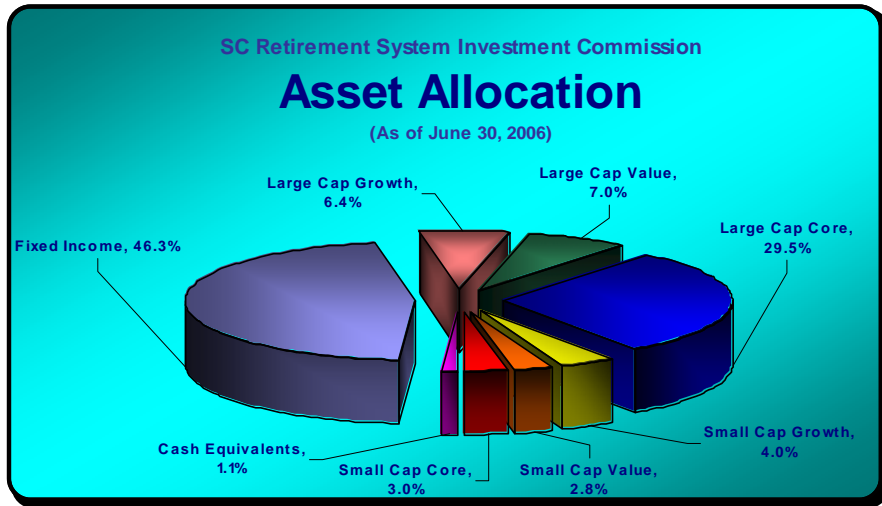


State of South Carolina
Retirement System Investment Commission
Quarterly Report
as of June 30, 2006
Pursuant to SC Code §9-16-90



| Investment Performance (6/30/06) | | | | |
|---|---------|--------|---------|---------|
| Mellon Public Fund Universe – Over \$1 Billion | | | | |
| | Quarter | 1 Year | 3 Years | 5 Years |
| Total Fund Return | -1.5 | 5.1 | 7.0 | 6.1 |
| Policy Benchmark Return | -1.1 | 3.8 | 6.3 | 6.0 |
| Public \$1B+ Median Return | -0.8 | 11.9 | 13.4 | 7.2 |
| <i>Total Fund Percentile Rank^A</i> | 1 | 4 | 5 | 4 |
| Equity Return | -2.6 | 10.5 | 12.8 | 3.3 |
| Russell 3000 | -2.0 | 9.6 | 12.6 | 3.5 |
| <i>Equity Percentile Rank^A</i> | 31 | 41 | 7 | 1 |
| Fixed Income Return | -0.1 | 0.7 | 3.0 | 5.7 |
| Lehman Aggregate | -0.1 | -0.8 | 2.1 | 5.0 |
| <i>Fixed Income Percentile Rank^A</i> | 26 | 72 | 42 | 64 |
| Number of Comparison Funds | 42 | 37 | 35 | 33 |

^A100 is highest, 1 is lowest

Investment Analysis:

- Total fund return was in line with the long-term policy benchmark
- Relative total fund performance was severely impaired due to a lack of diversification
- During the latest quarter, equity portfolio returns lagged the Russell 3000. This can be primarily attributed to significant underperformance by the active large capitalization growth managers
- The fixed income portfolio underperformed the Lehman Brothers Aggregate Index due primarily to an overweight position in longer maturity bonds. An increased cash position insulated the portfolio against the negative effects of rising interest rates

Achievements During the Quarter:

- Amended Statement of Investment of Objectives (SIO); developed and adopted Statement of Investment Policies (SIP)
- Developed and amended Annual Investment Plan (AIP)
- Issued RFP and began search for general investment consulting services
- Developed inputs for asset/liability management study to be conducted by Mercer IC
- Authorized a search for global fixed income manager(s)
- Negotiated contract renewal with AllianceBernstein that included a waiver of SC Code §9-16-360(B); employees or affiliates or subsidiaries are subject to their Code of Business Conduct & Ethics, which is substantively consistent with §9-16-360(B)

Projects in Progress:

- Complete investment consultant search
- Adoption of new asset allocation model
- Recruit investment staff (research and analysis)



Reynolds Williams || James Powers|| Blaine Ewing || Allen Gillespie || Travis Pritchett || Grady Patterson
Robert L. Borden, CFA || Chief Investment Officer
202 Arbor Lake Drive 29223 || PO Box 11960 Columbia, SC 29211
(803)-737-6929



South Carolina Retirement System Investment Commission

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

| | MKT VAL (In Millions) | MGMT Fees | Current Weight | Month | Last Quarter | YTD | 1 Year | 3 Years | 5 Years |
|--|--------------------------|-------------------|-------------------|-------------|-----------------|-------------|-------------|-------------|-------------|
| CASH EQUIVALENTS | | | | | | | | | |
| CASH ACCOUNT | \$ 288.3 | | 1.1% | 0.4 | 1.2 | 2.4 | 4.4 | | |
| 90 DAY T-BILL | | | | 0.4 | 1.2 | 2.2 | 3.9 | 2.3 | 2.2 |
| TOTAL CASH EQUIVALENTS | \$ 288.3 | | 1.1% | 0.4 | 1.2 | 2.4 | 4.4 | | |
| FIXED INCOME | | | | | | | | | |
| CORE BONDS | | | | | | | | | |
| FIXED INCOME PORTFOLIO | \$ 12,029.5 | | 46.3% | 0.3 | -0.1 | -0.5 | 0.7 | 3.0 | 5.7 |
| LB AGGREGATE | | | | 0.2 | -0.1 | -0.7 | -0.8 | 2.1 | 5.0 |
| TOTAL FIXED INCOME | \$ 12,029.5 | | 46.3% | 0.3 | -0.1 | -0.5 | 0.7 | 3.0 | 5.7 |
| EQUITY | | | | | | | | | |
| LARGE CAP GROWTH | | | | | | | | | |
| ALLIANCE CAPITAL | \$ 221.7 | 31.2 Bps | 0.9% | -1.4 | -7.4 | -5.6 | 10.8 | 10.8 | -0.4 |
| SANDS | \$ 363.4 | 48.0 Bps | 1.4% | 0.5 | -7.5 | | | | |
| WCM | \$ 685.4 | 40.5 Bps | 2.6% | 1.9 | -6.4 | | | | |
| LEGG MASON | \$ 384.5 | 66.8 Bps | 1.5% | 0.3 | -8.1 | | | | |
| RUSSELL 1000 GROWTH | | | | -0.4 | -3.9 | -0.9 | 6.1 | 8.3 | -0.8 |
| TOTAL LARGE GROWTH | \$ 1,654.9 | 47.0 Bps | 6.4% | 0.8 | -7.2 | -5.7 | 9.0 | 9.0 | -0.3 |
| LARGE CAP VALUE | | | | | | | | | |
| FLIPPIN, BRUCE AND PORTER | \$ 239.0 | 32.6 Bps | 0.9% | 0.2 | -0.5 | 3.6 | 9.0 | 13.6 | 6.1 |
| ALLIANCE BERNSTEIN | \$ 513.4 | 22.0 Bps | 2.0% | 0.2 | 0.5 | 5.8 | 11.7 | 13.4 | 6.0 |
| ARONSON + JOHNSON + ORITZ | \$ 647.1 | Performance Based | 2.5% | 0.8 | -0.3 | | | | |
| PZENA | \$ 415.2 | 42.2 Bps | 1.6% | -1.7 | -3.2 | | | | |
| RUSSELL 1000 VALUE | | | | 0.6 | 0.6 | 6.6 | 12.1 | 15.7 | 6.9 |
| TOTAL LARGE VALUE | \$ 1,814.7 | 31.4 Bps | 7.0% | 0.0 | -0.8 | 4.3 | 10.6 | 13.1 | 5.2 |
| LARGE CAP CORE | | | | | | | | | |
| WELLINGTON | \$ 716.4 | 41.4 Bps | 2.8% | 0.9 | -0.7 | 3.3 | 10.7 | 12.7 | 3.0 |
| BARCLAYS | \$ 482.6 | 26.6 Bps | 1.9% | 0.3 | -0.9 | 3.7 | 11.5 | | |
| S&P 500 | | | | 0.1 | -1.4 | 2.7 | 8.6 | 11.2 | 2.5 |
| TOTAL ACTIVE LARGE CORE | \$ 1,199.0 | 35.4 Bps | 4.6% | 0.6 | -0.8 | 3.5 | 11.0 | 12.5 | 3.0 |
| SSGA S&P 500 INDEX | \$ 6,442.7 | 00.3 Bps | 24.8% | 0.1 | -1.4 | 2.7 | 8.6 | 11.2 | 2.4 |
| TOTAL ACTIVE DOMESTIC LARGE CAP | \$ 4,668.7 | 35.4 Bps | 18.0% | 0.4 | -3.1 | 0.3 | 9.1 | 11.2 | 2.6 |
| SMALL CAP GROWTH | | | | | | | | | |
| TIMES SQUARE | \$ 323.9 | 76.5 Bps | 1.2% | -0.3 | -4.4 | 9.8 | 20.0 | 18.1 | |
| CLARIVEST | \$ 290.6 | 40.0 Bps | 1.1% | 0.0 | | | | | |
| BATTERYMARCH | \$ 200.9 | 39.1 Bps | 0.8% | 0.3 | -6.1 | 7.2 | 12.9 | | |
| TURNER | \$ 221.3 | 75.0 Bps | 0.9% | -0.9 | -5.4 | 9.9 | 23.8 | | |
| RUSSELL 2000 GROWTH | | | | 0.1 | -7.3 | 6.1 | 14.6 | 16.3 | 3.5 |
| TOTAL SMALL GROWTH | \$ 1,036.8 | 66.0 Bps | 4.0% | 0.1 | -5.1 | 9.1 | 20.4 | 15.7 | -1.8 |
| SMALL CAP VALUE | | | | | | | | | |
| BENSON | \$ 358.1 | 61.3 Bps | 1.4% | -0.1 | -3.3 | 7.2 | 13.2 | 22.3 | |
| TSW | \$ 222.4 | 66.7 Bps | 0.9% | 2.0 | -0.3 | 13.9 | 20.5 | | |
| INTEGRITY | \$ 146.8 | 63.6 Bps | 0.6% | 0.3 | -2.4 | 10.8 | 19.7 | | |
| RUSSELL 2000 VALUE | | | | 1.2 | -2.7 | 10.4 | 14.6 | 21.0 | 13.1 |
| TOTAL SMALL VALUE | \$ 727.3 | 63.4 Bps | 2.8% | 0.6 | -2.2 | 8.3 | 15.7 | 21.8 | 11.3 |
| SMALL CAP CORE | | | | | | | | | |
| FIDELITY | \$ 384.6 | 61.3 Bps | 1.5% | 0.1 | -5.0 | 6.9 | 17.4 | 22.8 | 10.6 |
| SSGA RUSSELL 2000 INDEX | \$ 392.1 | 03.3 Bps | 1.5% | 0.6 | -5.0 | 8.2 | | | |
| RUSSELL 2000 | | | | 0.6 | -5.0 | 8.2 | 14.6 | 18.7 | 8.5 |
| TOTAL ACTIVE DOMESTIC SMALL CAP | \$ 2,148.8 | 64.3 Bps | 8.3% | 0.3 | -4.2 | 8.2 | 17.3 | 20.1 | 7.0 |
| TOTAL EQUITY | \$ 13,652.6 | | 52.6% | 0.3 | -2.6 | 3.0 | 10.5 | 12.8 | 3.3 |
| TOTAL PORTFOLIO | \$ 25,970.3 | | 100% | 0.3 | -1.5 | 1.2 | 5.1 | 7.0 | 6.1 |