

Public School Employees' Retirement System

Investment Section



COMMONWEALTH OF PENNSYLVANIA
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

ALAN H. VAN NOORD, CFA
Chief Investment Officer

Investment Overview

Authority

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

Policies and Objectives

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

Operations

The Board provides oversight of investment activities through the Finance Committee that makes recommendations to the Board. The Finance Committee generally conducts eight meetings per year and may meet more frequently as needed. Investment Office staff, as well as external investment advisors, internal investment managers, and Investment Accounting office staff, assist the Board in achieving investment objectives and monitoring compliance with investment policies. For the fiscal year ended June 30, 2005, Wilshire Associates Incorporated (Wilshire) served as the overall investment consultant to assist the Board in formalizing investment objectives, establishing an asset allocation plan, conducting investment advisor searches, reviewing performance, and commenting on compliance with investment policies. In addition, the Board utilized Russell Real Estate Advisors as a real estate consultant and Portfolio Advisors, LLC as an alternative investment consultant. Alternative investments generally consist of investments in private debt, private equity, and venture capital limited partnerships. Investment Office staff implement the investment decisions within the stated policies regarding asset allocation, security selection, or other objectives directed by the Board.

The Board employs both external investment management firms and internal investment managers to manage the investment portfolio of the System. At year end, 37 external investment management firms were managing \$27.7 billion in assets of the System, \$17.3 billion in assets were managed by the System's internal investment managers, and the remaining \$7.9 billion in assets were managed by numerous developmental, alternative investment, and real estate managers. The performance of each external investment management firm and each internal manager is monitored annually against a pre-established benchmark as well as the performance of its peers.

Asset Allocation

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

The long-term target allocation as of June 30, 2005 included an equity target allocation of **60.0%** consisting of publicly traded stocks. Specific targets have been established for U.S. equity exposure (40.0%) and international equity exposure (20.0%). Within the U.S. equity target, the portfolios are diversified between large and small capitalization investment managers and growth and value investment managers. The international equity exposure includes large and small capitalization and emerging markets portfolios.

The fixed income target allocation of **22.0%** consisted of U.S. core fixed income exposure (12.6%), Treasury Inflation-Protected Securities exposure (5.0%), specialty fixed income exposure (1.1%), and global fixed income exposure (3.3%). Within these categories, all sectors of the bond market are represented. Specialty fixed income is comprised of high yield portfolios.

The real estate target allocation of **7.0%** consisted primarily of opportunistic limited partnerships and publicly traded real estate investment trusts (REITs).

Alternative investments had a target of **11.0%**. The primary vehicle used to invest funds in this asset class is the limited partnership. The partnerships are established by individual management groups that have been selected by the System for the purpose of investing in and managing private equity and unlisted subordinated debt positions on behalf of PSERS and other limited partners.

Finally, unallocated cash of the System has an asset allocation target of **0.0%** since cash historically represents the lowest returning asset class over time.

Investment Results

As of June 30, 2005, the fair value of the investment portfolio was \$52.9 billion. The market value increased approximately \$3.9 billion over last year's value. This increase came primarily from net investment income (\$6.1 billion) and net changes in other investment assets and liabilities (\$0.3 billion), which were partially offset by benefit payments in excess of member and employer contributions (\$2.5 billion). The investment portfolio, as invested, was composed of 61.5% common and preferred stocks (equity), 22.0% fixed income investments, 7.0% real estate, and 9.5% alternative investments at June 30, 2005. The table on page 71 illustrates a more detailed description of the investment portfolio's asset classes in dollars and as a percentage of the total investment portfolio.

The past fiscal year saw positive returns across all major asset classes. Markets that enjoyed particularly strong returns included international equities, alternative investments and real estate. The Dow Jones (DJ) Wilshire 5000 Index, a domestic equity index, returned 8.21% for the fiscal year. Most of these gains occurred in the quarter ended December 31, 2004 due to falling oil prices and a quick outcome to the U.S. presidential election unlike four years prior. Major U.S. market indexes rallied over 10% from October 25, 2004 through the end of the calendar year. International equity markets also rallied on this news during the same calendar quarter. The Morgan Stanley Capital International (MSCI) All-Country World Index (ACWI) Ex. U.S., an international equity index, was up 16.95% during the fiscal year. Emerging market equities, a sub-sector of the MSCI ACWI ex. U.S., were up 34.88% during the fiscal year according to the MSCI Emerging Markets Index. The strength in these markets can be partially attributed to the strength in commodity prices during the past fiscal year, especially oil.

In addition, PSERS alternative investment portfolio had solid returns on both an absolute as well as a relative basis. PSERS alternative investments portfolio was up 25.45% during the fiscal year, primarily due to the strength of the private equity portion of the portfolio. The alternative investment portfolio outperformed the Venture Economics Median Return by 1,723 basis points during the past fiscal year.

Real estate investment trusts were up 34.32% during the fiscal year according to the DJ Wilshire Real Estate Securities Index. A low interest rate environment has led to significant demand for higher yielding REIT securities as the ten-year treasury yield ended the fiscal year at 3.92%, down from 4.59% at June 30, 2004.

The Lehman Aggregate Bond Index, a domestic bond index, and the Lehman Global Aggregate Bond Index, a global bond index, were up 6.81% and 7.51%, respectively. Returns in these indexes were surprisingly strong given that the Federal Reserve increased the Federal Funds rate eight times during the fiscal year from 1.25% to 3.25%. However, as noted earlier, the 10-year Treasury yield ended the year at 3.92%, 67 basis points lower than at the beginning of the year as the yield curve flattened with the long end falling and the short end rising.

As a result of the positive returns from all asset classes, the System was able to generate a total return of 12.87% for the one-year period ended June 30, 2005. This return exceeded the total fund policy benchmark return of 10.54% by 233 basis points. Annualized total returns for the three- and five-year periods ended June 30, 2005 were 11.54% and 4.02%, respectively. These returns exceeded the total fund policy benchmark returns for the three- and five-year periods ended June 30, 2005 by 165 and 152 basis points, respectively. As of June 30, 2005, the System had posted positive absolute returns in nine consecutive quarters.

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

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

	Annualized Total Returns (%) Net of Fees Ended June 30, 2005		
	1 Year	3 Years	5 Years
PSERS TOTAL PORTFOLIO	12.87	11.54	4.02
Total Fund Policy Benchmark	10.54	9.89	2.50
Median Public Defined Benefit Plan (DBP) Fund Universe (Wilshire Database)	9.72	9.90	3.27
PSERS DOMESTIC STOCK PORTFOLIOS	8.13	9.65	1.55
Dow Jones Wilshire 5000 Index	8.21	9.94	(1.28)
Median Public DBP Fund Universe - Domestic Equities (Wilshire Database)	7.89	9.54	(0.93)
PSERS INTERNATIONAL STOCK PORTFOLIOS	16.95	13.75	1.43
MSCI All-Country World Index Ex. U.S.	16.95	14.08	0.76
Median Public DBP Fund Universe - International Equities (Wilshire Database)	15.25	12.48	(0.24)
PSERS DOMESTIC FIXED INCOME PORTFOLIOS	8.72	8.29	8.38
Lehman Brothers Aggregate Index	6.81	5.76	7.41
Median Public DBP Fund Universe - Domestic Bonds (Wilshire Database)	7.42	7.26	7.63
PSERS GLOBAL FIXED INCOME PORTFOLIOS	8.38	10.09	8.34
Lehman Brothers Global Aggregate Index	7.51	9.26	7.65
Median Public DBP Fund Universe - Global Bonds (Wilshire Database)	8.37	10.85	7.81
PSERS REAL ESTATE*	26.14	17.78	14.83
Blended Real Estate Index**	19.30	12.87	12.21
Median Public DBP Fund Universe - Real Estate (Wilshire Database)	22.03	15.06	14.04
PSERS ALTERNATIVE INVESTMENTS*	25.45	14.03	2.53
Venture Economics Median Return, Vintage Year Weighted***	8.22	3.08	(0.05)

* Returns reported on a one-quarter lag, except for publicly traded REIT investments.

** Returns presented are a blend of the Wilshire Real Estate Securities Index (20%) and the NCREIF Index (80%). The NCREIF Index is reported on a one-quarter lag.

*** Returns presented are on a one-quarter lag.

The System also is involved in a securities lending program administered by Mellon Bank N.A. This program provides incremental income to the System by lending securities in the System's portfolio to securities dealers in exchange for either cash collateral, which can be reinvested to generate income, or non-cash collateral plus a cash fee. This program generated approximately \$16.1 million in additional income during the year.

Accomplishments

The System's returns during the fiscal year ended June 30, 2005 not only exceeded its total fund policy benchmark, but also placed the System in the top quartile of all public defined benefit pension funds in the country as measured by Wilshire. Strong returns such as these can be attributed to the combined efforts of the Board, the System's Investment Office and Investment Accounting staff, and its external consultants and investment advisors. Without their efforts, accomplishments such as this would not be possible.

The System continued its multi-year project to implement an independent accounting book of record for the System's investment transactions and holdings. In FY 2005, as planned, the domestic and international fixed income portfolios were converted to the System's internal accounting software provided by Financial Control Systems, Inc. In FY 2006, work will begin to convert the real estate and alternative investment portfolios from an Excel-based accounting system to the internal accounting software and various management reports will be written for the new software.

Summary

The System had a tremendous fiscal year ended June 30, 2005, as the returns generated by the System were in the top quartile of all public defined benefit pension plan returns. Strong returns generated in international equity markets, real estate, and alternative investments helped produce solid results for the System. For the fiscal year ended June 30, 2005, the System exceeded its targeted actuarial rate of return of 8.5%. In addition, we continue to believe that the System's asset allocation is structured to generate a long-term return that meets the actuarial rate of return assumption of the System for years to come.



Alan H. Van Noord, CFA
Chief Investment Officer

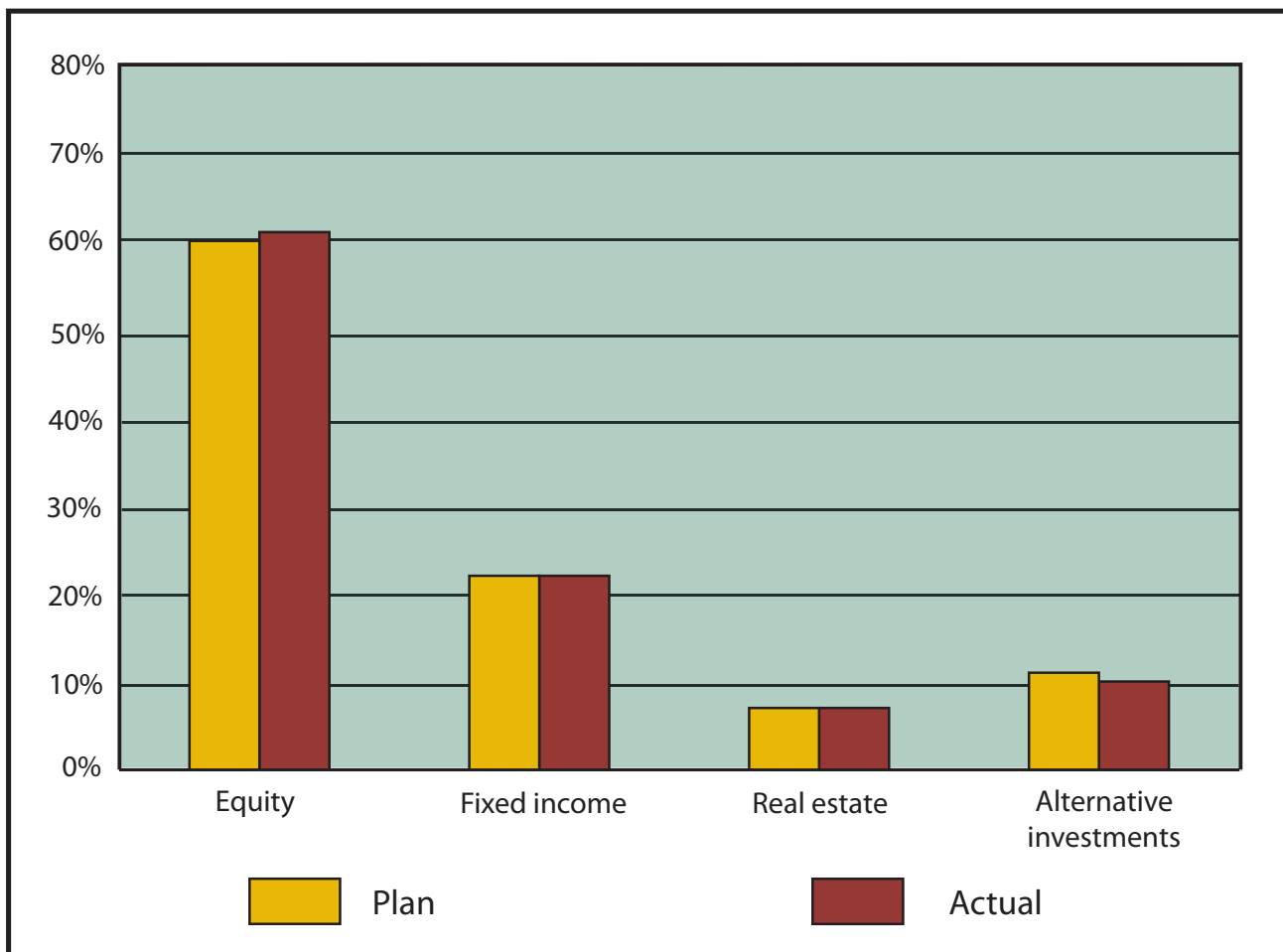
Portfolio Summary Statistics
Asset Allocation
As of June 30, 2005
(Dollar Amounts in Thousands)

Pension investments	Fair Value (\$)	% Fair Value
Common and preferred stock (Equity):		
Domestic common and preferred stock	\$ 17,249,029	32.6%
Collective trust funds	607,223	1.2%
International common stock	10,003,537	19.0%
Subtotal per Statement of Plan Net Assets	27,859,789	52.8%
Short-term *	1,711,460	3.2%
Enhanced S&P 500 Index *	4,245,995	8.1%
Publicly and privately traded REITs *	(1,351,934)	(2.6%)
Total Common and preferred stock - Asset Allocation Basis	32,465,310	61.5%
Fixed income:		
Domestic mortgage-backed securities	4,898,249	9.3%
U.S. government and agency obligations	2,943,165	5.6%
Domestic corporate and taxable municipal bonds	3,178,674	6.0%
Miscellaneous domestic fixed income	198,656	0.4%
Collective trust funds	276,234	0.5%
International fixed income	1,959,710	3.7%
Subtotal per Statement of Plan Net Assets	13,454,688	25.5%
Short-term *	2,443,105	4.6%
Enhanced S&P 500 Index *	(4,245,995)	(8.1)%
Total Fixed income - Asset Allocation Basis	11,651,798	22.0%
Real estate:		
Equity real estate	2,091,392	4.0%
Real estate owned	194,225	0.4%
Subtotal per Statement of Plan Net Assets	2,285,617	4.4%
Publicly and privately traded REITs *	1,351,934	2.6%
Total Real estate - Asset Allocation Basis	3,637,551	7.0%
Alternative investments:		
Private equity	3,408,590	6.5%
Private debt	1,143,928	2.2%
Venture capital	432,551	0.8%
Total Alternative investments - Asset Allocation Basis	4,985,069	9.5%
Pension investments - Asset Allocation Basis	\$ 52,739,728	100.0%
Postemployment Healthcare investments	\$ 198,324	100.0%

* - For asset allocation purposes, Short-term investments are included with the asset class of the investment manager which holds them, Publicly and privately traded REIT portfolios are reclassified from Common and preferred stock (Equity) to Real estate, and Enhanced S&P 500 Index portfolios are reclassified from Fixed income to Common and preferred stock (Equity). See the table and graph which follow.

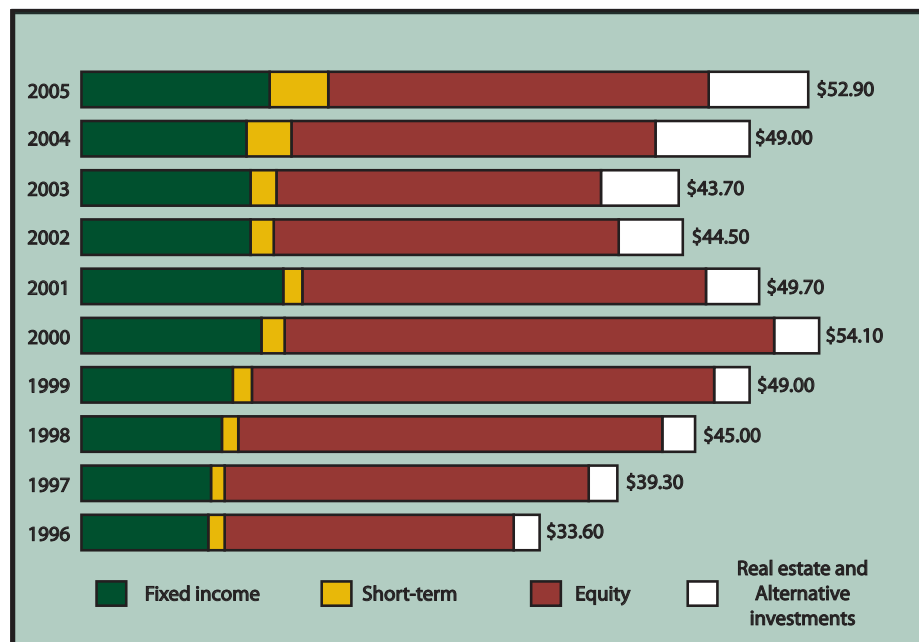
Comparison of Actual Portfolio Distribution to Asset Allocation Plan As of June 30, 2005

Asset Category	Plan	Actual
Common and preferred stock (Equity)	60%	61%
Fixed income	22%	22%
Real estate	7%	7%
Alternative investments	11%	10%
Total	100%	100%



Portfolio Distribution 10 Year Trend

(Fair Value - Dollar Amounts in Billions)



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

Domestic Common and Preferred Stock 10 Largest Holdings in Descending Order by Fair Value As of June 30, 2005 (Dollar Amounts and Shares in Thousands)

Description	No. of Shares	Fair Value (\$)
General Electric Company	10,701	370,791
Exxon Mobil Corporation	6,414	368,639
Security Capital Preferred Growth	9,674	366,048
Microsoft Corporation	10,152	252,178
Citigroup Inc.	5,266	243,440
Pfizer Inc.	7,577	208,975
Johnson & Johnson	3,038	197,483
Bank of America Corporation	4,081	186,122
Intel Corporation	6,297	163,849
Wal-Mart Stores, Inc.	3,370	162,417
Total of 10 Largest Holdings		2,519,942
Total System Holdings - Domestic Common and Preferred Stock		17,249,029

International Common Stock
10 Largest Holdings in Descending Order by Fair Value
As of June 30, 2005
(Dollar Amounts and Shares in Thousands)

Description	No. of Shares	Fair Value (\$)
Vodafone Group PLC	59,507	145,067
Royal Bank of Scotland	4,329	130,838
Glaxosmithkline PLC	4,722	114,354
BP PLC	9,900	103,104
UBS AG	1,123	87,691
Petroleo Brasileiro SA	1,672	87,182
Canon, Inc.	1,594	84,024
Takeda Pharmaceutical Company Ltd.	1,523	75,598
HSBC Holdings	4,495	71,778
ING Groep	2,447	69,239
Total of 10 Largest Holdings		968,875
Total System Holdings - International Common Stock		10,003,537

Domestic and International Fixed Income
10 Largest Holdings in Descending Order by Fair Value
As of June 30, 2005
(Dollar Amounts and Shares in Thousands)

Description	Maturity Date	Interest Rate (%)	Par Value(\$) or No. of Shares	Fair Value (\$)
U.S. Treasury - Inflation Index	07/15/12	3.000	217,621	239,026
U.S. Treasury - Inflation Index	04/15/28	3.625	176,207	236,756
U.S. Treasury - Inflation Index	07/15/13	1.875	186,119	190,096
U.S. Treasury - Inflation Index	01/15/15	1.625	167,242	166,635
U.S. Treasury - Inflation Index	04/15/29	3.875	115,857	162,833
U.S. Treasury - Notes	05/15/15	4.125	150,580	152,780
U.S. Treasury - Notes	02/15/12	4.875	137,100	145,604
U.S. Treasury - Inflation Index	04/15/10	0.875	133,298	130,007
U.S. Treasury - Inflation Index	01/15/08	3.625	109,469	115,836
U.S. Treasury - Inflation Index	04/15/32	3.375	78,239	106,432
Total of 10 Largest Holdings				1,646,005
Total System Holdings - Domestic and International Fixed Income				13,454,688

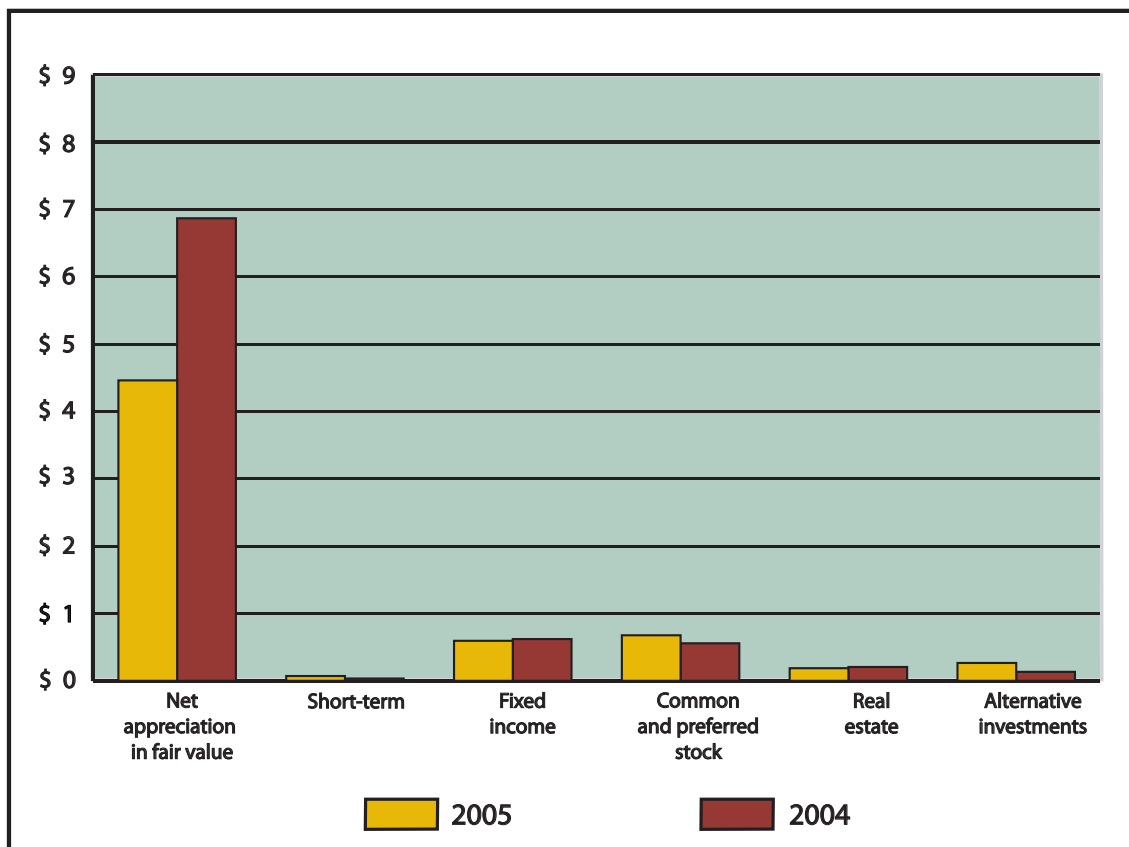
Postemployment Healthcare Investments
10 Largest Holdings in Descending Order by Fair Value
As of June 30, 2005
(Dollar Amounts in Thousands)

Description	Maturity Date	Interest Rate (%)	Par Value (\$)	Fair Value (\$)
PA Treasury Short-Term Investment Fund	Various	Various	54,326	54,326
M & T Bank Repurchase Agreement	07/01/05	2.750	17,179	17,179
U.S. Treasury Notes	07/30/06	2.800	16,000	15,877
M & T Bank Repurchase Agreement	07/01/05	2.810	14,307	14,307
FHLMC Multiclass 2004-45 Class DA	05/25/21	5.000	5,242	5,259
FNMA Discount Note	07/27/05	2.828	4,983	4,983
FHLMC Discount Note	08/11/05	2.951	4,982	4,982
FNMA Discount Note	07/18/05	2.747	4,982	4,982
FNMA Guaranteed REMIC 2002-73 Class OB	08/25/12	5.000	3,647	3,658
FHLMC Multiclass 2583 Class PG	03/15/22	4.000	3,005	2,997
Total of 10 Largest Holdings				128,550
Total System Holdings - Postemployment Healthcare Investments				198,324

Comparison of Investment Activity Income
For Fiscal Years Ended June 30, 2005 and 2004
(Dollar Amounts in Thousands)

Investing Activities	2005	2004
Net appreciation in fair value of investments	\$ 4,462,384	\$ 6,871,417
Short-term	71,796	34,622
Fixed income	594,809	619,972
Common and preferred stock	676,549	556,984
Real estate	187,178	205,229
Alternative investments	265,355	132,984
Total investment activity income	\$ 6,258,071	\$ 8,421,208

(Dollar Amounts in Billions)



Brokers' fees on equity investment transactions for the fiscal year ended June 30, 2005 were \$23.7 million. The System has commission recapture contracts with several brokers. These contracts generally stipulate that the brokers rebate a percentage of commissions earned on investment transactions directly to the System. During the fiscal year ended June 30, 2005, the System earned \$3.4 million from a commissions recapture program. A list of the brokers receiving fees in excess of \$100,000 during the fiscal year follows.

Summary Schedule of Brokers' Fees
(Cumulative Fiscal Year Amounts Exceeding \$100,000)
Fiscal Year Ended June 30, 2005

Broker Name	Fees Paid (\$)	Broker Name	Fees Paid (\$)
Citigroup/Salomon	2,104,018	Nomura Securities International	224,398
Merrill Lynch	1,681,573	Credit Lyonnais Securities	218,941
Morgan Stanley & Company	1,669,681	Liquidnet Inc.	212,313
UBS Warburg	1,499,577	ITG Securities LTD	204,882
J. P. Morgan, Inc.	1,353,820	Jefferies & Company Inc.	202,260
Credit Suisse First Boston	1,260,419	BNY Brokerage	185,604
Goldman Sachs & Company	1,105,511	HSBC Securities Inc.	181,129
Bear, Stearns & Company	1,032,675	Weeden & Company	180,437
Lehman Brothers	737,677	Sanford Bernstein & Company	179,944
Deutsche Bank	709,247	Macquaries Equities	177,781
Dresdner Kleinwort	464,364	Cathay Financial Corporation	142,930
Jones & Associates	460,076	Daiwa Securities	142,571
ABN AMRO Hoare Govett	450,942	DMG Securities	137,247
Instinet Corporation	360,466	DKW (Europe)	136,119
Knight Securities	358,791	SG Securities	110,645
Susquehanna Financial Group	302,215	Lynch Jones & Ryan	105,552
Tradition Asiel Securities Inc.	283,283	ING Barings	100,567
Cantor, Fitzgerald & Company	274,386		

**Professional Consultants
External Investment Advisors
As of June 30, 2005**

Short-Term Investment Pool Manager

- Evergreen Investment Management Co., LLC

Domestic Enhanced Equity Index Managers

- Acorn Derivatives Management Corporation
- Bridgewater Associates, Inc.
- Pacific Investment Management Company
- Smith Breeden Associates, Inc.

Domestic Style-Oriented Small Cap Equity Managers

- The Boston Company Asset Management, LLC
- Emerald Advisers, Inc.
- First Pacific Advisers, Inc.
- Longwood Investment Advisors, Inc.
- Mellon Equity Associates
- NorthPointe Capital
- Wellington Management Company, LLP
- William Blair & Company, LLC

Enhanced Domestic Mid Cap Equity Manager

- Barclays Global Investors

Domestic Micro Cap Equity Managers

- NorthPointe Capital
- Oberweis Asset Management, Inc.
- Donald Smith & Company, Inc.
- Turner Investment Partners
- Thomson Horstmann & Bryant, Inc.

Publicly Traded REIT Advisors

- Morgan Stanley Investment Management, Inc.
- Security Capital Global Capital Management Group, Inc.

Non-U.S. Emerging Market Equity Managers

- The Boston Company Asset Management, LLC
- Templeton Investment Counsel, Inc.

Professional Consultants (Continued)**Non-U.S. Large Cap Equity Managers**

- AllianceBernstein Institutional Investment Management
- Baillie Gifford Overseas Ltd.
- Barclays Global Investors
- The Boston Company Asset Management, LLC
- Marathon Asset Management Limited
- Martin Currie, Inc.
- Mercator Asset Management, LP

Non-U.S. Small Cap Equity Managers

- Acadian Asset Management
- AXA Rosenberg Investment Management
- The Boston Company Asset Management, LLC
- GlobeFlex Capital, LP

Domestic Fixed Income Managers

- BlackRock Financial Management, Inc.
- Delaware Investment Advisers
- Deutsche Asset Management, Inc.
- Pacific Investment Management Company
- Western Asset Management Company

High Yield Fixed Income Manager

- MacKay-Shields Financial Corporation

Treasury Inflation-Protected Securities Managers

- Bridgewater Associates, Inc.
- Brown Brothers Harriman & Co.

Global Fixed Income Managers

- Deutsche Asset Management, Inc.
- Fischer Francis Trees & Watts, Inc.
- Rogge Global Partners

Real Estate Advisors

- Charter Oak Advisors, Inc.
- GF Management, Inc.
- L&B Realty Advisors
- Laureate Capital, LLC
- Legg Mason Real Estate Services

Professional Consultants (Continued)

Real Estate Partnerships

- ARCap Diversified Risk CMBS Fund I & II, LLC
- AvalonBay Value Added Fund, LP
- Berwind Investment Partnership IV, V, & VI
- BPG Co-Investment Partnership, LP
- Carlyle Realty Partners III, LP
- CSFB Strategic Partners II RE, LP
- DLJ Real Estate Capital Partners II & III, LP
- Fortress PSERS Investment, LP
- Hines U.S. Office Value Added Fund, LP
- LF Strategic Realty Investors I & II, LP
- Legg Mason Real Estate Capital, Inc.
- Lehman Brothers/PSERS Real Estate, LP
- Lubert-Adler Real Estate Fund II, III, & IV, LP
- Morgan Stanley Real Estate Fund II, LP
- Morgan Stanley Real Estate Fund IV Special Domestic, LP
- Morgan Stanley Real Estate Fund IV Special International, LP
- O'Connor North American Property Partners, LP
- Peabody Global Real Estate Partners, LP
- Stockbridge Real Estate Fund, LP
- Westbrook Real Estate Fund, LP
- Whitehall Street Real Estate, LP III, V, V-S, & VII
- William E. Simon & Sons Realty Partners, LP

Farmland Advisor

- Prudential Agricultural Group

Private Equity/Venture Capital Partnerships

- ABS Capital Partners II, LP
- Adams Capital Management, LP
- Allegheny New Mountain Partners, LP
- APA/Fostin Venture Fund I
- Bastion Capital Fund, LP
- Bear Stearns Merchant Banking Partners II, LP
- BG Media Investors, LP
- Blue Point Capital Partners (B), LP
- Bridgepoint Capital II Partnership, LP
- Bridgepoint Europe IA & IIA, LP
- Bruckmann, Rosser, Sherrill & Company, LP
- Catterton Partners V, LP
- Clarity Partners, LP
- Co-Investment 2000 Fund, LP (The)

Professional Consultants (Continued)**Private Equity/Venture Capital Partnerships (Continued)**

- Commonwealth Venture Partners I & II
- Credit Suisse First Boston Equity Partners, LP
- Credit Suisse First Boston International Equity Partners, LP
- Cross Atlantic Technology Fund I & II, LP
- CSFB Strategic Partners II, LP
- Deutsche European Partners IV, LP
- DLJ Merchant Banking Partners III, LP
- DLJ Strategic Partners, LP
- Dubin Clark Fund II, LP
- Edgewater Private Equity Fund III, LP
- Edgewater Growth Capital Partners, LP
- Edison Venture Fund II & III
- Evergreen Pacific Partners, LP
- Franklin Capital Associates III, LP
- Furman Selz Investors II & III, LP
- Graham Partners Investments (B), LP
- Green Equity Investors II, LP
- Greenwich Street Capital Partners II, LP
- Grotech Partners IV
- GS Mezzanine Partners, LP
- Halifax Capital Partners, LP
- Heritage Fund I, LP
- Jefferson Partners Fund IV (PA), LP
- KBL Partnership, LP
- KRG Capital Fund I & II (PA), LP
- Landmark Equity Partners II, III, IV, & V
- Landmark Mezzanine Partners, LP
- Lehman Brothers Communications Investors, LP
- Lehman Brothers Merchant Banking Partners II, LP
- Lehman Brothers Venture Partners 2003-P, LP
- Lexington Capital Partners I, LP
- Lindsay, Goldberg & Bessemer, LP
- LLR Equity Partners I & II, LP
- Milestone Partners II, LP
- Morgan Stanley Dean Witter Capital Partners IV, LP
- NEPA Venture Fund II
- New Mountain Partners, LP
- New York Life Capital Partners I & II, LP
- P/A Fund (The)
- PAI Europe III & IV, LP
- Palladium Equity Partners II-A, LP
- Pennsylvania Early Stage Partners I & II, LP
- Perseus-Soros BioPharmaceutical Fund, LP
- Platinum Equity Capital Partners-A, LP
- PNC Equity Partners, LP
- Quadrangle Capital Partners, LP

Professional Consultants (Continued)

Private Equity/Venture Capital Partnerships (Continued)

- Quaker BioVentures, LP
- SCP Private Equity Partners I & II, LP
- Spectrum Equity Investors, LP
- StarVest Partners, LP
- Sterling Capital Partners, LP
- Sterling Venture Partners, LP
- Sunrise Capital Partners, LP
- TDH III, LP
- Technology Leaders, LP
- TL Ventures III, LP
- TPG Partners I & II, LP
- U.S. Equity Partners I & II, LP
- Wicks Communications & Media Partners, LP
- Willis Stein & Partners, LP

Private Debt Partnerships

- Avenue Special Situations Fund II & III, LP
- Avenue Asia Special Situations Fund II & III, LP
- Cerberus Institutional Partners, LP (Series Two and Three)
- Chrysalis Capital Partners, LP
- Gleacher Mezzanine Fund, LP
- GSC Recovery II, LP
- GSC Partners CDO Investors III & IV, LP
- Gold Hill Venture Lending 03-A, LP
- NYLIM Mezzanine Partners Parallel Fund, LP

Developmental Fund Managers

- Charter Financial Group, Inc.
- Conestoga Capital Advisors
- Connors Investor Services, Inc.
- EDMP, Inc.
- Global Capital Management, Inc.
- Hanseatic Management Services, Inc.
- John Hsu Capital Group, Inc.
- Opus Capital Management
- Piedmont Investment Advisors
- Piedra Capital, Inc.
- Profit Investment Management
- Roll & Ross Asset Management, LP
- Smithbridge Asset Management, Inc.
- Snow Capital Management, LP
- Tanaka Capital Management, Inc.
- Tucker Hargrove Management, Inc.
- West Chester Capital Advisors

Professional Consultants (Continued)

Investment Accounting Application Service Provider

- Financial Control Systems, Inc.

Custodian and Securities Lending Agent

- Mellon Bank N.A.

Investment Evaluator

- Wilshire Associates Inc.

Alternative Investment Consultant

- Portfolio Advisors, LLC

Proxy Voting Agent

- Institutional Shareholder Services

