

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



QUARTERLY REPORT

QUARTER ENDING SEPTEMBER 30, 2009

**DENISE L. NAPPIER
STATE TREASURER**

MESSAGE FROM THE TREASURER

Dear Investor:

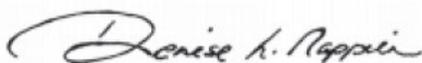
During the quarter ending September 30, 2009, the Connecticut Short-Term Investment Fund (STIF) delivered strong performance relative to similar money funds. The fund earned an average annualized yield of 0.45 percent, which was 29 basis points above its iMoneyNet benchmark.* This performance resulted in an additional \$5.2 million in interest earnings above the index for STIF investors.

For the 12 months ending September 30, 2009, STIF achieved an annual return of 1.02 percent, exceeding its primary benchmark by 27 basis points, thereby earning an additional \$12 million in interest income for Connecticut's agencies, authorities, municipalities and their taxpayers.

As credit market disruptions subside, we have continued our more cautious investment practices, which include a very high level of liquidity, a short average portfolio maturity, and significant restrictions on investments in corporate securities. Accordingly, STIF currently holds 88 percent of fund assets in overnight investments or investments that are available on a same-day basis. Our weighted average maturity is seven days. Fully 70 percent of STIF's assets are invested in securities issued, insured or guaranteed by the U.S. government or federal agencies or in money market funds comprised of such securities. STIF's reserves now total \$35.6 million, or 0.7 percent of total assets.

We value your confidence in STIF and pledge to continue our vigilance in protecting the interests of all investors. Best wishes for the New Year.

Sincerely,



Denise L. Nappier
Treasurer, State of Connecticut

December 17, 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 positions of STIF.

ECONOMIC OUTLOOK

The chart below gives an assessment of economic growth, inflation, and the employment situation. All told, STIF is operating in an environment of positive economic growth with the rate of job losses slowing.

ECONOMIC SNAPSHOT

	Recent Results	Future Expectations*
Growth	The U.S. economy grew at an annual rate of 2.8 percent during the first quarter of Fiscal Year 2010.	The Bloomberg November 2009 survey of U.S. economic forecasts projects that the U.S. economy will rise at an annualized rate of 3.0 percent for the second quarter of FY10. For all of CY09, the economy is projected to decline 2.4 percent.
Inflation	Major Inflation Indices – Year-over-Year as of October 31, 2009 <div style="margin-left: 40px;"> Core PCE 1.4 percent Core CPI 1.7 percent Core PPI 0.7 percent </div>	Economists expect core PCE, which is a reflection of personal consumption less food and energy, to increase by an annualized 1.4 percent in the second quarter of FY10. Total CPI, which represents changes in prices of all goods and services purchased for consumption by urban households, is expected to increase at an annualized rate of 1.3 percent in the second quarter of FY10. CPI is expected to decline 0.4 percent for CY09 and increase 2 percent in CY10.
Employment	In October, non-farm payrolls were down 190,000 and the unemployment rate rose to 10.2 percent from 9.8 percent in September.	Economists expect the unemployment rate to average 9.3 percent in CY09 and 9.9 percent in CY10.

* *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 November 4th meeting, the Federal Reserve's Federal Open Market Committee (FOMC) maintained its range for the federal funds target rate of 0.00 to 0.25 percent. The FOMC stated that "information...suggests that economic activity has continued to pick up." In addition, the FOMC indicated that "household spending appears to be expanding but remains constrained by ongoing job losses, sluggish income growth, lower housing wealth, and tight credit."

Further, the FOMC stated that "the Committee will maintain the target range for the federal funds rate at 0.00 to 0.25 percent and continues to anticipate that economic conditions, including low rates of resource utilization, subdued inflation trends, and stable inflation expectations, are likely to warrant exceptionally low levels of the federal funds rate for an extended period."

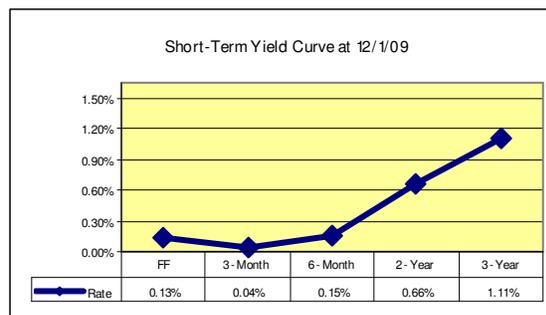
PERFORMANCE REPORT

The chart below shows the FOMC meeting dates for fiscal year 2010 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)
August 12, 2009	0.00 to 0.25%	
September 23, 2009	0.00 to 0.25%	
November 4, 2009	0.00 to 0.25%	
December 16, 2009		0.13%
January 27, 2010		0.14%
March 16, 2010		0.18%
April 28, 2010		0.20%
June 23, 2010		0.25%

a) Federal Funds and Eurodollar futures data, which project the implied future federal funds rate as of December 1, 2009.

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



SHORT-TERM INVESTMENT FUND PERFORMANCE

While the credit markets continue to show signs of stabilization and the economy beginning to emerge from the weakest economic downturn since the Great Depression, we have maintained our previous adjustments to STIF's investment strategy, including shortening maturities, increasing liquidity, increasing exposure to securities insured or guaranteed by the U.S. government or its agencies, and eliminating exposure to asset-backed commercial paper programs.

At the end of the first quarter of FY10, STIF's weighted-average maturity was 9 days, and liquidity, represented by overnight investments and investments available on a same-day basis, totaled \$4.4 billion, or 91 percent of assets.

Federal Deposit Insurance Corporation (FDIC) insured or guaranteed instruments accounted for 69 percent of STIF's assets, followed by bank deposit instruments at 19.5 percent, and U.S. agency securities at 7.6 percent. During the quarter, the daily annualized yield fluctuated from 0.42 percent to 0.50 percent and ended at 0.42 percent. The average annualized yield for the was 0.45 percent, which exceeded the rate earned by similar funds by 29 basis points.

Despite recent signs of market stabilization, we will continue to maintain a more cautious strategy and will adjust our investment decisions should market conditions continue to strengthen.

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>	
	Yield (b)	Effective Yield (c)	Yield (b)	Effective Yield (c)
Jul-09	0.48	0.48	0.20	0.20
Aug-09	0.43	0.43	0.15	0.15
Sept-09	0.43	0.43	0.12	0.12
Average	0.45	0.45	0.16	0.16

(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.

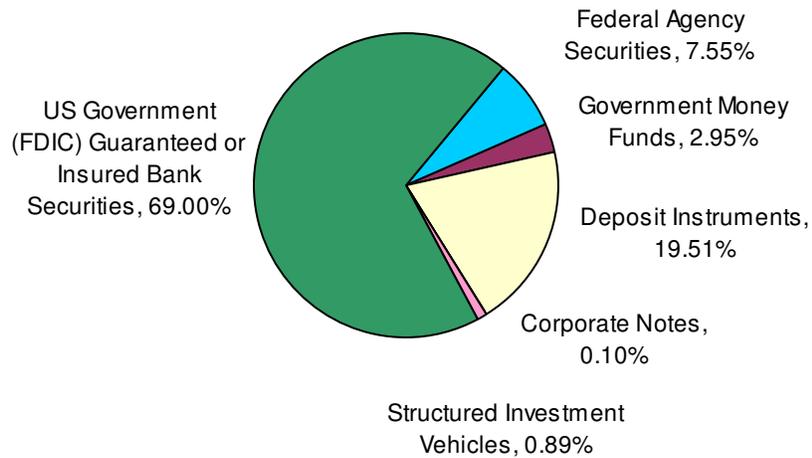
SHORT-TERM INVESTMENT FUND
RATE OF RETURN (%)
PERIOD ENDED SEPTEMBER 30, 2009 (UNAUDITED)

	<u>Three- Month</u> ^(a)	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>7 Year</u>	<u>10 Year</u>
STIF	0.11	1.02	3.28	3.51	2.89	3.40
MFR Index ^(b)	0.04	0.75	3.07	3.22	2.56	3.05

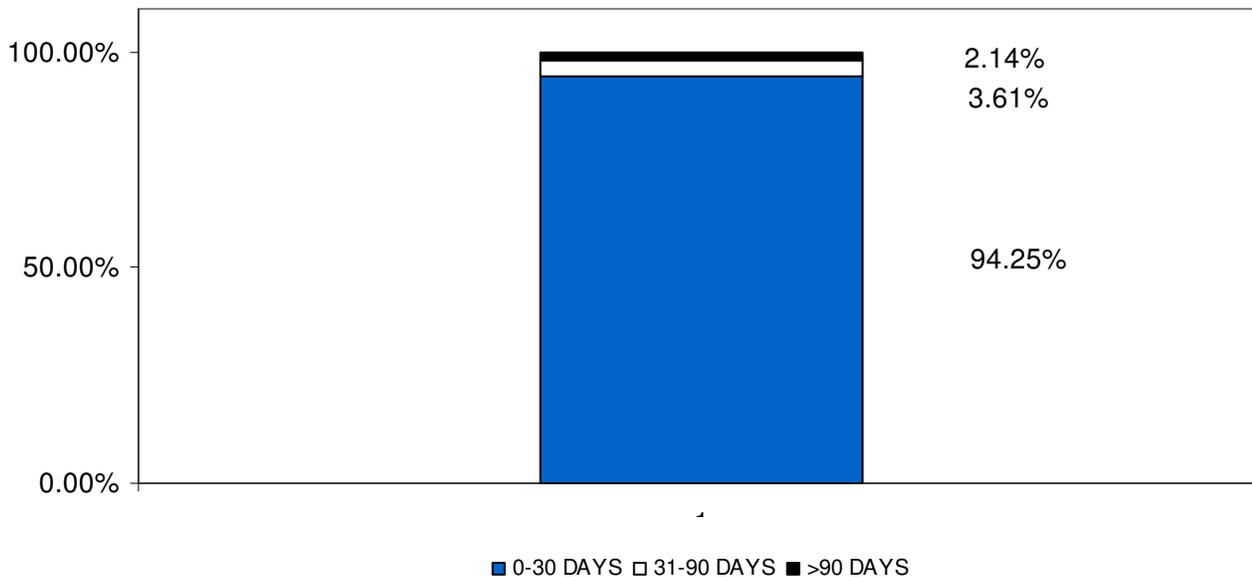
(a) Three-month rate of return is not annualized.

(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 SEPTEMBER 30, 2009**



**SHORT-TERM INVESTMENT FUND
DISTRIBUTION BY MATURITY AT SEPTEMBER 30, 2009**



Weighted Average Maturity = 9 days
Includes recognition of deposit instruments with daily put options.

SHORT-TERM INVESTMENT FUND

LIST OF INVESTMENTS AT SEPTEMBER 30, 2009 (UNAUDITED)

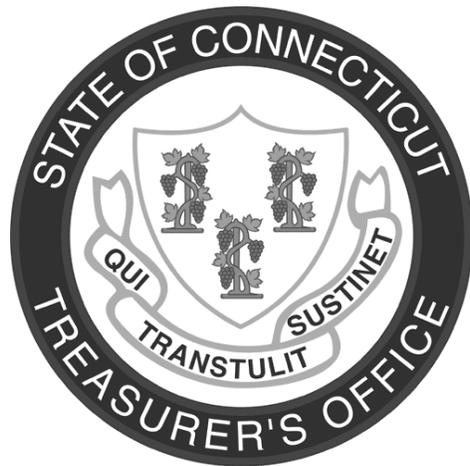
Par Value *	Security (Coupon, Maturity or Next Reset)	Yield (%)	Amortized Cost*	Market Value*	Quality Rating	Cusip or Issuer ID
FEDERAL AGENCY SECURITIES (7.55%)						
25,000,000.00	FFC 0.36, 3/12/10	0.35	24,956,935.4	25,001,325.0	AAA	31331YXY1
25,000,000.00	FFC 0.47, 6/17/10	0.36	24,935,544.3	25,019,475.0	AAA	31331YX62
5,000,000.00	FFC 0.85, 1/24/11	0.25	5,032,983.42	5,025,985.00	AAA	31331GFV6
25,000,000.00	FFC 0.35, 08/17/11	0.37	24,997,628.1	24,991,950.0	AAA	31331GH93
25,000,000.00	FFC 0.35, 8/3/11	0.33	24,995,312.1	25,004,200.0	AAA	31331GF79
25,000,000.00	FFC 0.33, 4/25/11	0.29	25,000,000.0	25,012,450.0	AAA	31331GL56
25,000,000.00	FFC 0.50, 7/27/11	0.37	25,000,000.0	25,058,300.0	AAA	31331GC80
3,000,000.00	FHLB 0.46, 1/14/11	0.25	3,003,872.54	2,999,904.00	AAA	3133XSVP0
25,000,000.00	FREDDIE MAC 0.40, 8/5/11	0.28	25,017,736.9	24,976,025.0	AAA	3128X8E24
25,000,000.00	FREDDIE MAC 0.38, 3/9/11	0.26	25,020,074.1	25,037,500.0	AAA	3128X8RC8
15,000,000.00	FREDDIE MAC 0.34, 2/1/11	0.25	15,004,653.8	14,982,195.0	AAA	3128X8D41
25,000,000.00	FREDDIE MAC 0.39, 5/4/11	0.26	25,030,242.8	25,013,350.0	AAA	3128X8B92
1,270,000.00	FREDDIE MAC 0.39, 5/4/11	0.26	1,271,138.09	1,270,678.18	AAA	3128X8B92
2,821,000.00	FREDDIE MAC 0.39, 5/4/11	0.26	2,820,857.16	2,822,506.41	AAA	3128X8B92
1,400,000.00	FREDDIE MAC 0.54, 1/28/11	0.25	1,403,993.42	1,401,850.80	AAA	3128X8HJ4
25,000,000.00	FREDDIE MAC 0.49, 1/14/11	0.25	24,979,183.6	25,008,900.0	AAA	3128X8FR8
25,000,000.00	FREDDIE MAC 0.61, 4/7/11	0.26	24,992,424.6	25,030,025.0	AAA	3128X8VE9
50,000,000.00	FREDDIE MAC 0.66, 4/1/11	0.26	50,163,289.6	50,066,850.0	AAA	3128X8UJ9
10,100,000.00	FREDDIE MAC 0.66, 4/1/11	0.26	10,133,375.3	10,113,503.7	AAA	3128X8UJ9
\$363,591,000			\$363,759,246	\$363,836,973		
DEPOSIT INSTRUMENTS ** (19.51%)						
60,000,000	TDBANKNORTH 0.89, 6/28/10	0.89	60,000,000	60,000,000	AA-	89189A004
100,000,000	TDBANKNORTH 1.32, 6/14/10	1.32	100,000,000	100,000,000	AA-	89189A004
265,000,000	TDBANKNORTH 0.91, 6/24/10	0.91	265,000,000	265,000,000	AA-	89189A004
25,000,000	TDBANKNORTH 0.90, 6/30/10	0.90	25,000,000	25,000,000	AA-	89189A004
290,000,000	JP MORGAN 0.48, 12/31/09	0.48	290,000,000	290,000,000	AA-	43499K004
200,000,000	JP MORGAN 0.75, 4/27/10	0.75	200,000,000	200,000,000	AA-	914HAT004
\$940,000,000			\$940,000,000	\$940,000,000		

Par Value *	Security (Coupon, Maturity or Next Reset)	Yield (%)	Amortized Cost*	Market Value*	Quality Rating	Cusip or Issuer ID
CORPORATE NOTES (0.10%)						
5,000,000	BANK AMERICA 0.59, 11/6/09	0.64	4,999,149	4,999,780	A	060505CT9
\$5,000,000			\$4,999,149	\$4,999,780		
U.S. GOVERNMENT (FDIC) GUARANTEED OR INSURED BANK SECURITIES (69.00%)*						
100,000,000	BANK OF AMERICA 0.45, 12/31/09	0.45	100,000,000	100,000,000	AAA	060199007
100,000,000	BANK OF AMERICA 0.45, 12/31/09	0.45	100,000,000	100,000,000	AAA	060199007
200,000,000	BB&T 0.45, 12/31/09	0.45	200,000,000	200,000,000	AAA	997LAG003
250,000,000	BB&T 0.45, 12/31/09	0.45	250,000,000	250,000,000	AAA	997LAG003
200,000,000	CITIBANK 0.50, 12/31/09	0.50	200,000,000	200,000,000	AAA	172926008
265,000,000	CITIBANK 0.50, 12/31/09	0.50	265,000,000	265,000,000	AAA	172926008
25,000,000	CITIGROUP FDIC 0.60, 6/3/11	0.42	25,000,000	24,997,500	AAA	17313YAD3
200,000,000	FIFTH THIRD 0.45, 12/31/09	0.45	200,000,000	200,000,000	AAA	31677R008
190,000,000	FIFTH THIRD 0.45, 12/31/09	0.45	190,000,000	190,000,000	AAA	31677R008
200,000,000	RBS CITIZENS BANK 0.50, 12/31/09	0.50	200,000,000	200,000,000	AAA	75299Y008
290,000,000	RBS CITIZENS BANK 0.50, 12/31/09	0.50	290,000,000	290,000,000	AAA	75299Y008
200,000,000	SOVEREIGN BANK 0.50, 12/31/09	0.50	200,000,000	200,000,000	AAA	845905009
290,000,000	SOVEREIGN BANK 0.50, 12/31/09	0.50	290,000,000	290,000,000	AAA	845905009
200,000,000	US BANK 0.49, 12/31/09	0.49	200,000,000	200,000,000	AAA	90299S000
210,000,000	US BANK 0.49, 12/31/09	0.49	210,000,000	210,000,000	AAA	90299S000
200,000,000	WEBSTER BANK 0.45, 12/31/09	0.45	200,000,000	200,000,000	AAA	947991006
205,000,000	WEBSTER BANK 0.45, 12/31/09	0.45	205,000,000	205,000,000	AAA	947991006
\$3,325,000,000			\$3,325,000,000	\$3,324,997,500		
STRUCTURED INVESTMENT VEHICLES (0.89%)						
84,099,830	GRYPHON 0.00, (a)	0.00	42,758,193	39,274,621	NR	40052TAA7
\$84,099,830			\$42,758,193	\$39,274,621		
(a) The Gryphon note was received as a result of the Cheyne Finance restructuring in July 2008. Amortized cost reflects cash distributions of \$33.2 million and a reserve transfer of \$24 million. The estimated market value was provided by the Gryphon custodian and, in our view, understates the expected ultimate total recovery value.						

Par Value *	Security (Coupon, Maturity or Next Reset)	Yield (%)	Amortized Cost*	Market Value*	Quality Rating	Cusip or Issuer ID
MONEY MARKET FUNDS (2.95%)						
142,107,870	GS Govt Fund	0.13, 10/1/09	142,107,870	142,107,870	AAA	03799C003
\$142,107,870			\$142,107,870	\$142,107,870		
<u>\$4,859,798,700</u>			<u>\$4,818,624,458</u>	<u>\$4,815,216,744</u>		

Market Value / Participant Units Outstanding = Ratio of Market Value per Unit
\$4,815,216,744** / 4,785,603,349 = \$1.006 per unit**

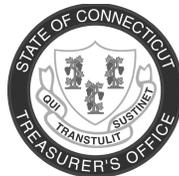
- * Securities rounded to the nearest dollar.
- ** Deposit instruments have a daily put option.
- *** Negotiable order of withdrawal (NOW) deposits are fully insured by the FDIC under the Transaction Account Guarantee Program and have a daily put option.
- **** Includes designated surplus reserve.



**SHORT-TERM INVESTMENT
FUND**

ORGANIZATION STRUCTURE

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



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