Securities Index.

U.S. TIPS		
<i>Portfolio Characteristics as of September 30, 2011</i>		
	ASAP TIPS	Citigroup ILS
Standard deviation ¹	7.2%	7.1%
Sharpe ratio	0.42	0.47
Average quality	AAA	AAA
Duration (years)	5.5	5.5
Yield to maturity	2.1%	2.1%
Average coupon	2.1%	2.0%
Number of holdings	25	31

¹ Where standard deviations and Sharpe ratios are given, the time period used begins December 1, 2005.

Applied Security - U.S. TIPS:			
Top Ten Holdings			
<i>As of September 30, 2011</i>			
Holding	Coupon/Final Maturity	Market Value	Percent of Portfolio
US TREAS-CPI INFLATION INDEX	2.375% 01/15/2027	\$ 2,030,307	8.9%
US TREAS-CPI INFLATION INDEX	1.875%007/15/2013	1,869,811	8.2%
US TREAS-CPI INFLATION INDEX	2.000% 07/15/2014	1,585,091	7.0%
US TREAS-CPI INFLATION INDEX	1.625% 01/15/2015	1,405,510	6.2%
US TREAS-CPI INFLATION INDEX	3.625% 04/15/2028	1,268,433	5.6%
US TREAS-CPI INFLATION INDEX	2.375% 01/15/2025	1,170,499	5.1%
US TREAS-CPI INFLATION INDEX	2.000% 01/15/2016	1,082,604	4.7%
US TREAS-CPI INFLATION INDEX	1.375% 07/15/2018	1,029,849	4.5%
US TREAS-CPI INFLATION INDEX	2.375% 01/15/2017	1,029,175	4.5%
US TREAS-CPI INFLATION INDEX	2.000% 01/15/2014	1,027,628	4.5%
TOTAL IN TOP TEN HOLDINGS		\$ 13,498,907	59.2%

Opportunistic

GMO Emerging Illiquid Fund, L.P.:

Investment here is made through GMO's Emerging Illiquid Fund.

GMO Emerging Illiquid Fund, L.P.: <i>Portfolio Characteristics as of September 30, 2011</i>	
Number of holdings	GMO Emerging Illiquid Fund 38
<u>Major sector positions:</u>	
<i>Domestic Consumption</i>	55.0%
<i>Real Estate</i>	10.9%
<i>Resources</i>	10.7%
<i>Financial Services</i>	8.8%
<i>Technology</i>	8.6%
<i>Infrastructure</i>	6.0%
TOTAL	100.0%

GMO Emerging Illiquid Fund, L.P.: Top Ten Equity Holdings <i>As of September 30, 2011</i>		
Company	Market Value	Percent of Portfolio
MAGNIT OJSC	\$ 334,255	14.8%
COPEINCA ASA	149,060	6.6%
LPS BRASIL	137,767	6.1%
DOGUS OTOMOTIV SERVIS	126,475	5.6%
SIAM MAKRO	92,598	4.1%
KINGDEE INTERNATIONAL	90,339	4.0%
HATTON NATIONAL BANK	79,047	3.5%
ACCESSION MEZZANINE MUTUAL	78,595	3.5%
DIGITAL CHINA HOLDINGS	76,788	3.4%
HENGDELI HOLDINGS	72,271	3.2%
TOTAL IN TOP TEN HOLDINGS	\$ 1,237,195	54.8%

GMO Emerging Illiquid Fund, L.P.: Top Country Holdings <i>As of September 30, 2011</i>		
Country	Market Value	Percent of Portfolio
RUSSIA	\$ 503,641	22.3%
CHINA	329,738	14.6%
INDIA	313,929	13.9%
BRAZIL	205,522	9.1%
TURKEY	189,712	8.4%
PERU	169,386	7.5%
TOTAL	\$ 1,711,928	75.8%

Intermediate Term Fund: Composite

Fund-Level Constraints

There are currently no fund-level constraints for the Intermediate Term Fund other than asset allocation constraints described in the “Fund Overviews” section.

Risk Measures

Currently, the only statistical measurement made of overall risk is annualized standard deviation of monthly returns. Standard deviations of overall Fund returns for various timeframes are shown below. Also shown are the resulting Sharpe ratios, or return per unit of risk, a common measurement of portfolio efficiency.

Standard Deviation: <i>Periods Ended September 30, 2011</i>				
	1 year	3 year	5 year	10 year
Intermediate Term Fund	3.7%	6.3%	5.3%	4.3%
Barclay's Intermediate Aggregate ¹	2.3%	3.2%	2.9%	3.0%

¹The Barclay's Intermediate Aggregate benchmark, consisting of 100% investment-grade bonds, represents a more “traditional” asset allocation for a portfolio with an intermediate investment “duration.”

Sharpe Ratio¹: <i>Periods Ended September 30, 2011</i>				
	1 year	3 year	5 year	10 year
Intermediate Term Fund	N/A	0.57	0.43	0.28
Barclay's Intermediate Aggregate ¹	0.22	1.08	0.84	0.53

¹Note: The Sharpe measure of risk-adjusted performance is calculated by subtracting the risk-free rate from the rate of return for a portfolio and dividing the result by the standard deviation of the portfolio returns. The greater a portfolio's Sharpe ratio, the better its risk-adjusted performance. Sharpe ratios for periods where portfolio returns less the risk free rate are negative or zero are not meaningful and are shown as N/A.

Intermediate Term Fund: Individual Manager Portfolios

The tables that follow provide various portfolio characteristics of individual manager portfolios, and in the case of active separately-managed fixed income accounts, information as to compliance with current investment constraints. These restrictions are as follows:

- Modified duration within +/- one year from the benchmark's duration
- All securities must have a minimum quality rating of BBB (investment grade)
- Average portfolio quality of AA
- Maximum of 15% in dollar-denominated issues of foreign issuers (“Yankees”)
- Maximum of 25% in any one broad-market bond sector, U.S. Government/Agency sectors exempted (if an index has more than 25%, then up to 110% of the index weight)
- Maximum of 7% in any one issuer, U.S. Government/Agency issues exempted

U.S. Fixed Income			
<i>Portfolio Characteristics as of September 30, 2011</i>			
	Reams Asset Mgt	ASAP	Barclay's Intermediate
Standard deviation ¹	3.5%	3.1%	2.9%
Sharpe ratio	0.73	0.72	0.78
Average quality	AA-	AA	AA+
Duration (years)	3.3	3.6	3.6
Yield to maturity	2.8%	2.0%	2.1%
Average coupon	4.3%	4.7%	3.9%
Number of holdings	139	48	6,335
Yankee bond holdings	0.0%	2.3%	0.0%
Sector weightings:			
<i>U.S. Government</i> ²	2.6%	31.6%	43.6%
<i>Agency Mortgage Backed</i>	31.7%	4.2%	37.2%
<i>Non-Agency Mortgage Backed</i>	0.0%	32.4%	0.0%
<i>Commercial Mortgage Backed</i>	7.9%	0.0%	2.4%
<i>Corporate & Private Placements</i>	50.9%	25.8%	16.5%
<i>Asset Backed</i>	5.6%	0.0%	0.3%
<i>Money Market</i>	1.3%	6.0%	0.0%
TOTAL	100.0%	100.0%	100.0%

¹ Where standard deviations and Sharpe ratios are given, the time period used begins March 1, 1998.

² U.S. Government includes U.S. Treasury and Agency issues.

Reams Asset Management: Top Ten Non-Government Holdings			
<i>As of September 30, 2011</i>			
Issuer	Coupon/Final Maturity	Market Value	Percent of Portfolio
METROPOLITAN LIFE INSURANCE	7.700% 11/01/2015	\$ 883,788	2.1%
WACHOVIA BANK	4.875% 02/01/2015	627,716	1.5%
GENERAL ELECTRIC CAPITAL	6.000% 08/07/2019	597,702	1.4%
CREDIT SUISSE	4.375% 08/05/2020	585,978	1.4%
BANC OF AMERICA	5.118% 07/11/2043	561,014	1.3%
JPMORGAN CHASE & CO	4.625% 05/10/2021	542,206	1.3%
MORGAN STANLEY	5.500% 07/24/2020	528,527	1.2%
AMERICAN HONDA FINANCE	2.600% 09/20/2016	461,960	1.1%
FARMERS INSURANCE	6.000% 08/01/2014	425,639	1.0%
HERTZ VEHICLE FINANCE	2.200% 02/25/2016	420,250	1.0%
TOTAL IN TOP TEN HOLDINGS		\$ 5,634,780	13.8%

Applied Security: Top Ten Non-Government Holdings <i>As of September 30, 2011</i>			
Issuer	Coupon/Final Maturity	Market Value	Percent of Portfolio
BERKSHIRE HATHAWAY	4.600% 05/15/2013	\$ 263,801	2.4%
CANADIAN NATIONAL RAILWAY	6.800% 07/15/2018	250,636	2.3%
EATON VANCE CORP	6.500% 10/02/2017	227,021	2.1%
COMCAST CORP	6.500% 01/15/2015	226,793	2.1%
JPMORGAN CHASE	4.750% 03/01/2015	211,615	1.9%
XTO ENERGY	6.250% 08/01/2017	187,274	1.7%
NEWS AMERICAN HLDGS	8.000% 10/17/2016	179,430	1.7%
UNITEDHEALTH GROUP	5.375% 03/15/2016	170,107	1.6%
STAPLES INC	7.375% 10/01/2012	159,173	1.5%
GOLDMAN SACHS	6.250% 09/01/2017	155,992	1.4%
TOTAL IN TOP TEN HOLDINGS		\$ 2,031,842	18.7%

Multi-Asset Portfolio <i>Portfolio Characteristics as of September 30, 2011</i>		
Asset Class/Vehicle	Index or Manager	Characteristics¹
U.S. Large Cap Equities/iShares S&P 500 ETF	S&P 500	Page 24
Non-U.S. Equities/iShares MSCI EAFE ETF	MSCI EAFE	Page 29
U.S. High Yield/STI Classic Seix High Yield Fund	Seix Advisors	Page 32

¹ Investment characteristics for each of these indexes or active portfolios can be found on the pages listed.

U.S. TIPS

TIPS ETF

Investment is made via a TIPS exchange-traded index fund ("ETF"), pegged to the Barclay's U.S. TIPS 0-5 Year Index.

U.S. TIPS <i>Portfolio Characteristics as of September 30, 2011</i>		
	Barclay's TIPS 0-5 Year ETF	Barclay's TIPS 0-5 Year
Standard deviation ¹	N/A	N/A
Sharpe ratio	N/A	N/A
Average quality	AAA	AAA
Duration (years)	1.2	1.2
Average coupon	1.7%	1.7%
Number of holdings	14	14

¹ Where standard deviations and Sharpe ratios are given, the time period used begins April 1, 2008.

**U.S. TIPS:
Top Ten Holdings**
As of September 30, 2011

Holding	Coupon/Final Maturity	Market Value	Percent of Portfolio
US TREAS-CPI INFLATION INDEX	2.00% 01/15/2014	\$ 1,277,083	9.9%
US TREAS-CPI INFLATION INDEX	3.00% 07/15/2012	1,277,083	9.9%
US TREAS-CPI INFLATION INDEX	1.88% 07/15/2013	1,238,383	9.6%
US TREAS-CPI INFLATION INDEX	2.00% 01/15/2014	1,173,884	9.1%
US TREAS-CPI INFLATION INDEX	0.50% 04/15/2015	1,122,285	8.7%
US TREAS-CPI INFLATION INDEX	1.88% 07/15/2015	1,096,485	8.5%
US TREAS-CPI INFLATION INDEX	2.00% 01/15/2016	1,006,186	7.8%
US TREAS-CPI INFLATION INDEX	1.25% 04/15/2014	812,689	6.3%
US TREAS-CPI INFLATION INDEX	2.00% 04/15/2012	773,990	6.0%
US TREAS-CPI INFLATION INDEX	0.62% 04/15/2013	748,190	5.8%
TOTAL IN TOP TEN HOLDINGS		\$ 10,526,258	81.6%