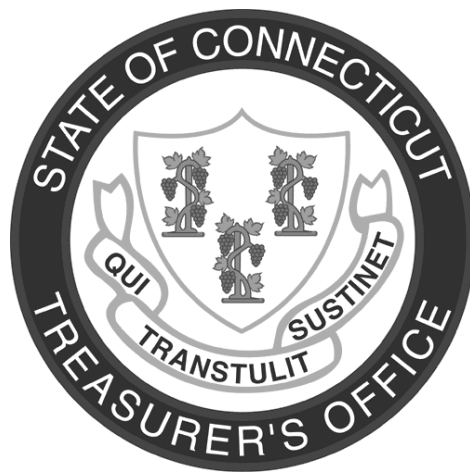


**CONNECTICUT  
STATE TREASURER'S  
SHORT-TERM INVESTMENT FUND**



**QUARTERLY REPORT**

**QUARTER ENDING DECEMBER 31, 2007**

**DENISE L. NAPIER  
STATE TREASURER**

## MESSAGE FROM THE TREASURER

### Dear Investor:

I am pleased to report that for the quarter ending December 31, 2007, the Connecticut Short-Term Investment Fund (STIF) outperformed its iMoneyNet benchmark\* by 15 basis points. STIF's 4.92 percent average annualized yield compares with a 4.77 percent average annualized yield for the benchmark, thereby providing an additional \$1.8 million in interest earnings for our investors above the index. We earned these returns while continuing our more cautious investment strategy in response to the ongoing dislocations in the credit market.

In addition to the unsettled markets, our biggest concern centers on our investment in Cheyne Finance notes. As we have reported to you several times, the Cheyne notes, totaling \$100 million of our \$5 billion in assets, are currently under control of receivers and payments to investors were suspended in October. The receivers are finalizing negotiations with an investment bank for the sale and restructuring of the underlying portfolio of securities. This document reflects a further discount in the market values of the Cheyne Finance notes as of December 31, 2007, and the values will be updated upon the conclusion of the negotiations.

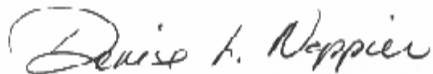
STIF currently has a \$52.7 million reserve in place to absorb any potential loss and protect our investors. The reserve has never been drawn upon in the 35-year history of STIF, but it is available for just the type of event that could occur with our Cheyne notes. The reserve means that we could absorb any likely losses from our Cheyne securities without (a) affecting STIF's \$1 per share net asset value or (b) any loss of principal to any of our investors.

On the good news front, our investments in Citigroup-sponsored structured investment vehicles recently had their AAA/Aaa ratings affirmed by S&P and Moody's in recognition of the additional support commitments made by Citigroup in December.

We are continuing to maintain a high level of liquidity. STIF currently holds more than \$3.5 billion, or 70 percent of fund assets, in overnight investments or investments that are available on a same-day basis.

Despite the challenges in the current markets, we remain confident in the safety, liquidity and performance of STIF, and will continue to manage the Fund with vigilance to protect the interests of all of our investors.

Sincerely,



**Denise L. Nappier**

**Treasurer, State of Connecticut**

**March 4, 2008**

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

# PERFORMANCE REPORT

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

## ECONOMIC OUTLOOK

The chart below gives an assessment of economic growth, current levels of inflation, and the employment situation. All told, STIF is operating in an environment of low economic growth, moderate inflation, and a weakening job market.

### ECONOMIC SNAPSHOT

	Recent Results	Future Expectations*
<b>Growth</b>	The U.S. economy grew at an annualized rate of 0.6 percent during the second quarter of Fiscal Year 2008.	The Bloomberg February 2008 survey of U.S. economic forecasts projects that the U.S. economy will grow at a rate of 0.6 percent for the third quarter of FY08. For CY08, the economy is projected to grow 1.7 percent.
<b>Inflation</b>	Major Inflation Indices – Year-over-Year as of January 2008  <div style="display: flex; justify-content: space-between;"> <div>Core PCE</div> <div>2.2 percent</div> </div> <div style="display: flex; justify-content: space-between;"> <div>Core CPI</div> <div>2.5 percent</div> </div> <div style="display: flex; justify-content: space-between;"> <div>Core PPI</div> <div>2.3 percent</div> </div>	Core inflation indicators will likely exceed the two percent range for the immediate future.
<b>Employment</b>	In January non-farm payrolls were down 17,000 while the unemployment rate rose to 4.9 percent.	Unemployment rates will rise above 5 percent.

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

## SHORT-TERM INTEREST RATE OUTLOOK

Continuing its significant reduction in interest rates this fiscal year, the Federal Open Market Committee (FOMC) reduced the federal funds rate by 75 basis points to 3.50 percent on January 22, 2008. A week later, at its regularly scheduled January 30th meeting, the Fed reduced the federal funds rate again by an additional 50 basis points to 3.00 percent. Since July 1, 2007, the federal funds target rate has been reduced a full 2.25 percentage points.

At its January 22nd meeting, the Fed changed its bias from “balanced” to “risk-to-growth” stating that “while strains in short-term funding markets have eased somewhat, broader financial market conditions have continued to deteriorate and credit has tightened further for some businesses and households.” In addition, the Fed added that “incoming information indicates a deepening of the housing contraction as well as some softening in labor markets.”

At its January 30th meeting, the Fed maintained its “risk-to-growth” bias stating that “financial markets remain under considerable stress, and credit has tightened further for some businesses and households.” The Fed concluded by stating that “today’s policy action, combined with those taken earlier, should help to promote moderate growth over time and mitigate the risks to economic activity.”

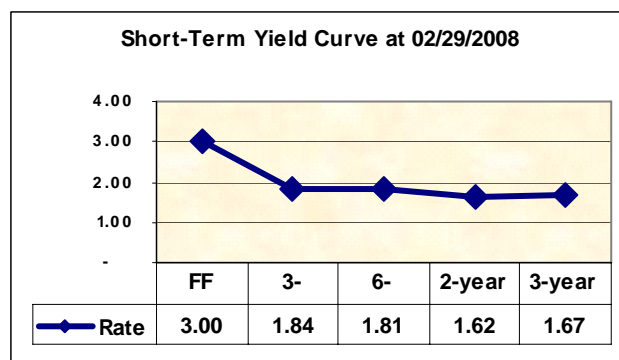
The chart below shows the FOMC meeting dates for calendar year 2008 and the actual or projected level of federal funds throughout this time horizon. Due to declining economic activity, expectations are for significant reductions in the fed funds rate during the next six months.

# PERFORMANCE REPORT

FOMC Meeting Dates	Federal Funds Rate Level	
	Actual	Future Projection (a)
August 7, 2007	5.25%	
September 18, 2007	4.75%	
October 31, 2007	4.50%	
December 11, 2007	4.25%	
January 22, 2008	3.50%	
January 30, 2008	3.00%	
March 18, 2008		2.27%
April 30, 2008		1.94%
June 25, 2008		1.85%

a) Federal Funds and Eurodollar futures data, which project the implied future federal funds rate as of February 29, 2008.

With the current inverted yield curve (see chart at right), and the projected decline in short-term rates, the most attractive position for STIF is the very short maturities out to three months.



## SHORT-TERM INVESTMENT FUND PERFORMANCE

In response to dislocated credit markets during the first two quarters of the fiscal year, we made a series of cautious adjustments to STIF's investment strategy. These steps included: shortening maturities, increasing liquidity, increasing exposure to U.S. Treasury and agency securities, and reducing exposure to asset-backed commercial paper programs.

By quarter-end, our weighted-average maturity of the portfolio stood at 25 days, and liquidity, represented by overnight investments and investments available on a same-day basis, totaled \$2.6 billion, or 58 percent of assets.

Bank deposit instruments accounted for 35.9 percent of STIF's assets, followed by U.S. agency securities and AAAM-rated U.S. Treasury and government money market funds at 16.1 percent, and repurchase agreements backed by U.S. government securities at 15.1 percent. Asset-backed commercial paper and secured liquidity notes together accounted for 5.0 percent of the portfolio.

Our more cautious approach and the Fed's actions in reducing interest rates acted together to reduce the Fund's yield. During the quarter, the daily annualized yield fluctuated from 4.47 percent to 5.23 percent and ended at 4.57 percent. The average annualized yield for the quarter amounted to 4.92 percent.

We will maintain a more cautious strategy until markets become more stable. We, of course, will adjust our investment decisions as market conditions change.

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

	<u>STIF</u>		<u>MFR Index (a)</u>	
	<u>Yield (b)</u>	<u>Effective Yield (c)</u>	<u>Yield (b)</u>	<u>Effective Yield (c)</u>
Oct-07	5.14	5.26	4.93	5.04
Nov-07	4.97	5.08	4.71	4.81
Dec-07	4.64	4.74	4.66	4.76
Average	4.92	5.03	4.77	4.87

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

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

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

**Note:** Annualized returns are provided to allow comparisons to SEC-registered money market mutual funds, which report on that basis.

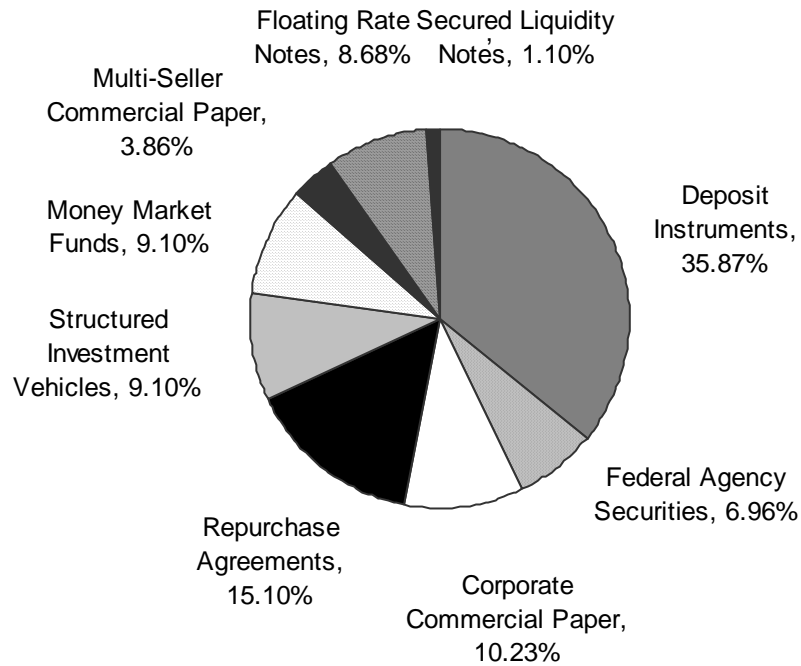
**SHORT-TERM INVESTMENT FUND**  
**RATE OF RETURN (%)**  
**PERIOD ENDED DECEMBER 31, 2007 (UNAUDITED)**

	<u>Three- Month</u> <sup>(a)</sup>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>7 Year</u>	<u>10 Year</u>
STIF	1.24	5.38	4.65	3.33	3.26	4.05
MFR Index <sup>(b)</sup>	1.20	5.09	4.29	2.95	2.88	3.67

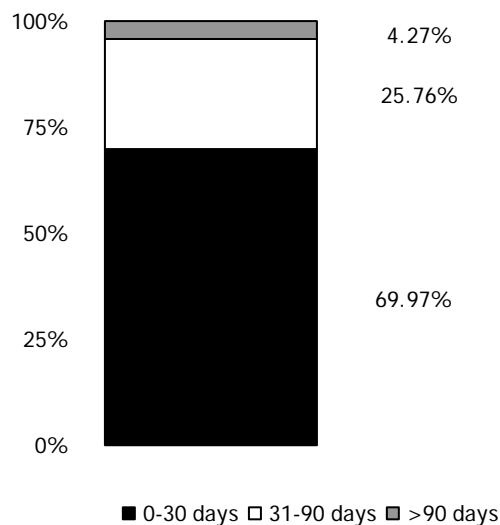
(a) Three-month rate of return is not annualized.

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

**SHORT-TERM INVESTMENT FUND**  
**DISTRIBUTION BY INVESTMENT TYPE AT DECEMBER 31, 2007**



**SHORT-TERM INVESTMENT FUND**  
**DISTRIBUTION BY MATURITY\* AT DECEMBER 31, 2007**



Weighted Average Maturity\* = 25.16 days

\* Includes extendible notes booked to their legal final maturity date.

# SHORT-TERM INVESTMENT FUND

## LIST OF INVESTMENTS AT DECEMBER 31, 2007 (UNAUDITED)

Par Value **	Security (Coupon, Maturity or Next Reset)	Yield (%)	Amortized Cost**	Market Value**	Quality Rating	Cusip or Issuer ID
<b>MULTI-SELLER COMMERCIAL PAPER (3.86%)</b>						
\$ 25,000,000	FORRESTAL CERTIFICATES 5.00, 1/15/08	5.01	\$ 24,951,389	\$ 24,951,389	A-1+	34656JAF1
15,000,000	FORRESTAL CERTIFICATES 5.00, 2/12/08	5.03	14,912,500	14,912,500	A-1+	34656JBC7
15,000,000	FORRESTAL CERTIFICATES 5.25, 1/10/08	5.26	14,980,313	14,980,313	A-1+	34656JAA2
25,000,000	FORRESTAL CERTIFICATES 5.25, 1/3/08	5.25	24,992,708	24,992,708	A-1+	34656JA38
50,000,000	GOVCO INC 5.12, 1/8/08	5.13	49,950,222	49,950,222	A-1+	38362VA86
25,000,000	KITTY HAWK 5.00, 1/7/08	5.01	24,979,167	24,979,167	A-1+	49833LA78
15,000,000	LONG LANE MASTER TRUST 5.05, 2/12/08	5.08	14,911,625	14,911,625	A-1+	5427X0BC6
<b>\$ 170,000,000</b>			<b>\$169,677,924</b>	<b>\$169,677,924</b>		
<b>FEDERAL AGENCY SECURITIES (6.96%)</b>						
\$ 102,000,000	FANNIE MAE 4.22, 3/26/08	4.09	\$ 100,983,683	\$ 101,021,820	AAA	313588UU7
100,000,000	FANNIE MAE 4.24, 3/26/08	4.11	98,998,889	99,041,000	AAA	313588UU7
24,800,000	FARM CREDIT BANK-FLT 4.823, 10/30/08	4.64	24,800,000	24,808,680	AAA	31331XXF4
31,000,000	FHLB 4.57, 12/2/08	4.14	31,000,000	31,044,578	AAA	3133XMXA4
25,000,000	FHLB 4.84, 9/17/08	4.66	24,999,827	25,010,600	AAA	3133XK7D1
25,000,000	FHLB 4.84, 9/17/08	4.66	25,000,000	25,010,600	AAA	3133XK7D1
<b>\$ 307,800,000</b>			<b>\$305,782,399</b>	<b>\$305,937,278</b>		
<b>FLOATING RATE NOTES (8.68%)</b>						
\$ 2,595,000	BANK OF AMERICA 5.129, 2/11/09	4.79	\$ 2,601,683	\$ 2,600,592	AA	06050MCC9
20,600,000	BANK OF AMERICA 5.00, 3/24/09	4.94	20,594,921	20,582,387	AA	060505CC6
5,000,000	BANK OF AMERICA 4.875, 11/6/09	5.05	4,984,044	4,982,520	AA	060505CT9
25,000,000	DEUTSCHE BANK 4.40, 4/24/08	4.42	25,000,000	24,988,000	AA	25152XFE5
5,195,000	GE CAPITAL 5.09, 6/15/09	4.93	5,201,845	5,190,221	AAA	36962GR22
2,450,000	GOLDMAN SACHS 4.969, 11/10/08	5.11	2,451,410	2,444,458	AA-	38141EKJ7
30,000,000	GOLDMAN SACHS 4.924, 12/23/08	5.11	30,000,000	29,912,580	AA-	38141EKX6
6,500,000	GOLDMAN SACHS 4.88, 3/30/09	5.13	6,502,222	6,472,824	AA-	38141ELD9
11,590,000	GOLDMAN SACHS 5.481, 7/23/09	5.13	11,636,301	11,579,059	AA-	38141EJQ3
53,500,000	HSBC 5.031, 6/19/09	5.92	53,544,794	52,698,945	AA-	40429JAR8
1,100,000	MBIA GF 5.308, 1/11/08	5.83	1,100,014	1,099,866	AAA	55266LCB0
50,000,000	MBIA GF 4.865, 2/26/09	6.37	50,000,000	49,049,850	AAA	55266LFM3

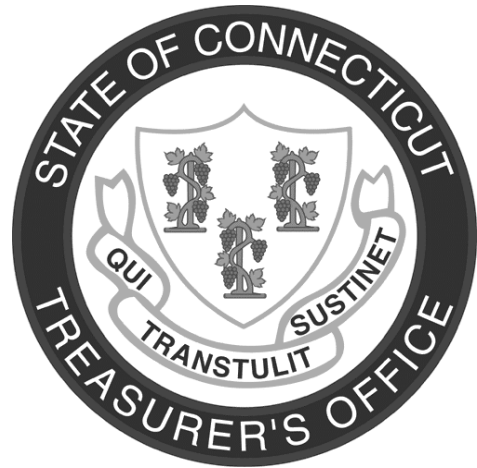
Par Value **	Security (Coupon, Maturity or Next Reset)	Yield (%)	Amortized Cost**	Market Value**	Quality Rating	Cusip or Issuer ID
20,000,000	MERRILL LYNCH 5.191, 10/23/08 <sup>(a)</sup>	6.52	20,003,051	19,730,360	A+	59018YYN5
9,900,000	MERRILL LYNCH 5.101, 10/27/08 <sup>(a)</sup>	5.28	9,905,433	9,864,875	A+	59018YWF4
5,000,000	MERRILL LYNCH 5.101, 10/27/08 <sup>(a)</sup>	5.28	5,002,742	4,982,260	A+	59018YWF4
1,500,000	MERRILL LYNCH 5.101, 10/27/08 <sup>(a)</sup>	5.28	1,500,761	1,494,678	A+	59018YWF4
15,500,000	MERRILL LYNCH 5.074, 1/30/09 <sup>(a)</sup>	5.49	15,511,125	15,394,678	A+	59018YWT4
8,000,000	MERRILL LYNCH 5.074, 1/30/09 <sup>(a)</sup>	5.49	8,005,323	7,945,640	A+	59018YWT4
50,000,000	MERRILL LYNCH 4.41, 5/8/09 <sup>(a)</sup>	4.99	50,000,000	49,620,950	A+	59018YD32
10,000,000	MERRILL LYNCH 4.955, 6/26/09 <sup>(a)</sup>	7.13	10,007,091	9,664,540	A+	59018YXS5
25,000,000	NEW YORK LIFE GF 4.875, 3/28/09	4.71	25,000,000	24,992,875	AAA	649486AA5
4,700,000	ROYAL SCOTLAND 5.259, 4/11/08	4.80	4,700,073	4,699,666	AA	78010JCD2
10,000,000	ROYAL SCOTLAND 4.942, 9/19/08	4.78	10,000,000	9,993,090	AA	78010JAB8
3,500,000	SUNTRUST BANK 5.244, 6/2/09	5.00	3,504,750	3,495,065	AA-	86787ALA1
5,000,000	WELLS FARGO 5.09, 9/15/09	5.29	4,998,406	4,965,360	AA+	949746JD4
<b>\$ 381,630,000</b>			<b>\$381,755,991</b>	<b>\$378,445,337</b>		
(a) On October 24, 2007, Standard & Poor's lowered the credit rating for our Merrill Lynch securities to A+ from AA-.						
<b>SECURED LIQUIDITY NOTES (1.10%)</b>						
\$	48,169,254	LAKESIDE FUNDING 5.542, 7/8/08 *	5.31	\$ 48,169,254	\$ 48,132,645	A-1+ 51215MBZ7
<b>\$ 48,169,254</b>			<b>\$ 48,169,254</b>	<b>\$ 48,132,645</b>		
<b>DEPOSIT INSTRUMENTS (35.87%)</b>						
\$	50,000,000	BARCLAYS BANK 5.45, 1/17/08	5.45	\$ 50,000,000	\$ 50,000,000	A-1+ 0673P2EX6
	50,000,000	BARCLAYS BANK 5.18, 3/19/08	4.70	50,000,000	50,044,500	A-1+ 0673P2FG2
	50,000,000	BARCLAYS BANK 5.20, 4/9/08	4.75	50,000,000	50,054,000	A-1+ 0673P2JL7
	400,000,000	JP MORGAN CHASE 4.48, 1/30/08	4.48	400,000,000	400,000,000	A-1+ N/A
	15,000,000	RABO BANK 4.75, 1/30/08	4.65	15,000,597	15,000,597	A-1+ 74977GBR8
	50,000,000	RABO BANK 4.95, 2/21/08	4.95	50,000,000	50,000,000	A-1+ 74977FRU6
	250,000,000	RBS CITIZENS NA 4.50, 3/26/08	4.50	250,000,000	250,000,000	A-1+ N/A
	50,000,000	ROYAL BANK OF SCOTLAND 5.14, 1/2/08	5.14	50,000,000	50,000,000	A-1+ 78010FL40
	50,000,000	ROYAL BANK OF SCOTLAND 5.46, 3/14/08	4.70	50,045,076	50,069,500	A-1+ 78010FK25
	50,000,000	SOCIETE GENERALE 5.14, 1/15/08	5.14	50,000,000	50,000,000	A-1+ 8336P1SR2
	36,650,000	SOCIETE GENERALE 5.165, 1/17/08	4.65	36,655,468	36,655,468	A-1+ 8336P1SW1
	50,000,000	UBS 4.80, 1/25/08	4.65	50,000,000	50,000,000	A-1+ 90263K5M6
	50,000,000	UBS 5.18, 2/4/08	4.65	50,000,463	50,000,463	A-1+ 90263K2W7
	25,000,000	UBS 5.49, 2/14/08	4.65	25,001,195	25,001,195	A-1+ 90263KW95
	400,000,000	WACHOVIA 4.47, 1/30/08	4.47	400,000,000	400,000,000	A-1+ N/A
<b>\$1,576,650,000</b>			<b>\$1,576,702,798</b>	<b>\$1,576,825,723</b>		



Par Value **	Security (Coupon, Maturity or Next Reset)	Yield (%)	Amortized Cost**	Market Value**	Quality Rating	Cusip or Issuer ID
<b>STRUCTURED INVESTMENT VEHICLES (9.10%)</b>						
\$ 50,000,000	BETA FINANCE 5.136, 9/9/08	6.08	\$ 49,993,380	\$ 49,584,550	AAA	08658AMK8
50,000,000	BETA FINANCE 5.224, 7/6/09	6.60	49,981,966	48,651,050	AAA	08658AOB4
50,000,000	CHEYNE FINANCE 0.00, 10/15/08 <sup>(b)</sup>	0.00	49,988,652	45,000,000	D	16705ECU5
50,000,000	CHEYNE FINANCE 0.00, 2/25/09 <sup>(b)</sup>	0.00	49,983,451	45,000,000	D	16705EDZ3
50,000,000	DORADA FINANCE 5.243, 10/10/08	6.58	49,992,460	49,316,100	AAA	25810EMN3
50,000,000	DORADA FINANCE 4.353, 2/11/2009	6.20	49,990,801	49,020,550	AAA	25810EMZ6
50,000,000	FIVE FINANCE 4.833, 9/29/08	6.08	49,992,912	49,523,950	AAA	33828WCQ1
50,000,000	FIVE FINANCE 5.126, 6/9/09	6.10	49,982,889	49,088,000	AAA	33828WEB2
<b>\$ 400,000,000</b>			<b>\$399,906,511</b>	<b>\$ 385,184,200</b>		
(b) The Cheyne Finance notes are under control of receivers and have suspended payments to investors. The receivers are negotiating the sale of the underlying assets, and the market value of our securities will be clearer at the conclusion of those negotiations. The securities are currently rated D by Standard & Poor's.						
<b>CORPORATE COMMERCIAL PAPER (10.23%)</b>						
\$ 200,000,000	GE CAPITAL 4.00, 1/2/08	4.00	\$ 199,977,778	\$ 199,977,778	A-1+	36959HA23
200,000,000	GE CAPITAL 4.00, 1/2/08	4.00	200,000,000	200,000,000	A-1+	36966LA58
50,000,000	SOCIETE GENERALE 4.785, 2/1/2008	4.81	49,793,979	49,793,979	A-1+	83365RB12
<b>\$ 450,000,000</b>			<b>\$ 449,771,757</b>	<b>\$ 449,771,757</b>		
<b>MONEY MARKET FUNDS (9.10%)</b>						
\$ 25,000,000	MILESTONE FUND 2.01, 1/2/08	2.01	\$ 25,000,000	\$ 25,000,000	AAAm	N/A
200,000,000	RESERVE - US GOVT 4.44, 1/2/08	4.44	200,000,000	200,000,000	AAAm	N/A
175,000,000	US GOVT SELECT 4.63, 1/2/08	4.63	175,000,000	175,000,000	AAAm	N/A
<b>\$ 400,000,000</b>			<b>\$ 400,000,000</b>	<b>\$ 400,000,000</b>		
<b>REPURCHASE AGREEMENTS (15.10%)</b>						
\$ 363,824,000	BANK OF AMERICA 4.30, 1/2/08	4.30	\$ 363,824,000	\$ 363,824,000	A-1+	N/A
200,000,000	BEAR STEARNS 4.69, 1/2/08	4.69	200,000,000	200,000,000	A-1	N/A
100,000,000	LEHMAN BROTHERS 4.20, 1/2/08	4.20	100,000,000	100,000,000	A-1	N/A
<b>\$ 663,824,000</b>			<b>\$ 663,824,000</b>	<b>\$ 663,824,000</b>		
<b>LIQUIDITY MANAGEMENT SYSTEM (0.00%)</b>						
\$ 204	LIQUIDITY MGMT SYSTEM 3.50, 1/2/08	4.00	\$ 204	\$ 204	A-1+	N/A
<b>\$ 204</b>			<b>\$ 204</b>	<b>\$ 201</b>		
<b>\$4,398,073,458 TOTAL</b>			<b>\$4,395,590,838</b>	<b>\$4,377,799,068</b>		

**Market Value / Participant Units Outstanding = Ratio of Market Value per Unit**  
**4,377,799,068\*\*\* / 4,350,891,927 = \$1.006 per unit**

- \* Security is booked to its legal final.
- \*\* Securities rounded to the nearest dollar.
- \*\*\* Includes designated surplus reserve.



# SHORT-TERM INVESTMENT FUND

## ORGANIZATION STRUCTURE

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



Office of the State Treasurer

Short-Term Investment Fund

55 Elm Street

6th Floor

Hartford, Connecticut 06106-2773

Phone: (860) 702-3255

Fax: (860) 702-3048

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