

VII. STANDING COMMITTEES

B. Finance, Audit and Facilities Committee

Investment Performance Report, Fourth Quarter

Fiscal Year 2008

# UNIVERSITY OF WASHINGTON

## INVESTMENT PERFORMANCE REPORT TO THE BOARD OF REGENTS

FOURTH QUARTER FISCAL YEAR 2008

*As of June 30, 2008*



TREASURER, BOARD OF REGENTS  
TREASURY OFFICE

Published August 2008

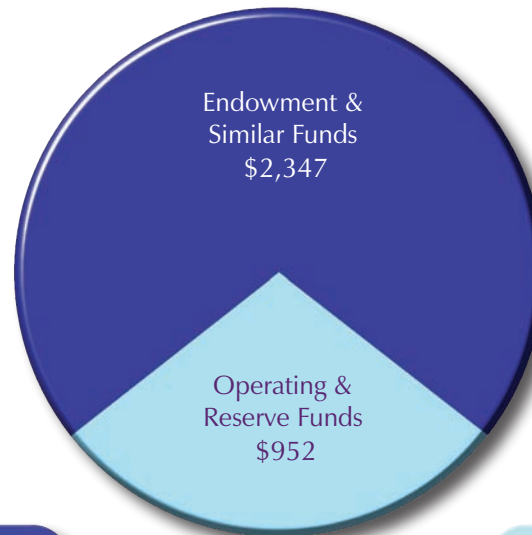
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# TREASURY ASSETS<sup>1</sup>

As of 6/30/08—\$3.3 Billion

Dollars in Millions



## Endowment & Similar Funds

Endowment Funds	\$1,715
Operating Funds	<u>446</u>
<b>Consolidated Endowment Fund</b>	<b>2,161</b>
Life Income Trusts	85
Outside Trusts	53
Non-CEF Endowments	19
Permanent Fund <sup>6</sup>	<u>29</u>
	<b><u>\$2,347</u></b>

## Operating & Reserve Funds

Invested Funds <sup>2,3</sup>	\$869
Bond Retirement Fund <sup>4</sup>	11
Building Fund <sup>4</sup>	26
Debt Service Reserve Funds <sup>5</sup>	8
Bond Proceeds <sup>7</sup>	<u>38</u>
	<b><u>\$952</u></b>

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 \$446. 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 \$74.2 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 \$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 \$12.4, Parking \$5.8, and 2007 General Revenue Bond \$12.0).

# ASSET ALLOCATION

As of June 30, 2008

Consolidated Endowment Fund<sup>1</sup>—\$2,161 MM



Dollars in Millions

	Current Allocation <sup>4</sup>		Policy Target	Policy Range
Domestic Equity	\$310	14%	18%	10%–40%
International Developed Markets	\$355	16%	20%	10%–35%
International Emerging Markets	\$268	12%	10%	5%–15% <sup>3</sup>
Marketable Alternatives	\$408	19%	16%	5%–25%
Non-Marketable Alternatives	\$301	14%	12%	5%–20%
Equity Fund	\$1,642	76%	76%	60%–90%
Real Assets Fund	\$334	15%	12%	5%–20%
Fixed Income Fund <sup>2</sup>	\$186	9%	12%	5%–35%
<b>Total Consolidated Endowment Fund</b>	<b>\$2,161</b>	<b>100%</b>		

<sup>1</sup> International exposure: 43%, net foreign currency exposure: 41%.

<sup>2</sup> Includes allocation to cash.

<sup>3</sup> 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 June 30, 2008

## Total Returns As of 6/30/08 <sup>1</sup> (%)

	4 <sup>th</sup> Qtr FY 2008	1-Year	5-Year	10-Year
<b>Total CEF Return</b>	<b>0.8</b>	<b>1.9</b>	<b>14.4</b>	<b>9.7</b>
Strategy Weighted Policy Benchmark	-0.5	0.9	12.5	8.1
<b>Equity Fund</b>	<b>-0.2</b>	<b>-0.3</b>	<b>14.5</b>	<b>9.4</b>
Weighted Policy Benchmark	-1.0	-2.9	13.8	8.0
<b>Real Assets Fund</b>	<b>6.2</b>	<b>12.5</b>	<b>16.5</b>	—
Policy Benchmark	4.0	16.9	15.1	—
<b>Fixed Income Fund</b>	<b>0.5</b>	<b>4.6</b>	<b>4.2</b>	<b>5.9</b>
Policy Benchmark (LB Govt Bond)	-1.9	9.7	3.8	5.7

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

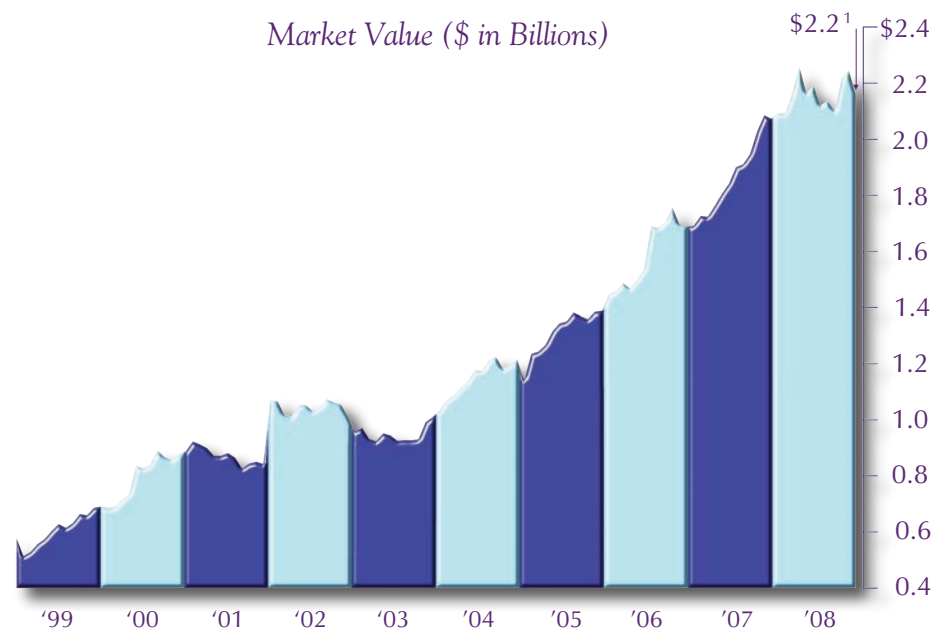
## Activity (\$ in Millions)

	FY 2008	FY 2007	FY 2006	5 Years	10 Years
<b>Beginning Balance</b>	<b>\$2,074</b>	<b>\$1,690</b>	<b>\$1,388</b>	<b>\$1,010</b>	<b>\$581</b>
Gifts	99	66	114	373	575
Transfers	8	9	22	56	102
<b>Total Additions</b>	<b>107</b>	<b>75</b>	<b>137</b>	<b>429</b>	<b>677</b>
Operating Fds Purchases	18	15	0	145	360
Net Investment Return	78	392	250	1,035	1,216
Distributions	(94)	(81)	(70)	(378)	(568)
Administrative Fees	(4)	(4)	(3)	(16)	(24)
Development Support	(17)	(14)	(12)	(63)	(81)
<b>Ending Balance</b>	<b>\$2,161</b>	<b>\$2,074</b>	<b>\$1,690</b>	<b>\$2,161</b>	<b>\$2,161</b>
Net Change	88	384	302	1,152	1,580

## UW & Cambridge Associates <sup>1</sup> Returns for periods ending 6/30/08

Data not available at press time

## Market Value (\$ in Billions)



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

# PERFORMANCE UPDATE

Total Return<sup>1</sup> As of 6/30/08

	4 <sup>th</sup> Qtr FY '08	1 Year	3 Years	5 Years	10 Years
<b>Consolidated Endowment Fund</b>	<b>0.8</b>	<b>1.9</b>	<b>14.0</b>	<b>14.4</b>	<b>9.7</b>
<b>Equity Fund</b>	<b>-0.2</b>	<b>-0.3</b>	<b>12.9</b>	<b>14.5</b>	<b>9.4</b>
Domestic Equity	1.1	-10.8	5.7	9.0	6.6
Core Equity	-1.3	-13.6	4.5	8.5	5.8
Value Equity	2.9	-5.3	7.6	9.8	8.1
Growth Equity	7.1	-6.8	9.1	12.6	7.1
International Developed Markets	-2.4	-11.2	11.4	16.0	5.8
International Emerging Markets	-2.0	8.7	31.3	32.3	18.1
Marketable Alternatives	2.6	3.7	11.8	12.2	11.2
Non-Marketable Alternatives <sup>2</sup>	-0.8	15.6	20.6	19.6	13.4
<b>Real Assets Fund</b>	<b>6.2</b>	<b>12.5</b>	<b>17.1</b>	<b>16.5</b>	<b>--</b>
<b>Fixed Income Fund</b>	<b>0.5</b>	<b>4.6</b>	<b>5.1</b>	<b>4.2</b>	<b>5.9</b>
Market Indices					
<i>Equity Indices</i>					
S&P 500	-2.7	-13.1	4.4	7.6	2.9
Russell 3000	-1.7	-12.7	4.7	8.4	3.5
Russell 2000	0.6	-16.2	3.8	10.3	5.5
Dow Jones	-6.9	-13.3	5.8	7.2	4.5
NASDAQ	0.6	-11.9	3.7	7.2	1.9
MSCI ACWI ex US	-0.9	-6.2	16.2	19.4	7.7
Emerging Markets (IFCG)	-4.2	1.7	25.3	29.5	15.9
<i>Fixed Income Indices</i>					
LB Government Bond	-1.9	9.7	4.6	3.8	5.7
JP Morgan Global Hedged Bond Index	-2.3	6.1	3.3	3.6	5.3

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 June 30, 2008

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

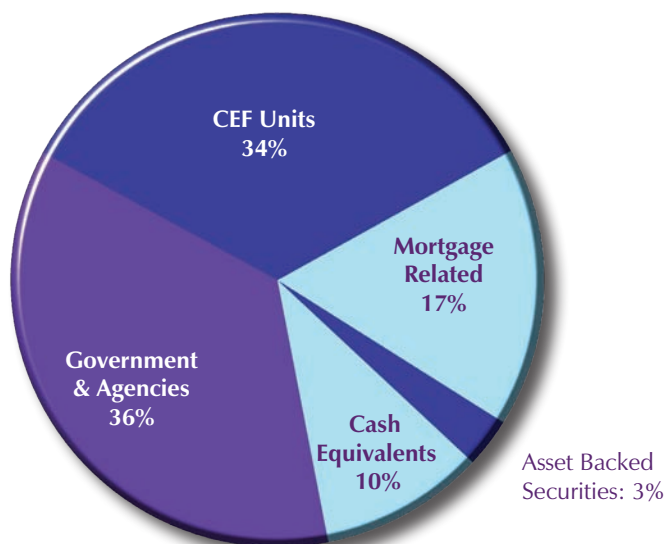
	4 <sup>th</sup> Qtr FY 2008	1-Year	5-Year	10-Year
<b>Cash</b>	<b>-0.6</b>	<b>7.5</b>	<b>3.3</b>	<b>5.0</b>
Citi 2 Yr Treasury	-1.1	7.7	3.2	4.6
<b>Liquidity</b>	<b>-1.7</b>	<b>6.6</b>	<b>3.3</b>	<b>5.3</b>
LB Intermediate Govt Bond	-1.8	9.2	3.6	5.4
<b>IF excluding CEF units</b>	<b>-1.3</b>	<b>7.0</b>	<b>3.4</b>	<b>5.3</b>
Weighted Benchmark	-1.6	8.6	3.5	5.2
<b>IF including CEF units</b>	<b>-0.7</b>	<b>5.3</b>	<b>6.7</b>	<b>6.6</b>
Weighted Benchmark	-1.2	6.4	6.4	6.3

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

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

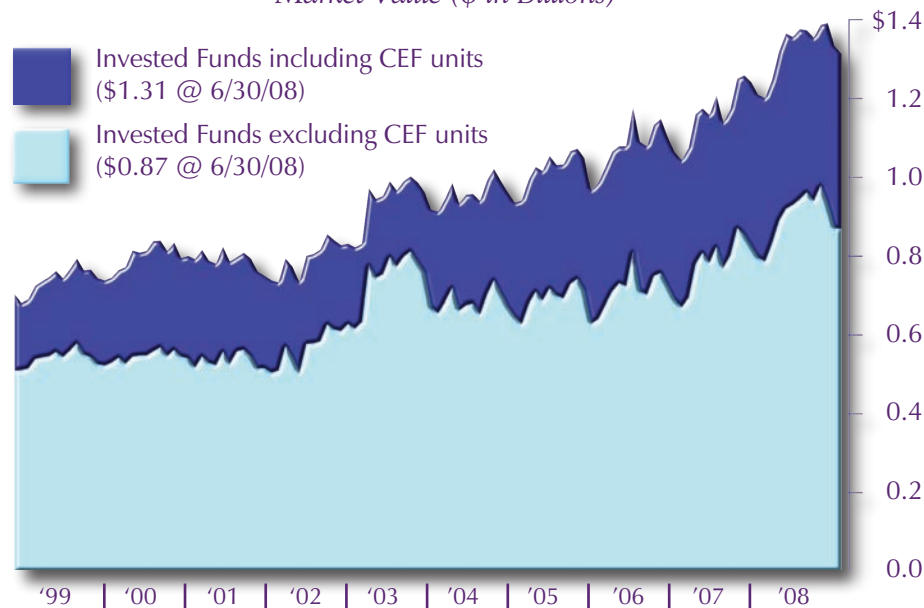
	Fund Allocation		Range	Duration	
				Actual	Maximum
<b>Cash Pool</b>	<b>\$280</b>	<b>21%</b>	<b>10%–40%</b>	<b>1.8</b>	<b>3.0 yrs</b>
Liquidity Pool	589	45%	30%–60%	3.4	4.1
<b>Total Cash &amp; Liq. Pool</b>	<b>\$869</b>	<b>66%</b>			
CEF Units held by IF		34%	15%–40%		
<b>Total Invested Funds</b>		<b>100%</b>			

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



<sup>1</sup> Not shown—Corporate Bonds (0.47%)

## Market Value (\$ in Billions)





# UWINCO SUMMARY OF ACTIONS TAKEN UNDER BOARD DELEGATED AUTHORITIES

## JANUARY 1, 2008 THROUGH AUGUST 15, 2008 (\$ IN MILLIONS)

*By the Chief Investment Officer*

### *Private Markets*

<u>Approved</u>	<u>Action</u>	<u>Manager / Fund</u>	<u>Strategy</u>	<u>Investment (\$MM)</u>
01/25/08	New	Rimrock Capital	Absolute Return	\$20.0
01/25/08	Reup	Varde Partners	Absolute Return	\$20.0
03/20/08	New	Baupost Value Partners	Absolute Return	\$50.0
04/10/08	Termination	Och Ziff	Absolute Return	-\$29.0
04/10/08	Termination	Sirios Capital Partners	Absolute Return	-\$15.0
07/23/08	New	Centerbridge Credit Partners	Absolute Return	\$20.0
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
05/22/08	Reup	JC Flowers	Non-Marketable Alternatives	\$8.0
07/14/08	New	Accel - KKR Capital Partners	Non-Marketable Alternatives	\$7.0
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 Management	Real Assets	\$9.0
05/23/08	Reup	Avanti Land Investors	Real Assets	\$12.0

# UWINCO SUMMARY OF ACTIONS TAKEN UNDER BOARD DELEGATED AUTHORITIES

## JANUARY 1, 2008 THROUGH AUGUST 15, 2008 (\$ IN MILLIONS)

*By the Chief Investment Officer*

### *Public Markets*

<u>Approved</u>	<u>Action</u>	<u>Manager / Fund</u>	<u>Strategy</u>	<u>Investment (\$MM)</u>
02/15/08	Liquidation	Northern Trust	Domestic Equity (\$21.4 notional)	-\$5.0 collateral
03/20/08	Reup	Brookside Capital Partners	Domestic Equity	\$3.0
05/16/08	New	Northern Trust	Domestic Equity (\$59.9 notional)	\$8.0 collateral
06/16/08	Termination	AXA Rosenberg	Domestic Equity	-\$116.0
07/14/08	New	Northern Trust	Domestic Equity (\$25 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