

## AGENDA ITEM 7A.

### COLLEGE ILLINOIS!® PREPAID TUITION PROGRAM INVESTMENT PERFORMANCE

**Submitted for:** Information

**Summary:** The quarterly report for the period ending June 30, 2012 prepared by the investment consultant, Callan Associates, was provided previously to the Commission. Performance summaries for periods ending June 30, 2012 and August 31, 2012 that are prepared by Northern Trust are attached. Additional information, including the sources and uses of funds, is provided in the Executive Director's report. All reports are preliminary and unaudited.

Since June 30, 2011 the Fund value has declined by \$53 million from \$1.132 billion to an estimated \$1.079 billion as of June 30, 2012. Contributions and fees of \$46 million were offset by \$40 million in refunds and \$5 million in expenses. Tuition payments of \$93 million were only partially offset by investment gains of \$39 million.

Tuition payments for FY13 are estimated at approximately \$120 million and liquidity is more than ample. Funding sources will likely include liquid real estate (SCM stable value), hedge fund redemptions, and an appropriate balance of public equities and fixed income.

Northern Trust reports for trailing periods ended June 30, 2012 show that the Fund returned 3.34%, net of fees, in fiscal year 2012. Fixed-income (+9.61%) was the largest contributor while international equity (-9.23%) lagged due to the ongoing financial turmoil in Europe. Notably, the international equity portfolio significantly outperformed the MSCI EAFE benchmark which was down 13.38% for the fiscal year. Domestic equity returned 4.72%. Real estate (+4.82%) and Infrastructure (+2.60%) lagged peers due to early stage expenses (J-curve) from closed-end funds. Absolute Return (+1.37%) detracted slightly, but was still substantially better than the peer group (-1.54%). Private equity returns (+4.39%) were positive as double-digit returns from Camelot, DDJ, and Portfolio Advisors were offset by low returns from Morgan Stanley and JP Morgan. Callan reports show that Fund performance ranked in the top 17<sup>th</sup> percentile for the fiscal year.

Northern Trust reports show that the Fund is up 1.66%, net of fees, fiscal year to date (6/30/12 through 8/31/12), driven by international equity (+5.26%) and domestic equity (+3.36%). Private equity (-0.07%) and Absolute Return (-0.06%) were slightly negative while the other asset classes were modest contributors (Fixed Income +1.57%, Real Estate +0.36%, Infrastructure +2.00%).

**Action requested:** None



## Policy Tree

September 3, 2012

Trust : Illinois Student Assistance Co  
Reference Date : 06/30/12  
Asset Class : Total Fund Net of Fees

Current View : Policy Hierarchy

Group/Account	06/30/12 Market Value	% of Total	% Rate of Return					
			1 Mo.	3 Mos.	YTD	FYTD	1 Yr.	2 Yrs.
Illinois Student Assistance Co	1,076,405,708	100.00%	1.34	-1.20	3.43	3.34	3.34	9.14
<i>ISAC Policy Bmark</i>			2.20	-0.79	5.21	4.25	4.25	10.91
Total Equity	314,928,308	29.26%	4.49	-3.55	7.67	0.33	0.33	14.39
Domestic Equity	214,132,884	19.89%	4.16	-2.95	9.12	4.72	4.72	17.05
Rhumblin All Cap	132,275,466	12.29%	4.18	-3.08	8.87	4.31	4.31	17.31
<i>DJ US Total Stock Market TR</i>			3.95	-3.10	9.40	3.97	3.97	17.34
Rhumblin Large Cap	81,857,417	7.60%	1.52	--	--	--	--	--
<i>S&amp;P 500</i>			4.12	--	--	--	--	--
SSGA S&P 500 Index Fd	0	0.00%	--	--	--	--	--	--
<i>S&amp;P 500</i>			--	--	--	--	--	--
International Equity	100,795,425	9.36%	5.20	-4.81	4.67	-9.23	-9.23	7.84
Ativo	27,660,879	2.57%	5.51	-4.12	2.96	-13.95	-13.95	--
<i>MSCI EAFE + Canada GD</i>			6.60	-6.93	2.84	-13.66	-13.66	--
Harris / Pyrford	30,805,165	2.86%	5.07	-3.25	4.31	-5.11	-5.11	--
<i>MSCI EAFE GD</i>			7.05	-6.85	3.38	-13.38	-13.38	--
LSV Asset Mgmt	5,537	0.00%	2.62	-4.68	-6.61	-12.61	-12.61	2.72
<i>MSCI EAFE GD</i>			7.05	-6.85	3.38	-13.38	-13.38	6.49
Madison Square	28,478,515	2.65%	4.17	-5.95	7.69	-5.91	-5.91	--
<i>MSCI EAFE GD</i>			7.05	-6.85	3.38	-13.38	-13.38	--
SSGA MSCI EAFE Index Fd	13,845,329	1.29%	7.02	-7.12	2.96	-14.27	-14.27	--
<i>MSCI EAFE GD</i>			7.05	-6.85	3.38	-13.38	-13.38	--
Domestic Fixed Income	222,450,501	20.67%	0.17	1.93	3.02	9.61	9.61	6.94
C.S. McKee	72,356,764	6.72%	0.15	1.97	2.67	8.53	8.53	6.28
<i>BC U.S. Aggregate</i>			0.04	2.06	2.37	7.47	7.47	5.67
Income Research & Management	68,593,159	6.37%	0.32	1.61	3.21	6.52	6.52	5.75
<i>BC US Agg Govt/Credit Intermed</i>			0.08	1.48	2.10	5.42	5.42	4.59
Piedmont Investment Advisors	36,053,489	3.35%	0.20	2.35	3.47	8.10	8.10	6.54
<i>BC U.S. Aggregate</i>			0.04	2.06	2.37	7.47	7.47	5.67
Pugh Capital	45,447,089	4.22%	-0.02	2.02	2.99	7.84	7.84	6.37



## Policy Tree

September 3, 2012

Trust : Illinois Student Assistance Co  
Reference Date : 06/30/12  
Asset Class : Total Fund Net of Fees

Current View : Policy Hierarchy

Group/Account	06/30/12 Market Value	% of Total	% Rate of Return					
			1 Mo.	3 Mos.	YTD	FYTD	1 Yr.	2 Yrs.
<i>BC U.S. Aggregate</i>			0.04	2.06	2.37	7.47	7.47	5.67
TIPS	0	0.00%	--	--	--	--	--	--
<i>BC US Tips</i>			-0.56	3.15	4.04	11.66	11.66	9.68
Real Estate	188,740,240	17.53%	1.44	2.45	6.35	4.82	4.82	9.74
ISAC Kennedy Wilson IV	41,393,109	3.85%	1.80	5.41	6.08	2.12	2.12	--
Kennedy Wilson III	23,733,790	2.20%	2.16	7.00	7.37	8.53	8.53	--
<i>NCREIF Open-End Divers Core GR</i>			2.82	2.82	5.87	14.66	14.66	--
Lyrical Antheus Rlty III	21,308,284	1.98%	0.43	-1.39	-2.60	-3.35	-3.35	--
<i>NCREIF Property Index</i>			0.00	0.00	2.59	9.11	9.11	--
Mesirow RE Value Fd LP	9,179,914	0.85%	0.22	0.74	0.94	0.34	0.34	--
<i>NCREIF Open-End Divers Core GR</i>			2.82	2.82	5.87	14.66	14.66	--
SCM Preferred Growth RE	52,264,883	4.86%	2.63	2.76	13.61	9.51	9.51	14.21
SCM Stable Value REIT	40,860,260	3.80%	0.47	1.00	4.74	4.65	4.65	8.89
Total Alternatives	332,436,311	30.88%	-0.73	-3.01	-1.12	2.78	2.78	5.03
Infrastructure	48,047,595	4.46%	0.11	4.41	3.04	2.60	2.60	7.74
Alinda Capital II	30,512,787	2.83%	0.18	2.63	0.42	-0.00	-0.00	6.36
<i>90 Day T-Bill + 4%</i>			0.33	1.01	2.02	4.05	4.05	4.09
JP Morgan Asia Infrastructure	17,534,808	1.63%	0.00	7.64	7.64	0.80	0.80	-0.69
<i>90 Day T-Bill + 4%</i>			0.33	1.01	2.02	4.05	4.05	4.09
Absolute Return	152,519,192	14.17%	-0.60	-1.87	0.01	1.37	1.37	2.86
<i>90 Day T-Bill + 4%</i>			0.33	1.01	2.02	4.05	4.05	4.09
Balestra Spectrum II	50,137,751	4.66%	-1.53	-4.28	-4.63	-0.55	-0.55	-0.56
<i>HFR Macro</i>			-1.42	-1.49	-0.78	-2.69	-2.69	1.96
NB Diversified Arbitrage	26,516,270	2.46%	-0.68	-0.25	1.01	-2.40	-2.40	2.37
<i>HFR FOF: Conservative</i>			-0.35	-1.25	1.20	-2.71	-2.71	1.17
Pinnacle Natural Resources	61,349,909	5.70%	-0.02	-0.85	4.61	9.35	9.35	7.70
<i>HFR Fund of Funds Composite</i>			-0.37	-2.25	1.05	-4.44	-4.44	0.96
Reynoso Options Arbitrage Fd	14,515,262	1.35%	0.32	-0.46	-2.53	-10.72	-10.72	1.05
<i>HFR Equity Market Neutral</i>			0.42	-0.56	1.12	-2.42	-2.42	1.19



## Policy Tree

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Reference Date : 06/30/12  
Asset Class : Total Fund Net of Fees

Current View : Policy Hierarchy

Group/Account	06/30/12 Market Value	% of Total	% Rate of Return					
			1 Mo.	3 Mos.	YTD	FYTD	1 Yr.	2 Yrs.
Private Equity	131,869,524	12.25%	-1.18	-6.68	-3.68	4.39	4.39	7.76
Camelot Secondary Fund LP	19,500,958	1.81%	-0.40	-10.51	-10.51	55.62	55.62	19.66
<i>Russell 3000 + 3%</i>			4.08	-2.23	11.06	6.92	6.92	20.67
Caso Co-Invest	14,613,455	1.36%	-15.89	-41.72	-41.72	46.13	46.13	--
<i>Russell 3000 + 3%</i>			4.08	-2.23	11.06	6.92	6.92	--
DDJ Distressed Fund	64,682,640	6.01%	-0.58	2.92	10.68	12.70	12.70	13.86
<i>Russell 3000 + 3%</i>			4.08	-2.23	11.06	6.92	6.92	20.67
Morgan Stanley Secondary	17,324,320	1.61%	5.56	4.55	1.44	1.67	1.67	34.55
<i>Russell 3000 + 3%</i>			4.08	-2.23	11.06	6.92	6.92	20.67
Portfolio Advisors Secondary	15,748,151	1.46%	4.88	4.88	7.07	19.50	19.50	17.01
<i>Russell 3000 + 3%</i>			4.08	-2.23	11.06	6.92	6.92	20.67
Cash	17,850,348	1.66%	0.11	0.14	0.15	0.39	0.39	1.71
Cash Account	7,417,280	0.69%	0.18	0.22	0.30	0.85	0.85	--
<i>90 Day T-Bill</i>			0.01	0.02	0.04	0.05	0.05	0.09
Interest and Dividends	10,433,068	0.97%	0.00	0.01	0.01	0.01	0.01	0.06
<i>90 Day T-Bill</i>			0.01	0.02	0.04	0.05	0.05	0.09



## Policy Tree

September 3, 2012

Trust : Illinois Student Assistance Co  
Reference Date : 08/31/12  
Asset Class : Total Fund Net of Fees

Current View : Policy Hierarchy

Group/Account	08/31/12 Market Value	% of Total	% Rate of Return					
			1 Mo.	3 Mos.	YTD	FYTD	1 Yr.	2 Yrs.
Illinois Student Assistance Co	1,093,969,224	100.00%	0.82	3.03	5.15	1.66	6.47	9.08
<i>ISAC Policy Bmark</i>			--	--	--	--	--	--
Total Equity	340,239,284	31.10%	2.44	8.66	11.97	3.99	12.73	15.05
Domestic Equity	221,554,302	20.25%	2.33	7.66	12.79	3.36	17.04	17.76
Rhumblin All Cap	136,717,352	12.50%	2.39	7.67	12.52	3.35	16.65	18.04
<i>DJ US Total Stock Market TR</i>			2.47	7.60	13.24	3.51	17.12	18.25
Rhumblin Large Cap	84,836,950	7.75%	2.23	4.96	--	3.38	--	--
<i>S&amp;P 500</i>			2.25	7.94	--	3.67	--	--
SSGA S&P 500 Index Fd	0	0.00%	--	--	--	--	--	--
<i>S&amp;P 500</i>			--	--	--	--	--	--
International Equity	118,684,982	10.85%	2.63	10.73	10.18	5.26	3.03	8.18
Ativo	29,410,767	2.69%	3.02	11.99	9.29	6.15	-0.62	--
<i>MSCI EAFE + Canada GD</i>			2.87	11.04	7.12	4.17	-0.15	--
Harris / Pyrford	32,208,558	2.94%	2.60	9.68	8.87	4.38	4.98	--
<i>MSCI EAFE GD</i>			2.70	11.20	7.38	3.87	0.47	--
LSV Asset Mgmt	5,495	0.00%	2.30	1.84	-7.32	-0.75	-12.71	0.69
<i>MSCI EAFE GD</i>			2.70	11.20	7.38	3.87	0.47	5.36
Madison Square	30,173,440	2.76%	2.25	10.24	13.96	5.82	6.11	--
<i>MSCI EAFE GD</i>			2.70	11.20	7.38	3.87	0.47	--
SSGA MSCI EAFE Index Fd	26,886,722	2.46%	2.68	11.14	6.92	3.85	-0.06	--
<i>MSCI EAFE GD</i>			2.70	11.20	7.38	3.87	0.47	--
Domestic Fixed Income	226,107,308	20.67%	0.30	1.74	4.64	1.57	6.54	6.59
C.S. McKee	73,549,660	6.72%	0.20	1.75	4.32	1.60	6.89	6.30
<i>BC U.S. Aggregate</i>			0.07	1.49	3.85	1.45	5.78	5.20
Income Research & Management	69,737,783	6.37%	0.43	1.94	4.88	1.62	6.33	4.90
<i>BC US Agg Govt/Credit Intermed</i>			0.19	1.24	3.29	1.16	4.04	4.02
Piedmont Investment Advisors	36,655,906	3.35%	0.27	1.73	5.05	1.53	6.52	6.06
<i>BC U.S. Aggregate</i>			0.07	1.49	3.85	1.45	5.78	5.20
Pugh Capital	46,163,959	4.22%	0.28	1.44	4.49	1.46	6.27	5.91



## Policy Tree

September 3, 2012

Trust : Illinois Student Assistance Co  
Reference Date : 08/31/12  
Asset Class : Total Fund Net of Fees

Current View : Policy Hierarchy

Group/Account	08/31/12 Market Value	% of Total	% Rate of Return					
			1 Mo.	3 Mos.	YTD	FYTD	1 Yr.	2 Yrs.
<i>BC U.S. Aggregate</i>			0.07	1.49	3.85	1.45	5.78	5.20
TIPS	0	0.00%	--	--	--	--	--	--
<i>BC US Tips</i>			-0.29	1.04	5.71	1.60	8.29	9.54
Real Estate	191,613,212	17.52%	-0.27	1.81	6.74	0.36	5.39	7.68
ISAC Kennedy Wilson IV	42,311,566	3.87%	-1.16	0.62	4.85	-1.16	2.74	--
Kennedy Wilson III	23,547,817	2.15%	0.00	2.16	7.37	0.00	7.58	16.82
<i>NCREIF Open-End Divers Core GR</i>			--	--	--	--	--	--
Lyrical Antheus Rlty III	20,692,037	1.89%	-2.89	-2.47	-5.42	-2.89	-5.42	--
<i>NCREIF Property Index</i>			--	--	--	--	--	--
Mesirow RE Value Fd LP	10,663,910	0.97%	5.98	6.21	6.98	5.98	7.06	--
<i>NCREIF Open-End Divers Core GR</i>			--	--	--	--	--	--
SCM Preferred Growth RE	52,793,205	4.83%	0.00	3.67	14.76	1.01	10.21	11.70
SCM Stable Value REIT	41,604,676	3.80%	-0.02	2.10	6.44	1.63	6.65	7.43
Total Alternatives	327,684,817	29.95%	0.20	-0.49	-0.89	0.24	1.93	6.10
Infrastructure	48,676,065	4.45%	2.46	2.11	5.10	2.00	7.04	8.96
Alinda Capital II	29,971,846	2.74%	0.00	-0.54	-0.30	-0.72	1.54	6.13
<i>90 Day T-Bill + 4%</i>			--	--	--	--	--	--
JP Morgan Asia Infrastructure	18,704,219	1.71%	6.67	6.67	14.82	6.67	10.15	2.57
<i>90 Day T-Bill + 4%</i>			--	--	--	--	--	--
Absolute Return	147,437,823	13.48%	-0.06	-0.66	-0.04	-0.06	1.23	4.03
<i>90 Day T-Bill + 4%</i>			--	--	--	--	--	--
Balestra Spectrum II	49,862,131	4.56%	-0.55	-2.07	-5.15	-0.55	-2.24	0.14
<i>HFR Macro</i>			--	--	--	--	--	--
NB Diversified Arbitrage	26,634,901	2.43%	0.45	-0.23	1.46	0.45	-2.21	2.27
<i>HFR FOF: Conservative</i>			--	--	--	--	--	--
Pinnacle Natural Resources	61,439,198	5.62%	0.15	0.13	4.76	0.15	8.60	10.31
<i>HFR Fund of Funds Composite</i>			--	--	--	--	--	--
Reynoso Options Arbitrage Fd	9,501,593	0.87%	-0.14	0.18	-2.67	-0.14	-6.26	0.89
<i>HFR Equity Market Neutral</i>			--	--	--	--	--	--



## Policy Tree

September 3, 2012

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Reference Date : 08/31/12  
Asset Class : Total Fund Net of Fees

Current View : Policy Hierarchy

Group/Account	08/31/12 Market Value	% of Total	% Rate of Return					
			1 Mo.	3 Mos.	YTD	FYTD	1 Yr.	2 Yrs.
Private Equity	131,570,929	12.03%	-0.33	-1.25	-3.75	-0.07	1.14	8.20
Camelot Secondary Fund LP <i>Russell 3000 + 3%</i>	19,144,941	1.75%	0.00	1.36	-8.92	1.77	13.42	20.71
Caso Co-Invest <i>Russell 3000 + 3%</i>	14,613,455	1.34%	0.00	-15.89	-41.72	0.00	-21.99	--
DDJ Distressed Fund <i>Russell 3000 + 3%</i>	64,289,263	5.88%	-0.61	-1.19	10.00	-0.61	12.59	12.89
Morgan Stanley Secondary <i>Russell 3000 + 3%</i>	16,862,424	1.54%	-0.26	5.29	1.18	-0.26	2.14	26.77
Portfolio Advisors Secondary <i>Russell 3000 + 3%</i>	16,660,846	1.52%	0.00	4.88	7.07	0.00	19.50	17.01
Cash	8,324,603	0.76%	0.01	0.13	0.17	0.03	0.42	1.72
Cash Account <i>90 Day T-Bill</i>	6,383,699	0.58%	0.00	0.22	0.34	0.04	0.88	3.80
Interest and Dividends <i>90 Day T-Bill</i>	1,940,904	0.18%	0.05	0.05	0.06	0.05	0.06	0.07