



*State of Montana
401(a) Defined Contribution Plan*

*Michael C. Schlachter, CFA
Thomas Toth, CFA*

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Market Commentary

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

First Quarter 2011

Economic Highlights

- **GDP:** Economic growth accelerated during the fourth quarter of 2010 with real GDP up 3.1%. This built off of a 2.6% expansion in Q3 2010 and an anemic 1.7% growth rate during the second quarter. For the year, real GDP rose 2.9% in 2010.

Source: Dept. of Commerce (BEA)

- **Interest Rates:** After rising sharply in the fourth quarter of 2010, interest rates stabilized during the first quarter. The yield on 10-year Treasuries closed the quarter at 3.47%, up 17 basis points from a 2010 yearend rate of 3.30%

Source: Federal Reserve, US Treasury

- **Inflation:** Consumer prices have begun to rise more rapidly in recent months, with CPI up 0.4%, 0.4% and 0.5% in December, January and February, respectively. These are the largest monthly increases in CPI since a 0.7% rise in June 2009. Oil prices soared above \$105/barrel in March amid turmoil in the Middle East. The 10-year breakeven inflation rate rose from 2.30% to 2.48% during the quarter, signaling higher market expectations of future inflation.

Source: Dept. of Labor (BLS), US Treasury

- **Employment:** The jobs picture remained strained, despite encouraging employment gains of 194,000 and 216,000 in February and March, respectively (see chart). The 4-week average of initial jobless claims fell below 400,000, reaching its lowest level since July 2008, while the unemployment rate ticked down to a still elevated 8.8% in March.

Source: Dept. of Labor (BLS, ETA)

- **Housing:** House prices continued to deteriorate through the end of 2010 and into 2011. In January, the S&P Case-Schiller 20-city Home Price Index (SA) fell -0.2%, marking its seventh consecutive monthly decline and a -3.9% pull-back since June 2010. January's price level for the index is just 0.7% above its May 2009 bottom and is in jeopardy of establishing new lows in 2011.

The U.S. Equity Market

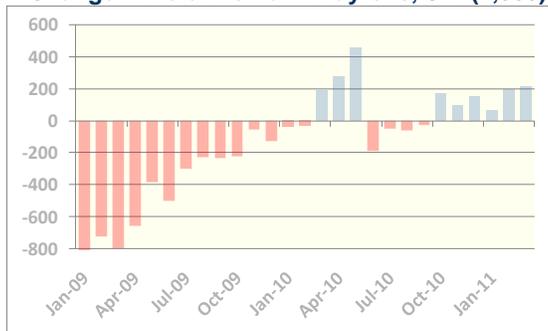
The U.S. stock market got off to a strong start to the year and, despite experiencing some severe intra-quarter selling pressure in response to escalating conflict in the Middle East, rallied impressively to close the quarter. The Wilshire 5000 Total Market IndexSM posted a 6.18% advance in Q1 with total returns of 2.15%, 3.57% and 0.36% in January, February and March, respectively. The U.S. market has rallied 111.38% since its March 9, 2009 closing low and is now off only -5.72% since its October 9, 2007 high.

U.S. Equity	MTD (%)	QTD (%)	YTD (%)	1 Year (%)
Wilshire 5000 SM	0.36	6.18	6.18	17.32
Standard & Poor's 500	0.04	5.92	5.92	15.64
Wilshire 4500 SM	1.97	7.84	7.84	26.22
U.S. Equity by Size/Style	MTD (%)	QTD (%)	YTD (%)	1 Year (%)
Wilshire 2500 SM	0.36	6.17	6.17	17.28
Wilshire U.S. Large Cap SM	0.14	5.91	5.91	16.17
Wilshire U.S. Large Growth SM	0.19	5.92	5.92	16.27
Wilshire U.S. Large Value SM	0.06	5.85	5.85	15.95
Wilshire U.S. Small Cap SM	2.21	8.49	8.49	27.51
Wilshire U.S. Small Growth SM	2.71	10.07	10.07	33.23
Wilshire U.S. Small Value SM	1.69	6.83	6.83	21.88
Wilshire U.S. Microcap SM	0.51	6.64	6.64	22.56

Small capitalization stocks continued to outpace larger shares during the first quarter, as the Wilshire U.S. Small Cap IndexSM delivered an 8.49% total return versus 5.91% for the Wilshire U.S. Large Cap IndexSM. Mid-cap stocks, which include the smallest of the large caps and largest of the small caps, provided an impressive 9.64% quarterly return. Growth and value stocks within the large cap universe provided similar results during the quarter, rising 5.92% and 5.85%, respectively. Within small caps, the Wilshire U.S. Small Growth IndexSM maintained its leadership position, besting all other style segments with a 10.07% quarterly return.

Energy stocks surged 16.92% during the quarter, buoyed in part by a sharp increase in oil and other energy prices. The Industrials and Healthcare sectors were also strong first quarter performers with total returns of 8.80% and 6.50%, respectively. All economic sectors managed to post positive results for the second consecutive quarter. The Consumer Staples, Financials and Utilities groups trailed other sectors with quarterly returns of 2.91%, 3.01% and 4.06%, respectively.

Change in Total Nonfarm Payrolls, SA (1,000)



Source: Dept. of Labor (BLS)

As mentioned in the "Employment" blurb to the left, the US recovery has once again begun to create jobs in recent months. An average 158,000 jobs per month have been added to the economy from December through March. However, at this pace, it would take approximately 46 months to recover the 7.3 million net jobs needed to return to the peak level of employment reached in January 2008.

The Non-U.S. Equity Market

Global stock markets struggled through the first quarter of 2011, roiled by geopolitical strife and a stunning natural disaster. The quarter began with citizens' protests against several régimes in the Middle East and Africa, sending shock waves through global energy markets and driving down stock markets in those countries. In mid-March, Japan suffered a massive earthquake (the nation's largest in the modern era); the resultant tsunami killed thousands and severely crippled nuclear reactors near the epicenter. And at quarter-end, Portugal's economic woes once again brought attention to the struggles of peripheral Eurozone nations even after the bailouts of Greece and Ireland. The major European economies are also dealing with a weak U.S. dollar and the possible negative impact on the region's exports. Nonetheless, global markets proved to be resilient and ended the quarter with moderate gains overall (the Pacific region a notable, and understandable, exception).

Non-U.S. Equity	USD (%)				Local Currency (%)			
	MTD	QTD	YTD	1 Year	MTD	QTD	YTD	1 Year
MSCI AC World ex U.S.	-0.23	3.41	3.41	13.15	-1.02	1.26	1.26	5.31
MSCI EAFE	-2.24	3.36	3.36	10.42	-2.86	0.99	0.99	1.49
MSCI Europe	-0.83	6.46	6.46	12.62	-1.89	2.14	2.14	5.41
MSCI Pacific	-4.96	-2.03	-2.03	6.87	-4.71	-1.02	-1.02	-4.63
MSCI Japan	-9.19	-4.93	-4.93	1.45	-8.13	-2.84	-2.84	-10.02
MSCI EM (Emerging Markets)	5.88	2.05	2.05	18.46	4.29	0.65	0.65	13.27

The Fixed Income Market

Despite the considerable geopolitical events of the first quarter, U.S. bond markets remained on an even keel. Treasury yields nudged upward over the quarter, with the bellwether 10-year yield up 17 basis points to 3.47% at quarter-end, against the backdrop of the Fed's ongoing second round of quantitative easing ("QE2"), set to end in June of this year. Investors continued to look to the non-sovereign credit markets for higher yield, tightening yield spreads for U.S. corporate issuance at all qualities. Indeed, with corporate debt defaults at remarkably low levels, high yield bonds continued their rally into 2011.

U.S. Fixed Income	MTD (%)	QTD (%)	YTD (%)	1 Year (%)
Barclays U.S. Aggregate	0.06	0.42	0.42	5.12
Barclays Long Govt./Credit	-0.08	-0.02	-0.02	8.45
Barclays Long Term Treasury	0.01	-1.01	-1.01	7.27
Barclays U.S. TIPS	1.01	2.08	2.08	7.91
Barclays U.S. Credit	-0.04	0.89	0.89	7.01
Barclays U.S. Corporate High Yield	0.32	3.88	3.88	14.31
Global Fixed Income	MTD (%)	QTD (%)	YTD (%)	1 Year (%)
Barclays Global Aggregate	0.47	1.24	1.24	7.15
Barclays Global Aggregate (Hedged)	-0.08	-0.20	-0.20	2.66
Barclays EM Local Currency Government Universal	2.31	2.57	2.57	8.67
Barclays EM Local Currency Govt Univ (Hedged)	0.45	-0.07	-0.07	2.13

The Real Estate & Commodity Markets

Shrugging off global turmoil and continued weakness in U.S. residential real estate sales, global real estate markets extended their 2010 rally into the first quarter of 2011, with a slight pullback in March. The global turmoil of the first quarter sent many commodity prices sharply higher, with gold spiking to a quarter-end \$1,438.90 per troy ounce and crude oil closing at \$106.72 per barrel. Commodities traders are now expressing concern that continued high oil prices will hamper the ongoing recovery in global economies and stifle demand for raw industrial materials.

Real Estate / Commodity	MTD (%)	QTD (%)	YTD (%)	1 Year (%)
Wilshire U.S. RESI SM	-1.41	6.63	6.63	24.85
Wilshire Non-U.S. RESI SM	-0.68	1.64	1.64	24.05
Wilshire Global RESI SM	-1.04	4.02	4.02	24.45
Dow Jones UBS Commodity Index	2.06	4.45	4.45	28.49
S&P GSCI Commodity	4.35	11.56	11.56	22.73

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FUND OVERVIEW FOR STATE OF MONTANA 401(a) DEFINED CONTRIBUTION PLAN

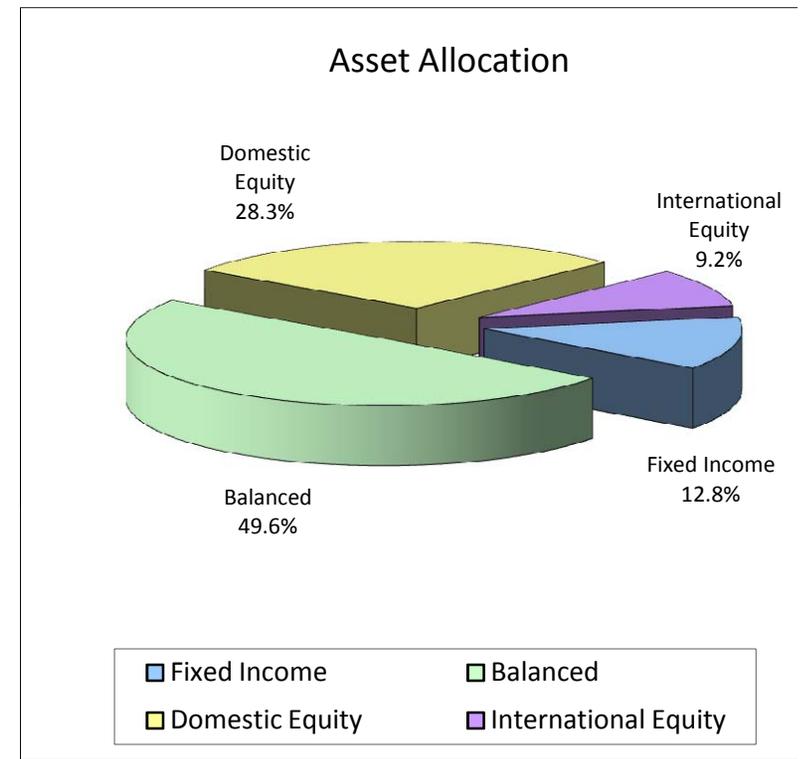
Asset Class	Name	Ticker	Current Status
Fixed Income	State of Montana Stable Value - PIMCO	n/a	Retention
Fixed Income	Vanguard Total Bond Market Signal	VBTSX	Retention
Balanced	Vanguard Balanced Index Institutional	VBAIX	Retention
Large Growth	American Funds Growth Fund of America A	AGTHX	Retention
Large Core	Vanguard Growth & Income Admiral	VGIAX	Terminated
Large Core	J.P. Morgan US Equity	JUSRX	Retention
Large Core	BlackRock Equity Index	MDSRX	Retention
Large Value	Vanguard Equity Income Admiral	VEIRX	Retention
Mid Growth	Munder Mid Cap Core Growth A	MGOAX	Probation
Mid Value	Janus/Perkins Mid Cap Value T	JMVCX	Retention
Small Growth	Vanguard Small Cap Growth Index	VISGX	Retention
Small Broad	Vanguard Small Cap Index Signal	VSISX	Retention
Small Value	Target Small Capitalization Value Fund	TASVX	Retention
Global	American Funds New Perspective Fund A	ANWPX	Retention
International	Oakmark International I	OAKIX	Retention
International	Vanguard Total International Stock Index	VGTSX	Retention

State of Montana 401(a) Defined Contribution Plan
March 31, 2011



Asset Allocation **as of March 31, 2011**

Asset Class	Market Value	%
Fixed Income	9,326,858	12.8%
Montana Stable Value	7,347,483	10.1%
Vanguard Total Bond Market Index	1,979,374	2.7%
Balanced	36,012,360	49.6%
Vanguard Balanced Index	36,012,360	49.6%
Domestic Equity	20,593,960	28.3%
<i>Large Cap</i>	<u>9,227,223</u>	<u>12.7%</u>
American Funds Growth Fund of America	5,023,386	6.9%
Vanguard Growth & Income	1,205,017	1.7%
BlackRock Equity Index	482,931	0.7%
Vanguard Equity Income	2,515,890	3.5%
<i>Mid Cap</i>	<u>5,613,716</u>	<u>7.7%</u>
Munder Mid Cap Core Growth	1,898,698	2.6%
Janus/Perkins Mid Cap Value	3,715,018	5.1%
<i>Small Cap</i>	<u>5,753,021</u>	<u>7.9%</u>
Vanguard Small Cap Growth Index	1,923,320	2.6%
Vanguard Small Cap Index	1,919,323	2.6%
Target Small Capitalization Value	1,910,378	2.6%
International Equity	6,709,960	9.2%
American Funds New Perspective	3,495,998	4.8%
Vanguard Total International Stock Index	563,936	0.8%
Oakmark International	2,650,026	3.6%
TOTAL STATE OF MONTANA 401(a)	\$ 72,643,138	



Montana Stable Value	Trailing Total Returns (annualized)			
Style: Intermediate Gov/Credit FI	Quarter	1 Year	3 Year	5 Year
Montana Stable Value	0.51	5.36	4.53	6.35
Barclays Int Gov/Credit Bond + 0.35%	0.43	4.98	4.83	6.03

3 yr
5 yr

Sharpe Ratio			
Rating	Manager	Cat. Mean	Index
n/a	--	--	--
n/a	--	--	--

Fund Narrative
The fund outperformed the benchmark by 8 basis points this quarter, and slightly trails for the 3-year but leads for the 5-year. The outperformance was due to the exposure to Credit issuances which was amongst the best performing sectors in the quarter. Current Status: Retention, no change recommended.

Vanguard Total Bond Index	Trailing Total Returns (annualized)			
Style: Intermediate Fixed Income	Quarter	1 Year	3 Year	5 Year
Vanguard Total Bond Index	0.27	5.02	5.23	6.03
Barclays Aggregate	0.42	5.12	5.30	6.03
Intermediate Fixed MF Mean	0.89	6.15	5.96	5.99

3 yr
5 yr
10 yr

Sharpe Ratio			
Rating	Manager	Cat. Mean	Index
★ ★ ★	1.1	1.0	1.1
★ ★ ★	1.0	0.8	1.1
★ ★ ★	--	--	--

Fund Narrative
As expected of an index fund, this fund performed in line with the Barclays Aggregate Bond Index for all measured time periods. The manager's Sharpe Ratios led the category mean for the 3- and 5-year time periods and the fund's 3-star Morningstar Ratings exceed the State's investment policy requirement. Current Status: Retention, no change recommended.

Vanguard Balanced Index	Trailing Total Returns (annualized)			
Style: Balanced	Quarter	1 Year	3 Year	5 Year
Vanguard Balanced Index	3.93	12.85	5.04	4.82
60% MSCI US Broad Mkt / 40% Barclays Agg	3.86	12.79	4.80	4.65
Balanced MF Mean	3.84	12.02	3.95	3.95

3 yr
5 yr
10 yr

Sharpe Ratio			
Rating	Manager	Cat. Mean	Index
★ ★ ★ ★	0.4	0.2	0.3
★ ★ ★ ★	0.3	0.2	0.2
★ ★ ★ ★	--	--	--

Fund Narrative
As expected of an index fund, this fund's returns were within range of the US Balanced Index for the quarter and all other time horizons. Moreover, the manager's Sharpe Ratios were greater than the category mean and the fund's 4-star Morningstar Ratings meet the State requirement. Current Status: Retention, no change recommended.

American Funds Growth Fund	Trailing Total Returns (annualized)			
Style: Large Growth	Quarter	1 Year	3 Year	5 Year
American Funds Growth Fund	5.29	13.48	1.69	2.70
S&P 500 Index	5.92	15.65	2.35	2.62
Large Cap Growth MF Mean	5.27	16.63	3.27	2.89

3 yr
5 yr
10 yr

Sharpe Ratio			
Rating	Manager	Cat. Mean	Index
★ ★	0.2	0.1	0.2
★ ★	0.1	0.0	0.1
★ ★ ★ ★	--	--	--

Fund Narrative
Like all equity funds, this large growth fund had a strong quarter but lagged the S&P 500 Index benchmark and also trails for the 3-year; the manager outperformed for the 5-year. The manager's Sharpe Ratio exceeded the category mean for the 3- and 5-year but the 3-star Morningstar rating minimum requirement was not met. Current Status: Retention, no change recommended.

Vanguard Growth and Income	Trailing Total Returns (annualized)			
Style: Large Cap Core	Quarter	1 Year	3 Year	5 Year
Vanguard Growth and Income	6.26	15.22	0.83	1.06
S&P 500 Index	5.92	15.65	2.35	2.62
Large Cap Blend MF Mean	5.75	14.08	1.94	2.48

	Sharpe Ratio			
	Rating	Manager	Cat. Mean	Index
3 yr	★★	0.1	0.1	0.2
5 yr	★★	0.0	0.0	0.1
10 yr	★★★	--	--	--

Fund Narrative
This large cap core was terminated and replaced by the JP Morgan US Equity fund (JUSRX).

JP Morgan US Equity	Trailing Total Returns (annualized)			
Style: Large Cap Core	Quarter	1 Year	3 Year	5 Year
JP Morgan US Equity	4.85	14.24	4.84	5.39
S&P 500 Index	5.92	15.65	2.35	2.62
Large Cap Blend MF Mean	5.75	14.08	1.94	2.48

	Sharpe Ratio			
	Rating	Manager	Cat. Mean	Index
3 yr	★★★★★	0.3	0.1	0.2
5 yr	★★★★★	0.3	0.0	0.1
10 yr	★★★★★	--	--	--

Fund Narrative
This large cap core fund replaced the Vanguard Growth & Income fund. The fund underperformed the benchmark for the quarter, but greatly leads for the 3- and 5-year. The manager's Sharpe Ratios are above the category mean and the 5-star Morningstar Ratings meet the State requirement. Current Status: Retention, no change recommended.

BlackRock Equity Index (S&P 500)	Trailing Total Returns (annualized)			
Style: Large Cap Core	Quarter	1 Year	3 Year	5 Year
BlackRock Equity Index (S&P 500)	5.89	15.48	2.31	2.54
S&P 500 Index	5.92	15.65	2.35	2.62
Large Cap Blend MF Mean	5.75	14.08	1.94	2.48

	Sharpe Ratio			
	Rating	Manager	Cat. Mean	Index
3 yr	★★★	0.2	0.1	0.2
5 yr	★★★	0.1	0.0	0.1
10 yr	★★★	--	--	--

Fund Narrative
This index fund performed in line with the S&P 500 Index for the quarter and all other time periods, as expected. The manager's Sharpe Ratios were above the category mean and the consistent 3-star Morningstar Ratings meet the State requirement. Current Status: Retention, no change recommended.

Vanguard Equity-Income	Trailing Total Returns (annualized)			
Style: Large Value	Quarter	1 Year	3 Year	5 Year
Vanguard Equity-Income	6.60	17.20	2.40	3.71
Russell 1000 Value Index	6.46	15.15	0.60	1.38
Large Cap Value MF Mean	5.95	13.06	0.82	1.61

	Sharpe Ratio			
	Rating	Manager	Cat. Mean	Index
3 yr	★★★★★	0.2	0.0	0.1
5 yr	★★★★★	0.2	0.0	0.1
10 yr	★★★★★	--	--	--

Fund Narrative
This large value fund led the Russell 1000 Value Index over the quarter and outperformed for the 3- and 5- year time periods. With consistent 4-star Morningstar ratings and Sharpe Ratios higher than the category mean, this fund meets the requirements of the State. Current Status: Retention, no change recommended.

Munder Mid-Cap Core Growth	Trailing Total Returns (annualized)			
Style: Mid Growth	Quarter	1 Year	3 Year	5 Year
Munder Mid-Cap Core Growth	7.85	26.28	4.42	4.12
S&P Mid Cap 400 Index	9.36	26.95	10.00	6.07
Mid Cap Growth MF Mean	7.98	27.30	6.96	4.59

	Sharpe Ratio			
	Rating	Manager	Cat. Mean	Index
3 yr	★★	0.3	0.2	0.5
5 yr	★★★	0.2	0.1	0.3
10 yr	★★★★	--	--	--

Fund Narrative
The fund trailed the benchmark for the quarter and for all other time periods. However, the Sharpe Ratios are above category mean but the 2- star rating for the 3-year does not meet the minimum requirements. **Current Status: Probation, a mid cap growth fund replacement search is in progress.**

Janus/Perkins Mid Cap Value	Trailing Total Returns (annualized)			
Style: Mid Value	Quarter	1 Year	3 Year	5 Year
Janus Mid Cap Value	6.07	15.31	6.47	6.28
Russell Mid Cap Value Index	7.42	22.26	6.61	4.04
Mid Cap Value MF Mean	7.27	20.69	6.80	4.46

	Sharpe Ratio			
	Rating	Manager	Cat. Mean	Index
3 yr	★★★★	0.4	0.3	0.4
5 yr	★★★★★	0.3	0.1	0.2
10 yr	★★★★	--	--	--

Fund Narrative
This fund underperformed the Russell Mid Cap Value Index for the quarter and the 3-year but still leads for the 5-year period. The manager's Sharpe Ratios are above the category mean and the fund's 4- and 5-star Morningstar Ratings exceed the requirements of the State. **Current Status: Retention, no change recommended.**

Vanguard Small Cap Growth Idx	Trailing Total Returns (annualized)			
Style: Small Growth	Quarter	1 Year	3 Year	5 Year
Vanguard Small Cap Growth Idx	10.64	32.55	11.69	5.92
MSCI US Small Cap Growth Index	10.67	32.62	11.69	5.94
Small Cap Growth MF Mean	9.35	29.14	8.77	3.59

	Sharpe Ratio			
	Rating	Manager	Cat. Mean	Index
3 yr	★★★	0.5	0.3	0.5
5 yr	★★★★	0.3	0.1	0.3
10 yr	★★★★	--	--	--

Fund Narrative
This Vanguard index fund replaced the Managers Essex Sm/Micro Growth fund and is designed to track the MSCI US Small Cap Growth fund. The fund's in-line performance for the 3- and 5-year time periods, 3- and 4-star Morningstar ratings, and greater than category mean Sharpe Ratios meet the State's requirements. **Current Status: Retention, no change recommended.**

Vanguard Small Cap Index	Trailing Total Returns (annualized)			
Style: Small Cap Core	Quarter	1 Year	3 Year	5 Year
Vanguard Small Cap Index	8.87	26.99	10.21	4.92
MSCI US Small Cap 1750 Index	8.84	26.87	10.00	4.76
Small Cap Blend MF Mean	7.65	25.55	8.72	4.09

	Sharpe Ratio			
	Rating	Manager	Cat. Mean	Index
3 yr	★★★★	0.5	0.3	0.5
5 yr	★★★★	0.2	0.1	0.2
10 yr	★★★	--	--	--

Fund Narrative
This fund's return tracked the benchmark return within an acceptable range for all time periods, as expected of an index fund. With consistent 4-star Morningstar ratings and above-category mean Sharpe Ratios, this fund meets all of the State's minimum requirements. **Current Status: Retention, no change recommended.**

Target Small Capitalization Value	Trailing Total Returns (annualized)			
Style: Small Value	Quarter	1 Year	3 Year	5 Year
Target Small Capitalization Value	8.50	23.41	9.28	5.78
Russell 2000 Value Index	6.60	20.63	6.76	2.23
Small Cap Value MF Mean	7.14	23.25	9.34	4.90

	Sharpe Ratio			
	Rating	Manager	Cat. Mean	Index
3 yr	★★★★	0.5	0.3	0.4
5 yr	★★★★	0.3	0.1	0.1
10 yr	★★★★★	--	--	--

Fund Narrative
This small value fund greatly outperformed the benchmark for the quarter, adding to its lead for the 3- and 5-year time periods. Furthermore, the fund's Sharpe Ratios are higher than the category mean and the 4-star Morningstar ratings exceed the State's minimum requirements. **Current Status: Retention, no change recommended.**

American Funds New Perspective	Trailing Total Returns (annualized)			
Style: Global Equity	Quarter	1 Year	3 Year	5 Year
American Funds New Perspective	4.12	14.68	2.68	5.70
MSCI World Index	4.80	13.45	(0.25)	2.08
World Equity MF Mean	4.12	14.01	0.67	2.96

	Sharpe Ratio			
	Rating	Manager	Cat. Mean	Index
3 yr	★★★	0.2	0.0	0.1
5 yr	★★★★	0.3	0.0	0.1
10 yr	★★★★★	--	--	--

Fund Narrative
This global equity lagged the MSCI World Index benchmark for the quarter, and significantly outperformed for the 3- and 5-year time periods. The manager's Sharpe Ratios were higher than the category mean and the 3- and 4-star Morningstar Ratings exceed the requirements of the State. **Current Status: Retention, no change recommended.**

Oakmark International	Trailing Total Returns (annualized)			
Style: International Equity	Quarter	1 Year	3 Year	5 Year
Oakmark International	2.27	12.44	7.16	5.25
MSCI EAFE Value Index	4.55	8.21	(3.57)	0.39
Non-US Equity MF Mean	3.22	12.53	(2.13)	1.70

	Sharpe Ratio			
	Rating	Manager	Cat. Mean	Index
3 yr	★★★★★	0.4	-0.1	0.0
5 yr	★★★★★	0.2	0.0	0.0
10 yr	★★★★★	--	--	--

Fund Narrative
This international value equity (developed countries only) manager underperformed the MSCI EAFE Value Index for the quarter but greatly outperformed for all other time periods. The manager's Sharpe Ratios were well above the category mean and the fund's consistent 5-star Morningstar ratings exceed the State's requirements. **Current Status: Retention, no change recommended.**

Vanguard Total Int'l Stock Index	Trailing Total Returns (annualized)			
Style: International Equity	Quarter	1 Year	3 Year	5 Year
Vanguard Total Int'l Stock Index	2.98	12.71	(1.35)	3.17
MSCI ACWI ex-US Index	3.41	13.15	(0.85)	3.59
Non-US Equity MF Mean	3.22	12.53	(2.13)	1.70

	Sharpe Ratio			
	Rating	Manager	Cat. Mean	Index
3 yr	★★★	0.1	-0.1	0.1
5 yr	★★★★	0.2	0.0	0.2
10 yr	★★★★★	--	--	--

Fund Narrative
This Vanguard fund replaced the Principal International Growth fund and aims to track a customized index that combines the MSCI indexes for Europe, developed Asia, and emerging markets; the fund will be benchmarked to the MSCI ACWI ex-US Index. The fund trailed the benchmark for the quarter and slightly lags the benchmark over other time periods, but has above-category mean Sharpe Ratios, and 3- and 4-star Morningstar ratings. **Current Status: Retention, no change recommended.**



Vanguard Total Bond Market Signal Ticker: VBTSX

Fund Strategy
This index fund seeks to mirror the performance and duration of the Barclays Aggregate Bond Index.

Manager Information	
Lead Manager	Kenneth Volpert
Inception	9/1/2006
Prospectus	www.vanguard.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
Vanguard Total Bond Mkt	★★★	5.00	7.00	AA	0.3%	0.3%	5.0%	5.2%	6.0%	5.3%
Barclays Aggregate					0.4%	0.4%	5.1%	5.3%	6.0%	5.6%
Interm Fixed MF Mean					0.9%	0.9%	6.2%	6.0%	6.0%	5.3%

	Manager Statistics				Index Statistics	
	Standard Deviation	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Sharpe Ratio
3-Year	4.21	-0.07	1.12	0.52	4.17	1.14
5-Year	3.65	-0.03	1.05	0.43	3.59	1.06

Portfolio Characteristics 9-30-10	
Credit Quality	%
US Gov't/Agency/AAA	76.5%
AA	4.2%
A	10.3%
BBB	8.9%
< BBB	0.0%
Non-Rated	0.0%
Maturity Breakdown	%
0 - 3 yrs.	20.6%
3 - 5 yrs.	15.1%
5 - 7 yrs.	10.9%
7 - 10 yrs.	12.6%
10 - 15 yrs.	5.1%
15 - 20 yrs.	2.2%
20 + yrs.	33.6%

Sector Weights 9-30-10		
<i>versus Barclays Aggregate</i>	%	+/-
US Government	42.8%	-0.2%
Mortgage	31.4%	-4.6%
Credit	18.7%	-0.3%
Foreign	7.1%	5.1%
Cash	0.0%	0.0%

Portfolio Information	
Expense Ratio	0.11%
12b-1 Fee Included	-
Category Average	1.04%
Minimum Investment	\$10,000

Year-End Assets (\$ Mil.)	
2010	\$8,813
2009	\$8,450
2008	\$7,372
2007	\$5,414
2006	\$632

Intermediate Fixed Income Universe



Vanguard Balanced Index Institutional Ticker: VBAIX

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

Manager Information	
Lead Manager	Michael Perre & Gregory Davis
Avg. Tenure	12/1/2000
Prospectus	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 Balanced Indx Instl	★★★★	\$26,301	7,977	3.9%	3.9%	12.8%	5.0%	4.8%	5.3%
US Balanced Index				3.9%	3.9%	12.8%	4.8%	4.7%	5.3%
Balanced MF Mean				3.8%	3.8%	12.0%	4.0%	4.0%	4.6%

	Manager Statistics					Index Statistics	
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Sharpe Ratio
3-Year	13.99	0.96	0.44	0.39	2.01	13.94	0.31
5-Year	11.33	0.96	-0.47	0.29	1.92	11.29	0.21

Top 10 Holdings 9-30-10	
Company	% of Portfolio
CMT Market Liquidity Rate	1.71%
ExxonMobil Corporation	1.47%
Apple, Inc.	1.21%
Microsoft Corporation	0.90%
General Electric Company	0.81%
Procter & Gamble Company	0.81%
International Business Machines Co	0.80%
Johnson & Johnson	0.80%
AT&T, Inc	0.79%
Chevron Corporation	0.76%

Sector Weights 3-31-10		
<i>versus S&P 500</i>	%	+/-
Consumer Discretionary	0.0%	0.0%
Consumer Staples	0.0%	0.0%
Energy	0.0%	0.0%
Financials	0.0%	0.0%
Health Care	0.0%	0.0%
Industrials	0.0%	0.0%
Information Technology	0.0%	0.0%
Materials	0.0%	0.0%
Telecom Services	0.0%	0.0%
Utilities	0.0%	0.0%

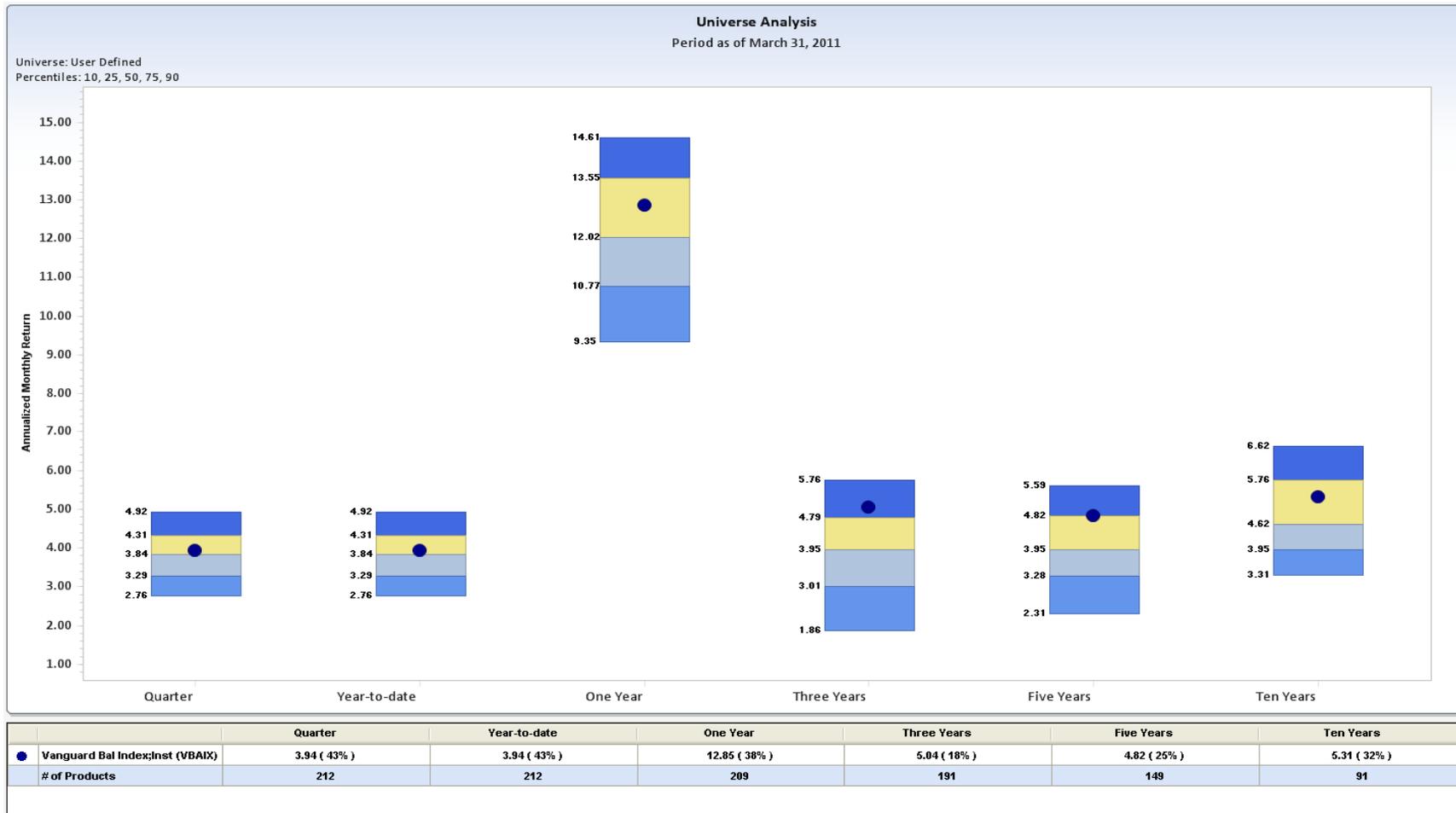
Portfolio Information	
Expense Ratio	0.08%
12b-1 Fee Included	-
Morningstar Average	1.17%
Minimum Investment	\$5,000,000
Avg. Annual Turnover	49%

Fixed Income Characteristics	
Avg. Duration (yrs.)	5.01
Avg. Maturity (yrs.)	7.00
Avg. Quality	AA

Sector Weights 9-30-10		
<i>versus Barclays Aggregate</i>	%	+/-
US Government	45.3%	2.3%
Mortgage	29.5%	-6.5%
Credit	18.3%	-0.7%
Foreign	6.9%	4.9%
Cash	0.0%	0.0%

Year-End Assets (\$ Mil.)	
2010	\$3,446
2009	\$2,869
2008	\$2,299
2007	\$2,901
2006	\$2,666
2005	\$2,014
2004	\$1,656
2003	\$1,131

Balanced Universe



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American Funds Growth Fund of America / Ticker: AGTHX

Fund Strategy

This fund invests based on the GARP (growth at a reasonable price) investment philosophy. It is managed by a team of managers who invest independently from one another. Consequently, the portfolio is broadly diversified and tends to have lower volatility than most growth funds.

Manager Information

Lead Manager James E. Drasdo + Team
Inception 11/30/1973
Prospectus www.americanfunds.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
American Funds Grw FOA	★★★	\$43,585	420	5.3%	5.3%	13.5%	1.7%	2.7%	4.9%
S & P 500				5.9%	5.9%	15.6%	2.4%	2.6%	3.3%
Large Cap Growth MF Mean				5.3%	5.3%	16.6%	3.3%	2.9%	2.5%

	Manager Statistics				Index Statistics			
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	21.58	0.96	-0.56	0.17	4.66	21.89	-	0.20
5-Year	17.60	0.96	0.12	0.12	4.24	17.87	-	0.12

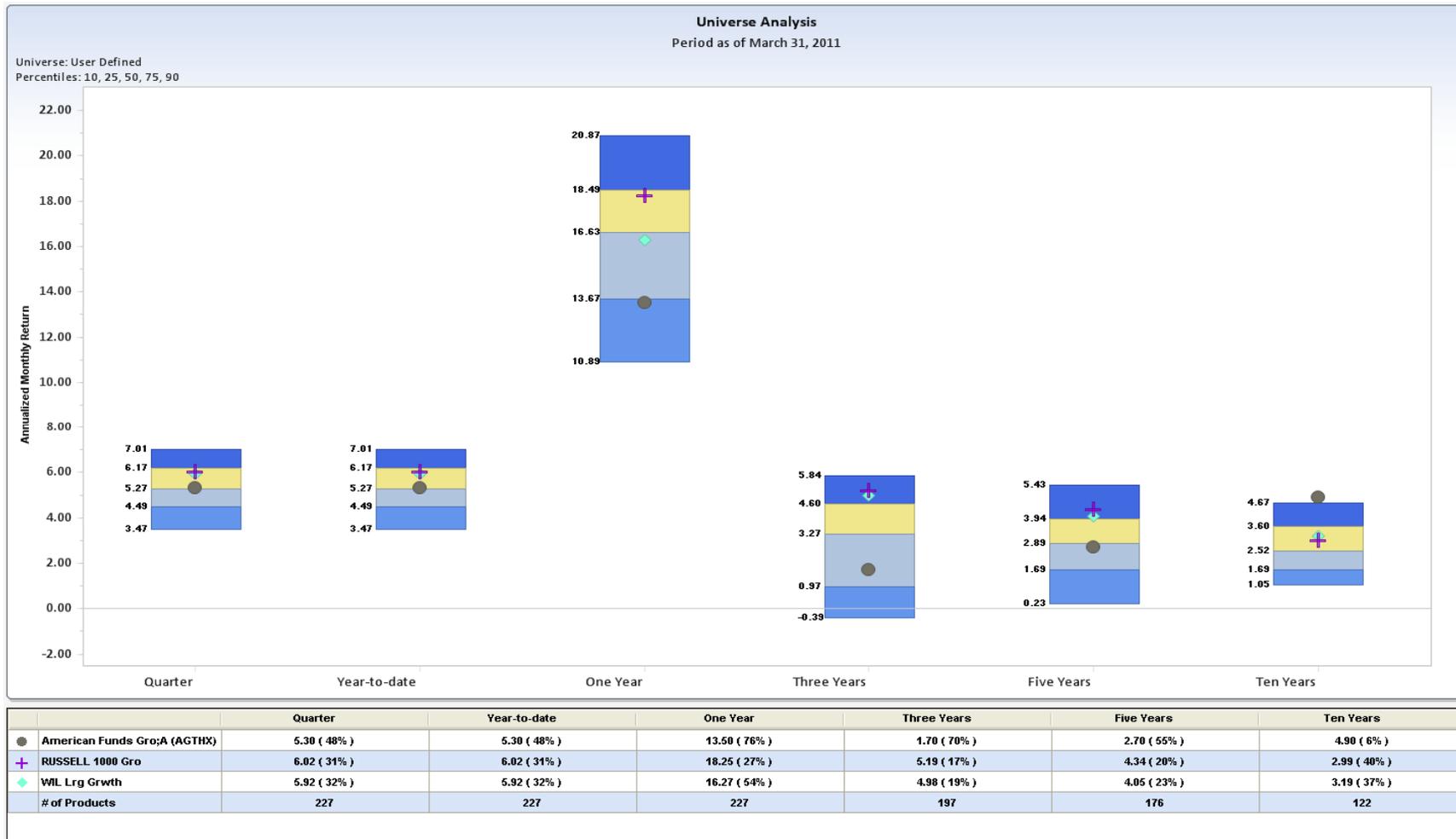
Top 10 Holdings 12-31-10	
Company	% of Portfolio
Oracle Corporation	3.53%
Google, Inc.	3.35%
Microsoft Corporation	2.33%
US Treasury Note 3.5%	1.64%
Apple, Inc.	1.64%
Union Pacific Corporation	1.33%
J.P. Morgan Chase & Co.	1.31%
Philip Morris International Inc	1.26%
Merck & Co	1.20%
Corning Inc	1.13%

Sector Weights 3-31-10		
versus S&P 500	%	+ / -
Consumer Discretionary	0.0%	0.0%
Consumer Staples	0.0%	0.0%
Energy	0.0%	0.0%
Financials	0.0%	0.0%
Health Care	0.0%	0.0%
Industrials	0.0%	0.0%
Information Technology	0.0%	0.0%
Materials	0.0%	0.0%
Telecom Services	0.0%	0.0%
Utilities	0.0%	0.0%

Portfolio Information	
Expense Ratio	0.69%
12b-1 Fee Included	0.23%
Morningstar Average	1.38%
Minimum Investment	\$250
Avg. Annual Turnover	33%

Year-End Assets (\$ Mil.)	
2010	\$66,101
2009	\$66,117
2008	\$52,596
2007	\$91,391

Large Cap Growth Universe



State of Montana 401(a) Defined Contribution Plan
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Vanguard Growth & Income Admiral

Ticker: VGIAX

Fund Strategy

Using a quantitative approach, this fund seeks to build a stock portfolio with a risk level comparable to the S&P 500 Index but is able to earn an annual return higher than the Index. Computer models rank 4000 stocks based on value, discounted cash flow, and earnings momentum. Portfolio weights are similar to the Index; managers take many small positions to overweight or underweight the Index based on individual stocks risk/reward profile.

Manager Information

Lead Manager Oliver E. Buckley - Mellon
 Inception 5/14/2001
 Prospectus 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 Grw & Income Adm	★★	\$45,029	127	6.3%	6.3%	15.2%	0.8%	1.1%	2.9%
S & P 500				5.9%	5.9%	15.6%	2.4%	2.6%	3.3%
Large Cap Core MF Mean				5.8%	5.8%	14.1%	1.9%	2.5%	3.3%

	Manager Statistics					Index Statistics		
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	22.51	1.03	-1.44	0.13	2.01	21.89	-	0.20
5-Year	18.31	1.02	-1.48	0.04	2.03	17.87	-	0.12

Top 10 Holdings 9-30-10	
Company	% of Portfolio
Johnson & Johnson	2.94%
Chevron Corporation	2.94%
ExxonMobil Corporation	2.88%
IBM	2.78%
Microsoft Corporation	2.63%
AT&T, Inc.	2.62%
Procter & Gamble Company	2.31%
J.P. Morgan Chase & Co	2.25%
Apple, Inc.	2.19%
Intel Corporation	1.78%

Sector Weights 3-31-10		
versus S&P 500	%	+/-
Consumer Discretionary	0.0%	0.0%
Consumer Staples	0.0%	0.0%
Energy	0.0%	0.0%
Financials	0.0%	0.0%
Health Care	0.0%	0.0%
Industrials	0.0%	0.0%
Information Technology	0.0%	0.0%
Materials	0.0%	0.0%
Telecom Services	0.0%	0.0%
Utilities	0.0%	0.0%

Portfolio Information	
Expense Ratio	0.21%
12b-1 Fee Included	-
Morningstar Average	1.11%
Minimum Investment	\$50,000

Year-End Assets (\$ Mil.)	
2010	\$1,511
2009	\$1,378
2008	\$1,385
2007	\$2,525

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JP Morgan US Equity

Ticker: JUSRX

Fund Strategy

This JP Morgan fund replaces the Vanguard Growth & Income fund. With a risk controlled approach, this diverse large core fund has had consistent 5-star Morningstar ratings and strong performance. The manager may invest up to 20% in non-US equities or ADRs and its sector weights loosely follow the S&P 500 Index.

Manager Information

Lead Manager Team Managed
Inception 5/15/2006
Prospectus www.jpmorganfunds.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
JP Morgan US Equity	★★★★★	\$47,936	229	4.9%	4.9%	14.2%	4.8%	5.4%	4.6%
S & P 500				5.9%	5.9%	15.6%	2.4%	2.6%	3.3%
Large Cap Core MF Mean				5.8%	5.8%	14.1%	1.9%	2.5%	3.3%

	Manager Statistics					Index Statistics		
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	21.62	0.99	2.39	0.31	1.63	21.89	-	0.20
5-Year	17.79	0.99	2.67	0.27	1.54	17.87	-	0.12

Top 10 Holdings	
Company	% of Portfolio
Apple, Inc.	3.71%
ExxonMobil Corporation	3.37%
Procter & Gamble Company	2.19%
Time Warner Inc.	2.16%
Chevron Corporation	2.10%
Microsoft Corporation	2.04%
Wells Fargo Company	1.94%
Occidental Petroleum Corp	1.94%
JP Morgan Prime Money Mkt	1.75%
United Technologies Corp	1.73%

Sector Weights 3-31-10		
versus S&P 500	%	+ / -
Consumer Discretionary	0.0%	0.0%
Consumer Staples	0.0%	0.0%
Energy	0.0%	0.0%
Financials	0.0%	0.0%
Health Care	0.0%	0.0%
Industrials	0.0%	0.0%
Information Technology	0.0%	0.0%
Materials	0.0%	0.0%
Telecom Services	0.0%	0.0%
Utilities	0.0%	0.0%

Portfolio Information	
Expense Ratio	0.59%
12b-1 Fee Included	-
Morningstar Average	1.11%
Minimum Investment	-

Year-End Assets (\$ Mil.)	
2010	\$162
2009	\$69
2008	\$76
2007	\$87

BlackRock Equity Index

Ticker: **MDSRX**

Fund Strategy

The BlackRock Equity Index fund is designed to track the Standard & Poor's 500 Index. Like most index funds, this offering has a large number of portfolio holdings and small positions in these holdings. Funds like this tend to be less volatile than more-concentrated offerings because they are so broadly diversified.

Manager Information

Lead Manager Diane Hsiung + Greg Savage
Inception 7/2/1993
Prospectus www.barclaysglobal.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
BlackRock Eq Index (S&P 500)	★★★	\$50,121	506	5.9%	5.9%	15.5%	2.3%	2.5%	3.2%
S & P 500				5.9%	5.9%	15.6%	2.4%	2.6%	3.3%
Large Cap Core MF Mean				5.8%	5.8%	14.1%	1.9%	2.5%	3.3%

	Manager Statistics					Index Statistics		
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	21.86	1.00	-0.05	0.19	0.12	21.89	-	0.20
5-Year	17.84	1.00	-0.09	0.12	0.10	17.87	-	0.12

Top 10 Holdings 12-31-10	
Company	% of Portfolio
ExxonMobil Corporation	3.21%
Apple, Inc.	2.57%
Microsoft Corporation	1.83%
General Electric Company	1.69%
Chevron Corporation	1.60%
IBM	1.59%
Proctor & Gamble Company	1.57%
AT&T, Inc	1.51%
Johnson & Johnson	1.48%
J.P. Morgan Chase & Co.	1.44%

Sector Weights 3-31-10		
versus S&P 500	%	+ / -
Consumer Discretionary	0.0%	0.0%
Consumer Staples	0.0%	0.0%
Energy	0.0%	0.0%
Financials	0.0%	0.0%
Health Care	0.0%	0.0%
Industrials	0.0%	0.0%
Information Technology	0.0%	0.0%
Materials	0.0%	0.0%
Telecom Services	0.0%	0.0%
Utilities	0.0%	0.0%

Portfolio Information	
Expense Ratio	0.20%
12b-1 Fee Included	-
Morningstar Average	1.14%
Minimum Investment	\$1,000,000
Avg. Annual Turnover	9%

Year-End Assets (\$ Mil.)	
2010	\$750
2009	\$216
2008	\$170
2007	\$331

Large Cap Core Universe



	Quarter	Year-to-date	One Year	Three Years	Five Years	Ten Years
● Vanguard Instl Indx;Inst (VINIX)	5.91 (45%)	5.91 (45%)	15.61 (23%)	2.41 (39%)	2.65 (45%)	3.31 (49%)
+ S&P 500	5.92 (44%)	5.92 (44%)	15.64 (23%)	2.36 (40%)	2.63 (46%)	3.29 (50%)
# of Products	245	245	244	222	186	122

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Vanguard Equity Income Admiral

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/Vanguard
 Inception 8/13/2001
 Prospectus 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 Adm	★★★★	\$48,112	161	6.6%	6.6%	17.2%	2.4%	3.7%	5.0%
Russell 1000 Value Index				6.5%	6.5%	15.2%	0.6%	1.4%	4.5%
Large Cap Value MF Mean				6.0%	6.0%	13.1%	0.8%	1.6%	3.8%

	Manager Statistics				Index Statistics			
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	20.44	0.91	0.11	0.20	4.93	23.38	-	0.13
5-Year	16.65	0.91	1.05	0.18	4.22	18.99	-	0.06

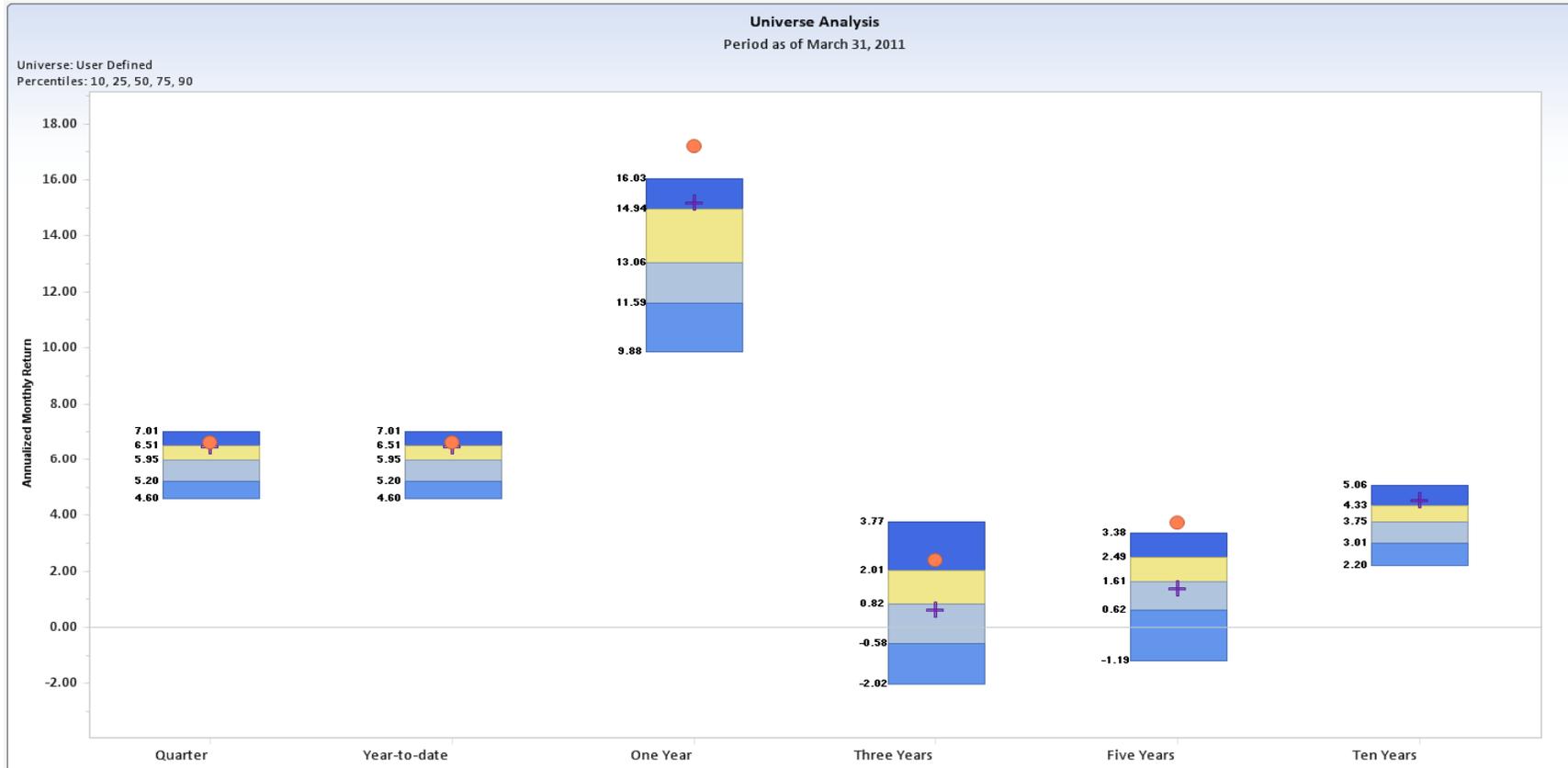
Top 10 Holdings 9-30-10	
Company	% of Portfolio
Chevron Corporation	3.75%
Johnson & Johnson	3.35%
AT&T, Inc.	2.93%
CMT Market Liquidity Rate	2.83%
Microsoft Corporation	2.75%
Pfizer Inc.	2.75%
Merck & Co Inc	2.72%
ExxonMobil Corporation	2.58%
J.P. Morgan Chase & Co	2.52%
3M Company	2.50%

Sector Weights 3-31-10		
versus Russell 1000 Value	%	+/-
Consumer Discretionary	0.0%	0.0%
Consumer Staples	0.0%	0.0%
Energy	0.0%	0.0%
Financials	0.0%	0.0%
Health Care	0.0%	0.0%
Industrials	0.0%	0.0%
Information Technology	0.0%	0.0%
Materials	0.0%	0.0%
Telecom Services	0.0%	0.0%
Utilities	0.0%	0.0%

Portfolio Information	
Expense Ratio	0.22%
12b-1 Fee Included	-
Morningstar Average	1.35%
Minimum Investment	\$50,000
Avg. Annual Turnover	45%

Year-End Assets (\$ Mil.)	
2010	\$2,272
2009	\$1,522
2008	\$1,386
2007	\$2,138

Large Cap Value Universe



	Quarter	Year-to-date	One Year	Three Years	Five Years	Ten Years
● Vanguard Equity Inc;Adm (VEIRX)	6.60 (21%)	6.60 (21%)	17.19 (3%)	2.40 (21%)	3.71 (3%)	
+ RUSSELL 1000 VAL	6.46 (29%)	6.46 (29%)	15.16 (24%)	0.61 (56%)	1.37 (57%)	4.53 (20%)
# of Products	107	107	102	97	89	60

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Munder Mid Cap Core Growth 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 their growth prospects. The fund keeps sector weightings within 3% of the benchmark. The fund generally holds 70-85 stocks and individual positions are capped at 3%.

Manager Information

Lead Manager Tony Y. Dong + Team
 Inception 6/30/2000
 Prospectus www.munder.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
Munder Mid Cap Core Grw A	★★★	\$5,666	86	7.9%	7.9%	26.3%	4.4%	4.1%	8.9%
S&P MidCap 400 Index				9.4%	9.4%	27.0%	10.0%	6.1%	9.4%
Mid Cap Growth MF Mean				8.0%	8.0%	27.3%	7.0%	4.6%	6.6%

	Manager Statistics					Index Statistics		
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	23.73	1.04	2.34	0.29	6.99	25.90	-	0.48
5-Year	19.93	1.05	1.78	0.20	6.93	21.09	-	0.29

Top 10 Holdings 11-30-10	
Company	% of Portfolio
BorgWarner, Inc.	2.64%
Kansas City Southern, Inc	2.30%
Macerich Company	2.02%
Cognizant Tech Solutions Corp	1.98%
Affiliated Managers Group	1.90%
Flowserve Corporation	1.76%
Joy Global, Inc	1.71%
Biomarin Pharmaceutical, Inc	1.71%
Crown Holdings, Inc.	1.70%
TD Ameritrade Holding Corp	1.68%

Sector Weights 3-31-10		
versus S&P MidCap 400	%	+/-
Consumer Discretionary	0.0%	0.0%
Consumer Staples	0.0%	0.0%
Energy	0.0%	0.0%
Financials	0.0%	0.0%
Health Care	0.0%	0.0%
Industrials	0.0%	0.0%
Information Technology	0.0%	0.0%
Materials	0.0%	0.0%
Telecom Services	0.0%	0.0%
Utilities	0.0%	0.0%

Portfolio Information	
Expense Ratio	1.34%
12b-1 Fee Included	0.25%
Morningstar Average	1.52%
Minimum Investment	\$2,500
Avg. Annual Turnover	52%

Year-End Assets (\$ Mil.)	
2010	\$1,507
2009	\$1,497
2008	\$1,319
2007	\$2,263

Mid Cap Growth Universe



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Janus/Perkins Mid Cap Value T Ticker: JMCVX

Fund Strategy

This fund operates in the mid-capitalization space and has a value, turnaround story, and contrarian orientation. Managers seek to find stocks trading near their historic low in price but have strong cash flows, minimal debt and a proven management team. The portfolio holds 120-150 companies and individual positions are capped at 3%.

Manager Information

Lead Manager Thomas M. Perkins
Inception 8/12/1998
Prospectus www.janus.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
Janus/Perkins Mid Cap Value T	★★★★	\$8,902	160	6.1%	6.1%	15.3%	6.5%	6.3%	10.2%
Russell Mid Cap Value Index				7.4%	7.4%	22.3%	6.6%	4.0%	9.2%
Mid Cap Value MF Mean				7.3%	7.3%	20.7%	6.8%	4.5%	8.6%

	Manager Statistics					Index Statistics		
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	20.37	0.91	4.04	0.39	4.75	27.29	-	0.36
5-Year	16.44	0.89	3.51	0.33	4.67	21.93	-	0.20

Top 10 Holdings 12-31-10	
Company	% of Portfolio
State Street Corporation	1.39%
URS Corporation	1.27%
PartnerRE Ltd	1.27%
QEP Resources, Inc.	1.25%
Goldcorp, Inc	1.22%
Discover Financial Services	1.14%
The Western Union Company	1.10%
Kroger Company	1.06%
Allstate Corporation	1.05%
CenturyLink, Inc.	1.04%

Sector Weights 3-31-10		
vs Russell Mid Cap Value	%	+ / -
Consumer Discretionary	0.0%	0.0%
Consumer Staples	0.0%	0.0%
Energy	0.0%	0.0%
Financials	0.0%	0.0%
Health Care	0.0%	0.0%
Industrials	0.0%	0.0%
Information Technology	0.0%	0.0%
Materials	0.0%	0.0%
Telecom Services	0.0%	0.0%
Utilities	0.0%	0.0%

Portfolio Information	
Expense Ratio	1.03%
12b-1 Fee Included	-
Morningstar Average	1.37%
Minimum Investment	\$2,500
Avg. Annual Turnover	66%

Year-End Assets (\$ Mil.)	
2010	\$7,715
2009	\$7,778
2008	\$5,264
2007	\$5,610

Mid Cap Value Universe



	Quarter	Year-to-date	One Year	Three Years	Five Years	Ten Years
● Janus Perkins MCV:T (JMCVX)	6.07 (77%)	6.07 (77%)	15.32 (92%)	6.47 (55%)	6.28 (17%)	10.22 (22%)
+ RUSSELL MID VAL	7.44 (44%)	7.44 (44%)	22.29 (30%)	6.62 (53%)	4.04 (56%)	9.24 (41%)
# of Products	65	65	65	61	49	28

State of Montana 401(a) Defined Contribution Plan
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Vanguard Small Cap Growth Index

Ticker: VISGX

Fund Strategy

This index fund tracks the MSCI US Small Cap Growth Index fund. The MSCI US Small Cap Growth index represents the growth companies of the MSCI US Small Cap 1750 Index.

Manager Information

Lead Manager Gerard O'Reilly + Team
 Inception 5/21/1998
 Prospectus 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 Small Growth Index	★★★★	\$1,479	1004	10.6%	10.6%	32.5%	11.7%	5.9%	10.1%
MSCI US Small Cap Growth Idx				10.7%	10.7%	32.6%	11.7%	5.9%	8.6%
Small Cap Growth MF Mean				9.4%	9.4%	29.1%	8.8%	3.6%	6.6%

	Manager Statistics					Index Statistics		
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	28.64	1.23	9.51	0.52	10.85	28.63	-	0.52
5-Year	23.68	1.24	3.89	0.28	9.67	23.67	-	0.28

Top 10 Holdings 9-30-10	
Company	% of Portfolio
Core Laboratories N.V.	0.56%
USCI Inc	0.53%
Atmel Corporation	0.52%
Jones Lang LaSalle, Inc.	0.51%
Herbalife, Ltd.	0.51%
Informatica Corporation	0.50%
Micros Systems, Inc.	0.48%
ITC Holdings Corporation	0.44%
Allscripts-Misys HC Solutions	0.44%
Solera Holdings, Inc.	0.44%

Sector Weights 3-31-10		
vs. MSCI Small Growth Index	%	+ / -
Consumer Discretionary	0.0%	0.0%
Consumer Staples	0.0%	0.0%
Energy	0.0%	0.0%
Financials	0.0%	0.0%
Health Care	0.0%	0.0%
Industrials	0.0%	0.0%
Information Technology	0.0%	0.0%
Materials	0.0%	0.0%
Telecom Services	0.0%	0.0%
Utilities	0.0%	0.0%

Portfolio Information	
Expense Ratio	0.26%
12b-1 Fee Included	-
Morningstar Average	1.57%
Minimum Investment	\$3,000
Avg. Annual Turnover	34%

Year-End Assets (\$ Mil.)	
2010	\$4,229
2009	\$3,018
2008	\$1,871
2007	\$2,825

Small Cap Growth Universe



State of Montana 401(a) Defined Contribution Plan
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Vanguard Small Cap Index Signal

Ticker: VSISX

Fund Strategy
This index fund tracks the MSCI US Small Cap 1750 Index, which contains 1750 of the smallest publicly traded stocks.

Manager Information
Lead Manager Michael H. Buek
Inception 12/15/2006
Prospectus 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 Sml Cap Index Instl	★★★★	\$1,430	1742	8.9%	8.9%	27.0%	10.2%	4.9%	9.1%
MSCI Small Cap 1750 Index				8.8%	8.8%	26.9%	10.0%	4.8%	9.5%
Small Cap Core MF Mean				7.7%	7.7%	25.6%	8.7%	4.1%	8.8%

	Manager Statistics					Index Statistics		
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	28.59	1.25	8.07	0.47	10.05	28.58	-	0.46
5-Year	23.27	1.23	2.84	0.24	8.65	23.26	-	0.23

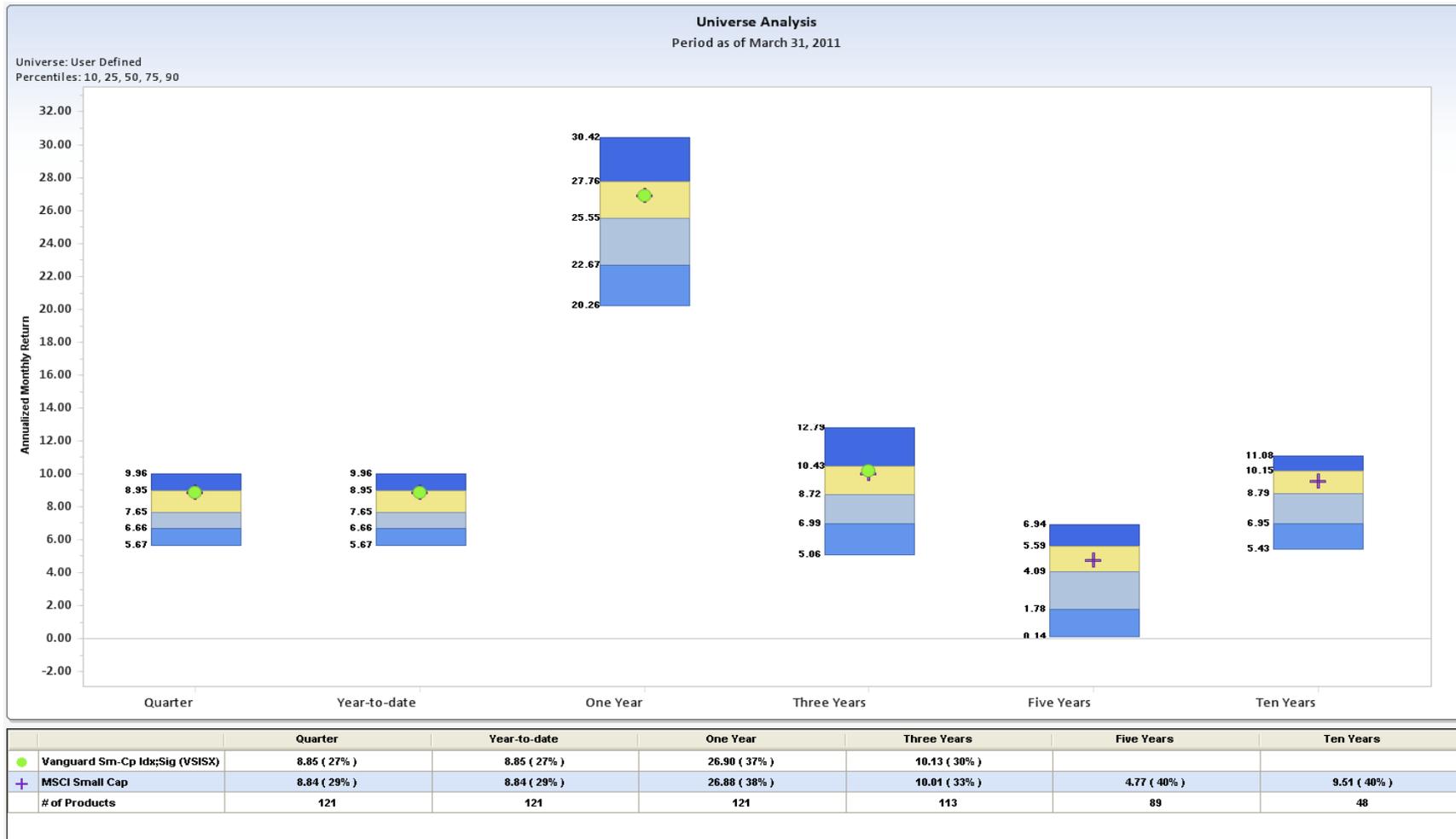
Top 10 Holdings 9-30-10	
Company	% of Portfolio
CMT Market Liquidity Rate	0.34%
Core Laboratories N.V.	0.28%
Alexandria Real Estate Equities	0.27%
MSCI Inc	0.26%
Atmel Corporation	0.26%
Skyworks Solutions, Inc.	0.26%
Jones Lang LaSalle, Inc	0.26%
Herbalife, Ltd	0.25%
Informatica Corporation	0.25%
Phillips-Van Heusen Corp	0.25%

Sector Weights 3-31-10		
vs. MSCI US Small Cap 1750	%	+/-
Consumer Discretionary	0.0%	-15.9%
Consumer Staples	0.0%	-3.5%
Energy	0.0%	-5.7%
Financials	0.0%	-20.5%
Health Care	0.0%	-11.8%
Industrials	0.0%	-15.4%
Information Technology	0.0%	-17.6%
Materials	0.0%	-5.4%
Telecom Services	0.0%	-0.9%
Utilities	0.0%	-3.4%

Portfolio Information	
Expense Ratio	0.07%
12b-1 Fee Included	-
Morningstar Average	1.42%
Minimum Investment	\$1,000,000
Avg. Annual Turnover	12%

Year-End Assets (\$ Mil.)	
2010	\$2,300
2009	\$1,763
2008	\$1,172
2007	\$1,626

Small Cap Core Universe



State of Montana 401(a) Defined Contribution Plan
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Target Small Capitalization Value Fund Ticker: TASVX

Fund Strategy

The strategy is to invest in undervalued companies with above average potential to increase in price. This manager structures the portfolio to match the industry and sector weights of the index (Russell 2000 Value Index); with approximately 700 names, this portfolio has broad diversification.

Manager Information

Lead Manager Prudential/JP Morgan
Inception 1/5/1993
Prospectus www.prudential.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
Target Small Cap Value	★★★★	\$1,862	668	8.5%	8.5%	23.4%	9.3%	5.8%	12.4%
Russell 2000 Value Index				6.6%	6.6%	20.6%	6.8%	2.2%	9.0%
Smal Cap Value MF Mean				7.1%	7.1%	23.3%	9.3%	4.9%	11.3%

	Manager Statistics				Index Statistics			
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	24.64	1.09	6.86	0.47	6.49	28.62	-	0.36
5-Year	20.07	1.08	3.30	0.28	6.09	23.29	-	0.12

Top 10 Holdings 10-31-10	
Company	% of Portfolio
Prudential Core Invnt	5.02%
Bucyrus International, Inc. A	1.30%
Phillips-Van Heusen Corporation	1.11%
Scotts Miracle-Gro Company	0.94%
WGL Holdings, Inc.	0.91%
Aaron's, Inc.	0.84%
Teleflex Inc.	0.81%
Silgan Holdings, Inc.	0.79%
WGL Holdings, Inc.	0.77%
iShares Russell 2000 Value Idx	0.76%

Sector Weights 1-31-10		
versus Russell 2000 Value	%	+/-
Consumer Discretionary	0.0%	-12.0%
Consumer Staples	0.0%	-2.8%
Energy	0.0%	-6.0%
Financials	0.0%	-35.1%
Health Care	0.0%	-4.9%
Industrials	0.0%	-16.0%
Information Technology	0.0%	-10.0%
Materials	0.0%	-6.6%
Telecom Services	0.0%	-0.5%
Utilities	0.0%	-6.0%

Portfolio Information	
Expense Ratio	0.76%
12b-1 Fee Included	-
Morningstar Average	1.53%
Minimum Investment	\$0
Avg. Annual Turnover	33%

Year-End Assets (\$ Mil.)	
2010	\$886
2009	\$596
2008	\$380
2007	\$374

Small Cap Value Universe



State of Montana 401(a) Defined Contribution Plan
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American Funds New Perspective Fund A Ticker: ANWPX

Fund Strategy
This fund seeks capital appreciation by investing internationally in high quality companies that are temporarily out of favor and holding positions for the long term. Stock purchases are based on the manager's model for fair value.

Manager Information
Lead Manager Gregg E. Ireland + Team
Inception 3/13/1973
Prospectus 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 A	★★★★	\$43,872	246	4.1%	4.1%	14.7%	2.7%	5.7%	7.2%
MSCI World Index				4.8%	4.8%	13.4%	-0.3%	2.1%	4.2%
World Stock MF Mean				4.1%	4.1%	14.0%	0.7%	3.0%	4.7%

	Manager Statistics					Index Statistics		
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	22.57	0.84	4.79	0.21	6.50	23.75	-	0.09
5-Year	18.57	0.84	3.91	0.28	5.71	19.35	-	0.10

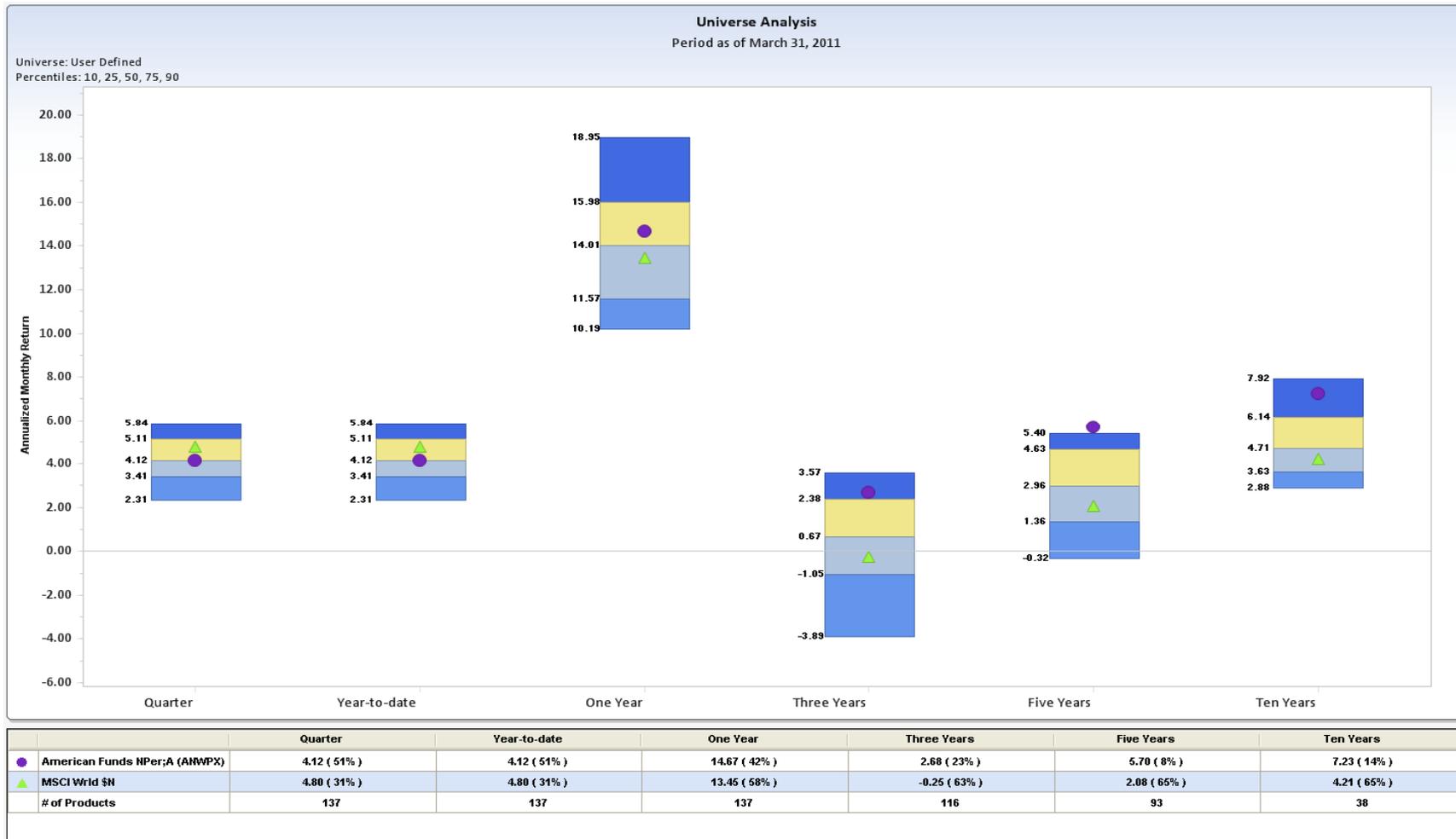
Top 10 Holdings 12-31-10	
Company	% of Portfolio
Novo-Nordisk A S	3.67%
Amazon.com, Inc.	1.60%
EMC Corporation	1.60%
Microsoft Corporation	1.45%
Newmont Mining Corporation	1.41%
Google, Inc.	1.41%
Barrick Gold Corporation	1.41%
Texas Instruments, Inc.	1.38%
Schneider Electric	1.37%
Bayer AG	1.37%

Country Weights 12-31-10		
versus MSCI World	%	+/-
Europe	38.7%	38.7%
France	5.9%	5.9%
Germany	4.7%	4.7%
United Kingdom	7.5%	7.5%
Asia	15.0%	15.0%
Australia	2.6%	2.6%
Hong Kong	0.4%	0.4%
Japan	7.5%	7.5%
Latin America	2.8%	2.8%
Brazil	0.9%	0.9%
Chile	0.0%	0.0%
North America	43.5%	43.5%
Canada	4.7%	4.7%
United States	38.8%	38.8%

Portfolio Information	
Expense Ratio	0.79%
12b-1 Fee Included	0.23%
Morningstar Average	1.55%
Minimum Investment	\$250
Avg. Annual Turnover	24%

Year-End Assets (\$ Mil.)	
2010	\$33,224
2009	\$33,010
2008	\$26,702
2007	\$48,726
2006	\$53,568

World Equity Universe



Oakmark International I Ticker: OAKIX

Fund Strategy

The fund invests internationally in large capitalization value space and seeks to find stocks trading at a discount of at least 40% of intrinsic value. Typically, the manager holds fewer stocks than the benchmark and country and sector weightings differ significantly from the benchmark. The fund tolerates price volatility of its holdings. The fund does not hedge foreign currency exposure.

Manager Information

Lead Manager David G. Herro - Harris Associates
Inception 9/30/1992
Prospectus www.oakmark.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
Oakmark International I	★★★★★	\$22,594	57	2.3%	2.3%	12.4%	7.2%	5.2%	9.8%
MSCI EAFE Value Index				4.5%	4.5%	8.2%	-3.6%	0.4%	5.9%
MSCI EAFE Index				3.4%	3.4%	10.4%	-3.0%	1.3%	5.4%
Non-US Equity MF Mean				3.2%	3.2%	12.5%	-2.1%	1.7%	5.7%

	Manager Statistics				Index Statistics			
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	27.89	1.02	10.35	0.37	8.37	28.15	-	0.00
5-Year	22.49	0.99	4.01	0.25	7.83	22.92	-	0.04

Top 10 Holdings 12-31-10	
Company	% of Portfolio
Daiwa Securities	3.77%
Credit Suisse Grp	3.16%
Toyota Motor Corporation	2.81%
Canon, Inc	2.79%
Rohm Company Limited	2.66%
Allianz SE	2.53%
SAP AG	2.50%
Diageo PLC	2.50%
G4S Plc	2.49%
Adecco SA	2.45%

Country Weights 12-31-10		
versus MSCI EAFE	%	+ / -
Europe	64.1%	64.1%
France	11.0%	11.0%
Germany	6.2%	6.2%
United Kingdom	12.7%	12.7%
Asia	31.0%	31.0%
Australia	4.8%	4.8%
Hong Kong	0.0%	0.0%
Japan	24.1%	24.1%
Latin America	2.1%	2.1%
Brazil	0.0%	0.0%
Chile	0.0%	0.0%
North America	2.8%	2.8%
Canada	1.2%	1.2%
United States	1.6%	1.6%

Portfolio Information	
Expense Ratio	1.08%
12b-1 Fee Included	-
Morningstar Average	1.47%
Minimum Investment	\$1,000
Avg. Annual Turnover	51%

Year-End Assets (\$ Mil.)	
2010	\$6,688
2009	\$4,393
2008	\$2,592
2007	\$7,300
2006	\$8,005

Vanguard Total International Stock Inc Ticker: **VGTSX**

Fund Strategy
This Vanguard fund replaced the Principal International Growth fund and aims to track a customized index that combines the MSCI indexes for Europe, developed Asia, and emerging markets; the fund will be benchmarked to the MSCI ACWI ex-US Index. The fund currently has 25% exposure to emerging markets, 49% to Europe, and 26% to developed Asia.

Manager Information
Lead Manager Duane Kelly + Michael Perre
Inception 8/5/2008
Prospectus 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 Total Int'l Stock	★★★★	\$20,554	6524	3.0%	3.0%	12.7%	-1.3%	3.2%	7.0%
MSCI ACWI ex-US Index				3.4%	3.4%	13.1%	-0.8%	3.6%	7.4%
Non-US Equity MF Mean				3.2%	3.2%	12.5%	-2.1%	1.7%	5.7%

	Manager Statistics					Index Statistics		
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	28.08	1.06	2.21	0.08	4.27	27.04	-	0.09
5-Year	22.96	1.06	2.07	0.16	3.66	22.36	-	0.18

Top 10 Holdings 9-30-10

Company	% of Portfolio
Nestle SA	1.33%
HSBC Holdings PLC	1.27%
Vodafone Group PLC	0.94%
BP Plc	0.93%
BHP Billiton Limited	0.92%
Novartis AG	0.88%
Total SA	0.79%
Royal Dutch Shell PLC	0.77%
Banco Santander SA ADR	0.76%
Telefonica, SA ADR	0.74%

Country Weights 9-30-10

Country	%	+/-
Europe	47.6%	47.6%
France	6.0%	6.0%
Germany	5.5%	5.5%
United Kingdom	14.3%	14.3%
Asia	39.3%	39.3%
Australia	6.2%	6.2%
Hong Kong	2.1%	2.1%
Japan	15.1%	15.1%
Latin America	5.2%	5.2%
Brazil	3.5%	3.5%
Chile	0.4%	0.4%
North America	7.9%	7.9%
Canada	7.7%	7.7%
United States	0.2%	0.2%

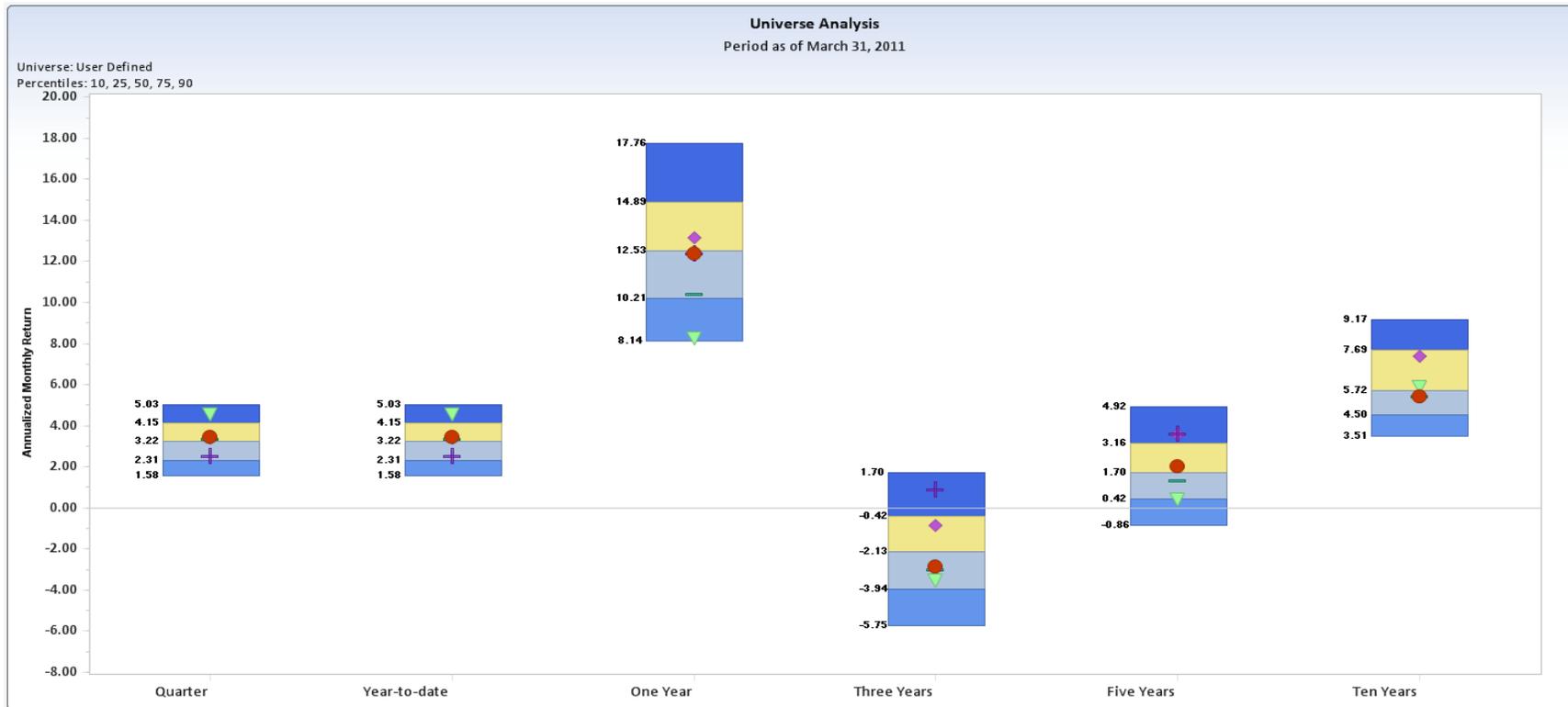
Portfolio Information

Expense Ratio	0.26%
12b-1 Fee Included	-
Morningstar Average	1.59%
Minimum Investment	\$3,000
Avg. Annual Turnover	6%

Year-End Assets (\$ Mil.)

2010	\$45,191
2009	\$26,044
2008	\$17,746
2007	\$28,652
2006	\$20,070

International (Non-US) Equity Universe



	Quarter	Year-to-date	One Year	Three Years	Five Years	Ten Years
● Artisan:International (ARTIX)	3.46 (40%)	3.46 (40%)	12.39 (52%)	-2.87 (58%)	2.00 (44%)	5.39 (60%)
+ Dodge & Cox Intl Stock (DODFX)	2.51 (72%)	2.51 (72%)	12.38 (52%)	0.89 (15%)	3.58 (19%)	
◆ MS ACW xUS \$H	3.41 (42%)	3.41 (42%)	13.15 (43%)	-0.85 (29%)	3.59 (19%)	7.40 (29%)
— MSCI EAFE \$H	3.36 (44%)	3.36 (44%)	10.42 (73%)	-3.01 (61%)	1.30 (57%)	5.39 (60%)
▼ EAFE VALUE \$NET	4.55 (17%)	4.55 (17%)	8.21 (90%)	-3.56 (70%)	0.39 (75%)	5.88 (46%)
# of Products	381	381	381	334	253	178

ADR	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.
Alpha	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
Annualized Return	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.
Assets Managed in Style	The total assets managed in all investment vehicles of the investment style.
Average Market Capitalization (\$ Wtd.)	The average market capitalization of all stocks in a given portfolio, weighted by each company's portion of the portfolio's market value.
Beta	A measure of volatility. A beta over 1.0 indicates above-market volatility; below 1.0, less volatility.
Book Value	The balance sheet value of assets minus the balance sheet value of liabilities. Also known as shareholders' equity
Bottom-Up Investment Approach	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.
Cumulative Annualized Rate of Return	Funds appear in order of their absolute rate of return over a common time period, with the highest rate of return appearing first
Cycle Analysis	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.
Dividend	A payment issued by a company that distributes a portion of its value, usually in the form of cash.

Duration	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.
Earnings	Earnings are a company's accounting profits or losses, typically reported four times each year.
Emerging Markets	Countries whose economies are considered emerging or underdeveloped.
Fundamental	A company's underlying financial situation.
Growth Style Investing	Growth investors purchase companies that have above-average earnings growth
Hedging	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
Investment Vehicle	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.
Large Cap	Large Capitalization - refers to those companies with a market capitalization of greater than \$10 billion.
Liquidity	The ability to buy or sell an asset quickly and in large volume without substantially affecting the asset's price.
Market Capitalization	The dollar value of a public company based on the total number of shares of stock available multiplied by the price per share.
Median Market Capitalization (\$ Wtd.)	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.
Micro Cap	Micro Capitalization - refers to those companies with a market capitalization of less than \$500 million.
Mid Cap	Mid Capitalization - refers to those companies with a market capitalization between \$2 and \$10 billion.
Net of Fees	After subtraction of management fees.
Portfolio	Refers to the complete list of securities held in an investment vehicle.
Price-to-earnings (P/E) ratio	Calculated by dividing the current share price by the trailing twelve-months earnings per share
Price-to-book (P/B) ratio	Calculated by dividing the share price by the book value per share.
Relative Rank	"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

R-Squared (Coefficient of Determination)	<p>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.</p>
Sharpe Ratio	<p>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.</p>
Small Cap	<p>Small Capitalization - refers to those companies with a market capitalization between \$500 million and \$1.99 billion.</p>
Standard Deviation	<p>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.</p>
Top-Down Investment Approach	<p>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.</p>
Treynor Ratio	<p>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.</p>
Value Added	<p>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.</p>
Value Style Investing	<p>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.</p>