

AGENDA ITEM 7.

COLLEGE ILLINOIS! **INVESTMENT PERFORMANCE REPORT**

Submitted for: Information

Summary: Commissioners and members of the program's Investment Advisory Panel have been provided with a copy of the most recent Investment Performance Analysis for *College Illinois!*, prepared by investment consultant, Marquette Associates of Chicago. The report reviews and analyzes the performance of the program's eleven investment managers (in 12 separate investment mandates) for both the 3-month and 6-month periods ending December 31, 2004. As always, the report also provides an overview of the investing environment and a review of the capital markets for the same time periods. It concludes with a review of the fees associated with investment of program assets, which indicates that investment fees paid by the program are low relative to investment industry standards.

On December 31, 2004, the program had \$557.8 million invested, an increase of \$57.0 million during the first six months of the fiscal year. Total program investment performance shows a 7.9% return for the first half of FY2005, surpassing for this same period the policy benchmark return of 7.1% and also surpassing by a large margin the Fund's adjusted fiscal-year-to-date actuarial return target of 3.8%. The program's overall investment return since inception was 4.1%. These results reflect very positive fiscal-year-to-date investment performance for the program.

During FY2005, the equities portion of the program's portfolio was further diversified among nine investment managers -- including four managers new to the program: State Street Global Advisors (Large Cap Core/S&P 500 Index and Large Cap Value); LSV Asset Management (Large Cap Value); William Blair, Holland Capital and New Amsterdam Partners (Large Cap Growth); Wasatch Advisors (Small Cap Core); Nicholas-Applegate and Kenwood Capital (Small Cap Value); and Jarislowsky Fraser (International). The *College Illinois!* fixed income portion of the portfolio was divided during this period between two managers: JP Morgan Fleming Asset Management, formerly known as Bank One (Domestic Core) and Richmond Capital (Domestic Intermediate). Performance for each manager is specified within the report.

Action requested: None