STATE OF CONNECTICUT
OFFICE OF THE TREASURER

2003

SHORT-TERM INVESTMENT FUND
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2003

STATE OF CONNECTICUT
Office of the State Treasurer

The State Motto "Qui Transtulit Sustinet," (He Who Transplanted Still Sustains), has been associated with the various versions of the state seal from the creation of the Saybrook Colony Seal.

SHORT-TERM INVESTMENT FUND

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2003

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STATE OF CONNECTICUT

QUI TRANSTULIT SUSTINET

TREASURER'S OFFICE

State of Connecticut

Office of the Treasurer

Denise L. Nappier
Treasurer

Howard G. Rifkin
Deputy Treasurer

December 4, 2003

To the State of Connecticut Short-Term Investment Fund Participants:

I am pleased to submit this Comprehensive Annual Financial Report (CAFR) of the State of Connecticut Office of the Treasurer Short-Term Investment Fund (STIF) for the fiscal year ended June 30, 2003.

In this report, you will find a level of disclosure consistent with the highest standards of financial reporting in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by the State of Connecticut's independent Auditors of Public Accounts.

This Comprehensive Annual Financial Report has earned an unqualified opinion from the State Auditors of Public Accounts. As required by GASB Statement No. 34, the financial section now includes Management's Discussion and Analysis (MD&A), which provides an introduction, overview, and analysis of the financial statements. We are confident that the data is accurate in all material respects and is presented in a manner that fairly reflects the financial position and results of operations as measured by the financial activity of the fund. To this end, audited financial statements and all disclosures necessary to enable the reader to gain an understanding of the Short-Term Investment Fund financial activities have been included herein for your review.

State of Connecticut Short-Term Investment Fund

The Short-Term Investment Fund, created in 1972, is a state and local government investment fund with approximately $3.28 billion in assets as of June 30, 2003. Investors in the Fund include the Office of the State Treasurer, State agencies and authorities, municipalities, and other political subdivisions of the State. STIF's FY 2003 total annual return of 1.64 percent, net of operating expenses and allocation to fund reserves, exceeded its primary benchmark by 44 basis points, resulting in $16 million in additional interest income for the state, municipalities, other units of local government and their taxpayers.

The primary objective of the Fund is to provide the greatest possible return while protecting principal and providing liquidity for STIF investors. The Fund's Investment Policy ensures strong asset diversification by security type and issuer, comprised of high-quality, very liquid securities with a relatively short average maturity. In addition, the Fund maintains a Designated Surplus Reserve, which approximates one percent of Fund assets, to protect against security defaults or the erosion of security values due to any significant unforeseen market changes. The Fund has never drawn against this reserve. (See Investment Policy, page 34.)

As of June 30, 2003, STIF administered 1,106 STIF accounts for 60 State agencies and authorities and 255 municipalities and local entities. This includes the addition of 19 local government STIF accounts with $8 million of assets in fiscal year 2003, reflecting the continued confidence in the Fund as a solid investment vehicle for Connecticut communities.

55 Elm Street, Hartford, Connecticut 06106-1773, Telephone: (860) 702-3000
An Equal Opportunity Employer

Additionally, we have continued to make financial information readily accessible to investors by providing monthly STIF yields and quarterly reports on the Internet. This Annual Report, and an annual meeting scheduled for January 28, 2004, is offered to provide a more comprehensive understanding of the STIF investment record. Access to this report will be made available through the Treasury website, www.state.ct.us/ott. I encourage you to visit and welcome your comments.

Outside Reviews

STIF's AAAm rating by Standard & Poor's (S&P), the leading rating agency of money market funds and local government investment pools, was reaffirmed in December 2002. The AAAm rating, Standard & Poor's highest money fund rating, is based on an analysis of the pool's management, investment guidelines, portfolio holdings and market price exposure. This rating, in S&P's view, "signifies that safety of invested principal is excellent and there is a superior capacity to maintain a $1 per share net asset value at all times." In addition, S&P monitors our portfolio on a weekly basis to ensure that we maintain the safety and liquidity you deserve.

STIF's portfolio is also reviewed by the Investment Advisory Council and the Treasurer's Cash Management Advisory Board periodically throughout the year.

In addition, we once again received a Certificate of Achievement for Excellence in Financial Reporting for our Comprehensive Annual Financial Report from the Government Finance Officers Association of the United States and Canada (GFOA).

Report Contents

This report was prepared in its entirety by the Connecticut State Treasurer's Office and we take full responsibility for the accuracy of the data and the completeness and fairness of the presentation of the financial statements, supporting schedules, investment performance information, and the statistical tables in it. The report contains four sections:

- The Introductory Section contains the Letter of Transmittal, the Management Report, the GFOA certificate, an organizational chart, and a list of principal officials.

- The Financial Section contains the opinion of the State of Connecticut Auditors of Public Accounts on our financial statements, management's discussion and analysis, and the financial statements of STIF and notes to the financial statements.

- The Investment Section contains a comprehensive discussion of the Fund's investment performance and operations including:
  - Historical data on performance, portfolio characteristics, and asset growth;
  - Performance comparisons to the Fund's money market mutual fund benchmark, as well as to the Three-Month Treasury Bill (T-Bill) and Three-Month Certificates of Deposit (CD) benchmarks;
  - Analysis of the fiscal year's economic conditions and their impact on STIF's performance;
  - Questions and answers on topical issues related to STIF;
  - The investment portfolio of STIF as of June 30, 2003;
  - Schedule of participants by concentration;
  - Schedule of fees; and
  - The Fund's investment policy statement.

- The Statistical Section includes a historical table of STIF assets under management and asset growth rate, a historical table of STIF earned rates, a comprehensive glossary of investment terms, a performance presentation compiled in conformance with the standards established by the Association of Investment Management & Research (AIMR), and the Level II Verification Report of Scillia Dowling & Natarelli, LLC on the performance presentation.

LETTER FROM THE TREASURER

The performance presentation formats and disclosures contained in this report are a synthesis of techniques used by public and private sector reporting entities as well as recommendations from the GFOA. Similarly, the financial statements and disclosures reflect a comprehensive effort by Treasury staff to integrate all appropriate accounting and disclosure standards, as well as the newest disclosures required by generally accepted accounting principles (GAAP).

We will remain vigilant in safeguarding and prudently investing the operating cash of the State Treasury, state agencies and authorities, municipalities, and other political subdivisions of the State, which invest in STIF pursuant to CGS 3-27a - 3-27f. Moreover, we will continue to seek the highest level of income possible within prudent parameters established to protect principal and to provide liquidity to meet investors' daily cash flow requirements.

We appreciate your participation in the Short-Term Investment Fund, and hope that the information provided here will prove to be both interesting and helpful.

Sincerely,

Denise L. Nappier

Denise L. Nappier
Treasurer
State of Connecticut

State of Connecticut
Office of the Treasurer

Denise L. Nappier
Treasurer

Howard G. Rifkin
Deputy Treasurer

Connecticut State Treasury
Hartford, Connecticut
October 15, 2003

The Office of the Treasurer assumes the daily responsibility of managing the assets of the Short-Term Investment Fund (STIF) pool. State Street Bank and Trust Company serves as custodian for the pool. All investments must be made in instruments authorized by Connecticut General Statutes (CGS) 3-27c - 3-27f. The most recent guidelines under which the pool operates were adopted and approved by the State Treasurer on August 21, 1996. It is our belief that the contents of this Annual Report make evident the State of Connecticut Treasurer's Office support of the safe custody and conscientious stewardship of the Short-Term Investment Fund.

While STIF's financial statements and the related financial data contained in this Annual Report have been prepared in conformity with generally accepted accounting principles as a "2a7-like" pool, and such financial statements are audited annually by the State Auditors of Public Accounts, the ultimate accuracy and validity of this information is the responsibility of the management of the State Treasurer's Office. To carry out this responsibility, the Treasury maintains financial policies, procedures, accounting systems and internal controls which management believes provide reasonable, but not absolute, assurance that accurate financial records are maintained and investments and other assets are safeguarded.

In management's opinion, STIF's internal control structure is adequate to ensure that the financial information in this report presents fairly STIF's operation and financial condition.

Sincerely,

Howard G. Rifkin
Deputy Treasurer

55 Elm Street, Hartford, Connecticut 06106-1773, Telephone (860) 702-3000
An Equal Opportunity Employer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Connecticut State Treasurer's Short-Term Investment Fund

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

Mission Statement

To serve as the premier State Treasurer's Office in the nation through effective management of public resources, high standards of professionalism and integrity, and expansion of opportunity for the citizens and businesses of Connecticut.

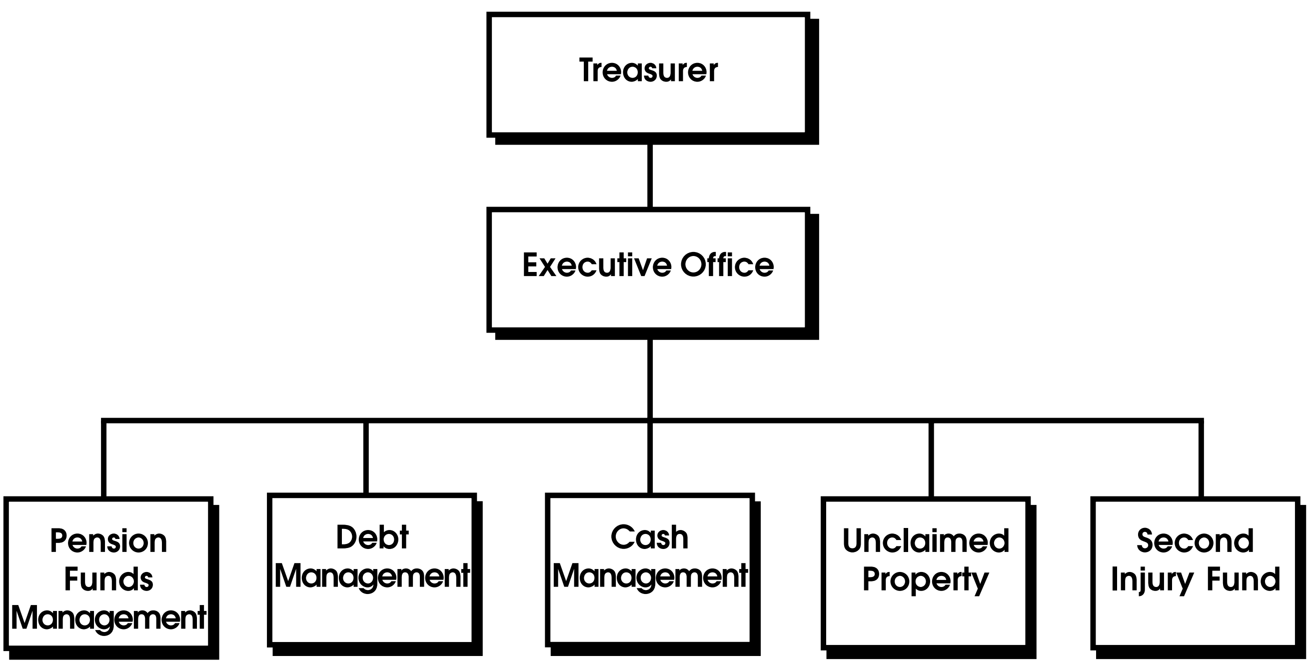
Statutory Responsibility

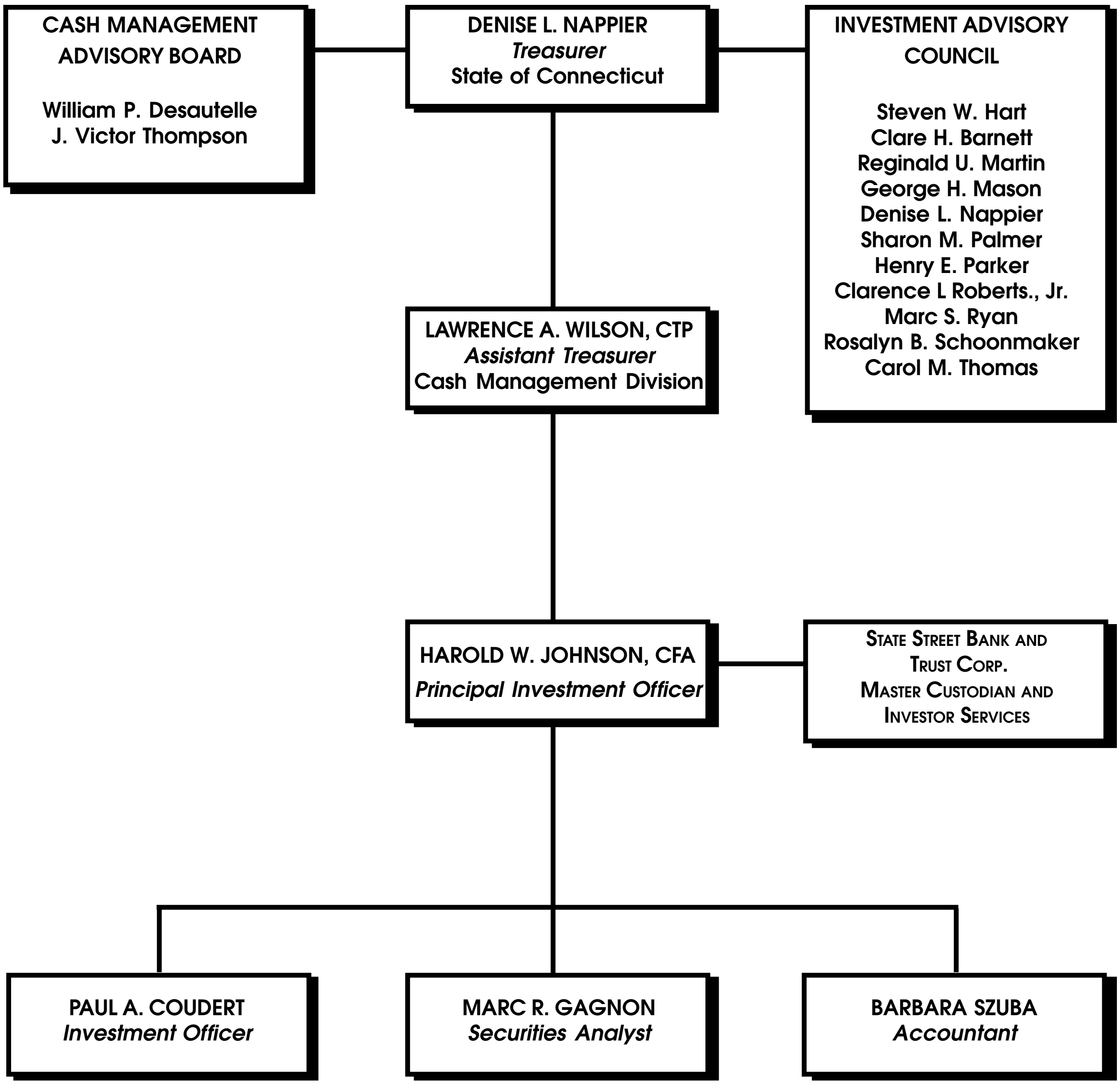
The Office of the Treasurer was established following the adoption of the fundamental orders of Connecticut in 1638. The Treasurer shall receive all funds belonging to the state and disburse the same only as may be directed by law, as described in Article Fourth, Section 22 of the Connecticut Constitution and in Title 3 of the Connecticut General Statutes.

The Treasurer is the Chief Fiscal Officer for the State government, overseeing a wide variety of activities regarding the prudent preservation and management of State funds. This includes the administration of a portfolio of pension assets of more than $18 billion and a short-term investment fund of approximately $3 billion.

Public Service

The Office of the Treasurer includes an Executive Office as well as five divisions, each with specific responsibilities: Pension Funds Management, Cash Management, Debt Management, Unclaimed Property, and the Second Injury Fund.





As of October 15, 2003.

LIST OF PRINCIPAL OFFICIALS

SHORT-TERM INVESTMENT FUND

55 Elm Street
6th Floor
Hartford, CT. 06106-2773
Telephone: (860) 702-3118
Facsimile: (860) 702-3048
World Wide Web:
www.state.ct.us/ott

Treasurer, State of Connecticut
DENISE L. NAPPIER (860) 702-3001

Deputy Treasurer, State of Connecticut
HOWARD G. RIFKIN (860) 702-3292

Assistant Treasurer, Cash Management
LAWRENCE A. WILSON, CTP (860) 702-3126

STIF INVESTMENT MANAGEMENT

Principal Investment Officer
HAROLD W. JOHNSON, JR. CFA (860) 702-3255

Investment Officer
PAUL A. COUDERT (860) 702-3254

Securities Analyst
MARC R. GAGNON (860) 702-3158

STIF INVESTOR SERVICES
Accountant
BARBARA SZUBA (860) 702-3118

CUSTODIAN AND INVESTOR SERVICES
STATE STREET BANK AND TRUST CORPORATION
1-800-754-8430

Financial Section

STATE OF CONNECTICUT

QUI TRANSTULIT SUSTINET

TREASURER'S OFFICE

STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS
STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

KEVIN P. JOHNSTON

ROBERT G. JAEKLE

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statement of net assets of the Short-Term Investment Fund, including the list of investments, as of June 30, 2003, and the statements of changes in net assets for the fiscal years ended June 30, 2003, and 2002. These financial statements are the responsibility of the management of the State Treasury. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.

Our procedures included confirmation of securities owned as of June 30, 2003, by correspondence with the custodian. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Short-Term Investment Fund as of June 30, 2003, and the results of its operations and changes in net assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the financial statements of the Short-Term Investment Fund taken as a whole. The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the Management's Discussion and Analysis and express no opinion on it. The Statistical Section contained herein is presented for purposes of additional analysis and is not a required part of the financial statements of the Short-Term Investment Fund. Except as noted below, such information has been subjected to the auditing procedures applied in the audit of the financial statements of the Short-Term Investment Fund and, in our opinion, is fairly presented in all material respects in relation to the financial statements of the Short-Term Investment Fund taken as a whole. We did not audit the information contained in the Introductory and Investment Sections of this Short-Term Investment Fund annual report, or the Schedules of Rates of Return contained in the Statistical Section.

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

October 15, 2003
State Capitol
Hartford, Connecticut

This Management's Discussion and Analysis (MD&A) of the Comprehensive Annual Financial Report (CAFR) of the State of Connecticut Office of the Treasurer Short-Term Investment Fund (STIF) is a narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2003. It is provided by the management of the State of Connecticut's Office of the Treasurer and we encourage readers to review it in conjunction with the transmittal letter at the front of this report and with the financial statements that follow.

The Office of the Treasurer is in its second year of implementing this new reporting standard and the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34.

The Short-Term Investment Fund financial statements reported by the Treasurer's Office for which the Treasurer has fiduciary responsibility for the investment thereof begin on page 16 and provide detailed information about the Fund.

FINANCIAL HIGHLIGHTS & ANALYSIS OF THE FUND

The Short-Term Investment Fund represents an investment pool of short-term money market instruments serving the State and State agencies, authorities, municipalities and other public subdivisions of the State. The Fund is managed for the sole benefit of the participants. All income is distributed monthly after deducting operating costs of 3 basis points and an allocation to the Fund's Designated Surplus Reserve of 10 basis points (until the reserve reaches one percent of fund assets). The Treasurer's Short-Term Investment Fund is a AAAm rated investment pool of high-quality, short-term money market instruments.

Net Assets - The net assets under management in the Short-Term Investment Fund at the close of the fiscal year were $3.28 billion, a decrease of $0.26 billion from the previous year resulting from revenue declines at the state and local level because of the weakened economy. The principal reason for the decrease in net assets was a decline of $106 million in State STIF investments and a decline of $159 million in investments in the Fund from its municipal and local customers.

Operating Income – General financial market conditions produced an annual total return of 1.64%, net of operating expenses and allocations to Fund reserves, compared to an annual total return of 2.61%, net of operating expenses and allocations to Fund reserves in the previous fiscal year. The lower return resulted from reductions in market interest rates due to the national economic downturn.

The annual total return exceeded that achieved by its benchmark, which equaled 1.20%, by 44 basis points, resulting in $16 million in additional interest income for Connecticut governments and taxpayers.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the Office of the Treasurer's Short-Term Investment Fund basic financial statements, which are comprised of: 1) Statement of Net Assets, 2) Statement of Changes in Net Assets and 3) Notes to the Financial Statements.

The Statement of Net Assets and the Statement of Changes in Net Assets are two financial statements that report information about the Short-Term Investment Fund. These statements include all assets and liabilities using the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets (page 16) presents all of the Short-Term Investment Fund's assets and liabilities, with the difference between the two reported as "net assets".

The Statement of Changes in Net Assets (page 17) presents information showing how the Short-Term Investment Fund's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the Short-Term Investment Fund's financial statements. The notes can be found on pages 18-22 of this report.

Net Assets held in trust for Participants

A summary of the net assets held in trust for participants is presented below.

Condensed Statement of Net Assets
Fiscal Year Ended June 30,

	2003	2002	Increase / (Decrease) Amount	%
Assets				
Investments in Securities, at Amortized Cost	$3,276,153,364	$3,543,556,206	$(267,402,842)	(7.55)%
Receivables and Other	3,805,851	2,932,264	873,587	0.02%
Total Assets	3,279,959,215	3,546,488,470	(266,529,255)	(7.53)%
Liabilities	(3,880,395)	(6,010,768)	2,130,373	0.06%
Net Assets	$3,276,078,820	$3,540,477,702	$(264,398,882)	(7.47)%

The Summary of Operations below presents information on interest income and expense, net investment income and operating expenses.

Summary of Operations
Fiscal Year Ended June 30,

	2003	2002	Increase / (Decrease) Amount	%
Investment Income				
Net Interest Income	$60,910,906	$111,212,255	$(50,301,349)	(45.26)%
Net Realized Gains	393,110	718,104	(324,994)	(0.29)%
Total Investment Income	61,304,016	111,930,359	(50,626,343)	(45.55)%
Expenses				
Operating Costs	(901,802)	(783,275)	(118,527)	(0.11)%
Net Increase in Net Assets Resulting from Operations	$60,402,214	$111,147,084	$(50,744,870)	(45.66)%

The Statement of Changes in Net Assets (page 17) presents information showing how the Short-Term Investment Fund's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. interest income).

Condensed Statement of Changes in Net Assets
Fiscal Year Ended June 30,

	2003	2002	Increase / (Decrease) Amount
Net Increase in Net Assets Resulting From Operations	$60,402,214	$111,147,084	$(50,744,870)
Distributions to participants	59,630,088	108,736,391	49,106,303
Net Increase after Distributions	772,126	2,410,693	(1,638,567)
Purchase of Units	12,353,876,916	11,573,361,781	780,515,135
Redemption of Units	(12,619,047,924)	(12,585,408,280)	(33,639,644)
Net Increase (Decrease) in Net Assets	$(264,398,882)	$(1,009,635,806)	$745,236,924

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the Short-Term Investment Fund's financial statements. The notes can be found on pages 18 through 22 of this report.

REQUIRED SUPPLEMENTARY INFORMATION

The Office of the Treasurer's Comprehensive Annual Financial Report for the Short-Term Investment Fund does not separately report required supplementary information that contains budgetary comparison schedules or schedules presenting infrastructure assets. This information is recorded by the State of Connecticut in its Comprehensive Annual Financial Report (CAFR) and as such, compliance with GASB Statement 34 is not applicable to the State of Connecticut Office of the Treasurer Short-Term Investment Fund (STIF).

ECONOMIC CONDITIONS AND OUTLOOK

Fiscal year 2003 experienced mild economic momentum that developed at the end of fiscal year 2002. More concerned about the weak economy and possible deflation than about possible inflation, the Fed lowered the Federal Funds rate down to 1% in fiscal year 2003 on June 25, the lowest level since the Eisenhower administration. One month Certificates of Deposit (CD's) declined from 1.75% at the beginning of fiscal year 2003 to 1.09% by the end of the fiscal year. Similarly, three month CD's fell from 1.77% at the beginning of the fiscal year to 1.07% by the end of the fiscal year.

In fiscal year 2003, the economy continued to lose jobs, especially in manufacturing. The U.S. economy is experiencing, according to the Wall Street Journal, its "…. most protracted job-market downturn since the Great Depression" and has lost over two million jobs since the recession began in March 2001. Increases in productivity, overseas competition, and structural changes in the American economy are the three main culprits in the declining job market. Though productivity gains could hurt the economy by decreasing employment opportunities and thereby decreasing consumer spending, it has also increased corporate profits. This gives companies resources to invest in new equipment, however, so far the capital invested by companies has been to improve productivity rather than to increase production. Though this is helpful to the economy, it is not as stimulative to the economy as capital investment to increase production.

Fiscal year 2004 began with uncertainty as measured by the Conference Board's consumer confidence index, which declined from 83.5 at the end of fiscal year 2003 to 77.0 in July and September but rebounded to 92.5 in November. A combination of pro-growth fiscal policies, an accommodative Fed policy, improvement in corporate profits, and mild core inflation should cause the economy to expand this year. The Fed has made it clear that it plans to keep short-term rates low for the foreseeable future, and the Federal Government has shown no inclination to cut spending or raise taxes.

CONTACTING THE OFFICE OF THE TREASURER

This financial report is designed to provide a general overview of the Office of the Treasurer's finances and to show the Office's accountability for the money it receives. Questions about this report or requests for additional information should be addressed to:

Connecticut State Treasury
55 Elm Street
Hartford, CT 06106-1773
Telephone (860) 702-3000
www.state.ct.us/ott

STATEMENT OF NET ASSETS
JUNE 30, 2003

	June 30, 2003
ASSETS	
Investment in Securities, at Amortized Cost (Note 8)	$3,276,153,364
Accrued Interest and Other Receivables	3,791,338
Prepaid Assets	14,513
TOTAL ASSETS	3,279,959,215
LIABILITIES	
Distribution Payable	3,672,707
Payable to Transfer Agent (Note 6)	110,485
Interest Payable	84,181
Other Liabilities	13,022
TOTAL LIABILITIES	3,880,395
NET ASSETS	$3,276,078,820
NET ASSETS CONSIST OF:	
Participant Units Outstanding($1.00 Par)	$3,235,259,555
Designated Surplus Reserve (Note 2)	40,819,265
TOTAL NET ASSETS	$3,276,078,820
Participant Net Asset Value, Offering Price and Redemption Price per share ($3,235,259,555 in Net Assets divided by 3,235,259,555 shares)	$ 1.00

See accompanying Notes to the Financial Statements.

STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2003 AND JUNE 30, 2002

	For the Year Ended June 30, 2003	2002
Operations		
Interest Income	$ 60,910,906	$ 111,294,584
Interest Expense on Reverse Repurchase Agreements	-	(82,329)
Operating Expenses	(901,802)	(783,275)
Net Investment Income	60,009,104	110,428,980
Net Realized Gains	393,110	718,104
Net Increase in Net Assets Resulting from Operations	60,402,214	111,147,084
Distribution to Participants (Notes 2 & 7)		
Distributions to Participants	(59,630,088)	(108,736,391)
Total Distributions Paid and Payable	(59,630,088)	(108,736,391)
Share Transactions at Net Asset Value of $1.00 per Share		
Purchase of Units	12,353,876,916	11,573,361,781
Redemption of Units	(12,619,047,924)	(12,585,408,280)
Net Decrease in Net Assets and Shares Resulting from Share Transactions	(265,171,008)	(1,012,046,499)
Total Decrease in Net Assets	(264,398,882)	(1,009,635,806)
Net Assets		
Beginning of Year	3,540,477,702	4,550,113,508
End of Year	$3,276,078,820	$3,540,477,702

See accompanying Notes to the Financial Statements.

NOTE 1: Introduction and Basis of Presentation

The Short-Term Investment Fund ("STIF" or the "Fund") is a money market investment pool managed by the Treasurer of the State of Connecticut. Sec. 3-27 of the Connecticut General Statutes (CGS) created STIF. Pursuant to CGS 3-27a - 3-27f, the State, municipal entities, and political subdivisions of the State are eligible to invest in the Fund. The State Treasurer is authorized to invest monies of STIF in United States government and agency obligations, certificates of deposit, commercial paper, corporate bonds, saving accounts, bankers' acceptances, repurchase agreements, asset-backed securities, and student loans. STIF is authorized to issue an unlimited number of units.

For State of Connecticut financial reporting purposes, STIF is considered to be a mixed investment pool – a pool having external and internal portions. The internal portion (i.e., the portion that belongs to participants that are part of the State's financial reporting entity) is not displayed in the State's basic financial statements. Instead, each fund type's investment in STIF is reported as "cash equivalents" in the statement of net assets. The external portion (i.e., the portion that belongs to participants which are not part of the State's financial reporting entity) is recorded in an investment trust fund in the basic financial statements.

The Fund is considered a "2a7-like" pool and, as such, reports its investments at amortized cost (which approximates fair value). A 2a7-like pool is not necessarily registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940 that allows money market mutual funds to use amortized cost to report net assets.

Related Party Transactions.

STIF had no related party transactions during the fiscal year with the State of Connecticut and its component units including leasing arrangements, the performance of administrative services and the execution of securities transactions.

Note 2: Summary of Significant Accounting Policies:

Financial Reporting Entity.

The Fund is a Fiduciary Investment Trust Fund. A fiduciary fund is used to account for governmental activities that are similar to those found in the private sector where the determination of net income is necessary or useful to sound financial administration. The generally accepted accounting principles ("GAAP") used for fiduciary funds are generally those applicable to similar businesses in the private sector. The Fund uses the accrual basis of accounting.

Security Valuation of Financial Instruments.

The assets of the Fund are carried at amortized cost (which approximates fair value). All premiums and discounts on securities are amortized or accreted on a straight line basis.

Security Transactions.

Purchases and sales of investments are recorded on a trade date basis. Gains and losses on investments are realized at the time of the sales and are calculated on the basis of an identified block or blocks of securities having an identified amortized cost. Bond cost is determined by identified lot.

Interest Income.

Interest income, which includes amortization of premiums and accretion of discounts, is accrued as earned.

NOTES TO FINANCIAL STATEMENTS (Continued)

Expenses.

Operating and interest expenses of STIF are accrued as incurred.

Fiscal Year.

The fiscal year of STIF ends on June 30. Prior to fiscal year 1997, STIF's fiscal year ended on May 31.

Distributions to Participants.

Distributions to participants are earned on units outstanding from date of purchase to date of redemption. Income is calculated daily based upon the actual earnings of the Fund net of administrative expenses and, if applicable, an allocation to the Designated Surplus Reserve. Distributions are paid monthly within two business days of the end of the month, and are based upon actual number of days in a year. Shares are sold and redeemed at a constant $1.00 net asset value per share, which is consistent with the per share net asset value of the Fund, excluding the Designated Surplus Reserve. Prior to December 1, 1996 distributions were based upon the actual number of days in the year at an interest rate established by the Treasurer on or before the first date of the month ("the guaranteed rate"). The interest distributions earned by participants were distributed within fifteen business days after the close of the periods ending on the last day of August and November.

Earnings Subject to Special Distribution.

In December 1996, a special distribution was paid to participants based upon net earnings of STIF less previously distributed quarterly payments and an allocation to the Designated Surplus Reserve. This special distribution was paid out in proportion to the total interest paid on the guaranteed rates since June 1, 1996. Following this special distribution, the method for computing distributions to participants after November 30, 1996 was changed, thereby eliminating future special distributions.

Designated Surplus Reserve.

While STIF is managed prudently to protect against losses from credit and market changes, the Fund is not insured or guaranteed by any government. Therefore, the maintenance of capital cannot be fully assured. In order to provide some protection to the shareholders of STIF from potential credit and market risks, the Treasurer has designated that a portion of each day's net earnings be transferred to the Designated Surplus Reserve (Reserve). Such amounts are restricted in nature and are not available for distribution to shareholders. In December 1996, a transfer was made to the Designated Surplus Reserve at the annualized rate of 0.1 percent of the average month-end investment balances for June through November 1996. Beginning December 1, 1996, the amount transferred daily to the Designated Surplus Reserve is equal to 0.1 percent of end of day investment balance divided by the actual number of days in the year. No transfer is to be made if the reserve account is equal to or greater than 1.0 percent of the daily investment balance. If net losses significant to the aggregate portfolio are realized, the Treasurer is authorized to transfer funds from the Reserve to Participant Units Outstanding.

As of June 30, 2003, the balance in the Designated Surplus Reserve was $40,819,265, an increase of $772,126 from the June 30, 2002 balance of $40,047,139.

Estimates.

The preparation of the financial statements in conformity with (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities in the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3: INVESTMENT RISK CLASSIFICATION

STIF's investment practice is to invest all cash balances; as such, there was no uninvested cash at June 30, 2003. All certificates of deposit within the portfolio are considered negotiable instruments. The certificates of deposit and all other securities of STIF are registered under the State Street Bank nominee name, Pond, Tide & Co., for the State of Connecticut nominee name, Conn. STIF & Co., and held by a designated agent of the State.

All investments of STIF are classified in category 1 of the custodial credit risk defined by GASB Statement No. 3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements". Classification in category 1 means that the exposure of deposits or investments to potential custodial credit risk is low.

Category 1 includes investments which are insured or registered or for which the Treasurer or his agent in the Treasurer's name holds securities.

NOTE 4: CUSTODIAN

State Street Bank was appointed as custodian for STIF effective February 1, 1996. STIF pays fees to the custodian for transactions and accounting services at a fixed annual rate of $43,000.

NOTE 5: ADMINISTRATION

STIF is managed and administered by employees of the State of Connecticut Treasury. Salaries and fringe benefit costs as well as operating expenses are charged directly to the Fund.

NOTE 6: RECEIVABLE FROM OR PAYABLE TO TRANSFER AGENT

In an effort to invest all cash balances each day, estimates of participant purchase and sale activity are made. Occasionally, the timing of cash movements by participants may not exactly match the net activity of purchases and sales, resulting in a difference between investments held in securities relative to participants' net account value. As of June 30, 2003, STIF recorded a liability of $110,485, payable to the transfer agent, for investments purchased which did not match actual movements of cash by participants into the Fund.

NOTE 7: DISTRIBUTIONS TO PARTICIPANTS

The components of the distributions to participants are as follows for the income earned during the twelve months ended:

Distributions:	2003	2002
July	$ 5,630,151	$14,892,482
August	6,319,460	15,859,392
September	6,481,756	14,497,488
October	6,212,452	11,674,462
November	4,919,008	8,037,557
December	4,678,374	6,640,090
January	4,669,456	6,785,539
February	4,285,455	5,878,246
March	4,290,218	6,247,456
April	4,125,914	5,953,400
May	4,345,137	6,492,416
June (Payable at June 30)	3,672,707	5,777,864
Total Distribution Paid & Payable	**$59,630,088**	**$108,736,391**

NOTE 8: INVESTMENTS IN SECURITIES

The following is a summary of investments in securities, at amortized cost and fair value as of June 30, 2003:

Investment	Amortized Cost	Fair Value
Banker's Acceptances	$ 64,331,891	$ 64,504,524
Bank Notes	402,932,157	402,932,157
Certificates of Deposit	450,000,000	450,059,980
Corporate Notes	342,951,001	342,951,001
Extendable Commercial Notes	280,960,615	280,963,561
Federal Agency Securities	102,648,459	102,851,128
Fully Supported Commercial Paper	93,881,971	93,881,971
Liqudity Management Control System	165	165
Multi-Backed Commercial Paper	104,119,472	104,119,472
Receivable-Backed Commercial Paper	165,372,479	165,372,479
Repurchase Agreements	239,482,000	239,482,000
Securities-Backed Commercial Paper	1,029,473,154	1,029,468,708
TOTAL	**$3,276,153,364**	**$3,276,587,146**

Repurchase agreements are agreements to purchase securities from an entity for a specified amount of cash and to resell the securities to the entity at an agreed upon price and time. They are used to enhance returns with minimal risk on overnight cash deposits of the Fund. Such transactions are only entered into with primary government securities dealers who report directly to the Federal Reserve Bank of New York and commercial banks that meet certain quality standards. All repurchase agreements are collateralized at between 100 percent and 102 percent of the securities' value.

In an effort to improve disclosures associated with derivative contracts, the Government Accounting Standards Board (GASB) issued GASB Technical Bulletin No. 2003-1 (TB2003-1), *Disclosure Requirements for Derivatives Not Reported at Fair Value on the Statement of Net Assets*, effective for the periods ending after June 15, 2003, superseding Technical Bulletin 94-1. TB 2003-1 clarifies guidance on derivative disclosures that are not reported at fair value on the statement of net assets and defines a derivative instrument as a financial instrument or other contract with all three of the following characteristics: a) it has (1) one or more underlyings (a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates or other variable) and (2) one or more notional amounts (a number of currency units, shares, bushels, pounds, or other units specified in the contract) b) it requires no initial investment or smaller than would be required for other types of contracts c) its terms require or permit net settlement, it can readily be settled net by a means outside the contract, or it provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement.

For the fiscal year ended June 30, 2003, the Short-Term Investment Fund held adjustable-rate federal agency, corporate notes and bank notes whose interest rates vary directly with short-term money market indices and are reset daily, weekly, monthly, quarterly or semi-annually. Such securities allow the Fund to earn higher interest rates as market rates increase, thereby increasing fund yields and protecting against the erosion of market values from rising interest rates. All positions are reported at fair value and changes in fair value are reflected in income as they occur. The adjustable-rate federal agency securities are rated AAA by a nationally recognized credit rating agency. The bank notes are rated either A-1+ or A-1. All of the adjustable rate securities have similar exposures to credit and legal risks as fixed-rate securities from the same issuers.

NOTE 9: CREDIT RATING OF THE FUND

Throughout the year ended June 30, 2003, STIF was rated AAAm, its highest rating, by Standard and Poor's Corporation ("S&P"). In January 2003, following a review of the portfolio and

STIF's investment policies, management and procedures, S&P reaffirmed STIF's AAAm rating. In order to maintain an AAAm rating, STIF adheres to the following guidelines:

- Weekly portfolio and market value calculations;
- Maintenance of credit quality standards for portfolio securities with at least 75% of such securities rated A-1+ or invested in overnight repurchase agreements with dealers or banks rated A-1;
- Ensuring adequate portfolio diversification standards with no more than 5% of the portfolio invested in an individual security and no more than 10% invested in an individual issuer, excluding one and two day repurchase agreements and U.S. government agency securities; and
- A limit on the overall portfolio weighted average maturity, (currently no more than 60 days).

It is the Treasurer's intention to take any and all such actions as are needed from time to time to maintain the AAAm rating.

Investment
Section

STATE OF CONNECTICUT

QUI TRANSTULIT SUSTINET

TREASURER'S OFFICE

2003 short-term investment fund

Fund Facts at June 30, 2003

Investment Strategy/Goals: To provide a safe, liquid and effective investment vehicle for the operating cash of the State, municipalities and other Connecticut political subdivisions.

Performance Objective: As high a level of current income as is consistent with, first, the safety of principal and , second, the provision of liquidity.

Benchmarks: First Tier Institutions-Only Rated Money Fund Report™ (MFR) Index, Federal Reserve Three-Month CD, Fedeal Reserve Three-Month T-Bill.

Date of Inception: 1972

Total Net Assets: $3,276,078,820

Internally Managed

External Management Fees: None

Expense Ratio: Less than 3 basis points (includes internal management and personnel salaries)

Investment Results Review

Description of the Fund

The Treasurer's Short-Term Investment Fund ("STIF" or the "Fund") is an AAAm rated investment pool of high-quality, short-term money market instruments managed by the Treasurer's Cash Management Division. Created in 1972, it serves as an investment vehicle for the operating cash of the State Treasury, State agencies and authorities, municipalities, and other political subdivisions of the State. (See figure 11-1.) STIF's objective is to provide as high a level of current income as is consistent with, first, the safety of principal and, second, the provision of liquidity to meet participants' daily cash flow requirements. During the 2003 fiscal year, STIF's portfolio averaged $3.7 billion.

STIF employs the basic strategy of buying on market weakness. For example, when interest rates rise, STIF is in the market taking advantage of higher yields. To ensure sufficient liquidity to fund unexpected participant withdrawals, STIF closely monitors its "average maturity," based upon time to maturity or interest rate reset date of all securities in the portfolio. (See figure 11-2.) Over the long-term, STIF continually analyzes expectations of future interest rate movements and changes in the shape of the yield curve to ensure the most prudent and effective short-term money management for its clients. Ongoing credit analysis enables STIF to enhance its yield by identifying high-quality credits in undervalued sectors of the economy.

STIF pays interest monthly based on the daily earnings of the Fund less Fund expenses and an allocation to the Fund's Designated Surplus Reserve. The daily reserve allocations equal one-tenth of one percent of the Fund's daily balances divided by the number of days in the year, until the reserve totals one percent of the Fund's daily balance. This reserve, currently just under $41 million, contributes significantly to STIF's low risk profile.

To help the Fund and its customers evaluate performance, STIF compares its returns to a set of three indices. The first index is the First Tier Institutions-Only Rated Money Fund Report™ Index ("MFR Index"). This index represents an average of institutional money market mutual funds rated AAA or AA that invest primarily in first-tier (securities rated A-1, P-1) taxable securities. While STIF's investment policy allows for somewhat greater flexibility than these SEC-registered funds, the MFR Index is the most appropriate benchmark against which to judge STIF's performance.

STIF's yields are also compared to the Federal Reserve three-month T-Bill rate and the Federal Reserve three-month CD rate. The former index is used to measure STIF's effectiveness in achieving yields in excess of a "risk-free" investment. The latter is shown for the benefit of STIF investors, many of whom invest in bank certificates of deposit. In viewing these indices, it is important to keep in mind that yields of the CD index will exceed those of the T-Bill index due to a CD's slightly higher risk profile and comparatively lower liquidity. Furthermore, indices are "unmanaged" and are not affected by management fees or operating expenses. (See figure 11-3.)

Among the Fund's several achievements during the 2003 fiscal year was the continuation of an AAAm rating by Standard & Poor's in January 2003. This rating is S&P's highest for money market funds and investment pools and signifies its conclusion that the Fund's safety of investors' principal is excellent and that superior capacity exists to maintain a $1 per share net asset value at all times. (See figure 11-4.)

Risk Profile

STIF is considered extremely low risk for several reasons. First, its portfolio is comprised of high-quality, highly liquid securities, which insulate the Fund from default and liquidity risk. Second, its relatively short average maturity reduces the Fund's price sensitivity to changes in market interest rates. Third, STIF has a strong degree of asset diversification by security type and issuer, as required by its investment policy, strengthening its overall risk profile. And finally, STIF's reserve, which totals approximately one percent of Fund assets, is available to protect against security defaults or the erosion of security values due to dramatic and unforeseen market changes. While this reserve has never been drawn upon during STIF's 31-year history, this added layer of security preserves the Fund's low risk profile. As the chosen short-term investment vehicle for the operating cash of the State, STIF has the ultimate confidence of the State government.

While STIF is managed diligently to protect against losses from credit and market changes, the Fund is not insured or guaranteed by any government. Therefore, the maintenance of capital cannot be fully assured.

Portfolio Composition

Throughout the year, STIF closely monitored the activities of the Federal Reserve and other economic indicators, adjusting the Fund's portfolio and characteristics as required. At the beginning of the fiscal year, STIF's weighted average maturity equaled 29 days. During the year the funds average maturity ranged from 10 to 64 days as market rates fluctuated. At the end of the 2003 fiscal year, the average maturity was 21 days, since there was little incentive to extend as the yield curve flattened as the market priced in further Fed easings.

STIF's assets continued to be well diversified across the spectrum of available short-term securities throughout the year. The Fund ended the year with a 75 percent concentration in investments rated A-1+ or AAA (the highest ratings of Standard & Poor's) or overnight repurchase agreements. Seventy-three percent of the Fund was invested in securities with maturities, or interest rate reset dates for adjustable rate securities, of less than 30 days, versus the 57 percent at the previous year-end. The Fund's three largest security weightings included securities-backed commercial paper (31.4 percent), Certificates of Deposits (13.7 percent) and bank notes (12.3 percent), respectively. (See figure 11-5.)

Performance Summary

For the one-year period ended June 30, 2003, STIF reported an annual total return of 1.64 percent, net of operating expenses and allocations to Fund reserves. Annual total return measures the total investment income a participant would earn with monthly compounding at the Fund's monthly net earned rate during the year. This figure exceeded that achieved by its benchmark, the MFR Index, which equaled 1.20 percent, by 44 basis points, as well as three-month T-Bills, which yielded 1.31 percent and three-month CDs, which yielded 1.40 percent. Principal reasons for STIF's strong performance include low overall expenses, its effective security selection and fluctuating average life in response to the changing interest rate environment.

Over the long-term, STIF has performed exceptionally well. For the trailing three-, five-, seven-,and ten-year periods, STIF's compounded annual total return was 3.44 percent, 4.33 percent, 4.73 percent, and 4.83 percent, net of operating expenses and contributions to reserves, exceeding returns of each of its benchmarks for all time periods. Viewed on a dollar-for-dollar basis, had one invested $10 million in STIF ten years ago, that investment would have been worth $16 million at June 30, 2003, versus $15.4 million for a hypothetical investment in the MFR Index. (See figure 11-6.)

Economic Report for Fiscal Year 2003

Accounting scandals at the beginning of fiscal year 2003 snuffed out the economic momentum that developed at the end of fiscal year 2002. The Federal Reserve (Fed) was still hopeful enough about the prospects of future economic growth that it did not ease interest rates at either its August 13 or September 24, 2002 Federal Open Market Committee (FOMC) meetings, though it did maintain a bias for weakness in the economy. At its November 6, 2002 FOMC meeting, the Fed lowered the Federal Funds rate by an unexpected 50 basis points (BP), to 1.25 percent. The Fed lowered interest rates as a precaution, just in case the "soft patch" in economic growth that Fed Chairman Alan Greenspan alluded to in testimony before Congress turned out to be more serious than expected. The Fed also changed its bias to neutral, signaling that unless the economy deteriorated, it was through easing this economic cycle.

In the beginning of calendar year 2003, it appeared that the economy was finally improving, and the next move by the Fed would be to increase interest rates. By the end of the first quarter, however, all this had changed. The economy appeared to stall, primarily because of the impending invasion of Iraq, and the market expected further Fed easings, possibly as early as its March 18, 2003 meeting. The Fed held off on lowering interest rates until its June meeting, when it eased by 25BP, bringing the Funds rate down to one percent on June 25, 2003. This is its lowest level since the Eisenhower administration.

Other money market rates followed suit. One month Certificates of Deposit (CD's), for example, declined from 1.75 percent at the beginning of fiscal year 2003 to 1.09 percent at the end, dropping to a low of .845 percent on June 24, when many market participants expected the Fed to lower rates by 50BP on June 25. Three month CD's followed a similar path, declining from 1.77 percent in the beginning of fiscal year 2003 to 1.07 percent at its end, reaching a low of .845 on June 24.

Though the Fed expressed concern about possible deflation occurring in the economy, overall inflation using the Consumer Price Index (CPI) was actually significantly higher in fiscal year 2003 than it was in fiscal year 2002, though core inflation (excluding the volatile food and energy sectors) was lower. CPI increased by 2.1 percent in fiscal year 2003. In the prior fiscal year, CPI increased by just over one percent. Core CPI was lower in fiscal year 2003, at 1.5 percent, versus 2.3 percent in fiscal year 2002. The Producer Price Index (PPI) went from an actual decline of around two percent in fiscal year 2002 to an increase of 2.9 percent in fiscal year 2003. As with CPI, core PPI was lower in fiscal year 2003 at -.3 percent versus .2 in fiscal year 2002. The Gross Domestic Deflator, the broadest measure of inflation for the economy, remained steady at around one percent in fiscal year 2003, the same amount by which it increased in fiscal year 2002. Though by some measures, overall inflation was higher in fiscal year 2003, the low core inflation rates helped the Fed maintain an accommodative policy. It kept this accommodative policy, because it was more concerned about the weak economy and possible, if unlikely, deflation, than about possible inflation.

The chance for a deflationary environment for the American economy is remote, but the Fed is still very concerned about it. A deflationary environment would make it impossible for the Fed to stimulate the economy by traditional means, since interest rates cannot go below zero. Deflation would be especially hard on the U.S. because of America's high debt burdens. A decline in earnings and salaries would make it difficult for businesses and consumers to pay back their debts. The Fed could still affect the economy by non-traditional means, such as buying long bonds, weakening the dollar, or possibly even lending directly to companies. So far the Fed has not been willing to use non-traditional means to stimulate the economy, and this has disappointed some market participants, causing long-term interest rates to increase after the FOMC lowered short-term rates in June.

For many, the economic recovery that the economy experienced in fiscal year 2003 felt more like a recession. To most workers, job opportunity is the surest sign of economic prosperity. In this recovery, the economy has continued to lose jobs, especially in manufacturing. The U.S. economy is experiencing, according to the Wall Street Journal, its "…most protracted job-market downturn since the Great Depression" and has lost over two million jobs since the recession began in March 2001.

Increases in productivity, overseas competition, and structural changes in the American economy are the three main culprits in the declining job market. In the long run, productivity is good for workers, since it leads to higher real wages. Unfortunately in the short run, if productivity increases at a higher rate than the economy grows, fewer workers are needed. Globalization has hit Americans workers with a double whammy. First, inexpensive imports have hurt domestic production, and second, in order to compete with lower cost imported goods, U.S. companies have moved production facilities overseas. The structural changes are related to both the increase in productivity and globalization, and are what the American-Austrian economist Joseph Schumpeter called "creative destruction." In capitalist societies, inefficient companies and labor intensive or technologically-obsolete industries (e.g., the U.S. textile industry and the production of railroad steam engines) decline in order for more efficient companies and new industries to prosper. Though beneficial for the entire economy in the long run, the adjustment process can be painful.

Lower employment could also hinder the recovery by decreasing consumer confidence. Consumers make up nearly seventy percent of the U.S. economy and so far have been the mainstay of the recovery. If declining employment prospects cause consumers to decrease their spending, the recovery could be stopped. Using the Conference Board's index, consumer confidence started at a respectable level 106 in the beginning of the fiscal year. The index fell to 79.6 by October 2002, due to the accounting scandals, before it increased slightly to 84.9 by November, then plummeted to 61.4 in March 2003, primarily due to the war with Iraq, before increasing to 83.5 in June, the end of fiscal year 2003.

Though productivity gains could hurt the economy by decreasing current employment opportunities, and thus lowering consumer spending, it has also increased corporate profits. This has given companies the resources to invest in new equipment and, by so doing, contribute to a much-needed increase in capital investment. So far, most of the capital invested by companies has been to improve productivity rather than to increase production. Though this is helpful, it is not as stimulative to the economy as investment to increase production.

Outlook for Fiscal Year 2004

Fiscal year 2004 began with uncertainty, but shows signs of gaining strength. Overall consumer confidence declined from 83.5 at the end of fiscal year 2003 to 77.0 in July and September. It rebounded to 92.5 in November.

A combination of pro-growth fiscal policies, an accommodative Fed policy, improvement in corporate profits, and mild core inflation should cause the economy to expand this year. The Fed has made it clear that it plans to keep short-term rates low for the foreseeable future, and the Federal Government has shown no inclination to cut spending or raise taxes. The continuing decline of the dollar should help the U.S. economy by making exports more competitive and imports more expensive. Durable goods orders rose in the months of June and July, the first back-to-back increase in the index since early 2001. Consumer spending has remained on track. There are some pessimists who believe that the problems in the American economy are of a more fundamental nature and it will take the U.S. longer to get over the stock market bubble burst of the late 1990's. Most agree, however, with Alan Greenspan that the American economy has been hit with a number of temporary shocks, such as 9/11, the accounting scandals and the invasion of Iraq, but that it has successfully weathered these shocks, and should expand in fiscal year 2004.

Figure 11-1

SHORT-TERM INVESTMENT FUND
Ownership Analysis at June 30, 2003 ($ in millions)

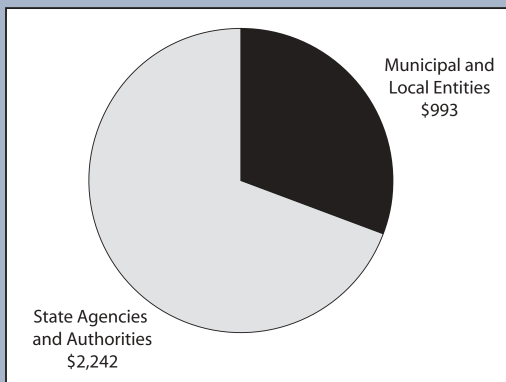


Figure 11-2

SHORT-TERM INVESTMENT FUND
Maturity Analysis

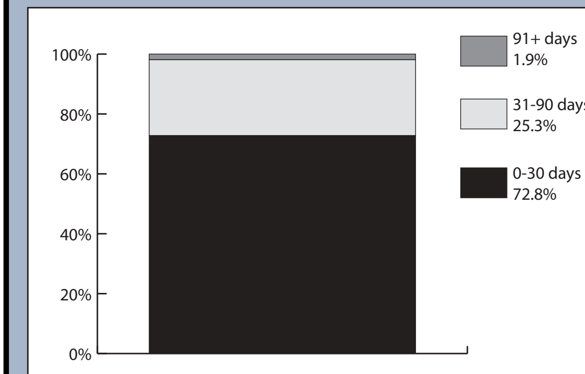


Figure 11-3

SHORT-TERM INVESTMENT FUND
Quarterly Yield vs. Benchmark

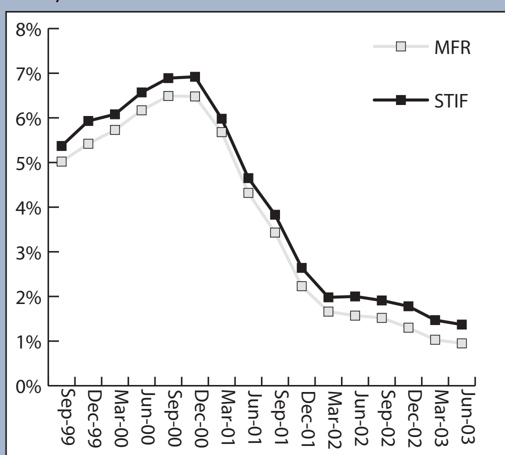


Figure 11-4

SHORT-TERM INVESTMENT FUND
Distribution by Quality Rating at June 30, 2003
Based on Investments in Securities, at Value

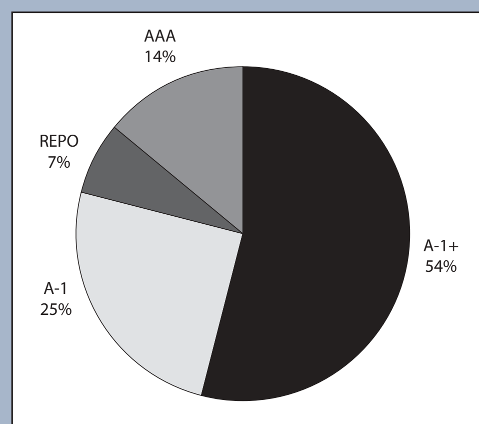


Figure 11-5

SHORT-TERM INVESTMENT FUND
Distribution by Security Type at June 30, 2003

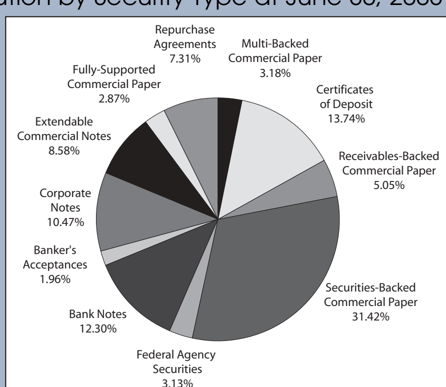


Figure 11-6

SHORT-TERM INVESTMENT FUND
Period ending June 30, 2003

	1 Yr	3 Yrs	5 Yrs	7 Yrs	10 Yrs
Compounded Annual Total Return (%)					
STIF	1.64	3.44	4.33	4.73	4.83
MFR Index*	1.20	3.04	3.94	4.35	4.43
Fed. Three-Month T-Bill	1.31	2.90	3.73	4.14	4.30
Fed. Three-Month CD	1.40	3.08	4.06	4.51	4.62
Cumulative Total Return (%)					
STIF	1.64	10.67	23.62	38.22	60.29
MFR Index*	1.20	9.39	21.31	34.71	54.21
Fed. Three-Month T-Bill	1.31	8.96	20.09	32.82	52.40
Fed. Three-Month CD	1.40	9.52	22.04	36.17	57.16

**Represents First Tier Institutions-only Money Fund Report™ (MFR) Index prior to December 31, 1995 and First Tier Institutions-only Rated Money Fund Report™ (MFR) Index through June 30, 2003.*

Q. With the Fed Funds rate so low can the Federal Reserve (Fed) still stimulate the economy?

A. Even with the low Fed Funds rate the Fed is not necessarily out of ammunition. It could buy long-term Treasuries in order to decrease long-term interest rates. It could directly lend to banks and possibly even to corporations. Though the Fed has talked about using non-traditional means to stimulate the economy, it so far has not used any, or shown any inclination to use them.

Q. Why the concern about deflation?

A. In a deflationary environment, it would be difficult for the Fed to stimulate the economy, since it is impossible to bring nominal interest rates below zero. Deflation would be especially hard on the American economy because of our high debt burdens. In a deflationary environment, with prices and probably wages declining, it is more difficult for business and individuals to make their debt payments.

Q. What are the chances of deflation?

A. The odds are very small. According to Nobel Prize laureate, Milton Friedman, fighting deflation is easy: just print money. Not all economists agree with this, and the U.S. is experiencing some deflation in the goods producing sector of the economy, due to increases in productivity and global competition. America is not experiencing deflation in the service sector, which makes up about 70 percent of the economy, and the decline in the goods producing sector has not been due to a decrease in demand, as it was in the Great Depression. With the expansionist fiscal and monetary policies that are now in place, it is very unlikely that the U.S. economy will experience a deflationary cycle.

CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND

LIST OF INVESTMENTS AT JUNE 30, 2003

Par Value	Security (Coupon, Maturity or Reset Date)	Yield %	Amortized Cost	Fair Value	Asset ID	Quality Rating
BANKERS' ACCEPTANCES (1.96% of total investments)						
$ 10,500,000	RABO BANK 1.01, 11/26/03	1.05	$ 10,456,402	$ 10,498,233	750997009	A-1+
4,000,000	RABO BANK 1.02, 12/3/03	1.05	3,982,433	3,999,472	750997009	A-1+
50,000,000	WACHOVIA 1.10, 9/9/03	1.07	49,893,056	50,006,820	92976R008	A-1
$ 64,500,000			**$ 64,331,891**	**$ 64,504,524**		
BANK NOTES (12.30% of total investments)						
$ 50,000,000	BANC ONE 1.19, 3/11/04	1.09	$ 49,986,199	$ 50,035,500	06423ENL5	A-1
50,000,000	BANC ONE 1.37, 5/10/04	1.10	50,000,000	50,117,500	06423EMD4	A-1
50,000,000	BAYERISCHE LANDES BK 1.17, 3/8/04	1.09	49,986,365	50,028,000	0727M5WU2	A-1+
13,000,000	KEY BANK 1.38, 4/23/04	1.11	12,989,508	13,015,990	49306BMX8	A-1
50,000,000	KEY BANK 1.26, 8/23/04	1.18	49,993,712	50,046,000	49306BNF6	A-1
50,000,000	KEY BANK 1.26, 8/23/04	1.18	49,993,712	50,046,000	49306BNF6	A-1
50,000,000	KEY BANK 1.25, 2/7/05	1.20	50,000,000	50,046,000	49306BNM1	A-1
50,000,000	NATIONAL CITY BANK 1.18, 2/23/04	1.09	49,990,368	50,029,500	634906BS9	A-1
40,000,000	NATIONAL CITY BANK 1.18, 2/23/04	1.09	39,992,293	40,023,600	634906BS9	A-1
$ 403,000,000			**$ 402,932,157**	**$ 403,382,090**		
CERTIFICATES OF DEPOSIT (13.74% of total investments)						
$ 50,000,000	FIRST UNION 1.54, 7/1/03	1.54	$ 50,000,000	$ 50,000,000	32099S004	A-1
50,000,000	FIRST UNION 1.54, 7/1/03	1.54	50,000,000	50,000,000	32099S004	A-1
50,000,000	FIRST UNION 1.54, 7/1/03	1.54	50,000,000	50,000,000	32099S004	A-1
50,000,000	FIRST UNION 1.54, 7/1/03	1.54	50,000,000	50,000,000	32099S004	A-1
50,000,000	FIRST UNION 1.54, 7/1/03	1.54	50,000,000	50,000,000	32099S004	A-1
50,000,000	FIRST UNION 1.54, 7/1/03	1.54	50,000,000	50,000,000	32099S004	A-1
50,000,000	FIRST UNION 1.54, 7/1/03	1.54	50,000,000	50,000,000	32099S004	A-1
40,046,000	CITIZENS BANK 1.32, 9/16/03	1.04	40,046,000	40,046,000	17399R004	A-1+
29,977,000	CITIZENS BANK 1.32, 9/16/03	1.04	29,977,000	29,977,000	17399R004	A-1+
29,977,000	CITIZENS BANK 1.32, 9/16/03	1.04	29,977,000	29,977,000	17399R004	A-1+
$ 450,000,000			**$ 450,000,000**	**$ 450,000,000**		
CORPORATE NOTES (10.47% of total investments)						
$ 15,000,000	GE CAPITAL CORP 1.64, 9/24/04	1.15	$ 15,000,000	$ 15,020,550	36962GZJ6	AAA
9,000,000	GE CAPITAL CORP 1.64, 9/24/04	1.15	8,997,774	9,012,330	36962GZJ6	AAA
50,000,000	GE CAPITAL CORP 1.64, 10/4/04	1.15	50,000,000	50,070,000	36962GZN7	AAA
45,000,000	GE CAPITAL CORP 1.64, 10/4/04	1.15	45,000,000	45,063,000	36962GZN7	AAA
10,000,000	GE CAPITAL CORP 1.68, 11/15/04	1.16	9,995,881	10,019,400	36962GZT4	AAA
50,000,000	GE CAPITAL CORP 1.62, 2/4/05	1.18	49,991,917	50,048,000	36962GA95	AAA
40,000,000	GE CAPITAL CORP 1.62, 2/4/05	1.18	40,000,000	40,038,400	EC8443508	AAA
13,100,000	GE CAPITAL CORP 1.62, 2/4/05	1.18	13,097,882	13,112,576	36962GA95	AAA
50,000,000	GE CAPITAL CORP 1.38, 3/21/05	1.14	50,029,982	50,104,000	369622FW0	AAA
11,040,000	GE CAPITAL CORP 0.74, 6/26/06	1.42	10,837,565	10,820,856	36962F2H8	AAA
50,000,000	SIGMA FINANCE 1.27, 2/11/05	1.15	50,000,000	50,093,000	EC5204069	AAA
$ 343,140,000			**$ 342,951,001**	**$ 343,357,112**		
EXTENDABLE COMMERCIAL NOTES (8.58% of total investments)						
$ 37,300,000	ASAP FUNDING 1.10, 7/11/03	1.10	$ 37,288,603	$ 37,288,603	04341FSY3	A-1+
8,883,000	ASAP FUNDING 1.10, 7/11/03	1.10	8,880,286	8,880,286	04341FSJ6	A-1+
75,000,000	HARWOOD STREET I 1.40, 7/1/03	1.40	75,000,000	75,000,000	41801H008	A-1+
50,000,000	HARWOOD STREET II 1.13, 9/18/03	1.11	49,876,014	49,878,960	41801FWJ6	A-1+
50,000,000	MITTEN MORTGAGE 1.38, 7/17/03	1.38	49,969,333	49,969,333	6191F1BJ0	A-1+
40,000,000	MITTEN MORTGAGE 1.27, 7/18/03	1.27	39,976,011	39,976,011	6191F1AQ5	A-1+
19,994,000	MITTEN RFC 1.15, 8/7/03	1.15	19,970,368	19,970,368	61911FCA2	A-1+
$ 281,177,000			**$ 280,960,615**	**$ 280,963,561**		
FEDERAL AGENCY SECURITIES (3.13% of total investments)						
$ 13,798,000	FNMA 1.01, 10/8/03	0.98	$ 13,752,467	$ 13,760,745	313588MS1	AAA
34,490,000	FNMA 1.01, 10/15/03	0.99	34,368,134	34,389,983	313588MZ5	AAA
24,500,000	SLMA 1.35, 4/26/04	1.04	24,510,860	24,588,200	86387SBJ8	AAA
30,000,000	SLMA 1.36, 4/27/04	1.04	30,016,998	30,112,200	86387SBP4	AAA
$ 102,788,000			**$ 102,648,459**	**$ 102,851,128**		

LIST OF INVESTMENTS AT JUNE 30, 2003 (Continued)

Par Value	Security (Coupon, Maturity or Reset Date)	Yield %	Amortized Cost	Fair Value	Asset ID	Quality Rating
FULLY-SUPPORTED COMMERCIAL PAPER (2.86% of total investments)						
$ 11,000,000	EXELSIOR FINANCE 1.24, 7/11/03	1.24	$ 10,996,211	$ 10,996,211	30161UUB9	A-1+
53,000,000	EXELSIOR FINANCE 1.28, 8/21/03	1.28	52,903,893	52,903,893	30161UVM4	A-1+
30,000,000	OVAL FUNDING 1.28, 7/18/03	1.28	29,981,867	29,981,867	69013UUJ0	A-1+
$ 94,000,000			**$ 93,881,971**	**$ 93,881,971**		
LIQUIDITY MANAGEMENT CONTROL SYSTEM (0.00% of total investments)						
$ 165	LIQUIDITY MNGT SYSTEM 0.38, 7/1/03	0.38	$ 165	$ 165	536991003	A-1+
$ 165			**$ 165**	**$ 165**		
MULTI-BACKED COMMERCIAL PAPER (3.18% of total investments)						
$ 50,000,000	BEST FUNDING 1.275, 7/15/03	1.28	$ 49,975,208	$ 49,975,208	08652MUF0	A-1+
13,800,000	BEST FUNDING 1.275, 7/15/03	1.28	13,793,157	13,793,157	08652MUF0	A-1+
16,860,000	BEST FUNDING 1.26, 8/7/03	1.26	16,838,166	16,838,166	08652MU77	A-1+
6,100,000	BEST FUNDING 1.26, 8/11/03	1.26	6,091,247	6,091,247	08652MUB8	A-1+
4,040,000	BEST FUNDING 1.26, 8/15/03	1.26	4,033,637	4,033,637	08652MUF9	A-1+
13,399,000	TASMAN FUNDING 1.05, 7/29/03	1.05	13,388,057	13,388,057	87651UUV2	A-1+
$ 104,199,000			**$ 104,119,472**	**$ 104,119,472**		
RECEIVABLE-BACKED COMMERCIAL PAPER (5.05% of total investments)						
$ 60,000,000	ALBIS CAPITAL CORP 1.27, 7/24/03	1.27	$ 59,951,317	$ 59,951,317	01344UUQ7	A-1+
25,000,000	ALBIS CAPITAL CORP 1.28, 7/24/03	1.28	24,979,556	24,979,556	01344UUQ7	A-1+
21,363,000	REDWOOD RECEIVABLES 1.32, 7/1/03	1.32	21,363,000	21,363,000	75806SU12	A-1+
9,771,000	SYDNEY CAPITAL 1.25, 8/13/03	1.25	9,756,411	9,756,411	87123MVD9	A-1+
49,400,000	SYDNEY CAPITAL 1.26, 8/15/03	1.26	49,322,195	49,322,195	87123MVF4	A-1+
$ 165,534,000			**$ 165,372,479**	**$ 165,372,479**		
REPURCHASE AGREEMENTS (7.31% of total investments)						
$ 239,482,000	BEAR STEARNS 1.30, 7/1/03	1.30	$ 239,482,000	$ 239,482,000	073993008	A-1
$ 239,482,000			**$ 239,482,000**	**$ 239,482,000**		
SECURITIES-BACKED COMMERCIAL PAPER (31.42% of total investments)						
$ 13,587,000	AELTUS CBO V 1.27, 7/2/03	1.27	$ 13,586,521	$ 13,586,521	0076A3U26	A-1+
5,150,000	AELTUS CBO V 1.29, 7/8/03	1.29	5,148,708	5,148,708	0076A3U83	A-1+
28,000,000	AELTUS CBO V 1.28, 7/11/03	1.28	27,990,044	27,990,044	0076A3UB6	A-1+
30,000,000	AELTUS CBO V 1.28, 7/16/03	1.28	29,984,000	29,984,000	0076A3UG5	A-1+
22,500,000	AELTUS CBO V 1.26, 7/24/03	1.26	22,481,888	22,481,888	0076A3UQ3	A-1+
26,500,000	AELTUS CBO V 1.26, 8/1/03	1.26	26,471,248	26,471,248	0076A3V17	A-1+
22,500,000	AELTUS CBO V 1.08, 8/28/03	1.08	22,460,850	22,460,850	0076A3VU2	A-1+
50,000,000	AMSTEL FUNDING 1.05, 8/4/03	1.05	49,950,417	49,950,417	03218SV49	A-1+
25,000,000	AMSTEL FUNDING 1.05, 8/4/03	1.05	24,975,208	24,975,208	03218SV49	A-1+
25,000,000	AMSTEL FUNDING 1.05, 8/4/03	1.05	24,975,208	24,975,208	03218SV49	A-1+
24,000,000	BAVARIA GLOBAL CORP 1.28, 7/1/03	1.28	24,000,000	24,000,000	0717M3U14	A-1+
29,850,000	BAVARIA GLOBAL CORP 1.28, 7/2/03	1.28	29,848,939	29,848,939	0717M3U22	A-1+
23,579,000	BAVARIA GLOBAL CORP 1.28, 7/3/03	1.28	23,577,323	23,577,323	0717M3U30	A-1+
6,600,000	BAVARIA GLOBAL CORP 1.28, 7/3/03	1.28	6,599,531	6,599,531	0717M3U30	A-1+
13,238,000	BAVARIA GLOBAL CORP 1.27, 7/7/03	1.27	13,235,198	13,235,198	0717M3U71	A-1+
6,575,000	BAVARIA GLOBAL CORP 1.27, 7/10/03	1.27	6,572,912	6,572,912	0717M3UA4	A-1+
11,170,000	BAVARIA GLOBAL CORP 1.27, 7/14/03	1.27	11,164,877	11,164,877	0717M3UE6	A-1+
4,000,000	BAVARIA GLOBAL CORP 1.30, 7/14/03	1.30	3,998,122	3,998,122	0717M3UE6	A-1+
50,000,000	BAVARIA GLOBAL CORP 1.30, 7/15/03	1.30	49,974,722	49,974,722	0717M3UF3	A-1+
28,500,000	BAVARIA GLOBAL CORP 1.29, 7/28/03	1.29	28,472,426	28,472,426	0717M3UU0	A-1+
14,154,000	BAVARIA GLOBAL CORP 1.28, 8/4/03	1.28	14,136,889	14,136,889	0717M3V47	A-1+
5,870,000	BAVARIA GLOBAL CORP 1.27, 8/15/03	1.27	5,860,681	5,860,681	0717M3VF2	A-1+
35,999,000	DECLARATION FUNDING 1.28, 7/23/03	1.28	35,970,841	35,970,841	24357MUP3	A-1
26,570,000	DECLARATION FUNDING 1.27, 8/19/03	1.27	26,524,071	26,524,071	24357MVK3	A-1
14,543,000	DECLARATION FUNDING 1.27, 8/21/03	1.27	14,516,835	14,516,835	24357MVM9	A-1
5,000,000	DECLARATION FUNDING 1.30, 8/22/04	1.30	4,990,611	4,990,611	24357MVN7	A-1
38,124,000	PERRY GLOBAL FUNDING 1.05, 9/24/03	1.10	38,029,484	38,025,038	71467MWQ7	A-1+
50,000,000	TRAINER WORTHAM 1.28, 7/15/03	1.28	49,975,111	49,975,111	89288MUF2	A-1+
25,000,000	TRAINER WORTHAM 1.28, 7/15/03	1.28	24,987,556	24,987,556	89288MUF2	A-1+
55,000,000	TRAINER WORTHAM 1.27, 8/15/03	1.27	54,912,688	54,912,688	89288MVF1	A-1+
50,000,000	WESTWAY FUNDING IV 1.27, 7/24/03	1.27	49,959,431	49,959,431	9616R3UQ9	A-1+
57,562,000	WESTWAY FUNDING IV 1.26, 8/8/03	1.26	57,485,443	57,485,443	9616R3V88	A-1+

LIST OF INVESTMENTS AT JUNE 30, 2003 (Continued)

Par Value	Security (Coupon, Maturity or Reset Date)	Yield %	Amortized Cost	Fair Value	Asset ID	Quality Rating
50,000,000	WESTWAY FUNDING IV 1.295, 8/11/03	1.30	49,926,257	49,926,257	9616R3VB1	A-1+
10,167,000	WESTWAY FUNDING IV 1.295, 8/11/03	1.30	10,152,005	10,152,005	9616R3VB1	A-1+
53,272,000	WESTWAY FUNDING V 1.27, 7/22/03	1.27	53,232,534	53,232,534	9616X3UN9	A-1+
25,000,000	WESTWAY FUNDING V 1.27, 7/23/03	1.27	24,980,597	24,980,597	9616X3UP4	A-1+
13,866,000	WESTWAY FUNDING V 1.27, 7/24/03	1.27	13,854,749	13,854,749	9616X3002	A-1+
11,000,000	WESTWAY FUNDING V 1.26, 7/24/03	1.26	10,991,145	10,991,145	9616X3UQ2	A-1+
14,596,000	WESTWAY FUNDING V 1.29, 8/20/03	1.29	14,569,849	14,569,849	9616X3VL2	A-1+
29,000,000	WESTWAY FUNDING V 1.26, 8/21/03	1.26	28,948,235	28,948,235	9616X3VM0	A-1+
$1,030,472,000			**$ 1,029,473,154**	**$ 1,029,468,708**		
$3,278,292,165	**TOTAL INVESTMENT IN SECURITIES**		**$ 3,276,153,364**	**$ 3,277,383,211**		

SCHEDULE OF MANAGEMENT FEES AT JUNE 30, 2003

Category	Amount
Internal Management Fees	$872,294
External Professional Fees	29,508
Total	$901,802

Internal management fees include payroll, lease service, subscriptions, supplies, telephone and other. External professional fees include Independent Accountant fees and custodian and investor services.

SCHEDULE OF PARTICIPANTS BY CONCENTRATION AT JUNE 30, 2003

Type	Number of Accounts	Value
Municipal Entities	551	$ 992,782,295
State	115	886,514,771
Political Subdivisions of the State	440	1,355,962,425
Total	1,106	$3,235,259,491

Investment Policy

As adopted August 21, 1996

A. Background

The Treasurer's Short-Term Investment Fund (STIF) is an investment pool of high-quality, short-term money market instruments for state and local governments. Operating since 1972 in a manner similar to a money market mutual fund, STIF's purpose is to provide a safe, liquid and effective investment vehicle for the operating cash of the State Treasury, state agencies and authorities, municipalities, and other political subdivisions of the state.

All State, local and political subdivisions of the State are authorized to invest in STIF by (CGS) 3-27a and 3-27b.

B. Purpose

The purpose of this document is to specify the policies and guidelines that provide for the systematic management of STIF and the prudent and productive investment of funds.

C. Investment Objectives

STIF seeks as high a level of current income as is consistent with, first, the safety of principal invested by the State, municipalities and others, and, second, the provision of liquidity to meet participants' daily cash flow requirements.

D. Safety of Principal

Safety of principal, STIF's primary objective, shall be pursued in a number of ways.

1. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio by protecting against credit risks (from security defaults) and the erosion of market prices (from rising interest rates).
2. The Fund's investments shall be made in conformance with prudent guidelines for allowable instruments, credit quality and maturities. See Section H.
3. STIF shall maintain adequate diversification of instruments, issuers, industries and maturities to protect against significant losses from credit risks and market changes. See Section H.
4. All securities shall be held by a third-party custodian.
5. All transactions shall be handled on the basis of delivery vs. payment to a custodian bank.
6. All repurchase agreements shall be fully collateralized, with a custodian bank receiving delivery of the collateral.
7. Reverse repurchase agreements may be used only to meet temporary liquidity requirements of the Fund and may not exceed five percent of total Fund assets. See Section H.
8. STIF shall maintain a designated surplus reserve to provide an added layer of security. For the period June through November 1996 a pro-rated allocation to the reserve will be paid from investment returns that will equal, on an annualized basis, one-tenth of one percent of the fund's total investments until the reserve equals one percent of investments. Effective December 1, 1996, daily allocations to the designated surplus reserve will be paid from investment returns and will equal, on an annualized basis, one-tenth of one percent of the fund's investments until the reserve equals one percent of investments. If net losses significant to the aggregate portfolio are realized, they shall be charged against the designated surplus reserve, as discussed in Section Q. This reserve has never been drawn upon in STIF's 24-year history.

While STIF — which consists predominantly of funds for which the Treasurer is sole trustee — is managed diligently to protect against losses from credit and market changes, and though deposits are backed by high-quality and highly-liquid short-term securities, the Fund is not insured or guaranteed by any government and the maintenance of capital cannot be fully assured.

E. Liquidity

The portfolio shall be structured through sufficient investments in overnight and highly-marketable securities to allow complete liquidity for participants. In addition, reverse repurchase agreements totaling up to five percent of Fund assets may be used to meet temporary liquidity requirements.

Participants have full and quick access to all of their funds. Participants may make same-day (up to 10:30 a.m.) deposits and withdrawals of any size. Withdrawals generally are sent via Fed wire, thus funds are available for use on the day of withdrawal.

In addition, deposits and withdrawals may be made through the ACH system on a next-day basis, deposits may be made by check through the mail, and withdrawals may be made by check. No transaction fees are charged on deposits or withdrawals by wire or ACH. Withdrawals by check are charged a fee, as specified in the participant manual.

F. Yield

STIF's investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account investment risk constraints and the liquidity requirements of the Fund.

The portfolio shall be managed with the objective of exceeding the average of three-month U.S. Treasury Bill rates for the equivalent period. This index is considered a benchmark for near-riskless investment transactions and, therefore, comprises a minimum standard for the portfolio's rate of return. The investment program shall seek to augment returns above this threshold, consistent with stated risk limitations and prudent investment principles.

While STIF shall not make investments for the purpose of trading or speculating as the dominant criterion, STIF shall seek to enhance total portfolio return through active portfolio management. The prohibition on speculative investments precludes pursuit of gain or profit through unusual risk. Trading in response to changes in market value or market direction, however, is warranted under active portfolio management.

G. Prudence

Investments shall be made with the care, skill, prudence, and diligence — under circumstances then prevailing — that prudent persons acting in like capacities and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The standard of prudence to be used by STIF's investment officials shall be the "prudent expert" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion in writing and appropriate action is taken to control adverse developments.

H. Investment Guidelines

All investments must be made in instruments authorized by CGS 3-27c - 3-27e. In addition, the Treasurer has adopted the investment guidelines that follow. Unless otherwise indicated, references to credit ratings are to those of Standard & Poor's.

1. STIF may invest in the following securities:

   a. U.S. government and federal agency securities.

b. Certificates of deposit of commercial banks in the United States whose short-term debt is rated at least A-1 and TBW-1 (by Thomson Bank Watch) and whose long-term debt is rated at least A- and C (by Thomson Bank Watch).

c. Certificates of deposit of U.S. branches of foreign banks with short-term debt ratings of at least A-1 and TBW-1 and long-term debt ratings of at least A and B/C (by Thomson Bank Watch).

d. Bankers' acceptances of those banks meeting the criteria in b. and c. above.

e. Fully-collateralized repurchase agreements with primary dealers of the Federal Reserve with short-term debt ratings of at least A-1, or qualified domestic commercial banks meeting the criteria in b. above, with possession of collateral by a custodian bank.

f. Commercial paper of companies that have short-term debt rated at least A-1 and P-1 (by Moody's) and long-term debt rated at least AA- and Aa3 (by Moody's).

g. Corporate or asset-backed securities rated at least A-1/P-1 and AA-/Aa3.

h. Asset-backed securities with maturities of under one year rated at least A-1/P-1.

i. Money market mutual funds or similar investment pools, comprised of securities permitted under this investment policy and managed to maintain a constant share value, rated AAAm.

j. A line of credit of up to $100 million with the Connecticut Student Loan Foundation. Any resulting loans shall be fully collateralized (at 102 percent) by student loans with interest and principal 98 percent federally guaranteed.

k. The portfolio currently includes securities issued by the State of Israel, which mature in less than six years, and which, in the aggregate, total less than .5 percent of the portfolio value. These notes' interest rates are reset semi-annually at the prime rate minus 50 basis points. These securities, as currently structured, will not be purchased in the future.

2. Reverse repurchase agreements, in the aggregate, may not exceed five percent of net assets at the time of execution. While any reverse repurchase agreement is outstanding, new investments must match the maturity of the shortest-term outstanding reverse repurchase agreement. Reverse repurchase agreements are to be used only to meet temporary liquidity requirements of the Fund.

3. No investments may be made in "derivative" securities such as futures, swaps, options, interest-only and principal-only mortgage-backed securities, inverse floaters, CMT floaters, leveraged floaters, dual index floaters, COFI floaters, and range floaters. These types of securities can experience high price volatility with changing market conditions, and their market values may not return to par even at the time of an interest rate adjustment.

Investments may be made in adjustable rate securities whose interest rates move in the same direction and in the same amount as standard short-term money market interest rate benchmarks, such as Fed Funds, LIBOR, Treasury bills, one-month CDs, one-month commercial paper and the prime rate, and conform with STIF's other credit and maturity standards. Interest rate reset periods may not exceed six months. The values of these securities tend to return to par upon the scheduled adjustment of interest rates. Some parties in the financial services industry consider these types of adjustable rate securities to be derivatives, others do not.

U.S. Treasury Separate Trading of Registered Interest and Principal Securities ("STRIPS") are not considered derivatives and may be purchased. These instruments are subject to the same interest rate risks as U.S. Treasury securities of the same duration. STRIPS are fundamentally different from mortgage-backed and other interest-only or principal-only securities that are subject to unscheduled prepayments of principal.

4. All investments must be made in U.S. dollar-denominated securities.
5. The dollar-weighted average portfolio maturity (including interest rate reset periods) may not exceed 90 days. Individual maturities may not exceed five years.
6. STIF shall diversify its investments to avoid incurring unreasonable risks inherent in overinvesting in specific instruments, industry segments, individual issuers or maturities. Diversification strategies shall include:
   a. At the time of purchase, no more than five percent of the overall portfolio may be invested in an individual security, other than overnight or two-business-day repurchase agreements and U.S. government and agency securities.
   b. At the time of purchase, no more than 10 percent of the overall portfolio may be invested in securities of a single bank or corporation, other than overnight or two-business-day repurchase agreements and U.S. government and agency securities.
   c. There is no limitation on the percentage of assets that may be invested in securities of the United States government, its agencies or instrumentalities, or in overnight or two-business-day repurchase agreements.
   d. At the time of purchase, no more than 25 percent of the overall portfolio may be invested in any industry other than the financial services industry.
   e. At the time of purchase, no more than 50 percent of the overall portfolio may be invested in the combined total of commercial paper and non-asset-backed corporate notes.
   f. At the time of purchase, no more than 20 percent of the overall portfolio may be invested in floating rate securities with final maturities in excess of two years.
   g. At the time of purchase, no more than five percent of the overall portfolio may be invested in an individual money market mutual fund or similar investment pool.
   h. At the time of purchase, no more than 10 percent of the overall portfolio may be invested in money market mutual funds and similar investment pools.
   i. At the time of purchase, investments in securities that are not readily marketable, other than securities that mature within seven days, may not exceed 10 percent of the fund's overall portfolio.
   j. At least 75 percent of the overall portfolio shall be invested in securities rated A-1+ or in overnight repurchase agreements with dealers or banks rated A-1.
7. The Treasurer intends to operate STIF in such a manner as to maintain its AAAm credit rating from Standard & Poor's, or a similar rating from another nationally-recognized credit rating service recognized by the State Banking Commissioner.
8. Investment decisions shall be based on the relative and varying yields and risks of individual securities and the Fund's liquidity requirements.

I. Interest Payments

Until December 1, 1996:

STIF pays interest quarterly based on monthly guaranteed rates that are set on or before the first day of each month by the Treasury based on STIF's portfolio and market conditions. In addition, participants will be paid a bonus distribution — based on actual earnings less guaranteed interest payments, expenses and the payment to the reserve for losses – for the period of June through November. All rates are calculated and quoted on the basis of the actual number of days in a year (an "actual-over-actual" basis).

Effective December 1, 1996:

STIF declares and accrues investor interest daily based on actual STIF earnings (including gains and losses), less expenses and transfers to the designated surplus reserve. Interest is paid monthly through direct distribution or reinvestment. Earned rates are available on a next-day basis. All rates are calculated and quoted on the basis of the actual number of days in a year (an "actual-over-actual" basis) and reported in accordance with guidelines of the Association for Investment Management and Research (AIMR).

J. Administrative Costs

STIF is provided to participants without sales or management fees. Administrative costs are paid from investment earnings, and all STIF participants (including the state and local entities) share in covering the Fund's expenses in proportion to the size of their investments. Costs have run at between two and three basis points (or $2-3 per $10,000 invested).

K. Delegation of Authority

The Short-Term Investment Unit within the Treasury's Cash Management Division manages STIF's investments. Deposits, withdrawals, participant record-keeping and the distribution of interest are handled by State Street Bank and Trust under the supervision of the STIF Administration Unit within the Treasury's Cash Management Division.

L. Daily Confirmations

Confirmations of daily deposits and withdrawals are sent the day after the transaction.

M. Monthly Statements

Monthly statements of balances, account activity, and paid interest are mailed to participants by the 10th day of each month.

N. Reports

Quarterly and annual reports describing STIF's yields, performance relative to its primary benchmark (IBC First Tier Institutions-Only Rated Money Fund Index), and investments shall be provided to all participants. A detailed portfolio listing, data on 90-day Treasury bills and 90-day certificates of deposit, and commentary on economic conditions shall be provided with each report. The reports are available on the World Wide Web at: http://www.state.ct.us/ott

O. Participant Manual

A manual describing STIF's operating procedures, instructions for opening and closing accounts and making deposits and withdrawals, and methods of distributing interest, is provided to all participants. There currently are no restrictions on the size or number of accounts or transactions.

P. Audit

The Auditors of Public Accounts audit STIF's financial statements and operating procedures annually. Copies of audit opinions and reports will be provided to all participants.

Q. Portfolio Valuation

STIF's values and yields are accounted for on an amortized-cost basis. Market values of all securities, except for those securities listed in Sections H.1.j and H.1.k, above, are calculated on a weekly basis. Significant deviations of market values to amortized costs shall be reported as follows:

1. First Level Notification. If the market value of the overall investment portfolio, based on reports from the custodian, drops below 99.75 percent of the amortized cost value of the overall investment portfolio, or if the ratio of the market value of the overall portfolio to the outstanding participant units drops below 100.50 percent, the Principal Investment Officer would notify the Assistant Treasurer for Cash Management, the Assistant Treasurer for Pension Funds Management, and the Treasurer's Investment Committee at the first weekly meeting following such determination.

2. Second Level Notification. If the market value of the overall investment portfolio, based on reports from the custodian, drops below 99.50 percent of the amortized cost value of the overall investment portfolio, or if the ratio of the market value of the overall portfolio to the outstanding participant units drops below 100.25 percent, the Principal Investment Officer would notify, as soon as practical, the Treasurer, Deputy Treasurer, Assistant Treasurer - Chief of Staff, Assistant Treasurer for Cash Management, Assistant Treasurer for Pension Funds Management, and the Treasurer's Investment Committee. The Treasurer's Investment Committee would then meet in special session to review the circumstances surrounding the fall in one or both ratios, and it would review every security held by the fund. If this second level notification resulted from a significant increase in fund size that resulted in a proportionate decrease in the relative size of the designated surplus reserve, then portfolio or other changes may not be required. If this second level notification resulted from the decline in market values of securities, then the Investment Committee would consider selling securities that had fallen in value and making use of the designated surplus reserve.

3. Investor Notification. If the ratio of the market value of the overall portfolio to the outstanding participant units drops below 99.75 percent, the Treasurer would notify all STIF investors of the situation and the actions being undertaken to protect against further reductions.

R. Internal Controls

The Treasury shall establish and maintain a system of internal controls, which shall be documented in writing. The internal controls shall be reviewed by the Auditors of Public Accounts. The controls shall be designed to prevent and control losses of public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees and officers.

S. Cash Management Advisory Board

STIF's investment practices and performance, including the documentation discussed in Section N, shall be reviewed on a quarterly basis by the Treasurer's Cash Management Advisory Board.

T. Financial Dealers and Institutions

The STIF Investment Officer shall develop criteria for selecting brokers and dealers. All repurchase agreement transactions will be conducted through primary dealers of the Federal Reserve Bank of New York rated at least A-1 and qualified banks (as defined in Sections H.1.b and H.1.c) which have executed master repurchase agreements with the Treasury.

U. Ethics

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose in writing to the Treasurer, or the Treasurer's compliance officer, any material financial interests in financial institutions that conduct business with STIF, and they shall further disclose any large personal financial/investment positions that could be related to the performance of STIF's portfolio, particularly with regard to the time of purchases and sales.

V. Bond Proceeds

Bond proceeds may be deposited in STIF. Accounting and arbitrage rebate calculations are the responsibility of participants. STIF's investment program is not designed to restrict yield in order to avoid arbitrage rebates.

W. Conformance with Guidelines

A nationally-recognized credit rating service recognized by the State Banking Commissioner shall monitor the STIF portfolio on a weekly basis to determine compliance with this policy. The Auditors of Public Accounts review compliance annually.

X. Conformance with National Standards

These guidelines, together with the participant manual, were designed to meet the July 1995 guidelines of the National Association of State Treasurers for local government investment pools.

Y. Investment Guideline Revisions

These guidelines may be revised by the Treasurer due to market changes or regulatory, legislative or internal administrative initiatives. Attempts will be made to provide all STIF investors with at least 30 days of notice before any changes to the investment policy become effective.

The Treasurer reserves the right to make changes immediately to respond to market conditions. In such circumstances, revisions will be sent to all STIF investors within two business days of the revision.

Statistical Section

STATE OF CONNECTICUT

QUI TRANSTULIT SUSTINET

TREASURER'S OFFICE

INDEPENDENT ACCOUNTANTS' REPORT

SCILLIA DOWLING & NATARELLI LLC

Treasurer of the State of Connecticut
Hartford, Connecticut

We have examined the accompanying Schedules of Rates of Return for the Connecticut State Treasurer's Short-Term Investment Fund (the "Schedules") appearing on pages 42 to 45 of the State of Connecticut Fiscal Year 2003 Short-Term Investment Fund Comprehensive Annual Financial Report managed by the Treasurer of the State of Connecticut for each of the quarterly and annual investment periods from July 1, 2001 through June 30, 2003. The Schedules are the responsibility of the Connecticut State Treasurer's Short-Term Investment Fund's management. Our responsibility is to express an opinion on the Schedules based on our examinations.

Our examinations were conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, include examining on a test basis, evidence supporting the Schedules and performing such procedures as we considered necessary in the circumstances (for a Level II verification as defined under the AIMR-PPS). We believe that our examinations provide a reasonable basis for our opinion.

In our opinion, such Schedules present fairly the rates of return for the composite of the Connecticut State Treasurer's Short-Term Investment Fund managed by the Treasurer of the State of Connecticut for each of the quarterly and the annual investment period from July 1, 2001 to June 30, 2003, in all material respects, in accordance with the measurement and disclosure criteria set forth in Notes 2 and 3 to the Schedules.

The periods from July 1, 1993 to June 30, 2001 were examined by other independent accountants whose report, dated September 24, 2001, expressed an unqualified opinion thereon.

Scillia Dowling & Natarelli LLC

Hartford, Connecticut
September 26, 2003

Certified Public Accountants and Consultants
Maritime Center ■ 555 Long Wharf Drive ■ New Haven, CT 06511 ■ 203.787.8600 ■ fax 203.787.8604
Goodwin Square ■ 225 Asylum Street ■ Hartford, CT 06103 ■ 860.241.8962 ■ fax 860.241.9157

SCHEDULE OF ANNUAL RATES OF RETURN

	Year Ended June 30,									
	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
STIF Total Rate of Return (%)	1.64	2.61	6.11	6.01	5.37	5.82	5.66	5.95	5.62	3.63
First Tier Institutions-Only Money Fund Report™ (MFR) Index (%) (1)	1.20	2.22	5.74	5.58	5.04	5.49	5.27	5.44	5.31	3.08
Total Assets in STIF, End of Period ($ - Millions)	3,280	3,546	4,565	3.701	3,646	3,190	2,527	2,014	1,495	1,830
Percent of Firm Assets	69	67	71	71	71	70	73	68	58	67
Number of Participant Accounts in Composite, End of Year										
State	115	112	55	55	54	n/a	n/a	n/a	n/a	n/a
Municpal Entities	551	544	496	433	415	n/a	n/a	n/a	n/a	n/a
Policital Subdivision of the State	440	428	346	312	313	n/a	n/a	n/a	n/a	n/a
Total	1,106	1,084	897	800	782	654	644	590	563	510

(1)Represents First Tier Institutions-Only Money Fund Report™ (MFR) Index prior to December 31, 1995 and First Tier Institutions-Only Rated Money Fund Report™ (MFR) Index for the period January 1, 1996 through June 30, 2003. These Index rates have been taken from published sources and have not been examined by Scillia Dowling & Natarelli LLC or Deloitte & Touche LLP.

See Notes to Schedules of Rates of Return.

SCHEDULE OF QUARTERLY RATES OF RETURN

FISCAL YEAR	Rate of Return(%)	First Tier Institutions-Only Rated Money Fund Report Index(%)(1)
2003		
Sep-02	.48	.38
Dec-02	.45	.32
Mar-03	.36	.26
Jun-03	.35	.24
YEAR	**1.64**	**1.20**
2002		
Sep-01	.95	.85
Dec-01	.66	.55
Mar-02	.48	.41
Jun-02	.49	.39
YEAR	**2.61**	**2.22**
2001		
Sep-00	1.69	1.58
Dec-00	1.70	1.58
Mar-01	1.45	1.39
Jun-01	1.14	1.06
YEAR	**6.11**	**5.74**
2000		
Sep-99	1.33	1.23
Dec-99	1.46	1.33
Mar-00	1.48	1.40
Jun-00	1.60	1.51
YEAR	**6.01**	**5.58**
1999		
Sep-98	1.42	1.34
Dec-98	1.37	1.26
Mar-99	1.24	1.19
Jun-99	1.23	1.16
YEAR	**5.37**	**5.04**

FISCAL YEAR	Rate of Return(%)	First Tier Institutions-Only Rated Money Fund Report Index(%)(1)
1998		
Sep-97	1.43	1.34
Dec-97	1.45	1.36
Mar-98	1.41	1.35
Jun-98	1.40	1.34
YEAR	**5.82**	**5.49**
1997		
Sep-96	1.40	1.28
Dec-96	1.36	1.28
Mar-97	1.37	1.28
Jun-97	1.40	1.33
YEAR	**5.66**	**5.27**
1996		
Sep-95	1.54	1.40
Dec-95	1.54	1.38
Mar-96	1.42	1.29
Jun-96(2)	1.33	1.26
YEAR	**5.95**	**5.44**
1995		
Sep-94	1.16	1.07
Dec-94	1.31	1.25
Mar-95	1.58	1.43
Jun-95(2)	1.46	1.46
YEAR	**5.62**	**5.31**
1994		
Sep-93	0.86	0.71
Dec-93	0.90	0.72
Mar-94	0.95	0.74
Jun-94(2)	0.87	0.88
YEAR	**3.63**	**3.08**

(1) Represents First Tier Institutions-Only Money Fund Report™ (MFR) Index prior to December 31, 1995 and First Tier Institutions-Only Rated Money Fund Report™ (MFR) Index for the period January 1, 1996 through June 30, 2003. These Index rates have been taken from published sources and have not been examined by Scillia Dowling & Natarelli LLC or Deloitte & Touche LLP.
(2) Includes the annual allocation to the Designated Surplus Reserve (See Note 4).

See the accompanying Notes to the Schedules of Rates of Return.

NOTES TO SCHEDULES OF RATES OF RETURN
FOR THE 10 YEAR INVESTMENT PERIOD JULY 1, 1993 THROUGH JUNE 30, 2003

NOTE 1: ORGANIZATION

The Connecticut State Treasury Short-Term Investment Fund ("STIF" or the "Fund") was created by Sec. 3-27 of the Connecticut General Statutes as an investment vehicle restricted for use by the State, State agencies and authorities, State municipalities and other political subdivisions of the State. STIF is a fully discretionary money market investment pool managed by the Connecticut State Treasury ("Treasury") as a single composite. STIF's objective is to provide as high a level of current income as is consistent with safety of principal and liquidity to meet participants' daily cash flow requirements. During the 2003 fiscal year, STIF's portfolio averaged $3.7 billion.

NOTE 2: PERFORMANCE RESULTS

STIF has prepared and presented this report in compliance with the Performance Presentation Standards of the Association for Investment Management and Research (AIMR-PPS) for the period July 1, 1993 through June 30, 2003. AIMR has not been involved with the preparation or review of this report. The performance presentation for the period July 1, 1993 through June 30, 2003 has been subject to a Level II verification in accordance with AIMR standards by an independent public accounting firm whose report is included herein. For the purposes of compliance with AIMR performance presentation standards for the Short-Term Investment Fund, the Treasury has defined the "Firm" as the funds under the control of the State Treasurer, State agencies and State authorities for which the Treasurer has direct investment management responsibility within the Short-Term Investment Fund.

Results are net of all operating expenses, and as STIF is managed by employees of the Treasury, no advisory fees are paid.

NOTE 3: CALCULATION OF RATES OF RETURN

STIF uses a time-weighted linked rate of return formula to calculate rates of return. This method is in accordance with the acceptable methods set forth by the Association for Investment Management and Research. Other methods may produce different results and the results for individual participants and different periods may vary. The current rates of return may not be indicative of future rates of return.

The time-weighted linked rate of return formula used by STIF is as follows: After December 1, 1996 monthly returns were calculated by taking the sum of daily income earned on an accrual basis, after deduction for all operating expenses and a transfer to the Designated Surplus Reserve, divided by the average daily participant balance for the month. From July through November 1996, monthly income earned on an accrual basis, after deduction for all operating expenses, was divided by the average daily participant balance for the month multiplied by the actual number of days in the year divided by the actual number of days in the month. In addition, income reported in November was reduced by a transfer to the Designated Surplus Reserve which impacted November's monthly return. The monthly returns for the entire quarter and fiscal year were linked to calculate the respective rates of return.

Prior to July 1, 1996, the same methodology as described for July through November 1996 was used with the exception of the transfer to the Designated Surplus Reserve, which affected May returns. Prior to fiscal year ended June 30, 1995, 360 days rather than actual days in the year was used. Each of the monthly composite rates of returns were then linked to compute the quarterly rate of return and the quarterly rates of return were linked to calculate the annual rate of return.

The changes, as described above, had no significant impact on the quarterly and annual rates of return reported herein.

The rates of return presented herein are those earned by the Fund during the periods presented as described above. Actual distributions to participants through November 30, 1996 were made on a quarterly basis based upon specific guaranteed rates as periodically determined by the Treasury.

NOTES TO SCHEDULES OF RATES OF RETURN (Continued)
FOR THE 10 YEAR INVESTMENT PERIOD JULY 1, 1993 THROUGH JUNE 30, 2003

Any excess earnings over the previously distributed amounts and the required allocation to the Designated Surplus Reserve were distributed as a special distribution (See Earnings Subject to Special Distribution in STIF Notes to Financial Statements).

NOTE 4: DESIGNATED SURPLUS RESERVE

In order to provide some protection to the shareholders of STIF from potential credit and market risks, the Treasurer has designated that a portion of each day's net earnings be transferred to the Designated Surplus Reserve (Reserve). Such amounts are restricted in nature and are not available for current distribution to shareholders. In December 1996, a transfer was made to the Designated Surplus Reserve at the annualized rate of 0.1 percent of the average month-end investment balances for June through November 1996. Beginning December 1, 1996, the amount transferred daily to the Designated Surplus Reserve is equal to 0.1 percent of end of day investment balance divided by the actual number of days in the year. As of June 30, 2003, the balance in the Designated Surplus Reserve was $40,819,265, an increase of $772,126 from the June 30, 2002 balance of $40,047,139.

No transfer is to be made if the reserve account is equal to or greater than 1.0 percent of the daily investment balance. If net losses significant to the aggregate portfolio are realized, the Treasurer is authorized to transfer funds from the Reserve to Participant Units Outstanding. There have been no charges against this reserve during the 31 year history of the Fund.

NOTE 5: ADDITIONAL DISCLOSURES

These results solely reflect the performance of STIF. The Fund's principal investment officer has been the portfolio manager since 1983 encompassing the entire investment period presented.

Benchmark information presented in the Schedules of Rates of Return was obtained from published sources which are believed to be reliable. Such information is supplemental and is not covered by the independent accountants' report.

STIF does not make significant use of leverage. The only leverage employed by the Fund is the occasional use of reverse repurchase agreements. These agreements, which are limited by policy to no more than 5 percent of total Fund assets, are used only to meet temporary liquidity requirements of the Fund.

STIF had accounted for security purchases and sales on a settlement date basis for periods prior to February 1, 1996. Since that date, the Fund has accounted for all security purchases and sales on a trade date basis. Because the Fund purchases short term investments whose market values do not fluctuate significantly and since all investments are accounted for on an amortized cost basis, the difference between the trade and settlement date bases has no significant impact on the performance reported herein.

GROWTH OF PARTICIPANT UNITS UNDER MANAGEMENT

Date	Municipal	State	Total	Annual Growth
6/2003	$ 992,782,295	$2,242,477,260	$3,235,259,555	-7.58%
6/2002	1,152,346,474	2,348,084,089	3,500,430,563	-22.43
6/2001	1,294,266,155	3,218,210,906	4,512,477,061	23.63
6/2000	1,041,887,596	2,608,041,137	3,649,928,733	1.35
6/1999	856,142,725	2,745,166,342	3,601,309,067	14.43
6/1998	934,295,960	2,213,009,736	3,147,305,696	26.34
6/1997	683,631,474	1,807,440,011	2,491,071,485	25.56
6/1996	647,150,970	1,336,757,530	1,983,908,500	35.19
6/1995	533,141,029	934,316,358	1,467,457,387	-12.10
6/1994	453,442,000	1,215,968,463	1,669,410,463	-5.50
6/1993	389,000,000	1,377,523,963	1,766,523,963	4.60

MONTHLY COMPARATIVE YIELDS

	STIF	Benchmarks (b)		
	Earned Rate (a)	IBC First Tier Inst Only	Fed. Reserve Three Mo. T-Bill	Fed. Reserve Three Mo. CD
06/2003	1.36%	0.91%	0.93%	1.02%
05/2003	1.34	0.96	1.08	1.18
04/2003	1.40	0.97	1.14	1.20
03/2003	1.44	0.99	1.14	1.18
02/2003	1.44	1.03	1.18	1.26
01/2003	1.51	1.07	1.18	1.29
12/2002	1.62	1.14	1.20	1.34
11/2002	1.75	1.26	1.25	1.37
10/2002	1.93	1.49	1.60	1.68
09/2002	1.84	1.50	1.65	1.72
08/2002	1.86	1.51	1.64	1.71
07/2002	1.99	1.53	1.71	1.76
06/2002	2.01	1.54	1.72	1.80

ANNUAL COMPARATIVE YIELDS

	STIF	Benchmarks (b)		
	Earned Rate (a)	IBC First Tier Inst Only MFR Index	Fed. Reserve Three Mo. T-Bill	Fed. Reserve Three Mo. CD
2003	1.64%	1.20%	1.31%	1.40%
2002	2.61	2.22	2.17	2.24
2001	6.11	5.74	5.26	5.64
2000	6.01	5.58	5.37	5.99
1999	5.37	5.04	4.59	5.16
1998	5.82	5.49	5.17	5.62
1997	5.66	5.27	5.17	5.51
1996	5.95	5.44	5.29	5.55
1995	5.62	5.31	5.41	5.72
1994	3.63	3.08	3.39	3.60

(a) Actual earnings less expenses.

(b) Represents First Tier Institutions-Only Money Fund Report™ (MFR) Index prior to December 31, 1995 and First Tier Institutions-Only Rated Money Fund Report™ (MFR) Index for the period January 1, 1996 through June 30, 2003. These Index rates have been taken from published sources and have not been examined by Scillia Dowling & Natarelli LLC or Deloitte & Touche LLP.

ANNUAL INVESTMENT INCOME (1)

2003	$ 60,402,214
2002	111,147,084
2001	254,364,534
2000	213,303,177
1999	197,527,014
1998	174,202,633
1997	145,052,967
1996	115,912,522
1995	100,971,869
1994	72,886,245
1993	76,542,800

(1) Investment income, including net realized gains, less Fund operating expenses.

SUMMARY OF OPERATIONS

($ in 000s)	6/30/03	6/30/02	6/30/01	6/30/00	6/30/99	6/30/98	6/30/97	6/30/96	6/30/95	6/30/94
Interest Income	$60,910.9	$111,294.6	$255,114.3	$213,761.0	$198,420.9	$175,111.4	$145,044.9	$116,374.7	$101,555.3	$73,856.9
Expenses:										
Operating Expenses	901.8	783.3	934.0	951.6	812.6	986.6	520.0	553.1	478.2	496.5
Interest on Reverse Repurchase Agreements	0.0	82.3	65.6	0.0	141.0	0.0	0.0	0.0	432.9	922.2
Total Expenses	901.8	865.6	999.6	951.6	953.6	986.6	520.0	553.1	911.1	1,418.7
Net Investment Income	60,009.1	110,429.0	254,114.7	212,809.4	197,467.3	174,124.8	144,524.9	115,821.6	100,644.2	72,438.2
Net Realized Gains	393.1	718.1	249.8	493.8	59.7	77.8	528.1	90.9	326.7	448.0
Net Increase in Net Assets from Operations	$60,402.2	$111,147.1	$254,364.5	$213,303.2	$197,527.0	$174,202.6	$145,053.0	$115,912.5	$100,970.9	$72,886.2

CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND

DISTRIBUTIONS TO PARTICIPANTS

Distributions:	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
July	$5,630,151	$14,892,482	$21,068,172	$15,369,550	$14,869,926	$11,627,464				
August	6,319,460	15,859,392	25,325,394	18,626,337	17,980,323	14,766,430	$28,640,118	$23,352,411	$18,507,496	$15,116,790
Elimination for Month of June							(8,128,594)	(7,076,062)	(5,651,963)	(4,244,974)
September	6,481,756	14,497,488	24,965,829	18,327,219	17,448,280	15,326,081		8,128,594	7,076,062	5,651,963
October	6,212,452	11,674,472	24,109,511	17,962,446	17,360,524	14,524,350				
November	4,919,008	8,037,557	20,453,180	16,080,280	16,212,546	13,355,190	33,745,391	28,253,412	23,137,816	17,872,513
Special Distribution (November 30 and May 31)							3,557,194	4,781,490	5,033,033	4,351,354
December	4,678,374	6,640,090	19,429,983	16,350,536	15,438,709	12,869,933	11,076,907			
January	4,669,456	6,785,539	22,627,719	17,113,994	16,389,685	14,211,351	12,001,405			
February	4,285,455	5,878,246	20,656,552	18,204,877	16,298,605	14,531,780	12,199,283	27,823,064	23,297,281	14,621,989
March	4,290,218	6,247,456	20,629,174	18,276,157	16,745,275	15,109,256	12,896,596			
April	4,125,914	5,953,400	18,723,246	17,371,981	15,542,275	15,048,742	12,687,061			
May	4,345,137	6,492,416	17,658,291	18,674,115	15,817,450	15,931,207	12,900,761	28,430,144	26,680,419	17,797,713
June	3,672,707	5,777,864	14,741,778	17,784,976	13,688,661	14,138,433	11,467,608			
Total Distribution to Participants	$59,630,088	$108,736,391	$250,388,829	$210,142,470	$193,792,259	$171,440,217	$143,043,730	$113,693,053	$98,080,144	$71,167,348

GLOSSARY OF TERMS

Agency Securities - Securities issued by U.S. Government agencies, such as the Federal Home Loan Bank. These securities have high credit ratings but are not backed by the full faith and credit of the U.S. Government.

Asset Backed Notes - Financial instruments collateralized by one or more types of assets including real property, mortgages, and receivables.

Banker's Acceptance (BA) - A high-quality, short-term negotiable discount note, drawn on and accepted by banks which are obligated to pay the face amount at maturity.

Basis Point (bp) - The smallest measure used in quoting yields or returns. One basis point is 0.01% of yield, 100 basis points equals 1%. A yield that changed from 8.75% to 9.50% increased by 75 basis points.

Benchmark - A standard unit used as the basis of comparison; a universal unit that is identified with sufficient detail so that other similar classifications can be compared as being above, below, or comparable to the benchmark.

Capital Gain(Loss) - Also known as capital appreciation(depreciation), capital gain(loss) measures the increase(decrease) in value of an asset over time.

Certificates of Deposit (CDs) - A debt instrument issued by banks, usually paying interest, with maturities ranging from seven days to several years.

Commercial Paper - Short-term obligations with maturities ranging from 1 to 270 days. They are issued by banks, corporations, and other borrowers to investors with temporarily idle cash.

Compounded Annual Total Return - Compounded annual total return measures the implicit annual percentage change in value of an investment, assuming reinvestment of dividends, interest, and realized capital gains, including those attributable to currency fluctuations. In effect, compounded annual total return "smoothes" fluctuations in long-term investment returns to derive an implied year-to-year annual return.

Consumer Price Index (CPI) - A measure of change in consumer prices, as determined by a monthly survey of the U.S. Bureau of Labor Statistics. Components of the CPI include housing costs, food, transportation, electricity, etc.

Cumulative Rate of Return - A measure of the total return earned for a particular time period. This calculation measures the absolute percentage change in value of an investment over a specified period, assuming reinvestment of dividends, interest income, and realized capital gains. For example, if a $100 investment grew to $120 in a two-year period, the cumulative rate of return would be 20%.

Derivative - Derivatives are generally defined as contracts whose value depends on, or derives from, the value of an underlying asset, reference rate, or index. For example, an option is a derivative instrument because its value derives from an underlying stock, stock index, or future.

Discount Rate - The interest rate that the Federal Reserve charges banks for loans, using government securities or eligible paper as collateral.

Expense Ratio - The amount, expressed as a percentage of total investment, that shareholders pay for mutual fund operating expenses and management fees.

Federal Funds Rate - The interest rate charged by banks with excess reserves at a Federal Reserve district bank to banks needing overnight loans to meet reserve requirements. The federal funds rate is one of the most sensitive indicators of the direction of interest rates since it is set daily by the market.

Federal Reserve Board - The governing body of the Federal Reserve System (12 regional Federal banks monitoring the commercial and savings banks in their regions). The board establishes FRS policies on such key matters as reserve requirements and other regulations, sets the discount rate, and tightens or loosens the availability of credit in the economy.

GLOSSARY OF TERMS

Gross Domestic Product - Total final value of goods and services produced in the United States over a particular period or time, usually one year. The GDP growth rate is the primary indicator of the health of the economy.

Index - A benchmark used in executing investment strategy which is viewed as an independent representation of market performance. An index implicitly assumes cost-free transactions; some assume reinvestment of income. Example: S&P 500 index.

Inflation - A measure of the rise in price of goods and services, as happens when spending increases relative to the supply of goods on the market, i.e. too much money chasing too few goods.

Investment Income - The equity dividends, bond interest, and/or cash interest paid on an investment.

Liability - The claim on the assets of a company or individual - excluding ownership equity. The obligation to make a payment to another.

Market Value - The price at which buyers and sellers trade similar items in an open marketplace. Stocks are considered liquid and are therefore valued at a market price. Real estate is illiquid and valued on an appraised basis.

Master Custodian - An entity, usually a bank, used as a place for safekeeping of securities and other assets. The bank is also responsible for many other functions which include accounting, performance measurement, and securities lending.

Maturity Date - The date on which the principal amount of a bond or other debt instrument becomes payable or due.

MFR Index (Formerly IBC) - An index which represents an average of the returns of institutional money market mutual funds that invest primarily in first-tier (securities rated A-1, P-1) taxable securities.

Money Market Fund - An open-ended mutual fund that invests in commercial paper, bankers' acceptances, repurchase agreements, government securities, certificates of deposit, and other highly liquid and safe securities and pays money market rates of interest. The fund's net asset value remains a constant $1 per share - only the interest rate goes up or down.

Moody's (Moody's Investors Service) - A financial services company which is one of the best known bond rating agencies in the country. Moody's investment grade ratings are assigned to certain municipal short-term debt securities, classified as MIG-1, 2, 3, and 4 to signify best, high, favorable, and adequate quality, respectively. All four are investment grade or bank quality.

Net Asset Value (NAV) - The total assets minus liabilities, including any valuation gains or losses on investments or currencies, and any accrued income or expense. NAV is similar to Shareholders' Equity.

Par Value - The stated or face value of a stock or bond. It has little significance for common stocks, however, for bonds it specifies the payment amount at maturity.

Principal - Face value of an obligation, such as a bond or a loan, that must be repaid at maturity.

Prudent Expert Rule - The standard adopted by some entities to guide those fiduciaries with responsibility for investing money of others. Such fiduciaries must act as a prudent expert would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investment. This is a higher standard than the "prudent person" rule.

Realized Gain (Loss) - A gain (loss) that has occurred financially. The difference between the principal amount received and the cost basis of an asset realized at sale .

Relative Volatility - A ratio of the standard deviation of the Fund to the standard deviation of its selected benchmark. A relative volatility greater than 1.0 suggests comparatively more volatility in Fund returns than those of the benchmark.

GLOSSARY OF TERMS

Repurchase Agreements ("Repos") - An agreement to purchase securities from an entity for a specified amount of cash and to resell the securities to the entity at an agreed upon price and time. Repos are widely used as a money market instrument.

Reverse Repurchase Agreements ("Reverse Repos") - An agreement to sell securities to an entity for a specified amount of cash and to repurchase the securities from the entity at an agreed upon price and time.

S&P Ratings -

AAA - Debt having the highest rating assigned by Standard & Poor's. It has the highest capacity to pay interest and its ability to repay principal is extremely strong.

AA - Debt having a very strong capacity to pay interest and repay principal. AA rated debt differs from the higher rated issues by only a small degree.

A - Debt which has a strong capacity to pay interest and repay principal although it is somewhat more susceptible to the adverse effects of change in circumstances and economic conditions than debt in higher rated categories.

BBB - Debt regarded as having an adequate capacity to pay interest and repay principal. BBB is the lowest rating assignable to investment grade securities. Although debt rated BBB normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to weakened capacity to pay interest and repay principal for debt in this category than in higher rated categories.

BB, B, CCC, and CC - These ratings are regarded, on balance, as predominantly speculative with respect to capacity to pay interest and repay principal in accordance to the terms of the obligation.

C - These ratings are reserved for income bonds on which no interest is being paid.

D - These ratings are for debt which is in default. No interest or repayment of principal is being paid.

Soft Dollars - The value of research or other services that brokerage houses and other service entities provide to a client "free of charge" in exchange for the client's business.

Standard Deviation - A statistical measure showing the deviation of an individual value in a probability distributed from the mean (average) of the distribution. The greater the degree of dispersion from the mean rate of return, the higher the standard deviation; therefore, the higher the risk.

Treasury Bill (T-Bill) - Short-term, highly liquid government securities issued at a discount from the face value and returning the face amount at maturity.

Treasury Bond or Note - Debt obligations of the Federal government that make semiannual coupon payments and are sold at or near par value in denominations of $1,000 or more.

Turnover - The minimum of security purchases or sales divided by the fiscal year's beginning and ending market values for a given portfolio.

Unrealized Gain (Loss) - A profit (loss) that has not been realized through the sale of a security. The gain (loss) is realized when a security or futures contract is actually sold or settled.

Variable Rate Note - Floating rate notes with a coupon rate adjusted at set intervals, such as daily, weekly, or monthly, based on different interest rate indices, such as LIBOR, Fed Funds, and Treasury Bills.

Volatility - A statistical measure of the tendency of a market price or yield to vary over time. Volatility is said to be high if the price, yield, or return typically changes dramatically in a short period of time.

Yield - The return on an investor's capital investment.

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