

# STATE OF CONNECTICUT

## OFFICE OF THE TREASURER

# 2006

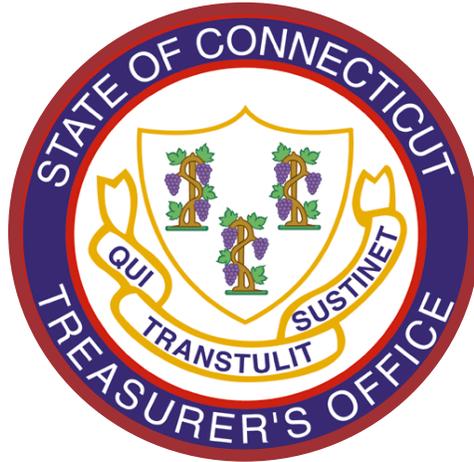


### COMBINED INVESTMENT FUNDS COMPREHENSIVE ANNUAL FINANCIAL REPORT

*For the fiscal year ended June 30, 2006*

# 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.

# STATE OF CONNECTICUT

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# 2006



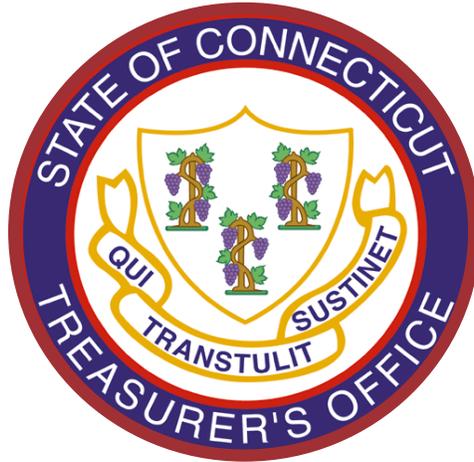
### COMBINED INVESTMENT FUNDS COMPREHENSIVE ANNUAL FINANCIAL REPORT

*For the fiscal year ended June 30, 2006*

Prepared by: State of Connecticut  
Office of the Treasurer  
55 Elm Street  
Hartford, CT 06106-1773

# STATE OF CONNECTICUT

## Office of the State Treasurer



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**COMBINED INVESTMENT FUNDS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR FISCAL YEAR ENDED JUNE 30, 2006**

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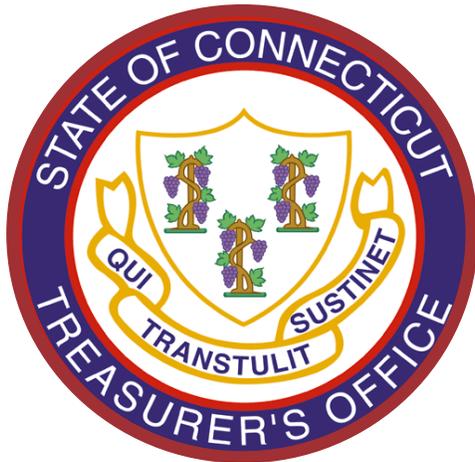
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# **Introductory Section**



## LETTER FROM THE TREASURER



### State of Connecticut Office of the Treasurer

DENISE L. NAPPIER  
TREASURER

HOWARD G. RIFKIN  
DEPUTY TREASURER

February 15, 2007

To the State of Connecticut  
Combined Investment Funds  
Fellow Beneficiaries

I am pleased to submit this Comprehensive Annual Financial Report (CAFR) for the State of Connecticut Combined Investment Funds (CIF) for the fiscal year ended June 30, 2006, which reflects a year of solid performance, exceeding the Funds benchmark and providing substantial increases in the value of the CIF portfolio.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Office of the Treasurer. To the best of our knowledge, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of CIF.

The Combined Investment Funds were established pursuant to Connecticut General Statutes Section 3-31b to provide a means for investing pension and other trust fund assets entrusted to the Treasurer in a variety of investment classes. The Funds are separate legally defined 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 units of the Funds are owned by six pension funds which include the Teachers' Retirement Fund, State Employees' Retirement Fund, Connecticut Municipal Employees' Retirement Fund, State Judges' Retirement Fund, Probate Court Retirement Fund, and State's Attorney Retirement Fund, and eight trust funds which include the 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.

The 2006 Comprehensive Financial Report is presented in four sections.

The Introductory Section contains this letter of transmittal, Management's Report, and identification of the Funds administrative organization.

The Financial Section contains the opinion of the independent auditors, management's discussion & analysis (MD&A), and basic financial statements.

The Investment Section contains investment information and a list of investments.

The Statistical Section contains tables of significant data pertaining to the Fund.

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

## Management's Discussion and Analysis

The MD&A beginning on page 17 provides an overview and analysis of the Funds basic financial statements. This letter of transmittal is intended to complement the MD&A and should be read in conjunction with it. We are confident that the data is presented in a manner that fairly reflects the financial position and results of operations as measured by the financial activity of the fund. To this end, audited financial statements and all disclosures necessary to enable the reader to gain an understanding of the Combined Investment Funds financial activity have been included herein for your review.

## Economic Condition and Outlook

The economic condition of the Funds is based primarily upon investment earnings. CIF produced an annual total return of 10.55 percent, net of operating expenses. A comparative analysis of rates of return is presented on page 44 of this report. Returns were positive in all the Funds investment classes, despite higher market volatility as a result of rising oil prices and interest rates. At the close of fiscal year 2006, the Funds net assets were \$22.8 billion, an increase of \$1.5 billion from the previous year after deducting payments for pension benefits and monies withdrawn by participants from operating income earned this year.

CIF's fiscal year 2006 performance ranked in the fiftieth percentile in the country among public funds greater than \$1 billion as reported by TUCS, an independent firm that monitors the performance of public funds on a monthly basis. Over the longer term, CIF was ranked in the top 31 percent of public funds over the last 7 and 10 years, respectively.

Equity markets for the fiscal year ending June 30, 2006 were strong across the board with all indices posting positive returns. In the U.S. equity markets, high oil prices and rising interest rates contributed to market volatility while strong merger and acquisition activity, particularly in the latter half of the year, helped sustain the positive performance.

The Federal Open Market Committee raised the overnight lending rate at every opportunity throughout the fiscal year (eight times for a total of 200 basis points), which resulted in a federal funds rate of 5.25% on June 30, 2006.

## Financial Information

Management is responsible for maintaining a system of adequate internal accounting controls designed to provide reasonable assurance that transactions are executed in accordance with management's general or specific authorization, and are recorded as necessary to maintain accountability for assets and to permit preparation of financial statements in accordance with generally accepted accounting principles. This system includes written policies and procedures. Discussion and analysis of net assets and related additions and deductions is presented in the MD&A beginning on page 17.

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 Investment Section.)

The target investment portfolio mix at fair value as of the end of the 2006 fiscal year was 36% U.S. equity, 18% international equity, 5% equity commercial real estate, 30% U.S. fixed income, and 11% alternative investments. The Funds investment outlook is long-term allowing the portfolio to take advantage of the favorable risk-return characteristics of equities by placing more emphasis on this category.

The Funds are externally managed, primarily with registered investment advisors selected on a competi-

## LETTER FROM THE TREASURER

tive 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.

### Independent Audit

In this report, you will find a level of disclosure consistent with the highest standards of financial reporting in conformity with generally accepted accounting principles (GAAP). The State of Connecticut's independent Auditors' of Public Accounts conducted an annual audit of this Comprehensive Annual Financial Report in accordance with generally accepted auditing standards. The auditors' report on the basic financial statements is included in the Financial Section of this report.

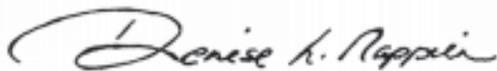
### Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Fund a Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2005. The Certificate is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

### 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](http://www.state.ct.us/ott).

Sincerely,



Denise L. Nappier  
Treasurer  
State of Connecticut



**State of Connecticut**  
**Office of the Treasurer**

DENISE L. NAPPIER  
TREASURER

HOWARD G. RIFKIN  
DEPUTY TREASURER

December 29, 2006

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 line 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, 2005

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.



*Carla E. Fudge*

President

*Jeffrey R. Emer*

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.

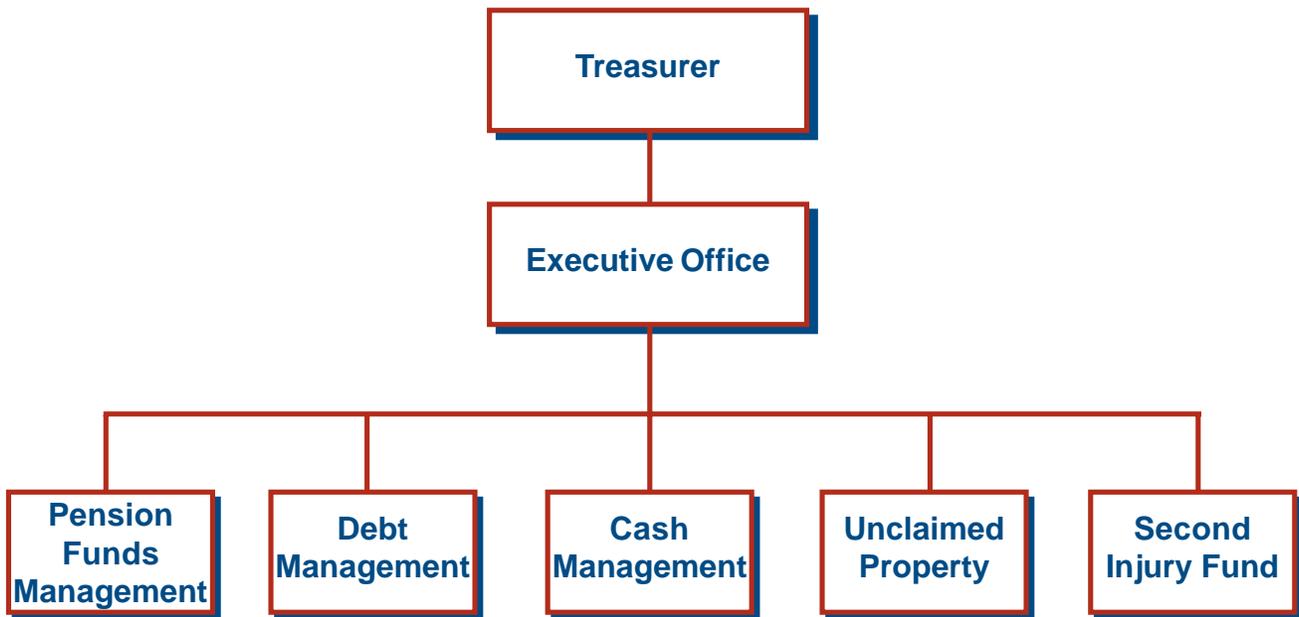
### Statutory Responsibility

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

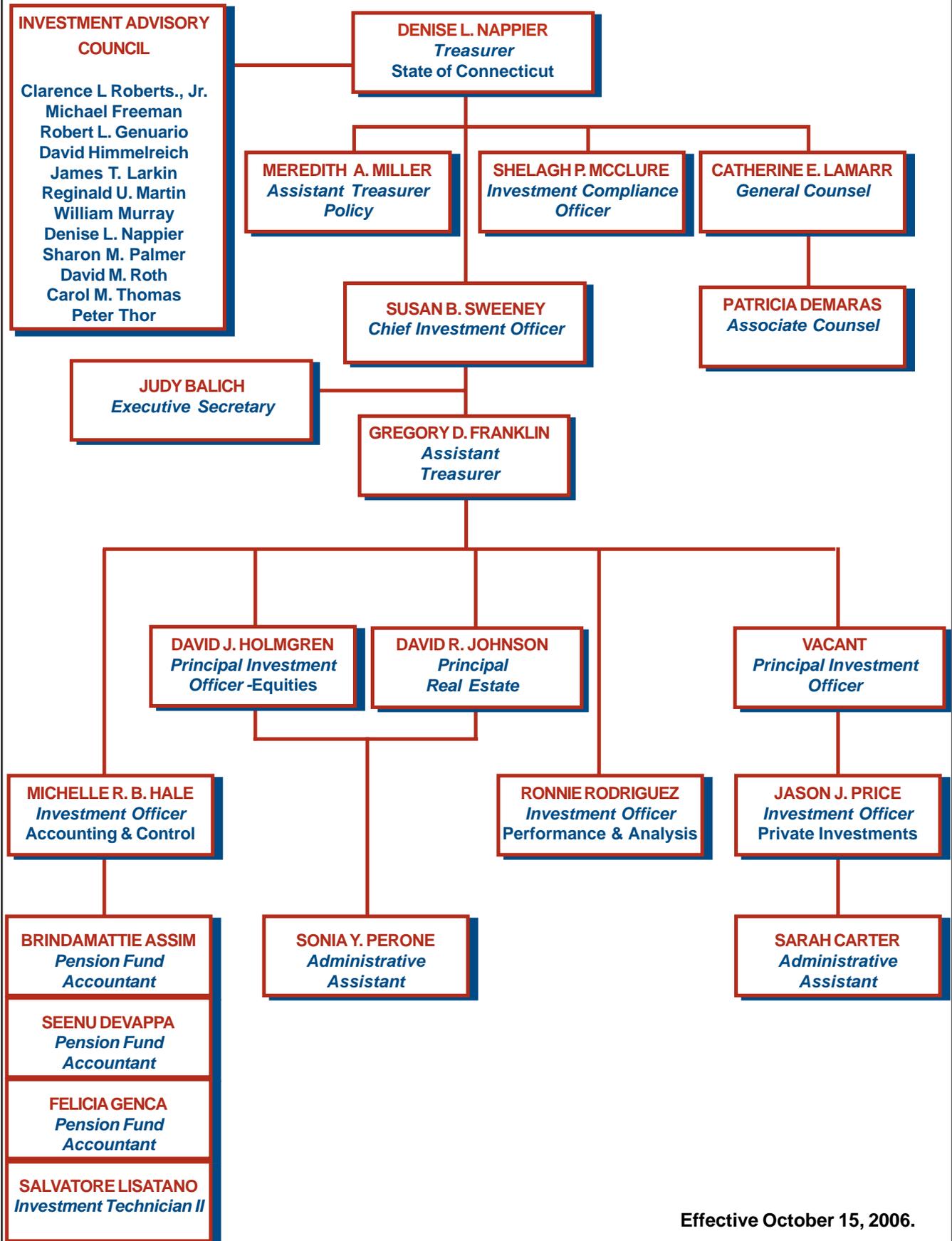
The Treasurer, as Chief Fiscal Officer for the State, oversees the prudent preservation and management of State funds, including the administration of a \$22.8 billion portfolio of pension assets and a \$5.4 billion short-term investment fund.

### 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, 2006.

**LIST OF PRINCIPAL OFFICIALS**

**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](http://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**

General Counsel  
**CATHERINE E. LAMARR (860) 702-3018**

Assistant Treasurer - Policy  
**MEREDITH A. MILLER (860) 702-3294**

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

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

Principal Investment Officer  
**DAVID J. HOLMGREN (860) 702-3047**

Principal Investment Officer  
**DAVID R. JOHNSON (860) 702-3160**

Investment Officer  
**RONNIE RODRIGUEZ (860) 702-3167**

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

Investment Officer  
**JASON J. PRICE (860) 702-3247**

Investment Compliance Officer  
**SHELAGH P. MCCLURE (860) 702-3280**

## 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)).

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### **Council members who contributed their time and knowledge to the IAC during fiscal 2006 include:**

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

**MICHAEL FREEMAN**, Representative of State Teachers' unions, Teacher, Stonington High School.

**ROBERT L. GENUARIO**, Secretary, State Office of Policy and Management (Ex-officio member)

**DAVID HIMMELREICH**, Principal, Hynes, Himmelreich, Glennon & Company.

**JAMES T. LARKIN**, President, Global Strategy Advisors

**REGINALD U. MARTIN**, Managing Partner, Insurance Planning Associates. (resigned effective January 11, 2006)

**WILLIAM MURRAY**, Representative of State Teachers' unions, NEA, Danbury

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

**SHARON M. PALMER**, Representative of State Teachers' unions, President, AFT Connecticut.

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

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

**PETER THOR**, Representative of State Employees' unions, Coordinator, Policy & Planning, AFSCME Council 4.

## LIST OF EXTERNAL ADVISORS

### **INVESTMENT CONSULTANTS**

Alignment Capital Management - Austin, Texas  
CRA RogersCasey - Darien, Connecticut  
Franklin Park Associates - Conshohocken, Pennsylvania  
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**

##### **Large Cap**

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

##### **All Cap**

Capital Prospects, LLC - Stamford, Connecticut  
FIS Group, Inc. - Philadelphia, Pennsylvania

##### **Small/Mid Cap Passive Enhance**

AXA Rosenberg Investment Management - Orinda, California

##### **Small/Mid Cap Active**

Brown Capital Management, Inc. - Baltimore, Maryland  
Bivium Capital Partners - San Francisco, California  
TCW Cowen Asset Management - New York, New York

#### **INTERNATIONAL STOCK FUND<sup>(1)</sup>**

##### **Index**

State Street Global Advisors - Boston, Massachusetts

##### **Core**

Invesco Global Asset Management - Denver, Colorado  
Progress Investment Management Company - San Francisco, California

##### **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

(1) Not included in the listing are currency overlay managers: The Bank of New York and Bridgewater Associates, Inc.

## 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

AEW Capital Management - Boston, Massachusetts  
Apollo Real Estate Investment Fund - New York, New York  
Canyon Johnson Urban Funds - Beverly Hills, California  
Capri Capital Advisors - Chicago, Illinois  
Cigna Realty Investors - Hartford, Connecticut  
New Boston Fund - Boston, Massachusetts  
RLJ Urban Lodging Fund - Bethesda, Maryland  
Rockwood Capital - Greenwich, Connecticut  
Starwood Global Opportunity Fund - Greenwich, Connecticut  
Walton Street Real Estate Fund II - Chicago, Illinois  
Westport Senior Living Fund – Palm Beach Gardens, Florida

### MUTUAL FIXED INCOME FUND

#### Core

BlackRock Financial Management, Inc. - New York, New York  
Phoenix Investment Counsel - Hartford, Connecticut  
Progress Investment Management Company - San Francisco, California  
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

#### Emerging Market Debt

Ashmore Emerging Markets Debt Fund - London, England  
Bridgewater Associates, Inc. - Greenwich, Connecticut

#### Inflation Linked Bonds

Brown Brothers Harriman - New York, New York  
Hartford Investment Management Company - Hartford, Connecticut

### COMMERCIAL MORTGAGE FUND

AEW Capital Management, LP - Boston, Massachusetts

### PRIVATE INVESTMENT FUND

#### Corporate Buyouts

AIG Healthcare Partners LP - New York, New York  
Blackstone Capital Partners III - New York, New York  
Charterhouse Equity Partners IV - New York, New York  
DLJ Merchant Banking Fund II - New York, New York  
Forstmann Little Equity Fund VI - New York, New York

## LIST OF EXTERNAL ADVISORS

FS Equity Partners V - Los Angeles, California  
Green Equity Investors III – Los Angeles, California  
Hicks Muse Tate & Furst Equity Fund III - Dallas, Texas  
ICV Capital Partners LLC - New York, New York  
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  
Welsh, Carson, Anderson & Stowe X – New York, New York

### Venture Capital

Connecticut Futures Fund - Westport, Connecticut  
Conning Capital Partners V - Hartford, Connecticut  
Crescendo III – Minneapolis, Minnesota  
Crescendo World Fund – Minneapolis, Minnesota  
Grotech Partners V - Timonium, Maryland  
RFE Investment Partners VI - New Canaan, Connecticut  
Shawmut Equity Partners - Boston, Massachusetts

### Mezzanine

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

### 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

Fairview Constitution II LP - Farmington, Connecticut  
Goldman Sachs Private Equity Fund - New York, New York  
Landmark Private Equity Fund VIII – Simsbury, Connecticut  
Lexington Capital Partners II - New York, New York  
Parish Capital I LLP - Chapel Hill, North Carolina  
The Constitution Liquidating Fund - Farmington, Connecticut

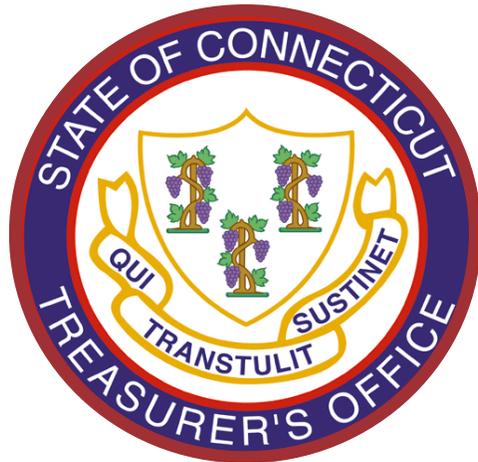
### Special Situations

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  
Welsh, Carson, Anderson & Stowe Capital Partners III - New York, New York

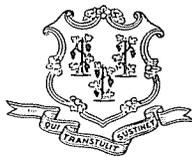
**Financial**  

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**Section**



# 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, 2006, and the statement of changes in net assets for the fiscal years ended June 30, 2006, and 2005. 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, 2006, 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, 2006, 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 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 are presented at the cash adjusted fair values, which utilize the investment advisors' March 31, 2006, 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 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, 2006. 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 29, 2006  
State Capitol  
Hartford, Connecticut

This section presents Management's Discussion and Analysis (MD&A) of the Comprehensive Annual Financial Report (CAFR) of the State of Connecticut's Office of the Treasurer Combined Investment Funds (CIF) financial position and performance for the fiscal year ended June 30, 2006. It is presented as a narrative overview and analysis. Management of the State of Connecticut's Office of the Treasurer encourage readers to review it in conjunction with the transmittal letter included in the Introductory Section at the front of this report and the financial statements in the Financial Section that follow.

The Combined Investment Funds serve as an investment vehicle for the six State pension plans and eight trust funds collectively known as the Connecticut Retirement Plans and Trust Funds representing the pension funds of the State teachers, State and municipal employees, as well as non-retirement trust funds that support academic programs, grants and initiatives throughout the State and are managed for the sole benefit of the participants. CIF investments range in investment diversity from domestic and international stocks to fixed income, real estate and private investment equity. Investments of the pension plans and trust funds are combined in a commingled investment pool as authorized by state statute. Each pension plan and trust fund owns an equity position in the CIF and receives proportionate investment income from the CIF in accordance with each respective ownership percentage. Each pension plan and trust fund's allocated share of each type of investment in the CIF is shown in the Statement of Investment Activity of each respective pension plan and trust fund on pages 87 - 91. Investment gains or losses are also reported in the Statement of Investment Activity of each pensions plan and trust. The Market Value per share is therefore approximately the same for each of the pension plans and trust funds investments in the CIF.

The CIF 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.

### FINANCIAL HIGHLIGHTS

#### Condensed Financial Information

##### Combined Investment Funds

##### *Net Assets and Changes in Net Assets*

*Net Assets* -The net assets of the Combined Investment Funds at the close of the fiscal year were \$22.8 billion, an increase of \$1.5 billion from the previous year. The change in net assets resulted from a net increase in net assets from operations of \$2.2 billion partly offset by cash outflows of \$0.8 billion to make payments to beneficiaries of the Connecticut Retirement Plans and Trust Funds.

The net assets under management in the Combined Investment Funds at the close of the 2005 fiscal year were \$21.3 billion, an increase of \$1.1 billion from the prior year. The change in net assets resulted from a net increase in net assets from operations of \$2.1 billion partly offset by cash outflows of \$0.9 billion to make payments to beneficiaries of the Connecticut Retirement Plans and Trust Funds.

*Operating Income* – Favorable performance results achieved a positive return of 10.55%, net of all management fees and expenses, compared to a return of 10.46%, net of all expenses for the previous fiscal year. Positive returns in the Funds' investment classes were realized in fiscal year 2006 despite higher market volatility as a result of higher oil prices and rising interest rates.

The Funds' annual total return, net of expenses, of 10.55% exceeded its benchmark by 54 basis points as measured against the total funds benchmark, a hybrid benchmark customized to reflect the CRPTF's asset allocation and performance objectives.

For the previous fiscal year, favorable performance results achieved a positive return of 10.46%, net of all management fees and expenses, compared to a return of 15.23%, net of all expenses in 2004. Returns were positive in all the Funds' investment classes in fiscal year 2005 despite higher oil prices and rising interest rates.

The Funds' annual total return in 2005, net of expenses, of 10.46% exceeded its benchmark by 44 basis points as measured against the total funds benchmark.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 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,

Assets	2006	Increase (Decrease)	2005	Increase (Decrease)	2004
Investments at Fair Value	\$23,482,898,042	\$1,909,633,425	\$21,573,264,617	\$923,148,715	\$20,650,115,902
Cash, Receivables and Other	16,145,903,300	3,933,160,855	12,212,742,445	1,756,302,745	10,456,439,700
Total Assets	39,628,801,342	5,842,794,280	33,786,007,062	2,679,451,460	31,106,555,602
Liabilities	(16,812,028,370)	(4,325,170,910)	(12,486,857,460)	(1,569,691,638)	(10,917,165,822)
Net Assets	<u>\$22,816,772,972</u>	<u>\$1,517,623,370</u>	<u>\$21,299,149,602</u>	<u>\$1,109,759,822</u>	<u>\$20,189,389,780</u>

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

Additions	2006	Increase (Decrease)	2005	Increase (Decrease)	2004
Dividends	\$525,565,751	\$25,325,909	\$500,239,842	\$(107,289,421)	\$607,529,263
Interest	350,786,481	48,733,880	302,052,601	(976,584)	303,029,185
Securities Lending & Other Income	124,613,062	48,593,890	76,019,172	23,253,315	52,765,857
Total Investment Income	1,000,965,294	122,653,679	878,311,615	(85,012,690)	963,324,305
Total Investment Expenses	(178,008,768)	65,886,061	(112,122,707)	(48,566,340)	(63,556,367)
Net Investment Income	822,956,526	56,767,618	766,188,908	(133,579,030)	899,767,938
Net Realized Gain/(Loss)	886,031,474	187,367,321	698,664,153	(182,314,879)	880,979,032
Net Change in Unrealized Gains on Investments	520,430,130	(70,724,973)	591,155,103	(345,760,521)	936,915,624
Net Increase (Decrease) in Net Assets resulting from operations	2,229,418,130	173,409,966	2,056,008,164	(661,654,430)	2,717,662,594
Purchase of Units by Participants	1,829,831,913	197,508,729	1,632,323,184	(1,257,190,659)	2,889,513,843
Total Additions	4,059,250,043	370,918,695	3,688,331,348	(1,918,845,089)	5,607,176,437
<b>Deductions</b>					
Administrative Expense	(2,958,886)	(279,238)	(2,679,648)	(423,340)	(2,256,308)
Distribution of Income to Unit Owners	(802,533,547)	57,108,208	(859,641,755)	(43,511,564)	(816,130,191)
Redemption of Units by Participants	(1,736,134,242)	(19,884,123)	(1,716,250,119)	1,183,555,107	(2,899,805,226)
Total Deductions	(2,541,626,675)	36,944,847	(2,578,571,522)	1,139,620,203	(3,718,191,725)
Net Change in Assets	1,517,623,368	407,863,542	1,109,759,826	(779,224,886)	1,888,984,712
Beginning Net Assets	21,299,149,602	1,109,759,826	20,189,389,776	1,888,984,708	18,300,405,068
Ending Net Assets	<u>\$22,816,772,972</u>	<u>\$1,517,623,370</u>	<u>\$21,299,149,602</u>	<u>\$1,109,759,822</u>	<u>\$20,189,389,782</u>

## 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 Changes in Net Assets and 3) Notes to the Financial Statements.

The Statement of Net Assets and the Statement of Changes in Net Assets 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.

The Statement of Changes in Net Assets (page 21 and 22) presents information showing how the Combined Investment Funds net assets changed during the most recent 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).

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

### ECONOMIC CONDITIONS AND OUTLOOK

After three years of strong economic performance, U.S. economic growth peaked just as Fiscal-Year 2006 (FY 2006) began. Throughout the year, however, economic growth began to moderate. One of the main factors that contributed to slower growth was energy prices. Higher energy prices decreased consumer discretionary spending and contributed to the trend of slower economic growth.

Inflation concerns began to surface early in the fiscal year. As the fiscal year began with economic growth at full speed, demand expanded to a point where consumers were willing to tolerate higher prices. As inflation rose and the economy continued to show positive growth, albeit at a slower pace, both short and long-term interest rates rose. The overnight Federal Funds rate rose from 3.25 percent as of June 30, 2005 to 5.25 percent as of June 29, 2006. For the first time in over two-years and after 17 consecutive rate hikes, the Federal Reserve did not increase the Federal Funds rate at the August 2006 Federal Open Market Committee (FOMC) meeting

On the positive side a strong employment picture supported consumer spending. Employment grew by 1.9 million jobs as the unemployment rate fell from 5.1 percent to 4.6 percent. For FY 2006, consumer purchases were the major contributor to growth in the economy with Gross Domestic Product (GDP) growing by 3.5 percent on a year-over-year basis.

As we enter fiscal year 2007, the U.S. economy appears to be in a period of transition characterized by the unenviable position of slowing growth and increasing inflation. It is likely that the Federal Reserve will hold interest rates roughly steady throughout the fiscal year. Federal funds futures show that the most likely case is for interest rates to remain at the current 5.25 percent level for the first half of this fiscal year. During the second half of FY 2007, Federal Funds futures predict a 50 basis point easing to 4.75 percent as the economy slows further.

### 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](http://www.state.ct.us/ott)

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**STATEMENT OF NET ASSETS  
JUNE 30, 2006**

	<u>TOTAL</u>
<b>ASSETS</b>	
Investments in Securities, at Fair Value	
Cash Reserve Fund	\$ -
Cash Equivalents	820,779,917
Asset Backed Securities	434,063,514
Government Securities	1,664,157,058
Government Agency Securities	1,536,772,778
Mortgage Backed Securities	970,809,988
Corporate Debt	1,940,538,032
Convertible Securities	45,228,403
Common Stock	13,888,791,634
Preferred Stock	100,926,827
Real Estate Investment Trust	113,098,840
Mutual Fund	360,256,278
Limited Liability Corporation	10,769,746
Trusts	53,199,123
Limited Partnerships	1,543,267,802
Annuities	238,102
Total Investments in Securities, at Fair Value	<u>23,482,898,042</u>
Cash	53,677,919
Receivables	
Foreign Exchange Contracts	12,927,274,057
Interest Receivable	78,916,742
Dividends Receivable	18,206,889
Due from Brokers	256,645,981
Foreign Taxes	2,177,074
Securities Lending Receivable	984,399
Reserve for Doubtful Receivables	<u>(9,156,576)</u>
Total Receivables	13,275,048,566
Invested Securities Lending Collateral	2,815,146,706
Prepaid Expenses	<u>2,030,109</u>
<b>Total Assets</b>	<u>39,628,801,342</u>
 <b>LIABILITIES</b>	
Payables	
Foreign Exchange Contracts	12,991,164,913
Due to Brokers	975,877,929
Income Distribution	<u>788,592</u>
Total Payables	13,967,831,434
Securities Lending Collateral	2,815,146,706
Accrued Expenses	<u>29,050,230</u>
<b>Total Liabilities</b>	<u>16,812,028,370</u>
 <b>NET ASSETS</b>	 <u>\$ 22,816,772,972</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, 2006**

<b>ADDITIONS OPERATIONS</b>	<u><b>TOTAL</b></u>
<b>Investment Income</b>	
Dividends	\$ 525,565,751
Interest	350,786,481
Other Income	2,466,219
Securities Lending	122,146,843
<b>Total Income</b>	<u>1,000,965,294</u>
<b>Investment Expenses</b>	
Investment Advisory Fees	64,365,142
Custody and Transfer Agent Fees	96,982
Professional Fees	1,960,211
Security Lending Fees	2,406,733
Security Lending Rebates	108,848,718
Other Investment Expenses	330,982
<b>Total Investment Expenses</b>	<u>178,008,768</u>
<b>Net Investment Income</b>	822,956,526
<b>Net Realized Gain (Loss)</b>	886,031,474
<b>Net Change in Unrealized Gain/(Loss) on Investments and Foreign Currency</b>	<u>520,430,130</u>
<b>Net Increase (Decrease) in Net Assets Resulting from Operations</b>	2,229,418,130
<b>Unit Transactions</b>	
Purchase of Units by Participants	1,829,831,913
<b>TOTAL ADDITIONS</b>	<u>4,059,250,043</u>
<b>DEDUCTIONS</b>	
<b>Administrative Expenses:</b>	
Salary and Fringe Benefits	(2,958,886)
<b>Distributions to Unit Owners:</b>	
Income Distributed	(802,533,547)
Returns of Capital	-
<b>Total Distributions</b>	<u>(802,533,547)</u>
<b>Unit Transactions</b>	
Redemption of Units by Participants	(1,736,134,242)
<b>TOTAL DEDUCTIONS</b>	<u>(2,541,626,675)</u>
<b>CHANGE IN NET ASSETS</b>	<u>1,517,623,368</u>
<b>Net Assets- Beginning of Period</b>	21,299,149,602
<b>Net Assets- End of Period</b>	<u>\$ 22,816,772,972</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, 2005**

<b>ADDITIONS</b>	<b>TOTAL</b>
<b>OPERATIONS</b>	
<b>Investment Income</b>	
Dividends	\$ 500,239,842
Interest	302,052,601
Other Income	17,941,401
Securities Lending	58,077,771
<b>Total Investment Income</b>	<u>878,311,615</u>
<b>Investment Expenses</b>	
Investment Advisory Fees	56,704,256
Custody and Transfer Agent Fees	1,907,792
Professional Fees	3,217,508
Security Lending Fees	2,941,450
Security Lending Rebates	47,351,701
Other Investment Expenses	-
<b>Total Investment Expenses</b>	<u>112,122,707</u>
<b>Net Investment Income</b>	766,188,908
<b>Net Realized Gain (Loss)</b>	698,664,153
<b>Net Change in Unrealized Gain/(Loss) on Investments and Foreign Currency</b>	<u>591,155,103</u>
<b>Net Increase (Decrease) in Net Assets Resulting from Operations</b>	2,056,008,164
<b>Unit Transactions</b>	
Purchase of Units by Participants	<u>1,632,323,184</u>
<b>TOTAL ADDITIONS</b>	<u>3,688,331,348</u>
<b>DEDUCTIONS</b>	
<b>Administrative Expenses</b>	
Salary and Fringe Benefits	(2,679,648)
<b>Distributions to Unit Owners:</b>	
Income Distributed	<u>(859,641,755)</u>
<b>Total Distributions</b>	(859,641,755)
<b>Unit Transactions</b>	
Redemption of Units by Participants	<u>(1,716,250,119)</u>
<b>TOTAL DEDUCTIONS</b>	(2,578,571,522)
<b>CHANGE IN NET ASSETS</b>	1,109,759,826
<b>Net Assets- Beginning of Period</b>	<u>20,189,389,776</u>
<b>Net Assets- End of Period</b>	<u>\$ 21,299,149,602</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**

The financial statements and corresponding footnotes include the application of GASB 44, "Economic Condition Reporting." This Statement amends the portions of NCGA Statement 1 which guides the preparation of the statistical section. This amendment now requires that the statistics section include ten-year trend information that assist users in utilizing the basic financial statement, notes to basic financial statements, and required supplementary information to assess the economic condition of a government. The provisions of this Statement are effective for statistical sections prepared for periods beginning after June 15, 2005.

**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 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.

## CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

### NOTES TO FINANCIAL STATEMENTS (Continued)

#### 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.

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, 2006, the Fund held MBSs of \$941,603,360 and ABSs of \$194,890,055.

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, 2006 the Fund's holdings had a fair value of \$2.0 million and a cost of \$39.2 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. At June 30, 2006 one partnership is being reported at cost. 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, 2006, 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 \$7.2 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

## CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

### NOTES TO FINANCIAL STATEMENTS (Continued)

expected cash flows of the loans at a rate commensurate with the risk inherent in the loans. The discount rate is determined 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, 2006, 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 \$53.1 million. 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 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 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.

## CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

### 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, 2006, 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 underlying holdings of the Private Investment Fund and the Real Estate Fund may hold derivatives. 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. 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,

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

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 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 Changes in Net Assets. The appropriate treatment is determined depending on the terms of the investment agreement. Capitalized fees are not separately presented on the Statement of Changes in Net Assets. 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, 2006:

	Netted	Capitalized	Expensed	Total
Private Investment Fund	\$ 12,502,870	\$ 9,082,928	\$ 4,702,362	\$ 26,288,160

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, 2006:

Private Investment Fund	\$ 157,787,997
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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 Changes in Net Assets. Realized loss for such transactions for the fiscal year ended June 30, 2006 were \$3,121,713.

The Mutual Fixed Income 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 Changes in Net Assets. The corresponding fees incurred for the fiscal year ended June 30, 2006 totaled \$1,635,342.

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 Changes in Net Assets. The corresponding fees incurred for the fiscal year ended June 30, 2006 totaled \$679,952.

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 Changes in Net Assets. The appropriate treatment is determined depending on the terms of the investment agreement. Capitalized fees are not separately presented on the Statement of Changes in Net Assets. 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, 2006:

	Netted	Capitalized	Expensed	Total
Real Estate Fund	\$ 2,222,656	\$ 2,456,640	\$ 837,532	\$ 5,516,828

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 Changes in Net Assets represent estimates of annual management fee expenses.

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**K. RECLASSIFICATIONS**

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

**L. RELATED PARTY AND OTHER TRANSACTIONS**

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**

**Deposits:**

The Funds minimize custodial credit risk by maintaining certain restrictions set forth in the Investment Policy Statement. Custodial credit risk is risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure the Funds would not be able to recover its deposits or collateralized securities that are in the possession of the outside parties. The Funds utilize a Cash Reserve Account that is a cash management pool investing primarily in highly liquid money market securities such as commercial paper, certificates of deposit, bank notes and other cash equivalents, asset backed securities, and floating rate corporate bonds. Deposits shall consist of cash instruments generally maturing in less than one year and having a quality rating, by at least one widely recognized rating agency, of A-1 or P-1 and earn interest at a rate equal to or better than the International Business Communications ("IBC") First Tier Institutions-Only Rated Money Fund Report Index.

At June 30, 2006, the reported amount of Funds deposits were \$53,677,919 and the bank balance was \$53,677,919. Of the bank amount, \$53,677,919 was uncollateralized. Through the Securities Lending Program \$2,869,003,975 was collateralized with securities held by the counterparty's trust department or agent but not in the State's name.

**Investments:**

Pursuant to the Connecticut General Statutes, the Treasurer is the principal fiduciary of the Funds, authorized to invest in a broad range of equity and fixed income securities, as well as real estate properties, mortgages and private equity. The Funds minimizes credit risk, the risk of loss due to the failure of the security issuer or backer, in accordance with a comprehensive Investment Policy Statement (IPS), as developed by The Office of the Treasurer and the State's Investment Advisory Council (IAC), that provides policy guidelines for the Funds and includes an asset allocation plan. The asset allocation plan's main objective is to maximize investment returns over the long term at an acceptable level of risk. There have been no violations of these investment restrictions during the 2006 fiscal year.

The Funds concentration of credit risk, the risk attributed to the magnitude of an investment in a single issuer. There are no restrictions in the amount that can be invested in Government Securities and Government Agency Securities. However, there can be no more than 5% of the total portfolio market value invested in other securities.

The following table provides average credit quality and exposure levels information on the credit ratings associated with Funds investments in debt securities.

	Fair Value	Cash Equivalents	Asset Backed Securities	Government Securities	Government Agency Securities	Mortgage Backed Securities	Corporate Debt	Convertible Debt	Mutual Fund
Aaa	\$4,302,771,475	\$4,196,757	\$427,140,277	\$1,441,028,970	\$1,518,932,960	\$744,051,749	\$167,420,762	\$ -	\$ -
Aa	389,776,322	-	-	23,299,026	-	1,260,926	364,625,240	591,130	-
A	278,870,169	4,807,774	236,133	11,165,006	-	1,746,411	260,183,801	731,044	-
Baa	466,882,393	-	5,223,775	68,602,762	-	10,735,422	382,242,054	78,380	-
Ba	296,542,479	-	-	42,606,345	-	3,966,088	244,831,728	5,138,318	-
B	406,202,502	-	-	29,797,000	-	7,253,888	367,489,689	1,661,925	-
Caa	66,295,124	-	-	-	-	7,431,804	54,604,808	4,258,512	-

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

Ca	6,129,351	-	-	-	-	110,139	383,437	5,635,775	-
C	922,342	-	-	-	-	922,342	-	-	-
Prime - 1	125,947,516	125,947,516	-	-	-	-	-	-	-
Not Rated	1,294,832,738	685,827,870	1,463,329	47,657,949	17,839,818	193,331,219	98,756,513	27,133,319	222,822,721
	<u>\$7,635,172,411</u>	<u>\$820,779,917</u>	<u>\$434,063,514</u>	<u>\$1,664,157,058</u>	<u>\$1,536,772,778</u>	<u>\$970,809,988</u>	<u>\$1,940,538,032</u>	<u>\$45,228,403</u>	<u>\$222,822,721</u>

The investments in the Private Equity Fund, Real Estate Fund and Commercial Mortgage Fund 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 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. 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 breakdown of Securities Lending is as follows:

<b>Investment</b>	<b>Fair Value</b>
Government Securities	\$5,876,084
Government Agency Securities	5,426,294
U.S. Corporate Stock	11,613,376
International Equity	37,446,003
Collateral Securities held by Investment Pools under Securities Lending Arrangements:	
Other	383,466,311
Corporate Debt	2,425,175,907
<b>Total</b>	<u><b>\$2,869,003,975</b></u>

The following table provides information about the interest rate risks associated with the Funds investments. Interest rate risk is the risk that the value of fixed income securities will decline because of rising interest rates. The prices of fixed income securities with a longer time to maturity tend to be more sensitive to changes in interest rates and therefore, more volatile than those with shorter maturities. Investment Managers that manage the CRPTF portfolio are given full discretion to manage their portion of CRPTF assets within their respective guidelines and constraints. The guidelines and constraints require each manager to maintain a diversified portfolio at all times. In addition, each core manager is required to maintain a target duration that is similar to its respective benchmark which is typically the Lehman Brothers Aggregate – an intermediate duration index.

The investments include certain short-term cash equivalents, various long term items, and restricted assets by maturity in years.

<b>Investment Type</b>	<b>Fair Value</b>	<b>Investment Maturities (in Years)</b>			
		<b>Less Than 1</b>	<b>1 - 5</b>	<b>6 - 10</b>	<b>More Than 10</b>
Cash Equivalents	\$ 820,779,917	\$ 784,779,917	\$ 36,000,000	\$ -	\$ -
Asset Backed Securities	434,063,514	684,475	406,306,471	26,192,005	880,563
Government Securities	1,664,157,058	186,767,115	545,636,186	401,957,155	529,796,602
Government Agency Securities	1,536,772,778	17,868	33,493,446	70,772,541	1,432,488,923
Mortgage Backed Securities	970,809,988	-	21,996,885	60,746,180	888,066,923
Corporate Debt	1,940,538,032	166,368,536	633,638,078	698,039,294	442,492,124
Convertible Debt	45,228,403	5,095,966	27,003,796	10,128,902	2,999,739
Mutual Fund	222,822,721	-	-	-	222,822,721
	<u>\$7,635,172,411</u>	<u>\$1,143,713,877</u>	<u>\$1,704,074,862</u>	<u>\$1,267,836,077</u>	<u>\$3,519,547,595</u>

Exposure to foreign currency risk results from investments in foreign currency-denominated equity or fixed income securities. As a means of limiting its exposure, the CRPTF utilizes a strategic hedge ratio of 50% for the developed market portion of the International Stock Fund. This strategic hedge ratio represents the neutral stance or desired long-term exposure to currency for the ISF. To implement this policy, currency specialists actively manage the currency portfolio as an overlay strategy to the equity investment managers. These specialists may manage the portfolio passively or actively depending on opportunities in the market place. While managers within the fixed income portion of the portfolio are allowed

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

to invest in non-U.S. dollar denominated securities, managers are required to limit that investment to a portion of their respective portfolios. The following table provides information on deposits and investments held in various foreign currencies, which are stated in U.S. dollars.

Foreign Currency	Total	Cash	Fixed Income Securities			Equities		
			Government Securities	Corporate Debt	Convertible Securities	Common Stock	Preferred Stock	Real Estate Investment Trust
Argentine Peso	\$2,764,773	\$19,706	\$2,440,306	-	-	\$304,761	-	-
Australian Dollar	151,646,804	410,135	-	-	-	151,236,669	-	-
Brazilian Real	66,523,627	203,652	-	4,255,782	-	16,922,549	45,141,644	-
Canadian Dollar	22,984,721	22,519	-	1,048,579	-	21,913,623	-	-
Chilean Peso	4,071,148	28,278	-	-	-	3,214,165	828,705	-
Czech Koruna	1,865,661	1	-	-	-	1,865,660	-	-
Danish Krone	35,361,805	146,086	-	-	-	35,215,719	-	-
Egyptian Pound	405	405	-	-	-	-	-	-
Euro Currecny	1,396,310,025	9,274,283	14,536,703	-	935,965	1,352,516,273	19,046,801	-
Hong Hong Dollar	173,346,828	408,843	-	-	-	172,493,327	-	444,658
Hungarian Fornit	3,189,456	9	-	-	-	3,189,447	-	-
Indonesian Rupiah	10,710,064	3,199	-	693,340	-	10,013,525	-	-
Israeleli Shekel	6,925,950	-	-	-	-	6,925,950	-	-
Japanese Yen	1,106,010,326	22,837,051	-	-	1,419,936	1,081,276,236	-	477,103
Malaysian Ringgit	21,576,487	31,620	-	-	-	21,544,867	-	-
Mexican Peso	34,655,435	951,087	13,122,005	-	-	20,582,343	-	-
New Taiwan Dollar	79,647,770	59,868	-	-	-	79,587,902	-	-
New Turkish Dollar	9,701,642	315	-	-	-	9,701,327	-	-
New Zealand Dollar	20,321,621	517,198	708,128	5,774,782	-	13,321,513	-	-
Norwegian Krone	42,497,438	2,670,152	-	-	-	39,827,286	-	-
Pakistan Rupee	408,097	-	-	-	-	408,097	-	-
Peruvian Nouveau Sol	120,309	(39)	-	-	-	120,348	-	-
Philippine Peso	4,086,991	981	-	-	-	4,086,010	-	-
Polish Zloty	6,489,060	58,467	-	-	-	6,430,593	-	-
Pound Sterling	940,213,373	2,027,898	-	10,617,800	-	927,567,675	-	-
Singapore Dollar	61,985,891	373,013	7,697,080	7,299,492	-	45,871,282	-	745,024
South African Rand	89,084,167	51	-	-	-	88,842,918	241,198	-
South Korean Won	338,345,900	701,830	-	1,882,382	-	304,942,276	30,819,412	-
Swedish Krona	71,510,540	478,540	-	-	-	71,032,000	-	-
Swiss Franc	305,788,566	477,610	-	-	-	303,699,119	1,611,837	-
Thailand Baht	29,024,874	(904)	-	11,369,863	-	17,655,915	-	-
	<b>\$5,037,169,754</b>	<b>\$41,701,854</b>	<b>\$38,504,222</b>	<b>\$42,942,020</b>	<b>\$2,355,901</b>	<b>\$4,812,309,375</b>	<b>\$97,689,597</b>	<b>\$1,666,785</b>

**Securities Lending**

Certain of the 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, 2006, 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.

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

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, 2006, 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, 2006 were \$ 2,879,684,387 and \$ 2,825,332,314 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, 2006 was 47 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, 2006:

<b>Fund</b>	<b>Fair Value of Collateral</b>	<b>Fair Value of Securities Lent</b>
Mutual Equity	\$ 961,147,382	\$ 946,167,432
International Stock	880,773,361	852,057,569
Mutual Fixed Income	1,046,626,925	1,027,107,312
<b>Total</b>	<b>\$2,888,547,668</b>	<b>\$2,825,332,313</b>

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:

<b>Fund</b>	<b>Cash Equivalents</b>	<b>Corporate Debt</b>	<b>Total Investments</b>
Mutual Equity	\$128,670,203	\$ 813,755,650	\$ 942,425,853
International Stock	114,246,885	722,537,509	836,784,394
Mutual Fixed Income	140,549,223	888,882,748	1,029,431,971
<b>Total</b>	<b>\$383,466,311</b>	<b>\$2,425,175,907</b>	<b>\$2,808,642,218</b>

These amounts 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".

**NOTE 3: PURCHASES AND SALES OF INVESTMENT SECURITIES**

For the period ended June 30, 2006, 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:

<b>Fund</b>	<b>Purchases</b>	<b>Sales</b>
Mutual Equity	\$ 4,679,572,375	\$ 4,531,249,415
Mutual Fixed Income	19,447,495,227	18,483,302,221
International Stock	3,418,851,164	3,423,887,156
Real Estate	60,907,775	88,087,035
Commercial Mortgage	-	11,168,334
Private Investment	268,427,835	62,038,912

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, 2006, 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

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

over fair value and the resulting net appreciation (depreciation) by fund were as follows:

<b>Fund</b>	<b>Gross Appreciation</b>	<b>Gross Depreciation</b>	<b>Net Appreciation (Depreciation)</b>
Mutual Equity	\$1,877,450,459	\$395,570,168	\$1,481,880,291
Mutual Fixed Income	97,620,861	224,900,614	(127,279,753)
International Stock	1,346,351,028	99,487,006	1,246,864,022
Real Estate	81,852,227	11,233,640	70,618,587
Commercial Mortgage	462,926	0	462,926
Private Investment	132,575,943	467,863,081	(335,287,138)

**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, 2006, the Funds had recorded unrealized gains (losses) from open forward currency contracts as follows:

**International Stock Fund:**

<b>Foreign Currency</b>	<b>Value</b>	<b>Unrealized Gain/(Loss)</b>
<b>Contracts to Buy:</b>		
Australian Dollar	\$ 454,429,338	\$ 346,078
Canadian Dollar	105,736,699	515,029
Czech Koruna	783,929	5,532
Danish Krone	10,125,994	129,724
Euro Currency	1,073,519,527	34,963,487
Hong Kong Dollar	38,186,623	(5,877)
Indonesian Rupiah	11,424	44
Japanese Yen	1,427,090,180	(860,991)
Malaysian Ringgit	135,936	21
New Zealand Dollar	29,487,865	(408,752)
Norwegian Krone	14,315,005	143,817
Pound Sterling	518,700,075	20,531,361
Singapore Dollar	91,693,078	906,669
South African Rand	2,269,934	38,464
South Korean Won	39,873,606	296,544
Swedish Krona	170,638,803	3,180,867
Swiss Franc	411,979,624	9,513,181
Thailand Baht	11,185	76
	<u>4,388,988,825</u>	<u>69,295,274</u>
<b>Contracts to Sell:</b>		
Australian Dollar	534,322,843	(7,558,490)
Brazilian Real	402,378	(1,303)
Canadian Dollar	17,014,972	50,032
Danish Krone	27,905,017	(676,169)
Euro Currency	2,871,107,654	(61,967,485)

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

Hong Kong Dollar	97,084,148	123,030
Japanese Yen	2,846,732,389	(12,307,649)
Malaysian Ringgit	215,262	(22)
Mexican Peso	45,298	(230)
New Turkish Lira	345,906	(121)
New Zealand Dollar	32,511,607	189,391
Norwegian Krone	41,126,326	(423,563)
Peruvian Nouveau	24,884	(57)
Pound Sterling	1,017,297,473	(27,650,752)
Singapore Dollar	82,888,782	(150,303)
South African Rand	2,756,957	(41,656)
South Korean Won	98,780,028	(762,692)
Swedish Krona	171,057,608	(7,289,485)
Swiss Franc	601,376,213	(14,528,111)
Thailand Baht	449,622	(1,394)
	<u>8,443,445,367</u>	<u>(132,997,029)</u>
Total	<u>\$12,832,434,192</u>	<u>\$ (63,701,755)</u>

**Financial Statement Amounts:**

	Receivable	Payable	Net
Amount In US Dollars	\$12,832,434,192	\$ 12,832,434,192	\$ -
Unrealized Gain (Loss)	<u>69,295,274</u>	<u>(132,997,029)</u>	<u>(63,701,755)</u>
Net	<u>\$12,901,729,466</u>	<u>\$ 12,965,431,221</u>	<u>\$(63,701,755)</u>

**Mutual Fixed Income Fund:**

Foreign Currency	Value	Unrealized Gain/(Loss)
<b>Contracts to Buy:</b>		
Czech Koruna	\$ -	\$ (12,478)
Euro Currency	105,480	52,676
Hungarian Forint	-	(75,216)
New Taiwan Dollar	1,429,955	(48,831)
Polish Zloty	-	(69,577)
South Korean Won	<u>3,288,201</u>	<u>(54,013)</u>
	<u>4,823,636</u>	<u>(207,439)</u>
<b>Contracts to Sell:</b>		
Czech Koruna	1,443,608	(19,504)
Euro Currency	9,421,207	(89,660)
Hungarian Forint	1,246,178	49,298
Mexican Peso	670,857	(10,672)
New Taiwan Dollar	766,530	(3,533)
New Zealand Dollar	5,424,555	109,594
Polish Zloty	494,956	(8,564)
South Korean Won	<u>1,460,503</u>	<u>(8,621)</u>
	<u>20,928,394</u>	<u>18,338</u>
Total	<u>\$25,752,030</u>	<u>\$ (189,101)</u>

**Financial Statement Amounts:**

	Receivable	Payable	Net
Amount In US Dollars	\$ 25,752,030	\$ 25,752,030	\$ -
Unrealized Gain (Loss)	<u>(207,439)</u>	<u>18,338</u>	<u>(189,101)</u>
Net	<u>\$ 25,544,591</u>	<u>\$ 25,733,692</u>	<u>\$ (189,101)</u>

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

**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, 2006, were as follows:

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

<b>Fund</b>	<b>Total Commitment</b>	<b>Cumulative Amounts Funded</b>	<b>Unfunded Commitment</b>
Real Estate	\$ 926,684,364	\$ 447,257,549	\$ 479,426,815
Private Investment	4,241,780,537	3,310,365,869	931,414,668

**NOTE 7: SUBSEQUENT EVENTS**

Subsequent to June 30, 2006 one of the underlying holdings of a partnership in the Private Investment Fund was forced into bankruptcy due to allegations of financial misconduct. This resulted in a reduction of approximately \$53.5 million of value. This amount represents 84.4% of the individual partnership and 3.8% of the Private Investment Fund. This adjustment has been made to the fair value as of June 30, 2006.

The investments in the Real Estate Fund are carried at their cash adjusted fair values. One of the Real Estate Fund partnerships submitted a capital account summary stating a negative ending capital account balance. This amount would have resulted in a reduction of approximately \$719,000 of value as compared to CRPTF's cash adjusted fair value for the same investment. This amount represents 100% of the individual investment and 0.19% of the Real Estate Fund. No adjustment has been made to the fair value as of June 30, 2006. Consistent with standard valuation practices this amount will be recorded along with next quarter's market adjustments.

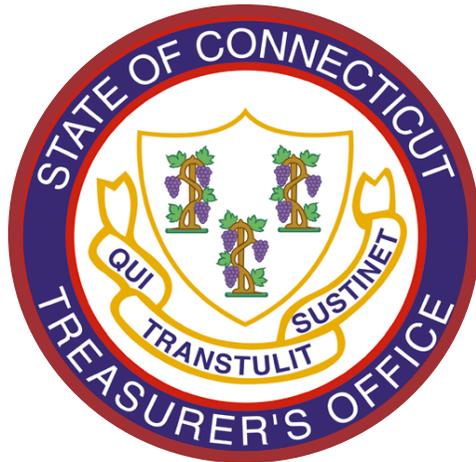
A limited partnership in the Private Investment Fund notified the Connecticut Retirement Plans and Trust Funds that it was named a defendant in a matter pending in California state courts involving the bankruptcy of a portfolio company. The partnership engaged counsel to defend violations of the California Worker Adjustment and Retraining Notification Act and failure to pay wages due. As of September 11, 2006 a tentative settlement was reached resulting in approximately \$580,000 to be paid on behalf of the General Partner. This amount will be fully funded by the General Partner's insurance carrier.

**NOTE 8: COST BASIS OF INVESTMENTS**

The aggregate cost values of investments in the Funds are as follows at June 30, 2006:

	<b>CASH RESERVE FUND</b>	<b>MUTUAL EQUITY FUND</b>	<b>MUTUAL FIXED INCOME FUND</b>	<b>INTERNATIONAL STOCK FUND</b>	<b>REAL ESTATE FUND</b>	<b>COMMERCIAL MORTGAGE FUND</b>	<b>PRIVATE INVESTMENT FUND</b>
Investments, at Cost							
Cash Reserve Fund	\$ -	\$90,843,478	\$772,700,385	\$80,889,412	\$68,221,329	\$9,470,748	\$80,457,680
Cash Equivalents	806,140,136	-	14,632,241	-	-	-	-
Asset Backed Securities	239,173,459	-	198,278,458	-	-	-	-
Government Securities	13,004,057	-	1,667,269,288	-	-	-	-
Government Agency Securities	38,065,924	-	1,536,437,082	-	-	-	-
Mortgage Backed Securities	28,747,100	-	997,931,760	-	-	459,529	-
Corporate Debt	258,001,334	305	1,722,502,708	-	-	-	-
Convertible Securities	-	-	45,162,322	1,832,479	-	-	-
Common Stock	-	7,314,928,893	16,609,061	3,900,271,267	2	7,198,912	-
Preferred Stock	-	-	2,094,346	48,632,746	-	-	-
Real Estate Investment Trust	-	95,204,761	3,057,121	1,597,976	-	-	-
Mutual Fund	-	-	203,142,367	112,578,672	-	-	-
Limited Liability Corporation	-	-	-	-	-	-	16,960,031
Trusts	-	-	-	-	21,578,450	-	-
Limited Partnerships	-	186,040	-	-	237,927,868	-	1,595,387,541
Partnerships	-	-	-	-	-	-	-
Annuities	-	-	-	-	44,871	-	-
<b>Total Investments, at Cost</b>	<b>\$1,383,132,010</b>	<b>\$7,501,163,477</b>	<b>\$7,179,817,139</b>	<b>\$4,145,802,552</b>	<b>\$327,772,520</b>	<b>\$17,729,189</b>	<b>\$1,692,805,252</b>

**Investment**  
**Section**



# 2006 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 \$22.8 billion of net assets of retirement plans for 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” or “the Division”) is responsible for the day-to-day administration of the CRPTF.

Prudent investment management requires properly safeguarding pension assets in order to ensure the retirement security of the beneficiaries. Funding of the pension benefit liability is dependent on investment returns, State contributions and the contribution requirements of eligible retirement plan participants. When pension investment returns exceed the target return, excess returns are applied against the unfunded liability, while investment income returns below the actuarial target return increase the unfunded pension liability and may require an increase in future tax dollar contributions in order to ensure full payment of benefits.

As shown in Figure 1-1, over the last ten years pension and trust assets have grown from \$13.7 billion to \$22.8 billion, or 66.4%. The Teachers’ Retirement Fund (“TERF”), with \$12.2 billion of assets under management at June 30, 2006, is the largest participating fund, followed by the State Employees’ Retirement Fund (“SERF”) and the Municipal Employees’ Retirement Fund (“MERF”) with \$8.8 billion and \$1.5 billion of assets, respectively. During the fiscal year ended June 30, 2006, total investment return (comprised of interest income, dividends, securities lending income, and net realized and unrealized capital gains, net of Fund operating expenses) was approximately \$2.2 billion. (See figure 1-2.)

CRPTF’s total investments in securities at fair value as of June 30, 2006 is illustrated below:

<b>COMBINED INVESTMENT FUNDS</b>		
<b>Investment Summary at June 30, 2006</b>		
	Fair Value <sup>(1)</sup>	% of Total Fund Fair Value
Cash Reserve Account (“CRA”)(2)	\$280,548,978	1.19%
Mutual Equity Fund (“MEF”)	8,983,043,768	38.14%
International Stock Fund (“ISF”)	5,392,666,574	22.90%
Real Estate Fund (“REF”)	398,391,108	1.76%
Mutual Fixed Income Fund (“MFIF”)	7,052,537,386	29.94%
Commercial Mortgage Fund (“CMF”)	18,192,114	0.08%
Private Investment Fund (“PIF”)	1,357,518,114	5.99%
<b>Total Fund</b>	<b>\$23,482,898,042</b>	<b>100.00%</b>

(1) “Fair Value” includes securities and cash invested in CRA, and excludes receivables (FX contracts, interest, dividends, due from brokers, foreign tax, securities lending receivables, reserve for doubtful accounts, invested securities lending collateral and prepaid expenses), payables (FX contracts, due to brokers, income distribution, securities lending collateral and accrued expenses), and cash not invested in CRA.(2) The market value of CRA 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.

(2) The market value of CRA 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.

## Fund Management

Under the supervision of a Chief Investment Officer, the Division executes and manages the investment programs of the pension and trust funds with a thirteen-member professional staff. Internal resources are augmented by several outside consulting firms that provide research and analytical expertise to the Treasurer, the Chief Investment Officer and Division staff. State Street Bank and Trust, as the custodian of record for the CRPTF, retains physical custody, safeguards plan assets and provides record keeping services under the supervision of PFM staff.

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, 2006, 88 external advisors were employed by the Treasury to invest the pension and trust assets, an increase of 9 advisors from June 30, 2005. (See figure 1-5.)

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.

## Investment Policy

One of the immutable principles of investment management is that asset allocation decisions are responsible for 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 CRPTF 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 Understanding Investment Performance discussion on page 102.)

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 selecting 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. As of June 30, 2006, multiple asset classes were included in the Investment Policy Statement, including Domestic Equity, International Equity, Fixed Income, Real Estate, and Private Investments.

At fiscal year-end, domestic and international equities comprised the largest asset allocation, at 63%. 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 of the Funds is designed to replicate one or more of the six asset classes outlined in the Policy.

## Domestic Equity Investments

Management of the Mutual Equity Fund ("MEF") entails pure indexing, enhanced indexing, and active management strategies executed by external managers. 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.

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

## CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

therefore more likely to outperform the markets over the long term, while earning an acceptable level of return per unit of risk. For performance measurement purposes, the MEF is benchmarked against the Russell 3000 Index.

As currently structured, the MEF replicates the approximate capitalization of the U. S. equity market as a whole with 80% of the portfolio invested in large-cap stocks and 20% in small/mid-cap stocks. Approximately 88% of the entire domestic equity portfolio adheres to indexing, enhanced indexing, or risk controlled strategies.

### International Equity Investments

The International Stock Fund ("ISF") consists 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 of the total portfolio. Approximately 49% of the ISF is comprised of passive indexing, risk controlled, and core developed markets strategies, all of which entail benchmark sensitive investment management approaches. Mandates for active and small cap developed market strategies represent roughly 22% and 10% of the ISF, respectively, and introduce greater flexibility with regard to benchmark weightings. The currency exposure of the aggregated 81% of the ISF investments in developed markets is managed through a currency hedging overlay strategy. Additionally, 19% of ISF is invested in emerging markets.

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.

### Fixed Income Investments

The Mutual Fixed Income Fund ("MFIF") serves to reduce volatility of the CRPTF returns under various economic scenarios. Further, the fixed income portfolio provides cashflow to the CRPTF over all economic cycles, through interest payments and bond maturities. As of June 30, 2006 the MFIF's allocation includes passively indexed core fixed income (20%), active core fixed income (60%), inflation-linked bonds (3%), high yield bonds (13%), and emerging markets debt (4%).

The MFIF benchmark is a hybrid comprised of 73% Lehman Brothers Aggregate (LB Aggregate), 17% Citigroup High Yield Market Index, and 10% JP Morgan Emerging Markets Bond + Index (JPM EMBI+).

### Real Estate and Private Equity Investments

The externally managed Real Estate Fund ("REF") invests in real estate properties and mortgages 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. The REF will invest in the following types: core investments; value added (investments involving efforts to increase property value through repositioning, development and redevelopment); opportunistic (investments that represent niche opportunities, market inefficiencies, or special purpose markets); and publicly traded (primarily Real Estate Investment Trusts and Real Estate Operating Companies). Leverage within the REF is limited to 50%. For market evaluation, the benchmark is National Council of Real Estate Investment Fiduciaries Index (NCREIF) 1 quarter lag. For the calculation of the custom total fund benchmark on a monthly basis, the Russell 3000 is used as the benchmark since the NCREIF is produced quarterly.

The Private Investment Fund ("PIF") is comprised of externally managed separate accounts or limited partnerships that focus on private equity investments. PIF 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 funds-of-funds focusing on, for example, venture capital partnerships too small to be otherwise appropriate for PIF. For market evaluation, the benchmark is the Venture Economics All Private Equity (Venture Economics) 1 quarter lag. For the calculation of the custom total fund benchmark on a monthly basis, the S&P 500 is the benchmark used since the Venture Economics is produced quarterly.

## 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 fiscal year ended June 30, 2006, securities with a market value of approximately \$2.8 billion had been loaned against collateral of approximately \$2.9 billion. Income generated by securities lending totaled \$10.9 million for the fiscal year.

## The Year in Review

### Total Fund Performance

For the fiscal year ended June 30, 2006, the State of Connecticut Retirement Plans and Trust Funds achieved a total return of 10.55%, net of expenses, which was 54 basis points ahead of the benchmark return of 10.01%. During the fiscal year, the value of CRPTF's portfolio increased from \$21.3 billion to \$22.8 billion. The \$1.5 billion increase was primarily due to net funds from operations of \$2.2 billion, offset by net cash outflows of \$0.7 billion. This latter amount was comprised of pension payments to beneficiaries of \$1.105 billion that were offset by net contributions from unit holders of \$396 million, for a net outflow of \$709 million. Funds from operations were comprised of net investment income of \$793 million, realized gains of \$886 million and unrealized appreciation of approximately \$520 million.

For the Fiscal Year ending June 30, 2006, equity markets were strong across the board with all indices posting positive returns. In the U.S. equity markets, high oil prices and rising interest rates contributed to market volatility while strong merger and acquisition activity, particularly in the latter half of the fiscal year, helped sustain the positive performance. The U.S. economy grew approximately 2.6% in the second calendar quarter of 2006 (annualized over the prior year), helped by a booming housing market and high personal consumption. The unemployment rate continued to decline and was 4.6% as of June 2006, in comparison to the 5.0% rate at the beginning of the fiscal year. The Federal Open Market Committee raised the overnight lending rate at every opportunity throughout the fiscal year (eight times for a total of 200 basis points), which resulted in a federal funds rate of 5.25% as of June 30, 2006.

The Mutual Equity Fund (MEF) generated a positive return of 10.27%, net of fees, which outperformed the Russell 3000 Index return of 9.56% by 71 basis points. U.S. equity market performance was powered by strong returns in the third quarter of 2005 and the first quarter of 2006 which resulted in positive results for fiscal year 2006. Much of the strength in U.S. equity markets came from returns in the energy sector as record high oil prices drove energy-related issues. The broad market Russell 3000 Index gained 9.56% in the fiscal year ending June 30, 2006. Within the asset class, small cap stocks (+14.6%) bested mid cap stocks (+13.5%), which in turn, fared better than large cap stocks (+9.1%). In terms of investment style, value stocks outperformed growth stocks among large cap names, while the two styles produced identical returns among small caps.

The International Stock Fund returned 25.69% (the third consecutive year of double digit returns) but underperformed its benchmark return of 28.56% by 287 basis points largely due to active management decisions of the currency overlay managers and weak relative performance of the Fund's core and small cap managers. The International Stock Fund benchmark is comprised of 83% Citigroup EPAC BMI Index (50% Hedged), and 17% MSCI Emerging Markets Free Index. International economies experienced slight improvement over much of fiscal year 2006, which drove healthy returns. International equity markets posted double-digit gains during the fiscal year as witnessed by the 28.27% increase in the S&P/Citigroup EPAC BMI Index, a broad measure of international equity markets. Currency markets over the trailing year can be characterized

## CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

by volatility, lack of notable currency trends, and the ultimate weakening of the U.S. Dollar versus most major currencies. In terms of style, international value stocks beat their growth counterparts, and small caps outpaced large caps. The emerging markets were strong throughout the first three quarters of the fiscal year, yet cooled off and lost 4.3% during the fourth quarter. The negative return of the fourth quarter was not enough to offset earlier gains and the MSCI Emerging Markets Index returned 35.9% during the year.

The Mutual Fixed Income Fund returned 0.77% for the fiscal year, outperforming its composite benchmark return by 13 basis points due to manager selection in the core, high yield and emerging market debt sectors. The Mutual Fixed Income benchmark, consisting of 73% Lehman Brothers Aggregate Index (LBA), 17% Citigroup High Yield Market Index, and 10% JPM Emerging Markets Bond + Index, was up 0.64% for fiscal year 2006. The market environment for U.S. fixed income was volatile as the yield curve flattened and inverted during the latter part of the fiscal year. The broad fixed income markets returned slightly negative results, as measured by the Lehman Brother Aggregate which fell 0.8% for the fiscal year, while interest rates continued to rise across the board. Investors sought returns in the high yield and emerging market debt sectors, the fiscal year's strongest performers within the fixed income market.

Along with the overall economy, the private equity market has continued to perform well in fiscal 2006 fueled by improved business performance in most industries, robust debt markets and low interest rates. On the venture capital side, Sarbanes Oxley compliance has raised the bar for companies trying to complete initial public offerings and has resulted in a slowing of venture-backed companies going to the public equity market. The Private Investment Fund earned 11.74%, underperforming its benchmark by 1,426 basis points.

The Real Estate Fund underperformed its benchmark of 20.19% by 1,310 basis points with a return of 7.09%. Most of the underperformance (675 basis points) can be attributed to a significant write down of a 1998 investment due to operational issues. The Real Estate Fund is well diversified by long-term risk/return objectives while adhering to established investment guidelines.

The overall return of the CRPTF is measured against the 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 Fund benchmark; 5% CT Real Estate Fund; 11% CT Private Equity/Venture Economics All Private Equity Index; and 1% Donoghue Money Fund Average. 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 Fund benchmark consists of 73% Lehman Brothers Aggregate Index, 17% S&P/Citigroup High Yield Market Index, and 10% JPM Emerging Markets Bond + Index.

Investment return calculations are prepared using a time weighted rate of return based on industry standards.

### **2006 Management Initiatives**

The Connecticut Horizon Fund was funded in August 2005, with mandates for four fund-of-fund managers to invest portions of the MEF, ISF and MFIF. The four fund-of-funds managers in turn hired sub-managers, minority- and/or women-owned, Connecticut-based and/or emerging firms who would normally not be of a sufficient scale to manage funds directly for the CRPTF. Future expansion of the Connecticut Horizon Fund is planned for the real estate and private equity asset classes.

Progress continued in the implementation of the Real Estate Fund's long term strategic plan to bring this asset class to its target allocation of 5% and build the core segment of the portfolio. Two commitments totaling \$105 million were issued in the core space. In addition, CRPTF committed \$70 million to two value added funds and \$150 million to two opportunistic funds. CRPTF continues to actively liquidate assets when appropriate, generating \$55.7 million of realized gains for the Fund during the fiscal year.

During fiscal 2006, a pacing study was completed for the PIF which projected future cash flows and commitments to private equity. This study will be updated annually and will serve as the base for building this fund to its target asset allocation of 11%. Also during fiscal 2006, \$330 million of commitments were made to 4 funds, including 2 new managers.

Staff of the Treasury has undertaken several actions in furtherance of the implementation of Public Act 06-51, *An Act Concerning Divestment of State Funds Invested in Companies Doing Business in Sudan*. To date, the Treasurer has not divested the shares of any company which conducts business in Sudan. The Treasury has continuously engaged companies by way of writing letters, telephone follow-up and, in some cases, face-to-face meetings with representatives from companies in which CRPTF holds shares. Staff regularly monitors news accounts and Sudan divestment related web sites for information on the current situation in Sudan and the activities of companies that are doing business in Sudan. An informal working group of public pension funds communicates periodically to discuss developments on the international, national and state level, and to coordinate engagement activity with respect to companies doing business in Sudan. CRPTF staff has also engaged numerous companies, alone or in concert with other public funds, to gather information on the companies' activities in Sudan.

### 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 investment 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.

This year the CRPTF engaged with over 27 companies – ranging from writing letters, to filing shareholder resolutions, appearing at annual meetings, holding discussions with management, and meeting with member of the board of directors. The Treasury also worked together with numerous other investors representing public pension funds, labor funds, socially responsible investors and faith based investors. CRPTF filed and co-filed a total of 12 shareholder resolutions this proxy season on critical corporate governance issues.

One of the Corporate Governance / Proxy Voting program's more noteworthy successes during the year was a settlement with Pfizer Corporation on behalf of a shareholder resolution filed by the CRPTF requesting broadening disclosure of Executive Compensation related to the salary and retirement benefits for key executives. The company agreed to comply with the series of detailed disclosures sought by Connecticut.

The CRPTF also withheld votes for election of a number of directors based on the executive compensation practices of the company. Treasurer Nappier also wrote follow up letters to these directors asking them to respond to her on their oversight of Executive Compensation. The Securities and Exchange Commission (SEC) proposed and then adopted new disclosure rules for executive compensation effective for the 2007 proxy season. The Treasurer wrote to the SEC commenting on the proposal. The Treasurer also wrote an open letter to the chairs of all compensation committees urging them to prepare for the new disclosure rules.

Other successes include, a majority vote for the fourth year in a row at Stanley Works on a resolution requesting annual election of all directors. Three companies agree to address board diversity in response to resolutions co-filed by the CRPTF. In response to a shareholder resolution co-filed by the CRPTF, and subsequent dialogue in which the CRPTF participated, Chubb is building consideration of climate change into its business strategy. The CRPTF also participated in numerous initiatives with many companies and other investors on climate change – including the Treasurer co-chairing a workshop for the Connecticut insurance industry in Hartford in October 2005. Copies of the Connecticut pension fund's proxy voting policies and a report of proxy votes cast are available for review and downloading at the State Treasurer's web site: <http://www.state.ct.us/ott/proxyvoting.htm>

### Asset Recovery and Loss Prevention

Asset recovery and loss prevention form the cornerstone of Treasurer Nappier's Legal Unit. Careful contract negotiation, coupled with implementation of best practice contract language, lends clarity to the obligations of the Office of the Treasurer and of the vendors of the Office. The Office maintains contact with other similar governmental offices, shares ideas for enhancement of contract language, frequently offering advice to counterparts in other states. The Office of the Treasurer aggressively pursues all opportunities to recover assets lost due to the misfeasance or malfeasance of others.

The Office of the Treasurer continues to consider making application to serve as lead plaintiff in class action litigation, encourages other institutional investor lead plaintiffs to aggressively negotiate reasonable legal fees.

### ***Class Action Securities Litigation***

The CRPTF recovered \$1,829,940.98 million from class action settlements in this fiscal year and closely monitors opportunities to recover lost assets through participation in class action litigation.

The Office of the Treasurer, as the trustee for the CRPTF, serves as Lead Plaintiff in two national class action lawsuits, which allege corporate misconduct and malfeasance of certain corporate insiders by JDS Uniphase and Redback Networks. The JDS Uniphase case has been vigorously prosecuted. The matter is scheduled for trial in October 2007.

### ***Other Litigation***

The CRPTF recovered \$185,334.06 from individual litigation in this fiscal year.

The litigation involving Keystone Venture V.L.P. (the "Partnership") concluded favorably for the CRPTF. The limited partners have taken the steps necessary to wind down the partnership. As previously reported, the Office of the Treasurer and four (4) other limited partner plaintiffs filed a derivative action against the Philadelphia-based law firm Ballard Spahr Andrews & Ingersoll LLP, alleging legal malpractice in the advice given to the Partnership. The parties participated in settlement talks and submitted the negotiated settlement terms to the Court of Common Pleas for approval. Following appellate litigation, the Court of Common Pleas approved the settlement terms on the 12<sup>th</sup> of September 2005. Certain of the settlement proceeds were distributed in September 2005. Prior to the ruling of the Commonwealth Court, the plaintiffs learned that the defendant, Ballard Spahr, had withheld material information from the settlement negotiations. The Office of the Treasurer was instrumental in negotiating an additional \$1 million payment from the law firm. The amount recovered as a result of the pursuit of the law firm is nearly 2.5 times the proceeds received from the liquidation of partnership assets. The limited partners have referred this matter to the Securities and Exchange Commission and the Department of Justice for further action. The limited partners have requested that any disgorged assets obtained by these federal agencies be turned over to the investors. Under Pennsylvania law, the partnership must remain open for a period of two years. Final distribution of assets is scheduled for December 2008.

### ***Corporate Governance***

NewsCorp: During the fall of 2004, News Corporation, an Australian company began a process to re-incorporate from Australia to the United States. In order to complete this desired transfer, the Australian company required approval from its shareholders. A large group of institutional shareholders, mostly foreign, raised concerns about the company's poison pill. In order to induce the approval of these shareholders and others concerned about the poison pill, including the CRPTF, the board of directors promised shareholders that the board would neither extend the existing poison pill language nor adopt a new poison pill without seeking shareholder approval. After the board gave this promise, the shareholders approved the re-incorporation.

In August 2005, the NewsCorp board of directors extended the poison pill without obtaining shareholder approval. The CRPTF was the sole US-based plaintiff to sign on to the litigation against NewsCorp. In December 2005, NewsCorp settled the litigation. The most important element of the settlement included a binding obligation by NewsCorp to seek shareholder approval of all poison pill language into the future.

UnitedHealth Group: Beginning at least 1995, the UnitedHealth Group ("UHG") CEO, Dr. William C. McGuire, MD ("Dr. McGuire"), and other very senior UHG executives manipulated UHG's shareholder approved stock option plans such that they are dictating their own compensation without the required oversight or review from the UHG Board of Directors and its Compensation Committee. The terms of the shareholder approved stock option plan provides that the plan be "administered" by a committee of independent, non-employee directors – the Compensation Committee. The Board of Directors and the Compensation Committee have breached their fiduciary duty to the company and its shareholders by abdicating their oversight and administrative roles and permitting Dr. McGuire and others to retroactively set their own strike prices for stock options. A study of twelve stock option grants for Dr. McGuire through mid 2002, established that annual option grants repeatedly were dated on the very day that UHG stock hit its low price for the year or in advance of sharp stock price increases.

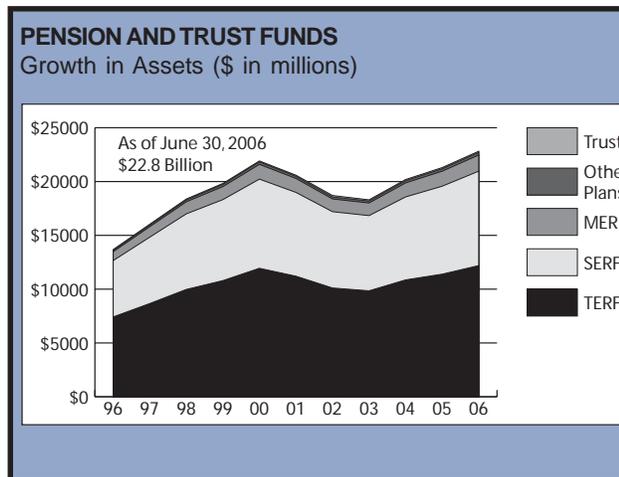
## CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Experts have stated that it is statistically impossible to have hit the most advantage strike date, for Dr. McGuire, in each and every year. This manipulation is enormous. Dr. McGuire alone has amassed more than \$1.6 billion in stock options since 1995. He has exercised approximately \$400 million of such options.

On the 11<sup>th</sup> of May, the Securities and Exchange Commission ("SEC") announced that there was a "significant deficiency" in how UHG has administered its stock options plans, which could force UHG to restate its financial results by cutting net income by as much as \$286 million over the last three years. Additionally, UHG may lose tax deductions taken on the improper option grants. Finally, the 2005 net earnings may be reduced by 4.5% or \$0.11 per share.

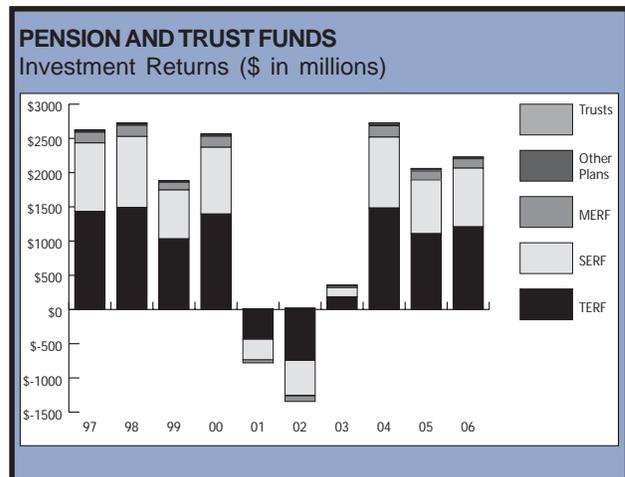
At the time that the Board and the Compensation Committees abdicated their roles, in breach of their fiduciary duties, the manipulation of the stock option plan was never disclosed to the shareholders. The CRPTF, with other institutional investors, filed derivative and class action law suits against UHG. The CRPTF was named co-lead plaintiff in this matter.

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

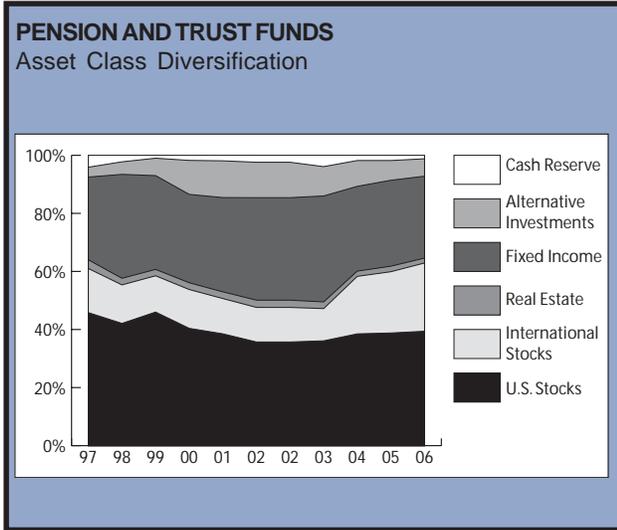


Figure 1-4

**PENSION AND TRUST FUNDS ASSET ALLOCATION**  
Actual vs. Policy at June 30, 2006

	Actual	Target	Lower Policy Range	Upper Policy Range
<b>U.S. EQUITY</b>	<b>39.4%</b>	<b>36.0%</b>	<b>29.0%</b>	<b>43.0%</b>
Mutual Equity Fund (MEF)	39.4%			
<b>INTERNATIONAL EQUITY</b>	<b>23.5%</b>	<b>18.0%</b>	<b>14.0%</b>	<b>22.0%</b>
International Stock Fund (ISF)	23.5%			
<b>REAL ESTATE</b>	<b>1.7%</b>	<b>5.0%</b>	<b>4.0%</b>	<b>6.0%</b>
Real Estate Fund (REF)	1.7%			
<b>FIXED INCOME</b>	<b>29.4%</b>	<b>30.0%</b>	<b>26.0%</b>	<b>34.0%</b>
Mutual Fixed Income Fund (MFIF)	28.1%			
Commercial Mortgage Fund (CMF)	0.1%			
Cash Reserve Account (CRA)	1.2%			
<b>PRIVATE EQUITY</b>	<b>6.0%</b>	<b>11.0%</b>	<b>6.0%</b>	<b>11.0%</b>
Private Investment Fund (PIF)	6.0%			
<b>TOTAL</b>	<b>100.0%</b>			

(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, 2006	June 30, 2005
MEF	8	6
ISF <sup>(1)</sup>	11	10
PIF	46	44
MFIF	13	11
CMF	1	1
REF	12	10
CRA	1	1
<b>Total<sup>(2)</sup></b>	<b>92</b>	<b>83</b>

(1) Does not include the two Currency Overlay Managers.  
(2) Actual total advisors was 86 and 79, respectively when factoring in advisors across multiple funds.

Figure 1-6

**PENSION AND TRUST FUNDS**  
Periods ending June 30, 2006

	1 YR	3 YRS	5 YRS	10 YRS
Compounded, Annual Total Return (%)				
<b>CRPTF</b>	<b>10.55</b>	<b>12.06</b>	<b>6.19</b>	<b>8.56</b>
CRPTF CMMI (Without Objective) Benchmark	10.01	12.06	5.70	8.12
CRPTF CMMI (With Objective) Benchmark	11.47	13.53	7.09	9.31
Cumulative Total Return (%)				
<b>CRPTF</b>	<b>10.55</b>	<b>40.71</b>	<b>34.99</b>	<b>127.33</b>
CRPTF CMMI (Without Objective) Benchmark	10.01	40.73	31.95	118.34
CRPTF CMMI (With Objective) Benchmark	11.47	46.34	40.88	143.66

Figure 1-7

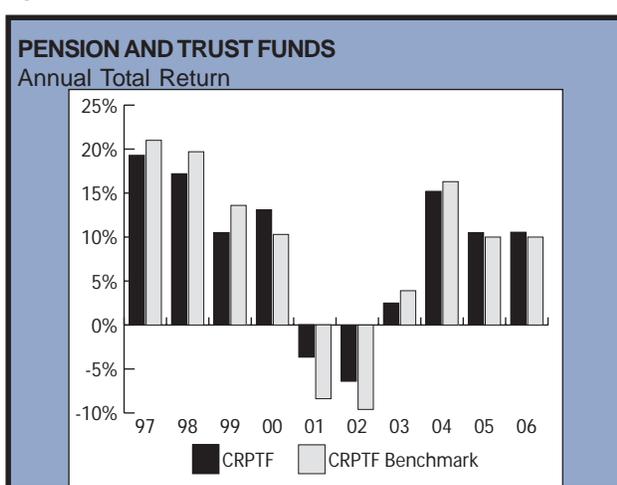
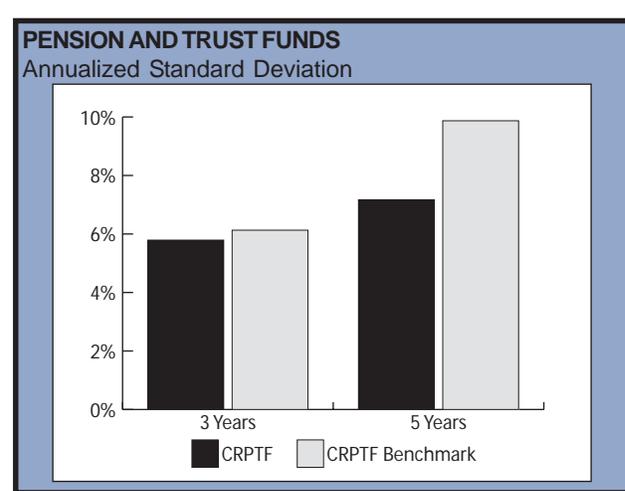


Figure 1-8



## CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

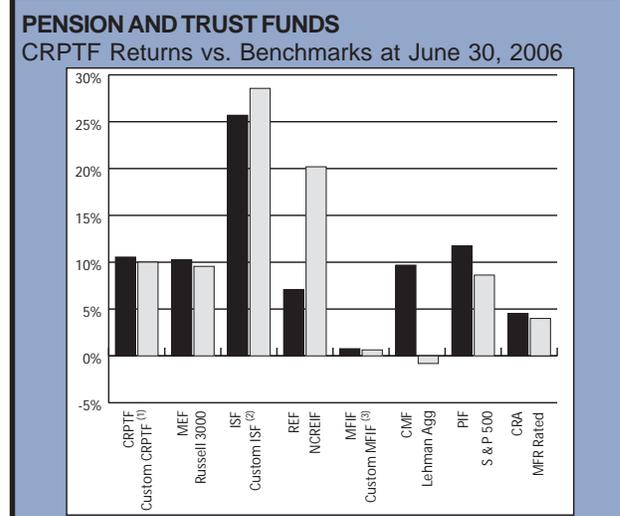
Figure 1-9

PENSION AND TRUST FUNDS					
TUCS Ranking for Periods ending June 30, 2006					
	1 YR	3 YRS	5 YRS	7 YRS	10 YRS
<i>Public Funds &gt;\$1 Billion</i>					
<i>Percentile Return</i>					
5th	15.35	15.69	8.77	8.31	10.29
25th	12.02	13.30	7.43	6.01	9.05
50th	10.72	12.24	6.57	5.44	8.42
75th	9.43	11.04	6.10	4.56	7.91
95th	2.88	5.54	4.58	4.12	7.20
<i>CT Pension and Trust Funds</i>					
Return <sup>1</sup>	10.86	12.33	6.38	5.88	8.80
Public Funds Ranking	42	44	59	31	31

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, 18% Int'l Stock Benchmark, 29% Mutual Fixed Income Benchmark, 5% Russell 3000 Real Estate Fund, 11% Russell 3000 Private Equity Fund, 1% MFR Rated Index.
- (2) International Stock Fund Benchmark: 83% SSB EPAC BMI 50% Hedged and 17% MSCI Emerging Market Free.
- (3) Mutual Fixed Income Benchmark: 73% Lehman Aggregate, 17% Salomon 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)	Fiscal Years Ending June 30,					Annualized		
	2006	2005	2004	2003	2002	3 Years	5 Years	10 Years
<i>(Investment performance is calculated using a time-weighted rate of return.)</i>								
<b>Total Fund (100.0%)</b>								
<b>Combined Investment Funds</b>	<b>10.55%</b>	<b>10.46%</b>	<b>15.23%</b>	<b>2.49%</b>	<b>(6.39)%</b>	<b>12.06%</b>	<b>6.19%</b>	<b>8.56%</b>
Connecticut Multiple Market Index (Without Objective)	10.01	10.02	16.27	3.88	(9.60)	12.06	5.70	8.12
Connecticut Multiple Market Index (With Objective)	11.47	11.46	17.79	5.26	(8.39)	13.53	7.09	9.31
<b>U.S. Stocks (39.3%)</b>								
<b>Mutual Equity Fund (39.3%)</b>	<b>10.27</b>	<b>8.06</b>	<b>20.84</b>	<b>0.48</b>	<b>(14.95)</b>	<b>12.93</b>	<b>4.24</b>	<b>9.40</b>
Russell 3000 Index	9.56	8.06	20.46	0.77	(17.24)	12.56	3.53	8.52
<b>International Stocks (23.4%)</b>								
<b>International Stock Fund (23.4%)</b>	<b>25.69</b>	<b>19.23</b>	<b>29.69</b>	<b>(6.39)</b>	<b>(9.00)</b>	<b>24.80</b>	<b>10.61</b>	<b>8.02</b>
International Stock Fund Hybrid Benchmark	28.56	18.88	29.79	(6.62)	(10.88)	25.65	10.54	7.50
<b>Equity Commercial Real Estate (1.8%)</b>								
<b>Real Estate Fund (1.8%)</b>	<b>7.09</b>	<b>27.74</b>	<b>0.67</b>	<b>3.30</b>	<b>0.81</b>	<b>11.26</b>	<b>7.46</b>	<b>10.59</b>
Russell NCREIF(1 Qtr. Lag)	20.19	15.55	9.71	7.13	6.40	15.07	11.67	12.23
<b>U.S. Fixed Income (28.1%)</b>								
<b>Mutual Fixed Income Fund (28.0%)</b>	<b>0.77</b>	<b>7.70</b>	<b>2.79</b>	<b>12.03</b>	<b>5.64</b>	<b>3.71</b>	<b>5.71</b>	<b>6.59</b>
Fixed Income Fund Hybrid Benchmark	0.64	8.82	2.44	15.53	5.04	3.91	6.36	6.84
<b>Commercial Mortgage Fund (0.1%)</b>	<b>9.69</b>	<b>6.95</b>	<b>7.87</b>	<b>20.62</b>	<b>1.19</b>	<b>8.16</b>	<b>9.08</b>	<b>9.78</b>
Lehman Aggregate Bond Index	(0.81)	6.80	0.32	10.41	8.63	2.05	4.97	6.22
<b>Alternative Assets (6.2%)</b>								
<b>Private Investment Fund (6.2%)</b>	<b>11.74</b>	<b>9.58</b>	<b>20.21</b>	<b>(11.94)</b>	<b>(10.81)</b>	<b>13.75</b>	<b>2.94</b>	<b>7.56</b>
S & P 500	8.63	6.32	19.11	0.26	(17.99)	11.22	2.49	8.32
Venture Economics All Private Equity (1 Qtr. Lag)	26.00	17.37	21.49	(14.67)	(14.45)	22.08	6.20	16.05
<b>Cash (1.2%)</b>								
<b>Cash Reserve Account (1.2%)</b>	<b>4.54</b>	<b>2.38</b>	<b>1.30</b>	<b>1.80</b>	<b>3.03</b>	<b>2.73</b>	<b>2.60</b>	<b>4.22</b>
MFR First Tier Rated Inst. (Formally IBC Rated)	4.00	1.91	0.73	1.21	2.22	2.20	2.01	3.70

# 2006 cash reserve account

## Fund Facts at June 30, 2006

**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:** \$1,383,592,932

**Number of Advisors:** 1 external

**Management Fees:** \$271,123

**Operating Expenses:** \$156,502

**Expense Ratio:** 0.03%

## Performance Summary

For the fiscal year ended June 30, 2006, the Cash Reserve Account (CRA) generated a return of 4.54%, outperforming the benchmark MFR Index return of 4.00% by 54 basis points. The fund outperformed the Citigroup 90 day Treasury Bill Index of 3.95% by 59 basis points for the period.

The fund's compounded annual total return for the trailing three, five and ten year periods as of June 30, 2006, were 2.73%, 2.60% and 4.22% respectively, net of all expenses. These returns exceed those of the fund's benchmark for the time periods listed by 53, 59 and 52 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 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 its overnight liquidity.

## Economic Review

The period began with the Fed Funds target at 3.25% after nine consecutive 25 basis point rate hikes dating back to June 2004. During the fiscal year, the target rate was raised an additional 2.0% over 8 consecutive meetings to finish the period at 5.25%, some 425 basis points higher over the 2 year period. Inflation was a major concern as elevated energy costs were prevalent throughout the fiscal year. Despite the rise in energy costs, core inflation data remained relatively contained yet high enough to keep the FOMC on its rate hike campaign. The year-over-year Core CPI averaged 2.2% over the period, with more elevated prints from May onward. Payroll growth was robust yet unspectacular during the period. New nonfarm jobs averaged 156,000 per month during the period with the strongest monthly gain 354,000 (November 2005) and the weakest just 37,000 (October 2005). The unemployment rate fluctuated in a tight range between 4.6% - 5.0% producing an average of 4.8%. Average Hourly Earnings growth averaged 3.3% annualized during the period.

## Portfolio Characteristics & Strategy

The portfolio performed well during the fiscal year outperforming its benchmark by 54 basis points. Fed policy was obviously an important driver of portfolio strategy throughout the year. With the Fed raising rates at each meeting by 25 basis points, a strategy of investing a portion of the portfolio from meeting date to meeting date was deployed in order to take advantage more quickly of the new, higher target rates throughout the period. This type of strategy made sense in an environment where future Fed action was for the most part, telegraphed by the central bank. Due to the interest rate environment, weighted average days to maturity were kept in a range from 42 days to 64 days for the majority of the fiscal year. Despite the transparency of the Fed (or perhaps because of it) the money market curve was only priced for 1 or 2 more hikes throughout the period. During the period, the spread from 1 month to 12 month LIBOR averaged 48 basis points, or almost two full 25 basis point hikes. With so little spread at times priced into the curve, it was important to have an accurate Fed funds forecast when investing in fixed rate paper beyond 1-2 months in maturity. Credit spreads on Corporate bonds and Asset Backed Securities remained very narrow for the entire period. This was particularly true for highly rated, floating rate securities due to strong credit fundamentals, the interest rate environment and the shape of the yield curve. With 3 month LIBOR yielding more than longer dated Treasury benchmark securities for much of the period, many non traditional floater buyers were competing for this paper due to its yield advantage and relative safety. Floating rate bonds remained 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 on average about 55% of portfolio assets during the period. Floating rate securities in the fund were comprised of high quality corporate and CD floaters and also AAA rated floating rate Asset Backed Securities.

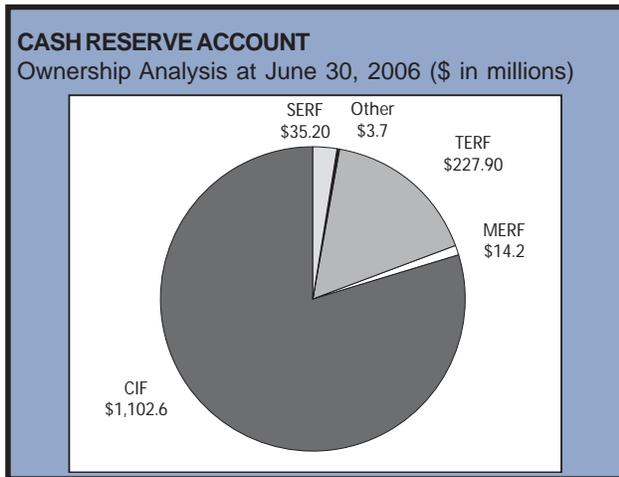
## Risk Profile

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 0.10 suggests comparatively low overall volatility, while its beta of 0.76 indicates a high overall correlation to returns achieved by the Index. In the aggregate, CRA achieved a positive alpha, or return in excess of that predicted by returns of its benchmark of 0.59.

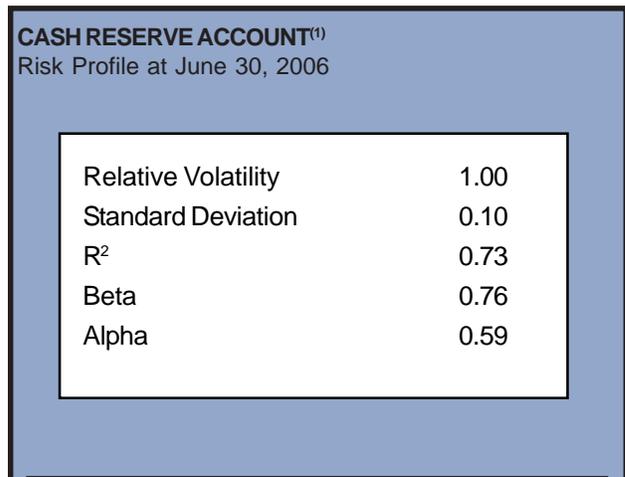
**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

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



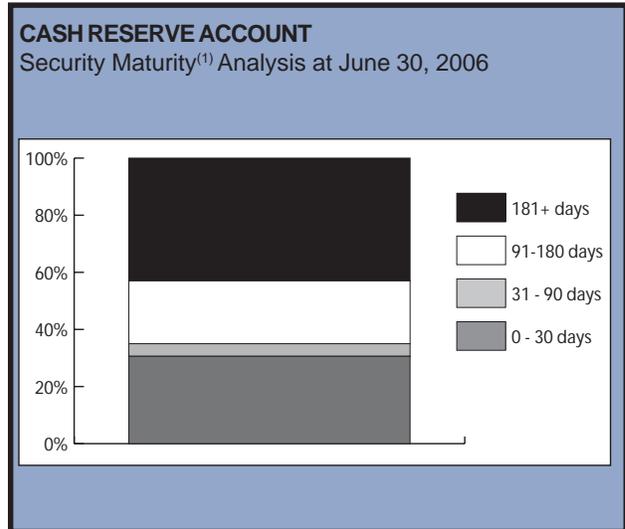
(1) Based upon returns over the last five years.

Figure 2-3

**CASH RESERVE ACCOUNT**  
Quarterly Weighted Average Maturity

Quarter End	CRA	MFR Index
06/30/2006	<b>54 days</b>	39 days
03/31/2006	<b>64 days</b>	39 days
12/31/2005	<b>42 days</b>	38 days
09/30/2005	<b>45 days</b>	38 days
06/30/2005	<b>44 days</b>	37 days

Figure 2-4



(1) Or Interest Rate Reset Period.

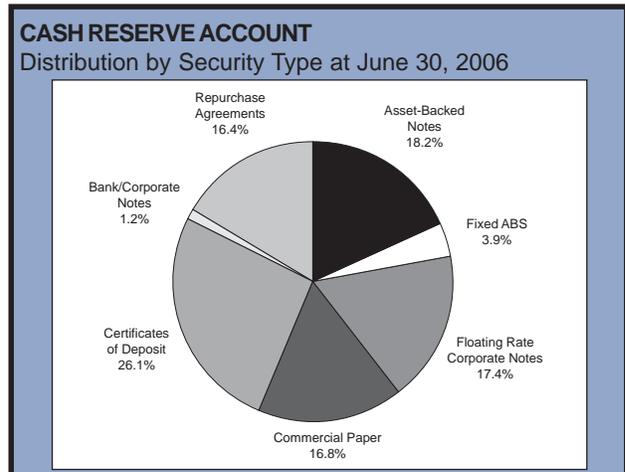
Figure 2-5

**CASH RESERVE ACCOUNT**  
Distribution by Yield <sup>(1)</sup> at June 30, 2005

Yield	Percentage
4.26% - 4.50%	1.1%
4.51% - 4.75%	0.0%
4.76% - 5.00%	14.7%
5.01% - 5.25%	37.6%
5.26% - 5.50%	41.6%
5.51% - 5.75%	5.0%
<b>TOTAL</b>	<b>100.0%</b>

(1) Represents yield to reset if floating and yield to maturity if fixed.

Figure 2-6



**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

Figure 2-7

<b>CASH RESERVE ACCOUNT</b> Comprehensive Profile				
Date	Number of Issues	Yield <sup>(1)</sup>	Average Maturity	Average Quality
2006	69	4.54%	54 days	A-1+/AA+
2005	100	2.38%	44 days	A-1+/AA+
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+

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

Figure 2-8

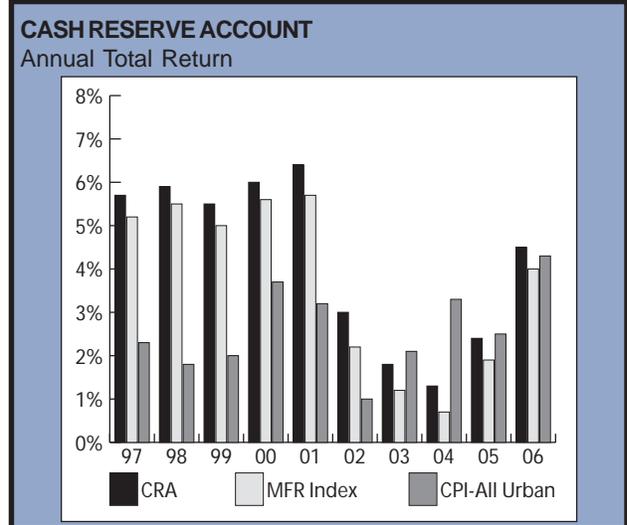
<b>CASH RESERVE ACCOUNT</b> Quarterly Yield <sup>(1)</sup> Analysis		
Quarter End	CRA	MFR Index
06/30/2006	5.16%	4.78%
03/31/2006	4.91%	4.41%
12/31/2005	4.53%	4.03%
09/30/2005	3.78%	3.29%
06/30/2005	3.12%	2.76%

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

Figure 2-9

<b>CASH RESERVE ACCOUNT</b> Periods ending June 30, 2006				
	1 YR	3 YRS	5 YRS	10 YRS
<b>Compounded, Annual Total Return (%)</b>				
CRA	4.54	2.73	2.60	4.22
MFR Index	4.00	2.20	2.01	3.70
CPI-Urban	4.32	3.37	2.65	2.62
CitiGroup 90-Day CD	4.33	2.57	2.37	4.07
CitiGroup 90-Day T-Bill	3.95	2.31	2.16	3.68
<b>Cumulative Total Return (%)</b>				
CRA	4.54	8.42	13.71	51.22
MFR Index	4.00	6.75	10.47	43.77
CPI-Urban	4.32	10.45	13.99	29.49
CitiGroup 90-Day CD	4.33	7.90	12.44	49.09
CitiGroup 90-Day T-Bill	3.95	7.08	11.26	43.55

Figure 2-10



# 2006 mutual equity fund

## Fund Facts at June 30, 2006

**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 that 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:** \$8,982,365,852

**Number of Advisors:** 8 external

**Management Fees:** \$25,959,765

**Operating Expenses:** \$1,414,123

**Expense Ratio:** 0.32%

**Turnover:** 35.3%

## Performance Summary

For the fiscal year ended June 30, 2006, the Mutual Equity Fund (MEF) generated a positive return of 10.27%, net of fees, which outperformed the Russell 3000 Index return of 9.56% by 71 basis points. Strong stock selection was the main contributor to performance over the fiscal year. During this same period, MEF's net assets grew from \$8.275 billion to \$8.982 billion, an increase of \$707 million. Of this net total change, \$850 million was due to realized and unrealized capital gains and net investment income. Partially offsetting this amount is \$143 million in net cash outflows to participating pension plans and trusts as well as administrative expenses.

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 illustrates, MEF has generated annualized total returns, net of fees, of 12.93%, 4.24%, and 9.40% over the last three, five, and ten-year periods, respectively. The Fund returns outperformed the Russell 3000 for the three, five, and ten-years periods by 37, 71, and 88 basis points, respectively.

The MEF's cumulative total returns for the three, five, and ten year periods ending June 30, 2006, were 44.01%, 23.07%, and 145.47%, 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's 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 of the largest 3,000 publicly traded U.S. companies.

At the close of the fiscal year, MEF consisted of eight externally managed equity portfolios structured to approximate the composition of the Russell 3000 Index. Two advisors actively managed approximately 9% of the portfolio in small to mid-capitalization stocks. One advisor invested approximately 10% of the portfolio in small to mid-capitalization stocks using a risk controlled strategy. Two advisors in large capitalization stocks (of which 44% was invested using enhanced indexing strategies and 34% was invested using a passive strategy) managed approximately 78% of the portfolio. Three Connecticut Horizon Fund advisors cumulatively managed approximately 3.5% of the portfolio (1.2% in small to mid-capitalization stocks and 2.3% in all capitalization stocks). At fiscal year end, approximately \$7.9 billion, or 88%, of the Fund's net assets were invested in indexed or enhanced index and risk controlled portfolios.

## CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

### Portfolio Characteristics

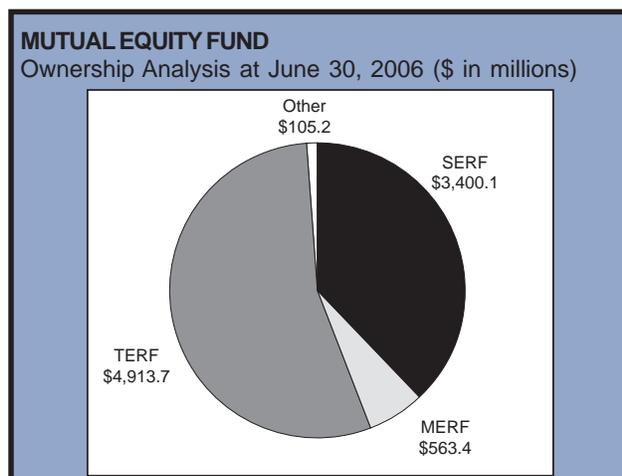
At fiscal year-end, MEF was 99.1% invested in domestic stocks, reflecting the Fund's policy that it be fully invested. The largest industry weightings at June 30, 2006 were financials (20.6%), followed by information technology (17.8%) and health care (12.8%). (See figure 3-3.)

The MEF's ten largest holdings, aggregating to 17.1% of Fund investments, included a variety of blue chip companies. (See figure 3-9.)

### Risk Profile

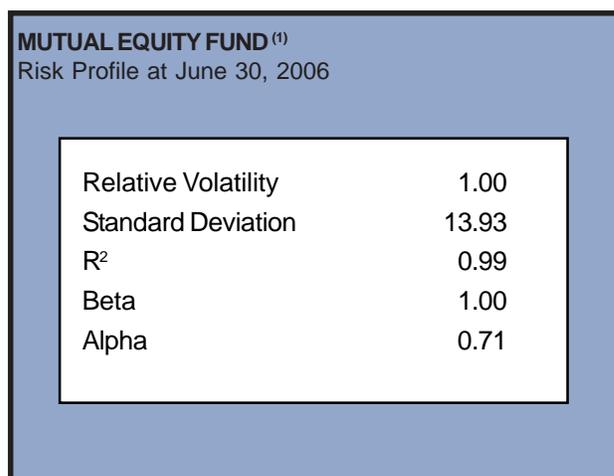
Based on returns over the last five years, the Fund has exhibited a similar degree of risk as that of its benchmark, the Russell 3000 Index. With a relative volatility of 1.00, the MEF's returns have almost equal volatility to those of the Index and reflect a strong degree of correlation, 0.99, to those 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 0.71%. (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 6/30/2006:	MEF		Russel 3000	
	% of Net Assets	Annual Return	% of Net Assets	Annual Return
Energy	9.3	27.6	8.3	22.7
Materials	3.6	36.8	3.6	23.7
Industrials	12.0	18.4	12.1	18.0
Consumer Discretionary	12.1	1.4	12.3	1.7
Consumer Staples	6.6	12.3	6.9	9.2
Health Care	12.8	1.2	12.8	0.2
Financials	20.6	12.1	21.6	12.7
Information Technology	17.8	6.5	15.9	3.8
Telecommunication Services	2.5	9.8	3.1	13.8
Utilities	2.7	6.7	3.4	6.1
	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	10.27	12.93	4.24	9.40
Russell 3000	9.56	12.56	3.53	8.52
Cumulative Total Return (%)				
MEF	10.27	44.01	23.07	145.47
Russell 3000	9.56	42.61	18.92	126.60

## CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 3-5

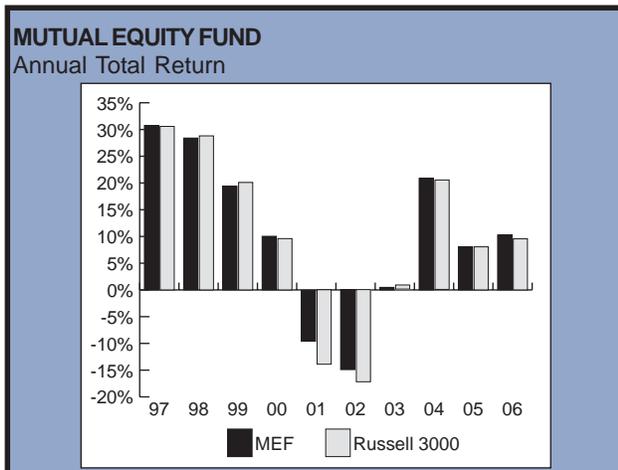


Figure 3-6

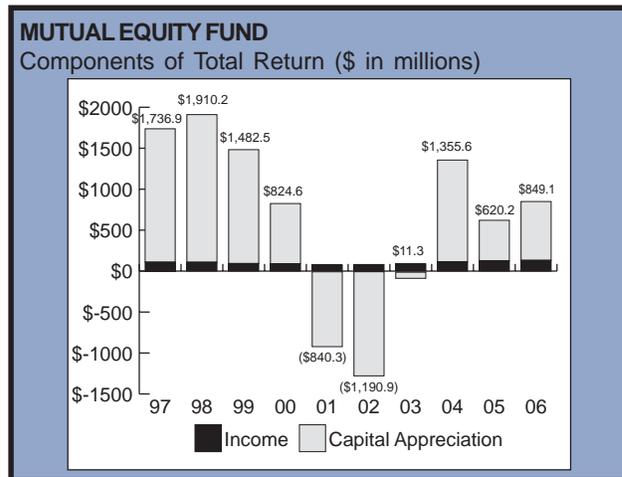


Figure 3-7

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

	2006		2005		2004		2003		2002	
	MEF	Russell								
# of Issues	2,033	3,000	1,719	3,000	2,114	3,000	2,119	3,000	2,274	3,000
Cap (\$ Bil)	\$67.9	\$69.3	\$69.0	\$70.7	\$70.0	\$74.6	\$65.1	\$71.7	\$66.8	\$70.2
P/E	17.0	18.2	19.1	20.5	22.0	22.5	23.2	23.9	29.3	30.4
Div Yield	1.70%	1.80%	1.60%	1.70%	1.50%	1.60%	1.50%	1.70%	1.50%	1.60%
ROE	19.3%	19.1%	17.4%	17.3%	16.7%	16.7%	16.0%	16.2%	15.5%	16.4%
P/B	3.5x	3.6x	3.6x	3.8x	3.9x	4.0x	3.9x	4.0x	4.2x	4.3x
Cash & Equiv.	1.0%	0.0%	3.1%	0.0%	0.8%	0.0%	1.1%	0.0%	1.2%	0.0%

Figure 3-8

**MUTUAL EQUITY FUND**  
Investment Advisors at June 30, 2006

Investment Advisor	Net Asset Value	% of Fund
Large Cap (Passive - Enhanced)		
BGI Barclays Global Investors, N.A.	\$3,946,901,194	43.94%
Large Cap (Passive - Indexed)		
State Street Global Advisors	3,032,481,420	33.76%
<b>All Cap (Active)</b>	<b>205,668,089</b>	<b>2.29%</b>
Capital Prospects	90,134,597	1.00%
FIS Group, Inc.	115,533,492	1.29%
<b>Small/Mid Cap (Passive - Enhanced)</b>	<b>900,814,732</b>	<b>10.03%</b>
AXA Rosenberg Investment Management	900,814,732	10.03%
<b>Small/Mid Cap (Active)</b>	<b>880,578,460</b>	<b>9.80%</b>
TCW Asset Management	560,601,652	6.24%
Brown Capital Management, Inc.	211,754,259	2.36%
Bivium	108,222,549	1.20%
<b>Other (1)</b>	<b>15,921,957</b>	<b>0.18%</b>
<b>TOTAL MEF</b>	<b>\$8,982,365,852</b>	<b>100.00%</b>

(1) Other represents moneys earmarked for distribution to participants, reinvestment, and expenses as well as terminated advisor balances, Currency Overlay Managers (Bank of New York and Bridgewater), CT Financial Development Fund, Keystone Venture V Partnerships and GarMark Partners II LP.

Figure 3-9

**MUTUAL EQUITY FUND**  
Ten Largest Holdings\* at June 30, 2006

Security Name	Sector	Market Value	%
Exxon Mobil Corp	Energy	\$198,331,912	2.21%
CitiGroup Inc	Financial	189,819,672	2.11%
General Electric	Technology	178,935,226	1.99%
Bank America Corp	Financial	169,256,829	1.89%
Microsoft	Technology	168,799,180	1.88%
Johnson & Johnson	Health Care	150,127,942	1.67%
JP Morgan Chase & Co	Financial	130,578,126	1.45%
Pfizer Inc	Health Care	122,449,491	1.36%
Cisco Systems Inc	Technology	114,722,872	1.28%
ConocoPhillips	Energy	110,188,302	1.23%
<b>Top Ten</b>		<b>\$1,533,209,552</b>	<b>17.07%</b>

\* A complete list of portfolio holdings is available from the Office of the Treasurer.

# 2006 mutual fixed income fund

## Fund Facts at June 30, 2006

**Investment Strategy/Goals:** To invest in a range of fixed income 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 75 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:** \$6,419,181,540

**Number of Advisors:** 13 external

**Management Fees:** \$7,355,194

**Operating Expenses:** \$663,360

**Expense Ratio:** 0.13%

**Turnover:** 309.8%

## Performance Summary

For the fiscal year ended June 30, 2006 the Mutual Fixed Income Fund (MFIF) generated a total return of 0.77% net of fees, outperforming the hybrid benchmark return of 0.64% by 13 basis points. Fiscal year outperformance was primarily attributable to active management, particularly from the MFIF's core, high yield, and emerging debt managers. Comparative returns from indexes comprising the benchmark include: The Lehman Brothers Aggregate Index -0.81%, the Citigroup High Yield Market Index 4.15% and JP Morgan Emerging Markets Bond Index 5.26% (JP EMBI+).

During the fiscal year, the Fund increased \$139 million, from \$6.280 billion to \$6.419 billion. Of this total, \$85 million was due to net cash inflows from participating Pension and Trust Funds and \$330 million of net investment income, offset by \$276 million from net realized and unrealized losses.

For the trailing three, five and ten-year periods, MFIF's compounded annual total returns were 3.71%, 5.71% and 6.59% respectively, net of fees. These returns are behind the benchmark by 20, 65, and 25 basis points respectively.

The cumulative total returns for the three, five, and ten-year periods ending June 30, 2006, were 11.55%, 32.02% and 89.29%, 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 U.S. 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 2006, the Office of the Treasurer continued to update investment contracts to reflect the legal and business requirements of the Office of the Treasurer and the State of Connecticut. Additionally, the Office has begun the process of reviewing the Fund's investment objectives to consider changes for the Investment Policy Statement.

At June 30, 2006, 13 advisors managed investments in the Fund. The Fund's investments were allocated to six advisors investing approximately 80% of the portfolio in core strategies, three advisors actively investing 13% of the portfolio in high yield strategies, two advisors actively investing 3% of the portfolio in inflation linked bonds, and two advisors actively investing 4% of the portfolio in emerging markets debt. (See figure 4-11.)

Since inception, the MFIF's objective has been to achieve 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 parallel 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.

### Portfolio Characteristics

MFIF continues to be well diversified across the spectrum of available fixed income securities. The Fund maintained a substantial concentration in corporate securities, comprising approximately 23.9% of the Fund's investment securities at fiscal year-end. The Fund also maintained a concentration in Treasury, Agency, Asset-backed and Mortgage backed securities of 23.4%, 21.3%, 13.4% and 2.8% respectively. 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 47.5% 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 4-4.)

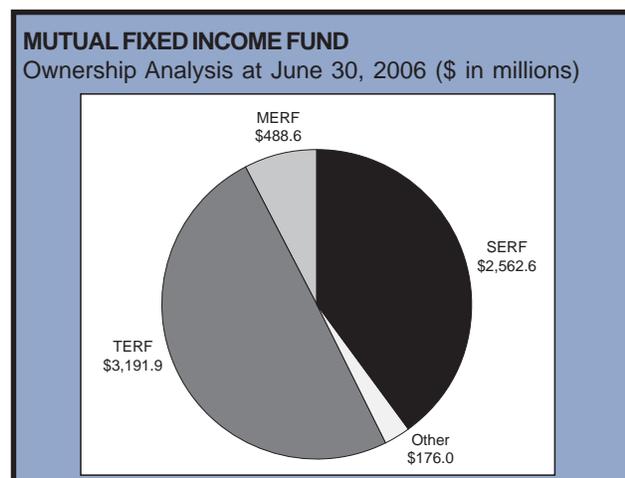
### Risk Profile

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. In general, 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, 2006, the Fund held a duration-neutral stance relative to the LB Aggregate Index of 4.7 years. While often viewed as an indicator of risk, duration can, if managed effectively, contribute significantly to total Fund returns. (See figure 4-3)

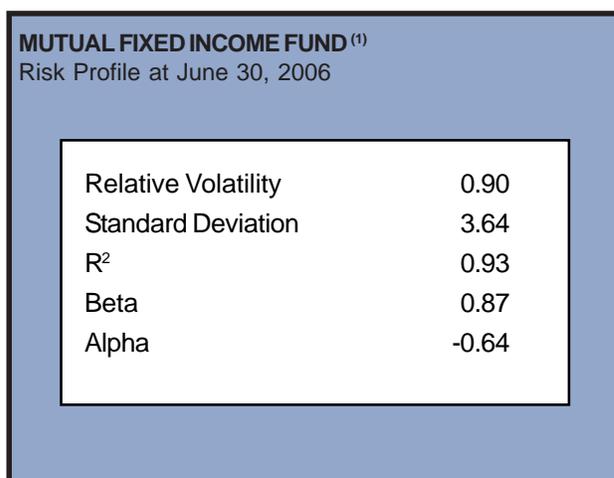
**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

Figure 4-1



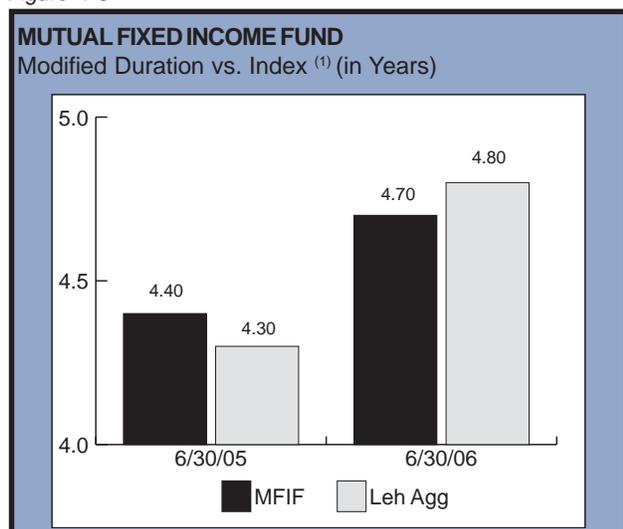
TERF - Teachers' Retirement Fund  
SERF - State Employees Retirement Fund  
MERF - Connecticut Municipal Employees' Retirement Fund

Figure 4-2



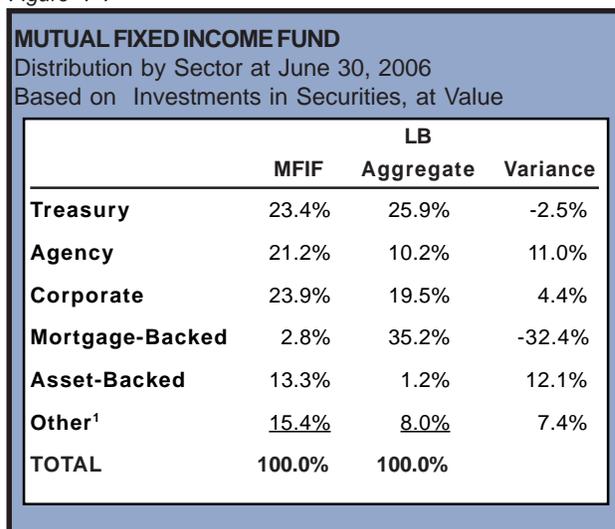
(1) Based upon returns over the last five years.

Figure 4-3



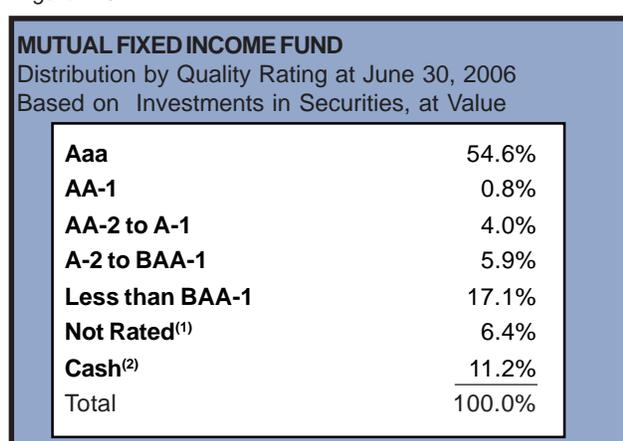
(1) Computed without the effect of Cash and other Net Assets.

Figure 4-4



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

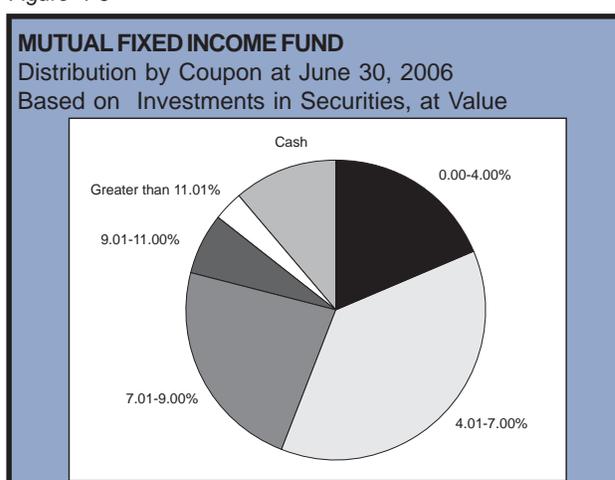
Figure 4-5



(1) Represents securities for which ratings are unavailable.

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

Figure 4-6



## CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 4-7

MUTUAL FIXED INCOME FUND	
Macauley Duration Distribution at June 30, 2006	
Based on Investments in Securities, at Value	
<b>0-3 Years</b>	27.2%
<b>3-5 Years</b>	25.7%
<b>5-7 Years</b>	14.4%
<b>7-10 Years</b>	10.6%
<b>10+ Years</b>	7.8%
<b>Unknown<sup>(1)</sup></b>	3.1%
<b>Cash<sup>(2)</sup></b>	<u>11.2%</u>
<b>Total</b>	<b>100.0%</b>

- (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 4-8

MUTUAL FIXED INCOME FUND		1 YR	3 YRS	5 YRS	10 YRS
Periods ending June 30, 2006					
<b>Compounded, Annual Total Return (%)</b>					
MFIF		0.77	3.71	5.71	6.59
MFIF Hybrid Benchmark		0.64	3.91	6.36	6.84
<b>Cumulative Total Return (%)</b>					
MFIF		0.77	11.55	32.02	89.29
MFIF Hybrid Benchmark		0.64	12.19	36.14	93.80

Figure 4-9

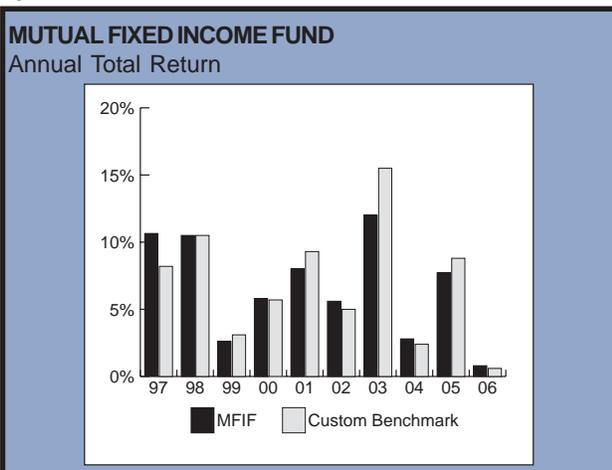


Figure 4-11

MUTUAL FIXED INCOME FUND		
Investment Advisors at June 30, 2006		
Investment Advisor	Net Asset Value	% of Fund
<b>Core</b>	<b>\$4,563,432,579</b>	<b>71.09%</b>
State Street Global Advisors	1,254,902,828	19.55%
BlackRock Financial Mgmt, Inc.	1,087,866,323	16.95%
Wellington	974,196,426	15.17%
Western Asset Management Co.	867,046,802	13.51%
Phoenix	298,419,041	4.65%
Progress	81,001,159	1.26%
<b>High Yield</b>	<b>\$56,271,008</b>	<b>13.34%</b>
Loomis Sayles & Co., Inc.	375,460,412	5.85%
W.R. Huff Asset Management	260,212,909	4.05%
Oaktree Capital Mgmt, L.L.C.	220,597,687	3.44%
<b>Emerging Market Debt</b>	<b>\$282,065,282</b>	<b>4.39%</b>
Ashmore	177,546,517	2.76%
Bridgewater	104,518,765	1.63%
<b>Inflation Linked Bonds</b>	<b>\$203,924,586</b>	<b>3.18%</b>
Brown Brothers Harriman	136,172,049	2.12%
Hartford Investment Mgmt Co.	67,752,537	1.06%
<b>Other <sup>(1)</sup></b>	<b>\$513,488,085</b>	<b>8.00%</b>
<b>TOTAL MFIF</b>	<b>\$6,419,181,540</b>	<b>100.00%</b>

- (1) Other represents moneys earmarked for distribution to participants, reinvestment, and expenses as well as terminated advisor balances, Currency Overlay Managers (Bank of New York and Bridgewater), CT Financial Development Fund, Keystone Venture V Partnerships and GarMark Partners II LP.

Figure 4-10

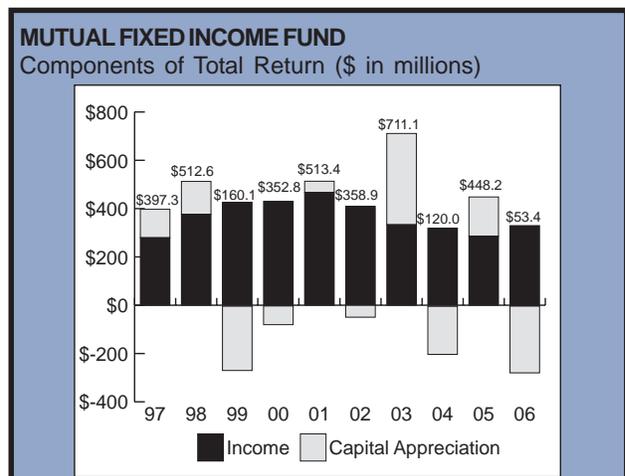


Figure 4-12

MUTUAL FIXED INCOME FUND			
Ten Largest Holdings* at June 30, 2006			
Security Name	Maturity	Market Value	%
FNMA TBA	12/01/2036	\$168,154,984	2.39%
U.S. Treasury Bonds	08/15/2023	86,835,794	1.23%
U.S. Treasury Notes	11/15/2015	83,462,210	1.18%
GNMA ITBA	12/01/2036	64,446,486	0.92%
U.S. Treasury Notes	05/31/2008	63,277,053	0.90%
U.S. Treasury Notes	09/30/2006	56,431,686	0.80%
U.S. Treasury Notes	04/15/2011	54,379,011	0.77%
FNMA TBA	12/01/2036	47,280,450	0.67%
FNMA TBA	12/01/2036	46,805,625	0.66%
U.S. Treasury Bonds	02/15/2021	40,889,063	0.58%
<b>Top Ten</b>		<b>\$711,962,362</b>	<b>10.10%</b>

\* A complete list of portfolio holdings is available from the Office of the Treasurer.

## CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 4-13

<b>MUTUAL FIXED INCOME FUND</b>										
Comprehensive Profile for the Fiscal Years ending June 30,										
	2006		2005		2004		2003		2002	
	MFIF	LB Agg								
Number of Issues	4,332	6,561	4,511	5,859	4,566	6,976	4,319	7,472	4,071	6,892
Average Coupon	5.30%	5.30%	5.60%	5.30%	5.90%	5.40%	6.20%	6.10%	6.60%	6.50%
Yield Maturity	6.10%	5.80%	5.00%	4.40%	5.20%	4.60%	4.50%	3.40%	6.50%	5.30%
Average Maturity	7.60	7.00	7.10	6.30	7.70	6.70	7.50	6.20	8.40	7.30
Modified Duration <sup>(2)</sup>	4.70	4.80	4.40	4.30	4.80	4.70	4.60	4.20	4.70	4.40
Average Quality	AA-2	AA-1	AA-3	AA-1	AA-2	AA-1	AA-3	AA-1	AA-3	AA-1
Cash <sup>(1)</sup>	11.2%	0.0%	10.5%	0.0%	12.0%	0.0%	12.8%	0.0%	10.9%	0.0%

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

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

Figure 4-14

<b>MUTUAL FIXED INCOME FUND</b>					
Quarterly Current Yield <sup>(1)</sup> vs. Indices (%)					
	6/30/06	3/31/06	12/31/05	9/30/05	6/30/05
<b>MFIF</b>	<b>4.97</b>	<b>4.80</b>	<b>4.76</b>	<b>4.73</b>	<b>4.68</b>
Leh Agg	5.37	5.25	5.13	5.08	4.98
Citigroup 3 Month T-Bill	5.04	4.62	4.07	3.56	3.13
Lehman Treasury	4.83	4.72	4.55	4.48	4.34
Lehman Agency	5.01	4.85	4.69	4.58	4.27
Lehman Mortgage	5.57	5.47	5.39	5.37	5.31
Lehman Corporate	5.99	5.86	5.71	5.69	5.51
Lehman Asset Backed	4.91	4.79	4.62	4.50	4.43

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

# 2006 international stock fund

## Fund Facts at June 30, 2006

**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 that 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:** \$5,357,275,185

**Number of Advisors:** 13 external

**Management Fees:** \$25,266,303

**Operating Expenses:** \$1,066,334

**Expense Ratio:** 0.53%

**Turnover:** 54.5%

## Performance Summary

For the fiscal year ended June 30, 2006, the International Stock Fund (ISF) generated a return of 25.69%, net of fees, which underperformed its hybrid benchmark index return of 28.56% by 287 basis points. The underperformance was largely attributable to the currency overlay program as the U.S. dollar weakened during the period, as well as weak performance by the one core and two small cap managers.

During fiscal year 2006, ISF net assets increased from \$4.489 billion to \$5.357 billion, an increase of \$868 million. This included realized and unrealized net capital gains of \$1.006 billion and net investment income of \$124 million partly offset by \$262 million due to net cash outflows to participating pension plans and trusts.

The Fund returned 24.80%, 10.61% and 8.02% for the three, five and ten year periods underperforming the benchmark return of 25.65% by 85 basis points for the three year period, while outperforming the benchmark returns of 10.54% and 7.50% for the five and ten year period by 7 and 52 basis points respectively. The cumulative returns for the Fund for the three, five and ten years were 94.37%, 65.56% and 116.24% respectively as illustrated in Figure 5-4 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 global economy. 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 2006, the Fund had thirteen external advisors, selected on the basis of expected future performance and investment style. One advisor managed two portfolios: an emerging markets and an active large cap value portfolio. (See figure 5-8.) Based on the Fund's holdings, as of June 30, 2006, approxi-

mately 49% of the portfolio was actively managed in core, growth, value and small cap, while 19% was actively managed within the emerging markets, 17% was actively managed within risk controlled and 16% 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 99.2% invested in international securities. Investments in Japan were the largest percentage of Fund assets, 19.4%. The United Kingdom accounted for 18.2% of investments followed by France at 7.6%. These geographic concentrations differed from those comprising the Hybrid index, reflecting the Fund's allocation to active management strategies. (See figure 5-7.)

The ISF was well diversified at year-end, holding more than 1,766 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 1.5% of investment securities, was the U.K.'s GlaxoSmithKline. In the aggregate, these ten holdings accounted for 11.4% of the Fund's investments at June 30, 2006. (See figure 5-9.)

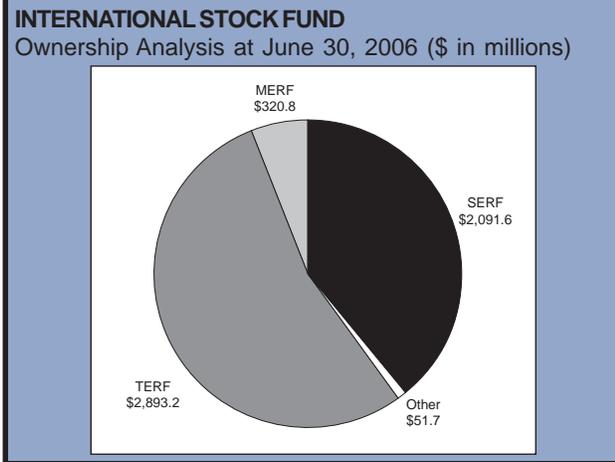
### Risk Profile

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 an acceptable reduction in the portfolio's currency risk profile 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 is not a part of the investment mandates 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, 2006 has been 1.01%, while its high R2 of 0.98 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 0.07%. (See Figure 5-2.)

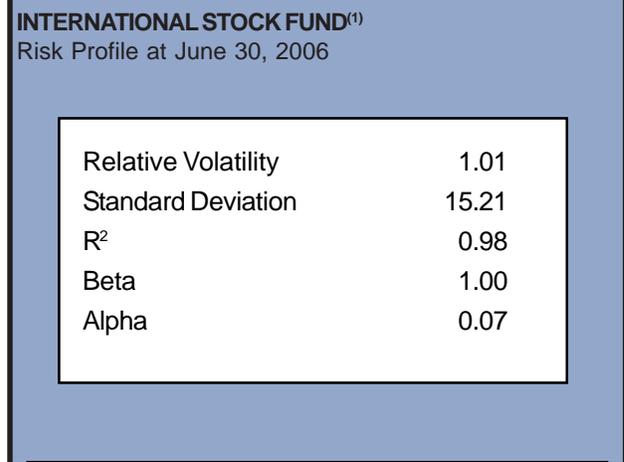
## CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

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

**INTERNATIONAL STOCK FUND**  
Comprehensive Profile at June 30, 2006

	ISF	ISF Hybrid Benchmark
Number of Issues	1,766	5,466
European Allocation (%)	50.6	53.0
Pacific Allocation (%)	26.2	26.9
Other (%)	23.2	20.1
Annual Total Return (%)	25.69	28.56

Figure 5-4

**INTERNATIONAL STOCK FUND**  
Periods ending June 30, 2006

	1 YR	3 YRS	5 YRS	10 YRS
<b>Compounded, Annual Total Return (%)</b>				
ISF	25.69	24.80	10.61	8.02
ISF Hybrid Benchmark	28.56	25.65	10.54	7.50
<b>Cumulative Total Return (%)</b>				
ISF	25.69	94.37	65.56	116.24
ISF Hybrid Benchmark	28.56	98.36	65.06	106.01

Figure 5-5

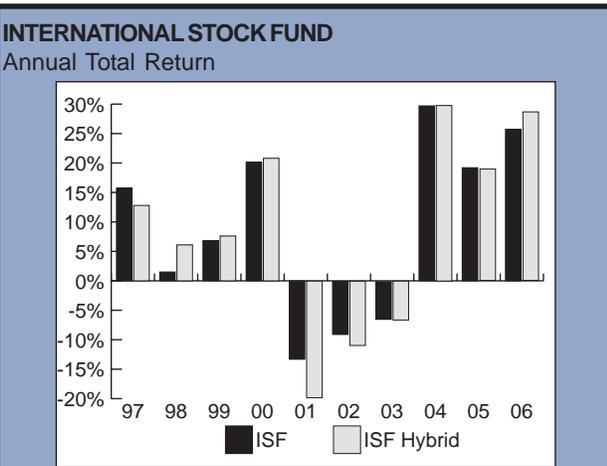
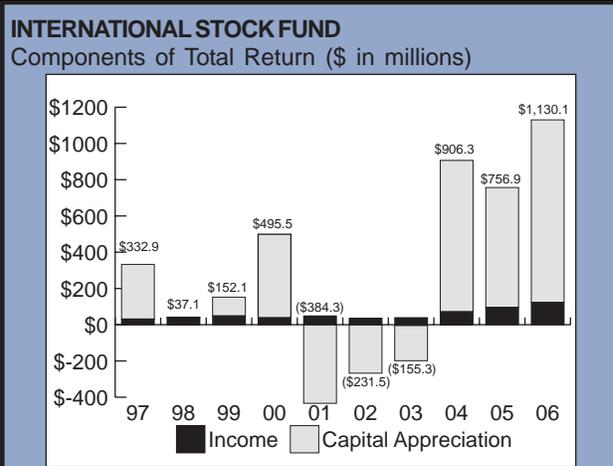


Figure 5-6



## CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 5-7

<b>INTERNATIONAL STOCK FUND</b>						
Diversification by Benchmark Country with Return (%) at June 30, 2006 <sup>(1)</sup>						
	ISF			ISF Hybrid Benchmark		
	% of Net Assets 6/30/05	% of Net Assets 6/30/06	Total Return	% of Net Assets 6/30/05	% of Net Assets 6/30/06	Total Return
Japan	19.4	20.2	35.1	17.8	20.3	33.5
United Kingdom	18.2	17.4	15.1	19.9	18.4	23.3
Germany	5.2	5.1	32.7	5.4	5.5	32.3
France	7.6	7.9	32.4	7.1	7.8	28.3
Italy	3.4	2.7	-0.5	3.5	3.3	23.1
Switzerland	5.2	5.6	26.6	5.2	5.2	29.9
Netherlands	4.9	3.7	21.8	3.9	2.7	25.9
Spain	2.8	1.9	-9.0	3.4	3.2	27.3
Hong Kong	2.8	2.1	-8.4	1.9	1.4	17.3
Sweden	1.6	1.3	19.2	1.9	2.0	32.2
Australia	3.2	2.7	7.9	4.5	4.3	22.6
Finland	1.6	1.7	33.9	1.2	1.1	27.3
Belgium	1.2	0.9	9.8	1.1	1.0	37.0
Singapore	1.0	0.9	27.7	0.8	0.8	20.1
Denmark	0.9	0.6	29.9	0.7	0.7	28.0
Ireland	0.8	0.4	-22.0	0.7	0.7	22.7
Norway	0.8	0.8	32.5	0.6	0.7	41.5
Malaysia	0.7	0.4	7.1	0.6	0.5	11.6
Austria	0.6	0.5	16.1	0.4	0.4	28.9
New Zealand	0.4	0.3	36.8	0.2	0.1	-0.5
Portugal	0.2	0.1	-34.6	0.3	0.3	34.4
Other	<u>17.5</u>	<u>22.8</u>		<u>18.9</u>	<u>19.6</u>	
<b>Total</b>	<b>100.0</b>	<b>100.0</b>		<b>100.0</b>	<b>100.0</b>	

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

Figure 5-8

<b>INTERNATIONAL STOCK FUND</b>		
Investment Advisors at June 30, 2006		
Investment Advisor	Net Asset Value	% of Fund
<b>Index</b>	<b>\$831,193,971</b>	<b>15.52%</b>
State Street Global Advisors (Passive)	831,193,971	15.52%
<b>Core</b>	<b>912,956,491</b>	<b>17.04%</b>
Invesco Global Asset Mgmt. (Active)	844,542,851	15.76%
Progress (Active)	68,413,640	1.28%
<b>Active-Growth</b>	<b>622,297,860</b>	<b>11.62%</b>
Clay Finlay, Inc. (Active)	404,415,305	7.55%
MFS Institutional Advisors, Inc. (Active)	217,882,555	4.07%
<b>Active-Value</b>	<b>551,521,019</b>	<b>10.29%</b>
Grantham, Mayo, Van Otterloo (Active)	551,521,019	10.29%
<b>Small Cap</b>	<b>553,726,107</b>	<b>10.34%</b>
Morgan Stanley Asset Management (Active)	271,313,592	5.07%
Schroder Investment Mgmt. (Active)	282,412,515	5.27%
<b>Emerging</b>	<b>1,012,666,732</b>	<b>18.90%</b>
Grantham, Mayo, Van Otterloo (Active)	514,297,679	9.60%
Emerging Markets Management (Active)	498,369,053	9.30%
<b>Risk Controlled</b>	<b>908,546,332</b>	<b>16.96%</b>
Merrill Lynch Investment (Active)	553,681,020	10.34%
Fidelity Management Trust Co. (Active)	354,865,312	6.62%
Other <sup>(1)</sup>	<u>(35,633,327)</u>	<u>-0.67%</u>
<b>SUBTOTAL ISF</b>	<b>\$5,357,275,185</b>	<b>100.00%</b>

(1) Other represents (i) cash earmarked for distribution to participants, (ii) reinvestment and expenses as well as terminated advisor balances, (iii) Currency Overlay Managers, and (iv) CT Financial Development Fund, Keystone Venture V Partnerships and a new unfunded commitment to GarMark Partners II LP.

Figure 5-9

<b>INTERNATIONAL STOCK FUND</b>				
Ten Largest Holdings* at June 30, 2006				
Security Name	Country	Market Value	%	
Glaxosmithkline				
ORD GBP .25	United Kingdom	\$81,850,948	1.52%	
Total SA Eur 10 Serie B	France	79,429,143	1.47%	
BP PLC Ord USD .25	United Kingdom	71,870,810	1.33%	
Samsung Electronic	Rep. of Korea	65,892,067	1.22%	
Nestle SA	Switzerland	56,926,354	1.06%	
Novartis AG				
CHF .50 Regd	Switzerland	56,160,946	1.04%	
Royal BK Scot GRP				
Ord GBP .25	United Kingdom	54,658,064	1.01%	
HSBC Holdings	United Kingdom	54,633,113	1.01%	
ING Groep NV CVA				
Euro .24	Netherlands	48,784,265	0.91%	
Roche Holdings				
AG NPV	Switzerland	46,904,523	0.87%	
<b>Top Ten</b>		<b>617,110,233</b>	<b>11.44%</b>	

\* A complete list of portfolio holdings is available from the Office of the Treasurer.

# 2006 real estate fund

## Fund Facts at June 30, 2006

**Investment Strategy/Goals:** (1) to provide diversification to the overall CRPTF investment program; (2) to preserve investment capital and generate attractive risk-adjusted rates of return; (3) to provide current income; and (4) to provide a hedge against inflation.

**Performance Objective:** An annual total return which is equal to or greater than CRPTF's actuarially determined assumed rate of return (currently 8.5%) and competitive with that of other asset classes in which CRPTF invests, on a risk adjusted basis.

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

**Date of Inception:** July 1, 1982

**Total Net Assets:** \$398,743,411

**Number of Advisors:** 10 external

**Management Fees** <sup>(1)</sup>: \$837,532

**Operating Expenses:** \$807,027

**Expense Ratio:** 0.41%

**Capitalized and Netted Fees:** \$4,679,296

*(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 ending June 30, 2006, the Real Estate Fund (REF) generated a total return of 7.09%, net of fees, which under performed the National Council of Real Estate Investment Fiduciaries Index (NCREIF) of 20.19% by 1,310 basis points. Most of the under-performance can be attributed to a Florida senior housing fund. This 1998 vintage year investment generated a total negative return of (\$26,232,000) in 2006. This fund is in its liquidation phase which should be completed by fiscal 2008. Excluding this fund, the REF posted an 18.1% total return or 209 basis points less than the NCREIF index.

During the fiscal year, the value of REF's portfolio decreased from \$400 million to \$399 million, due to the \$23.9 million generated by operations and net gains and \$81.5 million of new unit purchases offset by \$61.4 million of distributions to unit holders and \$44.7 million of redemptions.

For the trailing three, five and ten year periods, REF's compounded annual return was 11.26%, 7.46%, and 10.59%, respectively, net of all expenses (see figure 6-8). The REF returns underperformed the benchmark in the three, five and ten year periods by 381 basis points, 421 basis points and 164 basis points, respectively. The under performance is due primarily to over allocations to non-core property types such as senior housing, land development, condominium development and corporate stock. CRPTF is in the middle of a major portfolio restructuring with most new investments allocated to the core asset categories of office, retail, industrial, apartment and hotel, which are the major components of the NCREIF index.

## Description of the Fund

REF is an externally managed fund that invests in real estate, real estate related investments and mortgages. These 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.

REF is benchmarked against the NCREIF index. Its strategic objectives are: (1) to provide diversification to the overall CRPTF investment program; (2) to preserve investment capital and generate attractive risk-adjusted rates of return; (3) to provide current income; and (4) to provide a hedge against inflation. Its returns are expected to be equal to or greater than CRPTF's actuarially determined assumed rate of return (currently 8.5%) and competitive with that of other asset classes in which CRPTF invests, on a risk adjusted basis.

## Portfolio Activity

During the fiscal year, the State of Connecticut Retirement Plans and Trust Funds (CRPTF) continued to implement the REF investment plan. New investment opportunities were considered. Of these, a select group was identified and awarded with investment commitments totaling \$375 million. These new commit-

## CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

ments are in addition to the \$325 million in new commitments in 2005, indicating substantial progress towards the goal of building a \$1.1 billion real estate portfolio (5% of CRPTF). The largest core commitment was \$75 million to an open-end core account, which remains in legal due diligence. The other core investment was a \$30 million commitment to Capri Select Income II, L.P. a mezzanine debt fund expected to generate returns of 11% - 13% net of fees. The typical transaction for Capri Select is a 90% loan to value second mortgage at an 8% pay rate and a participation in net profits. Preferred property types are office, retail, apartment and industrial.

CRPTF also committed \$20 million to Rockwood Real Estate Partners Fund VI. CRPTF had previously committed \$40 million to Rockwood Real Estate Partners V. Rockwood is a value-added investor that rehabilitates older office, retail, industrial and apartment buildings. Targeted returns are 15% net of all fees.

The second value-added investment was a \$50 million commitment to New Boston Urban Strategy America Fund. This fund invests in development and repositioning strategies for urban properties in the Boston to Washington, D.C. corridor. Two-thirds of CRPTF's commitment will be targeted for investments in Connecticut. Returns are projected at 12.5% - 15% net.

CRPTF offset these lower risk funds with opportunistic funds that target higher returns. The largest commitment at \$100 million was to MacFarlane Urban Real Estate Fund II, L.P. The projected return for this fund is 16% - 18% net of fees derived from the development of major mixed use projects in New York City, Washington, D.C., Los Angeles and San Francisco. The Fund also committed \$50 million to Starwood Opportunity Fund VII, an international fund with expected returns of 20% net of fees.

The third opportunistic investment was to RLJ Lodging Fund II in the amount of \$50 million. This fund invested in a pre-specified portfolio of hotel assets located across the United States. Expected returns are 14% - 15% net of fees. CRPTF is also a \$25 million investor in the affiliated RLJ Urban Lodging Fund.

CRPTF continued to liquidate assets in the investment funds committed in the late 1990's. During the year CRPTF sold properties that generated realized gains of \$37.5 million. The capital markets remain strong for real estate assets which should benefit the continuing liquidation in fiscal 2007.

REF has unfunded outstanding commitments of \$648 million in 11 separate investments. During the year REF funded \$81.5 million in seven separate funds.

The U.S. economy continues to grow at a moderate pace. So long as GDP growth remains in the 3% range absorption and net income for commercial properties should continue to rise. New construction for most property types remains modest, and is expected to remain modest in 2007. Steady economic growth and modest new construction continues to attract capital to the real estate sector which in turn stabilizes property valuations.

The biggest negative to real estate investing has been the recent rise in long-term rates which has now abated. If rates remain in the current range, or reduce there should be a positive impact on property values. A return to rising rates, on the other hand, will put significant pressure on current valuations.

### Portfolio Characteristics

At June 30, 2006, the portfolio consisted of 14 externally managed portfolios/investments, with 11.9% invested in real estate separate accounts, 68.4% invested in commingled funds and 17.1% invested in cash. The Fund's ten largest holdings aggregated to 78.4% of the fund. (See figure 6-12.)

As currently structured 17.1% of the fund is cash, 16.1% hotel, 14.5% retail, 14.3% office and 8.8% apartment. (See figure 6-7.)

The portfolio is reasonably well diversified geographically with 19.0% in the West, 25.6% in the South, 25.8% in the East and 4.0% in the Midwest. 4.0% is invested internationally. (See figure 6-6.)

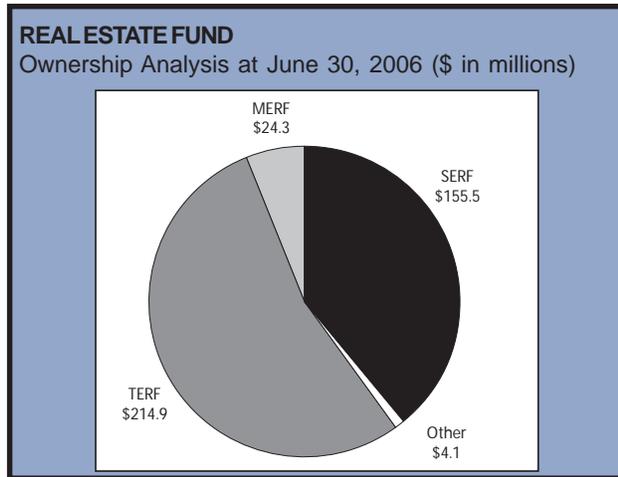
### Risk Profile

## CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Given REF's investment 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.

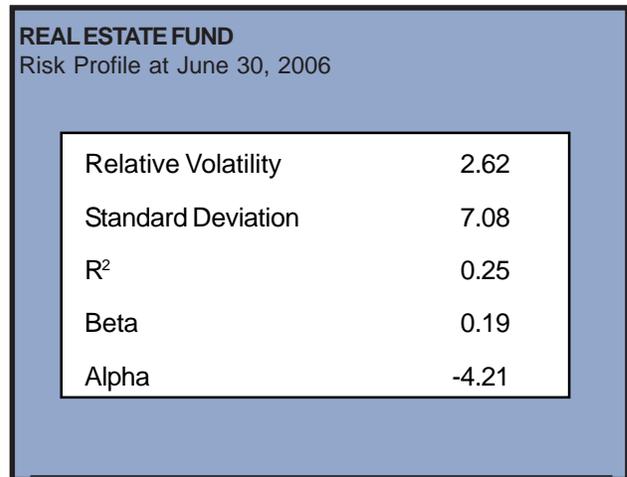
As shown below, based on returns over the last five years, the Fund has exhibited substantially more volatility than its benchmark. The Fund's statistics are consistent with its extraordinarily low R<sup>2</sup> of 0.25, signifying almost no correlation between Fund returns and those of the benchmark. Its beta of 0.19 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 4.21 over the five-year time period. As mentioned earlier, a major restructuring of the Fund is in process to more closely align the Fund with the benchmark. (See figure 6-2.)

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.

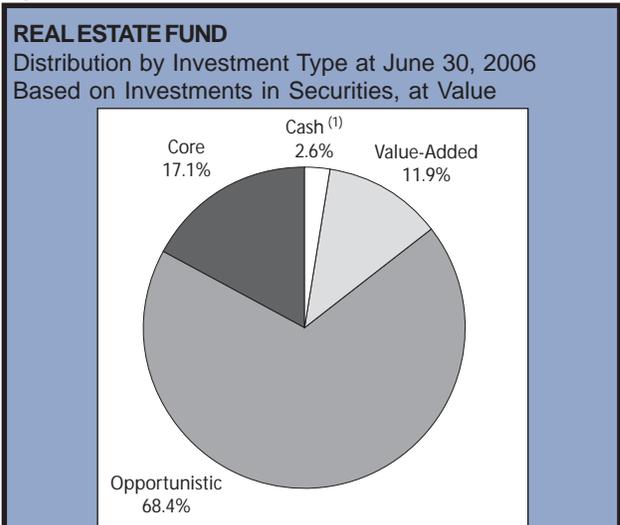
Figure 6-3

**REAL ESTATE FUND**  
Investments Analysis <sup>(1)</sup>

At	No. of REF Investments	REF Book Value	REF Market Value
6/30/2006	12	259,551,191	330,169,779
6/30/2005	11	304,926,401	394,855,227
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

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

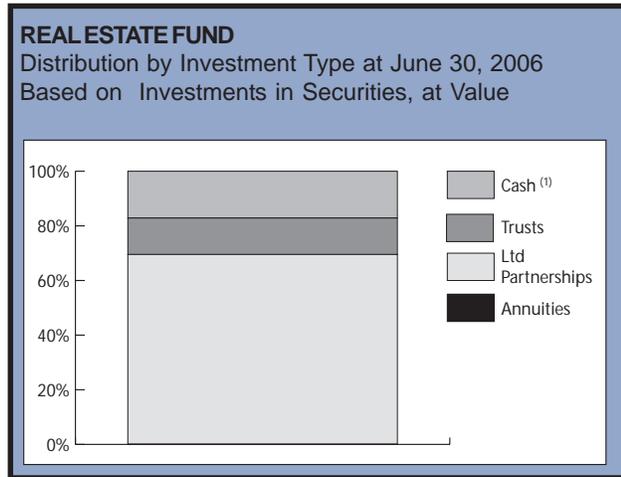
Figure 6-4



(1) Cash Reserve Account and other monetary assets.

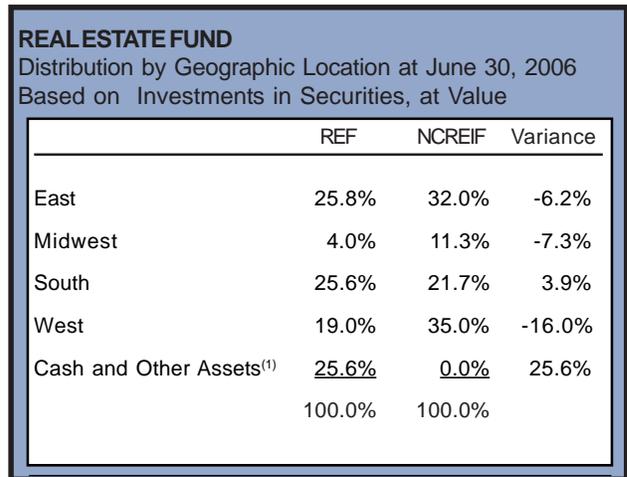
**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

Figure 6-5



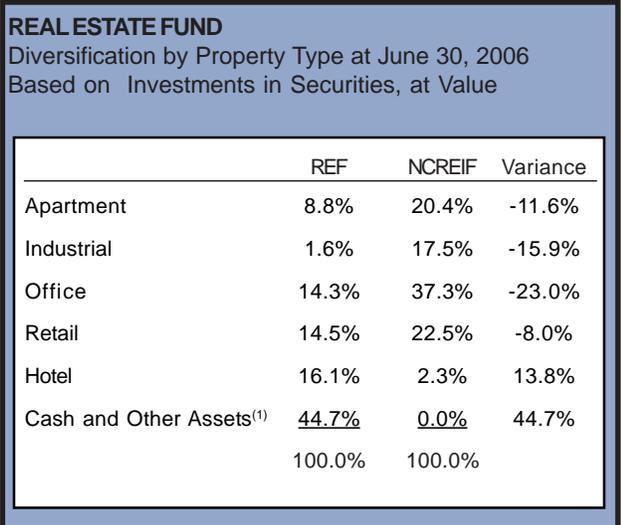
(1) Cash Reserve Account.

Figure 6-6



(1) Includes non-U.S. (4.3%) and cash and monetary assets (16.5%).

Figure 6-7



(1) Other includes senior living (18.0%), miscellaneous and mixed use (12.4%) and cash and other assets (16.5%).

Figure 6-8

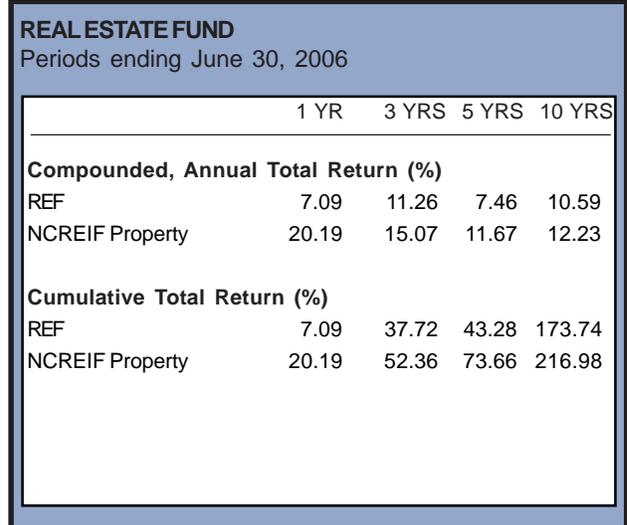


Figure 6-9

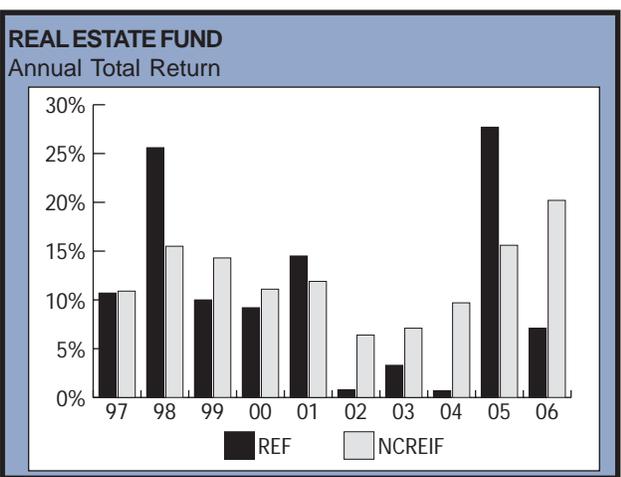
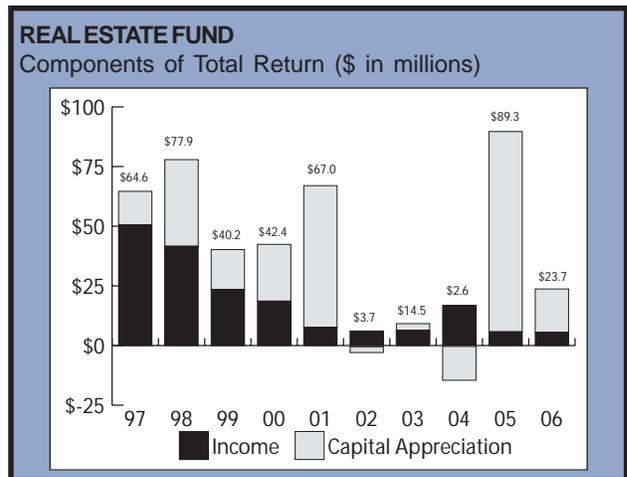


Figure 6-10



**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

Figure 6-11

<b>REAL ESTATE FUND</b>		
Investment Advisors at June 30, 2006		
<b>Investment Advisor</b>	<b>Net Asset Value</b>	<b>% of Fund</b>
AEW Capital Management	\$66,335,015	16.64%
Westport Senior Living	58,985,955	14.79%
Walton Street Real Estate	54,529,040	13.67%
Apollo Real Estate	50,877,314	12.76%
Rockwood Capital Fund V	36,344,749	9.11%
Rockwood Capital IV Limited Partnership	11,192,697	2.81%
Capri Select Income II LLC	7,612,991	1.91%
Starwood Opportunity Fund VII	9,536,386	2.39%
New Boston Fund	9,896,748	2.48%
RLJ Urban Lodging Fund	17,046,611	4.28%
Canyon Johnson Urban Fund II	7,574,216	1.90%
CIGNA Realty Investors	238,092	0.06%
<b>Other<sup>(1)</sup></b>	<b>68,573,597</b>	<b>17.20%</b>
<b>TOTAL REF</b>	<b>\$398,743,411</b>	<b>100.00%</b>

(1) Other represents moneys earmarked for distribution to participants, reinvestment, and expenses as well as terminated advisor balances, Currency Overlay Managers (Bank of New York and Bridgewater), CT Financial Development Fund, Keystone Venture V Partnerships and GarMark Partners II LP.

Figure 6-12

<b>REAL ESTATE FUND</b>			
Ten Largest Holdings* at June 30, 2006			
<b>Property Name</b>	<b>Type</b>	<b>Market</b>	
		<b>Value</b>	<b>%</b>
Westport Senior Living Inv FD	Sr Living	\$58,985,955	14.81%
Walton Street RE II LP Fnd 2	Various	54,529,040	13.69%
Apollo Real Est Invest Fd III	Various	50,877,314	12.77%
Union Station LTD LP	Mixed	43,302,384	10.87%
Rockwood Captial Fund V	Various	36,344,749	9.12%
AEW Partners III	Various	20,508,132	5.15%
RLJ Urban Lodging Fund LP	Hotel	17,046,611	4.28%
Rockwood Captial IV LP	Various	11,192,697	2.81%
New Boston Fund IV	Various	9,896,748	2.48%
Starwood Opportunity Fund VII	Various	9,536,386	2.39%
<b>Top Ten</b>		<b>\$312,220,016</b>	<b>78.37%</b>

\* A complete list of portfolio holdings is available from the Office of the Treasurer.

# 2006 commercial mortgage fund

## Fund Facts at June 30, 2006

**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:** \$18,203,751

**Number of Advisors:** 1 external

**Management Fees:** \$183,500

**Operating Expenses:** \$14,794

**Expense Ratio:** 1.09%

## Performance Summary

For the fiscal year ended June 30, 2006, the Commercial Mortgage Fund (CMF or the Fund) generated a return of 9.69%, net of management fees and operating expenses, out performing the Lehman Aggregate Bond Index (LABI) of -.81% by 1,050 basis points. The Fund's favorable performance is attributable to its yield advantage versus the benchmark and the receipt of a significant prepayment penalty.

During the fiscal year, CMF assets declined from \$20.3 million to \$18.2 million, a decrease of \$1.75 million. This decrease was due to cash outflows to the Fund's unit holders of \$3.9 million offset by \$1.75 million generated by operations. The \$1.75 million generated from operations consisted of \$1.79 million of net operating income offset by \$.04 million of unrealized loss.

For the trailing three, five, and ten-year periods, CMF's total compounded annual portfolio return was 8.16%, 9.08% and 9.78%, respectively, net of all expenses. The Fund's results over the three, five and ten-year periods exceeded the benchmark by 611 basis points, 411 basis points and 356 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, 2006, the Fund consisted of 1 commercial mortgage loan with a value of \$8.3 million and five residential mortgage pools with a combined value of \$0.46 million. The balance of the Fund's assets consisted of short-term cash investments. During the fiscal year one portfolio loan was paid off. This payment resulted in the receipt of \$9.1 million including a \$0.5 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, 2006, the U.S. economic expansion continued at a steady pace. As noted in the prior year, optimism regarding economic growth continues to be tempered by uncertainty over interest rates and energy prices as well as the unsettled global economic and security situations. For the short-term, interest rates are stable and gasoline prices are decreasing, which is good news for the mortgage fund and the U.S. economy.

### **Portfolio Characteristics**

As its existing loans mature, CMF's portfolio diversification has decreased. The remaining mortgages are all in the residential sector. The cash position of the fund is 52.1% due to the temporary retention of the proceeds from the pay-off of one of the assets. (See figure 7-4.) The residential mortgage pools are located in the Northeast (2.5%) and the only remaining whole loan is located in the Mountain region (45.4%). (See figure 7-5.)

The CMF's six holdings aggregated to 48% 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. None of the Fund's investments are scheduled to mature in the next 12 months.

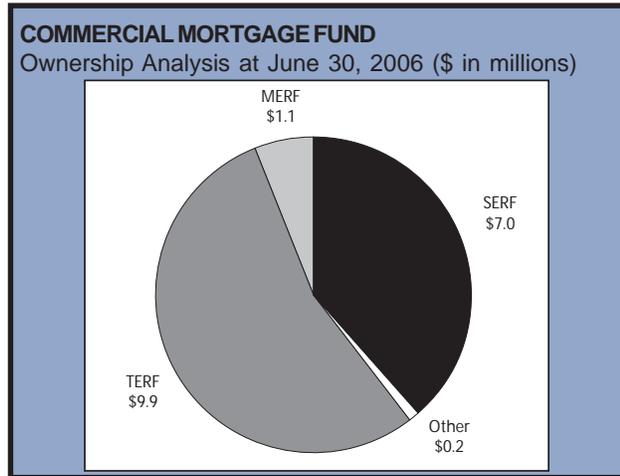
### **Risk Profile**

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.

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 1.47, 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 0.14 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, 2006 was 4.11. (See figure 7-2.)

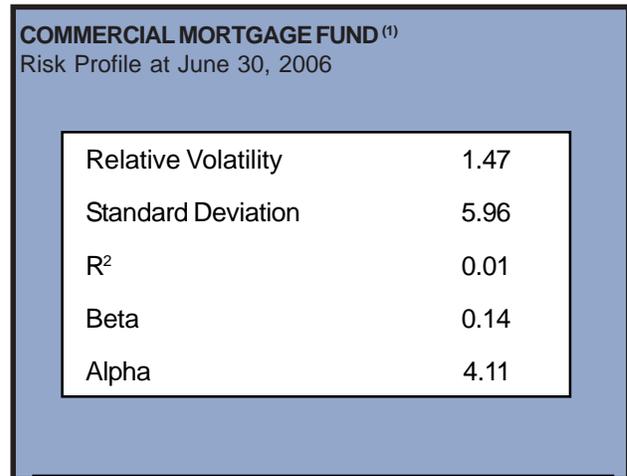
**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

Figure 7-1



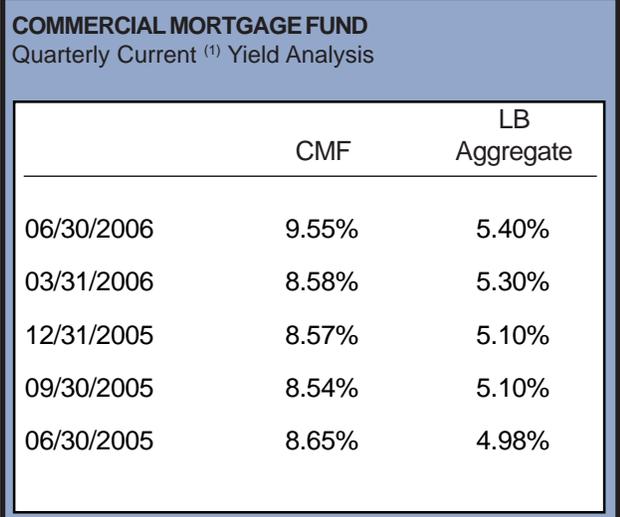
TERF - Teachers' Retirement Fund  
SERF - State Employees Retirement Fund  
MERF - Connecticut Municipal Employees' Retirement Fund

Figure 7-2



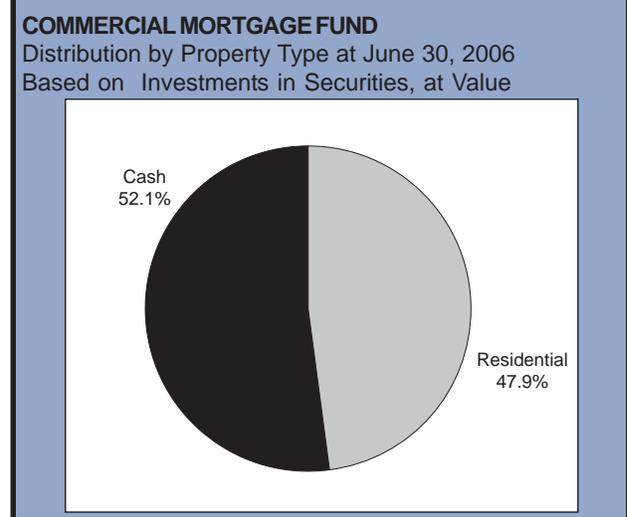
(1) Based upon returns over the last five years.

Figure 7-3



(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

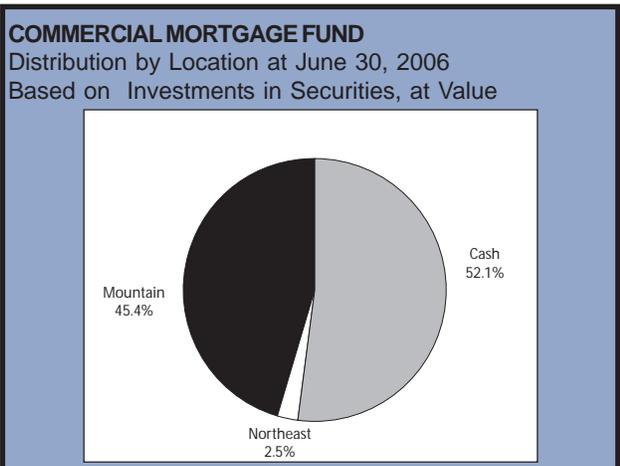
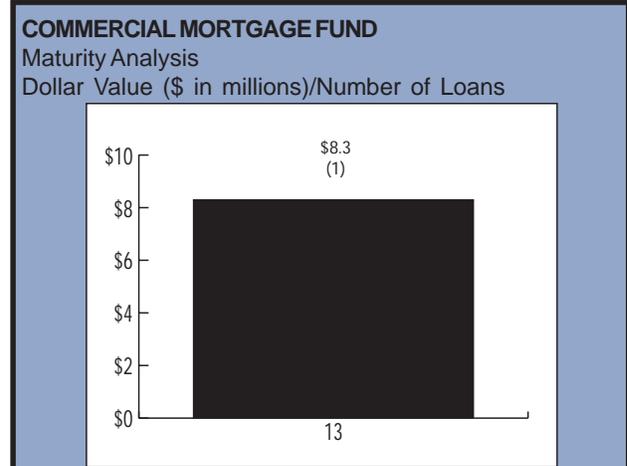


Figure 7-6



**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

Figure 7-7

	1 YR	3 YRS	5 YRS	10 YRS
<b>COMMERCIAL MORTGAGE FUND</b>				
Periods ending June 30, 2006				
<b>Compounded, Annual Total Return (%)</b>				
CMF	9.69	8.16	9.08	9.78
Lehman Agg	-0.81	2.05	4.97	6.22
<b>Cumulative Total Return (%)</b>				
CMF	9.69	26.54	54.45	154.28
Lehman Agg	-0.81	6.28	27.46	82.80

Figure 7-8

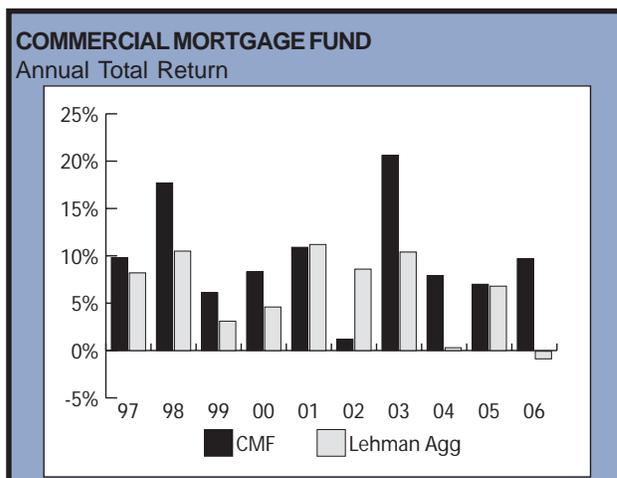


Figure 7-9

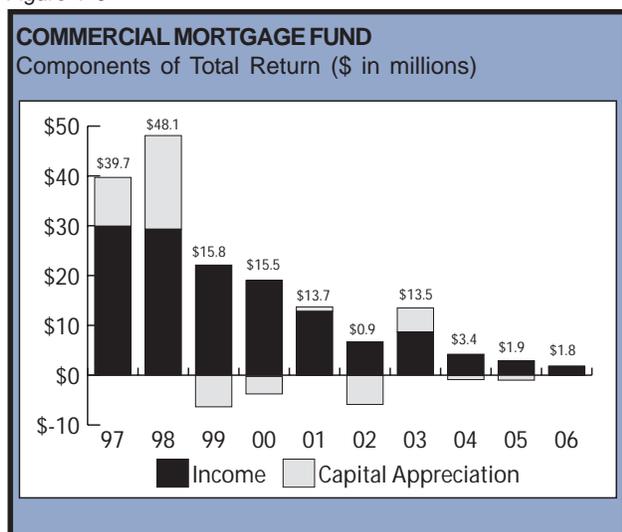


Figure 7-10

<b>COMMERCIAL MORTGAGE FUND</b>		
Investment Advisors at June 30, 2006		
Investment Advisor	Net Asset Value	% of Fund
AEW Capital Management	\$ 8,261,838	45.39%
Other <sup>(1)</sup>	9,941,913	54.61%
<b>SUBTOTAL CMF</b>	<b>18,203,751</b>	<b>100.00%</b>

Figure 7-11

<b>COMMERCIAL MORTGAGE FUND</b>			
Six Largest Holdings* at June 30, 2006			
Property Name	Property Type	Market Value	%
SASCO	Other	\$ 8,261,838	45.42%
Yankee Mac E 11.056%	Residential	188,051	1.03%
Yankee Mac G 11.125%	Residential	129,790	0.71%
Yankee Mac F 12.981%	Residential	98,905	0.55%
Yankee Mac C 14.1505%	Residential	27,505	0.15%
Yankee Mac A 13.075%	Residential	15,278	0.08%
<b>Top Six</b>		<b>8,721,367</b>	<b>47.94%</b>

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

\* A complete list of portfolio holdings is available from the Office of the Treasurer.

# 2006 private investment fund

## Fund Facts at June 30, 2006

**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:** \$1,359,993,333

**Number of Advisors:** 48 external

**Expensed Management Fees <sup>(1)</sup>:** \$4,702,362

**Operating Expenses:** \$1,346,508

**Expense Ratio:** 0.36%

**Capitalized and Netted Fees:** \$21,585,798

(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, 2006, the Private Investment Fund ("PIF") generated a one year 11.74% compounded annual rate of return which is also known as a Time Weighted Return ("TWR"). While the PIF's TWR under performed the Venture Economics All Private Equity time-weighted benchmark of 26.00%, several factors must be considered. First, the PIF is undergoing the "J curve" effect of new fund investments made over the last several fiscal years after a period of inactivity. Second, 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. Third, the TWR metric is not the best way to measure private equity performance since it eliminates the effects created by the amounts and timing of cash inflows and outflows.

The institutional standard for measuring private equity performance is the Internal Rate of Return ("IRR"), which is a dollar-weighted return that considers both cash flows and time. As of June 30, 2006, the PIF has generated a 8.2% Internal Rate of Return since its inception in 1987. Another performance measure which is used by major institutional investors is a customized dollar-weighted public U.S. equity market equivalent ("PME"). The PME serves as a proxy for the return the investor would have received had it invested in public equities versus private equity. From inception through June 30, 2006, the PIF has generated 550 basis points in excess of the PME and its Performance Objective.

## Portfolio Activity

During fiscal 2006, the PIF added \$430 million of new commitments to six private equity fund managers. Four of those managers are minority-owned; in aggregate these managers accounted for \$280 million of fiscal 2006's total commitments. Moreover, \$175 million of PIF's fiscal 2006 commitments were committed to a minority-owned fund-of-fund manager to identify opportunities in the small buyout segment of the private equity market.

During fiscal year 2006, PIF's assets decreased from \$1.44 billion to \$1.36 billion, a decrease of \$80 million to participating pension plans and trusts. 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 substantive evidence to change valuations. These determinations are made on an on-going basis independently by the investment advisors.

## Private Equity Market Update

Capital continued to flow rapidly into venture and buyout funds. The increased capital has led to a rise in valuations and acquisition prices for private equity investors.

In the buyout segment, fundraising remained at a historically high level comparable to the amount of capital raised in 2005 and substantially higher than historic levels. On a global basis more than \$110 billion of capital, dedicated to buyout strategies has been raised through the first half of 2006. As private equity investors have accumulated substantial capital, competition has increased and deal pricing has also expanded. According to Standard & Poors Leveraged Commentary & Data ("S&P LCD"), the average purchase price to Earnings Before Interest Tax Depreciation and Amortization ("EBITDA") ratio rose to 8.6x for the first half of 2006, a slight increase from 2005 (8.2x). This ratio dipped in 2001 to less than 6.0x and has been between 6.0x and 7.0x since 1999. Debt markets have provided buyout investors with the capital to continue their large acquisitions. According to S&P LCD, during the second quarter, the average debt to EBITDA ratio was 5.4x, slightly below the highest levels seen in 2000 (5.7x).

More than \$14 billion was raised by U.S. venture capitalists in the second quarter, higher than any previous quarter since the first quarter of 2001 and almost double the \$7.6 billion raised in the first quarter of 2006. According to Dow Jones VentureOne, the median pre-money valuation for U.S., venture backed deals climbed to \$23 million for the second quarter 2006. This was the highest level since 2000. For the second quarter 2005, the median pre-money valuation was \$16 million, indicating a 44% increase in median valuations. While valuations rose, exits and the value of exits have not increased dramatically. Between 1996 and 2000, approximately 200 companies per year were completing IPOs. Last year, 56 companies completed IPOs and through the first half of 2006, 29 companies have completed an IPO.

### Description of the Fund

The 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 PIF 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, 2006, the PIF had aggregate capital commitments in the amount of \$4.6 billion to 55 partnerships of which approximately 77 percent, or \$3.6 billion has been "drawn down" for investment purposes while the balance of approximately \$1.1 billion or 23 percent is committed but uninvested. (See Figure 8-6.)

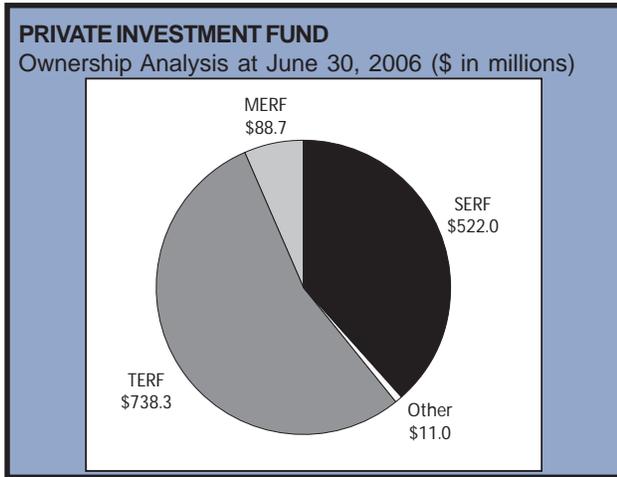
### **Risk Profile**

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 1.05 with a correlation .84 for the most recent fiscal year. The Fund has returned an annual alpha, or return relative to that predicted by its benchmark, of negative 0.12 (See Figure 8-2.)

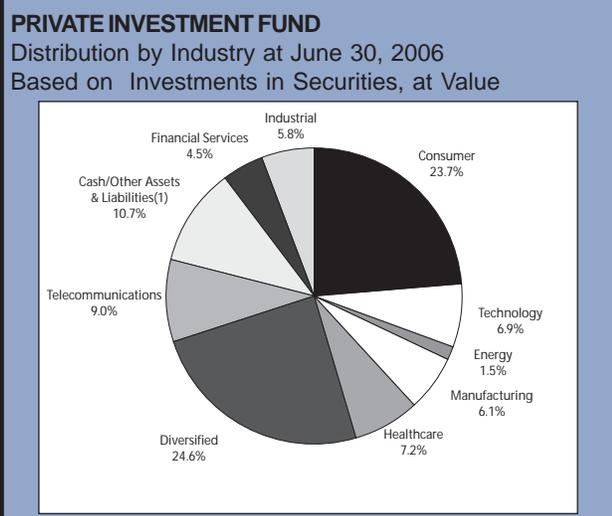
**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

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, 2006

	1 YR	3 YRS	5 YRS	10 YRS
<b>Compounded, Annual Total Return (%)</b>				
PIF	11.74	13.75	2.94	7.56
S & P 500	8.63	11.22	2.49	8.32
Venture Economics				
All Private Equity	26.00	22.08	6.20	16.05
<b>Cumulative Total Return (%)</b>				
PIF	11.74	47.18	15.59	107.26
S & P 500	8.63	37.57	13.11	122.36
Venture Economics				
All Private Equity	26.00	81.95	35.11	343.20

Figure 8-2

**PRIVATE INVESTMENT FUND (1)**  
Risk Profile at June 30, 2006

Relative Volatility	0.85
Standard Deviation	10.12
R <sup>2</sup>	0.61
Beta	0.91
Alpha	-3.26

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

Figure 8-4

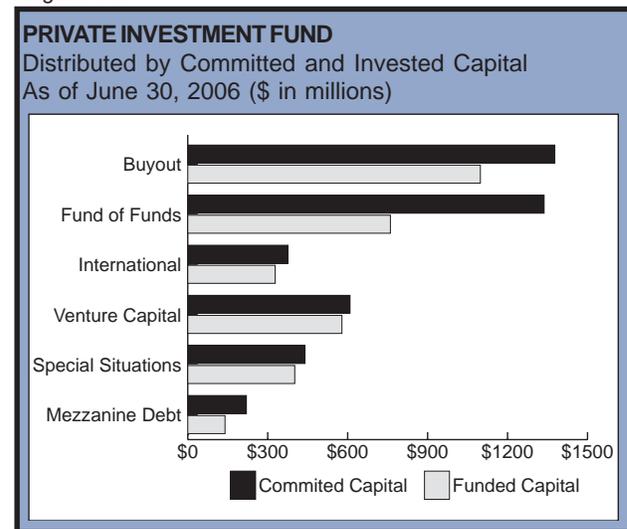
**PRIVATE INVESTMENT FUND**  
Distribution by Geographic Location at June 30, 2006  
Based on Investments in Securities, at Value

Region	%
Northeast (Excludes Connecticut)	16.83%
West Coast	16.64%
International	16.33%
Cash/Other Assets & Liabilities (1)	10.67%
Mid-Atlantic	10.53%
MidWest	9.01%
Southeast	8.02%
Southwest	7.44%
Connecticut	4.53%
<b>TOTAL</b>	<b>100.00%</b>

(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

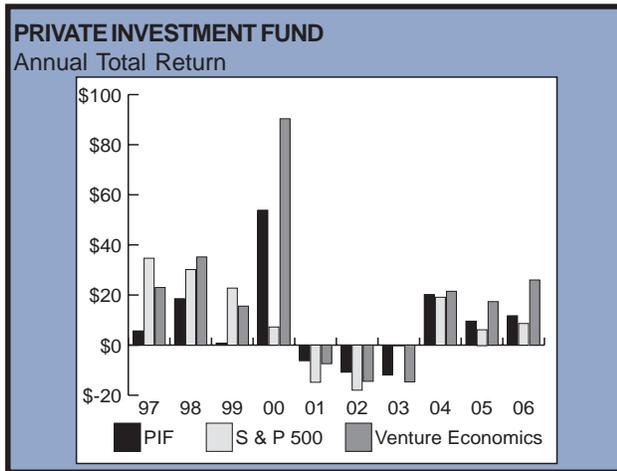


Figure 8-8

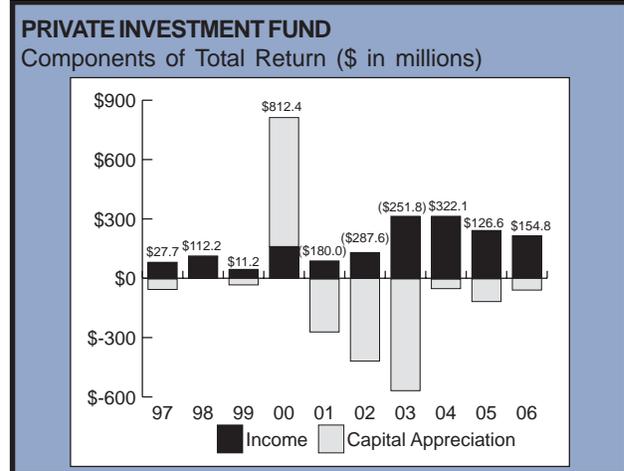


Figure 8-9

**PRIVATE INVESTMENT FUND**  
Ten Largest Holdings\* at June 30, 2006

Partnership Name	Partnership Type	Market	
		Value	%
Constitution Liquidating Fund	Fund of Funds	\$238,638,296	17.48%
KKR Millennium Fund	Buyout	104,237,649	7.64%
Compass Partners European Equity Fund	International	75,207,426	5.51%
Charterhouse Equity Partners IV	Buyout	62,354,247	4.57%
Wellspring Capital Partners III	Buyout	53,585,010	3.93%
Welsh Carson Anderson & Stowe Capital Partners III	Special Situations	52,958,869	3.88%
Landmark Private Equity Fund VIII	Fund of Funds	50,909,060	3.73%
Carlyle Europe Partners	International	39,874,599	2.92%
Welsh Carson Anderson & Stowe VIII	Buyout	33,779,464	2.47%
Gilbert Global Equity Partners	International	31,956,656	2.34%
<b>Top Ten</b>		<b>\$ 743,501,276</b>	<b>54.47%</b>

\* A complete list of portfolio holdings is available from the Office of the Treasurer.

Figure 8-10

**PRIVATE INVESTMENT FUND**  
New Investments Made in Fiscal Year 2006<sup>(1)</sup> (in Excess of \$3 Million)

Partnership Name	Commitment Amount	Partnership Type	Inv. Date
ICV Partners II LP	\$40 million	Buyout	November 3, 2005
Parish Capital II LP	\$175 million	Fund of Funds	June 30, 2006
Syndicated Communications Venture Partners V LP	\$15 million	Venture	April 27, 2006
Welsh, Carson, Anderson & Stowe X, L.P.	<u>\$100 million</u>	Buyout	November 23, 2005
Total	\$330 million		

(1) These represent new private equity partnerships that were invested in by the Fund during fiscal year 2005.

## CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

Figure 8-11

### PRIVATE INVESTMENT FUND

Investment Advisors at June 30, 2006

Investment Advisor	Net Asset Value	% of Fund
<b>Buyout</b>	<b>\$519,997,395</b>	<b>38.21%</b>
KKR Millennium Fund	104,237,649	7.66%
Hicks, Muse Tate & Furst Equity Fund III	26,260,850	1.93%
Thomas H. Lee Equity Fund IV	18,613,033	1.37%
Welsh Carson Anderson & Stowe VIII	33,779,464	2.48%
Wellspring Capital Partners III	53,585,010	3.94%
SCP Private Equity Partners	24,139,410	1.77%
Charterhouse Equity Partners IV	62,354,247	4.58%
Forstmann Little Equity Fund VI	23,204,335	1.71%
DLJ Merchant Banking Fund II	25,389,572	1.87%
KKR 1996 Fund	15,916,993	1.17%
FS Equity Partners V	21,442,656	1.58%
Blackstone Capital Partners III	15,407,144	1.13%
Thayer Equity Investors IV	22,890,946	1.68%
Kelso Investment Associates VI	15,529,884	1.14%
Green Equity Investors III	14,131,974	1.04%
Wellspring Capital Partners II	6,427,100	0.47%
Veritas Capital Fund	269,167	0.02%
ALG Healthcare Partners LP	12,236,158	0.90%
Welsh Carson Anderson & Stowe X LP	20,195,069	1.48%
ICV Partners II LP	3,986,734	0.29%
<b>Venture Capital</b>	<b>72,443,427</b>	<b>5.33%</b>
RFE Investment Partners VI	19,306,237	1.42%
Conning Capital Partners V	10,867,682	0.80%
Crescendo World Fund	15,727,352	1.16%
Grotech Partners V	11,439,483	0.84%
Shawmut Equity Partners	10,659,788	0.78%
Crescendo III	4,342,673	0.32%
Connecticut Futures Fund	100,212	0.01%
<b>Mezzanine</b>	<b>40,215,549</b>	<b>2.97%</b>
SW Pelham Fund	9,860,822	0.73%
GarMark Partners	12,776,173	0.94%
GarMark Partners II LP	5,526,516	0.41%
SW Pelham Fund II	12,052,038	0.89%
<b>International</b>	<b>186,604,885</b>	<b>13.72%</b>
Compass Partners European Equity Fund	75,207,426	5.53%
Gilbert Global Equity Partners	31,956,656	2.35%
Carlyle Europe Partners	39,874,599	2.93%
ALG Global Emerging Markets Fund	23,755,679	1.75%
Carlyle Asia Partners	15,810,525	1.16%
<b>Fund of Funds</b>	<b>346,746,610</b>	<b>25.50%</b>
The Constitution Liquidating Fund	238,638,296	17.55%
Landmark Private Equity Fund VIII	50,909,060	3.74%
Goldman Sachs Private Equity Partners Connecticut	25,251,754	1.86%
Lexington Capital Partners II	11,135,079	0.82%
Parish Capital I LP	12,138,476	0.89%
Fairview Constitution II LP	8,673,945	0.64%
<b>Special Situations</b>	<b>111,052,518</b>	<b>8.17%</b>
Welsh Carson Anderson & Stowe Capital Partners III	52,958,869	3.90%
Greenwich Street Capital Partners II	23,144,936	1.70%
Forstmann Little MBO VII	15,595,337	1.15%
KPS Special Situations Fund II	19,353,376	1.42%
<b>Other <sup>(1)</sup></b>	<b>82,932,949</b>	<b>6.10%</b>
<b>TOTAL PIF</b>	<b>\$1,359,993,333</b>	<b>100.00%</b>

(1) Other represents moneys earmarked for distribution to participants, reinvestment, and expenses as well as terminated advisor balances, Currency Overlay Managers (Bank of New York and Bridgewater), CT Financial Development Fund, Keystone Venture V Partnerships and GarMark Partners II LP.

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

Name of Firm	Description of Services	Aggregate Compensation Paid in Fiscal Year:				
		2006	2005	2004	2003	2002
<b>INVESTMENT ADVISORY SERVICES</b>						
<b>Equity Advisory Services</b>						
Alliance Capital	Equity Advisor	-	-	-	-	271,833
AXA Rosenberg Institutional Equity Mgmt	Equity Advisor	3,496,797	507,722	398,339	4,415,980	3,791,100
Barclay's Global Investors	Equity Advisor	17,556,658	3,332,554	12,202,021	3,660,715	11,228,122
Bivium Capital Partners, LLC	Equity Advisor	761,024	-	-	-	-
Brown Capital Management	Equity Advisor	211,591	354,120	310,488	3,570,359	3,136,368
Capital Prospects LLC	Equity Advisor	361,850	-	-	-	-
Dresdner RCM Capital Management, LP	Equity Advisor	-	-	-	-	479,497
FIS Group Inc.	Equity Advisor	407,648	-	-	-	-
J. P. Morgan Investment Management	Equity Advisor	-	-	-	495,062	6,227,366
State Street Global Advisors	Equity Advisor	216,988	274,667	224,895	180,278	170,554
Thomas Weisel Partners (ValueQuest)	Equity Advisor	-	-	192,152	1,843,059	1,602,094
Travelers Investment Management	Equity Advisor	306,075	421,843	451,208	1,954,445	304,869
Trust Company of the West (Cowen)	Equity Advisor	1,011,678	2,078,780	713,510	2,811,532	2,193,266
<b>Total Equity Advisor Compensation</b>		<b>\$24,330,309</b>	<b>\$6,969,686</b>	<b>\$14,492,613</b>	<b>\$18,931,430</b>	<b>\$29,405,069</b>
<b>Fixed Income Investment Advisory Services</b>						
Blackrock Financial Management	Fixed Income Advisor	1,519,240	1,525,126	1,551,082	1,564,472	1,536,082
Brown Brothers Harriman & Co.	Fixed Income Advisor	154,386	-	-	-	-
Hartford Investment Management Co.	Fixed Income Advisor	85,799	-	-	-	-
J. P. Morgan Investment Management	Fixed Income Advisor	-	-	-	1,040,985	638,895
Loomis Sayles & Co., Inc.	Fixed Income Advisor	523,406	504,850	442,948	349,996	402,555
Oaktree Capital Management	Fixed Income Advisor	445,258	563,305	436,777	3,972,291	4,459,895
Phoenix Investment Counsel	Fixed Income Advisor	544,902	550,966	555,554	548,544	547,956
Progress Investment Management	Fixed Income Advisor	340,907	-	-	-	-
State Street Global Advisors	Fixed Income Advisor	309,376	526,875	558,591	595,189	577,503
W. R. Huff Asset Management	Fixed Income Advisor	319,873	2,216,156	1,930,812	220,244	259,026
Wellington Asset Management	Fixed Income Advisor	1,007,301	1,026,168	1,044,851	1,020,074	1,016,323
Western Asset Management	Fixed Income Advisor	1,235,635	1,207,359	1,439,163	1,394,515	1,122,126
<b>Total Fixed Income Advisor Compensation</b>		<b>\$6,486,083</b>	<b>\$8,120,805</b>	<b>\$7,959,778</b>	<b>\$10,706,310</b>	<b>\$10,560,361</b>
<b>Cash Reserve Account Advisory Services</b>						
State Street Global Advisors	Cash Rsrvc Acct Advisor	277,189	377,018	343,500	337,930	279,877
<b>Total Cash Reserve Account Advisor Compensation</b>		<b>\$277,189</b>	<b>\$377,018</b>	<b>\$343,500</b>	<b>\$337,930</b>	<b>\$279,877</b>
<b>International Equity Investment Advisory Services</b>						
Bank of New York	Intrntl Equity Advisor	2,367,488	2,244,689	-	-	-
Bridgewater Associates	Intrntl Equity Advisor	2,840,985	2,700,635	-	-	-
Clay Finlay Inc.	Intrntl Equity Advisor	1,109,359	1,122,788	672,644	-	-
DSI International Management	Intrntl Equity Advisor	-	-	171,369	387,630	288,440
Emerging Markets Management LLC	Intrntl Equity Advisor	2,876,360	4,384,291	-	-	-
Fidelity Management Trust Company	Intrntl Equity Advisor	1,106,184	1,005,966	596,400	-	-
Grantham, Mayo, Van Otterloo & Co.	Intrntl Equity Advisor	5,471,090	7,316,598	4,660,885	5,272,027	5,278,524
Invesco Global Asset Management	Intrntl Equity Advisor	1,788,745	1,442,317	792,995	-	-
Merrill Lynch Investment Managers	Intrntl Equity Advisor	1,380,677	656,758	224,242	-	-
MFS Institutional Advisors	Intrntl Equity Advisor	844,424	758,685	429,571	-	-
Morgan Stanely Asset Management	Intrntl Equity Advisor	2,700,870	2,989,704	6,208,561	7,934,234	3,549,750
Pictet International Management	Intrntl Equity Advisor	-	-	1,033,413	399,250	370,878
Progress Investment Management	Intrntl Equity Advisor	245,073	-	-	-	-
Putnam Advisory Company LLC	Intrntl Equity Advisor	-	1,609,355	-	-	-
Salomon Smith Barney Capital Mgmt	Intrntl Equity Advisor	-	28,554	27,331	139,644	179,468
Schroder Investment Management	Intrntl Equity Advisor	1,415,160	1,169,099	498,259	-	-
State Street Global Advisors	Intrntl Equity Advisor	420,498	578,814	377,112	389,283	457,766
<b>Total International Equity Advisor Compensation</b>		<b>\$24,566,913</b>	<b>\$28,008,253</b>	<b>\$15,692,782</b>	<b>\$14,522,068</b>	<b>\$10,124,826</b>

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

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

Name of Firm	Description of Services	Aggregate Compensation Paid in Fiscal Year:				
		2006	2005	2004	2003	2002
<b>Real Estate Investment Advisory Services <sup>(2)</sup></b>						
AEW Capital Management, L.P.	Real Estate Advisor	319,561	407,468	128,528	128,528	96,396
AEW Partners III, LP	Real Estate Advisor	255,775	528,241	687,887	841,315	1,165,214
Apollo Real Estate Investment Fund III	Real Estate Advisor	437,899	396,081	813,195	915,423	605,997
Canyon Johnson Urban Fund II, LP	Real Estate Advisor	921,875	368,947	-	-	-
Capri Select Income II LLC	Real Estate Advisor	177,143	-	-	-	-
CIGNA/TimeSquare Real Estate Investors	Real Estate Advisor	-	-	6,841	11,921	8,083
RLJ Urban Lodging Fund, LP	Real Estate Advisor	312,500	216,542	-	-	-
RMK Timberland Group (Wachovia)	Real Estate Advisor	112,065	155,971	126,874	161,884	182,301
Westport Senior Living Fund	Real Estate Advisor	789,347	1,518,199	1,800,000	1,800,000	1,800,000
<b>Total Real Estate Advisor Compensation</b>		<b>\$3,326,165</b>	<b>\$3,591,499</b>	<b>\$3,563,325</b>	<b>\$3,859,071</b>	<b>\$3,857,991</b>
<b>Commercial Mortgage Investment Advisory Services <sup>(2)</sup></b>						
AEW Capital Management, L.P.	Comm Mortgage Advisor	183,500	249,911	327,489	417,400	442,777
<b>Total Commercial Mortgage Advisor Compensation</b>		<b>\$183,500</b>	<b>\$249,911</b>	<b>\$327,489</b>	<b>\$417,400</b>	<b>\$442,777</b>
<b>Private Investment Advisory Services <sup>(2)</sup></b>						
AIG Global Emerging Mkts Fund LP	Private Inv Advisor	815,309	523,153	1,502,251	1,876,712	2,500,000
AIG Altaris Health Partners, LP	Private Inv Advisor	764,402	1,983,602	-	-	-
Blackstone Capital Partners III LP	Private Inv Advisor	27,471	31,811	-	111,459	299,279
Carlyle Asia Partners LP	Private Inv Advisor	252,787	692,812	500,000	1,500,000	500,000
Carlyle European Partners LP	Private Inv Advisor	300,610	975,548	1,400,977	1,523,965	1,330,240
Charterhouse Equity Partners IV, LP	Private Inv Advisor	1,055,527	2,462,032	-	-	-
Compass European Partners LP	Private Inv Advisor	-	891,750	1,125,000	2,664,509	2,132,547
Constitution Liquidating Fund LP (Crossroads)	Private Inv Advisor	746,703	225,000	-	-	-
CT Greene Ventures LP	Private Inv Advisor	-	-	-	5,500	375,000
DLJ Merchant Banking Fund II LP	Private Inv Advisor	83,355	10,991	395,351	709,948	502,725
Fairview Constitution II, LP	Private Inv Advisor	800,000	967,955	-	-	-
Forstmann Little & Company	Private Inv Advisor	186,838	297,324	481,605	410,644	753,337
FS Equity Partners V LP	Private Inv Advisor	562,500	802,678	1,291,089	-	-
Garmark Partners LP	Private Inv Advisor	1,008,239	302,879	402,430	977,298	957,708
Garmark Partners, II LP	Private Inv Advisor	88,608	-	-	-	-
Gilbert Global Equity Partners LP	Private Inv Advisor	-	449,952	2,250,000	2,250,000	2,250,000
Goldman Sachs Private Equity Fund LP	Private Inv Advisor	315,324	385,329	496,208	552,972	995,037
Green Equity III LP	Private Inv Advisor	-	81,831	180,504	204,303	122,619
Greenwich Street Capital Partners II LP	Private Inv Advisor	220,310	911,216	549,246	783,424	381,069
ICV Associates II LP	Private Inv Advisor	1,140,602	-	-	-	-
Kelso Investment Associates VI LP	Private Inv Advisor	-	-	465,856	623,856	626,046
KKR 1996 Fund LP	Private Inv Advisor	-	-	-	-	411,808
KKR Millenium Fund LP	Private Inv Advisor	126,005	219,643	1,128,044	1,202,159	-
KPS Special Situations Fund II LP	Private Inv Advisor	388,971	834,979	694,499	-	-
Parish Capital I, LP	Private Inv Advisor	470,791	722,396	-	-	-
Pioneer Venture Associates LP	Private Inv Advisor	220,000	-	334,987	494,888	162,954
SCP Private Equity Fund LP	Private Inv Advisor	-	-	460,495	912,661	671,456
Shawmut Capital Partners LP	Private Inv Advisor	-	656,250	622,882	1,640,625	984,375
SW Pelham Fund, LP	Private Inv Advisor	195,511	320,404	206,529	150,000	750,000
Thayer Equity Investors IV LP	Private Inv Advisor	457,716	609,654	682,284	898,189	833,101
THE Equity Advisors IV LLC	Private Inv Advisor	57,163	284,515	127,927	278,114	-
Triumph Connecticut LP	Private Inv Advisor	-	-	-	191,212	380,931
Triumph Partners III LP	Private Inv Advisor	-	-	1,005,993	576,721	1,712,341
Veritas Capital Fund LP	Private Inv Advisor	-	-	-	819,982	612,500
Washington and Congress (Triumph Partners III)	Private Inv Advisor	-	-	342,501	-	-
WCAS X LP	Private Inv Advisor	521,918	-	-	-	-
Wellspring Capital Partners II LP	Private Inv Advisor	-	-	-	693,423	1,000,000
Wellspring Capital Partners III LP	Private Inv Advisor	1,496,936	1,200,595	1,191,570	1,000,000	-
Woodside Capital Management LLC	Private Inv Advisor	-	-	-	-	6,219
<b>Total Private Investment Advisor Compensation</b>		<b>\$12,303,596</b>	<b>\$16,844,299</b>	<b>\$17,838,228</b>	<b>\$23,052,564</b>	<b>\$21,251,292</b>
<b>TOTAL COMPENSATION TO INVESTMENT ADVISORS</b>		<b>\$71,473,755</b>	<b>\$64,161,421</b>	<b>\$60,217,715</b>	<b>\$71,826,773</b>	<b>\$75,922,193</b>

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

Name of Firm	Description of Services	<u>Aggregate Compensation Paid in Fiscal Year:</u>				
		2006	2005	2004	2003	2002
<b>CUSTODY SERVICES</b>						
State Street Bank & Trust	Custody of Assets	1,046,595	1,722,997	1,644,976	584,990	950,955
<b>TOTAL CUSTODY SERVICES COMPENSATION</b>		<b>\$1,046,595</b>	<b>\$1,722,997</b>	<b>\$1,644,976</b>	<b>\$584,990</b>	<b>\$950,955</b>

(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, 2006**

Broker Name	\$ Commission	Shares/ Par Value	Avg Comm	Broker Name	\$ Commission	Shares/ Par Value	Avg Comm
ABEL NOSER CORPORATION	\$ 7,440.00	186,000.00	0.04	CARNEGIE BK	6,364.64	354,796.00	0.02
ABG SECURITIES	8,520.74	306,431.00	0.03	CARNEGIE FONDKOMMISSION	856.50	67,100.00	0.01
ABG SECURITIES INC	2,127.80	181,060.00	0.01	CARNEGIE INT'L LND	9,495.79	339,517.00	0.03
ABM AMRO HOARE GOVETT ASIA LTD, SEOUL	3,162.19	185,326.00	0.02	CARNEGIE SECURITIES FINLAND	2,298.72	37,300.00	0.06
ABN AMRO ASIA LIMITED	124.96	3,920.00	0.03	CAZENOVE + CO	28,015.75	2,679,628.00	0.01
ABN AMRO BANK N. V. HONG KONG	14,416.84	4,987,710.00	0.00	CAZENOVE + CO.	31,939.17	1,132,250.00	0.03
ABN AMRO BANK N.V. (CHICAGO)	1,555.10	343,000.00	0.00	CAZENOVE AND CO (SINGAPORE)	1,054.44	1,100,000.00	0.00
ABN AMRO BANK NV	51,931.82	13,575,584.00	0.00	CAZENOVE ASIA LTD	4,187.44	4,007,700.00	0.00
ABN AMRO BANK NV HONG KONG BRANCH	6,908.40	6,046,613.00	0.00	CHAPDELAINE + CO	1,490.00	29,800.00	0.05
ABN AMRO EQUITIES (UK) LTD LONDON	30.20	100.00	0.30	CHAPDELAINE CORPORATE SECURITIES & CO	150.00	3,000.00	0.05
ABN AMRO EQUITIES AUSTRALIA LTD.	5,809.57	187,146.00	0.03	CHEUVREUXDE NORDIC A B	125.93	1,200.00	0.10
ABN AMRO SECURITIES (USA) INC	26,409.96	681,135.00	0.04	CHEUVREUXDE VIRIEU	12,003.99	93,904.00	0.13
ABN AMRO SECURITIES LLC	6,966.60	172,362.00	0.04	CHEUVREUXDE VIRIEU MADRID	1,256.74	12,700.00	0.10
ACTINVER SECURITIES	3,042.63	641,844.00	0.00	CIBC WORLD MARKETS CORP	27,260.42	6,085,013.00	0.00
ADAMS HARKNESS + HILL, INC	7,019.74	195,471.00	0.04	CIC SECURITIES	264.35	2,456.00	0.11
ADP CLEARING + OUTSOURCING SERVICES, INC	4,159.95	4,183,979.00	0.00	CITIBANK	214.66	36,300.00	0.01
AK YATIRIM MENKUL DEGERLER A.S	2,151.37	124,792.00	0.02	CITIBANK,N.A.	324.30	5,405.00	0.06
ALFA CAPITAL MARKETS (USA), INC.	425.84	13,346.00	0.03	CITIGROUPGLOBAL MARKETS	22.13	260.00	0.09
ALPHA BROKERAGE AE	6,169.35	134,162.00	0.05	CITIGROUPGLOBAL MARKETS ASIA LIMITED	4,633.02	3,724,000.00	0.00
ALPHA FINANCE	4,904.15	402,800.00	0.01	CITIGROUPGLOBAL MARKETS AUSTRALIA PTR	929.86	47,870.00	0.02
ALTUM CAPITAL LTD	810.27	24,295.00	0.03	CITIGROUPGLOBAL MARKETS INC	306,342.98	32,154,480.46	0.01
AMERICAN ENTERPRISE INV. SERVICES, INC.	41.45	829.00	0.05	CITIGROUPGLOBAL MARKETS INC.	236,680.59	35,892,107.00	0.01
AMERICAN TECHNOLOGY RESEARCH INC	85.00	1,700.00	0.05	CITIGROUPGLOBAL MARKETS LIMITED	144,360.08	13,124,981.00	0.01
ANDISA SECURITIES (PTY)LIMITED	9.57	400.00	0.02	CITIGROUPGLOBAL MARKETS NZ	263.02	32,867.00	0.01
ANZ INVESTMENT SVCS NZ LTD	475.85	8,532.00	0.06	CITIGROUPGLOBAL MARKETS UK EQUITY LTD	38,788.03	3,746,861.00	0.01
ATA SECURITIES INC. (ISTANBUL)	14,786.22	1,269,176.00	0.01	CJS SECURITIES	320.00	6,400.00	0.05
ATON CAPITAL GROUP	49.75	6,807.00	0.01	CJSC DEPOSITORY CLEARING CO	90.20	2,180.00	0.04
ATON SECURITIES	1,461.59	197,034.00	0.01	CLSA CAPITAL LIMITED HONG KONG	308.36	60,000.00	0.01
AUERBACH GRAYSON & CO. INC.	336.00	8,400.00	0.04	CLSA SECURITIES KOREA LTD	103.11	5,500.00	0.02
AVONDALE PARTNERS LLC	85,076.15	1,890,955.00	0.04	CLSA SECURITIES KOREA LTD.	1,012.14	16,090.00	0.06
BAIRD, ROBERT W., & COMPANY INCORPORATED	10,922.16	1,748,232.33	0.01	CLSA SECURITIES MALAYSIA SDN BHD	4,341.36	2,317,773.00	0.00
BANC OF AMERICA SECURITIES	255.33	1,315,761,431.31	0.00	CLSA SINGAPORE PTE LTD	263.17	25,500.00	0.01
BANC/AMERICA SECUR.LLC MONTGOMEY DIV	103,495.75	1,595,166,231.65	0.00	COBURN & MEREDITH, INC(CLR.THRU 443)	3,323.00	75,600.00	0.04
BANCO BILBAO VIZCAYAARGENTARI	154.87	2,400.00	0.06	COLLINS STEWART	4,019.40	303,122.00	0.01
BANCO ESPIRITO SANTO SA	447.25	6,900.00	0.06	COLLINS STEWART + CO	10,221.40	107,900.00	0.09
BANCO ITAU SA	28,250.87	33,856,714.00	0.00	COMMONWEALTH SECURITIES LTD	7,476.19	1,712,754.00	0.00
BANCO PACTUAL	8.80	300.00	0.03	CRAIG - HALLUM	994.00	22,000.00	0.05
BANCO PACTUAL S.A.	43,853.76	912,733,452.00	0.00	CREDIT AGCHEUV INTL LTD	1,576.31	57,000.00	0.03
BANCO SANTANDER CENTRAL HISPANO	54,995.77	124,418,464.00	0.00	CREDIT AGRICOLE INDOSUEZ	3,580.74	28,594.00	0.13
BANCO SANTANDER DE NEGOCIOS	30,633.11	4,194,611.00	0.01	CREDIT AGRICOLE	10.64	100.00	0.11
BANK AM BELLEVUE	222.16	1,082.00	0.21	CREDIT AGRICOLE INDOSUEZ CHEUV	225.62	2,100.00	0.11
BANK AUSTRIA CREDITANSTALT AG	483.15	5,454.00	0.09	CREDIT AGRICOLE INDOSUEZ CHEUVREUX	35,417.47	1,010,592.00	0.04
BANK J.VONTOBEL UND CO. AG	880.41	8,403.00	0.10	CREDIT LYONNAIS SECS	1,774.16	157,400.00	0.01
BANK SARASIN AND CIE, BASLE	609.70	20.00	30.49	CREDIT LYONNAIS SECURITIES	47,942.31	3,441,882.00	0.01
BANKAMERICA INTL	820.00	82,000.00	0.01	CREDIT LYONNAIS SECURITIES (USA) INC	110,106.60	16,411,928.00	0.01
BANQUE NATIONAL DE PARIS	258.00	8,600.00	0.03	CREDIT LYONNAIS SECURITIES ASIA/GUERNSEY	7,563.27	18,524,228.00	0.00
BANQUE NATIONAL DE PARIS HONG KONG	9,119.88	4,531,656.00	0.00	CREDIT LYONNAIS SECURITIES(ASIA)	2,632.39	4,623,700.00	0.00
BANQUE NATIONALE DE PARIS, LON	7,666.84	1,108,000.00	0.01	CREDIT RESEARCH + TRADING LLC	29.42	1,471.00	0.02
BARNARD JACOBS MELLETS NY	5,809.62	642,667.00	0.01	CREDIT SUISSE FIRST BOSTON	8,383.04	2,302,714.00	0.00
BARNARD JACOBS MELLETT AND CO (PTY)	14,013.32	468,148.00	0.03	CREDIT SUISSE FIRST BOSTON (EUROPE)	1,074.27	12,330.00	0.09
BAYERISCHE HYPO- UND VEREINSBANK MUNICH	344.54	6,500.00	0.05	CREDIT SUISSE FIRST BOSTON (EUROPE) LTD	68,575.51	9,076,297.00	0.01
BAYERISCHE HYPO-UND VEREINSBAN	78.82	1,000.00	0.08	CREDIT SUISSE FIRST BOSTON CORPORATION	273,056.74	1,640,382,683.94	0.00
BAYPOINT TRADING LLC	986.40	32,880.00	0.03	CREDIT SUISSE SECURITIES (USA) LLC	181,634.82	869,316,080.48	0.00
BEAR STEARNS + CO INC	103,041.44	178,845,384.00	0.00	CREDIT USA	3,276.52	98,913.00	0.03
BEAR STEARNS INTERNATIONAL TRADING	611.51	13,856.00	0.04	CS FIRST BOSTON (HONG KONG) LIMITED	3,536.57	220,645.00	0.02
BEAR STEARNS SECURITIES CORP	115,362.39	915,480,330.73	0.00	CS FIRST BOSTON (JAPAN) LIMITED	4,736.62	427,023.00	0.01
BEAR STEARNS SECURITIES CORP.	1,896.88	44,360.00	0.04	CSFB	732.00	24,150.00	0.03
BENITO Y MONJARDIN, S.A. S.V.B.	580.28	25,100.00	0.02	CSFB AUSTRALIA EQUITIES LTD	5,542.13	572,500.00	0.01
BLEY INVESTMENT GROUP	1,474.00	29,480.00	0.05	D CARNEGIE AG	689.24	35,700.00	0.02
BNP PARIBAS	571.70	1,048,517.00	0.00	DAEWOO SECS CO LTD, SEOUL KOREA	7,363.26	391,050.00	0.02
BNP PARIBAS PEREGRINE SECS LT ASIA	3,094.22	2,750,565.00	0.00	DAIWA SBGM EUROPE	7,138.43	757,000.00	0.01
BNP PARIBAS PEREGRINE SECS PT	279.56	538,000.00	0.00	DAIWA SECURITIES SB CAPITAL MA	1,399.08	115,000.00	0.01
BNP PARIBAS PEREGRINE SECURITIES	93,865.29	33,073,706.00	0.00	DAIWA SECURITIES (HK) LTD.	1,809.91	194,740.00	0.01
BNP PARIBAS SA	1,012.01	19,975.00	0.05	DAIWA SECURITIES AMERICA INC	33,946.00	18,746,743.00	0.00
BNP PARIBAS SEC JAPAN LTD	8,303.17	301,760.00	0.03	DAVENPORT & CO. OF VIRGINIA, INC.	2,412.00	60,300.00	0.04
BNP PRIMEPEREGRINE	393.62	22,000.00	0.02	DAVIDSON D.A. + COMPANY INC.	6,380.70	141,008.00	0.05
BNY BROKERAGE INC	120,734.75	3,112,225.00	0.04	DAVIS, MENDEL AND REGENSTEIN	940.00	18,800.00	0.05
BNY BROKERAGE.	2,107.88	47,850.00	0.04	DAVY (J+E)	9,369.85	510,235.00	0.02
BREAN MURRAY	108.65	2,173.00	0.05	DBS VICKERS SECS PTE LTD	1,128.68	40,500.00	0.03
BRIDGE TRADING COMPANY	710.50	20,300.00	0.04	DBS VICKERS SECURITIES(THAILAND)	1,601.77	408,300.00	0.00
BRIDGEWELL SECURITIES LIMITED	633.63	58,300.00	0.01	DEAGROATT+ CAMPBELL SDN BHD	7,427.95	2,604,939.00	0.00
BROADCORTCAPITAL (THRU INC)	7,831.40	176,920.00	0.04	DEN DANKE BANK	117.23	3,600.00	0.03
BROCKHOUSE + COOPER INC MONTREAL	20.72	1,694.00	0.01	DEUTSCHE BANK AG LONDON	81,163.66	8,401,734.00	0.01
B-TRADE SERVICES LLC	39,143.29	1,112,410.00	0.04	DEUTSCHE BANK ALEX BROWN	220.00	4,400.00	0.05
BUCKINGHAM RESEARCH GROUP	14,690.00	345,220.00	0.04	DEUTSCHE BANK SECURITIES INC	348,629.07	1,684,204,577.93	0.00
C.E. UNTERBERG, TOWBIN	721.14	15,797.00	0.05	DEUTSCHE MORGAN GRENPELL SECS	1,983.54	43,800.00	0.05
CABRERA CAPITAL MARKETS	6,086.50	621,730.00	0.01	DEUTSCHE SECURITIES ASIA LIMITED	3,394.36	952,790.00	0.00
CABRERA CAPITAL MARKETS INC.	465.00	9,300.00	0.05	DEUTSCHE SECURITIES ASIA LTD	43,319.40	2,689,792.00	0.02
CAISSE DES DEPOTS ET CONSIGNAT	1,179.85	7,300.00	0.16	DIRECT TRADING INSTITUTIONAL INC	25,566.26	1,660,272.00	0.02
CANACCORDADAMS INC.	4,290.03	120,101.00	0.04	DIVIDEND REINVEST	3,067.05	641,874.68	0.00
CANNON BRIDGE	931.02	6,472.00	0.14	DIVINE CAPITAL MARKETS LLC	8,344.45	215,080.00	0.04
CANTOR FITZ EUR 2	14,872.69	1,369,995.00	0.01	DONALDSON & CO., INC	195.00	3,900.00	0.05
CANTOR FITZGERALD + CO	146.96	1,904,299.51	0.00	DONALDSONLUFKIN + JENRETTE SEC CORP	244.00	6,100.00	0.04
CANTOR FITZGERALD + CO.	155,548.59	487,700,347.00	0.00	DONGWON SECURITIES	13,843.80	709,568.00	0.02
CAPITAL INSTITUTIONAL SVCS INC EQUITIES	11,799.40	258,270.00	0.05	DOUGHERTYCOMPANY	17.40	580.00	0.03
CARNEGIE A S	2,459.26	54,100.00	0.05	DRESDNER BANK AG NEW YORK	201.29	7,600.00	0.03

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**SCHEDULE OF BROKERAGE COMMISSIONS (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Broker Name	\$ Commission	Shares/ Par Value	Avg Comm	Broker Name	\$ Commission	Shares/ Par Value	Avg Comm
DRESDNER KLEINWORT BENSON NORTH AMERICA	7,987.13	120,800.00	0.07	INVESTEC HENDERSON CROSTHWAITE	2,126.58	215,000.00	0.01
DRESDNER KLEINWORTH WASSERSTEIN SEC LLC	51,378.53	4,744,734.00	0.01	INVESTEC SECURITIES	365.95	8,100.00	0.05
DUNDAS UNLU SECURITIES INC.	5,263.30	350,828.00	0.02	INVESTMENT TECHNOLOGY GROUP INC.	126,651.03	8,358,093.00	0.02
E TRADE SECURITIES LIMITED	161.35	8,200.00	0.02	INVESTMENT TECHNOLOGY GROUP LTD	13,313.65	1,667,783.00	0.01
E TRADE SECURITIES, INC	3,472.25	113,810.00	0.03	ISI GROUPINC	7,422.31	160,372.00	0.05
E. OHMAN JOB FONDKOMMISSION AB	16.92	400.00	0.04	ITG AUSTRALIA LTD.	31.76	5,288.00	0.01
EDWARDS AG SONS INC	8,155.88	181,993.00	0.04	ITG INC	52.68	11,100.00	0.00
EGE YATIRIM MENKUL DEGERLER A. ISTANBUL	145.35	7,300.00	0.02	ITG SECURITIES (HK) LTD	1,224.45	1,859,000.00	0.00
ENSKILDA SECURITIES AB	20,860.65	549,789.00	0.04	IVY SECURITIES, INC.	335.70	11,190.00	0.03
EUROMOBILIARE SIM S.P.A.	504.17	19,800.00	0.03	IXIS SECURITIES	1,598.16	15,575.00	0.10
EXANE INC	2,024.91	31,800.00	0.06	J AND E DAVY	2,208.53	61,536.00	0.04
EXANE S.A.	27,525.60	1,134,603.00	0.02	J B WERE + SON LIMITED	3,379.03	613,750.00	0.01
EXECUTIONLIMITED	766.88	92,406.00	0.01	J P MORGAN SECURITIES INC	199,134.08	63,931,937.41	0.00
EXECUTIONLTD	3,911.39	158,200.00	0.02	J.P. MORGAN SECURITIES LIMITED	27,907.35	3,162,634.00	0.01
FACTSET DATA SYSTEMS	18,380.00	427,312.00	0.04	JACKSON SECURITIES	930.45	27,460.00	0.03
FATOR - DORIA ATHERINO S/A CV	2,770.84	48,900.00	0.06	JANNEY MONTGOMERY, SCOTT INC	180.70	3,614.00	0.05
FERRIS BAKER WATTS INC	159.80	3,196.00	0.05	JB WERE AND SON (NZ) LTD	220.79	21,506.00	0.01
FIDELITY CAPITAL MARKETS	4,983.26	124,350.00	0.04	JEFFERIES+ COMPANY INC	103,827.25	5,342,094.00	0.02
FIRST ALBANY CAPITAL INC.	12,342.79	12,945,793.44	0.00	JEFFERIESINTERNATIONAL LTD	3,865.40	7,632,373.00	0.00
FIRST ANALYSIS SECURITIES CORP	849.38	18,750.00	0.05	JERMYN CAPITAL PARTNERS PLC	11,126.80	278,170.00	0.04
FIRST CLEARING, LLC	125.00	2,552,500.00	0.00	JMP SECURITIES	2,659.35	77,246.00	0.03
FISERV SECURITIES, INC	2,593.00	128,650.00	0.02	JOH BERENBERG GOSSLER AND CO	18,292.50	221,708.00	0.08
FONDSFINANS A/S	319.73	4,200.00	0.08	JOHNSON RICE + CO	590.00	11,800.00	0.05
FORTIS BANK (NEDERLAND) N.V.	7,173.33	185,640.00	0.04	JONES & ASSOCIATES INC	178,788.29	5,842,583.00	0.03
FOX PITT KELTON INC	7,699.74	144,834.00	0.05	JP MORGAN	415.16	2,887,400.00	0.00
FOX-PITT KELTON LTD	7,738.63	345,013.00	0.02	JP MORGANBROKING HK LIMITED	276.43	75,000.00	0.00
FRIEDMAN BILLINGS + RAMSEY	28,657.43	705,435.00	0.04	JP MORGANCHASE BANK/HSBCSI	193.00	239,125,941.55	0.00
FUTURETRADE SECURITIES, LLC	202.44	10,122.00	0.02	JP MORGANSECURITIES ASIA PTE LIMITED	643.83	21,000.00	0.03
G G E T LLC	661.50	14,700.00	0.05	JP MORGANSECURITIES AUSTRALIALTD	5,674.22	312,725.00	0.02
G TRADE	139.54	5,000.00	0.03	JP MORGANSECURITIES INC	36,776.65	9,458,045.00	0.00
G TRADE SERVICES LTD	142.82	21,000.00	0.01	JP MORGANSECURITIES LIMITED	295,803.19	24,235,395.00	0.01
G.K.GOH STOCKBROKERS PTE LTT.	1,524.35	2,880,000.00	0.00	JP MORGANSECURITIES LTD	239.80	9,070.00	0.03
GARBAN EQUITIES LIMITED LONDON	50.56	16,371.00	0.00	JP MORGANSECURITIES SINGAPORE	4,242.10	1,452,000.00	0.00
GARDNER RICH + CO	149.40	4,980.00	0.03	JPMORG SEC(FAR EAST)LTD SEOUL	1,111.14	23,590.00	0.05
GARP STEARNS & SECURITIES CO	1,544.00	38,600.00	0.04	JPMORGAN CHASE BANK	4,618.64	3,351,900.00	0.00
GEDIK INVESTMENT SEC INC	3,120.03	155,000.00	0.02	JPMORGAN CHASE BANK, N.A., LONDON	460.72	102,100.00	0.00
GERSON LEHRMAN GROUP BROKERAGE SERV LLC	1,024.00	25,600.00	0.04	JPMORGAN CHASE BANK/CORRESPONDENT CLR SV	10,695.03	307,776.00	0.03
GILBERT DUPONT SOCIETE DE BOURSE PARIS	38.05	1,385.00	0.03	JPMORGAN SECURITIES(ASIA PACIFIC)LTD	24,660.08	13,111,932.00	0.00
GLOBAL EXECUTION TECHNOLOGIES	938.13	14,800.00	0.06	JULIUS BAER BROKERAGE SA	407.66	3,000.00	0.14
GLOBAL SECURITIES INC. (ISTANBUL)	132.33	3,500.00	0.04	KAF DISCOUNTS BHD	107.70	12,100.00	0.01
GOLDMAN SACHS (ASIA) LLC	78.85	1,000.00	0.08	KAS-ASSOCIATIE N.V.	14,822.96	415,774.00	0.04
GOLDMAN SACHS (JAPAN) LTD.	4,971.01	81,300.00	0.06	KAUFMAN BROTHERS	954.30	25,130.00	0.04
GOLDMAN SACHS + CO	504,393.76	6,873,488,396.24	0.00	KB SECURITIES N V	145.80	800.00	0.18
GOLDMAN SACHS AND COMPANY	790.48	38,000.00	0.02	KBC BANK NV	2,719.74	20,532.00	0.13
GOLDMAN SACHS EXECUTION + CLEARING	36,418.66	3,684,840.00	0.01	KBC FINANCIAL PRODUCTS UK LTD	50,279.75	1,184,720.00	0.04
GOLDMAN SACHS INTERNATIONAL	3,510.03	494,120.00	0.01	KBC PEEL HUNT LTD	277.33	825,000.00	0.00
GOLDMAN SACHS INTERNATIONAL LONDON	61,597.62	4,996,621.00	0.01	KEEFE BRUYETTE + WOODS INC	27,413.75	626,424.00	0.04
GOODBODY STOCKBROKERS	4,507.14	278,224.00	0.02	KEEFE BRUYETTE AND WOOD LIMITED	1,153.81	5,500.00	0.21
GOODMORNING SHINHAN SECURITIES CO.	291.39	5,459.00	0.05	KELLOGG PARTNERS	21.12	1,056.00	0.02
GREAT PACIFIC SECURITIES INC.	2,257.51	74,417.00	0.03	KEPLER EQUITIES FRANKFURT BRANCH	71.17	670.00	0.11
GREENTREEBROKERAGE SERVICES INC	2,166.00	51,610.00	0.04	KEPLER EQUITIES PARIS	2,350.50	14,168.00	0.17
GRW CAPITAL CORPORATION	1,110.00	27,750.00	0.04	KEPLER EQUITIES ZURICH	329.21	5,950.00	0.06
GUNNALLFINANCIAL	60.90	2,030.00	0.03	KIM ENG SECS PTE LTD, SINGAPORE	429.33	906,000.00	0.00
GUZMAN + CO	28,312.69	923,635.00	0.03	KIM ENG SECURITIES	19,034.63	4,963,858.00	0.00
HANOVER NOMS	68.66	9,399.00	0.01	KING, CL & ASSOCIATES, INC	40,715.00	942,020.00	0.04
HARRIS NESBITT CORP.	1,022.55	23,803.00	0.04	KLEINWORTBENSON INTERNATIONAL	952.58	15,500.00	0.06
HC ISTANBUL	3,430.05	307,600.00	0.01	KLEINWORTBENSON SECURITIES LIMITED	50,336.47	18,645,886.00	0.00
HEFLIN + CO LLC	133,156.73	4,247,138.00	0.03	KNIGHT SECURITIES	21,965.87	756,464.00	0.03
HELVEA INC	1,142.73	1,757.00	0.65	LA BRANCHE FINANCIAL #2	117,752.33	3,942,106.00	0.03
HELVEA SA	334.57	3,443.00	0.10	LARRAIN VIAL	13,605.86	4,033,251.00	0.00
HG ASIA	6,694.29	713,120.00	0.01	LAZARD CAPITAL MARKETS	244.09	74,550.00	0.00
HIBERNIA SOUTHCOAST CAPITAL INC	5,779.00	115,580.00	0.05	LAZARD CAPITAL MARKETS LLC	5,568.75	173,575.00	0.03
HOEFER AND ARNETT INC.	105.00	2,100.00	0.05	LEERINK SWANN AND COMPANY	2,267.00	45,340.00	0.05
HONGKONG AND SHANGHAI BANKING CORP	2,474.18	1,181,200.00	0.00	LEGG MASON WOOD WALKER INC	3,149.37	4,860,457.45	0.00
HOWARD WEIL DIVISION LEGG MASON	1,225.10	24,502.00	0.05	LEHMAN BROTHERS INC	1,406.84	42,592.00	0.03
HSBC BANKPLC	10,655.01	4,808,671.00	0.00	LEHMAN BROTHERS	18,322.23	1,256,352.00	0.01
HSBC SECURITIES INC (JAMES CAPEL)	16,373.44	21,681,414.00	0.00	LEHMAN BROTHERS EMM	384.46	41,000.00	0.01
HUNTLEIGHSECURITIES CORPORATION	3,828.00	95,700.00	0.04	LEHMAN BROTHERS INC	364,248.53	1,919,247,392.26	0.00
HYUNDAI SECURITIES CO. LTD.	4,638.16	191,662.00	0.02	LEHMAN BROTHERS INTERNATIONAL (EUROPE)	225,388.48	25,752,138.00	0.01
IMPERIAL CAPITAL LLC	5,386.64	178,728.00	0.03	LEHMAN BROTHERS INTL (EUROPE) SEOUL BR	1,209.52	12,520.00	0.10
ING BANK N V	8,096.67	399,660.00	0.02	LEHMAN BROTHERS JAPAN INC, TOKYO	306.30	19,700.00	0.02
ING BARING SECURITIES LTD SEOUL	5,483.47	96,341.00	0.06	LEHMAN BROTHERS SECS (ASIA)	12,188.03	1,651,924.00	0.01
ING BARINGS CORP	40,031.37	3,930,030.00	0.01	LG INVESTMENT AND SECURITIES CO	356.91	17,500.00	0.02
INSTINET	81,101.66	5,021,962.00	0.02	LIQUIDNETEUROPE LIMITED	3,077.03	566,160.00	0.01
INSTINET CANADA	1,419.10	56,100.00	0.03	LIQUIDNETINC	182,724.34	8,488,069.00	0.02
INSTINET CLEARING SERVICES INC	22,701.14	868,866.00	0.03	LOMBARD, ODIER AND CIE	9,960.78	39,674.00	0.25
INSTINET EUROPE LIMITED	45.60	760.00	0.06	LONGBOW SECURITIES LLC	425.00	8,500.00	0.05
INSTINET FRANCE S.A.	5,480.78	167,471.00	0.03	LOOP CAPITAL MKTS LLC	2,225.49	57,650.00	0.04
INSTINET LONDON	1,546.42	4,000.00	0.39	LYNCH JONES AND RYAN INC	579.40	23,650.00	0.02
INSTINET PACIFIC LIMITED	23,049.66	2,563,551.00	0.01	M RAMSEY KING SECURITIES INC	8,835.00	209,750.00	0.04
INSTINET U.K. LTD	38,919.65	4,768,592.00	0.01	MACQUARIEEQUITIES LIMITED (SYDNEY)	19,624.18	1,286,536.00	0.02
INSTINETCLEARING SERVICES, INC.	5,439.92	168,642.00	0.03	MACQUARIEEQUITIES LTD	15,508.60	2,550,270.00	0.01
INSTITUTIONAL DIRECT INC	780.00	15,600.00	0.05	MACQUARIEEQUITIES NEW YORK	54,293.77	2,133,961.00	0.03
INTERMOBILIARE SECURITIES SIM SPA	11,520.65	206,600.00	0.06	MACQUARIESECURITIES (SINGAPORE)	375.93	34,705.00	0.01
INTERMONTE SEC SIM SPA	240.13	3,500.00	0.07	MACQUARIESECURITIES LIMITED	30,151.41	14,672,027.00	0.00
INVERLAT INTERNATIONAL	3,250.59	465,900.00	0.01	MACQUARIESECURITIES LTD SEOUL	60.80	2,020.00	0.03

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**SCHEDULE OF BROKERAGE COMMISSIONS (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Broker Name	\$ Commission	Shares/ Par Value	Avg Comm	Broker Name	\$ Commission	Shares/ Par Value	Avg Comm
MAGNA SECURITIES CORP	35,667.02	937,940.00	0.04	RAYMOND JAMES TRUST COMPANY	3,476.79	137,888.00	0.03
MAY FINANCIAL CORPORATION	91.90	1,838.00	0.05	RBC CAPITAL MARKETS	24,634.50	2,541,366.86	0.01
MCDONALD AND COMPANY SECURITIES, INC.	13,444.40	6,887,738.00	0.00	RBC DAIN RAUSCHER INC	41.40	27,395,653.15	0.00
MEDIOBANCA SPA	3,600.30	56,490.00	0.06	REDBURN PARTNERS LLP	16,593.06	414,539.00	0.04
MELVIN SECURITIES LLC	2,240.12	56,003.00	0.04	RENAISSANCE CAPITAL GROUP	12,158.00	300,700.00	0.04
MERRILL LYNCH	131.11	289,700.00	0.00	RENAISSANCE CAPITAL LTD	2,110.60	86,240.00	0.02
MERRILL LYNCH FAR EAST LTD	849.58	35,200.00	0.02	RICE VOELKER LLC	305.00	6,100.00	0.05
MERRILL LYNCH INTERNATIONAL	97,787.35	21,497,282.00	0.00	ROBBINS AND HENDERSON	926.22	46,311.00	0.02
MERRILL LYNCH JAPAN INCORPORATED	214.40	7,000.00	0.03	ROBERT VAN SECURITIES	1,802.20	37,884.00	0.05
MERRILL LYNCH PEIRCE FENNER AND S	119,319.99	8,405,921.00	0.01	ROCHDALE SEC CORP,(CLS THRU 443)	138,338.56	4,508,552.00	0.03
MERRILL LYNCH PROFESSIONAL CLEARING CORP	2,353.66	59,822.00	0.04	ROTH CAPITAL PARTNERS LLC	2,237.15	46,030.00	0.05
MERRILL LYNCH, PIERCE, FENNER + SMITH, INC	513,833.87	1,091,728,662.23	0.00	ROWAN DARTINGTON AND CO. LTD.	2,807.62	246,296.00	0.01
MERRIMAN CURHAN FORD + CO	1,391.55	84,496.00	0.02	RYAN BECK+ CO	641.90	12,838.00	0.05
MERRION CAPITAL GROUP	50.68	5,100.00	0.01	S.G. COWEN & CO., LLC	60,844.96	1,983,179.00	0.03
MESIROW FINANCIAL INC.	1,082.00	54,100.00	0.02	SALOMON SMITH BARNEY KOREA LTD	12,055.84	201,720.00	0.06
MIDWEST RESEARCH SECURITIES	8,813.95	228,973.00	0.04	SALOMON SMITH BARNEY SINGAPORE SECU	2,737.68	963,000.00	0.00
MILETUS TRADING LLC	4,642.70	307,759.00	0.02	SAMSUNG SECURITIES CO LTD	143,875.95	2,095,127.00	0.07
MILLER TABAK + COMPANY, LLC	155.01	115,501.00	0.00	SAMUEL A RAMIREZ + COMPANY INC	472.59	15,753.00	0.03
MISCHLER FINANCIAL GROUP, INC-EQUITIES	39.90	1,330.00	0.03	SANDERS MORRIS MUNDY	5,833.69	133,683.00	0.04
MIZUHO INTERNATIONAL PLC	7,501.48	480,530.00	0.02	SANDLER ONEILL + PART LP	9,000.50	276,810.00	0.03
MIZUHO SEC ASIA LTD	4,492.59	258,250.00	0.02	SANFORD C. BERNSTEIN LTD	23,675.69	869,965.00	0.03
MIZUHO SECURITIES CO., LTD	1,083.34	130,000.00	0.01	SANFORD CBERNSTEIN CO LLC	39,444.38	1,925,902.00	0.02
MIZUHO SECURITIES USA INC	12,236.12	197,691.00	0.06	SANTANDERCENTRAL HISPANO BOLSA	3,742.82	15,800,868.00	0.00
MJSK INC	3,788.00	94,700.00	0.04	SANTANDERCENTRAL HISPANO INVEST	35.72	91,517,200.00	0.00
MKM PARTNERS	7,964.20	197,870.00	0.04	SANTANDERINVESTMENT SECURITIES	238.14	89,300.00	0.00
MONTROSE SECURITIES EQUITIES	12,780.30	412,499.00	0.03	SANTANDERINVESTMENT SECURITIES INC	131.71	3,000.00	0.04
MONUMENT DERIVATIVES LTD LDN	263.06	66,100.00	0.00	SBC WARBURG LONDON	2,404.69	3,187,716.00	0.00
MOORS + CABOT INC	49,019.00	1,230,750.00	0.04	SBK BROOKS INVESTMENY CORP	310.80	10,360.00	0.03
MORGAN KEEGAN & CO INC	2,073.41	498,336.00	0.00	SCHONFIELD SECURITIES	472.00	47,200.00	0.01
MORGAN STANLEY	45.70	1,300.00	0.05	SCHONFIELD SECURITIES LLC PRIME BROKER	624.00	62,400.00	0.01
MORGAN STANLEY AND CO INTERNATIONAL	10,470.10	541,100.00	0.02	SCOTIA CAPITAL (USA) INC	1,256.80	839,400.00	0.00
MORGAN STANLEY AND CO. INTERNATIONAL	46,991.64	6,682,649.70	0.01	SCOTT + STRINGFELLOW, INC	27,314.52	5,046,523.00	0.01
MORGAN STANLEY CO INCORPORATED	385,572.07	2,654,410,789.36	0.00	SCREAMINGEAGLE TRADING INC	49,295.55	1,643,185.00	0.03
MORGAN STANLEY DW INC	1,556.00	38,900.00	0.04	SEAGROATT & CAMPBELL	128.76	14,600.00	0.01
MORGAN STANLEY SECURITIES LIMITED	6,044.27	489,150.00	0.01	SG AMERICAS SECURITIES, LLC	2,347.51	2,933,425.00	0.00
MR BEAL & COMPANY	2,987.75	67,212.00	0.04	SHINKO SECURITIES USA INC	7.25	20.00	0.36
NATIONAL FINANCIAL SERVICES CORP.	42,466.93	3,253,484.00	0.01	SHINYOUNGSECURITIES CO LTD	20,365.99	442,332.00	0.05
NCB STOCKBROKERS LTD	6,544.62	258,121.00	0.03	SIDOTI + COMPANY LLC	3,769.89	82,977.00	0.05
NEEDHAM + COMPANY	4,291.21	102,872.00	0.04	SIMMONS + COMPANY INTERNATIONAL	598.70	12,494.00	0.05
NEONET SECURITIES AB	206.66	2,695.00	0.08	SIS SEGAIINTERSETTLE AG	5,942.63	12,236.00	0.49
NEUBERGERAND BERMAN	20,310.51	771,082.00	0.03	SNS BANK NETHERLAND	585.43	7,500.00	0.08
NEUE ZURCHER BANK	220.05	504.00	0.44	SNS SECURITIES N V	73.22	1,100.00	0.07
NEXT GENERATION EQUITY RESEARCH LLC	363.70	7,274.00	0.05	SOCIETE GENERALE	1,565.31	14,727.00	0.11
NOMURA INTERNATIONAL (HONG KONG) LTD	2,029.53	252,600.00	0.01	SOCIETE GENERALE LONDON BRANCH	21,856.03	519,414.00	0.04
NOMURA INTERNATIONAL PLC	28,859.10	1,317,390.00	0.02	SOCIETE GENERALE SECURITIES	490.44	3,100.00	0.16
NOMURA SECURITIES CO LTD	2,304.63	41,800.00	0.06	SOLEIL SECURITIES	552.85	11,212.00	0.05
NOMURA SECURITIES CO., LTD.	634.14	34,000.00	0.02	SOUTHWESTSECURITIES	2,531.50	58,730.00	0.04
NOMURA SECURITIES INTERNATIONAL INC	66,358.78	17,114,281.24	0.00	SOUTHWESTSECURITIES, INC.	168.10	863,362.00	0.00
NOMURA SECURITIES SINGAPORE PTE LTD	286.56	300,000.00	0.00	SSANGYONGINVESTMENT AND SECURITIES	3,175.78	28,950.00	0.11
NUMIS SECURITIES LIMITED	6,118.61	430,338.00	0.01	STANDARD BANK OF SOUTH AFRICA LTD	308.77	2,000.00	0.15
NUTMEG SECURITIES	5,010.92	157,359.00	0.03	STANLEY (CHARLES) + CO LIMITED	1,237.67	42,700.00	0.03
NYFIX CLGCRP	891.53	58,200.00	0.02	STATE STREET BANK + TRUST CO LONDON	548.54	10,100.00	0.05
NYFIX TRANSACTION SERVICES #2	4,528.78	226,439.00	0.02	STATE STREET BANK AND TRUST CO	1,769.82	105,300.00	0.02
NZB NEUE ZUERCHER BANK	443.48	2,695.00	0.16	STATE STREET BROKERAGE EUROPE LIMIT	61.27	4,985.00	0.01
O NEIL, WILLIAM AND CO. INC/BCC CLRG	8,174.60	193,640.00	0.04	STATE STREET BROKERAGE SERVICES	344,757.81	25,671,757.81	0.01
ODD LOT SALE	22.45	802.00	0.03	STEPHENS, INC.	1,328.08	36,031,353.74	0.00
ODDO FINANCE	5,193.48	59,950.00	0.09	STERNE, AGEE & LEACH, INC.	2,175.80	43,516.00	0.05
OIEN SECURITIES, INC	62,758.64	1,946,591.00	0.03	STIFEL NICOLAUS + CO INC	1,843.96	264,214.00	0.01
OPPENHEIM, SAL., JR UND CIE KOELN	11,737.12	195,250.00	0.06	STOCKCROSS INCORPORATED	140.00	3,500.00	0.04
OPPENHEIMER & CO. INC.	29,956.09	833,785.00	0.04	STUDNESS RESEARCH	980.00	32,000.00	0.03
ORIEL SECURITIES LTD	3,232.59	3,680,000.00	0.00	SUNTRUST CAPITAL MARKETS, INC.	9,686.61	235,059.00	0.04
PACIFIC AMERICAN SECURITIES, LLC	25,506.51	738,773.00	0.03	SVENSKA HANDELSBANKEN	10,812.74	514,683.00	0.02
PACIFIC GROWTH EQUITIES	7,779.47	219,459.00	0.04	SVENSKA HANDELSBANKEN LONDON BRANCH	3,759.28	108,972.00	0.03
PANMURE GORDON AND CO LTD	3,046.50	50,000.00	0.06	SWISS AMERICAN SECURITIES INC	230.00	5,750.00	0.04
PARIBAS SECURITIES INC	6,374.85	464,000.00	0.01	THE BENCHMARK COMPANY, LLC	10,638.80	303,580.00	0.04
PCS DUNBAR SECURITIES	690.00	13,800.00	0.05	THEMIS TRADING LLC	10,531.01	421,240.00	0.03
PEEL HUNT+ COMPANY LIMITED	3,211.15	236,666.00	0.01	THINKQUITY PARTNERS LLC	1,323.37	33,837.00	0.04
PENSION FINANCIAL SERVICES INC	156.12	148,903.00	0.00	THOMAS WEISEL PARTNERS	21,928.12	694,102.00	0.03
PENSON FINANCIAL SERVICES INC	1,500.00	31,560.00	0.05	THOMAS WEISEL PARTNERS LLC	2,364.25	74,330.00	0.03
PEREIRE TOD LIMITED	397.99	4,900.00	0.08	TOKYO MITSUBISHI INTERNATIONAL PLC	15,002.49	434,620.00	0.03
PERSHING DIVISION OF DONALDSON LUFKIN	1,168.26	2,781,023.86	0.00	TOKYO SECURITIES CO. LTD	756.28	54,000.00	0.01
PERSHING DLJ S L	96,856.37	4,863,164.00	0.02	TOKYO-MITSUBISHI SECURITIES (USA)	2,794.67	58,200.00	0.05
PERSHING LLC	141,940.70	12,948,954.03	0.01	U S CLEARING INSTITUTIONAL TRADING	8,780.00	175,600.00	0.05
PERSHING SECURITIES LIMITED	136,543.85	16,923,795.00	0.01	U.S. BANCORP PIPER JAFFRAY INC	5,581.25	112,695.00	0.05
PERSHING SECURITIES LTD	16.21	362.00	0.04	UBS	1,795.92	8,755,600.00	0.00
PETERCAM S.A.	5,315.62	69,498.00	0.08	UBS AG	237,183.09	43,535,386.00	0.01
PICKERINGENERGY PARTNERS INC	165.80	3,316.00	0.05	UBS AG LONDON	175,103.88	10,969,431.75	0.02
PIPELINE TRADING SYSTEMS LLC	448.52	22,426.00	0.02	UBS AG/CUST LDN BRAN	117.00	3,200.00	0.04
PIPER JAFFRAY	28,008.36	670,022.00	0.04	UBS FINANCIAL SERVICES INC	214.50	3,091,444.89	0.00
PREFERREDTRADE, INC.	189.00	12,600.00	0.02	UBS PAINWEBBER SECURITIES LENDING	397.37	32,800.00	0.01
PRITCHARDCAPITAL PARTNERS LLC	4,536.00	90,720.00	0.05	UBS SECURITIES CANADA INC	180.34	4,300.00	0.04
PRUDENTIAL EQUITY GROUP	22,727.99	576,471.00	0.04	UBS SECURITIES LLC	703,088.27	2,130,159,685.14	0.00
PULSE TRADING LLC	144,406.12	7,219,256.00	0.02	UBS SECURITIES SINGAPORE PTE	10,969.62	1,519,639.00	0.01
RABOBANK INTL	2,536.24	54,835.00	0.05	UBS SECURITIES MALAYSIA SDN BHD	41.98	68,800.00	0.00
RABOBANK NEDERLAND	3,366.72	19,734.00	0.17	UBS WARBURG	296.16	5,600.00	0.05
RAYMOND JAMES AND ASSOCIATES INC	19,485.05	1,783,336.00	0.01	UBS WARBURG (HONG KONG) LIMITED	1,499.48	322,500.00	0.00

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**SCHEDULE OF BROKERAGE COMMISSIONS (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Broker Name	\$ Commission	Shares/ Par Value	Avg Comm	Broker Name	\$ Commission	Shares/ Par Value	Avg Comm
UBS WARBURG (JAPAN) LTD	2,231.97	327,915.00	0.01				
UBS WARBURG AUSTRALIA EQUITIES	44.69	3,930.00	0.01				
UBS WARBURG LLC	13,124.31	374,907.00	0.04				
UFJ INTERNATIONAL PLC	13,705.55	647,200.00	0.02				
UNIBANCO-UNIAO DE BANCOS BRASIL	609.21	95,169.00	0.01				
UNITED FINANCIAL GROUP	3,914.99	135,300.00	0.03				
UOB KAY HIAN (HONG KONG) LTD	6,052.82	5,558,643.00	0.00				
UOB KAY HIAN PRIVATE LIMITED	15,662.28	5,361,711.00	0.00				
UOB KAY HIAN SECURITIES (PHILS.	857.05	1,923,800.00	0.00				
USCO/SANTANDER	5,213.20	130,330.00	0.04				
UTENDAHL CAPITAL PARTNERS LP	90.50	1,810.00	0.05				
VANDHAM SECURITIES CORP	9,737.35	210,577.00	0.05				
WACHOVIA SECURITIES, LLC	13,017.82	36,241,429.12	0.00				
WACHOVIA CAPITAL MARKETS, LLC	10,585.33	10,030,485.00	0.00				
WARBURG DILLION READ (ASIA) LTD	208,324.47	38,689,926.00	0.01				
WARBURG DILLON READ SECURITIES LTD	4,093.79	59,790.00	0.07				
WAVE SECURITIES	3,242.01	359,939.00	0.01				
WAVE SECURITIES LLC	7,984.76	837,395.00	0.01				
WEDBUSH MORGAN SECURITIES INC	7,477.32	166,997.00	0.04				
WEEDEN + CO.	261,765.53	8,150,655.00	0.03				
WESTDEUTSCHE LANDESBANK GIROZENTRALE	1,033.30	19,540.00	0.05				
WILLIAM BLAIR & COMPANY, L.L.C	8,384.23	193,585.00	0.04				
WILLIAM SMITH SECURITIES	195.00	3,900.00	0.05				
WILLIAMS CAPITAL GROUP LP (THE)	154,564.01	5,625,928.00	0.03				
WILLIAMS DE BROE	18.10	2,000.00	0.01				
WINDHAM FINANCIAL SERVICES, INC.	425.00	8,500.00	0.05				
WOORI INVESTMENT SECURITIES	7,921.88	159,800.00	0.05				
WOORI SECURITIES	2.45	600.00	0.00				
WR HAMBRECHT + CO	9,230.94	230,559.00	0.04				
ZANNEX SECURITIES	10,358.88	622,764.00	0.02				
ZIONS DIRECT, INC.	55.20	920.00	0.06				
<b>Total</b>	<b>\$12,667,475.04</b>						

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**SCHEDULE OF NET ASSETS  
JUNE 30, 2006**

	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
<b>ASSETS</b>									
Investments in Securities, at Fair Value									
Cash Reserve Fund	\$ -	\$90,843,478	\$772,700,385	\$80,889,412	\$68,221,329	\$9,470,748	\$80,457,680	\$(1,102,583,032)	\$ -
Cash Equivalents	806,140,136	-	14,639,781	-	-	-	-	-	820,779,917
Asset Backed Securities	239,173,459	-	194,890,055	-	-	-	-	-	434,063,514
Government Securities	13,004,057	-	1,651,153,001	-	-	-	-	-	1,664,157,058
Government Agency Securities	38,065,924	-	1,498,706,854	-	-	-	-	-	1,536,772,778
Mortgage Backed Securities	28,747,100	-	941,603,360	-	-	459,528	-	-	970,809,988
Corporate Debt	258,001,334	-	1,682,536,698	-	-	-	-	-	1,940,538,032
Convertible Securities	-	-	42,872,502	2,355,901	-	-	-	-	45,228,403
Common Stock	-	8,783,594,845	25,399,321	5,071,535,630	-	8,261,838	-	-	13,888,791,634
Preferred Stock	-	-	2,141,537	98,785,290	-	-	-	-	100,926,827
Real Estate Investment Trust	-	108,360,885	3,071,171	1,666,784	-	-	-	-	113,098,840
Mutual Fund	-	-	222,822,721	137,433,557	-	-	-	-	360,256,278
Limited Liability Corporation	-	-	-	-	-	-	10,769,746	-	10,769,746
Trusts	-	-	-	-	53,199,123	-	-	-	53,199,123
Limited Partnerships	-	244,560	-	-	276,732,554	-	1,266,290,688	-	1,543,267,802
Annuities	-	-	-	-	238,102	-	-	-	238,102
Total Investments in Securities, at Fair Value	1,383,132,010	8,983,043,768	7,052,537,386	5,392,666,574	398,391,108	18,192,114	1,357,518,114	(1,102,583,032)	23,482,898,042
Cash	-	10,583,929	14,844,141	28,084,143	-	-	165,746	-	53,677,919
Receivables	-	-	-	-	-	-	-	-	-
Foreign Exchange Contracts	-	-	25,544,591	12,901,729,466	-	-	-	-	12,927,274,057
Interest Receivable	5,828,867	392,978	76,208,115	376,237	256,838	3,975	382,491	(4,532,759)	78,916,742
Dividends Receivable	-	9,390,254	17,314	8,799,321	-	-	-	-	18,206,889
Due from Brokers	-	42,366,164	192,213,658	22,066,159	-	-	-	-	256,645,981
Foreign Taxes	-	68,557	3,943	2,104,574	-	-	-	-	2,177,074
Securities Lending Receivable	-	215,537	168,998	599,864	-	-	-	-	984,399
Reserve for Doubtful Receivables	-	(552)	(9,097,421)	(58,603)	-	-	-	-	(9,156,576)
Total Receivables	5,828,867	52,432,938	285,059,198	12,935,617,018	256,838	3,975	382,491	(4,532,759)	13,275,048,566
Invested Securities Lending Collateral	-	944,608,251	1,031,816,033	838,722,422	-	-	-	-	2,815,146,706
Prepaid Expenses	-	-	-	-	95,465	7,662	1,926,982	-	2,030,109
<b>Total Assets</b>	<b>1,388,960,877</b>	<b>9,990,668,886</b>	<b>8,384,256,718</b>	<b>19,195,090,157</b>	<b>398,743,411</b>	<b>18,203,751</b>	<b>1,359,993,333</b>	<b>(1,107,115,791)</b>	<b>39,628,801,342</b>
<b>LIABILITIES</b>									
Payables									
Foreign Exchange Contracts	-	-	25,733,692	12,965,431,221	-	-	-	-	12,991,164,913
Due to Brokers	-	43,940,491	904,973,182	26,964,256	-	-	-	-	975,877,929
Income Distribution	5,309,495	-	-	-	-	-	-	(4,520,903)	788,592
Total Payables	5,309,495	43,940,491	930,706,874	12,992,395,477	-	-	-	(4,520,903)	13,967,831,434
Securities Lending Collateral	-	944,608,251	1,031,816,033	838,722,422	-	-	-	-	2,815,146,706
Accrued Expenses	58,450	19,754,292	2,552,271	6,697,073	-	-	-	(11,856)	29,050,230
<b>Total Liabilities</b>	<b>5,367,945</b>	<b>1,008,303,034</b>	<b>1,965,075,178</b>	<b>13,837,814,972</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,532,759)</b>	<b>16,812,028,370</b>
<b>NET ASSETS</b>	<b>\$1,383,592,932</b>	<b>\$8,982,365,852</b>	<b>\$6,419,181,540</b>	<b>\$5,357,275,185</b>	<b>\$ 398,743,411</b>	<b>\$18,203,751</b>	<b>\$1,359,993,333</b>	<b>\$(1,102,583,032)</b>	<b>22,816,772,972</b>
Units Outstanding	1,383,592,932	9,620,184	57,292,024	15,413,391	7,053,301	306,947	24,569,883		
Net Asset Value and Redemption Price per Unit	\$1.00	\$933.70	\$112.04	\$347.57	\$56.53	\$59.31	\$55.35		

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**SCHEDULE OF CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	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
<b>ADDITIONS</b>									
<b>OPERATIONS</b>									
<b>Investment Income</b>									
Dividends	\$ -	\$149,610,734	\$11,698,294	\$139,763,454	\$6,029,681	\$1,959,193	\$216,504,395	\$ -	\$525,565,751
Interest	60,527,772	5,245,411	322,999,896	3,852,063	1,085,773	16,741	4,083,110	(47,024,285)	350,786,481
Other Income	293,565	1,969,862	17,764	329,928	77,256	44	5,872	(228,072)	2,466,219
Securities Lending	-	32,100,786	51,878,302	38,167,755	-	-	-	-	122,146,843
<b>Total Income</b>	<b>60,821,337</b>	<b>188,926,793</b>	<b>386,594,256</b>	<b>182,113,200</b>	<b>7,192,710</b>	<b>1,975,978</b>	<b>220,593,377</b>	<b>(47,252,357)</b>	<b>1,000,965,294</b>
<b>Investment Expenses</b>									
Investment Advisory Fees	271,123	25,959,765	7,355,194	25,266,303	837,532	183,500	4,702,362	(210,637)	64,365,142
Custody and Transfer Agent Fees	179	60,204	14,186	21,233	1,319	-	-	(139)	96,982
Professional Fees	30,227	261,024	129,716	125,529	590,270	397	846,531	(23,483)	1,960,211
Security Lending Fees	-	505,515	706,078	1,195,140	-	-	-	-	2,406,733
Security Lending Rebates	-	29,451,218	48,358,606	31,038,894	-	-	-	-	108,848,718
Investment Expenses	-	-	-	330,982	-	-	-	-	330,982
<b>Total Investment Expenses</b>	<b>301,529</b>	<b>56,237,726</b>	<b>56,563,780</b>	<b>57,978,081</b>	<b>1,429,121</b>	<b>183,897</b>	<b>5,548,893</b>	<b>(234,259)</b>	<b>178,008,768</b>
<b>Net Investment Income</b>	<b>60,519,808</b>	<b>132,689,067</b>	<b>330,030,476</b>	<b>124,135,119</b>	<b>5,763,589</b>	<b>1,792,081</b>	<b>215,044,484</b>	<b>(47,018,098)</b>	<b>822,956,526</b>
<b>Net Realized Gain (Loss)</b>	<b>(8,230)</b>	<b>528,852,700</b>	<b>(53,478,690)</b>	<b>706,355,072</b>	<b>37,491,709</b>	<b>(31,989)</b>	<b>(333,155,492)</b>	<b>6,394</b>	<b>886,031,474</b>
<b>Net Change in Unrealized Gain/(Loss) on Investments and Foreign Currency</b>	<b>-</b>	<b>188,685,125</b>	<b>(222,605,217)</b>	<b>300,209,168</b>	<b>(19,310,239)</b>	<b>(8,330)</b>	<b>273,459,623</b>	<b>-</b>	<b>520,430,130</b>
<b>Net Increase (Decrease) in Net Assets Resulting from Operations</b>	<b>60,511,578</b>	<b>850,226,892</b>	<b>53,946,569</b>	<b>1,130,699,359</b>	<b>23,945,059</b>	<b>1,751,762</b>	<b>155,348,615</b>	<b>(47,011,704)</b>	<b>2,229,418,130</b>
<b>Unit Transactions</b>									
Purchase of Units by Participants	2,809,551,009	-	385,675,000	-	81,500,000	-	30,767,471	(1,477,661,567)	1,829,831,913
<b>TOTAL ADDITIONS</b>	<b>2,870,062,587</b>	<b>850,226,892</b>	<b>439,621,569</b>	<b>1,130,699,359</b>	<b>105,445,059</b>	<b>1,751,762</b>	<b>186,116,086</b>	<b>(1,524,673,271)</b>	<b>4,059,250,043</b>
<b>DEDUCTIONS</b>									
<b>Administrative Expenses:</b>									
Salary and Fringe Benefits	(126,096)	(1,092,895)	(519,458)	(588,590)	(215,438)	(14,397)	(499,977)	97,965	(2,958,886)
<b>Distributions to Unit Owners:</b>									
Income Distributed	(60,385,485)	(121,789,550)	(293,302,171)	(104,884,693)	(61,396,627)	(1,564,409)	(206,124,351)	46,913,739	(802,533,547)
<b>Unit Transactions:</b>									
Redemption of Units by Participants	(3,004,267,283)	(20,100,000)	(7,000,000)	(156,800,000)	(44,700,000)	(2,306,800)	(60,000,000)	1,559,039,841	(1,736,134,242)
<b>TOTAL DEDUCTIONS</b>	<b>(3,064,778,864)</b>	<b>(142,982,445)</b>	<b>(300,821,629)</b>	<b>(262,273,283)</b>	<b>(106,312,065)</b>	<b>(3,885,606)</b>	<b>(266,624,328)</b>	<b>1,606,051,545</b>	<b>(2,541,626,675)</b>
<b>CHANGE IN NET ASSETS</b>	<b>(194,716,277)</b>	<b>707,244,447</b>	<b>138,799,940</b>	<b>868,426,076</b>	<b>(867,006)</b>	<b>(2,133,844)</b>	<b>(80,508,242)</b>	<b>81,378,274</b>	<b>1,517,623,368</b>
<b>Net Assets- Beginning of Period</b>	<b>1,578,309,209</b>	<b>8,275,121,405</b>	<b>6,280,381,600</b>	<b>4,488,849,109</b>	<b>399,610,417</b>	<b>20,337,595</b>	<b>1,440,501,575</b>	<b>(1,183,961,306)</b>	<b>21,299,149,602</b>
<b>Net Assets- End of Period</b>	<b>\$1,383,592,932</b>	<b>\$8,982,365,852</b>	<b>\$6,419,181,540</b>	<b>\$5,357,275,185</b>	<b>\$398,743,411</b>	<b>\$18,203,751</b>	<b>\$1,359,993,333</b>	<b>\$(1,102,583,032)</b>	<b>\$22,816,772,972</b>
Other Information:									
Units									
Purchased	2,809,551,009	-	3,383,108	-	1,370,411	-	538,345		
Redeemed	(3,004,267,283)	(21,657)	(62,189)	(499,476)	(730,227)	(39,184)	(1,042,694)		
Net Increase (Decrease)	(194,716,274)	(21,657)	3,320,919	(499,476)	640,184	(39,184)	(504,349)		

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**SCHEDULE OF CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	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
<b>ADDITIONS</b>									
<b>OPERATIONS</b>									
<b>Investment Income</b>									
Dividends	\$ -	\$141,133,094	\$ 3,879,735	\$115,606,645	\$ 6,757,260	\$3,143,831	\$229,719,277	\$ -	\$500,239,842
Interest	36,687,375	2,297,117	286,037,238	680,412	225,403	13,924	2,307,175	(26,196,043)	302,052,601
Other Income	-	2,437,742	-	364,146	5,215	74	15,134,224	-	17,941,401
Securities Lending	-	12,536,196	27,643,006	17,898,569	-	-	-	-	58,077,771
<b>Total Investment Income</b>	<b>36,687,375</b>	<b>158,404,149</b>	<b>317,559,979</b>	<b>134,549,772</b>	<b>6,987,878</b>	<b>3,157,829</b>	<b>247,160,676</b>	<b>(26,196,043)</b>	<b>878,311,615</b>
<b>Investment Expenses</b>									
Investment Advisory Fees	298,665	22,668,229	6,121,336	23,670,373	946,826	249,911	2,962,173	(213,257)	56,704,256
Custody and Transfer Agent Fees	64,966	161,176	123,059	1,330,557	36,437	1,510	236,475	(46,388)	1,907,792
Professional Fees	59,309	312,472	185,991	170,293	308,471	906	2,222,415	(42,349)	3,217,508
Security Lending Fees	-	492,527	901,319	1,547,604	-	-	-	-	2,941,450
Security Lending Rebates	-	10,793,561	24,559,261	11,998,879	-	-	-	-	47,351,701
Investment Expenses	-	-	-	-	-	-	-	-	-
<b>Total Investment Expenses</b>	<b>422,940</b>	<b>34,427,965</b>	<b>31,890,966</b>	<b>38,717,706</b>	<b>1,291,734</b>	<b>252,327</b>	<b>5,421,063</b>	<b>(301,994)</b>	<b>112,122,707</b>
<b>Net Investment Income</b>	<b>36,264,435</b>	<b>123,976,184</b>	<b>285,669,013</b>	<b>95,832,066</b>	<b>5,696,144</b>	<b>2,905,502</b>	<b>241,739,613</b>	<b>(25,894,049)</b>	<b>766,188,908</b>
<b>Net Realized Gain (Loss)</b>	<b>(258,639)</b>	<b>439,057,365</b>	<b>24,035,026</b>	<b>353,155,991</b>	<b>14,357,352</b>	<b>(437,252)</b>	<b>(131,430,367)</b>	<b>184,677</b>	<b>698,664,153</b>
<b>Net Change in Unrealized Gain/(Loss) on Investments and Foreign Currency</b>	<b>-</b>	<b>58,160,686</b>	<b>138,945,161</b>	<b>308,428,991</b>	<b>69,397,342</b>	<b>(546,694)</b>	<b>16,769,617</b>	<b>-</b>	<b>591,155,103</b>
<b>Net Increase (Decrease) in Net Assets Resulting from Operations</b>	<b>36,005,796</b>	<b>621,194,235</b>	<b>448,649,200</b>	<b>757,417,048</b>	<b>89,450,838</b>	<b>1,921,556</b>	<b>127,078,863</b>	<b>(25,709,372)</b>	<b>2,056,008,164</b>
<b>Unit Transactions</b>									
Purchase of Units by Participants	3,532,661,527	-	261,462,800	81,000,000	18,000,000	-	74,000,000	(2,334,801,143)	1,632,323,184
<b>TOTAL ADDITIONS</b>	<b>3,568,667,323</b>	<b>621,194,235</b>	<b>710,112,000</b>	<b>838,417,048</b>	<b>107,450,838</b>	<b>1,912,556</b>	<b>201,078,863</b>	<b>(2,360,510,515)</b>	<b>3,688,331,348</b>
<b>DEDUCTIONS</b>									
Administrative Expenses									
Salary and Fringe Benefits	(140,692)	(991,718)	(479,672)	(491,217)	(198,689)	(15,525)	(462,594)	100,459	(2,679,648)
<b>Distributions to Unit Owners</b>									
Income Distributed	(35,865,104)	(126,079,905)	(278,621,458)	(82,360,081)	(27,479,388)	(3,364,012)	(331,480,730)	25,608,923	(859,641,755)
<b>Unit Transactions</b>									
Redemption of Units by Participants	(3,354,158,052)	(60,000)	(70,500)	(270,000,000)	(48,700,000)	(14,608,900)	(214,000,000)	2,185,347,333	(1,716,250,119)
<b>TOTAL DEDUCTIONS</b>	<b>(3,390,163,848)</b>	<b>(127,131,623)</b>	<b>(279,171,630)</b>	<b>(352,851,298)</b>	<b>(76,378,077)</b>	<b>(17,988,437)</b>	<b>(545,943,324)</b>	<b>2,211,056,715</b>	<b>(2,578,571,522)</b>
<b>CHANGE IN NET ASSETS</b>	<b>178,503,475</b>	<b>494,062,612</b>	<b>430,940,370</b>	<b>485,565,750</b>	<b>31,072,761</b>	<b>(16,066,881)</b>	<b>(344,864,461)</b>	<b>(149,453,800)</b>	<b>1,109,759,826</b>
<b>Net Assets- Beginning of Period</b>	<b>1,399,805,734</b>	<b>7,781,058,793</b>	<b>5,849,441,230</b>	<b>4,003,283,359</b>	<b>368,537,656</b>	<b>36,404,476</b>	<b>1,785,366,036</b>	<b>(1,034,507,508)</b>	<b>20,189,389,776</b>
<b>Net Assets- End of Period</b>	<b>\$1,578,309,209</b>	<b>\$8,275,121,405</b>	<b>\$6,280,381,600</b>	<b>\$4,488,849,109</b>	<b>\$399,610,417</b>	<b>\$20,337,595</b>	<b>\$1,440,501,575</b>	<b>\$(1,183,961,308)</b>	<b>\$21,299,149,602</b>
Other Information:									
Units									
Purchased	3,532,661,527	-	2,275,425	306,694	337,459	-	1,237,320		
Redeemed	(3,354,158,052)	70	(609)	(998,631)	(909,481)	(234,027)	(3,539,298)		
Net Increase (Decrease)	<u>178,503,475</u>	<u>70</u>	<u>2,274,816</u>	<u>(691,937)</u>	<u>(572,022)</u>	<u>(234,027)</u>	<u>(2,301,978)</u>		

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**TOTAL NET ASSET VALUE BY PENSION PLANS AND TRUST FUNDS  
JUNE 30, 2006**

**Retirement Funds**

**Net Asset Value**

Teachers' Retirement Fund	\$12,189,855,336
State Employees' Retirement Fund	8,774,085,838
Municipal Employees' Retirement Fund	1,501,120,450
State Judges' Retirement Fund	163,758,464
The Probate Court Retirement Fund	77,321,233
State's Attorneys Retirement Fund	771,280

**Non-retirement Trust Funds**

Soldiers' Sailors' & Marines' Fund	59,418,171
Police & Firemans' Survivors' Benefit Fund	19,634,650
Connecticut Arts Endowment Fund	15,831,803
School Fund	9,174,249
Ida Eaton Cotton Fund	2,062,638
Hopemead Fund	2,162,093
Andrew Clark Fund	970,158
Agricultural College Fund	606,609
<b>TOTAL</b>	<b><u>\$22,816,772,972</u></b>

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**SCHEDULE OF INVESTMENT ACTIVITY BY PENSION PLAN  
FOR THE FISCAL YEAR ENDING JUNE 30, 2006**

	CASH RESERVE FUND	MUTUAL EQUITY FUND	MUTUAL FIXED INCOME FUND	INTER- NATIONAL STOCK FUND	REAL ESTATE FUND	COMMERCIAL MORTGAGE FUND	PRIVATE INVESTMENT FUND	TOTALS
<b>Teachers' Retirement Fund</b>								
Book Value at June 30, 2005	\$ 144,657,243	\$ 979,878,706	\$ 2,896,689,828	\$ 1,328,258,246	\$ 233,982,553	\$ 14,128,925	\$ 1,194,972,388	\$ 6,792,567,889
Market Value at June 30, 2005	\$ 144,657,243	\$ 4,527,233,120	\$ 3,254,104,758	\$ 2,450,550,476	\$ 217,765,634	\$ 11,093,174	\$ 786,742,249	\$ 11,392,146,654
Shares Purchased	924,923,805	-	60,000,000	-	44,145,702	-	13,292,439	1,042,361,946
Shares Redeemed	(841,644,281)	(11,441,194)	-	(112,276,126)	(26,497,793)	(1,258,247)	(33,946,404)	(1,027,064,045)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	9,153,663	-	56,734,332	(2,533,757)	(341,224)	(17,462,327)	45,550,687
Net Investment Income Earned	7,510,561	66,628,107	147,963,501	56,751,113	33,405,050	853,310	112,446,196	425,557,838
Net Investment Income Distributed	(7,510,561)	(66,628,107)	(147,963,501)	(56,751,113)	(33,405,050)	(853,310)	(112,446,196)	(425,557,838)
Changes in Market Value of Fund Shares	-	388,778,659	(122,180,837)	498,148,187	(17,955,177)	435,563	(10,366,301)	736,860,094
Market Value at June 30, 2006	\$ 227,936,767	\$ 4,913,724,248	\$ 3,191,923,921	\$ 2,893,156,869	\$ 214,924,609	\$ 9,929,266	\$ 738,259,656	\$ 12,189,855,336
Book Value at June 30, 2006	\$ 227,936,767	\$ 977,591,175	\$ 2,956,689,828	\$ 1,272,716,452	\$ 249,096,705	\$ 12,529,454	\$ 1,156,856,096	\$ 6,853,416,477
Shares Outstanding	227,936,767	5,262,637	28,488,333	8,323,888	3,801,763	167,425	13,337,531	287,318,345
Market Value per Share	\$ 1.00	\$ 933.70	\$ 112.04	\$ 347.57	\$ 56.53	\$ 59.31	\$ 55.35	
<b>State Employees' Retirement Fund</b>								
Book Value at June 30, 2005	\$ 188,183,013	\$ 695,797,381	\$ 2,141,437,403	\$ 936,901,403	\$ 164,965,311	\$ 9,897,469	\$ 840,041,512	\$ 4,977,223,492
Market Value at June 30, 2005	\$ 188,183,013	\$ 3,132,797,949	\$ 2,409,205,362	\$ 1,730,172,441	\$ 153,803,455	\$ 7,812,593	\$ 553,344,854	\$ 8,175,319,667
Shares Purchased	331,438,658	-	247,000,000	-	31,594,088	-	9,755,737	619,788,483
Shares Redeemed	(484,384,684)	(8,066,500)	-	(37,793,276)	(15,395,339)	(886,149)	(21,359,074)	(567,885,022)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	6,412,492	-	20,130,869	(1,234,854)	(234,300)	(11,037,605)	14,036,602
Net Investment Income Earned	4,772,968	46,105,456	115,359,077	40,857,311	23,675,143	600,960	79,136,005	310,506,920
Net Investment Income Distributed	(4,772,968)	(46,105,456)	(115,359,077)	(40,857,311)	(23,675,143)	(600,960)	(79,136,005)	(310,506,920)
Changes in Market Value of Fund Shares	-	268,956,510	(93,570,910)	379,111,635	(13,294,281)	300,741	(8,677,587)	532,826,108
Market Value at June 30, 2006	\$ 35,236,987	\$ 3,400,100,451	\$ 2,562,634,452	\$ 2,091,621,669	\$ 155,473,069	\$ 6,992,885	\$ 522,026,325	\$ 8,774,085,838
Book Value at June 30, 2006	\$ 35,236,987	\$ 694,143,373	\$ 2,388,437,403	\$ 919,238,996	\$ 179,929,206	\$ 8,777,020	\$ 817,400,570	\$ 5,043,163,555
Shares Outstanding	35,236,987	3,641,534	22,871,844	6,017,795	2,750,136	117,912	9,431,021	80,067,228
Market Value per Share	\$ 1.00	\$ 933.70	\$ 112.04	\$ 347.57	\$ 56.53	\$ 59.31	\$ 55.35	
<b>Municipal Employees' Retirement Fund</b>								
Book Value at June 30, 2005	\$ 45,608,968	\$ 112,624,999	\$ 409,271,698	\$ 143,694,049	\$ 25,728,625	\$ 1,539,372	\$ 133,437,026	\$ 871,904,737
Market Value at June 30, 2005	\$ 45,608,968	\$ 518,364,221	\$ 451,439,748	\$ 265,348,152	\$ 24,079,630	\$ 1,223,755	\$ 88,772,952	\$ 1,394,837,426
Shares Purchased	61,259,514	-	61,900,000	-	4,946,403	-	7,493,011	135,598,928
Shares Redeemed	(92,690,045)	(507,394)	(7,000,000)	(5,796,171)	(2,410,311)	(138,803)	(4,266,200)	(112,808,924)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	401,019	375,666	3,087,261	(183,742)	(35,461)	(2,084,475)	1,560,268
Net Investment Income Earned	1,053,339	7,631,794	22,062,480	6,266,088	3,706,605	94,133	12,876,071	53,690,510
Net Investment Income Distributed	(1,053,339)	(7,631,794)	(22,062,480)	(6,266,088)	(3,706,605)	(94,133)	(12,876,071)	(53,690,510)
Changes in Market Value of Fund Shares	-	45,143,137	(18,076,993)	58,142,626	(2,090,956)	45,868	(1,230,930)	81,932,752
Market Value at June 30, 2006	\$ 14,178,437	\$ 563,400,983	\$ 488,638,421	\$ 320,781,868	\$ 24,341,024	\$ 1,095,359	\$ 88,684,358	\$ 1,501,120,450
Book Value at June 30, 2006	\$ 14,178,437	\$ 112,518,624	\$ 464,547,364	\$ 140,985,139	\$ 28,080,975	\$ 1,365,108	\$ 134,579,362	\$ 896,255,009
Shares Outstanding	14,178,437	603,407	4,361,161	922,920	430,564	18,470	1,602,187	22,117,146
Market Value per Share	\$ 1.00	\$ 933.70	\$ 112.04	\$ 347.57	\$ 56.53	\$ 59.31	\$ 55.35	

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**SCHEDULE OF INVESTMENT ACTIVITY BY PENSION PLAN (Continued)  
FOR THE FISCAL YEAR ENDING JUNE 30, 2006**

	CASH RESERVE FUND	MUTUAL EQUITY FUND	MUTUAL FIXED INCOME FUND	INTER- NATIONAL STOCK FUND	REAL ESTATE FUND	COMMERCIAL MORTGAGE FUND	PRIVATE INVESTMENT FUND	TOTALS
<b>Probate Court Retirement Fund</b>								
Book Value at June 30, 2005	\$ 4,379,278	\$ 5,608,744	\$ 17,747,797	\$ 8,959,848	\$ 1,477,507	\$ 91,287	\$ 3,988,268	\$ 42,252,729
Market Value at June 30, 2005	\$ 4,379,278	\$ 26,628,157	\$ 20,378,759	\$ 16,577,446	\$ 1,377,854	\$ 71,374	\$ 2,668,768	\$ 72,081,636
Shares Purchased	2,844,813	-	4,300,000	-	283,037	-	51,874	7,479,724
Shares Redeemed	(6,722,129)	(26,065)	-	(362,112)	(137,920)	(8,094)	(98,191)	(7,354,511)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	20,768	-	193,203	(11,029)	(2,236)	(48,561)	152,145
Net Investment Income Earned	96,937	392,041	1,034,270	391,468	212,093	5,491	381,941	2,514,241
Net Investment Income Distributed	(96,937)	(392,041)	(1,034,270)	(391,468)	(212,093)	(5,491)	(381,941)	(2,514,241)
Changes in Market Value of Fund Shares	-	2,318,821	(825,476)	3,632,095	(119,129)	2,845	(46,917)	4,962,239
Market Value at June 30, 2006	\$ 501,962	\$ 28,941,681	\$ 23,853,283	\$ 20,040,632	\$ 1,392,813	\$ 63,889	\$ 2,526,973	\$ 77,321,233
Book Value at June 30, 2006	\$ 501,962	\$ 5,603,447	\$ 22,047,797	\$ 8,790,939	\$ 1,611,595	\$ 80,957	\$ 3,893,390	\$ 42,530,087
Shares Outstanding	501,962	30,997	212,894	57,659	24,637	1,077	45,653	874,878
Market Value per Share	\$ 1.00	\$ 933.70	\$ 112.04	\$ 347.57	\$ 56.53	\$ 59.31	\$ 55.35	
<b>Judges' Retirement Fund</b>								
Book Value at June 30, 2005	\$ 8,717,703	\$ 12,521,422	\$ 50,094,126	\$ 14,258,424	\$ 2,417,551	\$ 151,280	\$ 13,530,710	\$ 101,691,216
Market Value at June 30, 2005	\$ 8,717,703	\$ 52,189,633	\$ 54,291,323	\$ 26,200,594	\$ 2,222,744	\$ 120,547	\$ 8,972,752	\$ 152,715,296
Shares Purchased	6,402,549	-	11,100,000	-	456,593	-	174,409	18,133,551
Shares Redeemed	(13,806,466)	(51,085)	-	(572,316)	(222,491)	(13,673)	(330,132)	(14,996,163)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	39,258	-	303,518	(21,106)	(3,452)	(167,742)	150,476
Net Investment Income Earned	191,578	768,380	2,743,185	618,716	342,151	9,273	1,284,138	5,957,421
Net Investment Income Distributed	(191,578)	(768,380)	(2,743,185)	(618,716)	(342,151)	(9,273)	(1,284,138)	(5,957,421)
Changes in Market Value of Fund Shares	-	4,546,188	(2,195,573)	5,742,349	(188,868)	4,478	(153,270)	7,755,304
Market Value at June 30, 2006	\$ 1,313,786	\$ 56,723,994	\$ 63,195,750	\$ 31,674,145	\$ 2,246,872	\$ 107,900	\$ 8,496,017	\$ 163,758,464
Book Value at June 30, 2006	\$ 1,313,786	\$ 12,509,595	\$ 61,194,126	\$ 13,989,626	\$ 2,630,547	\$ 134,155	\$ 13,207,245	\$ 104,979,080
Shares Outstanding	1,313,786	60,752	564,030	91,130	39,745	1,819	153,491	2,224,752
Market Value per Share	\$ 1.00	\$ 933.70	\$ 112.04	\$ 347.57	\$ 56.53	\$ 59.31	\$ 55.35	
<b>State's Attorneys' Retirement Fund</b>								
Book Value at June 30, 2005	\$ 55,286	\$ 38,583	\$ 420,640	\$ -	\$ 4,541	\$ -	\$ -	\$ 519,050
Market Value at June 30, 2005	\$ 55,286	\$ 195,090	\$ 463,204	\$ -	\$ 4,634	\$ -	\$ -	\$ 718,214
Shares Purchased	54,703	-	75,000	-	952	-	-	130,655
Shares Redeemed	(75,470)	-	-	-	(463)	-	-	(75,933)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	-	-	-	5	-	-	5
Net Investment Income Earned	1,492	2,875	22,923	-	714	-	-	28,004
Net Investment Income Distributed	(1,492)	(2,875)	(22,923)	-	(714)	-	-	(28,004)
Changes in Market Value of Fund Shares	-	17,151	(18,372)	-	(440)	-	-	(1,661)
Market Value at June 30, 2006	\$ 34,519	\$ 212,241	\$ 519,832	\$ -	\$ 4,688	\$ -	\$ -	\$ 771,280
Book Value at June 30, 2006	\$ 34,519	\$ 38,583	\$ 495,640	\$ -	\$ 5,035	\$ -	\$ -	\$ 573,777
Shares Outstanding	34,519	227	4,640	-	83	-	-	39,469
Market Value per Share	\$ 1.00	\$ 933.70	\$ 112.04	\$ -	\$ 56.53	\$ -	\$ -	

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**SCHEDULE OF INVESTMENT ACTIVITY BY TRUST  
FOR THE FISCAL YEAR ENDING JUNE 30, 2006**

	<b>CASH RESERVE FUND</b>	<b>MUTUAL EQUITY FUND</b>	<b>MUTUAL FIXED INCOME FUND</b>	<b>INTER- NATIONAL STOCK FUND</b>	<b>REAL ESTATE FUND</b>	<b>COMMERCIAL MORTGAGE FUND</b>	<b>PRIVATE INVESTMENT FUND</b>	<b>TOTALS</b>
<b>Soldiers' Sailors' &amp; Marines' Fund</b>								
Book Value at June 30, 2005	\$ 60,041	\$ 1,095,686	\$ 49,098,734	\$ -	\$ -	\$ -	\$ -	\$ 50,254,461
Market Value at June 30, 2005	\$ 60,041	\$ 5,887,498	\$ 54,995,898	\$ -	\$ -	\$ -	\$ -	\$ 60,943,437
Shares Purchased	2,571,561	-	-	-	-	-	-	2,571,561
Shares Redeemed	(2,571,561)	-	-	-	-	-	-	(2,571,561)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	-	-	-	-	-	-	-
Net Investment Income Earned	3,861	86,744	2,480,955	-	-	-	-	2,571,560
Net Investment Income Distributed	(3,861)	(86,744)	(2,480,955)	-	-	-	-	(2,571,560)
Changes in Market Value of Fund Shares	-	517,571	(2,042,837)	-	-	-	-	(1,525,266)
Market Value at June 30, 2006	\$ 60,041	\$ 6,405,069	\$ 52,953,061	\$ -	\$ -	\$ -	\$ -	\$ 59,418,171
Book Value at June 30, 2006	\$ 60,041	\$ 1,095,686	\$ 49,098,734	\$ -	\$ -	\$ -	\$ -	\$ 50,254,461
Shares Outstanding	60,041	6,860	472,613	-	-	-	-	539,514
Market Value per Share	\$ 1.00	\$ 933.70	\$ 112.04	\$ -	\$ -	\$ -	\$ -	
<b>Endowment for the Arts</b>								
Book Value at June 30, 2005	\$ 933,073	\$ -	\$ 14,472,429	\$ -	\$ -	\$ -	\$ -	\$ 15,405,502
Market Value at June 30, 2005	\$ 933,073	\$ -	\$ 15,473,538	\$ -	\$ -	\$ -	\$ -	\$ 16,406,611
Shares Purchased	903,431	-	-	-	-	-	-	903,431
Shares Redeemed	(903,470)	-	-	-	-	-	-	(903,470)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	-	-	-	-	-	-	-
Net Investment Income Earned	34,901	-	698,038	-	-	-	-	732,939
Net Investment Income Distributed	(34,901)	-	(698,038)	-	-	-	-	(732,939)
Changes in Market Value of Fund Shares	-	-	(574,769)	-	-	-	-	(574,769)
Market Value at June 30, 2006	\$ 933,034	\$ -	\$ 14,898,769	\$ -	\$ -	\$ -	\$ -	\$ 15,831,803
Book Value at June 30, 2006	\$ 933,034	\$ -	\$ 14,472,429	\$ -	\$ -	\$ -	\$ -	\$ 15,405,463
Shares Outstanding	933,034	-	132,973	-	-	-	-	1,066,007
Market Value per Share	\$ 1.00	\$ -	\$ 112.04	\$ -	\$ -	\$ -	\$ -	
<b>Agricultural College Fund</b>								
Book Value at June 30, 2005	\$ 36,335	\$ 28,626	\$ 379,240	\$ -	\$ -	\$ -	\$ -	\$ 444,201
Market Value at June 30, 2005	\$ 36,335	\$ 157,149	\$ 414,542	\$ -	\$ -	\$ -	\$ -	\$ 608,026
Shares Purchased	22,200	-	-	-	-	-	-	22,200
Shares Redeemed	(22,036)	-	-	-	-	-	-	(22,036)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	-	-	-	-	-	-	-
Net Investment Income Earned	1,182	2,317	18,703	-	-	-	-	22,202
Net Investment Income Distributed	(1,182)	(2,317)	(18,703)	-	-	-	-	(22,202)
Changes in Market Value of Fund Shares	-	13,816	(15,397)	-	-	-	-	(1,581)
Market Value at June 30, 2006	\$ 36,499	\$ 170,965	\$ 399,145	\$ -	\$ -	\$ -	\$ -	\$ 606,609
Book Value at June 30, 2006	\$ 36,499	\$ 28,626	\$ 379,240	\$ -	\$ -	\$ -	\$ -	\$ 444,365
Shares Outstanding	36,499	183	3,562	-	-	-	-	40,245
Market Value per Share	\$ 1.00	\$ 933.70	\$ 112.04	\$ -	\$ -	\$ -	\$ -	

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**SCHEDULE OF INVESTMENT ACTIVITY BY TRUST (Continued)  
FOR THE FISCAL YEAR ENDING JUNE 30, 2006**

	<b>CASH RESERVE FUND</b>	<b>MUTUAL EQUITY FUND</b>	<b>MUTUAL FIXED INCOME FUND</b>	<b>INTER- NATIONAL STOCK FUND</b>	<b>REAL ESTATE FUND</b>	<b>COMMERCIAL MORTGAGE FUND</b>	<b>PRIVATE INVESTMENT FUND</b>	<b>TOTALS</b>
<b>Ida Eaton Cotton Fund</b>								
Book Value at June 30, 2005	\$ 121,653	\$ 98,432	\$ 1,281,206	\$ -	\$ -	\$ -	\$ -	\$ 1,501,291
Market Value at June 30, 2005	\$ 121,653	\$ 534,555	\$ 1,411,355	\$ -	\$ -	\$ -	\$ -	\$ 2,067,563
Shares Purchased	75,483	-	-	-	-	-	-	75,483
Shares Redeemed	(74,976)	-	-	-	-	-	-	(74,976)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	-	-	-	-	-	-	-
Net Investment Income Earned	3,938	7,876	63,669	-	-	-	-	75,483
Net Investment Income Distributed	(3,938)	(7,876)	(63,669)	-	-	-	-	(75,483)
Changes in Market Value of Fund Shares	-	46,992	(52,424)	-	-	-	-	(5,432)
Market Value at June 30, 2006	\$ 122,160	\$ 581,547	\$ 1,358,931	\$ -	\$ -	\$ -	\$ -	\$ 2,062,638
Book Value at June 30, 2006	\$ 122,160	\$ 98,432	\$ 1,281,206	\$ -	\$ -	\$ -	\$ -	\$ 1,501,798
Shares Outstanding	122,160	623	12,129	-	-	-	-	134,911
Market Value per Share	\$ 1.00	\$ 933.70	\$ 112.04	\$ -	\$ -	\$ -	\$ -	
<b>Andrew Clark Fund</b>								
Book Value at June 30, 2005	\$ 58,284	\$ 46,552	\$ 621,867	\$ -	\$ -	\$ -	\$ -	\$ 726,703
Market Value at June 30, 2005	\$ 58,284	\$ 251,385	\$ 662,762	\$ -	\$ -	\$ -	\$ -	\$ 972,431
Shares Purchased	35,497	-	-	-	-	-	-	35,497
Shares Redeemed	(35,252)	-	-	-	-	-	-	(35,252)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	-	-	-	-	-	-	-
Net Investment Income Earned	1,895	3,703	29,899	-	-	-	-	35,497
Net Investment Income Distributed	(1,895)	(3,703)	(29,899)	-	-	-	-	(35,497)
Changes in Market Value of Fund Shares	-	22,100	(24,618)	-	-	-	-	(2,518)
Market Value at June 30, 2006	\$ 58,529	\$ 273,485	\$ 638,144	\$ -	\$ -	\$ -	\$ -	\$ 970,158
Book Value at June 30, 2006	\$ 58,529	\$ 46,552	\$ 621,867	\$ -	\$ -	\$ -	\$ -	\$ 726,948
Shares Outstanding	58,529	293	5,696	-	-	-	-	64,517
Market Value per Share	\$ 1.00	\$ 858.25	\$ 116.37	\$ -	\$ -	\$ -	\$ -	
<b>School Fund</b>								
Book Value at June 30, 2005	\$ 320,604	\$ 444,960	\$ 5,902,966	\$ -	\$ -	\$ -	\$ -	\$ 6,668,530
Market Value at June 30, 2005	\$ 320,604	\$ 2,415,781	\$ 6,461,252	\$ -	\$ -	\$ -	\$ -	\$ 9,197,637
Shares Purchased	581,958	-	-	-	-	-	-	581,958
Shares Redeemed	(577,711)	-	-	-	-	-	-	(577,711)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	-	-	-	-	-	-	-
Net Investment Income Earned	17,237	35,594	291,478	-	-	-	-	344,309
Net Investment Income Distributed	(17,237)	(35,594)	(291,478)	-	-	-	-	(344,309)
Changes in Market Value of Fund Shares	-	212,371	(240,006)	-	-	-	-	(27,635)
Market Value at June 30, 2006	\$ 324,851	\$ 2,628,152	\$ 6,221,246	\$ -	\$ -	\$ -	\$ -	\$ 9,174,249
Book Value at June 30, 2006	\$ 324,851	\$ 444,960	\$ 5,902,966	\$ -	\$ -	\$ -	\$ -	\$ 6,672,777
Shares Outstanding	324,851	2,815	55,525	-	-	-	-	383,191
Market Value per Share	\$ 1.00	\$ 933.70	\$ 112.04	\$ -	\$ -	\$ -	\$ -	

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**SCHEDULE OF INVESTMENT ACTIVITY BY TRUST (Continued)  
FOR THE FISCAL YEAR ENDING JUNE 30, 2006**

	<b>CASH RESERVE FUND</b>	<b>MUTUAL EQUITY FUND</b>	<b>MUTUAL FIXED INCOME FUND</b>	<b>INTER- NATIONAL STOCK FUND</b>	<b>REAL ESTATE FUND</b>	<b>COMMERCIAL MORTGAGE FUND</b>	<b>PRIVATE INVESTMENT FUND</b>	<b>TOTALS</b>
<b>Hopemead Fund</b>								
Book Value at June 30, 2005	\$ 119,983	\$ 99,742	\$ 1,329,559	\$ -	\$ -	\$ -	\$ -	\$ 1,549,284
Market Value at June 30, 2005	\$ 119,983	\$ 537,670	\$ 1,432,308	\$ -	\$ -	\$ -	\$ -	\$ 2,089,961
Shares Purchased	78,731	-	75,000	-	-	-	-	153,731
Shares Redeemed	(74,496)	-	-	-	-	-	-	(74,496)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	-	-	-	-	-	-	-
Net Investment Income Earned	4,673	7,922	66,641	-	-	-	-	79,236
Net Investment Income Distributed	(4,673)	(7,922)	(66,641)	-	-	-	-	(79,236)
Changes in Market Value of Fund Shares	-	47,266	(54,369)	-	-	-	-	(7,103)
Market Value at June 30, 2006	\$ 124,218	\$ 584,936	\$ 1,452,939	\$ -	\$ -	\$ -	\$ -	\$ 2,162,093
Book Value at June 30, 2006	\$ 124,218	\$ 99,742	\$ 1,404,559	\$ -	\$ -	\$ -	\$ -	\$ 1,628,519
Shares Outstanding	124,218	626	12,968	-	-	-	-	137,812
Market Value per Share	\$ 1.00	\$ 933.70	\$ 112.04	\$ -	\$ -	\$ -	\$ -	
<b>Police &amp; Fireman's Survivors' Benefit Fund</b>								
Book Value at June 30, 2005	\$ 1,096,437	\$ 6,859,157	\$ 9,363,231	\$ -	\$ 337,632	\$ 21,172	\$ -	\$ 17,677,629
Market Value at June 30, 2005	\$ 1,096,437	\$ 7,929,197	\$ 9,646,791	\$ -	\$ 356,466	\$ 16,152	\$ -	\$ 19,045,043
Shares Purchased	696,539	-	1,225,000	-	73,225	-	-	1,994,764
Shares Redeemed	(1,644,865)	(7,761)	-	-	(35,681)	(1,832)	-	(1,690,139)
Returns of Capital	-	-	-	-	-	-	-	-
Gain/(Loss) on Shares Redeemed	-	1,280	-	-	1,489	(568)	-	2,201
Net Investment Income Earned	24,118	116,741	467,352	-	54,871	1,242	-	664,324
Net Investment Income Distributed	(24,118)	(116,741)	(467,352)	-	(54,871)	(1,242)	-	(664,324)
Changes in Market Value of Fund Shares	-	695,386	(378,146)	-	(35,162)	703	-	282,781
Market Value at June 30, 2006	\$ 148,111	\$ 8,618,102	\$ 10,493,645	\$ -	\$ 360,337	\$ 14,455	\$ -	\$ 19,634,650
Book Value at June 30, 2006	\$ 148,111	\$ 6,852,676	\$ 10,588,231	\$ -	\$ 376,665	\$ 18,772	\$ -	\$ 17,984,455
Shares Outstanding	148,111	9,230	93,657	-	6,374	244	-	257,616
Market Value per Share	\$ 1.00	\$ 933.70	\$ 112.04	\$ -	\$ 56.53	\$ 59.31	\$ -	

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**LIST OF INVESTMENT ADVISORS AND NET ASSETS UNDER MANAGEMENT  
JUNE 30, 2006**

Name of Fund	Investment Strategy	Net Assets Under Management	Percent of Fund Total
<b>CASH RESERVE ACCOUNT (CRA)</b>			
State Street Global Advisors	Active	\$ 1,383,592,932	100.00%
<b>SUBTOTAL CRA</b>		<b>\$ 1,383,592,932</b>	<b>100.00%</b>
<b>MUTUAL EQUITY FUND (MEF)</b>			
<b>Large Cap</b>		<b>\$ 6,979,382,614</b>	<b>77.70%</b>
BGI Barclays Global Investors, N.A.	Passive - Enhanced	3,946,901,194	43.94%
State Street Global Advisors	Passive - Indexed	3,032,481,420	33.76%
<b>All Cap</b>		<b>205,668,089</b>	<b>2.29%</b>
Capital Prospects	Active	90,134,597	1.00%
FIS Group, Inc.	Active	115,533,492	1.29%
<b>Small/Mid Cap</b>		<b>900,814,732</b>	<b>10.03%</b>
AXA Rosenberg Investment Management	Passive-Enhanced	900,814,732	10.03%
<b>Small/Mid Cap</b>		<b>880,578,460</b>	<b>9.80%</b>
TCW Asset Management	Active	560,601,652	6.24%
Brown Capital Management, Inc.	Active	211,754,259	2.36%
Bivium	Active	108,222,549	1.20%
<b>Other <sup>(1)</sup></b>		<b>15,921,957</b>	<b>0.18%</b>
<b>SUBTOTAL MEF</b>		<b>\$ 8,982,365,852</b>	<b>100.00%</b>
<b>INTERNATIONAL STOCK FUND (ISF)</b>			
<b>Index</b>		<b>\$ 831,193,971</b>	<b>15.52%</b>
State Street Global Advisors	Index-Passive	831,193,971	15.52%
<b>Core</b>		<b>912,956,491</b>	<b>17.04%</b>
Invesco Global Asset Mgmt.	Active	844,542,851	15.76%
Progress	Active	68,413,640	1.28%
<b>Active-Growth</b>		<b>622,297,860</b>	<b>11.62%</b>
Clay Finlay, Inc.	Active	404,415,305	7.55%
MFS Institutional Advisors, Inc.	Active	217,882,555	4.07%
<b>Active-Value</b>		<b>551,521,019</b>	<b>10.29%</b>
Grantham, Mayo, Van Otterloo	Active	551,521,019	10.29%
<b>Small Cap</b>		<b>553,726,107</b>	<b>10.34%</b>
Morgan Stanley Asset Management	Active	271,313,592	5.07%
Schroder Investment Mgmt.	Active	282,412,515	5.27%
<b>Emerging</b>		<b>1,012,666,732</b>	<b>18.90%</b>
Grantham, Mayo, Van Otterloo	Active	514,297,679	9.60%
Emerging Markets Management	Active	498,369,053	9.30%
<b>Risk Controlled</b>		<b>908,546,332</b>	<b>16.96%</b>
Merrill Lynch Investment	Active	553,681,020	10.34%
Fidelity Management Trust Co.	Active	354,865,312	6.62%
<b>Other <sup>(1)</sup></b>		<b>(35,633,327)</b>	<b>-0.67%</b>
<b>SUBTOTAL ISF</b>		<b>\$ 5,357,275,185</b>	<b>100.00%</b>
<b>REAL ESTATE FUND (REF)</b>			
AEW Capital Management	Active	\$ 66,335,015	16.64%
Westport Senior Living	Active	58,985,955	14.79%
Walton Street Real Estate	Active	54,529,040	13.67%
Apollo Real Estate	Active	50,877,314	12.76%
Rockwood Capital Fund V	Active	36,344,749	9.11%
Rockwood Capital IV Limited Partnership	Active	11,192,697	2.81%
Capri Select Income II LLC	Active	7,612,991	1.91%
Starwood Opportunity Fund VII	Active	9,536,386	2.39%
New Boston Fund	Active	9,896,748	2.48%
RLJ Urban Lodging Fund	Active	17,046,611	4.28%
Canyon Johnson Urban Fund II	Active	7,574,216	1.90%
CIGNA Realty Investors	Active	238,092	0.06%

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**LIST OF INVESTMENT ADVISORS AND NET ASSETS UNDER MANAGEMENT (Continued)  
JUNE 30, 2006**

Name of Fund	Investment Strategy	Net Assets Under Management	Percent of Fund Total
<b>Other <sup>(1)</sup></b>	<b>Active</b>	<b>68,573,597</b>	<b>17.20%</b>
<b>SUBTOTAL REF</b>		<b>\$ 398,743,411</b>	<b>100.00%</b>
<b>MUTUAL FIXED INCOME FUND (MFIF)</b>			
<b>Core</b>		<b>\$ 4,563,432,579</b>	<b>71.09%</b>
State Street Global Advisors	Passive	1,254,902,828	19.55%
BlackRock Financial Management, Inc.	Active	1,087,866,323	16.95%
Wellington	Active	974,196,426	15.17%
Western Asset Management Co.	Active	867,046,802	13.51%
Phoenix	Active	298,419,041	4.65%
Progress	Active	81,001,159	1.26%
<b>High Yield</b>		<b>856,271,008</b>	<b>13.34%</b>
Loomis Sayles & Co., Inc.	Active	375,460,412	5.85%
W.R. Huff Asset Management	Active	260,212,909	4.05%
Oaktree Capital Management, L.L.C.	Active	220,597,687	3.44%
<b>Emerging Market Debt</b>		<b>282,065,282</b>	<b>4.39%</b>
Ashmore	Active	177,546,517	2.76%
Bridgewater	Active	104,518,765	1.63%
<b>Inflation Linked Bonds</b>		<b>203,924,586</b>	<b>3.18%</b>
Brown Brothers Harriman	Active	136,172,049	2.12%
Hartford Investment Mgmt Co.	Active	67,752,537	1.06%
<b>Other <sup>(1)</sup></b>		<b>513,488,085</b>	<b>8.00%</b>
<b>SUBTOTAL MFIF</b>		<b>\$ 6,419,181,540</b>	<b>100.00%</b>
<b>COMMERCIAL MORTGAGE FUND (CMF)</b>			
AEW Capital Management	Active	\$ 8,261,838	45.39%
<b>Other <sup>(2)</sup></b>		<b>9,941,913</b>	<b>54.61%</b>
<b>SUBTOTAL CMF</b>		<b>\$ 18,203,751</b>	<b>100.00%</b>
<b>PRIVATE INVESTMENT FUND (PIF)</b>			
<b>Buyout</b>		<b>\$ 519,997,395</b>	<b>38.21%</b>
KKR Millennium Fund	Active	104,237,649	7.66%
Hicks, Muse Tate & Furst Equity Fund III	Active	26,260,850	1.93%
Thomas H. Lee Equity Fund IV	Active	18,613,033	1.37%
Welsh Carson Anderson & Stowe VIII	Active	33,779,464	2.48%
Wellspring Capital Partners III	Active	53,585,010	3.94%
SCP Private Equity Partners	Active	24,139,410	1.77%
Charterhouse Equity Partners IV	Active	62,354,247	4.58%
Forstmann Little Equity Fund VI	Active	23,204,335	1.71%
DLJ Merchant Banking Fund II	Active	25,389,572	1.87%
KKR 1996 Fund	Active	15,916,993	1.17%
FS Equity Partners V	Active	21,442,656	1.58%
Blackstone Capital Partners III	Active	15,407,144	1.13%
Thayer Equity Investors IV	Active	22,890,946	1.68%
Kelso Investment Associates VI	Active	15,529,884	1.14%
Green Equity Investors III	Active	14,131,974	1.04%
Wellspring Capital Partners II	Active	6,427,100	0.47%
Veritas Capital Fund	Active	269,167	0.02%
AIG Healthcare Partners LP	Active	12,236,158	0.90%
Welsh Carson Anderson & Stowe X LP	Active	20,195,069	1.48%
ICV Partners II LP	Active	3,986,734	0.29%
<b>Venture Capital</b>		<b>72,443,427</b>	<b>5.33%</b>
RFE Investment Partners VI	Active	19,306,237	1.42%
Conning Capital Partners V	Active	10,867,682	0.80%
Crescendo World Fund	Active	15,727,352	1.16%
Grotech Partners V	Active	11,439,483	0.84%

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**LIST OF INVESTMENT ADVISORS AND NET ASSETS UNDER MANAGEMENT (Continued)  
JUNE 30, 2006**

Name of Fund	Investment Strategy	Net Assets Under Management	Percent of Fund Total
Shawmut Equity Partners	Active	10,659,788	0.78%
Crescendo III	Active	4,342,673	0.32%
Connecticut Futures Fund	Active	100,212	0.01%
<b>Mezzanine</b>		<b>40,215,549</b>	<b>2.97%</b>
SW Pelham Fund	Active	9,860,822	0.73%
GarMark Partners	Active	12,776,173	0.94%
GarMark Partners II LP	Active	5,526,516	0.41%
SW Pelham Fund II	Active	12,052,038	0.89%
<b>International</b>		<b>186,604,885</b>	<b>13.72%</b>
Compass Partners European Equity Fund	Active	75,207,426	5.53%
Gilbert Global Equity Partners	Active	31,956,656	2.35%
Carlyle Europe Partners	Active	39,874,599	2.93%
AIG Global Emerging Markets Fund	Active	23,755,679	1.75%
Carlyle Asia Partners	Active	15,810,525	1.16%
<b>Fund of Funds</b>		<b>346,746,610</b>	<b>25.50%</b>
The Constitution Liquidating Fund	Active	238,638,296	17.55%
Landmark Private Equity Fund VIII	Active	50,909,060	3.74%
Goldman Sachs Private Equity Partners Connecticut	Active	25,251,754	1.86%
Lexington Capital Partners II	Active	11,135,079	0.82%
Parish Capital I LP	Active	12,138,476	0.89%
Fairview Constitution II LP	Active	8,673,945	0.64%
<b>Special Situations</b>		<b>111,052,518</b>	<b>8.17%</b>
Welsh Carson Anderson & Stowe Capital Partners III	Active	52,958,869	3.90%
Greenwich Street Capital Partners II	Active	23,144,936	1.70%
Forstmann Little MBO VII	Active	15,595,337	1.15%
KPS Special Situations Fund II	Active	19,353,376	1.42%
<b>Other <sup>(1)</sup></b>		<b>82,932,949</b>	<b>6.10%</b>
<b>SUBTOTAL PIF</b>		<b>\$ 1,359,993,333</b>	<b>100.00%</b>
<b>TOTAL</b>		<b>\$ 23,919,356,004</b>	
<b>Adjustments <sup>(3)</sup></b>		<b>(1,102,583,032)</b>	
<b>GRAND TOTAL</b>		<b>\$ 22,816,772,972</b>	

(1) Other represents moneys earmarked for distribution to participants, reinvestment, and expenses as well as terminated advisor balances, Currency Overlay Managers (Bank of New York and Bridgewater), CT Financial Development Fund, Keystone Venture V Partnerships and GarMark Partners II LP.

(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<sup>(1)</sup> FOR PERIODS ENDED JUNE 30**

Name of Firm	Description of Services	Aggregate Compensation Paid in Fiscal Year:				
		2006	2005	2004	2003	2002
<b>CONSULTING SERVICES</b>						
Alignment Capital Management	Private Equity Consultant	325,000	300,000	-	-	-
Callan Associates	Pension Funds Consultant	-	95,000	-	-	-
CRA RogersCasey Consulting Inc.	Pension Funds Consultant	519,885	547,890	480,663	576,576	555,000
Franklin Park Associates LLC	Private Equity Consultant	863,056	647,154	-	-	-
FTI Consulting, Inc.	Pension Funds Consultant	19,372	151,256	-	-	-
Greystone Capital Management	Pension Funds Consultant	-	7,040	16,280	10,230	9,900
Guy E. Garcia	Pension Funds Consultant	-	-	-	-	207,570
Heidrick & Struggles	Pension Funds Consultant	-	-	-	-	98,487
Invesco Private Capital (Sovereign)	Pension Funds Consultant	-	1,026,564	1,153,486	978,286	955,813
Pamela J. Bartol	Pension Funds Consultant	-	-	-	-	22,906
Pension Consulting Alliance	Pension Funds Consultant	196,851	196,242	260,136	138,098	-
Susan B. Sweeney	Pension Funds Consultant	-	-	-	-	178,504
Thompson Proxy Services Inc.	Pension Funds Consultant	-	-	-	-	24,100
William M. Mercer, Inc.	Inv. Adv. Council Consult.	-	-	-	-	50,000
<b>TOTAL CONSULTING SERVICES COMPENSATION</b>		<b>\$1,924,164</b>	<b>\$2,971,146</b>	<b>\$1,910,565</b>	<b>\$1,703,190</b>	<b>\$2,102,280</b>

(1) Expenses are presented on a cash basis.

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**TOP TEN HOLDINGS BY FUND AT JUNE 30, 2006\***

**MUTUAL EQUITY FUND**

<b>Security Name</b>	<b>Industry Sector</b>	<b>Market Value</b>	<b>%</b>
Exxon Mobil Corp	Energy	\$ 198,331,912	2.21%
CitiGroup Inc	Financial	189,819,672	2.11%
General Electric	Technology	178,935,226	1.99%
Bank America Corp	Financial	169,256,829	1.89%
Microsoft	Technology	168,799,180	1.88%
Johnson & Johnson	Health Care	150,127,942	1.67%
J P Morgan Chase & Co	Financial	130,578,126	1.45%
Pfizer Inc	Health Care	122,449,491	1.36%
Cisco Systems Inc	Technology	114,722,872	1.28%
ConocoPhillips	Energy	110,188,302	1.23%
<b>Top Ten</b>		<b>\$1,533,209,552</b>	<b>17.07%</b>
<b>Total Market Value</b>		<b>\$8,983,043,768</b>	

**INTERNATIONAL STOCK FUND**

<b>Security Name</b>	<b>Country</b>	<b>Market Value</b>	<b>%</b>
Glaxosmithkline ORD GBP .25	United Kingdom	\$ 81,850,948	1.52%
Total SA Eur 10 Serie B	France	79,429,143	1.47%
BP PLC Ord USD .25	United Kingdom	71,870,810	1.33%
Samsung Electronic	Republic of Korea	65,892,067	1.22%
Nestle SA	Switzerland	56,926,354	1.06%
Novartis AG CHF .50 Regd	Switzerland	56,160,946	1.04%
Royal BK Scot GRP Ord GBP .25	United Kingdom	54,658,064	1.01%
HSBC Holdings	United Kingdom	54,633,113	1.01%
ING Groep NV CVA Euro .24	Netherlands	48,784,265	0.91%
Roche Holdings AG NPV	Switzerland	46,904,523	0.87%
<b>Top Ten</b>		<b>617,110,233</b>	<b>11.44%</b>
<b>Total Market Value</b>		<b>\$5,392,666,574</b>	

**REAL ESTATE FUND**

<b>Property Name</b>	<b>Location</b>	<b>Property Type</b>	<b>Market Value</b>	<b>%</b>
Westport Senior Living Inv FD	Various	Senior Living	\$ 58,985,955	14.81%
Walton Street RE II LP Fnd 2	Various	Various	54,529,040	13.69%
Apollo Real Est Invest Fd III	Various	Various	50,877,314	12.77%
Union Station LTD LP	Washington, DC	Mixed Use	43,302,384	10.87%
Rockwood Captial Fund V	Various	Various	36,344,749	9.12%
AEW Partners III	Various	Various	20,508,132	5.15%
RLJ Urban Lodging Fund LP	Various	Hotel	17,046,611	4.28%
Rockwood Captial IV LP	Various	Various	11,192,697	2.81%
New Boston Fund IV	Various	Various	9,896,748	2.48%
Starwood Opportunity Fund VII	Various	Various	9,536,386	2.39%
<b>Top Ten</b>			<b>312,220,016</b>	<b>78.37%</b>
<b>Total Market Value</b>			<b>\$ 398,391,108</b>	

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**TOP TEN HOLDINGS BY FUND AT JUNE 30, 2006\* (Continued)**

**MUTUAL FIXED INCOME FUND**

Security Name	Coupon	Maturity	Security Type	Market Value	%
FNMA TBA	5.00%	12/01/2036	U.S. Govt Agency	168,154,984	2.39%
U.S. Treasury Bonds	6.25%	08/15/2023	U.S. Govt Agency	86,835,794	1.23%
U.S. Treasury Notes	4.50%	11/15/2015	U.S. Govt Agency	83,462,210	1.18%
GNMA I TBA	6.00%	12/01/2036	U.S. Govt Agency	64,446,486	0.92%
U.S. Treasury Notes	4.875%	05/31/2008	U.S. Govt Agency	63,277,053	0.90%
U.S. Treasury Notes	2.50%	09/30/2006	U.S. Govt Agency	56,431,686	0.80%
U.S. Treasury Notes	2.375%	04/15/2011	U.S. Govt Agency	54,379,011	0.77%
FNMA TBA	6.00%	12/01/2036	U.S. Govt Agency	47,280,450	0.67%
FNMA TBA	5.50%	12/01/2036	U.S. Govt Agency	46,805,625	0.66%
U.S. Treasury Bonds	7.875%	02/15/2021	U.S. Govt Agency	40,889,063	0.58%
<b>Top Ten</b>				<b>711,962,362</b>	<b>10.10%</b>
<b>Total Market Value</b>				<b>\$7,052,537,386</b>	

**COMMERCIAL MORTGAGE FUND**

Property Name	Location	Property Type	Market Value	%
SASCO	Various	Other	\$ 8,261,838	45.42%
Yankee Mac Series E 11.056%	Various	Residential	188,051	1.03%
Yankee Mac Series G 11.125%	Various	Residential	129,790	0.71%
Yankee Mac Series F 12.981%	Various	Residential	98,905	0.55%
Yankee Mac Series C 14.1505%	Various	Residential	27,505	0.15%
Yankee Mac Series A 13.075%	Various	Residential	15,278	0.08%
<b>Top Six</b>			<b>8,721,367</b>	<b>47.94%</b>
<b>Total Market Value</b>			<b>\$ 18,192,114</b>	

**PRIVATE INVESTMENT FUND**

Partnership Name	Partnership Type	Market Value	%
Constitution Liquidating Fund	Fund of Funds	\$ 238,638,296	17.48%
KKR Millennium Fund	Buyout	104,237,649	7.64%
Compass Partners European Equity Fund	International	75,207,426	5.51%
Charterhouse Equity Partners IV	Buyout	62,354,247	4.57%
Wellspring Capital Partners III	Buyout	53,585,010	3.93%
Welsh Carson Anderson & Stowe Capital Partners III	Special Situations	52,958,869	3.88%
Landmark Private Equity Fund VIII	Fund of Funds	50,909,060	3.73%
Carlyle Europe Partners	International	39,874,599	2.92%
Welsh Carson Anderson & Stowe VIII	Buyout	33,779,464	2.47%
Gilbert Global Equity Partners	International	31,956,656	2.34%
<b>Top Ten</b>		<b>743,501,276</b>	<b>54.47%</b>
<b>Total Market Value</b>		<b>\$1,364,943,114</b>	

\* A complete list of portfolio holdings is available from the Office of the Treasurer.

## GLOSSARY OF INVESTMENT TERMS

- Agency Securities** – Securities, usually bonds, issued by U.S. Government agencies. These securities have high credit ratings but are not backed by the full faith and credit of the U.S. Government.
- Alpha** - A coefficient which measures risk-adjusted performance, factoring in the risk due to the specific security, rather than the overall market. A high value for alpha implies that the stock or mutual fund has performed better than would have been expected given its beta (volatility).
- Asset** - Anything owned that has economic value; any interest in property, tangible or intangible, that can be used for payment of debts.
- Asset Backed Security**- Bonds or notes 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%. For example, a yield that changed from 8.75% to 9.50% has 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 quantitative measure of the volatility of a given stock, mutual fund or portfolio relative to the overall market.
- Book Value (BV)** - The value of individual assets, calculated as actual cost minus accumulated 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 3 months to six years.
- Citigroup Broad Investment-Grade Bond Index (CBIG)** - 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.
- Citigroup World Government Bond Index Non-U.S. (CWGBI)** - An unhedged index measuring government issues of 12 major industrialized countries.
- 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** – Assets pledged by a borrower to secure a loan or other credit, and subject to seizure in the event of default.
- Collateralized Mortgage Obligation (CMO)** – A mortgage-backed, investment-grade bond that separates mortgage pools into different maturity classes. CMO payment obligations are backed by mortgage-backed securities with a fixed maturity.
- Commercial Paper** - Short-term obligations with maturities ranging from 2 to 270 days. An unsecured obligation issued by a corporation or bank to finance its short-term credit needs.
- 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 the cost of a fixed basket of products and services as determined by a monthly survey of the U.S. Bureau of Labor Statistics. Components of the CPI include housing costs, food, transportation, and electricity.
- 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.
- Derivative** - Derivatives are generally defined as contracts whose value depend on, or derived 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.

## CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

### GLOSSARY OF INVESTMENT TERMS (Continued)

- Discount Rate** - The interest rate that the Federal Reserve charges banks for loans, using government securities or eligible paper as collateral.
- Diversification** – A portfolio strategy designed to reduce exposure to risk by putting assets in several different securities or categories of investments.
- 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 in the form of common stock or preferred stock.
- ERISA (Employee Retirement Income Security Act)** - The 1974 federal law which established legal guidelines for private pension plan administration and investment practices.
- Expense Ratio** – Operating costs (including management fees) expressed as a percentage of the fund's average net assets for a given time period.
- 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 that banks charge each other for the use of Federal Funds. This rate changes daily and is a sensitive indicator of general interest rate trends.
- Federal Reserve Board** – The 7- member Board of Governors that oversees Federal Reserve Banks, establishes monetary policy and monitors the economic health of 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 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 risk of adverse price movements in a security, by taking an offsetting position in a related security, such as an option or short sale.
- Index** - A benchmark used in executing investment strategy which is viewed as an independent representation of market performance. Example: S&P 500 index.
- Index Fund** – A passively managed fund that tries to mirror the performance of a specific index, such as the S&P 500.
- Inflation** – The overall general upward price movement of goods and services in an economy, usually as measured by the Consumer Price Index and the Producer Price Index.
- 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 \$200 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. An obligation that legally binds an individual or company to settle a debt.
- Leverage** - The use of borrowed funds to increase purchasing power and, ideally, to increase profitability of an investment transaction or business.

## CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

### GLOSSARY OF INVESTMENT TERMS (Continued)

- Macaulay Duration** - The weighted-average term to maturity of a bond's cash flows. The weighting is based on the present value of each cash flow divided by price.
- Market Value** – A security's last reported sale price or its current bid and ask prices. The price as determined dynamically by buyers and sellers in an open market.
- 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** – Debt that incorporates equity –based options, such as warrants, with a lower – priority debt.
- MFR Index (iMoneyNet's First Tier Institutional-only Rated Money Fund Report Averages™ Index)** - 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 measure of the price sensitivity of a bond to interest rate movements. 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 rating agency.
- 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 21 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 (including any valuation gains or losses on investments or currencies) minus total liabilities divided by shares outstanding.
- 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** - The standard deviation of the Fund divided by 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")** – A contract in which the seller of securities, such as Treasury Bills, agrees to buy them back at a specified time and price. Repos are widely used as a money market instrument.
- Reverse Repurchase Agreements ("Reverse Repos")** - A purchase of securities with an agreement to resell them at a higher price at a specific future date.

## CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

### GLOSSARY OF INVESTMENT TERMS (Continued)

- 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's capitalization.
- 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 brokerage.
- S&P 500 (Standard & Poor's)** - A basket of 500 stocks considered to be widely held. The performance of this index is thought to be representative of the stock market as a whole. The index selects its constituents based upon their market size, liquidity and sector. S&P 500 stocks are considered to be the leading large (to mid) cap corporations in a given sector.
- S&P Credit Ratings Service** - A financial services rating agency.
- 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.

## 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 R<sup>2</sup>. 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 R<sup>2</sup> 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.

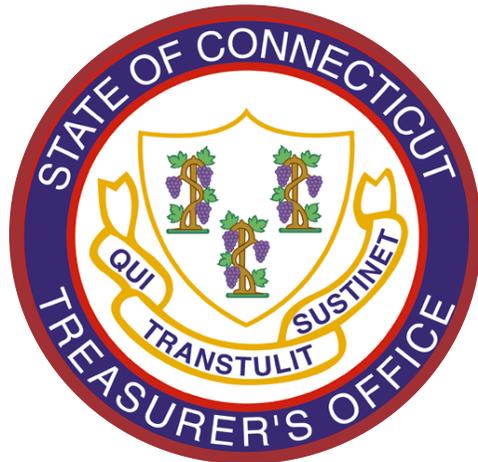
Finally, to evaluate how well each of the above measures actually predicted returns of the Fund, a calculation is performed on the Fund's alpha. This calculation measures the absolute difference between the Fund's monthly return and that predicted by its beta. Used together, these measures provide a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

**RETURN**

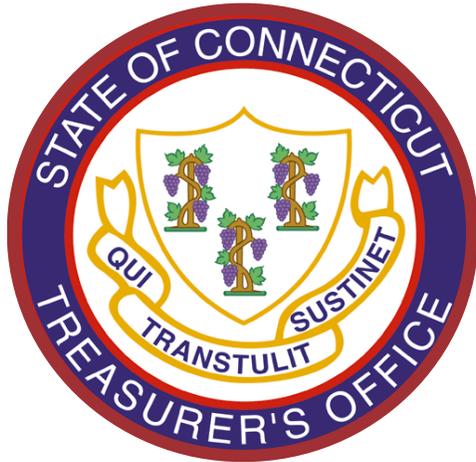
The Pension and Trust Funds are managed for maximum return with minimal risk. Return, viewed in this context, includes realized and unrealized gains in the market value of a security, including those attributable to currency fluctuations, as well as income distributed from a security such as dividends 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 "smoothes" 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.



**Statistical**  
**Section**



**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**  
**STATISTICAL SECTION**

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This part of the Combined Investment Fund's (CIF's) comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial schedules and other supplementary information say about the overall financial health of CIF. The schedules within this statistical section comply with the requirements of GASB 44.

***Financial Trends***

These schedules contain the ten-year trend information on the financial performance of CIF.

<u>Schedule</u>	<u>Pages</u>
o Per share data	106-107
o Schedule of rates of return	106-107
o Schedule of financial ratios	106-107

***Revenue Capacity***

Revenue capacity is not applicable to CIF.

***Borrowing Capacity***

Borrowing capacity is not applicable to CIF.

***Demographic and Economic Information***

These schedules show the breakdown between CIF funds, growth of the fund and rate of return information.

<u>Schedule</u>	<u>Page</u>
o Investment summary	108 - 110

***Operating Information***

The summary of operations schedule outlines the expenses, additions and deductions associated with the management of CIF.

<u>Schedule</u>	<u>Page</u>
o Schedule of Net Assets	111

*Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. CIF implemented Statement 34 in fiscal year 2005.*

# CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS

## SUPPLEMENTAL SCHEDULE OF FINANCIAL HIGHLIGHTS

	MUTUAL EQUITY									
	FISCAL YEAR ENDED JUNE 30,									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<b>PER SHARE DATA</b>										
Net Asset Value- Beginning of Period	\$858.25	\$807.00	\$677.92	\$ 685.11	\$ 814.49	\$909.17	\$835.47	\$708.74	\$558.77	\$434.79
<b>INCOME FROM INVESTMENT OPERATIONS</b>										
Net Investment Income (Loss)	13.66	12.76	11.50	8.82	8.24	7.54	8.87	8.46	8.84	8.32
Net Gains or (Losses) on Securities (Both Realized and Unrealized)	74.43	51.57	128.78	(7.59)	(130.49)	(93.84)	74.23	127.32	148.87	123.88
<b>Total from Investment Operations</b>	<b>88.09</b>	<b>64.33</b>	<b>140.28</b>	<b>1.23</b>	<b>(122.25)</b>	<b>(86.30)</b>	<b>83.10</b>	<b>135.78</b>	<b>157.71</b>	<b>132.20</b>
<b>LESS DISTRIBUTIONS</b>										
Dividends from Net Investment Income	(12.64)	(13.08)	(11.20)	(8.42)	(7.13)	(8.38)	(9.40)	(9.05)	(7.74)	(8.22)
Net Asset Value - End of Period	\$933.70	\$858.25	\$807.00	\$677.92	\$685.11	\$814.49	\$909.17	\$835.47	\$708.74	\$558.77
<b>TOTAL RETURN</b>	<b>10.27%</b>	<b>8.06%</b>	<b>20.84%</b>	<b>0.48%</b>	<b>-14.95%</b>	<b>-9.55%</b>	<b>10.03%</b>	<b>19.38%</b>	<b>28.40%</b>	<b>30.74%</b>

<b>RATIOS</b>										
Net Assets - End of Period (\$000,000 Omitted)	\$8,982	\$8,275	\$7,781	\$6,599	\$6,677	\$7,931	\$8,853	\$9,124	\$7,736	\$7,340
Ratio of Expenses to Average Net Assets (excl. sec. lending fees & rebates)	0.32%	0.30%	0.11%	0.23%	0.27%	0.38%	0.22%	0.27%	0.17%	0.13%
Ratio of Expenses to Average Net Assets	0.66%	0.44%	0.16%	0.28%	0.34%	0.58%	0.43%	0.57%	0.56%	0.63%
Ratio of Net Investment Income (Loss) to Average Net Assets	1.53%	1.53%	1.55%	1.29%	1.10%	0.88%	1.01%	1.10%	1.42%	1.74%

	INTERNATIONAL STOCK									
	FISCAL YEAR ENDED JUNE 30,									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<b>PER SHARE DATA</b>										
Net Asset Value- Beginning of Period	\$282.09	\$241.09	\$188.61	\$206.47	\$232.07	\$271.68	\$228.93	\$217.03	\$216.52	\$189.26
<b>INCOME FROM INVESTMENT OPERATIONS</b>										
Net Investment Income (Loss)	7.91	5.73	4.50	3.60	3.24	4.50	3.26	5.29	3.54	2.78
Net Gains or (Losses) on Securities (Both Realized and Unrealized)	64.29	40.22	51.38	(18.00)	(24.70)	(40.14)	42.68	9.34	(0.17)	26.76
<b>Total from Investment Operations</b>	<b>72.20</b>	<b>45.95</b>	<b>55.88</b>	<b>(14.40)</b>	<b>(21.46)</b>	<b>(35.64)</b>	<b>45.94</b>	<b>14.63</b>	<b>3.37</b>	<b>29.54</b>
<b>LESS DISTRIBUTIONS</b>										
Dividends from Net Investment Income	(6.72)	(4.95)	(3.40)	(3.46)	(4.14)	(3.97)	(3.19)	(2.73)	(2.86)	(2.28)
Net Asset Value - End of Period	\$347.57	\$282.09	\$241.09	\$188.61	\$206.47	\$232.07	\$271.68	\$228.93	\$217.03	\$216.52
<b>TOTAL RETURN</b>	<b>25.69%</b>	<b>19.23%</b>	<b>29.69%</b>	<b>-6.39%</b>	<b>-9.00%</b>	<b>-13.29%</b>	<b>20.13%</b>	<b>6.77%</b>	<b>1.52%</b>	<b>15.67%</b>

<b>RATIOS</b>										
Net Assets - End of Period (\$000,000 Omitted)	\$5,357	\$4,489	\$4,003	\$2,034	\$2,227	\$2,503	\$2,930	\$2,469	\$2,438	\$2,440
Ratio of Expenses to Average Net Assets (excl. sec. lending fees & rebates)	0.53%	0.60%	0.62%	0.61%	0.67%	0.40%	0.36%	0.24%	0.52%	0.65%
Ratio of Expenses to Average Net Assets	1.19%	0.92%	0.76%	0.77%	1.05%	1.44%	1.46%	1.27%	1.71%	1.62%
Ratio of Net Investment Income (Loss) to Average Net Assets	2.51%	2.25%	2.37%	1.82%	1.47%	1.79%	1.30%	1.98%	1.69%	1.45%

	COMMERCIAL MORTGAGE									
	FISCAL YEAR ENDED JUNE 30,									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<b>PER SHARE DATA</b>										
Net Asset Value- Beginning of Period	\$58.76	\$62.75	\$73.39	\$67.71	\$72.91	\$73.17	\$74.97	\$77.12	\$72.87	\$71.67
<b>INCOME FROM INVESTMENT OPERATIONS</b>										
Net Investment Income (Loss)	5.41	6.13	6.63	8.39	6.58	6.89	6.98	6.24	8.33	6.70
Net Gains or (Losses) on Securities (Both Realized and Unrealized)	(0.10)	(2.99)	(1.11)	4.68	(5.81)	0.52	(1.29)	(1.78)	5.01	0.66
<b>Total from Investment Operations</b>	<b>5.31</b>	<b>3.14</b>	<b>5.52</b>	<b>13.07</b>	<b>0.77</b>	<b>7.41</b>	<b>5.69</b>	<b>4.46</b>	<b>13.34</b>	<b>7.36</b>
<b>LESS DISTRIBUTIONS</b>										
Dividends from Net Investment Income	(4.76)	(7.13)	(16.16)	(7.39)	(5.97)	(7.67)	(7.49)	(6.61)	(9.09)	(6.16)
Net Asset Value - End of Period	\$59.31	\$58.76	\$62.75	\$73.39	\$67.71	\$72.91	\$73.17	\$74.97	\$77.12	\$72.87
<b>TOTAL RETURN</b>	<b>9.69%</b>	<b>6.95%</b>	<b>7.87%</b>	<b>20.62%</b>	<b>1.19%</b>	<b>10.88%</b>	<b>8.26%</b>	<b>6.10%</b>	<b>17.71%</b>	<b>9.82%</b>

<b>RATIOS</b>										
Net Assets - End of Period (\$000,000 Omitted)	\$18	\$20	\$36	\$72	\$73	\$101	\$176	\$237	\$275	\$328
Ratio of Expenses to Average Net Assets (excl. sec. lending fees & rebates)	1.03%	0.94%	0.62%	0.60%	0.53%	0.42%	0.39%	0.35%	0.32%	0.44%
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	9.23%	10.19%	7.79%	11.92%	7.75%	9.21%	9.22%	8.64%	9.43%	8.91%

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**SUPPLEMENTAL SCHEDULE OF FINANCIAL HIGHLIGHTS (Continued)**

	PRIVATE INVESTMENT									
	FISCAL YEAR ENDED JUNE 30,									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<b>PER SHARE DATA</b>										
Net Asset Value- Beginning of Period	\$57.45	\$65.23	\$65.27	\$86.33	\$103.96	\$115.01	\$81.40	\$87.28	\$86.79	\$102.98
<b>INCOME FROM INVESTMENT OPERATIONS</b>										
Net Investment Income (Loss)	8.69	8.09	12.98	10.40	4.98	3.66	18.12	4.23	11.84	17.96
Net Gains or (Losses) on Securities (Both Realized and Unrealized)	(2.45)	(2.96)	(1.69)	(19.74)	(15.98)	(10.59)	24.17	(5.30)	4.29	(14.09)
<b>Total from Investment Operations</b>	<b>6.24</b>	<b>5.13</b>	<b>11.29</b>	<b>(9.34)</b>	<b>(11.00)</b>	<b>(6.93)</b>	<b>42.29</b>	<b>(1.07)</b>	<b>16.13</b>	<b>3.87</b>
<b>LESS DISTRIBUTIONS</b>										
Dividends from Net Investment Income	(8.34)	(12.91)	(11.33)	(11.72)	(6.63)	(4.12)	(8.68)	(4.81)	(15.64)	(20.06)
Net Asset Value - End of Period	\$55.35	\$57.45	\$65.23	\$65.27	\$86.33	\$103.96	\$115.01	\$81.40	\$87.28	\$86.79
<b>TOTAL RETURN</b>	<b>11.74%</b>	<b>9.58%</b>	<b>20.21%</b>	<b>-11.94%</b>	<b>-10.81%</b>	<b>-6.25%</b>	<b>53.86%</b>	<b>-0.81%</b>	<b>18.55%</b>	<b>5.68%</b>
<b>RATIOS</b>										
Net Assets - End of Period (\$000,000 Omitted)	\$1,360	\$1,441	\$1,785	\$1,848	\$2,281	\$2,607	\$2,565	\$1,186	\$795	\$542
Ratio of Expenses to Average Net Assets (excl. sec. lending fees & rebates)	0.43%	0.36%	0.65%	0.40%	0.48%	0.38%	0.48%	1.21%	0.55%	0.06%
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	15.32%	12.87%	20.36%	13.69%	5.31%	3.38%	17.91%	5.28%	14.25%	17.65%

	MUTUAL FIXED INCOME									
	FISCAL YEAR ENDED JUNE 30,									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<b>PER SHARE DATA</b>										
Net Asset Value- Beginning of Period	\$116.37	\$113.15	\$115.58	\$109.21	\$109.74	\$108.38	\$109.13	\$113.15	\$108.04	\$104.20
<b>INCOME FROM INVESTMENT OPERATIONS</b>										
Net Investment Income (Loss)	5.92	5.50	6.95	5.70	6.87	7.81	8.01	6.79	8.65	7.47
Net Gains or (Losses) on Securities (Both Realized and Unrealized)	(4.98)	3.09	(3.89)	6.41	(0.86)	0.75	(1.44)	(4.44)	3.21	3.26
<b>Total from Investment Operations</b>	<b>0.94</b>	<b>8.59</b>	<b>3.06</b>	<b>12.11</b>	<b>6.01</b>	<b>8.56</b>	<b>6.57</b>	<b>2.35</b>	<b>11.86</b>	<b>10.73</b>
<b>LESS DISTRIBUTIONS</b>										
Dividends from Net Investment Income	(5.27)	(5.37)	(5.49)	(5.74)	(6.54)	(7.20)	(7.32)	(6.37)	(6.75)	(6.89)
Net Asset Value - End of Period	\$112.04	\$116.37	\$113.15	\$115.58	\$109.21	\$109.74	\$108.38	\$109.13	\$113.15	\$108.04
<b>TOTAL RETURN</b>	<b>0.77%</b>	<b>7.70%</b>	<b>2.79%</b>	<b>12.03%</b>	<b>5.64%</b>	<b>8.03%</b>	<b>5.77%</b>	<b>2.64%</b>	<b>10.52%</b>	<b>10.62%</b>
<b>RATIOS</b>										
Net Assets - End of Period (\$000,000 Omitted)	\$6,419	\$6,280	\$5,849	\$6,610	\$6,526	\$6,583	\$6,496	\$6,170	\$6,302	\$4,250
Ratio of Expenses to Average Net Assets (excl. sec. lending fees & rebates)	0.13%	0.11%	0.14%	0.15%	0.17%	0.20%	0.16%	0.17%	0.16%	0.23%
Ratio of Expenses to Average Net Assets	0.90%	0.53%	0.28%	0.34%	0.45%	0.87%	0.71%	0.69%	0.61%	0.67%
Ratio of Net Investment Income (Loss) to Average Net Assets	5.19%	4.70%	5.12%	5.07%	6.24%	7.13%	6.79%	6.83%	7.09%	7.06%

	REAL ESTATE									
	FISCAL YEAR ENDED JUNE 30,									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<b>PER SHARE DATA</b>										
Net Asset Value- Beginning of Period	\$62.31	\$52.76	\$57.53	\$61.42	\$63.31	\$60.56	\$59.48	\$58.53	\$54.06	\$51.91
<b>INCOME FROM INVESTMENT OPERATIONS</b>										
Net Investment Income (Loss)	0.86	0.82	2.22	2.95	0.79	0.99	2.34	1.71	6.33	3.58
Net Gains or (Losses) on Securities (Both Realized and Unrealized)	2.84	12.83	(1.94)	(1.08)	(0.31)	7.54	3.00	0.03	8.60	1.62
<b>Total from Investment Operations</b>	<b>3.70</b>	<b>13.65</b>	<b>0.28</b>	<b>1.87</b>	<b>0.48</b>	<b>8.53</b>	<b>5.34</b>	<b>1.74</b>	<b>14.93</b>	<b>5.20</b>
<b>LESS DISTRIBUTIONS</b>										
Dividends from Net Investment Income	(9.48)	(4.10)	(5.05)	(5.76)	(2.37)	(5.78)	(4.26)	(0.79)	(10.46)	(3.05)
Net Asset Value - End of Period	\$56.53	\$62.31	\$52.76	\$57.53	\$61.42	\$63.31	\$60.56	\$59.48	\$58.53	\$54.06
<b>TOTAL RETURN</b>	<b>7.09%</b>	<b>27.74%</b>	<b>0.67%</b>	<b>3.30%</b>	<b>0.81%</b>	<b>14.45%</b>	<b>9.18%</b>	<b>9.96%</b>	<b>25.63%</b>	<b>10.69%</b>
<b>RATIOS</b>										
Net Assets - End of Period (\$000,000 Omitted)	\$399	\$400	\$369	\$426	\$471	\$476	\$510	\$428	\$417	\$488
Ratio of Expenses to Average Net Assets (excl. sec. lending fees & rebates)	0.41%	0.39%	0.40%	0.35%	0.31%	0.22%	0.17%	0.42%	0.70%	70.00%
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	1.39%	1.43%	4.22%	1.40%	1.28%	1.57%	3.95%	6.65%	6.75%	5.86%

Source: Amounts were derived from custodial records.

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**PENSION AND TRUST FUNDS  
BALANCES IN COMBINED INVESTMENT FUNDS (Dollars in Thousands)**

	2006		Fund Name							
	Percent of Total System Assets	Assets	CRA	MEF	FIF	ISF	REF	CMF	PIF	VCF
<b>Pension Plans</b>										
Teachers' Retirement Fund	53.4%	\$12,189.8	\$227.9	\$4,913.7	\$3,191.9	\$2,893.2	\$214.9	\$9.9	\$738.3	\$0.0
State Employees' Retirement Fund	38.5%	8,774.0	35.2	3,400.1	2,562.6	2,091.6	155.5	7.0	522.0	0.0
Municipal Employees' Retirement Fund	6.6%	1,501.1	14.2	563.4	488.6	320.8	24.3	1.1	88.7	0.0
State Judges' Retirement Fund	0.7%	163.7	1.3	56.7	63.2	31.7	2.2	0.1	8.5	0.0
The Probate Court Retirement Fund	0.3%	77.7	0.5	28.9	23.8	20.0	1.4	0.6	2.5	0.0
State's Attorneys Retirement Fund	0.0%	0.7	0.0	0.2	0.5	0.0	0.0	0.0	0.0	0.0
<b>Trust Funds</b>	0.5%	109.8	1.8	19.3	88.4	0.0	0.3	0.0	0.0	0.0
	<b>100.0%</b>	<b>\$22,816.8</b>	<b>\$280.9</b>	<b>\$8,982.3</b>	<b>\$6,419.0</b>	<b>\$5,357.3</b>	<b>\$398.6</b>	<b>\$18.7</b>	<b>\$1,360.0</b>	<b>\$0.0</b>

	1997		Fund Name							
	Percent of Total System Assets	Assets	CRA	MEF	FIF	ISF	REF	CMF	PIF	VCF
<b>Pension Plans</b>										
Teachers' Retirement Fund	54.0%	\$8,660.1	\$246.0	\$4,038.6	\$2,305.6	\$1,332.0	\$266.6	\$179.3	\$0.0	\$292.0
State Employees' Retirement Fund	38.5%	6,166.4	324.5	2,789.4	1,596.9	940.4	188.0	126.1	0.0	201.1
Municipal Employees' Retirement Fund	6.1%	974.4	56.4	434.9	247.7	144.2	29.3	19.7	0.0	42.2
State Judges' Retirement Fund	0.6%	98.7	8.6	41.7	23.8	14.3	2.7	1.9	0.0	5.7
The Probate Court Retirement Fund	0.3%	52.8	1.3	23.8	14.6	9.0	1.7	1.1	0.0	1.3
State's Attorneys Retirement Fund	0.0%	0.6	0.1	0.4	0.1	0.0	0.0	0.0	0.0	0.0
<b>Trust Funds</b>	0.5%	76.3	\$3.2	\$11.3	\$61.8	0.0	0.0	0.0	0.0	0.0
	<b>100.0%</b>	<b>\$16,029.3</b>	<b>\$640.1</b>	<b>\$7,340.1</b>	<b>\$4,250.5</b>	<b>\$2,439.9</b>	<b>\$488.3</b>	<b>\$328.1</b>	<b>\$0.0</b>	<b>\$542.3</b>

CRA Cash Reserve Fund  
 MEF Mutual Equity Fund  
 FIF Fixed Income Fund  
 ISF International Stock Fund  
 REF Real Estate Fund  
 CMF Commercial Mortgage Fund  
 PIF Private Investment Fund (formerly Venture Capital Fund)  
 VCF Venture Capital Fund (renamed Private Investment Fund)

Source: Amounts were derived from custodial records.

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**INVESTMENT SUMMARY AT JUNE 30, 2006 <sup>(1)</sup>**

**Cash Reserve Account <sup>(2)</sup>**

	Book Value	Market Value	% of Total Fund MV	Rate of Return
2006	\$280,548,978	\$280,548,978	1.20%	4.54%
2005	395,948,288	395,948,288	1.84%	2.38%
2004	363,170,856	363,170,856	1.76%	1.30%
2003	710,832,993	710,832,993	3.75%	1.80%
2002	481,664,484	481,664,484	2.46%	3.03%
2001	391,346,777	391,346,777	1.85%	6.35%
2000	378,683,486	378,683,486	1.67%	5.96%
1999	227,101,012	227,101,012	1.11%	5.46%
1998	409,767,394	409,767,394	2.17%	5.86%
1997	640,227,925	640,227,925	3.57%	5.70%

**Mutual Equity Fund**

	Book Value	Market Value	% of Total Fund MV	Rate of Return
\$7,501,163,477	\$8,983,043,768	38.25%	10.27%	
6,991,797,244	8,284,992,409	38.40%	8.06%	
6,544,070,199	7,779,104,677	37.67%	20.84%	
6,047,280,312	6,603,061,918	34.77%	0.48%	
6,401,472,709	6,688,728,705	34.20%	-14.95%	
6,649,619,519	7,949,775,481	37.49%	-9.55%	
6,578,261,062	8,876,068,150	39.08%	10.03%	
6,321,181,834	9,137,539,233	44.77%	19.38%	
5,597,631,659	7,735,628,862	41.04%	28.40%	
5,740,662,847	8,072,686,952	44.95%	30.74%	

**International Stock Fund**

	Book Value	Market Value	% of Total Fund MV	Rate of Return
2006	\$4,145,802,552	\$5,392,666,574	22.96%	25.69%
2005	3,587,545,036	4,372,185,115	20.27%	19.23%
2004	3,407,481,400	3,995,868,265	19.35%	29.69%
2003	2,047,590,656	2,026,297,000	10.67%	-6.39%
2002	2,306,936,221	2,272,810,463	11.62%	-9.00%
2001	2,449,711,883	2,466,657,788	11.63%	-13.29%
2000	2,315,776,890	2,928,693,346	12.89%	20.13%
1999	1,937,731,869	2,436,960,573	11.94%	6.77%
1998	1,988,516,841	2,394,774,756	12.71%	1.52%
1997	2,056,745,949	2,988,188,715	16.64%	15.67%

**Real Estate Fund**

	Book Value	Market Value	% of Total Fund MV	Rate of Return
\$327,772,520	\$398,391,108	1.70%	7.09%	
309,798,748	399,727,575	1.85%	27.74%	
348,015,445	368,546,928	1.78%	0.67%	
399,402,161	425,893,012	2.24%	3.30%	
417,067,553	471,193,932	2.41%	0.81%	
407,455,431	476,011,373	2.24%	14.45%	
464,709,616	510,010,943	2.25%	9.18%	
442,674,319	428,221,842	2.10%	9.96%	
445,482,545	416,617,227	2.21%	25.63%	
553,333,465	488,413,514	2.72%	10.69%	

**Mutual Fixed Income Fund**

	Book Value	Market Value	% of Total Fund MV	Rate of Return
2006	\$7,179,817,139	\$7,052,537,386	30.03%	0.77%
2005	6,567,168,651	6,662,163,634	30.88%	7.70%
2004	6,368,703,625	6,325,884,136	30.63%	2.79%
2003	7,082,889,175	7,308,417,293	38.49%	12.03%
2002	7,412,105,698	7,295,007,838	37.30%	5.64%
2001	7,363,064,249	7,218,746,648	34.04%	8.03%
2000	7,463,463,748	7,282,002,823	32.06%	5.77%
1999	6,943,741,512	6,762,463,935	33.13%	2.64%
1998	6,798,694,018	6,826,179,407	36.22%	10.52%
1997	4,612,052,907	4,902,597,809	27.30%	10.62%

**Commercial Mortgage Fund**

	Book Value	Market Value	% of Total Fund MV	Rate of Return
\$17,729,189	\$18,192,114	0.08%	9.69%	
19,796,542	20,267,798	0.09%	6.95%	
35,210,421	36,228,371	0.18%	7.87%	
69,871,489	71,990,878	0.38%	20.62%	
69,553,258	71,468,307	0.37%	1.19%	
92,793,153	100,727,402	0.47%	10.88%	
168,263,689	175,216,208	0.77%	8.26%	
231,513,066	235,232,350	1.15%	6.10%	
262,476,294	271,419,535	1.44%	17.71%	
343,534,264	324,002,103	1.80%	9.82%	

**CONNECTICUT STATE TREASURER'S COMBINED INVESTMENT FUNDS**

**INVESTMENT SUMMARY AT JUNE 30, 2006 (Continued)**

	<b>Private Investment Fund <sup>(3)</sup></b>				<b>Total Fund</b>			
	Book Value	Market Value	% of Total Fund MV	Rate of Return	Book Value	Market Value	% of Total Fund MV	Rate of Return
2006	\$1,692,805,252	\$1,357,518,114	5.78%	11.74%	\$21,145,639,107	\$23,482,898,042	100.00%	10.55%
2005	2,046,726,560	1,437,979,798	6.67%	9.58%	19,918,781,069	21,573,264,617	100.00%	10.46%
2004	2,406,829,047	1,781,312,669	8.63%	20.21%	19,473,480,993	20,650,115,902	100.00%	15.23%
2003	2,413,582,348	1,842,900,019	9.70%	-11.94%	18,771,449,134	18,989,393,113	100.00%	2.49%
2002	2,315,048,277	2,276,642,374	11.64%	-10.81%	19,403,848,200	19,557,516,103	100.00%	-6.39%
2001	2,217,285,786	2,601,575,275	12.28%	-6.25%	19,571,276,798	21,204,840,744	100.00%	-3.68%
2000	1,879,100,932	2,561,042,272	11.28%	53.86%	19,248,259,423	22,711,717,228	100.00%	13.13%
1999	1,138,252,584	1,182,905,063	5.80%	-0.81%	17,242,196,196	20,410,424,008	100.00%	10.49%
1998	715,880,779	794,324,372	4.21%	18.55%	16,218,449,530	18,848,711,553	100.00%	17.19%
1997	496,527,964	542,174,959	3.02%	5.68%	14,443,085,321	17,958,291,977	100.00%	19.35%

- (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 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

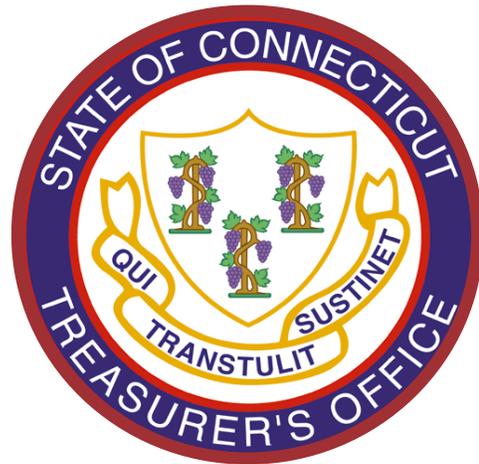
CONDENSED SCHEDULE OF ASSETS  
FISCAL YEAR ENDED JUNE 30 (dollars in millions)

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Assets										
Investments at Fair Value	\$23,482.9	\$21,573.3	\$20,650.1	\$18,989.4	\$19,557.5	\$21,207.0	\$22,711.7	\$20,410.4	\$18,848.7	\$17,958.3
Cash, Receivables and Other	16,145.9	12,212.7	10,456.4	4,253.9	3,855.0	4,161.7	3,825.8	3,575.5	4,046.1	851.0
Total Assets	39,628.8	33,786.0	31,106.5	23,243.3	23,412.5	25,368.7	26,537.5	23,985.9	22,894.8	18,809.3
Liabilities	16,812.0	12,486.9	10,917.2	4,942.9	4,706.3	4,775.5	4,623.3	4,165.0	4,520.7	2,780.0
Net Assets	\$22,816.8	\$21,299.1	\$20,189.3	\$18,300.4	\$18,706.2	\$20,593.2	\$21,914.2	\$19,820.9	\$18,374.1	\$16,029.3

CONDENSED SCHEDULE OF CHANGES IN NET ASSETS  
FISCAL YEAR ENDED JUNE 30 (dollars in millions)

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<b>Additions</b>										
Dividends	\$525.6	\$500.2	\$607.5	\$484.1	\$298.8	\$271.4	\$369.8	\$278.6	\$297.4	\$321.3
Interest	350.8	302.1	303.0	352.4	432.8	504.6	449.4	446.6	431.7	321.6
Securities Lending & Other Income	124.6	76.0	52.8	28.9	42.9	100.1	77.3	90.0	88.4	75.3
Total Investment Income	1,001.0	878.3	963.3	865.4	774.5	876.1	896.5	815.2	817.5	718.2
Total Investment Expenses	178.0	112.1	63.6	65.6	91.7	154.7	119.2	136.4	122.0	107.0
Net Investment Income	823.0	766.2	899.7	799.8	682.8	721.4	777.3	678.8	695.5	611.2
Net Realized Gain/(Loss)	886.0	698.7	881.0	(566.4)	(445.6)	269.3	1,527.2	673.8	1,350.4	277.3
Net Change in Unrealized Gains on Investments	520.4	591.2	936.9	123.8	(1,567.6)	(1,776.4)	262.5	530.3	681.4	1,727.7
Purchase of Units by Participants	1,829.8	1,632.3	2,899.5	1,299.5	1,117.5	1,348.1	2,436.7	2,007.7	2,908.6	1,563.8
Total Additions	4,059.2	3,688.4	5,607.1	1,656.7	(212.9)	562.4	5,003.7	3,890.6	5,635.9	4,180.0

<b>Deductions</b>										
Administrative Expense	(2.9)	(2.7)	(2.3)	(2.1)	(1.5)	(1.4)	(1.3)	(1.3)	(1.4)	(1.4)
Distributions to Unit Holders	(802.5)	(859.6)	(816.1)	(837.0)	(717.8)	(734.6)	(759.0)	(643.6)	(628.7)	(570.1)
Redemption of Units by Participants	(1,736.1)	(1,716.3)	(2,899.8)	(1,223.4)	(954.8)	(1,147.4)	(2,150.1)	(1,798.9)	(2,661.0)	(1,256.5)
Total Deductions	(2,541.5)	(2,578.6)	(3,718.2)	(2,062.5)	(1,674.1)	(1,883.4)	(2,910.4)	(2,443.8)	(3,291.1)	(1,828.0)
Net Change in Assets	1,517.7	1,109.8	1,888.9	(405.8)	(1,887.0)	(1,321.0)	2,093.3	1,446.8	2,344.8	2,352.0
Beginning Net Assets	21,299.1	20,189.3	18,300.4	18,706.2	20,593.2	21,914.2	19,820.9	18,374.1	16,029.3	13,677.3
Ending Net Assets	\$22,816.8	\$21,299.1	\$20,189.3	\$18,300.4	\$18,706.2	\$20,593.2	\$21,914.2	\$19,820.9	\$18,374.1	\$16,029.3



# *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

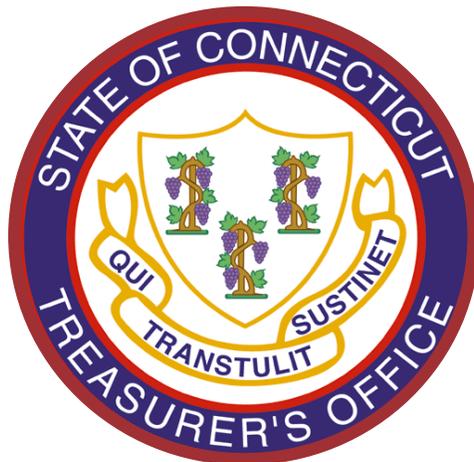
**Madelyn Colón**  
Assistant Treasurer  
Unclaimed Property  
Tel: (860) 702-3291  
Fax: (860) 702-3043

**Meredith A. Miller**  
Assistant Treasurer  
Policy  
Tel: (860) 702-3294  
Fax: (860) 728-1290

**Maria M. Greenslade**  
Assistant Deputy Treasurer  
Second Injury Fund and Unclaimed Property  
Tel: (860) 702-3125  
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](http://www.state.ct.us/ott)**