State of Wisconsin Deferred Compensation Plan - Stable Value

Portfolio Review

Third Quarter 2002

Karl P. Tourville
Managing Partner

John R. Caswell, CFA
Managing Partner

Galliard Capital Management, Inc.

Third Quarter 2002 Highlights

GALLIARD

CAPITAL

MANAGEMENT

About Galliard

Registered Investment Advisor
Incorporated 1995
Minneapolis, MN

Wholly-owned subsidiary of Wells Fargo & Company

Institutional fixed income and stable value investment specialists

Over $12 billion in assets under management

Three founding partners and senior portfolio managers
John Caswell, CFA
Richard Merriam, CFA
Karl Tourville

Third Quarter Highlights

Assets

- Third Quarter: $915 million increase
- Total assets: $12.5 billion

Clients

- Third Quarter: welcomed 3 new clients
- Currently serve 68 institutional clients

Other News

- Wells Fargo Stable Return Fund managed by Galliard was the #2 ranked fund in performance in the Hueler Universe of Stable Value Pooled Funds for the year ended 6/30/02.
- Three Galliard managed mutual funds ranked in the top 10% of their Lipper peer groups for the year ended 6/30/02.
- Two fixed income commingled funds managed by Galliard were ranked in the top ten funds in the nation for the year ending 6/30/02 in the Pension and Investment Magazine P.I.P.E.R. Manager Universe.

U.S. Economic Recovery Seemingly Stalled….A Double Dip?

While the U.S. Economy has clearly slowed (Figure 1), the sharp third quarter decline in the global stock markets is increasing fears that we may be headed back into negative territory. The U.S. consumer has kept economic growth moving forward with increased spending on autos and housing, but the business community apparently does not share their enthusiasm about the future as capital spending has remained tepid and inventories have remained at very lean levels. Whether corporate executives are distracted by the rash of accounting scandals and SEC inquiries or just plain fearful of the environment ahead, the result is that business spending is not recovering to provide the added boost needed to sustain higher economic growth. Employment levels are steady, but new jobs are not being added to fuel incremental spending by consumers. Mortgage loan refinancings are putting money in people's pockets but it's questionable how much longer this can prop up consumer spending. The threat of war with Iraq and weak equity markets are casting a pall of uncertainty over the environment and we need to see some catalyst soon to turn around the equity markets and to bolster business confidence so the economy can get back on track.

Monetary Policy…Fed May Ease Again Soon If Weakness Persists

The Federal Reserve has clearly done its job at trying to stimulate the fledgling recovery by reducing the Federal Funds interest rate to below 2% (Figure 2). U.S. Treasury yields have followed suit and are now at 40 year lows which has provided the impetus for the housing re-financing boom and 0% auto financing. The low cost of borrowing should also be spurring capital spending but the significant debt buildup in many business sectors combined with relatively weak demand is limiting companies' ability and desire to finance new spending. Money supply, however, is growing sharply which is supplying needed liquidity to the system. Fiscal policy is likewise very stimulative with rising federal government deficits reflective of increased spending levels by government, especially in defense. Relapsing back into a recession in the face of record levels of monetary and fiscal stimulus would be quite surprising.

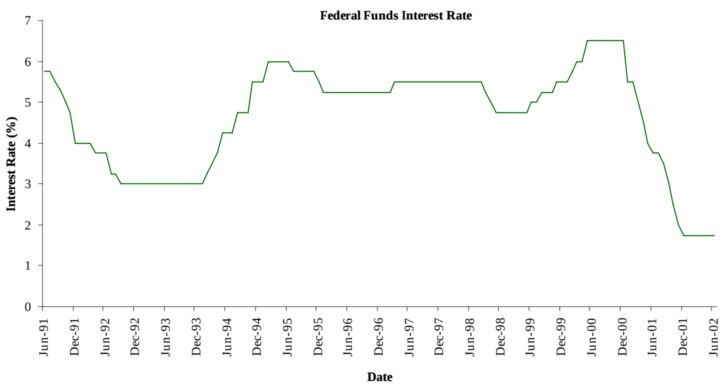
Inflation Remains Low Overall

If there is a silver lining to the weakness we are experiencing, it is the lack of pricing power in many sectors which is keeping a lid on inflation. In addition, productivity keeps improving, which means companies can significantly improve their bottom line profitability without increasing prices when unit volume improves. The exceptions to the positive inflation environment are oil prices, which have moved higher due to the threat of war in the Middle East, insurance premiums and medical costs. These increased costs are offsetting the positive impact of lower interest rates to a degree. Overall, however, real consumer income is rising due to lower inflation which is a plus for continued spending. Low inflation is also very positive for financial assets and will keep longer term interest rates at lower levels.

Figure 1

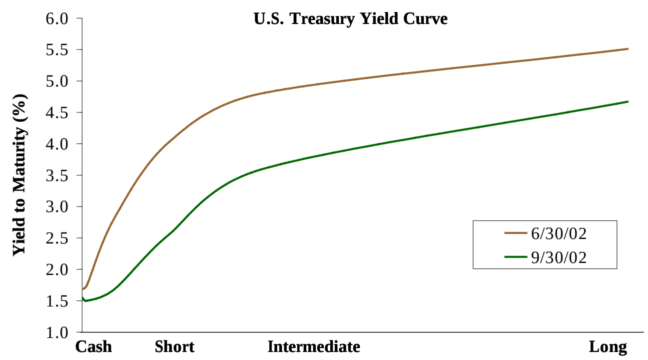
Source: Bloomberg

Figure 2



Source: Bloomberg

Figure 3



Source: Bloomberg

Interest Rates Declined Sharply In the Third Quarter

Responding to evidence of a slowing economy, the precipitous drop in equity prices and sagging confidence worldwide, intermediate and longer term interest rates dropped sharply in the third quarter (Figure 3). The yield on the 5 year U.S. Treasury bond declined nearly 1.5% to about 2.5% currently! Other sectors of the market followed Treasuries but declined much less dramatically resulting in a significant widening of yield spreads overall.

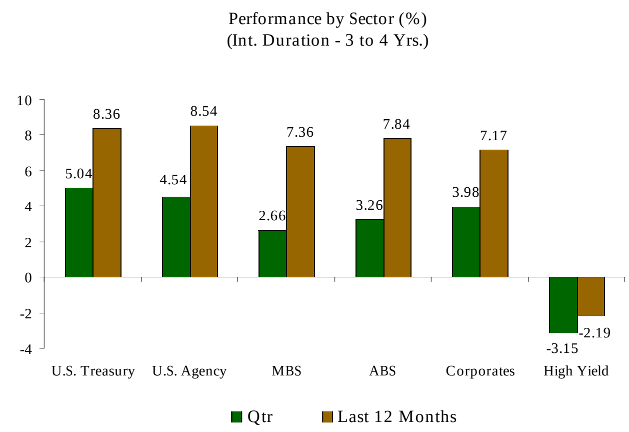
Fixed Income Total Returns Were Well Above Average

The sharp decline in interest rates and resulting rise in bond prices provided bond investors with very positive results, especially when contrasted to the near record quarterly drop in equity prices (Figure 4). The U.S. Treasury sector outperformed all other spread sectors in the quarter as a "flight to quality" pushed Treasury bond yields significantly lower than all other sectors. Mortgage pass-through securities were the worst performing sector as prepayments of mortgage principal accelerated. Corporate securities also underperformed on a relative basis due to continuing credit concerns. Reinvesting new cash in fixed income securities presents a challenge for future returns given the low rates of interest today.

Further Rate Declines Will Be Limited From Here

With U.S. Treasury yields at 40 year lows, the likelihood of further meaningful rate declines seems remote. With monetary and fiscal policy stimulus at full throttle, economic growth will ultimately improve in 2003, and the inevitable shift to a tighter monetary policy will push short term and longer term interest rates higher at some point. For the balance of this year, however, the yield curve will likely remain fairly steep, rewarding fixed income investors who invest out the yield curve in intermediate maturity securities.

Figure 4

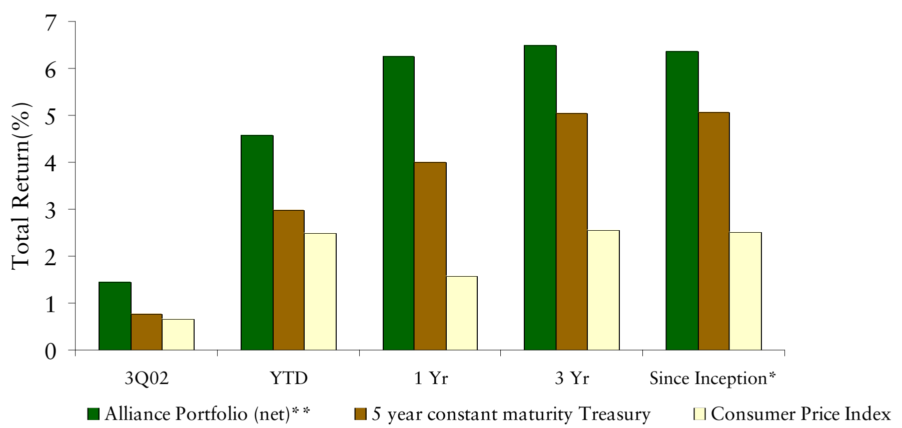


Portfolio Review
Third Quarter 2002

Market Review

- Responding to evidence of a slowing economy, the precipitous drop in equity prices, and sagging confidence, intermediate and longer term interest rates dropped sharply in the third quarter.
- Price increases resulting from declining interest rates again provided fixed income investors with above average returns in the quarter.
- U.S. Treasuries were the best performing sector in the quarter as a general flight to quality pushed Treasury bond yields to a 40 year low!
- The U.S. economy has seemingly stalled with concerns rising that we may be headed back into negative territory.
- Although monetary policy has been quite accommodating, the Fed Reserve may ease again if weakness persists in the economy and global equity markets.
- Interest rates will remain low as long as weaker economic growth persists and inflation continues to recede.

Quarterly Performance Review



	3Q02	*YTD*	*1 Yr*	*3 Yr*	*Since Inception**
Total Fund (net)**	**1.44**	**4.56**	**6.23**	**6.44**	**6.38**
Alliance Portfolio (net)**	1.45	4.57	6.25	6.48	6.36
5 year constant maturity Treasury	0.77	2.98	4.01	5.04	5.06
Consumer Price Index	0.67	2.49	1.57	2.55	2.51

*6/30/98, Alliance Structure

**Net of all manager and wrap fees

Portfolio Characteristics

Weighted Average Quality		AA
Weighted Average Maturity		2.9 years
Weighted Average Yield*		5.73%
Crediting rate for the Managed Synthetic*		5.98%
Wrap Providers	J.P. Morgan	(Aa2/AA-)
	Monumental Life	(Aa3/AA+)
Total Assets		$194,663,447

*Net of fees

Portfolio Commentary

- Stable value returns continued steady in the third quarter as interest rates declined.
- Your portfolio returns were competitive for the quarter and for longer periods as well.
- Fund credit quality remained very high at AA with the average portfolio maturity positioned at 2.9 years.
- Cashflows during the period were invested in the Stable Return Fund given its current attractive yield versus other alternatives. We transferred $15 million to the active portfolio (Galliard Income Fund) on 10/1/02, reducing the Stable Return Fund position to slightly below 30%.
- The current blended yield of 5.73% is moving lower as we reinvest at today's lower rates.

Portfolio Summary/Statistics
Third Quarter 2002

Quality Distribution

Quality Rating*	Current Market Value ($)	Portfolio 9/30/2002	Portfolio 6/30/2002
AA+	$ 72,875,585	37.4%	37.5%
AA	$ 60,893,931	31.3%	62.5%
AA-	$ 60,893,931	31.3%	0.0%
Total	**$ 194,663,447**	**100%**	**100%**

*At Contract Level

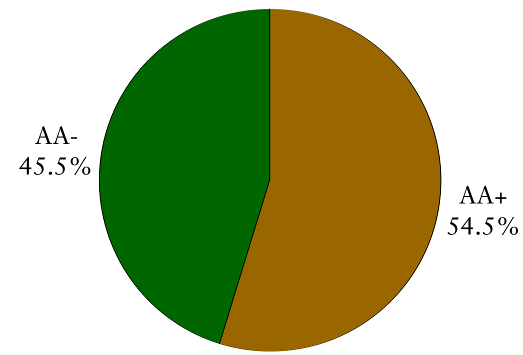
Manager Distribution

	Total Value	9/30/02 Total	6/30/02 Total
Galliard Stable Return	72,875,585	37.4%	33.9%
Galliard Bond Portfolios	34,770,434	17.9%	18.9%
Alliance Capital	37,729,880	19.4%	20.4%
PIMCO	49,287,548	25.3%	26.8%
Total	**194,663,447**	**100.0%**	**100.0%**

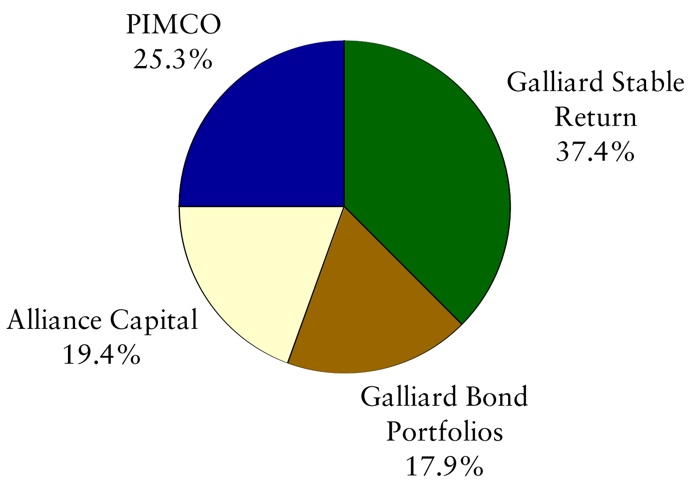
Holdings

Issuer	Book Value	Yield	Maturity	% of Holdings	Years to Maturity	Moody's Rating	S & P Rating
GIC Alternatives(Global Wrap)							
Monumental Life	60,893,931	5.98%	10/31/06	31.3%	4.1	Aa3	AA+
J.P. Morgan	60,893,931	5.98%	10/31/06	31.3%	4.1	Aa2	AA-
Total GIC Alternatives	121,787,862	5.98%		62.6%	4.1	Aa2	AA+
Stable Return Fund	72,875,585	5.31%	09/30/03	37.4%	1.0	Aa2	AA+
Total	**194,663,447**	**5.73%**		**100.0%**	**2.6**	**Aa2**	**AA+**

Quality Distribution

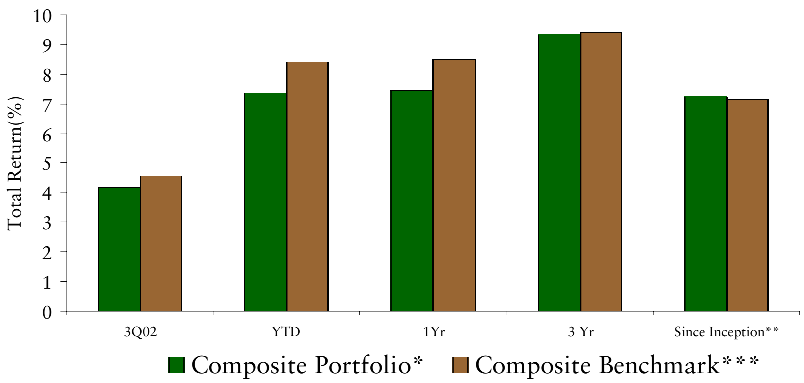


Current Manager Distribution



Portfolio Total Return Performance
Third Quarter 2002

Quarterly Investment Performance



	3Q02	YTD	1Yr	3 Yr	Since Inception**
Composite Portfolio*	**4.17**	**7.35**	**7.45**	**9.32**	**7.25**
Composite Benchmark***	4.57	8.42	8.48	9.40	7.17
Alliance Capital	4.75	7.12	7.82	8.76	6.97
PIMCO	3.82	6.94	6.79	9.67	7.39
Lehman Aggregate	4.58	8.55	8.60	9.48	7.24
Galliard Income Fund	4.16	8.65	8.48	--	10.50
Lehman Aggregate	4.58	8.55	8.60	--	10.18
Galliard Intermediate Fund	4.01	8.11	7.90	--	9.68
Lehman Int. Gov't/Credit	4.53	8.01	8.09	--	9.22

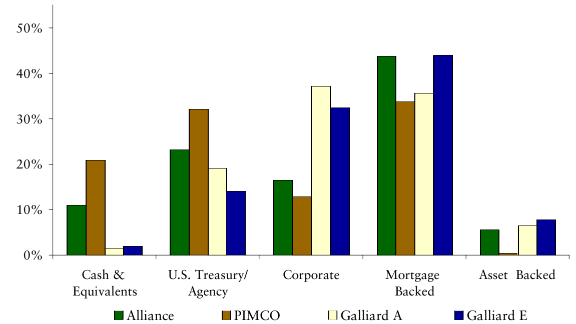
*Total returns net of all manager fees
**Inception date for Alliance and PIMCO is 12/1/98, Inception date for Galliard Intermediate Fund is 11/1/99 and Galliard Income Fund is 5/1/01.
***Composite benchmark is a weighted blend of Lehman Brothers Aggregate and Lehman Brothers Intermediate Govt./Credit.

Key Statistics

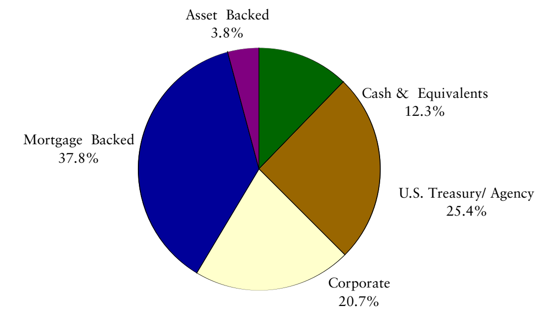
	Alliance Portfolio	PIMCO Portfolio	Galliard Portfolio (Int. Bond)	Galliard Portfolio (Income Fund)	Composite Portfolio	Composite Benchmark	Lehman Aggregate	Lehman Int. G/C
Weighted Average Quality	AAA	AAA	AA+	AA+	AA+	Agency	Agency	Agency
Weighted Average Maturity	4.96	9.35	6.28	6.67	7.13	6.28	6.84	4.51
Yield to Maturity	4.15%	4.24%	4.32%	4.74%	4.25%	4.09%	4.29%	3.48%
Effective Duration	3.80	4.32	3.72	3.93	4.00	3.78	3.81	3.68
Book Value	$ 37,729,880	$49,287,548	$ 29,326,517	$ 5,443,917	$ 121,787,862	N/A	N/A	N/A
Market Value	39,921,685	$52,149,884	$ 31,027,840	$ 5,760,069	$ 128,859,478	N/A	N/A	N/A
Market to Book Ratio	105.81%	105.81%	105.80%	105.81%	105.81%	N/A	N/A	N/A

Portfolio Position
Third Quarter 2002

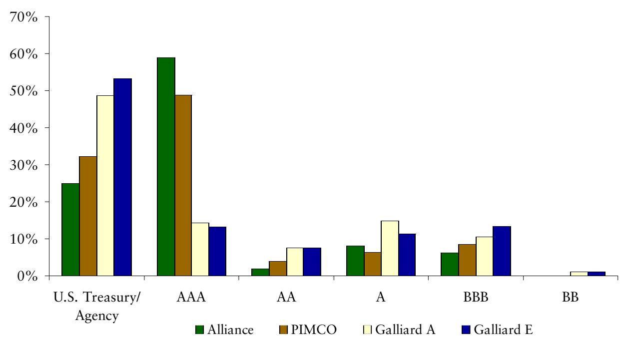
Sector Distribution



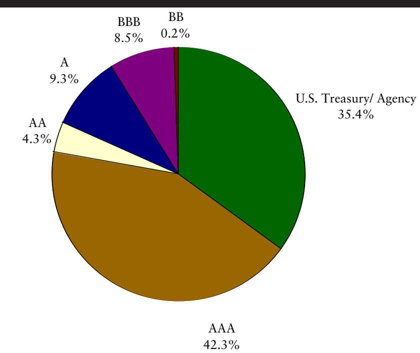
Composite Sector Distribution



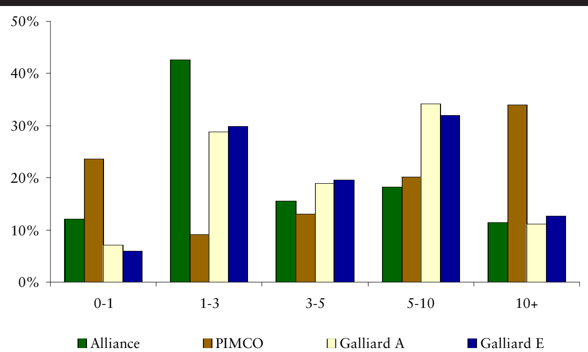
Quality Distribution



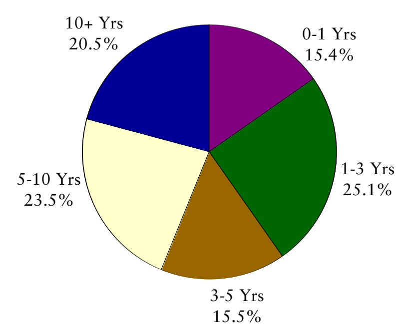
Composite Quality Distribution



Maturity Distribution



Composite Maturity Distribution



Stable Return Fund
Third Quarter 2002

Investment Objective

- Safety of principal
- Consistency of returns with minimal volatility

Investment Strategy

- 100% of Fund invested in book value investment instruments: GICs, BICs, security backed contracts (i.e. synthetics) and certain money market instruments
- Focus on highly rated instruments
- Employ broad diversification among contract issuers and underlying securities
- Emphasis on security backed investment contracts (synthetics) to enhance quality, diversification and investment returns
- Structure portfolio liquidity to provide for daily participant transactions
- Weighted average maturity targeted in a range of 3.0 - 3.5 years

Investment Guidelines

Diversification

- Net exposure to an investment contract issuer rated AAA/AA may not exceed 7.5% of the Fund's total assets at the time of purchase
- Net exposure to an investment contract issuer rated "A" may not exceed 5% of the Fund's total assets at the time of purchase

Quality

- Weighted average quality of the portfolio must be "AA" or better
- Investment contracts must be rated "A" or better at time of purchase

Maturity

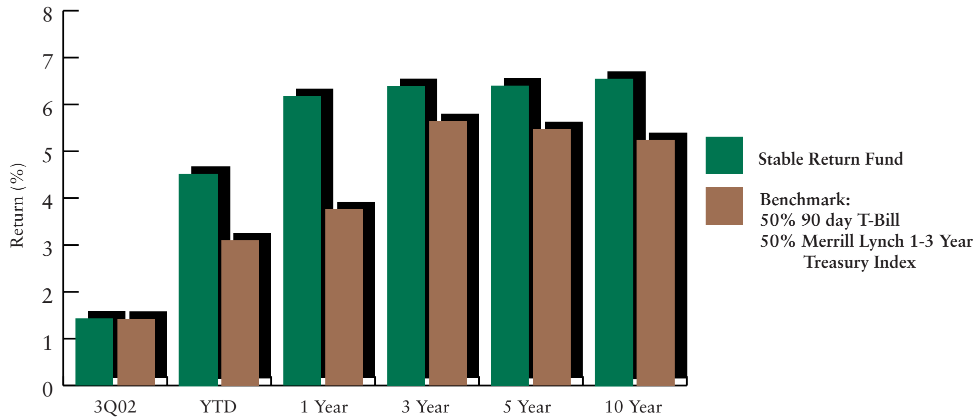
- Weighted average maturity of portfolio must not exceed 3.5 years
- A minimum of 5% must be invested in money market instruments

Stable Return Fund
Third Quarter 2002

Investment Performance*

As of 9/30/02	3Q'02	YTD	1 Year	3 Year	5 Year	10 Year
Total Return (Before Fees)	1.43%	4.50%	6.17%	6.39%	6.40%	6.55%
Benchmark**	1.42%	3.10%	3.76%	5.64%	5.47%	5.23%

**50% 90 day T-Bill/50% ML 1-3 Yr. Treasury Index



Performance Summary

The Stable Return Fund posted a total return of 1.43% during the third quarter, bringing the one year return to 6.17%. The Fund's longer term returns remain very steady and competitive.

Significant cash inflows during the quarter were invested primarily in security backed contracts to take advantage of attractive yield spreads in the mortgage and asset backed sectors of the fixed income markets. The Fund's return will continue to be impacted by lower reinvestment rates for the balance of this year as cash flows are reinvested. We will be investing cash flows opportunistically to maximize the Fund's yield within the environment ahead and within the Fund's overall investment guidelines.

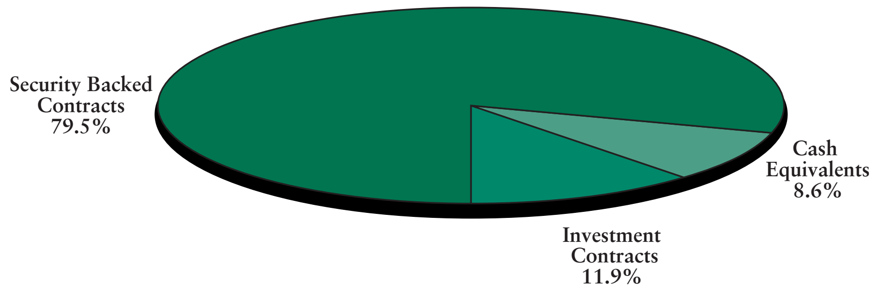
*Returns are before fees. See page 11 for annual and quarterly performance data.

Stable Return Fund
Third Quarter 2002

Portfolio Characteristics

Stable Return Fund Characteristics *As of September 30, 2002*	
Total Assets	$6,249,506,215
Weighted Average Quality	AA+
Weighted Average Maturity	2.7 yrs.
Blended Yield	5.56%
Effective Duration	2.3 yrs.
Performance Ranking*	#3 of 19 for 10 year period
Diversification Ranking*	#1 of 23

Sector Diversification



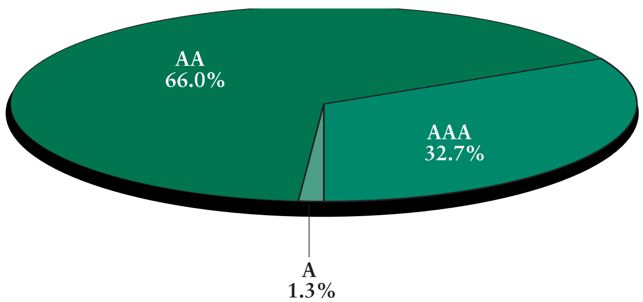
Portfolio Strategy Commentary

- Average contract credit quality remains high at AA+.
- The Fund's average maturity is 2.7 years.
- The Fund's current blended yield is 5.56%.
- Investment activity during the quarter focused on placements in buy and hold security backed contracts and traditional investment contracts.

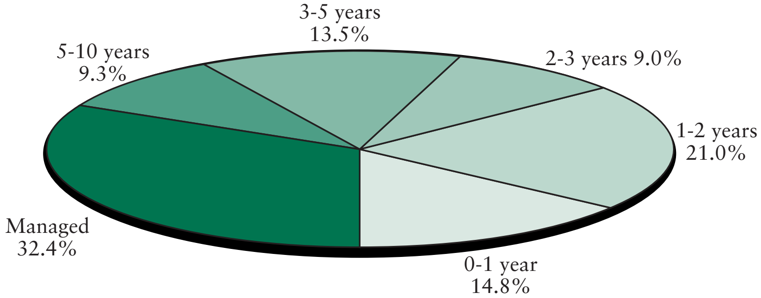
*Hueler Analytics' Pooled Fund Universe as of June 30, 2002

Stable Return Fund
Third Quarter 2002

Investment Contract Credit Quality



Maturity Distribution



Top Five Contract Issuers

Issuer	Rating
AIG Financial Products	AAA
Bank of America	AA-
Security Life of Denver	AA+
Monumental Life	AA+
J.P. Morgan	AA-

Stable Return Fund
Third Quarter 2002

Portfolio Holdings

Investment Contracts

Issuers:	% of Portfolio	Moody's Rating	S&P Rating
AIG Life	0.0%	Aaa	AAA
Allstate Life	0.6%	Aa2	AA+
Bayerische Landesbank	0.2%	Aaa	AAA
Hartford Life Insurance	1.4%	Aa3	AA
Jackson National Life	0.7%	Aa3	AAA
John Hancock Life	0.2%	Aa2	AA+
Mass Mutual	0.2%	Aa1	AAA
Metropolitan Life	2.2%	Aa2	AA
Monumental Life	0.2%	Aa3	AA+
New York Life	1.0%	Aa1	AA+
Ohio National Life	0.0%	A1	AA
Pacific Life	0.9%	Aa3	AA+
Principal Life	1.4%	Aa2	AA
Prudential Life	1.1%	A1	A+
Security Life of Denver	0.3%	Aa2	AA+
SunAmerica Life	0.9%	Aaa	AAA
Travelers Life	0.6%	Aa3	AA
United of Omaha	0.0%	Aa3	AA-
Total Investment Contracts	**11.9%**		

Security Backed Contracts

Issuers:	% of Portfolio	Moody's Rating	S&P Rating
AIG Financial Products	13.8%	Aaa	AAA
Allstate Life	0.2%	Aa2	AA+
Bank of America	12.1%	Aa1	AA-
Caisse des Depot	5.0%	Aaa	AAA
Continental Assurance (CNA)	0.1%	A2	A+
ING Life	1.3%	Aa2	AA+
J.P. Morgan	8.6%	Aa2	AA-
Monumental Life	9.9%	Aa3	AA+
Pacific Life	2.2%	Aa3	AA+
Rabobank Nederland	3.3%	Aaa	AAA
Security Life of Denver	10.9%	Aa2	AA+
State Street Bank	2.0%	Aa2	AA
Transamerica Life	2.7%	Aa3	AA+
Union Bank of Switzerland	6.4%	Aa1	AA+
Westdeutsche Landesbank	1.0%	Aa1	AA+
Total Security Backed Contracts	**79.5%**		

Cash Equivalents

	% of Portfolio	Rating
Short Term Investment Fund	8.6%	AAA
Total Cash Equivalents	**8.6%**	

Stable Return Fund
Third Quarter 2002

Investment Performance History

Annual Performance

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
7.52%	7.46%	6.52%	6.45%	6.46%	6.48%	6.52%	6.23%	6.48%	6.54%

Quarterly Performance

Year	Third Quarter	Third Quarter	Third Quarter	Fourth Quarter
1992	1.72%	1.91%	1.95%	1.74%
1993	1.94%	1.94%	1.74%	1.65%
1994	1.55%	1.47%	1.63%	1.71%
1995	1.51%	1.59%	1.60%	1.60%
1996	1.54%	1.57%	1.56%	1.62%
1997	1.51%	1.59%	1.60%	1.64%
1998	1.58%	1.59%	1.57%	1.63%
1999	1.45%	1.52%	1.54%	1.58%
2000	1.55%	1.56%	1.59%	1.63%
2001	1.60%	1.60%	1.59%	1.59%
2002	1.50%	1.51%	1.43%	

*Performance is gross of fees