

# UNIVERSITY OF WASHINGTON

## INVESTMENT PERFORMANCE REPORT

THIRD QUARTER FISCAL YEAR 2007

*As of March 31, 2007*



TREASURER, BOARD OF REGENTS  
TREASURY OFFICE

Published May 2007

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# TREASURY ASSETS <sup>1</sup>

As of 3/31/07—\$3.1 Billion

Dollars in Millions



## Endowment & Similar Funds

Consolidated Endowment Fund <sup>2</sup>	\$1,947
Life Income Trusts	106
Outside Trusts	57
Non-CEF Endowments	26
Permanent Fund <sup>6</sup>	25
	<u>\$2,161</u>

## Operating & Reserve Funds

Invested Funds <sup>2,3</sup>	\$872
Bond Retirement Fund <sup>4</sup>	10
Building Fund <sup>4</sup>	15
Debt Service Reserve Funds <sup>5</sup>	6
Bond Proceeds <sup>7</sup>	33
	<u>\$936</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 \$378. 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 \$45.3, SIRF \$19.9.
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 \$1.5, 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 \$13.6, Parking \$11.3, Global Health Labs \$0.8)

# ASSET ALLOCATION

As of March 31, 2007

Consolidated Endowment Fund<sup>1</sup>—\$1,947 MM



Dollars in Millions

	Current Allocation	Policy Target	Policy Range
Domestic Equity	\$341 18%	18%	10%–40%
International Developed Markets	\$439 23%	20%	10%–35%
International Emerging Markets	\$219 11%	10%	5%–15%
Marketable Alternatives	\$309 16%	16%	5%–25%
Non-Marketable Alternatives	\$227 12%	12%	5%–20%
<b>Equity Fund</b>	<b>\$1,534 79%</b>	<b>76%</b>	<b>60%–90%</b>
<b>Real Assets Fund</b>	<b>\$225 11%</b>	<b>12%</b>	<b>5%–20%</b>
<b>Fixed Income Fund<sup>2</sup></b>	<b>\$188 10%</b>	<b>12%</b>	<b>5%–35%</b>
<b>Total Consolidated Endowment Fund</b>	<b>\$1,947 100%</b>		

<sup>1</sup> Total international exposure: 45%; Estimated net foreign currency exposure: 43% <sup>2</sup> Includes allocation to cash

# CONSOLIDATED ENDOWMENT FUND (CEF)

For the Quarter ending March 31, 2007

## Total Returns As of 3/31/07<sup>1</sup> (%)

	3 <sup>rd</sup> Qtr FY 2007	1-Year	5-Year	10-Year
<b>Total CEF Return</b>	<b>4.8</b>	<b>15.1</b>	<b>11.7</b>	<b>11.8</b>
Strategy Weighted Policy Benchmark	3.4	14.2	10.2	11.1
<b>Equity Fund</b>	<b>5.1</b>	<b>16.2</b>	<b>11.9</b>	<b>12.4</b>
Weighted Policy Benchmark	3.7	16.4	10.5	11.7
<b>Real Assets Fund</b>	<b>5.6</b>	<b>15.8</b>	—	—
Policy Benchmark	3.6	9.1	—	—
<b>Fixed Income Fund</b>	<b>2.1</b>	<b>7.1</b>	<b>6.0</b>	<b>6.8</b>
Policy Benchmark (LB Govt Bond)	1.4	5.9	5.1	6.2

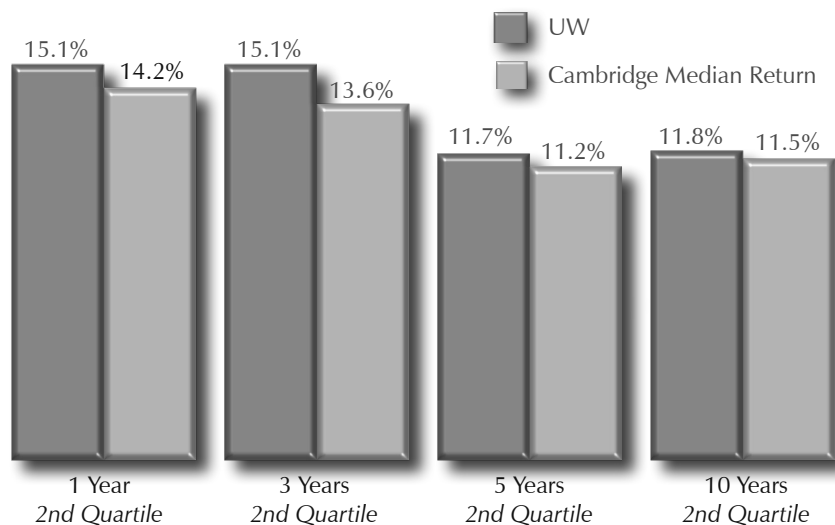
<sup>1</sup> Average Annual Compound Return

## Activity (\$ in Millions)

	Fiscal YTD 2007	FY 2006	FY 2005	Five Years	Ten Years
<b>Beginning Balance</b>	<b>1,690</b>	<b>1,388</b>	<b>1,216</b>	<b>1,073</b>	<b>442</b>
Gifts	43	114	60	297	479
Transfers	22	22	11	67	113
<b>Total Additions</b>	<b>65</b>	<b>137</b>	<b>71</b>	<b>365</b>	<b>592</b>
IF purchase of CEF units	0	0	30	87	326
Net Investment Return	265	250	160	821	1,145
Distributions*	(59)	(70)	(76)	(334)	(476)
Administrative Fees	(3)	(3)	(3)	(13)	(21)
Development Support	(11)	(12)	(10)	(52)	(61)
<b>Ending Balance</b>	<b>1,947</b>	<b>1,690</b>	<b>1,388</b>	<b>1,947</b>	<b>1,947</b>
Net Change	258	302	172	874	1,505

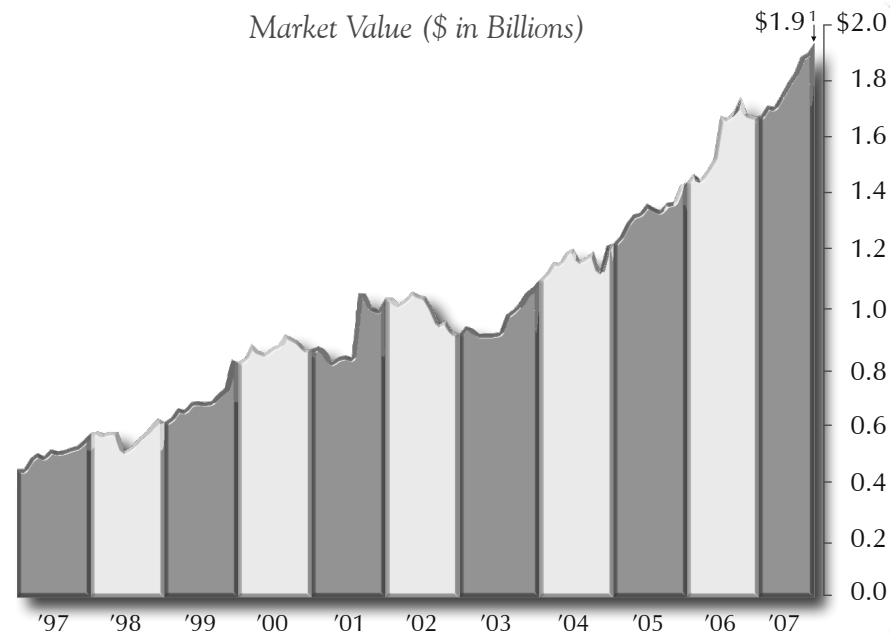
<sup>1</sup> FY 2005 reflects five quarters' distributions due to a change in distribution date

## UW & Cambridge Associates<sup>1</sup> Returns for periods ending 3/31/07



<sup>2</sup> Cambridge Associates College and University Investment Pool Top 50 (by Investment Pool Market Value)

## Market Value (\$ in Billions)



<sup>1</sup> Reflects inclusion of IF units in CEF starting 7/01—value without would be \$1.6

# PERFORMANCE UPDATE

Total Return<sup>1</sup> As of 3/31/07

	3 <sup>rd</sup> Qtr FY '07	1 Year	3 Years	5 Years	10 Years
<b>Consolidated Endowment Fund</b>	<b>4.8</b>	<b>15.1</b>	<b>15.1</b>	<b>11.7</b>	<b>11.8</b>
<b>Equity Fund</b>	<b>5.1</b>	<b>16.2</b>	<b>16.0</b>	<b>11.9</b>	<b>12.4</b>
Domestic Equity	2.2	8.2	10.3	7.9	11.0
Core Equity	1.4	11.4	10.8	9.1	11.0
Value Equity	0.6	8.8	8.2	6.7	11.4
Growth Equity	4.8	4.1	11.1	8.4	10.7
International Developed Markets	5.0	16.0	19.2	16.6	9.2
International Emerging Markets	5.0	26.8	27.4	25.4	11.9
Marketable Alternatives	4.0	13.4	12.6	12.0	12.6
Non-Marketable Alternatives <sup>2</sup>	11.3	23.7	20.3	10.2	15.1
<b>Real Assets Fund</b>	<b>5.6</b>	<b>15.8</b>	<b>19.0</b>	—	—
<b>Fixed Income Fund</b>	<b>2.1</b>	<b>7.1</b>	<b>4.5</b>	<b>6.0</b>	<b>6.8</b>
<b>Market Indices</b>					
<i>Equity Indices</i>					
S&P 500	0.6	11.8	10.0	6.3	8.2
Russell 3000	1.3	11.3	10.8	7.2	8.7
Russell 2000	1.9	5.9	12.0	10.9	10.2
Dow Jones	-0.3	13.7	8.5	5.8	8.6
NASDAQ	0.3	3.5	6.7	5.6	7.1
MSCI ACWI ex US	3.8	20.3	21.4	17.4	9.0
Emerging Markets (IFCG)	3.7	16.6	28.3	25.1	9.3
<i>Fixed Income Indices</i>					
LB Government Bond	1.4	5.9	2.7	5.1	6.2
JP Morgan Global Hedged Bond Index	1.0	5.2	4.0	5.0	6.3

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 March 31, 2007

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

	3 <sup>rd</sup> Qtr FY 2007	1-Year	5-Year	10-Year
<b>Cash</b>	<b>1.5</b>	<b>5.5</b>	<b>3.6</b>	<b>5.0</b>
Citi 2 Yr Treasury	1.5	5.0	3.3	4.6
<b>Liquidity</b>	<b>1.6</b>	<b>5.6</b>	<b>4.4</b>	<b>5.8</b>
LB Intermediate Govt Bond	1.5	5.7	4.3	5.6
<b>IF excluding CEF units</b>	<b>1.6</b>	<b>5.6</b>	<b>4.2</b>	<b>5.6</b>
Weighted Benchmark	1.5	5.6	4.0	5.4
<b>IF including CEF units</b>	<b>2.6</b>	<b>8.6</b>	<b>6.6</b>	<b>7.5</b>
Weighted Benchmark	2.1	8.3	6.1	7.2

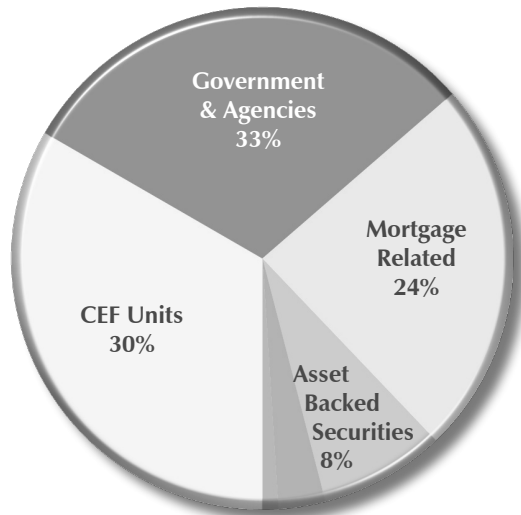
<sup>1</sup> Average Annual Compound Return

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

	Fund Allocation		Range	Duration	
				Actual	Maximum
Cash Pool	\$320	26%	10%–40%	1.8	3.0 yrs
Liquidity Pool <sup>1</sup>	552	44%	30%–60%	3.2	4.0 yrs
Total Cash & Liq. Pool	\$872	70%			
CEF Units held by IF		30%	15%–40%		
Total Invested Funds		100%			

<sup>1</sup> Includes Interfund Loans

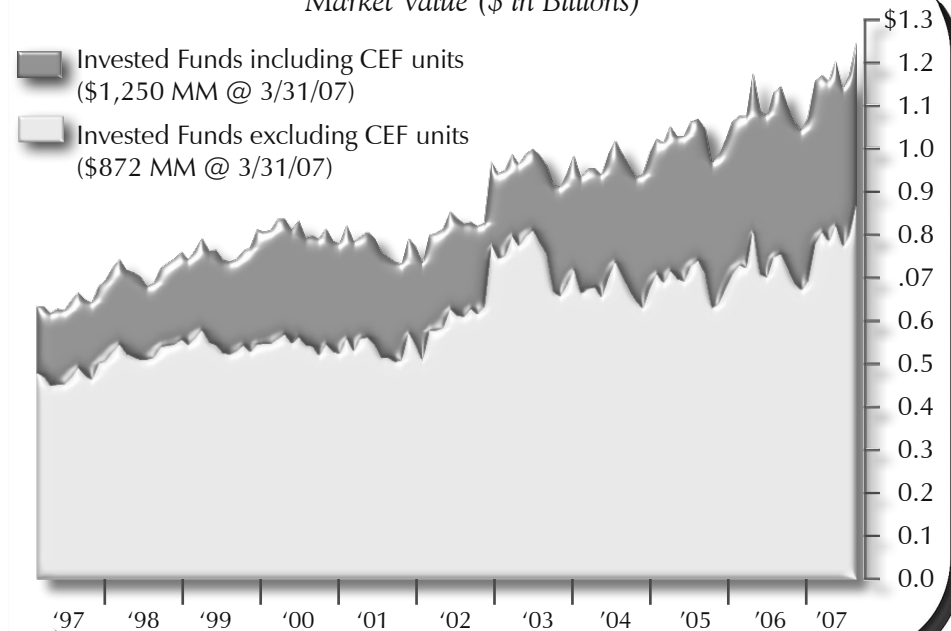
## Mix of Investments<sup>1</sup>



Corporate Bonds: 1%    Cash: 3%

<sup>1</sup> Not shown—Interfund Loans (0.03%)

## Market Value (\$ in Billions)



# UWINCO SUMMARY OF ACTIONS TAKEN UNDER BOARD DELEGATED AUTHORITIES

JANUARY 1, 2007 THROUGH MAY 15, 2007 (\$ IN MILLIONS)

**By the Chief Investment Officer**

<i>Public Markets</i>				
Approved	Action	Manager / Fund	Strategy	Investment
01/11/07	New	Northern Trust	Domestic Equity	\$10.0
01/11/07	Addition	Tygh	Domestic Equity	\$10.0
02/22/07	Addition	SSGA EAFE	International Developed	\$12.0
01/18/07	New	Atlantis China	International Emerging Markets	\$5.0
01/11/07	Addition	Tree Line	International Emerging Markets	\$3.0
01/08/07	New	Arisaig Africa Fund	International Emerging Markets	\$2.0
01/11/07	Reduction	PIMCO All Asset Fund	Real Assets	-\$15.0
03/02/07	Liquidation	PIMCO All Asset Fund	Real Assets	-\$17.0
01/11/07	Addition	Wellington Energy Fund	Real Assets	\$10.0
01/11/07	Addition	Morgan Stanley Best Ideas Fund	Real Assets	\$20.0
03/02/07	New	Fidelity Real Estate Opportunistic Income Fund	Real Assets	\$10.0
03/23/07	Addition	Goldman Sachs	International Emerging Markets	\$15.0
03/23/07	Liquidation	Payden & Rygel Global Fixed Income	Fixed Income	-\$44.0
03/23/07	New	Global Opportunistic Fixed Income (Brandywine)	Fixed Income	\$45.0
03/23/07	Liquidation	Sands Capital Management	Domestic Equity	-\$45.0
04/06/07	New	Renaissance International Equities Fund	Domestic Equity	\$50.0



# UWINCO SUMMARY OF ACTIONS TAKEN UNDER BOARD DELEGATED AUTHORITIES

JANUARY 1, 2007 THROUGH MAY 15, 2007 (\$ IN MILLIONS)

**By the Chief Investment Officer**

<i>Private Markets</i>				
<u>Approved</u>	<u>Action</u>	<u>Manager / Fund</u>	<u>Strategy</u>	<u>Investment</u>
03/02/07	Reup	OCM Opportunities Fund VIIb	Non-Marketable Alternative	\$6.0
01/04/07	New	Greenbriar Capital	Non-Marketable Alternatives	\$7.0
03/02/07	Addition	Morgan Stanley Special Situations III	Real Assets	\$5.0
03/23/07	Reup	MatlinPatterson Global Opportunities Partners III	Non-Marketable Alternatives	\$6.0
03/23/07	Reup	Riverside European Fund III	Non-Marketable Alternatives	\$6.0
04/06/07	New	Redwood Grove International	Real Assets	\$12.0
05/04/07	Reup	Arclight Energy Partners IV	Real Assets	\$10.0