

UNIVERSITY OF WASHINGTON

INVESTMENT PERFORMANCE REPORT

THIRD QUARTER FISCAL YEAR 2006

As of March 31, 2006



TREASURER, BOARD OF REGENTS
TREASURY OFFICE

Published May 2006

TREASURY ASSETS ¹

As of 3/31/06—\$2.7 Billion

Dollars in Millions



Endowment & Similar Funds

Consolidated Endowment Fund ²	\$1,707
Life Income Trusts	97
Outside Trusts	54
Non-CEF Endowments	26
Permanent Fund	<u>626</u>
	<u>\$1,910</u>

Operating & Reserve Funds

Invested Funds ^{2,3}	\$750
Bond Retirement Fund ⁴	4
Building Fund ⁴	17
Debt Service Reserve Funds ⁵	6
Bond Proceeds ⁷	<u>33</u>
	<u>810</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 \$383. 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 \$35.5, SIRF \$20.6.

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 \$7.4, Genome/R&T \$14.5, Parking \$11.3)

ASSET ALLOCATION

As of March 31, 2006

Consolidated Endowment Fund¹—\$1,707 MM



Dollars in Millions

	Current Allocation		Policy Target	Policy Range
Domestic Equity	\$310	18%	18%	10%–40%
International Developed Markets	\$387	23%	20%	10%–35%
International Emerging Markets	\$196	11%	10%	5%–15%
Marketable Alternatives	\$244	14%	16%	5%–25%
Non-Marketable Alternatives	\$202	12%	12%	5%–20%
Equity Fund	\$1,340	79%	76%	60%–90%
Real Assets Fund	\$172	10%	12%	5%–20%
Fixed Income Fund ²	\$195	11%	12%	5%–35%
Total Consolidated Endowment Fund	\$1,707	100%		

¹ Estimated net foreign currency exposure: 44% ² Includes allocation to cash

CONSOLIDATED ENDOWMENT FUND (CEF)

For the Quarter ending March 31, 2006

Total Returns As of 3/31/06¹ (%)

	3 rd Qtr FY 2006	1-Year	5-Year	10-Year
Total CEF Return	6.3	20.0	9.4	11.6
Strategy Weighted Policy Benchmark	5.6	17.9	6.7	11.1
Equity Fund	7.2	22.1	8.7	12.0
Weighted Policy Benchmark	6.9	20.8	6.2	11.8
Real Assets Fund	4.8	21.9	—	—
Policy Benchmark	3.9	16.0	—	—
Fixed Income Fund	0.8	4.9	5.4	6.6
Policy Benchmark (LB Govt Bond)	-0.9	2.1	4.7	6.1

¹ Average Annual Compound Return

Activity (\$ in Millions)

	FY 2006	FY 2005	FY 2004	One Year	Ten Years
Beginning Balance	1,388	1,216	1,010	1,370	379
Gifts	104	60	33	115	455
Transfers	20	11	6	23	91
Total Additions	124	71	39	138	546
IF purchase of CEF units	0	30	57	0	326
Net Investment Return	262	160	179	281	936
Distributions*	(58)	(76)	(57)	(67)	(415)
Administrative Fees	(2)	(3)	(2)	(3)	(19)
Development Support	(7)	(10)	(9)	(12)	(47)
Ending Balance	1,707	1,388	1,216	1,707	1,707
Net Change	319	172	206	337	1,327

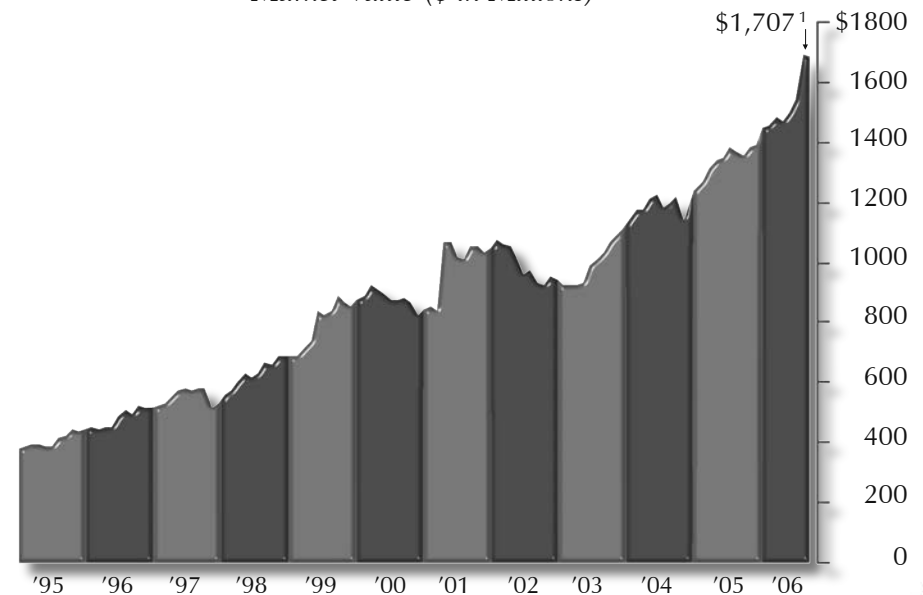
¹ FY 2005 reflects five quarters' distributions due to a change in distribution date

Cambridge Associates¹ Top 50 Universe Performance for periods ending 12/31/05

Not available at press time.
To be distributed
at the meeting.

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 \$1,324

PERFORMANCE UPDATE

Total Return¹ As of 3/31/06

	3 rd Qtr FY '06	1 Year	3 Years	5 Years	10 Years
Consolidated Endowment Fund	6.3	20.0	19.4	9.4	11.6
Equity Fund	7.2	22.1	20.2	8.7	12.0
Domestic Equity	5.8	16.7	20.0	9.0	11.9
Core Equity	4.8	15.0	19.8	8.7	11.7
Value Equity	5.8	9.6	17.3	9.4	12.1
Growth Equity	7.0	29.3	26.5	7.8	11.7
International Developed Markets	8.0	25.7	31.0	11.4	8.9
International Emerging Markets	12.6	39.4	42.6	23.9	—
Marketable Alternatives	5.7	14.8	15.3	10.2	—
Non-Marketable Alternatives ²	5.5	19.7	17.7	2.8	14.6
Real Assets Fund	4.8	21.9	—	—	—
Fixed Income Fund	0.8	4.9	3.5	5.4	6.6
Market Indices					
<i>Equity Indices</i>					
S&P 500	4.2	11.7	17.2	4.0	9.0
Russell 3000	5.3	14.3	19.1	5.3	9.2
Russell 2000	13.9	25.8	29.5	12.6	10.1
Dow Jones	4.3	8.2	14.1	4.6	9.2
NASDAQ	6.1	17.0	20.4	4.9	7.8
MSCI ACWI ex US	9.8	28.1	33.5	11.8	7.4
Emerging Markets (IFCG)	11.5	53.2	48.1	24.6	8.8
<i>Fixed Income Indices</i>					
LB Government Bond	-0.9	2.1	2.2	4.7	6.1
JP Morgan Global Hedged Bond Index	-0.9	3.1	3.2	5.0	6.8

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 March 31, 2006

Total Return¹ (%)

	3 rd Qtr FY 2006	1-Year	5-Year	10-Year
Cash	0.6	2.6	3.5	5.0
Citi 2 Yr Treasury	0.3	2.1	3.3	4.6
Liquidity	-0.3	2.3	4.4	5.9
LB Intermediate Govt Bond	-0.3	2.1	4.1	5.5
IF excluding CEF units	-0.1	2.3	4.2	5.7
Weighted Benchmark	-0.1	2.0	3.9	5.3
IF including CEF units	2.0	7.9	5.9	7.4
Weighted Benchmark	1.8	7.2	5.0	7.1

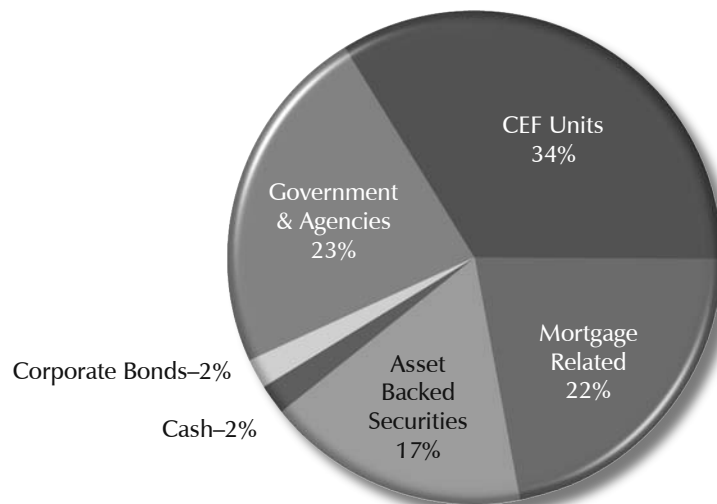
¹ Average Annual Compound Return

Fund Allocation by Pool (\$ in Millions)

	Fund Allocation		Range	Duration	
				Actual	Maximum
Cash Pool	\$227	20%	20%–40%	1.8	3.0 yrs
Liquidity Pool1	523	46%	30%–60%	3.2	4.0 yrs
Total Cash & Liq. Pool	\$750	66%			
CEF Units held by IF		34%	15%–40%		
Total Invested Funds		100%			

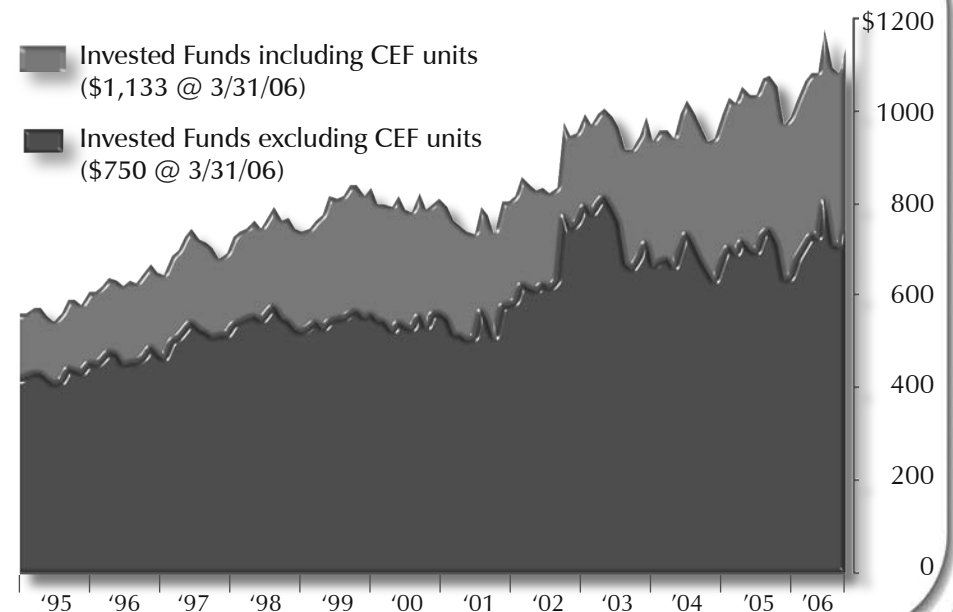
¹ Includes Interfund Loans

Mix of Investments¹



¹ Not shown - Interfund Loans (0.04%)

Market Value (\$ in Millions)



UWINCO Summary of Actions Taken Under Board Delegated Authorities

January 1, 2006 through May 17, 2006

\$ in Millions

By the Chief Investment Officer

Approved	Action	Manager / Fund	<i>Private Markets</i>		
			Strategy	Description	Investment
01/19/06	Reup	Arclight Energy III	Non-Marketable Alternatives	Energy Fund	\$12.0
01/27/06	New	Madrona Venture III	Non-Marketable Alternatives	Venture - NW Early Stage	\$3.0
01/27/06	Reup	Beacon Strategic IV	Real Assets	US Real Estate	\$5.0
02/09/06	Reup	TA Subordinated Debt Fund II	Non-Marketable Alternatives	Buyout - Domestic	\$4.5
02/09/06	Reup	TA Fund X	Non-Marketable Alternatives	Buyout - Domestic	\$5.6
03/24/06	Reup	Bain Capital IX	Non-Marketable Alternatives	Buyout - Global	\$10.0
03/24/06	Reup	Texas Pacific Group V	Non-Marketable Alternatives	Buyout - Global	\$12.0
03/24/06	New	CLSA - Aria Fund III	Non-Marketable Alternatives	Buyout - Pan Asian	\$5.0
04/20/06	New	Morgan Stanley RE Special Situations Fund III	Real Assets	Global Real Estate	\$10.0
05/12/06	New	JC Flowers	Non-Marketable Alternatives	Buyout - Global	\$5.0

UWINCO Summary of Actions Taken Under Board Delegated Authorities

January 1, 2006 through May 17, 2006

\$ in Millions

By the Chief Investment Officer (continued)

Approved	Action	Manager / Fund	Public Markets		Investment
			Strategy	Description	
01/05/06	Addition- Nikkei Futures	Northern Trust Securities	International Developed Markets	Japan market exposure	\$15.0
01/19/06	New	Arisiag Asia Fund	International Emerging Markets	Greater Asia	\$3.0
01/19/06	New	Lloyd George Asian Plus	International Emerging Markets	Asia Focus	\$7.0
01/19/06	Addition	State Street Global Advisors	International Emerging Markets	Diversified Emerging Markets Index	\$10.0
03/03/06	Reduction- Nikkei Futures	Northern Trust Securities	International Developed Markets	Japan market exposure	-\$30.0
03/09/06	Reduction	State Street Global Advisors	International Emerging Markets	Diversified Emerging Markets Index	-\$25.0
04/10/06	Addition	Martin Currie	International Emerging Markets	Greater China	\$2.0
04/14/06	Addition	Arisiag Asia Fund	International Emerging Markets	Greater Asia	\$2.0
04/14/06	New	Ward Ferry Asian Reconnaissance Fund	International Emerging Markets	Asia Pacific - Small Cap Growth	\$5.0
05/12/06	Reduction	State Street Global Advisors	International Emerging Markets	Diversified Emerging Markets Index	-\$60.0
05/12/06	New-Derivative Position	Goldman Sachs	International Emerging Markets	Long side of EM index swap	\$20.0
05/12/06	New	State Street Global Advisors	International Developed Markets	EAFE Index	\$20.0
05/12/06	Addition	Morgan Stanley Relative Value Fund of Funds	Fixed Income	Alpha Engine	\$20.0