

UNIVERSITY OF WASHINGTON INVESTMENT PERFORMANCE REPORT

SECOND QUARTER FISCAL YEAR 2008

As of December 31, 2007



TREASURER, BOARD OF REGENTS
TREASURY OFFICE

Published February 2008

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TREASURY ASSETS¹

As of 12/31/07—\$3.4 Billion

Dollars in Millions



Endowment & Similar Funds

Endowment Funds	\$1,760
Operating Funds	<u>432</u>
Consolidated Endowment Fund	2,192
Life Income Trusts	100
Outside Trusts	58
Non-CEF Endowments	24
Permanent Fund ⁶	<u>27</u>
	<u>\$2,401</u>

Operating & Reserve Funds

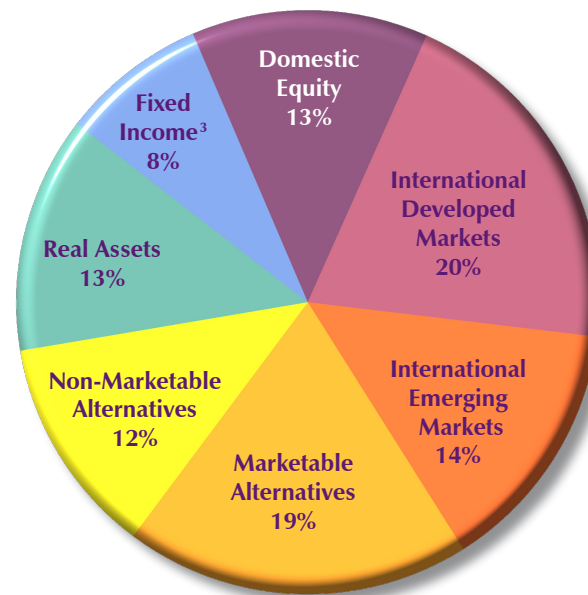
Invested Funds ^{2,3}	\$944
Bond Retirement Fund ⁴	5
Building Fund ⁴	26
Debt Service Reserve Funds ⁵	9
Bond Proceeds ⁷	<u>39</u>
	<u>\$1,023</u>

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 \$432. 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 \$72.6 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 \$1.6, 2004 Housing & Dining \$0.6, 2004 Parking \$1.6, Roosevelt 1 \$3.3 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 \$7.9, Genome/R&T \$13.6, Parking \$6.1, Global Health Labs \$0.02 and 2007 General Revenue Bond \$11.8)

ASSET ALLOCATION

As of December 31, 2007

Consolidated Endowment Fund¹—\$2,192 MM



Dollars in Millions

	Current Allocation	Policy Target	Policy Range
Domestic Equity	\$281 13% ²	18%	10%–40%
International Developed Markets	\$445 20%	20%	10%–35%
International Emerging Markets	\$313 14%	10%	5%–15% ⁴
Marketable Alternatives	\$412 19%	16%	5%–25%
Non-Marketable Alternatives	\$267 12%	12%	5%–20%
Equity Fund	\$1,719 79%	76%	60%–90%
Real Assets Fund	\$293 13%	12%	5%–20%
Fixed Income Fund ³	\$180 8%	12%	5%–35%
Total Consolidated Endowment Fund	\$2,192 100%		

¹ Total international exposure: 47%; estimated net foreign currency exposure: 44%

² 14% including notional exposure to S&P500 Futures

³ Includes allocation to cash

⁴ On November 14, 2007, the Board of Regents approved expansion of the International Emerging Markets policy range to 5%–25% through June 30, 2008

CONSOLIDATED ENDOWMENT FUND (CEF)

For the Quarter ending December 31, 2007

Total Returns As of 12/31/07¹ (%)

	2 nd Qtr FY 2008	1-Year	5-Year	10-Year
Total CEF Return	1.6	18.7	16.9	11.2
Strategy Weighted Policy Benchmark	0.6	13.9	14.8	9.9
Equity Fund	1.5	20.4	18.1	11.4
Weighted Policy Benchmark	-0.3	14.9	17.0	10.3
Real Assets Fund	1.2	16.2	—	—
Policy Benchmark	2.6	12.2	—	—
Fixed Income Fund	2.7	9.0	5.2	6.5
Policy Benchmark (LB Govt Bond)	3.7	8.7	4.1	5.9

¹ Average Annual Compound Return

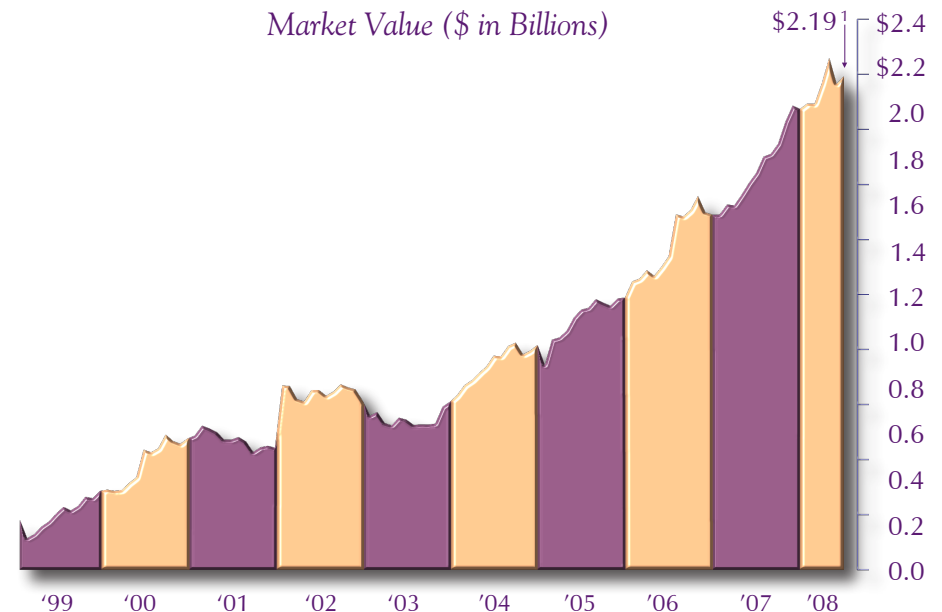
Activity (\$ in Millions)

	FYTD 2008	FY 2007	FY 2006	Five Years	Ten Years
Beginning Balance	\$2,074	\$1,690	\$1,388	\$945	\$526
Gifts	39	66	114	337	526
Transfers	3	9	22	54	99
Total Additions	41	75	137	390	626
Operating Fds Purchases	18	15	0	104	319
Net Investment Return	115	392	250	1,184	1,346
Distributions	(45)	(81)	(70)	(358)	(528)
Administrative Fees	(2)	(4)	(3)	(15)	(23)
Development Support	(8)	(14)	(12)	(58)	(73)
Ending Balance	\$2,192	\$2,074	\$1,690	\$2,192	\$2,192
Net Change	\$119	\$384	\$302	\$1,248	\$1,666

UW & Cambridge Associates¹ Returns for periods ending 12/31/07

NOT AVAILABLE
AT PRESS TIME

Market Value (\$ in Billions)



¹ Reflects inclusion of IF units in CEF starting 7/01—value without would be \$1.76

PERFORMANCE UPDATE

Total Return¹ As of 12/31/07

	2 nd Qtr FY '08	1 Year	3 Years	5 Years	10 Years
Consolidated Endowment Fund	1.6	18.7	16.8	16.9	11.2
Equity Fund	1.5	20.4	17.2	18.1	11.4
Domestic Equity	-3.1	7.6	9.4	13.7	8.9
Core Equity	-2.8	5.2	10.0	14.1	8.7
Value Equity	-4.3	2.9	6.5	11.5	9.1
Growth Equity	-3.0	16.9	12.5	18.3	9.7
International Developed Markets	-2.4	10.2	15.9	20.6	8.6
International Emerging Markets	8.1	57.4	40.9	38.9	17.6
Marketable Alternatives	2.9	15.3	13.5	14.7	11.8
Non-Marketable Alternatives ²	3.9	28.8	24.0	17.4	13.8
Real Assets Fund	1.2	16.2	17.5	—	—
Fixed Income Fund	2.7	9.0	6.4	5.2	6.5
Market Indices					
<i>Equity Indices</i>					
S&P 500	-3.3	5.5	8.6	12.8	5.9
Russell 3000	-3.3	5.1	8.9	13.6	6.2
Russell 2000	-4.6	-1.6	6.8	16.2	7.1
Dow Jones	-4.0	8.8	9.6	12.2	7.4
NASDAQ	-1.8	9.8	6.8	14.7	5.4
MSCI ACWI ex US	-0.6	17.1	20.4	24.5	10.1
Emerging Markets (IFCG)	5.4	46.4	37.6	38.7	16.0
<i>Fixed Income Indices</i>					
LB Government Bond	3.7	8.7	4.9	4.1	5.9
JP Morgan Global Hedged Bond Index	2.5	6.0	4.7	4.2	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 December 31, 2007

Total Return¹ (%)

	2 nd Qtr FY 2008	1-Year	5-Year	10-Year
Cash	2.5	7.0	3.2	5.0
Citi 2 Yr Treasury	2.6	7.5	3.1	4.6
Liquidity	2.5	7.3	3.6	5.6
LB Intermediate Govt Bond	3.4	8.5	3.7	5.5
IF excluding CEF units	2.5	7.2	3.5	5.4
Weighted Benchmark	3.1	8.1	3.5	5.3
IF including CEF units	2.2	10.8	7.4	7.2
Weighted Benchmark	2.3	10.0	6.9	6.8

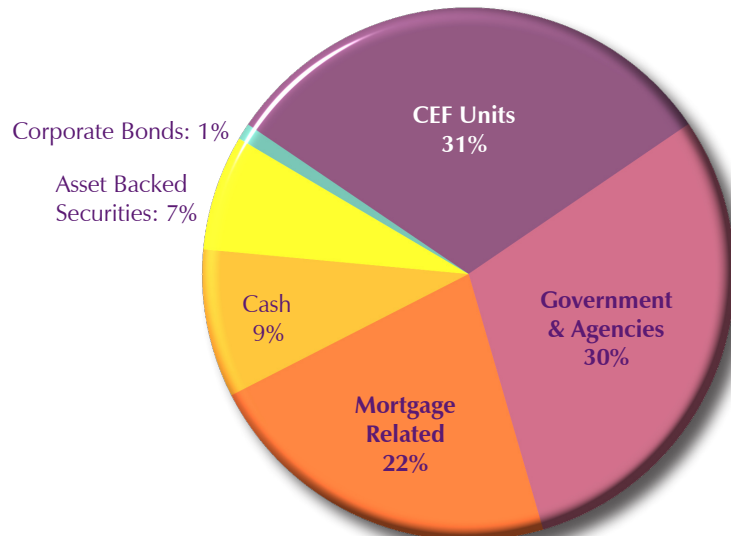
¹ Average Annual Compound Return

Fund Allocation by Pool (\$ in Millions)

	Fund Allocation		Range	Duration	
				Actual	Maximum
Cash Pool	\$362	26%	10%–40%	1.7	3.0 yrs
Liquidity Pool ¹	583	42%	30%–60%	3.4	4.0 yrs
Total Cash & Liq. Pool	\$944	69%			
CEF Units held by IF		31%	15%–40%		
Total Invested Funds		100%			

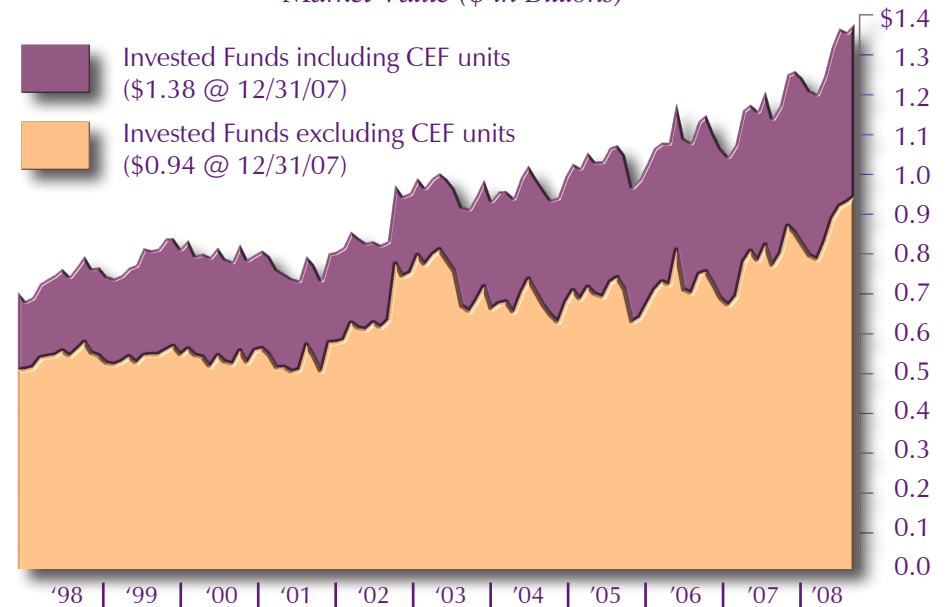
¹ Includes Interfund Loans

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, 2007 THROUGH DECEMBER 31, 2007 (\$ IN MILLIONS)

By the Chief Investment Officer

Public Markets

Approved	Action	Manager / Fund	Strategy	Investment (\$MM)
01/08/07	New	Arisaig Africa	International Emerging Markets	\$2.0
01/11/07	Addition	Wellington Energy	Real Assets	\$10.0
01/11/07	Addition	Tygh Capital	Domestic Equity	\$10.0
01/11/07	Addition	Tree Line	International Emerging Markets	\$3.0
01/11/07	Reduction	PIMCO All Asset	Real Assets	-\$15.0
01/11/07	New	Northern Trust	Domestic Equity	\$10.0
01/11/07	Addition	Morgan Stanley Best Ideas	Real Assets	\$20.0
01/18/07	New	Atlantis China	International Emerging Markets	\$5.0
02/22/07	Addition	SSGA EAFE	International Developed	\$12.0
03/02/07	Termination	PIMCO All Asset	Real Assets	-\$17.0
03/02/07	New	Fidelity Real Estate	Real Assets	\$10.0
03/23/07	Termination	Sands Capital Management	Domestic Equity	-\$45.0
03/23/07	Termination	Payden & Rygel Global Fixed Income	Fixed Income	-\$44.0
03/23/07	Addition	Goldman Sachs	International Emerging Markets	\$15.0
03/23/07	New	Brandywine Global	Fixed Income	\$50.0
04/06/07	New	Renaissance	Domestic Equity	\$50.0
05/17/07	Termination	Tukman Capital	Domestic Equity	-\$62.0
06/22/07	Addition	Arisaig Asia	International Emerging Markets	\$10.0
07/06/07	New	Matterhorn	International Emerging Markets	\$10.0
07/13/07	New	Mekong Capital	International Emerging Markets	\$3.0
08/27/07	Addition	Ward Ferry	International Emerging Markets	\$3.0
08/31/07	Addition	Tree Line	International Emerging Markets	\$3.0
09/14/07	Liquidation	City of London China	International Emerging Markets	-\$23.0
09/14/07	Addition	Arisaig Africa	International Emerging Markets	\$3.0
09/20/07	Reduction	Northern Trust	Domestic Equity	-\$50.0
10/05/07	New	City of London Frontier Fund	International Emerging Markets	\$3.0
11/21/07	Reduction	Tygh Capital	Domestic Equity	-\$10.0
11/21/07	Liquidation	SSGA MSCI	International Emerging Markets	-\$26.0
11/21/07	Reduction	Rainier Investment Management	Domestic Equity	-\$10.0
11/21/07	Addition	Arisaig Asia	International Emerging Markets	\$15.0
11/30/07	Reduction	Morgan Stanley Best Ideas	Real Assets	-\$10.0
12/21/07	New	Prosperity Capital	International Emerging Markets	\$20.0

UWINCO SUMMARY OF ACTIONS TAKEN UNDER BOARD DELEGATED AUTHORITIES

JANUARY 1, 2007 THROUGH DECEMBER 31, 2007 (\$ IN MILLIONS)

By the Chief Investment Officer

Private Markets

Approved	Action	Manager / Fund	Strategy	Investment (\$MM)
01/04/07	New	Greenbriar Capital Equity	Non-Marketable Alternatives	\$7.0
03/02/07	Reup	OCM Opportunities	Non-Marketable Alternatives	\$6.0
03/02/07	Addition	Morgan Stanley Special Situations	Real Assets	\$5.0
03/23/07	New	Riverside European	Non-Marketable Alternatives	\$6.0
03/23/07	Reup	Matlin Patterson Partners	Non-Marketable Alternatives	\$6.0
04/06/07	New	Redwood Grove International	Real Assets	\$12.0
05/04/07	Reup	Arclight Energy Partners	Real Assets	\$10.0
05/25/07	Reup	Thackeray Partners	Real Assets	\$5.0
06/14/07	New	Bessemer Venture Partners	Non-Marketable Alternatives	\$15.0
06/14/07	Reup	Battery Ventures	Non-Marketable Alternatives	\$7.5
06/22/07	New	Valinor Capital Partners	Marketable Alternatives	\$10.0
06/22/07	New	Phoenix Asia Real Estate	Real Assets	\$8.0
07/06/07	New	HIG - Brightpoint Capital	Marketable Alternatives	\$15.0
07/13/07	Reup	LaSalle Asia Opportunities	Real Assets	\$10.0
07/13/07	Reup	Chrys Capital	Non-Marketable Alternatives	\$4.0
08/06/07	Reup	TPG Asia	Non-Marketable Alternatives	\$6.0
08/06/07	Reup	Endeavor Capital	Non-Marketable Alternatives	\$7.0
08/24/07	Termination	Northsound Capital	Marketable Alternatives	-\$18.0
08/31/07	Reup	Ignition Venture Partners	Non-Marketable Alternatives	\$3.0
08/31/07	Reup	General Catalyst	Non-Marketable Alternatives	\$3.1
08/31/07	Reup	Frazier Healthcare	Non-Marketable Alternatives	\$6.0
09/14/07	Reup	Natural Gas Partners	Real Assets	\$10.0
10/12/07	Reup	Bain Capital Partners	Non-Marketable Alternatives	\$15.0
10/22/07	New	Lone Cascade	Marketable Alternatives	\$10.0
10/22/07	New	CVI Specialized Ventures	Real Assets	\$20.0
11/08/07	Termination	Highline Capital	Marketable Alternatives	-\$17.0
11/08/07	Addition	Bridger Capital	Marketable Alternatives	\$15.0
11/21/07	Addition	Valinor Capital Partners	Marketable Alternatives	\$2.0
11/30/07	New	Tiger Asia	Marketable Alternatives	\$20.0
11/30/07	Addition	Highfields Capital	Marketable Alternatives	\$5.0
11/30/07	Termination	Fir Tree Capital	Marketable Alternatives	-\$15.0
11/30/07	New	Cadent Energy Partners	Real Assets	\$15.0
12/21/07	New	Russia Partner's	Non-Marketable Alternatives	\$7.5