

UNIVERSITY OF WASHINGTON

INVESTMENT PERFORMANCE REPORT

FOURTH QUARTER FISCAL YEAR 2006

As of June 30, 2006



TREASURER, BOARD OF REGENTS
TREASURY OFFICE

Published August 2006

TREASURY ASSETS ¹

As of 6/30/06—\$2.6 Billion

Dollars in Millions



Endowment & Similar Funds

Consolidated Endowment Fund ²	\$1,690
Life Income Trusts	94
Outside Trusts	54
Non-CEF Endowments	25
Permanent Fund ⁶	25
	<u>\$1,888</u>

Operating & Reserve Funds

Invested Funds ^{2,3}	\$689
Bond Retirement Fund ⁴	5
Building Fund ⁴	28
Debt Service Reserve Funds ⁵	6
Bond Proceeds ⁷	33
	<u>\$761</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 \$376. 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 \$36.9, 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 \$1.6, 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 \$7.5, Genome/R&T \$14.5, Parking \$11.2).

ASSET ALLOCATION

As of June 30, 2006

Consolidated Endowment Fund¹—\$1,690 MM



Dollars in Millions

	Current Allocation		Policy Target	Policy Range
Domestic Equity	\$299	18%	18%	10%–40%
International Developed Markets	\$399	24%	20%	10%–35%
International Emerging Markets	\$163	10%	10%	5%–15%
Marketable Alternatives	\$246	15%	16%	5%–25%
Non-Marketable Alternatives	\$213	13%	12%	5%–20%
Equity Fund	\$1,321	78%	76%	60%–90%
Real Assets Fund	\$180	11%	12%	5%–20%
Fixed Income Fund ²	\$188	11%	12%	5%–35%
Total Consolidated Endowment Fund	\$1,690	100%		

¹ Estimated net foreign currency exposure: 41% ² Includes allocation to cash

CONSOLIDATED ENDOWMENT FUND (CEF)

For the Quarter ending June 30, 2006

Total Returns As of 6/30/06 ¹ (%)

	4 th Qtr FY 2006	1-Year	5-Year	10-Year
Total CEF Return	-0.3	17.7	8.6	11.2
Strategy Weighted Policy Benchmark	0.5	16.1	6.4	10.9
Equity Fund	-0.7	19.7	8.2	11.7
Weighted Policy Benchmark	0.2	19.5	5.8	11.4
Real Assets Fund	2.4	20.2	—	—
Policy Benchmark	2.7	13.5	—	—
Fixed Income Fund	0.4	2.7	5.5	6.6
Policy Benchmark (LB Govt Bond)	0.0	-1.2	4.7	6.0

¹ Average Annual Compound Return

Cambridge Associates ¹ Top 50 Universe Performance for periods ending 6/30/06

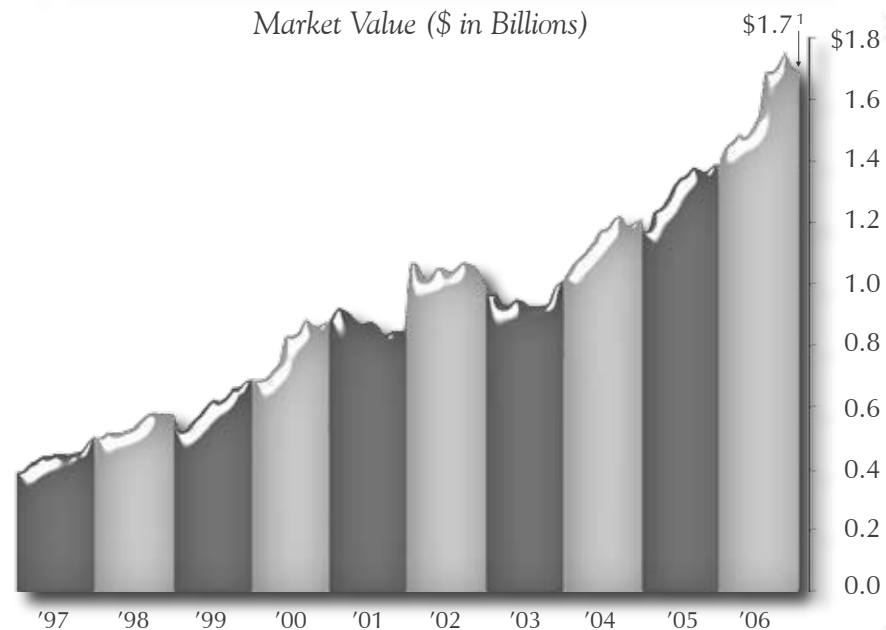
Data not available at press time

Activity (\$ in Millions)

	FY 2006	FY 2005	FY 2004	Five Years	Ten Years
Beginning Balance	1,388	1,216	1,010	842	396
Gifts	114	60	33	281	457
Transfers	22	11	6	47	94
Total Additions	137	71	39	328	551
IF purchase of CEF units	0	30	57	326	326
Net Investment Return	250	160	179	562	916
Distributions ¹	(70)	(76)	(57)	(312)	(430)
Administrative Fees	(3)	(3)	(2)	(12)	(19)
Development Support	(12)	(10)	(9)	(46)	(50)
Ending Balance	1,690	1,388	1,216	1,690	1,690
Net Change	302	172	206	847	1,294

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

Market Value (\$ in Billions)



¹ Reflects inclusion of IF units in CEF starting 7/01—value without would be \$1.3

PERFORMANCE UPDATE

Total Return¹ As of 6/30/06

	4 th Qtr FY '06	1 Year	3 Years	5 Years	10 Years
Consolidated Endowment Fund	-0.3	17.7	16.0	8.6	11.2
Equity Fund	-0.7	19.7	17.1	8.2	11.7
Domestic Equity	-3.3	11.1	13.2	6.5	10.9
Core Equity	-1.9	10.5	13.3	6.7	11.0
Value Equity	-2.3	8.7	11.6	7.0	11.4
Growth Equity	-5.6	15.3	17.1	4.0	10.1
International Developed Markets	-1.6	24.8	23.7	10.9	8.4
International Emerging Markets	-3.1	32.1	33.2	22.2	—
Marketable Alternatives	0.1	12.6	12.7	10.0	—
Non-Marketable Alternatives ²	6.1	24.6	20.2	3.8	14.2
Real Assets Fund	2.4	20.2	17.1	—	—
Fixed Income Fund	0.4	2.7	2.9	5.5	6.6
<i>Market Indices</i>					
<i>Equity Indices</i>					
S&P 500	-1.4	8.6	11.2	2.5	8.3
Russell 3000	-2.0	9.6	12.6	3.5	8.5
Russell 2000	-5.0	14.6	18.7	8.5	9.0
Dow Jones	0.9	11.1	9.9	3.4	9.1
NASDAQ	-7.2	5.6	10.2	0.1	6.3
MSCI ACWI ex US	0.2	28.4	25.8	11.9	7.2
Emerging Markets (IFCG)	-5.4	34.8	35.7	22.2	7.5
<i>Fixed Income Indices</i>					
LB Government Bond	0.0	-1.2	1.3	4.7	6.0
JP Morgan Global Hedged Bond Index	-0.1	-0.3	2.6	4.5	6.6

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 June 30, 2006

Total Return¹ (%)

	4 th Qtr FY 2006	1-Year	5-Year	10-Year
Cash	0.8	2.1	3.4	5.0
Citi 2 Yr Treasury	0.5	1.5	3.2	4.6
Liquidity	0.3	0.4	4.3	5.8
LB Intermediate Govt Bond	0.3	0.1	4.1	5.5
IF excluding CEF units	0.5	0.9	4.1	5.6
Weighted Benchmark	0.4	0.5	3.9	5.2
IF including CEF units	0.2	6.2	5.6	7.3
Weighted Benchmark	0.4	5.6	4.9	7.0

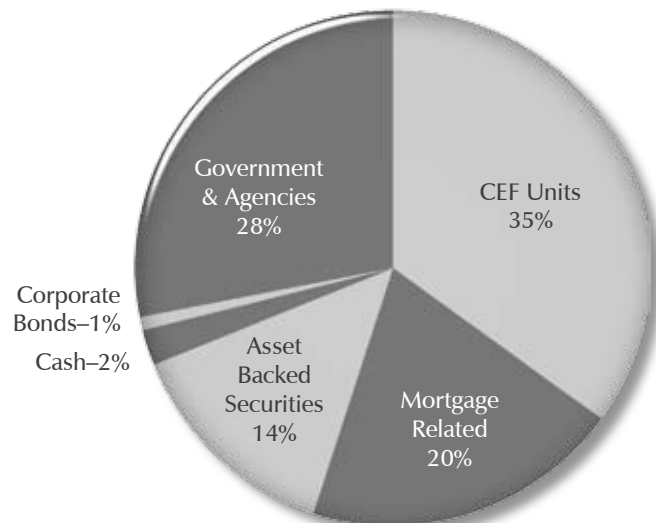
¹ Average Annual Compound Return

Fund Allocation by Pool (\$ in Millions)

	Fund Allocation		Range	Duration	
				Actual	Maximum
Cash Pool	\$164	15%	10%–40%	1.6	3.0 yrs
Liquidity Pool ¹	<u>525</u>	<u>49%</u>	30%–60%	3.2	4.0 yrs
Total Cash & Liq. Pool	\$689	65%			
CEF Units held by IF		<u>35%</u>	15%–40%		
Total Invested Funds		<u>100%</u>			

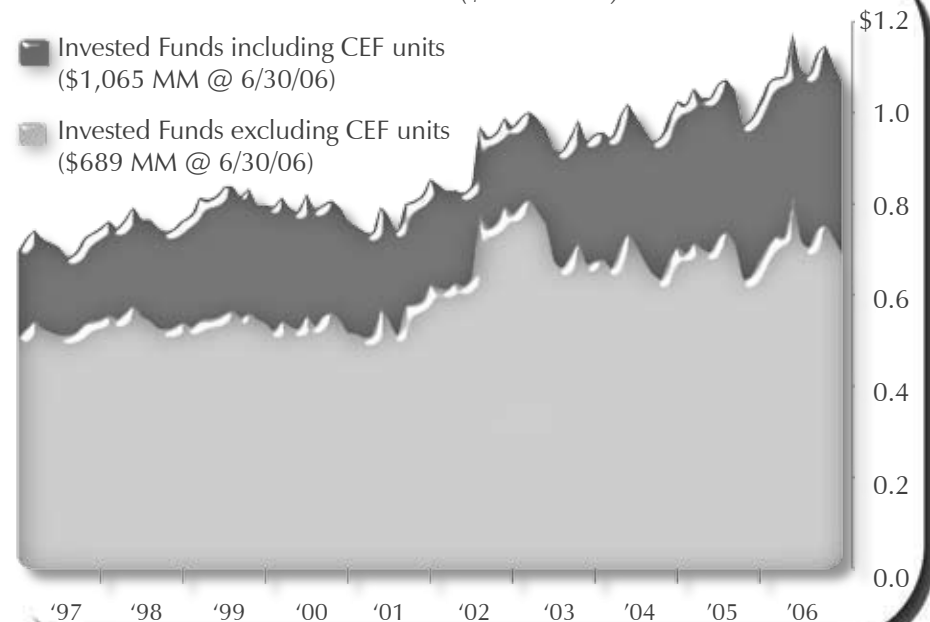
¹ Includes Interfund Loans

Mix of Investments¹



¹ Not shown—Interfund Loans (0.04%)

Market Value (\$ in Billions)



UWINCO Summary of Actions Taken Under Board Delegated Authorities

January 1, 2006 through September 6, 2006

\$ in Millions

By the Chief Investment Officer

Approved	Action	<i>Private Markets</i>				Investment
		Manager / Fund	Strategy	Description		
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	
05/22/06	Addition	Ignition Ventures III	Non-Marketable Alternatives	US Venture Capital	\$1.2	
06/06/06	New	Centerbridge Capital	Non-Marketable Alternatives	Global Private Equity & Distressed Debt	\$3.0	
07/28/06	New	Orbis Real Estate Fund I	Real Assets	India Real Estate	\$7.0	
08/04/06	Reup	Domain VII	Non-Marketable Alternatives	US Venture Capital	\$5.0	

UWINCO Summary of Actions Taken Under Board Delegated Authorities

January 1, 2006 through September 6, 2006

\$ in Millions

By the Chief Investment Officer (continued)

Approved	Action	Manager / Fund	<i>Public Markets</i>		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
05/19/06	Name & structure change	From: Lloyd George Asian Plus to Tree Line Capital	International Emerging Markets	Asia Focus	\$7.0
06/30/06	Termination	Sparx Value Creation Fund	International Developed Markets	Japan small cap	-\$30.0
06/30/06	Termination	MAC Japan	International Developed Markets	Japan small cap	-\$32.0
07/27/06	New	Northern Trust	Domestic Equity	S&P 500 Futures	\$15.0