

PRIM: PERFORMANCE BY ASSET CLASS

ALLOCATION 6/30/08	<u>1 YEAR</u>		<u>3 YEAR</u>		<u>5 YEAR</u>		<u>10-YEAR</u>	
6.6%	TIPS / CMDTY	28.13%	ALT INV	30.05%	EMG MKTS	29.37%	ALT INV	15.52%
2.1%	TIMBER	23.86%	EMG MKTS	24.99%	ALT INV	28.26%	EMG MKTS	15.40%
8.4%	ALT INV	19.11%	TIMBER	19.91%	REAL EST	19.15%	REAL EST	14.09%
10.3%	FIXED INC	7.16%	REAL EST	15.25%	INT'L EQ	17.25%	INT'L EQ	8.76%
10.9%	REAL ESTATE	5.19%	INT'L EQ	13.56%	TIMBER	17.01%	FIXED INC	5.95%
5.0%	HIGH YIELD	2.91%	ABS RETURN	8.82%	HIGH YIELD	10.57%	DOM EQTY	4.07%
5.2%	ABS RETURN	1.76%	TIPS / CMDTY	8.76%	DOM EQTY	8.07%		
5.5%	EMERG MKTS	0.15%	HIGH YIELD	8.05%	TIPS / CMD	7.88%		
20.0%	INT'L EQTY	-9.03%	FIXED INC	4.31%	FIXED INC	4.11%		
<u>26.1%</u>	DOM EQTY	-15.54%	DOM EQTY	3.77%				
100%	PRIT CORE	-1.82%	PRIT CORE	10.80%	PRIT CORE	13.01%	PRIT CORE	8.16%

GROSS ANNUALIZED PERFORMANCE FOR PERIODS ENDING JUNE 30, 2008

OVERVIEW OF PERAC INVESTMENT REGULATIONS

There are no minimum or maximum asset allocation requirements for equity or fixed income.

There are no restrictions pertaining to international investments, including emerging markets.

There are no restrictions on high yield bonds or on any other fixed income subclass such as bank loans.

In real estate, systems with up to \$50 million in total assets may invest up to 5%, while larger systems may go up to 10%. These percentages are only relevant at the time of investment and do not apply to market appreciation. PRIM's current allocation to Real Estate is 5.2%.

In alternative investments, systems with up to \$25 million may invest up to 3% while larger systems may invest up to 5%. These percentages are only relevant at the time of investment and do not apply to market appreciation. PRIM's current allocation to Alternative Investments is 8.4%.

In both real estate and alternative investments, boards may request authorization to exceed the regulatory limits. Such requests are typically approved.

There are no restrictions on timber investments. PRIM's current allocation to Timber is 2.1%.

Boards may invest up to 10% in hedge funds/absolute return either by investing on their own (if \$250 million in portfolio assets) up to 5% or by investing in the PRIM Absolute Return segment. PRIM currently has 5.2% in absolute return and has just increased its portable alpha hedge fund allocation from 5 to 6%. The PERAC Commission will consider revisions to the current hedge fund guidelines at their next meeting.

All systems may invest in any PRIM segments (Domestic Equity, International Equity, Fixed Income, Emerging Markets, Real Estate, Alternative Investments vintage years, Absolute Return) without any PERAC regulatory action.

Exemptions from the regulations for the purpose of investing in strategies that involve risk-controlled use of derivatives (such as "Global Alpha") or shorting (such as 130/30) have been authorized.

Not only is there no asset class that PRIM invests in that is off limits to the local systems but we have authorized some nontraditional strategies (130/30, infrastructure) that PRIM is not involved in.

Except in cases where questions are raised about the selection process, disclosure matters, or the qualifications of the manager, PERAC issues approvals for manager hirings on a very timely basis, usually within days of submission, and will also work with boards on "emergency" situations.