

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 ten investment managers (in 15 separate investment accounts) for both the 3-month and 6-month periods ending December 31, 2006. 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, 2006, the program had \$873 million invested, an increase of over \$82 million during the first six months of the fiscal year. The program's overall investment return since inception was 5.5%. Total program investment performance shows a 9.2% return for the first six months of FY2007, significantly above the Fund's 3.9% target actuarial rate of return. While the 9.2% fiscal year return is somewhat below the program's policy benchmark, the 13.1% calendar year return is slightly above the policy benchmark.

During FY2007, the equities portion of the program's portfolio was divided among eight investment managers: State Street Global Advisors (Large Cap Core Equity/S&P 500 Index and Large Cap Value); LSV Asset Management (Large Cap Value and International Equity); William Blair, Holland Capital, and New Amsterdam Partners (Large Cap Growth); Nicholas-Applegate (Small Cap Core and Small Cap Value); Denver Investment Advisors (Small Cap Core); and Kenwood Capital (Small Cap Value). The *College Illinois!* fixed income portion of the portfolio was managed during this period by JP Morgan (Domestic Core Fixed Income); Richmond Capital (Domestic Intermediate Fixed Income); and State Street Global Advisors (Bond Market Index Fund). In October, Richmond Capital was replaced by two new intermediate fixed income managers: Galliard Capital Management and Income Research and Management. Performance for each manager is specified within the report.

Action requested: None