

**PERMANENT SCHOOL FUND**

**Investment Objectives**

The investment objective of the Permanent School Fund is to produce a growing level of spendable income, within the constraints of maintaining adequate portfolio quality and liquidity. The income from the portfolio is used to offset expenditures on school aid payments to local school districts.

**Asset Mix**

Effective with FY98, the Permanent School Fund is invested in a balanced portfolio of common stocks and bonds. Common stocks provide the potential for significant capital appreciation, while bonds provide portfolio diversification and a more stable stream of current income.

	6/30/2011 Target	6/30/2011 Actual
Stocks	50.0%	49.7%
Bond	48.0	48.3
Cash	2.0	2.0
Total	100.0%	100.0%

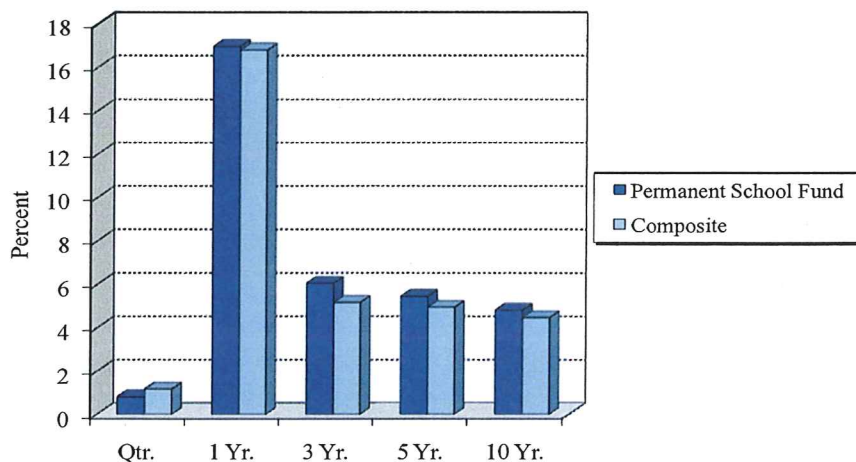
Prior to FY98, the Fund was invested entirely in fixed income securities in order to maximize current income. It is understood that the change in asset mix will reduce portfolio income in the short term, but will enhance the value of the fund, over time.

**Investment Management**

SBI staff manages all assets of the Permanent School Fund. The stock segment is passively managed to track the performance of the S&P 500. The bond segment is actively managed to add incremental value through sector, security and yield curve decisions.

**Market Value**

On June 30, 2011 the market value of the Permanent School Fund was \$785 million.



**Period Ending 6/30/2011**

	Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Total Fund*</b>	<b>0.8%</b>	<b>17.0%</b>	<b>6.0%</b>	<b>5.4%</b>	<b>4.8%</b>
Composite	1.2	16.8	5.2	4.9	4.5
<b>Equity Segment*</b>	<b>0.1</b>	<b>30.8</b>	<b>3.4</b>	<b>3.0</b>	<b>2.8</b>
S&P 500	0.1	30.7	3.3	2.9	2.7
<b>Bond Segment*</b>	<b>1.5</b>	<b>4.3</b>	<b>7.4</b>	<b>7.1</b>	<b>6.3</b>
Barclays Capital Agg.	2.3	3.9	6.5	6.5	5.7

\* Actual returns are calculated net of fees.