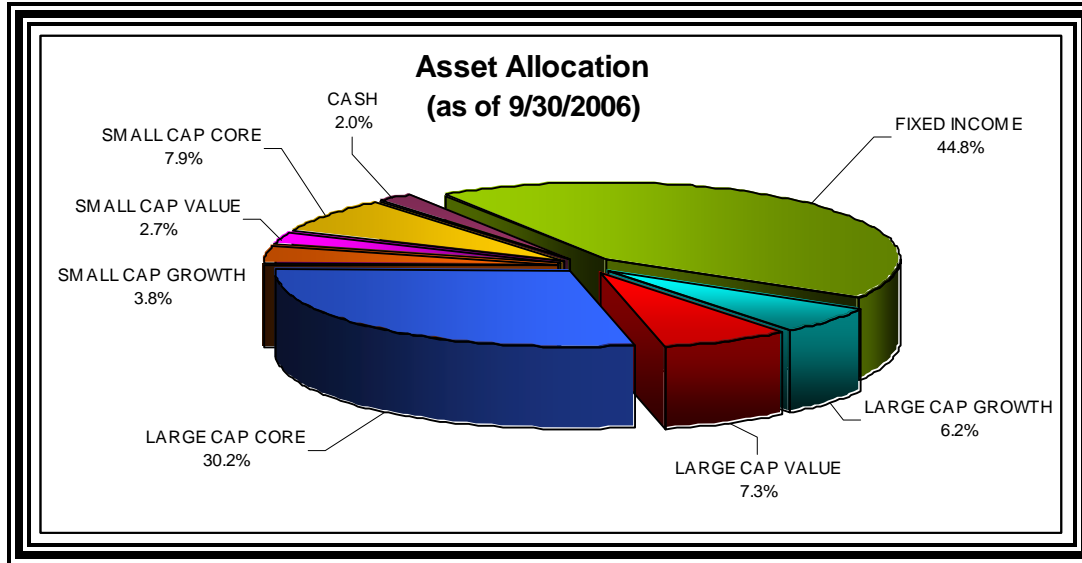


# South Carolina Retirement System Investment Commission

## Quarterly Report

as of September 30, 2006

Pursuant to SC Code §9-16-90



	Quarter	1 Year	3 Years	5 Years
<b>Total Fund Return</b>	3.9	7.2	7.9	7.1
<b>Policy Benchmark Return</b>	4.2	7.0	7.4	7.0
<b>Large Fund Median Return</b>	3.8	10.7	12.7	9.4
<i>Large Fund Percentile Rank<sup>A</sup></i>	60	7	2	8
<b>Equity Return</b>	3.7	9.6	12.8	7.6
<b>Russell 3000</b>	4.7	10.2	13.0	8.1
<i>Equity Percentile Rank<sup>B</sup></i>	55	48	37	33
<b>Fixed Income Return</b>	4.2	5.1	4.3	5.8
<b>Lehman Aggregate</b>	3.8	3.7	3.4	4.8
<i>Fixed Income Percentile Rank<sup>C</sup></i>	87	87	64	70

<sup>A</sup> The Large Fund Universe was comprised of 121 unique observations where 100 is best, 1 is worst  
<sup>B</sup> The Total Equity Universe was comprised of 5,226 unique observations where 100 is best, 1 is worst  
<sup>C</sup> The Total Fixed Income Universe was comprised of 2,416 unique observations where 100 is best, 1 is worst

### Investment Analysis:

- The fund posted a robust 3.9% quarterly return due to both strong Large Cap Equity and Fixed Income markets
- Falling interest rates across most maturities led to significant outperformance by the fund's Fixed Income portfolio
- Relatively high weighting of US Large Cap and Core Fixed Income resulted in significant improvement in peer group ranking

### Achievements During the Quarter:

- Completed search for general investment consulting services; Commission selected Cambridge, MA-based New England Pension Consultants
- Completed and reviewed asset/liability study as the foundation for asset allocation restructuring
- Selected six investment management firms as finalists for a global fixed income mandate

### Projects in Progress:

- Chairman authorized to negotiate and execute a contract with New England Pension Consultants for general investment consulting services
- Continued educational outreach program pertaining to the impact of Constitutional Question 3A
- Research and analysis pertaining to the adoption of asset allocation targets for the Retirement System's portfolio
- Continued recruitment of investment staff (research and analysis)
- Preparation and planning for the Commission's annual educational/strategic planning retreat
- Complete due diligence review of global fixed income finalists
- Locate property suitable for the Commission's permanent office facilities

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# South Carolina Retirement System Investment Commission

## SUMMARY OF PERFORMANCE For Period Ending September 30, 2006 RATE OF RETURNS GROSS OF FEES

	MKT VAL (In Millions)	Management Fees	Current Weight	Last Month	Last Quarter	YTD	1 Year	3 Years	5 Years
<b>CASH</b>									
<b>CASH ACCOUNT</b>									
SHORT DURATION BONDS	\$ 540.8	TBD	2.0%	0.4	1.3	3.7	4.9		
<b>90 DAY T-BILL</b>				<b>0.5</b>	<b>1.3</b>	<b>3.6</b>	<b>4.5</b>	<b>2.7</b>	<b>2.3</b>
<b>TOTAL CASH EQUIVALENTS</b>	<b>\$ 540.8</b>		<b>2.0%</b>	<b>0.4</b>	<b>1.3</b>	<b>3.7</b>	<b>4.9</b>		
<b>FIXED INCOME</b>									
<b>CORE BONDS</b>									
FIXED INCOME PORTFOLIO	\$ 11,950.6	TBD	44.8%	1.1	4.2	3.7	5.1	4.3	5.8
<b>LB AGGREGATE</b>				<b>0.9</b>	<b>3.8</b>	<b>3.1</b>	<b>3.7</b>	<b>3.4</b>	<b>4.8</b>
<b>TOTAL FIXED INCOME</b>	<b>\$ 11,950.6</b>		<b>44.8%</b>	<b>1.1</b>	<b>4.2</b>	<b>3.7</b>	<b>5.1</b>	<b>4.3</b>	<b>5.8</b>
<b>EQUITY</b>									
<b>LARGE CAP GROWTH</b>									
ALLIANCE CAPITAL	\$ 227.4	31.0 Bps	0.9%	2.2	2.6	-3.1	3.3	10.3	3.7
SANDS	\$ 366.3	48.0 Bps	1.4%	2.7	0.8	-8.0	-1.5		
WCM	\$ 674.9	40.6 Bps	2.5%	2.6	-1.5	-4.1	-0.2		
LEGG MASON	\$ 386.3	67.2 Bps	1.4%	1.6	0.5	-7.5	-2.0		
<b>RUSSELL 1000 GROWTH</b>				<b>2.7</b>	<b>3.9</b>	<b>3.0</b>	<b>6.0</b>	<b>8.4</b>	<b>4.4</b>
<b>TOTAL LARGE GROWTH</b>	<b>\$ 1,654.9</b>	<b>47.1 Bps</b>	<b>6.2%</b>	<b>2.4</b>	<b>0.0</b>	<b>-5.7</b>	<b>-0.4</b>	<b>8.2</b>	<b>3.1</b>
<b>LARGE CAP VALUE</b>									
FLIPPIN, BRUCE AND PORTER	\$ 258.0	31.6 Bps	1.0%	3.4	7.9	11.8	15.2	14.5	10.5
ALLIANCE BERNSTEIN	\$ 548.6	21.6 Bps	2.1%	2.4	6.8	13.0	14.7	14.8	9.3
ARONSON + JOHNSON + ORITZ	\$ 678.4	Performance Based	2.5%	2.2	4.8	10.4	11.3		
PZENA	\$ 456.5	41.6 Bps	1.7%	4.6	9.9	11.4	16.8		
<b>RUSSELL 1000 VALUE</b>				<b>2.0</b>	<b>6.2</b>	<b>13.2</b>	<b>14.6</b>	<b>17.2</b>	<b>10.7</b>
<b>TOTAL LARGE VALUE</b>	<b>\$ 1,941.6</b>	<b>30.8 Bps</b>	<b>7.3%</b>	<b>3.0</b>	<b>7.0</b>	<b>11.5</b>	<b>14.1</b>	<b>14.5</b>	<b>8.9</b>
<b>LARGE CAP CORE</b>									
WELLINGTON	\$ 741.1	41.3 Bps	2.8%	1.7	3.4	6.9	8.7	12.9	7.7
BARCLAYS	\$ 509.7	26.5 Bps	1.9%	2.7	5.6	9.5	13.1		
<b>S&amp;P 500</b>				<b>2.6</b>	<b>5.7</b>	<b>8.5</b>	<b>10.8</b>	<b>12.3</b>	<b>7.0</b>
<b>TOTAL ACTIVE LARGE CORE</b>	<b>\$ 1,250.8</b>	<b>35.3 Bps</b>	<b>4.7%</b>	<b>2.1</b>	<b>4.3</b>	<b>7.9</b>	<b>10.4</b>	<b>13.1</b>	<b>7.7</b>
SSGA S&P 500 INDEX	\$ 6,808.2	00.3 Bps	25.5%	2.6	5.7	8.5	10.8	12.3	6.9
<b>TOTAL ACTIVE DOMESTIC LARGE CAP</b>	<b>\$ 4,847.4</b>	<b>37.5 Bps</b>	<b>18.2%</b>	<b>2.5</b>	<b>3.8</b>	<b>4.2</b>	<b>7.8</b>	<b>11.6</b>	<b>6.4</b>
<b>SMALL CAP GROWTH</b>									
TIMES SQUARE	\$ 324.6	76.5 Bps	1.2%	1.4	0.2	10.1	13.6	15.8	
CLARIVEST / NICH APPL	\$ 275.6	40.0 Bps	1.0%	-0.5	-5.2				
BATTERYMARCH	\$ 191.2	39.1 Bps	0.7%	1.7	-4.8	2.0	3.0		
TURNER	\$ 215.0	75.0 Bps	0.8%	1.6	-2.9	6.7	11.5		
<b>RUSSELL 2000 GROWTH</b>				<b>0.7</b>	<b>-1.8</b>	<b>4.2</b>	<b>5.9</b>	<b>11.8</b>	<b>10.1</b>
<b>TOTAL SMALL GROWTH</b>	<b>\$ 1,006.4</b>	<b>66.3 Bps</b>	<b>3.8%</b>	<b>1.0</b>	<b>-2.9</b>	<b>5.9</b>	<b>9.3</b>	<b>12.0</b>	<b>5.7</b>
<b>SMALL CAP VALUE</b>									
JL KAPLAN	\$ -		0.0%	0.0	-4.3	3.5	3.7	15.8	12.6
BENSON	\$ 360.3	61.2 Bps	1.4%	2.1	0.6	7.9	11.0	19.8	
TSW	\$ 218.7	66.9 Bps	0.8%	0.6	-1.7	12.0	10.7		
INTEGRITY	\$ 147.3	63.6 Bps	0.6%	1.1	0.3	11.1	14.3		
<b>RUSSELL 2000 VALUE</b>				<b>1.0</b>	<b>2.6</b>	<b>13.3</b>	<b>14.0</b>	<b>19.0</b>	<b>17.0</b>
<b>TOTAL SMALL VALUE</b>	<b>\$ 726.3</b>	<b>63.4 Bps</b>	<b>2.7%</b>	<b>1.4</b>	<b>-0.1</b>	<b>8.2</b>	<b>10.0</b>	<b>18.8</b>	<b>15.6</b>
<b>SMALL CAP CORE</b>									
FIDELITY	\$ 378.6	61.3 Bps	1.4%	1.5	-1.6	5.2	8.1	18.5	14.8
SSGA RUSSELL 2000 INDEX	\$ 393.9	3.3 Bps	1.5%	0.8	0.4	8.7	9.9		
<b>RUSSELL 2000</b>				<b>0.8</b>	<b>0.4</b>	<b>8.7</b>	<b>9.9</b>	<b>15.5</b>	<b>13.8</b>
<b>TOTAL ACTIVE DOMESTIC SMALL CAP</b>	<b>\$ 2,111.3</b>	<b>61.3 Bps</b>	<b>7.9%</b>	<b>1.2</b>	<b>-1.7</b>	<b>6.4</b>	<b>9.0</b>	<b>16.0</b>	<b>13.8</b>
<b>TOTAL EQUITY</b>	<b>\$ 14,161.2</b>		<b>53.1%</b>	<b>2.3</b>	<b>3.7</b>	<b>6.8</b>	<b>9.6</b>	<b>12.8</b>	<b>7.6</b>
<b>TOTAL PORTFOLIO</b>	<b>\$26,652.6</b>		<b>100%</b>	<b>1.7</b>	<b>3.9</b>	<b>5.2</b>	<b>7.2</b>	<b>7.9</b>	<b>7.1</b>