

VII. STANDING COMMITTEE

B. Finance, Audit and Facilities Committee

Investment Performance Report, Third Quarter Fiscal Year 2009

For information only.

Attachment: University of Washington, Investment Performance Report, Third  
Quarter Fiscal Year 2009

# UNIVERSITY OF WASHINGTON

## INVESTMENT PERFORMANCE REPORT

THIRD QUARTER FISCAL YEAR 2009

As of March 31, 2009



TREASURER BOARD OF REGENTS  
TREASURY OFFICE

*Published May 2009*

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# TREASURY ASSETS<sup>1</sup>

As of 3/31/09—2.8 Billion

Dollars in Millions



## Endowment & Similar Funds

Endowment Funds	\$1,212
Operating Funds	<u>296</u>
Consolidated Endowment Fund	1,515
Life Income Trusts	57
Outside Trusts	40
Non-CEF Endowments	16
Permanent Fund <sup>6</sup>	<u>29</u>
	<b><u>\$1,657</u></b>

## Operating & Reserve Funds

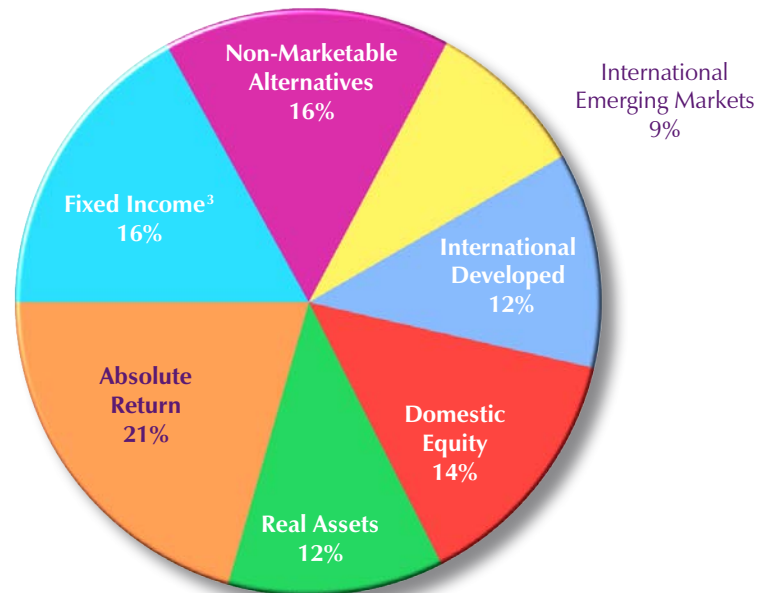
Invested Funds <sup>2,3</sup>	\$999
Bond Retirement Fund <sup>4</sup>	14
Building Fund <sup>4</sup>	27
Debt Service Reserve Funds <sup>5</sup>	12
Bond Proceeds <sup>7</sup>	<u>41</u>
	<b><u>\$1,093</u></b>

1. Includes assets whose management falls under the auspices of the Finance & Audit Committee of the Board of Regents. Excludes Metro Tract and Forest Trust Lands. All dollar amounts are expressed in millions and represent market values.
2. The Invested Funds holds Consolidated Endowment Fund units valued at \$300. To avoid double counting the dollars are included only in the CEF totals.
3. In June 2002 the Board of Regents authorized the establishment of a captive insurance company Portage Bay Insurance (PBI). The previous insurance vehicle the Self Insurance Revolving Fund (SIRF) will close after existing claims are resolved. Current balances: PBI \$70.4; SIRF \$2.8.
4. General obligation bond reserve fund on deposit with the state of Washington.
5. Required reserve funds for locally issued bonds (TSB Properties 1.2 Twenty Fifth Ave Prop \$2.4 2004 Parking \$1.4 2002 Housing & Dining \$1.5 2004 Housing & Dining \$0.6 Roosevelt 1 \$2.4 and Roosevelt 2 \$2.0 & Commodore Duchess \$0.6)
6. Proceeds from sale of land grants and subsequent investment returns on deposit with the state of Washington.
7. Construction project funds which have not yet been disbursed (IMA \$7.0 200 R&T \$11.7 2004 Parking \$5.7 Internal Lending Program \$4.9 & 2007 General Revenue Bond \$12.0)

# ASSET ALLOCATION

As of March 31, 2009

Consolidated Endowment Fund<sup>1</sup>—\$1,515 MM



Dollars in Millions

	Current Allocation <sup>2</sup>		Policy Target	Policy Range
Non-Marketable Alternatives	\$246	16%	12%	5%–25%
International Emerging Markets	140	9%	13%	5%–35%
International Developed Markets	176	12%	16%	5%–35%
Domestic Equity	208	14%	15%	5%–35%
Equity Fund	<u>\$771</u>	<u>51%</u>	56%	45%–75%
Real Assets Fund	\$185	12%	15%	5%–25%
Absolute Return	312	21%	18%	5%–25%
Fixed Income Fund <sup>3</sup>	247	16%	11%	5%–35%
<b>Total Consolidated Endowment Fund</b>	<u>\$1515</u>	<u>100%</u>		

1. International exposure: 37%; net foreign currency exposure: 32%.

2. Current exposure percentage may not add to 100% due to rounding.

3. Includes allocation to cash.

# CONSOLIDATED ENDOWMENT FUND (CEF)

For the Quarter ending March 31, 2009

## Total Returns As of 3/31/09<sup>1</sup> (%)

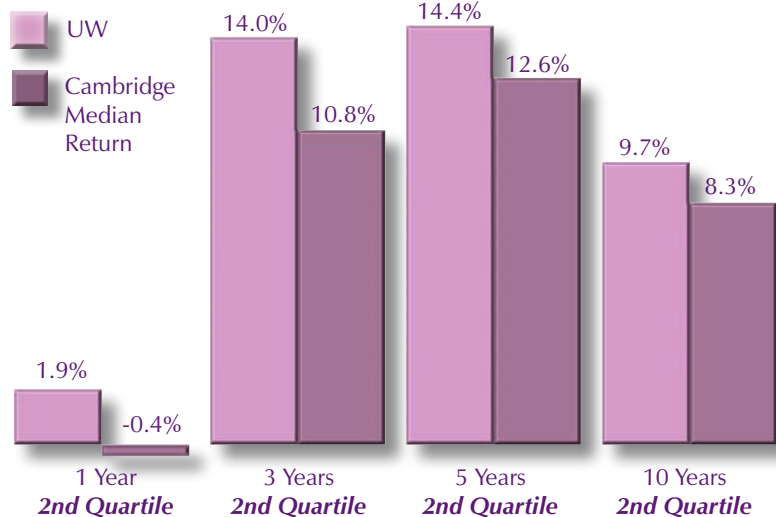
	3 <sup>rd</sup> Qtr FY 2009	FY '09 to Date	5-Year	10-Year
<b>Total CEF Return</b>	<b>-6.8</b>	<b>-29.8</b>	<b>3.1</b>	<b>5.3</b>
Strategy Weighted Policy Benchmark	-8.1	-24.9	3.3	4.0
<b>Equity Fund</b>	<b>-9.2</b>	<b>-35.6</b>	<b>1.8</b>	<b>4.5</b>
Weighted Policy Benchmark	-10.8	-36.7	0.4	2.0
<b>Real Assets Fund</b>	<b>-11.8</b>	<b>-36.6</b>	<b>4.8</b>	<b>—</b>
Policy Benchmark	-11.9	-19.4	7.3	—
<b>Absolute Return Fund</b>	<b>-1.8</b>	<b>-23.6</b>	<b>—</b>	<b>—</b>
Policy Benchmark	-1.2	-6.9	—	—
<b>Fixed Income Fund</b>	<b>-0.9</b>	<b>-3.3</b>	<b>3.1</b>	<b>4.6</b>
Policy Benchmark (LB Govt Bond)	-1.0	9.0	5.2	6.2

<sup>1</sup> Average Annual Compound Return

## Activity (in Millions)

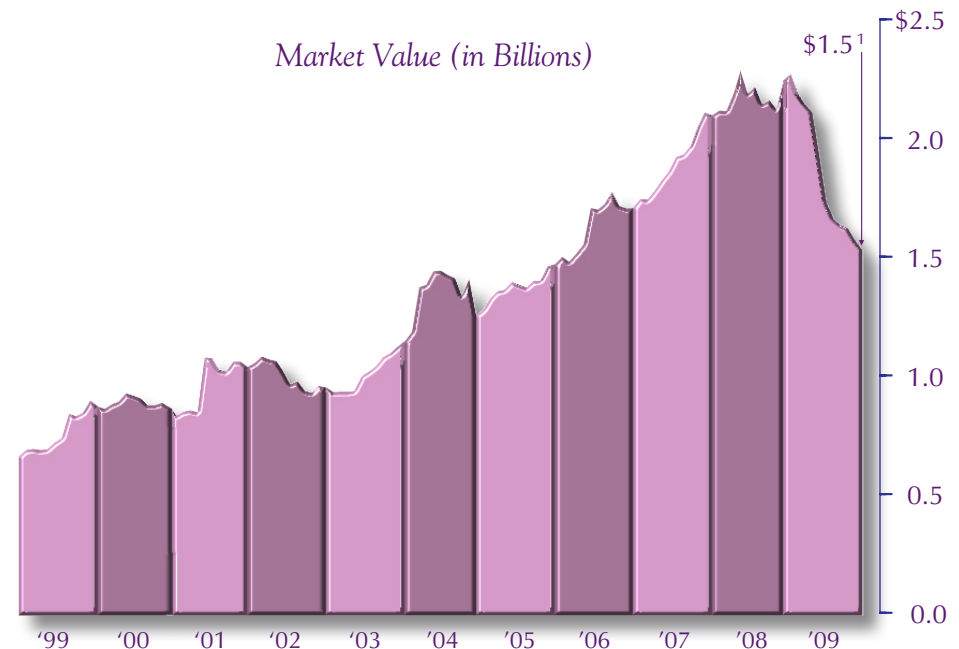
	FYTD 2009	FY 2008	FY 2007	5 Years	10 Years
<b>Beginning Balance</b>	<b>2,161</b>	<b>2,074</b>	<b>1,690</b>	<b>1,427</b>	<b>631</b>
Gifts	73	99	66	419	630
Transfers	6	8	9	59	94
<b>Total Additions</b>	<b>80</b>	<b>107</b>	<b>75</b>	<b>478</b>	<b>724</b>
Operating Funds Purchases	1	44	15	96	360
Net Investment Return	-649	53	392	-3	532
Distributions	-63	-94	-81	-398	-614
Administrative Fees	-3	-4	-4	-17	-26
Advancement Support	-11	-17	-14	-68	-92
<b>Ending Balance</b>	<b>\$1,515</b>	<b>\$2,161</b>	<b>\$2,074</b>	<b>\$1,515</b>	<b>\$1,515</b>
Net Change	-\$646	\$88	\$384	\$89	\$884

## UW & Cambridge Associates<sup>1</sup> Returns for periods ending 6/30/08



<sup>1</sup> Cambridge Associates College and University Investment Pool Top 50 (by Investment Pool Market Value)

## Market Value (in Billions)



<sup>1</sup> Reflects inclusion of IF units in CEF starting 7/01—value without would be \$1.2

# PERFORMANCE UPDATE

Total Return<sup>1</sup> As of 3/31/09

	3 <sup>rd</sup> Qtr FY '09	1 Year	3 Years	5 Years	10 Years
<b>Consolidated Endowment Fund</b>	<b>-6.8</b>	<b>-29.2</b>	<b>-4.1</b>	<b>3.1</b>	<b>5.3</b>
<b>Equity Fund</b>	<b>-9.2</b>	<b>-35.7</b>	<b>-7.0</b>	<b>1.8</b>	<b>4.5</b>
<b>Non-Marketable Alternatives<sup>2</sup></b>	<b>-13.0</b>	<b>-20.6</b>	<b>6.1</b>	<b>10.9</b>	<b>10.9</b>
Global Equity <sup>3</sup>	-7.2	—	—	—	—
International Emerging Markets	-2.0	-47.3	-3.6	—	—
International Developed Markets	-12.2	-42.2	-13.6	-1.2	0.2
Domestic Equity	-4.3	-33.4	-12.1	-3.4	1.1
<b>Real Assets Fund</b>	<b>-11.8</b>	<b>-32.7</b>	<b>-4.6</b>	<b>4.8</b>	<b>—</b>
Absolute Return Fund <sup>3</sup>	-1.8	—	—	—	—
<b>Fixed Income Fund</b>	<b>-0.9</b>	<b>-3.0</b>	<b>3.2</b>	<b>3.1</b>	<b>4.6</b>
<b>Public Market Indices</b>					
<i>Equity Indices</i>					
MSCI ACWI	-10.6	-46.2	-12.8	-0.2	0.9
Russell 3000	-10.8	-38.2	-13.6	-4.6	-2.3
NASDAQ	-3.1	-35.9	-14.5	-6.0	-5.1
NAREIT	-31.9	-58.2	-25.1	-8.6	3.9
Dow Jones Industrial Average	-12.5	-36.1	-9.6	-3.7	-0.4
MSCI EAFE	-13.9	-46.2	-14.1	-1.7	-0.5
MSCI EMF	1.0	-46.9	-7.9	6.2	7.6
<i>Fixed Income Indices</i>					
LB Government Bond	-1.0	7.0	8.1	5.2	6.2
CG World Bond Index (unhedged to USD)	-4.8	-3.7	7.7	4.6	5.8

Sources: Cambridge Associates and Northern Trust

<sup>1</sup> Total Return: average annual compound return (dividend or interest plus capital appreciation or depreciation)

<sup>2</sup> Provided by Cambridge Associates on a quarter lag.

<sup>3</sup> New strategies reflecting data starting 7/1/2008.

# INVESTED FUNDS (IF)

For the Quarter ending March 31, 2009

Total Return<sup>1</sup> (%)

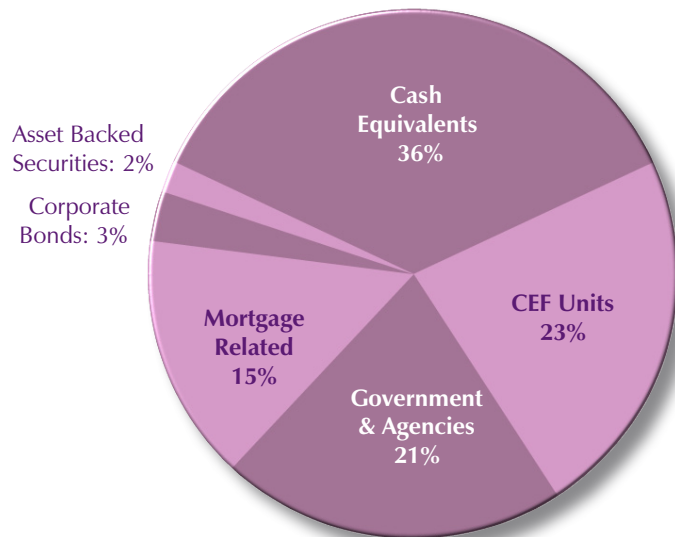
	3 <sup>rd</sup> Qtr FY 2009	1-Year	5-Year	10-Year
<b>Cash</b>	<b>0.6</b>	<b>2.7</b>	<b>3.8</b>	<b>4.8</b>
Citi 2 Yr Treasury	0.4	4.7	4.0	4.8
<b>Liquidity</b>	<b>0.7</b>	<b>3.7</b>	<b>4.0</b>	<b>5.4</b>
LB Intermediate Govt Bond	-0.1	6.0	4.8	5.8
<b>IF excluding CEF units</b>	<b>0.7</b>	<b>3.6</b>	<b>4.0</b>	<b>5.3</b>
Weighted Benchmark	0.1	5.5	4.6	5.5
<b>IF including CEF units</b>	<b>-1.2</b>	<b>-7.4</b>	<b>4.0</b>	<b>5.3</b>
Weighted Benchmark	-2.0	-3.9	4.6	5.3

<sup>1</sup> Average Annual Compound Return

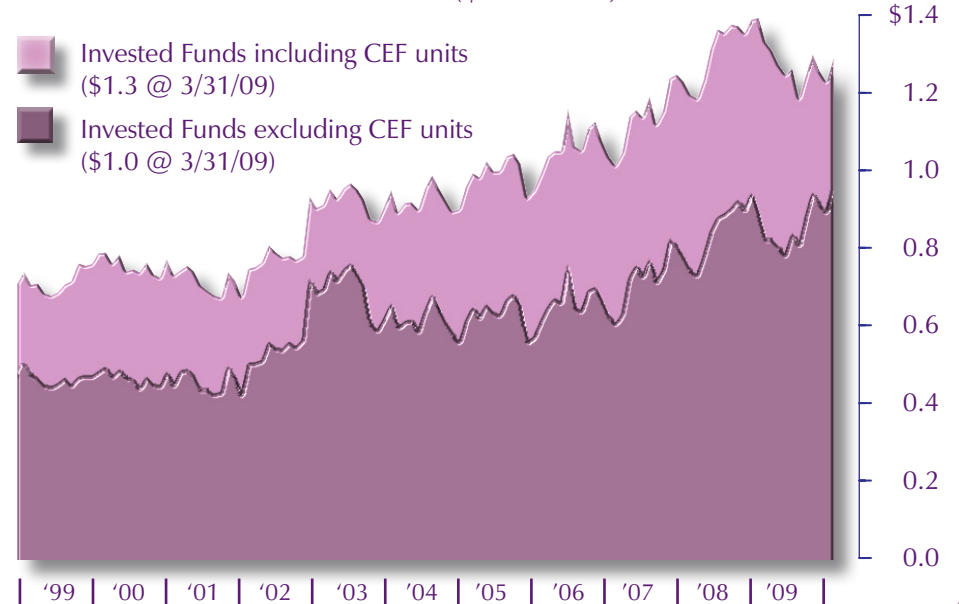
Fund Allocation by Pool (\$ in Millions)

	Fund Allocation		Range	Duration	
	Actual	Maximum	Actual	Maximum	
<b>Cash Pool</b>	<b>\$362</b>	<b>28%</b>	<b>10%–40%</b>	<b>0.5</b>	<b>3.0 yrs</b>
Liquidity Pool	637	49%	30%–60%	3.5	4.3
<b>Total Cash &amp; Liq. Pool</b>	<b>\$999</b>	<b>77%</b>			
CEF Units held by IF		23%	15%–40%		
<b>Total Invested Funds</b>		<b>100%</b>			

Mix of Investments<sup>1</sup>



Market Value (\$ in Billions)





# UWINCO SUMMARY OF ACTIONS TAKEN UNDER BOARD DELEGATED AUTHORITIES

## JANUARY 1, 2009 THROUGH MARCH 31, 2009 (\$ IN MILLIONS)

*By the Chief Investment Officer*

### *Public Markets*

<u>Approved</u>	<u>Action</u>	<u>Manager / Fund</u>	<u>Strategy</u>	<u>Investment (\$MM)</u>
01/09/09	Termination	Atlantis China	International Emerging Markets	-\$3.0
01/16/09	New	State Street Currency Hedge	International Developed	\$40.0
01/29/09	Termination	Brandywine	Fixed Income	-\$40.0
01/29/09	New	Wellington Management	Fixed Income	\$15.9
02/20/09	Redemption	Ward Ferry	International Emerging Markets	-\$2.4
02/20/09	Liquidation	Morgan Stanley Best Ideas Fund	Real Estate	-\$8.0
03/13/09	Reduction	GMO	International Developed	-\$10.0
03/13/09	Reduction	Arrowstreet	International Developed	-\$10.0
03/13/09	Reduction	Axiom	International Developed	-\$10.0
03/13/09	Reduction	Tygh Capital Management	Domestic Equity	-\$4.0
03/13/09	Reduction	Rainier Investment Management	Domestic Equity	-\$5.0
03/13/09	New	State Street S&P 500 Futures	Domestic Equity (\$40 notional)	\$8 collateral
04/01/09	New	State Street S&P 500 Futures	Domestic Equity (\$10 notional)	\$2 collateral
04/30/09	New	Dynamo	International Emerging Markets	\$5.0

### *Private Markets*

<u>Approved</u>	<u>Action</u>	<u>Manager / Fund</u>	<u>Strategy</u>	<u>Investment (\$MM)</u>
02/12/09	Reup	TA Associates Fund XI	Non-Marketable Alternatives	\$8.0