

Galliard Capital Management, Inc.



GALLIARD CAPITAL
MANAGEMENT

Experience. Consistency.
Performance.

State of Wisconsin

May 6, 2008

Presenters:
John Caswell, CFA
Managing Partner

Mike Norman
Principal

Section I: External Manager Review

**Section II: State of Wisconsin
1Q'08 Portfolio Review**

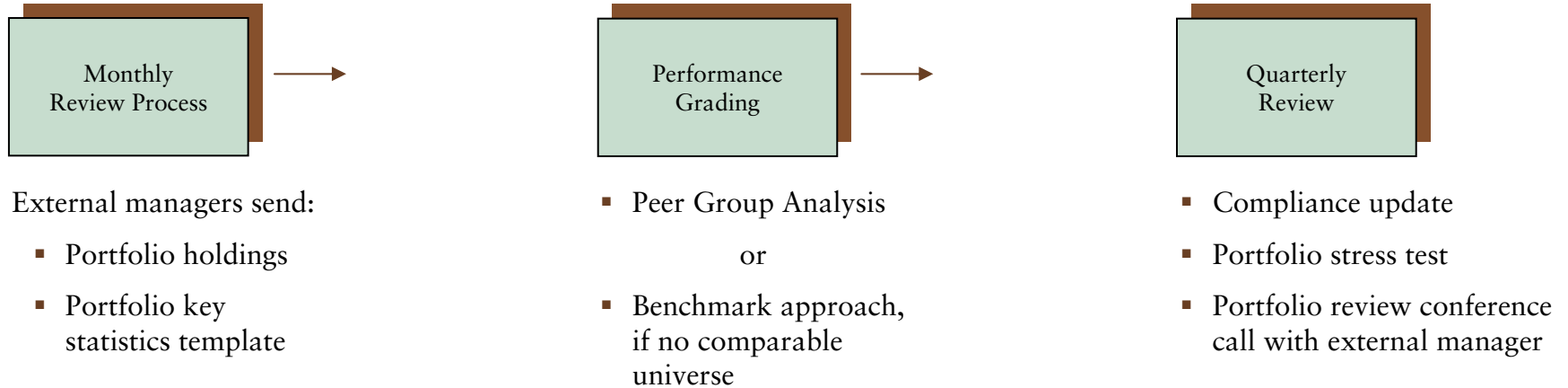
Section I

State of Wisconsin External Manager Review

- Galliard responsible for oversight on overall fund and external managers
- One of the current managers, Alliance Bernstein, on watch list for performance
- Recommending a change to Aberdeen Asset Management
- No change in benchmark
- Alliance currently manages 14.1% of total portfolio

External Manager Review Process

Galliard External Manager Oversight Team Stable Value Team – Fixed Income Committee – Compliance Team



External Manager Policy Standards

- All externally managed portfolios assigned to a Galliard analyst
- Galliard maintains performance history internally
- Galliard reviews monthly performance against benchmarks
- Manager performance graded against peer group
- Conference call or in person review required at least semi-annually
- Subadvisor required to send quarterly summary report and compliance affirmation

External Manager Review Process

4Q'07 Grading Matrix

External Manager Performance	YTD		1 Year		3 Year		5 Year	
	Returns	Grade	Returns	Grade	Returns	Grade	Returns	Grade
Alliance Bernstein	87	E	87	E	71	D	66	D
PIMCO	2	A	2	A	1	A	2	A

Grading Criteria	Peer Groups
0-20th Percentile = "A" grade 20th-40th Percentile = "B" grade 40th-60th Percentile = "C" grade 60th-80th Percentile = "D" grade 80th-100th Percentile = "E" grade	Use eVestment Alliance comparative universes

The Manager Selection Process

- The Galliard Alliance multi-manager stable value strategy updated in 2007 with the addition of new external managers
- Review process included correlation comparison, historic return profile
 - RFP issued to managers meeting initial screens
- Aberdeen Asset Management selected as new Broad Market Core manager
 - Based in Philadelphia, part of a \$204 billion worldwide investment organization
 - Manages over \$28 billion in fixed income – more than \$14 billion in core mandates

Galliard Alliance

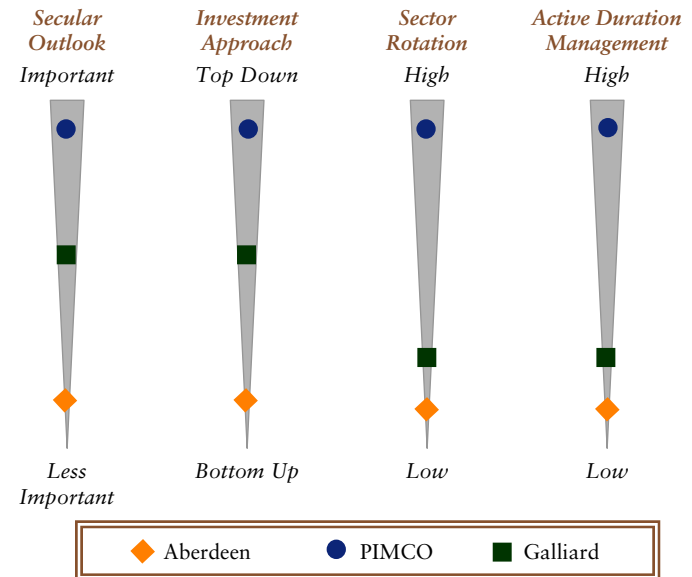
Investment Grade Core Managers

Low Style Correlation

Correlation Matrix:
4/2002 to 12/2007 using Lehman Aggregate Bond

	Aberdeen	PIMCO	Galliard
Aberdeen	1.00	(0.35)	0.65
PIMCO	(0.35)	1.00	0.05
Galliard	0.65	0.05	1.00

Fixed Income Style Diversification



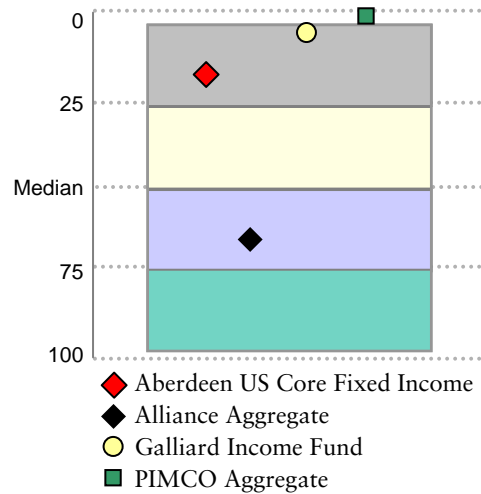
	Total Firm Assets	Strategy Assets	Primary Investment Approach	Style Overview
Aberdeen ◆	\$204.8B	\$14.2B	Fundamental/ Bottom Up	Emphasize a strictly bottom-up approach which capitalizes on pricing inefficiencies at the individual security level.
PIMCO ●	\$746.3B	\$10.7B	Top Down	Top-down core approach that combines moderate market timing, active sector rotation and sophisticated analytical capabilities.
Galliard ■	\$32.3B	\$6.4B	Combined Approach	Emphasize a disciplined security selection approach and broad portfolio diversification.

Returns & Information Ratio

7 Year Period Ending 12/31/07

Returns

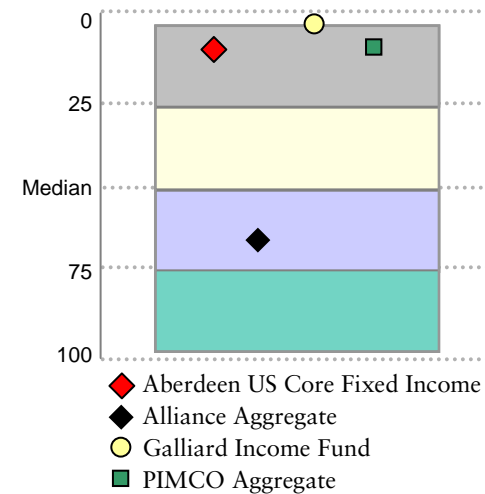
eA Core Fixed Income Universe
Seven Years Ending December-31-2007



Returns 7-Years				
Firm/Product	VT	RM	7 Yrs	Rank
Aberdeen US Core Fixed Income	SA	GF	6.23	16
Alliance Aggregate	CFE	GF	5.8	67
Galliard Income Fund	CFE	GF	6.43	6
PIMCO Aggregate	CFE	GF	6.59	3

Information Ratio

eA Core Fixed Income Universe
Benchmark: LB Aggregate Bond
Seven Years Ending December-31-2007



Information Ratio				
Firm/Product	VT	RM	7 Yrs	Rank
Aberdeen US Core Fixed Income	SA	GF	0.71	11
Alliance Aggregate	CFE	GF	-0.01	67
Galliard Income Fund	CFE	GF	0.89	5
PIMCO Aggregate	CFE	GF	0.72	11

Summary

- Transition will be transparent to participants
- Will work with staff on any additional communication to participants
- Fees will be slightly reduced (22 bp vs 23 bp for Alliance)

Section II

Galliard Capital Management, Inc.

First Quarter 2008

Market Review

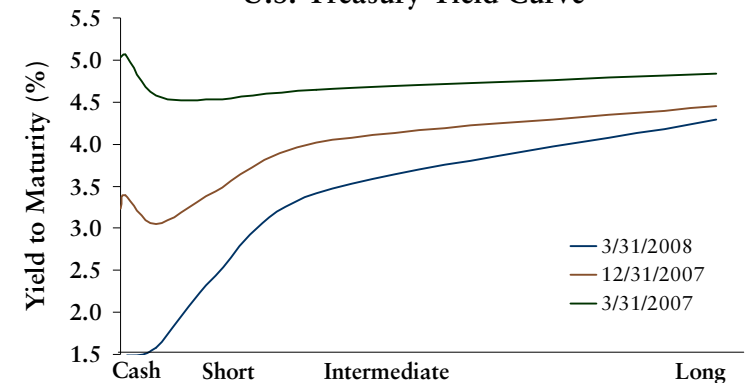
- Interest rates on U. S. Treasury securities continued to decline in the first quarter with the two year Treasury bond yield declining to 1.6%. Once again this large yield decline had little following from other bond market sectors as risk premiums continued to rise to historic levels causing significant under performance in all non Treasury market sectors. As such, most fixed income portfolios had positive returns but lagged benchmarks that have large weightings in U. S. Governments.

Market Outlook

- Judging by several recent reports and economic indicators we may be in a recession today. Certainly housing and autos are experiencing very tough times and now the financial sector is reeling from huge write-offs/losses. Consumers are concerned as evidenced by recent confidence levels reported at a five year low but is the broader economy likely to experience a severe recession? If you strip away autos and housing which constitute about 7% to 8% of real GDP, the economy grew at a 3% to 4% real rate in 2007. Even in the anemic fourth quarter if inventories reductions are ignored, we experienced about 2% real growth. While employment is contracting somewhat now, unemployment is well below the level of past recessions. A key determinant to the severity of this recession will be policy response and current stimulative policy actions by monetary authorities and the U.S. Government have been significant.
- The Federal Funds rate at 2.25% is at or below the rate of inflation and the Fed's extension of credit to Wall Street banks and the Bear Stearns sale has eased liquidity concerns. The Fed's willingness to do whatever it takes has helped ease fears of a meltdown. Additionally, more fiscal stimulus lies just ahead with tax rebates and more mortgage assistance programs. A key to watch is the stock market which has been a leading indicator of future economic trends and it seemed to form a pretty solid bottom following the Bear Stearns rescue. Perhaps the worse will soon be behind us.
- While we may see a few additional decreases in the Fed Funds rate, we are near the end of interest rate declines as the Federal Government will be opting for more targeted programs to support homeowners and to ease the credit crisis. As such, Treasury rates are poised to move higher at some point when signs of improvement emerge. At that point, risk premiums will begin to improve as Treasuries underperform, just the reverse of what we have seen the last six months.

Figure 1

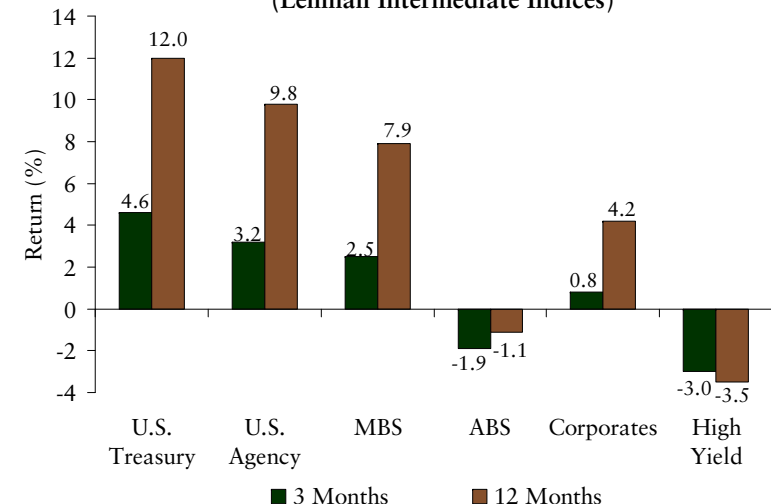
U.S. Treasury Yield Curve



Source: Bloomberg

Figure 2

Fixed Income Performance by Sector (%)
(Lehman Intermediate Indices)



Stable Value Portfolio Review

First Quarter 2008

Annualized Investment Performance*

Periods Ending March 31, 2008

	<u>3 Mo</u>	<u>YTD</u>	<u>1 Yr</u>	<u>3 Yr</u>	<u>5 Yr</u>	<u>Since Inception**</u>
Portfolio (before inv. mgmt. fees)	1.31	1.31	5.32	5.33	5.29	5.86
Portfolio (net of inv. mgmt. fees)	1.27	1.27	5.13	5.14	5.09	5.67
5 Year Contsant Maturity Treasury Yield	0.64	0.64	3.83	4.27	3.89	4.37

Calendar Year Performance

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Portfolio (before inv. mgmt. fees)	5.30	5.39	5.19	5.18	5.41
Portfolio (net of inv. mgmt. fees)	5.11	5.20	4.99	4.97	5.19
5 Year Contsant Maturity Treasury Yield	4.42	4.74	4.05	3.43	2.97
Market Indices					
3 Month Treasury Bills	4.55	4.95	3.54	1.67	1.07
Consumer Price Index	4.05	2.54	3.42	3.26	1.88

*Returns for periods less than one year are not annualized.

** Galliard's management of this portfolio began July 1, 1998.

Stable Value Portfolio Review

First Quarter 2008

Portfolio Characteristics

Total Assets	\$389,066,966	Blended Yield (Before fees)	5.31%
Weighted Average Quality	Aa1/AA	Blended Yield (Net of fees)**	5.22%
Market Value to Book Value Ratio	100.6%	Effective Duration	3.7 years

**Net of investment management and other fees

Sector Distribution

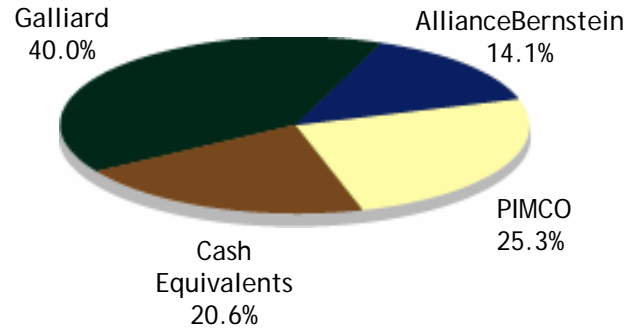
<u>Portfolio Distribution</u>	<u>Contract Value (\$)</u>	<u>% of Portfolio</u> <u>3/31/08</u>	<u>% of Portfolio</u> <u>12/31/07</u>
Cash Equivalents*	80,146,832	20.6%	19.5%
Security Backed Contracts	308,920,134	79.4%	80.5%
PIMCO	98,432,803	25.3%	25.5%
AllianceBernstein	54,925,983	14.1%	14.6%
Galliard	155,561,348	40.0%	40.4%
Total	\$389,066,966	100.0%	100.0%

*Includes Wells Fargo Stable Return Fund

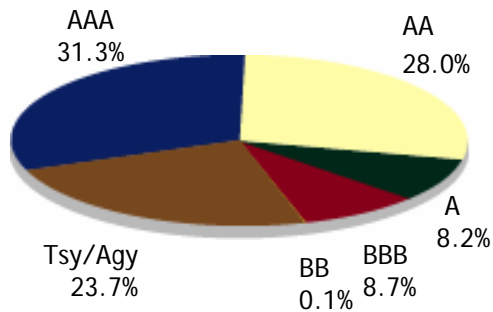
Stable Value Portfolio Review

First Quarter 2008

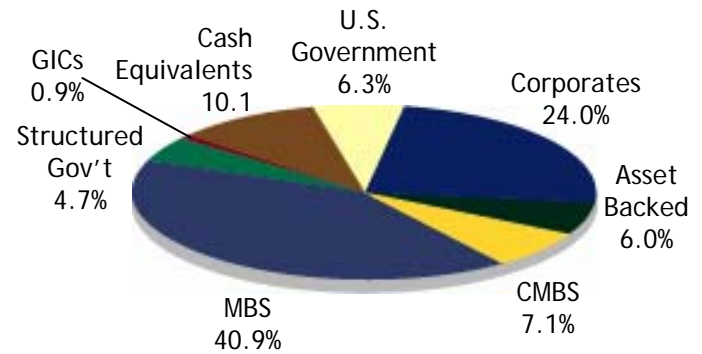
Portfolio Distribution



Underlying Fixed Income Credit Quality

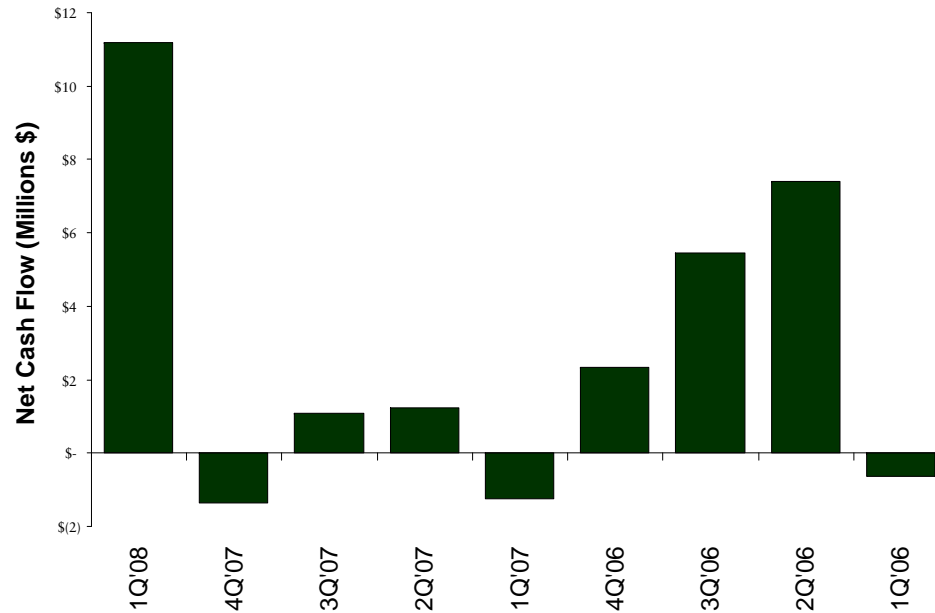


Underlying Fixed Income Asset Allocation



Stable Value Portfolio Review

Historical Cashflows



	<u>1Q'08</u>	<u>4Q'07</u>	<u>3Q'07</u>	<u>2Q'07</u>	<u>1Q'07</u>	<u>4Q'06</u>	<u>3Q'06</u>	<u>2Q'06</u>	<u>1Q'06</u>
Beginning Market Value	\$ 373,091,904	\$ 369,754,872	\$ 364,168,916	\$ 358,432,662	\$ 355,260,849	\$ 348,381,998	\$ 338,600,898	\$ 327,006,383	\$ 323,618,500
Contributions	\$ 14,787,879	\$ 5,427,511	\$ 8,924,361	\$ 7,914,636	\$ 7,665,773	\$ 8,979,200	\$ 9,677,090	\$ 11,161,226	\$ 6,265,119
Withdrawals	\$ (3,613,234)	\$ (6,781,550)	\$ (7,852,688)	\$ (6,691,477)	\$ (8,905,122)	\$ (6,631,498)	\$ (4,224,337)	\$ (3,749,067)	\$ (6,900,946)
Net Flow (\$)	\$ 11,174,645	\$ (1,354,039)	\$ 1,071,673	\$ 1,223,159	\$ (1,239,349)	\$ 2,347,702	\$ 5,452,753	\$ 7,412,159	\$ (635,827)
Net Flow (%)	3.00%	-0.37%	0.29%	0.34%	-0.35%	0.67%	1.61%	2.27%	-0.20%
Investment Return	\$ 4,800,418	\$ 4,691,071	\$ 4,514,282	\$ 4,513,095	\$ 4,411,161	\$ 4,531,150	\$ 4,328,347	\$ 4,182,356	\$ 4,023,710
Ending Market Value	\$ 389,066,966	\$ 373,091,904	\$ 369,754,872	\$ 364,168,916	\$ 358,432,662	\$ 355,260,849	\$ 348,381,998	\$ 338,600,898	\$ 327,006,383

State of Wisconsin Stable Value Fund

Transaction Report

Period: 1/1/2008 - 3/31/2008

Purchases

Cusip	Issuer	Par Amount	Crediting Rate	Maturity	Trade Date	Settle Date	S&P	Moody's
Security Backed Contracts								
<i>Targeted Benchmark</i>								
149993PY7	Natixis Financial Products Inc.	\$1,000,000	5.56		3/3/2008	3/3/2008	AA	Aa2
600996AC6	Monumental Life Ins. Co.	\$1,000,000	5.56		3/3/2008	3/3/2008	AA	Aa3
617997BG5	I.P. Morgan Chase Bank N.A.	\$1,000,000	5.56		3/3/2008	3/3/2008	AA	Aaa
905992RT2	Union Bank of Switzerland AG	\$1,000,000	5.56		3/3/2008	3/3/2008	AA+	Aaa
<i>Total Purchases Targeted Benchmark</i>		\$4,000,000						
<i>Total Purchases Security Backed Contracts</i>		\$4,000,000						
Total Purchases		\$4,000,000						

State of Wisconsin Stable Value Fund
Portfolio Holdings
3/31/2008

Security Description	Current Value (\$)	% of Portfolio	Crediting Rate/Yield (%)	Maturity	Yrs to Maturity	Moody's	S&P
Cash & Equivalents							
Cash Receivable / (Payable)	-93,518	0.0	3.12		0.0	Aaa	AAA
Total Cash & Equivalents	-93,518	0.0	3.12		0.0	Aaa	AAA
Funds							
Stable Value Funds							
Wells Fargo Stable Return Fund	80,899,306	20.8	4.72	1/5/2013	1.0	Aa1	AA+
Total Stable Value Funds	80,899,306	20.8	4.72		1.0	Aa1	AA+
Total Funds	80,899,306	20.8	4.72		1.0	Aa1	AA+
Security Backed Contracts							
Targeted Benchmark							
Natixis Financial Products Inc.	61,653,825	15.8	5.46	9/11/2012	4.5	Aa2	AA
Monumental Life Ins. Co.	92,476,764	23.8	5.46	9/11/2012	4.5	Aa3	AA
J.P. Morgan Chase Bank N.A.	92,476,764	23.8	5.46	9/11/2012	4.5	Aaa	AA
Union Bank of Switzerland AG	61,653,825	15.8	5.46	9/11/2012	4.5	Aaa	AA+
Total Targeted Benchmark	308,261,179	79.2	5.46		4.5	Aa1	AA
Total Security Backed Contracts	308,261,179	79.2	5.46		4.5	Aa1	AA

State of Wisconsin Stable Value Fund
Portfolio Holdings
3/31/2008

Security Description	Current Value (\$)	% of Portfolio	Crediting Rate/Yield (%)	Maturity	Yrs to Maturity	Moody's	S&P
Total Fund	389,066,966	100.0	5.31		3.7	Aa1	AA