March 17, 2008

MEMORANDUM

TO: Senator John Arthur Smith, LFC Chair
Legislative Finance Committee Members

FROM: Norton Francis, LFC Chief Economist; Michelle Aubel, LFC Fiscal Analyst

SUBJECT: LFC Report of Investment Performance – FY2008 Second Quarter

Attached please find the latest quarterly investment report that covers the second quarter of FY08 performance of the State Investment Council, the Education Retirement Board, and the Public Employees Retirement Board. The data shown in the report is as of December 31, 2007.

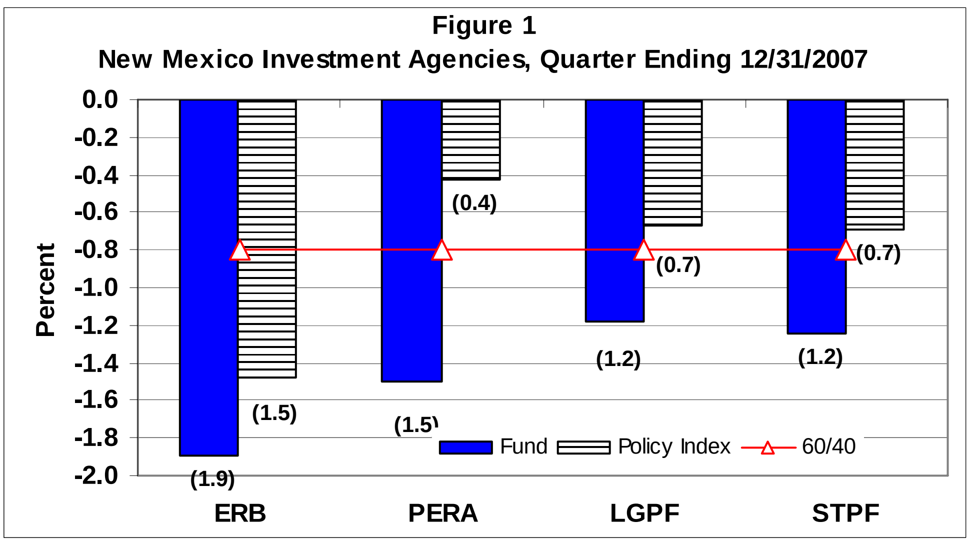
Highlights:

- All of the funds missed quarterly internal benchmarks, returning negative returns for the first time since March 2005.
- Total asset value is $38 billion, down a net $684.3 million from the previous quarter. For the calendar year, the asset value of all funds increased $2.3 billion.
- The results reflect turmoil in financial markets as well as a "flight to quality" in the credit markets.
- Peer rankings place all of the funds in the bottom quartile for the quarter and PERA and ERB for the year.
- The Special Focus previews concerns regarding the deployment into the alternative assets, including issues regarding valuation, risk and future performance.

In reviewing performance among the funds, it is important to keep in mind that the funds have different asset allocations, different strategies and different restrictions. All of the funds have entered alternative investment asset classes -- which include private equity, hedge funds, real assets and real estate -- but the State Investment Council (SIC) has been allocating to these asset classes longer than the Public Employees Retirement Association (PERA) and the Educational Retirement Board (ERB), so it has higher allocations and more mature investments. SIC also has a constitutional restriction on the amount it can invest in the equity asset class that has outperformed all of the other classes. Asset allocation is discussed in more detail on page 5.

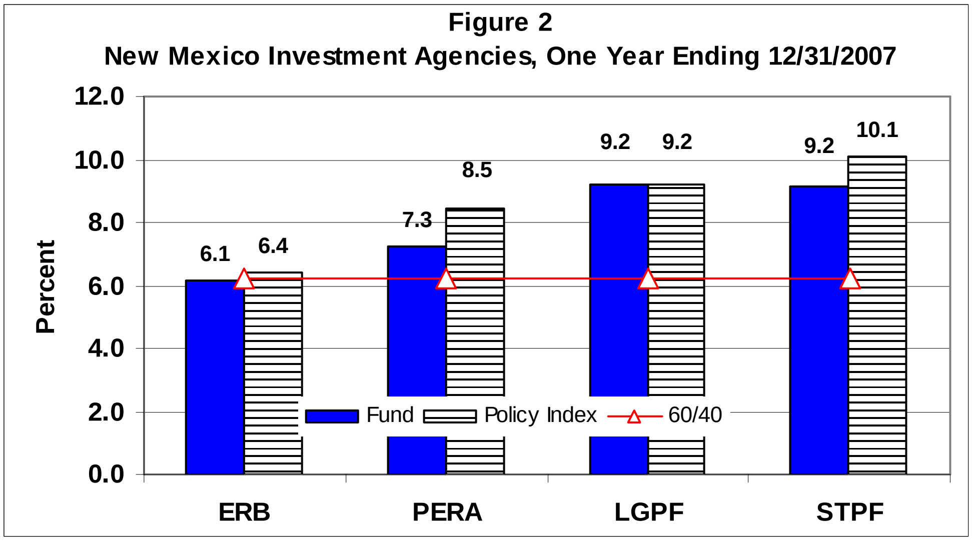
SUMMARY OF FUND PERFORMANCE

Quarter Ending December 31, 2007. Investment returns for the second quarter turned negative for the first time since the quarter ending March 2005. As shown in Figure 1, total fund investment returns ranged between negative 1.2 percent and negative 1.9 percent for the quarter, lagging their respective benchmarks across the board. The Land Grant Permanent Fund (LGPF) and the Severance Tax Permanent Fund (STPF), both managed by the SIC, each lost 1.2 percent. PERA reported negative 1.5 percent return while ERB reported negative 1.9 percent. Although showing the biggest percentage decline for the period, ERB performed closest to its benchmark, within 41 basis points (bp).[1] The SIC funds missed by about 50 bp while PERA underperformed by 107 bp. The "60/40" benchmark, a traditional conservative asset allocation that only includes domestic equity (60 percent) and fixed income (40 percent), returned negative 0.8 percent for the quarter, outperforming all four funds. The contributing factors for the funds' poor performance are discussed in greater detail below.

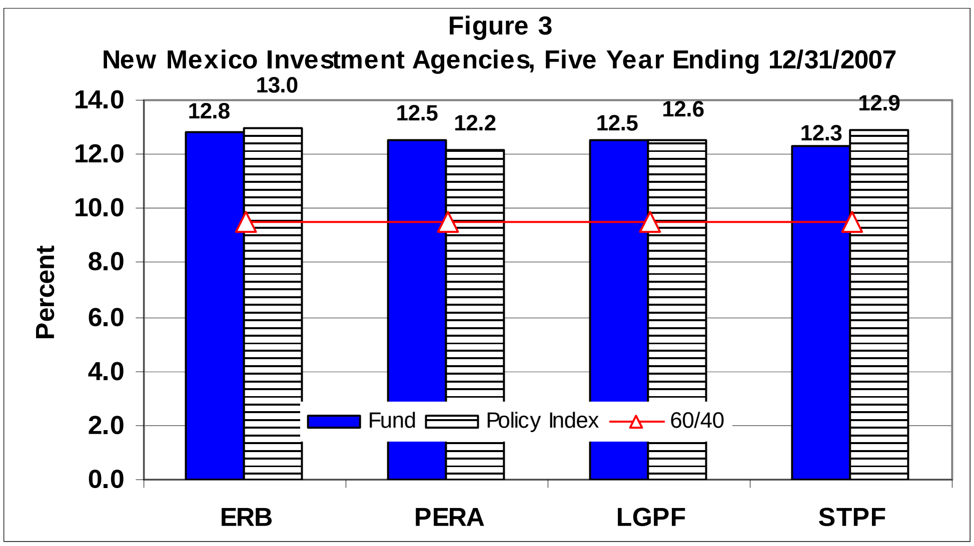


Year Ending December 31, 2007. For the one-year period ending December 31, 2007, the investment program returns all remain below their benchmarks except for LGPF, which essentially met its target of 9.2 percent. ERB missed its benchmark by 29 bp, STPF was 94 bp behind its benchmark and PERA fell behind its benchmark by 121 bp. Except for ERB, the 12-month returns remain significantly higher than a straight 60/40 stock & bond portfolio, which returned 6.2 percent for the period. Both SIC funds beat this index by approximately 300 bp.

[1] A basis point is 1/100 of a percent and is used for comparing percentages. For example, the difference between 5 percent and 6 percent is 100 basis points.



Five Years Ending December 31, 2007. For the five years ending December 31, 2007, PERA's relative performance reverses, beating its benchmark by 36 bp. LGPF slightly underperformed its benchmark return with a 12.5 percent performance while STPF returned 12.3 percent, 61 bp short of its benchmark. ERB barely missed its five-year benchmark by 19 bp. Over this longer term, all of the funds performed better than if they had been in a 60/40 index, which returned 9.5 percent.



FUND ASSET VALUES

Table 1 presents changes in asset values as of December 31, 2007. The quarterly and annual asset value changes in the table reflect both contributions and disbursements to each of these funds in addition to investment returns. The total value of the funds on December 31, 2007 was $38 billion, down approximately $684 million from the September 30, 2007. For the year, total fund change remains positive at $2.3 billion from the December 2006 value of $35.7 billion, for a net 6.4 percent increase. PERA's fund balance includes the assets of all retirement funds at PERA, except those held at the State Treasurer's Office (STO) for operational purposes.

Table 1
Current Asset Values (millions)
For Quarter and Year Ending December 31, 2007

Quarterly	**ERB**	**PERA***	**LGPF**	**STPF**	**TOTAL**
Current Asset Values (12/31/07)	$ 9,378	$ 13,264	$ 10,698	$ 4,625	$ 37,965
Value Change (Previous Quarter)	(208)	(224)	(148)	(104)	(684)
Percent Change	-2.2%	-1.7%	-1.4%	-2.2%	-1.8%

Annual	**ERB**	**PERA***	**LGPF**	**STPF**	**TOTAL**
Ending Asset Values (12/31/06)	$ 8,975	$ 12,462	$ 9,873	$ 4,385	$ 35,695
Value Change (Year Ago)	403.0	801.9	824.4	240.3	2,269.5
Percent Change	4.5%	6.4%	8.3%	5.5%	6.4%

*Excludes assets held at STO

ECONOMIC AND FINANCIAL MARKET ENVIRONMENT

Key indicators were all down in the fourth quarter. US gross domestic product grew by only 0.6 percent in the last quarter and the growth rate for the year for real GDP was 2.2 percent, the lowest since 2002. Private investment was down 12.5 percent, driven by a 25 percent decline in residential investment. The housing market was in free fall for most of the quarter and the Office of Federal Housing Enterprise Oversight (OFHEO) reported its index of house values dropped 0.3 percent in 2007, the first negative in the 16 year history of the index. Another house price index, the Case-Shiller index, reported a drop of 8.9 percent, the largest decrease in 20 years. The Consumer Price Index grew 5.0 percent in the fourth quarter, the highest since 2005 quarter 3 when the Katrina and Rita hurricanes spiked energy prices. The price of a barrel of oil, driving the CPI, averaged $90 in the quarter.

For the equities markets, the quarter was bleak: the Dow Jones Industrial Average dropped 4.5 percent from the start of the quarter, the S&P 500, a broader index, dropped 3.8 percent and the NASDAQ dropped 1.8 percent. Much of the decline in the quarter was caused by nervousness about the economy and the financial markets due to the uncertain exposure and depth of the subprime mortgage crisis. Several major banks had billions of dollars in write-downs as they identified bad mortgage debt vehicles. UBS wrote down $10 billion and Merrill Lynch wrote down $8.4 billion to name two.

International equities for developed countries also had negative returns with the Morgan Stanley EAF Net index losing 1.8 percent over the quarter. This sector has been the star performer for several quarters and the one year return of 11.2 percent (for MSCI EAF Net) reflect the previous strong returns. Emerging markets still had strong returns though also off the rate they had been performing.

Fixed income ended the year returning about 7 percent for core bonds, as measured by the Lehman Brothers Aggregate index, and 3 percent for the quarter. High yield bonds had negative returns as they were more likely to be affected by problems related to the subprime mortgage collapse.

ASSET ALLOCATION AND RETURN BY ASSET CLASS

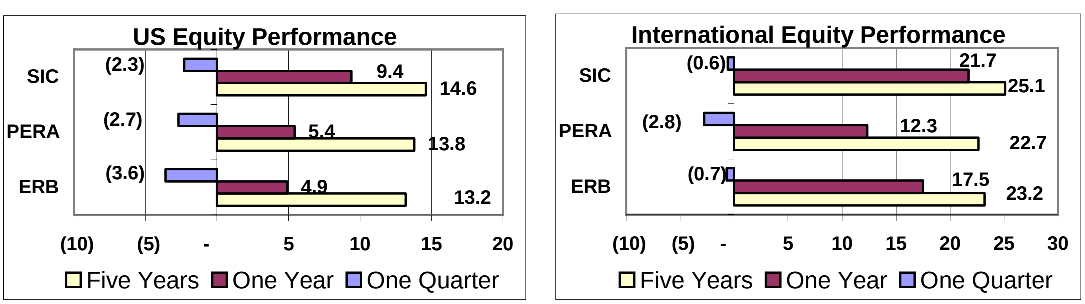
Table 2
Fund Asset Allocation Detail, Quarter Ending December 31, 2007

	ERB*		PERA		LGPF		STPF	
	Actual	Target	Actual	Target**	Actual	Target	Actual	Target
Total US Equity	**37.6%**	**40.0%**	**41.5%**	**40.0%**	**52.2%**	**53.0%**	**52.0%**	**53.0%**
International Equity	**20.9%**	**20.0%**	**28.6%**	**25.0%**	**12.2%**	**10.0%**	**13.8%**	**10.0%**
Total Fixed Income	**27.5%**	**29.0%**	**25.1%**	**32.0%**	**16.3%**	**18.0%**	**4.9%**	**11.0%**
Total Alternatives	**12.8%**	**11.0%**	**4.5%**	**3.0%**	**19.1%**	**19.0%**	**29.3%**	**26.0%**
Private Equity	0.5%	1.0%	0.4%		6.4%	6.0%	10.5%	12.0%
Hedge Funds	8.3%	5.0%	3.9%		9.6%	10.0%	9.5%	10.0%
Real Estate/Real Assets	4.0%	5.0%	0.2%		3.1%	3.0%	3.8%	3.0%
Economically Targeted Investments	0.0%	0.0%	0.0%	0.0%	-	0.0%	5.4%	0.0%
Cash Equivalents	1.2%	0.0%	0.8%	0.0%	0.2%	0.0%	0.2%	0.0%
Total Fund %	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

**ERB is is adopting a new asset allocation mix that will raise the commitment to alternatives to 35% and correspondingly reduce equity and fixed income asset classes. See* Current Issues *section for more detail.*
***Due to the long implementation period for some alternatives, both PERA and ERB targets for some alternatives will be increased over time to match the long term targets.*

Table 2 shows asset allocations, which remain near those reported for last quarter. In general, changes were driven primarily by the financial markets rather than by the agencies. The downturn in the U.S. equity markets affected all funds due to their high asset allocations. In addition, higher allocations to international equities, which boosted returns for the pension plans in prior quarters, worked against them this quarter. Conversely, the SIC funds' restricted exposure to international equities[2], which had limited prior returns, reduced the negative impact to the overall portfolio for this quarter. Figure 4 illustrates equity performance for the funds.

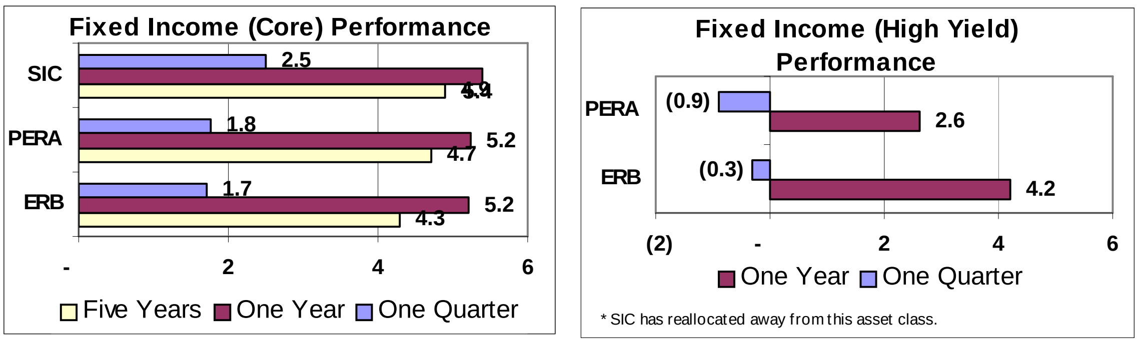
Figure 4 – Equity Performance as of 12/31/07



[2] SIC is constitutionally restricted to 65 percent equities. SIC could raise its international equity to 15 percent but then could only invest 50 percent in US equity and make no more international investments such as an international private equity. Conversely, if SIC wanted to invest 60 percent in US equity, only 5 percent could be invested in international equity.

In addition, the "flight to quality" in the fixed income markets rewarded allocations to Core holdings over high yield allocations—as shown in Figure 5. All funds' core holdings "anchored" their portfolios to some extent, extending positive performance into this quarter. The high yield fixed income did not have a good quarter as they were more affected by the credit crunch. SIC has recently vacated the high yield fixed income asset class, citing the trouble finding a good manager for this class.

Figure 5 – Fixed Income Performance as of 12/31/07

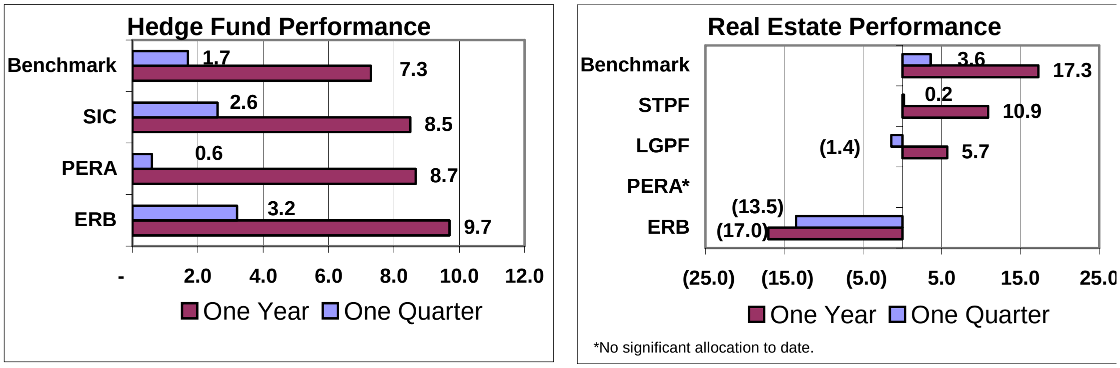


Unlike the other funds, SIC was pummeled in the collateralized debt obligation (CDO) markets, losing 15.6 percent in the quarter. SIC's financial advisor, Allan Martin of New England Pension Consultants (NEPC), reported to the SIC that this asset class was almost entirely to blame for the overall poor performance. Based on a third-party valuation, ERB also wrote down a $40 million CDO to $1.3 million this quarter, which is now reported as a separate line item under "Vanderbilt" in the NEPC reports because this investment does not fit into the either fixed income definitions or alternative mandates.

Alternatives. To provide greater diversification, the agencies have been transitioning from the traditional asset classes of equity and fixed income to alternatives – such as hedge funds, real estate, and private equity. SIC has been investing in alternatives for several years and ERB and PERA have begun focusing on this policy shift over this last year. Using a fund-of-funds (a fund that is composed of several funds) approach, ERB has completed its initial rollout into hedge funds—or an absolute return strategy—for almost a year; this is a similar strategy that has been effective for SIC over the last several years. PERA, which is taking more time to implement this strategy through a direct fund approach, expects its entire portfolio to be completed by the end of May 2008.

Recovering from last quarter's lackluster performance, the hedge fund asset class returned quarterly positive results for all agencies. So far the policy decision to use the fund-of-funds approach has rewarded ERB, as shown in Figure 6. In a quarter where equities were negative and fixed income barely positive, the investments in absolute return hedge funds appear to have been a wise strategy and have performed as expected, protecting against down side risk.

Figure 6: Hedge Fund and Real Estate Performance as of 12/31/07



Note: Benchmark shown is 90-day Treasury bill plus 200 bp for hedge funds and NCREIF property index for real estate.

However, ERB's policy decision to use Real Estate Investment Trusts (REITs) to gain exposure to the real estate asset class while transitioning into that class through limited partnerships over time has not been as successful for this reporting period. The negative 13.5 percent return for ERB's REIT portfolio, with a 4 percent asset allocation, significantly contributed to the quarter's overall disappointing results. LGPF's real estate investments lost 1.4 percent for the quarter and STPF's real estate was up 0.2 percent. Both had positive returns for the year with STPF returning over 10 percent but underperformed the NCREIF benchmark.

ADDITIONAL DETAIL ON FUND PERFORMANCE FOR QUARTER

Table 3 below shows detailed fund performance for the quarter ending December 31, 2007. For comparison purposes, the table also provides the returns for a set of agreed-upon market benchmarks commonly used for particular asset classes.

Table 3

Fund Performance Detail (Quarter Ending 12/31/2007)

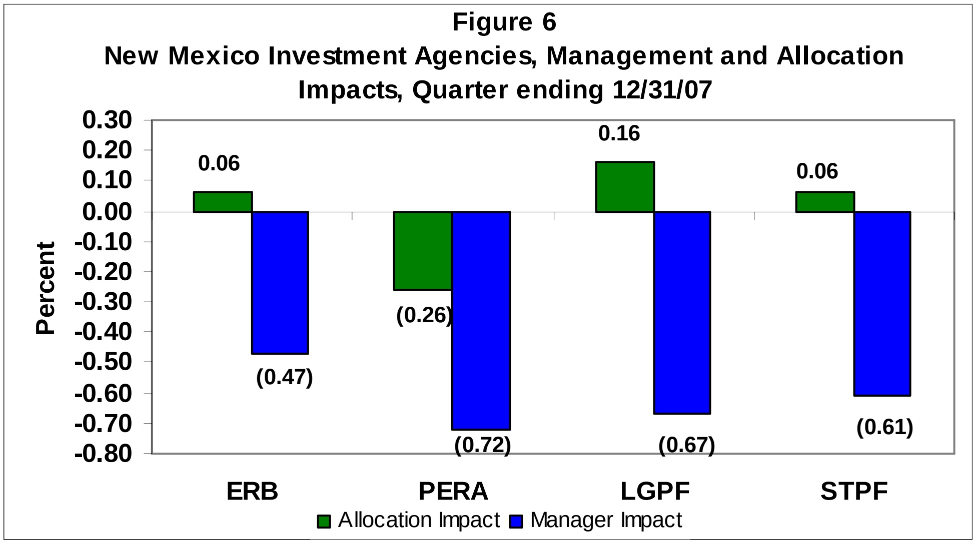
Asset Class	**Benchmark****	**ERB**	**PERA**	**LGPF**	**STPF**
U.S. Equity (S&P 500)	*-3.3%*	-3.6%	-2.7%	-2.3%	-2.3%
U.S. Equity (Russell 3000)	*-3.3%*	-3.6%	-2.7%	-2.3%	-2.3%
U.S. Equity (Wilshire 5000 Cap Wtd)	*-3.2%*	-3.6%	-2.7%	-2.3%	-2.3%
Real Estate Investment Trusts (REITS) (DJ Wilshire REIT)	*-13.5%*	-13.5%	n.a.	n.a.	n.a.
U.S. Fixed Income (LB Aggregate)	*3.0%*	1.7%	1.8%	2.5%	2.5%
U.S. High Yield Bonds (Citi HY Cash Pay)	*-0.7%*	-0.3%	-0.9%	n.a.	n.a.
International Equity (MSCI EAFE Net)	*-1.8%*	-0.7%	-2.8%	-0.6%	-0.6%
Emerging Markets Equity (MS EMF)	*3.6%*	1.7%	-0.5%	-0.6%	-0.6%
Private Equity/Venture Capital (Cambridge Venture Capital)*	*2.9%*	n.a.	n.a.	3.6%	3.5%
Private Equity (Cambridge Private Equity)*	*1.3%*	3.5%	0.0%	3.6%	3.5%
Real Estate (NCREIF)	*3.2%*	2.6%	0.0%	-1.4%	0.2%
Hedge Funds (90 day T-bill + 200 basis points)	*1.6%*	3.2%	0.6%	2.6%	2.6%
Individual Fund Policy Target		-1.5%	-0.4%	-0.7%	-0.7%
Total Fund Return		**-1.9%**	**-1.5%**	**-1.2%**	**-1.2%**

** Performance for private equity is reported on a 3 to 4-month lag*

*** Benchmarks are for comparison purposes and do not necessarily correlate to the individual fund's policy targets.*

MANAGEMENT PERFORMANCE

The fund performance compared to the internal targets is made up of two primary components: manager impact and asset allocation impact. The manager impact is a measure of how the individual manager's performance compared to the performance of the related benchmark, and the allocation impact is the impact of a portfolio allocation deviating from the target (or policy) allocation.



Some active managers performed well. It is interesting to note that although PERA, LGPF and STPF missed internal benchmarks, they outperformed the US equity benchmarks with negative returns that were less than the indices. This indicates that active management for domestic equities was positive, an unusual event for a sector that usually demonstrates resistance to adding value through active management.

Overall active management underperformed for the quarter:

- PERA was 107 bp below its benchmark -- primarily due to manager performance -- although being overweighed in equities and underweighted in fixed income versus their policy targets certainly contributed. However, PERA also notes that it incurred transition costs in moving assets, which added to the underperformance. A US equity manager, Alliance Bernstein US Diversified Value Equity, has made PERA's official "watch list" due to its high weightings in financial and consumer good equities that have underperformed during this economic scenario.
- ERB was 41 bp short of its benchmark, also primarily due manager performance. In particular, ERB notes that it has put one of its fixed income managers, WAMCO, on the "watch list." Being overweighted in hedge funds by 3.3 percent actually provided a slight bump to the fund this quarter.
- LGPF missed its benchmark by 51 bp: management selection caused the bulk of the poor performance, subtracting 67 bp while allocation added 16 bp.
- STPF lagged by 55 bp, with allocation delivering a positive impact that was countered by manager selection, which subtracted 61 bp for the quarter.

RISK/RETURN MANAGEMENT

Table 4 presents the risk indicators for each fund. The risk profiles of all four funds remain in line with each benchmark. PERA has the lowest standard deviation, the deviation from the mean performance or a measure of volatility, while ERB has the highest volatility. The measure of return-to risk, or Sharpe Ratio, has evened out for the four funds, with PERA slightly higher at 1.4.[3] This convergence is not unexpected. The investment allocation determines the aggregate level of risk a portfolio takes on, with diversification reducing volatility over time as assets move in different directions or to different degrees from one another. As alternatives are added, one would expect to reap the benefit in reduced volatility, which is what Table 5 shows. The added benefit is a higher Sharpe Ratio as compared to the same risk profile measure a year ago, although dropping the poor 2002 returns as the five years rolled forward for the 2007 snapshot also contributed to this measure's improvement.

Table 4
Risk Profiles as shown by Standard Deviations, Five Years Ending 12/31/07

	ERB	PERA	LGPF	STPF
FUND				
Standard Deviation*	7.7	6.5	7.0	7.1
Sharpe Ratio**	1.3	1.4	1.3	1.3
BENCHMARK				
Standard Deviation*	7.9	6.6	7.1	7.0
Sharpe Ratio**	1.3	1.4	1.3	1.4

* Standard deviation measures the fund's expected variability (deviation) from the expected return
** Sharpe Ratio measures the risk-adjusted performance of a portfolio The higher the number, the higher the return-to-risk level. Risk free return is 90-Day T-bill.

Table 5
Risk Profiles Compared, Five Years Ending 12/31/06 and 12/31/07

	ERB	PERA	LGPF	STPF
12/31/2007				
Standard Deviation*	7.7	6.5	7.0	7.1
Sharpe Ratio**	1.3	1.4	1.3	1.3
12/31/2006				
Standard Deviation*	10.3	8.0	9.3	9.4
Sharpe Ratio**	0.6	0.9	0.7	0.6

CURRENT ISSUES

- PERA reports that its $30 million commitment to Carlyle Real Estate V fund will not be impacted by the company's challenges facing its Carlyle Capital Corporation (CCC) because Carlyle and CCC are separate entities. Unlike Amaranth, where one fund impinged upon another, Carlyle funds are "siloed." SIC also has investments in Carlyle Group private equity funds and has reported that its investments are likewise safe from the trouble at Carlyle Capital.

- While the ERB asset allocation for this report remains at the current targets as depicted in Table 2, ERB will be adopting a new asset allocation that includes a 35 percent target for alternatives:

[3] The Sharpe Ratio is determined by dividing the difference in return of the asset and a "risk-free" asset by the standard deviation. Although all fund advisors reported Sharpe Ratios, LFC recalculated each ratio using the return of the 90 Treasury Bill to ensure consistency.

<table>
<tr><th>Asset Class</th><th>Current Target</th><th>New Target</th></tr>
<tr><td>Absolute Return (Hedge Funds)</td><td>5%</td><td>10%</td></tr>
<tr><td>Private Equity</td><td>5%</td><td>10%</td></tr>
<tr><td>Real Estate</td><td rowspan="2">1% (Long term target of 5% for real estate and real assets)</td><td>5%</td></tr>
<tr><td>Real Assets</td><td>5%</td></tr>
<tr><td>Global Asset Allocation</td><td>0%</td><td>5%</td></tr>
<tr><td>TOTAL</td><td>15%</td><td>35%</td></tr>
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The decision to adopt this strategy was based on the NEPC report that shows a higher expected long term return and a lower expected risk associated with this allocation versus the current allocation:

	Expected Return	Expected Risk
Current	8.15%	10.70%
Proposed	8.49%	9.76%

This change in asset allocation, including greater detail on the asset classes, will be a subject of a future Special Focus.

- Both ERB and PERA report an approximate 5.5 percent decline in assets for the first two months of 2008.
- Sun Mountain Capital, SIC's general partner in the New Mexico Co-Investment Partnership, reported on the NM private equity investment program (PEIP). The PEIP has committed $324 million or 61 percent of its statutory maximum in 26 investments. Of the commitments, $214 million, or 66 percent, has been drawn or invested. PEIP has only realized $36 million as of 6/30/07. Forty-five New Mexico companies have been funded: 33 are still active, 7 have been liquidated and 5 have been exited. Advent Solar, Zia Lasers, Lumidigm and Eclipse are some of the funded companies.
- The Writer's Guild of America (WGA) went on strike in November and did not reach an agreement until February of 2008. SIC's film loan program, part of the economically targeted investment asset class, is impacted by the ABC Family network's decision to cancel future seasons of *Wildfire*. The show's ratings had declined in the third and fourth seasons. Peter Deckom, SIC's film advisor, feels that the show still has potential in the syndication market due to the demographics of the audience but the returns will suffer by not having at least 65 episodes.

SPECIAL FOCUS – ASSET ALLOCATION AND VALUATION

LFC has been interested in the policy shifts into alternative assets and is meeting with each agency to discuss:

- how allocation decisions are made,
- the benefits and the risks of those decisions,
- how alternative investments are valued, and
- how the agency monitors investments that lack transparent timely valuation such as private equity.

In April, LFC staff hopes to report to the committee on these discussions. The special focus this month is a preview of some of the issues around allocation and valuation.

Policy decisions relating to asset allocation—or diversification—are critical. RVKhunes, PERA's general consultant, maintains that these decisions account for at least 90 percent of results. Both RVKhunes and ERB and SIC's general consultant, NEPC, continue to support the move out of traditional assets into those that provide low or no correlation as a means of "weather-proofing" the funds to make them more resistant to market downturns. Both point to peer rankings[4] to substantiate their positions:

	2nd QTR FY08	1 YEAR
PENSION FUNDS		
PERA	93	75
ERB	95	87
ENDOWMENT FUNDS		
LGPF	73	37
STPF	75	39
* Pension funds and "endowment" funds, which the SIC reflects, have different peer universes and so the SIC rankings are not comparable to the PERA and ERB rankings.		

According to PERA's investment consultants, the top-tier public funds that did well during this period are those that have mature alternative portfolios. A review of the benchmarks for alternatives, such as that reported for real estate in Figure 6, bears out this claim. However, it can take up to five years to implement some alternative asset allocations, such as real estate and private equity, and ERB and PERA are just starting. The question remains whether ERB and PERA will remain somewhat caught "behind the wave," particularly given the stellar results for these two classes over the last five years. Many are questioning whether these alternatives can post similar gains going forward, especially with so many dollars chasing fewer opportunities. How well ERB and PERA consultants identify the alternatives that perform well over the *next* five years—and how quickly the plans can be deployed—will be key factors in determining strategy success.

SIC has a more mature alternative investment program and has fully allocated to the private equity, absolute return and real estate asset classes. Recently, SIC increased the target to absolute return (hedge funds) to 15 percent and will be reallocating from equities and fixed income. SIC's overall strategy is for the hedge fund portfolio to achieve better returns than fixed income with the same or less risk (absolute return). SIC has also increased its allocation to private equity in the severance tax permanent fund, based on legislation from 2007, to a total of 12 percent making the overall allocation to alternative assets 30 percent. Mr. Martin, from NEPC, has reported that some of the most successful endowment funds have 30 percent or more allocated to alternative investments.

In addition, valuation of these alternatives remains a concern in several respects. Mature alternative portfolios benefit from an accounting bias because these assets are not "marked to the market" as are traditional assets. Therefore, valuations are not often transparent, and given their lagged reporting, may not accurately reflect market forces. ERB's CDO position, carried on the books at full investment value for several months

[4] On a scale of 1-100, 1 is best and 100 is the worst.

until evaluated by a third party, is a good example. Some of these assets are *never* evaluated by a third party and the true value is not known until the position is exited. In other cases the underlying assets may be difficult to measure, leading to uncertain or unreliable asset valuations. For example, ERB notes that its 3.4 percent return for its private equity program appears “overly optimistic” and is reviewing this issue with its custodial agent.

Another concern relates to risk management, including how the agencies are reducing risk by diversifying across strategies, geography, and time (which employs the concept of vintage years). In addition, how the risk-return equation is being balanced for long term sustainability is essential. For example, excessive leveraging has proven to be a key underpinning of many of the problems alternative asset managers have encountered during the last few months. How the agencies are identifying and limiting their exposure to leveraging and other tactics that are used to gain value — but also add unacceptable levels of risk— is a critical aspect of program assessment.

Finally, many of these investments are illiquid. How the funds are impacted by market conditions that pressure illiquid assets and managers of illiquid funds has yet to be fully understood. When a “headliner” event occurs, such as the downfall of a hedge fund such as Amaranth or the current liquidity challenges facing Carlyle Capital in its mortgage investment fund, the impact is not always readily known. In the case of Amaranth, it may be because it is a small holding of a fund-of-funds manager, therefore somewhat hidden from view. In the case of Carlyle the relationship of one fund in trouble to a parent company’s other holdings may not be widely known. Monitoring these events, clarifying any impacts, and communicating these to stakeholders in a timely manner will become an essential reporting responsibility of the agencies to maintain confidence in their stewardship of these funds.