TRANSFERS OF CREDITED SERVICE BETWEEN DIFFERENT STATE RETIREMENT SYSTEMS

TRANSACTION DATE	MEMBERS NAME	PRIOR SYSTEM	CURRENT SYSTEM	FULL YEARS OF SERVICE	TRANSFERRED OR REDEEMED YRS	AMOUNT TRANSFERRED
10/14/2010	LARRY ARREY	MULTIPLE	PS	REDEMPTION	1.005	$26,444.00
10/15/2010	ROBBY CRAIG	ASRS	PS	REDEMPTION	0.216	$3,551.00
10/18/2010	MICHAEL BREWER	COPERS	PS	REDEMPTION	0.419	$11,468.00
10/18/2010	RONALD CATLIN	PS	PS	REDEMPTION	0.474	$8,806.00
10/20/2010	LYNNE ROBERTS	CORP	ASRS	19.565	19.565	$90,592.00
10/21/2010	DEAN PEDROTTI	POSS	PS	REDEMPTION	4.419	$133,668.00
10/21/2010	BRIAN CAMPOS	ASRS	PS	0.09	0.090	$917.81
10/21/2010	DEBORAH GRIFFIN	ASRS	CORP	0.693	0.139	$1,292.43
10/22/2010	MARK SHIERY	POSS	PS	REDEMPTION	0.025	$353.00
10/22/2010	BENJAMIN OPFAR	POSS	PS	REDEMPTION	2.669	$93,366.00
10/25/2010	DANIEL KILEY	ASRS	EORP	9.093	1.252	$49,807.81
10/27/2010	BLAKE MC CLELLAND	MULTIPLE	PS	REDEMPTION	0.788	$36,205.00
10/27/2010	BRIAN HOYT	ASRS	PS	1	0.396	$3,251.27
10/27/2010	AUSTIN MORK	ASRS	PS	0.83	0.193	$2,612.70
10/27/2010	ARTHUR SNAPP	ASRS	PS	0.8	0.078	$3,944.35
10/28/2010	TODD FRETTO	COPERS	PS	REDEMPTION	0.307	$6,926.00
11/1/2010	FERDINAND TOLENTINO	CORP	PS	REDEMPTION	2.052	$34,153.00
11/4/2010	THOMAS KAIPIO	ASRS	EORP	3.797	1.037	$21,124.61
11/4/2010	WARREN MENGE	ASRS	PS	0.08	0.013	$189.66
11/4/2010	CARLOS VALENZUELA	ASRS	PS	14.25	3.167	$55,786.63
11/4/2010	TOD KLEINMAN	CORP	PS	REDEMPTION	0.265	$4,670.00

Gifts and Entertainment Disclosure Report

Date of Receipt	Name of Giver	PSPRS Recipient(s)	Description of Gift/Entertainment
9/1/2010	Frontpoint Partners	Ryan Parham Mark Steed	Dinner
9/2/2010	Fischer, Francis, Trees & Watts	Ryan Parham Mark Steed	Breakfast
9/22/2010	Mesa West Capital	Paul Corens	Lunch
9/23/2010	G2 Investment Group	Mark Selfridge	Lunch
10/5/2010	Crestline Investors Inc.	Marty Anderson Mark Selfridge Shan Chen	Dinner
10/15/2010	Mesirow Financial	Shan Chen	Breakfast & Lunch (in conjunction with Annual Meeting)
10/18-19/2010	Barclays Capital	Ryan Parham	Travel & Lodging (in conjunction with participating as Multi-Strategy Panel Moderator for the Hedge Fund Symposium)
10/19/2010	Vanguard	Mark Selfridge	Lunch
10/21/2010	Conservation Forestry	Mark Selfridge Paul Corens Michele Weigand	Promotional ball cap, maple syrup, and book
10/21/2010	Taconic	Marty Anderson Ryan Parham Mark Steed	Lunch

Gifts and Entertainment Disclosure Report

Date of Receipt	Name of Giver	PSPRS Recipient(s)	Description of Gift/Entertainment
10/21/2010	Frontpoint	Marty Anderson Ryan Parham Mark Steed	Dinner
10/28/2010	JP Morgan	Shan Chen Paul Corens	Breakfast in conjunction with presentation "Insight and Opportunities"
11/1/- 11/3/2010	Albourne	Marty Anderson Paul Corens	Hedgegate Conference
11/2-3/2010	Alcion Ventures	Shan Chen	Accommodations in conjunction with Advisory Board meeting
11/3/2010	Babson Capital Management	Shan Chen	Dinner
11/3/2010	Red Kite	Marty Anderson Paul Corens	Breakfast
11/4/2010	EJF	Marty Anderson Paul Corens	Lunch
11/4/2010	Summit Partners	Shan Chen	Promotional umbrella

Investments Update

Board of Trustees Meeting
Novemeber, 2010

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Arizona PSPRS Trust

Month Ended October 2010

Deputy CIO's Monthly Overview of Investments

by Marty Anderson

The Trust continues to make steady progress towards a more diversified portfolio as investments approved by the Board are implemented and this process continues with several new investment proposals by Staff this month. In addition, the Trust's progress will be highlighted in a presentation by PSPRS' CIO Ryan Parham and consultant Allan Martin of NEPC including a review of current objectives and mandates. In the interest of time, the comprehensive review of the PSPRS Due Diligence process has been postponed, but will occur in the near future.

All return information is estimated as of this date and two indices have not been published. The Trust's estimate of Total Fund performance year-to-date is 10.1%, outperforming the target benchmark at 9.4%. This strong beginning to the fiscal year has been driven by the macro theme of a return to risk assets by investors, but is tempered by the realization that many headwinds remain for both the U.S. and the global economies. Anticipation of political change in advance of U.S. elections and the subsequent realization of the outcome were both positively received by most markets for risk assets. The so called "risk on-risk off" trade has led to an environment where markets for stocks, bonds, commodities, and gold are all rising. We like to say that in this environment, someone is likely wrong. Many recent news items and sound bites have reported on the return of the retail investor and that they are back in the market in strength. Needless to say Staff remains cautious and continues to contribute new ideas that are designed to help insulate the portfolio while retaining upside participation to positive economic outcomes.

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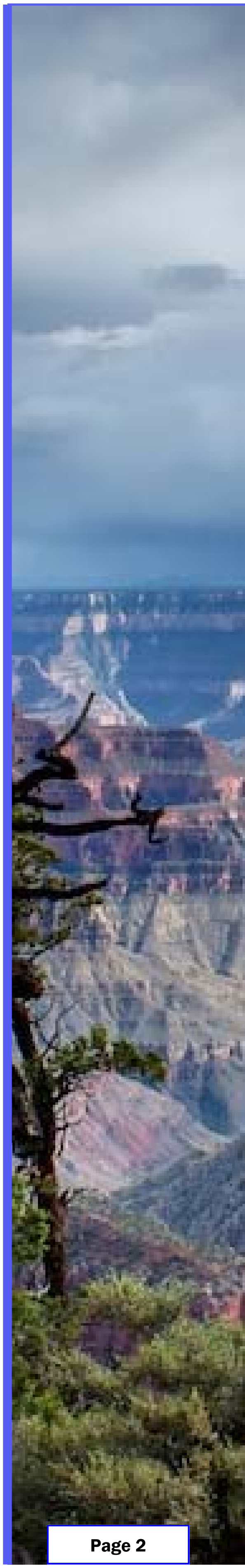


Deputy CIO's Monthly Overview - continued from page 1

Investment Recommendations for November:

Staff will be recommending the following investments:

Davidson Kempner Fund - up to $50mm in a multi-strategy hedge fund as an absolute return investment. The funds will be reallocated from global indexed equity exposure moving the Trust closer to its target weightings. This investment adds to previous absolute return investments and is part of a portfolio being constructed to achieve superior risk adjusted returns to the benchmark.

Bridgewater All Weather Fund - up to $70mm capacity for reallocating proceeds from the Trust's investment in Bridgewater Pure Alpha to be retained within the GTAA allocation. This investment adds to portfolio diversification as Bridgewater makes distributions back to LP's to cap the growth in assets under the Pure Alpha strategy which has grown due to record performance this year.

Baring Asia Private Equity Fund V – up to $60mm commitment to an Asia focused private equity fund which will be funded over a multiyear investment period. This adds diversification to the Trust's private equity exposure and increases the Trust's exposure to a region experiencing strong economic growth at a time when many western economies are struggling.

Equities Portfolio Overview - by Mark Selfridge

October was a positive month for both domestic and international equity markets. U.S. equities advanced, with relatively low volatility, as the market anticipated an additional quantitative easing program as well as election results in early November.

During the month of October, the Trust had net sales of nearly $76 million near the end of the month to prepare for the rebalancing into alternative investments.

For the month, the total equity portfolio had a preliminary return of 3.66%, a 3 bps underperformance relative to the return for the target equity benchmark at 3.69%. The U.S. Equity portfolio (3.80% vs. Russell 3000 at 3.91%) slightly underperformed. The Non-U.S. Equity portfolio (3.47% relative to the MSCI World Ex-US at 3.41%) slightly outperformed its benchmark.

Global Tactical Asset Allocation - by Mark Selfridge

The GTAA portfolio continues to benefit the diversification of the Trust. The preliminary return for October for the GTAA portfolio was 2.65% relative to the benchmark at 0.27%, and each of the three of the investments had a positive return.

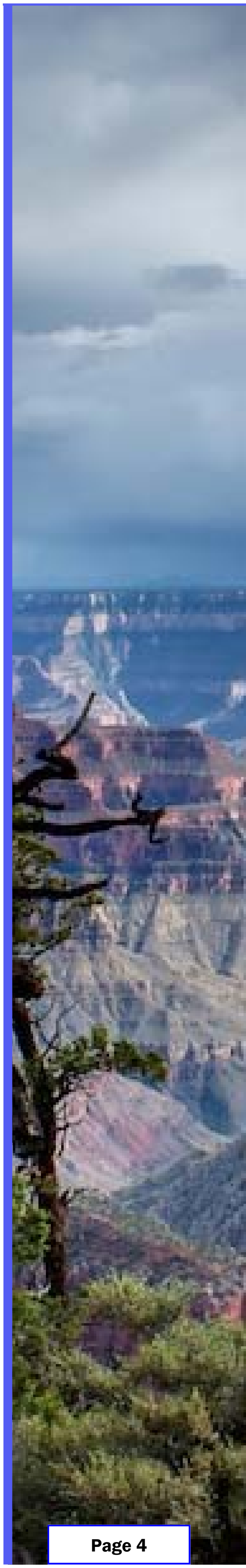
During October, the positive contributors to the performance of the GTAA portfolio were partly due to developed markets and emerging markets foreign currency exchange, commodities, and equities, while the negative contributor was primarily nominal bonds.

Fixed Income Portfolio Overview - by Shan Chen

Based on the preliminary data available, the Trust's fixed income portfolio was 18.80% of the total fund allocation at the end of October 2010, below our target of 20%. Without the final quality rating report from Blackrock Core Active Fund, Staff estimated at least 80% of our fixed income portfolio is rated above A, exceeding our 75% target. The weighted average quality of the overall portfolio is slight below AA. The effective duration of our portfolio, which measures a portfolio's interest rate risk, is comparable to the value of our benchmark, Barclays Capital Aggregate Index. The preliminary return of the fixed income portfolio was 0.33% for this month, a 3 bps underperformance relative to the return of our benchmark.

In October, we sold about $85 million of Treasuries to prepare for the funding of investment in two emerging market debt funds that the Board has approved in previous months (Franklin Templeton and Capital Guardian). The timing of the sales worked in our favor due to the strong rally of the treasury market that reacted to the news of the Fed's incoming quantitative easing. While fixed income has been performing well since the beginning of the year, Staff thinks this asset class bears more and more interest risk as treasury yields are at historically low levels. Similar views have been shared by many investors with whom Staff has contact. The recent deployment of $130 million to the two emerging market debt funds will reduce our risk from any movement in US interest rates, and positioned our portfolio to benefit from strong emerging market economic growth.

To further mitigate the potential negative effect of interest rate movement, we will seek to reduce portfolio duration and prudently add exposure to high quality floating rate investment grade bonds. In a market with lots of uncertainties, Staff believes diversification is essential to manage risk and generate attractive returns.



Credit Opportunities Portfolio Overview - by Shan Chen

The preliminary data indicated that the market value of the Credit Opportunities portfolio was 9.58% of the total fund allocation at month end, slightly above the 9% target, but well within our 12% upper limit. About $6 million of capital was called during this reporting period. The benchmark (ML US High Yield BB-B) returned 2.17% this month. Our portfolio returned 1.46%, underperforming by 71 bps. Most of our holdings in the Credit Opportunities portfolio are in closed end private equity type structures and returns are reported monthly with a computational lag.

The primary high yield markets saw another active month with $33 billion in new issuance; bring the year-to-date total to $244 billion. Borrowers are taking advantage of the current market's strength to obtain debtor friendly terms. The yield on high yield bonds has decreased from about 9% at the beginning of 2010 to about 7.3% now, making high yield bonds less attractive on an absolute basis. On the other hand, RMBS investors continue to digest news and data surrounding foreclosure and put-backs. Given the good performance of the RMBS market so far this year, investors are not eager to make bets in either direction as they approach the final two months of the year. As a result, October was a relatively quiet month for RMBS trading activities.

Two years after Lehman's bankruptcy, there are fewer distressed sellers in the credit markets. Instead, investors have to look into distressed assets and take idiosyncratic risks (illiquidity, regulatory, operation, etc) in order to obtain high-teen returns. While Staff believes there are managers who can thrive in this environment, it certainly is a challenge to find and access such talents.

Real Estate Portfolio Overview - Paul Corens

As noted last month, the Real Estate portfolio has come a long way in just over three years. In May 2007, the portfolio was comprised solely of legacy managers, all of which were headquartered in Phoenix, and the assets were located only in four Southwestern states. In June 2007, the Trust made its first commitment to a commingled private equity real estate fund with pooled limited partner capital. In April 2008, ORG Real Property was hired as the Trust's real estate consultant and, since then, the Trust has committed to ten additional private equity real estate funds diversified by strategy, geography, and product type. In October 2008, the Trust committed to its first dedicated European manager. In June 2009, after reviewing over two dozen Asian managers, the Trust committed to its first Asian real estate fund.

Although the Trust has significantly diversified its real estate holdings, a majority of the real estate portfolio is still invested with the legacy joint-venture (JV) real estate partners. As noted in previous reports, the legacy JV real estate portfolio has struggled due to being over weighted to Arizona mar-

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Real Estate Overview - continued from page 4

kets and residential strategies. Most of the issues related to this portfolio have been resolved; however, the Trust's rolling three-year appraisal process will most likely result in additional negative valuation adjustments through early 2011. We anticipate that the legacy holdings will be accretive to the portfolio in coming years as asset values improve.

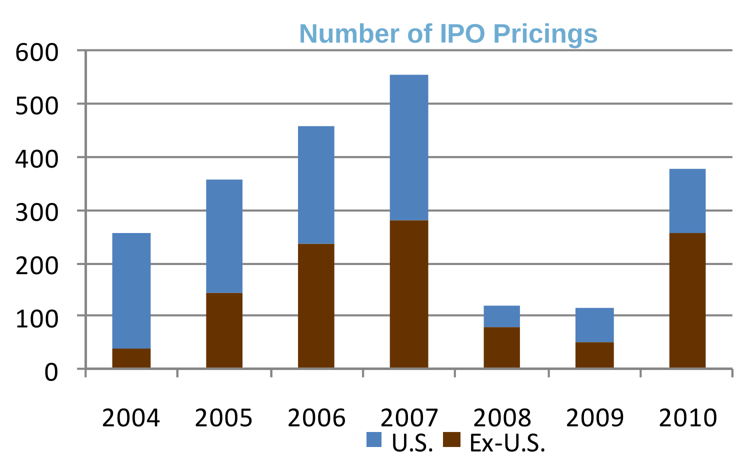
Private Equity/Venture Capital Portfolio Overview - by Mark Steed

The emergent Private Equity portfolio continues to make progress both in terms of acquisitions, dispositions, and earnings growth across the underlying positions. We are now receiving third-quarter valuations, which in most cases are positive.

Looking at the external environment there are several promising trends. Deal activity is picking up across the board owing to improved lending conditions and a receptive exit environment. A good deal of anxiety from both buyers and sellers is creating an impetus for action. On the one hand, strategic acquirers are hording lots of cash, which is yielding next to nothing in today's low interest-rate environment. These trade-buyers must effectively optimize that cash and one way to do so is to buy promising growth companies in attractive market segments. On the other hand, there are several private equity firms that were able to raise money during the crisis but have yet to put that money to work. Mindful of the finite investment period, we expect private equity buyers to become more aggressive in putting those unfunded commitments to work. While we don't know how this competitive relationship will work out, we do think disciplined investors will be rewarded though there will be substantial competition for quality assets. Seller anxiety comes from the potential for increased taxes on capital gains (which can come from out-right sales or dividends) next year. These dynamics create the expectation that we will see enhanced deal activity for the remainder of the year. Of note, cross-border M&A between the U.S. and Europe looks to be recovering with pharmaceutical companies leading the way. Secondary sales are also increasing in popularity. Here, smaller private equity firms, having added significant value eliminating cost inefficiencies, are able to sell their investments to a much larger firm that can add value by leveraging economies of scale.

Activity in mergers and acquisitions is improving, led by sharp increases in large-cap deal flow. The estimated value for global M&A in the third quarter is around $600 billion and the average deal size is approximately $230 million, both numbers are sizeable improvements over the same period last year.

The market is also showing an appetite for new issues as global IPO filings were up over 150% as compared to the same time last year. From a geographic perspective, the U.S. and Asia Pacific constitute the majority of the pricings, while Asia Pacific is responsible for over 70% of the proceeds. While mergers and acquisition are experiencing a rebirth of sorts, 2011 looks to be the year



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Private Equity Overview - continued from page 5

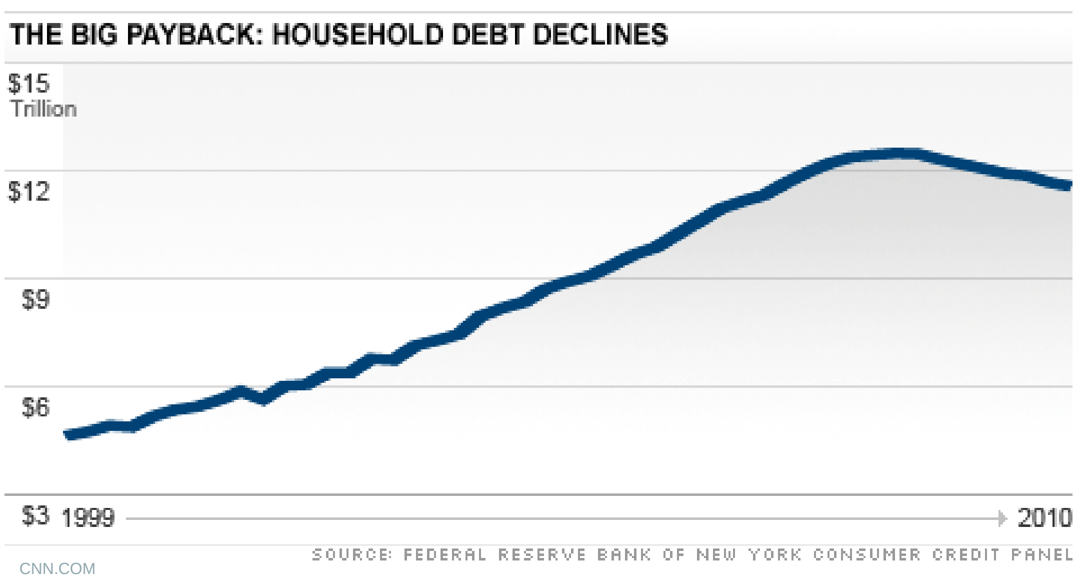
of the IPO with rumors of several significant offerings. Should these potential new issues become a reality, we anticipate a wave of IPOs will create a buoyant exit environment for many of the Trust's positions in 2011.

Overall the environment is very attractive for private equity as financing is more readily offered and valuations remain low compared to historical averages - good prospects for high returns persist. Investment Staff is currently reviewing pacing estimates and forward calendars against the portfolio's need in preparation for 2011 allocations.

Real Assets Portfolio Overview - by Paul Corens

Real assets play an important role in a long term investment portfolio. Real asset investments may include Treasury Inflation Protected Securities (TIPS), commodities, commodity-linked stocks, commodity hedge funds, longer-term value-added private equity-like commodity strategies, and investments in real estate, timber, infrastructure, energy, or agriculture. Real assets can provide significant diversification due to low correlations to public equity and fixed-income markets and protection against inflationary environments due to the ability to benefit from rising input prices.

Many market participants believe the U.S. is already headed for a period of limited growth, sustained unemployment, and lackluster consumer demand due to the deleveraging that must occur. Corporations were swift to react to slack demand by rapidly cutting expenses, contributing to significant unemployment; however, although the consumer has begun to reduce household debt, they are not able to reduce



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Real Assets - continued from page 8

their leveraged positions quickly. The national mortgage mess we all know too well continues to dampen consumers' willingness to purchase durable and non-durable goods and reduces their ability to move to new employment centers.

For the last ten quarters, global policy makers have commenced loose monetary and fiscal policies to strengthen private banks, jump-start national growth, and reduce unemployment. In 2008 and 2009, the U.S. government began a quantitative easing program (increasing the supply of money in circulation) totaling approximately $1.75 trillion. Just last week, the Federal Reserve announced another round of quantitative easing (QE2) totaling $600-900 billion to be conducted at a measured pace through mid-2011. There is ongoing concern that governments have historically been quick to enact loose monetary policies, but have significant difficulty removing those stimuli once markets improve, which often leads to heightened inflation or creates the next asset price bubble.

In the last thirteen years, U.S. policy makers have increased the money supply three times in reaction to macro-market events: the Asian Financial Crisis (1997), the Russian Ruble Default and the resulting fall of Long Term Capital Management (1998), and the Dot Com Crash (2000-2002). The low interest rate environment (a form of monetary easing) following the Dot Com Crash from 2001 – 2005 was a primary contributor to the current recession and mortgage woes. Since the past and present $2.3 trillion in quantitative easing is unprecedented in modern times, many believe it will be extraordinarily difficult to engineer a soft landing and that we cannot avoid a significant inflationary period beginning in approximately 3-5 years.

Staff and Albourne America believe a well constructed real assets portfolio will increase the Trust's ability to meet its liabilities in an inflationary environment. The Trust's allocation to real assets was increased from 5% to 6% in July 2010 and the existing portfolio is already diversified with TIPS, timber, infrastructure, and commodity managers . Staff plans to add energy, agriculture, and additional commodity managers to the portfolio in the near future.

Photo by: Tom Willard

Board of Trustees Meeting
November 17, 2010

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Arizona PSPRS Trust

Bridgewater All Weather Portfolio II, Ltd.

Investment Staff Summary - by Mark Selfridge

Recommendation

Based on the due diligence conducted by Staff and Albourne America, Staff recommends creating an investment allocation of up to $70 million in Bridgewater All Weather Portfolio II, Ltd. ("All Weather"), which is managed by Bridgewater Associates, LP ("Bridgewater"), that will be funded from proceeds returned by Bridgewater's Pure Alpha strategy, subject to the completion of Staff and legal due diligence. Both Staff and Albourne America have followed All Weather and are confident in the strategy, its expected performance, and the fund's risk characteristics.

Introduction

Due to record performance, Bridgewater has informed Staff that it plans to begin distributing proceeds from the Bridgewater Pure Alpha Fund II LLC, which the Trust is invested in, and the All Weather Fund investment would become the repository for the reinvestment of these proceeds. All Weather is a "risk parity" strategy that invests across broad markets with the allocation weightings based upon the determined risk levels of these markets. The resulting portfolio is highly diversified across many of the markets that occur within our GTAA allocation which Staff believes maintains our allocation to GTAA while decreasing the Trusts risk level.

Bridgewater had become concerned that Pure Alpha was becoming too large in relation to the markets within which they are trading and had closed the fund to outside investors shortly following the Trust's investment. The performance since that time frame has been strong and the Manager believes that this next step is necessary in order to maintain the desired performance level. The distributions will occur over

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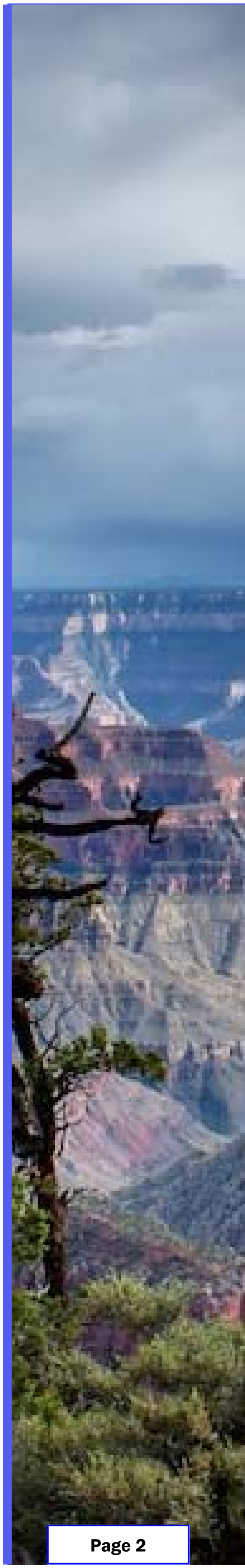

Bridgewater - continued from page 1

time depending upon the performance of Pure Alpha and effectively results in a natural rebalancing for the Trust as we receive returns of profits from the fund.

Strategy

All Weather is Bridgewater's optimal beta strategy and is passively managed. All Weather's development has been an outgrowth of weaknesses that Bridgewater sees in the typical portfolios of investment managers. The strategy is viewed as a more efficient method of achieving targeted returns, while taking less risk, in the context of a diversified portfolio.

The objective of All Weather is to capture the risk premiums embedded in a variety of asset classes while diversifying away the impact of unanticipated changes in economic conditions – thereby providing a consistent return stream in all economic environments. Typically, achieving true diversification results in lower returns (because most diversifying assets are pre-packaged at lower return and risk levels than equities). However, by risk-adjusting asset classes through leverage and combining them based on an understanding of the fundamental relationships of assets to economic environments, the All Weather strategy meets the return needs of institutional investors with less risk and less severe periods of underperformance.

By risk-adjusting asset classes, All Weather achieves diversification while maintaining equity-like return levels. Additionally, while many investment managers use mean-variance optimization to build their portfolios, Bridgewater believes the correlations used as inputs for these models are inherently unstable. Instead, Bridgewater divides risk between four sub-portfolios, each of which is biased to do well in a different economic environment. The result is a balanced portfolio that can provide consistent returns no matter what economic climate dominates. For an illustration of the four sub-portfolios, please see the chart below:

	GROWTH	INFLATION
RISING	25% of Risk • Equities • Corporate Spreads • Commodities • EM Debt Spreads	25% of Risk • Inflation-Linked Bonds • Commodities • EM Debt Spreads
FALLING	25% of Risk • Nominal Bonds • Inflation-Linked Bonds	25% of Risk • Nominal Bonds • Equities

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Bridgewater - continued from page 2

Manager Overview/Track Record

Bridgewater is a leader in institutional portfolio management and began investment operations in 1975, initially providing consulting services in global markets. In 1985, Bridgewater began managing assets for institutional investors. In 1991, Bridgewater launched its alpha strategy, Pure Alpha, and in 1996 the beta strategy, All Weather, was launched. Bridgewater had 865 full-time employees as of 12/31/2009 and is 100% employee owned.

The assets under management in the All Weather strategy are over $21 billion as of 12/31/2009. The net-of-fees returns through 9/30/2010 are shown below for various time periods:

All Weather Strategy Performance (Net of Fees)

	All Weather Total Return in USD
Last 1 Year	24.2%
Last 3 Years	8.6%
Last 5 Years	6 9%
Last 10 Years	9.1%

Annualized Returns (Jun-96 through Sep-10)

Net Since Inception Jun-96 through Sep-10

Annualized Return	10.0%
Standard Deviation	12.0%
Sharpe Ratio	0.55

From 7/1/2006 to 6/30/2010, the monthly correlation of returns between All Weather and Bridgewater Pure Alpha is close to zero at 0.07, is low between All Weather and Dow Jones UBS Commodity Index at 0.56 and between All Weather and the S&P 500 at 0.59.

Summary of Terms

Structure:	Commingled Fund
Fees:	0.50%
Leverage:	Yes, 2-3 times
Lock Up:	No
Gates:	No
Incentive Fee:	None
Sales Fee:	None
Redemption Fee:	None
Liquidity:	Monthly

Board of Trustees Meeting
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Arizona PSPRS Trust

Baring Asia Private Equity Fund V, L.P.

Investment Staff Summary - by Mark Steed

Staff recommends up to a $60 million commitment to Baring Asia Private Equity Fund V, L.P. or an appropriate feeder or blocker, given the firm's superior net returns to Limited Partners, established franchise brand within the region, and proven ability to provide positive economic value to the companies in which they invest.

Background

Baring was formed in 1997, when Jean Salata was hired by Baring Private Equity ("BPE") to create a regional Asian private equity program. Initially, the firm received a $25 million sponsor commitment from ING, which was invested by Mr. Salata in Mphasis BFL, Plus, Successful Years, and Vanda Systems in 1998. The success of these initial investments resulted in a further $25 million commitment by ING, which was primarily invested in Kookmin Bank the following year by Mr. Salata, co-investing with Goldman Sachs. On the back of these successful initial investments, Mr. Salata began expanding the investment team and set out to raise a $250 million fund from third party investors. This fund was oversubscribed and eventually closed at $305 million in 1999.

In 2000, Baring Private Equity Asia initiated a proposal with ING to spin itself out of the BPE Group and create a separate, independent management company. In 2003, negotiations began with ING to completely buy-out the firm's interest in all existing funds and the rights to future funds. This process was completed in early 2004.

Investment Staff is confident that Asia generally is showing signs that it is poised for tremendous growth in private markets with China making the most significant effort to-

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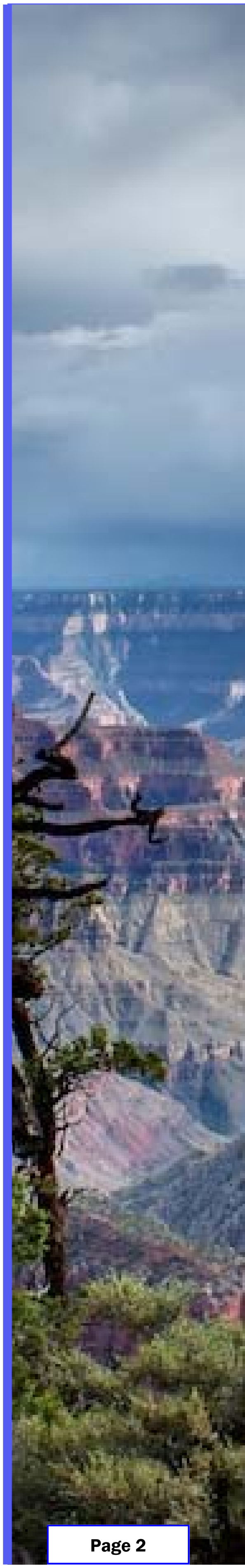

Baring Asia - continued from page 1

wards more foreign investor friendly strategies. Intra-Asian M&A transactions grew by over 45% from 2004 to 2009. Increasing numbers of cross-border investment opportunities are being driven by ongoing outsourcing, particularly in manufacturing and service sectors. Public exits are also attractive. As of September 30th, China accounted for over 70% of the global IPO volume.

GDP across the region has grown at a blended average annual rate of over 6% compared to 2.5% and 2.0% in the U.S. and Europe respectively. Such growth can be attributed to a number of inter-related factors, including a rapidly expanding middle class, rising domestic consumption, urbanization, enhanced industrial productivity, a large and increasingly skilled labor force, and increased levels of foreign direct investment.

Even though GDP is growing in Asia, <u>private</u> investment continues to lag. In 2009, Asia's share of the global GDP stood at 27%, yet Asia only accounted for 18% of global private equity investments. This disequilibrium implies that there is potential for a considerable long-term increase in private equity transaction volume in Asia, assuming that private equity markets and rates of penetration in the region trend towards those in the more developed markets. Investment Staff's candid conversations with thought leaders and consultants indicate that Asian politicians are committed to expanding the role of private investment in the region.

Strategy

Baring Asia is seeking capital commitments of $1.75 billion to make growth-equity investments in companies experiencing superior growth in Asia Pacific with a particular emphasis on China and India. With a team of over 60 employees in offices in Hong Kong, Shanghai, Beijing, Singapore, Mumbai and Tokyo, Baring has a proven ability to source attractive investments and extract value through various liquidity events. Since inception in 2000, Baring Asia has liquidated 23 investments for a multiple of 3.3x and a gross IRR of 30%. Furthermore, Baring's third fund, a vintage 2005 fund, is currently the highest performing fund in Asia with a gross IRR of over 100%. Investment Staff believe several factors contribute to the Firm's success. First, at $1.75 billion in subscriptions the firm is large enough to invest in more mature middle-market companies as well as attract talented operating executives and professional staff. Second, Baring faces little competition for capital as other regional firms are either much smaller, or much larger. Thus, Baring seems to occupy lucrative white space. Finally, Baring has a unique competitive advantage in helping firms with cross-border business grow and expand.

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Baring Asia - continued from page 2

Baring Asia invests in the Asian middle-market, defined as $100 - $500 million in enterprise value in the non-auction space, in both growth equity and mid cap buyouts, with a particular focus in China. As a growth-equity investor, Baring will take a minority interest in the target company and exit through the public markets. The team shows a unique ability to creatively structure investments, utilizing price ratchets, drag-along rights, and call and put options in order to mitigate downside risk. Because Baring has offices and personnel across the entire region, they are successful working with companies that have cross-border business where they could potentially grow top-line growth through the introduction to a new vendor, or eliminate some of the cost inefficiencies via a more sophisticated value chain. One final way Baring is able to add value is by "institutionalizing" its portfolio companies, meaning, by building out the executive management team and formalizing the accounting function.

Investment Staff believes a commitment to Baring Asia is a compliment to the Private Equity portfolio, which is dominated by U.S. commitments, while at the same time initiating a relationship in both a promising market and manager.

Terms

Fund Size:	$1,750,000,000
GP Contribution:	2.5%
Management Fee:	2.0%
Carry:	20%
Preferred Return:	8%

Investments Update

Board of Trustees Meeting
November 17, 2010

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Arizona PSPRS Trust

Davidson Kempner Institutional Partners, L.P.

Investment Staff Summary - by Mark Steed

Recommendation

Davidson Kempner ("DK") is a low volatility, multi-strategy hedge fund manager with an event driven emphasis. With over $14 billion in assets under management, almost two-hundred employees, and offices in New York, London, and Hong Kong, Investment Staff believe DK offers a robust platform from which to source and analyze catalytic corporate events. Investment Staff is recommending an investment of up to $50 million in the Davidson Kempner Institutional Partners, L.P. (the "Fund") or any appropriate feeder or blocker of same pending final legal due diligence. If approved, the Fund will be allocated to the Absolute Return portfolio.

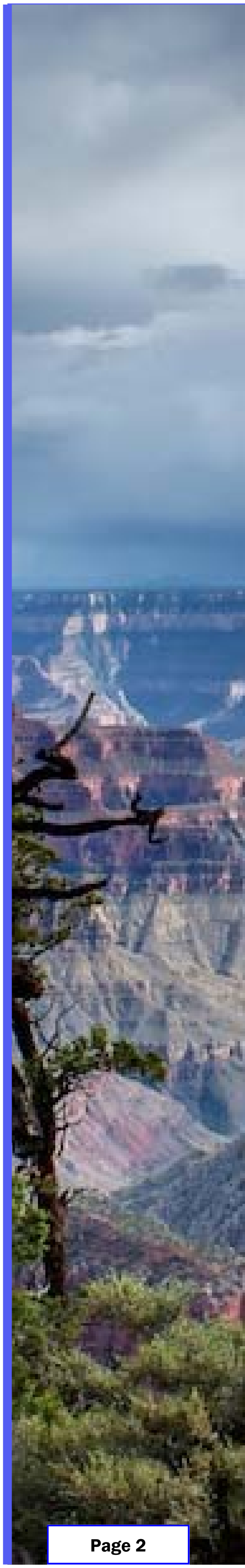
Background

DK was founded in 1983 by Marvin Davidson to manage family money. In 1987, DK opened to raise outside investment capital and in 1990, registered as an Investment Adviser with the SEC. Today, DK manages two funds, an event-driven multi-strategy hedge fund as well as a distressed fund. Investment Staff is recommending a commitment to the multi-strategy fund. DK manages approximately $5 billion in the multi-strategy fund.

Given impressive macro-economic dislocations, Investment Staff, together with Albourne America, sourced and interviewed a number of event-driven multi-strategy hedge funds with strong intellectual capabilities to effectively arbitrage specific corporate events. When compared to other managers, Investment Staff selected DK over its competitors given

Continued on page 2

Davidson - continued from page 1



its 1) superior bottoms-up analysis 2) low volatility and leverage and 3) sturdy internal checks and balances. Investment Staff also notes a low correlation between the Fund's returns with those of other funds in the absolute return portfolio as well as complimentary liquidity terms.

Strategy

DK utilizes a bottom-up, fundamental method of analysis with an emphasis on event-driven strategies. DK focuses on four strategies; merger arbitrage, distressed investments, long/short equity and convertible arbitrage, with a particular focus on distressed investments and merger arbitrage. Each affinity area is managed by at least two partners or managing directors who are also the portfolio managers. Once an event is identified, a memo is prepared outlining the business impact of the event and submitted to the relevant partner for consideration. From there, the analysts and partners pay special attention to the processes surrounding the event, their probability for realization, and the subsequent impact on trading prices should the event be consummated. If the investment is still attractive, DK will look to purchase the appropriate securities, which can be either equity or debt, at a discount to the expected value upon the realization of the event.

Track Record:

Year	Return	Year	Return
2010	7.23%	**2006**	17.3%
2009	22.15%	**2005**	8.62%
2008	(10.2%)	**2004**	8.27%
2007	6.53%	**2003**	12.64%

Fund Data:

Fund Type:	Event-Driven Hedge Fund
Fund Size:	$5.6 billion (combined onshore and offshore)
Targeted Return:	Positive Absolute Returns
Liquidity:	Quarterly
Redemption Policy:	30 Days Notice
Manager Alignment:	Material Net-Worth
Hurdle Rate:	None
High Watermark:	Yes
Management Fee:	2% (depends on vehicle)
Incentive Fee:	20% (depends on vehicle)
Use of Leverage:	Yes, not to exceed 125%

TENTATIVE BOARD OF TRUSTEES MEETING DATES FOR 2011

Committee Meetings begin at 10 a.m. Fund Manager Meetings begin at 1 p.m. Unless posted otherwise.

- Please go to: www.psprs.com for any schedule changes

26-Jan Wednesday	**<u>Board of Trustees Meetings</u>** ♦ Legislative Preview ♦ Quarterly Operations Report ♦ Quarterly Budget Tracking Report ♦ Mid Year Budget Review ♦ Quarterly Financial Report ♦ Assumed Earnings Rate for DROP ♦ NEPC Report
23-Feb Wednesday	♦ Legislative Preview ♦ Investment Performance Review ♦ NEPC Report
30-Mar Wednesday	♦ Legislative Preview ♦ Investment Performance Review
27-Apr Wednesday	♦ Mid Session Legislative Review ♦ End of Year Planning ♦ Quarterly Operations Report ♦ Quarterly Budget Tracking Report ♦ Quarterly Financial Report ♦ NEPC Report ♦ Real Estate Report
25-May Wednesday	♦ FY 2010-2011 Annual Budget Plan ♦ FY 2010-2011 Annual Strategic Plan ♦ Contracts: Audit, Actuary, Attorney, and Investment Advisor ♦ NEPC Report ♦ Approve Actuarial Assumptions and assumed earnings rate
29-Jun Wednesday	♦ Final year end planning ♦ Final FY 2010-2011 Annual Budget ♦ Investment Performance Report ♦ NEPC Report and targets for next year ♦ Discuss and Approve Annual Asset Allocation ♦ Legislative Review
27-Jul Wednesday	**POSSIBLE MEETING**
31-Aug Wednesday	♦ Investment Performance Review ♦ NEPC Report ♦ Legislative Review ♦ Investment Performance Report ♦ Year End Financial Report

	♦ Final FY 2009-10 Budget Report ♦ Real Estate Report
28, 29-Sept. Wed.,Thurs.	♦ Semi-Annual Investments Review ♦ Investment Performance Report ♦ Rates of Return & and Net Effective Yield ♦ Final FY 2009-10 Financial Review ♦ Review of Annual Reports ♦ Review of Actuarial Studies ♦ Review of Audit Reports ♦ NEPC Report ♦ Annual Review of the Adminstrators
26-Oct Wednesday	♦ Quarterly Operations Report ♦ Quarterly Budget Tracking Report ♦ Quarterly Real Estate Report ♦ Investment Performance Review ♦ NEPC Report
30-Nov Wednesday	♦ Investment Performance Review ♦ NEPC Report
28-Dec Wednesday	♦ Investment Performance Report ♦ NEPC Report

Retirements November 2010 EORP

Name	Retirement Type	Years of Service	Benefit Amount
Baird, J Ernest	Normal	5.84	$ 291.90