

Galliard Capital Management, Inc.
First Quarter 2003

State of Wisconsin Deferred
Compensation Plan - Stable Value
Portfolio Review

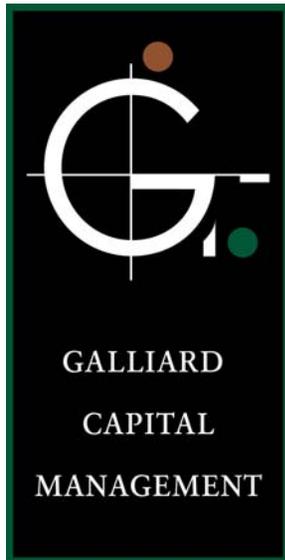
First Quarter 2003

John R. Caswell, CFA
Managing Partner

Karl P. Tourville
Managing Partner

Galliard Capital Management, Inc.

First Quarter 2003



About Galliard

Registered Investment Advisor
Incorporated 1995
Minneapolis, MN

Wholly-owned subsidiary of Wells Fargo & Company

Institutional fixed income and stable value investment specialists

Over \$14 billion in assets under management

Three founding partners and senior portfolio managers
John Caswell, CFA
Richard Merriam, CFA
Karl Tourville

First Quarter Highlights

Assets

- First quarter: \$1.4 billion increase
- Total assets: \$14.6 billion

Clients

- First quarter: welcomed 6 new clients
- Currently serve 84 institutional clients

Other News

- Wells Fargo Stable Return Fund managed by Galliard was the #4 ranked fund in performance in the Hueler Universe of Stable Value Pooled Funds for the year ended 12/31/02.
- Two Galliard managed mutual funds rated 4 stars by Morningstar for three year performance ended 12/31/02.
- Galliard's High Yield Composite ranked in the top ten in the P & I Magazine P.I.P.E.R. Manager Universe for one and five year performance as of 12/31/02.

Quarterly Market Perspective

Economic Overview

First Quarter 2003

Global Economy Has Weakened Amid War Uncertainty

Global economic activity is weakening amid continuing uncertainty about the duration and costs of the war with Iraq. Key measures of economic growth including employment, consumer sentiment measures (Figure 1), and consumer/business spending, are softening. Consequently, economists' estimates of first and second quarter real GDP have been revised downward into the 1% to 2% range. Consumers, who have been the primary underpinning of the economic recovery to date, are traveling less and spending less. This is impacting several industries including the airlines, which are also being squeezed by higher oil prices and facing a solvency crisis. With indications of a more prolonged conflict/occupation taking its toll on the world economy, it is becoming more likely that the Federal Reserve may again ease monetary policy and that an additional tax relief package will pass Congress. The key to economic improvement in the near term is clearly the resolution of war uncertainty leading to improved confidence and renewed spending, especially by businesses. For consumer spending to improve materially, employment must improve. A quicker resolution of the war and post-war government of Iraq would be a positive catalyst in this regard and the prospects of a post-war re-building of Iraq would actually provide an economic boost.

Fiscal and Monetary Policy Are Stimulative

Talk of further monetary ease by the Federal Reserve is surfacing in response to continued uncertainty and economic weakness. While it is questionable if a further decline in the Federal Funds rate from 1.25% (Figure 2) would materially stimulate the economy, the move would signal the Fed's concern and resolve to support economic growth. The tax cut proposal before the Congress currently would have some positive impact, although some elements of the plan such as the elimination of taxes on dividends would not be immediately stimulative to spending, even if beneficial longer term. Regardless of the outcome of the tax cut proposal, the U.S. Government will be facing large deficits in the future, which will increase borrowing needs and eventually exert upward pressure on U.S. Treasury bond yields.

Inflation Remains Subdued

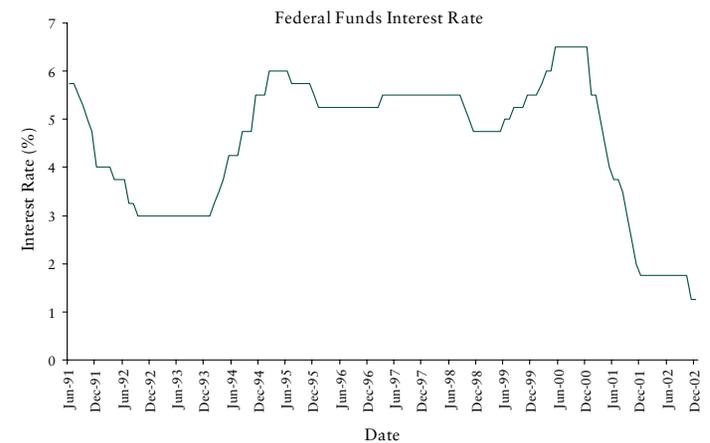
Inflation will likely remain subdued, even with higher oil prices in the near term. Weaker economic growth and global competition are keeping a lid on price increases and price discounting abounds in the retail sector. Deflation continues to lurk as a concern if global economic weakness persists. This prospect will likely keep longer-term interest rates in check around current levels until stronger economic growth resumes.

Figure 1



Source: Bloomberg

Figure 2



Source: Bloomberg

Quarterly Market Perspective

Economic Overview

First Quarter 2003

Interest Rates Were Volatile But Little-Changed In the First Quarter

U.S. Treasury yields were volatile throughout the first quarter responding to the short-term reports on the war direction and various economic indicators. However, as the quarter came to a close, interest rates were virtually unchanged across the yield curve, remaining at historically low levels (Figure 3). Yields spreads on corporate bonds and other non-U.S. Treasury securities continued to improve in the quarter.

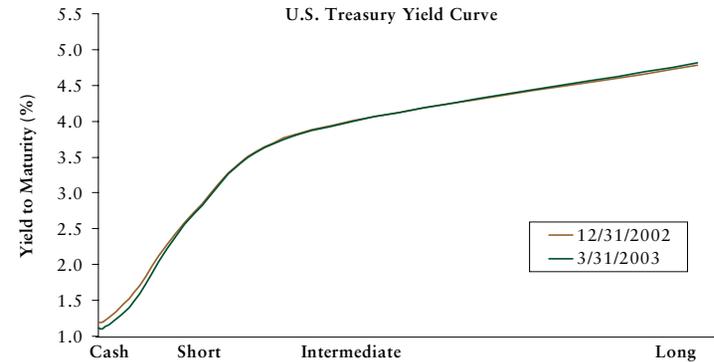
Fixed Income Total Returns Were Positive

Fixed income returns were positive for the quarter as investors were able to earn their coupon and benefit from continued improvement in yield spreads in the non-U.S. Treasury sectors. All sectors outperformed U.S. Treasuries in the quarter (Figure 4) with corporate bonds continuing to recover from historically wide yield levels.

Interest Rates Will Remain Volatile

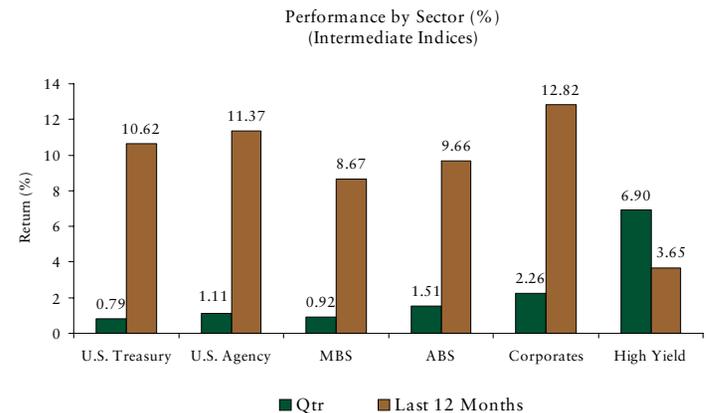
It is unlikely that interest rates will move materially lower from current historic lows, although there will be continued volatility in the markets in response to war progress and current economic reports. At some point Treasury yields will be under upward pressure as the U.S. government's borrowing needs to fund deficits and the costs of the war come into focus.

Figure 3



Source: Bloomberg

Figure 4



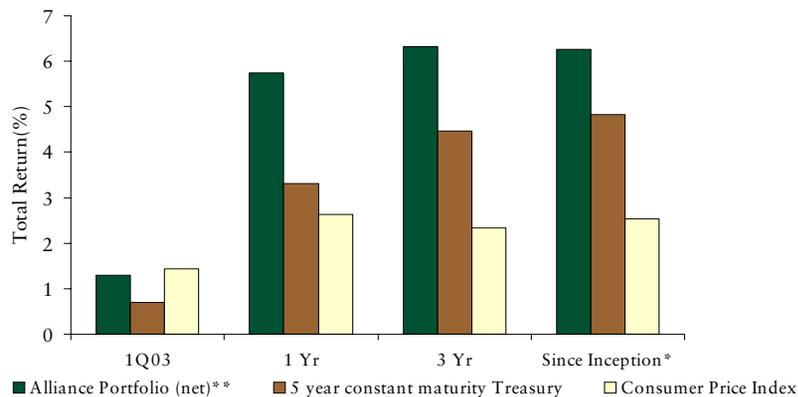
Portfolio Review

First Quarter 2003

Market Review

- Interest rates were volatile in the first quarter given the uncertainty surrounding the war with Iraq and its impact on the economy.
- Fixed income returns were positive for the quarter as investors were able to earn their coupon and benefited from improvement in yield spreads in the non-U.S. Treasury sectors of the market.
- Corporate bonds were the best performing segment of the market in the quarter while all other sectors also outperformed comparable duration Treasuries.
- The global economy is weakening amid uncertainty over the Iraq war's duration and cost. Consumer and business confidence is declining resulting in slowing employment growth and reduced spending.
- Monetary and fiscal policy remains highly stimulative and the prospects are increasing of another round of monetary easing by the Federal Reserve if current weakness persists.
- Interest rates remain at 40-year lows and will likely trade around current levels until prospects for a resolution of the Iraq conflict and renewed economic growth emerge.

Quarterly Investment Performance



	1Q03	1 Yr	3 Yr	Since Inception*
Total Fund (net)**	1.27	5.69	6.27	6.28
Alliance Portfolio (net)**	1.30	5.75	6.33	6.26
5 year constant maturity Treasury	0.70	3.31	4.47	4.83
Consumer Price Index	1.44	2.63	2.34	2.53

*6/30/98, Alliance Structure

**Net of all manager and wrap fees

Portfolio Characteristics

Weighted Average Quality	AA
Weighted Average Maturity	3.5 years
Weighted Average Yield*	5.52%
Crediting rate for the Managed Synthetic*	5.70%
Wrap Providers	
J.P. Morgan	(Aa2/AA-)
Monumental Life	(Aa3/AA+)
Total Assets	\$218,199,898
* Net of fees	

Portfolio Commentary

- Stable value returns remained steady in the first quarter in a volatile interest rate environment.
- Your portfolio returns were competitive for the quarter and for longer periods as well.
- Fund credit quality remained very high AA while average portfolio maturity extended slightly to 3.5 years.
- During the quarter, \$7 million was added to the global wrap, reducing the Stable Return Fund position to approximately 30%. We are adding another \$10 million to the global wrap on 4/1/03, due to positive cashflows.
- The current blended yield of 5.52% remains highly attractive versus other short-term fixed income alternatives.

Portfolio Review

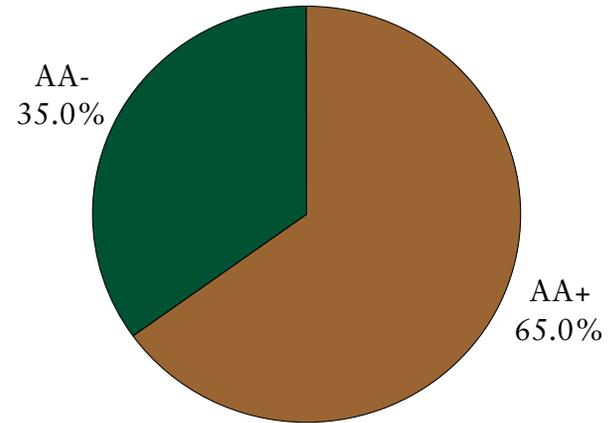
First Quarter 2003

Quality Distribution

<u>Quality Rating*</u>	<u>Current Market Value (\$)</u>	<u>Portfolio 3/31/2003</u>	<u>Portfolio 12/31/2002</u>
AA+	\$ 141,760,864	65.0%	30.6%
AA	\$ -	0.0%	34.7%
AA-	\$ 76,439,034	35.0%	34.7%
Total	\$ 218,199,898	100%	100%

*At Contract Level

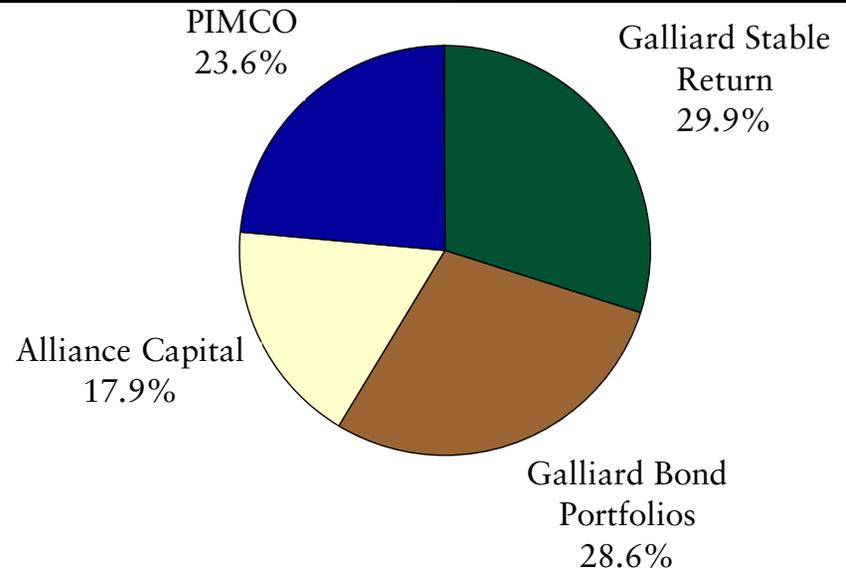
Quality Distribution



Manager Distribution

	<u>Total Value</u>	<u>03/31/03 Total</u>	<u>12/31/02 Total</u>
Galliard Stable Return	65,321,830	29.9%	30.6%
Galliard Bond Portfolios	62,297,813	28.6%	26.4%
Alliance Capital	39,014,483	17.9%	18.6%
PIMCO	51,565,772	23.6%	24.4%
Total	218,199,898	100.0%	100.0%

Current Manager Distribution



State of Wisconsin Stable Value Fund

Portfolio Holdings

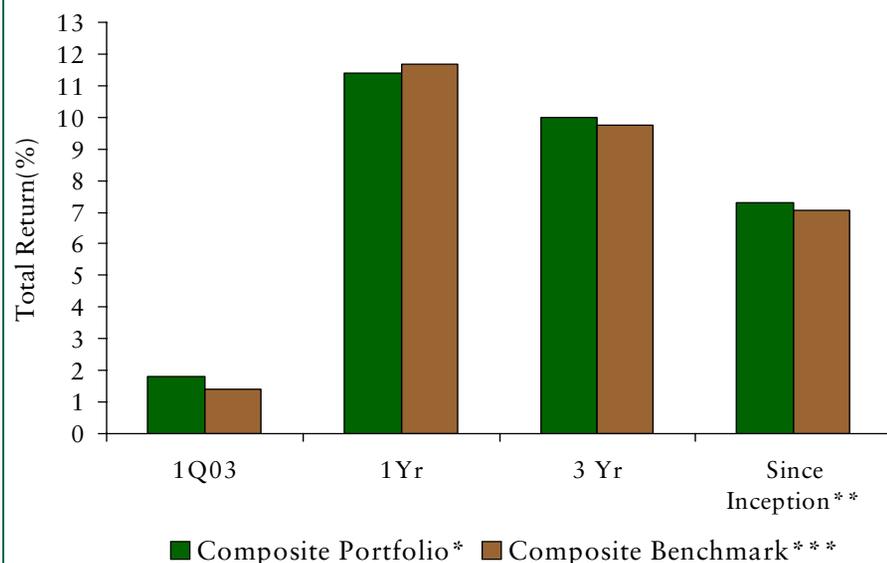
3/31/2003

Security Description	Current Value	% of Portfolio	Crediting Rate/Yield	Maturity	Yrs to Maturity	Moody's	S&P
Cash & Equivalents							
Cash Receivable / (Pavable)	(\$110,461)	-0.1	1.40		0.0	Aaa	AAA
Total Cash & Equivalents	(\$110,461)	-0.1	1.40		0.0	Aaa	AAA
Stable Value Funds							
Wells Fargo Stable Return Fund	\$65,432,291	30.0	4.85	2/8/2006	2.9	Aa1	AA+
Total Stable Value Funds	\$65,432,291	30.0	4.85		2.9	Aa1	AA+
Total Funds	\$65,432,291	30.0	4.85		2.9	Aa1	AA+
Actively Managed							
Monumental Life Ins. Co.	\$76,439,034	35.0	5.80	1/30/2007	3.8	Aa3	AA+
J.P. Morgan Chase Bank	\$76,439,034	35.0	5.80	1/30/2007	3.8	Aa2	AA-
Total Actively Managed	\$152,878,068	70.1	5.80		3.8	Aa3	AA
Total Security Backed Contracts	\$152,878,068	70.1	5.80		3.8	Aa3	AA
Total Fund	\$218,199,898	100.0	5.52		3.5	Aa2	AA

Portfolio Total Return Performance

First Quarter 2003

Quarterly Investment Performance



	1Q03	1Yr	3 Yr	Since Inception**
Composite Portfolio*	1.79	11.41	9.99	7.29
Composite Benchmark***	1.41	11.69	9.76	7.05
Alliance Capital	1.39	11.01	9.28	6.94
PIMCO	2.09	11.68	10.61	7.59
Lehman Aggregate	1.39	11.69	9.81	7.10
Galliard Income Fund	1.82	12.27	--	9.59
Lehman Aggregate	1.39	11.69	--	9.09
Galliard Intermediate Fund	1.78	11.44	--	9.22
Lehman Int. Gov't/Credit	1.51	11.74	--	8.83

*Total returns net of all manager fees

**Inception date for Alliance and PIMCO is 12/1/98, Inception date for Galliard Intermediate Fund is 11/1/99 and Galliard Income Fund is 5/1/01.

***Composite benchmark is a weighted blend of Lehman Brothers Aggregate and Lehman Brothers Intermediate Gov't/Credit.

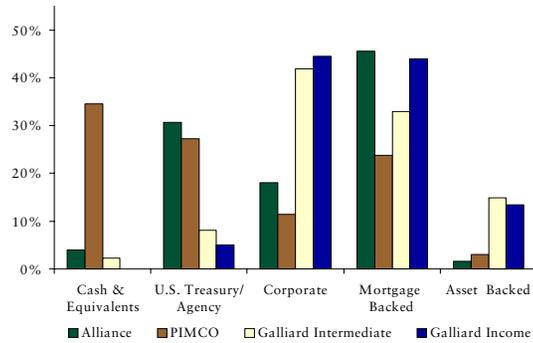
Key Statistics

	Alliance Portfolio	PIMCO Portfolio	Galliard Portfolio (Int. Bond)	Galliard Portfolio (Income Fund)	Composite Portfolio	Composite Benchmark	Lehman Aggregate	Lehman Int. G/C
Weighted Average Quality	AAA	AAA	AA+	AA+	AA+	Agency	Agency	Agency
Weighted Average Maturity	5.99	7.50	4.75	5.71	6.26	6.34	6.81	4.46
Yield to Maturity	4.75%	3.26%	3.96%	4.39%	4.06%	3.77%	3.94%	3.07%
Effective Duration	3.86	3.88	3.48	4.05	3.87	3.81	3.85	3.67
Book Value	\$ 39,015,161	\$51,567,332	\$ 30,314,296	\$ 31,981,279	\$ 152,878,068	N/A	N/A	N/A
Market Value	\$ 41,230,450	\$54,495,335	\$ 32,035,548	\$ 33,797,182	\$ 161,558,515	N/A	N/A	N/A
Market to Book Ratio	105.68%	105.68%	105.68%	105.68%	105.68%	N/A	N/A	N/A

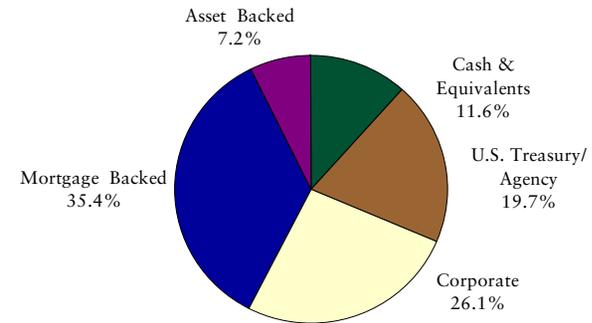
Actively Managed Portfolio

First Quarter 2003

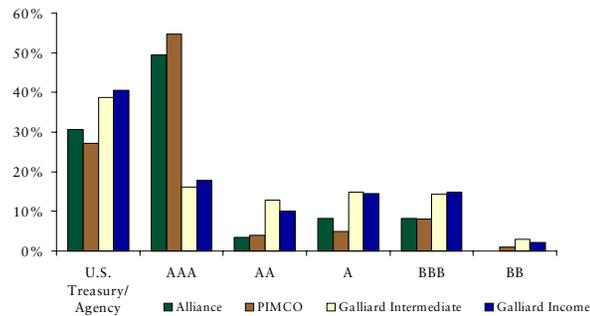
Sector Distribution



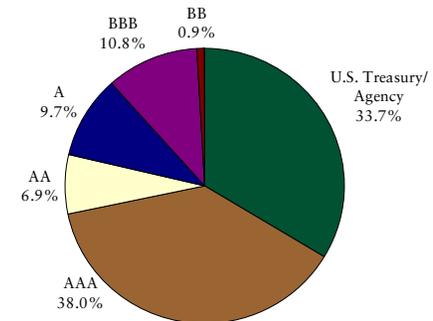
Composite Sector Distribution



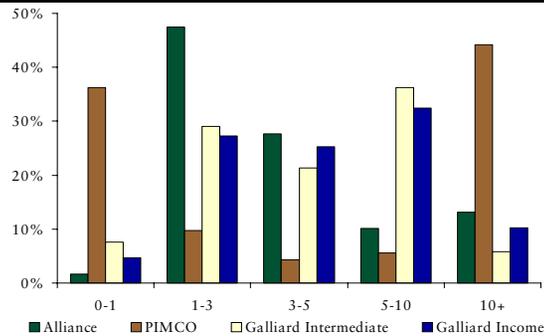
Quality Distribution



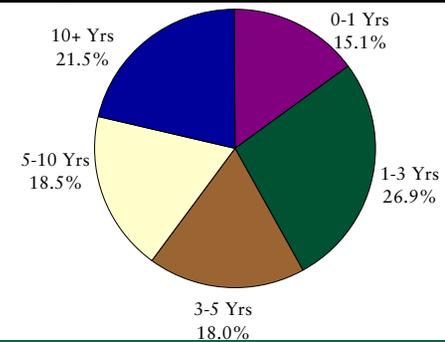
Composite Quality Distribution



Maturity Distribution



Composite Maturity Distribution



Stable Return Fund

First Quarter 2003

Investment Objective

- Safety of principal
- Consistency of returns with minimal volatility

Investment Strategy

- 100% of Fund invested in book value investment instruments: GICs, BICs, security backed contracts (i.e. synthetics) and certain money market instruments
- Focus on highly rated instruments
- Employ broad diversification among contract issuers and underlying securities
- Emphasis on security backed investment contracts (synthetics) to enhance quality, diversification and investment returns
- Structure portfolio liquidity to provide for daily participant transactions
- Weighted average duration targeted in a range of 2.5 - 3.5 years

Investment Guidelines

Diversification

- Exposure to a security backed contract issuer may not exceed 15% of the Fund's total assets at the time of purchase
- Exposure to a GIC issuer may not exceed 3% of the Fund's total assets at the time of purchase

Quality

- Weighted average quality of the portfolio must be "AA" or better
- Investment contract issuers must be rated "A" or better at time of purchase

Maturity

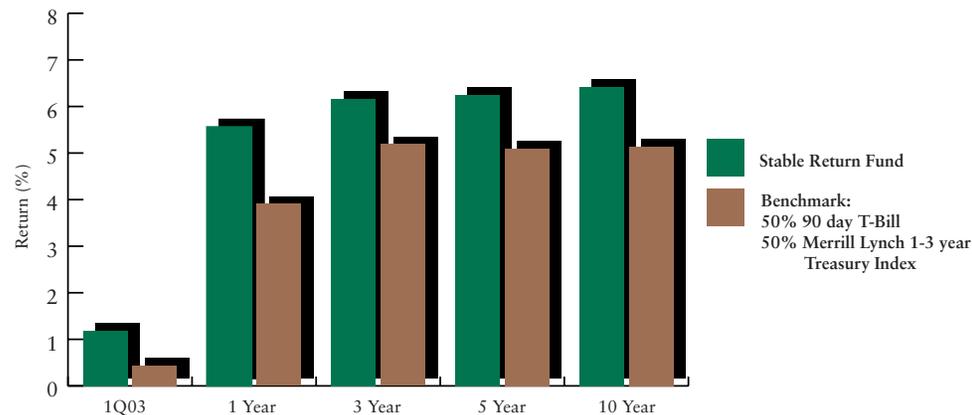
- Average duration of the Fund must not exceed 3.5 years
- A minimum of 5% must be invested in money market instruments

Stable Return Fund First Quarter 2003

Investment Performance*

As of 3/31/03	1Q'03	1 Year	3 Year	5 Year	10 Year
Total Return (Before Fees)	1.19%	5.56%	6.17%	6.25%	6.42%
Benchmark**	0.44%	3.91%	5.19%	5.09%	5.13%

**50% 90 day T-Bill/50% ML 1-3 year Treasury Index



Performance Summary

The Stable Return Fund posted a total return of 1.19% in the first quarter, exceeding its benchmark for the quarter and longer periods as well. Returns remained very competitive with other shorter maturity alternatives.

The Fund's yield will continue to move modestly lower in the quarter ahead as we reinvest cashflows at lower rates, although returns remain attractive.

*Returns are before fees. See page 13 for annual and quarterly performance data.

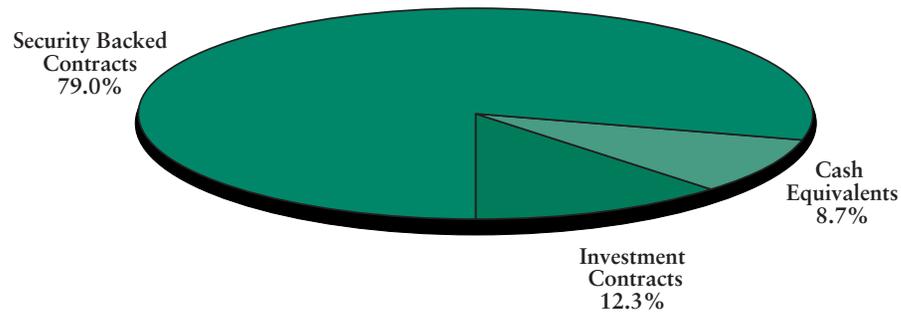
Stable Return Fund

First Quarter 2003

Portfolio Characteristics

Stable Return Fund Characteristics	
<i>As of March 31, 2003</i>	
Total Assets	\$7,332,386,708
Weighted Average Quality	AA+
Weighted Average Maturity	2.9 yrs.
Weighted Average Duration	2.4 yrs.
Blended Yield (Before Fees)	4.85%
Performance Ranking*	#3 of 19 for 10 year period
Diversification Ranking*	#1 of 24

Sector Diversification



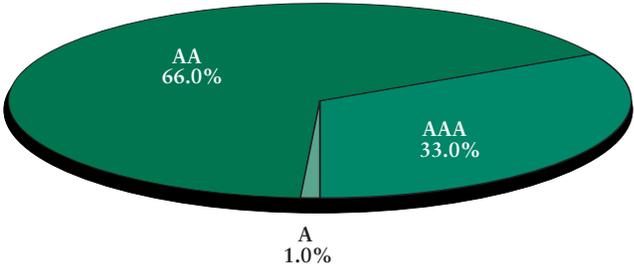
Portfolio Strategy Commentary

- Average contract credit quality remains high at AA+
 - The Fund's average duration is 2.4 years
 - The Fund's current blended yield is 4.85%
- During the quarter, cashflows were significantly positive. Investment activity focused on additions to the security backed segment of the Fund through purchases of high quality mortgage backed and asset backed securities.

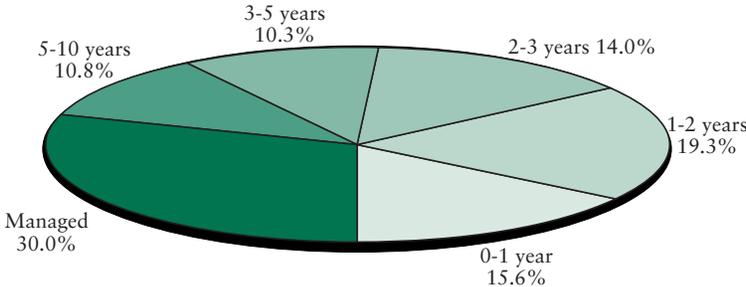
*Hueler Analytics' Pooled Fund Universe as of December 31, 2002

Stable Return Fund
First Quarter 2003

Investment Contract Credit Quality



Maturity Distribution



Top Five Contract Issuers

Issuer	Rating
AIG Financial Products Corp.....	AAA
Bank of America, N.A.....	AA-
Security Life of Denver Ins. Co.....	AA+
Monumental Life Ins. Co.....	AA+
J.P. Morgan Chase Bank.....	AA-

Stable Return Fund First Quarter 2003

Portfolio Holdings

Investment Contracts				Security Backed Contracts			
Issuers:	% of Portfolio	Moody's Rating	S&P Rating	Issuers:	% of Portfolio	Moody's Rating	S&P Rating
AIG Life Insurance Co.	0.02	Aaa	AAA	AIG Financial Products Corp.	13.41	Aaa	AAA
Allstate Life Ins. Co.	0.52	Aa2	AA+	Allstate Life Ins. Co.	0.15	Aa2	AA+
Hartford Life Ins. Co.	1.19	Aa3	AA-	Bank of America, N.A.	11.32	Aa1	AA-
ING Life Ins. and Annuity Co.	3.56	Aa2	AA+	Caisse des Depots FP Inc.	6.41	Aaa	AAA
Jackson National Life Ins. Co.	0.31	A1	AA	CNA Life Ins. Co.	0.01	A2	A+
John Hancock Life Ins. Co.	0.14	Aa3	AA	J.P. Morgan Chase Bank	8.05	Aa2	AA-
Mass Mutual Life Ins. Co.	0.14	Aa1	AAA	Monumental Life Ins. Co.	8.72	Aa3	AA+
Metropolitan Life Ins. Co.	1.66	Aa2	AA	Pacific Life Ins. Co.	1.90	Aa3	AA+
Monumental Life Ins. Co.	0.15	Aa3	AA+	Rabobank Nederland	4.32	Aaa	AAA
New York Life Ins. Co.	0.63	Aa1	AA+	Security Life of Denver Ins. Co.	9.57	Aa2	AA+
Pacific Life Ins. Co.	0.77	Aa3	AA+	State Street Bank and Trust Co.	4.13	Aa2	AA
Principal Life Ins. Co.	0.88	Aa3	AA	Transamerica Life Ins. and Annuity	2.33	Aa3	AA+
Prudential Life Ins. Co.	0.84	A1	A+	Union Bank of Switzerland AG	6.44	Aa1	AA+
Security Life of Denver Ins. Co.	0.28	Aa2	AA+	Westdeutsche Landesbank	2.24	Aa1	AA+
SunAmerica Life Ins. Co.	0.80	Aaa	AAA				
Travelers Life Ins. Co.	0.42	Aa3	AA				
United of Omaha Life Ins. Co.	0.03	Aa3	AA-				
				Total Security Backed Contracts	79.00%	Aa1	AA+
				Cash Equivalents			
					% of Portfolio	Moody's Rating	S&P Rating
				Short Term Investment Fund	8.66	Aaa	AAA
Total Investment Contracts	12.34%	Aa2	AA	Total Cash Equivalents	8.66%	Aaa	AAA

Stable Return Fund
First Quarter 2003

Investment Performance History

Annual Performance*

1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
7.46%	6.52%	6.45%	6.46%	6.48%	6.52%	6.23%	6.48%	6.54%	5.88%

Quarterly Performance*

Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1992	1.72%	1.91%	1.95%	1.74%
1993	1.94%	1.94%	1.74%	1.65%
1994	1.55%	1.47%	1.63%	1.71%
1995	1.51%	1.59%	1.60%	1.60%
1996	1.54%	1.57%	1.56%	1.62%
1997	1.51%	1.59%	1.60%	1.64%
1998	1.58%	1.59%	1.57%	1.63%
1999	1.45%	1.52%	1.54%	1.58%
2000	1.55%	1.56%	1.59%	1.63%
2001	1.60%	1.60%	1.59%	1.59%
2002	1.50%	1.51%	1.43%	1.31%
2003	1.19%			

*Performance is before fees