

Keeping our promises

Maintaining a sound, concise investment plan focusing on diversification and risk control

Addressing our challenges

Managing assets in a volatile and unpredictable marketplace

INVESTMENT

The Comprehensive Annual
Financial Report for Fiscal Year
Ended June 30, 2012



Letter of Certification

The Northern Trust Company
50 South La Salle Street
Chicago, Illinois 60675
(312) 630-6000



Northern Trust

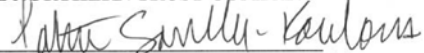
To the Board of Trustees and the Executive Director:

The Northern Trust Company as Master Trustee has provided annual Statements of Account for the State Universities Retirement System Master Trust (Trust) which, to the best of its knowledge, provide a complete and accurate reflection of The Northern Trust Company's record of the investments, receipts, disbursements, purchases and sales of securities and other transactions pertinent to the Trust for the period July 1, 2011 through June 30, 2012.

In addition to the custody of assets, pursuant to and in accordance with the terms of the agreement establishing the Trust, The Northern Trust Company provided and continues to provide the following services as Master Trustee:

1. Receive and hold all amounts paid to the Trust Fund by the Board of Trustees.
2. Accept and deliver securities in connection with investment transactions in accordance with the instructions of appointed Investment Managers or third party lending agents.
3. Collect dividends and registered interest payments.
4. Collect matured or called securities and coupons to the extent provided in the operating guidelines of The Northern Trust Company in effect from time to time.
5. Begin, maintain or defend any litigation necessary in connection with the investment, reinvestment of the Trust Fund and the administration of the Trust.
6. Invest cash balances held from time to time in the individual investment management accounts in short term-cash equivalent securities.
7. Exercise rights of ownership with respect to securities held in the trust fund, including but not limited to, proxy voting in accordance with the instructions of appointed Investment Managers; respond to stock subscriptions, conversion rights, and other capital changes pursuant to procedures set forth in the operating guidelines of The Northern Trust Company in effect from time to time.
8. Hold securities in the name of the Trust or nominee form or other means as provided in the agreement establishing the Trust.
9. Use the Federal Book Entry Account System for deposit of Treasury securities, and clearing corporations as defined in Article 8 of the Illinois Uniform Commercial Code for the deposit of other securities.
10. Employ agents with the consent of the Board of Trustees to the extent provided in the agreement establishing the Trust.
11. Provide disbursement services.
12. Provide security fail float income to the extent provided in the operating guidelines of The Northern Trust Company in effect from time to time.

THE NORTHERN TRUST COMPANY

By: 
Patricia Somerville-Koulouris, Vice President

Letter of Transmittal



State Universities Retirement System of Illinois

Serving Illinois Community Colleges and Universities

1901 Fox Drive • Champaign, IL
61820

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Investment Department

October 19, 2012

Board of Trustees and Executive Director
State Universities Retirement System
1901 Fox Drive
Champaign, Illinois 61820

Following is discussion of the Investment section of the State Universities Retirement System (SURS) Comprehensive Annual Financial Report (CAFR) for fiscal year 2012. SURS remains a large and mature public defined benefit investment program with a portfolio value of over \$13.7 billion for the fiscal year ending June 30, 2012. In addition, the Self-Managed Plan (SMP), a defined contribution structure offered to members, continues to increase in size with assets in excess of \$1 billion.

In a difficult and challenging market environment, SURS investment performance for the fiscal year ended June 30, 2012, remained favorable, returning 0.5%, net of investment management fees. Investment performance of 12.7% for the three-year period was strong relative to peers. After sustaining punishing quarterly returns at the inception of fiscal year 2012, due primarily to global and domestic market uncertainties, the fund rebounded with strong performance for the remainder of the period, ending with a slightly positive return.

A tumultuous investing environment during the year brought performance uncertainties in many of the equity and fixed income asset classes. Diversification proved to be beneficial in the investment portfolio with positive absolute returns being achieved in the private real estate, Real Estate Investment Trust Securities (REITS), Treasury Inflation-Protected Securities (TIPS), and private equity strategies. The non-U.S. and global equity asset classes, while suffering on an absolute basis, significantly exceeded their respective benchmarks.

In fiscal year 2012, the System's funding ratio level based on market value decreased from 45.3% to 41.3%. Utilizing the asset smoothing valuation concept adopted per legislation in 2009, the actuarial funding ratio of the plan declined from 44.3% to 42.1%. In October 2010, at the recommendation of the actuary and the investment consultant, the Board of Trustees reduced the assumed rate of investment return from 8.5% to 7.75%. Aside from the actuarial modifications, the current funding ratio levels continue to be the result of inadequate funding received from the State over many years, and not due to investment performance. However, it is encouraging to note that SURS received the full fiscal year 2012 annual statutory contribution of \$980.5 million from the State of Illinois. Also, the legislature has agreed to fully fund the fiscal year 2013 annual statutory contribution of \$1.4 billion. This will be 95% of the Annual Required Contribution (ARC) and suggests a renewed effort in addressing the severe underfunded status of SURS.

Longer-term investment performance remains positive. Over the past 20 years, the SURS portfolio has earned an 8.0% annualized rate of return, net of investment management fees. The 25-year portfolio return is also strong, with a return of 8.1%. It is important to note that both the 20- and 25-year returns are in excess of both the policy portfolio return and the 7.75% assumed rate of investment return. As of June 30, 2012, five- and ten-year investment performance is approximating benchmark levels, returning 1.9% and 6.8%, respectively.

A critical duty of the SURS Board of Trustees is to review, approve and implement the asset allocation strategy. These actions assist in achieving stable long-term investment returns and cash flow liquidity for benefit payments while maintaining a desired level of risk in the investment portfolio. The investment strategy is anchored by a comprehensive asset/liability study, which was last conducted during fiscal year 2011. Callan Associates, with the assistance of SURS Investment staff, presented the results, which were approved by the Board of Trustees in June 2011.

Outputs – Fiscal Year Ending June 30, 2012

Modifications to the Program during the recent fiscal year included asset structure analyses in the U.S., non-U.S., and global equity asset classes to assist in creating a more efficient total portfolio that is free of unintended biases relative to the respective benchmarks. In addition, the enhancements to the portfolio increased the allocation to minority-, female-, and persons with a disability-owned investment managers to 23.3% of the SURS Investment Program, approximating \$3.2 billion in assets.

During the year, additional commitments were made in real estate that assisted in increasing the actual allocation to 7.2% from the prior year's level of 6.5%. A plan is in place to increase the target allocation to a level of 10% over the upcoming years. Implementation of real estate and other alternative strategies is a multi-year process to ensure the portfolio maintains proper diversification over vintage years.

A three-year private equity-funding plan was approved by the Board to resume investing in the private equity asset class after a several year hiatus. Continuous investing is necessary to maintain the portfolio allocation at a desired level. Without regular funding, the portfolio size may decline due to distributions being received as the portfolio seasons. Also, during the year, the Board made a \$100 million commitment to the asset class through an existing manager with further plans to continue investment over the next several years.

Another key accomplishment during the past year was the operational review of the global custodian and securities lending relationships. After an extensive review process, the SURS Board retained the services of Northern Trust to serve as custodian for the fund. In addition, the fund chose to lower the risk level of the third party securities lending program, reducing the size and complexity of the strategy.

In conclusion, a number of significant accomplishments were achieved during fiscal year 2012, several of which are summarized below. The Investment section of this Report provides a more detailed review of these items.

- The portfolio produced positive absolute investment performance for fiscal year 2012, providing a return of 0.5%, net of investment management fees.
- Total combined fund assets in the defined benefit and defined contribution plans are in excess of \$14.7 billion with the SURS investment program continuing its ranking as one of the largest 100 pension plans in the U.S.
- Real Estate Asset Class - An opportunistic real estate search was conducted during the year, which resulted in an additional \$125 million in commitments. Over the next several years, the target allocation for real estate will be increased to a 10% level.
- Private Equity Asset Class – A multi-year private equity-funding plan was approved. Consequently, a \$100 million commitment was approved by the Board to identify global and secondary fund investment opportunities, utilizing an existing provider.
- Custodian and Securities Lending – An extensive search was conducted to identify operational best practices. The existing custodian, Northern Trust was retained to serve as the global custodian for SURS. In addition, the third party securities lending program was modified to lower the overall risk profile of the program.
- Enhancement of Risk Management Oversight Practices – Additional services negotiated in the new custodian agreement will allow increased monitoring and oversight of financial risk within the SURS Investment Program.
- Continued expansion of the Manager Diversity Program (MDP) occurred during the year. As of June 30, 2012, \$3.2 billion, amounting to 23.3% of assets in the SURS Investment Portfolio, are managed by investment firms owned by minorities, females and persons with a disability.
- A U.S. small cap growth equity search was completed during the year as a component of the Board approved asset structure analysis. Funding of this mandate better aligned the characteristics of the domestic equity portfolio with those of the benchmark.

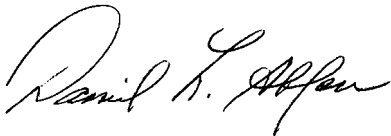
- The Self-Managed Plan (SMP) completed its 14th year of existence, currently approximating \$1 billion in member assets.

Of paramount importance to SURS is the ongoing challenge and concern regarding the unfortunate funding status of the Plan. SURS is currently approximately 41.3% funded as of June 30, 2012 and will pay approximately \$1.9 billion in benefit payments during fiscal year 2013. Investment performance alone will not be able to ease the existing funding gap. SURS interacts frequently with various audiences in an attempt to identify potential funding solutions for the state pension systems.

For additional information regarding the Investment Program, staff has prepared the SURS fiscal year 2013 Investment Plan, which is included on the SURS website.

The SURS investment program continues to operate effectively and efficiently during these volatile and challenging market conditions. The organization is pleased with the steady long-term investment performance over time, but realizes the challenge of adequate funding is ongoing. The Board of Trustees is committed to SURS membership to deliver an optimal, risk-controlled investment program with the objective of providing favorable long-term results.

Sincerely,



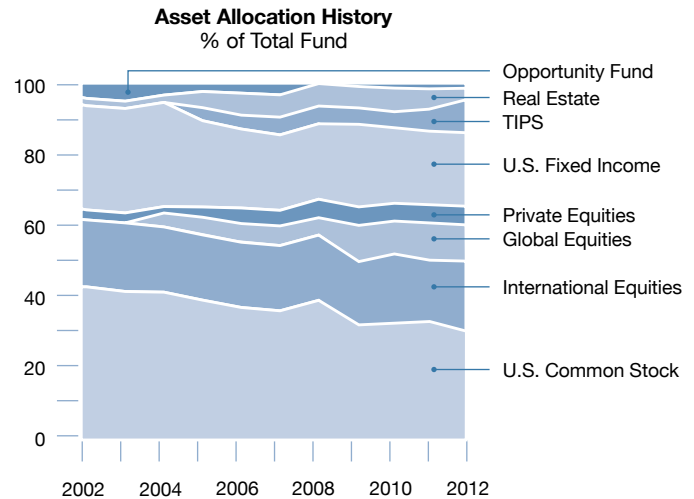
Daniel L. Allen
Chief Investment Officer

Investment Summary

The SURS Board of Trustees is charged with the responsibility of investing the assets entrusted to them solely for the benefit of the System’s participants and beneficiaries. The Trustees, in carrying out their responsibilities, adhere to applicable Illinois statutes and the prudent expert rule, which states that the Trustees must act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character with like aims. In carrying out their fiduciary duties, the Trustees have set forth a clearly defined investment policy, objectives, and strategies.

Investment Policy

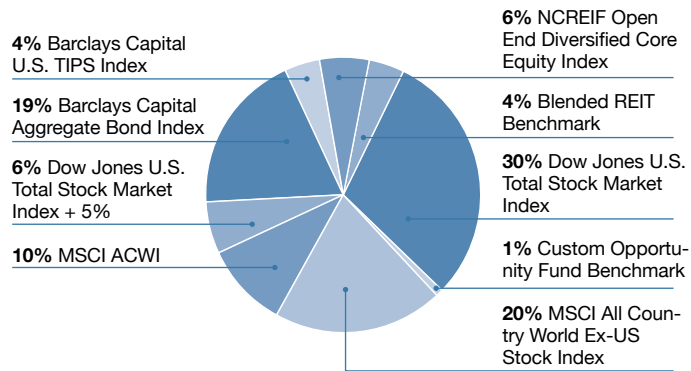
The investment policy of SURS provides an efficient allocation of assets to achieve overall risk and return objectives. Periodically, asset allocation studies are conducted and the results of these studies guide the setting of investment policy. An asset/liability study completed in June 2011 resulted in slight modifications to SURS’ asset allocation targets. The modified long-term strategic asset allocation targets are: 30.0% of the total fund invested in U.S. equities, 20.0% in non-U.S. equities, 10.0% in global equities, 6.0% in private equities, 19.0% in fixed income, 4.0% in treasury inflation-protected securities (TIPS), 10.0% in real estate investment trust securities (REITs) and direct real estate (through funds), and 1.0% in the Opportunity Fund. These strategic asset allocation targets will be implemented over time to allow for proper diversification into direct real estate through funds. The graph titled Asset Allocation History details the various investment policy changes during the past 10 years.



Investment Objectives

The investment objective of the total portfolio is to produce annualized investment returns, net of all management fees, which exceed the return of a composite market benchmark or policy portfolio. The policy portfolio is comprised of market indices, which are consistent with the overall investment policy. The policy portfolio reflects a passive implementation of the investment policy. The current policy portfolio is comprised of the following benchmarks.

Policy Portfolio
as of June 30, 2012



Asset Class	Benchmark	Current Policy Portfolio
U.S. Equity	Dow Jones U.S. Total Stock Market Index	30.0%
Non-U.S. Equity	Morgan Stanley All Country World Ex-U.S. Index	20.0
Global Equity	Morgan Stanley All Country World Index	10.0
Private Equity	Dow Jones U.S. Total Stock Market Index + 5.0%	6.0
Fixed Income	Barclays Capital Aggregate Bond Index	19.0
TIPS	Barclays Capital U.S. TIPS Index	4.0
Direct Real Estate	NCREIF Open End Diversified Core Equity Index	6.0
REITS	Blend of Dow Jones U.S. Select Real Estate Securities Index, FTSE EPRA/NAREIT Developed Ex-U.S. Index and FTSE EPRA/NAREIT Developed Index	4.0
Opportunity Fund	Custom benchmark of the combined investments	1.0
		<hr/> 100.0%

Investment Summary

Comparisons of total fund performance are also made with a universe of public pension funds implementing generally comparable investment policies. The public pension fund index used for comparative purposes is the Callan Associates' Public Funds - Large (over \$1 billion) Index.

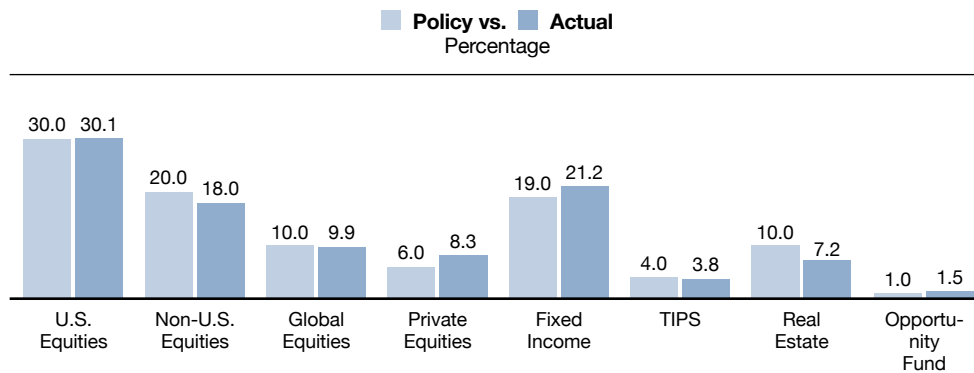
Investment Strategies

■ Diversification

SURS invests in multiple asset classes utilizing various investment managers and strategies as a method to ensure overall fund diversification. As of June 30, 2012, the System had retained the services of 50 investment management firms, several of which manage multiple mandates, and an additional 18 managers through the Progress Emerging Manager of Managers program, of which seven also have a direct relationship with SURS. Each investment management firm is afforded full discretion to diversify its portfolio(s) in a manner deemed appropriate. The Trustees have developed guidelines to direct the investment managers in their execution of the overall investment policy. The guidelines are specific to the asset class and strategy managed.

■ Rebalancing

Proper implementation of the investment policy requires that a periodic adjustment, or rebalancing, of assets be conducted as needed to ensure conformance with policy target levels. Such rebalancing is necessary to reflect cash flows and performance imbalances among investment managers who are hired to manage assets with a specified strategy. Although a strategy may be within a specified asset class, the manager may be authorized to utilize other instruments in another asset class. SURS' rebalancing policy calls for rebalancing, as soon as practical, if a strategy exceeds or falls below its target allocation by 3%. Ongoing rebalancing of the investment portfolio occurred as needed during the year with the assistance of System cash flows. At year end, the fund was invested 72% in equities, 25% in fixed income, and 3% in direct real estate through funds, as compared with the target allocations of 71%, 23%, and 6%, respectively. Staff is gradually implementing the policy target allocations that were approved by the Board as of June 10, 2011, through the strategic transition of assets among investment managers.



Investment Results

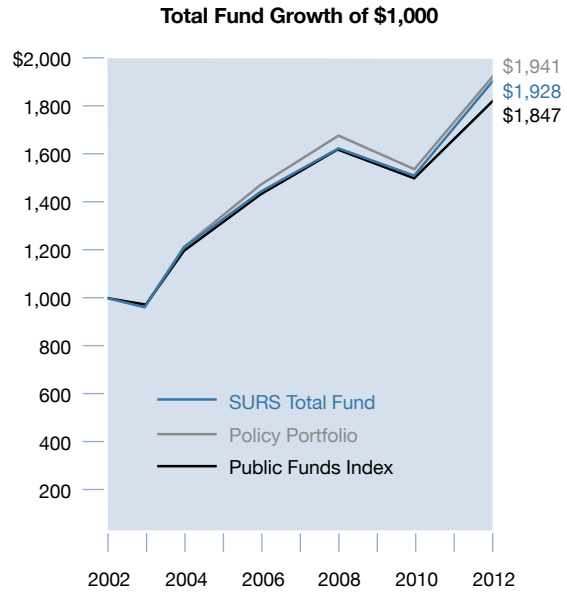
Long-Term Investment Results

The 10-year period ended June 30, 2012, provided returns that have matched the overall benchmark. SURS total portfolio earned an annualized total return, net of all investment management expenses, of 6.8%. As shown in the investment results table, over the long term, SURS total fund returns are consistent with its market goal (policy portfolio) and the median public pension funds benchmark.

This consistent performance is best illustrated by the growth of \$1,000 invested in SURS total fund, the policy portfolio and median public funds index during the past 10 years. The ending points indicate that \$1,000 invested in SURS total fund would have grown to \$1,928, while the same \$1,000 invested in the policy portfolio and median public funds index would have grown to \$1,941 and \$1,847, respectively.

Fiscal Year 2012 Results

For the fiscal year ended June 30, 2012, SURS total fund returned 0.5%, trailing the market goal, or policy portfolio by 1.2%. SURS' one-year return lagged that of the median public pension fund return, as measured by the Callan Associates Public Pension Funds - Large Index, by 0.2%. For the period, three of the nine asset class portfolios, including non-U.S. equities, global equities, and TIPS, met or exceeded the returns of their respective benchmarks. Strong absolute returns were experienced in direct real estate, TIPS, and private equity.



Investment Results

	Fiscal Year Ended June 30					Annualized		
	2008	2009	2010	2011	2012	3 yrs	5 yrs	10yrs
Total Fund								
SURS	(4.5)%	(19.7)%	15.0%	23.8%	0.5%	12.7%	1.9%	6.8%
Policy Portfolio	(5.0)	(20.1)	16.0	23.4	1.7	13.3	2.0	6.8
Public Funds Index	(4.1)	(17.8)	11.8	20.9	0.7	10.9	1.4	6.3
CPI	5.0	(1.4)	1.0	3.6	1.7	2.1	1.9	2.5
U.S. Stock Returns								
SURS	(13.4)	(27.3)	17.8	33.8	2.9	17.5	0.4	5.8
Dow Jones U.S. Total Stock Market	(12.5)	(26.4)	16.1	32.4	4.0	16.9	0.6	6.1
Non-U.S. Stock Returns								
SURS	(7.9)	(32.2)	7.8	31.2	(13.5)	6.9	(5.2)	6.2
MSCI All Country World Index Ex-U.S.	(6.6)	(30.9)	10.4	29.7	(14.6)	7.0	(4.6)	6.7
Global Stock Returns								
SURS	(8.7)	(29.0)	12.6	29.9	(5.8)	11.2	(2.2)	4.8
Performance Benchmark	(10.7)	(27.9)	11.8	30.1	(6.5)	10.8	(2.6)	4.7
Private Equity Returns (1)								
SURS	16.4	(21.3)	18.5	19.8	8.4	15.8	6.9	9.6
Dow Jones U.S. Total Stock Market + 5%	(0.8)	(33.0)	57.6	22.7	12.3	29.5	7.4	10.0
Fixed Income Returns								
SURS	7.4	5.5	14.5	5.2	6.7	8.7	7.8	6.6
Performance Benchmark	7.1	6.0	9.5	3.9	7.5	6.9	6.8	5.9
TIPS Returns								
SURS	16.3	0.0	11.6	7.9	12.0	10.5	9.4	7.5
Performance Benchmark	15.1	(1.1)	9.5	7.7	11.7	9.6	8.4	6.9
Direct Real Estate Returns (2)								
SURS	10.6	(28.4)	(6.4)	19.2	12.5	6.2	(0.3)	-
Performance Benchmark	12.0	(23.8)	(18.8)	19.0	13.6	3.2	(1.3)	-
Real Estate Returns (REITs)								
SURS	(15.7)	(40.1)	41.5	34.7	7.2	26.9	0.6	9.9
Performance Benchmark	(17.2)	(41.3)	42.7	34.1	7.7	27.3	(0.4)	9.1
Opportunity Fund Returns								
SURS	10.7	(27.1)	44.7	22.2	2.6	22.0	7.9	9.9
Performance Benchmark	(6.8)	(34.4)	33.5	11.0	10.3	17.8	0.0	5.8

Return calculations (except for private equities and direct real estate) were prepared using a time-weighted rate of return methodology in accordance with the Performance Presentation Standards of the CFA Institute.

(1) Private equity returns were prepared using an Internal Rate of Return (IRR) methodology which is consistent with industry standards. Additionally, the returns for both the portfolio and the benchmark are reported one quarter in arrears due to the length of the performance reporting cycle.

(2) Direct real estate returns for both the portfolio and the benchmark are reported one quarter in arrears due to the length of the performance reporting cycle.

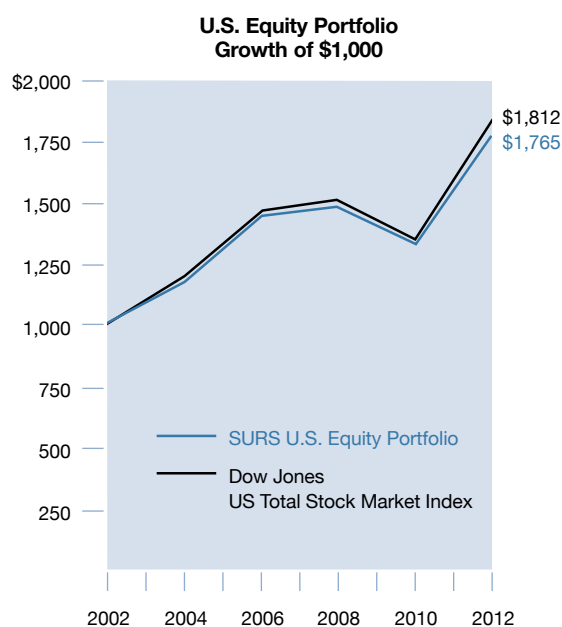
Investment Results

U.S. Equities

For the fiscal year 2012, SURS U.S. equity portfolio returned 2.9%. SURS portfolio underperformed its market benchmark, the Dow Jones U.S. Total Stock Market (DJ U.S. TSM) Index, by 1.1%. As the table indicates, the Dow Jones U.S. Total Stock Market Index returned 4.0%. Most segments of the U.S. equity market posted positive returns. Value outperformed growth stocks, while large cap outpaced small cap stocks. The SURS U.S. equity portfolio is by design both size and style neutral relative to the Dow Jones U.S. Total Stock Market Index. Consequently, the returns from this portfolio are expected to track consistently with the broad market.

The accompanying chart indicates the growth of \$1,000 invested in the U.S. equity market during the past 10 years. The ending points indicate that \$1,000 invested in SURS U.S. equity portfolio would have increased to \$1,765 (net of investment management expenses), while the same \$1,000 invested in the Dow Jones U.S. Total Stock Market Index would have increased to \$1,812.

	FY 2012	3 YR	5 YR	10 YR
SURS	2.9%	17.5%	0.4%	5.8%
DJ U.S. TSM	4.0	16.9	0.6	6.1
DJ U.S. Large Cap TSM	4.8	16.5	0.5	5.8
DJ U.S. Large Cap Growth TSM	4.4	16.3	2.2	6.1
DJ U.S. Large Cap Value TSM	5.8	16.0	(1.7)	5.1
DJ U.S. Small Cap TSM	(1.4)	20.5	2.3	9.2
DJ U.S. Small Cap Growth TSM	(3.3)	20.2	2.9	9.7
DJ U.S. Small Cap Value TSM	0.3	20.6	1.6	8.5
S&P 500	5.4	16.4	0.2	5.3
Russell 3000	3.8	16.7	0.4	5.8
Russell 2000	(2.1)	17.8	0.5	7.0



TEN LARGEST U.S. EQUITY HOLDINGS (excludes commingled funds)

	Shares	Carrying Value
Apple Inc	256,556	\$149,828,704
Exxon Mobil Corp	1,090,972	93,354,474
Microsoft Corp	2,197,990	67,236,514
Johnson & Johnson	905,850	61,199,226
General Electric Co	2,662,184	55,479,915
Chevron Corp	489,146	51,604,903
AT&T Inc	1,401,390	49,973,567
International Business Machines Corp	239,757	46,891,674
JP Morgan Chase & Co	1,254,496	44,823,142
Philip Morris International	512,621	44,731,308

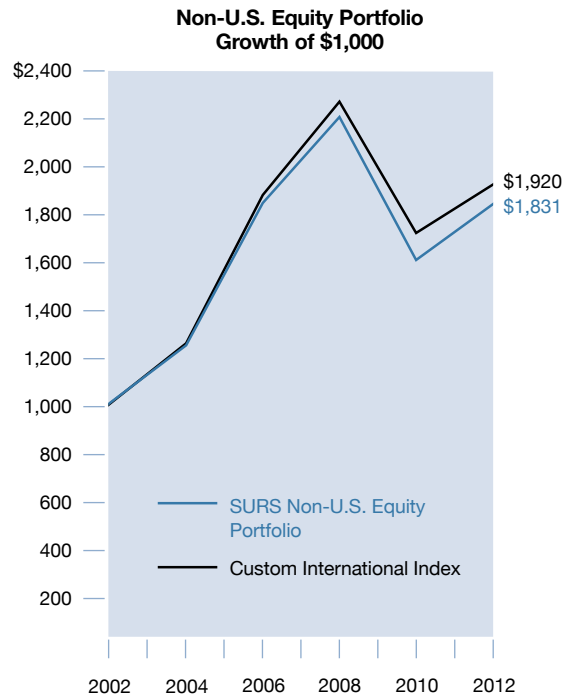
Note: A complete list of the portfolio holdings is available upon request.

Investment Results

Non-U.S. Equities

For fiscal year 2012, SURS non-U.S. equity portfolio returned (13.5)%, surpassing its benchmark return by 1.1%. The non-U.S. equity portfolio performance benchmark, the Morgan Stanley All Country World Ex-US Index, fell 14.6% during the fiscal year. The benchmark represents a mixture of both developed and emerging markets, which varies over time depending on market performance. This mix accurately portrays the manner in which SURS non-U.S. equity investments are allocated.

The accompanying chart indicates the growth of \$1,000 invested in the non-U.S. equity markets during the past 10 years. The ending points indicate that \$1,000 invested in SURS non-U.S. equity portfolio would have grown to \$1,831 (net of investment management expenses), while the same \$1,000 invested in the performance benchmark would have grown to \$1,920.



	FY 2012	3 YR	5 YR	10 YR
SURS	(13.5)%	6.9%	(5.2)%	6.2%
MSCI ACWI Ex-US	(14.6)	7.0	(4.6)	6.7
MSCI EAFE	(13.8)	6.0	(6.1)	5.1
MSCI Emerging Markets	(16.0)	9.8	(0.1)	14.1

TEN LARGEST NON-U.S. EQUITY HOLDINGS (excludes commingled funds)

	Shares	Carrying Value
Novo Nordisk (Denmark)	86,905	\$ 12,587,295
Vodafone Group (United Kingdom)	4,412,000	12,404,103
Roche Holdings AG (Switzerland)	66,300	11,459,778
Taiwan Semiconductor Manufacturing Co (Taiwan)	3,945,379	10,757,605
British American Tobacco (United Kingdom)	203,600	10,351,290
Novartis AG (Switzerland)	176,100	9,842,250
SAP AG (Germany)	161,685	9,550,399
Zurich Insurance Group AG (Switzerland)	39,400	8,887,375
ADR Tenaris S.A. (Luxembourg)	242,112	8,466,657
Standard Chartered (United Kingdom)	377,000	8,186,627

Note: A complete list of the portfolio holdings is available upon request.

Investment Results

Global Equities

SURS initially invested in global equities through its Opportunity Fund in 2002 and transferred the program to a separate asset class during fiscal year 2004. The two managers and strategies that were employed in the Opportunity Fund were transferred to this new asset class for SURS. As the table indicates, SURS global equity portfolio exceeded its benchmark by 0.7% for the fiscal year, returning (5.8)%. The benchmark for this portfolio was modified in November of 2008 from the MSCI World Index to the MSCI All Country World Index (ACWI), to include emerging markets as well as developed markets in the benchmark.

	FY 2012	3 YR	5 YR
SURS	(5.8)%	11.2%	(2.2)%
MSCI ACWI	(6.5)	10.8	(2.7)
MSCI World	(5.0)	11.0	(3.0)
Dow Jones	4.0	16.9	0.6
U.S. Total Stock Market			
MSCI EAFE	(13.8)	6.0	(6.1)
MSCI ACWI Ex US	(14.6)	7.0	(4.6)

Private Equities

SURS private equity portfolio posted a positive return of 8.4% during fiscal year 2012. The portfolio's benchmark, the Dow Jones U.S. Total Stock Market Index +5% returned 12.3%. As of June 30, 2012, the valuation of SURS private equity portfolio was \$1.128 billion, representing 8.3% of total plan assets. Since inception, the asset class has added significant value to the SURS investment program. Private equity is a challenging, and sometimes difficult asset class to benchmark.

SURS private equity portfolio is well diversified. Since its inception in 1990, the SURS private equity portfolio has made commitments to numerous partnership funds. The private equity portfolio has been diversified by a number of different measures which include vintage year, general partner groups and sub-asset class types. This diversification effort has benefited the portfolio as different sub-classes perform better under different economic and market conditions. Since its inception, a total of \$2.275 billion has been committed to these funds, and of this amount approximately \$1.926 billion has been invested.

In addition, during this same period, SURS has received more than \$1.920 billion in distributions, which, when combined with the current value of the portfolio, indicates that the portfolio has generated a significant return over the approximately 20-year period. The adjacent table indicates that since inception SURS private equity portfolio has significantly exceeded its benchmark return.

	FY 2012	3 YR	5 YR	10 YR	Since Inception
SURS	8.4%	15.8%	6.9%	9.6%	22.5%
Performance Benchmark	12.3	29.5	7.4	10.0	14.9%

(Dow Jones U.S. Total Stock Market + 500 Basis Points)

Fixed Income

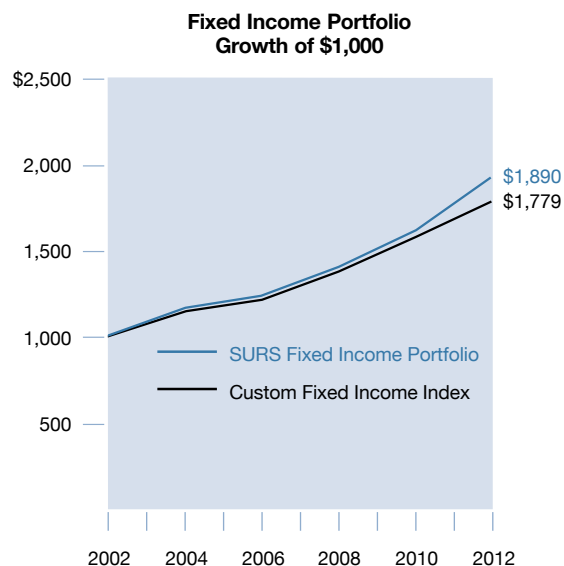
The SURS fixed income portfolio returned 6.7% for fiscal year 2012, trailing the 7.5% return of the portfolio's benchmark. The fixed income portfolio's benchmark is the Barclays Capital Aggregate Bond Index, which reflects the manner in which the assets are invested. SURS investment managers typically employ a Core/Core Plus approach that utilizes securities which include government, corporate, mortgage, high yield, and non-U.S. bonds. This asset class has proven to be the most consistent asset of all the portfolios, generating above benchmark returns in 21 of the past 24 fiscal years.

	FY 2012	3 YR	5 YR	10 YR
SURS	6.7%	8.7%	7.8%	6.6%
Barclays Capital Aggregate	7.5	6.9	6.8	5.6
Barclays Capital Universal	7.4	7.6	6.8	6.0
Long Term Govt.	31.4	13.5	11.9	8.9
Intermediate Govt.	5.0	4.4	5.8	4.6
Long Term Corp.	18.7	15.1	9.8	8.5
Intermediate Corp.	6.7	9.0	6.9	6.0
Mortgage-Backed	5.0	5.4	6.7	5.4

SURS fixed income portfolio is structured to capture the return of the broad market over the long term. Consequently, the returns from this portfolio will tend to track that of the broad fixed income market (Barclays Capital Aggregate Bond Index) over longer periods of time. As the table above indicates, SURS portfolio has consistently added value over each of the longer-term periods presented.

Investment Results

The accompanying chart indicates the growth of \$1,000 invested in the U.S. fixed income market during the past 10 years. The ending points show that \$1,000 invested in SURS U.S. fixed income portfolio would have grown to \$1,890 (net of investment management expenses), while the same \$1,000 invested in the portfolio's benchmark would have grown to \$1,779.



TEN LARGEST FIXED INCOME HOLDINGS (excludes commingled funds)

Asset Description	S & P Rating	Interest Rate	Maturity Date	Par Value	Carrying Value
U.S. Treasury Notes	AA+	1.000	March 31, 2017	\$ 108,490,000	\$ 109,981,738
Federal National Mortgage Association Single Family Mortgage	AA+	3.500	July 15, 2042	102,945,000	107,915,288
Federal National Mortgage Association Single Family Mortgage	AA+	4.000	July 15, 2042	79,080,000	84,158,439
U.S. Treasury Inflation Index Bonds	AA+	2.375	January 15, 2025	37,050,000	59,546,622
Federal National Mortgage Association Single Family Mortgage	AA+	4.000	August 15, 2042	31,000,000	32,932,664
U.S. Treasury Inflation Index Bonds	AA+	1.750	January 15, 2028	23,225,000	31,951,782
U.S. Treasury Inflation Index Bonds	AA+	3.875	April 15, 2029	13,600,000	30,749,528
U.S. Treasury Inflation Index Bonds	AA+	2.000	January 15, 2026	20,695,000	30,610,158
U.S. Treasury Inflation Index Notes	AA+	0.125	April 15, 2016	26,135,000	28,349,994
U.S. Treasury Inflation Index Notes	AA+	0.625	July 15, 2021	23,000,000	26,145,226

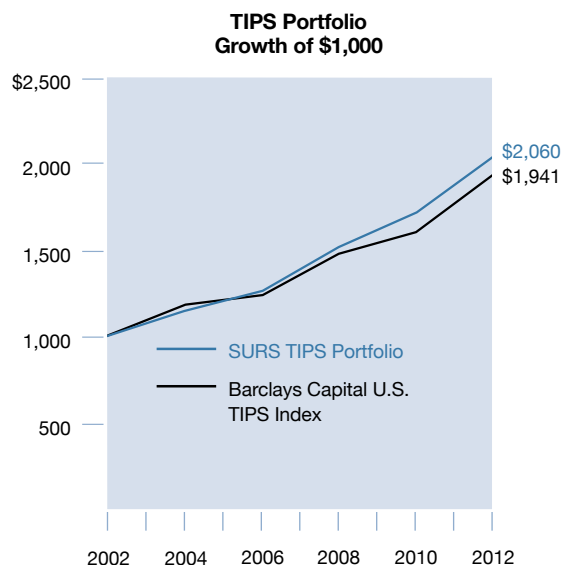
Note: A complete list of the portfolio holdings is available upon request.

Treasury Inflation-Protected Securities (TIPS)

During 2004, the TIPS portfolios were transferred from the Opportunity Fund to a separate asset class. At June 30, 2012, TIPS accounted for a 3.8% allocation of the total fund. The TIPS portfolio returned 12.0% for fiscal year 2012, exceeding its Barclays Capital U.S. TIPS benchmark by 0.3%. The portfolio's three- and five-year returns outpaced the annualized benchmark returns by 0.9% and 1.0%, respectively.

	FY 2012	3YR	5 YR
SURS	12.0%	10.5%	9.4%
Performance Benchmark	11.7	9.6	8.4

The accompanying chart indicates the growth of \$1,000 invested in the U.S. TIPS market during the past 10 years. The ending points indicate that \$1,000 invested in SURS U.S. TIPS portfolio would have grown to \$2,060 (net of investment management expenses), while the same \$1,000 invested in the portfolio's benchmark would have grown to \$1,941.



Investment Results

Real Estate

The SURS Board of Trustees adopted an asset allocation during fiscal year 2001 that created a 2% allocation to publicly traded real estate securities (REITs). During fiscal year 2005, the target allocation to the real estate asset class was increased to 6%, comprised of 4% REITs and 2% direct real estate through funds. Funding of the direct real estate allocation began at the conclusion of fiscal year 2006. During fiscal year 2007, an allocation to global REITs was approved as a component of the 4% REITs target allocation with initial funding commencing April 2007. The real estate asset class target allocation was subsequently increased to 10% during fiscal year 2009, to be comprised of 4% REITs and 6% direct real estate when fully vested.

Since its inception, a total of \$527 million has been committed to direct real estate funds, and of this amount approximately \$451 million has been invested. The direct real estate portfolio returned 12.5% for the fiscal year, underperforming its benchmark by 1.1%. The National Council of Real Estate Investment Fiduciaries (NCREIF) Open End Diversified Core Equity (ODCE) Index benchmark returned 13.6% for the same period. The returns from this asset class lag one quarter due to the time frame associated with data collection for both accounting and performance reporting purposes.

	FY 2012	3YR	5 YR	Since Inception
SURS	12.5	6.2%	(0.3)%	2.4%
NCREIF ODCE Index	13.6	3.2	(1.3)	3.8

SURS total REITs portfolio increased 7.2% during the fiscal year, underperforming its benchmark, a blend of the Dow Jones U.S. Select Real Estate Securities Index, the FTSE EPRA/NAREIT Developed Ex-US Index and the FTSE EPRA/NAREIT Developed Index, by 0.5%. The portfolio's three-year return trailed the benchmark return by 0.4% and the five-year return exceeded the benchmark return by 1.0% on an annualized basis.

	FY 2012	3YR	5 YR	10YR
SURS	7.2%	26.9%	0.6%	9.9%
Dow Jones U.S. Select Real Estate Securities	12.8	33.5	1.8	10.3
FTSE EPRA/NAREIT Developed	1.6	18.7	(4.2)	NMF
FTSE EPRA/NAREIT Developed Ex-U.S.	(5.8)	11.1	(6.6)	NMF

Opportunity Fund

The SURS Board of Trustees created the Opportunity Fund during fiscal year 2000 to provide an arena for investments in new opportunities, which might otherwise not be included in the total investment portfolio. Each of the investment portfolios is evaluated on an annual basis to determine whether or not they continue to merit inclusion in the fund. This unique portfolio has been designed in such a manner that no more than approximately 5% of the total fund assets can be invested in the fund. As of June 30, 2012, there were three types of investments in the portfolio: a public-private investment program (PIIP), an infrastructure portfolio and a minimal investment remaining in a specialty private equity fund. SURS has committed \$160 million to the PIIP program and \$80 million to the infrastructure portfolio.

The Opportunity Fund returned 2.6% during the fiscal year, trailing its custom benchmark return by 7.7%. In order to accurately monitor these investments, a custom benchmark has been established. The benchmark reflects a passive implementation of the various portfolios included in the Fund.

	FY 2012	3YR	5 YR	10YR
SURS	2.6%	22.0%	7.9%	9.9%
Performance Benchmark	10.3	17.8	0.0	5.8

Self-Managed Plan

Fiscal year 2012 marks the fourteenth complete year of the Self-Managed Plan (SMP). As of June 30, 2012, the SMP had accumulated plan assets of approximately \$1.04 billion. This represents an increase of approximately \$80 million since the end of fiscal year 2011. Contributing to the growth in plan assets was a market-related increase, net of asset withdrawals, of approximately \$20 million. During the past several years, SMP participants have continued to maintain a balanced exposure to equities. In aggregate, the total funds invested by SMP participants have an allocation of 67% equity, 32% fixed income, and 1% real estate. This was a 1% decrease in the equity allocation as compared to last year's position.

A detailed schedule of the funds available in this plan, along with the investment totals for each fund, can be found in the accompanying table.

Asset Allocation

Self-Managed Plan Asset Allocation June 30, 2012

	U.S. Stocks	Non-U.S. Stocks	Fixed Income	Balanced	Real Estate	Total
Fidelity Funds						
Fidelity Managed Income Portfolio	\$ -	\$ -	\$ 18,468,199	\$ -	\$ -	\$ 18,468,199
Spartan U.S. Bond Index Institutional	-	-	19,812,150	-	-	19,812,150
PIMCO Total Return Institutional	-	-	28,890,507	-	-	28,890,507
Fidelity Four In One Index	-	-	-	7,681,001	-	7,681,001
Fidelity Puritan Class K	-	-	-	127,939,872	-	127,939,872
Ariel Fund	14,520,976	-	-	-	-	14,520,976
American Beacon Large Cap Value Inst.	2,997,695	-	-	-	-	2,997,695
Buffalo Small Cap	7,092,241	-	-	-	-	7,092,241
Hartford Capital Appreciation Y	20,441,727	-	-	-	-	20,441,727
Fidelity Growth Company Class K	43,185,043	-	-	-	-	43,185,043
Spartan Extended Market Index Advantage	14,669,768	-	-	-	-	14,669,768
Fidelity Contrafund Class K	52,414,666	-	-	-	-	52,414,666
Fidelity Low Priced Stock Class K	26,600,567	-	-	-	-	26,600,567
Spartan Total Market Index Institutional	9,833,335	-	-	-	-	9,833,335
Spartan 500 Index Institutional	47,471,877	-	-	-	-	47,471,877
Fidelity Diversified International Class K	-	25,596,946	-	-	-	25,596,946
Spartan International Index Institutional	-	8,308,854	-	-	-	8,308,854
Fidelity Worldwide	-	13,695,454	-	-	-	13,695,454
Fidelity Real Estate Investment	-	-	-	-	7,136,550	7,136,550
Fidelity Freedom K 2000 (1)	-	-	-	437,593	-	437,593
Fidelity Freedom K 2005 (1)	-	-	-	265,751	-	265,751
Fidelity Freedom K 2010 (1)	-	-	-	1,389,806	-	1,389,806
Fidelity Freedom K 2015 (1)	-	-	-	4,014,535	-	4,014,535
Fidelity Freedom K 2020 (1)	-	-	-	7,086,272	-	7,086,272
Fidelity Freedom K 2025 (1)	-	-	-	9,224,295	-	9,224,295
Fidelity Freedom K 2030 (1)	-	-	-	10,988,550	-	10,988,550
Fidelity Freedom K 2035 (1)	-	-	-	8,779,447	-	8,779,447
Fidelity Freedom K 2040 (1)	-	-	-	8,260,671	-	8,260,671
Fidelity Freedom K 2045 (1)	-	-	-	3,811,326	-	3,811,326
Fidelity Freedom K 2050 (1)	-	-	-	2,691,562	-	2,691,562
Fidelity Freedom K 2055 (1)	-	-	-	317	-	317
Fidelity Freedom K Income	-	-	-	1,097,287	-	1,097,287
Fidelity Total	239,227,895	47,601,254	67,170,856	193,668,285	7,136,550	554,804,840
						57.1%
TIAA-CREF Funds						
CREF Money Market Account	-	-	18,394,000	-	-	18,394,000
TIAA Traditional Annuity	-	-	69,600,917	-	-	69,600,917
CREF Bond Market Account	-	-	35,605,212	-	-	35,605,212
CREF Inflation-Linked Bond Account	-	-	22,811,568	-	-	22,811,568
CREF Social Choice Account	-	-	-	33,653,087	-	33,653,087
CREF Equity Index Account	42,309,497	-	-	-	-	42,309,497
CREF Growth Account (2)	254,768	-	-	-	-	254,768
CREF Stock Account	91,853,455	-	-	-	-	91,853,455
CREF Global Equities Account	-	30,553,002	-	-	-	30,553,002
TIAA Real Estate Account	-	-	-	-	4,309,213	4,309,213
T-C Large-Cap Growth Index	46,634,505	-	-	-	-	46,634,505
T-C Lifecycle Fund 2010 - Premier	-	-	-	465,338	-	465,338
T-C Lifecycle Fund 2015 - Premier	-	-	-	1,645,698	-	1,645,698
T-C Lifecycle Fund 2020 - Premier	-	-	-	2,154,173	-	2,154,173
T-C Lifecycle Fund 2025 - Premier	-	-	-	2,595,644	-	2,595,644
T-C Lifecycle Fund 2030 - Premier	-	-	-	3,505,549	-	3,505,549
T-C Lifecycle Fund 2035 - Premier	-	-	-	3,112,736	-	3,112,736
T-C Lifecycle Fund 2040 - Premier	-	-	-	5,184,487	-	5,184,487
T-C Lifecycle Fund 2045 - Premier	-	-	-	1,062,356	-	1,062,356
T-C Lifecycle Fund 2050 - Premier	-	-	-	415,010	-	415,010
T-C Lifecycle Fund 2055 - Premier	-	-	-	7,987	-	7,987
T-C Lifecycle Retirement Inc - Premier	-	-	-	155,621	-	155,621
TIAA-CREF Total	181,052,225	30,553,002	146,411,697	53,957,686	4,309,213	416,283,823
GRAND TOTALS	\$ 420,280,120	\$ 78,154,256	\$ 213,582,553	\$ 247,625,971	\$11,445,763	\$ 971,088,663
	43.3%	8.0%	22.0%	25.5%	1.2%	100.0%
SMP Forfeiture Reserve (3)						8,154,989
SMP Disability Reserve (3)						59,678,848
Total SMP Investments						\$1,038,922,500

1. As of June 30, 2012, the Fidelity Freedom Fund (lifecycle) series is the default fund for members who have selected the Self-Managed Plan, but have not yet selected individual mutual/variable annuity funds.
 2. CREF Growth Account is no longer an approved option for the Self-Managed Plan. Assets remaining in the Account were invested prior to termination of this option.
 3. These assets are commingled with the SURS defined benefit plan investments and accrue interest equal to the overall annual rate of return of the fund, net of fees.

Asset Allocation

Defined Benefit Plan Asset Allocation June 30, 2012 (\$ thousands)

	Equity	Fixed Income	Real Estate	Market Value	% of Fund
U.S. Stock Managers - Passive					
Northern Trust Investments	\$ 1,356,805	\$ -	\$ -	\$ 1,356,805	10%
RhumbLine Advisers	1,030,735	-	-	1,030,735	8%
Subtotal	2,387,540	-	-	2,387,540	18%
Non-U.S. Stock Managers - Passive					
BTC Custom International Fund	965,346	-	-	965,346	7%
BTC Emerging Markets Fund	127,587	-	-	127,587	1%
Subtotal	1,092,933	-	-	1,092,933	8%
U.S. Stock Managers - Active					
Channing Capital Management	67,870	-	-	67,870	1%
EARNEST Partners	65,896	-	-	65,896	-
Fiduciary Management Associates	67,041	-	-	67,041	1%
Holland Capital Management	65,116	-	-	65,116	-
Jacobs Levy Equity Management	243,061	-	-	243,061	2%
Lombardia Capital Partners	68,330	-	-	68,330	1%
NCM Capital Management	64,531	-	-	64,531	-
Pacific Investment - StocksPlus	260,592	-	-	260,592	2%
Piedmont Investment Advisors	245,683	-	-	245,683	2%
Profit Investment Management	63,453	-	-	63,453	-
Progress Emerging Managers	245,521	-	-	245,521	2%
T. Rowe Price	245,796	-	-	245,796	2%
Subtotal	1,702,890	-	-	1,702,890	13%
Non-U.S. Stock Managers - Active					
Ativo Capital Management	74,276	-	-	74,276	1%
BTC International Alpha Tilts	299,207	-	-	299,207	2%
GlobeFlex Capital	148,626	-	-	148,626	1%
Herndon Capital Management	121,970	-	-	121,970	1%
Martin Currie	151,066	-	-	151,066	1%
Progress Emerging Managers	123,129	-	-	123,129	1%
Pyramis Global Advisors	369,476	-	-	369,476	3%
Strategic Global Advisors	62,614	-	-	62,614	-
Subtotal	1,350,364	-	-	1,350,364	10%
Global Stock Managers - Active					
Aberdeen Asset Management	284,879	-	-	284,879	2%
Calamos Investments	261,892	-	-	261,892	2%
Mondrian Investment Partners	273,142	-	-	273,142	2%
T. Rowe Price	256,386	-	-	256,386	2%
Wellington Management	264,939	-	-	264,939	2%
Subtotal	1,341,238	-	-	1,341,238	10%
Private Equity Managers					
Adams Street Acquisition Fund II	16	-	-	16	-
Adams Street Partnerships	287,561	-	-	287,561	2%
Adams Street 2012 Offering	1,328	-	-	1,328	-
Adams Street 2009 Offering	35,800	-	-	35,800	-
Adams Street 2008 Offering	50,426	-	-	50,426	-
Adams Street 2007 Global Oppor Ptf	82,808	-	-	82,808	1%
Adams Street Global Secondary Fund	12,185	-	-	12,185	-
Adams Street Non-U.S. Partnerships	42,796	-	-	42,796	-
Muller and Monroe ILPEFF	12,564	-	-	12,564	-
Muller and Monroe MPEFF	19,560	-	-	19,560	-
Pantheon Europe Fund III	51,210	-	-	51,210	-
Pantheon Europe Fund VI	21,973	-	-	21,973	-
Pantheon Global	1,473	-	-	1,473	-
Pantheon Global Secondary Fund II	9,799	-	-	9,799	3%
Pantheon USA 8	60,977	-	-	60,977	-
Pantheon Ventures, Inc.	432,282	-	-	432,282	-
Progress Investment	1,206	-	-	1,206	-
Subtotal	1,123,964	-	-	1,123,964	8%

Asset Allocation

Defined Benefit Plan Asset Allocation June 30, 2012 (\$ thousands)

	Equity	Fixed Income	Real Estate	Market Value	% of Fund (C)
Bond Managers - Passive					
Cash	-	221,137	-	221,137	-
State Street Global Advisors	-	496,608	-	496,608	4%
Subtotal	-	717,745	-	717,745	4%
Bond Managers - Active					
Chicago Equity Partners	-	273,721	-	273,721	2%
Garcia Hamilton & Associates	-	33,417	-	33,417	-
LM Capital Group	-	55,242	-	55,242	-
Metropolitan West Asset Mgmt.	-	381,656	-	381,656	3%
Neuberger Berman	-	278,337	-	278,337	2%
Pacific Investment	-	820,576	-	820,576	6%
Progress Emerging Managers	-	95,721	-	95,721	1%
Pugh Capital Management	-	83,981	-	83,981	1%
Smith Graham & Company	-	54,237	-	54,237	-
Taplin Canida & Habacht	-	67,592	-	67,592	1%
Subtotal	-	2,144,480	-	2,144,480	16%
Treasury Inflation-Protected Securities - Active					
Longfellow Investment Management	-	122,601	-	122,601	1%
New Century Advisors	-	93,692	-	93,692	1%
Pacific Investment - U.S. TIPS	-	303,730	-	303,730	2%
Subtotal	-	520,023	-	520,023	4%
Direct Real Estate					
Dune Real Estate Parallel Fund II	-	-	28,424	28,424	-
Franklin Templeton EMREFF	-	-	15,197	15,197	-
Franklin Templeton FTPREF	-	-	1,968	1,968	-
Mesirow MFIRE II	-	-	3,893	3,893	-
RREEF America II Fund	-	-	119,765	119,965	1%
RREEF America III Fund	-	-	14,566	14,566	-
RREEF West Funds	-	-	153	153	-
UBS Trumbull Property Fund	-	-	250,185	250,185	2%
Subtotal	-	-	434,151	434,151	3%
Real Estate Investment Securities: U.S. - Passive					
BTC	95,797	-	-	95,797	1%
Subtotal	95,797	-	-	95,797	1%
Real Estate Investment Securities: U.S. - Active					
CBRE Clarion Real Estate Securities	111,876	-	-	111,876	1%
RREEF America	121,605	-	-	121,605	1%
Subtotal	233,481	-	-	233,481	2%
Real Estate Investment Securities: Non-U.S. and Global					
BTC	66,278	-	-	66,278	-
CBRE Clarion Real Estate Securities	79,387	-	-	79,387	1%
RREEF	74,477	-	-	74,477	1%
Subtotal	220,142	-	-	220,142	2%
Opportunity Fund					
Alinda Capital Partners	24,557	-	-	24,557	-
Angelo Gordon GECC	53,496	-	-	53,496	-
Macquarie Capital	42,839	-	-	42,839	-
Oaktree Capital Management	23,740	-	-	23,740	-
RLJ Western Asset	59,360	-	-	59,360	-
Private Opportunities Fund	1,140	-	-	1,140	-
Subtotal	205,132	-	-	205,132	-
SMP Forfeiture/Disability Reserves (B)	(45,916)	(21,207)	(711)	(67,834)	-
TOTAL FUND	\$ 9,707,565	\$ 3,361,041	\$ 433,440	\$ 13,502,046(A)	100%
% OF TOTAL FUND (C)	71.9%	24.9%	3.2%	100%	

(A) Amount includes net pending transactions of (\$327,159) and accrued investment income receivable of \$33,914.

(B) These assets are commingled with the SURS defined benefit plan investments.

(C) The % of Total Fund may not add to 100% due to rounding.

Supporting Schedules

Summary Schedule of Domestic Investment Commissions
For the Year Ended June 30, 2012

	2012		
Investment Brokerage Firm	Commission	Shares Traded	Commission per Share
Loop Capital Markets	\$ 117,667	3,996,629	\$ 0.03
Cabrera Capital Markets	79,085	3,450,638	0.02
ITG (Investment Technology Group) (ECN)	75,862	20,429,054	-
Loop Capital Markets (ECN)	70,295	6,429,004	0.01
JP Morgan Chase & Company (ECN)	67,289	2,449,163	0.03
Morgan Stanley	59,292	1,442,791	0.04
CAPIS (Capital Institutional Services)	48,968	1,246,953	0.04
CL King & Associates	47,562	1,029,113	0.05
Williams Capital Group (ECN)	47,348	2,933,395	0.02
Bank of New York ConvergeX Execution	46,182	1,052,921	0.04
MR Beal & Company	33,422	1,132,202	0.03
Cheevers & Company	31,699	955,218	0.03
M Ramsey King Securities	29,674	963,001	0.03
Cabrera Capital Markets (ECN)	29,480	1,144,334	0.03
Credit Suisse	26,481	697,636	0.04
Merrill Lynch	26,454	1,646,366	0.02
Island Trader Securities	24,861	533,570	0.05
Cantor Fitzgerald	22,837	797,634	0.03
Williams Capital Group	22,374	723,831	0.03
Stifel, Nicolaus & Company	22,223	623,131	0.04
Bank of New York ConvergeX Execution (ECN)	21,146	681,080	0.03
JP Morgan Chase & Company	20,932	688,251	0.03
Cheevers & Company (ECN)	19,311	907,321	0.02
Barclays (ECN)	18,930	809,648	0.02
Gardner Rich & Company (ECN)	18,854	733,457	0.03
Barclays	18,345	659,123	0.03
Instinet	18,011	376,778	0.05
Jefferies & Company	17,447	707,319	0.02
Robert W. Baird & Company	16,884	461,091	0.04
Merrill Lynch (ECN)	16,775	2,231,005	0.01
Goldman Sachs	16,530	422,779	0.04
CastleOak Securities (ECN)	16,362	763,842	0.02
CAPIS (Capital Institutional Services) (ECN)	15,814	403,659	0.04
Saxony Securities	14,235	284,700	0.05
Liquidnet (ECN)	13,151	1,217,361	0.01
CastleOak Securities	12,172	394,206	0.03
Morgan Stanley (ECN)	11,831	495,818	0.02
Piper Jaffray & Company	11,808	355,262	0.03
Direct Access Partners	10,712	339,513	0.03
Instinet (ECN)	10,590	542,360	0.02
ISI Group	9,946	252,405	0.04
Guzman & Company (ECN)	9,835	983,483	0.01
Jackson Partners & Associates	9,176	229,400	0.04
Telsey Advisory Group	9,145	238,705	0.04
North South Capital	9,063	185,750	0.05
JonesTrading Institutional Services	8,993	387,439	0.02
Citigroup Global Markets	8,911	246,277	0.04
Deutsche Bank (ECN)	8,583	715,934	0.01
Lazard Capital Markets (ECN)	8,401	241,180	0.03
Deutsche Bank	8,126	257,997	0.03
All Other Brokers	238,722	8,497,502	0.03
Total	\$ 1,577,796	79,387,229	\$ 0.02

Supporting Schedules

Summary Schedule of International Investment Commissions
For the Year Ended June 30, 2012

Investment Brokerage Firm	2012		
	Commission	Shares Traded	Commission per Share
Loop Capital Markets (ECN)	\$ 155,216	32,458,990	\$ -
Nomura	103,539	8,559,874	0.01
UBS	99,610	7,410,067	0.01
Loop Capital Markets	85,957	6,437,517	0.01
Nomura (ECN)	75,648	8,680,754	0.01
Goldman Sachs	63,328	5,973,205	0.01
Credit Suisse	58,042	5,810,540	0.01
Cabrera Capital Markets (ECN)	55,291	8,481,429	0.01
Calyon (ECN)	54,192	9,779,422	0.01
Deutsche Bank	45,735	3,012,066	0.02
Morgan Stanley	43,910	2,852,589	0.02
Merrill Lynch	35,462	4,084,981	0.01
Direct Access Partners	35,381	1,825,400	0.02
Bank of New York ConvergEx Execution	34,327	1,549,093	0.02
Jefferies & Company	32,900	2,223,653	0.01
Cheevers & Company (ECN)	30,853	7,035,034	-
Barclays (ECN)	30,744	2,102,020	0.01
Chicago Analytic Trading	30,582	2,870,400	0.01
JP Morgan Chase & Company	29,820	2,059,537	0.01
MR Beal & Company	25,394	2,401,717	0.01
Bank of New York ConvergEx Execution (ECN)	22,094	3,439,243	0.01
Barclays	18,829	1,093,714	0.02
Macquarie Securities	18,258	1,791,929	0.01
Instinet	17,673	3,300,881	0.01
Credit Suisse (ECN)	17,113	2,272,167	0.01
Citigroup Global Markets	16,563	1,978,977	0.01
UBS (ECN)	13,600	2,365,452	0.01
Melvin Securities	13,262	646,663	0.02
Merrill Lynch (ECN)	11,378	1,274,058	0.01
Credit Agricole	10,163	1,475,383	0.01
Brockhouse Cooper	8,799	3,383,292	-
Calyon	8,200	54,617	0.15
Royal Bank of Canada	7,808	970,833	0.01
Daiwa Securities Group	7,728	181,076	0.04
Cabrera Capital Markets	7,645	692,914	0.01
BNP Paribas	7,006	1,236,800	0.01
Redburn Partners	6,631	917,542	0.01
Mitsubishi UFJ Securities	6,248	290,300	0.02
BTIG (Bass Trading International Group)	6,121	762,489	0.01
Royal Bank of Scotland	5,489	148,672	0.04
Exane	5,453	287,125	0.02
Cantor Fitzgerald	5,233	271,637	0.02
Sanford C. Bernstein	5,124	127,926	0.04
Mizuho Securities	5,065	509,676	0.01
Credit Lyonnais	4,835	795,093	0.01
ITG (Investment Technology Group) (ECN)	4,122	1,380,792	-
Kempen & Company	4,065	22,761	0.18
Keefe, Bruyette & Woods	3,994	301,046	0.01
ITG (Investment Technology Group)	3,862	128,556	0.03
Raymond James & Associates	3,843	53,400	0.07
All Other Brokers	74,105	9,638,408	0.01
Total	\$ 1,476,240	167,401,710	\$ 0.01

Supporting Schedules

Summary Schedule of Global Investment Commissions
For the Year Ended June 30, 2012

Investment Brokerage Firm	2012		
	Commission	Shares Traded	Commission per Share
Cabrera Capital Markets	\$ 97,568	4,750,534	\$ 0.02
JP Morgan Chase & Company	58,991	3,935,406	0.01
Loop Capital Markets	54,942	3,911,684	0.01
Deutsche Bank	43,905	2,894,100	0.02
Morgan Stanley	42,732	2,111,898	0.02
UBS	37,352	3,293,078	0.01
Mogavero Lee & Company (ECN)	36,786	1,226,200	0.03
Credit Suisse	29,747	4,125,049	0.01
Bank of America	28,243	1,658,571	0.02
Goldman Sachs	28,133	2,671,411	0.01
Citigroup Global Markets	25,924	2,058,275	0.01
Credit Agricole	22,009	2,829,946	0.01
Barclays	19,824	556,035	0.04
Credit Suisse (ECN)	19,555	4,205,768	-
Merrill Lynch	18,427	1,924,365	0.01
Williams Capital Group	17,281	726,373	0.02
Goldman Sachs (ECN)	16,557	2,915,610	0.01
Nomura	13,909	877,371	0.02
Sanford C. Bernstein (ECN)	13,728	2,045,671	0.01
M Ramsey King Securities	12,570	628,699	0.02
Mischler Financial Group	11,595	470,052	0.02
Macquarie Securities	11,400	1,081,762	0.01
Morgan Stanley (ECN)	10,861	3,818,938	-
Merrill Lynch (ECN)	10,473	2,002,411	0.01
Bloomberg Tradebook (ECN)	9,903	807,569	0.01
Daiwa Securities Group	9,751	581,700	0.02
Loop Capital Markets (ECN)	9,530	1,078,242	0.01
UBS (ECN)	9,383	1,927,672	-
MR Beal & Company	9,280	343,139	0.03
BNP Paribas	9,121	636,600	0.01
HSBC	8,807	392,875	0.02
Citigroup Global Markets (ECN)	8,201	1,610,264	0.01
Nomura (ECN)	8,172	2,064,758	-
ITG (Investment Technology Group) (ECN)	7,892	1,377,094	0.01
Barclays (ECN)	7,875	813,985	0.01
Liquidnet (ECN)	7,623	822,320	0.01
Stifel, Nicolaus & Company	7,326	193,400	0.04
RBC Capital Markets	7,309	187,310	0.04
Cabrera Capital Markets (ECN)	7,065	376,787	0.02
CL King & Associates	6,986	212,688	0.03
CastleOak Securities	6,465	218,600	0.03
Deutsche Bank (ECN)	6,350	2,156,591	-
CF Global Trading	6,237	182,516	0.03
Bank of America (ECN)	5,967	2,842,409	-
Scotia Capital	5,680	162,400	0.03
Montrose Securities International	5,399	437,952	0.01
BTG Pactual	5,309	209,700	0.03
Sanford C. Bernstein	5,282	128,223	0.04
Jefferies & Company	5,118	243,982	0.02
Santander Investment Securities	5,042	146,916	0.03
All Other Brokers	152,290	13,225,377	0.01
Total	\$ 1,025,875	90,100,276	\$ 0.01

Supporting Schedules

Summary Schedule of REITS Income Investment Brokerage
For the Year Ended June 30, 2012

Investment Brokerage Firm	2012		
	Commission	Shares Traded	Commission per Share
Cheevers & Company	\$ 137,398	3,301,057	\$ 0.04
UBS	63,540	7,329,693	0.01
Merrill Lynch	39,151	5,593,226	0.01
Citigroup Global Markets	37,752	4,802,482	0.01
JP Morgan Chase & Company	37,289	7,411,257	0.01
Barclays	33,497	954,141	0.04
Green Street Advisors	25,387	618,369	0.04
Citigroup Global Markets (ECN)	24,788	2,437,436	0.01
Morgan Stanley	24,014	4,867,876	-
Stifel, Nicolaus & Company	17,480	436,590	0.04
Jefferies & Company	16,853	460,887	0.04
Macquarie Securities	16,059	4,354,270	-
Goldman Sachs	14,203	2,048,196	0.01
RBC Capital Markets	13,873	340,703	0.04
Wells Fargo Securities	13,549	397,631	0.03
KeyBanc Capital Markets	12,078	399,900	0.03
Credit Suisse	11,401	1,985,207	0.01
Barclays (ECN)	11,070	1,107,044	0.01
Weeden & Company	8,795	297,977	0.03
Keefe, Bruyette & Woods	8,578	205,250	0.04
MKM Partners	7,568	252,257	0.03
Kempen & Company	7,091	291,786	0.02
UBS (ECN)	7,006	790,962	0.01
ISI Group	5,939	168,000	0.04
Nomura	5,639	669,552	0.01
Montrose Securities International	5,468	121,500	0.05
BMO Capital Markets	5,320	130,500	0.04
Sanford C. Bernstein	3,967	96,776	0.04
Raymond James & Associates	3,886	88,600	0.04
Deutsche Bank	2,897	555,792	0.01
RBC Dain Rauscher	2,881	72,300	0.04
Robert W. Baird & Company	2,621	68,600	0.04
Knight Execution & Clearing Services	2,121	70,700	0.03
CLSA	2,030	715,645	-
Rabo Securities	1,986	36,189	0.05
RBS Securities	1,750	167,658	0.01
Cowen & Company	1,695	43,550	0.04
Royal Bank of Scotland	1,666	293,944	0.01
Robert W. Baird & Company (ECN)	1,595	159,500	0.01
Credit Lyonnais	1,490	468,011	-
Goldman Sachs (ECN)	1,373	104,247	0.01
Merrill Lynch (ECN)	1,357	230,905	0.01
DBS Vickers Securities	1,324	315,035	-
Oriel Securities	1,261	561,240	-
Oppenheimer & Company	1,248	31,200	0.04
Sumitomo Mitsui Banking Corporation	1,243	120,434	0.01
Daiwa Securities Group	1,211	37,222	0.03
ABG Securities	1,206	136,982	0.01
Morgan Keegan & Company	1,169	38,950	0.03
Wells Fargo Securities (ECN)	1,166	58,300	0.02
All Other Brokers	12,578	1,312,016	0.02
Total	\$ 666,497	57,557,545	\$ 0.01

Supporting Schedules

Summary Schedule of Fixed Income Investment Brokerage For the Year Ended June 30, 2012

Investment Brokerage Firm	2012 Market Value Traded
Barclays	\$ 1,212,716,313
Morgan Stanley	1,113,981,209
Citigroup Global Markets	806,980,746
Credit Suisse	798,011,747
Deutsche Bank	638,496,138
Goldman Sachs	631,117,002
JP Morgan Chase & Company	623,051,779
CastleOak Securities	588,843,439
Loop Capital Markets (ECN)	430,335,985
Toussaint Capital Partners	400,611,697
MR Beal & Company	392,632,846
Merrill Lynch	383,653,663
Mizuho Securities	372,635,506
Citigroup Global Markets (ECN)	288,780,541
Loop Capital Markets	255,402,228
Williams Capital Group	238,018,557
BNP Paribas	200,188,259
Wells Fargo Securities	166,806,082
Barclays (ECN)	159,937,299
RBS Securities	156,664,483
Bank of America	152,770,519
UBS	128,434,163
Nomura	126,273,498
CastleOak Securities (ECN)	122,188,675
Royal Bank of Scotland	115,451,478
Royal Bank of Canada (ECN)	99,004,785
HSBC	91,783,877
Nomura (ECN)	77,447,732
JP Morgan Chase & Company (ECN)	70,431,284
Citibank (ECN)	67,185,136
Rice Financial Products Company	66,485,462
Goldman Sachs (ECN)	65,236,014
Citibank	55,180,961
Mizuho Securities (ECN)	53,247,769
Bank of America (ECN)	45,508,878
Bank of America Securities	36,571,071
Morgan Stanley (ECN)	36,551,526
Royal Bank of Canada	36,283,487
First Tennessee	33,255,651
Cabrera Capital Markets	33,108,010
TD Securities	31,086,088
Arbor Trading Group	28,770,635
Daiwa Securities Group	20,947,809
Credit Suisse (ECN)	20,717,612
Deutsche Bank (ECN)	18,584,249
RBS Securities (ECN)	16,171,325
Morgan Keegan & Company	15,776,055
Jefferies & Company	14,741,596
Bank of New York ConvergEx Execution	13,583,843
HSBC (ECN)	13,455,064
All Other Brokers	218,863,099
Total	\$ 11,783,962,870

Supporting Schedules

Summary Schedule of TIPS Investment Commissions For the six months ended June 30, 2012

Investment Brokerage Firm	2012 Market Value Traded
Barclays	\$ 70,177,185
Goldman Sachs	43,891,067
Williams Capital Group	43,788,918
Credit Suisse	39,106,639
Citigroup Global Markets	37,950,883
Toussaint Capital Partners	37,092,408
RBS Securities	23,158,995
MR Beal & Company	22,794,064
BNP Paribas	20,761,886
CastleOak Securities	20,014,691
Merrill Lynch	18,459,612
Deutsche Bank	15,273,278
BNP Paribas (ECN)	14,428,148
Royal Bank of Scotland	12,178,604
Royal Bank of Canada	12,063,083
Greenwich Capital Markets	11,628,097
UBS	10,300,119
Loop Capital Markets	8,996,970
Barclays (ECN)	8,623,751
JP Morgan Chase & Company	7,523,281
Bank of America	6,778,334
Deutsche Bank (ECN)	6,394,038
HSBC	5,559,169
Nomura (ECN)	5,064,559
RBS Securities (ECN)	4,995,007
Mizuho Securities	4,898,632
Credit Suisse (ECN)	4,157,931
TD Securities (ECN)	3,761,549
Citibank (ECN)	3,025,446
Societe Generale Securities (ECN)	2,895,400
Rice Financial Products Company	2,799,644
Westpac Group	2,260,620
Nomura	2,257,766
Morgan Stanley	2,032,217
First Tennessee	1,898,224
JP Morgan Chase & Company (ECN)	438,485
First Ballantyne	282,132
Rainier Securities	29,954
Ridgeway & Conger, Inc.	20,490
Total	<u><u>\$537,761,276</u></u>