

# UNIVERSITY OF WASHINGTON

## INVESTMENT PERFORMANCE REPORT

FIRST QUARTER FISCAL YEAR 2006

*As of September 30, 2005*



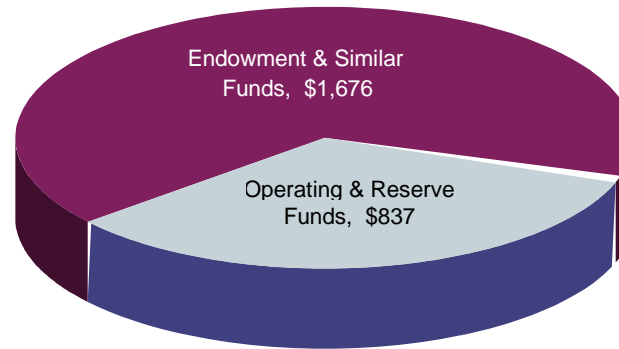
TREASURER, BOARD OF REGENTS  
TREASURY OFFICE

Published November 2005

# Treasury Assets <sup>1</sup>

As of September 30, 2005

-- \$2.5 Billion



\$'s in Millions

## Endowment & Similar Funds

Consolidated Endowment Fund <sup>2</sup>	\$1,488
Life Income Trusts	\$84
Outside Trusts	53
Non-CEF Endowments	25
Permanent Fund <sup>6</sup>	26
	<u>\$1,676</u>

## Operating & Reserve Funds

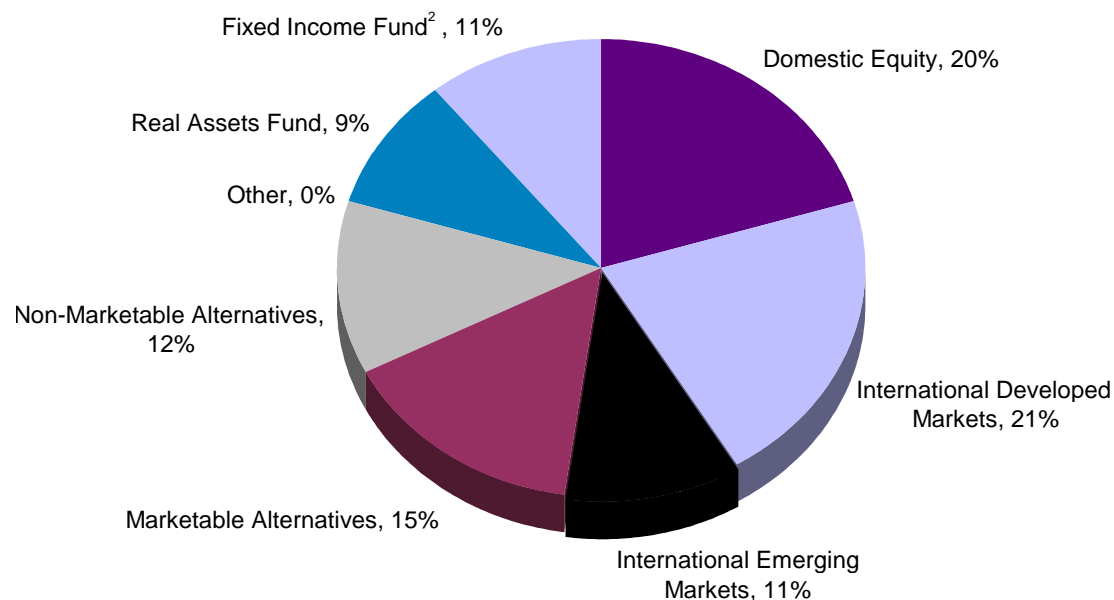
Invested Funds <sup>2</sup>	\$710
Portage Bay Insurance/SIRF <sup>3</sup>	55
Bond Retirement Fund <sup>4</sup>	2
Building Fund <sup>4</sup>	20
Debt Service Reserve Funds <sup>5</sup>	5
Bond Proceeds <sup>7</sup>	45
	<u>\$837</u>

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 \$355. 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 \$33.5, SIRF \$21.3.
4. General obligation bond reserve fund on deposit with the state of Washington.
5. Required reserve funds for locally issued bonds (2002 Housing & Dining \$1.5, 2004 Housing & Dining \$0.6, 2004 Parking \$1.4, 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 \$7.7, Genome/R&T \$25.0, Parking \$12.4)

# Asset Allocation

As of September 30, 2005

Consolidated Endowment Fund<sup>1</sup> -- \$1,488



\$'s in Millions

	Current Allocation		Policy Target	Policy Range
Domestic Equity	\$303	20%	18%	10%-40%
International Developed Markets	312	21%	20%	10%-35%
International Emerging Markets	161	11%	10%	5%-15%
Marketable Alternatives	227	15%	16%	5%-25%
Non-Marketable Alternatives	184	12%	12%	5%-20%
Other	0	0%	0%	0%-10%
<b>Equity Fund</b>	<b>\$1,188</b>	<b>80%</b>	<b>76%</b>	<b>60%-90%</b>
<b>Real Assets Fund</b>	<b>141</b>	<b>9%</b>	<b>12%</b>	<b>5%-20%</b>
<b>Fixed Income Fund<sup>2</sup></b>	<b>159</b>	<b>11%</b>	<b>12%</b>	<b>5%-35%</b>
<b>Total Consolidated Endowment Fund</b>	<b>\$1,488</b>	<b>100%</b>		

<sup>1</sup> Net foreign currency exposure 32%    <sup>2</sup> Includes allocation to cash

# Consolidated Endowment Fund (CEF)

For the Quarter Ending September 30, 2005

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

	1Q FY06	1-Year	5-Year	10-Year
<b>Total CEF Return</b>	<b>6.5</b>	<b>18.8</b>	<b>4.9</b>	<b>11.3</b>
Strategy Weighted Policy Benchmark	5.6	16.7	2.3	11.1
<b>Equity Fund</b>	<b>7.1</b>	<b>20.3</b>	<b>3.0</b>	<b>11.6</b>
Weighted Policy Benchmark	6.4	18.7	0.4	11.8
<b>Real Assets Fund</b>	<b>9.3</b>	<b>26.7</b>	--	--
Policy Benchmark	7.6	25.9	--	--
<b>Fixed Income Fund</b>	<b>0.4</b>	<b>4.8</b>	<b>6.6</b>	<b>6.7</b>
Policy Benchmark (LB Govt Bond)	-0.9	2.5	6.3	6.3

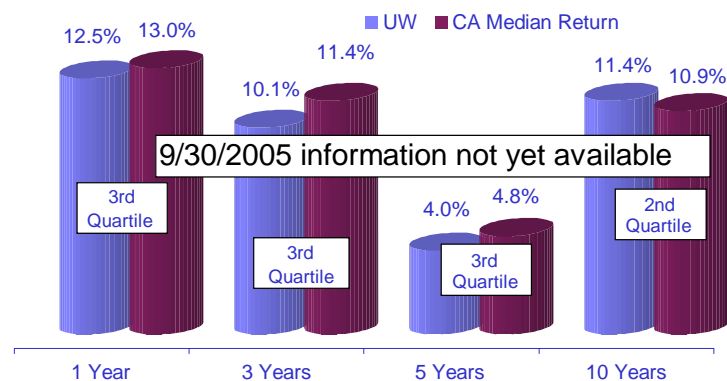
1. Average Annual Compound Return

## Activity (\$ in Millions)

	FY2006	FY2005	FY2004	One Year	Ten Year
<b>Beginning Balance</b>	1,388	1,216	1,010	1,243	347
Gifts	19	60	33	62	384
Transfers	7	11	6	17	79
<b>Total Additions</b>	<b>27</b>	<b>71</b>	<b>39</b>	<b>79</b>	<b>463</b>
IF purchase of CEF units	0	30	57	0	326
Net Investment Return	93	160	179	242	798
Distributions*	(16)	(76)	(57)	(63)	(388)
Administrative Fees	(1)	(3)	(2)	(3)	(18)
Development Support	(3)	(10)	(9)	(11)	(41)
<b>Ending Balance</b>	<b>1,488</b>	<b>1,388</b>	<b>1,216</b>	<b>1,488</b>	<b>1,488</b>
Net Change	100	172	206	244	1,141

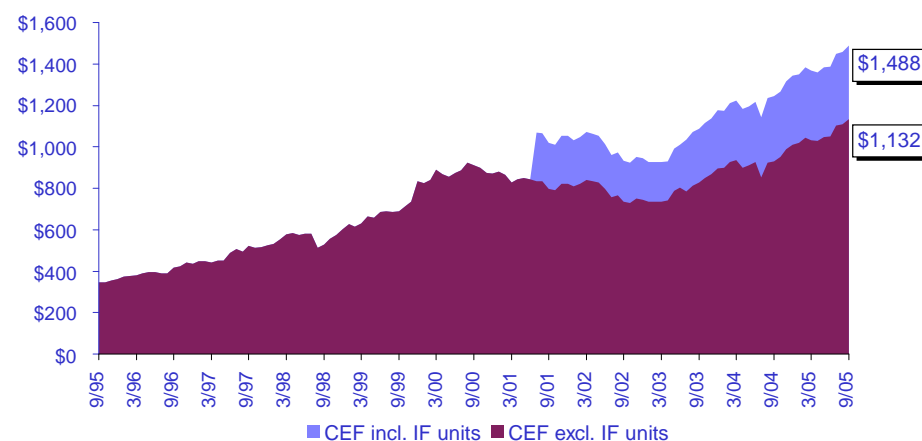
\* FY2005 reflects five quarter's distributions due to a change in distribution date

## Cambridge Associates Top 50\* Universe Performance for periods ending 6/30/05



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

## Market Value (\$ in Millions)



# Performance Update

'Total Return<sup>1</sup> as of 9/30/05

	1Q FY06	1-Year	3-Year	5-Year	10-Year
<b>CONSOLIDATED ENDOWMENT FUND</b>	<b>6.5</b>	<b>18.8</b>	<b>15.6</b>	<b>4.9</b>	<b>11.3</b>
<b>EQUITY FUND</b>	<b>7.1</b>	<b>20.3</b>	<b>15.6</b>	<b>3.0</b>	<b>11.6</b>
Domestic Equity	4.8	14.7	17.2	3.9	11.8
Core Equity	4.5	17.1	17.9	3.0	12.0
Value Equity	2.4	7.5	14.3	8.7	12.6
Growth Equity	8.5	22.3	24.0	-6.0	10.5
International Developed Markets	10.9	27.5	25.3	5.7	8.4
International Emerging Markets	13.9	41.0	36.2	17.5	--
Marketable Alternatives	4.1	14.4	14.1	8.4	--
Non-Marketable Alternatives <sup>2</sup>	4.2	20.3	9.6	-4.4	13.9
<b>REAL ASSETS FUND</b>	<b>9.3</b>	<b>26.7</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>FIXED INCOME FUND</b>	<b>0.4</b>	<b>4.8</b>	<b>3.8</b>	<b>6.6</b>	<b>6.7</b>
<b>MARKET INDICES</b>					
<i>Equity Indices</i>					
S&P 500	3.6	12.2	16.7	-1.5	9.5
Russell 3000	4.0	14.6	18.1	-0.7	9.5
Russell 2000	4.7	18.0	24.1	6.4	9.4
Dow Jones	3.4	7.4	14.2	1.9	10.4
NASDAQ	4.6	13.4	22.5	-10.1	7.5
MSCI ACWI ex US	11.8	29.5	27.2	4.8	6.6
Emerging Markets (IFCG)	18.2	52.1	39.8	16.2	--
<i>Fixed Income Indices</i>					
LB Government Bond	-0.9	2.5	2.8	6.3	6.3
JP Morgan Global Hedged Bond Index	-0.1	6.0	4.1	6.0	7.2

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.

# Invested Funds (IF)

For the Quarter Ending September 30, 2005

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

	1Q FY06	1-Year	5-Year	10-Year
<b>Cash</b>	<b>0.0</b>	<b>1.2</b>	<b>4.4</b>	<b>5.2</b>
Citi 2 Yr Treasury	0.0	0.7	4.2	4.8
<b>Liquidity</b>	<b>-0.3</b>	<b>1.8</b>	<b>5.8</b>	<b>6.1</b>
LB Intermediate Govt Bond	-0.5	1.3	5.5	5.8
<b>IF excluding CEF units</b>	<b>-0.2</b>	<b>1.6</b>	<b>5.4</b>	<b>5.9</b>
Weighted Benchmark	-0.4	1.1	5.2	5.5
<b>IF including CEF units</b>	<b>2.1</b>	<b>7.0</b>	<b>5.4</b>	<b>7.4</b>
Weighted Policy Benchmark	0.4	3.4	4.2	6.3

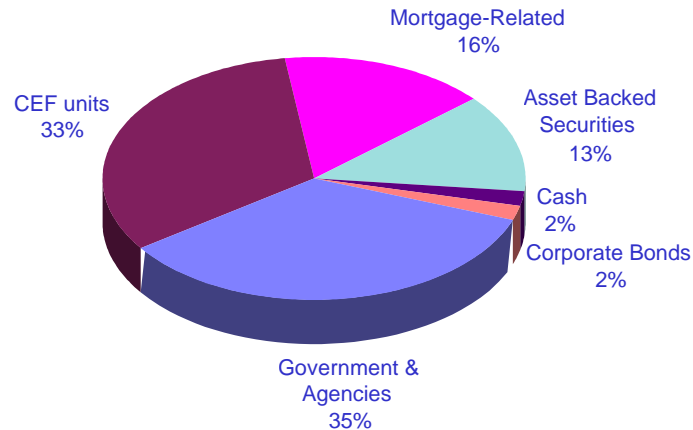
1. Average Annual Compound Return

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

	Fund Allocation		Range	Fixed Income Duration	
				Actual	Max
<b>Cash Pool</b>	\$189	18%	20% - 40%	1.8	3.0 yrs
<b>Liquidity Pool<sup>1</sup></b>	521	49%	30% - 60%	3.2	3.9 yrs
<b>Total Cash &amp; Liq. Pool</b>	<b>\$710</b>	<b>67%</b>			
<b>CEF Units held by IF</b>	33%	15% - 40%			
<b>Total Invested Funds</b>		<b>100%</b>			

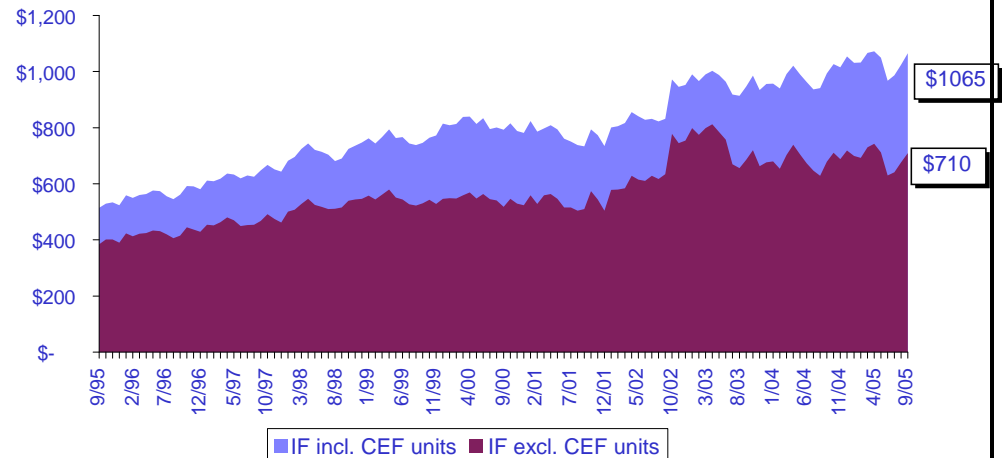
1. Include Interfund Loans

## 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

Fourth Quarter Fiscal Year 2005 (4/1/05–6/30/05)

\$ in Millions

By the Chief Investment Officer

## Private Markets

Commonfund Capital Venture Partners VII	Non-Marketable Alternatives	Venture Capital	Reinvestment with existing manager	\$5.0
Commonfund Capital International Partners V	Non-Marketable Alternatives	Non-US Private Equity	Reinvestment with existing manager	\$10.0
Quadrangle	Non-Marketable Alternatives	US Buyout	New manager relationship	\$7.5

## Public Markets

Martin Currie	Emerging Markets	Greater China	New manager relationship	\$15.0
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# UWINCO Summary of Actions Taken Under Board Delegated Authorities

## First Quarter Fiscal Year 2006 (7/1/05–9/30/05)

*\$ in Millions*

*By the Chief Investment Officer*

### Private Markets

Varde Fund	Marketable Alternatives	Absolute Return	Reinvestment with existing manager	+\$10.0
Vestar Capital Partners	Non-Marketable Alternatives	US Buyouts	Reinvestment with existing manager	+\$8.0
West Bridge Venture	Non-Marketable Alternatives	Venture Capital	New manager relationship	+\$5.0
Aetos Capital Asia	Real Assets	Real Estate	Reinvestment with existing manager	+\$10.0
Cabot Industrial Value Fund	Real Assets	Real Estate	Reinvestment with existing manager	+\$7.5
Campbell Timber Fund	Real Assets	Timber	New manager relationship	+\$5.0
LaSalle Asia Opportunities Fund	Real Assets	Real Estate	New manager relationship	+\$15.0
Thackery Partners Realty Fund	Real Assets	Real Estate	Reinvestment with spin-off of existing manager	+\$5.0

### Public Markets

Arrowstreet	Developed International	Core	New manager relationship	+\$40.0
GMO Intl Active	Developed International	Core	New manager relationship	+\$35.0
Lazard Asset Management	Developed International	Core	Rebalance Developed International	-\$50.0
MAC Japan	Developed International	Small Cap Value	New manager relationship	+\$15.0
Sparx Val Creation Fund	Developed International	Small Cap Value	New manager relationship	+\$30.0
The Northern Trust Company	Developed International	Funding Hedge	Short term investment for exposure— expect three month duration	+\$15.0
Riech & Tang	Domestic Equity	Small Cap Value	Rebalance Developed International	-\$35.0
The Northern Trust Company	Domestic Equity	S&P 500 Futures	Short term investment of quarter-end cash requirements	+\$8.0
State Street	Emerging Markets	Passive Index	New manager relationship	+\$65.0