

ANNUAL FINANCIAL REPORT
of the
RETIREMENT BENEFITS INVESTMENT FUND
(a Component Unit of the State of Nevada)

For the Fiscal Year Ended
June 30, 2012

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INDEPENDENT AUDITOR'S REPORT

To the Retirement Benefits Investment Board

We have audited the accompanying financial statements of the Retirement Benefits Investment Fund ("RBIF"), a component unit of the State of Nevada, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of RBIF's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information has been derived from RBIF's 2011 financial statements and, in our report dated September 26, 2011, we expressed an unqualified opinion on such information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Retirement Benefits Investment Fund as of June 30, 2012, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise RBIF's financial statements as a whole. The supplementary schedule of participating entities on page 21 is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedule of participating entities is fairly stated in all material respects in relation to the financial statements as a whole.

Egghart, LLC, CPAs

Reno, Nevada
October 2, 2012

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) of the financial performance of the Retirement Benefits Investment Fund (RBIF or Fund) provides an overview of the Fund's financial activities for the fiscal year ended June 30, 2012. The MD&A is designed to focus on the current year's activities, resulting changes, and currently known facts. Readers are encouraged to consider the information presented in conjunction with the financial statements as a whole, which follow the MD&A.

RBIF was created during the 2007 Legislative Session, was effective July 1, 2007, and received its first investment contribution in January 2008. The purpose of the Fund is to invest contributions made by participating entities to support financing of other post employment benefits at some time in the future. Monies received by the Fund from participating entities are not held in a fiduciary capacity. At June 30, 2012, there were six participating entities: the Public Employees' Benefits Program of Nevada, Washoe County School District, Truckee Meadows Water Authority, Washoe County, the City of Las Vegas, and the Tahoe Douglas Fire Protection District.

Overview of Financial Statements

The basic financial statements consist of: the Statement of Net Assets, the Statement of Changes in Net Assets, the Notes to the Financial Statements, and Supplementary Information.

The **Statement of Net Assets** includes all of the Fund's assets, liabilities, and the net assets available at the end of the fiscal year.

The **Statement of Changes in Net Assets** reports additions to and deductions from the Fund during the fiscal year presented. Over time the increase or decrease in net assets serves as a useful indicator of the health of the Fund's financial position.

The **Notes to the Financial Statements** provide additional information that is required by generally accepted accounting principles.

The **Supplementary Information** following the notes to the financial statements consists of a schedule of participating entities.

Financial Highlights

- Total contributions were \$21,437,080 during fiscal year 2012, a decrease of 75.3% from fiscal year 2011. In 2011 Washoe County (WCOT) joined RBIF and made an initial contribution of \$76.1 million.
- There were no distributions in fiscal year 2012.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

- Net investment gain was \$3,669,944 during fiscal year 2012, as compared to a gain of \$11,373,154 during fiscal year 2011.
- Total investments at fair value as of June 30, 2012, were \$145,751,032, an increase of 19.4% from fiscal year 2011.

Financial Analysis

The following are summary comparative statements of the Fund:

CONDENSED STATEMENTS OF NET ASSETS

	As of June 30, 2012	As of June 30, 2011	As of June 30, 2010	Percentage Increase/ (Decrease) from 2011 to 2012
Cash and cash equivalents	\$ 10,725,936	\$ 13,305,789	\$ 5,969,877	(19.4) %
Receivables	749,458	892,192	37,763	(16.0)
Investments, at fair value	<u>145,751,032</u>	<u>122,037,264</u>	<u>25,406,181</u>	19.4
Total assets	<u>157,226,426</u>	<u>136,235,245</u>	<u>31,413,821</u>	15.4
Accounts payable and accrued expenses	22,648	15,082	14,321	50.2
Pending trades payable	<u>7,944,288</u>	<u>12,034,491</u>	<u>5,475,724</u>	(34.0)
Total liabilities	<u>7,966,936</u>	<u>12,049,573</u>	<u>5,490,045</u>	(33.9)
Net assets	<u>\$ 149,259,490</u>	<u>\$ 124,185,672</u>	<u>\$ 25,923,776</u>	20.2 %

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MANAGEMENT'S DISCUSSION AND ANALYSIS

CONDENSED STATEMENTS OF CHANGES IN NET ASSETS

For the Years Ended June 30,

	<u>2012</u>	<u>2011</u>	<u>2010</u>	Percentage Increase/ (Decrease) from 2011 to 2012
Contributions	\$ 21,437,080	\$ 86,923,111	\$ 5,866,227	(75.3) %
Net investment income	3,669,944	11,373,154	6,527,185	(67.7)
Other income	312	1,235	53	(74.7)
Total additions	<u>25,107,336</u>	<u>98,297,500</u>	<u>12,393,465</u>	(74.5)
Distributions to public entities	-	-	24,700,000	-
Administrative expense	<u>33,518</u>	<u>35,604</u>	<u>45,711</u>	(5.9)
Total deductions	<u>33,518</u>	<u>35,604</u>	<u>24,745,711</u>	(5.9)
Increase (decrease) in net assets	25,073,818	98,261,896	(12,352,246)	(74.5)
Net assets, beginning of year	<u>124,185,672</u>	<u>25,923,776</u>	<u>38,276,022</u>	379.0
Net assets, end of year	<u>\$ 149,259,490</u>	<u>\$ 124,185,672</u>	<u>\$ 25,923,776</u>	20.2

The net assets increased by \$25.1 million during fiscal year 2012. This can be attributed primarily to two items: contributions of \$21.4 million (versus \$86.9 million in fiscal year 2011) and net investment income of \$3.7 million during fiscal year 2012.

The Fund generated a 2.4% return this year, which is below the investment objective of 8.0%. During the fiscal year RBIF's U.S. stocks were up 5.6%, international stocks decreased 13.3%, and U.S. bonds increased 7.5%. RBIF's portfolio had 94% of its assets allocated to these securities.

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STATEMENT OF NET ASSETS
June 30, 2012
(With Comparative Totals for June 30, 2011)

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents	\$ 10,725,936	\$ 13,305,789
Receivables	749,458	892,192
Investments, at fair value:		
Fixed income securities	44,101,191	35,646,746
Marketable equity securities	60,117,375	51,933,856
International securities	41,532,466	34,456,662
Total investments	<u>145,751,032</u>	<u>122,037,264</u>
Total assets	157,226,426	136,235,245
LIABILITIES		
Accounts payable and accrued expenses	22,648	15,082
Pending trades payable	<u>7,944,288</u>	<u>12,034,491</u>
Total liabilities	<u>7,966,936</u>	<u>12,049,573</u>
NET ASSETS HELD IN FUND	\$ <u><u>149,259,490</u></u>	\$ <u><u>124,185,672</u></u>

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF CHANGES IN NET ASSETS
For the Year Ended June 30, 2012
(With Comparative Totals for the Year Ended June 30, 2011)

	2012	2011
ADDITIONS		
Contributions from public entities	\$ 21,437,080	\$ 86,923,111
Investment income:		
Net appreciation (depreciation) in fair value of investments	(123,491)	9,161,184
Interest and dividend income	3,824,600	2,225,494
	3,701,109	11,386,678
Less investment expense	31,165	13,524
Total net investment income	3,669,944	11,373,154
Other income	312	1,235
Total additions	25,107,336	98,297,500
DEDUCTIONS		
Other expenses	33,518	35,604
Total deductions	33,518	35,604
INCREASE IN NET ASSETS	25,073,818	98,261,896
NET ASSETS HELD IN FUND		
Beginning of year	124,185,672	25,923,776
End of year	\$ 149,259,490	\$ 124,185,672

The accompanying notes are an integral part of these financial statements.

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NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies and Fund Asset Matters

Financial Reporting Entity

The Retirement Benefits Investment Fund (RBIF) is governed by a seven-member Board. The Board consists of the same governor-appointed individuals who serve on the Public Employees' Retirement Board. Furthermore, they serve on the Retirement Benefits Investment Board (RBIB or Board) in an ex officio capacity and without any additional compensation.

The Board currently consists of the following members:

Mark R. Vincent	Chairman	2014
James Green	Vice Chairman	2013
Chris Collins	Member	2014
Bart T. Mangino	Member	2013
Rusty McAllister	Member	2015
David Olsen	Member	2013
Katherine Ong	Member	2015

Terms expire on June 30 of the year noted.

The Fund has developed criteria in accordance with standards issued by the Governmental Accounting Standards Board (GASB) to determine whether participating state or public agencies, boards, and commissions should be included within its financial reporting entity as component units. A component unit is defined as a legally separate organization for which officials of the Fund are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with the Fund are such that exclusion would cause the Fund's financial statements to be misleading or incomplete.

In accordance with GASB, the following criteria are used when evaluating financial accountability: The ability of the Fund to appoint a voting majority of the organization's governing body and (1) the ability to impose its will on the other organization, or (2) the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Fund. In addition, RBIF may be financially accountable if an organization is fiscally dependent on the Fund regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board.

RBIF has no relationship with another entity that meets the above criteria and has not included any other entity as a component unit of its financial reporting entity.

RBIF is classified as a component unit of the State of Nevada for financial reporting purposes in accordance with the provisions of GASB.

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Basis of Accounting

The accompanying financial statements of RBIF have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America. RBIF has adopted the pronouncements of GASB, which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Fund uses the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded in the accounting period in which they are earned and become measurable. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made.

Financial Statement Presentation

Comparative data shown for the prior year has been extracted from the June 30, 2011 financial statements and has been presented to facilitate financial analysis but is not considered full disclosure of transactions for that year.

Fund Oversight

The Fund was established per NRS 355.220 and is administered by RBIB. An annual financial report, which includes the independent auditor's opinion, is presented to and accepted by RBIB. RBIF is not registered with the Securities and Exchange Commission (SEC) as an investment company, nor is it so required, as it is a public fund.

Cash, Cash Equivalents, and Derivatives

Cash and cash equivalents (other short-term investments) include cash on deposit and highly liquid financial instruments with original maturities of one year or less.

Derivatives are instruments (securities or contracts) whose value is dependent on such things as stock or bond prices, interest rate levels or currency exchange rates, and are reported at fair value. The types of derivatives used and limits on their use are defined in the Fund's Investment Objectives and Policies. Only foreign currency forward contracts are permitted to reduce foreign currency risk. All other derivatives are prohibited within the Fund.

Investments

The Board serves as the administrator of the Fund. RBIF's assets are managed in accordance with RBIF's investment objectives and policies. In general, the authorized investments include: fixed income, both U.S. and non-U.S.; domestic and international equity; money market funds; and cash equivalents (other short-term investments).

NOTES TO FINANCIAL STATEMENTS

Investments are reported at fair value. Fair value is defined as the price at which an asset passes from a willing seller to a willing buyer. It is assumed that both buyer and seller are rational and have a reasonable knowledge of relevant facts. The fair values of investments in securities are based on published market prices and quotations from major investment firms. Many factors are considered in arriving at fair value. In general, however, fixed income securities are valued based on yields currently available on comparable securities of issuers with similar credit ratings. The investments are marked-to-market daily.

RBIF's policy regarding amortizing cost applies to mortgage-backed assets or collateralized mortgage obligations (CMO) only.

Realized gains and losses on securities are calculated by subtracting the security cost from the price of the asset at the point of sale. The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of the investments (unrealized gains/losses). Unrealized gains and losses are calculated by subtracting the cost of the security from the fair value of the asset at the end of the month. Realized gains and losses on investments that are held in more than one fiscal year and sold in another are included as a net change in the fair value of the investments in the year they are sold.

Earned Income and Expenses

RBIF is designed to value participants' shares in the Fund according to the contributions of each entity. Specifically, on a pro-rata basis for each entity's participation, RBIF allocates earnings (which include realized and unrealized gain or loss, interest, and other income) and expenses (both administrative and investment) to each entity according to their proportional share in the Fund. As of June 30, 2012, six entities participated in the Fund. A schedule of participating entities is reported in the Supplementary Information section of this report. This schedule lists the contributions made since inception by each participating entity.

NOTE 2 – Fund Description

History and Purpose

The Nevada Legislature established the Fund with an effective date of July 1, 2007. The purpose of the Fund is to invest contributions made by participating public entities, as defined in Section 355.220 of the Nevada Revised Statutes (NRS), to enable such entities to support financing of other post employment benefits at some time in the future. Per NRS 355.220(2) monies received by RBIF from participating entities are held for investment purposes only and not in any fiduciary capacity. Each participating entity acts as fiduciary for its particular share of the Fund.

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Contributions

Contributions received by the Fund are for investment purposes only and are not held in any fiduciary capacity by RBIF. Any money in the Fund must be invested in the same manner as money in the Public Employees' Retirement System of Nevada (PERS) Investment Fund is invested.

To enable maximum investment return and consistent reporting on such, participating entities are required to provide advance notification to RBIF of the amount of contributions or distributions the entity wishes to make during any given month. RBIF has no direction or control over amounts the participating entities choose to contribute or distribute.

NOTE 3 – Deposit and Investment Risk Disclosures

NRS 355.220(2) requires that any money in the Fund must be invested in the same manner as money in the PERS Investment Fund is invested. The PERS Investment Fund is governed primarily by the "prudent person" standard. The prudent person standard, as set forth by NRS 286.682, authorizes the Retirement Board to invest PERS' funds in "every kind of investment which persons of prudence, discretion, and intelligence acquire or retain for their own account." PERS has established limits on the concentration of investments in any single issuer or class of issuer or managed by a single investment firm.

Given the Fund's significantly smaller size than the PERS Investment Fund, there are differences in structure between the two portfolios. However, both portfolios maintain a similar statistical return and risk profile.

The majority of the Fund's investments are held by the Depository Trust Company (DTC) in DTC's nominee name, and trading is conducted through DTC's book-entry system. The holder of record for the Fund is The Bank of New York Mellon (BNYM).

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A summary of investments as of June 30, 2012, is as follows:

<u>Investment Type</u>	<u>Par Value/ No. of Shares</u>	<u>Maturity Date Range</u>	<u>Interest Rate Range</u>	<u>Fair Value at June 30, 2012</u>
Cash and cash equivalents				
Commercial bank				\$ 4,144
Custodial bank				174,992
Short-term treasuries	10,546,800	7/2012		10,546,800
Total cash and cash equivalents				<u>\$ 10,725,936</u>
Investments				
Fixed income, domestic and international	311,579,543	7/2012 to 4/2055	0.3 to 9.7%	\$ 55,341,132
Equity, domestic and international	4,837,952			90,409,900
Total investments				<u>\$ 145,751,032</u>

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of its depository financial institution, the Fund will not be able to recover its deposits.

At June 30, 2012, the carrying amount of the Fund's commercial cash deposits and commercial bank balance was \$4,144. Amounts reported as cash and cash equivalents on the accompanying statement of net assets also include \$174,992 of amounts held in custodial accounts by BNYM, as well as \$10,546,800 of money market funds at June 30, 2012. The bank balance was fully insured by the Federal Deposit Insurance Corporation (FDIC). The commercial bank balance is, according to a depository pledge agreement between the Fund and the Fund's commercial bank, collateralized at 102% of the collected funds on deposit (increased by the amount of accrued but uncredited interest, reduced by deposits covered by FDIC). These collateral securities are held by the Fund's agent in the Fund's name.

Custodial cash is swept nightly from the custodial bank to an overnight short-term investment fund held outside the bank. Monies arriving at the bank after the overnight sweep deadline are part of the custodial bank cash reserve and are covered up to the FDIC limit of \$250,000. Any amount in the cash reserve in excess of \$250,000 is subject to custodial credit risk.

The custodial bank also carries insurance covering destruction of cash or securities on or off premises (including securities or others held in custody) with a limit of \$850,000,000 per occurrence.

NOTES TO FINANCIAL STATEMENTS

Credit Risk - Investments

Credit risk for investments is the risk that an issuer or other counterparty will not fulfill its obligations to the Fund and *custodial credit risk for investments* is the risk that, in the event of the failure of the counterparty to a transaction, RBIF will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

RBIF policies provide protection from undue investment credit risk as follows:

- Investment in commercial paper provided it, or the guarantor, is rated A1, F1, and P1, or the equivalent, by at least two of Moody's, Standard & Poor's or Fitch.
- Certificates of deposit, bankers' acceptances, and time deposits of banks with a minimum of \$10 billion in bank capital which have a quality rating of A or better by at least two of Moody's, Standard & Poor's or Fitch.
- Repurchase agreements with banks or dealers provided the agreement is collateralized by 102% with U.S. Treasuries or Government Sponsored Enterprise (GSE) and such collateral is delivered to the Fund's bank or its correspondent.
- Money market mutual funds that are SEC registered 2(a)-7 and AAA rated by at least two of Moody's, Standard & Poor's or Fitch whose investment guidelines are substantially equivalent to and consistent with the Fund's overall short-term investment criteria.
- Bonds and notes of United States corporations and asset-backed instruments which are rated investment grade (BBB- or better by Standard & Poors/Fitch, Baa3 or better by Moody's). If the security is rated by all three agencies, at least two of the three must be investment grade. If the security is rated by either one or two of the rating agencies, all ratings must be investment grade.
- Debt issued in the United States by foreign entities located in countries in the Citigroup Non-Dollar Government Bond Index, provided that both interest and principal are payable in U.S. dollars in the United States and provided that such debt is rated investment grade (BBB- or better by Standard & Poors/Fitch, Baa3 or better by Moody's). If the security is rated by all three agencies, at least two of the three must be investment grade. If the security is rated by either one or two of the rating agencies, all ratings must be investment grade.
- To Be Announced (TBA) mortgage transactions are utilized to provide access to mortgage securities. Outstanding TBA positions with a single broker may not exceed 10% of the manager's portfolio.

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- Bonds, notes, and deposits of foreign governments and government agencies included in the Citigroup Non-Dollar Government Bond Index and warranted by Counsel to be of the same investment quality as Moody's Aa3 and Standard and Poor's/Fitch's AA- ratings. At least two of the three ratings must be above the policy minimum.

The following table shows Standard and Poor's (S & P) credit quality ratings of the Fund's investments in fixed income securities as of June 30, 2012.

QUALITY RATING

Investment Type (in thousands)	AAA	AA	A	BBB	BB	Not Rated	Total
Cash equivalents	\$ -	\$ 1,500.0	\$ -	\$ -	\$ -	\$ 9,046.8	\$ 10,546.8
Collateralized mortgage obligations	215.9	238.8	-	221.9	-	205.9	882.5
Corporate bonds and other	552.4	1,201.5	4,758.9	2,832.9	109.2	20.6	9,475.5
Non-U.S. markets	765.1	559.0	893.4	1,132.1	-	6,795.0	10,144.6
Treasuries	-	17,300.3	-	-	-	-	17,300.3
U.S. Government	-	15,406.6	-	-	-	2,131.6	17,538.2
Total	<u>\$ 1,533.4</u>	<u>\$ 36,206.2</u>	<u>\$ 5,652.3</u>	<u>\$ 4,186.9</u>	<u>\$ 109.2</u>	<u>\$ 18,199.9</u>	<u>\$ 65,887.9</u>

The above table does not include commercial cash of \$4.1 thousand and cash in custodial of \$174.9 thousand.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Fund's investment in a single issuer. RBIF policy limits corporate issuers to 5% per issuer (including all subsidiaries for parent/subsidiary relationships). Asset-backed, commercial mortgage-backed, and private label mortgage-backed securities are limited to 5% per issuer (each pool or trust shall be considered a separate issuer for this purpose). RBIF policies also require the manager's portfolio shall be suitably diversified as to assets with any single issuer (except U.S. government obligations) or class of issuers so that an adversity affecting a particular sector will not impact a disproportionate share of the total portfolio.

The Fund combined with the Judicial Retirement System, Legislators' Retirement System, and PERS shall not permanently constitute more than 25% of any firm's assets within the asset class (equity, bonds, real estate, or alternative investments) managed. Staff shall provide an annual report of combined assets to the Board consistent with this policy.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or a deposit. The Fund mitigates interest rate risk through portfolio diversification. The Fund's investment policy and investment portfolio manager mandates permit investment in all securities within the Barclays Aggregate Index benchmark. If securities purchased are outside the Barclays Aggregate Index, they must be of investment grade rating by at least two of Moody's, Standard & Poor's or Fitch (BBB- or better by Standard & Poor's/Fitch, Baa3 or better by Moody's).

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The following table shows the fair value of fixed income securities and the applicable investment maturities, as of June 30, 2012.

INVESTMENT MATURITIES

(in years)

Investment Type (in thousands)	Less than 1	1 to 5	6 to 10	More than 10	Total
Cash equivalents	\$ 10,546.8	\$ -	\$ -	\$ -	\$ 10,546.8
Collateralized mortgage obligations	-	-	-	882.5	882.5
Corporate bonds and other	-	3,949.5	2,788.5	2,737.3	9,475.3
Non-U.S. markets	312.1	4,417.0	2,762.4	2,653.2	10,144.7
Treasuries	1,982.6	9,182.3	2,454.2	3,681.3	17,300.4
U.S. Government	768.3	2,364.5	642.8	13,762.6	17,538.2
Total	<u>\$ 13,609.8</u>	<u>\$ 19,913.3</u>	<u>\$ 8,647.9</u>	<u>\$ 23,716.9</u>	<u>\$ 65,887.9</u>

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Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Fund mitigates foreign currency risk through portfolio diversification as discussed previously. Foreign currency deposits (non USD securities) and in countries in the Citigroup Non-Dollar Government Bond Index are authorized. Highly speculative positions in currency are not permitted.

The Fund's exposure to foreign currency risk in U.S. dollars as of June 30, 2012, is summarized in the following table.

CURRENCY BY INVESTMENT AND FAIR VALUE

Currency Type	Fixed		Equity		Cash	Total
	Income					
Australian Dollar	\$ 104,635	\$ 2,514,234	\$ 5,565	\$ 2,624,434		
Canadian Dollar	207,840	-	12,365	220,205		
Danish Krone	50,932	328,241	13,177	392,350		
Euro	2,879,110	7,768,760	13,412	10,661,282		
Hong Kong Dollar	-	859,664	5,824	865,488		
Israeli Shekel	-	148,419	183	148,602		
Japanese Yen	3,515,679	6,272,628	55,944	9,844,251		
Malaysian Ringgit	35,346	-	2,356	37,702		
Mexican New Peso	62,826	-	9,375	72,201		
New Zealand Dollar	-	34,603	-	34,603		
Norwegian Krone	15,883	261,050	2,465	279,398		
Polish Zloty	47,937	-	3,806	51,743		
Pound Sterling	576,839	6,688,007	29,494	7,294,340		
Singapore Dollar	18,046	524,174	12,874	555,094		
Swedish Krona	40,683	906,947	3,600	951,230		
Swiss Franc	26,895	2,465,515	4,203	2,496,613		
Total	\$ 7,582,651	\$ 28,772,242	\$ 174,643	\$ 36,529,536		

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Derivatives

Foreign exchange forward contracts are periodically employed by the Fund to hedge currency risk of investments in foreign currencies. No other derivatives are permitted within the Fund's portfolio.

Generally, derivatives are subject to both market and counterparty risk. The derivatives utilized by the Fund typically have no greater market risk than their physical counterparts and, in many cases, are offset by exposures elsewhere in the portfolio. *Counterparty risk*, the risk that the "other party" to a contract will default, is managed by careful screening of counterparties.

Derivative securities are priced and accounted for at fair value. Foreign exchange forward contracts are valued at the price at which the transaction could be settled by offsets in the forward markets.

The Fund's derivative transactions for fiscal year 2012 are summarized in the following table.

**FOREIGN EXCHANGE CONTRACTS
For Year Ended June 30, 2012**

Currency	Purchases	Realized Gain / Loss	Sells	Realized Gain / Loss	Total Realized Gain / Loss
Australian Dollar	\$ 733,022	\$ 648	\$ (130,725)	\$ 1,326	\$ 1,974
Canadian Dollar	42,331	(44)	(28,022)	(566)	(610)
Danish Krone	94,774	(78)	(16,368)	(322)	(400)
Euro	2,834,854	(2,066)	(569,277)	(3,228)	(5,294)
Hong Kong Dollar	225,685	35	(18,623)	8	43
Israeli Shekel	47,100	10	(4,856)	(68)	(58)
Japanese Yen	2,247,279	(3,018)	(250,894)	563	(2,455)
Malaysian Ringgit	22,558	(200)	-	-	(200)
Mexican New Peso	19,138	27	(10,007)	(318)	(291)
New Zealand Dollar	4,782	(35)	-	-	(35)
Norwegian Krone	75,737	255	(17,270)	(403)	(148)
Polish Zloty	16,796	(25)	(17,307)	(186)	(211)
Pound Sterling	1,770,486	3,207	(198,618)	861	4,068
Singapore Dollar	133,869	(10)	(18,174)	64	54
Swedish Krona	253,614	1,036	(35,459)	(433)	603
Swiss Franc	632,623	(2,077)	(81,048)	123	(1,954)
Total	\$ 9,154,648	\$ (2,335)	\$ (1,396,648)	\$ (2,579)	\$ (4,914)

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The Fund did not have any derivative transactions pending as of June 30, 2012.

Management believes that it is unlikely that any of the derivatives in the Fund's portfolio could have a material adverse effect on the financial condition of the Fund. In addition, the credit, market, or legal risks are not above and beyond those risks apparent by the nature of the type of investment for any of the securities contained within the portfolio.

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SUPPLEMENTARY INFORMATION

PARTICIPATING ENTITIES

Participating Entities	Net Contributions from Inception through June 30, 2012	Market Value as of June 30, 2012
Public Employees' Benefits Program (PEBP)	\$ 1,348,775	\$ 940,236
Washoe County School District (WCSD)	32,685,602	38,029,957
Truckee Meadows Water Authority (TMWA)	4,506,824	6,181,506
Washoe County (WCOT)	88,014,002	96,276,406
City of Las Vegas (LVOT)	5,000,000	5,373,861
Tahoe Douglas Fire Protection District (TDFP)	<u>2,500,000</u>	<u>2,476,028</u>
Totals	<u>\$ 134,055,203</u>	<u>\$ 149,277,994</u>

Net Contributions include both contributions and distributions for each participating entity from the inception of the Fund through the end of the current fiscal year.

The market value for each participating entity includes the market value of all assets held at the custodial bank, BNYM, based on their net contributions. This amount does not include any assets or transactions outside of BNYM.