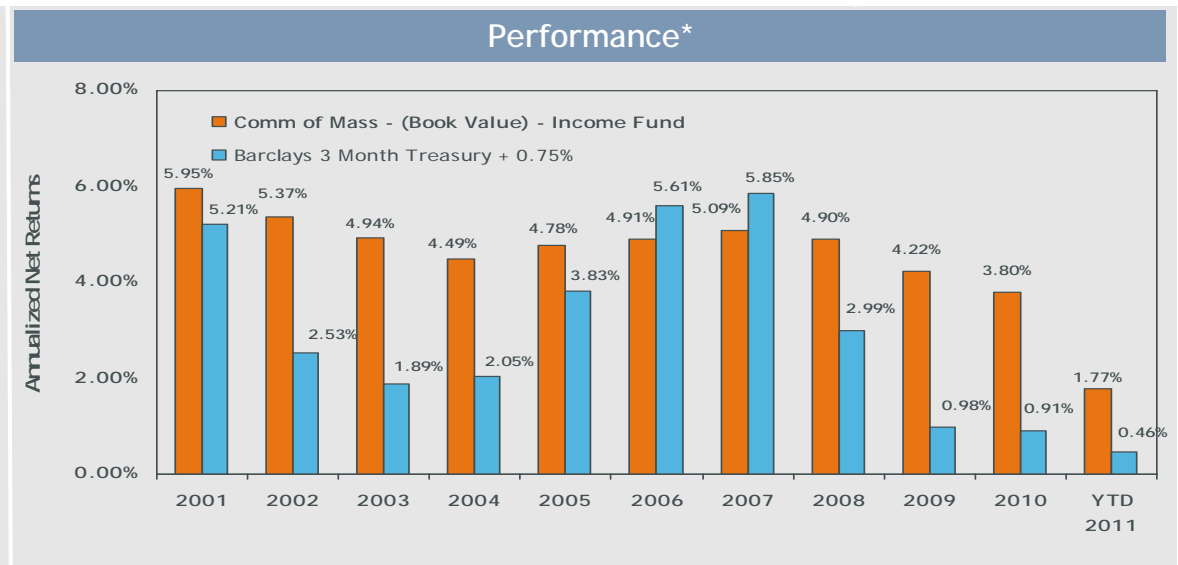
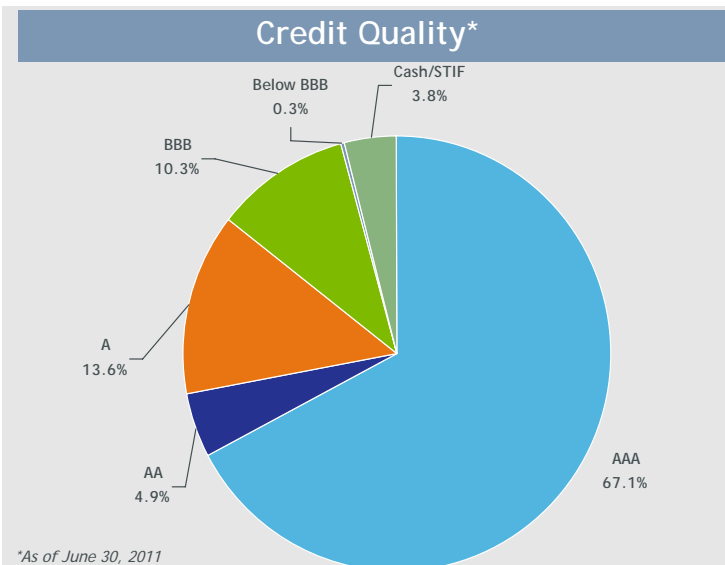


Commonwealth of Massachusetts Stable Value Income Fund

Despite largely poor US economic data, natural disasters, and the end of the Fed's second round of quantitative easing (QE2) program, we believe we are in a soft patch and the economy will gradually improve. Increasing fears regarding the strength of the global recovery contributed to a flight-to-quality during the quarter. European sovereign credit concerns continued to dominate headlines, with Greece's debt restructuring seeming imminent. Although risk assets continue to be driven by yield demand in a low rate environment, macro concerns outweighed the search for yield, with the total return of the US Barclays Capital High Yield Index in the second quarter less than the Index coupon yield.

The performance of the Income Fund was strong in the second quarter of 2011, up 0.88%, following a strong second quarter, ahead of the Barclays 3 Month Treasury + .75% Index in both periods. The Income Fund's market value-to-book value ratio remains at a healthy level of 104.7% as of the end of June, due to continued strength in fixed income performance. The Fund's insurance wrap providers remain on strong financial footing, and their creditworthiness continues to be constantly monitored by BlackRock. As of June 30, 2011, the Fund was crediting a rate of 3.62%, down slightly from 3.66% at the close of the second quarter of 2011 and down modestly from 3.77% at the end of 2010, due to a decline in market interest rates. The fund continues to offer a very attractive yield compared to other high quality money market alternatives.

The Fund maintains a high quality bias with an overall credit quality of AA+. More than 75% of the Fund is invested in Government and US Agency issues, AAA rated securities, and cash. The Fund's sector diversification as of June 30, 2011 was as follows: 28% Treasury, 24% Credit, 15% Mortgage, 9% Asset-Backed Securities, 8% Commercial Mortgage-Backed Securities, 6% Agency 5% Non-US Agency, 1% Municipal and 4% Cash. The Fund looks to take advantage of opportunities across spread sectors. During the first quarter, the Fund modestly reduced exposure to Treasuries and Agency debt in favor of adding to high quality Residential Mortgage-Backed Securities.



1. Views expressed are as of July 11, 2011 and are subject to change at any time based on market and economic conditions and other factors. Portfolio characteristics are shown above for the Commonwealth of Massachusetts Stable Value Income Fund. These characteristics represent in aggregate the credit quality and sector diversification of the underlying investments, managed by BlackRock, Income Research and Management and Wells Capital Management. BlackRock is responsible for oversight of the Income Fund. Mellon acts as the Plan Trustee of the Income Fund. Information is as of June 30, 2011 and is subject to change. Past performance is no guarantee of future results. Although designed to do so, there is no guarantee that participant-directed withdrawals will not be subject to loss. Investments in The Commonwealth of Massachusetts Stable Value Income Fund are neither insured nor guaranteed by the FDIC or any other government agency.