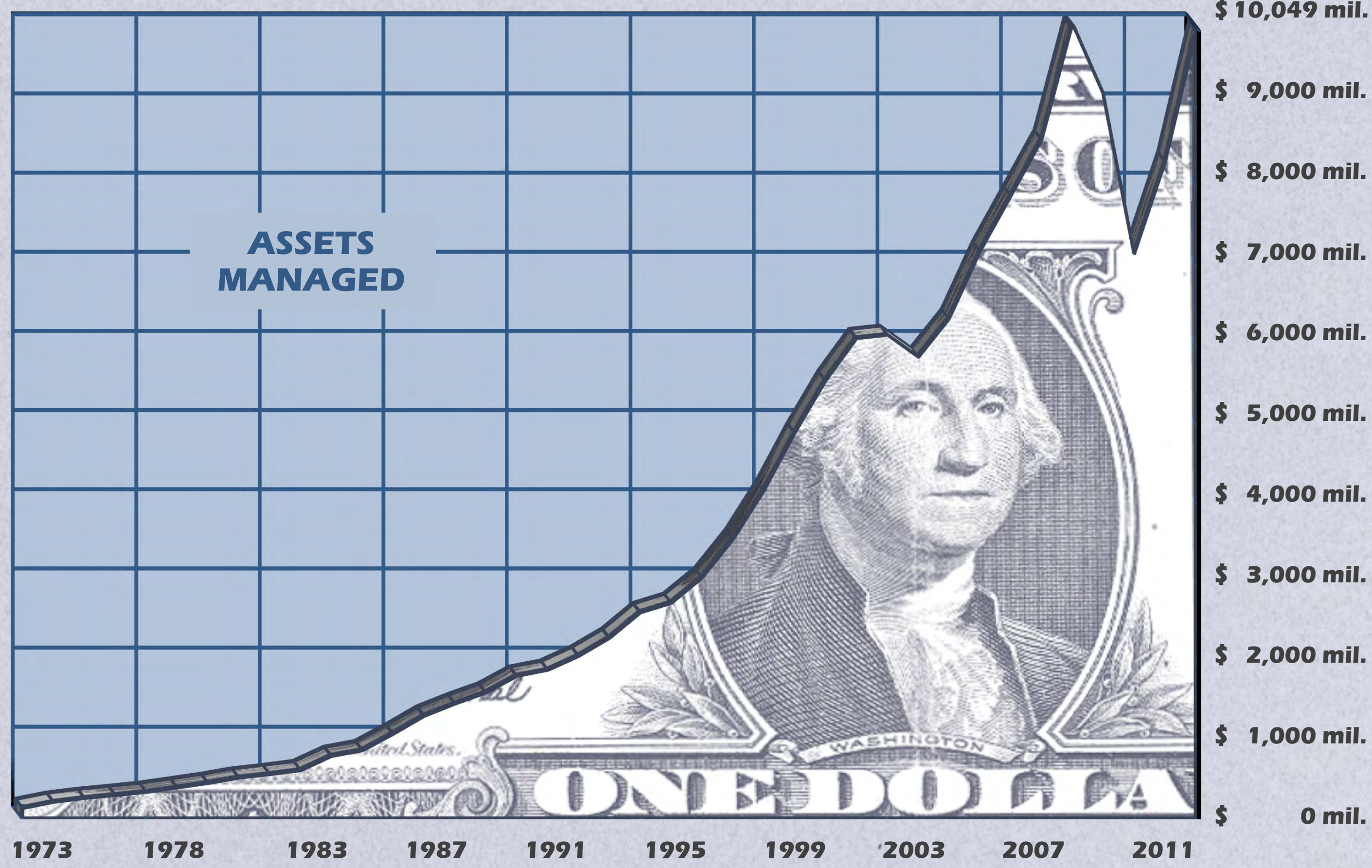
THE SOUTH DAKOTA INVESTMENT COUNCIL



ANNUAL REPORT FISCAL YEAR 2011

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TO THE GOVERNOR, LEGISLATURE AND PEOPLE OF SOUTH DAKOTA:

The fiscal year 2011 annual report provides information about the South Dakota Investment Council's management of State of South Dakota financial assets, including the South Dakota Retirement System, trust funds, and other financial assets. This letter summarizes investment performance for fiscal year 2011 and discusses the Investment Council's focus on investing for the long term. Additional topics include future return expectations; the importance of keeping cost low; and the importance of productive working relationships with the Legislature, the Executive Branch, and others.

FISCAL YEAR 2011 PERFORMANCE

The fiscal year 2011 investment return for the South Dakota Retirement System (SDRS) was 25.8%. This exceeded the Council's market index-based benchmark return of 22.1% and the median peer fund return of 19.7%. Return attribution analysis indicates the two largest contributors were (1) outperformance within the real estate category; and (2) having a higher allocation to equities as markets continued to recover from the 2008/09 financial crisis losses. Additional investments were made to both areas during the crisis.

The Cement Plant Retirement Fund (CPRF) returned 24.8%, and the trust funds' returns ranged from 20.4% to 21.0%, all meaningfully exceeded their benchmarks. The South Dakota Cash Flow Fund earned a return of 3.4% which compares very favorably to other short-term funds.

The returns versus benchmarks and peers rank among the Council's best individual years. However, it is important to be mindful that the Council invests for the long term and believes performance should be judged over the long term. The actions taken in any year may impact performance several years down the road. There have been interim periods of underperformance in the Council's history, and there will be more in the future. Long-term success has primarily resulted from sticking to investment strategies during underperforming periods.

INVESTING FOR THE LONG TERM

The Council's goal is to add value over the long term versus market indexes and other similar funds. Accomplishment of this goal for the South Dakota Retirement System provides additional resources to pay retirement benefits for the more than 74,000 members of SDRS. Favorable returns for the trust funds and Cash Flow Fund can help keep taxes low by providing additional revenues to the state.

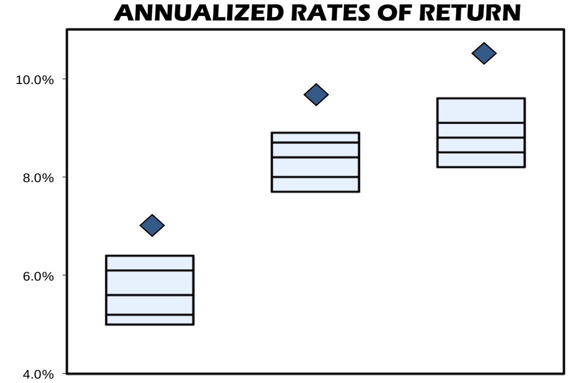
The Council invests in assets believed to be undervalued from a long-term perspective. The investment valuation process is based on the view that the worth of an asset is the present value of its future cash flows. Internal research efforts focus on estimating future cash flows and risk which impact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

It is difficult to maintain a focus on long-term value when most investors prefer the short term. It is human nature to seek the comfort of the crowd. Over the decades, the Council has developed advantages to help retain its discipline. Internally-developed long-term value measures provide a solid focal point, like a lighthouse in rough seas. Decades of experience in difficult markets and a track record of success provide confidence to stay the course. Ongoing contingency planning also boosts confidence and provides a roadmap for what to do when tough times come.

Risk is managed by diversifying across multiple asset categories and by 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 understate real world frequency and magnitude of severe market declines. Before the financial crisis in 2008/09, the Council began making adjustments to better reflect risk behavior when it matters most, which is during stock market crashes. Standard deviations are increased to reflect higher frequency of severe market declines, and correlations are adjusted to reflect that most asset categories are less diversifying at such times. Correlations are measured separately for inflation and deflation related market crises as behavior of some asset categories depends on the kind of crisis.

The Council has managed SDRS assets for the past 38 years. Over the long term, investment returns have meaningfully exceeded the state fund universe and the Investment Council's capital markets benchmark (index returns) as shown on the following exhibit.

**STATE FUND UNIVERSE
ANNUALIZED RATES OF RETURN**



ANNUALIZED RETURNS

	10 Years 2002-2011	20 Years 1992-2011	38 Years 1974-2011
10th %tile	6.4	8.9	9.6
25th %tile	6.1	8.7	9.1
Median	5.6	8.4	8.8
75th %tile	5.2	8.0	8.5
90th %tile	5.0	7.7	8.2
◆ SDRS Fund	7.0	9.7	10.6
SDRS CMB	5.7	8.4	9.7
SDRS %tile Rank	5	1	1

SDRS total fund and capital markets benchmark returns can be found on page 10 of the annual report for every fiscal year and various rolling time periods. The returns for the CPRF and all of the trust funds can be found in their respective sections.

RETURN EXPECTATIONS

In the mid-1990s, the Investment Council began to caution against expecting continuation of the double-digit returns earned during up markets, such as from 1982 to 1999 and more recently 2003 to 2007. 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 be inversely related to future results. The Council began to develop long-term expected returns in the early 1980's. The following exhibit shows the Council's long-term expected returns for bonds and stocks as of 6/30/82, 6/30/92, 6/30/02, and 6/30/11.

AN UPDATE ON RETURN EXPECTATIONS

	Bonds*	S&P 500	S&P 500 Yield
Expected 10-Year Returns as of 6/30/82	14.4%	15.6%	6.1%
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 so far - 7/1/02 to 6/30/11	5.6%	5.3%	
Expected 10-Year Returns as of 6/30/11	3.2%	7.8%	2.2%

*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%. The expected returns were high because markets were very cheap, having performed poorly for many previous years. The subsequent 10-year actual returns of 13.7% for bonds and 18.3% for stocks were close to expectations. By June 30, 1992, bond yields had declined to 7.1%, and the Council's expected return for stocks was down to 9.5%. The subsequent 10-year actual returns were 7.4% for bonds and 11.5% for stocks. As of June 30, 2002, expected returns were much lower at 4.8% for bonds and 7.9% for stocks. Actual returns for the nine years have been 5.6% for bonds and 5.3% for stocks.

As of June 30, 2011, expected returns were 3.2% for bonds and 7.8% for stocks. Low interest rates foreshadow low future bond returns. The expected return for stocks is lower than earned on average in the post World War II period but compares favorably to expectations for bonds and to near-zero money market yields. The expected long-term return for the overall SDRS portfolio, which is diversified across a number of asset categories, is roughly 6.9%. This excludes consideration of any value added or detracted relative to index returns resulting from managing the portfolio, as well as the impact of the timing of withdrawals from the fund. As SDRS matures, benefit payments are increasingly funded from investment earnings rather than inflowing contributions. When markets are depressed, benefit payment withdrawals are a larger percentage of fund value. Removing more when markets are cheap reduces long-term fund growth.

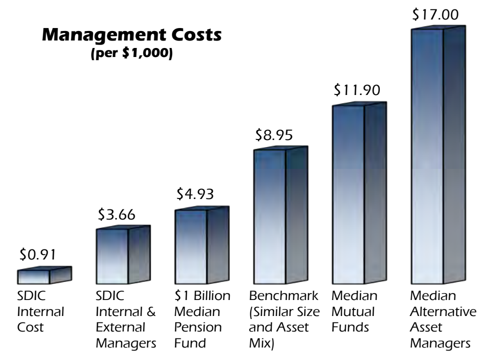
It is important to note the expected return is the mid-point of a range of possible outcomes. For a 10-year horizon, the standard deviation, which statistically encompasses the central two-thirds of potential outcomes, was plus or minus 4.8% around the expected return of 6.9%, for a range of 2.1% to 11.7% per annum. For a 20-year horizon, it was plus or minus 3.4% for a range of 3.5% to 10.3%.

A major concern is the unsustainable buildup of federal debt. This reduces confidence in the economy and financial markets and may ultimately lead to increased inflation and lower real returns.

IMPORTANCE OF LOW COSTS

The Investment Council manages most assets internally to save money and to try to earn higher returns. Internal management is cheaper than external managers, especially for expensive areas 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 the superior performance that has historically come from its internal management relates to a greater focus on long-term value and increased conviction from performing in-house research.

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



The Council's internal cost is $0.91 per $1,000 of assets. Including external management fees, the Council's cost is $3.66 per $1,000. This can be compared to the median industry cost of $4.93 per $1,000 and a benchmark cost of $8.95, which is the median cost adjusted for fund size and asset mix. The difference of $1.27 per $1,000 versus the median fund results in $12.6 million of savings per year, and $5.29 per $1,000 versus the benchmark results in $52.6 million of savings per year. Compounding these savings over many years can result in hundreds of millions of dollars.

A TEAM EFFORT

The Investment Council depends on consistent support of the Legislature, primarily through the LRC Executive Board and Appropriations Committee, and of the Executive Branch. This support has made possible the Council's Long-Term Plan, which has guided the Council for more than two decades and allowed development of a stable, experienced, home-grown investment team. Understanding of the long-term nature of the Council's investment approach is also important. The Council recognizes the unique challenges faced in supporting an internal investment management organization. The significant efforts made by Legislators, the Governor and their predecessors are appreciated and have provided the Council with the opportunity to succeed. The Council intends to continue to work hard to justify confidence in its efforts and to strengthen support for the decades to come.

The Council values the excellent 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. We also acknowledge important contributions by the Legislative Research Council, the Attorney General's Office, the Department of Legislative Audit, and the Bureau of Information and Telecommunications.

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

As the Investment Council embarks on its fortieth year, we remain dedicated to retaining the trust and confidence necessary for this successful team effort to continue.

RESPECTFULLY SUBMITTED,

Haven L. Stuck	Matthew L. Clark, CFA
Chair	State Investment Officer

Haven L. Stuck, Chair**
Attorney-At-Law
Lynn, Jackson, Shultz & Lebrun, P.C.
Rapid City

Joseph A. Anglin, CFA, Vice-Chair**
V.P. & Chief Financial Officer
Pioneer Bank & Trust
Spearfish

Wesley G. Tschetter*
V.P. of Finance & Business/CFO
South Dakota State University
Brookings

Hugh M. Bartels*
President
Reliabank Dakota
Watertown

Jon M. Hunter, CFA
President
Hunter Publishing, Inc.
Madison

Jarrod Johnson*
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 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.*

State Investment Officer
Matthew L. Clark, CFA

Assistant Investment Officers

Brett D. Fligge, CFA/CPA
Global Equity &
Alternative Investments

Christopher L. Nelson, CFA
Fixed Income &
Alternative Investments

Tammy V. Otten, CFA/CPA
Fixed Income &
Derivatives

Global Equity

Scott A. Hess, CFA/CPA
Senior Portfolio Manager

Steven W. Schultz, CFA
Senior Portfolio Manager

Melissa M. Hansen-Woidyla, CFA
Portfolio Manager

Candice S. Currier, CFA
Portfolio Manager & Merger Arbitrage

Jan E. Zeeck, CFA/CPA
Portfolio Manager & Merger Arbitrage

Jeffry J. Ellefson, CFA
Associate Portfolio Manager

Darci L. Haug, CFA
Associate Portfolio Manager

Renae A. Randall, CFA
Associate Portfolio Manager

Arianna P. Rehfeldt, CFA
Associate Portfolio Manager

Randall J. Spinar, CFA
Associate Portfolio Manager

Adam D. Schwab, CFA/CPA
Assistant Portfolio Manager

Lee W. Mielke, CFA
Research Analyst

Small/Mid-Cap Equity

Jarrod A. Edelen, CFA
Associate Portfolio Manager

Dan C. Frasier, CFA
Associate Portfolio Manager

Fixed Income

Sherry Z. Nelson, CFA/CPA
Senior Portfolio Manager
HESP Specialist

Ross D. Sandine, CFA
Convertible Arbitrage & High Yield
Assistant Portfolio Manager

Danielle J. Mourer, CFA
Convertible Arbitrage & High Yield
Research Analyst

Anne M. Doshier
Convertible Arbitrage & High Yield
Research Analyst

Investment Accounting

Cynthia J. Pickering, CPA
Senior Investment Accountant

Samantha M. Kangas, CPA
Investment Accountant

Peggy J. Naessig, CPA
Investment Accountant

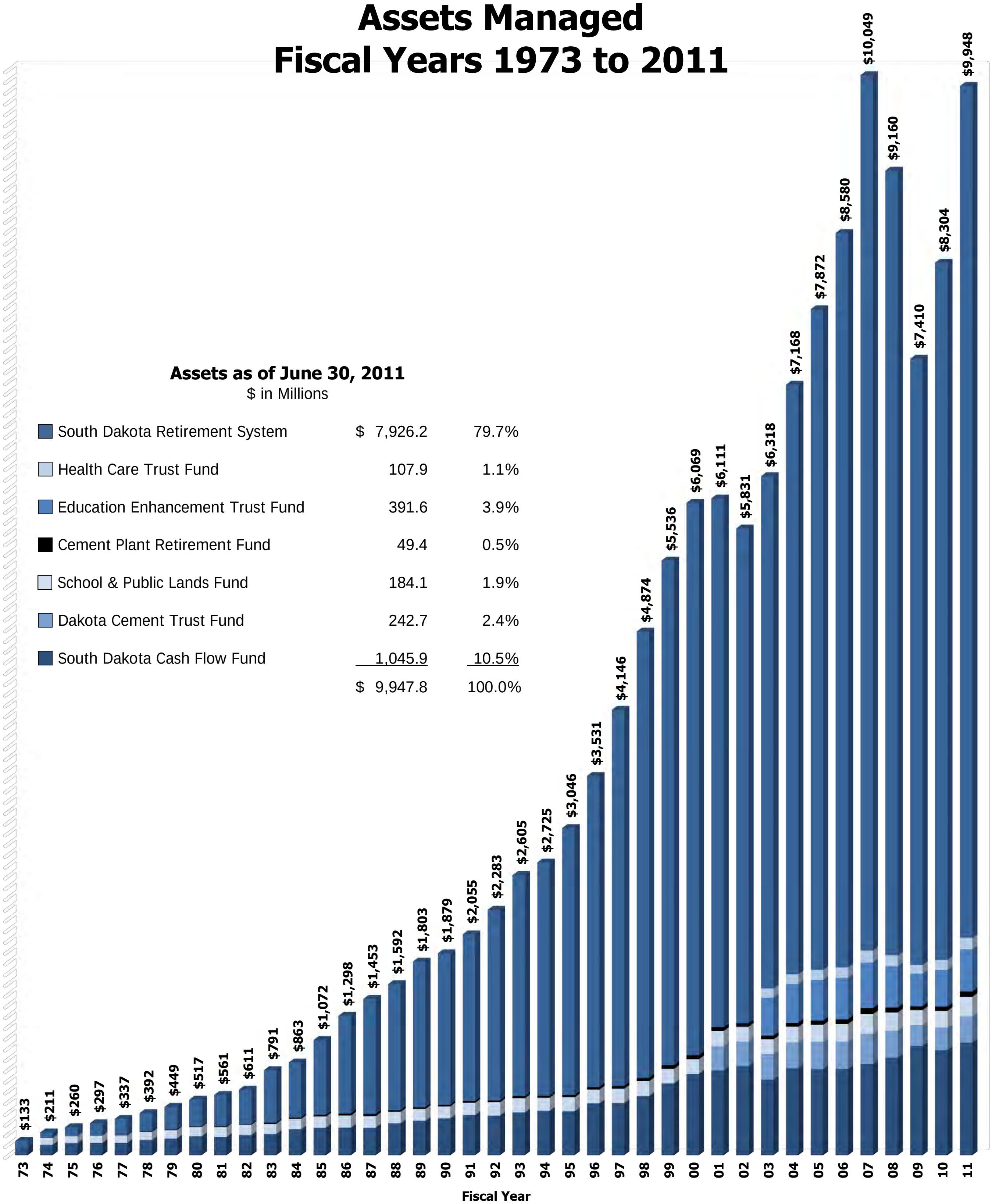
Krystal R. Seeley, CPA
Investment Accountant

Business Manager
Laurie A. Riss

Secretary/Receptionist
JoAnn Callahan

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 Investment Office has historically made extensive use of the student intern program. This has proven to be an excellent source of permanent investment team staffing over time.

South Dakota Investment Council
Assets Managed
Fiscal Years 1973 to 2011



Assets as of June 30, 2011
$ in Millions

South Dakota Retirement System	$ 7,926.2	79.7%
Health Care Trust Fund	107.9	1.1%
Education Enhancement Trust Fund	391.6	3.9%
Cement Plant Retirement Fund	49.4	0.5%
School & Public Lands Fund	184.1	1.9%
Dakota Cement Trust Fund	242.7	2.4%
South Dakota Cash Flow Fund	1,045.9	10.5%
	$ 9,947.8	100.0%

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 74,000 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 made by a retirement system's actuary 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. Additional return above the actuarial estimate can strengthen the financial condition and/or provide additional 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, contribution changes, or both. It is important that the actuarial estimated return be a reasonable expectation of what the capital markets can deliver, or it may not be realistic to expect 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 7.75% and the actuarial rate of return plus 1%.

SDRS Total Fund vs. Actuarial Rate of 7.75%

	5 years	10 years	20 years	30 years
# of Successes	25	25	19	9
# of Periods	34	29	19	9
% of Success	74%	86%	100%	100%

SDRS Total Fund vs. Actuarial Rate + 1%

	5 years	10 years	20 years	30 years
# of Successes	22	25	18	9
# of Periods	34	29	19	9
% of Success	65%	86%	95%	100%

The transmittal letter discussed the Council's long-term expected rate of return as of June 30, 2011, which was 6.85%. This is less than the current actuarial assumed return of 7.75%. The Council's expectation does not assume any added value versus market indexes and is the midpoint of a possible range. 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 in return expectations. 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 is asset allocation as discussed in the SDRS Asset Allocation Focus on page 9.

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 mangers 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 10.

SDRS Total Fund vs. Capital Markets Benchmark

	5 years	10 years	20 years	30 years
# of Successes	28	26	19	9
# of Periods	34	29	19	9
% of Success	82%	90%	100%	100%

- ***Achieve favorable total fund performance over the long term relative to professionally managed multi-billion dollar pension funds.***

The Council compares its performance to public and corporate pension fund peers. While there is some variation in liability structure and risk preferences across funds, all pension funds are professionally managed and attempt to produce superior returns for their beneficiaries. Therefore, it makes sense to compare SDRS results to peers.

Historically, the Council emphasized comparison against corporate pension funds because they had historically performed better than public plans and were a more compelling measure of whether investment excellence was achieved. However, in recent years, the Council has lessened emphasis on corporate plan peer comparisons. These databases suffer from survivorship bias as some pension plans and portfolios making up the universes change over time in part as their results succeed or fail. Simply put, losers tend to drop out, and the peer universe is biased upwards by a preponderance of remaining winners. Consolidation in the performance consulting industry has also impacted database retention of long-term historical returns. A consistent peer universe database for the entire SDRS history has not been kept intact by any performance consultant. Also affecting corporate peer databases are changes in corporate pension accounting rules that have caused a shift by some corporate plans away from equities toward a combination of hedge funds and fixed income and caused other corporate plans to simply disappear.

In the future, comparisons against public plans or large endowments and foundations may be emphasized. In recent years, public plans have begun to match or even outperform many corporate plans. Large endowments and foundations are also long-term oriented pools of capital, like pension plans, with historically favorable returns and may be a good measure of investment excellence.

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

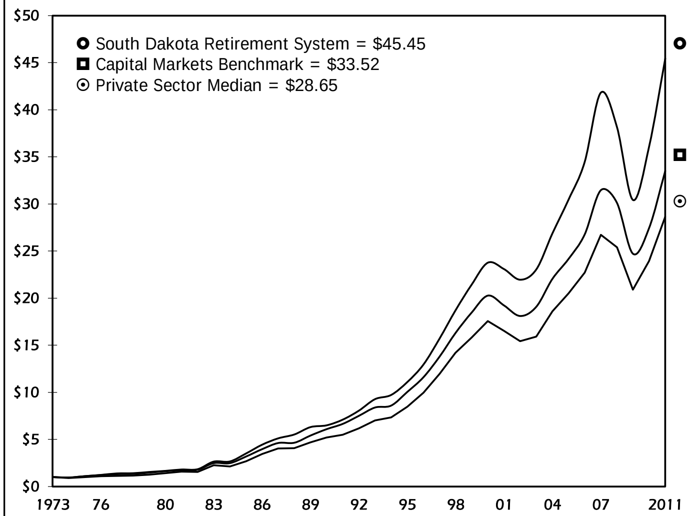
SDRS Total Fund vs. Private Sector

	5 years	10 years	20 years	30 years
# of Successes	29	28	19	9
# of Periods	34	29	19	9
% of Success	85%	97%	100%	100%

SDRS Total Fund vs. State Funds

	5 years	10 years	20 years	30 years
# of Successes	32	29	19	9
# of Periods	34	29	19	9
% of Success	94%	100%	100%	100%

Growth of a Dollar



The chart above 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 $45.45 by June 30, 2011. A dollar invested in the Council's Capital Markets Benchmark would have grown to $33.52 and a dollar invested in the typical private sector pension plan would have grown to $28.65.

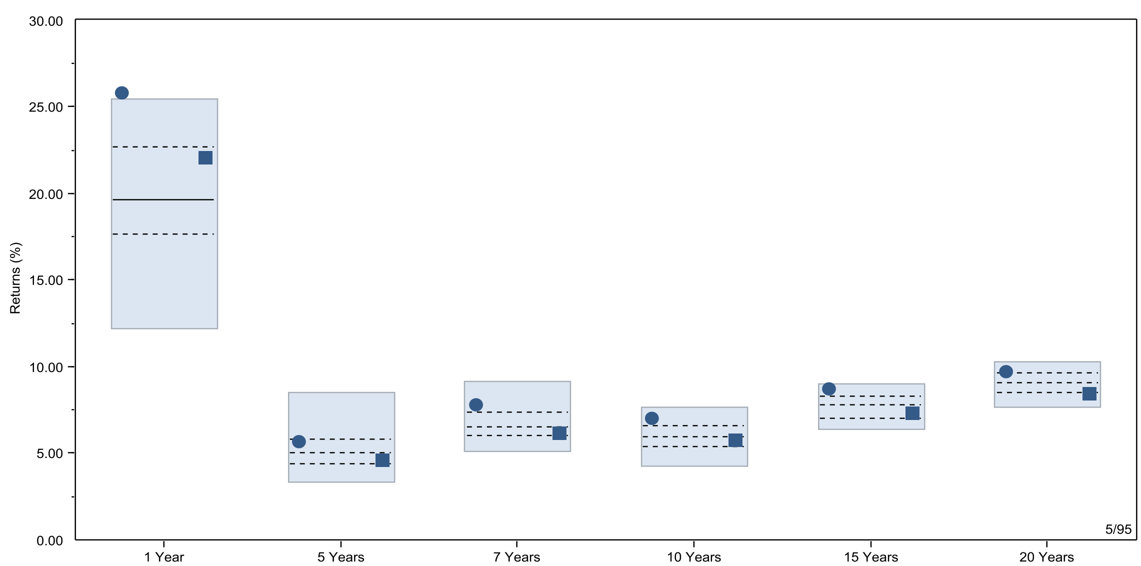
The chart below compares SDRS Total Fund returns to the current private sector peer universe.

Annualized Total Fund

TOTAL BILLION DOLLAR FUNDS - CORPORATE

Ending June 30, 2011

Quartile



	1 Year Value	%Tile	5 Years Value	%Tile	7 Years Value	%Tile	10 Years Value	%Tile	15 Years Value	%Tile	20 Years Value	%Tile
5th Percentile	25.49		8.50		9.18		7.63		9.04		10.29	
25th Percentile	22.72		5.83		7.38		6.63		8.26		9.67	
Median Percentile	19.68		5.03		6.56		5.93		7.79		9.10	
75th Percentile	17.67		4.40		6.00		5.40		7.04		8.51	
95th Percentile	12.18		3.35		5.11		4.29		6.38		7.68	
# of Portfolios	114		108		99		95		80		72	
● SDRS Total Fund	25.84	5	5.70	30	7.80	16	7.01	18	8.74	11	9.73	21
■ SDRS Benchmark	22.06	31	4.61	67	6.17	66	5.72	61	7.34	69	8.43	79

Universe Source: The Bank of New York Mellon Corporation; Universe Status: Final

ASSET ALLOCATION FOCUS

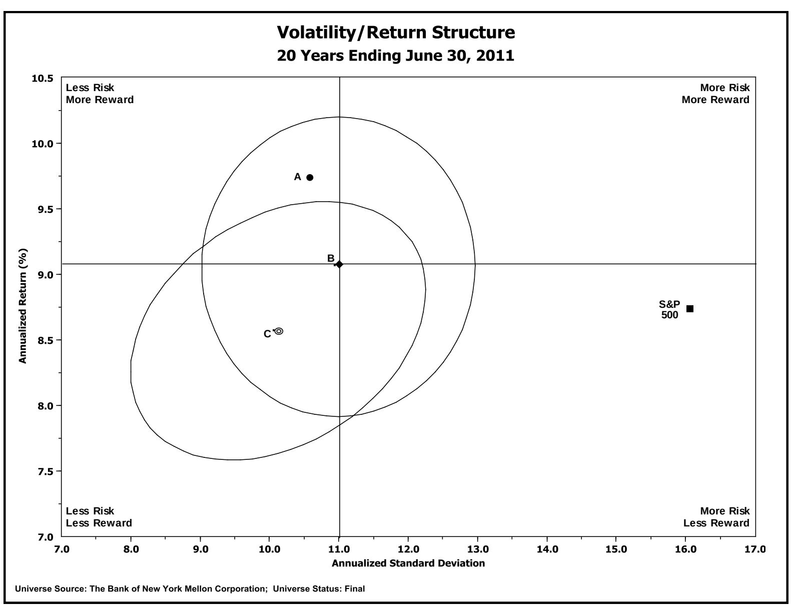
The allocation of assets to various categories such as stocks, bonds, real estate, and others, has the largest impact on investment outcomes. The Investment Council establishes a benchmark asset allocation which considers expected returns and risk as well as the likelihood of achieving the investment objectives for SDRS over the long term. This capital markets benchmark represents the anticipated asset allocation when asset category expected returns are normal. The Council also establishes minimum and maximum ranges around the benchmark allocation for each category. Actual allocations are adjusted within the ranges on an ongoing basis in response to changing valuations. Allocations are increased as categories become more attractively valued relative to the others and decreased as they become more expensive. Asset categories are valued based on the present value of future cash flows. Estimates for risk and inflation impact the rate used to discount to present value. Research efforts focus on estimating cash flows and risk.

Asset category risk is measured by standard deviation, which is a measure of volatility. The degree that categories diversify each other is measured by correlation. Overall portfolio risk is a function of the standard deviation of the individual asset categories and the correlation among them. Portfolio liquidity is also monitored. Conventional statistical measures of standard deviation and correlation are helpful for understanding risk in normal times but understate real-world frequency and magnitude of severe market declines. The Council also uses adjusted versions of these measures to better reflect risk behavior when it matters most, which is during a stock market crash. Standard deviations are increased to reflect higher frequency of severe market declines, and correlations are adjusted to reflect that most asset categories are less diversifying during such declines. Correlations are measured separately for inflation and deflation related market crises as behavior of some asset categories depends on the kind of crisis. For example, bonds perform better in deflationary stock market crashes than in inflation-linked stock market crashes.

The expected long-term return as of June 30, 2011 was 6.9%. This excludes any potential value added or detracted relative to index returns resulting from managing the portfolio. The rate of inflation embedded in the expected return was 2.6%. Standard deviation was estimated to be 15.3% after adjustments to capture real-world frequency of adverse events. These statistics indicate a 66% chance the return for any year would be between –8.4% and 22.2% and a 95% chance the return would be between –23.7% and 37.5%.

An additional risk measure is the amount of equity-like risk in the overall portfolio. It can be difficult to understand overall portfolio risk given multiple asset categories that can each behave uniquely. When the Council first began managing assets, most institutional portfolios consisted of stocks, investment grade bonds, and cash. Investors back then could quickly understand their risk by looking at the percentage of their portfolio invested in stocks. The current equity-like risk measure focuses on the sensitivity of each asset category to a severe stock market decline. The analysis is done separately for inflation and deflation-related stock market declines. The sensitivities are aggregated based on the percentage invested in each category to determine the overall portfolio equity-like risk. The equity-like risk level is adjusted in response to valuation attractiveness. On June 30, 2011, the equity-like risk of the portfolio was 73% compared to 70% for the capital markets benchmark. In recent years, it has ranged from 69% in July 2007 to 75% in March 2010.

Perhaps the greatest risk to markets is the unsustainable buildup of federal debt. The consequence may be muted growth, increased inflation or both. The Council will be mindful of this risk as it continues to invest for the long term.



The picture to the left presents the volatility versus return structure for the 20 years ended June 30, 2011 for two peer universes. The size and shape of the ellipses reflect the area in which 68% of the funds in the universes fall.

SDRS **(A)** had an annualized return of 9.7% with a volatility of 10.6 for the 20 years. This compares with the mean return of the Total Billion Dollar Funds - Corporate **(B)** of 9.1% with a volatility of 11.1 and the Total Funds - Public **(C)** mean return of 8.5% with a volatility of 10.2.

SDRS Total Fund Performance[10-12]

Fiscal Year	1 Year SDRS	1 Year *Bench*	5 Years SDRS	5 Years *Bench*	10 Years SDRS	10 Years *Bench*	20 Years SDRS	20 Years *Bench*	30 Years SDRS	30 Years *Bench*	38 Years SDRS	38 Years *Bench*
2011	25.8%	*22.1%*	5.7%	*4.6%*	7.0%	*5.7%*	9.7%	*8.4%*	11.4%	*10.4%*	10.6%	*9.7%*
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%)*										

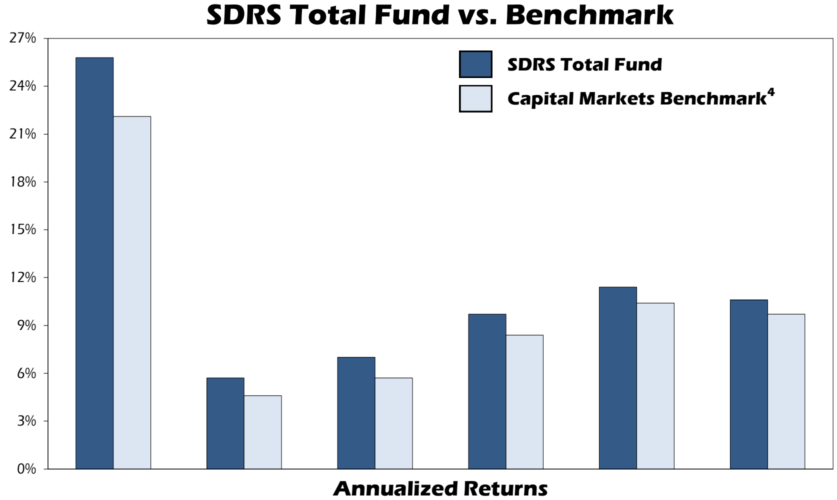
The chart to the left shows the annualized total rate of returns for 1, 5, 10, 20, 30 and 38 years through fiscal year 2011 for the Total Fund. The Capital Markets Benchmark[4] is provided for comparison.

Past performance is no guarantee of future results.

Fiscal Year 2011
Capital Markets Benchmark Summary

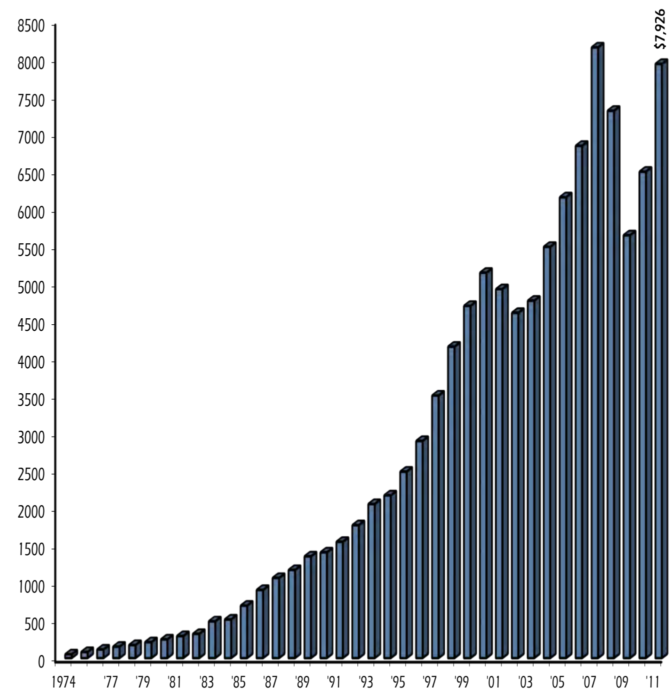
Asset Category	CMB Allocation	Min - Max Range
Global Equity	57%	30% - 80%
Fixed Income/TIPS	18%	13% - 50%
High Yield/Distressed	6%	0% - 15%
Merger Arbitrage	2%	0% - 10%
Convertible Arbitrage	3%	0% - 5%
Private Equity	5%	0% - 12%
Real Estate	7%	2% - 15%
Commodities	1%	0% - 5%
Cash	1%	0% - 55%

SDRS Total Fund vs. Benchmark

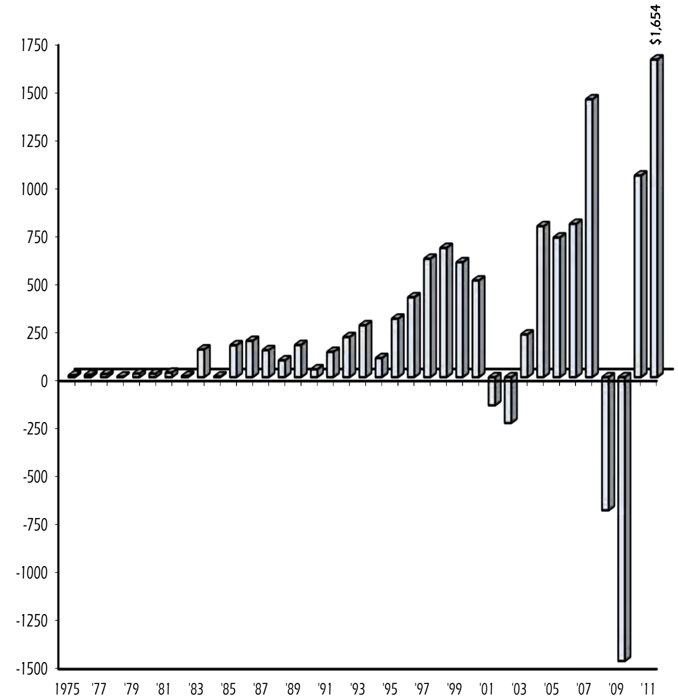


	1 Year	5 Years	10 Years	20 Years	30 Years	38 Years
SDRS	25.8%	5.7%	7.0%	9.7%	11.4%	10.6%
Benchmark	22.1%	4.6%	5.7%	8.4%	10.4%	9.7%
Difference	3.7%	1.1%	1.3%	1.3%	1.0%	0.9%

Asset Growth[23] ($ in Millions)



Investment Income[24] ($ in Millions)



Cash Flows and Fair Value Changes

The South Dakota Retirement System began fiscal year 2011 with $6.488 billion in assets. During the fiscal year, net contributions/withdrawals and fees decreased the fund by $215.4 million and investment income increased it by $1,653.8 million, resulting in an ending fair value of $7.926 billion.

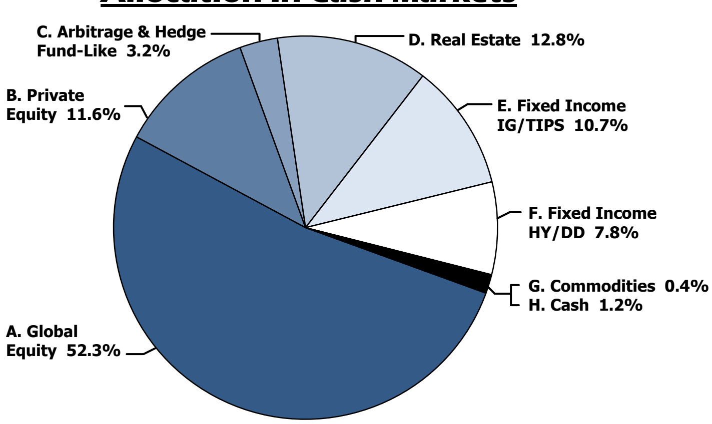
Fair Value 6/30/10			$ 6,487,750,605
Increases/Decreases			
Net Contributions/Withdrawals		$ (177,500,000)	
Internal Management Fees		(5,003,384)	
External Management Fees		(32,848,875)	
Total Increases/Decreases			$ (215,352,259)
Investment Income			
Securities Income			
Interest Income	$ 93,008,145		
Dividend Income	93,047,689		
Securities Lending Income	274,709		
Real Estate Income	4,937,672		
Change in Accrued Income	2,892,155		
Total Securities Income		$ 194,160,370	
Capital Gain/Loss Income			
Unrealized Gain/Loss Futures	$ (178,122)		
Unrealized Gain/Loss Securities	1,187,301,529		
Realized Gain/Loss Futures	7,123,962		
Realized Gain/Loss Securities	265,388,383		
Total Capital Gain/Loss Income		$ 1,459,635,752	
Total Investment Income			$ 1,653,796,122
Fair Value 6/30/11			$ 7,926,194,468

Investment Mix[8]

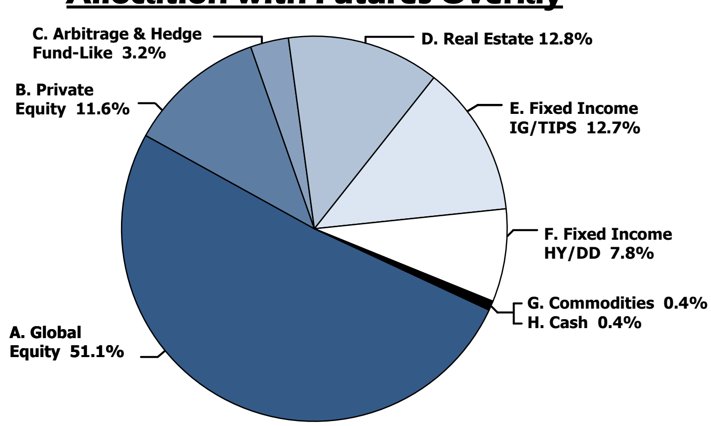
As of June 30, 2011, South Dakota Retirement System assets for which the Investment Council is responsible totaled $7.926 billion. The broad asset categories and managers are listed below. The charts show the asset allocation of the South Dakota Retirement System, excluding futures positions as well as with futures overlay. The Capital Markets Benchmark allocation is also provided for comparison.

	Positions Excluding Futures		Percentages Excluding Futures		Futures Positions	Resultant Exposure with Futures	Percentages with Futures Overlay	Benchmark Percentages
A. Global Equity								
Internal Global Equity	$ 3,743,517,058		47.2%					
Internal High Quality Equity	156,915,481		2.0%					
Internal Small/Mid Equity	44,145,561		0.6%					
Brandes	41,677,698		0.5%					
Dimensional Fund Advisors	49,222,373		0.6%					
GE Asset Management	82,370,734		1.1%					
Sanders Capital	26,719,312	$ 4,144,568,217	0.3%	52.3%				
Equity Index Futures					$ (92,444,800)	$ 4,052,123,417	51.1%	57.0%
B. Private Equity Limited Partnerships								
Blackstone	$ 233,308,710		3.0%					
Capital International	37,511,774		0.5%					
Carlyle	90,091,261		1.1%					
Cinven	110,615,119		1.4%					
Credit Suisse	793,032		0.0%					
CVC	77,167,970		1.0%					
Cypress	5,488,391		0.1%					
Doughty Hanson	115,996,822		1.5%					
Elevation	35,054,803		0.4%					
KKR	55,854,800		0.7%					
Neuberger Berman	6,314,593		0.1%					
PineBridge	11,017,768		0.1%					
Silver Lake	137,100,567	916,315,610	1.7%	11.6%		916,315,610	11.6%	5.0%
C. Arbitrage & Hedge Fund-Like								
Internal Merger Arbitrage	$ 19,813,110		0.3%					
Internal Convertible Arbitrage	144,387,818		1.8%					
Bridgewater	74,996,216		0.9%					
Sanders Capital	16,262,025	255,459,169	0.2%	3.2%		255,459,169	3.2%	5.0%
D. Real Estate Limited Partnerships								
AREA Property Partners	$ 21,676,620		0.3%					
Blackstone	885,020,620		11.2%					
CarVal	75,672,594		0.9%					
Doughty Hanson	28,824,013		0.4%					
Lone Star	2,337,088	1,013,530,935	0.0%	12.8%		1,013,530,935	12.8%	7.0%
E. Fixed Income – Investment Grade/TIPS								
Internal Investment Grade	$ 849,181,166	849,181,166	10.7%	10.7%				
Treasury Financial Futures					156,307,000	1,005,488,166	12.7%	18.0%
F. Fixed Income – High Yield/Distressed Debt								
Internal High Yield	$ 83,313,279		1.1%					
Blackstone	20,922,245		0.3%					
CarVal	176,797,442		2.2%					
Oaktree	25,249,943		0.3%					
PIMCO	170,211,018		2.1%					
TCW	142,444,076	618,938,003	1.8%	7.8%		618,938,003	7.8%	6.0%
G. Commodities								
GE Asset Management	$ 29,252,302	29,252,302	0.4%	0.4%		29,252,302	0.4%	1.0%
H. Cash & Cash Equivalents								
Internal Shift Account	$ 98,949,067	98,949,067	1.2%	1.2%				
Cash From Futures					(63,862,200)	35,086,867	0.4%	1.0%
Total		$ 7,926,194,469		100.0%	$ 0	$ 7,926,194,469	100.0%	100.0%

Allocation In Cash Markets



Allocation with Futures Overlay



SDRS Internal Bond Fund Performance

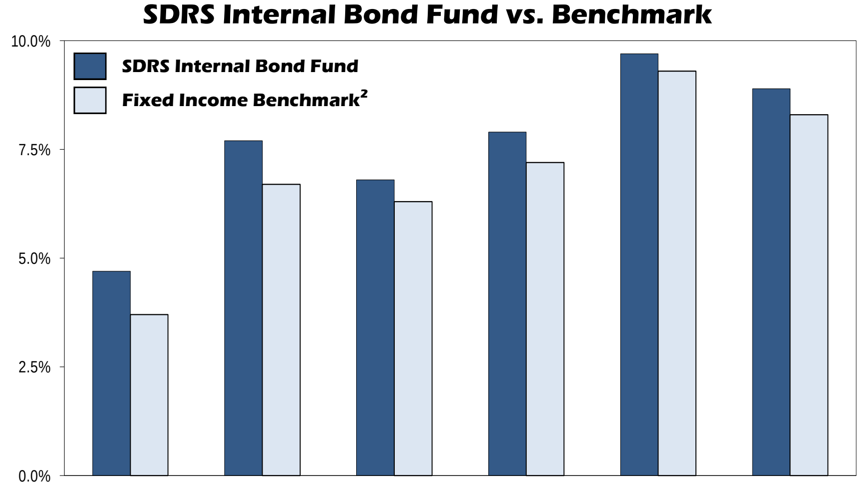
Fiscal Year	1 Year SDRS	1 Year Bench	5 Years SDRS	5 Years Bench	10 Years SDRS	10 Years Bench	20 Years SDRS	20 Years Bench	30 Years SDRS	30 Years Bench	38 Years SDRS	38 Years Bench
2011	4.7%	*3.7%*	7.7%	*6.7%*	6.8%	*6.3%*	7.9%	*7.2%*	9.7%	*9.3%*	8.9%	*8.3%*
2010	9.8%	*9.0%*	6.7%	*6.0%*	7.4%	*7.0%*	8.2%	*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 38 years through fiscal year 2011 for the Internal Bond Fund. The Fixed Income Benchmark[2] 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 Fund vs. Benchmark



Annualized Returns

	1 Year	5 Years	10 Years	20 Years	30 Years	38 Years
SDRS	4.7%	7.7%	6.8%	7.9%	9.7%	8.9%
Benchmark	3.7%	6.7%	6.3%	7.2%	9.3%	8.3%
Difference	1.0%	1.0%	0.5%	0.7%	0.4%	0.6%

SDRS Internal High Yield Bond Fund Performance

Fiscal Year	1 Year SDRS	1 Year Bench	2 Years SDRS	2 Years Bench	3 Years SDRS	3 Years Bench	4 Years SDRS	4 Years Bench	5 Years SDRS	5 Years Bench
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 and 5 years through fiscal year 2011 for the Internal High Yield Bond Fund. The High Yield benchmark[5] 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, 2011, are presented below.

Distribution by Duration	IG	HY
0 to 2 Years	11.5%	22.7%
2 to 3 Years	17.5%	19.9%
3 to 4 Years	22.1%	22.0%
4 to 5 Years	22.4%	14.7%
5 to 6 Years	8.6%	8.5%
6 to 8 Years	8.7%	3.5%
Above 8 Years	9.2%	8.7%
Total	100.0%	100.0%

Distribution By Quality Rating	IG	HY
U.S. Gov't/Aaa	63.3%	1.1%
Aa	6.2%	0.0%
A	14.9%	0.0%
Baa	14.9%	0.0%
Ba	0.7%	25.4%
B	0.0%	44.0%
Caa and lower	0.0%	29.5%
Total	100.0%	100.0%

Distribution By Coupon	IG	HY
0.00% - 4.00%	35.0%	1.1%
4.01% - 5.00%	28.0%	0.0%
5.01% - 6.00%	24.5%	2.9%
6.01% - 7.00%	9.7%	7.4%
7.01% - 8.00%	1.8%	28.8%
8.01% - 9.00%	1.0%	26.7%
9.01% and over	0.0%	33.1%
Total	100.0%	100.0%

Distribution By Sector	IG	HY
Cash/Cash Equivalents	1.6%	1.1%
U.S. Treasuries	17.4%	0.0%
Agency Debentures/FDIC	7.1%	0.0%
Agency Mortgage Backed Securities	36.2%	0.0%
Investment Grade Corporates	37.7%	0.0%
High Yield Corporates	0.0%	98.9%
Total	100.0%	100.0%

Investment Grade Bond Portfolio Ten Largest Corporates by Issuer	% of Total
Berkshire Hathaway, Inc.	2.1%
Ontario (Province Of)	2.1%
DirectTV Holdings	2.1%
Anheuser-Busch Inbev	1.7%
Altria Group, Inc.	1.6%
Morgan Stanley	1.5%
Comcast Corp.	1.4%
Metlife, Inc.	1.3%
American Express Credit Co.	1.3%
Citigroup, Inc.	1.3%
Total	16.4%

High Yield Bond Portfolio Ten Largest Corporates by Issuer	% of Total
NRG Energy, Inc.	3.1%
Frontier Communications	2.8%
Sabine Pass Lng LP	2.5%
Bon-Ton Dept. Stores	2.5%
Berry Plastics Corp.	2.4%
MGM Resorts Intl.	2.4%
Service Corp. Intl.	2.4%
Dish DBS Corp.	2.3%
Mirant Mid Atlantic Trust	2.3%
Stone Energy Corp.	2.3%
Total	25.0%

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

	1975	1980	1985	1990	1995	2000	2005	2010	2011
South Dakota Retirement System									
Yield to Maturity	9.4%	10.4%	10.3%	9.3%	7.3%	7.8%	4.7%	3.7%	2.6%
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	5.0 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	4.4 yrs
Bond Index[1]									
Yield to Maturity	8.3%	10.2%	10.2%	9.2%	6.7%	7.3%	4.5%	2.6%	2.6%
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	6.5 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	4.8 yrs

SDRS Combined Internal Equity Fund Performance

Fiscal Year	1 Year SDRS	1 Year Bench	5 Years SDRS	5 Years Bench	10 Years SDRS	10 Years Bench	20 Years SDRS	20 Years Bench	30 Years SDRS	30 Years Bench	38 Years SDRS	38 Years Bench
2011	28.1%	*30.8%*	2.7%	*3.1%*	4.1%	*4.3%*	9.4%	*8.7%*	11.7%	*10.9%*	11.6%	*10.3%*
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%)*										

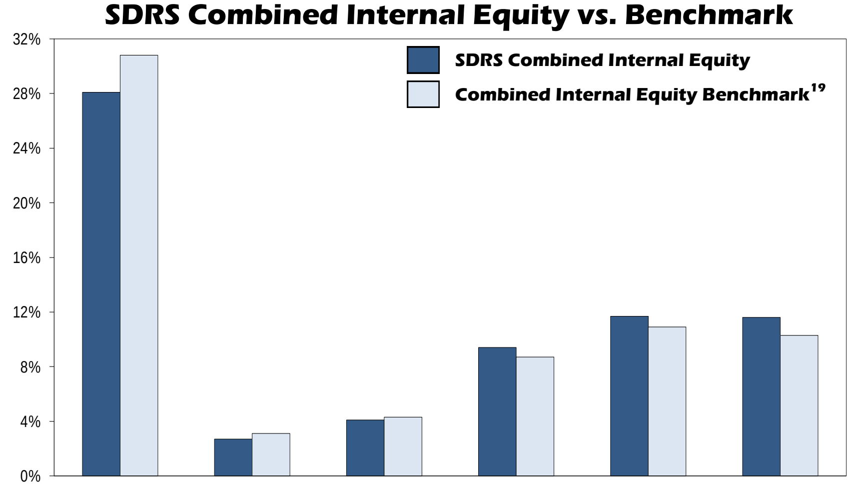
The chart to the left shows the annualized total rate of returns for 1, 5, 10, 20, 30 and 38 years through fiscal year 2011 for the Combined Internal Equity Fund. The Combined Internal Equity Benchmark[19] is provided for comparison.

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

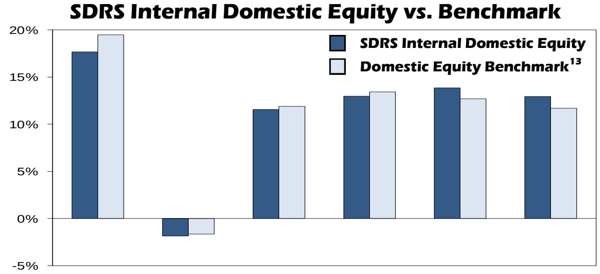


Annualized Returns

	1 Year	5 Years	10 Years	20 Years	30 Years	38 Years
SDRS	28.1%	2.7%	4.1%	9.4%	11.7%	11.6%
Benchmark	30.8%	3.1%	4.3%	8.7%	10.9%	10.3%
Difference	(2.7%)	(0.4%)	(0.2%)	0.7%	0.8%	1.3%

Historical SDRS Internal Domestic and International Equity Fund information through June 30, 2004

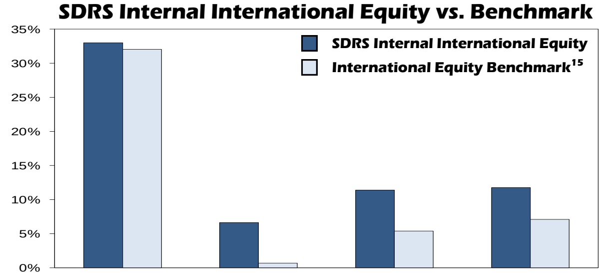
SDRS Internal Domestic Equity vs. Benchmark



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, 2011 are presented below. The SDRS global internal equity portfolio is compared to the ⅔ S&P Global 1200 Index Ex-Iran plus ⅓ S&P 500 Index benchmark.

Distribution by Market Sector

	SDRS	Bench
Consumer Discretionary	11.8%	10.1%
Consumer Staples	11.1%	10.3%
Energy	11.7%	11.9%
Financials	20.4%	18.2%
Health Care	14.0%	10.1%
Industrials	7.6%	11.2%
Information Technology	14.7%	13.6%
Materials	3.6%	6.7%
Telecommunications Services	2.1%	4.2%
Utilities	2.4%	3.7%
Cash Equivalents	0.6%	0.0%
Total	100.0%	100.0%

Ten Largest Country Weights

	SDRS	Bench
United States	70.0%	65.5%
Great Britain	7.1%	6.4%
Switzerland	5.8%	2.5%
Japan	5.3%	4.9%
France	2.8%	3.1%
Germany	2.0%	2.6%
Canada	1.8%	3.2%
Netherlands	1.4%	0.7%
Finland	0.6%	0.3%
Ireland	0.6%	0.1%
Total	97.4%	89.3%

30 Largest Holdings

	% of Total
Exxon Mobil Corp.	2.7%
Pfizer, Inc.	2.2%
Wells Fargo & Co.	2.1%
JPMorgan Chase & Co.	2.0%
Microsoft Corp.	1.9%
Wal-Mart Stores	1.8%
U.S. Bancorp	1.7%
ConocoPhillips	1.7%
General Electric Co.	1.7%
Target Corp.	1.7%
Honda Motor Co., Ltd.	1.6%
Nestle SA	1.6%
Chevron Corp.	1.5%
Cisco Systems, Inc.	1.5%
Intel Corp.	1.4%
Sanofi	1.3%
Bank of America Corp.	1.3%
Lowe's Cos., Inc.	1.3%
UnitedHealth Group, Inc.	1.3%
CVS Caremark Corp.	1.2%
Google, Inc.	1.2%
Hewlett-Packard Co.	1.2%
GlaxoSmithKline plc	1.2%
Roche Holding AG	1.1%
Johnson & Johnson	1.1%
The Procter & Gamble Co.	1.0%
BP plc - ADR	1.0%
BB&T Corp.	0.9%
PepsiCo, Inc.	0.9%
Dell, Inc.	0.9%
Total	44.0%

Global Equity Composite[7]

The South Dakota Retirement System's global equity composite is comprised of the internally managed global equity portfolio, the internally managed high quality equity portfolio, the internally managed small/mid-cap portfolio and five externally managed portfolios as of June 30, 2011. The composite is compared to the ⅔ MSCI All Country World Index plus ⅓ MSCI US Index benchmark.

Performance Results for the Fiscal Year Ended June 30, 2011

SDRS Global Equity Composite	28.2%
Benchmark	30.3%
Difference	(2.1%)

SDRS Internal Merger Arbitrage Fund Performance

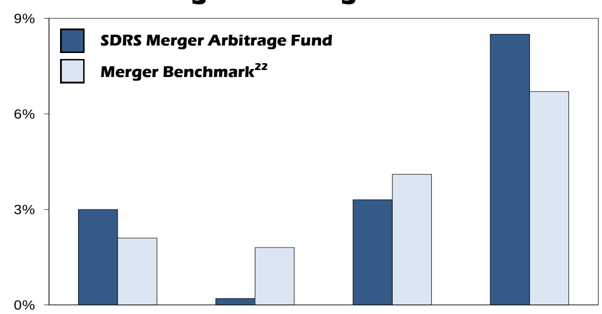
Fiscal Year	1 Year SDRS	1 Year Bench	5 Years SDRS	5 Years Bench	10 Years SDRS	10 Years Bench	21 Years SDRS	21 Years Bench
2011	3.0%	*2.1%*	0.2%	*1.8%*	3.3%	*4.1%*	8.5%	*6.7%*
2010	7.8%	*3.6%*	1.9%	*3.0%*	3.6%	*4.8%*		
2009	1.4%	*3.3%*	0.9%	*3.5%*	4.6%	*5.4%*		
2008	(17.4%)	*(8.6%)*	2.1%	*3.9%*	6.1%	*6.0%*		
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 Fund during fiscal year 1993. On July 1, 1993, the positions were removed from the Merger Arbitrage Fund and a separate Convertible Arbitrage Fund was formed.*

The chart to the left shows the annualized total rate of returns for 1, 5, 10 and 21 years through fiscal year 2011 for the Merger Arbitrage Fund. The Merger Benchmark[22] 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

	1 Year	5 Years	10 Years	21 Years
SDRS	3.0%	0.2%	3.3%	8.5%
Benchmark	2.1%	1.8%	4.1%	6.7%
Difference	0.9%	(1.6%)	(0.8%)	1.8%

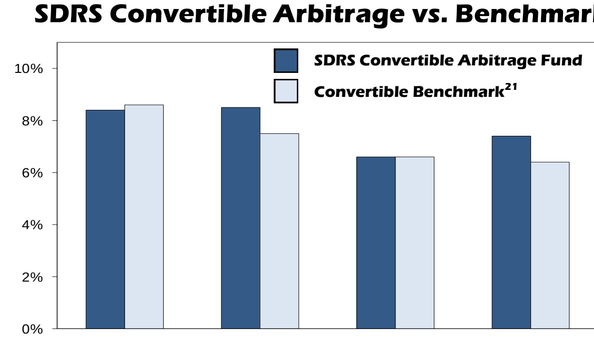
SDRS Internal Convertible Arbitrage Fund Performance

Fiscal Year	1 Year SDRS	1 Year Bench	5 Years SDRS	5 Years Bench	10 Years SDRS	10 Years Bench	18 Years SDRS	18 Years Bench
2011	8.4%	*8.6%*	8.5%	*7.5%*	6.6%	*6.6%*	7.4%	*6.4%*
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 chart to the left shows the annualized total rate of returns for 1, 5, 10 and 18 years through fiscal year 2011 for the Convertible Arbitrage Fund. The Convertible Benchmark[21] 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

	1 Year	5 Years	10 Years	18 Years
SDRS	8.4%	8.5%	6.6%	7.4%
Benchmark	8.6%	7.5%	6.6%	6.4%
Difference	(0.2%)	1.0%	0.0%	1.0%

THE FUND

The South Dakota Cement Plant Retirement Fund (CPRF) is a public employee retirement plan providing retirement benefits to over 350 former employees of the previously state-owned cement plant located in Rapid City. On March 16, 2001, the State of South Dakota sold the plant to GCC. Effective with the sale, CPRF employee benefits were frozen and accrued benefits of active plan participants were calculated. The administration of the plan was transferred from the South Dakota Cement Plant Commission to the South Dakota Retirement System effective July 1, 2010. The investment responsibility of the fund remains with the South Dakota Investment Council (Council).

INVESTMENT OBJECTIVES

The Council's overall objective is to prudently manage CPRF assets to achieve and exceed the returns available over the long term from the broad capital markets (stocks, bonds, real estate, etc.). The objectives and asset allocation of the fund include the effect of the freezing of the plan. The Council has three specific objectives. The first relates to achieving the actuarial estimated rate of return over the long term to help meet the obligations of CPRF. 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 the actuarial rate of return over the long term.**

The actuarial rate of return estimate needs to be earned over the life of the plan to pay projected future benefits based on the frozen benefit formula. The fund must meet all future liabilities with the assets currently available. The Council attempts to earn all potential return available in excess of the actuarial rate. This excess return will augment the financial security of the fund. Ultimately, upon the final maturity of the fund, any assets that remain will be transferred to the Dakota Cement Trust Fund.

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 CPRF total fund performance versus the actuarial rate of return of 7.75%.

CPRF Total Fund vs. Actuarial Rate of 7.75%

	5 years	10 years	20 years	30 years
# of Successes	26	25	19	9
# of Periods	34	29	19	9
% of Success	76%	86%	100%	100%

The Council's long-term expected rate of return for CPRF as of June 30, 2011 was 6.81%. This is less than the current actuarial assumed return of 7.75%. The Council's expectation does not assume any added value versus market indexes and is the midpoint of a possible range. 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 in return expectations.

- **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 CPRF was invested in the Council's selected capital markets benchmark. The key investment policy decision made by the Council is asset allocation as discussed in the SDRS Asset Allocation Focus on page 9. The normal asset allocation of the fund will be adjusted over time as the average age of the participants increase. The average age of the 71 active participants as of July 1, 2010 was 48.6 years with 21 years of service. There are no new plan entrants and more retired members than active. Going forward, long-term commitments in real estate and private equity limited partnerships will be monitored on an individual basis to determine to what extent CPRF should participate in new partnerships. The asset allocation policy in these areas will be adjusted as the Council deems appropriate to meet the aging needs of the fund.

This objective 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 mangers underperform.

This objective has been achieved for the majority of rolling time periods. The following table summarizes CPRF 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 20.

CPRF Total Fund vs. Capital Markets Benchmark

	5 years	10 years	20 years	30 years
# of Successes	26	24	17	9
# of Periods	34	29	19	9
% of Success	76%	83%	89%	100%

- **Achieve favorable total fund performance over the long term relative to professionally managed multi-billion dollar pension funds.**

The Council compares its performance to public and corporate pension fund peers. While there is some variation in liability structure and risk preferences across funds, all pension funds are professionally managed and attempt to produce superior returns for their beneficiaries. Therefore, it makes sense to compare CPRF results to peers.

Historically, the Council emphasized comparison against corporate pension funds because they had historically performed better than public plans and were a more compelling measure of whether investment excellence was achieved. However, in recent years, the Council has lessened emphasis on corporate plan peer comparisons. These databases suffer from survivorship bias as some pension plans and portfolios making up the universes change over time in part as their results succeed or fail. Simply put, losers tend to drop out, and the peer universe is biased upwards by a preponderance of remaining winners. Consolidation in the performance consulting industry has also impacted database retention of long-term historical returns. A consistent peer universe database for the entire CPRF history has not been kept intact by any performance consultant.

Also affecting corporate peer databases are changes in corporate pension accounting rules that have caused a shift by some corporate plans away from equities toward a combination of hedge funds and fixed income and caused other corporate plans to simply disappear.

In the future, comparisons against public plans or large endowments and foundations may be emphasized. In recent years, public plans have begun to match or even outperform many corporate plans. Large endowments and foundations are also long-term oriented pools of capital, like pension plans, with historically favorable returns and may be a good measure of investment excellence.

The following table shows that CPRF returns have exceeded the median private sector and state fund results for most rolling 5, 10 and 20-year periods and all 30-year timeframes.

CPRF Total Fund vs. Private Sector

	5 years	10 years	20 years	30 years
# of Successes	21	24	18	9
# of Periods	34	29	19	9
% of Success	62%	83%	95%	100%

CPRF Total Fund vs. State Funds

	5 years	10 years	20 years	30 years
# of Successes	28	26	19	9
# of Periods	34	29	19	9
% of Success	82%	90%	100%	100%

CPRF VERSUS SDRS PERFORMANCE

The asset allocation required to meet the needs of CPRF with its frozen participation is beginning to diverge with the ongoing asset allocation of SDRS. Efforts are made to have CPRF participate in the same investments as SDRS but not necessarily in the same proportion. As the fund's size is only 0.6% of SDRS, CPRF does not participate in arbitrage, a few internally and externally managed funds, as well as some of the real estate limited partnerships. This will most likely result in a difference in total return between the two funds in the future. In the most recent five-year rolling period, the CPRF return matched the SDRS return of 5.7%.

The Council will make every effort to continue to assure the highest level of performance for the CPRF. Because of the changes to the fund and differences in cash flow characteristics relative to SDRS, the returns may diverge between the two in the future. It is interesting to note that over the entire 38-year history of Council management of the two systems, the compound annualized return for both CPRF and SDRS is 10.6%.

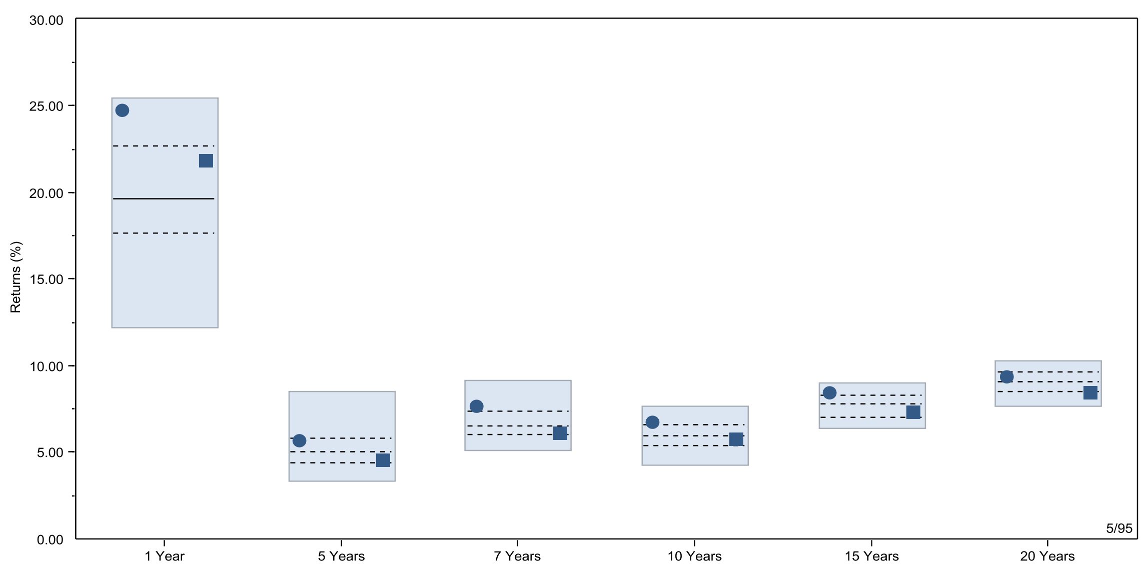
The chart below compares CPRF Total Fund returns to the current private sector peer universe.

Annualized Total Fund

TOTAL BILLION DOLLAR FUNDS - CORPORATE

Ending June 30, 2011

Quartile



	1 Year Value	1 Year %Tile	5 Years Value	5 Years %Tile	7 Years Value	7 Years %Tile	10 Years Value	10 Years %Tile	15 Years Value	15 Years %Tile	20 Years Value	20 Years %Tile
5th Percentile	25.49		8.50		9.18		7.63		9.04		10.29	
25th Percentile	22.72		5.83		7.38		6.63		8.26		9.67	
Median Percentile	19.68		5.03		6.56		5.93		7.79		9.10	
75th Percentile	17.67		4.40		6.00		5.40		7.04		8.51	
95th Percentile	12.18		3.35		5.11		4.29		6.38		7.68	
# of Portfolios	114		108		99		95		80		72	
● **CPRF Total Fund**	24.78	9	5.65	31	7.64	21	6.76	22	8.46	18	9.35	41
■ **CPRF Benchmark**	21.86	34	4.55	70	6.10	68	5.73	60	7.30	70	8.42	79

Universe Source: The Bank of New York Mellon Corporation; Universe Status: Final

CPRF Total Fund Performance[9-12]

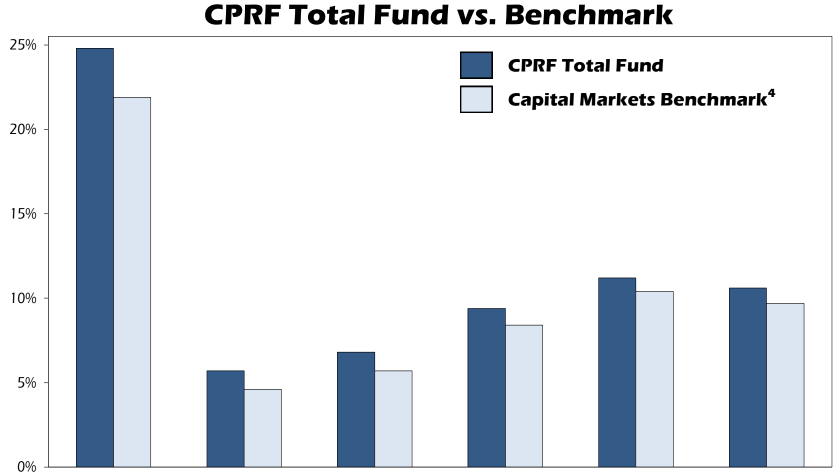
Fiscal Year	1 Year CPRF	1 Year Bench	5 Years CPRF	5 Years Bench	10 Years CPRF	10 Years Bench	20 Years CPRF	20 Years Bench	30 Years CPRF	30 Years Bench	38 Years CPRF	38 Years Bench
2011	24.8%	21.9%	5.7%	4.6%	6.8%	5.7%	9.4%	8.4%	11.2%	10.4%	10.6%	9.7%
2010	20.0%	10.8%	3.5%	2.5%	4.2%	3.1%	8.6%	7.8%	10.6%	9.9%		
2009	(20.0%)	(17.9%)	2.3%	2.3%	3.3%	3.0%	7.8%	7.9%	10.2%	9.9%		
2008	(8.8%)	(4.1%)	10.2%	9.5%	7.1%	6.4%	9.7%	9.8%	11.3%	11.0%		
2007	20.6%	17.5%	13.2%	11.6%	10.0%	8.6%	10.6%	10.1%	11.8%	11.2%		
2006	12.1%	10.6%	7.9%	6.9%	9.9%	8.7%	10.3%	10.0%	11.5%	10.9%		
2005	13.5%	9.5%	4.9%	3.7%	10.3%	9.2%	11.0%	10.7%	11.5%	10.9%		
2004	16.1%	15.4%	4.4%	3.7%	10.2%	10.0%	11.8%	11.6%	11.6%	11.1%		
2003	4.1%	5.2%	4.0%	3.4%	9.0%	8.6%	11.1%	10.8%	11.2%	10.3%		
2002	(5.0%)	(5.0%)	7.0%	5.7%	10.1%	9.3%	13.0%	12.3%				
2001	(2.3%)	(5.0%)	11.9%	10.5%	12.0%	11.2%	13.4%	12.8%				
2000	10.4%	9.7%	15.9%	14.9%	13.2%	12.7%	14.0%	13.4%				
1999	14.2%	13.3%	16.3%	16.5%	12.4%	13.0%	13.8%	13.5%				
1998	19.7%	17.7%	14.3%	14.1%	12.3%	13.3%	13.5%	13.3%				
1997	19.2%	18.7%	13.4%	13.0%	11.2%	11.6%	12.6%	12.5%				
1996	16.2%	15.3%	12.1%	11.8%	10.8%	11.4%	12.4%	12.0%				
1995	12.2%	17.8%	10.6%	10.6%	11.7%	12.3%	12.1%	11.8%				
1994	4.8%	2.0%	8.6%	9.6%	13.4%	13.2%	12.4%	11.6%				
1993	15.0%	11.9%	10.4%	12.6%	13.2%	13.0%	12.2%	11.2%				
1992	12.7%	12.9%	9.0%	10.2%	15.9%	15.5%						
1991	8.6%	9.2%	9.5%	10.9%	14.8%	14.4%						
1990	2.7%	12.5%	12.8%	13.9%	14.8%	14.1%						
1989	13.8%	16.4%	18.5%	16.9%	15.2%	13.9%						
1988	7.7%	0.7%	15.9%	13.4%	14.7%	13.3%						
1987	15.2%	16.6%	23.2%	21.1%	14.1%	13.4%						
1986	26.0%	24.7%	20.4%	18.0%	13.9%	12.6%						
1985	31.1%	28.2%	16.9%	14.4%	12.6%	11.3%						
1984	2.1%	(0.1%)	12.1%	11.0%	11.3%	10.0%						
1983	45.8%	39.6%	13.5%	13.2%	11.3%	9.5%						
1982	2.9%	2.8%	5.7%	6.2%								
1981	8.5%	6.6%	7.8%	7.4%								
1980	6.3%	10.4%	8.5%	8.3%								
1979	8.9%	10.2%	10.6%	9.1%								
1978	2.2%	1.4%	9.2%	5.9%								
1977	13.5%	8.6%										
1976	12.1%	11.2%										
1975	17.2%	14.2%										
1974	2.0%	(4.8%)										

The chart to the left shows the annualized total rate of returns for 1, 5, 10, 20, 30 and 38 years through fiscal year 2011 for the Total Fund. The Capital Markets Benchmark[4] is provided for comparison.

Fiscal Year 2011
Capital Markets Benchmark Summary

Asset Category	CMB Allocation	Min - Max Range
Global Equity	57%	30% - 80%
Fixed Income/TIPS	20%	13% - 50%
High Yield/Distressed	6%	0% - 15%
Merger Arbitrage	2%	0% - 10%
Private Equity	5%	0% - 12%
Real Estate	7%	2% - 15%
Commodities	1%	0% - 5%
Cash	2%	0% - 55%

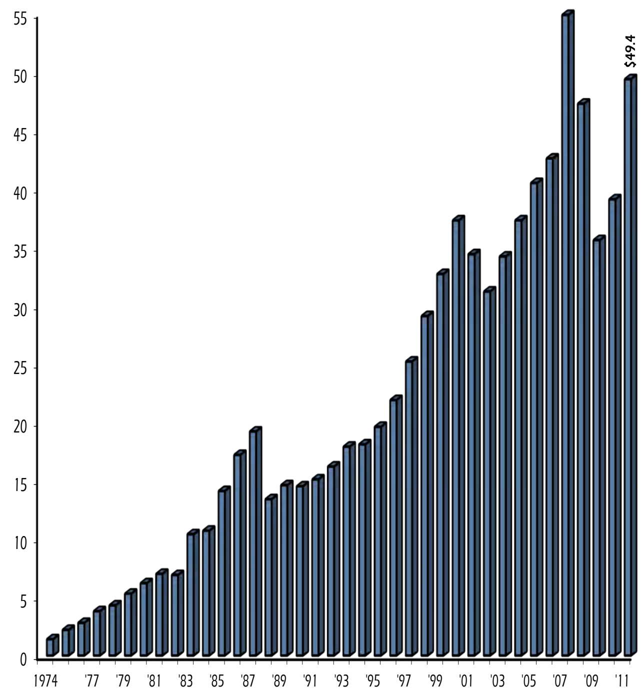
CPRF Total Fund vs. Benchmark



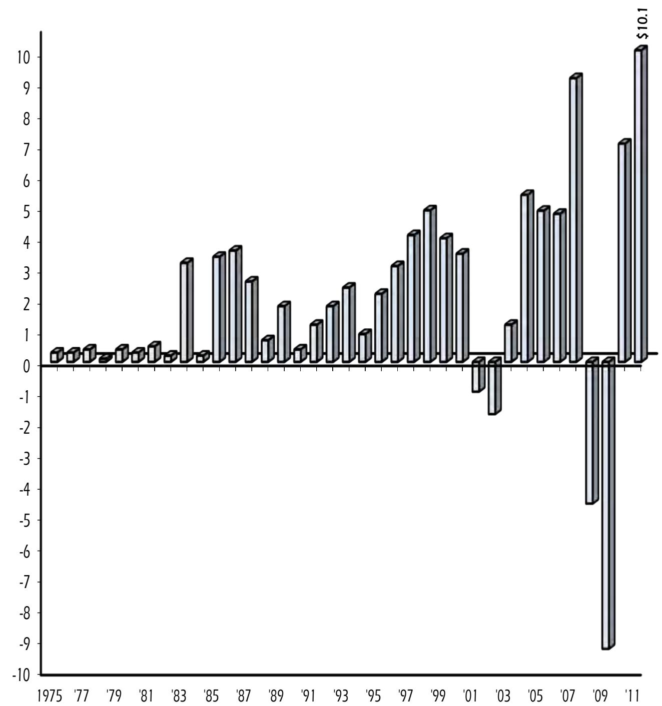
Annualized Returns

	1 Year	5 Years	10 Years	20 Years	30 Years	38 Years
CPRF	24.8%	5.7%	6.8%	9.4%	11.2%	10.6%
Benchmark	21.9%	4.6%	5.7%	8.4%	10.4%	9.7%
Difference	2.9%	1.1%	1.1%	1.0%	0.8%	0.9%

Asset Growth[23] ($ in Millions)



Investment Income[24] ($ in Millions)



Cash Flows and Fair Value Changes

The Cement Plant Retirement Fund began fiscal year 2011 with $39.1 million in assets. During the fiscal year, net contributions/withdrawals and fees increased the fund by $0.2 million and investment income increased it by $10.1 million resulting in an ending fair value of $49.4 million.

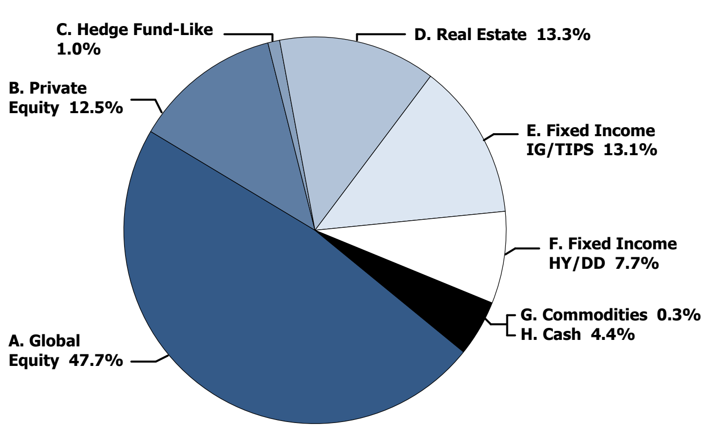
Fair Value 6/30/10			$ 39,131,563
Increase/Decreases			
Net Contributions/Withdrawals		$ 472,457	
Internal Management Fees		(30,881)	
External Management Fees		(206,907)	
Total Increases/Decreases			$ 234,669
Investment Income			
Securities Income			
Interest Income	$ 588,594		
Dividend Income	500,728		
Securities Lending Income	2,314		
Real Estate Income	30,723		
Change in Accrued Income	43,084		
Total Securities Income		$ 1,165,443	
Capital Gain/Loss Income			
Unrealized Gain/Loss Futures	$ 9,567		
Unrealized Gain/Loss Securities	7,012,263		
Realized Gain/Loss Futures	407,533		
Realized Gain/Loss Securities	1,485,390		
Total Capital Gain/Loss Income		$ 8,914,753	
Total Investment Income			$ 10,080,196
Fair Value 6/30/11			$ 49,446,428

Investment Mix[8]

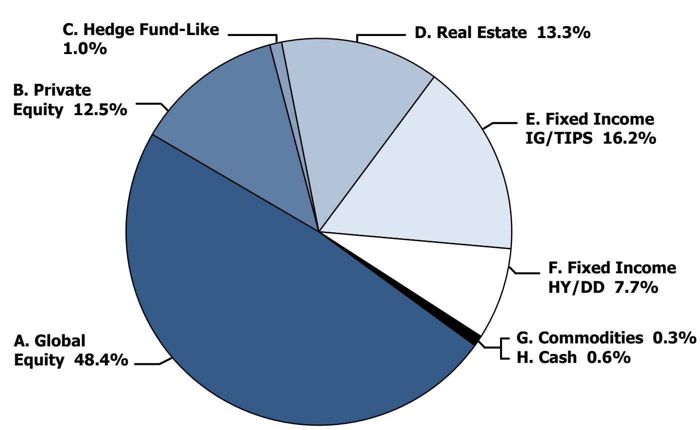
As of June 30, 2011, Cement Plant Retirement Fund assets for which the Investment Council is responsible totaled $49.4 million. The broad asset categories and managers are listed below. The charts show the asset allocation of the Cement Plant Retirement Fund, excluding futures positions as well as with futures overlay. The Capital Markets Benchmark allocation is also provided for comparison.

	Positions Excluding Futures		Percentages Excluding Futures		Futures Positions	Resultant Exposure with Futures	Percentages with Futures Overlay	Benchmark Percentages
A. Global Equity								
Internal Global Equity	$ 22,563,978		45.6%					
Brandes	269,890		0.5%					
Dimensional Fund Advisors	326,074		0.7%					
GE Asset Management	437,522	$ 23,597,464	0.9%	47.7%				
Equity Index Futures					$ 330,160	$ 23,927,624	48.4%	57.0%
B. Private Equity Limited Partnerships								
Blackstone	$ 1,603,960		3.2%					
Capital International	258,329		0.5%					
Carlyle	606,372		1.2%					
Cinven	700,096		1.4%					
Credit Suisse	5,925		0.0%					
CVC	507,118		1.0%					
Cypress	32,929		0.1%					
Doughty Hanson	800,868		1.6%					
Elevation	233,042		0.5%					
KKR	388,909		0.8%					
Neuberger Berman	43,174		0.1%					
PineBridge	77,127		0.2%					
Silver Lake	940,758	6,198,607	1.9%	12.5%		6,198,607	12.5%	5.0%
C. Hedge Fund-Like								
Bridgewater	$ 495,881	495,881	1.0%	1.0%		495,881	1.0%	2.0%
D. Real Estate Limited Partnerships								
AREA Properties	$ 141,673		0.3%					
Blackstone	5,755,432		11.6%					
CarVal	486,640		1.0%					
Doughty Hanson	185,187		0.4%					
Lone Star	11,686	6,580,618	0.0%	13.3%		6,580,618	13.3%	7.0%
E. Fixed Income – Investment Grade/TIPS								
Internal Investment Grade	$ 6,454,446	6,454,446	13.1%	13.1%				
Treasury Financial Futures					1,563,070	8,017,516	16.2%	20.0%
F. Fixed Income – High Yield/Distressed Debt								
Internal High Yield	$ 551,783		1.1%					
Blackstone	139,779		0.3%					
CarVal	1,186,809		2.4%					
Oaktree	168,183		0.4%					
PIMCO	1,089,351		2.2%					
TCW	650,630	3,786,535	1.3%	7.7%		3,786,535	7.7%	6.0%
G. Commodities								
GE Asset Management	$ 140,411	140,411	0.3%	0.3%		140,411	0.3%	1.0%
H. Cash & Cash Equivalents								
Internal Shift Account	$ 2,192,466	2,192,466	4.4%	4.4%				
Cash From Futures					(1,893,230)	299,236	0.6%	2.0%
Total		$ 49,446,428		100.0%	$ 0	$ 49,446,428	100.0%	100.0%

Allocation In Cash Markets



Allocation with Futures Overlay



CPRF Internal Bond Fund Performance

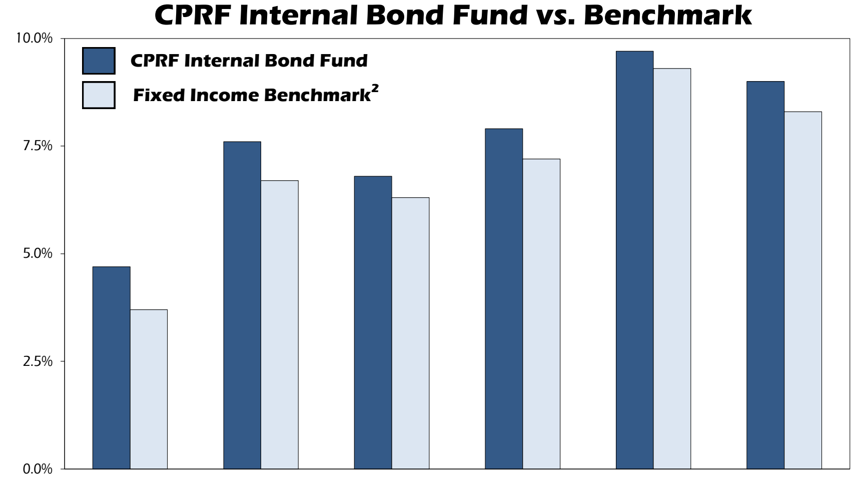
Fiscal Year	1 Year CPRF	1 Year *Bench*	5 Years CPRF	5 Years *Bench*	10 Years CPRF	10 Years *Bench*	20 Years CPRF	20 Years *Bench*	30 Years CPRF	30 Years *Bench*	38 Years CPRF	38 Years *Bench*
2011	4.7%	*3.7%*	7.6%	*6.7%*	6.8%	*6.3%*	7.9%	*7.2%*	9.7%	*9.3%*	9.0%	*8.3%*
2010	9.7%	*9.0%*	6.6%	*6.0%*	7.3%	*7.0%*	8.2%	*7.5%*	9.2%	*8.9%*		
2009	9.1%	*7.1%*	6.5%	*5.8%*	6.8%	*6.5%*	8.1%	*7.5%*	9.0%	*8.7%*		
2008	8.4%	*7.8%*	4.9%	*4.6%*	6.1%	*6.1%*	8.3%	*7.7%*	8.9%	*8.8%*		
2007	6.4%	*6.1%*	6.1%	*5.7%*	6.5%	*6.4%*	8.4%	*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%*	9.3%	*9.1%*		
2004	1.3%	*1.3%*	7.1%	*7.2%*	8.0%	*7.8%*	10.2%	*9.7%*	9.5%	*9.3%*		
2003	14.5%	*13.4%*	7.3%	*7.6%*	7.8%	*7.5%*	10.1%	*9.7%*	9.8%	*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%*	11.2%	*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%*	10.1%	*9.9%*				
1998	12.6%	*11.2%*	8.3%	*7.5%*	10.6%	*9.4%*	10.3%	*10.1%*				
1997	9.9%	*9.6%*	9.0%	*7.7%*	10.2%	*9.1%*	9.7%	*9.6%*				
1996	5.9%	*6.2%*	10.2%	*8.6%*	10.0%	*8.7%*	9.9%	*9.8%*				
1995	14.0%	*12.5%*	11.3%	*9.5%*	11.2%	*10.1%*	10.2%	*10.0%*				
1994	(0.2%)	*(1.2%)*	10.2%	*8.6%*	12.6%	*11.6%*	10.3%	*10.0%*				
1993	16.1%	*12.0%*	12.9%	*11.4%*	12.5%	*12.0%*	10.8%	*9.9%*				
1992	16.2%	*14.2%*	11.5%	*10.6%*	13.7%	*13.7%*						
1991	11.3%	*10.8%*	9.7%	*8.9%*	13.4%	*13.5%*						
1990	8.3%	*7.7%*	11.1%	*10.6%*	11.2%	*11.7%*						
1989	12.8%	*12.2%*	15.0%	*14.8%*	10.6%	*11.3%*						
1988	9.0%	*8.2%*	12.1%	*12.6%*	10.1%	*10.9%*						
1987	7.4%	*5.6%*	16.0%	*16.8%*	9.1%	*10.1%*						
1986	18.3%	*19.8%*	17.1%	*18.4%*	9.8%	*10.8%*						
1985	28.9%	*30.0%*	11.3%	*12.9%*	9.2%	*9.9%*						
1984	(0.9%)	*1.7%*	6.4%	*7.9%*	8.2%	*8.4%*						
1983	29.6%	*30.0%*	8.2%	*9.2%*	9.2%	*7.9%*						
1982	12.6%	*12.8%*	2.6%	*3.8%*								
1981	(8.2%)	*(5.4%)*	(2.8%	*3.7%*								
1980	2.5%	*3.8%*	7.1%	*7.0%*								
1979	7.8%	*7.6%*	10.0%	*8.8%*								
1978	(0.3%)	*1.0%*	10.2%	*6.6%*								
1977	13.8%	*12.4%*										
1976	12.1%	*10.5%*										
1975	17.5%	*12.9%*										
1974	8.9%	*(2.9%)*										

The chart to the left shows the annualized total rate of returns for 1, 5, 10, 20, 30 and 38 years through fiscal year 2011 for the Internal Bond Fund. The Fixed Income Benchmark[2] 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.

CPRF Internal Bond Fund vs. Benchmark



Annualized Returns	1 Year	5 Years	10 Years	20 Years	30 Years	38 Years
CPRF	4.7%	7.6%	6.8%	7.9%	9.7%	9.0%
Benchmark	3.7%	6.7%	6.3%	7.2%	9.3%	8.3%
Difference	1.0%	0.9%	0.5%	0.7%	0.4%	0.7%

CPRF Internal High Yield Bond Fund Performance

Fiscal Year	1 Year SDRS	1 Year *Bench*	2 Years SDRS	2 Years *Bench*	3 Years SDRS	3 Years *Bench*	4 Years SDRS	4 Years *Bench*	5 Years SDRS	5 Years *Bench*
2011	15.8%	*14.8%*	16.7%	*16.8%*	11.1%	*11.8%*	8.2%	*9.0%*	8.1%	*9.1%*
2010	17.5%	*18.9%*	8.8%	*10.3%*	5.8%	*7.2%*	6.2%	*7.7%*		
2009	0.6%	*2.3%*	0.3%	*1.8%*	2.7%	*4.2%*				
2008	0.0%	*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 and 5 years through fiscal year 2011 for the Internal High Yield Bond Fund. The High Yield benchmark[5] is provided for comparison.

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

Internal Bond Profile

The Cement Plant Retirement Fund's internal Investment Grade (IG) and High Yield (HY) bond portfolio characteristics as of June 30, 2011, are presented below.

Distribution by Duration	IG	HY
0 to 2 Years	11.6%	23.0%
2 to 3 Years	18.5%	19.8%
3 to 4 Years	19.6%	21.8%
4 to 5 Years	22.5%	14.6%
5 to 6 Years	10.0%	8.6%
6 to 8 Years	8.7%	3.5%
Above 8 Years	9.1%	8.7%
Total	100.0%	100.0%

Distribution By Quality Rating	IG	HY
U.S. Gov't/Aaa	63.3%	1.1%
Aa	6.2%	0.0%
A	14.9%	0.0%
Baa	14.9%	0.0%
Ba	0.7%	25.5%
B	0.0%	44.1%
Caa and lower	0.0%	29.3%
Total	100.0%	100.0%

Distribution By Coupon	IG	HY
0.00% - 4.00%	35.2%	1.1%
4.01% - 5.00%	27.9%	0.0%
5.01% - 6.00%	24.2%	3.0%
6.01% - 7.00%	9.8%	7.3%
7.01% - 8.00%	1.8%	28.6%
8.01% - 9.00%	1.1%	26.7%
9.01% and over	0.0%	33.3%
Total	100.0%	100.0%

Distribution By Sector	IG	HY
Cash/Cash Equivalents	1.7%	1.1%
U.S. Treasuries	17.4%	0.0%
Agency Debentures/FDIC	7.1%	0.0%
Agency Mortgage Backed Securities	36.1%	0.0%
Investment Grade Corporates	37.7%	0.0%
High Yield Corporates	0.0%	98.9%
Total	100.0%	100.0%

Investment Grade Bond Portfolio Ten Largest Corporates by Issuer	% of Total
Berkshire Hathaway, Inc.	2.1%
Ontario (Province Of)	2.1%
DirectTV Holdings	2.1%
Anheuser-Busch Inbev	1.7%
Altria Group, Inc.	1.6%
Morgan Stanley	1.5%
Comcast Corp.	1.4%
Metlife, Inc.	1.3%
American Express Credit Co.	1.3%
Citigroup, Inc.	1.3%
Total	16.4%

High Yield Bond Portfolio Ten Largest Corporates by issuer	% of Total
NRG Energy, Inc.	3.0%
Frontier Communications	2.8%
Service Corp. Intl.	2.5%
Sabine Pass Lng	2.5%
Bon-Ton Dept. Stores	2.5%
Berry Plastics Corp.	2.4%
MGM Resorts Intl.	2.4%
Dish DBS Corp.	2.4%
Stone Energy Corp.	2.3%
Mirant Mid Atlantic Trust	2.3%
Total	25.1%

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

	1975	1980	1985	1990	1995	2000	2005	2010	2011
Cement Plant Retirement Fund									
Yield to Maturity	9.5%	10.1%	10.3%	9.2%	7.3%	7.8%	4.7%	3.6%	2.6%
Average Maturity	19.3 yrs	17.4 yrs	7.0 yrs	7.8 yrs	9.3 yrs	6.9 yrs	5.8 yrs	5.4 yrs	5.0 yrs
Duration	8.0 yrs	7.6 yrs	4.0 yrs	5.3 yrs	5.6 yrs	5.6 yrs	4.1 yrs	4.0 yrs	4.4 yrs
Bond Index[1]									
Yield to Maturity	8.3%	10.2%	10.2%	9.2%	6.7%	7.3%	4.5%	2.6%	2.6%
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	6.5 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	4.8 yrs

CPRF Combined Internal Equity Fund Performance

Fiscal Year	1 Year CPRF	1 Year Bench	5 Years CPRF	5 Years Bench	10 Years CPRF	10 Years Bench	20 Years CPRF	20 Years Bench	30 Years CPRF	30 Years Bench	38 Years CPRF	38 Years Bench
2011	26.4%	26.6%	1.9%	2.4%	3.7%	4.0%	9.6%	9.1%	11.7%	11.2%	11.5%	10.5%
2010	18.3%	12.3%	(0.5%)	0.4%	0.1%	(0.4%)	8.5%	8.2%	11.7%	11.0%		
2009	(22.1%)	(27.9%)	(2.0%)	(0.2%)	(0.6%)	(0.5%)	7.8%	8.4%	11.5%	11.2%		
2008	(22.1%)	(11.0%)	7.4%	11.2%	3.7%	4.6%	10.0%	11.2%	12.8%	12.9%		
2007	20.9%	23.6%	12.3%	13.6%	9.4%	8.6%	11.3%	11.5%	13.9%	13.3%		
2006	12.3%	14.7%	5.5%	5.5%	10.6%	9.3%	11.2%	11.5%	13.7%	12.5%		
2005	9.9%	9.0%	0.7%	(1.2%)	12.1%	10.4%	12.3%	12.5%	13.7%	12.5%		
2004	22.7%	23.8%	0.8%	(0.8%)	13.0%	12.0%	13.6%	13.5%	14.4%	12.7%		
2003	(2.2%)	(1.0%)	0.2%	(1.7%)	11.3%	9.8%	12.7%	12.0%	12.8%	11.4%		
2002	(11.7%)	(14.8%)	6.6%	3.8%	13.1%	11.3%	15.5%	14.8%				
2001	(11.1%)	(17.2%)	15.9%	13.4%	15.8%	14.6%	15.9%	15.0%				
2000	10.3%	11.1%	24.9%	23.3%	17.7%	17.6%	18.1%	17.2%				
1999	19.3%	18.2%	26.7%	26.5%	16.8%	18.1%	18.0%	17.5%				
1998	33.3%	30.2%	23.6%	22.7%	16.7%	18.3%	17.6%	17.3%				
1997	34.2%	32.3%	20.0%	19.4%	13.2%	14.4%	16.2%	15.7%				
1996	29.2%	26.3%	15.7%	15.8%	11.9%	13.8%	15.3%	14.2%				
1995	18.6%	26.1%	10.9%	12.1%	12.4%	14.6%	14.5%	13.6%				
1994	5.3%	1.3%	7.7%	10.3%	14.1%	15.0%	15.1%	13.1%				
1993	14.7%	13.6%	10.1%	14.2%	14.0%	14.3%	13.6%	12.1%				
1992	12.1%	13.5%	6.9%	9.7%	18.1%	18.3%						
1991	4.4%	7.4%	8.2%	11.8%	16.0%	15.4%						
1990	2.5%	16.3%	13.9%	17.1%	18.5%	16.8%						
1989	17.8%	20.4%	21.0%	19.9%	19.2%	16.9%						
1988	(1.2%)	(7.1%)	18.1%	14.4%	18.5%	16.2%						
1987	18.9%	25.1%	30.4%	27.7%	19.2%	17.1%						
1986	35.4%	35.4%	24.3%	19.2%	18.7%	14.5%						
1985	38.2%	30.8%	23.2%	16.4%	16.6%	12.6%						
1984	4.4%	(4.7%)	17.5%	13.9%	16.0%	11.2%						
1983	62.5%	61.0%	18.9%	18.0%	13.1%	10.1%						
1982	(6.5%)	(11.4%)	8.9%	7.3%								
1981	29.4%	20.5%	13.4%	10.0%								
1980	9.1%	17.1%	10.4%	8.8%								
1979	10.8%	13.6%	14.5%	8.6%								
1978	4.5%	0.1%	7.5%	2.6%								
1977	14.8%	0.5%										
1976	13.2%	14.0%										
1975	31.0%	16.1%										
1974	(19.1%)	(14.5%)										

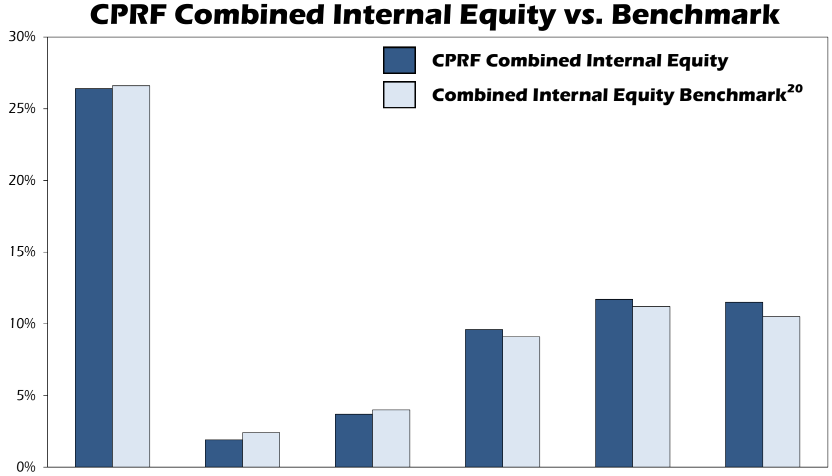
The chart to the left shows the annualized total rate of returns for 1, 5, 10, 20, 30 and 38 years through fiscal year 2011 for the Combined Internal Equity Fund. The Combined Internal Equity Benchmark[20] is provided for comparison.

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.

CPRF Combined Internal Equity vs. Benchmark



Annualized Returns

	1 Year	5 Years	10 Years	20 Years	30 Years	38 Years
CPRF	26.4%	1.9%	3.7%	9.6%	11.7%	11.5%
Benchmark	26.6%	2.4%	4.0%	9.1%	11.2%	10.5%
Difference	(0.2%)	(0.5%)	(0.3%)	0.5%	0.5%	1.0%

Internal Equity Profile

The Cement Plant Retirement Fund's internal global equity portfolio characteristics as of June 30, 2011 are presented below. The CPRF internal global equity portfolio is compared to the ⅔ S&P Global 1200 Index Ex-Iran plus ⅓ S&P 500 Index benchmark.

Distribution by Market Sector

	CPRF	Bench
Consumer Discretionary	12.3%	10.1%
Consumer Staples	11.5%	10.3%
Energy	12.5%	11.9%
Financials	21.8%	18.2%
Health Care	15.5%	10.1%
Industrials	6.0%	11.2%
Information Technology	14.1%	13.6%
Materials	2.4%	6.7%
Telecommunications Services	1.2%	4.2%
Utilities	1.8%	3.7%
Cash Equivalents	0.9%	0.0%
Total	100.0%	100.0%

Ten Largest Country Weights

	CPRF	Bench
United States	70.4%	65.5%
Great Britain	7.2%	6.4%
Switzerland	6.5%	2.5%
Japan	5.9%	4.9%
France	2.9%	3.1%
Germany	1.8%	2.6%
Canada	1.4%	3.2%
Netherlands	1.0%	0.7%
Ireland	0.8%	0.1%
Finland	0.7%	0.3%
Total	98.6%	89.3%

30 Largest Holdings

	% of Total
Exxon Mobil Corp.	3.2%
Pfizer, Inc.	2.7%
Wells Fargo & Co.	2.7%
JPMorgan Chase & Co.	2.3%
U.S. Bancorp	2.3%
Wal-Mart Stores	2.2%
Target Corp.	2.2%
ConocoPhillips	2.2%
Honda Motor Co., Ltd.	2.2%
Microsoft Corp.	2.0%
Nestle SA	2.0%
General Electric Co.	1.9%
Intel Corp.	1.8%
Sanofi	1.7%
Lowe's Cos., Inc.	1.6%
Chevron Corp.	1.6%
Cisco Systems, Inc.	1.6%
Bank of America Corp.	1.6%
UnitedHealth Group, Inc.	1.5%
CVS Caremark Corp.	1.5%
GlaxoSmithKline plc	1.4%
Roche Holding AG	1.4%
BP plc - ADR	1.3%
BB&T Corp.	1.2%
Google, Inc.	1.2%
Dell, Inc.	1.1%
Johnson & Johnson	1.1%
Hewlett-Packard Co.	1.1%
MetLife, Inc.	1.0%
SAP AG	1.0%
Total	52.6%

Global Equity Composite[7]

The Cement Plant Retirement System's global equity composite is comprised of the internally managed global equity portfolio and three externally managed portfolios as of June 30, 2011. The composite is compared to the ⅔ MSCI All Country World Index plus ⅓ MSCI US Index benchmark.

Performance Results for the Fiscal Year Ended June 30, 2011

CPRF Global Equity Composite	26.6%
Benchmark	30.3%
Difference	(3.7%)

THE FUND

The South Dakota Cash Flow Fund (SDCFF) is comprised of more than 250 separately identified state accounts. During fiscal year 2011, the fund ranged from $946.2 million to $1.140 billion and averaged $1.045 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.

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 Aa3 as of June 30, 2011. 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, 2011, 95.2% was in the actively managed duration portfolio. An active duration strategy was implemented in November 1985. In May 1993, the Investment Council changed the maturity restrictions from 3 years to 5 years for an individual security and the duration of the overall portfolio from 2 years to 2.88 years.

The money market portfolio represents 2.5% 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 2.3% of SDCFF. The CD rates were set at the corporate equivalent bond yield of a one-year Treasury bill plus 0.5% shortly before the yearly issuance in September. On June 30, 2011, fifty-eight banks, nine credit unions and two savings and loan associations held $24.262 million in CDs.

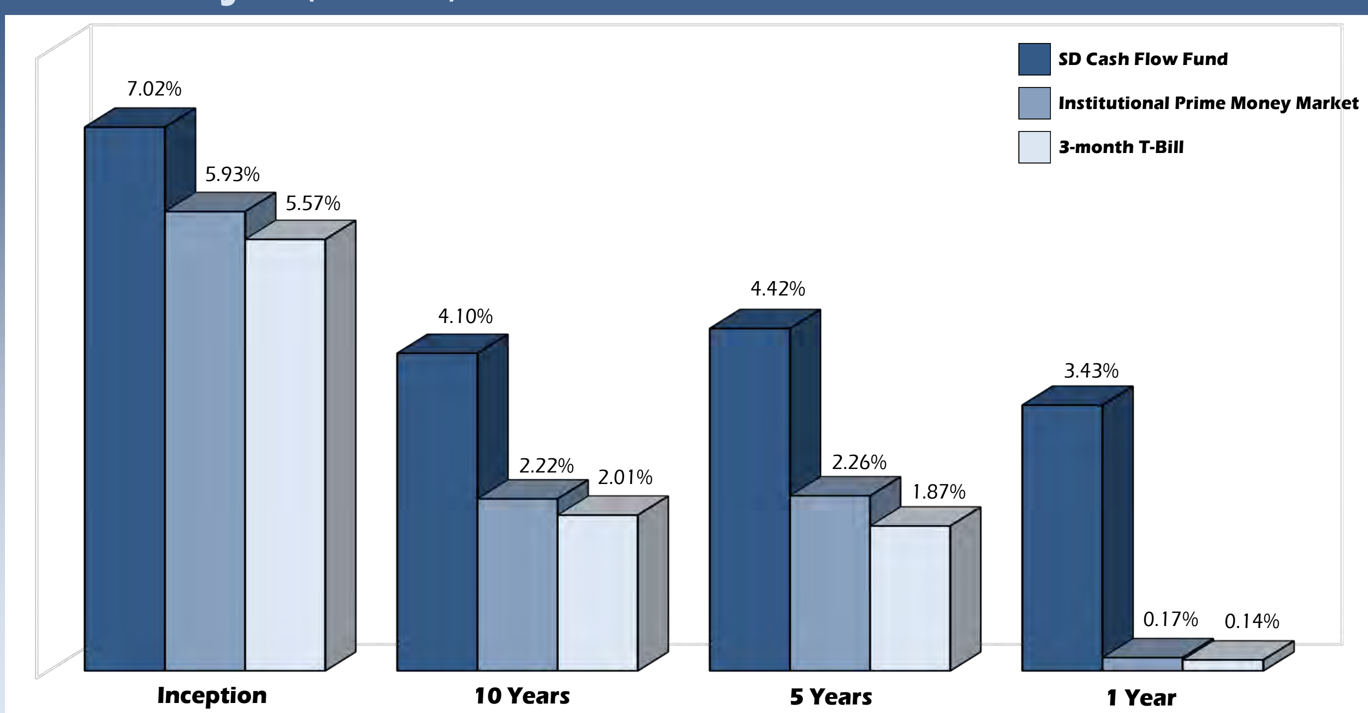
PRORATION

Each fiscal year, the receipted income is prorated to the individual state funds 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 $35.6 million for fiscal year 2011. 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 2011

The yield of SDCFF for fiscal year 2011 was 3.43% versus an institutional prime money market yield of 0.17% and a 3-month Treasury bill return of 0.14%. The difference resulted primarily from coupon rates of securities held in the portfolio before interest rates fell. As these securities mature, the overall yield on the portfolio will decrease. Since the fund's inception in December 1972, it has yielded 7.02% annually versus an institutional prime money market annual yield of 5.93% and a 3-month Treasury bill annual yield of 5.57%. For fiscal year 2011, the duration portfolio of the fund had a total return of 2.71% versus a benchmark[6] return of 2.84%. Since the inception of the duration portfolio in November 1985, its performance has been 5.95% annually versus 5.51% for the benchmark. In fiscal year 2011, the money market portion yielded 0.07% versus 0.17% for an institutional prime money market fund and 0.14% for 3-month Treasury bills. The CD Program yielded 0.80% for the fiscal year. The CD rate at June 30, 2011, was 0.78%.

Yield Analysis *(Annualized)*



Comparative Results[9]

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]
2011	$ 35,573,830	3.37%	3.43%	0.1%	0.2%	2.71%	2.84%
2010	50,155,778	4.94%	4.79%	0.1%	0.2%	5.10%	5.34%
2009	43,568,535	4.59%	4.51%	0.8%	1.6%	6.58%	3.14%
2008	44,431,241	5.07%	4.96%	3.3%	4.2%	6.59%	6.05%
2007	34,578,213	4.23%	4.41%	5.1%	5.2%	5.56%	5.50%
2006	25,450,147	3.07%	3.40%	4.0%	4.1%	2.36%	2.09%
2005	21,652,806	2.66%	2.92%	2.0%	2.1%	2.62%	2.45%
2004	22,888,860	2.95%	3.02%	1.0%	1.0%	0.59%	-0.14%
2003	29,876,507	4.22%	4.35%	1.4%	1.4%	5.45%	4.09%
2002	41,972,001	5.54%	5.21%	2.5%	2.4%	5.55%	5.62%
2001	50,729,249	6.54%	6.50%	5.6%	5.9%	9.57%	8.94%
2000	36,459,873	5.18%	5.47%	5.3%	5.7%	4.94%	4.49%
1999	36,122,881	6.02%	6.01%	4.7%	5.1%	4.90%	5.02%
1998	31,533,466	6.11%	6.51%	5.3%	5.5%	7.11%	6.42%
1997	28,961,501	6.03%	6.12%	5.3%	5.3%	6.81%	6.09%
1996	27,987,169	6.18%	6.32%	5.4%	5.6%	5.29%	5.54%
1995	20,145,287	4.87%	5.41%	5.1%	5.4%	7.78%	6.41%
1994	15,309,074	3.73%	4.17%	3.2%	3.3%	2.73%	1.87%
1993	20,908,872	5.34%	5.05%	3.1%	3.2%	4.98%	4.71%
1992	26,680,663	7.23%	7.32%	4.7%	5.0%	7.98%	7.95%
1991	30,595,214	8.48%	8.50%	6.8%	7.2%	9.65%	9.43%
1990	30,876,016	8.81%	8.78%	7.9%	8.4%	8.66%	8.45%
1989	24,741,382	7.35%	8.51%	7.8%	8.6%	9.59%	8.22%
1988	19,634,393	6.52%	7.30%	5.5%	6.8%	7.70%	6.96%
1987	19,763,489	7.11%	6.84%	5.5%	6.0%	6.66%	5.72%
1986	22,702,888	8.69%	8.74%	7.1%	7.4%		
1985	24,805,620	9.91%	9.75%	9.1%	9.5%		
1984	22,179,507	9.02%	9.66%	9.4%	9.4%		
1983	25,178,343	12.11%	10.99%	8.6%	9.5%		
1982	30,488,779	15.51%	13.26%	13.5%	14.7%		
1981	26,148,927	11.50%	12.42%	12.7%	13.4%		
1980	23,762,605	11.78%	11.92%	11.2%	11.9%		
1979	14,661,310	7.82%	8.82%	9.0%	9.0%		
1978	11,069,889	6.96%	7.75%	6.0%	6.0%		
1977	9,853,216	8.37%	7.04%	4.9%	4.7%		
1976	8,378,771	7.92%	7.34%	5.5%	5.2%		
1975	11,490,970	11.00%	10.39%	6.8%	8.2%		
1974	7,966,372	8.35%	9.88%	8.0%	9.0%		
1973▣	1,674,845	4.90%	6.92%❖	6.1%❖	7.0%❖		
	$1,010,958,489						

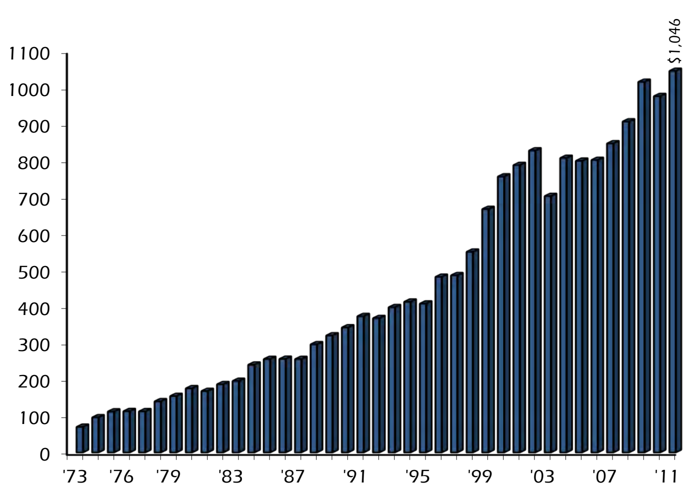
× Yield on funds managed by the Investment Office excluding CDs.

✓ Total return of SDCFF Duration Portfolio (SDCDP).

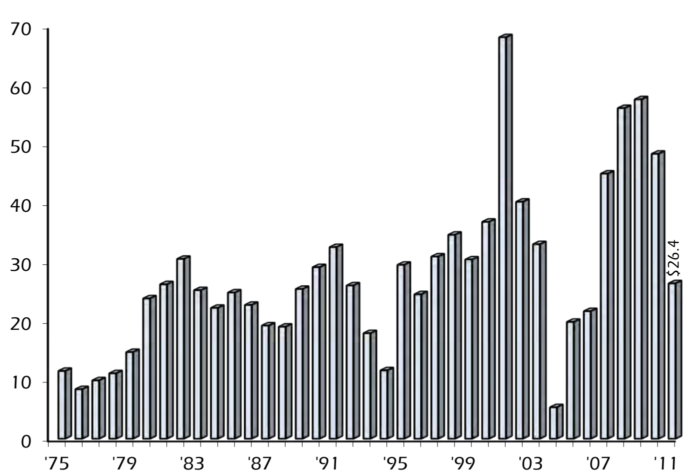
▣ Prorated amount and rate are 7-month numbers.

❖ Rate is annualized.

Asset Growth[23] ($ in millions)



Investment Income[24] ($ in millions)



Cash Flows and Fair Value Changes

The South Dakota Cash Flow Fund began fiscal year 2011 with $976.6 million in assets. During the fiscal year, net contributions/withdrawals, fees and change in CD Program increased the fund by $43.0 million and investment income increased it by $26.4 million, resulting in an ending fair value of $1.046 billion.

Fair Value 6/30/10			$ 976,608,246
Increases/Decreases			
Net Contributions/Withdrawals		$ 47,332,657	
Internal Management Fees		(800,735)	
Decrease in CD Program for FY 11		(3,573,000)	
Total Increases/Decreases			$ 42,958,922
Investment Income			
Securities Income			
Interest Income - Managed	$ 25,431,775		
Interest Income - CDs	178,025		
Change in Accrued Income	(561,289)		
Total Securities Income		$ 25,048,511	
Capital Gain/Loss Income			
Unrealized Gain/Loss Securities	$ (9,459,192)		
Realized Gain/Loss Securities	10,764,765		
Total Capital Gain/Loss Income		$ 1,305,573	
Total Investment Income			$ 26,354,084
Fair Value 6/30/11			$1,045,921,252

Distribution of Assets

The South Dakota Cash Flow Fund's internal Duration Portfolio, internal Money Market and CD Program characteristics as of June 30, 2011, are presented below.

Distribution By Duration	**%**
0 to 1 year	20.2%
1 to 2 years	36.0%
2 to 3 years	33.9%
3 to 4 years	6.0%
Above 4 years	3.9%
Total	100.0%

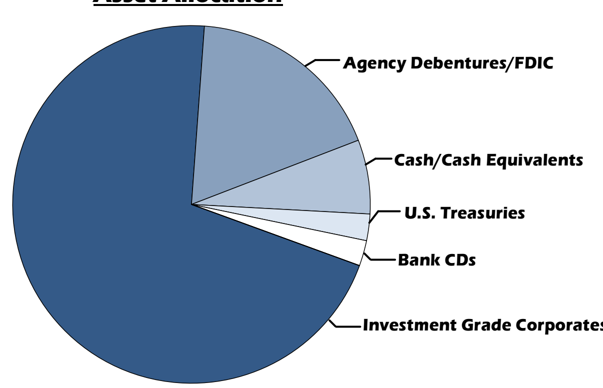
Distribution By Quality Rating	**%**
Cash/Cash Equivalents	6.7%
U.S. Gov't/Aaa	25.1%
Aa	22.3%
A	40.9%
Baa	5.0%
Total	100.0%

Distribution By Coupon	**%**
Cash/Cash Equivalents	6.7%
0.00% - 1.00%	13.6%
1.01% - 2.00%	36.7%
2.01% - 3.00%	20.7%
3.01% - 4.00%	7.6%
4.01% and over	14.7%
Total	100.0%

Distribution By Sector	**%**
Cash/Cash Equivalents	6.7%
Bank CDs	2.3%
U.S. Treasuries	2.4%
Agency Debentures/FDIC	18.0%
Investment Grade Corporates	70.6%
Total	100.0%

Ten Largest Corporates by Issuer	**% of Total**
General Electric Capital Corp.	4.4%
John Deere Capital Corp.	3.0%
IBM Corp.	2.9%
U.S. Bancorp	2.9%
Dell, Inc.	2.9%
Texas Instruments, Inc.	2.9%
Goldman Sachs Group, Inc.	2.8%
Morgan Stanley	2.8%
Hewlett-Packard Co.	2.7%
Johnson & Johnson	2.4%
Total	29.7%

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 other purpose. The income from the fund is paid out annually to South Dakota primary, secondary and higher education schools. The fund, primarily resulting from the sale of land over many decades, has been set aside to provide income to help support public education.

In November 2000, Constitutional Amendment E was passed by the people of South Dakota. The amendment 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 Constitution requires that sufficient income be retained to offset the effect of inflation[3]. State statute allows realized capital gains to be used to satisfy the inflation requirement. As a result of the constitutional amendment, the fund will grow at least at the rate of inflation. In the many decades ahead, this will increase the dollars available for education relative to before the constitutional change. The shift away from an exclusive focus on current income and the requirement to offset inflation initially reduced the payout to schools. To lessen the 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, (2) provide a distribution of income to the schools of higher education and (3) promote inflation-adjusted growth of the fund through the constitutionally-mandated CPI adjustment.

SPL assets were invested in a diversified portfolio during fiscal year 2011, as shown on the following page. The portfolio was invested primarily in U.S. Treasury and mortgage backed securities before the constitutional change in 2000. Since then, the 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, 2011 was 6.39% with a volatility of 9.9%. This means the return in any given year may fall within a range of –3.5% to 16.3% with 66% confidence or –13.4% to 26.2% with 95% confidence.

INVESTMENT PERFORMANCE - FISCAL YEAR 2011

The fund ended fiscal year 2011 with a fair value of $184,124,448. The principal is adjusted by the inflation factor each year as required by the Constitution. SPL's total return, including realized and unrealized gains and losses and accrued income, was 20.4% for the fiscal year. The benchmark[14] return was 18.4%. The difference resulted primarily from write-ups in the real estate limited partnership holdings, plus favorable asset allocation adjustments during the fiscal year. The ten-year annualized total return was 5.7%. This compares with the ten-year annualized benchmark[14] return of 6.2%. The difference resulted primarily from a conservative, phased-in implementation of the asset allocation policy over the past ten years. The fund distributed $8,273,934.59 to the common schools in February 2011 and $1,628,788.47 to the schools of higher education in June 2011.

SPL determines appropriated income on a cash basis accounting system, with income measurements from all sources being determined by SPL office in Pierre and reported separately in their annual report.

Cash Flows and Fair Value Changes

The School and Public Lands fund began fiscal year 2011 with $154.9 million in assets. During the fiscal year, net contributions/withdrawals and fees decreased the fund by $2.6 million and investment income increased it by $31.8 million, resulting in an ending fair value of $184.1 million.

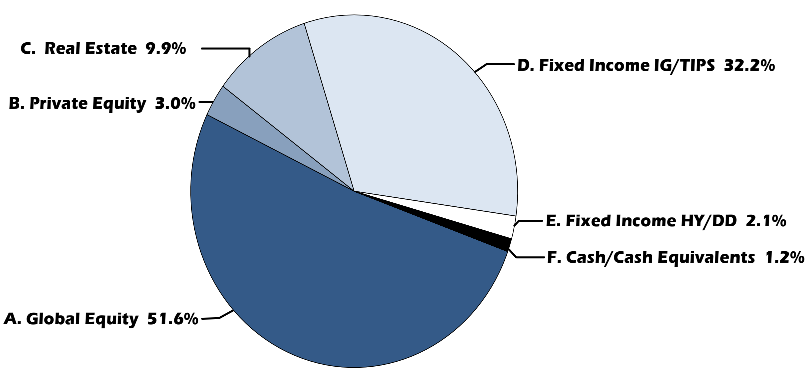
Fair Value 6/30/10			$ 154,895,479
Increases/Decreases			
Net Contributions/Withdrawals		$ (2,266,297)	
External Management Fees		(309,823)	
Total Increases/Decreases			$ (2,576,120)
Investment Income			
Securities Income			
Interest Income	$ 2,597,348		
Dividend Income	2,068,271		
Securities Lending Income	5,494		
Real Estate Income	60,781		
Change in Accrued Income	95,297		
Total Securities Income		$ 4,827,191	
Capital Gain/Loss Income			
Unrealized Gain/Loss Securities	$ 17,695,727		
Realized Gain/Loss Securities	9,282,171		
Total Capital Gain/Loss Income		$ 26,977,898	
Total Investment Income			$ 31,805,089
Fair Value 6/30/11			$ 184,124,448

Investment Mix[8]

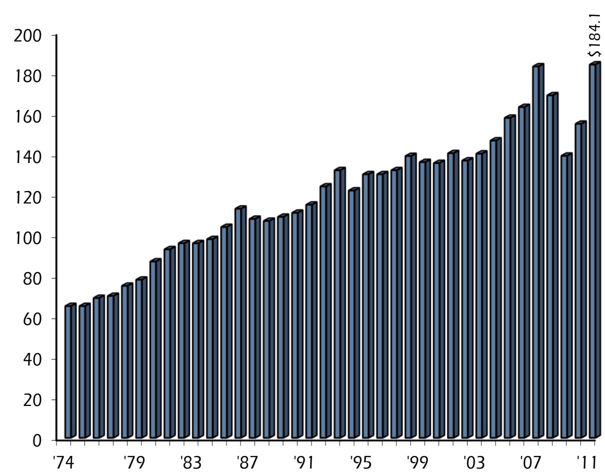
As of June 30, 2011, School and Public Lands' assets for which the Investment Council is responsible totaled $184.1 million. The broad asset categories and managers are listed below. The Capital Markets Benchmark allocation is also provided for comparison. The pie chart below shows the asset allocation of School and Public Lands.

	Fair Value		Portfolio %		Benchmark %
A. Global Equity					
Internal Global Equity	$ 94,270,550		51.2%		
Monument Park	812,460	$ 95,083,010	0.4%	51.6%	48.0%
B. Private Equity Limited Partnerships					
Blackstone	$ 2,894,845		1.6%		
Doughty Hanson	1,216,399		0.7%		
Silver Lake	1,199,826	5,311,070	0.7%	3.0%	2.0%
C. Real Estate Limited Partnerships					
Blackstone	$ 16,435,355		8.9%		
CarVal	1,813,178	18,248,533	1.0%	9.9%	5.0%
D. Fixed Income - Investment Grade/TIPS					
Internal Investment Grade	$ 47,855,710		26.0%		
Internal Treasury Inflation-Protected Securities (TIPS)	8,876,769		4.8%		
S.D. S.B.A. and Similar Assets	2,616,989	59,349,468	1.4%	32.2%	38.0%
E. Fixed Income - High Yield/Distressed Debt					
Internal High Yield	$ 1,817,996		1.0%		
Blackstone	40,900		0.0%		
CarVal	2,001,954	3,860,850	1.1%	2.1%	5.0%
F. Cash & Cash Equivalents					
Internal Cash Portfolio	$ 2,271,517	2,271,517	1.2%	1.2%	2.0%
Total		$ 184,124,448		100.0%	100.0%

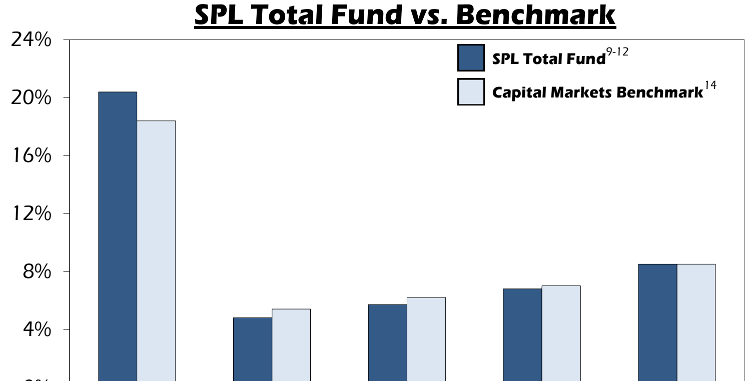
Asset Allocation



Asset Growth[23] ($ in millions)



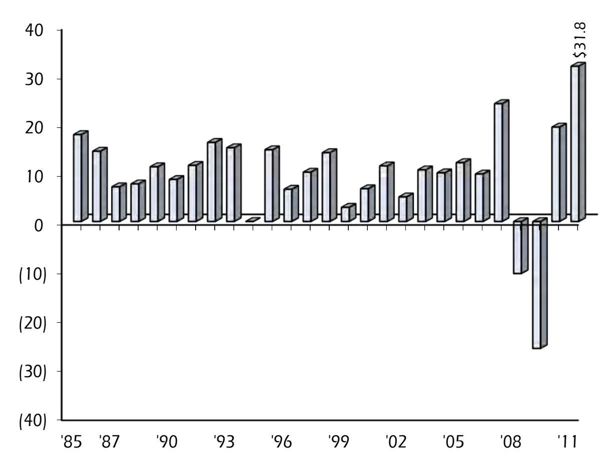
SPL Total Fund vs. Benchmark



Annualized Returns

	1 Year	5 Years	10 Years	20 Years	27 Years
SPL	20.4%	4.8%	5.7%	6.8%	8.5%
Benchmark	18.4%	5.4%	6.2%	7.0%	8.5%
Difference	2.0%	(0.6%)	(0.5%)	(0.2%)	0.0%

Investment Income[24] ($ in millions)



Internal Bond Profiles

The School and Public Lands' internal Investment Grade (IG), High Yield (HY), and Treasury Inflation-Protected Securities bond portfolio characteristics as of June 30, 2011, are presented below.

Distribution by Duration	IG	HY
0 to 2 Years	6.7%	23.0%
2 to 3 Years	16.0%	19.8%
3 to 4 Years	33.8%	21.9%
4 to 5 Years	17.4%	14.7%
5 to 6 Years	12.3%	8.4%
6 to 8 Years	3.1%	3.6%
Above 8 Years	10.7%	8.6%
Total	100.0%	100.0%

Distribution By Quality Rating	IG	HY
Cash/Cash Equivalents	1.1%	1.4%
U.S. Gov't/Aaa	62.4%	0.0%
Aa	6.7%	0.0%
A	17.1%	0.0%
Baa	12.7%	0.0%
Ba	0.0%	25.3%
B	0.0%	43.8%
Caa and lower	0.0%	29.5%
Total	100.0%	100.0%

Distribution By Coupon	IG	HY
Cash/Cash Equivalents	1.2%	1.4%
0.00% - 4.00%	25.1%	0.0%
4.01% - 5.00%	38.1%	0.0%
5.01% - 6.00%	22.5%	2.9%
6.01% - 7.00%	13.1%	7.4%
7.01% - 8.00%	0.0%	28.7%
8.01% - 9.00%	0.0%	26.5%
9.01% and over	0.0%	33.1%
Total	100.0%	100.0%

Distribution By Sector (Consolidated)	%
Cash/Cash Equivalents	0.9%
U.S. Treasuries	12.4%
Agency Debentures/FDIC	7.3%
Agency Mortgage Backed Securities	28.4%
Investment Grade Corporates	29.3%
Treasury Inflation-Protected Securities	14.5%
S.D. S.B.A. and Similar Assets	4.3%
High Yield Corporates	2.9%
Total	100.0%

Investment Grade Bond Portfolio Ten Largest Corporates by Issuer	% of Total
Ontario (Province Of)	2.2%
Comcast Corp.	2.2%
Berkshire Hathaway, Inc.	2.1%
DirectTV Holdings	2.1%
Anheuser-Busch InBev Worldwide, Inc.	1.7%
Altria Group, Inc.	1.6%
Oracle Corp.	1.6%
Pacific Gas & Electric	1.6%
Bear Stearns Cos. LLC	1.5%
Morgan Stanley	1.5%
Total	18.1%

High Yield Bond Portfolio Ten Largest Corporates by Issuer	% of Total
NRG Energy, Inc.	3.0%
Frontier Communications	2.8%
Sabine Pass Lng LP	2.5%
Bon-Ton Dept. Stores	2.5%
Berry Plastics Corp.	2.4%
MGM Resorts Intl.	2.4%
Mirant Mid Atlantic Trust	2.4%
Service Corp. Intl.	2.4%
Dish DBS Corp.	2.3%
Accelent, Inc.	2.3%
Total	25.0%

Internal Global Equity Profile

The School and Public Lands' internal Global Equity portfolio characteristics as of June 30, 2011, are presented below.

Distribution by Market Sector	%
Consumer Discretionary	11.7%
Consumer Staples	11.7%
Energy	12.8%
Financials	22.3%
Health Care	16.5%
Industrials	5.9%
Information Technology	13.2%
Materials	2.5%
Telecommunications Services	1.2%
Utilities	1.5%
Cash Equivalents	0.7%
Total	100.0%

Ten Largest Holdings	% of Total
Exxon Mobil Corp.	3.2%
Wells Fargo & Co.	2.9%
Pfizer, Inc.	2.8%
JPMorgan Chase & Co.	2.6%
Wal-Mart Stores, Inc.	2.4%
Honda Motor Co., Ltd.	2.4%
U.S. Bancorp	2.3%
ConocoPhillips	2.1%
Sanofi –ADR	2.1%
Nestle SA	1.9%
Total	24.7%

Five Largest Country Weights	% of Total
United States	69.3%
Great Britain	6.7%
Switzerland	6.6%
Japan	6.4%
France	3.5%
Total	92.5%

THE FUND

The Dakota Cement Trust (DCT) was established under the Constitution through a Joint Resolution submitted to South Dakota citizens at a special election designated by the 75th Legislature. Two sections of Article XIII were amended.

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 Investment Council to invest the trust funds 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. The Constitution requires a transfer of $12 million each year from the trust fund to the general fund.

Section 21 of Article XIII provided that the original principal of the trust fund would remain inviolate except, as provided in Section 20, for the investment of the trust and the $12 million annual transfer. It directed the legislature to "...make distributions from the difference between the twelve million dollar annual general fund transfer and five percent of the market value of the trust fund for the support of education, but not for the replacement of state aid to general education or special education..."

Additional payouts will be made over time based on the amount by which 5% of the market value exceeds $12 million. In order for additional payouts to be made, the fund balance must not, after the payouts, drop below the original $238 million deposited into DCT. Through fiscal year 2005, the 5% was applied to the fiscal year ended market value. Beginning with fiscal year 2006, the 5% was applied to the sixteen-quarter average market value. The average value should result in a smoother distribution over time.

Senate Bill 229 was passed by the 76th Legislature to provide direction to the Investment Council in the investment of these assets as required by the Constitution. It specifically stated that DCT assets be invested under SDCL 4-5-27, prudent-man standard.

OBJECTIVES AND COMPONENTS

The objectives of DCT are to (1) provide a $12 million annual payout to the general fund, (2) provide the potential for additional distributions to education over the long term and (3) promote inflation-adjusted growth of the fund.

DCT assets were invested in a diversified portfolio during fiscal year 2011, as shown on the following page. The 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, 2011 was 6.39% with a volatility of 9.9%. This means that the return in any given year may fall within a range of –3.5% to 16.3% with 66% confidence or –13.4% to 26.2% with 95% confidence.

INVESTMENT PERFORMANCE - FISCAL YEAR 2011

The fund ended fiscal year 2011 with a fair value of $242,697,687, principal value of $238,000,000, and inflation-adjusted principal of $301,947,692. DCT's total return, including realized and unrealized gains and losses and accrued income, was 21.0% for the fiscal year. The benchmark[16] return was 18.4%. The difference resulted primarily from write-ups in the real estate limited partnership holdings, plus favorable asset allocation adjustments during the fiscal year. The ten-year annualized total return was 6.1%. This compares with the ten-year annualized benchmark[16] return of 6.6%. The difference resulted primarily from a conservative, phased-in implementation of the asset allocation policy over the past ten years. In June 2011, the fund distributed $12,000,000 to the general fund. Since inception, the fund has distributed $132 million to the general fund and over $5.1 million to support education.

Cash Flows and Fair Value Changes

The Dakota Cement Trust fund began fiscal year 2011 with $211.0 million in assets. During the fiscal year, net contributions/withdrawals and fees decreased the fund by $12.6 million and investment income increased it by $44.3 million, resulting in an ending fair value of $242.7 million.

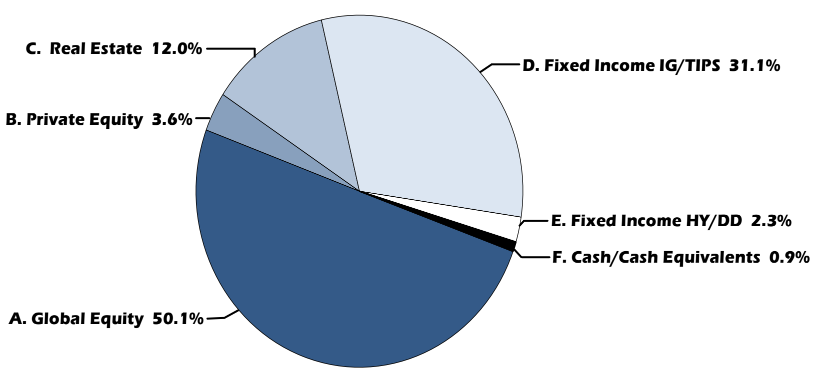
Fair Value 6/30/10			$ 210,980,552
Increases/Decreases			
Net Contributions/Withdrawals		$ (12,000,000)	
Internal Management Fees		(169,619)	
External Management Fees		(458,133)	
Total Increases/Decreases			$ (12,627,752)
Investment Income			
Securities Income			
Interest Income	$ 3,575,088		
Dividend Income	2,719,168		
Securities Lending Income	14,213		
Real Estate Income	98,360		
Change in Accrued Income	248,606		
Total Securities Income		$ 6,655,435	
Capital Gain/Loss Income			
Unrealized Gain/Loss Securities	$ 30,705,702		
Realized Gain/Loss Securities	6,983,750		
Total Capital Gain/Loss Income		$ 37,689,452	
Total Investment Income			$ 44,344,887
Fair Value 6/30/11			$ 242,697,687

Investment Mix[8]

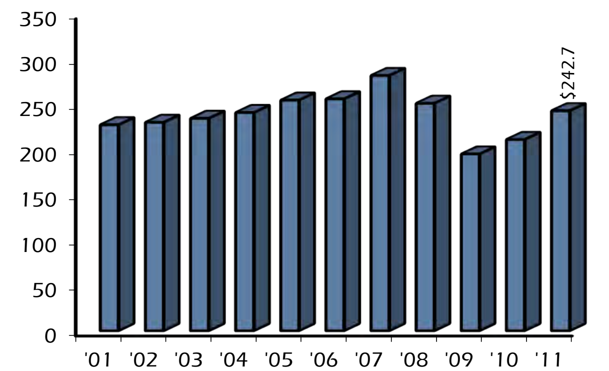
As of June 30, 2011, Dakota Cement Trust's assets for which the Investment Council is responsible totaled $242.7 million. The broad asset categories and managers are listed below. The Capital Markets Benchmark allocation is also provided for comparison. The pie chart below shows the asset allocation of the Dakota Cement Trust.

	Fair Value		Portfolio %		Benchmark %
A. Global Equity					
Internal Global Equity	$ 120,046,770		49.5%		
Monument Park	1,410,090	$ 121,456,860	0.6%	50.0%	48.0%
B. Private Equity Limited Partnerships					
Blackstone	$ 4,729,147		2.0%		
Doughty Hanson	1,983,807		0.8%		
Silver Lake	1,957,270	8,670,224	0.8%	3.6%	2.0%
C. Real Estate Limited Partnerships					
Blackstone	$ 26,148,536		10.8%		
CarVal	2,958,344	29,106,880	1.2%	12.0%	5.0%
D. Fixed Income - Investment Grade/TIPS					
Internal Investment Grade	$ 63,383,318		26.1%		
Internal Treasury Inflation-Protected Securities (TIPS)	12,192,315	75,575,633	5.0%	31.1%	38.0%
E. Fixed Income - High Yield/Distressed Debt					
Internal High Yield	$ 2,462,999		1.0%		
Blackstone	62,753		0.0%		
CarVal	3,252,036	5,777,788	1.3%	2.4%	5.0%
F. Cash & Cash Equivalents					
Internal Cash Portfolio	$ 2,110,302	2,110,302	0.9%	0.9%	2.0%
Total		$ 242,697,687		100.0%	100.0%

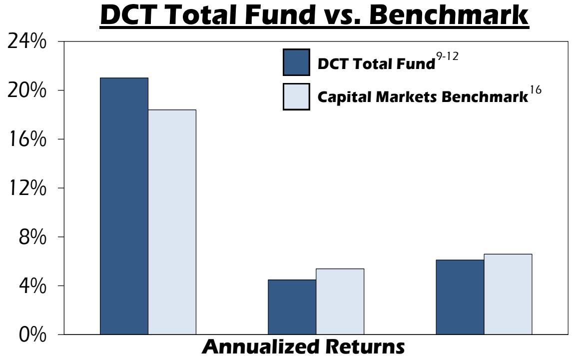
Asset Allocation



Asset Growth[23] ($ in millions)



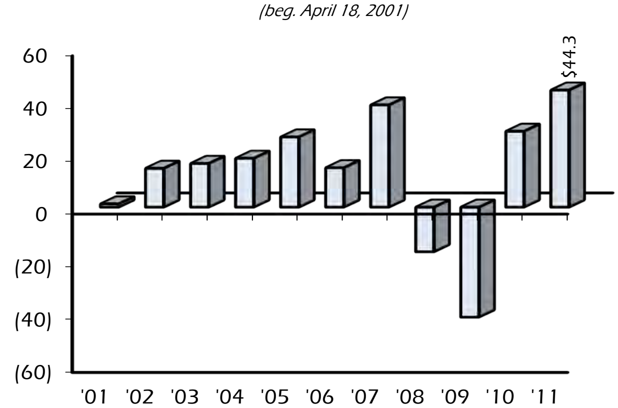
DCT Total Fund vs. Benchmark



	1 Year	5 Years	10 Years
DCT	21.0%	4.5%	6.1%
Benchmark	18.4%	5.4%	6.6%
Difference	2.6%	(0.9%)	(0.5%)

Investment Income[24] ($ in millions)

(beg. April 18, 2001)



Internal Bond Profiles

The Dakota Cement Trust's internal Investment Grade (IG), High Yield (HY), and Treasury Inflation-Protected Securities bond portfolio characteristics as of June 30, 2011, are presented below.

Distribution by Duration	IG	HY
0 to 2 Years	8.4%	22.9%
2 to 3 Years	15.7%	19.8%
3 to 4 Years	33.2%	22.0%
4 to 5 Years	15.7%	14.6%
5 to 6 Years	12.6%	8.4%
6 to 8 Years	3.2%	3.5%
Above 8 Years	11.2%	8.8%
Total	100.0%	100.0%

Distribution By Quality Rating	IG	HY
Cash/Cash Equivalents	0.1%	1.1%
U.S. Gov't/Aaa	63.0%	0.0%
Aa	6.9%	0.0%
A	17.2%	0.0%
Baa	12.8%	0.0%
Ba	0.0%	25.3%
B	0.0%	44.0%
Caa and lower	0.0%	29.6%
Total	100.0%	100.0%

Distribution By Coupon	IG	HY
Cash/Cash Equivalents	0.1%	1.1%
0.00% - 4.00%	25.5%	0.0%
4.01% - 5.00%	29.6%	0.0%
5.01% - 6.00%	31.2%	2.9%
6.01% - 7.00%	13.6%	7.4%
7.01% - 8.00%	0.0%	28.9%
8.01% - 9.00%	0.0%	26.5%
9.01% and over	0.0%	33.2%
Total	100.0%	100.0%

Distribution By Sector (Consolidated)	%
Cash/Cash Equivalents	0.2%
U.S. Treasuries	13.3%
Agency Debentures/FDIC	8.0%
Agency Mortgage Backed Securities	29.0%
Investment Grade Corporates	30.8%
Treasury Inflation-Protected Securities	15.6%
High Yield Corporates	3.1%
Total	100.0%

Investment Grade Bond Portfolio

Ten Largest Corporates by Issuer	% of Total
Ontario (Province Of)	2.3%
Comcast Corp.	2.3%
Berkshire Hathaway, Inc.	2.1%
DirectTV Holdings	2.1%
Anheuser-Busch InBev Worldwide, Inc.	1.7%
Oracle Corp.	1.7%
Altria Group, Inc.	1.6%
Bear Stearns Cos. LLC	1.6%
Pacific Gas & Electric	1.6%
Morgan Stanley	1.5%
Total	18.5%

High Yield Bond Portfolio

Ten Largest Corporates by Issuer	% of Total
NRG Energy, Inc.	3.1%
Frontier Communications	2.8%
Sabine Pass Lng LP	2.5%
Bon-Ton Dept. Stores	2.5%
Berry Plastics Corp.	2.5%
MGM Resorts Intl.	2.5%
Service Corp. Intl.	2.4%
Dish DBS Corp.	2.4%
Mirant Mid Atlantic Trust	2.3%
Stone Energy Corp.	2.3%
Total	25.3%

Internal Global Equity Profile

The Dakota Cement Trust's internal Global Equity portfolio characteristics as of June 30, 2011, are presented below.

Distribution by Market Sector	%
Consumer Discretionary	11.4%
Consumer Staples	11.4%
Energy	12.8%
Financials	22.9%
Health Care	16.0%
Industrials	6.1%
Information Technology	13.5%
Materials	2.4%
Telecommunications Services	1.1%
Utilities	1.5%
Cash Equivalents	0.9%
Total	100.0%

Ten Largest Holdings	% of Total
Exxon Mobil Corp.	3.3%
Wells Fargo & Co.	2.9%
Pfizer, Inc.	2.9%
JPMorgan Chase & Co.	2.9%
U.S. Bancorp	2.5%
Wal-Mart Stores, Inc.	2.2%
ConocoPhillips	2.2%
Nestle SA	2.0%
Microsoft Corp.	2.0%
General Electric Co.	2.0%
Total	24.9%

Five Largest Country Weights	% of Total
United States	69.3%
Great Britain	7.8%
Switzerland	6.5%
Japan	6.4%
France	3.3%
Total	93.3%

EDUCATION ENHANCEMENT TRUST

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. The constitutional change directed the Investment 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 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 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.

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 a diversified portfolio during fiscal year 2011, 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 fund and placed into the taxable fund to generate higher expected returns. The 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, 2011 was 6.0% with a volatility of 9.8%, which is less than the other trust funds because of the required investment in tax-exempt bonds. The return in any given year can fall within a range of –3.9% to 15.8%with 66% confidence or –13.6% to 25.6% with 95% confidence.

INVESTMENT PERFORMANCE - FISCAL YEAR 2011

The fund ended fiscal year 2011 with a fair value of $391,603,274, principal value of $329,329,930, and inflation-adjusted principalof $408,409,819. EET's total return, including realized and unrealized gains and losses and accrued income, was 20.4%. The benchmark[17] return was 18.8%. The difference resulted primarily from write-ups in the real estate limited partnership holdings, plus favorable asset allocation adjustments during the fiscal year. The nine-year annualized total return was 5.2%. This compares with the nine-year annualized benchmark[17] return of 6.9%. The difference resulted primarily from a conservative, phased-in implementation of the asset allocation policy over the past nine years. In July 2011, the fund distributed 4% of the sixteen-quarter average market value as of December 31, 2010, totaling $14,469,388, to the general fund for education expenditures.

Cash Flows and Fair Value Changes

The Education Enhancement Trust fund began fiscal year 2011 with $341.1 million in assets. During the fiscal year, net contributions/withdrawals and fees decreased the fund by $16.0 million and investment income increased it by $66.6 million, resulting in an ending fair value of $391.6 million.

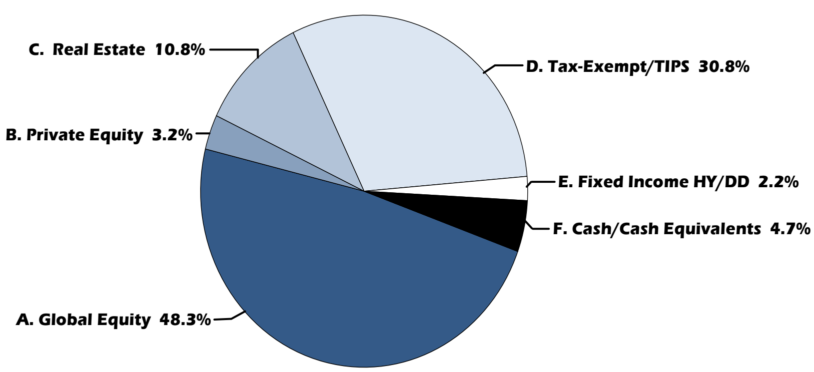
Fair Value 6/30/10			$ 341,082,078
Increases/Decreases			
Net Contributions/Withdrawals		$ (14,802,789)	
Internal Management Fees		(264,979)	
External Management Fees		(964,115)	
Total Increases/Decreases			$ (16,031,883)
Investment Income			
Securities Income			
Interest Income	$ 5,546,063		
Dividend Income	4,232,211		
Securities Lending Income	21,667		
Real Estate Income	141,942		
Change in Accrued Income	228,295		
Total Securities Income		$ 10,170,178	
Capital Gain/Loss Income			
Unrealized Gain/Loss Securities	$ 44,787,229		
Realized Gain/Loss Securities	11,595,672		
Total Capital Gain/Loss Income		$ 56,382,901	
Total Investment Income			$ 66,553,079
Fair Value 6/30/11			$ 391,603,274

Investment Mix[8]

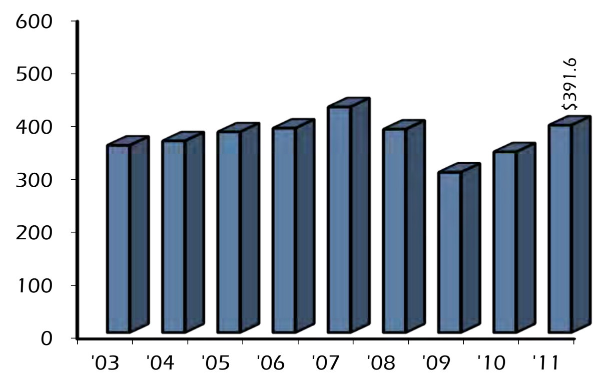
As of June 30, 2011, Education Enhancement Trust's assets for which the Investment Council is responsible totaled $391.6 million. The broad asset categories and managers are listed below. The Capital Markets Benchmark allocation is also provided for comparison. The pie chart below shows the asset allocation of the Education Enhancement Trust.

	Fair Value		Portfolio %		Benchmark %
A. Global Equity					
Internal Global Equity	$ 187,142,876		47.8%		
Monument Park	2,032,800	$189,175,676	0.5%	48.3%	48.0%
B. Private Equity Limited Partnerships					
Blackstone	$ 6,845,761		1.8%		
Doughty Hanson	2,867,485		0.7%		
Silver Lake	2,828,663	12,541,909	0.7%	3.2%	2.0%
C. Real Estate Limited Partnerships					
Blackstone	$ 37,842,914		9.7%		
CarVal	4,198,939	42,041,853	1.1%	10.8%	5.0%
D. Fixed Income - Tax-Exempt/TIPS					
PIMCO Tax-Exempt Portfolio	$ 118,749,781		30.3%		
Internal Treasury Inflation-Protected Securities (TIPS)	2,010,943	120,760,724	0.5%	30.8%	38.0%
E. Fixed Income - High Yield/Distressed Debt					
Internal High Yield	$ 3,882,453		1.0%		
Blackstone	92,037		0.0%		
CarVal	4,704,507	8,678,997	1.2%	2.2%	5.0%
F. Cash & Cash Equivalents					
Internal Cash Portfolio	$ 18,404,115	18,404,115	4.7%	4.7%	2.0%
Total		$ 391,603,274		100.0%	100.0%

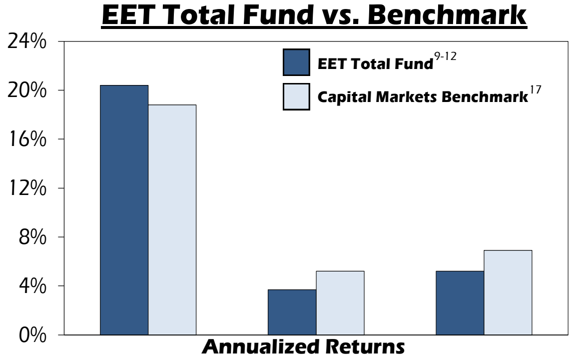
Asset Allocation



Asset Growth[23] ($ in millions)

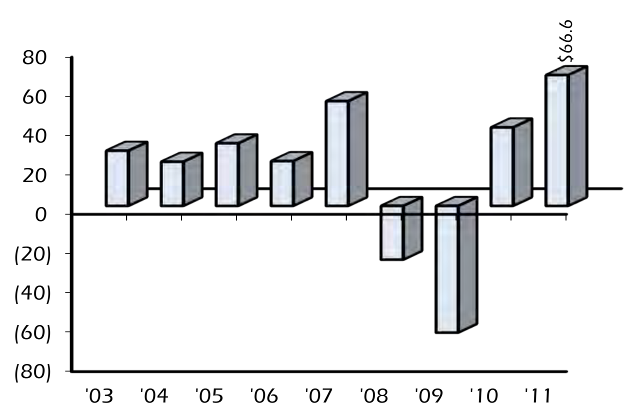


EET Total Fund vs. Benchmark



	1 Year	5 Years	9 Years
EET	20.4%	3.7%	5.2%
Benchmark	18.8%	5.2%	6.9%
Difference	1.6%	(1.5%)	(1.7%)

Investment Income[24] ($ in millions)



Bond Profiles

The Education Enhancement Trust's PIMCO Tax-Exempt (PIMCO), internal High Yield (HY), and internal Treasury Inflation-Protected Securities bond portfolio characteristics as of June 30, 2011, are presented below.

Distribution by Duration	PIMCO	HY
0 to 2 Years	20.3%	23.0%
2 to 3 Years	8.9%	19.8%
3 to 4 Years	7.6%	21.9%
4 to 5 Years	17.3%	14.6%
5 to 6 Years	15.1%	8.5%
6 to 8 Years	25.1%	3.5%
Above 8 Years	5.7%	8.7%
Total	100.0%	100.0%

Distribution By Quality Rating	PIMCO	HY
Cash/Cash Equivalents	1.7%	1.3%
U.S. Gov't/Aaa	5.4%	0.0%
Aa	59.7%	0.0%
A	22.5%	0.0%
Baa	0.9%	0.0%
Ba	1.5%	25.3%
B	0.0%	43.9%
Caa and lower	0.0%	29.5%
Unrated	8.3%	0.0%
Total	100.0%	100.0%

Distribution By Coupon	PIMCO	HY
Cash/Cash Equivalents	1.7%	1.3%
0.00% - 4.00%	23.7%	0.0%
4.01% - 5.00%	56.0%	0.0%
5.01% - 6.00%	18.6%	2.9%
6.01% - 7.00%	0.0%	7.4%
7.01% - 8.00%	0.0%	28.7%
8.01% - 9.00%	0.0%	26.5%
9.01% and over	0.0%	33.2%
Total	100.0%	100.0%

Distribution By Sector (Consolidated)	%
Cash/Cash Equivalents	1.7%
Tax-Exempt Bonds	93.6%
Treasury Inflation-Protected Securities	1.6%
High Yield Corporates	3.1%
Total	100.0%

PIMCO Tax-Exempt Bond Portfolio

Ten Largest Municipals by Issuer	% of Total
City of New York, NY	4.7%
Chicago Transit Authority	4.1%
State of California	3.7%
State of Illinois	3.0%
Indiana Finance Authority	2.5%
New York State Dormitory Authority	2.0%
New Jersey Transportation Trust Fund Authority	1.8%
Energy Northwest	1.6%
University of Illinois	1.4%
Municipal Electric Authority of Georgia	1.4%
Total	26.2%

High Yield Bond Portfolio

Ten Largest Corporates by Issuer	% of Total
NRG Energy, Inc.	3.1%
Frontier Communications	2.8%
Bon-Ton Dept. Stores	2.5%
Sabine Pass Lng LP	2.5%
Berry Plastics Corp.	2.4%
MGM Resorts Intl.	2.4%
Mirant Mid Atlantic Trust	2.4%
Service Corp. Intl.	2.4%
Dish DBS Corp.	2.3%
Stone Energy Corp.	2.2%
Total	25.0%

Internal Global Equity Profile

The Education Enhancement Trust's internal Global Equity portfolio characteristics as of June 30, 2011, are presented below.

Distribution by Market Sector	%
Consumer Discretionary	11.2%
Consumer Staples	11.5%
Energy	12.9%
Financials	22.8%
Health Care	16.1%
Industrials	6.1%
Information Technology	13.6%
Materials	2.4%
Telecommunications Services	1.1%
Utilities	1.6%
Cash Equivalents	0.7%
Total	100.0%

Ten Largest Holdings	% of Total
Exxon Mobil Corp.	3.3%
JPMorgan Chase & Co.	3.0%
Pfizer, Inc.	2.9%
Wells Fargo & Co.	2.9%
Wal-Mart Stores, Inc.	2.3%
U.S. Bancorp	2.3%
ConocoPhillips	2.2%
General Electric Co.	2.0%
Microsoft Corp.	2.0%
Intel Corp.	1.9%
Total	24.8%

Five Largest Country Weights	% of Total
United States	69.3%
Great Britain	7.7%
Switzerland	6.6%
Japan	6.5%
France	3.2%
Total	93.3%

HEALTH CARE TRUST

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 Investment Council to invest the trust funds 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 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 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 a diversified portfolio during fiscal year 2011, as shown on the following page. The 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, 2011 was 6.39% with a volatility of 9.9%. This means that the return in any given year may fall within a range of –3.5% to 16.3% with 66% confidence or –13.4% to 26.2% with 95% confidence.

INVESTMENT PERFORMANCE - FISCAL YEAR 2011

The fund fiscal year 2011 with a fair value of $107,927,590, principal value of $85,631,024, and inflation-adjusted principal of $106,035,771. HCT's total return, including realized and unrealized gains and losses and accrued income, was 20.6% for the fiscal year. The benchmark[18] return was 18.4%. The difference resulted primarily from write-ups in the real estate limited partnership holdings, plus favorable asset allocation adjustments during the fiscal year. The nine-year annualized total return was 6.0%. This compares with the nine-year annualized benchmark[18] return of 7.1%. The difference resulted primarily from a conservative, phased-in implementation of the asset allocation policy over the past nine years. In July 2011, the fund distributed 4% of the sixteen-quarter average market value as of December 31, 2010, totaling $3,876,298, to the general fund for health care related expenditures.

Cash Flows and Fair Value Changes

The Health Care Trust fund began fiscal year 2011 with $93.6 million in assets. During the fiscal year, net contributions/withdrawals and fees decreased the fund by $4.1 million and investment income increased it by $18.5 million, resulting in an ending fair value of $107.9 million.

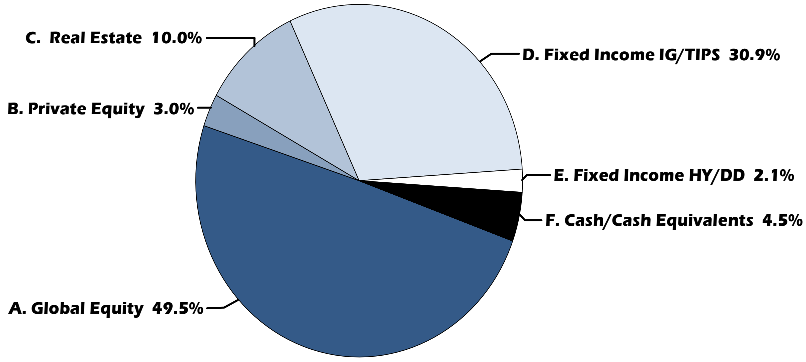
Fair Value 6/30/10			$ 93,580,202
Increases/Decreases			
Net Contributions/Withdrawals		$ (3,886,427)	
Internal Management Fees		(72,302)	
External Management Fees		(183,112)	
Total Increases/Decreases			$ (4,141,841)
Investment Income			
Securities Income			
Interest Income	$ 1,528,101		
Dividend Income	1,178,126		
Securities Lending Income	5,958		
Real Estate Income	36,565		
Change in Accrued Income	94,202		
Total Securities Income		$ 2,842,952	
Capital Gain/Loss Income			
Unrealized Gain/Loss Securities	$ 12,452,628		
Realized Gain/Loss Securities	3,193,649		
Total Capital Gain/Loss Income		$ 15,646,277	
Total Investment Income			$ 18,489,229
Fair Value 6/30/11			$ 107,927,590

Investment Mix[8]

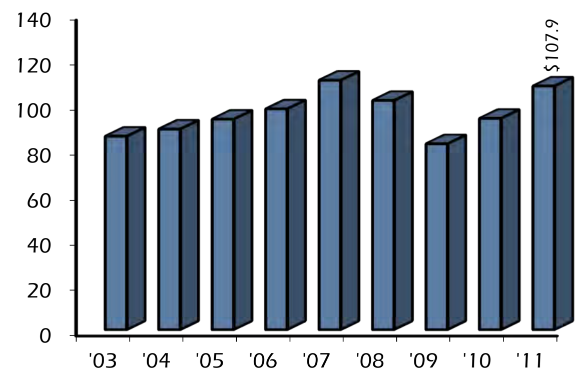
As of June 30, 2011, Health Care Trust's assets for which the Investment Council is responsible totaled $107.9 million. The broad asset categories and managers are listed below. The Capital Markets Benchmark allocation is also provided for comparison. The pie chart below shows the asset allocation of the Health Care Trust.

	Fair Value		Portfolio %		Benchmark %
A. Global Equity					
Internal Global Equity	$ 52,871,975		49.0%		
Monument Park	496,650	$ 53,368,625	0.5%	49.5%	48.0%
B. Private Equity Limited Partnerships					
Blackstone	$ 1,745,210		1.6%		
Doughty Hanson	727,157		0.7%		
Silver Lake	717,228	3,189,595	0.7%	3.0%	2.0%
C. Real Estate Limited Partnerships					
Blackstone	$ 9,759,147		9.0%		
CarVal	1,049,734	10,808,881	1.0%	10.0%	5.0%
D. Fixed Income - Investment Grade/TIPS					
Internal Investment Grade	$ 28,457,415		26.4%		
Internal Treasury Inflation-Protected Securities (TIPS)	4,909,557	33,366,972	4.5%	30.9%	38.0%
E. Fixed Income - High Yield/Distressed Debt					
Internal High Yield	$ 1,063,190		1.0%		
Blackstone	24,171		0.0%		
CarVal	1,195,731	2,283,092	1.1%	2.1%	5.0%
F. Cash & Cash Equivalents					
Internal Cash Portfolio	$ 4,910,425	4,910,425	4.5%	4.5%	2.0%
Total		$ 107,927,590		100.0%	100.0%

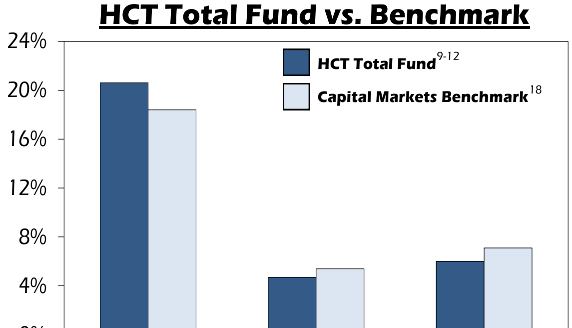
Asset Allocation



Asset Growth[23] ($ in millions)



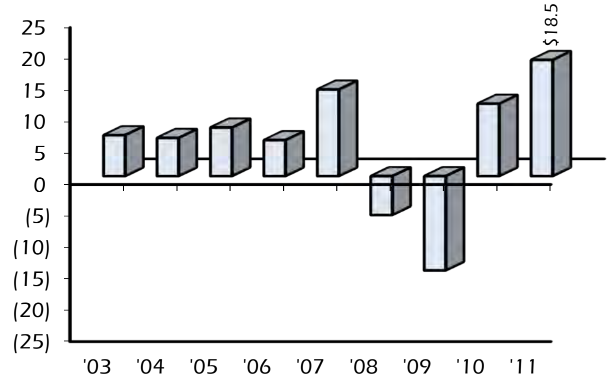
HCT Total Fund vs. Benchmark



Annualized Returns

	1 Year	5 Years	9 Years
HCT	20.6%	4.7%	6.0%
Benchmark	18.4%	5.4%	7.1%
Difference	2.2%	(0.7%)	(1.1%)

Investment Income[24] ($ in millions)



Internal Bond Profiles

The Health Care Trust's internal Investment Grade (IG), High Yield (HY), and Treasury Inflation-Protected Securities bond portfolio characteristics as of June 30, 2011, are presented below.

Distribution by Duration	IG	HY
0 to 2 Years	8.0%	22.8%
2 to 3 Years	14.6%	19.9%
3 to 4 Years	33.1%	21.9%
4 to 5 Years	17.3%	14.7%
5 to 6 Years	12.6%	8.5%
6 to 8 Years	3.2%	3.5%
Above 8 Years	11.2%	8.7%
Total	100.0%	100.0%

Distribution By Quality Rating	IG	HY
Cash/Cash Equivalents	0.6%	0.9%
U.S. Gov't/Aaa	62.5%	0.0%
Aa	6.8%	0.0%
A	17.3%	0.0%
Baa	12.8%	0.0%
Ba	0.0%	25.6%
B	0.0%	43.8%
Caa and lower	0.0%	29.7%
Total	100.0%	100.0%

Distribution By Coupon	IG	HY
Cash/Cash Equivalents	0.6%	0.9%
0.00% - 4.00%	25.4%	0.0%
4.01% - 5.00%	30.8%	0.0%
5.01% - 6.00%	28.7%	3.0%
6.01% - 7.00%	14.5%	7.6%
7.01% - 8.00%	0.0%	28.9%
8.01% - 9.00%	0.0%	26.1%
9.01% and over	0.0%	33.5%
Total	100.0%	100.0%

Distribution By Sector (Consolidated)	%
Cash/Cash Equivalents	0.4%
U.S. Treasuries	13.5%
Agency Debentures/FDIC	8.0%
Agency Mortgage Backed Securities	29.3%
Investment Grade Corporates	31.4%
Treasury Inflation-Protected Securities	14.3%
High Yield Corporates	3.1%
Total	100.0%

Investment Grade Bond Portfolio Ten Largest Corporates by Issuer	% of Total
Ontario (Province Of)	2.3%
Comcast Corp.	2.2%
Berkshire Hathaway, Inc.	2.1%
DirectTV Holdings	2.1%
Anheuser-Busch InBev Worldwide, Inc.	1.7%
Oracle Corp.	1.7%
Altria Group, Inc.	1.6%
Bear Stearns Cos. LLC	1.6%
Pacific Gas & Electric	1.6%
Morgan Stanley	1.5%
Total	18.4%

High Yield Bond Portfolio Ten Largest Corporates by Issuer	% of Total
NRG Energy, Inc.	3.0%
Frontier Communications	2.9%
Bon-Ton Dept. Stores	2.5%
Berry Plastics Corp.	2.5%
MGM Resorts Intl.	2.4%
Sabine Pass Lng LP	2.4%
Service Corp. Intl.	2.4%
Mirant Mid Atlantic Trust	2.4%
Dish DBS Corp.	2.3%
Stone Energy Corp.	2.3%
Total	25.1%

Internal Global Equity Profile

The Health Care Trust's internal Global Equity portfolio characteristics as of June 30, 2011, are presented below.

Distribution by Market Sector	%
Consumer Discretionary	11.3%
Consumer Staples	11.5%
Energy	12.9%
Financials	22.7%
Health Care	16.1%
Industrials	6.1%
Information Technology	13.6%
Materials	2.4%
Telecommunications Services	1.1%
Utilities	1.5%
Cash Equivalents	0.8%
Total	100.0%

Ten Largest Holdings	% of Total
Exxon Mobil Corp.	3.3%
JPMorgan Chase & Co.	3.0%
Pfizer, Inc.	2.9%
Wells Fargo & Co.	2.9%
U.S. Bancorp	2.4%
Wal-Mart Stores, Inc.	2.4%
ConocoPhillips	2.3%
General Electric Co.	2.0%
Microsoft Corp.	2.0%
Intel Corp.	1.8%
Total	25.0%

Five Largest Country Weights	% of Total
United States	69.3%
Great Britain	7.7%
Switzerland	6.6%
Japan	6.6%
France	3.1%
Total	93.3%

HIGHER EDUCATION SAVINGS PLAN

In 2001, the Legislature assigned the Investment 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 Investment Council selected Allianz Global Investors Distributors LLC (formerly PIMCO Funds Distributors LLC) as the program manager for the Section 529 program from among 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. Contributions from every state and several countries have generated growth of Plan assets to over $951 million on June 30, 2011.

The Investment 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 age of the designated beneficiary of the account. A diversified group of five investment portfolios is designed to emphasize total return and capital appreciation when the designated beneficiary of an account is younger and increasingly emphasizes preservation of capital and income as the designated beneficiary approaches college age. The total annual operating expense ratios for South Dakotans investing directly in the age-based portfolios ranged from 0.41% to 0.62% last year. In addition, account owners can invest directly in two individual fund 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 0.49% for South Dakota residents.

In addition to the opportunity for South Dakotans to invest directly at a low cost, five age-based portfolios, fifteen 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 $3,301,353 have been directed from Allianz to the Dakota Corps Scholarship Fund. Based on the assets as of June 30, 2011 and the scholarship funding formula, the resulting 2011 contribution was $1,059,271. 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 Investment 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 28, 2011, can be found in the Appendix on page 43.

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.

NOTICE: CollegeAccess 529 Plan accounts are not insured by any state, and neither the principal deposited nor the investment return is guaranteed by any state. Furthermore, the accounts are not insured, nor the principal or investment return guaranteed, by the Federal Government or any Federal agency.

SOUTH DAKOTA INVESTMENT COUNCIL

4009 West 49th Street, Suite 300
Sioux Falls, SD 57106-3784 USA
Phone: (605) 362-2820

January 28, 2011

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

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

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

Dear Governor Daugaard, Speaker Rausch and President Pro Tempore Gray:

We are pleased to submit our tenth 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 (Allianz), formerly PIMCO Funds Distributors LLC, was selected by the Council to manage, invest, market, and administer the Plan. The global financial services leader, a member of Allianz Group, has a 121-year corporate history and a presence in more than 70 countries.

The Plan, offered and maintained at no cost to the State or taxpayers as mandated by law, 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 28, 2011
Page 2

As of December 31, 2010, the Plan had assets of approximately $881 million, up 18% from $747 million in assets at year-end 2009. For the Plan's most recent full program year (calendar year 2010), returns for South Dakota direct investment age-based alternatives ranged from 5.41% for the Capital Preservation Portfolio to 14.47% for the Aggressive Growth Portfolio.

Sixty-six percent of the 32 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. 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, and 2010, Allianz contributed $756,125, $694,782, and $823,112 respectively, to the Dakota Corps Scholarship Program, totaling $3,301,353.

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,

Haven L. Stuck
Investment Council Chair

Matthew L. Clark, CFA
State Investment Officer

STATE OF SOUTH DAKOTA
DEPARTMENT OF LEGISLATIVE AUDIT

427 SOUTH CHAPELLE
C/O 500 EAST CAPITOL
PIERRE SD 57501-5070
(605) 773-3595
FAX (605) 773-6454

MARTIN L. GUINDON, CPA
AUDITOR GENERAL

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Executive Board
Legislative Research Council

and

Investment Council
State of South Dakota

We have audited the financial statements of the Cash Flow, School and Public Lands, Dakota Cement Trust, Cement Plant Retirement, Education Enhancement Trust and Health Care Trust portfolios as of and for the fiscal year ended June 30, 2011 and have issued our report thereon dated September 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the South Dakota Investment Council's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the South Dakota Investment Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the South Dakota Investment Council's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the South Dakota Investment Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the South Dakota Investment Council in a separate letter dated September 30, 2011.

This report is intended solely for the information and use of management and members of the South Dakota Legislature and is not intended to be and should not be used by anyone other than those specified. However, this report is a matter of public record and its distribution is not limited.

Martin L. Guindon

Martin L. Guindon, CPA
Auditor General

September 30, 2011

STATE OF SOUTH DAKOTA DEPARTMENT OF LEGISLATIVE AUDIT

427 SOUTH CHAPELLE
C/O 500 EAST CAPITOL
PIERRE SD 57501-5070
(605) 773-3595
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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

Executive Board
Legislative Research Council

and

Investment Council
State of South Dakota

We have audited the accompanying financial statements of the Cash Flow, School and Public Lands, Dakota Cement Trust, Cement Plant Retirement, Education Enhancement Trust and Health Care Trust portfolios as of and for the fiscal year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the South Dakota Investment Council (SDIC). Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements present only the above referenced investment portfolios managed by the SDIC and do not purport to, and do not, present fairly the financial position of the State of South Dakota as of June 30, 2011 and the changes in its financial position and its cash flows, where applicable, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the portfolios listed above as of June 30, 2011, and the changes in net assets for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As explained in the following table and in Note 2 to the financial statements, the financial statements include investments whose carrying values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or the general partners:

Portfolio	Amount	Percent of Net Assets
School and Public Lands	$ 26,414,917	14%
Dakota Cement Trust	$ 42,501,983	18%
Cement Plant Retirement	$ 17,413,865	35%
Education Enhancement Trust	$ 61,413,106	16%
Health Care Trust	$ 15,715,028	15%

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2011, on our consideration of the SDIC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Martin L. Guindon

Martin L. Guindon, CPA
Auditor General

September 30, 2011

South Dakota Investment Council
Statement of Net Assets
As of June 30, 2011

	Cash Flow Portfolio	School and Public Lands Portfolio	Dakota Cement Trust Portfolio	Cement Plant Retirement Portfolio	Education Enhancement Trust Portfolio	Health Care Trust Portfolio
Assets						
Cash and cash equivalents	$ 78,824,753	$ 3,346,284	$ 2,861,123	$ 2,366,012	$ 21,311,058	$ 5,315,008
Receivables						
Investment income receivable	5,702,765	742,088	1,131,965	138,908	1,835,921	486,530
Unsettled investment sales	-	-	-	11,475	-	-
Forward foreign exchange contracts	-	-	-	1,748	-	-
Total receivables	5,702,765	742,088	1,131,965	152,131	1,835,921	486,530
Investments, at fair value						
Fixed income	970,249,463	59,475,237	80,499,444	10,132,891	126,068,131	35,158,733
Equities	-	94,391,732	120,434,989	23,893,412	187,804,400	52,968,843
Real estate	-	18,248,533	29,106,880	6,580,618	42,041,854	10,808,881
Private equity	-	5,311,070	8,670,224	6,198,607	12,541,909	3,189,595
Commodities	-	-	-	140,411	-	-
Total investments	970,249,463	177,426,572	238,711,537	46,945,939	368,456,294	102,126,052
Other assets	-	2,609,504	-	-	-	-
Total assets	1,054,776,981	184,124,448	242,704,625	49,464,082	391,603,273	107,927,590
Liabilities						
Unsettled investment purchases	-	-	6,938	2,313	-	-
Forward foreign exchange contracts	-	-	-	12,985	-	-
Due to brokers - futures transactions	-	-	-	2,356	-	-
Earnings distribution - declared	23,498,177	-	-	-	14,469,388	3,876,298
Total liabilities	23,498,177	-	6,938	17,654	14,469,388	3,876,298
Net assets	$1,031,278,804	$ 184,124,448	$ 242,697,687	$ 49,446,428	$ 377,133,885	$ 104,051,292

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

South Dakota Investment Council
Statement of Changes in Net Assets
As of June 30, 2011

	Cash Flow Portfolio	School and Public Lands Portfolio	Dakota Cement Trust Portfolio	Cement Plant Retirement Portfolio	Education Enhancement Trust Portfolio	Health Care Trust Portfolio
Additions:						
Contributions	$ 92,656,997	$ 7,709,349	$ -	$ 4,048,351	$ -	$ -
Investment income:						
From investing activities:						
Net appreciation in fair value of investments	1,305,574	26,977,898	37,689,452	8,914,753	56,382,902	15,646,278
Interest	25,048,510	2,628,910	3,623,063	589,493	5,493,119	1,542,161
Dividends	-	2,129,153	2,916,197	542,259	4,507,952	1,256,757
Real estate income	-	60,781	98,360	30,723	141,942	36,565
Investment income	26,354,084	31,796,742	44,327,072	10,077,228	66,525,915	18,481,761
Less investment activity expense	(800,735)	(309,823)	(627,752)	(237,788)	(1,229,094)	(255,414)
Net investment activity income	25,553,349	31,486,919	43,699,320	9,839,440	65,296,821	18,226,347
From security lending activities:						
Security lending income	-	11,923	25,450	4,240	38,807	10,669
Security lending expenses	-	(3,577)	(7,635)	(1,272)	(11,642)	(3,201)
Net security lending activity income	-	8,346	17,815	2,968	27,165	7,468
Total investment income	25,553,349	31,495,265	43,717,135	9,842,408	65,323,986	18,233,815
Total additions	118,210,346	39,204,614	43,717,135	13,890,759	65,323,986	18,233,815
Deductions:						
Withdrawals	-	-	-	3,575,894	-	-
Statutorily required distributions	35,573,830	9,975,645	12,000,000	-	14,469,388	3,876,298
Total deductions	35,573,830	9,975,645	12,000,000	3,575,894	14,469,388	3,876,298
Net increase (decrease) in net assets	82,636,516	29,228,969	31,717,135	10,314,865	50,854,598	14,357,517
Net assets - beginning of year	948,642,288	154,895,479	210,980,552	39,131,563	326,279,287	89,693,775
Net assets - end of year	$1,031,278,804	$ 184,124,448	$ 242,697,687	$ 49,446,428	$ 377,133,885	$ 104,051,292

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

SOUTH DAKOTA INVESTMENT COUNCIL
INVESTMENT PORTFOLIOS
NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity:

The South Dakota Investment Council (SDIC) is a principal, functional sub-unit of state government. The SDIC is responsible for the investment of the state's monies in the state treasury. The SDIC provides investment management services on a prefunded cost recovery basis as authorized by South Dakota Codified Laws (SDCL) 4-5-30.

The statements represent the financial activity of the Cash Flow, School and Public Lands, Dakota Cement Trust, Cement Plant Retirement, Education Enhancement Trust, and Health Care Trust portfolios. The statements report investments by each portfolio. The Cash Flow portfolio represents the state's aggregate idle fund monies for all state funds, except for certain funds for which separate portfolios have been established. The School and Public Lands portfolio represents assets held in permanent school funds. The Dakota Cement Trust portfolio represents proceeds from the sale of the South Dakota Cement Plant. The Cement Plant Retirement portfolio pays retirement benefits to former employees of the previously owned State Cement Plant. The Education Enhancement Trust portfolio represents assets held in trust from the master settlement agreement between the State of South Dakota and major United States tobacco product manufacturers. The Health Care Trust portfolio represents assets held in trust from federal reimbursement for Medicaid and Medicare costs associated with publicly owned and operated nursing facilities.

2. Summary of Significant Accounting Policies:

a. Basis of Presentation:

The accompanying financial statements of the investment activity of the SDIC are prepared in accordance with generally accepted accounting principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB).

b. Basis of Accounting:

The statements on the portfolios are reported on the full accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred. Security transactions and the related gains and losses are recorded on a trade date basis using the average cost method. Purchases and sales of foreign investments and the related income are translated at the rate of exchange on the respective transaction dates. Realized and unrealized gains and losses resulting from foreign currency changes are included in the Statement of Changes in Net Assets. Dividend income is recorded on the ex-dividend date and interest income is accrued as earned.

c. Cash and Cash Equivalents:

Cash includes demand deposits and foreign currency cash balances. Cash equivalents include short-term investments with original maturities of three months or less. Foreign currency cash balances are translated into U.S. dollars using the year-end spot foreign currency exchange rates. Other cash equivalents are valued at cost plus accrued interest.

d. Valuation of Securities:

Investments are reported at fair value, which approximates market value, in accordance with GASB Statement No. 31. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Certificates of deposit are reported at cost and U.S. Treasury bills at cost plus accrued interest, which is a reasonable estimate of fair value. Fair values for the fixed income securities are index prices obtained from Bank of America Merrill Lynch for investment-grade and high-yield securities, Citigroup Global Markets for agency mortgage-backed securities, and Bloomberg Financial Markets for short-term (less than one year) fixed income securities. Domestic and Canadian equity security fair values are obtained from FT Interactive Data and are based on the composite price which is the last price transmitted for a security. Non-Canadian foreign equity security values are obtained from Exshare and are based on an exchange-specific closing price for a security. Spot foreign currency exchange rates are obtained from Reuters. Investments denominated in foreign currencies are translated into U.S. dollars using the year-end spot foreign currency exchange rates. Fair values of foreign currency forward contracts are calculated based on rates obtained from Bloomberg Financial Markets.

Alternative investments consist of investments in a variety of markets and industries through limited partnerships, corporate entities, co-investments, and other investment vehicles. For investments where no readily determinable fair value exists, the SDIC valuation estimates are based on valuations of the underlying companies as determined and reported by the fund manager or general partner. For all of these alternative investments, the SDIC has determined that the net asset value reported by the underlying fund approximates the fair value of the investment. These fair values estimates are subjective and based on judgment. The alternative investments fair values as of percentage of net assets on June 30, 2011 for Cash Flow, School and Public Lands, Dakota Cement Trust, Cement Plant Retirement, Education Enhancement Trust and Health Care Trust portfolios were 0%, 14%, 18%, 35%, 16% and 15%, respectively.

Foreign exchange rate gains and losses are included with the net appreciation in fair value of investments. Futures contracts are marked to market based on quoted futures prices with changes in fair value reflected in the current period.

e. Use of Estimates:

The preparation of financial statements in accordance with GAAP requires management to make estimates that affect the reported amounts of net assets at June 30, 2011. Actual results could differ from those estimates.

3. Deposits, Investments and Securities Lending:

The State Investment Officer is responsible for the investment of state public funds. State public funds in the Cash Flow portfolio are invested using the pooled deposit and investment concept which preserves the integrity of the fund cash balances of each state fund while simultaneously allowing the deposit and investment of aggregate idle fund monies. The Cash Flow portfolio may be invested in the following classes of securities and investments and not otherwise:

(1) Direct and indirect obligations of the United States government.

(2) Agencies and instrumentalities of the United States government.

(3) Direct obligations of the State of South Dakota and any of its political subdivisions.

(4) Obligations consisting of notes, bonds, debentures, and certificates which are direct obligations of a solvent corporation or trust existing under the laws of the United States or any state thereof, if such investments are rated in the four highest classifications established by at least two standard rating services; or

(5) Savings accounts, share accounts, certificates of deposit of banks, savings and loan associations, building and loan associations and bankers' acceptances.

(6) In addition to the investments authorized by subdivisions (1) to (5) of this section, inclusive, the investment council may also allocate a sum certain of state public funds for investment in the accounts and certificates of South Dakota banks and associations. This sum shall initially be offered to South Dakota banks and associations, and if not initially fully subscribed, the investment officer shall immediately reoffer the unsubscribed sum to other qualified public depositories. "Qualified public depository" is a state bank and loan association or federally chartered credit union located in this state which receives or holds public deposits and segregates eligible collateral for public deposits.

The remaining portfolios are governed by the prudent man rule; that is, the SDIC should use the same degree of care as a prudent man. The SDIC dictates the limits on the percent the portfolios invest in various asset classes.

Deposits:

Custodial Credit Risk. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Cash Flow portfolio's certificates of deposit and other deposits in state financial institutions in excess of depository insurance must be 100% collateralized. Collateral is valued at the lower of cost or market as reported in the quarterly call reports prepared by the qualified public depositories pursuant to SDCL 4-6A-7. Collateral is required to be segregated by each depository as approved by the South Dakota Public Deposit Protection Commission. Collateral may not be held in any safety deposit vault owned or controlled either directly or indirectly by the pledging financial institution but must be deposited for safekeeping in a financial institution that is a member of the Federal Reserve. At June 30, 2011, pledged collateral for one depository did not equal at least 100 percent of the total public deposits in excess of depository insurance. As a result, $37,219 of the Cash Flow portfolio's certificates of deposit was exposed to custodial credit risk.

The SDIC has no formal deposit policy specific to custodial credit risk for the School and Public Lands, Dakota Cement Trust, Cement Plant Retirement, Education Enhancement Trust, and Health Care Trust portfolios. At June 30, 2011, these portfolios had bank balances in various foreign currencies. These deposits are not collateralized or covered by depository insurance. As a result, the following amounts were exposed to custodial credit risk:

	School & Public Lands Portfolio	Dakota Cement Trust Portfolio	Cement Plant Retirement Portfolio	Education Enhancement Trust Portfolio	Health Care Trust Portfolio
Foreign Currency Balances	$103,997	$153,807	$24,388	$232,220	$45,655

Investments:

Securities Lending. State statutes and the SDIC policies permit the use of investments for securities lending transactions. These transactions involve the lending of corporate debt, foreign equity securities, and domestic equity securities to broker-dealers for collateral in the form of securities, with the simultaneous agreement to return the collateral for the same securities in the future. The SDIC's securities custodian is an agent in lending securities and shall accept only U.S. Government securities or its agencies as collateral for any loan or loaned securities. The collateral required must equal 102% of fair value plus accrued interest for corporate debt securities, 102% of fair value for U.S. equity securities and 105% of fair value for foreign securities except in the case of loans of foreign securities which are denominated and payable in US Dollars, in which event the collateral required is 102% of fair value. The earnings generated from the collateral investments results in the gross earnings from lending activities, which is then split on a percentage basis with the lending agent.

At year-end, the SDIC has no credit risk exposure to borrowers because the amounts the SDIC owes the borrowers exceed the amounts the borrowers owe the SDIC. The contract with the lending agent requires the agent to indemnify the SDIC if the borrowers fail to return the loaned securities and the collateral is inadequate to replace the securities lent.

All securities loans can be terminated on demand by either the SDIC or the borrower. The SDIC does not have the ability to pledge or sell collateral securities unless the borrower defaults, therefore no asset and corresponding liability for the collateral value of securities received has been established on the Statement of Net Assets. Regarding restrictions on loans, the securities lending agreement does limit the total value of securities that can be out on loan on any given day.

Custodial Credit Risk. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The SDIC's securities lending policies are detailed in the preceding Securities Lending section. As of June 30, 2011, the SDIC does not have custodial credit risk with regard to the security lending collateral.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. SDIC policy limits or establishes ranges for the durations of the fixed income portfolios held by the various funds. Modified duration estimates the sensitivity of a bond's price to interest rate changes. The Cash Flow duration portfolio policy limits average portfolio duration to 2.88 years, and no holding's maturity can exceed 5 years. The Cement Plant Retirement investment-grade fixed income portfolio's duration must fall between 70% and 130% of the duration of the Citigroup Broad Investment Grade (BIG) Index. The investment-grade fixed income portfolios of Dakota Cement Trust, Health Care Trust, Education Enhancement Trust, and School and Public Lands are benchmarked to the duration of the Citigroup Broad Investment Grade (BIG) Index. The internally managed high yield fixed income portfolios have a duration range of 70% to 130% of the Citigroup High-Yield Cash Pay Capped Index duration. The trust funds' Treasury Inflation Protected Securities (TIPS) investments have a range of 5 to 10 years to maturity at purchase. The weighted modified durations (in years) of the various funds are listed in the following table.

	Cash Flow Portfolio		School & Public Lands Portfolio		Dakota Cement Trust Portfolio	
Investment Type	Fair Value	Wgtd. Mod. Dur.	Fair Value	Wgtd. Mod. Dur.	Fair Value	Wgtd. Mod. Dur.
U.S. Treasuries	$ 25,317,512	1.39	$ 7,592,012	6.70	$ 10,408,365	6.72
U.S. Treasury Inflation Protected Securities			8,876,769	2.29	12,192,315	2.29
U.S. Agencies	167,606,787	1.63	3,468,157	7.91	4,797,314	7.91
FDIC's Temporary Liquidity Guarantee Program	20,522,267	1.45	1,026,113	1.45	1,419,115	1.45
U.S. Government-backed loans			2,616,989	10.44		
Investment grade corporate notes & bonds	738,101,599	2.16	17,932,726	3.88	24,032,658	3.88
High-yield notes & bonds			1,794,363	3.80	2,438,178	3.80
Mortgage-backed securities			17,285,581	3.65	22,633,988	3.42
Total	$ 951,548,165		$ 60,592,710		$ 77,921,933	
Portfolio modified duration		2.03		4.40		4.08

	Cement Plant Retirement Portfolio		Education Enhancement Trust Portfolio		Health Care Trust Portfolio	
Investment Type	Fair Value	Wgtd. Mod. Dur.	Fair Value	Wgtd. Mod. Dur.	Fair Value	Wgtd. Mod. Dur.
U.S. Treasuries	$ 827,904	7.43			$ 4,650,677	6.72
U.S. Treasury Bills	71,994	0.21				
U.S. Treasury STRIPS	291,298	11.89				
U.S. Treasury Inflation Protected Securities			$ 2,010,943	4.43	4,909,557	2.30
U.S. Agencies	287,721	3.27			2,142,814	7.91
FDIC's Temporary Liquidity Guarantee Program	170,458	1.35			633,112	1.45
Investment grade corporate notes & bonds	2,391,482	3.69			10,793,979	3.88
High-yield notes & bonds	588,762	3.83	3,836,981	3.80	1,054,294	3.79
Mortgage-backed securities	2,331,744	3.62			10,078,751	3.55
Municipal bonds			116,680,243	4.60		
Total	$ 6,961,363		$ 122,528,167		$ 34,263,184	
Portfolio modified duration		4.36		4.58		4.15

The School and Public Lands, Cement Plant Retirement, Dakota Cement Trust, and Health Care Trust fixed income portfolios invest in mortgage-backed securities in the form of GNMAs and FNMAs. These securities are sensitive to prepayments by mortgagees, which is likely in declining interest rate environments, thereby reducing the value of these securities. The SDIC invests in mortgage-backed securities to diversify the portfolio and increase the return while minimizing the extent of risk.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. SDIC policy establishes a percentage range and a normal allocation to various credit risk categories. The Cash Flow duration portfolio can invest 4% of the portfolio into each corporate security rated Aaa or Aa, 2% in A-rated, 1% in Baa1 or Baa2, and 0.5% in individual holdings of corporate securities rated Baa3. The maximum overweight of Baa3 rated holdings versus the benchmark is 5% of the Cash Flow duration portfolio. The SDIC sets the investment policy annually for the Dakota Cement Trust, School and Public Lands, Cement Plant Retirement, Education Enhancement Trust, and Health Care Trust portfolios. This policy establishes the benchmark percentage invested in each asset category and the minimum and maximum range that each asset category can vary during the fiscal year. At June 30, 2011, the portfolios held the following investments, excluding those issued by or explicitly guaranteed by the U.S. Government, which are not considered to have credit risk. The investments are grouped as rated by Moody's Investors Service.

	Cash Flow Portfolio	School & Public Lands Portfolio	Dakota Cement Trust Portfolio	Cement Plant Retirement Portfolio	Education Enhancement Trust Portfolio	Health Care Trust Portfolio
Moody's rating:	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value
Aaa	$ 262,684,478	$ 11,930,550	$ 26,692,515	$ 4,605,426	$ 25,362,320	$ 16,263,421
Aa	233,144,399	3,185,746	4,347,885	399,224	70,854,475	1,946,785
A	428,104,642	8,179,860	10,927,856	963,277	26,715,734	4,915,890
Baa	51,743,892	6,069,123	8,098,775	961,824	1,050,385	3,635,811
Ba		461,955	625,026	183,490	2,809,583	272,716
B		796,911	1,084,387	243,230	1,710,023	465,289
Caa		494,079	672,809	149,225	1,056,072	292,376
Ca		41,418	55,956	12,817	87,999	23,913
Unrated					9,879,935	
Total	$ 975,677,411	$ 31,159,642	$ 52,505,209	$ 7,518,513	$ 139,526,526	$ 27,816,201

Concentration of Credit Risk. Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issuer. The Cash Flow portfolio has a policy in place limiting its investments in individual holdings. Information regarding the Cash Flow portfolio policy is located in the Credit Risk section. The SDIC does not have a formal policy in place to limit investments in any particular issuer for the Dakota Cement Trust, School and Public Lands, Cement Plant Retirement, Education Enhancement Trust, and Health Care Trust portfolios. Additionally, there are no single issuer exposures (excluding those issued by or explicitly guaranteed by the U.S. Government, or involving mutual funds or investment pools) within the portfolios that comprise 5% of the overall portfolios at June 30, 2011.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The School and Public Lands, Dakota Cement Trust, Cement Plant Retirement, Education Enhancement Trust, and Health Care Trust portfolios' exposure to foreign currency risk derives from their positions in foreign currency and foreign currency-denominated equity investments. To match the unhedged benchmark, the SDIC's normal policy is not to hedge foreign currency back to U.S. dollars. SDIC's policy does allow hedging under certain circumstances when deemed appropriate by the State Investment Officer and portfolio manager. The portfolios' exposure to foreign currency risk at June 30, 2011, was as follows (in U.S. dollar fair values):

	School & Public Lands Portfolio		Dakota Cement Trust Portfolio		Cement Plant Retirement Portfolio	
Currency	Equities	Cash	Equities	Cash	Equities	Cash
British Pound	$ 3,786,977	$ 3,703	$ 7,018,220	$ 22,306	$ 1,323,103	$ 9,136
Canadian Dollar	500,161	32,589	598,862	50,373	250,753	440
Danish Krone						157
Euro	6,136,009	32,231	8,565,798	31,214	1,708,632	544
Japanese Yen	5,737,035	35,474	5,623,583	49,914	1,247,539	13,209
Swedish Krona						2
Swiss Franc	5,239,158		6,658,241		1,248,405	900
Total	$ 21,399,340	$ 103,997	$ 28,464,704	$ 153,807	$ 5,778,432	$ 24,388

	Education Enhancement Trust Portfolio		Health Care Trust Portfolio	
Currency	Equities	Cash	Equities	Cash
British Pound	$ 11,082,955	$ 36,347	$ 3,213,190	$ 10,494
Canadian Dollar	967,031	70,896	304,719	887
Euro	13,516,360	49,745	3,785,535	13,730
Japanese Yen	8,831,692	75,232	2,406,003	20,544
Swiss Franc	9,470,277		2,683,141	
Total	$ 43,868,315	$ 232,220	$ 12,392,588	$ 45,655

Investments with external managers, which are not included in the table above, may expose the portfolios to additional foreign currency risk. The fair values of externally-managed global equity, hedge fund, commodities, distressed, real estate, and private equity investments were as follows (in U.S. dollar fair values):

	School & Public Lands Portfolio	Dakota Cement Trust Portfolio	Cement Plant Retirement Portfolio	Education Enhancement Trust Portfolio	Health Care Trust Portfolio
Global Equity			$ 1,033,486		
Hedge Fund			495,881		
Commodities			140,411		
Distressed	$ 2,042,854	$ 3,314,789	3,234,751	$ 4,796,544	$ 1,219,901
Real Estate	18,248,533	29,106,880	6,580,618	42,041,854	10,808,881
Private Equity	5,311,070	8,670,224	6,198,607	12,541,908	3,189,596
Total	$ 25,602,457	$ 41,091,893	$ 17,683,754	$ 59,380,306	$ 15,218,378

4. Rate of Return:

The percentage rates of return for fiscal year 2011 for the Cash Flow, School and Public Lands, Dakota Cement Trust, Cement Plant Retirement, Education Enhancement Trust and Health Care Trust portfolios were 3.4%, 20.4%, 21.0%, 24.8%, 20.4% and 20.6%, respectively. The Cash Flow percentage was derived by dividing the total investment income by the average daily investment balances. The other percentages were derived using the time-weighted rate of return calculation and the geometric linking of those returns.

5. Derivatives:

Derivatives are generally defined as contracts whose values depend on, or derive from, the value of an underlying asset, reference rate, or index. The SDIC's portfolios are exposed to various derivative products through the investment management of the SDIC and its outside managers. The following notes detail the derivatives instruments used in the SDIC's internally managed portfolios. All of the SDIC's derivatives are classified as investment derivatives.

Futures Contracts:

A futures contract is a contract to buy or sell units of an index or financial instrument at a specified future date at a price agreed upon when the contract is originated. The SDIC purchases and sells futures contracts as a means of adjusting the Cement Plant Retirement portfolio mix at a lower transaction cost than the transactions which would otherwise occur in the underlying portfolios. During fiscal year ended June 30, 2011, S&P 500 futures and 10-year U.S. Treasury Note futures were utilized in the Cement Plant Retirement portfolio. Upon entering into such a contract, the Cement Plant Retirement portfolio pledges to the broker cash or U.S. Government securities equal to the minimum initial margin requirement of the futures exchange. Additionally, the Cement Plant Retirement portfolio receives or pays a daily variation margin, which is an amount of cash equal to the daily fluctuation in value of the contract. The pending variation margin at June 30, 2011, of ($2,356) is presented in the Statement of Net Assets as "Due to brokers – futures transactions." The change in fair value of the futures contracts is presented in the Statement of Changes in Net Assets as "Net appreciation in fair value of investments." The net change in fair value from futures contracts for fiscal year ended June 30, 2011, was $417,100. Futures contract positions at June 30, 2011 were as follows:

Description	Expiration Date	Open Position	Number of contracts	Contract Size	Fair Value (Exposure)
10-Year US Treasury Note future	September 2011	Long	10	100,000 par value 6% US Tsy Note	$ 1,223,281
S&P 500 future	September 2011	Long	1	$250 x S&P 500 futures price	$ 328,875

Foreign Currency Forward Contracts:

The SDIC enters into foreign exchange forward contracts for the Cement Plant Retirement portfolio to manage foreign currency exposure, as permitted by portfolio policies. The fair values of the contracts are presented in the Statement of Net Assets as "Forward foreign exchange contracts." The change in fair value of the forward contracts is presented in the Statement of Changes in Net Assets as "Net appreciation in fair value of investments." The net change in fair value from foreign currency forward contracts for fiscal year ended June 30, 2011, was ($87,769). At June 30, 2011, the foreign currency forward contracts outstanding were as follows:

Description	Notional Amount	Value Date	Fair Value
Forward sale	557,573 Euros	8/11/2011	$ (12,985)
Forward purchase	22,000,000 Japanese Yen	8/12/2011	$ 1,748

Credit Risk. The SDIC is exposed to credit risk on derivative instruments that are in asset positions. The SDIC attempts to minimize credit risk by entering into derivatives contracts with major financial institutions. At June 30, 2011, the aggregate fair value of foreign currency forward contracts in asset positions was $1,748. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. The credit ratings of the counterparties are as follows:

Moody's Credit Rating	Number of Counterparties	Fair Value
Aa2	1	$ 1,748

Interest Rate Risk. The SDIC is exposed to interest rate risk on its 10-year U.S. Treasury Note futures contract. As interest rates increase, the value of the futures contract decreases.

Foreign Currency Risk. The Cement Plant Retirement portfolio is exposed to foreign currency risk on its foreign currency forward contracts because they are denominated in foreign currencies. The net fair value of the foreign currency forward contracts in U.S. dollars is ($11,237).

6. Proration of Investment Income:

The cash income received from pooled investments in the Cash Flow portfolio is prorated to state funds which have been certified as participating funds by the Legislative Appropriations Committee. The cash income is prorated to each individual participating fund using the ratio of its average daily cash balance to the total average daily cash balance of all funds. The income is distributed to the participating funds, except the General Fund, in the next fiscal year. The General Fund is credited 90% of the estimated proration in June and the remaining portion in the following fiscal year as provided by SDCL 4-5-30.1.

The cash income received from investments in the School and Public Lands portfolio is received and deposited into the trust fund. Annual distributions of the receipted income are distributed to the permanent school and other educational and charitable funds administered by the commissioner of School and Public Lands.

The cash income from investments in the Dakota Cement Trust portfolio is received and deposited into the trust fund. Annual distributions of twelve million dollars or five percent of the average fair value of the sixteen most recent calendar quarter ends as of June 30th are made from the Dakota Cement Trust to the State General Fund.

The cash income from investments in the Cement Plant Retirement portfolio is received and deposited into the fund. Monthly distributions are made from the Cement Plant Retirement Fund to former Cement Plant employees for retirement benefits.

The cash income from investments in the Education Enhancement Trust and Health Care Trust portfolios is received and deposited into the respective trust funds. At the beginning of each fiscal year, amounts equal to four percent of the average fair value at the end of the sixteen most recent calendar quarter ends as of the prior December 31st are transferred from the Education Enhancement Trust and the Health Care Trust portfolios to the State General Fund. The transfer amount cannot invade the principal of either trust.

Amounts equal to the Cement Plant Retirement, Dakota Cement Trust, Education Enhancement Trust, and Health Care Trust portfolios' pro rata shares of the SDIC fiscal year budgeted expenditures are transferred to the SDIC Operating Expense Fund. An amount equal to the Cash Flow and School and Public Lands portfolios' pro rata share of the SDIC fiscal year budgeted expenditures is deducted from the Cash Flow portfolio income and transferred to the SDIC Operating Expense Fund.

7. Commitments:

At June 30, 2011, the SDIC had uncalled capital commitments to private equity and real estate limited partnerships funds. The commitments may be called at the discretion of the general partner or may never be called. As capital is called, it is funded from capital and earnings returned by the limited partnerships or from other assets. Approximate uncalled capital commitments at June 30, 2011, were as follows:

	School & Public Lands Portfolio	Dakota Cement Trust Portfolio	Cement Plant Retirement Portfolio	Education Enhancement Trust Portfolio	Health Care Trust Portfolio
Private Equity	$ 3,367,512	$ 4,478,072	$ 2,314,443	$ 6,783,951	$ 1,943,982
Real Estate	6,160,423	7,457,892	2,371,673	11,186,672	3,477,613
Total	$ 9,527,935	$ 11,935,964	$ 4,686,116	$ 17,970,623	$ 5,421,595

SOUTH DAKOTA RETIREMENT SYSTEM

SOUTH DAKOTA INVESTMENT COUNCIL: INTERNAL MANAGERS

Security Name	Shares/PV	Cost Value	Fair Value
Global Equity Portfolio			
Exxon Mobil Corp.	1,261,162	$ 81,787,609	$ 102,633,364
Pfizer, Inc.	3,955,193	91,842,278	81,476,976
Wells Fargo & Co.	2,857,368	63,042,500	80,177,746
JPMorgan Chase & Co.	1,813,043	60,437,040	74,225,980
Microsoft Corp.	2,694,201	68,733,932	70,049,226
Wal-Mart Stores, Inc.	1,246,285	63,175,010	66,227,585
U.S. Bancorp	2,484,055	40,717,777	63,368,243
ConocoPhillips	837,789	37,226,118	62,993,355
General Electric Co.	3,337,386	81,959,469	62,943,100
Target Corp.	1,337,259	54,489,444	62,730,820
Honda Motor Co., Ltd.	1,589,314	36,574,304	60,711,165
Nestle SA	946,322	21,660,554	58,723,663
Chevron Corp.	548,268	31,331,484	56,383,881
Cisco Systems, Inc.	3,573,631	62,161,357	55,784,380
Intel Corp.	2,432,234	49,059,166	53,898,305
Sanofi	607,397	45,223,675	48,822,345
Bank of America Corp.	4,449,018	90,558,035	48,761,237
Lowe's Cos., Inc.	2,041,810	53,803,754	47,594,591
UnitedHealth Group, Inc.	917,818	26,626,810	47,341,052
CVS Caremark Corp.	1,236,241	37,409,018	46,457,937
Google, Inc.	91,103	48,252,276	46,132,737
Hewlett-Packard Co.	1,215,220	51,682,518	44,234,008
GlaxoSmithKline plc	2,033,252	46,292,541	43,545,577
Roche Holding AG	255,100	38,522,478	42,627,755
Johnson & Johnson	591,496	35,519,108	39,346,314
The Procter & Gamble Co.	599,258	29,726,359	38,094,831
BP plc -ADR	807,387	27,250,954	35,759,170
BB&T Corp.	1,292,085	30,701,905	34,679,561
PepsiCo, Inc.	490,992	28,615,709	34,580,567
Dell, Inc.	2,014,847	47,496,460	33,587,499
Comcast Corp. -Cl A	1,328,968	20,158,095	32,200,895
MetLife, Inc.	721,913	17,242,412	31,670,323
Medtronic, Inc.	798,483	29,531,523	30,765,550
AT&T, Inc.	974,853	28,837,563	30,620,133
Toyota Motor Corp.	747,347	25,316,584	30,537,953
Gilead Sciences, Inc.	729,290	25,676,528	30,199,899
Devon Energy Corp.	368,039	24,794,490	29,005,154
Credit Suisse Group AG	731,887	30,371,129	28,423,640
Canon, Inc.	602,029	23,780,733	28,401,814
Morgan Stanley	1,209,743	31,521,398	27,836,186
SAP AG	446,565	19,971,300	27,031,113
Eli Lilly & Co.	699,625	30,362,823	26,256,926
Allstate Corp.	833,603	18,700,643	25,449,900
Texas Instruments, Inc.	772,088	15,015,920	25,347,649
State Street Corp.	552,203	19,555,189	24,898,833
Transocean, Ltd.	379,298	19,474,932	24,487,479
Western Union Co.	1,198,631	20,521,123	24,008,579
Citigroup, Inc.	566,544	11,464,277	23,590,892
Goldman Sachs Group, Inc.	172,474	21,043,178	22,954,565
CRH plc	985,602	17,192,014	21,913,317
Total Top 50 Securities		$ 1,932,411,496	$ 2,189,493,770
Remaining Global Equity Portfolio		1,411,072,478	1,554,023,288
Global Equity Portfolio		$ 3,343,483,974	$ 3,743,517,058
High Quality Equity Portfolio		$ 136,267,273	$ 156,915,481
Small/Mid Equity Portfolio		$ 39,649,721	$ 44,145,561
Fixed Income Investment Grade Portfolio		$ 782,196,965	$ 849,181,166
Fixed Income High Yield Portfolio		$ 79,739,444	$ 83,313,279
Merger Arbitrage Portfolio		$ 19,507,139	$ 19,813,109
Convertible Arbitrage Portfolio		$ 127,918,715	$ 144,387,819
Shift Portfolio		$ 98,948,849	$ 98,949,067
Total SDRS Internal Managers		$ 4,627,712,080	$ 5,140,222,540

SOUTH DAKOTA RETIREMENT SYSTEM

SOUTH DAKOTA INVESTMENT COUNCIL: EXTERNAL MANAGERS

	Cost Value	Fair Value
Hedge Fund-Like		
Bridgewater Pure Alpha Fund II, Ltd.	$ 42,904,841	$ 74,996,216
Sanders All Asset Value Fund, L.P.	15,339,039	16,262,025
Total Hedge Fund-Like	$ 58,243,880	$ 91,258,241
Real Estate		
Apollo European Real Estate Fund II, L.P.	$ 20,618,331	$ 12,356,666
Apollo Real Estate Investment Fund III, L.P.	9,303,288	3,615,057
Apollo Real Estate Investment Fund IV, L.P.	6,846,771	5,704,897
Blackstone Real Estate Partners II	0	330,815
Blackstone Real Estate Partners III	13,436,304	1,797,060
Blackstone Real Estate Partners IV	151,597,827	141,050,918
Blackstone Real Estate Partners V	212,114,413	276,494,079
Blackstone Real Estate Partners VI	266,523,615	340,761,671
Blackstone Real Estate Partners International I	8,501,826	7,725,551
Blackstone Real Estate Partners International II	89,953,230	91,480,077
Blackstone Real Estate Partners Europe III	13,356,143	25,380,449
North American Real Estate Partners I, L.P.	23,827,750	19,080,704
North American Real Estate Partners II, L.P.	79,617,826	52,486,748
NAREP II Land Entitlement Sidecar, L.P.	10,388,520	4,105,141
Doughty Hanson & Co. European Real Estate I	1,659,808	991,061
Doughty Hanson & Co. European Real Estate II	44,088,192	27,832,952
Lone Star Real Estate Fund II	2,561,191	2,337,088
Total Real Estate	$ 954,395,035	$ 1,013,530,934
Private Equity		
Blackstone Capital Partners IV, L.P.	$ 8,216,750	$ 15,309,832
Blackstone Capital Partners V & VI, L.P.s	217,649,900	217,998,877
Capital International Private Equity Fund III & IV, L.P.s	11,951,164	16,395,347
Capital International Private Equity Fund V, L.P.	18,049,886	21,116,427
Carlyle Partners IV, L.P.	16,280,019	23,821,868
Carlyle Partners V, L.P.	25,062,693	32,993,683
Riverstone/Carlyle Global Energy & Power Fund IV	23,054,495	33,275,710
Cinven Fund 4	74,542,496	110,615,119
Crossroads Cornerstone Private Equity XV-B, L.P.	7,399,060	6,314,593
CVC European Equity Partners IV, L.P.	18,026,837	38,166,104
CVC European Equity Partners V, L.P.	30,349,120	39,001,866
Cypress Merchant Banking Partners II, L.P.	14,134,015	5,488,391
DLJ Merchant Banking Partners II, L.P.	586,956	793,032
Doughty Hanson & Co. IV	45,183,042	82,015,537
Doughty Hanson & Co. V	26,475,561	33,981,285
Elevation Partners	18,066,279	35,054,803
KKR European Fund I	9,407,036	16,169,020
KKR European Fund II	44,479,207	39,685,780
PineBridge Capital Management Corp.	14,388,631	11,017,768
Silver Lake Partners I & II, L.P.s	51,532,736	54,810,682
Silver Lake Partners III, L.P.	36,593,310	50,272,296
Silver Lake Sumeru Fund, L.P.	17,946,459	32,017,589
Total Private Equity	$ 729,375,652	$ 916,315,609
Distressed Debt		
Blackstone Distressed Securities Fund, L.P.	$ 0	$ 1,859,320
Blackstone Credit Liquidity Partners, L.P.	15,586,124	19,062,925
CVI Global Value Fund A, L.P.	171,817,657	170,380,056
CVI Specialized Ventures Fund A, L.P.	10,152,217	6,417,386
Oaktree Loan Fund 2x, L.P.	25,047,635	25,249,943
PIMCO Distressed Mortgage Fund II, L.P.	158,000,609	170,211,018
TCW Special Mortgage Credits Master Fund, L.P.	41,021,560	38,343,272
TCW/SD Special Mortgage Credits Investment, L.P.	88,603,744	104,100,804
Total Distressed Debt	$ 510,229,546	$ 535,624,724
Emerging Markets		
Dimensional Fund Advisors, Inc.	$ 8,918,381	$ 49,222,373
GE Asset Management China A-Shares Equity	59,920,000	82,370,734
Total Emerging Markets	$ 68,838,381	$ 131,593,107
Special Purpose Equity		
Brandes International Mid Cap Portfolio	$ 39,370,194	$ 41,677,698
Sanders Capital, L.L.C.	25,636,020	26,719,312
Total Special Purpose Equity	$ 65,006,214	$ 68,397,010
Commodities		
GE Trust Active Commodities	$ 25,000,000	$ 29,252,303
Total Commodities	$ 25,000,000	$ 29,252,303
Total SDRS External Managers	$ 2,411,088,708	$ 2,785,971,928

CEMENT PLANT RETIREMENT FUND

SOUTH DAKOTA INVESTMENT COUNCIL: INTERNAL MANAGERS

Security Name	Shares/PV	Cost Value	Fair Value
Global Equity Portfolio			
Exxon Mobil Corp.	8,840	$ 591,873	$ 719,399
Pfizer, Inc.	29,796	667,492	613,798
Wells Fargo & Co.	21,790	505,706	611,427
JPMorgan Chase & Co.	12,869	440,894	526,857
U.S. Bancorp	20,195	324,118	515,174
Wal-Mart Stores, Inc.	9,466	486,104	503,023
Target Corp.	10,639	451,283	499,075
ConocoPhillips	6,577	284,430	494,525
Honda Motor Co., Ltd.	12,786	326,117	488,420
Microsoft Corp.	17,272	455,847	449,072
Nestle SA	7,196	181,410	446,545
General Electric Co.	22,611	547,447	426,443
Intel Corp.	18,018	366,815	399,279
Sanofi	4,696	344,003	377,463
Lowe's Cos., Inc.	15,716	421,789	366,340
Chevron Corp.	3,550	200,869	365,082
Cisco Systems, Inc.	23,358	444,208	364,618
Bank of America Corp.	32,715	676,867	358,556
UnitedHealth Group, Inc.	6,530	177,337	336,817
CVS Caremark Corp.	8,749	272,054	328,787
GlaxoSmithKline plc	14,691	339,825	314,633
Roche Holding AG	1,870	285,986	312,481
BP plc -ADR	6,743	224,730	298,647
BB&T Corp.	10,381	243,953	278,626
Google, Inc.	537	292,951	271,926
Dell, Inc.	15,111	367,506	251,900
Johnson & Johnson	3,753	236,885	249,650
Hewlett-Packard Co.	6,782	289,923	246,865
MetLife, Inc.	5,380	118,510	236,021
SAP AG	3,873	178,458	234,437
Medtronic, Inc.	5,973	228,570	230,140
Gilead Sciences, Inc.	5,510	194,566	228,169
The Procter & Gamble Co.	3,560	201,153	226,309
Allstate Corp.	7,287	161,702	222,472
Credit Suisse Group AG	5,680	240,146	220,589
Devon Energy Corp.	2,783	177,036	219,328
PepsiCo, Inc.	3,078	194,103	216,784
Morgan Stanley	9,339	234,985	214,890
Canon, Inc.	4,521	182,243	213,286
Transocean, Ltd.	3,282	170,712	211,886
Comcast Corp. -Cl A	8,368	135,807	202,757
Eli Lilly & Co.	5,268	219,262	197,708
Toyota Motor Corp.	4,753	166,089	194,216
Unilever plc	5,859	163,194	188,691
State Street Corp.	4,164	154,366	187,755
Texas Instruments, Inc.	5,360	97,105	175,969
Citigroup, Inc.	4,172	83,218	173,722
Carrefour SA	4,186	184,639	171,876
Lockheed Martin Corp.	2,117	162,260	171,413
CRH plc	7,598	132,306	168,930
Total Top 50 Securities		$ 14,228,852	$ 15,922,776
Remaining Global Equity Portfolio		6,720,015	6,641,202
Global Equity Portfolio		$ 20,948,867	$ 22,563,978
Fixed Income Investment Grade Portfolio		$ 5,951,186	$ 6,454,446
Fixed Income High Yield Portfolio		$ 528,342	$ 551,783
Shift Portfolio		$ 2,192,463	$ 2,192,466
Total CPRF Internal Managers		$ 29,620,858	$ 31,762,673

CEMENT PLANT RETIREMENT FUND

SOUTH DAKOTA INVESTMENT COUNCIL: EXTERNAL MANAGERS

	Cost Value	Fair Value
Hedge Fund-Like		
Bridgewater Pure Alpha Fund II, Ltd.	$ 283,690	$ 495,881
Total Hedge Fund-Like	$ 283,690	$ 495,881
Real Estate		
Apollo European Real Estate Fund II, L.P.	$ 135,491	$ 81,200
Apollo Real Estate Investment Fund III, L.P.	55,811	21,689
Apollo Real Estate Investment Fund IV, L.P.	46,540	38,784
Blackstone Real Estate Partners II	0	1,983
Blackstone Real Estate Partners III	113,875	15,233
Blackstone Real Estate Partners IV	757,992	705,261
Blackstone Real Estate Partners V	1,442,376	1,880,158
Blackstone Real Estate Partners VI	1,865,668	2,385,334
Blackstone Real Estate Partners International II	589,193	599,195
Blackstone Real Estate Partners Europe III	88,549	168,268
North American Real Estate Partners I, L.P.	158,110	126,610
North American Real Estate Partners II, L.P.	506,662	334,008
NAREP II Land Entitlement Sidecar, L.P.	65,855	26,022
Doughty Hanson & Co. European Real Estate I	12,908	7,704
Doughty Hanson & Co. European Real Estate II	281,000	177,483
Lone Star Real Estate Fund II	12,806	11,686
Total Real Estate	$ 6,132,836	$ 6,580,618
Private Equity		
Blackstone Capital Partners IV, L.P.	$ 57,907	$ 107,919
Blackstone Capital Partners V & VI, L.P.s	1,493,092	1,496,042
Capital International Private Equity Fund III & IV, L.P.s	83,606	114,726
Capital International Private Equity Fund V, L.P.	122,750	143,603
Carlyle Partners IV, L.P.	108,161	158,267
Carlyle Partners V, L.P.	172,933	227,655
Riverstone/Carlyle Global Energy & Power Fund IV	152,735	220,450
Cinven Fund 4	471,787	700,096
Crossroads Cornerstone Private Equity XV-B, L.P.	50,659	43,174
CVC European Equity Partners IV, L.P.	117,946	249,704
CVC European Equity Partners V, L.P.	200,302	257,414
Cypress Merchant Banking Partners II, L.P.	84,805	32,929
DLJ Merchant Banking Partners II, L.P.	4,343	5,925
Doughty Hanson & Co. IV	312,110	566,529
Doughty Hanson & Co. V	182,579	234,339
Elevation Partners	120,101	233,042
KKR European Fund I	72,892	126,555
KKR European Fund II	293,946	262,355
PineBridge Capital Management Corp.	100,211	77,127
Silver Lake Partners I & II, L.P.s	353,545	380,081
Silver Lake Partners III, L.P.	253,706	348,559
Silver Lake Sumeru Fund, L.P.	118,894	212,117
Total Private Equity	$ 4,929,010	$ 6,198,608
Distressed Debt		
Blackstone Distressed Securities Fund, L.P.	$ 0	$ 12,548
Blackstone Credit Liquidity Partners, L.P.	104,033	127,231
CVI Global Value Fund A, L.P.	1,153,136	1,143,491
CVI Specialized Ventures Fund A, L.P.	68,552	43,317
Oaktree Loan Fund 2x, L.P.	166,827	168,183
PIMCO Distressed Mortgage Fund II, L.P.	1,011,205	1,089,351
TCW/SD Special Mortgage Credits Investment, L.P.	552,563	650,630
Total Distressed Debt	$ 3,056,316	$ 3,234,751
Emerging Markets		
Dimensional Fund Advisors, Inc.	$ 59,080	$ 326,074
GE Asset Management China A-Shares Equity	280,000	437,522
Total Emerging Markets	$ 339,080	$ 763,596
Special Purpose Equity		
Brandes Non-U.S. Mid Cap Portfolio	$ 147,845	$ 269,890
Total Special Purpose Equity	$ 147,845	$ 269,890
Commodities		
GE Trust Active Commodities	$ 120,000	$ 140,411
Total Commodities	$ 120,000	$ 140,411
Total CPRF External Managers	$ 15,008,777	$ 17,683,755

SCHOOL AND PUBLIC LANDS

SOUTH DAKOTA INVESTMENT COUNCIL: INTERNAL MANAGERS

Security Name	Shares/PV	Cost Value	Fair Value
Global Equity Portfolio			
Exxon Mobil Corp.	36,873	$ 2,462,024	$ 3,000,725
Wells Fargo & Co.	99,009	2,507,882	2,778,193
Pfizer, Inc.	127,544	3,371,017	2,627,406
JPMorgan Chase & Co.	60,504	2,042,004	2,477,034
Wal-Mart Stores, Inc.	42,524	2,255,291	2,259,725
Honda Motor Co., Ltd.	58,900	2,057,404	2,249,957
U.S. Bancorp	86,000	1,494,610	2,193,860
ConocoPhillips	26,619	1,055,859	2,001,483
Sanofi –ADR	48,800	2,001,473	1,960,296
Nestle SA	29,585	1,538,357	1,835,886
Total Top 10 Securities		$ 20,785,921	$ 23,384,565
Remaining Global Equity Portfolio		75,746,086	70,885,985
Global Equity Portfolio		$ 96,532,007	$ 94,270,550
Fixed Income Investment Grade Portfolio		$ 45,226,794	$ 47,855,710
Fixed Income High Yield Portfolio		$ 1,839,987	$ 1,817,996
TIPS Portfolio		$ 6,964,249	$ 8,876,769
Money Market Portfolio		$ 2,268,664	$ 2,271,517
S.D. S.B.A. & Similar Assets		$ 2,609,504	$ 2,616,989
Total SPL Internal Managers		$ 155,441,205	$ 157,709,531

SOUTH DAKOTA INVESTMENT COUNCIL: EXTERNAL MANAGERS

	Cost Value	Fair Value
Real Estate		
Blackstone Real Estate Partners V	$ 4,327,135	$ 5,640,484
Blackstone Real Estate Partners VI	5,241,629	6,701,644
Blackstone Real Estate Partners International II	3,418,223	3,476,244
Blackstone Real Estate Partners Europe III	324,680	616,983
North American Real Estate Partners II, L.P.	2,750,423	1,813,178
Total Real Estate	$ 16,062,090	$ 18,248,533
Private Equity		
Blackstone Capital Partners V & VI, L.P.s	$ 2,736,507	$ 2,894,845
Doughty Hanson & Co. V	947,722	1,216,399
Silver Lake Partners III, L.P.	873,357	1,199,826
Total Private Equity	$ 4,557,586	$ 5,311,070
Distressed Debt		
Blackstone Distressed Securities Fund, L.P.	$ 0	$ 40,900
CVI Global Value Fund A, L.P.	1,876,471	1,860,771
CVI Specialized Ventures Fund A, L.P.	223,353	141,183
Total Distressed Debt	$ 2,099,824	$ 2,042,854
Monument Park CDO	$ 2,159,049	$ 812,460
Total SPL External Managers	$ 24,878,549	$ 26,414,917

DAKOTA CEMENT TRUST

SOUTH DAKOTA INVESTMENT COUNCIL: INTERNAL MANAGERS

Security Name	Shares/PV	Cost Value	Fair Value
Global Equity Portfolio			
Exxon Mobil Corp.	48,340	3,182,471	3,933,909
Wells Fargo & Co.	124,713	3,234,431	3,499,447
Pfizer, Inc.	167,781	4,207,454	3,456,289
JPMorgan Chase & Co.	83,877	2,848,189	3,433,924
U.S. Bancorp	115,669	2,010,992	2,950,716
Wal-Mart Stores, Inc.	50,141	2,654,411	2,664,493
ConocoPhillips	34,398	1,585,114	2,586,386
Nestle SA	39,354	1,094,199	2,442,098
Microsoft Corp.	92,881	2,419,719	2,414,906
General Electric Co.	127,293	3,565,564	2,400,746
Total Top 10 Securities		$ 26,802,544	$ 29,782,914
Remaining Global Equity Portfolio		93,371,445	90,263,856
Global Equity Portfolio		$ 120,173,989	$ 120,046,770
Fixed Income Investment Grade Portfolio		$ 59,301,260	$ 63,383,318
Fixed Income High Yield Portfolio		$ 2,356,431	$ 2,462,999
TIPS Portfolio		$ 9,565,369	$ 12,192,315
Money Market Portfolio		$ 2,106,699	$ 2,110,302
Total DCT Internal Managers		$ 193,503,748	$ 200,195,704

SOUTH DAKOTA INVESTMENT COUNCIL: EXTERNAL MANAGERS

	Cost Value	Fair Value
Real Estate		
Blackstone Real Estate Partners V	$ 6,957,353	$ 9,069,006
Blackstone Real Estate Partners VI	8,439,910	10,790,783
Blackstone Real Estate Partners International II	5,577,100	5,671,764
Blackstone Real Estate Partners Europe III	324,680	616,983
North American Real Estate Partners II, L.P.	4,487,562	2,958,344
Total Real Estate	$ 25,786,605	$ 29,106,880
Private Equity		
Blackstone Capital Partners V & VI, L.P.s	$ 4,455,079	$ 4,729,147
Doughty Hanson & Co. V	1,545,628	1,983,807
Silver Lake Partners III, L.P.	1,424,699	1,957,270
Total Private Equity	$ 7,425,406	$ 8,670,224
Distressed Debt		
Blackstone Distressed Securities Fund, L.P.	$ 0	$ 62,753
CVI Global Value Fund A, L.P.	3,061,060	3,035,449
CVI Specialized Ventures Fund A, L.P.	342,651	216,587
Total Distressed Debt	$ 3,403,711	$ 3,314,789
Monument Park CDO	$ 3,747,204	$ 1,410,090
Total DCT External Managers	$ 40,362,926	$ 42,501,983

EDUCATION ENHANCEMENT TRUST

SOUTH DAKOTA INVESTMENT COUNCIL: INTERNAL MANAGERS

Security Name	Shares/PV	Cost Value	Fair Value
Global Equity Portfolio			
Exxon Mobil Corp.	75,849	$ 5,057,475	$ 6,172,592
JPMorgan Chase & Co.	137,155	4,618,224	5,615,126
Pfizer, Inc.	265,302	6,533,699	5,465,221
Wells Fargo & Co.	192,202	4,953,029	5,393,188
Wal-Mart Stores, Inc.	81,524	4,335,070	4,332,185
U.S. Bancorp	168,940	2,937,723	4,309,659
ConocoPhillips	55,195	2,381,293	4,150,112
General Electric Co.	200,415	5,144,920	3,779,827
Microsoft Corp.	144,458	3,745,637	3,755,908
Intel Corp.	158,360	3,389,390	3,509,258
Total Top 10 Securities		$ 43,096,460	$ 46,483,076
Remaining Global Equity Portfolio		143,379,011	140,659,800
Global Equity Portfolio		$ 186,475,471	$ 187,142,876
Fixed Income High Yield Portfolio		$ 3,929,350	$ 3,882,453
TIPS Portfolio		$ 1,998,344	$ 2,010,943
Money Market Portfolio		$ 18,398,602	$ 18,404,115
Total EET Internal Managers		$ 210,801,767	$ 211,440,387

SOUTH DAKOTA INVESTMENT COUNCIL: EXTERNAL MANAGERS

	Cost Value	Fair Value
Real Estate		
Blackstone Real Estate Partners V	$ 10,011,801	$ 13,050,521
Blackstone Real Estate Partners VI	12,348,928	15,788,624
Blackstone Real Estate Partners International II	7,915,886	8,050,249
Blackstone Real Estate Partners Europe III	501,778	953,520
North American Real Estate Partners II, L.P.	6,369,433	4,198,939
Total Real Estate	$ 37,147,826	$ 42,041,853
Private Equity		
Blackstone Capital Partners V & VI, L.P.s	$ 6,448,966	$ 6,845,761
Doughty Hanson & Co. V	2,234,122	2,867,485
Silver Lake Partners III, L.P.	2,058,992	2,828,663
Total Private Equity	$ 10,742,080	$ 12,541,909
Distressed Debt		
Blackstone Distressed Securities Fund, L.P.	$ 0	$ 92,037
CVI Global Value Fund A, L.P.	4,423,859	4,386,846
CVI Specialized Ventures Fund A, L.P.	502,562	317,661
Total Distressed Debt	$ 4,926,421	$ 4,796,544
Monument Park CDO	$ 5,402,007	$ 2,032,800
PIMCO Tax-Exempt Fund	$ 113,351,909	$ 118,749,781
Total EET External Managers	$ 171,570,243	$ 180,162,887

CASH FLOW FUND

SOUTH DAKOTA INVESTMENT COUNCIL: INTERNAL MANAGERS

	Cost Value	Fair Value
Duration Portfolio	$ 979,168,422	$ 995,245,904
Money Market Portfolio	$ 26,270,926	$ 26,271,286
Certificates of Deposit, 0.78% due 09/30/11	$ 24,262,000	$ 24,404,062
Total CFF Internal Managers	$ 1,029,701,348	$ 1,045,921,252

HEALTH CARE TRUST

SOUTH DAKOTA INVESTMENT COUNCIL: INTERNAL MANAGERS

Security Name	Shares/PV	Cost Value	Fair Value
Global Equity Portfolio			
Exxon Mobil Corp.	21,375	$ 1,444,444	$ 1,739,498
JPMorgan Chase & Co.	38,212	1,271,713	1,564,399
Pfizer, Inc.	75,086	1,820,686	1,546,772
Wells Fargo & Co.	54,330	1,386,992	1,524,500
U.S. Bancorp	50,722	879,058	1,293,918
Wal-Mart Stores, Inc.	23,444	1,241,949	1,245,814
ConocoPhillips	16,113	756,764	1,211,536
General Electric Co.	57,225	1,348,971	1,079,264
Microsoft Corp.	40,735	1,065,060	1,059,110
Intel Corp.	43,410	928,886	961,966
Total Top 10 Securities		$ 12,144,523	$ 13,226,777
Remaining Global Equity Portfolio		40,086,336	39,645,198
Global Equity Portfolio		$ 52,230,859	$ 52,871,975
Fixed Income Investment Grade Portfolio		$ 27,015,131	$ 28,457,415
Fixed Income High Yield Portfolio		$ 1,075,957	$ 1,063,190
TIPS Portfolio		$ 3,848,915	$ 4,909,557
Money Market Portfolio		$ 4,908,910	$ 4,910,425
Total HCT Internal Managers		$ 89,079,772	$ 92,212,562

SOUTH DAKOTA INVESTMENT COUNCIL: EXTERNAL MANAGERS

	Cost Value	Fair Value
Real Estate		
Blackstone Real Estate Partners V	$ 2,460,523	$ 3,207,326
Blackstone Real Estate Partners VI	3,287,123	4,202,726
Blackstone Real Estate Partners International II	1,978,970	2,012,559
Blackstone Real Estate Partners Europe III	177,097	336,536
North American Real Estate Partners II, L.P.	1,592,366	1,049,734
Total Real Estate	$ 9,496,079	$ 10,808,881
Private Equity		
Blackstone Capital Partners V & VI, L.P.s	$ 1,631,189	$ 1,745,210
Doughty Hanson & Co. V	566,543	727,157
Silver Lake Partners III, L.P.	522,075	717,228
Total Private Equity	$ 2,719,807	$ 3,189,595
Distressed Debt		
Blackstone Distressed Securities Fund, L.P.	$ 0	$ 24,171
CVI Global Value Fund A, L.P.	1,121,692	1,112,305
CVI Specialized Ventures Fund A, L.P.	131,996	83,426
Total Distressed Debt	$ 1,253,688	$ 1,219,902
Monument Park CDO	$ 1,319,808	$ 496,650
Total HCT External Managers	$ 14,789,382	$ 15,715,028

On June 30, 2011, there was $24,262,000 in Certificates of Deposit (CDs) outstanding with South Dakota banks, savings and loan associations and credit unions. Fifty-eight South Dakota banks hold $19,877,000 in CDs, two savings and loan associations have $1,606,000 invested in CDs and nine credit unions have $2,779,000 invested in CDs. The CDs carry an interest rate of 0.78%, and mature September 30, 2011. The original allocation made in September 2010 was to eighty-two banks and four savings and loan associations. Twenty-four banks and two savings and loan associations did not participate this year. This is the tenth year a reoffering was made to other qualified public depositories in the state. In the reoffering, nine credit unions accepted $2,779,000 in CDs, leaving $10,738,000 in CDs unassigned. The size of the certificates ranged from $100,000 to $2,739,000.

Summary of Statistics
Certificates of Deposit Outstanding

CDs Issued to Banks	
CDs maturing 9/30/11	$ 19,877,000
Interest earned during FY 2011	$ 165,332
Average CDs Outstanding During FY 2011	$ 20,643,394
Rate of Return	0.8%
CDs Issued to Savings & Loan Associations	
CDs maturing 9/30/11	$ 1,606,000
Interest earned during FY 2011	$ 12,844
Average CDs Outstanding During FY 2011	$ 1,607,995
Rate of Return	0.8%
CDs Issued to Credit Unions	
CDs maturing 9/30/11	$ 2,779,000
Interest earned during FY 2011	$ 23,243
Average CDs Outstanding During FY 2011	$ 2,901,414
Rate of Return	0.8%
Total Certificates of Deposit	
CDs maturing 9/30/11	$ 24,262,000
Interest earned during FY 2011	$ 201,419
Average CDs Outstanding During FY 2011	$ 25,152,803
Rate of Return	0.8%

South Dakota Certificates of Deposit Due 9/30/11

Banks	Location	CD Amount
Dacotah Bank	Aberdeen	$ 2,739,000
State Bank of Alcester	Alcester	144,000
Citizens State Bank	Arlington	134,000
Community Bank	Avon	100,000
Pioneer Bank & Trust/Spearfish	Belle Fourche	432,000
Dakota State Bank	Blunt	100,000
First Bank & Trust	Brookings	1,355,000
Richland State Bank	Bruce	100,000
Bryant State Bank	Bryant	100,000
First Fidelity Bank	Burke	224,000
Farmers State Bank	Canton	100,000
First Midwest Bank	Centerville	208,000
Dakota Heritage State Bank	Chancellor	100,000
DNB National Bank	Clear Lake	100,000
Peoples State Bank	De Smet	100,000
First Financial Bank	Dupree	128,000
Liberty Financial Services	Elk Point	249,000
BankStar Financial	Elkton	100,000
Security State Bank	Emery	100,000
Reliabank Dakota	Estelline	285,000
Farmers State Bank	Faith	100,000
First National Bank	Frederick	100,000
Merchants State Bank	Freeman	183,000
Fulton State Bank	Fulton	100,000
First State Bank	Groton	100,000
Farmers State Bank	Hosmer	100,000
Plains Commerce Bank	Hoven	591,000
Miner County Bank	Howard	100,000
Premier Bank of Hudson	Hudson	352,000
Ipswich State Bank	Ipswich	100,000
Farmers & Merchants State Bank	Iroquois	100,000
First Bank & Trust/Sioux Falls	Madison	596,000
First Bank & Trust/Stockholm	Milbank	236,000
Quoin Financial Bank	Miller	187,000
CorTrust Bank	Mitchell	815,000
American State Bank	Oldham	100,000
Sunrise Bank Dakota	Onida	100,000
Farmers State Bank	Parkston	126,000
BankWest	Pierre	1,163,000
First National Bank	Pierre	912,000
Farmers & Merchants State Bank	Plankinton	121,000
Security First Bank	Rapid City	906,000
Heartland State Bank	Redfield	106,000
First State Bank of Roscoe	Roscoe	111,000
Farmers & Merchants State Bank	Scotland	100,000
Great Western Bank	Sioux Falls	2,559,000
Minnwest Bank	Sioux Falls	172,000
Roberts County National Bank	Sisseton	100,000
Farmers State Bank	Stickney	100,000
Peoples State Bank	Summit	100,000
Farmers State Bank	Turton	100,000
Security State Bank	Tyndall	100,000
First National Bank	Volga	100,000
Commercial State Bank	Wagner	148,000
First Interstate Bank	Wall	1,368,000
American Bank & Trust	Wessington Springs	427,000
First Bank of White	White	100,000
First State Bank	Wilmot	100,000
Total		$ 19,877,000

Savings & Loan Associations	Location	CD Amount
Bank 360	Beresford	$ 100,000
Home Federal Bank	Sioux Falls	1,506,000
Total		$ 1,606,000

Credit Unions	Location	CD Amount
HealthCare Plus Federal CU	Aberdeen	$ 250,000
Dakota Territory Federal CU	Deadwood	250,000
East River Federal CU	Madison	250,000
Black Hills Federal CU	Rapid City	1,529,000
Minuteman Community Federal CU	Rapid City	250,000
Sioux Empire Federal CU	Sioux Falls	250,000
Total		$ 2,779,000

GLOSSARY

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.

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

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 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 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.

DISTRESSED SECURTIES: A financial instrument in a company that is near or is currently going through bankruptcy.

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.

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.

HIGH-YIELD FIXED INCOME SECURITIES: Issues with a financial rating of BB or lower because of high 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 highly respected in the financial industry as having one of the leading short-term portfolios. 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 default risk.

MELLON ANALYTICAL SOLUTIONS: One of the world's largest providers of performance and risk analytics tools.

MELLON TOTAL BILLION DOLLAR FUNDS-CORPORATE: A total plan universe of large private sector pension funds with assets greater than one billion dollars. This universe measures the performance of each total plan and is used on a comparison basis.

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 INDEX^{SM} (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. As of May 2011, the index consisted of 45 developed and emerging market country indices. It has been used for benchmarking purposes since fiscal year 2005.

MSCI US INDEX: The index is the US component of the MSCI World Index. 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. As of May 2011, the index consisted of 24 developed market country indices. The MSCI US 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 has been used for benchmarking purposes since fiscal year 2002.

PEER UNIVERSES: 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. Uses Mellon Analytical data from fiscal year1987 to present and SEI data for prior 13 years.

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 broadly-based index of 500 stocks. 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 GLOBAL 1200 EX-IRAN INDEX: The index is a custom index calculated by Standard & Poor's on behalf of the South Dakota Investment Council. It is the S&P Global 1200 Index excluding constituents determined to be doing business with Iran. It was used for benchmarking purposes during fiscal year 2011.

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 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 38-year performance history. The most recent 29 years represents a group of over 50 state funds. The prior nine years of the universe represent the SEI state universe. This universe was the largest state universe available at the time.

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.

ENDNOTES

1 Citigroup US Broad Investment Grade (USBIG) Bond Index in fiscal years 1990-2011 and Lehman Brothers US Aggregate Bond Index in prior periods.

2 Citigroup USBIG Bond Index in fiscal years 2007-2011, 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 38-year annualized returns as of 6/30/11 are as follows:

Fiscal Year	Annual Return	Fiscal Year	Annual Return	Annualized Returns of as 6/30/11	
2011	3.6%	2004	3.3%	5 years	2.2%
2010	1.1%	2003	2.1%	10 years	2.4%
2009	(1.4%)	2002	1.1%	15 years	2.5%
2008	5.0%	2001	3.2%	20 years	2.6%
2007	2.7%	2000	3.7%	25 years	2.9%
2006	4.3%	1999	2.0%	30 Years	3.1%
2005	2.5%	1998	1.7%	38 Years	4.4%

4 **Fixed Income/TIPS:** Citigroup USBIG Bond Index (1981-2011), Lehman Brothers Gov/Corp Index (1973-1980). **Domestic Equity:** Russell 1000 Index (1996-2004), S&P 500 Index (1973-1995). **Cash:** Citigroup US 3-Month Treasury Bill Index (1973-2011). **International Equity:** MSCI ACWI ex-US Index (2002-2004), ¾ MSCI EAFE + ¼ MSCI EASEA Index (SDRS: 1997-2001, CPRF: 1999-2001), MSCI EAFE Index (SDRS: 1996, CPRF: 1996-1998), MSCI EAFE ½ Japan Index (1993-1995). **Arbitrage:** weighted index (SDRS: 1999-2011), Merger Custom Index (2008-2011), 3-Month Treasury Bill Index +4.25% (1993-2007), Convertible Benchmark (SDRS: 1999-2011). **Real Estate:** NCREIF Property Index +1.25% (2011), NCREIF Property Index (2002-2010), NCREIF Classic Property Index (1995-2001). **Private Equity:** S&P 500 +1.75% (2011), 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 (2003-2011). **Commodities:** S&P GSCI (2003-2011). **Global Equity:** ⅔ MSCI ACWI + ⅓ MSCI US Index (2005-2011).

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

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

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

	FI/ TIPS	Dom EQ	Cash	Intl EQ	Arb	RE	PE	HY/ DD	Comm	Glbl EQ
07/09 - 06/11	20%	0%	2%	0%	2%	7%	5%	6%	1%	57%
07/06 - 06/09	20%	0%	2%	0%	4%	5%	5%	6%	1%	57%
07/05 - 06/06	21%	0%	1%	0%	4%	6%	4%	6%	1%	57%
07/04 - 06/05	21%	0%	2%	0%	2%	6%	4%	7%	1%	57%
07/03 - 06/04	20%	40%	4%	16%	2%	7%	4%	6%	1%	0%
07/02 - 06/03	20%	40%	3%	16%	4%	7%	3%	6%	1%	0%
11/01 - 06/02	26%	40%	2%	16%	6%	7%	3%	0%	0%	0%
07/99 - 10/01	26%	36%	5%	16%	6%	8%	3%	0%	0%	0%
07/98 - 06/99	26%	40%	4%	16%	5%	7%	2%	0%	0%	0%
07/97 - 06/98	25%	40%	7%	16%	5%	7%	0%	0%	0%	0%
07/96 - 06/97	29%	42%	6%	15%	4%	4%	0%	0%	0%	0%
07/95 - 06/96	29%	42%	6%	15%	4%	4%	0%	0%	0%	0%
07/94 - 06/95	35%	46%	5%	13%	0%	1%	0%	0%	0%	0%
07/93 - 06/94	36%	45%	10%	9%	0%	0%	0%	0%	0%	0%
07/92 - 06/93	37%	49%	9%	5%	0%	0%	0%	0%	0%	0%
07/90 - 06/92	38%	52%	10%	0%	0%	0%	0%	0%	0%	0%
07/86 - 06/90	38%	55%	7%	0%	0%	0%	0%	0%	0%	0%
07/78 - 06/86	50%	40%	10%	0%	0%	0%	0%	0%	0%	0%
07/73 - 06/78	65%	25%	10%	0%	0%	0%	0%	0%	0%	0%

5 Citigroup High-Yield Cash-Pay Capped Index in fiscal year 2011 and the Citigroup All BB-Rated Index 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 (2005-2011); 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 SDIC audit for fiscal year 2011 was conducted by the Department of Legislative Audit at a fee of $37,232.

10 Performance results are presented before management and custodial fees.

11 Management fee rates as of June 30, 2011 in basis points (bp):

Investment Office	9.0 bp
Apollo European Real Estate Fund II	150 bp
Apollo Real Estate Investments Fund III	0 bp
Apollo Real Estate Investments Fund IV	0 bp
Blackstone Capital Partners IV	75 bp
Blackstone Capital Partners V	75 bp
Blackstone Capital Partners VI	128 bp
Blackstone Credit Liquidity Partners	100 bp
Blackstone Distressed Securities Fund	75 bp
Blackstone Real Estate Partners II	0 bp
Blackstone Real Estate Partners III	0 bp
Blackstone Real Estate Partners IV	100 bp
Blackstone Real Estate Partners IV - ML	150 bp
Blackstone Real Estate Partners V	125 bp
Blackstone Real Estate Partners V - ML	150 bp
Blackstone Real Estate Partners VI	125 bp
Blackstone Real Estate Partners VI - LC	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 Non-U.S. Mid Cap Portfolio	125 bp
Brandes International Mid Cap Portfolio	
$0-$10 Million -	115 bp
$10-$20 Million -	100 bp
$20-$50 Million -	90 bp
Bridgewater Pure Alpha Fund II (embedded)	300 bp + incentive
Capital International Private Equity Fund III	0 bp
Capital International Private Equity Fund IV	100 bp
Capital International Private Equity Fund V	150 bp
Carlyle Partners IV	75 bp
Carlyle Partners V	119 bp
The Fourth Cinven Fund	150 bp
Crossroads Cornerstone P.E. XV-B	
public securities	7 bp
private securities	95 bp
CVC European Equity Partners IV	75 bp
CVC European Equity Partners V	133.43 bp

CVI Global Value Fund	185 bp
CVI Specialized Ventures Fund	0 bp
Cypress Merchant Banking Partners II	fixed fee
DLJ Merchant Banking Partners II	0 bp
Dimensional Fund Advisors, Inc.	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	150 bp
Doughty Hanson & Co. V	175 bp
Elevation Partners.	125 bp
GE Asset Mgmt Trust China A Shares Fund	150 bp
GE Asset Mgmt Trust China A Shares Fund II	150 bp
GE Asset Mgmt Trust Active Commodities Fund	100 bp
KKR European Fund I	75 bp
KKR European Fund II	75 bp
Lone Star Real Estate Partners II	110 bp
Monument Park CDO	
Senior (embedded)	20 bp
Subordinate (embedded)	55 bp
North American Real Estate Partners I	125 bp
North American Real Estate Partners II	125 bp
North American Real Estate Partners II Sidecar	0 bp
Oaktree Loan Fund 2x	50 bp
PineBridge Global Emerging Markets Partners I	250 bp
PineBridge Global Emerging Markets Partners II	200 bp
PIMCO (tax-exempt)	25 bp
PIMCO Distressed Mortgage Fund II	150 bp
Riverstone/Carlyle Global Energy & Power Fund IV	143 bp
Sanders Capital All Asset Value Fund	125 bp
Sanders Capital (Value Equities)	
$0-$15 Million -	90 bp
$15-$50 Million -	50 bp
Silver Lake Partners I	0 bp
Silver Lake Partners II	100 bp
Silver Lake Partners III	132 bp
Silver Lake Sumeru Fund	200 bp
TCW Special Mortgage Credits Fund - Series A	100 bp
TCW/SD Special Mortgage Credits Investment	100 bp

12 There have been no changes in investment personnel that would alter the returns presented. Past performance is no guarantee of future results.

13 Russell 1000 Index in fiscal years 1996-2004 and S&P 500 Index in prior periods.

14 **Fixed Income:** Citigroup USBIG Bond Index (February 2001-2011), Salomon Smith Barney Treasury/GNMA Index (1985 - January 2001). **Domestic Equity:** S&P 500 Index (2005), Russell 1000 Index (February 2001-2004). **High Yield/Distressed Debt:** Citigroup High-Yield Market Index (2010-2011 and February 2001-2006), Citigroup All BB-Rated Index (2007-2009). **Cash/Commodities:** Citigroup US 3-Month Treasury Bill Index (February 2001-2011). **International Equity:** MSCI ACWI ex-US Index (2005). **Global Equity:** ⅔ S&P Global 1200 Ex-Iran + ⅓ S&P 500 Index (2011), ⅔ S&P Global 1200 + ⅓ S&P 500 Index (2007-2010), ⅔ MSCI ACWI + ⅓ MSCI US Index (2006). **TIPS:** Citigroup US-ILSI (2007-2011). **Real Estate:** NCREIF Property Index +1.25% (2011), NCREIF Property Index (2007-2010). **Private Equity:** S&P 500 +1.75% (2007-2010), S&P 500 +3.5% (2007-2010).

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

	FI	Dom EQ	HY/ DD	Cash/ Comm	Intl EQ	Glbl EQ	TIPS	RE	PE
07/06 - 06/11	33%	0%	5%	2%	0%	48%	5%	5%	2%
07/05 - 06/06	40%	0%	10%	0%	0%	50%	0%	0%	0%
07/04 - 06/05	40%	40%	10%	0%	10%	0%	0%	0%	0%

	FI	Dom EQ	HY/ DD	Cash/ Comm	Intl EQ	Glbl EQ	TIPS	RE	PE
07/03 - 06/04	50%	40%	10%	0%	0%	0%	0%	0%	0%
07/02 - 06/03	60%	30%	10%	0%	0%	0%	0%	0%	0%
07/01 - 06/02	70%	20%	10%	0%	0%	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%	0%

15 MSCI All Country World ex-US Index in fiscal years 2002-2004 and ¾ MSCI EAFE + ¼ MSCI EASEA Index in prior periods.

16 **Fixed Income:** Citigroup USBIG Bond Index (2002-2011). **Domestic Equity:** S&P 500 Index (2005), Russell 1000 Index (2002-2004). **Real Estate:** weighted index (2006), NCREIF Property Index +1.25% (2011), NCREIF Property Index (2006-2010), MSCI US REIT Index (2005-2006), REIT Benchmark (2002-2004). **High Yield/Distressed Debt:** Citigroup High-Yield Market Index (2010-2011), Citigroup All BB-Rated Index (2002-2009). **Cash/Commodities:** Citigroup US 3-Month Treasury Bill Index (2007-2011). **International Equity:** MSCI ACWI ex-US Index (2005). **Global Equity:** ⅔ S&P Global 1200 Ex-Iran + ⅓ S&P 500 Index (2011), ⅔ S&P Global 1200 + ⅓ S&P 500 Index (2007-2010), ⅔ MSCI ACWI + ⅓ MSCI US Index (2006). **TIPS:** Citigroup US-ILSI (2007-2011). **Private Equity:** S&P 500 +1.75% (2011), S&P 500 +3.5% (2007-2010).

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

	FI	Dom EQ	RE	HY/ DD	Cash/ Comm	Intl EQ	Glbl EQ	TIPS	PE
07/06 - 06/11	33%	0%	5%	5%	2%	0%	48%	5%	2%
07/05 - 06/06	40%	0%	10%	10%	0%	0%	40%	0%	0%
07/04 - 06/05	50%	20%	15%	10%	0%	5%	0%	0%	0%
07/01 - 06/04	55%	20%	15%	10%	0%	0%	0%	0%	0%

17 **Fixed Income:** Citigroup USBIG Bond Index (2003-2011). **Tax-Exempt Fixed Income:** Barclays Capital Municipal 7 Year Index (2003-2011). **Domestic Equity:** S&P 500 Index (2005), Russell 1000 Index (2003-2004). **Real Estate:** weighted index (2006), NCREIF Property Index +1.25% (2011), NCREIF Property Index (2006-2010), MSCI US REIT Index (2005-2006), REIT Benchmark (2003-2004). **High Yield/ Distressed Debt:** Citigroup High-Yield Market Index (2010-2011 and 2003-2006), Citigroup All BB-Rated Index (2007-2009). **TIPS:** Citigroup US-ILSI (2003-2011). **Cash/Commodities:** Citigroup US 3-Month Treasury Bill Index (2007-2011). **International Equity:** MSCI ACWI ex-US Index (2005). **Global Equity:** ⅔ S&P Global 1200 Ex-Iran + ⅓ S&P 500 Index (2011), ⅔ S&P Global 1200 + ⅓ S&P 500 Index (2007-2010), ⅔ MSCI ACWI + ⅓ MSCI US Index (2006). **Private Equity:** S&P 500 +1.75% (2011), S&P 500 +3.5% (2007-2010).

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

	FI	Tax-Exmpt FI	Dom EQ	RE	HY/ DD	TIPS	Cash/ Comm	Intl EQ	Glbl EQ	PE
07/10 - 06/11	0%	35%	0%	5%	5%	3%	2%	0%	48%	2%
07/09 - 06/10	0%	37%	0%	5%	5%	1%	2%	0%	48%	2%
07/08 - 06/09	3%	30%	0%	5%	5%	5%	2%	0%	48%	2%
07/07 - 06/08	8%	25%	0%	5%	5%	5%	2%	0%	48%	2%
07/06 - 06/07	3%	30%	0%	5%	5%	5%	2%	0%	48%	2%
07/05 - 06/06	3%	32%	0%	10%	10%	5%	0%	0%	40%	0%
07/04 - 06/05	7%	33%	24%	10%	10%	10%	0%	6%	0%	0%
07/02 - 06/04	10%	35%	25%	10%	10%	10%	0%	0%	0%	0%

18 **Fixed Income:** Citigroup USBIG Bond Index (2003-2011). **Domestic Equity:** S&P 500 Index (2005), Russell 1000 Index (2003-2004). **Real Estate:** weighted index (2006), NCREIF Property Index +1.25% (2011), NCREIF Property Index (2006-2010), MSCI US REIT Index (2005-2006), REIT Benchmark (2003-2004). **High Yield/Distressed Debt:** Citigroup High-Yield Market Index (2010-2011 and 2003-2006), Citigroup All BB-Rated Index (2007-2009). **TIPS:** Citigroup US-ILSI (2003-2011). **Cash/ Commodities:** Citigroup US 3-Month Treasury Bill Index (2007-2011). **International Equity:** MSCI ACWI ex-US Index (2005). **Global Equity:** ⅔ S&P Global 1200 Ex-Iran + ⅓ S&P 500 Index (2011), ⅔ S&P Global 1200 + ⅓ S&P 500 Index (2007-2010), ⅔ MSCI ACWI + ⅓ MSCI US Index (2006). **Private Equity:** S&P 500 +1.75% (2011), S&P 500 +3.5% (2007-2010).

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

	FI	Dom EQ	RE	HY/ DD	TIPS	Cash/ Comm	Intl EQ	Glbl EQ	PE
07/06 - 06/11	33%	0%	5%	5%	5%	2%	0%	48%	2%
07/05 - 06/06	35%	0%	10%	10%	5%	0%	0%	40%	0%
07/04 - 06/05	40%	24%	10%	10%	10%	0%	6%	0%	0%
07/02 - 06/04	45%	25%	10%	10%	10%	0%	0%	0%	0%

19 The SDRS Combined Internal Equity Benchmark consists of the ⅔ S&P Global 1200 Ex-Iran + ⅓ S&P 500 Index in fiscal year 2011 and ⅔ S&P Global 1200 + ⅓ S&P 500 Index in fiscal years 2005-2010. In prior periods, it consisted of the International Equity Benchmark (MSCI ACWI ex-US Index in fiscal years 2002-2004 and ¾ MSCI EAFE + ¼ 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 The CPRF Combined Internal Equity Benchmark consists of the ⅔ S&P Global 1200 Ex-Iran + ⅓ S&P 500 Index in fiscal year 2011 and ⅔ S&P Global 1200 + ⅓ S&P 500 Index in fiscal years 2005-2010. In prior periods, it consisted of the International Equity Benchmark (MSCI ACWI ex-US Index in fiscal years 2002-2004 and ¾ MSCI EAFE + ¼ MSCI EASEA Index in fiscal years 1999-2001) 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.

21 The Convertible Benchmark is 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 is based on the risk characteristics of the portfolio.

22 The Merger Benchmark is the implemented Merger index portfolio January 1, 2011 - June 30, 2011, 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.

NOTES

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