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***State of Montana***  
***457 Deferred Compensation Plan***

***Michael C. Schlachter, CFA***  
*Managing Director*

***Third Quarter 2013***

<b>TABLE OF CONTENTS</b>	<b>page</b>
◆ <b>Market Environment</b>	
◆ <b>Growth in Assets and Asset Allocation</b>	<b>2</b>
◆ <b>Fund Summary</b>	<b>4</b>
◆ <b>Target Date Funds</b>	<b>10</b>
◆ <b>Fixed Income</b>	<b>11</b>
◆ <b>Balanced Fund</b>	<b>15</b>
◆ <b>Domestic Equity</b>	<b>17</b>
◆ <b>International Equity</b>	<b>34</b>
◆ <b>Glossary</b>	<b>42</b>

## Economic Highlights

- GDP:** After two quarters of below-trend growth (0.1% in Q4 2012 & 1.1% in Q1 2013), U.S. real GDP advanced at an annual rate of 2.5% during the second quarter of 2013. Future growth prospects remain fragile as lawmakers continue to grapple over budget issues, including the funding of the Affordable Care Act, which have resulted in a partial shutdown of the Federal government as of October 1<sup>st</sup>.  
 Source: Dept. of Commerce (BEA)
- Interest Rates:** Market expectations of Fed tapering (i.e. a reduction in its bond purchasing program) edged yields on ten-year Treasuries towards 3.00% by mid-September; however, the Fed's commitment to quantitative easing on September 18 quickly pushed rates lower to close the quarter at 2.64%. The potential risks from the fiscal disorder noted above likely contributed to the Fed's maintaining a highly accommodative monetary policy.  
 Source: US Treasury
- Inflation:** Since accelerating in March and April, consumer prices have moderated in recent months. CPI rose 0.4% in the three months through August and is up 1.5% year-over-year, a figure well within the Fed's comfort range. Ten-year breakeven inflation, which fell rather dramatically in the second quarter, nudged slightly higher from 2.04% in June to 2.19% by quarter's end.  
 Source: Dept. of Labor (BLS), US Treasury
- Employment:** Jobs growth has advanced at a subdued pace of 120,000 jobs added per month through the first eight months of 2013. The unemployment rate stands at 7.3%, down from 7.8% in December 2012.  
 Source: Dept. of Labor (BLS)
- Housing:** The housing picture continues to improve, despite the recent increase in mortgage rates, with the S&P Case-Schiller 10- and 20-city Home Price Indexes showing gains of 8.8% & 8.5%, respectively, year-to-date through July and 2.4% & 2.6%, respectively, in the three months through July (see nearby chart).  
 Source: S&P

## Market Commentary

Steven J. Foresti, Managing Director  
 Russell Walker, Vice President

### Third Quarter 2013

#### U.S. Equity Markets

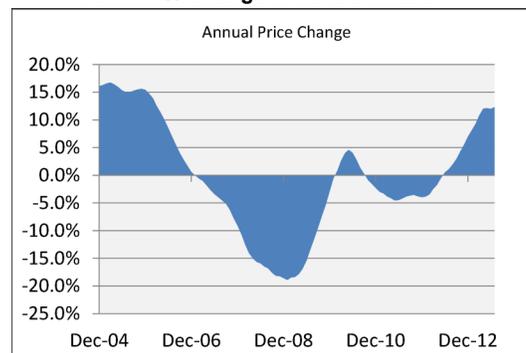
The U.S. stock market, represented by the Wilshire 5000 Total Market Index<sup>SM</sup>, posted a total return of 6.03% during the third quarter, despite pulling back 2.16% from its record high close on September 18. The quarter started with an impressive 5.44% gain in July; concerns over the Federal Reserve's possible tapering of its quantitative easing programs caused stocks to fall -2.88% in August. September found investors in relief rally mode once the Fed committed to continuing its monetary policy, but concerns over the political brinkmanship in Washington led to a late-quarter pullback and a 3.55% return for stocks in September.

U.S. Equity	MTD (%)	QTD (%)	YTD (%)	1 Year (%)
Wilshire 5000 Total Market Index <sup>SM</sup>	3.55	6.03	20.85	20.96
Standard & Poor's 500	3.14	5.24	19.79	19.34
Wilshire 4500 Completion Index <sup>SM</sup>	6.02	10.48	27.53	31.44
U.S. Equity by Size/Style	MTD (%)	QTD (%)	YTD (%)	1 Year (%)
Wilshire US Large-Cap Index <sup>SM</sup>	3.28	5.61	20.06	19.82
Wilshire US Large-Cap Growth Index <sup>SM</sup>	4.67	9.29	21.46	20.56
Wilshire US Large-Cap Value Index <sup>SM</sup>	2.12	2.66	19.00	19.34
Wilshire US Small-Cap Index <sup>SM</sup>	5.80	9.58	27.41	31.36
Wilshire US Small-Cap Growth Index <sup>SM</sup>	6.29	12.63	33.52	35.84
Wilshire US Small-Cap Value Index <sup>SM</sup>	5.34	6.83	22.12	27.36
Wilshire US Micro-Cap Index <sup>SM</sup>	6.06	10.65	34.74	31.96

Small capitalization stocks have continued to outperform larger-cap equities, as investors have shrugged off economic and political volatility. Micro-cap stocks in particular have performed strongly. In another sign of investor willingness to assume more systematic risk, growth-oriented stocks outperformed value-oriented issues for the quarter, year-to-date and twelve-month time periods.

The best-performing economic sectors of the stock market in the third quarter reflected stronger consumer sentiment, increased spending and international unrest; Consumer Discretionary, Consumer Staples and Energy stocks led other sectors with returns of 9.88%, 9.46% and 8.57% respectively. The weakest-performing sector was Utilities, with a 0.38% return for the quarter; the Telecommunication Services sector was also a notable underperformer, with a 1.04% return in the third quarter.

Annual % Change in House Prices



Source: S&P Case-Schiller 20-City Price Index (SA)

Since turning positive on a year-over-year basis in June 2012, U.S. home prices, as measured by the S&P Case-Schiller 20-City Price Index (SA), have continued to appreciate strongly through July 2013. The gains come despite an uptick in mortgage rates earlier this year. As can be seen in the nearby chart, annual growth rates are now above 10% for the first time since May 2006. The positive wealth effect that accrues from these increases in home prices has been supportive of consumer confidence and spending.

## Non-U.S. Equity Markets

Global stock markets enjoyed strong performance overall for the third quarter, as tensions stemming from Syria's long civil war threatened regional stability, then quickly dissipated. Japan began to recover from recent-period lackluster performance with renewed domestic policy to stimulate its economy, while the rest of the Asia-Pacific region joined Europe and the U.S. in a worldwide stock market rally. Emerging markets stocks were buoyed by improved economic indicators for China, but investors remain nervous in anticipation of the U.S. Fed preparing to wind down its current monetary policy.

Non-U.S. Equity	USD (%)				Local Currency (%)			
	MTD	QTD	YTD	1 Year	MTD	QTD	YTD	1 Year
MSCI AC World ex U.S.	6.95	10.09	10.04	16.48	4.27	6.98	13.56	20.98
MSCI EAFE	7.39	11.56	16.14	23.77	4.60	7.50	19.34	28.31
MSCI Europe	7.19	13.61	16.09	24.23	3.64	8.12	14.72	20.62
MSCI Pacific	7.83	7.99	16.45	23.32	6.49	6.52	28.76	45.04
MSCI Japan	8.35	6.66	24.31	31.50	8.36	5.36	41.08	65.85
MSCI EM (Emerging Markets)	6.50	5.77	-4.35	0.98	4.22	5.63	0.47	5.82
MSCI ACWI ex U.S. Small Cap	7.99	12.38	14.43	20.04	5.49	9.38	18.89	26.33

## Fixed Income Markets

Bond yields moved upward fitfully in July, picking up momentum in August and peaking in early September; the bellwether 10-year U.S. Treasury yield hit 2.98% on September 5, its highest level since July 2011. Yields then drifted downward, with the 10-year Treasury settling to 2.64% on September 30, 12 basis points higher than on June 28. The yield curve steepened slightly and flattened in intermediate maturities as investors moved down the curve into shorter paper. Investment-grade and high yield corporate spreads tightened slightly over the quarter as well. Developed market bonds were essentially flat for the quarter, while emerging market debt lost ground; a weak U.S. dollar ameliorated returns for U.S. dollar-based investors.

U.S. Fixed Income	MTD (%)	QTD (%)	YTD (%)	1 Year (%)
Barclays U.S. Aggregate	0.95	0.57	-1.89	-1.68
Barclays Long Govt./Credit	0.48	-0.83	-8.74	-8.33
Barclays Long Term Treasury	0.37	-2.23	-9.88	-10.58
Barclays U.S. TIPS	1.45	0.70	-6.74	-6.10
Barclays U.S. Credit	0.83	0.72	-2.91	-1.90
Barclays U.S. Corporate High Yield	0.99	2.28	3.73	7.14
Global Fixed Income	MTD (%)	QTD (%)	YTD (%)	1 Year (%)
Barclays Global Aggregate	2.06	2.80	-2.17	-2.64
Barclays Global Aggregate (Hedged)	0.81	0.83	-0.35	0.54
Barclays EM Local Currency Government Universal	3.32	-1.01	-3.82	-1.43
Barclays EM Local Currency Govt Univ (Hedged)	0.65	-2.03	-2.58	-1.45

## Real Estate & Commodity Markets

U.S. public-market real estate securities extended their second-quarter 2013 losses into the third quarter as bond yields rose, increasing investors' borrowing costs. Offshore real estate stocks, in contrast, yielded relatively strong returns. Commodities staged a comeback from recent-period underperformance. Unrest in Syria and other commodity-producing world regions sparked a rally in crude oil (5.98%) and gold (8.39%), and shored up commodity market performance overall. MLPs, in contrast, pulled back after strong returns in recent time periods.

Real Estate / Commodity	MTD (%)	QTD (%)	YTD (%)	1 Year (%)
Wilshire US RESI <sup>SM</sup>	3.39	-2.80	2.93	5.47
Wilshire Global ex US RESI <sup>SM</sup>	8.65	6.06	5.69	14.16
Wilshire Global RESI <sup>SM</sup>	5.84	1.24	4.18	9.49
Dow Jones UBS Commodity Index	-2.55	2.13	-8.56	-14.35
S&P GSCI Commodity	-3.39	4.78	-0.89	-4.15
Alerian MLP Index	2.32	-0.73	21.18	17.05

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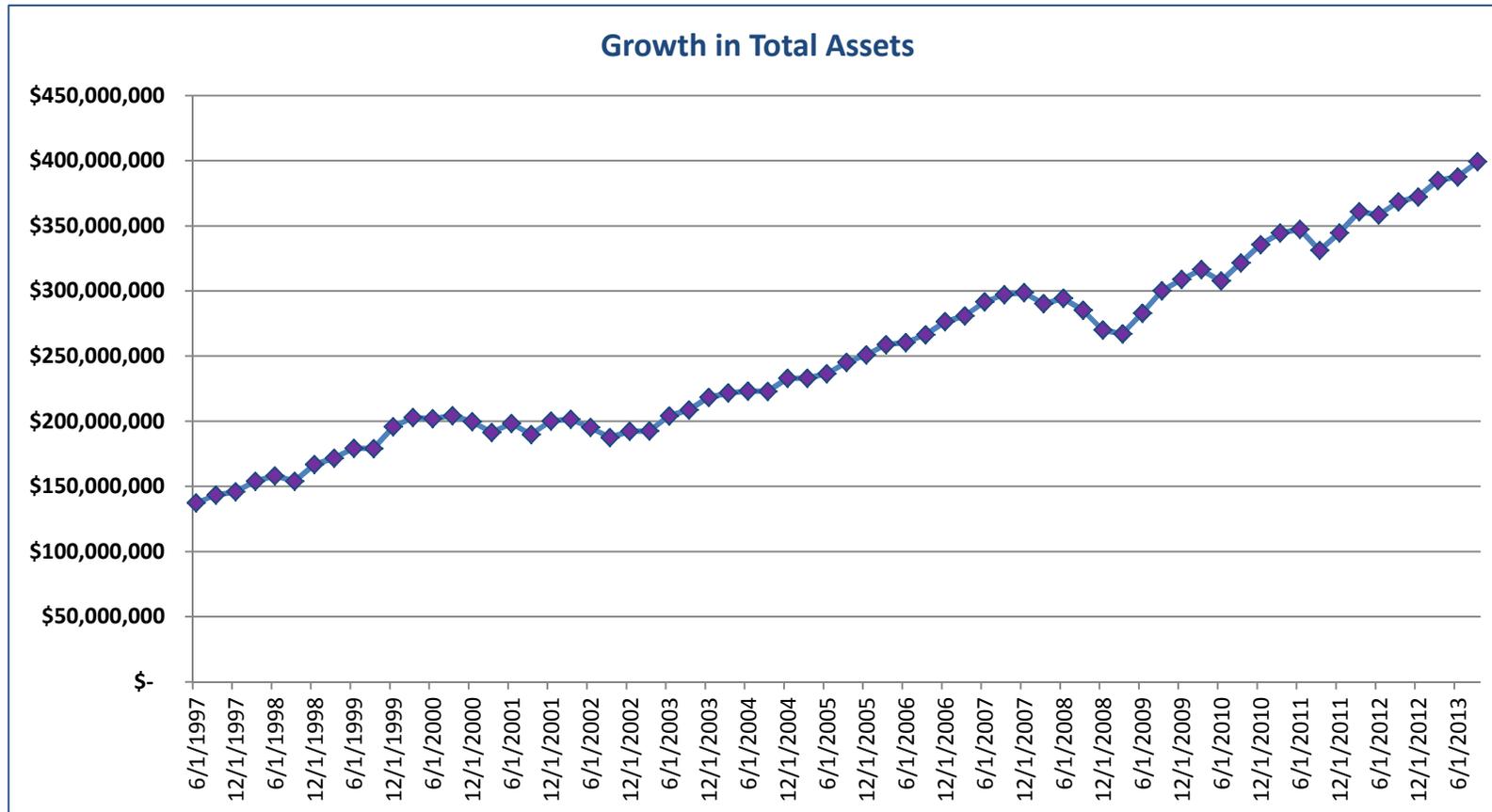
State of Montana 457 Deferred Compensation Plan  
Third Quarter 2013



FUND OVERVIEW FOR STATE OF MONTANA 457 DEFERRED COMPENSATION PLAN

Asset Class	Name	Ticker	Current Status	Date Placed on Probation
Fixed Income	State of Montana Stable Value - PIMCO	Sep. Mgmt.	Retention	
Fixed Income	PIMCO Total Return	PTRAX	Retention	
Fixed Income	Neuberger Berman High Income Bond Fund	NHINX	Retention	
Balanced	Vanguard Balanced Index	VBAIX	Retention	
Large Growth	Fidelity ContraFund	FCNTX	Retention	
Large Growth	Calvert Social Investment Equity A	CSIEX	Retention	
Large Core	Vanguard (500) Institutional Index	VINIX	Retention	
Large Value	Vanguard Equity Income	VEIRX	Retention	
Mid Growth	Munder Mid Cap Core Growth A	MGOAX	Retention	
Mid Value	Columbia Mid Cap Value Z Fund	NAMAX	Terminated/Replaced	2011 Q3
Small Growth	Vanguard Small Cap Growth Index	VISGX	Retention	
Small Core	Vanguard Small Cap Index Signal	VSISX	Retention	
Small Value	Neuberger Berman Genesis Tr	NBGEX	Probation	2013 Q2
Global	American Funds New Perspective Fund R4	RNPEX	Retention	
Global	Mutual Discovery Z	MDISX	Retention	
International	Artisan International Inv	ARTIX	Retention	
International	Dodge & Cox International Stock	DODFX	Retention	
International	Oppenheimer Developing Markets Y	ODVYX	Retention	
Target Date	T. Rowe Price Retirement 2005	TRRFX	Retention	
Target Date	T. Rowe Price Retirement 2010	TRRAX	Retention	
Target Date	T. Rowe Price Retirement 2015	TRRGX	Retention	
Target Date	T. Rowe Price Retirement 2020	TRRBX	Retention	
Target Date	T. Rowe Price Retirement 2025	TRRHX	Retention	
Target Date	T. Rowe Price Retirement 2030	TRRCX	Retention	
Target Date	T. Rowe Price Retirement 2035	TRRJX	Retention	
Target Date	T. Rowe Price Retirement 2040	TRRDY	Retention	
Target Date	T. Rowe Price Retirement 2045	TRRKX	Retention	
Target Date	T. Rowe Price Retirement 2050	TRRMX	Retention	
Target Date	T. Rowe Price Retirement 2055	TRRNK	Retention	
Target Date	T. Rowe Price Retirement Income	TRRIX	Retention	

State of Montana 457 Deferred Compensation Plan



**Market Value as of September 30, 2013: \$ 399,193,279**

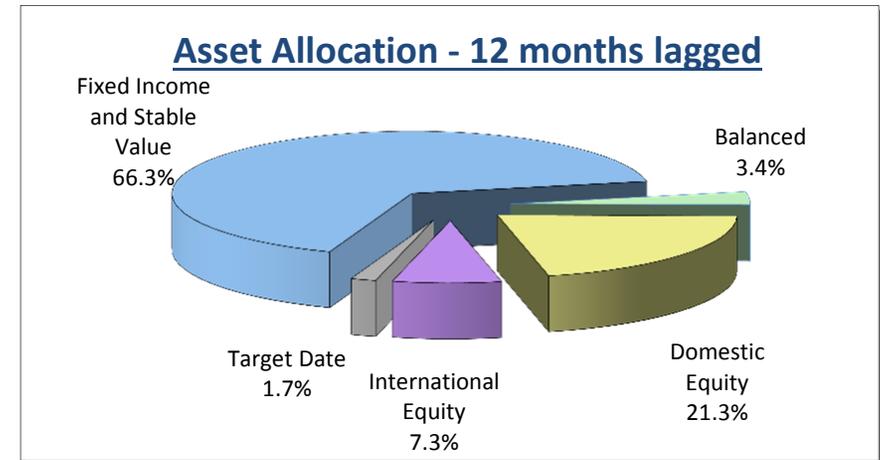
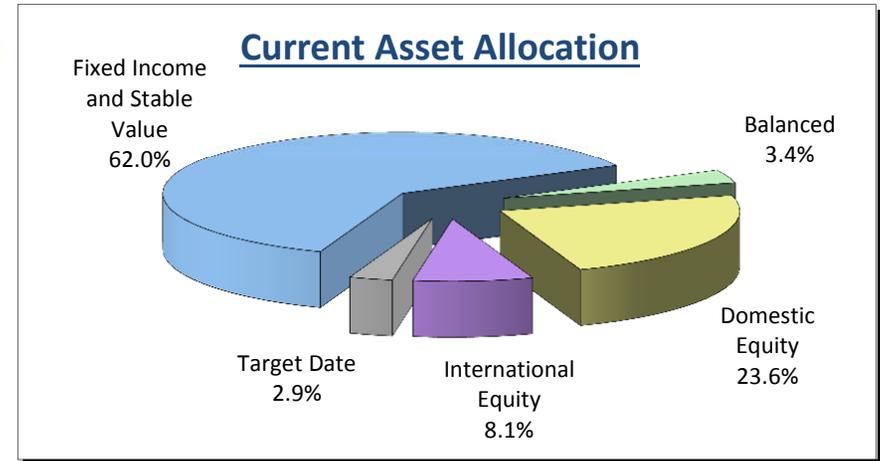
**Change from previous quarter: \$ 11,580,570**

State of Montana 457 Deferred Compensation Plan  
Third Quarter 2013



Asset Allocation as of September 30, 2013

Asset Class	# of Participants	Market Value	%
<b>Fixed Income and Stable Value</b>		<b>247,495,224</b>	<b>62.0%</b>
Montana Fixed Fund - Stable Value	6,325	237,059,406	59.4%
PIMCO Total Return	1,876	7,653,550	1.9%
Neuberger High Income	542	2,782,268	0.7%
<b>Balanced</b>		<b>13,753,332</b>	<b>3.4%</b>
Vanguard Balanced Index Fund	1,623	13,753,332	3.4%
<b>Domestic Equity</b>		<b>94,157,073</b>	<b>23.6%</b>
<b>Large Cap</b>		<b>57,843,760</b>	<b>14.5%</b>
Fidelity ContraFund	1,820	24,570,587	6.2%
Calvert Social Investment Equity	292	1,578,375	0.4%
Vanguard Institutional Index	2,358	20,464,564	5.1%
Vanguard Equity-Income	1,140	11,230,234	2.8%
<b>Mid Cap</b>		<b>12,871,866</b>	<b>3.2%</b>
Munder Mid Cap Core Growth A	1,917	8,604,089	2.2%
Columbia Mid Cap Value Fund Z	706	4,267,776	1.1%
<b>Small Cap</b>		<b>23,441,447</b>	<b>5.9%</b>
Vanguard Small Cap Growth Index	972	6,891,651	1.7%
Vanguard Small Cap Index	441	4,023,678	1.0%
Neuberger Berman Genesis	2,054	12,526,118	3.1%
<b>International Equity</b>		<b>32,156,951</b>	<b>8.1%</b>
American Funds New Perspective	1,207	10,077,582	2.5%
Mutual Discovery	898	9,036,838	2.3%
Artisan International	570	3,101,840	0.8%
Dodge & Cox International Stock	1,778	9,572,664	2.4%
Oppenheimer Developing Markets	101	368,027	0.1%
<b>Target Date</b>		<b>11,630,699</b>	<b>2.9%</b>
<b>TOTAL STATE OF MONTANA 457</b>		<b>\$ 399,193,279</b>	



State of Montana 457 Deferred Compensation Plan  
Third Quarter 2013



Montana Stable Value	Trailing Total Returns (annualized)				Universe Ranking		
Style: Intermediate Gov/Credit FI	Quarter	1 Year	3 Year	5 Year	1 year	3 year	5 year
Montana Stable Value	0.70	(1.17)	2.44	5.76	--	--	--
Barclays Int Gov/Credit Bond + 0.35%	0.71	(0.15)	2.77	5.30	--	--	--

Fund Narrative
The fund virtually matched the benchmark this quarter, and lags the 1-year by 102 basis points. The manager trails for the 3-year but leads over the 5-year by 46 bps. <b>Current Status: Retention, no change recommended.</b>

PIMCO Total Return	Trailing Total Returns (annualized)				Universe Ranking		
Style: Intermediate Fixed Income	Quarter	1 Year	3 Year	5 Year	1 year	3 year	5 year
PIMCO Total Return	1.11	(0.99)	3.51	7.69	37th	45th	17th
Barclays Aggregate	0.57	(1.68)	2.86	5.41	69th	75th	81st
Intermediate Fixed MF Median	0.65	(1.31)	3.41	6.50			
Morningstar Rating	n/a	n/a	★★★	★★★★			

Fund Narrative
This manager is ranked above the median for all time periods. Boosted by a leading quarter, PIMCO leads for all shown time periods; it has 3- and 4-star rankings by Morningstar, and its performance is above the median for both the 3- and 5-year time periods, therefore the fund still exceeds the State minimum. <b>Current Status: Retention, no change recommended.</b>

Neuberger High Income Bond	Trailing Total Returns (annualized)				Universe Ranking		
Style: High Yield Fixed Income	Quarter	1 Year	3 Year	5 Year	1 year	3 year	5 year
Neuberger High Income Bond	2.64	6.74	8.03	13.04	46th	57th	11th
Barclays U.S. High Yield Index	2.28	7.14	9.19	13.53	35th	21st	7th
High Yield MF Median	2.09	6.64	8.25	11.18			
Morningstar Rating	n/a	n/a	★★★	★★★★★			

Fund Narrative
This high yield manager had a positive quarter and led the benchmark but lags for all other time periods. The performance against the median has been borderline for the 3-year but exceeds for the 5-year and the 3- and 5-star Morningstar ratings meet the State's requirements. <b>Current Status: Retention, no change recommended.</b>

Vanguard Balanced Index	Trailing Total Returns (annualized)				Universe Ranking		
Style: Balanced	Quarter	1 Year	3 Year	5 Year	1 year	3 year	5 year
Vanguard Balanced Index	3.94	11.78	11.38	9.11	42nd	17th	21st
60% MSCI US Broad Mkt/40% Barclays Agg	3.86	11.49	11.09	8.87	43rd	20th	24th
Balanced MF Median	3.98	11.09	9.16	7.92			
Morningstar Rating	n/a	n/a	★★★★	★★★★			

Fund Narrative
This index fund replaced Dodge & Cox and is generally 60% stocks and 40% fixed income. The manager performed within range of the blended index for the quarter and all time horizons. The consistent outperformance against the median for all time periods and the fund's 4- and 5-star Morningstar ratings meet the State requirement. <b>Current Status: Retention, no change recommended.</b>

State of Montana 457 Deferred Compensation Plan  
Third Quarter 2013



Fidelity Contrafund	Trailing Total Returns (annualized)				Universe Ranking		
Style: Large Cap Growth	Quarter	1 Year	3 Year	5 Year	1 year	3 year	5 year
Fidelity Contrafund	8.94	19.46	15.54	11.12	55th	44th	37th
S&P 500 Index	5.24	19.34	16.27	10.02	56th	31st	56th
Wilshire Large Growth Index	9.29	20.56	16.33	11.27	41st	31st	34th
Large Cap Growth MF Median	9.22	19.78	15.19	10.34			
Morningstar Rating	n/a	n/a	★★★	★★★★			

**Fund Narrative**

The fund greatly led the benchmark this quarter but still lags for the 3-year. This manager is a strong performer and has ranked above the median historically. With 3- and 4-star Morningstar ratings and performance above the median, this fund meets the requirements of the State. **Current Status: Retention, no change recommended.**

Calvert Social Investor Equity	Trailing Total Returns (annualized)				Universe Ranking		
Style: Large Cap Growth	Quarter	1 Year	3 Year	5 Year	1 year	3 year	5 year
Calvert Social Investor Equity	5.95	16.30	13.00	9.19	82nd	84th	72nd
S&P 500 Index	5.24	19.34	16.27	10.02	56th	31st	56th
Wilshire Large Growth Index	9.29	20.56	16.33	11.27	41st	31st	34th
Large Cap Growth MF Median	9.22	19.78	15.19	10.34			
Morningstar Rating	n/a	n/a	★	★★			

**Fund Narrative**

This fund had a positive and leading quarter versus the benchmark, but trails for all time periods. The fund has 1- and 2-star Morningstar ratings and underperformed the median in all time periods, which does not meet the State minimum requirements. **Current Status: Retention, no change recommended.** *This manager is fulfilling a need and has significant sector restrictions.*

Vanguard Institutional Index	Trailing Total Returns (annualized)				Universe Ranking		
Style: Large Cap Core	Quarter	1 Year	3 Year	5 Year	1 year	3 year	5 year
Vanguard Institutional Index	5.23	19.31	16.24	10.04	61st	30th	28th
S&P 500 Index	5.24	19.34	16.27	10.02	61st	29th	29th
Large Cap Core MF Median	5.68	20.41	14.98	9.27			
Morningstar Rating	n/a	n/a	★★★★	★★★★			

**Fund Narrative**

As expected of an index fund, this fund performed in line with the returns of its benchmark for all time periods. With consistent 4-star Morningstar ratings and performance better than the median for the 3- and 5-year, this fund meets the requirements of the State. **Current Status: Retention, no change recommended.**

State of Montana 457 Deferred Compensation Plan  
Third Quarter 2013



Vanguard Equity-Income	Trailing Total Returns (annualized)				Universe Ranking		
Style: Large Cap Value	Quarter	1 Year	3 Year	5 Year	1 year	3 year	5 year
Vanguard Equity-Income	3.62	19.61	17.88	10.68	82nd	4th	8th
FTSE High Dividend Yield Index	2.56	17.74	17.48	10.02	93rd	4th	13th
Russell 1000 Value Index	3.94	22.30	16.25	8.86	53rd	16th	40th
Large Cap Value MF Median	4.68	22.49	14.88	8.27			
Morningstar Rating	n/a	n/a	★★★★★	★★★★★			

**Fund Narrative**

This large value fund recently changed benchmarks from the Russell 1000 Value Index to the FTSE High Dividend Yield Index. The manager outperformed for the quarter, and outperformed both benchmarks for the 3- and 5-year. With 5-star Morningstar ratings and outperforming the median over the 3- and 5- year, this fund meets the requirements of the State. **Current Status: Retention, no change recommended.**

Munder Mid-Cap Core Growth	Trailing Total Returns (annualized)				Universe Ranking		
Style: Mid Cap Growth	Quarter	1 Year	3 Year	5 Year	1 year	3 year	5 year
Munder Mid-Cap Core Growth	7.35	25.69	16.91	11.78	53rd	35th	58th
Russell Mid Cap Index	7.70	27.91	17.53	12.97	29th	25th	37th
Wilshire Mid Growth Index	11.72	34.65	18.94	15.59	33rd	24th	19th
Mid Cap Growth MF Median	10.30	26.09	16.36	12.20			
Morningstar Rating	n/a	n/a	★★★	★★★			

**Fund Narrative**

The fund trailed the benchmark for the quarter and for all other time periods but outpaced the median for the 3-year time period. Although the 3-star Morningstar ratings meet the minimum requirements, the underperformance and below median ranking are cause for concern. The fund was on probation from 2009Q3 - 2012Q1 and continues to be closely monitored. **Current Status: Retention, no change recommended.**

Columbia Mid Cap Value Z Fund	Trailing Total Returns (annualized)				Universe Ranking		
Style: Mid Cap Value	Quarter	1 Year	3 Year	5 Year	1 year	3 year	5 year
Columbia Mid Cap Value Z Fund	5.94	27.28	16.23	10.06	65th	56th	79th
Russell Mid Cap Value Index	5.89	27.77	17.27	11.86	57th	39th	55th
Russell Mid Cap Index	7.70	27.91	17.53	12.97	55th	34th	28th
Mid Cap Value MF Median	7.13	28.51	16.40	12.17			
Morningstar Rating	n/a	n/a	★★★	★★			

**Fund Narrative**

The fund slightly outperformed the benchmark this quarter but lags over the 3- and 5-year time periods. The fund's 3- and 2-star Morningstar ratings and the underperformance against the median do not meet the State's requirements. **Current Status: Terminated, to be replaced by the MFS Mid Cap Value.**

State of Montana 457 Deferred Compensation Plan  
Third Quarter 2013



Vanguard Small Cap Growth Idx	Trailing Total Returns (annualized)				Universe Ranking		
	Quarter	1 Year	3 Year	5 Year	1 year	3 year	5 year
Style: Small Cap Growth							
Vanguard Small Cap Growth Idx	11.02	30.83	20.26	14.68	57th	31st	31st
CRSP Small Cap Growth Index	11.03	30.20	18.51	13.88	63rd	59th	42nd
Small Cap Growth MF Median	12.55	31.16	19.17	13.20			
Morningstar Rating	n/a	n/a	★★★★	★★★			

**Fund Narrative**

This Vanguard index fund recently changed its benchmark to the CRSP US Small Cap Growth Index. The fund performed in line the benchmark for the quarter and outperformed for the 3- and 5- year. It also outpaced the median for the 3- and 5-year and its 4- and 3-star Morningstar ratings help meet the State's requirements. **Current Status: Retention, no change recommended.**

Vanguard Small Cap Index	Trailing Total Returns (annualized)				Universe Ranking		
	Quarter	1 Year	3 Year	5 Year	1 year	3 year	5 year
Style: Small Cap Core							
Vanguard Small Cap Index	9.19	30.15	18.98	13.26	40th	30th	26th
CRSP Small Cap Index	9.18	31.30	19.48	14.35	28th	21st	18th
Small Cap Core MF Median	9.39	29.16	17.76	11.54			
Morningstar Rating	n/a	n/a	★★★★	★★★★			

**Fund Narrative**

This Vanguard index fund also changed its benchmark to the CRSP US Small Cap Index. The fund performed as expected for the quarter but trailed over the 3- and 5-year. However, the fund outperformed the median for the 3- and 5-year, and has 4-star Morningstar ratings to satisfy the State's requirements. **Current Status: Retention, no change recommended.**

Neuberger Berman Genesis	Trailing Total Returns (annualized)				Universe Ranking		
	Quarter	1 Year	3 Year	5 Year	1 year	3 year	5 year
Style: Small Cap Value							
Neuberger Berman Genesis	11.12	28.23	18.01	10.15	66th	39th	79th
Russell 2000 Index	10.21	30.06	18.29	11.15	47th	34th	70th
Russell 2000 Value Index	7.59	27.04	16.57	9.13	80th	63rd	93rd
Small Cap Value MF Median	8.42	29.55	17.33	11.76			
Morningstar Rating	n/a	n/a	★★★★	★★★			

**Fund Narrative**

This manager outperformed this quarter and trails for the 3- and 5- year, while also lagging the median over all time periods except for the quarter and 3-year. Although the manager has 4- and 3-star Morningstar ratings, this fund is on the borderline to meet the State's minimum requirements. Therefore, the fund was voted to be placed on probation. **Current Status: Probation, no change recommended.**

State of Montana 457 Deferred Compensation Plan  
Third Quarter 2013



American Funds New Perspective	Trailing Total Returns (annualized)				Universe Ranking		
Style: Global Equity	Quarter	1 Year	3 Year	5 Year	1 year	3 year	5 year
American Funds New Perspective	8.24	21.63	12.38	10.12	44th	33rd	16th
MSCI AC World Index	7.90	17.73	10.21	7.71	75th	68th	68th
World Equity MF Median	8.39	20.71	11.23	8.36			
Morningstar Rating	n/a	n/a	★★★★	★★★★			

**Fund Narrative**

This global equity fund outperformed the MSCI AC World Index benchmark for the quarter, and for all other time periods. The manager outpaced the median in the 1-, 3-, and 5-year time periods and the 4-star Morningstar Ratings exceed the requirements of the State. **Current Status: Retention, no change recommended.**

Mutual Global Discovery	Trailing Total Returns (annualized)				Universe Ranking		
Style: Global Equity	Quarter	1 Year	3 Year	5 Year	1 year	3 year	5 year
Mutual Global Discovery	5.81	19.74	10.83	8.91	59th	56th	42nd
MSCI World Index	8.18	20.21	11.82	7.84	57th	42nd	68th
World Equity MF Median	8.39	20.71	11.23	8.36			
Morningstar Rating	n/a	n/a	★★★	★★★★★			

**Fund Narrative**

The fund greatly underperformed the index this quarter, but still leads for the 5-year period. With 3- and 5-star Morningstar ratings and performing above the median for only the 5-year, this fund still meets all State requirements. The fund will be remain closely monitored. **Current Status: Retention, no change recommended.**

Artisan International	Trailing Total Returns (annualized)				Universe Ranking		
Style: International (Non-US) Equity	Quarter	1 Year	3 Year	5 Year	1 year	3 year	5 year
Artisan International	9.98	23.11	12.97	9.35	32nd	3rd	11th
MSCI EAFE Growth Index	10.50	23.27	8.88	6.79	31st	27th	32nd
MSCI EAFE Index	11.56	23.77	8.47	6.35	26th	34th	41st
Non-US Equity MF Median	10.36	21.00	7.75	5.95			
Morningstar Rating	n/a	n/a	★★★★★	★★★★★			

**Fund Narrative**

The fund underperformed the MSCI EAFE Growth for the quarter but greatly leads the benchmark for both 3- and 5-year time periods. With 5- and 4-star Morningstar ratings and performance well above the median for the 3- and 5-year, the fund easily fulfills the State's requirements. The fund will still be monitored closely. **Current Status: Retention, no change recommended.**

State of Montana 457 Deferred Compensation Plan  
Third Quarter 2013



Dodge & Cox International Stock	Trailing Total Returns (annualized)				Universe Ranking		
Style: International (Non-US) Equity	Quarter	1 Year	3 Year	5 Year	1 year	3 year	5 year
Dodge & Cox International Stock	11.15	27.76	8.75	8.11	7th	30th	21st
MSCI EAFE Value Index	12.63	24.27	7.99	5.86	23rd	46th	53rd
MSCI EAFE Index	11.56	23.77	8.47	6.35	26th	34th	41st
Non-US Equity MF Median	10.36	21.00	7.75	5.95			
Morningstar Rating	n/a	n/a	★★★★	★★★			

**Fund Narrative**

This fund posted a positive but lagging return versus its benchmark this quarter but leads the benchmark for all other time periods. The fund has 3- and 4-star Morningstar ratings and recorded performance well above the median in all time periods to meet the State's minimum requirements. **Current Status: Retention, no change recommended.**

Oppenheimer Developing Mkts Y	Trailing Total Returns (annualized)				Universe Ranking		
Style: Emerging Markets Equity	Quarter	1 Year	3 Year	5 Year	1 year	3 year	5 year
Oppenheimer Developing Mkts Y	8.94	9.64	4.46	11.77	11th	7th	4th
MSCI Emerging Markets Index	5.77	0.98	(0.33)	7.22	66th	49th	38th
Emerging Markets Equity MF Median	5.48	2.50	(0.47)	6.45			
Morningstar Rating	n/a	n/a	★★★★★	★★★★★			

**Fund Narrative**

This emerging markets fund posted a strong leading return versus its benchmark this quarter and leads the benchmark for all time periods. The fund has consistent 5-star Morningstar ratings and it has returns far greater than the median in all time periods to meet the State's minimum requirements. **Current Status: Retention, no change recommended.**

State of Montana 457 Deferred Compensation Plan  
Third Quarter 2013



Target Date Funds Performance

457 - T. ROWE PRICE TARGET DATE FUNDS									
Fund Name	Ticker	Morningstar Rating	Quarter	YTD	1-Year	3-Year	5-Year	Market Value	# of Participants
<b>T. Rowe Price Retirement 2005</b>	<b>TRRFX</b>	<b>★★★★★</b>	<b>3.55</b>	<b>5.84</b>	<b>7.21</b>	<b>7.79</b>	<b>7.88</b>	<b>\$213,931.54</b>	<b>32</b>
Dow Jones Target Global Date 2005 Index			2.39	0.73	0.73	4.13	6.29		
<b>T. Rowe Price Retirement 2010</b>	<b>TRRAX</b>	<b>★★★★★</b>	<b>4.06</b>	<b>7.30</b>	<b>8.77</b>	<b>8.67</b>	<b>8.31</b>	<b>\$ 749,013.46</b>	<b>88</b>
Dow Jones Target Global Date 2010 Index			2.75	1.91	2.11	4.81	6.42		
<b>T. Rowe Price Retirement 2015</b>	<b>TRRGX</b>	<b>★★★★★</b>	<b>4.99</b>	<b>9.49</b>	<b>11.25</b>	<b>9.90</b>	<b>8.98</b>	<b>\$ 1,931,899.94</b>	<b>169</b>
Dow Jones Target Global Date 2015 Index			3.28	3.74	4.34	5.87	6.86		
<b>T. Rowe Price Retirement 2020</b>	<b>TRRBX</b>	<b>★★★★★</b>	<b>5.85</b>	<b>11.42</b>	<b>13.40</b>	<b>10.95</b>	<b>9.49</b>	<b>\$ 3,922,781.02</b>	<b>267</b>
Dow Jones Target Global Date 2020 Index			4.15	6.17	7.22	7.21	7.46		
<b>T. Rowe Price Retirement 2025</b>	<b>TRRHX</b>	<b>★★★★★</b>	<b>6.60</b>	<b>13.18</b>	<b>15.44</b>	<b>11.78</b>	<b>9.84</b>	<b>\$ 1,614,529.72</b>	<b>247</b>
Dow Jones Target Global Date 2025 Index			5.02	8.76	10.29	8.67	8.19		
<b>T. Rowe Price Retirement 2030</b>	<b>TRRCX</b>	<b>★★★★★</b>	<b>7.21</b>	<b>14.75</b>	<b>17.13</b>	<b>12.57</b>	<b>10.20</b>	<b>\$ 1,083,253.10</b>	<b>257</b>
Dow Jones Target Global Date 2030 Index			5.85	11.30	13.31	9.95	8.82		
<b>T. Rowe Price Retirement 2035</b>	<b>TRRJX</b>	<b>★★★★★</b>	<b>6.56</b>	<b>13.51</b>	<b>15.96</b>	<b>11.02</b>	<b>9.34</b>	<b>\$ 815,403.27</b>	<b>205</b>
Dow Jones Target Global Date 2035 Index			6.56	13.51	15.96	11.02	9.34		
<b>T. Rowe Price Retirement 2040</b>	<b>TRRDY</b>	<b>★★★★★</b>	<b>7.96</b>	<b>16.60</b>	<b>19.22</b>	<b>13.33</b>	<b>10.56</b>	<b>\$ 437,525.37</b>	<b>199</b>
Dow Jones Target Global Date 2040 Index			7.09	15.15	17.92	11.77	9.74		
<b>T. Rowe Price Retirement 2045</b>	<b>TRRKX</b>	<b>★★★★★</b>	<b>8.01</b>	<b>16.60</b>	<b>19.28</b>	<b>13.35</b>	<b>10.55</b>	<b>\$ 241,404.83</b>	<b>91</b>
Dow Jones Target Global Date 2045 Index			7.37	16.01	18.95	12.13	9.97		
<b>T. Rowe Price Retirement 2050</b>	<b>TRRMX</b>	<b>★★★★★</b>	<b>7.99</b>	<b>16.61</b>	<b>19.29</b>	<b>13.35</b>	<b>10.56</b>	<b>\$ 126,654.52</b>	<b>33</b>
Dow Jones Target Global Date 2050 Index			7.41	16.11	19.07	12.17	9.99		
<b>T. Rowe Price Retirement 2055</b>	<b>TRRNX</b>	<b>★★★★★</b>	<b>8.01</b>	<b>16.52</b>	<b>19.17</b>	<b>13.36</b>	<b>10.53</b>	<b>\$ 160,664.87</b>	<b>21</b>
Dow Jones Target Global Date 2055 Index			7.41	16.11	19.07	12.17	9.99		
<b>T. Rowe Price Retirement Income</b>	<b>TRRIX</b>	<b>★★★★</b>	<b>3.30</b>	<b>5.55</b>	<b>6.76</b>	<b>7.06</b>	<b>7.34</b>	<b>\$ 333,637.59</b>	<b>38</b>
Dow Jones Target Global Date Today Index			2.34	0.62	0.60	3.98	6.22		
<b>TOTAL</b>								<b>\$11,630,699.23</b>	

State of Montana 457 Deferred Compensation Plan  
Third Quarter 2013



PIMCO Total Return Ticker: PTRAX

**Fund Strategy**

This is the largest fixed income mutual fund in the world. Manager Bill Gross combines PIMCO's long term macroeconomic outlook with short term cyclical issues when constructing the portfolio. The manager has flexibility to determine sector weightings and occasionally invests in non-index sectors: high yield, developed market international, and emerging market debt.

**Manager Information**

Lead Manager Team Managed  
Avg. Tenure n/a  
Prospectus [www.allianzinvestors.com](http://www.allianzinvestors.com)

Fund	Characteristics				Trailing Total Returns (annualized)					
	Morningstar Rating	Avg. Duration	Avg. Maturity	Avg. Quality	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
PIMCO Total Return	★★★★	5.82	6.54	-	1.1%	-2.1%	-1.0%	3.5%	7.7%	5.9%
Barclays Aggregate					0.6%	-1.9%	-1.7%	2.9%	5.4%	4.6%
Interm Fixed MF Median					0.7%	-2.0%	-1.3%	3.4%	6.5%	4.6%

	Manager Statistics				Index Statistics	
	Standard Deviation	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Sharpe Ratio
3-Year	3.99	0.64	0.87	2.79	2.82	0.99
5-Year	4.16	2.83	1.78	2.68	3.66	1.43

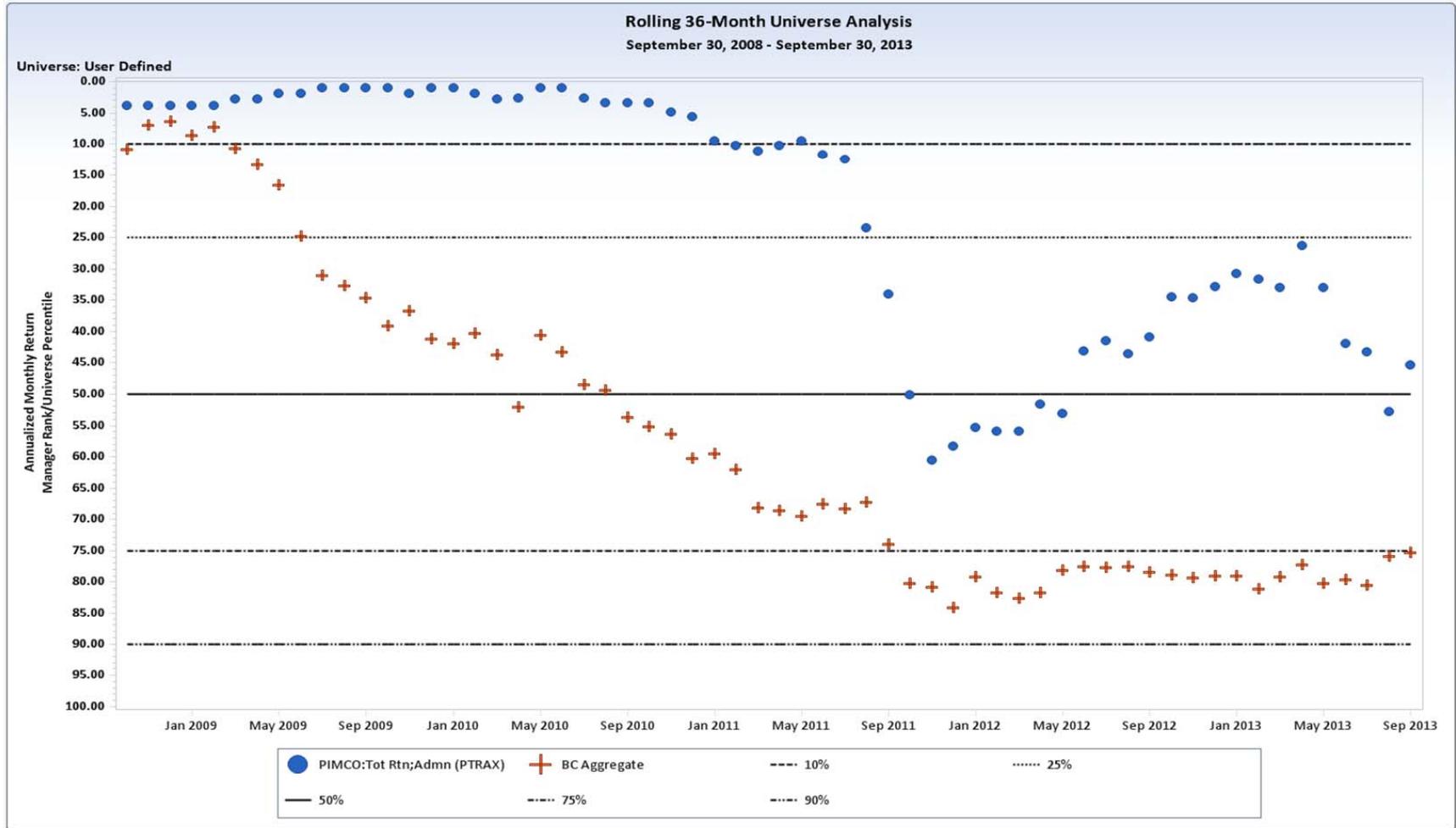
Portfolio Characteristics 6-30-13	
Credit Quality	%
US Gov't/Agency/AAA	64.0%
AA	9.0%
A	13.0%
BBB	8.0%
< BBB	6.0%
Non-Rated	0.0%
Maturity Breakdown	%
0 - 3 yrs.	36.9%
3 - 5 yrs.	11.5%
5 - 7 yrs.	8.2%
7 - 10 yrs.	11.1%
10 - 15 yrs.	4.8%
15 - 20 yrs.	2.8%
20 + yrs.	24.7%

Sector Weights 6-30-13	
	%
US Government	45.7%
Mortgage	37.4%
Credit	7.8%
Foreign	9.1%
Cash	0.0%

Portfolio Information	
Expense Ratio	0.71%
12b-1 Fee Included	0.25%
Category Average	1.04%
Minimum Investment	\$1,000,000

Year-End Assets (\$ Mil.)	
2013/05	\$32,178
2012	\$33,471
2011	\$31,439
2010	\$33,685
2009	\$30,268
2008	\$23,466
2007	\$22,644
2006	\$19,877

Intermediate Fixed Income Universe



State of Montana 457 Deferred Compensation Plan  
Third Quarter 2013



**Neuberger Berman High Income Bond Fund**

Ticker:

NHINX

**Fund Strategy**

Formerly called the Lehman Brothers High Income Bond Fund, this fund is focused on total return and has the flexibility to invest in bonds rated CCC (formerly this part of the credit spectrum was off limits). To date, managers have preferred higher quality, intermediate, high yield corporate bonds.

**Manager Information**

Lead Manager Ann H. Benjamin + Team  
Avg. Tenure n/a  
Prospectus [www.allianzinvestors.com](http://www.allianzinvestors.com)

Fund	Characteristics				Trailing Total Returns (annualized)					
	Morningstar Rating	Avg. Duration	Avg. Maturity	Avg. Quality	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
<b>Neuberger High Income Bond</b>	★★★★	3.94	6.80	B	2.6%	3.6%	6.7%	8.0%	13.0%	7.9%
Barclays U.S. High Yield Index					2.3%	3.7%	7.1%	9.2%	13.5%	8.9%
High Yield MF Median					2.1%	3.3%	6.6%	8.3%	11.2%	7.6%

	Manager Statistics				Index Statistics	
	Standard Deviation	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Sharpe Ratio
3-Year	7.34	6.88	1.08	7.47	6.63	1.35
5-Year	11.72	9.08	1.10	11.46	13.28	1.02

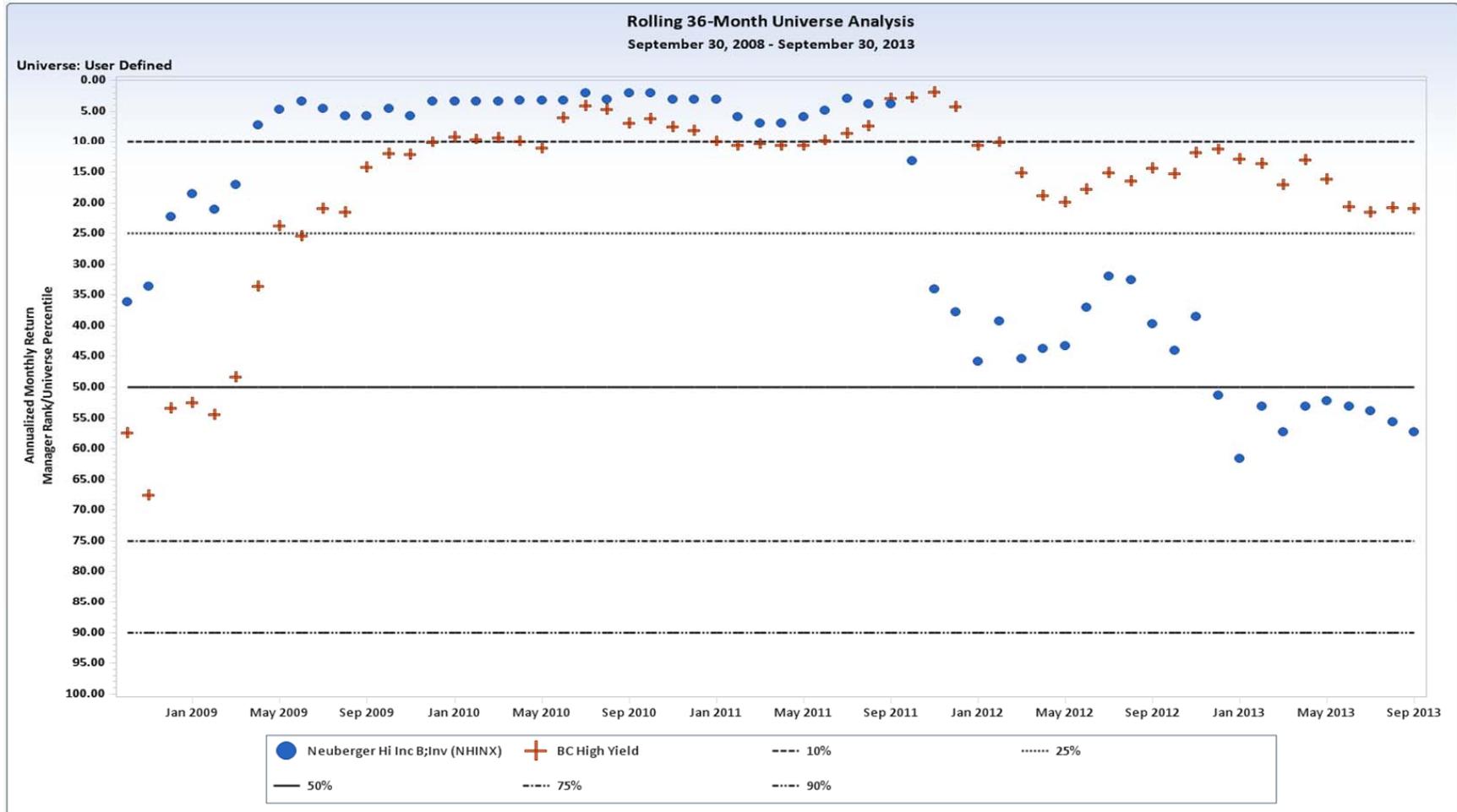
Portfolio Characteristics 7-31-13	
<b>Credit Quality</b>	<b>%</b>
US Gov't/Agency/AAA	2.3%
< AAA	0.0%
BBB	0.0%
BB	6.4%
< BB	91.4%
Non-Rated	0.0%
<b>Maturity Breakdown</b>	<b>%</b>
0 - 3 yrs.	5.0%
3 - 5 yrs.	19.3%
5 - 7 yrs.	36.4%
7 - 10 yrs.	34.3%
10 - 15 yrs.	2.4%
15 - 20 yrs.	2.2%
20 + yrs.	0.4%

Sector Weights 7-31-13	
<b>Sectors</b>	<b>%</b>
US Government	0.3%
Mortgage	0.0%
Credit	94.4%
Foreign	5.4%
Cash	0.0%

Portfolio Information	
Expense Ratio	0.84%
12b-1 Fee Included	-
Category Average	1.22%
Minimum Investment	\$2,000

Year-End Assets (\$ Mil.)	
2013/06	\$307
2012	\$337
2011	\$312
2010	\$357
2009	\$444
2008	\$196
2007	\$322
2006	\$592

### High Yield Fixed Income Universe



Vanguard Balanced Index

Ticker: VBAIX

<b>Fund Strategy</b>
The fund is 60% stocks and 40% bonds. It tracks the MSCI Broad Market Index on the stock allocation and the Barclays Aggregate Bond Index on the fixed income allocation.

<b>Manager Information</b>	
Lead Manager	Michael Perre & G. Davis
Inception	12/1/2000
Prospectus	<a href="http://www.vanguard.com">www.vanguard.com</a>

Fund	Characteristics			Trailing Total Returns (annualized)					
	Morningstar Rating	Avg. Mkt Cap (\$MM)	# of Holdings	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
<b>Vanguard Balanced Index</b>	★★★★	\$33,508	9976	3.9%	11.6%	11.8%	11.4%	9.1%	7.2%
US Balanced Index				3.9%	11.3%	11.5%	11.1%	8.9%	7.1%
Balanced MF Median				4.0%	10.1%	11.1%	9.2%	7.9%	6.3%

	Manager Statistics				Index Statistics		
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Sharpe Ratio
3-Year	7.59	0.88	2.90	1.45	1.85	7.52	1.46
5-Year	11.44	0.94	1.18	0.81	1.95	11.36	0.76

<b>Top 10 Holdings 6-30-13</b>	
Company	% of Portfolio
ExxonMobil Corporation	1.32%
Apple Inc	1.22%
Microsoft Corporation	0.85%
Johnson & Johnson	0.79%
General Electric Co	0.79%
Google, Inc. Class A	0.78%
Chevron Corp	0.75%
Wells Fargo & Co	0.72%
International Business Machines	0.69%
Procter & Gamble Co	0.69%

<b>Sector Weights 6-30-13</b>	
Basic Materials	3.6%
Communication Services	3.8%
Consumer Cyclical	11.5%
Consumer Defensive	9.8%
Healthcare	12.2%
Industrial	11.5%
Real Estate	3.6%
Technology	16.4%
Energy	9.6%
Financials	14.8%
Utilities	3.3%

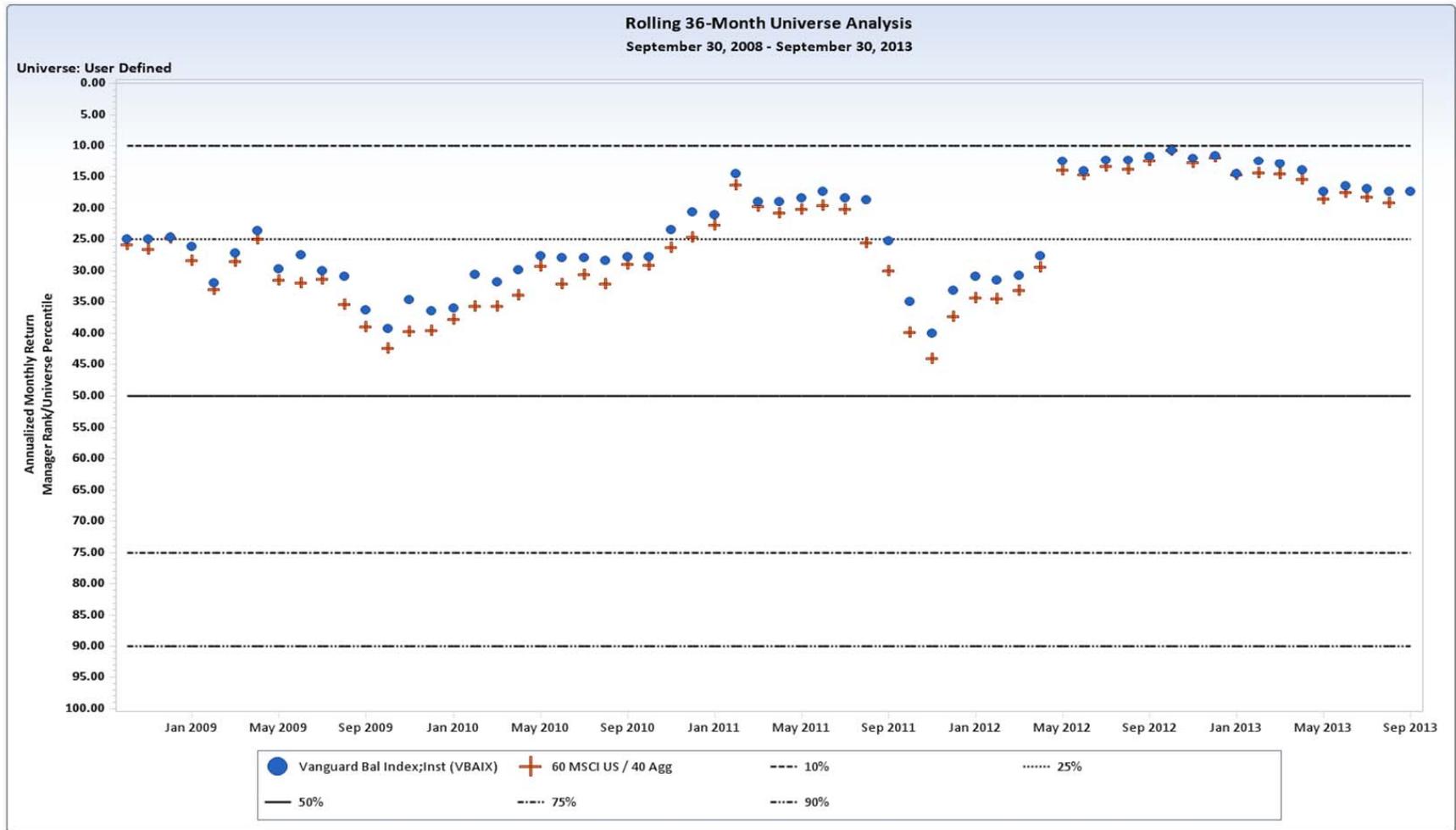
<b>Portfolio Information</b>	
Expense Ratio	0.08%
12b-1 Fee Included	-
Morningstar Average	1.17%
Minimum Investment	\$5,000,000
Avg. Annual Turnover	43%

<b>Fixed Income Characteristics 6-30-13</b>	
Avg. Duration (yrs.)	5.44
Avg. Maturity (yrs.)	7.40
Avg. Quality	AA

<b>Sector Weights 6-30-13</b>	
<i>versus Barclays Aggregate</i>	%
US Government	48.4%
Mortgage	25.3%
Credit	20.0%
Foreign	6.3%
Cash	0.0%

<b>Year-End Assets (\$ Mil.)</b>	
2013/06	\$5,979
2012	\$5,554
2011	\$4,224
2010	\$3,446
2009	\$2,869
2008	\$2,299
2007	\$2,901
2006	\$2,666
2005	\$2,014

Balanced Universe



State of Montana 457 Deferred Compensation Plan  
Third Quarter 2013



Fidelity ContraFund Ticker: FCNTX

**Fund Strategy**

This fund likes companies with improving prospects rather than turnaround situations and utilizes the growth at a reasonable price investment philosophy. The manager invests in a broad array of industries and currently has a growth tilt. Due to the size of the fund, holdings are mostly in large cap stocks, though it still has many mid-cap stocks from earlier days when it was smaller in size and more nimble.

**Manager Information**

Lead Manager William Danoff  
Inception 5/17/1987  
Prospectus [www.fidelity.com](http://www.fidelity.com)

Fund	Characteristics			Trailing Total Returns (annualized)					
	Morningstar Rating	Avg. Mkt Cap (\$MM)	# of Holdings	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
Fidelity ContraFund	★★★★	\$51,671	329	8.9%	21.4%	19.5%	15.5%	11.1%	10.3%
S & P 500				5.2%	19.8%	19.3%	16.3%	10.0%	7.6%
Wilshire Large Growth				9.3%	21.5%	20.6%	16.3%	11.3%	8.1%
Lg Cap Growth MF Median				9.2%	20.9%	19.8%	15.2%	10.3%	7.1%

	Manager Statistics					Index Statistics		
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	12.10	0.93	0.48	1.25	3.86	12.41	-	1.28
5-Year	16.27	0.87	2.11	0.73	4.63	18.08	-	0.61

Top 10 Holdings 8-31-13	
Company	% of Portfolio
Google, Inc Class A	5.92%
Berkshire Hathaway A	4.15%
Apple Inc	3.88%
Wells Fargo & Co	2.82%
Noble Energy, Inc.	2.21%
TJX Companies	2.12%
Walt Disney Co	1.94%
Biogen Idec Inc	1.93%
Amazon.com Inc	1.86%
Visa, Inc.	1.80%

Sector Weights 8-31-13	
Basic Materials	2.7%
Communication Services	1.6%
Consumer Cyclical	19.8%
Consumer Defensive	8.9%
Healthcare	12.0%
Industrial	7.0%
Real Estate	0.5%
Technology	22.0%
Energy	5.3%
Financials	20.2%
Utilities	0.1%

Portfolio Information	
Expense Ratio	0.74%
12b-1 Fee	-
Morningstar Average	1.38%
Minimum Investment	\$2,500
Avg. Annual Turnover	48%

Year-End Assets (\$ Mil.)	
2013/06	\$63,993
2012	\$58,819
2011	\$54,719
2010	\$61,431

State of Montana 457 Deferred Compensation Plan  
Third Quarter 2013



Calvert Social Investment Equity A

Ticker: CSIEX

**Fund Strategy**

This fund invests in companies with solid balance sheets, dominant business franchises, and good earnings prospects. The portfolio is screened for social investment criteria: no alcohol, tobacco, gambling, or weapons companies; no companies with poor environmental or labor related issues.

**Manager Information**

Manager Richard England - Atlanta Capital  
Inception 8/24/1987  
Prospectus [www.calvert.com](http://www.calvert.com)

Fund	Characteristics			Trailing Total Returns (annualized)					
	Morningstar Rating	Avg. Mkt Cap (\$MM)	# of Holdings	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
Calvert Social Invst. A	★★	\$50,536	103	6.0%	16.2%	16.3%	13.0%	9.2%	6.9%
S & P 500				5.2%	19.8%	19.3%	16.3%	10.0%	7.6%
Wilshire Large Growth				9.3%	21.5%	20.6%	16.3%	11.3%	8.1%
Lg Cap Growth MF Median				9.2%	20.9%	19.8%	15.2%	10.3%	7.1%

	Manager Statistics					Index Statistics		
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	12.87	0.99	-2.61	1.01	3.95	12.41	-	1.28
5-Year	18.53	1.00	-0.65	0.56	4.29	18.08	-	0.61

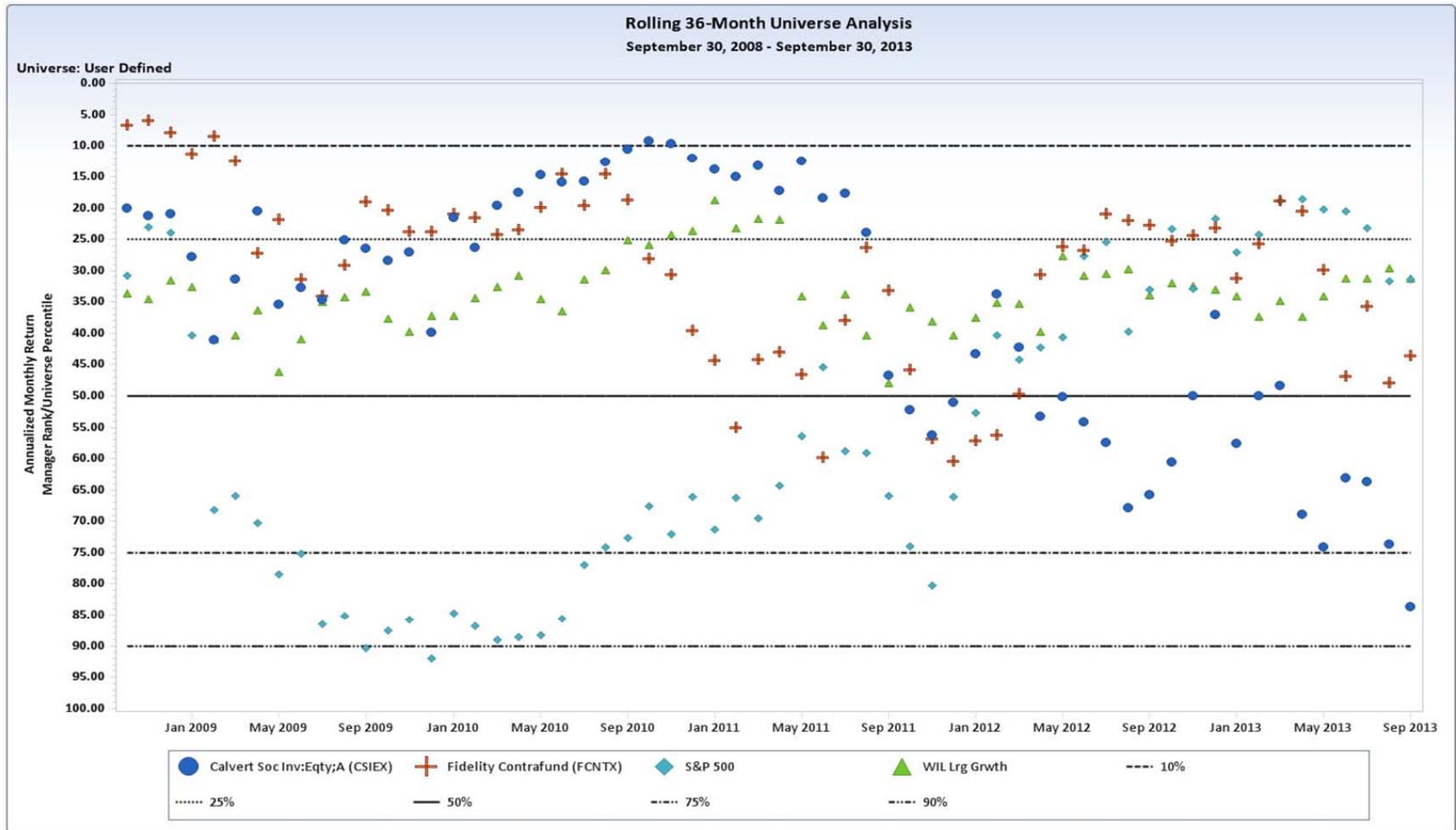
Top 10 Holdings 8-31-13	
Company	% of Portfolio
CVS Caremark Corp	4.36%
Apple Inc	3.92%
Google, Inc. Class A	3.87%
Qualcomm, Inc	3.77%
Microsoft Corporation	3.38%
Danaher Corporation	3.24%
Coca-Cola Co	3.10%
Cameron International	2.91%
Costco Wholesale Corp	2.82%
Gilead Sciences Inc	2.77%

Sector Weights 8-31-13	
Basic Materials	2.6%
Communication Services	0.0%
Consumer Cyclical	21.2%
Consumer Defensive	12.1%
Healthcare	14.7%
Industrial	9.3%
Real Estate	0.0%
Technology	22.2%
Energy	5.0%
Financials	13.0%
Utilities	0.0%

Portfolio Information	
Expense Ratio	1.21%
12b-1 Fee Included	0.25%
Morningstar Average	1.38%
Minimum Investment	\$2,000
Avg. Annual Turnover	36%

Year-End Assets (\$ Mil.)	
2013/06	\$1,561
2012	\$1,461
2011	\$1,366
2010	\$1,109

### Large Cap Growth Universe



State of Montana 457 Deferred Compensation Plan  
Third Quarter 2013



Vanguard (500) Institutional Index Ticker: VINIX

**Fund Strategy**

This index fund buys and holds stocks that comprise the S&P 500 Index. The manager adds value by opportunistically buying futures contracts and finding ways to minimize trading costs.

**Manager Information**

Lead Manager Donald M. Butler  
Inception 7/31/1990  
Prospectus [www.vanguard.com](http://www.vanguard.com)

Fund	Characteristics			Trailing Total Returns (annualized)					
	Morningstar Rating	Avg. Mkt Cap (\$MM)	# of Holdings	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
Vanguard (500) Inst. Idx	★★★★	\$61,581	508	5.2%	19.8%	19.3%	16.2%	10.0%	7.6%
S & P 500				5.2%	19.8%	19.3%	16.3%	10.0%	7.6%
Large Core MF Median				5.7%	20.1%	20.4%	15.0%	9.3%	7.2%

	Manager Statistics					Index Statistics		
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	12.41	1.00	-0.02	1.27	0.02	12.41	-	1.28
5-Year	18.08	1.00	0.02	0.62	0.04	18.08	-	0.61

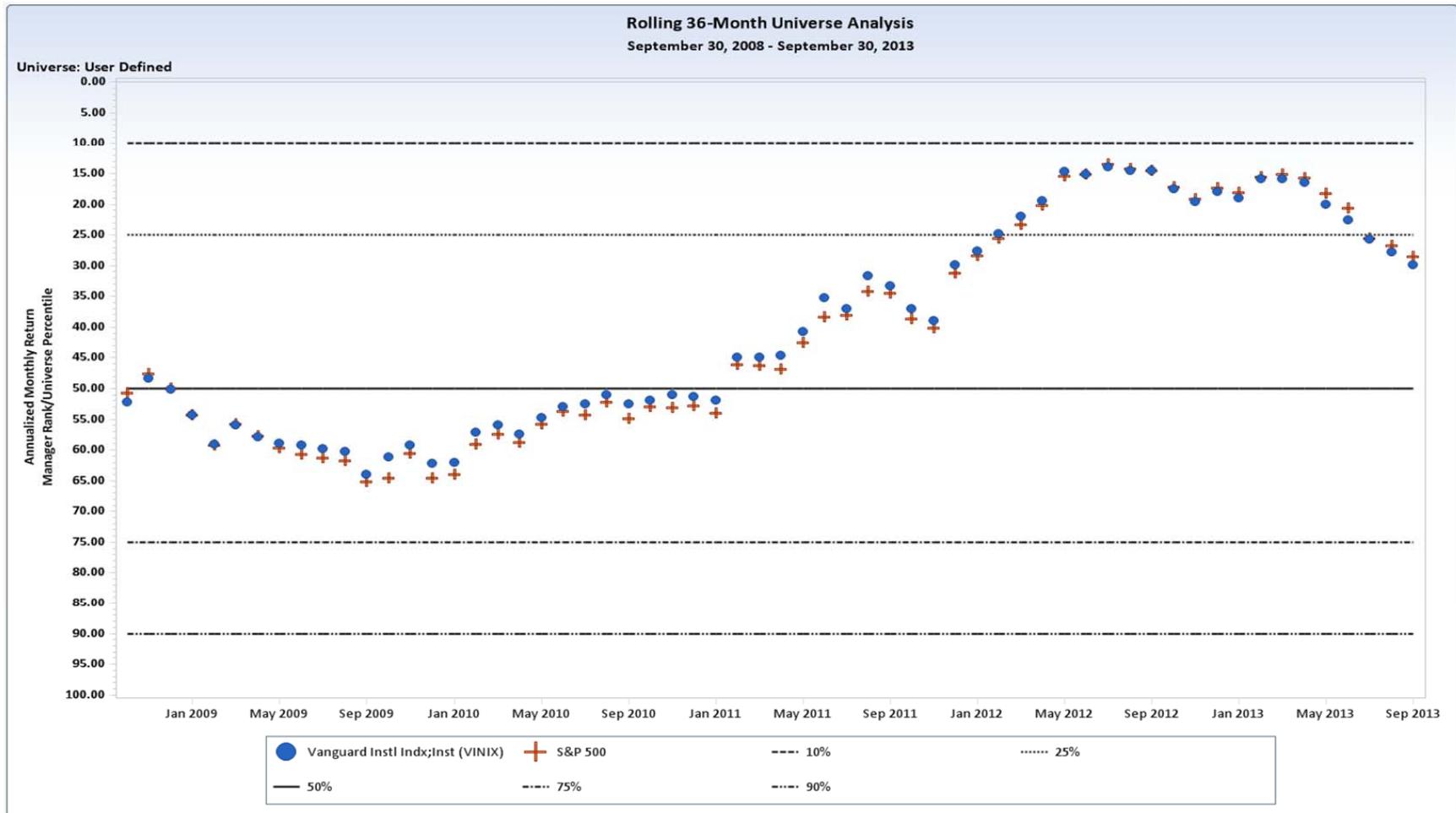
Top 10 Holdings 7-31-13	
Company	% of Portfolio
Apple, Inc.	2.83%
ExxonMobil Corporation	2.78%
Johnson & Johnson	1.75%
General Electric Co	1.68%
Chevron Corp	1.63%
Microsoft Corporation	1.59%
Google, Inc. Class A	1.59%
Procter & Gamble Co	1.47%
Wells Fargo & Co	1.43%
JPMorgan Chase & Co	1.40%

Sector Weights 7-31-13	
Basic Materials	3.3%
Communication Services	3.8%
Consumer Cyclical	11.6%
Consumer Defensive	10.2%
Healthcare	12.9%
Industrial	10.4%
Real Estate	2.0%
Technology	16.5%
Energy	10.5%
Financials	15.5%
Utilities	3.2%

Portfolio Information	
Expense Ratio	0.04%
12b-1 Fee Included	-
Morningstar Average	1.14%
Minimum Investment	\$5,000,000
Avg. Annual Turnover	5%

Year-End Assets (\$ Mil.)	
2013/06	\$77,610
2012	\$68,055
2011	\$58,399
2010	\$54,686

Large Cap Core Universe



State of Montana 457 Deferred Compensation Plan  
Third Quarter 2013



Vanguard Equity Income Ticker: VEIRX

**Fund Strategy**  
This fund seeks to find stocks in high quality companies that are temporarily undervalued and have a high dividend yield in an effort to deliver a combination of steady returns and above average income. The portfolio is broadly diversified. Wellington subadvises 60% of the portfolio while Vanguard's quantitative group manages the remaining 40%.

**Manager Information**  
Lead Manager James Stetler - Wellington  
Inception 8/13/2001  
Prospectus [www.vanguard.com](http://www.vanguard.com)

Fund	Characteristics			Trailing Total Returns (annualized)					
	Morningstar Rating	Avg. Market Cap (\$MM)	# of Holdings	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
Vanguard Equity Income	★★★★★	\$71,563	149	3.6%	19.4%	19.6%	17.9%	10.7%	9.2%
FTSE High Dividend Yield Idx				2.6%	19.1%	17.7%	17.5%	10.0%	9.1%
Russell 1000 Value Index				3.9%	20.5%	22.3%	16.2%	8.9%	8.0%
Large Value MF Median				4.7%	21.2%	22.5%	14.9%	8.3%	7.2%

	Manager Statistics					Index Statistics		
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	10.69	0.83	3.97	1.59	3.78	10.36	-	1.28
5-Year	16.81	0.91	1.43	0.68	4.15	17.89	-	0.42

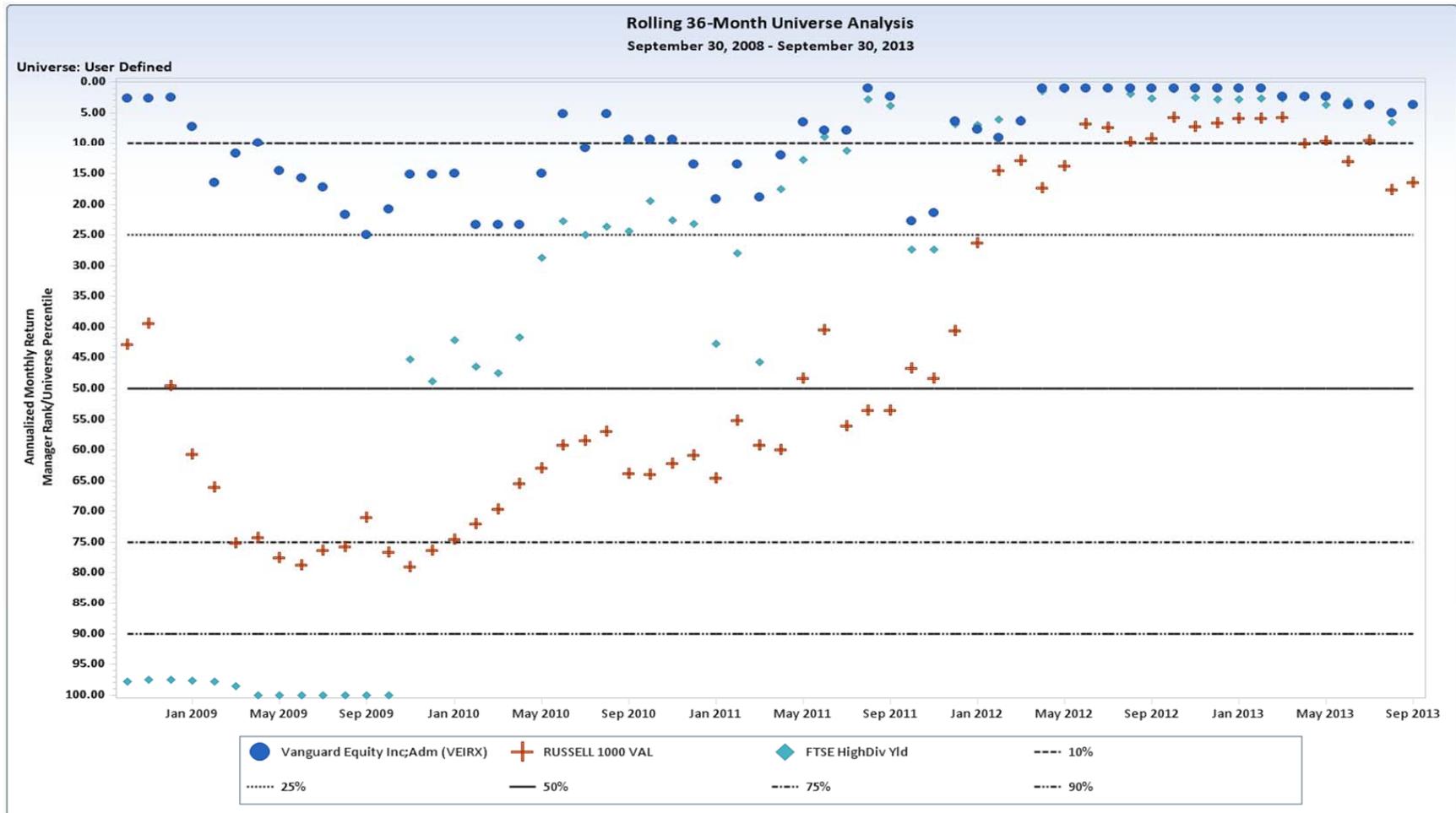
Top 10 Holdings 6-30-13	
Company	% of Portfolio
Johnson & Johnson	3.84%
Chevron Corp	3.63%
Exxon Mobil Corporation	3.50%
Microsoft Corporation	3.48%
Wells Fargo & Co	3.29%
JPMorgan Chase & Co	3.01%
Merck & Co Inc	2.69%
General Electric Co	2.57%
Pfizer Inc	2.20%
AT&T Inc	1.97%

Sector Weights 6-30-13	
Basic Materials	3.7%
Communication Services	4.8%
Consumer Cyclical	7.2%
Consumer Defensive	12.4%
Healthcare	13.5%
Industrial	12.4%
Real Estate	0.0%
Technology	12.4%
Energy	12.4%
Financials	14.7%
Utilities	6.5%

Portfolio Information	
Expense Ratio	0.21%
12b-1 Fee Included	-
Morningstar Average	1.35%
Minimum Investment	\$50,000
Avg. Annual Turnover	26%

Year-End Assets (\$ Mil.)	
2013/06	\$8,077
2012	\$5,725
2011	\$3,292
2010	\$2,272

## Large Cap Value Universe



State of Montana 457 Deferred Compensation Plan  
Third Quarter 2013



Munder Mid Cap Core Growth A

Ticker: MGOAX

**Fund Strategy**

This fund operates in the mid-capitalization space and managers seek to invest in companies that are temporarily out of favor and trade cheap relative to growth potential. The fund keeps sector weightings within 3% of the benchmark. The fund holds 80-95 stocks and individual positions are capped at 3%.

**Manager Information**

Lead Manager Tony Y. Dong + Team  
Inception 6/30/2000  
Prospectus [www.munder.com](http://www.munder.com)

Fund	Characteristics			Trailing Total Returns (annualized)					
	Morningstar Rating	Avg. Mkt Cap (\$MM)	# of Holdings	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
<b>Munder Mid Cap Core Grw A</b>	★★★	\$7,313	85	7.3%	23.0%	25.7%	16.9%	11.8%	10.6%
Russell Mid Cap Index				7.7%	24.3%	27.9%	17.5%	13.0%	10.8%
Mid Cap Growth MF Median				10.3%	23.9%	26.1%	16.4%	12.2%	9.4%

	Manager Statistics					Index Statistics		
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	14.96	1.14	-1.33	1.12	5.16	14.59	-	1.18
5-Year	19.84	1.05	1.41	0.66	5.81	21.66	-	0.67

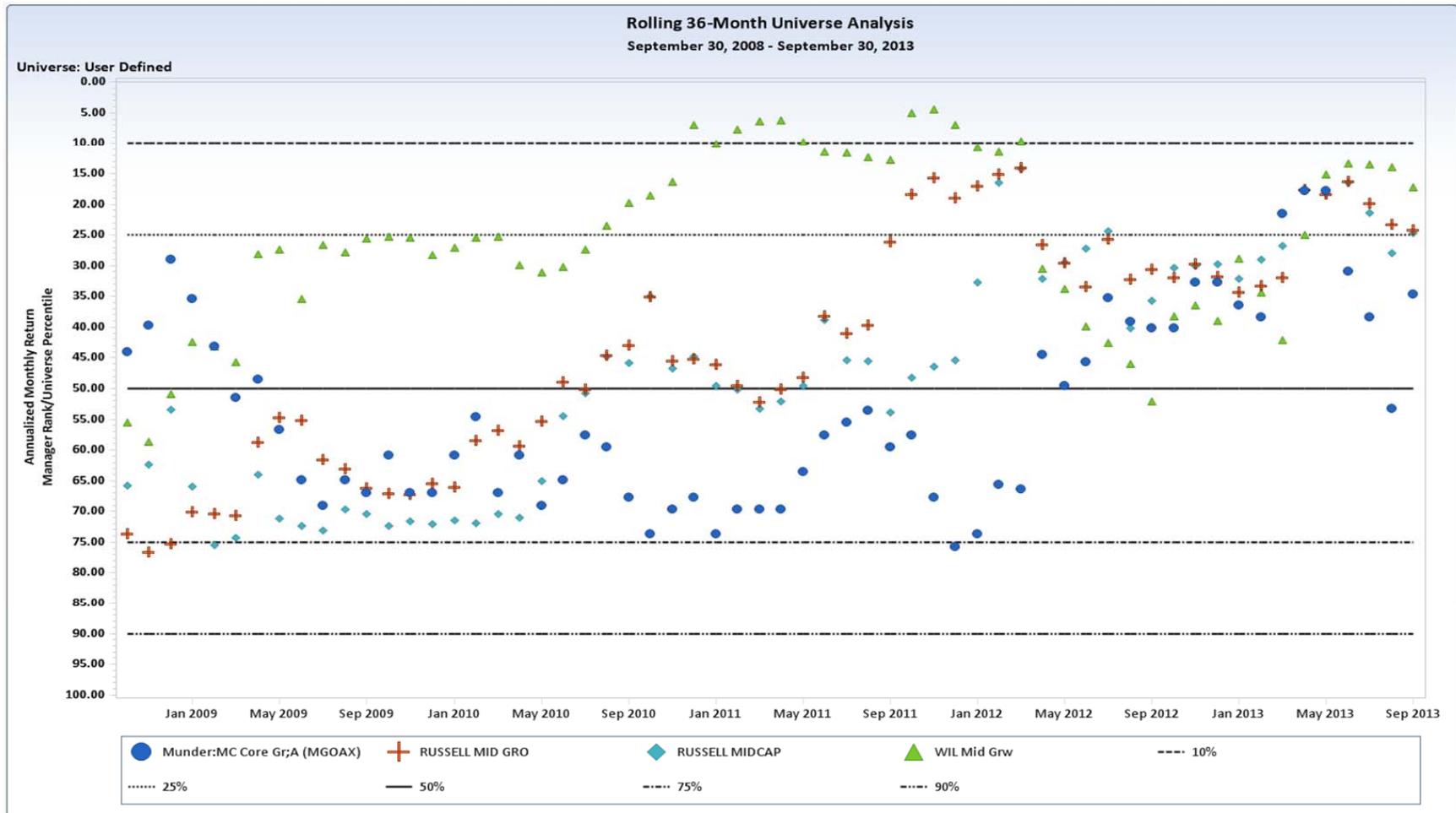
Top 10 Holdings 6-30-13	
Company	% of Portfolio
Affiliated Managers Group	2.46%
LKQ Corporation	1.94%
Lincoln National Corp	1.90%
Invesco Ltd.	1.87%
NiSource Inc	1.85%
Health Management Assoc Inc	1.78%
Liberty Media Corp	1.69%
Tupperware Brands Corp	1.67%
Airgas Inc	1.66%
SBA Communications Corp	1.63%

Sector Weights 6-30-13	
Basic Materials	5.3%
Communication Services	1.6%
Consumer Cyclical	19.8%
Consumer Defensive	6.7%
Healthcare	10.3%
Industrial	10.1%
Real Estate	4.3%
Technology	15.3%
Energy	7.5%
Financials	14.5%
Utilities	4.4%

Portfolio Information	
Expense Ratio	1.33%
12b-1 Fee Included	0.25%
Morningstar Average	1.52%
Minimum Investment	\$2,500
Avg. Annual Turnover	25%

Year-End Assets (\$ Mil.)	
2013/06	\$1,312
2012	\$1,193
2011	\$1,249
2010	\$1,507

### Mid Cap Growth Universe



**State of Montana 457 Deferred Compensation Plan  
Third Quarter 2013**



**Columbia Mid Cap Value Z Fund**

**Ticker: NAMAX**

**Fund Strategy**

Managers screen for the cheapest mid-cap stocks and from those, identify companies with improving operating metrics, preferably driven by strong top-line growth. There is not a strict limitation on sector weightings but do monitor risk closely. This fund tends to stay fully vested, therefore having the potential to fall farther than funds holding cash.

**Manager Information**

Lead Manager Diane Sobin, David Hoffman  
Inception 11/20/2001  
Prospectus [www.columbiafunds.com](http://www.columbiafunds.com)

Fund	Characteristics			Trailing Total Returns (annualized)					
	Morningstar Rating	Avg. Mkt Cap (\$MM)	# of Holdings	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
<b>Columbia Mid Cap Value Z</b>	★★★	\$8,417	100	5.9%	22.3%	27.3%	16.2%	10.1%	10.3%
Russell Mid Cap Value Index				5.9%	22.9%	27.8%	17.3%	11.9%	10.9%
Mid Cap Value MF Median				7.1%	24.1%	28.5%	16.4%	12.2%	10.2%

	Manager Statistics					Index Statistics		
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	15.01	1.17	-2.32	1.08	4.50	14.29	-	1.19
5-Year	21.70	1.17	-1.09	0.55	5.84	22.43	-	0.61

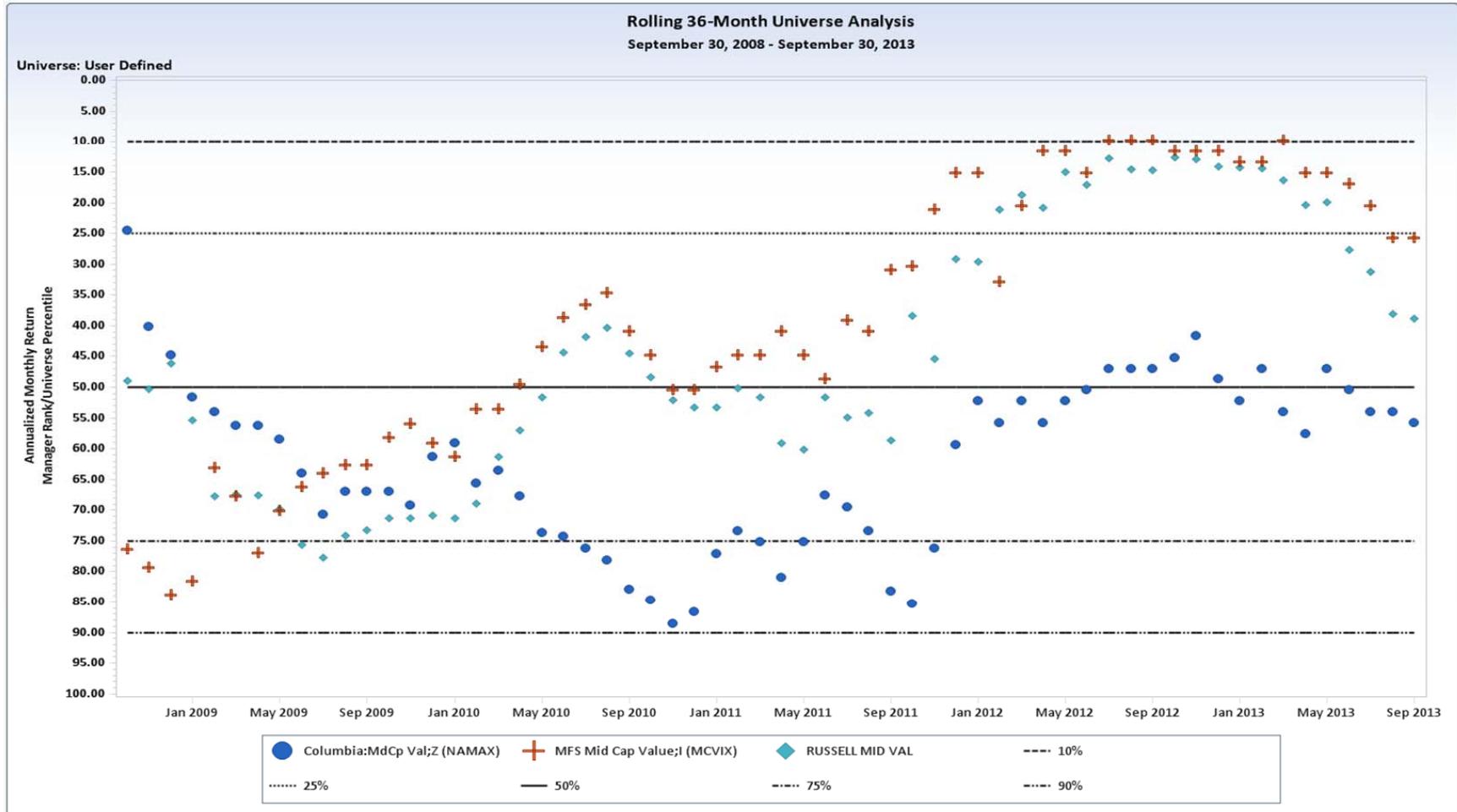
Top 10 Holdings 8-31-13	
Company	% of Portfolio
Fifth Third Bancorp	2.20%
CIT Group Inc	1.99%
Dover Corporation	1.96%
Noble Energy Inc	1.94%
Actavis Inc	1.80%
Eaton Corporation PLC	1.67%
Forest Laboratories Inc	1.56%
DISH Network Corp	1.54%
Hartford Financial Services	1.53%
TD Ameritrade	1.49%

Sector Weights 8-31-13	
Basic Materials	5.9%
Communication Services	3.0%
Consumer Cyclical	10.9%
Consumer Defensive	2.5%
Healthcare	8.4%
Industrial	11.5%
Real Estate	7.3%
Technology	11.9%
Energy	10.6%
Financials	21.1%
Utilities	7.0%

Portfolio Information	
Expense Ratio	0.94%
12b-1 Fee Included	-
Morningstar Average	1.37%
Minimum Investment	\$2,000
Avg. Annual Turnover	36%

Year-End Assets (\$ Mil.)	
2013/06	\$2,278
2012	\$2,220
2011	\$2,369
2010	\$2,707

### Mid Cap Value Universe



State of Montana 457 Deferred Compensation Plan  
Third Quarter 2013



Vanguard Small Cap Growth Index

Ticker: VISGX

**Fund Strategy**

This index fund tracks the CRSP Small Growth Index. CRSP classifies growth securities using these factors: future LT growth in EPS, future ST growth in EPS, 3-year historical growth in EPS and sales per share, and current investment-to-assets ratio and return on assets.

**Manager Information**

Lead Manager Gerard O'Reilly + Team  
Inception 5/21/1998  
Prospectus [www.vanguard.com](http://www.vanguard.com)

Fund	Characteristics			Trailing Total Returns (annualized)					
	Morningstar Rating	Avg. Mkt Cap (\$MM)	# of Holdings	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
Vanguard Small Growth Index	★★★★	\$2,578	669	11.0%	28.4%	30.8%	20.3%	14.7%	11.2%
CRSP US Small Growth Index				11.0%	28.8%	30.2%	18.5%	13.9%	11.4%
Small Cap Growth MF Median				12.6%	31.1%	31.2%	19.2%	13.2%	9.7%

	Manager Statistics					Index Statistics		
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	17.56	1.34	-1.23	1.14	7.04	17.33	-	1.07
5-Year	24.29	1.27	2.51	0.68	9.30	23.37	-	0.67

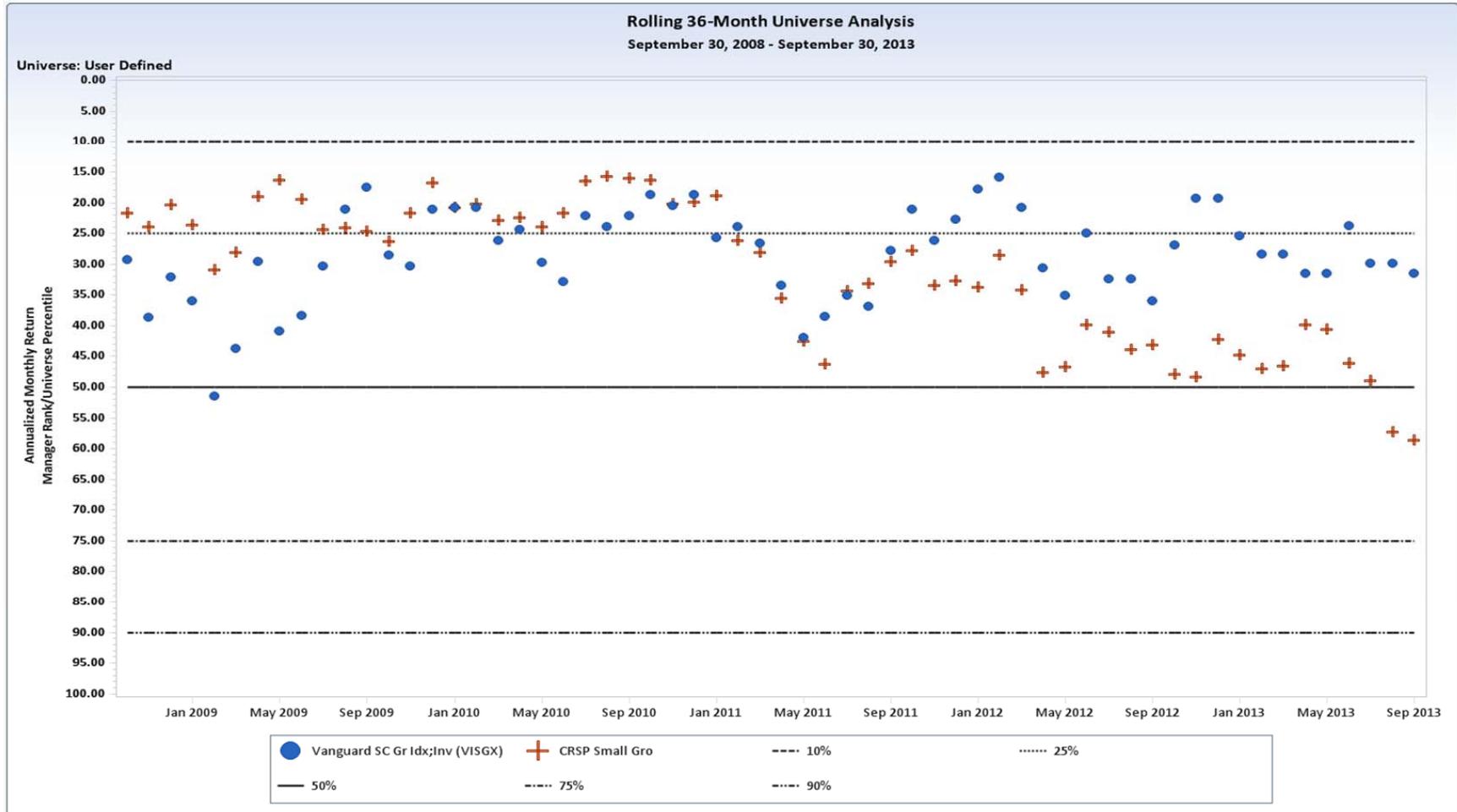
Top 10 Holdings 7-31-13	
Company	% of Portfolio
Onyx Pharmaceuticals	0.88%
Polaris Industries	0.67%
B/E Aerospace Inc	0.67%
Fortune Brands Home & Sec	0.62%
Pharmacyclics Inc	0.58%
Cooper Companies	0.57%
Ocwen Financial Corporation	0.50%
Under Armour, Inc	0.49%
Oil States International Inc	0.49%
Westinghouse Air Brake Tech	0.49%

Sector Weights 7-31-13	
Basic Materials	2.6%
Communication Services	1.9%
Consumer Cyclical	17.3%
Consumer Defensive	3.5%
Healthcare	14.7%
Industrial	16.3%
Real Estate	11.5%
Technology	20.7%
Energy	6.2%
Financials	4.8%
Utilities	0.5%

Portfolio Information	
Expense Ratio	0.24%
12b-1 Fee Included	0.00%
Morningstar Average	1.57%
Minimum Investment	\$3,000
Avg. Annual Turnover	37%

Year-End Assets (\$ Mil.)	
2013/06	\$3,014
2012	\$2,649
2011	\$2,614
2010	\$4,229

### Small Cap Growth Universe



State of Montana 457 Deferred Compensation Plan  
Third Quarter 2013



Vanguard Small Cap Index Signal

Ticker: VSISX

**Fund Strategy**

This index fund tracks the CRSP US Small Cap Index. This index includes U.S. companies that fall between the bottom 2%-15% of the investable market capitalization.

**Manager Information**

Lead Manager Michael H. Buek  
Inception 11/13/2000  
Prospectus [www.vanguard.com](http://www.vanguard.com)

Fund	Characteristics			Trailing Total Returns (annualized)					
	Morningstar Rating	Avg. Mkt Cap (\$MM)	# of Holdings	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
Vanguard Small Cap Idx	★★★★	\$2,501	1439	9.2%	26.6%	30.1%	19.0%	13.3%	10.9%
CRSP US Small Cap Index				9.2%	27.2%	31.3%	19.5%	14.3%	11.5%
Small Cap Core MF Median				9.4%	25.9%	29.2%	17.8%	11.5%	9.5%

	Manager Statistics					Index Statistics		
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	16.73	1.29	-1.70	1.12	5.99	16.39	-	1.17
5-Year	24.20	1.28	1.11	0.63	8.64	23.65	-	0.68

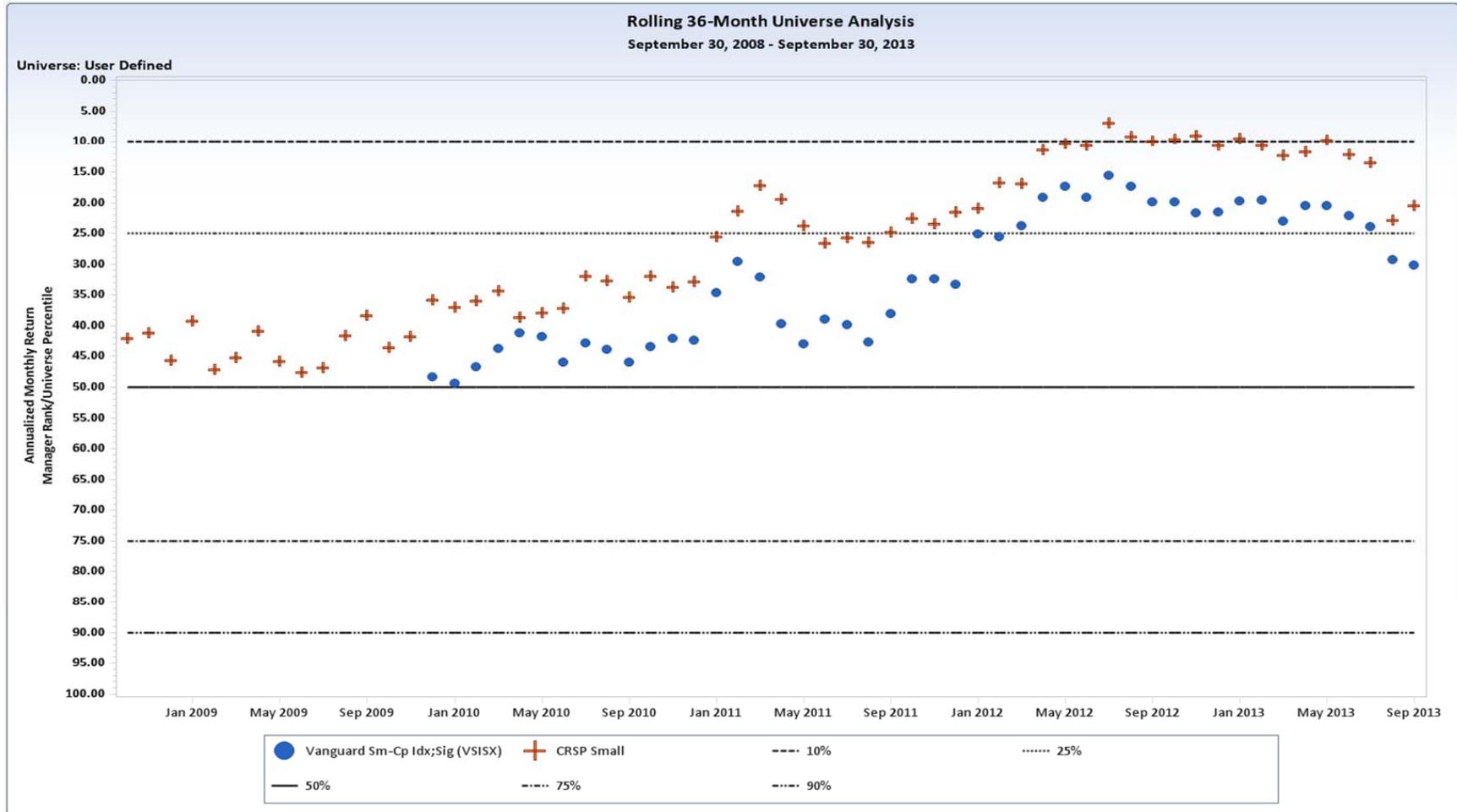
Top 10 Holdings 7-31-13	
Company	% of Portfolio
Onyx Pharmaceuticals, Inc	0.39%
Polaris Industries, Inc	0.30%
B/E Aerospace Inc	0.30%
Fortune Brands Home & Sec	0.28%
Genworth Financial Inc	0.26%
Pharmacyclics Inc	0.26%
Handsbrands Inc	0.26%
Cooper Companies	0.25%
NCR Corporation	0.24%
Gannett Co Inc	0.24%

Sector Weights 7-31-13	
Basic Materials	5.0%
Communication Services	1.3%
Consumer Cyclical	15.9%
Consumer Defensive	4.1%
Healthcare	10.5%
Industrial	17.3%
Real Estate	10.2%
Technology	14.3%
Energy	4.6%
Financials	12.9%
Utilities	3.8%

Portfolio Information	
Expense Ratio	0.10%
12b-1 Fee Included	-
Morningstar Average	1.42%
Minimum Investment	\$0
Avg. Annual Turnover	14%

Year-End Assets (\$ Mil.)	
2013/06	\$5,858
2012	\$4,329
2011	\$3,075
2010	\$2,300

Small Cap Core Universe



**State of Montana 457 Deferred Compensation Plan  
Third Quarter 2013**



**Neuberger Berman Genesis Tr** Ticker: **NBGEX**

**Fund Strategy**  
Focusing on the small cap space, managers seek to find stocks with good cash flows and a dominant competitive niche, preferably in a business that is not too dependent on the broader economy. The orientation of the fund is conservative with minimal volatility.

**Manager Information**  
Lead Manager Judith M. Vale + Team  
Inception 8/26/1993  
Prospectus [www.nb.com](http://www.nb.com)

Fund	Characteristics			Trailing Total Returns (annualized)					
	Morningstar Rating	Avg. Mkt Cap (\$MM)	# of Holdings	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
<b>Neuberger Berman Genesis Tr</b>	★★★★	\$2,654	151	11.1%	25.4%	28.2%	18.0%	10.1%	11.7%
Russell 2000				10.2%	27.7%	30.1%	18.3%	11.2%	9.6%
Small Cap Value MF Median				8.4%	25.1%	29.6%	17.3%	11.8%	10.9%

	Manager Statistics					Index Statistics		
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	13.85	1.00	1.69	1.27	6.15	17.14	-	1.07
5-Year	18.68	0.98	0.52	0.61	6.21	24.01	-	0.56

**Top 10 Holdings 6-30-13**

Company	% of Portfolio
Church & Dwight Company, Inc.	2.56%
Compass Minerals Intl, Inc	2.17%
Westinghouse Air Brake Tech	2.05%
AptarGroup Inc	2.00%
Oceaneering International	1.94%
Clarcor Inc	1.76%
Solera Holdings Inc	1.66%
Harris Teeter Supermarkets Inc	1.63%
Haemonetics Corporation	1.57%
Henry Schein, Inc	1.55%

**Sector Weights 3-31-13**

Basic Materials	8.3%
Communication Services	0.0%
Consumer Cyclical	14.9%
Consumer Defensive	7.7%
Healthcare	12.0%
Industrial	22.3%
Real Estate	1.3%
Technology	12.8%
Energy	6.8%
Financials	11.4%
Utilities	2.4%

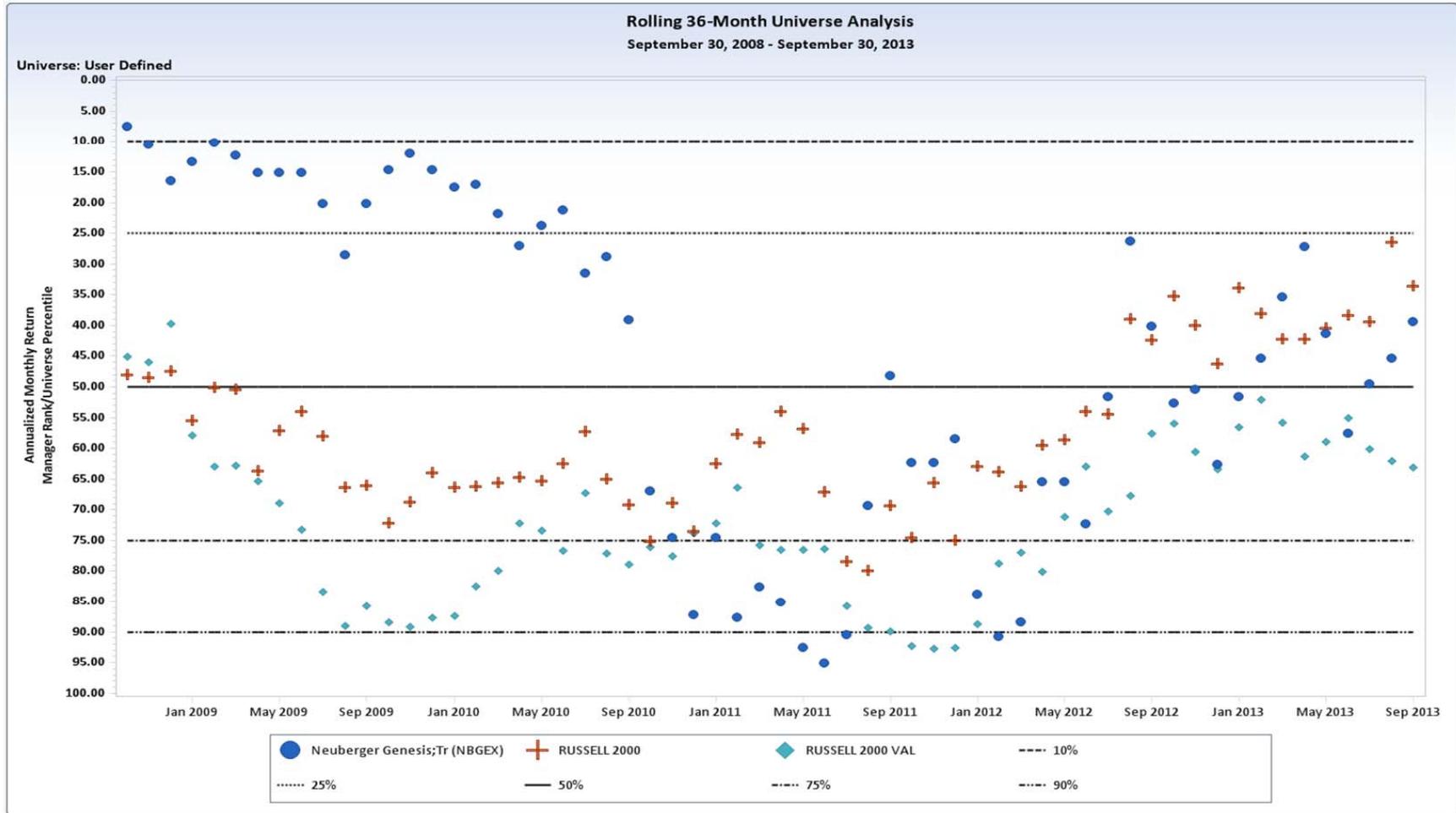
**Portfolio Information**

Expense Ratio	1.11%
12b-1 Fee Included	-
Morningstar Average	1.42%
Minimum Investment	\$0
Avg. Annual Turnover	15%

**Year-End Assets (\$ Mil.)**

2013/06	\$3,103
2012	\$2,981
2011	\$3,373
2010	\$3,737

Small Cap Value Universe



State of Montana 457 Deferred Compensation Plan  
Third Quarter 2013



American Funds New Perspective

Ticker: RNPEX

**Fund Strategy**

This fund seeks capital appreciation by investing in high quality companies that are temporarily out of favor and holding these positions for the long term. Manager stock picks are based on the firm's internally generated fair value model. The fund invests internationally and traditionally has held a large cash position.

**Manager Information**

Lead Manager Gregg England + Team  
Inception 5/28/2002  
Prospectus [www.americanfunds.com](http://www.americanfunds.com)

Fund	Characteristics			Trailing Total Returns (annualized)					
	Morningstar Rating	Avg. Mkt Cap (\$MM)	# of Holdings	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
American Funds New Perspective	★★★★★	\$46,827	271	8.2%	16.8%	21.6%	12.4%	10.1%	9.9%
MSCI AC World Index				7.9%	14.4%	17.7%	10.2%	7.7%	7.9%
World Stock MF Median				8.4%	16.3%	20.7%	11.2%	8.4%	8.5%

	Manager Statistics					Index Statistics		
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	14.06	0.77	5.22	0.90	5.78	14.71	-	0.73
5-Year	19.07	0.83	4.28	0.60	6.07	20.23	-	0.47

Top 10 Holdings 6-30-13	
Company	% of Portfolio
Novo-Nordisk A/S	3.97%
Amazon.com Inc	2.48%
Google, Inc. Class A	1.92%
Home Depot, Inc.	1.84%
Naspers Ltd	1.55%
Bayer AG	1.46%
Taiwan Semiconductor Manufact	1.41%
CME Group Inc	1.41%
American Express Co	1.27%
ACE Ltd	1.20%

Country Weights 6-30-13	
	%
<b>Europe</b>	<b>37.7%</b>
France	4.1%
Germany	4.4%
United Kingdom	8.9%
<b>Asia</b>	<b>12.8%</b>
Australia	1.4%
Hong Kong	1.1%
Japan	6.1%
<b>Latin America</b>	<b>0.7%</b>
<b>North America</b>	<b>48.9%</b>
Canada	2.0%
United States	46.8%

Portfolio Information	
Expense Ratio	0.81%
12b-1 Fee Included	0.25%
Morningstar Average	1.55%
Minimum Investment	-
Avg. Annual Turnover	16%

Year-End Assets (\$ Mil.)	
2013/05	\$1,548
2012	\$1,380
2011	\$1,102
2010	\$1,173
2009	\$970
2008	\$582

**State of Montana 457 Deferred Compensation Plan  
Third Quarter 2013**



**Mutual Discovery Z Ticker: MDISX**

**Fund Strategy**  
This fund seeks capital appreciation by purchasing out of favor stocks of all capitalization sizes, particularly in Europe and the US. The fund also buys debt of depressed companies. The fund invests internationally and managers do not consider any benchmark when constructing the portfolio. Traditionally, managers have hedged foreign currency exposure but, in recent past, have allowed the hedges to lapse.

**Manager Information**  
Lead Manager Anne E. Gudefin  
Inception 12/31/1992  
Prospectus [www.franklintempleton.com](http://www.franklintempleton.com)

Fund	Characteristics			Trailing Total Returns (annualized)					
	Morningstar Rating	Avg. Mkt Cap (\$MM)	# of Holdings	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
<b>Mutual Discovery Z</b>	★★★★★	\$38,502	167	5.8%	16.9%	19.7%	10.8%	8.9%	10.6%
MSCI World Index				8.2%	17.3%	20.2%	11.8%	7.8%	7.6%
World Stock MF Median				8.4%	16.3%	20.7%	11.2%	8.4%	8.5%

	Manager Statistics					Index Statistics		
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	11.54	0.61	5.07	0.95	8.19	14.31	-	0.85
5-Year	12.22	0.50	4.89	0.75	12.08	19.71	-	0.48

**Top 10 Holdings 6-30-13**

Company	% of Portfolio
Merck & Co Inc	2.14%
ACE Ltd	2.01%
Microsoft Corporation	1.93%
Vodafone Group PLC	1.88%
American Intl Group Inc	1.82%
Apple Inc	1.78%
CVS Caremark Corp	1.77%
British American Tobacco	1.76%
Jardine Strategic Holdings	1.75%
Medtronic Inc	1.72%

**Country Weights 6-30-13**

Country	%
<b>Europe</b>	<b>39.8%</b>
France	7.3%
Germany	2.3%
United Kingdom	17.5%
<b>Asia</b>	<b>3.7%</b>
Australia	0.0%
Hong Kong	2.1%
Japan	0.0%
<b>Latin America</b>	<b>0.8%</b>
<b>North America</b>	<b>55.8%</b>
Canada	0.6%
United States	55.2%

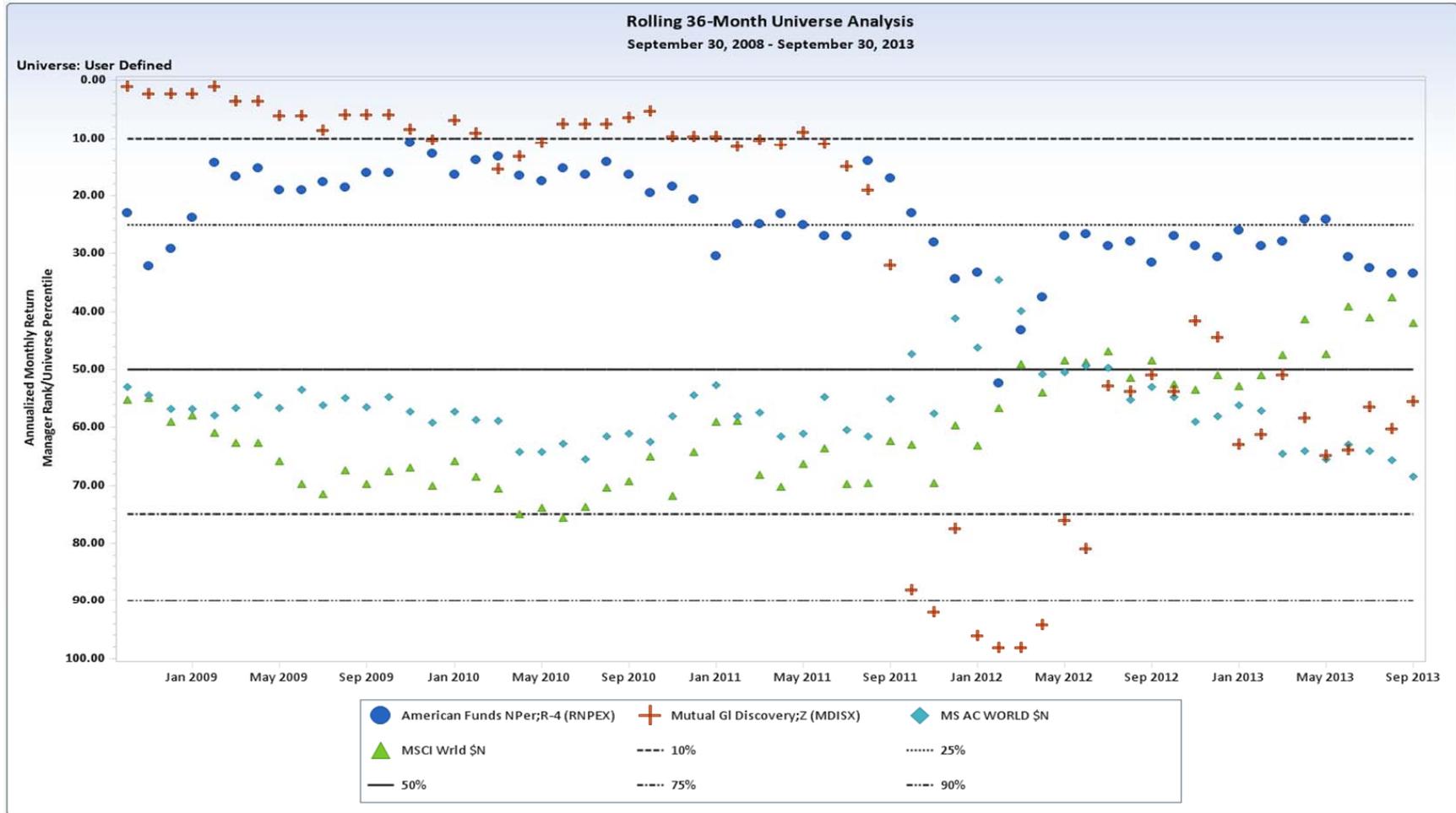
**Portfolio Information**

Expense Ratio	1.02%
12b-1 Fee Included	-
Morningstar Average	1.55%
Minimum Investment	\$1,000
Avg. Annual Turnover	25%

**Year-End Assets (\$ Mil.)**

2013/05	\$8,609
2012	\$7,422
2011	\$7,164
2010	\$7,211
2009	\$3,489
2008	\$4,719

World Equity Universe



State of Montana 457 Deferred Compensation Plan  
Third Quarter 2013



Artisan International Inv Ticker: ARTIX

<b>Fund Strategy</b>
This fund has a growth orientation and selects stocks poised to enjoy superior earnings growth. The fund invests in smaller capitalization and emerging market companies. It also invests in themes. Consequently, the fund sector weightings differ measurably from the benchmark index. Traditionally, the fund has not hedged foreign currency exposure.

<b>Manager Information</b>	
Lead Manager	Mark L. Yockey
Inception	12/28/1995
Prospectus	<a href="http://www.artisanfunds.com">www.artisanfunds.com</a>

Fund	Characteristics			Trailing Total Returns (annualized)					
	Morningstar Rating	Avg. Mkt Cap (\$MM)	# of Holdings	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
<b>Artisan International Inv</b>	★★★★	\$36,916	87	10.0%	16.6%	23.1%	13.0%	9.3%	9.7%
MSCI EAFE Growth Index				10.5%	16.5%	23.3%	8.9%	6.8%	8.0%
MSCI EAFE Index				11.6%	16.1%	23.8%	8.5%	6.4%	8.0%
Non-US Equity MF Median				10.4%	13.9%	21.0%	7.8%	6.0%	8.0%

	Manager Statistics					Index Statistics		
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	17.77	0.97	4.50	0.77	5.98	16.65	-	0.59
5-Year	23.59	1.03	2.92	0.50	6.23	20.99	-	0.41

<b>Top 10 Holdings 6-30-13</b>	
Company	% of Portfolio
Linde AG	4.15%
Honda Motor Co Ltd	3.30%
Nestle SA	3.23%
Unilever NV DR	3.22%
AIA Group Ltd	3.20%
Japan Tobacco Inc	3.12%
Anheuser Busch Inbev	2.86%
Baidu Inc	2.82%
Kabel Deutschland AG	2.58%
Bayer AG	2.55%

<b>Country Weights 6-30-13</b>	
	%
<b>Europe</b>	<b>67.8%</b>
France	7.3%
Germany	20.9%
United Kingdom	16.7%
<b>Asia</b>	<b>25.6%</b>
Australia	0.0%
Hong Kong	3.9%
Japan	13.2%
<b>Latin America</b>	<b>0.3%</b>
<b>North America</b>	<b>6.2%</b>
Canada	2.0%
United States	4.3%

<b>Portfolio Information</b>	
Expense Ratio	1.19%
12b-1 Fee Included	-
Morningstar Average	1.59%
Minimum Investment	\$1,000
Avg. Annual Turnover	55%

<b>Year-End Assets (\$ Mil.)</b>	
2012	\$7,498
2011	\$6,151
2010	\$7,489
2009	\$8,078
2008	\$6,003

**State of Montana 457 Deferred Compensation Plan  
Third Quarter 2013**



Dodge & Cox International Stock

Ticker: DODFX

**Fund Strategy**

This fund seeks capital appreciation by investing in good international companies that are temporarily out of favor and holding positions for the long term. It favors companies with good management, dominant competitive positions and good growth potential. Stocks are picked based on the internally generated fair value model.

**Manager Information**

Lead Manager Bryan C. Cameron  
Inception 5/1/2001  
Prospectus [www.dodgeandcox.com](http://www.dodgeandcox.com)

Fund	Characteristics			Trailing Total Returns (annualized)					
	Morningstar Rating	Avg. Mkt Cap (\$MM)	# of Holdings	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
<b>Dodge &amp; Cox Int'l Stock</b>	★★★★	\$36,488	90	11.1%	17.1%	27.8%	8.8%	8.1%	10.6%
MSCI EAFE Value Index				12.6%	15.7%	24.3%	8.0%	5.9%	7.9%
MSCI EAFE Index				11.6%	16.1%	23.8%	8.5%	6.4%	8.0%
Non-US Equity MF Median				10.4%	13.9%	21.0%	7.8%	6.0%	8.0%

	Manager Statistics					Index Statistics		
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	18.18	1.02	0.19	0.55	3.91	18.49	-	0.50
5-Year	25.70	1.14	1.31	0.43	5.59	23.83	-	0.35

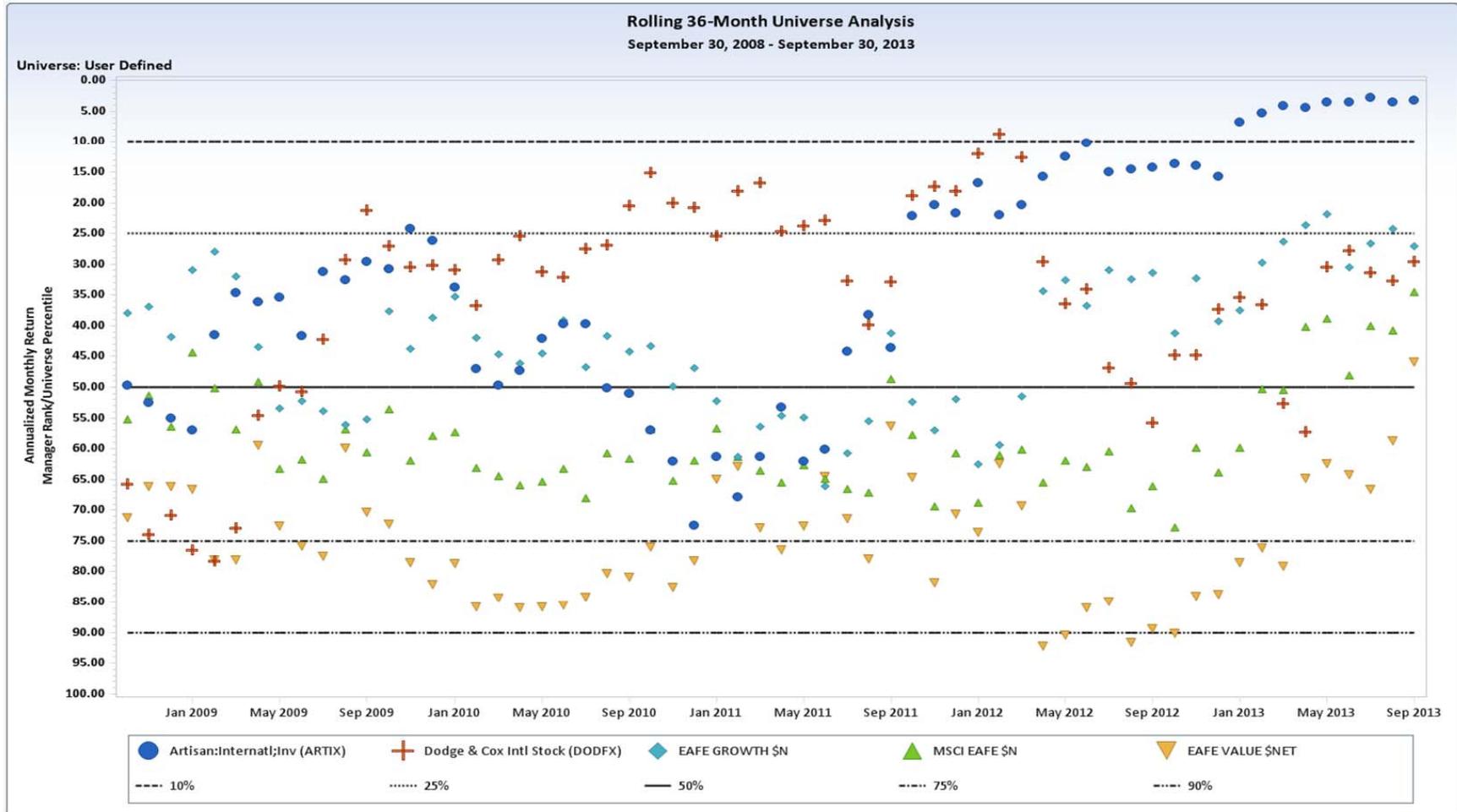
Top 10 Holdings 6-30-13	
Company	% of Portfolio
Naspers Ltd	4.13%
Roche Holding AG	4.11%
Sanofi	3.77%
Lafarge SA	2.97%
Credit Suisse Group	2.75%
Novartis AG ADR	2.66%
Royal Philips NV	2.64%
Bayer AG	2.50%
Hewlett Packard Co	2.49%
HSBC Holdings PLC	2.47%

Country Weights 6-30-13	
	%
<b>Europe</b>	<b>71.2%</b>
France	8.4%
Germany	7.1%
United Kingdom	17.6%
<b>Asia</b>	<b>17.9%</b>
Australia	0.0%
Hong Kong	1.4%
Japan	13.4%
<b>Latin America</b>	<b>5.0%</b>
<b>North America</b>	<b>5.9%</b>
Canada	0.0%
United States	5.9%

Portfolio Information	
Expense Ratio	0.64%
12b-1 Fee Included	-
Morningstar Average	1.47%
Minimum Investment	\$2,500
Avg. Annual Turnover	10%

Year-End Assets (\$ Mil.)	
2013/05	\$44,729
2012	\$40,556
2011	\$35,924
2010	\$43,400
2009	\$36,546

### International (Non-US) Equity Universe



State of Montana 457 Deferred Compensation Plan  
Third Quarter 2013



Oppenheimer Developing Markets Y

Ticker: ODVYX

**Fund Strategy**

The Oppenheimer fund seeks exposure to emerging markets equities through a diversified growth oriented investment style and employs a low turnover strategy with a portfolio of roughly of 100-125 securities. The team has improved its portfolio construction process and has demonstrated an impressive level of alpha from security specific selection.

**Manager Information**

Lead Manager Justin Leverenz  
Inception 9/7/2005  
Prospectus [www.oppenheimerfunds.com](http://www.oppenheimerfunds.com)

Fund	Characteristics			Trailing Total Returns (annualized)					
	Morningstar Rating	Avg. Mkt Cap (\$MM)	# of Holdings	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
<b>Oppenheimer Dev Mkt Y</b>	★★★★★	\$17,095	117	8.9%	4.8%	9.6%	4.5%	11.8%	17.2%
MSCI Emerg Mkts Index				5.8%	-4.4%	1.0%	-0.3%	7.2%	12.8%
Emg Mkt Equity MF Median				5.5%	-3.7%	2.5%	-0.5%	6.5%	12.2%

	Manager Statistics					Index Statistics		
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	18.24	0.92	-2.84	0.33	9.05	19.65	-	0.08
5-Year	25.31	1.04	5.34	0.56	10.31	26.35	-	0.40

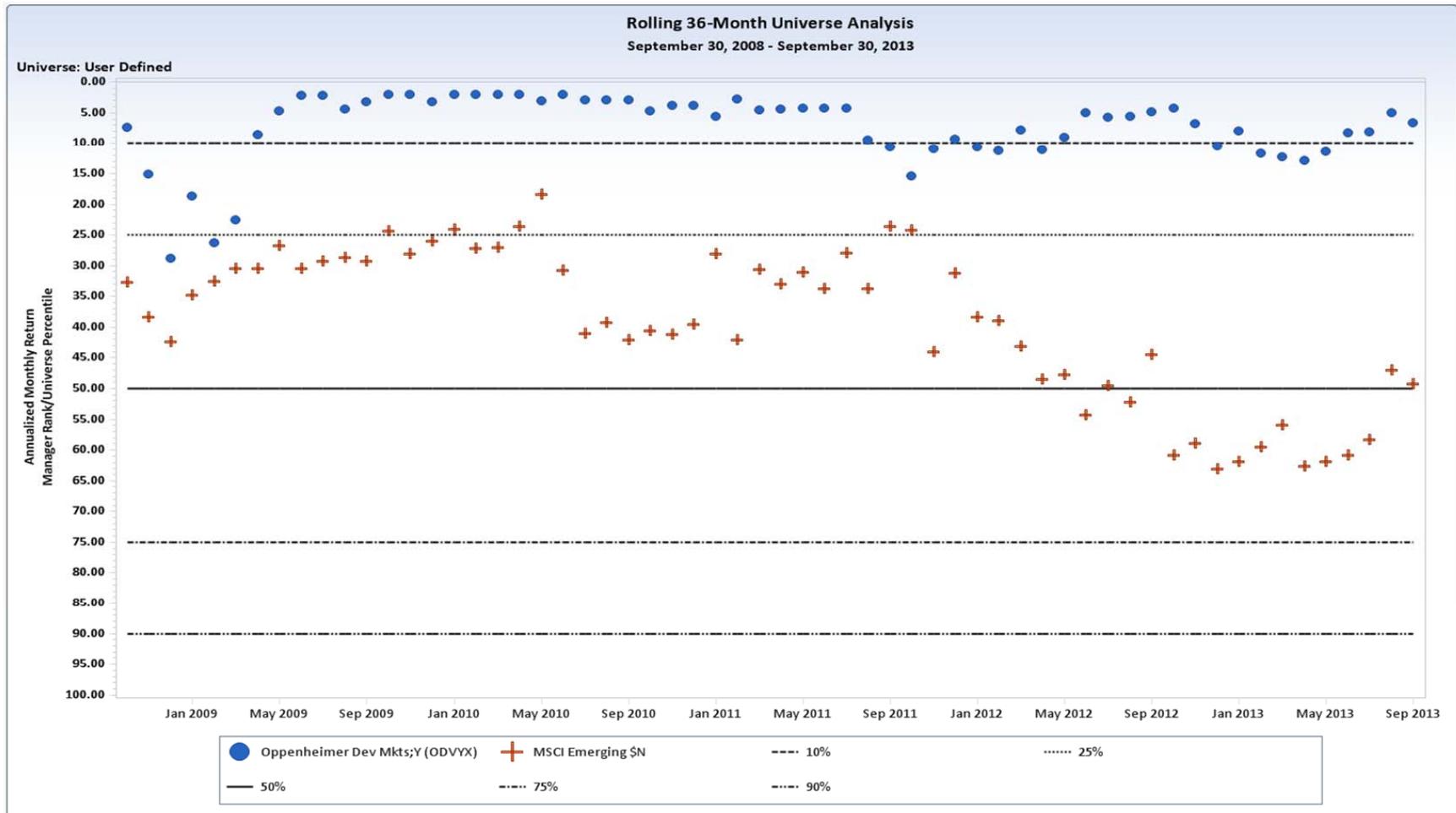
Top 10 Holdings 8-31-13	
Company	% of Portfolio
Baidu, Inc. ADR	5.38%
Tencent Holdings Ltd	3.21%
OAO Novatek GDR	2.30%
Naver Corp	2.19%
Magnit JSC	2.09%
Yandex NV	2.01%
Housing Development Fin	1.98%
Carlsberg AS	1.92%
America Movil	1.76%
Tenaris SA ADR	1.74%

Country Weights 8-31-13	
	%
<b>Europe</b>	<b>32.8%</b>
France	1.1%
Germany	0.0%
United Kingdom	8.4%
<b>Asia</b>	<b>47.9%</b>
Australia	0.0%
Hong Kong	4.6%
Japan	0.0%
<b>Latin America</b>	<b>18.3%</b>
<b>North America</b>	<b>0.9%</b>
Canada	0.0%
United States	0.9%

Portfolio Information	
Expense Ratio	1.03%
12b-1 Fee Included	-
Morningstar Average	1.73%
Minimum Investment	\$0
Avg. Annual Turnover	20%

Year-End Assets (\$ Mil.)	
2013/06	\$15,193
2012	\$13,350
2011	\$8,206
2010	\$7,296
2009	\$2,519

### Emerging Markets Equity Universe



**State of Montana 457 Deferred Compensation Plan  
Third Quarter 2013**



<b>ADR</b>	American Depository Receipt, a negotiable receipt for the shares of a foreign-based corporation held in trust by a U.S. bank that entitles a shareholder to all dividends and capital gains.
<b>Alpha</b>	Alpha is a statistical calculation based on a manager's beta and the rate of return of the index over the period. Alpha measures whether a manager has added value to or detracted from returns on a risk-adjusted basis. Alpha can be used when comparing dissimilar products because alpha is adjusted for risk and therefore the product with the highest alpha added the most historical value relative to its risk level
<b>Annualized Return</b>	Rate of return of the account smoothed as though the return occurred equally over twelve-month periods. When the specified time frame is for less than a year, the rate of return is projected as though the same performance continues to occur for a twelve-month time period.
<b>Assets Managed in Style</b>	The total assets managed in all investment vehicles of the investment style.
<b>Average Market Capitalization (\$ Wtd.)</b>	The average market capitalization of all stocks in a given portfolio, weighted by each company's portion of the portfolio's market value.
<b>Beta</b>	A measure of volatility. A beta over 1.0 indicates above-market volatility; below 1.0, less volatility.
<b>Book Value</b>	The balance sheet value of assets minus the balance sheet value of liabilities. Also known as shareholders' equity
<b>Bottom-Up Investment Approach</b>	The investment manager concentrates on fundamental analysis of a company's financial statements. In addition, an investment manager may examine other aspects of the company such as strength of management, new product lines, valuation, historic record, etc.
<b>Cumulative Annualized Rate of Return</b>	Funds appear in order of their absolute rate of return over a common time period, with the highest rate of return appearing first
<b>Cycle Analysis</b>	The index, by definition, automatically has an Up-Cycle of 100. If a manager has an Up-Cycle number higher than 100, the manager has historically captured more than 100% of the rising market. If a manager has a Down-Cycle number of less than 100, the manager has historically captured less than 100% of the falling market.
<b>Dividend</b>	A payment issued by a company that distributes a portion of its value, usually in the form of cash.

<b>Duration</b>	The weighted maturity of a fixed-income investment's cash flows, used in the estimation of the price sensitivity of fixed-income securities for a given change in interest rates. Time periods are weighted by multiplying by the present value of its cash flow divided by the bond's price. (A bond's cash flows consist of coupon payments and repayment of capital). A bond's duration will almost always be shorter than its maturity, with the exception of zero-coupon bonds, where maturity and duration are equal.
<b>Earnings</b>	Earnings are a company's accounting profits or losses, typically reported four times each year.
<b>Emerging Markets</b>	Countries whose economies are considered emerging or underdeveloped.
<b>Fundamental</b>	A company's underlying financial situation.
<b>Growth Style Investing</b>	Growth investors purchase companies that have above-average earnings growth
<b>Hedging</b>	A strategy designed to reduce risk by offsetting potential losses from existing investments. This practice is often used in international investing, where investment managers often use hedging techniques to reduce exposure to fluctuating currencies
<b>Investment Vehicle</b>	The account type that an investor can gain access to an investment manager. Examples of investment vehicles are pooled or commingled funds, mutual funds, separate accounts, and limited partnerships.
<b>Large Cap</b>	Large Capitalization - refers to those companies with a market capitalization of greater than \$10 billion.
<b>Liquidity</b>	The ability to buy or sell an asset quickly and in large volume without substantially affecting the asset's price.
<b>Market Capitalization</b>	The dollar value of a public company based on the total number of shares of stock available multiplied by the price per share.
<b>Median Market Capitalization (\$ Wtd.)</b>	The market capitalization of the stock that represents the middle of the portfolio's cumulative market value. Half of the portfolio is invested in stocks larger than the median and the other half is invested in stocks smaller than the median
<b>Micro Cap</b>	Micro Capitalization - refers to those companies with a market capitalization of less than \$500 million.
<b>Mid Cap</b>	Mid Capitalization - refers to those companies with a market capitalization between \$2 and \$10 billion.
<b>Net of Fees</b>	After subtraction of management fees.
<b>Portfolio</b>	Refers to the complete list of securities held in an investment vehicle.

## State of Montana 457 Deferred Compensation Plan Third Quarter 2013



<b>Price-to-earnings (P/E) ratio</b>	Calculated by dividing the current share price by the trailing twelve-months earnings per share
<b>Price-to-book (P/B) ratio</b>	Calculated by dividing the share price by the book value per share.
<b>Relative Rank</b>	"Rank" reflects funds' performance within the full universe of comparable products, which includes similar investment styles and objectives. The rank reflects which percentile the manager's absolute rate of return falls within relative to its peer universe, with 1 = highest and 100 = lowest
<b>R-Squared (Coefficient of Determination)</b>	A statistical measure of the degree to which the movements of two variables are related. An R-Squared closer to 1.0 indicates that the two variables tend to behave similarly or that by knowing one variable you can closely estimate the other variable.
<b>Sharpe Ratio</b>	A risk-adjusted measure calculated by using standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe Ratio, the better the fund's historical risk-adjusted performance. The Sharpe Ratio is calculated for the past 36 month period by dividing a fund's annualized excess returns by the standard deviation of a fund's annualized excess returns.
<b>Small Cap</b>	Small Capitalization - refers to those companies with a market capitalization between \$500 million and \$1.99 billion.
<b>Standard Deviation</b>	Measures the range of returns and is based on a Normal Curve. Managers with lower standard deviations than the index have historically had returns that tended to fall closer to their mean return compared to the index. Managers with higher standard deviations than the index have historically had returns that tended to be further dispersed around the mean than the index. This is another measure of volatility, but it does not distinguish downside performance from upside performance.
<b>Top--Down Investment Approach</b>	The investment manager concentrates on analyzing the economy and investment environment to identify attractive economic sectors for investment. In international investing, a top-down investment approach is often used to identify attractive countries or regions for investment.
<b>Treynor Ratio</b>	The Treynor ratio is the return premium earned over the risk free rate by the series for each unit of risk taken, with risk measured as the beta of the series or portfolio relative to the market.
<b>Value Added</b>	Based on alpha, value-added shows how much value a manager added, after adjustment for the amount of volatility (risk) that a manager has experienced. A value-added of 1.0 means a manager has added 1% to annualized returns.
<b>Value Style Investing</b>	Value investors rely on an examination of the underlying or unrealized value of a company as the primary criterion for deciding whether or not to buy a company's stock. Value stocks are often priced lower than growth stocks due to slower growth expectations, recent financial difficulty, or a host of other reasons.