

*WASHINGTON STATE
INVESTMENT
BOARD*

*SEVENTEENTH ANNUAL
INVESTMENT REPORT
June 30, 1998*



June 30, 1998

To All Stakeholders:

I am pleased to submit the seventeenth annual report of the Washington State Investment Board (WSIB) for fiscal year 1997 - 1998.

As of June 30, 1998, retirement fund assets were at an all-time high, increasing by \$4.9 billion to \$37.4 billion. The fiscal year investment return of 16.6 percent represents the fourth consecutive year of extraordinary investment performance.

Together with the \$8.5 billion Labor & Industries Funds, the Permanent Funds, Other Trusts, and the two additional investment portfolios placed under the WSIB authority this year - self-directed defined contribution retirement funds (TRS Plan 3) and the State Deferred Compensation Plan - the WSIB manages \$48.1 billion in total as of June 30, 1998.

Contributing to WSIB's excellent performance this fiscal year were both strong domestic public market returns, as well as favorable private market results. The U.S. Equity portfolio returned 28.4 percent, while the Fixed Income portfolio performed well at 10.9 percent. The WSIB's Private Equity investments, such as venture capital and buyout funds, were up 28.8 percent and the Real Estate portfolio was up 12.9 percent. The one exception this year has been the poor performance of the international equity markets, particularly in the far east.

During the upcoming fiscal year (1998-1999) WSIB will begin managing two additional investment portfolios - the Advanced College Tuition Payment Program and the Judges' Supplemental Retirement Program. These additions will bring the total number of separate funds managed by the WSIB to 27 during the coming fiscal year. The legislature also established that WSIB will be trustee of a newly created hybrid self-directed defined contribution retirement plan, the School Employees Retirement System Plan 3, with full investment authority, when it begins operation in the year 2000.

Thanks go to a hard-working and dedicated board and its staff, which devotes untold hours to the creation and implementation of successful investment programs for these many and varied funds under the WSIB's management.

A handwritten signature in cursive script that reads 'George Masten'. The signature is written in black ink and is positioned above a horizontal line.

George Masten, Chair



WASHINGTON STATE
INVESTMENT BOARD

Seventeenth Annual Investment Report (Part 1)

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Part 2 of the Annual Report, "Financial Statements and Schedules of Investments," is an integral part of this Annual Report. It contains detailed listings of WSIB's investment holdings.

HIGHLIGHTS OF FISCAL YEAR 1998

- Total assets managed by WSIB grew to \$48.1 billion by June 30, 1998, an increase of \$7.4 billion from June 30, 1997.
- The Retirement Funds gained 16.6% in the year ending June 30, 1998.
- The Labor & Industries Funds gained up to 14.7% in the year ending June 30, 1998.
- The Permanent Funds gained approximately 11% in the year ending June 30, 1998.
- In March 1998, the WSIB was named trustee for the state's defined contribution retirement programs, with full authority for the investment of Teachers' Retirement System Plan 3, including the self-directed investment funds. This move added \$500 million to the total of WSIB-managed funds.
- In June 1998, the WSIB was named trustee for the State Deferred Compensation Plan, with full authority for the investment of the deferred compensation assets. This added \$1 billion to the total of WSIB-managed funds.
- In the autumn of 1998, WSIB will begin investing the assets of the Advanced College Tuition Payment Program, the new prepaid college tuition plan offered by the state of Washington.
- In the autumn of 1998, WSIB will begin investing the assets of the Judges' Supplemental Retirement Program, a defined contribution supplemental retirement plan invested alongside the State Deferred Compensation Plan.
- Beginning in the year 2000, the WSIB will have full authority for the investment of the new School Employees' Retirement System Plan 3.

WASHINGTON STATE INVESTMENT BOARD

The Washington State Investment Board (WSIB) was created by statute in 1981 to “. . . exercise all the powers and perform all duties prescribed by law with respect to the investment of public trust and retirement funds.” The law goes on to state “. . . the State Investment Board shall have full power to invest, reinvest, manage, contract, or sell or exchange investments acquired.”

Currently, the board has management responsibility for 25 funds which are categorized as either retirement funds (defined benefit and defined contribution), deferred compensation funds, insurance funds, permanent funds, or other trust funds. The board is composed of nine voting members and five non-voting members.

Although governed by an independent board, the WSIB is part of the Executive branch of state government. As a state agency, board members and staff are required to comply with all statutory requirements and rules established for all agencies, officials, and employees in the performance of their public duties.

In order to efficiently analyze investment issues, specific areas of responsibility have been assigned to committees of the board. The committees consist of selected board members and act as extensions of the board. Their functions are to analyze investment issues under their jurisdiction in greater detail than would be possible for the full board. Recommendations are brought to the board at regular meeting dates for a full board vote.

Investment Principle

“The Board shall establish investment policies and procedures designed exclusively to maximize return at a prudent level of risk.” (RCW 43.33A.110)

“The Board shall consider investments not in isolation, but in the context of the investment of the particular fund as a whole and as part of an overall investment strategy, which should incorporate risk and return objectives reasonably suited for that fund.” (RCW 43.33A.140)

“The Board shall diversify the investments of the particular fund unless, because of special circumstances, the Board reasonably determines that the purposes of that fund are better served without diversifying.” (RCW 43.33A.140)

Mission Statement

To invest and to manage the entrusted funds in a manner consistent with statutes, regulations, board policies and the highest standard of professional conduct for the exclusive benefit of fund beneficiaries.

WASHINGTON STATE INVESTMENT BOARD

BOARD-ESTABLISHED COMMITTEES

The board has established four committees which are appointed by the Chair and approved by the board as follows:

Administrative

This committee is responsible for organizational, personnel, budget, and legislative issues, as well as strategic asset allocation matters.

Audit

This committee oversees audit activities and nominates candidates for the nonvoting positions on the Board. In addition, the committee develops and monitors the Code of Conduct for the Board and deals with corporate governance policies and issues.

Private Markets

This committee is responsible for development of policy and structure for private market investments (real estate, venture capital, leveraged buyouts, etc.). The Private Markets Committee also reviews individual real estate transactions, partnerships, and private equity investments for recommendations to the Board.

Public Markets

This committee deals with investments in the public markets, including both debt and equity.

OUTSIDE HELP AND ADVICE

Even with a highly skilled, professional staff, the board must rely on a variety of outside experts to provide advice and counsel, as well as specific investment services. The following list includes the consultants and advisors currently utilized by the board.

Money management firms hired by the board to manage specific portions of the equity portfolio, and other assets managed by general partners in private equity and real estate, are listed on the pages describing those specific investment programs.

Legal Services

- Attorney General of Washington
- Foster, Pepper & Shefelman - Seattle, WA
- Goodwin, Procter & Hoar - Boston, MA
- Morrison & Foerster - Los Angeles, CA
- Preston, Gates & Ellis - Seattle, WA
- Song, Oswald & Mondress - Seattle, WA
- Testa Hurwitz - Boston, MA

Master Custodian

- State Street Bank - Boston, MA

Private Equity Consultant

- Brinson Partners - Chicago, IL

Real Estate Consultant

- Pension Consulting Alliance - Portland, OR

Labor & Industries Portfolio Consultant

- Conning Asset Management - Hartford CT

Investment Accounting Data System

- Financial Control Systems - Chadds Ford, PA

BOARD MEMBERS

Ex-Officio Board Members

Michael J. Murphy	State Treasurer
John F. Charles	Director, Department of Retirement Systems
Gary Moore, Vice-Chair	Director, Department of Labor and Industries

Board Members Appointed by Governor

Patrick McElligott	Representative - Active Member, Law Enforcement Officers' and Fire Fighters' Retirement System
George Masten, Chair	Representative - Retired Member of a State Retirement System
Gerald Morgen	Representative - Active Member, Public Employees' Retirement System

Board Member Appointed by Superintendent of Public Instruction

Tom Morris	Representative - Active Member, Teachers' Retirement System
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Board Member Appointed by Speaker of the House

Tom Huff	State Representative
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Board Member Appointed by President of the Senate

George Sellar	State Senator
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Non-Voting Board Members Appointed by Voting Board Members

Charles Kaminski	Investment Professional
George Lobisser	Investment Professional
Jerome Mathews	Investment Professional
Robert S. Nakahara	Investment Professional
Paula Treneer	Investment Professional

STATE INVESTMENT BOARD STAFF

EXECUTIVE STAFF

James F. Parker

Executive Director

Formerly General Secretary and Chief Executive Officer for the General Board of Pension and Health Benefits of the United Methodist Church headquartered in Evanston, Illinois. Graduate of University of Michigan with a BBA and Garrett-Evangelical with a M. Div. Holds doctorate from Adrian (Michigan) College.

Christopher J. Ailman

Deputy Director for Investments (Chief Investment Officer)

Formerly eleven years as the Chief Investment Officer for the Sacramento County Employees' Retirement System and the County of Sacramento. Previously six years with Kidder Peabody and Dean Witter. Graduate of University of California at Santa Barbara in Business Economics and a Certified Financial Planner from the University of Southern California.

Helen Small

Deputy Director for Operations (Chief Operating Officer)

Seventeen years in public finance, operations, and program management. Formerly Assistant Director for Management Services with the State of Washington and various positions of Director, Deputy Director, and Assistant Administrator with the State of Oregon. Graduate of Eastern Oregon State College and a Certified Government Financial Manager from the Association of Government Accountants.

Beth Vandehey, CPA

Internal Auditor

Executive Support

Sheila Geisler,

Executive Assistant

Ruth Dale,

Administrative Secretary for Investments

Cheryl Evans,

Administrative Assistant for Operations

SENIOR INVESTMENT OFFICERS

William P. Kennett, CFA

Fixed Income

Formerly a securities analyst at the Montana Board of Investments. Graduate of the University of Montana with an MBA and a BS in Business Administration.

Currently Vacant

Private Equity

Nancy Calkins

Public Equity

Formerly Investment Officer for CALPERS, domestic and international external equity manager relations. Graduate with honors Master of Arts in Economics and Business Administration from California State University, Sacramento.

Jeffrey A. Habersetzer

Real Estate

Formerly worked in the real estate related fields of fee appraisal and title insurance, and as a commercial sales and leasing associate. Graduate of University of Washington in Business Administration.

STATE INVESTMENT BOARD STAFF

INVESTMENT STAFF

Investment Officers

David Almodovar, Assistant, Private Equity
Thomas E. Bosworth, Fixed Income
Kellie Craine, CFA, Fixed Income
David Divine, Fixed Income
Steven Draper, Real Estate
Isabelle Fowler, Public Equity
Gary Gallinger, Real Estate
Toni Ritchey, Fixed Income
Tom Ruggels, Public Equity
Donna May Ong, CFA, Fixed Income
Marisa Wulff, Program Management

OPERATIONS STAFF

Investment Accounting

Sam Green, CPA, Investment Accounting Controller
Sandra Machado, Investment Accounting Supervisor
Marian French, Investment Accountant
Nelly Haun, Investment Accountant
Renee Long, Investment Accountant
Waiwanne Willie-Dueber, Settlement Accountant

Business Services

Sandra Joudrey, CPA, Financial Manager
John Lynch, JD, Contracts Specialist
Doug Anderson, Chief Accountant
Kathy Butler, Administrative Assistant
Barbara Darling, Fiscal Technician

Management Services

Scott Huntley, Executive Analyst
Sandra Ufer, Administrative Officer
Kristen Shultz, Human Resource Assistant

Systems and Office Services

Jim Lee, Systems and Office Services Manager
Patricia Sheridan, Office Manager

Tom Edwards, LAN Administrator
Frank Soiza, PC Support Specialist

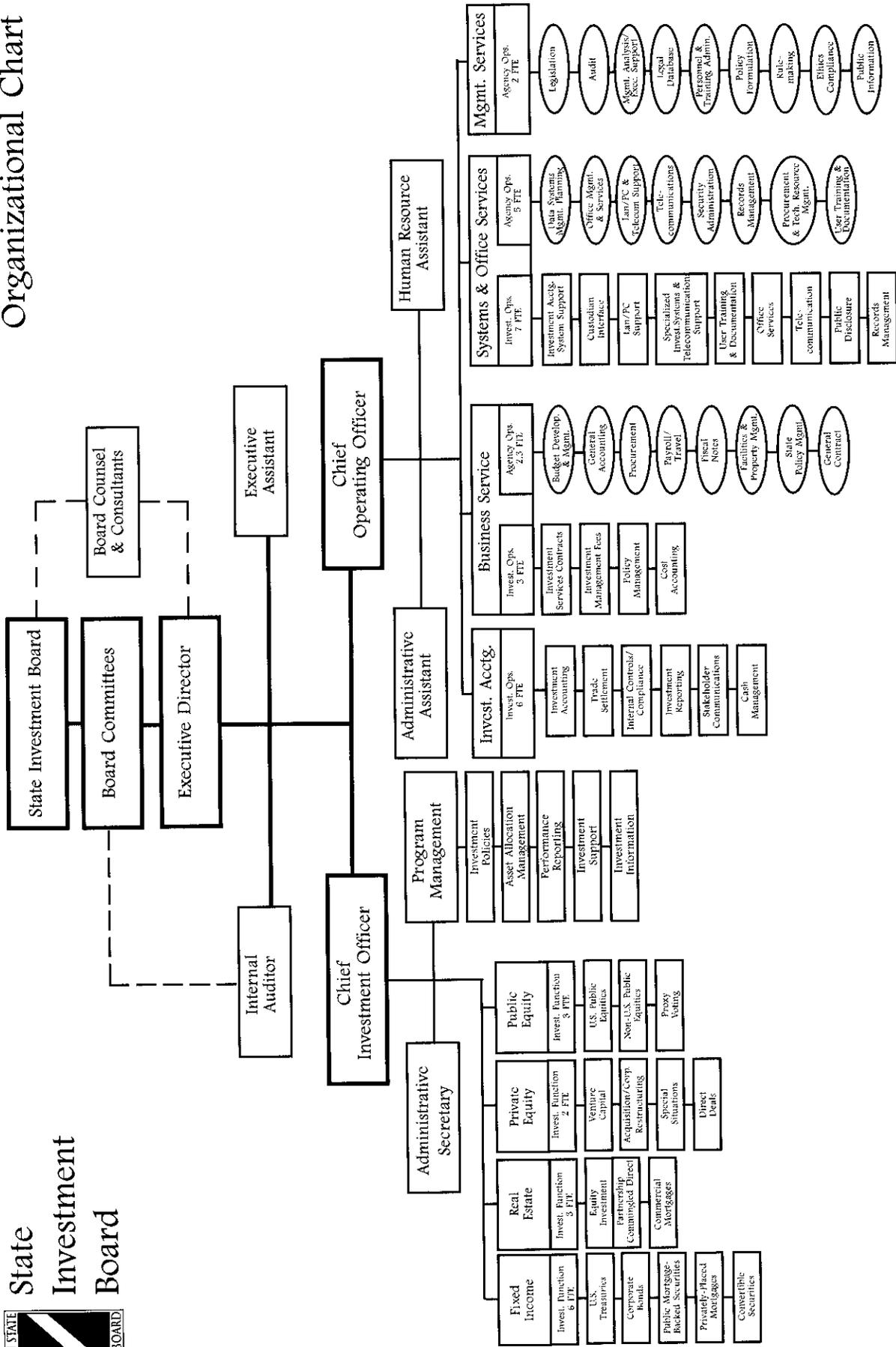
Meagan Brown, Office Assistant
Linda Buchanan, Office Assistant Senior
Celeste Eastman, Office Assistant
Carolyn Hawkey, Office Assistant Senior
Darleen McColley, Office Assistant Senior
Debbie Sanders, Office Assistant Senior

Staff as of September 30, 1998



State Investment Board

Organizational Chart



Investment & Investment Operations Functions:
36.0 FTE

Agency Operations Functions:
12.3 FTE

INVESTMENT RESPONSIBILITY

The Washington State Investment Board has investment responsibility for the following twenty-five funds:

RETIREMENT FUNDS

DEFINED BENEFIT

Public Employees' Retirement System (PERS) Plan 1
Public Employees' Retirement System (PERS) Plan 2
Teachers' Retirement System (TRS) Plan 1
Teachers' Retirement System (TRS) Plan 2/3
Law Enforcement Officers' & Firefighters' (LEOFF) Plan 1
Law Enforcement Officers' & Firefighters' (LEOFF) Plan 2
Judicial Retirement System
Washington State Patrol Retirement System (WSPRS)
Volunteer Firefighters' Relief & Pension Fund

DEFINED CONTRIBUTION

Teachers' Retirement System Plan 3 (Self-Directed)

DEFERRED COMPENSATION FUNDS

State Deferred Compensation Plan

LABOR & INDUSTRIES (INSURANCE) FUNDS

Accident Fund
Medical Aid Fund
Pension Reserve Fund
Supplemental Pension Fund

PERMANENT FUNDS

Agricultural Permanent Fund
Common School Permanent Fund
Millersylvania Park Trust Fund
Normal School Permanent Fund
Scientific Permanent Fund
State University Permanent Fund

OTHER TRUSTS

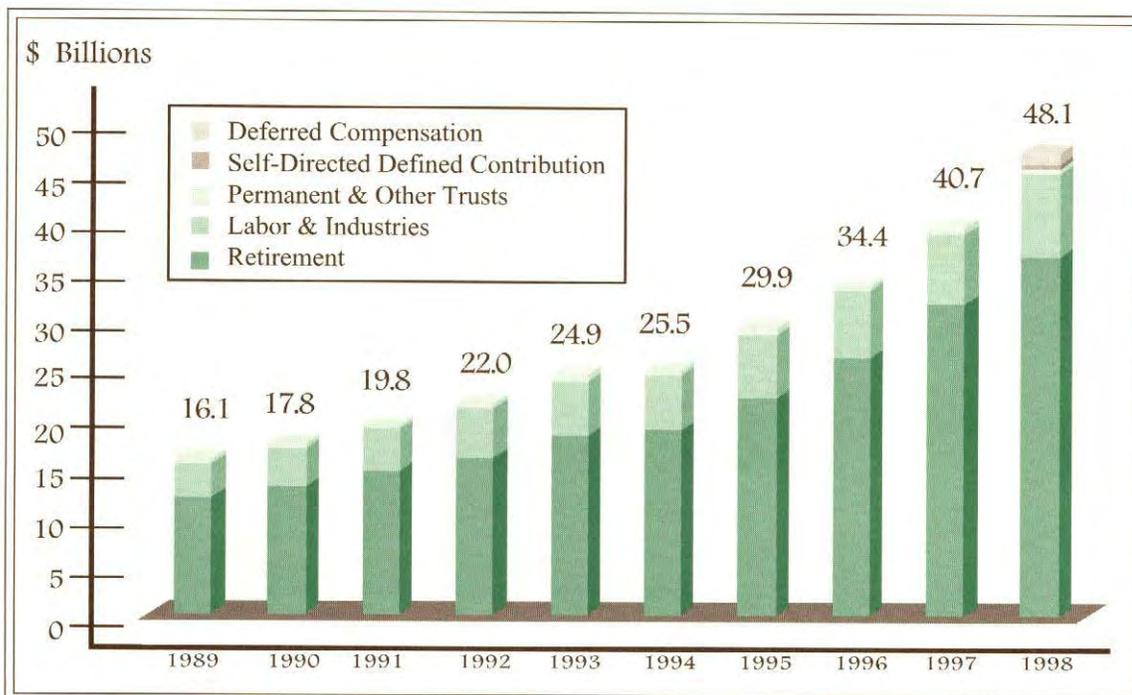
Game and Special Wildlife Fund
State Employees Insurance Reserve
Radiation Perpetual Fund
Reclamation Revolving Fund

ASSETS UNDER MANAGEMENT

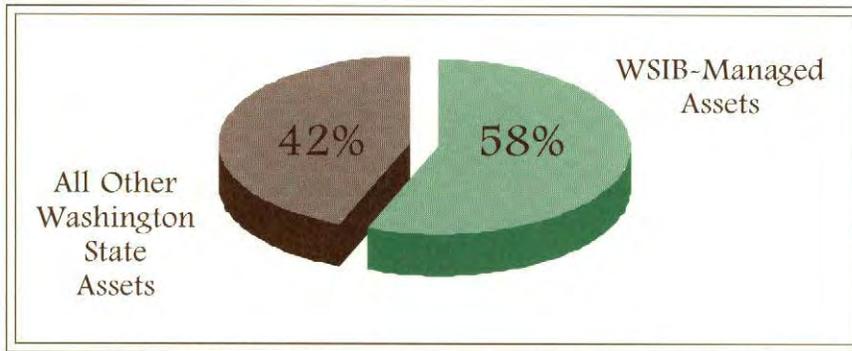
TOTAL ASSETS BY FUND
June 30, 1998
(Millions)

Retirement	\$ 37,401
Self-Directed Defined Contribution	476
Deferred Compensation	1,090
Labor & Industries	8,456
Permanent Funds	594
Other Trusts	43
TOTAL	\$ 48,060

GROWTH OF ASSETS
Past Ten Years
Fiscal Year Ending June 30, 1998



ASSETS UNDER MANAGEMENT



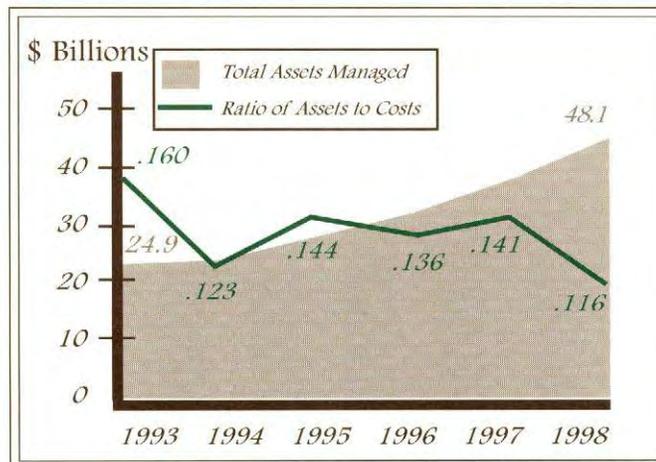
58% of the total State Assets are managed by WSIB
Source: 1998 Washington State CAFR

WSIB COST OF MANAGEMENT (\$'000)

FISCAL YEAR	TOTAL ASSETS	INVESTMENT EXPENSES	OPERATING EXPENSES	TOTAL EXPENSES	RATIO OF ASSETS TO TOTAL COSTS	EXPRESSED IN BASIS POINTS
1993	\$24,934,564	\$36,544	\$3,278	\$39,822	.160%	16.0bp
1994	\$25,468,925	\$28,321	\$3,092	\$31,413	.123%	12.3bp
1995	\$29,900,075	\$39,287	\$3,664	\$42,951	.144%	14.4bp
1996	\$34,418,945	\$43,263	\$3,668	\$46,931	.136%	13.6bp
1997	\$40,654,325	\$53,288	\$4,008	\$57,296	.141%	14.1bp
1998	\$48,060,437	\$51,715	\$4,251	\$55,966 *	.116%	11.6bp

**Total expenditures for 1998 include expenditures borne by participants in defined contribution self-directed investment programs. They do not include Deferred Compensation mutual fund investment costs (also borne by participants) as those are not currently available.*

RATIO OF ASSETS MANAGED TO TOTAL COSTS



While the total assets managed by WSIB have increased steadily, the WSIB's costs, measured as a proportion of assets managed, have trended lower.

STATE INVESTMENT BOARD BUDGET

WSIB is referred to as a “non-general fund” agency for budgetary purposes. The board receives no state tax monies; its funding comes from earnings on the assets managed. Portions of earnings are spent on appropriated and non-appropriated expenses.

THE BIENNIAL BUDGET (Appropriated Expenses)

WSIB follows the same budget process as any other state agency. The board receives a biennial (two-year) appropriation from the legislature, which covers normal department operations, including staff, facilities, equipment, supplies, etc.

The biennial budget is approved by the state legislature every odd-numbered year. The biennial budget funds WSIB from July 1 of the odd-numbered year, following passage of the state budget, to June 30 of the next odd-numbered year.

Like any other state agency, the board cannot operate in a deficit. The appropriated operating expenses are funded based on a formula established by statute whereby each fund invested by WSIB pays a share proportional to the value of the assets of the fund. WSIB’s operating budget is tiny in comparison to the assets managed. Currently, the operating budget is 0.022 percent of the total assets managed (\$48.1 Billion). For Fiscal Year 1998, the appropriated operating expenditures were \$4,250,709 or .009 percent of the total assets managed.

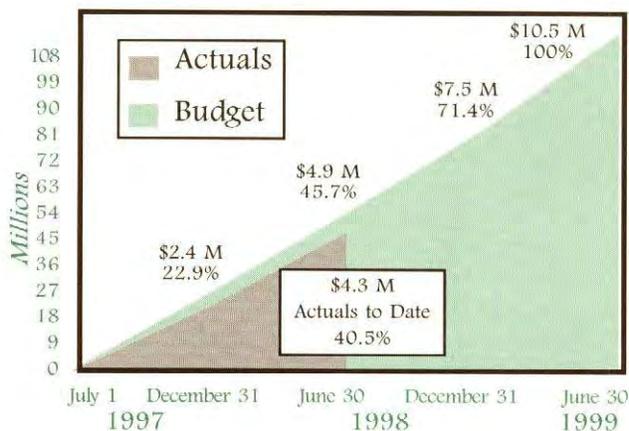
INVESTMENT EXPENSES (Non-Appropriated)

Fees and expenses associated with the management of investments typically include money manager, custodial bank, consultant, and legal fees specifically related to an investment or group of investments. These expenses are classified as non-appropriated expenditures which do not require specific legislative appropriation.

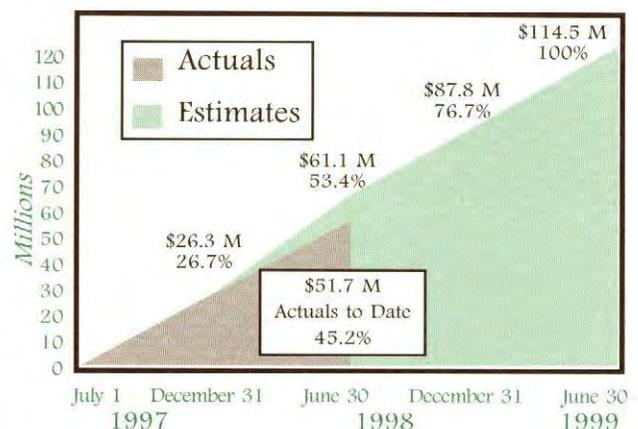
Statutory authority for these expenditures is codified in RCW 43.84.160: “Investment counseling fees payable from earnings. Investment counseling fees established by contract shall be payable from the investment earnings derived from those assets being managed by investment counsel.”

For fiscal year 1998, total non-appropriated expenditures were \$51,715,257 or .108 percent of the total assets managed.

Appropriated Expenditures
as of June 30, 1998



Non-Appropriated Expenditures
as of June 30, 1998



ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 1998

Accrual Basis

OBJECTS OF EXPENDITURE	BUDGET TO DATE	EXPENDITURES TO DATE	BUDGET VARIANCE
<u>Appropriated</u>			
Salaries	\$ 2,497,083	\$ 2,153,168	\$ 343,915
Benefits	565,136	481,621	83,515
Personal Services	706,410	540,480	165,930
Goods & Services	943,704	921,491	22,213
Travel	117,465	127,135	(9,670)
Fixed Assets	33,006	27,314	5,692
Interagency Reimbursements	-	(500)	500
<i>Subtotal Appropriated</i>	<u>\$ 4,862,804</u>	<u>\$ 4,250,709</u>	<u>\$ 612,095</u>
<u>Retirement Funds</u>			
U.S. Equity		\$ 1,762,950	
Non-U.S. Equity		9,888,155	
Private Equity		26,369,312	
Real Estate		4,781,093	
Commercial Mortgages (Fixed Income)		1,321,165	
General Pension Consultants		379,167	
Custodian Bank Fees		1,480,589	
Securities Lending Fees		4,699,210	
<i>Total Retirement</i>		<u>\$ 50,681,642</u>	
<u>Self-Directed Defined Contribution Funds</u>			
Self-Direct Managers		\$ 120,826	
<i>Total Self-Directed DC</i>		<u>\$ 120,826</u>	
<u>Labor & Industries Funds</u>			
Consultants		\$ 105,081	
U.S. Equity		145,720	
Custodian Bank Fees		324,277	
Securities Lending		304,957	
<i>Total L & I</i>		<u>\$ 880,034</u>	
<u>Deferred Compensation Funds</u>			
U.S. Equity		\$ 0	*
Non-U.S. Equity		0	
<i>Total Deferred Compensation Funds</i>		<u>\$ 0</u>	
<u>Permanent/Other Funds</u>			
Custodian Bank Fees		\$ 27,994	
Securities Lending		4,761	
<i>Total Permanent Funds</i>		<u>\$ 32,755</u>	
<i>Subtotal Non-Appropriated</i>		<u>\$ 51,715,257</u>	
TOTAL		<u>\$ 55,965,966</u>	

* The Deferred Compensation Mutual Fund investment costs are not available since they are netted from the price of fund shares. Deferred Compensation program accounting is performed by the Department of Retirement Systems.

Note: The costs shown on this page do not include securities lending broker rebates. The broker rebates are reported in the Financial Statements of Part 2 of the Annual Report.

INVESTING IN WASHINGTON



While the WSIB continually seeks the best investment opportunities no matter where they might be located, the state of Washington is home to many tremendous companies that offer WSIB excellent investment opportunities. Many Washington investments can be found in WSIB's public equity, fixed income, private equity, and real estate portfolios.

In the public markets (public equity and fixed income), the WSIB portfolio contains share ownership in and/or holds debt instruments issued by nearly 100 of the 134 publicly-held companies headquartered in the state of Washington. Among the many Washington companies represented in the WSIB portfolio are:

- Advanced Digital Information
- Alaska Air Group
- Amazon.Com
- Applied Microsystems
- ATL Ultrasound
- Boeing
- Costco Companies
- Eagle Hardware & Garden
- Egghead.Com
- Electric Lightwave
- Garden Botanika
- Immunex
- Interwest Bancorp
- Key Tronics
- Longview Fibre
- Microsoft
- Nextlink Communications
- Nordstrom
- Paccar
- Physio-Control International
- Potlatch
- Puget Sound Energy
- Safeco
- Shurgard Storage Centers
- Spacelabs Medical
- Starbucks
- Washington Mutual
- Washington Water Power
- Weyerhaeuser

The most direct impact SIB investments might have on the Washington economy is in private equity ownership. These investments currently include leveraged buyouts and venture capital investments. Some of the leveraged buyout companies that do a substantial amount of business in Washington include:

- Act III Cinemas
- Gillette
- Motel 6
- Safeway

Venture capital companies that are headquartered in Washington include:

- Cascade Cookie Company
- Data Channel Corporation
- GenQuest
- Tidewater Holdings
- Watchguard Technologies
- Xcyte Therapies, Incorporated

Several of the WSIB's real estate partners and managers have acquired or managed assets located in Washington. The following are some examples:

- One & Two Union Square - Seattle
- Southcenter Corporate Square - Seattle
- 1551 Eastlake Avenue - Tukwila
- Pacific Business Park North - Kent
- Columbia Technology Center - Vancouver

RETIREMENT FUNDS

- Washington Pension System Policy Roles
- Retirement Plans
- Asset Growth
- Fund Performance
- Investment Growth and Returns
- Asset Allocation

- U.S. Equity Program
- Fixed Income Program
- Non-U.S. Equity Program
- Private Equity Program
- Real Estate Program

- Defined Contribution Retirement Plans

WASHINGTON PENSION SYSTEM POLICY ROLES

LEGISLATIVE

HOUSE APPROPRIATIONS & SENATE WAYS AND MEANS COMMITTEES

- Reviews Retirement Funding and Benefit Bills

JOINT COMMITTEE ON PENSION POLICY

- Studies Issues
- Develops Retirement Policy
- Appoints State Actuary
- Recommends Legislation

OFFICE OF STATE ACTUARY

- Performs Actuarial Services
- Advises on Pension Benefit Funding & Investment Policy
- Recommends Actuarial Assumptions and Contributions
- Staffs Joint Committee on Pension Policy

PENSION FUNDING COUNCIL

- Adopts Economic Assumptions
- Establishes Employer Contribution Rate

EXECUTIVE

GOVERNOR

- Appoints Three State Investment Board Members
- Appoints Director of Department of Retirement Systems
- Appoints Director of Department of Labor and Industries

OFFICE OF FINANCIAL MANAGEMENT

- Analyzes Impact of Retirement Legislation
- Advises Governor

OFFICE OF STATE TREASURER

- Receipt and Disbursement Agent
- Member of the Investment Board

DEPARTMENT OF RETIREMENT SYSTEMS

- Collects Contributions
- Maintains Records
- Pays Retirement Benefits
- Provides Member Services
- Member of the Investment Board

EMPLOYEE RETIREMENT BENEFITS BOARD

- Recommends Types of Investment Options for Defined Contribution Retirement Plans
- Advises Department of Retirement Systems

STATE INVESTMENT BOARD

- Trustee for all Defined Benefit and Defined Contribution Plans
- Establishes investment policies
- Invests & Manages Assets for Exclusive Benefit of Fund Beneficiaries
- Authorizes Self-Directed Investment Options for Defined Contribution Retirement Plans
- Monitors and Reports Investment Performance
- Accounts for Investments (except defined contribution)

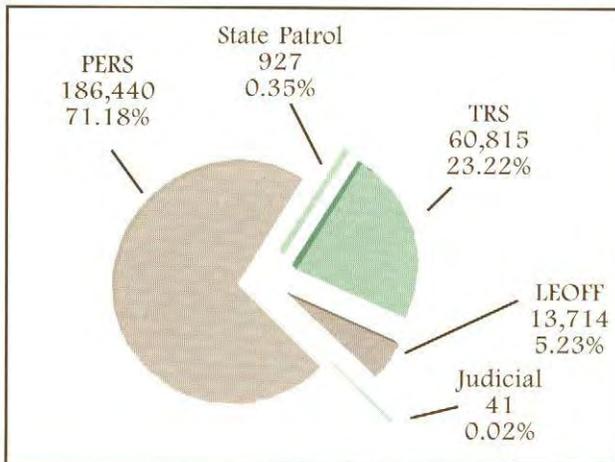
RETIREMENT PLANS

The Department of Retirement Systems (DRS) is the administrative arm of the State's multiple-employer retirement systems. Headed by a cabinet-level director, who also serves as a voting member of the WSIB, DRS provides pension plan coverage to state employees, teachers and classified educational employees; law enforcement officers and fire fighters; and other employees of participating political subdivisions.

The retirement system membership has grown to 371,218 members as of June 30, 1998, including 17,361 inactive members.

Trust fund revenues totaled \$6,789 million for fiscal year 1998 (including TRS Plan 3 Self-Directed). This included \$537 million in member contributions and restorations, \$811 million in employer contributions, \$80 million in General Fund contributions, and \$5,361 million in investment earnings.

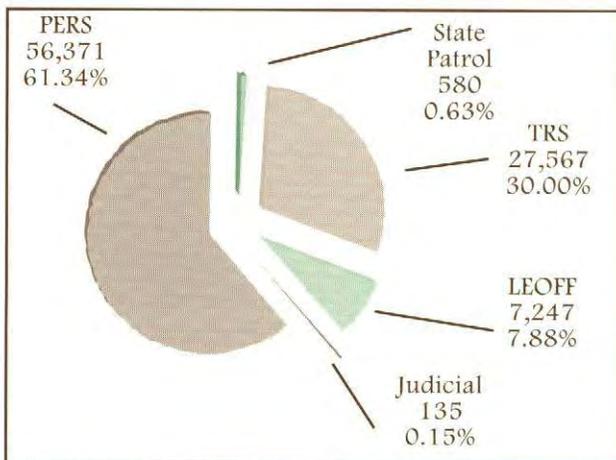
ACTIVE MEMBERS BY SYSTEM



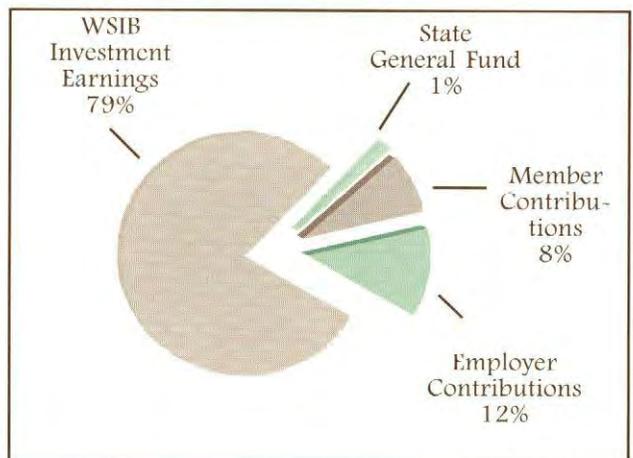
MARKET VALUE AS OF JUNE 30, 1998
\$000

PERS 1	\$	9,448,096
PERS 2		9,363,483
TRS 1		8,248,601
TRS 2/3		3,164,321
LEOFF 1		4,697,528
LEOFF 2		1,728,299
WSP		585,583
Vol FF		103,900
JUDICIAL		6,299
TOTAL	\$	37,346,110 *

RETIRED MEMBERS BY SYSTEM



TRUST FUND REVENUES



* Source: Official accounting records of the Washington State Investment Board. These figures may vary slightly from asset allocation information provided elsewhere in this report due to valuation and classification differences.

ASSET GROWTH

Over the past ten years, the assets of the Retirement Funds have grown from \$10.7 billion to \$37.4 billion (as of June 30, 1998), not including TRS Plan 3 Self-Directed. This growth has three components: employer contribution, employee contribution, and investment return.

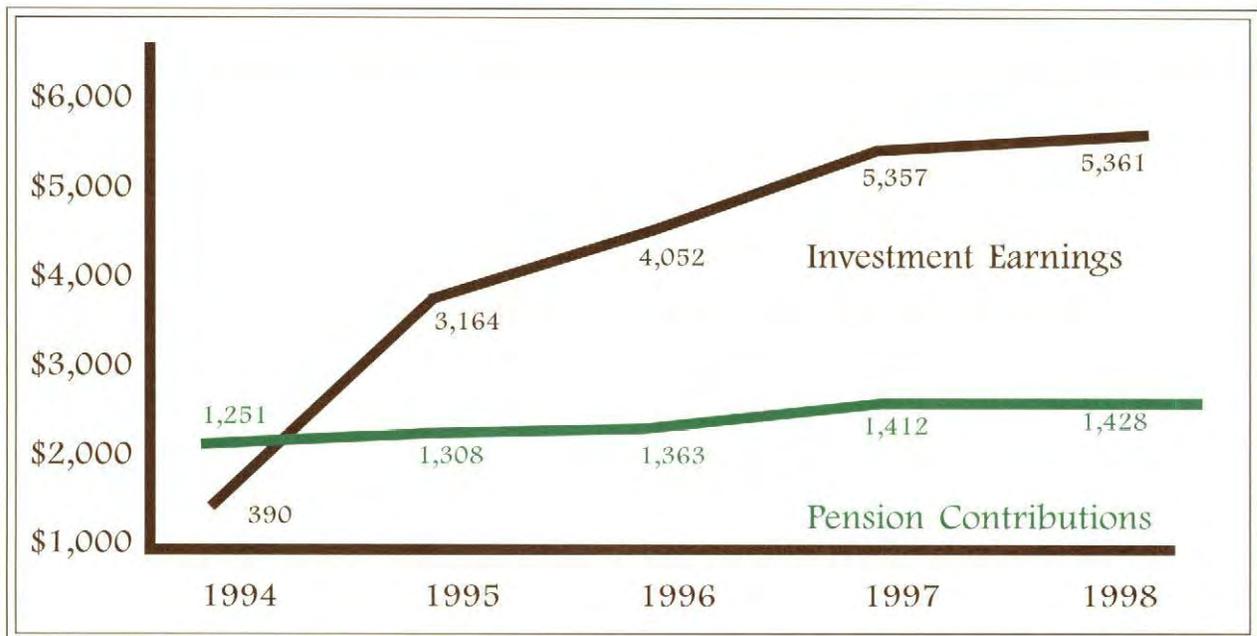
Employer contributions are driven by the obligation of the employer to fund the plan in a systematic and deliberate manner consistent with actuarial projections, existing statutes and availability of funds.

The employee contributions are the most predictable of the three components since most are statutory and less likely to change.

Investment returns are primarily the result of capital market returns and asset allocation. WSIB has no control over capital market returns; it does, however, have control over the Retirement Fund's asset allocation, investment strategies, risk-return objectives, and certain investment decisions. The asset allocation policy is regularly reviewed and revised when appropriate. (See the Asset Allocation section on page 22.)

The long-range objective is to rely largely on investment returns to fund current and future retirement liabilities.

Retirement Trust Fund Revenues
(in Millions)



Note: Investment earnings and pension contributions include Teachers' Retirement System Plan 3 self-directed investment. Source of pension contributions: Department of Retirement Systems. Source of investment earnings: Washington State Investment Board and Department of Retirement Systems (for TRS Plan 3 self-directed investment earnings).

RETIREMENT FUND PERFORMANCE

The Washington State Investment Board measures its performance by the achievement of expected returns on the assets under management, and comparisons to appropriate benchmarks.

An important part of the asset allocation policy process is to set an expectation for performance of the individual asset classes, as well as the Retirement Fund as a whole. Although returns will vary quarterly and annually, the long-term expectation should exceed the actuarially assumed rate over time.

Assets differ in their behavior and volatility. For example, since public market investments can be priced instantaneously, fair market value can be determined with certainty. However, the real estate and private equity investments are very illiquid, are not easily priced, and may take years before offering the expected return to the investor. These characteristics must be kept in mind when reviewing quarterly and annual returns.

RETIREMENT TRUST FUND
Time-Weighted Returns
Periods Ending June 30, 1998

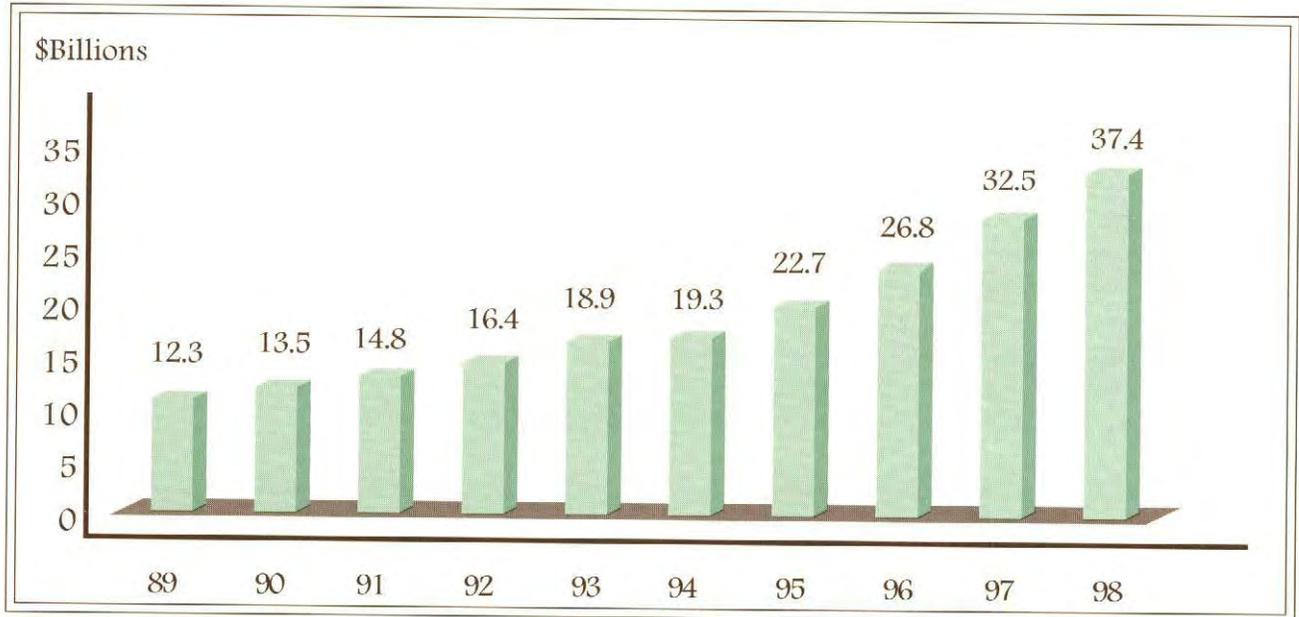
	-----Annualized-----		
	One Year	Three Years	Five Years
TOTAL FUND	16.6%	18.2%	14.5%
<i>TUCS Public Fund Median*</i>	17.6	18.0	14.3
<i>TUCS Total Fund Median*</i>	17.8	18.5	14.8
U.S. EQUITY	28.4%	27.4%	21.1%
<i>S & P 500 Index</i>	30.2	30.2	23.1
<i>Wilshire 5000 Index</i>	28.9	28.1	21.6
FIXED INCOME	10.9%	8.2%	7.2%
<i>Lehman Aggregate Bond Index</i>	10.5	7.9	6.9
CASH	6.1%	5.8%	5.2%
<i>90 Day Treasury Bills</i>	5.5	5.5	5.1
NON-U.S. EQUITY	-6.6%	7.4%	7.2%
<i>MSCI EAFE Index</i>	6.1	10.7	10.0
REAL ESTATE	12.9%	24.8%	19.4%
<i>NCREIF Property Index</i>	17.2	12.0	9.5
PRIVATE EQUITY	28.8%	32.0%	26.7%
KKR Portfolio	33.3%	33.3%	27.6%
Venture and Other Portfolio	16.6%	26.7%	22.3%

* TUCS returns have been adjusted to reflect fees equivalent to those incurred by WSIB.

INVESTMENT GROWTH AND RETURNS

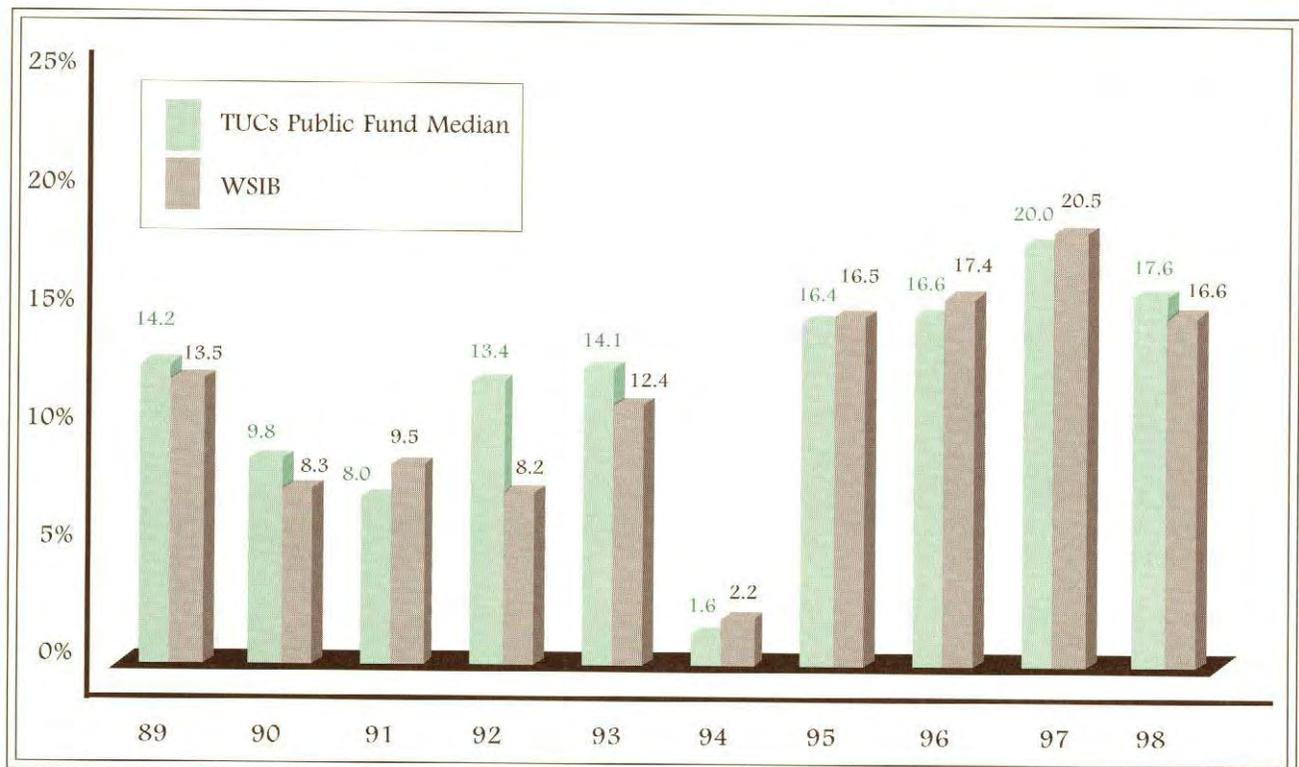
RETIREMENT FUND HISTORICAL MARKET VALUES

Fiscal years ending June 1989 to June 1998



RETIREMENT FUND HISTORICAL RATES OF RETURN

Fiscal years ending June 1989 to June 1998



ASSET ALLOCATION

Investment performance depends on two factors: asset selection and the allocation of the portfolio among asset classes (e.g. stocks, fixed income, real estate). Studies suggest that more than 90 percent of investment performance can be explained by the asset allocation decision.

Accordingly, the Board sets a specific long-term target asset mix and adopts narrow asset ranges around those targets to control the overall risk and return of the Retirement Fund. The Board reviews changes to the asset mix targets every three to four years. On a monthly basis, the Board reviews the asset allocation in relation to the established ranges. Staff shifts assets whenever the allocation range for a set asset exceeds the approved range.

Over the course of the 1997-1998 fiscal year, the exposure to U.S. equities exceeded its range. Correspondingly, the Board and staff liquidated over \$1.5 billion of U.S. equities during the rising bull market in the spring and early summer of 1998. This helped the performance of the fund as U.S. stocks dropped in value in the late summer and fall of 1998. While the shift of assets may have been timed very well with the market movements, it was not the result of trying to forecast or second-guess the stock market. Rather, as described above, it was a calculated policy move to control the overall risk of the Fund.

The last asset allocation study was performed in December 1996. At that time, new asset allocation targets were adopted. The Board shifted ten percent of the assets from fixed income to equity-like assets. Specifically, private equity was increased by five percent, real estate by four percent, and U.S. equity by one percent. Due to the illiquid nature of real estate and private equity as well as the long lead time required to invest funds, the Board adopted a five-year implementation plan to reach the new target. Presently, the Board is well on its way to achieving this plan.

The new asset allocation targets will increase the diversification of the fund by spreading the risk of the fund across several asset classes. At the same time, the shift should result in a higher investment return over a long period. This will give the fund a moderately aggressive long-term investment profile, fitting the primary objective to achieve a maximum rate of return at a prudent level of risk.

RETIREMENT FUND *June 30, 1998*

<u>ASSET CLASS</u>	<u>ALLOCATION</u>		<u>1998</u>	<u>LONG-TERM</u>	
	<u>IN 000'S</u>	<u>PERCENT</u>	<u>YEAR-END</u>	<u>POLICY</u>	
			<u>TARGET</u>	<u>RANGE</u>	
				<u>TARGET</u>	
U.S. Equity *	\$ 15,692,530	42.0	37.6%	+/- 5%	36%
Fixed Income	10,957,956	29.3	29.4%	+/- 4%	25%
Non-U.S. Equity	5,601,455	15.0	15.8%	+/- 3%	15%
Private Equity	3,226,019	8.6	10.9%	-	15%
Real Estate	1,612,162	4.3	6.3%	-	9%
Cash	310,741	0.8	0%	0-5%	0%
TOTAL FUND	\$ 37,400,863				

*Unallocated funds targeted for Private Equity and Real Estate are invested in U.S. Equities and Fixed Income.

Asset allocation information is taken from master custodian records. In some cases, reported numbers may differ slightly from those prepared from WSIB Official Accounting Records due to valuation and classification differences.

U.S. EQUITY PROGRAM

THE PROGRAM

The U.S. Equity Portfolio is structured to capture the returns of the broad U.S. equity market, as measured by the Wilshire 5000 Index. This index is comprised of all listed common equities traded on U.S. exchanges, for which pricing information is available, and currently represents more than 7,000 companies.

The WSIB uses a passively-managed U.S. Equity Market Index Fund to provide broad market exposure similar to the Wilshire 5000. As of June 30, 1998, the WSIB had nearly \$15.7 billion invested in the U.S. Equity Market Index portfolio. Approximately 76 percent of the portfolio consisted of large-capitalization, S & P 500 companies. The remaining 24 percent of the index was comprised of mid-capitalization and small-capitalization companies. Accordingly, the large-cap component of the WSIB U.S. equity portfolio totaled about \$11.9 billion, while the small/mid cap component represented nearly \$3.8 billion.

FISCAL YEAR HIGHLIGHTS

The U.S. equity markets were strong once again in fiscal year 1997-98. Large-cap stocks outperformed small-cap stocks during the year, as the S & P 500 Index returned 30.2 percent, while smaller stocks, as measured by the Wilshire 4500 Index, returned 24.4 percent. The return of the WSIB U.S. equity portfolio was 28.4 percent for the year, slightly below the 28.9 percent return of Wilshire 5000 Index.

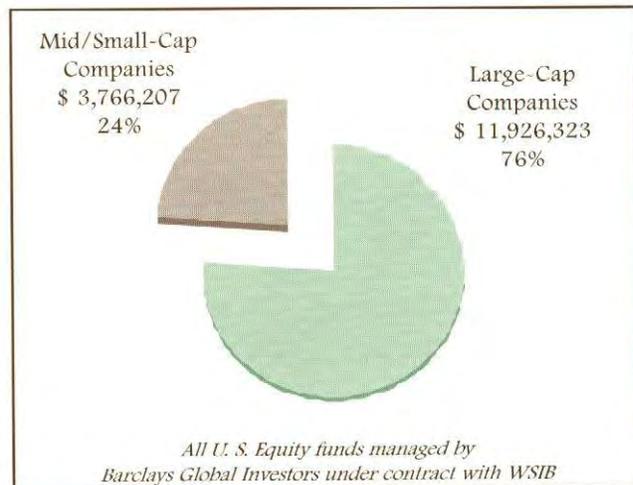
TEN LARGEST EQUITY HOLDINGS

June 30, 1998

General Electric	\$ 391,014,442
Microsoft	351,377,543
Coca Cola	278,075,583
Exxon	230,531,063
Merck & Co.	211,146,176
Pfizer	186,584,375
Wal Mart Stores	179,722,314
Intel	165,165,177
Procter & Gamble	161,104,770
Royal Dutch Petroleum	154,630,886
	\$2,309,352,329

U. S. EQUITY PORTFOLIO

June 30, 1998
(\$ in 000's)



NON-U.S. EQUITY PROGRAM



THE PROGRAM

Markets outside of the U.S. are considered to be less efficient than domestic markets, and therefore provide portfolio diversification as well as additional opportunities to enhance returns.

As of June 30, 1998, the Non-U.S. Equity Program represented 15 percent of the total Retirement Fund. The program consists of a developed markets component and an emerging markets component, employing a combination of active and passive external managers.

The developed markets component represents approximately 89 percent of the program, and is comprised of European and Pacific Basin regional portfolios.

The European allocation is divided among two active managers, Clay Finlay and Mercury Asset Management, and a passive manager, State Street Global Advisors (SSGA). SSGA also manages a passive portfolio in the Pacific Basin region, to complement the portfolios of two active managers, J. P. Morgan and INVESCO.

The Emerging Markets component makes up the remaining 11 percent of the Non-U. S. Equity Program. Genesis Asset Managers, Schroder Capital Management, Foreign & Colonial, and Grantham, Mayo, Van Otterloo & Co. all manage active emerging markets portfolios for the WSIB. In addition, State Street Global Advisors manages an emerging markets liquidity-tier index fund.

FISCAL YEAR HIGHLIGHTS

International stock returns were mixed for the 1997-98 fiscal year. European stocks were strong as the MSCI Europe Index returned 37.1 percent for the year. The Pacific Basin region however, continued to struggle as the MSCI Pacific Index returned -34.6 percent. The emerging markets, measured by the IFC Investable Index, also had a difficult year, returning -38.5 percent.

The WSIB's international composite returned -6.6 percent for fiscal 1998.

NON-U.S. EQUITY PROGRAM

ALLOCATION TO NON-U.S. EQUITY

June 30, 1998

<u>DEVELOPED MARKETS</u>	<u>MARKET VALUE</u> <u>(IN 000'S)</u>
Passive European Manager <i>State Street Global Advisors</i>	\$2,287,693
Active European Managers <i>Clay Finlay Inc.</i>	\$ 338,964
<i>Mercury Asset Management</i>	<u>567,069</u>
Total Active European	\$ 906,033
Passive Pacific Basin Manager <i>State Street Global Advisors</i>	\$1,158,772
Active Pacific Basin Managers <i>INVESCO</i>	\$ 373,325
<i>J.P. Morgan Investment Management</i>	<u>277,205</u>
Total Active Pacific Basin	\$ 650,530
Total Developed Markets	<u>\$5,003,028</u>
 <u>EMERGING MARKETS</u>	
Passive Emerging Markets Manager <i>State Street Global Advisors</i>	\$ 165,834
Active Emerging Markets Managers <i>Foreign & Colonial</i>	\$ 93,788
<i>Genesis Asset Managers</i>	172,868
<i>Grantham, Mayo, Van Otterloo & Co.</i>	76,042
<i>Schroder Capital Management</i>	<u>89,895</u>
Total Active Emerging Markets	\$ 432,593
Total Emerging Markets	<u>\$ 598,427</u>
TOTAL NON-U.S. EQUITY	<u>\$ 5,601,455</u>

FIXED INCOME PROGRAM

THE PROGRAM

Fixed income securities constitute an important component of the portfolios of most institutional investors. Several factors make these instruments attractive in a pension portfolio. Fixed income securities offer diversification from a pure equity portfolio. Somewhat less risky than equities, fixed income securities help control the overall portfolio volatility.

The WSIB domestic fixed income program is internally managed with the Lehman Aggregate Index as the performance benchmark. SIB may invest in the following fixed income instruments:

- U.S. treasuries (TSY) and government agencies (Agency)
- Investment-grade and split-rated corporate bonds (Corp)
- Publicly traded mortgage backed securities (MTG)
- Privately-placed mortgages
- Private placements of corporate debt
- Convertible securities
- Non-dollar bonds
- Asset-backed securities (ABS)
- Real estate mortgages

The fixed income management strategy is primarily one of sector selection. The portfolio is structured to be overweighted or underweighted relative to the index's major sectors: Treasuries, Agencies, Corporates, Mortgage-Backed Securities and Asset-Backed Securities. As of June 30, 1998, the portfolio was underweighted relative to the index in Governments, overweighted in Corporates and Asset-Backed Securities and similar to index weightings in Mortgages.

While the total mortgage allocation differs only slightly from the index's, more than two-thirds of the mortgages are comprised of Collateralized Mortgage Obligations (CMOs), whose structure provides more stable cash flows than standard pass-through mortgages.

Individual sector structures may also be overweighted or underweighted relative to that of the index. For example, the corporate portfolio's allocation to industry and credit rating differ from the index, as do the Mortgage portfolio's allocation to coupon and maturity.

Treasury and Agency debt have the highest credit rating since they are backed by either the U.S. Treasury or governmental agencies. Most mortgage debt has agency equivalent ratings, but some structured product held may be Aaa or Aa. Investment grade Corporate debt ranges from Aaa (the highest) to Baa (the lowest.) More than half of all investment-grade corporate debt issued is A rated. The portfolio's overall credit allocation reflects its large allocation to Corporates, its Corporate concentration in Baa-rated companies, and the mortgage allocation to Agency and Aaa-rated structured mortgage product.

For most of the last year the duration of the portfolio was less than 5 percent longer than that of the index.

FIXED INCOME PROGRAM

FISCAL YEAR HIGHLIGHTS

The economy was strong during fiscal 1998, with low unemployment and low inflation. For the fiscal year, the one-year, ten-year, and thirty-year treasuries returned 5.91 percent, 13.17 percent, and 22.89 percent, respectively. The yield on the thirty-year treasury bond started the fiscal year at 6.78 percent, the high for the year, and then steadily declined, finishing the year at 5.63 percent.

WSIB's fixed income portfolio returned 10.88 percent for the fiscal year, beating the Lehman Aggregate Index return of 10.54 percent. Corporate bonds were the best-performing sector followed by treasuries, mortgage-backed securities, agencies, and asset-backed securities. The portfolio had a slightly longer duration than that of the index and was overweighted in corporate bonds.

ALLOCATION TO FIXED INCOME

June 30, 1998

<u>SECTOR</u>	<u>MARKET VALUE</u> <u>(IN 000'S)</u>
Short - Term	
Cash & Equivalents	\$ 42,467
Less: Pending Trades	(25,301)
Total Short - Term	<u>\$ 17,166</u>
Long - Term	
US Treasuries	\$ 1,958,745
Agencies	400,401
Corporates	4,633,129
Asset Backed	669,049
Mortgages	3,279,826
Total Long - Term	<u>\$ 10,940,790</u>
Total Fixed Income	<u><u>\$ 10,957,956</u></u>

FIXED INCOME PROGRAM

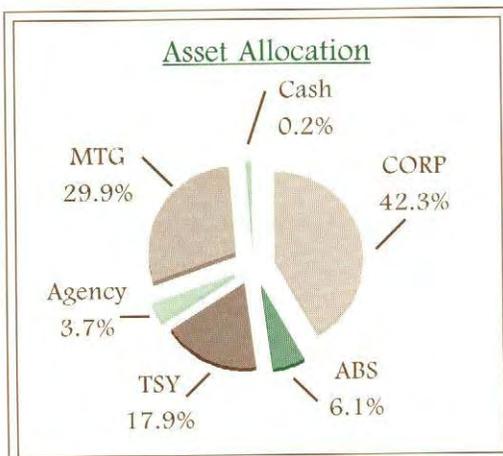
CHARACTERISTICS OF THE FIXED INCOME PORTFOLIO

June 30, 1998

<u>Sector Distribution</u>	<u>WSIB Portfolio</u>	<u>Lehman Aggregate Index</u>
Cash	0.2%	0.0%
Treasury	17.9%	40.6%
Agency	3.7%	7.6%
Corporate	42.3%	20.7%
Asset-Backed	6.1%	1.0%
Mortgages	<u>29.9%</u>	<u>30.2%</u>
	100.0%	100.0%

<u>Credit Distribution</u>	
TSY	17.8%
AGY	19.8%
Aaa	17.3%
Aa	6.2%
A	18.6%
Baa	18.8%
Other	<u>1.5%</u>
	100.0%

<u>Coupon Distribution</u>	
0 - 4.9%	.7%
5 - 6.9%	50.7%
7 - 7.9%	32.0%
8 - 8.9%	11.2%
9 - 9.9%	3.6%
10+	<u>1.8%</u>
	100.0%



<u>Effective Duration</u>	
0 - 1 years	13.7%
1 - 3 years	20.8%
3 - 4 years	13.7%
4 - 6 years	27.8%
6 - 8 years	9.0%
8+	<u>15.1%</u>
	100.0%

PRIVATE EQUITY PROGRAM

THE PROGRAM

Private equity investments range from leveraged buyouts of corporations to the investment of initial capital in start up enterprises. These investments are very long term in nature (up to 12 years) and are highly illiquid during the investment period. They are attractive to sophisticated institutional investors, because over long time horizons private equity investment can offer higher returns than traditional equity investments.

The objective of the SIB private equity portfolio is to achieve over a long term risk adjusted returns of 400 basis points (or four percent) above the U.S. stock market. As discussed in the asset allocation section, in December 1996 the Board adopted a revised asset allocation that raised the private equity asset class target to 15 percent of the total retirement fund. Over the past fiscal year, the Board committed in excess of \$1.2 billion to Private Equity. The portfolio increased in value from \$2.65 billion to \$3.23 billion during the past fiscal year. Under the current plan, the Board will meet the long-term target by year end 2001.

The portfolio is spread across venture capital, (early stage, expansion, or late stage), distressed companies, buyouts of established companies (medium and large companies) and several other strategies. The portfolio continues to be heavily weighted to investments with Kohlberg, Kravis, and Roberts (KKR). Based on commitment levels, KKR investments represent about 45 percent of the fund. Leveraged buyouts, including KKR, represent fifty percent of the portfolio; venture capital represents 20 percent, and international investments represent over ten percent.

Due to the long-term and private nature of these investments, the valuations of these investments are based on conservative estimates. The true return on investment can only be accurately measured upon liquidation of the investment. Many investments are carried at original cost for considerable periods, until some event allows for the estimation of a market value. Such events would include an initial public offering or a commitment to purchase the investment. The valuations contained in this report are made by the General Partners, and reviewed by WSIB consultants in accordance with current accepted accounting practices.

Since the inception of the program in 1981, the fund has achieved a 16.95 percent internal rate of return (IRR), which is net of all fees. The internal rate of return calculation is the industry standard method of investment performance. Time weighted returns are also calculated for the asset class, for the fiscal year 1997-1998; the portfolio earned a 28.8 percent return. Over the past three years, the WSIB Private Equity portfolio had the highest returns among state pension plans.

ALLOCATION TO PRIVATE EQUITY *June 30, 1998*

<u>SUB-ASSET CLASS</u>	<u>MARKET VALUE (000s)</u>
Venture Capital	\$ 193,382
Acquisition/Buyout	2,465,962
Mezzanine	116,197
Distressed/Restructuring	159,404
International	74,137
Other	<u>216,937</u>
TOTAL	\$ 3,226,019

REAL ESTATE PROGRAM

THE PROGRAM

The WSIB's real estate program is an externally managed pool of select partnership investments, intended to provide alternative portfolio characteristics when compared to traditional stock and bond investments. The majority of the WSIB's partnerships invest in institutional-quality real estate assets that are leased to third parties. The combination of income generated from bond-like lease payments, coupled with the hard asset qualities of commercial real estate, combine to generate returns that are expected to fall between the return expectations for fixed income and equities. The real estate portfolio is managed to deliver risk-adjusted returns that are consistent with the Board's long term return expectations for the asset class. The WSIB's real estate partnerships typically invest in private real estate assets that are held for long term income and appreciation. Many of the WSIB's investment partnerships do not involve co-investment with other financial entities, thereby providing the WSIB with control provisions related to liquidation, acquisition, and ongoing operational decisions like annual capital expenditures.

Volatility within the real estate portfolio is minimized through a combination of factors. First, the majority of the WSIB's partners own commercial real estate assets in a private investment form. Private investments are not subject to public market volatility and are generally held at cost or priced using appraisal-based pricing methodology. Second, real estate capital is diversified among a host of partners with varying investment styles. Third, partnership assets are invested in numerous economic regions, including international markets, and in various property types. Fourth, WSIB partners invest at different points within the asset's capital structure.

Each year the WSIB reviews market conditions and makes adjustments to its investment strategy. This strategy establishes funding and return objectives for the real estate program for the ensuing three-year planning period. The current plan forecasts that about one billion dollars in additional WSIB commitments will be required during the next three-year period to meet the Board's allocation objectives. The plan also establishes long term return expectations for the program. The current plan calls for a target benchmark of one to three percent above the NCREIF index.

The WSIB real estate program also oversees an externally managed privately placed commercial mortgage program funded from the WSIB's fixed income allocation. The goal of the program is to originate high quality first mortgages secured by geographically diversified income-producing commercial real estate assets.

FISCAL YEAR HIGHLIGHTS

During fiscal 1998, real estate markets continued their recovery. For the one-year period ending June 30, 1998, the NCREIF Index posted a total net return of 17.2 percent. The WSIB's real estate portfolio returned 12.9 percent for the same time period. Over the past five years, the WSIB Real Estate portfolio has generated the highest returns among state pension plans.

REAL ESTATE PROGRAM

During the fiscal year ending June 30, 1998, WSIB made substantial equity commitments to the following real estate partnerships. WSIB's commitment to the referenced partnerships will take years to be drawn and will not be drawn unless acceptable investment opportunities are found by the WSIB's investment partners.

<u>Name</u>	<u>Partner</u>	<u>WSIB Commitment</u>	<u>Type</u>
Olympia Partners, LLC	TA Assoc.	\$200 Million (follow-on)	Office, Industrial
Home Town America	Transwestern	\$55 Million	Manuf. Housing Communities
M.C.P.I.	Taylor Simpson Group	\$50 Million (follow-on)	Office (Suburban & Downtown)
European Invest. Prop.	PRICOA	\$200 Million	European Office, Ind., Retail
MSREF III Int'l	Morgan Stanley	\$150 Million	Global (Non-U.S.) (All Types)

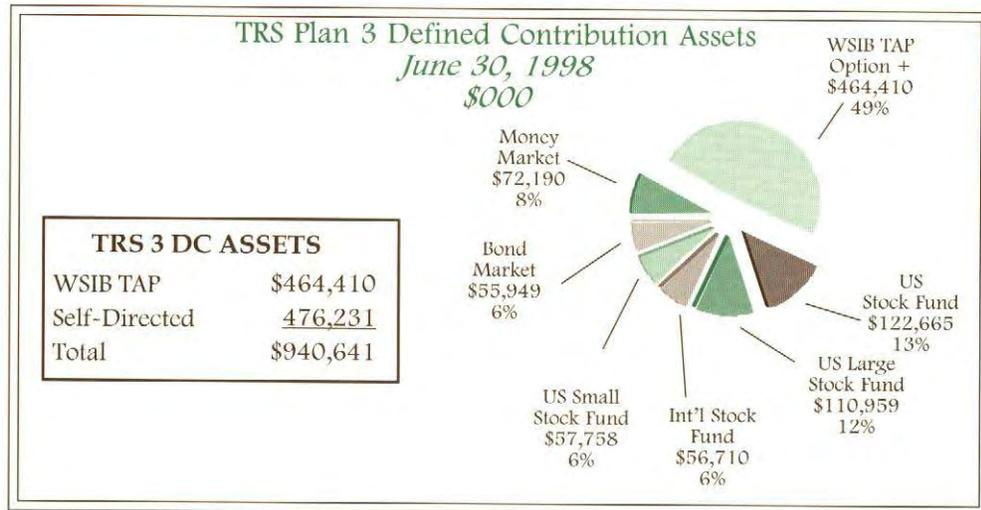
ESTIMATED REAL ESTATE VALUE *June 30, 1998*

<u>ADVISOR / PARTNER</u>	<u>INVESTMENT</u>	<u>MARKET VALUE</u> <u>(IN 000'S)</u>
PM Realty Advisors	America West II	\$ 4,387
Centennial	Centennial	265
Pacific Realty Associates	Pactrust	211,317
Pacific Realty Associates	Pac-SIB	205,349
Pacific Realty Associates	Burlington	16,329
Lowe Enterprises	Union Square	332,324
Lowe Enterprises	Lowe NW	118,290
JE Robert Companies	JER Real Estate Partners	21,533
Sentinel Realty Advisors	SREF	23,509
RREEF	RREEF West 6	279
ERE/Yarmouth	Prime Property	1,674
Security Capital	Security Capital Group	94,871
TA Associates	Olympia Properties	336,955
Morgan Stanley	MSREF III International	0*
Morgan Stanley	MSSS	57,210
Taylor Simpson Group	MCPI	34,013
Hudson Advisors	Lonestar	42,929
Hancock Nat. Res. Group	ForesTree Washington	100,648
Hearthstone	Hearthstone Olympia Homebuilding Partners	10,280
Transwestern	Home Town America	0*
PRICOA	European Investor Properties	0*
		\$ 1,612,162
Total Real Estate Equity		4.3%
Total as Percentage of Retirement Fund Assets		9.0%
WSIB Long-Term Real Estate Allocation Objective		

* Approved but unfunded as of June 30, 1998

DEFINED CONTRIBUTION RETIREMENT PLANS

The Washington State Investment Board became Trustee of the state's defined contribution retirement plans in March, 1998, following the enactment of Substitute Senate Bill 6306 during the 1998 legislative session. The Washington State Legislature has enacted two defined contribution retirement plans, of which only one, Teachers' Retirement System (TRS) Plan 3, is currently active (the new School Employees' Retirement System Plan 3 will begin in September 2000). WSIB is responsible for the investment of defined contribution retirement plan assets and for the provision of self-directed investment options to members of the defined contribution retirement plans. The Department of Retirement Systems is responsible for plan administration, accounting, and record-keeping.



+ The WSIB Total Allocation Portfolio option, the statutory default option for TRS Plan 3, is invested in the Retirement Commingled Trust Fund. These moneys are included in the total for Retirement Funds shown elsewhere in this report. The remaining options are shown elsewhere in this report as self-directed defined contribution funds.

TRS Plan 3 Investment Options
Annualized Performance as of June 30, 1998

<u>FUND</u>	<u>ONE YEAR</u>	<u>THREE YEARS</u>	<u>FIVE YEARS</u>
WSIB TAP Option	17.1%	17.9%	14.2%
<i>Custom Benchmark*</i>	19.0%	18.4%	14.7%
US Stock Fund	27.1%	**	**
<i>Russell 3000 Index</i>	28.8%		
US Large Stock Fund	30.2%	**	**
<i>S & P 500 Index</i>	30.2%		
US Small Stock Fund	15.7%	**	**
<i>Russell 2000 Index</i>	16.5%		
International Stock Fund	5.8%	**	**
<i>MSCI EAFE Index</i>	6.1%		
Bond Market	10.6%	8.0%	**
<i>Lehman Aggregate Index</i>	10.5%	7.9%	
Money Market	5.9%	5.9%	**
<i>IBC's Tier One Index</i>	5.9%	5.9%	

* Custom Benchmark: 50% Wilshire 5000 + 35% Lehman Aggregate + 15% MSCI EAFE

** Fund has not been in existence long enough to provide performance figures for these dates.

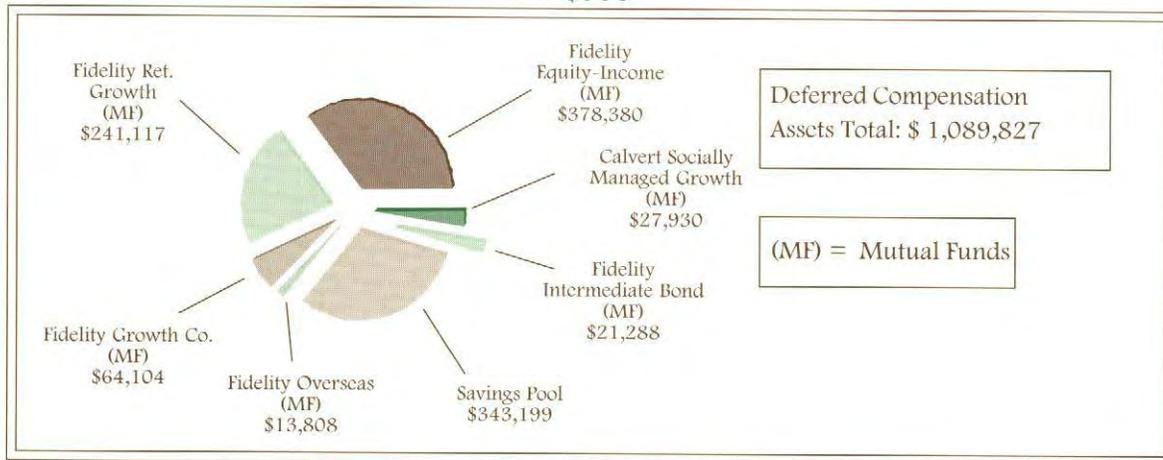
DEFERRED COMPENSATION

- Savings Pool
- Mutual Funds

DEFERRED COMPENSATION

The Washington State Investment Board became Trustee of State Deferred Compensation assets on June 11, 1998, following the enactment of Substitute House Bill 2922 during the 1998 legislative session. WSIB is responsible for the investment of State Deferred Compensation funds and for the provision of investment options to participants in the program. The information on this page has been provided by the Department of Retirement Systems, which is responsible for Deferred Compensation Plan administration, accounting, and record-keeping.

DEFERRED COMPENSATION PLAN ASSETS June 30, 1998 \$000



DEFERRED COMPENSATION PLAN ASSETS Average Annual Total Returns Periods Ending June 30, 1998

	One Year	Three Years	Five Years
Savings Pool	6.8%	6.7%	6.9%
Fidelity Intermediate Bond	8.4%	6.6%	5.8%
<i>Lipper Intermediate Invest. Gradc Debt Funds Average</i>	9.4%	7.1%	6.1%
<i>Lehman Government/Corporate Intermediate</i>	8.5%	6.9%	6.1%
Calvert Socially Managed Growth	21.6%	16.8%	12.2%
Fidelity Equity-Income	23.2%	25.8%	20.2%
<i>Lipper Equity-Income Funds Average</i>	20.9%	23.1%	17.5%
Fidelity Retirement Growth	29.3%	20.9%	17.4%
<i>Lipper Capital Appreciation Funds Average</i>	22.1%	20.3%	16.0%
Fidelity Growth Company	21.0%	21.4%	18.5%
<i>Lipper Growth Funds Average</i>	25.4%	23.8%	18.9%
<i>S & P 500 Index</i>	30.2%	30.2%	23.1%
Fidelity Overseas	10.7%	15.2%	13.4%
<i>Lipper International Funds Average</i>	8.2%	12.8%	12.2%
<i>MSCI EAFE Index</i>	6.1%	10.7%	10.0%

LABOR AND INDUSTRIES FUNDS

- Accident Fund
- Medical Aid Fund
- Pension Reserve Fund
- Supplemental Pension Fund

LABOR & INDUSTRIES FUNDS

In addition to retirement funds, the Legislature also requires the State Investment Board to manage a number of other funds, each with their own goals and objectives. One of these sets of funds are the insurance funds, managed for the Department of Labor and Industries (L & I). The L & I Portfolio consists of four separate insurance funds that total about \$8.5 billion.

ACCIDENT FUND

This fund earns revenue from employer premiums for industrial insurance and investment interest. The primary use is to pay disability benefits for injured workers, such as time loss compensation, permanent partial disability, certain travel and retraining expenses, burial awards, and administrative costs.

MEDICAL AID FUND

The Medical Aid Fund earns income from premiums paid by both the employer and employee, as well as investment earnings. Payments are made for conservative medical care, hospital services, artificial appliances, physical and vocational rehabilitation, travel expenses, any other service required by the injured worker, and administrative costs.

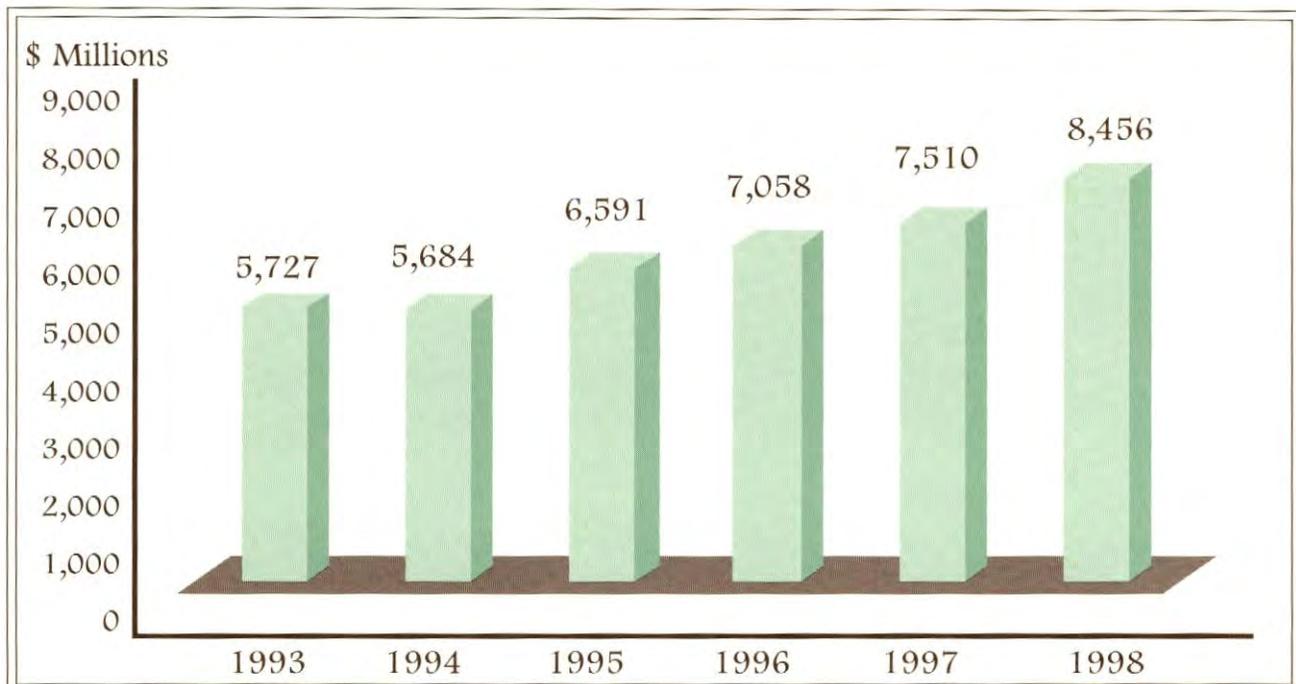
PENSION RESERVE FUND

This fund is maintained by transfers of money from the Accident Fund at the time that a new pensioner is set-up. This pays the permanently disabled worker and survivors of deceased injured workers.

SUPPLEMENTAL PENSION FUND

The Supplemental Pension Fund receives income from employer and employee premiums and investment earnings. These funds are used to supplement time loss and pensions based on older, lower schedules and to compensate for cost of living increases.

HISTORICAL MARKET VALUES *June 30, 1998*



LABOR & INDUSTRIES FUNDS

ASSET ALLOCATION

June 30, 1998

During the past fiscal year the Board adopted tighter asset allocation ranges for the Labor & Industries investment portfolio. The new asset allocation ranges serve as an added risk control to reduce the exposure to more volatile asset classes, such as U.S. and Non-U.S. equity. The new ranges came into play during the late spring as the U.S. equity market moved to extreme highs. In April, the allocation to U.S. equities exceeded the top of the range limit. As a result the Board liquidated \$260 million of U.S. equities during the peak of the U.S. market. This did not represent market timing, but a disciplined approach to risk control. With the subsequent U.S. market decline in the third quarter of 1998, the actions of the Board saved the Labor & Industries investment portfolio over \$40 million dollars.

<u>Asset Class</u>	<u>Market Value</u> <u>(In 000's)</u>	<u>Percent</u>
Short Term		
Cash	\$ 83,838	1.0%
Less: Pending Trades	(22,374)	(0.3)
Total Short-Term	\$ 61,465	0.7%
Long-Term Fixed Income		
US Treasuries	\$ 687,350	8.1%
Government Agencies	339,886	4.0
Corporate Bonds	3,974,139	47.0
Asset Backed Securities	214,744	2.5
Mortgages	1,824,808	21.6
Total Long-Term Fixed	\$7,040,927	83.3%
Equities		
S & P 500 Index	\$ 886,106	10.5%
Extended Markets	277,945	3.3
MSCI EAFE Index	189,105	2.2
Total Equity	\$1,353,156	16.0%
TOTAL	\$8,455,548	100.0%

LABOR & INDUSTRIES FUNDS

TIME-WEIGHTED RETURN

June 30, 1998

	— Annualized —		
	<u>One Year</u>	<u>Three Years</u>	<u>Five Years</u>
Accident Fund	14.7%	9.8%	8.4%
Medical Aid Fund	13.6%	11.7%	9.6%
Pension Reserve Fund	13.7%	11.7%	10.0%
Supplemental Pension Fund	8.1%	7.2%	6.6%

PORTFOLIO CHARACTERISTICS

June 30, 1998

<u>Sector Distribution</u>		<u>Effective Duration</u>	
Treasury	9.8%	0 - 1 years	4.3%
Agency	4.8%	1 - 3 years	23.8%
Corporate	56.4%	3 - 4 years	11.1%
Asset Backed	3.1%	4 - 6 years	20.6%
Mortgages	<u>26.9%</u>	6 - 8 years	12.5%
Total	100%	8+	<u>25.4%</u>
		Total	100%
<u>Credit Distribution</u>		<u>Coupon Distribution</u>	
TSY	8.1%	0 - 4.9%	3.2%
AGY	30.2%	5 - 6.9%	45.7%
AAA	13.4%	7 - 7.9%	32.0%
AA	6.2%	8 - 8.9%	13.5%
A	29.9%	9 - 9.9%	4.8%
BAA	11.2%	10 +	<u>0.8%</u>
Other	<u>1.0%</u>	Total	100%
Total	100%		

*PERMANENT FUNDS
&
OTHER TRUST FUNDS*

- Agriculture Permanent Fund
- Common School Permanent Fund
- Normal School Permanent Fund
- Scientific School Permanent Fund
- State University Permanent Fund
- Millersylvania Park Trust Fund

- Game and Special Wildlife Fund
- State Employees Insurance Reserve
- Radiation Perpetual Fund
- Reclamation Revolving Fund

PERMANENT FUNDS

The WSIB manages assets for six permanent funds each with its own specific purpose and investment constraints. In aggregate, the assets of the Permanent funds total approximately \$594 million. Permanent Funds are considered fiduciary fund types for financial reporting purposes. Operations of these funds must be carried out in compliance with trust indentures, statutes, or regulations. Permanent Funds are non-expendable trust funds in which the investment principal (corpus) remains intact as required by the Washington State laws and regulations. Earnings from these funds (minus expenses) must be either reinvested (added to corpus) or distributed to a beneficiary fund.

The permanent funds are all invested 92%-97% in fixed income instruments with the remainder in cash, except for the Millersylvania Fund which is 100% cash.

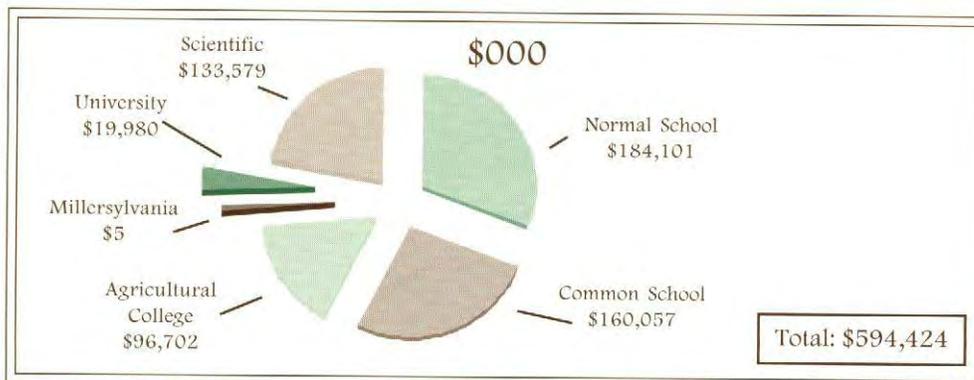
- Agriculture Permanent Fund
- Common School Permanent Fund
- Normal School Permanent Fund
- Scientific Permanent Fund
- State University Permanent Fund

These five funds were established through land grants from the federal government to benefit the Washington State colleges and universities. Proceeds from the sale of land and timber are transferred from the Washington State Department of Natural Resources to the Washington State Investment Board for investment purposes. Investment earnings are distributed to various colleges and universities in the state for the purpose of bond repayment, capital development, and facilities maintenance.

- Millersylvania Park Trust Fund

This fund was established from a gift of cash and securities. The earnings on investments are used for improvement, maintenance, and upkeep of the Millersylvania State Park.

<u>Performance</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>
Agricultural College	10.8%	8.2%	7.2%
Common School	11.1%	8.2%	7.3%
Normal School	11.0%	8.3%	7.2%
Scientific	10.9%	8.2%	7.1%
University	10.7%	8.1%	7.1%
Millersylvania	5.6%	5.6%	5.1%



OTHER TRUST FUNDS

The WSIB manages assets for four other trust funds that total about \$43 million in aggregate. Each fund has its own specific purpose and investment constraints.

All other fund assets are invested in Short-Term holdings except for the Game and Special Wildlife Fund which has \$4,164,165 of a two year agency Medium-Term note and the Reclamation Revolving Fund which holds municipal water district bonds.

➤ Game and Special Wildlife Fund

This fund was created to hold moneys received as compensation for wildlife losses. The WSIB is authorized to invest surpluses in the Special Wildlife Fund. The program is under the authority of the State Fish and Wildlife Commission.

➤ State Employees Insurance Reserve

This fund was created for the purpose of holding and investing reserves needed for the payment of claims in insurance programs under the Health Care Authority. The account is funded from the reserves of the public employees' and retirees' insurance account.

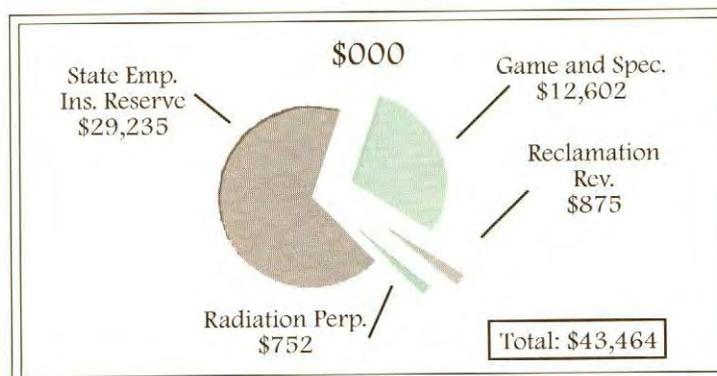
➤ Radiation Perpetual Fund

This fund was created to provide moneys for the maintenance, surveillance, and other care of radioactive materials at sites no longer operating. Funding is from a charge imposed on each pound of uranium or thorium compound milled out of raw ore. The program is under the authority of the Department of Health.

➤ Reclamation Revolving Fund

This fund was created to provide a source of funding for the reclamation and development of lands suitable, and economically available, for development as agricultural lands.

<u>Performance</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>
Radiation Perpetual	5.6%	5.6%	5.1%
Reclamation Revolving	6.8%	6.6%	n/a
Game and Special Wildlife	6.2%	6.1%	5.3%
State Employees' Ins. Reserve	5.6%	5.6%	5.1%



GLOSSARY

Acquisitions/Buyouts. The acquisition of a company or division usually involving leverage or some financial restructuring of the balance sheet.

Active Management. A style of investment management with the objective of attaining excess risk-adjusted performance versus the benchmark as a result of structuring a portfolio differently from the benchmark.

Asset. Anything owned that has value and is measurable in terms of money.

Asset Class. Categories of investments that share certain characteristics and exhibit similar patterns of return.

Benchmark. The performance objective represented by a model portfolio used to define the return against which another portfolio is to be evaluated.

Beneficiary. The recipient of fund benefits.

Commingled Fund. An investment fund in which the manager pools the assets of several trust accounts to permit more efficient management and to reduce administrative costs.

Defined Benefit Plan. A pension plan that promises to pay a specified amount to each person who retires, generally based upon a formula combination of years of service, age at retirement, and final compensation.

Defined Contribution Plan. A pension plan in which the retirement benefit is based solely on the amount contributed to an individual account plus net investment earnings. Members receive a full market rate of return; however, there is no guaranteed rate of return and the value of the member's account will increase or decrease based on fluctuations in the market.

Distressed Entities. The investment of equity or debt capital into an entity with various degrees of management assistance to help fix the underlying problems of the company.

Diversification. A technique of reducing risk by spreading investments among different asset classes, industries and sectors.

Efficient Market. The hypothesis that prices of securities fully reflect all available information.

Ex-officio Member. A member by virtue of office or position.

Fiduciary. One who holds something or acts in trust for another.

Fixed Income. Securities representing debt obligations and having fixed payments and maturities, as opposed to, for example, stock, which has no set dividend payment and/or maturity. Different types of fixed income securities include money market instruments, government and corporate bonds, mortgage-backed securities (including collateralized mortgage-obligations), asset backed securities, preferred stock, and convertible issues.

Index. A group of securities that represents the universe of available investments in a specific class or subclass of assets.

Leveraged Buyout. The purchase of assets or stock in a company using borrowed funds, with the expectation that operation of the company will enable repayment of these funds.

Liquidity. Describes the ease with which assets can be turned into cash.

GLOSSARY

Nonvoting Members. Members, typically experts in the investment and economics fields, who are appointed by the board and act in an advisory capacity.

Passive Management. An investment strategy which seeks to attain specific benchmark performance at a low cost.

Private Debt. The infusion of debt capital into a company or entity with some type of equity participation.

Private Equity. The infusion of equity capital into a company conferring either a controlling interest or significant influence in the company's management.

Risk (investment). The degree of uncertainty and/or the amount of possible loss that characterizes some course of action. The greater the volatility of the investment, the greater the degree of uncertainty of future investment returns.

Self-Directed Investment. An investment program in which the individual members or participants choose the investment vehicles for his/her assets, usually from among a set of investment options provided by the trustee. Members or participants receive a full market rate of return.

Stock. Ownership of a corporation represented by shares that are claim on the corporation's earnings and assets.

Style Risk. Individual managers generally can be categorized as investing in certain segments of the market (e.g., market capitalization size or low/high price earning companies). Style risk is

the degree of uncertainty and/or the amount of possible loss resulting from a style of management that differs from expectations. Style risk can occur either at the manager level, asset class level, or the consolidated portfolio level.

Trustee. A person, agency, bank, or trust company that has responsibility over financial aspects (receipts, disbursements, and/or investment) of funds. One who acts in the capacity of trust as a fiduciary and to whom property has been conveyed for the benefit of another party.

TUCS Public Fund Median. Trust Universe Comparison Services Median return of other public funds.

TUCS Total Funds Median. Trust Universe Comparison Services Median return of corporate and public funds.

Venture Capital. Equity financing of early, expansion, and later stage emerging, small businesses. Companies grow from start-up to medium size businesses, and are then either sold to the public through an Initial Public Offering, or are sold to a trade or financial buyer.

Volatility. In financial matters, volatility of returns is the measurement used to define risk. It describes the spread of annual returns from lowest to highest over a particular period. The greater the volatility, the higher the risk.

Voting Members. The nine voting members of the board. They include four members which represent various stakeholders in the pension systems, three ex-officio members, and one legislator from each house.

The Washington State Investment Board is an equal opportunity and affirmative action employer. Every effort will be made to provide reasonable accommodation and accessibility to WSIB employees and the public we serve.

Special thanks to the following people for their work in producing
WSIB's 1998 Annual Report:

Scott Huntley - Project Supervisor

Patricia Sheridan - Project Coordinator

Debbie Sanders - Graphics and Page Design

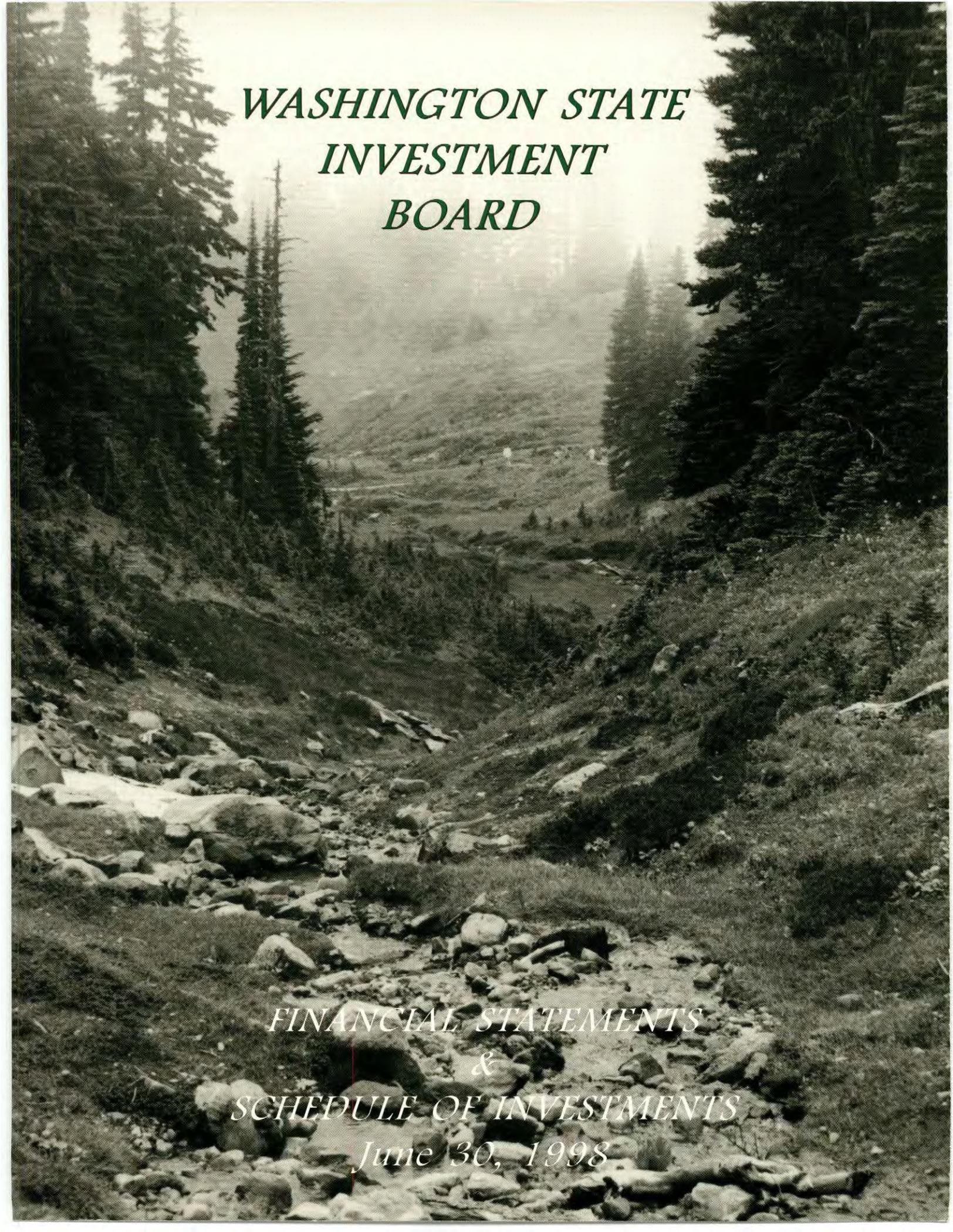
Sam Green - Financial Statements and Schedules

Tom Edwards and Frank Soiza - Technical Support

Tom Ruggels - Cover Photograph



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*WASHINGTON STATE
INVESTMENT
BOARD*

*FINANCIAL STATEMENTS
&
SCHEDULE OF INVESTMENTS
June 30, 1998*



Seventeenth Annual Investment Report (Part 2) Financial Statements and Schedules of Investments

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This is Part 2 of the SIB Seventeenth Annual Investment Report. This booklet does not include information on Teachers' Retirement System Plan 3 self-directed investment or the State Deferred Compensation Plan. Summary information regarding the investment of assets in those programs is provided in Part 1 of the Annual Report. The Department of Retirement Systems is responsible for accounting and reporting on investments for those programs.

RETIREMENT FUNDS

- **Asset Allocation Policy**
- **Notes to Financial Statements**
- **Statement of Investments**
- **Schedule of Participation**
- **Statement of Changes in Investment Balances**
- **Schedule of Investment Expenses**
- **Schedule of Investments**

NOTE:

The accompanying unaudited financial statements and schedules of investments were prepared from the official accounting records of the Washington State Investment Board. Asset allocation information presented in Part 1 of the Annual Report is taken from master custodian records. In some cases, reported numbers may differ slightly due to valuation and classification differences.

The information in this section includes the Teachers' Retirement System (TRS) Plan 3 Total Allocation Portfolio (TAP), but does not include TRS Plan 3 self-directed investment. See Note 5 under Retirement Funds Notes to Financial Statements.

Retirement Fund Asset Allocation
WSIB Policy 2.05.100

Approved by the Board on August 21, 1997

PURPOSE:

This document outlines the asset allocation policy and performance objectives for the Washington State Investment Board (SIB) Commingled Trust Funds (CTF) and supersedes any prior board adopted policies. Retirement funds are invested in the CTF.

The selection of asset classes, the amount invested in each, and the mix among these is the greatest source of return and risk to the CTF. Therefore, the apportionment and management of the asset allocation is the foundation of the investment program and crucial to its success. The Asset Allocation Policy, when viewed along with the respective investment policies in each asset class, constitutes the Board's view of a prudent and well-reasoned approach to the management of the entrusted funds.

POLICY:

Asset Allocation Objectives & Constraints

The asset allocation is to be managed over time to maximize return at a prudent level of risk (RCW 43.33A.110 and RCW 43.33A.140), considered within the contest of the following:

1. The portfolio opportunities lying on the efficient frontier;
2. The Board's comfort level with risk;
3. The inclusion of multiple asset classes.

The asset allocation for the CTF is formally reviewed every three or four years. The balance of the asset mix is reviewed monthly by the staff and Board. The Board delegates to the Executive Director the authority to rebalance the asset mix as required. The staff procedure for rebalancing is delineated in Policy, Volume 3.

Performance Benchmark Objective

The CTF's performance benchmark objective is to exceed the return of a policy benchmark consisting of public market indices weighted according to asset allocation targets. The performance benchmark will adjust in-line with the Board adopted asset allocation implementation plan. Based on the current allocation, the long-term performance objective consists of the following benchmark:

54% Wilshire 5000, 30% Lehman Aggregate, and 16% EAFE (Europe, Australia, Far East).

Components of the performance benchmark will shift gradually from the Lehman Aggregate over to the Wilshire 5000 each year between 1997 to 2002.

Asset Allocation

1. The asset allocation target is established by the Board and matches the broad allocation percentages defined in the performance objective. The target must be considered at all times when making investment decisions.
2. The range around the allocation targets is intended to keep the actual allocation close to the target while minimizing the transactions costs which result from rebalancing. The asset mix may deviate from the target as shown below. Deviations greater than described may require rebalancing back to the target.

Asset Class	1997	1998	1999	2000	Long-Term Target	Policy Range	Asset Class Range
U.S. Equity	40	38	37	36	36%	31-41%	+/- 5
Non-U.S. Equity	16	16	16	15	15%	12-18%	+/-3
Fixed Income	30	29	28	26	25%	21-29%	+/-4
Real Estate	4	6	7	8	9%	0-11%	N/A
Alternative Investments	10	11	12	14	15%	0-16%	N/A
Cash					0%	0-2%	

When an asset class exceeds its range, the goal of rebalancing will be to meet the target allocation within consideration of the other remaining asset classes.

3. The allocation to specific investments within the target allocation is an investment structure decision and will be the responsibility of the appropriate SIB Committee. However, to maintain the expected return and risk posture of the CTF within the context of the objectives and constraints delineated above, the following permissible ranges have been established for specific investments:

Rebalancing Procedure

1. The Board delegates to the Executive Director the authority to rebalance the CTF asset allocations within the procedures established in Policy 3.10.100 (Retirement Fund Asset Allocation Rebalancing).
2. Idle cash will be allocated to asset classes and investment managers based on target allocations.
3. Assets will be rebalanced across asset classes when market values of assets fall outside policy ranges. Rebalancing will be accomplished first using normal cash flows and second through reallocation of assets across asset classes. The timing of the rebalancing will be based on market opportunities and the consideration of transaction costs, and therefore need not occur immediately.
4. Rebalance Within Asset Classes: Rebalancing of public securities will be accomplished first using normal cash flows and second through reallocation of assets within asset classes. This realloca-

tion will be based on individual asset class policies or upon recommendations by the appropriate Committee.

5. The above policy ranges are long-term and may deviate in the short-term as a result of funding schedules, interim market movements and market impact costs of implementation.

Review of Asset Allocation Policy

Market and fund conditions are dynamic, not static. Therefore, the asset allocation policy statement and general CTF investment policy should be reviewed by the Committee at least annually and any suggested changes recommended to the Board. A formal asset/liability review should be completed no less than every three years and more frequently if Fund objectives change.

Reporting

SIB staff will report the actual asset allocation to the Board monthly.

Responsibilities

1. Board - Responsible for approving CTF asset allocation and investment policy and for monitoring allocation maintained within target ranges.
2. Administrative Committee - Responsible for reviewing and recommending the CTF asset allocation and investment policy to the Board.
3. Public/Private Markets Committees - Responsible for structural investments within the asset allocation policy (and appropriate asset class policies) and assisting with allocation management as indicated above.
4. Staff - Responsible for reviewing the asset allocation monthly, monitoring future anticipated cash flow and rebalancing to the targets (shifts across asset classes will be reported as soon as practical to the Board as part of the monthly asset allocation review). Responsible for implementing and maintaining policy and reporting to Administrative Committee and Board.

Washington State Investment Board Retirement Funds

Notes to Financial Statements
June 30, 1998

Note 1: Significant Accounting Policies

Retirement fund investments are reported at fair market value, with the exception of short-term investments, which are reported at cost, and commercial real estate mortgages, which are reported at unpaid principal, adjusted for estimated uncollectibles.

Interest and dividend income is accrued when earned. Capital gains and losses are recognized on a trade date basis. Purchases and sales of investments are also recorded on a trade date basis.

Monthly, the assets of the retirement Commingled Trust Fund are adjusted to fair market value. Unrealized gains and losses are included as investment earnings on the Statement of Changes in Investment Balance.

The WSIB reports collateral received under securities lending agreements where the state has the ability to spend, pledge, or sell the collateral without borrower default. Liabilities resulting from these transactions are also reported. Additionally, costs associated with securities lending transactions, including broker rebates paid, are reported as investment management expenses in the accompanying statements. The Schedule of Investments and Statement of Investments do not include detailed holdings of securities lending collateral by investment classification.

Note 2: The Commingled Trust Fund

The Commingled Trust Fund (CTF) is a diversified pool of investments which is used as an investment vehicle for eight separate retirement plans. These plans hold "units" in CTF, which represent an undivided percentage ownership in the pool of investments. Plans are allowed to purchase or sell units in the CTF, based on the market value of the underlying assets, on the first business day of each month.

In addition to unit ownership in the CTF, each retirement plan holds its own short-term investments. These short-term investments are referred to as "plan-specific investments" in the accompanying financial statements and are used to manage the cash needs of the retirement plans.

Note 3: Fees and Expenses

Investment related fees and expenses are paid from non-appropriated funds. The Schedule of Investment Expenses is a listing of non-appropriated fees and expenses paid during the fiscal year ending June 30, 1998. Not reflected in the schedule, are management fees for many real estate and venture capital investments which are paid from the partnerships, and some commingled equity index funds which are netted directly from investment earnings.

Note 4: Unfunded Commitments

The WSIB has entered into a number of agreements that commit the state, upon request, to make additional investment purchases up to a stated amount. As of June 30, 1998, the state had the following unfunded investment commitments:

Leveraged Buy-outs	\$	591,523,000
Venture Capital		2,058,644,291
Real Estate		251,177,248

Note 5: Teachers' Retirement System Plan 3

The financial information presented in this section includes the Washington State Investment Board Total Allocation Portfolio (TAP) for Teachers' Retirement System (TRS) Plan 3, which is invested in the Commingled Trust Fund. It does not include TRS Plan 3 self-directed investment, which is accounted for and reported on by the Department of Retirement Systems.

**WASHINGTON STATE INVESTMENT BOARD
RETIREMENT FUNDS**

Statement of Investments - Unaudited
June 30, 1998

	COMMINGLED TRUST FUND (NOTE 2)	PLAN-SPECIFIC INVESTMENTS (NOTE 2)	TOTAL	PERCENT OF TOTAL
Short - Term Securities	\$ 407,338,632	\$ 72,400,111	\$ 479,738,743	1.3%
U.S. Government Securities	2,326,032,888		2,326,032,888	6.2%
Mortgages and Mortgage Backed Securities	3,255,605,641		3,255,605,641	8.7%
Asset Backed Securities	668,904,478		668,904,478	1.8%
Corporate Obligations - Domestic and Yankee	4,550,217,113		4,550,217,113	12.2%
Corporate Obligations - Foreign	10,705,379		10,705,379	0.0%
Venture Capital	759,942,962		759,942,962	2.0%
Leveraged Buy-Outs	2,465,962,498		2,465,962,498	6.6%
Real Estate Equity	1,612,161,863		1,612,161,863	4.3%
Corporate Stock - Foreign	1,557,809,463		1,557,809,463	4.2%
Commingled Index Funds - Domestic	15,692,529,624		15,692,529,624	42.0%
Commingled Index Funds - Foreign	3,966,499,239		3,966,499,239	10.6%
Total Market Value, June 30, 1998	\$ 37,273,709,780	\$ 72,400,111	\$ 37,346,109,891	100.0%

See Notes to Financial Statements

WASHINGTON STATE INVESTMENT BOARD
RETIREMENT FUNDS
Statement of Participation - Unaudited
June 30, 1998

<u>RETIREMENT PLAN:</u>	<u>COMMINGLED TRUST FUND (NOTE 2)</u>	<u>PLAN-SPECIFIC INVESTMENTS (NOTE 2)</u>	<u>TOTAL</u>	<u>PERCENT OF TOTAL</u>
PERS I	\$ 9,443,841,675	\$ 4,254,408	\$ 9,448,096,083	25.3%
PERS II	9,331,478,937	32,004,323	9,363,483,260	25.1%
TEACHERS I	8,242,380,209	6,220,433	8,248,600,642	22.1%
TEACHERS II/3 (DC and DB Plans)	3,150,534,625	13,786,571	3,164,321,196	8.5%
VOLUNTEER FIREFIGHTERS	103,894,254	5,414	103,899,668	0.3%
WASHINGTON STATE PATROL	585,273,103	309,951	585,583,054	1.6%
LEOFF I	4,696,584,307	943,608	4,697,527,915	12.6%
LEOFF II	1,719,722,670	8,576,106	1,728,298,776	4.6%
JUDICIAL	-	6,299,296	6,299,296	0.0%
	\$ 37,273,709,780	\$ 72,400,111	\$ 37,346,109,891	100.0%

See Notes to Financial Statements

WASHINGTON STATE INVESTMENT BOARD
RETIREMENT FUNDS
Statement of Changes in Investment Balances - Unaudited
For the Fiscal Year Ended June 30, 1998

	COMMINGLED TRUST FUND (NOTE 2)	PLAN-SPECIFIC INVESTMENTS (NOTE 2)	TOTAL
Net Asset Value - June 30, 1997	\$ 32,414,799,037	\$ 85,171,324	\$ 32,499,970,361
<u>Fiscal Year 1998 Activity:</u>			
Net Receipt from Retirement Plans		\$ (360,875,156)	\$ (360,875,156)
Investments in Commingled Funds	\$ 579,198,326	\$ (579,198,326)	-
Withdrawals from Commingled Funds	\$ (923,425,281)	\$ 923,425,281	-
Investment Earnings (Note 1):			
Income	\$ 945,854,460	\$ 7,403,981	\$ 953,258,442
Capital Gains	8,991,004,374		8,991,004,374
Capital Losses	(695,581,327)		(695,581,327)
Market Gains and Losses (Realized and Unrealized)	(3,810,175,201)		(3,810,175,201)
Investment Expenses (Note 3)	(104,723,206)		(104,723,206)
WSIB Operating Costs		(3,526,993)	(3,526,993)
Net Investment Earnings	\$ 5,326,379,100	\$ 3,876,988	\$ 5,330,256,088
Net Asset Value - June 30, 1998	\$ 37,396,951,182	\$ 72,400,111	\$ 37,469,351,293
<u>Net Asset Value Recap - June 30, 1998:</u>			
Investments (at Market Value)	\$ 37,273,709,780	\$ 72,400,111	\$ 37,346,109,891
Investment Earnings Receivable	174,096,372		174,096,372
Investment Management Fees Payable	(22,188,152)		(22,188,152)
Receivable for Investments Sold	62,856,824		62,856,824
Payable for Investments Purchased	(91,523,642)		(91,523,642)
Collateral Held Under Securities Lending Agreements	1,907,382,819		1,907,382,819
Obligations Under Securities Lending Agreements	(1,907,382,819)		(1,907,382,819)
Total Net Asset Value - June 30, 1998	\$ 37,396,951,182	\$ 72,400,111	\$ 37,469,351,293

See Notes to Financial Statements.

**WASHINGTON STATE INVESTMENT BOARD
RETIREMENT FUNDS**

**Schedule of Investment Expenses *
For the Year Ended June 30, 1998**

PUBLIC EQUITY SECURITIES:

Passive Equity Managers	\$ 1,762,950
International Active Equity Managers	1,923,825
International Passive Equity Managers	511,078
Equity Commissions Paid	4,899,756

FIXED INCOME SECURITIES:

Commercial Mortgages	\$ 1,321,165
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PRIVATE EQUITY:

Venture Capital	\$ 666,828
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REAL ESTATE:

Real Estate	\$ -
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OTHER FEES:

Securities Lending Broker Rebates	\$ 85,516,619
Securities Lending Fees	4,699,210
Consultants and Advisors	1,731,163
Custodians	1,480,589
Legal Fees	210,023

Total Investment Expenses	<u><u>\$ 104,723,206</u></u> **
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* The Schedule of Investment Expenses for the retirement funds is created from the official accounting records of the Washington State Investment Board. It differs significantly from the investment costs set forth in Part 1 of the Annual Report due to the exclusion of certain investment costs and the inclusion of securities lending broker rebates. The investment costs reported in Part 1 of the Annual Report also cover all funds invested by the WSIB (not only retirement funds).

** Total does not include certain investment management fees which are paid from partnerships or netted directly from investment earnings. (See Note 3)

WASHINGTON STATE INVESTMENT BOARD

Retirement Funds

Schedule of Investments - Unaudited

June 30, 1998

<u>DESCRIPTION</u>	<u>MATURITY DATE</u>	<u>COUPON RATE</u>	<u>PAR VALUE OF SHARES</u>	<u>BOOK AND MARKET VALUE</u>
SHORT - TERM SECURITIES:				
CURRENCIES				
Australia-Dollar	N/A	N/A	N/A	852,693
Britain-Pound	N/A	N/A	N/A	28,231
Denmark-Krone	N/A	N/A	N/A	101,407
Finland-Markka	N/A	N/A	N/A	86,758
France-Franc	N/A	N/A	N/A	906,205
Germany-Mark	N/A	N/A	N/A	32,931
Hong Kong-Dollar	N/A	N/A	N/A	1,085,842
Italy-Lira	N/A	N/A	N/A	1,897,900
Japan-Yen	N/A	N/A	N/A	6,364,067
Netherland-Guilder	N/A	N/A	N/A	3,389,229
New Zealand-Dollar	N/A	N/A	N/A	343,304
Norway-Krone	N/A	N/A	N/A	93,008
Singapore-Dollar	N/A	N/A	N/A	776,978
Sweden-Krona	N/A	N/A	N/A	98,814
Switzerland-Franc	N/A	N/A	N/A	1,968,081
<i>TOTAL CURRENCIES</i>				<u>\$18,025,447</u>
CASH EQUIVALENTS				
STATE STREET BANK & TRUST CO-STIF	N/A	N/A	460,143,913	460,143,913
<i>TOTAL CASH EQUIVALENTS</i>				<u>\$460,143,913</u>
US TREASURY BILLS				
U.S.A. TREASURY BILL	11/13/98	-	1,580,000	1,569,382
<i>TOTAL US TREASURY BILLS</i>				<u>\$1,569,382</u>
TOTAL SHORT - TERM SECURITIES				<u><u>\$479,738,743</u></u>
US GOVERNMENT SECURITIES:				
TREASURIES				
U.S.A. TREASURY BOND	5/15/11	13.880	31,000,000	47,042,500

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<u>DESCRIPTION</u>	<u>MATURITY DATE</u>	<u>COUPON RATE</u>	<u>PAR VALUE OF SHARES</u>	<u>BOOK AND MARKET VALUE</u>
U.S.A. TREASURY BOND	8/15/13	12.000	30,000,000	44,479,800
U.S.A. TREASURY NOTE	11/15/03	11.880	49,500,000	63,793,125
U.S.A. TREASURY NOTE	11/15/15	9.880	25,300,000	36,850,968
U.S.A. TREASURY NOTE	5/15/16	7.250	18,000,000	21,088,080
U.S.A. TREASURY NOTE	5/15/17	8.750	67,000,000	90,230,240
U.S.A. TREASURY NOTE	5/15/20	8.750	72,540,000	99,606,125
U.S.A. TREASURY NOTE	2/15/21	7.880	52,500,000	66,617,775
U.S.A. TREASURY NOTE	7/15/99	6.380	100,000,000	100,859,000
U.S.A. TREASURY NOTE	8/15/02	6.380	6,000,000	6,183,720
U.S.A. TREASURY NOTE	2/15/03	6.250	175,300,000	180,394,218
U.S.A. TREASURY NOTE	12/31/98	5.130	15,900,000	15,882,669
U.S.A. TREASURY NOTE	2/15/04	5.880	42,000,000	42,774,480
U.S.A. TREASURY NOTE	3/31/99	5.880	183,000,000	183,543,510
U.S.A. TREASURY NOTE	5/15/04	7.250	160,000,000	173,600,000
U.S.A. TREASURY NOTE	6/30/99	6.750	120,000,000	121,443,600
U.S.A. TREASURY NOTE	8/31/99	6.880	25,000,000	25,375,000
U.S.A. TREASURY NOTE	11/15/04	7.880	59,000,000	66,264,080
U.S.A. TREASURY NOTE	3/31/00	6.880	35,000,000	35,776,650
U.S.A. TREASURY NOTE	5/15/05	6.500	21,000,000	22,164,870
U.S.A. TREASURY NOTE	6/30/00	5.880	28,250,000	28,448,598
U.S.A. TREASURY NOTE	9/30/00	6.130	50,000,000	50,617,000
U.S.A. TREASURY NOTE	2/15/99	8.880	160,095,000	163,346,529
U.S.A. TREASURY NOTE	11/15/99	7.880	69,000,000	71,112,780
U.S.A. TREASURY NOTE	2/15/01	7.750	15,000,000	15,803,850
U.S.A. TREASURY NOTE	2/15/99	5.000	100,000,000	99,703,000
U.S.A. TREASURY NOTE	5/31/01	6.500	42,400,000	43,486,288
U.S.A. TREASURY NOTE	7/15/06	7.000	11,000,000	12,012,330
<i>TOTAL US TREASURIES</i>				<u>\$1,928,500,785</u>
AGENCIES				
FEDERAL HOME LN MTG CORP	3/15/00	8.130	282,058	283,626
FEDERAL HOME LN MTG CORP	9/15/05	8.200	1,147,831	1,246,177
FHLB	2/25/04	9.500	10,000,000	11,796,900
FHLM	6/1/04	7.740	55,000,000	55,884,950
FNMA	4/10/00	9.050	5,000,000	5,277,350
FNMA	10/30/98	4.940	50,000,000	49,914,000
FNMA	1/6/99	5.380	2,000,000	1,997,180

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<u>DESCRIPTION</u>	<u>MATURITY DATE</u>	<u>COUPON RATE</u>	<u>PAR VALUE OF SHARES</u>	<u>BOOK AND MARKET VALUE</u>
FNMA	6/16/00	6.250	21,500,000	21,718,440
FNMA	3/21/06	6.630	25,000,000	26,246,000
FNMA	4/15/03	5.750	100,000,000	100,094,000
FNMA	6/15/05	5.750	100,000,000	99,891,000
FNMA MTN	8/22/05	6.850	12,000,000	12,718,080
TENNESSEE VALLEY AUTHORITY	9/15/34	8.250	10,000,000	10,464,400

TOTAL US AGENCIES

\$397,532,103

TOTAL US GOVERNMENT SECURITIES

\$2,326,032,888

MORTGAGES/MORTGAGE BACKED SECURITIES:

PASS THROUGH MORTGAGES

FHLMC G 10372	8/1/10	6.500	15,865,419	16,016,299
FHLMC GIANT NONGNOME 50-1731	12/1/04	8.000	1,143,030	1,173,743
FHLMC GIANT SWAP 30-4278	7/1/18	9.000	7,509,471	7,994,583
FHLMC GIANT SWAP 30-4281	7/1/18	9.000	7,581,821	8,071,607
FHLMC GIANT SWAP 53-8318	12/1/19	10.000	2,625,001	2,853,009
FHLMC GIANT SWAP 538275	12/1/19	9.000	117,324	124,876
FHLMC GIANT WAM SWAP 30-6660	3/15/19	7.000	1,359,918	1,374,632
FHLMC GNOME 38-0021	5/1/03	9.000	1,638,717	1,686,944
FHLMC GOLD 15YR PL E69929	4/1/13	6.000	17,972,092	17,797,942
FHLMC GOLD 15YR PL E70075	5/1/13	6.000	5,920,924	5,863,550
FHLMC GOLD 15YR PL E70389	5/1/13	6.000	3,004,649	2,975,534
FHLMC GOLD 15YR PL E70485	5/1/13	6.000	7,046,009	6,977,734
FHLMC GOLD 15YR PL E70491	5/1/13	6.000	7,044,991	6,976,725
FHLMC GOLD 15YR PL E70492	5/1/13	6.000	15,098,864	14,952,556
FHLMC GOLD 15YR PL E70494	5/1/13	6.000	3,012,334	2,983,145
FHLMC GOLD 15YR PL E70505	5/1/13	6.000	3,019,774	2,990,513
FHLMC GOLD 15YR PL E70506	5/1/13	6.000	1,006,438	996,686
FHLMC GOLD PL C00335	5/1/24	7.500	28,958,211	29,682,166
FHLMC GOLD PL D63625	9/1/25	7.500	912,222	935,028
FHLMC GOLD PL D65071	11/1/25	7.500	618,597	634,062
FHLMC GOLD PL D65211	11/1/25	7.500	733,725	752,068
FHLMC GOLD PL D65317	11/1/25	7.500	2,248,764	2,304,983
FHLMC GOLD PL D65599	11/1/25	7.500	2,202,266	2,257,323
FHLMC GOLD PL D66023	12/1/25	7.500	786,119	805,772
FHLMC GOLD PL D66145	12/1/25	7.500	652,744	669,063

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FHLMC GOLD PL D66251	12/1/25	7.500	980,623	1,005,139
FHLMC GOLD PL D66447	11/1/25	7.500	711,424	729,210
FHLMC GOLD PL D66700	12/1/25	7.500	822,301	842,858
FHLMC GOLD PL D66758	12/1/25	7.500	450,129	461,382
FHLMC GOLD PL G00748	8/1/27	7.000	43,773,164	44,429,761
FHLMC GOLD PLC00425	10/1/25	7.500	5,858,481	6,004,943
FHLMC GOLD PLC80158	5/1/24	7.500	6,754,946	6,923,820
FHLMC GOLD PLC80321	6/1/25	7.500	1,493,754	1,531,098
FHLMC GOLD PLC80358	11/1/25	7.500	454,830	466,201
FHLMC PC 16-0034	12/1/07	8.500	60,098	62,640
FHLMC PC 16-0037	1/1/08	8.500	64,066	66,776
FHLMC PC 16-0038	2/1/08	8.500	112,534	117,295
FHLMC PC 16-0039	3/1/08	8.500	316,691	330,087
FHLMC PC 16-0040	3/1/08	8.750	57,079	59,786
FHLMC PC 16-0045	5/1/08	8.750	5,766	6,039
FHLMC PC 16-0046	5/1/08	8.750	176,525	184,899
FHLMC PC 16-0047	5/1/08	8.750	55,328	57,953
FHLMC PC 16-0063	10/1/08	9.500	141,834	150,737
FHLMC PC 17-0019	2/1/08	8.500	418,120	435,807
FHLMC PC 17-0029	5/1/10	12.000	174,929	199,123
FHLMC PC 17-0141	9/1/15	11.000	95,505	106,306
FHLMC PC 17-0145	10/1/15	11.000	215,447	240,656
FHLMC PC 17-0147	11/1/15	11.000	982,288	1,106,125
FHLMC PC 17-0149	12/1/15	11.000	249,043	279,785
FHLMC PC 17-0186	8/1/16	9.500	814,691	874,514
FHLMC PC 17-0222	5/1/17	8.500	70,466	74,404
FHLMC PC 36-0003	6/1/17	9.500	902,831	969,333
FHLMC SWAP 18-5401	5/1/12	9.250	289,132	307,995
FHLMC SWAP 25-6790	9/1/15	11.000	59,526	65,359
FHLMC SWAP 26-0847	1/1/17	8.500	6,864	7,248
FHLMC SWAP 28-0417	9/1/16	8.500	1,785	1,885
FHLMC SWAP 28-4973	5/1/08	8.500	6,790	7,028
FHLMC SWAP 28-5569	1/1/17	8.500	52,407	55,345
FHLMC SWAP 28-5709	1/1/17	8.500	100,303	105,909
FHLMC SWAP 28-7894	3/1/17	8.500	75,678	79,922
FHLMC SWAP 28-7948	3/1/17	8.500	30,184	31,874
FHLMC SWAP 28-8409	2/1/17	8.500	27,209	28,735
FHLMC SWAP 28-9135	3/1/17	8.500	58,162	61,105
FHLMC SWAP 28-9144	2/1/17	8.500	27,957	29,522

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FHLMC SWAP 28-9152	3/1/17	8.500	169,537	179,043
FHLMC SWAP 28-9214	3/1/17	8.500	61,963	65,432
FHLMC SWAP 28-9373	4/1/17	8.500	29,248	30,877
FHLMC SWAP 28-9376	3/1/17	8.500	54,592	57,653
FHLMC SWAP 28-9434	4/1/17	8.500	1,247	1,307
FHLMC SWAP 28-9625	2/1/17	8.500	15,299	16,157
FHLMC SWAP 28-9630	3/1/17	8.500	72,802	76,884
FHLMC SWAP 28-9884	4/1/17	8.500	296,849	313,493
FHLMC SWAP 29-0070	4/1/17	8.500	3,792	3,925
FHLMC SWAP 29-0303	4/1/17	8.500	82,185	86,786
FHLMC SWAP 29-0815	4/1/17	8.500	111,785	118,043
FHLMC SWAP 29-1140	4/1/17	8.500	6,070	6,409
FHLMC SWAP 29-1274	4/1/17	8.000	1,346,624	1,411,424
FHLMC SWAP 29-1424	3/1/17	8.500	42,215	44,582
FHLMC SWAP 29-1470	4/1/17	8.500	23,241	24,544
FHLMC SWAP 29-1802	4/1/17	8.500	26,337	27,809
FHLMC SWAP 29-2075	4/1/17	8.500	38,232	40,376
FHLMC SWAP 29-2320	3/1/17	8.500	74,516	78,694
FHLMC SWAP 29-2624	5/1/17	8.500	38,522	40,679
FHLMC SWAP 29-4102	5/1/17	8.500	12,724	13,432
FHLMC SWAP 29-4881	6/1/17	8.000	256,210	268,539
FHLMC SWAP 29-9465	6/1/17	8.000	97,157	101,812
FHLMC SWAP 30-3198	3/1/18	8.000	18,252	19,134
FMLMC GOLD 15YR PL E00549	4/1/13	6.000	47,295,173	46,836,883
FNMA 15 YR PL 322608	5/1/11	6.500	549,104	552,876
FNMA 15 YR PL 329775	1/1/11	6.500	413,813	416,656
FNMA 15 YR PL 339802	5/1/11	6.500	441,084	444,114
FNMA 15 YR PL 364927	4/1/13	6.000	475,163	469,964
FNMA 15 YR PL 395063	4/1/13	6.000	9,826,417	9,718,916
FNMA 15 YR PL 396000	3/1/13	6.000	448,703	443,794
FNMA 15 YR PL 398280	3/1/13	6.000	10,397,945	10,284,191
FNMA 15 YR PL 398467	4/1/13	6.000	4,927,586	4,873,678
FNMA 15 YR PL 398468	4/1/13	6.000	4,399,981	4,351,845
FNMA 15 YR PL 398745	3/1/13	6.000	63,433	62,739
FNMA 15 YR PL 420870	3/1/13	6.000	3,932,531	3,889,509
FNMA 15 YR PL 421145	4/1/13	6.000	39,308	38,878
FNMA 15 YR PL 421595	4/1/13	6.000	4,910,446	4,856,725
FNMA 15 YR PL 422917	4/1/13	6.000	4,037,102	3,992,936
FNMA 15 YR PL 422925	4/1/13	6.000	4,861,652	4,808,465

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FNMA 15 YR PL 424328	4/1/13	6.000	1,002,471	991,504
FNMA 15 YR PL 424651	5/1/13	6.000	574,836	568,547
FNMA 15 YR PL 425482	4/1/13	6.000	6,846,434	6,771,534
FNMA 15 YR PL 425867	4/1/13	6.000	1,483,377	1,467,149
FNMA 15 YR POOL # 421630	4/1/13	6.000	388,364	384,115
FNMA 15 YR POOL #313700	8/1/12	7.000	26,850,600	27,337,133
FNMA 15 YR POOL 250697	10/1/11	7.000	2,782,117	2,835,144
FNMA 15 YR POOL 251418	11/1/07	7.000	1,743,994	1,774,688
FNMA 15 YR POOL 251428	12/1/12	7.000	15,908,707	16,196,972
FNMA 15 YR POOL 398005	11/1/12	7.000	3,720,238	3,787,649
FNMA 15 YR POOL 399121	11/1/12	7.000	4,418,609	4,498,674
FNMA 15 YR POOL 399598	11/1/12	7.000	3,717,619	3,784,982
FNMA 15 YR POOL 406517	12/1/12	7.000	3,059,385	3,114,821
FNMA 15 YR POOL 408761	12/1/12	7.000	2,936,941	2,990,158
FNMA 15 YR POOL 409041	12/1/12	7.000	2,856,059	2,907,811
FNMA 15YR 344166	6/1/11	6.500	439,561	442,581
FNMA 15YR 346538	5/1/11	6.500	443,684	446,732
FNMA 16 YR PL 250613	6/1/11	6.500	819,194	824,822
FNMA 20YR	4/1/16	6.500	185,254	185,543
FNMA 20YR	4/1/16	6.500	715,558	716,675
FNMA 20YR	3/1/16	6.500	94,429	94,577
FNMA 20YR	4/1/16	6.500	1,148,709	1,152,190
FNMA 20YR	4/1/16	6.500	1,010,778	1,013,538
FNMA 20YR	4/1/16	6.500	685,982	687,855
FNMA 20YR	5/1/16	6.500	787,579	789,965
FNMA 20YR	5/1/16	6.500	953,959	956,563
FNMA 20YR	5/1/16	6.500	1,071,138	1,074,062
FNMA 20YR	4/1/16	6.500	1,169,220	1,172,412
FNMA 20YR	5/1/16	6.500	1,194,396	1,197,657
FNMA 20YR	5/1/16	6.500	148,587	148,993
FNMA 20YR	5/1/16	6.500	911,063	913,550
FNMA 20YR	4/1/16	6.500	2,075,827	2,082,117
FNMA 20YR	5/1/16	6.500	450,125	451,354
FNMA 20YR PL 250582	4/1/16	6.500	1,440,359	1,442,606
FNMA 20YR PL 250591	5/1/16	6.500	2,116,553	2,119,855
FNMA 20YR PL 298169	3/1/16	6.500	444,202	444,895
FNMA 20YR PL 338386	4/1/16	6.500	455,185	455,895
FNMA 20YR PL 338403	5/1/16	6.500	2,573,313	2,577,327
FNMA 20YR PL 338427	5/1/16	6.500	1,843,705	1,848,738

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FNMA CA 7423	5/1/14	11.250	184,664	208,150
FNMA CL 2463	9/1/15	11.000	346,989	388,364
FNMA DWARF PL 324308	9/1/08	6.500	33,429,466	33,698,573
FNMA GL 6222	4/1/16	9.000	2,670,067	2,828,883
FNMA MEGA 70449	12/1/19	11.000	3,211,066	3,620,797
FNMA MEGA 70453	12/1/19	10.500	1,855,447	2,069,696
FNMA PL 050763	7/1/08	7.000	1,333,135	1,359,678
FNMA PL 050965	1/1/24	6.500	81,746	81,797
FNMA PL 073014 OLIVE TOWER APT	6/1/20	9.020	1,476,079	1,515,288
FNMA PL 219662	8/1/23	7.000	890,558	903,631
FNMA PL 227422	8/1/23	7.000	1,962,690	1,991,502
FNMA PL 278016	4/1/24	6.000	2,795,656	2,735,381
FNMA POOL # 251613	3/1/28	6.500	28,274,030	28,158,954
FNMA POOL # 373097	3/1/28	6.500	6,267	6,242
FNMA POOL # 406279	3/1/28	6.500	6,909	6,881
FNMA POOL # 411026	3/1/28	6.500	5,525	5,503
FNMA POOL # 416150	3/1/28	6.500	64,777	64,514
FNMA POOL # 416153	3/1/28	6.500	5,698	5,674
FNMA POOL # 416155	4/1/28	6.500	6,104,376	6,079,531
FNMA POOL # 416357	2/1/28	6.500	10,655	10,611
FNMA POOL # 416647	3/1/28	6.500	74,982	74,677
FNMA POOL # 417063	3/1/28	6.500	5,316	5,294
FNMA POOL # 417065	3/1/28	6.500	3,914,821	3,898,888
FNMA POOL # 417316	3/1/28	6.500	4,935,708	4,915,619
FNMA POOL # 417326	2/1/28	6.500	5,958	5,934
FNMA POOL # 417566	3/1/28	6.500	7,750,950	7,719,404
FNMA POOL # 417759	3/1/28	6.500	7,887,434	7,855,332
FNMA POOL # 417827	3/1/28	6.500	6,311,803	6,286,114
FNMA POOL # 417856	3/1/28	6.500	12,762,511	12,710,568
FNMA POOL # 417901	3/1/28	6.500	1,933,233	1,925,364
FNMA POOL # 417916	3/1/28	6.500	6,955,667	6,927,357
FNMA POOL # 419368	3/1/28	6.500	3,742,801	3,727,567
GNMA 1 310560	8/15/21	8.500	269,781	285,628
GNMA 1 SF 178138	8/15/21	8.500	440,482	466,356
GNMA 1 SF 183602	12/15/21	8.500	114,561	121,291
GNMA 1 SF 184777	11/15/21	8.500	198,152	209,791
GNMA 1 SF 202092	6/15/21	8.500	321,164	340,029
GNMA 1 SF 255739	6/15/21	8.500	21,641	22,912
GNMA 1 SF 278964	5/15/21	8.500	429,886	455,137

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GNMA 1 SF 282707	11/15/19	8.500	352,375	373,602
GNMA 1 SF 294371	7/15/21	8.500	79,639	84,317
GNMA 1 SF 294485	6/15/21	8.500	23,464	24,843
GNMA 1 SF 295503	7/15/21	8.500	270,940	286,855
GNMA 1 SF 296059	5/15/21	8.500	129,387	136,988
GNMA 1 SF 296567	2/15/21	8.500	190,822	202,031
GNMA 1 SF 298100	5/15/21	8.500	54,692	57,905
GNMA 1 SF 298323	6/15/21	8.500	256,242	271,293
GNMA 1 SF 298355	9/15/21	8.500	62,836	66,527
GNMA 1 SF 298516	5/15/21	8.500	47,181	49,952
GNMA 1 SF 298598	12/15/21	8.500	1,610,235	1,704,820
GNMA 1 SF 298756	5/15/21	8.500	31,488	33,338
GNMA 1 SF 299113	6/15/21	8.500	105,947	112,171
GNMA 1 SF 299457	5/15/21	8.500	58,759	62,210
GNMA 1 SF 299966	6/15/21	8.500	49,823	52,749
GNMA 1 SF 300164	6/15/21	8.500	30,251	32,028
GNMA 1 SF 300180	7/15/21	8.500	24,519	25,959
GNMA 1 SF 301253	7/15/21	8.500	24,426	25,861
GNMA 1 SF 301296	5/15/21	8.500	126,485	133,915
GNMA 1 SF 301362	5/15/21	8.500	174,904	185,178
GNMA 1 SF 301691	7/15/21	8.500	172,697	182,842
GNMA 1 SF 302066	6/15/21	8.500	12,228	12,946
GNMA 1 SF 303333	6/15/21	8.500	429,691	454,931
GNMA 1 SF 304083	7/15/21	8.500	7,695	8,147
GNMA 1 SF 304222	4/15/21	8.500	136,072	144,065
GNMA 1 SF 304229	7/15/21	8.500	52,108	55,169
GNMA 1 SF 304673	6/15/21	8.500	53,587	56,735
GNMA 1 SF 304677	8/15/21	8.500	189,104	200,212
GNMA 1 SF 304909	3/15/21	8.500	5,304	5,616
GNMA 1 SF 305295	7/15/21	8.500	144,247	152,720
GNMA 1 SF 305397	5/15/21	8.500	220,004	232,927
GNMA 1 SF 305424	6/15/21	8.500	131,845	139,589
GNMA 1 SF 305680	8/15/21	8.500	200,862	212,660
GNMA 1 SF 305722	6/15/21	8.500	27,883	29,521
GNMA 1 SF 305800	5/15/21	8.500	361,139	382,352
GNMA 1 SF 305900	7/15/21	8.500	37,956	40,185
GNMA 1 SF 305956	7/15/21	8.500	44,804	47,436
GNMA 1 SF 305957	6/15/21	8.500	91,746	97,135
GNMA 1 SF 306080	8/15/21	8.500	78,221	82,816

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GNMA 1 SF 306129	10/15/21	8.500	211,023	223,419
GNMA 1 SF 306346	6/15/21	8.500	65,624	69,479
GNMA 1 SF 306448	7/15/21	8.500	134,718	142,631
GNMA 1 SF 306540	10/15/21	8.500	111,500	118,050
GNMA 1 SF 306617	5/15/21	8.500	296,865	314,303
GNMA 1 SF 306673	8/15/21	8.500	316,174	334,746
GNMA 1 SF 306871	6/15/21	8.500	452,771	479,366
GNMA 1 SF 307150	7/15/21	8.500	34,983	37,038
GNMA 1 SF 307425	11/15/21	8.500	401,130	424,693
GNMA 1 SF 307608	6/15/21	8.500	63,895	67,648
GNMA 1 SF 307626	7/15/21	8.500	192,486	203,793
GNMA 1 SF 307705	5/15/21	8.500	410,144	434,236
GNMA 1 SF 307780	6/15/21	8.500	147,364	156,021
GNMA 1 SF 307793	5/15/21	8.500	15,230	16,124
GNMA 1 SF 307797	5/15/21	8.500	345,499	365,793
GNMA 1 SF 307859	5/15/21	8.500	174,017	184,239
GNMA 1 SF 307895	6/15/21	8.500	247,823	262,380
GNMA 1 SF 307914	6/15/21	8.500	195,495	206,979
GNMA 1 SF 307926	6/15/21	8.500	93,631	99,131
GNMA 1 SF 307938	6/15/21	8.500	161,237	170,708
GNMA 1 SF 308571	5/15/21	8.500	86,949	92,056
GNMA 1 SF 308658	5/15/21	8.500	193,194	204,542
GNMA 1 SF 308905	7/15/21	8.500	188,642	199,722
GNMA 1 SF 309021	6/15/21	8.500	94,572	100,127
GNMA 1 SF 309220	5/15/21	8.500	92,607	98,047
GNMA 1 SF 309221	5/15/21	8.500	150,946	159,813
GNMA 1 SF 309442	7/15/21	8.500	53,077	56,195
GNMA 1 SF 309461	8/15/21	8.500	13,491	14,284
GNMA 1 SF 309875	8/15/21	8.500	168,584	178,487
GNMA 1 SF 309950	7/15/21	8.500	281,311	297,836
GNMA 1 SF 310213	6/15/21	8.500	159,135	168,483
GNMA 1 SF 310334	8/15/21	8.500	105,871	112,090
GNMA 1 SF 310529	7/15/21	8.500	115,394	122,172
GNMA 1 SF 310530	7/15/21	8.500	269,633	285,471
GNMA 1 SF 310562	8/15/21	8.500	208,777	221,040
GNMA 1 SF 310595	9/15/21	8.500	92,341	97,765
GNMA 1 SF 310843	8/15/21	8.500	417,344	441,859
GNMA 1 SF 311090	8/15/21	8.500	41,104	43,518
GNMA 1 SF 311340	8/15/21	8.500	100,027	105,902

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GNMA 1 SF 311350	11/15/21	8.500	92,722	98,169
GNMA 1 SF 311660	7/15/21	8.500	37,187	39,372
GNMA 1 SF 311807	8/15/21	8.500	67,058	70,997
GNMA 1 SF 311994	7/15/21	8.500	174,260	184,496
GNMA 1 SF 312980	12/15/21	8.500	184,612	195,456
GNMA 1 SF 313010	7/15/21	8.500	108,954	115,353
GNMA 1 SF 313022	8/15/21	8.500	401,272	424,843
GNMA 1 SF 313176	7/15/21	8.500	295,906	313,287
GNMA 1 SF 313225	10/15/21	8.500	147,033	155,670
GNMA 1 SF 313899	10/15/21	8.500	13,540	14,335
GNMA 1 SF 315047	10/15/21	8.500	251,800	266,591
GNMA 1 SF 315174	7/15/22	8.500	278,894	294,841
GNMA 1 SF 315277	10/15/21	8.500	30,536	32,330
GNMA 1 SF 316731	9/15/21	8.500	136,758	144,791
GNMA 1 SF 316739	11/15/21	8.500	257,170	272,277
GNMA 1 SF 319273	11/15/21	8.500	1,086,027	1,149,820
GNMA 1 SF 323069	4/15/22	8.500	251,059	265,415
GNMA 1 SF 323417	5/15/22	8.500	284,087	300,331
GNMA 1 SF 324927	5/15/22	8.500	237,086	250,643
GNMA 1 SF 780052	12/15/08	7.000	15,703,849	16,116,075
GNMA 1 SF344991	7/15/23	7.500	300,097	308,722
GNMA 1 SF348915	8/15/23	7.500	1,311,748	1,349,448
GNMA 1 SF351889	8/15/23	7.500	1,136,158	1,168,811
GNMA 1 SF354008	4/15/23	7.500	274,323	282,207
GNMA 1 SF355249	8/15/23	7.500	1,167,934	1,201,500
GNMA 1 SF357258	9/15/23	7.500	1,331,960	1,370,240
GNMA 1 SF358214	6/15/23	7.500	1,314,285	1,352,058
GNMA 1 SF364223	10/15/23	7.500	1,573,341	1,618,559
GNMA 1 SF375092	7/15/25	7.500	1,639,488	1,685,591
GNMA 1 SF378496	10/15/23	7.500	1,407,784	1,448,244
GNMA 1 SF379646	8/15/25	7.500	1,474,656	1,516,123
GNMA 1 SF389658	7/15/25	7.500	1,866,464	1,918,949
GNMA 1 SF390366	7/15/25	7.500	1,548,466	1,592,009
GNMA 1 SF397840	7/15/25	7.500	1,726,679	1,775,234
GNMA 1 SF399725	7/15/25	7.500	1,489,668	1,531,557
GNMA 1 SF407645	7/15/25	7.500	1,820,766	1,871,966
GNMA 1 SF410088	8/15/25	7.500	4,863,829	5,000,600
GNMA 1 SF410615	7/15/25	7.500	1,717,041	1,765,325
GNMA 1 SF413883	7/15/25	7.500	1,434,559	1,474,899

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GNMA 1 SF780166	6/15/25	7.500	1,449,476	1,491,134
GNMA 1 SSF 342587	12/15/22	8.500	206,727	218,547
GNMA 30 YR TBA	7/1/28	7.000	55,000,000	55,859,375
GNMA GP 90133	5/15/09	9.000	290,605	322,493
GNMA GP 90150	8/15/09	9.000	73,044	81,059
GNMA GP 90178	5/15/09	9.000	115,047	127,671
GNMA GP 91485	5/15/09	9.000	287,704	319,274
GNMA I SF 352964	5/15/24	7.000	13,439,728	13,666,591
GNMA I SF 389464	3/15/24	6.500	1,896,201	1,899,159
GNMA II SF 120666	9/15/14	13.000	44,333	52,132
GNMA PL 325672	11/15/23	7.000	499,238	507,974
GNMA PL 346878	11/15/23	7.000	18,391,154	18,713,000
GNMA PL 357234	11/15/23	7.000	9,209,366	9,370,530
GNMA PL 364870	1/15/24	7.000	14,978,698	15,231,539
GNMA PL 366529	11/15/23	6.500	1,012,597	1,014,491
GNMA PL 368817	11/15/23	7.000	757,995	771,260
GNMA PL 370890	11/15/23	7.000	13,574,651	13,812,207
GNMA PL 372887	10/15/23	6.500	769,722	771,161
GNMA POOL # 354778	3/15/09	7.000	6,901,622	7,082,790
GNMA SF 11025	11/15/05	7.250	80,986	82,914
GNMA SF 21705	6/15/08	8.250	274,711	287,910
GNMA SF 22602	5/15/08	8.250	120,975	126,788
GNMA SF 2733	6/15/03	6.500	44,328	44,263
GNMA SF 34245	12/15/09	10.000	458,523	495,012
GNMA SF 35292	1/15/10	10.000	199,857	216,375
GNMA SF 35888	12/15/09	10.000	207,332	224,468
GNMA SF 36127	11/15/09	10.000	63,983	69,075
GNMA SF 3617	10/15/03	7.000	138,238	140,423
GNMA SF 37913	12/15/09	10.000	317,267	342,515
GNMA SF 39407	1/15/10	10.000	71,173	76,837
GNMA SF 45231	12/15/10	10.500	203,787	223,041
WASH ST HSG FIN COMM	12/1/27	7.820	2,455,000	2,642,808
WA ST HSG FINANCE COMM 1997 4T	6/1/29	7.070	7,500,000	7,673,250
<i>TOTAL PASS THROUGH MORTGAGES</i>				<u>\$772,428,576</u>
FHA PROJECT / SBA LOANS				
AUBURN VILLA	2/2/18	7.500	829,536	829,536
BEVERLY FINANCE CORP 144A	7/15/04	8.360	10,000,000	10,894,800

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BURIEN HAUS	12/1/17	7.500	508,221	507,083
FHA PRJ-REILLY MTG GRP #55	3/1/24	7.430	8,074,195	7,987,478
FOXCROFT APTS	11/1/18	7.500	3,705,968	3,702,410
GNMA 383716 LOWELL EMERSON APT	3/15/29	7.000	4,474,047	4,545,722
MANZANITA MANOR	12/1/17	7.500	839,398	837,518
MISSION TOWERS	6/1/18	7.500	1,779,567	1,777,859
PINECREST APT/JACK NETTLESHIP	2/1/12	8.500	497,691	502,016
PRES JAMES MONROE MANOR	6/1/13	7.000	1,639,969	1,490,420
ST MARY'S COMMUNITY HOSP	8/1/01	8.000	282,223	281,769
SUTTER VILLAGE	2/2/18	7.500	1,155,070	1,155,070
SWALLOWS HAVEN (BENITA)	12/1/16	8.000	759,898	763,461
TERRACE MANOR	7/1/00	7.500	433,042	428,144
THE COTTAGES/WILDWOOD APTS	5/1/18	7.500	1,026,264	1,024,919
UNITED CEREBRAL PALSY HOME	9/1/07	9.000	741,700	761,941
WATERS EDGE APTS	12/1/17	7.500	2,186,621	2,181,723
<i>TOTAL FHA PROJECT/SBA LOANS</i>				<u>\$39,671,869</u>
FHA / VA RESIDENTIAL				
BANCBOSTON (MERIDIAN)	12/1/99	6.750	7,934	7,625
BANCBOSTON (MERIDIAN)	11/1/99	6.250	7,557	7,171
BANK OF AMERICA	6/1/99	5.620	7,850	7,683
BANK OF AMERICA	9/1/03	6.750	11,014	10,421
BANK OF AMERICA	12/1/01	7.000	806	781
CONTINENTAL	10/1/99	6.450	6,249	6,131
CONTINENTAL MTG	4/1/03	7.300	49,834	48,391
EXECUTIVE HOUSE	6/1/11	11.500	105,922	108,189
FARMER'S HOME NOTES	8/3/08	7.350	3,263	3,263
FIB OF WASHINGTON	4/1/96	5.210	448	448
FIB OF WASHINGTON	1/1/02	6.050	3,099	3,060
FLEET REAL EST FUNDING	6/1/99	5.320	1,909	1,864
FLEET REAL EST FUNDING	3/1/00	7.500	3,522	3,492
FLEET REAL EST FUNDING	6/1/99	5.440	2,734	2,672
IST NATIONWIDE MORTGAGE	1/1/02	6.750	78,251	77,492
METMOR FINANCIAL	2/1/02	6.630	12,796	12,240
NATIONSBANC	11/1/01	6.750	37,066	37,702
NATIONSBANC	11/1/98	5.600	531	531
NATIONSBANC	3/1/02	6.000	89,150	87,819
SEATTLE MORTGAGE CO	7/1/02	6.750	100,247	105,819

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SOURCE ONE	8/1/03	5.850	191,696	174,426
U S MORTGAGE	9/1/99	6.070	2,884	2,791
U S MORTGAGE	12/1/01	7.000	12,301	11,794
U S MORTGAGE	4/1/03	7.000	100,364	95,392
<i>TOTAL FHA/VA RESIDENTIAL</i>				<u>\$817,196</u>
CONVENTIONAL COMMERCIAL LOANS				
205 ASSOCIATES INC	7/15/07	8.430	4,711,998	4,711,998
2233, LP	8/15/06	8.080	6,683,932	6,683,932
300 CHUBB AVENUE, LLC	1/1/10	7.830	3,410,406	3,410,406
A&A EXEC CENTER II, LLC	2/15/04	7.820	5,419,467	5,419,467
BOHANNON TRUSTS PARTNERSHIP II	8/10/11	8.040	2,050,349	2,050,349
CABO ASSOCIATES LP	3/1/03	7.280	15,260,000	15,260,000
CCSF-ADC, INC	2/1/06	7.270	5,294,464	5,294,464
CCSFERS BROOKHOLLOW	1/15/07	7.680	5,587,020	5,587,020
CCSFERS SACRAMENTO (1), INC	2/1/06	7.270	3,369,205	3,369,205
CCSFERS STADIUM BUSINESS (3),	2/1/06	7.270	4,813,149	4,813,149
CLB PROP & CARL COPPOLA	6/15/06	7.550	2,860,963	2,860,963
CMS INVESTORS	10/15/06	8.200	3,398,587	3,398,587
COMMERS KLODT III	3/15/12	7.890	3,100,998	3,100,998
CRIIMI MAE FIN CORP	1/1/33	7.000	8,053,199	8,007,900
CSM INVESTOR INC	10/15/06	8.050	4,302,122	4,302,122
EJM DEVELOPMENT CO	6/15/06	7.890	4,715,510	4,715,510
FULCRUM MCKINNEY PLAZA LTD	12/15/07	7.300	11,913,958	11,913,958
GALAXY INV ASSOC LP III	3/15/07	8.190	6,914,729	6,914,729
GWINNETT 316 ASSOCIATES	1/22/06	7.450	2,024,402	2,024,402
GWINNETT 316 ASSOCIATES	5/15/16	7.850	2,859,565	2,859,565

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HANOVER ASSOCIATES, LP	2/15/07	7.610	2,925,851	2,925,851
HOLLISTER 1997 LLC	5/15/07	8.100	7,036,541	7,036,541
JEMCO PROPERTIES	11/15/07	7.630	4,464,157	4,464,157
JEMMSONS PROPERTIES CO	5/15/10	7.180	6,347,074	6,347,074
KERZNER ASSOCIATES	4/15/06	7.250	2,653,676	2,653,676
LANZCE J. DOUGLAS	8/1/15	8.670	3,136,048	3,136,104
MCDOWELL CORNERS II, LLC	5/15/15	8.040	4,082,103	4,082,103
MENLO BUSINESS PARK ASSOC, LLC	10/15/16	8.500	4,346,356	4,346,356
MILLER VALENTINE PARTNERS	12/15/07	7.540	8,441,322	8,441,322
ONE CALIFORNIA STREET PARTNERS	11/1/06	7.790	19,956,341	19,956,341
PANOS ENTERPRISES	9/1/12	7.360	13,119,271	13,119,271
PANOS PROPERTIES LLC I	1/1/13	7.320	14,274,830	14,274,830
PANOS PROPERTIES LLC II	9/1/12	7.360	3,401,291	3,401,291
PANTHEON - JH PROPERTIES LLC	5/15/07	8.170	4,496,429	4,496,429
PLAZA EXECUTIVE CTR TRUST	6/15/07	8.380	7,054,610	7,054,610
SEAFIRST (SEC. PACIFIC)	5/1/99	9.000	958,035	958,035
SILVER OAK ASSOCIATES LTD	6/15/12	8.320	4,245,900	4,245,900
SUMMIT REIT	7/15/12	8.250	10,650,000	10,650,000
VICTOR J. MAGGITT JR.	7/15/12	8.240	9,222,794	9,222,794
YOUNG VENTURES, LP	2/15/12	7.880	5,325,013	5,325,013
ZOLINE FAMILY PARTNERSHIP	1/15/07	7.570	899,864	899,864
FIFTH AVENUE KOP LP	9/10/07	8.010	6,890,279	6,890,279
MORRISTOWN PLAZA ASSOC LLC	7/15/07	8.060	7,160,048	7,160,048
<i>TOTAL CONVENTIONAL COMMERCIAL MORTGAGES</i>				<u>257,786,612</u>
CONVENTIONAL RESIDENTIAL MORTGAGES				
BANK OF AMERICA	3/1/10	11.250	112,848	115,159
BANK OF AMERICA	4/1/10	11.000	172,807	176,400
MAGNA MORTGAGE	10/1/09	15.250	383,301	405,520
METROPOLITAN SAVINGS & LOAN	5/1/09	10.500	335,034	337,801
METROPOLITAN SAVINGS & LOAN	11/1/08	10.380	129,692	132,208
NATIONSBANC	6/25/10	10.880	142,871	145,209
NATIONSBANC	9/1/10	12.250	45,321	47,631
NATIONSBANC	8/1/09	10.630	84,099	89,416

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<u>DESCRIPTION</u>	<u>MATURITY DATE</u>	<u>COUPON RATE</u>	<u>PAR VALUE OF SHARES</u>	<u>BOOK AND MARKET VALUE</u>
NATIONSBANC	12/1/09	10.630	104,656	111,378
WELLS FARGO	1/1/10	11.000	132,149	134,911
<i>TOTAL CONVENTIONAL RESIDENTIAL MORTGAGES</i>				<u>\$1,695,633</u>
REAL ESTATE LOANS (SMALL LOAN PROG)				
CRYSTAL & SUNSET HOUSE	9/15/06	10.330	880,795	880,795
DREBICK INVESTMENTS/CHANDLER C	12/15/01	10.000	2,416,961	2,416,961
HARBOR CLUB APTS	4/15/02	9.720	1,430,629	1,430,629
L & L LAND/ PORTCO	12/15/01	9.880	1,586,648	1,586,648
LA MIRADA (THOMAS MOORE)	3/15/01	9.880	543,483	543,483
MARINWOOD APT	12/15/00	10.380	741,480	741,480
MARVIN GARDEN APTS	6/15/01	10.380	3,566,264	3,566,264
MURPHY'S LANDING	9/15/01	10.280	1,286,011	1,286,011
ROY STREET APARTMENTS	1/1/01	10.130	1,931,367	1,931,367
SHURGARD MINI-STORAGE	4/15/01	10.130	1,419,299	1,419,299
SPANISH HILLS APTS	5/15/01	9.880	1,890,241	1,890,241
TALISMAN APTS., DBSI INC.	1/15/01	9.750	2,849,173	2,849,173
UNITED GROCERS WAREHOUSE	7/15/06	10.130	613,482	613,482
WENDOVER APARTMENTS	2/15/02	9.630	1,101,319	1,101,319
WILDERNESS WEST LTD	11/1/04	9.380	1,615,821	1,615,821
<i>TOTAL REAL ESTATE LOANS (SMALL LOANS)</i>				<u>\$23,872,972</u>
COLLATERALIZED MORTGAGE OBLIGATIONS				
BAMS 98/1	5/25/28	6.750	14,250,000	14,180,977
BEAR S MTG SEC INC 1993-08A6	8/25/24	6.500	15,110,000	15,232,693
BEAR S. MTG. SEC TR93-08A5	8/25/24	6.350	15,750,000	15,764,648
BEAR STEARNS MTG 1996-8 A-5	11/1/26	7.250	1,272,614	1,268,637
BEAR STEARNS MTG 96-7A11	3/28/09	6.500	15,346,203	15,331,778
CHASE MTG FIN 1993-0 A4	12/25/09	5.900	17,363,415	17,107,680
CHASE MTG FIN 1993-0 A5	12/25/09	6.600	9,630,877	9,687,756
CHASE MTG FIN 1994-F A11	3/25/25	6.750	13,666,699	13,649,615
CHEM MTG SEC 1994-2 A2	2/25/24	6.500	32,532,590	32,341,767
CMC3 SECS CORP 1994-B A11	2/25/09	6.750	29,541,875	29,865,542
COUNTRYWIDE FDG CORP 1993-9 A5	1/25/09	6.500	18,827,931	18,504,279
COUNTRYWIDE MTG 1994-3 A7	3/25/24	6.750	12,000,000	11,981,160
COUNTRYWIDE MTG 1994-I CL A-11	7/25/09	6.250	22,724,000	22,106,134
CTFS VENDEE MTG TR 1992-1 2D	12/15/14	7.750	7,335,883	7,397,724

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CWFC 1994-8 A7	4/25/09	6.000	15,383,588	14,946,078
CWMBS 1994-G A6	4/25/24	6.500	15,170,930	14,943,366
DLJ MTG 1993-14 A2	8/25/23	6.630	6,507,000	6,372,761
DLJ MTG ACC CORP 95-5 A1	12/25/25	7.100	16,437,184	16,543,697
DLJ MTG ACCEP CORP 1993-19 A-3	1/25/24	6.750	43,205,000	43,386,461
FED HM LN MTG 1642 PD	2/15/16	5.250	3,999,895	3,987,375
FHG 30 H	7/25/23	7.500	2,200,000	2,343,000
FHLMC 1052 F	1/15/20	7.500	1,317,441	1,318,257
FHLMC 14121	5/15/21	6.750	10,811,000	11,044,085
FHLMC 1415 Y8	11/15/07	6.500	20,000,000	20,293,600
FHLMC 1616 BC	8/15/06	5.700	12,499,539	12,433,291
FHLMC 1671 G	8/15/23	6.500	40,750,141	41,539,471
FHLMC 1675 Q	2/15/24	6.500	12,564,000	12,116,345
FHLMC 1702 B TC	11/15/22	6.500	5,000,000	5,095,300
FHLMC 1706 H	6/15/23	6.500	11,000,000	11,209,660
FHLMC 1727 Z	5/15/24	6.250	12,898,759	11,907,103
FHLMC 1754A	9/15/20	8.500	3,612,615	3,622,767
FHLMC 1990 128H	9/15/19	8.750	290,799	289,708
FHLMC 1992 1233 H	4/15/07	7.000	8,744,000	9,036,312
FHLMC 1992 1341 J	8/15/06	7.000	20,500,000	20,897,085
FHLMC 1992 1396 E	3/15/22	7.000	6,000,000	6,088,080
FHLMC 1992 1409 H	11/15/07	6.500	30,000,000	30,421,800
FHLMC 1992 1445 Y9	8/15/04	6.750	1,322,933	1,320,035
FHLMC 1993 1475 Y4	4/15/05	6.500	47,553,912	47,702,280
FHLMC 1993 1478 G	6/15/07	6.500	20,000,000	20,350,000
FHLMC 1993 1546 Y6	12/15/21	6.750	20,000,000	20,306,200
FHLMC 1993 1584 G	9/15/18	6.000	16,903,000	16,924,129
FHLMC 1993 1591 PN	6/15/19	5.950	10,000,000	9,990,600
FHLMC 1994 1119 G	7/15/20	8.100	1,321,246	1,325,778
FHLMC 1994 1709 D	12/15/23	6.500	8,387,000	8,452,502
FHLMC 1996 1843A	4/15/19	6.500	28,554,686	28,795,402
FHLMC 2070 C	3/15/28	6.000	26,744,000	25,465,316
FHLMC 90 1006C	10/15/20	9.150	3,871,701	4,134,241
FHLMC 93 1475 Y7	4/15/05	5.950	31,033,683	30,994,891
FHLMC G-21 Y4	5/25/16	5.400	16,000,000	15,874,880
FNG 1993-22 HA	9/25/20	6.500	10,000,000	10,056,200
FNMA 1991-13Z	3/25/21	8.250	22,868,837	23,990,782
FNMA 1992 198 G	12/25/15	5.100	7,390,368	7,330,284
FNMA 1993 06 Y5	12/25/04	6.750	18,799,367	18,852,193

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FNMA 1993 06 Y7	8/25/07	7.000	21,000,000	21,767,760
FNMA 1993 134GB	1/25/08	6.500	19,000,000	19,344,280
FNMA 1993 137 PE	4/24/07	5.800	15,672,000	15,622,947
FNMA 1993 138E	12/25/16	5.750	9,828,424	9,794,615
FNMA 1993 166E	1/25/17	5.750	30,000,000	29,896,800
FNMA 1993 188 G	8/25/06	5.800	10,000,000	9,975,000
FNMA 1993 201 H	9/25/21	6.500	21,000,000	21,400,260
FNMA 1993 28 Y6	3/25/08	7.000	21,727,000	22,467,022
FNMA 1993 44 PH	5/25/19	6.750	25,000,000	25,531,250
FNMA 1993 50 PW	1/25/22	5.500	15,987,000	15,387,488
FNMA 1993 53H	1/25/22	5.750	25,000,000	24,390,500
FNMA 1993 56 P6	2/25/21	6.750	10,000,000	10,212,500
FNMA 1993 85G	3/25/08	6.500	12,619,115	12,654,575
FNMA 1993 95 Y5	4/25/08	6.750	21,012,900	21,551,251
FNMA 1994 14 C	7/25/23	6.000	18,715,000	18,124,167
FNMA 1994 39PG	6/25/20	6.150	26,097,000	26,227,485
FNMA 1994 40 O	3/25/24	6.500	6,750,000	6,676,155
FNMA 1994 40 Y6	6/25/22	6.000	35,000,000	34,890,450
FNMA 1994 41PJ	6/25/23	6.500	25,000,000	25,429,500
FNMA 1994 50 PG	1/25/23	6.500	25,160,900	25,648,267
FNMA 1994 62 PH	11/25/23	6.900	10,000,000	10,343,700
FNMA 1996-1 A	12/25/08	6.000	35,862,124	35,469,792
FNMA 1997-41 AB	5/18/11	7.250	14,146,617	14,120,021
FNMA 1997-41 E	8/18/21	7.500	25,000,000	25,460,750
FNMA G1993-15 H	4/25/23	7.250	5,100,000	5,315,118
FNMA G1994-2D	1/25/24	6.450	5,000,000	4,995,300
GE CAP MTG 1994-10A15	3/25/24	6.500	32,150,000	32,009,183
GE CAP MTG 1994-9 A4	2/25/24	6.500	13,642,000	13,748,544
GE CAP MTG 1996-8 2A3	8/25/05	7.000	10,926,487	10,926,487
GE CAP MTG SERV 1994-1 A8	1/25/24	6.500	13,000,000	12,605,840
GE CAP MTG SERV 1994-7 A11	2/25/09	6.000	15,643,000	15,364,242
GE CAP MTG SVC 1994-5 A6	2/24/25	5.500	13,177,591	13,053,985
GE CAP MTG SVCS 98-3 A1	1/25/28	7.000	25,000,000	25,301,715
GE CAP MTG SVCS INC 96-17 2-A3	12/25/01	7.250	8,354,807	8,377,365
GE CAPITAL MTG 1994-12 A-12	3/25/09	6.000	15,042,000	14,534,333
GE CAPITAL MTG SERV 1993-10A11	9/25/23	6.500	7,220,000	7,064,265
GE CAPITAL MTG SERV 1994-14A4	4/25/24	7.500	15,000,000	15,600,000
GE CAPITAL MTG SVC 1994-4 A8	1/25/24	6.500	14,852,375	14,687,514
GE CAPITAL MTG SVC 94-8 A8	2/25/24	6.000	23,045,648	22,001,219

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GE CAPITAL MTG SVC SER 94-1	1/25/24	6.500	12,497,586	11,466,535
GNMA 1994-4 PH	10/16/22	7.500	27,545,200	28,560,792
GNMA 1996 19A CL H	1/1/49	7.000	43,432,268	43,798,402
HEADLANDS 1997-3 A15 CMO	7/25/27	7.750	17,364,307	17,747,581
HOUSING SEC 1994-3 A7	11/25/24	7.250	15,000,000	15,154,383
NASCOR 98-10 A5	5/25/28	6.750	30,000,000	29,849,400
NORWEST ASSET SEC 96-1 A3	8/25/26	7.200	29,082,000	29,179,425
NORWEST ASSET SEC 96-1 A5	8/25/26	7.500	28,362,000	28,979,835
NORWEST ASSET SECS 1996-4 A-16	9/25/26	7.000	6,800,000	6,892,789
NORWEST ASST SEC 97-3 A4	3/25/27	7.250	39,518,000	39,935,255
PHMSC 1992-42 CL A-4	1/25/08	6.900	1,781,590	1,778,240
PRU HM MTG 1993-26 A5 CMO	7/25/08	6.500	9,681,708	9,687,711
PRU HOME 93-10 A1	2/25/00	6.500	1,337,156	1,335,056
PRU HOME 93-43 A7	10/25/23	6.750	17,281,425	17,011,316
PRU HOME MTG 1994-17 A4	4/25/24	6.250	10,321,000	10,001,668
PRUD HOME MTG SECS 1993-38 A-3	8/25/23	6.150	21,468,575	21,326,883
PRUHOME MTG 1993-22 A5	7/23/25	6.500	17,106,634	17,079,777
PRUHOME MTG 1993-39 AB	10/25/08	6.500	34,207,390	33,993,594
PRUHOME MTG 1993-44 A18	11/25/23	6.750	10,000,000	9,950,000
PRUHOME MTG 1993-47 A13	12/25/23	6.750	7,294,067	7,298,589
RAST 1997-A5 A18 CMO	7/25/27	7.750	27,500,000	28,196,193
RAST 97-A5 A2	7/25/27	7.130	10,283,270	10,266,806
RAST 98-A6	7/25/28	6.750	30,000,000	29,913,600
RES FDG MTG SEC I 1996-S24 A-6	12/25/03	7.250	15,339,258	15,449,394
RESIDENT FD MG 93-S47A17	12/25/23	6.500	9,374,180	9,359,463
RESIDENTIAL FD MTG 94-S5 A8	2/25/24	6.500	11,861,898	11,717,301
RESIDENTIAL FDG MTG 96-S3 A5	1/25/26	7.250	14,647,592	14,716,436
RESIDENTIAL FD MTG S43 A7	11/25/23	6.500	4,798,000	4,682,512
RESIDENTIAL FDG 97-S11 A7	8/25/12	7.000	19,380,821	19,532,543
RFMSI 1998/S8 M1	4/25/28	6.750	12,861,410	12,808,549
RFMSI 98-S8	4/25/28	6.750	40,000,000	39,805,600
RFMSI 98/S10 A4	1/25/22	6.750	24,980,108	24,874,942
RFMSIO1993-S22A6	6/25/23	7.000	10,000,000	10,046,800

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SASI 1993-7 TA7	12/25/23	6.250	25,509,146	24,313,278
SECUR ASSET SALES 1993-2 A10	7/25/08	6.500	8,693,000	8,528,789
<i>TOTAL COLLATERALIZED MORTGAGE OBLIGATIONS</i>				<u>\$2,159,332,783</u>
TOTAL MORTGAGES/MORTGAGE BACKED SECURITIES				<u>\$3,255,605,641</u>
ASSET BACKED SECURITIES:				
AFC MTG LN CERT 1997-2 1A2 ABS	6/25/27	6.670	7,249,801	7,252,049
AFC MTG LN CERT 1997-2 1A3 ABS	6/25/27	6.760	8,699,762	8,748,654
AFC MTG LN TR	3/25/28	6.610	14,500,000	14,518,125
AFC MTG LN TR	3/25/28	7.030	11,500,000	11,632,940
CAT FIN ASSET TR ABS	5/25/02	6.300	14,562,129	14,598,534
CENTEX HM EQ LN TR 98-1 A4 ABS	3/25/29	6.400	11,500,000	11,543,125
CENTEX HOME EQ 98-2 A5 ABS	7/25/28	6.410	12,700,000	12,735,725
CIT RV TRUST 97-A A7 ABS	8/15/13	6.400	24,700,000	24,954,731
CR SUISSE 1ST B 97-1 A2 ABS	10/25/05	6.710	15,000,000	14,983,590
CROWN HOME EQUITY LOAN TR	1/25/24	6.510	25,691,750	25,946,098
EMERGENT HM EQ 1997-2 A2 ABS	5/15/12	6.750	32,500,000	32,713,298
EQUICREDIT HEQ 1997-3 A5 ABS	9/15/12	6.450	18,330,000	18,493,247
EQUICREDIT HM EQ 1997-2 A7 ABS	2/15/20	6.890	36,269,000	37,022,706
EQUITY ONE (COMMONWEALTH) INC	2/15/18	7.000	3,274,438	3,274,438
FIDELITY GRANTOR 1996-1 144A	12/15/02	6.850	11,593,568	11,610,958
FIRSTPLUS HOME LN TR 1996-4 A5	7/10/11	6.530	32,495,000	33,124,591
FIRSTPLUS HOME LN TR 1996-4 A6	8/10/14	6.870	25,000,000	25,337,891
FLEETWOOD CR GR TR 1996-B CL A	3/15/13	6.900	21,080,594	21,288,106
FNMA 95-W1 A7	4/25/25	8.200	10,000,000	10,754,030
IMC HEQ LN TR 97-2 A2 ABS	11/20/11	6.700	22,521,000	22,549,151
IMC HM EQ 1997-2 A4 ABS	6/20/16	7.250	10,000,000	10,246,800
IMC HM EQ LN TR 1997-3 A3	1/20/12	6.710	37,000,000	37,115,440
IMC HM EQ LN TR 1997-3 A4	12/20/12	6.840	47,000,000	47,470,000
LEHMAN HM EQ LN TR 98-3 A4 ABS	11/15/15	6.480	18,694,000	18,778,703
METRIS MASTER TR 1997-1 A	10/15/05	6.870	25,000,000	25,757,750
PREMIER AUTO TR	10/6/00	6.580	33,900,000	34,132,893
PROV BK HEQ LN TR 97-B A2 ABS	9/25/04	6.530	18,524,000	18,584,777
STANDARD CR CARD MASTER TRUST	4/7/06	7.250	12,000,000	12,821,160
STD CR CARD 1995-9A ABS	10/7/07	6.550	15,000,000	15,431,250
THE MONEY ST HM EQ TR 95-B A11	3/15/08	6.650	9,959,065	10,067,619
UCFC HEQ 1997-B A2 ABS	11/15/11	6.520	25,000,000	25,039,075

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UCFC HEQ 1997-B A3 ABS	7/15/16	6.660	25,000,000	25,207,025
WFS FINANCIAL 1997-C ABS	3/20/05	6.300	25,000,000	25,170,000
TOTAL ASSET BACKED SECURITIES				\$668,904,478
CORPORATE OBLIGATIONS - DOMESTIC:				
360 COMMUNICATIONS CO	3/1/06	7.500	13,900,000	14,817,122
360 COMMUNICATIONS CO	4/1/09	7.600	14,000,000	15,147,580
ADOLPH COORS CO	7/15/02	6.760	15,000,000	15,255,000
AEGON NV	8/15/06	8.000	12,840,000	14,083,169
AIRTOUCH COMM	7/15/06	7.500	15,000,000	16,096,350
ALANTIC RICHFIELD MTN	6/24/99	8.770	10,000,000	10,267,100
ALBERTSON'S INC	6/15/26	7.750	10,000,000	11,771,300
AMER HEALTH PROP	1/5/07	7.500	7,000,000	7,179,200
AMERICAN STORES	5/15/05	7.400	15,100,000	15,972,025
AMERICAN STORES	6/1/26	8.000	35,000,000	39,865,700
ANR PIPELINE	2/15/24	7.380	10,000,000	10,413,600
ASSOCIATES CORP NORTH AME	9/30/01	7.880	10,000,000	10,517,700
ASSOCIATES CORP NORTH AMER	6/15/01	6.000	6,700,000	6,692,429
ATLANTIC RICHFIELD MTN	6/20/01	8.950	5,000,000	5,401,150
B F PROPERTIES	2/25/02	7.500	877,503	881,250
BANK OF NEW YORK	7/15/02	7.630	10,000,000	10,556,900
BANK ONE CORP	9/15/03	8.740	16,000,000	17,750,080
BEAR STEARNS & CO	8/1/03	6.700	10,000,000	10,219,500
BEAR STEARNS CO	1/15/04	6.630	10,000,000	10,211,000
BENEFICIAL CORP MTN	9/26/02	6.600	25,000,000	25,399,250
BENEFICIAL FIN	11/15/99	7.300	2,000,000	2,036,720
BNY CAPITAL I	12/31/26	7.970	25,000,000	27,083,000
BOEING CO	8/15/21	8.750	20,000,000	25,410,600
BOEING CO 144A	2/15/38	6.630	25,000,000	25,713,250
BRASCAN LTD	10/1/02	7.380	22,000,000	22,622,160
BROAD RAFAEL PROPERTIES	6/1/00	10.250	3,447,289	3,496,619
BURLINGTON NO SANTA FE	12/15/05	6.380	6,250,000	6,297,750
BURLINGTON NORTHERN INC	8/1/02	7.000	25,000,000	25,667,750
CARGILL INC	10/1/25	7.380	8,000,000	8,845,760
CARGILL INC	9/1/06	7.500	10,000,000	11,108,800
CARGILL INC MTN	6/18/27	7.410	7,800,000	8,952,762
CARNIVAL CRUISE	10/1/23	7.200	14,000,000	15,007,860
CARTER HOLT HARVEY LTD	12/1/24	9.500	12,000,000	15,994,320

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CASE CORP	8/1/05	7.250	22,000,000	23,247,840
CASE CORPORATION	10/21/07	6.750	11,500,000	11,755,990
CASE CREDIT	2/15/03	6.130	20,000,000	19,749,400
CENTRAL BANKSHARES OF THE SOUT	5/1/03	7.000	10,000,000	10,250,500
CENTRAL PWR & LT CO	2/1/01	7.000	4,300,000	4,324,295
CHESAPEAKE & POTOMAC TEL MD	10/1/08	6.630	1,000,000	999,040
CHESAPEAKE & POTOMAC TEL WA	2/1/09	7.000	100,000	100,928
CHICAGO & NW RR	8/1/98	14.750	2,255,747	2,423,123
CINCINNATI GAS & ELEC	6/1/25	6.900	30,000,000	30,749,700
CIRCUS CIRCUS ENTERPRISE	2/1/06	6.450	9,000,000	8,463,870
CITICORP	5/1/05	7.630	17,000,000	18,265,650
CITICORP CAPITAL	2/15/27	8.020	50,000,000	54,435,500
COLONIAL PIPELINE, 144A	8/15/07	7.450	10,000,000	11,074,600
COLORADO INTERSTATE GAS	6/15/05	10.000	12,595,000	15,145,613
COMMERCIAL CREDIT CO	9/15/02	6.380	12,470,000	12,559,036
COMPANIA TELECOM CHILE	7/15/06	7.630	25,000,000	25,647,250
CONAGRA	9/15/04	7.400	26,000,000	27,520,220
CONRAIL	6/15/20	9.750	10,000,000	13,416,800
CORP ANDINA DE FOMENTO	3/15/05	6.750	20,000,000	19,738,400
CS FIRST BOSTON	5/15/06	7.750	20,000,000	21,716,400
CSX CORP	5/15/22	8.630	10,000,000	12,035,400
CSX CORP	8/15/06	9.000	28,100,000	32,515,634
CSX CORP	5/1/27	7.950	50,000,000	56,821,000
DEAN WTTR DISCV	3/1/03	6.880	5,000,000	5,141,050
DEAN WTTR DISCV	10/15/13	6.750	10,000,000	10,166,900
DEER PARK REFINING LP 144A	12/15/08	6.470	4,455,300	4,529,659
DEERE & CO	6/15/19	8.950	9,000,000	10,752,210
DEN DANSKE BANK	6/15/10	7.400	50,000,000	53,032,500
DIMONT CORP	3/1/06	9.880	1,922,402	1,249,562
DONALDSON LUFKIN JENRETTE	11/1/05	6.880	10,000,000	10,258,200
DR INVESTMENTS 144A	5/15/02	7.100	10,000,000	10,291,800
EASTMAN CHEMICAL	2/1/27	7.600	20,000,000	21,491,400
ELEC DATA SYSTEM	5/15/05	7.130	15,000,000	15,895,950
EOP OPERATING LP 144A	2/15/03	6.380	6,000,000	5,974,500
EOP OPERATING LP 144A	6/15/04	6.500	25,000,000	24,885,750
ERP OPERATING LP	4/13/05	6.630	25,000,000	25,172,000
EXPORT IMPORT BK KOREA	2/10/02	6.500	22,500,000	19,371,375
FALCONBRIDGE LTD	11/1/06	7.350	30,000,000	31,527,900
FBG FINANCE LTD	11/15/05	6.750	20,000,000	20,525,800

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FBG FINANCE LTD	6/1/16	7.880	27,000,000	30,634,470
FIRST UNION INST CAP I	12/1/26	8.040	20,000,000	21,490,600
FIRST WARD PROPERTIES	11/15/06	8.000	1,884,470	1,224,905
FLORIDA GAS TRANSMISSION	11/1/04	8.630	8,000,000	8,937,840
FORD CAPITAL BV	7/1/01	9.500	5,000,000	5,458,900
FORD MOTOR CO	2/15/28	6.630	25,000,000	25,020,750
FORD MOTOR CR CORP MTN	3/29/00	7.600	5,000,000	5,135,550
FORD MOTOR CREDIT	9/10/02	6.550	37,000,000	37,465,460
FORD MOTOR CREDIT CORP	11/15/02	7.750	10,000,000	10,624,100
FORD MOTOR CREDIT CORP	2/15/02	8.200	20,000,000	21,270,000
GEN MOTORS ACCEPT MTN	10/20/03	6.630	10,000,000	10,194,100
GEN MTRS ACCEPT CORP MTN	10/18/02	6.500	12,500,000	12,677,500
GENERAL ELECTRIC CAP CORP	3/1/01	8.380	5,000,000	5,295,050
GENERAL MTRS	7/15/01	9.130	15,200,000	16,402,320
GENERAL MTRS ACCEPT CORP	10/15/02	9.000	21,000,000	23,204,370
GENERAL MTRS ACCEPT CORP	1/1/03	8.500	25,000,000	27,288,000
GENERAL MTRS ACCEPT CORP	3/1/00	7.000	5,000,000	5,078,700
GENERAL REINSURANCE CORP	9/12/09	9.000	15,000,000	18,286,500
GEORGIA-PACIFIC	5/15/22	9.500	23,000,000	26,820,990
GEORGIA-PACIFIC	4/30/25	8.630	15,000,000	16,607,850
GLAXO WELLCOME PLC	1/25/06	6.130	50,000,000	50,437,500
GOLDMAN SACHS	7/15/02	6.600	27,000,000	27,436,860
GOLDMAN SACHS GR	1/15/03	7.880	12,000,000	12,838,320
GOLDMAN SACHS GROUP LP 144A	12/1/04	6.630	10,000,000	10,089,900
GREAT NORTN RY CO	1/1/00	3.130	25,000	23,949
GTE CORP	6/1/03	9.100	5,000,000	5,607,900
GTE CORP	5/1/23	7.830	15,000,000	15,810,150
GTE HAWAII	2/1/06	7.000	10,000,000	10,298,000
HANSON OVERSEAS	9/15/05	6.750	5,000,000	5,129,600
HANSON PLC	1/15/03	7.380	21,000,000	21,930,930
HONAM OIL REFINERY	10/15/05	7.130	7,000,000	5,460,000
HOUSEHOLD FINANCE CORP	7/15/00	9.630	3,000,000	3,202,110
HSBC AMERICAS INC	11/1/06	7.000	30,000,000	31,176,000
ICI WILMINGTON	9/15/04	6.950	30,000,000	31,133,400
INDIANA BELL TEL INC	6/1/03	4.380	650,000	610,012
INDIANTOWN COGENERATION	12/15/10	9.260	15,900,000	18,162,570
INDIANTOWN COGENERATION	12/15/20	9.770	15,000,000	18,505,800
INTL BK FOR RECON & DEV	10/15/02	12.380	5,000,000	6,218,400
JOHN DEERE CAP	8/1/19	8.630	2,000,000	2,200,520

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JPM CAP TRUST I	1/15/27	7.540	50,000,000	51,904,500
KANSAS GAS & ELEC	9/29/16	8.290	24,500,000	26,573,190
KERN RIVER FUNDING CORP	9/30/01	6.720	27,500,000	28,058,525
KEYCORP	3/15/06	6.750	25,000,000	25,760,000
KN ENERGY INC	3/1/03	6.450	35,000,000	35,037,100
LAND O LAKES CAP TR I 144-A	3/15/28	7.450	25,000,000	25,428,250
LASMO (USA) INC	6/30/06	7.500	29,225,000	30,601,498
LEGRAND	2/15/25	8.500	23,250,000	28,043,453
LEHMAN BROTHERS HLDGS INC	12/1/00	6.500	100,000,000	101,050,000
LG-CALTEX OIL CORP	7/1/06	7.880	24,000,000	20,142,720
LIMAR / SAFEWAY	4/1/09	13.500	12,351,160	14,917,978
LOCKHEED MARTIN CORP	6/15/04	7.450	47,000,000	49,689,340
LORAL CORP	6/15/04	7.630	10,000,000	10,656,400
LOUISVILLE & NASHVILLE RR CO	4/1/03	2.880	25,000	21,646
LS POWER FUNDING	6/30/10	7.190	4,000,000	4,252,240
MCI COMMUNICATIONS CORP	8/20/04	7.500	10,000,000	10,587,100
MCI COMMUNICATIONS CORP	1/20/23	8.250	9,000,000	9,777,600
MCI COMMUNICATIONS CORP	3/23/25	7.750	15,000,000	15,733,200
MCI COMMUNICATIONS CORP	4/15/10	6.500	15,000,000	14,912,700
METHANEX CORP	8/15/05	7.750	9,000,000	9,660,870
MIDLAND BANK PLC	6/15/06	7.630	49,355,000	52,772,340
MIRAGE RESORTS INC	8/1/17	7.250	14,200,000	14,106,564
MONTANA PWR CO	4/1/01	7.500	1,000,000	1,005,750
MORGAN STANLEY	10/1/13	7.000	15,500,000	16,280,425
MORGAN STANLEY & CO INC	5/15/06	7.280	10,000,000	10,622,400
MORGAN STANLEY GROUP INC	12/15/03	6.380	8,200,000	8,288,560
MOUNTAIN STS TEL & TELEG CO	6/1/05	5.500	100,000	97,773
NAT'L WESTMINSTER BANK	10/16/07	7.750	8,190,000	8,790,900
NCNB CORP	9/15/09	9.380	15,000,000	18,529,950
NEW ENGLAND TEL & TELEG CO	10/1/06	6.130	200,000	197,800
NEW JERSEY BELL TEL CO	6/1/12	7.380	3,600,000	3,660,840
NEW YORK TEL CO	7/15/31	9.380	14,250,000	16,176,458
NIPSCO CAPITAL MKTS SENIOR NTS	12/1/27	6.780	20,000,000	20,562,800
NORANDA FOREST INC	11/15/05	6.880	23,000,000	23,262,430
NORCEN ENRGY RESOURCES	7/2/02	6.800	25,000,000	25,568,250
NORDSTROM CREDIT INC MTN	7/1/98	9.600	6,900,000	6,900,000
NORSK HYDRO	11/15/25	7.150	15,000,000	16,031,250
NORTHERN TELECOM	6/15/26	7.880	10,000,000	11,669,800
NORTHWEST PIPELINE CORP	12/1/07	6.630	32,000,000	32,037,440

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NORTHWOOD PULP & TIMBER LTD	6/30/05	8.950	15,000,000	16,237,500
NRG ENERGY CORP	2/1/06	7.630	20,000,000	21,168,000
OCCIDENTAL PETE	4/1/28	7.200	20,000,000	20,348,200
OCCIDENTAL PETE	4/1/05	6.500	16,000,000	15,999,840
OKD TWO LTD	10/15/07	7.540	2,660,319	2,660,319
PACIFIC GAS & ELEC CO	12/1/99	6.880	3,515,000	3,525,018
PACIFIC GAS & ELEC CO	6/1/00	6.630	925,000	927,211
PACIFIC GAS & ELEC CO	12/1/00	6.750	200,000	199,000
PACIFIC GAS TRAN	6/1/05	7.100	15,000,000	15,812,700
PACIFICORP	7/15/04	6.750	8,000,000	8,227,040
PACIFICORP	6/1/07	6.630	7,000,000	7,261,590
PACIFICORP HOLDINGS	4/1/01	6.750	12,000,000	12,225,600
PACIFICORP HOLDINGS	4/1/06	7.200	10,000,000	10,514,200
PANHANDLE EASTERN	8/15/13	7.200	6,000,000	5,913,420
PANHANDLE EASTERN PIPELINE	3/15/23	7.950	10,000,000	10,465,100
PANHANDLE EASTERN PIPELINE	8/15/04	7.880	5,000,000	5,389,400
PDV AMERICA INC	8/1/00	7.750	9,250,000	9,524,818
PDV AMERICA INC	8/1/03	7.880	36,000,000	37,578,960
PDVSA FINANCE LTD 1998-1 144A	11/15/28	7.500	25,000,000	24,312,500
PENNEY. JC	8/15/22	8.250	25,000,000	27,594,000
PETROLEUM NASIONAL BERHAD	8/15/15	7.750	10,000,000	8,258,800
PETROLEUM NASIONAL BERHAD	7/1/03	6.880	15,000,000	13,597,800
PETROLEUM NASIONAL BERHAD	8/15/05	7.130	10,000,000	8,699,600
PHILLIPS PETROLEUM	1/1/23	8.490	15,000,000	16,642,650
PHILLIPS PETROLEUM	4/15/23	7.920	10,000,000	10,494,100
PLACER DOME INC	5/15/03	7.130	4,500,000	4,627,305
PLACER DOME INC	6/15/15	7.750	15,000,000	16,166,100
POHANG IRON & STEEL	7/15/04	7.130	15,000,000	12,049,650
POTOMAC ELEC PWR CO	5/15/99	4.500	1,700,000	1,677,492
PRICE COSTCO INC	6/15/05	7.130	10,000,000	10,347,400
PROGRESSIVE CORP	10/1/13	7.000	25,000,000	26,012,250
PROGRESSIVE CORP	1/15/04	6.600	10,000,000	10,166,800
PUBLIC SERVICE CO OF COLO	1/1/24	7.250	5,000,000	5,073,600
PUBLIC SERVICE CO OF COLORADO	4/15/03	6.000	25,000,000	24,980,500
RITE AID CORP	12/15/01	6.700	18,500,000	18,811,725
ROCKWELL INTL CORP	9/15/99	8.880	19,000,000	19,657,210
ROYAL CARIBBEAN CRUISES	7/28/04	8.130	21,000,000	22,441,020
ROYAL CARIBBEAN CRUISES	3/15/18	7.250	20,000,000	20,618,200
SAGA PETROLEUM A.S.	7/15/04	8.400	9,000,000	9,825,660

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SAGA PETROLEUM A.S.	7/15/14	9.130	25,900,000	31,835,503
SALOMON INC	3/1/00	6.500	15,000,000	15,114,000
SALOMON INC	7/5/00	6.700	15,000,000	15,199,050
SANTANDER FIN ISSUANCES	4/15/05	7.880	20,000,000	21,570,800
SANTANDER FIN ISSUANCES	7/15/05	6.800	35,300,000	35,999,646
SCOTLAND INT FINANCE	2/15/11	6.500	36,500,000	36,883,980
SECURITY CAPITAL GROUP 144A	6/15/05	6.950	25,000,000	25,012,525
SHOPPING CENTER	5/15/05	7.630	25,000,000	26,397,500
SOCIETE GENERAL INSTL	11/8/05	6.750	25,000,000	25,156,250
SOCIETY NATIONAL BANK	6/1/05	7.250	17,750,000	18,818,905
SOLOMON SMITH BARNEY HLD	5/15/03	6.250	20,000,000	20,108,600
SOUTHERN IND GAS & ELEC CO	8/1/98	6.380	2,250,000	2,251,013
SOUTHERN NEW ENGLAND TEL CO	12/1/01	4.380	1,475,000	1,406,162
SOUTHWEST GAS CO	8/1/06	7.500	8,000,000	8,676,160
SOUTHWESTERN BELL TELE	10/15/26	7.200	5,000,000	5,238,300
SOUTHWESTERN PUBLIC SERV	2/15/25	8.500	10,000,000	11,240,400
SPIEKER PROPERTIES	7/1/09	7.130	10,000,000	10,212,600
ST GEORGE BANK LTD	6/18/07	7.150	17,400,000	17,985,684
STAR BK NA, OH TR SB 00001	12/15/06	6.630	10,000,000	10,220,100
SURWAY ASSOC (SAFEWAY)	4/1/05	13.900	18,587,861	19,646,439
TEMPLE-INLAND	9/15/22	8.250	10,000,000	10,977,900
TEXTRON INC	7/1/22	8.750	17,000,000	19,230,570
THE ST PAUL CO MTN	12/2/98	7.630	10,000,000	10,070,600
TIME WARNER ENTERTAINMENT	7/15/33	8.380	10,000,000	11,822,100
TIME WARNER INC	1/15/13	9.130	44,250,000	53,854,463
TIME WARNER INC	8/15/07	8.180	30,000,000	33,428,700
TRANSCANADA PIPELINE	5/15/12	8.630	5,000,000	5,987,750
U S BANCORP	10/15/05	6.750	27,000,000	27,832,950
U S BANCORP CAP I SER B	12/15/26	8.270	38,100,000	42,377,868
UNION PACIFIC CO	5/1/05	7.600	4,000,000	4,240,040
UNION PACIFIC CO	5/1/25	8.350	25,000,000	26,903,000
UNION PACIFIC CORP	2/1/06	6.400	25,300,000	25,083,432
UNION PACIFIC RESOURCES	5/15/05	6.500	15,000,000	14,886,150
UNION PACIFIC RR	1/16/16	7.620	19,500,159	21,021,172
UNIV OF PUGET SOUND	7/1/02	8.250	175,000	200,151
UNIV PUGET SOUND WA REV	7/1/98	8.250	130,000	130,016
UNIV PUGET SOUND WA REV	7/1/99	8.250	140,000	146,042
UNIV PUGET SOUND WA REV	7/1/00	8.250	150,000	161,784
UNIV PUGET SOUND WA REV	7/1/01	8.250	165,000	183,658

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US WEST CAP FUNDING INC	7/15/28	6.880	20,000,000	20,001,600
VENPET	8/15/16	7.400	20,000,000	20,348,200
WASH MUTUAL CAP	6/1/27	8.380	21,000,000	23,690,100
WASHINGTON MUTUAL INC	8/15/05	7.250	20,460,000	21,682,690
WELLS FARGO & CO	5/1/02	8.750	4,500,000	4,892,985
WELLS FARGO & CO	5/15/02	8.380	5,000,000	5,368,350
WELLS FARGO & CO	8/15/06	7.130	15,000,000	15,770,850
WELLS FARGO CAP I	12/15/26	7.960	10,000,000	10,884,300
WILLIAMS COS	9/15/99	7.500	2,000,000	2,031,820
WILLIAMS HLDGS OF DEL	2/1/06	6.250	15,000,000	15,103,050
WORLD COM INC	4/1/04	7.550	15,000,000	15,885,300
YORKSHIRE POWER FINANCE 144A	2/25/03	6.150	16,000,000	15,897,920
YPF SOCIEDAD ANONIMA GLOBAL	2/15/04	8.000	10,800,000	10,878,840
YPF SOCIEDAD ANONIMA SA	8/27/07	7.750	23,750,000	23,829,088
TOTAL DOMESTIC CORPORATE BONDS				<u><u>\$3,964,526,749</u></u>
CORPORATE OBLIGATIONS - YANKEE:				
ABBEE NATIONAL PLC	10/15/06	7.350	10,225,000	10,857,519
ABITIBI - CONSOLIDATED	4/1/28	7.500	25,000,000	25,453,000
ABN-AMRO BNK NV (CHICAGO)	5/31/05	7.250	10,000,000	10,505,700
BANK OF SCOTLAND 144A	11/20/07	7.000	10,000,000	10,283,500
CANADIAN NAT'L RR	5/15/03	6.630	7,000,000	7,126,910
CANADIAN NAT'L RR	3/15/04	7.000	35,500,000	36,603,695
CANADIAN NATL RR 96-A A2	1/3/14	7.900	9,905,106	11,160,579

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CERRO NEGRO FINANCE LTD	6/1/28	8.030	25,000,000	24,175,000
CORP ANDINA DE FOMENTO	3/1/17	7.790	23,000,000	24,939,130
CROWN CORK + SEAL FIN PLC	12/15/06	7.000	10,000,000	10,357,000
CROWN CORK + SEAL FIN SA	12/15/03	6.750	11,600,000	11,834,552
EMPRESA NACIONAL ELECTRI	7/15/08	7.750	15,000,000	14,989,155
ENDESA-CHILE OVERSEAS	4/1/06	7.200	10,000,000	9,742,400
ENERGY GROUP OVERSEAS BV	10/15/27	7.500	20,000,000	21,605,000
FLETCHER CHALLENGE CAP CAN	6/20/16	8.250	10,000,000	11,056,000
FLETCHER CHALLENGE LTD	3/24/05	6.750	16,750,000	16,796,398
FLETCHER CHALLENGE LTD	3/24/08	6.880	7,500,000	7,505,925
GRUMA SA DE CV 144A	10/15/07	7.630	25,000,000	25,135,600
HYDRO QUEBEC	1/15/22	8.400	27,000,000	32,966,190
HYDRO-QUEBEC	2/1/13	8.000	16,000,000	18,441,120
HYDRO-QUEBEC	1/15/02	6.380	5,000,000	5,067,600
MANITOBA PROV CDA	1/15/18	9.130	9,000,000	11,986,830
MANITOBA PROV CDA	12/1/18	9.630	5,000,000	6,947,850
MONTREAL CITY OF	11/1/04	5.000	862,000	802,125
NOVA SCOTIA PROV CDA	5/1/21	9.130	10,000,000	13,282,100
PETROLEOS MEXICANOS	3/30/05	8.380	10,000,000	9,600,000
PETROLEOS MEXICANOS 144A	3/30/05	8.380	10,000,000	9,643,750
POTASH CORP SASKATCHEWAN CDA	6/15/07	7.130	13,600,000	14,112,720
QUEBEC PROV CDA	7/15/23	7.500	17,500,000	19,523,000
QUEBEC PROVINCE CDA	1/19/05	8.630	39,000,000	44,093,010
RIO ALCOM LTD CDA	11/1/05	7.050	20,000,000	20,731,000
ROYAL BANK OF SCOTLAND	2/1/11	6.380	10,000,000	9,855,900
ROYAL BK CDA NY BRH	10/24/11	6.750	25,000,000	26,069,250
SASKATCHEWAN CDA	7/15/13	7.380	19,000,000	21,173,030
SOCIEDAD QUIMICA 144A	9/15/06	7.700	6,115,000	6,304,577
SVENSKA HANDELSBANKEN	3/7/07	7.130	25,000,000	24,963,250
TOTAL CORPORATE OBLIGATIONS-YANKEE				\$585,690,364

CORPORATE OBLIGATIONS - FOREIGN:

MTI CAPITAL (CAYMAN) LTD CONV	10/1/07	0.500	280,000,000	1,614,007
RICOH CO	3/29/02	1.500	169,000,000	1,863,097
ROHM COMPANY	3/31/03	1.100	5,000,000	167,381
SODEXHO	6/7/04	6.000	2,520,000	437,851

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SONY CORP CNV BDS	9/30/03	1.400	202,000,000	3,204,986
YAMANOUCI PHARMACEUTICAL	3/31/14	1.250	330,000,000	3,418,056
TOTAL CORPORATE OBLIGATIONS-FOREIGN				\$10,705,379

VENTURE CAPITAL:

ADVENT VIII LP (TA)			37,500	3,586,762
APEX INV FD III LP			37,365	6,591,557
AUSTIN VENTURES IV-B			142,885	23,774,321
AUSTIN VENTURES V, LP			54,706	6,030,449
BANC FUND IV TRUST			200,000	22,443,737
BATTERY VENTURES IV, LP			42,500	5,402,157
BLACKROCK FUND INVESTORS			187,757	37,337,449
BOSTON VENTURES LP, V			109,200	9,940,111
BRENTWOOD ASSOCIATES IV			125	119,990
CAPITAL RES LENDERS II, LP			1,074,952	19,374,223
CAPITAL RES LENDERS III, LP			136,941	15,592,220
CHARTERHOUSE CAPITAL PTNRS VI			5,643	17,001
CHL MEDICAL PARTNERS, LP			7,500	680,673
CINVEN CAPITAL PARTNERS, LP			261,219	31,916,812
CONTRARIAN CAP FD II, LP			280,000	29,367,830
CORNERSTONE EQUITY INV IV			93,000	8,942,944
DOUGHTY HANSON & CO FUNDS II			122,855	9,454,126
DOUGHTY HANSON & CO III, LP			10,314	100,000
EL DORADO VENTURES IV, LP			15,000	1,432,386
EQUITY-LINKED INVESTORS, L.P.			1	1,696,394
ESSEX WOODLANDS HEALTH IV, LP			5,000	500,000
EVERGREEN I, L.P. (HANCOCK)			123,826	5,934,427
EVERGREEN II, L.P. (BRENTWOOD)			142,981	220,452
EVERGREEN III, L.P. (HANCOCK)			84,908	2,078,054
EVERGREEN IV, L.P. (BRENTWOOD)			62,826	6,352,624
FIRST RESERVE FUND VIII, LP			17,654	1,535,000
FRAZIER HEALTHCARE II LP			59,783	6,007,394
GILBERT GLOBAL EQ PARTNERS, LP			24,613	1,714,309
GREEN MOUNTAIN PARTNERS LP			261,946	26,147,439
HARBOURVEST INTL PTNR II-DIR			44,218	6,262,249
HARBOURVEST INTL PTNR II-PTNR			114,217	12,090,856
HARBOURVEST INTL PRTNR III-DIR			100,977	9,447,572
HARBOURVEST INTL PTNR III PTNR			8,000	597,835

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INTERWEST PARTNERS VI			46,000	4,399,531
JOHN HANCOCK PARTNERS II			53,148	2,505,592
JOSEPH LITTLEJOHN & LEVY FD II			260,286	39,037,309
KBA PARTNERS			113,354	38,815
KPS SPECIAL SITUATIONS FUND,LP			999	-
MATERIA VENTURES			3,557	2,991,690
MENLO EVERGREEN V, L.P.			94,017	3,114,106
MENLO VENTURE PARTNERS III			83,787	1,226,234
MENLO VENTURE PARTNERS IV			648	12,983,900
MENLO VENTURES VI, LP			18,505	2,243,758
MENLO VENTURES VII			62,500	5,627,284
MENLO VENTURES VII, LP			20,000	1,880,730
MORGAN STANLEY VEN PTN III			84,098	7,919,960
OLYMPIC VENTURE PARTNERS IV			17,500	1,768,318
NORDIC CAPITAL FUND III			30,122	2,536,184
OCM OPPORTUNITIES FUND II LP			300,000	30,437,000
OCM OPPORTUNITIES FUND LP			386,000	52,288,000
PARAGON PARTNERS II			371,125	4,002,411
PHOENIX PARTNERS II			45,509	3,726,264
PHOENIX PARTNERS III			167,154	16,910,889
RICE PARTNERS II LP			266,082	24,136,874
RSTW PARTNERS III, LP			57,026	4,959,483
SPECTRUM EQ INV II, LP			60,600	5,701,839
SPECTRUM EQ INV II, LP			25,250	2,375,766
SPROUT CAPITAL VII LP			171,000	21,131,317
SPROUT CAPITAL VIII-LP			27,500	2,552,195
SWANDER PACE CAPITAL FUND LP			17,379	1,566,251
TECHNOLOGY CROSSOVER II Q LP			22,853	2,660,966
US VENTURE PARTNERS V, LP			50,000	4,812,141
VARDE SELECT FUND LP			80,000	8,273,679
WARBURG PINCUS EQ PTNR'S, LP			120,000	11,999,626
WARBURG PINCUS VENTURES			839,499	133,681,291
WCAS CAPITAL PTNRS III, LP			200,000	24,290,369
WORLDVIEW TECHNOLOGY PTNS I,LP			32,304	3,473,837
TOTAL VENTURE CAPITAL				\$759,942,962

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LEVERAGED BUY-OUTS:				
ACCURIDE CORP, KKR 96			146,585	14,658,500
AMPHENOL CORP, KKR 96			393,835	38,733,499
APC ASSOCIATES, LP, KKR 87			21,885	7,269,133
BORDEN (RJR NABISCO)			3,472,440	353,227,546
BOYDS COLLECTION, LTD KKR 96			248,390	24,839,000
BRAKE ASSOC LP KKR 93			113,310	11,331,000
BRISTOL WEST INS GR, KKR96			119,840	11,984,000
CHANNEL ONE ASSOC LP KKR			75,042	28,002,851
CLAYTON, DUBILIER & RICE			341,053	32,815,753
CMT ASSOCIATES, L.P. KKR			548,217	293,608,353
CODE HENNESSY & SIMMONS II			81,511	8,974,644
CODE HENNESSY & SIMMONS III,LP			73,200	7,226,340
CYPRESS MERCHANT BK PART. LP			346,018	33,382,561
DAW FOREST PRODUCTS CO.			83,200	778,848
EVENFLO,SPALDING HLDGS KKR96			64,810	6,481,000
FIELD PUBLICATIONS 87			84,250	19,967,250
FLEET/NORSTAR FINANCIAL GROUP			268,001	165,228,748
GILLETTE CO KKR 87 (DURACELL)			149,571	249,078,306
GOLF ASSOCIATES LP KKR87			31,030	4,592,440
GR ASSOCIATES, LP, KKR 93			28,889	8,430,972
ACT III CINEMAS, INC KKR 96			405,465	29,902,500
JWC ASSOCIATES, KKR 86			150,670	12,100,871
K-III HOLDINGS, INC 87			106,580	43,579,895
K-III PRIME CORPORATION 8			193,078	45,376,968
KLC ASSOCIATES LP, KKR 93			261,860	26,186,000
NXS ASSOC LP, KKR 93			125,840	12,583,969
VESTAR CAPITAL PTNRS III, LP			83,858	8,056,386
OWENS-ILLINOIS, INC. 86			204,630	150,894,080
PRIMEDIA INC COMMON STK KKR 96			282,050	31,143,021
PUBLISHING ASSOC. LP, KKR 87			115,740	18,012,038
RANDALLS FOOD MARKETS, KKR1996			322,300	32,230,000
RED LION INNS			257,541	93,242,634
REGAL CINEMAS INC, KKR 96			425,720	53,216,000
RESORT ASSOCIATES L.P.			256,850	38,013,800
RHINE REINSURANCE CO LTD KKR96			182,275	18,227,500
RRN ASSOCIATES LP KKR 93			221,833	60,441,688
SAFEWAY, INC 86			52,478	240,931,254
STRATA ASSOCIATES LP KKR 93			655,010	67,502,994

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TSG CAPITAL FUND II LP			221,578	28,942,189
UNION TEXAS PETROLEUM, INC. 84			151,983	61,257,401
WALTER INDUSTRIES KKR 93			104,896	13,988,588
WCP ASSOCIATES, LP, KKR 93			94,213	24,977,592
WELSH, CARSON, ANDERSON & STOW			280,000	34,544,386
TOTAL LEVERAGED BUY-OUTS				<u>\$2,465,962,498</u>
REAL ESTATE EQUITY:				
AMERICA WEST II			175,940	4,386,801
CENTENNIAL LIMITED PARTNERSHIP			6	265,063
FORESTREE WASHINGTON LP			915,923	100,648,302
HEARTHSTONE-OLY HOMEBLDG. LLC			103,000	10,280,000
JER REAL ESTATE ADVISORS, LP			187,809	21,532,582
LONE STAR OPPORTUNITY FD LP			402,725	42,928,833
LOWE NORTHWEST INV PROP LLC			1,148,876	118,290,130
MEZZANINE CAPITAL PROP INV INC			331,596	34,013,365
MORGAN STAN SPEC SITUATIONS LP			560,043	57,209,519
OLYMPIA PROPERTIES LLC			3,326,095	336,954,740
PACTRUST REALTY ASSOC L.P.			773,154	211,317,328
PACTRUST/WSIB-LLC			5,281,810	205,348,767
PRIME PROPERTY FUND(ELAS)			9,211	1,673,801
RREEF REAL ESTATE EQUITY FD			5,000	279,142
SECURITY CAPITAL GROUP			792,000	94,871,488
SENTINEL REAL ESTATE FUND			200,000	23,509,090
UNION SQUARE LP			2,489,732	332,323,912
WASHNEEP L.P.			170,000	16,329,000
TOTAL REAL ESTATE EQUITY				<u>\$1,612,161,863</u>
CORPORATE STOCK - FOREIGN:				
AALBERTS INDUSTRIE NLGO.10			228,179	6,674,124
AARM HLDGS			30,000	593,151
AB INTL CAYMAN TST			174,000,000	1,165,976
ABB AG			1,990	2,938,795
ABBEY NATIONAL			250,000	4,442,379
ABBOT GROUP			623,272	2,189,050
ACORN COMPUTER GRP			850,000	1,907,512
ADA			43,343	4,093,406

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AGRESSO ORD NOK2			525,000	2,326,176
ALCATEL ALSTHOM			38,000	7,736,979
ALLGON AB SER B			113,210	1,199,537
ALLIANZ AG			17,500	5,831,608
ALMA MEDIA CORP			44,800	1,567,780
AMCOR LIMITED			309,200	1,353,702
AMP LIMITED			363,242	4,251,302
AMWAY JAPAN LTD			300,000	3,177,576
ANGLO IRISH BK CP			2,130,000	5,721,784
AOYAMA TRADING			417,000	10,275,893
APCOA PARKING AG			94,599	6,786,892
ARES SERONO CHF50			2,050	2,851,705
ASAHI BANK ORD			272,000	1,195,518
ASAHI BREWERIES			440,000	5,548,149
ASSA ABLOY SWKR1 B			145,666	5,726,218
ASTRA AB			272,000	5,559,409
ATTICA ENTERPRISES			323,405	4,665,925
AUST AND NZ BANK			1,751,378	12,081,730
AUTOBACS SEVEN CO			18,000	514,897
AXA ORD FRF60			54,157	6,091,066
AXIME (EX SEGIN)			53,003	12,711,542
AZIENDA MEDIERANEA			4,229,000	3,237,978
BACHEM AG			899	1,084,624
BAER HLDGS AG ORD			2,300	7,195,025
BANCA POPULARE			220,000	3,737,729
BANK OF TOKYO MITS			394,000	4,170,378
BARON DE LEY ESP100			87,650	2,914,223
BCO CENTRAL HISPAN			219,375	6,906,966
BEIJING ENTERPRISE			832,000	1,261,651
BEMROSE CORP PLC			732,000	5,312,835
BENPRES HOLDINGS CORP			274,300	754,325
BIORA AB			221,006	2,909,816
BITSTREAM INC			81,370	113,918
BOUYGUES OFFSHORE			39,987	1,719,578
BRAMBLES INDS LTD			371,968	7,299,479
BREMBO SPA			540,000	7,139,039
BRIDGESTONE CO			576,000	13,612,997
BRIERLEY INVESTMNT			1,021,859	509,216
BRITISH BIO-TECH			1,050,750	639,909

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BROKEN HILL PROPTY			1,526,121	12,899,880
BTG ORD GBPO.10			1,125,000	15,673,465
BULGARI SPA			1,493,590	7,831,148
BUT SA FRF 23			114,370	6,355,960
CABLE + WIRELESS COMMUNICATION			769,900	7,790,963
CAMBRIDGE ANTIBODY			276,983	1,132,258
CANON INC			418,000	9,487,335
CANON SALES CO INC			181,000	2,459,675
CAP GEMINI NV			92,500	7,639,284
CAPITA GROUP PLC			1,703,363	14,650,819
CAPRAL ALUMINUM			1,610,000	2,263,163
CARRARO SPA ORD			753,500	5,404,700
CARTER HOLT HARVEY			538,700	469,782
CENTRAL EURO MEDIA			302,500	6,541,563
CHEMUNEX			663,800	1,811,553
CHEUNG KONG INFRAS			2,149,000	4,063,049
CHEUNG KONG(HOLDS)			654,000	3,215,739
CHINA TELECOM			2,434,000	4,224,944
CHIPITA			75,000	2,033,488
CITIZEN WATCH			1,500,000	12,375,255
CITY DEVELOPMENTS			379,000	1,058,833
CLP HOLDINGS			813,500	3,706,042
CLUBHAUS			800,000	1,288,081
COCHLEAR LTD			371,716	1,443,254
COMPUTACENTER			271,600	3,394,201
CORP FIN REUNIDA			121,984	1,844,620
CRA LTD			532,950	6,336,534
CREDIT SUISSE GRP			31,000	6,897,691
CREDITO ITALIANO			1,092,200	5,717,375
CRESPI			319,404	783,439
CSM NV			93,858	4,507,830
CSR LIMITED			2,805,400	8,095,520
DAHL INTERNATIONAL			210,774	3,885,139
DAIMLER BENZ AG			63,800	6,273,843
DAINIPPON INK &			399,000	1,221,854

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DAIWA BANK			521,000	788,342
DASSAULT SYSTEMES			150,820	7,109,410
DDI CORP ORD			2,853	9,929,019
DEUTSCHE BANK AG			36,000	3,043,488
DICKSON CONCEPTS			804,200	1,120,897
DIS DEUTSCHER IND			43,210	3,590,791
DISETRONIC HLDG AG			2,003	4,542,633
DOMNICK HUNTER GRP			776,653	4,827,022
DR SOLOMONS GROUP PLC			90,000	3,138,750
DRAKA HOLDING			176,265	7,174,606
DSV			60,340	6,405,134
EAST JAPAN RAILWAY			629	2,954,988
EBARA CORP			170,000	1,511,546
EBARA CORP WTS 991008			422	11,963
EGYPT EMERGING MKTS INDEX			203,110	1,685,813
EIH LTD GLOBAL DEPOSITORY			106,500	550,805
ELAN PLC ADR			97,900	6,296,194
ELECTROCOMPONENTS			675,000	5,434,093
ELECTROLUX AB			175,000	3,006,289
ESPRIT HOLDINGS			2,358,000	715,138
EXPRO INTL GROUP			675,000	5,653,710
EXPRO INTL GRP			34,000	285,347
FALCK			99,650	6,158,377
FANUC CO.			305,000	10,548,689
FAST RETAILING CO			145,530	1,363,180
FILTRONIC COMTEK			279,800	1,874,387
FIRST PHIL HLDGS			1,611,120	1,081,805
FIRSTBUS			382,000	2,613,204
FLETCHER CHALLENGE			602,800	669,618
FLETCHER CHALLENGE - BLDG			301,700	375,860
FLETCHER CHALLENGE - FOREST			619,928	347,540
FLEXTECH			648,000	5,973,561
FOKUS BANK			221,300	1,715,942
FORTH PORTS PLC			510,000	5,488,528
FOSTERS BREWING GR			3,073,000	7,231,197
FR GROUP			529,300	9,272,935
FRASER & NEAVE			121,000	325,153
FUJI HEAVY INDS			408,000	2,019,642

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FUJI PHOTO FILM			267,000	9,292,141
FUJITSU ORD			619,000	6,511,798
FUKUI BANK			160,000	361,999
GAKKEN GO LTD			700,000	1,170,155
GENSET SA			6,900	202,688
GENSET			39,500	3,541,002
GKN			437,600	5,581,884
GOODE DURRANT			509,500	4,280,255
GOODMAN FIELDER			1,347,600	1,961,069
GOODYS			69,270	1,723,326
GRANDVISION			135,800	4,514,666
GTI HLDG			95,225	3,417,240
GUILBERT SA			42,273	6,684,220
GURIT HEBERLEIN			410	1,481,265
HAGEMEYER			80,600	3,486,738
HALMA ORD 10P			1,988,000	4,129,636
HANG SENG BANK			540,400	3,054,692
HAVAS			1	85
HAYS PLC ORD 1P			608,105	10,196,958
HEIJMANS NV			291,778	8,118,403
HEMKOPSKEDJAN AB			232,210	2,999,095
HENKEL KGAA NON PFD			65,900	6,516,858
HENKEL KGAA ORD			7,400	614,127
HERO AG			20,000	3,171,125
HEWDEN-STUART PLC			900,000	2,597,853
HIDROEL CANTABRICO			64,125	2,932,098
HILTI INC PART			3,580	2,997,471
HINDALCO INDUS GDR			73,050	1,022,700
HINO MOTORS			261,000	771,049
HITACHI ORD			456,000	2,973,520
HOLDING PART IND			2,705,200	2,103,224
HONDA MOTOR CO.			130,000	4,627,301
HONG KONG & CHINA GAS			1,085,700	1,233,021
HONG KONG + CHINA GAS			49,350	3,376
HONG KONG ELECTRIC			1,083,500	3,355,971
HONG KONG TELECOMM			3,362,030	6,313,099
HSBC HOLDINGS			402,364	9,840,256
HUTCHISON WHAMPOA			1,749,000	9,231,902

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IFI(ISTIT FIN IND)			251,600	5,258,327
IHC CALAND NV			95,302	5,364,252
INDUSTRIE NATUZZI ADR			218,200	5,673,200
ING GROEP NV			85,000	5,565,764
INTENTIA INTERNATI			75,431	2,733,505
INTL MULLER ORD			276,541	9,257,811
ISHIHARA SANGYO			1,136,000	1,571,582
ITO-YOKADO CO.			257,000	12,092,156
IYO BANK			159,000	882,156
IZUMIYA & CO.			12,000	77,040
JAPAN SYNTH RUBBER			285,000	1,334,798
JAPAN TOBACCO			307	2,077,119
JARVIS			360,000	4,159,569
JARVIS PORTER GRP			1,076,980	3,243,477
JURONG SHIPYARD			560,000	2,701,420
KAMEI CORP			75,000	441,510
KAO CORP.			410,000	6,322,008
KEMPEN + CO NV			48,000	3,716,409
KEPPEL LAND LTD			1,250,000	1,146,801
KERAMIK HLDGS			4,000	2,294,286
KON NED PAPIERFABR			180,000	4,645,511
KONECRANES INTL			255,236	12,932,799
KONIN NIJVERDAL-			54,200	2,286,063
KONINKLIJKE NEDLLOYD NV			179,000	3,634,166
KOOK MIN BANK			1,041	3,867
KOREA MOBILE TELE			8	2,494
KUBOTA			147,000	338,941
LECTRA SYSTEMES			750,000	4,707,635
LERNOUT + HAUSPIE SPEECH PRODS			125,000	7,460,938
LION NATHAN LTD			419,800	932,666
LLOYDS TSB GROUP			230,000	3,217,784
LOESCH AG			9,813	239,748
MACKIE INTL GROUP			1,389,062	336,059
MANNESMANN AG			66,000	6,782,698
MARSCHOLLEK LAUTEN			32,460	15,825,076
MARSCHOLLEK LAUTEN			12,969	6,200,574
MARTIN GRUPPEN			88,200	2,526,590
MATSUSHITA KOTOBUK			320,000	7,977,806

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MAYNE NICKLESS LTD			348,000	1,842,508
MEDIOLANUM ITL1000			464,211	14,728,980
METRA AB			80,000	2,624,631
METRO AG			100,000	6,038,667
METROPOLE TV(M6)			25,000	4,184,565
MICHELIN(CGDE)			72,000	4,156,116
MISYS PLC ORD 5P			55,000	3,124,682
MITSUBISHI CHEM			757,000	1,369,074
MITSUBISHI CORP.			547,000	3,389,559
MITSUBISHI ESTATE			400,000	3,516,230
MITSUBISHI HVY IND			427,000	1,612,191
MITSUMI MARINE + FIRE			146,000	733,235
MITSUMI MINING			485,000	2,012,897
MITSUMI TRUST &			250,000	589,041
MOBIL COM AG			32,500	7,922,288
MONUMENT OIL & GAS			2,078,900	2,037,828
MOOLEN (VAN DER)			5,890	665,665
MOROCCO EMERGING MARKETS			207,881	2,695,796
MURATA MANUFACTNG			320,000	10,375,760
NAGASE & CO LTD			141,000	514,076
NANTO BANK ORD			150,000	626,869
NATL AUSTRALIAN BK			1,254,950	16,552,747
NATSTEEL LTD			1,484,000	1,440,536
NEC CORP.			915,000	8,524,659
NEW WORLD DEVEL			1,300,000	2,516,591
NEW WORLD INFRASTR			1,006	1,155
NEWS CORP PREF LTD VTG SH A			2,772,636	19,641,874
NICHEI CO			161,000	10,951,038
NIFCO INC			27,000	214,000
NIKKO SECURITIES			950,000	3,935,944
NINTENDO CO			13,500	1,249,955
NIPPON MEAT PACKRS			114,000	1,395,583
NIPPON STEEL CORP.			566,000	995,093
NIPPON TEL&TEL CO			2,111	17,492,162
NIPPON YUSEN KK			440,000	1,490,074
NISHIMATSU CONSTR.			180,000	881,940
NOKIA(AB)OY			126,000	9,266,589
NOKIAN RENKAAT			159,506	6,974,500

WASHINGTON STATE INVESTMENT BOARD

Retirement Funds

Schedule of Investments - Unaudited

June 30, 1998

<u>DESCRIPTION</u>	<u>MATURITY DATE</u>	<u>COUPON RATE</u>	<u>PAR VALUE OF SHARES</u>	<u>BOOK AND MARKET VALUE</u>
NOMURA SECURITIES			488,000	5,678,711
NORDIC TELE HLDGS			261,000	18,327,392
NORMANDY MINING LTD			830,200	678,611
NOVARTIS AG			3,400	5,657,656
NRJ SA			15,812	2,521,121
NTH BROKEN HILL HG			219,000	450,242
OERLIKON-BUEHRLE			15,000	2,739,298
ORIX CORP			140,000	9,452,029
OSPREY MARITIME			1,206,000	556,786
OVERSEAS CHINESE			549,600	1,870,514
OVERSEAS UNION BK			1,011,600	2,215,425
OXFORD MOLECULAR - OLD			1,120,000	3,503,848
PACIFIC DUNLAP LTD AUD0.50			1,503,600	2,430,171
PAKHOED NV KON CVA NLG5			133,000	4,315,163
PETROLEOS (CIA DE			90,000	3,350,970
PHILIPPINE LONG DIST TEL CO			49,200	1,113,150
PHILIPS ELECTRONIC			70,000	5,884,314
PIONEER ELECTRONIC			188,000	3,589,725
PIONEER INTL LTD			865,000	2,062,248
PIXTECH INC			200,000	962,500
PORTUGAL TELECOM S A			52,000	2,752,750
PREUSSAG AG			17,000	6,084,096
PRIMAGAZ			63,821	5,605,159
PRIMAGAZ			1,200	113,331
PROMISE CO ORD			37,400	1,538,740
PRYCE CORPN			24,500,000	752,037
PSION ORD 5P			907,500	9,842,060
RELIANCE INDS			80,000	528,000
RENTOKIL INITIAL			940,200	6,761,196
REPSOL SA			110,000	6,071,591
RHOEN-KLINIKUM			32,251	3,108,902
RHON-KLINIKUM AG			40,364	3,991,600
RICOH CO.			184,000	1,936,981
RIETER HLDGS AG			10,176	7,044,248
RINOL AG			125,000	5,436,186
RISO KAGAKU CORP			80,000	4,720,971
ROHM COMPANY			36,000	3,696,364
SAGA PETROLEUM A/S			239,900	3,689,067

WASHINGTON STATE INVESTMENT BOARD

Retirement Funds

Schedule of Investments - Unaudited

June 30, 1998

<u>DESCRIPTION</u>	<u>MATURITY DATE</u>	<u>COUPON RATE</u>	<u>PAR VALUE OF SHARES</u>	<u>BOOK AND MARKET VALUE</u>
SAKURA BANK LTD			445,000	1,154,303
SAN IN GODO BANK			200,000	1,301,293
SANDEN CORP ORD			103,000	696,884
SANKI ENGINEERING			40,000	220,485
SANTOS LIMITED			304,475	942,726
SANWA BANK Y50			79,000	706,409
SANWA INTERNL FINA			321,000,000	2,370,753
SAP AG			9,650	6,549,046
SCHIBSTED A/S			308,000	5,177,793
SCHNEIDER SA			81,600	6,506,644
SCOTIA HOLDINGS			450,000	2,466,459
SEAT SPA			910,000	614,329
SEKISUI CHEMICAL			1,900,000	9,720,069
SEKISUI HOUSE ORD			181,000	1,401,989
SEMA GROUP ORD 10P			320,000	3,785,491
SEMCON AB			390,000	3,838,897
SENSOROR A/S			619,450	2,825,391
SERCO GROUP ORD 2P			532,967	12,271,719
SERVISAIR PLC ORD			300,000	1,193,811
SETON HEALTHCARE			703,000	8,826,486
SEVEN-ELEVEN JAPAN			65,000	3,868,573
SHANGHAI INDUSTRIAL HLDGS			766,000	1,804,138
SHELL TRNSPT&TRDG			446,200	3,141,724
SHIMACHU CO			35,400	581,561
SHIN-ETSU CHEMICAL			71,000	1,227,798
SIDENOR METAL PROC			54,962	1,842,422
SINGAPORE AIRLINES			442,000	2,066,787
SINGAPORE PRESS			103,356	691,290
SINGAPORE TELECOMM			1,920,000	2,727,463
SINTERCAST AB			90,900	746,582
SKW TROSTBERG ORD			204,537	7,365,460
SLOVAK REPUBLIC EMERGING MKT			213,134	1,240,866
SMARTONE TELECOM			532,000	1,297,632
SODEXHO			37,188	7,030,380
SODEXHO WTS 040607			504	195,897
SONY CORP.			149,000	12,829,555
SONY MUSIC ENTERTAINMENT			59,700	2,533,652
SOUTHCORP HLDGS			619,400	1,798,904

WASHINGTON STATE INVESTMENT BOARD

Retirement Funds

Schedule of Investments - Unaudited

June 30, 1998

<u>DESCRIPTION</u>	<u>MATURITY DATE</u>	<u>COUPON RATE</u>	<u>PAR VALUE OF SHARES</u>	<u>BOOK AND MARKET VALUE</u>
ST BK INDIA REG S GL DEP			150,000	1,770,000
STAGECOACH HLDGS			210,774	4,487,389
STET HELLAS TELECOMMUNICATIONS			31,600	1,311,400
STORK NV			130,000	4,141,141
STRATEC HOLDING AG			4,130	5,799,598
SUMITOMO FORESTRY			280,000	1,571,639
SUMITOMO TRUST			225,000	1,005,152
SUN HUNG KAI PROPS			861,000	3,655,755
SUZUKI MOTOR CORP			600,000	5,447,274
SWISS LIFE			7,150	6,052,563
SYSTEM ETIKETTERIN			150,400	1,665,985
TAB CORP HLDGS LTD			1,078,500	5,509,829
TADANO			65,000	187,340
TAKEDA CHEMICAL			922,000	24,514,030
TAKEFUJI CORP			33,700	1,554,058
TAMRO YHTYMAE OY			862,000	5,577,524
TDK CORP			11,000	812,408
TEGE SA WTS 010620			30,000	642,796
TELE DANMARK AS			42,500	4,078,805
TELECOM CORP OF NZ			2,041,700	8,414,963
TELECOM CORP OF NZ			44,200	94,528
TELECOM ITALIA SPA			723,000	5,322,187
TELEFONICA DE ESP			140,000	6,483,767
TELSTRA CORP			4,110,300	10,537,508
TIANJIN DEVMT HLDG			1,166,000	993,163
TOAD			622,876	254,621
TODA CORPORATION			238,000	951,760
TOHO BANK ORD			120,000	481,608
TOKYO MARINE&FIRE			299,000	3,072,190
TOKYO ELECTRIC POWER			148,400	2,908,441
TOKYO ELECTRON			24,000	734,950
TOKYO OHKA KOGYO			44,300	1,257,643
TOKYO STEEL MFG			411,000	2,114,450
TOMRA SYSTEMS AS			294,081	8,814,529
TOPPAN FORMS			16,000	208,899
TOPPAN PRINTING			189,000	2,020,939
TOPY INDUSTRIES			60,000	79,115
TOSTEM CORPORATION			230,000	2,979,716

WASHINGTON STATE INVESTMENT BOARD

Retirement Funds

Schedule of Investments - Unaudited

June 30, 1998

<u>DESCRIPTION</u>	<u>MATURITY DATE</u>	<u>COUPON RATE</u>	<u>PAR VALUE OF SHARES</u>	<u>BOOK AND MARKET VALUE</u>
TOYO EXTERIOR			140,000	1,392,081
TOYO TRUST & BANK			200,000	990,020
TOYODA GOSEI			35,000	102,136
TOYOTA MOTOR CORP			462,000	11,950,714
UNI DANMARK A/S			39,000	3,504,718
UNIBAIL SA			34,247	4,429,544
UNIDARE			200,000	800,880
UNITAS BANK LTD			560,000	3,694,898
UNITED KINGDOM STK PRF INDX FD			2,937,688	71,808,852
UNITED OVERSEAS			451,200	1,402,087
VEBA AG ORD DEM5			80,000	5,378,292
VENTURE MANUFACT			1,027,000	1,945,212
VENTURE MFG			60,588	75,310
VERITY GROUP			3,583,900	5,067,825
VOLKER STEVIN			214,140	6,295,071
WBK STRYPES TR			25,400	766,763
WEST JAPAN RAILWAY			1,198	4,341,924
WESTERN MINING CO			805,175	2,423,207
WESTPAC BANK CORP			359,700	2,194,021
WOOLWORTHS LTD			1,765,600	5,740,050
XEBIO CO			38,000	568,145
YAMANOUCHI			90,000	1,874,122
ZURICH VERSICHERUN			10,000	6,381,806
TOTAL CORPORATE STOCK-FOREIGN				<u>\$1,557,809,463</u>
COMMINGLED INDEX FUNDS-DOMESTIC:				
BGI US EQUITY MARKET			310,219,127	15,692,529,624
TOTAL COMMINGLED INDEX FUNDS-DOMESTIC				<u>\$15,692,529,624</u>
COMMINGLED INDEX FUNDS - FOREIGN:				
ARGENTINA EMERGING MKTS INDEX			983,466	8,537,473
BRAZIL EMERGING			940,764	21,212,357
CHILE EMERGING MKTS INDEX			801,586	5,344,973
CHINA EMERGING			236,130	1,203,084
COLUMBIA EMERGING MKTS INDEX			202,250	1,651,777
CZECH REPUBLIC			182,815	1,626,138
FOREIGN COLONIAL EM MKT GP TR			10,736,626	93,787,969

WASHINGTON STATE INVESTMENT BOARD

Retirement Funds

Schedule of Investments - Unaudited

June 30, 1998

<u>DESCRIPTION</u>	<u>MATURITY DATE</u>	<u>COUPON RATE</u>	<u>PAR VALUE OF SHARES</u>	<u>BOOK AND MARKET VALUE</u>
GENESIS EMERGING			1,185,259	172,868,370
GMO EMERGING MKTS TRUST			10,650,150	76,042,072
GREECE EMERGING			742,498	14,160,918
HONG KONG COMMON			3,114,548	111,267,232
HUNGARY EMERGING			102,236	2,531,461
INDIA EMERGING MKTS INDEX			410,194	1,894,275
INDONESIA EMERGING			1,289,642	2,599,918
ISRAEL EMERGING MARKETS			486,182	4,864,741
JORDAN EMERGING			121,387	1,118,463
KOREA EMERGING MKTS			761,494	1,537,456
MALAYSIA COMMON			7,673,050	30,462,010
MALAYSIA EMERGING MKTS INDEX			6,085,379	15,256,044
MEXICO EMERGING MKTS INDEX			1,538,631	18,035,833
MSCI - AUSTRALIA			6,968,790	150,079,865
MSCI - AUSTRIA			413,949	12,446,195
MSCI - BELGIUM INDEX FUND			1,181,749	53,474,138
MSCI - DENMARK			664,416	30,603,022
MSCI - FINLAND			809,258	32,108,923
MSCI - FRANCE			6,361,688	297,898,751
MSCI - GERMANY			6,836,960	352,294,882
MSCI - IRELAND			496,213	15,209,909
MSCI - ITALY			5,416,662	143,909,867
MSCI - JAPAN			127,584,599	822,282,739
MSCI - NETHERLANDS			2,652,661	182,267,023
MSCI - NORWAY			607,741	16,985,155
MSCI-PORTUGAL EMERGING MKTS			1,257,967	17,368,753
MSCI - SINGAPORE			2,009,283	31,812,970
MSCI - SPAIN			3,073,770	103,272,535
MSCI - SWEDEN			1,833,912	99,737,323
MSCI - SWITZERLAND			4,177,051	245,719,202
MSCI - UNITED KINGDOM			13,882,307	611,626,692
NEW ZEALAND COMMON			932,775	12,866,702
PAKISTAN EMERGING MKTS INDEX			364,550	896,428
PERU EMERGING MKTS INDEX			195,689	2,173,904
PHILIPPINES EMERGING MKTS INDX			827,799	2,767,331
POLAND EMERGING MKTS INDEX			198,756	2,862,085
PORTUGAL EMERGING			229,156	5,910,847
RUSSIA EMERGING MARKETS INDEX			159,544	806,016
SCHRODER EMERGING			50,871	89,895,026

WASHINGTON STATE INVESTMENT BOARD

Retirement Funds

Schedule of Investments - Unaudited

June 30, 1998

<u>DESCRIPTION</u>	<u>MATURITY DATE</u>	<u>COUPON RATE</u>	<u>PAR VALUE OF SHARES</u>	<u>BOOK AND MARKET VALUE</u>
SOUTH AFRICA IFC			2,192,926	15,118,033
SRILANKA EMERGING			335,087	1,405,689
TAIWAN EMERGING MKTS INDEX			1,153,337	15,692,307
THAILAND EMERGING MKTS INDEX			3,633,062	3,505,905
TURKEY EMERGING			266,046	4,115,734
VENEZUELA EMERGING MKTS INDEX			185,316	1,608,545
ZIMBABWE EMERGING MKTS INDEX			211,464	1,774,180
TOTAL COMMINGLED INDEX FUNDS-FOREIGN				<u>\$3,966,499,239</u>
TOTAL MARKET VALUE OF RETIREMENT FUND INVESTMENTS				<u>\$37,346,109,891</u>

LABOR & INDUSTRIES FUNDS

- **Investment Policy**
- **Notes to Financial Statements**
- **Statement of Investments**
- **Statement of Changes in Investment Balances**
- **Schedule of Investments**

NOTE:

The accompanying unaudited financial statements and schedules of investments were prepared from the official accounting records of the Washington State Investment Board. Asset allocation information presented in Part 1 of the Annual Report is taken from master custodian records. In some cases, reported numbers may differ slightly due to valuation and classification differences.

Labor and Industries Investment Policy WSIB Policy 2.20.100

Approved by the Board on August 20, 1998

PURPOSE:

This document outlines the investment policy and objectives for the Department of Labor and Industries (L & I) Insurance Funds managed by the Washington State Investment Board (SIB). It supersedes any prior Board adopted policies.

POLICY:

Standard of Care

Under RCW 43.33A.030, trusteeship of the Labor & Industries funds is vested in the voting members of the Board. The legislature has established a standard of care for investment of these funds in RCW 43.33A.140. Additionally, the board and its staff must comply with other state laws, such as the Ethics in Public Service Act, Ch. 42.52 RCW, as it makes its investment decisions and seeks to meet the investment objectives listed below.

Strategic Objectives

In accordance with RCW 43.33A.110, the portfolio is to be managed to limit fluctuations in the industrial insurance premiums, and subject to this purpose, achieve a maximum return at a prudent level of risk. Based on this requirement, the order of the objectives shall be:

1. Maintain the solvency of the funds.
2. Maintain premium rate stability.
3. Ensure sufficient assets are available to fund the expected liability payments.
4. Subject to those above, a maximum return at a prudent level of risk.

Investment Approach

For the Accident and Pension Reserve Funds (Funds 608 and 610), the fixed income portfolio dollar durations are to be targeted to those of the liabilities, plus or minus 20 percent.

For the Medical Fund (Fund 609), the asset duration target will be based on the need to remain responsive to changes in the rate of medical inflation while earning a rate of return sufficient to fund expected liability payments.

For the Supplemental Pension Fund (Fund 881), the asset duration target will be based on the need to earn the highest rate of return consistent with maintaining a sufficient degree of liquidity for these funds.

Performance Objectives

Performance of the investment portfolios shall be judged relative to the Strategic Objectives and the Investment Approach. As such, the main objectives are the most important and must be met:

1. Are the funds solvent?
2. Are premium rates stable?
3. Are there enough assets available to fund the expected liabilities?

With these three criteria met, the duration structures of the funds are measured relative to their liability driven duration targets:

4. Funds 608 and 610: within +/-20 percent
Funds 609 and 881: within the current stated range of their specific targets.

With these criteria met, the actual rates of return of the portfolios will be compared to the synthetic Comparable Market Index (CMI) for each fund. The return for each fund's portfolio should not be significantly different from that of its CMI, especially over the long term, with a volatility similar to the index.

Portfolio Constraints

1. All assets under management by the SIB are to be invested to maximize return at a prudent level of risk in accordance with the requirements of statutes RCW 43.33A.110 and RCW 43.33A.140, which state in part that the SIB is to "...establish investment policies and procedures designed to attempt to limit fluctuations in industrial insurance premiums, and, subject to this purpose, to maximize return at a prudent level of risk."
2. No corporate fixed income issue shall exceed 3 percent of cost or 6 percent of market value of the Funds at the time of purchase (RCW 43.84.150).
3. Allocation to equities must stay within the allowable range. Additionally, if total equities exceed 150 percent of the contingency reserves, the SIB staff and Labor & Industries staff will meet to review the overall allocation to equities.

Asset Allocation

Asset allocation will be reviewed every three years, or sooner, if there are significant changes in funding levels or the liability duration. Market conditions, funding status, and liability assumptions are dynamic, not static, therefore, SIB staff will meet quarterly with the Department of Labor & Industries to review the investment portfolio, the status of funding levels and the liability durations. The Board has delegated to the Executive Director the authority to rebalance the asset allocation to fall within Board adopted ranges or targets. Assets will be rebalanced across asset classes when market values of the assets fall outside the policy ranges. Rebalancing will be accomplished first using normal cash flow and second through the reallocation of assets across asset classes. The timing of the rebalancing will be based upon market opportunities and the consideration of transaction costs, and therefore need not occur immediately.

Total Labor & Industries Funds:

ASSET ALLOCATION	Target	Max. Range	Min. Range
Total Equities	15 percent	18 percent	12 percent
Fixed Income	85 percent	88 percent	82 percent
Cash	0 percent	5 percent	0 percent

The above policy ranges are long-term and may deviate in the short-term as a result of funding schedules and interim market movements. As described in the portfolio constraints, it is the desire to keep the total equity allocation below 150 percent of the Contingency Reserve. If equities exceed that level, SIB and Labor & Industries staff will meet to review the appropriate allocation to equities.

Asset class structure:

Asset class structure is established by the Board with wide guidelines for staff to move assets in order to achieve the funds overall objectives.

Equity:

Equity is comprised of 85 percent U.S. equities and 15 percent non-U.S. equities. Both portfolios will be 100 percent passively managed in commingled index funds. The benchmark and structure for U.S. equities will be the broad U.S. stock market as defined by the Wilshire 5000. The benchmark and structure for non-U.S. equities will be the MSCI EAFE index, (Morgan Stanley Capital Indexes Europe, Australia, Far East Index.) If the non-U.S. portfolio exceeds 20 percent, or falls below 10 percent of the total equity portfolio, the fund will be rebalanced.

Fixed Income:

The fixed income portfolio's structure will vary widely among funds depending upon the required duration match.

Permissible Investments

- a. *U.S. Treasuries and Government Agencies* excluding mortgages and mortgage-backed securities (MBS), including derivative securities whose deliverable instrument is a U.S. Treasury or government obligation.
- b. *Investment Grade Corporate Bonds* rated Baa3 or higher by Moody's Investors Service. If not rated by Moody's, an issue must have an investment rating of BBB- or higher from one of the following:
 - Standard and Poor's
 - Fitch IBCA, Inc.
 - Duff & Phelps Credit Rating Co.

- c. *Non-investment grade corporate bonds* rated Ba1 and lower by Moody's not to exceed 5 percent of total portfolio. If not rated by Moody's, an issue is considered non-investment grade if it does not meet the criteria for investment grade corporate bonds listed above.
- d. *Privately Placed Mortgages*, including single family residences, commercial whole loans, and privately placed mortgage-backed securities.
- e. *Private Placements* of corporate debt.
- f. *Asset Backed Securities* rated BBB- or higher by Standard and Poor's and Baa3 or higher by Moody's Investors' Service.
- g. *Investment grade Non-U.S. Dollar Bonds*
- h. *U.S. Equities*
- i. *Non-U.S. Equities*
- j. *Derivative products* used for hedging or establishing a long position. Use of derivatives for speculation is prohibited.

Responsibilities

- A. Board - the SIB is responsible for approving the investment policy.
- B. Public Markets Committee - responsible for reviewing and recommending an investment policy to the Board. Responsible for reviewing SIB Staff investment management guidelines.
- C. SIB Staff - responsible for recommending an investment policy to the Public Markets Committee and implementing policy and reporting to the Public Markets Committee and the Board.

Washington State Investment Board Labor and Industries Funds

Notes to Financial Statements
June 30, 1998

Note 1: Significant Accounting Policies

Labor and Industries (L & I) funds are industrial insurance enterprise funds for financial reporting purposes. As enterprise fund uses the full accrual basis of accounting where revenues are recorded in the period earned and expenditures in the period incurred.

Investments are reported at fair market value, with the exception of short-term investments, which are reported at cost.

Interest and dividend income is accrued when earned. Capital gains and losses are recognized on a trade date basis. Purchases and sales of investments are also recorded on a trade date basis.

Unrealized gains and losses are included as investment earnings on the Statement of Changes in Investment Balance.

The WSIB reports collateral received under securities lending agreements where the state has the ability to spend, pledge or sell the collateral without borrower default. Liabilities resulting from these transactions are also reported. Additionally, costs associated with securities lending transactions, including broker rebates paid, are reported as investment management expenses in the accompanying statements. The Schedule of Investments and Statement of Investments do not include detailed holdings of securities lending collateral by investment classification.

Note 2: Fees and Expenses

Investment related fees and expenses are paid from non-appropriated funds. The Schedule of Investment Expenses is a listing of non-appropriated fees and expenses paid during the fiscal year ending June 30, 1998. Not reflected in the schedule, are management fees for some commingled equity index funds which are netted directly from investment earnings.

WASHINGTON STATE INVESTMENT BOARD

LABOR AND INDUSTRIES FUNDS

Statement of Investments (Unaudited)

June 30, 1998

	ACCIDENT FUND	MEDICAL AID FUND	ACCIDENT RESERVE FUND	SUPPLEMENTAL PENSION FUND	TOTAL	PERCENT OF TOTAL
FIXED INCOME INVESTMENTS:						
Short-Term (Cash)	\$ 21,887,521	\$ 28,397,055	\$ 18,468,931	\$ 14,619,395	\$ 83,372,902	1.0%
US Government Securities	489,428,101	289,361,797	215,613,157	19,209,420	1,013,612,415	12.1%
Mortgages and Mortgage Backed Securities	816,367,333	780,033,727	243,255,714	29,727,646	1,869,384,420	22.3%
Asset Backed Securities	44,619,231	127,811,521	25,455,311	14,848,155	212,734,218	2.5%
Corporate Obligations	1,767,053,799	1,200,554,217	845,103,232	40,470,637	3,853,181,885	46.0%
Total Fixed Income Investments	\$ 3,139,355,985	\$ 2,426,158,257	\$ 1,347,896,345	\$ 118,875,253	\$ 7,032,285,840	83.9%
EQUITY INVESTMENTS:						
Commingled Index Funds	\$ 531,911,230	\$ 821,245,178	\$ -	\$ -	\$ 1,353,156,408	16.1%
Total Equity Investments	\$ 531,911,230	\$ 821,245,178	\$ -	\$ -	\$ 1,353,156,408	16.1%
Total Equity and Fixed Income Investments	\$ 3,671,267,215	\$ 3,247,403,436	\$ 1,347,896,345	\$ 118,875,253	\$ 8,385,442,249	100.0%
ACCRUALS:						
Accrued Investment Income Receivable	\$ 46,975,094	\$ 28,212,524	\$ 21,628,080	\$ 1,269,724		
Accrued Management Fees Payable	(2,614,814)	(1,523,567)	(359,525)	(53,738)		
Payable for Investments Purchased	(23,500,000)	-	-	-		
Receivable for Investments Sold	23,666,000	36,505,000	-	-		
Collateral Held Under Securities Lending Agreements	262,488,329	262,844,656	38,783,796	7,791,312		
Obligations Under Securities Lending Agreements	(262,488,329)	(262,844,656)	(38,783,796)	(7,791,312)		
Total Accruals	\$ 44,526,280	\$ 63,193,957	\$ 21,268,555	\$ 1,215,986		
Total Market Value of Investments, June 30, 1998	\$ 3,715,793,495	\$ 3,310,597,393	\$ 1,369,164,900	\$ 120,091,239		

See Notes to Financial Statements.

WASHINGTON STATE INVESTMENT BOARD
LABOR AND INDUSTRIES FUNDS
Statement of Changes in Investment Balances (Unaudited)
Fiscal Year Ended June 30, 1998

	<u>ACCIDENT FUND</u>	<u>MEDICAL AID FUND</u>	<u>ACCIDENT RESERVE FUND</u>	<u>SUPPLEMENTAL PENSION FUND</u>	<u>TOTAL</u>
Market Value of Investments, June 30, 1997	\$ 3,157,168,002	\$ 2,931,318,670	\$ 1,275,955,071	\$ 130,051,988	\$ 7,494,491,731
Net Amount Contributed (Withdrawn)	\$ (1,658,980)	\$ (65,123,905)	\$ (15,669,054)	\$ (22,630,743)	\$ (105,082,681)
INVESTMENT EARNINGS:					
Interest, Dividends and Other Investment Income	\$ 220,479,680	\$ 161,023,606	\$ 93,465,419	\$ 9,172,229	\$ 484,140,933
Capital Gains	74,454,009	148,190,267	81,066,752	544,269	304,235,297
Capital Losses	(21,704,649)	(54,130,077)	(20,887)	(128,677)	(76,004,290)
Market Gains & Losses (Realized & Unrealized)	238,137,726	194,537,147	(3,051,662)	3,599,887	433,223,098
Investment Expenses	(11,695,162)	(4,893,791)	(1,531,131)	(503,887)	(18,623,972)
WSIB Operating Costs	(309,727)	(304,523)	(125,011)	(13,827)	(733,088)
<i>Net Investment Earnings</i>	<u>\$ 499,361,877</u>	<u>\$ 444,402,628</u>	<u>\$ 169,803,479</u>	<u>\$ 12,669,994</u>	<u>\$ 1,126,237,978</u>
OTHER CHANGES IN FUND BALANCE:					
Residual Equity Transfers	\$ 60,922,596		\$ (60,922,596)	\$	-
<i>Net Other Changes in Fund Balance</i>	\$ 60,922,596		\$ (60,922,596)	\$	-
Market Value of Investments, June 30, 1998	<u>\$ 3,715,793,495</u>	<u>\$ 3,310,597,393</u>	<u>\$ 1,369,164,900</u>	<u>\$ 120,091,239</u>	<u>\$ 8,515,647,027</u>

See Notes to Financial Statements.

WASHINGTON STATE INVESTMENT BOARD

Labor & Industries - Accident Fund

Schedule of Investments - Unaudited

June 30, 1998

<u>DESCRIPTION</u>	<u>MATURITY DATE</u>	<u>COUPON RATE</u>	<u>PAR VALUE OF SHARES</u>	<u>BOOK AND MARKET VALUE</u>
SHORT-TERM INVESTMENT FUND:				
PROVIDENT TEMPFUND B	N/A	N/A	21,887,521	<u>\$21,887,521</u>
US GOVERNMENT SECURITIES:				
TREASURIES				
U.S.A. TREASURY NOTE	11/15/12	10.380	6,100,000	8,168,266
U.S.A. TREASURY NOTE	2/15/15	11.250	17,400,000	27,883,500
U.S.A. TREASURY NOTE	5/15/16	7.250	9,140,000	10,708,058
U.S.A. TREASURY NOTE	11/15/16	7.500	98,720,000	118,510,398
U.S.A. TREASURY NOTE	5/15/17	8.750	26,200,000	35,284,064
U.S.A. TREASURY NOTE	2/15/20	8.500	16,850,000	22,584,224
U.S.A. TREASURY NOTE	2/15/21	7.880	16,900,000	21,444,579
U.S.A. TREASURY NOTE	11/15/05	5.880	10,000,000	10,190,600
US TREASURY BOND	2/15/27	6.630	100,000,000	112,922,000
<i>TOTAL US TREASURIES</i>				<u>\$367,695,689</u>
AGENCIES				
FHLB	2/25/04	9.500	4,500,000	5,308,605
FNMA	7/5/14		25,000,000	9,855,500
FNMA	10/9/19		35,000,000	10,068,100
RESOLUTION FDG CORP	10/15/19	8.130	51,300,000	65,511,639
RESOLUTION FDG CORP	5/15/08		16,000,000	9,194,240
RESOLUTION FDG CORP	1/15/13		26,200,000	11,329,928
TENNESSEE VALLEY AUTHORITY	9/15/34	8.250	10,000,000	10,464,400
<i>TOTAL US AGENCIES</i>				<u>\$121,732,412</u>
TOTAL US GOVERNMENT SECURITIES				<u>\$489,428,101</u>
MORTGAGES/MORTGAGE BACKED SECURITIES:				
PASS THROUGH MORTGAGES				
FHLMC GIANT SWAP 30-4272	6/1/18	8.500	4,514,672	4,767,403
FHLMC GIANT SWAP 30-4278	7/1/18	9.000	1,700,900	1,810,778
FHLMC GIANT SWAP 30-4281	7/1/18	9.000	1,715,716	1,826,551

WASHINGTON STATE INVESTMENT BOARD

Labor & Industries - Accident Fund

Schedule of Investments - Unaudited

June 30, 1998

FHLMC GIANT WAM SWAP 30-6660	3/15/19	7.000	843,895	853,026
FHLMC GIANT WAM SWAP 30-6661	3/15/19	8.500	1,143,504	1,183,630
FHLMC GOLD PL C00249	7/1/23	7.000	12,279,245	12,474,976
FHLMC PC 16-0011	10/1/05	8.500	13,849	14,275
FHLMC PC 16-0012	12/1/05	8.500	2,529	2,594
FHLMC PC 16-0016	8/1/06	8.500	101,935	105,512
FHLMC PC 16-0034	12/1/07	8.500	312,509	325,728
FHLMC PC 16-0038	2/1/08	8.500	16,880	17,594
FHLMC PC 16-0039	3/1/08	8.500	462,369	481,927
FHLMC PC 16-0040	3/1/08	8.750	17,124	17,936
FHLMC PC 16-0043	4/1/08	8.750	17,549	18,382
FHLMC PC 16-0049	7/1/08	8.750	314,853	330,812
FHLMC PC 16-0079	5/1/09	10.250	436,376	472,586
FHLMC PC 17-0018	2/1/08	8.500	162,604	169,482
FHLMC PC 17-0019	2/1/08	8.500	20,906	21,790
FHLMC PC 17-0029	5/1/10	12.000	204,083	232,310
FHLMC PC 17-0040	12/1/10	14.500	54,325	65,376
FHLMC PC 17-0149	12/1/15	11.000	657,950	739,167
FHLMC PC 17-0186	8/1/16	9.500	440,251	472,579
FHLMC SWAP 28-4854	12/1/16	8.500	64,018	67,607
FHLMC SWAP 28-8013	3/1/17	8.500	180,287	190,379
FHLMC SWAP 28-8307	3/1/17	8.500	160,073	169,005
FHLMC SWAP 28-8720	4/1/17	8.500	12,700	13,412
FHLMC SWAP 28-9754	3/1/17	8.500	200,560	211,805
FHLMC SWAP 28-9978	4/1/17	8.500	31,474	33,231
FHLMC SWAP 29-1274	4/1/17	8.000	58,768	61,596
FHLMC SWAP 29-3905	5/1/17	8.500	73,012	77,105
FNMA CA 7423	5/1/14	11.250	17,178	19,363
FNMA CL 2463	9/1/15	11.000	36,677	41,051
FNMA GL 6222	4/1/16	9.000	489,023	518,110
GNMA SF 45231	12/15/10	10.500	53,487	58,541
GNMA SN 1470	12/15/02	6.500	114,780	117,441
HYDER PLC 144A	12/15/17	7.250	25,000,000	26,092,750

TOTAL PASS THROUGH MORTGAGES

\$54,075,812

OTHER MORTGAGES

BANCOSTON (MERIDIAN)	8/1/09	10.250	117,852	118,917
BANCOSTON (MERIDIAN)	3/1/10	10.380	143,079	143,181
BICENTENNIAL MANOR	8/1/18	7.500	1,281,103	1,281,103
CRIMI MAE FIN CORP	1/1/33	7.000	8,157,891	8,112,003
HEATHERWOOD VALLEY	1/1/19	7.500	1,278,380	1,276,987
MCCORD MANOR	2/1/19	7.500	1,332,467	1,331,015

WASHINGTON STATE INVESTMENT BOARD

Labor & Industries - Accident Fund

Schedule of Investments - Unaudited

June 30, 1998

NATL WESTMINISTER BANK	10/16/07	7.750	13,370,000	14,350,957
SPIEKER PROPERTIES INC	10/1/27	7.500	20,000,000	20,177,600
STRONGSVILLE SR CTR	7/1/19	7.500	2,954,498	3,308,684
SWIFT BANK CORP - NY	6/15/17	7.380	2,500,000	2,771,000
U S MORTGAGE	3/1/02	6.750	7,736	7,482
VILLA RAINTREE	11/1/18	7.500	1,267,903	1,267,066
WESTIN INTERNATIONAL	7/1/02	9.150	30,374,892	30,777,056

TOTAL OTHER MORTGAGES

\$84,923,049

COLLATERALIZED MORTGAGE OBLIGATIONS

COUNTRYWIDE MTG 1993-AA10	10/25/08	6.500	13,763,329	13,582,617
COUNTRYWIDE MTG 1993-E A5	1/25/24	6.500	4,448,752	4,432,070
DLJ MTG ACC CORP 94-3A	4/25/24	6.500	9,737,340	9,528,571
FHLMC 1193-1630PG	4/15/20	5.750	17,660,000	17,560,574
FHLMC 1415 Y8	11/15/07	6.500	10,000,000	10,146,800
FHLMC 1552 GB	12/15/21	6.500	13,450,000	13,643,277
FHLMC 1616 BC	8/15/06	5.700	8,333,026	8,288,861
FHLMC 1648 HD	7/15/23	6.000	21,520,000	21,082,714
FHLMC 1671 G	8/15/23	6.500	15,000,000	15,290,550
FHLMC 1695 EB	3/15/24	7.000	5,000,000	5,070,300
FHLMC 1697 PJ	7/15/08	6.000	15,000,000	15,060,900
FHLMC 1992 1409 H	11/15/07	6.500	10,996,000	11,150,604
FHLMC 1992 1445 Y4	10/15/07	7.000	11,103,200	11,415,422
FHLMC 1993 1478 G	6/15/07	6.500	27,639,000	28,122,683
FHLMC 1993 1479 H	6/15/19	6.950	15,000,000	15,257,700
FHLMC 1993 1489 H	10/15/07	6.250	10,000,000	10,093,700
FHLMC 1993 1513 L	7/15/07	6.500	21,243,000	21,574,816
FHLMC 1993 1515 Y7	2/15/08	6.500	8,406,000	8,563,613
FHLMC 1993 1546 Y6	12/15/21	6.750	10,000,000	10,153,100
FHLMC 1993 1559 VG	11/15/21	6.500	21,220,000	21,591,350
FHLMC 1993 1584 N	9/15/23	6.500	6,569,000	6,646,974
FHLMC 1993 1590 GA	10/15/21	6.500	9,964,000	10,163,280
FHLMC 1993 1639 M	12/15/08	6.000	13,500,000	13,187,745
FHLMC 2070 C	3/15/28	6.000	25,000,000	23,804,700
FNG 1993-22 HA	9/25/20	6.500	10,285,000	10,342,802
FNMA 1992 193 HC	1/25/07	7.000	2,471,325	2,543,142
FNMA 1992 198 J	12/25/19	6.500	11,907,000	11,996,303
FNMA 1993 139G	7/19/25	6.250	9,197,750	9,246,590
FNMA 1993 188 G	8/25/06	5.800	6,450,000	6,433,875
FNMA 1993 28 Y5	3/25/07	6.500	15,000,000	15,112,500
FNMA 1993 44 PJ/	12/25/19	7.000	15,000,000	15,538,950
FNMA 1993 54 Y8	4/25/21	6.500	18,913,300	18,942,805

WASHINGTON STATE INVESTMENT BOARD

Labor & Industries - Accident Fund

Schedule of Investments - Unaudited

June 30, 1998

FNMA 1993 71 Z	5/25/08	6.500	19,325,275	19,113,857
FNMA 1993 84 Y5	11/25/20	6.500	7,769,000	7,856,401
FNMA 1994 14 C	7/25/23	6.000	20,000,000	19,368,600
FNMA 1994 19B	1/25/24	5.000	16,800,000	16,038,624
FNMA 1994 29 PE	5/25/18	6.000	10,000,000	9,990,600
FNMA 1994 40 Y6	6/25/22	6.000	10,000,000	9,968,700
FNMA 1994 42PH	12/20/25	5.850	12,191,634	12,100,197
FNMA 1994 51 PH	1/25/23	6.500	15,000,000	15,290,550
FNMA 1994 62 PH	11/25/23	6.900	10,000,000	10,343,700
FNMA G 1993-3 J	3/25/22	7.000	4,000,000	4,066,240
GE CAP MTG 1994-6A10	3/25/24	6.500	15,320,000	14,817,198
GE CAPITAL MTG 1992-13F	12/25/07	7.000	11,000,000	11,268,070
GE CAPITAL MTG 1994-12 A-12	3/25/09	6.000	15,000,000	14,493,750
GE CAPITAL MTG 1994-21A	8/25/09	6.500	9,377,177	9,362,455
GE CAPITAL MTG SERV 1994-14A4	4/25/24	7.500	10,569,000	10,991,760
GE CAPITAL MTG SVC 1994-4 A8	1/25/24	6.500	10,481,816	10,365,468
PRU HOME 93-51 A14	12/25/23	6.750	6,250,000	6,208,938
PRU HOME MTG 1994-15 A8	4/25/24	6.800	14,000,000	14,227,500
PRU-BACHE CMO TR 10I	4/1/19	7.960	13,133,660	13,605,552
PRUHOME MTG 1993-44 A18	11/25/23	6.750	13,000,000	12,935,000
PRUHOME MTG 1993-60 A5	12/25/23	6.750	3,703,851	3,614,700
PRUHOME MTG 1994-26 A6	8/25/09	7.000	5,812,000	5,782,940
RESIDENT FD MG 93-S45A12	12/25/23	6.500	7,000,000	7,000,000
SAXON MTG SEC 1994-2A7	1/25/24	6.750	3,000,000	2,987,790
<i>TOTAL COLLATERALIZED MORTGAGE OBLIGATIONS</i>				<u>\$677,368,472</u>
TOTAL MORTGAGES/MORTGAGE BACKED				<u>\$816,367,333</u>
ASSET BACKED SECURITIES:				
DISCOVER CARD TR 1993-3 A ABS	11/15/03	6.200	7,000,000	7,059,010
DISCOVER CARD TR 1993-B	2/15/00	6.750	10,500,000	10,598,385
MID STATES TRUST IV	4/1/30	8.330	4,033,686	4,421,928
STANDARD CR CARD MASTER TRUST	4/7/06	7.250	14,000,000	14,958,020
STD CR CARD 1995-9A ABS	10/7/07	6.550	7,370,000	7,581,888
TOTAL ASSET BACKED SECURITIES				<u>\$44,619,231</u>

WASHINGTON STATE INVESTMENT BOARD

Labor & Industries - Accident Fund

Schedule of Investments - Unaudited

June 30, 1998

CORPORATE OBLIGATIONS:

AETNA SERVICES INC	8/15/06	7.130	8,500,000	8,752,195
AIRTOUCH COMM	7/15/06	7.500	5,000,000	5,365,450
ALBERTSON'S INC. MTN	2/23/28	6.570	33,500,000	34,277,870
AMERICAN STORES CO MTN	6/9/03	7.200	5,000,000	5,191,250
ANHEUSER BUSCH COS INC	12/1/09	9.000	20,000,000	24,683,600
ANHEUSER BUSCH COS INC	7/1/23	7.380	5,000,000	5,297,150
ANHEUSER BUSCH COS INC MTN	12/1/00	7.960	5,000,000	5,225,750
ASSOCIATED DRY GOODS	3/1/06	8.850	1,900,000	2,209,624
ASSOCIATES CORP NORTH AME	9/30/01	7.880	5,000,000	5,258,850
ASSOCIATES CORP NORTH AMER	6/15/01	6.000	3,300,000	3,296,271
BANK OF NEW YORK	12/15/04	8.500	5,500,000	6,110,830
BANK ONE CORP	8/1/02	7.250	7,000,000	7,261,660
BANK ONE DAYTON	4/15/03	6.630	5,100,000	5,207,814
BANKAMERICA CORP	7/15/02	7.750	5,000,000	5,276,800
BANKAMERICA CORP	12/1/02	7.880	5,405,000	5,760,487
BELLSOUTH CORP	12/15/15	6.300	9,317,500	9,449,809
BENEFICIAL CORP MTN	11/25/02	7.640	10,000,000	10,553,000
BOC GROUP INC 144A	6/15/06	7.450	10,000,000	10,730,300
BOEING CO	8/15/21	8.750	15,000,000	19,057,950
BOEING CO 144A	2/15/38	6.630	25,000,000	25,713,250
BURLINGTON NO SANTA FE	12/15/25	7.000	10,000,000	10,370,200
BURLINGTON NORTHERN INC	8/1/02	7.000	12,750,000	13,090,553
BURLINGTON NORTHERN RR	10/1/06	9.250	4,000,000	4,720,800
CARNIVAL CRUISE	10/1/03	6.150	8,500,000	8,496,175
CARTER HOLT HARVEY LTD	12/1/04	8.880	6,000,000	6,714,000
CASE CREDIT	2/15/03	6.130	10,000,000	9,874,700
CENTURY TELEPHONE ENTPRS	1/15/28	6.880	25,000,000	24,990,000
CHASE MANHATTAN CORP	2/15/02	8.500	3,000,000	3,229,140
CHEMICAL BANK	6/1/05	7.000	10,000,000	10,432,800
CHEMICAL BANK	11/1/08	6.130	3,075,000	3,037,424
CHESAPEAKE & POTOMAC TEL MD	6/1/04	5.880	750,000	746,340
CHESAPEAKE & POTOMAC TEL MD	10/1/08	6.630	490,000	489,530
CHICAGO & NW RR	8/1/98	14.750	628,764	675,418
CHICAGO & NWESTN TRANS	7/30/12	6.250	4,752,109	4,706,013
CHRYSLER FINANCIAL CORP	8/15/00	6.630	10,000,000	10,135,000
CHUBB CORP	11/15/99	8.750	1,581,000	1,613,363
CINCINNATI BELL INC	8/1/11	7.380	750,000	763,815
CINCINNATI GAS & ELEC	6/1/25	6.900	5,000,000	5,124,950
CINCINNATI GAS & ELEC	2/15/04	6.450	8,000,000	8,101,200
CIRCUS CIRCUS ENTERPRISE	2/1/06	6.450	11,850,000	11,144,096
COLORADO INTERSTATE GAS	6/15/05	10.000	4,750,000	5,711,923
CONAGRA	9/15/04	7.400	10,000,000	10,584,700

WASHINGTON STATE INVESTMENT BOARD

Labor & Industries - Accident Fund

Schedule of Investments - Unaudited

June 30, 1998

CSR AMERICA INC	7/21/05	6.880	5,000,000	5,148,650
CSW INVTS	1/1/06	7.450	15,000,000	15,985,200
DAYTON HUDSON	3/1/03	6.630	13,000,000	13,250,510
DEAN WTRR DISCV	3/1/03	6.880	10,000,000	10,282,100
DR INVESTMENTS	5/15/07	7.450	20,000,000	21,214,800
ELEC DATA SYSTEM	5/15/05	7.130	10,000,000	10,597,300
EOP OPERATING LP 144A	2/15/18	7.250	6,000,000	6,142,020
FEDERATED DEPARTMENT STORES	2/15/28	7.000	25,000,000	25,444,750
FIRST UNION CORP	2/15/03	7.250	17,000,000	17,802,400
FLORIDA GAS TRANSMISSION	11/1/04	8.630	10,000,000	11,172,300
FLORIDA GAS TRANSMISSION	11/1/24	9.190	3,000,000	3,900,180
FORD HOLDINGS INC	3/1/00	9.250	15,000,000	15,767,100
FORD MOTOR CO	2/15/28	6.630	25,000,000	25,020,750
FORD MOTOR CREDIT CO	6/15/02	8.000	17,000,000	18,152,770
FORD MOTOR CREDIT CORP	11/15/02	7.750	10,000,000	10,624,100
FORD MOTOR CREDIT CORP	2/15/02	8.200	5,000,000	5,317,500
GENERAL ELEC CREDIT CORP	11/1/01	5.500	9,850,000	9,709,441
GENERAL MTRS ACCEPT CORP	1/1/03	8.500	10,000,000	10,915,200
GEORGIA-PACIFIC	6/15/02	9.950	15,000,000	16,858,650
GEORGIA-PACIFIC	5/15/22	9.500	5,000,000	5,830,650
GEORGIA-PACIFIC	4/30/25	8.630	5,000,000	5,535,950
GOLDMAN SACHS 144A	2/15/06	6.750	15,000,000	15,514,950
GOLDMAN SACHS GROUP LP 144A	12/1/04	6.630	5,000,000	5,044,950
GREAT WESTERN FIN	2/1/02	8.600	6,070,000	6,488,587
GREAT WESTERN FINANCIAL	7/1/00	6.380	5,000,000	5,018,200
GTE CORP	11/1/21	8.750	15,000,000	18,341,850
HANSON OVERSEAS	9/15/05	6.750	20,000,000	20,518,400
HANSON PLC	1/15/03	7.380	10,000,000	10,443,300
HARRIS CORP	12/1/18	10.380	4,600,000	4,907,096
HERSHEY FOODS CORP	2/15/21	8.800	10,000,000	12,953,200
HOUSEHOLD FINANCE CO	2/15/05	8.250	10,000,000	11,054,400
HOUSEHOLD FINANCE CORP	3/1/03	6.880	15,000,000	15,381,000
INDIANTOWN COGENERATION	12/15/10	9.260	5,000,000	5,711,500
INTER AMERN DEV BK	3/15/11	8.500	20,000,000	24,312,000
INTL BUSINESS MACHINES	11/1/19	8.380	15,000,000	18,326,100
KANSAS GAS & ELEC	9/29/03	6.760	7,043,387	7,197,848
KN ENERGY INC	3/1/28	7.250	25,000,000	25,371,500
KOREA ELECTRIC POWER	12/1/03	6.380	5,000,000	4,031,700
LEGRAND	2/15/25	8.500	8,925,000	10,765,067
LORAL CORP	6/15/04	7.630	6,000,000	6,393,840
MBNA CORP MTN	9/15/00	6.500	7,000,000	7,029,050
MCI COMMUNICATIONS CORP	8/20/04	7.500	10,000,000	10,587,100
MCI COMMUNICATIONS CORP	3/15/24	7.750	5,000,000	5,213,050

WASHINGTON STATE INVESTMENT BOARD

Labor & Industries - Accident Fund

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MELLON FINANCIAL	2/15/10	6.380	25,000,000	25,047,750
MORGAN STANLEY & CO INC	5/15/03	7.030	10,000,000	10,260,000
MORGAN STANLEY GROUP INC	12/15/03	6.380	7,500,000	7,581,000
NCNB CORP	9/15/09	9.380	5,000,000	6,176,650
NEW JERSEY BELL TEL CO	6/1/12	7.380	3,500,000	3,559,150
NEW YORK TEL CO	11/15/10	8.630	15,000,000	17,995,950
NORFOLK SOUTHERN	3/1/21	9.000	20,000,000	25,473,200
NORSK HYDRO	11/15/25	7.150	5,000,000	5,343,750
NOVA GAS TRANSMISSION	12/8/04	8.500	4,000,000	4,436,440
OCCIDENTAL PETE	4/1/28	7.200	10,000,000	10,174,100
PACIFIC GAS & ELEC CO	12/1/99	6.880	850,000	852,423
PACIFIC GAS & ELEC CO	6/1/00	6.630	1,058,000	1,060,529
PACIFIC GAS & ELEC CO	12/1/00	6.750	1,885,000	1,875,575
PACIFIC GAS TRAN	6/1/05	7.100	10,000,000	10,541,800
PACIFIC TELECOM INC MTN	10/20/05	6.630	10,000,000	10,155,400
PACIFICORP HOLDINGS	4/1/06	7.200	7,500,000	7,885,650
PANHANDLE EASTERN PIPELINE	5/15/05	7.250	10,000,000	10,524,600
PANHANDLE EASTERN PIPELINE	8/15/04	7.880	10,000,000	10,778,800
PDVSA FINANCE LTD 1998-1 144A	11/15/28	7.500	20,000,000	19,450,000
PENNEY, JC	11/15/03	6.130	10,000,000	10,006,900
PETROLIUM NASIONAL BERHAD	7/1/03	6.880	5,000,000	4,532,600
PNC BANK	4/15/05	7.880	5,000,000	5,444,150
PNC FUNDING CORP	6/1/04	7.750	5,250,000	5,629,838
POTOMAC ELEC PWR CO	2/15/03	6.630	500,000	505,015
PROGRESSIVE CORP	1/15/04	6.600	10,000,000	10,166,800
QUESTAR PIPELINE	6/1/21	9.380	3,000,000	3,421,050
REPUBLIC NEW YORK CORP	2/15/07	8.380	1,000,000	1,145,870
RITE AID CORP (RAD)	2/15/27	7.700	15,000,000	16,746,450
SAFECO CAPITAL TRUST I	7/15/37	8.070	3,100,000	3,312,691
SAFECO CORP	4/1/05	7.880	7,000,000	7,416,570
SAGA PETROLEUM A.S.	7/15/04	8.400	5,000,000	5,458,700
SANTANDER FIN ISSUANCES	7/15/05	6.800	14,300,000	14,583,426
SEARS ROEBUCK & CO	5/1/00	6.000	2,500,000	2,491,950
SECURITY CAPITAL GROUP 144A	6/15/28	7.700	20,000,000	20,306,400
SKANDINAVISKA ENSKILDA	2/15/09	6.880	10,000,000	10,247,700
SOCIETY CORP	6/15/02	8.130	4,750,000	5,057,468
SOCIETY CORP	11/1/02	7.850	17,500,000	18,648,875
SOCIETY NATIONAL BANK	6/15/03	6.750	2,625,000	2,683,853
SONAT INC	2/1/18	7.000	15,000,000	15,439,350
SOUTHWESTERN BELL TELE	10/15/26	7.200	10,000,000	10,476,600
TIME WARNER ENTERTAINMENT	9/1/08	7.250	25,500,000	26,851,245
TIME WARNER INC	1/15/28	6.950	10,000,000	10,028,600
TRANSAMERICA FINANCE	3/15/99	6.800	5,500,000	5,536,080

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TRANSCANADA PIPELINE	5/15/12	8.630	5,000,000	5,987,750
U S BANCORP	10/15/05	6.750	10,000,000	10,308,500
UNION PACIFIC CO	5/1/05	7.600	13,000,000	13,780,130
UNION PACIFIC CO	5/1/25	8.350	5,000,000	5,380,600
UNION PACIFIC CORP	2/1/06	6.400	10,000,000	9,914,400
UNION PACIFIC RESOURCES	5/15/28	7.150	27,000,000	27,203,850
UNITED PARCEL SVC AMER INC	4/1/20	8.380	35,000,000	43,786,400
UNITED TECHNOLOGIES MTN	12/15/99	8.300	15,000,000	15,483,450
UNITED TELECOM	4/1/03	9.500	2,000,000	2,263,920
WELLS FARGO & CO	8/15/06	7.130	10,000,000	10,513,900
WEYERHAEUSER CO	1/15/25	8.500	5,000,000	6,020,150
WEYERHAEUSER CO	3/15/25	7.950	5,000,000	5,686,050
WILLIAMS COS INC	11/15/04	6.630	10,000,000	10,141,100
WILLIAMS HLDGS OF DEL	2/1/06	6.250	5,000,000	5,034,350
WISCONSIN BELL INC	2/1/07	7.250	500,000	505,670
WISCONSIN TEL CO	8/1/04	6.250	200,000	200,712
ABN-AMRO BNK NV (CHICAGO)	5/31/05	7.250	10,000,000	10,505,700
ATHABASCA OIL SANDS	4/1/27	8.200	3,000,000	3,389,610
CANADIAN NATL RR	5/15/03	6.630	8,000,000	8,145,040
CANADIAN NATL RR	3/15/04	7.000	10,000,000	10,310,900
CANADIAN NATL RR CTF 97-2A	1/2/16	7.200	21,703,000	23,090,690
CERRO NEGRO FINANCE LTD	6/1/28	8.030	15,000,000	14,505,000
ENERGY GROUP OVERSEAS BV	10/15/27	7.500	18,000,000	19,444,500
FLETCHER CHALLENGE CAP CAN	6/20/06	7.750	10,000,000	10,560,600
FSPC T A8	11/15/28	7.000	26,245,000	26,351,555
HYDRO QUEBEC MTN	4/12/05	7.000	3,000,000	3,148,740
HYDRO-QUEBEC	1/15/27	8.250	10,000,000	12,143,500
HYDRO-QUEBEC	4/15/30	9.380	25,000,000	33,966,500
MANITOBA PROV CDA	12/1/18	9.630	20,000,000	27,791,400
MANITOBA PROV CDA	9/15/02	6.880	10,000,000	10,320,800
NORSK HYDRO A/S	10/1/16	7.500	10,000,000	11,185,500
NOVA SCOTIA PROV CDA	7/15/02	9.380	25,000,000	27,970,000
ONTARIO PROV CDA	6/22/04	7.630	13,000,000	14,039,090
QUEBEC PROVINCE	2/9/24	7.130	5,000,000	5,351,700
SAFERCO MTN	5/31/07	9.650	16,000,000	19,554,240
SAFERCO MTN	5/31/06	9.650	10,000,000	12,036,700
SASKATCHEWAN CDA	7/15/04	8.000	10,000,000	11,011,100
TOTAL CORPORATE OBLIGATIONS				\$1,767,053,799

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EQUITY INDEX FUNDS:		
BGI EXTENDED MKT NON-QUAL	1,408,102	106,984,268
BGI S & P NON QUAL	10,402,661	341,928,804
STATE STREET MSCI EAFE INDEX	1,383,702	82,998,158
TOTAL EQUITY INDEX FUNDS		<u><u>\$531,911,230</u></u>
TOTAL MARKET VALUE OF INVESTMENTS		<u><u>\$3,671,267,215</u></u>

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<u>DESCRIPTION</u>	<u>MATURITY DATE</u>	<u>COUPON RATE</u>	<u>PAR VALUE OF SHARES</u>	<u>BOOK AND MARKET VALUE</u>
SHORT-TERM INVESTMENT FUND:				
PROVIDENT TEMPFUND B	N/A	N/A	28,397,055	<u>\$28,397,055</u>
US GOVERNMENT SECURITIES:				
TREASURIES				
U.S.A. TREASURY	7/31/02	6.000	28,000,000	28,472,360
U.S.A. TREASURY NOTE	8/15/02	6.380	6,000,000	6,183,720
U.S.A. TREASURY NOTE	5/15/04	7.250	15,000,000	16,275,000
U.S.A. TREASURY NOTE	11/30/00	5.630	60,000,000	60,131,400
U.S.A. TREASURY NOTE/STRIP	2/15/00		18,000,000	16,476,300
U.S.A. TREASURY NOTE/STRIP	2/15/00		10,500,000	9,614,955
U.S.A. TREASURY NOTE/STRIP	2/15/04		12,200,000	8,986,520
US TREASURY	5/15/07	6.630	40,000,000	42,962,400
<i>TOTAL US TREASURIES</i>				<u>\$189,102,655</u>
AGENCIES				
FHLB	2/25/04	9.500	3,700,000	4,364,853
FNMA	6/10/04	7.550	10,000,000	10,156,200
FNMA	2/15/08	5.750	40,000,000	39,812,400
GUARANTEED TRADE TR 1994-A	6/26/06	7.390	7,083,333	7,518,250
RESOLUTION FDG CORP/STRIP	4/15/06		25,000,000	16,143,250
RESOLUTION FDG CORP/STRIP	4/15/07		36,301,000	22,264,129
<i>TOTAL US AGENCIES</i>				<u>\$100,259,082</u>
TOTAL US GOVERNMENT SECURITIES				
				<u>\$289,361,737</u>
MORTGAGES/MORTGAGE BACKED SECURITIES:				
PASS THROUGH MORTGAGES				
FHLMC 2008 B	8/15/25	6.500	20,000,000	19,956,200
FHLMC GIANT SWAP 30-4272	6/1/18	8.500	5,415,480	5,718,638
FHLMC GIANT SWAP 30-4278	7/1/18	9.000	1,865,464	1,985,973
FHLMC GIANT SWAP 30-4281	7/1/18	9.000	1,883,598	2,005,279
FHLMC GNOME 38-0021	5/1/03	9.000	902,314	928,869
FHLMC GOLD FL 99004	7/1/99	8.000	2,334,425	2,347,171
FHLMC PC 16-0079	5/1/09	10.250	436,376	472,586

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FHLMC PC 17-0147	11/1/15	11.000	417,392	470,013
FHLMC PC 17-0186	8/1/16	9.500	440,251	472,579
FNMA CA 7423	5/1/14	11.250	8,589	9,681
FNMA CL 2463	9/1/15	11.000	75,392	84,382
GNMA 1 SF 780052	12/15/08	7.000	5,710,479	5,860,379
GNMA 1 SF334780	8/15/25	7.500	5,495,868	5,650,411
GNMA 1 SF393278	8/15/25	7.500	744,365	765,297
GNMA 1 SF409930	8/15/25	7.500	863,556	887,839
GNMA 1 SF410088	8/15/25	7.500	1,675,453	1,722,567
GNMA 1 SF413882	7/15/25	7.500	1,716,249	1,764,510
GNMA 1 SF413886	8/15/25	7.500	782,081	804,073
GNMA 1 SF414075	8/15/25	7.500	717,665	737,846
GNMA 1 SF414098	8/15/25	7.500	3,072,532	3,158,932
GNMA 1 SF415983	8/15/25	7.500	805,937	828,600
GNMA GP 90132	5/15/09	9.000	53,877	59,789
GNMA GP 90178	5/15/09	9.000	115,047	127,671
GNMA II SF 120666	9/15/14	13.000	1,078,557	1,268,307
<i>TOTAL PASS THROUGH MORTGAGES</i>				<u>\$58,087,591</u>
OTHER MORTGAGES				
EUCLID APTS	5/1/19	7.500	1,424,114	1,422,348
NATIONSBANC	10/25/09	10.500	155,342	160,687
VIRGINIA APTS	7/1/18	7.500	1,765,192	1,763,851
<i>TOTAL OTHER MORTGAGES</i>				<u>\$3,346,886</u>
COLLATERALIZED MORTGAGE OBLIGATIONS				
BEAR S. MTG. SEC TR93-08A5	8/25/24	6.350	15,000,000	15,013,950
CMO PRU HOME 1994-5-A1	2/25/24	7.000	1,807,220	1,812,859
COUNTRYWIDE MTG 1993-AA10	10/25/08	6.500	8,908,880	8,791,907
COUNTRYWIDE MTG 1994-3 A7	3/25/24	6.750	10,000,000	9,984,300
COUNTRYWIDE MTG 93-2 A3	9/25/08	6.500	6,290,437	6,314,026
COUNTRYWIDE MTG 94-13 A10	6/25/09	6.500	4,940,000	4,974,086
DLJ MTG ACC CORP 94-3A	4/25/24	6.500	9,737,340	9,528,571
FHLM REMIC 1927 A	1/15/20	6.500	18,964,500	19,094,786
FHLMA 1993-1587 Z	10/15/08	6.500	6,384,669	6,384,669
FHLMC 1271 G	8/15/06	7.000	10,478,000	10,703,906
FHLMC 1616 BC	8/15/06	5.700	13,411,172	13,340,093
FHLMC 1669 EA	5/15/18	5.750	15,000,000	14,967,150
FHLMC 1673 Y5	2/15/19	6.000	15,000,000	15,032,700
FHLMC 1706 H	6/15/23	6.500	5,000,000	5,095,300
FHLMC 1990 128H	9/15/19	8.750	133,394	132,894

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FHLMC 1992 1188 GC	11/15/19	7.500	11,000,000	11,178,750
FHLMC 1992 1336 H	1/15/21	7.750	21,000,000	21,485,520
FHLMC 1993 1505 D	8/15/18	5.500	10,000,000	9,856,200
FHLMC 1993 1530 G	10/15/21	6.500	10,000,000	10,140,600
FHLMC 1993 1591 PN	6/15/19	5.950	13,000,000	12,987,780
FHLMC 1993 1620 PG	8/15/18	6.000	10,000,000	10,015,600
FHLMC 1993 1639 M	12/15/08	6.000	9,248,202	9,034,291
FHLMC 1994 1119 G	7/15/20	8.100	660,623	662,889
FHLMC 1994 1683 AB	7/15/20	5.250	25,000,000	24,351,500
FHLMC 1994 1714 E	9/15/18	6.250	14,000,000	14,065,520
FHLMC 1994 1727 E	4/15/18	6.500	20,000,000	20,175,000
FHLMC 1994 G-29 P	2/25/18	7.000	12,500,000	12,660,125
FHLMC 1996 1843A	4/15/19	6.500	4,395,653	4,432,708
FHLMC-GNMA93-12 E	3/25/08	6.000	7,481,250	7,455,515
FHLMC/GNMA 29X	2/25/23	6.750	4,793,595	4,896,945
FHLMC/GNMA-29 Y5	2/25/18	6.250	15,000,000	15,032,700
FNMA 1992 205K	5/25/21	6.500	16,000,000	16,181,280
FNMA 1993 116E	7/25/22	6.500	3,000,000	3,036,540
FNMA 1993 138E	12/25/16	5.750	9,828,424	9,794,615
FNMA 1993 142B	6/19/25	6.250	6,650,000	6,683,250
FNMA 1993 149H	9/20/25	6.000	5,086,000	5,068,504
FNMA 1993 202N	2/25/22	6.500	5,000,000	5,093,750
FNMA 1993 204 EC	10/23/25	5.950	7,374,843	7,317,172
FNMA 1993 20PG	2/25/19	6.500	10,000,000	10,081,200
FNMA 1993 28 Y5	3/25/07	6.500	20,000,000	20,150,000
FNMA 1993 44 PG	9/25/16	6.450	17,700,000	17,843,724
FNMA 1993 56 P6	2/25/21	6.750	10,000,000	10,212,500
FNMA 1993 77G	11/19/25	6.500	47,000,000	47,425,820
FNMA 1993 84 Y9	6/25/18	6.450	12,000,000	12,105,000
FNMA 1993 85G	3/25/08	6.500	10,936,566	10,967,298
FNMA 1994 20-Z	2/25/09	6.500	17,100,953	17,031,352
FNMA 1994 23PC	7/17/25	6.000	10,382,000	10,369,023
FNMA 1994 37G	11/18/25	6.000	5,385,000	5,379,938
FNMA 1994 42 PE	6/25/18	5.850	15,000,000	14,948,400
FNMA G93-33 H	11/25/20	6.600	5,320,000	5,413,100
FNMA TRUST PREASSIGN 00575	6/20/35	7.000	3,234,964	3,229,885
FNMA1993-252E	8/25/17	6.000	13,000,000	12,983,750
GE CAP MTG SVC 1994-5 A6	2/24/25	5.500	13,535,143	13,408,183
GE CAPITAL MTG 1994-21A	8/25/09	6.500	6,251,451	6,241,636
GE CAPITAL MTG SVC 94-1 A6	1/25/24	6.500	10,000,000	9,956,200
IND NATL MTG CORP 95HA11	6/25/25	8.250	8,020,178	8,215,630
INMC 95-D A8	10/25/09	9.000	5,000,000	5,292,150
NASCOR 1997-1 A2	2/25/12	6.500	10,000,000	9,984,300

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PRU BACHE TRUST 16 G	12/25/20	8.000	3,889,908	3,914,220
PRU HOME MTG 1994-14 A2	4/25/09	6.400	4,265,367	4,270,698
PRUDENTIAL HOME MTG 1994-25 A7	8/25/24	7.500	8,000,000	8,547,440
PRUHOME MTG 1994-11 A1	4/25/24	6.680	1,389,157	1,386,546
RAST 1997-A4 A2	6/25/27	7.050	8,556,317	8,537,578
RES ASSET SECS 1995-KS3 A3-I	10/25/24	8.000	9,695,000	9,817,157
RESIDENT FD MTG 93-S45 A8	12/25/23	6.500	11,035,269	10,976,562
RFMSIO1993-S22A6	6/25/23	7.000	7,433,000	7,467,786
RTC SERIES 1992-7 A-2D	6/25/29	8.350	6,648,986	6,742,471
SASI 1993-7 TA1	12/25/23	6.250	1,572,158	1,567,724
VA VENDEE MTF 94-2 3C	11/15/09	6.500	9,426,718	9,429,640
VA VENDEE MTG 1994-1C	9/15/10	6.300	11,917,000	11,924,389
TOTAL COLLATERALIZED MORTGAGE OBLIGATIONS				\$718,599,249
TOTAL MORTGAGE/MORTGAGE BACKED				\$780,033,727
ASSET BACKED SECURITIES:				
1ST PLUS HM LN OWN 97-1 A5	11/10/11	6.700	10,000,000	10,107,810
AMERICREDIT 1997-A A3	8/12/00	6.540	10,000,000	10,199,000
CONTIMORTGAGE HOME EQ LN	10/15/11	6.600	8,500,000	8,545,135
CONTIMORTGAGE HOME EQ LN	3/15/14	6.710	10,000,000	10,084,300
DISCOVER 1993-A. ABS	8/15/00	6.250	1,666,667	1,663,533
DISCOVER CARD TR 1993-2 A ABS	5/15/99	5.400	9,166,667	9,149,433
DISCOVER CARD TR 1993-B	2/15/00	6.750	10,000,000	10,093,700
GREENTREE 1995-3 A3 ABS	8/15/25	6.650	4,024,909	4,029,940
IMC HM EQ LN TR 1997-3 A3	1/20/12	6.710	10,000,000	10,031,200
IMC HOME EQ LN TR 97-7 A8 ABS	2/20/29	6.650	16,000,000	16,215,008
MBNA MA CR CD 95-C A	2/15/08	6.450	25,500,000	26,201,250
MID STATES TRUST IV	4/1/30	8.330	4,033,686	4,421,928
SCFC BOAT LOAN TR 1992-1 A	4/15/07	7.050	2,933,222	2,954,283
STD CR CARD 1995-3A ABS	2/7/02	7.850	4,000,000	4,115,000
TOTAL ASSET BACKED SECURITIES				\$127,811,521
CORPORATE OBLIGATIONS:				
AEGON NV	8/15/06	8.000	22,000,000	24,130,040
AETNA SERVICES INC	8/15/06	7.130	8,000,000	8,237,360
AIRTOUCH COMM	7/15/06	7.500	5,000,000	5,365,450
AMERICAN STORES	5/15/05	7.400	5,000,000	5,288,750
APACHE CORP	12/15/07	6.500	25,000,000	25,005,250
ASSOCIATES CORP M.T.N.	1/28/00	6.910	3,000,000	3,053,400
ASSOCIATES CORP NORTH AME	6/15/00	6.000	4,000,000	4,004,400

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ASSOCIATES CORP NORTH AME	9/30/01	7.880	7,500,000	7,888,275
ASSOCIATES CORP NORTH AMER	5/15/99	7.500	3,000,000	3,040,770
BEAR STERNS & CO	6/15/00	6.500	8,000,000	8,072,640
BELLSOUTH CORP	12/15/15	6.300	6,522,250	6,614,866
BELLSOUTH TELEC	6/15/05	6.500	5,650,000	5,828,845
BENEFICIAL CORP MTN	11/22/99	7.270	10,000,000	10,181,800
BENEFICIAL FIN	11/15/99	7.300	8,000,000	8,146,880
BOC GROUP INC 144A	6/15/06	7.450	10,000,000	10,730,300
BURLINGTON NO SANTA FE	12/15/05	6.380	10,000,000	10,076,400
CARNIVAL CRUISE	5/15/05	7.050	10,000,000	10,441,000
CARTER HOLT HARVEY LTD	12/1/04	8.880	5,000,000	5,595,000
CASE CREDIT	2/15/03	6.130	10,000,000	9,874,700
CHICAGO & NW RR	8/1/98	14.750	628,764	675,418
CIRCUS CIRCUS ENTERPRISE	2/1/06	6.450	8,000,000	7,523,440
CITICORP	11/1/04	8.630	9,500,000	9,797,160
COMMERCIAL CREDIT CO	3/1/00	6.130	25,000,000	25,048,250
CS FIRST BOSTON	5/15/06	7.750	15,000,000	16,287,300
CSR AMERICA INC	7/21/05	6.880	5,000,000	5,148,650
CSW ENERGY	10/1/01	6.880	20,000,000	20,344,000
CSW INVTS NT 144A	8/1/01	6.950	17,000,000	17,251,430
CSX CORP	5/1/02	7.050	20,000,000	20,520,200
DEN DANSKE BANK	6/15/10	7.400	12,000,000	12,727,800
DR INVESTMENTS 144A	5/15/02	7.100	19,700,000	20,274,846
ELEC DATA SYSTEM	5/15/05	7.130	10,000,000	10,597,300
EOP OPERATING LP 144A	2/15/08	6.750	5,000,000	4,993,850
FIRST UNION CORP	4/1/08	6.400	15,000,000	15,051,600
FORD MOTOR CREDIT CO	6/15/99	8.880	6,115,000	6,283,101
FORD MOTOR CREDIT CORP	4/15/00	6.380	4,000,000	4,029,520
FORD MOTOR CREDIT CORP	2/15/02	8.200	5,000,000	5,317,500
GENERAL MTRS ACCEPT CORP	10/1/99	8.000	5,000,000	5,123,650
GENERAL MTRS ACCEPT CORP	8/15/01	7.000	20,000,000	20,509,400
GEORGIA-PACIFIC	6/15/02	9.950	10,835,000	12,177,565
GMAC	2/7/02	6.750	20,000,000	20,392,400
GOLDMAN SACHS 144A	2/15/06	6.750	15,000,000	15,514,950
GOLDMAN SACHS GROUP LP 144A	12/1/04	6.630	10,000,000	10,089,900
GRAND METROPOLITAN	1/6/04		10,000,000	7,166,600
GTE CORP	6/1/03	9.100	5,000,000	5,607,900
GTE HAWAII	2/1/06	7.000	8,265,000	8,511,297
GTE NORTH	1/1/21	9.600	9,769,000	11,974,449
HELLER FINANCIAL INC	11/1/01	6.500	17,000,000	17,106,080
HOUSEHOLD FINANCE CORP	3/1/03	6.880	5,000,000	5,127,000
HSBC AMERICAS INC	11/1/06	7.000	5,000,000	5,196,000
ICI WILMINGTON	9/15/04	6.950	10,000,000	10,377,800

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INTL LEASE FINANCE	5/1/00	6.200	5,000,000	5,022,900
KANSAS GAS & ELEC	9/29/03	6.760	7,043,387	7,197,848
KERN RIVER FUNDING CORP	9/30/01	6.720	20,000,000	20,406,200
KN ENERGY INC	3/1/08	6.800	20,000,000	19,981,400
MBNA AMER BANK NA	9/15/02	7.250	5,000,000	5,163,650
MBNA CORP	6/1/05	6.880	9,500,000	9,634,710
MELLON FINANCIAL	2/15/10	6.380	25,000,000	25,047,750
MERRILL LYNCH & CO	2/12/03	6.000	23,000,000	22,910,760
MONTAN POWER CO	2/1/07	8.250	12,500,000	14,053,500
MORGAN STANLEY & CO INC	5/15/03	7.030	10,000,000	10,260,000
NATIONASBANK CORP	8/15/03	6.500	10,000,000	10,134,200
NORANDA FOREST INC	11/15/05	6.880	7,500,000	7,585,575
NORTHERN TELECOM	6/12/01	8.750	11,555,000	12,334,500
NORTHWEST PIPELINE CORP	12/1/07	6.630	20,000,000	20,023,400
NOVA GAS TRANSMISSION	7/6/99	7.250	10,000,000	10,117,100
PACIFIC GAS TRAN	6/1/05	7.100	7,500,000	7,906,350
PACIFIC TELECOM INC MTN	10/20/05	6.630	10,000,000	10,155,400
PACIFICORP HOLDINGS	4/1/01	6.750	6,500,000	6,622,200
PACIFICORP HOLDINGS	4/1/06	7.200	7,500,000	7,885,650
PANHANDLE EASTERN PIPELINE	12/1/99	8.630	5,000,000	5,174,650
PANHANDLE EASTERN PIPELINE	5/15/05	7.250	5,000,000	5,262,300
PNC FUNDING CORP	9/1/03	6.130	10,000,000	9,932,700
PRICE COSTCO INC	6/15/05	7.130	10,000,000	10,347,400
PROGRESSIVE CORP	6/1/06	7.300	15,000,000	15,926,850
RITE AID CORP	12/15/01	6.700	15,000,000	15,252,750
RITE AID CORP	1/15/07	7.130	14,000,000	14,664,020
ROYAL CARIBBEAN CRUISES	7/28/04	8.130	8,000,000	8,548,960
SALOMON INC	3/1/00	6.500	15,000,000	15,114,000
SAMSUNG ELECTRONICS CO 144A	10/1/02	7.450	5,000,000	4,200,000
SANTANDER FIN ISSUANCES	7/15/05	6.800	10,000,000	10,198,200
SEARS ROEBUCK & CO	5/1/00	6.000	700,000	697,746
SECURITY CAPITAL GROUP 144A	6/15/05	6.950	15,000,000	15,007,515
SKANDINAVISKA ENSKILDA	2/15/09	6.880	10,000,000	10,247,700
SMITH BARNEY HOLDINGS	6/15/05	6.880	10,000,000	10,407,400
SOCIETY CORP	11/1/02	7.850	2,500,000	2,664,125
SOLOMON SMITH BARNEY HLD	5/15/03	6.250	12,000,000	12,065,160
STAR BK NA, OH TR SB 00001	12/15/06	6.630	10,000,000	10,220,100
TRANSAMERICA FINANCE	3/15/99	6.800	7,000,000	7,045,920
U S BANCORP	10/15/05	6.750	5,100,000	5,257,335
UNION OIL OF CA MTN	10/15/07	6.700	10,000,000	10,267,100
UNION PACIFIC CO	5/1/05	7.600	10,000,000	10,600,100
UNION PACIFIC RESOURCES	10/15/06	7.000	7,500,000	7,642,875
UNION PACIFIC RESOURCES	5/15/05	6.500	10,000,000	9,924,100

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VENPET	11/15/08	6.800	14,000,000	13,959,540
WILLIAMS COS	9/15/99	7.500	5,000,000	5,079,550
WILLIAMS COS INC	11/15/04	6.630	20,000,000	20,282,200
WILLIAMS HLDGS OF DEL	2/1/06	6.250	5,000,000	5,034,350
YORKSHIRE POWER 144A	2/25/08	6.500	15,000,000	15,094,200
KOREA TELECOM	12/1/99	7.400	6,400,000	6,103,232
ABN-AMRO BNK NV (CHICAGO)	5/31/05	7.250	10,000,000	10,505,700
BANK OF SCOTLAND 144A	11/20/07	7.000	20,000,000	20,567,000
CROWN CORK + SEAL FIN PLC	12/15/03	6.750	4,000,000	4,093,680
CROWN CORK + SEAL FIN PLC	12/15/06	7.000	10,000,000	10,357,000
CROWN CORK + SEAL FIN SA	12/15/03	6.750	6,000,000	6,121,320
DUETSCHKE BANK FINANCIAL	4/25/09	7.500	15,000,000	16,486,800
FLETCHER CHALLENGE CAP CAN	6/20/06	7.750	10,000,000	10,560,600
GLAXO WELLCOME	1/25/06	6.130	10,000,000	10,087,500
POTASH CORP SASKATCHEWAN CDA	6/15/07	7.130	3,000,000	3,113,100
QUEBEC PROV CDA	3/1/00	9.130	5,750,000	6,030,773
QUEBEC PROVINCE CDA	7/15/02	7.500	5,000,000	5,264,350
ROYAL BK CDA NY BRH	10/24/11	6.750	20,000,000	20,855,400
SASKATCHEWAN CDA	7/15/04	8.000	12,000,000	13,213,320
SOCIEDAD QUIMICA 144A	9/15/06	7.700	10,000,000	10,310,020
TOTAL CORPORATE OBLIGATIONS				<u>\$1,200,554,217</u>
EQUITY INDEX FUNDS				
BGI EXTENDED MKT NON-QUAL			2,252,941	170,961,097
BGI S&P 500 NON QUAL			18,434,715	544,177,381
STATE STREET MSCI EAFE INDEX			842,749	106,106,700
TOTAL EQUITY INDEX FUNDS				<u>\$821,245,178</u>
TOTAL MARKET VALUE OF INVESTMENTS				<u>\$3,247,403,436</u>

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DESCRIPTION	MATURITY DATE	COUPON RATE	PAR VALUE OF SHARES	BOOK AND MARKET VALUE
SHORT-TERM INVESTMENT FUND:				
PROVIDENT TEMPFUND B	N/A	N/A	18,468,931	\$ 18,468,931
US GOVERNMENT SECURITIES:				
TREASURIES				
U.S.A. TREASURY NOTE	11/15/12	10.380	3,800,000	5,088,428
U.S.A. TREASURY NOTE	2/15/15	11.250	6,000,000	9,615,000
U.S.A. TREASURY NOTE	5/15/16	7.250	4,600,000	5,389,176
U.S.A. TREASURY NOTE	11/15/16	7.500	28,380,000	34,069,339
U.S.A. TREASURY NOTE	5/15/17	8.750	8,000,000	10,773,760
U.S.A. TREASURY NOTE	8/15/17	8.880	15,000,000	20,449,200
U.S.A. TREASURY NOTE	2/15/20	8.500	6,000,000	8,041,860
U.S.A. TREASURY NOTE	7/15/06	7.000	8,000,000	8,736,240
<i>TOTAL US TREASURIES</i>				\$102,163,003
AGENCIES				
FNMA	8/12/19	8.100	5,000,000	6,255,450
RESOLUTION FDG CORP	10/15/19	8.130	53,700,000	68,576,511
RESOLUTION FDG CORP	1/15/30	8.630	10,000,000	13,981,200
STUDENT LOAN MARKETING ASSOC	12/2/13	8.410	4,700,000	5,822,877
STUDENT LOAN MARKETING ASSOC	12/1/14	8.410	5,200,000	6,515,444
STUDENT LOAN MARKETING ASSOC	12/1/15	8.410	5,600,000	7,066,472
TENNESSEE VALLEY AUTHORITY	9/15/34	8.250	5,000,000	5,232,200
<i>TOTAL US AGENCIES</i>				\$113,450,154
TOTAL US GOVERNMENT SECURITIES				\$215,613,157
MORTGAGE/MORTGAGE BACKED SECURITIES:				
PASS THROUGH MORTGAGES				
FHLMC GIANT SWAP 30-4272	6/1/18	8.500	1,894,749	2,000,817
FHLMC GIANT SWAP 30-4278	7/1/18	9.000	781,720	832,219
FHLMC GIANT SWAP 30-4281	7/1/18	9.000	788,973	839,941
FHLMC GIANT WAM SWAP 30-6661	3/15/19	8.500	46,564	48,198
FHLMC GNOME 38-0021	5/1/03	9.000	230,430	237,211
FHLMC PC 16-0040	3/1/08	8.750	28,539	29,893

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FHLMC PC 16-0043	4/1/08	8.750	5,850	6,127
FHLMC PC 17-0040	12/1/10	14.500	54,325	65,376
FHLMC PC 17-0149	12/1/15	11.000	210,060	235,990
FHLMC PC 17-0217	3/1/17	8.000	224,683	235,472
FHLMC SWAP 28-8047	2/1/17	8.500	61,728	65,189
FHLMC SWAP 28-9338	3/1/17	8.500	20,381	21,523
FHLMC SWAP 28-9414	3/1/17	8.500	180,387	190,501
FHLMC SWAP 28-9442	3/1/17	8.500	94,199	99,481
FHLMC SWAP 29-1274	4/1/17	8.000	346,253	362,915
FHLMC SWAP 29-2081	5/1/17	8.500	112,297	118,593
FHLMC SWAP 29-2320	3/1/17	8.500	38,209	40,351
FHLMC SWAP 29-3812	5/1/17	8.500	28,680	30,288
FNMA CA 7423	5/1/14	11.250	8,589	9,681
FNMA CL 2463	9/1/15	11.000	50,941	57,015
FNMA CL 805 (WESTSIDE)	12/1/09	9.500	176,722	187,626
FNMA CL 806 (WESTSIDE)	7/1/08	9.000	90,102	94,917
GNMA II SF 120666	9/15/14	13.000	449,399	528,461
GNMA SF 2967	7/15/03	6.500	985	984

TOTAL PASS THROUGH MORTGAGES

\$6,338,771

OTHER MORTGAGES

CENTURY II APTS	8/1/18	7.500	1,480,792	1,479,311
CHARTER MTG CO FHA PROJ PC	1/25/22	7.400	7,558,325	7,359,768
CRIMI MAE FIN CORP	1/1/33	7.000	4,026,600	4,003,950
CROSSWINDS APTS	3/1/18	7.500	1,189,872	1,167,812
NATL WESTMINISTER BANK	10/16/07	7.750	10,000,000	10,733,700
NATIONSBANC	10/25/09	10.500	466,026	482,062
PAYNE WEBBER MTG ACCEP 94-6 A7	4/25/09	6.000	17,500,000	16,750,634
RESIDENTIAL FDG MTG 96-S3 A5	1/25/26	7.250	9,765,061	9,810,957
SPIEKER PROPERTIES	7/1/09	7.130	10,000,000	10,212,600
SWIFT BANK CORP - NY	6/15/17	7.380	5,000,000	5,542,000
TERRACE APTS	12/1/18	7.500	774,556	773,603
TOWER HILL APTS	8/1/18	7.500	986,163	985,462
WAKONDA MANOR	8/1/18	7.500	1,622,729	1,621,350
FHA PRJ-REILLY MTG GRP #55	3/1/24	7.430	2,325,362	2,300,387

TOTAL FHA PROJECT/SBA LOANS

\$73,223,598

COLLATERALIZED MORTGAGE OBLIGATIONS

COUNTRYWIDE FDG CORP 1993-9 A5	1/25/09	6.500	15,000,000	14,742,150
COUNTRYWIDE MTG 1993-E A8	1/25/24	6.500	1,793,923	1,806,660
FED HM LN MTG 1488 PG	4/15/08	7.000	14,700,000	15,269,625

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FHLMC 1706 H	6/15/23	6.500	10,450,000	10,649,177
FHLMC 1727 Z	5/15/24	6.250	12,898,762	11,907,105
FHLMC 1993 1546 Y6	12/15/21	6.750	5,884,500	5,974,592
FHLMC 1993 1639 M	12/15/08	6.000	5,000,000	4,884,350
FNMA 1993 06 Y7	8/25/07	7.000	10,000,000	10,365,600
FNMA 1993 199Z	10/23/25	7.000	4,835,844	4,847,933
FNMA 1994 19B	1/25/24	5.000	5,000,000	4,773,400
FNMA 1994 40 Y6	6/25/22	6.000	5,000,000	4,984,350
FNMA 1994 62 PH	11/25/23	6.900	4,000,000	4,137,480
FNMA G 1993-3 J	3/25/22	7.000	2,000,000	2,033,120
GE CAP MTG 1993-5F F	4/25/08	6.500	2,566,098	2,486,703
GE CAP MTG 1994-6A10	3/25/24	6.500	4,510,000	4,361,982
GE CAP MTG SERV 1994-1 A8	1/25/24	6.500	3,000,000	2,909,040
GE CAPITAL MTG 1992-13F	12/25/07	7.000	5,403,000	5,534,671
GE CAPITAL MTG SERV 1994-14A4	4/25/24	7.500	5,000,000	5,200,000
GE CAPITAL MTG SVC 1994-4 A8	1/25/24	6.500	4,950,792	4,895,838
HEADLANDS MTG SEC 1997-1 A16	3/25/27	7.100	10,000,000	10,016,515
PRU HOME MTG 1993-51 A16	12/25/23	6.500	3,822,000	3,756,300
PRUDENTIAL HOME MTG 1994-25 A7	8/25/24	7.500	4,915,000	5,251,333
PRUHOME MTG 1993-44 A18	11/25/23	6.750	3,300,000	3,283,500
PRUHOME MTG 1993-62 A7	12/23/26	6.750	5,000,000	4,950,000
PRUHOME MTG 1994-26 A6	8/25/09	7.000	5,000,000	4,975,000
RESIDENT FD MG 93-S45A12	12/25/23	6.500	5,010,000	5,010,000
RESIDENTIAL FD MTG 94-S5 A8	2/25/24	6.500	4,744,759	4,686,920
TOTAL COLLATERALIZED MORTGAGE OBLIGATIONS				\$163,693,345
TOTAL MORTGAGE/MORTGAGE BACKED				\$243,255,714
ASSET BACKED SECURITIES:				
AMERICREDIT 1997-A A3	8/12/00	6.540	10,000,000	10,199,000
DISCOVER CARD TR 1993-3 A ABS	11/15/03	6.200	3,000,000	3,025,290
GREEN TREE FIN CORP 97-1 A5	3/15/28	6.860	6,200,000	6,347,250
MID STATES TRUST IV	4/1/30	8.330	1,613,475	1,768,771
STD CR CARD 1995-9A ABS	10/7/07	6.550	4,000,000	4,115,000
TOTAL ASSET BACKED SECURITIES				\$25,455,311

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CORPORATE OBLIGATIONS:

AEGON NV	8/15/06	8.000	15,505,000	17,006,194
ALBERTSON'S INC. MTN	2/23/28	6.570	10,000,000	10,232,200
AMER SAVINGS BK	2/15/06	6.630	17,700,000	18,099,489
AMERICAN STORES	5/15/05	7.400	2,300,000	2,432,825
ANR PIPELINE	2/15/24	7.380	3,000,000	3,124,080
BOEING CO	8/15/21	8.750	10,000,000	12,705,300
BOSTON GAS CO MTN	6/1/11	8.950	10,000,000	12,389,900
BURLINGTON NORTHERN RR	10/1/06	9.250	13,000,000	15,342,600
CARGILL INC	10/1/25	7.380	4,000,000	4,422,880
CARGILL INC	2/1/36	6.880	5,000,000	5,219,450
CARGILL INC	9/1/06	7.500	15,000,000	16,663,200
CARNIVAL CRUISE	7/15/04	7.700	5,000,000	5,378,350
CARNIVAL CRUISE	10/1/23	7.200	2,500,000	2,679,975
CHASE NEW SUB NOTE	1/15/09	6.500	6,000,000	6,102,120
CHICAGO & N WESTN TRANS	7/30/12	6.250	1,370,801	1,357,504
CINCINNATI GAS & ELEC	10/1/23	7.200	5,000,000	5,120,650
CINCINNATI GAS & ELEC	6/1/25	6.900	2,000,000	2,049,980
COLONIAL PIPELINE, 144A	8/15/07	7.450	4,000,000	4,429,840
CONAGRA	9/15/04	7.400	5,000,000	5,292,350
CROWN CORK + SEAL INC	12/15/26	7.380	12,400,000	13,172,768
CS FIRST BOSTON	5/15/06	7.750	10,000,000	10,858,200
CSX CORP	5/1/02	7.050	15,000,000	15,390,150
DEER PARK REFINING LP 144A	12/15/08	6.470	2,673,180	2,717,795
DEN DANSKE BANK	6/15/10	7.400	10,000,000	10,606,500
DR INVESTMENTS 144A	5/15/02	7.100	10,000,000	10,291,800
EASTMAN CHEMICAL	1/15/24	7.250	3,000,000	3,134,850
FEDERATED DEPARTMENT STORES	2/15/28	7.000	10,000,000	10,177,900
FERRO CORP	6/15/25	8.000	3,000,000	3,278,880
FIRST UNION CORP	7/15/05	6.630	13,150,000	13,406,951
FLORIDA GAS TRANSMISSION	11/1/24	9.190	2,000,000	2,600,120
FORD MOTOR CO	11/15/22	8.880	5,000,000	5,566,100
GEORGIA-PACIFIC	3/15/22	9.630	4,000,000	4,578,680
GEORGIA-PACIFIC	6/15/23	8.130	2,000,000	2,138,864
GRAND METROPOLITAN	1/6/04		2,500,000	1,791,650
GTE CORP	11/1/21	8.750	10,000,000	12,227,900
GTE CORP	5/1/23	7.830	5,000,000	5,270,050
HSBC AMERICAS INC	11/1/06	7.000	5,000,000	5,196,000
ICI WILMINGTON	9/15/04	6.950	10,000,000	10,377,800
INTER AMERN DEV BK	3/15/11	8.500	10,000,000	12,156,000
KANSAS GAS & ELEC	9/29/16	8.290	7,000,000	7,592,340
LEGRAND	2/15/25	8.500	10,000,000	12,061,700

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LORAL CORP	2/1/22	9.130	3,500,000	4,500,545
MCDONALD'S CORP	11/15/25	7.050	5,000,000	5,171,000
MCI COMMUNICATIONS CORP	3/23/25	7.750	3,500,000	3,671,080
MORGAN STANLEY & CO INC	5/15/03	7.030	5,000,000	5,130,000
NCNB CORP	9/15/09	9.380	3,525,000	4,354,538
NEW JERSEY BELL TEL CO	6/1/12	7.380	900,000	915,210
NORCEN ENRGY RESOURCES	7/2/02	6.800	10,000,000	10,227,300
NORFOLK SOUTHERN	3/1/21	9.000	15,000,000	19,104,900
NORTHERN TELECOM	6/15/26	7.880	10,000,000	11,669,800
NORTHWESTERN PIPELINE	12/1/25	7.130	3,000,000	3,117,690
OCCIDENTAL PETE	4/1/28	7.200	15,000,000	15,261,150
PACIFIC GAS & ELEC CO	12/1/99	6.880	825,000	827,351
PACIFIC TELECOM INC MTN	10/20/05	6.630	5,000,000	5,077,700
PACIFICORP	7/15/04	6.750	10,000,000	10,283,800
PANHANDLE EASTERN PIPELINE	3/15/23	7.950	3,000,000	3,139,530
PDVSA FINANCE LTD 1998-1 144A	11/15/28	7.500	15,000,000	14,587,500
PENNEY. JC	8/15/22	8.250	10,000,000	11,037,600
PETROLEUM NASIONAL BERHAD	8/15/15	7.750	13,000,000	10,736,440
PHILLIPS PETROLEUM	1/1/23	8.490	5,500,000	6,102,305
PHILLIPS PETROLEUM	4/15/23	7.920	3,000,000	3,148,230
PLACER DOME INC	6/15/15	7.750	2,000,000	2,155,480
POHANG IRON & STEEL	5/15/05	7.380	6,000,000	4,859,820
POHANG IRON & STEEL	7/15/04	7.130	10,000,000	8,033,100
FUGET POWER AND LIGHT MTN	2/1/24	7.350	3,000,000	3,358,680
SAGA PETROLEUM A.S.	7/15/14	9.130	6,450,000	7,928,147
SAMSUNG ELECTRONICS CO 144A	10/1/02	7.450	20,000,000	16,800,000
SEARS ROEBUCK & CO	5/1/00	6.000	925,000	922,022
SECURITY CAPITAL GROUP 144A	6/15/28	7.700	15,000,000	15,229,800
SOUTHERN NEW ENGLAND TEL CO	12/1/01	4.380	140,000	133,466
SOUTHERN UNION GAS	2/1/24	7.600	5,100,000	5,414,823
SOUTHWESTERN BELL TELE	10/15/26	7.200	5,000,000	5,238,300
SOUTHWESTERN PUBLIC SERV	2/15/25	8.500	1,500,000	1,686,060
SPRINT CORP	4/15/22	9.250	8,100,000	10,390,599
ST GEORGE BANK LTD	6/18/07	7.150	5,000,000	5,168,300
ST GEORGE BANK LTD	10/15/05	7.150	7,500,000	7,784,025
TIME WARNER INC	1/15/28	6.950	10,000,000	10,028,600
TRANSOCEAN OFFSHORE INC	4/15/27	8.000	19,000,000	21,588,750
UNION OIL OF CA MTN	10/15/07	6.700	5,000,000	5,133,550
UNION PACIFIC CO	5/1/25	8.350	5,000,000	5,380,600
UNION PACIFIC RESOURCES	5/15/28	7.150	18,000,000	18,135,900
UNITED PARCEL SVC AMER INC	4/1/20	8.380	11,600,000	14,512,064
WEYERHAEUSER CO	1/15/25	8.500	15,000,000	18,060,450
WILLAMETTE INDUSTRIES INC	7/1/26	7.850	8,000,000	9,020,080

WASHINGTON STATE INVESTMENT BOARD
Labor & Industries - Accident Reserve Fund
Schedule of Investments - Unaudited
June 30, 1998

ABITIBI - CONSOLIDATED	4/1/28	7.500	15,000,000	15,271,800
ABN-AMRO BNK NV (CHICAGO)	5/31/05	7.250	5,000,000	5,252,850
ATHABASCA OIL SANDS	4/1/27	8.200	10,000,000	11,298,700
CANADIAN NATL RR	5/15/23	7.630	5,000,000	5,474,350
CERRO NEGRO FINANCE LTD	6/1/28	8.030	10,000,000	9,670,000
DUETSCHKE BANK FINANCIAL	4/25/09	7.500	10,000,000	10,991,200
ENERGY GROUP OVERSEAS BV	10/15/27	7.500	10,000,000	10,802,500
FSFC T A8	11/15/28	7.000	10,000,000	10,040,600
HYDRO-QUEBEC	1/15/27	8.250	20,000,000	24,287,000
HYDRO-QUEBEC	2/1/13	8.000	5,500,000	6,339,135
MANITOBA PROV CDA	12/1/18	9.630	13,000,000	18,064,410
NOVA ALBERTA CRP	4/1/23	7.880	4,450,000	5,129,382
ONTARIO HYDRO CDA	3/31/13	7.450	3,000,000	3,350,400
POTASH CORP SASKATCHEWAN CDA	6/15/07	7.130	10,000,000	10,377,000
QUEBEC PROVINCE	2/9/24	7.130	2,500,000	2,675,850
SASKATCHEWAN CDA	2/1/13	8.000	4,500,000	5,280,885
SASKATCHEWAN CDA	7/15/13	7.380	10,000,000	11,143,700
SVENSKA HANDELSBANKEN	3/7/07	7.130	10,000,000	9,985,300
TOTAL CORPORATE OBLIGATIONS				\$845,103,232
TOTAL MARKET VALUE OF INVESTMENTS				\$1,347,896,345

WASHINGTON STATE INVESTMENT BOARD
Labor & Industries - Supplemental Pension Fund
Schedule of Investments - Unaudited
June 30, 1998

<u>DESCRIPTION</u>	<u>MATURITY DATE</u>	<u>COUPON RATE</u>	<u>PAR VALUE OF SHARES</u>	<u>BOOK AND MARKET VALUE</u>
SHORT-TERM INVESTMENT FUND:				
PROVIDENT TEMPFUND B	N/A	N/A	14,619,395	<u>\$14,619,395</u>
TREASURIES:				
U.S.A. TREASURY BOND	5/15/02	7.500	18,000,000	<u>\$19,209,420</u>
COLLATERALIZED MORTGAGE OBLIGATIONS:				
COUNTRYWIDE MTG 1994-3 A7	3/25/24	6.750	2,000,000	1,996,860
COUNTRYWIDE MTG 93-2 A3	9/25/08	6.500	1,572,609	1,578,506
FHLMC 1669 EA	5/15/18	5.750	2,400,000	2,394,744
FHLMC 1990 128H	9/15/19	8.750	80,036	79,736
FHLMC 1993 1591 PN	6/15/19	5.950	2,010,000	2,008,111
FHLMC 1996 1843A	4/15/19	6.500	2,637,392	2,659,625
FNMA 1992 48 G	11/25/05	7.500	1,533,371	1,546,297
FNMA 1993 204 EC	10/23/25	5.950	2,435,279	2,416,235
FNMA 1993 44 PG	9/25/16	6.450	3,000,000	3,024,360
FNMA 1993 77G	11/19/25	6.500	3,213,000	3,242,110
FNMA 1993 84 Y9	6/25/18	6.450	2,192,300	2,211,483
FNR 1988-13 C	5/25/18	9.300	1,002,572	1,074,627
PRU HOME MTG 1994-14 A2	4/25/09	6.400	888,618	889,729
PRUHOME MTG 1993-22 A5	7/23/25	6.500	2,867,034	2,862,533
RTC SERIES 1992-7 A-2D	6/25/29	8.350	1,718,529	1,742,691
TOTAL COLLATERALIZED MORTGAGE OBLIGATIONS				<u><u>\$29,727,646</u></u>
ASSET BACKED SECURITIES:				
CHEMT 1995-3A	4/15/05	6.230	3,000,000	3,033,750
CROWN HM EQ 1996-1 A4 ABS	8/25/12	7.150	1,300,000	1,345,240
EMERGENT HM EQ TR 97-3 A4 ABS	10/20/12	6.920	3,000,000	3,050,625
GREENTREE FIN HM EQ 97D A4 ABS	9/15/28	6.540	2,995,955	3,025,915
IMC HM EQ LN TR 1997-3 A3	1/20/12	6.710	3,000,000	3,009,360
SCFC BOAT LOAN TR 1992-1 A	4/15/07	7.050	351,988	354,515
STD CR CARD 1995-3A ABS	2/7/02	7.850	1,000,000	1,028,750
TOTAL ASSET BACKED SECURITIES				<u><u>\$14,848,155</u></u>

WASHINGTON STATE INVESTMENT BOARD
Labor & Industries - Supplemental Pension Fund
 Schedule of Investments - Unaudited
 June 30, 1998

CORPORATE OBLIGATIONS:

ASSOCIATES CORP NORTH AME	9/30/01	7.880	2,500,000	2,629,425
BEAR STEARNS COS INC	2/15/01	5.750	3,000,000	2,977,620
BELLSOUTH CORP	12/15/15	6.300	2,795,249	2,834,942
CSW INVTS NT 144A	8/1/01	6.950	3,000,000	3,044,370
DEAN WITTER DISCOVER	8/15/00	6.750	2,000,000	2,030,360
EXPORT IMPORT BK KOREA	2/10/02	6.500	2,500,000	2,152,375
FORD MOTOR CREDIT	9/10/02	6.550	3,000,000	3,037,740
HELLER FINANCIAL	8/15/99	6.350	3,000,000	3,004,800
HELLER FINANCIAL INC	11/1/01	6.500	3,000,000	3,018,720
KERN RIVER FUNDING CORP	9/30/01	6.720	2,500,000	2,550,775
PACIFICORP HOLDINGS	4/1/01	6.750	2,500,000	2,547,000
PANHANDLE EASTERN PIPELINE	12/1/99	8.630	2,000,000	2,069,860
ROYAL CARIBBEAN	9/18/02	7.130	2,500,000	2,560,050
SOLOMON SMITH BARNEY HLD	5/15/03	6.250	3,000,000	3,016,290
VENPET	2/15/04	6.450	3,000,000	2,996,310

TOTAL CORPORATE OBLIGATIONS

\$40,470,637

TOTAL MARKET VALUE OF INVESTMENTS

\$118,875,253

PERMANENT FUNDS

- **Investment Policy**
- **Notes to Financial Statements**
- **Statement of Investments**
- **Statement of Changes in Investments**
- **Schedule of Investments**

NOTE:

The accompanying unaudited financial statements and schedules of investments were prepared from the official accounting records of the Washington State Investment Board. Asset allocation information presented in Part 1 of the Annual Report is taken from master custodian records. In some cases, reported numbers may differ slightly due to valuation and classification differences.

Permanent Funds Portfolio
WSIB Policy 2.25.100

Approved by the Board on September 21, 1995

PURPOSE:

This document outlines the investment policies and objectives for the fixed income segment of the Washington State Investment Board (SIB) permanent funds and supersedes any prior board adopted policies. These policies and objectives allow for sufficient flexibility in the management process to capture investment opportunities, yet provide parameters that will ensure prudence and care in the execution of the permanent funds' investment program.

These policies apply to the following funds:

- Agriculture Permanent Account
- Millersylvania Park Trust Account
- Normal School Permanent Account
- Permanent Common School Account
- Scientific Permanent Account
- State University Permanent Account

POLICY:

Return Objective

The permanent funds' fixed income investments are to be managed to achieve the highest return possible consistent with the desire to emphasize high current yield to maturity opportunities and to add value through active management.

Performance Objective

The permanent funds' fixed income investments are to emphasize stability of income to support the operations of each irreducible trust. The permanent funds' fixed income investments are to be actively managed to exceed the return of the Lehman Aggregate Bond Index.

Risk Tolerance

Risk will be managed in a prudent manner. However, due to the permanent and irreducible nature of the funds, the funds have an above average ability to tolerate volatility in the value of the portfolio; the funds have a below average ability to tolerate volatility in current income.

The SIB will manage the four major categories of fixed income risk:

- a. interest rate risk
- b. yield curve risk
- c. credit risk
- d. reinvestment risk

Interest Rate Risk is price volatility produced by changes in the overall level of interest rates. This risk is to be managed in a controlled manner using historical real return relationships and economic analysis.

Yield Curve Risk is price changes induced by the changing shape of the yield curve. Yield curve risk is to be managed, but in a controlled, disciplined fashion, by employing duration and maturity yield spread analysis.

Credit Risk is the uncertainty surrounding the borrower's ability to repay its obligations. Credit risk is to be actively managed, employing yield spread analysis and credit research.

Reinvestment Risk is the uncertain future yield opportunities available to invest funds which become available due to call, maturity or coupon generated cash flow. Reinvestment risk is to be managed through call risk analysis, and diversified maturities.

Permissible Fixed Income Purchases

Investment Grade is defined as rated BBB - or higher by Standard and Poor's **and** Baa3 or higher by Moody's. If rated by only one of those agencies, investment grade is defined as rated BBB - or higher by Standard and Poor's **or** Baa3 or higher by Moody's.

- a. *U.S. Treasuries and Government Agencies* including derivative securities whose deliverable instrument is a U.S. Treasury or government obligation.
- b. *Investment Grade Corporate Bonds.*
- c. *Investment Grade Publicly-Traded Mortgage Backed Securities*, including derivative securities whose deliverable instrument is a U.S. mortgage-backed security.
- d. *Privately-Placed Mortgages*, including single family residences, commercial whole loans, and privately placed mortgage backed securities.
- e. *Private Placement* of corporate debt.
- f. *Investment Grade Asset Backed Securities.*
- g. *Investment Grade Convertible Securities.*

- h. *Yankee Bonds.*
- i. *Eurodollar Bonds.*
- j. *Non-Dollar Bonds.*

Other fixed income segments and instruments may be added from time to time as they are developed or deemed appropriate.

Although fixed income securities that are rated below investment grade by Moody's or Standard & Poor's may not be purchased, portfolio holdings that are downgraded to those levels or are no longer rated may continue to be held.

Constraints

Liquidity: Liquidity needs are not a constraint due to the irreducible nature of the funds. Income generally is distributed to the beneficiaries monthly.

Duration: The portfolio duration range shall not exceed +/- 1.5 years of the Lehman Aggregate Bond Index.

Time Horizon: The time horizon is long due to the permanent nature of the funds.

Tax Considerations: The permanent funds are tax-exempt. Therefore, tax-exempt bonds generally will not be purchased.

Legal: SIB funds are governed by state statutes and are consistent with the prudent person principle. All assets under management by the SIB are to be invested to maximize return at a prudent level of risk (RCW 43.33A.140). No corporate fixed income issue shall exceed 3 percent of cost or 6 percent of market value of the fund (RCW 43.84.150). [Ed. Note: This statutory provision was moved to RCW 43.33A.140 in 1998]

PROCEDURES:

A. General Strategies

1. The fixed income assets are to be managed to add value principally through credit, valuation, and interest rate level analysis.
2. Internal management is to be used unless special expertise is required or a special opportunity exists which can only be accessed by contracting with external managers.
3. A two-tier macro/micro management approach is to be used to implement the portfolio strategies. The "macro" component is to include strategic and some tactical decision processes such as the allocation among different fixed income segments. The "micro" component will address security selection within each fixed income segment utilizing credit, duration, and valuation analysis.

4. Within fixed income segments, value is to be added by purchasing bonds where the yield spread over the U.S. Treasury yield curve is such that the expected risks of not realizing the promised yield spread, either from credit or call risk, do not materially reduce the expected yield benefit.
5. Value at the macro level is to be added through the allocation of cash flow to fixed income segments which offer the highest current yield to maturity spreads relative to their historical norms.
6. Only when value cannot be found should U.S. Treasury issues be purchased. Under most market circumstances the fixed income segment will have a Treasury allocation well below its public market representation.

B. Specific Strategies

1. Fixed income assets are to be allocated across the various fixed income sectors based upon:
 - a. The strategic (long-term) allocation to each fixed income sector,
 - b. The available yield spreads relative to Treasuries versus historical norms. When a fixed income segment exhibits a yield spread versus Treasuries greater than historical norms new cash flow and/or the redeployment of existing assets shall be made to that segment.
 - 1) Yield spreads shall be analyzed on a fully option-adjusted basis.
 - 2) Yield spreads shall be analyzed on a fully risk-adjusted basis.
 - 3) Relative value assessments shall be made continuously and shall be considered when making sector decisions.

Reporting

- A. A management information system is to be used for reporting internally to senior staff on the implementation of this policy. This report is prepared monthly to include, but is not limited to:
 1. Current market value and allocation by sector compared to the index and the policy ranges,
 2. Aggregate and individual portfolio characteristics compared to guidelines,
 3. Delinquencies and defaults.
- B. An executive management report is to be provided to the Board quarterly showing market

values and performance.

Responsibilities

- A. *Board* - The SIB is responsible for approving the strategic policy.
- B. *Public Markets Committee* - The Public Markets Committee is responsible for reviewing and recommending strategic policy to the Board and for reviewing staff investment management guidelines.
- C. *Staff* - The staff is responsible for implementing policy and reporting to the Public Markets Committee and the Board.

Washington State Investment Board Permanent Funds

Notes to Financial Statements
June 30, 1998

Significant Accounting Policies

Investments are reported at fair market value, with the exception of short-term investments, which are reported at cost. Purchases and sales of investments are recorded on a trade date basis in accordance with generally accepted accounting principles.

Permanent fund revenues and expenditures are accounted for using the full accrual basis of accounting. Accordingly, revenues are recorded when earned and expenditures are recorded when incurred.

Capital gains and losses from the sale of investments are considered corpus. Accordingly, capital gains are reinvested as part of the principal of the portfolio. However, capital losses are deferred and amortized against future income distributions to beneficiary funds. This process is necessary to meet legal requirements that preclude capital losses from eroding the corpus of the invested funds. In addition, the loss is allocated over the weighted average life of the portfolio in order to alleviate any adverse impact on the current programs supported by these distributions.

Interest earnings, amortization of premiums and discounts, and amortization of deferred capital losses are distributed to beneficiary funds on a monthly basis.

The WSIB reports collateral received under securities lending agreements where the state has the ability to spend, pledge, or sell the collateral without borrower default. Liabilities resulting from these transactions are also reported. Additionally, costs associated with securities lending transactions are reported as investment management expenses in the accompanying statements. The Schedule of Investments and Statement of Investments do not include detailed holdings of securities lending collateral by investment classification.

WASHINGTON STATE INVESTMENT BOARD

PERMANENT FUNDS

Statement of Investments (Unaudited)

June 30, 1998

	AGRICULTURAL	MILLERSYLVANIA PARK TRUST	NORMAL SCHOOL	COMMON SCHOOL	SCIENTIFIC	STATE UNIVERSITY	TOTAL	PERCENT OF TOTAL
Short Term (Cash)	\$ 7,325,590	\$ 5,147	\$ 6,783,095	\$ 7,442,299	\$ 9,007,177	\$ 1,432,280	\$ 31,995,588	5.4%
US Government Securities	10,324,637		21,325,234	20,124,406	16,180,533	2,302,975	70,257,785	11.9%
Mortgages and Mortgage Backed Securities	33,224,498		63,483,518	50,430,094	45,403,775	6,394,414	198,936,299	33.6%
Asset Backed Securities	2,018,740		5,786,640	5,081,250	3,592,795	610,219	17,099,644	2.9%
Corporate Obligations	44,607,009		84,308,547	75,116,418	61,218,101	8,394,560	274,244,635	46.3%
Total Investments	\$ 97,500,474	\$ 5,147	\$ 181,697,034	\$ 188,194,467	\$ 135,342,381	\$ 19,794,448	\$ 592,473,951	100.0%
Accrued Income Receivable	\$ 1,243,919	\$ 23	\$ 2,411,058	\$ 1,860,174	\$ 1,810,117	\$ 245,093	\$ 7,570,324	
Accrued Income Distributions to Beneficiary Funds	(541,318)	(23)	(1,029,797)	(936,766)	(753,057)	(111,368)	(3,372,329)	
Receivable for Investments Sold	-	-	-	-	-	-	-	
Payable for Investments Purchased	(2,042,500)	-	-	-	(3,574,376)	-	(5,616,875)	
Collateral Held Under Securities Lending Agreements	567,362	-	2,634,664	3,455,811	4,596,044	-	11,253,881	
Obligations Under Securities Lending Agreements	(567,362)	-	(2,634,664)	(3,455,811)	(4,596,044)	-	(11,253,881)	
MARKET VALUE OF INVESTMENTS, JUNE 30, 1998	\$ 96,160,575	\$ 5,147	\$ 183,078,295	\$ 189,117,875	\$ 132,825,066	\$ 19,768,119	\$ 591,055,071	

See Notes to Financial Statements

WASHINGTON STATE INVESTMENT BOARD
PERMANENT FUNDS
Statement of Changes in Investments (Unaudited)
Fiscal Year Ended June 30, 1998

	<u>AGRICULTURAL</u>	<u>MILLERSYLVANIA PARK TRUST</u>	<u>NORMAL SCHOOL</u>	<u>COMMON SCHOOL</u>	<u>SCIENTIFIC</u>	<u>STATE UNIVERSITY</u>	<u>TOTAL</u>
Market Value of Investments, June 30, 1997	\$ 87,810,612	\$ 5,147	\$ 171,409,942	\$ 148,109,105	\$ 120,190,810	\$ 17,692,585	\$ 845,211,601
Contributions	\$ 4,853,991	\$ -	\$ 4,615,650	\$ 4,864,817	\$ 7,585,529	\$ 1,521,475	\$ 23,441,462
INVESTMENT EARNINGS:							
Interest Earnings	\$ 6,396,068	\$ 284	\$ 12,168,485	\$ 11,115,017	\$ 8,722,930	\$ 1,909,720	\$ 39,711,903
Capital Gains (Note 1 and 2)	150,227		381,950	302,320	224,745	23,413	1,082,654
Capital Losses (Note 1 and 2)	(15,555)		(93,855)	(26,671)	(24,096)	(2,144)	(102,261)
Market Gains & Losses	3,077,827		6,315,542	5,156,685	4,369,975	592,527	19,502,557
Investment Expenses	(42,628)		(117,769)	(194,517)	(129,966)	(2,589)	(487,269)
WSIB Operating Costs	(8,794)		(17,589)	(15,203)	(12,074)	(1,769)	(55,429)
<i>Net Investment Earnings</i>	\$ 9,557,145	\$ 284	\$ 18,696,763	\$ 16,337,830	\$ 13,140,975	\$ 1,919,159	\$ 59,652,156
OTHER CHANGES IN FUND BALANCE:							
Distributions to Beneficiary Funds	\$ (6,061,173)	\$ (284)	\$ (11,637,460)	\$ (10,193,877)	\$ (8,092,248)	\$ (1,265,106)	\$ (37,250,148)
<i>Net Other Changes in Fund Balance</i>	\$ (6,061,173)	\$ (284)	\$ (11,637,460)	\$ (10,193,877)	\$ (8,092,248)	\$ (1,265,106)	\$ (37,250,148)
Market Value of Investments, June 30, 1998	\$ 96,160,575	\$ 5,147	\$ 183,078,295	\$ 169,117,875	\$ 132,825,066	\$ 19,868,113	\$ 591,055,071

Note (1): Current year net capital losses are deferred and amortized against future income distributions paid to beneficiaries pursuant to state accounting policies.
Note (2): Current year net capital gains are reinvested as corpus pursuant to state accounting policies.

See Notes to Financial Statements.

WASHINGTON STATE INVESTMENT BOARD

Agricultural Permanent Fund

Schedule of Investments - Unaudited

June 30, 1998

<u>DESCRIPTION</u>	<u>MATURITY DATE</u>	<u>COUPON RATE</u>	<u>PAR VALUE OF SHARES</u>	<u>BOOK AND MARKET VALUE</u>
SHORT-TERM INVESTMENT FUND:				
PROVIDENT TEMPFUND B	N/A	N/A	7,325,590	<u>\$7,325,590</u>
US GOVERNMENT SECURITIES				
TREASURIES				
U.S.A. TREASURY BOND	8/15/19	8.130	900,000	1,161,558
U.S.A. TREASURY NOTE	8/15/03	11.130	500,000	622,580
U.S.A. TREASURY NOTE	11/15/03	11.880	125,000	161,094
U.S.A. TREASURY NOTE	8/15/05	10.750	1,010,000	1,314,101
U.S.A. TREASURY NOTE	5/15/16	7.250	1,235,000	1,446,877
U.S.A. TREASURY NOTE	11/15/16	7.500	5,000	6,002
U.S.A. TREASURY NOTE	8/15/05	6.500	1,000,000	1,055,310
<i>TOTAL US TREASURIES</i>				<u>\$5,767,522</u>
AGENCIES				
FHLMC	8/5/09	8.000	1,000,000	1,021,410
FNMA	1/6/99	5.380	1,500,000	1,497,885
FNMA MTN	10/28/02	6.210	2,000,000	2,037,820
<i>TOTAL US AGENCIES</i>				<u>\$4,557,115</u>
TOTAL US GOVERNMENT SECURITIES				<u>\$10,324,637</u>
MORTGAGE/MORTGAGE BACKED SECURITIES:				
PASS THROUGH AND OTHER MORTGAGES				
FHLMC PC 16-0079	5/1/09	10.250	43,638	47,259
FHLMC PC 17-0141	9/1/15	11.000	32,070	35,697
FHLMC PC 17-0147	11/1/15	11.000	9,056	10,198
FHLMC PC 17-0186	8/1/16	9.500	29,503	31,670
FHLMC PC 17-0217	3/1/17	8.000	50,830	53,271
FHLMC PC 17-0222	5/1/17	8.500	16,245	17,153
FHLMC SWAP 28-9650	3/1/17	8.500	40,249	42,488
FHLMC SWAP 29-0303	4/1/17	8.500	3,690	3,896
FHLMC SWAP 30-2846	10/1/17	8.500	29,201	30,336
FNMA PL 307056	8/1/25	7.500	1,931,895	1,982,008
GNMA GP 90132	5/15/09	9.000	80,815	89,683

WASHINGTON STATE INVESTMENT BOARD

Agricultural Permanent Fund

Schedule of Investments - Unaudited

June 30, 1998

BEVERLY FINANCE CORP 144A	7/15/04	8.360	500,000	544,740
SWIFT BANK CORP - NY	6/15/17	7.380	1,750,000	1,939,700
<i>TOTAL PASS THROUGH AND OTHER MORTGAGES</i>				\$4,828,099
COLLATERALIZED MORTGAGE OBLIGATIONS				
FHG 30 H	7/25/23	7.500	2,000,000	2,130,000
FHLM PC 1055-H	3/15/21	7.000	1,469,200	1,497,658
FHLMC 1602-AE	9/15/08	5.250	2,500,000	2,481,250
FHLMC 1992 1423 C	9/15/04	6.600	1,617,890	1,620,413
FHLMC 1992 1452 PL	12/15/07	6.500	2,000,000	2,042,500
FHLMC 93 1619 PD	6/15/19	5.650	1,266,000	1,262,037
FHLMC G 003 C	1/25/18	6.600	1,430,162	1,433,738
FNMA 1993 06 Y5	12/25/04	6.750	2,406,319	2,413,081
FNMA 1993 207 Y4	12/25/17	5.500	3,000,000	2,980,290
FNMA 1993 223 PH	10/25/22	6.050	1,500,000	1,499,520
FNMA 1994 62 PH	11/25/23	6.900	1,000,000	1,034,370
GE CAP MTG 1994-10A15	3/25/24	6.500	800,000	796,496
GE CAPITAL MTG SVC 1994-4 A8	1/25/24	6.500	990,158	979,168
HEADLANDS 1997-3 A15 CMO	7/25/27	7.750	600,000	613,244
PRU HOME 93-51 A14	12/25/23	6.750	1,500,000	1,490,145
RESIDENT FD MG 93-S12A11	12/25/08	7.500	3,000,000	3,115,290
S B M VII 1994-15 A5	6/25/09	6.500	1,000,000	1,007,200
<i>TOTAL COLLATERALIZED MORTGAGE OBLIGATIONS</i>				\$28,396,400
TOTAL MORTGAGE/MORTGAGE BACKED				\$33,224,498
ASSET BACKED SECURITIES:				
DISCOVER CARD TR 1993-B	2/15/00	6.750	2,000,000	\$2,018,740
CORPORATE OBLIGATIONS:				
AMERICAN GEN FIN CORP	7/1/00	5.880	2,000,000	1,996,080
ANR PIPELINE	11/1/21	9.630	1,000,000	1,317,430
ANZ BANKING GROUP	2/1/04	6.250	1,000,000	988,960
ASSOCIATES CORP NORTH AMER	6/15/01	6.000	550,000	549,379
BANK OF NEW YORK	12/15/04	8.500	1,000,000	1,111,060
CARTER HOLT HARVEY LTD	12/1/04	8.880	1,000,000	1,119,000
CHESAPEAKE & POTOMAC TEL MD	1/1/02	4.380	100,000	95,175
CROWN CORK + SEAL INC	12/15/26	7.380	2,000,000	2,124,640
EASTMAN CHEMICAL	1/15/24	7.250	1,000,000	1,044,950
FORD MOTOR CREDIT CORP	2/15/02	8.200	500,000	531,750
GEN MOTORS ACCEPT CORP	2/1/99	5.630	1,000,000	998,910

WASHINGTON STATE INVESTMENT BOARD

Agricultural Permanent Fund
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GOLDMAN SACHS	7/15/02	6.600	1,850,000	1,879,933
GTE HAWAII	2/1/06	7.000	1,250,000	1,287,250
LORAL CORP	6/15/04	7.630	1,000,000	1,065,640
MBNA CORP MTN	9/15/00	6.500	1,000,000	1,004,150
MCI COMMUNICATIONS CORP	3/23/25	7.750	1,000,000	1,048,880
NEW ENGLAND TEL & TELEG CO	10/1/06	6.130	505,000	499,445
NEW JERSEY BELL TEL CO	12/1/06	5.880	600,000	594,432
NEW JERSEY BELL TEL CO	6/1/12	7.380	65,000	66,099
NORTHWESTERN BELL TEL CO	9/1/01	6.000	350,000	348,628
PACIFIC GAS & ELEC CO	6/1/00	6.630	565,000	566,350
PANHANDLE EASTERN PIPELINE	8/15/04	7.880	1,000,000	1,077,880
PHILLIPS PETROLEUM	2/15/11	9.380	1,250,000	1,569,038
PLACER DOME INC	6/15/15	7.750	500,000	538,870
PNC FUNDING CORP	6/1/04	7.750	1,000,000	1,072,350
POTOMAC ELEC PWR CO	5/15/99	4.500	210,000	207,220
PROGRESSIVE CORP	1/15/04	6.600	1,000,000	1,016,680
ROYAL CARIBBEAN CRUISES	4/1/05	8.250	1,000,000	1,081,770
SAFECO CAPITAL TRUST I	7/15/37	8.070	1,300,000	1,389,193
SOCIETY CORP	6/15/02	8.130	850,000	905,021
SOUTHERN UNION GAS	2/1/24	7.600	1,250,000	1,327,163
ST GEORGE BANK LTD	6/18/07	7.150	2,200,000	2,274,052
TIME WARNER ENTERTAINMENT	9/1/08	7.250	1,000,000	1,052,990
UNION PACIFIC CO	5/1/05	7.600	1,000,000	1,060,010
UNION PACIFIC CORP	2/1/06	6.400	1,500,000	1,487,160
WASTE MANAGEMENT	3/15/11	7.650	1,000,000	1,071,680
WISCONSIN BELL INC	2/1/07	7.250	100,000	101,134
DUETSCHKE BANK FINANCIAL	4/25/09	7.500	2,000,000	2,198,240
FLETCHER CHALLENGE CAP CAN	6/20/16	8.250	1,700,000	1,879,520
POTASH CORP SASKATCHEWAN CDA	6/15/07	7.130	800,000	830,160
SASKATCHEWAN CDA	7/15/13	7.380	2,000,000	2,228,740
TOTAL CORPORATE OBLIGATIONS				\$44,607,009
TOTAL MARKET VALUE OF INVESTMENTS				\$97,500,475

WASHINGTON STATE INVESTMENT BOARD

Millersylvania Park Trust Fund

Schedule of Investments - Unaudited

June 30, 1998

<u>DESCRIPTION</u>	<u>MATURITY DATE</u>	<u>COUPON RATE</u>	<u>PAR VALUE OF SHARES</u>	<u>BOOK AND MARKET VALUE</u>
SHORT-TERM INVESTMENT FUND:				
PROVIDENT TEMPFUND B	N/A	N/A	5,147	\$5,147
TOTAL MARKET VALUE OF INVESTMENTS				<u>\$5,147</u>

WASHINGTON STATE INVESTMENT BOARD
Normal School Permanent Fund
Schedule of Investments - Unaudited
June 30, 1998

<u>DESCRIPTION</u>	<u>MATURITY DATE</u>	<u>COUPON RATE</u>	<u>PAR VALUE OF SHARES</u>	<u>BOOK AND MARKET VALUE</u>
SHORT-TERM INVESTMENT FUND:				
PROVIDENT TEMPFUND B	N/A	N/A	6,783,095	<u>\$6,783,095</u>
US GOVERNMENT SECURITIES:				
TREASURIES				
U.S.A. TREASURY BOND	8/15/19	8.130	900,000	1,161,558
U.S.A. TREASURY BOND	11/15/21	8.000	3,750,000	4,833,975
U.S.A. TREASURY NOTE	2/15/03	10.750	835,000	1,009,440
U.S.A. TREASURY NOTE	5/15/03	10.750	300,000	365,577
U.S.A. TREASURY NOTE	11/15/03	11.880	1,000,000	1,288,750
U.S.A. TREASURY NOTE	5/15/16	7.250	1,425,000	1,669,473
U.S.A. TREASURY NOTE	11/15/16	7.500	480,000	576,226
U.S.A. TREASURY NOTE	3/31/00	6.880	4,000,000	4,088,760
<i>TOTAL US TREASURIES</i>				<u>\$14,993,758</u>
AGENCIES				
FHLMC	8/5/09	8.000	1,655,000	1,690,434
FHLMC MTN	2/27/06	6.130	2,600,000	2,643,862
FNMA	1/6/99	5.380	2,000,000	1,997,180
<i>TOTAL US AGENCIES</i>				<u>\$6,331,476</u>
TOTAL US GOVERNMENT SECURITIES				
				<u>\$21,325,234</u>
MORTGAGE/MORTGAGED BACKED SECURITIES:				
PASS THROUGH AND OTHER MORTGAGES				
FHLMC PC 16-0079	5/1/09	10.250	87,275	94,517
FHLMC PC 17-0029	5/1/10	12.000	19,437	22,125
FHLMC PC 17-0147	11/1/15	11.000	9,056	10,198
FHLMC PC 17-0217	3/1/17	8.000	101,000	105,850
FHLMC SWAP 29-1802	4/1/17	8.500	63,362	66,903
FHLMC SWAP 29-9021	8/1/17	8.500	104,596	110,118
FHLMC SWAP 30-3750	4/1/18	8.500	143,036	151,043
FNMA PL 307056	8/1/25	7.500	5,022,927	5,153,222
GNMA SF 27559	8/15/09	9.500	180,485	194,532
GNMA SF 27772	11/15/09	9.500	263,802	284,334

WASHINGTON STATE INVESTMENT BOARD

Normal School Permanent Fund

Schedule of Investments - Unaudited

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GNMA SF 29026	7/15/09	9.500	82,832	89,279
GNMA SF 30363	9/15/09	9.500	76,325	82,265
GNMA SF 30644	6/15/09	9.500	159,733	172,165
HYDE PARK APTS	4/1/19	7.500	1,382,422	1,380,721
BEVERLY FINANCE CORP 144A	7/15/04	8.360	2,000,000	2,178,960
FULTON WOODS APTS	2/1/18	7.500	1,283,276	1,283,276
CASA DE WOODS	1/1/14	7.000	348,880	328,673
SWIFT BANK CORP - NY	6/15/17	7.380	2,500,000	2,771,000
<i>TOTAL PASS THROUGHS AND OTHER MORTGAGES</i>				<u>\$14,479,180</u>
COLLATERALIZED MORTGAGE OBLIGATIONS				
FHLMC 1602-AE	9/15/08	5.250	5,000,000	4,962,500
FHLMC 1992 1423 C	9/15/04	6.600	3,775,076	3,780,965
FHLMC 1994 1429 G	11/15/07	7.000	1,466,667	1,521,667
FHLMC 93 1619 PD	6/15/19	5.650	4,000,000	3,987,480
FHLMC G 003 C	1/25/18	6.600	2,288,260	2,293,980
FHLMC-GNMA93-12 E	3/25/08	6.000	5,500,000	5,481,080
FNMA 1993 06 Y5	12/25/04	6.750	4,135,861	4,147,482
FNMA 1993 207 Y4	12/25/17	5.500	6,250,000	6,208,938
FNMA 1993 223 PH	10/25/22	6.050	1,500,000	1,499,520
GE CAP MTG 1994-10A15	3/25/24	6.500	252,000	250,896
GE CAPITAL MTG SVC 1994-4 A8	1/25/24	6.500	1,980,317	1,958,335
PRU HOME 93-51 A14	12/25/23	6.750	3,500,000	3,477,005
RESIDENT FD MG 93-S12A11	12/25/08	7.500	7,000,000	7,269,010
S B M VII 1994-15 A5	6/25/09	6.500	2,150,000	2,165,480
<i>TOTAL COLLATERALIZED MORTGAGE OBLIGATIONS</i>				<u>\$49,004,338</u>
TOTAL MORTGAGE/MORTGAGE BACKED				<u>\$63,483,518</u>
ASSET BACKED SECURITIES:				
CROWN HM EQ 1996-1 A4 ABS	8/25/12	7.150	1,700,000	1,759,160
DISCOVER CARD TR 1993-B	2/15/00	6.750	4,000,000	4,037,480
TOTAL ASSET BACKED SECURITIES				<u>\$5,796,640</u>

WASHINGTON STATE INVESTMENT BOARD

Normal School Permanent Fund

Schedule of Investments - Unaudited

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CORPORATE OBLIGATIONS:

AMERICAN GEN FIN CORP	7/1/00	5.880	4,600,000	4,590,984
AMERICAN STORES	5/15/05	7.400	1,000,000	1,057,750
ANR PIPELINE	2/15/24	7.380	1,000,000	1,041,360
ANR PIPELINE	11/1/21	9.630	1,300,000	1,712,659
ANZ BANKING GROUP	2/1/04	6.250	2,000,000	1,977,920
ASSOCIATES CORP NORTH AME	6/15/00	6.000	2,075,000	2,077,283
BANK OF NEW YORK	12/15/04	8.500	1,000,000	1,111,060
CARGILL INC MTN	6/18/27	7.410	2,200,000	2,525,138
CARTER HOLT HARVEY LTD	12/1/04	8.880	1,800,000	2,014,200
CHASE MANHATTAN CORP	2/15/02	8.500	1,000,000	1,076,380
CHESAPEAKE & POTOMAC TEL MD	6/1/04	5.880	200,000	199,024
CHESAPEAKE & POTOMAC TEL MD	10/1/08	6.630	775,000	774,256
CHICAGO & N WESTN TRANS	7/30/12	6.250	913,867	905,003
CINCINNATI GAS & ELEC	2/15/04	6.450	1,000,000	1,012,650
CROWN CORK + SEAL INC	12/15/26	7.380	2,000,000	2,124,640
CSW INVTS	1/1/06	7.450	2,500,000	2,664,200
EASTMAN CHEMICAL	1/15/24	7.250	2,000,000	2,089,900
FERRO CORP	6/15/25	8.000	500,000	546,480
FIRST CHICAGO	6/15/02	8.250	1,000,000	1,070,830
FORD MOTOR CREDIT CORP	2/15/02	8.200	1,000,000	1,063,500
GEN MOTORS ACCEPT CORP	2/1/99	5.630	2,000,000	1,997,820
GTE HAWAII	2/1/06	7.000	2,500,000	2,574,500
LORAL CORP	6/15/04	7.630	2,000,000	2,131,280
MBNA CORP MTN	9/15/00	6.500	1,750,000	1,757,263
MCI COMMUNICATIONS CORP	3/23/25	7.750	2,500,000	2,622,200
NEW ENGLAND TEL & TELEG CO	10/1/06	6.130	700,000	692,300
NEW JERSEY BELL TEL CO	12/1/06	5.880	500,000	495,360
PACIFIC GAS & ELEC CO	12/1/99	6.880	250,000	250,713
PACIFIC GAS & ELEC CO	6/1/00	6.630	100,000	100,239
PACIFIC GAS & ELEC CO	12/1/00	6.750	255,000	253,725
PACIFIC TEL & TELEG CO	11/1/02	6.000	250,000	246,453
PANHANDLE EASTERN PIPELINE	8/15/04	7.880	1,500,000	1,616,820
PHILLIPS PETROLEUM	2/15/11	9.380	2,000,000	2,510,460
PLACER DOME INC	6/15/15	7.750	500,000	538,870
PNC FUNDING CORP	6/1/04	7.750	1,500,000	1,608,525
PROGRESSIVE CORP	1/15/04	6.600	2,500,000	2,541,700
ROYAL CARIBBEAN CRUISES	4/1/05	8.250	2,000,000	2,163,540
SAFECO CAPITAL TRUST I	7/15/37	8.070	2,000,000	2,137,220
SOUTHERN UNION GAS	2/1/24	7.600	1,500,000	1,592,595
ST GEORGE BANK LTD	6/18/07	7.150	4,300,000	4,444,738
TIME WARNER ENTERTAINMENT	9/1/08	7.250	2,000,000	2,105,980
U S BANCORP	10/15/05	6.750	2,000,000	2,061,700

WASHINGTON STATE INVESTMENT BOARD

Normal School Permanent Fund

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UNION PACIFIC CO	5/1/05	7.600	2,800,000	2,968,028
UNION PACIFIC CORP	2/1/06	6.400	750,000	743,580
UNION PACIFIC RESOURCES	5/15/28	7.150	1,000,000	1,007,550
WASTE MANAGEMENT	3/15/11	7.650	2,525,000	2,705,992
WISCONSIN BELL INC	2/1/07	7.250	300,000	303,402
DUETSCHKE BANK FINANCIAL	4/25/09	7.500	3,000,000	3,297,360
ENERGY GROUP OVERSEAS BV	10/15/27	7.500	1,000,000	1,080,250
SASKATCHEWAN CDA	7/15/13	7.380	3,700,000	4,123,169
TOTAL CORPORATE OBLIGATIONS				<u>\$84,308,547</u>
TOTAL MARKET VALUE OF INVESTMENTS				<u>\$181,697,034</u>

WASHINGTON STATE INVESTMENT BOARD

Permanent Common School Fund

Schedule of Investments - Unaudited

June 30, 1998

<u>DESCRIPTION</u>	<u>MATURITY DATE</u>	<u>COUPON RATE</u>	<u>PAR VALUE OF SHARES</u>	<u>BOOK AND MARKET VALUE</u>
SHORT-TERM INVESTMENT FUND:				
PROVIDENT TEMPFUND B	N/A	N/A	7,442,299	<u>\$7,442,299</u>
US GOVERNMENT SECURITIES:				
TREASURIES				
U.S.A. TREASURY BOND	11/15/21	8.000	4,750,000	6,123,035
U.S.A. TREASURY NOTE	11/15/12	10.380	200,000	267,812
U.S.A. TREASURY NOTE	11/15/03	11.880	1,500,000	1,933,125
U.S.A. TREASURY NOTE	5/15/16	7.250	1,500,000	1,757,340
U.S.A. TREASURY NOTE	11/15/16	7.500	1,960,000	2,352,921
U.S.A. TREASURY NOTE	9/30/99	7.130	1,000,000	1,019,060
U.S.A. TREASURY NOTE	8/15/05	6.500	2,000,000	2,110,620
<i>TOTAL US TREASURIES</i>				<u>\$15,563,913</u>
AGENCIES				
FED FARM CREDIT MTN (FFCB)	10/7/09	6.450	2,450,000	2,563,313
FNMA	1/6/99	5.380	2,000,000	1,997,180
<i>TOTAL US AGENCIES</i>				<u>\$4,560,493</u>
TOTAL US GOVERNMENT SECURITIES				
				<u>\$20,124,406</u>
MORTGAGE/MORTGAGE BACKED SECURITIES:				
PASS THROUGH AND OTHER MORTGAGES				
FHLMC PC 16-0040	3/1/08	8.750	125,573	131,530
FHLMC PC 16-0079	5/1/09	10.250	87,275	94,517
FHLMC PC 17-0003	3/1/06	8.000	15,567	15,945
FHLMC PC 17-0147	11/1/15	11.000	11,773	13,257
FNMA PL 307056	8/1/25	7.500	927,242	951,294
FNMA PL 311991	8/1/25	7.500	2,335,546	2,396,106
FNMA PL 311994	8/1/25	7.500	1,127,524	1,156,772
FNMA PL 330130	11/1/25	7.500	1,917,522	1,967,262
BEVERLY FINANCE CORP 144A	7/15/04	8.360	1,650,000	1,797,642

WASHINGTON STATE INVESTMENT BOARD

Permanent Common School Fund

Schedule of Investments - Unaudited

June 30, 1998

EXECUTIVE ESTATES	10/1/18	7.500	3,278,519	3,275,798
SWIFT BANK CORP - NY	6/15/17	7.380	1,000,000	1,108,400
<i>TOTAL PASS THROUGH AND OTHER MORTGAGES</i>				\$12,908,525
COLLATERALIZED MORTGAGE OBLIGATIONS				
FHLMC 1992 1423 C	9/15/04	6.600	3,235,779	3,240,827
FHLMC 1994 1727 E	4/15/18	6.500	5,000,000	5,043,750
FHLMC 93 1619 PD	6/15/19	5.650	3,000,000	2,990,610
FHLMC G 003 C	1/25/18	6.600	2,288,260	2,293,980
FNMA 1993 207 Y4	12/25/17	5.500	4,000,000	3,973,720
FNMA 1993 223 PH	10/25/22	6.050	2,500,000	2,499,200
FNMA 1994 62 PH	11/25/23	6.900	2,000,000	2,068,740
FNMA REMIC 1991-100 CL M	8/25/21	7.000	1,848,600	1,877,475
GE CAP MTG 1994-10A15	3/25/24	6.500	1,000,000	995,620
GE CAPITAL MTG SVC 1994-4 A8	1/25/24	6.500	1,980,317	1,958,335
HEADLANDS 1997-3 AI5 CMO	7/25/27	7.750	1,400,000	1,430,902
PRU HOME 93-51 A14	12/25/23	6.750	3,000,000	2,980,290
RESIDENT FD MG 93-S12A11	12/25/08	7.500	4,000,000	4,153,720
S B M VII 1994-15 A5	6/25/09	6.500	2,000,000	2,014,400
<i>TOTAL COLLATERALIZED MORTGAGE OBLIGATIONS</i>				\$37,521,569
TOTAL MORTGAGE/MORTGAGE BACKED				\$50,430,094
ASSET BACKED SECURITIES:				
GREEN TREE FIN CORP 97-1 A5	3/15/28	6.860	2,000,000	2,047,500
NAT'L BK CR CD TR 95-1A	4/15/03	6.450	3,000,000	3,033,750
TOTAL ASSET BACKED SECURITIES				\$5,081,250
CORPORATE OBLIGATIONS:				
AMERICAN GEN FIN CORP	7/1/00	5.880	2,850,000	2,844,414
AMERICAN STORES	5/15/05	7.400	1,000,000	1,057,750
ANR PIPELINE	11/1/21	9.630	1,500,000	1,976,145
ASSOCIATES CORP NORTH AMER	6/15/01	6.000	3,850,000	3,845,650
BANK OF NEW YORK	12/15/04	8.500	1,250,000	1,388,825

WASHINGTON STATE INVESTMENT BOARD

Permanent Common School Fund

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CARTER HOLT HARVEY LTD	12/1/04	8.880	1,000,000	1,119,000
CASE CORPORATION	10/21/07	6.750	2,000,000	2,044,520
CHESAPEAKE & POTOMAC TEL MD	6/1/04	5.880	609,000	606,028
CHICAGO & N WESTN TRANS	7/30/12	6.250	913,867	905,003
CROWN CORK + SEAL INC	12/15/26	7.380	2,400,000	2,549,568
CSW INVTS	1/1/06	7.450	1,300,000	1,385,384
EASTMAN CHEMICAL	1/15/24	7.250	2,350,000	2,455,633
FERRO CORP	6/15/25	8.000	500,000	546,480
FIRST CHICAGO	6/15/02	8.250	2,500,000	2,677,075
FORD MOTOR CREDIT CORP	2/15/02	8.200	1,000,000	1,063,500
GEN MOTORS ACCEPT CORP	2/1/99	5.630	1,165,000	1,163,730
GOLDMAN SACHS	7/15/02	6.600	3,500,000	3,556,630
HOUSEHOLD FINANCE CORP	1/15/03	7.630	2,000,000	2,110,884
INDIANA BELL TEL INC	6/1/03	4.380	300,000	281,544
MBNA CORP MTN	9/15/00	6.500	1,000,000	1,004,150
MCI COMMUNICATIONS CORP	3/23/25	7.750	1,750,000	1,835,540
MICHIGAN BELL TEL CO	2/1/05	6.380	350,000	351,414
MOUNTAIN STS TEL & TELEG CO	6/1/05	5.500	1,190,000	1,163,499
NEW ENGLAND TEL & TELEG CO	10/1/06	6.130	525,000	519,225
NEW JERSEY BELL TEL CO	12/1/06	5.880	1,365,000	1,352,333
NORTHWESTERN BELL TEL CO	9/1/01	6.000	1,000,000	996,080
PACIFIC GAS & ELEC CO	12/1/99	6.880	1,225,000	1,228,491
PACIFIC GAS & ELEC CO	6/1/00	6.630	525,000	526,255
PACIFIC TEL & TELEG CO	7/1/03	6.500	400,000	400,012
PANHANDLE EASTERN PIPELINE	8/15/04	7.880	1,500,000	1,616,820
PHILLIPS PETROLEUM	2/15/11	9.380	2,000,000	2,510,460
PLACER DOME INC	6/15/15	7.750	500,000	538,870
PNC FUNDING CORP	6/1/04	7.750	1,000,000	1,072,350
PROGRESSIVE CORP	1/15/04	6.600	2,250,000	2,287,530
SAFECO CAPITAL TRUST I	7/15/37	8.070	1,100,000	1,175,471
SAGA PETROLEUM A.S.	7/15/14	9.130	1,000,000	1,229,170
SEARS ROEBUCK & CO	5/1/00	6.000	4,330,000	4,316,057
SOUTHERN UNION GAS	2/1/24	7.600	1,000,000	1,061,730
ST GEORGE BANK LTD	6/18/07	7.150	3,700,000	3,824,542
TIME WARNER ENTERTAINMENT	9/1/08	7.250	1,000,000	1,052,990
UNION PACIFIC CORP	2/1/06	6.400	1,000,000	991,440
UNION PACIFIC RESOURCES	5/15/28	7.150	4,750,000	4,785,863

WASHINGTON STATE INVESTMENT BOARD
Permanent Common School Fund
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WASTE MANAGEMENT	3/15/11	7.650	1,000,000	1,071,680
POTASH CORP SASKATCHEWAN CDA	6/15/07	7.130	700,000	726,390
SASKATCHEWAN CDA	7/15/13	7.380	3,500,000	3,900,295
TOTAL CORPORATE OBLIGATIONS				\$75,116,418
TOTAL MARKET VALUE OF INVESTMENTS				\$158,194,467

WASHINGTON STATE INVESTMENT BOARD
 Scientific Permanent Fund
 Schedule of Investments - Unaudited
 June 30, 1998

DESCRIPTION	MATURITY DATE	COUPON RATE	PAR VALUE OF SHARES	BOOK AND MARKET VALUE
SHORT-TERM INVESTMENT FUND:				
PROVIDENT TEMPFUND B	N/A	N/A	9,007,177	<u>\$9,007,177</u>
US GOVERNMENT SECURITIES:				
TREASURIES				
U.S.A. TREASURY BOND	8/15/19	8.130	1,750,000	2,258,585
U.S.A. TREASURY NOTE	11/15/12	10.380	800,000	1,071,248
U.S.A. TREASURY NOTE	2/15/03	10.750	300,000	362,673
U.S.A. TREASURY NOTE	11/15/16	7.500	425,000	510,200
U.S.A. TREASURY NOTE	8/15/05	6.500	4,000,000	4,221,240
<i>TOTAL US TREASURIES</i>				<u>\$8,423,946</u>
AGENCIES				
FHLMC	10/6/04	6.240	2,900,000	2,967,048
FNMA	1/6/99	5.380	2,500,000	2,496,475
FNMA MTN	8/7/01	6.690	2,230,000	2,293,064
<i>TOTAL US AGENCIES</i>				<u>\$7,756,587</u>
TOTAL US GOVERNMENT SECURITIES				<u>\$16,180,533</u>
MORTGAGE/MORTGAGE BACKED SECURITIES:				
PASS THROUGH AND OTHER MORTGAGES				
BITTERROOT MANOR	1/1/19	7.500	1,049,773	1,047,421
FHLMC PC 17-0141	9/1/15	11.000	56,123	62,470
FHLMC PC 17-0147	11/1/15	11.000	2,355	2,651
FHLMC PC 17-0217	3/1/17	8.000	95,370	99,950
FNMA PL 311991	8/1/25	7.500	332,756	341,384
FNMA PL 311994	8/1/25	7.500	606,083	621,805
FNMA PL 312210	7/1/25	7.500	1,383,517	1,419,406
FNMA PL 315470	7/1/25	7.500	1,435,508	1,472,745
FNMA PL 319490	8/1/25	7.500	354,987	364,196
BEVERLY FINANCE CORP 144A	7/15/04	8.360	750,000	817,110
SKY PARK APTS	2/1/18	7.500	983,480	981,277

WASHINGTON STATE INVESTMENT BOARD

Scientific Permanent Fund

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SWIFT BANK CORP - NY	6/15/17	7.380	2,000,000	2,216,800
<i>TOTAL PASS THROUGH AND OTHER MORTGAGES</i>				<u>\$9,447,215</u>
COLLATERALIZED MORTGAGE OBLIGATIONS				
FHG 30 H	7/25/23	7.500	2,500,000	2,662,500
FHLMC 1602-AE	9/15/08	5.250	2,250,000	2,233,125
FHLMC 1992 1423 C	9/15/04	6.600	2,157,186	2,160,551
FHLMC 1992 1452 PL	12/15/07	6.500	3,500,000	3,574,375
FHLMC 93 1619 PD	6/15/19	5.650	3,000,000	2,990,610
FHLMC G 003 C	1/25/18	6.600	2,288,260	2,293,980
FHLMC-GNMA93-12 E	3/25/08	6.000	2,475,000	2,466,486
FNMA 1993 06 Y5	12/25/04	6.750	3,007,899	3,016,351
FNMA 1993 207 Y4	12/25/17	5.500	2,500,000	2,483,575
FNMA 1993 223 PH	10/25/22	6.050	1,000,000	999,680
GE CAP MTG 1994-10A15	3/25/24	6.500	500,000	497,810
GE CAPITAL MTG SVC 1994-4 A8	1/25/24	6.500	1,980,317	1,958,335
HEADLANDS 1997-3 AI5 CMO	7/25/27	7.750	1,200,000	1,226,487
PRU HOME 93-51 A14	12/25/23	6.750	2,500,000	2,483,575
RESIDENT FD MG 93-S12A11	12/25/08	7.500	4,000,000	4,153,720
S B M VII 1994-15 A5	6/25/09	6.500	750,000	755,400
<i>TOTAL COLLATERALIZED MORTGAGE OBLIGATIONS</i>				<u>\$35,956,561</u>
TOTAL MORTGAGE/MORTGAGE BACKED				<u>\$45,403,775</u>
ASSET BACKED SECURITIES:				
DISCOVER CARD TR 1993-B	2/15/00	6.750	3,500,000	<u>\$3,532,795</u>
CORPORATE OBLIGATIONS:				
AMERICAN GEN FIN CORP	7/1/00	5.880	2,800,000	2,794,512
ANR PIPELINE	2/15/24	7.380	1,000,000	1,041,360
ANR PIPELINE	11/1/21	9.630	1,000,000	1,317,430
BANK OF NEW YORK	12/15/04	8.500	1,000,000	1,111,060
CARTER HOLT HARVEY LTD	12/1/04	8.880	1,000,000	1,119,000
CASE CORPORATION	10/21/07	6.750	1,500,000	1,533,390
CHESAPEAKE & POTOMAC TEL MD	10/1/08	6.630	500,000	499,520

WASHINGTON STATE INVESTMENT BOARD

Scientific Permanent Fund

Schedule of Investments - Unaudited

June 30, 1998

CHICAGO & N'WESTN TRANS	7/30/12	6.250	913,867	905,003
CINCINNATI GAS & ELEC	2/15/04	6.450	1,000,000	1,012,650
CROWN CORK + SEAL INC	12/15/26	7.380	3,200,000	3,399,424
CSW INVT'S	1/1/06	7.450	1,200,000	1,278,816
EASTMAN CHEMICAL	1/15/24	7.250	1,500,000	1,567,425
FERRO CORP	6/15/25	8.000	1,000,000	1,092,960
FIRST CHICAGO	6/15/02	8.250	1,000,000	1,070,830
FORD MOTOR CREDIT CORP	2/15/02	8.200	400,000	425,400
GEN MOTORS ACCEPT CORP	2/1/99	5.630	1,000,000	998,910
GOLDMAN SACHS	7/15/02	6.600	2,300,000	2,337,214
GTE HAWAII	2/1/06	7.000	1,600,000	1,647,680
ILLINOIS BELL TEL CO	7/1/03	4.380	250,000	233,965
LORAL CORP	6/15/04	7.630	1,000,000	1,065,640
MBNA CORP MTN	9/15/00	6.500	1,000,000	1,004,150
MCI COMMUNICATIONS CORP	3/23/25	7.750	1,000,000	1,048,880
NEW ENGLAND TEL & TELEG CO	10/1/06	6.130	600,000	593,400
NEW JERSEY BELL TEL CO	12/1/06	5.880	1,100,000	1,089,792
NEW JERSEY BELL TEL CO	6/1/12	7.380	700,000	711,830
NORTHWESTERN BELL TEL CO	9/1/01	6.000	70,000	69,726
PACIFIC GAS & ELEC CO	6/1/00	6.630	385,000	385,920
PANHANDLE EASTERN PIPELINE	8/15/04	7.880	1,300,000	1,401,244
PHILLIPS PETROLEUM	2/15/11	9.380	2,000,000	2,510,460
PLACER DOME INC	6/15/15	7.750	1,250,000	1,347,175
PNC FUNDING CORP	6/1/04	7.750	1,000,000	1,072,350
PROGRESSIVE CORP	1/15/04	6.600	1,000,000	1,016,680
ROYAL CARIBBEAN CRUISES	4/1/05	8.250	1,000,000	1,081,770
SAFECO CAPITAL TRUST I	7/15/37	8.070	2,300,000	2,457,803
SAGA PETROLEUM A.S.	7/15/14	9.130	1,000,000	1,229,170
SEARS ROEBUCK & CO	5/1/00	6.000	1,055,000	1,051,603
SOUTHERN UNION GAS	2/1/24	7.600	1,000,000	1,061,730
ST GEORGE BANK LTD	6/18/07	7.150	3,000,000	3,100,980
TIME WARNER ENTERTAINMENT	9/1/08	7.250	900,000	947,691
U S BANCORP	10/15/05	6.750	1,500,000	1,546,275
UNION PACIFIC CO	5/1/05	7.600	2,000,000	2,120,020
UNION PACIFIC CORP	2/1/06	6.400	1,250,000	1,239,300
WASTE MANAGEMENT	3/15/11	7.650	1,500,000	1,607,520
WISCONSIN BELL INC	2/1/07	7.250	100,000	101,134
ENERGY GROUP OVERSEAS BV	10/15/27	7.500	1,000,000	1,080,250

WASHINGTON STATE INVESTMENT BOARD

Scientific Permanent Fund

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POTASH CORP SASKATCHEWAN CDA	6/15/07	7.130	1,600,000	1,660,320
SASKATCHEWAN CDA	7/15/13	7.380	2,000,000	2,228,740
TOTAL CORPORATE OBLIGATIONS				<u>\$61,218,101</u>
TOTAL MARKET VALUE OF INVESTMENTS				<u>\$135,342,381</u>

WASHINGTON STATE INVESTMENT BOARD
State University Permanent Fund
Schedule of Investments - Unaudited
June 30, 1998

<u>DESCRIPTION</u>	<u>MATURITY DATE</u>	<u>COUPON RATE</u>	<u>PAR VALUE OF SHARES</u>	<u>BOOK AND MARKET VALUE</u>
SHORT-TERM INVESTMENT FUND:				
PROVIDENT TEMPFUND B	N/A	N/A	1,432,280	<u>\$1,432,280</u>
US GOVERNMENT SECURITIES:				
TREASURIES				
U.S.A. TREASURY NOTE	11/15/03	11.880	75,000	96,656
U.S.A. TREASURY NOTE	5/15/16	7.250	20,000	23,431
U.S.A. TREASURY NOTE	11/15/16	7.500	175,000	210,082
U.S.A. TREASURY NOTE	8/15/05	6.500	750,000	791,483
<i>TOTAL US TREASURIES</i>				<u>\$1,121,652</u>
AGENCIES				
FHLB	2/20/01	5.540	700,000	698,031
FNMA MTN	8/7/01	6.690	470,000	483,292
<i>TOTAL US AGENCIES</i>				<u>\$1,181,323</u>
TOTAL US GOVERNMENT SECURITIES				<u>\$2,302,975</u>
MORTGAGE/MORTGAGE BACKED SECURITIES:				
PASS THROUGH AND OTHER MORTGAGES				
FHLMC GIANT SWAP 30-4272	6/1/18	8.500	23,398	24,708
FNMA PL 315470	7/1/25	7.500	351,668	360,790
FNMA PL 330130	11/1/25	7.500	383,053	392,989
BEVERLY FINANCE CORP 144A	7/15/04	8.360	100,000	108,948
EAGLES MANOR	6/1/18	7.500	865,481	865,481
SWIFT BANK CORP - NY	6/15/17	7.380	250,000	277,100
<i>TOTAL PASS THROUGH AND OTHER MORTGAGES</i>				<u>\$2,030,016</u>
COLLATERALIZED MORTGAGE OBLIGATIONS				
FED HM LN MTG 1488 PG	4/15/08	7.000	300,000	311,625
FHG 30 H	7/25/23	7.500	300,000	319,500
FHLM PC GTD	5/25/22	7.000	300,000	310,968
FHLMC 1602-AE	9/15/08	5.250	250,000	248,125
FHLMC 1992 1423 C	9/15/04	6.600	136,442	136,655

WASHINGTON STATE INVESTMENT BOARD

State University Permanent Fund

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FHLMC 1993 1637 GA	6/15/23	5.800	252,181	248,948
FHLMC 93 1619 PD	6/15/19	5.650	300,000	299,061
FHLMC G 003 C	1/25/18	6.600	286,032	286,748
FNMA 1993 06 Y5	12/25/04	6.750	225,592	226,226
FNMA 1993 207 Y4	12/25/17	5.500	285,000	283,128
FNMA 1993 223 PH	10/25/22	6.050	281,000	280,910
FNMA 1994 62 PH	11/25/23	6.900	254,000	262,730
GE CAP MTG 1994-10A15	3/25/24	6.500	100,000	99,562
GE CAPITAL MTG SVC 1994-4 A8	1/25/24	6.500	99,016	97,917
HEADLANDS 1997-3 A15 CMO	7/25/27	7.750	400,000	408,829
PRU HOME 93-51 A14	12/25/23	6.750	250,000	248,358
S B M VII 1994-15 A5	6/25/09	6.500	293,000	295,110
TOTAL COLLATERALIZED MORTGAGE OBLIGATIONS				\$4,364,398
TOTAL MORTGAGE/MORTGAGE BACKED				\$6,394,414
ASSET BACKED SECURITIES:				
CIT RV TRUST 97-A A7 ABS	8/15/13	6.400	300,000	303,094
GREEN TREE FIN CORP 97-1 A5	3/15/28	6.860	300,000	307,125
TOTAL ASSET BACKED SECURITIES				\$610,219
CORPORATE OBLIGATIONS:				
AMERICAN GEN FIN CORP	7/1/00	5.880	150,000	149,706
ANR PIPELINE	11/1/21	9.630	200,000	263,486
BANK OF NEW YORK	12/15/04	8.500	250,000	277,765
CARTER HOLT HARVEY LTD	12/1/04	8.880	200,000	223,800
CHICAGO & NWESTN TRANS	7/30/12	6.250	274,163	271,504
DR INVESTMENTS 144A	5/15/02	7.100	300,000	308,754
EASTMAN CHEMICAL	1/15/24	7.250	150,000	156,743
FORD MOTOR CREDIT CORP	2/15/02	8.200	100,000	106,350
GENERAL MTRS ACCEPT CORP	10/15/99	8.400	250,000	257,273
GOLDMAN SACHS	7/15/02	6.600	350,000	355,663
GTE HAWAII	2/1/06	7.000	250,000	257,450
MBNA CORP MTN	9/15/00	6.500	250,000	251,038
MCI COMMUNICATIONS CORP	3/23/25	7.750	250,000	262,220
MICHIGAN BELL TEL CO	2/1/05	6.380	200,000	200,808
NORTHWESTERN BELL TEL CO	9/1/01	6.000	80,000	79,686
PANHANDLE EASTERN PIPELINE	8/15/04	7.880	100,000	107,788
PHILLIPS PETROLEUM	2/15/11	9.380	250,000	313,808
PLACER DOME INC	6/15/15	7.750	250,000	269,435

WASHINGTON STATE INVESTMENT BOARD

State University Permanent Fund

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PNC FUNDING CORP	6/1/04	7.750	250,000	268,088
PROGRESSIVE CORP	1/15/04	6.600	250,000	254,170
SAFECO CAPITAL TRUST I	7/15/37	8.070	200,000	213,722
SAGA PETROLEUM A.S.	7/15/14	9.130	180,000	221,251
SEARS ROEBUCK & CO	5/1/00	6.000	350,000	348,873
SOCIETY CORP	6/15/02	8.130	150,000	159,710
SOUTHERN UNION GAS	2/1/24	7.600	150,000	159,260
ST GEORGE BANK LTD	6/18/07	7.150	400,000	413,464
TIME WARNER ENTERTAINMENT	9/1/08	7.250	100,000	105,299
U S BANCORP	10/15/05	6.750	300,000	309,255
UNION PACIFIC CO	5/1/05	7.600	200,000	212,002
UNION PACIFIC CORP	2/1/06	6.400	200,000	198,288
UNION PACIFIC RESOURCES	5/15/28	7.150	250,000	251,888
WEYERHAEUSER CO	1/15/25	8.500	175,000	210,705
WISCONSIN BELL INC	2/1/07	7.250	100,000	101,134
WISCONSIN TEL CO	8/1/04	6.250	50,000	50,178
CROWN CORK + SEAL FIN SA	12/15/03	6.750	400,000	408,088
FLETCHER CHALLENGE CAP CAN	6/20/16	8.250	300,000	331,680
MONTREAL CITY OF	11/1/04	5.000	20,000	18,611
POTASH CORP SASKATCHEWAN CDA	6/15/07	7.130	300,000	311,310
SASKATCHEWAN CDA	7/15/13	7.380	300,000	334,311
TOTAL CORPORATE OBLIGATIONS				\$8,994,560
TOTAL MARKET VALUE OF INVESTMENTS				\$19,734,448

OTHER TRUST FUNDS

➤ **Schedule of Investments**

NOTE:

The accompanying unaudited financial statements and schedules of investments were prepared from the official accounting records of the Washington State Investment Board. Asset allocation information presented in Part 1 of the Annual Report is taken from master custodian records. In some cases, reported numbers may differ slightly due to valuation and classification differences.

WASHINGTON STATE INVESTMENT BOARD

Other Funds

Schedule of Investments - Unaudited

June 30, 1998

<u>DESCRIPTION</u>	<u>MATURITY DATE</u>	<u>COUPON RATE</u>	<u>PAR VALUE OF SHARES</u>	<u>BOOK AND MARKET VALUE</u>
GAME AND SPECIAL WILDLIFE FUND:				
SHORT-TERM INVESTMENT FUND PROVIDENT TEMPFUND B	N/A	N/A	8,337,788	\$8,337,788
US GOVERNMENT AGENCY FNMA MTN	3/12/99	5.550	4,100,000	4,095,900
TOTAL GAME AND SPECIAL WILDLIFE FUND				<u><u>\$12,433,688</u></u>
STATE EMPLOYEES INSURANCE RESERVE:				
SHORT-TERM INVESTMENT FUND PROVIDENT TEMPFUND B	N/A	N/A	28,969,001	<u><u>\$28,969,001</u></u>
RADIATION PERPETUAL MAINTENANCE FUND:				
SHORT-TERM INVESTMENT FUND PROVIDENT TEMPFUND B	N/A	N/A	745,652	<u><u>\$745,652</u></u>
RECLAMATION REVOLVING FUND:				
SHORT-TERM INVESTMENT FUND PROVIDENT TEMPFUND B	N/A	N/A	330,701	\$330,701
MUNICIPAL BONDS				
CHELAN CO, CHELAN RIVER IRR	7/1/99	4.000	3,000	3,003
CHELAN CO, CHELAN RIVER IRR	7/1/00	4.000	1,000	998
CHELAN CO, CHELAN RIVER IRR	7/1/98	4.000	3,000	3,000
CHELAN CO, ENTIAT IRR DISTR	1/1/07	5.000	9,000	9,012
CHELAN CO, ENTIAT IRR DISTR	1/1/99	5.000	6,000	6,038
CHELAN CO, ENTIAT IRR DISTR	1/1/00	5.000	6,000	6,029
CHELAN CO, ENTIAT IRR DISTR	1/1/01	5.000	6,000	6,025
CHELAN CO, ENTIAT IRR DISTR	1/1/02	5.000	7,000	7,024
CHELAN CO, ENTIAT IRR DISTR	1/1/03	5.000	7,000	7,021

WASHINGTON STATE INVESTMENT BOARD

Other Funds

Schedule of Investments - Unaudited

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CHELAN CO, ENTIAT IRR DISTRI	1/1/04	5.000	7,000	7,018
CHELAN CO, ENTIAT IRR DISTRI	1/1/05	5.000	8,000	8,016
CHELAN CO, ENTIAT IRR DISTRI	1/1/06	5.000	8,000	8,014
CHELAN CO, ENTIAT IRR DISTRI	1/1/08	5.000	9,000	9,011
CHELAN CO, ENTIAT IRR DISTRI	1/1/09	5.000	10,000	10,007
CHELAN CO, ENTIAT IRR DISTRI	1/1/10	5.000	10,000	10,002
CHELAN CO, ENTIAT IRR DISTRI	1/1/11	5.000	11,000	10,970
CHELAN CO, ENTIAT IRR DISTRI	1/1/12	5.000	11,000	10,904
CHELAN CO, ENTIAT IRR DISTRI	1/1/13	5.000	12,000	11,842
CHELAN CO, LOWER SQUILCHUCK	1/1/00	4.000	25,000	21,205
CHELAN CO, LOWER SQUILCHUCK	1/1/10	4.000	20,000	19,997
CHELAN CO, LOWER STEMILT IRR	1/1/03	6.250	8,000	8,603
CHELAN CO, LOWER STEMILT IRR	1/1/99	6.250	7,000	7,055
CHELAN CO, LOWER STEMILT IRR	1/1/00	6.250	8,000	8,056
CHELAN CO, LOWER STEMILT IRR	1/1/01	6.250	8,000	8,047
CHELAN CO, LOWER STEMILT IRR	1/1/02	6.250	8,000	8,042
CHELAN CO, LOWER STEMILT IRR	1/1/04	6.250	9,000	9,091
CHELAN CO, LOWER STEMILT IRR	1/1/05	6.250	9,000	9,053
CHELAN CO, LOWER STEMILT IRR	1/1/06	6.250	9,000	9,053
CHELAN CO, LOWER STEMILT IRR	1/1/07	6.250	10,000	10,059
CHELAN CO, LOWER STEMILT IRR	1/1/08	6.250	10,000	10,059
CHELAN CO, LOWER STEMILT IRR	1/1/09	6.250	11,000	11,019
CHELAN CO, LOWER STEMILT IRR	1/1/10	6.250	11,000	11,017
CHELAN CO, LOWER STEMILT IRR	1/1/11	6.250	12,000	12,013
KLICKITAT CO, N DALLES IRR D	1/1/99	3.000	2,000	1,946
KLICKITAT CO, N DALLES IRR D	1/1/00	3.000	2,000	1,912
KLICKITAT CO, N DALLES IRR D	1/1/01	3.000	2,000	1,878
KLICKITAT CO, N DALLES IRR D	1/1/02	3.000	2,000	1,841
KLICKITAT CO, WHITE SALMON I	1/1/99	3.000	2,000	1,993
KLICKITAT CO, WHITE SALMON I	1/1/00	3.000	2,000	1,967
KLICKITAT CO, WHITE SALMON I	1/1/01	3.000	2,000	1,938
KLICKITAT CO, WHITE SALMON I	1/1/02	3.000	2,000	1,801
OKANOGAN CO, AENEAS LAKE IRR	1/1/99	5.000	5,500	5,506
OKANOGAN CO, AENEAS LAKE IRR	1/1/00	5.000	5,500	5,504
OKANOGAN CO, AENEAS LAKE IRR	1/1/01	5.000	5,500	5,503
OKANOGAN CO, AENEAS LAKE IRR	1/1/02	5.000	12,000	12,006
OKANOGAN CO, AENEAS LAKE IRR	1/1/03	5.000	12,000	12,005
OKANOGAN CO, AENEAS LAKE IRR	1/1/04	5.000	12,000	12,004
OKANOGAN CO, AENEAS LAKE IRR	1/1/05	5.000	12,000	12,003
OKANOGAN CO, AENEAS LAKE IRR	1/1/06	5.000	12,000	12,003
OKANOGAN CO, AENEAS LAKE IRR	1/1/07	5.000	12,000	12,002
OKANOGAN CO, AENEAS LAKE IRR	1/1/08	5.000	12,000	12,002
OKANOGAN CO, AENEAS LAKE IRR	1/1/09	5.000	12,000	12,000

WASHINGTON STATE INVESTMENT BOARD

Other Funds

Schedule of Investments - Unaudited

June 30, 1998

OKANOGAN CO, AENEAS LAKE IRR	1/1/10	5.000	12,000	12,000
SPOKANE CO, MOAB IRR DISTRIC	7/1/00	4.000	6,000	5,874
SPOKANE CO, MOAB IRR DISTRIC	7/1/01	4.000	6,500	6,242
SPOKANE CO, MOAB IRR DISTRIC	7/1/02	4.000	6,500	6,121
SPOKANE CO, MOAB IRR DISTRIC	7/1/03	4.000	7,000	6,448
SPOKANE CO, MOAB IRR DISTRIC	7/1/04	4.000	7,500	6,774
SPOKANE CO, MOAB IRR DISTRIC	7/1/05	4.000	7,500	6,780
SPOKANE CO, MOAB IRR DISTRIC	7/1/06	4.000	8,000	7,074
SPOKANE CO, MOAB IRR DISTRIC	7/1/07	4.000	8,000	6,583
SPOKANE CO, MOAB IRR DISTRIC	7/1/08	4.000	8,500	7,339
SPOKANE CO, MOAB IRR DISTRIC	1/1/09	4.000	7,000	5,497
SPOKANE CO, MOAB IRR DISTRIC	7/1/98	4.000	400	396
SPOKANE CO, MOAB IRR DISTRIC	7/1/99	4.000	400	396
SPOKANE CO, MOAB IRR DISTRIC	7/1/00	4.000	600	574
SPOKANE CO, MOAB IRR DISTRIC	7/1/01	4.000	600	560
SPOKANE CO, MOAB IRR DISTRIC	7/1/02	4.000	600	547
SPOKANE CO, MOAB IRR DISTRIC	7/1/03	4.000	600	533
SPOKANE CO, MOAB IRR DISTRIC	7/1/07	4.000	600	522
SPOKANE CO, MOAB IRR DISTRIC	7/1/05	4.000	600	516
SPOKANE CO, MOAB IRR DISTRIC	7/1/06	4.000	600	503
SPOKANE CO, MOAB IRR DISTRIC	7/1/04	4.000	600	521
SPOKANE CO, MOAB IRR DISTRIC	7/1/08	4.000	600	482
SPOKANE CO, MOAB IRR DISTRIC	7/1/09	4.000	600	512
SPOKANE CO, MOAB IRR DISTRIC	7/1/98	4.000	5,500	5,500
SPOKANE CO, MOAB IRR DISTRIC	7/1/99	4.000	6,000	5,936
SPOKANE CO, MOAB IRR DISTRIC	7/1/10	4.000	9,000	7,485
<i>TOTAL MUNICIPAL BONDS</i>				<u>\$525,832</u>
TOTAL RECLAMATION REVOLVING FUND				<u>\$856,533</u>

***BROKER VOLUME &
COMMISSIONS PAID***

➤ **Equity**

➤ **Fixed Income**

Broker Volume and Equity Commissions Paid
For the Fiscal Year ended June 30, 1998

Broker Name	EQUITY		FIXED INCOME	
	Volume	Commissions	Volume	Short-Term
ABN AMRO SECURITIES	3,854,292.00	36,781.91	11,000,000.00	
ABN AMRO HOARE GOVETTE	23,914,023.00	29,429.48		
ACF INTERNATIONAL	107,800.00	7,532.60		
ALBERT E SHARP	358,149.00	2,392.13		
ALEX, BROWN + SONS	5,058.00	13.72		
ALFRED BERG FONDKOMMISSION	1,471.00	266.20		
ALFRED BERG	366,086.00	31,369.39		
ALFRED BERG-LONDON	176,297.00	15,539.87		
ANZ MCCAUGHAN SECURITIES LIMITED	170,800.00	2,354.67		
ARAB-MALAYSIAN SECURITIES SDN	22,000.00	424.90		
AROS SECURITIES	7,299.00	1,689.89		
ASIA EQUITY LIMITED	843,000.00	5,326.66		
ASIA EQUITY SECURITIES	6,226,200.00	8,596.31		
ATRIUM GROUP				8,500,000.00
BA SECURITIES, INC			4,395,653.50	1,867,141,000.00
BAIN + CO	53,400.00	2,517.87		
BANCA COMMERCIAL ITL				25,000,000.00
BANK OF AMERICA	3,865,891.99		2,600,000.00	93,550,000.00
BANK OF NEW YORK	100,000.00	-		
BANK OF TOKYO				165,000,000.00
BANKERS TRUST	240,300.00	2,373.90		
BANQUE NATIONALE DE PARIS				26,000,000.00
BANQUE PARIBAS	14,651.00	3,273.59		854,000,000.00
BARCLAYS DE ZOETE WEDD SECURITIES	3,051,653.00	7,967.03		
BARING SECURITIES LONDON	4,000.00	111.06		
BARING SECURITIES HONG KONG	372,000.00	351.41		
BARING SECURITIES	4,328,526.00	9,714.07		
BEAR STEARNS			785,186,623.77	
BERNDALE SECURITIES LTD	4,375,200.00	117,510.86		
BT ALEX BROWN	49,809.00	186.60		
BZW SECURITIES LTD.	3,804,659.00	14,886.62		
C.J.LAWRENCE/DEUTSCHE BANK SECURITIES	96,300.00	1,878.00	30,000,000.00	1,690,958,000.00
CAPITAL INSTITUTIONAL SERVICES	16,256,826.00	491,130.50		
CARNEGIE FONDKOMMISSION AB	58,000.00	7,027.25		
CARNEGIE INC	268,010.00	5,944.79		
CARNEGIE INT'L LND	193,998.00	13,889.00		
CAZENOVE SECURITIES LTD	2,458,783.00	37,341.22		
CCF ELYSEES BOURSE S.A.	27,000.00	3,433.86		
CHAMBERS,DUNHILL + RUBIN			50,000,000.00	
CHASE MANHATTAN BANK			236,680,000.00	479,600,000.00
CHASE SECURITIES			25,607,420.94	1,219,715,000.00
CHEMICAL SECURITIES INC			8,000,000.00	
CHEUVREUX DE VIRIEUX, PARIS	225,501.00	15,810.02		
CIBC OPPENHEIMER + CO.			5,500,000.00	
CIMB SECURITIES SDN BHD	92,000.00	645.22		
CITICORP SECURITIES INC			54,000,000.00	314,305,000.00
COMMERZBANK AG	33,340.00	2,792.74		
COUNTY NATWEST (AUSTRALIA) SYDNEY	125,070.00	4,504.64		
COUNTY NATWEST SECURITIES LTD	2,958,891.00	62,400.59		

Broker Volume and Equity Commissions Paid
For the Fiscal Year ended June 30, 1998

Broker Name	EQUITY		FIXED INCOME	
	Volume	Commissions	Long-Term	Short-Term
CREDIT LYONNAIS SECURITIES	4,677,222.00	60,178.02		
CREDIT LYONNAIS SECS(ASIA) HONG KONG	176,000.00	2,612.49		
CREDIT SUISSE FIRST BOSTON	1,317,309.00	40,254.18	304,264,368.23	75,000,000.00
CROSBY SECURITIES INC	236,000.00	5,747.09		
CS FIRST BOSTON (HONG KONG) LIMITED	35,120.00	6,569.54		
CS FIRST BOSTON (JAPAN) LIMITED	1,005,120.00	7,915.85		
D E SHAW SECURITIES	12,054,523.00	-	193,000,000.00	
DAIWA SECURITIES	11,056,665.00	52,211.03	76,000,000.00	
DEN DANSKE BANK	15,278.00	2,626.70		
DEUTSCHE BANK	423,056,000.00	4,740.86	430,000,000.00	50,000,000.00
DEUTSCHE MORGAN GRENFELL - AUSTRALIA	61,000.00	1,167.51		
DEUTSCHE MORGAN GRENFELL	3,277,516.00	111,486.35		50,000,000.00
DMG AND PARTNERS SECURITIES	47,742.00	9,503.70		
DOHERTY & CO			35,000,000.00	
DONALDSON, LUFKIN + JENRETTE SECS	76,700.00	4,435.00	271,198,933.76	
DOYLE PATERSON BROWN LTD	357,300.00	3,389.76		
DRESDNER KLEINWORT BENSON	775,130.00	41,577.84		
ELCON SECURITIES A.S.	111,165.00	2,523.44		
ENSKILDA SECURITIES	547,851.00	40,706.74		
EURO BROKERS INC				22,966,151,000.00
EUROBROKERS LTD UK				215,000,000.00
EUROPE COMPANY	28,700.00	7,957.30		
EXANE	21,500.00	5,541.00		
FEDERAL HOME LN MTG CORP			44,807,938.96	
FILMC DEALER DESK			321,293,900.67	
FIDELITY CAPITAL MARKETS	80,220.00	1,684.66		
FIRST BOSTON CORP.			40,000,000.00	50,000,000.00
FIRST GLOBAL CAPITAL CORP	300,000.00	5,197.96		
FIRST NZ CAPITAL SECURITIES LIMITED	44,200.00	-		
FIRST PACIFIC SECURITIES CORPORATION	55,300.00	490.54		
FIRST PACIFIC STOCKBROKERS LTD	13,179,219.00	138,634.27		
FIRST UNION CAPITAL MRKT CORP			24,245,000.00	
FLEMINGS	191,000.00	5,034.66		
FORD MOTOR CREDIT				75,000,000.00
FUJI BANK AND TRUST COMPANY				244,928,000.00
GARVIN GUY BUTLER				3,435,691,000.00
GATES CAPITAL CORP				45,000,000.00
GENERAL ELECTRIC CP				73,000,000.00
GIC, INC			50,000,000.00	
GOLDMAN SACHS	18,751,944.00	139,172.82	1,639,786,667.42	1,007,200,000.00
GRANTHAM, MAYO, VAN OTERLOO & COMPANY	21,087,152.29	-		
GREIG, MIDDLETON + CO	200,095.00	1,657.00		
GUDME RAASCHOU BANKAKTIESELSKA	42,500.00	11,921.21		
H LUNDEN FONDS - STOCKHOLM	179,700.00	8,483.92		
HAMBRECHT & QUIST	49,868.00	-		
HBCS SECURITIES			10,000,000.00	
HELLER FINANCIAL				77,000,000.00
HENDERSON CROSTHWAITE LIMITED	540,300.00	2,865.36		
HG ASIA LTD	692,500.00	9,237.27		

Broker Volume and Equity Commissions Paid
For the Fiscal Year ended June 30, 1998

Broker Name	EQUITY		FIXED INCOME	
	Volume	Commissions	Long-Term	Short-Term
HOARE GOVETT SECURITIES LIMITED	387,702.00	10,773.44		
HOENIG + CO.	368,000.00	4,220.26		
HSBC JAMES CAPEL	31,661,389.00	304,121.95	20,000,000.00	
INDOSUEZ CAPITAL SEC	5,021,100.00	30,103.70		
ING BARING SECURITIES	21,084,454.00	123,937.59		
INSTINET CORP	106,200.00	1,102.10		
INSTINET PACIFIC LIMITED	705,000.00	15,013.38		
INSTINET UK LIMITED	2,672,400.00	14,189.15		
INTERMOBILIARE SECURITIES SIM SPA	45,000.00	4,179.88		
IPO APPLICATION	1,635,200.00	-		
J. CHEUVREAUX	155,947.00	6,515.60		
J.P. MORGAN SECURITIES INC.	901,339.00	15,751.21	420,781,000.00	4,110,275,000.00
JAMES CAPEL + CO	27,497,638.00	325,712.38		
JARDINE FLEMING SECURITIES LIMITED	6,897,850.00	50,242.09		
J.B. WERE & SON	22,189,662.00	146,725.72		
JEFFERIES+ CO	207,800.00	9,220.50		
JPP EURO SECURITIES	10,000.00	2,556.03		
KEIJSER EFFECTEN	144,000.00	-		
KELBOURNE SECURITIES	14,802,057.00	159,818.47		
KLEINWORT BENSON SECURITIES	570,120.00	14,232.58		
KLIENWORT BENSON SECURITIES (ASIA) LTD	5,785,600.00	40,790.75		
LAFFERTY, HARWOOD & PARTNERS LTD	64,600.00	3,230.00		
LASSER MARSHALL				4,710,509,000.00
LEHMAN BROTHERS - LONDON			24,500,000.00	
LEHMAN BROTHERS INC.	256,849.00	6,200.24	761,169,800.00	4,140,069,000.00
LEHMAN BROTHERS INTERNATIONAL	50,136.00	1,050.26		
LEWCO SECURITIES	52,000.00	3,120.00		
MACQUARIE EQUITIES LIMITED	1,017,983.00	9,720.36		
MERRILL LYNCH INTERNATIONAL	80,274,783.00	146,864.46	237,898,435.48	981,348,000.00
MERRILL LYNCH PIERCE FENNER + SMITH	17,877,451.00	143,320.05	885,158,418.76	56,380,000.00
MICHAUX S.A.	162,576.00	12,617.63		
MIDLAND BANK PLC, LONDON	112,500.00	-		
M.M. WARBURG	16,000.00	1,773.13		
MORGAN GRENFELL ASIA SECURITIES (HK)	11,244,857.00	87,844.06		
MORGAN STANLEY AND CO, INC	13,953,762.00	199,225.79	428,639,775.88	2,114,741,000.00
MUTUAL FUNDS INVESTMENT COMPANY	8,804,000.00	-		2,716,591,168.10
NATIONSBANC CAPITAL MARKETS INC			13,900,000.00	
NATWEST SECS LTD INC WOOD MACKENZIE	4,376,957.00	242,758.96		
NATWEST SECURITIES CORP	63,901.00	407.73		
NATIONAL FINANCIAL SERVS CORP				59,240,000.00
NIKKO SECURITIES CO INTL	1,681,500.00	11,867.60		
NOMURA SECURITIES INTL INC	1,177,210.00	24,457.08	9,690,000.00	
NOONAN ASHLEY PIERCE				699,200,000.00
NORTHERN TRUST CO			3,000,000.00	
OCBC SECURITIES PTE LTD	2,701,500.00	63,602.40		
ODDO	10,000.00	2,588.53		
OPPENHEIMER + CO, INC.	71,304.00	-		
ORD MINNETT GROUP LIMITED	6,716,869.00	55,603.63		
OU DHOF AMSTERDAM	218,200.00	-		

Broker Volume and Equity Commissions Paid
For the Fiscal Year ended June 30, 1998

Broker Name	EQUITY		FIXED INCOME	
	Volume	Commissions	Long-Term	Short-Term
PAINÉ WEBBER	35,872.00	-	1,319,695,861.14	
PANMURE GORDON & CO LTD	762,876.00	2,221.66		
PARIBAS SECURITIES INC	164,770.00	11,740.69		
PATRICE WARGNY (GLB)	8,000.00	2,059.01		
PATRICIA WARGRY PARIS	28,000.00	5,459.77		
PEEL HUNT+ COMPANY LIMITED	2,322,200.00	8,447.14		
PENNSYLVANIA GROUP				150,000,000.00
PEREGRINE SECURITIES	8,009,000.00	16,052.49		
PERSHING SECURITIES LTD	65,273.00	10,991.22		
PIPER JAFFRAY INC	26,717.00	-		
PREBON				2,608,306,000.00
PRUDENTIAL SECURITIES INCORPORATED			185,079,274.86	
R W DAY & CO LTD	53,500.00	-		
RASHID HUSSAIN SECURITIES SDN	2,971,025.00	11,973.54		
RMG CAPITAL LP				75,000,000.00
ROBERTSON, STEPHENS AND COMPANY	210,045.00	-		
ROWAK (F.E.) LTD.	945,339.00	13,393.84		
S G WARBURG SECURITIES CORPORATION	29,142.00	2,809.72		
SALOMON BROTHERS INC	10,415,135.00	81,905.47	3,032,069,830.19	48,030,000.00
SALOMON SMITH BARNEY HOLDINGS INC	71,600.00	779.39		70,000,000.00
SANWA BANK LIMITED				25,000,000.00
SASSOON SECURITIES LIMITED	168,000.00	866.03		
SBC STOCKBROKERS LONDON	122,410.00	2,361.16		
SBC WARBURG ASIA LTD.	574,221.00	7,283.82		
SBC WARBURG DILLION READ INC	23,023.00	3,622.82		
SBC WARBURG INC	13,432,655.00	224,345.63	13,000,000.00	
SBC WARBURG LONDON	422,064.00	8,839.59		
SCHREIBER, SCHMITT + CO	15,400.00	770.00		
SCHRODER SECS INTL	1,703,922.00	11,457.34		
SCHRODER SECURITIES JAPAN LTD	504,000.00	3,724.94		
SCHRODER SECURITIES LTD	2,341,299.00	33,028.28		
SEATTLE-NORTHWEST SECURITIES CORP.			26,450,000.00	
SFC EQUITIES INC			19,795,000.00	
SHEARSON LEHMAN BROS INC			4,950,000.00	
SKANDINAVISKA ENSKILDA BANK	74,356.00	4,419.16		
SMITH BARNEY INC.	139,400.00	1,709.75	164,800,000.00	55,000,000.00
SMITH BARNEY/SHEARSON			32,550,000.00	
SOCIETE GENERALE	3,266,800.00	20,416.63	3,390,000.00	60,798,000.00
SPEER REES + CO NSCC			680,000.00	
SSANG YONG INVESTMENT AND SECURITIES	185,020.00	16,765.68		
STATE STREET BANK BROKERAGE SERVICES	706,546.00	8,042.33		
SVENSKA HANDELSBANKEN	78,800.00	2,812.99		
SWEDBANK				75,000,000.00
SWISS AMERICAN SECURITIES INC			2,000,000.00	
SWISS BANK CORP	577,700.00	14,910.39		
TELESIS SECS ATHENS	2,450.00	245.32		
THE EUROPE COMPANY PARIS	26,300.00	4,428.13		
THEODORE GILISSEN	17,702.00	1,081.00		
THOMAS M COOK & CO				330,000,000.00

**Broker Volume and Equity Commissions Paid
For the Fiscal Year ended June 30, 1998**

Broker Name	EQUITY		FIXED INCOME	
	Volume	Commissions	Long-Term	Short-Term
TIR SECURITIES INC	687,400.00	2,910.31		
TOKAI MARUMAN SECS	25,000.00	557.71		
TSANGE + ONG LTD	283,000.00	1,233.56		
TULLETT + TOKYO SECS				25,000,000.00
UBS SECURITIES, INC.	2,043,719.00	194,565.65	231,250,000.00	
UNIBANK				25,000,000.00
UNIVERSITY EQUITIES CORP				6,543,953,000.00
VAN DER HOOP	15,660.00	2,548.73		
VAN DOORSTRUST NETHERLANDS	143,300.00	4,867.96		
VPA STOCKHOLM	182,215.00	11,120.20		
VPA VARDEPAPPERS ADMIN	206,607.00	13,284.66		
W.I. CARR (FAR EAST) LONDON	95,000.00	911.94		
W.I. CARR (FAR EAST) LTD, HONG KONG	10,000.00	61.61		
W.I. CARR	13,984,940.00	120,240.00		
WARBURG SECURITIES	415,120.00	14,625.71		
WATERS LUNNISS	195,900.00	139.43		
WEEDEN + CO.	271,661.00	14,063.88		
WEST DEUTSCHE LANDESBANK FRANKFURT				80,000,000.00
WESTDEUTSCHE LANDESBANK GIROZENTRALE				35,800,000.00
WISE SPEKE LTD	41,000.00	566.54		
WOOD GUNDY INC.			5,000,000.00	
	956,259,305.28	4,899,756.17	12,498,013,903.56	64,902,979,168.10



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