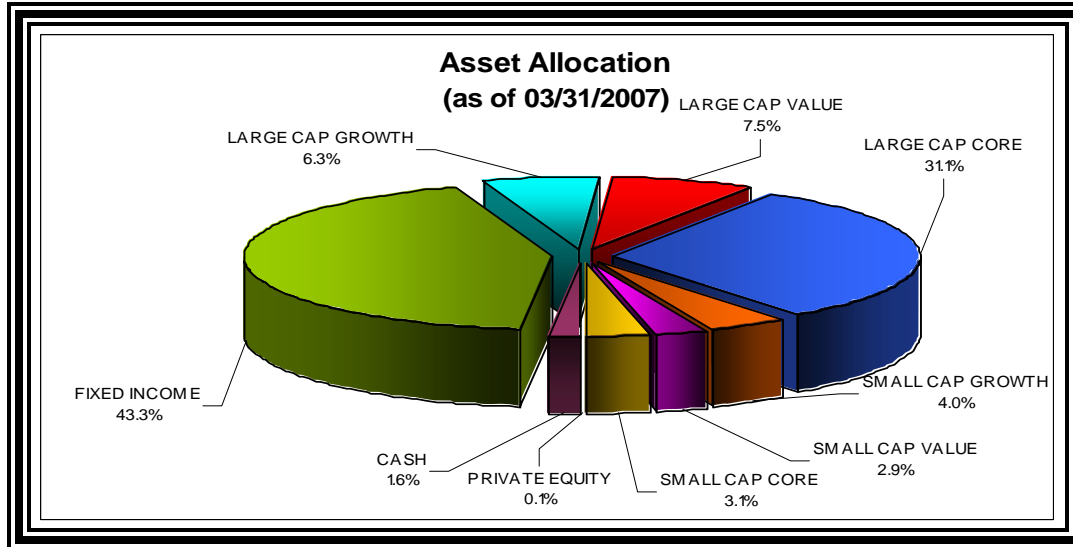


South Carolina Retirement System Investment Commission

March 31, 2007 Quarterly Report

Pursuant to SC Code §9-16-90



Investment Performance (03/31/07)				
	Quarter	1 Year	3 Years	5 Years
Total Fund Return (gross)	1.2	8.1	7.2	7.5
Policy Benchmark Return	1.2	8.7	6.6	7.5
Large Fund Median Return	2.3	11.6	11.1	9.4
<i>Large Fund Percentile Rank^A</i>	2	6	6	15
Equity Return (gross)	1.0	9.0	10.4	6.5
Russell 3000	1.3	11.3	10.9	7.2
<i>Equity Percentile Rank^B</i>	34	46	37	29
Fixed Income Return	1.4	7.1	4.4	6.2
Lehman Aggregate	1.5	6.6	3.3	5.4
<i>Fixed Income Percentile Rank^C</i>	17	69	79	71

^A The Large Fund Universe was comprised of 131 unique observations where 100 is best, 1 is worst
^B The Total Equity Universe was comprised of 5,078 unique observations where 100 is best, 1 is worst
^C The Total Fixed Income Universe was comprised of 2,426 unique observations where 100 is best, 1 is worst

Investment Analysis:

- The Total Fund returned 1.2% for the quarter ending 3/31/07. Returns for all asset classes were positive.
- The Small Cap composite returned 2.9% whereas the Large Cap composite returned 0.6%. Growth and value returns were mixed.
- Commission staff reported that investment management fees are expected to increase as the fund transitions into more diversified assets.

Achievements During the Quarter:

- Hired 3 staff members: Director of Research, Douglas Lybrand; Senior Equity Officer, Hilary Wiek; and Research Officer, Donald Brock Jr.
- Retained Russell Investment Group as Beta Overlay Manager to assist in the transition toward the approved target asset allocation.
- Approved 4 Global Fixed Income managers (\$750 million each): Credit Agricole, Loomis Sayles, Mondrian, and Western Asset Management.
- Approved structure of Portable Alpha allocation: 50% (\$2 billion) to fund-of-fund managers and 50% to multi-strategy managers.
- Committed \$100 million to Private Equity through Aquiline Capital Partners, LLC; partially funded with \$25 million capital call.
- Approved funding two Portable Alpha funds: Bridgewater's Pure Alpha Fund, \$250 million, and D.E. Shaw's Composite Fund, \$250 million.

Projects in Progress:

- Created task force to integrate fixed income investment, cash management and custody functions for the Retirement System assets into the Investment Commission.
- Began recruitment process for Director of Fixed Income, Fixed Income Officer, Director of Operations, and Operations Officer.
- Completion of new office facilities, selection of office furniture and staff occupation is expected during the second quarter.
- Continue due diligence on Global Asset Allocation (GAA)/Absolute Return, Private Equity and Portable Alpha managers.

