Board of Regents, State of Iowa

Fourth Quarter 2001 Performance Review

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WILSHIRE
CONSULTING

Capital Market Review

Fourth Quarter 2001 Performance Review

WILSHIRE
CONSULTING

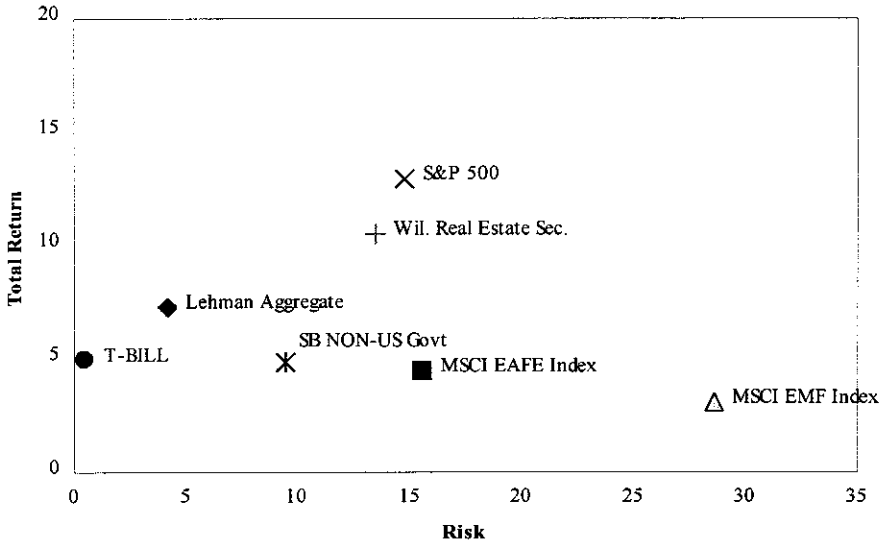
Market Review (Periods Ended 12/31/01)

Major Asset Class Returns

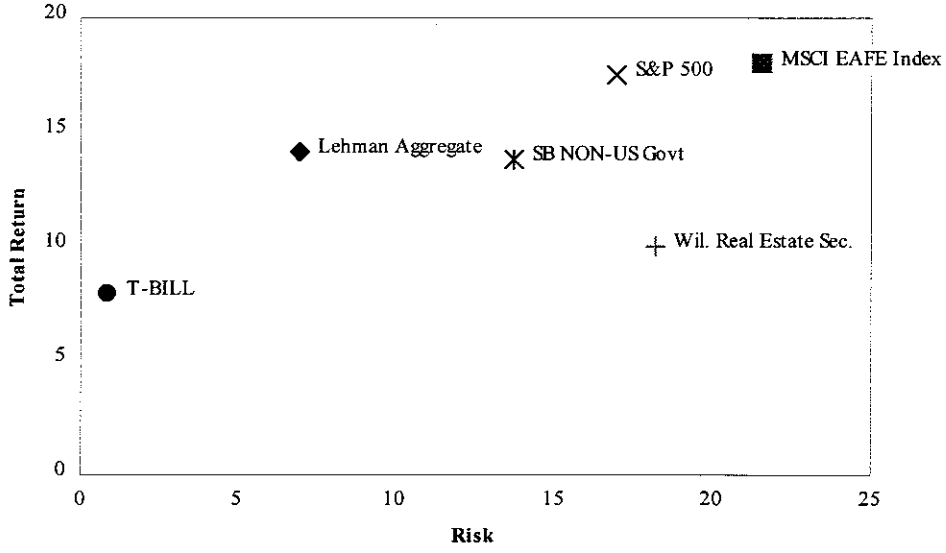
(%)

	QTR	Ytd	1 yr	3 yr	5 yr	10yr
Equity						
Standard and Poor's 500	10.7	-11.9	-11.9	-1.1	10.7	12.9
International Stock (MSCI EAFE)	7.0	-21.5	-21.5	-5.0	0.9	4.5
Emerging Markets (MSCI EMF)	26.6	-2.4	-2.4	4.1	-5.7	3.1
Wilshire Real Estate Securities	5.5	10.5	10.5	11.8	6.7	10.5
Fixed Income						
Lehman Aggregate Bond	0.0	8.4	8.4	6.3	7.4	7.2
International Bonds (SB Non-US)	-4.0	-3.6	-3.6	-3.8	0.1	4.8
Treasury Bills (91 Day)	0.6	4.4	4.4	5.1	5.2	4.9
Consumer Price Index	-1.0	1.6	1.6	2.5	2.2	2.5

Risk versus Return (12/31/91 - 12/31/01)



Risk versus Return (12/31/81 - 12/31/91)

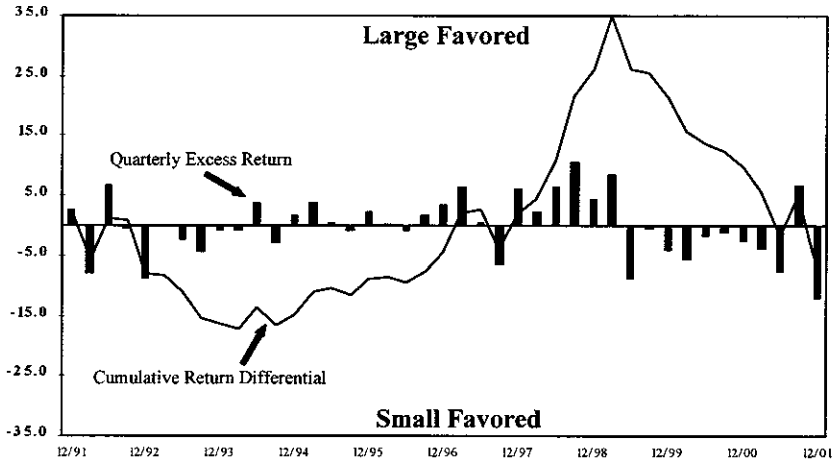


Domestic Equity Markets (Periods Ended 12/31/01)

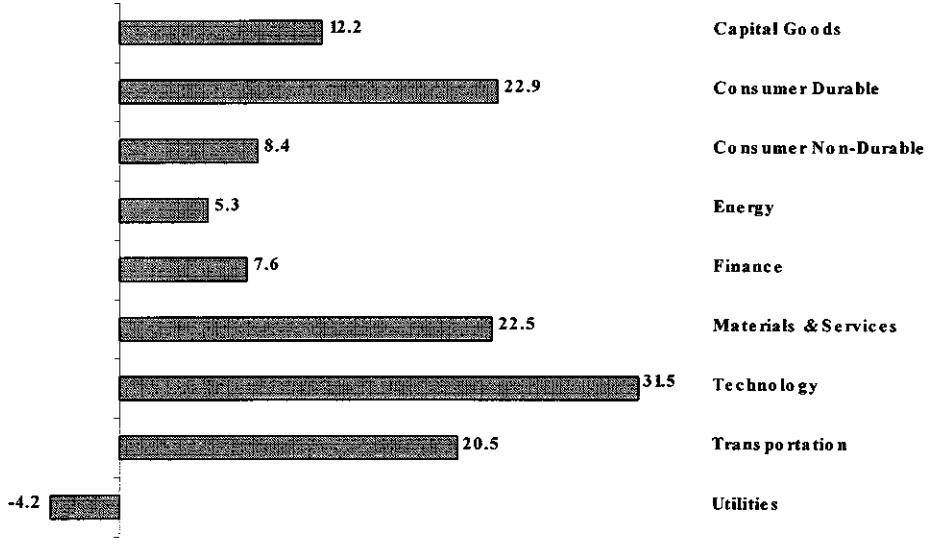
US Equity Returns

	QTR	YTD	1 yr	3 yr	5 yr	10yr
Wilshire 4500	19.5	-9.3	-9.3	1.2	7.2	10.7
Wilshire 5000	12.4	-11.0	-11.0	-0.7	9.7	12.3
Wilshire Internet Index	26.1	-46.2	-46.2	-16.9	10.6	N/A
Wilshire Large Cap 750	11.3	-12.8	-12.8	-1.8	10.1	12.5
Wilshire Micro Cap 2500	23.2	24.1	24.1	17.1	13.1	15.3
Wilshire Small Cap 1750	23.4	-0.6	-0.6	7.8	9.2	12.6
Wilshire Venture Capital	47.9	-30.8	-30.8	10.4	15.3	15.2
Wilshire Large Growth	14.3	-20.3	-20.3	-7.0	8.8	10.6
Wilshire Large Value	8.3	-8.1	-8.1	0.2	9.0	13.1
Wilshire Mid Growth	22.3	-12.7	-12.7	6.2	9.0	11.1
Wilshire Mid Value	16.4	7.2	7.2	11.6	12.5	15.0
Wilshire Small Growth	27.0	-14.2	-14.2	-0.5	3.8	8.2
Wilshire Small Value	20.1	10.1	10.1	10.2	10.7	15.1

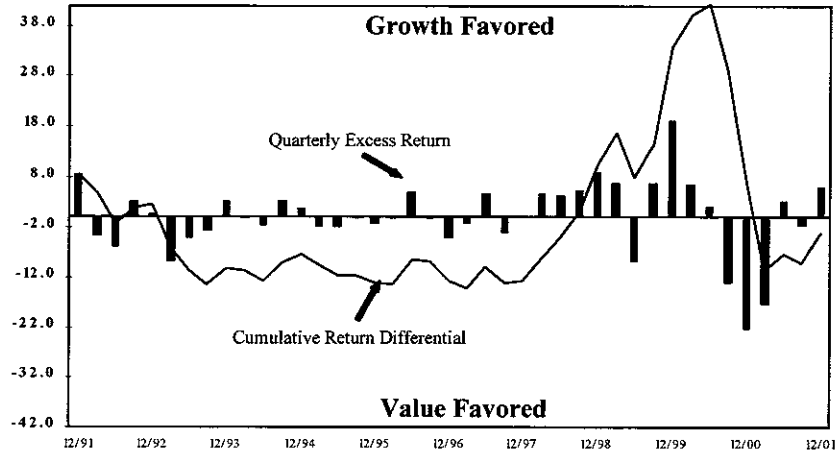
Small Cap vs. Large Cap Quarterly Returns



Wilshire 5000 Quarterly Sector Returns



Value vs. Growth Stocks Quarterly Returns

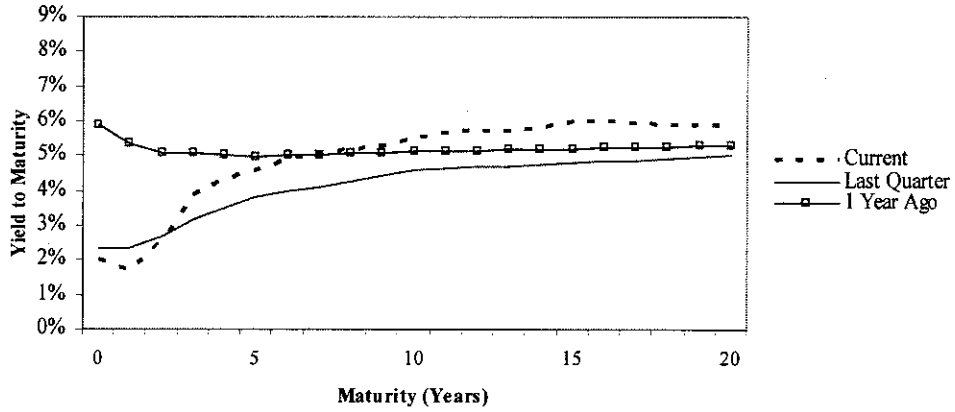


Fixed Income (Periods Ended 12/31/01)

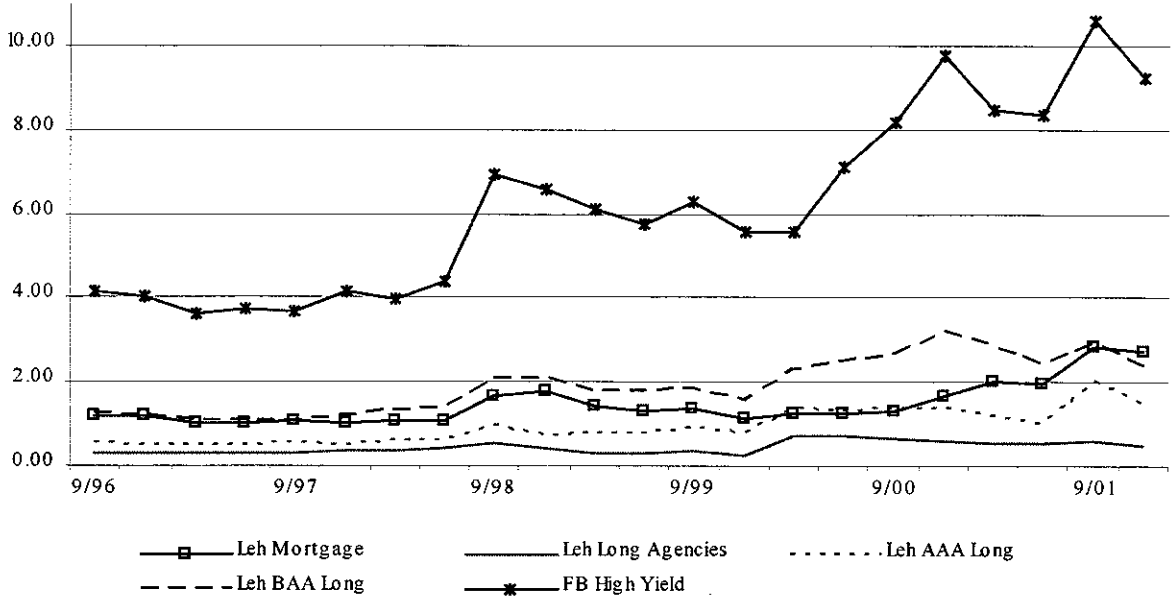
Fixed Income

	QTR	YTD	1 yr	3 yr	5 yr	10yr
Lehman Aggregate	0.0	8.4	8.4	6.3	7.4	7.2
Lehman Gov / Corp	0.1	8.5	8.5	5.9	7.4	7.3
Lehman Agency	-0.3	8.3	8.3	6.4	7.5	7.2
Lehman ABS	0.0	9.8	9.8	7.4	7.5	7.1
Lehman Gov't	-0.6	7.2	7.2	5.9	7.4	7.1
Lehman Corp	0.9	10.4	10.4	5.8	7.2	7.7
Lehman Mortgage	0.1	8.2	8.2	7.0	7.5	7.1
Lehman Long Treasury	-2.0	4.2	4.2	4.6	8.4	8.5
First Boston High Yield	5.7	5.8	5.8	1.2	3.2	7.8
Salomon Bros World Bond	-3.2	-1.0	-1.0	-1.3	2.2	5.3
Salomon Bros Non-US Bond	-4.0	-3.6	-3.6	-3.8	0.1	4.8
Lehman US TIPS	-1.1	7.9	7.9	7.8	N/A	N/A

Treasury Yield Curve



Yield Spread To Treasuries

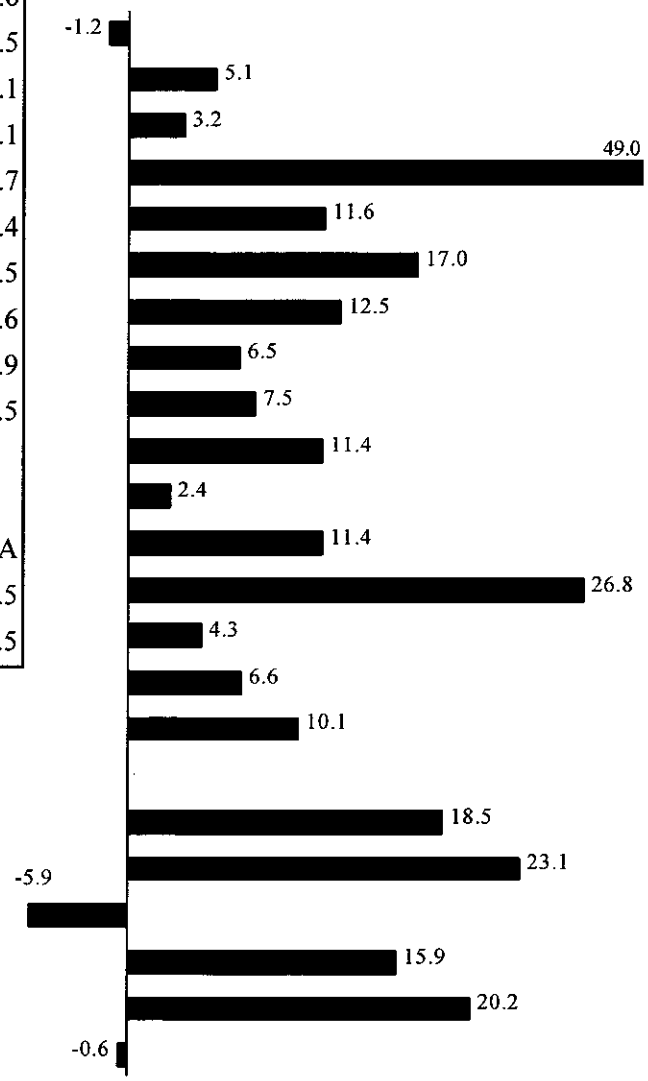


International Equity Markets (Periods Ended 12/31/01)

International Index Returns

Equity (in U.S. $)	QTR	Ytd	1 yr	3 yr	5 yr	10yr
Non U.S. (ACWI X U.S)	8.9	-19.5	-19.5	-3.6	0.9	4.6
Developed (EAFE)	7.0	-21.5	-21.5	-5.0	0.9	4.5
Emerging (EMF)	26.6	-2.4	-2.4	4.1	-5.7	3.1
IFC Composite	28.6	-0.6	-0.6	4.3	-5.6	2.1
Europe	10.1	-19.9	-19.9	-5.3	6.2	9.7
Pacific	-0.6	-25.4	-25.4	-4.4	-7.8	-2.4
France	11.6	-22.4	-22.4	-1.4	8.8	9.5
Germany	17.0	-22.4	-22.4	-7.7	4.3	7.6
Japan	-5.9	-29.4	-29.4	-6.4	-8.1	-3.9
United Kingdom	6.6	-14.1	-14.1	-5.1	4.3	8.5
Currencies (% change)						
Euro vs Dollar	-2.2	-5.2	-5.2	-8.8	N/A	N/A
Yen vs Dollar	-9.1	-12.9	-12.9	-4.9	-2.4	-0.5
Pound vs Dollar	-1.0	-2.6	-2.6	-4.4	-3.2	-2.5

MSCI EAFE Index

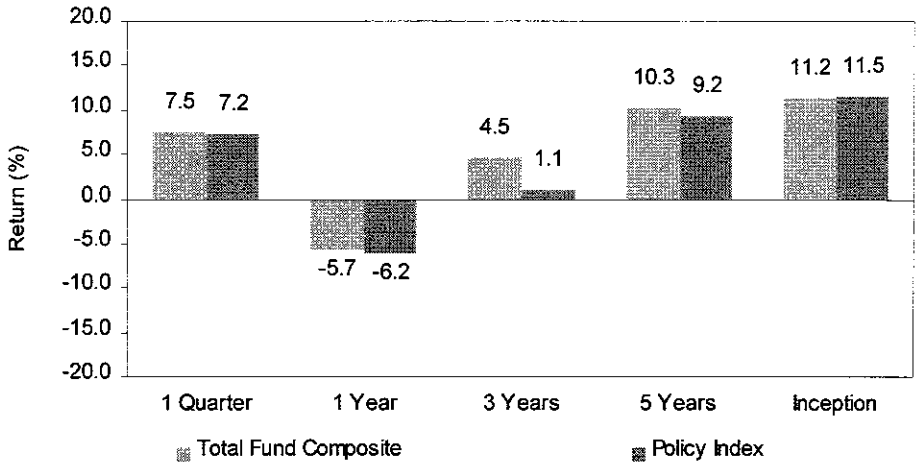


Country	Country Weightings
Austria	0.2
Belgium	1.1
Denmark	1.0
Finland	1.6
France	10.7
Germany	7.6
Ireland	0.7
Italy	4.5
Netherlands	5.7
Norway	0.5
Portugal	0.6
Spain	3.1
Sweden	2.1
Switzerland	7.6
UK	23.6
Total Europe	**69.3**
Australia	3.1
Hong Kong	1.9
Japan	23.1
New Zealand	0.1
Singapore	0.8
Total Pacific	**30.7**

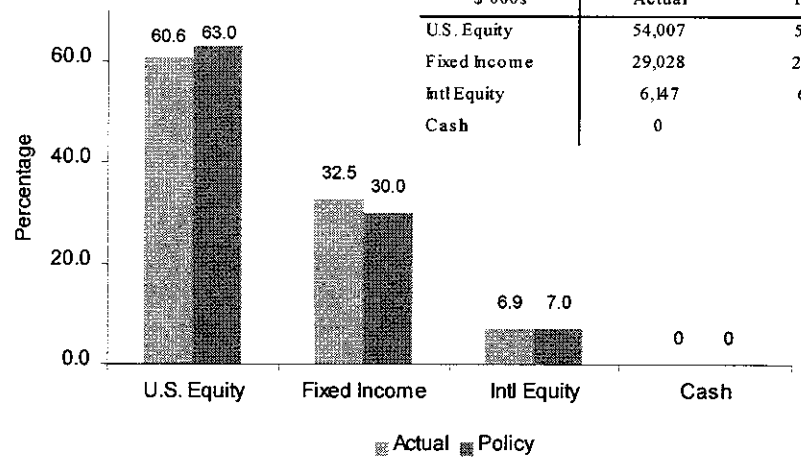
Total Fund Results (Periods Ended 12/31/01)

Iowa State University Endowment

Investment Performance



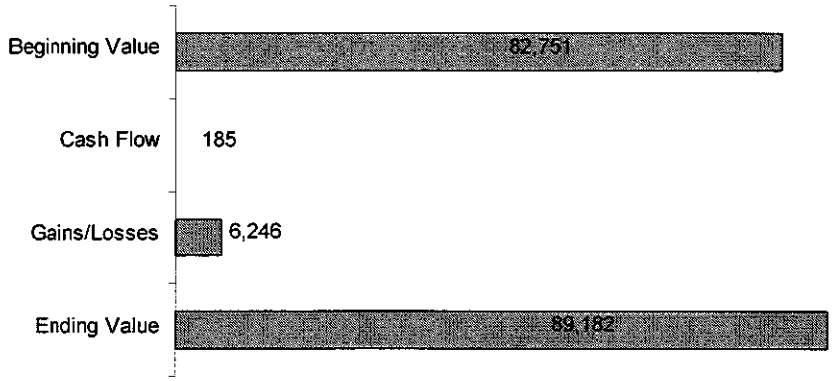
Asset Allocation vs. Policy



$'000s	Actual	Policy
U.S. Equity	54,007	56,185
Fixed Income	29,028	26,755
Intl Equity	6,147	6,242
Cash	0	0

Quarter Results

($'000)

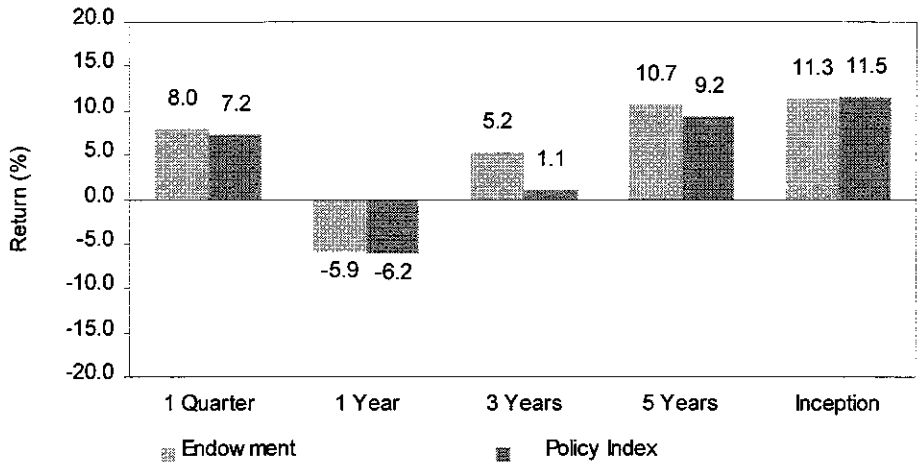


- The Iowa State Endowment assets totaled $89.2 million at the close of the fourth quarter.
- During the quarter, investment gains totaled $6.2 million.
- Total contributions were $224,000.
- Total fees and distributions were $39,000.
- The Endowment fund returned 7.50% for the fourth quarter, outperforming the benchmark by 0.27%.

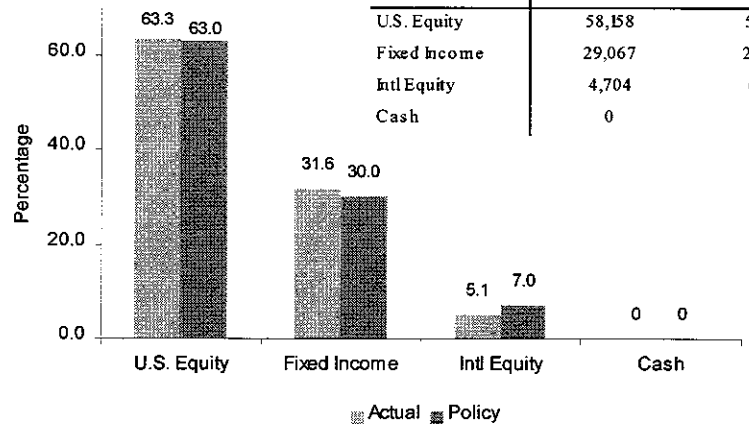
Total Fund Results (Periods Ended 12/31/01)

The University of Iowa Endowment

Investment Performance



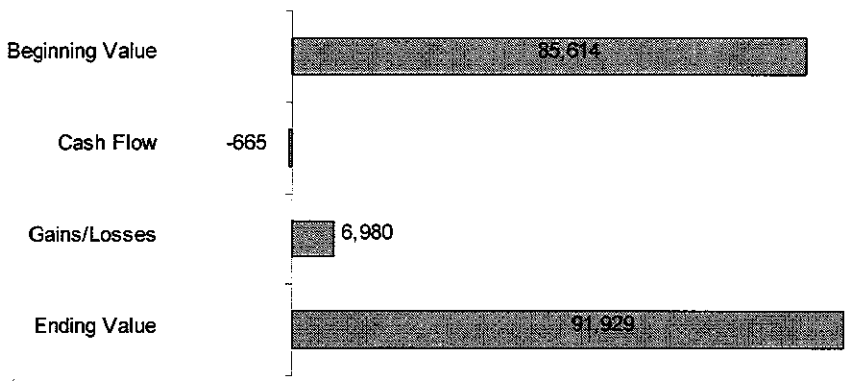
Asset Allocation vs. Policy



$'000s	Actual	Policy
U.S. Equity	58,158	57,915
Fixed Income	29,067	27,579
Intl Equity	4,704	6,435
Cash	0	0

Quarter Results

($'000)



- The University of Iowa Endowment assets totaled $91.9 million at the close of the fourth quarter.
- During the quarter, investment gains totaled $7 million.
- Total contributions totaled $836,000.
- Total distributions and fees totaled $1.5 million.
- The Endowment fund returned 8.03% for the fourth quarter, outperforming the benchmark by 0.80%.

Total Fund Results (Periods Ended 12/31/01)

Iowa State

	$'000	Qtr %	1 Yr %	3 Yrs %	5 Yrs %	Inception %
Domestic Equity Composite (3/31/92)	13,921	18.1	-25.3	9.5	15.0	14.1
Wilshire Mid Cap Growth	--	*22.3*	*-12.7*	*6.2*	*9.0*	*11.7*
S&P 500	--	*10.7*	*-11.9*	*-1.1*	*10.7*	*13.6*
Balanced Composite (3/31/89)	69,114	6.0	-0.4	2.1	9.0	10.6
Balanced Benchmark	--	*6.2*	*-3.0*	*2.3*	*9.2*	*11.0*
Int'l Equity Composite (9/30/94)	6,147	4.7	-13.4	-3.4	-1.4	2.2
MSCI EAFE (N)	--	*7.0*	*-21.5*	*-5.0*	*0.9*	*2.8*
Total Endowment (3/31/89)	**89,182**	**7.5**	**-5.7**	**4.5**	**10.3**	**11.2**
Policy Index	--	*7.2*	*-6.2*	*1.1*	*9.2*	*11.5*
Principal Financial Transition Account	36,511	--	--	--	--	--

** 12/89 -- 6/97 40% S&P 500 60% Lehman Govt / Corp
9/97 -- 6/99 58% S&P 500 42% Lehman Govt / Corp
9/99 -- 6/01 50% S&P 500 50% Lehman Govt / Corp
9/01 -- 12/01 50% S&P 500 50% Lehman Aggregate

University of Iowa

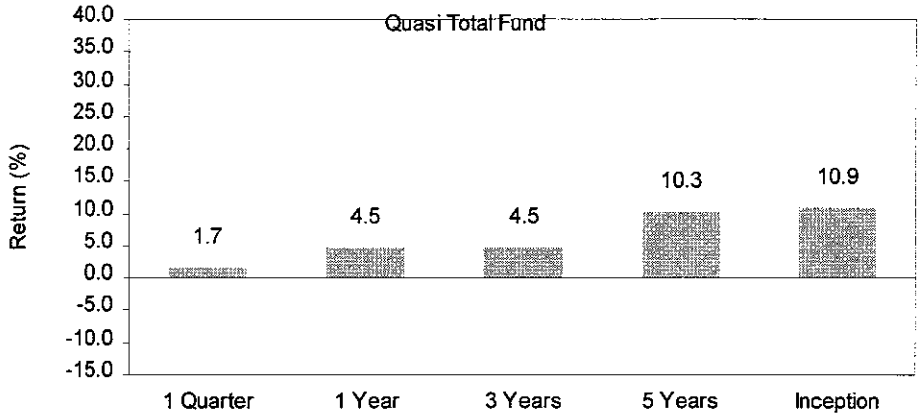
	$'000	Qtr %	1 Yr %	3 Yrs %	5 Yrs %	Inception %
Domestic Equity Composite (6/30/95)	18,018	17.8	-24.5	8.7	14.6	16.9
Wilshire Mid Cap Growth	--	*22.3*	*-12.7*	*6.2*	*9.0*	*11.2*
S&P 500		*10.7*	*-11.9*	*-1.1*	*10.7*	*14.0*
Balanced Composite (3/31/89)	69,207	6.0	-0.4	2.0	8.9	10.5
Balanced Benchmark	--	*6.2*	*-3.0*	*2.3*	*9.2*	*11.0*
Int'l Equity Composite (9/30/94)	4,704	5.0	-12.1	-3.6	-1.5	2.3
MSCI EAFE (N)	--	*7.0*	*-21.5*	*-5.0*	*0.9*	*3.0*
Total Endowment (3/31/89)	**91,929**	**8.0**	**-5.9**	**5.2**	**10.7**	**11.3**
Policy Index	--	*7.2*	*-6.2*	*1.1*	*9.2*	*11.5*
Total Endowment with Quasi (3/31/89)	--	**4.2**	**-0.1**	**5.6**	**10.8**	**11.3**
UI Principal Financial Transition Account	54,139	--	--	--	--	--
UNI Principal Financial Transition Account	10,952	--	--	--	--	--

** 6/89 -- 6/97 40% S&P 500 60% Lehman Govt / Cor
9/97 -- 6/01 58% S&P 500 42% Lehman Govt / Cor
9/99 -- 6/01 50% S&P 500 50% Lehman Govt / Cor
9/01 -- 12/01 58% S&P 500 42% Lehman Aggregate

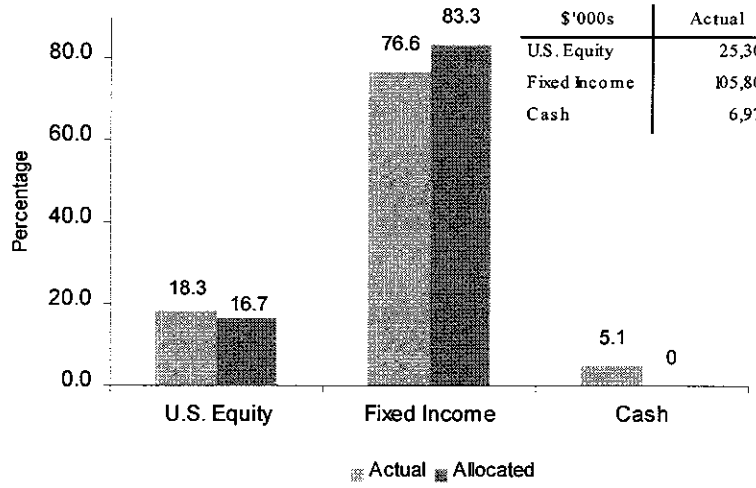
Total Fund Results (Periods Ended 12/31/01)

University of Iowa Quasi-Endowment

Investment Performance



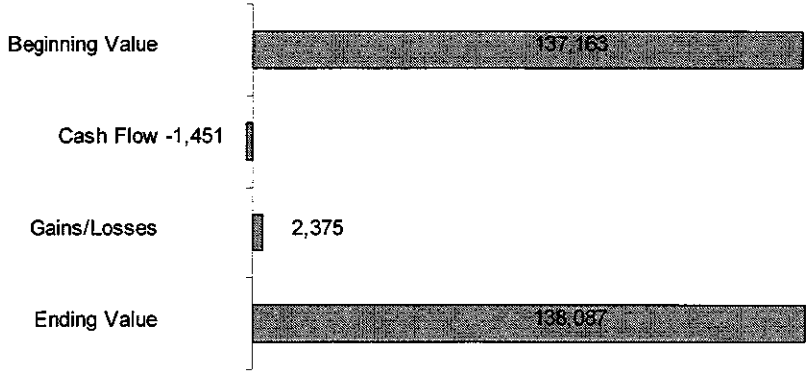
Asset Allocation



$'000s	Actual	Allocated
U.S. Equity	25,309	23,036
Fixed Income	105,804	115,051
Cash	6,974	0

Quarter Results

($'000)



- The Quasi Endowment portfolio returned 1.72% during the fourth quarter
- The Quasi total fund has total assets of $138.1 million
- Total contributions totaled $86,000
- Total Distribution and fees totaled $1.5 million
- The Quasi fund had investment gains of $2.4 million

Quasi Endowment Review (Periods ended 12/31/2001)

Quasi I -- Invesco Balanced Composite

Quasi I	$'000	Qtr %	1 Yr %	3 Yrs %	5 Yrs %	Inception %
Invesco Balanced Composite (9/30/89)	46,073	5.1	0.5	3.0	9.5	10.6
*Balanced Benchmark**	--	*5.4*	*-1.3*	*3.3*	*9.9*	*10.6*

* 12/89 -- 6/97 40% S&P 500 60% Lehman Govt / Corp
9/97 -- 6/99 58% S&P 500 42% Lehman Govt / Corp
9/99 -- 6/01 50% S&P 500 50% Lehman Govt / Corp
9/01 -- 12/01 50% S&P 500 50% Lehman Aggregate

Quasi II -- Invesco Fixed Income Composite

Quasi II	$'000	Qtr %	1 Yr %	3 Yrs %	5 Yrs %	Inception %
Fixed Invesco (6/30/98)	59,863	0.2	7.1	5.2	--	5.9
*Custom Policy***	--	*0.0*	*8.3*	*5.8*	--	*6.5*
Reams Asset Management (9/30/01)	32,151	0.0	--	--	--	0.0
Lehman Aggregate	--	*0.0*	--	--	--	*0.0*
Fixed Quasi II Composite (9/30/01)	**92,014**	**0.1**	--	--	--	--
Lehman Aggregate	--	*0.0*	--	--	--	--

** 9/98 -- 6/01 100% Lehman Govt / Corp
9/98 -- 6/01 100% Lehman Aggregate

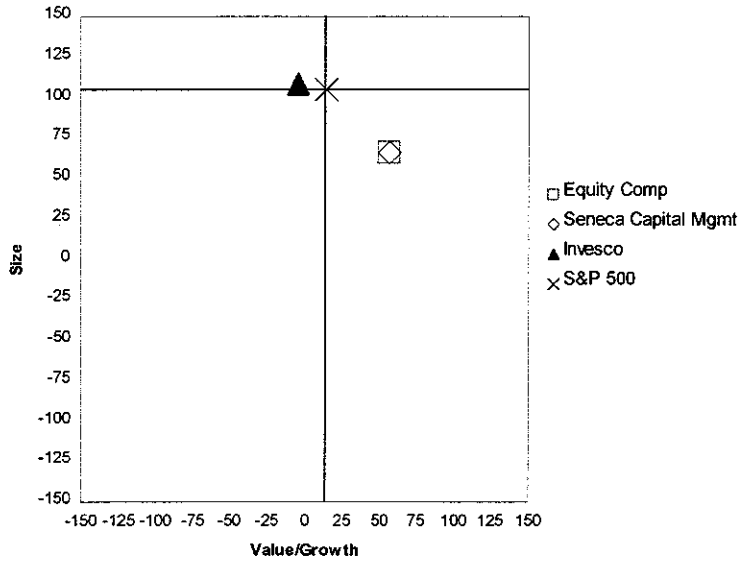
Domestic Equity Composite Review (Periods Ended 12/31/01)

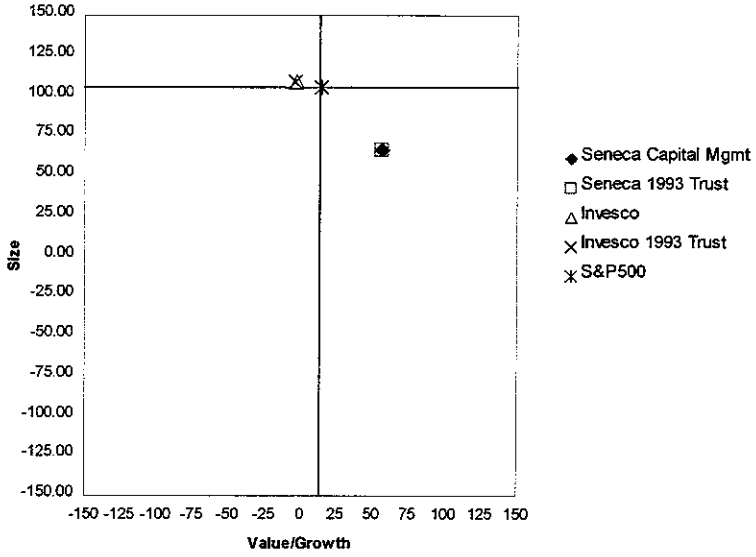
Manager Structure

University of Iowa	$'000	Qtr %	1 Year %	3 Years %	5 Years %	Inception %
Seneca Capital Mgmt. (6/30/95)	18,018	17.8	-24.5	8.7	14.6	16.9
Wilshire Mid Cap Growth	--	*22.3*	*-12.7*	*6.2*	*9.0*	*11.2*
S&P 400 Mid Cap	--	*18.0*	*-0.6*	*10.3*	*16.1*	*17.2*
S&P 500	--	*10.7*	*-11.9*	*-1.1*	*10.7*	*14.0*

Iowa State University	$'000	Qtr %	1 Year %	3 Years %	5 Years %	Inception %
Seneca Capital Mgmt. (6/30/95)	11,450	18.1	-25.4	9.6	15.2	17.1
Seneca 1993 Trust (6/30/95)	2,471	18.2	-25.3	8.9	15.0	17.2
Equity Composite (3/31/92)	**13,921**	**18.1**	**-25.3**	**9.5**	**15.0**	**14.1**
Wilshire Mid Cap Growth (3/31/92)	--	*22.3*	*-12.7*	*6.2*	*9.0*	*11.7*
S&P 500 (3/31/92)	--	*10.7*	*-11.9*	*-1.1*	*10.7*	*13.6*
S&P 400 Mid Cap (3/31/92)	--	*18.0*	*-0.6*	*10.3*	*16.1*	*15.5*

Style Map

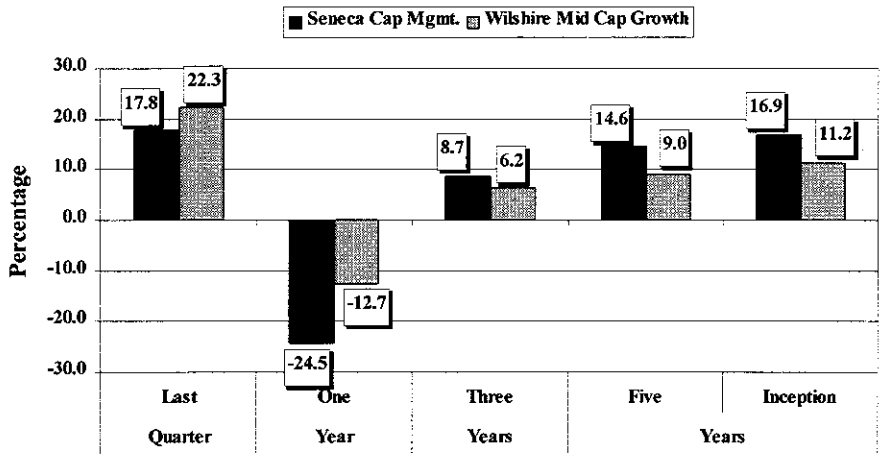




Domestic Equity Review-- Seneca Capital Management

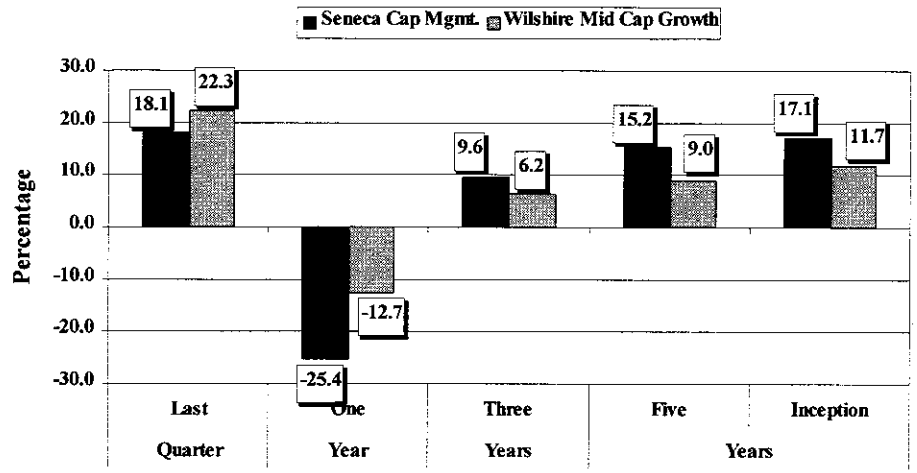
University of Iowa -- Value Added

(Vs. Wilshire Mid Cap Growth)



Iowa State University -- Value Added

(Vs. Wilshire Mid Cap Growth)



Attribution

- Stock selection's positive effect on the portfolio was offset by trading and timing, which contributed to this underperformance.
- Overweighting to the consumer non-durables sector and underweighting to the technology sector were primary contributors to the underperformance.
- Poor stock selection within finance and materials and services detracted from the portfolio's performance, however, stock selection within the technology sector had the largest positive effect.

Manager Overview

- **Style:** Middle Capitalization Growth Equity
- **Construction Process:** Capitalization weighted
- **Investment Philosophy:** Active - Bottom up
- **Selection Method:** Fundamental Earnings Forecast

International Equity Review (Periods ended 12/31/2001)

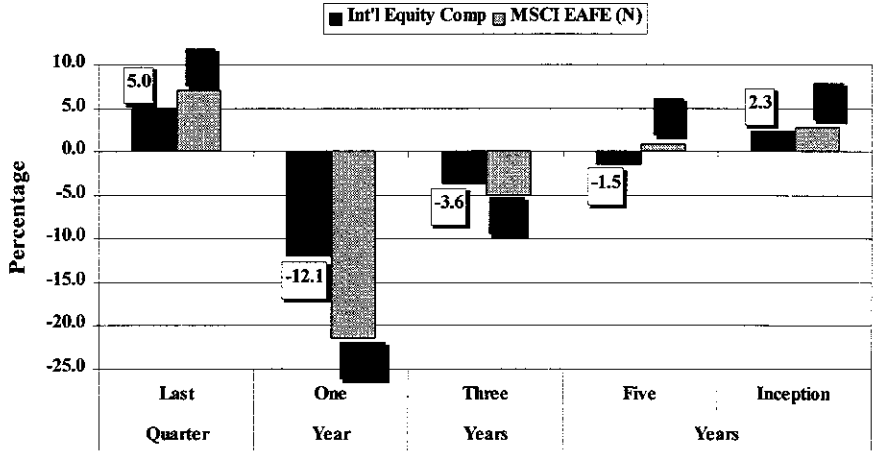
University of Iowa -- Manager Structure

University of Iowa	$'000	Qtr %	1 Yr %	3 Yrs %	5 Yrs %	Inception %
Alliance Bernstein (6/30/99)	4,704	5.0	-12.1	--	--	-3.8
MSCI EAFE Index (N)	--	*7.0*	*-21.5*	--	--	*-7.5*
Int'l Equity Composite (9/30/94)	**4,704**	**5.0**	**-12.1**	**-3.6**	**-1.5**	**2.3**
MSCI EAFE Index (N)	--	*7.0*	*-21.5*	*-5.0*	*0.9*	*2.8*

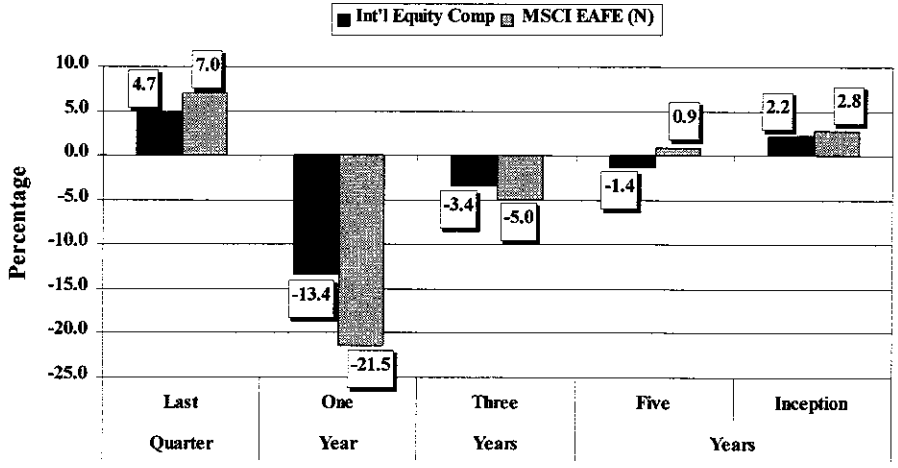
Iowa State University -- Manager Structure

Iowa State University	$'000	Qtr %	1 Yr %	3 Yrs %	5 Yrs %	Inception %
Alliance Bernstein (6/30/99)	6,147	4.7	-13.4	--	--	-3.5
MSCI EAFE Index (N)	--	*7.0*	*-21.5*	--	--	*-7.5*
Int'l Equity Composite (9/30/94)	**6,147**	**4.7**	**-13.4**	**-3.4**	**-1.4**	**2.2**
MSCI EAFE Index (N)	--	*7.0*	*-21.5*	*-5.0*	*0.9*	*2.8*

Value Added



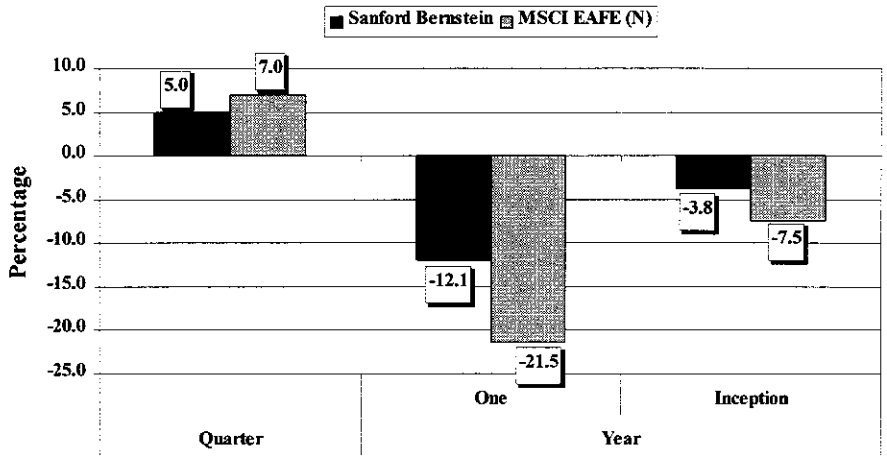
Value Added



International Equity Review-- Alliance Bernstein

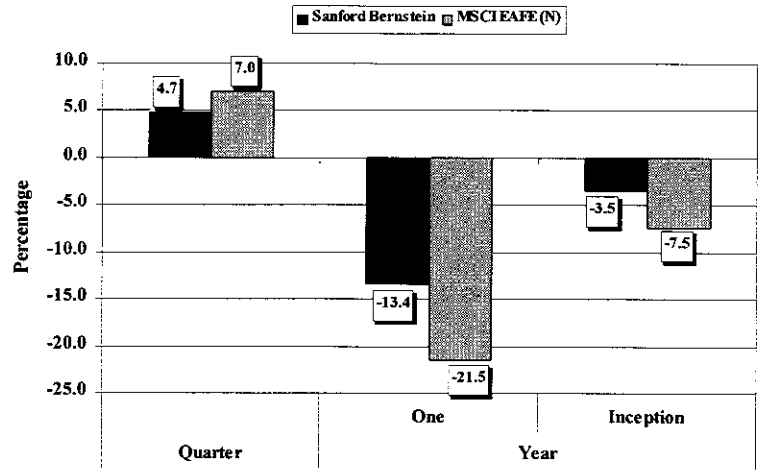
University of Iowa -- Value Added

(Vs. MSCI EAFE (N))



Iowa State University -- Value Added

(Vs. MSCI EAFE (N))



Attribution

- Alliance Bernstein underperformed the benchmark by 2.0% in the fourth quarter.
- Overweighting within Finland had the highest positive effect on the portfolio, whereas overweighting within Japan had the highest negative impact.
- Stock selection within Japan was the primary contributor to the underperformance.

Manager Overview

- **Style:** International Value Equity -- Un-hedged
- **Construction Process:** Optimization
- **Investment Philosophy:** Active - Bottom up
- **Selection Method:** Fundamental Earnings Forecast

Balanced Composite Review (Periods Ended 12/31/01)

University of Iowa -- Manager Structure

University of Iowa	$'000	Qtr %	1 Yr %	3 Yrs %	5 Yrs %	Inception %
Invesco (Endowment) (3/31/89)	**69,207**	**6.0**	**-0.4**	**2.0**	**8.9**	**10.5**
Equity	44,200	9.6	-6.2	-0.6	10.6	13.0
Fixed Income	23,237	0.1	8.5	5.6	7.2	8.6
Cash and Equiv	1,770	1.0	4.9	6.0	5.8	5.6
Invesco (Quasi I) (9/30/89)	**46,073**	**5.1**	**0.5**	**3.0**	**9.5**	**10.6**
Equity	25,309	9.6	-6.4	-0.7	10.4	12.5
Fixed Income	19,766	0.2	8.3	5.5	7.2	8.1
Cash and Equiv	998	0.8	4.6	5.2	5.3	--
Balanced Composite (3/31/89)	**--**	**6.0**	**-0.4**	**2.0**	**8.9**	**10.5**
*Balanced Custom Benchmark***	--	*6.2*	*-3.0*	*2.3*	*9.2*	*11.0*
S&P 500	--	*10.7*	*-11.9*	*-1.1*	*10.7*	*13.9*
Lehman Aggregate	--	*0.0*	*8.4*	*6.3*	*7.4*	*8.6*

** 6/89 -- 6/97 40% S&P500 60% Lehman Govt / Corp
9/97 -- 6/01 58% S&P500 42% Lehman Govt / Corp
9/01 -- 12/01 58% S&P500 42% Lehman Aggregate

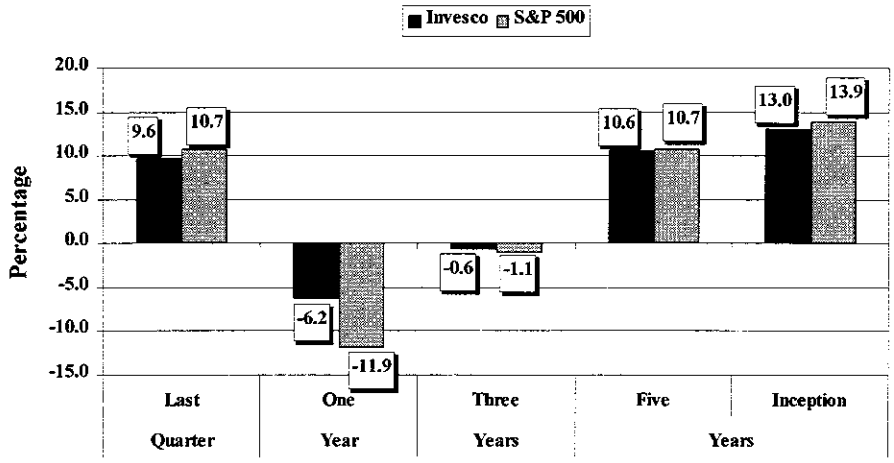
Iowa State University -- Manager Structure

Iowa State University	$'000	Qtr %	1 Yr %	3 Yrs %	5 Yrs %	Inception %
Invesco (Endowment) (3/31/89)	**55,920**	**5.9**	**-0.4**	**2.1**	**9.0**	**10.6**
Equity	35,224	9.7	-6.2	-0.7	10.5	12.9
Fixed Income	18,514	0.1	8.0	5.4	7.0	8.6
Cash and Equiv	2,182	0.9	4.7	5.7	5.6	5.5
Invesco (1993 Trust) (3/31/94)	**13,194**	**6.0**	**-0.1**	**2.1**	**8.9**	**11.1**
Equity	8,241	9.5	-6.2	-1.1	10.2	14.5
Fixed Income	4,308	0.2	8.3	5.6	7.2	7.6
Cash and Equiv	645	1.2	5.5	5.6	5.5	--
Balanced Composite (3/31/89)	**69,114**	**6.0**	**-0.4**	**2.1**	**9.0**	**10.6**
*Balanced Custom Benchmark***	--	*6.2*	*-3.0*	*2.3*	*9.2*	*11.0*
S&P 500	--	*10.7*	*-11.9*	*-1.1*	*10.7*	*13.9*
Lehman Aggregate	--	*0.0*	*8.4*	*6.3*	*7.4*	*8.6*

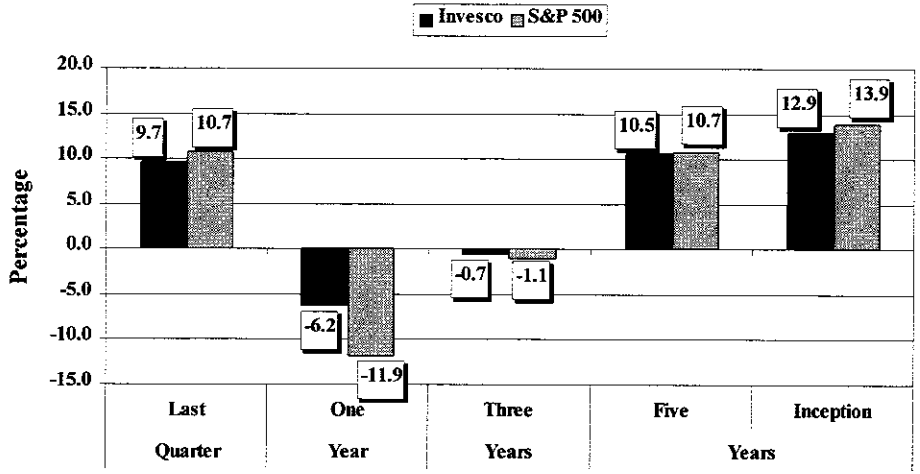
** 6/89 -- 6/97 40% S&P500 60% Lehman Govt / Corp
9/97 -- 6/01 58% S&P500 42% Lehman Govt / Corp
9/01 -- 12/01 58% S&P500 42% Lehman Aggregate

Balanced Composite Review -- Invesco Equity

University of Iowa -- Value Added (S&P 500)



Iowa State University -- Value Added (S&P 500)



Attribution

- The equity component of the balanced composite underperformed the benchmark during the fourth quarter.
- Stock selection within the consumer non-durables and utilities sectors had the most negative impact on the portfolio.
- An overweighting to the materials and services sector added value to the portfolio.

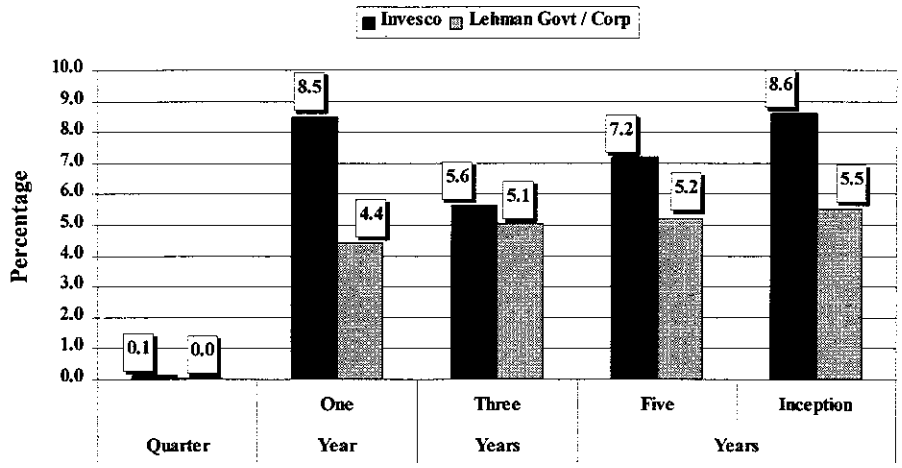
Manager Overview

- **Style:** Large Value
- **Construction Process:** Equal Weighted Securities
- **Investment Philosophy:** Active - Bottom up
- **Selection Method:** Quantitative Valuation

Balanced Composite Review -- Invesco Fixed Income

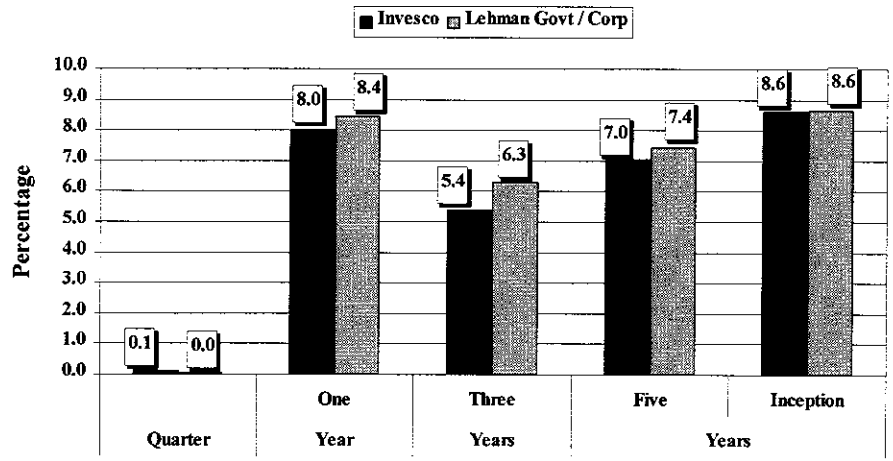
University of Iowa -- Value Added

(Vs. Lehman Aggregate)



Iowa State University -- Value Added

(Vs. Lehman Aggregate)



Attribution

- The Invesco fixed income portion of the balanced composite closely tracked the benchmark in the fourth quarter.
- 79% of the bonds within the fixed income portion of the balanced composite will mature between one and ten years.

Manager Overview

- **Style:** Market Core
- **Construction Process:** Optimization
- **Investment Philosophy:** Active - Bottom up
- **Selection Method:** Quantitative and Qualitative valuation