

# Natural Resources Related Trust Funds Asset Allocation Review

Natural Resources Commission  
Policy Committee on Finance and Administration  
June 4, 2009



Prepared By Bureau of Investments  
Michigan Department of Treasury  
May 2009

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Natural Resources Related Trust Funds  
 Asset Allocation Review  
 Amount Available For Investment and Asset Allocation Targets

Fund No.	Fund Name	Total Market Value as of 4/30/09	Amount Available For Investment at 9/30/08*	Asset Allocation Targets**	
				Bonds	Equity
112	Game & Fish Protection (Lifetime License)	\$5,343,124	\$1,702,389	100%	0%
124	Game & Fish Protection Trust	\$113,810,953	\$110,297,875	70%	30%
129	Natural Resources Trust	\$501,654,564	\$379,048,990	75%	25%
130	State Parks Endowment	\$143,439,631	\$131,980,843	75%	25%
143	Nongame Fish & Wildlife Trust	\$6,038,549	\$6,033,881	90%	10%
	Total	\$764,943,697	\$629,063,978		

\*Amounts Provided by DNR 1/13/09.

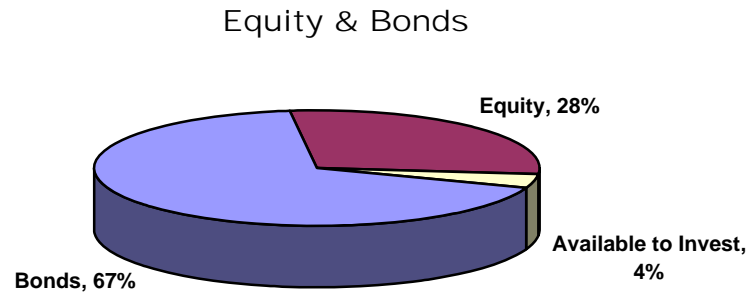
\*\*Ratio Based on Amount Available For Investment.

Natural Resources Related Trust Funds  
 Asset Allocation Review - Asset Allocation By Fund  
 Investment Market Values as of April 30, 2009

Asset Class	Game & Fish Protection Trust (124)		Natural Resources Trust (129)	
	Market Value	%	Market Value	%
Bond Investments	\$74,261,568	67.3%	\$274,290,906	72.4%
Equity Investments	\$31,201,345	28.3%	\$55,154,665	14.6%
<b>Total Bonds + Equity</b>	<b>\$105,462,913</b>	<b>95.6%</b>	<b>\$329,445,571</b>	<b>86.9%</b>
Cash Available For Investment	\$4,834,962	4.4%	\$49,603,419	13.1%
DNR Amount Available For Investment	\$110,297,875	100.0%	\$379,048,990	100.0%
Operating Funds	\$3,513,078		\$122,605,574	
Total MV For Fund	\$113,810,953		\$501,654,564	

Asset Class	State Parks Endowment (130)		Nongame Fish & Wildlife (143)	
	Market Value	%	Market Value	%
Bond Investments	\$91,662,721	69.5%	\$4,998,330	82.8%
Equity Investments	\$23,510,104	17.8%	\$501,970	8.3%
<b>Total Bonds + Equity</b>	<b>\$115,172,825</b>	<b>87.3%</b>	<b>\$5,500,300</b>	<b>91.2%</b>
Cash Available For Investment	\$16,808,018	12.7%	\$533,581	8.8%
DNR Amount Available For Investment	\$131,980,843	100.0%	\$6,033,881	100.0%
Operating Funds	\$11,458,788		\$4,668	
Total MV For Fund	\$143,439,631		\$6,038,549	

Natural Resources Related Trust Funds  
 Asset Allocation Review - Game & Fish Protection Trust (124)  
 Comparison of Actual Allocation vs. Targeted Allocation  
 Investment Market Values as of April 30, 2009



Total Amount Available For Investment*	Target for Bond Investments		Actual Bond Investments as of April 30, 2009		Difference of Target/Actual	
	Ratio	Amount**	Market Value	%**	Market Value	%**
\$110,297,875	70%	\$77,208,513	\$74,261,568	67%	-\$2,946,945	-3%
Total Amount Available For Investment*	Target For Equity Investments		Actual Equity Investments as of April 30, 2009		Difference of Target/Actual	
	Ratio	Amount**	Market Value	%**	Market Value	%**
\$110,297,875	30%	\$33,089,363	\$31,201,345	28%	-\$1,888,018	-2%

\*Amount provided by DNR 1/13/09

\*\* Based on Amount Available For Investment

Prepared by Bureau of Investments, Michigan Department of Treasury

Natural Resources Related Trust Funds  
 Asset Allocation Review - Game & Fish Protection Trust (124)  
*Long-Term Estimated Returns*

**Please note: This is an estimate only for comparison purposes and is not a guarantee of future returns or market value.**

Long-Term Estimated Return Based on Actual Investment Amounts/Ratios as of 4/30/09						
Asset Class	Actual Market Value 04/30/2009	Actual % of Total*	Expected Return	Expected Risk	Range of Expected Returns (Encompassing 68% of projected return scenario's)	
					Low End Projection	High End Projection
Bonds	\$74,261,568	67%	5.25%	4.50%	0.75%	9.75%
Equity	\$31,201,345	28%	8.45%	17.25%	-8.80%	25.70%
Total Bonds + Equity	\$105,462,913	96%			-1.98%	13.83%
Cash Available For Investment	\$4,834,962	4%	2.00%	2.00%	0.00%	4.00%
Targeted Investment Amount	\$110,297,875	100%			-1.90%	13.40%
Operating Funds	\$3,513,078					
Total Market Value	\$113,810,953					

Long-Term Estimated Return Based on Investment Targets as of 4/30/09						
Asset Class	Targeted Investment Market Value	Targeted % of Total*	Expected Return	Expected Risk	Range of Expected Returns (Encompassing 68% of projected return scenario's)	
					Low End Projection	High End Projection
Bonds	\$77,208,513	70%	5.25%	4.50%	0.75%	9.75%
Equity	\$33,089,363	30%	8.45%	17.25%	-8.80%	25.70%
Total Bonds + Equity	\$110,297,875	100%			-2.12%	14.54%
Operating Funds	\$3,513,078	0%	2.00%	2.00%	0.00%	4.00%
Total Market Value	\$113,810,953				-2.12%	14.54%

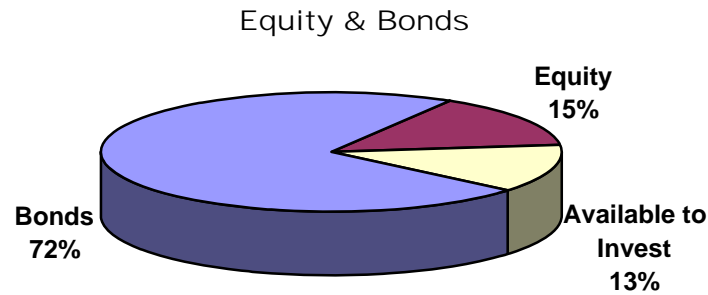
\*Based on Amount Available For Investment provided by DNR 1/13/09.

\*\*One Year Period 4/30/09 to 4/30/10

Based on estimated long-term return projections provided by RVKuhns & Associates

Prepared by Bureau of Investments, Michigan Department of Treasury

Natural Resources Related Trust Funds  
 Asset Allocation Review - Natural Resources Trust (129)  
 Comparison of Actual Allocation vs. Targeted Allocation  
 Investment Market Values as of April 30, 2009



Total Amount Available For Investment*	Target for Bond Investments		Actual Bond Investments as of April 30, 2009		Difference of Target/Actual	
	Ratio	Amount**	Market Value	%**	Market Value	%**
\$379,048,990	75%	\$284,286,743	\$274,290,906	72%	-\$9,995,837	-3%
Total Amount Available For Investment*	Target For Equity Investments		Actual Equity Investments as of April 30, 2009		Difference of Target/Actual	
	Ratio	Amount**	Market Value	%**	Market Value	%**
\$379,048,990	25%	\$94,762,248	\$55,154,665	15%	-\$39,607,583	-10%

\*Amount provided by DNR 1/13/09

\*\* Based on Amount Available For Investment

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Natural Resources Related Trust Funds  
 Asset Allocation Review - Natural Resources Trust (129)  
*Long-Term Estimated Returns*

**Please note: This is an estimate only for comparison purposes and is not a guarantee of future returns or market value.**

Long-Term Estimated Return Based on Actual Investment Amounts/Ratios as of 4/30/09						
Asset Class	Actual Market Value 04/30/2009	Actual % of Total*	Expected Return	Expected Risk	Range of Expected Returns (Encompassing 68% of projected return scenario's)	
					Low End Projection	High End Projection
Bonds	\$274,290,906	72%	5.25%	4.50%	0.75%	9.75%
Equity	\$55,154,665	15%	8.45%	17.25%	-8.80%	25.70%
Total Bonds + Equity	\$329,445,571	87%			-0.74%	10.79%
Cash Available For Investment	\$49,603,419	13%	2.00%	2.00%	0.00%	4.00%
Targeted Investment Amount	\$379,048,990	100%			-0.64%	9.91%
Operating Funds	\$122,605,574					
Total Market Value	\$501,654,564					

Long-Term Estimated Return Based on Investment Targets as of 4/30/09						
Asset Class	Targeted Investment Market Value	Targeted % of Total*	Expected Return	Expected Risk	Range of Expected Returns (Encompassing 68% of projected return scenario's)	
					Low End Projection	High End Projection
Bonds	\$284,286,743	75%	5.25%	4.50%	0.75%	9.75%
Equity	\$94,762,248	25%	8.45%	17.25%	-8.80%	25.70%
Total Bonds + Equity	\$379,048,990	100%			-1.64%	13.74%
Operating Funds	\$122,605,574	0%	2.00%	2.00%	0.00%	4.00%
Total Market Value	\$501,654,564				-1.64%	13.74%

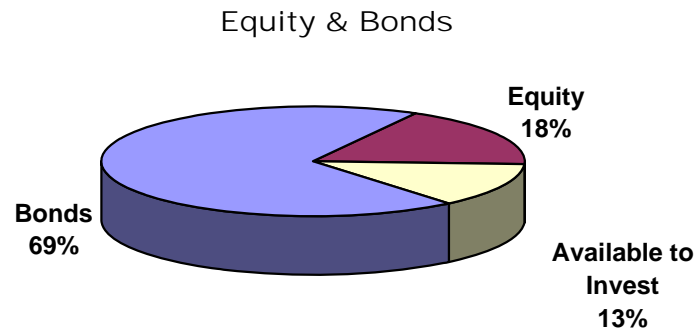
\*Based on Amount Available For Investment provided by DNR 1/13/09

\*\*One Year Period 4/30/09 to 4/30/10

Based on estimated long-term return projections provided by RVKuhns & Associates

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Natural Resources Related Trust Funds  
 Asset Allocation Review - State Parks Endowment (130)  
 Comparison of Actual Allocation vs. Targeted Allocation  
 Investment Market Values as of April 30, 2009



Total Amount Available For Investment*	Target for Bond Investments		Actual Bond Investments as of April 30, 2009		Difference of Target/Actual	
	Ratio	Amount**	Market Value	%**	Market Value	%**
\$131,980,843	75%	\$98,985,632	\$91,662,721	69%	-\$7,322,911	-6%
Total Amount Available For Investment*	Target For Equity Investments		Actual Equity Investments as of April 30, 2009		Difference of Target/Actual	
	Ratio	Amount**	Market Value	%**	Market Value	%**
\$131,980,843	25%	\$32,995,211	\$23,510,104	18%	-\$9,485,107	-7%

\*Amount provided by DNR 1/13/09

\*\* Based on Amount Available For Investment

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Natural Resources Related Trust Funds  
 Asset Allocation Review - State Parks Endowment (130)  
*Long-Term Estimated Returns*

**Please note: This is an estimate only for comparison purposes and is not a guarantee of future returns or market value.**

Long-Term Estimated Return Based on Actual Investment Amounts/Ratios as of 4/30/09						
Asset Class	Actual Market value 04/30/2009	Actual % of Total*	Expected Return	Expected Risk	Range of Expected Returns (Encompassing 68% of projected return scenario's)	
					Low End Projection	High End Projection
Bonds	\$91,662,721	69%	5.25%	4.50%	0.75%	9.75%
Equity	\$23,510,104	18%	8.45%	17.25%	-8.80%	25.70%
Total Bonds + Equity	\$115,172,825	87%			-1.05%	11.35%
Cash Available For Investment	\$16,808,018	13%	2.00%	2.00%	0.00%	4.00%
Targeted Investment Amount	\$131,980,843	100%			-0.91%	10.41%
Operating Funds	\$11,458,788					
Total Market Value	\$143,439,631					

Long-Term Estimated Return Based on Investment Targets as of 4/30/09						
Asset Class	Targeted Investment Market Value	Targeted % of Total*	Expected Return	Expected Risk	Range of Expected Returns (Encompassing 68% of projected return scenario's)	
					Low End Projection	High End Projection
Bonds	\$98,985,632	75%	5.25%	4.50%	0.75%	9.75%
Equity	\$32,995,211	25%	8.45%	17.25%	-8.80%	25.70%
Total Bonds + Equity	\$131,980,843	100%			-1.64%	13.74%
Operating Funds	\$11,458,788	0%	2.00%	2.00%	0.00%	4.00%
Total Market Value	\$143,439,631				-1.64%	13.74%

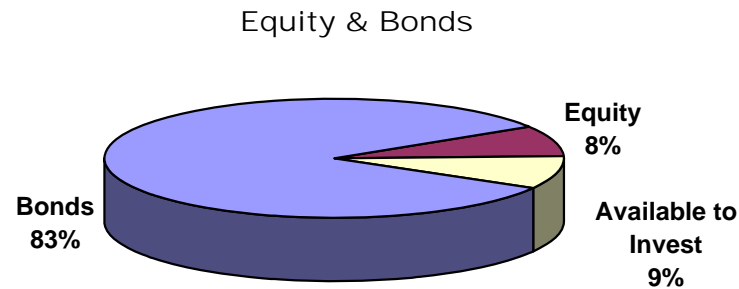
\*Based on Amount Available For Investment provided by DNR 1/13/09

\*\*One Year Period 4/30/09 to 4/30/10

Based on estimated long-term return projections provided by RVKuhns & Associates

Prepared by Bureau of Investments, Michigan Department of Treasury

Natural Resources Related Trust Funds  
 Asset Allocation Review - Nongame Fish & Wildlife Trust (143)  
 Comparison of Actual Allocation vs. Targeted Allocation  
 Investment Market Values as of April 30, 2009



Total Amount Available For Investment*	Target for Bond Investments		Actual Bond Investments as of April 30, 2009		Difference of Target/Actual	
	Ratio	Amount**	Market Value	%**	Market Value	%**
\$6,033,881	90%	\$5,430,493	\$4,998,330	83%	-\$432,163	-7%
Total Amount Available For Investment*	Target For Equity Investments		Actual Equity Investments as of April 30, 2009		Difference of Target/Actual	
	Ratio	Amount**	Market Value	%**	Market Value	%**
\$6,033,881	10%	\$603,388	\$501,970	8%	-\$101,418	-2%

\*Amount provided by DNR 1/13/09

\*\* Based on Amount Available For Investment

Prepared by Bureau of Investments, Michigan Department of Treasury

Natural Resources Related Trust Funds  
 Asset Allocation Review - Nongame Fish & Wildlife (143)  
*Long-Term Estimated Returns*

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Long-Term Estimated Return Based on Actual Investment Amounts/Ratios as of 4/30/09						
Asset Class	Actual Market Value 04/30/2009	Actual % of Total*	Expected Return	Expected Risk	Range of Expected Returns (Encompassing 68% of projected return scenario's)	
					Low End Projection	High End Projection
Bonds	\$4,998,330	83%	5.25%	4.50%	0.75%	9.75%
Equity	\$501,970	8%	8.45%	17.25%	-8.80%	25.70%
Total Bonds + Equity	\$5,500,300	91%			-0.11%	10.21%
Cash Available For Investment	\$533,581	9%	2.00%	2.00%	0.00%	4.00%
Targeted Investment Amount	\$6,033,881	100%			-0.10%	9.67%
Operating Funds	\$4,668					

Long-Term Estimated Return Based on Investment Targets as of 4/30/09						
Asset Class	Targeted Investment Market Value	Targeted % of Total*	Expected Return	Expected Risk	Range of Expected Returns (Encompassing 68% of projected return scenario's)	
					Low End Projection	High End Projection
Bonds	\$5,430,493	90%	5.25%	4.50%	0.75%	9.75%
Equity	\$603,388	10%	8.45%	17.25%	-8.80%	25.70%
Total Bonds + Equity	\$6,033,881	100%			-0.21%	11.35%
Operating Funds	\$4,668	0%	2.00%	2.00%	0.00%	4.00%
Total Market Value	\$6,038,549				-0.21%	11.35%

\*Based on Amount Available For Investment provided by DNR 1/13/09.

\*\*One Year Period 4/30/09 to 4/30/10

Based on estimated long-term return projections provided by RVKuhns & Associates

Prepared by Bureau of Investments, Michigan Department of Treasury

Natural Resources Related Trust Funds  
Investment Return Performance Summary By Fund  
For Time Periods Ending March 31, 2009

Fund No.	Fund Name	Target Equity Ratio	Time-Weighted Rates of Return		
			3 Years*	2 Years*	1 Year
112	Game & Fish Protection	0%	3.70%	2.79%	0.29%
124	Game & Fish Protection Trust	30% **	0.98%	-2.69%	-9.93%
129	Natural Resources Trust	25%	3.33%	1.35%	-3.19%
130	State Parks Endowment	25%	2.62%	0.03%	-5.89%
143	Non-Game Fish & Wildlife Trust	10%	4.02%	2.21%	-2.63%
<b>Total For Combined Natural Resources Funds</b>			<b>2.86%</b>	<b>0.53%</b>	<b>-4.75%</b>

\*Annualized returns based on total fund Market Value

\*\*Previous target of 50% changed 12/08

Prepared By: Bureau of Investments, Michigan Department of Treasury

Natural Resources Related Trust Funds  
Investment Return Performance By Asset Class  
For Time Periods Ending March 31, 2009

Asset Class	Share of Fund	Time-Weighted Rates of Return		
		3 Years*	2 Years*	1 Year
Short Term Investments <i>30 Day Treasury Bill</i>	27.5%	4.25% <i>3.19%</i>	3.60% <i>2.33%</i>	2.10% <i>0.84%</i>
U.S. Government Bonds <i>Lehman Bros Government Security Index</i>	6.4%	6.58% <i>8.09%</i>	6.48% <i>9.18%</i>	6.04% <i>6.95%</i>
Corporate Bonds <i>Lehman Bros Credit Index</i>	52.8%	5.99% <i>1.82%</i>	5.31% <i>-0.71%</i>	1.60% <i>-5.21%</i>
S&P 500 Fund <i>S&amp;P 500 Index</i>	12.7%	N/A ** <i>-13.06%</i>	N/A ** <i>-22.34%</i>	-38.03% <i>-38.09%</i>
Mid Cap Fund <i>MSCI US Mid Cap 450 Index</i>	0.6%	N/A ** <i>-15.73%</i>	N/A ** <i>-26.44%</i>	-40.36% <i>-40.44%</i>
Total Equities		N/A **	N/A **	-38.13%
<b>Total Funds***</b>	<b>100.0%</b>	<b>2.86%</b>	<b>0.53%</b>	<b>-4.75%</b>

\*Annualized returns based on total fund Market Value

\*\*N/A = Not Available

Prepared By: Bureau of Investments, Michigan Department of Treasury

# NATURAL RESOURCES COMMISSION

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Signs of Stability



# Stay the Course

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- The economy appears to be bottoming, but recovery will likely be moderate compared with previous economic recoveries.
- We recommend dollar cost averaging into equity and bonds in order to build positions to targeted levels for each fund, and maintaining an overweight in corporate bonds relative to government bonds.

# Blue Chip Consensus Economic Outlook

“While problems with the economy are still intense, they are no longer intensifying.”  
Mark Zandi

	<u>4Q 08</u>	<u>1Q 09</u>	<u>2Q 09E</u>	<u>3Q 09E</u>	<u>4Q 09E</u>	<u>1Q 10E</u>	<u>2Q 10E</u>
Real GDP	-6.3%	-5.7%	-1.7%	0.5%	1.8%	2.2%	2.7%

## Calendar Years

	<u>2009</u>	<u>2010</u>
Unemployment Rate	9.2%	10.4%
Light Vehicle Sales	9.6 million	11.1 million
Housing Starts	560,000	780,000

# Benchmarking The Crisis

## What History Says We Should Expect

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Main conclusions from a study of several systemic financial crises:

1. Real housing price declines average 35% stretched out over 6 years.

	<u>2Q 2005</u>	<u>1Q 2009</u>	
Median Home Price	\$227,600	\$169,000	-26%

Source: National Association of Realtors

2. Equity price collapses average 55% over a downturn of about 3.5 years.

	<u>10/09/07</u>	<u>03/09/09</u>	
	1,565	676	-56.8%



# Benchmarking The Crisis

## What History Says We Should Expect (cont'd)

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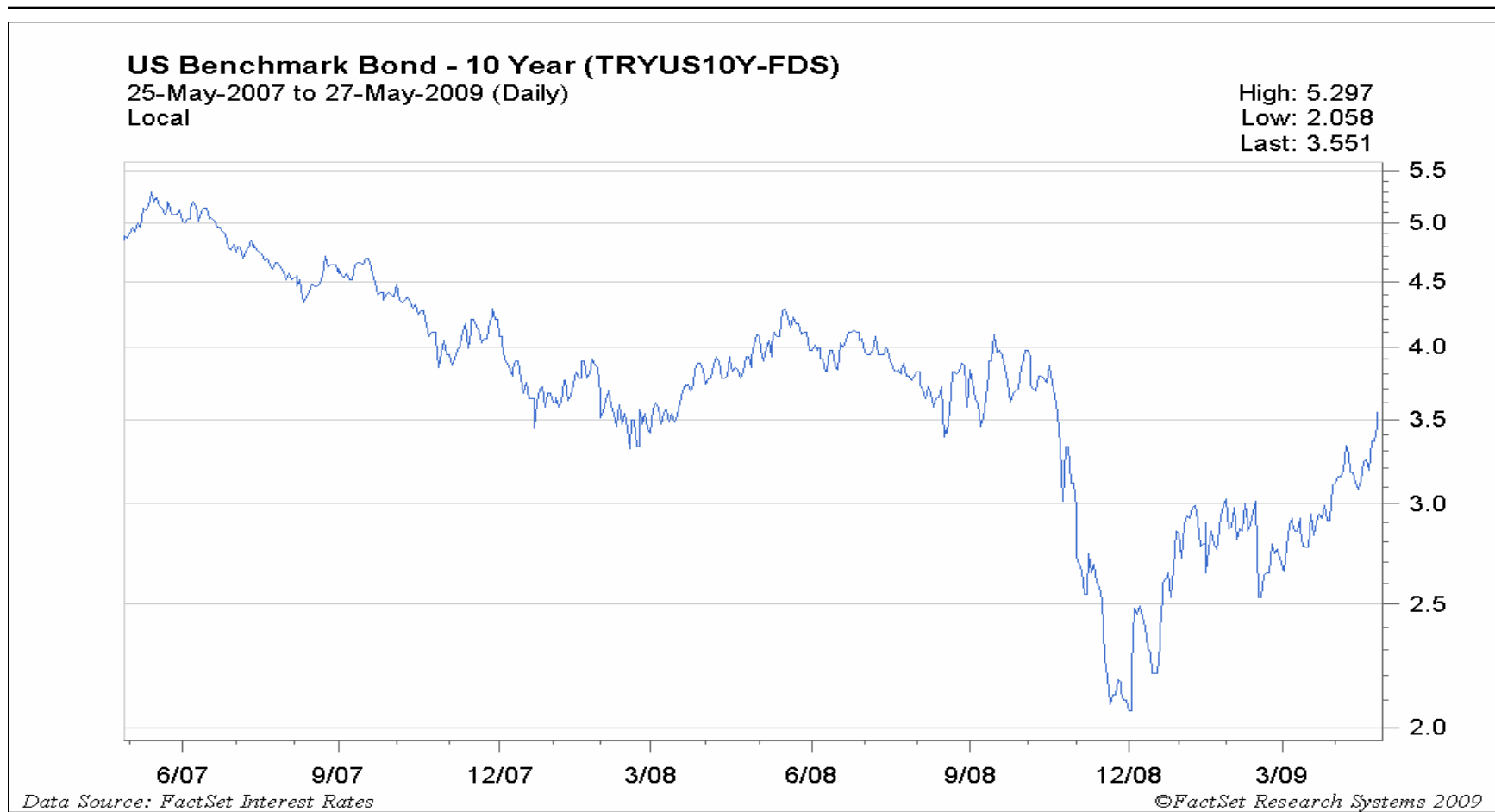
3. The unemployment rate rises an average of 7 percentage points over the down phase of the cycle, which lasts on average over 4 years.

<u>Low 2006</u>	<u>Projected</u>
4.6%	11.6%

4. Output falls (from peak to trough) an average of over 9%, although the duration of the downturn, averaging roughly 2 years, is considerably shorter than for unemployment.
5. The real value of government debt tends to explode, rising an average of 86% in the major post-WWII episodes.

Source: "The Aftermath of Financial Crises," Reinhart and Rogoff, December 19, 2008.

# US Benchmark Bond – 10 Year



# Moody's BAA

## Moody's BAA Corporate Bond Yield (MCBBAA-FDS)

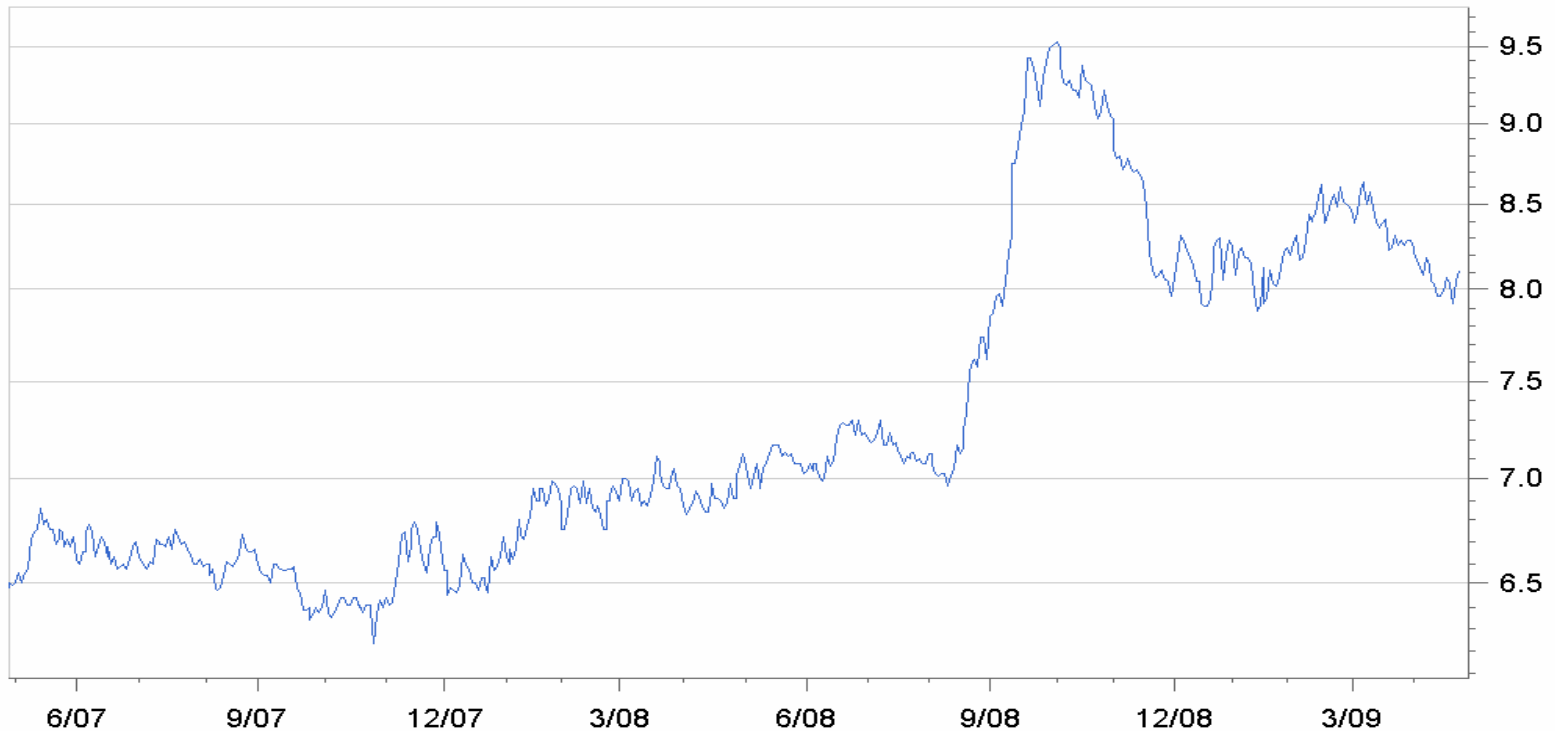
25-May-2007 to 27-May-2009 (Daily)

Local

High: 9.540

Low: 6.230

Last: 8.110



Data Source: FactSet Interest Rates

©FactSet Research Systems 2009



# Recent Bond Performance

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	<u>12/31/2008</u>	<u>5/20/2008</u>	<u>Difference</u>
10 Year Treasuries	2.24%	3.51%	1.27%
Invest. Grade Corp.	7.50%	7.01%	-0.49%
High Yield Corp.	20.31%	14.77%	-5.54%

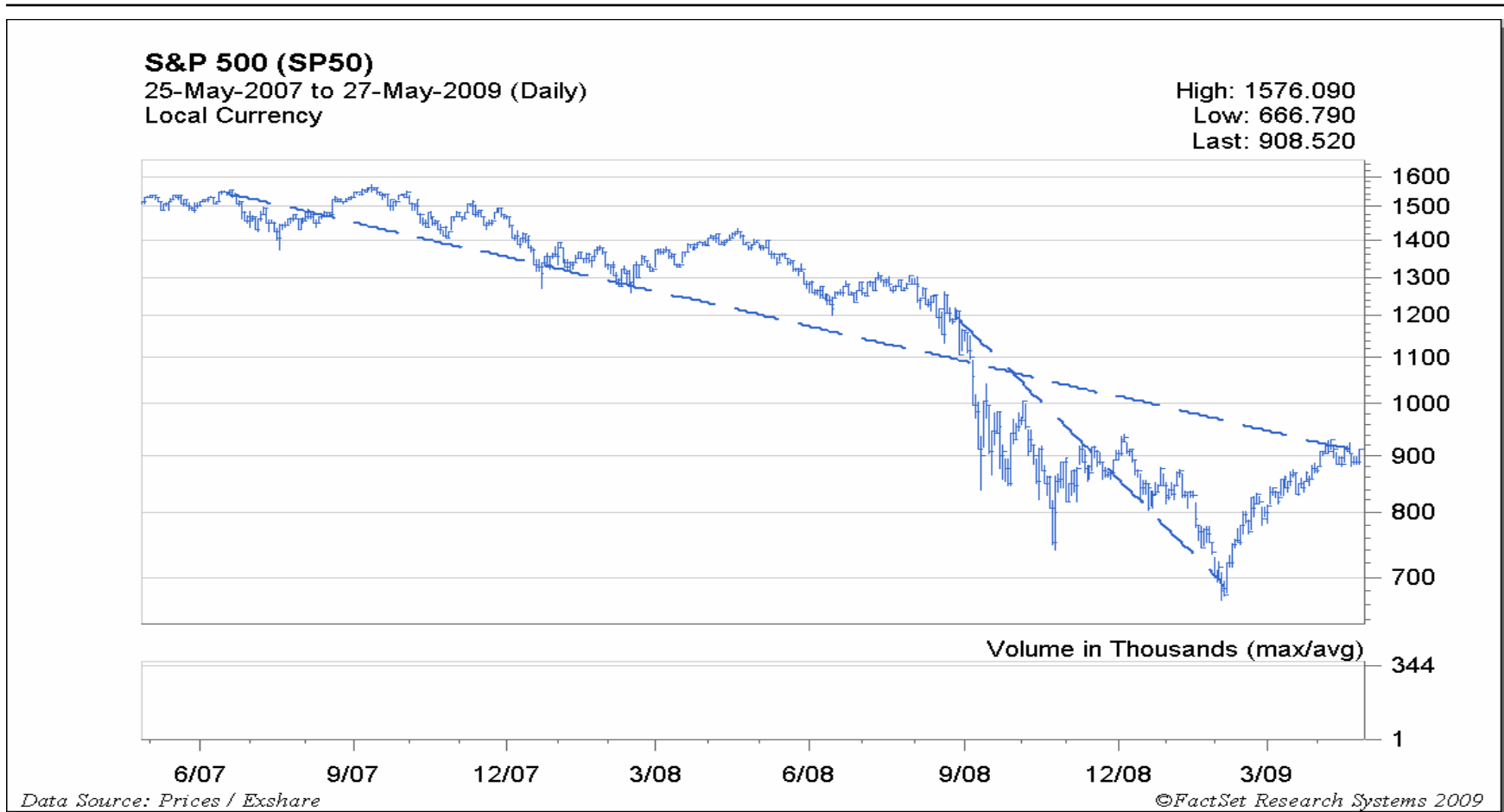


# Shift in Bond Portfolio

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	<u>4/30/2008</u>	<u>4/30/2009</u>
129 Natural Resources Trust		
Govt. Bonds	59.0%	12.5%
Corp Bonds	41.0%	87.5%
130 State Park Endowment		
Govt. Bonds	68.9%	8.5%
Corp Bonds	31.1%	91.5%
124 Game & Fish Trust		
Govt. Bonds	73.0%	2.8%
Corp Bonds	27.0%	97.2%
143 Non Game Fish & Wildlife		
Govt. Bonds	39.9%	0.0%
Corp Bonds	60.1%	100.0%
112 Lifetime License		
Govt. Bonds	13.4%	0.0%
Corp Bonds	86.6%	100.0%

# S & P 500



# Buy 'Em When They Hate 'Em

**S&P 500 ACR for 4/99 – 4/09 was -2.48%** (includes reinvestment of dividends)

Past 10 Years				10 Year ACR	Next Ten Years				10 Year ACR	Total Return
Q2	1929	to	Q2 1939	-3.65%	Q2	1939	to	Q2 1949	8.62%	128.54%
Q1	1929	to	Q1 1939	-2.79%	Q1	1939	to	Q1 1949	9.12%	139.36%
Q3	1929	to	Q3 1939	-2.74%	Q3	1939	to	Q3 1949	7.74%	110.79%
Q1	1928	to	Q1 1938	-2.54%	Q1	1938	to	Q1 1948	11.76%	203.87%
Q1	1930	to	Q1 1940	-1.42%	Q1	1940	to	Q1 1950	9.65%	151.31%
Q2	1930	to	Q2 1940	-1.42%	Q2	1940	to	Q2 1950	12.19%	215.88%
Q4	1928	to	Q4 1938	-0.65%	Q4	1938	to	Q4 1948	7.21%	100.63% <b>Worst</b>
Q3	1928	to	Q3 1938	-0.10%	Q3	1938	to	Q3 1948	8.12%	118.31%
Q3	1930	to	Q3 1940	0.18%	Q3	1940	to	Q3 1950	12.57%	226.85%
Q4	1927	to	Q4 1937	0.20%	Q4	1937	to	Q4 1947	9.61%	150.39%
Q4	1929	to	Q4 1939	0.23%	Q4	1939	to	Q4 1949	9.09%	138.67%
Q2	1928	to	Q2 1938	0.44%	Q2	1938	to	Q2 1948	9.52%	148.39%
Q3	1964	to	Q3 1974	0.49%	Q3	1974	to	Q3 1984	15.58%	325.30% <b>Best</b>
Q1	1931	to	Q1 1941	0.71%	Q1	1941	to	Q1 1951	14.47%	286.14%
Q4	1964	to	Q4 1974	1.24%	Q4	1974	to	Q4 1984	14.76%	296.23%

ACR- annual compound rate of return  
Leuthold Group

<b>Average</b>	10.67%	182.71%
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## Annual Total Returns of Key Asset Classes 1989 - 2008

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	
Best	Large Growth Stocks 36.40%	U.S. Bonds 8.96%	Small Growth Stocks 51.18%	Small Value Stocks 29.15%	Foreign Stocks 32.57%	Foreign Stocks 7.78%	Large Growth Stocks 38.13%	Large Growth Stocks 23.97%	Large Growth Stocks 36.52%	Large Growth Stocks 42.16%	Small Growth Stocks 43.09%	Small Value Stocks 22.83%	Small Value Stocks 14.02%	U.S. Bonds 10.26%	Small Growth Stocks 48.54%	Small Value Stocks 22.25%	Foreign Stocks 13.54%	Foreign Stocks 26.34%	Foreign Stocks 11.17%	U.S. Bonds 5.24%	Best
	Large Stocks 31.59%	Cash 7.81%	Small Stocks 46.05%	Small Stocks 18.42%	Small Value Stocks 23.85%	Cash 3.90%	Large Stocks 37.58%	Large Stocks 22.96%	Large Stocks 33.36%	Large Stocks 28.58%	Large Growth Stocks 25.25%	U.S. Bonds 11.63%	U.S. Bonds 8.44%	Cash 1.65%	Small Stocks 47.25%	Foreign Stocks 20.25%	Large Value Stocks 6.33%	Small Value Stocks 23.48%	Large Growth Stocks 9.13%	Cash 2.11%	
	Large Value Stocks 26.13%	Large Growth Stocks 0.20%	Small Value Stocks 41.70%	Large Value Stocks 10.52%	Small Stocks 18.89%	Large Growth Stocks 3.14%	Large Value Stocks 36.99%	Large Value Stocks 22.00%	Small Value Stocks 31.78%	Foreign Stocks 20.00%	Foreign Stocks 25.96%	Large Value Stocks 6.08%	Cash 3.83%	Small Value Stocks 11.42%	Small Value Stocks 46.03%	Small Stocks 18.33%	Large Stocks 4.91%	Large Value Stocks 20.80%	Small Growth Stocks 7.05%	Small Value Stocks -28.92%	
	Small Growth Stocks 20.16%	Large Stocks -3.11%	Large Growth Stocks 38.37%	Small Growth Stocks 7.77%	Large Value Stocks 18.61%	Large Stocks 1.32%	Small Growth Stocks 31.04%	Small Value Stocks 21.37%	Large Value Stocks 29.98%	Large Value Stocks 14.69%	Small Stocks 21.26%	Cash 5.89%	Small Stocks 2.49%	Foreign Stocks 15.66%	Foreign Stocks 38.59%	Large Value Stocks 15.71%	Small Value Stocks 4.71%	Small Stocks 18.37%	U.S. Bonds 6.97%	Small Stocks -33.79%	
	Small Stocks 16.25%	Large Value Stocks -6.85%	Large Stocks 30.47%	Large Stocks 7.62%	Small Growth Stocks 13.37%	Large Value Stocks -0.64%	Small Stocks 28.44%	Small Stocks 16.53%	Small Stocks 22.36%	U.S. Bonds 8.70%	Large Stocks 21.04%	Small Stocks -3.02%	Small Growth Stocks -9.23%	Large Value Stocks 19.99%	Large Value Stocks 31.78%	Small Growth Stocks 14.31%	Small Stocks 4.55%	Large Stocks 15.80%	Large Stocks 5.49%	Large Growth Stocks -34.92%	
	U.S. Bonds 14.53%	Small Growth Stocks 17.42%	Large Value Stocks 22.56%	U.S. Bonds 7.40%	Large Stocks 10.08%	Small Value Stocks -1.55%	Small Value Stocks 25.75%	Small Growth Stocks 11.32%	Small Growth Stocks 12.93%	Cash 4.86%	Large Value Stocks 12.72%	Large Stocks -9.11%	Large Value Stocks 11.69%	Small Stocks 20.48%	Large Stocks 28.68%	Large Stocks 10.88%	Small Growth Stocks 4.15%	Small Growth Stocks 13.35%	Cash 4.74%	Large Stocks -37.00%	
	Small Value Stocks 12.43%	Small Stocks 19.50%	U.S. Bonds 16.00%	Large Growth Stocks 5.06%	U.S. Bonds 9.75%	Small Stocks -1.81%	U.S. Bonds 18.45%	Foreign Stocks 6.05%	U.S. Bonds 9.64%	Small Growth Stocks 1.23%	Cash 4.68%	Foreign Stocks 13.96%	Large Stocks 11.87%	Large Stocks 21.26%	Large Growth Stocks 25.66%	Large Growth Stocks 6.13%	Large Growth Stocks 3.46%	Large Growth Stocks 11.01%	Large Value Stocks 1.99%	Small Growth Stocks -38.54%	
	Foreign Stocks 10.53%	Small Value Stocks -21.77%	Foreign Stocks 12.14%	Cash 3.51%	Cash 2.90%	Small Growth Stocks -2.44%	Foreign Stocks 11.21%	Cash 5.21%	Cash 5.26%	Small Stocks -2.55%	U.S. Bonds -0.82%	Large Growth Stocks -22.08%	Large Growth Stocks -12.75%	Large Growth Stocks -22.77%	U.S. Bonds 4.10%	U.S. Bonds 4.34%	Cash 2.98%	Cash 4.75%	Small Stocks -1.57%	Large Value Stocks -39.22%	
Worst	Cash 8.37%	Foreign Stocks 23.45%	Cash 5.60%	Foreign Stocks 12.18%	Large Growth Stocks 1.68%	U.S. Bonds -2.92%	Cash 5.60%	U.S. Bonds 3.64%	Foreign Stocks 1.78%	Small Value Stocks -6.46%	Small Value Stocks -1.48%	Small Growth Stocks 22.43%	Foreign Stocks 21.45%	Small Growth Stocks 30.26%	Cash 1.02%	Cash 1.20%	U.S. Bonds 2.43%	U.S. Bonds 4.33%	Small Value Stocks -9.78%	Foreign Stocks -43.42%	Worst

Source: Standard & Poor's Micropal. ■ Large Stocks are represented by the S&P 500; ■ Large Growth Stocks are represented by S&P 500 Growth Index; ■ Large Value Stocks are represented by the S&P 500 Value Index; ■ Small Stocks are represented by the Russell 2000 Index; ■ Small Growth Stocks are represented by the Russell 2000 Growth Index; ■ Small Value Stocks are represented by the Russell 2000 Value Index; ■ Foreign Stocks are represented by the MSCI EAFE Index; ■ U.S. Bonds are represented by the Lehman Brothers Aggregate Bond Index; and ■ Cash is represented by 30-day T-Bills.

# Equity Investment Plan

EQUITY DETAIL BY FUND	Equity Investment	2Q 09	3Q 09	4Q 09	1Q 10
<b>124 <u>Game and Fish Protection</u></b>	<b>28.3% to 30%</b>				
MIDCAP INDEX	\$40,780	\$10,195	\$10,195	\$10,195	\$10,195
INSTITUTIONAL LARGE CAP INDEX	<u>\$1,847,220</u>	<u>\$461,805</u>	<u>\$461,805</u>	<u>\$461,805</u>	<u>\$461,805</u>
	\$1,888,000	\$472,000	\$472,000	\$472,000	\$472,000
<b>129 <u>Natural Resources Trust</u></b>	<b>14.5% equity to 25%</b>				
MIDCAP INDEX	\$2,538,845	\$634,711	\$634,711	\$634,711	\$634,711
INSTITUTIONAL LARGE CAP INDEX	<u>\$37,068,737</u>	<u>\$9,267,184</u>	<u>\$9,267,184</u>	<u>\$9,267,184</u>	<u>\$9,267,184</u>
	\$39,607,582	\$9,901,896	\$9,901,896	\$9,901,896	\$9,901,896
<b>130 <u>State Park Endowment</u></b>	<b>17.8% to 25%</b>				
MIDCAP INDEX	\$364,224	\$91,056	\$91,056	\$91,056	\$91,056
INSTITUTIONAL LARGE CAP INDEX	<u>\$9,120,776</u>	<u>\$2,280,194</u>	<u>\$2,280,194</u>	<u>\$2,280,194</u>	<u>\$2,280,194</u>
	\$9,485,000	\$2,371,250	\$2,371,250	\$2,371,250	\$2,371,250
<b>143 <u>Non-Game Fish &amp; Wildlife</u></b>	<b>8.3% to 10%</b>				
INSTITUTIONAL LARGE CAP INDEX	\$101,400	\$25,350	\$25,350	\$25,350	\$25,350



# Conclusion . . .

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- We believe both stocks and corporate bonds are priced to offer attractive future returns relative to their historic averages. Recent safe havens such as short-term cash and government bonds will likely return less than their historic averages.