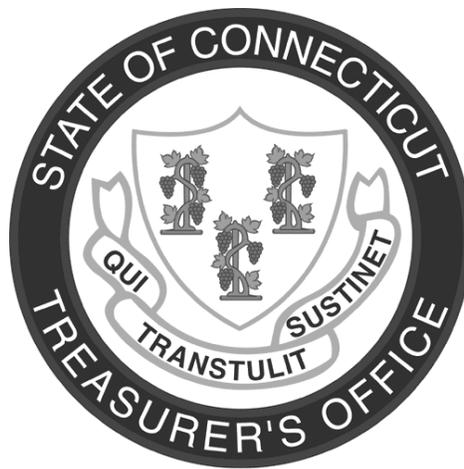


**CONNECTICUT  
STATE TREASURER'S  
SHORT-TERM INVESTMENT FUND**



**QUARTERLY REPORT**

**QUARTER ENDING DECEMBER 31, 2008**

**DENISE L. NAPIER  
STATE TREASURER**

## MESSAGE FROM THE TREASURER

### Dear Investor:

During the quarter ending December 31, 2008, the Connecticut Short-Term Investment Fund (STIF) earned an average annualized yield of 1.86 percent, which was 5 basis points above its iMoneyNet benchmark\* despite continuation of our more conservative investment practices. This performance resulted in an additional \$560,000 in interest earnings for our investors above the index.

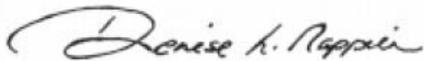
As the economy and financial markets continue to lurch through these unsettled times, we have maintained our more cautious investment stance, which includes a very high level of liquidity, a short average portfolio maturity, and significant restrictions on investments in corporate securities. STIF currently holds more than \$2.9 billion, or 67 percent of fund assets, in overnight investments or investments that are available on a same-day basis. Our weighted average maturity is 22 days.

In addition to our conservative investment practices, our reserves provide an important buffer, allowing us to cover market price adjustments in securities during these difficult times without affecting STIF's \$1 per share net asset value or the loss of principal to any STIF investor. The reserves now stand at \$32 million, or 0.7 percent of total assets. We are building the reserves daily at the annual rate of 10 basis points until they reach one percent of total assets.

STIF's 14<sup>th</sup> annual meeting will be held as part of our Public Finance Outlook Conference on March 27 at Rentschler Field in East Hartford. We hope you can attend.

As always, we thank you for the opportunity to serve you and remain vigilant in protecting the interests of all of our investors.

Sincerely,



**Denise L. Nappier**  
**Treasurer, State of Connecticut**

**March 6, 2009**

\* iMoneyNet's First Tier Institutions-Only AAA-Rated Money Fund Report Averages Index

# PERFORMANCE REPORT

The information contained within the Performance Report for the Short-Term Investment Fund (STIF), includes an update on the economy, a review of the direction of short-term interest rates, and a recap of the strategic and asset allocation position of STIF.

## ECONOMIC OUTLOOK

The chart below gives an assessment of economic growth, current levels of inflation, and the employment situation. All told, STIF is operating in an environment of negative economic growth and accelerating job losses.

### ECONOMIC SNAPSHOT

	Recent Results	Future Expectations*
<b>Growth</b>	The U.S. economy declined at an annual rate of -6.2 percent during the second quarter of Fiscal Year 2009.	The Bloomberg February 2009 survey of U.S. economic forecasts projects that the U.S. economy will decline at a rate of - 5.0 percent for the third quarter of FY09. For all of CY09, the economy is projected to decline 2.0 percent.
<b>Inflation</b>	Major Inflation Indices – Year-over-Year as of March 4, 2009  <div style="margin-left: 40px;">             Core PCE                    1.6 percent              Core CPI                     1.7 percent              Core PPI                     4.2 percent           </div>	Core inflation indicators will likely decline a modest - 0.4 percent in the third quarter of FY09. Economists expect inflation to average -0.7 percent during the year.
<b>Employment</b>	In January, non-farm payrolls were down 651,000 and the unemployment rate increased to 8.1 percent from 7.6 percent in January.	Economists expect the unemployment rate to average 8.4 percent in CY09.

\* *Bloomberg monthly survey of U.S. economic forecast*

## SHORT-TERM INTEREST RATE OUTLOOK

Since July 1, 2008, the federal funds target rate has been cut from 2.0 percent to a range of 0.00 to 0.25 percent.

At its regularly scheduled meeting on January 28th, the FOMC maintained its range for the fed funds target rate of 0.00 to 0.25 percent. The FOMC “continues to anticipate that economic conditions are likely to warrant exceptionally low levels of the federal funds rate for some time.” The committee added that “the information received since the committee met in December suggests that the economy has weakened further. Industrial production, housing starts, and employment have continued to decline steeply...credit conditions for households and firms remain extremely tight.”

Further, the committee believes “inflation pressures will remain subdued in coming quarters. Moreover, the committee sees some risk that inflation could persist for a time below rates that best foster economic growth and price stability in the longer term.” The committee concluded it “will employ all available tools to promote the resumption of sustainable economic growth and to preserve price stability.”

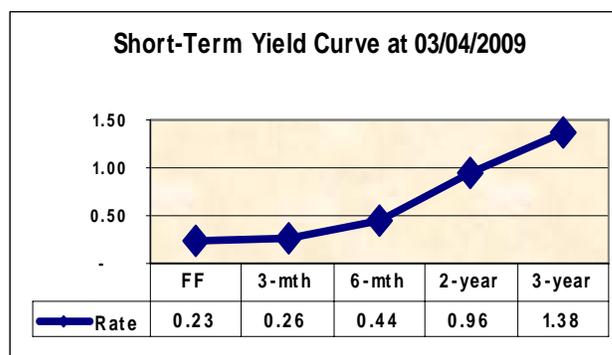
## PERFORMANCE REPORT

The chart below shows the FOMC meeting dates for the period June 2008 through June 2009 and the actual or projected level of the federal funds target rate throughout this time horizon.

FOMC Meeting Dates	Federal Funds Target Rate Level	
	Actual	Future Projection (a)
June 25, 2008	2.00%	
August 5, 2008	2.00%	
September 16, 2008	2.00%	
October 8, 2008	1.50%	
October 29, 2008	1.00%	
December 16, 2008	0.00 to 0.25%	
January 28, 2009	0.00 to 0.25%	
March 18, 2009		0.23%
April 29, 2009		0.25%
June 24, 2009		0.29%

a) Federal Funds and Eurodollar futures data, which project the implied future federal funds rate as of March 4, 2009.

The current yield curve is upward sloping. (See chart at right.)



### SHORT-TERM INVESTMENT FUND PERFORMANCE

As the turmoil in the credit markets continue and with consumer confidence dropping to a record low, we have maintained our previous adjustments to STIF's investment strategy, including shortening maturities, increasing liquidity, increasing exposure to U.S. Treasury and agency securities, and eliminating exposure to asset-backed commercial paper programs.

At the end of the second quarter of FY09, STIF's weighted-average maturity was 10 days, and liquidity, represented by overnight investments and investments available on a same-day basis, totaled \$2.7 billion, or 64 percent of assets.

Bank deposit instruments accounted for 40.6 percent of STIF's assets, followed by U.S. agency securities at 24.2 percent, and repurchase agreements collateralized by U.S. agency securities at 13.5 percent. During the quarter, the daily annualized yield fluctuated from 1.29 percent to 2.23 percent and ended at 1.29 percent. The average annualized yield for the quarter amounted to 1.86 percent.

We will continue to maintain a more cautious strategy until markets become more stable and will adjust our investment decisions as market conditions change.

*Performance Report reflects the views of the management of the Office of the State Treasurer's Short-Term Investment Fund.*

**SHORT-TERM INVESTMENT FUND**  
**COMPARATIVE MONTHLY ANNUALIZED YIELDS (%)**  
**(UNAUDITED)**

	<u>STIF</u>		<u>MFR Index (a)</u>	
	<u>Yield (b)</u>	<u>Effective Yield (c)</u>	<u>Yield (b)</u>	<u>Effective Yield (c)</u>
Oct-08	2.09	2.11	2.26	2.28
Nov-08	1.85	1.87	1.82	1.84
Dec-08	1.64	1.65	1.34	1.35
Average	1.86	1.88	1.81	1.82

(a) iMoneyNet's First Tier Institutions-Only AAA-Rated Money Fund Report Averages Index (MFR Index).

(b) Annualized simple interest yield less expenses and contributions to reserves.

(c) Annualized compounded yield less expenses and contributions to reserves.

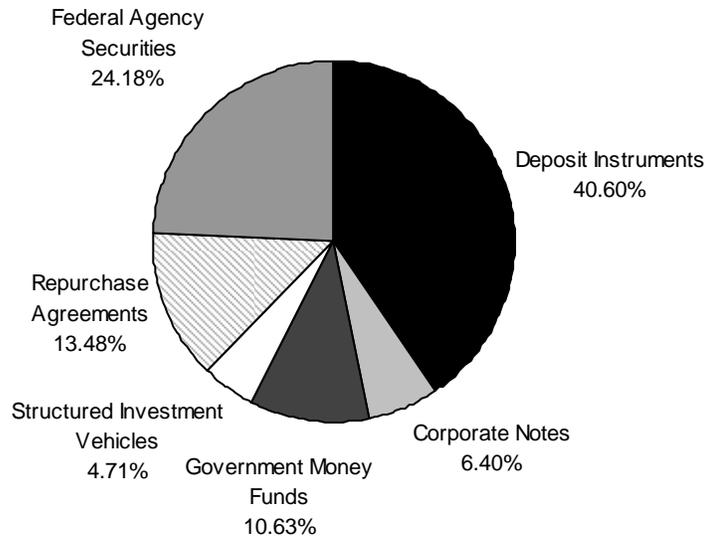
**SHORT-TERM INVESTMENT FUND**  
**RATE OF RETURN (%)**  
**PERIOD ENDED DECEMBER 31, 2008 (UNAUDITED)**

	<u>Three- Month</u> <sup>(a)</sup>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>7 Year</u>	<u>10 Year</u>
STIF	0.47	2.56	4.37	3.59	3.02	3.73
MFR Index <sup>(b)</sup>	0.45	2.60	4.16	3.30	2.69	3.39

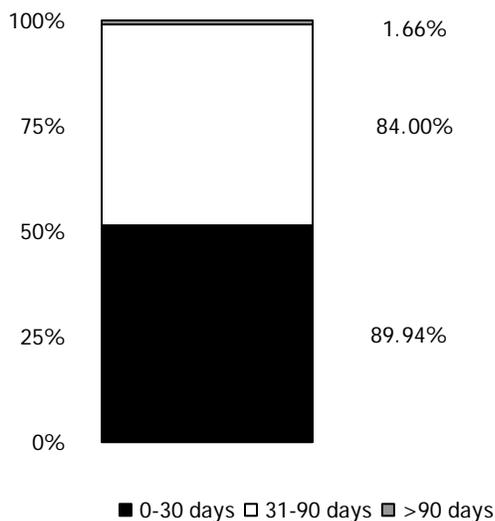
(a) Three-month rate of return is not annualized.

(b) iMoneyNet's First Tier Institutions-Only AAA-Rated Money Fund Report Averages Index (MFR Index).

**SHORT-TERM INVESTMENT FUND  
DISTRIBUTION BY INVESTMENT TYPE AT DECEMBER 31, 2008**



**SHORT-TERM INVESTMENT FUND  
DISTRIBUTION BY MATURITY AT DECEMBER 31, 2008**



Weighted Average Maturity = 10.4 days  
 Includes recognition of deposit instruments with daily put options.

# SHORT-TERM INVESTMENT FUND

## LIST OF INVESTMENTS AT DECEMBER 31, 2008 (UNAUDITED)

Par Value *	Security (Coupon, Maturity or Next Reset)	Yield (%)	Amortized Cost*	Market Value*	Quality Rating	Cusip or Issuer ID
<b>FEDERAL AGENCY SECURITIES (24.18%)</b>						
\$ 3,000,000	FEDERAL FARM CREDIT 0.32, 1/14/09	1.01	\$ 2,999,696	\$ 2,999,484	AAA	31331YNB2
3,500,000	FEDERAL FARM CREDIT 0.21, 1/23/09	1.01	3,499,059	3,498,597	AAA	31331XN81
1,100,000	FEDERAL FARM CREDIT 5.80, 3/19/08	0.47	1,113,036	1,112,509	AAA	31331R3H6
25,000,000	FEDERAL FARM CREDIT 0.31, 3/24/09	1.11	25,001,918	24,987,800	AAA	31331X3C4
20,000,000	FEDERAL FARM CREDIT 0.295, 9/15/09	1.14	19,928,967	19,883,080	AAA	31331X7C0
25,000,000	FEDERAL FARM CREDIT 0.36, 3/12/10	1.20	24,884,364	24,752,475	AAA	31331YXY1
50,000,000	FHLB 0.001, 1/2/09	0.00	49,999,999	49,999,999	AAA	313385AB2
30,000,000	FHLB 2.05, 1/9/09	2.05	29,986,333	29,986,333	AAA	313385AJ5
50,000,000	FHLB 2.40, 1/13/09	2.40	49,960,000	49,960,000	AAA	313385AN6
22,000,000	FHLB 3.20, 10/28/09	1.14	22,043,238	22,032,516	AAA	3133XSJW9
2,155,000	FHLB 3.25, 2/2/09	0.31	2,157,809	2,160,273	AAA	3133XSDC9
20,520,000	FHLB 2.36, 2/6/09	0.31	20,562,637	20,559,624	AAA	3133XR4G2
25,000,000	FHLB 5.00, 2/20/09	0.31	25,134,255	25,156,075	AAA	3133XJXU7
20,000,000	FHLB 1.05, 2/23/09	1.05	19,969,083	19,969,083	AAA	313385CF1
1,565,000	FHLB 4.75, 3/13/09	0.31	1,578,714	1,578,683	AAA	3133XEN96
1,600,000	FHLB 5.25, 3/13/09	0.03	1,615,271	1,615,563	AAA	3133XFEQ5
25,000,000	FHLB-FLT 0.59, 1/30/09	1.95	25,000,000	24,992,825	AAA	3133XRY53
15,000,000	FHLB-FLT 0.385, 2/20/09	1.03	14,991,397	14,987,955	AAA	3133XPND2
3,600,000	FHLB-FLT 2.689, 5/5/09	1.22	3,609,141	3,604,345	AAA	3133XMUX7
25,000,000	FHLB-FLT 2.189, 9/10/09	1.25	25,000,000	25,063,300	AAA	3133XS6Y9
25,000,000	FHLB-FLT 2.189, 9/10/09	1.25	25,020,402	25,063,300	AAA	3133XS6X1
25,000,000	FHLB-FLT 1.984, 12/11/09	1.28	24,983,880	25,024,600	AAA	3133XNMS5
25,000,000	FHLB-FLT 1.148, 1/13/10	1.19	24,990,767	24,949,275	AAA	3133XRTJ9
25,000,000	FHLB-FLT 1.148, 1/13/10	1.19	24,995,902	24,949,275	AAA	3133XRTJ9
25,000,000	FNMA 2.80, 1/2/09	2.80	24,998,056	24,998,056	AAA	313589AB9
25,000,000	FNMA 2.80, 1/2/09	2.80	24,998,056	24,998,056	AAA	313589AB9
50,000,000	FNMA 2.70, 1/7/09	2.70	49,977,500	49,977,500	AAA	313589AG8
25,000,000	FNMA 2.652, 1/7/09	2.65	24,988,950	24,988,950	AAA	313589AG8
50,000,000	FNMA 2.15, 1/14/09	2.15	49,961,181	49,961,181	AAA	313589AP8

Par Value *	Security (Coupon, Maturity or Next Reset)	Yield (%)	Amortized Cost*	Market Value*	Quality Rating	Cusip or Issuer ID
21,500,000	FNMA 5.25, 1/15/09	0.47	21,540,225	21,537,023	AAA	31359MEK5
5,200,000	FNMA 0.32, 1/16/09	1.01	5,199,392	5,198,903	AAA	3136F8J22
50,000,000	FNMA 2.15, 1/21/09	2.15	49,940,278	49,940,278	AAA	313589AW3
50,000,000	FNMA 2.23, 1/26/09	2.23	49,922,569	49,922,569	AAA	313589BB8
4,000,000	FNMA 3.74, 2/24/09	0.47	4,020,096	4,018,844	AAA	3136F5DP3
13,905,000	FREDDIE MAC 1.70, 1/5/09	1.70	13,902,374	13,902,374	AAA	313397AE1
50,000,000	FREDDIE MAC 2.80, 1/6/09	2.80	49,980,556	49,980,556	AAA	313397AF8
50,000,000	FREDDIE MAC 1.70, 1/12/09	1.70	49,974,028	49,974,028	AAA	313397AM3
50,000,000	FREDDIE MAC 2.15, 1/20/09	2.15	49,943,264	49,943,264	AAA	313397AV3
50,000,000	FREDDIE MAC 2.15, 1/23/09	2.15	49,934,306	49,934,306	AAA	313397AY7
25,000,000	FREDDIE MAC 2.40, 1/26/09	2.40	24,958,333	24,958,333	AAA	313397BB6
1,000,000	FREDDIE MAC 4.875, 2/17/09	0.47	1,005,805	1,005,441	AAA	3137EAAA7
<b>\$1,014,645,000</b>			<b>\$1,014,270,835</b>	<b>\$1,014,126,629</b>		
<b>DEPOSIT INSTRUMENTS *** (40.60%)</b>						
\$ 450,000,000	JP MORGAN CHASE 0.48, 1/31/09	0.48	\$ 450,000,000	\$ 450,000,000	A-1+	N/A
50,000,000	RBS CITIZENS NA 2.78, 2/20/09 <sup>(a)</sup>	2.78	50,000,000	50,000,000	A-1	N/A
200,000,000	RBS CITIZENS NA 2.34, 3/26/09 <sup>(a)</sup>	2.34	200,000,000	200,000,000	A-1	N/A
100,000,000	RBS CITIZENS NA 2.97, 6/1/09 <sup>(a)</sup>	2.97	100,000,000	100,000,000	A-1	N/A
100,000,000	RBS CITIZENS NA 2.84, 6/1/09 <sup>(a)</sup>	2.84	100,000,000	100,000,000	A-1	N/A
50,000,000	SOCIETE GENERALE 0.25, 1/30/09	0.25	50,000,000	50,000,000	A-1+	8336P2R67
50,000,000	SOCIETE GENERALE 2.00, 2/5/09	2.00	50,000,000	50,000,000	A-1+	8336P26K9
250,000,000	SOCIETE GENERALE 2.97, 4/30/09	2.97	250,000,000	250,000,000	A-1+	8336P2G51
3,500,000	SUNTRUST BANK-FLT 2.337, 6/2/09 <sup>(b)</sup>	1.69	3,501,394	3,502,485	A-1+	86787ALA1
300,000,000	TDBANKNORTH 2.69, 3/30/09	2.69	300,000,000	300,000,000	A-1+	N/A
100,000,000	TDBANKNORTH 3.00, 6/12/09	3.00	100,000,000	100,000,000	A-1+	N/A
50,000,000	TDBANKNORTH 3.30, 8/4/09	3.30	50,000,000	50,000,000	A-1+	N/A
<b>\$1,703,500,000</b>			<b>\$1,703,501,394</b>	<b>\$1,703,502,485</b>		
(a) On October 6, 2008, Standard & Poor's cut its short term credit rating on our \$450 million RBS Citizens investment to A-1 from A-1+. As a result of this downgrade, STIF received an irrevocable standby letter of credit provided by the Federal Home Loan Bank of Boston guaranteeing both principal and interest.						
(b) On January 27, 2009, Standard & Poor's cut its short term rating on our \$3.5 million Suntrust Bank investment to A-1 from A-1+.						
<b>CORPORATE NOTES (6.40%)</b>						
\$ 2,595,000	BANKAMERICA 2.485, 2/11/09	2.48	\$ 2,595,673	\$ 2,594,977	A-1	06050MCC9
20,600,000	BANKAMERICA 1.586, 3/24/09	2.94	20,599,070	20,539,354	A-1	060505CC6

Par Value *	Security (Coupon, Maturity or Next Reset)	Yield (%)	Amortized Cost*	Market Value*	Quality Rating	Cusip or Issuer ID
5,000,000	BANKAMERICA 2.826, 11/6/09	4.08	4,992,696	4,901,480	A-1	060505CT9
5,195,000	GE CAPITAL 2.096, 6/15/09	5.98	5,197,127	5,099,022	A-1+	36962GR22
6,500,000	GOLDMAN SACHS 1.518, 3/30/09	7.36	6,500,431	6,411,776	A-1	38141ELD9
11,590,000	GOLDMAN SACHS 4.164, 7/23/09	6.86	11,606,519	11,286,157	A-1	38141EJQ3
53,500,000	HSBC FINANCE INC 1.668, 6/19/09 <sup>(c)</sup>	7.54	53,514,150	52,082,678	A-1+	40429JAR8
50,000,000	MBIA GLOBAL FUNDING 0.471, 2/26/09 <sup>(d)</sup>	5.02	50,000,000	49,719,650	AA	55266LFM3
15,500,000	MERRILL LYNCH 3.555, 1/30/09	5.34	15,500,817	15,480,067	A-1	59018YWT4
8,000,000	MERRILL LYNCH 3.555, 1/30/09	5.34	8,000,391	7,989,712	A-1	59018YWT4
50,000,000	MERRILL LYNCH 0.41, 5/8/09	4.20	50,000,000	49,360,450	A-1	59018YD32
10,000,000	MERRILL LYNCH 0.561, 6/26/09	6.44	10,002,303	9,752,240	A-1	59018YXS5
25,000,000	NEW YORK LIFE 0.491, 3/28/09	0.49	25,000,000	25,000,000	AAA	649486AE7
5,000,000	WELLS FARGO 2.096, 9/15/09	3.19	4,999,343	4,948,100	A-1+	949746JD4

**\$ 268,480,000**

**\$ 268,508,518 \$ 265,165,662**

(c) On March 3, 2009, Standard & Poor's lowered the credit rating on the \$53.5 million HSBC Finance investment to A-1 from A-1+.

(d) On February 18, 2009, Standard & Poor's lowered the credit rating on the \$50 million MBIA Global Funding investment to BBB+ from AA. The investment matured on schedule and was paid in full on February 26, 2009.

#### **STRUCTURED INVESTMENT VEHICLES (4.71%)**

\$ 50,000,000	BETA FINANCE 4.188, 7/6/09 <sup>(e)</sup>	6.13	\$ 49,993,923	\$ 48,840,200	A-1	08658AQB4
50,000,000	DORADA FINANCE 0.3525, 2/11/09 <sup>(e)</sup>	5.35	49,999,073	49,751,300	A-1	25810EMZ6
50,000,000	FIVE FINANCE 2.166, 6/9/09 <sup>(e)</sup>	6.13	49,994,818	49,076,750	A-1	33828WEB2
84,099,830	GRYPHON 0.00, 2/25/09 <sup>(f)</sup>	0.00	47,549,532	47,095,905	N/R	40052TAA7

**\$ 234,099,830**

**\$ 197,537,346 \$ 194,764,155**

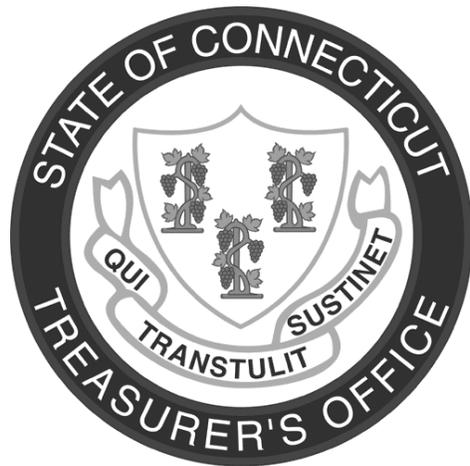
(e) On November 19, 2008, Citibank N.A. purchased the assets of the SIVs and agreed to ensure the payment of the senior debt. The Dorada Finance note matured on schedule and was paid in full on February 11, 2009.

(f) The Gryphon note was received as a result of the Cheyne Finance restructuring in July 2008. Cash distributions through February 2009 have totaled \$29.6 million. We transferred \$24 million of the reserves to cover a reduction in value effective June 30, 2008. As discussed in the fiscal year 2008 annual report, the realization of the value reduction and the transfer of reserves occurred on December 5, 2008.

Par Value *	Security (Coupon, Maturity or Next Reset)	Yield (%)	Amortized Cost*	Market Value*	Quality Rating	Cusip or Issuer ID
<b>REPURCHASE AGREEMENTS (13.48%)</b>						
\$ 565,698,000	BANK OF AMERICA 0.01, 1/2/09	0.01	\$ 565,698,000	\$ 565,698,000	A-1	N/A
<b>\$ 565,698,000</b>			<b>\$ 565,698,000</b>	<b>\$ 565,698,000</b>		
<b>MONEY MARKET FUNDS (10.63%)</b>						
\$ 225,000,000	GOLDMAN SACHS GOVT FUND 1.02, 1/2/09	1.02	\$ 225,000,000	\$ 225,000,000	AAAm	N/A
168	LMCS	0.00	168	168	A-1	N/A
75,000,000	MERRILL LYNCH GOVT FUND 0.80, 1/2/09	0.80	75,000,000	75,000,000	AAAm	N/A
146,172,894	THE RESERVE - GOVT FUND 0.00, 1/16/09 <sup>(g)</sup>	0.00	146,172,894	146,172,894	AAAm	N/A
<b>\$ 446,173,062</b>			<b>\$ 446,173,062</b>	<b>\$ 446,173,062</b>		
(g) Redemptions were delayed, with SEC permission, due to a large volume of redemption requests resulting from a reduction in value of another Reserve money fund. This investment was paid in full (at \$1 per share NAV) on January 16, 2009.						
<b>\$ 4,232,595,892</b>	<b>TOTAL</b>		<b>\$4,195,689,155</b>	<b>\$4,189,429,992</b>		

**Market Value / Participant Units Outstanding = Ratio of Market Value per Unit**  
**\$4,189,429,992\*\* / 4,188,854,792 = \$1.0001 per unit**

- \* Securities rounded to the nearest dollar.
- \*\* Includes designated surplus reserve. Does not include accrued interest of approximately \$25 million.
- \*\*\* Deposit instruments have a daily put option.



**SHORT-TERM INVESTMENT  
FUND**

**ORGANIZATION STRUCTURE**

<b>Treasurer</b>	Denise L. Nappier
<b>State of Connecticut</b>	(860) 702-3000
<b>Assistant Treasurer</b>	Lawrence A. Wilson, CTP
<b>Cash Management</b>	(860) 702-3126
<b>STIF Investment Management</b>	Principal Investment Officer Lee Ann Palladino, CFA
	Investment Officer Paul A. Coudert
	Securities Analyst Marc R. Gagnon
	Securities Analyst Peter A. Gajowiak
<b>STIF Investor Services</b>	Accountant Barbara Szuba
<b>Investment Transactions</b>	1-800-754-8430
<b>Voice Response System</b>	1-800-882-8211 (Fund 136)
<b>STIF Express Online Account Access</b>	<a href="http://www.state.ct.us/ott/STIFHome.htm">www.state.ct.us/ott/STIFHome.htm</a>



Office of the State Treasurer

Short-Term Investment Fund

55 Elm Street

6th Floor

Hartford, Connecticut 06106-2773

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<http://www.state.ct.us/ott/STIFHome.htm>