

STATE OF CONNECTICUT
OFFICE OF THE TREASURER

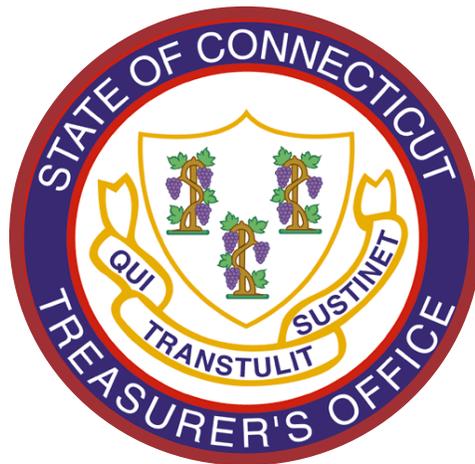
2004



COMBINED INVESTMENT FUNDS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2004

STATE OF CONNECTICUT
Office of the State Treasurer



The State Motto "Qui Transtulit Sustinet," (He Who Transplanted Still Sustains), has been associated with the various versions of the state seal from the creation of the Saybrook Colony Seal.

COMBINED INVESTMENT FUNDS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2004

Table of Contents

INTRODUCTORY SECTION

Letter from the Treasurer	3
Management's Report	6
Certificate of Achievement for Excellence in Financial Reporting	7
The Connecticut State Treasury	8
Pension Funds Management Administration	9
List of Principal Officials	10
Investment Advisory Council	11
List of External Advisors	12

FINANCIAL SECTION

Report of Auditors of Public Accounts	15
Management's Discussion and Analysis	17

BASIC FINANCIAL STATEMENTS

Statement of Net Assets	20
Statements of Changes in Net Assets	21
Notes to Financial Statements	23

INVESTMENT SECTION

Pension Funds Management Division	35
Division Overview	35
Investment Policy	35
The Year in Review	37
Total Fund Performance	37
2004 Division Performance and Management Initiatives	39
Proxy Voting	40
Asset Recovery and Loss Prevention	41
Cash Reserve Account	45
Mutual Equity Fund	50
International Stock Fund	52
Real Estate Fund	56
Mutual Fixed Income Fund	61
Commercial Mortgage Fund	66
Private Investment Fund	70
Schedule of Investment Advisors and Fees in Excess of \$5,000	76
Combined Investment Funds Schedule of Brokerage Commissions	78

TABLE OF CONTENTS

STATISTICAL SECTION

Statement of Net Assets	81
Statements of Changes in Net Assets	82
Combined Investment Funds Total Net Asset Value by Pension Plans and Trusts	84
Combined Investment Funds Statement of Investment Activity by Pension Plan	85
Combined Investment Funds Statement of Investment Activity by Trust	87
Combined Investment Funds Financial Highlights	90
Combined Investment Funds Summary of Operations	91
Pension and Trust Funds Balances in Combined Investment Funds	91
Combined Investment Funds List of Investment Advisors and Net Assets Under Management	92
Schedule of Consulting Services in Excess of \$5,000	95
Combined Investment Funds Investment Summary	96
Combined Investment Funds Top Ten Holdings	98
Combined Investment Funds Glossary of Investment Terms	100
Understanding Investment Performance	104

Introductory Section





State of Connecticut
Office of the Treasurer

DENISE L. NAPPIER
TREASURER

HOWARD G. RIFKIN
DEPUTY TREASURER

December 3, 2004

To the State of Connecticut
Combined Investment Funds
Fellow Beneficiaries

I am pleased to submit to you this Comprehensive Annual Financial Report (CAFR) of the State of Connecticut Office of the Treasurer Combined Investment Funds (CIF) for the fiscal year ended June 30, 2004.

In this report, you will find a level of disclosure consistent with the highest standards of financial reporting. The State of Connecticut's Auditors of Public Accounts have reviewed all statements consistent with generally accepted accounting principles (GAAP) and have rendered an unqualified opinion letter.

As required by Governmental Accounting Standards Board (GASB) Statement No. 34, the financial section now includes Management's Discussion and Analysis (MD&A), which provides an introduction, overview, and analysis of the financial statements. We are confident that the data is accurate in all material respects and is presented in a manner that fairly reflects the financial position and results of operations as measured by the financial activity of the funds. To this end, audited financial statements and all disclosures necessary to enable the reader to gain an understanding of the Combined Investment Funds financial activities have been included herein for your review.

State of Connecticut Combined Investment Funds

The Combined Investment Funds are separate legally defined funds which have been established pursuant to Connecticut General Statutes Section 3-31b. The Funds are open-end portfolios consisting of the Cash Reserve Fund, Mutual Equity Fund, Mutual Fixed Income Fund, International Stock Fund, Real Estate Fund, Commercial Mortgage Fund, and the Private Investment Fund. The Funds were established to provide a means for investing pension and other trust fund assets entrusted to the Treasurer in a variety of investment classes. The units of the Funds are owned by these pension and trust funds which include the Teachers' Retirement Fund, State Employees' Retirement Fund, Connecticut Municipal Employees' Retirement Fund, State Judges' Retirement Fund, Probate Court Retirement Fund, State's Attorney Retirement Fund, Soldiers' Sailors' & Marines' Fund, Police and Fireman' Survivors' Benefit Fund, Connecticut Arts Endowment Fund, School Fund, Ida Eaton Cotton Fund, Hopemead Fund, Andrew C. Clark Fund, and the Agricultural College Fund.

As principal fiduciary of the Combined Investment Funds, I am authorized to invest in a broad range of equity and fixed income securities, as well as real estate properties, mortgages and private equity. The Office of the Treasurer and the State's Investment Advisory Council (IAC) developed a comprehensive Investment Policy Statement (IPS) that provides policy guidelines for the Funds investments and includes an asset allocation plan, which governs Fund investments today. The Asset Allocation Plan's main objective is to maximize investment returns over the long term at an acceptable level of risk, primarily through asset diversification. Risk, in this context, is defined as volatility of investment returns. (See the Understanding Investment Performance discussion in the Supplemental Section.)

55 ELM STREET, HARTFORD, CONNECTICUT 06106-1773, TELEPHONE: (860) 702-3000

AN EQUAL OPPORTUNITY EMPLOYER

The Funds are externally managed, primarily with registered investment advisors selected on a competitive basis based on professional reputation, experience and performance. Investments are stated at fair value for each of the funds and the investments of the Cash Reserve Fund are valued at amortized cost that approximates fair value.

Report Contents

This report was prepared in its entirety by the Connecticut State Treasurer's Office and we take full responsibility for the accuracy of the data and the completeness and fairness of the presentation of the financial statements, supporting schedules, investment performance information, and the statistical tables in it. This CAFR contains four sections:

The Introductory Section contains this letter of transmittal and Management's Report, the GFOA certificate, an organizational structure of the Treasurer's Office, and a list of principal officials and investment advisors for the Combined Investment Funds.

The Financial Section contains the opinion of the State of Connecticut Auditors of Public Accounts, management's discussion and analysis and the financial statements of CIF and notes to the financial statements.

The Investment Section contains a comprehensive discussion of the Funds investment performance and operations including:

- Overview of the Funds operations, investment policies, and approach to measuring and evaluating performance;
- Analysis of the fiscal year's economic conditions and their impact on the Funds' performance;
- Each Fund's performance objectives, benchmarks, and comparative risk profile; and
- Comprehensive presentation of each Fund's portfolio composition, annual and historical investment performance, and a listing of all brokerage firms used by the Pension Funds Management Division and the aggregate commissions paid to each.

The Statistical Section is the final section of the CAFR and includes various tables and schedules and miscellaneous relevant data concerning investments including the Pension and Trust Funds' ownership in the Combined Investment Funds, a list of the Funds' investment advisors and their assets under management, the Pension and Trust Funds' allocation across major asset categories and the market values and rates of return for each, a historical table of CIF assets under management and a comprehensive glossary of investment terms.

The performance presentation formats and disclosures contained in this report are a synthesis of techniques used by public and private sector reporting entities as well as recommendations from the Government Finance Officers Association. Similarly, the financial statements and disclosures reflect a comprehensive effort by Treasurer's Office staff to integrate all appropriate accounting and disclosure standards as well as the most current disclosures required by generally accepted accounting principles.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Connecticut State Treasurer's Combined Investment Funds for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2003. In order to be awarded a Certificate of Achievement, the Treasurer's Office must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe this current report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

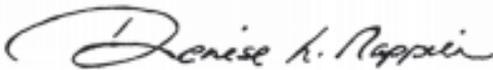
LETTER FROM THE TREASURER

The preparation of this report would not have been possible without the efficient and dedicated services of many individuals in the Treasurer's Office. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions and determining responsible stewardship of the Funds in the Treasury.

Requests for Information

This financial report is designed to provide a general overview of the State of Connecticut Office of the Treasurer Combined Investment Funds activities for all those with an interest in the Funds investment activities. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Treasurer, 55 Elm Street, Hartford, Connecticut 06106-1773, and telephone (860) 702-3000. Copies of the comprehensive annual financial report will also be available on the Internet at www.state.ct.us/ott.

Sincerely,

A handwritten signature in cursive script that reads "Denise L. Nappier".

Denise L. Nappier
Treasurer



State of Connecticut
Office of the Treasurer

DENISE L. NAPPIER
TREASURER

HOWARD G. RIFKIN
DEPUTY TREASURER

October 15, 2004

To the State of Connecticut
Combined Investment Funds
Fellow Beneficiaries

This report was prepared by the Office of the Treasurer, which is responsible for the accuracy of the data, the completeness and fairness of the presentation and all disclosures. We present the financial statements and data as being accurate in all material respects and prepared in conformity with generally accepted accounting principles and such financial statements are audited annually by the State of Connecticut Auditors of Public Accounts.

To carry out this responsibility, the Office of the Treasurer maintains financial policies, procedures, accounting systems and internal controls that management believes provide reasonable, but not absolute, assurance that accurate financial records are maintained and investments and other assets are safeguarded.

It is our belief that the contents of this Combined Investment Funds Comprehensive Annual Financial Report make evident the State of Connecticut Office of the Treasurer support of the safe custody and conscientious stewardship of the State's property and money held by the State.

In management's opinion, the internal control structure of the Office of the Treasurer is adequate to ensure that the financial information in this report presents fairly the financial condition and results of operations of the funds that follow.

Sincerely,

A handwritten signature in black ink, appearing to read "H. Rifkin", with a long horizontal flourish extending to the right.

Howard G. Rifkin
Deputy Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Connecticut State Treasurer's Combined Investment Funds

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

President

Jeffrey R. Enev

Executive Director

Mission Statement

To serve as the premier State Treasurer’s Office in the nation through effective management of public resources, high standards of professionalism and integrity, and expansion of opportunity for the citizens and businesses of Connecticut.

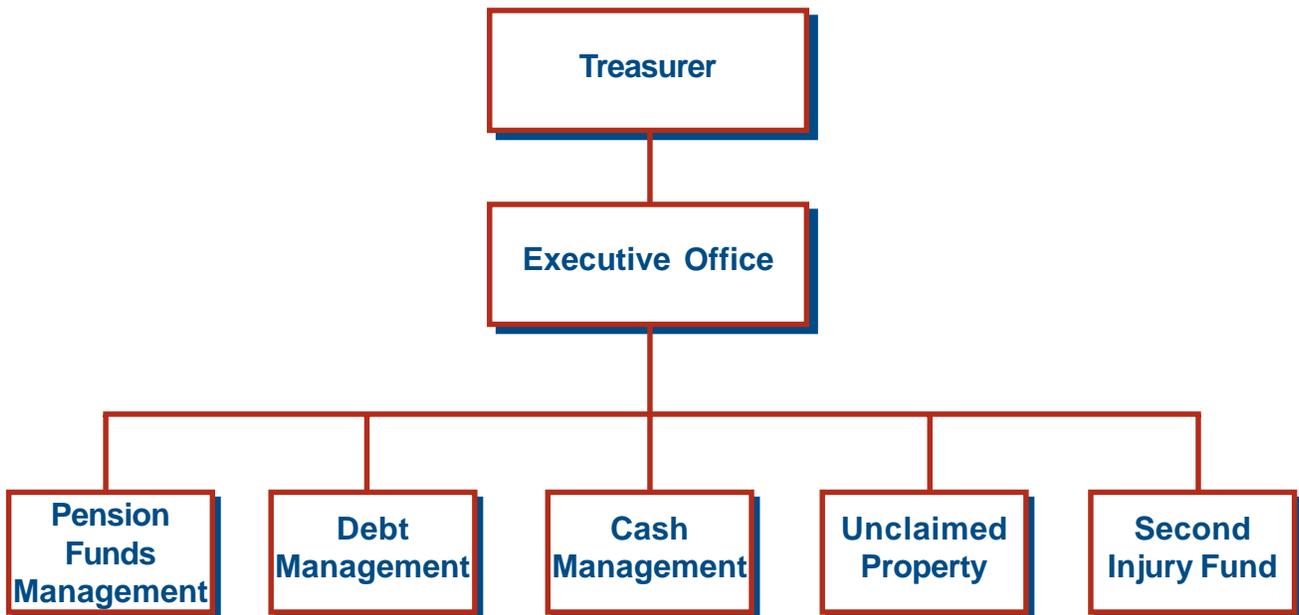
Statutory Responsibility

The Office of the Treasurer was established following the adoption of the fundamental orders of Connecticut in 1638. The duties, as described in Article Fourth, Section 22 of the Connecticut Constitution and in Title 3 of the Connecticut General Statutes, the Treasurer shall receive all funds belonging to the state and disburse the same only as may be directed by law.

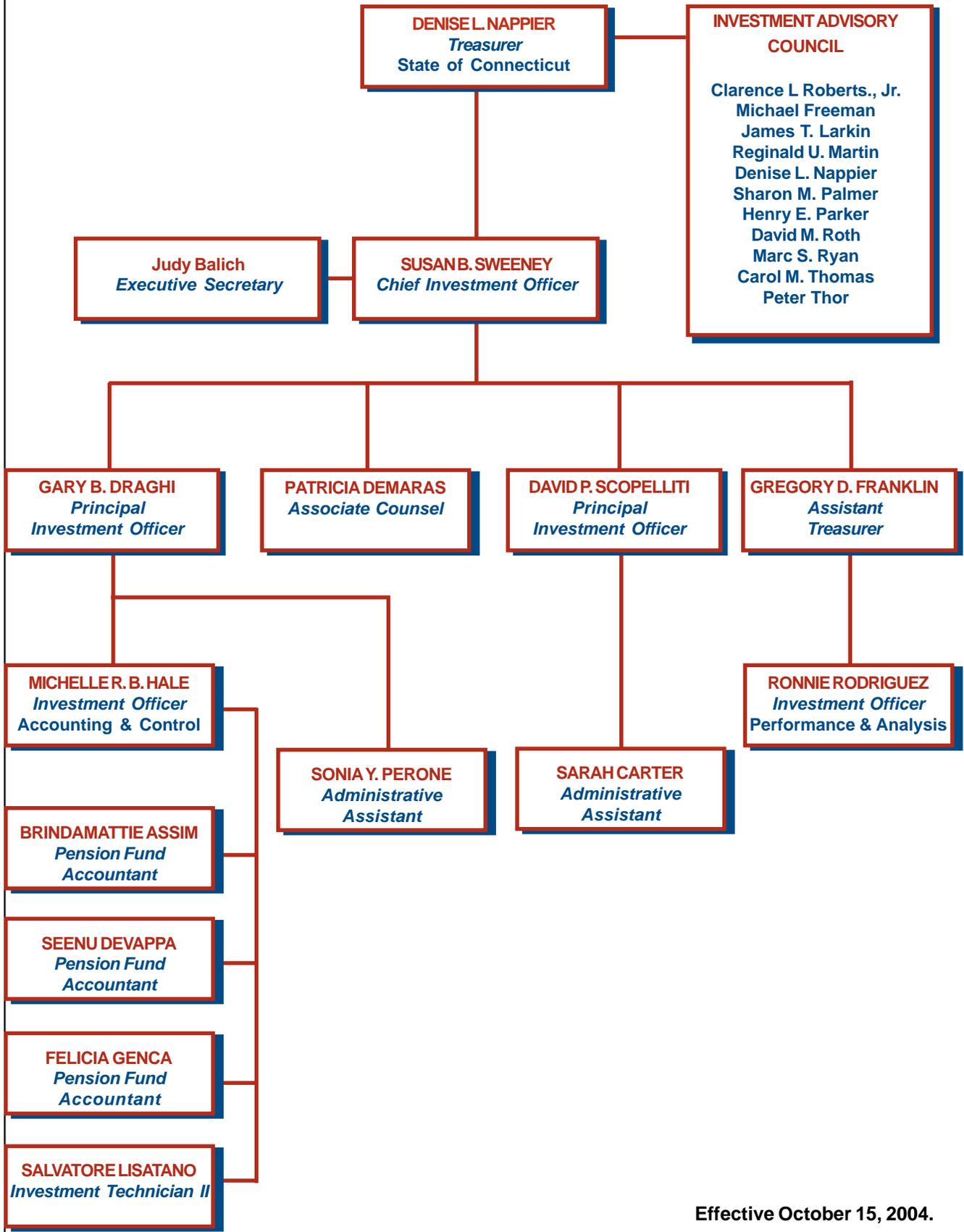
The Treasurer is the Chief Fiscal Officer for the State government, overseeing a wide variety of activities regarding the prudent conservation and management of State funds. This includes the administration of a portfolio of pension assets worth more than \$20 billion and a short-term investment fund of approximately \$4 billion.

Public Service

The Office of the Treasurer includes an Executive Office as well as five distinct divisions, each with specific responsibilities: Pension Funds Management, Cash Management, Debt Management, Unclaimed Property, and the Second Injury Fund.



COMBINED INVESTMENT FUNDS ADMINISTRATION



Effective October 15, 2004.

COMBINED INVESTMENT FUNDS

55 Elm Street
6th Floor
Hartford, CT. 06106-2773
Telephone: (860) 702-3155
Facsimile: (860) 702-3042
World Wide Web:
www.state.ct.us/ott

Treasurer, State of Connecticut
DENISE L. NAPPIER (860) 702-3010

Deputy Treasurer, State of Connecticut
HOWARD G. RIFKIN (860) 702-3292

Chief Investment Officer
SUSAN B. SWEENEY (860) 702-3229

Assistant Treasurer
GREGORY D. FRANKLIN, CFA (860) 702-3162

Principal Investment Officer
GARY B. DRAGHI, CFA, CPA (860) 702-3160

Principal Investment Officer
DAVID P. SCOPELLITI (860) 702-3177

Investment Officer
RONNIE RODRIGUEZ (860) 702-3167

Investment Officer
MICHELLE R. B. HALE, CPA (860) 702-3275

INVESTMENT ADVISORY COUNCIL

The Investment Advisory Council (IAC) consists of The State Treasurer and Secretary of the Office of Policy and Management (as ex-officio members of the council), five public members all of whom shall be experienced in matters relating to investments appointed by the Governor and legislative leadership, and three representatives of the teachers' unions and two representatives of the state employees' unions (CGS Sec. 3-13b).

As enacted in Public Act 00-43, the IAC annually reviews the Investment Policy (IPS) Statement recommended by the Treasurer which includes an outline of the standards governing investment of trust funds by the Treasurer. The IPS includes, with respect to each trust fund, (A) investment objectives; (B) asset allocation policy and risk tolerance; (C) asset class definitions, including specific types of permissible investments within each asset class and any specific limitations or other considerations governing the investment of any funds; (D) investment manager guidelines; (E) investment performance evaluation guidelines; (F) guidelines for the selection and termination of providers of investment related services who shall include, but not be limited to, investment advisors, external money managers, investment consultants, custodians, broker-dealers, legal counsel, and similar investment industry professionals; and (G) proxy voting guidelines. The Treasurer shall thereafter adopt the IPS, including any such changes recommended by the IAC the Treasurer deems appropriate, with the approval of a majority of the members appointed to the IAC. The current IPS was adopted by the Treasurer and approved by the IAC in March 2002 and subsequently in January 2003, the IAC approved the Treasurer's adopted guidelines for the Mutual Fixed Income Fund.

All trust fund investments by the State Treasurer shall be reviewed by the Investment Advisory Council along with all information regarding such investments provided to the council which the Treasurer deems relevant to the council's review and such other information as may be requested by the council. The IAC shall also review the report provided by the Treasurer at each regularly scheduled meeting of the IAC as to the status of the trust funds and any significant changes which may have occurred or which may be pending with regard to the funds. The council shall promptly notify the Auditors of Public Accounts and the Comptroller of any unauthorized, illegal, irregular or unsafe handling or expenditure of trust funds or breakdowns in the safekeeping of trust funds or contemplated action to do the same within their knowledge.

At the close of the fiscal year, the IAC shall make a complete examination of the security investments of the State and determine as of June thirtieth, the value of such investments in the custody of the Treasurer and report thereon to the Governor, the General Assembly and beneficiaries of trust fund assets administered, held or invested by the Treasurer (CGS Sec. 3-13b(c)(2)).

Council members who contributed their time and knowledge to the IAC during fiscal 2004 include:

CLARENCE L. ROBERTS, JR., Chairman, as appointed by the Governor, Former Assistant Treasurer, Unilever United States, Inc. (Retired)

CLARE H. BARNETT, Representative of State Teachers' unions, Teacher and Social Studies Chair, Danbury school system. (Resigned effective 1/31/2004)

JAMES T. LARKIN, President, Global Strategy Advisors

REGINALD U. MARTIN, Managing Partner, Insurance Planning Associates.

DENISE L. NAPPIER, Treasurer, State of Connecticut (Ex-officio member) and council secretary.

SHARON M. PALMER, Representative of State Teachers' unions, First Vice President, CT Federation of Educational and Professional Employees.

HENRY E. PARKER, Former Treasurer, State of Connecticut 1975-1986, Former Senior Vice President, Atalanta/Sosnoff Capital Corporation (Retired).

DAVID M. ROTH, Principal and Managing Director, WLD Enterprises, Inc.

MARC S. RYAN, Secretary, State Office of Policy and Management (Ex-officio member).

ROSALYN B. SCHOONMAKER, Representative of State Teachers' unions, retired teacher and retirement counselor. (Term expired 6/30/2004)

CAROL M. THOMAS, Representative of State Employees' unions, State Department of Mental Retardation.

LIST OF EXTERNAL ADVISORS

INVESTMENT CONSULTANTS

CRA RogersCasey - Darien, Connecticut
Greystone Capital Management - Hartford, Connecticut
Invesco Private Capital - Denver, Colorado
Pension Consulting Alliance - Portland, Oregon

MASTER CUSTODIAN

State Street Bank and Trust Co. - Boston, Massachusetts

AUDITORS

Auditors of Public Accounts - Hartford, Connecticut

INVESTMENT ADVISORS

CASH RESERVE ACCOUNT

State Street Global Advisors - Boston, Massachusetts

MUTUAL EQUITY FUND (MEF)

Large Cap

BGI Barclays Global Investors, N.A. - San Francisco, California
State Street Global Advisors - Boston, Massachusetts

Small/Mid Cap Passive Enhance

AXA Rosenberg Investment Management - Orinda, California
SSB CitiGroup (The Travelers) - Stamford, Connecticut

Small/Mid Cap Active

Brown Capital Management, Inc. - Baltimore, Maryland
TCW Cowen Asset Management - New York, New York

INTERNATIONAL STOCK FUND

Index

State Street Global Advisors - Boston, Massachusetts

Core

Invesco Global Asset Management - Denver, Colorado
Morgan Stanley Asset Management - New York, New York
Putnam Advisory Company - Boston, Massachusetts

Active - Growth

Clay Finlay, Inc. - New York, New York
MFS Institutional Advisors, Inc. - Boston, Massachusetts

Active - Value

Grantham, Mayo, Van Otterloo & Co. - Boston, Massachusetts

Small Cap

Morgan Stanley Asset Management - New York, New York
Schroder Investment Management - New York, New York

LIST OF EXTERNAL ADVISORS

Emerging

Emerging Markets Management - Arlington, Virginia
Grantham, Mayo, Van Otterloo & Co. - Boston, Massachusetts

Risk Controlled

Fidelity Management Trust Co. - Boston, Massachusetts
Merrill Lynch Investment Managers - Plainsboro, New Jersey

REAL ESTATE FUND (REF)

AEW Capital Management - Boston, Massachusetts
Apollo Real Estate Investment Fund - New York, New York
Cigna Realty Investors - Hartford, Connecticut
Evergreen Investments - Atlanta, Georgia
New Boston Fund - Boston, Massachusetts
Rockwood Capital - Greenwich, Connecticut
Walton Street Real Estate Fund II- Chicago, Illinois
Westport Senior Living Fund – Palm Beach Gardens, Florida

MUTUAL FIXED INCOME FUND (MFIF)

Core

BlackRock Financial Management, Inc. - New York, New York
Phoenix Investment Counsel - Hartford, Connecticut
State Street Global Advisors - Boston, Massachusetts
Wellington - Boston, Massachusetts
Western Asset Management - Pasadena, California

High Yield

Loomis Sayles & Co., Inc. - Boston, Massachusetts
Oaktree Capital Management, L.L.C. - Los Angeles, California
W.R. Huff Asset Management - Morristown, New Jersey

COMMERCIAL MORTGAGE FUND (CMF)

AEW Capital Management, LP - Boston, Massachusetts

PRIVATE INVESTMENT FUND (PIF)

Corporate Buyouts

Blackstone Capital Partners III - New York, New York
DLJ Merchant Banking Fund II- New York, New York
Forstmann Little Equity Fund VI- New York, New York
FS Equity Partners V - Los Angeles, California
Green Equity Investors III – Los Angeles, California
Hicks Muse Tate & Furst Equity Fund III - Dallas, Texas
Kelso Investment Associates VI - New York, New York
KKR 1996 Fund - New York, New York
KKR Millenium Fund - New York, New York
SCP Private Equity Partners - Wayne, Pennsylvania
Thayer Equity Investors IV – Washington D.C.
Thomas H. Lee Equity Fund IV - Boston, Massachusetts
Veritas Capital Fund- New York, New York
Wellspring Capital Partners II - New York, New York
Wellspring Capital Partners III - New York, New York
Welsh, Carson, Anderson & Stowe VIII – New York, New York

LIST OF EXTERNAL ADVISORS

Venture Capital

Connecticut Futures Fund - Westport, Connecticut
Connecticut Green Ventures - White Plains, New York
Conning Capital Partners V - Hartford, Connecticut
Crescendo III – Minneapolis, Minnesota
Crescendo World Fund – Minneapolis, Minnesota
Grotech Partners V - Timonium, Maryland
Pioneer Ventures Associates - Windsor, Connecticut
RFE Investment Partners VI - New Canaan, Connecticut
Shawmut Equity Partners - Boston, Massachusetts

Mezzanine

GarMark Partners – Stamford, Connecticut
SW Pelham Fund - Hartford, Connecticut
SW Pelham Fund II LP - Hartford, Connecticut
Triumph Connecticut Partners - Boston, Massachusetts

International

AIG Global Emerging Markets Fund - New York, New York
Carlyle Asia Partners– Washington D.C.
Carlyle Europe Partners– Washington D.C.
Compass European Partners – New York, New York
Gilbert Global Equity Partners - Tacoma, Washington

Fund of Funds

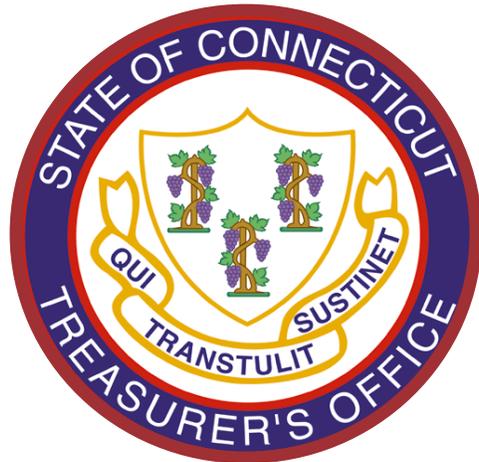
Goldman Sachs Private Equity Fund - New York, New York
Landmark Private Equity Fund VIII – Simsbury, Connecticut
Lexington Capital Partners II - New York, New York
The Constitution Liquidating Fund - Farmington, Connecticut

Special Situations

Forstmann Little MBO VII - New York, New York
Greenwich Street Capital Partners II – New York, New York
KPS Special Situations Fund - New York, New York
TCI Liquidating Trust - Boston, Massachusetts
Washington & Congress Partners - Boston, Massachusetts
Welsh, Carson, Anderson & Stowe Capital Partners III - New York, New York

Financial

Section



INDEPENDENT AUDITOR'S REPORT

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

STATE CAPITOL

210 CAPITOL AVENUE

HARTFORD, CONNECTICUT 06106-1559

KEVIN P. JOHNSTON

ROBERT G. JAEKLE

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statement of net assets of the Combined Investment Funds as of June 30, 2004, and the statement of changes in net assets for the fiscal years ended June 30, 2004, and 2003. These financial statements are the responsibility of the management of the State Treasury. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.

Our procedures included confirmation of securities owned as of June 30, 2004, by correspondence with the custodians. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Combined Investment Funds as of June 30, 2004, and the results of their operations and changes in net assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As explained in Note 1B, the State Treasurer's policy is to present investments at fair value. The fair value of most of the assets of the Real Estate Fund, the Commercial Mortgage Fund and the Private Investment Fund and the limited partnership investment of the Mutual Fixed Income Fund are estimated by investment advisors in the absence of readily ascertainable market values, and reviewed and adjusted, when appropriate, by the State Treasurer. The fair value of most of the assets of the Real Estate Fund and the Private Investment Fund and the limited partnership investment of the Mutual Fixed Income Fund are presented at the cash adjusted fair values, which utilize the investment advisors' March 31, 2004, quarter ending estimated values adjusted for cash flows of the Funds during the subsequent quarter that affect the value at the Funds' level. Adjustments are made for underlying investments that experienced significant changes in value during the quarter, if deemed appropriate. We have reviewed the investment advisors' values, the

INDEPENDENT AUDITOR'S REPORT

relevant cash flows and the procedures used by the State Treasurer in reviewing the estimated values and have read underlying documentation and, in the circumstances, we believe the procedures to be reasonable and the documentation appropriate. However, because of the inherent uncertainty of valuation, those estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

Our audit was made for the purpose of forming an opinion on the financial statements of the Combined Investment Funds taken as a whole. The Combined Investment Funds Statement of Net Assets, Statements of Changes in Net Assets, Total Net Asset Value by Pension Plans and Trusts and the Statements of Investment Activity by Pension Plan and by Trust, contained within the Statistical Section of this document, are presented for purposes of additional analysis and are not a required part of the financial statements of the Combined Investment Funds. Such information has been subjected to the auditing procedures applied in the audit of the financial statements of the Combined Investment Funds and, in our opinion, is fairly presented in all material respects in relation to the financial statements of the Combined Investment Funds taken as a whole. The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the Management's Discussion and Analysis and express no opinion on it.

This opinion is being issued for inclusion in an annual report for the State Treasurer's Combined Investment Funds for the fiscal year ended June 30, 2004. Other information contained within the Statistical Section and the Investment and Introductory Sections of this document has not been audited.



Kevin P. Johnston
Auditor of Public Accounts



Robert G. Jaekle
Auditor of Public Accounts

December 15, 2004
State Capitol
Hartford, Connecticut

MANAGEMENT'S DISCUSSION AND ANALYSIS

This *Management's Discussion and Analysis (MD&A)* of the Comprehensive Annual Financial Report (CAFR) of the State of Connecticut Office of the Treasurer Combined Investment Funds (CIF) is a narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2004. The management of the State of Connecticut's Office of the Treasurer provides this MD&A and we encourage readers to review it in conjunction with the transmittal letter at the front of this report and with the financial statements that follow.

This MD&A has been prepared per the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34.

The Combined Investment Funds financial statements reported by the Treasurer's Office for which the Treasurer has fiduciary responsibility for the investment thereof begin on page 20 and provide detailed information about individual funds. (The funds are separate legally defined funds which have been established by the Treasurer and the units of the funds are owned by the pension and trusts funds which include the Teachers' Retirement Fund, State Employees' Retirement Fund, Connecticut Municipal Employees' Retirement Fund, Soldiers' Sailors' & Marines' Fund, Police and Firemen Survivors' Benefit Fund, Connecticut Arts Endowment Fund, School Fund, Ida Eaton Cotton Fund, Hopemead Fund, Andrew C. Clark Fund, and the Agricultural College Fund). This financial information is included in the activities of the State of Connecticut's Fund Financial Statements as presented in the Comprehensive Annual Financial Report of the State of Connecticut prepared by the State Comptroller.

FINANCIAL HIGHLIGHTS & ANALYSIS OF THE FUNDS

The Combined Investment Funds represent the pension funds of the State teachers, State and municipal employees, as well as trust funds that support academic programs, grants and initiatives throughout the State with a combined market value portfolio of \$20.7 billion; ranging in investment diversity from domestic and international stocks to fixed income, real estate and private investment equity.

Net Assets – The net assets of the Combined Investment Funds at the close of the fiscal year were \$20.2 billion, an increase of \$1.9 billion from the previous year. The change in net assets resulted from net investment income from operations of \$2.7 billion partly offset by cash outflows of \$0.8 billion to the Connecticut Retirement Plans and Trust Funds. As is the case with any pension fund, a portion of the total net investment income of \$2.7 billion (\$0.8 billion) was used, coupled with contributions of participants and the plan sponsors, to make payments to beneficiaries of the Connecticut Retirement Plans and Trust Funds.

Operating Income – Favorable performance results achieved a positive return of 15.23%, net of all management fees and expenses, resulting in an increase in net assets from operations of \$2.7 billion in the 2004 fiscal year, compared to a return of 2.49%, net of all expenses for the previous fiscal year.

Although the Funds achieved an annual total return, net of expenses, of 15.23% its performance was 104 basis points behind the fund benchmark largely attributable to asset allocation differences relative to the total fund benchmark, which detracted from returns for the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the Office of the Treasurer's Combined Investment Funds basic financial statements, which are comprised of: 1) Statement of Net Assets, 2) Statement of Operations, 3) Statement of Changes in Net Assets and 4) Notes to the Financial Statements.

The Statement of Net Assets and the Statement of Operations are two financial statements that report information about the Combined Investment Funds as a whole, and about its activities that should help answer this question: Are the Combined Investment Funds, as a whole, performing better or worse as a result of this year's activities? These statements include all assets and liabilities using the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Statement of Net Assets (page 20) presents all of the Combined Investment Funds assets and liabilities, with the difference between the two reported as "net assets". Over time, increases and decreases in net assets measure whether the Combined Investment Funds financial position is improving or deteriorating.

Net Assets held in trust for Participants

A summary of the net assets held in trust for participants is presented below.

Condensed Statement of Net Assets Fiscal Year Ended June 30,

	2004	2003	Increase / (Decrease)	
			Amount	%
Assets				
Investments at Fair Value	\$20,650,115,902	\$18,989,393,113	\$1,660,722,789	9.1%
Cash, Receivables and Other	10,456,439,700	4,253,923,670	6,202,516,030	33.9%
Total Assets	31,106,555,602	23,243,316,783	7,863,238,819	43.0%
Liabilities	(10,917,165,822)	(4,942,911,710)	(5,974,254,112)	(32.6)%
Net Assets	<u>\$20,189,389,780</u>	<u>\$18,300,405,073</u>	<u>\$1,888,984,707</u>	<u>10.4%</u>

The Summary of Operations below presents information on investment income and expenses and net increase in fair value of investments. Unrealized gains or losses of securities are determined by taking the difference between amortized cost and the fair value of investments. The Summary of Operations below presents information on investment income and expenses net increase in fair value of investments. Unrealized gains or losses of securities are determined by taking the difference between amortized cost and the fair value of investments.

Summary of Operations Fiscal Year Ended June 30,

	2004	2003	Increase / (Decrease)	
			Amount	%
Dividends	\$607,529,263	\$484,357,601	\$123,171,662	34.7%
Interest	303,029,185	352,342,680	(49,313,495)	(13.9)%
Securities Lending & Other Income	<u>52,765,857</u>	<u>28,930,277</u>	<u>23,835,580</u>	<u>6.7%</u>
Total Investment Income	963,324,305	865,630,558	97,693,747	27.5%
Total Investment Expenses	<u>65,812,675</u>	<u>67,674,413</u>	<u>1,861,738</u>	<u>0.5%</u>
Net Investment Income	897,511,630	797,956,145	99,555,485	28.0%
Net Realized Gain/(Loss)	880,979,032	(566,640,104)	1,447,619,136	407.7%
Net Change in Unrealized Gains on Investments	<u>936,915,624</u>	<u>123,784,295</u>	<u>813,131,329</u>	<u>229.0%</u>
Net Increase in Net Assets Resulting From Operations	<u>\$2,715,406,286</u>	<u>\$355,100,336</u>	<u>\$2,360,305,950</u>	<u>664.7%</u>

The Statement of Changes in Net Assets (pages 21 and 22) presents information showing how the Combined Investment Fund's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. security lending rebates and dividend and interest income).

MANAGEMENT'S DISCUSSION AND ANALYSIS

Condensed Statement of Changes in Net Assets Fiscal Year Ended June 30,

	2004	2003	Increase / (Decrease) Amount
Additions (Deductions) in Net Assets From			
Operations	\$2,715,406,286	\$355,100,336	\$2,360,305,950
Distributions of income to unit owners	(816,130,191)	(836,951,362)	20,821,171
Purchase of units by participants	2,889,513,843	1,299,496,983	1,590,016,860
Redemption of units by participants	<u>(2,899,805,226)</u>	<u>(1,223,395,231)</u>	<u>(1,676,409,995)</u>
Total Increase (Decrease) in Net Assets	<u>\$1,888,984,712</u>	<u>\$(405,749,274)</u>	<u>\$2,294,733,986</u>

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the Combined Investment Fund's financial statements. The notes can be found on pages 23 through 34 of this report.

ECONOMIC CONDITIONS AND OUTLOOK

Fiscal year 2004 began with strong economic growth as the Gross Domestic Product (GDP) expanded at an annualized rate of 7.4 percent in the first quarter, its greatest quarterly growth since the first quarter of calendar year 1984. Though economic growth moderated after this, year over year it increased on an inflation-adjusted basis by 4.8 percent in fiscal year 2004, significantly higher than the 3.5 percent average growth rate for the American economy. The Conference Board's consumer confidence index declined in the beginning of the fiscal year, since employment, as measured by the payroll survey, declined slightly in the first quarter, despite the strong growth in GDP, due to increases in productivity. The employment picture did not brighten until the second half of the fiscal year, when over 1.2 million jobs were created. In all of fiscal year 2004, just under 1.4 million jobs were added to the U.S. economy.

In response to the increasing health of the U.S. economy and the end of the Federal Open Market Committee's (FOMC) fear of a deflationary economic environment, the Fed raised the Funds Rate on the last day of the fiscal year by 25 basis points (BP), to 1.25. Since then, the FOMC has increased the Fed Funds Rate at each successive meeting to 1.75 percent as of this writing, and is poised to increase the rate by 25 BP, to 2 percent, at its next meeting on November 10, 2004. One month Certificate of Deposits (CD's) anticipated the FOMC moves, with rates increasing from 1.03 percent at the beginning of the fiscal year to 1.30 percent at its end.

Fiscal year 2005 began with an optimistic view of the economy, since job growth had begun to accelerate. Consumer confidence peaked in July at 105.7, a two-year high; it then dropped due to lower than expected job growth and higher than expected energy prices. The Fed believes that the economy was experiencing a temporary rough patch and will continue to grow, so the FOMC will probably continue to increase the Fed Funds Rate in the second half of fiscal year 2005.

CONTACTING THE OFFICE OF THE TREASURER

This financial report is designed to provide a general overview of the Office of the Treasurer's finances and to show the Office's accountability for the money it receives. Questions about this report or requests for additional information should be addressed to:

Connecticut State Treasury
55 Elm Street
Hartford, CT 06106-1773
Telephone (860) 702-3000
www.state.ct.us/ott

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

STATEMENT OF NET ASSETS
JUNE 30, 2004

	<u>TOTAL</u>
ASSETS	
Investments in Securities, at Fair Value	
Cash Equivalents	\$ 702,088,890
Asset Backed Securities	573,351,655
Government Securities	1,441,108,121
Government Agency Securities	1,631,204,221
Mortgage Backed Securities	536,021,909
Corporate Debt	2,042,425,922
Convertible Securities	34,988,672
Common Stock	11,450,413,020
Preferred Stock	74,664,086
Real Estate Investment Trust	77,504,685
Mutual Fund	179,393,038
Limited Liability Corporation	22,948,138
Trusts	46,404,007
Limited Partnerships	1,836,285,732
Annuities	1,313,806
Total Investments in Securities, at Fair Value	20,650,115,902
Cash	18,717,565
Receivables	
Foreign Exchange Contracts	7,914,780,924
Interest Receivable	80,279,849
Dividends Receivable	13,860,889
Due from Brokers	313,673,376
Foreign Taxes	1,779,065
Securities Lending Receivable	785,664
Reserve for Doubtful Receivables	(12,926,659)
Total Receivables	8,312,233,108
Invested Securities Lending Collateral	2,122,478,975
Prepaid Expenses	3,010,052
Total Assets	<u>31,106,555,602</u>
LIABILITIES	
Payables	
Foreign Exchange Contracts	7,929,562,380
Due to Brokers	850,975,796
Income Distribution	383,710
Total Payables	8,780,921,886
Securities Lending Collateral	2,122,478,975
Accrued Expenses	13,764,961
Total Liabilities	<u>10,917,165,822</u>
NET ASSETS	<u>\$ 20,189,389,780</u>

The accompanying notes are an integral part of these financial statements.

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

OPERATIONS	TOTAL
Investment Income	
Dividends	\$ 607,529,263
Interest	303,029,185
Other Income	29,512,876
Securities Lending	23,252,981
Total Investment Income	<u>963,324,305</u>
Investment Expenses	
Investment Advisory Fees	38,985,392
Salary and Fringe Benefits	2,256,308
Custody and Transfer Agent Fees	1,414,764
Professional Fees	6,310,197
Security Lending Fees	2,498,875
Security Lending Rebates	14,182,849
Investment Expenses	164,290
Total Investment Expenses	<u>65,812,675</u>
Net Investment Income	897,511,630
Net Realized Gains	880,979,032
Net Change in Unrealized Gains on Investments and Foreign Currency	<u>936,915,624</u>
Net Increase (Decrease) in Net Assets Resulting from Operations	<u>2,715,406,286</u>
Distributions to Unit Owners:	
Income Distributed to unit owners	(816,130,191)
Total Distributions Paid and Payable	<u>(816,130,191)</u>
Unit Transactions	
Purchase of Units by Participants	2,889,513,843
Redemption of Units by Participants	(2,899,805,226)
Net Increase (Decrease) in Net Assets Resulting from Unit Transactions	<u>(10,291,383)</u>
Total Increase in Net Assets	1,888,984,712
Net Assets	
Beginning of Period	18,300,405,068
End of Period	<u>\$ 20,189,389,780</u>

The accompanying notes are an integral part of these financial statements

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

OPERATIONS	<u>TOTAL</u>
Investment Income	
Dividends	\$ 484,357,601
Interest	352,342,680
Other Income	4,007,521
Securities Lending	24,922,756
Total Investment Income	<u>865,630,558</u>
Investment Expenses	
Investment Advisory Fees	42,267,267
Salary and Fringe Benefits	2,064,332
Custody and Transfer Agent Fees	1,192,298
Professional Fees	2,756,051
Security Lending Fees	2,056,064
Security Lending Rebates	17,191,148
Investment Expenses	147,253
Total Investment Expenses	<u>67,674,413</u>
Net Investment Income	797,956,145
Net Realized Loss	(566,640,104)
Net Change in Unrealized Gains on Investments and Foreign Currency	<u>123,784,295</u>
Net Increase in Net Assets Resulting from Operations	<u>355,100,336</u>
Distributions to Unit Owners:	
Income Distributed to unit owners	<u>(836,951,362)</u>
Total Distributions Paid and Payable	(836,951,362)
Unit Transactions	
Purchase of Units by Participants	1,299,496,983
Redemption of Units by Participants	<u>(1,223,395,231)</u>
Net Increase (Decrease) in Net Assets Resulting from Unit Transactions	<u>76,101,752</u>
Total Decrease in Net Assets	(405,749,274)
Net Assets	
Beginning of Period	18,706,154,346
End of Period	<u>\$ 18,300,405,068</u>

The accompanying notes are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Combined Investment Funds (the "Funds") are separate legally defined funds, which have been created by the Treasurer of the State of Connecticut (the "Treasurer") under the authority of the Connecticut General Statutes (CGS) Section 3-31b. The Funds are open-end, unitized portfolios consisting of the Cash Reserve Fund, Mutual Equity Fund, Mutual Fixed Income Fund, International Stock Fund, Real Estate Fund, Commercial Mortgage Fund and the Private Investment Fund. The Funds were established to provide a means for investing pension and other trust fund assets entrusted to the Treasurer in a variety of investment classes. The units of the Funds are owned by these pension and trust funds. For financial reporting purposes of the State of Connecticut, the Funds are considered to be internal investment pools and are not reported in the State's combined financial statements. Instead, each fund type's investment in the fund is reported as "equity in combined investment funds" in the State's combined balance sheet.

The Treasurer, as sole fiduciary of the Funds, is authorized to invest in a broad range of fixed income and equity securities, as well as real estate properties, mortgages and private equity. This authority is restricted only by statute. Such limitations include prohibitions against investment in companies doing business in Iran and those doing business in Northern Ireland, but who have failed to implement the MacBride Principles (CGS Section 3-13h). Other legislation restricts the maximum aggregate investment in equity securities to 60% of the fair value of the Trust Funds.

The Funds are not subject to regulatory oversight and are not registered with the Securities and Exchange Commission as an investment company.

The following is a summary of significant accounting policies consistently followed by the Funds in the preparation of their financial statements.

A. NEW PRONOUNCEMENTS

There were no relevant new pronouncements for the fiscal year end June 30, 2004

B. SECURITY VALUATION

Investments are stated at fair value for each of the Funds as described below. For the Commercial Mortgage Fund, the investments listed on the Statement of Net Assets, other than the amounts invested in the Cash Reserve Fund, are shown at fair values provided to the Fund by the investment advisor, and adjusted, when appropriate, by the Treasurer's staff. For the Real Estate and Private Investment Funds and one limited partnership in the Mutual Fixed Income Fund, substantially all of the investments, other than those in the Cash Reserve Fund, are shown at values that are estimated by the Treasurer's staff. Such estimations utilize the investment advisors' prior quarter end estimated fair value, plus or minus the appropriate related cash flows as described later in this section. The Treasurer's staff reviews the valuations for all investments in these alternative asset classes (Commercial Mortgage, Real Estate, and Private Investment Funds) to see that they are reasonable and consistent. Due to the inherent uncertainty of valuation, those estimated values may differ significantly from the values that would have been used had a ready market for the securities existed and the differences could be material.

Cash Reserve Fund

Investments are valued at amortized cost, which approximates fair value. Repurchase Agreements held are collateralized at 102 percent of the securities' value. Such transactions are only entered into with primary government securities dealers who report directly to the Federal Reserve Bank of New York. The collateral is evaluated daily to ensure its fair value exceeds the current fair value of the repurchase agreements including accrued interest.

Mutual Equity Fund

Securities traded on securities exchanges are valued at the last reported sales price on the last business day of the fiscal year. Corporate bonds and certain over-the-counter stocks are valued at the mean of bid and asked prices as furnished by broker-dealers.

Mutual Fixed Income Fund

Investments are valued based on quoted market prices when available. For securities that have no quoted market value, fair value is estimated based on yields currently available on comparable securities of issuers with similar credit ratings.

NOTES TO FINANCIAL STATEMENTS (Continued)

An investment with a market value of \$0 and a cost value of \$44,897,812 is held through a limited partnership. Subsequent to June 30, 2004 this investment was liquidated for the sales price of \$1. The fair value of the underlying securities is based on quoted market prices when available. When quoted market prices are not available, the underlying securities are valued by the General Partner at the fair value as determined in good faith under consistently applied procedures.

When-issued securities held are fully collateralized by U.S Government securities and such collateral is in the possession of the Fund's custodian. The collateral is evaluated daily to ensure its market value exceeds the current market value of the instruments including accrued interest.

The Mutual Fixed Income Fund invests in Mortgage Backed Securities (MBSs) and Asset Backed Securities (ABSs), which are included in the Statement of Net Assets. These are bonds issued by a special purpose trust that collects payments on an underlying collateral pool of mortgage or other loans and remits payments to bondholders. The bonds are structured in a series of classes or tranches, each with a different coupon rate and stated maturity date. Interest payments to the bondholders are made in accordance with the trust indentures and amounts received from borrowers in excess of interest payments and expenses are used to amortize the principal on the bonds. Such principal payments are made to retire the tranches of bonds in order of their stated maturity. Because mortgage prepayments are largely dependent on market interest rates, the ultimate maturity date of the bonds is unpredictable and is sensitive to changes in market interest rates, but is generally prior to the stated maturity date. At June 30, 2004, the Fund held MBSs of \$454,710,826 and ABSs of \$68,860,394.

Interest-only stripped mortgage backed securities (IOs), a specialized type of Collateralized Mortgage Obligation (CMO), are included as Mortgage Backed Securities on the statement of Net Assets. The cash flow on these investments is derived from the interest payments on the underlying mortgage loans. Prepayments on the underlying loans curtail these interest payments, reducing the value of the IOs and, as such, these instruments are extremely sensitive to changes in interest rates, which encourage or discourage such prepayments. At June 30, 2004 the Fund's holdings had a fair value of \$4.4 million and a cost of \$41.5 million. The valuations were provided by the custodian.

Investments in non-U.S. fixed income securities are utilized on an opportunistic basis. Certain advisors within the Mutual Fixed Income Fund are authorized to invest in global fixed income securities.

International Stock Fund

Investments in securities listed on security exchanges are valued at the last reported sales price on the last business day of the fiscal year; securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the mean of the last reported bid and asked prices.

Certain cash held in non-U.S. dollar denominated trading accounts is non-interest bearing.

Real Estate Fund

Investments in securities not listed on security exchanges and investments in trusts, limited partnerships, and annuities, which comprise substantially all of the Fund's investments, are carried at the cash adjusted fair value. The cash adjusted fair value utilizes the prior calendar quarter end fair value as estimated by the investment advisor, (i) plus cash flows relating to capitalized expenses and principal contributions disbursed from and (ii) minus amounts received by the Real Estate Fund, to estimate the current fair value. The Treasurer's staff reviews the prior quarter estimated fair values provided by the investment advisors for reasonableness. In those instances where an advisor's value appears to be overstated, this estimated fair value is adjusted accordingly. Additionally, the staff monitors the estimated cash adjusted fair values against the estimated values subsequently reported by the investment advisors. In the event of significant total Fund-level differences between the cash adjusted estimates and the investment advisors' estimated values, adjustments to the reported cash adjusted fair values are made to prevent overstatement. At June 30, 2004, the estimated investment values provided by the investment advisors, net of the adjustments noted above, exceeded cash adjusted fair values reported on the Statement of Net Assets by approximately \$3.4 million. Consistent with the cash adjusted fair value presentation this increase will be considered for the next quarter's adjustment.

Commercial Mortgage Fund

This Fund invests in commercial mortgage loans and mortgage backed securities generally through indirect ownership vehicles such as trusts and corporations. The value of the Fund's interest in these entities is based on the fair value of the underlying commercial loan portfolio or securities held. Fair value for the mortgage portfolio is computed by discounting the expected cash flows of the loans at a rate commensurate with the risk inherent in the loans. The discount rate is deter-

NOTES TO FINANCIAL STATEMENTS (Continued)

mined using the yield on U.S. Treasury securities of comparable remaining maturities plus an appropriate market spread for credit and liquidity risk. The Fund does not record fair values in excess of amounts at which the borrower could settle the obligation, giving effect to any prepayment premiums. In the event that the fair value of the loan collateral, based on an appraisal, is less than the outstanding principal balance, the collateral value is used as fair value. These calculations are performed by the investment advisor and reviewed by Treasury personnel.

Private Investment Fund

The Private Investment Fund is comprised of investments in various limited partnerships, limited liability companies and securities. The general partner or managing member is the investment advisor and is compensated on a fee basis for management services in addition to its participation in partnership profits and losses. These investments are carried at their cash adjusted fair values. The cash adjusted fair value utilizes the prior quarter fair value as estimated by the investment advisor, (i) plus cash flows relating to capitalized expenses and principal contributions disbursed from and (ii) minus amounts received by the Private Investment Fund, to estimate the current fair value. The Treasurer's staff reviews the prior quarter estimated fair values provided by the investment advisors for reasonableness. In those instances where an advisor's value appears to be overstated, the estimated fair value is adjusted accordingly. Additionally, the staff monitors the estimated cash adjusted fair values against the estimated values subsequently reported by the investment advisors. In the event of significant total Fund-level differences between the cash adjusted estimates and the investment advisors' estimated values, adjustments of reported cash adjusted values are made to prevent overstatement. At June 30, 2004, the estimated investment values provided by the investment advisors, net of the adjustments noted above, exceeded cash adjusted fair values reported on the Statement of Net Assets by approximately \$25.2million. Consistent with the cash adjusted fair value presentation this increase will be considered for the next quarter's adjustment. Securities traded on securities exchanges are valued at the last reported sales price on the last business day of the fiscal year. Corporate bonds and certain over-the-counter stocks are valued at the mean of bid and asked prices as furnished by broker-dealers.

Fair values of the underlying investments are generally represented by cost unless there has been an additional arms-length indication of value, such as a public offering or a new investment by a third party.

C. INVESTMENT TRANSACTIONS AND RELATED INCOME

Investment transactions are accounted for on a trade date basis. Dividend income is recognized as earned on the ex-dividend date. Interest income is recorded on the accrual basis as earned. Realized gains and losses are computed on the basis of the average cost of investments sold. Such amounts are calculated independent of and are presented separately from the Net Change in Unrealized Gains and Losses on the Statement of Operations and the Statement of Changes in Net Assets. Realized gains and losses on investments held more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year(s) and the current year. Unrealized gains and losses represent the difference between the fair value and the cost of investments. The increase (decrease) in such difference is accounted for as a change in unrealized gain (loss). In the Funds' cost basis records, premiums are amortized using the straight-line method that approximates the interest method.

Dividends earned by the Private Investment, Real Estate, Commercial Mortgage Funds and one limited partnership in the Mutual Fixed Income Fund relate to investments that are not listed on security exchanges. Such dividends are recognized as income when received, generally net of advisory fees.

D. FOREIGN CURRENCY TRANSLATION

The value of investments, assets and liabilities denominated in currencies other than U.S. dollars are translated into U.S. dollars based upon appropriate fiscal year end foreign exchange rates. Purchases and sales of foreign investments and income and expenses are converted into U.S. dollars based on currency exchange rates prevailing on the respective dates of such transactions. The Funds do not isolate that portion of the results of operations arising from changes in the exchange rates from that portion arising from changes in the market prices of securities.

NOTES TO FINANCIAL STATEMENTS (Continued)

E. SHARE TRANSACTIONS AND PRICING

All unit prices are determined at the end of each month based on the net asset value of each fund divided by the number of units outstanding. Purchases and redemptions of units are based on the prior month end price and are generally processed on the first business day of the month.

F. EXPENSES

Expenses of the funds are recognized on the accrual basis and are deducted in calculating net investment income and net asset value on a monthly basis. Fees and expenses of the Real Estate Fund are generally recognized when paid, by netting them against dividends received. Each of the funds bears its direct expenses, such as investment advisory fees, and, in addition, each of the funds is allocated a portion of the overhead expenses of the Pension Funds Management Division of the Office of the State Treasurer, which services the funds. These expenses include salary and fringe benefit costs and other administrative expenses. Certain of these costs are allocated among the Funds based on relative net asset values. Other costs are charged directly based on the specific duties of personnel.

G. DISTRIBUTIONS

Net investment income earned by the Combined Investment Funds is distributed monthly to the unit owners of the funds, generally in the following month.

H. DERIVATIVE FINANCIAL INSTRUMENTS

GASB Technical Bulletin No. 2003-1 defines a derivative instrument as a financial instrument or other contract with all three of the following characteristics: a) It has (1) one or more underlying (a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates or other variable) and (2) one or more notional amounts (a number of currency units, shares, bushels, pounds, or other units specified in the contract). b) It requires no initial investment or smaller than would be required for other types of contracts. c) Its terms require or permit net settlement, it can readily be settled net by a means outside the contract, or it provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement.

For the fiscal year ended June 30, 2004, the funds maintained positions in a variety of such securities that are all reported at fair value on the statement of net assets. The Cash Reserve Fund held adjustable rate and asset-backed securities. The Mutual Fixed Income Fund held CMOs, including IOs, and other asset backed securities, indexed Treasury securities and option contracts. The International Stock and Mutual Fixed Income Funds were invested in foreign exchange contracts and the Commercial Mortgage Fund held CMOs and CMO residuals. The specific nature of these investments is discussed more fully in the accounting policy note for each respective fund, where appropriate. These financial instruments are utilized for trading and other purposes. Those that are used for other than trading purposes are foreign exchange contracts, which can be used to facilitate trade settlements, and may serve as foreign currency hedges. The credit exposure resulting from such contracts is limited to the recorded fair value of the contracts on the Statement of Net Assets.

The remaining such securities are utilized for trading purposes and are intended to enhance investment returns. All positions are reported at fair value and changes in fair value are reflected in income as they occur. The funds' credit exposure resulting from such investments is limited to the recorded fair value of the derivative financial instruments.

The Mutual Fixed Income and International Stock Funds also utilize derivatives indirectly through participation in mutual funds and a limited partnership. These mutual funds may hold derivatives from time to time. Such derivatives may be used for hedging, investment and risk management purposes. These transactions subject the investor to credit and market risk.

I. COMBINATION/ELIMINATION ENTRY

The financial statements depict a full presentation of each of the Combined Investment Funds. However, one of these funds, the Cash Reserve Fund, is owned both directly by the pension plans and trust funds which have accounts in the Fund, and also indirectly because each of the other Combined Investment Funds has an account with the Cash Reserve Fund. As a result, elimination entries are presented for the purpose of netting out balances and transactions relating to the ownership

NOTES TO FINANCIAL STATEMENTS (Continued)

of the Cash Reserve Fund by the other Combined Investment Funds. The combined presentation totals to the overall net assets owned by the pension plans and trust funds.

J. FEES AND REALIZED GAINS

Investment advisory fees incurred for the Private Investment Fund are generally charged to the entity in which the Fund has been invested. In such cases, these amounts are either capitalized in the cost basis of the investment and become a component of unrealized gain (loss) or are netted against the corresponding income generated. Certain other fees are incurred directly by the Funds. These amounts are expensed and are reflected as Investment Advisory Fees on the Statement of Operations. The appropriate treatment is determined depending on the terms of the investment agreement. Capitalized fees are not separately presented on the Statement of Operations. These fees are borne by the partners in their respective shares. The following is a listing of the Fund's total fees for the fiscal year ended June 30, 2004:

	Netted	Capitalized	Expensed	Total
Private Investment Fund	\$18,432,199	\$ 12,912,576	\$5,591,485	\$36,936,260

In addition, realized gains and losses are not reported at the level of the Fund's investment since these relate to realized gains and losses on the underlying securities held by the Funds' investment vehicles. The following is the Fund's share of such net realized gains and losses for the fiscal year ended June 30, 2004:

Private Investment Fund	\$ 356,449,196
-------------------------	----------------

Past practice of partnerships was to distribute realized gains on a consistent basis. Since inception \$31 million has not been distributed.

Periodically the Private Investment Fund may receive stock distributions in lieu of cash. These securities are included as common stock on the Statement of Net Assets. When one of these individual securities is sold the realized gain or loss is presented on the Statement of Operations. Realized gains for such transactions for the fiscal year ended June 30, 2004 were \$6,829,021.

The Mutual Fixed Income Fund includes an investment in a mutual fund and a limited partnership interest. Fees incurred are deducted from the operations of the fund and are not separately presented on the Statement of Operations. The corresponding fees incurred for the fiscal year ended June 30, 2004 totaled \$314,000.

The International Stock Fund includes an investment in a mutual fund. Fees incurred are deducted from the operations of the fund and are not separately presented on the Statement of Operations. The corresponding fees incurred for the fiscal year ended June 30, 2004 totaled \$466,000

Investment advisory fees incurred for certain investments in the Real Estate Fund are generally charged to the entity in which the Fund has been invested. In such cases, these amounts are either capitalized in the cost basis of the investment and become a component of unrealized gain (loss) or are netted against the corresponding income generated. Certain other fees are incurred directly by the Funds. These amounts are expensed and are reflected as Investment Advisory Fees on the Statement of Operations. The appropriate treatment is determined depending on the terms of the investment agreement. Capitalized fees are not separately presented on the Statement of Operations. These fees are borne by the partners in their respective shares. The following is a listing of the Fund's total fees for the fiscal year ended June 30, 2004:

	Netted	Capitalized	Expensed	Total
Real Estate Fund	\$ 1,084,005	\$ 2,487,887	\$ 1,120,127	\$ 4,692,019

Investment advisory fees for the Cash Reserve, Mutual Equity, Mutual Fixed Income (except as noted above) and International Stock Funds are estimated monthly based on periodic reviews of asset values and performance results. Accordingly, the amounts listed as Investment Advisory Fees on the Statement of Operations represent estimates of annual management fee expenses.

K. RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTES TO FINANCIAL STATEMENTS (Continued)

There were no related party transactions during the fiscal year. Additionally, there were no "soft dollar" transactions. Soft dollar transactions result from arrangements whereby firms doing business with organizations such as the Treasury arrange for third parties to provide other services in lieu of cash payment. These arrangements tend to obscure the true cost of operations and can result in potential overpayment for services. Such transactions have been prohibited by the Treasurer.

M. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: CASH, INVESTMENTS AND SECURITIES LENDING

Investments in the alternative asset classes generally utilize investment vehicles such as annuity contracts, common stocks, limited partnerships and trusts to comply with investment guidelines against direct ownership of such investment assets.

The investments of the Cash Reserve, Mutual Equity, Mutual Fixed Income and the International Stock Funds were securities registered under the State Street Bank and Trust Co. nominee name Pondwave & Co. and held by a designated agency of the Pension Plans and Trust Funds of the State of Connecticut, or bearer and held by a designated agency of the Pension Plans and Trust Funds of the State of Connecticut. Investments, as defined by GASB Statement No. 3, are categorized to give an indication of the credit risk assumed by the Treasurer at year-end. Category 1 includes investments which are insured or registered or for which securities are held by the Treasurer or its agent in the Treasurer's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Treasurer's name. Category 3 includes uninsured or unregistered investments for which the securities are held by the counterparty's trust department or agent, but not in the Treasurer's name. All registered securities, as noted above, are classified under GASB risk category 1, except as follows:

Amounts listed as Due to Brokers are for securities purchased which are held by broker-dealers and not classified as to credit risk. Amounts listed as Due from Brokers are for securities sold and would have been classified under category 1 of credit risk if they were included in Investments in Securities, at Fair Value on the Statement of Net Assets.

Investments of cash collateral received under securities lending arrangements are registered in the master custodian's name and are invested in a fund maintained by the master custodian exclusively for the Funds. Accordingly, these investments are classified under GASB risk category 3. In circumstances where securities or letters of credit are received as collateral under securities lending arrangements, the collateral is held by the master custodian in a commingled pool in the master custodian's name, as trustee. When "tri-party" collateral is received, the collateral consists of cash, letters of credit or securities but is held in a commingled pool by a third party master custodian in the Funds' master custodian's name. The collateral received is unable to be pledged or sold without borrower default. The underlying securities are classified under GASB risk category 3.

Private Investment Fund

Investments in the form of limited partnership and limited liability corporation interests are not evidenced by securities existing in physical or book entry form and therefore are not classified as to credit risk.

Commercial Mortgage Fund

At June 30, 2004, investments with a cost of \$34,024,612 and a fair value of \$35,042,563 in the form of common stock certificates are classified as category 1. Other Funds on Deposit represent portfolio level net assets consisting of escrow accounts. These are maintained by the portfolio manager and are not classified, as they are not investments.

The composition of the Fund's investment portfolio by the underlying assets in which the investee corporations and trusts are invested in are as follows at June 30, 2004:

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

NOTES TO FINANCIAL STATEMENTS (Continued)

Investment	Fair Value	Cost
Cash Reserve	\$ 529,635	\$ 529,635
Commercial Mortgage loans	35,042,563	34,024,612
CMO's	656,173	656,174
Total	<u>\$36,228,371</u>	<u>\$35,210,421</u>

Real Estate Fund

Certain investments in the form of common stock certificates with a cost of \$32,064,985 and a fair value of \$43,804,011 are classified under risk category 1.

The remaining investments, which comprise the substantial majority of the Fund's investments, are in the form of annuities and limited partnerships and are not evidenced by securities existing in physical or book entry form and are therefore not classified as to credit risk.

Summary of Credit Risk Categories

Breakdown investment type of the GASB 3 credit risk categories is as follows:

Investment Type	Carrying Amount (Fair Value)			Total
	Category 1	Category 2	Category 3	
Cash Equivalents	\$702,088,890			\$702,088,890
Asset Backed	573,351,655			573,351,655
Government	777,910,457		\$25,576,986	803,487,443
Agency	582,347,649		28,950,837	611,298,486
Mortgage Backed	538,702,241			538,702,241
Corporate Debt	2,043,275,319			2,043,275,319
Convertible	34,988,672			34,988,672
U.S. Corporate Stock	7,335,999,835		12,501,481	7,348,501,316
International Equity	3,150,791,393		1,475,785	3,152,267,178
Preferred Stock	75,269,039			75,269,039
Collateral Securities held by Investment Pool under Securities Lending Arrangements:				
Other			449,489,808	449,489,808
Corporate Debt			1,669,429,665	1,669,429,665
SUBTOTAL	<u>\$15,814,725,150</u>	<u>\$ -</u>	<u>\$2,187,424,562</u>	<u>18,002,149,712</u>

Investments not categorized because they are not evidenced by securities that exist in physical or book entry form:

Real Estate Investment Trusts	76,726,760
Mutual Funds	179,393,038
Limited Liability Corporation	22,948,138
Trusts	46,404,007
Limited Partnerships	1,836,285,732
Annuities	1,313,806
Investments held by broker-dealers under securities loans:	
U.S. Government and Agency	916,310,956
U.S. Corporate Stock	436,760,835
International Equity	533,527,385
Domestic Fixed	178,874,396
International Fixed	1,038,189
Total Investments	<u>\$22,231,732,954</u>

Cash balances included on the Statement of Net Assets of \$18,717,565 are fully insured by the FDIC and are, therefore, classified as Category 1.

Cash Equivalents listed on the breakdown by investment type under Category 1 consist of corporate debt. Other as reported under Category 3 consist of deposits.

NOTES TO FINANCIAL STATEMENTS (Continued)

Securities Lending

Certain of the Combined Investment Funds engage in securities lending transactions to provide incremental returns to the Funds. The Funds are permitted to enter into securities lending transactions pursuant to Section 3-13d of the Connecticut General Statutes. The Funds' master custodian is authorized to lend available securities to authorized broker-dealers and banks subject to a form loan agreement.

During the period ended June 30, 2004, the master custodian lent, at the direction of the Funds, securities and received cash (in both U.S. and foreign currency), U.S. government securities, sovereign debt rated A or better, convertible bonds, and irrevocable bank letters of credit as collateral. The master custodian did not have the ability to pledge or sell collateral securities delivered therefore absent a borrower default. Borrowers were required to deliver collateral for each loan equal to: (i) in the case of loaned securities denominated in United States dollars or whose primary trading market was located in the United States or sovereign debt issued by foreign governments, 102% of the market value of the loaned securities; and (ii) in the case of loaned securities not denominated in United States dollars or whose primary trading market was not located in the United States, 105% of the market value of the loaned securities.

The Funds did not impose any restrictions during the fiscal year on the amount of the loans that the master custodian made on its behalf and the master custodian indemnified the Funds by agreeing to purchase replacement securities, or return the cash collateral thereof in the event any borrower failed to return the loaned securities or pay distributions thereon. There were no such failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers of the master custodian. During the fiscal year, the Funds and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in an individual account known as the State of Connecticut Collateral Investment Trust. On June 30, 2004, the Funds had no credit risk exposure to borrowers. The value of collateral held and the market value of securities on loan for the Funds as of June 30, 2004 were \$2,192,270,608 and \$2,135,016,851 respectively.

Under ordinary circumstances, the average effective duration of the security lending operations will be managed such that it will not exceed 120 days, or fall below 1 day. Under such ordinary circumstances, the net duration, as defined by the duration of assets less the duration of liabilities, will not exceed 45 days. In the event that the average effective duration does exceed 120 days, or the net duration does exceed 45 days for any 3-day period, the Trustee shall, (i) notify the Funds within 5 business days and (ii) take appropriate action as is reasonable to return an average effective duration below 120 days or a net duration below 45 days. The average effective duration is calculated using the weighted average effective duration of holdings. The average effective duration of the security lending program at June 30, 2004 was 63 days.

The average effective duration is managed to be within 45 days due to the inability to monitor the weighted average duration of liabilities. The weighted average duration of liabilities is assumed to remain at 1 day.

The fair value of collateral held and the fair value of securities on loan are as follows for the Funds as of June 30, 2004:

Fund	Fair Value of Collateral	Fair Value of Securities Lent
Mutual Equity	\$ 417,552,250	\$ 406,454,226
International Stock	605,410,588	576,792,508
Mutual Fixed Income	1,170,391,474	1,151,770,117
Total	<u>\$2,193,354,312</u>	<u>\$2,135,016,851</u>

Investments made using the cash collateral received from security loans were included in the Statement of Net Assets. The fair value of these amounts is as follows:

Fund	Cash Equivalents	Corporate Debt	Total Investments
Mutual Equity	\$ 85,735,404	\$ 318,425,968	\$ 404,161,372
International Stock	127,743,184	474,445,152	602,188,336
Mutual Fixed Income	236,011,220	876,558,544	1,112,569,764
Total	<u>\$449,489,808</u>	<u>\$1,669,429,664</u>	<u>\$2,118,919,472</u>

These amounts are categorized in the Summary of Credit Risk Categories as Category 3 in that they are invested in a pool which is maintained solely on behalf of the Funds, but whose investments are held in the master custodian's name. The above total amounts were included on the Statement of Net Assets in "Invested Securities Lending Collateral".

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3: PURCHASES AND SALES OF INVESTMENT SECURITIES

For the period ended June 30, 2004, the aggregate cost of purchases and proceeds from sales of investment securities (excluding all U.S. Government securities and short-term securities) were as follows:

Fund	Purchases	Sales
Mutual Equity	\$ 4,169,484,496	\$ 4,233,180,084
Mutual Fixed Income	21,123,415,711	21,275,712,955
International Stock	4,761,752,631	3,671,345,046
Real Estate	24,743,718	60,940,604
Commercial Mortgage	-	13,615,203
Private Investment	468,977,701	286,676,474

The above amounts include the effect of cost adjustments processed during the year.

NOTE 4: UNREALIZED APPRECIATION AND DEPRECIATION ON INVESTMENTS AND FOREIGN EXCHANGE CONTRACTS

At June 30, 2004, the gross appreciation of investment securities and foreign currency in which there was an excess of fair value over cost, the gross depreciation of investment securities and foreign currency in which there was an excess of cost over fair value and the resulting net appreciation (depreciation) by fund were as follows:

Fund	Gross Appreciation	Gross Depreciation	Net Appreciation (Depreciation)
Mutual Equity	\$1,559,167,052	\$324,132,574	\$1,235,034,478
Mutual Fixed Income	155,247,258	198,066,735	(42,819,477)
International Stock	682,675,799	94,288,934	588,386,865
Real Estate	52,186,167	31,654,684	20,531,483
Commercial Mortgage	1,017,950	-	1,017,950
Private Investment	110,257,743	735,774,121	(625,516,378)

NOTE 5: FOREIGN EXCHANGE CONTRACTS

From time to time the International Stock, Mutual Fixed Income, and Private Investment Funds utilize foreign currency contracts to facilitate transactions in foreign securities and to manage the Funds' currency exposure. Contracts to buy are used to acquire exposure to foreign currencies, while contracts to sell are used to hedge the Funds' investments against currency fluctuations. Also, a contract to buy or sell can offset a previous contract. Losses may arise from changes in the value of the foreign currency or failure of the counterparties to perform under the contracts' terms.

The U. S. dollar value of forward foreign currency contracts is determined using forward currency exchange rates supplied by a quotation service.

Investing in forward currency contracts may increase the volatility of the Funds' performance. Price movements of currency contracts are influenced by, among other things, international trade, fiscal, monetary, and exchange control programs and policies; national and international political and economic events; and changes in worldwide interest rates. Governments from time to time intervene in the currency markets with the specific intent of influencing currency prices. Such intervention may cause certain currency prices to move rapidly. Additionally, the currency markets may be particularly sensitive to interest rate fluctuations.

At June 30, 2004, the Funds had recorded unrealized gains (losses) from open forward currency contracts as follows:

International Stock Fund:		
Foreign Currency	Value	Unrealized Gain/(Loss)
Contracts to Buy:		
Australian Dollar	\$ 395,486,636	\$ (6,665,953)
Canadian Dollar	57,458,754	883,813
Czech Koruna	451,485	(9,017)
Danish Krone	8,002,988	2,800
Euro Currency	695,584,528	9,037,602
Hong Kong Dollar	25,698,830	(14,682)
Hungarian Forint	537,225	(451)
Japanese Yen	604,865,571	(7,460,989)
Malaysian Ringgit	14,961	(10)

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

NOTES TO FINANCIAL STATEMENTS (Continued)

New Zealand Dollar	12,448,640	246,212
Norwegian Krone	8,595,738	(70,306)
Pound Sterling	273,879,114	943,960
Singapore Dollar	147,230,383	(1,995,271)
South African Rand	2,219,238	(18,910)
South Korean Won	16,041,450	8,536
Swedish Krona	114,393,718	168,014
Swiss Franc	158,671,324	1,342,163
Turkish Lira	62,191	30,473
	<u>2,521,642,774</u>	<u>(3,572,016)</u>

Contracts to Sell:

Australian Dollar	391,071,524	6,243,893
Brazilian Real	611,910	(2,386)
Canadian Dollar	25,389,806	(127,211)
Danish Krone	19,940,888	132,595
Euro Currency	1,942,512,396	(10,504,370)
Hong Kong Dollar	61,258,929	82,598
Japanese Yen	1,256,945,772	2,223,630
New Zealand Dollar	4,776,826	45,081
Norwegian Krone	25,098,417	363,260
Philippine Peso	26,381	2
Pound Sterling	848,878,449	(6,644,594)
Singapore Dollar	212,389,895	2,104,205
South Korean Won	35,750,721	(271,207)
Swedish Krona	134,268,500	(1,339,686)
Swiss Franc	276,607,665	(2,471,685)
Thiland Baht	44,355	(71)
	<u>5,235,572,434</u>	<u>(10,165,946)</u>
Total	<u>\$7,757,215,208</u>	<u>\$ (13,737,962)</u>

Financial Statement Amounts:

	Receivable	Payable	Net
Amount In US Dollars	\$7,757,215,208	\$7,757,215,208	\$ -
Unrealized Gain (Loss)	<u>(3,572,016)</u>	<u>(10,165,946)</u>	<u>(13,737,962)</u>
Net	<u>\$ 7,753,643,192</u>	<u>\$7,767,381,154</u>	<u>\$(13,737,962)</u>

Mutual Fixed Income Fund:

Foreign Currency	Value	Unrealized Gain/(Loss)
Contracts to Buy:		
Canadian Dollar	\$ 4,865,697	\$ 84,056
Euro Currency	39,604,389	779,444
British Pound	15,805,995	(94,026)
Swedish Krona	11,606	336
	<u>60,287,687</u>	<u>769,810</u>

Contracts to Sell:

Canadian Dollar	4,925,802	(23,952)
Euro Currency	64,935,593	(1,373,880)
British Pound	15,461,405	(250,563)
Swedish Krona	14,757,435	(164,909)
	<u>100,080,235</u>	<u>(1,813,304)</u>
Total	\$ <u>160,367,922</u>	\$ <u>(1,043,494)</u>

Financial Statement Amounts:

	Receivable	Payable	Net
Amount In US Dollars	\$160,367,922	\$ 160,367,922	\$ -
Unrealized Gain (Loss)	769,810	(1,813,304)	(1,043,494)
Net	<u>\$161,137,732</u>	<u>\$ 162,181,226</u>	<u>\$(1,043,494)</u>

The net unrealized gain has been included in the Statement of Operations as a component of Net Change in Unrealized Gain (Loss) on Investments.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6: COMMITMENTS

In accordance with the terms of the individual investment agreements, the Private Investment Fund and the Real Estate Fund have outstanding commitments to make additional investments. These commitments will be fulfilled as suitable investment opportunities become available. Unfunded commitments at June 30, 2004, were as follows:

Fund	Total Commitment	Cumulative Amounts Funded	Unfunded Commitment
Real Estate	\$ 401,684,364	\$ 358,952,334	\$ 42,732,030
Private Investment	3,854,600,462	3,254,810,611	599,789,851

NOTE 7: CONTINGENCY

There was no pending or threatened litigation against the Connecticut Retirement Plans and Trust Funds during the fiscal year ending June 30, 2004. During the fiscal year ending June 30, 2002, the Treasurer on behalf of the Connecticut Retirement Plans and Trust Funds, filed an action against a general partner of a Private Investment Fund investment alleging breach of contract, breach of fiduciary duty and certain securities law violations. The case was tried in Connecticut Superior Court through the month of June 2004 and a jury verdict was issued on the 1st of July 2004. All matters in dispute were settled as of September 20, 2004 for \$15,000,000. Additionally, the general partner has agreed to distribute an additional \$1,200,000, which is the Private Investment Funds' share of a distribution from one of the portfolio companies not within the scope of the litigation. In addition a limited partnership in the Private Investment Fund has obtained two writs of summons including one against a former general partner and another against a business associate. This matter is pending in the courts of the Commonwealth of Pennsylvania. Related to the action in the Commonwealth of Pennsylvania, members of the advisory board of the limited partnership in this matter entered into settlement discussions with the partnership's former law firm, having alleged participation by the law firm in the actions leading to apparent losses. In the fall of 2003, following extensive mediation, the parties agreed to settle all claims against the law firm for \$5.8 million, subject to court approval. The settlement was rejected by the trial court and the law firm has appealed to the Pennsylvania Court of Common Pleas. This matter is currently pending in the Pennsylvania courts.

NOTE 8: SUBSEQUENT EVENTS

The Treasurer severed all ties with Triumph Capital Group on July 21, 2004. Triumph Capital Group, its managing partner and general counsel were convicted on federal charges of bribery, racketeering, conspiracy and obstruction of justice. The Fund, which held a total of four limited partnership investments managed by Triumph Capital Group (three in the Private Investment Fund, and one in the Mutual Fixed Income Fund), received cash proceeds totaling \$48,957,048 from a sale of these limited partnership interests, resulting in a total liquidation of those investments.

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

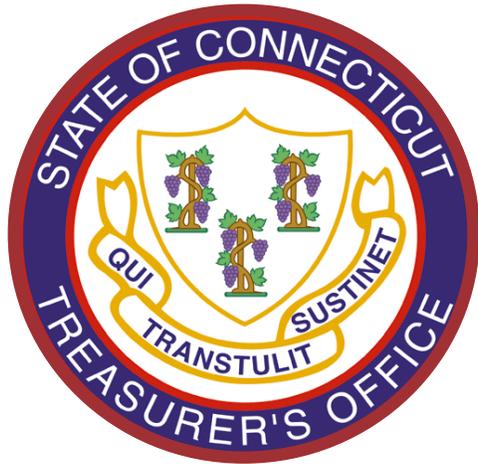
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9: COST BASIS OF INVESTMENTS

The aggregate cost values of investments in the Funds are as follows at June 30, 2004:

	CASH RESERVE FUND	MUTUAL EQUITY FUND	MUTUAL FIXED INCOME FUND	INTERNATIONAL STOCK FUND	REAL ESTATE FUND	COMMERCIAL MORTGAGE FUND	PRIVATE INVESTMENT FUND
Investments, at Cost							
Cash Reserve Fund	\$ -	\$ 65,030,485	\$ 685,735,194	\$ 84,108,282	\$ 23,873,332	\$ 529,635	\$ 175,230,571
Cash Equivalents	571,074,338	-	131,012,782	-	-	-	-
Asset Backed Securities	504,491,261	-	69,066,205	-	-	-	-
Government Securities	-	-	1,433,587,232	-	-	-	-
Government Agency Securities	30,753,896	-	1,593,778,285	-	-	-	-
Mortgage Backed Securities	80,654,910	-	487,571,123	-	-	656,174	-
Corporate Debt	210,703,950	145	1,802,959,894	-	-	-	-
Convertible Securities	-	-	40,041,601	17,743	-	-	-
Common Stock	-	6,414,255,725	9,326,955	3,156,822,058	32,064,985	34,024,612	-
Preferred Stock	-	-	-	58,917,276	-	-	-
Real Estate Investment Trust	-	64,783,844	1,502,763	63,946	-	-	-
Mutual Fund	-	-	69,223,779	107,552,095	-	-	-
Limited Liability Corporation	-	-	-	-	-	-	58,134,310
Trusts	-	-	-	-	32,821,149	-	-
Limited Partnerships	-	-	44,897,812	-	258,461,107	-	2,173,464,166
Partnerships	-	-	-	-	-	-	-
Annuities	-	-	-	-	794,872	-	-
Total Investments, at Cost	\$1,397,678,355	\$6,544,070,199	\$6,368,703,625	\$ 3,407,481,400	\$348,015,445	\$35,210,421	\$2,406,829,047

Investment Section



2004 pension fund management division

Division Overview

Introduction

As principal fiduciary of six State pension funds and eight trust funds, (known collectively as the "Connecticut Retirement Plans and Trust Funds" or "CRPTF"), the Treasurer is responsible for prudently managing \$20.2 billion of assets on behalf of approximately 160,000 teachers, State and municipal employees as well as trust funds that support academic programs, grants, and initiatives throughout the State. The Pension Funds Management Division ("PFM") is responsible for the day-to-day administration of the CRPTF.

Prudent investment management not only affects the retirement security of the beneficiaries, but the size of the State budget as well. Funding of the pension benefit liability is dependent on investment returns, State (taxpayer) contributions and the contribution requirements of retirement plan members. If investment returns fall below the actuarial target return, more tax dollars may need to be contributed to ensure full payment of benefits. When pension investment returns exceed the target return, excess returns are applied against the unfunded liability.

As shown in Figure 1-1, over the last ten years pension and trust assets have grown from \$10.9 billion to \$20.2 billion, or 84.7%. The Teachers' Retirement Fund (TERF), with \$10.9 billion under management at June 30, 2004, is the largest participating fund, followed by the State Employees' Retirement Fund (SERF) and the Municipal Employees' Retirement Fund (MERF) with \$7.7 billion and \$1.3 billion, respectively. During the fiscal year ended June 30, 2004, total annual investment returns, comprising interest income, dividends, securities lending income, and net realized and unrealized capital gains, net of Fund operating expenses, were \$2.7 billion. (See Figure 1-2.) This increase was offset by net pension payments of \$827 million, for a net increase in the Funds of \$1.9 billion.

Organization/Staff Review

Under the supervision of a Chief Investment Officer, the Division executes and manages the investment programs of the pension and trust funds. The fifteen-member professional staff is responsible for: recommending asset allocation policy; recommending, monitoring, and reporting on the investment advisors retained to invest the State's pension and trust assets. In addition, PFM reviews the custodian accounting of plan assets to ensure that earnings are properly determined and properly distributed to each plan and trust in accordance with their pre-determined share. Through reports, analysis, and presentations to the Treasurer and the Investment Advisory Council, PFM staff members detail investment performance of the pension funds and trust assets. The Division's operations are conducted through three units: Investment Oversight, Accounting and Control, and Performance and Analysis. State Street Bank and Trust, as the custodian of record for the CRPTF retains physical custody of, safeguards, and provides record keeping services for plan assets under the supervision of PFM staff.

Operating Expenses

The Division allocates all operating overhead directly to the earnings of the pension and trust fund assets under management. It is therefore incumbent upon the Division to manage assets in a cost-effective manner consistent with maximizing long-term returns.

Fund Management

The Treasurer employs external advisors to invest each Fund. Advisors are selected based on asset class expertise, investment performance and style and are expected to comply with the parameters, guidelines, and restrictions set forth in the Investment Policy Statement.

As of June 30, 2004, 74 external advisors were employed by the Treasury to invest the pension and trust assets, an increase of nine advisors from June 30, 2003. (See Figure 1-5.)

Investment Policy

It is an immutable principle of pension fund management that the decision on how fund assets are allocated represents as much as 90% of the resulting returns. In April 2002, the Investment Advisory Council approved the Investment Policy Statement ("IPS") including the asset allocation plan, which governs Fund investments today. The

asset allocation plan's main objective is to maximize investment returns over the long term at an acceptable level of risk, primarily through asset diversification. Risk, in this context, is defined as volatility of investment returns. (See the Understanding Investment Performance discussion in the Supplemental Section.)

Diversification across asset classes is a critical component in structuring portfolios to maximize return at a given level of risk. Likewise, asset allocation is used to minimize risk while seeking a specific level of return. In determining an asset allocation strategy, there is a careful examination of the expected risk/return tradeoffs, correlation of investment returns, and diversification benefits of the available asset classes (i.e., those not restricted by statute) under different economic scenarios.

As shown in Figure 1-3, the number and complexity of asset classes comprising the asset allocation policy have fluctuated during the last ten years. New asset classes have been introduced to diversify the pension and trust assets while changing economic environments have required different allocation strategies. As of June 30, 2004, multiple asset classes were included in the Investment Policy, including U.S. Equity, International Equity, U.S. Fixed Income, Equity Real Estate, and Alternative Investments.

At fiscal year-end, domestic and international equities comprised the largest asset allocation, at 58.3%. Equities have an established record of maximizing investment returns over the long term. Fixed income and alternative investments were also included to allow the Fund both to leverage portfolio returns during highly inflationary or deflationary environments and to mitigate the effects of volatility in the stock market.

To realize the allocations set forth in the Asset Allocation Plan, the Division operates seven Combined Investment Funds ("CIF" or the "Funds") as a series of mutual funds in which the pension and trust funds may invest through the purchase of ownership interests. Each Fund is designed to replicate one or more of the six asset classes outlined in the Policy.

Domestic Equity

Management of the equity portfolio uses both pure and enhanced indexing strategies, as well as active management. Enhanced indexing involves identifying, through market analysis and research, those securities in the index which are most likely to under-perform, and discarding them from the portfolio. This is achieved while maintaining industry weightings consistent with the overall index. The goal of enhanced indexing is to generate a return slightly in excess of the selected index. Indexing is a particularly appropriate strategy for the "large-cap" segment of the equity markets, which is defined as the securities of the largest capitalized public companies, typically comprising the major market indices. Significant research demonstrates that the U.S. equity markets, particularly the large-cap segment, are widely considered the world's most "efficient" markets, and therefore are the most difficult to "beat" with active investment management.

Within the "small- and mid-cap" sections of the equity markets, active management continues to allow pension funds the opportunity to achieve enhanced returns. Small- and mid-cap securities are issued by companies that are much smaller and not as closely monitored, researched or analyzed as the larger capitalization companies. Consequently, the small-cap segment of the U.S. equity market is less efficient. Certain active investment advisors are therefore more likely to outperform the markets over the long term, while earning an acceptable level of return per unit of risk. The Fund measures its performance against the Russell 3000 Index. During fiscal 2004, the Treasurer terminated one small/mid cap manager due to organizational and performance issues.

As currently structured, the domestic equity portfolio replicates the approximate capitalization of the market as a whole with 78% of the Fund invested in large-cap stocks and 22% in small/mid-cap stocks. Approximately 89% of the entire domestic equity portfolio adheres to an indexing or enhanced indexing strategy.

International Equity

During fiscal year 2000, the structure of the International Stock Fund (ISF) was revised to reflect the long-term performance objectives of this asset class. It was determined that the Fund would consist of a series of externally managed equity portfolios which, in aggregate, are structured to achieve long-term performance consistent with non-U.S. equity markets and add diversification to the total portfolio. The ISF's hybrid benchmark is 83% of the Citigroup Europe Pacific Asia Composite Broad Market Index -50%-hedged and 17% of the Morgan Stanley Emerging Markets Free Index. During fiscal 2002, the Treasurer, with the endorsement of the Investment Advisory Council selected 12 advisors to manage six mandates established as a result of the ISF structure review. At fiscal year end, the implementation was completed.

The ISF performance objective is to outperform the hybrid benchmark net of management fees by 100 basis points per annum over rolling five-year time periods.

Fixed Income

The Mutual Fixed Income Fund (MFIF) serves as an investment tool for the Pension and Trust Funds with the goal of reducing volatility in Fund returns under various economic scenarios. During periods of low inflation, fixed income investments may enhance the overall performance of the Pension and Trust Funds, while in times of moderate inflation and high nominal interest rates, these investments may contribute investment returns. During fiscal year 2003, the Office of the Treasurer completed a structure review for the Fund as part of its continuing implementation of the Asset Allocation Policy and strategy for the Mutual Fixed Income Fund. The new benchmark is a hybrid comprising 73% Lehman Brothers U. S. Aggregate Index (LB Aggregate), 17% Citigroup High Yield Market Index, and 10% JP Morgan Emerging Markets Bond Index (JP EMBI+), and the Fund's goal is to exceed the return of the hybrid index by 65-135 basis points per annum over rolling five-year periods.

The target fixed income structure includes: passive core fixed income (20%), active core fixed income (50%), inflation linked bonds (3%), high yield (16%), and emerging market debt (10%). Implementation is in process.

Real Estate and Private Equity Investments

The strategic asset allocation established a 5% target for the real estate asset class and 11% for private equity. The Real Estate Fund (REF) is an externally managed fund that invests in real estate properties and mortgages. It serves as a long-term investment tool for the pension funds and is designed to dampen volatility of overall returns through diversification and to provide long-term rates of return similar to the Mutual Equity Fund. During fiscal 2004, following the Fund's development of Asset Class Guidelines for Real Estate, the Fund completed the real estate strategic review and investment pacing plan. This initiative also included the development of due diligence procedures for real estate investing. The Private Investment Fund (PIF) investments are in externally managed limited partnerships that focus on private equity investments. Private equity investments include the following: venture capital funds (focusing on start-ups, early and expansion stage); mezzanine funds (investing in equity and debt instruments of established companies); buy-out and acquisition funds (which make controlling and non-controlling investments in established companies); special situation funds; and specialized or special purpose fund of funds focusing on, for example, venture capital partnerships too small to be otherwise appropriate for PIF. It is anticipated that, as these markets evolve through future economic cycles, the policies and procedures within the IPS will adjust to these movements.

Securities Lending

The Treasury maintains a securities lending program for the Combined Investment Funds designed to enhance investment returns. This program involves the lending of securities to broker/dealers secured by collateral valued slightly in excess of the market value of the loaned securities. Typically, the loaned securities are used by broker/dealers as collateral for repurchase agreements and other structured investment products, as well as to cover short sales, customer defaults, dividend recapture, and arbitrage trades. To mitigate the risks of securities lending transactions, the master custodian carefully monitors the credit ratings of each counter-party and overall collateral level. Collateral held is marked-to-market on a daily basis to ensure adequate coverage.

State Street Bank and Trust Company, the current master custodian for the Funds, is responsible for marketing the program, lending the securities, and obtaining adequate collateral. For the year ended June 30, 2004, securities with a market value of approximately \$2.1 billion had been loaned against collateral of approximately \$2.2 billion. Income generated by securities lending totaled \$6.6 million for the fiscal year.

The Year in Review

Total Fund Performance

During the fiscal year ended June 30, 2004, the State of Connecticut Retirement Plans and Trust Funds (CRPTF) achieved an annual total return of 15.23%, net of expenses, which was 104 basis points behind the benchmark return of 16.27%. For the three and five year periods the Fund achieved a 3.40% and 3.79% annualized return outperforming the benchmark returns of 2.92% and 1.87% by 48 and 192 basis points respectively.

During the fiscal year, the value of CRPTF's portfolio increased from \$18.3 billion to \$20.2 billion. The \$1.9 billion increase was primarily due to net realized gain (loss) on investments, which was partially offset by negative operating cash flow. Net unit holders' contributions created inflows of \$196 million, which were offset by pension payments to beneficiaries of \$1.023 billion, for a net outflow of \$827 million. Funds from operations were comprised of net investment income of \$897 million, realized gains of \$914 million and unrealized appreciation of approximately \$904 million.

For the fiscal year, the CRPTF's performance relative to the total fund benchmark was largely attributable to asset allocation differences relative to the Total Fund benchmark, which detracted from returns for the fiscal year. However, the portfolio benefited from positive manager performance in Private Investment Fund (PIF), Core Fixed Income and Developed International Equity.

For the Fiscal Year ending June 30, 2004, market volatility persisted as robust gains in the equity markets were tempered by continued geo-political uncertainty in Iraq and record high oil prices. The U.S. economy generally exceeded most forecasts, growing approximately 5%, its highest annual growth rate since 1984. Corporate profits have recovered during the last 12 months and are at record levels, resulting in a surge in employment growth during the second quarter of calendar year 2004. In a much anticipated move, the Federal Open Market Committee raised the overnight lending rate to 1.25% on June 30, 2004, which was the first rate increase in four years.

Driven by the improving macroeconomic landscape, the U.S. equity market experienced four consecutive quarters of positive returns. The fourth quarter of calendar year 2003 was particularly strong as improved macroeconomic data and corporate earnings data showed performance well ahead of expectations. All broad U.S. equity indices returned double digit gains for fiscal year 2004 – a remarkable contrast to the negative returns of the prior two fiscal years. The broad market Russell 3000 Index gained 20.5% in the fiscal year ending June 30, 2004. Within the asset class, small cap stocks fared better than their large-cap and mid-cap counterparts, gaining 33.4% over the fiscal year versus 19.5% and 29.4%, respectively (as measured by the Russell indices). In terms of investment style, value stocks significantly outperformed growth stocks across the capitalization spectrum. The Mutual Equity Fund (MEF) outperformed its index (Russell 3000) by 38 basis points.

International economies experienced a recovery during fiscal year 2004. Global equity markets posted double digit gains during this time period. The Citigroup EPAC BMI Index, a broad measure of international equity markets, advanced 34.3% in U.S. dollar terms. Over the fiscal year, the dollar depreciated against a basket of foreign currencies, helping the performance of hedged mandates. In terms of style, international value stocks beat their growth counterparts, and small caps outpaced large caps. The emerging markets were very strong throughout the first three quarters of the fiscal year. However, they began to decline during the final quarter of the fiscal year. Despite this retraction, the MSCI EMF Index returned 33.5% during the year. Brazil, Turkey, and China contributed to the index gains as each benefited from a global recovery. CRPTF's International Stock Fund essentially matched its benchmark return of 29.7%. The International Stock Fund benchmark is comprised of 83% Citigroup EPAC BMI Index 50% Hedged Index, and 17% MSCI Emerging Markets Free Index.

The fixed income markets displayed the weakest performance, earning 0.3% for the fiscal year, as measured by the Lehman Brothers U. S. Aggregate Index. The U.S. fixed income markets experienced a volatile market environment as the economy outlooks shifted from deflationary to inflationary. During the fiscal year, the yield curve steepened, with the short to intermediate-term sectors experiencing the largest impact. To facilitate growth, the Federal Reserve held the Federal Funds rate at 1% for most of the fiscal year. Amidst rising inflation, rates were raised to 1.25% in June 2004. An increased investor appetite for yield caused the high yield and the emerging markets debt sectors to be the strongest performers within the fixed income markets during the fiscal year. In contrast, U.S. Treasuries and Agency securities fell out of favor and were the worst performing sectors during the year. The U.S. high yield market increased 10.4%, as measured by the Citigroup High Yield Market Index. In addition, emerging market bonds posted a positive performance of 4.8% according to the J.P. Morgan EMBI+ Index. The Latin America portion of the index added to returns for the majority of the year as this region experienced improving political and economical fundamentals. For the fiscal year, the Mutual Fixed Income Fund outperformed its composite benchmark by 35 basis points, driven primarily by positive manager performance. Four out of the five core/core plus managers outperformed the LB Aggregate, and two of the three high yield managers outperformed their respective benchmarks, for the fiscal year. The depth of manager value added allowed the MFIF to outperform despite a negative impact due to asset allocation differences versus the benchmark. Specifically, the MFIF's underweight to emerging markets debt (which is included in the composite benchmark) was detrimental as emerging markets debt significantly outperformed core fixed income during the fiscal year. The Mutual Fixed Income benchmark, consist-

ing of 73% Lehman Brothers Aggregate Index (LBA), 17% Salomon High Yield Market Index, and 10% JPM Emerging Markets Bond Index, posted a return of 2.4% for fiscal year 2004.

The Private Investment Fund underperformed Venture Economics All Private Equity (One Quarter Lag) Index by 128 basis points. The overall net return was 20.2%. The private equity markets displayed signs of improvement in comparison to the last two years. An expanding initial public offering market coupled with higher expected returns benefited performance for the fiscal year. The Real Estate Fund underperformed its benchmark by 904 basis points with a return of 0.7% versus the benchmark return of 9.7%. Because these investment classes are illiquid and highly structured, short-term performance is not always indicative of long-term expectations from the asset class, with the ultimate returns evident only upon realization of all investment gains.

While volatility in investment returns is expected in the short-term, the Treasurer's long-term performance with respect to managing the Pension and Trust assets is most important. The CRPTF generated compounded net annual total returns of 3.40%, 3.79%, and 9.20% over the last three-, five-, and ten-year periods, respectively. The Funds continued to be well diversified given the long-term risk/return objectives, while adhering to established investment guidelines.

The overall return of the CRPTF is measured against the Total Fund Benchmark, which is a hybrid benchmark customized to reflect the CRPTF's asset allocation and performance objectives. This benchmark is comprised of 36% Russell 3000 Index; 18% International Stock Fund benchmark; 29% Mutual Fixed Income benchmark; 5% Russell 3000 Index; 11% S&P 500 Index; and 1% MFR First Tier Rated Index. The International Stock Fund benchmark is comprised of 83% Citigroup Europe, Pacific, Asia Composite Broad Market Index (50% Hedged) and 17% MSCI Emerging Market Free Index. The Mutual Fixed Income benchmark consists of 73% Lehman Brothers U. S. Aggregate Index, 17% S&P/Citigroup High Yield Market Index, and 10% JPM Emerging Markets Bond Index.

2004 Division Performance and Management Initiatives

In accordance with Public Act 00-43, the Treasurer is required to adopt, and the IAC approve, an Investment Policy statement for the State of Connecticut Retirement Plans and Trust Funds. During fiscal year 2002 the Treasury completed the CRPTF's first comprehensive Investment Policy Statement (IPS) as a result of the Treasury Reform Law. The IPS sets forth the policies and procedures which govern the structuring and investing of the pension and Trust Funds. State statute prescribes the required elements of the IPS, but the IPS extends beyond what is required by State statutes in its level of detail. The IPS represents the asset allocation plan for CRPTF; describes the level of risk that the CRPTF is willing to take in its investment strategy; describes the asset classes that the CRPTF is authorized to invest in, as well as aspects of the individual asset classes and the ranges within each asset class; and describes each of the plans and trusts that the Treasurer's Office manages on behalf of the CRPTF's participants and beneficiaries. Since the adoption of the IPS on March 13, 2002 there have been several updates to the IPS. Article VI - Use of Derivatives Guidelines changes were approved by the IAC and adopted by the Treasurer on December 10, 2003. Article III - Asset Class Guidelines - International Stock Fund Guidelines changes were approved by the IAC and adopted by the Treasurer on October 23, 2003. Article IV - Asset Class Guidelines - Mutual Fixed Income Fund Guidelines changes were approved by the IAC and adopted by the Treasurer on January 10, 2003. Article VI - Asset Class Guidelines - Real Estate Fund Guidelines changes were approved by the IAC and adopted by the Treasurer on September 12, 2003.

Copies of the Connecticut pension fund's Investment Policy Statement are available for review and downloading at the State Treasurer's web site: <http://www.state.ct.us/ott>.

During the fiscal year the Office of the Treasurer completed contract negotiations with 11 new advisors for the International Stock Fund. This included transiting and implementing the new investment mandates as outlined in the International Stock Fund guidelines. In addition, the Office of the Treasurer completed contract negotiations and implementation with two advisors for the currency overlay mandate, after the IAC reviewed and endorsed those managers.

Also during the fiscal year, following the IAC's approval and the Treasurer's adoption of the guidelines for the Mutual Fixed Income Fund ("MFIF") and issuing RFP's for Emerging Market Debt and Inflation-Linked Bond mandates, the Office of the Treasurer selected and entered into contract negotiations with six new advisors.

The Treasurer also initiated a required review by all fund managers of investments held in companies doing business in countries that have been designated by the U.S. Department of State as sponsoring terrorist activities.

Finally, the Treasurer with the unanimous support of Connecticut's Investment Advisory Council announced the formation of the Connecticut Horizon Fund (CHF). This initiative is intended to diversify the management of the State's pension fund while providing opportunities for investment firms owned by Connecticut-based and emerging firms, as well as firms owned by women and minorities, to compete for a share of Treasury investment business. The goal of the CHF is to enhance portfolio returns through innovations, while nurturing the next generation of investment ideas. Implementation of this initiative is expected to be completed during the next fiscal year.

Proxy Voting

During 1999 and 2000, the Treasury developed comprehensive proxy voting policies for both domestic and global proxy voting. These policies were endorsed by the state's Investment Advisory Council (IAC), and now serve as the policy framework for shareholder decisions. As required by the Treasury Reform legislation enacted in 2000 the Proxy Voting Policies have been incorporated into the Investment Policy Statement. Connecticut law requires the Treasurer to consider the economic, social and environmental impact of investment decisions. In addition, state law prohibits investments in companies doing business in Northern Ireland that have not implemented the MacBride Principles of fair employment. Similar statutory prohibitions exist for investing in companies conducting business with Iran counter to U.S. foreign policy.

The corporate governance program launched in fiscal year 2000, marked Connecticut's re-emergence – for the first time in five years – as an active, responsible institutional investor, with the most comprehensive series of proxy voting policies in the state's history.

Connecticut's shareholders activities includes both exercising proxy voting responsibility and taking steps such as filing shareholder resolutions and supporting resolutions filed by other shareholders.

The shareholder program during 2004 included a number of critical areas:

Independence of the Board of Directors: The state pension fund's proxy voting policies call for a majority of the board to consist of independent directors and the key board committees – the audit, compensation and nominating committees – to consist completely of outside, independent directors. In 2002 this policy was adopted by the New York Stock Exchange (NYSE) and approached by the Securities and Exchange Commission as a requirement for all companies whose stock trades on the NYSE. The CRPTF definition of independence, however, is more strict than that of the NYSE.

Electing Board Members: The policies support annual election of all members of the board of directors. The policies also set criteria for withholding votes from members of the board under certain conditions, such as when there are conflicts of interest, poor performance of the individual or the company, continued non-compliance with independence standards, not responding to majority votes, etc.

Executive Compensation: The policies support compensating executives at a reasonable rate and that executive compensation should be tied to long term performance.

Global Working Conditions: The policies support vendor and supplier compliance with the international labor standards and core human rights.

Board Diversity: The proxy voting policies support board diversity as a key factor in deciding whether to support the election of board members. Board diversity ensures that members who serve on boards are drawn from the broadest pool of talent and expertise.

Environment: The policies support protecting the environment while helping improve the long term financial performance of a company, particularly limiting greenhouse gas omissions.

During FY 2003-2004 the CRPTF engaged with over 40 companies – ranging from writing letters, to filing shareholder resolutions, appearing at annual meetings, holding discussions with management, and meeting with members of the board of directors. This year the Treasurer also co-chaired an investor summit on climate change at the United Nations, testified before Congress several times, addressed the Securities and Ex-

change Commission, and met with the board and both the interim and current CEO of the New York Stock Exchange. The treasury also worked together with numerous other investors representing public pension funds, labor funds, socially responsible investors and faith based investors.

Among the program's noteworthy successes during the year included issues such as reporting on climate risk, board independence, annual election of all directors, expensing of stock options, board member diversity, and global labor standards, CRPTF filed and co-filed a total of 20 shareholder resolutions this proxy season on critical corporate governance issues, of those 6 were withdrawn due to settlements with the company, four were omitted by the SEC for technical reasons, and 12 were considered by shareholders of major corporations. Two resolutions received a majority of shareholder votes – one of which called for the company to elect all directors annually and the other on Executive compensation.

Among this year's highlights were:

- At American Electric Power, Treasurer Nappier reached an historic agreement in which the company agreed to have a committee of independent board members assess actions the company is taking to mitigate climate risk.
- Treasurer Nappier continued her engagement with Disney which began in 2002 on the issue of auditor independence. In December 2003 the Treasurer withdrew a shareholder resolution calling for more board independence after significant changes in the board membership and receiving personal assurances from George Mitchell (now chairman of the board), on other corporate governance issues. In May 2004 Treasurer Nappier joined other public pension leaders in a meeting with members of the Disney board of directors.
- At Jones Apparel a shareholder resolution on global labor standards was withdrawn when the company agreed to further discussions on reporting to shareholders on compliance with their code of conduct.
- At American Power Conversion, the CRPTF filed a board diversity resolution for the third consecutive year, and withdrew it this year when a woman was appointed to a previously all white male board, and several changes were made in the company's board recruitment procedures.
- On the issue of annual election of all members of the Board of Directors, Reebok agreed to implement this policy after the CRPTF 2003 resolution received a majority vote, SBC agreed to implement this policy after the CRPTF filed a resolution in 2004, and at Stanley Works, the CRPTF resolution received a majority vote for the second year in a row – receiving 72% of the vote.
- At Peoplesoft, CRPTF co-filed a resolution with AFSCME requesting the company to expense stock options and received a majority vote.

As principal fiduciary of the fund, Treasurer Nappier approaches shareholder ownership as a prudent long-term investor. Through shareholder advocacy, the pension fund seeks to ensure that companies in which the pension fund invests adopt corporate governance reforms and corporate citizenship practices consistent with the fund's proxy voting guidelines and in accordance with Connecticut law. Corporate governance activity under Treasurer Nappier also includes providing input to regulatory agencies on policy matters related to corporate governance and meeting with leading Connecticut companies that are important to the vitality of state's economy and in which the state pension fund is a shareholder.

Copies of the Connecticut pension fund's proxy voting policies and a report of proxy votes cast are available for review and download at the State Treasurer's web site: <http://www.state.ct.us/OTT/proxyvoting.htm>.

Asset Recovery and Loss Prevention

In accordance with the policies of Treasurer Nappier, the Office of the Treasurer continues its aggressive approach to recovery of assets and loss prevention as a result of malfeasance, unethical actions and other factors. The activities for the Fiscal Year ended June 30, 2004 included a redesign of contract terms and conditions, renegotiation of contract terms, development of best practice contract terms, implementation of the enhancements to the proof of claim filing process, application to serve as lead plaintiff in class action litigation, continued encouragement of other institutional investor lead plaintiffs to aggressively negotiate reasonable legal fees and consideration of filing lawsuits.

Class Action Securities Litigation

The Office of the Treasurer continues its close monitoring of opportunities to recover lost assets through active participation in class action litigation. The Office has implemented a new practice of review and monitoring of all class action cases filed. Notices are received via electronic mail of each case that is filed. The same vendor providing this service also furnishes information with respect to settlements, judgments, and other actions with respect to such litigation. The service assures the Office that we are participating in every case where assets have been lost.

The Office is actively participating as lead plaintiff in a national class action lawsuit alleging misconduct against JDS Uniphase and was named lead plaintiff in the Redback Network case. Settlement proceeds were distributed from the \$457 million in the Waste Management case where Connecticut served as lead plaintiff. The pension funds received \$290,435 from this settlement and more than \$ 2.8 million from class action settlements in FY 2004, the largest amount ever received in a fiscal year.

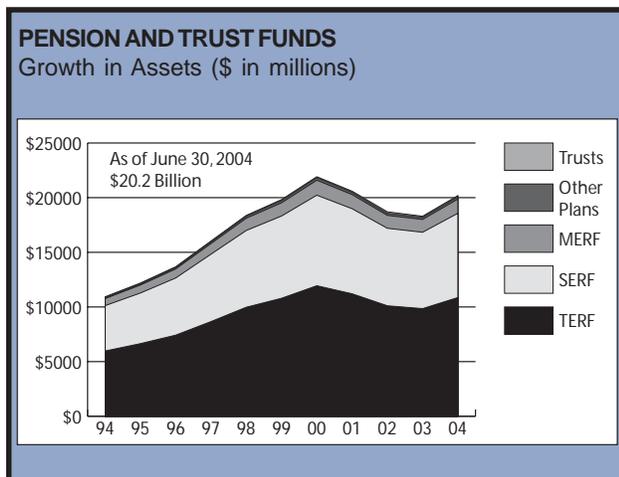
Believing that institutional investors are best equipped to manage and obtain the best results from class action securities litigation, Treasurer Nappier and her staff continue to participate in a number of forums to encourage the active participation of other institutional investors as lead plaintiffs in such litigation.

Other Litigation

In February 2002, the Office of the Treasurer filed a civil action in Connecticut State Court against the private equity firm Forstmann Little and its partners, alleging breach of contract and breach of fiduciary duty. The case was tried before a jury in Connecticut Superior Court – Complex Litigation docket throughout the month of June 2004. The jury rendered a verdict on the 1st of July 2004, determining that Forstmann Little had indeed breached its fiduciary duty to and the terms of its contract with the State of Connecticut. The jury further found that these breaches were in bad faith, grossly negligent or constituted willful misconduct. The jury did not, however, award damages, finding in favor of the Defendants' reliance on two special defenses. Confident that appealable error had occurred, Connecticut filed two motions with the trial court asking, in the alternative, that the judge award damages or grant a new trial. Although it did not occur during the Fiscal Year ended June 30, 2004, as of the date of this writing, the matter has been settled. On the 20th of September 2004, Forstmann Little paid \$15 million to the Office of the Treasurer as settlement of all claims. This case was carefully watched nationally with regard to the responsibility of general partners to limited partners in the private equity sector.

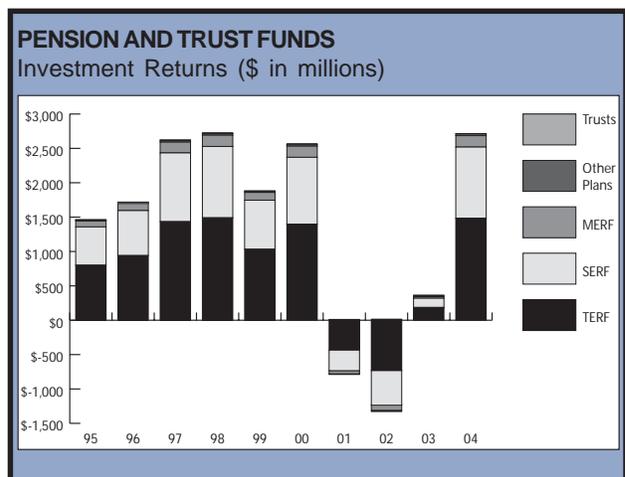
The Office of the Treasurer is one of five (5) limited partner plaintiffs in a derivative action filed against the Philadelphia-based law firm Ballard Spahr Andrews & Ingersoll LLP, alleging legal malpractice in the advice given to Keystone Venture V L.P., a private equity fund in which the CRPTF invested. The action, filed in the Philadelphia Court of Common Pleas, was necessary to obtain court approval of a negotiated settlement with the firm. The trial court did not approve the settlement and the defendants appealed the trial court's ruling to the Commonwealth Court.

Figure 1-1



TERF - Teachers' Retirement Fund
 SERF - State Employees Retirement Fund
 MERF - Connecticut Municipal Employees' Retirement Fund

Figure 1-2



TERF - Teachers' Retirement Fund
 SERF - State Employees Retirement Fund
 MERF - Connecticut Municipal Employees' Retirement Fund

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 1-3

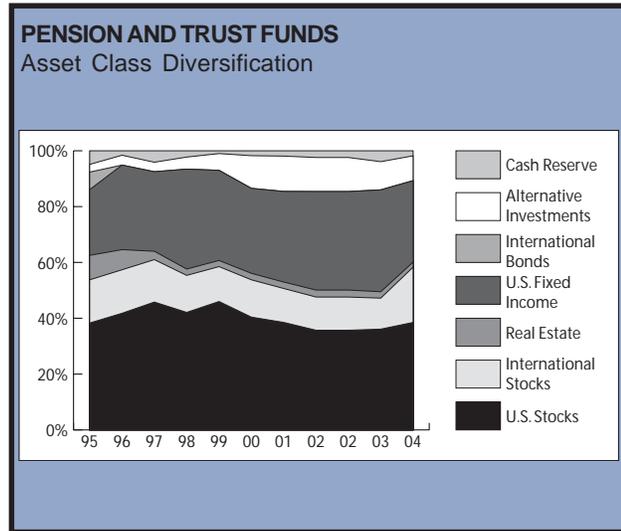


Figure 1-4

PENSION AND TRUST FUNDS ASSET ALLOCATION
Actual vs. Policy at June 30, 2004

	Actual	Target Policy	Lower Range	Upper Range
U.S. EQUITY	38.5%	36.0%	29.0%	43.0%
Mutual Equity Fund (MEF)	38.5%			
INTERNATIONAL EQUITY	19.8%	18.0%	14.0%	22.0%
International Stock Fund (ISF)	19.8%			
EQUITY COMMERCIAL REAL ESTATE	1.8%	5.0%	4.0%	6.0%
Real Estate Fund (REF)	1.8%			
U.S. FIXED INCOME	31.0%	30.0%	26.0%	34.0%
Mutual Fixed Income Fund (MFIF) ⁽¹⁾	29.0%			
Commercial Mortgage Fund (CMF)	0.2%			
Cash Reserve Account (CRA)	1.8%			
ALTERNATIVE INVESTMENTS	8.9%	11.0%	6.0%	11.0%
Private Investment Fund (PIF)	8.9%			
TOTAL	100.0%			

(1) MFIF's advisors are allowed to invest in non U.S. fixed income assets on an opportunistic basis.

Figure 1-5

PENSION AND TRUST FUNDS
Advisor Breakdown

Fund	June 30, 2004	June 30, 2003
MEF	6	7
ISF	13	6
PIF	37	34
MFIF	8	9
CMF	1	1
REF	8	7
CRA	1	1
Total⁽¹⁾	74	65

(1) Actual total advisors was 70 and 61, respectively when factoring in advisors across multiple funds.

Figure 1-6

PENSION AND TRUST FUNDS
Periods ending June 30, 2004

	1 YR	3 YRS	5 YRS	10 YRS
Compounded, Annual Total Return (%)				
CRPTF	15.23	3.40	3.79	9.20
CRPTF CMMI (Without Objective) Benchmark	16.27	2.92	1.87	N/A
CRPTF CMMI (With Objective) Benchmark	17.79	4.28	3.26	N/A
Cumulative Total Return (%)				
CRPTF	15.23	10.55	20.46	141.02
CRPTF CMMI (Without Objective) Benchmark	16.27	9.02	9.73	N/A
CRPTF CMMI (With Objective) Benchmark	17.79	13.39	17.42	N/A

Figure 1-7

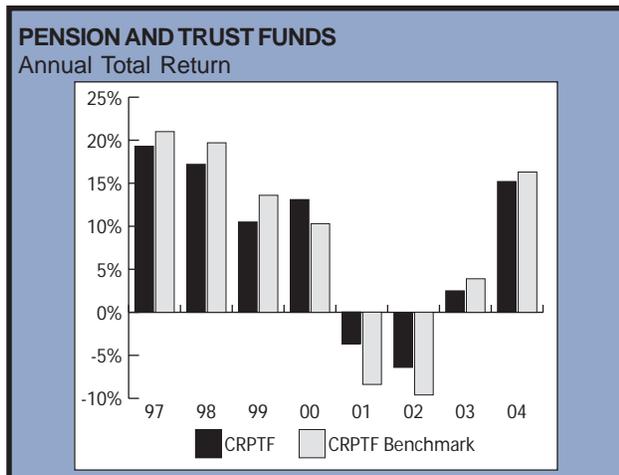
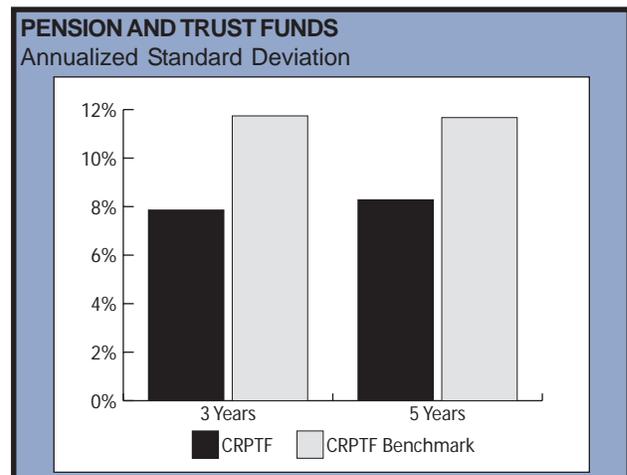


Figure 1-8



CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

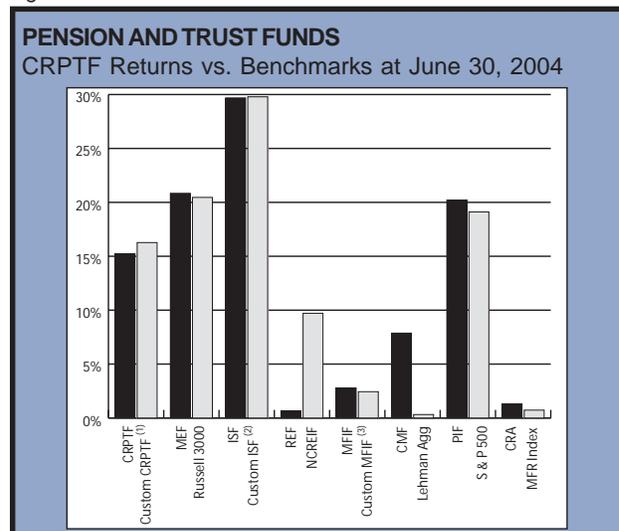
Figure 1-9

PENSION AND TRUST FUNDS					
TUCS Ranking for Periods ending June 30, 2004					
	1 YR	3 YRS	5 YRS	10 YRS	
<i>Public Funds >\$1 Billion</i>					
<i>Percentile Return</i>					
5th	19.42	7.05	7.22	11.89	
25th	16.74	5.14	4.59	10.33	
50th	15.88	4.22	3.66	9.80	
75th	12.43	3.54	2.79	9.15	
95th	1.39	2.80	2.07	8.21	
<i>CT Pension and Trust Funds</i>					
Return ¹	15.42	3.52	3.97	9.43	
Public Funds Ranking	51	75	38	66	
Total Master Trusts Ranking	55	65	45	71	

Source: State Street Bank

(1) Gross Return

Figure 1-10



- (1) Total Fund Benchmark: Inception through 9/30/99: 40% Russell 3000, 15% MSCI EAFE Net, 28% LB Aggregate, 11% Russell 3000 Private Equity Fund, 4% NCREIF Property Index, 2% IBC Rated Index. 10/1/99 to date: 36% Russell 3000 Index, 18% Int'l Stock Benchmark, 29% Mutual Fixed Income Benchmark, 5% Russell 3000 Index, 11% S & P 500 Index, 1% MFR Rated Index.
- (2) International Stock Fund Benchmark: 83% CitiGroup EPAC BMI 50% Hedged and 17% MSCI Emerging Market Free.
- (3) Mutual Fixed Income Benchmark: 73% Lehman Aggregate, 17% S & P/CitiGroup High Yield Market Index and 10% J.P. Morgan Emerging Markets Bond Index.

Combined Investment Funds Total Return Analysis (%)

Asset Class (% of Total Fund at 6/30/04) <i>(Investment performance is calculated using a time-weighted rate of return.)</i>	Fiscal Years Ending June 30,					Annualized		
	2004	2003	2002	2001	2000	3 Years	5 Years	10 Years
Total Fund (100.0%)								
Combined Investment Funds	15.23%	2.49%	(6.39)%	(3.68)%	13.13%	3.40%	3.79%	9.20%
Connecticut Multiple Market Index (Without Objective)	16.27	3.88	(9.60)	(8.37)	10.31	2.92	1.87	N/A
Connecticut Multiple Market Index (With Objective)	17.79	5.26	(8.39)	(7.14)	11.95	4.28	3.26	N/A
U.S. Stocks (38.5%)								
Mutual Equity Fund (38.5%)	20.84	0.48	(14.95)	(9.55)	10.03	1.08	0.55	12.15
Russell 3000 Index	20.46	0.77	(17.24)	(13.93)	9.60	0.15	(1.07)	11.66
International Stocks (19.8%)								
International Stock Fund (19.8%)	29.69	(6.39)	(9.00)	(13.29)	20.13	3.38	2.85	5.21
International Stock Fund Hybrid Benchmark	29.79	(6.62)	(10.88)	(19.80)	20.77	2.60	0.91	4.50
Equity Commercial Real Estate (1.8%)								
Real Estate Fund (1.8%)	0.67	3.30	0.81	14.45	9.18	1.55	5.53	6.97
Russell NCREIF(1 Qtr. Lag)	9.71	7.13	6.40	11.88	11.10	7.74	9.30	10.19
U.S. Fixed Income (29.2%)								
Mutual Fixed Income Fund (29.0%)	2.79	12.03	5.64	8.03	5.77	6.75	6.81	7.64
Fixed Income Fund Hybrid Benchmark	2.44	15.53	5.04	9.26	5.66	7.52	7.49	7.66
Commercial Mortgage Fund (0.2%)	7.87	20.62	1.19	10.88	8.26	9.60	9.59	10.30
Lehman Aggregate Bond Index	0.32	10.41	8.63	11.23	4.56	6.36	6.95	7.39
Alternative Assets (8.9%)								
Private Investment Fund (8.9%)	20.21	(11.94)	(10.81)	(6.25)	53.86	(1.90)	6.37	11.57
S & P 500	19.11	0.26	(17.99)	(14.83)	7.24	(0.69)	(2.21)	11.83
Venture Economics All Private Equity (1 Qtr. Lag)	21.49	(14.67)	(14.45)	(7.41)	90.37	(3.06)	8.66	17.50
Cash (1.8%)								
Cash Reserve Account (1.8%)	1.30	1.80	3.03	6.35	5.96	2.04	3.67	4.71
MFR First Tier Rated Inst. (Formally IBC Rated)	0.73	1.21	2.22	5.74	5.58	1.40	3.08	4.18

2004 cash reserve account

Fund Facts at June 30, 2004

Investment Strategy/Goals: To serve as a cash management tool for the pension and trust funds by investing in high quality, liquid money market securities.

Performance Objective: An annual total return in excess of the index.

Benchmark: MFR Index

Date of Inception: September 1, 1987

Total Net Assets: \$1,399,805,734

Number of Advisors: 1 external

Management Fees: \$313,350

Operating Expenses: \$401,206

Expense Ratio: 0.04%

Performance Summary

For the fiscal year ended June 30, 2004, the Cash Reserve Account (CRA) generated a return of 1.30%, outperforming the benchmark MFR Rated Index of 0.73% by 57 basis points. The fund also outperformed the 90 day Treasury Bill Index return of 0.96% by 34 basis points.

The fund's compounded annual total return for the trailing three, five and ten year periods were 2.04%, 3.67% and 4.71% respectively, net of all expenses. These returns exceed those of the fund's benchmark for these time periods by 64, 59 and 53 basis points respectively.

Description of the Fund

The Cash Reserve Account (CRA) is a cash management pool investing primarily in high quality money market securities, Asset Backed Securities (ABS) and corporate bonds. It serves as a cash management tool for the pension, trust and Combined Investment Funds while also being considered a separate asset class of the fund providing a competitive return with the primary focus being preservation of capital with a high degree of liquidity.

CRA is managed as an enhanced cash strategy whereby the fund maintains a relatively short weighted average maturity through the purchase of fixed rate money market instruments such as Commercial Paper, Certificates of Deposit, Bank Notes and other cash equivalents. The fund also will invest in high quality, floating rate corporate bonds and Asset Backed Securities. The focus on floating rate product is primarily in maturities or average lives in excess of 13 months. By focusing on maturities in this range, CRA is able to take advantage of wider credit spreads than would otherwise be available to a typical money market fund. CRA also maintains an adequate amount of overnight liquidity in order to meet any unexpected withdrawals from the fund. The fund also maintains adequate back up liquidity in the form of highly liquid money market instruments in order to meet any cash needs over and above our overnight liquidity.

Economic Review

The period began with the Fed Funds target lowered to 1.0% in late June 2003 as the FOMC continued to respond to weak economic data as well as the lingering fear of deflation. The short end of the yield curve traded in a relatively tight range for the majority of the fiscal year as strong job creation failed to materialize despite very strong GDP growth during the second half of 2003. Most widely followed inflation indicators also continued to trend down despite the robust growth that the economy displayed during this period. This combination of anemic job growth and falling inflation led market participants to delay their expectations for any Fed tightening during the latter stages of 2003 and early 2004. Early in the new year it became evident that inflation had stopped falling and that job growth had become more substantial. The very strong March 2004 payroll report (+353K jobs) was well above estimates and served as a wake up call to fixed income investors that the Fed may need to raise administered interest rates sooner than they had previously believed. Payroll growth continued to show strength through the last quarter of the fiscal year with payroll gains averaging over 200,000 jobs per month during the first 6 months of 2004. During the period, the FOMC at first vowed to be "patient" in removing the very accommodative monetary policy that had been put in place. At the May meeting the FOMC

changed their wording to signal the removal of the accommodation at “a measured pace” in response to a clearly improving economy. Despite the Fed's belief that inflationary pressures remained well contained, the committee raised the Fed Funds target level by 25 basis points to 1.25% at their June meeting. The move was widely anticipated by market participants and the quarter came to a close with investors wondering just how high the Fed funds target had to go and how quickly it needed to get there.

Portfolio Characteristics & Strategy

The period began with the newly installed Fed funds target rate of 1.00%, a historically low target rate. The Libor curve began the period with a spread of only 4 basis points between 1 and 12 month deposits as market participants were not convinced that the easing cycle had ended. In response to the flat curve, the fund focused on the purchase of high quality floating rate bonds. Floating rate bonds are an important part of the fund's strategy as they allow for significant yield pick up compared to money market instruments without taking on significant interest rate risk. CRA's floating rate exposure was increased from 45% of assets to 59% during the period. The fund held 16% in high quality corporate floaters and approximately 43% in AAA rated Asset backed securities. As it became clearer that the Fed's easing campaign had ended and the curve steepened somewhat, the fund extended its weighted average maturity to 60 days by the end of 2003. This was somewhat longer than its benchmarks' WAM of 51 days. During the last quarter of the fiscal year the Libor curve steepened dramatically as investors braced for the beginning of the Fed's campaign to raise rates to a more normalized level. In response, the fund's WAM was reduced to 48 days by the end of the fiscal year; in line with the benchmark's WAM of 46 days. The funds largest weightings at the end of the period were Asset Backed Securities (43%), Certificates of Deposit (32%) and floating rate corporate bonds (16%). Moving forward, we expect to maintain a large allocation to floating rate bonds while looking for opportunities to extend duration through the purchase of fixed rate paper when we feel we are being adequately compensated for the risk of doing so. As always, preservation of the fund's capital, a high degree of liquidity and a strong focus on credit fundamentals will remain the focus of our investment philosophy.

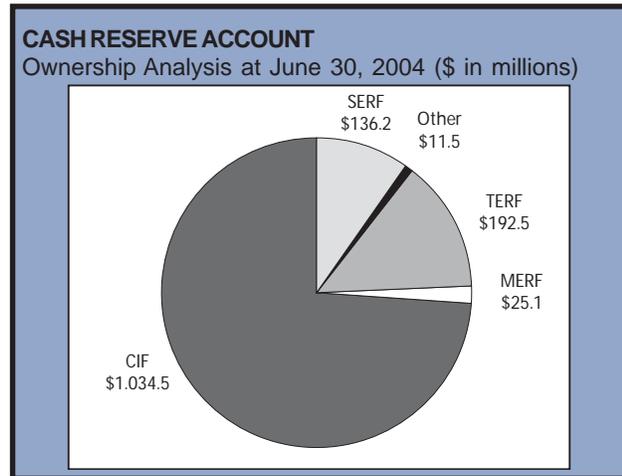
Risk Profile

Due to the short-term nature of CRA, it is generally considered to be low-risk. Consequently, returns that are realized by CRA may be significantly lower than those realized by funds with fixed income investments maturing over a longer time horizon. Similarly, the investments' short time horizon, along with the quality of the issuing entities, mitigates traditional concerns over interest rate, default and currency exchange risk.

Based on returns over the last five years, the Fund exhibited a similar degree of risk relative to the MFR Index, as evidenced by its relative volatility of 1.00. The standard deviation of the Fund of 0.14 suggests comparatively low overall volatility, while its beta of 0.81 indicates a high overall correlation to returns achieved by the Index. In the aggregate, CRA achieved a positive annual alpha, or return in excess of that predicted by returns of its benchmark of 0.59.

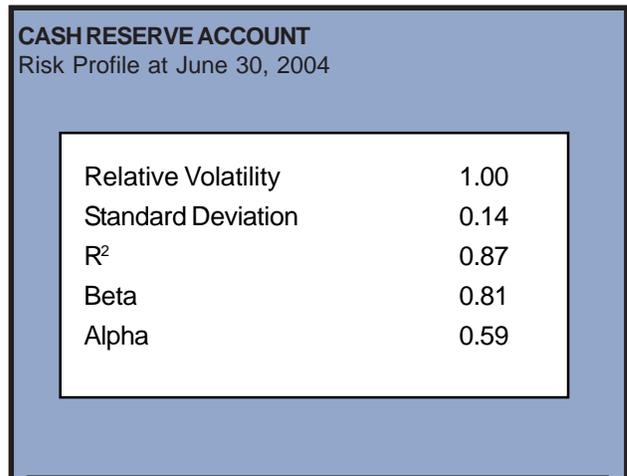
CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 2-1



TERF - Teachers' Retirement Fund
SERF - State Employees Retirement Fund
MERF - Connecticut Municipal Employees' Retirement Fund
CIF - Combined Investment Funds

Figure 2-2



(1) Based upon returns over the last five years.

Figure 2-3

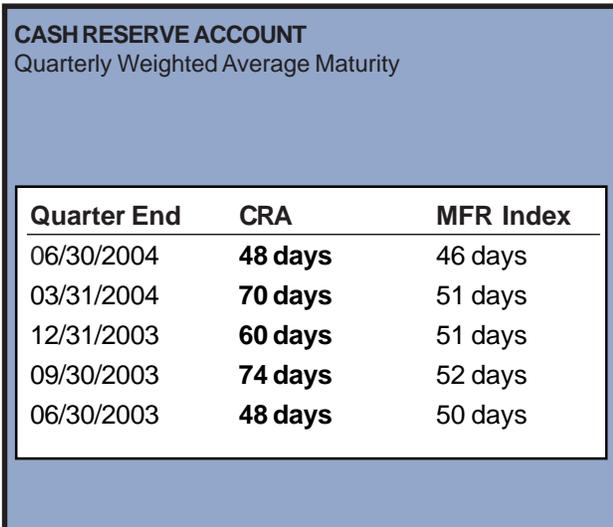
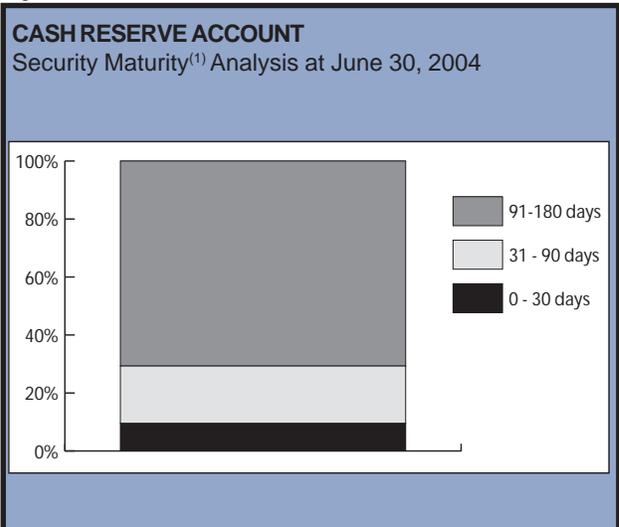
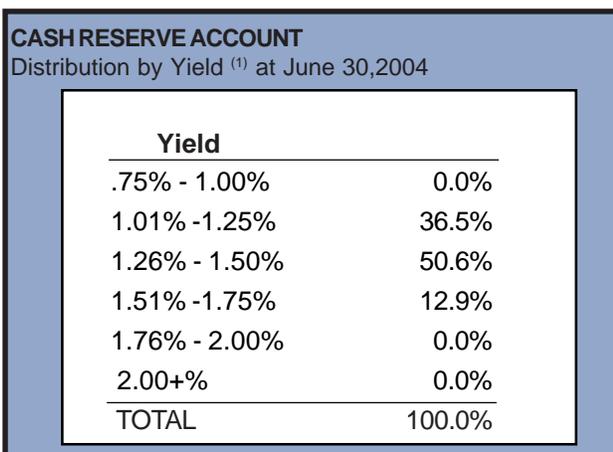


Figure 2-4



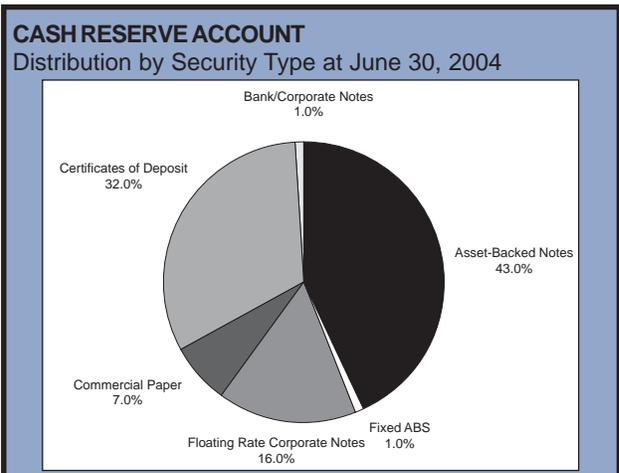
(1) Or Interest Rate Reset Period.

Figure 2-5



(1) Represents yield to maturity.

Figure 2-6



CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 2-7

CASH RESERVE ACCOUNT Comprehensive Profile				
Date	Number of Issues	Yield ⁽¹⁾	Average Maturity	Average Quality
2004	92	1.30%	48 days	A-1+/AA+
2003	109	1.80%	48 days	A-1+/AA+
2002	104	3.03%	51 days	A-1+/AA+
2001	90	6.35%	65 days	A-1+/AA+
2000	109	5.96%	81 days	A-1+/AA+
1999	102	5.46%	67 days	A-1+/AA+
1998	81	5.86%	60 days	A-1+/AA+
1997	53	5.70%	71 days	A-1+/ AA+
1996	46	5.90%	50 days	A-1+/ AAA
1995	48	5.83%	32 days	TBW-1/ AAA

(1) Represents annual total return of the Fund for year ended June 30.

Figure 2-8

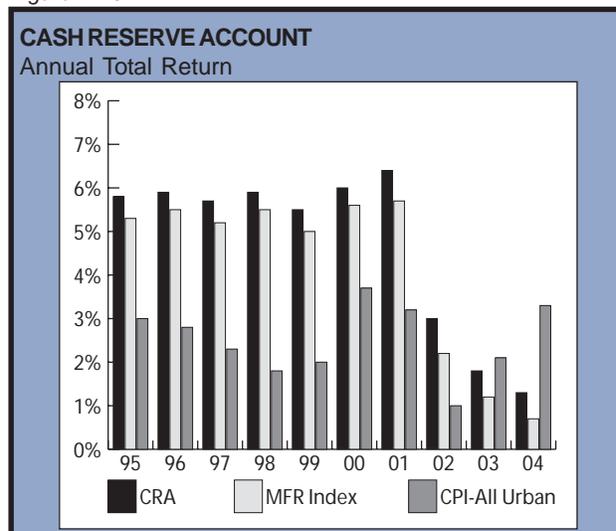
CASH RESERVE ACCOUNT Quarterly Yield ⁽¹⁾ Analysis		
Quarter End	CRA	MFR Index
06/30/2004	1.38%	0.75%
03/31/2004	1.20%	0.74%
12/31/2003	1.20%	0.75%
09/30/2003	1.30%	0.75%
06/30/2003	1.32%	0.95%

(1) An annualized historical yield based on the preceding month's level of income earned by the Fund.

Figure 2-9

CASH RESERVE ACCOUNT Periods ending June 30, 2004				
	1 YR	3 YRS	5 YRS	10 YRS
Compounded, Annual Total Return (%)				
CRA	1.30	2.04	3.67	4.71
MFR Index	0.73	1.40	3.08	4.18
CPI-Urban	3.27	2.15	2.68	2.51
CitiGroup 90-Day CD	1.12	1.76	3.47	4.58
CitiGroup 90-Day T-Bill	0.96	1.61	3.14	4.16
Cumulative Total Return (%)				
CRA	1.30	6.24	19.73	58.38
MFR Index	0.73	4.24	16.36	50.67
CPI-Urban	3.27	6.58	14.16	28.19
CitiGroup 90-Day CD	1.12	5.37	18.62	56.45
CitiGroup 90-Day T-Bill	0.96	4.90	16.69	50.33

Figure 2-10



(1) Or Interest Rate Reset Period.

2004 mutual equity fund

Fund Facts at June 30, 2004

Investment Strategy/Goals: To participate in the growth of the U. S. economy through the ownership of domestic equity securities.

Performance Objective: An annual total return which is one percentage point greater than that of the Russell 3000 after expenses.

Benchmark: Russell 3000 Index

Date of Inception: July 1, 1972

Total Net Assets: \$7,781,058,792

Number of Advisors: 6 external

Management Fees: \$6,459,864

Operating Expenses: \$1,238,039

Expense Ratio: 0.11%

Turnover: 52.7%

Performance Summary

For the fiscal year ended June 30, 2004, the Mutual Equity Fund (MEF) generated a positive return of 20.84%, net of fees, which outperformed the Russell 3000 index benchmark return of 20.46% by 38 basis points. Beneficial risk factors and positive industry selection were the main contributors to performance over the fiscal year. A modest small cap tilt and an underweight to high-dividend paying stocks enabled the Fund to outperform its benchmark over the fiscal year. In addition, an underweight to consumer cyclicals helped returns. During this same period, MEF's net assets grew from \$6.598 billion to \$7.781 billion, an increase of \$1.183 billion. Of this net total change, \$1.356 billion was due to unrealized capital gains and net investment income including realized gains, partly offset by \$173 million in net cash outflows to participating pension plans and trusts.

While volatility in investment returns is expected in the short-term, the Fund's long-term performance remains the most important comparative measure. As Figure 3-4 below illustrates, MEF has generated annualized total returns, net of fees, of 1.08%, 0.55%, and 12.15% over the last three, five, and ten-year periods, respectively. The Fund returns outperformed the Russell 3000 for the three, five, and ten-year periods by 93, 162, and 49 basis points, respectively.

The MEF's cumulative total returns for the three, five, and ten year periods ending June 30, 2004, were 3.28%, 2.78%, and 214.65%, respectively.

Description of the Fund

The Mutual Equity Fund (MEF) is an externally managed fund investing in domestic equity securities. It serves as an investment vehicle for the Pension and Trust Funds with the goal of earning prudent returns while participating in the growth of the U.S. economy.

MEF's performance objective is an annual total return, net of management fees and Division operating expenses, which exceeds that of the Russell 3000 Index by 100 basis points per annum. The Russell 3000 Index is a broad stock market index of the securities from the largest 3,000 publicly traded U.S. companies.

At the close of the fiscal year, MEF consisted of six externally managed equity portfolios structured to approximate the composition of the Russell 3000 Index. Two advisors actively managed approximately 10% of the portfolio in small to mid-capitalization stocks. Two advisors invested a total of 12% of the portfolio in small to mid-capitalization stocks using an enhanced indexing strategy. Two advisors in large capitalization stocks (of which 43% was invested using enhanced indexing strategies and 35% was invested using a passive strategy) managed the balance of the portfolio, or approximately 78%. At fiscal year end, approximately \$7.0 billion, or 90%, of the Fund's net assets were invested in indexed or enhanced index portfolios.

Portfolio Characteristics

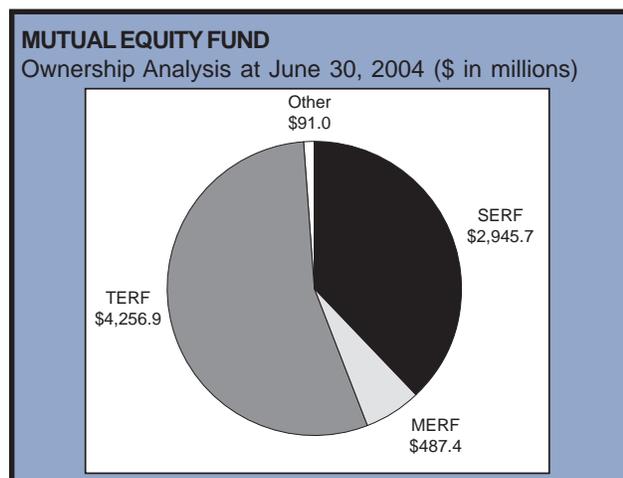
At fiscal year-end, MEF was 99.0% invested in domestic stocks, reflecting the Fund's policy that it be fully invested. The largest industry weighting at June 30, 2004 was financials (18.8%), followed by technology (16.3%) and health care (15.5%). (See figure 3-3.)

The MEF's ten largest holdings, aggregating to 17.5% of Fund investments, included a variety of blue chip companies. (See figure 3-9.)

Risk Profile

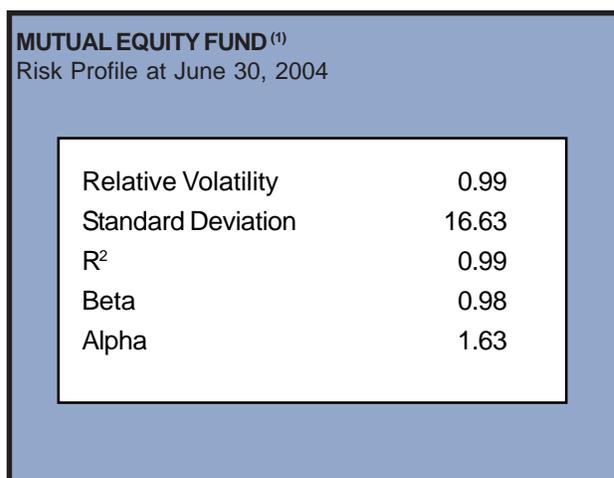
Based on returns over the last five years, the Fund has exhibited a similar degree of risk as that of its benchmark, the Russell 3000 Index. With a relative volatility of 0.99, the MEF's returns have almost equal volatility to those of the Index and reflect a strong degree of correlation, 0.99, to those of the Index. MEF's annual excess return during the five year period, or return relative to that achieved by the benchmark, was a positive 1.63%. (See figure 3-2)

Figure 3-1



TERF - Teachers' Retirement Fund
 SERF - State Employees Retirement Fund
 MERF - Connecticut Municipal Employees' Retirement Fund

Figure 3-2



(1) Based upon returns over the last five years.

Figure 3-3

At 6/30/2004:	MEF		Russel 3000	
	% of Net Assets	Annual Return	% of Net Assets	Annual Return
Energy	6.0	38.4	5.6	32.9
Materials	3.2	47.9	2.9	34.5
Industrials	11.3	27.5	11.1	27.6
Consumer Discretionary	14.8	16.6	13.8	16.3
Consumer Staples	8.2	24.8	8.0	21.6
Health Care	15.5	12.9	15.4	9.6
Financials	18.8	19.6	21.4	21.1
Information Technology	16.3	23.4	15.0	26.5
Telecomm Services	3.3	7.4	3.5	6.6
Utilities	2.6	12.7	3.3	13.2
	100.0		100.0	

(1) Excludes the Cash Reserve Account.

Figure 3-4

	1 YR	3 YRS	5 YRS	10 YRS
Compounded, Annual Total Return (%)				
MEF	20.84	1.08	0.55	12.15
Russell 3000	20.46	0.15	-1.07	11.66
Cumulative Total Return (%)				
MEF	20.84	3.28	2.78	214.65
Russell 3000	20.46	0.45	-5.24	201.32

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 3-5

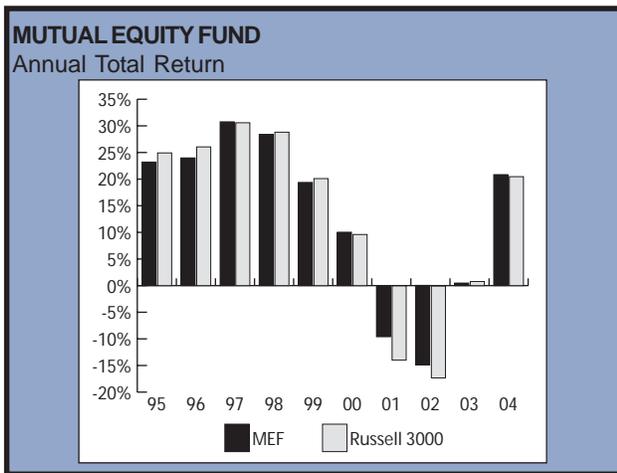


Figure 3-6

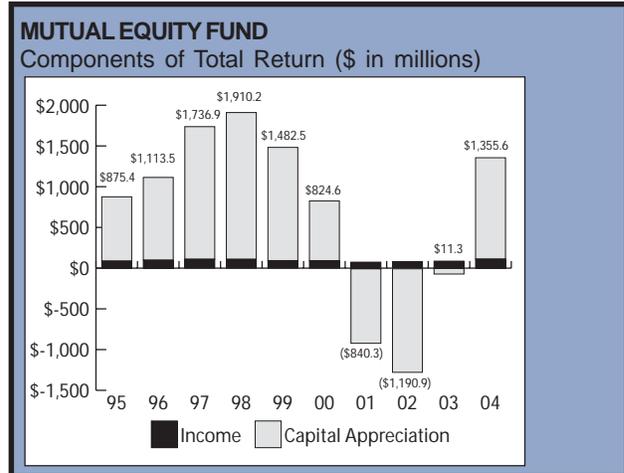


Figure 3-7

MUTUAL EQUITY FUND
Comprehensive Profile for the Fiscal Years ending June 30,

	2004		2003		2002		2001		2000	
	MEF	Russell	MEF	Russell	MEF	Russell	MEF	Russell	MEF	Russell
# of Issues	2,114	3,000	2,119	3,000	2,274	3,000	2,333	3,000	2,325	3,000
Cap (\$ Bil)	\$70.0	\$74.6	\$65.1	\$71.7	\$66.8	\$70.2	\$87.7	\$94.9	\$118.2	\$121.3
P/E	22.0	22.5	23.2	23.9	29.3	30.4	24.1	26.3	26.8x	30.2x
Div Yield	1.50%	1.60%	1.50%	1.70%	1.50%	1.60%	1.20%	1.30%	1.10%	1.10%
ROE	16.7%	16.7%	16.0%	16.2%	15.5%	16.4%	20.0%	20.9%	19.4%	20.5%
P/B	3.9x	4.0x	3.9x	4.0x	4.2x	4.3x	5.3x	5.5x	9.8x	10.7x
Cash & Equiv.	0.8%	0.0%	1.1%	0.0%	1.2%	0.0%	1.3%	0.0%	0.9%	0.0%

Figure 3-8

MUTUAL EQUITY FUND
Investment Advisors at June 30, 2004

Investment Advisor	Net Asset Value	% of Fund
Large Cap	\$6,047,868,657	77.73%
(Passive Enhanced)		
BGI Barclays Global Investors, N.A.	3,313,814,636	42.59%
(Passive Indexed)		
State Street Global Advisors	2,734,054,021	35.14%
Small/Mid Cap (Passive Enhanced)	907,520,835	11.66%
AXA Rosenberg Investment Management	494,716,854	6.36%
SSB Citigroup (The Travelers)	412,803,981	5.30%
Small/Mid Cap (Active)	807,715,933	10.38%
TCW Cowen Asset Management	459,946,759	5.91%
Brown Capital Management, Inc.	347,769,174	4.47%
Other (1)	17,953,367	0.23%
TOTAL MEF	\$7,781,058,792	100.00%

Figure 3-9

MUTUAL EQUITY FUND
Ten Largest Holdings at June 30, 2004

Security Name	Sector	Market Value	%
CitiGroup Inc	Financial	169,363,323	2.18%
General Electric	Technology	160,959,442	2.07%
Pfizer Inc	Health Care	160,708,239	2.07%
Microsoft	Technology	140,900,646	1.81%
Intel Corp	Technology	133,227,822	1.71%
Exxon Mobil Corp	Energy	132,523,970	1.70%
Bank America Corp	Financial	132,356,934	1.70%
Johnson & Johnson	Health Care	127,384,340	1.64%
Int. Business Machines	Technology	101,121,361	1.30%
Wal Mart Stores Inc	Non-Durables	98,627,486	1.27%
Top Ten		1,357,173,563	17.45%

(1) Other represents funds earmarked for distribution to participants, reinvestment, and expenses.

2004 international stock fund

Fund Facts at June 30, 2004

Investment Strategy/Goals: To participate in the growth of the global economy through the ownership of foreign equity securities.

Performance Objective: An annual total return which is one percentage point greater than the ISF Hybrid Benchmark after expenses.

Benchmark: ISF Hybrid Benchmark (83% Citigroup Europe, Pacific, Asia Composite Broad Market Index, 50% Hedged and 17% MSCI Emerging Market Free)

Date of Inception: January 1, 1988

Total Net Assets: \$4,003,283,359

Number of Advisors: 13 external

Management Fees: \$17,336,519

Operating Expenses: \$1,367,287

Expense Ratio: 0.62%

Turnover: 118.4%

Performance Summary

For the fiscal year ended June 30, 2004, the International Stock Fund (ISF) generated a return of 29.69%, net of fees, which underperformed its hybrid benchmark index return of 29.79% by 10 basis points. The program experienced manager changes during the fiscal year therefore it is difficult to attribute performance to any single factor. As part of the new ISF implementation, the currency overlay strategies were started at the end of March 2004. For the majority of the fiscal year, the ISF portfolio was managed on an unhedged basis, which was beneficial in a weakening dollar environment.

During fiscal year 2004, ISF net assets increased from \$2.034 billion to \$4.003 billion, an increase of \$1.969 billion. This included net investment income of \$71 million and realized and unrealized net capital gains of \$835 million and \$1.063 billion due to net cash inflows to participating pension plans and trusts.

The Fund returned 3.38%, 2.85% and 5.21% for the three, five and ten year periods outperforming the benchmark returns of 2.60%, 0.91% and 4.50% by 78, 194 and 71 basis points respectively. The cumulative returns for the Fund for the three, five and ten years were 10.47%, 15.07% and 66.15% respectively as illustrated in Figure 4-4 below.

Description of the Fund

The International Stock Fund is an externally managed fund, which invests in foreign equity securities. It serves as an investment tool for the Pension and Trust Funds, with the goal of participating in the growth of international economies. It is used to reduce short-term volatility in the Pension and Trust Funds returns by providing an additional layer of asset and currency diversification. In environments where the value of the U.S. dollar is declining relative to other currencies, international stocks are expected to enhance total Pension and Trust Fund returns.

Established in 1988, the ISF's performance objective was an annual total return, net of management fees and Division operating expenses, which exceeds that of the Hybrid Benchmark, a measure of the returns of developed, non-U.S. stock markets, by 100 basis points. During a structure review in fiscal year 2000, the objective was changed to reflect the Fund's strategic exposure to emerging markets, as well as an exposure to stocks of smaller companies in the developed international markets. The new objective is for the return of the Fund (net of fees) to exceed the return of a hybrid index comprising 83% of the Citigroup Europe Pacific Asia Composite Broad Market Index (50% Hedged) and 17% of the Morgan Stanley Capital International Emerging Market Free Index (MSCI EMF) by 100 basis points.

At the end of fiscal year 2004 there were seven mandates in the Fund; Passive Large-Cap EAFE, Active Small-Cap EAFE, Active Risk Controlled EAFE, Active Core EAFE, Active Specialist EAFE, Active Emerging Markets, and Currency Overlay. Over fifty advisors were interviewed for five of the seven Fund mandates established during the structure review process completed at the end of fiscal 2000. In May 2002, Treasurer Nappier, with the endorsement of the Investment Advisory Council, selected twelve managers.

At the end of fiscal year 2004, the Fund had thirteen external advisors, selected on the basis of expected future performance and investment style. Two of the advisors each managed two portfolios: the first advisor manages both an emerging market and an active large cap value portfolio, while the second advisor handles both a large cap core and a small cap portfolio. (See figure 4-8.) Based on the Fund's holdings, as of June 30, 2004, approximately 57% of the portfolio was actively managed in core, growth, value and small cap, while 17% was actively managed within the emerging markets, 13% was actively managed within risk controlled and 12% was allocated to one advisor for passive management against the Citigroup Europe, Pacific, Asia Composite Primary Market Index (Citigroup EPAC PMI).

Portfolio Composition

At fiscal year-end, ISF was 98.0% invested in international securities. Investments in the United Kingdom were the largest percentage of Fund assets, at 14.7%. Japan accounted for 13.3% of investments followed by Germany at 10.7%. These geographic concentrations differed from those comprising the Hybrid index, reflecting the Fund's allocation to active management strategies. (See figure 4-7.)

The ISF was well diversified at year-end, holding more than 3,252 securities in the portfolio. The ISF's ten largest holdings, not including cash, included a variety of companies located throughout Europe and the Far East. The Fund's largest investment, comprising 1.4% of investment securities, was Total FINA Elf of France. (See figure 4-9.)

In the aggregate, these ten holdings accounted for 11.7% of the Fund's investments at June 30, 2004.

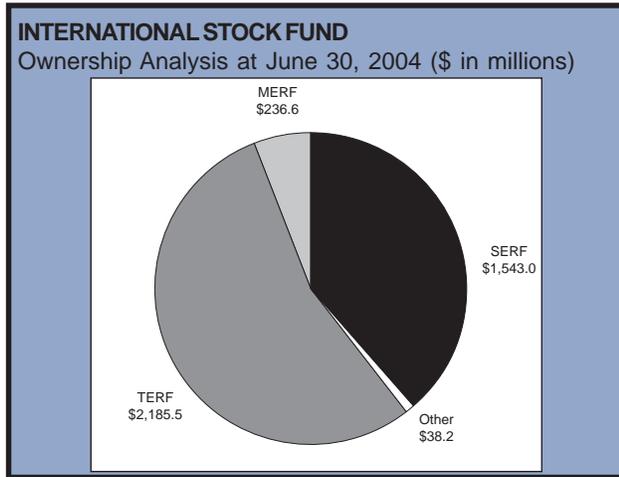
Risk Profile

Given ISF's investment policies and objectives, the Fund is exposed to several forms of risk. These include, but are not limited to, political and economic risk, currency exchange risk, market risk, and individual company credit risk. The Treasurer determined that a 50% hedge ratio would provide the greatest reduction in portfolio risk over time. The currency hedging strategy was implemented during the fiscal year ending June 30, 2004 with the hiring of two dedicated currency overlay managers. As a result, currency hedging will not be part of any of the other international equity managers within the Fund.

Based on returns over the last five years, the Fund's risk profile is similar to that of the Hybrid benchmark. The Fund's relative volatility to its benchmark over the five-year period ending June 30, 2004 has been 1.03%, while its high R^2 of 0.95 demonstrates a relatively strong overall correlation. In the aggregate, ISF's annualized excess return over the five-year period, or return in excess of that predicted by the benchmark, was 1.94%. (See Figure 4-2.)

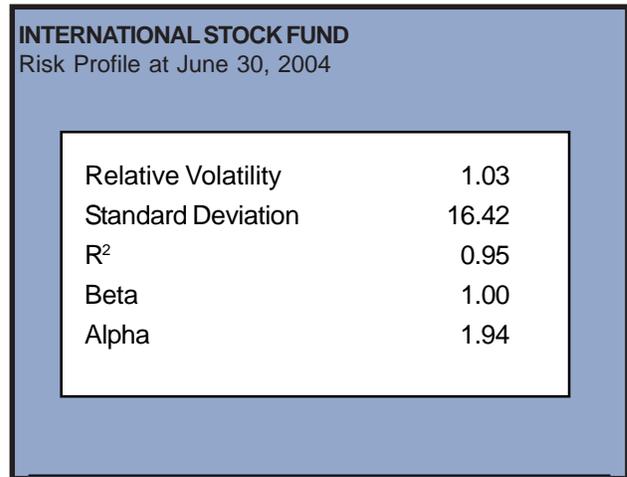
CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 4-1



TERF - Teachers' Retirement Fund
SERF - State Employees Retirement Fund
MERF - Connecticut Municipal Employees' Retirement Fund

Figure 4-2



(1) Based upon returns over the last five years.

Figure 4-3

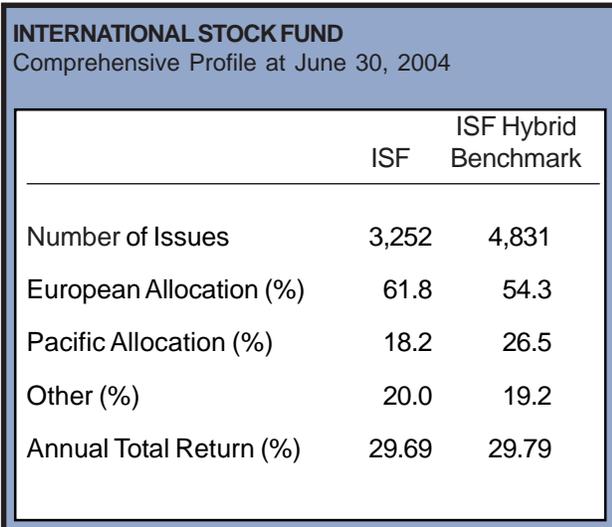


Figure 4-4

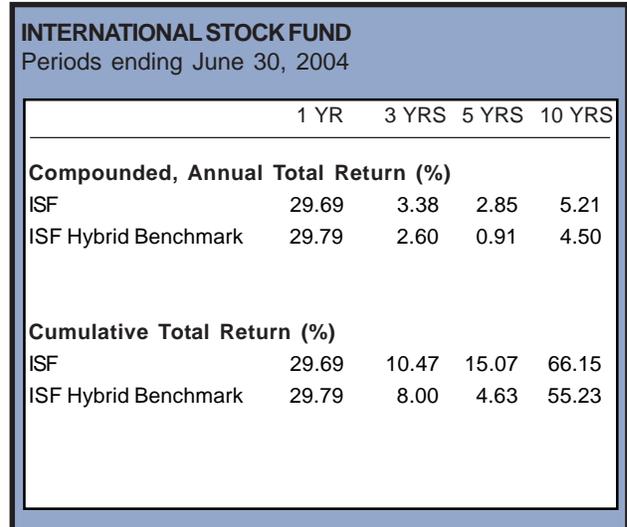


Figure 4-5

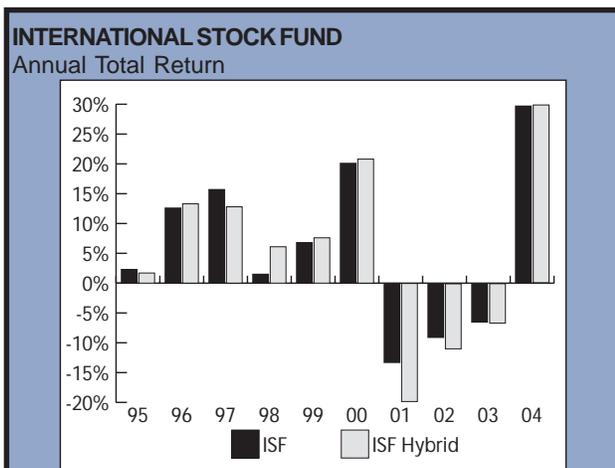
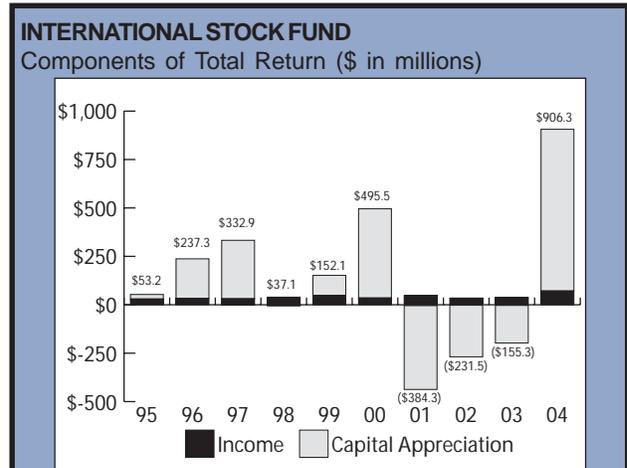


Figure 4-6



CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 4-7

INTERNATIONAL STOCK FUND

Diversification by Benchmark Country with Return (%) at June 30, 2004 ⁽¹⁾

	ISF			ISF Hybrid Benchmark		
	% of Net Assets 6/30/03	% of Net Assets 6/30/04	Total Return	% of Net Assets 6/30/03	% of Net Assets 6/30/04	Total Return
Japan	13.5	13.3	44.5	17.5	20.0	48.5
United Kingdom	15.1	14.7	26.6	21.4	20.1	28.1
Germany	10.5	10.7	31.5	5.3	5.4	34.2
France	8.4	8.7	29.9	7.5	7.0	31.5
Italy	5.9	6.1	28.5	3.4	3.4	26.7
Switzerland	4.8	4.8	29.8	6.0	5.4	30.6
Netherlands	3.5	3.6	28.9	3.9	3.7	28.0
Spain	3.9	4.0	25.6	3.1	2.9	29.2
Hong Kong	1.9	1.8	39.6	1.6	1.7	36.8
Sweden	1.4	1.5	48.6	1.8	1.9	51.7
Australia	1.4	1.4	27.0	4.0	4.0	26.9
Finland	1.4	1.5	6.6	1.5	1.1	9.5
Belgium	1.4	1.4	39.1	1.0	1.0	40.0
Singapore	1.3	1.2	29.3	0.8	0.7	32.9
Denmark	0.8	0.8	42.9	0.7	0.7	40.3
Ireland	0.8	0.9	32.0	0.6	0.6	41.6
Norway	1.8	1.8	59.1	0.3	0.4	57.7
Malaysia	0.5	0.5	38.0	0.9	0.8	20.1
Austria	0.9	0.9	63.7	0.2	0.3	55.5
New Zealand	0.6	0.5	25.0	0.1	0.1	28.1
Portugal	0.4	0.4	46.9	0.3	0.4	40.4
Other	19.8	19.5		18.1	18.4	
Total	100.0	100.0		100.0	100.0	

(1) Includes Cash Reserve Account and cash equivalents at each country level.

Figure 4-8

INTERNATIONAL STOCK FUND

Investment Advisors at June 30, 2004

Investment Advisor	Net Asset Value	% of Fund
Index	\$499,572,037	12.48%
State Street Global Advisors	499,572,037	12.48%
Active-Core	994,575,684	24.84%
Invesco Global Asset Mgmt.	337,435,398	8.43%
Morgan Stanley Asset Management	335,451,915	8.38%
Putnam Advisory Co.	321,688,371	8.03%
Active-Growth	511,755,100	12.78%
Clay Finlay, Inc.	350,832,247	8.76%
MFS Institutional Advisors, Inc.	160,922,853	4.02%
Active-Value	390,121,576	9.75%
Grantham, Mayo, Van Otterloo	390,121,576	9.75%
Small Cap	389,187,986	9.72%
Morgan Stanley Asset Management	198,978,210	4.97%
Schroder Investment Mgmt.	190,209,776	4.75%
Emerging	696,405,801	17.40%
Grantham, Mayo, Van Otterloo	354,163,417	8.85%
Emerging Markets Management	342,242,384	8.55%
Risk Controlled	504,143,403	12.59%
Fidelity Management Trust Co.	253,413,490	6.33%
Merrill Lynch Investment	250,729,913	6.26%
Other ⁽¹⁾	17,521,772	0.44%
TOTAL ISF	4,003,283,359	100.00%

(1) Other represents funds earmarked for distribution to participants, reinvestment, and expenses.

Figure 4-9

INTERNATIONAL STOCK FUND

Ten Largest Holdings at June 30, 2004

Security Name	Country	Market Value	%
Total SA Eur 10 Serie B	France	\$ 57,549,900	1.44%
Vodafone Group	United Kingdom	55,126,735	1.38%
ORD USD .10	Kingdom		
Samsung Electronic	Korea	51,255,518	1.28%
KRW5000			
Baring Emerging	Taiwan	46,388,874	1.16%
Markets Fund	United Kingdom	45,685,770	1.14%
BP PLC Ord USD .25	Switzerland	44,341,940	1.11%
Nestle SACHF1 (REGD)			
Toyota Motor Corp.	Japan	41,970,050	1.05%
JPY50			
Royal BK Scot GRP	United Kingdom	41,889,569	1.05%
Ord GBP .25			
Glaxosmithkline	United Kingdom	41,746,783	1.04%
ORD GBP .25	Italy	40,958,340	1.03%
ENI EUR 1			
Top Ten		\$466,913,479	11.68%

2004 real estate fund

Fund Facts at June 30, 2004

Investment Strategy/Goals: To hedge against inflation, reduce volatility of returns, and provide a long-term rate of return similar to equity investments by investing in equity commercial real estate.

Performance Objective: An annual total return which is one percentage point greater than the index.

Benchmark: National Council of Real Estate Investment Fiduciaries Index (NCREIF) 1 quarter lag.

Date of Inception: July 1, 1982

Total Net Assets: \$368,537,656

Number of Advisors: 8 external

Management Fees ⁽¹⁾: \$1,120,127

Operating Expenses: \$451,482

Expense Ratio: 0.40%

Capitalized and Netted Fees: \$3,571,892

(1) See note 1 to the Financial Statements for a discussion of similar fees incurred at the investment level.

Performance Summary

For the fiscal year ended June 30, 2004, the Real Estate Fund (REF) generated a total return of 0.67%, net of fees, which under performed the National Council of Real Estate Investment Fiduciaries Index (NCREIF) of 9.71% by 904 basis points. This performance is primarily attributable to REF's under exposure to core real estate strategies and traditional property types and over exposure to opportunistic strategies and hotels as well as nontraditional property types such as senior living facilities.

During the fiscal year, the value of REF's portfolio declined from \$426 million to \$369 million. The \$57 million decrease was primarily due to net distributions to unit holders. This amount was comprised of income distributions to beneficiaries of \$37 million and net redemptions paid out to unit holders of \$23 million. \$3 million generated by operations offset these amounts. Funds from operations were comprised of net investment income of \$17 million, realized loss of \$8 million and unrealized depreciation of \$6 million.

For the trailing three, five and ten-year periods, REF's compounded annual total return was 1.55%, 5.53%, and 6.97%, respectively, net of all expenses. (See figure 5-8.) The REF returns under performed the benchmark in the three, five and ten year periods by 619 basis points, 377 basis points and 322 basis points, respectively. The under performance for the three and five year periods are indicative of the "J curve" effect of the four opportunity fund investments, which comprise a significant portion of the Fund. Markets that favor highly occupied, cash generating properties in traditional property types, have hurt the REF's recent performance. REF's concentration in opportunistic investments has resulted in a focus on value creation and capital gains and features significant exposure to non-traditional property types. Reasons for underperformance in the ten-year category include adverse asset selection and asset sales in a weak domestic real estate market (the early and mid nineteen nineties). Management fees, operating expenses and significant write-downs taken in the mid nineteen nineties have also contributed to the Fund's below-benchmark performance over this time period.

Description of the Fund

The Real Estate Fund is an externally managed fund that invests in real estate properties and mortgages. It serves as a long-term investment tool for the pension funds and is designed to dampen volatility of overall returns through diversification and to provide long-term rates of return similar to the Mutual Equity Fund. Over the short-term, REF is expected to provide a real rate of return above the rate of inflation during most economic conditions. In periods of rising inflation, REF is expected to add substantially to the performance of the pension funds.

REF's performance objective is an annual total return, net of management fees and operating expenses, which exceeds that of the NCREIF index by 100 basis points, or one percentage point, per annum.

Portfolio Activity

During the fiscal year, the Connecticut Retirement Plans and Trust Funds (CRPTF) worked closely with Pension Consulting Alliance (PCA), its real estate investment consultant on a number of initiatives. PCA assisted the Treasurer and her staff in the development of a Strategic Review and Investment Plan for the REF and due diligence procedures for real estate investing. These steps, along with the IAC's approval of the Asset Class Guidelines for the REF, positioned REF to make new investment commitments. One such commitment, in the amount of \$40 million, was made to Connecticut-based Rockwood Capital Real Estate Partners Fund V, L.P., a value-added closed end commingled real estate fund during the fiscal year.

During the latter half of the fiscal year, the REF began implementing its Strategic Review and Investment Plan. To that end, new investment opportunities were considered and liquidation strategies for existing assets that are longer consistent with REF's portfolio objectives were activated. With regard to REF's \$402 million in outstanding commitments, \$43 million remained unfunded at fiscal year end. REF has been notified that roughly \$3 million of this total will not be called. During the fiscal year, REF provided funding of \$20 million to two funds. Distributions received totaled \$105 million.

The Fund also continued its program of opportunistically attempting to sell separate account investments that were acquired in the late nineteen eighties and early nineties. One such asset was sold during the fiscal year. REF continues to position the remaining single-asset investments for sale. The focus during this process is on maximizing returns.

During the fiscal year, the U.S. economy continued to experience economic growth. However the continued slow pace job creation resulted in only modest improvement in occupancy in the office and industrial sectors. The retail sector continued its strong performance while apartments struggled. Despite the absence of strong underlying fundamentals for most property types, historically high capital flows into real estate from institutional and individual investors and continued low interest rates helped to maintain asset values. This was especially true for well located assets in major cities with minimal vacancy and strong tenant rosters and avoided other properties.

Portfolio Characteristics

Real Estate investment is a complex and intensive asset management process. REF's investments are restricted by policy to the purchase of shares in group annuities, limited partnerships, group trusts, corporations, and other indirect ownership structures managed by professional commercial real estate investment firms. At June 30, 2004, the portfolio consisted of 11 externally managed portfolios, with 21% of the Fund's net assets invested in real estate separate accounts, 72% invested in commingled funds and 7% invested in cash and other net assets.

The Fund's ten largest holdings aggregated to 93.1% of REF investments. (See figure 5-12.)

As currently structured, office properties constitute the single largest component of REF's portfolio at 23%, with industrial (2%), retail (14%), apartments (7%), and hotel (11%) comprising 57% of the Fund. The "other" category, which accounts for 43% of net assets, includes significant exposures in senior living (20%), mixed-use (3%) and timberland (5%). The balance of the portfolio is comprised of distribution facilities, land, storage facilities, and cash and other monetary assets. (See figure 5-7.)

The portfolio is reasonably well diversified geographically with 30% of its assets invested in the East, 18% in the West, 29% in the South, and 6% in the Midwest. The remaining 17% is comprised of "other" and includes investments distributed nationally across the U.S. (6%), and internationally (5%), while cash and other net assets account for the remainder (6%). (See figure 5-6.)

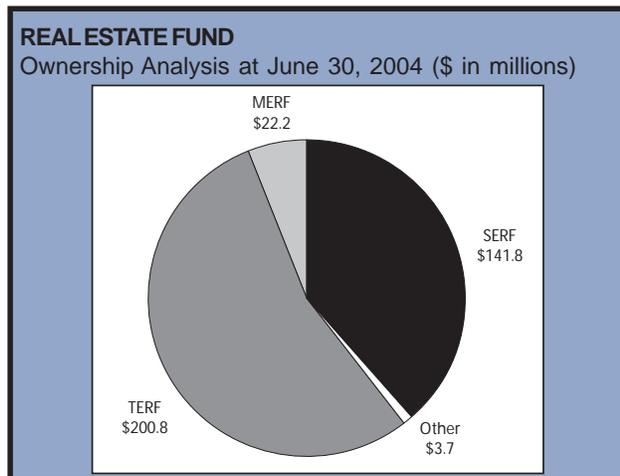
Risk Profile

Given REF's investments policy and objectives, the Fund is exposed to several forms of risk. These include risks attendant to alternative investments, such as management, operations, market, and liquidity risk, but also include geographic, financing, and construction risks specific to real estate investments.

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

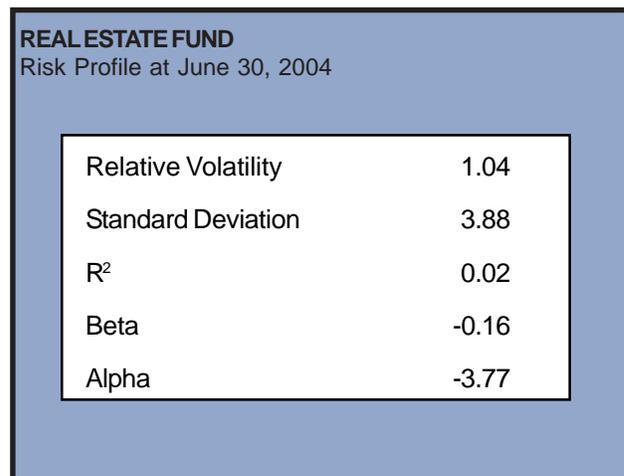
As shown below, based on returns over the last five years, the Fund has exhibited substantially more volatility than its benchmark. The Fund's statistics are consistent with its extraordinarily low R2 of 0.02, signifying almost no correlation between Fund returns and those of the benchmark. Its beta of negative 0.16 indicates little sensitivity to overall fluctuations in the benchmark. In the aggregate, the Fund's monthly alpha, or return relative to that achieved by the benchmark, was negative 3.77 over the five-year time period. (See figure 5-2.)

Figure 5-1



TERF - Teachers' Retirement Fund
SERF - State Employees Retirement Fund
MERF - Connecticut Municipal Employees' Retirement Fund

Figure 5-2



(1) Based upon returns over the last five years.

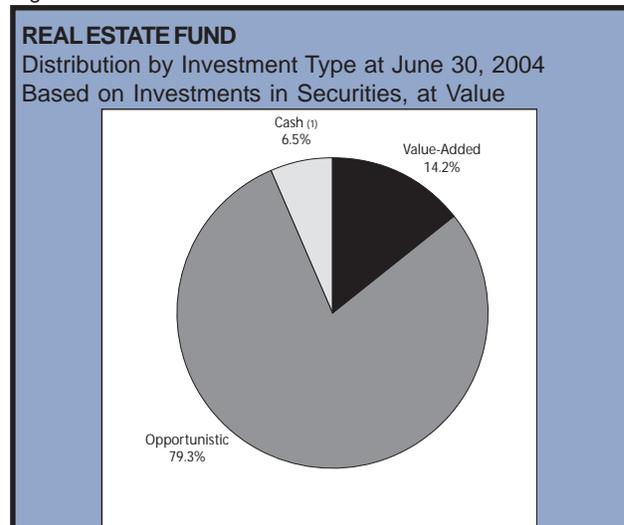
Figure 5-3

REAL ESTATE FUND
Investments Analysis ⁽¹⁾

At	No. of REF Investments	REF Book Value	REF Market Value
6/30/2004	10	324,142,113	344,673,596
6/30/2003	10	393,641,512	420,132,363
6/30/2002	10	413,693,249	467,819,628
6/30/2001	10	403,106,638	471,662,581
6/30/2000	11	434,881,420	478,966,334
6/30/1999	14	395,221,763	380,769,286
6/30/1998	20	407,989,996	379,124,673
6/30/1997	24	540,133,490	475,213,540
6/30/1996	41	1,111,459,897	924,414,185
6/30/1995	51	1,185,277,530	1,055,418,296

(1) Number of investments in annuities, partnerships, corporations, and trusts, excluding the Cash Reserve Account.

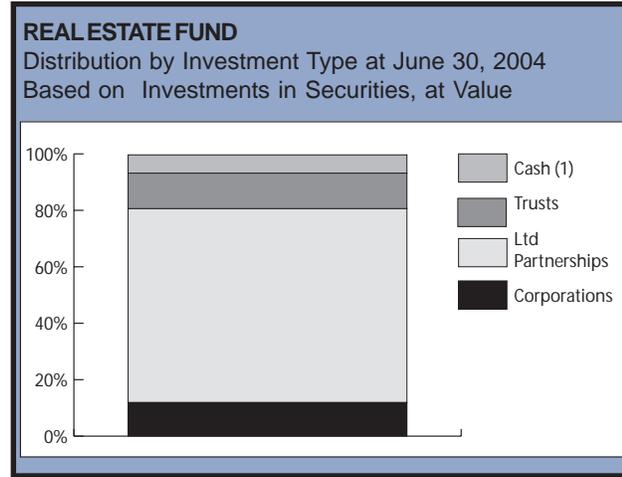
Figure 5-4



(1) Cash Reserve Account and other monetary assets.

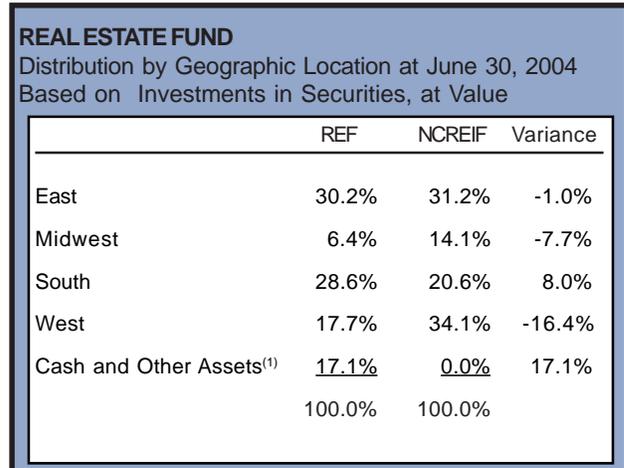
CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 5-5



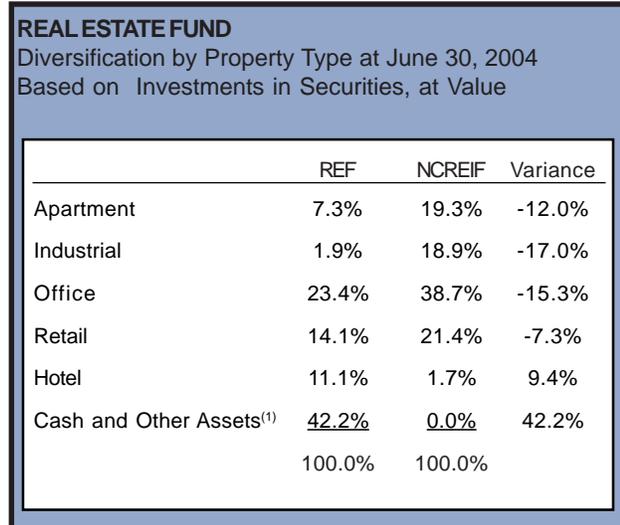
(1) Cash Reserve Account.

Figure 5-6



(1) Includes national (5.9%) and non-U.S. (4.7%) and cash and monetary assets (6.5%).

Figure 5-7



(1) Other includes senior living (19.7%), real estate securities (5.4%), mixed use (2.7%), land (0.4%), timberland (4.8%), storage facilities (1.6%), distribution facilities (1.1%) and cash and other assets (6.5%).

Figure 5-8

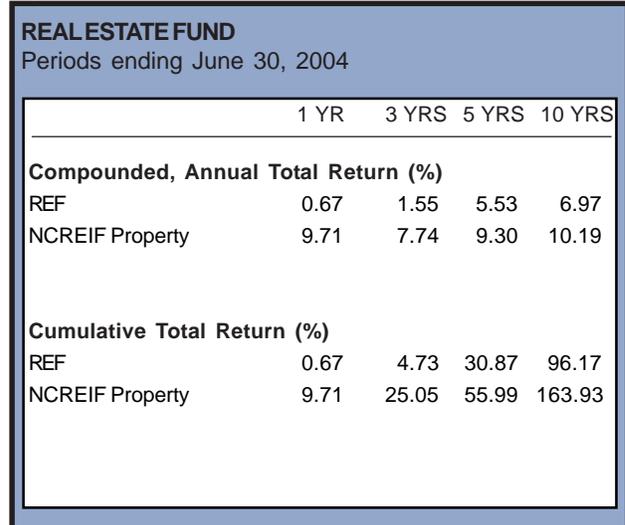


Figure 5-9

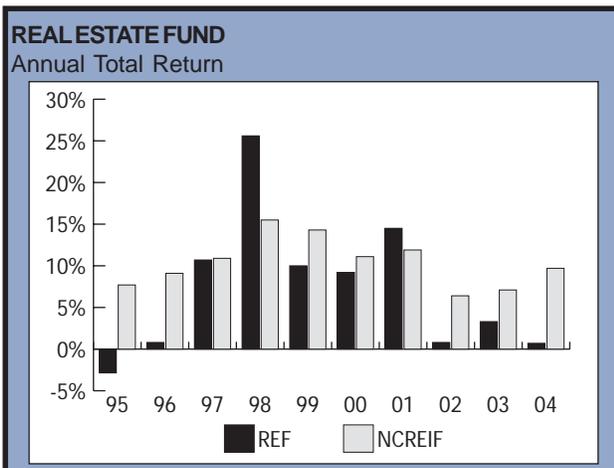
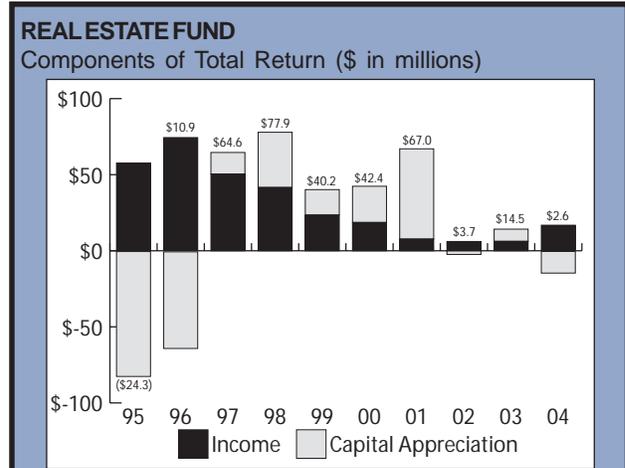


Figure 5-10



CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 5-11

REAL ESTATE FUND		
Investment Advisors at June 30, 2004		
Investment Advisor	Net Asset Value	% of Fund
AEW Capital Management	\$119,384,806	32.39%
Westport Senior Living	67,336,094	18.27%
Walton Street Real Estate	61,606,084	16.72%
Apollo Real Estate	56,057,060	15.21%
Evergreen Investments	17,551,042	4.76%
New Boston Fund	12,500,312	3.39%
Rockwood Capital	8,764,335	2.38%
CIGNA Realty Investors	1,313,821	0.36%
Other ⁽¹⁾	24,024,102	6.52%
SUBTOTAL REF	\$368,537,656	100.00%

Figure 5-12

REAL ESTATE FUND			
Ten Largest Holdings at June 30, 2004			
Property Name	Type	Market	
		Value	%
Westport Sr. Living Inv FD	Sr Living	\$67,336,094	18.27%
Walton Street RE II LP Fnd 2	Various	61,606,084	16.72%
AEW Partners III	Various	59,388,204	16.11%
Apollo Real Est Invest Fd III	Various	56,057,060	15.21%
Union Station LTD LP	Mixed	33,743,600	9.16%
Goodwin Square	Mixed	26,253,002	7.12%
Timberland Fund A - Duplin	Timber	15,392,417	4.18%
New Boston Fund IV	Various	12,500,312	3.39%
Rockwood Captial Fund V	Various	8,764,335	2.38%
Timberland Fund A - Ball's Qtr.	Timber	2,158,625	0.59%
Top Ten		\$343,199,733	93.13%

(1) Other represents funds earmarked for distribution to participants, reinvestment, and expenses.

2004 mutual fixed income fund

Fund Facts at June 30, 2004

Investment Strategy/Goals: To invest in interest bearing securities, thereby providing diversification to the retirement funds' overall performance in different economic environments.

Performance Objective: To achieve a net return that exceeds its composite benchmark by 65 - 135 basis points per annum, over rolling three to five year periods.

Benchmark: 73% LB Aggregate, 17% Citigroup High Yield Market Index and 10% JPM Emerging Markets Bond Index.

Date of Inception: July 1, 1972

Total Net Assets: \$5,849,441,230

Number of Advisors: 8 external

Management Fees: \$8,070,224

Operating Expenses: \$783,936

Expense Ratio: 0.14%

Turnover: 359.1%

Performance Summary

For the fiscal year ended June 30, 2004, the Mutual Fixed Income Fund (MFIF) generated a total return of 2.79% net of fees, outperforming the hybrid benchmark return of 2.44% by 35 basis points. Positive manager performance was the key driver to the MFIF surpassing its benchmark. Comparative returns from other indexes include: The Citigroup High Yield Market Index 10.36%, and JP Morgan Emerging Markets Bond Index 4.76% (JP EMBI+).

During the fiscal year, the Fund decreased \$760 million, from \$6.609 billion to \$5.849 billion. Of this total, the primary factor was \$880 million of net cash outflows to participating Pension and Trust Funds, in addition to \$268 million from unrealized losses partly offset by \$319 million resulting from net investment income and \$69 million in realized gains.

For the trailing three, five and ten-year periods, MFIF's compounded annual total return was 6.75%, 6.81% and 7.64% respectively, net of fees. These returns were essentially close to those of the Fund's benchmark for the ten year period, but were behind the benchmark for the three and five-year periods by 0.77 and 0.68 basis points respectively.

The cumulative total returns for the three, five, and ten-year periods ending June 30, 2004, were 21.65%, 38.99% and 108.85%, respectively.

Description of the Fund

The Mutual Fixed Income Fund is an externally managed fund investing primarily in domestic fixed income securities. The Fund serves as an investment tool for the Pension and Trust Funds with the goal of reducing volatility in returns under various economic scenarios. Fixed income securities represent fixed, variable, and zero coupon bonds issued by the federal and state governments, foreign governments, domestic and international corporations, and municipalities. During periods of low inflation, fixed income investments may enhance the overall performance of the Pension and Trust Funds, while in times of moderate inflation and high nominal interest rates, these investments may contribute satisfactory investment returns.

During fiscal year 2002, the Office of the Treasurer conducted a structure review for the Fund as part of its continuing implementation of the Asset Allocation Policy and strategy for the Mutual Fixed Income Fund.

At June 30, 2004, eight advisors managed investments in the Fund. The Fund's investments were allocated to five advisors investing approximately 79% of the portfolio in core/core-plus strategies, and three advisors actively investing 14% of the portfolio in domestic high yield strategies. A few managers were allowed to expand their investment opportunity set to include below investment grade bonds and/or international bonds; these mandates have been classified as core-plus strategies. (See figure 6-11.)

Since inception, the MFIF's objective has been an annual return, net of management fees and operating expenses, of 50 basis points in excess of the LB Aggregate, which is widely considered to be parallel to the performance of the U.S. bond market. During fiscal year 2000, another performance measurement benchmark for the MFIF was added to reflect the Fund's strategic allocation to other fixed income markets, such as high yield securities and emerging market debt. The new benchmark is a hybrid comprising 73% LB Aggregate, 17% Citigroup High Yield Market Index, and 10% JP EMBI+, and the Fund's goal is to exceed the return of the hybrid index by 50 basis points annually. It is expected that during the next fiscal year the guidelines and contracts of new managers to complete the full structure will be completed, and this hybrid benchmark will become the primary benchmark for MFIF.

Portfolio Characteristics

MFIF continues to be well diversified across the spectrum of available fixed income securities. The Fund maintained a strong concentration in corporate securities, comprising approximately 29.0% of the Fund's investment securities at fiscal year-end. The Fund also maintained a strong concentration in government securities at 48.1%, compared to 34.5% for the benchmark. Sector concentrations differed from those comprising the LB Aggregate, reflecting the collective allocations of the Fund's active investment advisors. The Fund's average quality rating was AA-2, as judged by Moody's Investor Services, supported by its 55.3% concentration in mortgage-backed, U.S. Treasury, and Agency securities. Relative to the Index, MFIF held a lesser degree of below investment grade securities including emerging market debt. (See figure 6-4.)

At fiscal year end, 88.0% of Fund investments were in fixed income securities with the balance held in cash and cash equivalents.

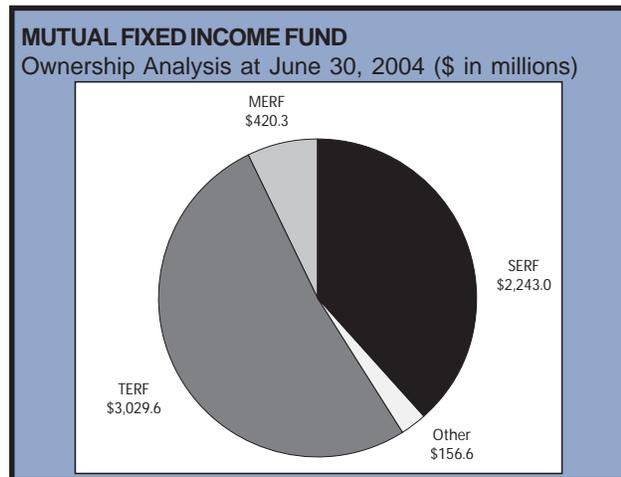
Risk Profile

Given MFIF's investment policies and objectives, the Fund is exposed to several forms of risk. These include, but are not limited to, purchasing power risk, default risk, reinvestment risk, and market risk. In addition, the Fund is occasionally exposed to political and economic risk and currency risk resulting from investments in international fixed income securities.

In fixed income investing, returns are extremely sensitive to changes in market interest rates. As such, the longer the time to maturity of a fixed income investment (and the resultant increase in time during which interest rates may change), the greater the level of risk assumed. To measure the degree of MFIF's price sensitivity to changes in market interest rates, the Fund's duration, or the weighted average time period over which cash flows are received by the investor, is monitored. At June 30, 2004, the Fund held a duration-neutral stance relative to the LB Aggregate Index of 4.8 years. While often viewed as an indicator of risk, duration can, if managed effectively, contribute significantly to total Fund returns. (See figure 6-3)

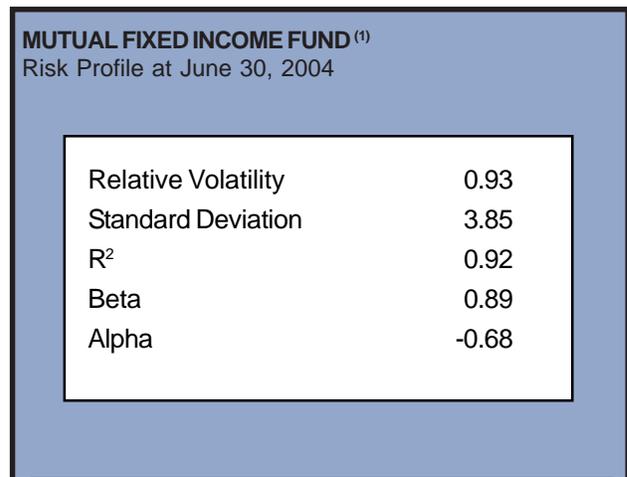
CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 6-1



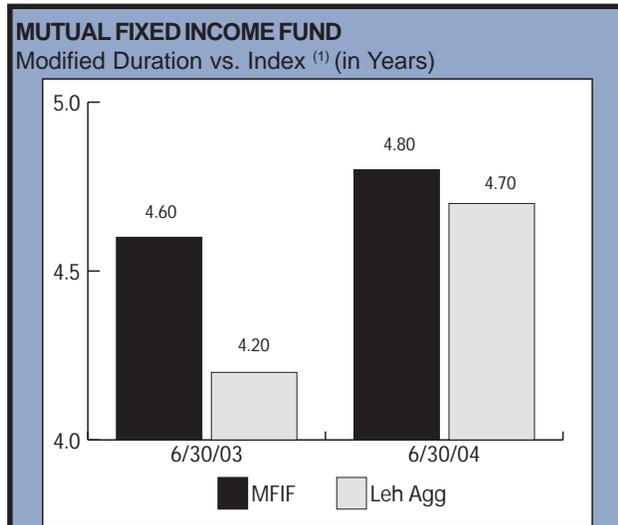
TERF - Teachers' Retirement Fund
SERF - State Employees Retirement Fund
MERF - Connecticut Municipal Employees' Retirement Fund

Figure 6-2



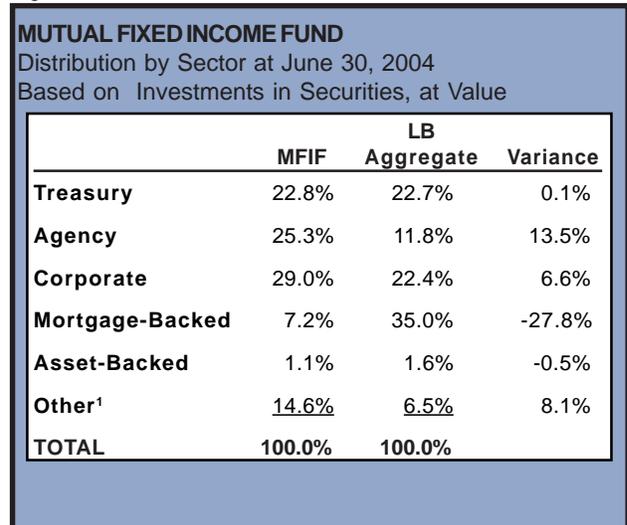
(1) Based upon returns over the last five years.

Figure 6-3



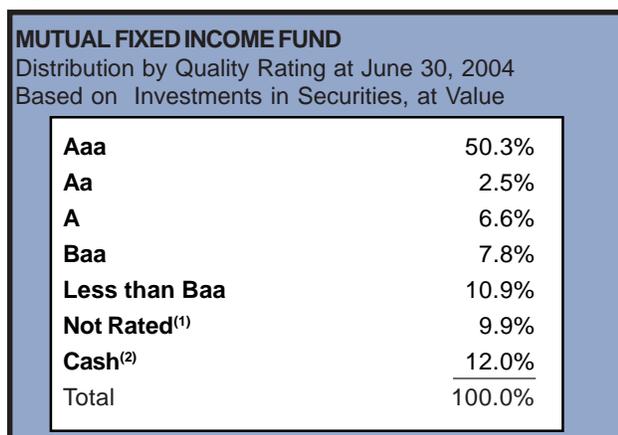
(1) Computed without the effect of Cash and other Net Assets.

Figure 6-4



(1) Other category includes non fixed-income securities such as common and preferred stock and convertible securities, cash and other assets.

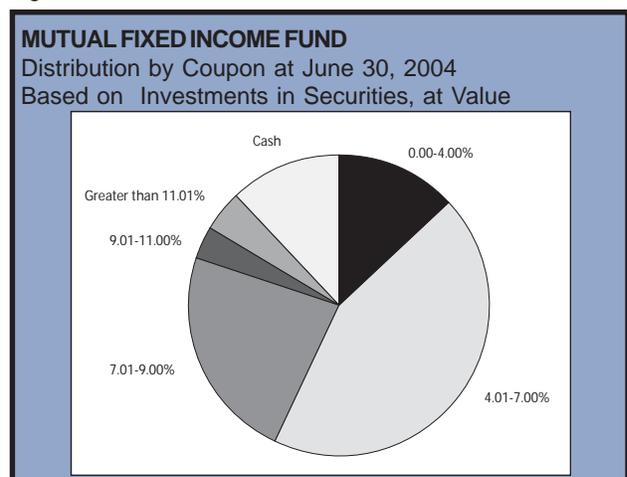
Figure 6-5



(1) Represents securities for which ratings are unavailable.

(2) Represents monies invested in the Cash Reserve Account and cash equivalents.

Figure 6-6



CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 6-7

MUTUAL FIXED INCOME FUND	
Macauley Duration Distribution at June 30, 2004 Based on Investments in Securities, at Value	
0-3 Years	24.8%
3-5 Years	25.9%
5-7 Years	18.3%
7-10 Years	7.9%
10+ Years	7.5%
Unknown⁽¹⁾	3.6%
Cash⁽²⁾	12.0%
Total	100.0%

- (1) Represents securities for which the Macauley Duration could not be calculated by the custodian.
 (2) Represents monies invested in the Cash Reserve Account and cash equivalents.

Figure 6-8

	1 YR	3 YRS	5 YRS	10 YRS
MUTUAL FIXED INCOME FUND				
Periods ending June 30, 2004				
Compounded, Annual Total Return (%)				
MFIF	2.79	6.75	6.81	7.64
MFIF Hybrid Benchmark	2.44	7.52	7.49	7.66
Cumulative Total Return (%)				
MFIF	2.79	21.65	38.99	108.85
MFIF Hybrid Benchmark	2.44	24.31	43.52	109.15

Figure 6-9

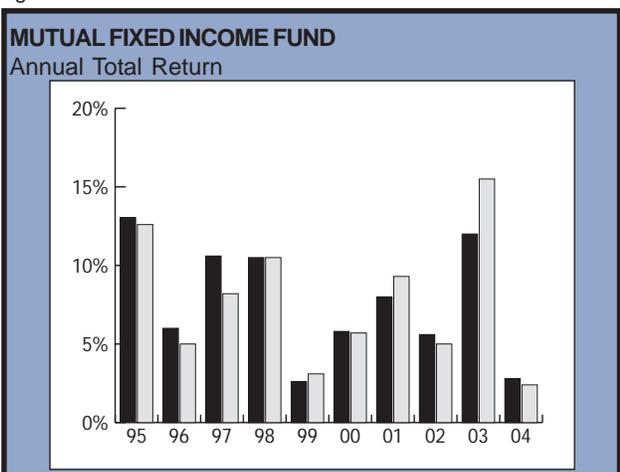


Figure 6-10

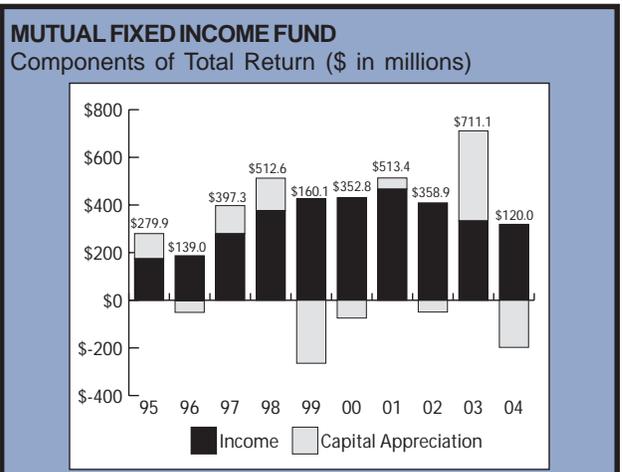


Figure 6-11

MUTUAL FIXED INCOME FUND		
Investment Advisors at June 30, 2004		
Investment Advisor	Net Asset Value	% of Fund
Core	\$4,619,675,122	78.98%
State Street Global Advisors	1,305,951,067	22.33%
BlackRock Financial Mgmt, Inc.	1,116,913,320	19.10%
Wellington	1,019,607,641	17.43%
Western Asset Management Co.	865,870,535	14.80%
Phoenix	311,332,559	5.32%
High Yield	\$41,286,836	14.38%
Loomis Sayles & Co., Inc.	343,271,448	5.87%
W.R. Huff Asset Management	269,642,196	4.61%
Oaktree Capital Management, LLC	228,373,192	3.90%
Other⁽¹⁾	\$388,479,272	6.64%
SUBTOTAL MFIF	\$5,849,441,230	100.00%

(1) Other represents funds earmarked for distribution to participants, reinvestment, and expenses.

Figure 6-12

MUTUAL FIXED INCOME FUND			
Ten Largest Holdings at June 30, 2004			
Security Name	Maturity	Market Value	%
GNMA TBA	12/01/2034	\$99,812,500	1.58%
U.S. Treasury Notes	05/31/2006	91,656,843	1.45%
U.S. Treasury Notes	05/15/2014	88,813,725	1.41%
Federal Natl Mtg Assn Dis Nts	07/09/2004	79,348,078	1.25%
FNMA TBA	12/01/2034	64,167,425	1.01%
GNMA TBA	12/01/2034	63,858,755	1.01%
Federal Home Ln Mtg Dis Nts	07/27/2004	44,861,862	0.71%
FNMA TBA	12/01/2034	41,799,916	0.66%
GNMA TBA	12/01/2034	38,546,063	0.61%
FNMA TBA	12/01/2034	37,829,529	0.60%
Top Ten		\$650,694,696	10.29%

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 6-13

MUTUAL FIXED INCOME FUND										
Comprehensive Profile for the Fiscal Years ending June 30,										
	2004		2003		2002		2001		2000	
	MFIF	LB Agg								
Number of Issues	4,566	6,976	4,319	7,472	4,071	6,892	3,633	6,414	3,226	5,974
Average Coupon	5.90%	5.40%	6.20%	6.10%	6.60%	6.50%	6.90%	6.90%	7.00%	7.00%
Yield Maturity	5.20%	4.60%	4.50%	3.40%	6.50%	5.30%	7.60%	6.20%	8.20%	7.20%
Average Maturity	7.70	6.70	7.50	6.20	8.40	7.30	9.70	8.30	9.70	8.50
Modified Duration ⁽²⁾	4.80	4.70	4.60	4.20	4.70	4.40	5.30	4.80	5.40	4.90
Average Quality	AA-2	AA-1	AA-3	AA-1	AA-3	AA-1	AA-3	AA-1	AA-3	AAA
Cash ⁽¹⁾	12.0%	0.0%	12.8%	0.0%	10.9%	0.0%	10.3%	0.0%	13.0%	0.0%

(1) Includes funds invested in the Cash Reserve Fund.

(2) Compounded without the effect of Cash and Other Net Assets.

Figure 6-14

MUTUAL FIXED INCOME FUND					
Quarterly Current Yield ⁽¹⁾ vs. Indices (%)					
	6/30/04	3/31/04	12/31/03	9/30/03	6/30/03
MFIF	5.06	4.72	5.15	5.32	5.12
Leh Agg	5.17	5.06	5.22	5.27	5.33
Citigroup 3 Month T-Bill	1.32	0.94	0.93	0.94	0.85
Lehman Treasury	4.49	4.34	4.50	4.56	4.57
Lehman Agency	4.21	4.15	4.36	4.37	4.34
Lehman Mortgage	5.45	4.39	5.48	5.60	5.78
Lehman Corporate	5.87	5.67	5.95	5.84	5.92
Lehman Asset Backed	4.48	4.39	4.70	4.74	4.64

(1) Current Yield represents annual coupon interest divided by the market value of securities.

2004 commercial mortgage fund

Fund Facts at June 30, 2004

Investment Strategy/Goals: To achieve yields in excess of those available on domestic fixed income securities by investing in mortgages on income producing property or in commercial mortgage backed securities (CMBS).

Performance Objective: An annual total return which is one percentage point greater than that of the Lehman Aggregate Index after expenses.

Benchmark: Lehman Aggregate Index

Date of Inception: November 2, 1987

Total Net Assets: \$36,404,476

Number of Advisors: 1 external

Management Fees: \$327,489

Operating Expenses: \$11,508

Expense Ratio: 0.62%

Performance Summary

For the fiscal year ended June 30, 2004, the Commercial Mortgage Fund (CMF or the Fund) generated a return of 7.87%, net of management fees and operating expenses, significantly out performing the Lehman Aggregate Bond Index (LABI) of 0.32% by 755 basis points. The Fund's favorable performance is attributable to its yield advantage versus the benchmark, a significant prepayment penalty received and a shorter portfolio duration relative to the LABI during a period of rising interest rates.

During the fiscal year, CMF assets declined from \$72 million to \$36 million, a decrease of \$36 million. This decrease was due to cash outflows to the Fund's unit holders of \$39 million offset by \$3 million generated by operations. The outflows were paid from loan maturity and amortization proceeds. The \$3 million generated from operations consisted of \$4 million of net operating income and \$1 million of unrealized loss.

For the trailing three, five, and ten-year periods, CMF's total compounded annual portfolio return was 9.60%, 9.59% and 10.30%, respectively, net of all expenses. The Fund's results over the three, five and ten-year periods exceeded the benchmark by 324 basis points, 264 basis points and 291 basis points, respectively. (See figure 7-7.)

Description of the Fund

CMF is an externally managed fund that holds mortgages on income-producing commercial property. Established in 1987, it serves as a fixed income investment tool for the pension plans with the goal of realizing yields in excess of those available from traditional domestic fixed income securities, while accepting slightly greater credit risk.

CMF's investment assets consist of an externally managed portfolio of commercial real estate mortgage loans and interests in Yankee Mac pooled residential mortgage-backed securities, created pursuant to a previous Connecticut State Treasury program.

The Fund's performance objective is an annual total return, net of management fees and operating expenses, which exceeds that of Lehman Aggregate Index by 100 basis points.

Portfolio Activity

At June 30, 2004, the Fund consisted of four commercial mortgage loans with a combined value of \$35.0 million and seven residential mortgage pools with a combined value of 0.7 million. The balance of the Fund's assets consisted of short-term cash investments. During the fiscal year two portfolio loans were paid off. These payments resulted in the receipt of \$11.1 million including a \$0.8 million prepayment penalty. The Fund continued to be inactive regarding new loans and is being managed to maximize the total return on its remaining holdings.

In the fiscal year ended June 30, 2004, the U.S. economic growth became more robust than in the previous year. This expansion appears to be self sustaining and the overall economic outlook for the U.S. appears to be improving. However, this optimism is tempered by the prospects of higher interest rates and energy prices and the unsettled global economic and security situation. The Federal Reserve Board has begun increasing the short term Federal Funds Rate and is expected to continue doing so in a consistent and measured way. Still interest rates, in general, have stayed relatively low. Over the past year such rates have helped to support strong valuations in both real property and seasoned, high yielding mortgage loans such as those held by the CMF despite the weak property market fundamentals.

Portfolio Characteristics

As its existing loans mature, portfolio diversification has been decreasing. The largest portion of the Fund's net assets, 64%, was invested in residential sector at fiscal year-end, followed by 18% in a ground lease and 17% in the hotel sector. (See figure 7-4.) The Fund has some diversification across geographic regions with 20% of investments located in the Northeast, 34% in the East North Central, and 45% in the Mountain region. (See figure 7-5.)

The CMF's ten largest holdings aggregated to 99% of Fund investments. (See figure 7-11.)

The portfolio is healthy from a credit risk standpoint. CMF had no delinquent or non-performing loans at fiscal year end. One of the Fund's investments in the amount of \$6.2 million is scheduled to mature in the next 12 months.

Risk Profile

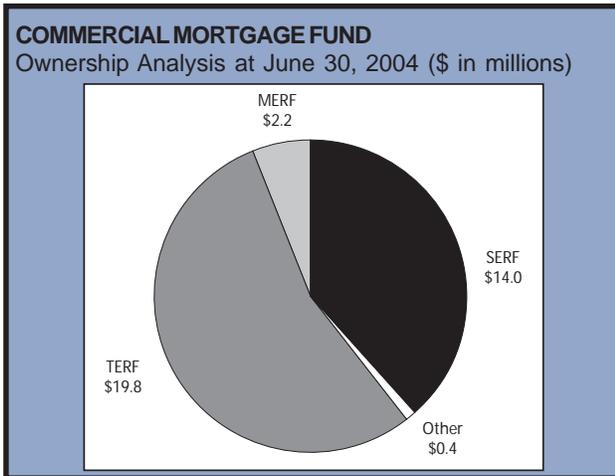
Given CMF's investment policies and objectives, the Fund is exposed to several forms of risk. These include risks specific to fixed income investing, such as purchasing power risk, market risk, and default risk. Moreover, falling interest rates subject commercial mortgages to the risk of prepayment, thereby shortening investors' assumed time horizon and exposing them to reinvestment risk. However, yield maintenance-based prepayment penalties, which are included in the majority of the Fund's commercial mortgage investments, help minimize this risk.

To measure the Fund's price sensitivity to changes in market interest rates, the Fund's duration, or weighted average time period over which cash flows are received by the investor, is monitored. At June 30, 2004, the Fund's duration was 3.0 years versus 4.7 years for the Lehman Aggregate Index. Therefore, the Fund is less sensitive to interest rate changes than the Lehman Aggregate Index.

Based on returns over the last five years, the Fund's risk profile is similar to that of the Lehman Aggregate Index. With a relative volatility of 1.62, its returns are slightly more volatile than the index; however, its returns show modest correlation to those achieved by the benchmark. The Fund's beta of 0.16 signifies a limited amount of sensitivity to movements in the Index as a whole. CMF's five-year monthly alpha, or return in excess of that predicted by returns in the overall market, at June 30, 2004 was 2.63. (See figure 7-2.)

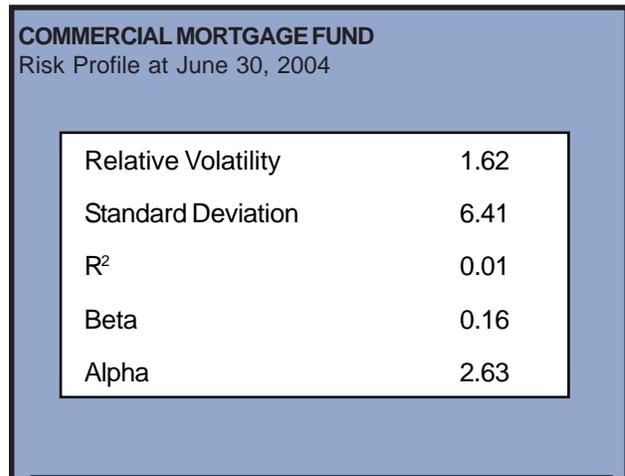
CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 7-1



TERF - Teachers' Retirement Fund
SERF - State Employees Retirement Fund
MERF - Connecticut Municipal Employees' Retirement Fund

Figure 7-2



(1) Based upon returns over the last five years.

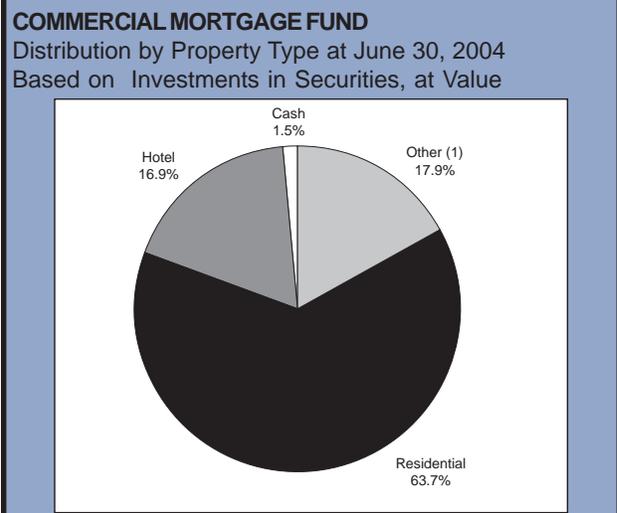
Figure 7-3

COMMERCIAL MORTGAGE FUND
Quarterly Current ⁽¹⁾ Yield Analysis

	CMF	LB Aggregate
06/30/2004	8.99%	5.17%
03/31/2004	8.98%	5.06%
12/31/2003	8.98%	5.22%
09/30/2003	8.93%	5.27%
06/30/2003	8.93%	5.33%

(1) Current Yield represents annual coupon interest divided by the market value of securities.

Figure 7-4



(1) Includes senior ground leases.

Figure 7-5

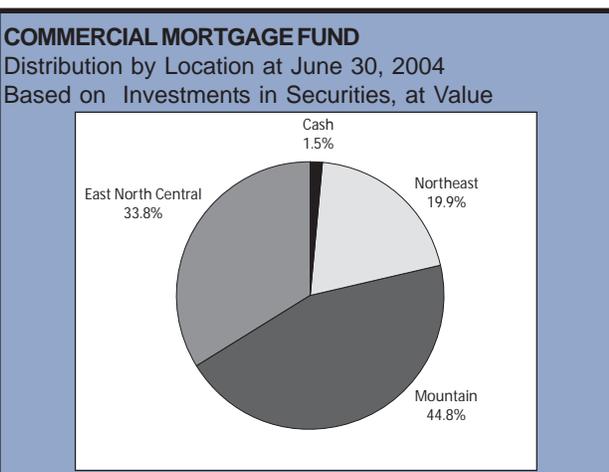
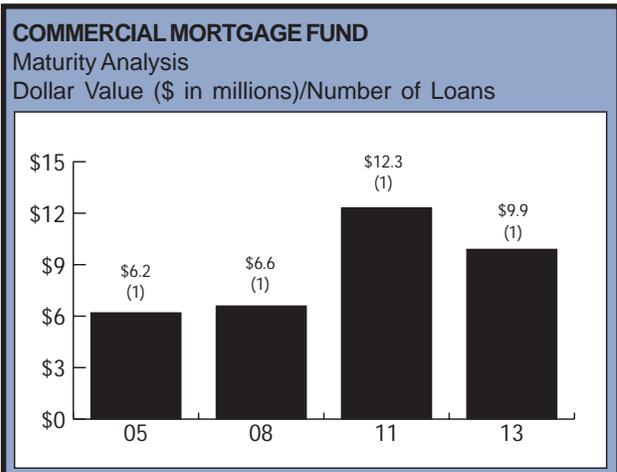


Figure 7-6



CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 7-7

	1 YR	3 YRS	5 YRS	10 YRS
COMMERCIAL MORTGAGE FUND				
Periods ending June 30, 2004				
Compounded, Annual Total Return (%)				
CMF	7.87	9.60	9.59	10.30
Lehman Agg	0.32	6.36	6.95	7.39
Cumulative Total Return (%)				
CMF	7.87	31.66	58.04	166.42
Lehman Agg	0.32	20.33	39.94	103.94

Figure 7-8

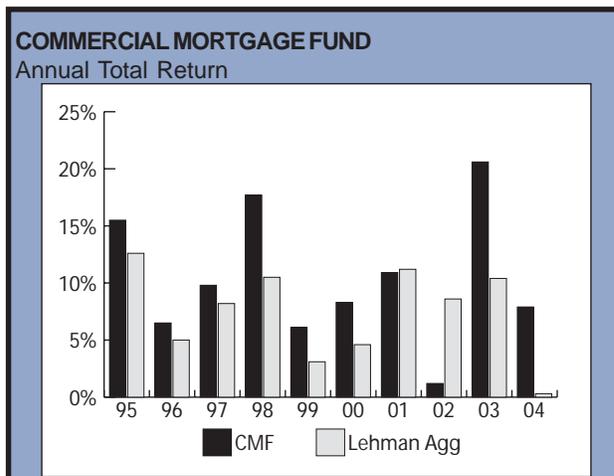


Figure 7-9

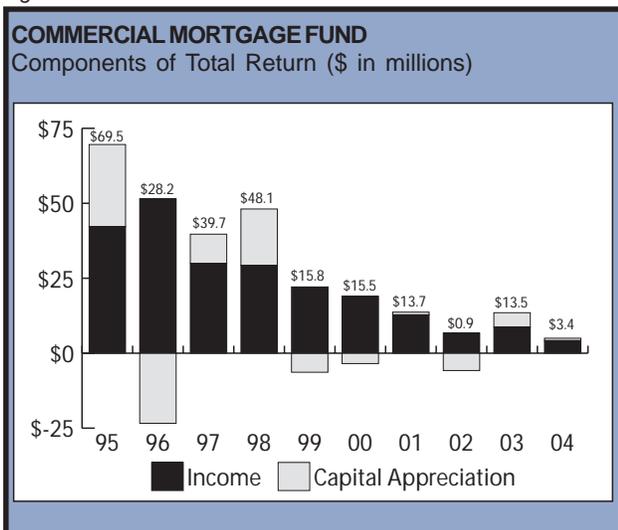


Figure 7-10

Investment Advisor	Net Asset Value	% of Fund
AEW Capital Management	\$35,217,330	96.74%
Other ⁽¹⁾	1,187,146	3.26%
SUBTOTAL CMF	36,404,476	100.00%

(1) Other also includes residential mortgage-backed securities for the Commercial Mortgage Fund.

Figure 7-11

Property Name	Property Type	Market Value	%
SASCO	Other	\$16,576,596	45.76%
Greenhill Apts	Residential	12,308,749	33.97%
Sheraton Denver West	Hotel	6,157,218	17.00%
Yankee Mac E 11.056%	Residential	301,018	0.83%
Yankee Mac G 11.125%	Residential	142,422	0.39%
Yankee Mac F 12.981%	Residential	117,808	0.33%
Yankee Mac B 14.121%	Residential	39,341	0.11%
Yankee Mac C 14.1505%	Residential	32,097	0.09%
Yankee Mac A 13.075%	Residential	19,656	0.05%
Yankee Mac D 12.1405%	Residential	3,832	0.01%
TOTAL		\$ 35,698,737	98.54%

2004 private investment fund

Fund Facts at June 30, 2004

Investment Strategy/Goals: A long-term asset allocation with the goal of earning returns in excess of the public equity markets through investments in private equity companies.

Performance Objective: To outperform the Standard & Poor 500 Index by 500 basis points at the end of ten years.

Benchmark: Venture Economics All Private Equity Index.

Date of Inception: July 1, 1987

Total Net Assets: \$1,785,366,036

Number of Partnerships: 46 external

Expensed Management Fees ⁽¹⁾: \$5,591,485

Operating Expenses: \$6,191,281

Expense Ratio: 0.65%

Capitalized and Netted Fees: \$31,344,775

(1) See Note 1 to the Financial Statements for a discussion of similar fees incurred at the investment level.

Performance Summary

For the fiscal year ended June 30, 2004, the Private Investment Fund (PIF) generated a 20.21% return. The expansion of the U.S. economy has provided a boost to the private equity market in fiscal 2004. The economy is providing enough positive sentiment for both buyers and sellers of private equity assets to close reasonably priced transactions. The U.S. economy has been expanding at a healthy pace for more than two years, though it slowed modestly in the second quarter of 2004. GDP grew 3% during the second quarter of 2004, versus 4.5% in the first quarter. Most economists expect the economy to regain momentum for the remainder of the year, assuming a drop in energy prices.

Private equity transaction volume has risen sharply over the last few quarters. There were \$29.6 billion in leveraged buyout transactions completed through June 15, 2004, a 26% increase over the same period in 2003, according to Buyouts. This growth in deal volume is largely attributed to the improving economy and favorable financing markets.

The strengthening economy and low interest rates have led to an increase in leverage ratios. According to Standards & Poors Leverage Commentary Data, for the trailing 12 months through March 31, 2004, the total debt to EBITDA multiple for middle market companies was at 4.4 times, versus 4.0 times in 2003 but still below a peak of 5.3 times in 1998. Similarly, equity contributions to leveraged buyout transactions have declined. For the quarter ending March 31, 2004, the average equity contribution was 36.6% versus 39.4% in 2003, but above the 1998 average level of 31.6%.

Transaction prices have also been on the rise in fiscal 2004. Valuation multiples pulled back modestly through March 31, 2004, versus the prior quarter, according to S&P LCD. For leveraged transaction values less than \$250 million, purchase multiples were 6.26x EBITDA versus 6.4x and 5.8x for 2003 and 2002, respectively. Anecdotal evidence, however, suggests that multiples are gradually rising, as corporate buyers have begun to more actively pursue M&A transactions.

Venture capital investment activity continued to increase through the second quarter of the year, with investments totaling \$5.6 billion into 761 companies in the quarter, versus \$5 billion invested in the first quarter of 2004 and \$5.4 billion in the fourth quarter of 2003, according to MoneyTree. Importantly, investments are balanced by stage of company development and industry sector, with no single market segment appearing to be over-funded. Further, companies are operating with lower capital requirements than a few years prior.

The pickup in venture capital investments is linked to resurgence in IPO activity. 29 venture-backed companies raised \$2.1 billion through the IPOs in the second quarter of 2004, according to Thomson Venture Economics. This activity was more than double the first quarter's total of 13 IPOs and represented the most IPOs since the third quarter of 2000, when 87 venture-backed companies went public. In addition to the IPOs during the quarter, there are currently 79 venture-backed companies in registration with the SEC. Compara-

tively, there were 35 venture-backed companies in registration at the end of the third quarter 2003.

During fiscal year 2004, PIF's assets decreased from \$1.848 billion to \$1.785 billion, a decrease of \$63 million. This included net investment income of \$370 million, realized gains of \$7 million, unrealized losses of \$55 million and \$385 million due to net cash outflows from participating pension plans and trusts.

The Fund slightly underperformed the assigned benchmark, which has returned 21.49% for the fiscal year to date. While short-term performance is assessed, the Fund has a long-term perspective in evaluating performance, in that it measures the returns over a 10-year time period. This long-term perspective reflects the illiquid nature of the Fund's underlying partnership holdings that require a meaningful length of time to progress through specific developmental periods. As an additional analysis of long-term performance, Figure 8-5 shows PIF's cumulative total return over the three, five and ten-year periods.

In reporting values for PIF, private market valuations are often imprecise. Accordingly, the PIF investment advisors typically adopt a valuation policy, carrying the investments at cost unless and until there is concrete evidence to write the values up, or reasonable doubt, which indicates that they should be written down. One cause for a write-up would be a successful initial public offering of stock in a private company where the value is determined in an arms-length, public transaction. Likewise, consistently missing important milestones in a company's business plan signifying a reversal in the company's fortunes is considered a reason to write-down the value of an investment. These determinations are made on an on-going basis.

Description of the Fund

The Private Investment Fund (PIF) is an externally managed fund whose strategic focus is divided among six specific areas: venture capital, corporate buyout, mezzanine, fund of funds, special situations, and international funds. The Private Investment Fund serves as a long-term investment tool for the Pension and Trust Funds, with the goal of earning returns in excess of the public equity markets through investments in private equity companies.

This Fund structure allows for experienced industry professionals to manage PIF's assets while allowing the Fund to realize the benefits of a diversified private market portfolio in the areas of investment type, strategic focus, industry type and geographic region. The performance objective of the Fund is to outperform, net of management fees and Division operating expenses over a rolling ten-year period, the Standard & Poor 500 Index by 500 basis points.

Portfolio Characteristics

The Private Investment Fund consists of private equity investments, which include six primary areas of strategic focus:

Buyout focused investments can be defined as controlling or majority investments in private equity or equity-like securities of more established companies on the basis of the company's asset values and/or cash flow.

Fund of Funds investments are investment funds which may have multiple areas of strategic focus. These funds invest in a multiple of selected private equity partnerships that invest in underlying companies.

Venture Capital focused investments can be narrowly defined as investments in the private equity or equity-like securities of developing companies in need of growth or expansion capital. These investments can range from early-stage financing, where a company has little more than a marketable idea, to expansion financing, where a company has a marketable product but requires additional capital to bring the product to market.

Mezzanine Debt focused investments can be defined as investments in securities located between equity and senior debt in the company's capital structure. Mezzanine debt investments offer higher current income than senior debt securities and often offer equity participation features that may take the form of warrants or contingent equity interests.

Special Situations focused investments can be defined as investments in a variety of securities (Debt, Preferred Equity, Common Equity) in portfolio companies at a variety of stages of development (Seed, Early Stage, Later Stage).

International Private Equity focused investments can be defined as investments in private equity or equity-like securities in companies located outside the continental United States. International Private Equity investments often offer more attractive return/risk characteristics as a result of the above average rates of growth available in select international economies.

Through June 30, 2004, the PIF had aggregate capital commitments in the amount of \$3.8 billion to 46 partnerships of which approximately 84 percent, or \$3.2 billion has been "drawn down" for investment purposes while the balance of approximately \$600 million or 16 percent is committed but uninvested. (See Figure 8-6.)

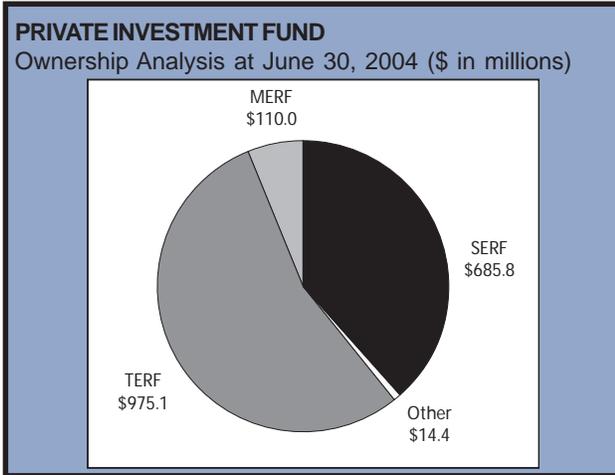
Risk Profile

Given PIF's investment policy and objectives, the Fund is exposed to several forms of risk. These include, but are not limited to, risks attendant with alternative investments, such as management, operations, and product risk, as well as overall liquidity risk. Assuming these risks as part of a prudent, total portfolio strategy enables the Private Investment Fund to participate in the possibility of substantial long-term investment returns.

PIF's risk profile is complex given the valuation judgments and liquidity constraints placed on it due to its alternative investment strategy. PIF's volatility relative to its benchmark is .78 with a correlation .58 for the most recent fiscal year. The Fund has returned an annual alpha, or return relative to that predicted by its benchmark, of negative 2.29 (See Figure 8-2.)

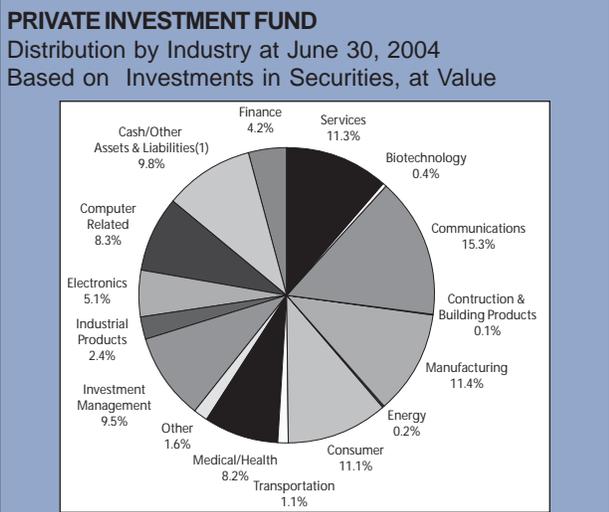
CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 8-1



TERF - Teachers' Retirement Fund
SERF - State Employees Retirement Fund
MERF - Connecticut Municipal Employees' Retirement Fund

Figure 8-3



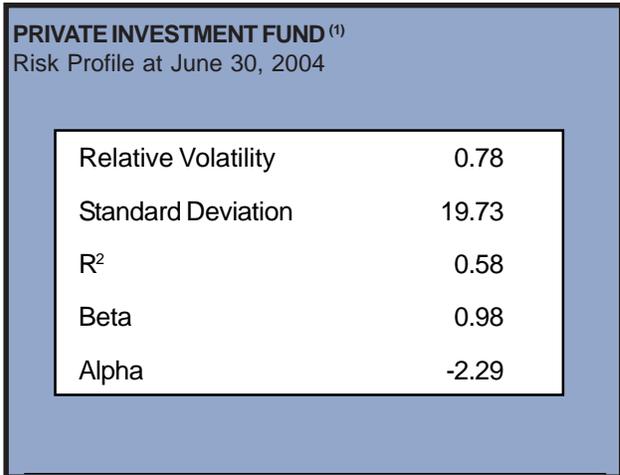
(1) Includes Cash Reserve Account and cash and other assets at the partnership level.

Figure 8-5

PRIVATE INVESTMENT FUND
Periods ending June 30, 2004

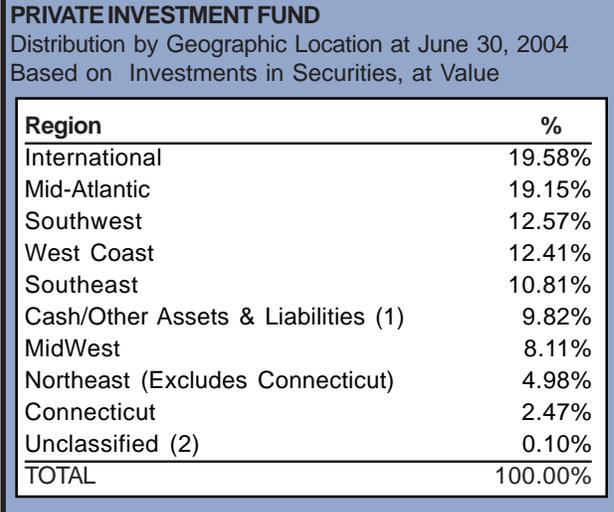
	1 YR	3 YRS	5 YRS	10 YRS
Compounded, Annual Total Return (%)				
PIF	20.21	-1.90	6.37	11.57
S & P 500	19.11	-0.69	-2.21	11.83
Venture Economics				
All Private Equity	21.49	-3.06	8.66	17.50
Cumulative Total Return (%)				
PIF	20.21	-5.59	36.18	198.77
S & P 500	19.11	-2.07	-10.55	205.81
Venture Economics				
All Private Equity	21.49	-8.90	51.48	401.43

Figure 8-2



(1) Based upon returns over the last five years.

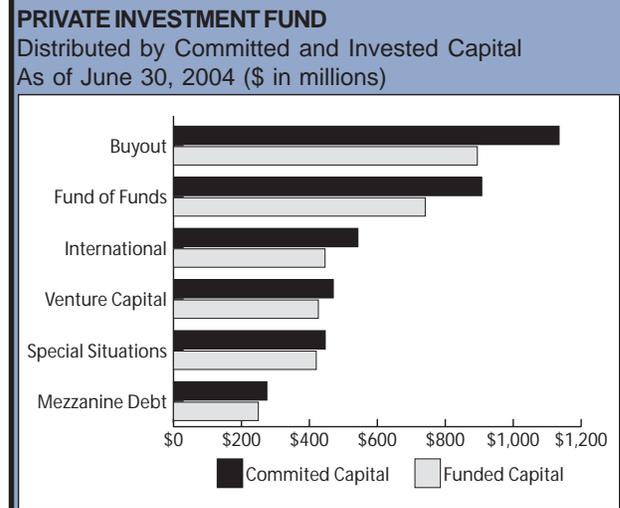
Figure 8-4



(1) Includes the Cash Reserve Account and cash and other assets at the partnership level.

(2) Unclassified represents fund of funds investments where region information could not be obtained.

Figure 8-6



CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 8-7

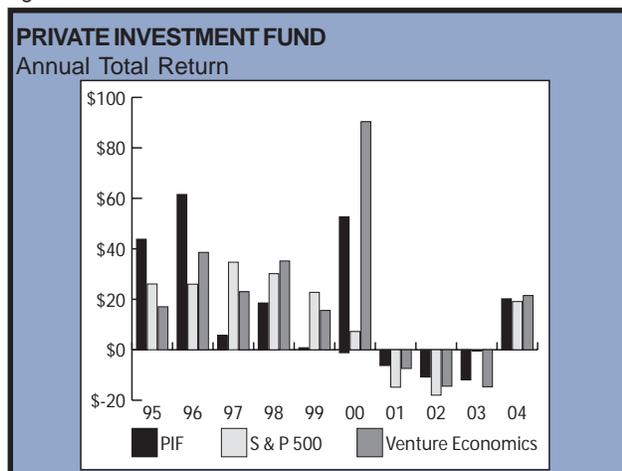


Figure 8-8

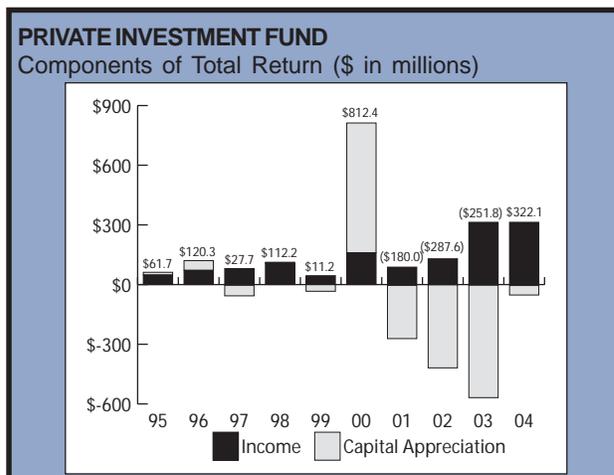


Figure 8-9

PRIVATE INVESTMENT FUND Ten Largest Holdings at June 30, 2004

Partnership Name	Partnership Type	Market Value	%
Constitution Liquidating Fund	Fund of Funds	\$188,733,374	10.59%
Compass Partners European Equity Fund	International	128,517,912	7.21%
Hicks, Muse Tate & Furst Equity Fund III	Buyout	99,325,655	5.58%
Carlyle Europe Partners	International	93,108,125	5.23%
Landmark Private Equity Fund VIII	Fund of Funds	74,809,087	4.20%
Gilbert Global Equity Partners	International	73,709,355	4.14%
Washington & Congress Capital Partners	Special Situations	62,577,487	3.51%
Welsh Carson Anderson & Stowe Capital Partners III	Special Situations	61,793,460	3.47%
SW Pelham Fund	Mezzanine	59,843,450	3.36%
AIG Global Emerging Markets Fund	International	44,983,108	2.53%
Top Ten		\$887,401,013	49.82%

Figure 8-10

PRIVATE INVESTMENT FUND New Investments Made in Fiscal Year 2004⁽¹⁾ (in Excess of \$3 Million)

Partnership Name	Market Value	Partnership Type	Inv. Date
KPS Special Situations Fund II	\$4,920,813	Special Situations	February-04
FS Equity Partners V	\$4,749,891	Buyout	March-04
Total	\$9,670,704		

(1) These represent new private equity partnerships that were invested in by the Fund during fiscal year 2004.

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 8-11

PRIVATE INVESTMENT FUND

Investment Advisors at June 30, 2004

Investment Advisor	Net Asset Value	% of Fund
Buyout	\$495,296,733	27.74%
Hicks, Muse Tate & Furst Equity Fund III	99,325,655	5.56%
Thomas H. Lee Equity Fund IV	40,530,051	2.27%
Welsh Carson Anderson & Stowe VIII	38,138,425	2.14%
Forstmann Little Equity Fund VI	35,351,099	1.98%
DLJ Merchant Banking Fund II	34,349,185	1.92%
Kelso Investment Associates VI	31,968,776	1.79%
SCP Private Equity Partners	31,336,425	1.75%
KKR 1996 Fund	27,680,766	1.55%
Blackstone Capital Partners III	27,517,777	1.54%
KKR Millennium Fund	23,014,967	1.29%
Veritas Capital Fund	21,951,468	1.23%
Green Equity Investors III	21,387,859	1.20%
Thayer Equity Investors IV	19,927,426	1.12%
Wellspring Capital Partners III	19,920,770	1.12%
Wellspring Capital Partners II	18,146,193	1.01%
FS Equity Partners V	4,749,891	0.27%
Venture Capital	119,894,603	6.72%
Crescendo World Fund	25,844,664	1.45%
Pioneer Ventures Associates	19,831,942	1.11%
Grotech Partners V	19,399,391	1.09%
RFE Investment Partners VI	16,226,419	0.91%
Shawmut Equity Partners	15,356,279	0.86%
Conning Capital Partners V	15,037,189	0.84%
Crescendo III	4,801,954	0.27%
Connecticut Greene Ventures	2,435,152	0.14%
Connecticut Futures Fund	961,613	0.05%
Mezzanine	111,859,625	6.26%
SW Pelham Fund	59,843,450	3.35%
GarMark Partners	36,589,938	2.05%
Triumph Connecticut	8,744,565	0.49%
SW Pelham Fund II	6,681,672	0.37%
International	350,283,444	19.62%
Compass Partners European Equity Fund	128,517,911	7.20%
Carlyle Europe Partners	93,108,125	5.21%
Gilbert Global Equity Partners	73,709,355	4.13%
AIG Global Emerging Markets Fund	44,983,108	2.52%
Carlyle Asia Partners	9,964,945	0.56%
Fund of Funds	320,254,539	17.94%
The Constitution Liquidating Fund	188,733,374	10.57%
Landmark Private Equity Fund VIII	74,809,087	4.19%
Goldman Sachs Private Equity Partners Connecticut	37,766,444	2.12%
Lexington Capital Partners II	18,945,634	1.06%
Special Situations	208,493,302	11.68%
Washington & Congress Partners	62,577,487	3.51%
Welsh Carson Anderson & Stowe Capital Partners III	61,793,460	3.46%
Greenwich Street Capital Partners II	44,142,163	2.47%
Forstmann Little MBO VII	32,910,533	1.84%
KPS Special Situations Fund II	4,920,813	0.28%
TCl Liquidating Trust	2,148,846	0.12%
Other ⁽¹⁾	179,283,790	10.04%

1) Other represents monies earmarked for distribution to participants, reinvestment, and expenses as well as terminated advisor balances, and CT Financial Development Fund and Keystone Venture V Partnerships.

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS
SCHEDULE OF INVESTMENT ADVISORS AND FEES IN EXCESS OF \$5,000⁽¹⁾
FOR PERIODS ENDED JUNE 30

Name of Firm	Description of Services	Aggregate Compensation Paid in Fiscal Year:				
		2004	2003	2002	2001	2000
INVESTMENT ADVISORY SERVICES						
Equity Advisory Services						
Alliance Capital	Equity Advisor	-	-	271,833	-	921,466
AXA Rosenberg Institutional Equity Mgmt	Equity Advisor	398,339	4,415,980	3,791,100	2,820,096	256,310
Barclay's Global Investors	Equity Advisor	12,202,021	3,660,715	11,228,122	11,373,864	2,194,491
Brown Capital Management	Equity Advisor	310,488	3,570,359	3,136,368	2,690,100	2,564,010
Dresdner RCM Capital Management, LP	Equity Advisor	-	-	479,497	2,554,926	1,794,348
J. P. Morgan Investment Management	Equity Advisor	-	495,062	6,227,366	695,103	10,316,165
State Street Global Advisors	Equity Advisor	224,895	180,278	170,554	213,097	221,156
Thomas Weisel Partners (ValueQuest)	Equity Advisor	192,152	1,843,059	1,602,094	489,868	464,716
Travelers Investment Management	Equity Advisor	451,208	1,954,445	304,869	334,000	1,240,306
Trust Company of the West (Cowen)	Equity Advisor	713,510	2,811,532	2,193,266	510,193	421,791
Total Equity Advisor Compensation		\$14,492,613	\$18,931,430	\$29,405,069	\$21,681,247	\$20,394,759
Fixed Income Investment Advisory Services						
Blackrock Financial Management	Fixed Income Advisor	1,551,082	1,564,472	1,536,082	1,455,319	1,628,201
J. P. Morgan Investment Management	Fixed Income Advisor	-	1,040,985	638,895	1,006,786	688,394
Lazard Freres & Co.	Fixed Income Advisor	-	-	-	-	669,697
Loomis Sayles & Co., Inc.	Fixed Income Advisor	442,948	349,996	402,555	485,885	475,810
Mitchell Hutchins Institutional Inv.	Fixed Income Advisor	-	-	-	433,022	591,975
Oaktree Capital Management	Fixed Income Advisor	436,777	3,972,291	4,459,895	2,731,678	2,633,017
Phoenix Investment Counsel	Fixed Income Advisor	555,554	548,544	547,956	531,553	531,955
Spectrum Asset Management	Fixed Income Advisor	-	-	-	-	5,415
State Street Global Advisors	Fixed Income Advisor	558,591	595,189	577,503	544,200	492,115
W. R. Huff Asset Management	Fixed Income Advisor	1,930,812	220,244	259,026	394,261	968,932
Wellington Asset Management	Fixed Income Advisor	1,044,851	1,020,074	1,016,323	877,447	1,077,393
Western Asset Management	Fixed Income Advisor	1,439,163	1,394,515	1,122,126	1,098,081	1,089,776
Total Fixed Income Advisor Compensation		\$7,959,778	\$10,706,310	\$10,560,361	\$9,558,232	\$10,852,680
Cash Reserve Account Advisory Services						
State Street Global Advisors	Cash Rsrv Acct Advisor	343,500	337,930	279,877	287,159	260,341
Total Cash Reserve Account Advisor Compensation		\$343,500	\$337,930	\$279,877	\$287,159	\$260,341
International Equity Investment Advisory Services						
Clay Finlay Inc.	Intrntl Equity Advisor	672,644	-	-	-	-
DSI International Management	Intrntl Equity Advisor	171,369	387,630	288,440	190,729	515,452
Fidelity Management Trust Company	Intrntl Equity Advisor	596,400	-	-	-	-
Grantham, Mayo, Van Otterloo & Co.	Intrntl Equity Advisor	4,660,885	5,272,027	5,278,524	1,789,666	1,532,995
Invesco Global Asset Management	Intrntl Equity Advisor	792,995	-	-	-	-
Merrill Lynch Investment Managers	Intrntl Equity Advisor	224,242	-	-	-	-
MFS Institutional Advisors	Intrntl Equity Advisor	429,571	-	-	-	-
Morgan Stanely Asset Management	Intrntl Equity Advisor	6,208,561	7,934,234	3,549,750	1,541,202	-
Pictet International Management	Intrntl Equity Advisor	1,033,413	399,250	370,878	507,752	2,567,976
Salomon Smith Barney Capital Mgmt	Intrntl Equity Advisor	27,331	139,644	179,468	1,026,401	130,198
Schroder Investment Management	Intrntl Equity Advisor	498,259	-	-	-	-
State Street Global Advisors	Intrntl Equity Advisor	377,112	389,283	457,766	596,450	557,803
Total International Equity Advisor Compensation		\$15,692,782	\$14,522,068	\$10,124,826	\$5,652,200	\$5,304,424
Real Estate Investment Advisory Services ⁽²⁾						
AEW Capital Management, L.P.	Real Estate Advisor	128,528	128,528	96,396	142,277	408,780
AEW Partners III, LP	Real Estate Advisor	687,887	841,315	1,165,214	2,651,532	-
Apollo Real Estate Investment Fund III	Real Estate Advisor	813,195	915,423	605,997	933,662	933,661
CIGNA/TimeSquare Real Estate Investors	Real Estate Advisor	6,841	11,921	8,083	-	101,942
The RREEF Funds	Real Estate Advisor	-	-	-	-	23,435
Sentinel Real Estate Corporation	Real Estate Advisor	-	-	-	-	30,922

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

**SCHEDULE OF INVESTMENT ADVISORS AND FEES IN EXCESS OF \$5,000⁽¹⁾
FOR PERIODS ENDED JUNE 30 (Continued)**

Name of Firm	Description of Services	Aggregate Compensation Paid in Fiscal Year:				
		2004	2003	2002	2001	2000
Wachovia Corporation	Real Estate Advisor	126,874	161,884	182,301	148,362	130,556
Westport Senior Living Fund	Real Estate Advisor	1,800,000	1,800,000	1,800,000	1,800,000	1,350,000
Total Real Estate Advisor Compensation		\$3,563,325	\$3,857,991	\$5,675,833	\$2,979,296	\$1,407,017
Commercial Mortgage Investment Advisory Services ⁽²⁾						
AEW Capital Management, L.P.	Comm Mortgage Advisor	327,489	417,400	442,777	566,633	763,333
Total Commercial Mortgage Advisor Compensation		\$327,489	\$417,400	\$442,777	\$566,633	\$763,333
Private Investment Advisory Services ⁽²⁾						
AIG Global Emerging Mkts Fund LP	Private Inv Advisor	1,502,251	1,876,712	2,500,000	2,496,557	2,503,443
Blackstone Capital Partners III LP	Private Inv Advisor	-	111,459	299,279	287,977	88,541
Carlyle Asia Partners LP	Private Inv Advisor	500,000	1,500,000	500,000	898,690	1,500,000
Carlyle European Partners LP	Private Inv Advisor	1,400,977	1,523,965	1,330,240	1,435,628	1,674,004
Compass European Partners LP	Private Inv Advisor	1,125,000	2,664,509	2,132,547	1,816,411	727,363
Conning Insurance Capital Fund V LP	Private Inv Advisor	-	-	-	-	250,000
Cresendo World Fund LLC	Private Inv Advisor	-	-	-	400,000	400,000
Crossroads Constitution Fund LP	Private Inv Advisor	-	-	-	-	1,361,250
CT Greene Ventures LP	Private Inv Advisor	-	5,500	375,000	375,000	375,000
DLJ Merchant Banking Fund II LP	Private Inv Advisor	395,351	709,948	502,725	850,758	1,089,908
Forstmann Little & Company	Private Inv Advisor	481,605	410,644	753,337	2,650,000	2,416,667
FS Equity Partners V LP	Private Inv Advisor	1,291,089	-	-	-	-
Garmark Partners LP	Private Inv Advisor	402,430	977,298	957,708	726,059	1,020,360
Gilbert Global Equity Partners LP	Private Inv Advisor	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000
Goldman Sachs Private Equity Fund LP	Private Inv Advisor	496,208	552,972	995,037	1,000,000	696,531
Green Equity III LP	Private Inv Advisor	180,504	204,303	122,619	84,989	329,907
Greenwich Street Capital Partners II LP	Private Inv Advisor	549,246	783,424	381,069	784,121	371,517
Hicks Muse Tate & Furst Equity Fund III LP	Private Inv Advisor	-	-	-	-	469,788
Kelso Investment Associates VI LP	Private Inv Advisor	465,856	623,856	626,046	576,523	594,158
Keystone Ventures V LP	Private Inv Advisor	-	-	-	-	402,725
KKR 1996 Fund LP	Private Inv Advisor	-	-	411,808	427,373	401,764
KKR Millenium Fund LP	Private Inv Advisor	1,128,044	1,202,159	-	-	-
KPS Special Situations Fund II LP	Private Inv Advisor	694,499	-	-	-	-
Lexington Capital Partners II LP	Private Inv Advisor	-	-	-	-	57,060
Pioneer Venture Associates LP	Private Inv Advisor	334,987	494,888	162,954	148,115	603,281
SCP Private Equity Fund LP	Private Inv Advisor	460,495	912,661	671,456	1,063,009	718,750
Shawmut Capital Partners LP	Private Inv Advisor	622,882	1,640,625	984,375	1,312,500	1,312,500
SW Pelham Fund LP	Private Inv Advisor	206,529	150,000	750,000	750,000	562,500
Thayer Equity Investors IV LP	Private Inv Advisor	682,284	898,189	833,101	805,946	835,341
THE Equity Advisors IV LLC	Private Inv Advisor	127,927	278,114	-	-	384,897
Triumph Connecticut LP	Private Inv Advisor	-	191,212	380,931	253,238	101,476
Triumph Partners III LP	Private Inv Advisor	1,005,993	576,721	1,712,341	2,829,409	2,681,301
Veritas Capital Fund LP	Private Inv Advisor	-	819,982	612,500	1,362,162	2,190,279
Washington and Congress (Triumph Partners III)	Private Inv Advisor	342,501	-	-	-	-
Wellspring Capital Partners II LP	Private Inv Advisor	-	693,423	1,000,000	1,000,000	1,000,000
Wellspring Capital Partners III LP	Private Inv Advisor	1,191,570	1,000,000	-	-	-
Woodside Capital Management LLC	Private Inv Advisor	-	-	6,219	291,767	-
Total Private Investment Advisor Compensation		\$17,838,228	\$23,052,564	\$21,251,292	\$26,876,232	\$29,370,311
TOTAL COMPENSATION TO INVESTMENT ADVISORS		\$60,217,715	\$71,826,773	\$75,922,193	\$70,297,536	\$69,925,144
CUSTODY SERVICES						
State Street Bank & Trust	Custody of Assets	1,644,976	584,990	950,955	1,365,200	1,322,500
TOTAL CUSTODY SERVICES COMPENSATION		\$1,644,976	\$584,990	\$950,955	\$1,365,200	\$1,322,500

(1) Expenses are presented on a cash basis.

(2) Alternative Investment Management fees for the Private Investment Fund and the Real Estate Fund include capitalized fees and expensed fees. Capitalized fees are part of the cost of the investment and become a component of unrealized gain (loss). Capitalized fees are disclosed in Note 1 of the Combined Investment Funds Financial Statements. Expensed fees which are not part of the cost of the investment are recorded in the Statement of Operations. Not Included in the above amounts are those amounts that are netted. Netted amounts include credits and fees paid out of cash on hand at the partnership level. Netted amounts are disclosed in Note 1 of the Combined Investment Funds Financial Statements.

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

**SCHEDULE OF BROKERAGE COMMISSIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Broker Name	\$ Commission	Shares/ Par Value	Avg Comm	Broker Name	\$ Commission	Shares/ Par Value	Avg Comm
ABEL NOSER CORPORATION	\$18,904.11	606,121.00	0.031	CAZENOVE ASIA LTD	3,786.96	101,754.00	0.037
ABG SECURITIES	19,009.74	707,916.00	0.027	CAZENOVE INCORPORATED	2,476.44	126,000.00	0.020
ABG SECURITIES AS (STOCKHOLM)	1,777.53	38,900.00	0.046	CDC IXIS SECURITIES	858.77	12,894.00	0.067
ABG SECURITIES INC	308.49	55,900.00	0.006	CHARLES SCHWAB CO INC	55,447.28	1,462,207.00	0.038
ABM AMRO HOARE GOVETT ASIA LTD, SEOUL	374.84	47,000.00	0.008	CHASE MANHATTAN	1,528.56	84,600.00	0.018
ABN AMRO	343.78	2,741,810.71	0.000	CHEUVREUX VIRIEU	8,753.39	134,736.00	0.065
ABN AMRO ASIA LIMITED	53,498.75	26,482,736.00	0.002	CHEVREUX INTERNATIONAL	3,092.77	101,301.00	0.031
ABN AMRO ASIA SECURITIES (SINGAPORE) PTE	18,762.63	12,857,642.00	0.001	CHINA INTRTNL CAP CORP HK SECS LTD	2,194.71	1,972,000.00	0.001
ABN AMRO ASIA SERVICES	163.08	80,000.00	0.002	CI NORDICSECURITIES AB	7,170.39	357,975.00	0.020
ABN AMRO EQUITIES (UK) LTD LONDON	51,325.29	3,828,799.00	0.013	CIBC WORLD MARKETS CORP	51,319.03	1,056,560.00	0.049
ABN AMRO EQUITIES AUSTRALIA LTD.	6,002.19	449,400.00	0.013	CIC SECURITIES	146.86	642.00	0.229
ABN AMRO SECURITIES (USA) INC	63,867.13	8,761,074.00	0.007	CITIBANK N.A.	1,488.55	118,297.00	0.013
ABN AMRO SECURITIES LLC	2,725.00	408,250.00	0.007	CITIGROUPGLOBAL MARKETS	216.12	9,200.00	0.023
ADAMS HARKNESS + HILL, INC	15,771.00	358,400.00	0.044	CITIGROUPGLOBAL MARKETS ASIA LIMITED	9,959.88	2,727,752.00	0.004
ALBERT E SHARP	2,425.75	371,717.00	0.007	CITIGROUPGLOBAL MARKETS AUSTRALIA PTR	18,890.40	1,182,770.00	0.016
ALPHA BANK LONDON LIMITED	15,647.52	875,649,000.00	0.000	CITIGROUPGLOBAL MARKETS INC	1,132,426.74	89,942,812.00	0.013
ALPHA BROKERAGE AE	12,448.97	509,093.00	0.024	CITIGROUPGLOBAL MARKETS INC/SALOMON BRO	52,762.33	279,289,244.00	0.000
ALPHA FINANCE	787.91	29,019,000.00	0.000	CITIGROUPGLOBAL MARKETS LIMITED	309,855.14	25,694,391.00	0.012
ARNHOLD S BLEICHROEDER INC	35,503.47	160,462,856.00	0.000	CITIGROUPGLOBAL MARKETS UK EQUITY LTD	50,798.20	7,354,768.00	0.007
ARNOLD & BLEICHROEDER, INC.	3,564.02	126,257,538.00	0.000	CLSA SINGAPORE PTE LTD	1,416.84	92,200.00	0.015
ATA SECURITIES INC. (ISTANBUL)	10,168.43	566,712,000.00	0.000	COBURN & MEREDITH, INC.(CLR. THRU 443)	4,957.45	99,149.00	0.050
AUERBACH GRAYSON AND COMPANY	28,336.06	449,993.00	0.063	COLLINS STEWART	3,159.84	88,050.00	0.036
B RILEY AND CO INC.	1,985.00	39,700.00	0.050	COLLINS STEWART + CO	3.05	100.00	0.031
BAIRD, ROBERT W., & COMPANY INCORPORATED	12,449.50	248,998.00	0.050	COMMERZBANK AG	8,321.11	124,731.00	0.067
BANC/AMERICA SECUR.LLC MONTGOMEY DIV	146,304.96	3,795,644.00	0.039	COMMERZBANK AG LONDON	2,380.70	129,600.00	0.018
BANCO BILBAO VIZCAYA	5,174.06	155,214.00	0.033	CORRESPONDENT SERVICES, INC	7,064.20	179,124.00	0.039
BANCO ITAU SA	12,575.63	190,231,000.00	0.000	CREDIT AGRICOLE INDOSUEZ	1,988.89	117,362.00	0.017
BANCO PACTUAL S.A.	5,155.81	29,604,000.00	0.000	CREDIT AGRICOLE INDOSUEZ	8,502.99	76,744.00	0.111
BANCO SANTANDER CENTRAL HISPANO	65,348.52	98,707,513.00	0.001	CREDIT AGRICOLE INDOSUEZ CHEUVREUX	19,803.44	293,002.00	0.068
BANCO SANTANDER CENTRAL HISPANO SA	866.54	15,924,300.00	0.000	CREDIT LYONNAIS	2,511.94	906,875.00	0.003
BANCO SANTANDER DE NEGOCIOS	2,505.69	226,800.00	0.011	CREDIT LYONNAIS SECS	6,340.43	643,115.00	0.010
BANCO SANTANDER S.A., HONG KONG	24.57	3,200.00	0.008	CREDIT LYONNAIS SECURITIES	37,880.91	7,362,184.00	0.005
BANCOVAL S.A	1,265.40	49,500.00	0.026	CREDIT LYONNAIS SECURITIES (USA) INC	173,288.62	1,888,747,261.00	0.000
BANK AM BELLEVUE	1,381.60	9,276.00	0.149	CREDIT LYONNAIS SECURITIES ASIA/GUERNSEY	13,319.44	16,544,348.00	0.001
BANK INSINGER DE BEAUFORT N V	511.43	10,000.00	0.051	CREDIT LYONNAIS SECURITIES(ASIA)	8,544.98	10,008,359.00	0.001
BANK JULIUS BAER AND CO.LTD.	504.09	773.00	0.652	CREDIT SUISSE FIRST BOSTON	106,821.77	66,412,743.00	0.002
BANK OF AMERICA EMM	517.50	13,000.00	0.040	CREDIT SUISSE FIRST BOSTON (EUROPE)	1,444.18	1,010.00	1.430
BANK OF AMERICA INTERNATIONAL, NEW YORK	874.09	72,100.00	0.012	CREDIT SUISSE FIRST BOSTON (EUROPE) LTD	35,642.31	2,494,031.00	0.014
BANK SARASIN AND CIE, ZURICH	620.28	5,405.00	0.115	CREDIT SUISSE FIRST BOSTON CORPORATION	645,216.55	33,137,267.00	0.019
BANKERS TRUST COMPANY	4,406.16	302,715.00	0.015	CREDIT SUISSE FIRST BOSTON EQUITIES (EUR	116,947.94	12,148,676.00	0.010
BANQUE NATIONAL DE PARIS	430.50	140,000.00	0.003	CREDIT SUISSE FIRST BOSTON LONDON	6,997.10	451,752.00	0.015
BANQUE NATIONALE DE PARIS, LON	36,369.16	2,568,052.00	0.014	CREDIT USA	1,806.00	51,000.00	0.035
BARING SECURITIES (HONG KONG)	21,867.16	7,798,620.10	0.003	CS FIRST BOSTON	2,788.18	1,729,900.00	0.002
BARNARD JACOBS AND CO (PTY) LTD	2,468.96	842,900.00	0.003	CS FIRST BOSTON (HONG KONG) LIMITED	35,431.68	7,605,522.00	0.005
BARNARD JACOBS MELLETS NY	1,726.19	154,024.00	0.011	CSFB AUSTRALIA EQUITIES LTD	3,801.15	255,532.00	0.015
BARNARD JACOBS MELLETT AND CO (PTY)	1,529.05	10,100.00	0.151	CSFB EQUITIES 1 CABOT SQUARE	1,156.24	67,700.00	0.017
BAYERISCHE HYPO- UND VEREINSBANK MUNICH	2,605.78	46,800.00	0.056	D CARNEGIE AG	3,302.01	67,820.00	0.049
BAYERISCHE HYPO-UND VEREINSBANK	1,718.81	32,950.00	0.052	DAEWOO SECURITIES CO LTD	3,261.24	99,530.00	0.033
BEAR STEARNS + CO INC	44,189.96	1,009,345.00	0.044	DAIWA SBGM EUROPE	22,596.53	1,561,400.00	0.014
BEAR STEARNS ASIA LTD	3,234.70	763,000.00	0.004	DAIWA SECURITIES SB CAPITAL MA	3,649.74	31,500.00	0.011
BEAR STEARNS INTERNATIONAL TRADING	1,015.01	14,415.00	0.070	DAIWA SECURITIES AMERICA INC	14,816.98	442,263.00	0.034
BEAR STEARNS SECURITIES CORP	85,205.86	11,011,857.00	0.008	DAVIDSON D. A. + COMPANY INC.	10,272.00	250,600.00	0.041
BHF SECURITIES CORPORATION	86,393.77	29,344,467.00	0.003	DAVY (J+E)	21,096.94	914,809.00	0.023
BLAYLOCK + PARTNERS LP	4,240.00	84,800.00	0.050	DB CLEARING SERVICES	1,584.00	39,600.00	0.040
BNP PARIBAS	185.04	76,000.00	0.002	DBS SECURITIES (S) PTE LTD.	10,658.51	1,663,200.00	0.006
BNP PARIBAS PEREGRINE SECS LT ASIA	13,665.84	23,077,060.00	0.001	DBS VICKERS (HONG KONG) LIMITED	4,109.29	2,689,585.00	0.002
BNP PARIBAS SECURITIES SERVICES	516.27	216,950.00	0.002	DBS VICKERS SECS PTE LTD	14,084.20	6,266,600.00	0.002
BNY BROKERAGE INC	20,286.88	497,200.00	0.041	DBS VICKERS SECURITIES(THAILAND)	5,487.36	1,054,200.00	0.005
BNY CLEARING SERVICES INTL	5,068.29	753,869.00	0.007	DEN DANSKE BANK	10,104.76	167,189.00	0.060
BNY CLEARING SERVICES LLC	636.57	495,139,490.00	0.000	DEUTSCHE BANK	536.00	13,400.00	0.040
BNY CLEARING SERVICES LLC (BNY)	1,421.20	58,962.00	0.024	DEUTSCHE BANK AG LONDON	616,249.53	2,072,709,022.00	0.000
BOCI SECURITIES LTD.	718.18	100,000.00	0.007	DEUTSCHE BANK SECURITIES	12,821.91	741,554.00	0.017
BOLSA DE VALORES DE BILBAO	74.50	3,700.00	0.020	DEUTSCHE BANK SECURITIES INC	696,888.41	67,929,329.00	0.010
BOSTON INSTITUTIONAL SERVICES	1,652.00	41,300.00	0.040	DEUTSCHE BANK SECURITIES, INC	63,467.35	12,581,108.00	0.005
BROCKHOUSE + COOPER INC MONTREAL	14,784.85	1,747,036.00	0.008	DEUTSCHE MORGAN GRENFELL INC.	17,015.89	1,256,224.00	0.014
B-TRADE SERVICES LLC	22,502.07	1,537,359.00	0.015	DEUTSCHE MORGAN GRENFELL SECS	23,562.38	13,280,400.00	0.002
BUCKINGHAM RESEARCH GROUP	9,695.00	193,900.00	0.050	DEUTSCHE SECURITIES ASIA LIMITED	36,352.49	22,529,950.00	0.002
C. L. GLAZER & COMPANY, INC.	24,267.55	485,351.00	0.050	DEUTSCHE SECURITIES ASIA LTD	3,054.77	19,050.00	0.160
C. E. UNTERBERG, TOWBIN	4,016.00	100,400.00	0.040	DEUTSCHE SECURITIES LTD	2,087.42	121,000.00	0.017
CAI CHEUVREUX LONDON	215.65	4,050.00	0.053	DIVIDEND REINVEST	823.44	160,752.80	0.005
CAISSE DES DEPOTS ET CONSIGNATIONS	1,602.91	8,379.00	0.191	DONGWON SECURITIES	2,596.05	491,357.00	0.005
CANADIAN IMPERIAL BANK OF COMMERCE	1,040.20	26,300.00	0.040	DOWLING & PARTNERS SECURITIES, LLC.	5,454.25	109,085.00	0.050
CANTOR FITZ EUR 2	7,217.68	523,841.00	0.014	DRESDNER BANK AG LONDON	4,197.90	44,700.00	0.094
CANTOR FITZGERALD + CO	305.74	295.00	1.036	DRESDNER BANK AG NEW YORK	7,919.06	298,600.00	0.027
CANTOR FITZGERALD + CO.	196,343.07	5,336,620.00	0.037	DRESDNER KLEINWORT BENSON NORTH AMERICA	6,572.36	67,350.00	0.098
CANTOR FITZGERALDINTERNATIONAL	3,783.75	1,197,241.00	0.003	DRESDNER KLEINWORT WASSERSTEIN SEC LLC	16,408.73	1,058,700.00	0.015
CANTOR FITZGERALD EUROPE	378.82	13,900.00	0.027	DUPONT DENANT S.A.	182.75	2,000.00	0.091
CAPEL CURE SHARP LTD.	383.96	67,175.00	0.006	E TRADE SECURITIES, INC	1,872.00	46,800.00	0.040
CAPITAL INSTITUTIONAL SERVICES	31,313.65	626,273.00	0.050	EDWARDS AG SONS INC	3,816.00	95,400.00	0.040
CARNEGIE BK	3,050.42	1,580,793.00	0.002	ENGELMANSECURITIES	1,818.00	40,400.00	0.045
CARNEGIE FONDKOMMISSION	2,980.65	103,600.00	0.029	ENSKILDA SECURITIES AB	26,098.49	1,152,690.00	0.023
CARNEGIE INT'L LND	4,163.46	118,914.00	0.035	EUROMOBILIARE SIM S.P.A.	410.00	13,000.00	0.032
CARNEGIE SECURITIES FINLAND	797.71	30,700.00	0.026	EUROPEENNE D INTERMEDIATION FIN	2,077.20	20,955.00	0.099
CASA DE BOLSA BANORTE SA DE CV	4,244.65	852,200.00	0.005	EXANE INC	9,737.97	31,600.00	0.308
CAZENOVE + CO	45,664.52	3,605,142.00	0.013	EXANE S.A.	19,524.86	381,731.00	0.051
CAZENOVE + CO.	11,789.61	583,806.00	0.020	EXANE SA	1,382.07	19,275.00	0.072

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

SCHEDULE OF BROKERAGE COMMISSIONS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

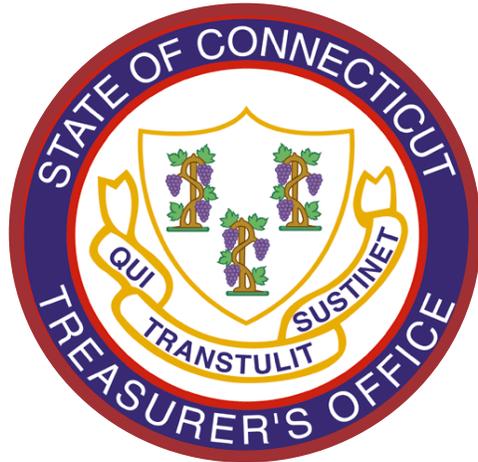
Broker Name	\$ Commission	Shares/ Par Value	Avg Comm	Broker Name	\$ Commission	Shares/ Par Value	Avg Comm
EXECUTIONLIMITED	3,283.88	311,225.00	0.011	ISI GROUPINC	25,311.00	506,300.00	0.050
EXECUTIONLTD	222.03	7,100.00	0.031	ITAU CORRETORA VALOR	139.07	2,048,000.00	0.000
F P MAGLIO + CO INC	384.00	12,800.00	0.030	ITGAUSTRALIA LTD.	466.42	58,000.00	0.008
FACTSET DATA SYSTEMS (THRU BEAR STEARNS)	1,345.00	26,900.00	0.050	ITG INC	200.10	26,200.00	0.008
FAHNESTOCK & COMPANY, INC.	8,766.00	194,800.00	0.045	ITG SECURITIES (HK) LTD	40.82	124,000.00	0.000
FERRIS BAKER WATTS INC	625.00	12,500.00	0.050	J AND E DAVY	2,066.08	187,925.00	0.011
FIDELITY CAPITAL MARKETS	62,614.69	1,447,874.00	0.043	J B WERE + SON LIMITED	3,268.93	298,764.00	0.011
FIDENTIIS	1,766.86	46,852.00	0.038	J B WERE AND SON	11,444.16	739,431.00	0.015
FIDENTIISEQTVS SVSA ES	125.88	1,508.00	0.083	J B WERE AND SON INC.	5,695.66	894,446.00	0.006
FIMAGEST S.A.	1,193.37	54,816,700.00	0.000	J P MORGAN SECURITIES INC	228,749.97	5,780,563.00	0.040
FINANCIALBROKERAGE GROUP (FBG)	19,450.05	256,457.00	0.076	JACKSON SECURITIES	19,160.22	430,356.00	0.045
FINANCIALSECURITY CORP	2,000.00	100,000.00	0.020	JAMES CAPEL SA	258.43	22,900.00	0.011
FINANCIALSERVICE COMPANY	11,625.20	581,260.00	0.020	JANNEY MONTGOMERY, SCOTT INC	4,156.00	85,300.00	0.049
FINANCIALSERVICE CORPORATION OF AMERICA	5,453.26	297,263.00	0.018	JB WERE AND SON (NZ) LTD	1,372.84	142,500.00	0.010
FIRST ALBANY CAPITAL INC.	6,952.50	139,050.00	0.050	JEFFERIESCOMPANY INC	237,940.82	5,916,469.00	0.040
FIRST ALBANY CORP.	5,635.00	112,700.00	0.050	JEREMY CAPITAL PARTNERS	452.00	11,300.00	0.040
FIRST CLEARING, LLC	25,039.50	733,713.00	0.034	JERMYN CAPITAL PARTNERS PLC	704.00	17,600.00	0.040
FIRST SOUTHWEST COMPANY	20,411.87	496,584.00	0.041	JMP SECURITIES	5,915.00	118,300.00	0.050
FIRST UNION CAPITAL MARKETS	25,005.41	539,807.00	0.046	JOH BERENBERG GOSSLER AND CO	10,632.78	179,378.00	0.059
FORTIS BANK (NEDERLAND) N.V.	137.85	7,501.00	0.018	JOHNSON RICE + CO	8,628.00	172,560.00	0.050
FOX PITT KELTON (ASIA)LTD	818.40	43,000.00	0.019	JONES & ASSOCIATES INC	164,828.16	4,515,314.00	0.037
FOX PITT KELTON INC	3,671.21	64,200.00	0.057	JP MORGAN	6,898.04	927,273.00	0.007
FOX PITT,KELTON INC.	340.82	23,300.00	0.015	JP MORGANBROKING HK LIMITED	129.70	14,000.00	0.009
FOX-PITT KELTON LTD	14,049.34	311,809.00	0.045	JP MORGANINTERNATIONAL BANK LTD	6,522.24	252,160.00	0.026
FRIEDMAN BILLINGS + RAMSEY	15,960.00	319,200.00	0.050	JP MORGANSEC LTD	301.07	29,700.00	0.010
FULCRUM GLOBAL PARTNERS LLC	40,065.13	1,053,503.00	0.038	JP MORGANSECURITIES AUSTRALIA LTD	5,459.84	686,064.00	0.008
G TRADE SERVICES LTD	577.30	139,800.00	0.004	JP MORGANSECURITIES INC	114,565.12	57,044,877.00	0.002
GARANTIA DTVM S/A	2,254.62	43,400.00	0.052	JP MORGANSECURITIES LIMITED	131,986.52	10,088,086.00	0.013
GARBAN EQUITIES LIMITED LONDON	718.65	328,136.00	0.002	JPMORG SEC(FAR EAST)LTD SEOUL	3,337.10	16,900.00	0.207
GEDIK MENKUL DEGERLER	14,115.72	569,120,348.00	0.000	JPMORGAN CHASE BANK	3,682.59	158,200.00	0.023
GK GOH SECURITIES (HK) LTD.	248.10	19,000.00	0.013	JPMORGAN CHASE BANK/CORRESPONDENT CLR SV	100.00	309,900.00	0.000
GLOBAL SECURITIES INC. (ISTANBUL)	2,961.55	303,710,088.00	0.000	JPMORGAN CHASE/RBS	292.00	7,300.00	0.040
GOLDMAN SACHS (ASIA) LLC	1,127.11	3,020.00	0.373	JPMORGAN SECURITIES(ASIA PACIFIC)LTD	50,455.97	63,075,185.00	0.001
GOLDMAN SACHS + CO	794,388.20	52,932,679.00	0.015	JULIUS BAER BROKERAGE SA	2,357.35	30,857.00	0.076
GOLDMAN SACHS AND COMPANY	8,712.83	473,817.00	0.018	KBC BANK NV	4,368.96	54,426.00	0.080
GOLDMAN SACHS EQUITY SECURITES (UK) LTD	7,962.94	179,200.00	0.044	KBC FINANCIAL PRODUCTS UK LTD	52,856.27	2,554,113.00	0.021
GOLDMAN SACHS INTERNATIONAL LONDON	81,776.20	5,887,494.00	0.014	KEEFE BRUYETTE + WOODS INC	35,412.71	747,953.00	0.047
GOOD MORNING SECS, SEOUL	1,074.60	1,100.00	0.977	KEMPEN + CO N.V.	3,974.00	89,512.00	0.044
GOOD MORNING SHINHAN SECS USA	1,335.83	219,300.00	0.006	KIM ENG SECURITIES	61,836.46	43,588,258.00	0.001
GOODBODY STOCKBROKERS	6,327.04	542,513.00	0.012	KING, CL, & ASSOCIATES, INC	190,781.90	4,031,466.00	0.047
GRANVILLEDAVIES LIMITED	2,871.05	351,234.00	0.008	KLEINWORTBENSON SECURITIES LIMITED	69,396.86	7,948,852.00	0.009
GRUNTAL & CO., L.L.C.	7,099.60	141,992.00	0.050	KNIGHT SECURITIES	86,396.99	2,467,670.00	0.035
GUZMAN + CO	11,025.96	275,649.00	0.040	KNIGHT SECURITIES INTERNATIONAL	258.44	100,000.00	0.003
HARBORSIDE SECURITIES	1,306.00	65,300.00	0.020	KNIGHT SECURITIES INTL	282.41	69,400.00	0.004
HARRIS NESBITT CORP.	5,260.00	105,200.00	0.050	KOC BANK A.S.	4,081.79	475,123,000.00	0.000
HC ISTANBUL	1,482.68	91,959,151.00	0.000	LA BRANCHE FINANCIAL #2	50,755.26	1,691,842.00	0.030
HEFLIN + CO., LLC	89,621.18	2,277,063.00	0.039	LARRAIN VIAL	1,480.53	174,176.00	0.009
HENDERSONCROSTHWAITE LIMITED	947.76	387,668.00	0.002	LATINVESTSECURITIES	1,060.00	26,500.00	0.040
HG ASIA	10,554.38	1,582,610.00	0.007	LAZARD CAPITAL MARKETS	4,256.06	164,320.00	0.026
HG ASIA CLEARING SVCS LTD KL	1,436.85	1,252,000.00	0.001	LAZARD FRERES & CO.	10,525.00	210,500.00	0.050
HG ASIA LTD	2,123.33	309,000.00	0.007	LEERINK SWANN AND COMPANY	3,403.50	68,070.00	0.050
HG ASIA PTE LTD	110.27	170,000.00	0.001	LEGG MASON WOOD WALKER INC	7,300.00	146,000.00	0.050
HG ASIA SECURITIES	623.41	392,000.00	0.002	LEHMAN BROTHERS	1,062.21	152,541.00	0.007
HG ASIA SECURITIES (PHIL) INC.	230.78	348,000.00	0.001	LEHMAN BROTHERS BANKHAUS AG	1,342.51	125,800.00	0.011
HIBERNIA SOUTHCOAST CAPITAL INC	1,855.00	37,100.00	0.050	LEHMAN BROTHERS INC	308,545.92	684,516,805.00	0.000
HOARE GOVETT SECURITIES LTD	1,142.45	1,482,780.00	0.001	LEHMAN BROTHERS INTERNATIONAL	1,729.99	39,900.00	0.043
HOENIG (FAR EAST) LIMITED	946.53	64,000.00	0.015	LEHMAN BROTHERS INTERNATIONAL (EUROPE)	394,946.45	806,054,112.00	0.000
HONGKONG AND SHANGHAI BKG CORP	18.73	1,000.00	0.019	LEHMAN BROTHERS JAPAN INC, TOKYO	956.55	21,000.00	0.046
HOWARD WEIL DIVISION LEGG MASON	5,325.00	106,500.00	0.050	LEHMAN BROTHERS SECS (ASIA)	20,214.48	2,457,429.00	0.008
HSBC	2,773.65	27,180.00	0.102	LG INVESTMENT AND SECURITIES CO	6,007.41	314,000.00	0.019
HSBC BANKPLC	68,140.67	10,118,803.00	0.007	LG SECURITIES CO LTD	5,219.20	133,659.00	0.039
HSBC SECURITIES (SINGAPORE) PTE LTD	1,533.20	403,000.00	0.004	LIQUIDNETEUROPE LIMITED	88.97	11,125.00	0.008
HSBC SECURITIES INC (JAMES CAPEL)	25,338.24	1,325,996.00	0.019	LIQUIDNETINC	135,247.16	5,622,351.00	0.024
HSBC SECURITIES(ASIA)LIMITED	850.15	121,500.00	0.007	LOMBARD, ODIER AND CIE	2,865.54	14,226.00	0.201
HVB CAPITAL MARKETS, INC	9,610.55	203,902.00	0.047	LOOP CAPITAL MKTS LLC	2,799.28	69,982.00	0.040
HYUNDAI SECURITIES CO. LTD.	244.66	4,200.00	0.058	LYNCH JONES AND RYAN INC	2,730.00	68,100.00	0.040
IBJ INTERNATIONAL PLC	11,849.68	710,605.00	0.017	MACQUARIEEQUITIES LIMITED (SYDNEY)	9,477.58	661,582.00	0.014
IMPERIAL CAPITAL LLC	2,594.60	60,640.00	0.043	MACQUARIEEQUITIES LTD	10,545.14	1,833,945.00	0.006
ING BANK N V	566.07	39,352.00	0.014	MAGNA SECURITIES CORP	63.00	1,400.00	0.045
ING BARING SECURITIES	1,098.51	26,329.00	0.042	MAINFIRSTBANK DE	741.46	7,206.00	0.103
ING BARING SECURITIES (SINGAPORE)	5,525.73	1,275,020.00	0.004	MCDONALDAND COMPANY SECURITIES, INC.	697.50	15,500.00	0.045
ING BARING SECURITIES LTD SEOUL	15,867.66	272,010.00	0.058	MERRILL LYNCH	4,195.40	177,800.00	0.024
ING BARINGS CORP	37,933.14	223,939,381.00	0.000	MERRILL LYNCH + CO INC	23,573.10	1,493,837.00	0.016
ING SECURITIES LIMITED	247.20	26,900.00	0.009	MERRILL LYNCH AND CO	640.52	106,000.00	0.006
INSTINET	163,482.62	12,377,750.00	0.013	MERRILL LYNCH FAR EAST LTD	5,573.01	2,974,920.00	0.002
INSTINET CLEARING SERVICES INC	18,613.47	919,638.00	0.020	MERRILL LYNCH INTERNATIONAL	144,999.27	30,218,786.00	0.005
INSTINET FRANCE S.A.	523.69	27,100.00	0.019	MERRILL LYNCH PEIRCE FENNER AND S	95,712.71	58,711,406.00	0.002
INSTINET INVESTMENT SERVICES LIMITED	5,061.00	301,025.00	0.017	MERRILL LYNCH PEIRCE, FENNER AND S	4,519.53	653,100.00	0.007
INSTINET PACIFIC LIMITED	7,643.20	167,527.00	0.046	MERRILL LYNCH PIERCE FENNER + SMITH	780,658.09	218,801,080.00	0.004
INSTINET U.K. LTD	39,878.37	1,249,101.00	0.032	MERRILL LYNCH PROFESSIONAL CLEARING CORP	13,128.23	326,975.00	0.040
INTERMOBILIARE SECURITIES SIM SPA	503.83	25,000.00	0.020	MIDWEST RESEARCH SECURITIES	16,487.42	415,204.00	0.040
INTERMONTE SEC SIM SPA	260.98	194,123.00	0.001	MIZUHO INTERNATIONAL PLC	23,319.02	1,010,860.00	0.023
INVERLAT INTERNATIONAL	6,066.12	641,134.00	0.009	MIZUHO SECURITIES CO., LTD	265.96	18,000.00	0.015
INVESTEC HENDERSON CROSTHWAITE	5,890.46	928,500.00	0.006	MIZUHO SECURITIES USA INC	14,541.30	483,380.00	0.030
INVESTMENT TECHNOLOGY GROUP INC.	238,801.11	10,151,119.00	0.024	MKM PARTNERS	8,168.00	204,200.00	0.040
INVESTMENT TECHNOLOGY GROUP LTD	7,425.42	1,190,939.00	0.006	MONTROSE SECURITIES EQUITIES	1,084.95	21,799.00	0.050

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

SCHEDULE OF BROKERAGE COMMISSIONS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Broker Name	\$ Commission	Shares/ Par Value	Avg Comm	Broker Name	\$ Commission	Shares/ Par Value	Avg Comm
MOORS + CABOT INC	45,400.65	908,013.00	0.050	SCOTT & STRINGFELLOW, INC	35,633.50	890,700.00	0.040
MORGAN KEEGAN & CO INC	575.00	11,500.00	0.050	SG AMERICAS SECURITIES, LLC	28,896.00	709,600.00	0.041
MORGAN STANLEY	1,093.28	13,900.00	0.079	SG COWEN SECURITIES CORP	32,737.32	720,856.00	0.045
MORGAN STANLEY AND CO INTERNATIONAL	123.09	90.00	1.368	SG COWEN SECURITIES CORP 2	2,348.74	27,643.00	0.085
MORGAN STANLEY AND CO. INTERNATIONAL	88,281.21	4,612,154.00	0.019	SG SECURITIES (LONDON) LTD	457.35	100,500.00	0.005
MORGAN STANLEY CO INCORPORATED	1,076,574.39	167,570,204.00	0.006	SG SECURITIES (LONDON)LTD	5,123.13	146,140.00	0.035
MORGAN STANLEY DEAN WITTER	6,903.85	1,833,000.00	0.004	SG SECURITIES HK	741.47	465,000.00	0.002
MORGAN STANLEY SECURITIES LIMITED	23,135.04	3,321,671.00	0.007	SHINYOUNGSECURITIES CO LTD	64,585.79	1,343,403.00	0.048
NATIONAL AUSTRALIA BANK LIMITED	409.40	48,000.00	0.009	SIGMA SECURITIES S.A.	194.31	15,968.00	0.012
NATIONAL AUSTRALIA BANK LIMITED (SYDNEY)	211.72	11,301.00	0.019	SIMMONS +COMPANY INTERNATIONAL	2,250.00	45,000.00	0.050
NATIONAL FINANCIAL SERVICES CORP	14,090.90	772,345.00	0.018	SIS SEGAINTERSETTLE AG	7,884.72	15,397.00	0.512
NATIONAL FINANCIAL SERVICES CORP.	105,386.75	2,194,571.00	0.048	SOCIETE GENERALE	7,460.82	72,012.00	0.104
NATIONAL FINANCIAL SVCS CORP	1,029.92	51,496.00	0.020	SOCIETE GENERALE LONDON BRANCH	5,250.96	150,813.00	0.035
NCB STOCKBROKERS	1,775.38	164,900.00	0.011	SPEAR, LEEDS & KELLOGG	69,877.28	2,273,431.00	0.031
NCB STOCKBROKERS LTD	6,690.89	325,990.00	0.021	SSANGYONGINVESTMENT AND SECURITIES	23,028.68	343,690.00	0.067
NEEDHAM +COMPANY	4,600.00	92,000.00	0.050	SSGA	7,178.48	358,924.00	0.020
NEONET SECURITIES AB	347.80	8,295.00	0.042	STANDARD + POORS SECURITIES INC	17,733.25	358,535.00	0.049
NEUBERGERAND BERMAN	48,648.42	1,621,614.00	0.030	STANLEY (CHARLES) + CO LIMITED	2,025.93	200,344.00	0.010
NEUE ZURCHER BANK	338.30	320.00	1.057	STATE STREET BANK + TRUST	3,730.50	7,282,391,557.91	0.000
NOMURA INTERNATIONAL (HONG KONG) LTD	4,005.78	717,000.00	0.006	STATE STREET BANK AND TRUST CO	750.21	41,483.00	0.018
NOMURA INTERNATIONAL PLC	50,282.56	4,352,708.00	0.012	STATE STREET BANK GMBH	800.00	40,000.00	0.020
NOMURA SECURITIES CO., LTD.	283.00	50,000.00	0.006	STATE STREET BROKERAGE SERVICES	408,060.15	22,039,864.00	0.019
NOMURA SECURITIES INTERNATIONAL INC	66,107.30	30,827,819.00	0.002	STATUS SECURITIES	470.00	9,400.00	0.050
NORDIC PARTNERS	5,649.80	154,300.00	0.037	STEPHENS, INC.	5,020.00	100,400.00	0.050
NUMIS SECURITIES LIMITED	442.10	56,900.00	0.008	STIFEL NICOLAUS & CO INC	2,425.00	48,500.00	0.050
NUTMEG SECURITIES	113,911.55	2,424,421.00	0.047	SUN	455.52	14,016.00	0.033
NZB BANK	229.67	220.00	1.044	SUNTRUST CAPITAL MARKETS, INC.	7,713.00	160,320.00	0.048
ODDO FINANCE	3,992.05	37,815.00	0.106	SVENSKA HANDELSBANKEN	1,143.39	51,751.00	0.022
OHMAN SECURITIES	52.11	2,200.00	0.024	SVENSKA HANDELSBANKEN LONDON BRANCH	5,544.61	240,057.00	0.023
OIEN SECURITIES, INC	3.44	86.00	0.040	SWISS AMERICAN SECURITIES INC	1,372.00	196,000.00	0.007
OPPENHEIM, SAL.,JR UND CIE KOELN	1,753.24	26,150.00	0.067	TEATHER AND GREENWOOD	101.71	15,111.00	0.007
OPPENHEIMER & CO. INC.	21,930.18	482,215.00	0.045	THEMIS TRADING LLC	450.00	18,000.00	0.025
ORD MINNETT, INC.	84.28	113,152.00	0.001	THINKEQUITY PARTNERS LLC	22,237.00	500,000.00	0.044
ORIEL SECURITIES LTD	963.31	97,927.00	0.010	THOMAS WEISEL PARTNERS	83,815.28	2,058,757.00	0.041
ORMES CAPITAL MARKETS INC	8,338.00	191,500.00	0.044	TOKAI BANK EUROPE PLC LONDON	617.55	16,334.00	0.038
PACIFIC AMERICAN SECURITIES, LLC	6,190.50	151,900.00	0.041	TOKYO MITSUBISHI INTERNATIONAL PLC	6,615.54	365,000.00	0.018
PACIFIC GROWTH EQUITIES	2,584.00	64,600.00	0.040	TOKYO-MITSUBISHI SECURITIES (USA)	276.41	32,371.00	0.009
PANMURE GORDON & CO LTD	12,737.52	1,465,268.00	0.009	TSUBASA SECURITIES CO., LTD.	2,200.50	82,000.00	0.027
PARIBAS CORPORATION	8,169.46	251,355.00	0.033	U S BANCORP PIPER JAFFRAY INC	6,967.75	139,355.00	0.050
PARIBAS SECURITIES INC	8,210.07	3,633,500.00	0.002	U.S. CLEARING CORPORATION	1,315.00	26,300.00	0.050
PARKMIX LTD	7,865.94	2,197,800.00	0.004	UBS	5,578.29	215,900.00	0.026
PEEL HUNT+ COMPANY LIMITED	2,301.83	240,400.00	0.010	UBS (NETHERLANDS) BV	286.73	3,800.00	0.075
PENSION FINANCIAL SERVICES INC	2,793.43	322,100.00	0.009	UBS AG	276,965.50	74,845,425.00	0.004
PERCIVAL FINANCIAL PARTNERS, LTD	722.85	14,457.00	0.050	UBS AG LONDON	406,003.95	457,740,191.00	0.001
PERSHING	4,226.80	216,090,220.00	0.000	UBS AG STAMFORD	267.00	8,900.00	0.030
PERSHING DIVISION OF DONALDSON LUFKIN	8,060.50	192,600.00	0.042	UBS AUSTRALIA GROUP LIMITED (FORMER ROYA	830.56	49,200.00	0.017
PERSHING DLJ S L	42,658.30	1,646,590.00	0.026	UBS FINANCIAL SERVICES INC	1,018.80	20,376.00	0.050
PERSHING LLC	126,896.16	2,706,303.00	0.047	UBS SECURITIES	319.85	6,700.00	0.048
PERSHING SECURITIES LIMITED	13,024.65	775,092.00	0.017	UBS SECURITIES ASIA LTD	152.08	7,000.00	0.022
PERSHING SECURITIES LTD	1,206.56	51,218.00	0.024	UBS SECURITIES LLC	223,685.25	4,829,382.00	0.046
PETERCAM S.A.	4,620.12	75,817.00	0.061	UBS SECURITIES SINGAPORE PTE	1,656.77	1,272,000.00	0.001
PICTET (CANADA) L.P.	2,710.53	29,870.00	0.091	UBS WARBURG (HONG KONG) LIMITED	348.70	36,500.00	0.010
PICTET AND CIE	2,578.35	3,537.00	0.729	UBS WARBURG LLC	363,500.56	1,299,439,997.00	0.000
PIPER JAFFRAY & CO.	20,532.80	410,656.00	0.050	UBS WARBURG SECURITIES LIMITED	681.78	5,000.00	0.136
PRITCHARDCAPITAL PARTNERS LLC	12,292.50	245,850.00	0.050	UNIBANCO-UNIAO DE BANCOS BRASIL	3,274.80	2,645,000.00	0.001
PRUDENTIAL EQUITY GROUP	54,834.78	1,316,283.00	0.042	UOB KAY HIAN PRIVATE LIMITED	13,941.56	3,068,900.00	0.005
PULSE TRADING LLC	39,812.05	1,847,796.00	0.022	USCC/SANTANDER	520.00	13,000.00	0.040
PUNK ZIEGLER AND KNOLL	1,690.00	33,800.00	0.050	VICKERS BALLAS LTD	3,890.77	103,000.00	0.038
RABO SECURITIES NV	5,559.01	200,397.00	0.028	VONTOBEL SECURITIES	307.85	1,600.00	0.192
RABOBANK INTL	1,369.07	22,314.00	0.061	WACHOVIA SECURITIES, LLC.	7,895.46	208,132.00	0.038
RAYMOND JAMES AND ASSOCIATES INC	21,593.55	439,475.00	0.049	WACHOVIA CAPITAL MARKETS, LLC	51,930.96	1,171,525.00	0.044
RAYMOND JAMES TRUST COMPANY	24,398.82	1,681,564,408.00	0.000	WARBURG DILLON READ (ASIA) LTD	100,177.87	22,772,022.00	0.004
RBC CAPITAL MARKETS	13,630.66	297,700.00	0.046	WARBURG DILLON READ SECURITIES LTD	2,642.61	4,230.00	0.625
RBC CAPITAL MARKETS/NEW YORK	462.96	21,500.00	0.022	WAVE SECURITIES LLC	13,075.60	1,159,410.00	0.011
RBC DAIN RAUSCHER INC	26,107.50	564,900.00	0.046	WEDBUSH MORGAN SECURITIES INC	9,910.00	198,200.00	0.050
RBC DOMINION SECURITIES	1,078.59	73,800.00	0.015	WEEDEN + CO.	287,963.48	6,652,643.00	0.043
RBC DOMINION SECURITIES CORPORATION	616.48	50,200.00	0.012	WELLS FARGO SECURITIES LLC	15,298.94	462,799.00	0.033
RBC DOMINION SECURITIES INC.	26,068.90	746,200.00	0.035	WESTMINSTER RESEARCH ASSOCIATE	14,972.65	299,453.00	0.050
REDBURN PARTNERS LLP	2,790.26	202,129.00	0.014	WILLIAM BLAIR & COMPANY, L.L.C	39,621.88	926,214.00	0.043
ROBERT VAN SECURITIES	9,637.88	240,947.00	0.040	WILLIAMS CAPITAL GROUP LP (THE)	29,516.70	716,474.00	0.041
ROBERT VAN SECURITIES	611.28	15,282.00	0.040	WILLIAMS CAPITAL GROUP (THE)	9,831.50	216,500.00	0.045
ROCHDALE SEC CORP.(CLS THRU 443)	33,229.46	798,499.00	0.042	WILLIAMS CAPITAL INTERNATIONAL LTD	25,066.37	2,186,700.00	0.011
ROYAL BANK OF CANADA	4,420.52	287,600.00	0.015	WILLIAMS DE BROE	608.58	51,976.00	0.012
S.G. COWEN & CO., LLC	1,533.91	36,297.00	0.042	WR HAMBRECHT + CO	1,015.00	20,300.00	0.050
SAL OPPENHEIM JR	223.67	1,750.00	0.128	YORK SECURITIES INC	173.35	4,800.00	0.036
SALOMON SMITH BARNEY KOREA LTD	6,407.10	74,560.00	0.086	YORKTON SECURITIES INC	352.66	9,500.00	0.037
SAMSUNG SECURITIES CO LTD	72,658.33	951,643.00	0.076	ZANNEX SECURITIES	2,178.11	204,989.00	0.011
SAMUEL A RAMIREZ & COMPANY INC	7,583.44	189,586.00	0.040				
SANDERS MORRIS MUNDY	41,585.00	831,700.00	0.050				
SANDLER ONEILL + PART LP	1,250.00	25,000.00	0.050				
SANFORD C. BERNSTEIN LTD	63,237.98	5,486,142.00	0.012				
SANFORD CBERNSTEIN CO LLC	30,985.10	582,065.00	0.053				
SANTANDERCENTRAL HISPANO BOLSA	2,615.29	64,900.00	0.040				
SANTANDERINVESTMENT SECURITIES INC	57,982.00	1,526,600.00	0.038				
SARASIN INTERNATIONAL LTD	254.84	1,960.00	0.130				
SCOTIA CAPITAL (USA) INC	640.11	17,100.00	0.037				
				Total	\$17,081,376.43		

Statistical
Section



CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

**STATEMENT OF NET ASSETS
JUNE 30, 2004**

	CASH RESERVE FUND	MUTUAL EQUITY FUND	FIXED INCOME FUND	INTER- NATIONAL STOCK FUND	REAL ESTATE FUND	COMMERCIAL MORTGAGE FUND	PRIVATE INVESTMENT FUND	ELIMI- NATION ENTRY	TOTAL
ASSETS									
Investments in Securities, at Fair Value									
Cash Reserve Fund	\$ -	\$ 65,030,485	\$ 685,735,194	\$ 84,108,282	\$ 23,873,332	\$ 529,635	\$ 175,230,571	\$(1,034,507,499)	\$ -
Cash Equivalents	571,074,338	-	131,014,552	-	-	-	-	-	702,088,890
Asset Backed Securities	504,491,261	-	68,860,394	-	-	-	-	-	573,351,655
Government Securities	-	-	1,441,108,121	-	-	-	-	-	1,441,108,121
Government Agency Securities	30,753,896	-	1,600,450,325	-	-	-	-	-	1,631,204,221
Mortgage Backed Securities	80,654,910	-	454,710,826	-	-	656,173	-	-	536,021,909
Corporate Debt	210,703,950	-	1,831,721,972	-	-	-	-	-	2,042,425,922
Convertible Securities	-	-	34,925,948	62,724	-	-	-	-	34,988,672
Common Stock	-	7,637,241,901	6,897,847	3,727,426,698	43,804,011	35,042,563	-	-	11,450,413,020
Preferred Stock	-	-	-	74,664,086	-	-	-	-	74,664,086
Real Estate Investment Trust	-	76,832,291	594,895	77,499	-	-	-	-	77,504,685
Mutual Fund	-	-	69,864,062	109,528,976	-	-	-	-	179,393,038
Limited Liability Corporation	-	-	-	-	-	-	22,948,138	-	22,948,138
Trusts	-	-	-	-	46,404,007	-	-	-	46,404,007
Limited Partnerships	-	-	-	-	253,151,772	-	1,583,133,960	-	1,836,285,732
Partnerships	-	-	-	-	-	-	-	-	-
Annuities	-	-	-	-	1,313,806	-	-	-	1,313,806
Total Investments in Securities, at Fair Value	1,397,678,355	7,779,104,677	6,325,884,136	3,995,868,265	368,546,928	36,228,371	1,781,312,669	(1,034,507,499)	20,650,115,902
Cash	-	69,107	971,228	17,024,361	-	-	652,869	-	18,717,565
Receivables									
Foreign Exchange Contracts	-	-	161,137,732	7,753,643,192	-	-	-	-	7,914,780,924
Interest Receivable	3,802,303	65,550	77,374,888	88,749	16,518	562	171,757	(1,240,478)	80,279,849
Dividends Receivable	-	7,048,152	97,781	6,540,467	-	174,489	-	-	13,860,889
Due from Brokers	-	42,230,253	218,796,314	50,142,278	-	-	2,504,531	-	313,673,376
Management Fee Receivable	-	-	-	-	-	-	-	-	-
Foreign Taxes	-	542	1,515	1,777,008	-	-	-	-	1,779,065
Securities Lending Receivable	-	110,919	209,537	465,208	-	-	-	-	785,664
Reserve for Doubtful Receivables	-	-	(12,831,609)	(95,050)	-	-	-	-	(12,926,659)
Total Receivables	3,802,303	49,455,416	444,786,158	7,812,561,852	16,518	175,051	2,676,288	(1,240,478)	8,312,233,108
Invested Securities Lending Collateral	-	404,840,310	1,114,438,733	603,199,932	-	-	-	-	2,122,478,975
Other Funds on Deposit	-	-	-	-	-	-	-	-	-
Prepaid Expenses	-	-	-	-	-	1,054	3,008,998	-	3,010,052
Total Assets	1,401,480,658	8,233,469,510	7,886,080,255	12,428,654,410	368,563,446	36,404,476	1,787,650,824	(1,035,747,977)	31,106,555,602
LIABILITIES									
Payables									
Foreign Exchange Contracts	-	-	162,181,226	7,767,381,154	-	-	-	-	7,929,562,380
Due to Brokers	-	45,059,045	756,536,630	49,380,121	-	-	-	-	850,975,796
Income Distribution	1,606,371	-	-	-	-	-	-	(1,222,661)	383,710
Other Payable	-	-	-	-	-	-	-	-	-
Total Payables	1,606,371	45,059,045	918,717,856	7,816,761,275	-	-	-	(1,222,661)	8,780,921,886
Securities Lending Collateral	-	404,840,310	1,114,438,733	603,199,932	-	-	-	-	2,122,478,975
Accrued Expenses	68,553	2,511,363	3,482,436	5,409,844	25,790	-	2,284,788	(17,813)	13,764,961
Total Liabilities	1,674,924	452,410,718	2,036,639,025	8,425,371,051	25,790	-	2,284,788	(1,240,474)	10,917,165,822
NET ASSETS	\$1,399,805,734	\$7,781,058,792	\$5,849,441,230	\$4,003,283,359	\$368,537,656	\$36,404,476	\$1,785,366,036	\$(1,034,507,503)	\$20,189,389,780
Units Outstanding	1,399,805,734	9,641,912	51,696,296	16,604,790	6,985,137	580,161	27,371,972		
Net Asset Value and Redemption Price per Unit	\$ 1.00	\$ 807.00	\$ 113.15	\$ 241.09	\$ 52.76	\$ 62.75	\$ 65.23		

The accompanying notes are an integral part of these financial statements.

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

**STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	CASH RESERVE FUND	MUTUAL EQUITY FUND	FIXED INCOME FUND	INTER- NATIONAL STOCK FUND	REAL ESTATE FUND	COMMERCIAL MORTGAGE FUND	PRIVATE INVESTMENT FUND	ELIMI- NATION ENTRY	TOTAL
Investment Income									
Dividends	\$-	\$114,031,024	\$6,410,034	\$85,964,184	\$18,235,050	\$4,553,897	\$378,335,074	\$-	\$607,529,263
Interest	21,155,254	746,596	294,849,438	510,421	109,081	19,048	1,414,839	(15,775,492)	303,029,185
Other Income	-	2,830,195	24,490,944	296,041	-	-	1,895,696	-	29,512,876
Securities Lending	-	4,845,114	10,650,359	7,757,508	-	-	-	-	23,252,981
Total Income	21,155,254	122,452,929	336,400,775	94,528,154	18,344,131	4,572,945	381,645,609	(15,775,492)	963,324,305
Expenses									
Investment Advisory Fees	313,350	6,459,864	8,070,224	17,336,519	1,120,127	327,489	5,591,485	(233,666)	38,985,392
Salary and Fringe Benefits	181,142	803,795	497,222	387,188	152,407	8,432	361,200	(135,078)	2,256,308
Custody and Transfer Agent Fees	64,856	161,062	124,947	837,845	30,493	1,885	242,039	(48,363)	1,414,764
Professional Fees	44,689	215,527	130,906	108,717	266,083	1,026	5,576,574	(33,325)	6,310,197
Security Lending Fees	-	462,618	803,808	1,232,449	-	-	-	-	2,498,875
Security Lending Rebates	-	3,197,537	7,885,199	3,100,113	-	-	-	-	14,182,849
Investment Expenses	110,519	57,655	30,861	33,537	2,499	165	11,468	(82,414)	164,290
Total Expenses	714,556	11,358,058	17,543,167	23,036,368	1,571,609	338,997	11,782,766	(532,846)	65,812,675
Net Investment Income	20,440,698	111,094,871	318,857,608	71,491,786	16,772,522	4,233,948	369,862,843	(15,242,646)	897,511,630
Net Realized Gain (Loss)	232,621	565,299,222	69,116,799	247,550,316	(8,191,028)	315,547	6,829,021	(173,466)	880,979,032
Net Change in Unrealized Gain/(Loss) on Investments and Foreign Currency	-	679,252,870	(267,934,874)	587,209,136	(5,959,369)	(1,101,440)	(54,550,699)	-	936,915,624
Net Increase (Decrease) in Net Assets Resulting from Operations	\$20,673,319	\$1,355,646,963	\$120,039,533	\$906,251,238	\$2,622,125	\$3,448,055	\$322,141,165	\$(15,416,112)	\$2,715,406,286
Net Transfers	-	-	-	-	-	-	-	-	-
Distributions to Unit Owners:									
Income Distributed	(20,673,319)	(108,195,347)	(280,450,557)	(54,060,398)	(36,874,628)	(11,397,679)	(319,894,385)	15,416,122	(816,130,191)
Returns of Capital	-	-	-	-	-	-	-	-	-
Total Distributions	(20,673,319)	(108,195,347)	(280,450,557)	(54,060,398)	(36,874,628)	(11,397,679)	(319,894,385)	15,416,122	(816,130,191)
Unit Transactions									
Purchase of Units by Participants	4,881,927,560	-	379,251,940	1,200,000,000	2,000,000	-	29,000,000	(3,602,665,657)	2,889,513,843
Redemption of Units by Participants	(5,334,947,610)	(64,861,000)	(979,000,000)	(83,000,000)	(25,000,000)	(27,928,399)	(94,000,000)	3,708,931,783	(2,899,805,226)
Net Increase (Decrease) in Net Assets Resulting from Unit Transactions	(453,020,050)	(64,861,000)	(599,748,060)	1,117,000,000	(23,000,000)	(27,928,399)	(65,000,000)	106,266,126	(10,291,383)
Total Increase (Decrease) in Net Assets	(453,020,050)	1,182,590,616	(760,159,084)	1,969,190,840	(57,252,503)	(35,878,023)	(62,753,220)	106,266,136	1,888,984,712
Net Assets- Beginning of Period	1,852,825,784	6,598,468,176	6,609,600,314	2,034,092,519	425,790,159	72,282,499	1,848,119,256	(1,140,773,639)	18,300,405,068
Net Assets- End of Period	\$1,399,805,734	\$7,781,058,792	\$5,849,441,230	\$4,003,283,359	\$368,537,656	\$36,404,476	\$1,785,366,036	\$(1,034,507,503)	\$20,189,389,780
Other Information:									
Units									
Purchased	4,881,927,560	-	3,254,328	6,168,629	34,769	-	447,705		
Redeemed	(5,334,947,610)	(91,497)	(8,743,313)	(348,440)	(450,800)	404,771	(1,392,409)		
Net Increase (Decrease)	(453,020,050)	(91,497)	(5,488,985)	5,820,188	(416,030)	404,771	(944,704)		

The accompanying notes are an integral part of these financial statements

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

**STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	CASH RESERVE FUND	MUTUAL EQUITY FUND	FIXED INCOME FUND	INTER- NATIONAL STOCK FUND	REAL ESTATE FUND	COMMERCIAL MORTGAGE FUND	PRIVATE INVESTMENT FUND	ELIMI- NATION ENTRY	TOTAL
Investment Income									
Dividends	\$ -	\$97,908,864	\$ 4,237,918	\$ 48,496,325	\$ 7,822,522	\$ 9,047,138	\$ 316,844,834	\$ -	\$484,357,601
Interest	34,567,405	1,086,329	336,353,398	864,340	122,382	64,841	1,900,432	(22,616,447)	352,342,680
Other Income	103,203	938,639	-	301,898	35,444	-	2,695,860	(67,523)	4,007,521
Securities Lending	-	4,698,471	14,686,868	5,537,417	-	-	-	-	24,922,756
Total Income	34,670,608	104,632,303	355,278,184	55,199,980	7,980,348	9,111,979	321,441,126	(22,683,970)	865,630,558
Expenses									
Investment Advisory Fees	402,399	13,885,595	8,787,612	12,077,535	1,217,754	417,400	5,742,250	(263,278)	42,267,267
Salary and Fringe Benefits	144,318	706,340	636,446	221,713	136,687	11,014	302,237	(94,423)	2,064,332
Custody and Transfer Agent Fees	64,609	144,142	179,513	575,022	33,524	3,244	234,516	(42,272)	1,192,298
Professional Fees	35,800	265,413	276,542	79,863	186,278	2,995	1,932,583	(23,423)	2,756,051
Security Lending Fees	-	351,772	964,177	740,115	-	-	-	-	2,056,064
Security Lending Rebates	-	3,390,218	11,123,203	2,677,727	-	-	-	-	17,191,148
Expenses	25,952	50,855	42,808	15,478	3,406	572	25,162	(16,980)	147,253
Total Expenses	673,078	18,794,335	22,010,301	16,387,453	1,577,649	435,225	8,236,748	(440,376)	67,674,413
Net Investment Income	33,997,530	85,837,968	333,267,883	38,812,527	6,402,699	8,676,754	313,204,378	(22,243,594)	797,956,145
Net Realized Gain (Loss)	5,304	(343,085,583)	35,747,647	(263,021,093)	35,741,745	292,925	(32,317,579)	(3,470)	(566,640,104)
Net Change in Unrealized Gain/(Loss) on Investments and Foreign Currency	-	268,525,616	342,085,904	68,906,015	(27,635,527)	4,544,111	(532,641,824)	-	123,784,295
Net Increase (Decrease) in Net Assets Resulting from Operations	\$34,002,834	\$11,278,001	\$711,101,434	\$(155,302,551)	\$14,508,917	\$13,513,790	\$(251,755,025)	\$(22,247,064)	\$355,100,336
Net Transfers	-	-	-	-	-	-	-	-	-
Distributions to Unit Owners:									
Income Distributed	(34,002,834)	(81,939,912)	(337,711,176)	(37,331,253)	(43,390,906)	(7,672,406)	(317,149,939)	22,247,064	(836,951,362)
Returns of Capital	-	-	-	-	-	-	-	-	-
Total Distributions	(34,002,834)	(81,939,912)	(337,711,176)	(37,331,253)	(43,390,906)	(7,672,406)	(317,149,939)	22,247,064	(836,951,362)
Unit Transactions									
Purchase of Units by Participants	4,230,807,741	-	2,373,700	-	6,500,000	-	136,000,000	(3,076,184,458)	1,299,496,983
Redemption of Units by Participants	(3,820,988,323)	(7,461,041)	(292,414,969)	-	(23,000,000)	(6,819,600)	-	2,927,288,702	(1,223,395,231)
Net Increase (Decrease) in Net Assets Resulting from Unit Transactions	409,819,418	(7,461,041)	(290,041,269)	-	(16,500,000)	(6,819,600)	136,000,000	(148,895,756)	76,101,752
Total Increase (Decrease) in Net Assets	409,819,418	(78,122,952)	83,348,989	(192,633,804)	(45,381,989)	(978,216)	(432,904,964)	(148,895,756)	(405,749,274)
Net Assets- Beginning of Period	1,443,006,366	6,676,591,128	6,526,251,325	2,226,726,323	471,172,148	73,260,715	2,281,024,220	(991,877,876)	18,706,154,346
Net Assets- End of Period	\$1,852,825,784	\$6,598,468,176	\$6,609,600,314	\$2,034,092,519	\$425,790,159	\$72,282,499	\$1,848,119,256	\$(1,140,773,632)	\$18,300,405,072
Other Information:									
Units									
Purchased	4,230,807,741	-	21,285	-	108,173	-	1,894,328	-	
Redeemed	(3,820,988,323)	(11,927)	(2,595,969)	-	(378,490)	(96,971)	-	-	
Net Increase (Decrease)	409,819,418	(11,927)	(2,574,684)	-	(270,317)	(96,971)	1,894,328	-	

The accompanying notes are an integral part of these financial statements

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

TOTAL NET ASSET VALUE BY PENSION PLANS AND TRUST FUNDS

JUNE 30, 2004

<u>Retirement Funds</u>	<u>Net Asset Value</u>
Teachers' Retirement Fund	\$10,860,275,666
State Employees' Retirement Fund	7,709,615,695
Municipal Employees' Retirement Fund	1,303,832,973
State Judges' Retirement Fund	140,387,092
The Probate Court Retirement Fund	67,072,384
State's Attorneys Retirement Fund	716,010
<u>Non-retirement Trust Funds</u>	
Soldiers' Sailors' & Marines' Fund	59,072,186
Police & Firemans' Survivors' Benefit Fund	18,083,143
Connecticut Arts Endowment Fund	16,002,328
School Fund	8,866,264
Ida Eaton Cotton Fund	1,994,950
Hopemead Fund	1,946,127
Andrew Clark Fund	938,276
Agricultural College Fund	586,686
TOTAL	<u>\$20,189,389,780</u>

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

**STATEMENT OF INVESTMENT ACTIVITY BY PENSION PLAN
FOR THE FISCAL YEAR ENDING JUNE 30, 2004**

	CASH RESERVE FUND	MUTUAL EQUITY FUND	MUTUAL FIXED INCOME FUND	INTER- NATIONAL STOCK FUND	REAL ESTATE FUND	COMMERCIAL MORTGAGE FUND	PRIVATE INVESTMENT FUND	TOTALS
Teachers' Retirement Fund								
Book Value at June 30, 2003	\$ 314,412,366	\$ 989,170,649	\$ 3,133,291,711	\$ 740,984,430	\$ 273,040,309	\$ 40,204,455	\$ 1,376,400,279	\$ 6,867,504,200
Market Value at June 30, 2003	\$ 314,412,366	\$ 3,609,903,114	\$ 3,530,422,912	\$ 1,110,450,868	\$ 232,032,151	\$ 39,426,609	\$ 1,009,366,137	\$ 9,846,014,159
Shares Purchased	771,395,287	-	112,000,000	655,103,457	1,089,890	-	15,838,598	1,555,427,232
Shares Redeemed	(893,261,395)	(35,405,702)	(529,724,019)	(45,311,322)	(13,623,621)	(15,233,592)	(51,338,904)	(1,583,898,555)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	26,113,759	44,426,412	16,617,475	(2,996,480)	(1,288,936)	(16,080,007)	66,792,223
Net Investment Income Earned	2,337,552	59,187,054	148,118,381	29,512,627	20,094,637	6,216,886	174,713,396	440,180,533
Net Investment Income Distributed	(2,337,552)	(59,187,054)	(148,118,381)	(29,512,627)	(20,094,637)	(6,216,886)	(174,713,396)	(440,180,533)
Changes in Market Value of Fund Shares	-	656,294,290	(127,554,519)	448,610,165	(15,669,245)	(3,047,182)	17,307,098	975,940,607
Market Value at June 30, 2004	\$ 192,546,258	\$ 4,256,905,461	\$ 3,029,570,786	\$ 2,185,470,643	\$ 200,832,694	\$ 19,856,899	\$ 975,092,922	\$ 10,860,275,666
Book Value at June 30, 2004	192,546,258	979,878,706	2,759,994,104	1,367,394,040	257,510,098	23,681,927	1,324,819,966	6,905,825,099
Shares Outstanding	192,546,258	5,274,951	26,774,795	9,064,880	3,806,514	316,450	14,949,437	252,733,285
Market Value per Share ⁽¹⁾	\$ 1.00	\$ 807.00	\$ 113.15	\$ 241.09	\$ 52.76	\$ 62.75	\$ 65.23	
State Employees' Retirement Fund								
Book Value at June 30, 2003	\$ 288,463,958	\$ 702,395,453	\$ 2,216,540,823	\$ 522,189,936	\$ 192,487,005	\$ 28,163,673	\$ 967,559,365	\$ 4,917,800,213
Market Value at June 30, 2003	\$ 288,463,958	\$ 2,498,015,185	\$ 2,515,112,880	\$ 784,016,290	\$ 163,879,606	\$ 27,766,991	\$ 709,924,440	\$ 6,987,179,350
Shares Purchased	422,597,602	-	167,000,000	462,525,445	769,767	-	11,139,870	1,064,032,684
Shares Redeemed	(574,814,069)	(24,500,376)	(377,381,333)	(31,991,343)	(9,622,087)	(10,728,567)	(36,108,545)	(1,065,146,320)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	17,902,304	34,074,020	11,752,451	(2,094,772)	(845,650)	(11,284,763)	49,503,590
Net Investment Income Earned	2,298,456	40,956,816	106,840,991	20,836,925	14,192,436	4,378,363	122,882,376	312,386,363
Net Investment Income Distributed	(2,298,456)	(40,956,816)	(106,840,991)	(20,836,925)	(14,192,436)	(4,378,363)	(122,882,376)	(312,386,363)
Changes in Market Value of Fund Shares	-	454,316,925	(95,835,925)	316,714,172	(11,088,452)	(2,208,150)	12,147,822	674,046,391
Market Value at June 30, 2004	\$ 136,247,491	\$ 2,945,734,038	\$ 2,242,969,642	\$ 1,543,017,014	\$ 141,844,062	\$ 13,984,624	\$ 685,818,824	\$ 7,709,615,695
Book Value at June 30, 2004	136,247,491	695,797,381	2,040,233,510	964,476,488	181,539,913	16,589,456	931,305,927	4,966,190,166
Shares Outstanding	136,247,491	3,650,211	19,822,957	6,400,115	2,688,464	222,866	10,514,490	179,546,595
Market Value per Share ⁽¹⁾	\$ 1.00	\$ 807.00	\$ 113.15	\$ 241.09	\$ 52.76	\$ 62.75	\$ 65.23	
Municipal Employees' Retirement Fund								
Book Value at June 30, 2003	\$ 86,362,487	\$ 113,692,994	\$ 363,628,298	\$ 80,092,276	\$ 30,015,837	\$ 4,380,345	\$ 153,623,146	\$ 831,795,383
Market Value at June 30, 2003	\$ 86,362,487	\$ 413,330,740	\$ 410,606,606	\$ 120,240,773	\$ 25,657,162	\$ 4,349,387	\$ 113,892,968	\$ 1,174,440,124
Shares Purchased	68,236,747	-	83,000,000	70,935,283	120,516	-	1,787,166	224,079,711
Shares Redeemed	(129,537,039)	(4,053,922)	(61,609,668)	(4,906,357)	(1,506,444)	(1,680,510)	(5,792,883)	(209,086,823)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	2,985,927	5,289,363	1,802,282	(320,673)	(119,648)	(1,732,763)	7,904,489
Net Investment Income Earned	812,610	6,776,864	18,285,969	3,195,659	2,221,983	685,822	19,713,982	51,692,889
Net Investment Income Distributed	(812,610)	(6,776,864)	(18,285,969)	(3,195,659)	(2,221,983)	(685,822)	(19,713,982)	(51,692,889)
Changes in Market Value of Fund Shares	-	75,149,196	(16,995,998)	48,573,051	(1,743,306)	(358,694)	1,871,224	106,495,472
Market Value at June 30, 2004	\$ 25,062,195	\$ 487,411,942	\$ 420,290,303	\$ 236,645,032	\$ 22,207,254	\$ 2,190,535	\$ 110,025,712	\$ 1,303,832,973
Book Value at June 30, 2004	25,062,195	112,624,999	390,307,993	147,923,484	28,309,236	2,580,187	147,884,666	854,692,759
Shares Outstanding	25,062,195	603,977	3,714,449	981,555	420,909	34,910	1,686,837	32,504,831
Market Value per Share ⁽¹⁾	\$ 1.00	\$ 807.00	\$ 113.15	\$ 241.09	\$ 52.76	\$ 62.75	\$ 65.23	

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

**STATEMENT OF INVESTMENT ACTIVITY BY PENSION PLAN (Continued)
FOR THE FISCAL YEAR ENDING JUNE 30, 2004**

	CASH RESERVE FUND	MUTUAL EQUITY FUND	MUTUAL FIXED INCOME FUND	INTER- NATIONAL STOCK FUND	REAL ESTATE FUND	COMMERCIAL MORTGAGE FUND	PRIVATE INVESTMENT FUND	TOTALS
Probate Court Retirement Fund								
Book Value at June 30, 2003	\$ 4,084,994	\$ 5,608,744	\$ 19,760,303	\$ 4,984,897	\$ 1,723,985	\$ 259,756	\$ 4,590,382	\$ 41,013,061
Market Value at June 30, 2003	\$ 4,084,994	\$ 21,033,177	\$ 22,706,970	\$ 7,511,961	\$ 1,468,121	\$ 253,669	\$ 3,423,948	\$ 60,482,838
Shares Purchased	4,753,408	-	192,000	4,431,634	6,896	-	53,727	9,437,665
Shares Redeemed	(5,267,187)	-	(3,407,078)	(306,521)	(86,200)	(98,012)	(174,151)	(9,339,150)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	-	346,518	112,983	(18,740)	(8,738)	(50,737)	381,286
Net Investment Income Earned	47,350	347,529	944,668	199,647	127,145	39,998	592,517	2,298,854
Net Investment Income Distributed	(47,350)	(347,529)	(944,668)	(199,647)	(127,145)	(39,998)	(592,517)	(2,298,854)
Changes in Market Value of Fund Shares	-	4,004,974	(865,790)	3,034,181	(99,362)	(19,160)	54,898	6,109,742
Market Value at June 30, 2004	\$ 3,571,215	\$ 25,038,151	\$ 18,972,620	\$ 14,784,238	\$ 1,270,715	\$ 127,758	\$ 3,307,686	\$ 67,072,384
Book Value at June 30, 2004	3,571,215	5,608,744	16,891,743	9,222,992	1,625,941	153,005	4,419,222	41,492,863
Shares Outstanding	3,571,215	31,026	167,677	61,322	24,085	2,036	50,711	3,908,071
Market Value per Share ⁽¹⁾	\$ 1.00	\$ 807.00	\$ 113.15	\$ 241.09	\$ 52.76	\$ 62.75	\$ 65.23	
Judges' Retirement Fund								
Book Value at June 30, 2003	\$ 11,972,003	\$ 12,521,422	\$ 41,193,767	\$ 7,984,311	\$ 2,822,638	\$ 430,482	\$ 15,579,909	\$ 92,504,533
Market Value at June 30, 2003	\$ 11,972,003	\$ 41,223,801	\$ 45,838,781	\$ 11,872,627	\$ 2,368,363	\$ 428,440	\$ 11,511,764	\$ 125,215,777
Shares Purchased	7,953,617	-	13,000,000	7,004,181	11,125	-	180,638	28,149,561
Shares Redeemed	(15,910,058)	-	(6,877,902)	(484,456)	(139,057)	(165,540)	(585,517)	(24,162,530)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	-	497,636	176,397	(32,750)	(11,371)	(177,679)	452,232
Net Investment Income Earned	117,671	681,138	2,097,903	315,540	205,107	67,558	1,992,114	5,477,031
Net Investment Income Distributed	(117,671)	(681,138)	(2,097,903)	(315,540)	(205,107)	(67,558)	(1,992,114)	(5,477,031)
Changes in Market Value of Fund Shares	-	7,849,513	(1,913,306)	4,797,686	(157,772)	(35,748)	191,676	10,732,050
Market Value at June 30, 2004	\$ 4,015,562	\$ 49,073,314	\$ 50,545,209	\$ 23,366,435	\$ 2,049,908	\$ 215,781	\$ 11,120,881	\$ 140,387,092
Book Value at June 30, 2004	4,015,562	12,521,422	47,813,501	14,680,434	2,661,955	253,571	14,997,351	96,943,796
Shares Outstanding	4,015,562	60,809	446,709	96,919	38,853	3,439	170,497	4,832,789
Market Value per Share ⁽¹⁾	\$ 1.00	\$ 807.00	\$ 113.15	\$ 241.09	\$ 52.76	\$ 62.75	\$ 65.23	
State's Attorneys' Retirement Fund								
Book Value at June 30, 2003	\$ 47,909	\$ 92,347	\$ 157,239	\$ -	\$ 5,276	\$ -	\$ -	\$ 302,772
Market Value at June 30, 2003	\$ 47,909	\$ 368,829	\$ 197,045	\$ -	\$ 4,938	\$ -	\$ -	\$ 618,719
Shares Purchased	41,467	-	250,000	-	23	-	-	291,490
Shares Redeemed	(4,700)	(250,000)	-	-	(290)	-	-	(254,990)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	196,236	-	-	(31)	-	-	196,205
Net Investment Income Earned	727	5,940	10,488	-	427	-	-	17,582
Net Investment Income Distributed	(727)	(5,940)	(10,488)	-	(427)	-	-	(17,582)
Changes in Market Value of Fund Shares	-	(131,624)	(3,423)	-	(366)	-	-	(135,413)
Market Value at June 30, 2004	\$ 84,676	\$ 183,441	\$ 443,622	\$ -	\$ 4,274	\$ -	\$ -	\$ 716,010
Book Value at June 30, 2004	84,676	38,583	407,239	-	4,978	-	-	535,476
Shares Outstanding	84,676	227	3,921	-	81	-	-	88,905
Market Value per Share ⁽¹⁾	\$ 1.00	\$ 807.00	\$ 113.15	\$ -	\$ 52.76	\$ -	\$ -	

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

**STATEMENT OF INVESTMENT ACTIVITY BY TRUST
FOR THE FISCAL YEAR ENDING JUNE 30, 2004**

	CASH RESERVE FUND	MUTUAL EQUITY FUND	MUTUAL FIXED INCOME FUND	INTER- NATIONAL STOCK FUND	REAL ESTATE FUND	COMMERCIAL MORTGAGE FUND	PRIVATE INVESTMENT FUND	TOTALS
Soldiers' Sailors' & Marines' Fund								
Book Value at June 30, 2003	\$ 60,043	\$ 1,095,686	\$ 49,098,734	\$ -	\$ -	\$ -	\$ -	\$ 50,254,463
Market Value at June 30, 2003	\$ 60,043	\$ 4,650,446	\$ 54,625,655	\$ -	\$ -	\$ -	\$ -	\$ 59,336,142
Shares Purchased	2,527,639	-	-	-	-	-	-	2,527,639
Shares Redeemed	(2,527,640)	-	-	-	-	-	-	(2,527,640)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	-	-	-	-	-	-	-
Net Investment Income Earned	1,007	76,837	2,642,602	-	-	-	-	2,720,446
Net Investment Income Distributed	(1,007)	(76,837)	(2,642,602)	-	-	-	-	(2,720,446)
Changes in Market Value of Fund Shares	-	885,502	(1,149,456)	-	-	-	-	(263,955)
Market Value at June 30, 2004	\$ 60,042	\$ 5,535,948	\$ 53,476,199	\$ -	\$ -	\$ -	\$ -	\$ 59,072,186
Book Value at June 30, 2004	60,042	1,095,686	49,098,734	-	-	-	-	50,254,463
Shares Outstanding	60,042	6,860	472,613	-	-	-	-	539,515
Market Value per Share ⁽¹⁾	\$ 1.00	\$ 807.00	\$ 113.15	\$ -	\$ -	\$ -	\$ -	
Endowment for the Arts								
Book Value at June 30, 2003	\$ 948,230	\$ -	\$ 14,472,429	\$ -	\$ -	\$ -	\$ -	\$ 15,420,659
Market Value at June 30, 2003	\$ 948,230	\$ -	\$ 15,369,367	\$ -	\$ -	\$ -	\$ -	\$ 16,317,596
Shares Purchased	682,815	-	-	-	-	-	-	682,815
Shares Redeemed	(674,675)	-	-	-	-	-	-	(674,675)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	-	-	-	-	-	-	-
Net Investment Income Earned	12,755	-	743,519	-	-	-	-	756,274
Net Investment Income Distributed	(12,755)	-	(743,519)	-	-	-	-	(756,274)
Changes in Market Value of Fund Shares	-	-	(323,408)	-	-	-	-	(323,408)
Market Value at June 30, 2004	\$ 956,370	\$ -	\$ 15,045,959	\$ -	\$ -	\$ -	\$ -	\$ 16,002,328
Book Value at June 30, 2004	956,370	-	14,472,429	-	-	-	-	15,428,799
Shares Outstanding	956,370	-	132,973	-	-	-	-	1,089,344
Market Value per Share ⁽¹⁾	\$ 1.00	\$ -	\$ 113.15	\$ -	\$ -	\$ -	\$ -	
Agricultural College Fund								
Book Value at June 30, 2003	\$ 35,280	\$ 34,969	\$ 346,240	\$ -	\$ -	\$ -	\$ -	\$ 416,490
Market Value at June 30, 2003	\$ 35,280	\$ 151,632	\$ 379,025	\$ -	\$ -	\$ -	\$ -	\$ 565,939
Shares Purchased	21,531	-	33,000	-	-	-	-	54,531
Shares Redeemed	(20,980)	(33,000)	-	-	-	-	-	(53,980)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	26,657	-	-	-	-	-	26,657
Net Investment Income Earned	331	2,364	18,836	-	-	-	-	21,531
Net Investment Income Distributed	(331)	(2,364)	(18,836)	-	-	-	-	(21,531)
Changes in Market Value of Fund Shares	-	2,476	(8,938)	-	-	-	-	(6,461)
Market Value at June 30, 2004	\$ 35,830	\$ 147,766	\$ 403,087	\$ -	\$ -	\$ -	\$ -	\$ 586,686
Book Value at June 30, 2004	35,830	28,626	379,240	-	-	-	-	443,698
Shares Outstanding	35,830	183	3,562	-	-	-	-	39,575
Market Value per Share ⁽¹⁾	\$ 1.00	\$ 807.00	\$ 113.15	\$ -	\$ -	\$ -	\$ -	

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

**STATEMENT OF INVESTMENT ACTIVITY BY TRUST (Continued)
FOR THE FISCAL YEAR ENDING JUNE 30, 2004**

	CASH RESERVE FUND	MUTUAL EQUITY FUND	MUTUAL FIXED INCOME FUND	INTER- NATIONAL STOCK FUND	REAL ESTATE FUND	COMMERCIAL MORTGAGE FUND	PRIVATE INVESTMENT FUND	TOTALS
Ida Eaton Cotton Fund								
Book Value at June 30, 2003	\$ 118,049	\$ 120,193	\$ 1,169,206	\$ -	\$ -	\$ -	\$ -	1,407,448
Market Value at June 30, 2003	\$ 118,049	\$ 515,583	\$ 1,290,779	\$ -	\$ -	\$ -	\$ -	1,924,412
Shares Purchased	73,281	-	112,000	-	-	-	-	185,281
Shares Redeemed	(71,373)	(112,000)	-	-	-	-	-	(183,373)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	90,239	-	-	-	-	-	90,239
Net Investment Income Earned	1,101	8,042	64,138	-	-	-	-	73,281
Net Investment Income Distributed	(1,101)	(8,042)	(64,138)	-	-	-	-	(73,281)
Changes in Market Value of Fund Shares	-	8,813	(30,424)	-	-	-	-	(21,610)
Market Value at June 30, 2004	\$ 119,958	\$ 502,636	\$ 1,372,355	\$ -	\$ -	\$ -	\$ -	1,994,950
Book Value at June 30, 2004	119,958	98,432	1,281,206	-	-	-	-	1,499,596
Shares Outstanding	119,958	623	12,129	-	-	-	-	132,709
Market Value per Share ⁽¹⁾	\$ 1.00	\$ 807.00	\$ 113.15	\$ -	\$ -	\$ -	\$ -	
Andrew Clark Fund								
Book Value at June 30, 2003	\$ 56,651	\$ 56,908	\$ 568,867	\$ -	\$ -	\$ -	\$ -	682,426
Market Value at June 30, 2003	\$ 56,651	\$ 242,738	\$ 605,739	\$ -	\$ -	\$ -	\$ -	905,128
Shares Purchased	34,423	-	53,000	-	-	-	-	87,423
Shares Redeemed	(33,621)	(53,000)	-	-	-	-	-	(86,621)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	42,644	-	-	-	-	-	42,644
Net Investment Income Earned	531	3,786	30,106	-	-	-	-	34,423
Net Investment Income Distributed	(531)	(3,786)	(30,106)	-	-	-	-	(34,423)
Changes in Market Value of Fund Shares	-	3,992	(14,290)	-	-	-	-	(10,298)
Market Value at June 30, 2004	\$ 57,453	\$ 236,374	\$ 644,449	\$ -	\$ -	\$ -	\$ -	938,276
Book Value at June 30, 2004	57,453	46,552	621,867	-	-	-	-	725,872
Shares Outstanding	57,453	293	5,696	-	-	-	-	63,441
Market Value per Share ⁽¹⁾	\$ 1.00	\$ 807.00	\$ 113.15	\$ -	\$ -	\$ -	\$ -	
School Fund								
Book Value at June 30, 2003	\$ 429,795	\$ 535,691	\$ 5,335,716	\$ -	\$ -	\$ -	\$ -	6,301,202
Market Value at June 30, 2003	\$ 429,795	\$ 2,297,284	\$ 5,838,100	\$ -	\$ -	\$ -	\$ -	8,565,179
Shares Purchased	363,193	-	567,250	-	-	-	-	930,443
Shares Redeemed	(480,963)	(453,000)	-	-	-	-	-	(933,963)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	362,269	-	-	-	-	-	362,269
Net Investment Income Earned	5,581	37,683	286,885	-	-	-	-	330,149
Net Investment Income Distributed	(5,581)	(37,683)	(286,885)	-	-	-	-	(330,149)
Changes in Market Value of Fund Shares	-	64,978	(122,642)	-	-	-	-	(57,663)
Market Value at June 30, 2004	\$ 312,024	\$ 2,271,532	\$ 6,282,708	\$ -	\$ -	\$ -	\$ -	8,866,264
Book Value at June 30, 2004	312,024	444,960	5,902,966	-	-	-	-	6,659,951
Shares Outstanding	312,024	2,815	55,525	-	-	-	-	370,365
Market Value per Share ⁽¹⁾	\$ 1.00	\$ 807.00	\$ 113.15	\$ -	\$ -	\$ -	\$ -	

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

STATEMENT OF INVESTMENT ACTIVITY BY TRUST (Continued)
FOR THE FISCAL YEAR ENDING JUNE 30, 2004

	CASH RESERVE FUND	MUTUAL EQUITY FUND	MUTUAL FIXED INCOME FUND	INTER- NATIONAL STOCK FUND	REAL ESTATE FUND	COMMERCIAL MORTGAGE FUND	PRIVATE INVESTMENT FUND	TOTALS
Hopemead Fund								
Book Value at June 30, 2003	\$ 118,340	\$ 110,967	\$ 1,128,869	\$ -	\$ -	\$ -	\$ -	1,358,175
Market Value at June 30, 2003	\$ 118,340	\$ 472,494	\$ 1,221,968	\$ -	\$ -	\$ -	\$ -	1,812,802
Shares Purchased	69,360	-	44,690	-	-	-	-	114,050
Shares Redeemed	(44,548)	-	-	-	-	-	-	(44,548)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	-	-	-	-	-	-	-
Net Investment Income Earned	1,513	7,808	60,181	-	-	-	-	69,502
Net Investment Income Distributed	(1,513)	(7,808)	(60,181)	-	-	-	-	(69,502)
Changes in Market Value of Fund Shares	-	89,968	(26,146)	-	-	-	-	63,822
Market Value at June 30, 2004	\$ 143,152	\$ 562,462	\$ 1,240,512	\$ -	\$ -	\$ -	\$ -	1,946,127
Book Value at June 30, 2004	143,152	110,967	1,173,559	-	-	-	-	1,427,678
Shares Outstanding	143,152	697	10,963	-	-	-	-	154,813
Market Value per Share ⁽¹⁾	\$ 1.00	\$ 807.00	\$ 113.15	\$ -	\$ -	\$ -	\$ -	
Police & Fireman's Survivors' Benefit Fund								
Book Value at June 30, 2003	\$ 4,942,048	\$ 6,859,157	\$ 5,134,231	\$ -	\$ 391,612	\$ 60,244	\$ -	17,387,292
Market Value at June 30, 2003	\$ 4,942,048	\$ 6,263,152	\$ 5,384,488	\$ -	\$ 379,819	\$ 57,402	\$ -	17,026,908
Shares Purchased	511,533	-	3,000,000	-	1,784	-	-	3,513,317
Shares Redeemed	(3,367,580)	-	-	-	(22,301)	(22,179)	-	(3,412,060)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	-	-	-	(1,549)	(2,579)	-	(4,128)
Net Investment Income Earned	51,737	103,486	305,890	-	32,893	9,052	-	503,058
Net Investment Income Distributed	(51,737)	(103,486)	(305,890)	-	(32,893)	(9,052)	-	(503,058)
Changes in Market Value of Fund Shares	-	1,192,581	(200,697)	-	(29,005)	(3,774)	-	959,105
Market Value at June 30, 2004	\$ 2,086,002	\$ 7,455,733	\$ 8,183,791	\$ -	\$ 328,748	\$ 28,870	\$ -	18,083,143
Book Value at June 30, 2004	2,086,002	6,859,157	8,134,231	-	369,546	35,486	-	17,484,422
Shares Outstanding	2,086,002	9,239	72,327	-	6,231	461	-	2,174,259
Market Value per Share ⁽¹⁾	\$ 1.00	\$ 807.00	\$ 113.15	\$ -	\$ 52.76	\$ 62.66	\$ -	

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

SUPPLEMENTAL SCHEDULE OF FINANCIAL HIGHLIGHTS

	MUTUAL EQUITY					PRIVATE INVESTMENT				
	FISCAL YEAR ENDED JUNE 30,					FISCAL YEAR ENDED JUNE 30,				
	2004	2003	2002	2001	2000	2004	2003	2002	2001	2000
PER SHARE DATA										
Net Asset Value- Beginning of Period	\$677.92	\$685.11	\$814.49	\$909.17	\$835.47	\$65.27	\$86.33	\$103.96	\$115.01	\$81.40
INCOME FROM INVESTMENT OPERATIONS										
Net Investment Income (Loss)	11.50	8.22	8.24	7.54	8.87	12.98	10.40	4.98	3.66	18.12
Net Gains or (Losses) on Securities (Both Realized and Unrealized)	128.78	(7.59)	(130.49)	(93.84)	74.23	(1.69)	(19.74)	(15.98)	(10.59)	24.17
Total from Investment Operations	140.28	(1.23)	(122.25)	(86.30)	83.10	11.29	(9.34)	(11.00)	(6.93)	42.29
LESS DISTRIBUTIONS										
Dividends from Net Investment Income	(11.20)	(8.42)	(7.13)	(8.38)	(9.40)	(11.33)	(11.72)	(6.63)	(4.12)	(8.68)
Net Asset Value - End of Period	\$807.00	\$677.92	\$685.11	\$814.49	\$909.17	\$65.23	\$65.27	\$86.33	\$103.96	\$115.01
TOTAL RETURN	20.84%	0.48%	-14.95%	-9.55%	10.03%	20.21%	-11.94%	-10.81%	-6.25%	53.86%

	2004	2003	2002	2001	2000	2004	2003	2002	2001	2000
RATIOS										
Net Assets - End of Period (\$000,000 Omitted)	\$7,781	\$6,599	\$6,677	\$7,931	\$8,853	\$1,785	\$1,848	\$2,281	\$2,607	\$2,565
Ratio of Expenses to Average Net Assets (excl. sec. lending fees & rebates)	0.11%	0.23%	0.27%	0.38%	0.22%	0.65%	0.40%	0.48%	0.38%	0.48%
Ratio of Expenses to Average Net Assets	0.16%	0.28%	0.34%	0.59%	0.43%	na	na	na	na	na
Ratio of Net Investment Income (Loss) to Average Net Assets	1.55%	1.29%	1.10%	0.88%	1.01%	20.36%	13.69%	5.31%	3.38%	17.91%

	INTERNATIONAL STOCK					MUTUAL FIXED INCOME				
	FISCAL YEAR ENDED JUNE 30,					FISCAL YEAR ENDED JUNE 30,				
	2004	2003	2002	2001	2000	2004	2003	2002	2001	2000
PER SHARE DATA										
Net Asset Value- Beginning of Period	\$188.61	\$206.47	\$232.07	\$271.68	\$228.93	\$115.58	\$109.21	\$109.74	\$108.38	\$109.13
INCOME FROM INVESTMENT OPERATIONS										
Net Investment Income (Loss)	4.50	3.60	3.24	4.50	3.26	6.95	5.70	6.87	7.81	8.01
Net Gains or (Losses) on Securities (Both Realized and Unrealized)	51.38	(18.00)	(24.70)	(40.14)	42.68	(3.89)	6.41	(0.86)	0.75	(1.44)
Total from Investment Operations	55.88	(14.40)	(21.46)	(35.64)	45.94	3.06	12.11	6.01	8.56	6.57
LESS DISTRIBUTIONS										
Dividends from Net Investment Income	(3.40)	(3.46)	(4.14)	(3.97)	(3.19)	(5.49)	(5.74)	(6.54)	(7.20)	(7.32)
Net Asset Value - End of Period	\$241.09	\$188.81	\$206.47	\$232.07	\$271.68	\$113.15	\$115.58	\$109.21	\$109.74	\$108.38
TOTAL RETURN	29.69%	-6.39%	-9.00%	-13.29%	20.13%	2.79%	12.03%	5.64%	8.03%	5.77%

	2004	2003	2002	2001	2000	2004	2003	2002	2001	2000
RATIOS										
Net Assets - End of Period (\$000,000 Omitted)	\$4,003	\$2,034	\$2,227	\$2,503	\$2,930	\$5,849	\$6,610	\$6,526	\$6,586	\$6,496
Ratio of Expenses to Average Net Assets (excl. sec. lending fees & rebates)	0.62%	0.61%	0.67%	0.40%	0.36%	0.14%	0.15%	0.17%	0.20%	0.16%
Ratio of Expenses to Average Net Assets	0.76%	0.77%	1.05%	1.44%	1.46%	0.28%	0.34%	0.45%	0.87%	0.71%
Ratio of Net Investment Income (Loss) to Average Net Assets	2.37%	1.82%	1.47%	1.79%	1.30%	5.12%	5.07%	6.24%	7.13%	6.79%

	COMMERCIAL MORTGAGE					REAL ESTATE				
	FISCAL YEAR ENDED JUNE 30,					FISCAL YEAR ENDED JUNE 30,				
	2004	2003	2002	2001	2000	2004	2003	2002	2001	2000
PER SHARE DATA										
Net Asset Value- Beginning of Period	\$73.39	\$67.71	\$72.91	\$73.17	\$74.97	\$57.53	\$61.42	\$63.31	\$60.56	\$59.48
INCOME FROM INVESTMENT OPERATIONS										
Net Investment Income (Loss)	6.63	8.39	6.58	6.89	6.98	2.22	2.95	0.79	0.99	2.34
Net Gains or (Losses) on Securities (Both Realized and Unrealized)	(1.11)	4.68	(5.81)	0.52	(1.29)	(1.94)	(1.08)	(0.31)	7.54	3.00
Total from Investment Operations	5.52	13.07	0.77	7.41	5.69	0.28	1.87	0.48	8.53	5.34
LESS DISTRIBUTIONS										
Dividends from Net Investment Income	(16.16)	(7.39)	(5.97)	(7.67)	(7.49)	(5.05)	(5.76)	(2.37)	(5.78)	(4.26)
Net Asset Value - End of Period	\$62.75	\$73.39	\$67.71	\$72.91	\$73.17	\$52.76	\$57.53	\$61.42	\$63.31	\$60.56
TOTAL RETURN	7.87%	20.62%	1.19%	10.88%	8.26%	0.67%	3.30%	0.81%	14.45%	9.18%

	2004	2003	2002	2001	2000	2004	2003	2002	2001	2000
RATIOS										
Net Assets - End of Period (\$000,000 Omitted)	\$36	\$72	\$73	\$101	\$176	\$369	\$426	\$471	\$476	\$510
Ratio of Expenses to Average Net Assets (excl. sec. lending fees & rebates)	0.62%	0.60%	0.53%	0.42%	0.39%	0.40%	0.35%	0.31%	0.22%	0.17%
Ratio of Expenses to Average Net Assets	na	na	na	na	na	na	na	na	na	na
Ratio of Net Investment Income (Loss) to Average Net Assets	7.79%	11.92%	7.75%	9.21%	9.22%	4.22%	1.40%	1.28%	1.57%	3.95%

Source: Amounts were derived from custodial records.

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

**SUMMARY OF OPERATIONS (Dollars in Thousands)
FISCAL YEARS ENDING JUNE 30**

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Investment Income ⁽¹⁾	\$946,643	\$846,384	\$741,812	\$787,287	\$1,002,774	\$731,983	\$734,928	\$648,136	\$621,540	\$510,890
Expenses ⁽¹⁾	49,131	48,428	60,570	67,282	50,552	54,417	40,817	38,316	36,558	36,623
Net Investment Income	897,512	797,956	681,242	720,005	952,222	677,566	694,111	609,820	584,982	474,267
Realized Gains/(Losses)	880,979	(566,640)	(449,961)	269,330	1,522,994	673,802	1,350,408	277,293	1,240,686	(7,954)
Change in Unrealized Gains/(Losses)	936,916	123,784	(1,563,253)	(1,776,378)	90,500	530,276	681,413	1,727,651	(103,966)	998,758
Total	\$2,715,407	\$355,100	\$(1,331,972)	\$(787,043)	\$2,565,716	\$1,881,644	\$2,725,932	\$2,614,764	\$1,721,702	\$1,465,070

(1) Securities lending income and expenses are shown net in the Investment Income line above for all periods presented.

Source: Amounts were derived from custodial records.

**PENSION AND TRUST FUNDS
BALANCES ⁽¹⁾ IN COMBINED INVESTMENT FUNDS (Dollars in Thousands)
AT JUNE 30, 2004**

Fund Name	Teachers' Retirement Fund		State Employees' Retirement Fund		Municipal Employees' Retirement Fund		Judges Retirement Fund		Probate Court Retirement Fund		State's Attorneys' Retirement Fund		Trust Funds	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
CRA	192,546	1.77%	136,247	1.77%	25,062	1.92%	3,571	5.32%	4,016	2.86%	85	11.87%	3,771	3.51%
MEF	4,256,905	39.20%	2,945,734	38.21%	487,412	37.38%	25,038	37.33%	49,073	34.96%	183	25.56%	16,712	15.55%
FIF	3,029,571	27.90%	2,242,970	29.09%	420,290	32.24%	18,973	28.29%	50,545	36.00%	444	62.01%	86,649	80.60%
ISF	2,185,471	20.12%	1,543,017	20.01%	236,645	18.15%	14,784	22.04%	23,366	16.65%	-	0.00%	-	0.00%
REF	200,833	1.85%	141,844	1.84%	22,207	1.70%	1,271	1.90%	2,050	1.46%	4	0.56%	329	0.31%
CMF	19,857	0.18%	13,985	0.18%	2,191	0.17%	128	0.19%	216	0.15%	-	0.00%	29	0.03%
PIF	975,093	8.98%	685,819	8.90%	110,026	8.44%	3,308	4.93%	11,121	7.92%	-	0.00%	-	0.00%
Total	\$10,860,276	100.00%	\$7,709,616	100.00%	\$1,303,833	100.00%	\$67,073	100.00%	\$140,387	100.00%	\$716	100.00%	\$107,490	100.00%

(1) Based on Net Asset Value

Source: Amounts were derived from custodial records.

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

LIST OF INVESTMENT ADVISORS AND NET ASSETS UNDER MANAGEMENT
JUNE 30, 2004

Name of Fund	Investment Strategy	Net Assets Under Management	Percent of Fund Total
CASH RESERVE ACCOUNT (CRA)			
State Street Global Advisors	Active	\$ 1,399,805,734	100.00%
SUBTOTAL CRA		\$ 1,399,805,734	100.00%
MUTUAL EQUITY FUND (MEF)			
Large Cap		\$ 6,047,868,657	77.73%
BGI Barclays Global Investors, N.A.	Passive - Enhanced	3,313,814,636	42.59%
State Street Global Advisors	Passive - Indexed	2,734,054,021	35.14%
Small/Mid Cap		907,520,835	11.66%
AXA Rosenberg Investment Management	Passive-Enhanced	494,716,854	6.36%
SSB Citigroup (The Travelers)	Passive-Enhanced	412,803,981	5.30%
Small/Mid Cap		807,715,933	10.38%
TCW Cowen Asset Management	Active	459,946,759	5.91%
Brown Capital Management, Inc.	Active	347,769,174	4.47%
Other (1)		17,953,367	0.23%
SUBTOTAL MEF		\$ 7,781,058,792	100.00%
INTERNATIONAL STOCK FUND (ISF)			
Index		\$ 499,572,037	12.48%
State Street Global Advisors	Index-Passive	499,572,037	12.48%
Core		994,575,684	24.84%
Invesco Global Asset Mgmt.	Active	337,435,398	8.43%
Morgan Stanley Asset Management	Active	335,451,915	8.38%
Putnam Advisory Co.	Active	321,688,371	8.03%
Active-Growth		511,755,100	12.78%
Clay Finlay, Inc.	Active	350,832,247	8.76%
MFS Institutional Advisors, Inc.	Active	160,922,853	4.02%
Active-Value		390,121,576	9.75%
Grantham, Mayo, Van Otterloo	Active	390,121,576	9.75%
Small Cap		389,187,986	9.72%
Morgan Stanley Asset Management	Active	198,978,210	4.97%
Schroder Investment Mgmt.	Active	190,209,776	4.75%
Emerging		696,405,801	17.40%
Grantham, Mayo, Van Otterloo	Active	354,163,417	8.85%
Emerging Markets Management	Active	342,242,384	8.55%
Risk Controlled		504,143,403	12.59%
Fidelity Management Trust Co.	Active	253,413,490	6.33%
Merrill Lynch Investment	Active	250,729,913	6.26%
Other (1)		17,521,772	0.44%
SUBTOTAL ISF		\$ 4,003,283,359	100.00%
REAL ESTATE FUND (REF)			
AEW Capital Management	Active	\$ 119,384,806	32.39%
Westport Senior Living	Active	67,336,094	18.27%
Walton Street Real Estate	Active	61,606,084	16.72%
Apollo Real Estate	Active	56,057,060	15.21%
Evergreen Investments	Active	17,551,042	4.76%
New Boston Fund	Active	12,500,312	3.39%
Rockwood Capital	Active	8,764,335	2.38%
CIGNA Realty Investors	Active	1,313,821	0.36%
Other (1)	Active	24,024,102	6.52%
SUBTOTAL REF		\$ 368,537,656	100.00%

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

LIST OF INVESTMENT ADVISORS AND NET ASSETS UNDER MANAGEMENT (Continued)
JUNE 30, 2004

Name of Fund	Investment Strategy	Net Assets Under Management	Percent of Fund Total
MUTUAL FIXED INCOME FUND (MFIF)			
Core		\$ 4,619,675,122	78.98%
State Street Global Advisors	Passive	1,305,951,067	22.33%
BlackRock Financial Management, Inc.	Active	1,116,913,320	19.10%
Wellington	Active	1,019,607,641	17.43%
Western Asset Management Co.	Active	865,870,535	14.80%
Phoenix	Active	311,332,559	5.32%
High Yield		841,286,836	14.38%
Loomis Sayles & Co., Inc.	Active	343,271,448	5.87%
W.R. Huff Asset Management	Active	269,642,196	4.61%
Oaktree Capital Management, L.L.C.	Active	228,373,192	3.90%
Other ⁽¹⁾		388,479,272	6.64%
SUBTOTAL MFIF		\$ 5,849,441,230	100.00%
COMMERCIAL MORTGAGE FUND (CMF)			
AEW Capital Management	Active	\$ 35,217,330	96.74%
Other (2)		1,187,146	3.26%
SUBTOTAL CMF		\$ 36,404,476	100.00%
PRIVATE INVESTMENT FUND (PIF)			
Buyout		\$ 495,296,733	27.74%
Hicks, Muse Tate & Furst Equity Fund III	Active	99,325,655	5.56%
Thomas H. Lee Equity Fund IV	Active	40,530,051	2.27%
Welsh Carson Anderson & Stowe VIII	Active	38,138,425	2.14%
Forstmann Little Equity Fund VI	Active	35,351,099	1.98%
DLJ Merchant Banking Fund II	Active	34,349,185	1.92%
Kelso Investment Associates VI	Active	31,968,776	1.79%
SCP Private Equity Partners	Active	31,336,425	1.75%
KKR 1996 Fund	Active	27,680,766	1.55%
Blackstone Capital Partners III	Active	27,517,777	1.54%
KKR Millennium Fund	Active	23,014,967	1.29%
Veritas Capital Fund	Active	21,951,468	1.23%
Green Equity Investors III	Active	21,387,859	1.20%
Thayer Equity Investors IV	Active	19,927,426	1.12%
Wellspring Capital Partners III	Active	19,920,770	1.12%
Wellspring Capital Partners II	Active	18,146,193	1.01%
FS Equity Partners V	Active	4,749,891	0.27%
Venture Capital		119,894,603	6.72%
Crescendo World Fund	Active	25,844,664	1.45%
Pioneer Ventures Associates	Active	19,831,942	1.11%
Grotech Partners V	Active	19,399,391	1.09%
RFE Investment Partners VI	Active	16,226,419	0.91%
Shawmut Equity Partners	Active	15,356,279	0.86%
Conning Capital Partners V	Active	15,037,189	0.84%
Crescendo III	Active	4,801,954	0.27%
Connecticut Greene Ventures	Active	2,435,152	0.14%
Connecticut Futures Fund	Active	961,613	0.05%
Mezzanine		111,859,625	6.26%
SW Pelham Fund	Active	59,843,450	3.35%
GarMark Partners	Active	36,589,938	2.05%
Triumph Connecticut	Active	8,744,565	0.49%
SW Pelham Fund II	Active	6,681,672	0.37%
International		350,283,444	19.62%
Compass Partners European Equity Fund	Active	128,517,911	7.20%
Carlyle Europe Partners	Active	93,108,125	5.21%
Gilbert Global Equity Partners	Active	73,709,355	4.13%
AIG Global Emerging Markets Fund	Active	44,983,108	2.52%
Carlyle Asia Partners	Active	9,964,945	0.56%

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

LIST OF INVESTMENT ADVISORS AND NET ASSETS UNDER MANAGEMENT (Continued)
JUNE 30, 2004

Name of Fund	Investment Strategy	Net Assets Under Management	Percent of Fund Total
Fund of Funds		320,254,539	17.94%
The Constitution Liquidating Fund	Active	188,733,374	10.57%
Landmark Private Equity Fund VIII	Active	74,809,087	4.19%
Goldman Sachs Private Equity Partners Connecticut	Active	37,766,444	2.12%
Lexington Capital Partners II	Active	18,945,634	1.06%
Special Situations		208,493,302	11.68%
Washington & Congress Partners	Active	62,577,487	3.51%
Welsh Carson Anderson & Stowe Capital Partners III	Active	61,793,460	3.46%
Greenwich Street Capital Partners II	Active	44,142,163	2.47%
Forstmann Little MBO VII	Active	32,910,533	1.84%
KPS Special Situations Fund II	Active	4,920,813	0.28%
TCI Liquidating Trust	Active	2,148,846	0.12%
Other ⁽¹⁾		179,283,790	10.04%
SUBTOTAL PIF		\$ 1,785,366,036	100.00%
TOTAL		\$ 21,223,897,283	
Adjustments ⁽³⁾		(1,034,507,503)	
GRAND TOTAL		\$ 20,189,389,780	

(1) Other represents moneys earmarked for distribution to participants, reinvestment, and expenses as well as terminated advisor balances, Currency Overlay Managers and CT Financial Development Fund and Keystone Venture V Partnerships.

(2) Other also includes residential mortgage-backed securities for the Commercial Mortgage Fund.

(3) Represents Elimination Entry to the Financial Statements to account for investment of Combined Investment Funds in CRA.

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

SCHEDULE OF CONSULTING SERVICES IN EXCESS OF \$5,000⁽¹⁾ FOR PERIODS ENDED JUNE 30

Name of Firm	Description of Services	Aggregate Compensation Paid in Fiscal Year:				
		2004	2003	2002	2001	2000
CONSULTING SERVICES						
CRA RogersCasey Consulting Inc.	Pension Funds Consultant	480,663	576,576	555,000	157,500	257,000
Ferrell Capital Management	International Equity	-	-	-	-	7,500
Greystone Capital Management	Pension Funds Consultant	16,280	10,230	9,900	-	-
Guy E. Garcia	Pension Funds Consultant	-	-	207,570	-	-
Heidrick & Struggles	Pension Funds Consultant	-	-	98,487	-	-
Horton International Maryland	Pension Funds Consultant	-	-	-	22,101	42,536
Invesco Private Capital (Sovereign)	Pension Funds Consultant	1,153,486	978,286	955,813	997,751	-
Irwin Tepper Assoc. Inc.	Pension Funds Consultant	-	-	-	-	15,000
Pamela J. Bartol	Pension Funds Consultant	-	-	22,906	40,865	14,377
Pension Consulting Alliance	Pension Funds Consultant	260,136	138,098	-	-	-
Robert Morgan	Pension Funds Consultant	-	-	-	16,401	-
Susan B. Sweeney	Pension Funds Consultant	-	-	178,504	91,172	-
Thompson Proxy Services Inc.	Pension Funds Consultant	-	-	24,100	75,250	-
William M. Mercer, Inc.	Inv. Adv. Council Consult.	-	-	50,000	-	-
TOTAL CONSULTING SERVICES COMPENSATION		\$1,910,565	\$1,703,190	\$2,102,280	\$1,401,040	\$336,413

(1) Expenses are presented on a cash basis.

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

INVESTMENT SUMMARY AT JUNE 30, 2004 (Continued)

Private Investment Fund ⁽⁵⁾					Connecticut Programs Fund ⁽⁵⁾				
	Book Value	Market Value	% of Total Fund MV	Rate of Return		Book Value	Market Value	% of Total Fund MV	Rate of Return
2004	\$2,406,829,047	\$1,781,312,669	8.63%	20.21%		—	—	—%	—%
2003	2,413,582,348	1,842,900,019	9.70%	(11.94%)		—	—	—%	—%
2002	2,315,048,277	2,276,642,374	11.64%	(10.81%)		—	—	—%	—%
2001	2,217,285,786	2,601,575,275	12.28%	(6.25%)		—	—	—%	—%
2000	1,879,100,932	2,561,042,272	11.28%	53.86%		—	—	—%	—%
1999	1,138,252,584	1,182,905,063	5.80%	(0.81%)		—	—	—%	—%
1998	715,880,779	794,324,372	4.21%	18.55%		—	—	—%	—%
1997	496,527,964	542,174,959	3.02%	5.68%		—	—	—%	—%
1996	198,233,821	302,481,786	2.18%	43.78%	\$172,656,335	\$179,638,107	1.29%	14.24%	
1995	167,316,010	222,837,361	1.80%	25.39%	122,511,963	112,633,665	0.91%	(5.86%)	
Total Fund									
	Book Value	Market Value	% of Total Fund MV	Rate of Return					
2004	\$19,473,480,993	\$20,650,115,902	100.00%	15.23%					
2003	18,771,449,134	18,989,393,113	100.00%	2.49%					
2002	19,403,848,200	19,557,516,103	100.00%	(6.39%)					
2001	19,571,276,798	21,204,840,744	100.00%	(3.68%)					
2000	19,248,259,423	22,711,717,228	100.00%	13.13%					
1999	17,242,196,196	20,410,424,008	100.00%	10.49%					
1998	16,218,449,530	18,848,711,553	100.00%	17.19%					
1997	14,443,085,321	17,958,291,977	100.00%	19.35%					
1996	13,662,295,156	13,893,219,375	100.00%	14.14%					
1995	11,041,902,207	12,376,250,052	100.00%	13.48%					

- (1) All rates of return are net of management fees and division operating expenses.
- (2) The market value of CRA for the periods presented represents the market value of the pension and trust balances in CRA only (excluding receivables and payables); the CRA balances of the other combined investment funds are shown in the market value of each fund.
- (3) The International Bond Fund merged with The Mutual Fixed Income Fund in March 1996.
- (4) Residential Mortgage Fund was merged with the Commercial Mortgage Fund in November 1995.
- (5) The Connecticut Programs Fund merged with Venture Capital Fund In December 1996. In fiscal year 1999, the Venture Capital Fund was renamed as the Private Investment Fund.

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

TOP TEN HOLDINGS BY FUND AT JUNE 30, 2004 (Continued)

MUTUAL EQUITY FUND

Security Name	Industry Sector	Market Value	%
CitiGroup Inc	Financial	\$ 169,363,323	2.18%
General Electric	Technology	160,959,442	2.07%
Pfizer Inc	Health Care	160,708,239	2.07%
Microsoft	Technology	140,900,646	1.81%
Intel Corp	Technology	133,227,822	1.71%
Exxon Mobil Corp	Energy	132,523,970	1.70%
Bank America Corp	Financial	132,356,934	1.70%
Johnson & Johnson	Health Care	127,384,340	1.64%
International Business Machines	Technology	101,121,361	1.30%
Wal Mart Stores Inc	Consumer Non-Durables	98,627,486	1.27%
Top Ten		\$1,357,173,563	17.45%
Total Market Value		\$ 7,779,104,677	

INTERNATIONAL STOCK FUND

Security Name	Country	Market Value	%
Total SA Eur 10 Serie B	France	\$ 57,549,900	1.44%
Vodafone Group ORD USD .10	United Kingdom	55,126,735	1.38%
Samsung Electronic KRW5000	Korea	51,255,518	1.28%
Baring Emerging Markets Fund	Taiwan	46,388,874	1.16%
BP PLC Ord USD .25	United Kingdom	45,685,770	1.14%
Nestle SA CHF1 (REGD)	Switzerland	44,341,940	1.11%
Toyota Motor Corp. JPY50	Japan	41,970,050	1.05%
Royal BK Scot GRP Ord GBP .25	United Kingdom	41,889,569	1.05%
Glaxosmithkline ORD GBP .25	United Kingdom	41,746,783	1.04%
ENI EUR 1	Italy	40,958,340	1.03%
Top Ten		\$ 466,913,479	11.68%
Total Market Value		\$ 3,995,868,265	

REAL ESTATE FUND

Property Name	Location	Property Type	Market Value	%
Westport Senior Living Inv FD	Various	Senior Living	\$ 67,336,094	18.27%
Walton Street RE II LP Fnd 2	Various	Various	61,606,084	16.72%
AEW Partners III	Various	Various	59,388,204	16.11%
Apollo Real Est Invest Fd III	Various	Various	56,057,060	15.21%
Union Station LTD LP	Washington, DC	Mixed Use	33,743,600	9.16%
Goodwin Square	Hartford, CT	Mixed Use	26,253,002	7.12%
Timberland Fund A - Duplin	Various	Timber	15,392,417	4.18%
New Boston Fund IV	Various	Various	12,500,312	3.39%
Rockwood Captial Fund V	Various	Various	8,764,335	2.38%
Timberland Fund A - Ball's Qtr.	Various	Timber	2,158,625	0.59%
Top Ten			\$ 343,199,733	93.13%
Total Market Value			\$ 368,546,928	

CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

TOP TEN HOLDINGS BY FUND AT JUNE 30, 2004

MUTUAL FIXED INCOME FUND

Security Name	Coupon	Maturity	Security Type	Market Value	%
GNMA TBA	5.50%	12/01/2034	U.S. Govt Agency	\$ 99,812,500	1.58%
U.S. Treasury Notes	2.50%	05/31/2006	U.S. Govt Agency	91,656,843	1.45%
U.S. Treasury Notes	4.75%	05/15/2014	U.S. Govt Agency	88,813,725	1.41%
Federal Natl Mtg Assn Dis Nts	0.01%	07/09/2004	U.S. Govt Agency	79,348,078	1.25%
FNMA TBA	5.50%	12/01/2034	U.S. Govt Agency	64,167,425	1.01%
GNMA TBA	6.50%	12/01/2034	U.S. Govt Agency	63,858,755	1.01%
Federal Home Ln Mtg Dis Nts	0.01%	07/27/2004	U.S. Govt Agency	44,861,862	0.71%
FNMA TBA	6.00%	12/01/2034	U.S. Govt Agency	41,799,916	0.66%
GNMA TBA	7.00%	12/01/2034	U.S. Govt Agency	38,546,063	0.61%
FNMA TBA	5.00%	12/01/2034	U.S. Govt Agency	37,829,529	0.60%
Top Ten				\$ 650,694,696	10.29%
Total Market Value				\$ 6,325,884,136	

COMMERCIAL MORTGAGE FUND

Property Name	Location	Property Type	Market Value	%
SASCO	Various	Other	\$ 16,576,596	45.76%
Greenhill Apts	Detroit, MI	Residential	12,308,749	33.97%
Sheraton Denver West	Lakewood, CO	Hotel	6,157,218	17.00%
Yankee Mac Series E 11.056%	Various	Residential	301,018	0.83%
Yankee Mac Series G 11.125%	Various	Residential	142,422	0.39%
Yankee Mac Series F 12.981%	Various	Residential	117,808	0.33%
Yankee Mac Series B 14.121%	Various	Residential	39,341	0.11%
Yankee Mac Series C 14.1505%	Various	Residential	32,097	0.09%
Yankee Mac Series A 13.075%	Various	Residential	19,656	0.05%
Yankee Mac Series D 12.1405%	Various	Residential	3,832	0.01%
Top Ten			\$ 35,698,737	98.54%
Total Market Value			\$ 36,228,371	

PRIVATE INVESTMENT FUND

Partnership Name	Partnership Type	Market Value	%
Constitution Liquidating Fund	Fund of Funds	\$ 188,733,374	10.59%
Compass Partners European Equity Fund	International	128,517,912	7.21%
Hicks, Muse Tate & Furst Equity Fund III	Buyout	99,325,655	5.58%
Carlyle Europe Partners	International	93,108,125	5.23%
Landmark Private Equity Fund VIII	Fund of Funds	74,809,087	4.20%
Gilbert Global Equity Partners	International	73,709,355	4.14%
Washington & Congress Capital Partners	Special Situations	62,577,487	3.51%
Welsh Carson Anderson & Stowe Capital Partners III	Special Situations	61,793,460	3.47%
SW Pelham Fund	Mezzanine	59,843,450	3.36%
AIG Global Emerging Markets Fund	International	44,983,108	2.53%
Top Ten		\$ 887,401,013	49.82%
Total Market Value		\$1,781,312,669	

GLOSSARY OF INVESTMENT TERMS

Agency Securities - Securities issued by U.S. Government agencies, such as the Federal Home Loan Bank. These securities have high credit ratings but are not backed by the full faith and credit of the U.S. Government.

Alpha - **A measurement of the difference between the actual performance of a fund and its expected performance given the overall return of the market and the fund's beta. Positive alpha indicates successful management of risk while a negative alpha suggests unsuccessful management.**

Asset - Anything owned that has value; any interest in property, tangible or intangible, that can be used for payment of debts.

Asset Backed Security- Financial instruments collateralized by one or more types of assets including real property, mortgages, and receivables.

Banker's Acceptance (BA) - A high-quality, short-term negotiable discount note, drawn on and accepted by banks which are obligated to pay the face amount at maturity.

Basis Point (bp) - The smallest measure used in quoting yields or returns. One basis point is 0.01% of yield, 100 basis points equals 1%. A yield that changed from 8.75% to 9.50% increased by 75 basis points.

Benchmark - A standard unit used as the basis of comparison; a universal unit that is identified with sufficient detail so that other similar classifications can be compared as being above, below, or comparable to the benchmark.

Beta - A measure of the volatility associated with the price movement of a stock in relation to the price movement of the overall stock market or benchmark.

Book Value (BV) - The value of individual assets, calculated as actual cost less allowances for any depreciation. Book value may be more or less than current market value.

Capital Gain(Loss) - Also known as capital appreciation(depreciation), capital gain(loss) measures the increase(decrease) in value of an asset over time.

Certificates of Deposit (CDs) - A debt instrument issued by banks, usually paying interest, with maturities ranging from seven days to several years.

Coefficient of Determination (R^2) - A statistic which indicates the amount of variability in a dependent variable, such as Fund returns, which may be explained by an independent variable, such as market returns, in a regression model. The coefficient of determination is denoted R^2 and ranges from 0 to 1.0. If the statistic measures 0, the independent variable offers no explanation of the dependent variable. If the statistic measures 1.0, the independent variable fully explains the dependent variable.

Collateral - **Property offered as security, usually as an inducement to another party, to lend money or extend credit.**

Collateralized Mortgage Obligation (CMO) - A generic term for a security backed by real estate mortgages. CMO payment obligations are covered by interest and/or principal payments from a pool of mortgages.

Commercial Paper - Short-term obligations with maturities ranging from 1 to 270 days. They are issued by banks, corporations, and other borrowers to investors with temporarily idle cash.

Compounded Annual Total Return - Compounded annual total return measures the implicit annual percentage change in value of an investment, assuming reinvestment of dividends, interest, and realized capital gains, including those attributable to currency fluctuations. In effect, compounded annual total return "smoothes" fluctuations in long-term investment returns to derive an implied year-to-year annual return.

Consumer Price Index (CPI) - A measure of change in consumer prices, as determined by a monthly survey of the U.S. Bureau of Labor Statistics. Components of the CPI include housing costs, food, transportation, electricity, etc.

Cumulative Rate of Return - A measure of the total return earned for a particular time period. This calculation measures the absolute percentage change in value of an investment over a specified period, assuming reinvestment of dividends, interest income, and realized capital gains. For example, if a \$100 investment grew to \$120 in a two-year period, the cumulative rate of return would be 20%.

Current Yield - The relationship between the stated annual interest or dividend rate and the market price of a security. In calculating current yield, only income payments are considered; no consideration is given to capital gain/loss or interest on interest.

Derivative - Derivatives are generally defined as contracts whose value depends on, or derives from, the value of an underlying asset, reference rate, or index. For example, an option is a derivative instrument because its value derives from an underlying stock, stock index, or future.

Discount Rate - The interest rate that the Federal Reserve charges banks for loans, using government securities or eligible paper as collateral.

Diversification - The spreading of risk by putting assets in several different securities or categories of investments.

GLOSSARY OF INVESTMENT TERMS (Continued)

- Duration** - A measure of the average time to receipt of all bond cash flows. Duration is used to determine the percentage change in price of a fixed income security for a given change in the security's yield to maturity. Duration is stated in terms of time periods, generally years. (See Modified and Macaulay duration).
- Equity** - The ownership interest possessed by shareholders in a corporation.
- ERISA (Employee Retirement Income Security Act)** - The 1974 law governing the operation of most private pension and benefit plans. The law eased pension eligibility rules, set up the Pension Benefit Guarantee Corporation, and established guidelines for the management of pension funds.
- Expense Ratio** - The amount, expressed as a percentage of total investment, that shareholders pay for mutual fund operating expenses and management fees.
- Fair Value** - The amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.
- Federal Funds Rate** - The interest rate charged by banks with excess reserves at a Federal Reserve district bank to banks needing overnight loans to meet reserve requirements. The federal funds rate is one of the most sensitive indicators of the direction of interest rates since it is set daily by the market.
- Federal Reserve Board** - The governing body of the Federal Reserve System (12 regional Federal banks monitoring the commercial and savings banks in their regions). The board establishes FRS policies on such key matters as reserve requirements and other regulations, sets the discount rate, and tightens or loosens the availability of credit in the economy.
- Fiduciary** - A person, company, or association holding assets in trust for a beneficiary. The fiduciary is charged with the responsibility to invest the money prudently for the beneficiary's benefit.
- Fitch Investor Services** - A financial services bond rating agency.
- Floating Rate Note** - A fixed principal instrument which has a long or even indefinite life and whose yield is periodically reset relative to a reference index rate to reflect changes in short- or intermediate-term interest rates.
- Gross Domestic Product** - Total final value of goods and services produced in the United States over a particular period or time, usually one year. The GDP growth rate is the primary indicator of the health of the economy.
- Hedge** - An investment in assets which serves to reduce the overall risk of a portfolio, usually at the expense of potential reward.
- Index** - A benchmark used in executing investment strategy which is viewed as an independent representation of market performance. An index implicitly assumes cost-free transactions; some assume reinvestment of income. Example: S&P 500 index.
- Index Fund** - A fund whose portfolio attempts to replicate that of a broadbased index such as the S&P 500 so as to match its performance.
- Inflation** - A measure of the rise in price of goods and services, as happens when spending increases relative to the supply of goods on the market, i.e. too much money chasing too few goods.
- Investment Income** - The equity dividends, bond interest, and/or cash interest paid on an investment.
- J-Curve** - An economic theory stating that a policy designed to have one effect will initially have the opposite effect. With regard to closed end commingled fund investments, this generally refers to the impact on returns of contributions made in the early portion of a fund's existence. Invested capital is used to pay fees and organizational costs as well as to make investments in non-income producing enterprises. Such uses negatively impact returns in early periods but are expected to generate increasing income and valuations in the late periods as the previously non-income producing entities start producing income and the relative size of fees and other costs diminish relative to the value of invested capital.
- JP Morgan Emerging Markets Bond Index Plus (EMBI+)** - An index which tracks total returns for traded external debt instruments in the emerging markets. The instruments include external-currency-denominated Brady bonds, loans and Eurobonds, as well as U.S. dollar local markets instruments. The EMBI+ expands upon Morgan's original Emerging Markets Bond Index, which was introduced in 1992 and covers only Brady bonds.
- LB Aggregate Index** - An index made up of Government, Corporate, Mortgage Backed, and Asset Backed securities, all rated investment grade. Returns are market value weighted inclusive of interest. Issues must have at least one year to maturity and an outstanding par value of at least \$100 million.
- Letter of Credit** - An instrument or document issued by a bank, guaranteeing the payment of a customer's drafts up to a stated amount for a specified period. It substitutes the bank's credit for the buyer's and eliminates the seller's risk.
- Liability** - The claim on the assets of a company or individual - excluding ownership equity. The obligation to make a payment to another.

GLOSSARY OF INVESTMENT TERMS (Continued)

- Leverage** - The use of borrowed funds to increase purchasing power and, ideally, to increase profitability of an investment transaction or business.
- Macaulay Duration** - The present value weighted time to maturity of the cash flows of a fixed payment instrument or of the implicit cash flows of a derivative based on such an instrument.
- Market Value** - The price at which buyers and sellers trade similar items in an open marketplace. Stocks are considered liquid and are therefore valued at a market price. Real estate is illiquid and valued on an appraised basis.
- Master Custodian** - An entity, usually a bank, used for safekeeping of securities and other assets. Responsible for other functions including accounting, performance measurement and securities lending.
- Maturity Date** - The date on which the principal amount of a bond or other debt instrument becomes payable or due.
- Mezzanine Debt** - Subordinated debt.
- MFR Index (Formerly IBC)** - An index which represents an average of the returns of institutional money market mutual funds that invest primarily in first-tier (securities rated A-1, P-1) taxable securities.
- Modified Duration** - A measurement of the change in the value of an instrument in response to a change in interest rates. It is the primary basis for comparing the effect of interest rate changes on prices of fixed income securities.
- Money Market Fund** - An open-ended mutual fund that invests in commercial paper, bankers' acceptances, repurchase agreements, government securities, certificates of deposit, and other highly liquid and safe securities and pays money market rates of interest. The fund's net asset value remains a constant \$1 per share - only the interest rate goes up or down.
- Moody's (Moody's Investors Service)** - A financial services company which is one of the best known bond rating agencies in the country.
- MSCI-EAFE** - Morgan Stanley Europe Australasia Far East foreign equity index. An arithmetic value weighted average of the performance of over 900 securities on the stock exchanges of 19 countries on three continents. The index is calculated on a total return basis, which includes reinvestment of dividends net of withholding taxes.
- Net Asset Value (NAV)** - The total assets minus liabilities, including any valuation gains or losses on investments or currencies, and any accrued income or expense. NAV is similar to Shareholders' Equity.
- NCREIF (National Council of Real Estate Investment Fiduciaries)** - An index consisting of investment-grade, non-agricultural, income-producing properties: apartments, hotels, offices, and warehouses. Its return includes appreciation, realized capital gains, and income. It is computed by adding the income return and capital appreciation return generated by the properties in the index, on a quarterly basis.
- Par Value** - The stated or face value of a stock or bond. It has little significance for common stocks, however, for bonds it specifies the payment amount at maturity.
- Pension Fund** - A fund set up by a corporation, labor union, governmental entity, or other organization to pay the pension benefits of retired workers.
- Percentile** - A description of the percentage of the total universe in which portfolio performance is ranked.
- Price/Book (P/B)** - A ratio showing the price of a stock divided by its book value. The P/B measures the multiple at which the market is capitalizing the net asset value per share of a company at any given time.
- Price/Earnings (P/E)** - A ratio showing the price of a stock divided by its earnings per share. The P/E measures the multiple at which the market is capitalizing the earnings per share of a company at any given time.
- Present Value** - The current value of a future cash flow or series of cash flows discounted at an appropriate interest rate or rates. For example, at a 12% interest rate, the receipt of one dollar a year from now has a present value of \$0.89286.
- Principal** - Face value of an obligation, such as a bond or a loan, that must be repaid at maturity.
- Prudent Person Rule** - The standard adopted by some states to guide those fiduciaries with responsibility for investing money of others. Such fiduciaries must act as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investment.
- Realized Gain (Loss)** - A gain (loss) that has occurred financially. The difference between the principal amount received and the cost basis of an asset realized at sale.
- Relative Volatility** - A ratio of the standard deviation of the Fund to the standard deviation of its selected benchmark. A relative volatility greater than 1.0 suggests comparatively more volatility in Fund returns than those of the benchmark.
- Repurchase Agreements ("Repos")** - An agreement to purchase securities from an entity for a specified amount of cash and to resell the securities to the entity at an agreed upon price and time. Repos are widely used as a money market instrument.

GLOSSARY OF INVESTMENT TERMS (Continued)

- Reverse Repurchase Agreements ("Reverse Repos")** - An agreement to sell securities to an entity for a specified amount of cash and to repurchase the securities from the entity at an agreed upon price and time.
- Return on Equity (ROE)** - The net income for the accounting period after payment of preferred stock dividends and before payment of common stock dividends of a company divided by the common stock equity at the beginning of the accounting period.
- Risk Adjusted Return** - A modified (usually reduced) return which accounts for the cost of a specific investment exposure as well as the aggregate risk of such exposure.
- Russell 3000** - An equity index comprised of the securities of the 3,000 largest public U.S. companies as determined by total market capitalization. This index represents approximately 98% of the U.S. equity market. The largest security has a market capitalization of approximately \$85 billion; the smallest is approximately \$90 million.
- Salomon Brothers Broad Investment-Grade Bond Index (SBIG)** - A market value-weighted index composed of over 4,000 individually priced securities with a quality rating of at least BBB. Each issue has a minimum maturity of one year with an outstanding par amount of at least \$25 million.
- Salomon Brothers World Government Bond Index Non-U.S. (SWGBI)** - An unhedged index measuring government issues of 12 major industrialized countries.
- Securities Lending** - A carefully collateralized process of loaning portfolio positions to custodians, dealers, and short sellers who must make physical delivery of positions. Securities lending can reduce custody costs or enhance annual returns by a full percentage point or more in certain market environments.
- Soft Dollars** - The value of research or other services that brokerage houses and other service entities provide to a client "free of charge" in exchange for the client's business.
- S&P 500 (Standard & Poor's)** - The composite price average of 425 industrial stocks, 50 utility stocks, and 25 railroad stocks.
- S&P Ratings** - A financial services company which is one of the best known bond rating agencies in the country.
- Standard Deviation** - A statistical measure showing the deviation of an individual value in a probability distributed from the mean (average) of the distribution. The greater the degree of dispersion from the mean rate of return, the higher the standard deviation; therefore, the higher the risk.
- Total Fund Benchmark** - A hybrid benchmark customized to reflect the CRPTF's asset allocation and performance objectives. This benchmark is comprised of 36% Russell 3000 Index; 18% International Stock Fund benchmark; 29% Mutual Fixed Income benchmark; 5% Russell 3000 Index; 11% S&P 500 Index; and 1% MFR First Tier Rated Index. The International Stock Fund benchmark is comprised of 83% Citigroup Europe, Pacific, Asia Composite Broad Market Index (50% Hedged) and 17% MSCI Emerging Market Free Index. The Mutual Fixed Income benchmark consists of 73% Lehman Brothers U. S. Aggregate Index, 17% S&P/Citigroup High Yield Market Index, and 10% JPM Emerging Markets Bond Index.
- Treasury Bill (T-Bill)** - Short-term, highly liquid government securities issued at a discount from the face value and returning the face amount at maturity.
- Treasury Bond or Note** - Debt obligations of the Federal government that make semiannual coupon payments and are sold at or near par value in denominations of \$1,000 or more.
- Trust** - A fiduciary relationship in which a person, called a trustee, holds title to property for the benefit of another person, called a beneficiary.
- TUCS** - Trust Universe Comparison Service. TUCS is based upon a pooling of quarterly trust accounting data from participating banks and other organizations that provide custody for trust assets.
- Turnover** - Security purchases or sales divided by the fiscal year's beginning and ending market values for a given portfolio.
- Unrealized Gain (Loss)** - A profit (loss) that has not been realized through the sale of a security. The gain (loss) is realized when a security or futures contract is actually sold or settled.
- Variable Rate Note** - Floating rate notes with a coupon rate adjusted at set intervals, such as daily, weekly, or monthly, based on different interest rate indices, such as LIBOR, Fed Funds, and Treasury Bills.
- Volatility** - A statistical measure of the tendency of a market price or yield to vary over time. Volatility is said to be high if the price, yield, or return typically changes dramatically in a short period of time.
- Yield** - The return on an investor's capital investment.
- Yield Curve** - A graph showing the term structure of interest rates by plotting the yields of all bonds of the same quality with maturities ranging from the shortest to the longest possible. The Y-axis represents the interest rate and the X-axis represents time, generally with a normal curve that is convex in shape.
- Zero Coupon Bond** - A bond paying no interest that sells at a discount and returns principal only at maturity.

UNDERSTANDING INVESTMENT PERFORMANCE

Introduction

This section discusses the Treasury's approach to measuring performance, including risk and return of the Connecticut Retirement Plans and Trust Funds (CRPTF).

Understanding Performance

To measure success in achieving the primary objective of the Asset Allocation Plan, the Fund's performance is evaluated in two principal areas: risk and return. The results of these reviews, coupled with information on portfolio characteristics, are used to monitor and improve the performance of the Fund's external investment advisors.

To bring accountability and perspective to Fund performance and measurements of risk and return, The Connecticut Retirement Plans and Trust Funds are compared to those of similarly structured peer groups and indices. These comparisons enable plan participants, the Treasurer and the Investment Advisory Council, to determine whether and by how much Fund returns exceeded or fell short of the benchmarks. Each Fund's benchmark is selected on the basis of portfolio composition, investment style, and objectives.

Comparative performance is reviewed over both the near-term and the long-term for two reasons. First, pension management is, by its very nature, a long-term process. While both young and old employees comprise the pool of plan beneficiaries, the average age of plan participants is relatively low and requires that plan assets be managed for the long term. Second, as experience has shown, results attained in the short term are not necessarily an indicator of results to be achieved over the long term. Performance must be viewed in a broader context.

Overall performance is measured by calculating monthly returns and linking them to provide one-, three-, five- and ten-year histories of overall investment performance. Short-term performance is measured by total return over one-month, quarter-end, and trailing one-year time periods. Risk is also measured over both short- and the long-term periods.

Risk

The measurement of risk is a critical component in investment management. It is the basis for both strategic decision-making and investment evaluation. As an investment tool, investors assume risk to enhance portfolio returns. These enhancements, viewed as returns in excess of those available on "risk-free" investments, such as Treasury Bills, vary in magnitude according to the degree of risk assumed. Many investors focus on the negative aspects of risk and in doing so forego substantial upside potential, which can significantly enhance long-term returns. Thus, while risk can never be completely eliminated from a portfolio, the prudent management of risk can maximize investment returns at acceptable levels of risk.

Risk can take several forms and include: market risk, the risk of fluctuations in the overall market for securities; company risk, the risk of investing in any single company's stock or bonds; currency-exchange risk, the risk that a foreign country's currency may appreciate or depreciate relative to the U.S. dollar, thus impacting the value of foreign investments; and political risk, risk incurred through investing in foreign countries with volatile economies and political systems.

With respect to fixed income investments, investors also assume: reinvestment risk, the risk that cash flows received from a security will be reinvested at lower rates due to declining interest rates; credit or default risk, the risk that the issuer of a fixed income security may fail to make principal and interest payments on the security; interest rate risk, the risk that prices of fixed coupon bonds will decline in the event of rising market interest rates; and inflation or purchasing power risk, the risk that the real value of a security and its cash flows may be reduced by inflation. The level of risk incurred in fixed income investing increases as the investment time horizon is lengthened. This is demonstrated by the comparatively higher yields available on "long bonds," or bonds maturing in 20 to 30 years, versus those available on short-term fixed income securities.

In the alternative investment category, risks are significantly greater than those of publicly traded investments. Assessment of progress is more tenuous and valuation judgments are more complex. The investor assumes not only management, product, market, and operations risk, similar to equity investing, but also assumes liquidity risk, the risk that one's investment cannot be immediately liquidated at other than substantially discounted value.

UNDERSTANDING INVESTMENT PERFORMANCE

VOLATILITY

To measure the effects of risk on the portfolio, the volatility of returns is calculated over time. Volatility, viewed as deviation of returns from an average of these returns over time, is measured statistically by standard deviation. Standard deviation is one of the most widely accepted and descriptive risk measures used by investment professionals today. Funds with high standard deviations are considered riskier than those with low standard deviations.

To evaluate the significance of the Funds' standard deviation, each Fund's relative volatility, or the ratio of the Fund's standard deviation to that of the benchmark is calculated. A relative volatility greater than 1.0 indicates that the Fund is more volatile than the benchmark while a measure less than 1.0 indicates less volatility. A relative volatility of 1.0 signifies an equal degree of volatility between the Fund and the benchmark.

As an extension of standard deviation, each Fund's beta, or a measure of the relative price fluctuation of the Fund to its benchmark, is also calculated. The measurement of beta allows one to evaluate the sensitivity of Fund returns to given movements in the market and/or its benchmark. A beta greater than 1.0 compared to the selected market benchmark signifies greater price sensitivity while a beta less than 1.0 indicates less sensitivity.

To measure the degree of correlation between Fund returns and the benchmark, the Division calculates the coefficient of determination, or R². This calculation, which is used in conjunction with beta, allows one to evaluate how much of the volatility in Fund returns is explained by returns in the selected market benchmark. An R² of 1.0 indicates that Fund returns are perfectly explained by returns of the benchmark, while a value less than 1.0 indicates that the returns of the benchmark explain only a portion of the fund return.

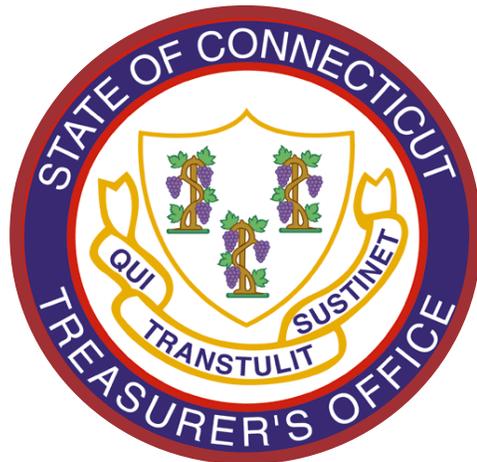
Finally, to evaluate how well each of the above measures actually predicted returns of the Fund, a calculation is performed on the Fund's alpha. This calculation measures the absolute difference between the Fund's monthly return and that predicted by its beta. Used together, these measures provide a comprehensive view of a Fund's relative risk profile.

RETURN

The Pension and Trust Funds are managed for maximum return with minimal risk. Return, viewed in this context, includes realized and unrealized gains in the market value of a security, including those attributable to currency fluctuations, as well as income distributed from a security such as dividends and interest. Return is measured through two calculations: compounded annual total return and cumulative total return.

Compounded Annual Total Return - This return measure evaluates performance over the short and long-term. Compounded annual total return measures the implicit annual percentage change in value of an investment, assuming reinvestment of dividends, interest, and realized and unrealized capital gains, including those attributable to currency fluctuations. In effect, compounded annual total return "smooths" fluctuations in long-term investment returns to derive an implied year-to-year annual return.

Cumulative Total Return - This calculation measures the absolute percentage change in value of an investment over a specified period, assuming reinvestment of dividends, interest income, and realized capital gains. While this calculation does not "smooth" year-to-year fluctuations in long-term returns to derive implied annual performance, cumulative total return allows one to see on an absolute basis the percentage increase in the total Fund's value over a specified time. Viewed graphically, cumulative total return shows one what a \$10 million investment in the CRPTF a set number of years ago would be worth today.



Office of the State Treasurer
LIST OF PRINCIPAL OFFICIALS AND PHONE NUMBERS

Denise L. Nappier

Treasurer, State of Connecticut
Tel: (860) 702-3001
Fax: (860) 702-3043

Howard G. Rifkin

Deputy Treasurer
Tel: (860) 702-3292
Fax: (860) 728-1290

Linda D. Hershman

Assistant Deputy Treasurer
Tel: (860) 702-3012
Fax: (860) 728-1290

Catherine S. Boone

Assistant Treasurer, Debt Management
Tel: (860) 702-3127
Fax: (860) 702-3034

Madelyn Colón

Assistant Treasurer, Unclaimed Property
Tel: (860) 702-3291
Fax: (860) 702-3043

Meredith A. Miller

Assistant Treasurer, Policy
Tel: (860) 702-3294
Fax: (860) 728-1290

Alberta R. Mendenhall

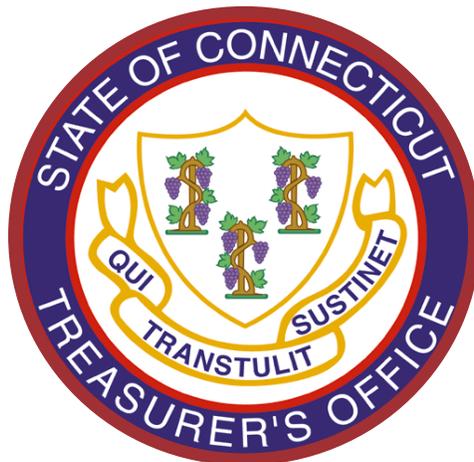
Assistant Treasurer, Second Injury Fund
Tel: (860) 702-3242
Fax: (860) 702-3021

Susan B. Sweeney

Chief Investment Officer, Pension Funds Management
Tel: (860) 702-3162
Fax: (860) 702-3042

Lawrence A. Wilson

Assistant Treasurer, Cash Management
Tel: (860) 702-3126
Fax: (860) 702-3041



CONNECTICUT STATE TREASURY

**55 Elm Street
Hartford, CT 06106-1773
Tel: (860) 702-3000
www.state.ct.us/ott**