



Board Members

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Manager of Investments

Monthly Report to the Board of Land Commissioners
Since the May 19, 2009 Land Board Meeting thru June 9, 2009

Investment performance thru May 31, 2009 (preliminary)

Month: **4.6%** Fiscal year: **-18.1%**

Status of endowment fund reserves

For all endowments, estimated reserves as of April 30 were at least **2.7 times** the size of the approved FY2010 distributions.

Significant actions of the Endowment Fund Investment Board

Meetings: The EFIB met May 19, reviewed the Land Board's endowment Distribution Policy, and **recommended that no changes be made to the policy.**

Compliance/legal issues, areas of concern

Material deviations from Investment Policy or compliance guidelines for investment managers: **None.**

Material legal issues: **None.**

Changes in board membership or agency staffing: **None.**

Upcoming issues/events

The EFIB will meet August 12 to develop a recommendation for the Land Board regarding FY2012 endowment fund distributions and transfers from the earnings reserve funds to the permanent funds. Based on the information available today, **EFIB staff would recommend that distributions be maintained at FY2011 levels.** The final recommendation to the Land Board will consider investment results thru the end of June and an updated forecast of land revenues provided by the Department of Lands.



INVESTMENT REPORT

Preliminary Report (gross of fees & certain income accruals)

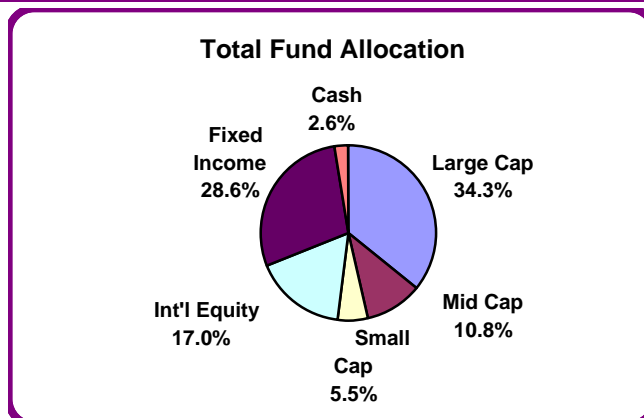
May 31, 2009

Current Value of the Fund	\$	915,382,830
Investment Change in Market Value FYTD	\$	(200,429,633)
Net Contributions FYTD	\$	(3,017,608)
Fiscal Year-to-Date Returns		-18.1%
Month-to-Date Returns		4.6%

<u>May-09</u>		<u>Fiscal Year to Date</u>		<u>Last Five Years</u>	
Total Fund	4.6%	Total Fund	-18.1%	Total Fund	3.0%
Benchmark	5.1%	Benchmark	-18.0%	Benchmark	1.4%
U.S Equity	4.6%	U.S Equity	-27.4%	U.S Equity	-0.2%
Benchmark	5.3%	Benchmark	-26.8%	Benchmark	-1.5%
Int'l Equity	12.3%	Int'l Equity	-29.6%	Int'l Equity	6.7%
Benchmark	13.5%	Benchmark	-30.1%	Benchmark	3.1%
Fixed Income	0.7%	Fixed Income	5.2%	Fixed Income	5.2%
Benchmark	0.7%	Benchmark	5.4%	Benchmark	5.0%

Asset Allocation

	<u>Mkt Value</u>	<u>% Alloc</u>
Domestic Equity	\$ 474.6	51.9%
Large Cap	\$ 329.1	35.9%
Mid Cap	\$ 95.2	10.4%
Small Cap	\$ 50.4	5.5%
Int'l Equity	\$ 155.2	17.0%
Fixed Income	\$ 261.7	28.6%
Cash	\$ 23.8	2.6%
Total Fund	\$ 915.4	100.0%

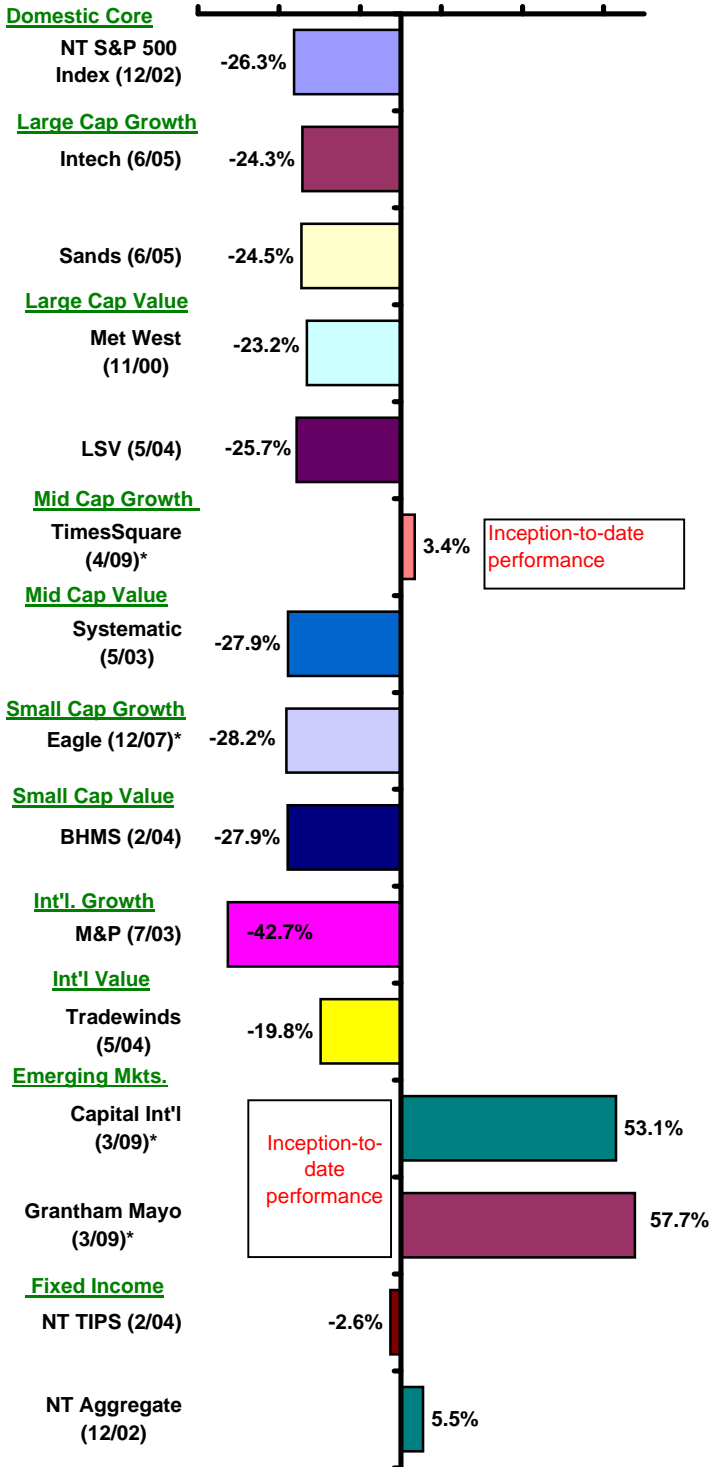


Endowment Fund Staff Comment:

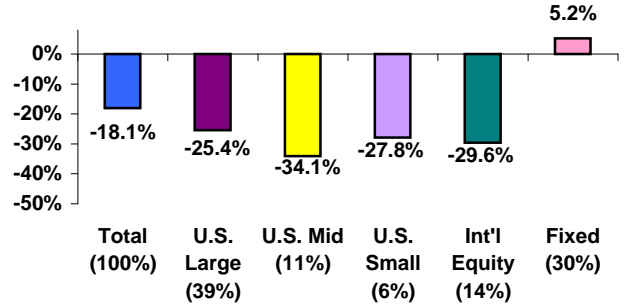
The total fund was up 4.6% for the month, but trailed the benchmark by 0.5%. The Russell 3000 index was up 5.3%, Russell Midcap up 4.3%, and Russell 2000 (small cap) up 3%. International equities (MSCI ACWI ex-US) were up 13.5%. Bonds, as measured by the Barclays Aggregate index, were up 0.7%. Growth outperformed value this month. Four of eleven active managers beat their benchmark this month.

On a Fiscal YTD basis, the fund is 0.1% behind its benchmark with a total return of -18.1%. Five of nine active managers outperformed their benchmark.

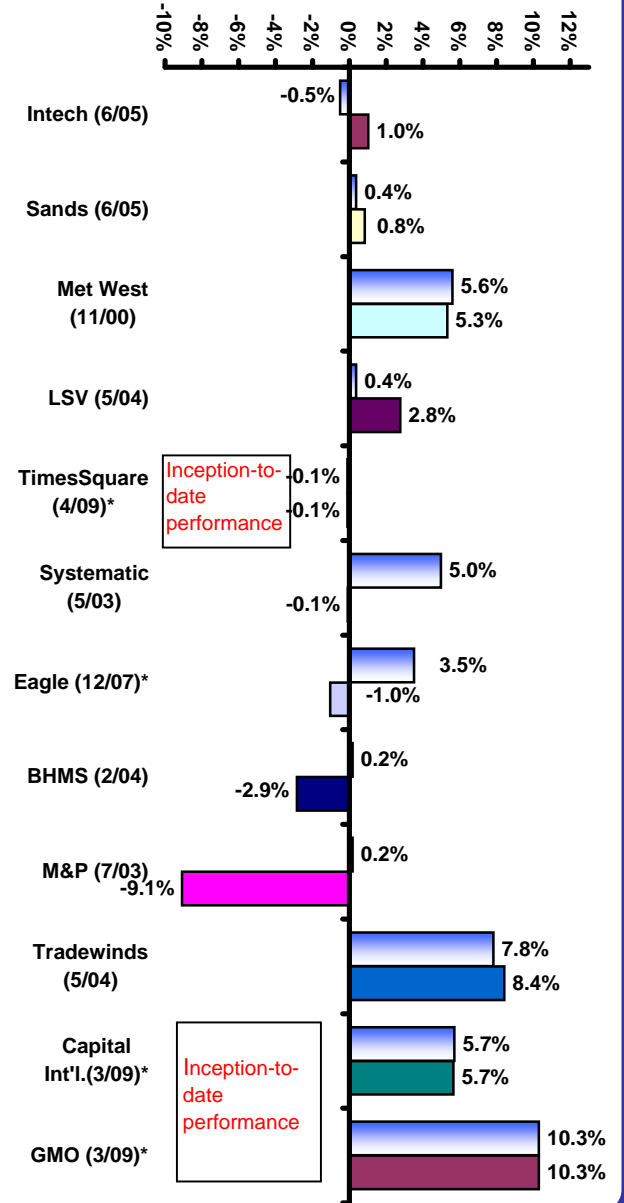
FYTD Manager Returns



Fiscal YTD Total Endowment Returns



FYTD Active Manager Relative Returns 3-Yr. Annualized Relative Returns*



* Inception to Date used when manager lacks a 3 yr. return