



May 25, 2005

Ms. Shelly Schueller
 Wisconsin Department of Employee Trust Funds
 Via email

RE: Investment Style/Manager Allocation for the Stable Value Fund

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Dear Shelly,

Thank you for your email regarding the allocation methodology for the investment managers within the WDC Stable Value Fund. As you indicated, over the past two years the overall allocation to Galliard within the Fund has risen modestly from 58.5% to 62.8% while allocations to Alliance and PIMCO has decreased commensurately.

	3/31/03 Allocation	3/31/05 Allocation	Increase/Decrease
Galliard	58.5%	62.8%	+4.3%
Alliance	17.9%	15.6%	-2.3%
PIMCO	23.6%	21.6%	-2.0%

The increased allocation to Galliard is the result of three strategies:

1. Position the portfolio more defensively given the current interest rate cycle
2. A better balance between styles in the Aggregate portfolios
3. No increase in allocation to Alliance Bernstein given post merger uncertainty and only modestly positive performance vs. their benchmark

Portfolio Positioning

Galliard Intermediate Portfolio

The allocation to this segment of the portfolio has been increased to help maintain a shorter duration in the overall fund and more stability of duration. The Lehman Intermediate Gov't /Credit Index has a duration which is currently approximately .75 year shorter than the Lehman Aggregate Index (3.63 yrs versus 4.33 yrs). Also, our more defensive positioning in the fund has paid off as the marked to market results below indicate.

As of 3/31/05	1 Year	3 Year	5 Year
Galliard Int. Bond Fund	1.03	6.18	7.38
Lehman Bros. Int. Govt/Credit Index	-0.32	5.46	6.71
Galliard Value Added	1.35%	0.72%	0.67%

Aggregate Portfolio

During this period, we have also increased our allocations to the Galliard Aggregate portfolio from \$30 million to \$68.3 million. The reason for this increase is two fold. First, this brought about of better balance between the three styles and second, our bond style is more defensive (as measured by return volatility and tracking error versus the benchmark) than both PIMCO and Alliance. Further, we stopped new allocations to Alliance Bernstein pending the merger outcome and their modestly positive returns since then versus their benchmark. We continue to monitor the Alliance style closely.

Reviewing the marked to market performance below would indicate that this strategy has also been successful for the plan.

As of 3/31/05	1 Year	3 Year	5 Year
Galliard Income Fund	2.06	7.26	8.05
Alliance	1.44	5.98	7.07
PIMCO	1.63	6.43	7.99
Lehman Bros. Aggregate Index	1.15	5.99	7.14

Expected Future Allocations

We are comfortable with the current allocations but expect some fine-tuning in the months ahead to achieve a 60% Galliard and 40% PIMCO/Alliance balance. We expect to maintain about 20% in the Stable Return Fund buffer, 20% in the Intermediate Govt./Credit index and 60% in the Aggregate segment; including 20% in Galliard, 25% in PIMCO and 15% in Alliance. In this regard PIMCO's allocation was raised \$2.5 million during the 3rd quarter of 2004 and will be increased further in the months ahead to 25% while reducing the Stable Return fund to 20%.

If you have any further questions or comments, please give Karl Tourville or me a call.

Best regards,

Mike Norman
Principal