

VII. STANDING COMMITTEES

B. Finance, Audit & Facilities Committee

Investment Update

INFORMATION:

The information below is intended to supplement the presentation to the Board.

*Attachment*

Investment Update

# INVESTMENT UPDATE

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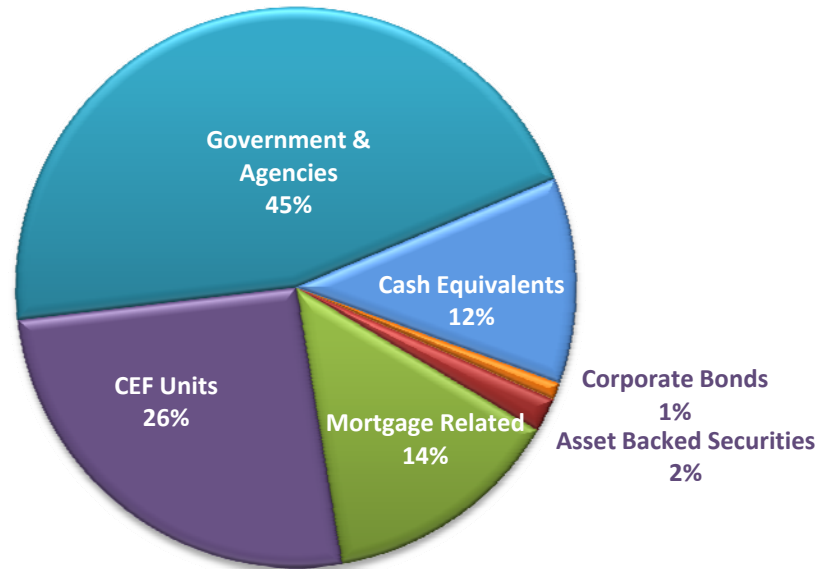
BOARD OF REGENTS

JULY 16, 2009

## Invested Funds (IF)

As of May 31, 2009

(Dollars in Millions)

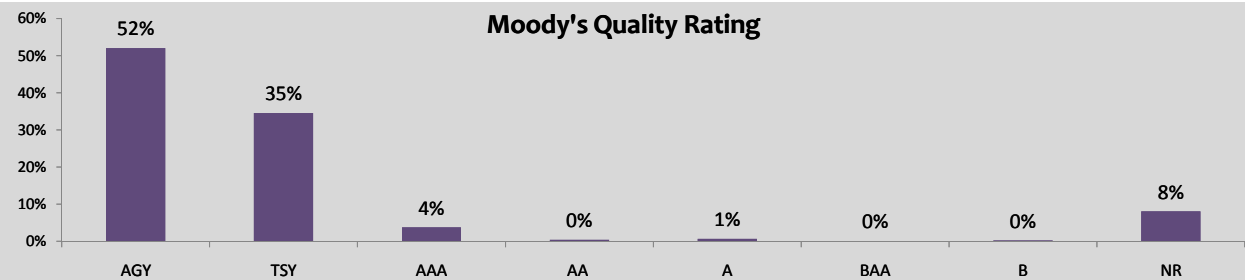


<u>Fund Composition</u>	<u>MV(\$mn)</u>	<u>Allocation</u>	<u>Policy Range</u>	<u>Duration</u>	<u>Policy Range</u>	<u>Other Requirements</u>
Cash Pool	\$280	22%	10% - 40%	0.7	3.0 yrs max.	<ul style="list-style-type: none"> <li>• Avg. quality of "AA"</li> </ul>
Liquidity Pool	\$661	52%	30% - 60%	3.2	Benchmark*	<ul style="list-style-type: none"> <li>• Avg. quality of "A"</li> <li>• &gt;50% invested in obligations of the U.S. Gov't and its agencies</li> </ul>
CEF Units held by IF	\$327	26%	15% - 40%			
<b>Total Invested Funds</b>	<b>\$1,268</b>	<b>100%</b>				

\*Barclays Intermediate Government Index. The index duration is 4.0 years as of May 31, 2009.

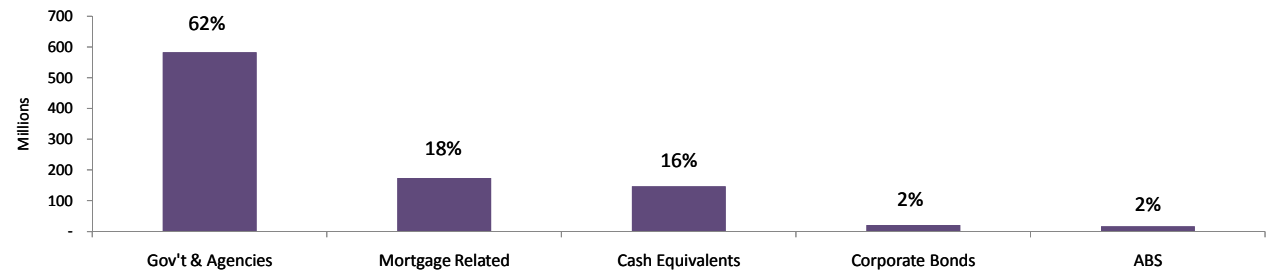
**Moody's Quality Rating**

87% of Invested Funds' assets are government grade.



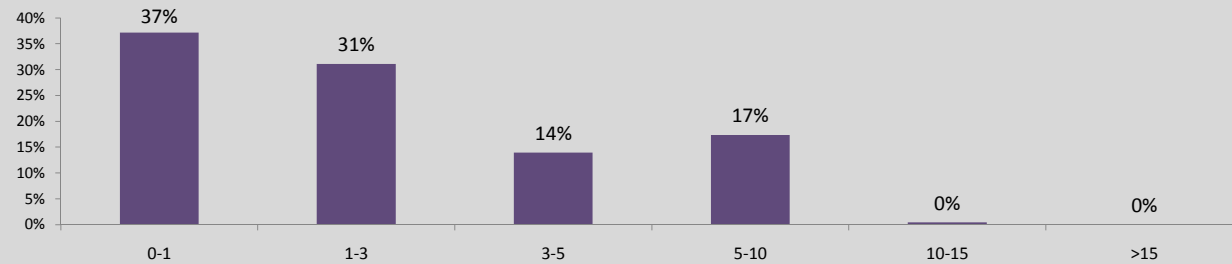
**Sector Distribution**

62% of the holdings are in government and agencies, with a market value of \$583mn.



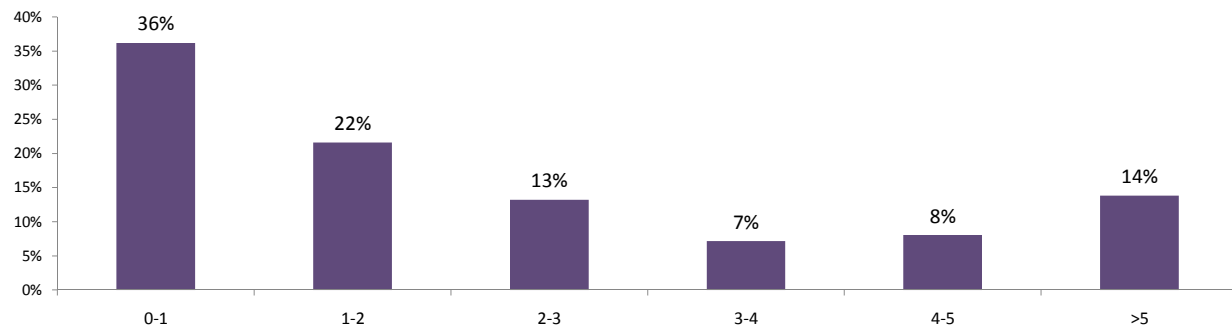
**Maturity**

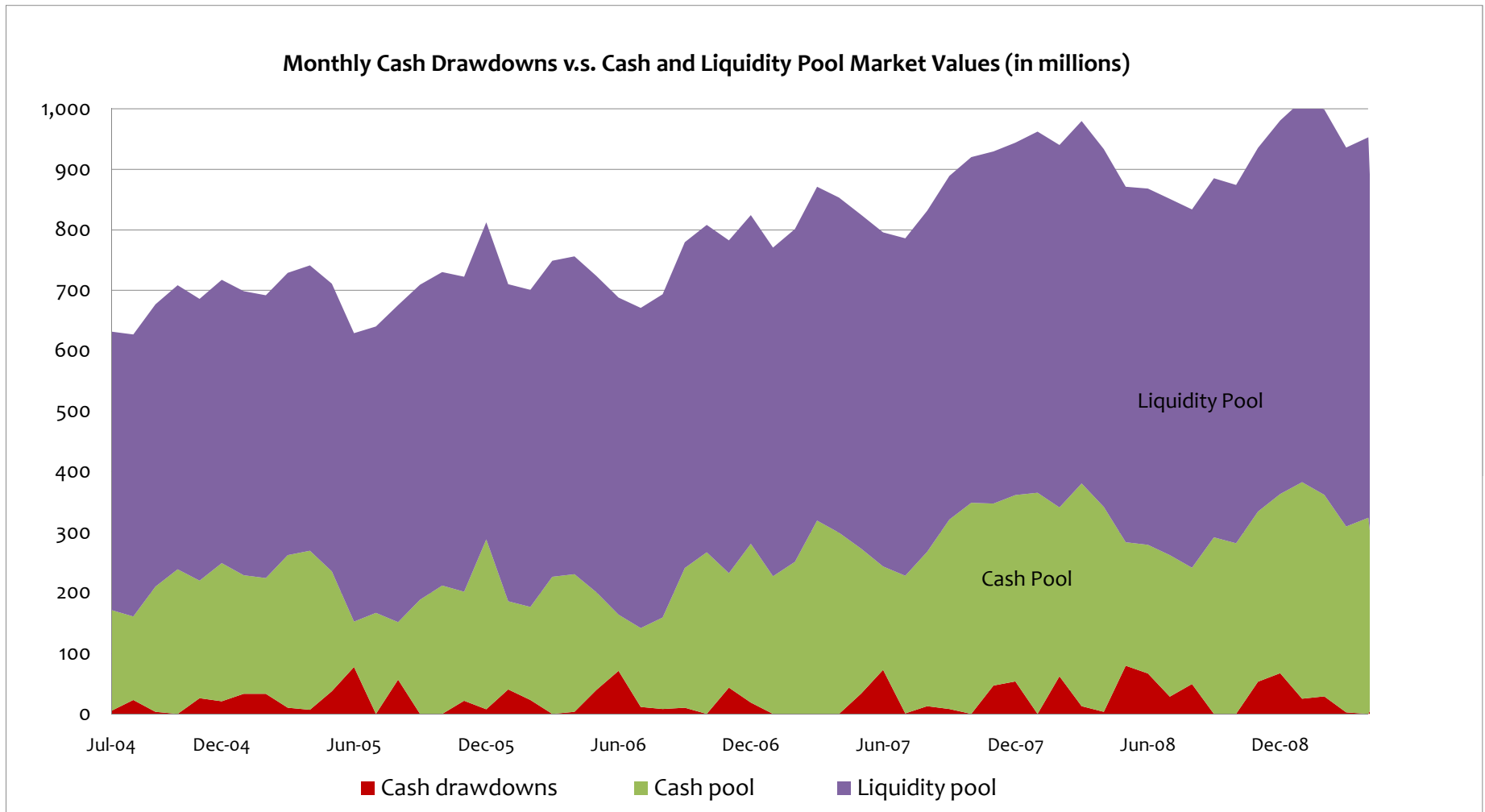
68% of the holdings are below 3-year maturity.



**Duration Distribution**

Average duration of the cash and liquidity pool is 2.42 years.





The University uses a predictive model to estimate the maximum monthly cash drawdown. The first graph below shows actual monthly maximum cash drawdowns (red) relative to market value of Cash and Liquidity pools (purple and green). Cash needs are seasonal, increasing in the summer months due to reduced inflows from tuition and state appropriations. The average monthly drawdown between July 04 and April 09 was \$24M. The low was zero and the high \$79.5M in May 08.

## INVESTED FUNDS DEPOSITORS

AVERAGE BALANCES FOR THE YEAR ENDED 6/30/08

(Cost Basis: Dollars in thousands)

Institutional Funds			Campus Depositor Funds <sup>1</sup>		
DOF/GOF	\$403,036	32.2%	UW Medicine <sup>2</sup>	\$294,697	23.5%
Reserves	61,000	4.8%	Insurance Funds	\$75,666	6.0%
			Office of Research	\$39,089	3.1%
			Student Fac. & Fees	\$13,540	1.1%
			Grants and Contracts	\$44,747	3.6%
			Arts & Sciences	\$28,932	2.3%
			Engineering	\$32,772	2.6%
			Business	\$41,065	3.3%
			Housing & Dining	\$19,505	1.5%
			Intercollegiate Athletics	\$9,735	0.7%
			Parking	\$10,885	0.8%
			All Other Depts	\$178,033	14.2%
	<b>\$464,036</b>	<b>37.0%</b>		<b>\$788,666</b>	<b>63.0%</b>

<sup>1</sup> Includes gifts, private grants, royalty funds, and auxiliary reserves.

<sup>2</sup> UW Medicine includes hospital reserves of \$172,328.

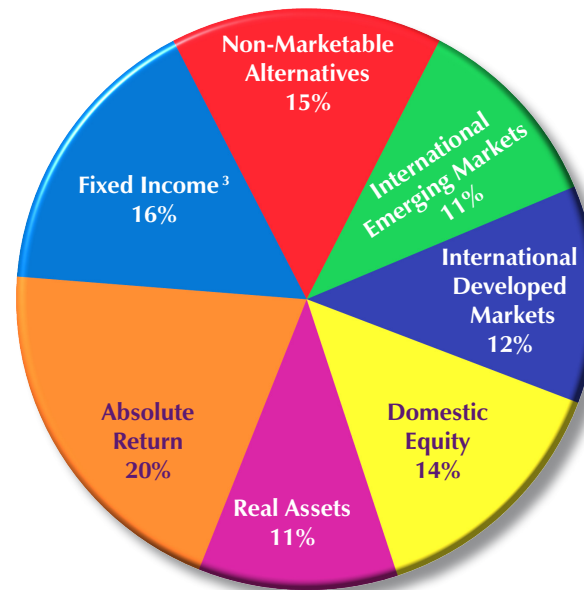
## INVESTED FUNDS PROFILE

<b>Description:</b>	The operating funds of the University
<b>Size:</b>	\$1.3 billion
<b>Financial Objectives:</b>	To meet the day-to-day financial obligations of the University as they come due  To support University initiatives and programs
<b>Investment Objectives:</b>	To achieve investment returns above those of money market instruments
<b>Composition:</b>	Institutional funds (40%) and funds on deposit by campus departments (60%)
<b>Depositor Time Frame:</b>	Short to limited-term
<b>University Guarantees:</b>	Access to funds on demand  Principal guaranteed

# CONSOLIDATED ENDOWMENT FUND (CEF)<sup>1</sup>

## ASSET ALLOCATION

As of May 31, 2009— \$1,670 MM



Dollars in Millions

	Current Allocation <sup>2</sup>		Policy Target	Policy Range
Non-Marketable Alternatives	\$248	15%	12%	5%-25%
International Emerging Markets	\$187	11%	13%	5%-35%
International Developed Markets	\$204	12%	16%	5%-35%
Domestic Equity	\$235	14%	15%	5%-35%
<b>Equity Fund</b>	<b>\$874</b>	<b>52%</b>	<b>56%</b>	<b>45%-75%</b>
Real Assets Fund	\$187	11%	15%	5%-25%
Absolute Return	\$339	20%	18%	5%-25%
Fixed Income Fund <sup>3</sup>	\$271	16%	11%	5%-35%
<b>Total Consolidated Endowment Fund</b>	<b>\$1,670</b>	<b>100%</b>		

1. At 3/31/09 International exposure: 37%, foreign currency exposure: 32%.

2. Current exposures may not add to 100% due to rounding.

3. Includes allocation to cash.