CALIFORNIA STATE TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

SUBJECT: Report on Internal S&P Indexed Portfolio ITEM NUMBER: 7

ATTACHMENT(S): 1

ACTION: ____ DATE OF MEETING: February 2, 2000

INFORMATION: X PRESENTER(S): Mr. Tong

EXECUTIVE SUMMARY

One of the 1999/2000 objectives approved for the Investment Branch was to examine the progress achieved in implementing the internal equity management plan adopted at the May 5, 1999, Investment Committee meeting. The Board approved an expansion of the internal passive domestic equity program. Specifically, the Board adopted an increase in the allocation to internal management from approximately 4% to 50% of the total S&P 500 passive mandate. The increase was funded by a series of transfers from the external passive manager. On December 1, 1999, staff completed expanding the internal program.

As of December 31, 1999, CalSTRS had internal responsibility for domestic equity investments totaling $14.8 billion. These assets represented 13.4% of CalSTRS' total investment portfolio. The Board established a target proportion for passive investment strategies of 80% for total domestic portfolio assets.

A report that reviews the expansion of the internal passive domestic equity program and the ability of the passive equity manager to match the investment returns of the S&P 500 Index is included as Attachment 1.

California State Teachers' Retirement System
Internal Equities
Internal S&P 500 Indexed Portfolio

Background

This report reviews the use of internal passive equity management at California State Teachers' Retirement System (CalSTRS). The overall objective of this report is to provide the Investment Committee with information in determining the progress of the internal passive management program. Specifically, the report reviews the expansion of the internal passive domestic equity program and the ability of the passive equity manager to match the investment returns of the S&P 500 Index.

The objective for the internal S&P 500 indexed portfolio (Portfolio) is to closely match the performance of the S&P 500 Index. The S&P 500 Index is composed of 500 large companies. Since some industries are characterized by companies of relatively small stock capitalization, the S&P 500 Index does not comprise the 500 largest companies in the domestic equity market. A list of the S&P 500 constituents and their respective weighting in the index are included as Exhibit A.

The S&P 500 Index is a market value weighted index (shares outstanding multiplied by stock price) of 500 stocks. The weighting system allows each company to influence the S&P 500 Index's performance directly proportional to the relative market value.

The Standard and Poor's S&P 500 Index Committee (Committee) is responsible for all decisions affecting the S&P 500 Index. The Committee determines the overall policy and objective of the S&P 500 Index and establishes guidelines and criteria for adding and deleting each company in the S&P 500 Index. The Committee usually meets on a regular basis to approve stocks for inclusion. Once approved by the Committee by unanimous vote, these stocks are then placed into the Replacement Pool. When index changes occurs, the Committee decides which stock out of the Replacement Pool will be selected for inclusion in the S&P 500 Index. Each stock added to the S&P 500 Index is evaluated on a number of factors, including financial condition, industry leadership role, and liquidity.

Strategy for Managing Internal S&P 500 Indexed Portfolio

The Portfolio is constructed to match the risk and performance of common stocks of U.S. companies as represented by the S&P 500 Index. In accordance with CalSTRS' policies, the Portfolio applies an index replication investment strategy by holding all of the stocks in the index close to index weight. The full replication method minimizes expected tracking error.

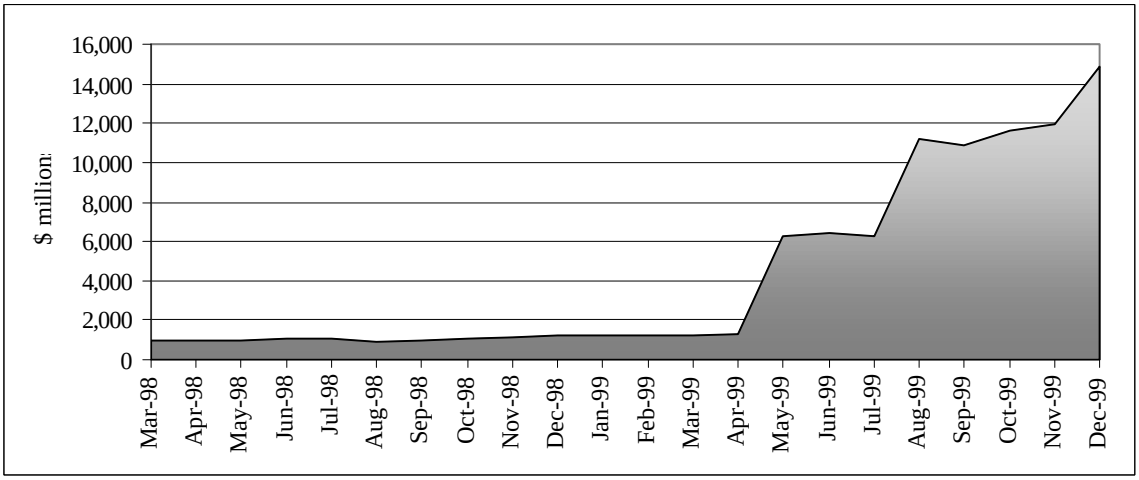
The tracking error is attributable primarily to three factors: (i) cash drag from dividend accruals[1], (ii) frictional cash associated with the increased fundings, and (iii) security misweights. Of these three factors, the primary cause of performance tracking error has been cash drag from dividend accruals. Cash drag arises because Standard & Poor's assumes that dividend reinvestment occurs on ex-date for performance calculation. Typically, the Portfolio does not actually receive payment of dividends on the ex-dividend date. The actual receipt of dividends could be two to six weeks after the ex-dividend date. Therefore, the Portfolio will not be able to buy S&P stocks during the lag time for the yet-to-be received dividend amounts. To reduce tracking error, dividends on the constituent stocks are collected and reinvested promptly. The Portfolio trades stocks when the index constituents change and when dividends are reinvested.

Increase Size of Internal S&P 500 Indexed Portfolio

As mentioned earlier, the CalSTRS' Board approved increasing the size of the internal program to 50% of the value of the S&P 500 mandate with a range of 45% to 55%. The Board expanded the percentage of S&P 500 Index assets managed internally based on presentations from staff and Pension Consulting Alliance. It was established that staff could manage a larger portfolio in a cost-effective manner while producing risk and return that closely match the performance benchmark. The funding consisted of a series of asset transfers from the external passive manager. Each transfer was completed over time in order for staff to manage and monitor the growth of the Portfolio. Table 1 shows the growth of the internal program. In accordance with the internal equity management plan approved by the Investment Committee, the increase in allocation to internal management rose significantly from May 31, 1999 to December 1, 1999.

1 In a market environment when equity returns exceed returns on short-term cash instruments, the Portfolio would under-perform the benchmark.

Table 1: Internal S&P 500 Assets



There are benefits to be gained by managing a larger indexed Portfolio. Due to the increase in size, the performance of the Portfolio has been enhanced in such a manner as to minimize deviation between the performance of the Portfolio and the benchmark. Primarily, a larger fund is able to invest its cash flows more efficiently through the purchase of larger baskets and more securities with cash flows that actually help control tracking error.

The Portfolio's holdings are maintained extremely close to index weight. The minor misweights create a small tracking error. A larger portfolio has helped address this misweight issue.

Performance Measurement

The performance objective of the internal Portfolio is to closely track the return of the S&P 500 Index. Table 2 disaggregates the relative performance of the Portfolio into three performance periods (before increase, during increase, since inception). After increasing the size of the internal program, the Portfolio's performance continued to closely track the S&P 500 Index. For the 12 month period ending December 31, 1999, the Portfolio outperformed the S&P 500 Index by +0.124% (12.4 basis points). Since inception, the Portfolio is ahead its benchmark by +0.039%.

Table 2: S&P 500 Performance

Total Returns	Portfolio	Index	Tracking Error
Before Increase:			
3/98 – 12/98	+12.892%	+12.975%	–0.084%
1/99 – 5/99	+6.442%	+6.420%	+0.022%
During Increase:			
6/99 – 12/99	+13.781%	+13.688%	+0.093%
Cumulative:			
3/98-12/99	+36.725%	+36.686%	+0.039%

Portfolio return calculated by State Street Bank Analytics.
The total return for the index was calculated by Wilshire Associates.

Since inception, the average monthly performance variance (Portfolio versus Index) was +/–0.020% (2 basis points). The average variance increased to +/–0.046% during the period when Portfolio funding occurred (6/99-12/99). However, the overall variance has been positive during the funding period, resulting in a positive tracking error for 1999.

Conclusion

In summary, the internal equity program produced results that met expectations. The fundings have actually helped performance on a net basis. Primarily, additional assets help the Portfolio to hold more precise security weights, actually lowering tracking error. The larger size Portfolio adds more flexibility to the management of the Portfolio. Additionally, a larger Portfolio allows staff to invest cash flows more efficiently.

According to adopted policy, the Portfolio could have a tracking error of +/–0.120% (12 basis points) on an annualized basis. For the 12 month period ending December 31, 1999, the Portfolio generated positive tracking error at the upper limit of 0.12%.

Exhibit 1: S&P 500 Index Constituents as of December 31, 1999

Ticker	Name	Market Cap. (Mil.$)	% of 500
COMS	3Com Corp.....	16,216	0.13
ABT	Abbott Labs.....	55,824	0.45
ADPT	Adaptec, Inc.....	5,093	0.04
ADCT	ADC Telecommunications.....	10,855	0.09
ADBE	Adobe Systems.....	8,083	0.07
AMD	Advanced Micro Devices.....	4,260	0.03
AES	AES Corp.....	15,427	0.13
AET	Aetna Inc.....	8,354	0.07
AFL	AFLAC Inc.....	12,557	0.10
APD	Air Products & Chemicals.....	7,696	0.06
ACV	Alberto-Culver.....	1,440	0.01
ABS	Albertson's.....	13,659	0.11
AL	Alcan Aluminium Ltd.....	9,026	0.07
AA	Alcoa Inc.....	30,412	0.25
ATI	Allegheny Technologies Inc....	2,099	0.02
AGN	Allergan, Inc.....	6,542	0.05
AW	Allied Waste Industries.....	1,664	0.01
ALL	Allstate Corp.....	19,330	0.16
AT	ALLTEL Corp.....	25,958	0.21
AZA	ALZA Corp. Cl. A.....	3,536	0.03
AHC	Amerada Hess.....	5,147	0.04
AEE	Ameren Corp.....	4,494	0.04
AOL	America Online.....	168,639	1.37
AEP	American Electric Power.....	6,236	0.05
AXP	American Express.....	74,426	0.60
AGC	American General.....	18,750	0.15
AM	American Greetings Cl A.....	1,524	0.01
AHP	American Home Products.....	51,494	0.42
AIG	American Int'l. Group.....	167,404	1.36
AMGN	Amgen.....	61,355	0.50
AMR	AMR Corp.....	9,922	0.08
ASO	AmSouth Bancorporation.....	7,553	0.06
APC	Anadarko Petroleum.....	4,352	0.04
ADI	Analog Devices.....	16,225	0.13
ANDW	Andrew Corp.....	1,554	0.01
BUD	Anheuser-Busch.....	32,977	0.27
AOC	Aon Corp.....	10,265	0.08
APA	Apache Corp.....	4,214	0.03
AAPL	Apple Computer.....	16,540	0.13
AMAT	Applied Materials.....	47,940	0.39
ADM	Archer-Daniels-Midland.....	7,414	0.06
ACK	Armstrong World.....	1,337	0.01

ASH	Ashland Inc.....	2,377	0.02
AFS	Associates First Capital.....	19,981	0.16
T	AT&T Corp.....	162,164	1.32
ARC	Atlantic Richfield.....	27,916	0.23
ADSK	Autodesk, Inc.....	2,059	0.02
AUD	Automatic Data Processing Inc.	33,678	0.27
AZO	AutoZone Inc.....	4,664	0.04
AVY	Avery Dennison Corp.....	8,211	0.07
AVP	Avon Products.....	7,996	0.06
BHI	Baker Hughes.....	6,934	0.06
BLL	Ball Corp.....	1,192	0.01
BAC	Bank of America Corp.....	85,679	0.70
BK	Bank of New York.....	29,456	0.24
ONE	Bank One Corp.....	36,772	0.30
BCR	Bard (C.R.) Inc.....	2,713	0.02
ABX	Barrick Gold Corp.....	6,974	0.06
BOL	Bausch & Lomb.....	3,950	0.03
BAX	Baxter International Inc.....	18,274	0.15
BBT	BB&T Corporation.....	9,060	0.07
BSC	Bear Stearns Cos.....	5,095	0.04
BDX	Becton, Dickinson.....	6,696	0.05
BBBY	Bed Bath & Beyond.....	4,859	0.04
BEL	Bell Atlantic.....	95,593	0.78
BLS	BellSouth.....	88,116	0.72
BMS	Bemis Company.....	1,824	0.01
BBY	Best Buy Co., Inc.....	10,302	0.08
BFO	BestFoods Inc.....	14,661	0.12
BS	Bethlehem Steel.....	1,098	0.01
BMET	Biomet, Inc.....	4,513	0.04
BDK	Black & Decker Corp.....	4,538	0.04
HRB	Block H&R.....	4,282	0.03
BMCS	BMC Software.....	19,373	0.16
BA	Boeing Company.....	38,842	0.32
BCC	Boise Cascade.....	2,314	0.02
BSX	Boston Scientific.....	9,072	0.07
BGG	Briggs & Stratton.....	1,241	0.01
BMY	Bristol-Myers Squibb.....	127,328	1.03
BF.B	Brown-Forman Corp.....	3,922	0.03
BC	Brunswick Corp.....	2,043	0.02
BNI	Burlington Northern Santa Fe C	11,081	0.09
BR	Burlington Resources.....	7,191	0.06
CS	Cabletron Systems.....	4,694	0.04
CPB	Campbell Soup.....	16,552	0.13
COF	Capital One Financial.....	9,502	0.08
CAH	Cardinal Health, Inc.....	13,417	0.11
CCL	Carnival Corp.....	29,496	0.24
CPL	Carolina Power & Light.....	4,858	0.04
CAT	Caterpillar Inc.....	16,733	0.14

CBS	CBS Corp.....	48,746	0.40
CD	Cendant Corporation.....	18,887	0.15
CTX	Centex Corp.....	1,463	0.01
CSR	Central & South West.....	4,253	0.03
CTL	CenturyTel, Inc.....	6,617	0.05
CEN	Ceridian Corp.....	3,119	0.03
CHA	Champion International.....	5,958	0.05
SCH	Charles Schwab.....	31,466	0.26
CMB	Chase Manhattan.....	64,075	0.52
CHV	Chevron Corp.....	56,849	0.46
CB	Chubb Corp.....	9,907	0.08
CI	CIGNA Corp.....	14,981	0.12
CINF	Cincinnati Financial.....	5,118	0.04
CIN	CINergy Corp.....	3,834	0.03
CC	Circuit City Group.....	9,163	0.07
CSCO	Cisco Systems.....	350,406	2.85
C	Citigroup Inc.....	187,338	1.52
CTXS	Citrix Systems.....	11,022	0.09
CCU	Clear Channel Communications..	30,211	0.25
CLX	Clorox Co.....	11,909	0.10
CMS	CMS Energy.....	3,612	0.03
CGP	Coastal Corp.....	7,570	0.06
KO	Coca Cola Co.....	143,876	1.17
CCE	Coca-Cola Enterprises.....	8,563	0.07
CL	Colgate-Palmolive.....	37,868	0.31
CG	Columbia Energy Group.....	5,140	0.04
COL	Columbia/HCA Healthcare Corp..	16,511	0.13
CMCSK	Comcast Class A Special.....	38,007	0.31
CMA	Comerica Inc.....	7,302	0.06
CPQ	COMPAQ Computer.....	46,006	0.37
CA	Computer Associates Intl.....	37,698	0.31
CSC	Computer Sciences Corp.....	15,754	0.13
CPWR	Compuware Corp.....	13,330	0.11
CMVT	Comverse Technology.....	10,317	0.08
CAG	ConAgra Inc.....	11,107	0.09
COC.B	Conoco Inc.....	15,578	0.13
CNC	Conseco Inc.....	5,847	0.05
ED	Consolidated Edison Hldgs.....	7,625	0.06
CNG	Consolidated Natural Gas.....	6,229	0.05
CNS	Consolidated Stores.....	1,799	0.01
CEG	Constellation Energy Group....	4,337	0.04
CBE	Cooper Industries.....	3,808	0.03
CTB	Cooper Tire & Rubber.....	1,180	0.01
RKY	Coors (Adolph).....	1,935	0.02
GLW	Corning Inc.....	31,562	0.26
COST	Costco Wholesale Corp.....	20,242	0.16
CCR	Countrywide Credit Industries.	2,857	0.02
CR	Crane Company.....	1,310	0.01

CCK	Crown Cork & Seal.....	2,727	0.02
CSX	CSX Corp.....	6,850	0.06
CUM	Cummins Engine Co., Inc.....	2,000	0.02
CVS	CVS Corp.....	15,651	0.13
DCN	Dana Corp.....	4,925	0.04
DHR	Danaher Corp.....	6,868	0.06
DRI	Darden Restaurants.....	2,382	0.02
DH	Dayton Hudson.....	32,360	0.26
DE	Deere & Co.....	10,136	0.08
DELL	Dell Computer.....	129,585	1.05
DPH	Delphi Automotive Systems.....	8,899	0.07
DAL	Delta Air Lines.....	6,618	0.05
DLX	Deluxe Corp.....	2,014	0.02
DDS	Dillard Inc.....	2,167	0.02
DG	Dollar General.....	6,051	0.05
D	Dominion Resources.....	7,489	0.06
DNY	Donnelley (R.R.) & Sons.....	3,137	0.03
DOV	Dover Corp.....	9,240	0.08
DOW	Dow Chemical.....	29,304	0.24
DJ	Dow Jones & Co.....	6,084	0.05
DTE	DTE Energy Co.....	4,551	0.04
DD	Du Pont (E.I.).....	68,808	0.56
DUK	Duke Energy.....	18,330	0.15
DNB	Dun & Bradstreet Corp. (New)..	4,746	0.04
EFU	Eastern Enterprises.....	1,552	0.01
EMN	Eastman Chemical.....	3,730	0.03
EK	Eastman Kodak.....	20,909	0.17
ETN	Eaton Corp.....	5,345	0.04
ECL	Ecolab Inc.....	5,070	0.04
EIX	Edison Int'l.....	9,092	0.07
EPG	El Paso Energy.....	8,862	0.07
EDS	Electronic Data Systems.....	31,513	0.26
EMC	EMC Corp.....	111,162	0.90
EMR	Emerson Electric.....	24,930	0.20
EC	Engelhard Corp.....	2,375	0.02
ENE	Enron Corp.....	31,755	0.26
ETR	Entergy Corp.....	6,356	0.05
EFX	Equifax Inc.....	3,333	0.03
XOM	Exxon Mobil Corp.....	278,227	2.26
FNM	Fannie Mae.....	63,998	0.52
FDX	FDX Holding Corp.....	12,223	0.10
FRE	Federal Home Loan Mtg.....	32,717	0.27
FD	Federated Dept. Stores.....	10,615	0.09
FITB	Fifth Third Bancorp.....	22,651	0.18
FDC	First Data.....	20,665	0.17
FTU	First Union Corp.....	32,410	0.26
FSR	Firstar Corporation.....	20,706	0.17
FE	FirstEnergy Corp.....	5,287	0.04

FBF	FleetBoston Financial Corp....	31,873	0.26
FLE	Fleetwood Enterprises.....	673	0.01
FPC	Florida Progress.....	4,155	0.03
FLR	Fluor Corp.....	3,485	0.03
FMC	FMC Corp.....	1,753	0.01
F	Ford Motor.....	64,546	0.52
FJ	Fort James Corp.....	5,923	0.05
FO	Fortune Brands, Inc.....	5,425	0.04
FWC	Foster Wheeler.....	361	0.00
FPL	FPL Group.....	7,674	0.06
BEN	Franklin Resources Inc.....	8,084	0.07
FCX	Freeport-McMoran Copper & Gold	3,454	0.03
GCI	Gannett Co.....	22,737	0.18
GPS	Gap (The).....	39,386	0.32
GTW	Gateway, Inc.....	22,810	0.19
GD	General Dynamics.....	10,601	0.09
GE	General Electric.....	507,734	4.12
GIC	General Instrument Corp.....	14,792	0.12
GIS	General Mills.....	10,862	0.09
GM	General Motors.....	46,535	0.38
GPC	Genuine Parts.....	4,412	0.04
GP	Georgia-Pacific Group.....	8,678	0.07
G	Gillette Co.....	44,180	0.36
GBLX	Global Crossing.....	37,944	0.31
GDW	Golden West Financial.....	5,414	0.04
GR	Goodrich (B.F.).....	3,029	0.02
GT	Goodyear Tire & Rubber.....	4,407	0.04
GPU	GPU Inc.....	3,695	0.03
GRA	Grace (W.R.) & Co.(New).....	996	0.01
GWW	Grainger (W.W.) Inc.....	4,465	0.04
GAP	Great A & P.....	1,069	0.01
GLK	Great Lakes Chemical.....	2,196	0.02
GTE	GTE Corp.....	68,572	0.56
GDT	Guidant Corp.....	14,446	0.12
HAL	Halliburton Co.....	17,781	0.14
H	Harcourt General Inc.....	2,864	0.02
HET	Harrah's Entertainment.....	3,400	0.03
HIG	Hartford Financial Svc.Gp.....	10,499	0.09
HAS	Hasbro Inc.....	3,694	0.03
HRC	HEALTHSOUTH Corp.....	2,076	0.02
HNZ	Heinz (H.J.).....	14,268	0.12
HPC	Hercules, Inc.....	2,964	0.02
HSY	Hershey Foods.....	6,573	0.05
HWP	Hewlett-Packard.....	116,102	0.94
HLT	Hilton Hotels.....	3,550	0.03
HD	Home Depot.....	157,856	1.28
HM	Homestake Mining.....	2,033	0.02
HON	Honeywell Int'l. Inc.....	45,666	0.37

HI	Household International.....	17,513	0.14
HUM	Humana Inc.....	1,372	0.01
HBAN	Huntington Bancshares.....	5,485	0.04
IKN	IKON Office Solutions.....	1,016	0.01
ITW	Illinois Tool Works.....	20,301	0.16
RX	IMS Health Inc.....	8,372	0.07
N	Inco, Ltd.....	4,511	0.04
IR	Ingersoll-Rand.....	9,007	0.07
INTC	Intel Corp.....	275,006	2.23
IBM	International Bus. Machines...	194,681	1.58
IFF	International Flav/Frag.....	3,968	0.03
IP	International Paper.....	23,370	0.19
IPG	Interpublic Group.....	16,190	0.13
IIN	ITT Industries, Inc.....	2,940	0.02
JP	Jefferson-Pilot.....	7,148	0.06
JNJ	Johnson & Johnson.....	129,496	1.05
JCI	Johnson Controls.....	4,853	0.04
JOS	Jostens Inc.....	811	0.01
KM	K mart.....	4,968	0.04
KSU	Kansas City Southern Ind.....	8,248	0.07
KBH	Kaufman & Broad Home Corp.....	1,153	0.01
K	Kellogg Co.....	12,492	0.10
KMG	Kerr-McGee.....	5,361	0.04
KEY	KeyCorp.....	9,897	0.08
KMB	Kimberly-Clark.....	35,519	0.29
KLAC	KLA-Tencor Corp.....	10,018	0.08
KRI	Knight-Ridder Inc.....	4,994	0.04
KSS	Kohl's Corp.....	11,763	0.10
KR	Kroger Co.....	15,704	0.13
LEG	Leggett & Platt.....	4,208	0.03
LEH	Lehman Bros. Hldgs.....	10,164	0.08
LXK	Lexmark Int'l. Group A.....	11,559	0.09
LLY	Lilly (Eli) & Co.....	72,520	0.59
LTD	Limited, Inc.....	9,300	0.08
LNC	Lincoln National.....	7,819	0.06
LIZ	Liz Claiborne, Inc.....	2,224	0.02
LMT	Lockheed Martin Corp.....	8,661	0.07
LTR	Loews Corp.....	6,436	0.05
LDG	Longs Drug Stores.....	1,014	0.01
LPX	Louisiana Pacific.....	1,517	0.01
LOW	Lowe's Cos.....	22,833	0.19
LSI	LSI Logic.....	10,039	0.08
LU	Lucent Technologies.....	234,395	1.90
MKG	Mallinckrodt Inc.....	2,213	0.02
HCR	Manor Care Inc.....	1,649	0.01
MAR	Marriott Int'l. (New).....	7,852	0.06
MMC	Marsh & McLennan.....	25,529	0.21
MAS	Masco Corp.....	11,343	0.09

MAT	Mattel, Inc.....	5,523	0.04
MAY	May Dept. Stores.....	10,776	0.09
MYG	Maytag Corp.....	4,052	0.03
MBI	MBIA Inc.....	5,259	0.04
KRB	MBNA Corp.....	21,849	0.18
MDR	McDermott International.....	540	0.00
MCD	McDonald's Corp.....	54,584	0.44
MHP	McGraw-Hill.....	12,085	0.10
WCOM	MCI WorldCom.....	150,610	1.22
MCK	McKesson HBOC Inc.....	6,353	0.05
MEA	Mead Corp.....	4,459	0.04
UMG	MediaOne Group Inc.....	47,008	0.38
MDT	Medtronic Inc.....	43,553	0.35
MEL	Mellon Financial Corp.....	17,326	0.14
MRK	Merck & Co.....	156,753	1.27
MDP	Meredith Corp.....	2,152	0.02
MER	Merrill Lynch.....	30,951	0.25
MTG	MGIC Investment.....	6,362	0.05
MU	Micron Technology.....	20,981	0.17
MSFT	Microsoft Corp.....	602,433	4.89
MZ	Milacron Inc.....	569	0.00
MIL	Millipore Corp.....	1,748	0.01
MMM	Minn. Mining & Mfg.....	39,281	0.32
MIR	Mirage Resorts.....	2,958	0.02
MOLX	Molex Inc.....	8,887	0.07
MTC	Monsanto Company.....	22,608	0.18
JPM	Morgan (J.P.) & Co.....	21,924	0.18
MWD	Morgan Stanley, Dean Witter &	79,506	0.65
MOT	Motorola Inc.....	89,689	0.73
NGH	Nabisco Group Hldgs.....	3,465	0.03
NC	NACCO Ind. Cl. A.....	453	0.00
NCC	National City Corp.....	14,605	0.12
NSM	National Semiconductor.....	7,343	0.06
NSI	National Service Ind.....	1,200	0.01
NAV	Navistar International Corp...	3,012	0.02
NTAP	Network Appliance.....	12,404	0.10
NCE	New Century Energies.....	3,510	0.03
NYT	New York Times Cl. A.....	8,413	0.07
NWL	Newell Rubbermaid Inc.....	8,179	0.07
NEM	Newmont Mining.....	4,106	0.03
NXTL	NEXTEL Communications.....	37,478	0.30
NMK	Niagara Mohawk Hldgs Inc.....	2,610	0.02
GAS	NICOR Inc.....	1,529	0.01
NKE	NIKE Inc.....	13,880	0.11
JWN	Nordstrom.....	3,628	0.03
NSC	Norfolk Southern Corp.....	7,803	0.06
NT	Nortel Networks Corp.....	134,897	1.10
NSP	Northern States Power.....	3,019	0.02

NTRS	Northern Trust Corp.....	11,797	0.10
NOC	Northrop Grumman Corp.....	3,757	0.03
NOVL	Novell Inc.....	13,302	0.11
NUE	Nucor Corp.....	4,780	0.04
OXY	Occidental Petroleum.....	7,949	0.06
ODP	Office Depot.....	3,600	0.03
OK	Old Kent Financial.....	4,164	0.03
OMC	Omnicom Group.....	17,745	0.14
OKE	ONEOK Inc.....	794	0.01
ORCL	Oracle Corp.....	159,540	1.30
OWC	Owens Corning.....	1,059	0.01
OI	Owens-Illinois.....	3,763	0.03
PCAR	PACCAR Inc.....	3,471	0.03
PTV	Pactiv Corporation.....	1,821	0.01
PWJ	PaineWebber Group.....	5,539	0.04
PLL	Pall Corp.....	2,677	0.02
PMTC	Parametric Technology.....	7,287	0.06
PH	Parker-Hannifin.....	5,747	0.05
PAYX	Paychex Inc.....	9,864	0.08
PEB	PE Corp.-PE Biosystems Group..	12,401	0.10
PE	PECO Energy Co.....	6,456	0.05
JCP	Penney (J.C.).....	5,188	0.04
PGL	Peoples Energy.....	1,189	0.01
PSFT	PeopleSoft Inc.....	5,722	0.05
PBY	Pep Boys.....	480	0.00
PEP	PepsiCo Inc.....	51,313	0.42
PKI	PerkinElmer Inc.....	1,925	0.02
PFE	Pfizer, Inc.....	125,574	1.02
PCG	PG&E Corp.....	7,872	0.06
PNU	Pharmacia & Upjohn, Inc.....	23,332	0.19
PD	Phelps Dodge.....	5,435	0.04
MO	Philip Morris.....	54,865	0.45
P	Phillips Petroleum.....	11,904	0.10
PNW	Pinnacle West Capital.....	2,590	0.02
PBI	Pitney-Bowes.....	12,815	0.10
PDG	Placer Dome Inc.....	3,500	0.03
PNC	PNC Bank Corp.....	13,083	0.11
PRD	Polaroid Corp.....	838	0.01
PCH	Potlatch Corp.....	1,292	0.01
PPL	PP & L Resources.....	3,287	0.03
PPG	PPG Industries.....	10,873	0.09
PX	Praxair, Inc.....	7,997	0.06
PG	Procter & Gamble.....	143,984	1.17
PGR	Progressive Corp.....	5,346	0.04
PVN	Providian Financial Corp.....	12,928	0.11
PEG	Public Serv. Enterprise Inc...	7,610	0.06
PHM	Pulte Corp.....	973	0.01
OAT	Quaker Oats.....	8,780	0.07

QCOM	QUALCOMM Inc.....	116,213	0.94
QTRN	Quintiles Transnational.....	2,148	0.02
RAL	Ralston-Ralston Purina Gp.....	9,015	0.07
RTN.B	Raytheon Co.....	8,989	0.07
RBK	Reebok International.....	461	0.00
RGBK	Regions Financial Corp.....	5,494	0.04
REI	Reliant Energy.....	6,763	0.05
RLM	Reynolds Metals.....	4,845	0.04
RAD	Rite Aid.....	2,897	0.02
ROK	Rockwell International.....	9,107	0.07
ROH	Rohm & Haas.....	8,906	0.07
RDC	Rowan Cos.....	1,806	0.01
RD	Royal Dutch Petroleum.....	129,596	1.05
RML	Russell Corp.....	554	0.00
R	Ryder System.....	1,569	0.01
SAFC	SAFECO Corp.....	3,234	0.03
SWY	Safeway Inc.....	18,094	0.15
SLE	Sara Lee Corp.....	20,048	0.16
SBC	SBC Communications Inc.....	166,305	1.35
SGP	Schering-Plough.....	61,977	0.50
SLB	Schlumberger Ltd.....	30,929	0.25
SFA	Scientific-Atlanta.....	4,370	0.04
SEG	Seagate Technology.....	9,699	0.08
VO	Seagram Co. Ltd.....	19,481	0.16
SEE	Sealed Air Corp.(New).....	4,327	0.04
S	Sears, Roebuck & Co.....	11,504	0.09
SRE	Sempra Energy.....	4,176	0.03
SRV	Service Corp. International...	1,887	0.02
SMS	Shared Medical Systems.....	1,370	0.01
SHW	Sherwin-Williams.....	3,483	0.03
SIAL	Sigma-Aldrich.....	3,033	0.02
SGI	Silicon Graphics.....	1,804	0.01
SLM	SLM Holding Corp.....	6,721	0.05
SNA	Snap-On Inc.....	1,554	0.01
SLR	Solectron Corp.....	27,867	0.23
SO	Southern Co.....	15,818	0.13
SOTR	SouthTrust Corp.....	6,345	0.05
LUV	Southwest Airlines.....	8,166	0.07
SMI	Springs Industries Inc.....	715	0.01
FON	Sprint Corp. FON Group.....	58,659	0.48
PCS	Sprint Corp. PCS Group.....	44,172	0.36
STJ	St Jude Medical.....	2,582	0.02
SPC	St. Paul Cos.....	7,656	0.06
SWK	Stanley Works.....	2,694	0.02
SPLS	Staples Inc.....	9,637	0.08
STT	State Street Corp.....	11,688	0.09
SUB	Summit Bancorp.....	5,352	0.04
SUNW	Sun Microsystems.....	120,967	0.98

SUN	Sunoco Inc.....	2,120	0.02
STI	SunTrust Banks.....	22,018	0.18
SVU	Supervalu Inc.....	2,792	0.02
SNV	Synovus Financial.....	5,561	0.05
SYY	Sysco Corp.....	13,031	0.11
TROW	T.Rowe Price Associates.....	4,420	0.04
TAN	Tandy Corp.....	9,509	0.08
TEK	Tektronix Inc.....	1,837	0.01
TLAB	Tellabs, Inc.....	25,821	0.21
TIN	Temple-Inland.....	3,683	0.03
THC	Tenet Healthcare Corp.....	7,317	0.06
TER	Teradyne, Inc.....	11,286	0.09
TX	Texaco Inc.....	30,038	0.24
TXN	Texas Instruments.....	77,693	0.63
TXU	Texas Utilities Hldg.Cos.....	9,830	0.08
TXT	Textron Inc.....	11,407	0.09
TMO	Thermo Electron.....	2,374	0.02
TNB	Thomas & Betts.....	1,843	0.01
TWX	Time Warner Inc.....	93,192	0.76
TMC	Times Mirror.....	4,019	0.03
TKR	Timken Co.....	1,266	0.01
TJX	TJX Companies Inc.....	6,337	0.05
TMK	Torchmark Corp.....	3,823	0.03
TOS	Tosco Corp.....	3,913	0.03
TOY	Toys R Us Hldg. Cos.....	3,503	0.03
RIG	Transocean Sedco Forex Inc....	6,982	0.06
TRB	Tribune Co.....	13,085	0.11
YUM	TRICON Global Restaurants.....	5,930	0.05
TRW	TRW Inc.....	6,316	0.05
TUP	Tupperware Corp.....	977	0.01
TYC	Tyco International.....	65,649	0.53
USB	U.S. Bancorp.....	17,327	0.14
UCM	Unicom Corp.....	7,287	0.06
UN	Unilever N.V.....	31,115	0.25
UK	Union Carbide.....	8,935	0.07
UPR	Union Pacific Resources Group.	3,214	0.03
UNP	Union Pacific.....	10,844	0.09
UPC	Union Planters.....	5,562	0.05
UIS	Unisys Corp.....	9,898	0.08
UNH	United HealthCare Corp.....	9,018	0.07
UTX	United Technologies.....	31,118	0.25
UCL	Unocal Corp.....	8,136	0.07
UNM	UNUMProvident Corp.....	7,696	0.06
USW	US West Inc.....	36,382	0.30
U	USAirways Group Inc.....	2,291	0.02
UST	UST Inc.....	4,309	0.04
MRO	USX-Marathon Group.....	7,671	0.06
X	USX-U.S. Steel Group.....	2,917	0.02

VFC	V.F. Corp.....	3,544	0.03
VIA.B	Viacom Inc.....	42,124	0.34
VMC	Vulcan Materials.....	3,996	0.03
WB	Wachovia Corp.....	13,787	0.11
WAG	Walgreen Co.....	29,352	0.24
WMT	Wal-Mart Stores.....	307,616	2.50
DIS	Walt Disney Co. (The).....	60,323	0.49
WLA	Warner-Lambert.....	70,357	0.57
WM	Washington Mutual, Inc.....	15,010	0.12
WMI	Waste Management (New).....	10,650	0.09
WPI	Watson Pharmaceuticals.....	3,437	0.03
WLP	WellPoint Health Networks.....	4,196	0.03
WFC	Wells Fargo & Co. (New).....	66,410	0.54
WEN	Wendy's International.....	2,466	0.02
W	Westvaco Corp.....	3,272	0.03
WY	Weyerhaeuser Corp.....	16,865	0.14
WHR	Whirlpool Corp.....	4,842	0.04
WLL	Willamette Industries.....	5,181	0.04
WMB	Williams Cos.....	13,287	0.11
WIN	Winn-Dixie.....	3,558	0.03
WTHG	Worthington Ind.....	1,476	0.01
WWY	Wrigley (Wm) Jr.....	9,601	0.08
XRX	Xerox Corp.....	15,070	0.12
XLNX	Xilinx, Inc.....	14,498	0.12
YHOO	Yahoo! Inc.....	113,901	0.93
		12,310,209	