

UNIVERSITY OF WASHINGTON

INVESTMENT PERFORMANCE REPORT TO THE BOARD OF REGENTS

THIRD QUARTER FISCAL YEAR 2008

As of March 31, 2008



TREASURER, BOARD OF REGENTS
TREASURY OFFICE

Published May 2008

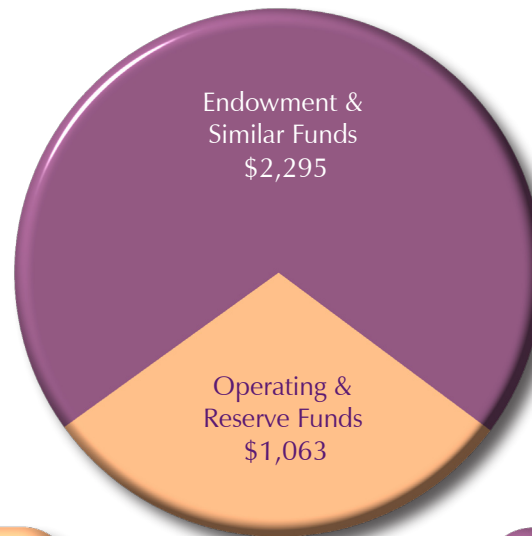
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TREASURY ASSETS¹

As of 3/31/08—\$3.4 Billion

Dollars in Millions



Endowment & Similar Funds

Endowment Funds	\$1,693
Operating Funds	<u>407</u>
Consolidated Endowment Fund	2,100
Life Income Trusts	89
Outside Trusts	55
Non-CEF Endowments	24
Permanent Fund ⁶	<u>27</u>
	<u>\$2,295</u>

Operating & Reserve Funds

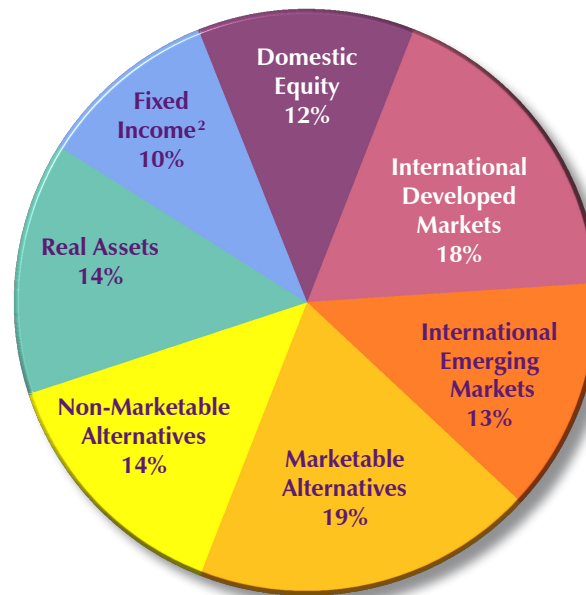
Invested Funds ^{2,3}	\$980
Bond Retirement Fund ⁴	9
Building Fund ⁴	26
Debt Service Reserve Funds ⁵	8
Bond Proceeds ⁷	<u>40</u>
	<u>\$1,063</u>

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. Bond Proceeds
2. The Invested Funds holds Consolidated Endowment Fund units valued at \$407. 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 \$74.7 SIRF \$3.0.
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 \$1.6, Roosevelt 1 \$2.3 and Roosevelt 2 \$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 \$8.0, Genome/R&T \$13.7, Parking \$6.2, Global Health Labs \$0.0 and 2007 General Revenue Bond \$11.9)

ASSET ALLOCATION

As of March 31, 2008

Consolidated Endowment Fund¹—\$2,100 MM



Dollars in Millions

	Current Allocation ⁴		Policy Target	Policy Range
Domestic Equity	\$249	12%	18%	10%–40%
International Developed Markets	\$371	18%	20%	10%–35%
International Emerging Markets	\$276	13%	10%	5%–15% ³
Marketable Alternatives	\$396	19%	16%	5%–25%
Non-Marketable Alternatives	\$290	14%	12%	5%–20%
Equity Fund	\$1,582	75%	76%	60%–90%
Real Assets Fund	\$300	14%	12%	5%–20%
Fixed Income Fund ²	\$218	10%	12%	5%–35%
Total Consolidated Endowment Fund	\$2,100	100%		

¹ Total international exposure: 43%; estimated net foreign currency exposure: 40%

² Includes allocation to cash

³ On November 14, 2007, the Board of Regents approved expansion of the International Emerging Markets policy range to 5%–25% through June 30, 2008

⁴ Current exposure percentages may not add to 100% due to rounding

CONSOLIDATED ENDOWMENT FUND (CEF)

For the Quarter ending March 31, 2008

Total Returns As of 3/31/08 ¹ (%)

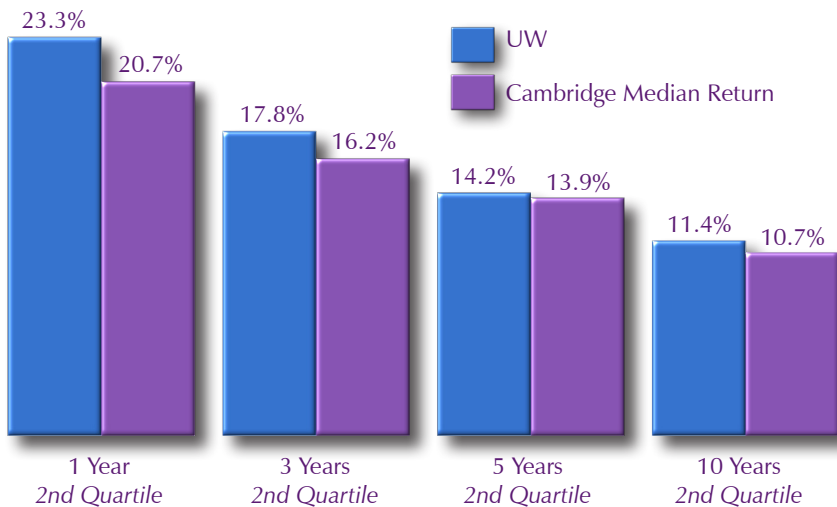
	3 rd Qtr FY 2008	1-Year	5-Year	10-Year
Total CEF Return	-4.6	8.0	16.2	9.7
Strategy Weighted Policy Benchmark	-3.4	6.3	14.5	8.5
Equity Fund	-5.9	7.8	18.4	10.1
Weighted Policy Benchmark	-5.8	4.4	16.4	8.4
Real Assets Fund	1.1	11.3	—	—
Policy Benchmark	3.8	12.3	—	—
Fixed Income Fund	-1.4	5.3	4.7	6.1
Policy Benchmark (LB Govt Bond)	4.0	11.5	4.7	6.2

¹ Average Annual Compound Return

Activity (\$ in Millions)

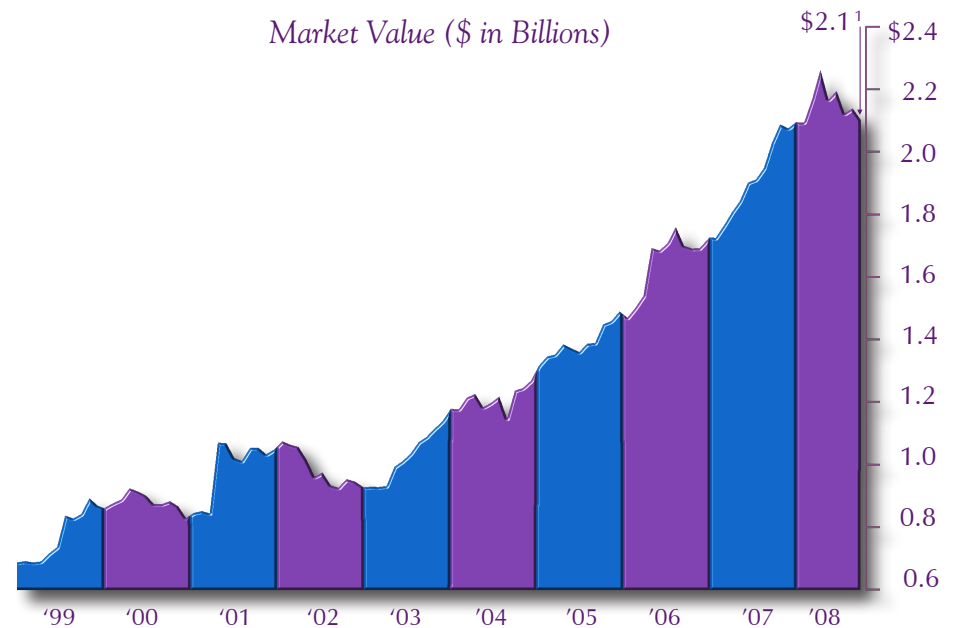
	FYTD 2008	FY 2007	FY 2006	Five Years	Ten Years
Beginning Balance	\$2,074	\$1,690	\$1,388	\$927	\$577
Gifts	74	66	114	357	556
Transfers	5	9	22	55	100
Total Additions	79	75	137	412	656
Operating Funds Purchases	18	15	0	105	319
Net Investment Return	15	392	250	1,099	1,197
Distributions	(69)	(81)	(70)	(367)	(548)
Administrative Fees	(3)	(4)	(3)	(15)	(24)
Development Support	(13)	(14)	(12)	(61)	(77)
Ending Balance	\$2,100	\$2,074	\$1,690	\$2,100	\$2,100
Net Change	\$27	\$384	\$302	\$1,173	\$1,524

UW & Cambridge Associates ¹ Returns for periods ending 6/30/07



¹ Cambridge Associates College and University Investment Pool Top 50 (by Investment Pool Market Value)

Market Value (\$ in Billions)



¹ Reflects inclusion of IF units in CEF starting 7/01—value without would be \$1.7

PERFORMANCE UPDATE

Total Return¹ As of 3/31/08

	3 rd Qtr FY '08	1 Year	3 Years	5 Years	10 Years
Consolidated Endowment Fund	-4.6	8.0	14.3	16.2	9.7
Equity Fund	-5.9	7.8	15.9	18.4	10.1
Domestic Equity	-10.5	-5.9	5.9	11.9	6.6
Core Equity	-11.1	-7.7	5.7	12.0	6.2
Value Equity	-2.2	0.1	6.1	11.9	7.7
Growth Equity	-14.6	-4.7	8.7	15.0	6.9
International Developed Markets	-8.1	-3.6	12.0	20.2	6.1
International Emerging Markets	-10.7	33.8	33.2	37.5	15.6
Marketable Alternatives	-3.7	6.8	11.6	13.2	10.7
Non-Marketable Alternatives ²	4.8	21.3	21.6	19.6	13.6
Real Assets Fund	1.1	11.3	16.3	—	—
Fixed Income Fund	-1.4	5.3	5.9	4.7	6.1
Market Indices					
<i>Equity Indices</i>					
S&P 500	-9.4	-5.1	5.9	11.3	3.5
Russell 3000	-9.5	-6.1	6.1	12.1	3.9
Russell 2000	-9.9	-13.0	5.1	14.9	5.0
Dow Jones	-6.9	1.5	7.7	11.4	5.5
NASDAQ	-14.1	-5.9	4.5	11.2	2.2
MSCI ACWI ex US	-9.1	2.6	16.5	24.0	7.7
Emerging Markets (IFCG)	-12.5	23.5	30.2	36.2	13.6
<i>Fixed Income Indices</i>					
LB Government Bond	4.0	11.5	6.4	4.7	6.2
JP Morgan Global Hedged Bond Index	2.7	7.7	5.3	4.5	5.8

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, 2008

Total Return¹ (%)

	3 rd Qtr FY 2008	1-Year	5-Year	10-Year
Cash	3.1	8.6	3.7	5.2
Citi 2 Yr Treasury	3.4	9.5	3.6	4.8
Liquidity	2.8	8.5	4.0	5.7
LB Intermediate Govt Bond	4.1	11.2	4.3	5.8
IF excluding CEF units	2.9	8.6	3.9	5.6
Weighted Benchmark	3.8	10.6	4.1	5.5
IF including CEF units	0.5	8.6	7.5	6.9
Weighted Benchmark	1.6	9.5	7.2	6.6

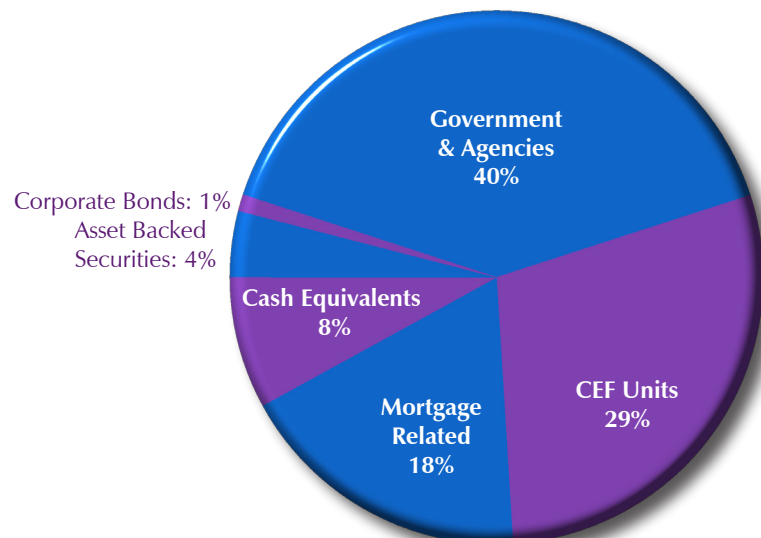
¹ Average Annual Compound Return

Fund Allocation by Pool (\$ in Millions)

	Fund Allocation		Range	Duration	
				Actual	Maximum
Cash Pool	\$381	27%	10%–40%	2.0	3.0 yrs
Liquidity Pool ¹	599	43%	30%–60%	3.4	4.1 yrs
Total Cash & Liq. Pool	\$980	71%			
CEF Units held by IF		29%	15% - 40%		
Total Invested Funds		100%			

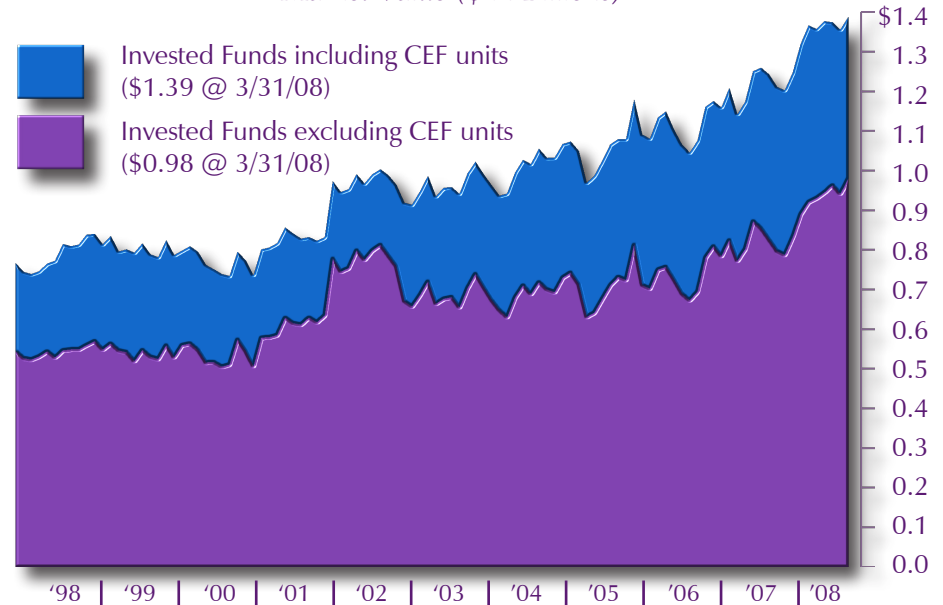
¹ Includes Interfund Loans

Mix of Investments¹



¹ Not shown—Interfund Loans (0.01%)

Market Value (\$ in Billions)



UWINCO SUMMARY OF ACTIONS TAKEN UNDER BOARD DELEGATED AUTHORITIES

JANUARY 1, 2008 THROUGH MAY 2, 2008 (\$ IN MILLIONS)

By the Chief Investment Officer

Public Markets

Approved	Action	Manager / Fund	Strategy	Investment (\$MM)
02/15/08	Liquidation	Northern Trust	Domestic Equity (\$21.4 notional)	-\$5.0 collateral
02/15/08	Liquidation	SSGA EAFE	International Developed	-\$24.0
02/29/08	Reduction	Arrowstreet Capital	International Developed	-\$5.0
02/29/08	Reduction	GMO	International Developed	-\$5.0
02/29/08	Reduction	Harris International Large Cap	International Developed	-\$5.0
02/29/08	Reduction	Harris International Small Cap	International Developed	-\$5.0
01/25/08	New	Lone Dragon Pine	International Emerging Markets	\$7.5
02/29/08	Liquidation	Goldman Sachs - Emerging Markets Swap	International Emerging Markets	-\$17.8
02/29/08	Reduction	Martin Currie China	International Emerging Markets	-\$10.0

Private Markets

Approved	Action	Manager / Fund	Strategy	Investment (\$MM)
01/25/08	New	Rimrock Capital	Marketable Alternatives	\$20.0
01/25/08	Reup	Varde Partners	Marketable Alternatives	\$20.0
03/20/08	New	Baupost Value Partners	Marketable Alternatives	\$50.0
03/20/08	Reup	Brookside Capital Partners	Marketable Alternatives	\$3.0
04/10/08	Termination	Sirios Capital Partners	Marketable Alternatives	-\$14.0
04/10/08	Reup	Riverside Capital	Non-Marketable Alternatives	\$7.0
04/10/08	Reup	TPG	Non-Marketable Alternatives	\$6.0
05/02/08	New	HIG Bayside	Non-Marketable Alternatives	\$10.0
05/02/08	Reup	Madrona Venture Partners	Non-Marketable Alternatives	\$5.0
03/03/08	Reup	Cabot Industrial Value Fund	Real Assets	\$12.0
03/03/08	Reup	Square Mile Partners	Real Assets	\$10.0
04/10/08	New	CarVal Global Value Fund	Real Assets	\$5.0
05/02/08	New	Denham Capital	Real Assets	\$12.0