

South Carolina Retirement System Investment Commission

June 30, 2008 Quarterly Report

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

Investment Performance (06/30/08)

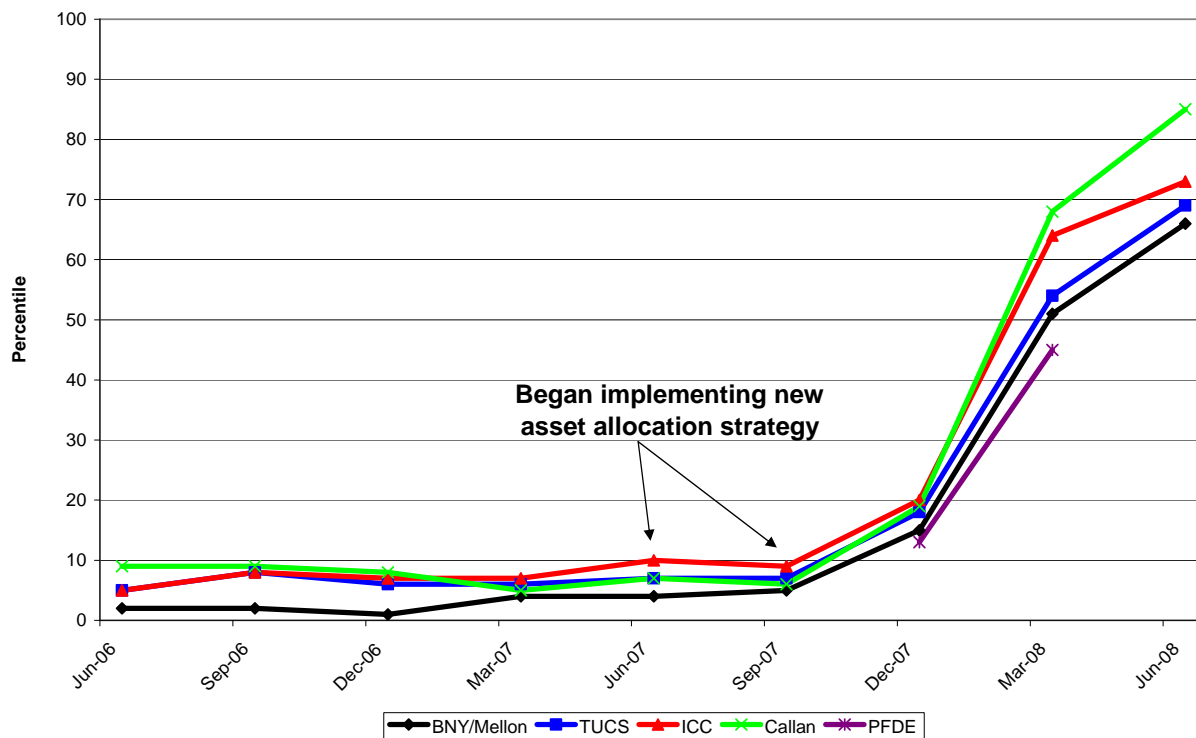
| | Quarter | 1 Year | 3 Years | 5 Years |
|---|---------------|----------------|-------------|-------------|
| Total Fund Return | (0.59) | (2.56) | 5.17 | 6.25 |
| Policy Benchmark Return | (1.21) | (2.89) | 4.54 | 5.71 |
| Large Fund Median Return | (0.66) | (4.19) | 7.25 | 9.56 |
| <i>Large Fund Percentile Rank^A</i> | 58 | 73 | 7 | 7 |
| Equity Return | (1.28) | (15.45) | 3.41 | 7.45 |
| Russell 3000 | (1.69) | (12.68) | 4.73 | 8.38 |
| <i>Equity Percentile Rank^B</i> | 33 | 31 | 38 | 29 |
| Fixed Income Return | (0.64) | 5.60 | 4.39 | 4.29 |
| Lehman Aggregate | (1.02) | 7.13 | 4.08 | 3.85 |
| <i>Fixed Income Percentile Rank^C</i> | 68 | 38 | 69 | 76 |

^A The ICC Large Fund Universe was comprised of 116 unique observations where 100 is best, 1 is worst.

^B The ICC Total Equity Universe was comprised of 113 unique observations where 100 is best, 1 is worst.

^C The ICC Total Fixed Income Universe was comprised of 121 unique observations where 100 is best, 1 is worst.

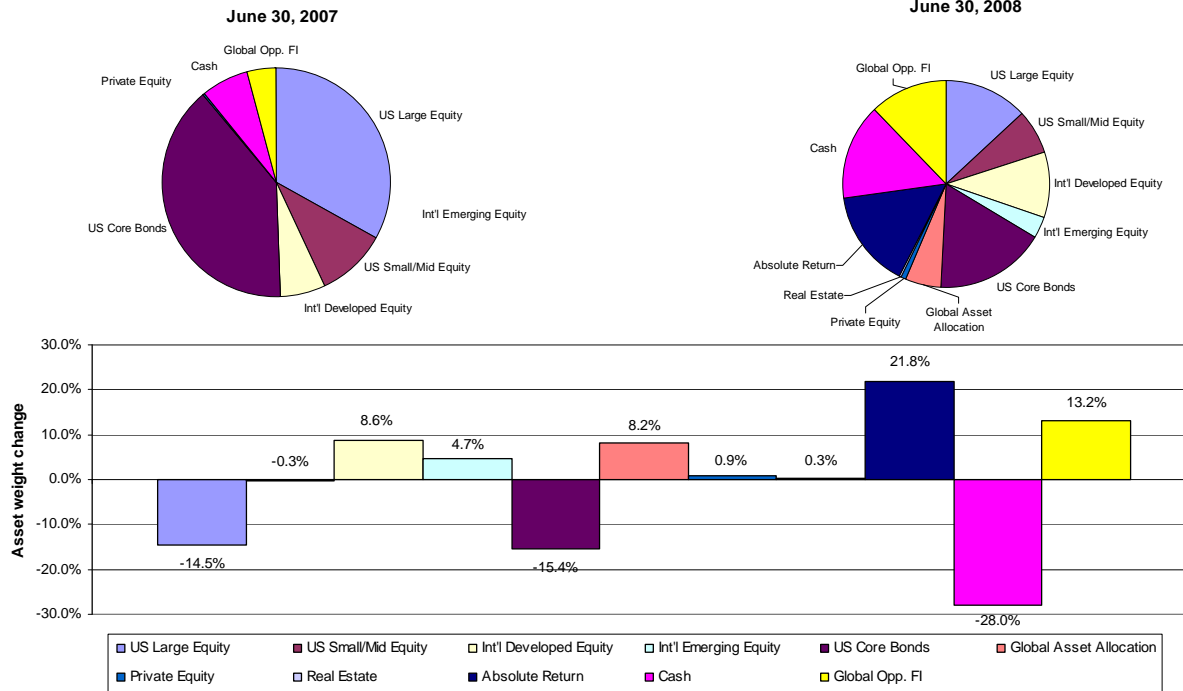
Rolling 1 Year Period Percentile Rank



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Investment Analysis:

- Increased fund's peer ranking within 2nd quartile, up from the 4th quartile in 4Q07.
- Energy prices drove up global inflation and concerns of a global economic slowdown.
- U.S. continues sub-par economic growth while international markets show signs of slowing.
- Long-term rates fell globally in the 2nd quarter continuing the downward economic trend.
- Global equities continued their decline in the 2nd quarter, as fears of recession spread through developed and emerging international markets. U.S. stocks declined 2.70%, evidenced by the S&P 500 index, whereas the EAFE benchmark for foreign stocks declined 1.9%.
- The Russell 1000 Index of large cap stocks declined 1.89%, in contrast to the Russell 2000 Index of small cap stocks, which increased 0.58%. Value Stocks took significant losses again which has led to their worst 12-month run on record. The Russell Midcap Growth Index gained 4.65% versus the Russell Midcap Value Index which gained 0.07%.

Achievements During the Quarter:

- Approved private equity manager: Welsh, Carson, Anderson, & Stowe XI (\$50m)
- Approved credit managers: Sankaty Credit Opportunities IV (\$200m), WLR Absolute Recovery Hedge Strategy (\$225m), Selene Residential Mortgage Opportunity Fund (\$100m), D.E. Shaw Direct Capital Fund (\$100m), ING Clarion Debt Opportunity Fund III (\$100m), AG Capital Recovery Partners VI (\$40m), and Avenue-SC Global Opportunities Fund (\$250m).
- Approved Emerging Markets manager: Capital Guardian Emerging Market F.I. Fund (\$200m - \$500m)
- Approved Strategic Partnerships: TCW (\$750m), Mariner (\$750m), Goldman Sachs (\$1.5b); JP Morgan (\$1b)
- Contract amendment negotiated with State Street that included a waiver of SC Code §9-16-360(B); employees, affiliates, and subsidiaries are subject to its Code of Conduct, which is substantively consistent with §9-16-360(B).
- Adopted FY2008-2009 AIP.
- Hired Hershel Harper as Director of Alternative Investments and Dori Ditty as Law Clerk.

Projects in Progress:

- Continue transition to Bank of New York Mellon Workbench Platform.
- Continue due diligence on Strategic Partnerships, Private Equity, High Yield, Real Estate, Opportunistic Credit and Emerging Market Debt strategies.
- Continue development of Risk Control reports to emphasize liquidity, leverage and counter-party risk.

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