

# UNIVERSITY OF WASHINGTON

## INVESTMENT PERFORMANCE REPORT

SECOND QUARTER FISCAL YEAR 2007

*As of December 31, 2006*



TREASURER, BOARD OF REGENTS  
TREASURY OFFICE

Published February 2007

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# TREASURY ASSETS <sup>1</sup>

As of 12/31/06—\$2.9 Billion

Dollars in Millions



## Endowment & Similar Funds

Consolidated Endowment Fund <sup>2</sup>	\$1,841
Life Income Trusts	106
Outside Trusts	55
Non-CEF Endowments	26
Permanent Fund <sup>6</sup>	<u>25</u>
	<u>\$2,053</u>

## Operating & Reserve Funds

Invested Funds <sup>2,3</sup>	\$825
Bond Retirement Fund <sup>4</sup>	8
Building Fund <sup>4</sup>	19
Debt Service Reserve Funds <sup>5</sup>	6
Bond Proceeds <sup>7</sup>	<u>33</u>
	<u>\$891</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 \$382. 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 \$45.0, SIRF \$20.2.

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 \$7.6, Genome/R&T \$14.7, Parking \$11.1)

# ASSET ALLOCATION

As of December 31, 2006

Consolidated Endowment Fund<sup>1</sup>—\$1,841 MM



Dollars in Millions

Current Allocation			Policy Target	Policy Range
Domestic Equity	\$324	18%	18%	10%–40%
International Developed Markets	\$431	23%	20%	10%–35%
International Emerging Markets	\$198	11%	10%	5%–15%
Marketable Alternatives	\$297	16%	16%	5%–25%
Non-Marketable Alternatives	\$208	11%	12%	5%–20%
<b>Equity Fund</b>	<b>\$1,459</b>	<b>79%</b>	<b>76%</b>	<b>60%–90%</b>
<b>Real Assets Fund</b>	<b>\$208</b>	<b>11%</b>	<b>12%</b>	<b>5%–20%</b>
<b>Fixed Income Fund<sup>2</sup></b>	<b>\$174</b>	<b>10%</b>	<b>12%</b>	<b>5%–35%</b>
<b>Total Consolidated Endowment Fund</b>	<b>\$1,841</b>	<b>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 December 31, 2006

Total Returns As of 12/31/06 <sup>1</sup> (%)

	2 <sup>nd</sup> Qtr FY 2007	1-Year	5-Year	10-Year
<b>Total CEF Return</b>	<b>7.5</b>	<b>16.7</b>	<b>11.2</b>	<b>11.4</b>
Strategy Weighted Policy Benchmark	6.4	16.6	9.5	10.9
<b>Equity Fund</b>	<b>8.4</b>	<b>18.5</b>	<b>12.4</b>	<b>12.4</b>
Weighted Policy Benchmark	7.9	19.9	9.8	11.5
<b>Real Assets Fund</b>	<b>6.6</b>	<b>14.9</b>	—	—
Policy Benchmark	2.5	9.4	—	—
<b>Fixed Income Fund</b>	<b>1.9</b>	<b>5.7</b>	<b>5.5</b>	<b>6.5</b>
Policy Benchmark (LB Govt Bond)	0.8	3.5	4.6	6.0

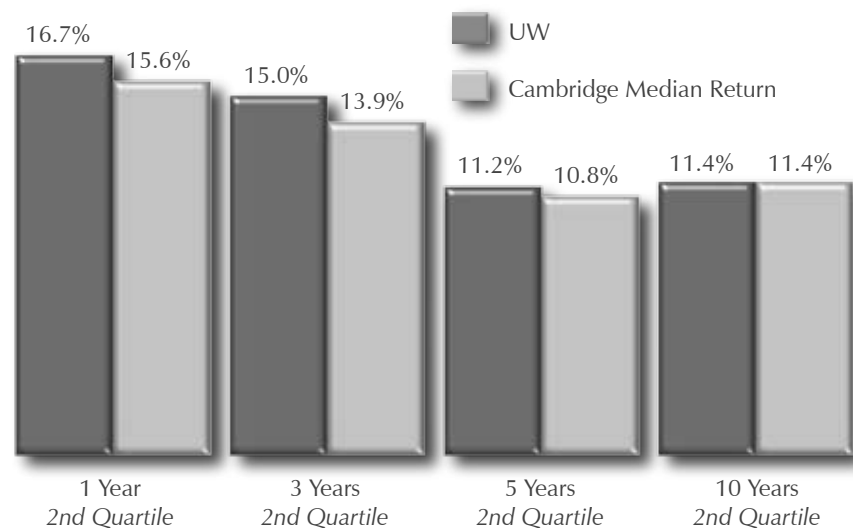
<sup>1</sup> Average Annual Compound Return

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>1,053</b>	<b>437</b>
Gifts	23	114	60	288	463
Transfers	4	22	11	50	96
<b>Total Additions</b>	<b>27</b>	<b>137</b>	<b>71</b>	<b>337</b>	<b>559</b>
IF purchase of CEF units	0	0	30	67	306
Net Investment Return	172	250	160	774	1,077
Distributions*	(39)	(70)	(76)	(327)	(460)
Administrative Fees	(2)	(3)	(3)	(13)	(20)
Development Support	(7)	(12)	(10)	(50)	(57)
<b>Ending Balance</b>	<b>1,841</b>	<b>1,690</b>	<b>1,388</b>	<b>1,841</b>	<b>1,841</b>
Net Change	151	302	172	788	1,404

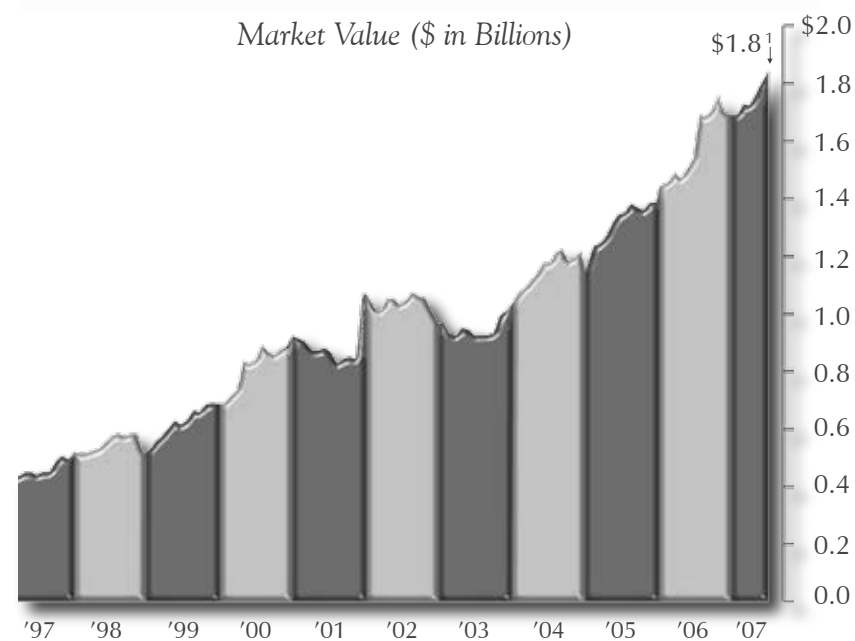
<sup>1</sup> FY 2005 reflects five quarters' distributions due to a change in distribution date

UW & Cambridge Associates <sup>1</sup> Returns for periods ending 12/31/06



<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 \$1.5

# PERFORMANCE UPDATE

Total Return<sup>1</sup> As of 12/31/06

	2 <sup>nd</sup> Qtr FY '07	1 Year	3 Years	5 Years	10 Years
<b>Consolidated Endowment Fund</b>	<b>7.5</b>	<b>16.7</b>	<b>15.0</b>	<b>11.2</b>	<b>11.4</b>
<b>Equity Fund</b>	<b>8.4</b>	<b>18.5</b>	<b>17.3</b>	<b>12.4</b>	<b>12.4</b>
Domestic Equity	7.0	12.0	11.0	8.5	10.8
Core Equity	8.1	15.1	12.4	9.7	11.0
Value Equity	6.5	14.4	9.6	8.4	11.5
Growth Equity	6.3	6.4	11.9	6.5	9.6
International Developed Markets	8.9	19.2	19.1	16.1	8.8
International Emerging Markets	19.8	36.0	29.4	28.0	12.1
Marketable Alternatives	6.3	15.2	12.5	11.5	12.4
Non-Marketable Alternatives <sup>2</sup>	2.4	17.4	18.3	7.7	14.2
<b>Real Assets Fund</b>	<b>6.6</b>	<b>14.9</b>	<b>18.9</b>	—	—
<b>Fixed Income Fund</b>	<b>1.9</b>	<b>5.7</b>	<b>4.7</b>	<b>5.5</b>	<b>6.5</b>
<b>Market Indices</b>					
<i>Equity Indices</i>					
S&P 500	6.7	15.8	10.4	6.2	8.4
Russell 3000	7.1	15.7	11.2	7.2	8.6
Russell 2000	8.9	18.4	13.6	11.4	9.4
Dow Jones	7.3	19.0	8.5	6.8	8.9
NASDAQ	6.9	9.5	6.4	4.4	6.5
MSCI ACWI ex US	11.2	27.2	21.8	16.9	8.6
Emerging Markets (IFCG)	14.1	25.5	31.4	27.0	9.9
<i>Fixed Income Indices</i>					
LB Government Bond	0.8	3.5	3.2	4.6	6.0
JP Morgan Global Hedged Bond Index	0.6	3.1	4.3	4.7	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 December 31, 2006

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

	2 <sup>nd</sup> Qtr FY 2007	1-Year	5-Year	10-Year
<b>Cash</b>	<b>1.1</b>	<b>4.5</b>	<b>3.2</b>	<b>5.0</b>
Citi 2 Yr Treasury	0.9	3.8	2.9	4.5
<b>Liquidity</b>	<b>0.9</b>	<b>3.7</b>	<b>4.1</b>	<b>5.7</b>
LB Intermediate Govt Bond	0.9	3.8	3.9	5.5
<b>IF excluding CEF units</b>	<b>1.0</b>	<b>3.9</b>	<b>3.9</b>	<b>5.5</b>
Weighted Benchmark	0.9	3.9	3.7	5.2
<b>IF including CEF units</b>	<b>3.0</b>	<b>7.9</b>	<b>6.2</b>	<b>7.3</b>
Weighted Benchmark	2.6	8.0	5.7	7.0

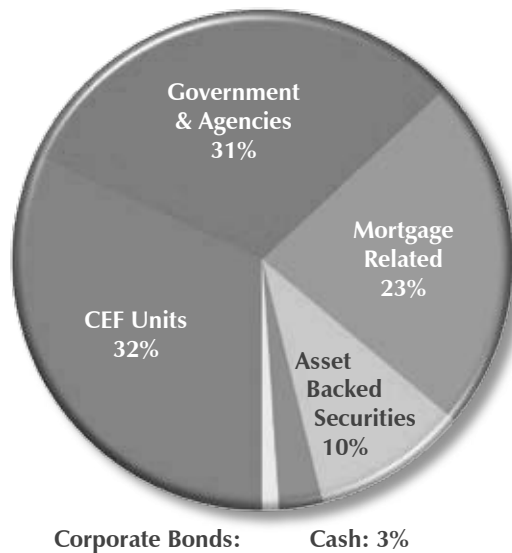
<sup>1</sup> Average Annual Compound Return

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

	Fund Allocation		Range	Duration	
				Actual	Maximum
Cash Pool	\$282	23%	10%–40%	1.8	3.0 yrs
Liquidity Pool <sup>1</sup>	543	45%	30%–60%	3.2	4.0 yrs
Total Cash & Liq. Pool	\$825	68%			
CEF Units held by IF		32%	15%–40%		
Total Invested Funds		<u>100%</u>			

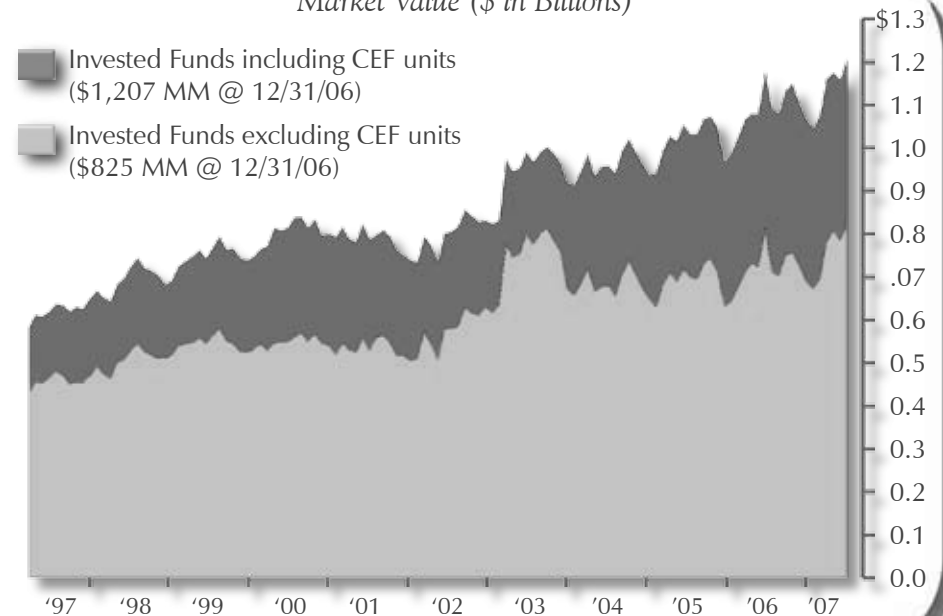
<sup>1</sup> Includes Interfund Loans

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



<sup>1</sup> Not shown—Interfund Loans (0.02%)

## Market Value (\$ in Billions)



# UWINCO Summary of Actions Taken Under Board Delegated Authorities

Janaury 1, 2006 through December 31, 2006 (\$ in Millions )

By the Chief Investment Officer

Private Markets				
Approved	Action	Manager / Fund	Strategy	Investment
01/19/06	Reup	Arclight Energy III	Non-Marketable Alternatives	\$12.0
01/27/06	New	Madrona Venture III	Non-Marketable Alternatives	\$3.0
01/27/06	Reup	Beacon Strategic IV	Real Assets	\$5.0
02/09/06	Reup	TA Subordinated Debt Fund II	Non-Marketable Alternatives	\$4.5
02/09/06	Reup	TA Fund X	Non-Marketable Alternatives	\$5.6
03/24/06	Reup	Bain Capital IX	Non-Marketable Alternatives	\$10.0
03/24/06	Reup	Texas Pacific Group V	Non-Marketable Alternatives	\$12.0
03/24/06	New	CLSA - Aria Fund III	Non-Marketable Alternatives	\$5.0
04/20/06	New	Morgan Stanley RE Special Situations Fund III	Real Assets	\$10.0
05/12/06	New	JC Flowers	Non-Marketable Alternatives	\$5.0
05/22/06	Addition	Ignition Ventures III	Non-Marketable Alternatives	\$1.2
06/06/06	New	Centerbridge Capital	Non-Marketable Alternatives	\$3.0
07/28/06	New	Orbis Real Estate Fund I	Real Assets	\$7.0
08/04/06	Reup	Domain VII	Non-Marketable Alternatives	\$5.0
08/24/06	New	Gemini Oil & Gas Fund II	Real Assets	\$5.0
08/24/06	Reup	Varde Fund VIII	Marketable Alternatives	\$10.0
09/08/06	Reup	Bridger Capital Swiftcurrent	Marketable Alternatives	\$5.0
10/13/06	New	Commonfund Capital Natural Resources VIII	Real Assets	\$7.5
10/20/06	Reup	Adamas Partners	Marketable Alternatives	\$2.0
11/17/06	New	Avanti Land Investors	Real Assets	\$5.0
11/17/06	Termination	Standard Pacific	Marketable Alternatives	-\$13.0
12/08/06	New	Highfields Capital	Marketable Alternatives	\$15.0
12/15/06	New	Square Mile	Real Assets	\$8.0
12/15/06	New	Brookside Capital	Marketable Alternatives	\$15.0
12/18/06	Reup	Bridger Capital	Marketable Alternatives	\$5.0



# UWINCO Summary of Actions Taken Under Board Delegated Authorities

Janaury 1, 2006 through December 31, 2006 (\$ in Millions )

By the Chief Investment Officer

Approved	Action	<i>Public Markets</i>		
		Manager / Fund	Strategy	Investment
01/05/06	Addition— Nikkei Futures	Northern Trust Securities	Int'l Developed Markets	\$15.0
01/19/06	New	Arisiag Asia Fund	Int'l Emerging Markets	\$3.0
01/19/06	New	Tree Line Capital (Lloyd George Asian Plus)	Int'l Emerging Markets	\$7.0
01/19/06	Addition	State Street Global Advisors	Int'l Emerging Markets	\$10.0
03/03/06	Reduction— Nikkei Futures	Northern Trust Securities	Int'l Developed Markets	-\$30.0
03/09/06	Reduction	State Street Global Advisors	Int'l Emerging Markets	-\$25.0
04/10/06	Addition	Martin Currie	Int'l Emerging Markets	\$2.0
04/14/06	Addition	Arisiag Asia Fund	Int'l Emerging Markets	\$2.0
04/14/06	New	Ward Ferry Asian Reconnaissance Fund	Int'l Emerging Markets	\$5.0
05/12/06	Reduction	State Street Global Advisors	Int'l Emerging Markets	-\$60.0
05/12/06	New—Derivative	Goldman Sachs	Int'l Emerging Markets	\$20.0
05/12/06	New	State Street Global Advisors	Int'l Developed Markets	\$20.0
05/12/06	Addition	Morgan Stanley Relative Value Fund of Funds	Fixed Income	\$20.0
06/30/06	Termination	Sparx Value Creation Fund	Int'l Developed Markets	-\$30.0
06/30/06	Termination	MAC Japan	Int'l Developed Markets	-\$32.0
07/27/06	New	Northern Trust	Domestic Equity	\$15.0
08/15/06	Modification	Martin Currie	Int'l Emerging Markets	NA
10/06/06	New	Harris Capital	Int'l Developed Markets	\$40.0
10/06/06	Reduction	Harris Capital	Int'l Developed Markets	-\$20.0
10/06/06	Reduction	Axiom International	Int'l Developed Markets	-\$10.0
10/06/06	Reduction	State Street Global Advisors	Int'l Developed Markets	-\$10.0
11/17/06	Reduction	Pimco	Real Assets	-\$20.0
11/17/06	New	Morgan Stanley Best Ideas Fund	Real Assets	\$15.0

# UWINCO Summary of Actions Taken Under Board Delegated Authorities

January 1, 2006 through December 31, 2006 (\$ in Millions )

By the Chief Investment Officer (continued)

<i>Public Markets</i>				
Approved	Action	Manager / Fund	Strategy	Investment
12/08/06	Reduction	Liberty Square	International Developed Markets	-\$5.0
12/08/06	New	Goldman Sachs	International Emerging Markets	\$15.0
12/15/06	Exchange	Morgan Stanley Relative Value	Fixed Income Fund of Funds	-\$15.0
12/15/06	New	Morgan Stanley Partners Fund	Fixed Income	\$15.0
12/15/06	New	Steel Partners	International Developed Markets	\$15.0