

UNIVERSITY OF WASHINGTON

INVESTMENT PERFORMANCE REPORT

SECOND QUARTER FISCAL YEAR 2006

As of December 31, 2005



TREASURER, BOARD OF REGENTS
TREASURY OFFICE

Published March 2006

TREASURY ASSETS¹

As of 12/31/05—\$2.6 Billion

Dollars in Millions



Endowment & Similar Funds

Consolidated Endowment Fund ²	\$1,538
Life Income Trusts	90
Outside Trusts	53
Non-CEF Endowments	26
Permanent Fund ⁶	26
	<u>\$1,733</u>

Operating & Reserve Funds

Invested Funds ^{2,3}	\$813
Bond Retirement Fund ⁴	4
Building Fund ⁴	17
Debt Service Reserve Funds ⁵	5
Bond Proceeds ⁷	38
	<u>\$877</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 \$365. 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 \$34.7, SIRF \$21.1.

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).

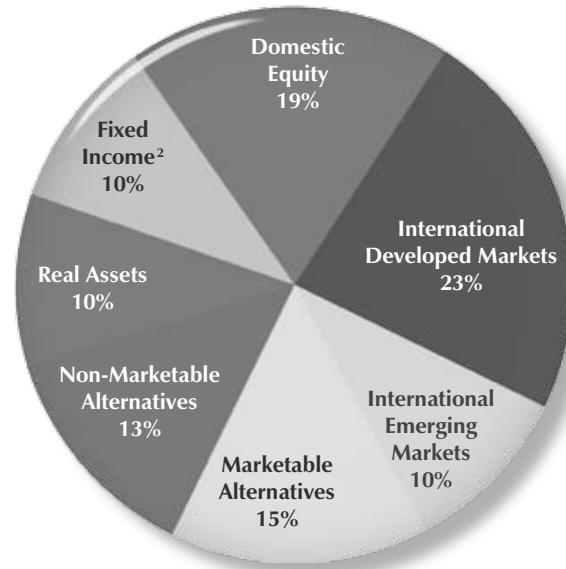
6. Proceeds from sale of land grants and subsequent investment returns on deposit with the state of Washington

7. Construction project funds which have not yet been disbursed (IMA \$7.7, Genome/R&T \$18.1, Parking \$12.0)

ASSET ALLOCATION

As of December 31, 2005

Consolidated Endowment Fund¹—\$1,538 MM



Dollars in Millions

	Current Allocation		Policy Target	Policy Range
Domestic Equity	\$294	19%	18%	10%–40%
International Developed Markets	353	23%	20%	10%–35%
International Emerging Markets	158	10%	10%	5%–15%
Marketable Alternatives	231	15%	16%	5%–25%
Non-Marketable Alternatives	197	13%	12%	5%–20%
Equity Fund	\$1,233	80%	76%	60%–90%
Real Assets Fund	\$148	10%	12%	5%–20%
Fixed Income Fund ²	\$157	10%	12%	5%–35%
Total Consolidated Endowment Fund	\$1,538	100%		

¹ Estimated net foreign currency exposure: 43% ² Includes allocation to cash

CONSOLIDATED ENDOWMENT FUND (CEF)

For the Quarter ending December 31, 2005

Total Returns as of 12/31/05¹ (%)

	2 nd Qtr FY 2006	1-Year	5-Year	10-Year
Total CEF Return	4.2	15.1	6.9	11.3
Strategy Weighted Policy Benchmark	2.9	13.3	3.6	10.9
Equity Fund	4.9	16.2	6.3	12.2
Weighted Policy Benchmark	3.9	14.7	2.3	11.8
Real Assets Fund	2.4	21.4	—	—
Policy Benchmark	-1.2	18.4	—	—
Fixed Income Fund	0.8	4.2	5.8	6.3
Policy Benchmark (LB Gov't Bond)	0.7	2.6	5.4	5.9

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	1,344	347
Gifts	28	60	33	56	388
Transfers	11	11	6	17	82
Total Additions	39	71	39	73	470
IF purchase of CEF units	0	30	57	0	326
Net Investment Return	179	160	179	199	858
Distributions ¹	(58)	(76)	(57)	(64)	(401)
Administrative Fees	(2)	(3)	(2)	(3)	(18)
Development Support	(7)	(10)	(9)	(11)	(44)
Ending Balance	1,538	1,388	1,216	1,538	1,538
Net Change	150	172	206	194	1,192

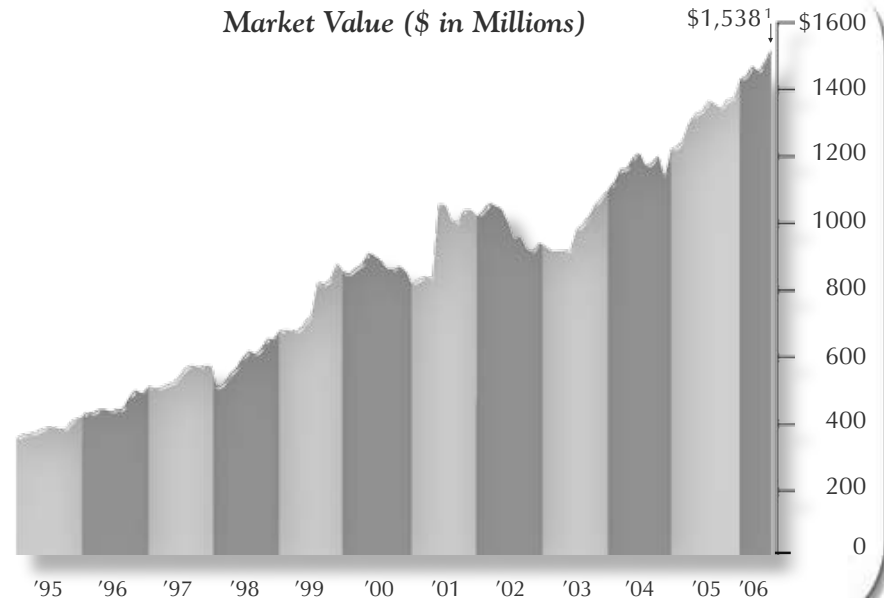
¹ FY 2005 reflects five quarters' distributions due to a change in distribution date

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 \$1,174

PERFORMANCE UPDATE

	<i>Total Return¹ as of 12/31/05</i>				
	2 nd Qtr FY '06	1 Year	3 Years	5 Years	10 Years
Consolidated Endowment Fund	4.2	15.1	16.3	6.9	11.3
Equity Fund	4.9	16.2	17.8	6.3	12.2
Domestic Equity	3.5	8.6	16.4	5.9	11.8
Core Equity	2.9	9.9	16.9	5.9	11.7
Value Equity	2.7	2.7	13.5	7.7	12.1
Growth Equity	5.1	14.6	23.1	-0.1	11.4
International Developed Markets	5.9	18.6	24.8	7.0	8.7
International Emerging Markets	6.2	30.7	34.3	20.9	—
Marketable Alternatives	2.2	9.9	14.4	9.1	—
Non-Marketable Alternatives ²	6.9	26.1	13.8	0.0	14.3
Real Assets Fund	2.4	21.4	—	—	—
Fixed Income Fund	0.8	4.2	3.7	5.8	6.3
Market Indices					
<i>Equity Indices</i>					
S&P 500	2.1	4.9	14.4	0.5	9.1
Russell 3000	2.0	6.1	15.9	1.6	9.2
Russell 2000	1.1	4.6	22.1	8.2	9.3
Dow Jones	2.0	1.9	11.2	2.0	9.8
NASDAQ	2.5	1.4	18.2	-2.2	7.7
MSCI EAFE	4.1	14.0	24.2	4.9	6.1
MSCI EMF	7.2	34.5	38.3	18.9	—
<i>Fixed Income Indices</i>					
LB Government Bond	0.7	2.6	2.8	5.4	5.9
JP Morgan Global Hedged Bond Index	0.8	5.0	4.0	5.3	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 December 31, 2005

Total Return¹ (%)

	2 nd Qtr FY 2006	1-Year	5-Year	10-Year
Cash	0.8	1.9	3.9	5.0
Citi 2 Yr Treasury	0.6	1.3	3.8	4.6
Liquidity	0.7	2.1	5.1	5.8
LB Intermediate Govt Bond	0.6	1.7	4.8	5.5
IF excluding CEF units	0.7	2.0	4.8	5.6
Weighted Benchmark	0.6	1.5	4.5	5.3
IF including CEF units	1.8	6.2	5.6	7.3
Weighted Benchmark	1.3	5.4	4.4	7.0

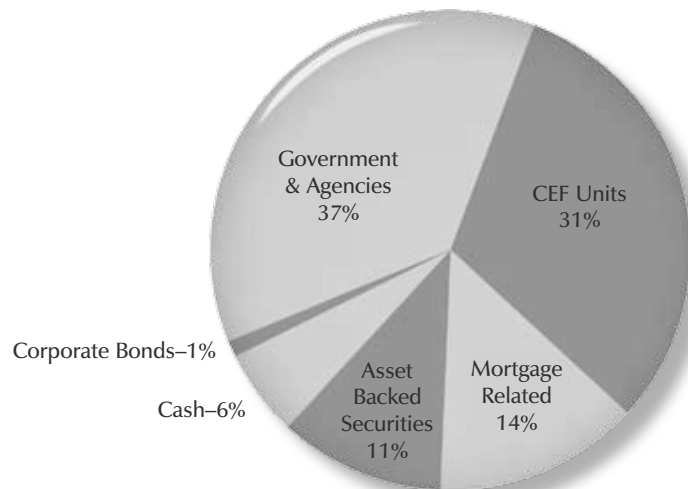
¹ Average Annual Compound Return

Fund Allocation by Pool (\$ in Millions)

	Fund Allocation		Range	Duration	
				Actual	Maximum
Cash Pool	\$289	25%	20%–40%	1.6	3.0 yrs
Liquidity Pool ¹	<u>524</u>	<u>45%</u>	30%–60%	3.2	4.0 yrs
Total Cash & Liq. Pool	<u>\$813</u>	<u>69%</u>			
CEF Units held by IF		<u>31%</u>	15%–40%		
Total Invested Funds		<u>100%</u>			

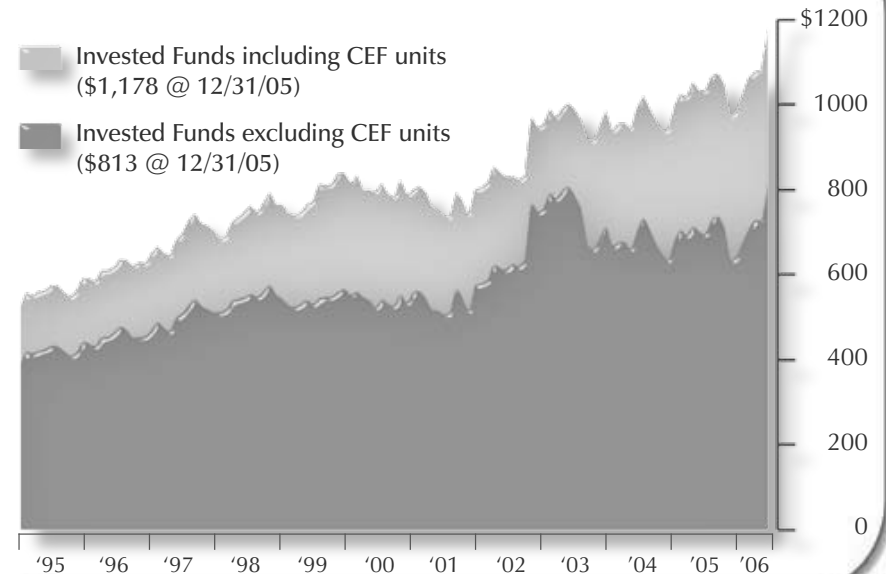
¹ Includes Interfund Loans

Mix of Investments¹



¹ Not shown - Interfund Loans (0.18%)

Market Value (\$ in Millions)



UWINCO Summary of Actions Taken Under Board Delegated Authorities

January 1, 2006 through February 23, 2006

\$ in Millions

By the Chief Investment Officer

Private Markets

<u>Approved</u>	<u>Action</u>	<u>Manager / Fund</u>	<u>Strategy</u>	<u>Investment</u>
01/19/06	Reup	Arclight Energy	Non-Marketable Alternatives	\$12
01/27/06	New	Madrona Venture	Non-Marketable Alternatives	\$3
01/27/06	Reup	Beacon Strategic	Real Assets	\$5

Public Markets

01/05/06	Nikkei Futures Purchase	Northern Trust Securities	International Developed Markets	\$15
01/19/06	New	Arisiag Asia Fund	International Emerging Markets	\$3
01/19/06	New	Lloyd George Asian Plus	International Emerging Markets	\$7
01/19/06	Additional Capital	State Street Global Advisors	International Emerging Markets	\$10

UWINCO Summary of Actions Taken Under Board Delegated Authorities

January 1, 2005 through December 31, 2005

\$ in Millions

By the Chief Investment Officer

Private Markets

<u>Approved</u>	<u>Action</u>	<u>Manager / Fund</u>	<u>Strategy</u>	<u>Investment</u>
12/20/05	New	Bridger Capital Swiftcurrent	Marketable Alternatives	\$5
09/15/05	Reup	Varde V-B	Marketable Alternatives	\$10
12/09/05	Reup	Angelo Gordon Recovery	Non-Marketable Alternatives	\$5
11/21/05	New	Chrys Capital	Non-Marketable Alternatives	\$3
04/01/05	Reup	Commonfund International	Non-Marketable Alternatives	\$7.5
10/13/05	Reup	General Catalyst	Non-Marketable Alternatives	\$4.5
05/24/05	New	Quadrangle	Non-Marketable Alternatives	\$7.5
08/11/05	Reup	Vestar	Non-Marketable Alternatives	\$8
06/30/05	New	Westbridge Venture	Non-Marketable Alternatives	\$5
02/11/05	Reup	Weston Presido	Non-Marketable Alternatives	\$6.5
08/11/05	Reup	Aetos Capital Asia	Real Assets	\$10
07/23/05	Reup	Cabot Industrial Value	Real Assets	\$8
05/24/05	Reinvest	Campbell Timber Fund	Real Assets	\$5
02/11/05	Reup	Commonfund NR Fund	Real Assets	\$7.5
12/09/05	Reup	Crow Partners	Real Assets	\$10
06/09/05	New	LaSalle Asia Opportunity	Real Assets	\$15
02/11/05	Reup	Merit Energy	Real Assets	\$5
11/04/05	New	Natural Gas Partners	Real Assets	\$10
10/21/05	New	NGP Energy Technology	Real Assets	\$2
02/11/05	New	RMS Forest Growth	Real Assets	\$5
06/09/05	New	Thackery Realty	Real Assets	\$5

UWINCO Summary of Actions Taken Under Board Delegated Authorities

January 1, 2005 through December 31, 2005

\$ in Millions

By the Chief Investment Officer

Public Markets

Approved	Action	Manager / Fund	Strategy	Investment
02/25/05	Capital Withdrawal	AXA Rosenberg	Domestic Equity	-\$20
02/25/05	Additional Capital	Northern Trust Securities	Domestic Equity	\$40
02/25/05	Capital Withdrawal	Riech & Tang	Domestic Equity	-\$10
06/23/05	Terminate	Riech & Tang	Domestic Equity	-\$35
02/25/05	Capital Withdrawal	Synder Capital	Domestic Equity	-\$10
06/17/05	Additional Capital	Northern Trust Securities	Domestic Equity	\$8
01/28/05	Additional Capital	Morgan Grenfell	Fixed Income	\$5
07/07/05	New	Arrowstreet Capital	International Developed Markets	\$40
07/07/05	New	GMO International Active	International Developed Markets	\$35
12/30/05	Additional Capital	GMO International Active	International Developed Markets	\$5
07/07/05	Terminate	Lazard	International Developed Markets	-\$50
10/28/05	New	Liberty Square	International Developed Markets	\$10
12/30/05	Additional Capital	Liberty Square	International Developed Markets	\$5
07/07/05	New	MAC Japan	International Developed Markets	\$15
11/21/05	Additional Capital	MAC Japan	International Developed Markets	\$12
07/07/05	New	Sparx Value Creation	International Developed Markets	\$30
07/07/05	Yen Spot Purchase	Northern Trust Securities	International Developed Markets	\$30
09/09/05	Nikkei Futures Purchase	Northern Trust Securities	International Developed Markets	\$15
08/07/05	Yen Forward Purchase	Northern Trust Securities	International Developed Markets	\$15
11/21/05	Yen Spot Purchase	Northern Trust Securities	International Developed Markets	\$12
03/10/05	New	COL China A	International Emerging Markets	\$5
04/14/05	New	Martin Currie	International Emerging Markets	\$15
07/29/05	New	State Street Global Advisors	International Emerging Markets	\$65
12/30/05	Additional Capital	State Street Global Advisors	International Emerging Markets	\$20
01/28/05	Additional Capital	Pimco	Real Assets	\$20
12/20/05	New	Jefferies Commodities	Real Assets	\$15