



Board Members

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Vaughn Heinrich Thomas F. Kealey
Susan K. Simmons Richelle Sugiyama
R. John Taylor Charles L. Winder

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Larry Johnson, CFA, CPA
Manager of Investments

Monthly Report to the Board of Land Commissioners
Since the October 19, 2010 Land Board Meeting thru November 9, 2010

Investment performance thru October 31, 2010 (preliminary)

Month: **2.9%** Fiscal year: **13.5%**

Status of endowment fund reserves

For all endowments, estimated reserves as of September 2010 were at least **4.7 times** the size of the approved FY2011 distributions, except for **Public School**, which is at **2.6 times** the regular distribution (after current reserves are reduced by the special distribution in FY2011).

Starting with the actual September balance and assuming “low” land revenues, the coverage ratio for Public School is expected to be around 2.1 times at the end of FY2012.

The EFIB continually monitors land revenues (see next page) and fund returns to ensure adequate reserves will be maintained.

Significant actions of the Endowment Fund Investment Board

Meetings: **None.**

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.**

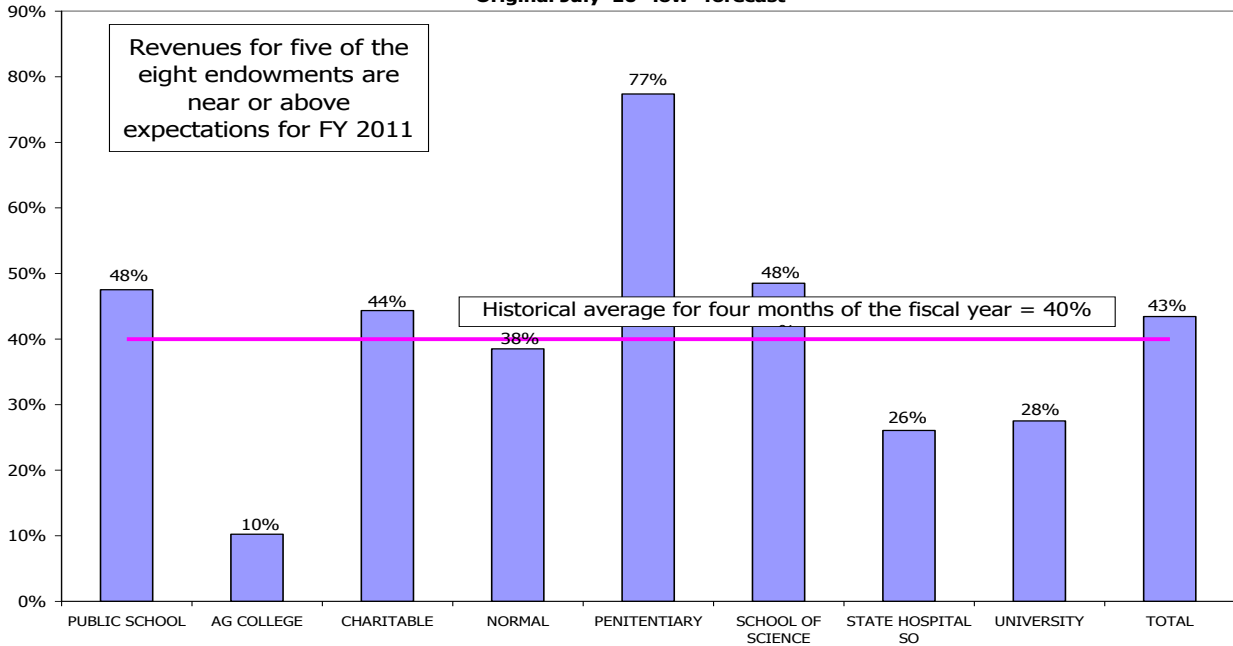
Upcoming issues/events

The members of the Endowment Fund Investment Board will **attend the November meeting** and make their standard annual report to the Land Board (attached).

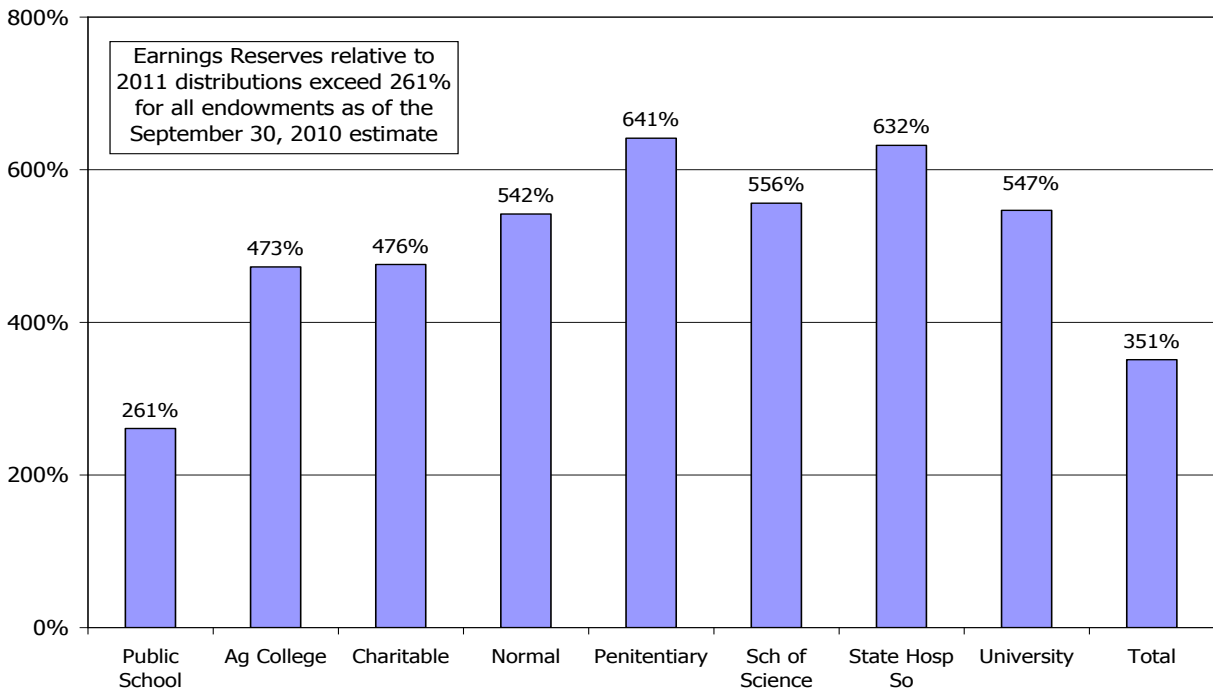
Responses to recent questions and requests from the Superintendent will be presented to the Land Board at its December meeting.

**YTD Land Revenues As % Of Forecast*
Fiscal Year Thru October 2010**

*Original July '10 "low" forecast



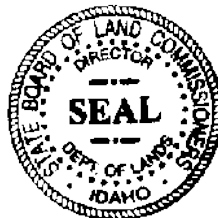
Coverage Ratio September 30, 2010



The Public School and Total ratios are adjusted for the one-time \$22 million distribution in FY2011. 4 Funds show the September transfer of money to the Permanent Funds.

11/16/2010

No action taken by Land Board





INVESTMENT REPORT

Preliminary Report (gross of fees & certain income accruals)

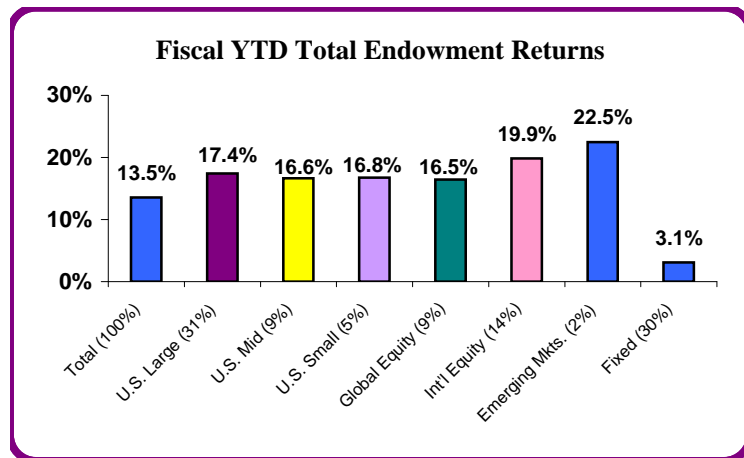
(as of 11/9/10)

October 31, 2010

Current Value of the Fund	\$ 1,171,755,596
Investment Change in Market Value FYTD	\$ 128,672,882
Net Contributions FYTD	\$ 4,052,438
Fiscal Year-to-Date Returns	13.5%
Month-to-Date Returns	2.9%

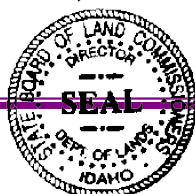
	<u>Oct-10</u>		<u>Fiscal Year to Date</u>		<u>Last Five Years</u>
Total Fund	2.9%	Total Fund	13.5%	Total Fund	5.9%
Benchmark	2.8%	Benchmark	12.7%	Benchmark	4.1%
Total Fixed	0.6%	Total Fixed	3.1%	Total Fixed	6.6%
Benchmark	0.4%	Benchmark	2.8%	Benchmark	6.4%
Total Equity	3.8%	Total Equity	17.8%	Total Equity	4.6%
Benchmark	3.8%	Benchmark	16.8%	Benchmark	2.6%
Domestic Equity	4.0%	Domestic Equity	17.2%	Domestic Equity	3.8%
Russell 3000	3.9%	Russell 3000	15.9%	Russell 3000	2.1%
Global Equity	3.5%	Global Equity	16.5%	Global Equity	7.5%
MSCI ACWI	3.6%	MSCI ACWI	18.5%	MSCI ACWI	4.3%
Int'l. Equity	3.2%	Int'l. Equity	19.9%	Int'l. Equity	4.3%
MSCI ACWI ex-US	3.4%	MSCI ACWI ex-US	20.6%	MSCI ACWI ex-US	4.3%

	<u>Mkt Value</u>	<u>% Alloc</u>
Domestic Equity	\$ 586.1	50.0%
Large Cap	\$ 413.0	35.2%
Mid Cap	\$ 114.3	9.8%
Small Cap	\$ 58.8	5.0%
Global Equity	\$ 52.7	4.5%
Int'l Equity	\$ 206.8	17.7%
Fixed Income	\$ 313.1	26.7%
Cash	\$ 13.0	1.1%
Total Fund	\$ 1,171.8	100.0%



Endowment Fund Staff Comment:

The fund was up 2.9% for the month, 0.1% over benchmark. The Russell 3000 index was up 3.9%, Russell Midcap up 3.9%, and Russell 2000 (small cap) up 4.1%. International equities (MSCI ACWI ex-US) were up 3.4% for the month, and Emerging Markets up 2.9%. Growth outperformed value and domestic outperformed international equity. Bonds, as measured by the BC Aggregate index, were up 0.4% and TIPS were up 2.7%. Five of 14 active managers beat their benchmark. On a Fiscal Y-T-D basis, the fund is up 13.5%, 0.8% over benchmark. Seven of 14 active managers are ahead of their benchmark.

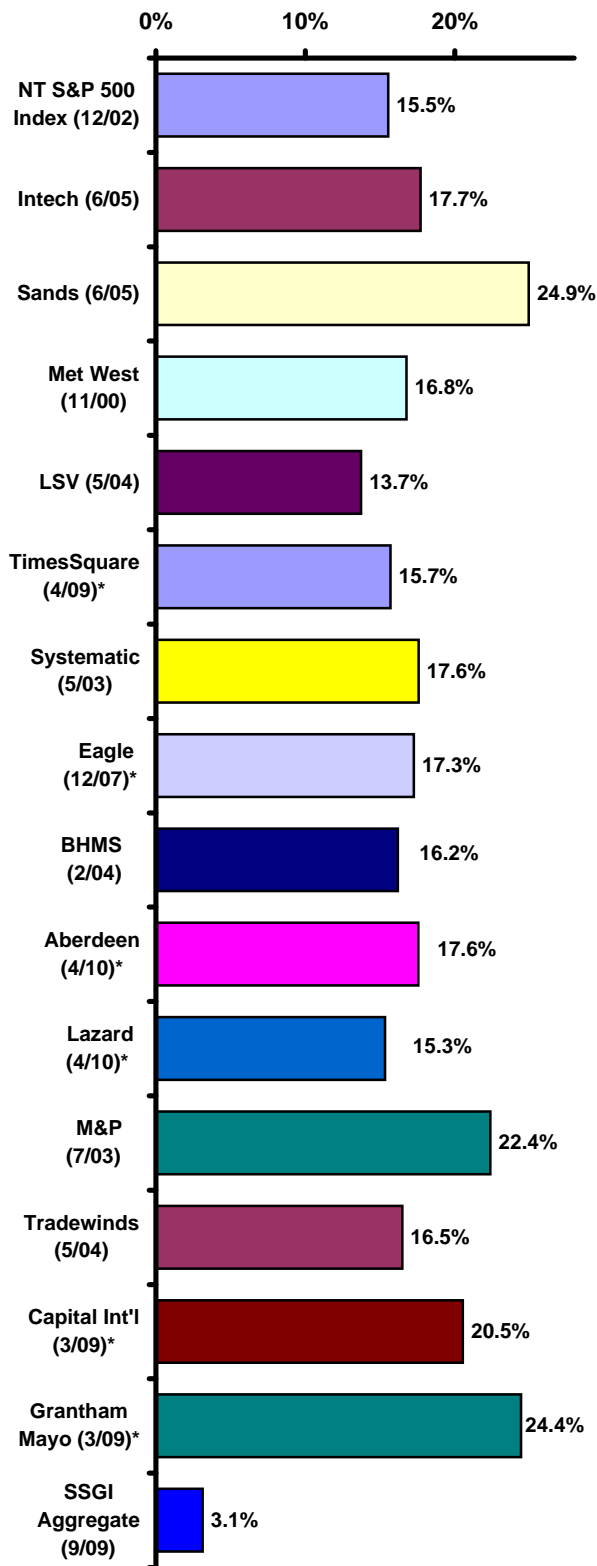


11/16/2010

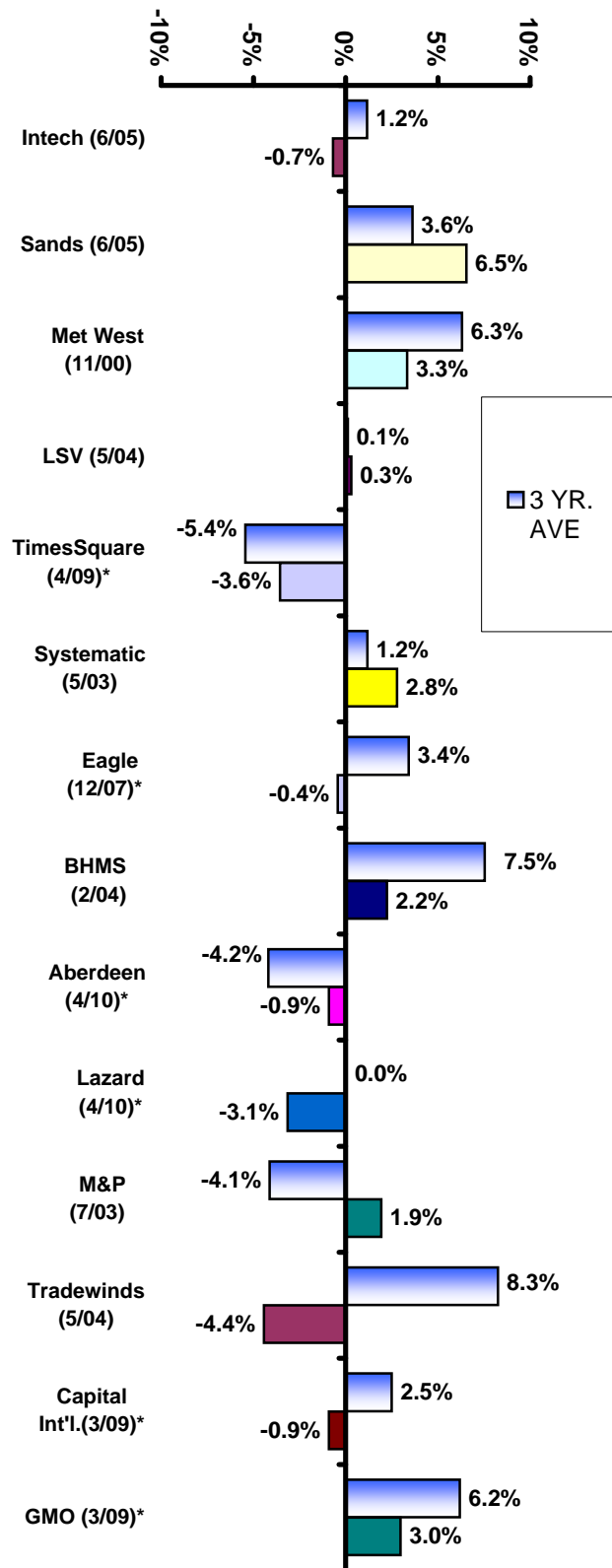
No action taken
by Land Board

revised 11/9/10

FYTD Manager Returns



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



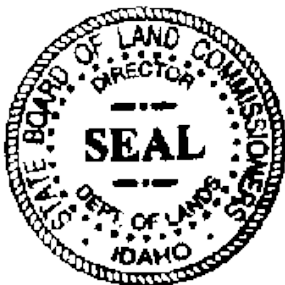
* ITD return used when manager has less than 3 years with EFIB.

Annual Report to the Board of Land Commissioners

By the



November 16, 2010



11/16/2010

No action taken by Land Board

State of Idaho Endowment Funds
Financial Summary
Fiscal Year 2010

	<i>Fiscal Year</i> <i>(\$ millions)</i>		<i>2010 Over</i> <i>(Under) 2009</i>	
	<u>2010</u>	<u>2009</u>	<u>\$</u>	<u>%</u>
Total Fund Balances	1,041	920	121	13%
Earnings Reserve Balances	165	153	12	8%
Receipts to Reserves from land	44	58	(14)	(24%)
Distributions to beneficiaries*	46	42	3	8%

* Excluding Capitol Permanent Fund

Total investment return, before fees, was a gain of 15.8% for the year, a loss of 2.4% for the last three years, and a gain of 3.7% for the last five years.

Total EFIB expenses, including investment manager fees, were 0.43% of year-end net assets.

This is a summary of the FY2010 financial statements of the endowment funds that were distributed to the Land Board in September.

Audit Summary 2010
State of Idaho Endowment Funds
Administered by the Endowment Fund Investment Board

1. Independent Auditor's Report on the financial statements (pages 1-2)
 - Unqualified opinion – all the assets that should be in the fund have been accounted for
 - Investment returns (pages 31-32) were included in the audit

2. Independent Auditor's Report on compliance and internal controls (page 26)
 - Found no items to report:
 - No instances of noncompliance with laws and regulations
 - No material weaknesses or significant deficiencies in our internal controls

Submitted by:
R. John Taylor
Chairman, Audit Committee
Endowment Fund Investment Board

Status of compliance with Investment Policy

The Endowment Fund Investment Board maintains an Investment Policy for the overall fund and has established related contractual compliance guidelines for each investment manager.

During fiscal year 2010 there were no material violations of EFIB policies and compliance guidelines. The Investment Policy for the endowment fund was last reviewed and revised at the EFIB's February 2010 meeting.

Board meeting report

Meetings held

During the period November 2009 thru October 2010, the Endowment Fund Investment Board held:

- 4 Regular Board Meetings
- 1 Special Board Meeting
- 2 Audit Committee Meetings
- 1 Compensation Committee Meeting
- 1 Executive Committee Meeting

Attendance

For the 5 full board meetings held, an average of 80% of the board members attended. Of the 9 board members, 2 members attended all meetings and no member had less than 60% attendance.

Special expertise

- A deputy attorney general representing the EFIB was present for all 5 board meetings and the Executive Committee meeting.
- The board's asset consultant participated in all 4 regular board meetings.

Strategic Plan FY2011 and Beyond

*Excerpt prepared for the Board of Land
Commissioners, November 16, 2010*



July 1, 2010

State statute requires every agency, including the EFIB, to update their Strategic Plan annually. This is an excerpt of the Mission, Goals and Objectives relevant to the management of the endowment funds and the most recent report of results for key performance measures.

Mission of the Endowment Fund Investment Board

Provide professional investment management services to our stakeholders consistent with our constitutional and statutory mandates.

Goals

We will provide good investment advice and the tools for implementing that advice. As our clients' individual needs require, we will:

- Develop a prudent long-term investment strategy
- Select the best portfolio managers and other agents to execute that strategy
- Diligently evaluate performance over time
- Develop an effective spending policy
- Help them fulfill their fiduciary responsibilities and communicate with their stakeholders

For our employees, we will:

- Create a work environment which motivates and retains a knowledgeable and professional staff

Strategic Plan FY2011 and Beyond

Objectives

Some of the objectives of the Endowment Fund Investment Board are similar for all our clients – the land grant endowment funds, the State Insurance Fund, the Judges’ Retirement Fund, the Trail of the Coeur d’Alenes Endowment, and the Ritter Island Endowment Fund, while others only apply to a specific client or our employees.

Objectives Applicable to All Clients

- Seek new approaches to improve portfolio risk/return characteristics and cost/benefit ratios
- Meet or exceed the client’s fund benchmark(s)

Objectives Specific to the Land Grant Endowment Funds

- Avoid reductions in total endowment distributions
- Distribute approximately 5% of the three-year moving average value of the Permanent Funds
- Maintain sufficient Earnings Reserves to protect distributions from temporary shortfalls in fund returns and land revenues
- Grow distributions and the Permanent Fund faster than inflation and population growth by recommending transfer of excess Reserves to the Permanent Fund
- Increase the diversification of the endowment funds to reduce volatility of earnings while maintaining expected return

Objectives for Our Employees:

- Build relationships with other key agencies
- Train/cross-train, the Investment Officer, the Senior Financial Specialist and the Administrative Assistant in key financial and investment due diligence tasks

EFIB Strategic Plan – Performance Measures for the Endowment Fund

Performance Measure/Benchmark	2007	2008	2009	2010	4-Year Avg.
1. ABSOLUTE RETURN (net of fees):					
<i>Real Return (net of inflation) greater than 4%</i>	13.3%	-4.7%	-16.8%	14.4%	0.7%
2. RETURN VS. BENCHMARK (net of fees):					
Total Return	16.2%	-2.4%	-18.2%	15.5%	1.7%
Benchmark	16.7%	-6.7%	-17.7%	13.4%	0.4%
Excess	-0.5%	4.3%	-0.5%	2.1%	1.3%
<i>Exceed benchmark (54% Russell 3000, 16% MSCI ACWI, 30% Barclays Capital Aggregate) on a risk-adjusted basis</i>					
3. RETURN VS. PEERS (gross of fees):					
Total Return	16.6%	-2.1%	-18.0%	15.8%	2.0%
Endowment/Foundation Universe median	18.1%	-4.9%	-18.6%	12.4%	0.7%
Excess	-1.5%	2.8%	0.6%	3.4%	1.3%
<i>Exceed the median of peers on a risk adjusted basis</i>					
Total Return	16.6%	-2.1%	-18.0%	15.8%	2.0%
Public Funds Universe median	17.4%	-4.8%	-18.1%	12.6%	0.8%
Excess	-0.8%	2.7%	0.1%	3.2%	1.2%
<i>Exceed the median of peers on a risk-adjusted basis</i>					
4. CONSECUTIVE YEARS THE PUBLIC SCHOOL PERMANENT FUND IS BELOW THE LOSS BENCHMARK:					
	0 yrs	0 yrs	1 yr	0 yrs	
<i>Less than 10 years below the cumulative loss benchmark</i>					

Performance/Benchmark	2007	2008	2009	2010	4-Year Avg.
5. CHANGE IN DISTRIBUTIONS TO BENEFICIARIES:					
A. No reduction in the total Endowment Distribution	\$35.8 M	\$38.6 M	\$42.4 M	\$46.0 M	\$67.8M 2011 \$46.0M 2012
B. Earnings Reserves at least 500% of next year's approved distribution					
Number of endowments below 500%	5	2	6	4	
Average for all endowments	414%	450%	336%	313%	
C. Growth in distribution exceeds Inflation and Population Growth over a five year period (average annual compound growth for all endowments)					
Change in Distribution	2005-2010E	2006-2011E	2007-2012E		
	4.1%	5.1%	5.1%		
Inflation	2.5%	2.1%	2.8%		
Population growth	1.8%	1.6%	1.6%		
Excess	-0.2%	1.4%	0.7%		
6. GROWTH IN CORPUS:					
A. Endowment growth in Permanent funds to exceed the rate of inflation and population growth					
Annual growth in corpus	14.0%	-4.4%	-17.9%	14.1%	0.5%
Annual rate of Inflation	2.7%	5.0%	-1.4%	1.0%	2.0%
Annual population growth	2.4%	1.8%	1.0%	1.7%	1.7%
Excess	8.9%	-11.2%	-18.3%	11.4%	-3.2%