

VII. STANDING COMMITTEE

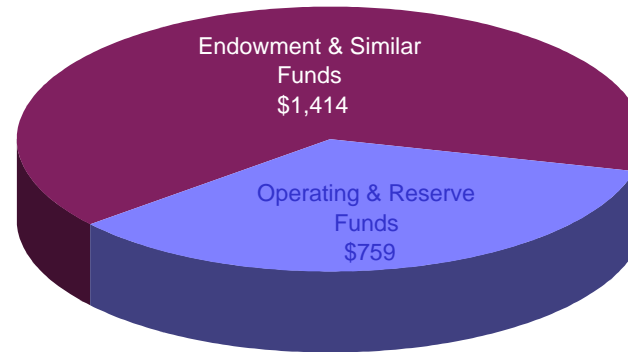
B. Finance and Audit Committee

Quarterly Investment Report, 1<sup>st</sup> Quarter FY05

See Attached

# Treasury Assets <sup>1</sup>

As of September 30, 2004 -- \$2.2 Billion



\$'s in Millions

## Endowment & Similar Funds

Consolidated Endowment Fund <sup>2</sup>	\$1,243
Life Income Trusts	\$76
Outside Trusts	49
Non-CEF Endowments	22
Permanent Fund <sup>6</sup>	24
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	<b>\$1,414</b>

## Operating & Reserve Funds

Invested Funds <sup>2</sup>	\$679
Portage Bay Insurance/SIRF <sup>3</sup>	45
Bond Retirement Fund <sup>4</sup>	10
Building Fund <sup>4</sup>	9
Debt Service Reserve Funds <sup>5</sup>	5
Bond Proceeds <sup>7</sup>	11
	<hr/>
	<b>\$759</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 \$315. 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. The previous insurance vehicle, the Self Insurance Revolving Fund(SIRF), will close after existing claims are resolved.

4. General obligation bond reserve fund on deposit with the state of Washington.

5. Required reserve funds for locally issued bonds (2002 Housing & Dining \$1.6, 2004 Housing & Dining \$0.6, Student Facilities \$0.6, Roosevelt \$2.0).

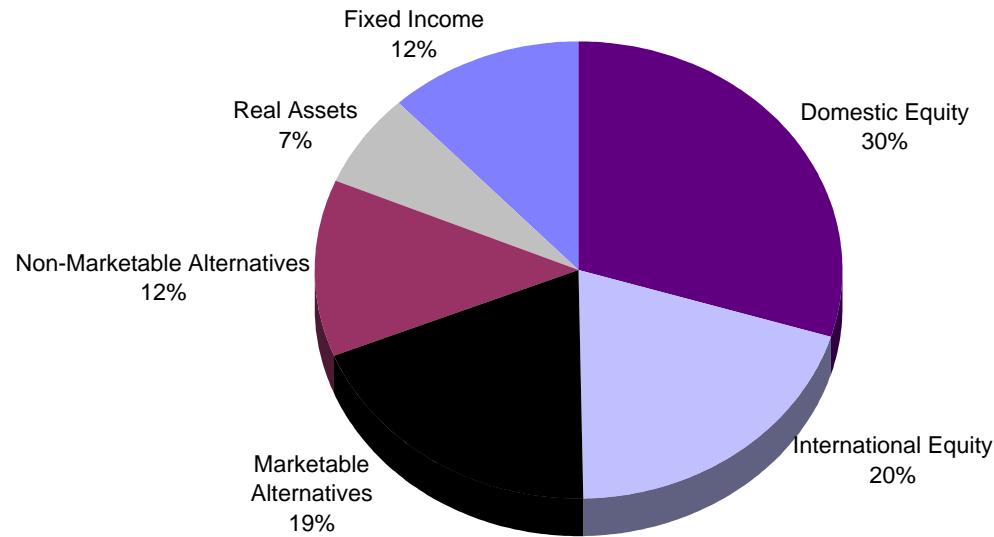
6. Proceeds from sale of land grants and subsequent investment returns on deposit with the state of Washington

7. Construction project funds which have not yet been disbursed (IMA \$8.2 & 2004 Housing & Dining \$3.0)

# Asset Allocation

*As of September 30, 2004*

**Consolidated Endowment Fund -- \$1,243 Million**



\$'s in Millions

	<u>Current Allocation</u>		<u>Interim Target</u>	<u>Policy Target</u>	<u>Policy Range</u>
Domestic Equity	\$368	30%	25%	30%	25%-35%
International Equity	251	20%	20%	15%	10%-20%
Marketable Alternatives	237	19%	20%	15%	10%-20%
Non-Marketable Alternatives	155	12%	15%	15%	10%-20%
<b>Equity</b>	<b>\$1,010</b>	<b>81%</b>	<b>80%</b>	<b>75%</b>	<b>70%-80%</b>
<b>Real Assets</b>	<b>85</b>	<b>7%</b>	<b>8%</b>	<b>8%</b>	<b>5%-10%</b>
<b>Fixed Income <sup>1</sup></b>	<b>149</b>	<b>12%</b>	<b>12%</b>	<b>17%</b>	<b>12%-22%</b>
<b>Total CEF</b>	<b>\$1,243</b>	<b>100%</b>			

*1. Includes allocation to cash*

# Performance Update

	Total Return <sup>1</sup> as of 9/30/04				
	1Q FY05	1-Year	3-Year	5-Year	10-Year
<b>CONSOLIDATED ENDOWMENT FUND</b>	<b>0.9</b>	<b>14.8</b>	<b>7.0</b>	<b>6.3</b>	<b>11.7</b>
<b>EQUITY FUND</b>	<b>0.2</b>	<b>16.4</b>	<b>7.3</b>	<b>5.8</b>	<b>13.0</b>
Domestic Equity	-1.8	15.7	8.2	5.1	13.6
Core Equity	-0.2	15.0	7.6	4.1	13.3
Value Equity	-1.2	17.4	10.3	8.9	14.5
Growth Equity	-5.9	16.7	6.5	-0.9	12.7
International Equity	2.6	22.2	14.8	2.3	--
Marketable Alternatives	1.3	12.2	9.4	11.5	--
Non-Marketable Alternatives <sup>2</sup>	0.6	15.1	-4.5	5.6	14.5
<b>REAL ASSETS</b>	<b>7.4</b>	<b>14.7</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>FIXED INCOME FUND</b>	<b>2.4</b>	<b>2.4</b>	<b>5.2</b>	<b>7.1</b>	<b>7.6</b>
<b>MARKET INDICES</b>					
<i>Equity Indices</i>					
S&P 500	-1.9	13.9	4.1	-1.3	11.1
Russell 3000	-1.9	14.3	5.3	-0.1	10.9
Russell 2000	-2.9	18.8	13.7	7.4	9.9
Dow Jones	-2.9	10.9	6.6	1.4	12.3
NASDAQ	-7.4	6.2	8.2	-7.1	9.5
MSCI ACWI ex US	1.0	23.2	11.4	0.5	4.3
Emerging Markets (IFCG)	8.3	26.4	26.0	6.8	--
<i>Fixed Income Indices</i>					
LB Government Bond	3.1	2.5	5.3	7.2	7.4
JP Morgan Global Hedged Bond Index	2.6	3.0	4.5	6.2	8.0

Sources: Cambridge Associates and Northern Trust

1. Total Return: average annual compound return (dividend or interest plus capital appreciation or depreciation)

2. Provided by Cambridge Associates on a quarter lag.

# Consolidated Endowment Fund (CEF)

For the Quarter Ending September 30, 2004

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

	Total Returns as of		9/30/04	
	1Q FY05	1-Year	5-Year	10-Year
<b>Total CEF Return</b>	<b>0.9</b>	<b>14.8</b>	<b>6.3</b>	<b>11.7</b>
Strategy Weighted Policy Benchmark	0.8	12.6	3.8	11.6
<b>Equity Managers</b>	<b>0.2</b>	<b>16.4</b>	<b>5.8</b>	<b>13.0</b>
Weighted Policy Benchmark	-0.1	14.3	2.2	12.5
<b>Real Assets Managers</b>	<b>7.4</b>	<b>14.7</b>	<b>--</b>	<b>--</b>
Policy Benchmark	4.9	18.5	--	--
<b>Fixed Income Managers</b>	<b>2.4</b>	<b>2.4</b>	<b>7.1</b>	<b>7.6</b>
Policy Benchmark (LB Govt Bond)	3.1	2.5	7.2	7.4

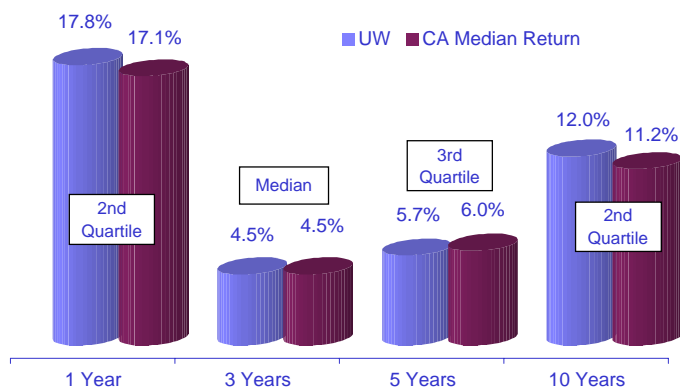
1. Average Annual Compound Return

## Activity (\$ in Millions)

	<u>FY2005</u>	<u>FY2004</u>	<u>FY2003</u>	<u>Ten Year</u>
<b>Beginning Balance</b>	1,216	1,010	1,013	273
Gifts	16	33	39	351
Transfers	3	6	5	63
<b>Total Additions</b>	<b>19</b>	<b>39</b>	<b>44</b>	<b>415</b>
IF purchase of CEF units	30	57	0	326
Net Investment Return	(3)	180	18	614
Distributions	(15)	(58)	(57)	(336)
Administrative Fees	(1)	(2)	(2)	(16)
Development Support	(2)	(9)	(8)	(32)
<b>Ending Balance</b>	<b>1,243</b>	<b>1,216</b>	<b>1,010</b>	<b>1,243</b>
Net Change	28	206	(4)	971

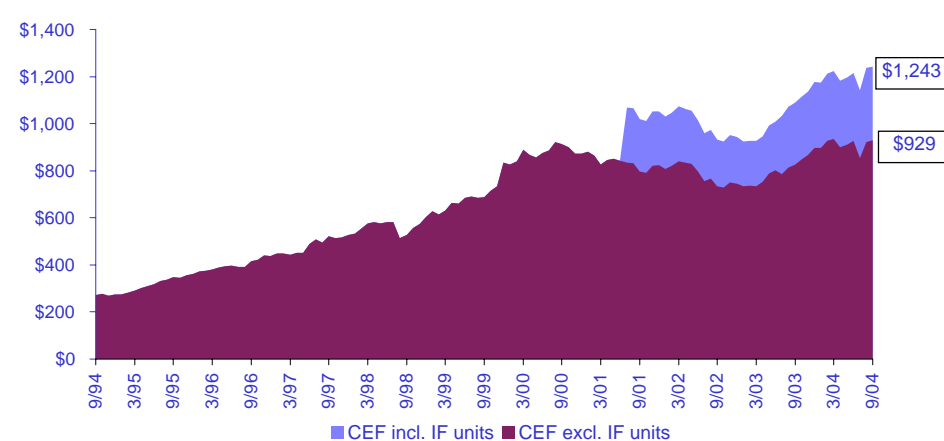
\* Since 7/98

## Cambridge Associates Top 50\* Universe Performance for periods ending 6/30/04



\* Cambridge Associates College and University Investment Pool Top 50 (by Investment Pool Market Value)

## Market Value (\$ in Millions)



# Invested Funds (IF)

For the Quarter Ending September 30, 2004

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

	Total Returns as of		9/30/04	
	1Q FY05	1-Year	5-Year	10-Year
<b>Cash</b>	<b>0.9</b>	<b>0.9</b>	<b>5.4</b>	<b>6.0</b>
CG 2 Yr Treasury	1.0	1.0	5.1	5.6
<b>Liquidity</b>	<b>2.2</b>	<b>2.3</b>	<b>6.7</b>	<b>7.0</b>
LB Intermediate Govt Bond	2.3	1.9	6.5	6.7
<b>IF excluding CEF units</b>	<b>1.8</b>	<b>2.0</b>	<b>6.4</b>	<b>6.7</b>
Weighted Benchmark	1.9	1.8	6.1	6.4
<b>IF including CEF units</b>	<b>1.6</b>	<b>5.5</b>	<b>6.2</b>	<b>8.1</b>
Weighted Policy Benchmark	1.4	3.8	5.0	7.2

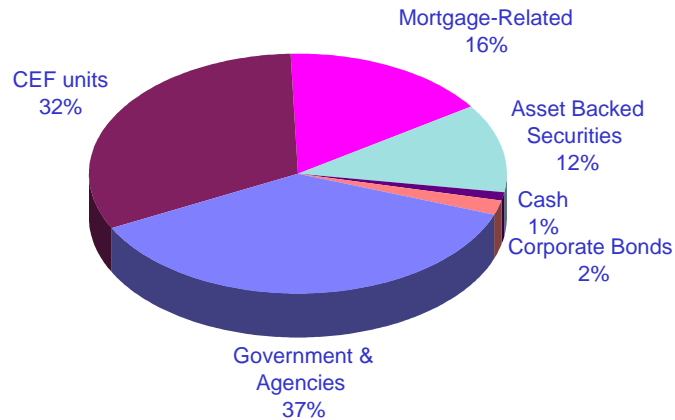
1. Average Annual Compound Return

## Fund Allocation By Pool (\$ in Millions)

	Fund Allocation		Range	Duration	
				Actual	Max
<b>Cash Pool</b>	\$210	21%	20% - 40%	1.8	3.0 yrs
<b>Liquidity Pool<sup>1</sup></b>	469	47%	30% - 60%	3.3	4.1 yrs
<b>Total Cash &amp; Liq. Pool</b>	<b>\$679</b>	<b>68%</b>			
<b>CEF Units held by IF</b>		32%	15% - 40%	3.9	5.3 yrs
<b>Total Invested Funds</b>		<b>100%</b>			

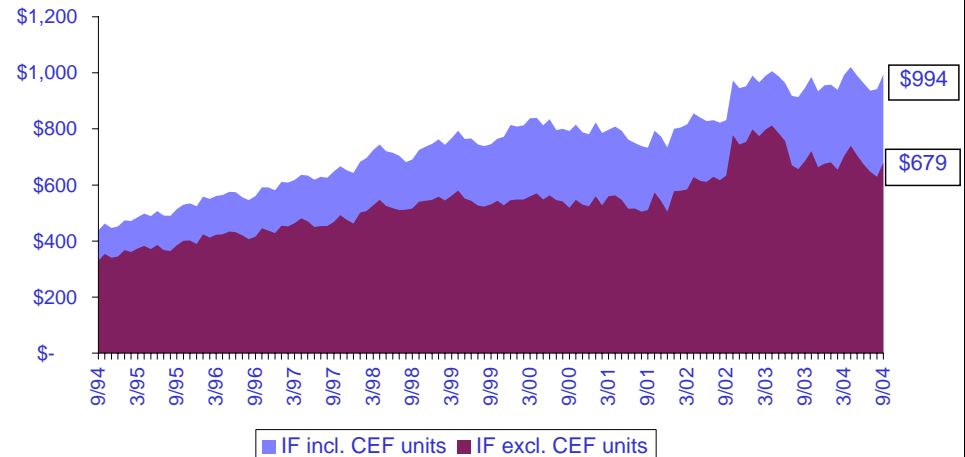
1. Include Interfund Loans

## Mix of Investments<sup>1</sup>



1. Not shown - Interfund Loans (0.18%)

## Market Value (\$ in Millions)



# UWINCO Summary of Actions Taken Under Board Delegated Authorities

## First Quarter Fiscal Year 2005 (7/01/04–9/30/04)

### \$ in Millions

*By the Finance & Audit Committee:*

None

*By the Chair of the Finance & Audit Committee:*

BPG Investment Partnership VIIA, L.P.	Real Assets	7/04	Approve real assets partnership commitment	\$7
North Sound Legacy International, Ltd.	Marketable Alternatives	7/04	Approve hedged equity fund investment	\$15
Quellos Capital Management	Marketable Alternatives	7/04	Approve relative value partnership investment	\$25
Morgan Stanley Institutional Cayman Fund	Fixed Income	7/04	Approve fixed income investment	\$25
InterWest Partners IX, L.P.	Non-Marketable Alternatives	8/04	Approve venture capital partnership commitment	\$5
Battery Ventures VII, L.P.	Non-Marketable Alternatives	9/04	Approve venture capital partnership commitment	\$5

*By the Treasurer:*

Standish Mellon	Cash	7/04	Rebalance: Invested Funds purchase of units within CEF	(\$30)
PIMCO	Real Assets	7/04	Fund public real assets	(\$20)
AXA Rosenberg	Domestic Equity	8/04	Fund relative value managers	(\$35)
Wellington Management	Fixed Income	8/04	Fund relative value managers	(\$35)
PIMCO	Real Assets	8/04	Rebalance within real assets	(\$10)
Wellington Management	Real Assets	8/04	Rebalance within real assets	\$10
Morgan Grenfell - Deutsche	Fixed Income	8/04	Rebalance within fixed income	\$5
Payden & Rygel	Fixed Income	8/04	Rebalance within fixed income	\$5