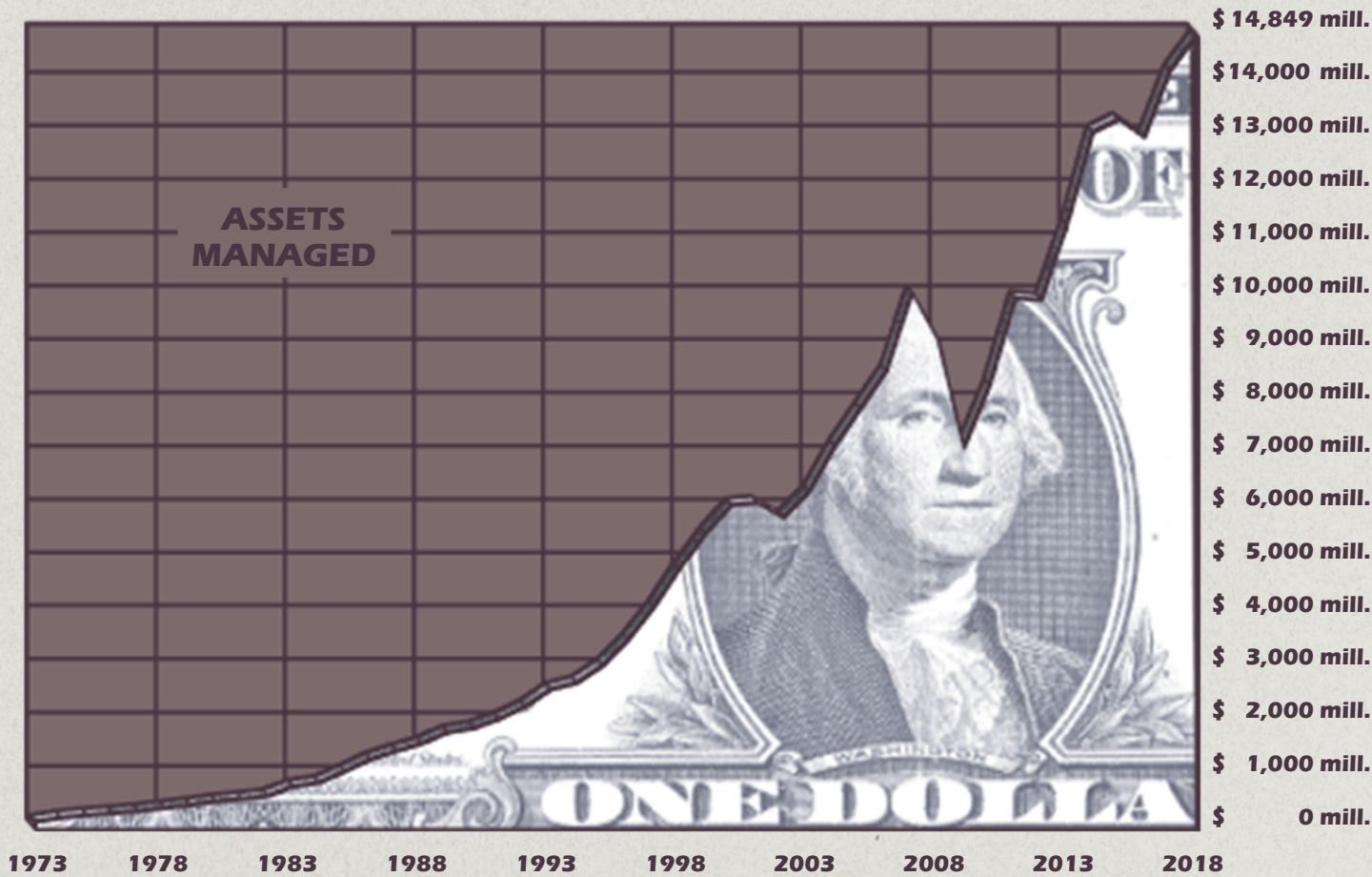


THE SOUTH DAKOTA INVESTMENT COUNCIL



**ANNUAL REPORT
FISCAL YEAR 2018**

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The Financial Statements with Auditor’s Report for South Dakota Cash Flow Fund, School and Public Lands, Dakota Cement Trust, Education Enhancement Trust, and Health Care Trust portfolios can be found at <http://sdic.sd.gov>.

The Financial Statements with Auditor’s Report for South Dakota Retirement System can be found at www.sdrs.sd.gov.

TRANSMITTAL LETTER

TO THE GOVERNOR, LEGISLATURE, AND PEOPLE OF SOUTH DAKOTA:

The South Dakota Investment Council annual report provides information about the investment of South Dakota Retirement System assets, state trust funds, and other financial assets of the State of South Dakota. This letter summarizes fiscal year 2018 performance and discusses the Council's long-term approach; future return expectations; importance of low costs; and productive working relationships with the Legislature, the Executive Branch, and others.

FISCAL YEAR 2018 PERFORMANCE

The fiscal year 2018 investment return for the South Dakota Retirement System (SDRS) was 7.9% net of investment management cost. This exceeded the Council's market index-based Capital Markets Benchmark (CMB) return of 7.3%. The largest contributors to the outperformance were the real estate, private equity and global equity categories. The largest detractor from performance relative to the CMB was a more conservative allocation to equities.

The net returns for the trust funds, which include School and Public Lands, Dakota Cement Trust, Health Care Trust, and Education Enhancement Trust, were 6.8%. The South Dakota Cash Flow Fund yield was 1.3%.

INVESTING FOR THE LONG TERM

The Council's goal is to add value over the long term compared to market indexes. Accomplishment of this goal for SDRS provides additional resources to pay retirement benefits for the more than 88,000 members. Added value for the trust funds and cash flow fund provides additional revenues to the state.

Results vary significantly from year to year with many interim periods of underperformance in the Council's history. Whether an individual year is good, bad, or average, it is important to be mindful that the Council invests for the long term and that actions taken in one year may impact performance several years down the road. Success has resulted primarily from adhering to strategies during the underperforming periods.

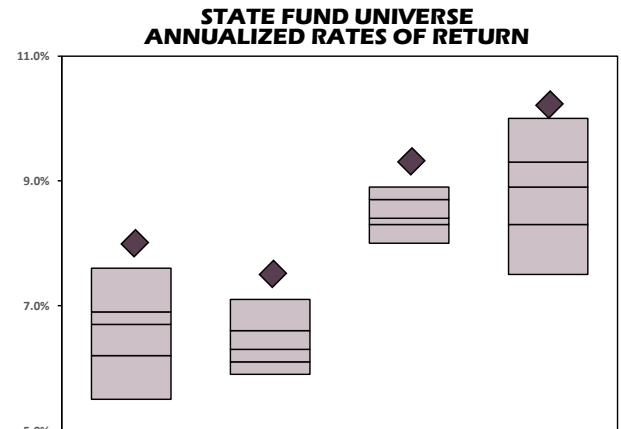
The Council invests in assets believed to be undervalued from a long-term perspective. The valuation process is based on the view that the worth of an asset is the present value of future cash flows. Internal research efforts focus on estimating future cash flows and assessing risk which impacts the rate used to discount cash flows to present value.

Disciplined adherence to the long-term value approach is essential. This is most difficult following underperforming periods. Performing the research function internally and using a sensible valuation process can strengthen conviction. Experience in prior difficult periods adds confidence. Contingency planning also improves the likelihood of adhering to the plan.

Risk is managed by diversifying across multiple asset categories and reducing exposure to expensive assets. Conventional statistical risk measures, such as standard deviation and correlation, help measure volatility and diversification. Conventional measures are good for understanding risk in normal times but tend to understate real-world frequency and magnitude of severe market declines. Since before the financial crisis, the Council has adjusted risk measures to better reflect risk during periods of market stress. Standard deviations are

increased to reflect higher frequency of severe declines, and correlations are adjusted to reflect that most asset categories are less diversifying during severe declines.

The Council has managed SDRS assets for the past 45 years. The return over the full period has exceeded other state retirement systems across the nation as shown on the following exhibit.



	10 Years 2009-2018	20 Years 1999-2018	30 years 1989-2018	45 Years 1974-2018
10th %tile	7.6	7.1	8.9	10.0
25th %tile	6.9	6.6	8.7	9.3
Median	6.7	6.3	8.4	8.9
75th %tile	6.2	6.1	8.3	8.3
90th %tile	5.5	5.9	8.0	7.5
◆ SDRS Fund	8.0	7.5	9.3	10.2
SDRS %tile Rank	1	1	1	1

SDRS total fund and capital markets benchmark returns can be found on page 8 of the annual report for every fiscal year since inception and various rolling time periods. Trust fund returns can be found in their respective sections.

RETURN EXPECTATIONS

The Council believes market return expectations should be based on forward-looking, long-term cash flows rather than extrapolation of past returns, which tend to relate inversely to future results. The Council began developing long-term expected returns in the early 1980's. The following exhibit shows expected returns resulting from the Council's process for bonds and stocks as of 6/30/82, 6/30/92, 6/30/02, and 6/30/18.

	Bonds*	S&P 500	S&P 500 Yield
Expected Long-Term Returns as of 6/30/82	14.4%	15.6%	6.2%
Actual Returns - 7/1/82 to 6/30/92	13.7%	18.3%	
Expected Long-Term Returns as of 6/30/92	7.1%	9.5%	3.0%
Actual Returns - 7/1/92 to 6/30/02	7.4%	11.5%	
Expected Long-Term Returns as of 6/30/02	4.8%	7.9%	1.6%
Actual Returns - 7/1/02 to 6/30/12	5.8%	5.3%	
Actual Returns - 7/1/02 to 6/30/18	4.3%	8.7%	
Expected Long-Term Returns as of 6/30/18	2.9%	7.2%	1.9%

*Expected returns are the 10-year Treasury yield. Actual returns are the FTSE Broad Investment-Grade (BIG) Index.

In 1982, bond yields were 14.4%, and the Council’s long-term expected return for stocks, based on projected dividends and growth, was 15.6%. Expected returns were high because markets were very cheap, having performed poorly for many years. Subsequent actual 10-year returns were 13.7% for bonds and 18.3% for stocks. By June 30, 1992, bond yields were 7.1%, and the expected stock return was 9.5%. Subsequent actual 10-year returns were 7.4% for bonds and 11.5% for stocks. As of June 30, 2002, expected returns were 4.8% for bonds and 7.9% for stocks. Subsequent actual returns for the 10 years through June 30, 2012, were 5.8% for bonds and 5.3% for stocks, and for the 16 years through June 30, 2018, were 4.3% for bonds and 8.7% for stocks.

As of June 30, 2018, expected returns were 2.9% for bonds and 7.2% for stocks. Low interest rates foreshadow very low future bond returns. The expected return for stocks is also lower than earned on average historically. The expected long-term return for the overall SDRS fund, which is diversified across several asset categories, was 6.2%. This excludes consideration of potential value added or detracted relative to index returns and impact of withdrawals to pay benefits. As SDRS matures, benefit payments are increasingly funded from investment earnings. These withdrawals are larger as a percentage of the fund when markets are depressed which reduces long-term growth.

The expected return is the mid-point of a range of possible outcomes. The one standard deviation range, which statistically encompasses the central two-thirds of potential outcomes, is 1.3% to 11.0% per annum for a ten-year horizon and 2.7% to 9.6% for a 20-year horizon.

Written in the depths of the financial crisis, the Council’s fiscal year 2008 Annual Report Transmittal Letter observed that massive injections of liquidity had been provided by governments across the globe to lessen the severity of the financial crisis. It was expected that deleveraging would eventually exhaust itself aided by low interest rates, stimulus, and the allure of bargain prices; and that if history was any guide, financial markets may recover in anticipation of later economic recovery. It was expressed that there were many challenges and potential headwinds to future economic growth, but that there have always been challenges to face. Additionally, future national and global economic policy mistakes may be made, but mistakes were also made in the past yet the economy still grew over time due to a strong work ethic, entrepreneurial spirit, and rapid pace of innovation. The belief was expressed that long-term optimism was warranted compared to then prevailing pessimism.

Looking forward from today, the prevailing pessimism of 2008 has been replaced by widespread optimism. Corporate profits are strong, unemployment is low, and markets are at record levels. These conditions are believed to have been aided by unprecedented stimulation by monetary policy makers around the world through low interest rates and quantitative easing. The wisdom of continuing high levels of stimulus is now receiving greater scrutiny. Sustained stimulus may have counterproductive long-term effects on incentives to save, investment in productive rather than financial activity, and creation of new financial bubbles. Steps toward gradual shrinkage of stimulus have now begun. Expensive valuations suggest muted long-term return prospects and heightened risk. A shift from stimulus tailwind to headwind may further increase risk.

History has shown that following large market increases, opportunities may be sparse for a time. Chasing lesser

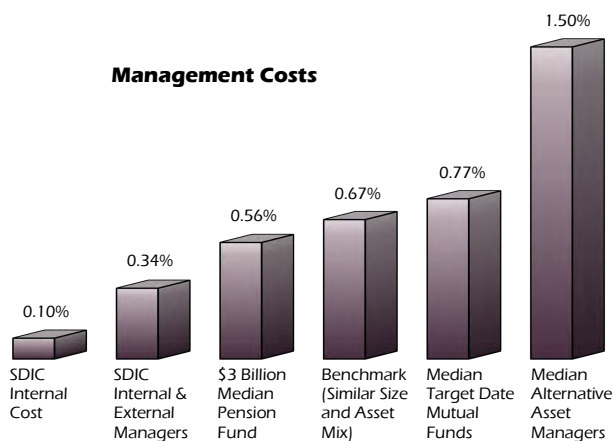
opportunities has tended to backfire when assets became much cheaper later. The lesson learned is to wait for worthwhile opportunities, and when absent, be satisfied with modest results until better opportunities come along.

IMPORTANCE OF LOW COSTS

The Investment Council manages the majority of assets internally to save money and to try to earn higher returns. Managing assets internally is cheaper than using external managers, especially for more expensive categories such as global equity, high yield, and arbitrage. Index funds are another low cost alternative but would preclude any opportunity to add value above index returns. The Council believes historic success of internal management efforts relate to greater focus on long-term value and increased conviction from performing research in-house.

The Council began investing in real estate and private equity partnerships in the mid 1990’s. Management costs are generally 1% to 2% of partnership assets per year. Partnership managers are also typically allocated 20% of profits. These investments can be more expensive than traditional external managers and much more expensive than the Council’s internal cost. Unlike traditional managers that buy and sell securities, partnership managers have hands-on involvement with underlying investments which complicates cost comparisons. Real estate partnership managers buy and manage underlying properties. Private equity partnership managers buy and operate whole companies. The Council evaluates partnership returns compared to traditional real estate and stock market indices. Partnership returns are net of all fees and profit allocations.

The following exhibit shows Council management costs compared to other funds.



Internal management cost is projected to average 0.10% of assets. Including external management, total cost is expected to average 0.34%. The total cost fluctuates from year to year primarily due to variation in amounts invested in partnerships, and in some cases, the return of partnership fees if the investment is profitable. This compares to the median industry cost of 0.56% and benchmark cost of 0.67%, which is the median industry cost adjusted for fund size and asset mix. The difference of 0.33% versus the benchmark results in approximately \$49 million of savings per year. Compounding these savings over many years can result in hundreds of millions of dollars.

A TEAM EFFORT

The Investment Council’s historic success has been a team effort. Consistent support by the Legislature, the Executive Branch, and others over multiple decades has allowed the Council to pursue a long-term investment approach and implement a long-term business plan to develop an internal investment team. The Council recognizes the unique challenges and patience required to support an internal investment organization and long-term investment approach. The Council is very appreciative of the significant efforts of Legislators, the Governor and his team, and their predecessors, to provide the Council with the opportunity to succeed.

The Council benefits from cooperative relationships with other state entities related to the funds managed, including the South Dakota Retirement System, the State Treasurer’s Office,

the School and Public Lands’ Office, and the Bureau of Finance and Management. The Council also benefits from important contributions by the Legislative Research Council, the Attorney General’s Office, the Department of Legislative Audit, the Bureau of Information and Telecommunications, and other agencies.

The Council believes its strengths of a disciplined focus on long-term investment value, an exceptionally supportive environment, and a stable internal investment team will serve us well in the decades to come.

Respectfully submitted by:

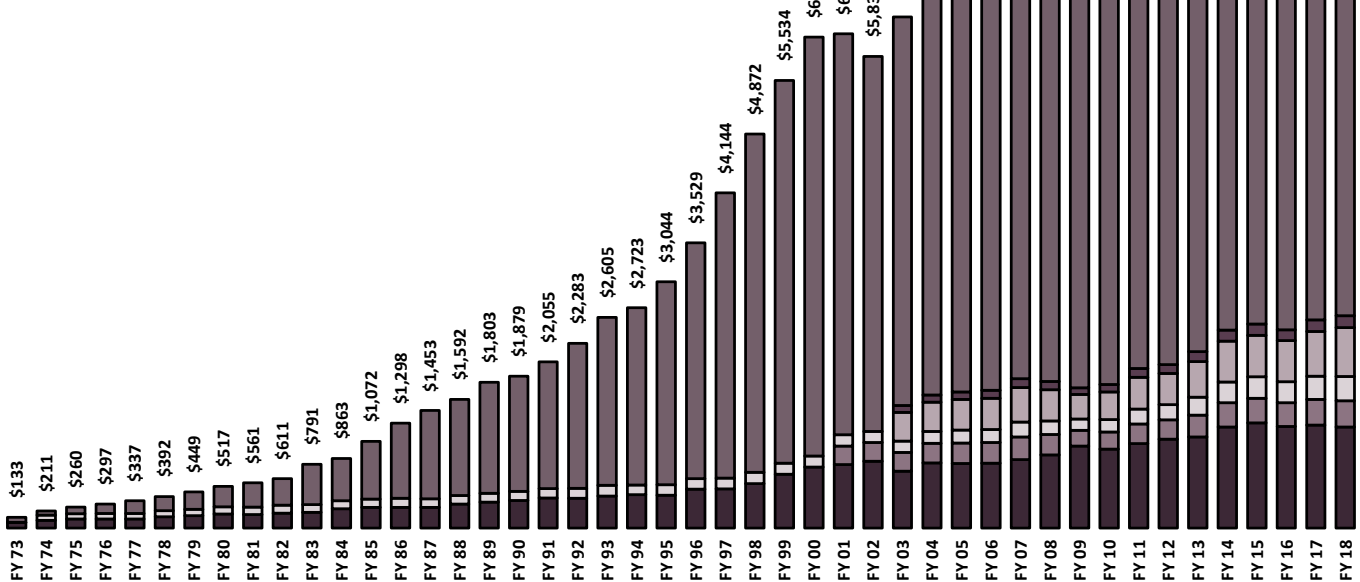
Steve T. Kirby, Chair
South Dakota Investment Council

Matthew L. Clark, CFA
State Investment Officer

**South Dakota Investment Council
Assets Managed
Fiscal Years 1973 to 2018**

Assets as of June 30, 2018
\$ in Millions

South Dakota Retirement System ²⁸	\$ 12,222.5	82.3%
Health Care Trust Fund	147.1	1.0%
Education Enhancement Trust Fund	602.7	4.1%
School & Public Lands Fund	302.2	2.0%
Dakota Cement Trust Fund	325.5	2.2%
South Dakota Cash Flow Fund	1,248.7	8.4%
	<u>\$ 14,848.7</u>	<u>100.0%</u>



Steve T. Kirby, Chair**

President/Founding Partner
Bluestem Capital Company
Sioux Falls

Loren G. Koepsell* **

Assistant Professor-Business Administration
Augustana University
Sioux Falls

Paul J. Bisson

President, Retired
Wells Fargo Bank
Sturgis

Richard L. Sattgast*

State Treasurer
State of South Dakota
Pierre

Lorin L. Brass, Vice-Chair**

Dir of Strategy & Business Development, Retired
Royal Dutch Shell plc
Lennox

Jeffrey L. Nelson*

General Manager, Retired
East River Electric Power Cooperative
Wentworth

Ryan L. Brunner

Commissioner of School & Public Lands
State of South Dakota
Pierre

Robert A. Wylie

Executive Director
South Dakota Retirement System
Pierre

*Denotes member of Audit Committee

**Denotes member of Compensation Committee

History

- Established by the South Dakota Legislature in 1971. Operations began on July 1, 1972.

Membership

- Consists of eight voting members.
- South Dakota law stipulates that, *"The members of the state investment council shall be qualified by training and experience in the field of investment or finance."*
- Five members are chosen by the Executive Board of the Legislative Research Council, a bipartisan board composed of members from both houses of the Legislature, to serve rolling five-year terms.
- Three members serve ex officio: the State Treasurer, the Commissioner of School & Public Lands, and the Executive Director of the South Dakota Retirement System.

Responsibilities

- Select and evaluate State Investment Officer.
- Develop investment policy and establish asset allocation guidelines for the long term.
- Monitor implementation of investment process.
- Oversee audit process through Audit Committee.
- Comply with and monitor Code of Ethics and Personal Investing Guidelines.
- Approve annual budget and long-term plan.

Investment Policy

- Abide by Prudent-Man Standard as defined by South Dakota Codified Law 4-5-27 below.

Any investments under the provisions of SDCL 4-5-12 to 4-5-39, inclusive, shall be made with the exercise of that degree of judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation but for investment, considering the probable safety of their capital as well as the probable income to be derived.

Investment Council Staff

- Staff includes 28 investment professionals across a variety of asset classes, four investment accountants, two administrative staff, and one part-time legal counsel. Twenty of the investment professionals are Chartered Financial Analyst® charterholders. The investment accountants are Certified Public Accountants.
- The function of the staff is to advise and recommend investment policies and strategies to the Investment Council and to implement the Investment Council's adopted investment policies.

THE FUND

The South Dakota Retirement System (SDRS) provides retirement, disability, and survivor benefits to over 88,000 South Dakota public employees. SDRS is a cost-sharing, multiple-employer public retirement system funded through member and employer contributions and investment income. Per state statute, the South Dakota Investment Council (Council) is responsible for managing SDRS investment assets. This section discusses investment objectives and intermediate and long-term results. Detailed information about SDRS can be found on their website, www.sdrs.sd.gov.

INVESTMENT OBJECTIVES

The primary investment objective for SDRS assets is to achieve and exceed over the long term the return of the Council's capital markets benchmark. Accomplishment of this objective provides the best opportunity to earn returns sufficient to maintain the financial strength of SDRS. An estimate of the long-term return of the benchmark is used by the SDRS actuary to assess the funding status of SDRS. If investment markets prove disappointing or the Council underperforms, benefit reductions may be statutorily required.

The capital markets benchmark reflects the Council's benchmark asset allocation applied to index returns for each asset category. The key investment policy decision relates to asset allocation as discussed in the SDRS Asset Allocation Focus on page 7. The index-based capital markets benchmark is believed to represent

a challenging comparison as the average investor tends to underperform market indexes over time due to management fees and transactions costs.

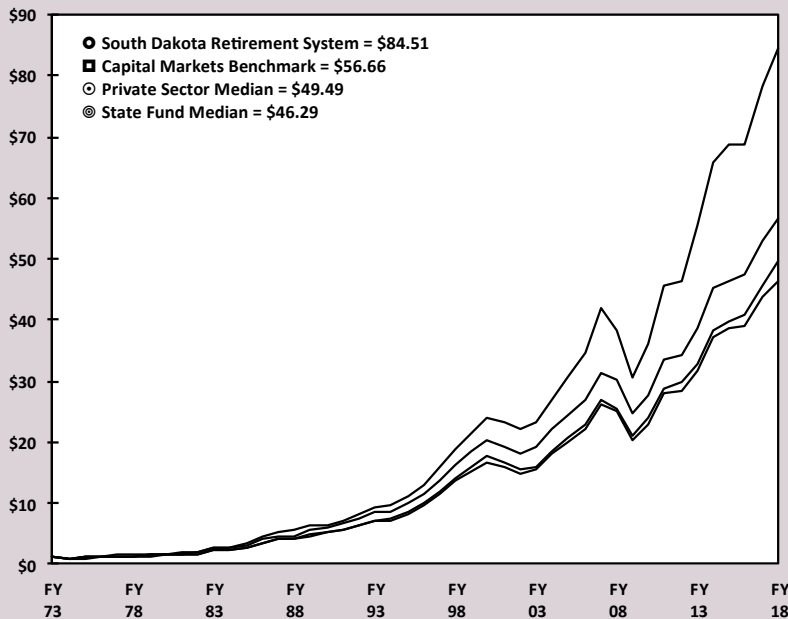
This objective has been achieved for the majority of rolling 5 and 10-year periods and all 20-year and 30-year periods. The following table summarizes SDRS total fund performance versus the Council's capital markets benchmark. A complete listing of rolling 5, 10, 20, and 30-year return comparisons is located on page 8.

SDRS Total Fund versus Capital Markets Benchmark				
	<u>5 years</u>	<u>10 years</u>	<u>20 years</u>	<u>30 years</u>
# of Successes	35	33	26	16
# of Periods	41	36	26	16
% of Success	85%	92%	100%	100%

A secondary objective is to achieve and exceed over the long term the median return earned by peer funds. Comparison to peer funds can help in assessing performance as most peer funds have similar long-term return objectives. The following table shows that SDRS returns have exceeded the median state fund results for the majority of rolling 5-year periods and all 10, 20, and 30-year timeframes.

SDRS Total Fund versus State Fund Median				
	<u>5 years</u>	<u>10 years</u>	<u>20 years</u>	<u>30 years</u>
# of Successes	39	36	26	16
# of Periods	41	36	26	16
% of Success	95%	100%	100%	100%

Growth of a Dollar



The chart to the left shows that compounding superior returns over the long term can really add up. A dollar invested at SDRS returns starting in 1973 would have increased to \$84.51 by June 30, 2018. A dollar invested in the Council's Capital Markets Benchmark would have grown to \$56.66. A dollar invested in the typical private sector pension plan and state fund would have grown to \$49.49 and \$46.29, respectively.

Asset Allocation Focus

Allocation of assets to categories may be the most impactful investment decision. The Council establishes a benchmark asset allocation which considers expected long-term returns and risk. Categories included in the benchmark are those that are significant in size and can be passively implemented. These include global equity, real estate, high yield debt, investment grade debt, and cash. The Council's capital markets benchmark is based on the benchmark asset allocation and is intended to represent what is achievable through index funds without requiring exceptional skill. The capital markets benchmark is used to compare against actual results to assess whether value has been added. The benchmark is viewed as a challenging hurdle as it is difficult for most investors to exceed index returns. The Council also establishes a minimum and maximum for each category. Niche or skill-based categories are not included in the benchmark but can have a permitted range for when it is believed that valuation of a category is depressed or if superior managers have been identified.

Use of multiple asset categories can complicate understanding of total fund risk as categories may have varying sensitivities to changing economic and market conditions. When the Council began managing assets in the early 1970's, most institutional portfolios consisted of bonds, some stocks, and cash. Investors back then could understand the level of risk by simply looking at the percentage invested in stocks. To help in understanding the risk of today's more complicated portfolios, the Council focuses on equity-like and bond-like risk. Equity-like risk is the percentage invested in stocks plus any embedded equity exposure of other categories, particularly during times of market stress. Bond-like risk is the percentage invested in investment grade bonds plus any embedded bond exposure of other categories. The benchmark equity-like risk is 70% with a permitted range of 50% to 85%. The benchmark bond-like risk is 27% with a permitted range of 15% to 50%. There are also ranges around the benchmark allocation to individual asset categories.

The valuation process which drives allocations within the ranges is based on the present value of estimated future cash flows. Internal research efforts focus on estimating cash flows and risk-based discount rates.

Conventional statistical measures of risk are calculated. These include standard deviation as a measure of volatility and correlation as a measure of the degree that categories provide diversification. Conventional measures are helpful for understanding risk in normal times but can understate real-world frequency and magnitude of severe declines. The Council adjusts statistical measures to better reflect risk during severe declines. Liquidity is monitored to minimize risk of forced liquidations.

On June 30, 2018, the target equity-like risk of the SDRS fund was 50% compared to the fiscal year 2018 capital markets benchmark level of 70.0%. The actual level can fluctuate within a small rebalance band around the target. The equity-like risk target is at the minimum due to unattractive valuation.

The expected long-term return for the benchmark allocation as of June 30, 2018, was 6.2%. The actual portfolio can be significantly different than the benchmark at any point in time, but the long-term average level of equity-like risk is expected to be close to the 70% benchmark level. The expected return for the benchmark excludes any potential value added or detracted relative to index returns resulting from actively managing the fund. The estimated rate of inflation embedded in the expected return was 2.3%. Standard deviation was estimated to be 15.4% after adjustments to capture real-world frequency of adverse events. These statistics indicate a 66% chance the return for any year would be between (9.2%) and 21.6% and a 95% chance the return would be between (24.6%) and 37.0%.

The greatest risk to markets may be unsustainable buildup of global debt. The consequence is likely muted growth and heightened risk of eventual inflation to inflate away the debt or deflationary debt liquidation. The Council is mindful of these risks as it continues to invest for the long term.

**Fiscal Year 2018
Asset Allocation Policy Summary**

Asset Category	CMB Allocation	Min - Max Range
Global Equity	58%	25% - 75%
Real Estate	10%	2% - 20%
High Yield Debt (Corporate)	7%	0% - 15%
Investment Grade FI	23%	13% - 50%
Cash	2%	0% - 50%
Private Equity	0%	0% - 12%
Opportunistic Real Estate	0%	0% - 15%
High Yield Debt (Real Estate)	0%	0% - 10%
Aggressive Absolute Return	0%	0% - 5%
TIPS	0%	0% - 5%
Commodities	0%	0% - 5%
Merger Arbitrage	0%	0% - 10%
Convertible Arbitrage	0%	0% - 5%

SDRS Total Fund Performance¹⁰⁻¹³

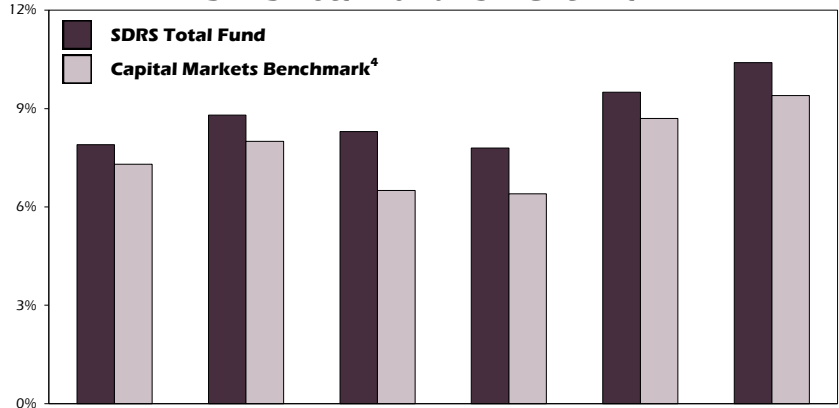
Fiscal Year	1 Year		5 Years		10 Years		20 Years		30 Years		45 Years	
	SDRS	Bench	SDRS	Bench	SDRS	Bench	SDRS	Bench	SDRS	Bench	SDRS	Bench
2018	7.9%	7.3%	8.8%	8.0%	8.3%	6.5%	7.8%	6.4%	9.5%	8.7%	10.4%	9.4%
2017	13.8%	11.0%	11.1%	9.1%	6.5%	5.3%	8.4%	6.9%	9.5%	8.5%		
2016	0.3%	2.9%	8.6%	7.3%	7.2%	5.9%	8.7%	7.3%	9.6%	8.6%		
2015	4.2%	2.1%	13.7%	11.0%	8.5%	6.7%	9.5%	7.9%	10.4%	9.3%		
2014	18.9%	17.5%	16.7%	12.9%	9.4%	7.5%	10.0%	8.7%	11.3%	10.2%		
2013	19.5%	12.7%	7.7%	5.0%	9.2%	7.3%	9.3%	7.9%	10.7%	9.6%		
2012	1.9%	2.0%	2.1%	1.7%	7.8%	6.6%	9.1%	7.9%	11.4%	10.4%		
2011	25.8%	22.1%	5.7%	4.6%	7.0%	5.7%	9.7%	8.4%	11.4%	10.4%		
2010	18.7%	11.1%	3.5%	2.6%	4.3%	3.1%	9.0%	7.8%	10.8%	9.9%		
2009	(20.4%)	(18.0%)	2.5%	2.3%	3.6%	2.9%	8.2%	7.9%	10.5%	9.9%		
2008	(8.7%)	(4.2%)	10.6%	9.6%	7.4%	6.3%	10.2%	9.8%	11.6%	11.0%		
2007	21.4%	17.6%	13.8%	11.7%	10.3%	8.6%	11.1%	10.1%	12.0%	11.2%		
2006	13.1%	10.7%	8.3%	6.8%	10.3%	8.7%	10.8%	10.0%	11.8%	10.9%		
2005	13.3%	9.6%	5.1%	3.6%	10.6%	9.2%	11.4%	10.7%	11.7%	10.9%		
2004	16.6%	15.5%	4.6%	3.6%	10.7%	9.9%	12.3%	11.6%	11.8%	11.0%		
2003	5.0%	5.4%	4.2%	3.2%	9.5%	8.6%	11.4%	10.7%	11.0%	10.3%		
2002	(4.9%)	(5.8%)	6.9%	5.6%	10.6%	9.2%	13.2%	12.3%				
2001	(2.9%)	(5.1%)	12.3%	10.6%	12.5%	11.2%	13.6%	12.8%				
2000	10.8%	9.7%	16.5%	15.1%	13.9%	12.8%	14.3%	13.5%				
1999	14.6%	13.3%	17.2%	16.6%	13.0%	13.1%	14.1%	13.5%				
1998	19.3%	18.4%	15.1%	14.2%	13.0%	13.4%	13.8%	13.3%				
1997	21.3%	18.9%	14.3%	12.9%	11.9%	11.6%	12.9%	12.5%				
1996	16.7%	15.5%	12.8%	11.8%	11.3%	11.3%	12.5%	12.0%				
1995	14.1%	16.9%	11.3%	10.5%	12.2%	12.2%	12.3%	11.8%				
1994	4.8%	2.4%	9.0%	9.7%	13.9%	13.2%	12.4%	11.6%				
1993	15.2%	11.8%	10.9%	12.5%	13.4%	13.0%	11.8%	11.2%				
1992	13.4%	12.9%	9.5%	10.2%	16.0%	15.5%						
1991	9.3%	9.2%	9.9%	10.9%	14.7%	14.4%						
1990	3.0%	12.5%	13.2%	13.9%	14.7%	14.1%						
1989	14.2%	16.4%	18.9%	16.9%	15.2%	13.9%						
1988	8.0%	0.7%	15.9%	13.4%	14.7%	13.3%						
1987	15.3%	16.6%	22.8%	21.1%	14.0%	13.4%						
1986	26.7%	24.7%	19.8%	18.0%	13.7%	12.6%						
1985	31.8%	28.2%	16.2%	14.4%	12.4%	11.3%						
1984	0.7%	(0.1%)	11.6%	11.0%	10.9%	10.0%						
1983	44.1%	39.6%	13.4%	13.2%	10.2%	9.5%						
1982	1.8%	2.8%	5.8%	6.2%								
1981	8.8%	6.6%	8.0%	7.4%								
1980	7.6%	10.4%	8.7%	8.3%								
1979	9.3%	10.2%	10.3%	9.1%								
1978	1.7%	1.4%	7.0%	5.9%								
1977	12.9%	8.6%										
1976	12.2%	11.2%										
1975	15.8%	14.2%										
1974	(5.9%)	(4.8%)										

The chart to the left shows the annualized total rate of returns for 1, 5, 10, 20, 30, and 45 years through fiscal year 2018 for the Total Fund. The Capital Markets Benchmark⁴ is provided for comparison.

The one-year Total Fund returns above the solid demarcation line are net-of-fees, the returns below are gross-of-fees.

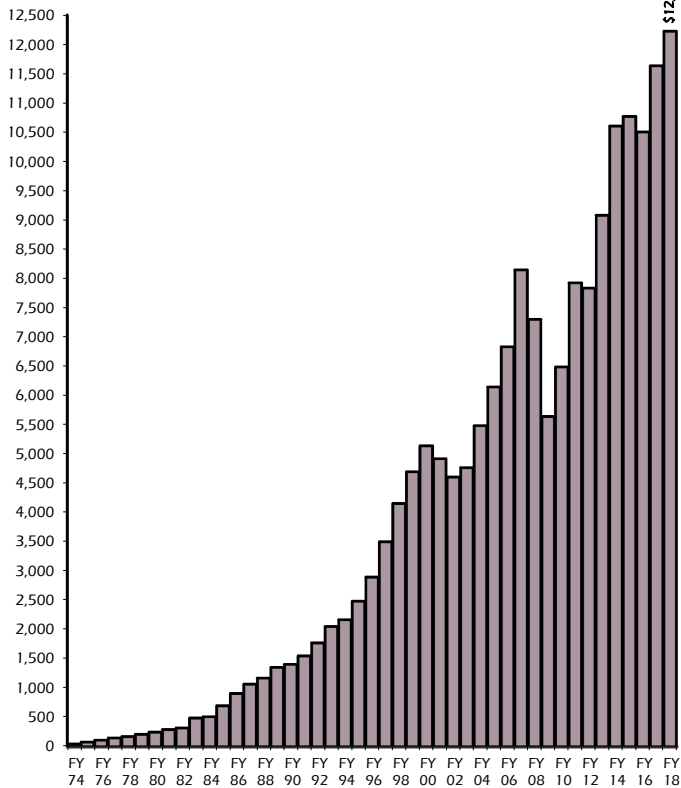
Past performance is no guarantee of future results.

SDRS Total Fund vs. Benchmark

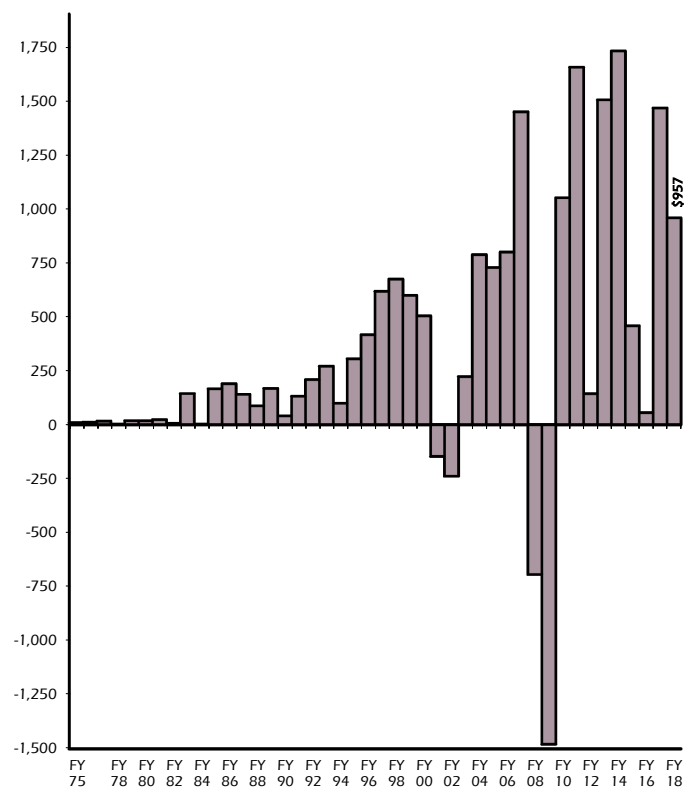


	1 Year	5 Years	10 Years	20 Years	30 Years	45 Years
SDRS	7.9%	8.8%	8.3%	7.8%	9.5%	10.4%
Benchmark	7.3%	8.0%	6.5%	6.4%	8.7%	9.4%
Difference	0.6%	0.8%	1.8%	1.4%	0.8%	1.0%

Asset Growth²³ (\$ in millions)



Investment Income²⁴ (\$ in millions)



Cash Flows and Fair Value Changes

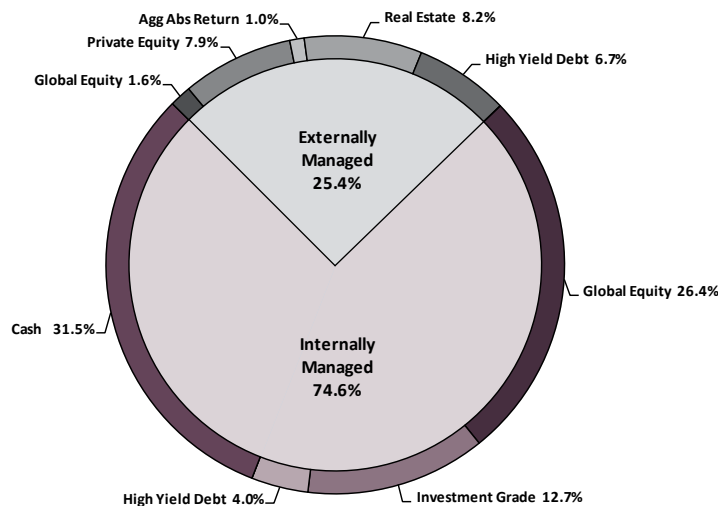
The South Dakota Retirement System began fiscal year 2018 with \$11.632 billion in assets. During the fiscal year, net contributions/withdrawals and fees decreased the fund by \$366.5 million and investment income increased it by \$957.1 million, resulting in an ending fair value of \$12.222 billion.

Fair Value 6/30/17		\$ 11,631,821,407
Increases/Decreases		
Net Contributions/Withdrawals	\$ (321,020,954)	
Internal Management Fees	(11,235,502)	
External Management Fees	<u>(34,216,179)</u>	
Total Increases/Decreases		\$ (366,472,635)
Investment Income		
Securities Income		
Interest Income	\$ 102,434,882	
Dividend Income	127,930,249	
Securities Lending Income	1,049,557	
Real Estate Income	54,443,520	
Change in Accrued Income	<u>4,073,022</u>	
Total Securities Income		\$ 289,931,230
Total Capital Gain/Loss Income		<u>\$ 667,191,569</u>
Total Investment Income		\$ 957,122,799
Fair Value 6/30/18		<u>\$ 12,222,471,571</u>

Asset Allocation⁸

As of June 30, 2018, South Dakota Retirement System assets totaled \$12.222 billion. The broad asset categories and managers are listed below. The Capital Markets Benchmark allocation is also provided for comparison. The chart shows the asset allocation of the broad asset categories of the South Dakota Retirement System broken out by internally and externally managed.

	<u>Fair Value Excluding Futures</u>		<u>% of Fund Excluding Futures</u>		<u>Futures Exposure</u>	<u>Fair Value with Futures</u>	<u>% of Fund with Futures</u>	<u>Capital Markets Benchmark %</u>
Global Equity								
Internal Global Equity	\$ 4,522,956,124		37.0%					
Internal Global Emerging Markets	140,315,000		1.1%					
Internal Small/Mid Equity	655,309,333		5.4%					
Brandes	68,426,814		0.6%					
Dimensional Fund Advisors	56,363,041		0.5%					
Sanders Capital Equity Index Futures	<u>62,399,962</u>	\$ 5,505,770,274	<u>0.5%</u>	45.1%	\$(2,089,067,345)	\$ 3,416,702,929	28.0%	58.0%
Private Equity								
Blackstone Capital Partners	\$ 155,713,724		1.3%					
Blackstone Energy Partners	47,549,420		0.4%					
Capital International	40,693,525		0.3%					
Carlyle	107,197,532		0.9%					
Cinven	107,578,074		0.9%					
CVC	31,586,203		0.3%					
Cypress	28,689		0.0%					
Doughty Hanson	11,194,143		0.1%					
Elevation	101,236		0.0%					
EnCap Energy Capital	3,146,103		0.0%					
KKR	461,546		0.0%					
PineBridge	3,208,907		0.0%					
Riverstone	185,310,496		1.5%					
Silver Lake	<u>266,031,774</u>	959,801,372	<u>2.2%</u>	7.9%		959,801,372	7.9%	0.0%
Aggressive Absolute Return								
Bridgewater	\$ 93,545,448		0.8%					
Sanders Capital	<u>31,112,598</u>	124,658,046	<u>0.2%</u>	1.0%		124,658,046	1.0%	0.0%
Real Estate								
Ares Management	\$ 4,063,149		0.0%					
Blackstone Real Estate Partners	591,458,104		4.8%					
Brookfield Strategic Partners ²⁵	(780,621)		0.0%					
Cargill N.A. Real Estate Partners	340,379		0.0%					
Doughty Hanson	845,972		0.0%					
Lone Star	206,457,245		1.6%					
Rockpoint	108,173,836		0.9%					
Starwood	<u>104,241,224</u>	1,014,799,288	<u>0.9%</u>	8.2%		1,014,799,288	8.2%	10.0%
Investment Grade Fixed Income								
Internal Investment Grade	\$ <u>1,025,016,148</u>	1,025,016,148	<u>8.4%</u>	8.4%				
Treasury Financial Futures					528,657,725	1,553,673,873	12.7%	23.0%
High Yield Debt (Corporate & Real Estate)								
Internal High Yield	\$ 490,168,214		4.0%					
CarVal	22,989,263		0.2%					
TCW	<u>789,239,140</u>	1,302,396,617	<u>6.5%</u>	10.7%		1,302,396,617	10.7%	7.0%
Cash & Cash Equivalents								
Internal Shift Account	\$ <u>2,290,029,826</u>	<u>2,290,029,826</u>	<u>18.7%</u>	<u>18.7%</u>				
Cash From Futures					<u>1,560,409,620</u>	<u>3,850,439,446</u>	<u>31.5%</u>	<u>2.0%</u>
Total		<u>\$12,222,471,571</u>	<u>100.0%</u>		<u>\$ 0</u>	<u>\$12,222,471,571</u>	<u>100.0%</u>	<u>100.0%</u>



SDRS Internal Bond Portfolio Performance

Fiscal Year	1 Year		5 Years		10 Years		20 Years		30 Years		45 Years	
	SDRS	Bench	SDRS	Bench	SDRS	Bench	SDRS	Bench	SDRS	Bench	SDRS	Bench
2018	(0.5%)	(0.4%)	2.3%	2.3%	4.2%	3.8%	5.1%	4.9%	6.9%	6.4%	7.9%	7.4%
2017	(0.4%)	(0.3%)	2.4%	2.2%	5.1%	4.6%	5.8%	5.5%	7.2%	6.7%		
2016	6.1%	6.0%	3.9%	3.8%	5.8%	5.2%	6.3%	6.0%	7.5%	6.9%		
2015	2.4%	1.9%	3.6%	3.3%	5.1%	4.6%	6.3%	6.0%	7.9%	7.3%		
2014	4.2%	4.3%	5.0%	4.7%	5.8%	5.2%	6.9%	6.5%	8.7%	8.2%		
2013	(0.3%)	(0.6%)	6.0%	5.3%	5.5%	4.9%	6.7%	6.2%	8.5%	8.1%		
2012	7.1%	7.5%	7.8%	7.0%	7.0%	6.3%	7.5%	6.9%	9.5%	9.1%		
2011	4.7%	3.7%	7.7%	6.7%	6.8%	6.3%	7.9%	7.2%	9.7%	9.3%		
2010	9.8%	9.0%	6.7%	6.0%	7.4%	7.0%	8.2%	7.5%	9.2%	8.9%		
2009	9.2%	7.1%	6.5%	5.8%	6.8%	6.5%	8.1%	7.5%	8.9%	8.7%		
2008	8.4%	7.8%	4.9%	4.6%	6.1%	6.1%	8.3%	7.7%	8.9%	8.8%		
2007	6.5%	6.1%	6.1%	5.7%	6.5%	6.4%	8.3%	7.8%	8.6%	8.5%		
2006	(0.2%)	0.2%	6.0%	5.8%	6.9%	6.7%	8.4%	7.7%	8.9%	8.7%		
2005	9.1%	7.9%	8.1%	8.1%	7.5%	7.4%	9.3%	8.7%	9.4%	9.1%		
2004	1.3%	1.3%	7.1%	7.2%	8.0%	7.8%	10.3%	9.7%	9.6%	9.3%		
2003	14.4%	13.4%	7.3%	7.6%	7.8%	7.5%	10.1%	9.7%	9.6%	9.1%		
2002	5.9%	7.0%	7.0%	7.1%	8.0%	7.4%	10.8%	10.5%				
2001	10.0%	11.2%	7.8%	7.7%	9.0%	8.1%	11.1%	10.8%				
2000	4.3%	3.8%	7.0%	6.7%	9.1%	8.1%	10.1%	9.9%				
1999	2.4%	2.9%	8.9%	8.4%	9.5%	8.5%	10.0%	9.9%				
1998	12.6%	11.2%	8.3%	7.5%	10.5%	9.4%	10.3%	10.1%				
1997	9.9%	9.6%	9.0%	7.7%	10.1%	9.1%	9.6%	9.6%				
1996	5.9%	6.2%	10.2%	8.6%	9.9%	8.7%	9.9%	9.8%				
1995	14.0%	12.5%	11.3%	9.5%	11.1%	10.1%	10.3%	10.0%				
1994	(0.1%)	(1.2%)	10.1%	8.6%	12.6%	11.6%	10.4%	10.0%				
1993	16.1%	12.0%	12.7%	11.4%	12.4%	12.0%	10.5%	9.9%				
1992	16.3%	14.2%	11.2%	10.6%	13.7%	13.7%						
1991	11.1%	10.8%	9.5%	8.9%	13.2%	13.5%						
1990	7.9%	7.7%	10.9%	10.6%	11.1%	11.7%						
1989	12.5%	12.2%	15.1%	14.8%	10.5%	11.3%						
1988	8.6%	8.2%	12.1%	12.6%	10.1%	10.9%						
1987	7.5%	5.6%	16.2%	16.8%	9.1%	10.1%						
1986	18.5%	19.8%	17.0%	18.4%	9.9%	10.8%						
1985	29.9%	30.0%	11.2%	12.9%	9.5%	9.9%						
1984	(1.6%)	1.7%	6.0%	7.9%	8.2%	8.4%						
1983	30.5%	30.0%	8.1%	9.2%	8.7%	7.9%						
1982	11.2%	12.8%	2.4%	3.8%								
1981	(8.1%)	(5.4%)	3.3%	3.7%								
1980	2.2%	3.8%	7.9%	7.0%								
1979	8.3%	7.6%	10.4%	8.8%								
1978	(0.4%)	1.0%	9.3%	6.6%								
1977	15.9%	12.4%										
1976	14.2%	10.5%										
1975	14.9%	12.9%										
1974	3.1%	(2.9%)										

The chart to the left shows the annualized total rate of returns for 1, 5, 10, 20, 30, and 45 years through fiscal year 2018 for the Internal Bond Portfolio. The Fixed Income Benchmark² is provided for comparison.

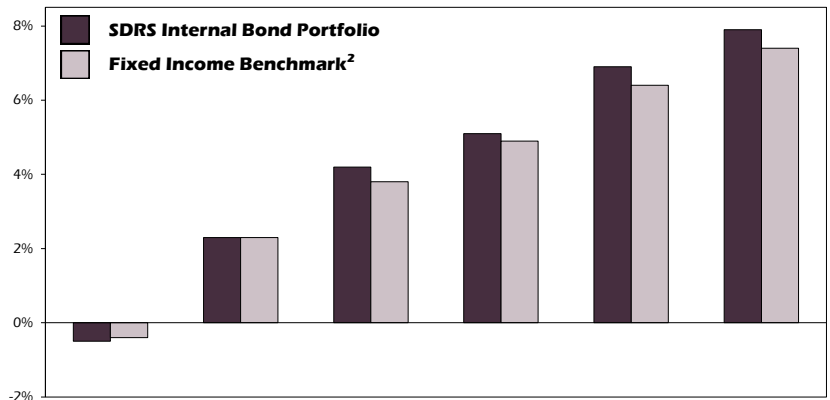
The one-year returns above the solid demarcation line include both bonds and allocated cash reserves; the returns below are bonds only with no allocated cash reserves.

Prior to fiscal year 2007, the investment grade and high yield bonds were managed together. On July 1, 2006, they were separated and are now managed individually. The one-year returns below the dotted demarcation line reflect the investment grade and high yield returns; the returns above are investment grade-only returns. The high yield-only returns are presented on the next page.

Characteristic	SDRS	Bond Index ¹
Yield to Maturity	3.31%	3.31%
Average Maturity	5.25 yrs	8.27 yrs
Duration	5.53 yrs	6.23 yrs

The Bond Index is presented for comparative purposes.

SDRS Internal Bond Portfolio vs. Benchmark



	1 Year	5 Years	10 Years	20 Years	30 Years	45 Years
SDRS	(0.5%)	2.3%	4.2%	5.1%	6.9%	7.9%
Benchmark	(0.4%)	2.3%	3.8%	4.9%	6.4%	7.4%
Difference	(0.1%)	0.0%	0.4%	0.2%	0.5%	0.5%

SDRS Internal High Yield Bond Portfolio Performance

Fiscal Year	1 Year		2 Years		3 Years		5 Years		10 Years		12 Years	
	SDRS	Bench	SDRS	Bench	SDRS	Bench	SDRS	Bench	SDRS	Bench	SDRS	Bench
2018	10.2%	2.7%	16.3%	7.3%	7.0%	5.1%	3.7%	5.1%	7.2%	7.7%	6.6%	7.3%
2017	22.7%	12.0%	5.4%	6.3%	(0.2%)	3.9%	3.9%	6.3%	6.2%	7.5%		
2016	(9.6%)	0.9%	(10.1%)	0.0%	(4.0%)	3.6%	1.5%	5.5%	4.8%	7.3%		
2015	(10.6%)	(0.8%)	(1.1%)	5.0%	3.0%	6.3%	6.7%	8.2%				
2014	9.5%	11.2%	10.5%	10.0%	10.1%	9.3%	12.7%	12.2%				
2013	11.5%	8.9%	10.4%	8.4%	12.2%	10.5%	10.8%	10.4%				
2012	9.2%	7.9%	12.6%	11.3%	14.2%	13.7%	8.5%	8.8%				
2011	16.0%	14.8%	16.7%	16.8%	11.2%	11.8%	8.2%	9.1%				
2010	17.5%	18.9%	8.8%	10.3%	5.8%	7.2%						
2009	0.7%	2.3%	0.4%	1.8%	2.8%	4.2%						
2008	0.1%	1.2%	3.8%	5.2%								
2007	7.7%	9.2%										

The chart to the left shows the annualized total rate of returns for 1, 2, 3, 5, 10 and 12 years through fiscal year 2018 for the Internal High Yield Bond Portfolio. The High Yield benchmark² is provided for comparison.

On July 1, 2006, the investment grade and high yield bonds were separated and are now managed individually.

Internal Bond Profiles

The South Dakota Retirement System's internal Investment Grade (IG) and High Yield (HY) bond portfolio characteristics as of June 30, 2018, are presented below.

Distribution by Duration

	IG	HY	Distribution by Quality Rating	IG	HY
0 to 2 Years	7.1%	23.3%	U.S. Gov't/Aaa	63.8%	2.7%
2 to 3 Years	3.5%	8.2%	Aa	6.8%	0.0%
3 to 4 Years	13.6%	19.6%	A	12.4%	0.0%
4 to 5 Years	13.9%	25.8%	Baa	16.2%	0.2%
5 to 6 Years	17.7%	19.6%	Ba	0.8%	31.0%
6 to 8 Years	32.9%	3.5%	B	0.0%	40.2%
Above 8 Years	11.3%	0.0%	Caa and lower	0.0%	25.9%
Total	100.0%	100.0%	Total	100.0%	100.0%

Distribution by Coupon

	IG	HY	Distribution by Sector	IG	HY
0.00% - 2.00%	28.2%	8.5%	Cash/Cash Equivalents	0.3%	2.7%
2.01% - 3.00%	30.8%	0.3%	U.S. Treasuries	25.7%	0.0%
3.01% - 4.00%	31.6%	1.3%	Agency Debentures	6.2%	0.0%
4.01% - 6.00%	9.1%	43.4%	Agency Mortgage-Backed Securities	30.2%	0.0%
6.01% - 7.00%	0.3%	22.6%	Investment Grade Corporates	36.8%	0.2%
7.01% - 8.00%	0.0%	13.1%	High Yield Securities	0.8%	97.1%
8.01% and over	0.0%	10.8%			
Total	100.0%	100.0%	Total	100.0%	100.0%

Investment Grade Bond Portfolio Ten Largest Corporates by Issuer

	% of Total	High Yield Bond Portfolio Ten Largest Corporates by Issuer	% of Total
Ontario (Province Of)	1.6%	Hornbeck Offshore Services, Inc.	3.6%
Walmart, Inc.	1.3%	Bristow Group, Inc.	3.2%
Philip Morris International, Inc.	1.3%	Frontier Communications Corp.	3.1%
Morgan Stanley	1.3%	California Resources Corp.	2.7%
Williams Cos, Inc.	1.2%	Bausch Health Cos., Inc.	1.6%
BP plc	1.2%	CSC Holdings LLC.	1.6%
Quebec (Province Of)	1.2%	CenturyLink, Inc.	1.5%
Verizon Communications	1.1%	CCO Holdings LLC	1.5%
Wells Fargo & Co.	1.1%	Lee Enterprises, Inc.	1.4%
Apple, Inc.	1.1%	MEG Energy Corp.	1.1%
Total	12.4%	Total	21.3%

SDRS Combined Internal Equity Portfolio Performance

Fiscal Year	1 Year		5 Years		10 Years		20 Years		30 Years		45 Years	
	SDRS	Bench	SDRS	Bench	SDRS	Bench	SDRS	Bench	SDRS	Bench	SDRS	Bench
2018	12.8%	12.5%	11.4%	11.5%	9.9%	8.0%	6.9%	6.2%	9.8%	9.7%	11.6%	10.3%
2017	22.5%	19.0%	14.0%	12.8%	6.0%	5.5%	7.4%	6.8%	9.3%	9.0%		
2016	(2.9%)	(0.1%)	9.3%	8.7%	6.0%	5.9%	7.8%	7.2%	9.2%	9.2%		
2015	2.9%	3.6%	15.6%	14.7%	7.6%	7.3%	9.3%	8.4%	10.4%	10.3%		
2014	24.1%	24.4%	18.5%	16.6%	8.3%	7.9%	10.1%	9.2%	11.6%	11.2%		
2013	26.6%	19.3%	8.4%	4.5%	8.2%	7.8%	9.2%	8.2%	10.9%	10.2%		
2012	(0.4%)	(1.3%)	(1.4%)	(1.4%)	5.4%	5.8%	8.7%	8.0%	11.8%	11.3%		
2011	28.1%	30.8%	2.7%	3.1%	4.1%	4.3%	9.4%	8.7%	11.7%	10.9%		
2010	16.9%	12.3%	0.1%	0.4%	0.3%	(0.4%)	8.3%	7.7%	11.6%	10.6%		
2009	(20.8%)	(27.9%)	(1.1%)	(0.2%)	(0.3%)	(0.5%)	7.6%	7.9%	11.4%	10.8%		
2008	(21.0%)	(11.0%)	8.0%	11.2%	3.9%	4.6%	9.8%	10.7%	12.7%	12.5%		
2007	22.0%	23.6%	12.7%	13.6%	8.9%	8.2%	11.0%	10.9%	13.6%	12.9%		
2006	12.6%	14.7%	5.5%	5.4%	9.7%	8.7%	10.9%	11.0%	13.3%	12.1%		
2005	9.9%	9.0%	0.4%	(1.2%)	11.0%	9.4%	11.9%	11.9%	13.4%	12.1%		
2004	22.9%	23.6%	0.6%	(0.8%)	11.9%	10.6%	13.2%	12.9%	14.0%	12.3%		
2003	(2.0%)	(0.8%)	0.0%	(1.7%)	10.3%	8.6%	12.3%	11.4%	12.8%	11.0%		
2002	(12.2%)	(15.0%)	5.1%	3.1%	12.1%	10.2%	15.1%	14.2%				
2001	(12.0%)	(17.1%)	14.0%	12.0%	14.9%	13.4%	15.6%	14.4%				
2000	10.9%	11.0%	22.7%	21.2%	16.9%	16.4%	17.8%	16.6%				
1999	19.5%	18.3%	24.5%	23.4%	16.0%	16.9%	17.7%	16.9%				
1998	25.6%	25.6%	21.7%	20.1%	16.1%	17.1%	17.4%	16.6%				
1997	31.7%	28.6%	19.5%	17.7%	13.2%	13.6%	16.1%	15.3%				
1996	27.1%	23.3%	15.7%	14.8%	12.1%	13.3%	15.1%	13.9%				
1995	18.9%	21.2%	11.3%	11.7%	12.8%	14.4%	14.6%	13.5%				
1994	6.7%	3.3%	8.1%	10.8%	14.6%	15.3%	15.1%	13.2%				
1993	14.6%	13.9%	10.7%	14.2%	14.3%	14.3%	14.1%	12.2%				
1992	12.4%	13.5%	7.3%	9.7%	18.3%	18.3%						
1991	4.5%	7.4%	8.5%	11.8%	16.4%	15.4%						
1990	2.7%	16.3%	14.3%	17.1%	18.7%	16.8%						
1989	20.3%	20.4%	21.5%	19.9%	19.4%	16.9%						
1988	(1.9%)	(7.1%)	18.1%	14.4%	18.8%	16.2%						
1987	18.7%	25.1%	30.3%	27.7%	19.0%	17.1%						
1986	35.7%	35.4%	24.9%	19.2%	18.3%	14.5%						
1985	39.0%	30.8%	23.3%	16.4%	16.5%	12.6%						
1984	4.5%	(4.7%)	17.4%	13.9%	15.6%	11.2%						
1983	60.6%	61.0%	19.5%	18.0%	13.8%	10.1%						
1982	(4.1%)	(11.4%)	8.6%	7.3%								
1981	27.6%	20.5%	12.1%	10.0%								
1980	8.7%	17.1%	10.0%	8.8%								
1979	14.3%	13.6%	13.9%	8.6%								
1978	(0.4%)	0.1%	8.3%	2.6%								
1977	12.1%	0.5%										
1976	16.2%	14.0%										
1975	28.9%	16.1%										
1974	(11.1%)	(14.5%)										

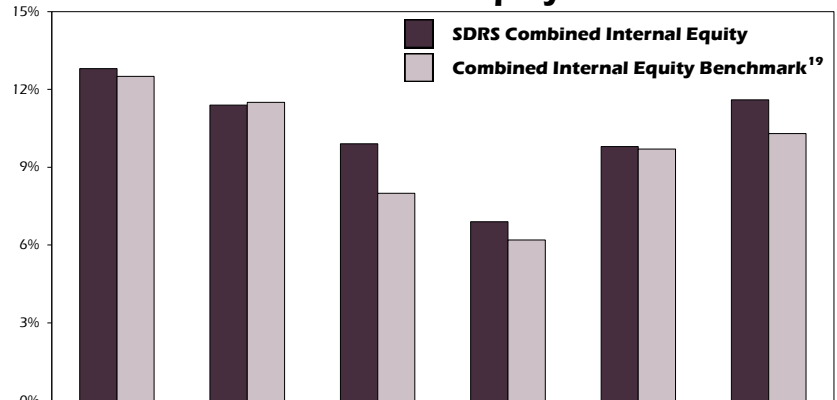
The chart to the left shows the annualized total rate of returns for 1, 5, 10, 20, 30, and 45 years through fiscal year 2018 for the Combined Internal Equity Portfolio. The Combined Internal Equity Benchmark¹⁹ is provided for comparison.

The one-year returns above the solid demarcation line include both equities and allocated cash reserves; the returns below are equities only with no allocated cash reserves.

The one-year returns below the dotted demarcation line are domestic-only returns; the returns above are global equity returns.

Prior to fiscal year 2005, the domestic and international equities were managed separately. On July 1, 2004, they were merged and are managed together. Historical information is presented on page 16.

SDRS Combined Internal Equity vs. Benchmark



	1 Year	5 Years	10 Years	20 Years	30 Years	45 Years
SDRS	12.8%	11.4%	9.9%	6.9%	9.8%	11.6%
Benchmark	12.5%	11.5%	8.0%	6.2%	9.7%	10.3%
Difference	0.3%	(0.1%)	1.9%	0.7%	0.1%	1.3%

Internal Equity Profile

The South Dakota Retirement System's internal global equity portfolio characteristics as of June 30, 2018, are presented below. The SDRS internal global equity portfolio is compared to the $\frac{2}{3}$ S&P Global 1200 Index plus $\frac{1}{3}$ S&P 500 Index benchmark. A listing of the 30 largest global equity company holdings is also provided.

Distribution by Market Sector

	<u>SDRS</u>	<u>Bench</u>
Consumer Discretionary	10.5%	12.3%
Consumer Staples	7.4%	7.8%
Energy	13.3%	6.7%
Financials	17.4%	16.2%
Health Care	16.5%	12.7%
Industrials	7.7%	10.4%
Information Technology	18.9%	21.5%
Materials	2.7%	4.2%
Real Estate	1.2%	2.7%
Telecommunications Services	1.6%	2.6%
Utilities	1.8%	2.9%
Cash Equivalents	<u>1.0%</u>	<u>0.0%</u>
Total	<u>100.0%</u>	<u>100.0%</u>

Ten Largest Country Weights

	<u>SDRS</u>	<u>Bench</u>
United States	76.1%	71.5%
Great Britain	5.8%	4.3%
Switzerland	4.2%	2.2%
Japan	2.9%	5.2%
Canada	2.5%	2.2%
Germany	1.8%	2.2%
France	1.8%	2.4%
South Korea	1.4%	0.8%
Netherlands	0.7%	0.8%
Belgium	<u>0.5%</u>	<u>0.3%</u>
Total	<u>97.7%</u>	<u>91.9%</u>

30 Largest Company Holdings

	<u>% of Total</u>
Apple, Inc.	3.1%
Microsoft Corp.	3.0%
Alphabet, Inc.	2.8%
Wells Fargo & Co.	1.7%
UnitedHealth Group, Inc.	1.5%
JPMorgan Chase & Co.	1.4%
Citigroup, Inc.	1.3%
Berkshire Hathaway, Inc.	1.3%
BP plc	1.3%
Pfizer, Inc.	1.2%
Facebook, Inc.	1.2%
Anadarko Petroleum Corp.	1.2%
Gilead Sciences, Inc.	1.1%
U.S. Bancorp	1.1%
Oracle Corp.	1.0%
Devon Energy Corp.	1.0%
Canadian Natural Resources, Ltd.	1.0%
Visa, Inc.	1.0%
Novartis AG	1.0%
Intel Corp.	1.0%
Noble Energy, Inc.	0.9%
Medtronic plc	0.9%
Samsung Electronics Co., Ltd.	0.9%
Schlumberger, Ltd.	0.9%
Roche Holding, Ltd.	0.9%
Nestle SA	0.9%
Wal-Mart, Inc.	0.8%
Allergan plc	0.8%
Aetna, Inc.	0.8%
Lennar Corp.	<u>0.8%</u>
Total	<u>37.8%</u>

Global Equity Composite⁷

The South Dakota Retirement System's global equity composite is comprised of the following internally managed equity portfolios: global, global emerging markets, and small/mid along with three externally managed portfolios as of June 30, 2018. The composite is compared to the $\frac{2}{3}$ MSCI All Country World Index plus $\frac{1}{3}$ MSCI US Index benchmark.

Performance Results for the Fiscal Year Ended June 30, 2018

SDRS Global Equity Composite	12.8%
Benchmark	11.8%
Difference	1.0%

Private Equity and Real Estate Limited Partnership Investments

The Council has invested in real estate (RE) and private equity (PE) limited partnerships since the mid-1990s. Although these investments are illiquid and have higher fees, the Council believes that they offer diversification and the opportunity for added value net-of-fees over public market investments. The funding of these investments is made over several years as the partnerships call money from investors to buy assets and later return it when assets are sold. According to industry standards, the return analysis for these investments requires the use of a since inception internal rate of return (SI-IRR).

SI-IRR is the calculation that equates the present value of all cash flows (capital calls and distributions) with the period-end value. The public market equivalent (PME) is a method where a public market index is expressed in terms of a SI-IRR, using the same cash flows and timing as those of the partnership investment over the same time period. The partnership SI-IRR is calculated net-of-fees (management fees, performance based fees, and general

partner carried interest). Also, a composite SI-IRR that combines the partnerships in each category is calculated.

From November of 1995 through June of 2018, the net-of-fees SI-IRR for the composite PE limited partnership investments was 9.5%. This can be compared to the S&P 500 Index PME of 6.1% for the same period. RE limited partnerships net-of-fees SI-IRR composite from December of 1994 through June of 2018 was 20.9%. A PME using the MSCI US REIT Index could not be calculated using the same cash flows because the return of the RE limited partnerships was significantly higher than the index. The annualized time-weighted rate of return for the MSCI US REIT index was 10.4% for the same period of time.

The composite return of the RE limited partnerships has significantly exceeded and the PE limited partnerships has slightly exceeded Council expectations. The Council will continue its ongoing evaluation of RE & PE limited partnerships. See page 35 for a listing of the partnership investments.

SDRS Real Estate Net Internal Rate of Return Performance Comparison

Fiscal Year	SDRS	Bench	Diff	Fiscal Year	SDRS	Bench	Diff	Since Inception*		
								SDRS	Bench	Diff
1995*	16.4%	4.6%	11.8%	2007	60.0%	16.6%	43.4%	20.9%	9.5%	11.4%
1996	38.3%	9.6%	28.7%	2008	3.2%	13.6%	(10.4%)			
1997	30.9%	11.4%	19.5%	2009	(52.5%)	(14.7%)	(37.8%)			
1998	37.2%	17.9%	19.3%	2010	11.7%	(9.6%)	21.3%			
1999	28.5%	13.2%	15.3%	2011	40.9%	17.5%	23.4%			
2000	13.4%	11.6%	1.8%	2012	3.7%	14.8%	(11.1%)			
2001	20.1%	12.4%	7.7%	2013	15.4%	11.9%	3.5%			
2002	6.4%	6.6%	(0.2%)	2014	24.3%	13.4%	10.9%			
2003	5.7%	7.1%	(1.4%)	2015	18.9%	3.9%	15.0%			
2004	19.4%	9.7%	9.7%	2016	3.2%	24.1%	(20.9%)			
2005	66.4%	15.6%	50.8%	2017	16.8%	(1.8%)	18.6%			
2006	36.7%	20.2%	16.5%	2018	14.1%	3.6%	10.5%			

The chart shows the yearly and since inception net internal rate of return for the composite of the Real Estate limited partnerships. The Real Estate Benchmark²⁶ is provided for comparison.

* Initial real estate investment was funded in December 1994. The since inception internal rate of return is from December 1994 - June 2018.

SDRS Private Equity Net Internal Rate of Return Performance Comparison

Fiscal Year	SDRS	Bench	Diff	Fiscal Year	SDRS	Bench	Diff	Since Fiscal Year 1999*		
								SDRS	Bench	Diff
1999	5.9%	27.9%	(22.0%)	2009	(35.4%)	(23.4%)	(12.0%)	9.7%	8.7%	0.8%
2000	9.5%	14.7%	(5.2%)	2010	32.7%	18.4%	14.3%			
2001	(16.4%)	(10.4%)	(6.0%)	2011	32.3%	32.8%	(0.5%)			
2002	(9.7%)	(14.8%)	5.1%	2012	(1.0%)	7.3%	(8.3%)			
2003	4.2%	4.6%	(0.4%)	2013	13.9%	22.6%	(8.7%)			
2004	30.0%	23.5%	6.5%	2014	24.8%	24.6%	0.2%			
2005	26.0%	10.0%	16.0%	2015	7.8%	2.8%	5.0%			
2006	26.5%	12.4%	14.1%	2016	2.6%	(1.7%)	4.3%			
2007	22.6%	24.7%	(2.1%)	2017	22.6%	18.3%	4.3%			
2008	9.9%	(9.9%)	19.8%	2018	21.6%	11.8%	9.8%			

The chart shows the yearly and net internal rate of return from fiscal year 1999-2018 for the composite of the Private Equity limited partnerships. The Private Equity Benchmark²⁷ is provided for comparison.

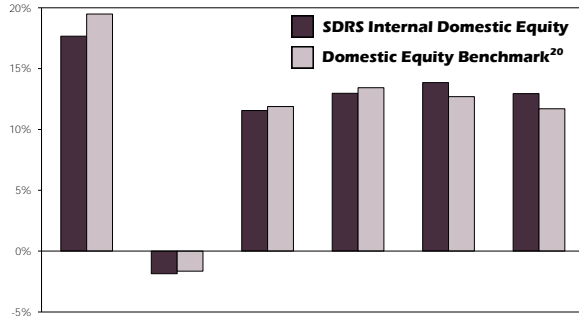
* Initial private equity investment was funded in November 1995. Private Equity was added to the Capital Markets Benchmark in fiscal year 1999.

Historical Performance

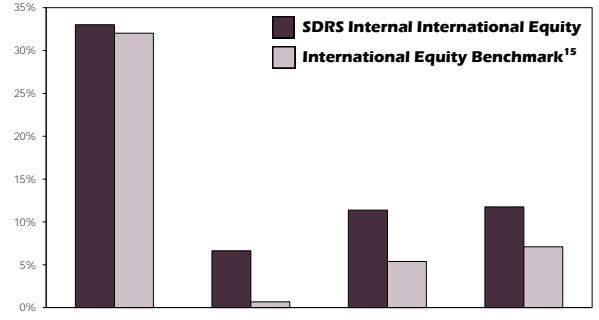
The historical performance information presented in the first box below is for the time periods that the South Dakota Retirement System internally managed domestic and international equities separately. The second box contains historical performance information for the time periods of the internally managed convertible and merger arbitrage portfolios.

Historical SDRS Internal Domestic and International Equity Portfolio Performance Information

SDRS Internal Domestic Equity vs. Benchmark



SDRS Internal International Equity vs. Benchmark



Annualized Returns as of the Fiscal Year ended June 30, 2004

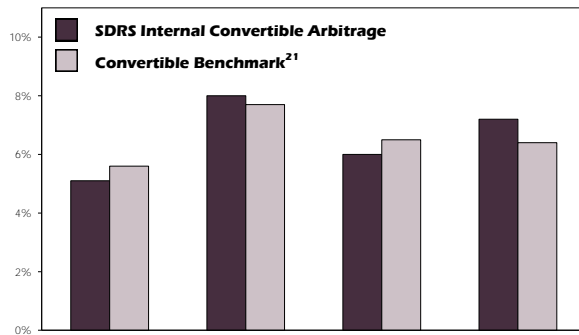
	1 Year	5 Years	10 Years	20 Years	30 Years	31 Years
SDRS	17.7%	(1.9%)	11.6%	13.0%	13.8%	12.9%
Benchmark	19.5%	(1.6%)	11.9%	13.4%	12.7%	11.7%
Difference	(1.8%)	(0.3%)	(0.3%)	(0.4%)	1.1%	1.2%

Annualized Returns as of the Fiscal Year ended June 30, 2004

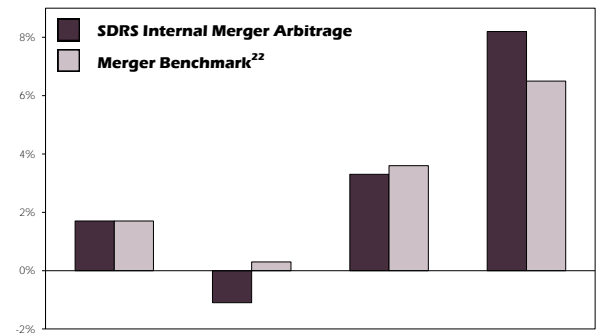
	1 Year	5 Years	10 Years	12 Years
SDRS	33.0%	6.6%	11.4%	11.8%
Benchmark	32.0%	0.7%	5.4%	7.1%
Difference	1.0%	5.9%	6.0%	4.7%

Historical SDRS Internal Convertible and Merger Arbitrage Portfolio Performance Information

SDRS Internal Convertible Arbitrage vs. Benchmark



SDRS Internal Merger Arbitrage vs. Benchmark



Annualized Returns as of the Fiscal Year ended June 30, 2013

	1 Year	5 Years	10 Years	20 Years
SDRS	5.1%	8.0%	6.0%	7.2%
Benchmark	5.6%	7.7%	6.5%	6.4%
Difference	(0.5%)	0.3%	(0.5%)	0.8%

Annualized Returns as of the Fiscal Year ended June 30, 2012

	1 Year	5 Years	10 Years	22 Years
SDRS	1.7%	(1.1%)	3.3%	8.2%
Benchmark	1.7%	0.3%	3.6%	6.5%
Difference	0.0%	(1.4%)	(0.3%)	1.7%

THE FUND

The South Dakota Cash Flow Fund (SDCFF) is comprised of more than 500 separately-identified state accounts. During fiscal year 2018, the fund ranged in size from \$1.219 billion to \$1.406 billion and averaged \$1.320 billion. The fund serves as the state checking account, holding various reserves and contingency funds as well as absorbing the state's daily cash inflows and outflows.

South Dakota Codified Law (SDCL) 4-5-26 lists permissible investments for SDCFF. This includes U.S. government and agency debt, investment grade corporate debt, certificates of deposit, and commercial paper. The portfolio's average quality on June 30, 2018, was Aa3. The portfolio guidelines establish ranges and limits on position size, security maturity, portfolio duration, credit quality, and fixed income sector.

OBJECTIVES AND COMPONENTS

The objectives of SDCFF are 1) safety of principal, 2) return on investments, and 3) liquidity.

The fund is comprised of four portfolios. On June 30, 2018, 58.0% was in the actively-managed short-term fixed income portfolio. This strategy was implemented in November of 1985. The Council's portfolio guidelines set the maturity limit for the short-term portfolio at 5.25 years for an individual security and the duration limit for the overall portfolio at 2.88 years.

An intermediate-term fixed income portfolio strategy was implemented in November of 2015. As of June 30, 2018, this portfolio represented 24.1% of the SDCFF. This portfolio's expected benefits include an increase in the long-term expected return of the SDCFF and increased stability of income flow at the expense of potential increase in market value volatility. This portfolio was phased in over time in \$50 million increments with the ultimate total size limited to a conservative estimate of the minimum balances in the SDCFF. The current limit estimated by the Council is \$300 million. The intermediate-term portfolio guidelines have an individual security maturity limit of 30 years, a limit on corporate position size, permitted ranges for each market sector, and a portfolio duration range of 70% to 130% of the FTSE US Broad Investment Grade (USBIG) Bond Index duration.

The money market portfolio represented 16.0% of SDCFF as of June 30, 2018. This portfolio is the most liquid of the SDCFF portfolios. Its size can vary significantly over the course of the year depending on the cash needs of the State.

The South Dakota Certificate of Deposit Program is the smallest portion of the SDCFF representing 1.9%. The CDs are for a one-year term beginning the last business day of September each year. The rate is based on the one-year Treasury note yield plus 0.25%. On June 30, 2018, \$23.478 million in CDs was held in thirty-six banks, four credit unions, and one savings association.

PRORATION

Each fiscal year, the receipted income is prorated to individual state agencies based on a ratio of their average daily cash balance to the total average daily cash balance. The general fund and other state agencies' receipted income was \$15.9 million for fiscal year 2018. The fund has distributed over \$1.1 billion of earnings since its inception. The proration rate for fiscal year 2018 was 1.19%.

INVESTMENT PERFORMANCE - FISCAL YEAR 2018

The yield of the total SDCFF for fiscal year 2018 was 1.26%. Since the fund's inception in December of 1972, it has yielded 6.15% annualized. For fiscal year 2018, the short-term fixed income portfolio portion of the fund had a time-weighted rate of return of 0.31% compared to a Capital Markets Benchmark⁶ return of 0.43%. Since the inception of the short-term portfolio in November of 1985, the time-weighted rate of return has been 4.91% annually compared to 4.57% for the benchmark. For fiscal year 2018, the intermediate-term fixed income portfolio had a time-weighted rate of return of (0.60%) compared to (0.45%) for the FTSE USBIG Bond Index. Since the inception of the intermediate-term portfolio in November of 2015, the time-weighted rate of return has been 0.77% annually compared to 1.30% for the benchmark. During fiscal year 2018, the money market portion yielded 1.19%. The CD rate on June 30, 2018, was 1.59% for the CDs issued in September of 2017.

Cash Flows and Fair Value Changes

The South Dakota Cash Flow Fund began fiscal year 2018 with \$1,274.3 million in assets. During the fiscal year, net contributions/withdrawals and fees decreased the fund by \$28.8 million and investment income increased it by \$3.2 million, resulting in an ending fair value of \$1,248.7 million.

Fair Value 6/30/17		\$ 1,274,291,476
Increases/Decreases		
Net Contributions/Withdrawals	\$ (28,296,817)	
Internal Management Fees	<u>(537,249)</u>	
Total Increases/Decreases		\$ (28,834,066)
Investment Income		
Securities Income		
Interest Income - Managed	\$ 23,362,149	
Interest Income - CDs	262,186	
Change in Accrued Income	<u>893,682</u>	
Total Securities Income		\$ 24,518,017
Total Capital Gain/Loss Income		<u>\$ (21,262,332)</u>
Total Investment Income		<u>\$ 3,255,685</u>
Fair Value 6/30/18		<u>\$ 1,248,713,095</u>

Comparative Results⁹

The proration rate is the cash accounting yield. The managed accrued rate includes accrued interest.
The 3-month T-bill and institutional prime money market rates are provided for comparison.

	SDCFF Proration Amount	Total Receipted Rate (Proration Rate)	Managed Accrued Rate*	3-month Treasury Bill Rate	Institutional Prime Money Market Fund	Total Return CFFST [✓]	CFFST Index ⁶
2018	\$ 15,914,986	1.19%	1.26%	1.33%	1.47%	0.31%	0.43%
2017	16,116,484	1.25%	1.32%	0.46%	0.73%	0.53%	0.55%
2016	18,018,069	1.35%	1.41%	0.14%	0.26%	2.32%	2.04%
2015	16,728,885	1.25%	1.36%	0.02%	0.06%	1.03%	1.00%
2014	12,516,162	0.99%	1.12%	0.04%	0.04%	1.65%	1.59%
2013	17,429,182	1.47%	1.51%	0.08%	0.12%	0.98%	1.30%
2012	25,829,546	2.33%	2.27%	0.04%	0.12%	1.88%	1.82%
2011	35,573,830	3.37%	3.43%	0.14%	0.17%	2.71%	2.84%
2010	50,155,778	4.94%	4.79%	0.12%	0.17%	5.10%	5.34%
2009	43,568,535	4.59%	4.51%	0.78%	1.63%	6.58%	3.14%
2008	44,431,241	5.07%	4.96%	3.32%	4.25%	6.59%	6.05%
2007	34,578,213	4.23%	4.41%	5.07%	5.19%	5.56%	5.50%
2006	25,450,147	3.07%	3.40%	3.95%	4.10%	2.36%	2.09%
2005	21,652,806	2.66%	2.92%	2.04%	2.08%	2.62%	2.45%
2004	22,888,860	2.95%	3.02%	0.96%	0.94%	0.59%	-0.14%
2003	29,876,507	4.22%	4.35%	1.41%	1.39%	5.45%	4.09%
2002	41,972,001	5.54%	5.21%	2.45%	2.44%	5.55%	5.62%
2001	50,729,249	6.54%	6.50%	5.64%	5.88%	9.57%	8.94%
2000	36,459,873	5.18%	5.47%	5.30%	5.71%	4.94%	4.49%
1999	36,122,881	6.02%	6.01%	4.71%	5.07%	4.90%	5.02%
1998	31,533,466	6.11%	6.51%	5.25%	5.50%	7.11%	6.42%
1997	28,961,501	6.03%	6.12%	5.26%	5.33%	6.81%	6.09%
1996	27,987,169	6.18%	6.32%	5.44%	5.55%	5.29%	5.54%
1995	20,145,287	4.87%	5.41%	5.05%	5.36%	7.78%	6.41%
1994	15,309,074	3.73%	4.17%	3.18%	3.27%	2.73%	1.87%
1993	20,908,872	5.34%	5.05%	3.12%	3.19%	4.98%	4.71%
1992	26,680,663	7.23%	7.32%	4.67%	4.98%	7.98%	7.95%
1991	30,595,214	8.48%	8.50%	6.76%	7.20%	9.65%	9.43%
1990	30,876,016	8.81%	8.78%	7.93%	8.39%	8.66%	8.45%
1989	24,741,382	7.35%	8.51%	7.82%	8.64%	9.59%	8.22%
1988	19,634,393	6.52%	7.30%	5.51%	6.78%	7.70%	6.96%
1987	19,763,489	7.11%	6.84%	5.51%	5.98%	6.66%	5.72%
1986	22,702,888	8.69%	8.74%	7.08%	7.43%		
1985	24,805,620	9.91%	9.75%	9.09%	9.47%		
1984	22,179,507	9.02%	9.66%	9.42%	9.40%		
1983	25,178,343	12.11%	10.99%	8.56%	9.49%		
1982	30,488,779	15.51%	13.26%	13.53%	14.66%		
1981	26,148,927	11.50%	12.42%	12.65%	13.37%		
1980	23,762,605	11.78%	11.92%	11.24%	11.95%		
1979	14,661,310	7.82%	8.82%	8.99%	9.02%		
1978	11,069,889	6.96%	7.75%	6.03%	6.03%		
1977	9,853,216	8.37%	7.04%	4.89%	4.71%		
1976	8,378,771	7.92%	7.34%	5.51%	5.23%		
1975	11,490,970	11.00%	10.39%	6.76%	8.15%		
1974	7,966,372	8.35%	9.88%	8.03%	8.90%		
1973 [☐]	<u>1,674,845</u>	4.90%	6.92% [❖]	6.10% [❖]	7.00% [❖]		
	<u>\$1,133,511,803</u>						

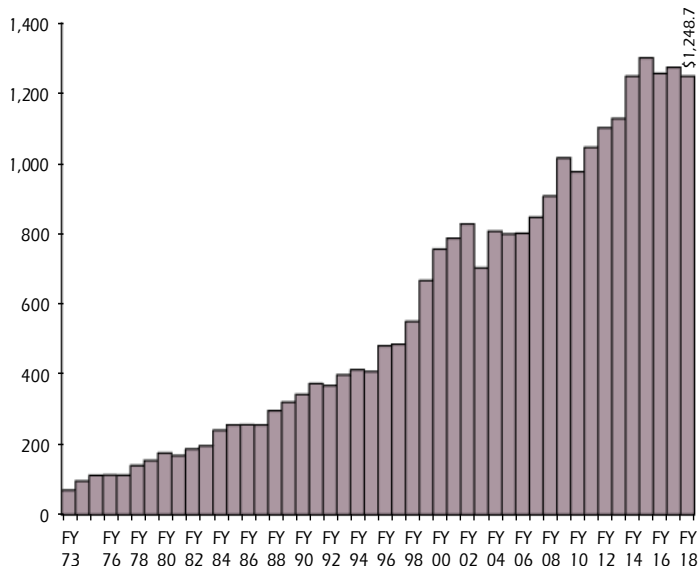
* Yield on funds managed by the Investment Office excluding CDs.

✓ Total return of SDCFF Short-Term Portfolio (CFFST).

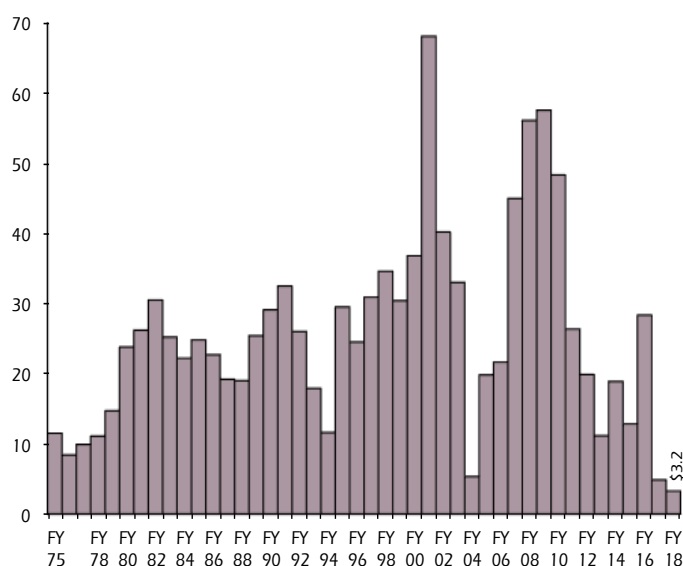
☐ Prorated amount and rate are 7-month numbers.

❖ Rate is annualized.

Asset Growth²³ (\$ in millions)



Investment Income²⁴ (\$ in millions)



Distribution of Assets

The South Dakota Cash Flow Fund's internal portfolios of Short-Term Fixed Income, Intermediate-Term Fixed Income, Money Market, and CD Program characteristics as of June 30, 2018, are presented below.

Distribution by Duration

	%
0 to 1 year	29.1%
1 to 2 years	23.0%
2 to 3 years	20.2%
3 to 4 years	5.8%
Above 4 years	<u>21.9%</u>
Total	<u>100.0%</u>

Distribution by Quality Rating

	%
U.S. Gov't/Aaa	52.4%
Aa	8.3%
A	30.9%
Baa	<u>8.4%</u>
Total	<u>100.0%</u>

Distribution by Coupon

	%
0.00% - 1.00%	24.2%
1.01% - 2.00%	29.8%
2.01% - 3.00%	33.3%
3.01% - 4.00%	11.9%
4.01% and over	<u>0.8%</u>
Total	<u>100.0%</u>

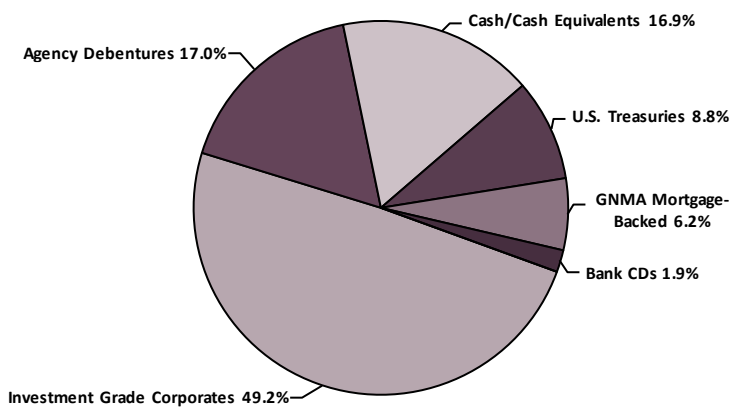
Distribution by Sector

	%
Cash/Cash Equivalents	16.9%
Bank CDs	1.9%
U.S. Treasuries	8.8%
Agency Debentures	17.0%
GNMA Mortgage-Backed Securities	6.2%
Investment Grade Corporates	<u>49.2%</u>
Total	<u>100.0%</u>

Ten Largest Corporates by Issuer

	% of Total
Apple, Inc.	2.3%
U.S. Bancorp	2.2%
Caterpillar, Inc.	2.1%
Wells Fargo & Co.	2.1%
Bank of America Corp.	2.0%
PNC Bank NA	1.9%
Toyota Motor Corp.	1.7%
Goldman Sachs Group, Inc.	1.7%
American Express Co.	1.7%
PepsiCo., Inc.	<u>1.6%</u>
Total	<u>19.3%</u>

Asset Allocation



THE FUND

The School and Public Lands (SPL) fund is a permanent trust fund established by the South Dakota Constitution. Article VIII Sec. 3 of the Constitution requires all interest and income to be faithfully used and applied each year for the benefit of the public schools of the state. The principal shall never be diverted by legislative enactment for any purpose. The income from the fund is paid out annually to South Dakota primary, secondary, and higher education schools. The principal of the fund resulted primarily from the sale of land over many decades.

Constitutional Amendment E, passed in November of 2000, allows the fund to be invested in stocks, bonds, mutual funds, and other financial instruments. South Dakota Codified Law (SDCL) 5-10-18 states that the provisions of SDCL 4-5-27, prudent-man standard, govern the moneys in the trust. The constitutional amendment requires that sufficient income be retained to offset the effect of inflation³ assuring the fund will grow at least at the rate of inflation. State statute allows realized capital gains to be used to satisfy the inflation requirement. The shift away from an exclusive focus on current income and the requirement to offset inflation initially reduced the payout to schools but has allowed the payout to increase over the long term. The change to the asset allocation policy resulting from the Constitutional Amendment was phased in over several fiscal years.

OBJECTIVES AND COMPONENTS

The objectives of SPL are to 1) provide a distribution of income and 2) promote inflation-adjusted growth of the fund through the constitutionally-mandated CPI adjustment.

SPL assets were invested in diversified portfolios during fiscal year 2018, as shown on the following page. The fund was invested primarily in U.S. Treasury and mortgage-backed securities before the constitutional amendment in 2000. Since then, the South Dakota Investment Council has gradually shifted the asset allocation to be more like that of the South Dakota Retirement System.

The long-term expected return of the fund as of June 30, 2018, was 5.96% with a volatility of 13.9%. This means the return in any given year is expected to fall within a range of (8.0%) to 19.9% with 66% confidence or (21.9%) to 33.8% with 95% confidence.

INVESTMENT PERFORMANCE - FISCAL YEAR 2018

The fund ended fiscal year 2018 with a fair value of \$302,239,678. The principal is adjusted by the inflation factor each year as required by the constitutional amendment. SPL's fiscal year total return, including realized and unrealized gains and losses and accrued income, was 6.8% net of fees. The Capital Markets Benchmark¹⁴ return was 6.8%. The difference relative to the benchmark resulted from outperformance of the real estate and private equity limited partnerships and underperformance from asset allocation. The ten-year annualized total return was 7.4%. This compares with the ten-year Capital Markets Benchmark¹⁴ return of 6.8%. The fund distributed \$11,282,447 to the common schools in February of 2018 and \$2,641,703 to the schools of higher education in June of 2018.

Appropriated income from all sources is determined by the School and Public Lands office in Pierre and reported in their annual report.

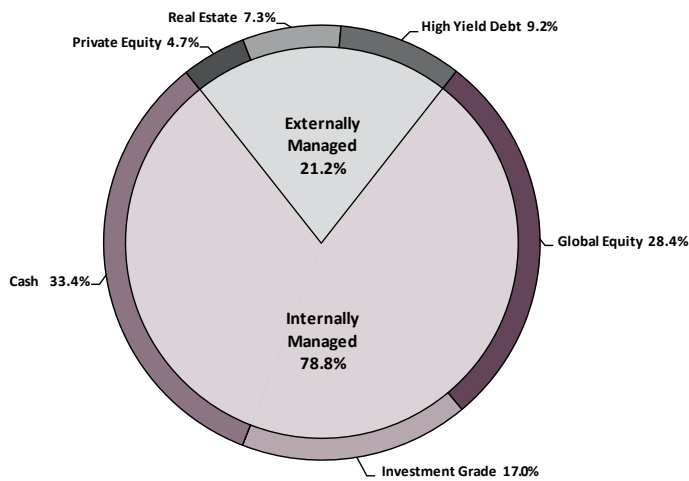
Cash Flows and Fair Value Changes

The School and Public Lands fund began fiscal year 2018 with \$286.4 million in assets. During the fiscal year, net contributions/withdrawals and fees decreased the fund by \$4.4 million and investment income increased it by \$20.2 million, resulting in an ending fair value of \$302.2 million.

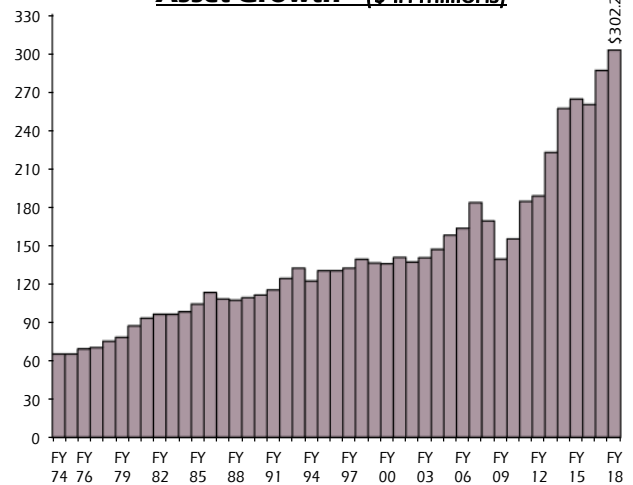
Fair Value 6/30/17		\$ 286,383,911
Increases/Decreases		
Net Contributions/Withdrawals	\$ (3,698,395)	
External Management Fees	<u>(705,454)</u>	
Total Increases/Decreases		\$ (4,403,849)
Investment Income		
Securities Income		
Interest Income	\$ 3,420,890	
Dividend Income	2,244,501	
Securities Lending Income	3,901	
Real Estate Income	1,180,326	
Change in Accrued Income	<u>127,598</u>	
Total Securities Income		\$ 6,977,216
Capital Gain/Loss Income		
Change in Unrealized Gain/Loss	\$ (3,267,025)	
Realized Gain/Loss	<u>16,549,425</u>	
Total Capital Gain/Loss Income		\$ 13,282,400
Total Investment Income		\$ 20,259,616
Fair Value 6/30/18		<u>\$ 302,239,678</u>

Asset Allocation⁸ As of June 30, 2018, School and Public Lands' assets totaled \$302.2 million. The broad asset categories and managers are listed below. The Capital Markets Benchmark allocation is also provided for comparison.

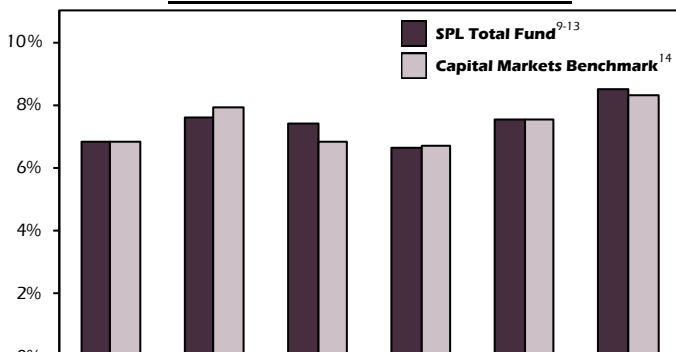
	Fair Value		% of Fund	Capital Markets Benchmark %
Global Equity				
Internal Global Equity	\$ 83,063,849		27.5%	
Internal Global Emerging Markets	<u>2,636,656</u>	\$ 85,700,505	<u>0.9%</u>	28.4%
				51.0%
Private Equity				
Blackstone Capital Partners	\$ 2,129,132		0.7%	
Carlyle	2,408,697		0.8%	
Cinven	853,271		0.3%	
CVC	25,436		0.0%	
Doughty Hanson	44,748		0.0%	
Riverstone	3,448,014		1.1%	
Silver Lake	<u>5,585,298</u>	14,494,596	<u>1.8%</u>	4.7%
				0.0%
Real Estate				
Blackstone Real Estate Partners	\$ 12,901,962		4.3%	
Cargill N.A. Real Estate Partners	10,212		0.0%	
Lone Star	5,034,206		1.7%	
Rockpoint	1,944,463		0.6%	
Starwood	<u>2,148,587</u>	22,039,430	<u>0.7%</u>	7.3%
				10.0%
Investment Grade Fixed Income				
Internal Investment Grade	\$ 51,441,049	51,441,049	<u>17.0%</u>	17.0%
				30.0%
High Yield Debt (Corporate & Real Estate)				
Vanguard High Yield Fund	\$ 11,781,231		3.9%	
CarVal	249,399		0.1%	
TCW	<u>15,638,585</u>	27,669,215	<u>5.2%</u>	9.2%
				7.0%
Cash & Cash Equivalents				
Internal Cash Account	\$ 100,894,883	<u>100,894,883</u>	<u>33.4%</u>	<u>33.4%</u>
				<u>2.0%</u>
Total		<u>\$302,239,678</u>	<u>100.0%</u>	<u>100.0%</u>



Asset Growth²³ (\$ in millions)

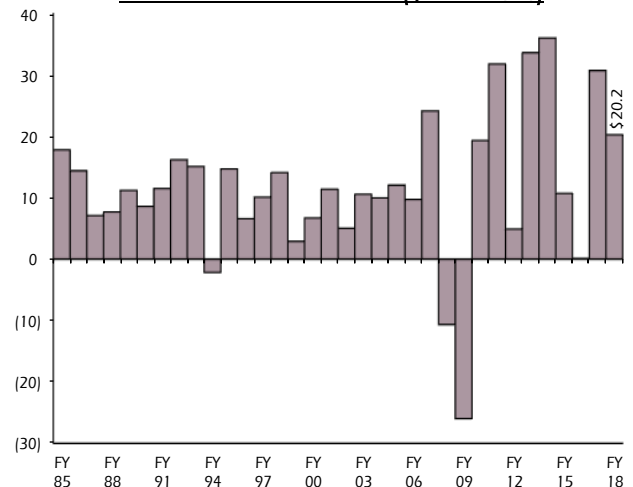


SPL Total Fund vs. Benchmark



	1 Year	5 Years	10 Years	20 Years	30 Years	34 Years
SPL	6.8%	7.6%	7.4%	6.6%	7.5%	8.5%
Benchmark	6.8%	7.9%	6.8%	6.7%	7.5%	8.3%
Difference	0.0%	(0.3%)	0.6%	(0.1%)	0.0%	0.2%

Investment Income²⁴ (\$ in millions)



Annualized Returns and Investment Income started calculating/tracking in FY 1985.

Internal Global Equity Profile *The School and Public Lands' internal Global Equity portfolio characteristics as of June 30, 2018, are presented below.*

Distribution by Market Sector	%	Five Largest Country Weights	% of Total
Consumer Discretionary	10.2%	United States	75.5%
Consumer Staples	7.8%	Great Britain	6.3%
Energy	14.2%	Switzerland	5.2%
Financials	19.2%	Japan	2.9%
Health Care	18.1%	Canada	<u>2.6%</u>
Industrials	6.8%	Total	<u>92.5%</u>
Information Technology	18.4%		
Materials	2.3%		
Real Estate	0.3%		
Telecommunications Services	1.0%		
Utilities	1.1%		
Cash Equivalents	<u>0.6%</u>		
Total	<u>100.0%</u>		

Internal Bond Profiles *The School and Public Lands' internal Investment Grade (IG) bond portfolio characteristics as of June 30, 2018, are presented below.*

Distribution by Duration	IG	Distribution by Quality Rating	IG
0 to 2 Years	9.0%	U.S. Gov't/Aaa	65.1%
2 to 3 Years	3.6%	Aa	6.8%
3 to 4 Years	13.7%	A	12.4%
4 to 5 Years	14.4%	Baa	14.9%
5 to 6 Years	15.2%	Ba	0.8%
6 to 8 Years	32.7%	B	0.0%
Above 8 Years	<u>11.4%</u>	Caa and lower	<u>0.0%</u>
Total	<u>100.0%</u>	Total	<u>100.0%</u>

Distribution by Coupon	IG	Distribution by Sector	%
0.00% - 1.00%	20.6%	Cash/Cash Equivalents	2.1%
1.01% - 2.00%	9.3%	U.S. Treasuries	25.7%
2.01% - 3.00%	30.9%	Agency Debentures	6.2%
3.01% - 4.00%	29.5%	Agency Mortgage-Backed Securities	29.7%
4.01% - 5.00%	9.0%	Investment Grade Corporates	35.5%
5.01% - 6.00%	0.4%	High Yield Corporates	<u>0.8%</u>
6.01% and over	<u>0.3%</u>	Total	<u>100.0%</u>
Total	<u>100.0%</u>		

Top Ten Holdings *The School and Public Lands' internal Global Equity and internal Investment Grade portfolios' Top Ten Holdings as of June 30, 2018, are presented below.*

Global Equity Company Holdings	% of Total	Investment Grade Corporates by Issuer	% of Total
Apple, Inc.	3.3%	Ontario (Province Of)	1.6%
Microsoft Corp.	3.3%	VMware, Inc.	1.4%
Alphabet, Inc.	3.1%	Walmart, Inc.	1.3%
JPMorgan Chase & Co.	2.0%	Philip Morris International, Inc.	1.3%
Wells Fargo & Co.	2.0%	Morgan Stanley	1.3%
UnitedHealth Group, Inc.	1.7%	Williams Cos, Inc.	1.2%
Citigroup, Inc.	1.7%	BP plc	1.2%
BP plc	1.5%	Quebec (Province Of)	1.2%
Anadarko Petroleum Corp.	1.5%	Verizon Communications	1.1%
Pfizer, Inc.	<u>1.5%</u>	Wells Fargo & Co.	<u>1.1%</u>
Total	<u>21.6%</u>	Total	<u>12.7%</u>

THE FUND

The Dakota Cement Trust Fund (DCT) was established under the Constitution in 2001 and amended in 2012. Two sections of Article XIII of the Constitution were changed.

Section 20 of Article XIII provided that the net proceeds from the sale of state cement enterprises be deposited into a trust fund created to benefit the citizens of South Dakota. It directed the South Dakota Investment Council (Council) to invest the trust fund in stocks, bonds, mutual funds, and other financial instruments as provided by law. South Dakota Codified Law (SDCL) 5-17-42 states that the provisions of SDCL 4-5-27, prudent-man standard, govern the moneys in the trust.

Section 21 of Article XIII of the South Dakota Constitution was amended in November of 2012. The amendment changed the distribution calculation to "...four percent of the lesser of the average market value of the trust fund determined by adding the market value of the trust fund at the end of the sixteen most recent calendar quarters as of December 31 of that year and dividing that sum by sixteen, or the market value of the trust fund at the end of that calendar year for the support of education in South Dakota."

Each year the state treasurer is directed to distribute from the trust fund to the general fund the amount calculated per the South Dakota Constitution.

OBJECTIVES AND COMPONENTS

The objectives of DCT are to 1) provide a distribution of 4% of the market value and 2) promote inflation-adjusted growth of the fund and a steadily growing distribution amount.

DCT assets were invested in diversified portfolios during fiscal year 2018, as shown on the following page. Since the establishment of the fund, the Council has gradually shifted the asset allocation to be more like that of the South Dakota Retirement System.

The long-term expected return of the fund as of June 30, 2018, was 5.96% with a volatility of 13.9%. This means that the return in any given year is expected to fall within a range of (8.0%) to 19.9% with 66% confidence or (21.9%) to 33.8% with 95% confidence.

INVESTMENT PERFORMANCE - FISCAL YEAR 2018

The fund ended fiscal year 2018 with a fair value of \$325,465,103, principal value of \$238,000,000, and inflation-adjusted principal of \$337,692,115. DCT's fiscal year total return, including realized and unrealized gains and losses and accrued income, was 6.8% net of fees. The Capital Markets Benchmark¹⁶ return was 6.8%. The difference relative to the benchmark resulted from outperformance of the real estate and private equity limited partnerships and underperformance from asset allocation. The ten-year annualized total return was 7.3%. This compares with the ten-year Capital Markets Benchmark¹⁶ return of 6.8%. In June of 2018, the fund distributed \$12,442,947 to the general fund. Since inception, the fund has distributed \$215.2 million to the general fund.

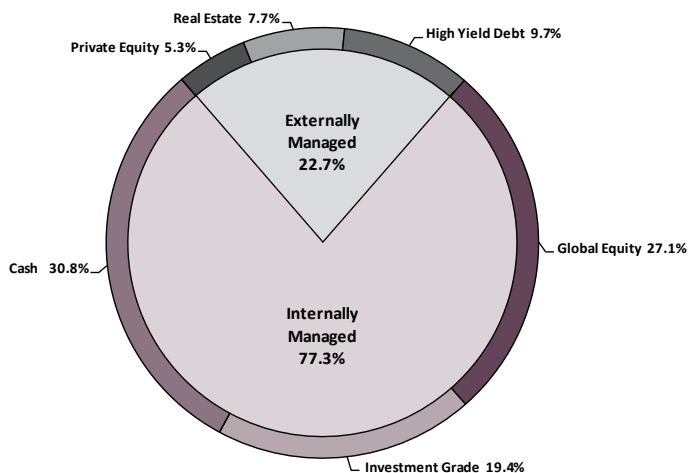
Cash Flows and Fair Value Changes

The Dakota Cement Trust Fund began fiscal year 2018 with \$316.5 million in assets. During the fiscal year, net contributions/withdrawals and fees decreased the fund by \$13.5 million and investment income increased it by \$22.5 million, resulting in an ending fair value of \$325.5 million.

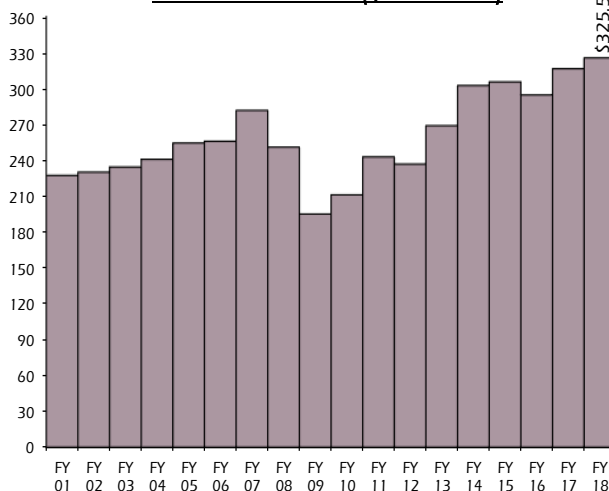
Fair Value 6/30/17		\$	316,483,727
Increases/Decreases			
Net Contributions/Withdrawals	\$ (12,442,947)		
Internal Management Fees	(313,465)		
External Management Fees	<u>(761,330)</u>		
Total Increases/Decreases		\$	(13,517,742)
Investment Income			
Securities Income			
Interest Income	\$ 3,916,957		
Dividend Income	2,467,014		
Securities Lending Income	2,675		
Real Estate Income	1,273,784		
Change in Accrued Income	<u>132,011</u>		
Total Securities Income	\$ 7,792,441		
Total Capital Gain/Loss Income	<u>\$ 14,706,677</u>		
Total Investment Income		\$	<u>22,499,118</u>
Fair Value 6/30/18		\$	<u>325,465,103</u>

Asset Allocation⁸ As of June 30, 2018 Dakota Cement Trust's assets totaled \$325.5 million. The broad asset categories and managers are listed below. The Capital Markets Benchmark allocation is also provided for comparison.

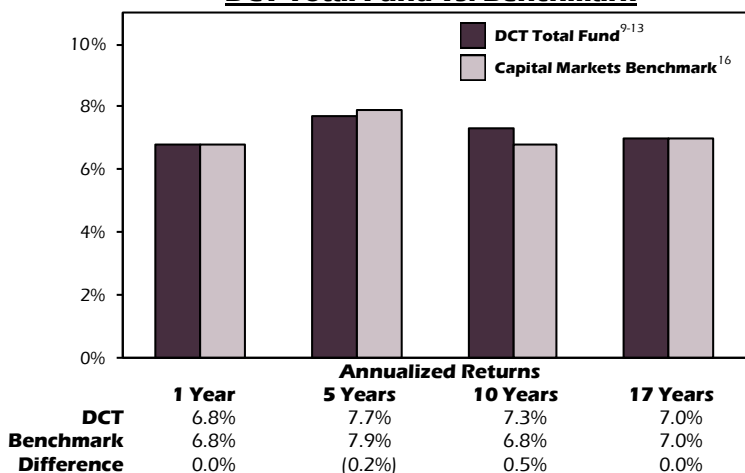
	Fair Value		% of Fund	Capital Markets Benchmark %
Global Equity				
Internal Global Equity	\$ 85,350,126		26.2%	
Internal Global Emerging Markets	<u>2,833,308</u>	\$ 88,183,434	<u>0.9%</u>	51.0%
Private Equity				
Blackstone Capital Partners	\$ 2,190,531		0.7%	
Carlyle	2,890,434		0.9%	
Cinven	902,497		0.3%	
CVC	27,320		0.0%	
Doughty Hanson	72,980		0.0%	
Riverstone	3,950,847		1.2%	
Silver Lake	<u>7,315,013</u>	17,349,622	<u>2.2%</u>	0.0%
Real Estate				
Blackstone Real Estate Partners	\$ 15,277,634		4.7%	
Cargill N.A. Real Estate Partners	16,663		0.0%	
Lone Star	5,669,694		1.8%	
Rockpoint	2,126,756		0.7%	
Starwood	<u>1,620,197</u>	24,710,944	<u>0.5%</u>	10.0%
Investment Grade Fixed Income				
Internal Investment Grade	\$ <u>63,203,451</u>	63,203,451	<u>19.4%</u>	19.4%
High Yield Debt (Corporate & Real Estate)				
Vanguard High Yield Fund	\$ 12,932,752		4.0%	
CarVal	406,840		0.1%	
TCW	<u>18,360,174</u>	31,699,766	<u>5.6%</u>	7.0%
Cash & Cash Equivalents				
Internal Cash Account	\$ <u>100,317,886</u>	<u>100,317,886</u>	<u>30.8%</u>	<u>30.8%</u>
Total		<u>\$325,465,103</u>	<u>100.0%</u>	<u>100.0%</u>



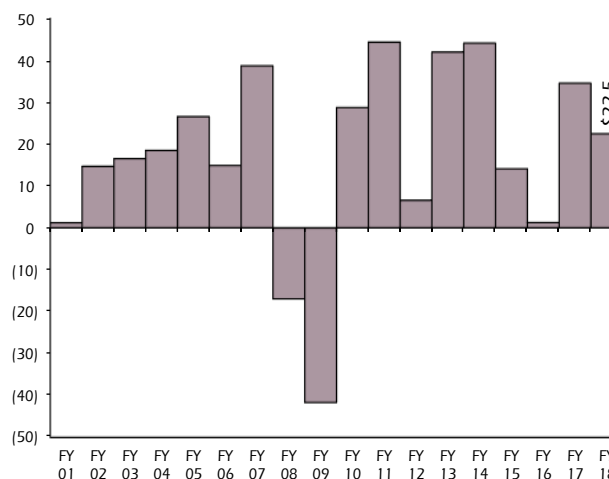
Asset Growth²³ (\$ in millions)



DCT Total Fund vs. Benchmark



Investment Income²⁴ (\$ in millions)



Internal Global Equity Profile

The Dakota Cement Trust's internal Global Equity portfolio characteristics as of June 30, 2018, are presented below.

Distribution by Market Sector	%	Five Largest Country Weights	% of Total
Consumer Discretionary	10.1%	United States	75.4%
Consumer Staples	7.9%	Great Britain	6.4%
Energy	14.3%	Switzerland	5.2%
Financials	19.4%	Japan	2.9%
Health Care	17.9%	Canada	<u>2.6%</u>
Industrials	6.7%	Total	<u>92.5%</u>
Information Technology	18.4%		
Materials	2.3%		
Real Estate	0.4%		
Telecommunications Services	1.0%		
Utilities	1.1%		
Cash Equivalents	<u>0.5%</u>		
Total	<u>100.0%</u>		

Internal Bond Profiles

The Dakota Cement Trust's internal Investment Grade (IG) bond portfolio characteristics as of June 30, 2018, are presented below.

Distribution by Duration	IG	Distribution by Quality Rating	IG
0 to 2 Years	8.3%	U.S. Gov't/Aaa	65.0%
2 to 3 Years	3.7%	Aa	6.8%
3 to 4 Years	14.2%	A	12.4%
4 to 5 Years	13.4%	Baa	15.0%
5 to 6 Years	15.5%	Ba	0.8%
6 to 8 Years	33.6%	B	0.0%
Above 8 Years	<u>11.3%</u>	Caa and lower	<u>0.0%</u>
Total	<u>100.0%</u>	Total	<u>100.0%</u>

Distribution by Coupon	IG	Distribution by Sector	%
0.00% - 1.00%	20.1%	Cash/Cash Equivalents	1.6%
1.01% - 2.00%	9.3%	U.S. Treasuries	25.7%
2.01% - 3.00%	31.0%	Agency Debentures	6.2%
3.01% - 4.00%	30.9%	Agency Mortgage-Backed Securities	30.1%
4.01% - 5.00%	6.7%	Investment Grade Corporates	35.6%
5.01% - 6.00%	1.7%	High Yield Corporates	<u>0.8%</u>
6.01% and over	<u>0.3%</u>	Total	<u>100.0%</u>
Total	<u>100.0%</u>	Total	<u>100.0%</u>

Top Ten Holdings

The Dakota Cement Trust's internal Global Equity and internal Investment Grade portfolios' Top Ten Holdings as of June 30, 2018, are presented below.

Global Equity Company Holdings	% of Total	Investment Grade Corporates by Issuer	% of Total
Apple, Inc.	3.3%	Ontario (Province Of)	1.6%
Microsoft Corp.	3.2%	VMware, Inc.	1.4%
Alphabet, Inc.	3.1%	Walmart, Inc.	1.3%
Wells Fargo & Co.	2.1%	Philip Morris International, Inc.	1.3%
JPMorgan Chase & Co.	2.0%	Morgan Stanley	1.3%
UnitedHealth Group, Inc.	1.7%	Williams Cos, Inc.	1.2%
Citigroup, Inc.	1.7%	BP plc	1.2%
BP plc	1.6%	Quebec (Province Of)	1.2%
Pfizer, Inc.	1.5%	Verizon Communications	1.1%
Anadarko Petroleum Corp.	<u>1.4%</u>	Wells Fargo & Co.	<u>1.1%</u>
Total	<u>21.6%</u>	Total	<u>12.7%</u>

THE FUND

The Education Enhancement Trust Fund (EET) was established under the Constitution through a Joint Resolution submitted to South Dakota citizens at a special election on April 10, 2001. Article XII §6 provided that any funds received as of July 1, 2001, and thereafter pursuant to the Master Settlement Agreement entered into on November 23, 1998, by the State of South Dakota and major United States tobacco product manufacturers or the net proceeds of any sale or securitization of rights to receive payments pursuant to the Master Settlement Agreement, any fund in the youth-at-risk trust fund, and any funds appropriated to EET thereafter are placed in EET. During fiscal year 2013, \$3 million was placed in the fund for scholarship purposes per Senate Bills 233 and 237. During fiscal year 2016, \$3.5 million was placed in the fund for scholarship purposes per Senate Bill 67. The constitution directs the South Dakota Investment Council (Council) to invest the trust funds in stocks, bonds, mutual funds, and other financial instruments as provided by law. South Dakota Codified Law (SDCL) 10-50B-11.1 states that the provisions of SDCL 4-5-27, prudent-man standard, govern the moneys in the trust.

Each year the state treasurer is directed to distribute from the trust fund to the general fund an amount appropriated by law for education enhancement programs. The distribution is defined in SDCL 4-5-29.2. The state investment officer shall determine the sixteen-quarter average market value of the fund as of December 31 and calculate an amount equal to 4%, without invading principal, that is eligible for distribution at the beginning of the next fiscal year. The fund principal may not be diverted for other purposes unless appropriated by a three-fourths vote of all the members-elect of each house of the Legislature.

SECURITIZATION

On September 24, 2002, the fund was increased by net proceeds of \$243,596,553.31 from Tobacco Settlement Asset-Backed Bonds. In fiscal year 2013, the 2002 Bonds were refunded and new bonds were issued with a lower interest rate. The Bonds mature over time as payments from the Master Settlement Agreement are received with a final maturity date of June 1, 2027.

OBJECTIVES AND COMPONENTS

The objectives of EET are to 1) provide a distribution of 4% of market value and 2) promote inflation-adjusted growth of the fund and a steadily growing distribution amount.

EET assets were invested in diversified portfolios during fiscal year 2018, as shown on the following page. The tax-exempt municipal bonds are invested per the requirements of the bond indenture for the asset-backed securitization. PIMCO Asset Management manages the tax-exempt portfolio. As the tax-exempt bonds are redeemed, assets are deallocated (removed) from the tax-exempt portfolio and placed into the taxable portfolio to generate higher expected returns. Since the inception of the fund, the Council has shifted the asset allocation to be more like that of the South Dakota Retirement System.

The long-term expected return of the fund as of June 30, 2018, was 5.92% with a volatility of 13.9%. The return in any given year is expected to fall within a range of (8.0%) to 19.9% with 66% confidence or (22.0%) to 33.9% with 95% confidence.

INVESTMENT PERFORMANCE - FISCAL YEAR 2018

The fund ended fiscal year 2018 with a fair value of \$602,643,318, principal value of \$397,235,184, and inflation-adjusted principal of \$526,766,203. EET's fiscal year total return, including realized and unrealized gains and losses and accrued income, was 6.8% net of fees. The Capital Markets Benchmark¹⁷ return was 6.9%. The difference relative to the benchmark resulted from outperformance of the real estate and private equity limited partnerships and underperformance from asset allocation. The ten-year annualized total return was 6.9%. This compares with the ten-year Capital Markets Benchmark¹⁷ return of 6.8%. The fund's return has been impacted by the required use of tax-exempt securities. In July of 2018, the fund distributed 4% of the sixteen-quarter average market value as of December 31, 2017, totaling \$20,430,222, to the general fund for education expenditures. Since inception, the fund has distributed \$240.64 million.

Cash Flows and Fair Value Changes

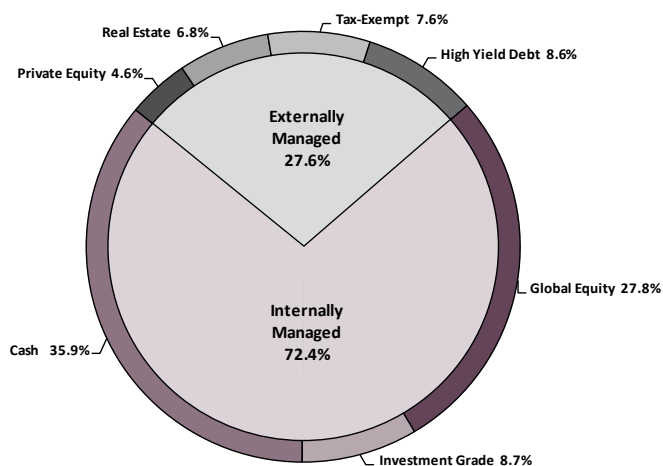
The Education Enhancement Trust Fund began fiscal year 2018 with \$554.5 million in assets. During the fiscal year, net contributions/withdrawals and fees increased the fund by \$9.3 million and investment income increased it by \$38.8 million, resulting in an ending fair value of \$602.6 million.

Fair Value 6/30/17		\$ 554,492,395
Increases/Decreases		
Net Contributions/Withdrawals	\$ 11,310,562	
Internal Management Fees	(524,834)	
External Management Fees	<u>(1,426,741)</u>	
Total Increases/Decreases		\$ 9,358,987
Investment Income		
Securities Income		
Interest Income	\$ 7,236,697	
Dividend Income	4,277,075	
Securities Lending Income	4,459	
Real Estate Income	2,165,991	
Change in Accrued Income	<u>269,150</u>	
Total Securities Income		\$ 13,953,372
Total Capital Gain/Loss Income		<u>\$ 24,838,564</u>
Total Investment Income		\$ 38,791,936
Fair Value 6/30/18		<u>\$ 602,643,318</u>

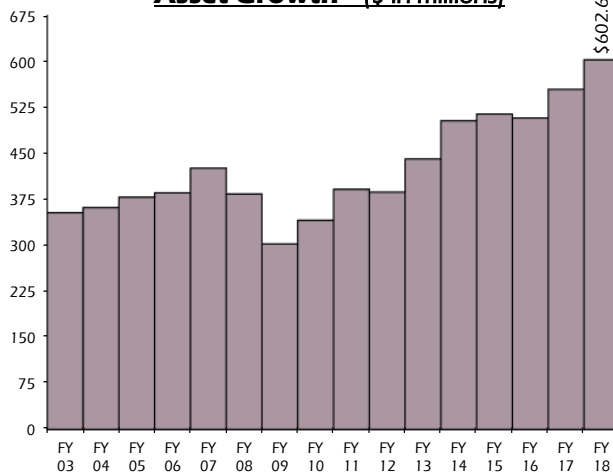
Asset Allocation⁸

As of June 30, 2018, Education Enhancement Trust's assets totaled \$602.6 million. The broad asset categories and managers are listed below. The Capital Markets Benchmark allocation is also provided for comparison.

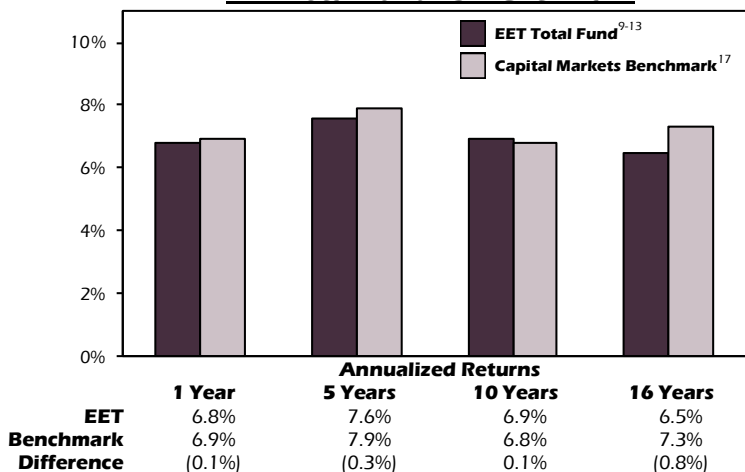
	<u>Fair Value</u>		<u>% of Fund</u>	<u>Capital Markets Benchmark %</u>
Global Equity				
Internal Global Equity	\$162,841,384		27.0%	
Internal Global Emerging Markets	<u>4,795,608</u>	\$167,636,992	<u>0.8%</u>	51.0%
Private Equity				
Blackstone Capital Partners	\$ 3,574,927		0.5%	
Carlyle	4,528,350		0.8%	
Cinven	1,542,445		0.3%	
CVC	48,046		0.0%	
Doughty Hanson	105,489		0.0%	
Riverstone	6,608,686		1.1%	
Silver Lake	<u>11,297,674</u>	27,705,617	<u>1.9%</u>	0.0%
Real Estate				
Blackstone Real Estate Partners	\$ 24,759,462		4.1%	
Cargill N.A. Real Estate Partners	23,650		0.0%	
Lone Star	9,458,864		1.6%	
Rockpoint	3,585,103		0.6%	
Starwood	<u>3,233,021</u>	41,060,100	<u>0.5%</u>	10.0%
Investment Grade & Tax-Exempt Fixed Income				
Internal Investment Grade	\$ 52,225,526		8.7%	
PIMCO Tax-Exempt Portfolio	<u>45,879,246</u>	98,104,772	<u>7.6%</u>	30.0%
High Yield Debt (Corporate & Real Estate)				
Vanguard High Yield Fund	\$ 21,941,169		3.6%	
CarVal	587,968		0.1%	
TCW	<u>29,397,409</u>	51,926,546	<u>4.9%</u>	7.0%
Cash & Cash Equivalents				
Internal Cash Account	<u>\$216,209,291</u>	<u>216,209,291</u>	<u>35.9%</u>	<u>2.0%</u>
Total		<u>\$602,643,318</u>	<u>100.0%</u>	<u>100.0%</u>



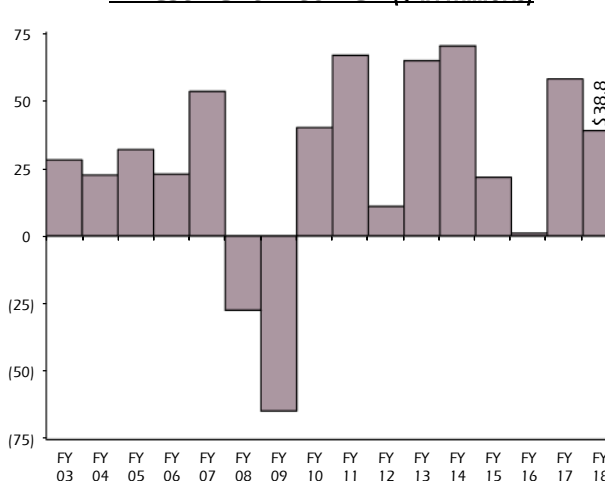
Asset Growth²³ (\$ in millions)



EET Total Fund vs. Benchmark



Investment Income²⁴ (\$ in millions)



Internal Global Equity Profile

The Education Enhancement Trust's internal Global Equity portfolio characteristics as of June 30, 2018 are presented below.

Distribution by Market Sector	%	Five Largest Country Weights	% of Total
Consumer Discretionary	10.2%	United States	75.7%
Consumer Staples	7.9%	Great Britain	6.4%
Energy	14.2%	Switzerland	5.2%
Financials	19.2%	Japan	2.7%
Health Care	18.1%	Canada	<u>2.6%</u>
Industrials	6.9%	Total	<u>92.6%</u>
Information Technology	18.3%		
Materials	2.3%		
Real Estate	0.3%		
Telecommunications Services	1.0%		
Utilities	1.0%		
Cash Equivalents	<u>0.6%</u>		
Total	<u>100.0%</u>		

Internal Bond Profiles

The Education Enhancement Trust's internal Investment Grade (IG) bond portfolio characteristics as of June 30, 2018, are presented below.

Distribution by Duration	IG	Distribution by Quality Rating	IG
0 to 2 Years	8.0%	U.S. Gov't/Aaa	65.1%
2 to 3 Years	3.6%	Aa	6.8%
3 to 4 Years	14.0%	A	12.4%
4 to 5 Years	13.0%	Baa	14.9%
5 to 6 Years	16.7%	Ba	0.8%
6 to 8 Years	33.4%	B	0.0%
Above 8 Years	<u>11.3%</u>	Caa and lower	<u>0.0%</u>
Total	<u>100.0%</u>	Total	<u>100.0%</u>

Distribution by Coupon	IG	Distribution by Sector	%
0.00% - 1.00%	19.8%	Cash/Cash Equivalents	1.2%
1.01% - 2.00%	9.3%	U.S. Treasuries	25.7%
2.01% - 3.00%	30.9%	Agency Debentures	6.2%
3.01% - 4.00%	31.2%	Agency Mortgage-Backed Securities	30.5%
4.01% - 5.00%	7.3%	Investment Grade Corporates	35.6%
5.01% - 6.00%	1.2%	High Yield Corporates	<u>0.8%</u>
6.01% and over	<u>0.3%</u>	Total	<u>100.0%</u>
Total	<u>100.0%</u>	Total	<u>100.0%</u>

Top Ten Holdings

The Education Enhancement Trust's internal Global Equity and internal Investment Grade portfolios' Top Ten Holdings as of June 30, 2018, are presented below.

Global Equity Company Holdings	% of Total	Investment Grade Corporates by Issuer	% of Total
Apple, Inc.	3.3%	Ontario (Province Of)	1.6%
Microsoft Corp.	3.2%	VMware, Inc.	1.4%
Alphabet, Inc.	3.1%	Walmart, Inc.	1.3%
Wells Fargo & Co.	2.1%	Philip Morris International, Inc.	1.3%
JPMorgan Chase & Co.	2.0%	Morgan Stanley	1.3%
UnitedHealth Group, Inc.	1.8%	Williams Cos, Inc.	1.2%
Citigroup, Inc.	1.7%	BP plc	1.2%
BP plc	1.6%	Quebec (Province Of)	1.2%
Anadarko Petroleum Corp.	1.5%	Verizon Communications	1.1%
Pfizer, Inc.	<u>1.5%</u>	Wells Fargo & Co.	<u>1.1%</u>
Total	<u>21.8%</u>	Total	<u>12.7%</u>

THE FUND

The Health Care Trust Fund (HCT) was established under the Constitution through a Joint Resolution submitted to South Dakota citizens at a special election on April 10, 2001. Article XII §5 provided that any funds on deposit in the intergovernmental transfer fund as of July 1, 2001, and any funds appropriated to HCT thereafter are placed in HCT. The constitutional change directed the South Dakota Investment Council (Council) to invest the trust fund in stocks, bonds, mutual funds, and other financial instruments as provided by law. South Dakota Codified Law (SDCL) 28-6-33 states that the provisions of SDCL 4-5-27, prudent-man standard, govern the moneys in the trust.

Each year the state treasurer is directed to distribute from the trust fund to the general fund an amount appropriated by law for health care related programs. The distribution is defined in SDCL 4-5-29.1. The state investment officer shall determine the sixteen-quarter average market value of the fund as of December 31 and calculate an amount equal to 4%, without invading principal, that is eligible for distribution at the beginning of the next fiscal year. The fund principal may not be diverted for other purposes unless appropriated by a three-fourths vote of all the members-elect of each house of the Legislature.

OBJECTIVES AND COMPONENTS

The objectives of HCT are to 1) provide a distribution of 4% of market value and 2) promote inflation-adjusted growth of the fund and a steadily growing distribution amount.

HCT assets were invested in diversified portfolios during fiscal year 2018, as shown on the following page. Since the inception of the fund, the Council has shifted the asset allocation to be more like that of the South Dakota Retirement System.

The long-term expected return of the fund as of June 30, 2018, was 5.96% with a volatility of 13.9%. This means that the return in any given year is expected to fall within a range of (8.0%) to 19.9% with 66% confidence or (21.9%) to 33.8% with 95% confidence.

INVESTMENT PERFORMANCE - FISCAL YEAR 2018

The fund ended fiscal year 2018 with a fair value of \$147,135,167, principal value of \$85,631,024, and inflation-adjusted principal of \$118,588,235. HCT's fiscal year total return, including realized and unrealized gains and losses and accrued income, was 6.8% net of fees. The Capital Markets Benchmark¹⁸ return was 6.8%. The difference relative to the benchmark resulted from outperformance of the real estate and private equity limited partnerships and underperformance from asset allocation. The ten-year annualized total return was 7.4%. This compares with the ten-year Capital Markets Benchmark¹⁸ return of 6.8%. In July of 2018, the fund distributed 4% of the sixteen-quarter average market value as of December 31, 2017, totaling \$5,414,857, to the general fund for health care related expenditures. Since inception, the fund has distributed \$64.75 million.

Cash Flows and Fair Value Changes

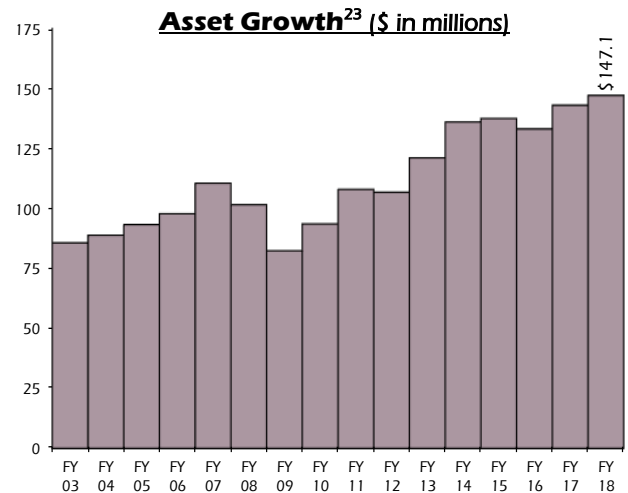
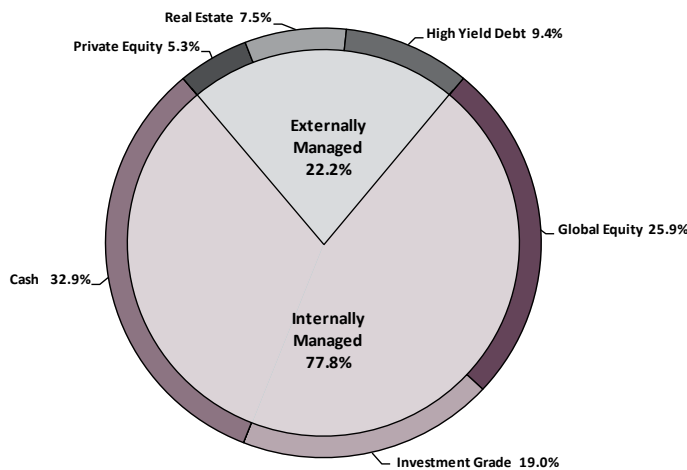
The Health Care Trust Fund began fiscal year 2018 with \$143.0 million in assets. During the fiscal year, net contributions/withdrawals and fees decreased the fund by \$5.7 million and investment income increased it by \$9.8 million, resulting in an ending fair value of \$147.1 million.

Fair Value 6/30/17		\$	143,034,115
Increases/Decreases			
Net Contributions/Withdrawals	\$ (5,214,739)		
Internal Management Fees	(136,966)		
External Management Fees	<u>(334,503)</u>		
Total Increases/Decreases		\$	(5,686,208)
Investment Income			
Securities Income			
Interest Income	\$ 1,710,441		
Dividend Income	1,057,655		
Securities Lending Income	1,138		
Real Estate Income	584,027		
Change in Accrued Income	<u>56,296</u>		
Total Securities Income		\$	3,409,557
Total Capital Gain/Loss Income		\$	<u>6,377,703</u>
Total Investment Income		\$	<u>9,787,260</u>
Fair Value 6/30/18		\$	<u>147,135,167</u>

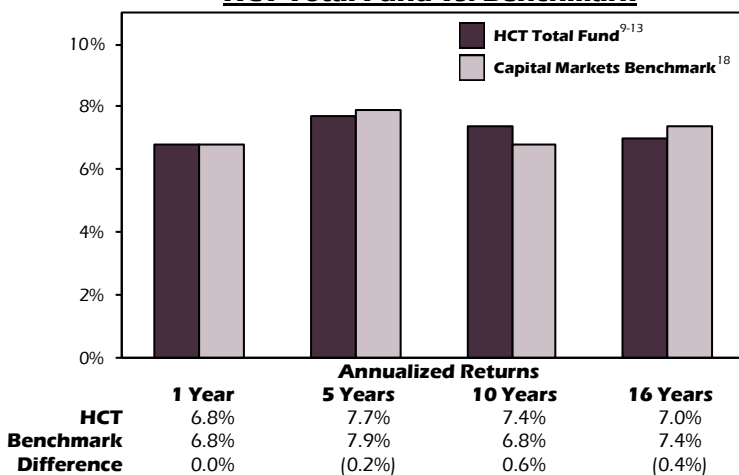
Asset Allocation⁸

As of June 30, 2018, Health Care Trust's assets totaled \$147.1 million. The broad asset categories and managers are listed below. The Capital Markets Benchmark allocation is also provided for comparison.

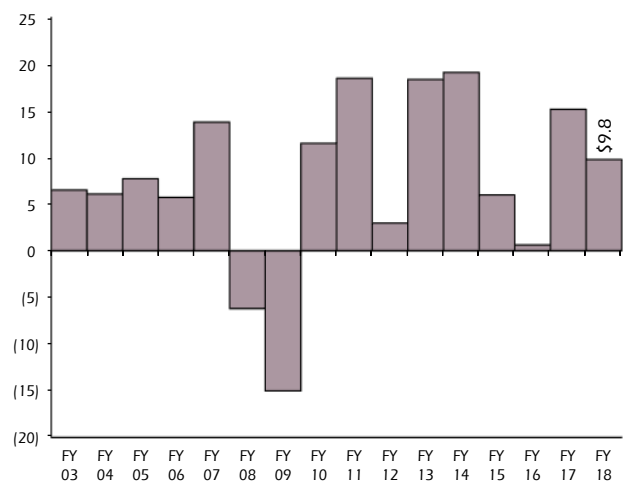
	<u>Fair Value</u>		<u>% of Fund</u>	<u>Capital Markets Benchmark %</u>
Global Equity				
Internal Global Equity	\$ 36,726,647		25.0%	
Internal Global Emerging Markets	<u>1,268,954</u>	\$ 37,995,601	<u>0.9%</u>	25.9%
Private Equity				
Blackstone Capital Partners	\$ 1,156,496		0.8%	
Carlyle	1,252,520		0.9%	
Cinven	393,827		0.3%	
CVC	12,247		0.0%	
Doughty Hanson	26,750		0.0%	
Riverstone	1,795,835		1.2%	
Silver Lake	<u>3,145,600</u>	7,783,275	<u>2.1%</u>	5.3%
Real Estate				
Blackstone Real Estate Partners	\$ 6,649,921		4.5%	
Cargill N.A. Real Estate Partners	5,912		0.0%	
Lone Star	2,447,837		1.7%	
Rockpoint	911,466		0.6%	
Starwood	<u>1,073,083</u>	11,088,219	<u>0.7%</u>	7.5%
Investment Grade Fixed Income				
Internal Investment Grade	\$ <u>28,024,468</u>	28,024,468	<u>19.0%</u>	19.0%
High Yield Debt (Corporate & Real Estate)				
Vanguard High Yield Fund	\$ 5,651,243		3.8%	
CarVal	149,082		0.1%	
TCW	<u>8,058,316</u>	13,858,641	<u>5.5%</u>	9.4%
Cash & Cash Equivalents				
Internal Cash Account	\$ <u>48,384,963</u>	<u>48,384,963</u>	<u>32.9%</u>	<u>32.9%</u>
Total		<u>\$147,135,167</u>	<u>100.0%</u>	<u>100.0%</u>



HCT Total Fund vs. Benchmark



Investment Income²⁴ (\$ in millions)



Internal Global Equity Profile

The Health Care Trust's internal Global Equity portfolio characteristics as of June 30, 2018, are presented below.

Distribution by Market Sector	%	Five Largest Country Weights	% of Total
Consumer Discretionary	10.2%	United States	75.7%
Consumer Staples	8.0%	Great Britain	6.3%
Energy	14.2%	Switzerland	5.2%
Financials	19.3%	Japan	2.9%
Health Care	17.9%	Canada	<u>2.7%</u>
Industrials	6.8%	Total	<u>92.8%</u>
Information Technology	18.3%		
Materials	2.4%		
Real Estate	0.3%		
Telecommunications Services	1.0%		
Utilities	1.1%		
Cash Equivalents	<u>0.5%</u>		
Total	<u>100.0%</u>		

Internal Bond Profiles

The Health Care Trust's internal Investment Grade (IG) bond portfolio characteristics as of June 30, 2018, are presented below.

Distribution by Duration	IG	Distribution by Quality Rating	IG
0 to 2 Years	8.2%	U.S. Gov't/Aaa	65.1%
2 to 3 Years	3.6%	Aa	6.8%
3 to 4 Years	14.3%	A	12.4%
4 to 5 Years	12.9%	Baa	14.9%
5 to 6 Years	15.8%	Ba	0.8%
6 to 8 Years	33.9%	B	0.0%
Above 8 Years	<u>11.3%</u>	Caa and lower	<u>0.0%</u>
Total	<u>100.0%</u>	Total	<u>100.0%</u>

Distribution by Coupon	IG	Distribution by Sector	%
0.00% - 1.00%	20.0%	Cash/Cash Equivalents	1.5%
1.01% - 2.00%	9.3%	U.S. Treasuries	25.7%
2.01% - 3.00%	31.0%	Agency Debentures	6.2%
3.01% - 4.00%	31.2%	Agency Mortgage-Backed Securities	30.3%
4.01% - 5.00%	6.8%	Investment Grade Corporates	35.5%
5.01% - 6.00%	1.4%	High Yield Corporates	<u>0.8%</u>
6.01% and over	<u>0.3%</u>	Total	<u>100.0%</u>
Total	<u>100.0%</u>		

Top Ten Holdings

The Health Care Trust's internal Global Equity and internal Investment Grade portfolios' Top Ten Holdings as of June 30, 2018, are presented below.

Global Equity Company Holdings	% of Total	Investment Grade Corporates by Issuer	% of Total
Apple, Inc.	3.3%	Ontario (Province Of)	1.6%
Microsoft Corp.	3.2%	VMware, Inc.	1.4%
Alphabet, Inc.	3.1%	Walmart, Inc.	1.3%
Wells Fargo & Co.	2.0%	Philip Morris International, Inc.	1.3%
JPMorgan Chase & Co.	2.0%	Morgan Stanley	1.3%
UnitedHealth Group, Inc.	1.7%	Williams Cos, Inc.	1.2%
Citigroup, Inc.	1.7%	BP plc	1.2%
BP plc	1.6%	Quebec (Province Of)	1.2%
Pfizer, Inc.	1.5%	Verizon Communications	1.1%
Anadarko Petroleum Corp.	<u>1.5%</u>	Wells Fargo & Co.	<u>1.1%</u>
Total	<u>21.6%</u>	Total	<u>12.7%</u>

HIGHER EDUCATION SAVINGS PLAN

In 2001, the Legislature assigned the South Dakota Investment Council (Council) the responsibility of establishing South Dakota's Higher Education Savings Plan. The Legislature took advantage of federal tax law changes made in 1996 regarding the Internal Revenue Code Section 529 qualified tuition programs. These changes created significant incentives for a new investment vehicle for those attempting to save for future higher education costs.

In November of 2001, the Council selected Allianz Global Investors Distributors LLC (formerly PIMCO Funds Distributors LLC) as the program manager for the Section 529 program from seven candidates. Significant negotiations led to a unique "Best of Breed" multi-manager higher education savings plan. South Dakota's plan is entitled *CollegeAccess 529 Plan*. In 2007, the contract with Allianz Global Investors Distributors LLC (Allianz) was renegotiated with substantially the same terms as the original contract. The new seven year contract was signed on December 11, 2007. In 2014, the existing contract was extended to December 1, 2021. Contributions from every state and several countries have generated growth of Plan assets to over \$1.07 billion on June 30, 2018.

The Council and Allianz worked together to create a flexible 529 plan that would have special advantages for South Dakota citizens. This was accomplished by offering several investment choices for South Dakota residents investing directly (i.e. without a financial advisor) at a maximum total annual cost no greater than 0.65%. The Age-Based Investment Portfolios use shifting asset allocations based on the designated account beneficiary's age. A diversified group of nine investment portfolios is designed to emphasize total return and capital appreciation when the beneficiary is younger and increasingly emphasize preservation of capital and income as the beneficiary approaches college age. The total annual operating expense ratios for South Dakotans investing directly in the age-based portfolios ranged from 0.46% to 0.55% last year.

Account owners can also invest directly in two individual investment portfolios: the PIMCO All Asset Fund and the PIMCO Real Return Fund. The PIMCO Real Return Fund emphasizes the preservation of capital through investing primarily in high credit quality fixed income instruments and inflation-indexed bonds with minimum volatility, while seeking returns higher than those generally offered by short-term funds. The total annual operating expense ratio for last year was 0.64% for South Dakota residents investing directly in the portfolio. The PIMCO All Asset Fund emphasizes maximum real return (total return less inflation) by utilizing a dynamic asset allocation approach to invest in a portfolio of mutual funds managed by PIMCO. The total annual operating expense ratio for last year was 0.65% for South Dakota residents. South Dakota residents can also invest directly in a multi-fund customized investment portfolio called the Diversified Bond Portfolio. This portfolio seeks to maximize total return through two or more core bond funds. The total annual operating expense ratio for last year was 0.46% for South Dakota residents.

In addition to the opportunity for South Dakotans to invest directly at a low cost, five age-based portfolios, twelve individual mutual fund choices, and three customized investment portfolios are available to South Dakota investors as well as to investors nationwide. These selections can be accessed by using the services of a financial advisor. Although all investors will encounter a fee when investing with the assistance of a financial advisor, South Dakota residents do not pay the annual account maintenance fee, which is currently \$20, or the annual program management fee of 0.25%.

SCHOLARSHIP PROGRAM

The negotiations that led to the selection of Allianz included a scholarship opportunity for South Dakota's outstanding high school seniors. For each of the first three years of the scholarship program, Allianz guaranteed funding for 70 \$2,000 four-year scholarships, totaling \$8,000 each. Additionally, over 500 \$1,500 one-time scholarships were awarded. Starting with fiscal year 2005, the availability of funding for the scholarship program has been dependent upon the amount of assets in South Dakota's *CollegeAccess 529 Plan*. In total, 279 \$2,000 four-year scholarships, 70 \$2,000 two-year scholarships, and 564 \$1,500 one-time scholarships were awarded over the first six years of the Allianz South Dakota Scholarship Program.

When the Allianz South Dakota Scholarship Program began in 2002, there were no other state scholarship programs available. Currently, the state has other programs with the infrastructure necessary to administer a quality scholarship program. Since fiscal year 2007, scholarship funds totaling \$14,605,187 have been directed from Allianz to the Dakota Corps Scholarship Fund. Based on the assets as of June 30, 2018, and the scholarship funding formula, the resulting 2018 contribution was \$1,205,678. The Allianz program and the Dakota Corps programs share a common goal of keeping our talented young people in the state in order to foster South Dakota's economic well-being. The Dakota Corps program is unique because it is geared toward students who plan to work toward a degree in a critical need occupation in South Dakota. To be eligible, students must meet academic requirements and attend a participating South Dakota post-secondary institution. The scholarship recipients must agree in writing to stay in South Dakota and work in a critical need occupation after graduation for as many years as the scholarship was received, plus one year. These students receive four-year scholarships equal to tuition and fees for 16 credit hours per semester at a public South Dakota college, public technical college, or tribal college. The scholarship amount for attendance at a participating private college in South Dakota would be the same amount that would be paid at a public South Dakota college, with the college covering the remaining tuition and fees if needed. A description of the program can be found at <https://www.sdbor.edu/dakotacorps/>.

ANNUAL REPORT

Each year the Council is required by law to submit an annual report letter by February 1. This letter is to go to the Governor, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate. The letter, dated January 31, 2018, can be found in the Appendix on the following page.

MORE INFORMATION

Extensive information on this higher education savings program can be found at the following websites: www.CollegeAccess529.com or www.SouthDakota529.com. A major section of the website has been custom-developed for South Dakota residents.

**SOUTH DAKOTA INVESTMENT COUNCIL**

4009 West 49th Street, Suite 300
Sioux Falls, SD 57106-3784 USA
Phone: (605) 362-2820

January 31, 2018

Hon. Dennis Daugaard
Governor of South Dakota
500 E. Capitol Avenue
Pierre, SD 57501-5070

Hon. Mark Mickelson, Speaker
South Dakota House of Representatives
500 E. Capitol Avenue
Pierre, SD 57501-5070

Hon. Brock Greenfield, President Pro Tempore
South Dakota Senate
500 E. Capitol Avenue
Pierre, SD 57501-5070

Dear Governor Daugaard, Speaker Mickelson and President Pro Tempore Greenfield:

We are pleased to submit our seventeenth annual report on the Higher Education Savings Program as required by South Dakota Codified Laws, Chapter 13-63, originally passed into law by the Legislature in 2001.

The CollegeAccess 529 Plan was implemented by the Investment Council in April of 2002. The plan allows South Dakota citizens, as well as citizens across the nation, to save and invest for post-secondary educational expenses with federal tax benefits. Allianz Global Investors Distributors LLC (AGID), originally known as PIMCO Funds Distributors LLC, was selected by the Council to manage, invest, market, and administer the plan. AGID is a part of the Allianz Group, which is a global financial services leader with lengthy corporate history and a presence in more than 70 countries.

CollegeAccess 529 is offered and maintained at no cost to the State or taxpayers, as mandated by law, and features the following:

- Nationally competitive cost for residents of South Dakota who choose to invest directly;
- High quality and diversified product offering from the PIMCO family of funds, the Allianz family of funds and funds from other nationally-recognized investment firms;
- Scholarship funding for South Dakota students who enroll in South Dakota post-secondary institutions as undergraduate students in programs that will prepare them to work in critical need occupations in South Dakota following graduation.

January 31, 2018
Page 2

The plan is available to South Dakotans, either through qualified financial advisors or directly by calling toll-free (1-866-529-7462) or visiting the web site www.southdakota529.com. As of December 31, 2017, the plan had assets of approximately \$1.101 billion, up 5% from last year. For the most recent full program year (calendar year 2017), returns for South Dakota direct investment age-based alternatives ranged from 19.26% for the Age-Based 0-8 Portfolio to 3.97% for the PIMCO Real Return Fund.

Of the 20 mutual funds utilized by the plan and rated by Morningstar, 55 percent have an overall rating of 4 or 5 stars, with 5 being the highest possible rating. Additionally, 9 of the funds were deemed Morningstar Medalists. Morningstar, a leading provider of independent investment research, provides strictly quantitative mutual fund ratings that measure how well a fund has balanced return and risk in the past.

Scholarship Program

A benefit of implementing the higher education savings plan has been the establishment of a scholarship program for South Dakota students to attend South Dakota public and private post-secondary institutions. This program is funded by Allianz. Scholarships totaling \$3.224 million were awarded to over 900 high school seniors during the six years of the original contract term.

In 2007 the Council investigated alternatives to the original scholarship program and, with input from former Governor Rounds and approval by the LRC Executive Board, decided to direct scholarship monies generated through the relationship with Allianz to The Dakota Corps Scholarship Program. In September of 2007, Allianz transferred \$1,027,334 to The Dakota Corps Scholarship Program, including \$690,131 generated from fiscal year 2007 CollegeAccess 529 Plan assets and \$337,203 carried over from previous years. In 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016 and 2017, Allianz contributed \$756,125, \$694,782, \$823,112, \$1,059,271, \$1,165,435, \$1,363,392, \$1,583,037, \$1,616,835, \$1,588,176 and \$1,722,011, respectively, to the Dakota Corps Scholarship Program, totaling \$13,399,510.

The Dakota Corps Scholarship Program is designed to encourage South Dakota high school graduates to obtain their post-secondary education in South Dakota, remain in the state upon their graduation, and contribute to the state and its citizens by working in critical need occupations. The scholarship pays for four years of tuition and generally applicable fees. More information is available at <https://www.sdbor.edu/dakotacorps/>.

Thank you for your interest in the Higher Education Savings Program.

Sincerely,

Steve T. Kirby
Investment Council Chair

Matthew L. Clark, CFA
State Investment Officer

**SOUTH DAKOTA RETIREMENT SYSTEM
INTERNALLY MANAGED**

	<u>Cost Value</u>	<u>Fair Value</u>
Global Equity		
Apple, Inc.	762,920	\$ 53,316,492
Microsoft Corp.	1,382,025	36,779,726
Wells Fargo & Co.	1,392,070	40,736,191
Alphabet, Inc. - Cl. C	62,350	21,548,427
UnitedHealth Group, Inc.	277,433	11,218,047
Citigroup, Inc.	911,319	36,371,241
Alphabet, Inc. - Cl. A	50,654	14,314,622
Berkshire Hathaway, Inc.	305,935	43,627,646
Pfizer, Inc.	1,532,557	37,346,537
Facebook, Inc.	281,660	44,138,183
Anadarko Petroleum Corp.	746,035	32,547,531
JPMorgan Chase & Co.	494,475	17,229,321
Gilead Sciences, Inc.	711,596	23,687,251
U.S. Bancorp	987,705	20,915,914
Oracle Corp.	1,047,296	32,354,636
Devon Energy Corp.	1,046,178	42,104,427
Visa, Inc.	333,200	23,881,408
Novartis AG	580,682	34,878,746
Intel Corp.	870,309	17,728,445
Noble Energy, Inc.	1,190,545	38,611,945
Medtronic plc	485,061	26,593,571
Samsung Electronics Co., Ltd.	975,300	23,900,480
Schlumberger, Ltd.	602,670	40,587,518
Roche Holding, Ltd.	179,405	31,853,601
Nestle SA	512,887	13,989,369
Canadian Natural Resources, Ltd.	1,086,713	28,684,036
WalMart, Inc.	447,799	23,541,042
Allergan plc	224,040	46,328,494
Aetna, Inc.	196,473	14,155,693
Lennar Corp.	685,414	20,173,685
Bank of America Corp.	1,264,975	24,264,177
Johnson & Johnson	290,835	25,211,788
Marathon Oil Corp.	1,682,889	33,023,568
Honda Motor Co., Ltd.	1,190,600	29,897,577
Hess Corp.	518,678	26,098,083
Barclays plc	13,865,644	48,679,056
Walt Disney Co.	325,215	33,954,832
Synchrony Financial	1,011,271	26,750,626
Union Pacific Corp.	233,640	19,263,365
Credit Suisse Group AG	2,111,309	43,297,607
Cenovus Energy, Inc.	2,998,580	50,952,634
Cimarex Energy Co.	301,873	28,444,341
LyondellBasell Industries NV	277,473	22,878,733
Bank of New York Mellon Corp.	562,009	13,871,779
Merck & Co., Inc.	498,040	24,723,462
BP plc	3,914,992	28,028,355
AT&T, Inc.	921,944	27,759,251
Target Corp.	380,664	17,012,884
Philip Morris International, Inc.	355,858	26,804,670
BP plc - ADR	621,750	21,562,513
Total Top 50 Securities	\$ 1,465,623,526	\$ 2,280,213,977
Remaining Global Equity	<u>1,901,521,912</u>	<u>2,242,742,147</u>
Global Equity	\$ 3,367,145,438	\$ 4,522,956,124
Global Emerging Markets	\$ 124,134,257	\$ 140,315,000
Small/Mid Equity	\$ 580,784,485	\$ 655,309,333
Investment Grade Fixed Income	\$ 1,043,601,714	\$ 1,025,016,148
High Yield Fixed Income	\$ 473,290,969	\$ 490,168,214
Shift Account	\$ 2,285,561,391	\$ 2,290,029,826
Total SDRS Internally Managed	<u>\$ 7,874,518,254</u>	<u>\$ 9,123,794,645</u>

**SOUTH DAKOTA RETIREMENT SYSTEM
EXTERNALLY MANAGED**

	<u>Cost Value</u>	<u>Fair Value</u>
Emerging Markets		
Dimensional Emerging Markets Small Cap	\$ 12,135,258	\$ 62,399,962
Total Emerging Markets	\$ 12,135,258	\$ 62,399,962
Special Purpose Equity		
Brandes International Mid Cap Portfolio	\$ 70,181,093	\$ 68,426,814
Sanders Capital, L.L.C.	<u>45,872,213</u>	<u>56,363,041</u>
Total Special Purpose Equity	\$ 116,053,306	\$ 124,789,855
Private Equity		
Blackstone Capital Partners IV & V, L.P.	\$ 13,845,615	\$ 23,489,534
Blackstone Capital Partners VI, L.P.	62,698,087	106,222,853
Blackstone Capital Partners VII, L.P.	19,617,361	26,001,337
Blackstone Energy Partners II, L.P.	35,470,685	47,549,420
Capital International Private Equity Fund IV & V, L.P.	9,067,540	878,119
Capital International Private Equity Fund VI, L.P.	38,277,171	39,815,406
Carlyle Partners IV & V, L.P.	13,938,493	10,367,963
Carlyle Partners VI, L.P.	82,480,164	96,829,569
EnCap Energy Capital Fund XI, L.P.	3,146,103	3,146,103
Riverstone/Carlyle Global Energy & Power Fund IV, L.P.	12,420,523	19,205,254
Riverstone Global Energy & Power Fund V, L.P.	59,482,250	58,354,855
Riverstone Global Energy & Power Fund VI, L.P.	86,151,320	107,750,387
The Fourth Cinven Fund	17,090,165	147,011
The Fifth Cinven Fund	51,359,279	75,023,293
The Sixth Cinven Fund	34,946,225	32,407,770
CVC European Equity Partners IV, L.P.	14,008,843	70,459
CVC European Equity Partners V, L.P.	26,310,337	30,498,291
CVC Capital Partners VII, L.P. ²⁵	(1,633,766)	1,017,453
Cypress Merchant Banking Partners II, L.P.	28,689	28,689
Doughty Hanson & Co. IV & V, L.P.	19,647,592	11,194,143
Elevation Partners, L.P.	292,875	101,236
KKR European Fund I & II, L.P.	829,800	461,546
PineBridge Capital Management Corp.	5,365,124	3,208,907
Silver Lake Partners II, L.P.	1,503,809	6,721,264
Silver Lake Partners III, L.P.	14,085,386	43,992,471
Silver Lake Partners IV, L.P.	109,382,899	178,199,612
Silver Lake Partners V, L.P.	11,836,772	12,157,971
Silver Lake Sumeru Fund, L.P.	<u>19,528,773</u>	<u>24,960,456</u>
Total Private Equity	\$ 761,178,114	\$ 959,801,372
Aggressive Absolute Return		
Bridgewater Pure Alpha Fund II, Ltd.	\$ 36,742,005	\$ 93,545,448
Sanders Capital All Asset Value Fund, L.P.	<u>25,458,030</u>	<u>31,112,598</u>
Total Aggressive Absolute Return	\$ 62,200,035	\$ 124,658,046
Real Estate		
Ares Management LLC	\$ 6,201,151	\$ 4,063,149
Blackstone Real Estate Partners IV, L.P.	75,746,428	27,989,585
Blackstone Real Estate Partners V, L.P.	24,438,304	49,208,633
Blackstone Real Estate Partners VI, L.P.	28,423,789	40,529,120
Blackstone Real Estate Partners VII, L.P.	39,622,027	61,061,270
Blackstone Real Estate Partners VIII, L.P.	153,327,886	212,132,642
Blackstone Real Estate Partners International I & II, L.P.	18,956,980	12,391,654
Blackstone Real Estate Partners Europe III, L.P.	49,289,371	55,729,938
Blackstone Real Estate Partners Europe V, L.P.	105,067,181	123,929,887
Blackstone Real Estate Partners Asia II, L.P.	10,071,347	8,485,375
Brookfield Strategic Real Estate Partners III ²⁵	(764,313)	(780,621)
North American Real Estate Partners II, L.P.	0	340,379
Doughty Hanson & Co. European Real Estate II, L.P.	442,225	845,972
Lone Star Real Estate Fund II, L.P.	6,574,776	6,102,660
Lone Star Real Estate Fund III, L.P.	41,567,625	44,342,942
Lone Star Real Estate Fund IV, L.P.	126,483,239	142,498,846
Lone Star Real Estate Fund V, L.P.	13,481,172	13,512,797
Rockpoint Real Estate Fund IV, L.P.	31,380,575	32,218,260
Rockpoint Real Estate Fund V, L.P.	62,040,138	75,955,576
Starwood Distressed Opportunity Fund IX Global	23,436,826	26,276,117
Starwood Distressed Opportunity Fund X Global	73,477,501	76,870,122
Starwood Distressed Opportunity Fund XI Global ²⁵	<u>(818,835)</u>	<u>1,094,985</u>
Total Real Estate	\$ 888,445,393	\$ 1,014,799,288
High Yield Debt (Corporate & Real Estate)		
CVI Global Value Fund A, L.P.	\$ 37,225,057	\$ 22,989,263
TCW Opportunistic MBS Strategy	<u>698,691,461</u>	<u>789,239,140</u>
Total High Yield Debt	\$ 735,916,518	\$ 812,228,403
Total SDRS Externally Managed	<u>\$ 2,575,928,624</u>	<u>\$ 3,098,676,926</u>

**SCHOOL AND PUBLIC LANDS
INTERNALLY MANAGED**

	<u>Cost Value</u>	<u>Fair Value</u>
Global Equity	\$ 64,105,579	\$ 83,063,849
Global Emerging Markets	\$ 2,085,363	\$ 2,636,656
Investment Grade Fixed Income	\$ 52,325,290	\$ 51,441,049
Cash Account	\$ 100,750,592	\$ 100,894,883
Total SPL Internally Managed	\$ 219,266,824	\$ 238,036,437

**SCHOOL AND PUBLIC LANDS
EXTERNALLY MANAGED**

	<u>Cost Value</u>	<u>Fair Value</u>
Private Equity		
Blackstone Capital Partners V, L.P.	\$ 182,158	\$ 315,140
Blackstone Capital Partners VI, L.P.	809,810	1,371,969
Blackstone Capital Partners VII, L.P.	333,496	442,023
Carlyle Partners VI, L.P.	2,051,742	2,408,697
The Sixth Cinven Fund	920,105	853,271
CVC Capital Partners VII, L.P. ²⁵	(40,844)	25,436
Doughty Hanson & Co. V, L.P.	174,270	44,748
Riverstone Global Energy & Power Fund VI, L.P.	2,756,844	3,448,014
Silver Lake Partners III, L.P.	333,865	1,042,729
Silver Lake Partners IV, L.P.	2,597,626	4,231,863
Silver Lake Partners V, L.P.	302,497	310,706
Total Private Equity	\$ 10,421,569	\$ 14,494,596

Real Estate

Blackstone Real Estate Partners V, L.P.	\$ 495,175	\$ 997,095
Blackstone Real Estate Partners VI, L.P.	555,115	791,548
Blackstone Real Estate Partners VII, L.P.	854,206	1,316,417
Blackstone Real Estate Partners VIII, L.P.	3,480,346	4,556,390
Blackstone Real Estate Partners International II, L.P.	666,953	454,533
Blackstone Real Estate Partners Europe III, L.P.	1,190,303	1,345,834
Blackstone Real Estate Partners Europe V, L.P.	2,730,031	3,220,153
Blackstone Real Estate Partners Asia II, L.P.	261,109	219,992
North American Real Estate Partners II, L.P.	0	10,212
Lone Star Real Estate Fund III, L.P.	1,025,335	1,093,793
Lone Star Real Estate Fund IV, L.P.	3,190,233	3,594,187
Lone Star Real Estate Fund V, L.P.	345,416	346,226
Rockpoint Real Estate Fund V, L.P.	1,588,228	1,944,463
Starwood Distressed Opportunity Fund X Global	2,033,436	2,120,136
Starwood Distressed Opportunity Fund XI Global ²⁵	(21,277)	28,451
Total Real Estate	\$ 18,394,609	\$ 22,039,430

High Yield Debt (Corporate & Real Estate)

Vanguard High Yield Fund	\$ 11,682,787	\$ 11,781,231
CVI Global Value Fund A, L.P.	403,784	249,399
TCW Opportunistic MBS Strategy	13,996,987	15,638,585
Total High Yield Debt	\$ 26,083,558	\$ 27,669,215

Total SPL Externally Managed \$ 54,899,736 \$ 64,203,241

**DAKOTA CEMENT TRUST
INTERNALLY MANAGED**

	<u>Cost Value</u>	<u>Fair Value</u>
Global Equity	\$ 64,424,084	\$ 85,350,126
Global Emerging Markets	\$ 2,240,647	\$ 2,833,308
Investment Grade Fixed Income	\$ 64,326,175	\$ 63,203,451
Cash Account	\$ 100,166,816	\$ 100,317,886
Total DCT Internally Managed	\$ 231,157,722	\$ 251,704,771

**DAKOTA CEMENT TRUST
EXTERNALLY MANAGED**

	<u>Cost Value</u>	<u>Fair Value</u>
Private Equity		
Blackstone Capital Partners V, L.P.	\$ 293,824	\$ 509,599
Blackstone Capital Partners VI, L.P.	685,225	1,160,904
Blackstone Capital Partners VII, L.P.	392,348	520,028
Carlyle Partners VI, L.P.	2,462,093	2,890,434
The Sixth Cinven Fund	973,188	902,497
CVC Capital Partners VII, L.P. ²⁵	(43,870)	27,320
Doughty Hanson & Co. V, L.P.	284,224	72,980
Riverstone Global Energy & Power Fund VI, L.P.	3,158,881	3,950,847
Silver Lake Partners III, L.P.	544,624	1,700,985
Silver Lake Partners IV, L.P.	3,247,016	5,289,810
Silver Lake Partners V, L.P.	315,652	324,218
Total Private Equity	\$ 12,313,205	\$ 17,349,622

Real Estate

Blackstone Real Estate Partners V, L.P.	\$ 796,162	\$ 1,603,149
Blackstone Real Estate Partners VI, L.P.	893,829	1,274,537
Blackstone Real Estate Partners VII, L.P.	998,764	1,539,198
Blackstone Real Estate Partners VIII, L.P.	3,897,987	5,103,151
Blackstone Real Estate Partners International II, L.P.	1,088,187	741,609
Blackstone Real Estate Partners Europe III, L.P.	261,109	219,992
Blackstone Real Estate Partners Europe V, L.P.	1,190,303	1,345,834
Blackstone Real Estate Partners Asia II, L.P.	2,925,033	3,450,164
North American Real Estate Partners II, L.P.	0	16,663
Lone Star Real Estate Fund III, L.P.	1,191,602	1,271,163
Lone Star Real Estate Fund IV, L.P.	3,565,556	4,017,034
Lone Star Real Estate Fund V, L.P.	380,605	381,497
Rockpoint Real Estate Fund V, L.P.	1,737,123	2,126,756
Starwood Distressed Opportunity Fund X Global	1,525,080	1,590,120
Starwood Distressed Opportunity Fund XI Global ²⁵	(22,493)	30,077
Total Real Estate	\$ 20,428,847	\$ 24,710,944

High Yield Debt (Corporate & Real Estate)

Vanguard High Yield Fund	\$ 12,829,650	\$ 12,932,752
CVI Global Value Fund A, L.P.	658,730	406,840
TCW Opportunistic MBS Strategy	16,385,114	18,360,174
Total High Yield Debt	\$ 29,873,494	\$ 31,699,766

Total DCT Externally Managed \$ 62,615,546 \$ 73,760,332

**EDUCATION ENHANCEMENT TRUST
INTERNALLY MANAGED**

	<u>Cost Value</u>	<u>Fair Value</u>
Global Equity	\$ 123,930,467	\$ 162,841,384
Global Emerging Markets	\$ 3,792,715	\$ 4,795,608
Investment Grade Fixed Income	\$ 53,331,619	\$ 52,225,526
Cash Account	\$ 215,901,409	\$ 216,209,291
Total EET Internally Managed	<u>\$ 396,956,210</u>	<u>\$ 436,071,809</u>

**EDUCATION ENHANCEMENT TRUST
EXTERNALLY MANAGED**

	<u>Cost Value</u>	<u>Fair Value</u>
Private Equity		
Blackstone Capital Partners V, L.P.	\$ 425,316	\$ 737,681
Blackstone Capital Partners VI, L.P.	1,183,571	2,005,203
Blackstone Capital Partners VII, L.P.	627,756	832,043
Carlyle Partners VI, L.P.	3,857,281	4,528,350
The Sixth Cinven Fund	1,663,263	1,542,445
CVC Capital Partners VII, L.P. ²⁵	(77,150)	48,046
Doughty Hanson & Co. V, L.P.	410,829	105,489
Riverstone Global Energy & Power Fund VI, L.P.	5,283,944	6,608,686
Silver Lake Partners III, L.P.	787,078	2,458,259
Silver Lake Partners IV, L.P.	5,073,416	8,265,284
Silver Lake Partners V, L.P.	558,963	574,131
Total Private Equity	\$ 19,794,267	\$ 27,705,617
Real Estate		
Blackstone Real Estate Partners V, L.P.	\$ 1,145,698	\$ 2,306,974
Blackstone Real Estate Partners VI, L.P.	1,307,815	1,864,789
Blackstone Real Estate Partners VII, L.P.	1,682,129	2,592,310
Blackstone Real Estate Partners VIII, L.P.	6,543,051	8,566,002
Blackstone Real Estate Partners International II, L.P.	1,544,524	1,052,614
Blackstone Real Estate Partners Europe III, L.P.	1,839,559	2,079,937
Blackstone Real Estate Partners Europe V, L.P.	4,992,056	5,888,281
Blackstone Real Estate Partners Asia II, L.P.	484,917	408,555
North American Real Estate Partners II, L.P.	0	23,650
Lone Star Real Estate Fund III, L.P.	1,967,539	2,098,902
Lone Star Real Estate Fund IV, L.P.	5,958,224	6,712,669
Lone Star Real Estate Fund V, L.P.	645,778	647,293
Rockpoint Real Estate Fund V, L.P.	2,928,295	3,585,103
Starwood Distressed Opportunity Fund X Global	3,050,153	3,180,182
Starwood Distressed Opportunity Fund XI Global ²⁵	(39,513)	52,839
Total Real Estate	\$ 34,050,225	\$ 41,060,100
PIMCO Tax-Exempt Fund	\$ 46,392,244	\$ 45,879,246
High Yield Debt (Corporate & Real Estate)		
Vanguard High Yield Fund	\$ 21,763,352	\$ 21,941,169
CVI Global Value Fund A, L.P.	952,101	587,968
TCW Opportunistic MBS Strategy	26,290,538	29,397,409
Total High Yield Debt	\$ 49,005,991	\$ 51,926,546
Total EET Externally Managed	<u>\$ 149,242,727</u>	<u>\$ 166,571,509</u>

**HEALTH CARE TRUST
INTERNALLY MANAGED**

	<u>Cost Value</u>	<u>Fair Value</u>
Global Equity	\$ 27,891,581	\$ 36,726,647
Global Emerging Markets	\$ 1,003,563	\$ 1,268,954
Investment Grade Fixed Income	\$ 28,523,863	\$ 28,024,468
Cash Account	\$ 48,315,998	\$ 48,384,963
Total HCT Internally Managed	<u>\$ 105,735,005</u>	<u>\$ 114,405,032</u>

**HEALTH CARE TRUST
EXTERNALLY MANAGED**

	<u>Cost Value</u>	<u>Fair Value</u>
Private Equity		
Blackstone Capital Partners V, L.P.	\$ 105,296	\$ 183,719
Blackstone Capital Partners VI, L.P.	436,052	738,766
Blackstone Capital Partners VII, L.P.	176,556	234,011
Carlyle Partners VI, L.P.	1,066,906	1,252,520
The Sixth Cinven Fund	424,674	393,827
CVC Capital Partners VII, L.P. ²⁵	(19,666)	12,247
Doughty Hanson & Co. V, L.P.	104,181	26,750
Riverstone Global Energy & Power Fund VI, L.P.	1,435,851	1,795,835
Silver Lake Partners III, L.P.	199,593	623,324
Silver Lake Partners IV, L.P.	1,461,183	2,380,433
Silver Lake Partners V, L.P.	138,096	141,843
Total Private Equity	\$ 5,528,722	\$ 7,783,275
Real Estate		
Blackstone Real Estate Partners V, L.P.	\$ 281,569	\$ 567,000
Blackstone Real Estate Partners VI, L.P.	348,125	496,394
Blackstone Real Estate Partners VII, L.P.	473,099	729,110
Blackstone Real Estate Partners VIII, L.P.	1,716,970	2,247,816
Blackstone Real Estate Partners International II, L.P.	386,131	263,152
Blackstone Real Estate Partners Europe III, L.P.	649,256	734,096
Blackstone Real Estate Partners Europe V, L.P.	1,287,014	1,518,071
Blackstone Real Estate Partners Asia II, L.P.	111,904	94,282
North American Real Estate Partners II, L.P.	0	5,912
Lone Star Real Estate Fund III, L.P.	526,519	561,674
Lone Star Real Estate Fund IV, L.P.	1,548,196	1,744,233
Lone Star Real Estate Fund V, L.P.	141,596	141,930
Rockpoint Real Estate Fund V, L.P.	744,482	911,466
Starwood Distressed Opportunity Fund X Global	1,016,716	1,060,076
Starwood Distressed Opportunity Fund XI Global ²⁵	(9,726)	13,007
Total Real Estate	\$ 9,221,851	\$ 11,088,219
High Yield Debt (Corporate & Real Estate)		
Vanguard High Yield Fund	\$ 5,606,048	\$ 5,651,243
CVI Global Value Fund A, L.P.	241,237	149,082
TCW Opportunistic MBS Strategy	7,160,698	8,058,316
Total High Yield Debt	\$ 13,007,983	\$ 13,858,641
Total HCT Externally Managed	<u>\$ 27,758,556</u>	<u>\$ 32,730,135</u>

**SOUTH DAKOTA CASH FLOW FUND
INTERNALLY MANAGED**

	<u>Cost Value</u>	<u>Fair Value</u>
Intermediate-Term Fixed Income	\$ 306,475,900	\$ 300,846,076
Short-Term Fixed Income	\$ 731,007,449	\$ 724,039,045
Cash Account	\$ 199,812,346	\$ 200,068,720
Certificates of Deposit	\$ 23,478,000	\$ 23,759,254
Total SDCFF Internally Managed	<u>\$ 1,260,773,695</u>	<u>\$ 1,248,713,095</u>

On June 30, 2018, there was \$23,478,000 in Certificates of Deposit (CDs) outstanding with South Dakota banks, savings associations, and credit unions. Thirty-six South Dakota banks hold \$21,978,000 in CDs, one savings association held \$250,000 in CDs, and four credit unions hold \$1,250,000 in CDs. The CDs carry an interest rate of 1.59% and mature September 28, 2018.

The original allocation made in September of 2017 was to forty-seven banks and one savings associations. Eleven banks did not participate this year. This is the seventeenth year a reoffering was made to other qualified public depositories in the state. In the reoffering, four credit unions accepted \$1,250,000 in CDs, leaving \$11,522,000 in CDs unassigned. The size of the certificates ranged from \$250,000 to \$3,714,000.

Summary of Statistics
Certificates of Deposit Outstanding

CDs Issued to Banks

CDs maturing 9/28/18 \$ 21,978,000

Interest earned during FY 2018 \$ 320,903
Average CDs Outstanding During FY 2018 \$ 22,960,110
Rate of Return 1.4%

CDs Issued to Savings Associations

CDs maturing 9/28/18 \$ 250,000

Interest earned during FY 2018 \$ 3,550
Average CDs Outstanding During FY 2018 \$ 250,000
Rate of Return 1.4%

CDs Issued to Credit Unions

CDs maturing 9/28/18 \$ 1,250,000

Interest earned during FY 2018 \$ 21,633
Average CDs Outstanding During FY 2018 \$ 1,681,507
Rate of Return 1.3%

Total Certificates of Deposit

CDs maturing 9/28/18 \$ 23,478,000

Interest earned during FY 2018 \$ 346,086
Average CDs Outstanding During FY 2018 \$ 24,891,617
Rate of Return 1.4%

South Dakota Certificates of Deposit
Due 9/28/18

Banks	Location	CD Amount
Dacotah Bank	Aberdeen	\$ 3,714,000
State Bank of Alcester	Alcester	254,000
Citizens State Bank	Arlington	250,000
Community Bank	Avon	250,000
First Bank & Trust	Brookings	2,836,000
Bryant State Bank	Bryant	250,000
First Financial Bank	Dupree	250,000
Liberty Financial Services	Elk Point	377,000
BankStar Financial	Elkton	337,000
Security State Bank	Emery	250,000
Reliabank Dakota	Estelline	691,000
Great Plains Bank	Eureka	250,000
First National Bank	Frederick	250,000
Merchants State Bank	Freeman	299,000
Plains Commerce Bank	Hoven	1,305,000
Premier Bank of Hudson	Hudson	250,000
Ipswich State Bank	Ipswich	250,000
Menno State Bank	Menno	250,000
Quoin Financial Bank	Miller	299,000
CorTrust Bank	Mitchell	1,687,000
Sunrise Bank Dakota	Onida	250,000
BankWest	Pierre	2,023,000
First National Bank	Pierre	969,000
Farmers & Merchants State Bank	Plankinton	250,000
First American State Bank	Ramona	250,000
Heartland State Bank	Redfield	250,000
Frontier Bank/IA	Rock Rapids	250,000
First State Bank of Roscoe	Roscoe	250,000
Farmers & Merchants State Bank	Scotland	250,000
Farmers State Bank	Stickney	277,000
Peoples State Bank	Summit	250,000
Farmers State Bank	Turton	250,000
Commercial State Bank	Wagner	281,000
First State Bank	Warner	250,000
American Bank & Trust	Wessington Springs	1,379,000
First State Bank	Wilmot	<u>250,000</u>
Total Banks		\$ 21,978,000
Savings Association		
Security Savings Bank	Canton	\$ <u>250,000</u>
Total Savings Association		\$ 250,000
Credit Unions		
Healthcare Plus Federal CU	Aberdeen	\$ 250,000
Avanti Federal CU	Watertown	250,000
Minuteman Community Federal CU	Rapid City	250,000
Voyage Federal CU	Sioux Falls	<u>500,000</u>
Total Credit Unions		\$ <u>1,250,000</u>
Total Certificates of Deposit		\$ <u>23,478,000</u>

AGGRESSIVE ABSOLUTE RETURN: A non-directional strategy designed to generate a steady return no matter what the market does.

ALTERNATIVE INVESTMENTS: Investments that are not one of the three traditional asset types (stocks, bonds, and cash). Alternative investments include hedge funds, real estate, private equity, and commodities.

ARBITRAGE: Acting on disparities between the existing price of a security and the estimated present value of consideration to be received at a later time as a result of restructuring activity.

ASSET ALLOCATION: The mix of stocks, bonds, cash equivalents, and other assets in which capital is invested.

BARCLAYS CAPITAL MUNICIPAL 7 YEAR INDEX: The 7-year (6-8 Years to Maturity) component of the US Municipal Bond Index which covers the USD-denominated long-term tax exempt bond market. It has been used for benchmarking purposes since fiscal year 2003.

CAPITAL MARKETS BENCHMARK: The asset allocation policy approved by the Investment Council applied to the appropriate index returns.

CARRIED INTEREST: A share of the profits of a fund paid to the fund manager which is not received until the investors' contributed capital is returned and a previously agreed-upon preferred return is earned.

CASH EQUIVALENT: Cash or assets that can be converted to cash quickly.

CERTIFICATES OF DEPOSIT (CDs): Relatively low-risk debt instruments purchased directly through a commercial bank or savings and loan institution. CDs are insured by the FDIC (Federal Deposit Insurance Corp.) up to \$250,000.

COMMODITY: Basic materials that are reasonably interchangeable with others of the same type. Examples include oil, metals, and grains.

CORRELATION: The degree to which the fluctuations of one asset are similar to those of another.

DEALLOCATE: Funds that are no longer treated as gross proceeds of tax-exempt bonds for arbitrage purposes under Section 148 of the Internal Revenue Code of 1986, as amended, and for hedge bond purposes under Section 149(g) of the Code as a result of the application of the Universal Cap under Treasury Regulation Section 1.14806.

DEFLATION: A general decline in prices or reduction in spending.

DERIVATIVES: Securities with a price that is dependent upon or derived from one or more underlying assets. The most common underlying assets include stocks, bonds, commodities, interest rates, and market indexes.

DISTRESSED SECURITIES: Securities of companies or government entities that are either already in default, under bankruptcy protection, or in distress and heading toward such a condition.

DURATION (MODIFIED): The weighted average maturity of the stream of payments associated with a bond. It is a measure of the bond price volatility for a given change in interest rates.

EMERGING MARKET: Emerging market is a term that investors use to describe a developing country. Investments in emerging markets may be accompanied by greater risk.

EQUITIES (STOCKS): Securities representing shares of ownership in the issuing enterprise.

EQUITY-LIKE RISK: A measure of the sensitivity of a fund to downturns in the equity market. The measure includes the percentage invested in equities (stocks) plus the percentage invested in other asset categories scaled to reflect the degree of embedded equity sensitivity during severe market downturns.

FIXED INCOME SECURITIES (BONDS, NOTES, BILLS, ETC.): Securities representing loans to governments, agencies, corporations, and banks for a stated period at a stated interest rate.

FTSE ALL BB-RATED INDEX: The index includes those bonds in the FTSE High-Yield Market Index with an index quality of BB+, BB, or BB–rating. It was used for benchmarking purposes during fiscal years 1996–2010.

FTSE HIGH-YIELD CASH-PAY CAPPED INDEX: The index represents the cash-pay securities of the FTSE High-Yield Market Capped Index, which is a modified version of the High-Yield Market Index by delaying the entry of fallen angel (formerly investment grade bonds that have been reduced to junk bond status) issues and capping the par value of individual issuers. It has been used for benchmarking purposes since fiscal year 2011.

FTSE HIGH-YIELD MARKET INDEX: The index includes cash-pay, deferred-interest, and Rule 144A bonds with a remaining maturity of at least one year and a speculative-grade rating by both Moody's Investor Service and Standard & Poor's. It has been used for benchmarking purposes since fiscal year 2001.

FTSE US 3-MONTH TREASURY BILL INDEX: The index measures monthly return equivalents of yield averages that are not marked to market. The 3-Month Treasury Bill Index is an average of the last three 3-month Treasury bill month-end rates. It has been used for benchmarking purposes since fiscal year 1974.

FTSE US BROAD INVESTMENT-GRADE (USBIG) BOND INDEX: The index is market capitalization weighted and includes fixed-rate Treasury, government-sponsored, mortgage, asset-backed, and investment-grade issues (BBB or Baa3) with a maturity of one year or longer. It has been used for benchmarking purposes since fiscal year 1981.

FTSE US INFLATION-LINKED SECURITIES INDEX (US-ILSI): The index includes debentures with fixed-rate coupon payments that adjust for inflation as measured by the Consumer Price Index (CPI). It is separate and distinct from the Broad Investment-Grade (BIG) Bond Index and currently comprises Treasury Inflation-Protected (TIPS) securities. It was used for benchmarking purposes during fiscal years 2003-2015.

FUTURES CONTRACTS: An obligation to accept or make future delivery of securities or cash at a specified price and date. The contracts are marked-to-market daily with the resulting gains/losses settled in cash. An initial margin is required as a good faith deposit.

GROSS-OF-FEES: Indicates that the impact of fees (management fees and performance-based fees) has not been reflected in the return.

HEDGE FUNDS: Alternative investments that may use a number of different strategies. Hedge funds may be aggressively managed or make use of derivatives and leverage. A manager typically receives a percentage of profits, commonly 20%, in addition to management fees.

HIGH-YIELD CORPORATE DEBT SECURITIES: Issues with a financial rating of BB or lower because of high relative default risk.

HIGH-YIELD REAL ESTATE DEBT SECURITIES: Debt securities that have a higher risk of default and are collateralized by real estate.

INFLATION: The rate at which the general level of prices of goods and services are rising.

INSTITUTIONAL PRIME MONEY MARKET FUND: The TempFund, which is managed by the BlackRock Advisors, Inc., is a leading short-term portfolio. The predecessor firm's fund inception was October of 1973, and estimates are used for prior periods.

INTERNAL RATE OF RETURN (IRR): The annualized implied discount rate calculated from a series of cash flows. IRR is the return that equates the present value of all invested capital in an investment to the present value of all cash flows equal to zero.

INVESTMENT GRADE FIXED INCOME SECURITIES: Issues with a financial rating of BBB or higher because of low relative default risk.

MERGER CUSTOM INDEX: The index is a representative sample of transactions that exposes one to a merger arbitrage strategy. It employs an indexing approach that utilizes factual information and index guidelines.

MSCI ALL COUNTRY WORLD INDEXSM (ACWI): The index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The index currently consists of 47 developed and emerging market country indices. It has been used for benchmarking purposes since fiscal year 2005.

MSCI US REIT INDEX: The index is a free float-adjusted market capitalization weighted index that is comprised of US equity REITs, which generate a majority of their revenue and income from rents, mortgages, and sales of property. It has been used for benchmarking purposes since fiscal year 2005.

MSCI USA INDEX: The index is the US component of the MSCI World Index and is designed to measure the performance of the large and mid cap segments of the US Market. The MSCI World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The index currently consists of 23 developed market country indices. The MSCI USA Index has been used for benchmarking purposes since fiscal year 2005.

NCREIF PROPERTY INDEX: NCREIF stands for the National Council of Real Estate Investment Fiduciaries. The index is a quarterly time series composite total rate of return measure of investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only. It is used as an industry benchmark to compare an investor's own returns against the industry average. It was used for benchmarking purposes during fiscal years 2002-2013.

NET-OF-FEES: Indicates that the impact of fees (management fees, performance-based fees, and general partner carried interest) has been reflected in the return.

OPPORTUNISTIC REAL ESTATE: A high-risk/high-return real estate strategy. Investments are tactical and involve properties that require a high degree of enhancements.

PEER FUNDS: Databases comprised of state pension plans used for comparison purposes.

PRIVATE EQUITY: Investments made directly into a private company not quoted on a public exchange.

PRIVATE SECTOR MEDIAN: Median rate of return for large private sector funds. BNY Mellon Master Trust data was used for fiscal years 2017-2018, Callan data was used fiscal years 2014-2016, Mellon Analytical data was used fiscal years 1987-2013, and SEI data was used fiscal years 1974-1986. All the returns are reported gross-of-fees.

PUBLIC MARKET EQUIVALENT (PME): The PME is a method where a public market index is expressed in terms of a since inception internal rate of return (SI-IRR), using the same cash flows and timing as those of the alternative investment composite over the same time period.

QUALITY RATING: Rating of a company's credit by a rating service.

REAL ESTATE: Property holdings used to generate ongoing rental income and capital gains as property values increase over time.

REAL RETURN: Actual return minus inflation.

SHIFT ACCOUNT: Portfolio of cash equivalent securities that supports the cash flows and the futures positions used to adjust the allocation of the total assets among stocks, bonds, and cash.

STANDARD AND POOR'S 500[®] INDEX: The index is a market-capitalization-weighted index of 500 large-cap U.S. companies. It is the US component of the S&P Global 1200 Index. It has been used for benchmarking purposes since fiscal year 1974.

STANDARD AND POOR'S GLOBAL 1200 INDEX: The index is a composite index, comprised of seven regional and country indices - S&P 500 (US), S&P Europe 350, S&P/TOPIX 150 (Japan), S&P/TSX 60 (Canada), S&P/ASX All Australian 50, S&P Asia 50 (ex-Japan), and S&P Latin America 40. It has been used for benchmarking purposes since fiscal year 2005.

STANDARD AND POOR'S GSCI INDEX (COMMODITIES): The index is calculated primarily on a world production-weighted basis. Commodity components include energy, agriculture, livestock, industrial metals, and precious metals. It was used for benchmarking purposes during fiscal years 2003-2015.

STANDARD AND POOR'S MIDCAP 400[®] INDEX: The index is a market-capitalization-weighted index of 400 mid-cap U.S. companies. It has been used for benchmarking purposes since fiscal year 2011.

STANDARD AND POOR'S SMALLCAP 600[®] INDEX: The index is a market-capitalization-weighted index of 600 small-cap U.S. companies. It has been used for benchmarking purposes since fiscal year 2011.

STANDARD DEVIATION: A measure of the volatility of returns often used as a measure of risk.

STATE FUND MEDIAN: Median rate of return for the state fund universe. The returns are reported net-of-fees fiscal years 2014-2018 and gross-of-fees fiscal years 1974-2013.

STATE FUND UNIVERSE: A universe linking two state fund universe medians to form a 45-year performance history. The most recent 35 years represents a group of over 50 state funds. The prior nine years of the universe represent the SEI state universe. This universe was the largest state universe available at the time.

TIME-WEIGHTED RATE OF RETURN: The rate of investment growth earned on a unit of assets held continuously for the entire period measured.

TREASURY INFLATION-PROTECTED SECURITIES (TIPS): A U.S. Treasury security that protects the bondholder from inflation by automatically increasing its principal according to the inflation rate as tracked by the Consumer Price Index.

US CONSUMER PRICE INDEX—ALL URBAN CONSUMERS (CPI-U): The index is compiled monthly by the Bureau of Labor Statistics for the purpose of calculating inflation rates.

VOLATILITY: Variability, fluctuation. In investing, the range of likely outcomes for a given investment over a period of time. The smaller the estimated range of an investment's future returns, the lower the investment's volatility and vice versa. One of the most common measures of investment risk.

YIELD TO MATURITY (YTM): The rate of return anticipated on a fixed income security if held until the maturity date.

- 1 FTSE US Broad Investment Grade (USBIG) Bond Index in fiscal years 1990-2018 and Lehman Brothers US Aggregate Bond Index in prior periods.
- 2 FTSE USBIG Bond Index in fiscal years 2007-2018, FTSE USBIG Bond Index duration adjusted weighted 80% and FTSE All BB-Rated Index weighted 20% in fiscal years 1996-2006, FTSE USBIG Bond Index in fiscal years 1981-1995, and Lehman Brothers Government/Corporate Index in prior periods.
- 3 The annual returns for the US Consumer Price Index-All Urban Consumers (CPI-U) for the most recent 14 years and the 5, 10, 15, 20, 25, 30, and 45-year annualized returns as of 6/30/18 are as follows:

Fiscal Year	Annual Return	Fiscal Year	Annual Return	Annualized Returns of as of 6/30/18
2018	2.9%	2011	3.6%	5 Years 1.5%
2017	1.6%	2010	1.1%	10 Years 1.4%
2016	1.0%	2009	(1.4%)	15 Years 2.1%
2015	0.1%	2008	5.0%	20 Years 2.2%
2014	2.1%	2007	2.7%	25 Years 2.3%
2013	1.8%	2006	4.3%	30 Years 2.6%
2012	1.7%	2005	2.5%	45 Years 3.9%

- 4 **Investment Grade Fixed Income:** FTSE USBIG Bond Index (1981-2018), Lehman Brothers Gov/Corp Index (1974-1980). **Cash:** FTSE US 3-Month Treasury Bill Index (1974-2018). **Global Equity:** 2/3 MSCI ACWI + 1/3 MSCI US Index (2005-2018). **Domestic Equity:** Russell 1000 Index (1996-2004), S&P 500 Index (1974-1995). **International Equity:** MSCI ACWI ex-US Index (2002-2004), 3/4 MSCI EAFE + 1/4 MSCI EASEA Index (1997-2001), MSCI EAFE Index (1996), MSCI EAFE 1/2 Japan Index (1993-1995). **Arbitrage:** weighted index (1999-2011), Merger Custom Index (2008-2011), 3-Month Treasury Bill Index +4.25% (1993-2007), Convertible Benchmark (1999-2011). **Real Estate:** MSCI US REIT Index (2014-2018), NCREIF Property Index +1.25% (2011-2013), NCREIF Property Index (2002-2010), NCREIF Classic Property Index (1995-2001). **Private Equity:** S&P 500 (2014), S&P 500 +1.75% (2011-2013), S&P 500 +3.5% (2005-2010), Russell 1000 +3.5% (2002-2004), Russell 1000 +5.0% (1999-2001). **High Yield Debt (Corporate & Real Estate):** FTSE High-Yield Market Index (2003-2018). **Commodities:** S&P GSCI (2003-2015). **TIPS:** FTSE US-ILSI (2012-2015).

The Capital Markets Benchmark (policy) weightings for the South Dakota Retirement System were as follows:

	IG FI	Cash	Gbl EQ & Dom/Intl	Arb	RE	PE	HY Debt	Comm	TIPS
07/15 - 06/18	23%	2%	58%	0%	10%	0%	7%	0%	0%
07/14 - 06/15	19%	2%	60%	0%	10%	0%	7%	1%	1%
07/12 - 06/14	18%	2%	56%	0%	8%	7%	7%	1%	1%
07/11 - 06/12	18%	2%	58%	0%	8%	5%	7%	1%	1%
07/09 - 06/11	18%	1%	57%	5%	7%	5%	6%	1%	0%
07/06 - 06/09	18%	1%	57%	7%	5%	5%	6%	1%	0%
07/05 - 06/06	18%	1%	57%	7%	6%	4%	6%	1%	0%
07/04 - 06/05	19%	1%	57%	5%	6%	4%	7%	1%	0%
07/03 - 06/04	19%	1%	40% / 16%	6%	7%	4%	6%	1%	0%
07/02 - 06/03	19%	1%	40% / 16%	7%	7%	3%	6%	1%	0%
07/01 - 06/02	23%	1%	40% / 16%	9%	8%	3%	0%	0%	0%
07/99 - 06/01	23%	5%	36% / 16%	9%	8%	3%	0%	0%	0%
07/98 - 06/99	23%	4%	40% / 16%	8%	7%	2%	0%	0%	0%
07/97 - 06/98	23%	7%	40% / 16%	7%	7%	0%	0%	0%	0%
07/96 - 06/97	25%	7%	40% / 15%	6%	7%	0%	0%	0%	0%
07/95 - 06/96	25%	6%	42% / 15%	8%	4%	0%	0%	0%	0%
07/94 - 06/95	31%	5%	41% / 13%	9%	1%	0%	0%	0%	0%
07/93 - 06/94	33%	7%	45% / 9%	6%	0%	0%	0%	0%	0%
07/92 - 06/93	35%	9%	49% / 5%	2%	0%	0%	0%	0%	0%
07/90 - 06/92	38%	10%	52% / 0%	0%	0%	0%	0%	0%	0%
07/86 - 06/90	38%	7%	55% / 0%	0%	0%	0%	0%	0%	0%
07/78 - 06/86	50%	10%	40% / 0%	0%	0%	0%	0%	0%	0%
07/73 - 06/78	65%	10%	25% / 0%	0%	0%	0%	0%	0%	0%

- 5 FTSE High-Yield Cash-Pay Capped Index in fiscal years 2011-2018 and the FTSE All BB-Rated Index in fiscal years 2007-2010.
- 6 Weighted index of Bank of America Merrill Lynch 1-5 year US Treasuries, 1-3 year A-AAA rated US Corporates, and 3-6 month US Treasury Bills (2005-2018); equal-weighted yields of the 3-month and 6-month Treasury Bills and the 1-year, 2-year, 3-year, and 5-year Treasury Bonds (1987-2004).
- 7 Composites are valued monthly and portfolio returns are weighted by

using beginning-of-month fair values or weighted cash flows.

- 8 Fair values for private equity and real estate limited partnerships are adjusted in the reporting period when received by the Council.
- 9 The South Dakota Department of Legislative Audit conducted the South Dakota Investment Council fiscal year 2018 annual and interim procedures audit work for total fees of \$50,939.
- 10 The 1-year total fund performance results are presented net-of-fees for fiscal years 2014-2018 and gross-of-fees in prior periods.
- 11 Management fee rates (excluding profit sharing) as of June 30, 2018 in basis points (bp):

Investment Office (expected average)	10 bp
Ares European Real Estate Fund II	0 bp
Apollo Real Estate Investments Fund III & IV	0 bp
Blackstone Capital Partners IV & V	0 bp
Blackstone Capital Partners VI	75 bp
Blackstone Capital Partners VII	150 bp
Blackstone Distressed Securities Fund	0 bp
Blackstone Energy Partners II	150 bp
Blackstone Real Estate Partners IV & IV - ML	0 bp
Blackstone Real Estate Partners V & V - ML	0 bp
Blackstone Real Estate Partners VI	125 bp
Blackstone Real Estate Partners VI - LC	150 bp
Blackstone Real Estate Partners VII	150 bp
Blackstone Real Estate Partners VIII	125 bp
Blackstone Real Estate Partners VIII - BMR	100 bp
Blackstone Real Estate Partners Asia II	125 bp
Blackstone Real Estate Partners Europe III	125 bp
Blackstone Real Estate Partners Europe V	125 bp
Blackstone Real Estate Partners International I & II	0 bp
Brandes International Mid Cap Portfolio	
\$0-\$25 Million -	95 bp
\$25-\$50 Million -	90 bp
over \$50 Million -	80 bp
Bridgewater Pure Alpha Fund II (embedded)	150 bp + incentive
Brookfield Strategic Real Estate Partners III	150 bp
Capital International Private Equity Fund IV	0 bp
Capital International Private Equity Fund V	100 bp
Capital International Private Equity Fund VI	100 bp
Carlyle Partners IV	0 bp
Carlyle Partners V	40 bp
Carlyle Partners VI	75 bp
The Fourth Cinven Fund	0 bp
The Fifth Cinven Fund	125 bp
The Sixth Cinven Fund	143 bp
CVC European Equity Partners IV	0 bp
CVC European Equity Partners V	80 bp
CVC European Equity Partners VII	150 bp
CVI Global Value Fund A	0 bp
Cypress Merchant Banking Partners II	0 bp
Dimensional Emerging Markets Small Cap (embedded)	73 bp
Doughty Hanson & Co. European Real Estate II	0 bp
Doughty Hanson & Co. IV	0 bp
Doughty Hanson & Co. V	75 bp
Elevation Partners	0 bp
EnCap Energy Capital Fund XI	150 bp
KKR European Fund II	75 bp
Lone Star Real Estate Fund II	45 bp
Lone Star Real Estate Fund III	60 bp
Lone Star Real Estate Fund IV	60 bp
Lone Star Real Estate Fund V	120 bp
North American Real Estate Partners II & II - HF	0 bp

PineBridge Global Emerging Markets Partners I & II	0 bp
PIMCO (tax-exempt)	25 bp
Riverstone/Carlyle Global Energy & Power Fund IV	75 bp
Riverstone Global Energy & Power Fund V	100 bp
Riverstone Global Energy & Power Fund VI	150 bp
Rockpoint Real Estate Fund IV	142 bp
Rockpoint Real Estate Fund V	131 bp
Sanders Capital All Asset Value Fund	125 bp
Sanders Capital (Global Value Equities)	
\$0-\$15 Million -	90 bp
\$15-\$50 Million -	50 bp
over\$50 Million -	40 bp
Silver Lake Partners II	0 bp
Silver Lake Partners III	100 bp
Silver Lake Partners IV	100 bp
Silver Lake Partners V	150 bp
Silver Lake Sumeru Fund	150 bp
Starwood Distressed Opportunity Fund IX Global	125 bp
Starwood Opportunity Fund X Global	100 bp
Starwood Opportunity Fund X Global - TMI	125 bp
Starwood Opportunity Fund XI Global	100 bp
TCW Opportunistic MBS Strategy	50 bp
Vanguard High-Yield Fund (embedded)	13 bp

12 There have been no changes in investment personnel that would alter the returns presented.

13 Past performance is no guarantee of future results.

14 **Investment Grade Fixed Income:** FTSE USBIG Bond Index (February 2001-2018), Salomon Smith Barney Treasury/GNMA Index (1985 - January 2001). **Global Equity:** 2/3 S&P Global 1200 + 1/3 S&P 500 Index (2012-2018 and 2007-2010), 2/3 S&P Global 1200 Ex-Iran + 1/3 S&P 500 Index (2011), 2/3 MSCI ACWI + 1/3 MSCI US Index (2006). **Domestic Equity:** S&P 500 Index (2005), Russell 1000 Index (February 2001-2004). **International Equity:** MSCI ACWI ex-US Index (2005). **High Yield Debt (Corporate & Real Estate):** FTSE High-Yield Market Index (2010-2018 and February 2001-2006), FTSE All BB-Rated Index (2007-2009). **TIPS:** FTSE US-ILSI (2007-2015). **Cash/Commodities:** FTSE US 3-Month Treasury Bill Index (2007-2018). **Real Estate:** MSCI US REIT Index (2014-2018), NCREIF Property Index +1.25% (2011-2013), NCREIF Property Index (2007-2010). **Private Equity:** S&P 500 (2014), S&P 500 +1.75% (2011-2013), S&P 500 +3.5% (2007-2010).

The Capital Markets Benchmark (policy) weightings for the School and Public Lands Fund were as follows:

	IG FI	Glbl EO & Dom / Intl	HY Debt	TIPS	Cash/ Comm	RE	PE
07/15 - 06/18	30%	51%	7%	0%	2%	10%	0%
07/14 - 06/15	26%	53%	7%	2%	2%	10%	0%
07/11 - 06/14	28%	52%	5%	5%	2%	6%	2%
07/06 - 06/11	33%	48%	5%	5%	2%	5%	2%
07/05 - 06/06	40%	50%	10%	0%	0%	0%	0%
07/04 - 06/05	40%	40% / 10%	10%	0%	0%	0%	0%
07/03 - 06/04	50%	40% / 0%	10%	0%	0%	0%	0%
07/02 - 06/03	60%	30% / 0%	10%	0%	0%	0%	0%
07/01 - 06/02	70%	20% / 0%	10%	0%	0%	0%	0%
02/01 - 06/01	Weighted based on Investment Council asset allocation.						
07/84 - 01/01	100%	0% / 0%	0%	0%	0%	0%	0%

15 MSCI All Country World ex-US Index in fiscal years 2002-2004 and 3/4 MSCI EAFE + 1/4 MSCI EASEA Index in prior periods.

16 **Investment Grade Fixed Income:** FTSE USBIG Bond Index (2002-2018). **Global Equity:** 2/3 S&P Global 1200 + 1/3 S&P 500 Index (2012-2018 and 2007-2010), 2/3 S&P Global 1200 Ex-Iran + 1/3 S&P 500 Index (2011), 2/3 MSCI ACWI + 1/3 MSCI US Index (2006). **Domestic Equity:** S&P 500 Index (2005), Russell 1000 Index (2002-2004). **International Equity:** MSCI ACWI ex-US Index (2005). **Real Estate:** weighted index (2006), MSCI US REIT Index (2014-2018 and 2005-2006), NCREIF Property Index +1.25% (2011-2013), NCREIF Property Index (2006-2010), REIT Benchmark (2002-2004). **High Yield Debt (Corporate & Real Estate):** FTSE High-Yield Market Index (2010-2018), FTSE All BB-

Rated Index (2002-2009). **TIPS:** FTSE US-ILSI (2007-2015). **Cash/Commodities:** FTSE US 3-Month Treasury Bill Index (2007-2018). **Private Equity:** S&P 500 (2014), S&P 500 +1.75% (2011-2013), S&P 500 +3.5% (2007-2010).

The Capital Markets Benchmark (policy) weightings for the Dakota Cement Trust Fund were as follows:

	IG FI	Glbl EO & Dom / Intl	RE	HY Debt	TIPS	Cash/ Comm	PE
07/15 - 06/18	30%	51%	10%	7%	0%	2%	0%
07/14 - 06/15	26%	53%	10%	7%	2%	2%	0%
07/11 - 06/14	28%	52%	6%	5%	5%	2%	2%
07/06 - 06/11	33%	48%	5%	5%	5%	2%	2%
07/05 - 06/06	40%	40%	10%	10%	0%	0%	0%
07/04 - 06/05	50%	20% / 5%	15%	10%	0%	0%	0%
07/01 - 06/04	55%	20% / 0%	15%	10%	0%	0%	0%

17 **Investment Grade Fixed Income:** FTSE USBIG Bond Index (2003-2018). **Tax-Exempt Fixed Income:** Barclays Capital Municipal 7 Year Index (2003-2018). **Global Equity:** 2/3 S&P Global 1200 + 1/3 S&P 500 Index (2012-2018 and 2007-2010), 2/3 S&P Global 1200 Ex-Iran + 1/3 S&P 500 Index (2011), 2/3 MSCI ACWI + 1/3 MSCI US Index (2006). **Domestic Equity:** S&P 500 Index (2005), Russell 1000 Index (2003-2004). **International Equity:** MSCI ACWI ex-US Index (2005). **Real Estate:** weighted index (2006), MSCI US REIT Index (2014-2018 and 2005-2006), NCREIF Property Index +1.25% (2011-2013), NCREIF Property Index (2006-2010), REIT Benchmark (2003-2004). **High Yield Debt (Corporate & Real Estate):** FTSE High-Yield Market Index (2010-2018 and 2003-2006), FTSE All BB-Rated Index (2007-2009). **TIPS:** FTSE US-ILSI (2003-2015). **Cash/Commodities:** FTSE US 3-Month Treasury Bill Index (2007-2018). **Private Equity:** S&P 500 (2014), S&P 500 +1.75% (2011-2013), S&P 500 +3.5% (2007-2010).

The Capital Markets Benchmark (policy) weightings for the Education Enhancement Trust Fund were as follows:

	IG FI	Tax-Exempt FI	Glbl EO & Dom / Intl	RE	HY Debt	TIPS	Cash/ Comm	PE
07/15 - 06/18	20%	10%	51%	10%	7%	0%	2%	0%
07/14 - 06/15	16%	10%	53%	10%	7%	2%	2%	0%
07/13 - 06/14	17%	11%	52%	6%	5%	5%	2%	2%
07/11 - 06/13	0%	30%	52%	6%	5%	3%	2%	2%
07/10 - 06/11	0%	35%	48%	5%	5%	3%	2%	2%
07/09 - 06/10	0%	37%	48%	5%	5%	1%	2%	2%
07/08 - 06/09	3%	30%	48%	5%	5%	5%	2%	2%
07/07 - 06/08	8%	25%	48%	5%	5%	5%	2%	2%
07/06 - 06/07	3%	30%	48%	5%	5%	5%	2%	2%
07/05 - 06/06	3%	32%	40%	10%	10%	5%	0%	0%
07/04 - 06/05	7%	33%	24% / 6%	10%	10%	10%	0%	0%
07/02 - 06/04	10%	35%	25% / 0%	10%	10%	10%	0%	0%

18 **Investment Grade Fixed Income:** FTSE USBIG Bond Index (2003-2018). **Global Equity:** 2/3 S&P Global 1200 + 1/3 S&P 500 Index (2012-2018 and 2007-2010), 2/3 S&P Global 1200 Ex-Iran + 1/3 S&P 500 Index (2011), 2/3 MSCI ACWI + 1/3 MSCI US Index (2006). **Domestic Equity:** S&P 500 Index (2005), Russell 1000 Index (2003-2004). **International Equity:** MSCI ACWI ex-US Index (2005). **Real Estate:** weighted index (2006), MSCI US REIT Index (2014-2018 and 2005-2006), NCREIF Property Index +1.25% (2011-2013), NCREIF Property Index (2006-2010), REIT Benchmark (2003-2004). **High Yield Debt (Corporate & Real Estate):** FTSE High-Yield Market Index (2010-2018 and 2003-2006), FTSE All BB-Rated Index (2007-2009). **TIPS:** FTSE US-ILSI (2003-2015). **Cash/Commodities:** FTSE US 3-Month Treasury Bill Index (2007-2018). **Private Equity:** S&P 500 (2014), S&P 500 +1.75% (2011-2013), S&P 500 +3.5% (2007-2010).

The Capital Markets Benchmark (policy) weightings for the Health Care Trust Fund were as follows:

	IG FI	Glbl EO & Dom / Intl	RE	HY Debt	TIPS	Cash/ Comm	PE
07/15 - 06/18	30%	51%	10%	7%	0%	2%	0%
07/14 - 06/15	26%	53%	10%	7%	2%	2%	0%
07/11 - 06/14	28%	52%	6%	5%	5%	2%	2%
07/06 - 06/11	33%	48%	5%	5%	5%	2%	2%
07/05 - 06/06	35%	40%	10%	10%	5%	0%	0%
07/04 - 06/05	40%	24% / 6%	10%	10%	10%	0%	0%
07/02 - 06/04	45%	25% / 0%	10%	10%	10%	0%	0%

- 19 The SDRS Combined Internal Equity Benchmark consists of the $\frac{2}{3}$ S&P Global 1200 + $\frac{1}{3}$ S&P 500 Index in fiscal years 2012-2018 and 2005-2010; in fiscal year 2011 the $\frac{2}{3}$ S&P Global 1200 Ex-Iran + $\frac{1}{3}$ S&P 500 Index was used. Prior to fiscal year 2010, the benchmark consisted of the International Equity Benchmark (MSCI ACWI ex-US Index in fiscal years 2002-2004 and $\frac{3}{4}$ MSCI EAFE + $\frac{1}{4}$ MSCI EASEA Index in fiscal years 1993-2001) and the Domestic Equity Benchmark (Russell 1000 Index in fiscal years 1996-2004 and S&P 500 Index in fiscal years 1974-1995) weighted according to the beginning monthly portfolio weights, adjusted for cash transfers.
- 20 Russell 1000 Index in fiscal years 1996-2004 and S&P 500 Index in prior periods.
- 21 The Convertible Benchmark was calculated using the duration-adjusted Bank of America Merrill Lynch Corporate Bond Indices for each rating category for the bond portion and the prime money market rate plus 100 basis points annually for the hedged equity option portion. It was based on the risk characteristics of the portfolio.
- 22 The Merger Benchmark was the implemented Merger index portfolio from January 1, 2011 - June 30, 2012, the Merger Custom Index from July 1, 2007 - December 31, 2010, and the 3-Month Treasury Bill Index return plus 4.25% annually in prior periods.
- 23 Asset growth is affected by contributions, withdrawals, management fees, and investment income.
- 24 Investment income includes realized and unrealized capital gain/loss income and receipted and accrued securities income.
- 25 New fund with manager accruing fees and/or expenses but no capital called as of June 30, 2018.
- 26 The Real Estate Benchmark consists of the MSCI US REIT Index in fiscal years 2014-2018, NCREIF Property Index + 1.25% in fiscal years 2011-2013, NCREIF Property Index in fiscal years 2002-2010, and NCREIF Classic Property Index from December 1994 - June 2001.
- 27 The Private Equity Benchmark consists of the $\frac{2}{3}$ MSCI ACWI + $\frac{1}{3}$ MSCI US Index in fiscal year 2015-2018, S&P 500 Index in fiscal year 2014, S&P 500 Index + 1.75% in fiscal years 2011-2013, S&P 500 + 3.5% in fiscal years 2005-2010, Russell 1000 + 3.5% in fiscal years 2002-2004, and Russell 1000 + 5.0% in fiscal years 1999-2001.
- 28 The South Dakota Cement Plant Retirement Fund (CPRF) was consolidated into the South Dakota Retirement System (SDRS) on April 1, 2014, per SDCL 3-12-217. For fiscal years 1973-2013, CPRF assets are included with SDRS.





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