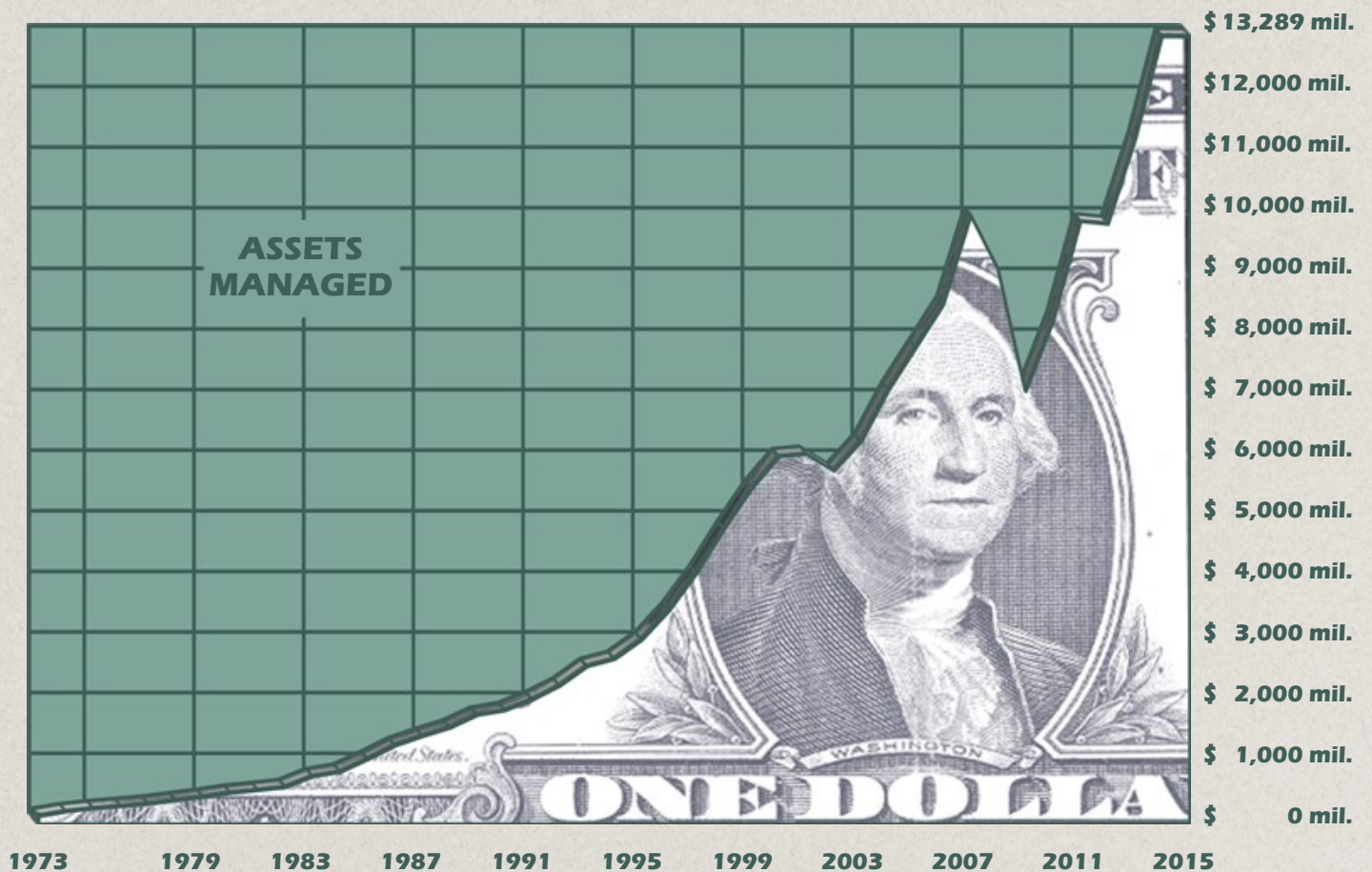


THE SOUTH DAKOTA INVESTMENT COUNCIL



**ANNUAL REPORT
FISCAL YEAR 2015**

Table of Contents	1
Transmittal Letter	2
Assets Managed	4
South Dakota Investment Council Members.....	5
South Dakota Investment Office Staff	6
South Dakota Retirement System	
Total Fund	7
Bond Portfolios	12
Equity Portfolio	14
Private Equity and Real Estate Limited Partnership Investments.....	15
Arbitrage Portfolios	16
South Dakota Cash Flow Fund	17
School and Public Lands	20
Dakota Cement Trust	23
Education Enhancement Trust	26
Health Care Trust	29
Higher Education Savings Plan	32
Appendix	
Higher Education Savings Plan Letter	33
Portfolio Summaries	35
Certificate of Deposit Program	38
Glossary.....	39
Endnotes	41

The Financial Statements with Auditor's Report for South Dakota Cash Flow Fund, School and Public Lands, Dakota Cement Trust, Education Enhancement Trust and Health Care Trust portfolios can be found at <http://sdcic.sd.gov>.

The Financial Statements with Auditor's Report for South Dakota Retirement System can be found at www.sdrs.sd.gov.

TRANSMITTAL LETTER

TO THE GOVERNOR, LEGISLATURE AND PEOPLE OF SOUTH DAKOTA:

The South Dakota Investment Council annual report provides information about the investment of South Dakota Retirement System assets, state trust funds, and other financial assets of the State of South Dakota. This letter summarizes fiscal year 2015 performance and discusses the Council's long-term approach; future return expectations; importance of low costs; and productive working relationships with the Legislature, the Executive Branch, and others.

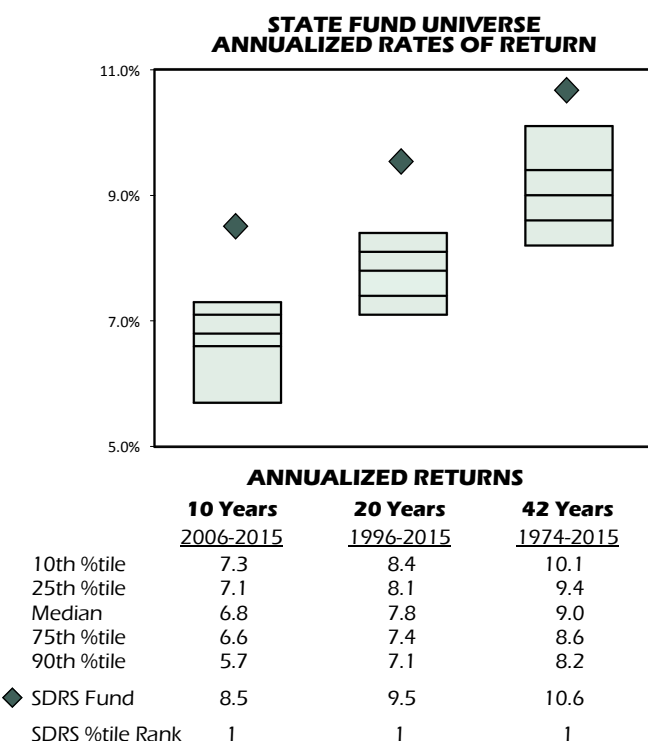
FISCAL YEAR 2015 PERFORMANCE

The fiscal year 2015 investment return for the South Dakota Retirement System (SDRS) was 4.2% net of investment management cost. This exceeded the Council's market index-based Capital Markets Benchmark (CMB) return of 2.1%. The real estate category contributed most significantly to the outperformance.

The net returns for the trust funds, which include School and Public Lands, Dakota Cement Trust, Health Care Trust, and Education Enhancement Trust, ranged from 4.2% to 4.6%. Trust fund management is gradually transitioning to being similar to SDRS. The South Dakota Cash Flow Fund (SDCFF) earned a return of 1.3%. The SDCFF return has declined significantly in the past several years as higher-yielding securities matured. The yield may continue to drop until market rates increase from current near zero levels.

INVESTING FOR THE LONG TERM

The Council has managed SDRS assets for the past 42 years. The return over the full period has exceeded other state retirement systems across the nation as shown on the following exhibit.



The Council's goal is to add value over the long term compared to market indexes. Accomplishment of this goal for SDRS provides additional resources to pay retirement benefits for the more than 81,000 members. Added value for the trust funds and the cash flow fund provides additional revenues to the state.

Results can vary significantly from year to year with many interim periods of underperformance in the Council's history. Whether an individual year is good, bad or average, it is important to be mindful that the Council invests for the long term. Actions taken in one year may impact performance several years down the road. The long-term success has resulted primarily from adhering to the long-term strategies during the underperforming periods.

The Council invests in assets believed to be undervalued from a long-term perspective. The valuation process is based on the view that the worth of an asset is the present value of future cash flows. Internal research efforts focus on estimating future cash flows and assessing risk which impacts the rate used to discount cash flows to present value.

It can be difficult to stick to a long-term investment approach, especially during underperforming periods when it can be tempting to chase immediate gratification and comfort of the crowd. The Council has developed several advantages to help maintain discipline. Measures of long-term value provide a solid focal point, like a lighthouse in rough seas. Internal research increases conviction, as it is easier to understand your own work. Decades of successful experience in difficult markets provides confidence to stay the course due to better understanding what is required to successfully come out the other side. Contingency planning provides a roadmap for when tough times come to minimize the need to figure out what to do under duress.

Risk is managed by diversifying across multiple asset categories and reducing exposure to expensive assets. Conventional statistical risk measures are calculated, such as standard deviation as a measure of volatility and correlation as a measure of diversification. Conventional measures are good for understanding risk in normal times but tend to understate real world frequency and magnitude of severe market declines. Since before the financial crisis, the Council has adjusted risk measures to better reflect risk when it matters most, during market crashes. Standard deviations are increased to reflect higher frequency of severe declines, and correlations are adjusted to reflect that most asset categories are less diversifying during severe declines.

SDRS total fund and capital markets benchmark returns can be found on page 9 of the annual report for every fiscal year since inception and various rolling time periods. Trust fund returns can be found in their respective sections.

RETURN EXPECTATIONS

The Council believes market return expectations should be based on forward-looking, long-term cash flows rather than extrapolation of past returns, which tend to relate inversely to future results. The Council began developing long-term expected returns in the early 1980's. The following exhibit shows expected returns resulting from the Council's process for bonds and stocks as of 6/30/82, 6/30/92, 6/30/02, and 6/30/15.

AN UPDATE ON RETURN EXPECTATIONS

	Bonds*	S&P 500	Yield
Expected 10-Year Returns as of 6/30/82	14.4%	15.6%	6.2%
Actual Returns - 7/1/82 to 6/30/92	13.7%	18.3%	
Expected 10-Year Returns as of 6/30/92	7.1%	9.5%	3.0%
Actual Returns - 7/1/92 to 6/30/02	7.4%	11.5%	
Expected 10-Year Returns as of 6/30/02	4.8%	7.9%	1.6%
Actual Returns - 7/1/02 to 6/30/15	4.9%	8.0%	
Expected 10-Year Returns as of 6/30/15	2.4%	7.2%	1.8%

*Expected returns are the 10-year Treasury yield. Actual returns are the Citigroup Broad Investment-Grade (BIG) Index.

In 1982, bond yields were 14.4%, and the Council's long-term expected return for stocks, based on projected dividends and growth, was 15.6%. Expected returns were high because markets were very cheap, having performed poorly for many years. Subsequent actual 10-year returns were 13.7% for bonds and 18.3% for stocks. By June 30, 1992, bond yields were 7.1%, and the expected stock return was 9.5%. Subsequent actual 10-year returns were 7.4% for bonds and 11.5% for stocks. As of June 30, 2002, expected returns were 4.8% for bonds and 7.9% for stocks. Subsequent actual returns for the 10 years through June 30, 2012 were 5.8% for bonds and 5.3% for stocks, and for the 13 years through June 30, 2015, were 4.9% for bonds and 8.0% for stocks.

As of June 30, 2015, expected returns were 2.4% for bonds and 7.2% for stocks. Low interest rates foreshadow low future bond returns. The expected return for stocks is also lower than earned on average historically. The expected long-term return for the overall SDRS fund, which is diversified across a number of asset categories, is 6.25%. This excludes consideration of potential value added or detracted relative to index returns and impact of withdrawals to pay benefits. As SDRS matures, benefit payments are increasingly funded from investment earnings. These withdrawals are larger as a percentage of the fund when markets are depressed which reduces long-term growth.

The expected return is the mid-point of a range of possible outcomes. The one standard deviation range, which statistically encompasses the central two-thirds of potential outcomes, is 1.4% to 11.1% per annum for a ten-year horizon and 2.8% to 9.7% for a 20-year horizon.

History has shown that following large out-performances, like experienced in recent years, opportunities may be sparse for a time. Chasing lesser opportunities has tended to backfire when assets became much cheaper later. The lesson learned is to wait for worthwhile opportunities, and when absent, to be satisfied with modest results until better opportunities come along.

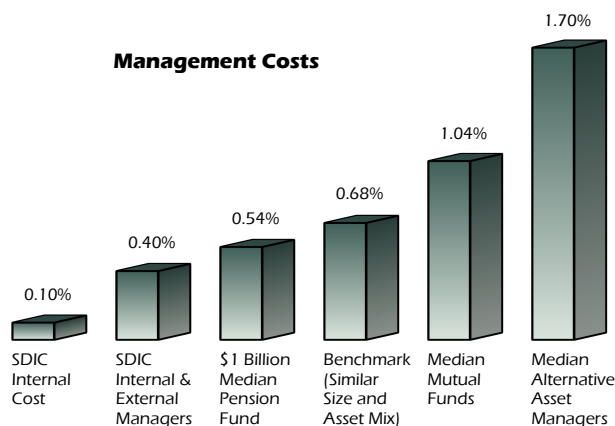
IMPORTANCE OF LOW COSTS

The Investment Council manages the majority of assets internally to save money and to try to earn higher returns. Internal management is cheaper than external managers, especially for more expensive categories such as global equity, high yield, and arbitrage. Index funds are another low cost alternative but would preclude any opportunity to add value above index returns. The Council believes historic success of

internal management efforts relate to greater focus on long-term value and increased conviction from performing research in-house.

The Council began investing in real estate and private equity partnerships in the mid 1990's. Partnership management costs are generally 1% to 2% of assets per year. Partnership managers are also typically allocated 20% of profits. These investments can be more expensive than traditional external managers and much more expensive than Council internal cost. Unlike traditional investment managers that buy and sell securities, partnership managers have hands-on involvement with underlying investments which complicates cost comparisons. Real estate partnership managers buy and manage underlying properties. Private equity partnership managers buy and operate whole companies. The Council evaluates partnership returns compared to traditional real estate and stock market indices. Partnership returns are net of all fees and profit allocations.

The following exhibit shows Council management costs compared to other funds.



Internal management cost is projected to average 0.10% of assets. Including external management, total cost is expected to average 0.40%. This compares to the median industry cost of 0.54% and benchmark cost of 0.68%, which is the median industry cost adjusted for fund size and asset mix. The difference of 0.28% versus the benchmark results in approximately \$37 million of savings per year. Compounding these savings over many years can result in hundreds of millions of dollars.

A TEAM EFFORT

Historic success of the Investment Council has been a team effort. Consistent support by the Legislature and Executive Branch and others over multiple decades has allowed the Council to pursue a long-term investment approach and implement a long-term business plan to build a stable, experienced, home-grown investment team. The Council recognizes the unique challenges and patience required to support an internal investment organization and long-term investment approach. The Council is very appreciative of the significant efforts of Legislators, the Governor and his team, and their predecessors, to provide the Council with the opportunity to succeed.

The Council benefits from cooperative relationships with other state entities related to the funds managed, including the South Dakota Retirement System, the State Treasurer's Office, the School and Public Lands' Office, and the Bureau of Finance and Management. The Council also benefits from important contributions by the Legislative Research Council, the Attorney General's Office, the Department of Legislative Audit, the Bureau of Information and Telecommunications, and other agencies.

The Council believes its strengths of an exceptionally supportive environment, a stable internal investment team, and disciplined focus on long-term investment value will serve us well in the decades to come.

Respectfully submitted by:

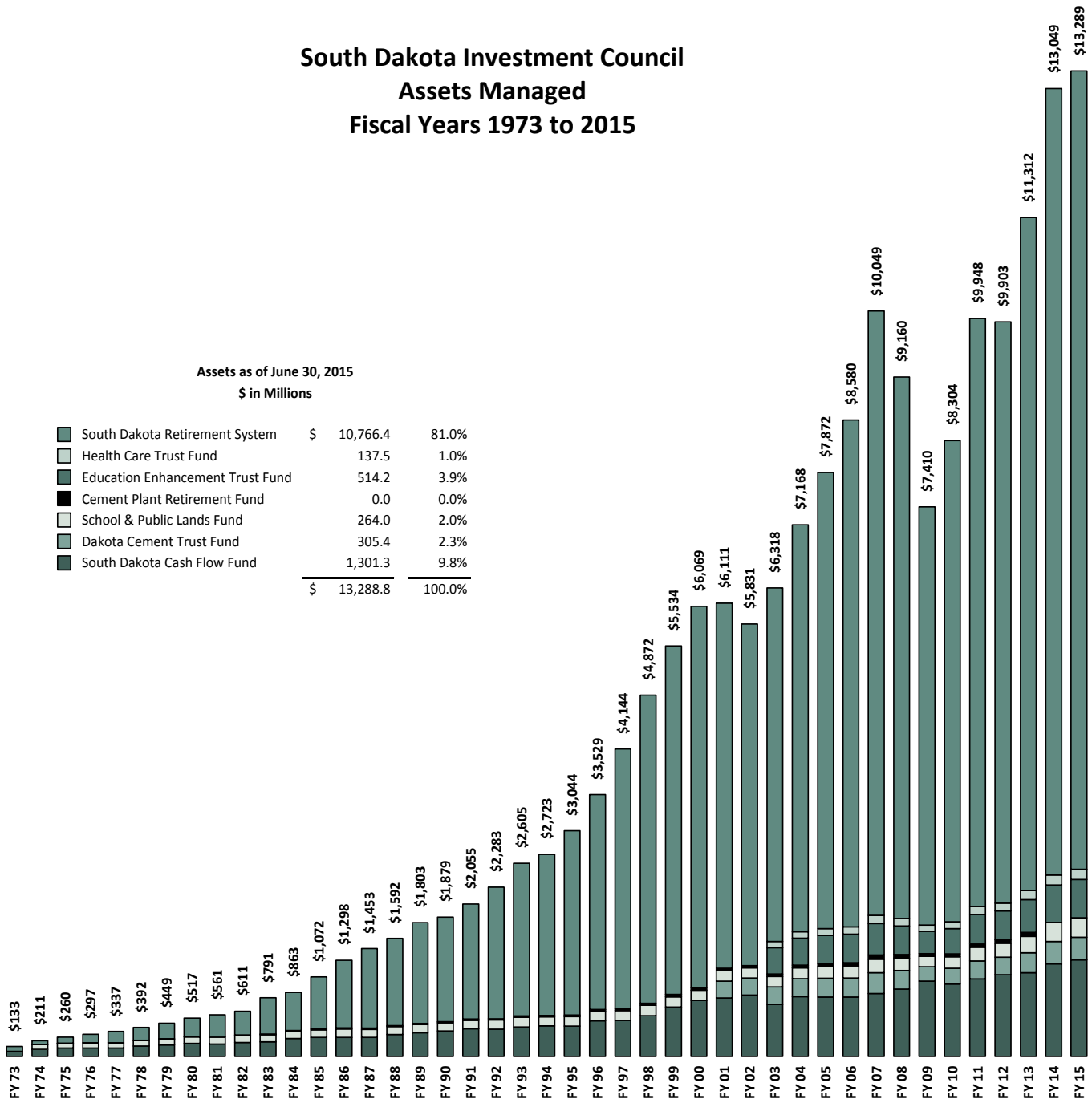
Jon M. Hunter, CFA, Chair
South Dakota Investment Council

Matthew L. Clark, CFA
State Investment Officer

South Dakota Investment Council Assets Managed Fiscal Years 1973 to 2015

Assets as of June 30, 2015
\$ in Millions

South Dakota Retirement System	\$ 10,766.4	81.0%
Health Care Trust Fund	137.5	1.0%
Education Enhancement Trust Fund	514.2	3.9%
Cement Plant Retirement Fund	0.0	0.0%
School & Public Lands Fund	264.0	2.0%
Dakota Cement Trust Fund	305.4	2.3%
South Dakota Cash Flow Fund	1,301.3	9.8%
	\$ 13,288.8	100.0%



Jon M. Hunter, CFA, Chair**

President
Hunter Publishing, Inc.
Madison

Jim E. Means, Vice-Chair**

Senior Vice President & Trust Officer
First Dakota National Bank
Yankton

David T. Hillard* **

Senior Vice President & Branch Director
RBC Wealth Management
Rapid City

Steve T. Kirby*

President/Founding Partner
Bluestem Capital Company
Sioux Falls

Lorin L. Brass

Shell Oil Company, retiree
Lennox

Ryan Brunner

Commissioner of School & Public Lands
State of South Dakota
Pierre

Richard L. Sattgast*

State Treasurer
State of South Dakota
Pierre

Robert A. Wylie

Executive Director/Administrator
South Dakota Retirement System
Pierre

*Denotes member of Audit Committee

**Denotes member of Compensation Committee

History

- Established by the South Dakota Legislature in 1971. Operations began on July 1, 1972.

Membership

- Consists of eight voting members.
- South Dakota law stipulates that, *"The members of the state investment council shall be qualified by training and experience in the field of investment or finance."*
- Five members are chosen by the Executive Board of the Legislative Research Council, a bipartisan board composed of members from both houses of the Legislature, to serve rolling five-year terms.
- Three members serve ex officio: the State Treasurer, the Commissioner of School & Public Lands and a designee of the South Dakota Retirement System Board of Trustees.

Responsibilities

- Select and evaluate State Investment Officer.
- Develop investment policy and establish asset allocation guidelines for the long term.
- Monitor implementation of investment process.
- Oversee audit process through Audit Committee.
- Comply with and monitor Code of Ethics and Personal Investing Guidelines.
- Approve annual budget and long-term plan.

Investment Policy

- Abide by Prudent-Man Standard as defined by South Dakota Codified Law 4-5-27 below.

Any investments under the provisions of SDCL 4-5-12 to 4-5-39, inclusive, shall be made with the exercise of that degree of judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation but for investment, considering the probable safety of their capital as well as the probable income to be derived.

SOUTH DAKOTA INVESTMENT OFFICE

INVESTMENT MANAGEMENT & RESEARCH

Name <i>(alphabetical order)</i>	Title	Asset Categories
Matthew L. Carey	Research Analyst	Equity & High Yield
Anne D. Cipperley, CFA	Assistant Portfolio Manager	High Yield
Matthew L. Clark, CFA	State Investment Officer	All
Candice S. Currier, CFA	Senior Portfolio Manager	Global Equity
Jarrod A. Edelen, CFA	Portfolio Manager	Small/Mid Equity
Jeffrey J. Ellefson, CFA	Portfolio Manager	Global Equity
Daniel H. Elmer	Research Analyst	Equity & High Yield
Brett D. Fligge, CFA	Assistant Investment Officer	Global Equity & Alternative Investments
Melissa Hansen-Woidyla, CFA	Senior Portfolio Manager	Global Equity
Darci L. Haug, CFA	Portfolio Manager	Small/Mid Equity
Scott A. Hess, CFA	Senior Portfolio Manager	Small/Mid Equity
Lee W. Mielke, CFA	Associate Portfolio Manager	Global Equity
Danielle J. Mourer, CFA	Associate Portfolio Manager	High Yield
Christopher L. Nelson, CFA	Assistant Investment Officer	Fixed Income & Alternative Investments
Sherry Z. Nelson, CFA, CPA	Senior Portfolio Manager	Fixed Income/Short-Term
Zachary M. Nipp	Research Analyst	Equity & High Yield
Tammy V. Otten, CFA, CPA	Assistant Investment Officer	Fixed Income & Derivatives
Rena A. Randall, CFA	Portfolio Manager	Global Equity
Arianna P. Rehfeldt, CFA	Portfolio Manager	Global Equity
Ross D. Sandine, CFA	Associate Portfolio Manager	High Yield
Steven W. Schultz, CFA	Senior Portfolio Manager	Global Equity
Randall J. Spinar, CFA	Portfolio Manager	Global Equity
Aleksey V. Voznyuk	Research Analyst	Equity & High Yield
Jan E. Zeeck, CFA	Senior Portfolio Manager	Global Equity
Makenzie K. Zomers	Research Analyst	Equity & High Yield

INVESTMENT ACCOUNTING & ADMINISTRATION

Name <i>(alphabetical order)</i>	Title
JoAnn Callahan	Secretary/Receptionist
Brandy A. Eisma, CPA	Investment Accountant
Jeffrey P. Hallem	General Counsel
Cynthia J. Pickering, CPA	Senior Investment Accountant
Samantha M. Rains, CPA	Investment Accountant
Laurie A. Riss	Business Manager
Krystal R. Seeley, CPA	Investment Accountant

The function of the staff is to advise and recommend investment policies and strategies to the Investment Council and to implement the Investment Council's adopted investment policies.

THE FUND

The South Dakota Retirement System (SDRS) is a cost-sharing, multiple-employer, public employee retirement system providing retirement, disability, and survivor benefits to over 81,000 public employees in South Dakota. The benefits are funded through member and employer contributions and investment income. Per state statute, responsibility for SDRS investment portfolio management belongs to the South Dakota Investment Council (Council). This section discusses the investment objectives with intermediate and long-term results for SDRS. Financial statements for SDRS are published in SDRS's annual report.

INVESTMENT OBJECTIVES

The Council's overall objective is to prudently manage SDRS assets to achieve and exceed the returns available over the long term from the broad capital markets (stocks, bonds, real estate, etc.). The Council has three specific objectives. The first relates to achieving and exceeding the actuarial estimated rate of return over the long term to help assure the financial health of SDRS. The other two objectives relate to adding value over the long term versus the index returns of the Council's capital markets benchmark and versus peer funds.

♦ Achieve and exceed the actuarial rate of return over the long term.

The actuarial rate of return is an estimate of the investment return achievable over the long term through investing in the capital markets. The return estimate, along with other actuarial estimates relating to issues such as member longevity, salary changes, and turnover, are used by the actuary to assess the funding status and overall health of a retirement system. Achievement of the actuarial return estimate is important to continued financial strength of SDRS. Any additional return can strengthen the financial condition and/or provide resources to address SDRS benefit goals.

If investment markets do not allow the Council, or the Council simply fails, to achieve the estimated return over the long term, South Dakota law may require benefit reductions. It is important that the actuarial estimated return be a reasonable expectation of what capital markets can deliver, or it may not be realistic to achieve this objective.

These objectives have been achieved for the majority of rolling time periods. The following table summarizes SDRS total fund performance versus the actuarial rate of return of 7.5%* and the actuarial rate of return plus 1%.

SDRS Total Fund vs. Actuarial Rate of 7.5%*				
	<u>5 years</u>	<u>10 years</u>	<u>20 years</u>	<u>30 years</u>
# of Successes	28	29	23	13
# of Periods	38	33	23	13
% of Success	74%	88%	100%	100%
SDRS Total Fund vs. Actuarial Rate + 1%				
	<u>5 years</u>	<u>10 years</u>	<u>20 years</u>	<u>30 years</u>
# of Successes	25	27	22	13
# of Periods	38	33	23	13
% of Success	66%	82%	96%	100%
*The actuarial rate of return is currently 7.25% through fiscal year 2017, and 7.50% thereafter.				

The transmittal letter discussed the Council's long-term expected return which was 6.25% as of June 30, 2015. The Council's expectation does not assume any added value versus market indexes and is the midpoint of a possible range. This is less than the actuarial assumed return of 7.5%*. It should be noted that the long-term inflation assumption embedded in the Council's expected return is less than the actuarial inflation assumption which can explain some of the difference. The SDRS Board of Trustees periodically reviews each of the actuarial assumptions.

♦ Achieve favorable total fund performance over the long term relative to a capital markets benchmark reflective of the Council's normal asset allocation policy.

This is the most important specific investment objective in judging the Council's delivery of a competitive rate of return. The objective is to achieve and exceed the indexed returns that would be earned if SDRS was invested in the Council's selected capital markets benchmark. The key investment policy decision made by the Council relates to asset allocation as discussed in the SDRS Asset Allocation Focus on page 8.

This is difficult to accomplish as most investment managers do not outperform the capital markets over time. The zero sum nature of markets, with each investment transaction having a winner and a loser, means investors collectively will merely match the overall market return before expenses. After taking into account investment manager fees and transactions costs, including commissions and market impact cost, most managers underperform.

This objective has been achieved for the majority of rolling 5 and 10-year periods and all 20-year and longer periods. The following table summarizes SDRS total fund performance versus the Council's capital markets benchmark. A complete listing of rolling 5, 10, 20 and 30-year return comparisons is located on page 9.

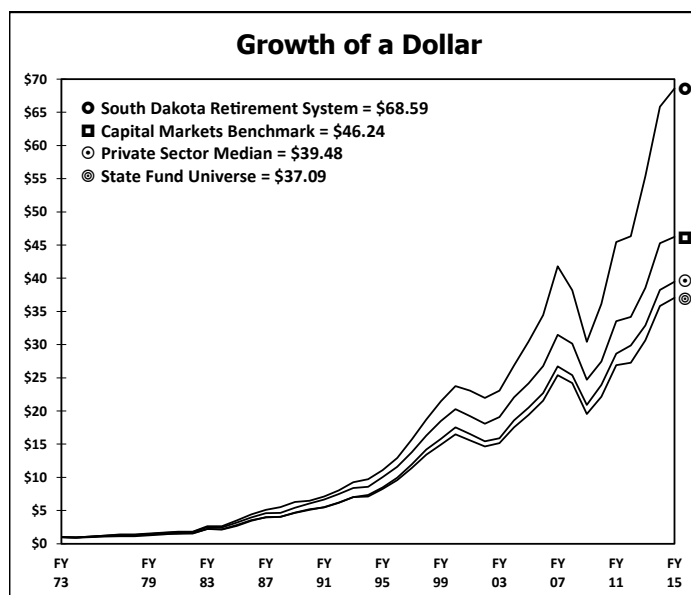
SDRS Total Fund vs. Capital Markets Benchmark				
	<u>5 years</u>	<u>10 years</u>	<u>20 years</u>	<u>30 years</u>
# of Successes	32	30	23	13
# of Periods	38	33	23	13
% of Success	84%	91%	100%	100%

♦ Achieve favorable total fund performance over the long term relative to peer pension funds.

The following table shows that SDRS returns have exceeded the median state fund results for the majority of rolling 5-year periods and all 10, 20 and 30-year timeframes.

SDRS Total Fund vs. State Fund Universe				
	<u>5 years</u>	<u>10 years</u>	<u>20 years</u>	<u>30 years</u>
# of Successes	37	33	23	13
# of Periods	38	33	23	13
% of Success	97%	100%	100%	100%

The chart to the right shows that compounding superior returns over the long term can really add up. A dollar invested at SDRS returns starting in 1973 would have increased to \$68.59 by June 30, 2015. A dollar invested in the Council's Capital Markets Benchmark would have grown to \$46.24. A dollar invested in the typical private sector pension plan and state fund universe would have grown to \$39.48 and \$37.09 respectively.



Asset Allocation Focus

The decision most impactful to investment outcomes is the allocation of assets to categories such as stocks, bonds, real estate, and others. The Council establishes a benchmark asset allocation which considers expected long-term returns and risk to achieve SDRS investment objectives over the long term. This capital markets benchmark includes categories that are significant in size and can be passively implemented. The benchmark is intended to represent what is achievable through index funds without requiring exceptional skill. The benchmark is used to compare against actual results to assess whether value has been added. The benchmark itself is viewed as a challenging hurdle as most investors fail to keep up with index returns. The Council also establishes a minimum and maximum for each category. Niche or skill-based categories do not have weight in the benchmark but can have a permitted range for when the category valuation is depressed or superior managers are believed to have been identified.

It can be difficult to understand overall fund risk given multiple asset categories that can each behave uniquely. When the Council first began managing assets, most institutional portfolios consisted solely of stocks, investment grade bonds, and cash. Investors back then could quickly understand the level of risk by looking at the percentage of their fund invested in stocks. The Council focus today is on measurement and management of equity-like and bond-like risk. Equity-like risk is the percentage invested in stocks plus any embedded equity exposure of other categories, particularly during times of market stress. Bond-like risk is the percentage invested in investment grade bonds plus any embedded bond exposure of other categories. The benchmark equity-like risk is 70% with a permitted range of 50% to 85%. The benchmark bond-like risk is 30%, including a small amount of cash exposure, with a permitted range of 15% to 50%.

Allocations within permitted ranges for equity-like and bond-like risk are based on valuation. Allocations within the ranges for individual asset categories are also based on valuations with any impact on equity-like and bond-like risk offset elsewhere in the portfolio. Valuations are based on

the present value of estimated future cash flows. Research efforts focus on estimating cash flows and risk based discount rate.

Conventional statistical measures of risk are also calculated. Standard deviation is a measure of volatility, and correlation is a measure of the degree that categories provide diversification. Conventional measures are helpful for understanding risk in normal times but understate real-world frequency and magnitude of severe declines. The Council adjusts statistical measures to better reflect risk when it matters most, which is during the severe declines. It is also important to monitor liquidity to minimize risk of forced liquidations.

On June 30, 2015, the equity-like risk of the SDRS fund was 62.8% compared to the fiscal year 2015 capital markets benchmark level of 70.0%. The difference was due to a recent reduction in equity-like risk based on stock market valuations having become somewhat expensive. Applying the current equity-like risk measures for each category, the equity-like risk for the overall SDRS portfolio has ranged in recent years from 75.4% in July 2007 to 84.9% in January 2013.

The expected long-term return for the benchmark allocation as of June 30, 2015 was 6.25%. This excludes any potential value added or detracted relative to index returns resulting from managing the fund. The estimated rate of inflation embedded in the expected return was 2.5%. Standard deviation was estimated to be 15.4% after adjustments to capture real-world frequency of adverse events. These statistics indicate a 66% chance the return for any year would be between -9.1% and 21.6% and a 95% chance the return would be between -24.5% and 37.0%.

The greatest risk to markets may be unsustainable buildup of global debt. The consequence is likely muted growth and heightened risk of increased inflation to inflate away the debt or deflationary debt liquidation. The Council remains mindful of these risks as it continues to invest for the long term.

SDRS Total Fund Performance¹⁰⁻¹³

Fiscal Year	1 Year		5 Years		10 Years		20 Years		30 Years		42 Years	
	SDRS	Bench	SDRS	Bench	SDRS	Bench	SDRS	Bench	SDRS	Bench	SDRS	Bench
2015	4.2%	2.1%	13.7%	11.0%	8.5%	6.7%	9.5%	7.9%	10.4%	9.3%	10.6%	9.6%
2014	18.9%	17.5%	16.7%	12.9%	9.4%	7.5%	10.0%	8.7%	11.3%	10.2%		
2013	19.5%	12.7%	7.7%	5.0%	9.2%	7.3%	9.3%	7.9%	10.7%	9.6%		
2012	1.9%	2.0%	2.1%	1.7%	7.8%	6.6%	9.1%	7.9%	11.4%	10.4%		
2011	25.8%	22.1%	5.7%	4.6%	7.0%	5.7%	9.7%	8.4%	11.4%	10.4%		
2010	18.7%	11.1%	3.5%	2.6%	4.3%	3.1%	9.0%	7.8%	10.8%	9.9%		
2009	(20.4%)	(18.0%)	2.5%	2.3%	3.6%	2.9%	8.2%	7.9%	10.5%	9.9%		
2008	(8.7%)	(4.2%)	10.6%	9.6%	7.4%	6.3%	10.2%	9.8%	11.6%	11.0%		
2007	21.4%	17.6%	13.8%	11.7%	10.3%	8.6%	11.1%	10.1%	12.0%	11.2%		
2006	13.1%	10.7%	8.3%	6.8%	10.3%	8.7%	10.8%	10.0%	11.8%	10.9%		
2005	13.3%	9.6%	5.1%	3.6%	10.6%	9.2%	11.4%	10.7%	11.7%	10.9%		
2004	16.6%	15.5%	4.6%	3.6%	10.7%	9.9%	12.3%	11.6%	11.8%	11.0%		
2003	5.0%	5.4%	4.2%	3.2%	9.5%	8.6%	11.4%	10.7%	11.0%	10.3%		
2002	(4.9%)	(5.8%)	6.9%	5.6%	10.6%	9.2%	13.2%	12.3%				
2001	(2.9%)	(5.1%)	12.3%	10.6%	12.5%	11.2%	13.6%	12.8%				
2000	10.8%	9.7%	16.5%	15.1%	13.9%	12.8%	14.3%	13.5%				
1999	14.6%	13.3%	17.2%	16.6%	13.0%	13.1%	14.1%	13.5%				
1998	19.3%	18.4%	15.1%	14.2%	13.0%	13.4%	13.8%	13.3%				
1997	21.3%	18.9%	14.3%	12.9%	11.9%	11.6%	12.9%	12.5%				
1996	16.7%	15.5%	12.8%	11.8%	11.3%	11.3%	12.5%	12.0%				
1995	14.1%	16.9%	11.3%	10.5%	12.2%	12.2%	12.3%	11.8%				
1994	4.8%	2.4%	9.0%	9.7%	13.9%	13.2%	12.4%	11.6%				
1993	15.2%	11.8%	10.9%	12.5%	13.4%	13.0%	11.8%	11.2%				
1992	13.4%	12.9%	9.5%	10.2%	16.0%	15.5%						
1991	9.3%	9.2%	9.9%	10.9%	14.7%	14.4%						
1990	3.0%	12.5%	13.2%	13.9%	14.7%	14.1%						
1989	14.2%	16.4%	18.9%	16.9%	15.2%	13.9%						
1988	8.0%	0.7%	15.9%	13.4%	14.7%	13.3%						
1987	15.3%	16.6%	22.8%	21.1%	14.0%	13.4%						
1986	26.7%	24.7%	19.8%	18.0%	13.7%	12.6%						
1985	31.8%	28.2%	16.2%	14.4%	12.4%	11.3%						
1984	0.7%	(0.1%)	11.6%	11.0%	10.9%	10.0%						
1983	44.1%	39.6%	13.4%	13.2%	10.2%	9.5%						
1982	1.8%	2.8%	5.8%	6.2%								
1981	8.8%	6.6%	8.0%	7.4%								
1980	7.6%	10.4%	8.7%	8.3%								
1979	9.3%	10.2%	10.3%	9.1%								
1978	1.7%	1.4%	7.0%	5.9%								
1977	12.9%	8.6%										
1976	12.2%	11.2%										
1975	15.8%	14.2%										
1974	(5.9%)	(4.8%)										

The chart to the left shows the annualized total rate of returns for 1, 5, 10, 20, 30 and 42 years through fiscal year 2015 for the Total Fund. The Capital Markets Benchmark⁴ is provided for comparison.

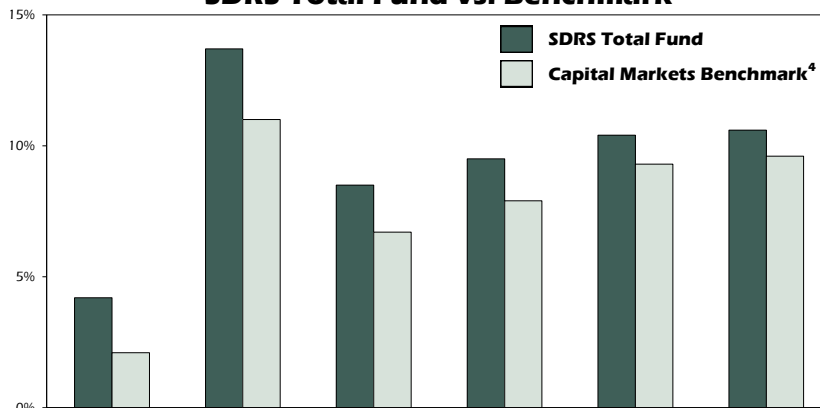
The one-year Total Fund returns above the solid demarcation line are net-of-fees, the returns below are gross-of-fees.

Past performance is no guarantee of future results.

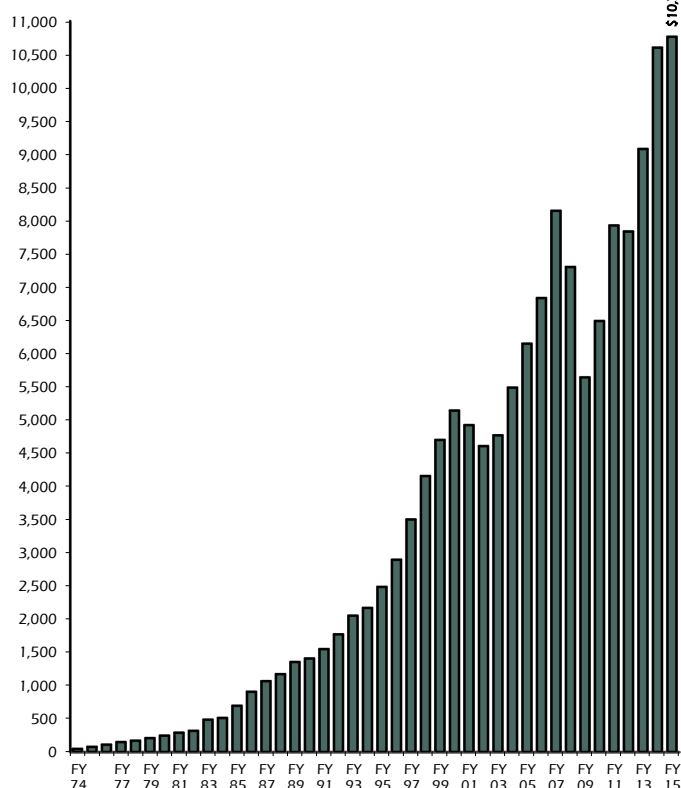
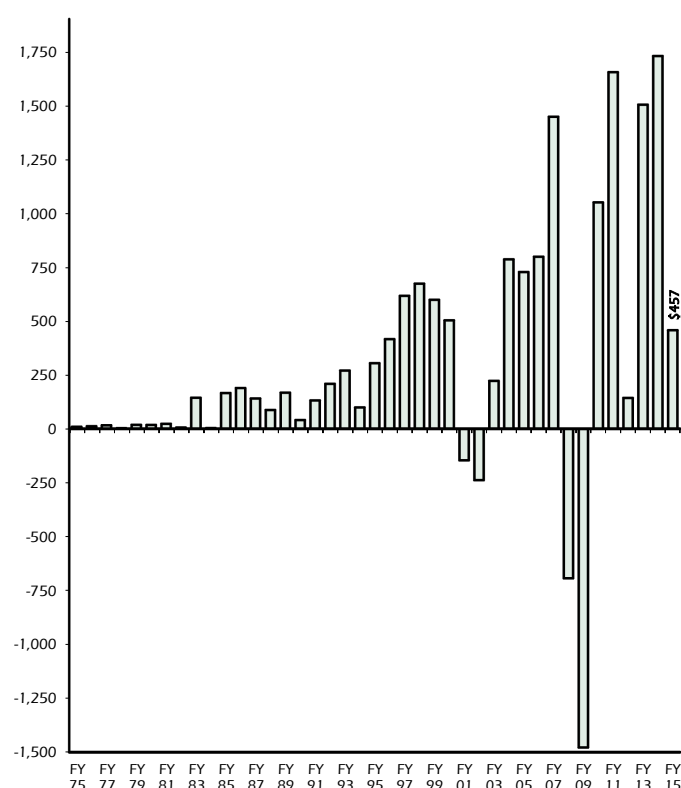
Fiscal Year 2015 Asset Allocation Policy Summary

Asset Category	CMB Allocation	Min - Max Range
Global Equity	60%	35% - 75%
Private Equity	0%	0% - 12%
Merger Arbitrage	0%	0% - 10%
Convertible Arbitrage	0%	0% - 5%
Aggressive Absolute Return	0%	0% - 5%
Real Estate	10%	2% - 20%
Fixed Income - IG	19%	13% - 50%
Fixed Income - TIPS	1%	0% - 5%
High Yield/Distressed	7%	0% - 15%
Commodities	1%	0% - 5%
Cash	2%	0% - 50%

SDRS Total Fund vs. Benchmark



	1 Year	5 Years	10 Years	20 Years	30 Years	42 Years
SDRS	4.2%	13.7%	8.5%	9.5%	10.4%	10.6%
Benchmark	2.1%	11.0%	6.7%	7.9%	9.3%	9.6%
Difference	2.1%	2.7%	1.8%	1.6%	1.1%	1.0%

Asset Growth²³ (\$ in millions)**Investment Income²⁴ (\$ in millions)****Cash Flows and Fair Value Changes**

The South Dakota Retirement System began fiscal year 2015 with \$10.602 billion in assets. During the fiscal year, net contributions/withdrawals and fees decreased the fund by \$293.0 million and investment income increased it by \$457.0 million, resulting in an ending fair value of \$10.766 billion.

Fair Value 6/30/14

\$ 10,602,389,496

Increases/Decreases

Net Contributions/Withdrawals
Internal Management Fees
External Management Fees

\$ (271,651,572)
(11,476,035)
(9,869,761)

Total Increases/Decreases

\$ (292,997,368)

Investment Income

Securities Income

Interest Income \$ 56,170,895
Dividend Income 163,962,812
Securities Lending Income 1,060,363
Real Estate Income 65,168,418
Change in Accrued Income 2,979,385

Total Securities Income

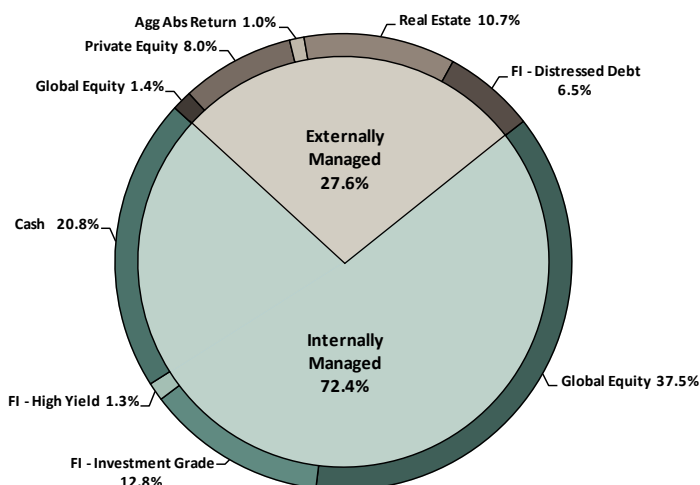
\$ 289,341,873

Total Capital Gain/Loss Income\$ 167,611,960**Total Investment Income**\$ 456,953,833**Fair Value 6/30/15**\$ 10,766,345,961

Asset Allocation⁸

As of June 30, 2015, South Dakota Retirement System assets totaled \$10.766 billion. The broad asset categories and managers are listed below. The Capital Markets Benchmark allocation is also provided for comparison. The chart shows the asset allocation of the broad asset categories of the South Dakota Retirement System broken out by internally and externally managed.

	<u>Fair Value Excluding Futures</u>		<u>% of Fund Excluding Futures</u>		<u>Futures Exposure</u>	<u>Fair Value with Futures</u>	<u>% of Fund with Futures</u>	<u>Capital Markets Benchmark %</u>
Global Equity								
Internal Global Equity	\$ 4,924,802,585		45.8%					
Internal High Quality Equity	250,333,739		2.3%					
Internal Global Emerging Markets	53,522,032		0.5%					
Internal Small/Mid Equity	613,617,294		5.7%					
Brandes	57,007,902		0.5%					
Dimensional Fund Advisors	52,032,867		0.5%					
Sanders Capital	<u>43,603,090</u>	\$ 5,994,919,509	<u>0.4%</u>	55.7%				
Equity Index Futures					\$(1,807,284,360)	\$ 4,187,635,149	38.9%	60.0%
Private Equity Limited Partnerships								
Blackstone Capital Partners	\$ 272,248,352		2.5%					
Blackstone Energy Partners ²⁵	(31,481)		0.0%					
Capital International	37,801,836		0.4%					
Carlyle	72,920,407		0.7%					
Cinven	94,269,268		0.9%					
Credit Suisse	101,651		0.0%					
CVC	56,917,322		0.5%					
Cypress	7,627,066		0.1%					
Doughty Hanson	35,677,355		0.3%					
Elevation	1,994,510		0.0%					
KKR	14,237,993		0.1%					
Neuberger Berman	1,237,347		0.0%					
PineBridge	3,562,591		0.0%					
Riverstone	87,388,861		0.8%					
Silver Lake	<u>176,027,335</u>	861,980,413	<u>1.7%</u>	8.0%		861,980,413	8.0%	0.0%
Aggressive Absolute Return								
Bridgewater	\$ 86,616,780		0.8%					
Sanders Capital	<u>24,059,339</u>	110,676,119	<u>0.2%</u>	1.0%		110,676,119	1.0%	0.0%
Real Estate Limited Partnerships								
Ares Management	\$ 10,627,751		0.1%					
Blackstone Real Estate Partners	914,536,203		8.5%					
Cargill N.A. Real Estate Partners	10,485,257		0.1%					
Doughty Hanson	10,914,050		0.1%					
Lone Star	111,666,088		1.0%					
Rockpoint	36,765,547		0.3%					
Starwood	<u>60,050,292</u>	1,155,045,188	<u>0.6%</u>	10.7%		1,155,045,188	10.7%	10.0%
Fixed Income – Investment Grade/TIPS								
Internal Investment Grade	\$ 974,489,436	974,489,436	9.1%	9.1%				
Treasury Financial Futures					402,892,850	1,377,382,286	12.8%	20.0%
Fixed Income – High Yield/Distressed Debt								
Internal High Yield	\$ 140,086,679		1.3%					
Blackstone	72,359		0.0%					
CarVal	43,262,672		0.4%					
TCW	<u>654,384,443</u>	837,806,153	<u>6.1%</u>	7.8%		837,806,153	7.8%	7.0%
Commodities								
	\$ 0	0	0.0%	0.0%		0	0.0%	1.0%
Cash & Cash Equivalents								
Internal Shift Account	\$ 831,429,143	831,429,143	7.7%	7.7%				
Cash From Futures					1,404,391,510	2,235,820,653	20.8%	2.0%
Total		<u>\$10,766,345,961</u>	<u>100.0%</u>		<u>\$ 0</u>	<u>\$10,766,345,961</u>	<u>100.0%</u>	<u>100.0%</u>



SDRS Internal Bond Portfolio Performance

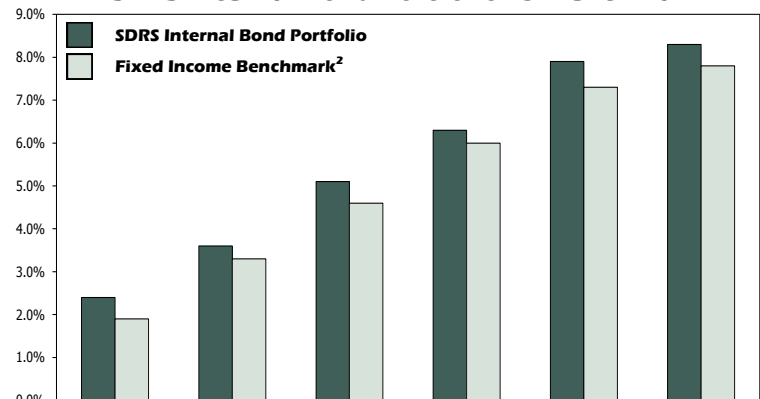
Fiscal Year	1 Year		5 Years		10 Years		20 Years		30 Years		42 Years	
	SDRS	Bench	SDRS	Bench	SDRS	Bench	SDRS	Bench	SDRS	Bench	SDRS	Bench
2015	2.4%	1.9%	3.6%	3.3%	5.1%	4.6%	6.3%	6.0%	7.9%	7.3%	8.3%	7.8%
2014	4.2%	4.3%	5.0%	4.7%	5.8%	5.2%	6.9%	6.5%	8.7%	8.2%		
2013	(0.3%)	(0.6%)	6.0%	5.3%	5.5%	4.9%	6.7%	6.2%	8.5%	8.1%		
2012	7.1%	7.5%	7.8%	7.0%	7.0%	6.3%	7.5%	6.9%	9.5%	9.1%		
2011	4.7%	3.7%	7.7%	6.7%	6.8%	6.3%	7.9%	7.2%	9.7%	9.3%		
2010	9.8%	9.0%	6.7%	6.0%	7.4%	7.0%	8.2%	7.5%	9.2%	8.9%		
2009	9.2%	7.1%	6.5%	5.8%	6.8%	6.5%	8.1%	7.5%	8.9%	8.7%		
2008	8.4%	7.8%	4.9%	4.6%	6.1%	6.1%	8.3%	7.7%	8.9%	8.8%		
2007	6.5%	6.1%	6.1%	5.7%	6.5%	6.4%	8.3%	7.8%	8.6%	8.5%		
2006	(0.2%)	0.2%	6.0%	5.8%	6.9%	6.7%	8.4%	7.7%	8.9%	8.7%		
2005	9.1%	7.9%	8.1%	8.1%	7.5%	7.4%	9.3%	8.7%	9.4%	9.1%		
2004	1.3%	1.3%	7.1%	7.2%	8.0%	7.8%	10.3%	9.7%	9.6%	9.3%		
2003	14.4%	13.4%	7.3%	7.6%	7.8%	7.5%	10.1%	9.7%	9.6%	9.1%		
2002	5.9%	7.0%	7.0%	7.1%	8.0%	7.4%	10.8%	10.5%				
2001	10.0%	11.2%	7.8%	7.7%	9.0%	8.1%	11.1%	10.8%				
2000	4.3%	3.8%	7.0%	6.7%	9.1%	8.1%	10.1%	9.9%				
1999	2.4%	2.9%	8.9%	8.4%	9.5%	8.5%	10.0%	9.9%				
1998	12.6%	11.2%	8.3%	7.5%	10.5%	9.4%	10.3%	10.1%				
1997	9.9%	9.6%	9.0%	7.7%	10.1%	9.1%	9.6%	9.6%				
1996	5.9%	6.2%	10.2%	8.6%	9.9%	8.7%	9.9%	9.8%				
1995	14.0%	12.5%	11.3%	9.5%	11.1%	10.1%	10.3%	10.0%				
1994	(0.1%)	(1.2%)	10.1%	8.6%	12.6%	11.6%	10.4%	10.0%				
1993	16.1%	12.0%	12.7%	11.4%	12.4%	12.0%	10.5%	9.9%				
1992	16.3%	14.2%	11.2%	10.6%	13.7%	13.7%						
1991	11.1%	10.8%	9.5%	8.9%	13.2%	13.5%						
1990	7.9%	7.7%	10.9%	10.6%	11.1%	11.7%						
1989	12.5%	12.2%	15.1%	14.8%	10.5%	11.3%						
1988	8.6%	8.2%	12.1%	12.6%	10.1%	10.9%						
1987	7.5%	5.6%	16.2%	16.8%	9.1%	10.1%						
1986	18.5%	19.8%	17.0%	18.4%	9.9%	10.8%						
1985	29.9%	30.0%	11.2%	12.9%	9.5%	9.9%						
1984	(1.6%)	1.7%	6.0%	7.9%	8.2%	8.4%						
1983	30.5%	30.0%	8.1%	9.2%	8.7%	7.9%						
1982	11.2%	12.8%	2.4%	3.8%								
1981	(8.1%)	(5.4%)	3.3%	3.7%								
1980	2.2%	3.8%	7.9%	7.0%								
1979	8.3%	7.6%	10.4%	8.8%								
1978	(0.4%)	1.0%	9.3%	6.6%								
1977	15.9%	12.4%										
1976	14.2%	10.5%										
1975	14.9%	12.9%										
1974	3.1%	(2.9%)										

The chart to the left shows the annualized total rate of returns for 1, 5, 10, 20, 30 and 42 years through fiscal year 2015 for the Internal Bond Portfolio. The Fixed Income Benchmark² is provided for comparison.

The one-year returns above the solid demarcation line include both bonds and allocated cash reserves; the returns below are bonds only with no allocated cash reserves.

Prior to fiscal year 2007, the investment grade and high yield bonds were managed together. On July 1, 2006, they were separated and are now managed individually. The one-year returns below the dotted demarcation line reflect the investment grade and high yield returns; the returns above are investment grade-only returns. The high yield-only returns are presented below.

SDRS Internal Bond Portfolio vs. Benchmark



	1 Year	5 Years	10 Years	20 Years	30 Years	42 Years
SDRS	2.4%	3.6%	5.1%	6.3%	7.9%	8.3%
Benchmark	1.9%	3.3%	4.6%	6.0%	7.3%	7.8%
Difference	0.5%	0.3%	0.5%	0.3%	0.6%	0.5%

SDRS Internal High Yield Bond Portfolio Performance

Fiscal Year	1 Year		2 Years		3 Years		4 Years		5 Years		9 Years	
	SDRS	Bench	SDRS	Bench	SDRS	Bench	SDRS	Bench	SDRS	Bench	SDRS	Bench
2015	(10.6%)	(0.8%)	(1.1%)	5.0%	3.0%	6.3%	4.5%	6.7%	6.7%	8.2%	6.5%	8.0%
2014	9.5%	11.2%	10.5%	10.0%	10.1%	9.3%	11.5%	10.6%	12.7%	12.2%		
2013	11.5%	8.9%	10.4%	8.4%	12.2%	10.5%	13.5%	12.5%	10.8%	10.4%		
2012	9.2%	7.9%	12.6%	11.3%	14.2%	13.7%	10.7%	10.8%	8.5%	8.8%		
2011	16.0%	14.8%	16.7%	16.8%	11.2%	11.8%	8.3%	9.0%	8.2%	9.1%		
2010	17.5%	18.9%	8.8%	10.3%	5.8%	7.2%	6.3%	7.7%				
2009	0.7%	2.3%	0.4%	1.8%	2.8%	4.2%						
2008	0.1%	1.2%	3.8%	5.2%								
2007	7.7%	9.2%										

The chart to the left shows the annualized total rate of returns for 1, 2, 3, 4, 5 and 9 years through fiscal year 2015 for the Internal High Yield Bond Portfolio. The High Yield benchmark⁵ is provided for comparison.

On July 1, 2006, the investment grade and high yield bonds were separated and are now managed individually.

Internal Bond Profiles

The South Dakota Retirement System's internal Investment Grade (IG) and High Yield (HY) bond portfolio characteristics as of June 30, 2015, are presented below.

<u>Distribution by Duration</u>	<u>IG</u>	<u>HY</u>	<u>Distribution by Quality Rating</u>	<u>IG</u>	<u>HY</u>
0 to 2 Years	5.5%	22.0%	U.S. Gov't/Aaa	56.3%	2.4%
2 to 3 Years	7.5%	5.1%	Aa	4.8%	0.0%
3 to 4 Years	11.1%	24.0%	A	19.9%	0.0%
4 to 5 Years	25.8%	29.9%	Baa	18.1%	0.0%
5 to 6 Years	19.6%	11.6%	Ba	0.9%	35.3%
6 to 8 Years	19.7%	7.4%	B	0.0%	41.7%
Above 8 Years	<u>10.8%</u>	<u>0.0%</u>	Caa and lower	<u>0.0%</u>	<u>20.6%</u>
Total	<u>100.0%</u>	<u>100.0%</u>	Total	<u>100.0%</u>	<u>100.0%</u>

<u>Distribution by Coupon</u>	<u>IG</u>	<u>HY</u>	<u>Distribution by Sector</u>	<u>IG</u>	<u>HY</u>
0.00% - 2.00%	22.4%	2.4%	Cash/Cash Equivalents	0.0%	2.4%
2.01% - 3.00%	28.2%	0.0%	U.S. Treasuries	18.4%	0.0%
3.01% - 4.00%	27.9%	0.0%	Agency Debentures/FDIC	5.7%	0.0%
4.01% - 6.00%	19.1%	14.3%	Agency Mortgage-Backed Securities	32.2%	0.0%
6.01% - 7.00%	1.6%	30.6%	Investment Grade Corporates	42.8%	0.0%
7.01% - 8.00%	0.0%	31.0%	High Yield Corporates	<u>0.9%</u>	<u>97.6%</u>
8.01% and over	<u>0.8%</u>	<u>21.7%</u>			
Total	<u>100.0%</u>	<u>100.0%</u>	Total	<u>100.0%</u>	<u>100.0%</u>

<u>Investment Grade Bond Portfolio Ten Largest Corporates by Issuer</u>	<u>% of Total</u>	<u>High Yield Bond Portfolio Ten Largest Corporates by Issuer</u>	<u>% of Total</u>
Ontario (Province Of)	1.8%	Frontier Communications Corp.	3.5%
Medtronic plc	1.7%	Peabody Energy Corp.	3.2%
Amgen, Inc.	1.7%	Chesapeake Energy Corp.	3.0%
Morgan Stanley	1.5%	Cloud Peak Energy, Inc.	2.9%
American Express Co.	1.4%	First Quantum Minerals, Ltd.	2.4%
Apple, Inc.	1.3%	Lee Enterprises, Inc.	2.4%
CSX Corp.	1.3%	California Resources Corp.	2.4%
Cisco Systems, Inc.	1.3%	Toys R Us, Inc.	2.1%
Wells Fargo & Co.	1.3%	Windstream Holdings, Inc.	2.0%
eBay, Inc.	<u>1.3%</u>	T-Mobile USA, Inc.	<u>1.9%</u>
Total	<u>14.6%</u>	Total	<u>25.8%</u>

SDRS Internal Bond Portfolio characteristics as of June 30th are presented below for various fiscal years. The Bond Index is presented for comparative purposes.

	<u>1975</u>	<u>1980</u>	<u>1985</u>	<u>1990</u>	<u>1995</u>	<u>2000</u>	<u>2005</u>	<u>2010</u>	<u>2015</u>
<u>South Dakota Retirement System</u>									
Yield to Maturity	9.4%	10.4%	10.3%	9.3%	7.3%	7.8%	4.7%	3.7%	2.5%
Average Maturity	19.1 yrs	17.5 yrs	7.1 yrs	7.9 yrs	9.3 yrs	6.9 yrs	5.8 yrs	5.4 yrs	5.4 yrs
Duration	7.8 yrs	8.0 yrs	4.0 yrs	5.3 yrs	5.6 yrs	5.6 yrs	4.1 yrs	4.0 yrs	5.3 yrs
<u>Bond Index¹</u>									
Yield to Maturity	8.3%	10.2%	10.2%	9.2%	6.7%	7.3%	4.5%	2.6%	2.3%
Average Maturity	11.9 yrs	11.2 yrs	9.5 yrs	9.8 yrs	8.5 yrs	8.8 yrs	6.2 yrs	6.0 yrs	7.3 yrs
Duration	6.1 yrs	5.4 yrs	4.7 yrs	5.0 yrs	5.1 yrs	5.3 yrs	4.7 yrs	4.6 yrs	5.6 yrs

SDRS Combined Internal Equity Portfolio Performance

Fiscal Year	1 Year		5 Years		10 Years		20 Years		30 Years		42 Years	
	SDRS	Bench	SDRS	Bench	SDRS	Bench	SDRS	Bench	SDRS	Bench	SDRS	Bench
2015	2.9%	3.6%	15.6%	14.7%	7.6%	7.3%	9.3%	8.4%	10.4%	10.3%	11.7%	10.3%
2014	24.1%	24.4%	18.5%	16.6%	8.3%	7.9%	10.1%	9.2%	11.6%	11.2%		
2013	26.6%	19.3%	8.4%	4.5%	8.2%	7.8%	9.2%	8.2%	10.9%	10.2%		
2012	(0.4%)	(1.3%)	(1.4%)	(1.4%)	5.4%	5.8%	8.7%	8.0%	11.8%	11.3%		
2011	28.1%	30.8%	2.7%	3.1%	4.1%	4.3%	9.4%	8.7%	11.7%	10.9%		
2010	16.9%	12.3%	0.1%	0.4%	0.3%	(0.4%)	8.3%	7.7%	11.6%	10.6%		
2009	(20.8%)	(27.9%)	(1.1%)	(0.2%)	(0.3%)	(0.5%)	7.6%	7.9%	11.4%	10.8%		
2008	(21.0%)	(11.0%)	8.0%	11.2%	3.9%	4.6%	9.8%	10.7%	12.7%	12.5%		
2007	22.0%	23.6%	12.7%	13.6%	8.9%	8.2%	11.0%	10.9%	13.6%	12.9%		
2006	12.6%	14.7%	5.5%	5.4%	9.7%	8.7%	10.9%	11.0%	13.3%	12.1%		
2005	9.9%	9.0%	0.4%	(1.2%)	11.0%	9.4%	11.9%	11.9%	13.4%	12.1%		
2004	22.9%	23.6%	0.6%	(0.8%)	11.9%	10.6%	13.2%	12.9%	14.0%	12.3%		
2003	(2.0%)	(0.8%)	0.0%	(1.7%)	10.3%	8.6%	12.3%	11.4%	12.8%	11.0%		
2002	(12.2%)	(15.0%)	5.1%	3.1%	12.1%	10.2%	15.1%	14.2%				
2001	(12.0%)	(17.1%)	14.0%	12.0%	14.9%	13.4%	15.6%	14.4%				
2000	10.9%	11.0%	22.7%	21.2%	16.9%	16.4%	17.8%	16.6%				
1999	19.5%	18.3%	24.5%	23.4%	16.0%	16.9%	17.7%	16.9%				
1998	25.6%	25.6%	21.7%	20.1%	16.1%	17.1%	17.4%	16.6%				
1997	31.7%	28.6%	19.5%	17.7%	13.2%	13.6%	16.1%	15.3%				
1996	27.1%	23.3%	15.7%	14.8%	12.1%	13.3%	15.1%	13.9%				
1995	18.9%	21.2%	11.3%	11.7%	12.8%	14.4%	14.6%	13.5%				
1994	6.7%	3.3%	8.1%	10.8%	14.6%	15.3%	15.1%	13.2%				
1993	14.6%	13.9%	10.7%	14.2%	14.3%	14.3%	14.1%	12.2%				
1992	12.4%	13.5%	7.3%	9.7%	18.3%	18.3%						
1991	4.5%	7.4%	8.5%	11.8%	16.4%	15.4%						
1990	2.7%	16.3%	14.3%	17.1%	18.7%	16.8%						
1989	20.3%	20.4%	21.5%	19.9%	19.4%	16.9%						
1988	(1.9%)	(7.1%)	18.1%	14.4%	18.8%	16.2%						
1987	18.7%	25.1%	30.3%	27.7%	19.0%	17.1%						
1986	35.7%	35.4%	24.9%	19.2%	18.3%	14.5%						
1985	39.0%	30.8%	23.3%	16.4%	16.5%	12.6%						
1984	4.5%	(4.7%)	17.4%	13.9%	15.6%	11.2%						
1983	60.6%	61.0%	19.5%	18.0%	13.8%	10.1%						
1982	(4.1%)	(11.4%)	8.6%	7.3%								
1981	27.6%	20.5%	12.1%	10.0%								
1980	8.7%	17.1%	10.0%	8.8%								
1979	14.3%	13.6%	13.9%	8.6%								
1978	(0.4%)	0.1%	8.3%	2.6%								
1977	12.1%	0.5%										
1976	16.2%	14.0%										
1975	28.9%	16.1%										
1974	(11.1%)	(14.5%)										

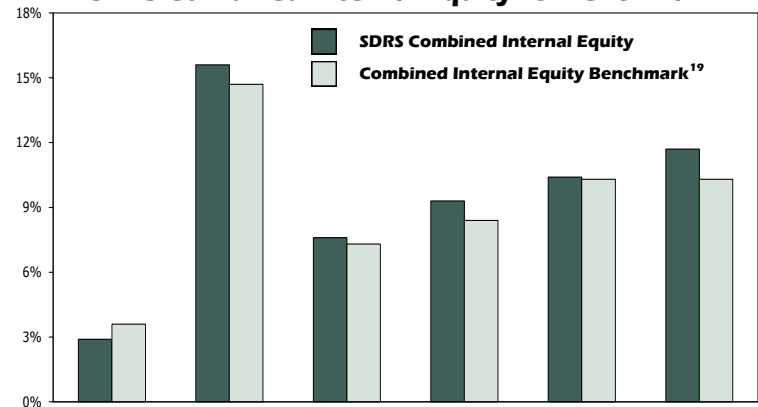
The chart to the left shows the annualized total rate of returns for 1, 5, 10, 20, 30 and 42 years through fiscal year 2015 for the Combined Internal Equity Portfolio. The Combined Internal Equity Benchmark¹⁹ is provided for comparison.

The one-year returns above the solid demarcation line include both equities and allocated cash reserves; the returns below are equities only with no allocated cash reserves.

The one-year returns below the dotted demarcation line are domestic-only returns; the returns above are global equity returns.

Prior to fiscal year 2005, the domestic and international equities were managed separately. On July 1, 2004, they were merged and are managed together. Historical information is presented below.

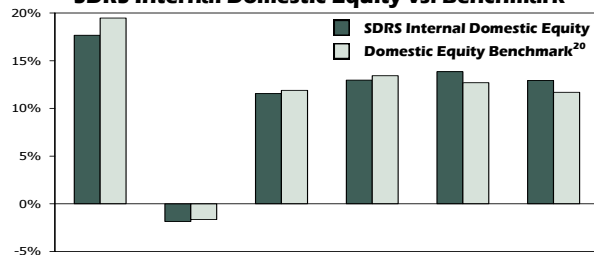
SDRS Combined Internal Equity vs. Benchmark



	1 Year	5 Years	10 Years	20 Years	30 Years	42 Years
SDRS	2.9%	15.6%	7.6%	9.3%	10.4%	11.7%
Benchmark	3.6%	14.7%	7.3%	8.4%	10.3%	10.3%
Difference	(0.7%)	0.9%	0.3%	0.9%	0.1%	1.4%

Historical SDRS Internal Domestic and International Equity Portfolio Information as of June 30, 2004

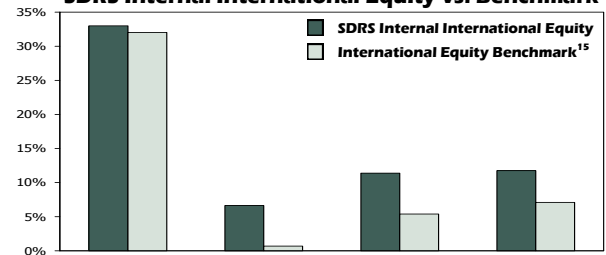
SDRS Internal Domestic Equity vs. Benchmark



Annualized Returns as of the Fiscal Year ended June 30, 2004

	1 Year	5 Years	10 Years	20 Years	30 Years	31 Years
SDRS	17.7%	(1.9%)	11.6%	13.0%	13.8%	12.9%
Benchmark	19.5%	(1.6%)	11.9%	13.4%	12.7%	11.7%
Difference	(1.8%)	(0.3%)	(0.3%)	(0.4%)	1.1%	1.2%

SDRS Internal International Equity vs. Benchmark



Annualized Returns as of the Fiscal Year ended June 30, 2004

	1 Year	5 Years	10 Years	12 Years
SDRS	33.0%	6.6%	11.4%	11.8%
Benchmark	32.0%	0.7%	5.4%	7.1%
Difference	1.0%	5.9%	6.0%	4.7%

Internal Equity Profile

The South Dakota Retirement System's internal global equity portfolio characteristics as of June 30, 2015 are presented below. The SDRS internal global equity portfolio is compared to the $\frac{1}{2}$ S&P Global 1200 Index plus $\frac{1}{2}$ S&P 500 Index benchmark. A listing of the 50 largest global equity securities can be found on page 35.

Distribution by Market Sector

	<u>SDRS</u>	<u>Bench</u>
Consumer Discretionary	12.5%	12.4%
Consumer Staples	9.4%	9.7%
Energy	11.7%	7.6%
Financials	20.0%	19.5%
Health Care	16.9%	13.9%
Industrials	7.6%	10.5%
Information Technology	15.0%	15.8%
Materials	3.0%	4.5%
Telecommunications Services	1.6%	3.2%
Utilities	1.7%	2.9%
Cash Equivalents	<u>0.6%</u>	<u>0.0%</u>
Total	<u>100.0%</u>	<u>100.0%</u>

Ten Largest Country Weights

	<u>SDRS</u>	<u>Bench</u>
United States	74.4%	70.5%
Great Britain	6.5%	5.2%
Switzerland	5.7%	2.4%
Japan	2.9%	5.3%
France	2.2%	2.4%
Canada	2.1%	2.3%
Germany	1.6%	2.2%
Netherlands	1.2%	0.7%
South Korea	1.2%	0.5%
Ireland	<u>0.6%</u>	<u>0.1%</u>
Total	<u>98.4%</u>	<u>91.6%</u>

Global Equity Composite⁷

The South Dakota Retirement System's global equity composite is comprised of the following internally managed equity portfolios: global, high quality, global emerging markets, and small/mid along with three externally managed portfolios as of June 30, 2015. The composite is compared to the $\frac{1}{2}$ MSCI All Country World Index plus $\frac{1}{2}$ MSCI US Index benchmark.

Performance Results for the Fiscal Year Ended June 30, 2015

SDRS Global Equity Composite	3.0%
Benchmark	2.8%
Difference	0.2%

Private Equity and Real Estate Limited Partnership Investments

The Council has invested in real estate (RE) and private equity (PE) limited partnerships since the mid-1990s. Although these investments are illiquid and have higher fees, the Council believes that they offer diversification and the opportunity for added value net-of-fees over public market investments. The funding of these investments is made over several years as the partnerships call money from investors to buy assets and later return it when assets are sold. According to industry standards, the return analysis for these investments requires the use of a since inception internal rate of return (SI-IRR).

SI-IRR is the calculation that equates the present value of all cash flows (capital calls and distributions) with the period-end value. The public market equivalent (PME) is a method where a public market index is expressed in terms of a SI-IRR, using the same cash flows and timing as those of the partnership investment over the same time period. The partnership SI-IRR is calculated net-of-fees (management fees, performance based fees and general

partner carried interest). Also, a composite SI-IRR that combines the partnerships in each category is calculated.

From November 1995 through June 2015, the net-of-fees SI-IRR for the composite PE limited partnership investments was 8.9%. This can be compared to the S&P 500 Index PME of 5.8% for the same period. RE limited partnerships net-of-fees SI-IRR composite from December 1994 through June 2015 was 21.4%. A PME using the MSCI US REIT Index could not be calculated using the same cash flows because the return of the RE limited partnerships was significantly higher than the index. The annualized time-weighted rate of return for the MSCI US REIT index was 10.7% for the same period of time.

The composite return of the RE limited partnerships has significantly exceeded and the PE limited partnerships has slightly exceeded Council expectations. The Council will continue its ongoing evaluation of RE & PE limited partnerships. See page 35 for a listing of the partnership investments.

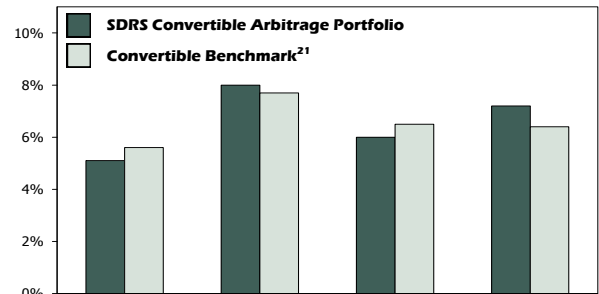
Historical SDRS Internal Convertible Arbitrage Portfolio Performance through June 30, 2013

Fiscal Year	1 Year		5 Years		10 Years		20 Years	
	SDRS	Bench	SDRS	Bench	SDRS	Bench	SDRS	Bench
2013*	5.1%	5.6%	8.0%	7.7%	6.0%	6.5%	7.2%	6.4%
2012	5.1%	6.9%	8.2%	7.3%	6.7%	7.2%		
2011	8.4%	8.6%	8.5%	7.5%	6.6%	6.6%		
2010	13.0%	16.0%	7.9%	6.5%	6.4%	6.4%		
2009	8.4%	2.0%	5.5%	4.9%	6.0%	5.2%		
2008	6.5%	3.5%	4.0%	5.4%	5.9%	5.2%		
2007	6.3%	8.0%	5.3%	7.0%	6.3%	5.8%		
2006	5.5%	3.7%	4.8%	5.8%	6.8%	5.8%		
2005	0.9%	7.7%	5.0%	6.2%	7.2%	6.1%		
2004	1.0%	4.0%	6.5%	5.4%	8.1%	6.3%		
2003	13.1%	11.9%	7.9%	5.1%	8.5%	6.2%		
2002	3.8%	1.9%	7.3%	4.5%				
2001	6.5%	6.0%	8.8%	5.8%				
2000	8.7%	3.4%	9.5%	5.9%				
1999	7.6%	2.8%	9.8%	7.1%				
1998	10.0%	8.7%	9.0%	7.3%				
1997	11.4%	8.5%						
1996	9.9%	6.6%						
1995	9.8%	9.4%						
1994	4.1%	3.5%						

*The Convertible Arbitrage Portfolio was liquidated during fiscal year 2014.

The chart to the left shows the annualized total rate of returns for 1, 5, 10 and 20 years through fiscal year 2013 for the Convertible Arbitrage Portfolio. The Convertible Benchmark²¹ is provided for comparison.

The one-year returns above the solid demarcation include both securities and allocated cash reserves; the returns below are securities only with no allocated cash reserves.

SDRS Convertible Arbitrage vs. Benchmark

Annualized Returns as of the Fiscal Year ended June 30, 2013

	1 Year	5 Years	10 Years	20 Years
SDRS	5.1%	8.0%	6.0%	7.2%
Benchmark	5.6%	7.7%	6.5%	6.4%
Difference	(0.5%)	0.3%	(0.5%)	0.8%

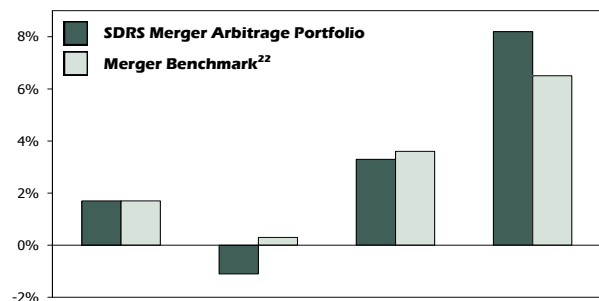
Historical SDRS Internal Merger Arbitrage Portfolio Performance through June 30, 2012

Fiscal Year	1 Year		5 Years		10 Years		22 Years	
	SDRS	Bench	SDRS	Bench	SDRS	Bench	SDRS	Bench
2012	1.7%	1.7%	(1.1%)	0.3%	3.3%	3.6%	8.2%	6.5%
2011	3.0%	2.1%	0.2%	1.8%	3.3%	4.1%		
2010	7.8%	3.6%	1.9%	3.0%	3.6%	4.8%		
2009	1.4%	3.3%	0.9%	3.5%	4.6%	5.4%		
2008	(17.4%)	(8.6%)	2.1%	3.9%	6.1%	6.0%		
2007	8.7%	9.3%	7.8%	6.9%	10.3%	7.9%		
2006	11.7%	8.2%	6.5%	6.4%	11.3%	7.9%		
2005	3.0%	6.3%	5.4%	6.7%	11.8%	8.1%		
2004	7.4%	5.2%	8.4%	7.4%	12.8%	8.4%		
2003	8.5%	5.7%	10.2%	8.1%	13.6%	8.7%		
2002	2.1%	6.7%	12.8%	8.9%	13.1%	8.8%		
2001	6.2%	9.9%	16.2%	9.5%	13.9%	9.1%		
2000	18.4%	9.6%	18.6%	9.4%	14.1%	9.2%		
1999	16.5%	9.0%	17.3%	9.5%				
1998	21.8%	9.5%	17.1%	9.2%				
1997	18.8%	9.5%	13.4%	8.8%				
1996	17.6%	9.7%	11.5%	8.6%				
1995	12.2%	9.6%	9.8%	8.9%				
1994	15.3%	7.6%						
1993*	3.7%	7.4%						
1992	9.5%	8.9%						
1991	8.8%	11.2%						

*Convertible Arbitrage positions were held in the Merger Arbitrage Portfolio during fiscal year 1993. On July 1, 1993, the positions were removed from the Merger Arbitrage Portfolio and a separate Convertible Arbitrage Portfolio was formed.

The chart to the left shows the annualized total rate of returns for 1, 5, 10 and 22 years through fiscal year 2012 for the Merger Arbitrage Portfolio. The Merger Benchmark²² is provided for comparison.

The one-year returns above the solid demarcation include both securities and allocated cash reserves; the returns below are securities only with no allocated cash reserves.

SDRS Merger Arbitrage vs. Benchmark

Annualized Returns as of the Fiscal Year ended June 30, 2012

	1 Year	5 Years	10 Years	22 Years
SDRS	1.7%	(1.1%)	3.3%	8.2%
Benchmark	1.7%	0.3%	3.6%	6.5%
Difference	0.0%	(1.4%)	(0.3%)	1.7%

THE FUND

The South Dakota Cash Flow Fund (SDCFF) is comprised of more than 500 separately-identified state accounts. During fiscal year 2015, the fund ranged from \$1.237 billion to \$1.405 billion and averaged \$1.314 billion. The fund serves as the state checking account. Inflows consist of revenue collected from sales and use taxes, insurance and bank franchise taxes, tuition and fees, investment income and other income sources. Outflows occur by the payment of liabilities such as highway maintenance, payments to local governments and schools, salaries and many other obligations.

South Dakota Codified Law (SDCL) 4-5-26 provides the legal list of investments for SDCFF. This includes U.S. governments and agencies, certificates of deposit, bankers' acceptances, investment grade corporate debt and commercial paper. High credit standards are maintained for the portfolio with an average quality of A1 as of June 30, 2015. Diversification by maturity, quality and market sector is closely monitored.

OBJECTIVES AND COMPONENTS

The objectives of SDCFF are to 1) provide income to state agencies, 2) be flexible to state cash needs and 3) provide investment in state financial institutions for potential loans through the Certificate of Deposit (CD) Program.

The fund is composed of three portfolios. On June 30, 2015, 83.7% was in the actively-managed duration portfolio. An active duration strategy was implemented in November 1985. The current maturity limit set by the South Dakota Investment Council is 5.25 years for an individual security and the duration limit for the overall portfolio is 2.88 years.

The money market portfolio represents 13.6% of SDCFF. This portfolio is the most liquid of the three portfolios and absorbs the state's daily cash inflows and outflows.

The South Dakota CD Program is the third portion and represents 2.7% of SDCFF. The CD rate was based on the one-year treasury note plus 0.25% shortly before the yearly issuance in September. On June 30, 2015, \$35 million in CDs were held in forty-nine banks, six credit unions and two savings associations.

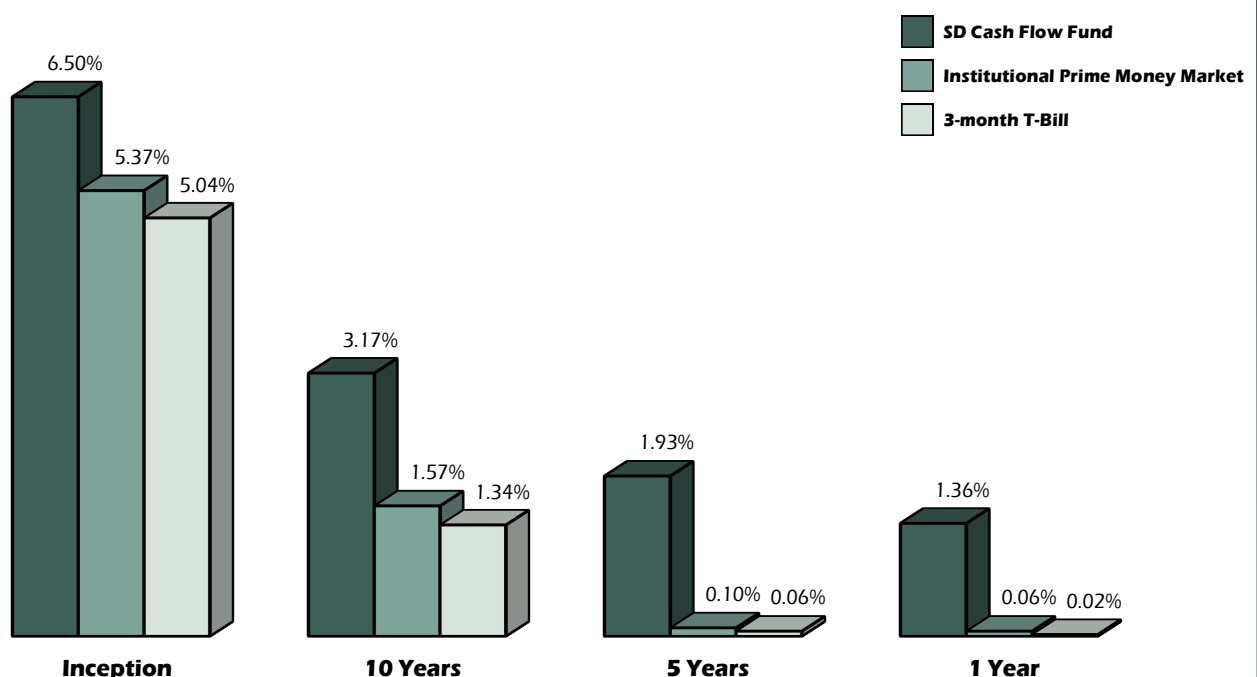
PRORATION

Each fiscal year, the receipted income is prorated to individual state agencies based on a ratio of their average daily cash balance to the total average daily cash balance. The general fund and other state agencies' receipted income was \$16.7 million for fiscal year 2015. South Dakota's state budget and taxpayers have received over \$1 billion of earnings from this important fund since its inception.

INVESTMENT PERFORMANCE - FISCAL YEAR 2015

The yield of SDCFF for fiscal year 2015 was 1.36% versus an institutional prime money market yield of 0.06% and a 3-month treasury bill return of 0.02%. The difference resulted primarily from higher coupon rates for securities held in the portfolio before interest rates fell and the longer average maturity of the portfolio. As these securities mature, the overall yield on the portfolio will decrease. Since the fund's inception in December 1972, it has yielded 6.50% annually versus an institutional prime money market annual yield of 5.37% and a 3-month treasury bill annual yield of 5.04%. For fiscal year 2015, the duration portfolio portion of the fund had a total return of 1.03% versus a benchmark⁶ return of 1.00%. Since the inception of the duration portfolio in November 1985, its performance has been 5.32% annually versus 4.95% for the benchmark. During fiscal year 2015, the money market portion yielded 0.02% versus 0.06% for an institutional prime money market fund and 0.02% for 3-month treasury bills. The CD Program yielded 0.37% for the fiscal year. The CD rate at June 30, 2015, was 0.37%.

Yield Analysis (Annualized)



Comparative Results⁹

The proration rate is the cash accounting yield. The managed accrued rate includes accrued interest.
The 3-month T-bill and institutional prime money market rates are provided for comparison.

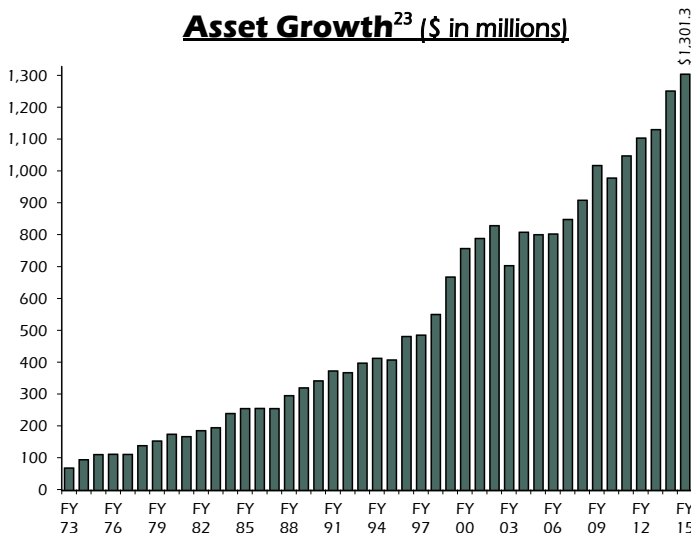
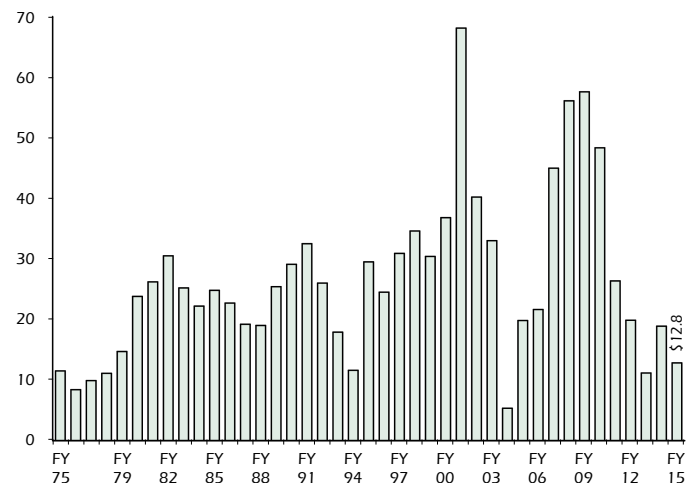
	SDCFF Proration Amount	Total Receipted Rate (Proration Rate)	Managed Accrued Rate*	3-month Treasury Bill Rate	Institutional Prime Money Market Fund	Total Return SDCDP✓	SDCDP Index ⁶
2015	\$ 16,728,885	1.25%	1.36%	0.02%	0.06%	1.03%	1.00%
2014	12,516,162	0.99%	1.12%	0.04%	0.04%	1.65%	1.59%
2013	17,429,182	1.47%	1.51%	0.08%	0.12%	0.98%	1.30%
2012	25,829,546	2.33%	2.27%	0.04%	0.12%	1.88%	1.82%
2011	35,573,830	3.37%	3.43%	0.14%	0.17%	2.71%	2.84%
2010	50,155,778	4.94%	4.79%	0.12%	0.17%	5.10%	5.34%
2009	43,568,535	4.59%	4.51%	0.78%	1.63%	6.58%	3.14%
2008	44,431,241	5.07%	4.96%	3.32%	4.25%	6.59%	6.05%
2007	34,578,213	4.23%	4.41%	5.07%	5.19%	5.56%	5.50%
2006	25,450,147	3.07%	3.40%	3.95%	4.10%	2.36%	2.09%
2005	21,652,806	2.66%	2.92%	2.04%	2.08%	2.62%	2.45%
2004	22,888,860	2.95%	3.02%	0.96%	0.94%	0.59%	-0.14%
2003	29,876,507	4.22%	4.35%	1.41%	1.39%	5.45%	4.09%
2002	41,972,001	5.54%	5.21%	2.45%	2.44%	5.55%	5.62%
2001	50,729,249	6.54%	6.50%	5.64%	5.88%	9.57%	8.94%
2000	36,459,873	5.18%	5.47%	5.30%	5.71%	4.94%	4.49%
1999	36,122,881	6.02%	6.01%	4.71%	5.07%	4.90%	5.02%
1998	31,533,466	6.11%	6.51%	5.25%	5.50%	7.11%	6.42%
1997	28,961,501	6.03%	6.12%	5.26%	5.33%	6.81%	6.09%
1996	27,987,169	6.18%	6.32%	5.44%	5.55%	5.29%	5.54%
1995	20,145,287	4.87%	5.41%	5.05%	5.36%	7.78%	6.41%
1994	15,309,074	3.73%	4.17%	3.18%	3.27%	2.73%	1.87%
1993	20,908,872	5.34%	5.05%	3.12%	3.19%	4.98%	4.71%
1992	26,680,663	7.23%	7.32%	4.67%	4.98%	7.98%	7.95%
1991	30,595,214	8.48%	8.50%	6.76%	7.20%	9.65%	9.43%
1990	30,876,016	8.81%	8.78%	7.93%	8.39%	8.66%	8.45%
1989	24,741,382	7.35%	8.51%	7.82%	8.64%	9.59%	8.22%
1988	19,634,393	6.52%	7.30%	5.51%	6.78%	7.70%	6.96%
1987	19,763,489	7.11%	6.84%	5.51%	5.98%	6.66%	5.72%
1986	22,702,888	8.69%	8.74%	7.08%	7.43%		
1985	24,805,620	9.91%	9.75%	9.09%	9.47%		
1984	22,179,507	9.02%	9.66%	9.42%	9.40%		
1983	25,178,343	12.11%	10.99%	8.56%	9.49%		
1982	30,488,779	15.51%	13.26%	13.53%	14.66%		
1981	26,148,927	11.50%	12.42%	12.65%	13.37%		
1980	23,762,605	11.78%	11.92%	11.24%	11.95%		
1979	14,661,310	7.82%	8.82%	8.99%	9.02%		
1978	11,069,889	6.96%	7.75%	6.03%	6.03%		
1977	9,853,216	8.37%	7.04%	4.89%	4.71%		
1976	8,378,771	7.92%	7.34%	5.51%	5.23%		
1975	11,490,970	11.00%	10.39%	6.76%	8.15%		
1974	7,966,372	8.35%	9.88%	8.03%	8.90%		
1973	1,674,845	4.90%	6.92%❖	6.10%❖	7.00%❖		
	<u>\$1,083,462,264</u>						

* Yield on funds managed by the Investment Office excluding CDs.

✓ Total return of SDCFF Duration Portfolio (SDCDP).

■ Prorated amount and rate are 7-month numbers.

❖ Rate is annualized.

Asset Growth²³ (\$ in millions)**Investment Income²⁴ (\$ in millions)**

Cash Flows and Fair Value Changes

The South Dakota Cash Flow Fund began fiscal year 2015 with \$1,248.7 million in assets. During the fiscal year, net contributions/withdrawals and fees increased the fund by \$39.8 million and investment income increased it by \$12.8 million, resulting in an ending fair value of \$1,301.3 million.

Fair Value 6/30/14		\$1,248,676,323
Increases/Decreases		
Net Contributions/Withdrawals	\$ 41,574,518	
Internal Management Fees	<u>(1,752,475)</u>	
Total Increases/Decreases		\$ 39,822,043
Investment Income		
Securities Income		
Interest Income - Managed	\$ 15,146,279	
Interest Income - CDs	87,531	
Change in Accrued Income	<u>(241,805)</u>	
Total Securities Income		\$ 14,992,005
Total Capital Gain/Loss Income		\$ <u>(2,169,292)</u>
Total Investment Income		\$ 12,822,713
Fair Value 6/30/15		<u>\$1,301,321,079</u>

Distribution of Assets

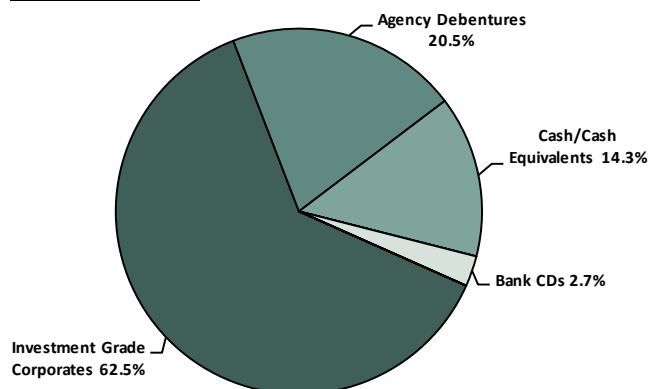
The South Dakota Cash Flow Fund's internal Duration Portfolio, internal Money Market and CD Program characteristics as of June 30, 2015, are presented below.

Distribution by Duration	%	Distribution by Quality Rating	%
0 to 1 year	24.2%	U.S. Gov't/Aaa	37.5%
1 to 2 years	30.8%	Aa	7.9%
2 to 3 years	34.9%	A	45.9%
3 to 4 years	5.8%	Baa	<u>8.7%</u>
Above 4 years	<u>4.3%</u>		
Total	<u>100.0%</u>	Total	<u>100.0%</u>

Distribution by Coupon	%	Distribution by Sector	%
0.00% - 1.00%	35.3%	Cash/Cash Equivalents	14.3%
1.01% - 2.00%	55.9%	Bank CDs	2.7%
2.01% - 3.00%	8.6%	U.S. Treasuries	0.0%
3.01% - 4.00%	0.2%	Agency Debentures	20.5%
4.01% and over	<u>0.0%</u>	Investment Grade Corporates	<u>62.5%</u>
Total	<u>100.0%</u>	Total	<u>100.0%</u>

Ten Largest Corporates by Issuer	% of Total
PNC Financial Services Group, Inc.	3.0%
Wells Fargo & Co.	3.0%
Caterpillar, Inc.	2.9%
General Electric Co.	2.8%
Cisco Systems, Inc.	2.8%
JPMorgan Chase & Co.	2.8%
PepsiCo, Inc.	2.5%
Toyota Motor Corp.	2.4%
IBM Corp.	2.3%
Goldman Sachs Group, Inc.	<u>2.2%</u>
Total	<u>26.7%</u>

Asset Allocation



THE FUND

The School and Public Lands (SPL) fund is a permanent trust fund established by the South Dakota Constitution for the use and maintenance of public schools in the state. The principal shall never be diverted by legislative enactment for any purpose. The income from the fund is paid out annually to South Dakota primary, secondary and higher education schools. The fund resulted primarily from the sale of land over many decades.

Constitutional Amendment E, passed in November 2000, allows the fund to be invested in stocks, bonds, mutual funds and other financial instruments. South Dakota Codified Law (SDCL) 5-10-18 states that the provisions of SDCL 4-5-27, prudent-man standard, govern the moneys in the trust. The constitutional amendment requires that sufficient income be retained to offset the effect of inflation³ assuring the fund will grow at least at the rate of inflation. State statute allows realized capital gains to be used to satisfy the inflation requirement. The shift away from an exclusive focus on current income and the requirement to offset inflation initially reduced the payout to schools but will increase the payout substantially over the long term. To lessen the near term impact of the reduction in payout and to average in the exposure to the equity market, changes to the asset allocation policy were phased in over several fiscal years.

OBJECTIVES AND COMPONENTS

The objectives of SPL are to (1) provide a distribution of income to the common schools (K-12) on a per student basis each year and to the schools of higher education and (2) promote inflation-adjusted growth of the fund through the constitutionally-mandated CPI adjustment.

SPL assets were invested in diversified portfolios during fiscal year 2015, as shown on the following page. The fund was invested primarily in U.S. Treasury and mortgage-backed securities before the constitutional amendment in 2000. Since then, the South Dakota Investment Council has been shifting the asset allocation to be more similar to the South Dakota Retirement System's asset allocation over the last several years.

The long-term expected return of the fund as of June 30, 2015 was 6.03% with a volatility of 13.9%. This means the return in any given year may fall within a range of (7.9%) to 20.0% with 66% confidence or (21.8%) to 33.8% with 95% confidence.

INVESTMENT PERFORMANCE - FISCAL YEAR 2015

The fund ended fiscal year 2015 with a fair value of \$264,009,888. The principal is adjusted by the inflation factor each year as required by the constitutional amendment. SPL's total return, including realized and unrealized gains and losses and accrued income, was 4.2% for the fiscal year. The benchmark¹⁴ return was 2.9%. The difference resulted primarily from outperformance in the real estate limited partnership holdings. The ten-year annualized total return was 7.0%. This compares with the ten-year annualized benchmark¹⁴ return of 6.7%. The fund distributed \$9,969,231 to the common schools in February 2015 and \$2,092,161 to the schools of higher education in June 2015.

Appropriated income from all sources is determined by the School and Public Lands office in Pierre and reported in their annual report.

Cash Flows and Fair Value Changes

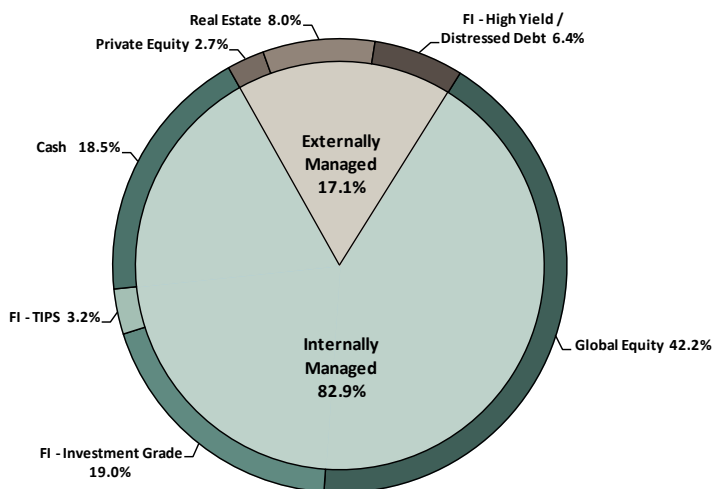
The School and Public Lands fund began fiscal year 2015 with \$256.7 million in assets. During the fiscal year, net contributions/withdrawals and fees decreased the fund by \$3.4 million and investment income increased it by \$10.7 million, resulting in an ending fair value of \$264.0 million.

Fair Value 6/30/14		\$	256,694,475
Increases/Decreases			
Net Contributions/Withdrawals	\$	(3,354,043)	
External Management Fees		<u>(48,631)</u>	
Total Increases/Decreases			\$ (3,402,674)
Investment Income			
Securities Income			
Interest Income	\$	2,188,810	
Dividend Income		2,841,521	
Securities Lending Income		16,294	
Real Estate Income		599,037	
Change in Accrued Income		<u>(2,789)</u>	
Total Securities Income			\$ 5,642,873
Capital Gain/Loss Income			
Change in Unrealized Gain/Loss	\$	(8,983,029)	
Realized Gain/Loss		<u>14,058,243</u>	
Total Capital Gain/Loss Income			\$ 5,075,214
Total Investment Income			\$ 10,718,087
Fair Value 6/30/15			\$ 264,009,888

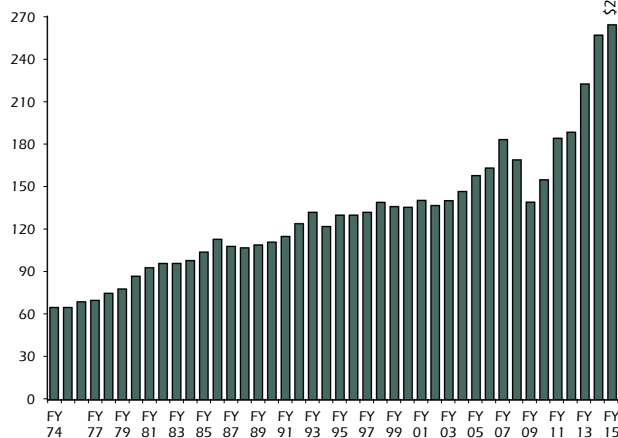
Asset Allocation⁸

As of June 30, 2015, School and Public Lands' assets totaled \$264.0 million. The broad asset categories and managers are listed below. The Capital Markets Benchmark allocation is also provided for comparison.

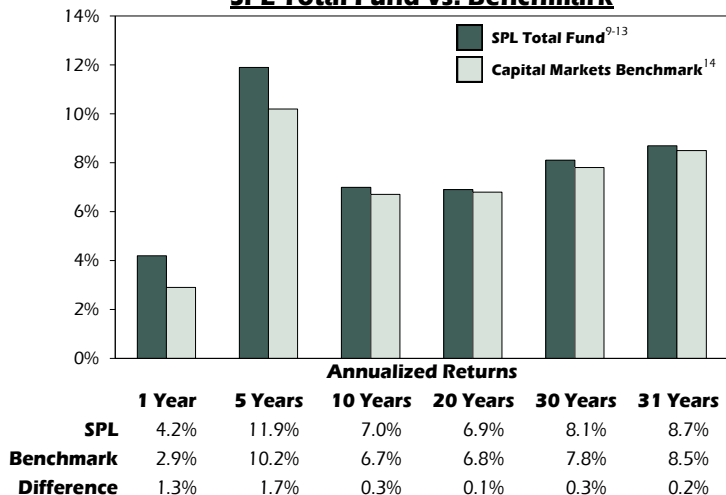
	Fair Value		% of Fund	Capital Markets Benchmark %
Global Equity				
Internal Global Equity	\$ 111,482,688	\$ 111,482,688	42.2%	42.2%
Private Equity Limited Partnerships				
Blackstone Capital Partners	\$ 3,225,305		1.2%	
Carlyle	801,723		0.3%	
Doughty Hanson	476,699		0.2%	
Riverstone ²⁵	(33,131)		0.0%	
Silver Lake	2,565,267	7,035,863	1.0%	2.7%
Real Estate Limited Partnerships				
Blackstone Real Estate Partners	\$ 18,626,233		7.1%	
Cargill N.A. Real Estate Partners	247,782		0.1%	
Lone Star	2,079,846		0.8%	
Rockpoint ²⁵	(5,089)		0.0%	
Starwood	86,321	21,035,093	0.0%	8.0%
Fixed Income - Investment Grade/TIPS				
Internal Investment Grade	\$ 48,843,391		18.5%	
Internal Treasury Inflation-Protected Securities (TIPS)	8,532,290		3.2%	
S.D. S.B.A. and Similar Assets	1,325,264	58,700,945	0.5%	22.2%
Fixed Income - High Yield/Distressed Debt				
Vanguard High Yield Fund	\$ 3,513,044		1.3%	
CarVal	469,334		0.2%	
TCW	12,921,923	16,904,301	4.9%	6.4%
Cash & Cash Equivalents				
Internal Cash Account	\$ 48,850,998	48,850,998	18.5%	18.5%
Total		\$ 264,009,888	100.0%	100.0%



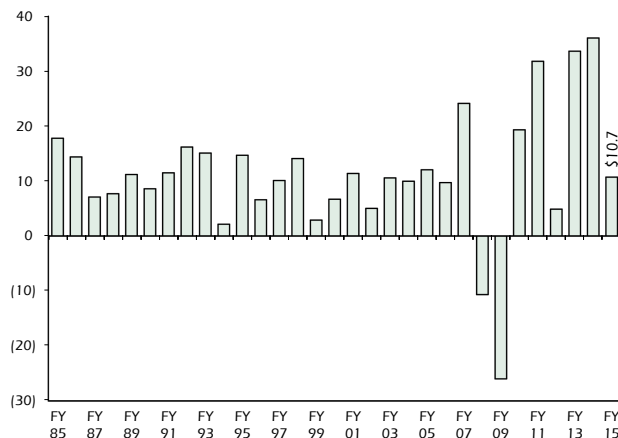
Asset Growth²³ (\$ in millions)



SPL Total Fund vs. Benchmark



Investment Income²⁴ (\$ in millions)



Internal Global Equity Profile

The School and Public Lands' internal Global Equity portfolio characteristics as of June 30, 2015, are presented below.

Distribution by Market Sector	%	Five Largest Country Weights	% of Total
Consumer Discretionary	12.8%	United States	72.9%
Consumer Staples	9.7%	Great Britain	6.9%
Energy	11.9%	Switzerland	6.8%
Financials	21.3%	Japan	3.1%
Health Care	18.1%	France	2.5%
Industrials	5.8%		
Information Technology	14.5%	Total	92.2%
Materials	2.7%		
Telecommunications Services	1.0%		
Utilities	1.5%		
Cash Equivalents	0.7%		
Total	100.0%		

Internal Bond Profiles

The School and Public Lands' internal Investment Grade (IG) and Treasury Inflation-Protected Securities bond portfolio characteristics as of June 30, 2015, are presented below.

Distribution by Duration	IG	Distribution by Quality Rating	IG
0 to 2 Years	6.4%	U.S. Gov't/Aaa	60.2%
2 to 3 Years	7.3%	Aa	4.8%
3 to 4 Years	9.9%	A	18.0%
4 to 5 Years	26.9%	Baa	16.1%
5 to 6 Years	19.1%	Ba	0.9%
6 to 8 Years	19.9%	B	0.0%
Above 8 Years	10.5%	Caa and lower	0.0%
Total	100.0%	Total	100.0%

Distribution by Coupon	IG	Distribution by Sector (Consolidated)	%
0.00% - 2.00%	18.6%	Cash/Cash Equivalents	0.9%
2.01% - 3.00%	28.5%	U.S. Treasuries	10.6%
3.01% - 4.00%	24.3%	Agency Debentures	8.1%
4.01% - 6.00%	22.4%	Agency Mortgage-Backed Securities	25.4%
6.01% - 7.00%	6.2%	Investment Grade Corporates	32.9%
7.01% - 8.00%	0.0%	High Yield Corporates/Bond Mutual Fund	6.3%
8.01% and over	0.0%	Treasury Inflation-Protected Securities	13.7%
		S.D. S.B.A. and Similar Assets	2.1%
Total	100.0%	Total	100.0%

Top Ten Holdings

The School and Public Lands' internal Global Equity and internal Investment Grade portfolios' Top Ten Holdings as of June 30, 2015, are presented below.

Global Equity Company Holdings	% of Total	Investment Grade Corporates by Issuer	% of Total
JPMorgan Chase & Co.	2.5%	Ontario (Province Of)	1.8%
Microsoft Corp.	2.5%	Medtronic plc	1.7%
UnitedHealth Group, Inc.	2.5%	Amgen, Inc.	1.7%
Gilead Sciences, Inc.	2.2%	Morgan Stanley	1.5%
Google, Inc.	2.1%	American Express Co.	1.4%
Wells Fargo & Co.	2.1%	Apple, Inc.	1.3%
Pfizer, Inc.	2.0%	CSX Corp.	1.3%
Wal-Mart Stores, Inc.	1.9%	Cisco Systems, Inc.	1.3%
Target Corp.	1.7%	eBay, Inc.	1.3%
Honda Motor Co., Ltd.	1.7%	Wells Fargo & Co.	1.3%
Total	21.2%	Total	14.6%

THE FUND

The Dakota Cement Trust Fund (DCT) was established under the Constitution in 2001 and amended in 2012. Two sections of Article XIII of the Constitution were changed.

Section 20 of Article XIII provided that the net proceeds from the sale of state cement enterprises be deposited into a trust fund created to benefit the citizens of South Dakota. It directed the South Dakota Investment Council (Council) to invest the trust fund in stocks, bonds, mutual funds and other financial instruments as provided by law. South Dakota Codified Law (SDCL) 5-17-42 states that the provisions of SDCL 4-5-27, prudent-man standard, govern the moneys in the trust.

Section 21 of Article XIII of the South Dakota Constitution was amended in November of 2012. The amendment changed the distribution calculation to "...four percent of the lesser of the average market value of the trust fund determined by adding the market value of the trust fund at the end of the sixteen most recent calendar quarters as of December 31 of that year and dividing that sum by sixteen, or the market value of the trust fund at the end of that calendar year for the support of education in South Dakota."

OBJECTIVES AND COMPONENTS

The objectives of DCT are to (1) provide a distribution of 4% of the market value to the general fund and (2) promote inflation-adjusted growth of the fund and a steadily growing distribution amount.

DCT assets were invested in diversified portfolios during fiscal year 2015, as shown on the following page. The Council has been shifting the asset allocation to be more similar to the South Dakota Retirement System's asset allocation over the last several years.

The long-term expected return of the fund as of June 30, 2015 was 6.03% with a volatility of 13.9%. This means that the return in any given year may fall within a range of (7.9%) to 20.0% with 66% confidence or (21.8%) to 33.8% with 95% confidence.

INVESTMENT PERFORMANCE - FISCAL YEAR 2015

The fund ended fiscal year 2015 with a fair value of \$305,394,373, principal value of \$238,000,000, and inflation-adjusted principal of \$320,096,538. DCT's total return, including realized and unrealized gains and losses and accrued income, was 4.6% for the fiscal year. The benchmark¹⁶ return was 2.9%. The difference resulted primarily from outperformance in the real estate limited partnership holdings. The ten-year annualized total return was 6.9%. This compares with the ten-year annualized benchmark¹⁶ return of 6.7%. In June 2015, the fund distributed \$10,803,626 to the general fund. Since inception, the fund has distributed \$179.3 million to the general fund.

Cash Flows and Fair Value Changes

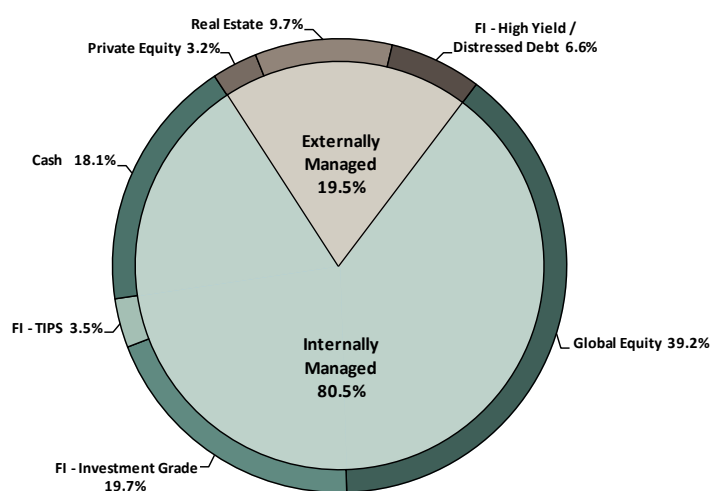
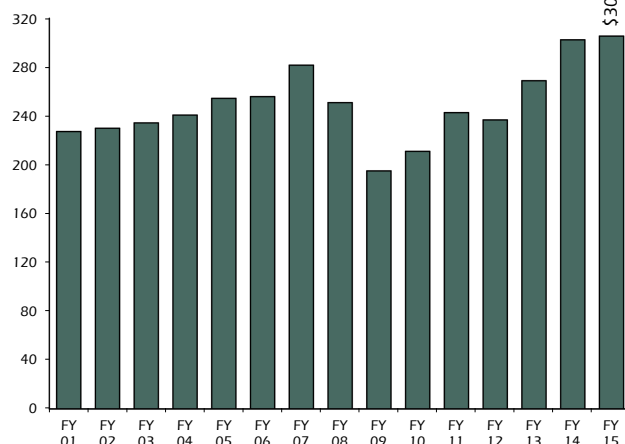
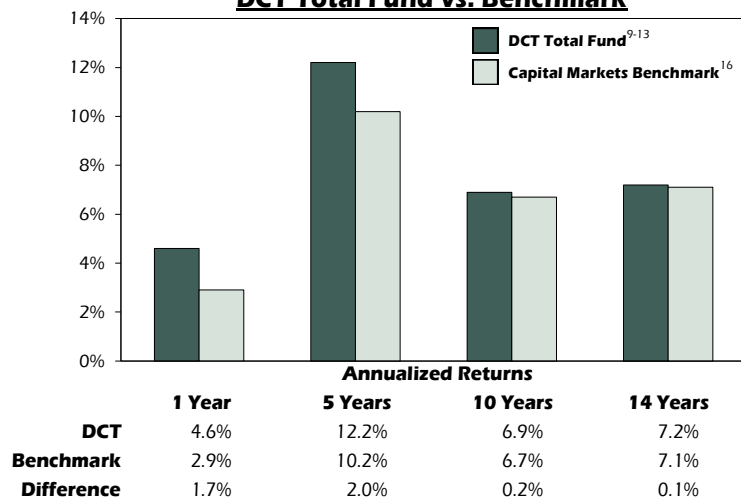
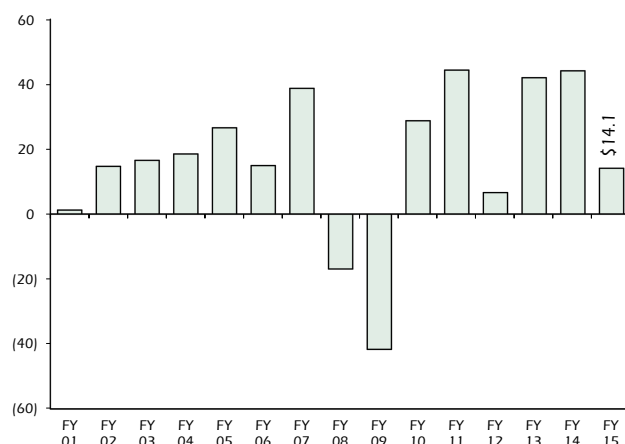
The Dakota Cement Trust Fund began fiscal year 2015 with \$302.4 million in assets. During the fiscal year, net contributions/withdrawals and fees decreased the fund by \$11.1 million and investment income increased it by \$14.1 million, resulting in an ending fair value of \$305.4 million.

Fair Value 6/30/14		\$	302,362,265
Increases/Decreases			
Net Contributions/Withdrawals	\$	(10,803,626)	
Internal Management Fees		(337,636)	
External Management Fees		<u>68,225</u>	
Total Increases/Decreases		\$	(11,073,037)
Investment Income			
Securities Income			
Interest Income	\$	2,670,731	
Dividend Income		3,135,736	
Securities Lending Income		14,860	
Real Estate Income		752,570	
Change in Accrued Income		<u>(14,612)</u>	
Total Securities Income		\$	6,559,285
Total Capital Gain/Loss Income		\$	<u>7,545,860</u>
Total Investment Income		\$	<u>14,105,145</u>
Fair Value 6/30/15		\$	<u>305,394,373</u>

Asset Allocation⁸

As of June 30, 2015, Dakota Cement Trust's assets totaled \$305.4 million. The broad asset categories and managers are listed below. The Capital Markets Benchmark allocation is also provided for comparison.

	Fair Value		% of Fund	Capital Markets Benchmark %
Global Equity				
Internal Global Equity	\$ 119,780,079	\$ 119,780,079	39.2%	39.2%
Private Equity Limited Partnerships				
Blackstone Capital Partners	\$ 4,498,254		1.4%	
Carlyle	962,069		0.3%	
Doughty Hanson	777,439		0.3%	
Riverstone ²⁵	(37,962)		0.0%	
Silver Lake	3,717,634	9,917,434	1.2%	3.2%
Real Estate Limited Partnerships				
Blackstone Real Estate Partners	\$ 26,954,064		8.8%	
Cargill N.A. Real Estate Partners	404,278		0.1%	
Lone Star	2,417,775		0.8%	
Rockpoint ²⁵	(5,566)		0.0%	
Starwood	64,741	29,835,292	0.0%	9.7%
Fixed Income - Investment Grade/TIPS				
Internal Investment Grade	\$ 60,027,781		19.7%	
Internal Treasury Inflation-Protected Securities (TIPS)	10,693,263	70,721,044	3.5%	23.2%
Fixed Income - High Yield/Distressed Debt				
Vanguard High Yield Fund	\$ 4,066,818		1.3%	
CarVal	765,619		0.3%	
TCW	15,147,697	19,980,134	5.0%	6.6%
Cash & Cash Equivalents				
Internal Cash Account	\$ 55,160,390	55,160,390	18.1%	18.1%
Total		\$ 305,394,373	100.0%	100.0%

**Asset Growth²³ (\$ in millions)****DCT Total Fund vs. Benchmark****Investment Income²⁴ (\$ in millions)**

Internal Global Equity Profile

The Dakota Cement Trust's internal Global Equity portfolio characteristics as of June 30, 2015, are presented below.

<u>Distribution by Market Sector</u>	<u>%</u>	<u>Five Largest Country Weights</u>	<u>% of Total</u>
Consumer Discretionary	12.7%	United States	73.0%
Consumer Staples	9.6%	Great Britain	7.0%
Energy	11.6%	Switzerland	6.9%
Financials	21.6%	Japan	3.1%
Health Care	18.1%	France	2.5%
Industrials	5.9%		
Information Technology	14.4%	Total	92.5%
Materials	2.8%		
Telecommunications Services	1.0%		
Utilities	1.6%		
Cash Equivalents	0.7%		
Total	100.0%		

Internal Bond Profiles

The Dakota Cement Trust's internal Investment Grade (IG) and Treasury Inflation-Protected Securities bond portfolio characteristics as of June 30, 2015, are presented below.

<u>Distribution by Duration</u>	<u>IG</u>	<u>Distribution by Quality Rating</u>	<u>IG</u>
0 to 2 Years	7.1%	U.S. Gov't/Aaa	57.2%
2 to 3 Years	7.4%	Aa	4.8%
3 to 4 Years	9.7%	A	19.9%
4 to 5 Years	25.5%	Baa	17.2%
5 to 6 Years	19.3%	Ba	0.9%
6 to 8 Years	19.9%	B	0.0%
Above 8 Years	11.1%	Caa and lower	0.0%
Total	100.0%	Total	100.0%

<u>Distribution by Coupon</u>	<u>IG</u>	<u>Distribution by Sector (Consolidated)</u>	<u>%</u>
0.00% - 2.00%	18.9%	Cash/Cash Equivalents	1.1%
2.01% - 3.00%	28.6%	U.S. Treasuries	10.8%
3.01% - 4.00%	25.6%	Agency Debentures	8.7%
4.01% - 6.00%	20.2%	Agency Mortgage-Backed Securities	25.3%
6.01% - 7.00%	6.7%	Investment Grade Corporates	33.6%
7.01% - 8.00%	0.0%	High Yield Corporates/Bond Mutual Fund	6.2%
8.01% and over	0.0%	Treasury Inflation-Protected Securities	14.3%
Total	100.0%	Total	100.0%

Top Ten Holdings

The Dakota Cement Trust's internal Global Equity and internal Investment Grade portfolios' Top Ten Holdings as of June 30, 2015, are presented below.

<u>Global Equity Company Holdings</u>	<u>% of Total</u>	<u>Investment Grade Corporates by Issuer</u>	<u>% of Total</u>
JPMorgan Chase & Co.	2.6%	Ontario (Province Of)	1.8%
Microsoft Corp.	2.5%	Medtronic plc	1.7%
UnitedHealth Group, Inc.	2.4%	Amgen, Inc.	1.7%
Gilead Sciences, Inc.	2.2%	Morgan Stanley	1.5%
Wells Fargo & Co.	2.1%	American Express Co.	1.4%
Google, Inc.	2.1%	Apple, Inc.	1.3%
Pfizer, Inc.	2.0%	CSX Corp.	1.3%
Wal-Mart Stores, Inc.	1.8%	Cisco Systems, Inc.	1.3%
Target Corp.	1.7%	eBay, Inc.	1.3%
Honda Motor Co., Ltd.	1.7%	Wells Fargo & Co.	1.3%
Total	21.1%	Total	14.6%

THE FUND

The Education Enhancement Trust Fund (EET) was established under the Constitution through a Joint Resolution submitted to South Dakota citizens at a special election on April 10, 2001. Article XII §6 provided that any funds received as of July 1, 2001 and thereafter pursuant to the Master Settlement Agreement entered into on November 23, 1998, by the State of South Dakota and major United States tobacco product manufacturers or the net proceeds of any sale or securitization of rights to receive payments pursuant to the Master Settlement Agreement, any fund in the youth-at-risk trust fund and any funds appropriated to EET thereafter are placed in EET. During fiscal year 2013, \$3 million was placed in the fund for scholarship purposes per Senate Bills 233 and 237. The constitution directs the South Dakota Investment Council (Council) to invest the trust funds in stocks, bonds, mutual funds and other financial instruments as provided by law. South Dakota Codified Law (SDCL) 10-50B-11.1 states that the provisions of SDCL 4-5-27, prudent-man standard, govern the moneys in the trust.

Each year the state treasurer is directed to distribute from the trust fund to the general fund an amount appropriated by law for education enhancement programs. The distribution is defined in SDCL 4-5-29.2. The state investment officer shall determine the sixteen-quarter average market value of the fund as of December 31 and calculate an amount equal to 4%, without invading principal, that is eligible for distribution at the beginning of the next fiscal year. The fund principal may not be diverted for other purposes unless appropriated by a three-fourths vote of all the members-elect of each house of the Legislature.

SECURITIZATION

On September 24, 2002, the fund was increased by net proceeds of \$131,380,790.76 from a taxable Tobacco Settlement Asset-Backed Bond and \$112,215,762.55 from a tax-exempt Tobacco Settlement Asset-Backed Bond. In fiscal year 2013, the 2002 Bonds were refunded and new bonds were issued with a lower interest rate.

OBJECTIVES AND COMPONENTS

The objectives of EET are to (1) provide a distribution of 4% of market value for education enhancement programs and (2) promote inflation-adjusted growth of the fund and a steadily growing distribution amount.

EET assets were invested in diversified portfolios during fiscal year 2015, as shown on the following page. The tax-exempt municipal bonds are invested per the requirements of the bond indenture for the asset-backed securitization. PIMCO Asset Management manages the tax-exempt portfolio. As the tax-exempt bonds are redeemed, assets are deallocated (removed) from the tax-exempt portfolio and placed into the taxable portfolio to generate higher expected returns. The Council has been shifting the asset allocation to be more similar to the South Dakota Retirement System's asset allocation over the last several years.

The long-term expected return of the fund as of June 30, 2015 was 5.95% with a volatility of 14.0%. The return in any given year can fall within a range of (8.0%) to 19.9% with 66% confidence or (21.9%) to 33.9% with 95% confidence.

INVESTMENT PERFORMANCE - FISCAL YEAR 2015

The fund ended fiscal year 2015 with a fair value of \$514,166,745, principal value of \$347,253,008, and inflation-adjusted principal of \$451,089,124. EET's total return, including realized and unrealized gains and losses and accrued income, was 4.3%. The benchmark¹⁷ return was 2.9%. The difference resulted primarily from outperformance in the real estate limited partnership holdings. The ten-year annualized total return was 6.4%. This compares with the ten-year annualized benchmark¹⁷ return of 6.7%. The fund's return has been impacted by the required use of tax-exempt securities. In July 2015, the fund distributed 4% of the sixteen-quarter average market value as of December 31, 2014, totaling \$17,036,734, to the general fund for education expenditures.

Cash Flows and Fair Value Changes

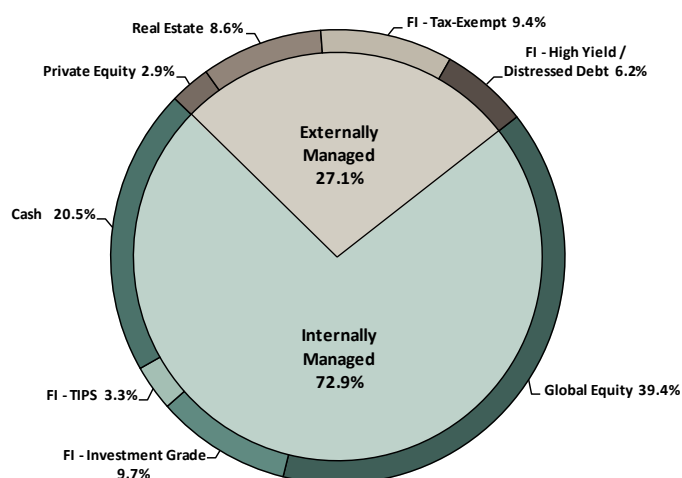
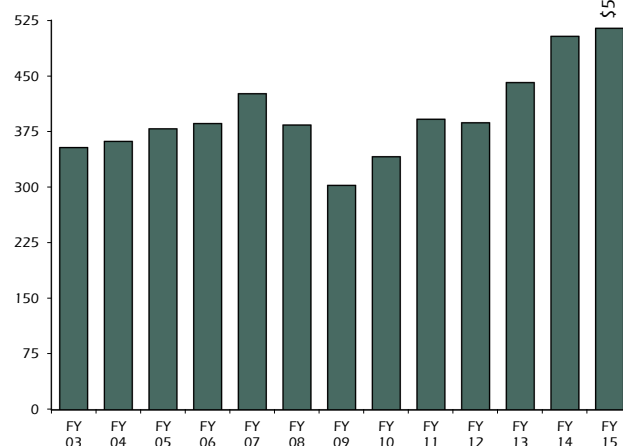
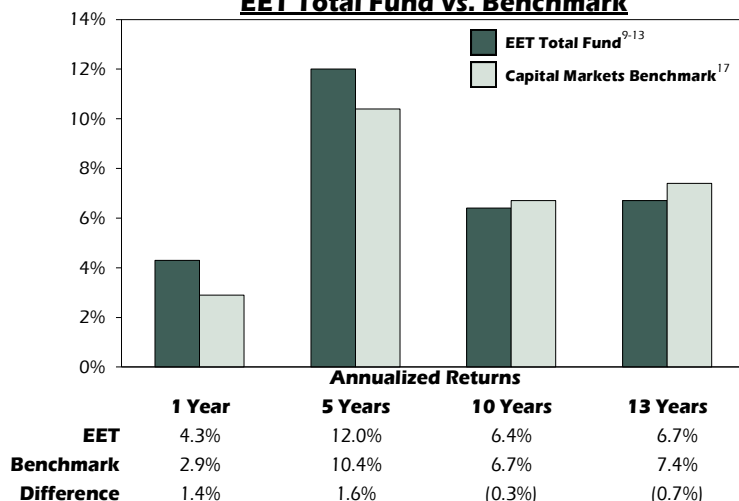
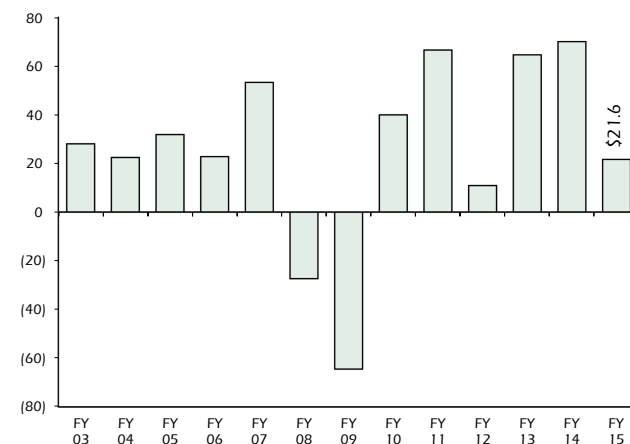
The Education Enhancement Trust Fund began fiscal year 2015 with \$503.4 million in assets. During the fiscal year, net contributions/withdrawals and fees decreased the fund by \$10.8 million and investment income increased it by \$21.6 million, resulting in an ending fair value of \$514.2 million.

Fair Value 6/30/14		\$	503,354,908
Increases/Decreases			
Net Contributions/Withdrawals	\$	(10,179,016)	
Internal Management Fees		(538,262)	
External Management Fees		<u>(88,911)</u>	
Total Increases/Decreases		\$	(10,806,189)
Investment Income			
Securities Income			
Interest Income	\$	4,772,778	
Dividend Income		5,285,475	
Securities Lending Income		24,822	
Real Estate Income		1,181,518	
Change in Accrued Income		<u>(93,592)</u>	
Total Securities Income		\$	11,171,001
Total Capital Gain/Loss Income		\$	<u>10,447,025</u>
Total Investment Income		\$	<u>21,618,026</u>
Fair Value 6/30/15		\$	<u>514,166,745</u>

Asset Allocation⁸

As of June 30, 2015, Education Enhancement Trust's assets totaled \$514.2 million. The broad asset categories and managers are listed below. The Capital Markets Benchmark allocation is also provided for comparison.

	Fair Value		% of Fund	Capital Markets Benchmark %
Global Equity				
Internal Global Equity	<u>\$ 202,732,626</u>	\$202,732,626	<u>39.4%</u>	39.4%
Private Equity Limited Partnerships				
Blackstone Capital Partners	\$ 6,741,535		1.3%	
Carlyle	1,507,242		0.3%	
Doughty Hanson	1,123,746		0.2%	
Riverstone ²⁵	(63,500)		0.0%	
Silver Lake	<u>5,552,324</u>	14,861,347	<u>1.1%</u>	2.9%
Real Estate Limited Partnerships				
Blackstone Real Estate Partners	\$ 39,769,222		7.7%	
Cargill N.A. Real Estate Partners	573,812		0.1%	
Lone Star	3,991,813		0.8%	
Rockpoint ²⁵	(9,383)		0.0%	
Starwood	<u>129,482</u>	44,454,946	<u>0.0%</u>	8.6%
Fixed Income - Investment Grade/TIPS/Tax-Exempt				
Internal Investment Grade	\$ 49,613,779		9.7%	
Internal Treasury Inflation-Protected Securities (TIPS)	16,836,885		3.3%	
PIMCO Tax-Exempt Portfolio	<u>48,450,078</u>	114,900,742	<u>9.4%</u>	22.4%
Fixed Income - High Yield/Distressed Debt				
Vanguard High Yield Fund	\$ 6,579,747		1.3%	
CarVal	1,106,476		0.2%	
TCW	<u>24,316,466</u>	32,002,689	<u>4.7%</u>	6.2%
Cash & Cash Equivalents				
Internal Cash Account	<u>\$ 105,214,395</u>	<u>105,214,395</u>	<u>20.5%</u>	<u>20.5%</u>
Total		<u>\$ 514,166,745</u>	<u>100.0%</u>	<u>100.0%</u>

**Asset Growth²³ (\$ in millions)****EET Total Fund vs. Benchmark****Investment Income²⁴ (\$ in millions)**

Internal Global Equity Profile

The Education Enhancement Trust's internal Global Equity portfolio characteristics as of June 30, 2015, are presented below.

Distribution by Market Sector	%	Five Largest Country Weights	% of Total
Consumer Discretionary	12.7%	United States	72.9%
Consumer Staples	9.7%	Great Britain	7.2%
Energy	11.7%	Switzerland	6.8%
Financials	21.5%	Japan	3.1%
Health Care	18.0%	France	2.5%
Industrials	5.9%		
Information Technology	14.4%	Total	92.5%
Materials	2.8%		
Telecommunications Services	1.0%		
Utilities	1.6%		
Cash Equivalents	0.7%		
Total	100.0%		

Internal Bond Profiles

The Education Enhancement Trust's internal Investment Grade (IG) and Treasury Inflation-Protected Securities bond portfolio characteristics as of June 30, 2015, are presented below.

Distribution by Duration	IG	Distribution by Quality Rating	IG
0 to 2 Years	7.4%	U.S. Gov't/Aaa	60.1%
2 to 3 Years	7.5%	Aa	4.8%
3 to 4 Years	10.5%	A	18.0%
4 to 5 Years	24.4%	Baa	16.2%
5 to 6 Years	20.1%	Ba	0.9%
6 to 8 Years	19.9%	B	0.0%
Above 8 Years	10.2%	Caa and lower	0.0%
Total	100.0%	Total	100.0%

Distribution by Coupon	IG	Distribution by Sector (Consolidated)	%
0.00% - 2.00%	23.6%	Cash/Cash Equivalents	1.0%
2.01% - 3.00%	28.6%	U.S. Treasuries	7.3%
3.01% - 4.00%	26.5%	Agency Debentures	2.3%
4.01% - 6.00%	19.8%	Agency Mortgage-Backed Securities	13.0%
6.01% - 7.00%	1.5%	Investment Grade Corporates	17.1%
7.01% - 8.00%	0.0%	High Yield Corporates/Bond Mutual Fund	5.8%
8.01% and over	0.0%	Treasury Inflation-Protected Securities	13.9%
		Tax-Exempt Bonds	39.6%
Total	100.0%	Total	100.0%

Top Ten Holdings

The Education Enhancement Trust's internal Global Equity and internal Investment Grade portfolios' Top Ten Holdings as of June 30, 2015, are presented below.

Global Equity Company Holdings	% of Total	Investment Grade Corporates by Issuer	% of Total
JPMorgan Chase & Co.	2.6%	Ontario (Province Of)	1.8%
Microsoft Corp.	2.5%	Medtronic plc	1.7%
UnitedHealth Group, Inc.	2.4%	Amgen, Inc.	1.7%
Gilead Sciences, Inc.	2.2%	Morgan Stanley	1.5%
Wells Fargo & Co.	2.1%	American Express Co.	1.4%
Google, Inc.	2.1%	Apple, Inc.	1.3%
Pfizer, Inc.	2.0%	CSX Corp.	1.3%
Wal-Mart Stores, Inc.	1.8%	Cisco Systems, Inc.	1.3%
Target Corp.	1.7%	Wells Fargo & Co.	1.3%
U.S. Bancorp	1.7%	eBay, Inc.	1.3%
Total	21.1%	Total	14.6%

THE FUND

The Health Care Trust Fund (HCT) was established under the Constitution through a Joint Resolution submitted to South Dakota citizens at a special election on April 10, 2001. Article XII §5 provided that any funds on deposit in the intergovernmental transfer fund as of July 1, 2001 and any funds appropriated to HCT thereafter are placed in HCT. The constitutional change directed the South Dakota Investment Council (Council) to invest the trust fund in stocks, bonds, mutual funds and other financial instruments as provided by law. South Dakota Codified Law (SDCL) 28-6-33 states that the provisions of SDCL 4-5-27, prudent-man standard, govern the moneys in the trust.

Each year the state treasurer is directed to distribute from the trust fund to the general fund an amount appropriated by law for health care related programs. The distribution is defined in SDCL 4-5-29.1. The state investment officer shall determine the sixteen-quarter average market value of the fund as of December 31 and calculate an amount equal to 4%, without invading principal, that is eligible for distribution at the beginning of the next fiscal year. The fund principal may not be diverted for other purposes unless appropriated by a three-fourths vote of all the members-elect of each house of the Legislature.

OBJECTIVES AND COMPONENTS

The objectives of HCT are to (1) provide a distribution of 4% of market value for health care related programs and (2) promote inflation-adjusted growth of the fund and a steadily growing distribution amount.

HCT assets were invested in diversified portfolios during fiscal year 2015, as shown on the following page. The Council has been shifting the asset allocation to be more similar to the South Dakota Retirement System's asset allocation over the last several years.

The long-term expected return of the fund as of June 30, 2015 was 6.03% with a volatility of 13.9%. This means that the return in any given year may fall within a range of (7.9%) to 20.0% with 66% confidence or (21.8%) to 33.8% with 95% confidence.

INVESTMENT PERFORMANCE - FISCAL YEAR 2015

The fund ended fiscal year 2015 with a fair value of \$137,528,097, principal value of \$85,631,024, and inflation-adjusted principal of \$112,409,149. HCT's total return, including realized and unrealized gains and losses and accrued income, was 4.4% for the fiscal year. The benchmark¹⁸ return was 2.9%. The difference resulted primarily from outperformance in the real estate limited partnership holdings. The ten-year annualized total return was 7.0%. This compares with the ten-year annualized benchmark¹⁸ return of 6.7%. In July 2015, the fund distributed 4% of the sixteen-quarter average market value as of December 31, 2014, totaling \$4,674,130, to the general fund for health care related expenditures.

Cash Flows and Fair Value Changes

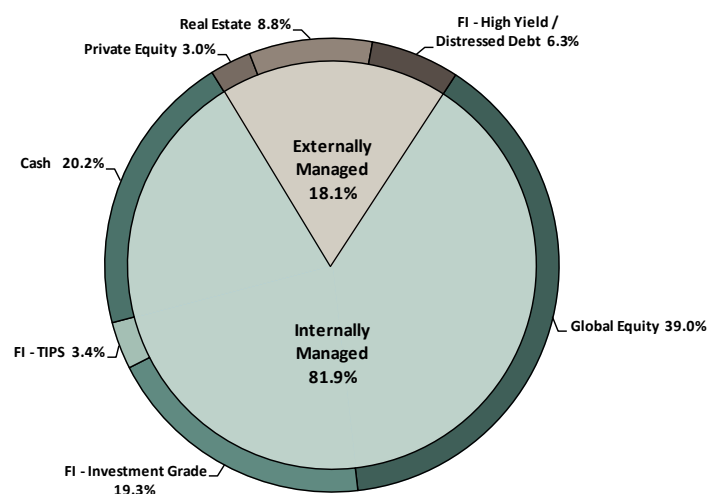
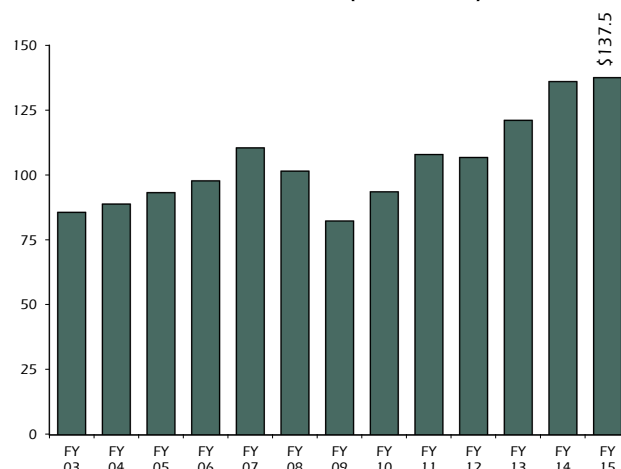
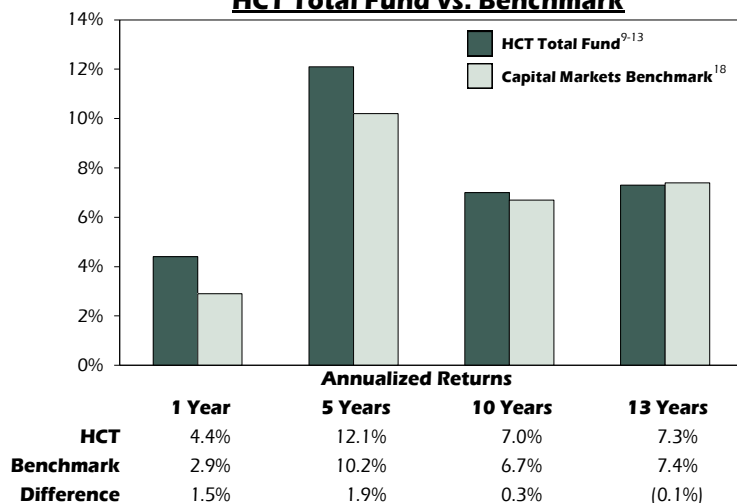
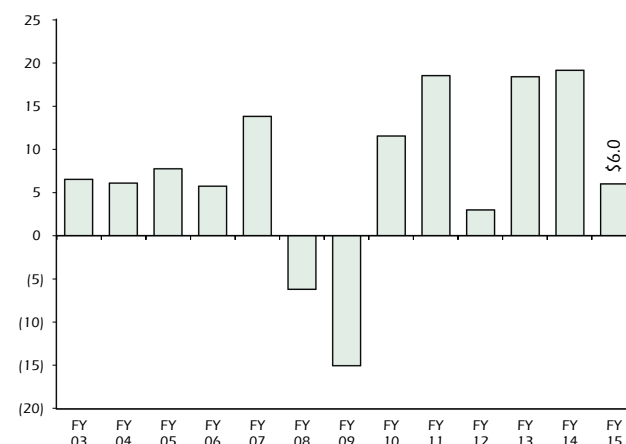
The Health Care Trust Fund began fiscal year 2015 with \$136.0 million in assets. During the fiscal year, net contributions/withdrawals and fees decreased the fund by \$4.5 million and investment income increased it by \$6.0 million, resulting in an ending fair value of \$137.5 million.

Fair Value 6/30/14		\$ 136,016,642
Increases/Decreases		
Net Contributions/Withdrawals	\$ (4,322,835)	
Internal Management Fees	(147,330)	
External Management Fees	<u>(1,337)</u>	
Total Increases/Decreases		\$ (4,471,502)
Investment Income		
Securities Income		
Interest Income	\$ 1,175,430	
Dividend Income	1,418,520	
Securities Lending Income	6,480	
Real Estate Income	328,289	
Change in Accrued Income	<u>(8,711)</u>	
Total Securities Income	\$ 2,920,008	
Total Capital Gain/Loss Income	<u>\$ 3,062,949</u>	
Total Investment Income		\$ 5,982,957
Fair Value 6/30/15		<u>\$ 137,528,097</u>

Asset Allocation⁸

As of June 30, 2015, Health Care Trust's assets totaled \$137.5 million. The broad asset categories and managers are listed below. The Capital Markets Benchmark allocation is also provided for comparison.

	Fair Value		% of Fund	Capital Markets Benchmark %
Global Equity				
Internal Global Equity	\$ 53,647,524	\$ 53,647,524	39.0%	53.0%
Private Equity Limited Partnerships				
Blackstone Capital Partners	\$ 1,875,363		1.4%	
Carlyle	416,898		0.3%	
Doughty Hanson	284,970		0.2%	
Riverstone ²⁵	(17,255)		0.0%	
Silver Lake	<u>1,490,248</u>	4,050,224	<u>1.1%</u>	3.0%
Real Estate Limited Partnerships				
Blackstone Real Estate Partners	\$ 10,809,641		7.9%	
Cargill N.A. Real Estate Partners	143,453		0.1%	
Lone Star	1,068,444		0.8%	
Rockpoint ²⁵	(2,385)		0.0%	
Starwood	<u>43,160</u>	12,062,313	<u>0.0%</u>	8.8%
Fixed Income - Investment Grade/TIPS				
Internal Investment Grade	\$ 26,622,660		19.3%	
Internal Treasury Inflation-Protected Securities (TIPS)	<u>4,653,969</u>	31,276,629	<u>3.4%</u>	22.7%
Fixed Income - High Yield/Distressed Debt				
Vanguard High Yield Fund	\$ 1,769,497		1.3%	
CarVal	280,552		0.2%	
TCW	<u>6,614,996</u>	8,665,045	<u>4.8%</u>	6.3%
Cash & Cash Equivalents				
Internal Cash Account	\$ <u>27,826,362</u>	<u>27,826,362</u>	<u>20.2%</u>	<u>20.2%</u>
Total		<u>\$ 137,528,097</u>	<u>100.0%</u>	<u>100.0%</u>

**Asset Growth²³ (\$ in millions)****HCT Total Fund vs. Benchmark****Investment Income²⁴ (\$ in millions)**

Internal Global Equity Profile

The Health Care Trust's internal Global Equity portfolio characteristics as of June 30, 2015, are presented below.

<u>Distribution by Market Sector</u>	<u>%</u>	<u>Five Largest Country Weights</u>	<u>% of Total</u>
Consumer Discretionary	12.7%	United States	73.1%
Consumer Staples	9.6%	Great Britain	7.0%
Energy	11.6%	Switzerland	6.9%
Financials	21.8%	Japan	3.1%
Health Care	18.1%	France	2.5%
Industrials	5.9%		
Information Technology	14.3%	Total	92.6%
Materials	2.8%		
Telecommunications Services	1.0%		
Utilities	1.5%		
Cash Equivalents	0.7%		
Total	100.0%		

Internal Bond Profiles

The Health Care Trust's internal Investment Grade (IG) and Treasury Inflation-Protected Securities bond portfolio characteristics as of June 30, 2015, are presented below.

<u>Distribution by Duration</u>	<u>IG</u>	<u>Distribution by Quality Rating</u>	<u>IG</u>
0 to 2 Years	5.6%	U.S. Gov't/Aaa	59.5%
2 to 3 Years	7.5%	Aa	4.9%
3 to 4 Years	11.1%	A	18.2%
4 to 5 Years	24.8%	Baa	16.5%
5 to 6 Years	19.6%	Ba	0.9%
6 to 8 Years	20.2%	B	0.0%
Above 8 Years	11.2%	Caa and lower	0.0%
Total	100.0%	Total	100.0%

<u>Distribution by Coupon</u>	<u>IG</u>	<u>Distribution by Sector (Consolidated)</u>	<u>%</u>
0.00% - 2.00%	17.7%	Cash/Cash Equivalents	1.1%
2.01% - 3.00%	29.1%	U.S. Treasuries	10.8%
3.01% - 4.00%	26.1%	Agency Debentures	8.8%
4.01% - 6.00%	20.2%	Agency Mortgage-Backed Securities	25.3%
6.01% - 7.00%	6.9%	Investment Grade Corporates	33.8%
7.01% - 8.00%	0.0%	High Yield Corporates/Bond Mutual Fund	6.1%
8.01% and over	0.0%	Treasury Inflation-Protected Securities	14.1%
Total	100.0%	Total	100.0%

Top Ten Holdings

The Health Care Trust's internal Global Equity and internal Investment Grade portfolios' Top Ten Holdings as of June 30, 2015, are presented below.

<u>Global Equity Company Holdings</u>	<u>% of Total</u>	<u>Investment Grade Corporates by Issuer</u>	<u>% of Total</u>
JPMorgan Chase & Co.	2.7%	Ontario (Province Of)	1.8%
Microsoft Corp.	2.5%	Medtronic plc	1.7%
UnitedHealth Group, Inc.	2.4%	Amgen, Inc.	1.7%
Gilead Sciences, Inc.	2.2%	Morgan Stanley	1.5%
Wells Fargo & Co.	2.1%	American Express Co.	1.4%
Google, Inc.	2.1%	Apple, Inc.	1.3%
Pfizer, Inc.	2.0%	CSX Corp.	1.3%
Wal-Mart Stores, Inc.	1.8%	Cisco Systems, Inc.	1.3%
Honda Motor Co., Ltd.	1.7%	Wells Fargo & Co.	1.3%
U.S. Bancorp	1.7%	eBay, Inc.	1.3%
Total	21.2%	Total	14.6%

HIGHER EDUCATION SAVINGS PLAN

In 2001, the Legislature assigned the South Dakota Investment Council (Council) the responsibility of establishing South Dakota's Higher Education Savings Plan. The Legislature took advantage of federal tax law changes made in 1996 regarding the Internal Revenue Code Section 529 qualified tuition programs. These changes created significant incentives for a new investment vehicle for those attempting to save for future higher education costs.

In November 2001, the Council selected Allianz Global Investors Distributors LLC (formerly PIMCO Funds Distributors LLC) as the program manager for the Section 529 program from seven candidates. Significant negotiations led to a unique "Best of Breed" multi-manager higher education savings plan. South Dakota's plan is entitled *CollegeAccess 529 Plan*. In 2007, the contract with Allianz Global Investors Distributors LLC (Allianz) was renegotiated with substantially the same terms as the original contract. The new seven year contract was signed on December 11, 2007. In 2014, the existing contract was extended to December 1, 2021. Contributions from every state and several countries have generated growth of Plan assets to over \$1.16 billion on June 30, 2015.

The Council and Allianz worked together to create a flexible 529 plan that has special advantages for South Dakota citizens. This was accomplished by offering several investment choices for South Dakota residents investing directly (i.e. without a financial advisor) at a maximum total annual cost no greater than 0.65%. The Age-Based Investment Portfolios use shifting asset allocations based on the designated account beneficiary's age. A diversified group of five investment portfolios is designed to emphasize total return and capital appreciation when the beneficiary is younger and increasingly emphasizes preservation of capital and income as the beneficiary approaches college age. The total annual operating expense ratios for South Dakotans investing directly in the age-based portfolios ranged from 0.45% to 0.55% last year.

Account owners can also invest directly in two individual investment portfolios: the PIMCO All Asset Fund and the PIMCO Real Return Fund. The PIMCO Real Return Fund emphasizes the preservation of capital through investing primarily in high credit quality fixed income instruments and inflation-indexed bonds with minimum volatility, while seeking returns higher than those generally offered by short-term funds. The total annual operating expense ratio for last year was 0.45% for South Dakota residents investing directly in the portfolio. The PIMCO All Asset Fund emphasizes maximum real return (total return less inflation) by utilizing a dynamic asset allocation approach to invest in a portfolio of mutual funds managed by PIMCO. The total annual operating expense ratio for last year was 0.65% for South Dakota residents. South Dakota residents can also invest directly in a multi-fund, customized investment portfolio called the Diversified Bond Portfolio. This portfolio seeks to maximize total return through two or more core bond funds. The total annual operating expense ratio for last year was 0.51% for South Dakota residents.

In addition to the opportunity for South Dakotans to invest directly at a low cost, five age-based portfolios, sixteen individual mutual fund choices and three customized investment portfolios are available to South Dakota investors as well as to investors nationwide. These selections can be accessed by using the services of a financial advisor. Although all investors will encounter a fee when investing with the assistance of a financial advisor, South Dakota residents do not pay the annual account fee, which is currently \$20, or the annual program fee of 0.35%.

SCHOLARSHIP PROGRAM

The negotiations that led to the selection of Allianz included a scholarship opportunity for many of South Dakota's outstanding high school seniors. For each of the first three years of the scholarship program, Allianz guaranteed funding for 70 \$2,000 four-year scholarships, totaling \$8,000 each. Additionally, over 500 \$1,500 one-time scholarships were awarded. Starting with fiscal year 2005, the availability of funding for the scholarship program has been dependent upon the amount of assets in South Dakota's *CollegeAccess 529 Plan*. In total, 279 \$2,000 four-year scholarships, 70 \$2,000 two-year scholarships, and 564 \$1,500 one-time scholarships were awarded over the first six years of the Allianz South Dakota Scholarship Program.

When the Allianz South Dakota Scholarship Program began in 2002, there were no other state scholarship programs available. Currently, the state has other programs with the infrastructure necessary to administer a quality scholarship program. Since fiscal year 2007, scholarship funds totaling \$10,089,323 have been directed from Allianz to the Dakota Corps Scholarship Fund. Based on the assets as of June 30, 2015 and the scholarship funding formula, the resulting 2015 contribution was \$1,616,835. The Allianz program and the Dakota Corps programs share a common goal of keeping our talented young people in the state in order to foster South Dakota's economic well-being. The Dakota Corps program is unique because it is geared toward students who plan to work toward a degree in a critical need occupation in South Dakota. To be eligible, students must meet academic requirements and attend a participating South Dakota post-secondary institution. The scholarship recipients must agree in writing to stay in South Dakota and work in a critical need occupation after graduation for as many years as the scholarship was received, plus one year. These students receive four-year scholarships equal to tuition and fees for 16 credit hours per semester at a public South Dakota college, public technical college, or tribal college. The scholarship amount for attendance at a participating private college in South Dakota would be the same amount that would be paid at a public South Dakota college, with the college covering the remaining tuition and fees if needed. A description of the program can be found at www.state.sd.us/dakotacorps/default.html.

ANNUAL REPORT

Each year the Council is required by law to submit an annual report letter by February 1. This letter is to go to the Governor, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate. The letter, dated January 30, 2015, can be found in the Appendix on page 33.

MORE INFORMATION

Extensive information on this higher education savings program can be found at the following websites: www.CollegeAccess529.com or www.SouthDakota529.com. A major section of the website has been custom-developed for South Dakota residents.

**SOUTH DAKOTA INVESTMENT COUNCIL**

4009 West 49th Street, Suite 300

Sioux Falls, SD 57106-3784 USA

Phone: (605) 362-2820

January 30, 2015

Hon. Dennis Daugaard
Governor
500 E. Capitol Avenue
Pierre, SD 57501-5070

Hon. Dean Wink, Speaker
South Dakota House of Representatives
500 E. Capitol Avenue
Pierre, SD 57501-5070

Hon. Corey Brown, President Pro Tempore
South Dakota Senate
500 E. Capitol Avenue
Pierre, SD 57501-5070

Dear Governor Daugaard, Speaker Wink and President Pro Tempore Brown:

We are pleased to submit our fourteenth annual report on the Higher Education Savings Program as required by South Dakota Codified Laws, Chapter 13-63, originally passed into law by the Legislature in 2001.

The CollegeAccess 529 Plan (Plan) was implemented by the Investment Council in April of 2002. The Plan allows South Dakota citizens, as well as citizens across the nation, to save and invest for post-secondary educational expenses with federal tax benefits. Allianz Global Investors Distributors LLC (AGID), originally known as PIMCO Funds Distributors LLC, was selected by the Council to manage, invest, market, and administer the Plan. AGID is a part of the Allianz Group which is a global financial services leader with lengthy corporate history and a presence in more than 70 countries.

The Plan is offered and maintained at no cost to the State or taxpayers, as mandated by law, and features the following:

- Nationally competitive cost for residents of South Dakota who choose to invest directly;
- High quality and diversified product offering from the PIMCO family of funds, the Allianz family of funds and funds from other nationally-recognized investment firms;
- Scholarship funding for South Dakota students who enroll in South Dakota post-secondary institutions as undergraduate students in programs that will prepare them to work in critical need occupations in South Dakota following graduation.

The Plan is available to South Dakotans, either through qualified financial advisors or directly by calling toll-free (1-866-529-7462) or visiting the Plan web site www.southdakota529.com.

January 30, 2015
Page 2

As of December 31, 2014, the Plan had assets of approximately \$1.165 billion, flat with last year. For the Plan's most recent full program year (calendar year 2014), returns for South Dakota direct investment age-based alternatives ranged from 2.37% for the Age-based 18+ portfolio to 3.03% for the Age-based 11-14 portfolio.

Fifty percent of the 36 mutual funds utilized by the Plan and rated by Morningstar have an overall rating of 4 or 5 stars, with 5 the highest possible rating. Additionally, 16 of the funds were deemed Morningstar Medalists. Morningstar, a leading provider of independent investment research, provides strictly quantitative mutual fund ratings that measure how well a fund has balanced return and risk in the past.

Scholarship Program

A benefit of implementing the Plan has been the establishment of a scholarship program for South Dakota students to attend South Dakota public and private post-secondary institutions. This program is funded by Allianz. Scholarships totaling \$3.224 million were awarded to over 900 high school seniors during the six years of the original contract term.

In 2007 the Council investigated alternatives to the original scholarship program and, with input from Governor Rounds and approval by the LRC Executive Board, decided to direct scholarship monies generated through the relationship with Allianz to The Dakota Corps Scholarship Program. In September of 2007, Allianz transferred \$1,027,334 to The Dakota Corps Scholarship Program, including \$690,131 generated from fiscal year 2007 CollegeAccess 529 Plan assets and \$337,203 carried over from previous years. In 2008, 2009, 2010, 2011, 2012, 2013, and 2014 Allianz contributed \$756,125, \$694,782, \$823,112, \$1,059,271, \$1,165,435, \$1,363,392, and \$1,583,037 respectively, to the Dakota Corps Scholarship Program, totaling \$8,472,488.

The Dakota Corps Scholarship Program is designed to encourage South Dakota high school graduates to obtain their post-secondary education in South Dakota, remain in the state upon their graduation, and contribute to the state and its citizens by working in critical need occupations. The scholarship pays for four years of tuition and generally applicable fees. More information is available at www.state.sd.us/dakotacorps/default.html.

Thank you for your interest in the Higher Education Savings Program.

Sincerely,

Jon M. Hunter
Investment Council Chair

Matthew L. Clark, CFA
State Investment Officer

SOUTH DAKOTA RETIREMENT SYSTEM INTERNALLY MANAGED

		<u>Cost Value</u>	<u>Fair Value</u>
Global Equity			
Microsoft Corp.	2,530,475	\$ 67,547,813	\$ 111,720,471
Apple, Inc.	814,500	45,880,465	102,158,663
Gilead Sciences, Inc.	831,996	20,714,535	97,410,092
UnitedHealth Group, Inc.	774,686	27,969,179	94,511,692
JPMorgan Chase & Co.	1,348,870	46,514,836	91,399,431
Wells Fargo & Co.	1,602,490	35,691,325	90,124,038
Pfizer, Inc.	2,502,967	59,689,788	83,924,484
Wal-Mart Stores, Inc.	1,048,829	54,677,351	74,393,441
Citigroup, Inc.	1,327,815	52,782,972	73,348,501
Novartis AG	682,317	38,745,580	67,278,917
Roche Holding, Ltd.	235,215	39,197,741	65,942,250
U.S. Bancorp	1,513,096	29,843,853	65,668,366
Chevron Corp.	642,598	54,275,118	61,991,429
Target Corp.	738,966	32,791,875	60,321,795
Honda Motor Co., Ltd.	1,788,400	44,662,701	57,898,473
Bank of America Corp.	3,309,965	65,960,917	56,335,604
MetLife, Inc.	999,750	28,244,522	55,976,003
PepsiCo, Inc.	594,981	35,828,366	55,535,527
Lennar Corp.	1,084,746	27,667,898	55,365,436
Nestle SA	743,187	17,698,365	53,678,372
Google, Inc. - Cl. C	101,685	33,868,476	52,928,059
Johnson & Johnson	536,880	40,496,213	52,324,325
Barclays plc	12,444,184	50,860,280	50,982,386
Apache Corp.	865,942	71,231,754	49,904,237
Oracle Corp.	1,236,896	37,505,142	49,846,909
Intel Corp.	1,588,174	32,348,981	48,304,312
General Electric Co.	1,715,499	44,196,920	45,580,808
Philip Morris International, Inc.	564,988	41,376,527	45,295,088
Devon Energy Corp.	749,806	45,031,573	44,605,959
The Bank of New York Mellon Corp.	1,032,289	25,210,297	43,325,169
American International Group, Inc.	700,800	38,066,585	43,323,456
Google, Inc.	79,711	22,431,643	43,047,128
Sanofi SA	426,181	35,027,539	41,900,838
International Business Machines Corp.	246,060	44,299,536	40,024,120
Marathon Oil Corp.	1,447,500	41,859,219	38,416,650
McDonald's Corp.	402,120	37,521,729	38,229,548
eBay, Inc.	632,000	32,132,521	38,071,680
The Procter & Gamble Co.	475,756	23,974,065	37,223,149
Aetna, Inc.	288,792	13,189,715	36,809,428
Meritage Homes Corp.	769,063	26,619,066	36,215,177
BP plc - ADR	905,290	32,313,147	36,175,388
Cisco Systems, Inc.	1,299,398	21,991,806	35,681,469
Union Pacific Corp.	368,800	30,574,904	35,172,456
Exxon Mobil Corp.	422,463	27,255,562	35,148,922
BB&T Corp.	856,173	20,700,163	34,512,334
AstraZeneca plc	542,966	28,590,328	34,319,160
Toyota Motor Corp.	510,100	17,295,174	34,195,647
Medtronic plc	460,546	17,297,539	34,126,459
Anthem, Inc.	205,815	10,692,167	33,782,474
Berkshire Hathaway, Inc.	248,137	<u>29,826,723</u>	<u>33,773,927</u>
Total Top 50 Securities		\$ 1,800,170,494	\$ 2,698,229,647
Remaining Global Equity		<u>2,002,146,832</u>	<u>2,226,572,938</u>
Global Equity		\$ 3,802,317,326	\$ 4,924,802,585
High Quality Equity		\$ 181,218,627	\$ 250,333,739
Global Emerging Markets		\$ 52,823,437	\$ 53,522,032
Small/Mid Equity		\$ 549,710,399	\$ 613,617,294
Investment Grade Fixed Income		\$ 931,396,822	\$ 974,489,436
High Yield Fixed Income		\$ 156,496,641	\$ 140,086,679
Shift Account		<u>\$ 831,422,938</u>	<u>\$ 831,429,143</u>
Total SDRS Internally Managed		<u>\$ 6,505,386,190</u>	<u>\$ 7,788,280,908</u>

SOUTH DAKOTA RETIREMENT SYSTEM EXTERNALLY MANAGED

	<u>Cost Value</u>	<u>Fair Value</u>
Aggressive Absolute Return		
Bridgewater Pure Alpha Fund II, Ltd.	\$ 36,742,005	\$ 86,616,780
Sanders Capital All Asset Value Fund, L.P.	<u>19,888,305</u>	<u>24,059,339</u>
Total Aggressive Absolute Return	\$ 56,630,310	\$ 110,676,119
Real Estate		
Ares European Real Estate Fund II, L.P.	\$ 11,372,287	\$ 6,318,574
Apollo Real Estate Advisors III & IV, L.P.	5,159,492	4,309,177
Blackstone Real Estate Partners III, L.P.	13,550,179	2,220,893
Blackstone Real Estate Partners IV, L.P.	110,712,901	98,442,277
Blackstone Real Estate Partners V, L.P.	112,883,301	223,280,501
Blackstone Real Estate Partners VI, L.P.	120,667,669	259,885,035
Blackstone Real Estate Partners VII, L.P.	56,915,949	78,502,885
Blackstone Real Estate Partners International, L.P.	1,440,981	349,715
Blackstone Real Estate Partners International II, L.P.	68,339,561	92,035,397
Blackstone Real Estate Partners Europe III, L.P.	115,111,602	159,819,500
North American Real Estate Partners, L.P.	0	1,709,131
North American Real Estate Partners II, L.P.	13,942,053	8,258,358
NAREP II Land Entitlement Sidecar, L.P.	2,230,425	517,768
Doughty Hanson & Co. European Real Estate I, L.P.	56,688	78,575
Doughty Hanson & Co. European Real Estate II, L.P.	24,006,244	10,835,475
Lone Star Real Estate Fund II, L.P.	26,205,223	27,334,844
Lone Star Real Estate Fund III, L.P.	78,843,291	84,913,736
Lone Star Real Estate Fund IV, L.P.	(582,492)	(582,492)
Rockpoint Real Estate Fund IV & V, L.P.	29,646,333	36,765,547
Starwood Distressed Opportunity Fund IX Global	26,567,675	39,561,492
Starwood Distressed Opportunity Fund X Global	<u>13,895,121</u>	<u>20,488,800</u>
Total Real Estate	\$ 830,964,483	\$ 1,155,045,188
Private Equity		
Blackstone Capital Partners IV, L.P.	\$ 3,617,411	\$ 4,823,318
Blackstone Capital Partners V, L.P.	115,717,106	192,249,417
Blackstone Capital Partners VI, L.P.	56,470,762	75,175,617
Blackstone Energy Partners II, L.P.	0	(31,481)
Capital International Private Equity Fund IV, L.P.	4,885,755	8,876,622
Capital International Private Equity Fund V, L.P.	13,705,462	11,360,005
Capital International Private Equity Fund VI, L.P.	22,721,208	17,565,209
Carlyle Partners IV, L.P.	2,794,756	3,528,313
Carlyle Partners V, L.P.	20,909,704	37,162,789
Carlyle Partners VI, L.P.	30,978,631	32,229,305
Riverstone/Carlyle Global Energy & Power Fund IV, L.P.	22,971,747	23,067,965
Riverstone Global Energy & Power Fund V & VI, L.P.	55,369,611	64,320,896
The Fourth Cinven Fund	52,983,437	41,760,196
The Fifth Cinven Fund	42,487,830	52,509,072
Crossroads Cornerstone Private Equity XV-B, L.P.	1,111,780	1,237,347
CVC European Equity Partners IV, L.P.	13,428,296	12,590,981
CVC European Equity Partners V, L.P.	39,120,084	44,326,341
Cypress Merchant Banking Partners II, L.P.	5,595,114	7,627,066
DLJ Merchant Banking Partners II, L.P.	20,936	101,651
Doughty Hanson & Co. IV, L.P.	21,232,814	22,268,518
Doughty Hanson & Co. V, L.P.	17,939,002	13,408,837
Elevation Partners, L.P.	1,572,285	1,994,510
KKR European Fund I & II, L.P.	11,635,035	14,237,993
PineBridge Capital Management Corp.	5,494,470	3,562,591
Silver Lake Partners II, L.P.	20,304,148	32,825,099
Silver Lake Partners III, L.P.	34,028,215	56,550,175
Silver Lake Partners IV, L.P.	29,583,859	51,579,025
Silver Lake Sumeru Fund, L.P.	<u>27,122,454</u>	<u>35,073,036</u>
Total Private Equity	\$ 673,801,912	\$ 861,980,413
Distressed Debt		
Blackstone Credit Liquidity Partners, L.P.	\$ 1,535,449	\$ 72,359
CVI Global Value Fund A, L.P.	60,046,845	43,262,672
TCW Opportunistic MBS Strategy	<u>585,422,781</u>	<u>654,384,443</u>
Total Distressed Debt	\$ 647,005,075	\$ 697,719,474
Emerging Markets		
Dimensional Emerging Markets Small Cap	\$ 8,977,461	\$ 52,032,867
Total Emerging Markets	\$ 8,977,461	\$ 52,032,867
Special Purpose Equity		
Brandes International Mid Cap Portfolio	\$ 59,716,139	\$ 57,007,902
Sanders Capital, L.L.C.	<u>41,035,681</u>	<u>43,603,090</u>
Total Special Purpose Equity	\$ 100,751,820	\$ 100,610,992
Total SDRS Externally Managed	<u>\$ 2,318,131,061</u>	<u>\$ 2,978,065,053</u>

**SCHOOL AND PUBLIC LANDS
INTERNALLY MANAGED**

		<u>Cost Value</u>	<u>Fair Value</u>
Global Equity			
JPMorgan Chase & Co.	41,849	\$ 1,415,477	\$ 2,835,688
Microsoft Corp.	62,615	1,737,036	2,764,452
UnitedHealth Group, Inc.	22,618	907,708	2,759,396
Gilead Sciences, Inc.	21,069	414,730	2,466,759
Wells Fargo & Co.	41,958	1,062,789	2,359,718
Pfizer, Inc.	66,352	1,767,307	2,224,783
Wal-Mart Stores, Inc.	29,386	1,558,508	2,084,349
Target Corp.	23,078	1,100,279	1,883,857
U.S. Bancorp	42,750	742,960	1,855,350
Lennar Corp.	35,060	828,559	1,789,462
Total Top 10 Securities		\$ 11,535,353	\$ 23,023,814
Remaining Global Equity		<u>76,945,423</u>	<u>88,458,874</u>
Global Equity		\$ 88,480,776	\$ 111,482,688
Investment Grade Fixed Income		\$ 47,935,735	\$ 48,843,391
TIPS Fixed Income		\$ 7,183,995	\$ 8,532,290
Cash Account		\$ 48,849,610	\$ 48,850,998
S.D. S.B.A. & Similar Assets		\$ 1,322,466	\$ 1,325,264
Total SPL Internally Managed		<u>\$ 193,772,582</u>	<u>\$ 219,034,631</u>

**SCHOOL AND PUBLIC LANDS
EXTERNALLY MANAGED**

		<u>Cost Value</u>	<u>Fair Value</u>
Real Estate			
Blackstone Real Estate Partners V, L.P.	\$ 2,287,266	\$ 4,524,158	
Blackstone Real Estate Partners VI, L.P.	2,356,631	5,075,538	
Blackstone Real Estate Partners VII, L.P.	1,227,039	1,692,427	
Blackstone Real Estate Partners International II, L.P.	2,580,002	3,474,583	
Blackstone Real Estate Partners Europe III, L.P.	2,779,859	3,859,527	
North American Real Estate Partners II, L.P.	472,520	247,782	
Lone Star Real Estate Fund III, L.P.	1,944,800	2,094,538	
Lone Star Real Estate Fund IV, L.P.	(14,692)	(14,692)	
Rockpoint Real Estate Fund V, L.P.	(5,089)	(5,089)	
Starwood Distressed Opportunity Fund X Global	6,056	86,321	
Total Real Estate	\$ 13,634,392	\$ 21,035,093	
Private Equity			
Blackstone Capital Partners V, L.P.	\$ 1,246,105	\$ 2,254,323	
Blackstone Capital Partners VI, L.P.	729,380	970,982	
Carlyle Partners VI, L.P.	770,611	801,723	
Doughty Hanson & Co. V, L.P.	637,752	476,699	
Riverstone Global Energy & Power Fund VI, L.P.	(33,131)	(33,131)	
Silver Lake Partners III, L.P.	806,547	1,340,371	
Silver Lake Partners IV, L.P.	702,559	1,224,896	
Total Private Equity	\$ 4,859,823	\$ 7,035,863	
High Yield/Distressed Debt			
Vanguard High Yield Fund	\$ 3,567,304	\$ 3,513,044	
CVI Global Value Fund A, L.P.	651,401	469,334	
TCW Opportunistic MBS Strategy	11,822,705	12,921,923	
Total High Yield/Distressed Debt	\$ 16,041,410	\$ 16,904,301	
Total SPL Externally Managed		<u>\$ 34,535,625</u>	<u>\$ 44,975,257</u>

**DAKOTA CEMENT TRUST
INTERNALLY MANAGED**

		<u>Cost Value</u>	<u>Fair Value</u>
Global Equity			
JPMorgan Chase & Co.	46,472	\$ 1,578,037	\$ 3,148,943
Microsoft Corp.	67,737	1,797,141	2,990,589
UnitedHealth Group, Inc.	23,863	744,537	2,911,286
Gilead Sciences, Inc.	22,637	445,435	2,650,340
Wells Fargo & Co.	45,088	1,169,357	2,535,749
Pfizer, Inc.	71,807	1,822,395	2,407,689
Wal-Mart Stores, Inc.	30,160	1,596,638	2,139,249
Target Corp.	24,806	1,159,841	2,024,914
U.S. Bancorp	46,297	804,908	2,009,290
Apple, Inc.	15,472	956,037	1,940,576
Total Top 10 Securities		\$ 12,074,326	\$ 24,758,625
Remaining Global Equity		<u>80,993,911</u>	<u>95,021,454</u>
Global Equity		\$ 93,068,237	\$ 119,780,079
Investment Grade Fixed Income		\$ 58,242,157	\$ 60,027,781
TIPS Fixed Income		\$ 9,009,125	\$ 10,693,263
Cash Account		\$ 55,159,100	\$ 55,160,390
Total DCT Internally Managed		<u>\$ 215,478,619</u>	<u>\$ 245,661,513</u>

**DAKOTA CEMENT TRUST
EXTERNALLY MANAGED**

		<u>Cost Value</u>	<u>Fair Value</u>
Real Estate			
Blackstone Real Estate Partners V, L.P.	\$ 3,677,566	\$ 7,274,139	
Blackstone Real Estate Partners VI, L.P.	3,794,582	8,172,488	
Blackstone Real Estate Partners VII, L.P.	1,434,698	1,978,847	
Blackstone Real Estate Partners International II, L.P.	4,209,481	5,669,063	
Blackstone Real Estate Partners Europe III, L.P.	2,779,859	3,859,527	
North American Real Estate Partners II, L.P.	770,988	404,278	
Lone Star Real Estate Fund III, L.P.	2,260,175	2,434,195	
Lone Star Real Estate Fund IV, L.P.	(16,420)	(16,420)	
Rockpoint Real Estate Fund V, L.P.	(5,566)	(5,566)	
Starwood Distressed Opportunity Fund X Global	4,542	64,741	
Total Real Estate	\$ 18,909,905	\$ 29,835,292	
Private Equity			
Blackstone Capital Partners V, L.P.	\$ 2,027,607	\$ 3,676,654	
Blackstone Capital Partners VI, L.P.	617,168	821,600	
Carlyle Partners VI, L.P.	924,736	962,069	
Doughty Hanson & Co. V, L.P.	1,040,098	777,439	
Riverstone Global Energy & Power Fund VI, L.P.	(37,962)	(37,962)	
Silver Lake Partners III, L.P.	1,315,708	2,186,524	
Silver Lake Partners IV, L.P.	878,190	1,531,110	
Total Private Equity	\$ 6,765,545	\$ 9,917,434	
High Yield/Distressed Debt			
Vanguard High Yield Fund	\$ 4,129,975	\$ 4,066,818	
CVI Global Value Fund A, L.P.	1,062,588	765,619	
TCW Opportunistic MBS Strategy	13,780,124	15,147,697	
Total High Yield/Distressed Debt	\$ 18,972,687	\$ 19,980,134	
Total DCT Externally Managed		<u>\$ 44,648,137</u>	<u>\$ 59,732,860</u>

EDUCATION ENHANCEMENT TRUST INTERNALLY MANAGED

		<u>Cost Value</u>	<u>Fair Value</u>
Global Equity			
JPMorgan Chase & Co.	76,835	\$ 2,587,155	\$ 5,206,340
Microsoft Corp.	114,147	3,010,555	5,039,590
UnitedHealth Group, Inc.	40,401	1,464,519	4,928,922
Gilead Sciences, Inc.	37,420	736,387	4,381,134
Wells Fargo & Co.	76,310	1,966,502	4,291,674
Pfizer, Inc.	121,598	3,028,044	4,077,181
Wal-Mart Stores, Inc.	51,679	2,748,051	3,665,591
Target Corp.	41,978	2,035,584	3,426,664
U.S. Bancorp	77,538	1,348,320	3,365,149
Lennar Corp.	63,870	1,417,975	3,259,925
Total Top 10 Securities		\$ 20,343,092	\$ 41,642,170
Remaining Global Equity		<u>138,293,840</u>	<u>161,090,456</u>
Global Equity		\$ 158,636,932	\$ 202,732,626
Investment Grade Fixed Income		\$ 49,709,781	\$ 49,613,779
TIPS Fixed Income		\$ 18,073,409	\$ 16,836,885
Cash Account		\$ 105,212,126	\$ 105,214,395
Total EET Internally Managed		<u>\$ 331,632,248</u>	<u>\$ 374,397,685</u>

EDUCATION ENHANCEMENT TRUST EXTERNALLY MANAGED

		<u>Cost Value</u>	<u>Fair Value</u>
Real Estate			
Blackstone Real Estate Partners V, L.P.	\$ 5,292,106	\$ 10,467,660	
Blackstone Real Estate Partners VI, L.P.	5,552,072	11,957,638	
Blackstone Real Estate Partners VII, L.P.	2,416,328	3,332,787	
Blackstone Real Estate Partners International II, L.P.	5,974,749	8,046,414	
Blackstone Real Estate Partners Europe III, L.P.	4,296,154	5,964,723	
North American Real Estate Partners II, L.P.	1,094,290	573,812	
Lone Star Real Estate Fund III, L.P.	3,731,919	4,019,253	
Lone Star Real Estate Fund IV, L.P.	(27,440)	(27,440)	
Rockpoint Real Estate Fund V, L.P.	(9,383)	(9,383)	
Starwood Distressed Opportunity Fund X Global	9,083	129,482	
Total Real Estate	\$ 28,329,878	\$ 44,454,946	
Private Equity			
Blackstone Capital Partners V, L.P.	\$ 2,935,154	\$ 5,322,408	
Blackstone Capital Partners VI, L.P.	1,066,017	1,419,127	
Carlyle Partners VI, L.P.	1,448,752	1,507,242	
Doughty Hanson & Co. V, L.P.	1,503,402	1,123,746	
Riverstone Global Energy & Power Fund VI, L.P.	(63,500)	(63,500)	
Silver Lake Partners III, L.P.	1,901,464	3,159,975	
Silver Lake Partners IV, L.P.	1,372,164	2,392,349	
Total Private Equity	\$ 10,163,453	\$ 14,861,347	
High Yield/Distressed Debt			
Vanguard High Yield Fund	\$ 6,681,799	\$ 6,579,747	
CVI Global Value Fund A, L.P.	1,535,761	1,106,476	
TCW Opportunistic MBS Strategy	22,135,369	24,316,466	
Total High Yield/Distressed Debt	\$ 30,352,929	\$ 32,002,689	
PIMCO Tax-Exempt Fund		\$ 46,981,064	\$ 48,450,078
Total EET Externally Managed		<u>\$ 115,827,324</u>	<u>\$ 139,769,060</u>

HEALTH CARE TRUST INTERNALLY MANAGED

		<u>Cost Value</u>	<u>Fair Value</u>
Global Equity			
JPMorgan Chase & Co.	21,272	\$ 707,942	\$ 1,441,391
Microsoft Corp.	30,202	808,389	1,333,418
UnitedHealth Group, Inc.	10,666	317,256	1,301,252
Gilead Sciences, Inc.	10,081	198,468	1,180,283
Wells Fargo & Co.	20,187	515,354	1,135,317
Pfizer, Inc.	32,103	789,340	1,076,414
Wal-Mart Stores, Inc.	13,626	721,839	966,492
U.S. Bancorp	20,964	363,325	909,838
Target Corp.	11,105	531,088	906,501
Apple, Inc.	6,904	426,443	865,934
Total Top 10 Securities		\$ 5,379,444	\$ 11,116,840
Remaining Global Equity		<u>36,047,000</u>	<u>42,530,684</u>
Global Equity		\$ 41,426,444	\$ 53,647,524
Investment Grade Fixed Income		\$ 26,164,800	\$ 26,622,660
TIPS Fixed Income		\$ 3,918,591	\$ 4,653,969
Cash Account		\$ 27,825,760	\$ 27,826,362
Total HCT Internally Managed		<u>\$ 99,335,595</u>	<u>\$ 112,750,515</u>

HEALTH CARE TRUST EXTERNALLY MANAGED

		<u>Cost Value</u>	<u>Fair Value</u>
Real Estate			
Blackstone Real Estate Partners V, L.P.	\$ 1,300,601	\$ 2,572,558	
Blackstone Real Estate Partners VI, L.P.	1,477,880	3,182,948	
Blackstone Real Estate Partners VII, L.P.	679,587	937,339	
Blackstone Real Estate Partners International II, L.P.	1,493,685	2,011,600	
Blackstone Real Estate Partners Europe III, L.P.	1,516,283	2,105,196	
North American Real Estate Partners II, L.P.	273,584	143,453	
Lone Star Real Estate Fund III, L.P.	998,681	1,075,574	
Lone Star Real Estate Fund IV, L.P.	(7,130)	(7,130)	
Rockpoint Real Estate Fund V, L.P.	(2,385)	(2,385)	
Starwood Distressed Opportunity Fund X Global	3,029	43,160	
Total Real Estate	\$ 7,733,815	\$ 12,062,313	
Private Equity			
Blackstone Capital Partners V, L.P.	\$ 741,834	\$ 1,352,526	
Blackstone Capital Partners VI, L.P.	392,743	522,837	
Carlyle Partners VI, L.P.	400,719	416,898	
Doughty Hanson & Co. V, L.P.	381,244	284,970	
Riverstone Global Energy & Power Fund VI, L.P.	(17,255)	(17,255)	
Silver Lake Partners III, L.P.	482,148	801,246	
Silver Lake Partners IV, L.P.	395,189	689,002	
Total Private Equity	\$ 2,776,622	\$ 4,050,224	
High Yield/Distressed Debt			
Vanguard High Yield Fund	\$ 1,796,962	\$ 1,769,497	
CVI Global Value Fund A, L.P.	389,391	280,552	
TCW Opportunistic MBS Strategy	5,995,511	6,614,996	
Total High Yield/Distressed Debt	\$ 8,181,864	\$ 8,665,045	
Total HCT Externally Managed		<u>\$ 18,692,301</u>	<u>\$ 24,777,582</u>

SOUTH DAKOTA CASH FLOW FUND INTERNALLY MANAGED

	<u>Cost Value</u>	<u>Fair Value</u>
Duration Portfolio	\$ 1,087,210,410	\$ 1,089,453,482
Money Market Portfolio	\$ 176,769,469	\$ 176,770,383
Certificates of Deposit, 0.37% due 09/30/15	\$ 35,000,000	\$ 35,097,214
Total SDCFF Internally Managed	<u>\$ 1,298,979,879</u>	<u>\$ 1,301,321,079</u>

On June 30, 2015, there was \$35,000,000 in Certificates of Deposit (CDs) outstanding with South Dakota banks, savings associations, and credit unions. Forty-nine South Dakota banks hold \$27,646,000 in CDs, two savings associations have \$2,411,000 invested in CDs, and six credit unions have \$4,943,000 invested in CDs. The CDs carry an interest rate of 0.37% and mature September 30, 2015.

The original allocation made in September 2014 was to fifty banks and two savings associations. One bank did not participate this year. This is the fourteenth year a reoffering was made to other qualified public depositories in the state. In the reoffering, six credit unions accepted \$4,943,000 in CDs, leaving no CDs unassigned. The size of the certificates ranged from \$100,000 to \$4,615,000.

Summary of Statistics
Certificates of Deposit Outstanding

CDs Issued to Banks

CDs maturing 9/30/15 \$ 27,646,000

Interest earned during FY 2015 \$ 93,496
Average CDs Outstanding During FY 2015 \$ 25,269,279
Rate of Return 0.4%

CDs Issued to Savings Associations

CDs maturing 9/30/15 \$ 2,411,000

Interest earned during FY 2015 \$ 8,121
Average CDs Outstanding During FY 2015 \$ 2,194,844
Rate of Return 0.4%

CDs Issued to Credit Unions

CDs maturing 9/30/15 \$ 4,943,000

Interest earned during FY 2015 \$ 17,419
Average CDs Outstanding During FY 2015 \$ 4,707,896
Rate of Return 0.4%

Total Certificates of Deposit

CDs maturing 9/30/15 \$ 35,000,000

Interest earned during FY 2015 \$ 119,036
Average CDs Outstanding During FY 2015 \$ 32,172,019
Rate of Return 0.4%

South Dakota Certificates of Deposit
Due 9/30/15

Banks	Location	CD Amount
Dacotah Bank	Aberdeen	\$ 4,330,000
State Bank of Alcester	Alcester	266,000
Citizens State Bank	Arlington	250,000
Community Bank	Avon	100,000
Dakota State Bank	Blunt	250,000
First Bank & Trust	Brookings	1,856,000
Bryant State Bank	Bryant	250,000
Farmers State Bank	Canton	100,000
One American Bank	Centerville	250,000
First Financial Bank	Dupree	250,000
Liberty Financial Services	Elk Point	422,000
BankStar Financial	Elkton	261,000

South Dakota Certificates of Deposit
Due 9/30/15

Banks (continued)	Location	CD Amount
Security State Bank	Emery	250,000
Reliabank Dakota	Estelline	505,000
Great Plains Bank	Eureka	250,000
First National Bank	Frederick	100,000
Merchants State Bank	Freeman	252,000
Fulton State Bank	Fulton	250,000
First State Bank	Groton	100,000
Farmers State Bank	Hosmer	250,000
Plains Commerce Bank	Hoven	1,113,000
Miner County Bank	Howard	250,000
Premier Bank of Hudson	Hudson	250,000
Ipswich State Bank	Ipswich	250,000
First Bank & Trust/Sioux Falls	Madison	1,273,000
First Bank & Trust/Stockholm	Milbank	321,000
Quoin Financial Bank	Miller	291,000
CorTrust Bank	Mitchell	1,343,000
American State Bank	Oldham	100,000
Sunrise Bank Dakota	Onida	250,000
Farmers State Bank	Parkston	250,000
BankWest	Pierre	1,751,000
Farmers & Merchants State Bank	Plankinton	250,000
Dakota Prairie Bank	Presho	250,000
Security First Bank	Rapid City	266,000
Heartland State Bank	Redfield	250,000
First State Bank of Roscoe	Roscoe	250,000
Farmers & Merchants State Bank	Scotland	250,000
Great Western Bank	Sioux Falls	4,615,000
Minnwest Bank	Sioux Falls	249,000
Roberts County National Bank	Sisseton	250,000
Farmers State Bank	Stickney	250,000
Peoples State Bank	Summit	100,000
Farmers State Bank	Turton	250,000
Security State Bank	Tyndall	143,000
Commercial State Bank	Wagner	250,000
American Bank & Trust	Wessington Springs	1,077,000
First State Bank	Wilmot	250,000
First National Bank	Yankton	<u>712,000</u>
Total Banks		\$ 27,646,000

Savings Associations

Home Federal Savings Bank	Sioux Falls	\$ 2,161,000
Security Savings Bank	Canton	<u>250,000</u>
Total Savings Associations		\$ 2,411,000

Credit Unions

Black Hills Federal CU	Rapid City	\$ 3,693,000
Healthcare Plus Federal CU	Aberdeen	250,000
Dakotaland Federal CU	Huron	250,000
Avanti Federal CU	Watertown	250,000
East River Federal CU	Madison	250,000
Minuteman Community Federal CU	Rapid City	<u>250,000</u>
Total Credit Unions		\$ 4,943,000

Total Certificates of Deposit \$ 35,000,000

AGGRESSIVE ABSOLUTE RETURN: A non-directional strategy designed to generate a steady return no matter what the market does.

ALTERNATIVE INVESTMENTS: Investment that are not one of the three traditional asset types (stocks, bonds and cash). Alternative investments include hedge funds, real estate, private equity and commodities.

ARBITRAGE: Acting on disparities between the existing price of a security and the estimated present value of consideration to be received at a later time as a result of restructuring activity.

ASSET ALLOCATION: The mix of stocks, bonds, cash equivalents and other assets in which capital is invested.

BARCLAYS CAPITAL MUNICIPAL 7 YEAR INDEX: The 7-year (6-8 Years to Maturity) component of the US Municipal Bond Index which covers the USD-denominated long-term tax exempt bond market. It has been used for benchmarking purposes since fiscal year 2003.

BENCHMARK RETURN: The corresponding index returns for each asset category applied to a portfolio's benchmark asset allocation policy.

CAPITAL MARKETS BENCHMARK: The asset allocation policy approved by the Investment Council applied to the appropriate index returns.

CARRIED INTEREST: A share of the profits of a fund paid to the fund manager which is not received until the investors' contributed capital is returned and a previously agreed-upon preferred return is earned.

CASH EQUIVALENT: Cash or assets that can be converted to cash quickly.

CERTIFICATES OF DEPOSIT (CDs): Relatively low-risk debt instruments purchased directly through a commercial bank of savings and loan institution. The investor deposits a sum of money for a specified period of time and at a specified rate of interest. CDs are insured by FDIC (Federal Deposit Insurance Corp.) up to \$250,000.

CITIGROUP ALL BB-RATED INDEX: The index includes those bonds in the Citigroup High-Yield Market Index with an index quality of BB+, BB or BB- rating. It was used for benchmarking purposes during fiscal years 1996 - 2010.

CITIGROUP HIGH-YIELD CASH-PAY CAPPED INDEX: The index represents the cash-pay securities of the Citigroup High-Yield Market Capped Index, which is a modified version of the High-Yield Market Index by delaying the entry of fallen angel (formerly investment grade bonds that have been reduced to junk bond status) issues and capping the par value of individual issuers. It has been used for benchmarking purposes since fiscal year 2011.

CITIGROUP HIGH-YIELD MARKET INDEX: The index includes cash-pay, deferred-interest and Rule 144A bonds with a remaining maturity of at least one year and a speculative-grade rating by both Moody's Investor Service and Standard & Poor's. It has been used for benchmarking purposes since fiscal year 2001.

CITIGROUP US 3-MONTH TREASURY BILL INDEX: The index measures monthly return equivalents of yield averages that are not marked to market. The 3-Month Treasury Bill Index is an average of the last three 3-month Treasury bill month-end rates. It has been used for benchmarking purposes since fiscal year 1973.

CITIGROUP US BROAD INVESTMENT-GRADE (USBIG) BOND INDEX: The index is market capitalization weighted and includes fixed-rate Treasury, government-sponsored, mortgage, asset-backed and investment-grade issues (BBB or Baa3) with a maturity of one year or longer. It has been used for benchmarking purposes since fiscal year 1981.

CITIGROUP US INFLATION-LINKED SECURITIES INDEX (US-ILSI):

The index includes debentures with fixed-rate coupon payments that adjust for inflation as measured by the Consumer Price Index (CPI). It is separate and distinct from the Broad Investment-Grade (BIG) Bond Index and currently comprises Treasury Inflation Protected (TIPS) securities. It has been used for benchmarking purposes since fiscal year 2003.

CORRELATION: The degree to which the fluctuations of one asset are similar to those of another.

DEALLOCATION: Funds that are no longer treated as gross proceeds of tax-exempt bonds for arbitrage purposes under Section 148 of the Internal Revenue Code of 1986, as amended, and for hedge bond purposes under Section 149(g) of the Code as a result of the application of the Universal Cap under Treasury Regulation Section 1.14806.

DEFLATION: A general decline in prices or reduction in spending.

DERIVATIVES: Securities with a price that is dependent upon or derived from one or more underlying assets. The most common underlying assets include stocks, bonds, commodities, interest rates and market indexes.

DISTRESSED SECURITIES: Securities of companies or government entities that are either already in default, under bankruptcy protection, or in distress and heading toward such a condition.

DURATION (MODIFIED): The weighted average maturity of the stream of payments associated with a bond. It is a measure of the bond price volatility for a given change in interest rates.

EMERGING MARKET: Emerging market is a term that investors use to describe a developing country. Investments in emerging markets may be accompanied by greater risk.

EQUITIES (STOCKS): Securities representing shares of ownership in the issuing enterprise.

FIXED-INCOME SECURITIES (BONDS, NOTES, BILLS, ETC.): Securities representing loans to governments, agencies, corporations and banks for a stated period at a stated interest rate.

FUTURES CONTRACTS: An obligation to accept or make future delivery of securities or cash at a specified price and date. The contracts are marked-to-market daily with the resulting gains/losses settled in cash. An initial margin is required as a good faith deposit.

GROSS-OF-FEES: Indicates that the impact of fees (management fees and performance-based fees) has not been reflected in the return.

HEDGE FUNDS: Hedge funds are alternative investments that may use a number of different strategies. Hedge funds may be aggressively managed or make use of derivatives and leverage. A manager typically receives a percentage of profits, commonly 20%, in addition to management fees.

HIGH-YIELD FIXED INCOME SECURITIES: Issues with a financial rating of BB or lower because of high relative default risk.

INFLATION: The rate at which the general level of prices or goods and services are rising.

INSTITUTIONAL PRIME MONEY MARKET FUND: The TempFund, which is managed by the BlackRock Advisors, Inc., is a leading short-term portfolio. The predecessor firm's fund inception was October of 1973, and estimates are used for prior periods.

INTERNAL RATE OF RETURN (IRR): The annualized implied discount rate calculated from a series of cash flows. IRR is the return that equates the present value of all invested capital in an investment to the present value of all cash flows equal to zero.

INVESTMENT GRADE FIXED INCOME SECURITIES: Issues with a financial rating of BBB or higher because of low relative default risk.

MERGER CUSTOM INDEX: The index is a representative sample of transactions that exposes one to a merger arbitrage strategy. It employs an indexing approach that utilizes factual information and index guidelines.

MSCI ALL COUNTRY WORLD INDEXSM (ACWI): The index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The index currently consists of 46 developed and emerging market country indices. It has been used for benchmarking purposes since fiscal year 2005.

MSCI US REIT INDEX: The index is a free float-adjusted market capitalization weighted index that is comprised of US equity REITs, which generate a majority of their revenue and income from rents, mortgages and sales of property. It has been used for benchmarking purposes since fiscal year 2005.

MSCI USA INDEX: The index is the US component of the MSCI World Index and is designed to measure the performance of the large and mid cap segments of the US Market. The MSCI World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The index currently consists of 23 developed market country indices. The MSCI USA Index has been used for benchmarking purposes since fiscal year 2005.

NCREIF PROPERTY INDEX: NCREIF stands for the National Council of Real Estate Investment Fiduciaries. The index is a quarterly time series composite total rate of return measure of investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only. It is used as an industry benchmark to compare an investor's own returns against the industry average. It was used for benchmarking purposes during fiscal years 2002-2013.

NET-OF-FEES: Indicates that the impact of fees (management fees, performance-based fees and general partner carried interest) has been reflected in the return.

PEER PENSION FUNDS: Databases comprised of total pension plans used for comparison purposes.

PRIVATE EQUITY: Investments made directly into a private company not quoted on a public exchange.

PRIVATE SECTOR UNIVERSE MEDIAN: Median rate of return for large private sector funds. Callan data was used for fiscal years 2014-2015, Mellon Analytical data was used fiscal years 1987-2013 and SEI data was used fiscal years 1973-1986. All the returns are reported gross-of-fees.

PUBLIC MARKET EQUIVALENT (PME): The PME is a method where a public market index is expressed in terms of a since inception internal rate of return (SHRR), using the same cash flows and timing as those of the alternative investment composite over the same time period.

QUALITY RATING: Rating of a company's credit by a rating service.

REAL ESTATE: Property holdings used to generate ongoing rental income and capital gains as property values increase over time.

REAL RETURN: Actual return minus inflation.

SHIFT ACCOUNT: Portfolio of cash equivalent securities that supports the cash flows and the futures positions used to adjust the allocation of the total assets among stocks, bonds and cash.

STANDARD AND POOR'S 500[®] INDEX: The index is a market-capitalization-weighted index of 500 large-cap U.S. companies. It is the

US component of the S&P Global 1200 Index. It has been used for benchmarking purposes since fiscal year 1973.

STANDARD AND POOR'S GLOBAL 1200 INDEX: The index is a composite index, comprised of seven regional and country indices - S&P 500 (US), S&P Europe 350, S&P/TOPIX 150 (Japan), S&P/TSX 60 (Canada), S&P/ASX All Australian 50, S&P Asia 50 (ex-Japan) and S&P Latin America 40. It has been used for benchmarking purposes since fiscal year 2005.

STANDARD AND POOR'S GSCI[®] INDEX (COMMODITIES): The index is calculated primarily on a world production-weighted basis. Commodity components include energy, agriculture, livestock, industrial metals, and precious metals. It has been used for benchmarking purposes since fiscal year 2003.

STANDARD AND POOR'S MIDCAP 400[®] INDEX: The index is a market-capitalization-weighted index of 400 mid-cap U.S. companies. It has been used for benchmarking purposes since fiscal year 2011.

STANDARD AND POOR'S SMALLCAP 600[®] INDEX: The index is a market-capitalization-weighted index of 600 small-cap U.S. companies. It has been used for benchmarking purposes since fiscal year 2011.

STANDARD DEVIATION: A measure of the volatility of returns often used in the investment world as a measure of risk.

STATE FUND UNIVERSE: A universe linking two state fund universe medians to form a 42-year performance history. The most recent 33 years represents a group of over 50 state funds. The returns are reported net-of-fees. The prior nine years of the universe represent the SEI state universe. This universe was the largest state universe available at the time. The SEI state universe returns are reported gross -of-fees.

TIME-WEIGHTED RATE OF RETURN: The rate of investment growth earned on a unit of assets held continuously for the entire period measured.

US CONSUMER PRICE INDEX—ALL URBAN CONSUMERS (CPI-U): The index is compiled monthly by the Bureau of Labor Statistics for the purpose of calculating inflation rates.

UTILITY FUNCTION: An investor's level of risk tolerance for an expected return.

VOLATILITY: Variability, fluctuation. In investing, the range of likely outcomes for a given investment over a period of time. The smaller the estimated range of an investment's future returns, the lower the investment's volatility and vice versa. One of the most common measures of investment risk.

YIELD TO MATURITY (YTM): The rate of return anticipated on a fixed income security if held until the maturity date.

- 1 Citigroup US Broad Investment Grade (USBIG) Bond Index in fiscal years 1990-2015 and Lehman Brothers US Aggregate Bond Index in prior periods.
- 2 Citigroup USBIG Bond Index in fiscal years 2007-2015, Citigroup USBIG Bond Index duration adjusted weighted 80% and Citigroup All BB-Rated Index weighted 20% in fiscal years 1996-2006, Citigroup USBIG Bond Index in fiscal years 1981-1995, and Lehman Brothers Government/Corporate Index in prior periods.
- 3 The annual returns for the US Consumer Price Index-All Urban Consumers (CPI-U) for the most recent 14 years and the 5, 10, 15, 20, 25, 30 and 42-year annualized returns as of 6/30/15 are as follows:

Fiscal Year	Annual Return	Fiscal Year	Annual Return	Annualized Returns of as 6/30/15	
2015	0.1%	2008	5.0%	5 Years	1.8%
2014	2.1%	2007	2.7%	10 Years	2.1%
2013	1.8%	2006	4.3%	15 Years	2.2%
2012	1.7%	2005	2.5%	20 Years	2.3%
2011	3.6%	2004	3.3%	25 Years	2.5%
2010	1.1%	2003	2.1%	30 Years	2.7%
2009	(1.4%)	2002	1.1%	42 Years	4.1%

- 4 **Fixed Income:** Citigroup USBIG Bond Index (1981-2015), Lehman Brothers Gov/Corp Index (1974-1980). **Cash:** Citigroup US 3-Month Treasury Bill Index (1974-2015). **Global Equity:** $\frac{2}{3}$ MSCI ACWI + $\frac{1}{3}$ MSCI US Index (2005-2015). **Domestic Equity:** Russell 1000 Index (1996-2004), S&P 500 Index (1974-1995). **International Equity:** MSCI ACWI ex-US Index (2002-2004), $\frac{3}{4}$ MSCI EAFE + $\frac{1}{4}$ MSCI EASEA Index (1997-2001), MSCI EAFE Index (1996), MSCI EAFE $\frac{1}{2}$ Japan Index (1993-1995). **Arbitrage:** weighted index (1999-2011), Merger Custom Index (2008-2011), 3-Month Treasury Bill Index +4.25% (1993-2007), Convertible Benchmark (1999-2011). **Real Estate:** MSCI US REIT Index (2014-2015), NCREIF Property Index +1.25% (2011-2013), NCREIF Property Index (2002-2010), NCREIF Classic Property Index (1995-2001). **Private Equity:** S&P 500 (2014), S&P 500 +1.75% (2011-2013), S&P 500 +3.5% (2005-2010), Russell 1000 +3.5% (2002-2004), Russell 1000 +5.0% (1999-2001). **High Yield/Distressed Debt:** Citigroup High-Yield Market Index (2003-2015). **Commodities:** S&P GSCI (2003-2015). **TIPS:** Citigroup US-ILSI (2012-2015).

The Capital Markets Benchmark (policy) weightings for the South Dakota Retirement System were as follows:

	FI	Cash	Gbl EQ & Dom / Intl	Arb	RE	PE	HY/DD	Comm	TIPS
07/14 - 06/15	19%	2%	60%	0%	10%	0%	7%	1%	1%
07/12 - 06/14	18%	2%	56%	0%	8%	7%	7%	1%	1%
07/11 - 06/12	18%	2%	58%	0%	8%	5%	7%	1%	1%
07/09 - 06/11	18%	1%	57%	5%	7%	5%	6%	1%	0%
07/06 - 06/09	18%	1%	57%	7%	5%	5%	6%	1%	0%
07/05 - 06/06	18%	1%	57%	7%	6%	4%	6%	1%	0%
07/04 - 06/05	19%	1%	57%	5%	6%	4%	7%	1%	0%
07/03 - 06/04	19%	1%	40% / 16%	6%	7%	4%	6%	1%	0%
07/02 - 06/03	19%	1%	40% / 16%	7%	7%	3%	6%	1%	0%
07/01 - 06/02	23%	1%	40% / 16%	9%	8%	3%	0%	0%	0%
07/99 - 06/01	23%	5%	36% / 16%	9%	8%	3%	0%	0%	0%
07/98 - 06/99	23%	4%	40% / 16%	8%	7%	2%	0%	0%	0%
07/97 - 06/98	23%	7%	40% / 16%	7%	7%	0%	0%	0%	0%
07/96 - 06/97	25%	7%	40% / 15%	6%	7%	0%	0%	0%	0%
07/95 - 06/96	25%	6%	42% / 15%	8%	4%	0%	0%	0%	0%
07/94 - 06/95	31%	5%	41% / 13%	9%	1%	0%	0%	0%	0%
07/93 - 06/94	33%	7%	45% / 9%	6%	0%	0%	0%	0%	0%
07/92 - 06/93	35%	9%	49% / 5%	2%	0%	0%	0%	0%	0%
07/90 - 06/92	38%	10%	52% / 0%	0%	0%	0%	0%	0%	0%
07/86 - 06/90	38%	7%	55% / 0%	0%	0%	0%	0%	0%	0%
07/78 - 06/86	50%	10%	40% / 0%	0%	0%	0%	0%	0%	0%
07/73 - 06/78	65%	10%	25% / 0%	0%	0%	0%	0%	0%	0%

- 5 Citigroup High-Yield Cash-Pay Capped Index in fiscal years 2011-2015 and the Citigroup All BB-Rated Index in fiscal years 2007-2010.
- 6 Weighted index of Bank of America Merrill Lynch 1-5 year US Treasuries, 1-3 year A-AAA rated US Corporates, and 3-6 month US Treasury Bills (2005-2015); equal-weighted yields of the 3-month and 6-month Treasury Bills and the 1-year, 2-year, 3-year, and 5-year Treasury Bonds (1987-2004).
- 7 Composites are valued monthly and portfolio returns are weighted by using beginning-of-month fair values or weighted cash flows.

- 8 Fair values for private equity and real estate limited partnerships are adjusted in the reporting period when received by the Council.
- 9 The South Dakota Department of Legislative Audit conducted the South Dakota Investment Council fiscal year 2015 annual and interim procedures audit work for total fees of \$41,163.
- 10 The 1-year total fund performance results are presented net-of-fees for fiscal years 2014-2015 and gross-of-fees in prior periods.
- 11 Management fee rates (excluding profit sharing) as of June 30, 2015 in basis points (bp):
- | | |
|--|--------------------|
| Investment Office (expected average) | 10 bp |
| Ares European Real Estate Fund II | 0 bp |
| Apollo Real Estate Investments Fund III | 0 bp |
| Apollo Real Estate Investments Fund IV | 0 bp |
| Blackstone Capital Partners IV | 25 bp |
| Blackstone Capital Partners V | 75 bp |
| Blackstone Capital Partners VI | 126 bp |
| Blackstone Credit Liquidity Partners | 0 bp |
| Blackstone Distressed Securities Fund | 0 bp |
| Blackstone Energy Partners II | 150 bp |
| Blackstone Real Estate Partners III | 0 bp |
| Blackstone Real Estate Partners IV & IV - ML | 0 bp |
| Blackstone Real Estate Partners V & V - ML | 0 bp |
| Blackstone Real Estate Partners VI | 125 bp |
| Blackstone Real Estate Partners VI - LC | 150 bp |
| Blackstone Real Estate Partners VII | 150 bp |
| Blackstone Real Estate Partners Europe III | 125 bp |
| Blackstone Real Estate Partners International I | 0 bp |
| Blackstone Real Estate Partners International II | 125 bp |
| Brandes International Mid Cap Portfolio | |
| \$0-\$25 Million - | 95 bp |
| \$25-\$50 Million - | 90 bp |
| over \$50 Million - | 80 bp |
| Bridgewater Pure Alpha Fund II (embedded) | 150 bp + incentive |
| Capital International Private Equity Fund IV | 100 bp |
| Capital International Private Equity Fund V | 100 bp |
| Capital International Private Equity Fund VI | 150 bp |
| Carlyle Partners IV | 75 bp |
| Carlyle Partners V | 59 bp |
| Carlyle Partners VI | 130 bp |
| The Fourth Cinven Fund | 125 bp |
| The Fifth Cinven Fund | 150 bp |
| Crossroads Cornerstone P.E. XV-B | 125 bp |
| CVC European Equity Partners IV | 75 bp |
| CVC European Equity Partners V | 100 bp |
| CVI Global Value Fund A | 185 bp |
| Cypress Merchant Banking Partners II | 0 bp |
| DLJ Merchant Banking Partners II | 0 bp |
| Dimensional Emerging Markets Small Cap embedded | 45 bp |
| embedded | 20 bp |
| Doughty Hanson & Co. European Real Estate I | 0 bp |
| Doughty Hanson & Co. European Real Estate II | 200 bp |
| Doughty Hanson & Co. IV | 75 bp |
| Doughty Hanson & Co. V | 175 bp |
| Elevation Partners | 125 bp |
| KKR European Fund I | 75 bp |
| KKR European Fund II | 75 bp |
| Lone Star Real Estate Fund II | 45 bp |
| Lone Star Real Estate Fund III | 60 bp |
| Lone Star Real Estate Fund IV | 95 bp |
| North American Real Estate Partners I | 0 bp |
| North American Real Estate Partners II & II - HF | 125 bp |

North American Real Estate Partners II Sidecar	0 bp
PineBridge Global Emerging Markets Partners I	0 bp
PineBridge Global Emerging Markets Partners II	0 bp
PIMCO (tax-exempt)	25 bp
Riverstone/Carlyle Global Energy & Power Fund IV	75 bp
Riverstone Global Energy & Power Fund V	100 bp
Riverstone Global Energy & Power Fund VI	150 bp
Rockpoint Real Estate Fund IV	142 bp
Rockpoint Real Estate Fund V	131 bp
Sanders Capital All Asset Value Fund	125 bp
Sanders Capital (Global Value Equities)	
\$0-\$15 Million -	90 bp
\$15-\$50 Million -	50 bp
Silver Lake Partners II	100 bp
Silver Lake Partners III	100 bp
Silver Lake Partners IV	150 bp
Silver Lake Sumeru Fund	150 bp
Starwood Distressed Opportunity Fund IX Global	125 bp
Starwood Distressed Opportunity Fund X Global	100 bp
TCW Opportunistic MBS Strategy	50 bp

12 There have been no changes in investment personnel that would alter the returns presented.

13 Past performance is no guarantee of future results.

14 **Fixed Income:** Citigroup USBIG Bond Index (February 2001-2015), Salomon Smith Barney Treasury/GNMA Index (1985 - January 2001). **Global Equity:** $\frac{2}{3}$ S&P Global 1200 + $\frac{1}{3}$ S&P 500 Index (2012-2015 and 2007-2010), $\frac{2}{3}$ S&P Global 1200 Ex-Iran + $\frac{1}{3}$ S&P 500 Index (2011), $\frac{2}{3}$ MSCI ACWI + $\frac{1}{3}$ MSCI US Index (2006). **Domestic Equity:** S&P 500 Index (2005), Russell 1000 Index (February 2001-2004). **International Equity:** MSCI ACWI ex-US Index (2005). **High Yield/Distressed Debt:** Citigroup High-Yield Market Index (2010-2015 and February 2001-2006), Citigroup All BB-Rated Index (2007-2009). **TIPS:** Citigroup US-ILSI (2007-2015). **Cash/Commodities:** Citigroup US 3-Month Treasury Bill Index (2007-2015). **Real Estate:** MSCI US REIT Index (2014-2015), NCREIF Property Index +1.25% (2011-2013), NCREIF Property Index (2007-2010). **Private Equity:** S&P 500 (2014), S&P 500 +1.75% (2011-2013), S&P 500 +3.5% (2007-2010).

The Capital Markets Benchmark (policy) weightings for the School and Public Lands Fund were as follows:

	FI	Globl EQ & Dom / Intl	HY/ DD	TIPS	Cash/ Comm	RE	PE
07/14 - 06/15	26%	53%	7%	2%	2%	10%	0%
07/11 - 06/14	28%	52%	5%	5%	2%	6%	2%
07/06 - 06/11	33%	48%	5%	5%	2%	5%	2%
07/05 - 06/06	40%	50%	10%	0%	0%	0%	0%
07/04 - 06/05	40%	40% / 10%	10%	0%	0%	0%	0%
07/03 - 06/04	50%	40% / 0%	10%	0%	0%	0%	0%
07/02 - 06/03	60%	30% / 0%	10%	0%	0%	0%	0%
07/01 - 06/02	70%	20% / 0%	10%	0%	0%	0%	0%
02/01 - 06/01	Weighted based on Investment Council asset allocation.						
07/84 - 01/01	100%	0% / 0%	0%	0%	0%	0%	0%

15 MSCI All Country World ex-US Index in fiscal years 2002-2004 and $\frac{3}{4}$ MSCI EAFE + $\frac{1}{4}$ MSCI EASEA Index in prior periods.

16 **Fixed Income:** Citigroup USBIG Bond Index (2002-2015). **Global Equity:** $\frac{2}{3}$ S&P Global 1200 + $\frac{1}{3}$ S&P 500 Index (2012-2015 and 2007-2010), $\frac{2}{3}$ S&P Global 1200 Ex-Iran + $\frac{1}{3}$ S&P 500 Index (2011), $\frac{2}{3}$ MSCI ACWI + $\frac{1}{3}$ MSCI US Index (2006). **Domestic Equity:** S&P 500 Index (2005), Russell 1000 Index (2002-2004). **International Equity:** MSCI ACWI ex-US Index (2005). **Real Estate:** weighted index (2006), MSCI US REIT Index (2014-2015 and 2005-2006), NCREIF Property Index +1.25% (2011-2013), NCREIF Property Index (2006-2010), REIT Benchmark (2002-2004). **High Yield/Distressed Debt:** Citigroup High-Yield Market Index (2010-2015), Citigroup All BB-Rated Index (2002-2009). **TIPS:** Citigroup US-ILSI (2007-2015). **Cash/Commodities:** Citigroup US 3-Month Treasury Bill Index (2007-2015). **Private Equity:** S&P 500 (2014), S&P 500 +1.75% (2011-2013), S&P 500 +3.5% (2007-2010).

The Capital Markets Benchmark (policy) weightings for the Dakota Cement Trust Fund were as follows:

	FI	Globl EQ & Dom / Intl	RE	HY/ DD	TIPS	Cash/ Comm	PE
07/14 - 06/15	26%	53%	10%	7%	2%	2%	0%
07/11 - 06/14	28%	52%	6%	5%	5%	2%	2%
07/06 - 06/11	33%	48%	5%	5%	5%	2%	2%
07/05 - 06/06	40%	40%	10%	10%	0%	0%	0%
07/04 - 06/05	50%	20% / 5%	15%	10%	0%	0%	0%
07/01 - 06/04	55%	20% / 0%	15%	10%	0%	0%	0%

17 **Fixed Income:** Citigroup USBIG Bond Index (2003-2015). **Tax-Exempt Fixed Income:** Barclays Capital Municipal 7 Year Index (2003-2015). **Global Equity:** $\frac{2}{3}$ S&P Global 1200 + $\frac{1}{3}$ S&P 500 Index (2012-2015 and 2007-2010), $\frac{2}{3}$ S&P Global 1200 Ex-Iran + $\frac{1}{3}$ S&P 500 Index (2011), $\frac{2}{3}$ MSCI ACWI + $\frac{1}{3}$ MSCI US Index (2006). **Domestic Equity:** S&P 500 Index (2005), Russell 1000 Index (2003-2004). **International Equity:** MSCI ACWI ex-US Index (2005). **Real Estate:** weighted index (2006), MSCI US REIT Index (2014-2015 and 2005-2006), NCREIF Property Index +1.25% (2011-2013), NCREIF Property Index (2006-2010), REIT Benchmark (2003-2004). **High Yield/Distressed Debt:** Citigroup High-Yield Market Index (2010-2015 and 2003-2006), Citigroup All BB-Rated Index (2007-2009). **TIPS:** Citigroup US-ILSI (2003-2015). **Cash/Commodities:** Citigroup US 3-Month Treasury Bill Index (2007-2015). **Private Equity:** S&P 500 (2014), S&P 500 +1.75% (2011-2013), S&P 500 +3.5% (2007-2010).

The Capital Markets Benchmark (policy) weightings for the Education Enhancement Trust Fund were as follows:

	FI	Tax-Exempt FI	Globl EQ & Dom / Intl	RE	HY/ DD	TIPS	Cash/ Comm	PE
07/14 - 06/15	16%	10%	53%	10%	7%	2%	2%	0%
07/13 - 06/14	17%	11%	52%	6%	5%	5%	2%	2%
07/11 - 06/13	0%	30%	52%	6%	5%	3%	2%	2%
07/10 - 06/11	0%	35%	48%	5%	5%	3%	2%	2%
07/09 - 06/10	0%	37%	48%	5%	5%	1%	2%	2%
07/08 - 06/09	3%	30%	48%	5%	5%	5%	2%	2%
07/07 - 06/08	8%	25%	48%	5%	5%	5%	2%	2%
07/06 - 06/07	3%	30%	48%	5%	5%	5%	2%	2%
07/05 - 06/06	3%	32%	40%	10%	10%	5%	0%	0%
07/04 - 06/05	7%	33%	24% / 6%	10%	10%	10%	0%	0%
07/02 - 06/04	10%	35%	25% / 0%	10%	10%	10%	0%	0%

18 **Fixed Income:** Citigroup USBIG Bond Index (2003-2015). **Global Equity:** $\frac{2}{3}$ S&P Global 1200 + $\frac{1}{3}$ S&P 500 Index (2012-2015 and 2007-2010), $\frac{2}{3}$ S&P Global 1200 Ex-Iran + $\frac{1}{3}$ S&P 500 Index (2011), $\frac{2}{3}$ MSCI ACWI + $\frac{1}{3}$ MSCI US Index (2006). **Domestic Equity:** S&P 500 Index (2005), Russell 1000 Index (2003-2004). **International Equity:** MSCI ACWI ex-US Index (2005). **Real Estate:** weighted index (2006), MSCI US REIT Index (2014-2015 and 2005-2006), NCREIF Property Index +1.25% (2011-2013), NCREIF Property Index (2006-2010), REIT Benchmark (2003-2004). **High Yield/Distressed Debt:** Citigroup High-Yield Market Index (2010-2015 and 2003-2006), Citigroup All BB-Rated Index (2007-2009). **TIPS:** Citigroup US-ILSI (2003-2015). **Cash/Commodities:** Citigroup US 3-Month Treasury Bill Index (2007-2015). **Private Equity:** S&P 500 (2014), S&P 500 +1.75% (2011-2013), S&P 500 +3.5% (2007-2010).

The Capital Markets Benchmark (policy) weightings for the Health Care Trust Fund were as follows:

	FI	Globl EQ & Dom / Intl	RE	HY/ DD	TIPS	Cash/ Comm	PE
07/14 - 06/15	26%	53%	10%	7%	2%	2%	0%
07/11 - 06/14	28%	52%	6%	5%	5%	2%	2%
07/06 - 06/11	33%	48%	5%	5%	5%	2%	2%
07/05 - 06/06	35%	40%	10%	10%	5%	0%	0%
07/04 - 06/05	40%	24% / 6%	10%	10%	10%	0%	0%
07/02 - 06/04	45%	25% / 0%	10%	10%	10%	0%	0%

19 The SDRS Combined Internal Equity Benchmark consists of the $\frac{2}{3}$ S&P Global 1200 + $\frac{1}{3}$ S&P 500 Index in fiscal years 2012-2015 and 2005-2010; in fiscal year 2011 the $\frac{2}{3}$ S&P Global 1200 Ex-Iran + $\frac{1}{3}$ S&P 500 Index was used. Prior to fiscal year 2010, the benchmark consisted of the International Equity Benchmark (MSCI ACWI ex-US Index in fiscal years 2002-2004 and $\frac{3}{4}$ MSCI EAFE + $\frac{1}{4}$ MSCI EASEA Index in fiscal years 1993-2001) and the Domestic Equity Benchmark (Russell 1000

Index in fiscal years 1996-2004 and S&P 500 Index in fiscal years 1974-1995) weighted according to the beginning monthly portfolio weights, adjusted for cash transfers.

- 20 Russell 1000 Index in fiscal years 1996-2004 and S&P 500 Index in prior periods.
- 21 The Convertible Benchmark was calculated using the duration-adjusted Bank of America Merrill Lynch Corporate Bond Indices for each rating category for the bond portion and the prime money market rate plus 100 basis points annually for the hedged equity option portion. It was based on the risk characteristics of the portfolio.
- 22 The Merger Benchmark was the implemented Merger index portfolio January 1, 2011 - June 30, 2012, the Merger Custom Index in fiscal years 2008-2010 and July 1, 2010 - December 31, 2010 and the 3-Month Treasury Bill Index return plus 4.25% annually in prior periods.
- 23 Asset growth is affected by contributions, withdrawals, management fees and investment income.
- 24 Investment income includes realized and unrealized capital gain/loss income and receipted and accrued securities income.
- 25 New fund with manager accruing fees and/or expenses but no capital called as of June 30, 2015.





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