

# South Carolina Retirement System Investment Commission

## September 30, 2008 Quarterly Report

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

### Investment Performance (09/30/08)

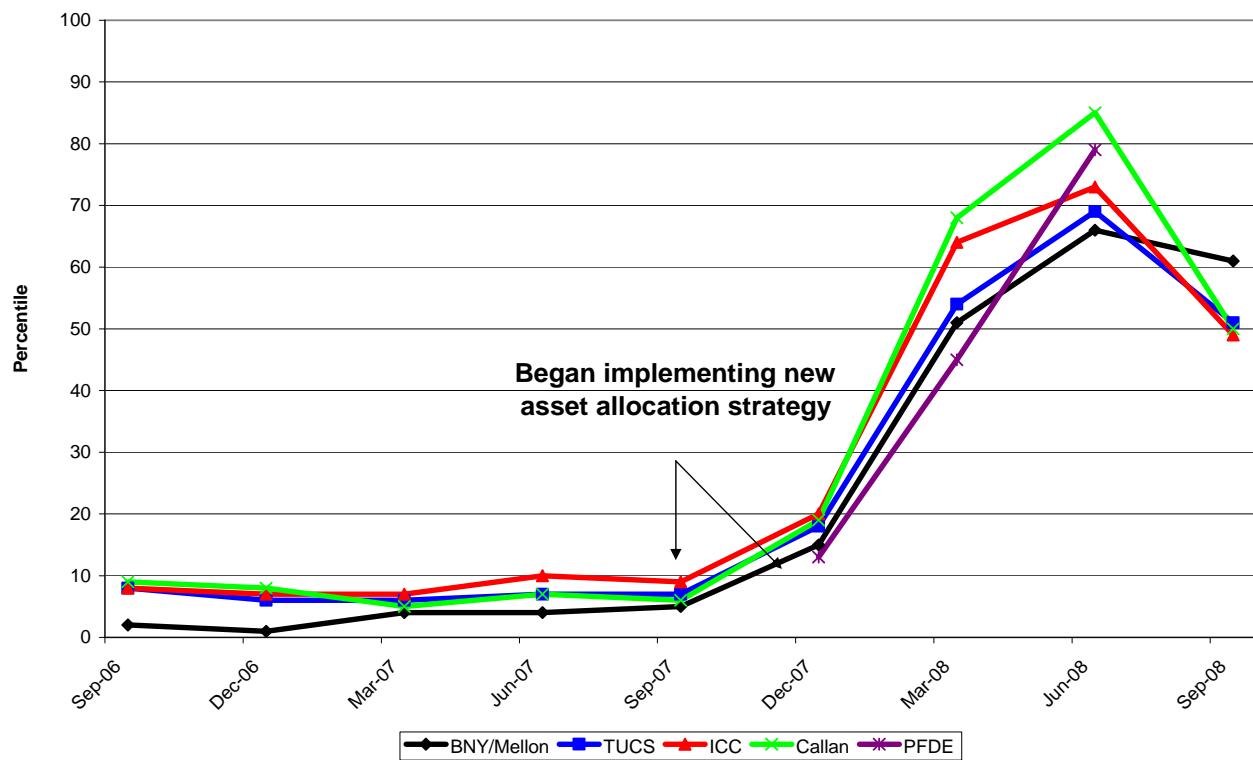
	Quarter	1 Year	3 Years	5 Years
<b>Total Fund Return</b>	<b>(10.88)</b>	<b>(14.61)</b>	<b>0.57</b>	<b>3.55</b>
<b>Policy Benchmark Return</b>	<b>(10.42)</b>	<b>(14.82)</b>	<b>0.40</b>	<b>3.17</b>
<b>Large Fund Median Return</b>	<b>(8.59)</b>	<b>(14.55)</b>	<b>2.89</b>	<b>7.09</b>
<i>Large Fund Percentile Rank<sup>A</sup></i>	10	49	3	3
<b>Equity Return</b>	<b>(9.81)</b>	<b>(23.84)</b>	<b>(1.53)</b>	<b>4.55</b>
<b>Russell 3000</b>	<b>(8.73)</b>	<b>(21.52)</b>	<b>0.26</b>	<b>5.70</b>
<i>Equity Percentile Rank<sup>B</sup></i>	40	22	28	12
<b>Fixed Income Return</b>	<b>(0.53)</b>	<b>2.80</b>	<b>4.25</b>	<b>4.14</b>
<b>Lehman Aggregate</b>	<b>(0.49)</b>	<b>3.65</b>	<b>4.15</b>	<b>3.78</b>
<i>Fixed Income Percentile Rank<sup>C</sup></i>	79	59	62	57

<sup>A</sup> The ICC Large Fund Universe was comprised of 105 unique observations where 100 is best, 1 is worst.

<sup>B</sup> The ICC Total Equity Universe was comprised of 108 unique observations where 100 is best, 1 is worst.

<sup>C</sup> The ICC Total Fixed Income Universe was comprised of 125 unique observations where 100 is best, 1 is worst.

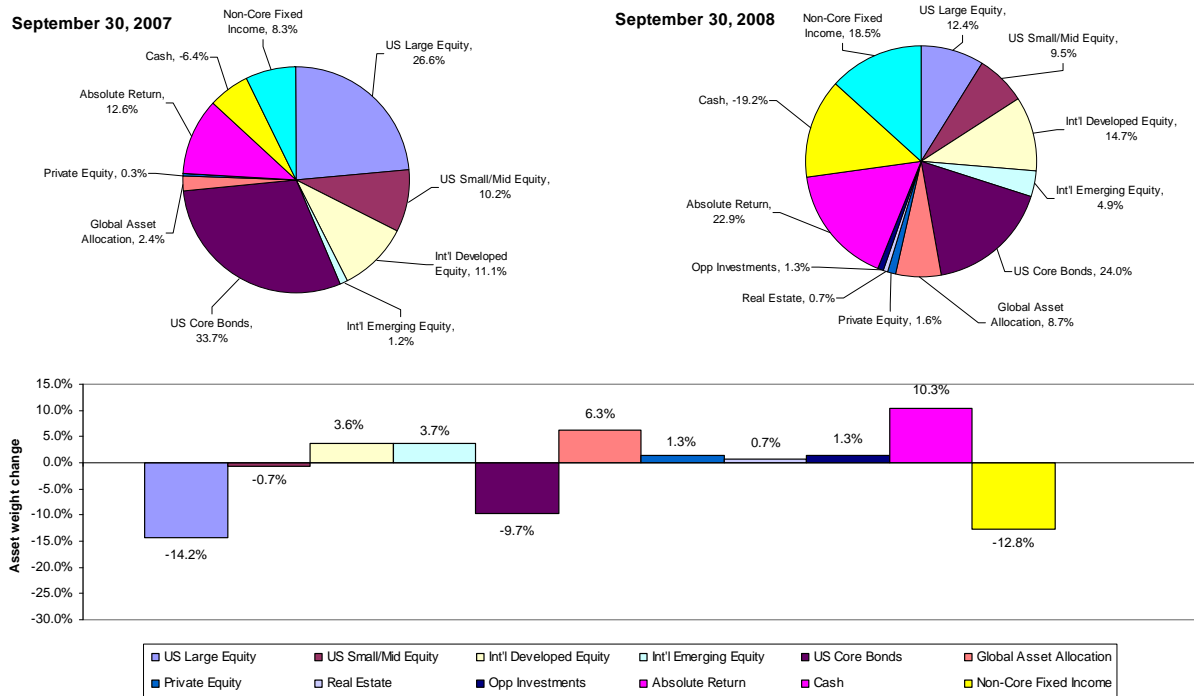
### Rolling 1 Year Period Percentile Rank



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### Investment Analysis:

- World's financial landscape worsened dramatically. Congress passed Troubled Asset Relief Program.
- Investors experienced a harsh third quarter. Virtually all asset classes suffered sharp losses.
- The Fund's peer ranking declined on average but congregated mostly near the median, or above.
- Global equities fell more precipitously than the U.S. reflecting significant economic slowdown.
- Widening credit spreads hit fixed-income markets hard. Negative bond returns better than equity's.
- The Russell 1000 Index of large cap stocks lost 9.3% compared to the 1.1% quarterly loss for the Russell 2000 small cap Index. Growth stocks suffered more than value as the Russell 3000 Value Index lost 5.3% compared to the Russell 11.9% loss for the Russell 3000 Growth Index.
- The Lehman Aggregate Bond Index lost 0.5%; the Lehman Global Bond Index declined 3.8%.
- The HFRX Global Hedge Fund Index lost 10.7% reflecting historically bad returns.

### Achievements During the Quarter:

- Approved pursuing additional investments in Private Equity, High Yield, and Strategic Partnership funds.
- Approved real estate co-investment in the Capitol Center building in Columbia, SC through Intercontinental Real Estate.
- Contracts negotiated with Goldman Sachs Palmetto State Fund, L.P., and TCW/Palmetto State Partners, LLC, that included waiver of S.C. Code §9-16-360(B); employees, affiliates, and subsidiaries are subject to their Codes of Conduct, which are substantively consistent with §9-16-360(B).
- Terminated contractual relationships with State Street Global Advisors for the S&P 500 Flagship and Russell 2000 Index Securities Lending Funds and Pzena Investment Management for the Large Cap Value Fund; liquidated the Alpha Tilts Fund portfolio managed by Barclays Global Investors.
- Hired Geoffrey Berg as Public and Private Equity Officer.

### 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.