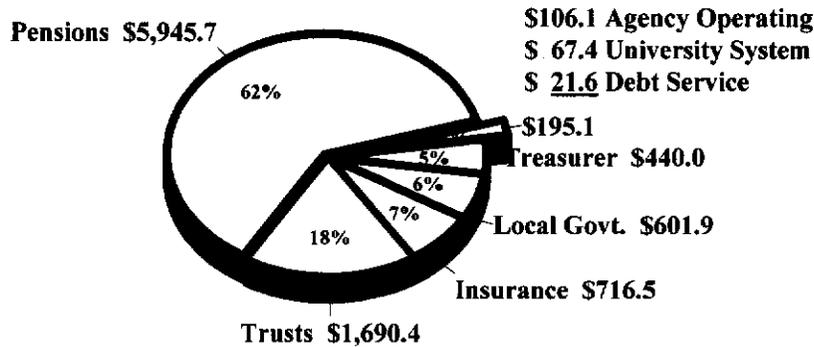


Total Funds By Source

\$9.59 Billion Fair Value At Year-End 2004

(In Millions)



TOTAL FUND

The Total Fund is comprised of all funds invested by the Board.

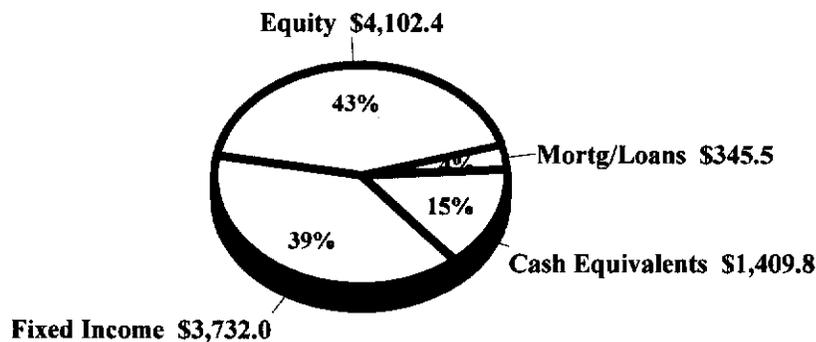
Fund types invested include pensions, trusts, insurance, debt service, state agency and higher education operating accounts, and local government funds.

Unless otherwise provided by law, the Board must invest all state funds. Local governments may invest funds with the Board at their discretion.

Total Funds By Investment

\$9.59 Billion Fair Value At Year-End 2004

(In Millions)



At June 30, 2004 the fair value of the Total Fund was \$9.59 billion compared to \$8.97 billion a year earlier. The increase was primarily attributable to increases in the fair value of investments held in the various portfolios. Fair values reflect the value of securities on June 30 as priced by the custodial bank, or other sources.

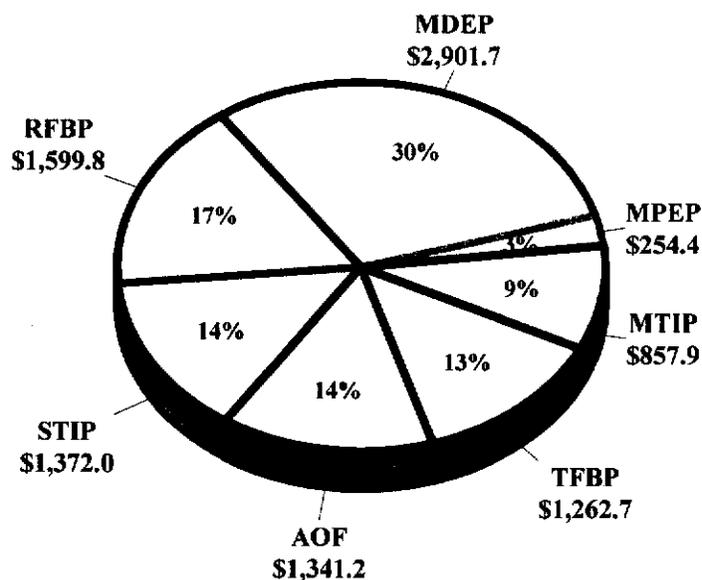
During the year the Board invested 473 individual accounts, consisting of 296 state agency accounts and 177 local government accounts.

- ◆ Most of the Total Fund is invested in six investment pools as shown on the next page.
- ◆ The Total Fund by major fund type and asset type are shown in the tables on the Page 9.
- ◆ The Total Fund invested balances and income history are shown on Page A – 17 in Appendix A

Total Funds By Pool

\$9.59 Billion Fair Value At Year-End 2004

(In Millions)



The Montana Domestic Equity Pool (MDEP)

comprised 30.0 percent of the Total Portfolio on June 30, 2004. Pool securities include actively-managed large and small cap domestic stock and passively-managed large and mid-cap domestic stock. The actively-managed large cap securities are managed by Board staff. All others are externally-managed. The nine pension funds comprise 99.0 percent of the pool's Net Asset Value. Dividends are distributed monthly but capital

gains/losses are retained in the pool.

The Retirement Funds Bond Pool (RFBP), comprising 17.0 percent of the Total Portfolio on June 30, is reserved for pension funds only and all nine funds participate. Pool securities are a mix of long-term investment grade corporate bonds and U.S. government bonds. All bonds are U.S. Dollar denominated and the pool is managed by Board staff. Income is distributed monthly.

The Short Term Investment Pool (STIP) comprised 14.0 percent of the Total Portfolio on June 30. The pool operates as a money market fund with a constant share value of \$1.00. There were 473 participants in the pool in 2004, including 177 local governments. Pool securities consist of investment grade short term securities. The pool is managed by Board staff and income is distributed monthly.

The Trust Funds Bond Pool (TFBP) also comprised 14.0 percent of the Total Portfolio on June 30. The 24 participants in this pool are a mix of trust funds and university funds that may be invested long term. The pool securities are similar to RFBP securities and the pool is managed by Board staff. Income is distributed monthly.

The Montana International Equity Pool (MTIP), comprising 9.0 percent of the Total Portfolio on June 30, is reserved for pension funds only and all nine funds participate. Pool securities consist of both actively-managed and passively-managed Europe and Pacific Basin equity securities. The pool is managed by contracted external managers.

The Montana Private Equity Pool (MPEP), comprising 3.0 percent of the Total Portfolio on June 30, is also reserved for pension funds only. The Board contracts with several private equity managers to invest in venture capital, leveraged buy-out, and other types of private equity investments.

The All Other Fund (AOF) includes other all investments not held in the six investment pools. Securities include bonds, mortgages/loans, and equity real estate.

Total Fund By Source And Asset Allocation At Fair Value On June 30, 2004

<u>Fund Type</u>	<u>Cash Equivalents \$</u>	<u>Domestic Stock \$</u>	<u>Fixed Income \$</u>	<u>Mortgage/ Loans</u>	<u>Other Equity (1)</u>	<u>Total</u>
Pensions	194,163,866	2,899,665,698	1,599,757,615	123,620,864	1,128,534,698	5,945,742,742
Trusts	114,899,937	1,057,108	1,352,546,822	221,861,642		1,690,365,509
Insurance	59,339,673		585,051,852		72,138,374	716,529,899
Treasurer's	258,978,157		181,052,079			440,030,236
Local Gov.	601,911,349					601,911,349
Agency Cash	96,434,953		9,633,653			106,068,606
Universities	62,454,638	1,003,254	3,932,771			67,390,664
Debt Service	21,623,586					21,623,586
Total	1,409,806,159	2,901,726,061	3,731,974,792	345,482,506	1,200,673,072	9,589,662,590

(1) Includes International Stock, Equity Index Fund, Private Equity, and Real Estate

Total Fund Book/Fair Values of Securities Held At June 30, 2004

<u>Investment Type</u>	<u>Book \$ Value</u>	<u>Fair \$ Value</u>	<u>Fair \$ +/- Book</u>	<u>% of Book</u>	<u>% of Fair</u>
Corporate Bonds	3,122,524,295	3,198,628,133	76,103,837	34.8	33.3
Domestic Stocks/Indexes	2,547,467,378	2,974,423,243	426,955,864	28.4	30.9
US Government-Backed Bonds	1,294,286,450	1,337,556,775	43,270,326	14.4	13.9
US Mortgage-Backed Bonds	401,440,519	395,408,842	(6,031,677)	4.5	4.1
Montana Mortgages\Loans	345,481,014	345,482,506	1,492	3.8	3.6
International Stocks/Indexes	786,482,403	853,937,359	67,454,956	8.8	8.9
International Bonds (US \$)	146,366,512	157,995,785	11,629,272	1.6	1.6
Private Equity	236,711,058	258,478,513	21,767,455	2.6	2.7
Repurchase Agreements	71,847,576	71,847,576	0	0.8	0.7
State/Local Government Bonds	9,892,524	9,894,283	1,758	0.1	0.1
Equity Real Estate	16,092,941	16,242,050	149,109	0.2	0.2
Total	8,978,592,670	9,619,895,062	641,302,392	100.0	100.0

Total Fund Annual Change At June 30 By Asset Type

<u>Investment Type</u>	<u>2004 \$ Book Value</u>	<u>% of Total</u>	<u>2003 \$ Book Value</u>	<u>% of Total</u>	<u>\$ Change</u>	<u>% of Change</u>
Corporate Bonds	3,122,524,295	34.8	3,116,143,348	36.6	6,380,947	0.2
Domestic Stocks/Indexes	2,547,467,378	28.4	2,553,846,553	30.0	(6,379,175)	(0.2)
US Government-Backed Bonds	1,294,286,450	14.4	983,297,269	11.5	310,989,181	31.6
International Stocks/Indexes	786,482,403	8.8	489,383,398	5.7	297,099,005	60.7
US Mortgage-Backed Bonds	401,440,519	4.5	240,086,987	2.8	161,353,532	67.2
Mortgages\Loans	345,481,014	3.8	442,681,780	5.2	(97,200,766)	(22.0)
Private Equity	236,711,058	2.6	278,790,338	3.3	(42,079,280)	(15.1)
International Bonds (US \$)	146,366,512	1.6	193,705,190	2.3	(47,338,677)	(24.4)
Repurchase Agreements	71,847,576	0.8	196,005,238	2.3	(124,157,662)	(63.3)
Equity Real Estate	16,092,941	0.2	13,512,086	0.2	2,580,855	19.1
State/Local Government Bonds	9,892,524	0.1	13,884,836	0.2	(3,992,312)	(28.8)
Total Investments	8,978,592,670	100.0	8,521,337,023	100.0	457,255,647	5.4

The tables on the next page show:

- The fair value of individual funds in descending order,
- Income generated by major funds, and
- The total rates of returns of major funds.

Total Fund By Fund At Fair Value On June 30, 2004

<u>Fund</u>	<u>Fair Value \$</u>	<u>Fund</u>	<u>Fair Value \$</u>
Public Employees' Retirement	3,017,022,856	Debt Service STIP	21,623,586
Teachers' Retirement	2,327,167,274	Insurance STIP	20,279,028
Local Government STIP	601,911,349	Vol. Firefighters' Retirement	18,612,738
State Fund Insurance	600,275,272	Treasure State Water	18,455,270
Permanent Coal Tax Trust	567,122,228	Parks Coal Trust	16,561,481
Treasurer's Fund	440,030,236	Group Benefits Insurance	15,195,246
Trust & Legacy Fund	427,382,979	UM Designated Fund	14,892,183
UCFRB Restoration Fund	154,008,833	UCFRB Reserve Fund	14,551,824
Police Officers' Retirement	140,725,594	FWP Mitigation	11,047,031
Sheriffs' Retirement	139,910,633	UM Other Funds	9,039,253
Firefighters' Retirement	134,140,179	Zortman/Landusky	7,049,605
Treasure State Endowment	119,103,685	Wildlife Habitat Trust	6,460,521
Resource Indemnity Trust	104,764,328	Hail Insurance	6,102,175
Streamside Tailings	95,450,582	Guaranteed Student Loan	5,300,935
Highway Patrol Retirement	78,310,865	Abandoned Mines	5,273,366
St Agency Operations STIP	77,014,618	Weed Control Trust	4,971,556
Old Fund Insurance	72,898,445	Cultural Coal Tax Trust	4,780,911
Other Trusts STIP	47,431,218	FWP Real Property	4,561,095
Tobacco Trust	46,728,936	U of M Endowment	2,487,674
Game Wardens' Retirement	45,057,186	MT Tech UM Agency	1,820,109
Judges' Retirement	44,795,416	Subsequent Injury	1,779,732
Higher Education STIP	39,016,569	Other Trusts MTCP	1,057,108
FWP License Account	29,053,988	Other Trusts TFBP	397,608
Montana Pole	27,904,409	Higher Education MTCP	134,876
		Total	9,589,662,590

<u>Total Fund Income</u>						
<u>Fund Type</u>	<u>2004 \$</u> <u>Income</u>	<u>% of</u> <u>Total</u>	<u>2003 \$</u> <u>Income</u>	<u>% of</u> <u>Total</u>	<u>\$</u> <u>Change</u>	<u>% of</u> <u>Change</u>
Public Employees' Retirement	157,174,263	33.3	114,127,866	28.9	43,046,397	37.7
Teachers' Retirement	129,319,390	27.4	95,580,408	24.2	33,738,981	35.3
Permanent Coal Tax Trust (1)	44,170,843	9.3	44,313,873	11.2	(143,030)	(0.3)
Trust & Legacy Fund	30,140,513	6.4	29,215,115	7.4	925,398	3.2
Other Retirement Systems	29,437,359	6.2	22,528,812	5.7	6,908,548	30.7
State Fund Insurance	27,825,991	5.9	29,057,347	7.4	(1,231,356)	(4.2)
Other Managed Portfolios	15,238,569	3.2	14,767,308	3.7	471,261	3.2
UCFRB Restoration Fund	11,034,724	2.3	10,412,111	2.6	622,613	6.0
Resource Indemnity Trust	7,380,241	1.6	7,174,343	1.8	205,898	2.9
Local Governments STIP	6,570,598	1.4	9,793,753	2.5	(3,223,155)	(32.9)
Treasurer's Fund	6,392,992	1.4	6,366,439	1.6	26,553	0.4
Old Fund Insurance	4,062,134	0.9	6,044,875	1.5	(1,982,741)	(32.8)
State Agency/Higher Ed. STIP	<u>3,791,337</u>	<u>0.8</u>	<u>5,517,528</u>	<u>1.4</u>	<u>(1,726,191)</u>	<u>(31.3)</u>
Total	472,538,954	100.0	394,899,778	100.0	77,639,176	19.7

(1) Includes Treasure State Endowment and Treasure State Regional Water

Frequently Asked Questions about In-State Investments

1) Who is eligible to participate in the Board's In-State Investment Program.

- Any business/individual may apply for a Commercial Loan through an approved lender.
- Local governments may borrow directly through the Infrastructure Loan Program.
- Projects funded must be located in Montana.
- Businesses applying for a "Value-Added" loan must operate a value-added business.

2) Must a business create jobs to be eligible for the loan programs?

- Job creation/retention is not required for a Commercial Loan.
- Jobs must be created or retained for Infrastructure & Value-Added loans.

3) Is there a maximum loan size?

- Value-Added loans are limited to 1% of the Coal Tax Trust (Currently \$6.9 million)
- Commercial loans are limited to 10% of the Coal Tax Trust (Currently \$69.0 million).
- Infrastructure Loan size based on the number of jobs created (\$16,666 X # Of Jobs).

4) Is there a minimum loan size?

- Infrastructure & Value-Added loans must be at least \$250,000.

5) What is the maximum level of Board participation in a loan?

- 100% of Federally Guaranteed, Linked Deposit, & Infrastructure Loans.
- Commercial loans less than 6% of the Trust are limited to 80% of the loan amount.
- Commercial loans more than 6% of the Trust are limited to 70% of the loan amount.
- Value-Added loans are limited by law to 75% of the loan amount.

6) How are interest rates set?

- Commercial/Infrastructure loan rates are competitively set.
- Value-Added loan rates are set by law.
- The approved lender charge a fee to service the Board's portion of the loan.

7) Does the Board charge a fee to make a loan?

- Fees are required to lock interest rates for Commercial Loans.
- Fees may be refundable.

8) Are interest rate reductions available if jobs are created?

- Rate reductions are not available for Value-Added Loans.
- Reductions up to 2.5% are available for Commercial and Infrastructure loans.

9) What are the maximum loan terms?

- 30 years for Federally Guaranteed Loans
- 25 years for Participation and Infrastructure loans.
- 20 years for Link Loans.
- 15 years for Value-Added Loans.

10) Must Board members approve loans?

- Board staff approve all Federally-Guaranteed and Linked Loans.
- Board staff may approve all other loans up to \$500,000.
- The Board meets and reviews all other loans at approximate 6-week intervals.