WASHINGTON STATE
INVESTMENT BOARD

Quarterly Report
June 30, 2003

Executive Summary of Investment Performance
Retirement Funds (CTF)

Defined Contribution Plans

Labor & Industries' Funds

Permanent Funds and Other Trusts

WASHINGTON STATE INVESTMENT BOARD

Executive Summary of Investment Performance

Retirement Funds (CTF)

Quarter Ended June 30, 2003

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CTF Bullet Point Highlights

Capital Markets

- The Wilshire 5000 index, after starting off fiscal year 2003 with one of the worst quarters since the inception of the index in 1971, finished the fiscal year with a "top ten" quarter return of 16.51 percent, allowing the index to post a small positive return of 1.3 percent for the fiscal year.
- Small cap, as measured by the Russell 2000, rebounded for the second quarter of 2003 earning 23.4 percent, but fell short of positive returns for the fiscal year earning a negative 1.64 percent. Large cap, as measured by the Russell 1000, had slightly lower returns for the quarter at 15.7 percent but outperformed small cap for the fiscal year earning a positive 0.9 percent.
- Value outperformed growth for the quarter, by 273 basis points, but underperformed for the fiscal year by over 400 basis points.
- The non-U.S. equity market outperformed the U.S. equity market for the quarter, gaining 19.9 percent as measured by the MSCI AWCI Free ex U.S. Index, bringing the one-year return to a negative 4.19 percent, lower than the U.S. equity market. Forty-one percent of the developed countries had positive returns (in U.S. dollars) for the fiscal year; the emerging markets performed better with 23 out of 26 countries having positive returns for the last fiscal year.
- In the Lehman indices high yield and emerging markets bonds had the best performances for the quarter and fiscal year. Mortgages and asset-backed securities, while still positive, lagged for both time periods. Longer maturity securities outperformed shorter maturities for the quarter and fiscal year.
- GDP growth grew at a rate of 2.4 percent (annualized) for the quarter. Inflation, as measured by the CPI, shrunk 0.2 percent for the quarter but grew 2.1 percent for the year.
- The Fed cut the federal funds rate to 1.0 percent during the quarter. For the fiscal year the rate was cut twice starting at 1.75 percent.

Total Fund

- The CTF increased in size during the quarter by $2.3 billion and, using preliminary numbers, is down $367 million for the fiscal year. This includes transfers to participants of almost $1.7 billion.

Asset Allocation

- The CTF is within the 2002 ranges for all asset classes. Transfers for the quarter included a reduction for fixed income of $50 million, bringing the FYTD transfer to $1.715 billion, and a reduction of U.S. equity of $200 million.

Investment Return

- The non-lagged return for the quarter ended March 31, 2003, is -1.56 percent, lower than the lagged number of -1.46 percent.
- The CTF's lagged return for the second quarter of 2003 is 8.86 percent; the fiscal-year return is 3.05 percent
- The fund underperformed the TUCS > $1 Billion Public and Public/Corporate median return for the quarter, one-, and three-year periods but outperformed the TUCS > $1 Billion Public for the five- and ten-year periods. The CTF also underperformed the MAP and outperformed the Structural benchmark for the quarter and fiscal year.

CTF Bullet Point Highlights

U.S. Equity

- Over the three- and five-year time periods the BGI commingled trust continues to have a positive tracking error against the Wilshire 5000. For the one-year time period, BGI is underperforming primarily due to securities held in the S&P 500 that are not held in the Wilshire 5000.

Non-U.S. Equity

- Non-U.S. equity underperformed the passive benchmark for the fiscal year by 37 basis points but outperformed for the three- and five-year time frames, the five-year by almost 150 basis points.
- Among the developed market managers, four of the seven managers outperformed the benchmark for the quarter. Since inception of the current program five managers are outperforming, and two managers, Artisan and Delaware, have positive returns versus the benchmark, which was down 6.2 percent.
- Two of the five emerging market managers outperformed for the quarter. Of the four emerging market managers who have had five years of performance, only two have outperformed the benchmark.

Fixed Income

- The WSIB fixed income portfolio, after struggling during the first half of fiscal year 2003, produced strong returns for the second half of fiscal year 2003, and outperformed both the Lehman Universal and Leman Aggregate for all time periods listed.

Private Equity

- The non-lagged return for the quarter ended March 31, 2003, was negative 1.5 percent. The one-year return was negative 10.3 percent.
- The venture and other portfolio fell 9.7 percent, and KKR's portfolio returned a negative 12.0 percent for the year.
- As of March 31, 2003, there were over $5.3 billion in open commitments (including approved commitments that have not yet closed).

Real Estate

- The March 31, 2003, one-quarter return for real estate was 1.3 percent, lower than the NCREIF index of 2.1 percent. For the one-year period, the return of 11.2 percent was over 3.0 percent above the NCREIF index of 8.1 percent.
- As of March 31, 2003, there were just over $3.0 billion in open commitments.

Capital Market Environment

AT A CROSSROADS IN TIME

Generally speaking, when stocks rally—bonds don't, and when bonds rally—stocks don't. When stocks are going up, investors believe the economy is improving. When bonds are going up, investors believe, among other factors, that inflation is going down. Both the equity market and the bond market appear to believe the Fed could continue to ease the federal funds rate, which is the interest rate charged to commercial banks on loans they receive from their regional Federal Reserve Bank's lending facility.

One of the few periods when both stocks and bonds rallied at the same time while the dollar was weakening was March 15, 1985, to March 13, 1987. During this period the U.S. stock market, as measured by the S&P 500, rallied 76.9 percent for an annualized investment return of 33.1 percent. Bonds, as measured by the ten-year Treasury, rallied 66.5 percent for an annualized investment return of 29.0 percent. Another time this pattern persisted was in 1991-93, when both stocks and bonds investors enjoyed three years of excellent investment returns.

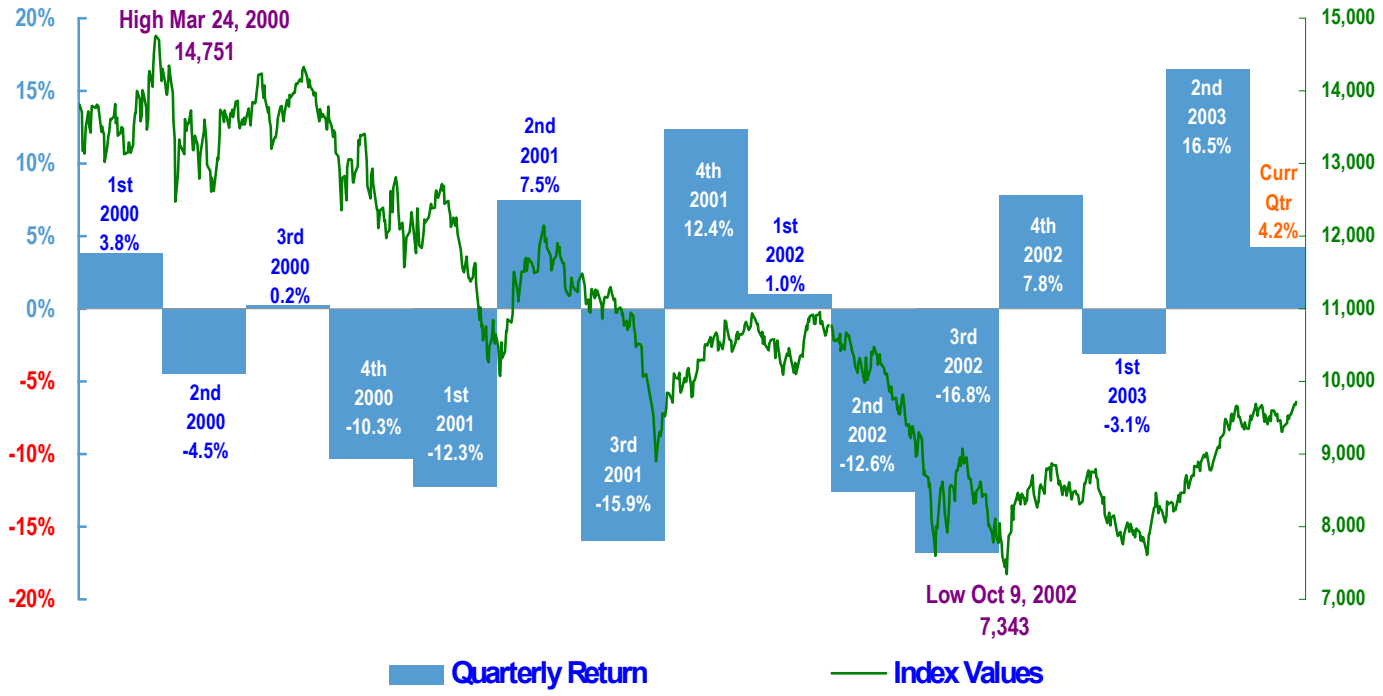
The capital markets were all positive for the quarter. The U.S. Equity Market, as measured by the Wilshire 5000, the Russell 3000, and the S&P 500, were up 16.5 percent, 16.2 percent, and 15.4 percent, respectively. The Russell Growth and the Russell Value were up 14.9 percent and 17.7 percent, respectively. The International Equity market, as measured by the MSCI EAFE, was up 19.3 percent for the quarter. U.S. Fixed Income, as measured by the Lehman Aggregate, was up 2.5 percent.

While there have been four equity market rallies greater than 18 percent since the bull market ended three years ago, and significant economic and geopolitical risks certainly remain, the quarter ended June 30, 2003, was marked by two important events. First, the quick and decisive end to the war with Iraq eased many concerns in the equity markets, since wars are never certain and financial markets dislike uncertainty. Second, the passage of the most important tax legislation for equity investors in two decades also boosted investor confidence. Only time will tell if this is a real turning point for equity markets. The economy rarely emerges from a recession in a V-shaped pattern. Accordingly, when the recovery is just getting started, the economic data will always be mixed. As we stand at the crossroads, it is encouraging to feel a surge in optimism, while recognizing that it could be just another short-term bounce.

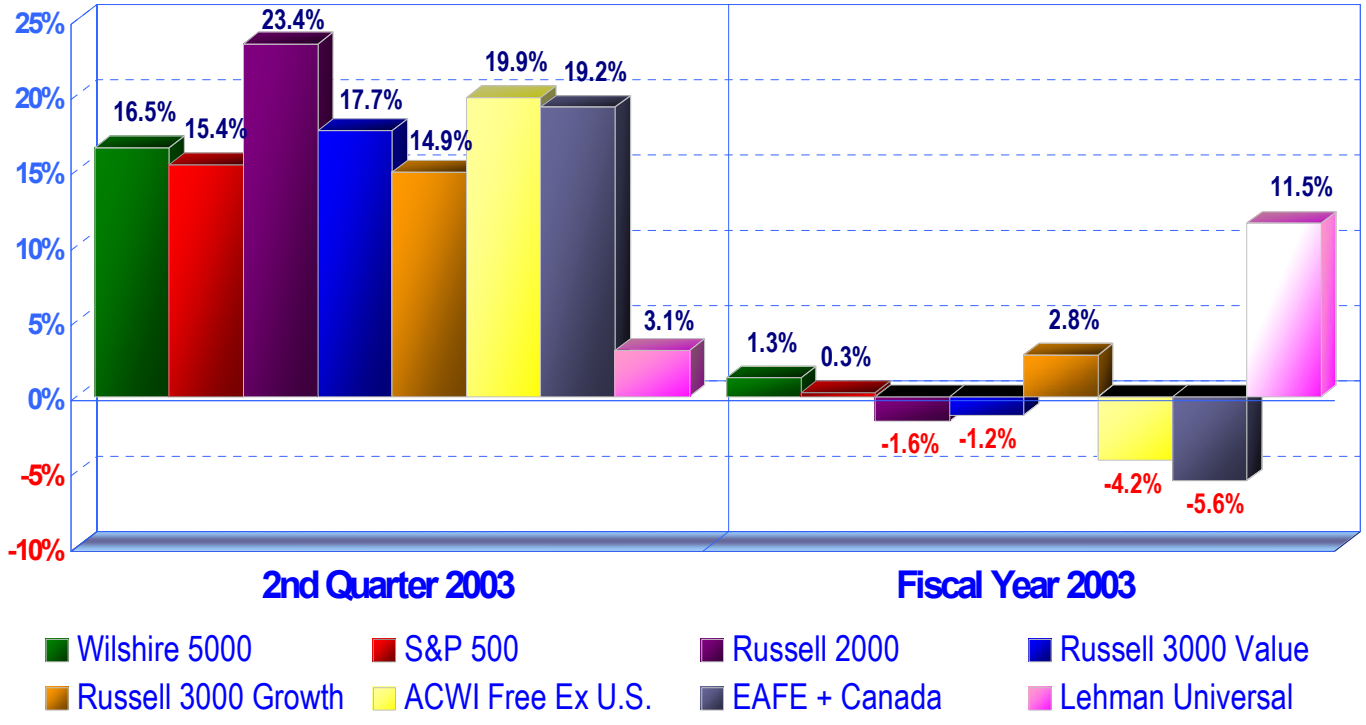
Capital Market Environment

Wilshire 5000

January 1, 2000 - August 21, 2003



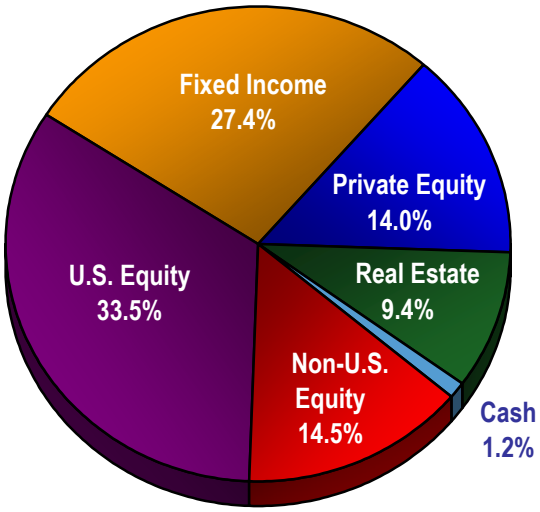
Capital Market Returns



CTF Asset Allocation

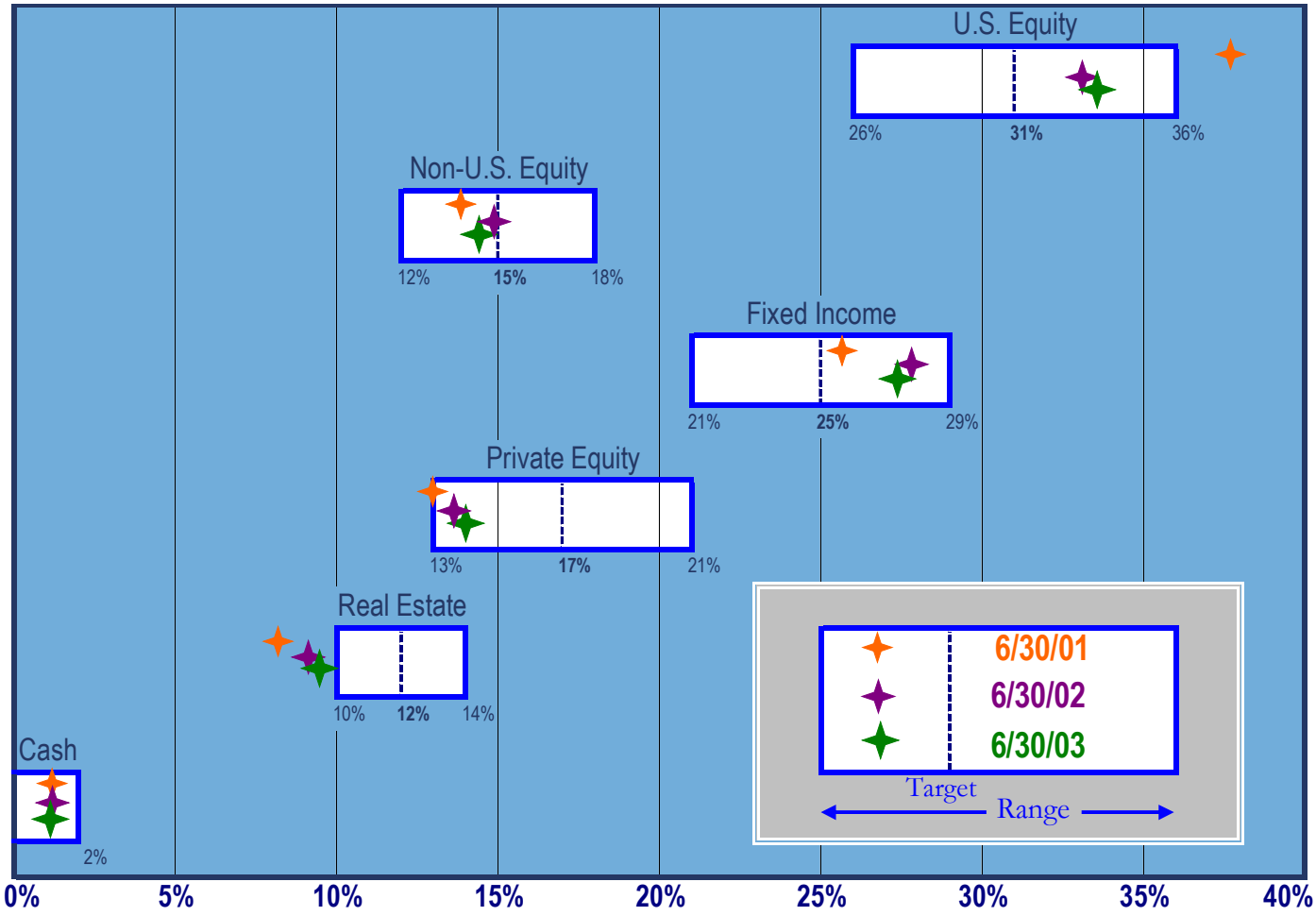
June 30, 2003

Asset Class		Market Value (000s)
U.S. Equity	$	12,923,040
Non-U.S. Equity		5,594,881
Fixed Income		10,568,967
Private Equity		5,405,147
Real Estate		3,636,741
Cash		471,173
Total Fund	**$**	**38,599,949**



Current Allocation

Versus Long-Term Targets and Policy Ranges



WASHINGTON STATE INVESTMENT BOARD

Market Values & Net Investment Performance - Lagged[1]

Periods Ended June 30, 2003 — Market Values in $000's

			Quarter	FYTD	1 Year	3 Year	5 Year	10 Year
Total Fund	**$ 38,599,949**	**100.0%**	**8.86 %**	**3.05 %**	**3.05 %**	**-3.17 %**	**2.97 %**	**8.45 %**
MAP Benchmark[2]			*13.66*	*3.67*	*3.67*	*-5.24*	*1.16*	*7.64*
Structural Benchmark[3]			*8.33*	*1.97*	*1.97*	*-3.93*	*2.12*	*8.05*
TUCS Public Fund >$1B Median[4]			*10.97*	*3.96*	*3.96*	*-2.45*	*2.65*	*8.20*
TUCS Public/Corporate Fund >$1B Median[4]			*11.42*	*3.94*	*3.94*	*-2.23*	*2.98*	*8.60*
U.S. Equity	**$ 12,923,040**	**33.5%**	**16.62 %**	**1.18 %**	**1.18 %**	**-10.40 %**	**-0.94 %**	**9.56 %**
Wilshire 5000			*16.51*	*1.29*	*1.29*	*-10.57*	*-1.30*	*9.54*
S&P 500			*15.40*	*0.26*	*0.26*	*-11.20*	*-1.61*	*10.04*
Non-U.S. Equity	**$ 5,594,881**	**14.5%**	**19.94 %**	**-4.56 %**	**-4.56 %**	**-11.51 %**	**-1.33 %**	**2.83 %**
MSCI ACWI Free ex U.S.			*19.85*	*-4.19*	*-4.19*	*-12.48*	*-2.81*	*3.15*
MSCI EAFE			*19.27*	*-6.46*	*-6.46*	*-13.52*	*-4.00*	*2.78*
Fixed Income	**$ 10,568,967**	**27.4%**	**3.72 %**	**13.53 %**	**13.53 %**	**10.79 %**	**7.85 %**	**7.48 %**
Lehman Universal			*3.09*	*11.51*	*11.51*	*9.99*	*7.43*	*7.25*
Cash	**$ 471,173**	**1.2%**	**0.34 %**	**1.48 %**	**1.48 %**	**1.84 %**	**3.37 %**	**4.26 %**
90 Day T-Bills			*0.34*	*1.53*	*1.53*	*3.34*	*4.02*	*4.57*
Private Equity[5]	**$ 5,405,147**	**14.0%**	**-1.50 %**	**-10.32 %**	**-10.32 %**	**-9.84 %**	**2.02 %**	**12.54 %**
S&P 500 + 400 bp lagged one quarter			*-2.17*	*-19.32*	*-20.76*	*-12.09*	*0.23*	*13.34*
Real Estate[5]	**$ 3,636,741**	**9.4%**	**1.31 %**	**11.22 %**	**11.22 %**	**11.23 %**	**10.91 %**	**14.63 %**
NCREIF + 100 bp			*2.14*	*5.91*	*8.14*	*9.55*	*11.24*	*10.26*
CPI			*-0.16 %*	*2.11 %*	*2.11 %*	*2.14 %*	*2.43 %*	*2.44 %*

[1] Performance figures are net of manager fees. Real estate and private equity returns are calculated by the WSIB consultants and are lagged by one quarter.
[2] Currently 60% Wilshire 5000, 25% Lehman Universal, 15% MSCI ACWI Free ex-U.S. Over time the benchmark has been adjusted by changing the Lehman Aggregate to the Universal and by reducing Lehman from 30% and raising the Wilshire 5000 from 54%.
[3] Uses previous quarter's actual allocation in calculating performance.
[4] TUCS returns have been adjusted to reflect fees equivalent to those incurred by the WSIB (6.5 bp over one, three, and five years and 10 bp for ten years)
[5] Private equity and real estate use March 31, 2003, market values, plus cash flows for the second quarter of 2003.

Market Values & Net Investment Performance - Non-Lagged[1]

Periods Ended March 31, 2003 — Market Values in $000's

			Quarter	FYTD	1 Year	3 Year	5 Year
Total Fund	**$ 35,668,959**	**100.0%**	**-1.56 %**	**-5.47 %**	**-9.82 %**	**-6.63 %**	**1.45 %**
MAP Benchmark[2]			*6.22*	*-11.93*	*-17.44*	*-10.37*	*0.19*
U.S. Equity	**$ 11,254,002**	**31.6%**	**-3.19 %**	**-13.24 %**	**-24.26 %**	**-16.06 %**	**-3.61 %**
Wilshire 5000			*-3.08*	*-13.06*	*-24.03*	*-16.30*	*-3.90*
Non-U.S. Equity	**$ 4,662,003**	**13.1%**	**-7.70 %**	**-20.43 %**	**-22.49 %**	**-18.06 %**	**-5.47 %**
MSCI ACWI Free ex U.S.			*-7.30*	*-20.06*	*-22.18*	*-18.74*	*-6.55*
Fixed Income	**$ 10,237,992**	**28.7%**	**2.13 %**	**9.46 %**	**11.85 %**	**9.83 %**	**7.59 %**
Lehman Universal			*1.80*	*8.17*	*11.46*	*9.47*	*7.18*
Cash	**$ 462,397**	**1.3%**	**0.34 %**	**1.14 %**	**1.54 %**	**2.26 %**	**3.59 %**
90 Day T-Bills			*0.31*	*1.19*	*1.66*	*3.74*	*4.23*
Private Equity	**$ 5,396,827**	**15.1%**	**-1.49 %**	**-8.78 %**	**-10.32 %**	**-9.83 %**	**2.02 %**
S&P 500 + 400 bp			*-2.17*	*-10.18*	*-20.76*	*-12.09*	*0.23*
Real Estate	**$ 3,655,739**	**10.2%**	**1.31 %**	**7.88 %**	**11.22 %**	**11.23 %**	**10.91 %**
NCREIF + 100 bp			*2.14*	*6.20*	*8.14*	*9.55*	*11.24*
CPI			*1.27 %*	*2.28 %*	*3.03 %*	*2.45 %*	*2.57 %*

[1] *Performance figures are given net of fees.*

[2] *Currently 60% Wilshire 5000, 25% Lehman Universal, 15% MSCI ACWI Free ex-U.S. Over time the benchmark has been adjusted by reducing Lehman Aggregate from 30% and raising the Wilshire 5000 from 54%.*

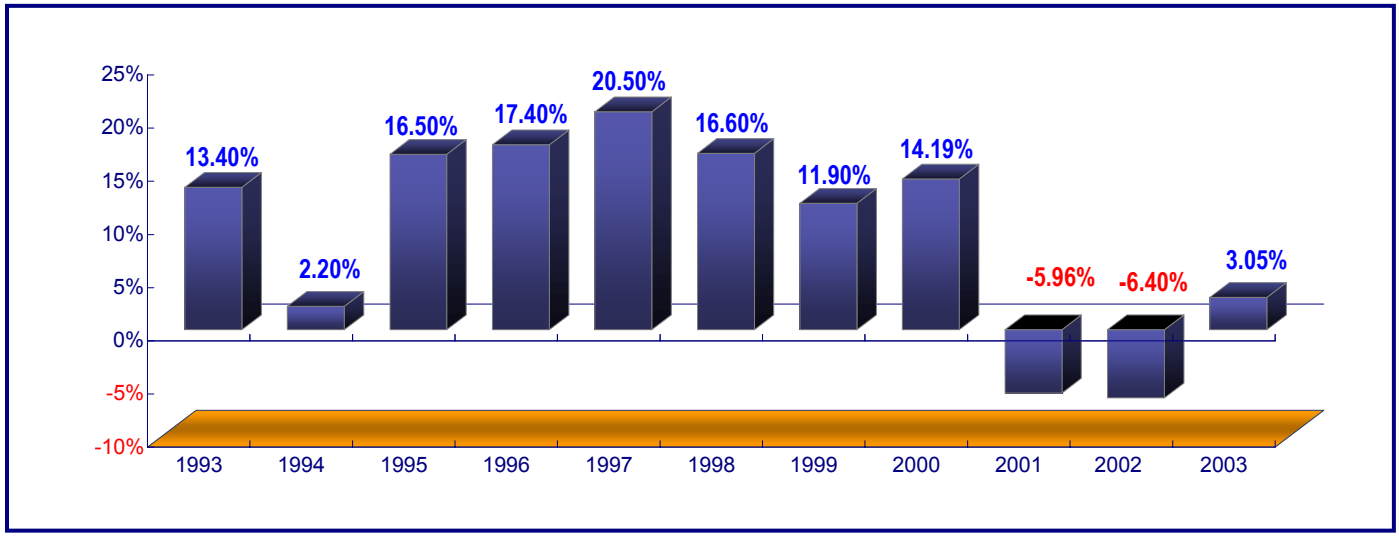
CTF Historical Performance and Assets Under Management

June 30, 2003 Market Values in $000's

CTF Market Value:	**$**	**38,599,949**
Net Change this Quarter:		**2,317,871**
Net Change for Fiscal Year:	**$**	**(367,011)**

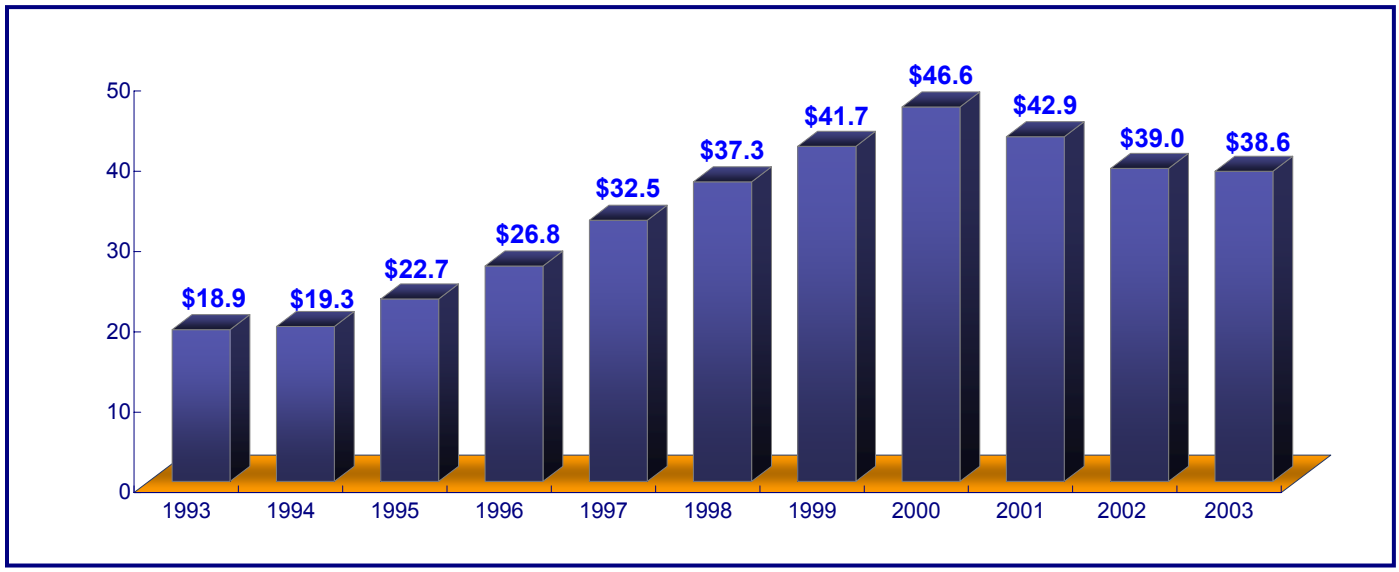
Annual Performance

Fiscal Years Ended June 30



Assets Under Management- ($ Billions)

Fiscal Years Ended June 30



U.S. Equity

June 30, 2003 Market Values in $000's

Market Value: $ 12,923,040

100% passively managed by Barclays Global Investors

Ten Largest Holdings (3,660 total holdings versus 5,430 in the index)

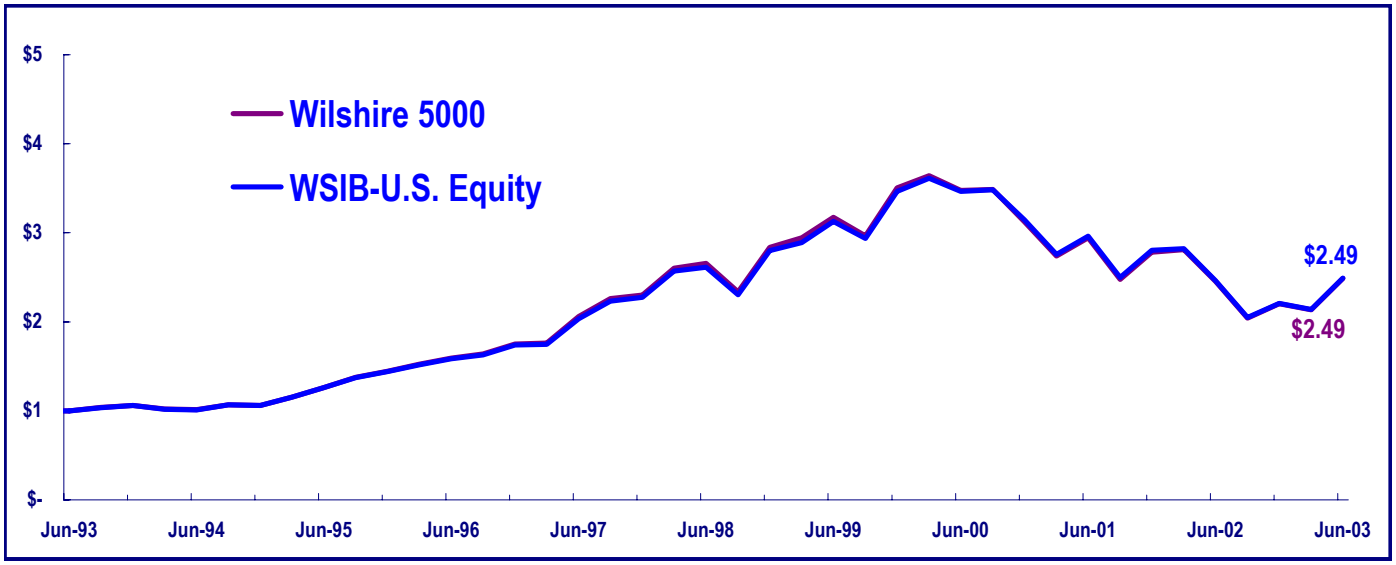
General Electric Co.	2.51%	Citigroup Inc.	1.93%
Microsoft Corp.	2.41%	Johnson & Johnson	1.35%
Pfizer Inc.	2.36%	American Int'l Group	1.26%
Exxon Mobil Corp.	2.10%	Int'l Business Machines Corp.	1.25%
Wal-Mart Store Inc.	2.06%	Merck & Company Inc.	1.19%

(The top ten companies represent about 18.4% of the portfolio, the top 100 approximately 55.4%.)

Performance

	Qtr.	FYTD	1 Year	3 Year	5 Year	10 Year
WSIB U.S. Equity	**16.62%**	**1.18%**	**1.18%**	**-10.40%**	**-0.94%**	**9.56%**
Wilshire 5000	*16.51*	*1.29*	*1.29*	*-10.57*	*-1.30*	*9.54*
S & P 500	*15.40*	*0.26*	*0.26*	*-11.20*	*-1.61*	*10.04*
Russell 3000	*16.24*	*0.77*	*0.77*	*-10.47*	*-1.13*	*9.71*

Growth of a Dollar



Non-U.S. Equity

June 30, 2003 Market Values in $000's

Market Value: $ 5,594,881

The portfolio has 2,602 holdings versus 1,741 in the index. The top ten holdings represent about 14.4 percent of the portfolio and the top 100 approximately 51.9 percent. The portfolio has exposure to 65 countries: 22 developed, 24 emerging, and 19 other (as defined by MSCI AWCI Free ex-U.S.).

Ten Largest Exposures by Country

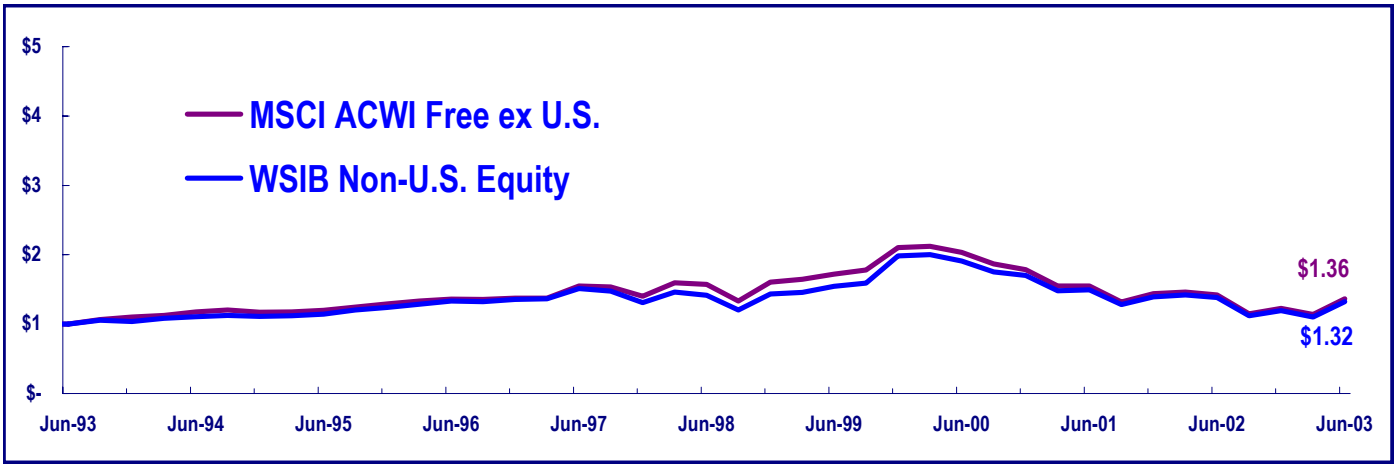
	CTF Weight	Index Weight		CTF Weight	Index Weight
United Kingdom	21.6%	23.3%	Australia	5.1%	4.4%
Japan	14.3%	17.5%	Netherlands	4.4%	4.4%
France	7.9%	8.4%	Canada	4.2%	5.5%
Switzerland	6.7%	6.5%	Spain	4.1%	3.3%
Germany	5.3%	5.5%	Italy	3.0%	3.3%

The ten largest country exposures comprise 76.6 percent of the portfolio versus the index at 82.1 percent.

Performance

	Qtr.	FYTD	1 Year	3 Year	5 Year	10 Year
WSIB Non-U.S. Equity	**19.94%**	**-4.56%**	**-4.56%**	**-11.51%**	**-1.33%**	**2.83%**
MSCI ACWI Free ex U.S.	*19.85*	*-4.19*	*-4.19*	*-12.48*	*-2.81*	*3.15*
MSCI EAFE+Canada	*19.22*	*-5.58*	*-5.58*	*-13.32*	*-3.64*	*2.93*
Emerging Markets *(MSCI after 6/02; IFC before)*	*23.29*	*6.67*	*6.67*	*-5.38*	*3.57*	*1.68*
MSCI Europe	*22.01*	*-5.22*	*-5.22*	*-11.87*	*-4.82*	*8.19*
MSCI Pacific Basin	*12.56*	*-9.59*	*-9.59*	*-17.21*	*-1.76*	*-3.92*

Growth of a Dollar



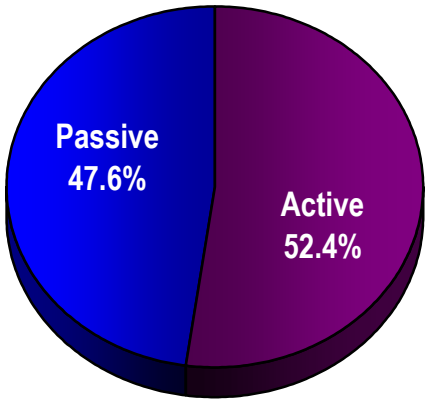
WASHINGTON STATE INVESTMENT BOARD

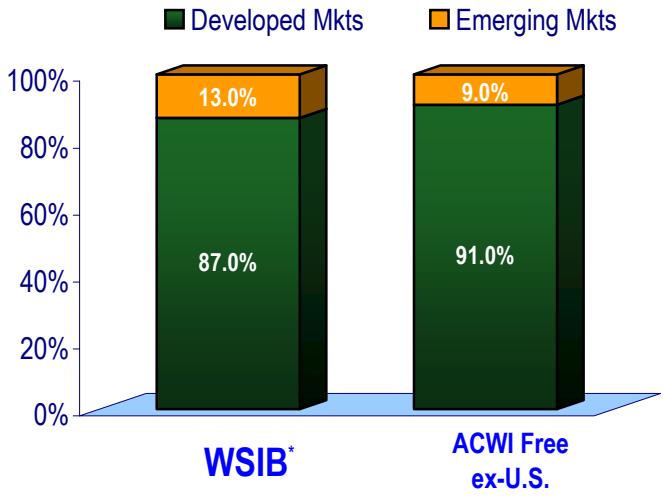
Non-U.S. Equity

June 30, 2003

Market Values in $000's

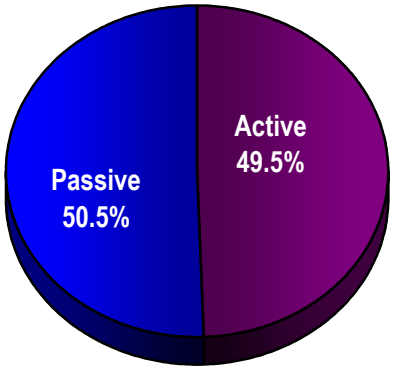
Total Non-U.S. Equity: $ 5,594,881

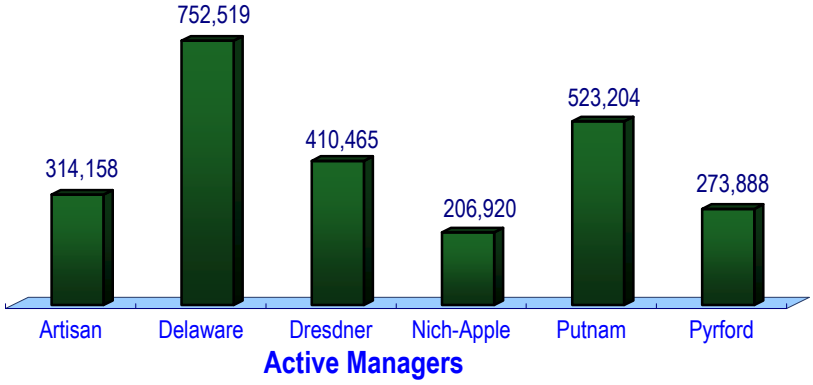




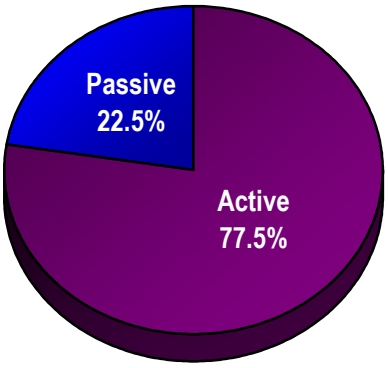
* Includes emerging market securities owned by developed managers

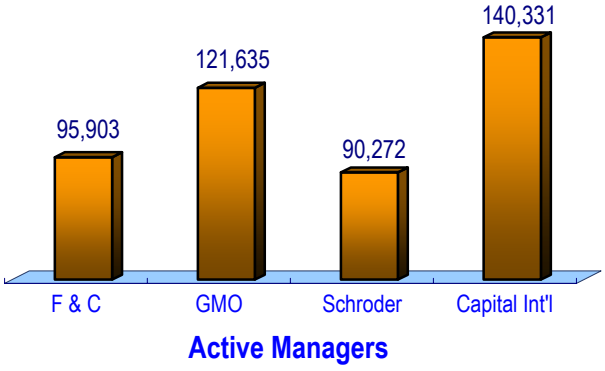
Developed Managers: $ 5,016,448





Emerging Managers: $ 578,433





WASHINGTON STATE INVESTMENT BOARD

Fixed Income

June 30, 2003

Market Values in $000's

Market Value: **$ 10,568,967**

100% actively managed by WSIB staff.

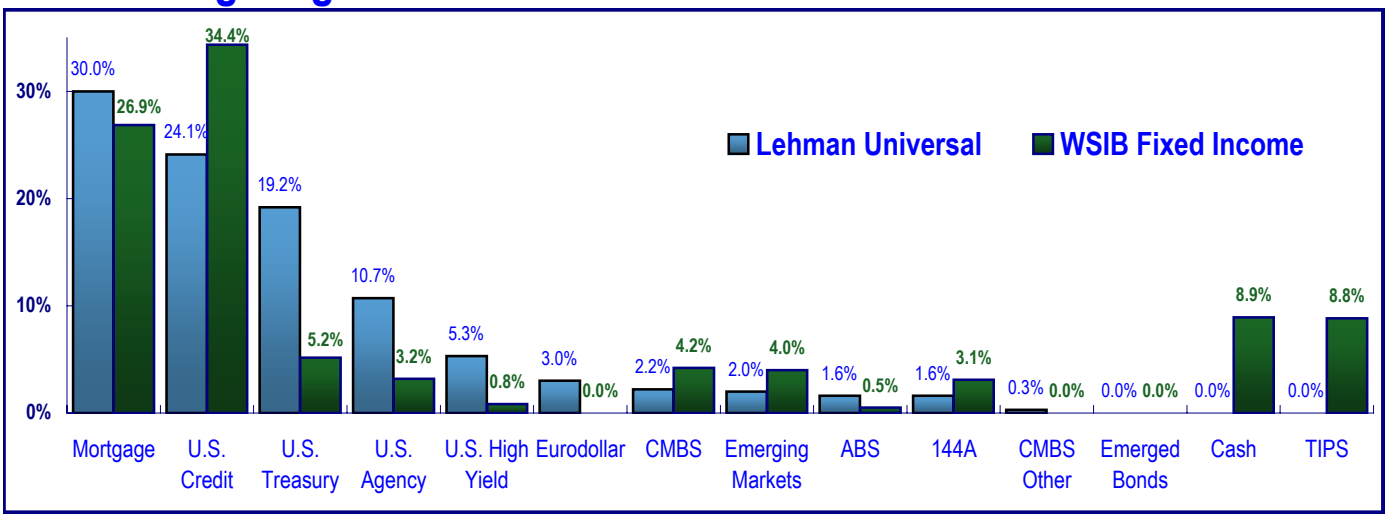
Duration

	Mar-03	Jun-03
WSIB Portfolio	**4.65**	**3.91**
Lehman Universal	*3.95*	*4.06*
Difference	**17.7%**	**-3.7%**

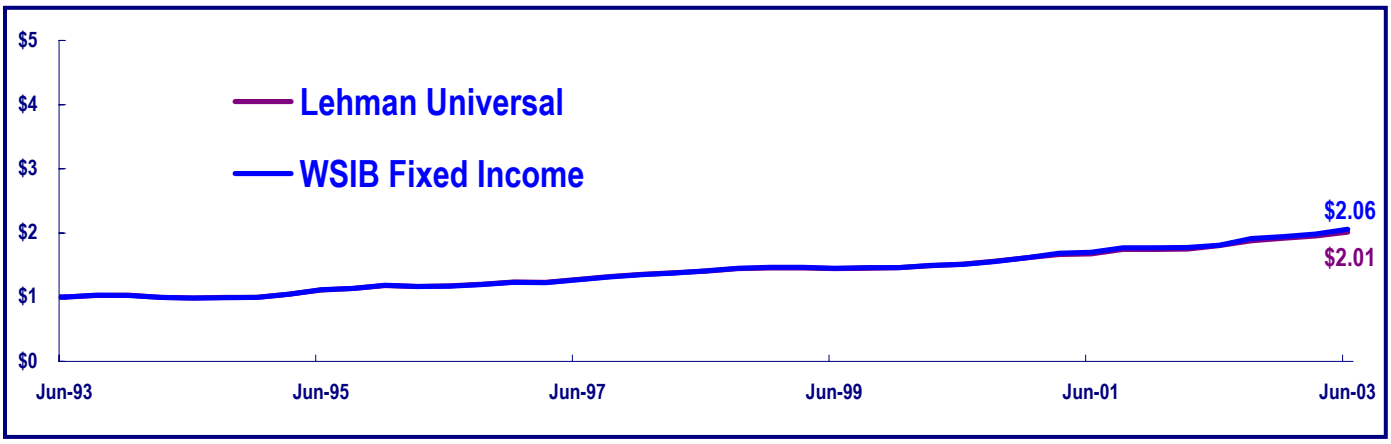
Performance

	Qtr.	FYTD	1 Year	3 Year	5 Year	10 Year
WSIB Fixed Income	**3.72%**	**13.53%**	**13.53%**	**10.79%**	**7.85%**	**7.48%**
Lehman Universal	*3.09*	*11.51*	*11.51*	*9.99*	*7.43*	*7.25*

Sector Weighting



Growth of a Dollar



Private Equity

Market Values in $000's

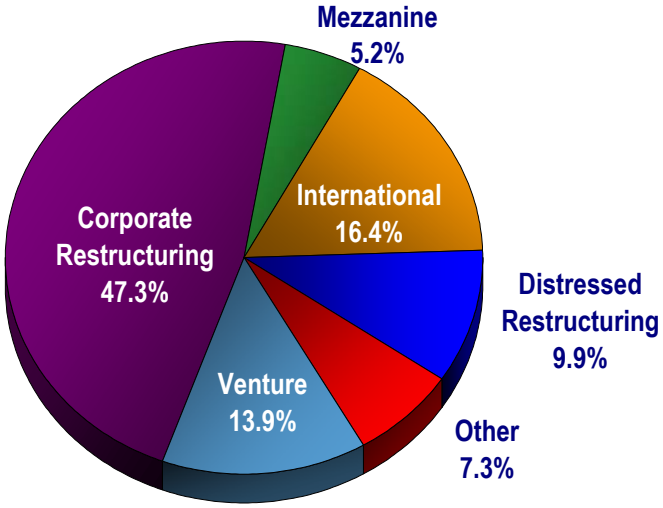
Market Value: **$5,396,827**

Unfunded Commitments **$ 5.3 billion**
(includes approved commitments that have not closed)

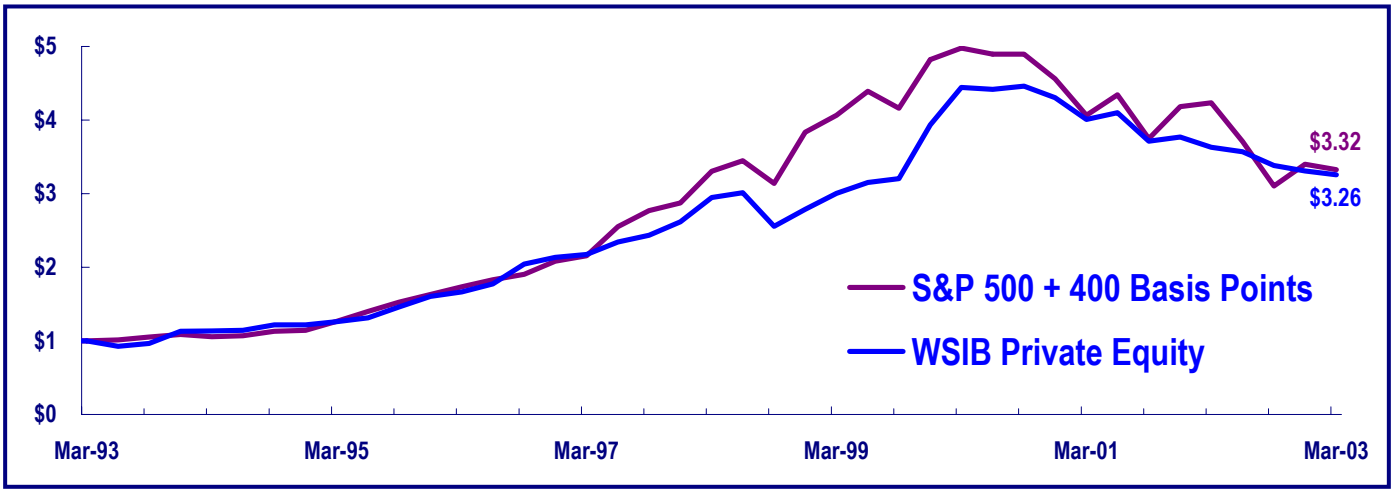
Net Performance as of March 31, 2003

	Qtr.	FYTD	1 Year	3 Year	5 Year	10 Year
WSIB Private Equity	**-1.5%**	**-8.8%**	**-10.3%**	**-9.8%**	**2.0%**	**13.4%**
KKR	-3.0%	-14.0%	-12.0%	-11.0%	-3.8%	9.5%
Venture Capital & Other	-0.9%	-6.9%	-9.7%	-8.8%	8.1%	14.2%
Stock Distribution Account	-81.0%	-99.8%	-99.9%	-	-	-
S&P 500+400 bp (3/31/03)	*-2.2%*	*-19.3%*	*-20.8%*	*-12.1%*	*0.2%*	*13.3%*

171 Partnerships
87 Private Equity General Partners



Growth of a Dollar



WASHINGTON STATE INVESTMENT BOARD

Real Estate - Information from Courtland Partners

Market Values in $000's

Market Value: **$3,655,739** Unfunded Commitments **$3.0 billion**

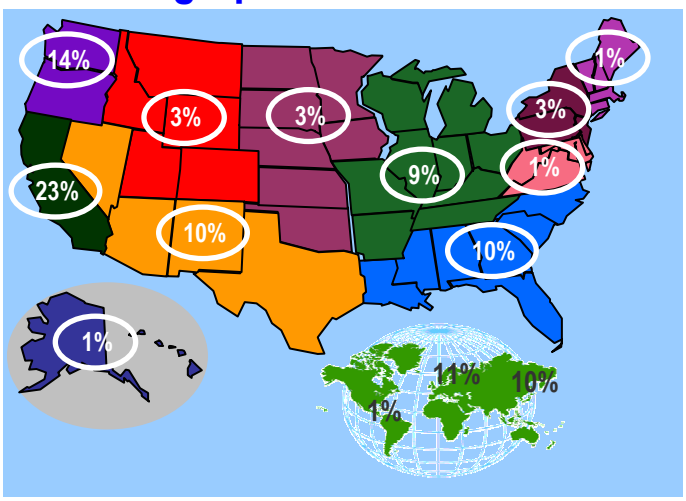
Net Performance as of March 31, 2003

	Qtr.	FYTD	1 Year	3 Year	5 Year
CTF Real Estate	**1.3%**	**11.2%**	**11.2%**	**11.2%**	**10.9%**
NCREIF + 100	*2.1%*	*6.2%*	*8.1%*	*9.6%*	*11.2%*

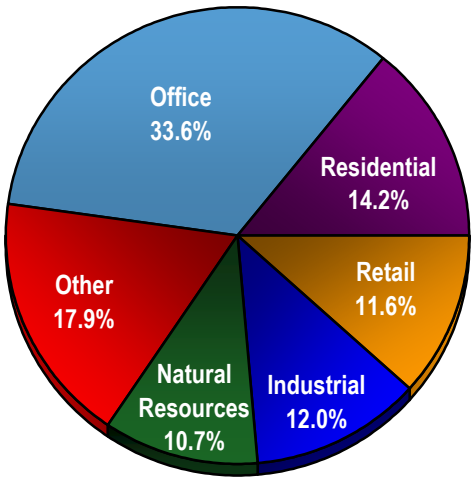
Largest Managers

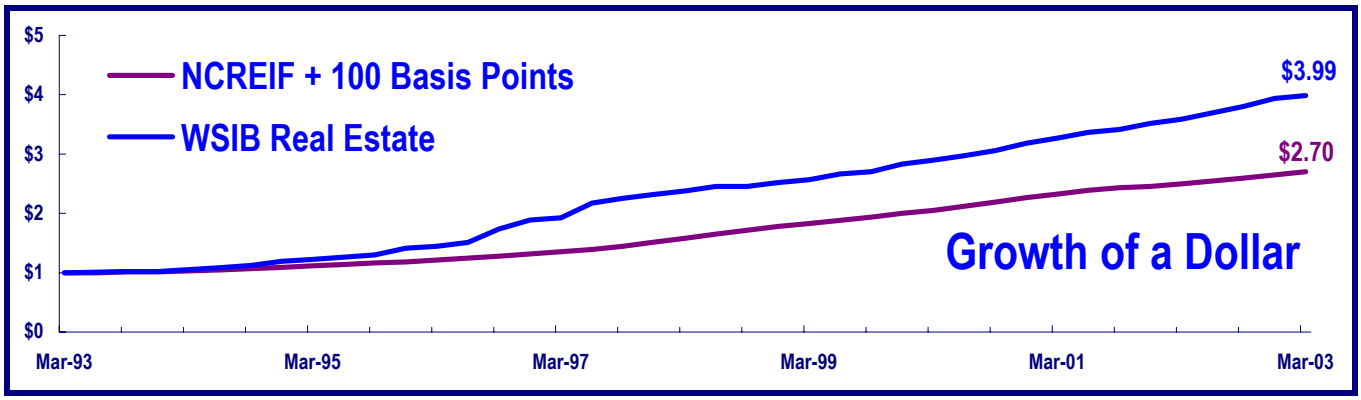
Principal Enterprise Capital	13%
Pacific Realty Associates, L.P.	13%
Hudson Advisors	12%
TA Associates Realty	10%
Cambell Group	9%
Representation in the RE portfolio	***57%***

Geographical Distribution



Property Type Distribution





Passive Equity Managers

U. S. EQUITY

Barclays Global Investors (BGI)

It is the WSIB's policy to manage 100 percent of the U.S. equity portfolio in a low-cost broad-based index fund. BGI manages the entire $12.92 billion U.S. equity portfolio in a fund designed to track the Wilshire 5000 Index, although it does not specifically replicate it. The BGI portfolio is comprised of the S&P 500 Index holdings and an optimized portfolio representing the remaining U.S. market targeted to the Wilshire 4500 Index. The differences in index construction between the Wilshire 5000 Index and the BGI fund will produce a minor tracking error. The WSIB has been using the Wilshire 5000 Index fund since June 1998. However, BGI has been managing money in other funds for the WSIB since 1982.

Non-U.S. EQUITY

State Street Global Advisors (SSgA)

SSgA manages two international portfolios for the WSIB. The first, an optimized index fund that is designed to passively track the MSCI EAFE plus Canada (developed markets); the other is a semi-passive emerging markets portfolio. It is the WSIB's current policy to have 25 percent of the assets targeted for emerging markets and 50 percent of the assets targeted for developed markets managed passively.

The WSIB has been using SSgA's MSCI EAFE plus Canada Fund since 1994. In 2001 the WSIB switched to the new Provisional EAFE plus Canada Fund as a result of pending changes to the MSCI indices. Since then, MSCI has finished their restructuring and the WSIB has transferred back to the EAFE plus Canada Fund. The assets in this portfolio are currently valued at $2.54 billion.

The WSIB has been using the emerging markets vehicle since December 1995. The portfolio uses a liquidity-tier approach. SSgA, using their passive country index funds, divides the countries in the S&P/IFC emerging markets universe into three 'tiers' according to liquidity. As the markets shift SSgA rebalances when appropriate but seeks to limit turnover and transaction costs (see the glossary for futher information on the liquidity-tier index). The passive emerging markets portfolio is currently valued at $130 million.

Non-U.S. Equity - Active Developed Markets Managers

Artisan Partners uses an investment strategy that is growth oriented with a bottom-up investment process. Artisan concentrates on industries or themes that present accelerating growth prospects and companies well positioned to capitalize on growth. The portfolio has a primary emphasis on being fully invested in the developed markets and is constructed without regard to index weightings and mandate. Risk control is achieved mainly through country, industry, and company diversification. The WSIB portfolio, managed by Artisan since June 1999, is currently valued at $314 million.

Delaware International Advisers identifies value investments using a dividend discount-valuation model of future income streams. The investment analysis is applied consistently to individual securities across all markets and industries. Tied to the security selection is a top-down country allocation overlay that helps structure the portfolio. The WSIB portfolio, managed by Delaware since June 1999, is currently valued at $753 million.

Dresdner RCM Global Investors identifies high-quality growth companies through a combination of rigorous fundamental research and a disciplined valuation methodology. The investment process stresses bottom-up fundamental stock research and uses top-down macroeconomic and liquidity analysis as a risk control feature. The WSIB portfolio, managed by Dresdner RCM since June 1999, is currently valued at $410 million.

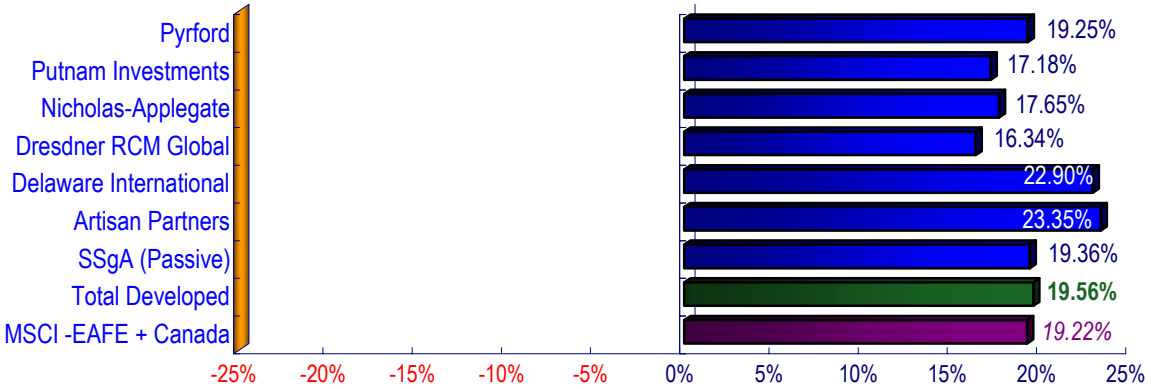
Nicholas-Applegate Capital Management identifies growth stock opportunities through an integration of qualitative and quantitative analysis used to identify inefficiencies within the international markets. Sector and industry weightings are a result of individual stock selection. The manager's country analysis includes a country ranking based on an assessment of political, monetary, economic, and technical conditions. The WSIB portfolio, managed by Nicholas-Applegate since June 1999, is currently valued at $207 million.

Putnam Investments relies on top-down macroeconomic, sector, and market analysis as well as bottom-up fundamental company research. Putnam believes that added value will result equally from top-down (country and sector allocation) and stock selection decisions over longer time periods. The manager relies on broad diversification across countries and sectors to reduce risk. The WSIB portfolio, managed by Putnam since June 1999, is currently valued at $523 million.

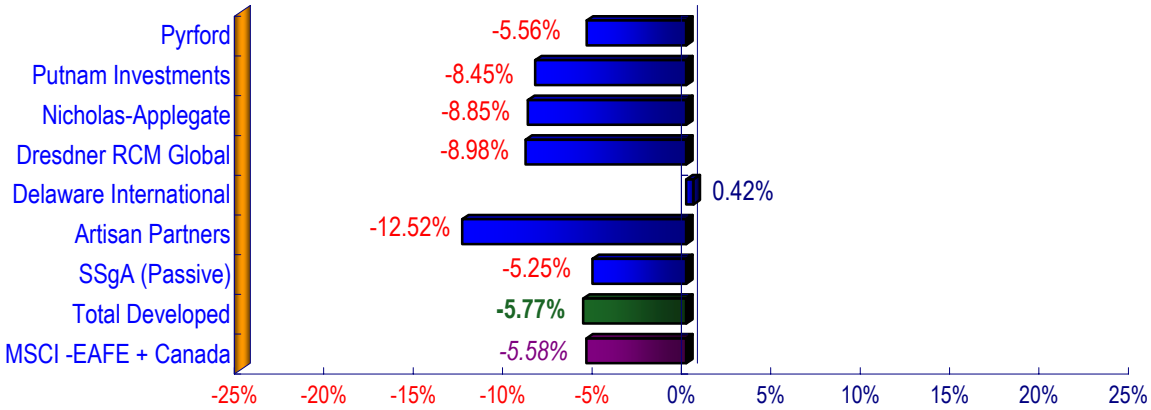
Pyrford International bases its investment strategy on a value-driven approach with top-down country allocation followed by bottom-up stock selection. The manager utilizes fundamental analysis of world economies to identify markets where value exists. This philosophy leads to participation only in those markets with value opportunities and, as a result, the portfolio can at times be absent from a major market. The WSIB portfolio, managed by Pyrford since June 1999, is currently valued at $274 million.

Non-U.S. Equity - Active Developed Markets Managers

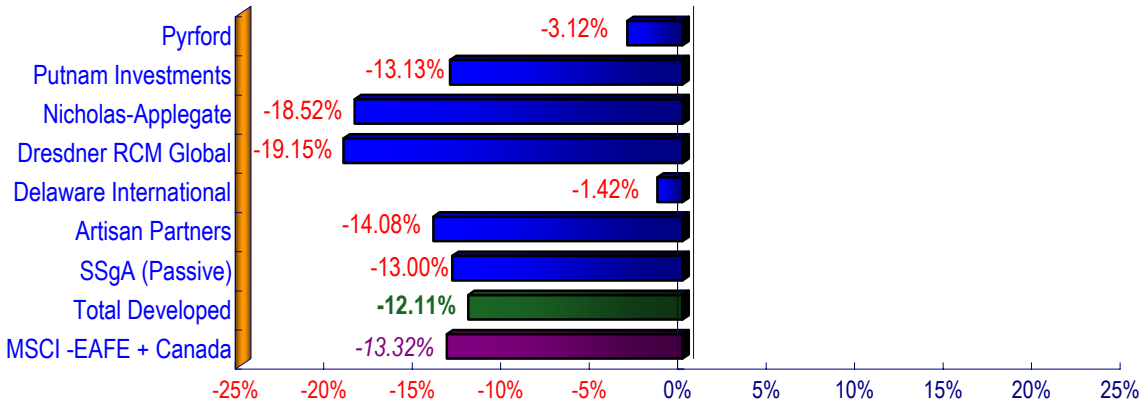
One quarter ended June 30, 2003



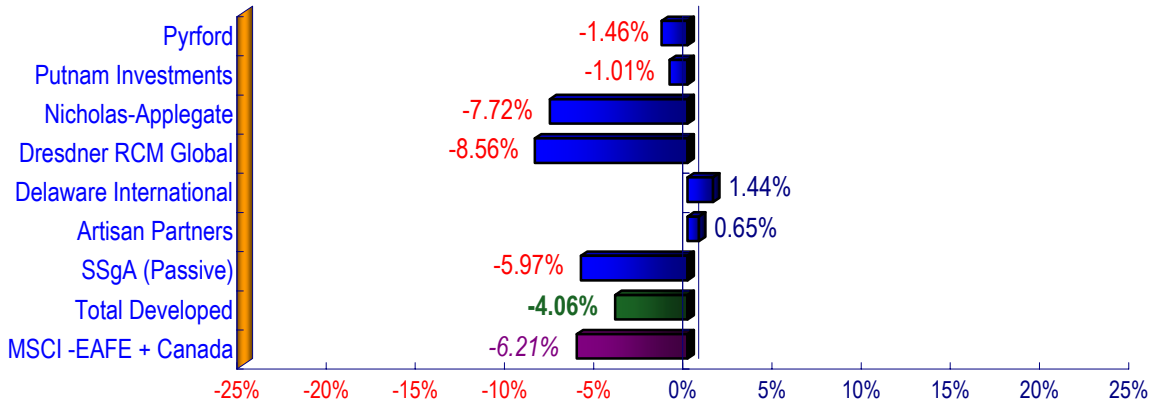
One year ended June 30, 2003



Three years ended June 30, 2003



Since inception of the new program June 30, 1999



Non-U.S. Equity - Active Emerging Markets Managers

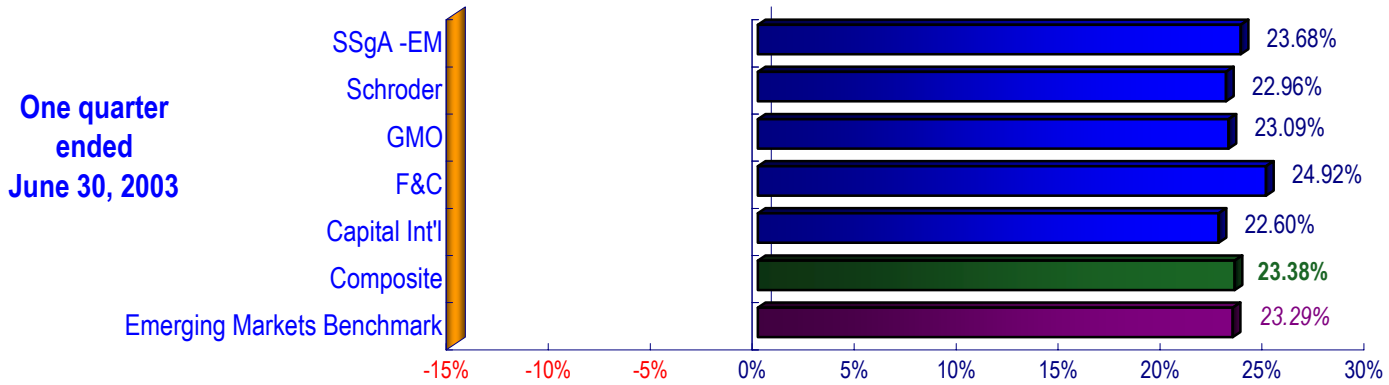
Capital International, Inc. manages an active emerging markets equity portfolio for the WSIB. Capital utilizes a Multiple Portfolio Manager System that enables several key decision makers to work on each account by dividing the portfolio into smaller segments. Each manager is free to make his or her decisions as to individual security, country and industry selection, timing, and percentage to be invested for their portion of the assets. The aggregate portfolio does not have a formal policy regarding asset and country diversification and tends to have a value bias. The WSIB portfolio, managed by Capital since the middle of the second quarter of 2001, is currently valued at $140 million.

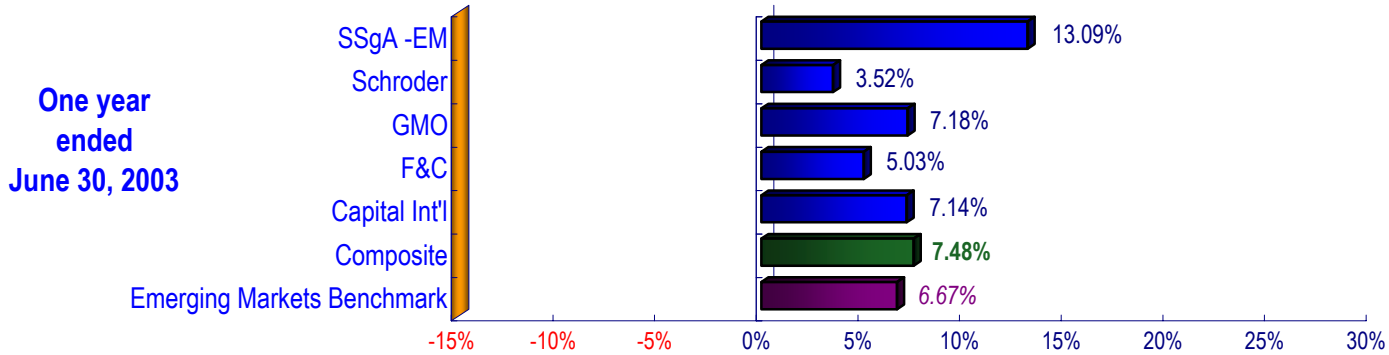
F&C Emerging Markets Limited manages an active emerging markets equity portfolio for the WSIB. The country selection process analyzes market valuation, as well as economic, fiscal, and monetary factors to create 12-month market return forecasts for each country. The return forecasts are used in conjunction with political stability analysis to set country allocations, which are divided between the ten largest core markets (85 percent) and satellite markets (15 percent). Bottom-up fundamental analysis is used to identify companies possessing the following characteristics: strategic position in their respective industry, management quality and integrity, and a sound financial position. The WSIB portfolio, managed by F&C since the fourth quarter of 1996, is currently valued at $96 million.

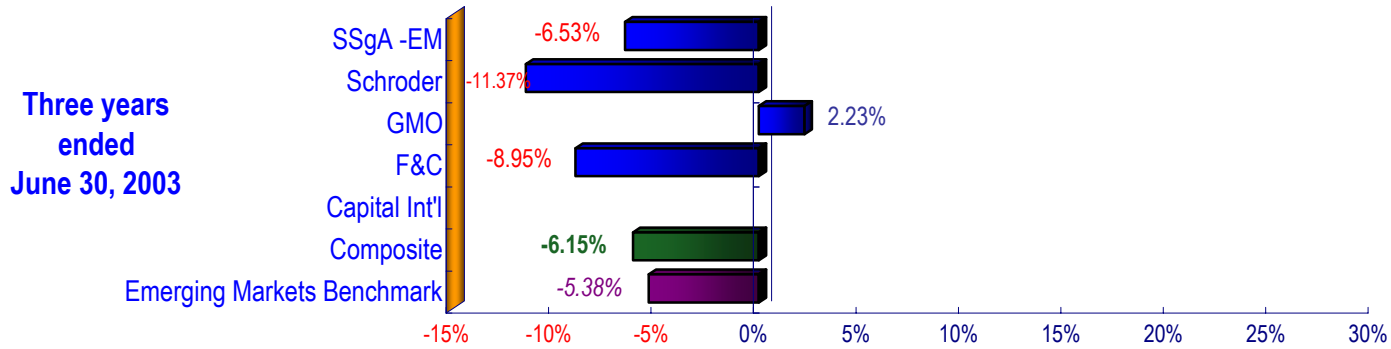
Grantham, Mayo, Van Otterloo (GMO) manages an active emerging markets portfolio for the WSIB. GMO uses a quantitative investment process. Top-down country allocation is based on market valuations, macroeconomic fundamentals, relative performance, stock valuation, and subjective judgment. The stock selection process utilizes a model that is customized for each country and incorporates three factors: value, neglect, and momentum. GMO seeks to invest in cheap countries, sectors, and stocks so its portfolios generally exhibit P/E ratios below those of the index benchmarks. The WSIB portfolio, managed by GMO since the fourth quarter of 1996, is currently valued at $122 million.

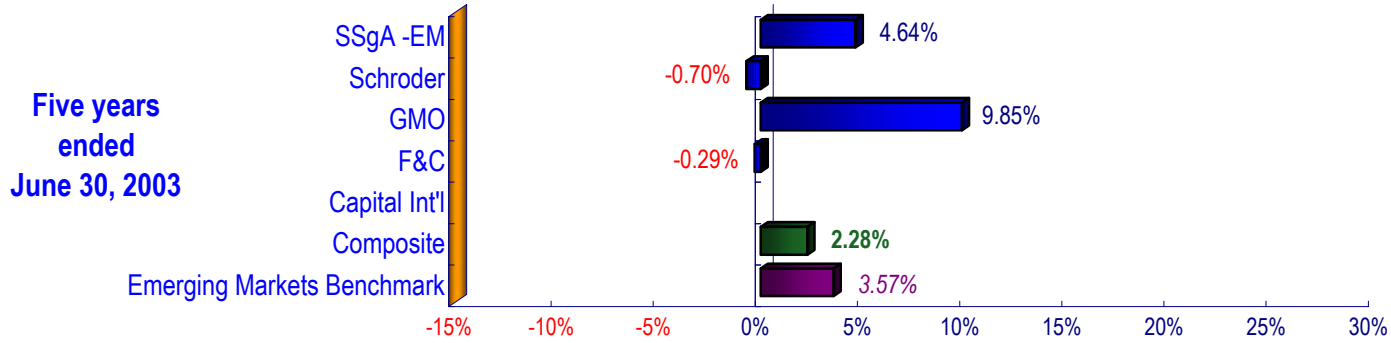
Schroder Capital Management manages an active emerging markets equity portfolio for the WSIB. Country allocations are determined on the basis of macroeconomic factors and market return forecasts. Stock selection is relegated to individual regions and is based on fundamental research. The portfolio is divided between a core holding of more established markets and a smaller opportunistic allocation to early-stage markets. The portfolio tends to have a growth bias. The WSIB portfolio, managed by Schroder since the fourth quarter of 1995, is currently valued at $90 million.

Non-U.S. Equity - Active Emerging Markets Managers









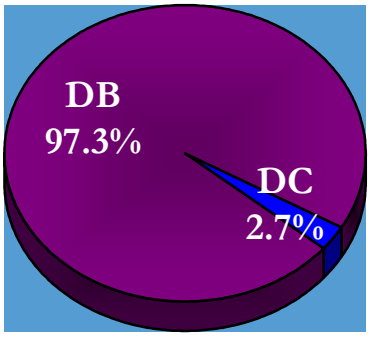
Manager Performance versus S & P 500

June 30, 2003

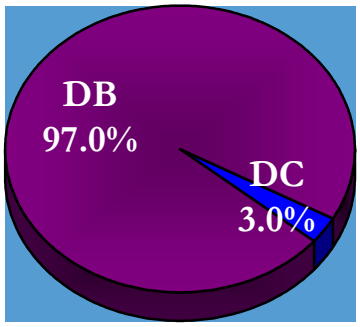
	Quarter	FYTD	1 Year	3 Year	5 Year	10 Year
S & P 500 Index	**15.40**	**0.26**	**0.26**	**-11.20**	**-1.61**	**10.04**
U.S. Equity						
Barclays Global Investors	16.62	1.18	1.18	-10.40	-0.94	
U.S. Equity Composite	**16.62**	**1.18**	**1.18**	**-10.40**	**-0.94**	**9.56**
Non-U.S. Equity						
Developed Markets						
SSgA (passive)	19.36	-5.25	-5.25	-13.00		
Artisan Partners	23.35	-12.52	-12.52	-14.08		
Delaware International	22.90	0.42	0.42	-1.42		
Dresdner RCM Global Investors	16.34	-8.98	-8.98	-19.15		
Nicholas-Applegate	17.65	-8.85	-8.85	-18.52		
Putnam Investments	17.18	-8.45	-8.45	-13.13		
Pyrford International	19.25	-5.56	-5.56			
Emerging Markets						
SSgA (passive)	23.68	13.09	13.09	-6.53	4.64	
Capital International	22.60	7.14	7.14			
F&C	24.92	5.03	5.03	-8.95	-0.29	
Grantham, Mayo, Van Otterloo	23.09	7.18	7.18	2.23	9.85	
Schroder	22.96	3.52	3.52	-11.37	-0.70	
Non-U.S. Equity Composite	**19.94**	**-4.56**	**-4.56**	**-11.51**	**-1.33**	**2.83**

CTF Stakeholder Characteristics and Cash Flows

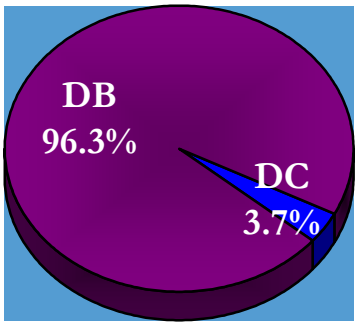
Defined Benefit and Defined Contribution Breakdown in the CTF



June 30, 2001

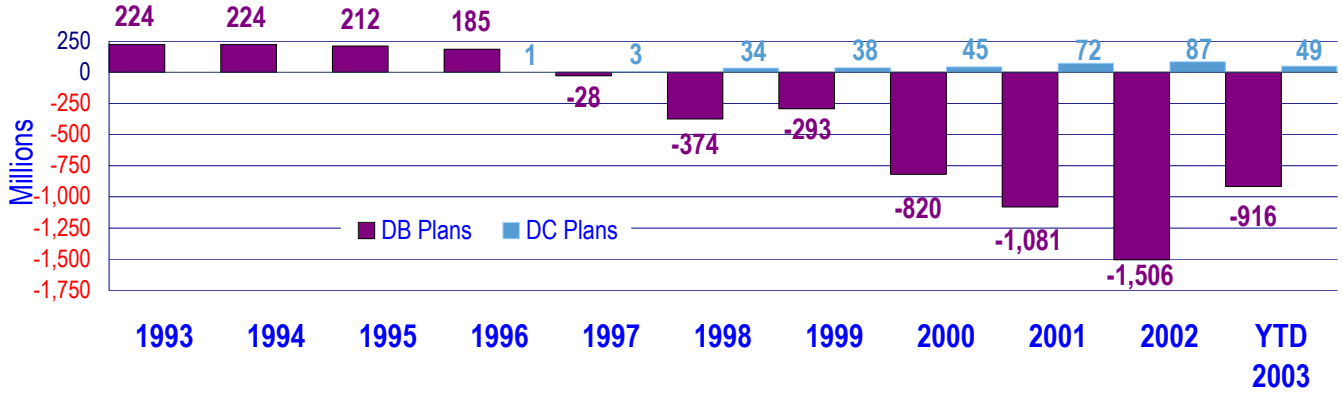


June 30, 2002

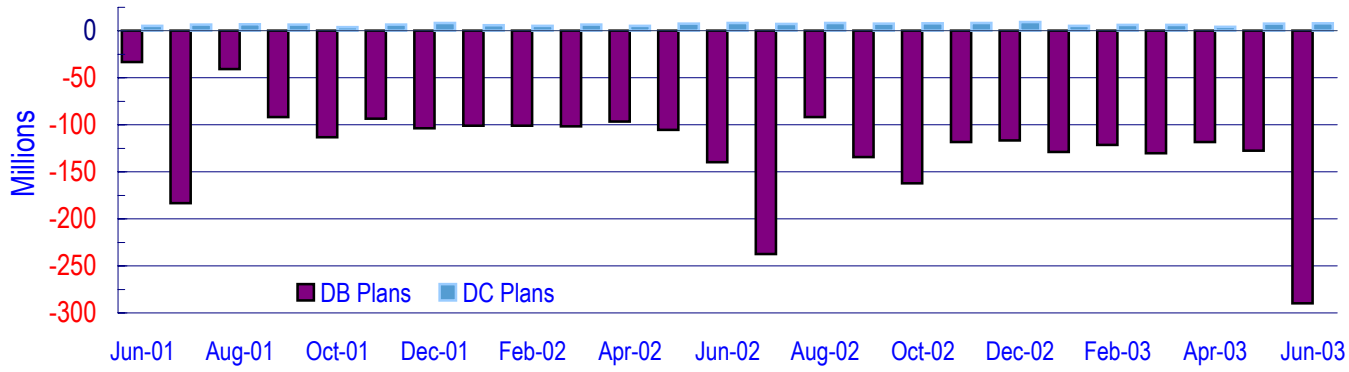


June 30, 2003

Yearly Cash Flow History*



Monthly Cash Flow History*



* Only includes new cash to/from the portfolio; does not include DB/DC transfers between Plan 2 and Plan 3 that stay inside the CTF.

Glossary

Asset Allocation Policy

The targets will adjust annually toward the long-term asset allocation policy, which is 31 percent U.S. equity, 15 percent non-U.S. equity, 25 percent fixed income, 17 percent private equity, and 12 percent real estate. It is expected to take two years to reach this target.

Commingled Trust Fund

The investment trust fund that pools the assets of most of the Washington State retirement funds to permit more efficient management and to reduce administrative costs. The retirement accounts included in the CTF are: PERS 1, 2 & 3; TRS 1, 2 & 3; LEOFF 1 & 2; JRS; SERS 2 & 3; WSPRS 1 & 2; and Volunteer Firefighters.

Emerging Markets Liquidity-Tier Index

This index divides the countries found in the S&P/IFC emerging markets universe into three 'tiers' according to their market capitalization and liquidity. The top tier represents 55 percent of the total index with five countries at an 11 percent weight each. The middle tier represents 33 percent of the total with nine countries at 3.7 percent each. The bottom tier represents 12 percent of the total with 12 countries at 1.0 percent each.

MAP (Multi-Asset Portfolio)

The MAP Portfolio is currently 60 percent Wilshire 5000 Index, 25 percent Lehman Universal Index, and 15 percent MSCI ACWI Free ex U.S. The percentages have changed as the portfolio was rebalanced to meet the target asset allocation policy. This portfolio is a 'passive' representation of the fund.

Structural Asset Allocation Policy

The Structural Asset Allocation Policy is the previous quarter's ending asset class percentages times the following indices: Wilshire 5000 Index, Lehman Universal Index, MSCI ACWI Free ex U.S., NCREIF, and the actual private equity return. This is used to show the manager value added versus a passive structure.

TUCS Public Fund > $1 Billion Median

Trust Universe Comparison Services median return of other public funds. There are currently 52 funds in the universe with a median asset size of about $9.70 billion.

TUCS Public/Corporate Fund > $1 Billion Median

Trust Universe Comparison Services median return of corporate and public funds. There are currently 125 funds in the universe with a median asset size of around $4.05 billion.

WASHINGTON STATE INVESTMENT BOARD

Defined Contribution Plans

Quarterly Investment Report
June 30, 2003

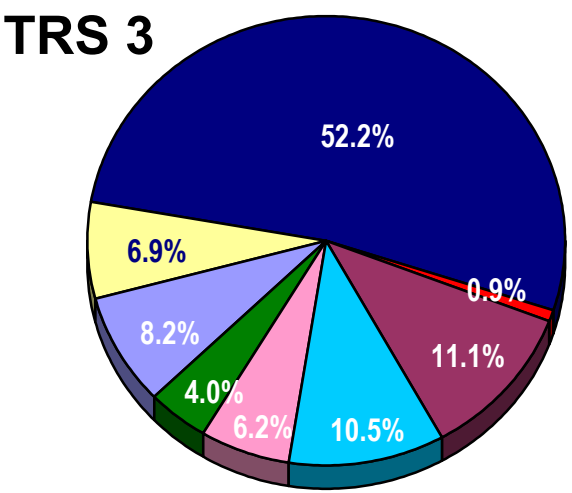
Market Values and Distributions

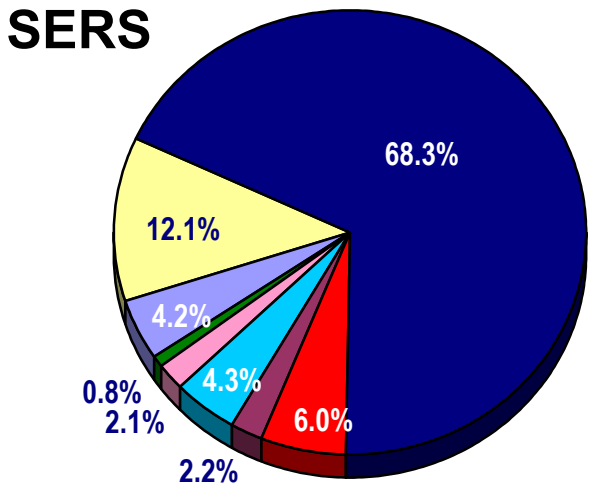
Plan 3	Market Values and Distributions
Plan 3	Historical Distribution
DCP & JRA	Market Values and Distributions
DCP & JRA	Historical Distribution

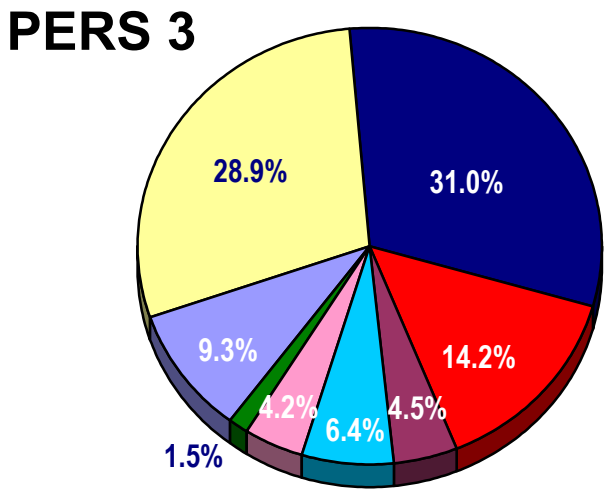
WASHINGTON STATE INVESTMENT BOARD

Plan 3 Market Values and Distributions
June 30, 2003

Option	TRS Plan 3 Market Value	TRS Plan 3 Quarterly Change	SERS Plan 3 Market Value	SERS Plan 3 Quarterly Change	PERS Plan 3 Market Value	PERS Plan 3 Quarterly Change
WSIB TAP Option	$ 938,597,607	$ 97,903,781	$ 352,977,702	$ 32,777,582	$ 136,631,897	$ 26,465,345
Short-Horizon Fund	2,772,581	855,140	4,398,785	636,060	10,402,382	6,693,747
Mid-Horizon Fund	6,333,537	1,576,147	14,945,620	1,777,712	30,394,512	19,116,832
Long-Horizon Fund	7,426,363	1,609,378	11,771,571	2,039,729	21,871,454	13,406,802
U.S. Stock Fund	199,872,547	30,509,513	11,562,881	1,954,564	20,000,766	13,179,032
U.S. Large Stock Fund	187,809,089	28,146,464	22,361,525	3,427,853	28,139,261	18,324,251
U.S. Small Stock Fund	110,675,136	22,646,651	10,687,595	2,336,256	18,500,374	12,721,693
International Stock Fund	72,650,593	11,631,299	4,181,040	774,799	6,819,820	4,638,176
Bond Market	147,484,359	8,067,516	21,758,181	3,149,852	41,159,313	24,492,291
Money Market	123,614,626	2,669,777	62,456,064	82,774	127,588,540	76,482,772
Total Fund	**$ 1,797,236,438**	**$ 205,615,665**	**$ 517,100,963**	**$ 48,957,181**	**$ 441,508,318**	**$ 215,520,941**



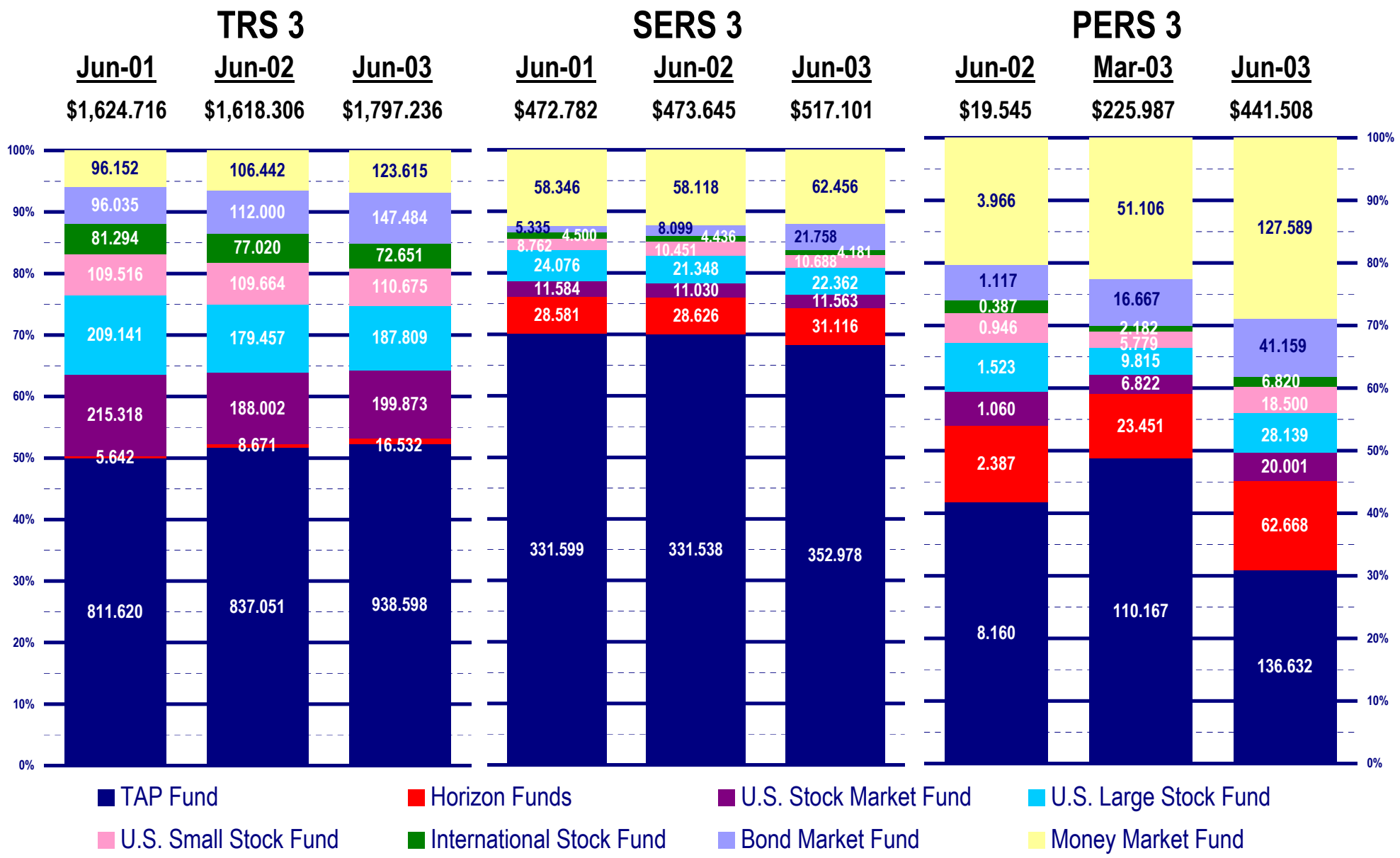




WSIB TAP | Horizon Funds | Stock Market | Large Stocks | Small Stocks | International Stocks | Bond Market | Money Market

WASHINGTON STATE INVESTMENT BOARD

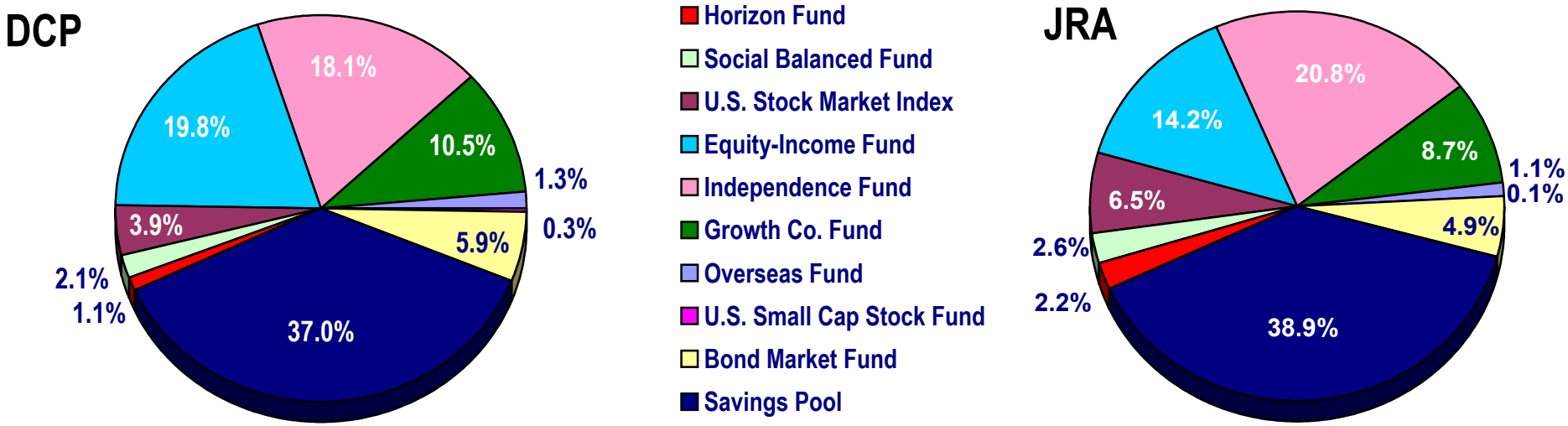
Plan 3 Historical Distribution
(in millions)



WASHINGTON STATE INVESTMENT BOARD

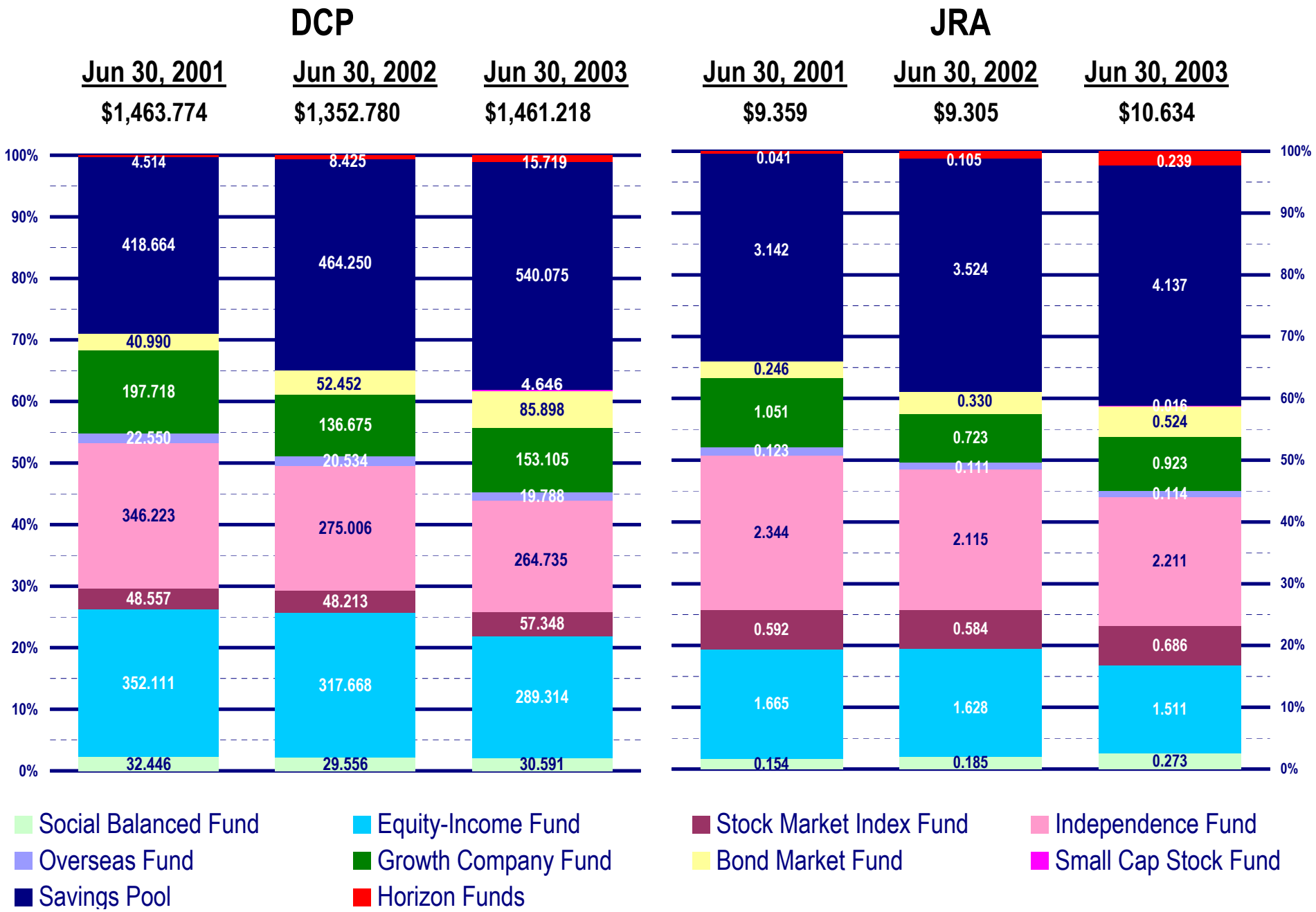
Deferred Compensation Program and Judicial Retirement Account Market Values and Distributions -- June 30, 2003

Option	Deferred Compensation Program	Quarterly Change	Judicial Retirement Account	Quarterly Change
Short-Horizon Fund	$ 4,532,710	$ 886,627	$ 132,690	$ 16,222
Mid-Horizon Fund	6,397,915	1,503,528	76,361	9,636
Long-Horizon Fund	4,788,818	1,222,180	29,594	5,147
Social Balanced Fund	30,591,424	3,414,341	272,898	78,717
U.S. Stock Market Index Fund	57,347,818	10,894,903	685,902	113,134
Equity-Income Fund	289,313,540	44,486,283	1,510,735	160,604
Independence Fund	264,734,874	37,658,640	2,211,474	352,250
Growth Company Fund	153,105,265	30,884,102	922,901	168,627
Overseas Fund	19,787,941	3,956,150	113,965	24,795
U.S. Small Cap Stock Fund	4,645,835	2,717,079	15,708	7,942
Bond Market Fund	85,897,580	8,924,684	524,499	46,741
Savings Pool	540,074,704	4,010,496	4,137,332	127,721
Total Fund	**$ 1,461,218,424**	**$ 150,559,013**	**$ 10,634,058**	**$ 1,111,537**



WASHINGTON STATE INVESTMENT BOARD

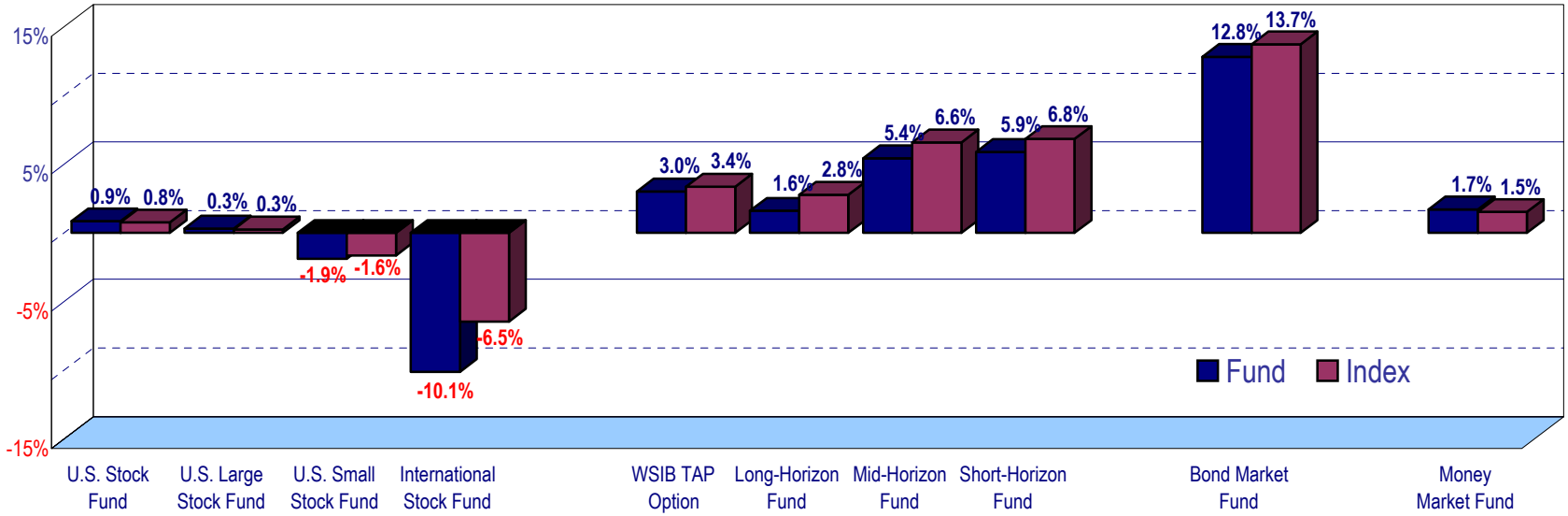
Deferred Compensation Program and Judicial Retirement Account
Historical Distribution (in millions)



WASHINGTON STATE INVESTMENT BOARD

Plan 3 Returns*

One-Year Returns (ending June 30, 2003)



Equity Funds	Qtr.	1 yr.	3 yr.	5 yr.
U.S. Stock Fund	**16.2%**	**0.9%**	**N/A**	**N/A**
Russell 3000	*16.2%*	*0.8%*	*-10.5%*	*-1.1%*
U.S. Large Stock Fund	**15.4%**	**0.3%**	**-11.2%**	**-1.6%**
S&P 500	*15.4%*	*0.3%*	*-11.2%*	*-1.6%*
U.S. Small Stock Fund	**22.9%**	**-1.9%**	**-3.3%**	**0.8%**
Russell 2000	*23.4%*	*-1.6%*	*-3.3%*	*1.0%*
International Stock Fund	**18.0%**	**-10.1%**	**-15.1%**	**-5.0%**
MSCI EAFE	*19.3%*	*-6.5%*	*-13.5%*	*-4.0%*

Balanced Funds	Qtr.	1 yr.	3 yr.	5 yr.
WSIB TAP Option	**9.2%**	**3.0%**	**-3.1%**	**3.0%**
Custom Benchmark	*13.6%*	*3.4%*	*-5.6%*	*0.6%*
Long-Horizon Fund	**14.3%**	**1.6%**	**N/A**	**N/A**
Custom Benchmark	*14.6%*	*2.8%*	*-6.7%*	*0.4%*
Mid-Horizon Fund	**10.8%**	**5.4%**	**N/A**	**N/A**
Custom Benchmark	*11.1%*	*6.6%*	*-1.0%*	*3.1%*
Short-Horizon Fund	**6.6%**	**5.9%**	**N/A**	**N/A**
Custom Benchmark	*6.9%*	*6.8%*	*2.7%*	*4.5%*

Bond Funds	Qtr.	1 yr.	3 yr.	5 yr.
Bond Market Fund	**3.9%**	**12.8%**	**N/A**	**N/A**
Lehman Intermediate Credit	*4.0%*	*13.7%*	*11.1%*	*8.0%*

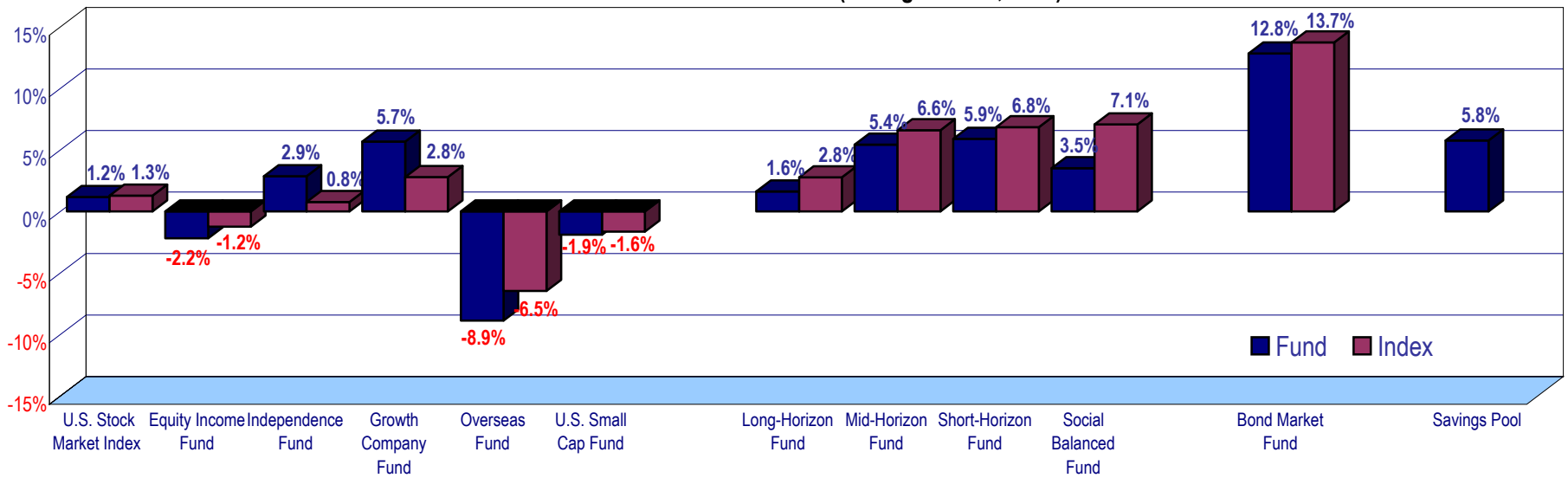
Cash Funds	Qtr.	1 yr.	3 yr.	5 yr.
Money Market Fund	**0.3%**	**1.7%**	**3.6%**	**4.5%**
One Month LIBOR	*0.3%*	*1.5%*	*3.3%*	*4.3%*

**Uses current managers' returns. Return shown is after manager and portfolio expenses, but before the WSIB and record keeping fees.*

INVESTMENT BOARD

DCP and JRA Returns*

One-Year Returns (ending June 30, 2003)



Equity Funds	Qtr.	1 yr.	3 yr.	5 yr.	10 yr.
U.S. Stock Market Index	**16.7%**	**1.2%**	**-10.4%**	**-0.9%**	**9.7%**
Wilshire 5000	*16.5%*	*1.3%*	*-10.6%*	*-1.3%*	*9.5%*
Equity Income Fund	**17.9%**	**-2.2%**	**-1.1%**	**0.5%**	**9.9%**
Russell 3000 Value	*17.7%*	*-1.2%*	*0.6%*	*1.3%*	*10.7%*
Independence Fund	**16.9%**	**2.9%**	**-15.6%**	**2.2%**	**9.5%**
Russell 3000	*16.2%*	*0.8%*	*-10.5%*	*-1.1%*	*9.7%*
Growth Company Fund	**19.3%**	**5.7%**	**-20.2%**	**2.0%**	**9.9%**
Russell 3000 Growth	*14.9%*	*2.8%*	*-21.2%*	*-5.0%*	*7.9%*
Overseas Fund	**23.1%**	**-8.9%**	**-15.2%**	**-4.1%**	**4.3%**
MSCI EAFE	*19.3%*	*-6.5%*	*-13.5%*	*-4.0%*	*2.8%*
U.S. Small Cap Fund	**22.9%**	**-1.9%**	**-3.3%**	**0.8%**	**N/A**
Russell 2000	*23.4%*	*-1.6%*	*-3.3%*	*1.0%*	*8.2%*

**Uses current managers' returns and returns from other portfolios with same investment strategy but different fees to produce a ten-year history. Return shown is after manager and portfolio expenses, but before the WSIB and record keeping fees and does not include any return attributed to rebates.*

Balanced Funds	Qtr.	1 yr.	3 yr.	5 yr.	10 yr.
Long-Horizon Fund	**14.3%**	**1.6%**	**N/A**	**N/A**	**N/A**
Custom Benchmark	*14.6%*	*2.8%*	*-6.7%*	*0.4%*	*8.0%*
Mid-Horizon Fund	**10.8%**	**5.4%**	**N/A**	**N/A**	**N/A**
Custom Benchmark	*11.1%*	*6.6%*	*-1.0%*	*3.1%*	*7.9%*
Short-Horizon Fund	**6.6%**	**5.9%**	**N/A**	**N/A**	**N/A**
Custom Benchmark	*6.9%*	*6.8%*	*2.7%*	*4.5%*	*7.1%*
Social Balanced Fund	**10.0%**	**3.5%**	**-4.8%**	**-0.4%**	**5.8%**
Custom Benchmark	*11.6%*	*7.1%*	*-1.7%*	*2.9%*	*9.2%*

Bond Funds	Qtr.	1 yr.	3 yr.	5 yr.	10 yr.
Bond Market Fund	**3.9%**	**12.8%**	**N/A**	**N/A**	**N/A**
Lehman Int. Credit	*4.0%*	*13.7%*	*11.1%*	*8.0%*	*7.5%*

Cash Funds	Qtr.	1 yr.	3 yr.	5 yr.	10 yr.
Savings Pool	**1.3%**	**5.8%**	**6.2%**	**6.4%**	**6.6%**

WASHINGTON STATE
INVESTMENT BOARD

Labor and Industries' Funds

Quarterly Report – June 30, 2003

Labor & Industries

Capital Markets

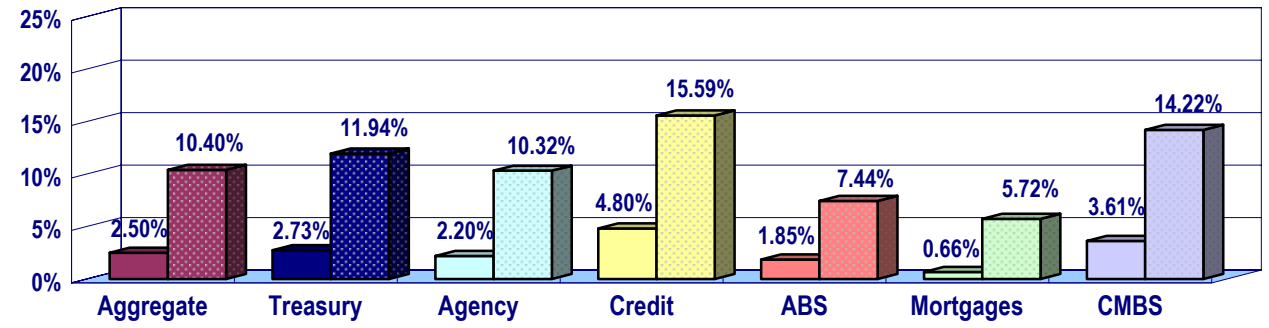
Market Values and Asset Allocation

Performance and Durations versus CMI
- Quarter, One, Three, Five, and Ten Year

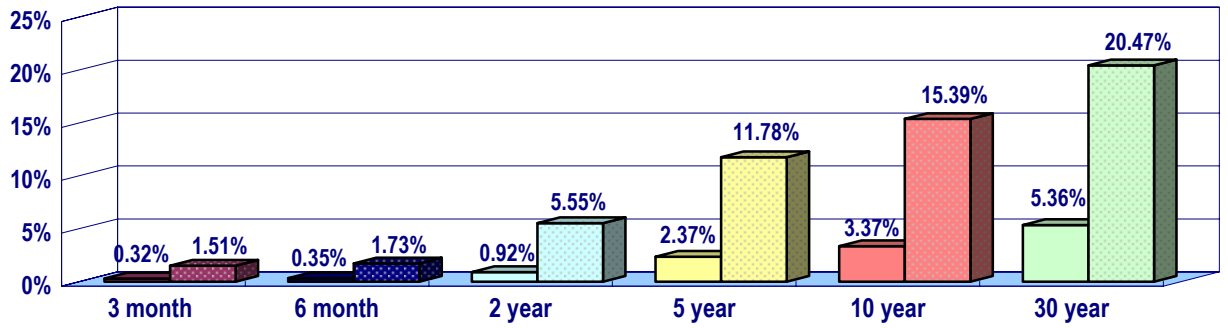
Capital Markets One Quarter and One Year Performance

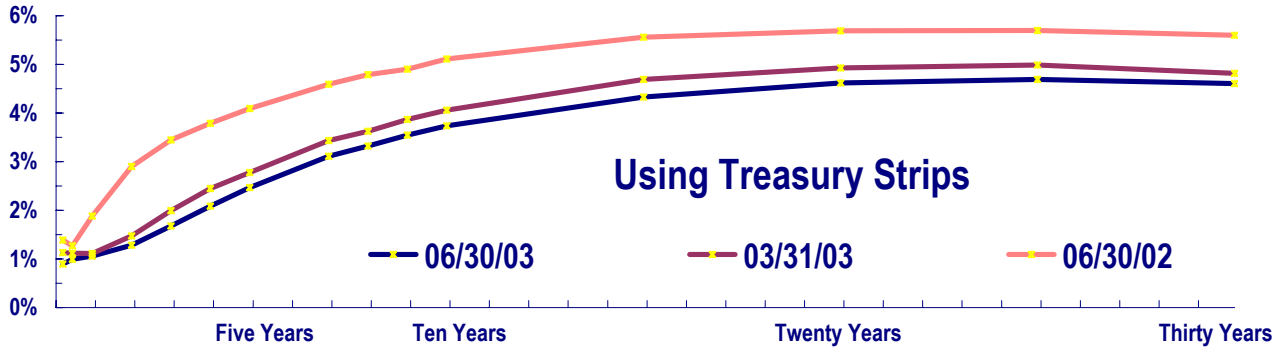
Quarter Ended June 30, 2003

Asset Class Returns (using Lehman Brothers indices)

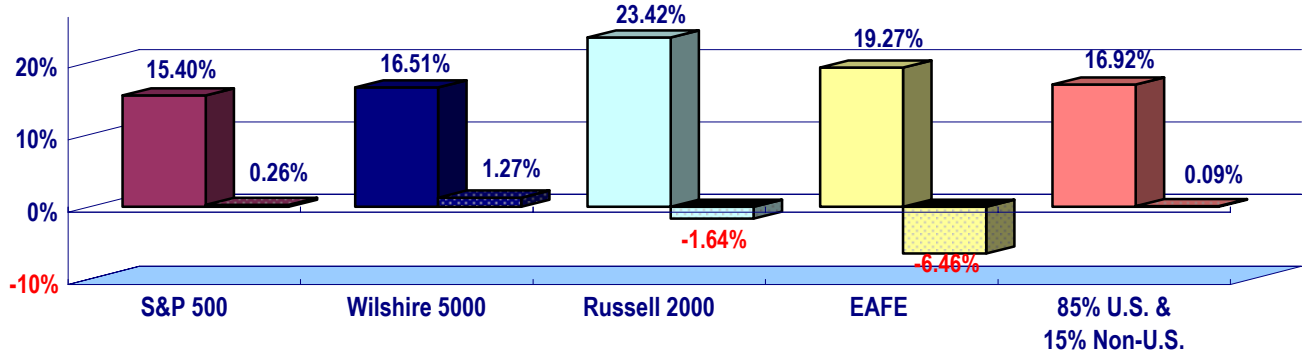


Treasury Return and Yield Curve





Equity Indices



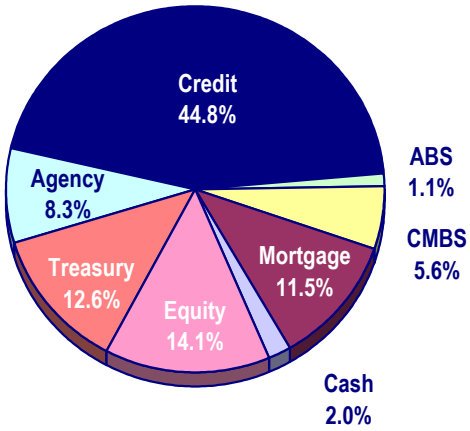
LABOR & INDUSTRIES' FUNDS

Quarter Ended June 30, 2003

Market Values and Asset Allocation

Total L&I Funds

$ 9,341,976,988



WSIB Policy Ranges for Total L & I:

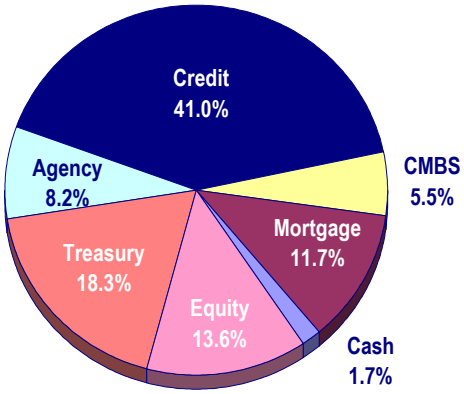
Fixed Income:	82-88%
Equities:	12-18%

WSIB Policy Ranges within Fixed Income:

U.S. Treasuries & Agencies:	5-25%
Credit Securities:	20-70%
Mortgage-Backed Securities:	0-25%
Asset-Backed Securities (ABS):	0-10%
Commercial Mortgage-Backed Securities (CMBS):	0-10%

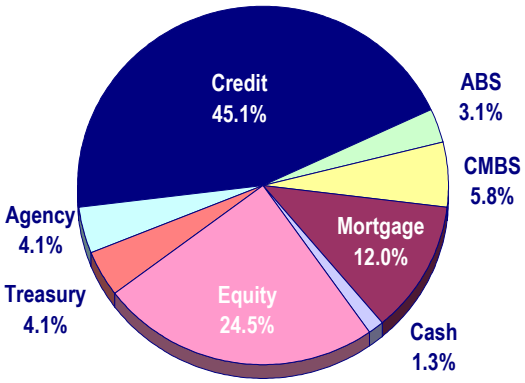
Accident Fund — Fund 608

$ 3,762,128,219



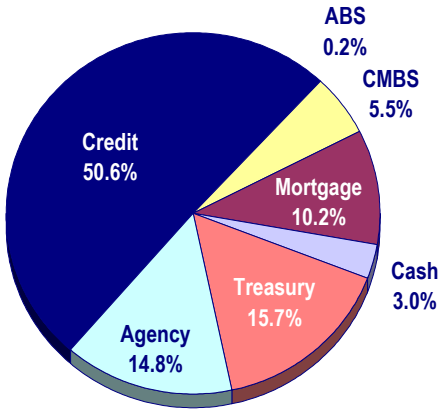
Medical Aid Fund — Fund 609

$ 3,273,578,615



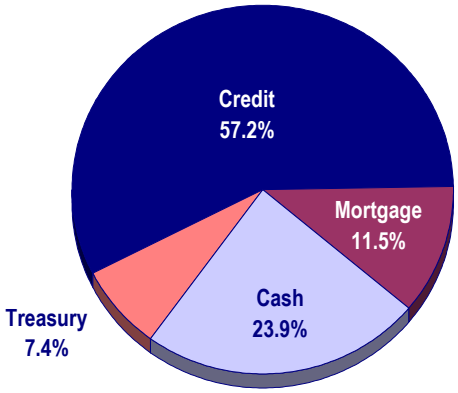
Pension Reserve — Fund 610

$ 2,233,066,851



Supplemental Pension — Fund 881

$ 73,203,303

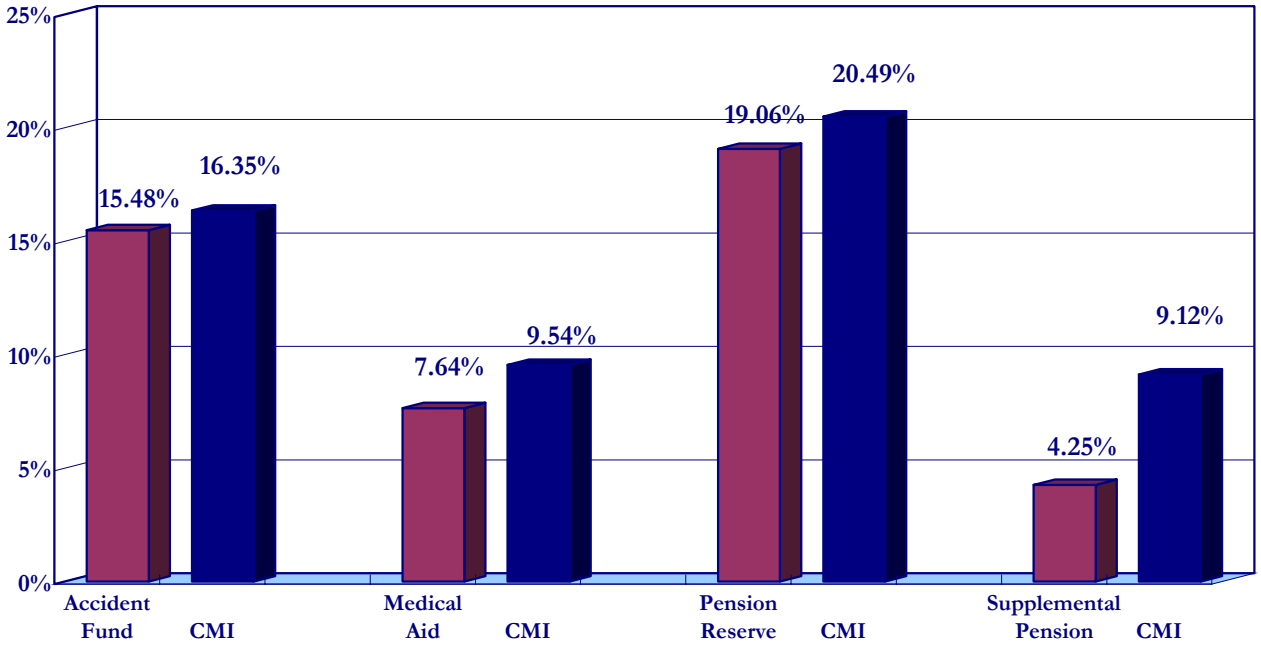


LABOR & INDUSTRIES' FUNDS

Quarter Ended June 30, 2003

Performance and Durations versus CMI

One Year Performance



	Accident Fund	CMI	Medical Aid	CMI	Pension Reserve	CMI	Supplemental Pension	CMI
Duration:	**10.18**	10.06	**3.90**	3.88	**10.12**	10.79	**2.11**	2.40

Total Return

	Total	CMI	Total	CMI	Total	CMI	Total	Ex-Cash	CMI
Quarter	**6.90%**	7.50%	**5.96%**	6.33%	**5.88%**	6.58%	**1.43%**	**2.00%**	2.35%
One Year	**15.48%**	16.35%	**7.64%**	9.54%	**19.06%**	20.49%	**4.25%**	**7.58%**	9.12%
Three Year	**9.56%**	9.58%	**5.12%**	5.37%	**13.44%**	13.38%	**6.23%**	**7.85%**	8.74%
Five Year	**7.20%**	7.02%	**5.65%**	5.68%	**8.68%**	8.43%	**5.52%**	**6.45%**	7.13%
Ten Year	**7.80%**	7.50%	**7.61%**	7.56%	**9.33%**	9.02%	**6.08%**	**6.54%**	6.58%

L&I Statutory Accounting Return**

Quarter	**5.00%**	**5.18%**	**2.16%**	**1.06%**
One Year	**7.69%**	**4.70%**	**6.55%**	**1.95%**
Three Year	**4.79%**	**2.25%**	**6.95%**	**4.50%**

**Uses net income, realized and unrealized gains and losses on equity securities, and realized gains and losses on fixed income in the numerator. The denominator uses book value for fixed income securities and market value for equities. Below investment grade fixed income securities are carried at the lower of book or market.

WASHINGTON STATE
INVESTMENT BOARD

Permanent Funds and Other Trusts

Quarterly Report – June 30, 2003

Permanent Funds

Market Values and Asset Allocation

Interest Income, Performance and Duration
Quarter, One Year, Three Year, Five Year, Ten Year

Other Trusts

Market Values, Performance and Asset Allocation
Quarter, One Year, Three Year, Five Year, Ten Year

GET – Advanced College Tuition Payment Program
Quarter, One Year, Three Year, Since Inception

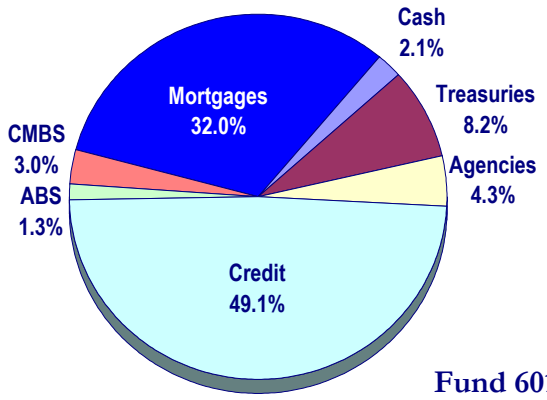
DDEF – Developmental Disability Endowment Fund
Quarter, One Year, Since Inception

PERMANENT FUNDS

June 30, 2003

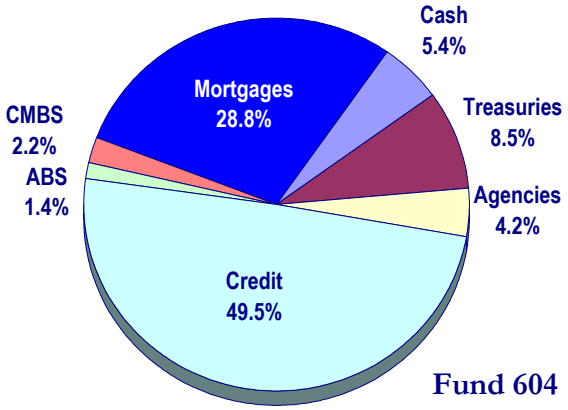
Market Values and Asset Allocation

Agricultural Fund
$ 152,049,286



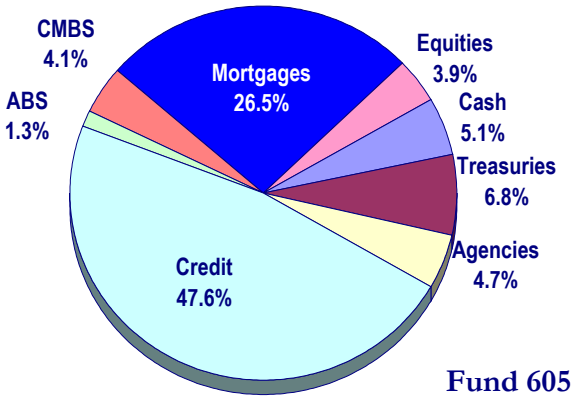
Fund 601

Normal School Fund
$ 215,098,805



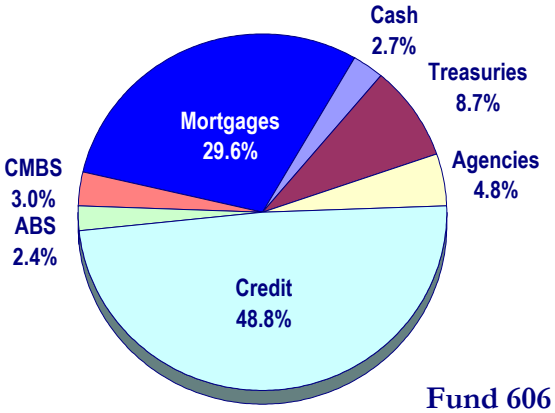
Fund 604

Common School Fund
$ 174,406,411



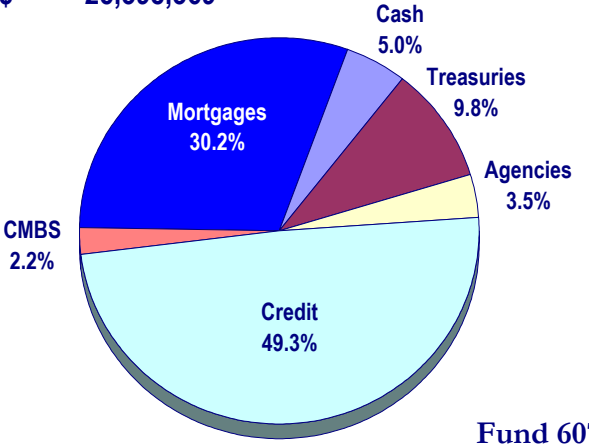
Fund 605

Scientific Permanent Fund
$ 166,446,848



Fund 606

State University Fund *
$ 25,398,369



Fund 607

** Through an investment in the Monthly Commingled Bond Fund*

Millersylvania State Park Fund
$ 5,156

Assets of this fund are invested in a short-term investment fund (STIF).

Fund 603

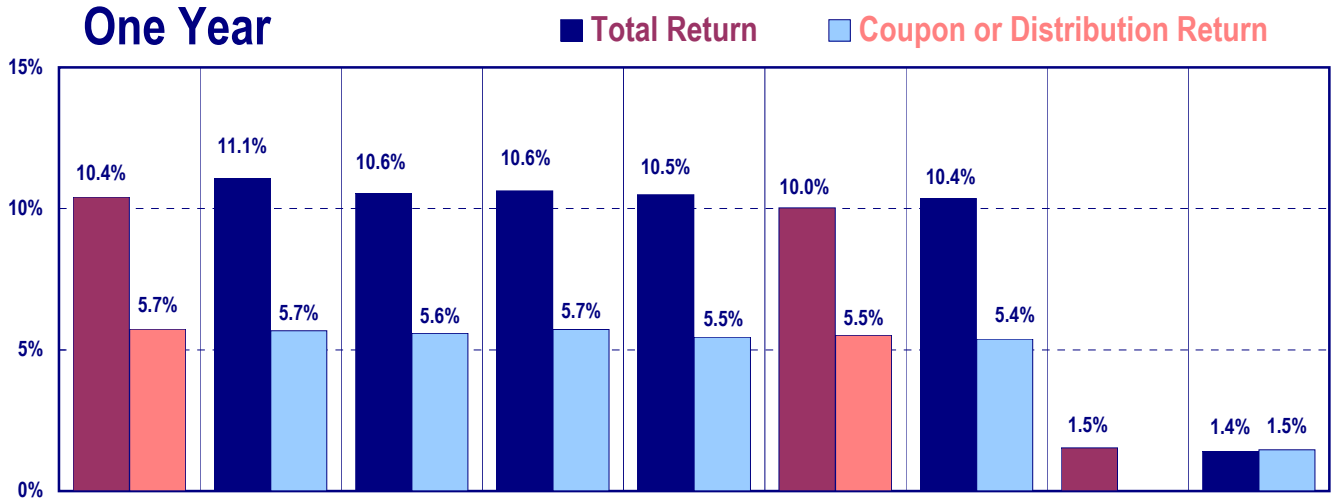
SIB Fixed Income Policy Ranges per Fund:

U.S. Treasuries and Agencies	10-50%
Investment Grade Credits	10-50%
Mortgage-Backed Securities	5-40%
Asset-Backed Securities (ABS)	0-10%
Commercial Mortgage-Backed Securities	0-10%

PERMANENT FUNDS

June 30, 2003

Interest Income, Performance and Duration



	Lehman Aggregate Index	601 Agricultural Fund	604 Normal School	606 Scientific Permanent	607 State University	Custom Benchmark*	605 Common School	90-Day TBill	603 Millersylvania Park Fund
Balance - 6/30/98		$ 96,702,348	$184,101,172	$133,579,442	$19,979,685		$160,056,577		$5,170
Balance - 6/30/02		141,502,635	202,455,353	155,598,470	23,878,964		164,247,643		5,159
Balance - 6/30/03		152,049,286	215,098,805	166,446,848	25,398,369		174,406,411		5,156

Distribution Return (Includes coupon income and amortization minus expenses and deferred losses based on book value)

Quarter		**1.29%**	**1.26%**	**1.31%**	**1.24%**		**1.19%**		**0.29%**
One Year		5.67%	5.58%	5.73%	5.45%		5.38%		1.46%
Three Year		6.51%	6.36%	6.53%	6.40%		6.15%		3.39%
Five Year		-35.38%	6.48%	6.48%	6.65%		6.30%		4.20%

Total Return

Quarter	2.50%	2.63%	2.63%	2.72%	2.56%	2.98%	3.20%	0.34%	0.28%
One Year	10.41%	11.08%	10.55%	10.63%	10.49%	10.03%	10.35%	1.53%	1.40%
Three Year	10.08%	10.31%	10.41%	10.53%	10.64%	9.42%	9.87%	3.34%	3.24%
Five Year	7.54%	7.40%	7.49%	7.46%	7.72%	7.16%	7.12%	4.02%	4.12%
Ten Year	7.21%	7.31%	7.34%	7.29%	7.39%	7.02%	7.18%	4.57%	4.61%

Fixed Income Duration

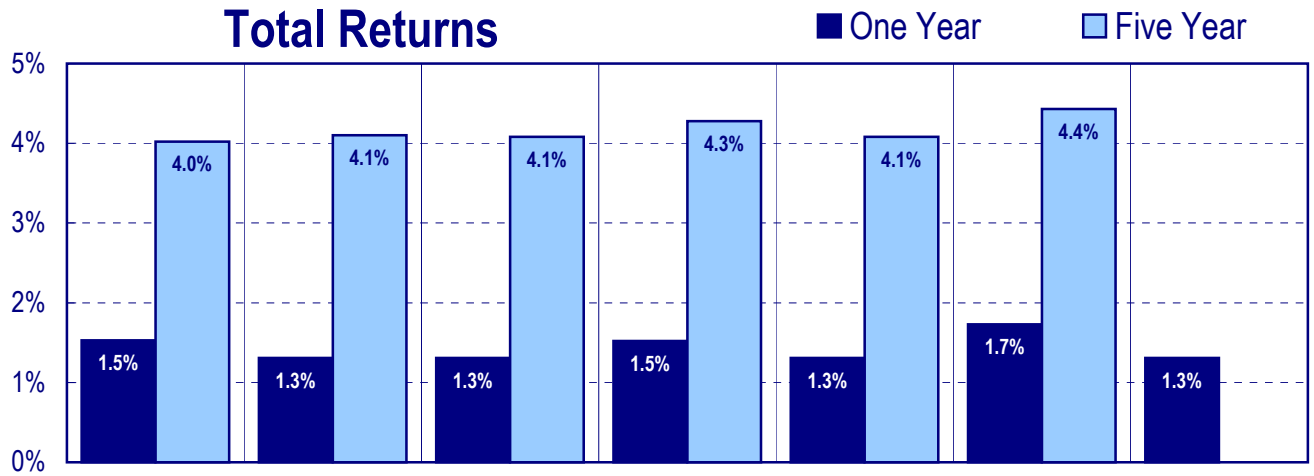
Duration	**3.95**	**4.22**	**4.23**	**4.19**	**4.17**	**3.95**	**4.36**	**0.24**	**0.10**
Difference		0.27	0.28	0.24	0.22		0.41		N/A
Percent Difference		6.8%	7.1%	6.2%	5.7%		10.4%		N/A

** The custom benchmark for the Common School Fund is a combination of the Lehman Aggregate and Wilshire 5000 using the previous month-end weights adjusted for new purchases during the current month. For June 2003, the breakdown was 3.9% Wilshire 5000 and 96.1% Lehman Aggregate.*

OTHER TRUST FUNDS

June 30, 2003

Market Values, Performance and Asset Allocation



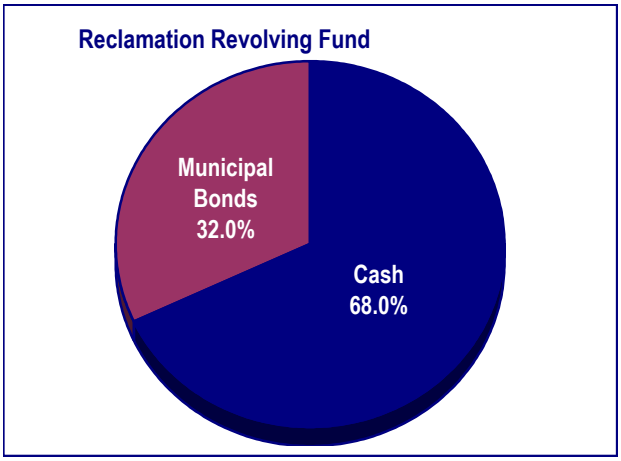
	90 Day T-Bill	110 Game & Wildlife	730 State Emp. Ins. Reserve	882 Judicial Retirement	893 Radiation Perpetual	027 Reclamation Revolving	Emergency Reserve Account
Market Value 6/30/98		$ 12,540,123	$ 29,099,425	$ 6,300,594	$ 749,009	$ 871,335	N/A
Market Value 6/30/02		11,624,567	38,326,416	8,178,992	274,996	1,063,530	$ 116,128,958
Market Value 6/30/03		11,777,342	47,557,857	6,489,662	278,610	1,081,910	57,627,675

Total Return

Quarter	0.34%	0.27%	0.27%	0.29%	0.27%	0.80%	0.27%
One Year	1.53%	1.31%	1.31%	1.52%	1.31%	1.73%	1.31%
Three Year	3.34%	3.16%	3.16%	3.42%	3.16%	4.04%	3.39%
Five Year	4.02%	4.10%	4.08%	4.28%	4.08%	4.43%	N/A
Ten Year	4.57%	4.72%	4.60%	4.71%	4.61%	N/A	N/A

Portfolio Allocations

Funds 110, 730, 882, 893, and the Emergency Reserve Account are fully invested in short-term investment funds (STIF).



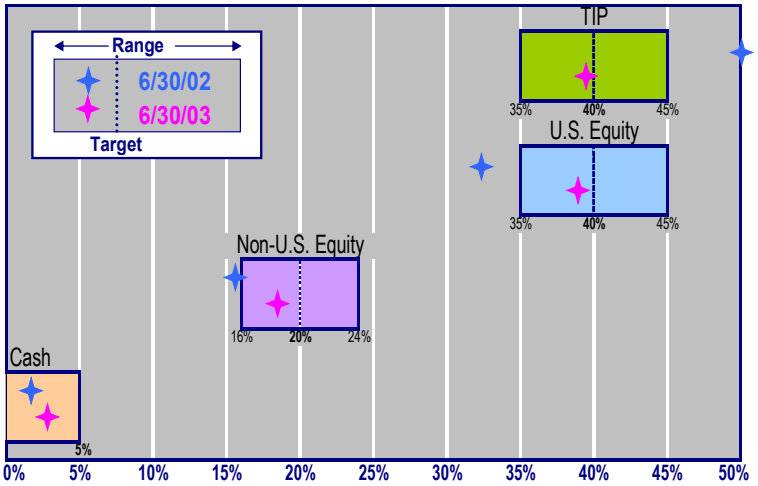
OTHER TRUST FUNDS

June 30, 2003

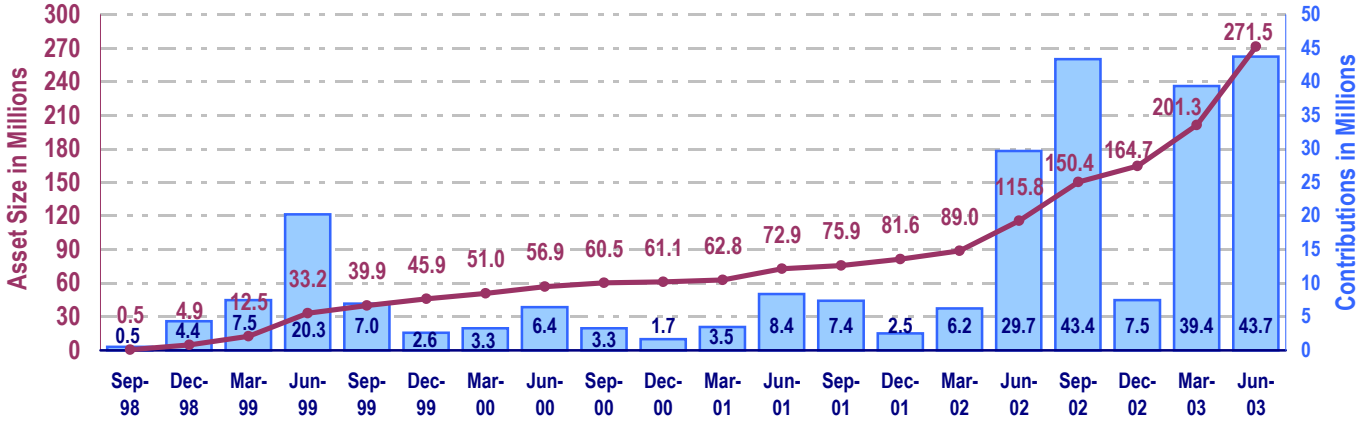
GET Portfolio Breakdown and Performance

Portfolio Size

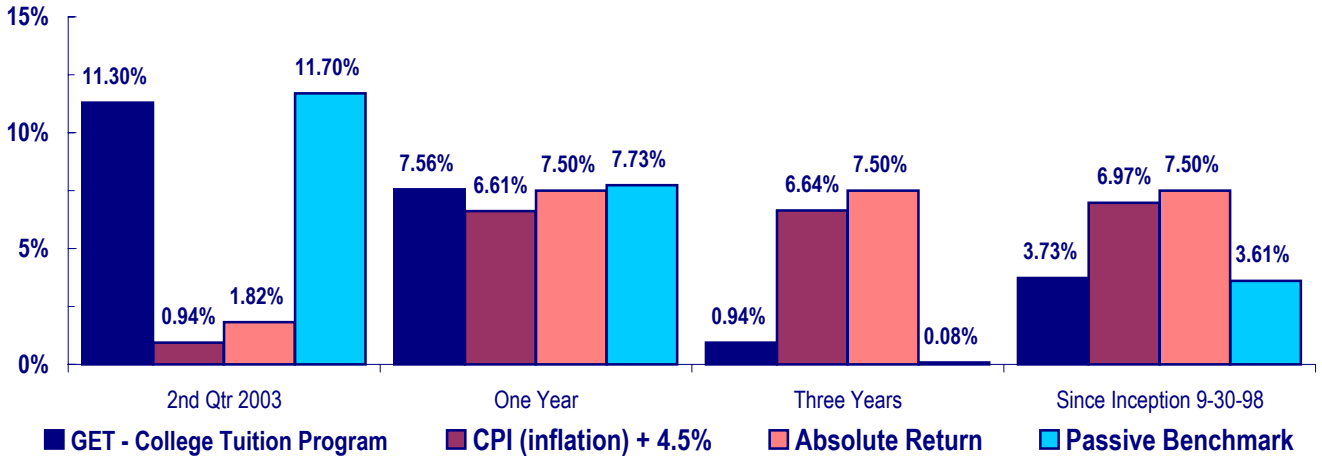
Total	**$271,533,984**
Cash	5,951,110
Treasury Inflation Index Note	104,379,494
U.S. Equity	107,779,410
Non-U.S. Equity	53,423,970



Assets Under Management



Total Return



OTHER TRUST FUNDS

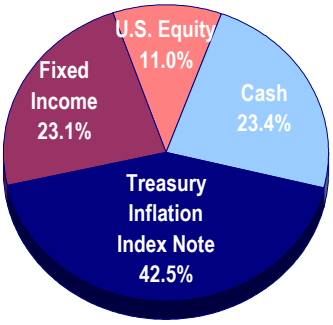
June 30, 2003

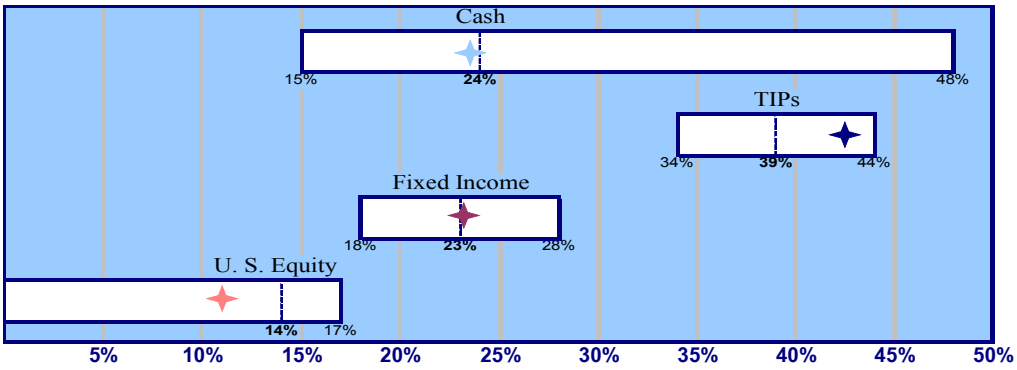
DDEF Portfolio Breakdown and Performance

Allocation

DDEF - State Funds

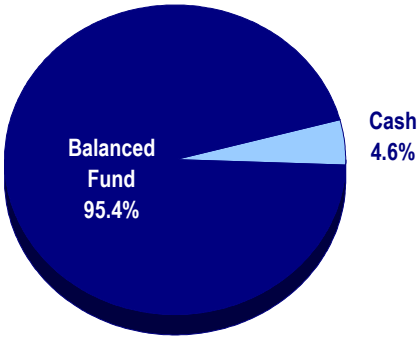
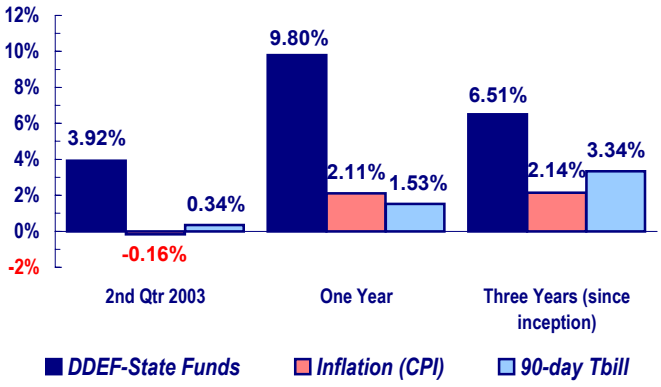
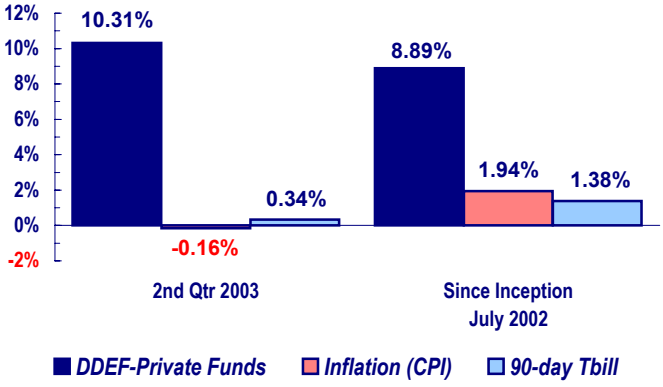
Total	**$6,279,775**
Cash	1,468,386
Treasury Inflation Index Note	2,671,791
Fixed Income	1,451,281
U.S. Equity	688,316





DDEF - Private Funds

Total	**$215,918**
Cash	10,013
Balanced Fund	205,906



Total Return