

# UNIVERSITY OF WASHINGTON

## INVESTMENT PERFORMANCE REPORT

### SECOND QUARTER FISCAL YEAR 2005

AS OF DECEMBER 31, 2004



TREASURER, BOARD OF REGENTS  
TREASURY OFFICE

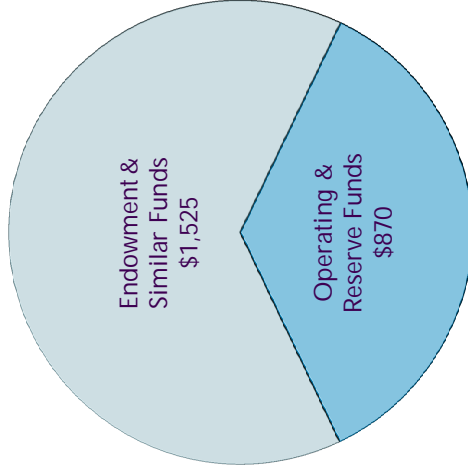
PUBLISHED MARCH 2005

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# TREASURY ASSETS<sup>1</sup>

as of 12/31/04—\$2.4 Billion

Dollars in Millions



### Endowment & Similar Funds

Consolidated Endowment Fund <sup>2</sup>	\$1,344
Life Income Trusts	82
Outside Trusts	52
Non-CEF Endowments	23
Permanent Fund <sup>6</sup>	24
	<u>\$1,525</u>

### Operating & Reserve Funds

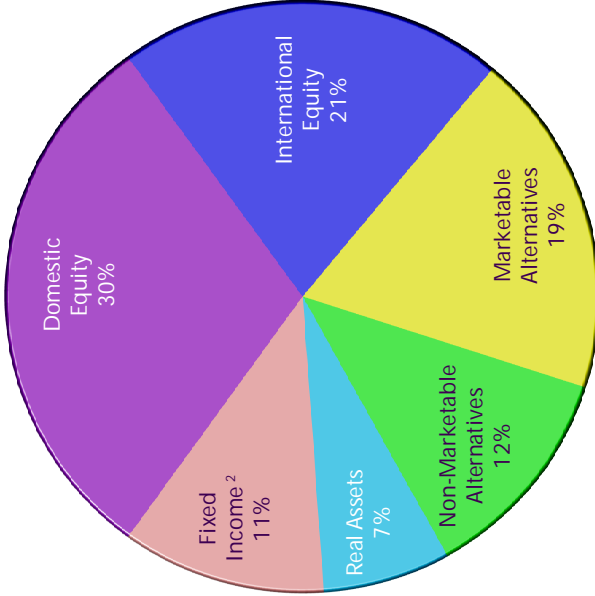
Invested Funds <sup>2</sup>	\$718
Portage Bay Insurance/SIRF <sup>3</sup>	46
Bond Retirement Fund <sup>4</sup>	12
Building Fund <sup>4</sup>	9
Debt Service Reserve Funds <sup>5</sup>	3
Bond Proceeds <sup>7</sup>	82
	<u>\$870</u>

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 \$336MM. 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 \$1.3MM).
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 \$7.8MM, Housing & Dining \$1.8MM, Parking \$12.1MM, Genome Sciences/R&T \$60.3MM)

# ASSET ALLOCATION

As of December 31, 2004

Consolidated Endowment Fund<sup>1</sup>—\$1,344MM



	Current Allocation	Interim Target	Policy Target	Policy Range
Domestic Equity	\$407	25%	30%	25%-35%
International Equity	285	20%	15%	10%-20%
Marketable Alternatives	250	20%	15%	10%-20%
Non-Marketable Alternatives	161	15%	15%	10%-20%
Equity Fund	\$1,103	82%	75%	70%-80%
Real Assets Fund	94	8%	8%	5%-10%
Fixed Income Fund <sup>2</sup>	148	12%	17%	12%-22%
<b>Total Consolidated Endowment Fund</b>	<b>\$1,344</b>	<b>100%</b>		

<sup>1</sup> Net foreign currency exposure: 30%

<sup>2</sup> Includes allocation to cash

# CONSOLIDATED ENDOWMENT FUND (CEF)

For the Quarter ending December 31, 2004

## Total Returns as of 12/31/04 <sup>1</sup> (%)

	2 <sup>nd</sup> Qtr FY 2005	1-Year	5-Year	10-Year
Total CEF Return	7.6	13.3	4.1	12.5
Strategy Weighted Policy Benchmark Equity Fund	7.0	12.0	2.8	12.3
Weighted Policy Benchmark	8.7	14.3	4.4	14.6
Real Assets Fund	6.9	20.5	—	—
Policy Benchmark	5.2	19.0	—	—
Fixed Income Fund	1.4	4.0	7.4	7.6
Policy Benchmark (LB Gov't Bond)	0.5	3.5	7.5	7.5

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

## Activity (\$ in Millions)

	FY 2005	FY 2004	FY 2003	Ten Years
Beginning Balance	1,216	1,010	1,013	274
Gifts	30	33	39	361
Transfers	6	6	5	66
Total Additions	37	39	44	428
IF purchase of CEF units	30	57	0	326
Net Investment Return	113	179	19	716
Distributions <sup>1</sup>	(45)	(57)	(57)	(351)
Administrative Fees	(1)	(2)	(2)	(16)
Development Support	(5)	(9)	(8)	(32)
Ending Balance	1,344	1,216	1,010	1,344
Net Change	129	206	(4)	1,070

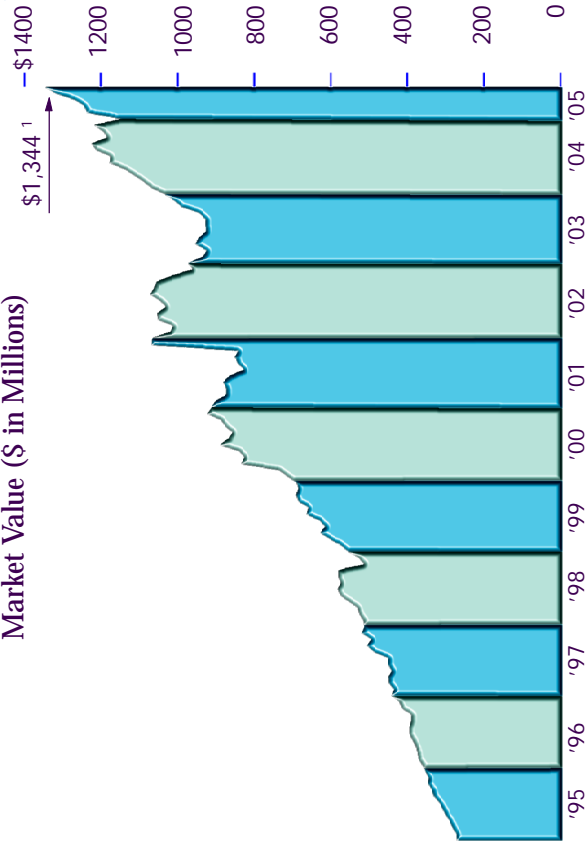
<sup>1</sup> FY 2005 reflects three quarters' distributions due to a timing change

## Cambridge Associates <sup>1</sup> Top 50 Universe Performance for periods ending 12/31/04



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

## Market Value (\$ in Millions)



<sup>1</sup> Reflects inclusion of IP units in CEF starting 7/01—value without would be \$1,009

# PERFORMANCE UPDATE

## Total Return <sup>1</sup> as of 12/31/04

	2 <sup>nd</sup> Qtr FY '05	1 Year	3 Years	5 Years	10 Years
<b>Consolidated Endowment Fund Equity Fund</b>					
Domestic Equity	7.6	13.3	8.2	4.1	12.5
Core Equity	8.7	14.3	10.5	4.4	14.6
Value Equity	9.3	12.6	7.3	3.4	14.5
Growth Equity	9.6	12.3	7.8	2.5	14.3
International Equity	7.5	12.2	8.4	8.8	15.3
Marketable Alternatives	12.2	15.0	3.9	-6.7	13.8
Non-Marketable Alternatives <sup>2</sup>	14.0	20.0	16.5	2.9	9.6
Real Assets Fund	6.5	12.5	10.7	9.8	—
Fixed Income Fund	2.0	11.9	-0.6	-3.6	14.3
Market Indices					
Equity Indices	6.9	20.5	—	—	—
S&P 500	1.4	4.0	5.8	7.4	7.6
Russell 3000	9.2	10.9	3.6	-2.3	12.1
Russell 2000	10.2	11.9	4.8	-1.2	12.0
Dow Jones	14.1	18.3	11.5	6.6	11.5
NASDAQ	7.5	5.3	4.6	0.6	13.1
MSCI ACWI ex US	14.7	8.6	3.7	-11.8	11.2
Emerging Markets (IFCG)	15.4	21.4	13.6	0.0	6.0
Fixed Income Indices	16.0	27.6	22.9	5.7	—
LB Government Bond	0.5	3.5	5.7	7.5	7.5
JP Morgan Global Hedged Bond Index	1.7	4.9	5.1	6.4	8.1

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.

# INVESTED FUNDS (IF)

For the Quarter ending December 31, 2004

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

	2 <sup>nd</sup> Qtr FY 2005	1-Year	5-Year	10-Year
Cash	0.1	1.0	5.2	6.0
Citi 2 Yr Treasury	0.0	0.9	5.0	5.6
Liquidity	0.3	2.6	6.7	7.0
LB Intermediate Govt Bond	0.2	2.3	6.6	6.7
IF excluding CEF units	0.3	2.2	6.3	6.7
Weighted Benchmark	0.1	2.0	6.2	6.4
IF including CEF units	2.5	5.5	5.6	8.3
Weighted Policy Benchmark	1.8	3.8	4.8	7.4

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

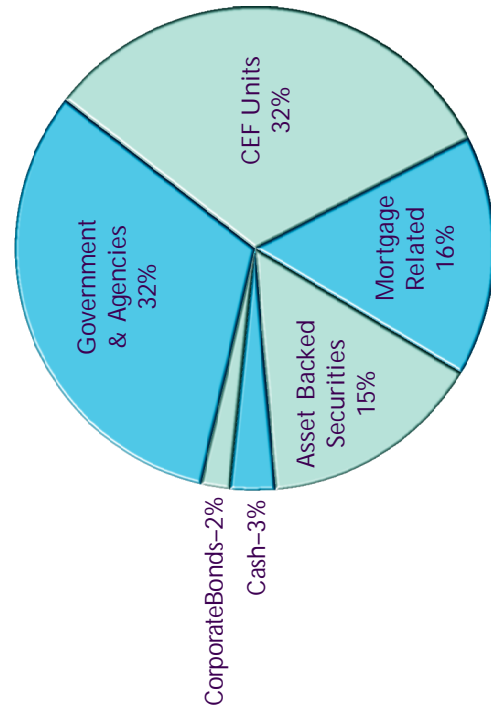
## Fund Allocation by Pool (\$ in Millions)

	Fund Allocation	Range	Duration	
			Actual	Maximum
Cash Pool	\$249	20%–40%	1.7	3.0 yrs
Liquidity Pool <sup>1</sup>	469	30%–60%	3.1	4.1 yrs
Total Cash & Liq. Pool	<u>\$718</u>	<u>68%</u>		
CEF Units held by IF	32%	15%–40%	4.9 <sup>2</sup>	6.4 yrs <sup>2</sup>
Total Invested Funds	<u>100%</u>			

<sup>1</sup> Includes Interfund Loans

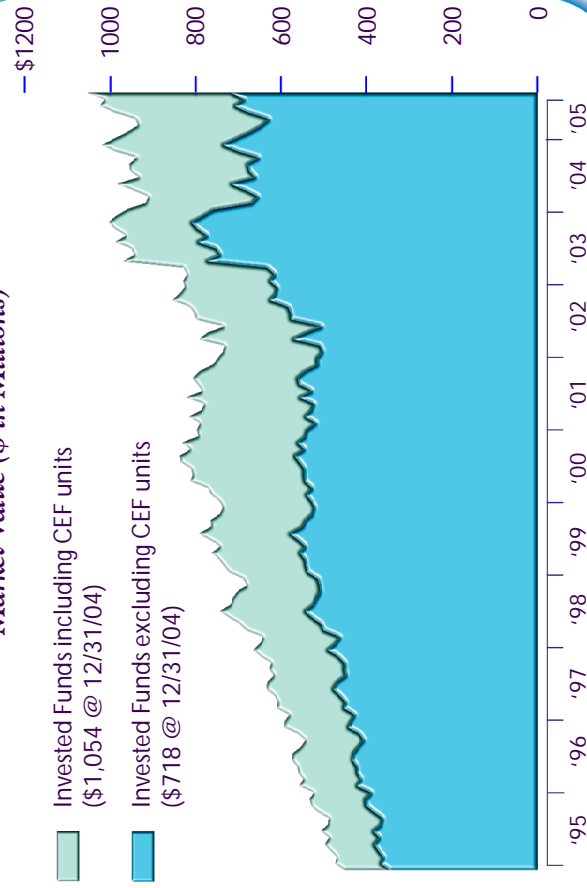
<sup>2</sup> Fixed Income assets only

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



<sup>1</sup> Not Shown—Interfund Loans (.18%)

## Market Value (\$ in Millions)



# UWINCO Summary of Actions Taken Under Board Delegated Authorities

## Second Quarter Fiscal Year 2005 (10/01/04–12/31/04)

### *By the Finance & Audit Committee:*

None

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

Credit Suisse Asset Management	Domestic Equity	November	Manager change	(\$35 MM)
Rainier Investment Management	Domestic Equity	November	Manager change	\$25 MM
Tyce Capital Management	Domestic Equity	November	Manager change	\$15 MM
Ignition Venture Partners III	Non-Marketable Alternatives	November	Venture capital partnership commitment	\$6 MM
Frazier Healthcare Fund V	Non-Marketable Alternatives	November	Venture capital partnership commitment	\$6 MM
Pomona Capital VI	Non-Marketable Alternatives	December	Opportunistic partnership commitment	\$5 MM

### *By the Treasurer:*

Shott Capital Management	Non-Marketable Alternatives	October	Liquidation manager of Non-Marketable Alternative equity distributions	NA
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