

Investment Section



COMMONWEALTH OF PENNSYLVANIA
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

ALAN H. VAN NOORD, CFA
Chief Investment Officer

Investment Overview

Authority

The PSERS Board of Trustees (Board) has the responsibility to invest funds of the System in accordance with guidelines and limitations set forth in the Code and other applicable state law. Act 29 of 1994 authorizes the Board to invest the funds of the System using the "prudent person" standard which allows the Board to consider the probable safety of investments, avoid speculative investments, and invest as people of prudence, discretion, and intelligence would manage their own affairs.

Policy and Objectives

The Board is responsible for the formulation of investment policy for the System. The overall investment objectives of the System are to: (i) preserve capital in real terms; (ii) maximize total returns while limiting the risk of volatility through diversification; (iii) achieve returns in excess of the policy index (the policy index is a custom index created based on the Board established asset allocation structure to generate a return that supports the growth of the projected actuarial liabilities of the System); and (iv) provide sufficient liquidity to meet the current operating needs of the System. To achieve these objectives, the Board meets once a year to establish an overall asset allocation plan and investment policies for the System. Implementation of the investment policies is accomplished through external investment management firms who act as agents for the System and through internal investment managers. The Board also retains various investment consultants to assist with the formulation and implementation of investment policy.

Oversight

The Board provides oversight of investment activities through the Finance Committee which makes recommendations to the Board. The Finance Committee generally conducts eight or nine meetings a year and may meet more frequently as needed. Investment Office staff, as well as outside investment advisors, internal investment managers and investment accounting office staff assist the Board in achieving investment objectives and monitoring compliance with investment policy. For the fiscal year ended June 30, 2002, Wilshire Associates Incorporated served as the overall investment consultant to assist the Board in formalizing investment objectives, establishing an asset allocation plan, conducting investment advisor searches, reviewing performance, and commenting on compliance with investment policy. In addition, the Board utilized Russell Real Estate Advisors as a real estate consultant and Sovereign Financial Services, Inc. as a private equity / venture capital consultant. Investment Office staff implements the investment decisions within the stated policy regarding asset allocation, security selection, or other objectives directed by the Board.

The Board employs both external investment management firms and internal investment managers to manage the investment portfolio of the System. At year end, 31 external investment management firms were managing \$25.1 billion in assets of the System, \$13.8 billion in assets were managed by the System's internal investment managers, and the remaining \$5.6 billion in assets were managed by numerous developmental, private equity, and real estate managers. Each external investment management firm's and each internal manager's performance is monitored annually against a pre-established benchmark and that of its peers.

Asset Allocation

The Board reviews the long-term asset allocation targets of the System at least annually, usually in the calendar fourth quarter. In establishing the asset allocation plan, the Board will consult with its actuary, consultants, Investment Office staff, and other sources of information it deems appropriate in formulating this plan. The purpose of the asset allocation plan is to meet the long-term financial needs and investment objectives of the System.

The long-term target allocation for FY 2002 included an equity target allocation of **62.00%** consisting of publicly traded stocks. Specific targets have been established for U.S. equity exposure (42.00%) and diversified international equity exposure (20.00%). Within each of these targets, the portfolios are diversified between large and small cap managers and growth and value managers.

The fixed income target allocation of **24.00%** consisted of U.S. fixed income exposure (15.10%), specialty fixed income exposure (3.90%), and global fixed income exposure (5.00%). Within these categories, all sectors of the bond market are represented. Specialty fixed income includes high yield and mortgage-backed portfolios.

The target allocation for the global asset allocation (GAA) program of 8.80% (this percentage is included in the equity and fixed income target allocations above) consisted of a combination of equities and bonds, both domestic and foreign. The GAA program was established to provide the System a vehicle for short-term asset allocation shifts based on current market conditions.

The real estate target allocation of **7.00%** consists primarily of opportunistic real estate partnerships and publicly traded real estate investment trusts (REITs).

Private equity and venture capital investments have a combined target of **7.00%**. The primary vehicle used to invest funds in these asset classes is the limited partnership. The partnerships are established by individual management groups that have been selected by the System for the purpose of investing in and managing private equity and unlisted subordinated debt positions on behalf of PSERS and other limited partners.

Finally, unallocated cash of the System has an asset allocation target of 0% since cash historically represents the lowest returning asset class over time.

Investment Results

As of June 30, 2002, the market value of the investment portfolio was \$44.5 billion. The market value decreased approximately \$5.2 billion over last year's value. This decrease came primarily from net investment losses (\$2.5 billion) and from benefit payments in excess of employee and employer contributions (\$2.0 billion). The investment portfolio, as invested, was composed of 56.90% of common and preferred stocks, 31.20% of fixed income investments, 5.30% real estate, and 6.60% of private equity/venture capital investments at June 30, 2002. The table on page 66 illustrates a more detailed description of the investment portfolio's asset classes in dollars and as a percent of the total investment portfolio.

This past fiscal year has been marked by the tragic events of September 11th and concerns over terrorism, corporate accounting fraud, corporate profitability, and a slowing economy. After one of the greatest bull markets in history for the U.S. equity markets, we have entered into one of the greatest bear markets in history. This is reflected by the (16.62)% and (15.34)% annualized returns of the Wilshire 5000 Index for the fiscal years ended June 30, 2002 and 2001, respectively. These types of returns are also indicative of the returns in the international equity markets. The fixed income markets provided a safe haven for investors with positive returns during the past couple of years as the Federal Reserve has cut the Federal Funds Target Rate by 200 basis points (2.00%) and 275 basis points (2.75%) in the fiscal years ended June 30, 2002 and 2001, respectively. The domestic bond market, as measured by the Lehman Aggregate Bond Index, returned 8.63% and 11.23% during the past two fiscal years ended June 30, 2002 and 2001, respectively.

As a result of weakness in the domestic and international equity markets, the System generated a return of (5.25)% for the one-year period ended June 30, 2002. Annualized returns for the three- and five-year periods ending June 30, 2002 were (0.53)% and 5.07%, respectively. The System continues to remain fully funded on an actuarial basis even though the five-year return no longer exceeds the actuarial interest rate assumption of 8.5%.

Wilshire Associates Incorporated calculates the total investment return of the System, as well as the performance of each external investment management firm and each internal investment manager employed by the Board to invest the System's assets. All performance measurement calculations are conducted in accordance with the presentation standards of the Association of Investment Management and Research.

The following table provides the System's total investment return for each major asset class and the total portfolio, including, where applicable and available, respective benchmark indices used by asset class and median performance by asset class:

	Annualized Total Returns (%) Net of Fees Ending June 30, 2002		
	1 Year	3 Years	5 Years
PSERS TOTAL PORTFOLIO	(5.25)	(0.53)	5.07
Median Fund Universe - Public Funds (Wilshire Database)	(5.90)	(0.40)	5.16
PSERS DOMESTIC STOCK PORTFOLIOS	(12.82)	(3.43)	6.14
Wilshire 5000 Index	(16.62)	(8.22)	3.57
Median Fund Universe - Domestic Equities (Wilshire Database)	(16.46)	(7.18)	3.95
PSERS INTERNATIONAL STOCK PORTFOLIOS	(6.76)	(3.20)	(0.99)
MSCI All-Country World Index Free Ex. U.S.	(8.12)	(6.25)	(1.76)
Median Fund Universe - International Equities (Wilshire Database)	(8.37)	(4.33)	(0.13)
PSERS DOMESTIC FIXED INCOME PORTFOLIOS	7.92	7.39	7.14
Lehman Aggregate Index	8.63	8.11	7.57
Median Fund Universe - Domestic Bonds (Wilshire Database)	7.13	7.52	7.17
PSERS GLOBAL FIXED INCOME PORTFOLIOS	13.53	3.84	4.23
J.P. Morgan Global Bond Index	13.75	4.42	4.55
Median Fund Universe - Global Bonds (Wilshire Database)	8.73	6.91	4.68
PSERS GLOBAL ASSET ALLOCATION PORTFOLIOS	(7.62)	(8.99)	N/A
PSERS REAL ESTATE	4.78	9.09	11.17
NCREIF Index	6.40	9.89	11.99
PSERS PRIVATE EQUITY / VENTURE CAPITAL *	(9.92)	(1.48)	1.76

* Internal rate of return

The System also is involved in a securities lending program administered by Mellon Bank N.A. This program provides incremental income to the System by lending securities in the System's portfolio to securities dealers in exchange for either cash collateral, which can be reinvested to generate income, or non-cash collateral plus a cash fee. This program generated approximately \$16.3 million in additional net income during the year.

Accomplishments

During the fiscal year-ended June 30, 2002, the System's funds invested in private equity and venture capital increased approximately 32% allowing the System to reach the target allocation.

In addition, on August 1, 2002, the System entered into a contract with Financial Control Systems, Inc. (FCS) to provide a comprehensive, multi-currency investment accounting system, reconciliation and technology services to the System. Over the next two to three years, the System's staff and FCS will implement an independent accounting book of record for the System's investment transactions. Currently, the System relies on the custodian bank and third-party service providers for the accounting of its investment activity and investment analytics.

Summary

Overall, the System generated negative returns during the fiscal year-ended June 30, 2002 due to the slowing world economies. Positive returns in the domestic fixed income and real estate portfolios were not sufficient enough to completely offset the negative returns generated by the equity portfolios. While the System was unable to achieve its targeted actuarial rate of return during the fiscal year-ended June 30, 2002, we believe that the System's asset allocation is structured to generate a long-term return that supports the growth of the projected actuarial liabilities of the System for years to come.



Alan H. Van Noord, CFA
Chief Investment Officer

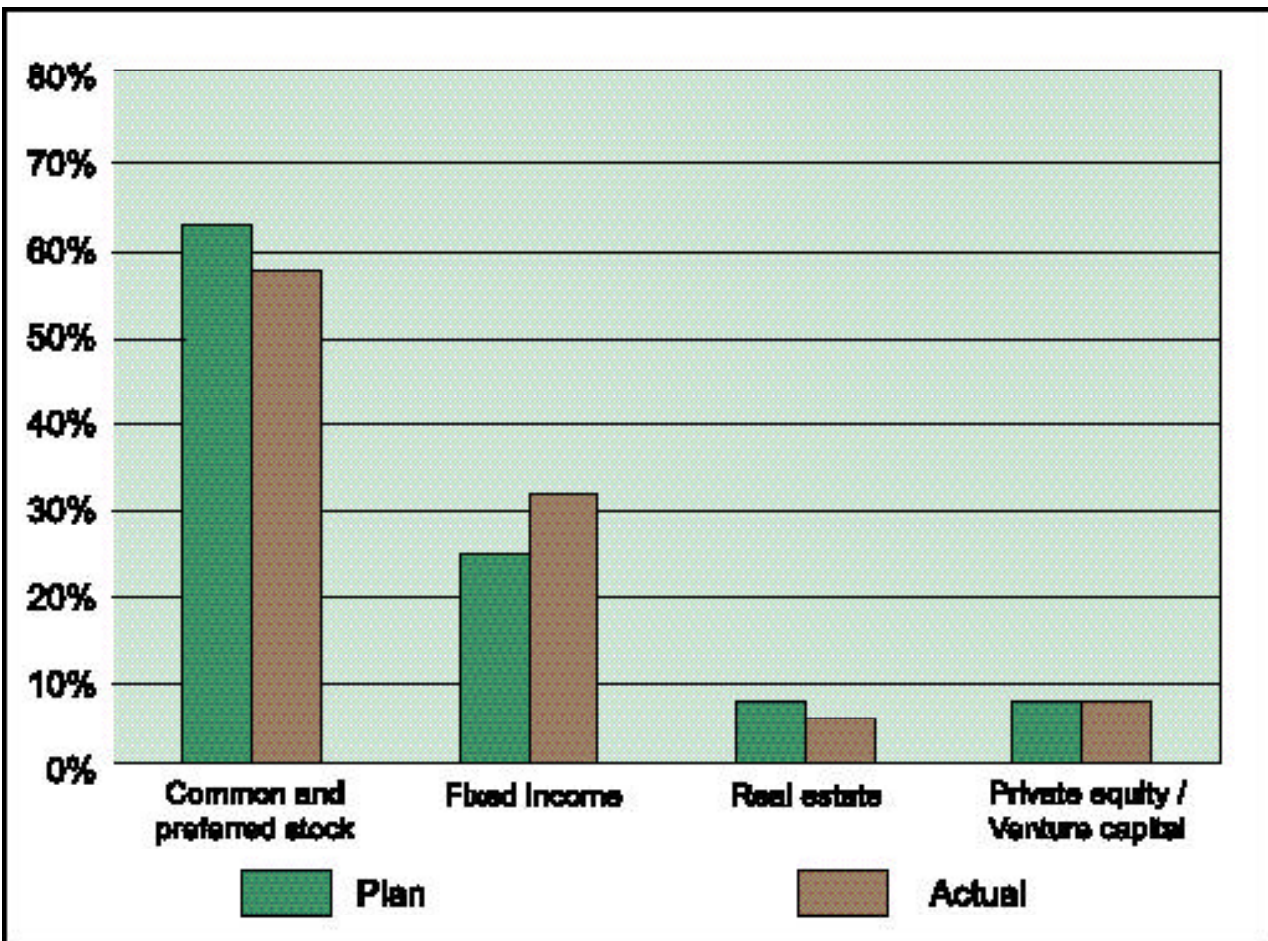
Portfolio Summary Statistics
Asset Allocation
As of June 30, 2002
(Dollar Amounts in Thousands)

	Fair Value (\$)	% Fair Value
Pension investments		
Common and preferred stock:		
Domestic common and preferred stock	\$ 17,036,387	38.4%
International common stock	7,626,617	17.2%
Subtotal per Statement of Plan Net Assets	24,663,004	55.6%
Collective trust fund *	617,249	1.4%
Short-term *	531,471	1.2%
Publicly traded REITs	(567,364)	(1.3%)
Total Common and preferred stock - Asset Allocation Basis	25,244,360	56.9%
Fixed income:		
Domestic mortgage-backed securities	5,171,543	11.7%
U.S. government and agency obligations	1,156,844	2.6%
Domestic corporate and taxable municipal bonds	4,277,616	9.6%
Miscellaneous domestic fixed income	377,566	0.9%
International fixed income	1,134,158	2.5%
Subtotal per Statement of Plan Net Assets	12,117,727	27.3%
Collective trust fund *	651,925	1.5%
Short-term *	1,063,956	2.4%
Total Fixed income - Asset Allocation Basis	13,833,608	31.2%
Real estate:		
Real estate owned	481,810	1.1%
Equity real estate	1,272,826	2.9%
Subtotal per Statement of Plan Net Assets	1,754,636	4.0%
Publicly traded REITs	567,364	1.3%
Total Real estate - Asset Allocation Basis	2,322,000	5.3%
Private equity / Venture capital:		
Private equity	2,712,854	6.1%
Venture capital	231,194	0.5%
Total Private equity / Venture capital - Asset Allocation Basis	2,944,048	6.6%
Pension investments - Asset Allocation Basis	\$ 44,344,016	100.0%
Postemployment Healthcare short-term investments	\$ 112,201	100.0%

* - For asset allocation purposes, Collective trust fund and Short-term investments are included with the asset class of the investment manager which holds them and publicly traded REIT portfolios are reclassified from Common and preferred stock to Real estate. See the table and graph which follow.

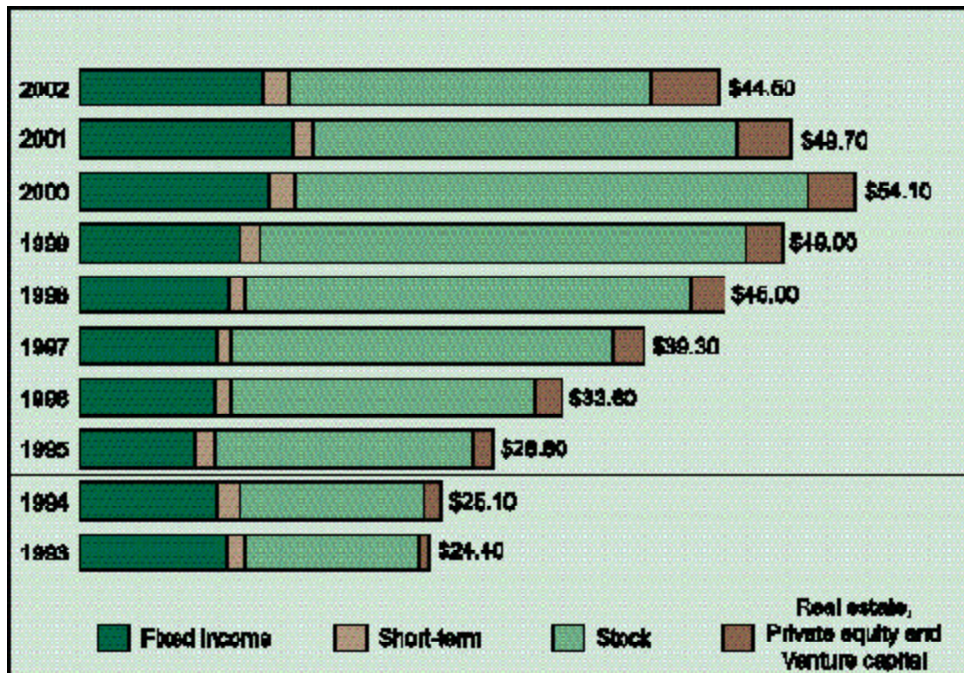
Comparison of Actual Portfolio Distribution to Asset Allocation Plan As of June 30, 2002

<u>Asset Category</u>	<u>Plan</u>	<u>Actual</u>
Common and preferred stock	62%	57%
Fixed income	24%	31%
Real estate	7%	5%
Private equity / Venture capital	7%	7%
Total	100%	100%



Portfolio Distribution * 10 Year Trend

(Fair Value - Dollar Amounts in Billions)



* Data for years after 1994 includes effects of GASB Statement No. 25.

The following lists of portfolio detail statistics present the ten largest holdings by descending order of fair value. Information on the complete holdings of the System is available by writing to the Public School Employees' Retirement System, Office of Financial Management, P O Box 125, Harrisburg, PA 17108.

Portfolio Detail Statistics as of June 30, 2002

Domestic common and preferred stock

10 Largest Holdings in Descending Order by Fair Value

(Dollar Amounts and Shares in Thousands)

Description	No. of Shares	Fair Value (\$)
Microsoft Corporation	5,117	279,877
General Electric Company	9,342	271,383
Exxon Mobil Corporation	6,046	247,390
Security Capital Preferred Growth	9,674	246,676
Citigroup Inc.	5,987	232,002
Pfizer Inc.	6,052	211,806
Wal-Mart Stores, Inc.	3,645	200,516
American International Group, Inc.	2,218	151,331
Johnson & Johnson	2,535	132,491
Verizon Communications Inc.	3,101	124,499
Total of 10 Largest Holdings		2,097,971
Total System Holdings - Domestic common and preferred stock		17,036,387

Portfolio Detail Statistics as of June 30, 2002

International common stock

10 Largest Holdings in Descending Order by Fair Value

(Dollar Amounts and Shares in Thousands)

Description	No. of Shares	Fair Value (\$)
Total Fina Elf	853	138,501
Vodafone Group PLC	85,606	117,441
Novartis AG	2,530	111,281
Glaxosmithkline	4,390	94,884
ING Groep	3,681	94,530
Royal Bank of Scotland	3,280	92,991
BP PLC	10,179	85,494
ENI SpA	4,992	79,379
Sanofi-Synthelaboratories	1,237	75,271
Nestle SA	320	74,516
Total of 10 Largest Holdings		964,288
Total System Holdings - International common stock		7,626,617

Portfolio Detail Statistics as of June 30, 2002

Collective trust fund

10 Largest Holdings in Descending Order by Fair Value

(Dollar Amounts and Shares in Thousands)

Description	No. of Shares	Fair Value (\$)
Capital Guardian U.S. Fixed Income Fund	1,776	172,979
Martin Currie Business Trust Global Emerging Markets Fund	25,421	154,559
MGT High Yield Bond Fund	16,157	109,061
MAS Funds Advisory Mortgage Fund	8,494	90,718
Midcap SPDR Trust Series 1	950	85,085
PIMCO Funds International Portfolio	9,710	64,569
MS Institutional Trust Funds Emerging Markets Portfolio	5,414	61,070
PIMCO Funds Emerging Markets Portfolio	4,818	50,011
Deutsche Asset Management Emerging Markets Portfolio	7,620	44,575
iShares S & P Small Cap 600 Index Fund	371	42,495
Total of 10 Largest Holdings		875,122
Total System Holdings - Collective trust fund		1,269,174

Portfolio Detail Statistics as of June 30, 2002
Domestic corporate and taxable municipal bonds
10 Largest Holdings in Descending Order by Fair Value
(Dollar Amounts in Thousands)

Description	Maturity Date	Interest Rate (%)	Par Value (\$)	Fair Value (\$)
Lehman Brothers Commercial Conduit 1999 C2 Class A2 144A	10/15/32	7.325	50,000	55,380
Pemex Finance Limited	05/15/12	7.330	42,050	45,611
Coastal Corporation	07/21/03	2.513	30,650	30,722
Resolution Funding Corporation STRIP Principal	10/15/19	0.000	87,025	29,696
Credit Suisse First Boston 02 P1 A 144A	03/25/32	2.478	29,312	29,312
Ford Motor Credit Company	08/01/05	7.600	27,355	28,679
Florida Windstorm Underwriting Association 144A	08/25/02	6.500	26,525	26,663
General Electric Capital Corporation	01/19/10	7.375	24,000	26,429
Morgan Stanley Dean Witter & Company Global	04/15/06	6.100	25,000	26,028
Morgan Stanley Dean Witter & Company Global	04/01/12	6.600	23,975	24,446
Total of 10 Largest Holdings				322,966
Total System Holdings - Domestic corporate and taxable municipal bonds				4,277,616

Portfolio Detail Statistics as of June 30, 2002
Domestic mortgage-backed securities
10 Largest Holdings in Descending Order by Fair Value
(Dollar Amounts in Thousands)

Description	Maturity Date	Interest Rate (%)	Par Value (\$)	Fair Value (\$)
GNMA II Pool #0002909	04/20/30	8.000	54,027	57,303
Small Business Investment Companies 2000-P10B Class 1	08/01/10	7.449	31,039	33,711
FNMA Guaranteed REMIC 1993-120 Class HA	01/22/21	6.500	30,000	30,994
FNMA Guaranteed REMIC 1998-35 Class BA	12/20/27	7.000	28,533	30,869
FNMA Guaranteed REMIC 1998-3 Class PE	07/18/23	6.250	30,000	30,863
Nomura Asset 1998-D6 Class A1-B	03/15/30	6.590	28,450	30,581
FNMA Pool #0535811	04/01/31	6.500	29,938	30,518
FHLMC Multiclass 26 Class C	07/25/18	6.500	28,386	29,673
FNMA Guaranteed REMIC 1998-25 Class J	12/18/25	6.500	28,309	29,424
FHLMC Pool #G0-1381	04/01/32	7.000	26,209	27,143
Total of 10 Largest Holdings				331,079
Total System Holdings - Domestic mortgage-backed securities				5,171,543

Portfolio Detail Statistics as of June 30, 2002
U.S. government and agency obligations
10 Largest Holdings in Descending Order by Fair Value
(Dollar Amounts in Thousands)

Description	Maturity Date	Interest Rate (%)	Par Value (\$)	Fair Value (\$)
U.S. Treasury Notes	05/15/07	4.375	80,144	81,246
U.S. Treasury Notes	08/15/07	6.125	65,801	71,723
U.S. Treasury Bonds	02/15/31	5.375	71,377	69,905
U.S. Treasury Notes	11/15/04	5.875	52,485	55,782
U.S. Treasury - Inflation Index	07/15/02	3.625	51,745	51,794
U.S. Treasury Bonds	08/15/19	8.125	36,032	46,155
U.S. Treasury Notes	02/15/12	4.875	44,202	44,368
U.S. Treasury Bonds	05/15/16	7.250	37,219	43,860
U.S. Treasury Notes	11/15/06	3.500	41,771	41,027
Federal National Mortgage Association	07/15/05	7.000	37,390	40,895
Total of 10 Largest Holdings				546,755
Total System Holdings - U.S. government and agency obligations				1,156,844

Portfolio Detail Statistics as of June 30, 2002
International fixed income
10 Largest Holdings in Descending Order by Fair Value
(Dollar Amounts in Thousands)

Description	Maturity Date	Interest Rate (%)	Par Value (\$)	Fair Value (\$)
CRAVE Trust 2001-701 144A	04/05/04	Variable	60,505	67,832
Japan (Government)	06/20/06	0.400	40,464	40,686
Italy (Republic of) BTP	07/01/05	4.750	40,116	40,614
UK Treasury	12/07/05	8.500	35,214	39,106
Netherlands (Government)	07/15/08	5.250	35,056	35,992
France (Government)	10/25/32	5.750	29,445	31,374
Spain (Government)	07/30/12	5.000	31,208	30,724
UK Treasury	12/07/06	7.500	27,834	30,492
France (Government)	04/25/07	5.500	28,640	29,792
Austria (Republic of)	07/15/12	5.000	29,332	29,012
Total of 10 Largest Holdings				375,624
Total System Holdings - International fixed income				1,134,158

Portfolio Detail Statistics as of June 30, 2002

Miscellaneous domestic fixed income

10 Largest Holdings in Descending Order by Fair Value

(Dollar Amounts in Thousands)

Description	Maturity Date	Interest Rate (%)	Par Value (\$)	Fair Value (\$)
Pennsylvania Initiative Small Business Loans	Various	Various	-	29,918
Carco Auto Loan Master Trust 1999-4 Class A	11/15/04	6.430	26,780	27,140
BMW Vehicle Owner Trust 2000-A Class A3	10/25/03	6.670	23,235	24,314
Household Automotive Trust V 2000-2002 Class A4	04/17/07	7.430	22,410	23,891
Household Automotive Trust II 2000-2001 Class A4	12/18/06	7.480	20,452	21,665
Ford Credit Auto Owner Trust 2000-E Class A4	06/15/04	6.740	19,564	20,034
BMW Vehicle Owner Trust 2001-A Class A3	03/25/05	4.700	15,695	16,026
Ford Credit Auto Owner Trust 1999-D Class B	01/15/04	6.870	13,650	14,017
The Mall at Steamtown Mortgage Loan	11/14/04	8.500	-	12,755
Auto Owner Trust 2002-2 Class A4	03/15/10	4.300	12,110	12,235
Total of 10 Largest Holdings				201,995
Total System Holdings - Miscellaneous domestic fixed income				377,566

Portfolio Detail Statistics as of June 30, 2002

Postemployment Healthcare short-term investments

10 Largest Holdings in Descending Order by Fair Value

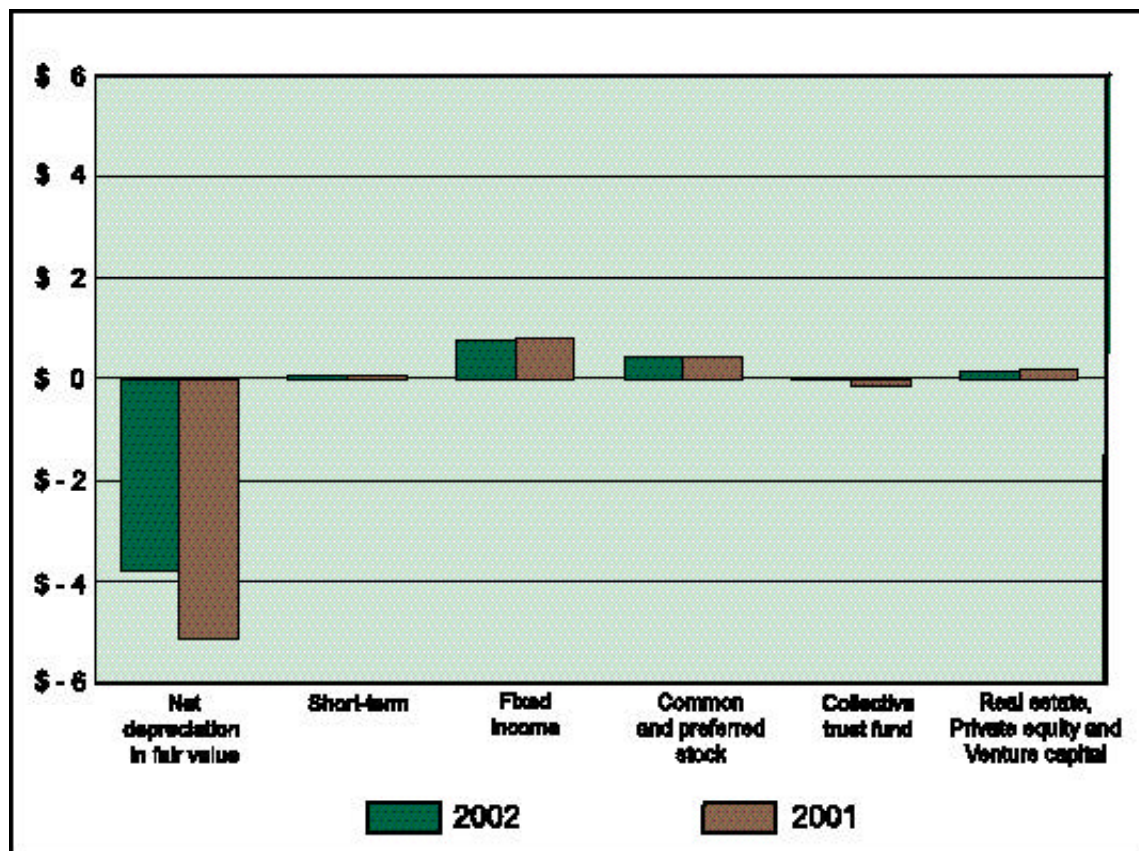
(Dollar Amounts in Thousands)

Description	Maturity Date	Interest Rate (%)	Par Value (\$)	Fair Value (\$)
Treasury Short-Term Investment Fund	Various	Various	55,777	55,777
Allfirst Repurchase Agreement	07/01/02	1.600	12,000	12,000
Allfirst Repurchase Agreement	07/01/02	1.700	3,400	3,400
FNMA Guaranteed REMIC 1998-19 Class PG	03/18/21	5.750	2,500	2,572
FNMA Guaranteed REMIC 1999-52 Class PA	08/25/16	6.500	1,974	2,011
FNMA Guaranteed REMIC 1998-34 Class PG	11/18/17	6.000	1,713	1,745
General Electric Capital Mortgage Services, Inc. 1999-18 Class A8	09/25/29	7.000	1,600	1,630
FNMA Guaranteed REMIC 1996-23 Class A	09/25/21	6.500	1,579	1,595
Ford Credit Auto Owner Trust 1999-D Class A5	09/15/03	6.520	1,533	1,551
FNMA Guaranteed REMIC 1998-48 Class PK	08/18/18	6.000	1,500	1,536
Total of 10 Largest Holdings				83,817
Total System Holdings - Postemployment Healthcare short-term investments				112,201

**Comparison of Investment Activity (Loss) Income
For Fiscal Years Ended June 30, 2002 and 2001
(Dollar Amounts in Thousands)**

Asset Category	2002	2001
Net depreciation in fair value	\$ (3,777,153)	\$ (5,137,619)
Short-term	46,862	83,319
Fixed income	774,029	832,808
Common and preferred stock	440,533	446,439
Collective trust fund depreciation and income	(10,957)	(125,006)
Real estate	131,890	166,006
Private equity	16,230	7,681
Venture capital	2,064	2,717
Totals	\$ (2,376,502)	\$ (3,723,655)

(Dollar Amounts in Billions)



Brokers' fees on equity investment transactions for the fiscal year ended June 30, 2002 were \$33.6 million. The System has commission recapture contracts with several brokers. These contracts generally stipulate that the brokers rebate a percentage of commissions earned on investment transactions directly to the System. During the year ended June 30, 2002, the System earned \$8.8 million of benefits resulting from a commissions recapture program. A list of the brokers receiving fees in excess of \$100,000 during the fiscal year follows.

Summary Schedule of Brokers' Fees
(Cumulative Fiscal Year Amounts Exceeding \$100,000)
Fiscal Year Ended June 30, 2002

Broker Name	Fees Paid (\$)	Broker Name	Fees Paid (\$)
Morgan Stanley and Company	3,143,513	Credit Lyonnais Securities	244,449
Goldman Sachs and Company	3,061,638	Lynch, Jones and Ryan	243,406
Merrill Lynch	2,962,482	Swiss Bank Corporation	224,616
UBS PaineWebber	2,760,103	Wheat, First Securities, Inc.	220,125
Lehman Brothers	2,313,459	ABN Amro Bank	217,917
Salomon Smith Barney	1,722,654	Jefferies and Company Inc.	211,380
Deutsche Bank	1,499,447	Banc One Capital Corp.	179,213
Bear, Stearns and Company	1,292,142	J. Cheuvreux De Virieu, SA	177,429
Execution Services Inc.	1,115,341	Legg Mason Wood Walker	166,950
Credit Suisse First Boston	1,049,701	ING Barings	166,184
J.P. Morgan, Inc.	753,163	Cowen & Company	163,693
Jones & Associates	666,982	Kokusai Securities	160,245
Overseas Corp.	664,556	First Union	158,549
Investment Technology Group	602,443	Status Securities	141,377
Union Bank	476,561	Cazenove Inc.	139,031
Dresdner Bank, A.G.	471,885	BNP Securities	136,582
HSBC Securities	428,616	Lewco/BHC Securities	126,636
Scottsdale Securities Inc. St. Louis	394,319	Nomura Securities International	121,738
ANC Nominees, Melbourne	389,698	Cathay Financial Corp.	118,409
Instinet Corporation	365,183	Montgomery Securities	102,824
Weeden and Company	245,085		

Professional Consultants

External Investment Advisors

ABS Capital Partners <i>(Private Equity)</i>	Charter Financial Group, Inc. <i>(Developmental)</i>
Acorn Derivatives Management Corporation <i>(Equity)</i>	Charter Oak Advisors <i>(Real Estate)</i>
Adams Capital Management, Inc. <i>(Venture Capital)</i>	Clarity Partners, L.P. <i>(Private Equity)</i>
Alliance Capital Management <i>(Equity)</i>	Connors Investor Services, Inc. <i>(Developmental)</i>
Apax Partners <i>(Venture Capital)</i>	Cordillera Asset Management <i>(Developmental)</i>
Avenue Capital Management, L.L.C. <i>(Private Equity)</i>	Credit Suisse First Boston Advisory Partners, L.L.C. <i>(Private Equity & Real Estate)</i>
BG Media Investors <i>(Private Equity)</i>	Cross Atlantic Capital Partners, Inc. <i>(Venture Capital)</i>
Baillie Gifford Overseas, Ltd. <i>(Equity)</i>	Delaware Investment Advisers <i>(Equity)</i>
Bank of Ireland Asset Management (U.S.), Ltd. <i>(Equity)</i>	Deutsche Asset Management, Inc. <i>(Fixed Income & Private Equity)</i>
Bastion Capital Corporation <i>(Private Equity)</i>	Dubin Clark & Company, Inc. <i>(Private Equity)</i>
Bear Stearns Merchant Banking Partners II, L.P. <i>(Private Equity)</i>	Duncan-Hurst Capital Management <i>(Equity)</i>
Berwind Property Group, Inc. <i>(Real Estate)</i>	Edison Venture Funds <i>(Venture Capital)</i>
BlackRock Financial Management, Inc. <i>(Fixed Income)</i>	Emerald Advisors, Inc. <i>(Equity)</i>
Boston Company Asset Management, L.L.C. <i>(Equity)</i>	First Pacific Advisors, Inc. <i>(Equity)</i>
Bridgepoint Capital Limited <i>(Private Equity)</i>	Fischer Francis Trees & Watts, Inc. <i>(Fixed Income)</i>
Bruckmann, Rosser, Sherrill & Co., Inc. <i>(Private Equity)</i>	Fortress Investment Fund, L.P. <i>(Real Estate)</i>
CEO Venture Fund <i>(Venture Capital)</i>	Franklin Capital Associates III, L.P. <i>(Venture Capital)</i>
Capital Guardian Trust Company <i>(Equity & Global Asset Allocation (GAA))</i>	GF Management <i>(Real Estate)</i>
Carlyle Group (The) <i>(Real Estate)</i>	Gleacher & Co. L.L.C. <i>(Private Equity)</i>
Cerberus Capital Management <i>(Private Equity)</i>	Goldman Sachs Asset Management <i>(Real Estate & Private Equity)</i>

Professional Consultants (Continued)

Gordon Management, Inc. <i>(Private Equity)</i>	Lehman Brothers <i>(Private Equity & Real Estate)</i>
Graham Partners Investments, L.P. <i>(Private Equity)</i>	Leonard Green & Partners, Inc. <i>(Private Equity)</i>
Greenwich Street Capital Partners <i>(Private Equity)</i>	Lexington Capital Partners, Inc. <i>(Private Equity)</i>
Grotech Capital Group, Inc. <i>(Venture Capital)</i>	Lindsay Goldberg & Bessemer, L.P. <i>(Private Equity)</i>
Halifax Group (The) <i>(Private Equity)</i>	Longwood Investment Advisors <i>(Developmental)</i>
Hanseatic Management Services, Inc. <i>(Developmental)</i>	Lubert-Adler Partners <i>(Real Estate & Venture Capital)</i>
Heritage Partners, Inc. <i>(Private Equity)</i>	MacKay-Shields Financial Corporation <i>(Equity & Fixed Income)</i>
ING Barings <i>(Private Equity)</i>	Marathon Asset Management Limited <i>(Equity)</i>
INVESCO Inc. <i>(GAA)</i>	Martin Currie, Inc. <i>(Equity)</i>
J.P. Morgan Investment Management, Inc. <i>(Equity)</i>	Mellon Equity Associates <i>(Equity)</i>
John Hsu Capital Group, Inc. <i>(Developmental)</i>	Mercator Asset Management, L.P. <i>(Equity)</i>
KBL Healthcare Ventures, L.P. <i>(Venture Capital)</i>	Mid-Atlantic Venture Funds <i>(Venture Capital)</i>
KRG Capital Partners, L.L.C. <i>(Private Equity)</i>	Morgan Stanley Investment Management, Inc. <i>(Private Equity, GAA & Real Estate)</i>
Keystone Venture Capital <i>(Venture Capital)</i>	New Mountain Capital, L.L.C. <i>(Private Equity)</i>
L&B Real Estate Advisors <i>(Real Estate)</i>	New York Life Capital Partners, L.P. <i>(Private Equity)</i>
Landmark Advisors, Inc. <i>(Private Equity & Venture Capital)</i>	NorthPointe Capital, L.L.C. <i>(Equity)</i>
LaSalle Investment Management, Inc. <i>(Real Estate)</i>	PAI Management <i>(Private Equity)</i>
Laureate Capital, L.L.C. <i>(Real Estate)</i>	PNC Equity Management Corp. <i>(Private Equity)</i>
Lazard Freres Real Estate Investors, L.L.C. <i>(Real Estate)</i>	Pacific Investment Management Company <i>(Fixed Income & Equity)</i>
Legg Mason Real Estate Services <i>(Real Estate)</i>	Paine Webber Real Estate Fund Management, Inc. <i>(Real Estate)</i>

Professional Consultants (Continued)

Palladium Capital Management <i>(Developmental)</i>	StarVest Management, Inc. <i>(Venture Capital)</i>
Palladium Equity Partners II, L.P. <i>(Private Equity)</i>	Sterling Venture Partners, L.P. <i>(Venture Capital)</i>
Peabody Group (The) <i>(Real Estate)</i>	Sunrise Capital Partners, L.P. <i>(Private Equity)</i>
Pennsylvania Early Stage Partners, L.P. <i>(Venture Capital)</i>	TDH III, L.P. <i>(Venture Capital)</i>
Perseus-Soros BioPharmaceutical Fund, L.P. <i>(Private Equity)</i>	TPG Partners, L.P. <i>(Private Equity)</i>
Philadelphia Ventures, Inc. <i>(Venture Capital)</i>	Tanaka Capital Management, Inc. <i>(Developmental)</i>
Piedra Capital Inc. <i>(Developmental)</i>	Technology Leaders L.P. <i>(Venture Capital)</i>
Prudential Agricultural Group <i>(Real Estate)</i>	Templeton Investment Counsel, Inc. <i>(Equity)</i>
Putnam Advisory Company, Inc. <i>(Equity & GAA)</i>	Tucker Hargrove Management, Inc. <i>(Developmental)</i>
Quadrangle Capital Partners L.P. <i>(Private Equity)</i>	UBS Brinson Realty Investors L.L.C. <i>(Real Estate)</i>
RREEF Funds <i>(Real Estate)</i>	WR Huff Asset Management Company, L.L.C. <i>(Fixed Income)</i>
Rogge Global Partners <i>(Fixed Income)</i>	Wasserstein & Co. <i>(Private Equity)</i>
Roll and Ross Asset Management, L.P. <i>(Developmental)</i>	Wellington Management Company <i>(Equity & Fixed Income)</i>
SCP Private Equity Partners, L.P. <i>(Private Equity)</i>	West Chester Capital Advisors <i>(Developmental)</i>
Security Capital Global Capital Management Group, Inc. <i>(Real Estate)</i>	Westbrook Partners, L.L.C. <i>(Real Estate)</i>
Smith Breeden Associates, Inc. <i>(Equity)</i>	Wicks Communications & Media Partners, L.P. <i>(Private Equity)</i>
Smithbridge Asset Management <i>(Developmental)</i>	William E. Simon & Sons Realty Partners, L.P. <i>(Real Estate)</i>
Spectrum Equity Partners <i>(Venture Capital)</i>	Willis Stein & Partners <i>(Private Equity)</i>
Standish Mellon Asset Management <i>(Equity)</i>	

Professional Consultants (Continued)

**Investment Accounting Application
Service Provider**

Financial Control Systems, Inc.

**Custodian and Securities Lending
Agent**

Mellon Bank N.A.

Investment Evaluator

Wilshire Associates Inc.

Real Estate Consultant

Russell Real Estate Advisors

**Private Equity / Venture Capital
Consultant**

Sovereign Financial Services, Inc.

Proxy Voting Agent

Institutional Shareholder Services