

AGENDA ITEM 10.

COLLEGE ILLINOIS!® 529 PREPAID TUITION PROGRAM (PROGRAM) INVESTMENT PERFORMANCE REPORT AS OF JUNE 30, 2010

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 the Program prepared by investment consultant, Marquette Associates. The report reviews and analyzes the performance of the Program's 19 investment managers for both the 3-month and 12-month periods ending June 30, 2010. The report also provides an overview of the capital markets for the same periods. It concludes with a review of the fees associated with investment of program assets, which indicates that investment fees currently paid by the program (61 basis points) are low relative to investment industry standards (88 basis points), for a fund with a similar target allocation for an annual savings of 27 basis points or \$2.7 million.

On June 30, 2010, the Program had \$986 million invested, a decrease of \$19.66 million from the previous quarter. The decrease in the portfolio is attributable primarily to headwinds from market conditions during the months of May and June. Total Program investment performance for the quarter was a negative 3.6 percent, underperforming the actuarial target of 2.3 percent. Over the trailing 12 months, the Illinois Prepaid Tuition Trust Fund (Fund) returned 10.3 percent, outperforming the policy benchmark of 9.5 percent. The asset allocation is summarized as follows: 27.7 percent in Domestic Fixed Income, 24.9 percent in Domestic Equities, 9.4 percent in International Equities, 13.4 percent in Real Estate debt securities, 14.5 percent in Hedge Funds, 1 percent in Infrastructure, 7.1 percent in Private Equity and 2.0 percent in Cash Equivalents.

As of June 30, 2010, the equities portion of the Program's portfolio was diversified among three investment managers in four different mandates: Rhumblin Advisors (Wilshire 5000 Broad Market Index); LSV Asset Management (International Equity); State Street Global Advisors (S&P 500 Index and MSCI EAFE Index). The Program's fixed income portion of the portfolio was managed by five different managers: C.S McKee Investment Managers, Pugh Capital Management and Piedmont Investment Advisors (Domestic Core); and Galliard Capital and Income Research & Management (Intermediate Govt/Credit). Performance data points for each manager are specified within the report.

Action requested: None