Natural Resources Related Trust Funds

Investment Report

September 30, 2012

Fiscal Year End Report

Prepared By Bureau of Investments

Michigan Department of Treasury

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Table 1

Natural Resources Related Trust Funds

Amount Available For Investment and

Asset Allocation Targets

September 30, 2012

Fund No.	Fund Name	Operating Funds	Investible* Funds	Total Funds (Market Value)	Asset Allocation Targets** Bonds ***	Equity
112	Game & Fish Lifetime License	3,733,544	$ 1,654,760	5,388,304	100%	0%
124	Game & Fish Protection Trust	39,022,329	180,026,096	219,048,425	70%	30%
129	Natural Resources Trust	211,737,941	509,102,168	720,840,109	75%	25%
130	State Parks Endowment	49,442,127	155,559,383	205,001,510	75%	25%
143	Nongame Fish & Wildlife Trust	973,631	6,006,346	6,979,977	90%	10%
	Total	$ 304,909,572	$ 852,348,753	$ 1,157,258,325		

*Amounts provided by DNR
**Ratio Based on Amount Available For Investment.
***Includes allocation to Alternative Investments

Prepared by Bureau of Investments, Michigan Department of Treasury

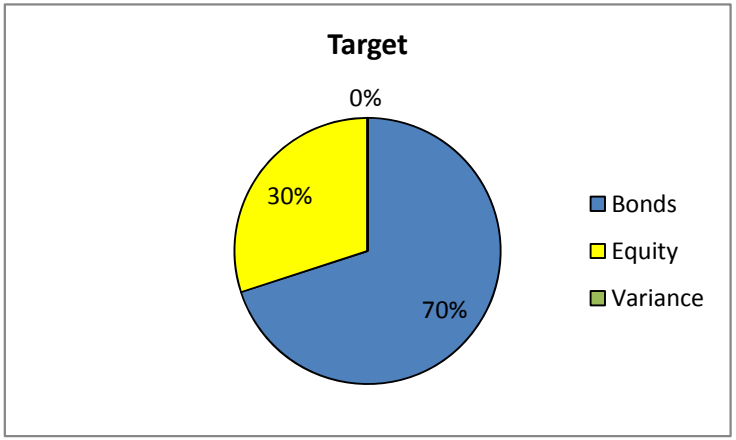
Table 2

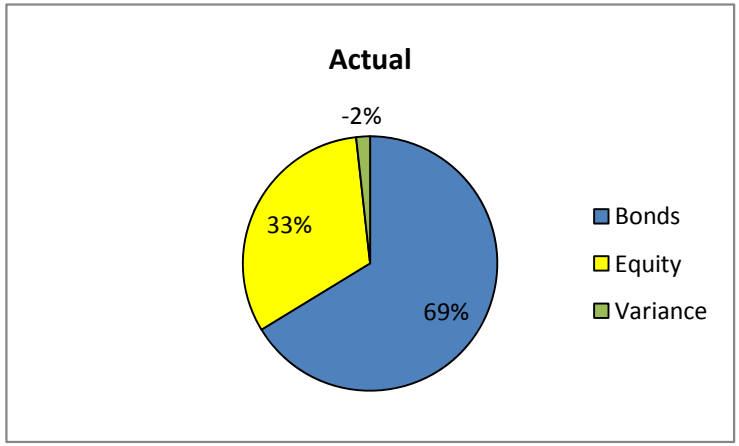
Natural Resources Related Trust Funds

Game & Fish Protection Trust (124)

Comparison of Actual Allocation vs. Targeted Allocation

Investment Market Values as of September 30, 2012





	Target	Actual	Difference	Market Value
Bonds	70%	69%	-1%	$123,724,339
Equity	30%	33%	3%	$59,590,790
Variance	0%	-2%	-2%	($3,289,032)
Investible Funds				$180,026,096

* BOI maintains a range of +/- 5% to target weighting

Table 3

Natural Resources Related Trust Funds

Game & Fish Protection Trust (124)

Investment Holdings as of September 30, 2012

Top 10 Credit Positions

Issuer	Par Value	Rating	Avg. Maturity (years)	Price	Avg. Coupon (%)	Avg. Yield (%)	Market Value	Portfolio Weight (%)
Nucor Corp.	$5,000,000	A	6.67	$113.42	4.13	2.64	$5,670,755	3.15
Volkswagen AG	5,000,000	A-	4.21	110.36	4.00	2.54	5,518,000	3.07
Duke Energy Corp.	4,880,000	A	7.05	111.85	4.34	1.60	5,458,167	3.03
Toyota Motor Corp.	5,000,000	AA-	3.02	105.35	2.30	1.41	5,267,289	2.93
General Electric Co.	5,000,000	AA+	10.97	104.77	3.29	0.80	5,238,619	2.91
MetLife Inc.	4,500,000	A-	1.45	115.90	4.75	2.64	5,215,410	2.90
Honda Motor Co. Ltd.	4,950,000	A+	8.87	100.87	2.38	1.10	4,993,139	2.77
Philip Morris International Inc.	4,000,000	A	1.47	113.47	4.13	2.49	4,538,776	2.52
Lowe's Cos.	4,000,000	A-	9.37	109.01	3.75	2.62	4,360,536	2.42
Verizon Communications Inc.	3,500,000	A-	9.64	117.74	5.52	1.06	4,121,029	2.29
REMAINING 28 Issuers	66,438,302						72,517,958	40.28
Total Bond Holdings	$112,268,302	A	6.25	$109.47	3.909	1.87	$122,899,678	68.27

Equity Holdings

Issuer	Shares	Price	Market Value	
Vanguard Institutional Index Fund	434,075	$131.95	$57,276,218.68	31.82
Vanguard Mid-Cap Index Fund	104,213	22.21	2,314,571	1.29
Total Equity Holdings			$59,590,790	33.10

Alternative Asset Holdings

Issuer	Shares	Price	Market Value	
MI Growth Capital Partners-SBIC	808,887	$1.02	$824,661	0.46
Variance			-$3,289,032	-1.83
Total Investment Holdings			$180,026,096	

Estimated Income & Dividends Over the Next 12 Months	$5,588,408

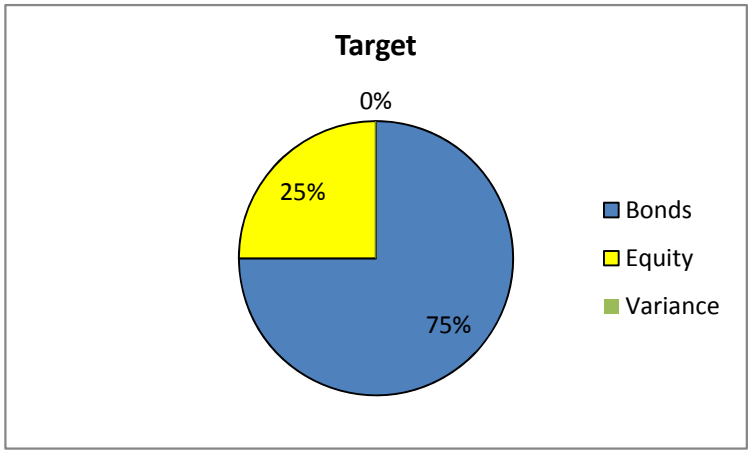
Table 4

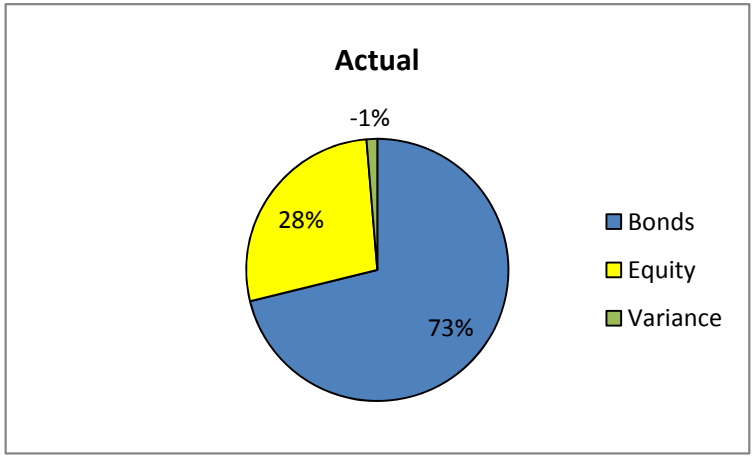
Natural Resources Related Trust Funds

Natural Resources Trust Fund (129)

Comparison of Actual Allocation vs. Targeted Allocation

Investment Market Values as of September 30, 2012





	Target	Actual	Difference	Market Value
Bonds	75%	73%	-2%	$372,261,675
Equity	25%	28%	3%	$143,803,197
Variance	0%	-1%	-1%	($6,962,704)
Investible Funds				$509,102,168

Table 5

Natural Resources Related Trust Funds

Natural Resources Trust Fund (129)

Investment Holdings as of September 30, 2012

Top 10 Credit Positions

Issuer	Par Value	Rating	Avg. Maturity (years)	Price	Avg. Coupon (%)	Avg. Yield (%)	Market Value	Portfolio Weight (%)
Hewlett-Packard Co.	13,000,000	BBB+	1.87	$104.35	3.93	1.45	13,565,962	2.66
Toyota Motor Corp.	12,500,000	AA-	5.32	105.35	2.30	1.41	13,168,223	2.59
Teva Pharmaceutical Industries Ltd.	12,000,000	A-	4.34	106.81	3.16	1.24	12,817,647	2.52
DTE Energy Co.	10,400,000	A	6.72	117.04	4.59	1.74	12,172,404	2.39
JPMorgan Chase & Co.	10,500,000	A	2.73	106.13	3.40	1.21	11,144,123	2.19
Cargill, Inc.	10,030,000	A	9.42	103.55	3.30	2.84	10,385,834	2.04
Paccar Inc.	10,000,000	A+	2.34	101.43	1.30	0.79	10,142,940	1.99
Lowe's Cos.	9,000,000	A-	6.97	111.58	4.30	2.15	10,041,852	1.97
SAIC Inc.	9,100,000	A-	8.18	109.87	4.45	3.27	9,998,206	1.96
Koninklijke Philips Electronics N.V.	9,000,000	A-	9.46	108.21	3.75	2.79	9,738,936	1.91
REMAINING 44 Issuers	237,298,095						256,651,212	50.41
Total Bond Holdings	342,828,095	A	7.28	$107.88	3.64	1.90	369,827,338	72.64

Equity Holdings

Issuer	Shares	Price	Market Value	
Vanguard Institutional Index Fund	998,323	$131.95	131,728,765	25.87
Vanguard Mid-Cap Index Fund	543,648	22.21	12,074,432	2.37
Total Equity Holdings			143,803,197	28.25

Alternative Asset Holdings

Issuer	Shares	Price	Market Value	
MI Growth Capital Partners-SBIC	2,387,773	$1.02	2,434,337	0.48
Variance			-6,962,704	-1.37
Total Investment Holdings			509,102,168	

Estimated Income & Dividends Over the Next 12 Months	15,198,763

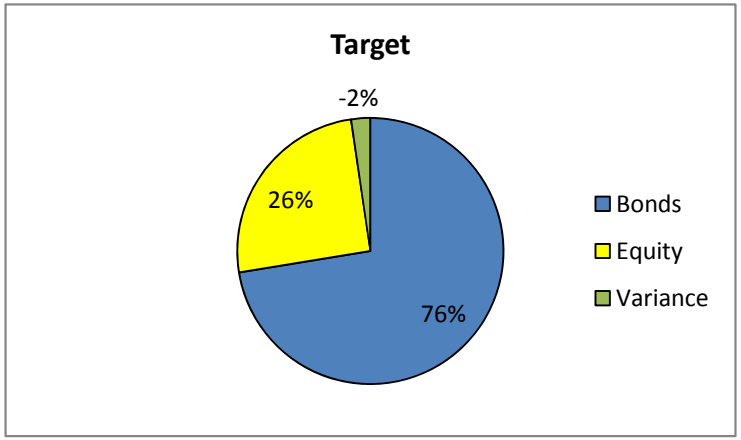
Table 6

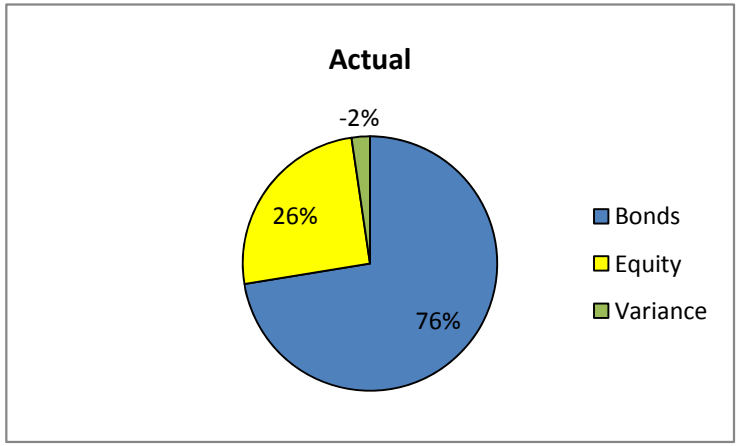
Natural Resources Related Trust Funds

State Parks Endowment Fund (130)

Comparison of Actual Allocation vs. Targeted Allocation

Investment Market Values as of September 30, 2012





	Target	Actual	Difference	Market Value
Bonds	75%	76%	1%	$118,172,227
Equity	25%	26%	1%	$41,186,933
Variance	0%	-2%	-2%	($3,799,778)
Investible Funds				$155,559,383

* BOI maintains a range of +/- 5% to target weighting

Table 7

Natural Resources Related Trust Funds

State Parks Endowment Fund (130)

Investment Holdings as of September 30, 2012

Top 10 Credit Positions

Issuer	Par Value	Rating	Avg. Maturity (years)	Price	Avg. Coupon (%)	Avg. Yield (%)	Market Value	Portfolio Weight (%)
Toyota Motor Corp.	$5,500,000	AA-	4.00	$105.09	1.95	1.14	$5,780,004	3.72
Bank of America Corp.	5,250,000	A-	3.24	107.92	4.36	1.87	5,665,962	3.64
JPMorgan Chase & Co.	5,000,000	A	7.81	110.06	4.40	3.04	5,502,935	3.54
Hewlett-Packard Co.	4,550,000	BBB+	1.67	105.42	4.75	1.44	4,796,651	3.08
General Electric Co.	4,500,000	AA+	1.80	102.90	2.87	0.81	4,630,655	2.98
Philip Morris International Inc.	4,000,000	A	8.63	113.47	4.13	2.49	4,538,776	2.92
Goldman Sachs Group Inc.	4,000,000	A-	2.84	105.47	3.70	1.71	4,218,980	2.71
Total S.A.	3,250,000	AA-	3.01	107.37	3.13	0.69	3,489,577	2.24
SAIC Inc.	3,000,000	A-	8.18	109.87	4.45	3.27	3,296,112	2.12
AT&T Inc.	2,000,000	A-	7.55	105.72	3.73	2.01	2,114,390	1.36
REMAINING 28 Issuers	66,876,896						73,470,793	47.23
Total Bond Holdings	$107,926,896	A	6.40	$108.87	3.942	1.90	$117,504,833	75.54

Equity Holdings

Issuer	Shares	Price	Market Value	
Vanguard Institutional Index Fund	298,818	$131.95	$39,429,050	25.35
Vanguard Mid-Cap Index Fund	79,148	22.21	1,757,884	1.13
Total Equity Holdings			$41,186,933	26.48

Alternative Asset Holdings

Issuer	Shares	Price	Market Value	
MI Growth Capital Partners-SBIC	654,628	$1.02	$667,394	0.43
Variance			($3,799,778)	-2.44
Total Investment Holdings			$155,559,383	

Estimated Income & Dividends Over the Next 12 Months	$5,018,882

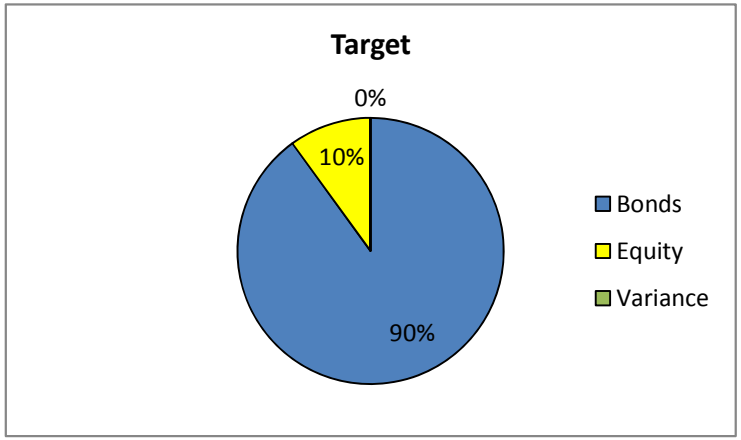
Table 8

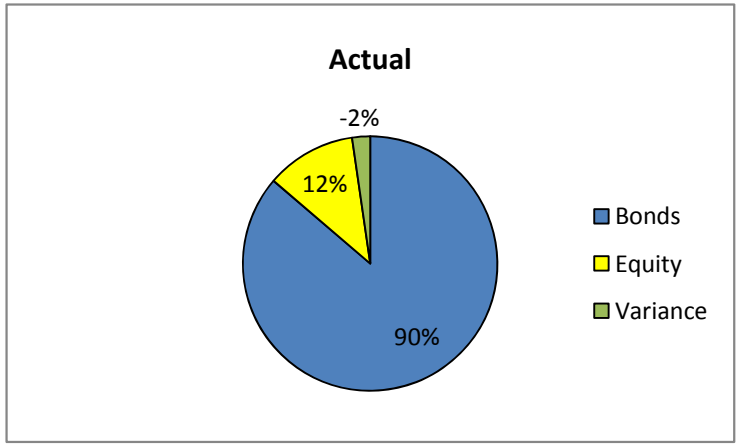
Natural Resources Related Trust Funds

Nongame Fish and Wildlife Trust Fund (143)

Comparison of Actual Allocation vs. Targeted Allocation

Investment Market Values as of September 30, 2012





	Target	Actual	Difference	Market Value
Bonds	90%	90%	0%	$5,430,737
Equity	10%	12%	2%	$719,984
Variance	0%	-2%	-2%	($144,375)
Investible Funds				$6,006,346

* BOI maintains a range of +/- 5% to target weighting

Table 9

Natural Resources Related Trust Funds

Nongame Fish and Wildlife Trust Fund (143)

Investment Holdings as of September 30, 2012

Top 10 Credit Positions

Issuer	Par Value	Rating	Maturity	Price	Avg. Coupon (%)	Avg. Yield (%)	Market Value	Portfolio Weight (%)
The Detroit Edison Co.	$500,000	A	6/15/18	$121.94	5.60	1.48	$609,687	10.15
Target Corp.	500,000	A+	5/1/17	119.31	5.38	1.23	596,526	9.93
Medtronic, Inc.	500,000	A+	3/15/20	116.22	4.45	2.29	581,125	9.68
Avon Products, Inc.	500,000	BBB-	3/1/18	108.12	5.75	4.10	540,611	9.00
Total Capital SA	500,000	AA-	10/2/15	107.37	3.13	0.69	536,858	8.94
Wells Fargo & Co.	500,000	A+	4/15/15	107.05	3.63	0.91	535,248	8.91
Thermo Fisher Scientific, Inc.	500,000	A-	8/15/21	107.00	3.60	2.74	535,000	8.91
GE Capital Corp.	500,000	AA+	5/9/16	105.74	2.95	1.28	528,703	8.80
John Deere Capital Corp.	500,000	A-	4/15/16	105.25	3.25	1.72	526,255	8.76
AT&T	200,000	A-	12/15/16	114.04	5.20	1.48	228,075	3.80
Public Service Electric & Gas Co.	200,000	A-	11/1/13	106.33	6.33	0.54	212,651	3.54
Total Bond Holdings	$4,900,000	A	4.81	$110.83	4.32	1.75	$5,430,737	90.42

Equity Holdings

Issuer	Shares	Price	Market Value	
Vanguard Institutional Index Fund	5,456	$131.95	$719,984	11.99
Total Equity Holdings			$719,984	11.99
Variance			($144,375)	-2.40
Total Investment Holdings			$6,006,346	

Estimated Income & Dividends Over the Next 12 Months	$227,453

Table 10

Natural Resources Related Funds

Investment Return Performance Summary

For Period Ending September 30, 2012

Fund Number	Fund Name	Bond Target	Equity Target	Time Weighted Rate of Return				
				7 Years*	5 Years*	3 Years*	2 Years*	1 Year
112	Game and Fish Lifetime License Fund	100%	0%	2.95%	2.06%	1.31%	0.89%	1.31%
124	Game and Fish Trust Fund	70%	30%	6.32%	5.38%	7.76%	7.49%	12.23%
129	Natural Resources Trust Fund	75%	25%	5.60%	5.32%	6.31%	5.75%	9.24%
130	State Parks Endowment Fund	75%	25%	6.23%	5.95%	7.43%	6.41%	9.76%
143	Non-Game Fish & Wildlife Trust	90%	10%	6.40%	6.44%	6.72%	5.02%	6.93%
	Combined Natural Resources Funds			**5.80%**	**5.42%**	**6.69%**	**6.08%**	**9.72%**

*Annualized returns

Table 11

Natural Resources Related Funds

Investment Return Performance By Asset Class

For Period Ending September 30, 2012

Asset Class	Share of Fund	Time Weighted Rate of Return				
		7 Years*	5 Years*	3 Years*	2 Years*	1 Year
Short Term Investments	25.1%	2.24%	1.04%	0.19%	0.16%	0.12%
30 Day Treasury Bill		*1.68%*	*0.51%*	*0.07%*	*0.06%*	*0.04%*
U.S. Government Bonds	3.8%	5.31%	5.34%	4.78%	4.12%	3.54%
Barclays Government Security Index		*5.57%*	*6.01%*	*5.15%*	*4.25%*	*2.95%*
Corporate Bonds	49.6%	6.88%	8.09%	7.51%	5.77%	7.96%
Barclays Credit Index		*6.71%*	*7.90%*	*8.73%*	*7.29%*	*10.09%*
Barclays US Agg Credit Corporate Index		*6.78%*	*8.06%*	*9.09%*	*7.53%*	*10.76%*
S&P 500 Fund	19.8%	N/A **	N/A **	13.21%	14.75%	30.22%
S&P 500 Index		*4.48%*	*1.05%*	*13.20%*	*14.76%*	*30.20%*
Mid Cap Fund	1.4%	N/A **	N/A **	13.99%	12.09%	26.51%
MSCI US Mid Cap 450 Index		*5.10%*	*1.90%*	*14.05%*	*12.13%*	*26.53%*
Total Equities		N/A **	N/A **	13.25%	14.57%	29.95%
Alternative Asset Holdings	0.3%					-11.17%
Total Funds* **	**100.0%**	**5.80%**	**5.42%**	**6.69%**	**6.08%**	**9.72%**

**Annualized Returns*

***N/A = Not Available*

Prepared By: Bureau of Investments, Michigan Department of Treasury

Estimated 1 year return without cash is approximately 13.9%

Table 12

Natural Resources Related Funds

Long-Term Risk/Return Assumptions

Asset Class	Return (%)	Risk/ Standard Deviation (%)
Cash	2.25	3.00
Bonds	4.25	5.75
Equities (S&P 500)	7.75	17.75

Current Market Yields:

3 Month U.S. Treasury Bill	0.08 %
Barclay's Aggregate Bond Index	1.69 %

* LT Risk/Return information provided by RV Kuhns and Wilshire Compass