

VII. STANDING COMMITTEE

B. Finance, Audit and Facilities Committee

Quarterly Investment Report, 3rd Quarter FY05

See Attached.

UNIVERSITY OF WASHINGTON

INVESTMENT PERFORMANCE REPORT

THIRD QUARTER FISCAL YEAR 2005

AS OF MARCH 31, 2005



TREASURER, BOARD OF REGENTS
TREASURY OFFICE

PUBLISHED JUNE 2005

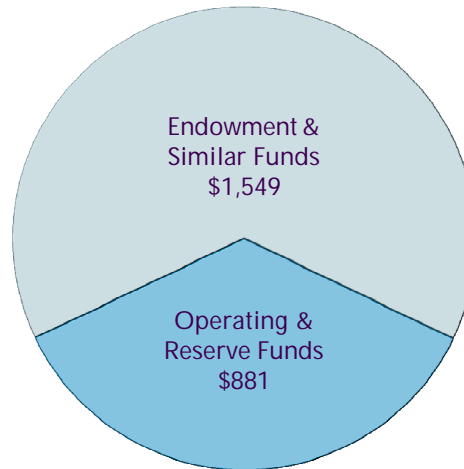
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TREASURY ASSETS¹

as of 3/31/05—\$2.4 Billion

Dollars in Millions



Endowment & Similar Funds

Consolidated Endowment Fund ²	\$1,370
Life Income Trusts	80
Outside Trusts	52
Non-CEF Endowments	23
Permanent Fund ⁶	24
	<u>\$1,549</u>

Operating & Reserve Funds

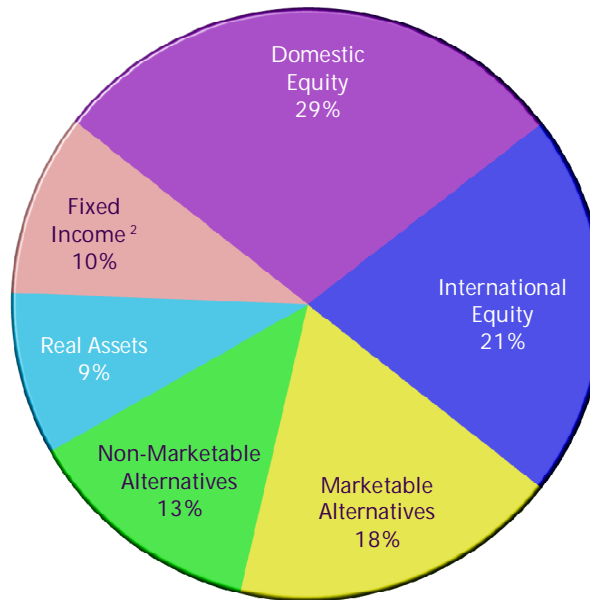
Invested Funds ²	\$730
Portage Bay Insurance/SIRF ³	46
Bond Retirement Fund ⁴	14
Building Fund ⁴	17
Debt Service Reserve Funds ⁵	5
Bond Proceeds ⁷	69
	<u>\$881</u>

1. Includes assets whose management falls under the auspices of the Finance, Audit, & Facilities Committee of the Board of Regents. Excludes Metro Tract Bond Proceeds and Forest Trust Lands. All dollar amounts are expressed in millions and represent market values.
2. The Invested Funds holds Consolidated Endowment Fund (CEF) units valued at \$337MM. 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 \$1.5MM, 2004 Housing & Dining \$0.6MM, 2004 Parking Reserve Funds \$1.4MM, Roosevelt \$2.0MM).
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 \$7.9MM, Parking \$12.1MM, Genome Sciences/R&T \$49.3MM)

ASSET ALLOCATION

As of March 31, 2005

Consolidated Endowment Fund¹—\$1,370 MM



Dollars in Millions

	Current Allocation		Interim Target	Policy Target	Policy Range
Domestic Equity	\$399	29%	25%	30%	25%–35%
International Equity	292	21%	20%	15%	10%–20%
Marketable Alternatives	242	18%	20%	15%	10%–20%
Non-Marketable Alternatives	173	13%	15%	15%	10%–20%
Equity Fund	\$1,106	81%	80%	75%	70%–80%
Real Assets Fund	122	9%	8%	8%	5%–10%
Fixed Income Fund ²	142	10%	12%	17%	12%–22%
Total Consolidated Endowment Fund	\$1,370	100%			

¹ Net foreign currency exposure: 30%

² Includes allocation to cash

CONSOLIDATED ENDOWMENT FUND (CEF)

For the Quarter ending March 31, 2005

Total Returns as of 3/31/05¹ (%)

	3 rd Qtr FY 2005	1-Year	5-Year	10-Year
Total CEF Return	1.9	10.3	3.4	12.1
Strategy Weighted Policy Benchmark	1.5	10.0	1.1	11.7
Equity Fund	2.0	11.2	1.7	13.0
Weighted Policy Benchmark	1.4	11.2	-0.9	12.7
Real Assets Fund	4.4	19.3	—	—
Policy Benchmark	6.0	19.6	—	—
Fixed Income Fund	0.1	1.3	6.8	7.2
Policy Benchmark (LB Gov't Bond)	-0.4	0.1	6.7	6.9

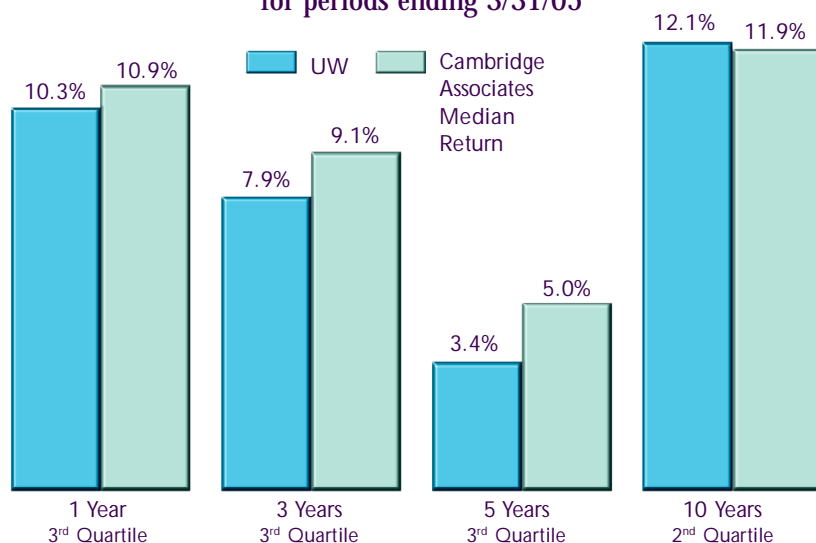
¹ Average Annual Compound Return

Activity (\$ in Millions)

	FY 2005	FY 2004	FY 2003	Ten Years
Beginning Balance	1,216	1,010	1,013	291
Gifts	49	33	39	369
Transfers	8	6	5	68
Total Additions	57	39	44	437
IF purchase of CEF units	30	57	0	326
Net Investment Return	137	179	19	731
Distributions ¹	(60)	(57)	(57)	(363)
Administrative Fees	(2)	(2)	(2)	(17)
Development Support	(8)	(9)	(8)	(35)
Ending Balance	1,370	1,216	1,010	1,370
Net Change	154	206	(4)	1,079

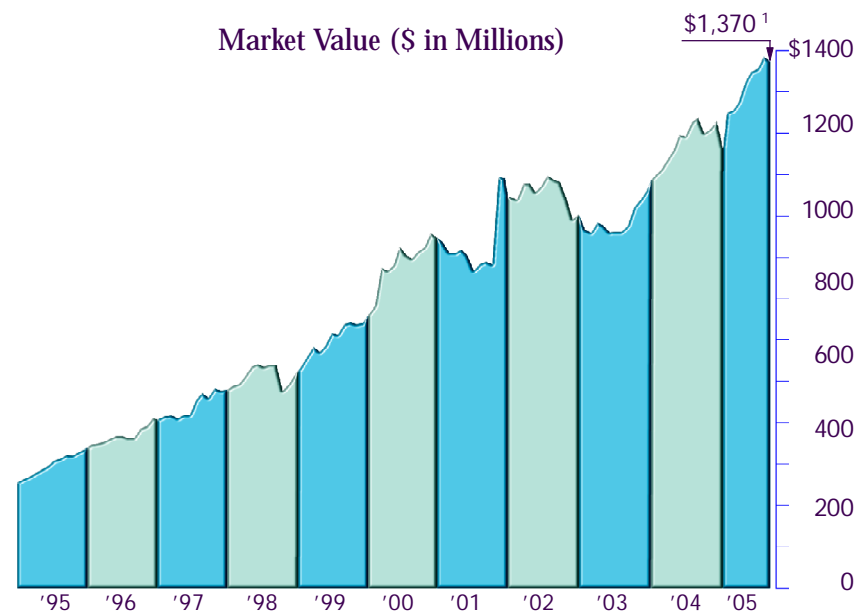
¹ FY 2005 reflects three quarters' distributions due to a timing change

Cambridge Associates¹ Top 50 Universe Performance for periods ending 3/31/05



¹ Cambridge Associates College and University Investment Pool Top 50 (by Investment Pool Market Value)

Market Value (\$ in Millions)



¹ Reflects inclusion of IF units in CEF starting 7/01—value without would be \$1,033

PERFORMANCE UPDATE

	Total Return ¹ as of 3/31/05				
	3 rd Qtr FY '05	1 Year	3 Years	5 Years	10 Years
Consolidated Endowment Fund	1.9	10.3	7.9	3.4	12.1
Equity Fund	2.0	11.2	6.6	1.7	13.0
Domestic Equity	-1.3	6.4	5.2	2.3	13.4
Core Equity	0.4	9.3	6.6	1.3	13.4
Value Equity	-1.0	6.3	5.1	8.8	14.4
Growth Equity	-5.1	1.8	3.6	-9.5	12.0
International Equity	2.5	16.4	15.3	3.6	9.7
Marketable Alternatives	1.1	9.6	10.6	8.2	—
Non-Marketable Alternatives ²	10.8	17.2	3.0	-4.1	14.9
Real Assets Fund ³	4.4	19.3	—	—	—
Fixed Income Fund	0.1	1.3	6.0	6.8	7.2
Market Indices					
<i>Equity Indices</i>					
S&P 500	-2.2	6.7	2.7	-3.2	10.8
Russell 3000	-2.2	7.1	3.7	-2.5	10.8
Russell 2000	-5.3	5.4	8.0	4.0	10.4
Dow Jones	-1.8	3.8	2.5	1.2	11.9
NASDAQ	-8.1	0.3	2.7	-15.2	9.4
MSCI ACWI ex US	0.3	16.2	13.1	-0.1	6.0
Emerging Markets (IFCG)	3.2	18.1	19.7	5.7	—
<i>Fixed Income Indices</i>					
LB Government Bond	-0.4	0.1	5.8	6.7	6.9
JP Morgan Global Hedged Bond Index	0.9	3.7	5.6	6.0	7.7

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.

³ Private portion provided by Cambridge Associates on a quarter lag.

INVESTED FUNDS (IF)

For the Quarter ending March 31, 2005

Total Return ¹ (%)

	3 rd Qtr FY 2005	1-Year	5-Year	10-Year
Cash	-0.1	-0.3	4.9	5.6
Citi 2 Yr Treasury	-0.4	-0.8	4.7	5.2
Liquidity	-0.4	0.1	6.3	6.6
LB Intermediate Govt Bond	-0.7	-0.6	6.1	6.2
IF excluding CEF units	-0.3	0.0	6.0	6.3
Weighted Benchmark	-0.6	-0.5	5.7	5.9
IF including CEF units	0.4	3.2	5.2	7.9
Weighted Policy Benchmark	-0.9	0.9	4.3	6.9

¹ Average Annual Compound Return

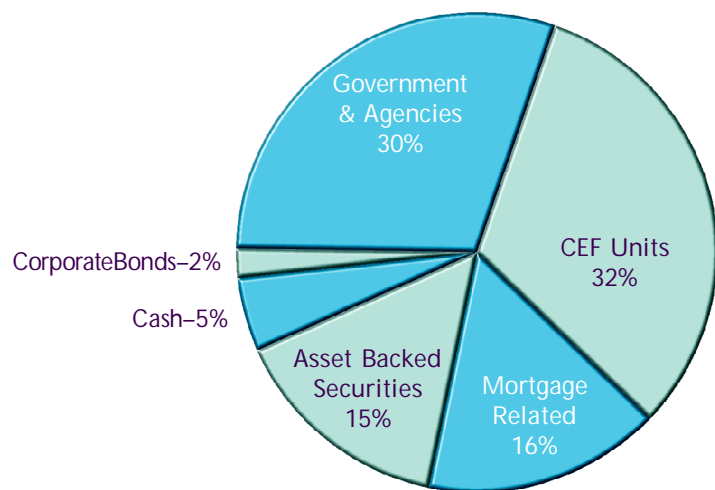
Fund Allocation by Pool (\$ in Millions)

	Fund Allocation		Range	Duration	
				Actual	Maximum
Cash Pool	\$262	25%	20%–40%	1.3	3.0 yrs
Liquidity Pool ¹	467	44%	30%–60%	3.2	4.0 yrs
Total Cash & Liq. Pool	<u>\$730</u>	<u>68%</u>			
CEF Units held by IF		<u>32%</u>	15%–40%	5.2 ²	6.4 yrs ²
Total Invested Funds		<u>100%</u>			

¹ Includes Interfund Loans

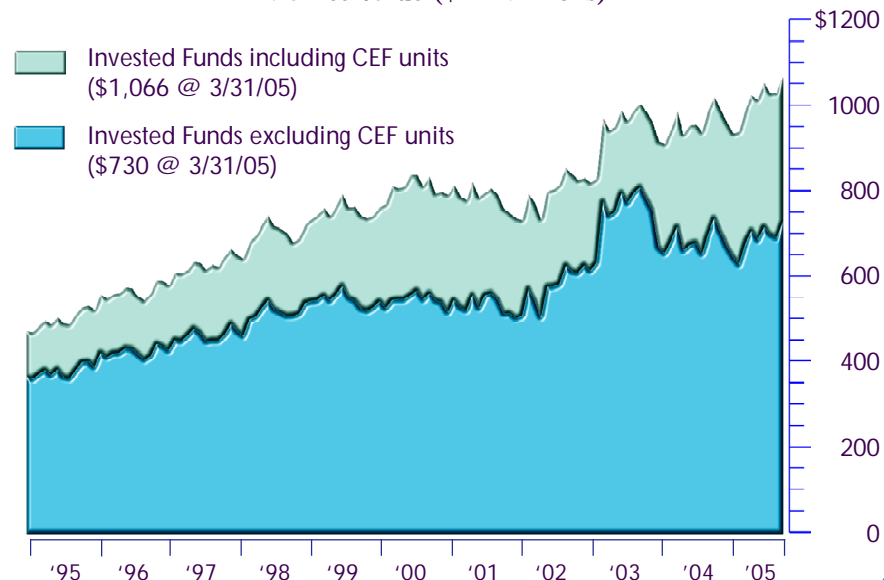
² Fixed Income assets only

Mix of Investments ¹



¹ Not shown - Interfund Loans (0.07%)

Market Value (\$ in Millions)



UWINCO Summary of Actions Taken Under Board Delegated Authorities

Third Quarter Fiscal Year 2005 (1/1/05–3/31/05)

\$ in Millions

By the Chief Investment Officer

Private Markets

Commonfund Capital Natural Resources Fund	Real Assets	Oil, gas & timber	Reinvestment with existing manager	+ \$7.5
Merit Energy Partners	Real Assets	Oil & gas	Reinvestment with existing manager	+ \$5.0
RMS	Real Assets	SW timber	New manager relationship	+ \$5.0
Weston Presido	Non-Marketable Alts.	US Buyout	Reinvestment with existing manager	+ \$6.5

Public Markets

Morgan Grenfell	Fixed Income	Domestic	Rebalancing with existing manager	+ \$5.0
Pimco	Real Assets	Diversified fund	Addition to existing manager	+ \$20.0
City of London	International Equity	Emerging markets	Rebalancing with existing manager	+ \$5.0
AXA Rosenberg	Domestic Equity	Core	Rebalancing small cap exposure	-\$20.0
Snyder Capital	Domestic Equity	Value	Rebalancing small cap exposure	-\$10.0
Reich & Tang	Domestic Equity	Value	Rebalancing small cap exposure	-\$10.0
S&P 500 Futures through Northern Trust	Domestic Equity	Futures	Rebalancing to large cap	+ \$40.0