

# Investment Board Activities & Status Fall 2008

Joint Retirement Boards  
September 18, 2008  
Keith Bozarth and Bill McCorkle

# Agenda

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- 2008 Investment Initiatives
- Investment Modernization (Act 212)
- Budget and Staffing
- Performance through August 31, 2008
- Equities Markets
- Questions

# 2008 Investment Initiatives

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- Launched 5 US large cap sector portfolios
- Moved \$3.4 b. from external to internal portfolios
  - US large cap sectors
  - Russell 1000 Index
  - International equities
  - Global and government/credit fixed income

# 2008 Investment Initiatives

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- Reduced fees by equities index manager search
- Optimized US quantitative equities manager mix
- Improving US small cap equities strategy
- Finalizing new fixed income manager structure

# Investment Modernization (Act 212)

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- More efficient investment structure now possible
- To date, limited changes made
- Reviewing potential new strategies
- Public process for discussion of changes

# Budget and Staffing

- Increasing internal management capacity using best practices
  - Moving closer to industry norms for staffing
  - Goal: Improve net returns
- Current Biennial Budget (2007-09)
  - Increased internal budget authority
  - Enabled SWIB to fund 20 additional staff
- Upcoming Biennial Budget (2009-11)
  - Current budget authority sufficient for planned initiatives

# SWIB's Investment Performance

As of August 31, 2008\*

	<b>Calendar YTD</b>	<b>Five Years</b>	<b>Ten Years</b>
Core Fund	-7.5%	9.6%	7.5%
Benchmark	-7.0%	9.4%	7.2%
Variable Fund	-12.1%	8.5%	6.5%
Benchmark	-12.1%	8.9%	5.8%

# Equity Returns

<b>Index</b>	<b>2008 YTD</b>	<b>2007</b>
<b>United States</b>		
S&P 500	-13.4%	5.5%
Russell 1000	-13.4%	5.8%
Russell 2000	-5.1%	-1.6%
<b>International</b>		
MSCI Developed (ex US)	-21.7%	12.4%
MSCI Emerging Markets	-30.0%	37.0%

As of September 12, 2008

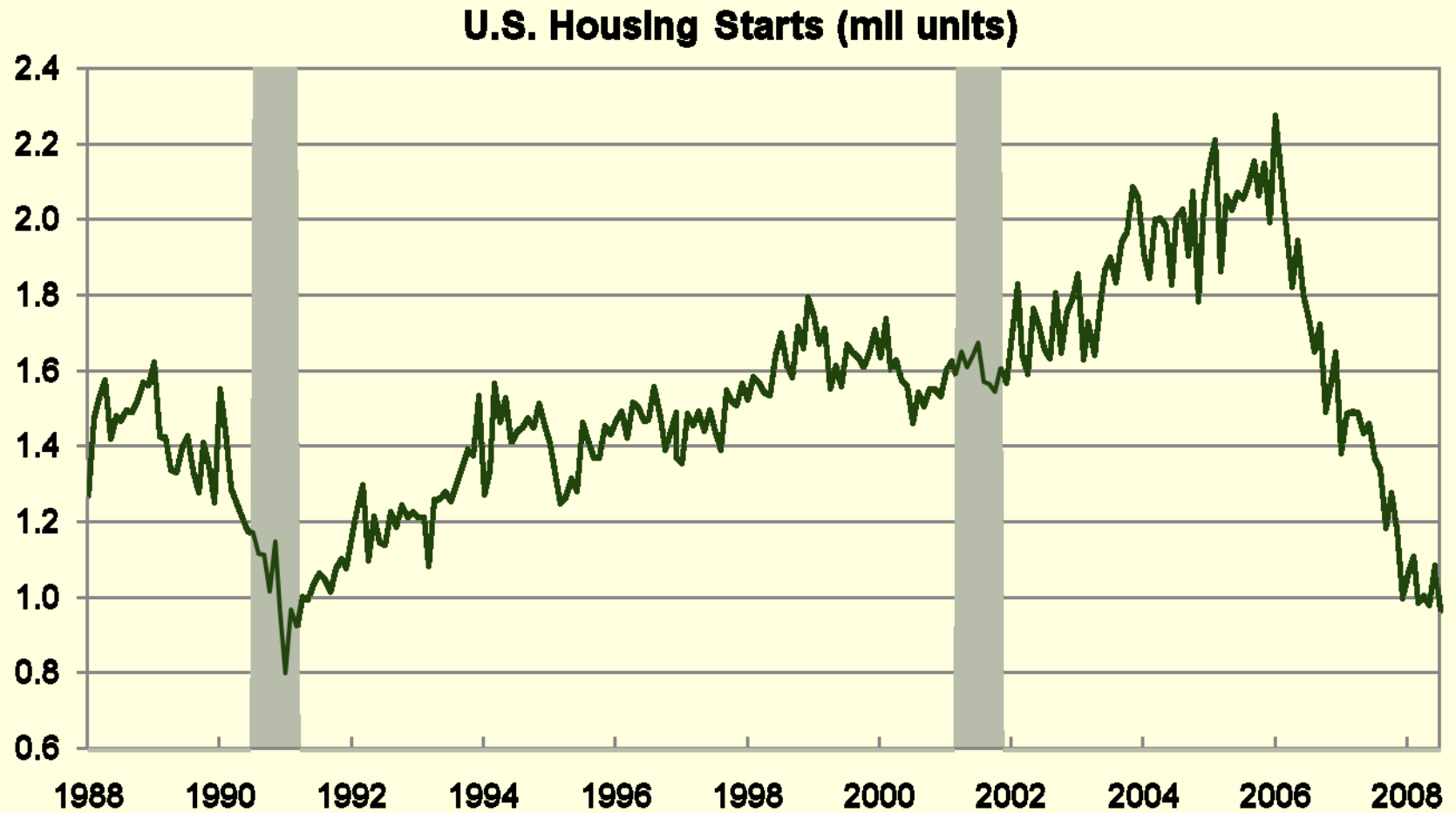


# Sector Returns

<b>Sector</b>	<b>2008 YTD</b>	<b>2007</b>
Consumer Staples	1.1%	14.3%
Health Care	-6.3%	7.3%
Consumer Discretionary	-8.4%	-11.2%
Materials	-9.1%	26.6%
Energy	-13.0%	33.6%
Utilities	-13.3%	19.0%
Industrials	-14.0%	12.8%
Information Technology	-17.1%	16.5%
Telecomm Services	-20.9%	9.8%
Financials	-23.7%	-17.6%

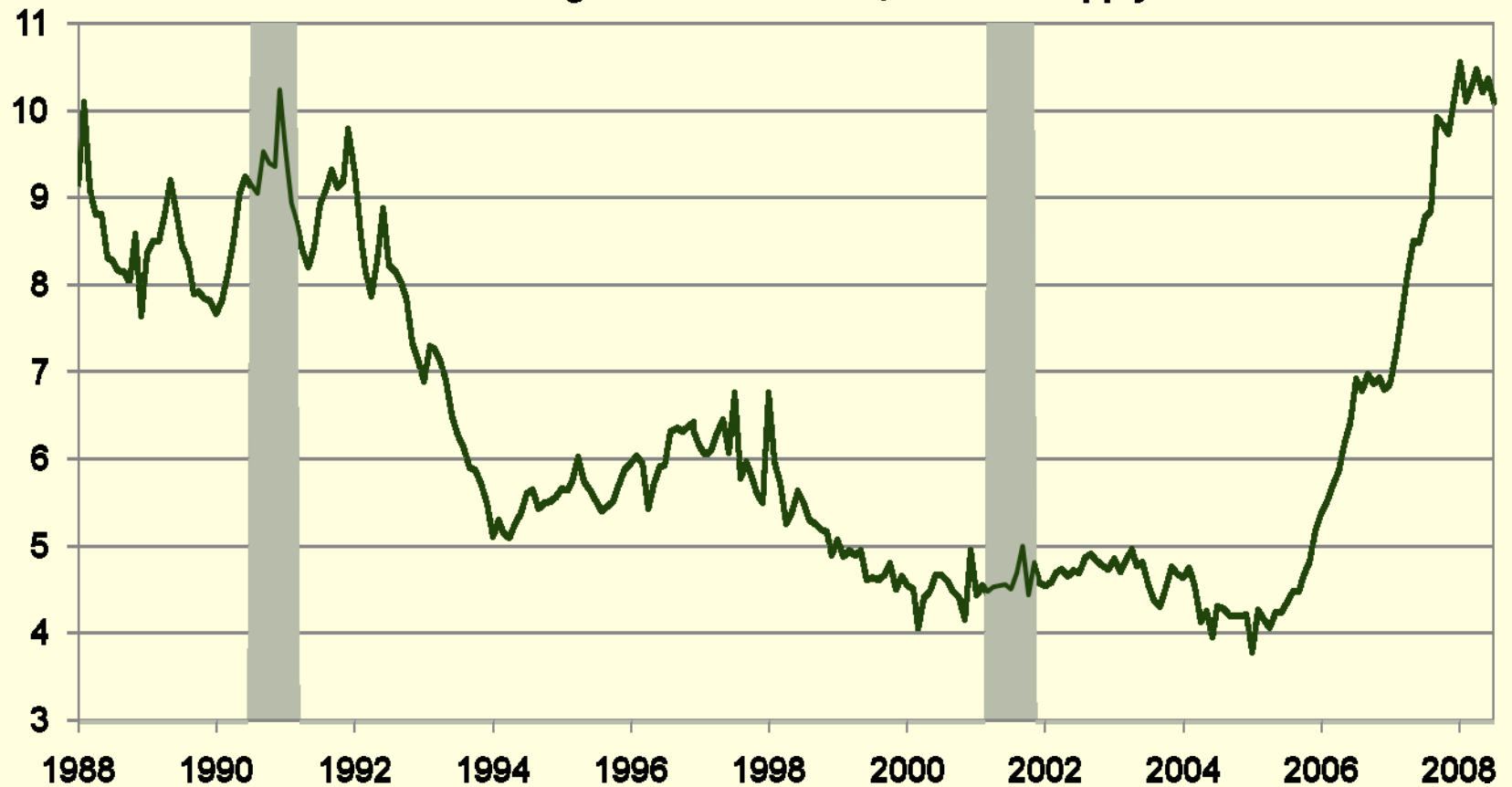
As of September 12, 2008

# Housing Starts



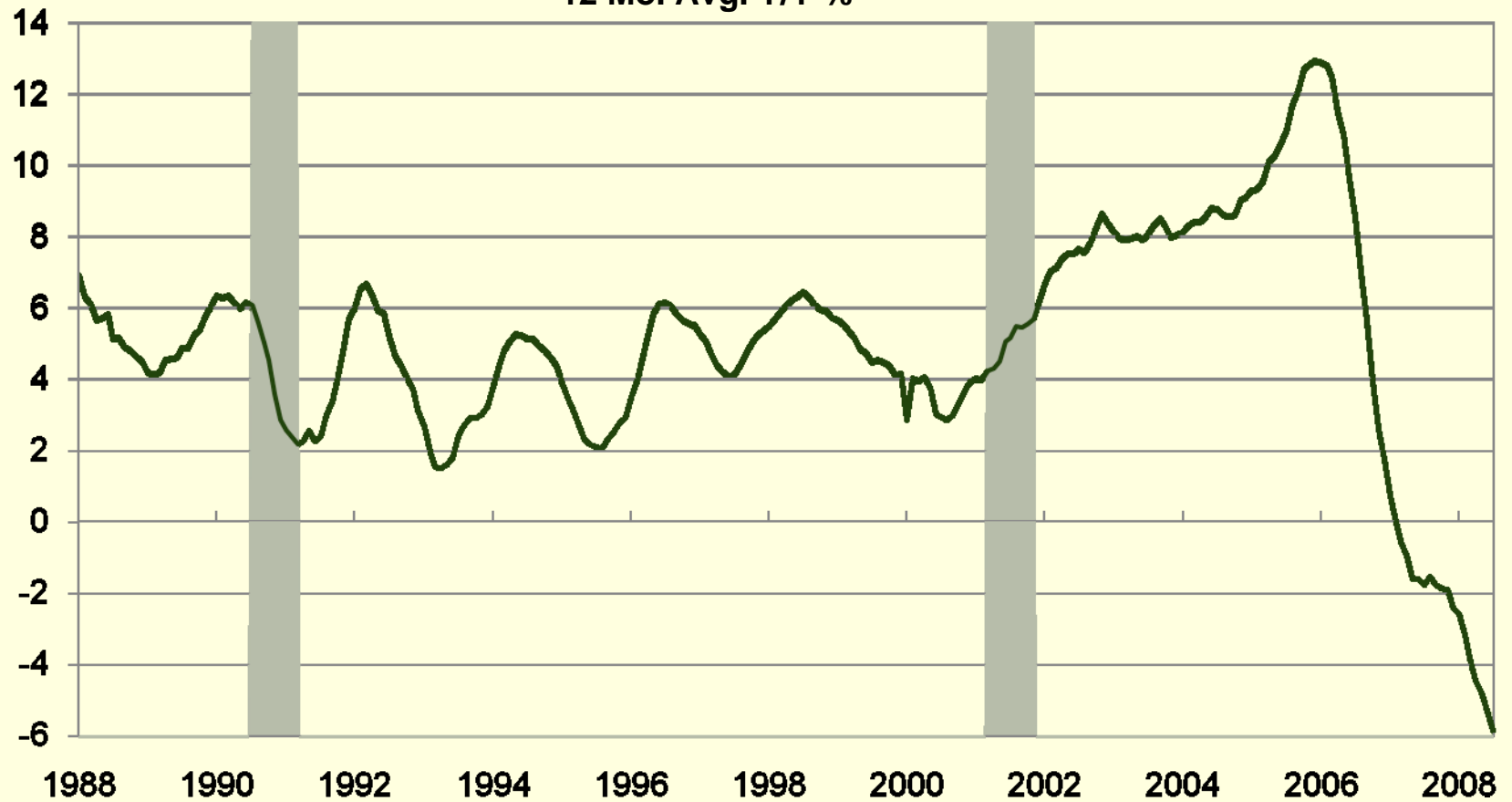
# Housing Inventories

U.S. Existing Houses For Sales, Month's Supply



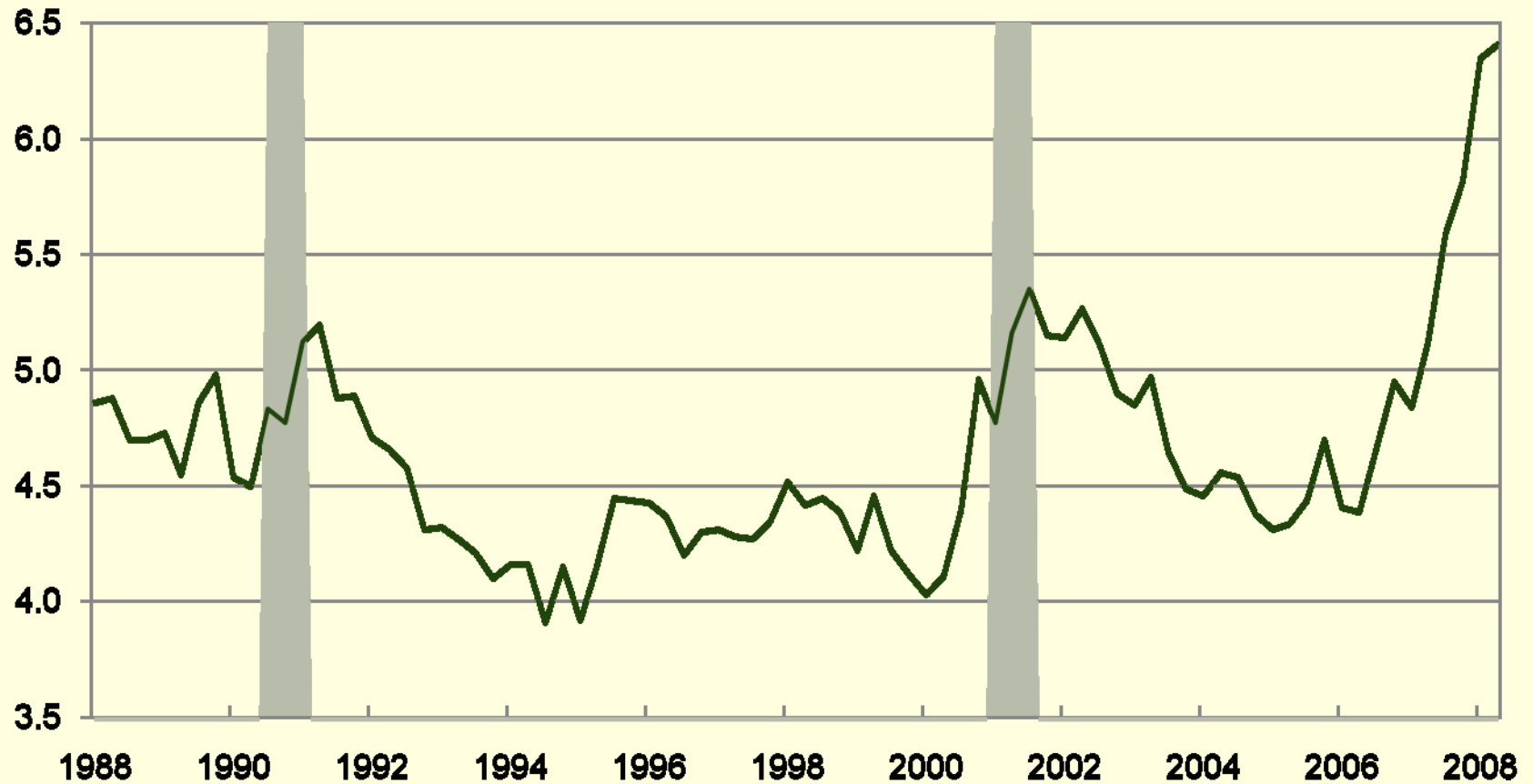
# Home Prices

U.S. Existing House Price,  
12 Mo. Avg. Y/Y %

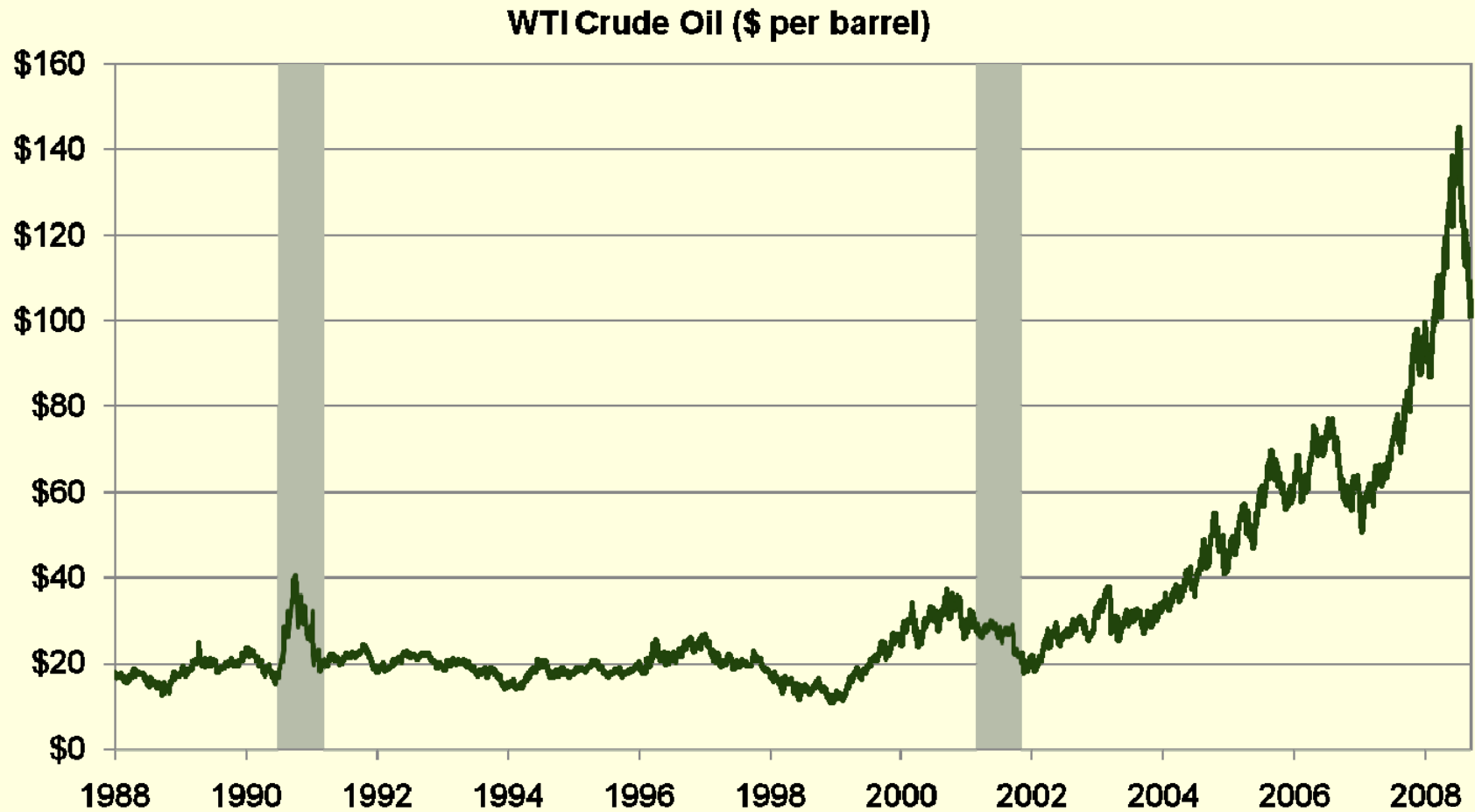


# Mortgage Delinquencies

U.S. Mortgage Delinquency Rate (%) (MBA)

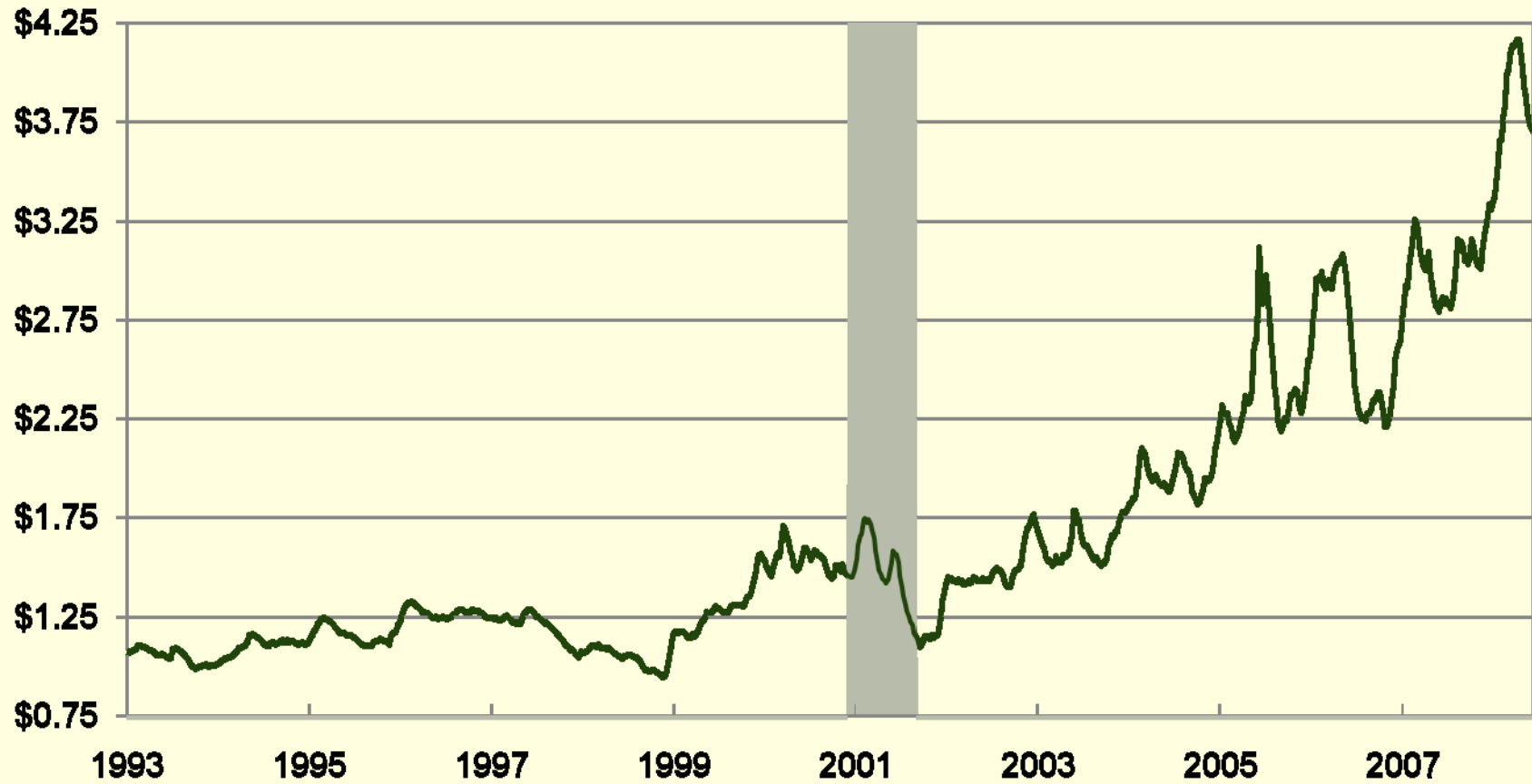


# Oil Price



# Gas Prices

U.S. Average Gasoline Retail Price (per gallon)



# Consumer Confidence

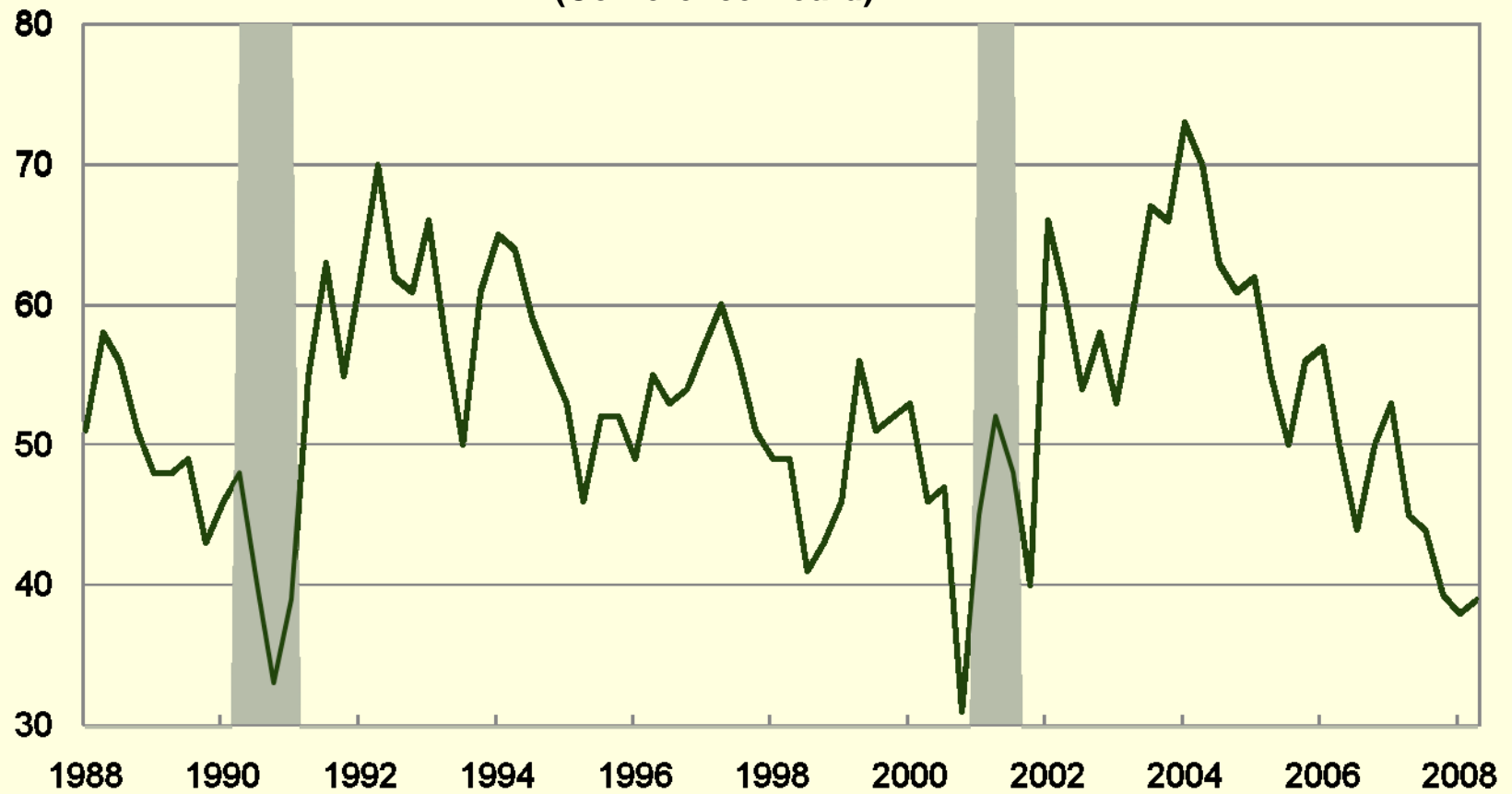
U.S. Consumer Confidence  
(Conference Board)



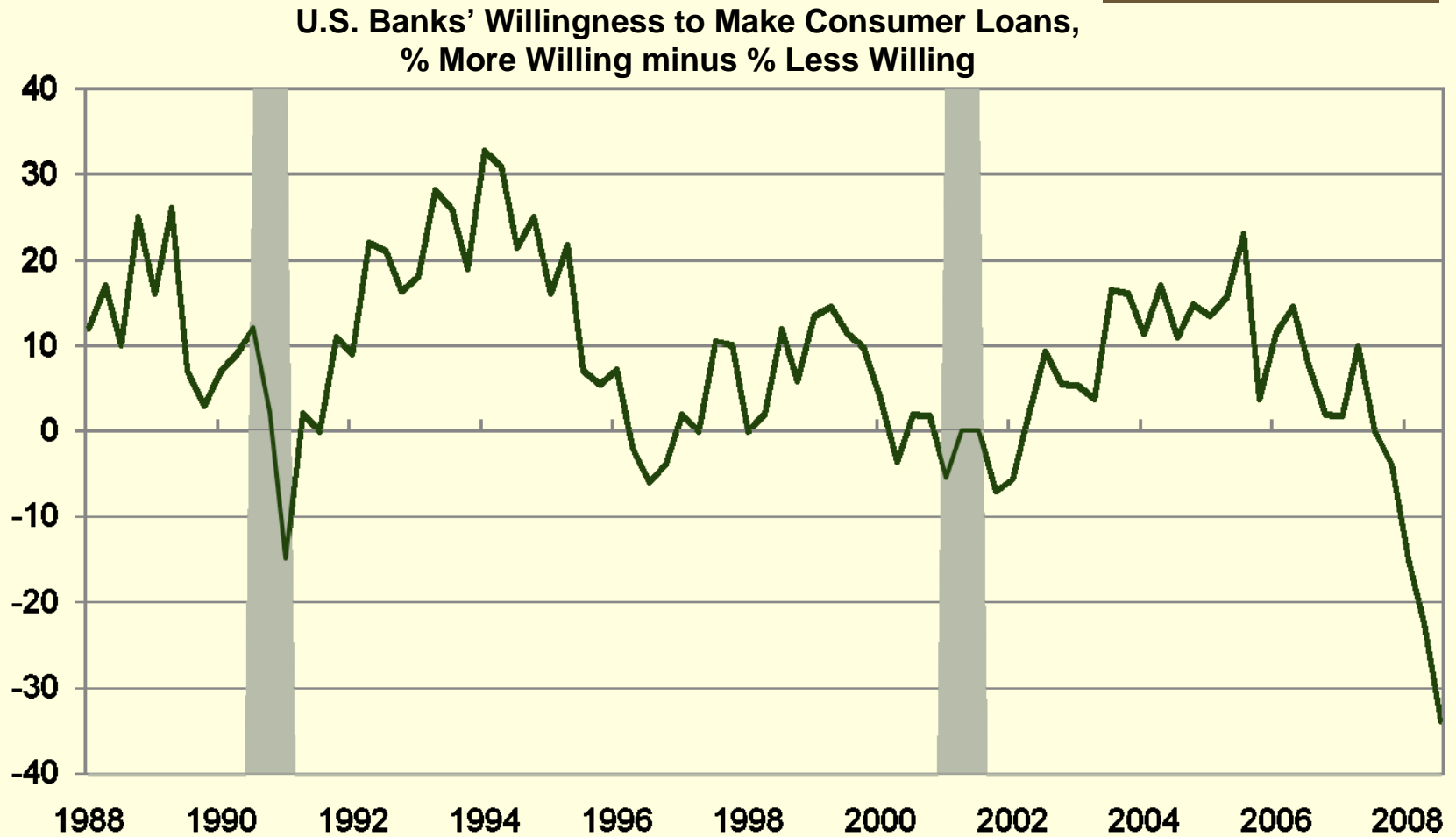


# Business Confidence

U.S. Business Confidence  
(Conference Board)



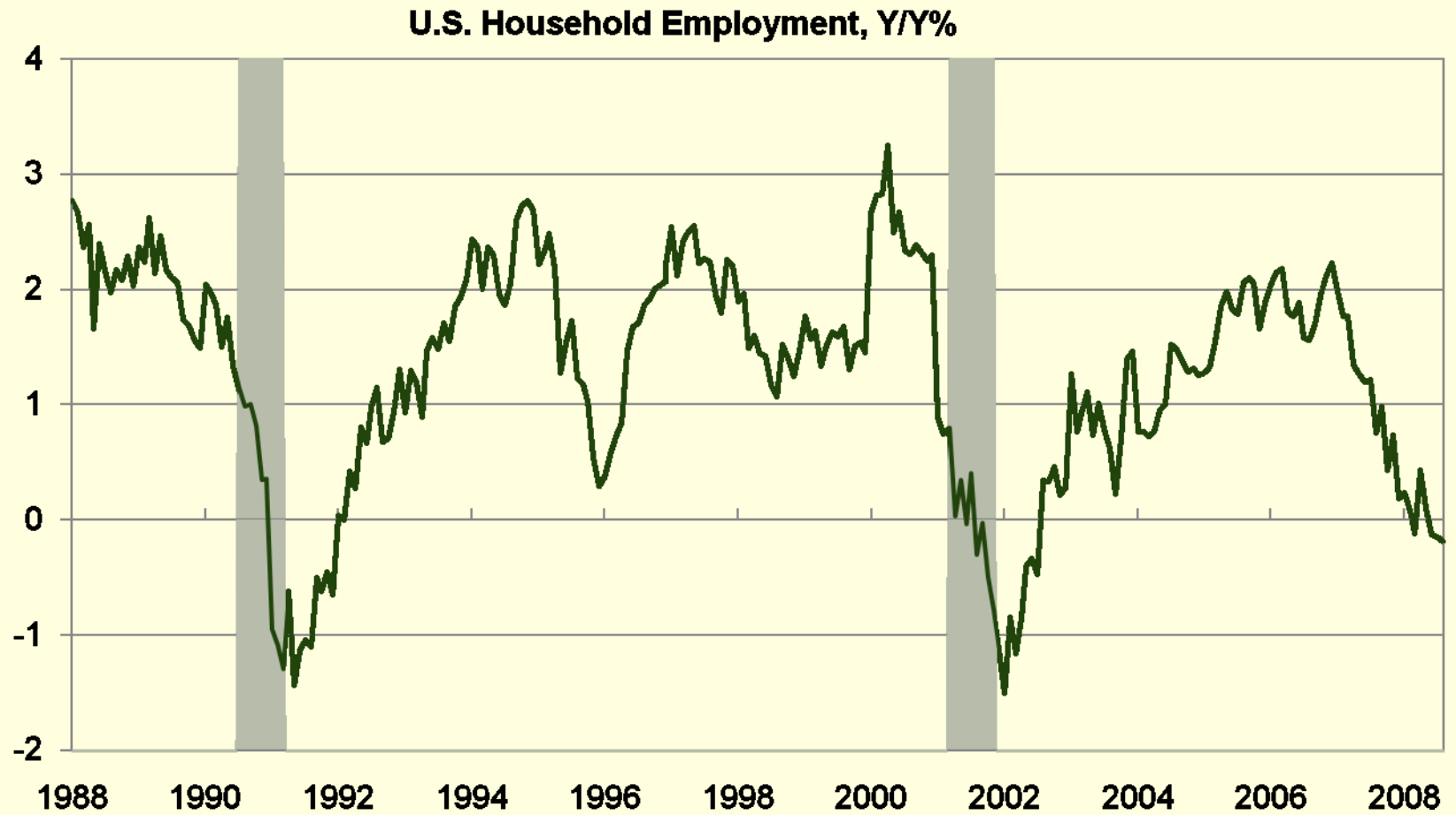
# Credit Availability - Consumer



# Credit Availability - Business



# Employment

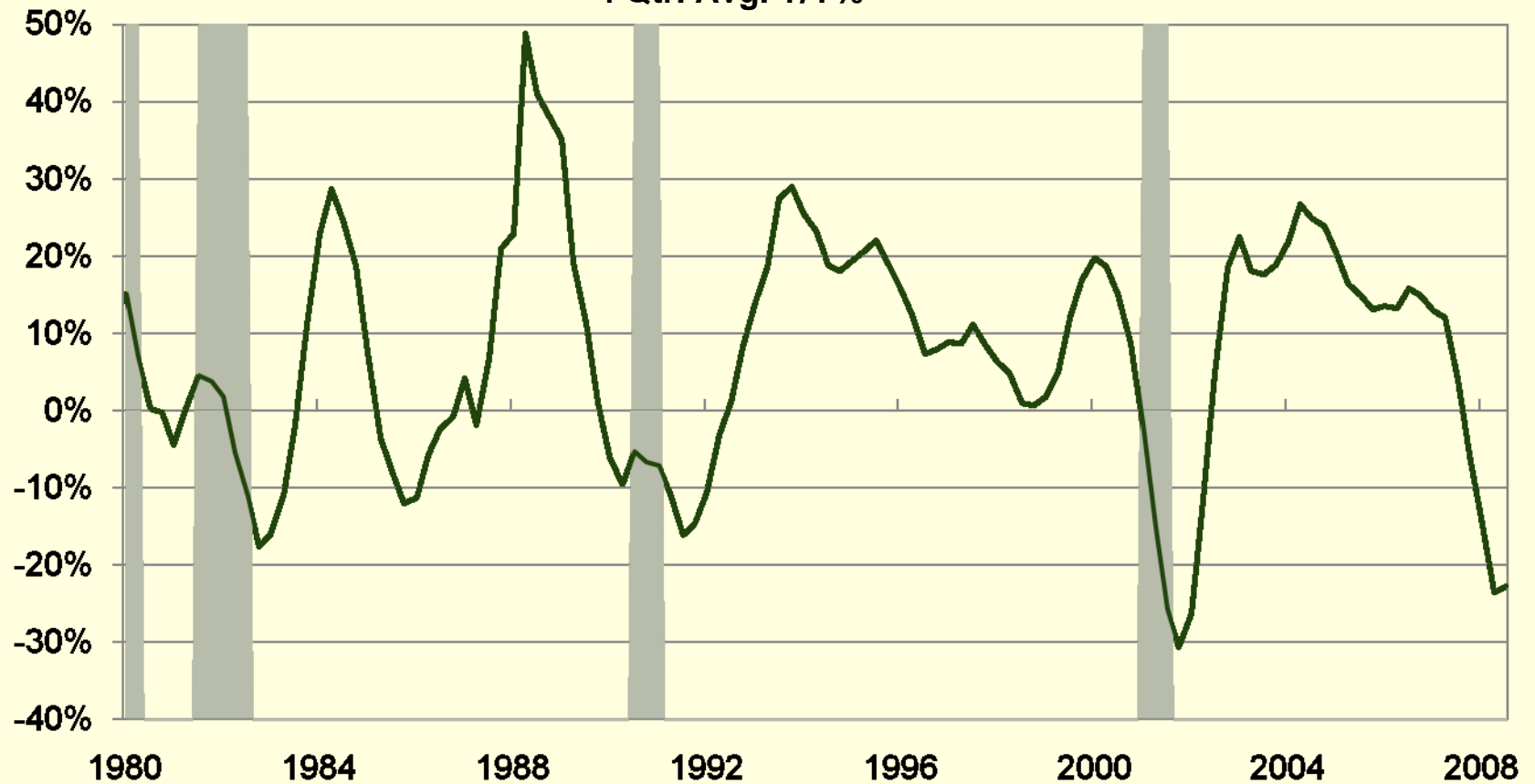


# Leading Economic Indicators



# Earnings Growth

S&P 500 Operating EPS (First Call),  
4 Qtr. Avg. Y/Y%



# Equity Valuation Levels

S&P 500 Index Price / YR Forward EPS Estimates

