

The

SWIB

STATE OF WISCONSIN
INVESTMENT BOARD

REPORT

March 2001

Big Can Be Better

Many of the names are familiar, including General Electric, Merck and Exxon. They are part of the Large Company Stock Portfolio, managed by **William A. (Bill) McCorkle** and his three team members, securities analysts **Doug Peck** and **Bob Beggs** and **Valata Dewalt-Butler**, trader. The portfolio invests in large capitalization stocks, such as those found in the highly recognized S&P 500. The portfolio focuses on a long-term buy and hold investment horizon with companies known for solid business fundamentals and above average long-term growth prospects. Currently, the emphasis is on the high-growth technology sector and more traditional, or "defensive" growth industries, such as health care and consumer products. This strategy has allowed the portfolio to beat its benchmark (S&P 500) in 2000 and since Bill took over in late 1998.

In 1996, Bill joined SWIB as an analyst, was named an Assistant Portfolio Manager in 1997 and Portfolio Manager in 1998. He previously worked for Thompson, Plumb & Associates from 1992 to 1996. He has a Master's Degree and is a Chartered Financial Analyst (CFA). Bob joined SWIB last year coming from CNA Insurance in Chicago as Controller of the Medical Malpractice Division. He has 9 years experience in the insurance industry working in finance/accounting related positions. He holds an MBA and is also a Certified Public Accountant.

Doug joined SWIB in 1998 as an equity analyst and has recently been promoted to senior analyst. He previously worked for Firststar Corporation from 1991 to 1998 in the Investment Management and Trust Services divisions. He received his CFA in 1997.

Valata has 17 years experience at SWIB and previously had 14 years experience on Wall Street. After joining the staff as Assistant Securities Lending Manager, she became Manager in 1985 and held that position for 5 years. In 1990, she joined the trading staff assisting the small company stock trader. She has been a trader for micro, mid-size and large company securities. She also does trading for an index fund.



Seated: Valata Dewalt-Butler. Standing, left to right: William McCorkle, Robert Beggs and Doug Peck.

Performance Update:

After five consecutive years of unprecedented double-digit returns for both retirement funds, the equity markets reversed direction in 2000. However, SWIB still outperformed in a down market. The Fixed Retirement Fund returned -0.8% and beat its performance benchmark by 0.6%. The -1.4% return for the benchmark represents the aggregate performance of the markets in which the Fixed Fund invests. The

Fixed Fund's five-year (12.0%) and ten-year (12.6%) annual average returns are also ahead of the benchmark. The Variable Fund returned -7.2% for the year, outperforming its benchmark by 1.6% and the S&P 500 return of -9.1%. Its five-year (15.2%) and ten-year (15.5%) annual average return also surpassed its benchmark.

| Annualized Performance Ending 12/31/00 | | | |
|--|---------------|---------------|----------------|
| Retirement Funds | 1-year return | 5-year return | 10-year return |
| Fixed Fund | -0.8% | 12.0% | 12.6% |
| <i>Benchmark</i> | -1.4 | 11.4 | 12.0 |
| Variable Fund | -7.2% | 15.2% | 15.5% |
| <i>Equity Benchmark</i> | -8.8 | 13.9 | 15.1 |
| <i>S&P 500</i> | -9.1 | 18.3 | 17.4 |

SWIB To Celebrate 50th Anniversary

In 1951, the Wisconsin Legislature created the Investment Board as we know it today. This fall, SWIB will host a special event to commemorate this occasion. On Wednesday, September 5, following the regular Board meeting at Monona Terrace, there will be a presentation and reception. Details of the event will be announced at a later date.

The Investment Board was



created to manage the assets for most of Wisconsin's public employees. SWIB's history reflects

Wisconsin's reputation as a progressive and innovative state. For example, Wisconsin became one of the first public pension funds to invest in common stock. That was just the beginning! The celebration will highlight some of the key historical events and recognize some of the people who have been instrumental to SWIB.

Please plan to join us.

And The Survey Says ...

A majority of people taking the SWIB website communications survey want key information quickly and with the click of a button. Nearly 2,400 people responded to a survey posted on the SWIB website last October. Of those, more than half provided us with a direct link to receive occasional news messages by e-mail from SWIB.

Many of the people responding to the survey indicated that timely information about fund performance and investments are some of the most important components of the website.

The survey was open to all website users. Respondents included 1,900 active WRS participants, 200 inactive participants formerly employed by the state or a local government, and 560 retirees (360 surveyed by mail). The average active employee responding was: age, 47; years employed, 17; years until retirement, 13. Just over half of the respondents were employed by State agencies; 31% by the UW System and 12% by Technical Colleges.

More than 70% of the actives rated SWIB good or very good as an investment manager, compared to 52% in 1997 when SWIB did a random sample survey. A total of 95% of the retirees gave SWIB top ratings compared to 72% in 1997.

SWIB Annual Report Available On-line; In print

The 2000 Investment Board Annual Report is now available. To download the 2000 Annual report, visit the "Hot Topics" section at www.swib.state.wi.us. To receive a published copy of the Annual Report contact the SWIB hotline at (800) 424-7942 or 267-0957 in Madison. The 2000 List of Investments is also available by contacting SWIB.

James Senty Joins Board

The Investment Board recently welcomed **James A. Senty** of La Crosse as the Board's newest Trustee. He is president of Midwest Gas Cos. in La Crosse and is chairman of the board of Park Bank in Madison.



James A. Senty

Merrill Lynch Chief Economist to Speak

Bruce Steinberg, Chief Economist for Merrill Lynch & Co., will be the featured speaker in April. Mr. Steinberg will address the Board in the afternoon open session on Wednesday, April 4. The Board is also scheduled to meet on May 16 and June 27. No meeting is set for July.