MISSOURI INVESTMENT TRUST

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended December 31, 2007

Missouri Investment Trust

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED DECEMBER 31, 2007

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Introduction

The Missouri Investment Trust (MIT) was created by the Missouri General Assembly through the passage of Senate Bill No. 449, which became effective August 28, 1997.

The Missouri Investment Trust is designed to allow the state of Missouri to invest specific funds for long-term investment and growth. Prior to the enactment of the Missouri Investment Trust, the state's investment authority was limited by statute to three years, and all funds were required to be invested by the State Treasurer within a general pool of state operating revenue. A short-term investment strategy such as this was inconsistent with the needs of certain funds. The Missouri Investment Trust was intended to allow such funds to be invested in a manner that maximizes the return on state dollars and optimizes the individual long-term objectives of participating agencies.

A seven-member governing board of trustees chaired by the State Treasurer administers the Missouri Investment Trust. The board is responsible for establishing and managing investment policies, strategies, and goals for the investment trust.

The State Treasurer, on behalf of the state of Missouri, has the power to convey designated funds in the state treasury to the Missouri Investment Trust to be held in trust for the exclusive benefit of the state of Missouri for a fixed period, pursuant to the terms and conditions of a written trust agreement and the provisions of sections 30.953 to 30.971, RSMo, provided that all the following requirements have been met:

(1) The general assembly passes and the Governor signs legislation designating specific funds in the state treasury as being funds which, due to their nature and purpose, are intended for long-term investment and growth, and accordingly, from which there shall be no appropriations for a period exceeding the longest duration for investments by the state treasury pursuant to section 15, article IV of the Constitution of Missouri. Such legislation shall declare that it is the intention and desire of the general assembly that the State Treasurer shall convey the designated funds, in trust, to the Missouri investment trust, and shall further declare the date on which such funds shall be reconvened to the State Treasurer by the investment trust; and

(2) Such legislative measure is accompanied by an appropriation authorizing disbursement of the designated funds from the state treasury, and

(3) The Missouri Investment Trust executes a valid, binding trust agreement, sufficient in form and substance to bind the investment trust to hold, maintain, and invest the designated funds, in trust, for the exclusive benefit of the state of Missouri, for the prescribed period, whereupon the investment trust shall reconvey the designated funds and any earnings thereon to the state treasury.

No more than one hundred million dollars, in aggregate, may be conveyed to the investment trust pursuant to sections 30.953 to 30.971, RSMo. Total assets under management by the investment trust may exceed one hundred million dollars, but no new funds may be conveyed to the investment trust until such time as previous existing transfers to the investment trust total less than one hundred million dollars.

Investment Policy and Asset Allocation

The Missouri Investment Trust maintains a formal Investment Policy, which outlines the investment philosophy and practices of the Missouri Investment Trust and has been developed to serve as a reference point for the management of assets. The Board has adopted a long-term plan by which the assets will be maintained and enhanced through prudent investments. This is an official policy document of the MIT. Deviation from this document is not permitted without explicit written permission, in advance, from the Board.

Based on general beliefs about the long-term investment returns available from a well-diversified, prudently invested portfolio, the Board has adopted an investment objective to achieve a rate of return that approximates a specified benchmark. The Board recognizes that even though its investments are subject to short-term volatility, it is critical that a long-term investment focus be maintained. This prevents ad-hoc revisions to its philosophy and policies in reaction to either speculation or short-term market fluctuations. In determining its risk, the Board has properly considered, in addition to its fiduciary obligations and statutory requirements, the purpose and characteristics, liquidity needs, sources of contribution and income of each depositor.

During Fiscal Year 2007, MIT maintained the same asset allocation and policy and strategic benchmarks, as detailed more fully in the Notes to the Financial Statements. A review of the performance of funds invested by MIT is contained in the Management Discussion and Analysis, following.

Board of Trustees

The Missouri Investment Trust operates under the direction and control of a seven-member governing board, which consists of the State Treasurer, who serves as the chairman, the Commissioner of the Office of Administration, one member appointed by the Speaker of the House of Representatives, one member appointed by the President Pro Tem of the Senate and three members to be selected by the Governor, with the advice and consent of the Senate. The persons to be selected by the Governor shall be individuals knowledgeable in the areas of banking, finance or the investment and management of public funds. Not more than two of the members appointed by the Governor shall be from the same political party.

There were two vacancies on the Board, the position to be appointed by the Speaker of the House of Representatives and one of three positions to be selected by the Governor, in 2007. Members of the Board are listed below.

2007 Missouri Investment Trust Board of Trustees

Sarah Steelman	Chairman, Ex-officio Member, Jefferson City, State Treasurer
Mike Keathley	Ex-officio Member, Jefferson City, Commissioner of Administration
Kathy Conley Jones	Appointed Member, St. Louis
Gary Nodler	Appointed Member, Joplin
Anita Yeckel	Appointed Member, Sunset Hills (St. Louis County)

Other Information

The State of Missouri Auditor's Office conducts an annual audit of the Missouri Investment Trust's financial statements, as prescribed by law.

FINANCIAL SECTION

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT

Honorable Matt Blunt, Governor
and
Board of Trustees
Missouri Investment Trust
Jefferson City, Missouri

We have audited the accompanying financial statements of the Missouri Investment Trust, a component unit of the State of Missouri, as of and for the years ended December 31, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of the trust's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. 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. 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 fiduciary net assets of the Missouri Investment Trust as of December 31, 2007 and 2006, and the changes in its fiduciary net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we also have issued our report dated May 30, 2008, on our consideration of the Missouri Investment Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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The management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Missouri Investment Trust's basic financial statements. The introductory section and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Susan Montee, CPA
State Auditor

May 30, 2008

SUSAN MONTEE, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Matt Blunt, Governor
and
Board of Trustees
Missouri Investment Trust
Jefferson City, Missouri

We have audited the financial statements of the Missouri Investment Trust, a component unit of the State of Missouri, as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated May 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Missouri Investment Trust's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the trust's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the trust's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the trust's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the trust's financial statements that is more than inconsequential will not be prevented or detected by the trust's internal control.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the trust's internal control.

Our considerations of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Missouri Investment Trust are free of material misstatement, we performed tests of the trust's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

This report is intended for the information and use of the management of the Missouri Investment Trust and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Susan Montee, CPA
State Auditor

May 30, 2008

FINANCIAL SECTION

Management Discussion and Analysis

The discussion and analysis of the Missouri Investment Trust's financial performance provides a summary of the department's financial activities for the fiscal year ended December 31, 2007.

Financial Highlights

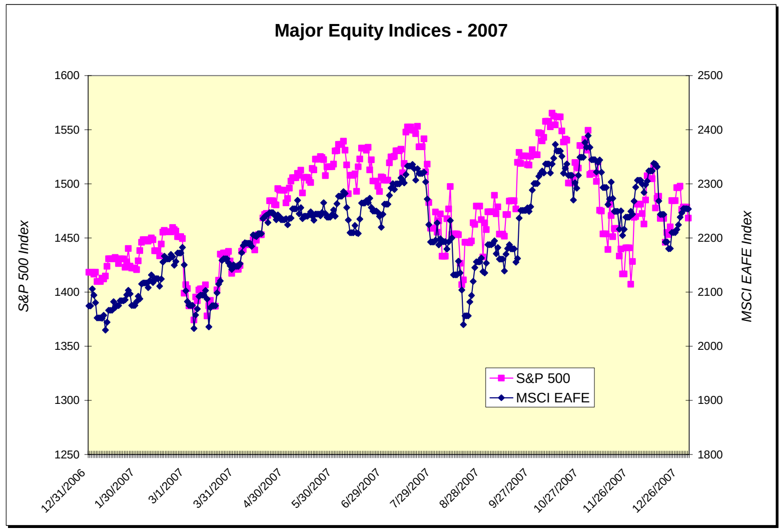
As of December 31, 2007, the Missouri Investment Trust had received deposits from the Wolfner Library Trust Fund, Missouri Arts Council Trust Fund, Missouri Humanities Council Trust Fund, and the Pansy Johnson-Travis Memorial State Gardens Trust Fund totaling $728,000; $20,000,000; $850,000; and $815,000, respectively. MIT is responsible for the investment of these monies on behalf of these four entities and has invested the monies in three investment products: two passively managed common trust funds (CTF's) corresponding to large and small cap U.S. stocks and one actively managed separate account that invests in large cap stocks in developed foreign markets. All three products are managed by State Street Global Advisors (SSGA). The following table summarizes the MIT's asset allocation guidelines and the corresponding funds managed by SSGA as of December 31, 2007:

Asset Class	**Guideline Percent**	**Corresponding Fund 12/31/07**
Domestic Equity	75%	
Large Capitalization	85%*	S&P 500
Small Capitalization	15%*	Russell 2000
International Equity	25%	International Alpha Select Fund

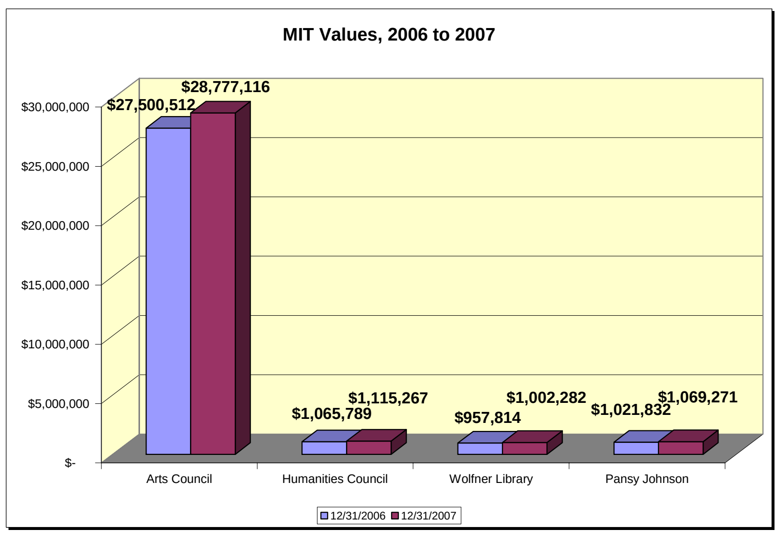
* The percentages indicated for the two domestic asset classes represent the portion of each class within the total domestic equity allocation.

Continuing the favorable trend in stocks that had occurred since 2003, both domestic and international stocks showed strong gains in the first half of 2007. Domestic stock markets grew at an non-annualized pace of close to 7% in the first half, and international stocks, benefiting perhaps more from demand in emerging markets, grew at an 11% non-annualized pace. However, in August, the disclosure of multi-billion dollar writedowns of subprime and Collateralized Debt Obligations (CDO) securities held by major U.S. and European banks, hedge funds and insurance companies sparked a credit crisis in the banking and finance sectors. As banks were forced to disclose more and more losses, the realization sank in that the US housing sector and as a result, overall economy, was in danger of falling into recession.

As a result, stock markets experienced much greater volatility in the second half of 2007, losing or gaining 2% to 4% of market value in a single day on several occasions. The chart to the right displays daily prices for the S&P 500 index, the benchmark for U.S. large cap stocks, and the MSCI EAFE index[1], the benchmark for stocks in developed international markets. To ease the liquidity crisis, the Federal Open Market Committee (FOMC) began a series of interest rate cuts in September, which helped to ease fears to some degree.



Despite the volatility in the markets, both domestic and international equities markets essentially ended the second half of 2007 at levels close to mid-year. Consequently, the cumulative total return for MIT funds in FY 2007 was 5.07%. As a result of these gains, total investments at fair value held by the Missouri Investment Trust (MIT) increased approximately $1.4 million from a balance of $30,545,947 on December 31, 2006, to $31,963,936 on December 31, 2007. The chart, right, compares the total value of investments in each of these funds during this time.



The following table compares the value of assets held on behalf of each of the four agencies (the Missouri Arts Council, Missouri Humanities Council, the Wolfner Library Trust and the Pansy Johnson Memorial Garden Trust Fund) that have trust agreements with MIT.

[1] The MSCI EAFE index is the abbreviation for the Morgan Stanley Capital International Europe, Australiasia, and the Far East index.

Trust	Total Contributions	12/31/07 Market Value
Arts Council	$20,000,000	$28,777,116
Humanities Council	$850,000	$1,115,267
Wolfner Library	$728,000	$1,002,282
Pansy Johnson	$815,000	$1,069,271
TOTAL	$22,393,000	$31,963,936

Overview of the Financial Statements

The basic financial statements contained in this section consist of:

- The ***Comparative Statement of Fiduciary Net Assets***, which reports the investment trust fund assets, liabilities and resultant assets, where Assets – Liabilities = Net Assets available at the end of the fiscal year.

- The ***Comparative Statement of Changes in Fiduciary Net Assets***, which reports the investment trust transactions that occurred during the fiscal year where Additions – Deductions = Net Change in Net Assets.

- The ***Notes to the Financial Statements*** are an integral part of the above financial statements and include additional information not readily evident in the statements themselves.

Summary of Net Assets

MIT's net assets, consisting of the three funds managed by State Street Global Advisors (SSGA), increased by $1,442,957 during the fiscal year due largely to increased valuations in the first part of the year.

Liabilities consist of accounts payable for asset management and custodial fees for all the funds charged by SSGA. Accounts payables actually decreased by $24,968 compared to last year. This is primarily due to the fact that in 2006, SSGA had not yet billed management fees associated with the International Alpha Select Fund for either the third or fourth quarter of 2006. In 2007, the only outstanding fees due were incurred for the fourth quarter.

Summary of Missouri Investment Trust's Net Assets				
	December 31,		Amount of	
	2007	2006	Change	%
ASSETS				
Investments at Fair Value	$31,963,936	$30,545,947	$1,417,989	4.64%
Total Assets	$31,963,936	$30,545,947		
LIABILITIES AND NET ASSETS				
Accounts payable and other liabilities				
Investment Fees	$23,773	$48,741	-$24,968	-51.23%
Total Liabilities	$23,773	$48,741		
Net Assets	$31,940,163	$30,497,206	$1,442,957	4.73%

Summary of Changes In Net Assets

Investment income for funds held by the Missouri Investment Trust during the fiscal year rose $1,543,514. Total fees for the entire fiscal year increased from $49,192 to $100,557 due to the fact that asset management fees for the separately managed International Alpha Select Fund were incurred for a whole year. Last year, this new separately managed account was initiated mid-year, so only a portion of the annual fees for this account was incurred.

Summary of Changes in Fiduciary Net Assets		
	Fiscal Year Ended December 31	
	2007	2006
ADDITIONS		
Contributions	$0	$0
Investment Income:		
Net increase (decrease) in fair value of investments	$1,543,514	$4,977,760
Less investment expenses (fees)	($100,557)	($49,192)
Net Investment Income (Loss)	$1,442,957	$4,928,568
Total Additions	$1,442,957	$4,928,568
DEDUCTIONS		
Total Deductions	$0	$0
NET INCREASE (DECREASE) IN NET ASSETS	$1,442,957	$4,928,568
NET ASSETS, JANUARY 1	$30,497,206	$25,568,638
NET ASSETS, DECEMBER 31	$31,940,163	$30,497,206

Outlook

Since MIT's current asset allocation of domestic equities is intended to mirror the broader stock market and since MIT's two domestic funds remain passive index funds, future market returns of these funds are almost entirely dependent on the general performance of the stock market. Many economists and the Federal Reserve expect the US economy to slow in the first half of 2008 and then gradually see the growth rate of U.S. Gross Domestic Product (GDP) increase in the second half. There are many economists as well who believe the U.S. economy either already was in recession in late 2007 or will enter a recession in 2008. There is the continued specter of difficulties in the housing sector due to increased foreclosures and delinquencies, lower consumer spending, rising unemployment, a deterioration in the profitability of US companies and a number of other external factors that may negatively impact the US economy.

Returns on MIT's international fund, the International Alpha Select account, also are dependent on international monetary policy, the value of the U.S. dollar, geopolitical events and macroeconomic trends. Additionally, because this is an actively managed fund, returns may vary from the MSCI EAFE international index. Currently, growth in emerging markets in Asia continues to be strong, lifting the economies of Japan, Australia and other developed countries in the region. While returns for international stocks continue to outperform domestic stocks, the performance of equities in these developed countries remains dependent on the factors above.

FINANCIAL STATEMENTS

Missouri Investment Trust
Comparative Statement of Fiduciary Net Assets
For December 31, 2006 and 2007

	December 31,	
	2007	2006
ASSETS		
Investments at Fair Value	$31,963,936	$30,545,947
Total Assets	$31,963,936	$30,545,947
LIABILITIES AND NET ASSETS		
Accounts payable and other liabilities		
Investment Fees	$23,773	$48,741
Total Liabilities	$23,773	$48,741
Net Assets Held in Trust For Pool Participants	$31,940,163	$30,497,206

The accompanying Notes to the Financial Statements are an integral part of this statement.

Missouri Investment Trust
Comparative Statement of Changes in Fiduciary Net Assets
For the Fiscal Years Ended December 31, 2006 and 2007

	Fiscal Year Ended December 31,	
	2007	2006
ADDITIONS		
Contributions	$0	$0
Investment Income:		
Net increase (decrease) in fair value of investments	$1,543,514	$4,977,760
Less investment expenses (fees)	($100,557)	($49,192)
Net Investment Income (Loss)	$1,442,957	$4,928,568
Total Additions	$1,442,957	$4,928,568
DEDUCTIONS		
Total Deductions	$0	$0
NET INCREASE (DECREASE) IN NET ASSETS	$1,442,957	$4,928,568
NET ASSETS, JANUARY 1	$30,497,206	$25,568,638
NET ASSETS, DECEMBER 31	$31,940,163	$30,497,206

The accompanying Notes to the Financial Statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

MISSOURI INVESTMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the investment trust data of the Missouri Investment Trust. The Missouri Investment Trust accepts deposits from various state funds after specific legislative approval. As of December 31, 2007, the following state funds were authorized depositors of the Missouri Investment Trust: Wolfner Library Trust, Missouri Arts Council Trust, Missouri Humanities Council Trust, and the Pansy Johnson-Travis Memorial State Gardens Trust. Deposits are invested by the Missouri Investment Trust Board of Trustees through an external investment consultant. Due to the nature of the trust and because the trust provides services only to the state and receives funding only from the state, the trust is considered a component unit of the state of Missouri financial reporting entity and is blended into the state's financial statements.

The Missouri Investment Trust is a separate legal and accounting entity, recording all assets, liabilities, equities, revenues, and expenses related to the trust's activities. However, expenses presented for the trust or its programs may not reflect the total cost of the related activity. Other direct and indirect costs provided by the Office of the Missouri State Treasurer are not allocated to the trust or its programs.

B. Basis of Accounting

The financial statements for the Missouri Investment Trust are prepared in conformity with generally accepted accounting principles. The statements are presented on the accrual basis of accounting which recognizes revenues when earned and expenses when the related liabilities are incurred.

Investments in domestic equity securities are made by the Missouri Investment Trust Board of Trustees through an external investment consultant's investment pools, which are managed to approximate returns experienced by the Standard & Poor's 500 Index and the Russell 2000 Index. On July 31, 2006, holdings in the Morgan Stanley Capital International EAFE Index common trust fund managed by the external consultant were liquidated and assets were purchased for a separately managed account held solely on behalf of the Missouri Investment Trust. This separately managed account is also managed by an external consultant, with a target return of three to five percent above the MSCI EAFE index. Deposits of each state fund are segregated by the investment consultant or its bank in separate investment accounts within the pool or in the case of the international fund, in the separately managed account. Funds are invested in equity securities with a long-term objective of capital appreciation. However, investments in equity securities also carry increased risks due to potential volatility in the market.

C. Fiscal Authority and Responsibility

The Missouri Investment Trust Board of Trustees administers transactions in the Missouri Investment Trust within the authority prescribed by the General Assembly. The board serves in a fiduciary capacity with respect to the management of the investment trust and the investment of funds for the exclusive benefit of the state of Missouri; however, the board is not subject to regulatory oversight by the SEC or other entities. The board establishes policies, procedures, and objectives of the trust, accepts deposits to the trust from authorized state funds, and selects and monitors the external investment consultant. The board is responsible for establishing such policies and making investment decisions in good faith and with the degree of diligence, care, and skill which a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

2. Investments

The trust's only investments at December 31, 2007 and 2006 were deposits in external investment pools or separately managed accounts with carrying values of $31,963,936 and $30,545,947 respectively, which approximates fair value. The valuation is provided by the consultant's monthly investment summary reports and is based on the underlying fair value of the equity securities in which the consultant's investment pools have invested. These investments are not subject to categorization of custodial credit risk.

3. Deposits and Net Assets

As of December 31, 2007, the Missouri Investment Trust had received deposits from the Wolfner Library Trust Fund, Missouri Arts Council Trust Fund, Missouri Humanities Council Trust Fund, and the Pansy Johnson-Travis Memorial State Gardens Trust Fund totaling $728,000; $20,000,000; $850,000; and $815,000, respectively. Participation in the Missouri Investment Trust by the various authorized state funds is on a voluntary basis. In accordance with the trust agreement and Sections 30.953 to 30.971. RSMo, net assets are held in trust for the pool participants.

4. Investment Income (Loss)

Investment income (loss) includes dividends and realized/unrealized gains and losses on underlying securities held by the investment consultant in the consultant's investment pools. The Missouri Investment Trust experienced net investment income totaling $1,442,957 and $4,928,568 for the two fiscal years ended December 31, 2007 and December 31, 2006, respectively.

5. Asset Allocation

The Board is responsible for asset allocation decisions and will periodically review its target allocation to confirm or adjust the targets. Based on its determination of the appropriate risk tolerance for each fund and its long-term return expectations, the Board has adopted the following broad asset allocation guidelines for each fund comprising the MIT.

Asset Class	**Allocation**
Domestic Equity	75%
Domestic Equity Investments-Large Capitalization	85%
Domestic Equity Investments- Small Capitalization	15%
International Equity - MSCI EAFE Index	25%

* The percentages indicated for the two domestic asset classes represent the portion of each class within the total domestic equity allocation.

Until such time as the Board changes the asset allocation ranges, it will be necessary to periodically rebalance the portfolio as a result of market value fluctuations. Small variances between actual and target allocations will not warrant rebalancing. In order to assume a rational, systematic, and cost-effective approach to rebalancing, the Board has chosen the following "trigger points" as the maximum upper or lower limits for a specified asset class. If the percentage of MIT assets in a particular asset class has deviated from the target beyond a target point, staff will recommend to the Board rebalancing the portfolio to bring all asset classes in line with the adopted Guideline Percentages. Rebalancing should be conducted in such a manner that transaction costs and portfolio disruptions are minimal. The trigger points are as follows:

Asset Class	Guideline Percent	Band Width	Upper Trigger Point	Lower Trigger Point
Domestic Equity	75%	±5%	80%	70%
Domestic Equity Investments- - Large Capitalization	85%	±5%	90%	80%
Domestic Equity Investments- - Small Capitalization	15%	±5%	20%	10%
International Equity	25%	±5%	30%	20%

* The percentages indicated for each domestic asset classes represent the percent of total domestic equities allocated to each sub-grouping.

6. <u>Benchmarks and Performance Measurement</u>

In order to determine if the MIT objectives are being achieved, it is necessary to develop benchmarks by which the MIT progress may be judged. These benchmarks allow the MIT to be judged by its performance relative to broad market indices. There may be short-term variations from these objectives. However, the Board believes that over the long-term (market cycle to market cycle) these goals should be attainable.

The Board has established two benchmarks to evaluate overall performance. The first is a policy benchmark, which provides an indication of the returns that could be achieved by a portfolio invested passively in a broad market index. The current policy benchmark is comprised of:

Market Index	Proportion
Russell 3000 Domestic Stock Index	75%
MSCI EAFE Index	25%

The second benchmark is a strategy benchmark, which reflects decisions made by the Board to strategically deviate from the broad asset class. This benchmark is more narrowly defined and focuses on specific asset allocations currently in place relative to the policy benchmark. Comparison of the strategy benchmark with the policy benchmark will, over time, provide an indicator of the success or failure of all decisions made that deviate from the broad market. The current strategy benchmark is comprised of:

Market Index	Proportion
Domestic Equities	75%
S&P 500 Domestic Stock Index	85%
Russell 2000 Domestic Stock Index	15%
International Equities	25%
MSCI EAFE Index	100%

Performance reviews are a critical part of the portfolio management process. In fulfilling this duty, the Board will rely on its external investment managers and staff from the State Treasurer's Office. Actual returns are compared against both the policy and strategy benchmarks. Comparison of the actual return to the strategy benchmark reflect the staff's and/or the external investment manager's ability to implement the Board's strategy. Variations from the strategy benchmark can be attributed to factors such as the selection of active fund managers and the differences between actual vs. targeted asset allocations.

The comparison of actual returns to the policy benchmark provides an indicator of the success or failure of both the strategic decisions of the Board and the implementation of the Board's strategy by staff and the external investment manager. Actual returns in excess of policy benchmarks are an indication that strategic decisions, along with their implementation, had a net positive effect relative to what could have been achieved by investing passively in a broad market index. The following table summarizes actual returns achieved in FY 2007 versus those of the aforementioned policy and strategy benchmarks.

MISSOURI INVESTMENT TRUST
Investment Returns
Fiscal Year 2007

Asset Class	Target Allocation	As of 12/31/07	Market Value	Policy [1]	Strategy [2]	SSGA [3]
Total Fund	100.00%	100.00%	31,963,936	6.72%	6.12%	5.07%
Domestic Equity	75.00%	75.24%				
Large Cap	63.75%	63.91%	20,427,263	n/a	5.49%	5.54%
Small Cap	11.25%	11.33%	3,622,489	n/a	-1.57%	-1.59%
International Equity	25.00%	24.76%	7,914,184	11.17%	11.17%	7.10%

1. Policy benchmark is 75% Russell 3000 and 25% MSCI International EAFE. Therefore, returns for the Large and Small Cap indices are not broken out.
2. Strategy benchmark represents 85/15 allocation to S&P 500 and Russell 2000 within the domestic class.
3. Gross returns, exclusive of net fees, reported by State Street Global Advisors

The reason for the variance of MIT's performance to its benchmarks in 2007 is attributable to the underperformance of the actively managed International Alpha Select account. In the fall, the returns of many quantitative funds suffered, including both SSGA's commingled

International Alpha Select fund and MIT's separately managed International Alpha Select account, which uses a similar strategy but screens stock selections for companies identified as working with the governments of sanctioned nations. Reasons cited for quantitative funds' underperformance include the dislocations caused by quantitative hedge funds and other accounts forced to sell assets or cover short sales during the subprime crisis, the use of similar strategies by these funds, and the fact that these funds historically have had difficulties during inflection points for the economy.

7. <u>Statement of Fees</u>

The Missouri Investment Trust has entered into contracts with State Street Global Advisors (SSGA) for investment management services. SSGA invests in two passive index common trust funds for its domestic funds and a separately managed account for its international fund at the direction of MIT. The following table provides a summary of SSGA's fees as set forth in their agreements with MIT.

MISSOURI INVESTMENT TRUST
FEES AND EXPENSES
State Street Global Advisors Fee Schedule

		Basis Points
Large Capitalization Index Fund S&P 500 Index and Securities Lending Common Trust Fund	First $100,000,000 Thereafter	3 2
Non-Large Capitalization Index Fund Russell 2000 Non-Lending Common Trust Fund	First $100,000,000 Thereafter	5 4
International Equities International Alpha Select Screened Fund	First $25,000,000 Next $25,000,000 Next $50,000,000 Thereafter	80 70 55 45

There is a minimum annual fee of $5,000 for the domestic equity allocation, which includes both the S&P 500 and Russell 2000 fund balances. There is a separate $100,000 minimum investment management fee and a $37,000 minimum annual custody fee for the international balance. All fees are charged prior to any securities lending credits being applied. Total fees are applied pro-rata to each participant in the Trust.

Schedule of Fees
Fiscal Year 2007
(Net of Securities Lending Credits)

TOTAL	S&P 500 Index CTF	Russell 2000 Index CTF	Int'l Alpha Select*	Total Quarterly Fee
Quarter 1	$1,300.24	-$529.89	$25,000.00	$25,770.35
Quarter 2	$1,263.23	-$891.09	$25,613.12	$25,985.26
Quarter 3	$1,219.54	-$1,608.47	$25,417.49	$25,028.56
Quarter 4	$910.96	-$2,859.38	$25,721.13	$23,772.71
Total Fees	**$4,693.97**	**-$5,888.83**	**$101,751.74**	**$100,556.88**

STATISTICAL SECTION

MISSOURI INVESTMENT TRUST
Summary of Assets
December 31, 2007

Fiscal Year 2007
Change in Asset Values (by fund participant)

Fund	Market Value 1/1/2007	FY 2006 Contributions	Change in Market Value	Market Value 12/31/2007
Missouri Arts Council		$ -	$ -	
S&P 500 Fund	$ 17,429,963	$ -	$ 960,536	$ 18,390,499
Russell 2000 Fund	$ 3,311,299	$ -	$ (49,808)	$ 3,261,491
International Alpha Select	$ 6,759,250	$ -	$ 365,876	$ 7,125,126
Mo. Humanities Council				
S&P 500 Fund	$ 675,574	$ -	$ 37,229	$ 712,803
Russell 2000 Fund	$ 128,264	$ -	$ (1,930)	$ 126,334
International Alpha Select	$ 261,951	$ -	$ 14,179	$ 276,130
Pansy Johnson		$ -	$ -	
S&P 500 Fund	$ 647,681	$ -	$ 35,693	$ 683,374
Russell 2000 Fund	$ 122,980	$ -	$ (1,850)	$ 121,130
International Alpha Select	$ 251,171	$ -	$ 13,596	$ 264,767
Wolfner Library				
S&P 500 Fund	$ 607,129	$ -	$ 33,458	$ 640,587
Russell 2000 Fund	$ 115,267	$ -	$ (1,733)	$ 113,534
International Alpha Select	$ 235,418	$ -	$ 12,743	$ 248,161
TOTALS	$ 30,545,947	$ -	$ 1,417,989	$ 31,963,936

MISSOURI INVESTMENT TRUST
Summary of Assets by Fiscal Year

	Market Value				
Trust	**12/31/1999**	**12/31/2000**	**12/31/2001**	**12/31/2002**	**12/31/2003**
Missouri Arts Council	$ 11,451,137	$ 16,047,440	$ 18,217,752	$ 14,355,056	$ 19,003,397
Missouri Humanities Council	$ -	$ 786,369	$ 706,046	$ 556,343	$ 736,488
Wolfner Library Trust	$ -	$ 368,225	$ 634,508	$ 499,975	$ 661,872
Pansy Johnson Trust	$ -	$ 753,971	$ 676,960	$ 533,425	$ 706,152
TOTALS	**$ 11,451,137**	**$ 17,956,005**	**$ 20,235,266**	**$ 15,944,799**	**$ 21,107,909**

NOTES:

1. The Arts Council's FY 1999 contributions were $10,000,000.

2. FY 2000 contributions were $8,065,000 as follows:

Missouri Arts Council	$6,000,000
Missouri Humanities Council	$850,000
Wolfner Library Trust	$400,000
Pansy Johnson Trust	$815,000
Total	$8,065,000

3. FY 2001 contributions were $4,328,000 as follows:

Missouri Arts Council	$4,000,000
Missouri Humanities Council	$0
Wolfner Library Trust	$328,000
Pansy Johnson Trust	$0
Total	$4,328,000

4. There have been no contributions since FY 2001.

5. In 2001, 10% of the MIT portfolio was allocated to the MSCI EAFE international fund. In 2004, the allocation to the MSCI EAFE fund was increased to 20%. In 2006, the allocation to the MSCI EAFE fund was increased to 25%.

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MISSOURI INVESTMENT TRUST
Summary of Assets by Fiscal Year

	Market Value			
Trust	**12/31/2004**	**12/31/2005**	**12/31/2006**	**12/31/2007**
Arts Council	$ 21,577,231	$ 23,020,338	$ 27,500,512	$ 28,777,116
Humanities Council	$ 836,236	$ 892,163	$ 1,065,789	$ 1,115,267
Wolfner Library	$ 751,514	$ 801,778	$ 957,814	$ 1,002,282
Pansy Johnson	$ 801,796	$ 855,421	$ 1,021,832	$ 1,069,271
TOTALS	**$ 23,966,777**	**$ 25,569,700**	**$ 30,545,947**	**$ 31,963,936**

CONTRIBUTIONS:

1. The Arts Council's FY 1999 contributions were $10,000,000.

2. FY 2000 contributions were $8,065,000 as follows:

Missouri Arts Council	$6,000,000
Missouri Humanities Council	$850,000
Wolfner Library Trust	$400,000
Pansy Johnson Trust	$815,000
Total	$8,065,000

3. FY 2001 contributions were $4,328,000 as follows:

Missouri Arts Council	$4,000,000
Missouri Humanities Council	$0
Wolfner Library Trust	$328,000
Pansy Johnson Trust	$0
Total	$4,328,000

4. There have been no contributions since FY 2001.

5. In 2001, 10% of the MIT portfolio was allocated to the MSCI EAFE international fund. In 2004, the allocation to the MSCI EAFE fund was increased to 20%. In 2006, the allocation to the MSCI EAFE fund was increased to 25%.

MISSOURI INVESTMENT TRUST
HISTORY AND ORGANIZATION INFORMATION

The Missouri Investment Trust was established by Section 30.953, RSMo, effective August 28, 1997 to allow the state to invest specific funds for long-term investment and growth. Subject to a valid, binding trust agreement, the trust receives funds specifically approved and designated by the General Assembly.

The responsibility for the proper administration of the trust and the direction of its policies is vested in a seven-member Board of Trustees. The board consists of the State Treasurer, the Commissioner of Administration, one member appointed by the Speaker of the House, one member appointed by the President Pro-tem of the Senate, and three members to be selected by the Governor, with the advice and consent of the Senate. Members of the Board of Trustees as of December 31, 2007 were:

Name	Date Term Ends	Title/Appointed by
Sarah Steelman, Chairman	N/A	State Treasurer
Mike Keathley	N/A	Commissioner of Administration
Vacant	N/A	Member appointed by Speaker of The House
Gary Nodler	N/A	Member appointed by President Pro-Tem of the Senate
Anita Yeckel	February 24, 2009	Member appointed by Governor
Kathy Conley Jones	February 24, 2007	Member appointed by Governor
Vacant	N/A	Member appointed by Governor

The board has selected State Street Global Advisors to provide investment management services to the trust.

The trust serves as a tool for specifically appropriated state monies to be invested longer than authorized by statute for the State Treasurer.