

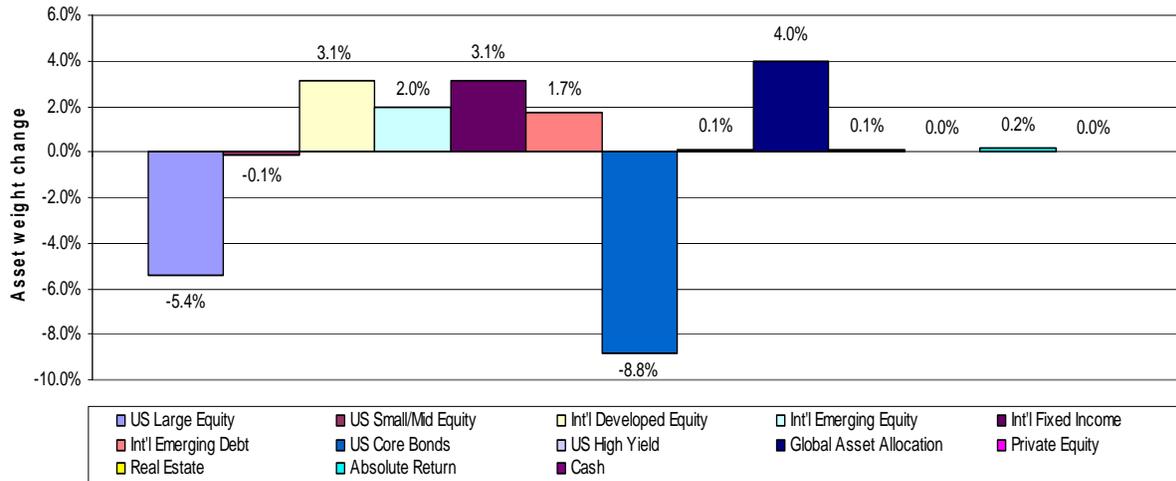
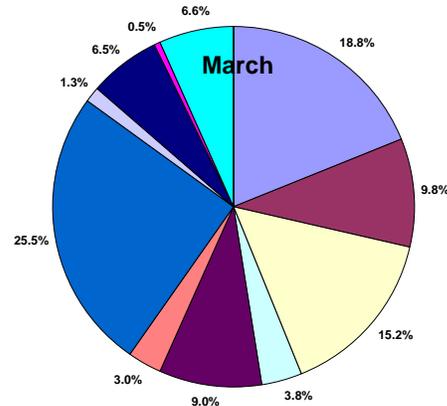
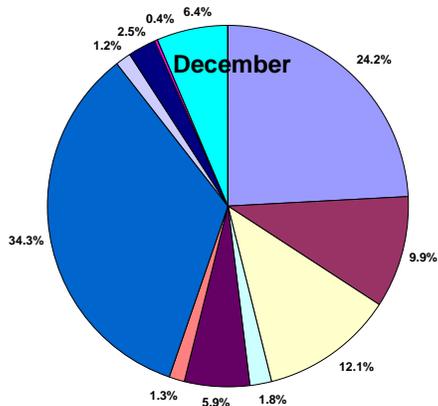
# South Carolina Retirement System Investment Commission

## March 31, 2008 Quarterly Report

Pursuant to S.C. Code, Ann. §9-16-90 (A)

### Asset Allocation

December 31, 2007 versus March 31, 2008



Investment Performance (03/31/08)				
	Quarter	1 Year	3 Years	5 Years
<b>Total Fund Return (gross)</b>	<b>(4.16)</b>	<b>1.31</b>	<b>6.24</b>	<b>7.91</b>
<b>Policy Benchmark Return</b>	<b>(2.99)</b>	<b>1.87</b>	<b>6.04</b>	<b>7.63</b>
<b>Large Fund Median Return</b>	<b>(5.50)</b>	<b>0.40</b>	<b>8.40</b>	<b>12.30</b>
<i>Large Fund Percentile Rank<sup>A</sup></i>	78	63	7	6
<b>Equity Return (gross)</b>	<b>(10.50)</b>	<b>(8.60)</b>	<b>5.00</b>	<b>11.30</b>
<b>Russell 3000</b>	<b>(9.52)</b>	<b>(6.07)</b>	<b>6.11</b>	<b>12.07</b>
<i>Equity Percentile Rank<sup>B</sup></i>	12	15	10	23
<b>Fixed Income Return</b>	<b>1.13</b>	<b>6.04</b>	<b>5.46</b>	<b>5.07</b>
<b>Lehman Aggregate</b>	<b>2.17</b>	<b>7.67</b>	<b>5.48</b>	<b>4.58</b>
<i>Fixed Income Percentile Rank<sup>C</sup></i>	41	41	47	57

<sup>A</sup> The Large Fund Universe was comprised of 121 unique observations where 100 is best, 1 is worst.  
<sup>B</sup> The Total Equity Universe was comprised of 663 unique observations where 100 is best, 1 is worst.  
<sup>C</sup> The Total Fixed Income Universe was comprised of 464 unique observations where 100 is best, 1 is worst.

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### Investment Analysis:

- Growth in the developed world continued to slow. Emerging world growth remained very strong.
- Core inflation has remained low. World inflation continues to rise due to rising commodity prices.
- Long-term rates fell globally in the 1<sup>st</sup> quarter continuing the trend from the second half of last year. The Lehman Brothers (LB) Aggregate Bond Index returned 2.2% whereas the LB Global Aggregate Bond Index returned 6.6%.
- Global equities declined substantially in the first quarter, as the financial crisis deepened and economic prospects in the developed world deteriorated. U.S. stocks declined 9.45%, evidenced by the S&P 500 index, whereas the EAFE benchmark for foreign stocks declined 8.83%. The MSCI Emerging Markets Index declined 10.98%.
- The Russell 1000 Index of large cap stocks declined 9.49%, slightly less than the Russell 2000 Index of small cap stocks, which declined 9.91%. Value stocks generally performed better than growth stocks. The Russell Midcap Growth Index lost 10.95% versus the Russell Midcap Value Index which lost 8.64%. Growth beats value, however, over the last twelve months.
- In adherence to the Fund's asset transition plan, large cap U.S. stock positions were reduced 5.4%, international developed equity positions were increased 3.1%, and emerging markets equity positions were increased 2.0% during the quarter. U.S. core bond positions were reduced 8.8%, international fixed income position increased 3.1%, and international emerging markets debt positions increased 1.7%. Global Asset Allocation positions increased 4.0%. The alternative asset classes increased marginally by .3% in total during the 1<sup>st</sup> quarter.
- The Total Fund returned -4.2% for the quarter ending 3/31/08 including the beta overlay program. These returns trailed the Policy Index of -3.0% and the Allocation Index of -2.9%.
- The Fund's relative performance fell to the 78<sup>th</sup> percentile from last quarter's 84<sup>th</sup> percentile. The Fund's performance declined due to both equity and fixed-income investments.

### Achievements During the Quarter:

- Retirement System was nominated by several national publications and was one of four finalists in the Institutional Investor and Information Management Network's (IMN) Public Fund Awards for Excellence, Large Public Plan of the Year awards.
- Two Private Equity funds were approved totaling €85 million: €50 million to Bridgepoint Europe IV and €35 million to Apax Europe VII. An additional \$40 million allocation to TCW's Special Mortgage Credits Fund and an allocation of up to \$500 to the Loomis Sayles High Yield Full Discretion Trust were also approved.
- Approved a new Asset Allocation for 2008.
- Approved a Continuing Education Reimbursement Policy.
- Brian Wheeler was hired as the Administrative Coordinator in the Administrative Division.

### Projects in Progress:

- Internal fixed income manager and investment advisor working to further institutionalize the portfolio management process.
- Continue transition toward targeted asset allocation.
- Continue transition to Bank of New York Mellon Workbench Platform.
- Contracting process and funding of approved investments.
- Continue due diligence on Strategic Partnerships, Private Equity, High Yield, Real Estate, Opportunistic Credit, and Emerging Market Debt strategies.
- Continue recruiting investment and administrative staff.
- Continued development and refinement of risk control reports to monitor liquidity, leverage, and counter-party risk.