



# Board of Regents, State of Iowa

Executive Summary of Investment Performance  
Quarter Ending March 31, 2007

# Market Review (Periods Ending March 31, 2007)

## *Market Observations*

The Federal Reserve continued to keep rates constant at 5.25% during the 1st quarter of 2007. The yield on the 10-year Treasury dropped narrowly from 4.71% to 4.65% despite hitting a high of 4.91% and low of 4.51% during the quarter.

Real GDP growth rebounded to 2.5% in the 4th quarter of 2006, up from 2.0% during the 3rd quarter. GDP grew at an annual rate of 3.3% in 2006 (vs. 3.2% in 2005, 3.9% in 2004, and 2.5% in 2003).

Since peaking at 2.9% in Sept. 2006, core CPI has stabilized at a more moderate 2.6% to 2.7% level from Oct. 2006 through Feb. 2007. Energy prices realized renewed volatility as a barrel of crude oil traded below \$53 in mid Jan. before spiking to the high \$60's in late March, closing the quarter at \$65.7.

Job growth slowed a bit in the first two months of 2006, with an estimated 146,000 and 97,000 jobs created in Jan. and Feb respectively.

Data signals received from the housing market have been mixed. Existing home sales for Feb. hit their highest seasonally-adjusted level since April 2006. However, sales of new homes in Feb. declined for a second consecutive month, suggesting that a bottom in housing may not yet have been reached.

## *US Stock Market*

Despite experiencing its worst single day sell-off in nearly four years in late February, the U.S. stock market, as measured by the DJ Wilshire 5000, returned 1.40% during the first quarter of 2007. The -3.40% drop on February 27th served as a stark reminder of market risk and contributed to a -1.58% return in February, which marked only the second down month since July 2006 and the first since May to exceed a -0.12% decline.

Small capitalization stocks out-paced large stocks by a wide margin during the quarter with the DJW Small Cap index up 3.81% versus 1.07% for the DJW Large Cap index. Micro Cap stocks held up surprisingly well during February's turbulence, as they posted a 0.20% return for the month and finished the quarter up 1.59%. Growth stocks showed impressive strength for the quarter, especially in the small cap segment, chipping away at some of the relative performance it had surrendered to value stocks in recent years. For the quarter, the DJW Large and Small Growth indexes were up 1.26% and 4.68%, respectively, versus 0.93% and 2.96% for the DJW Large and Small Value indexes, respectively. Looking back over the past year however, value still dominates growth by a wide margin across both size universes.

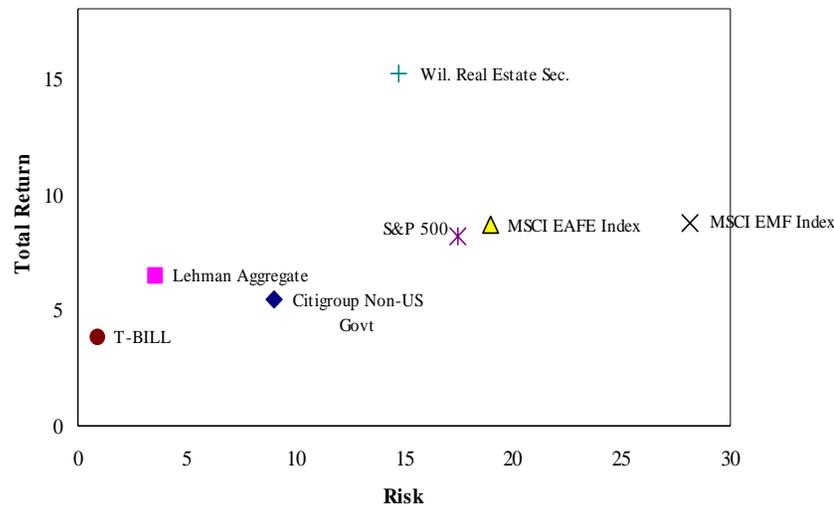
A growing level of defaults in the sub-prime loan market fueled concerns regarding a potential tightening of liquidity, helping to pressure the Financials industry lower by - 2.42%.

# Capital Markets Review (Periods Ending March 31, 2007)

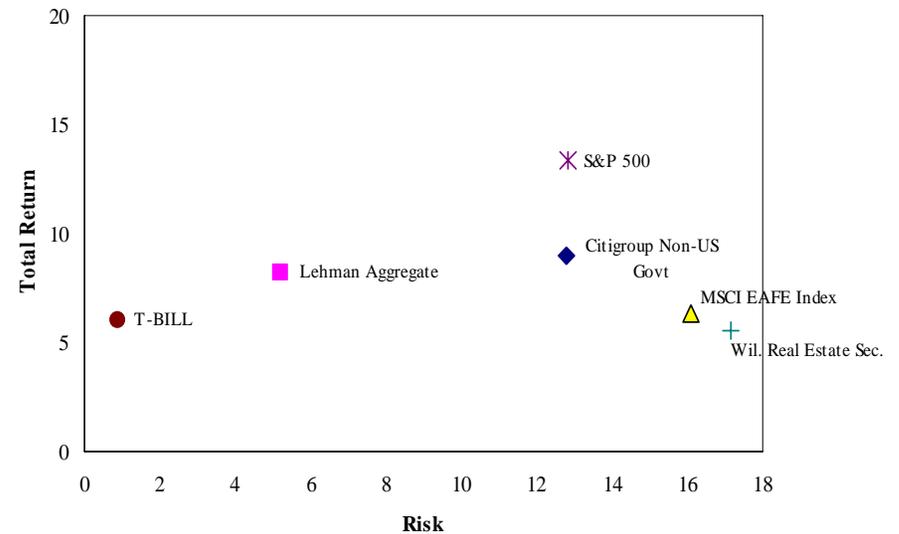
## Major Asset Class Returns (%)

	QTR	1 yr	3 yr	5 yr	10yr
<b>Equity</b>					
Dow Jones - Wilshire 5000	1.4	11.3	11.0	7.7	8.7
Standard and Poor's 500	0.7	11.9	10.1	6.3	8.2
International Stock (MSCI EAFE)(USD)	4.1	20.2	19.8	15.8	8.3
Emerging Markets (MSCI EMF)(USD)	2.4	21.0	28.0	24.8	8.8
Dow Jones - Wilshire Real Estate Securities	3.7	22.0	24.4	22.8	15.2
<b>Fixed Income</b>					
Lehman Aggregate Bond	1.5	6.6	3.3	5.4	6.5
First Boston High Yield	3.0	11.9	8.7	11.2	7.3
International Bonds (Citigroup Non-US)	1.1	8.3	2.7	10.2	5.4
Treasury Bills (91 Day)	1.2	5.1	3.4	2.6	3.8
<b>Consumer Price Index</b>					
	1.8	2.8	3.1	2.8	2.5

*Risk versus Return (3/31/97 - 3/31/07)*



*Risk versus Return (3/31/87 - 3/31/97)*

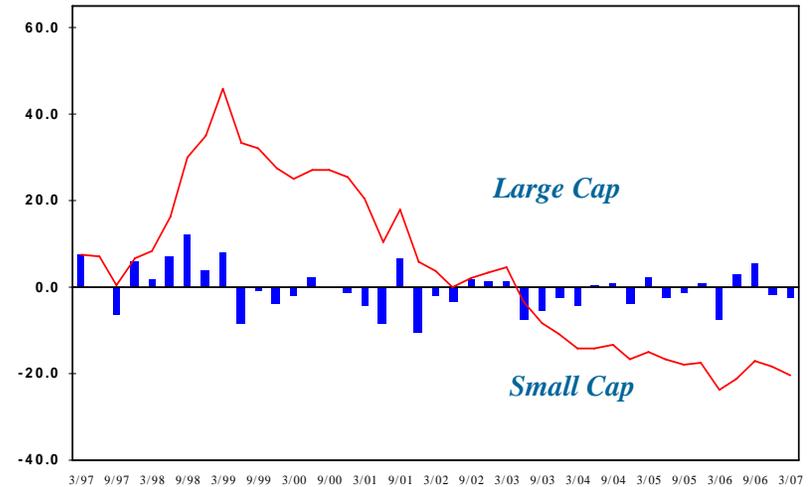


# Domestic Equity Markets (Periods Ending March 31, 2007)

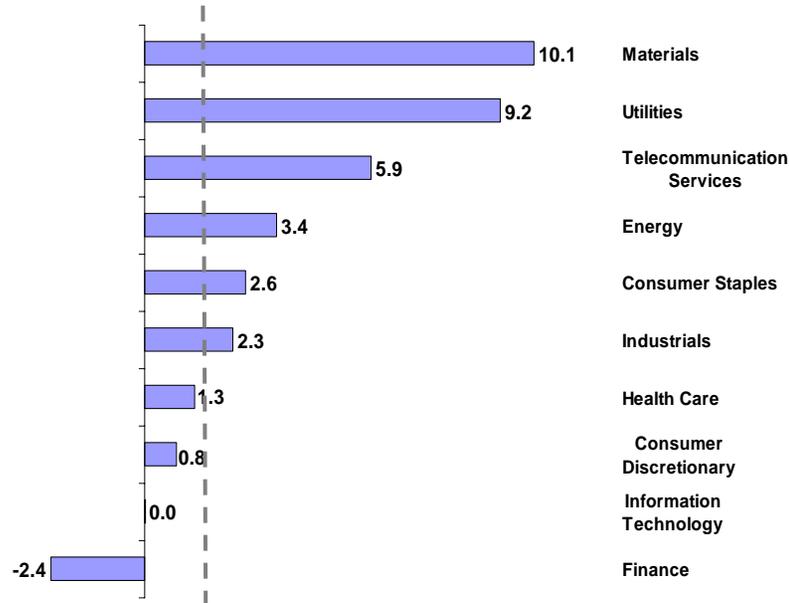
## US Equity Returns (%)

	QTR	1 yr	3 yr	5 yr	10yr
DJ Wilshire 4500	4.1	9.6	13.8	12.6	10.5
DJ Wilshire 5000	1.4	11.3	11.0	7.7	8.7
DJ Wilshire Real Est. Secs	3.7	22.0	24.4	22.8	15.2
DJ Wilshire Large Cap	1.1	12.1	10.8	7.0	8.5
DJ Wilshire Mid Cap	5.1	9.8	14.1	11.9	11.9
DJ Wilshire Small Cap	3.8	7.8	13.6	12.8	11.8
DJ Wilshire Micro Cap	1.6	2.5	8.8	17.3	14.8
DJ Wilshire Large Growth	1.3	6.8	8.3	4.7	6.2
DJ Wilshire Large Value	0.9	17.2	13.1	9.3	10.3
DJ Wilshire Mid Growth	5.1	7.1	15.4	12.1	8.8
DJ Wilshire Mid Value	5.2	12.9	12.8	11.4	13.4
DJ Wilshire Small Growth	4.7	4.5	13.5	11.4	8.7
DJ Wilshire Small Value	3.0	10.9	13.6	14.0	13.9

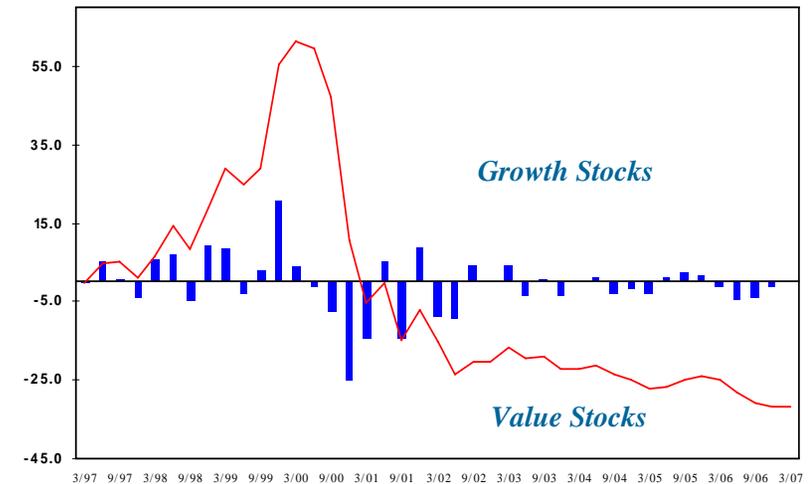
## Large Cap Vs. Small Cap



## DJ Wilshire 5000 Sector Returns (%)



## Growth Stocks Vs. Value Stocks



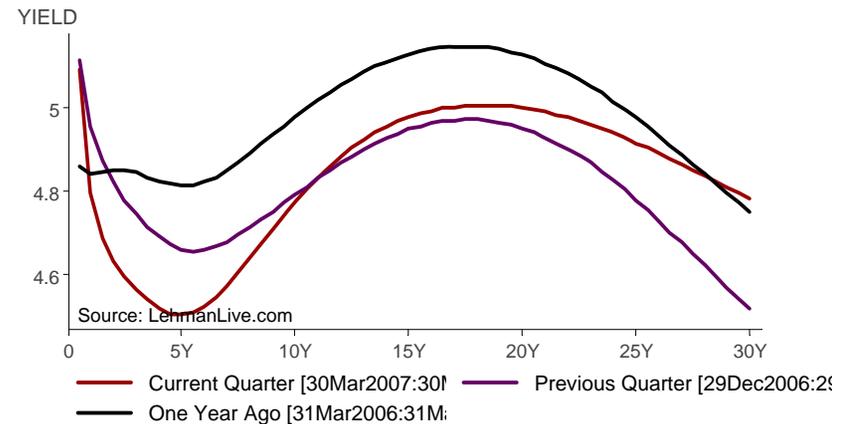
--- Represents DJ Wilshire 5000 Quarterly Return

# Domestic Fixed Income Markets (Periods Ending March 31, 2007)

## US Fixed Income Returns (%)

	QTR	YTD	1 yr	3 yr	5 yr	10yr
Lehman Aggregate	1.5	1.5	6.6	3.3	5.4	6.5
Lehman ABS	1.4	1.4	5.9	3.0	4.7	6.1
Lehman Credit	1.5	1.5	7.1	3.2	6.3	6.8
Lehman Gov't	1.5	1.5	5.9	2.7	5.1	6.2
Lehman Gov / Credit	1.5	1.5	6.4	2.9	5.6	6.5
Lehman Long Treasury	1.1	1.1	6.8	3.9	7.5	8.1
Lehman Mortgage	1.6	1.6	6.9	4.1	5.0	6.3
Lehman Agency	1.4	1.4	6.1	2.9	5.0	6.3
First Boston High Yield	3.0	3.0	11.9	8.7	11.2	7.3
Salomon Bros World Gov't Bond	1.2	1.2	7.8	2.7	9.0	5.8
Salomon Bros Non-US Bond	1.1	1.1	8.3	2.7	10.2	5.4
Lehman US TIPS	2.5	2.5	5.3	3.0	7.4	

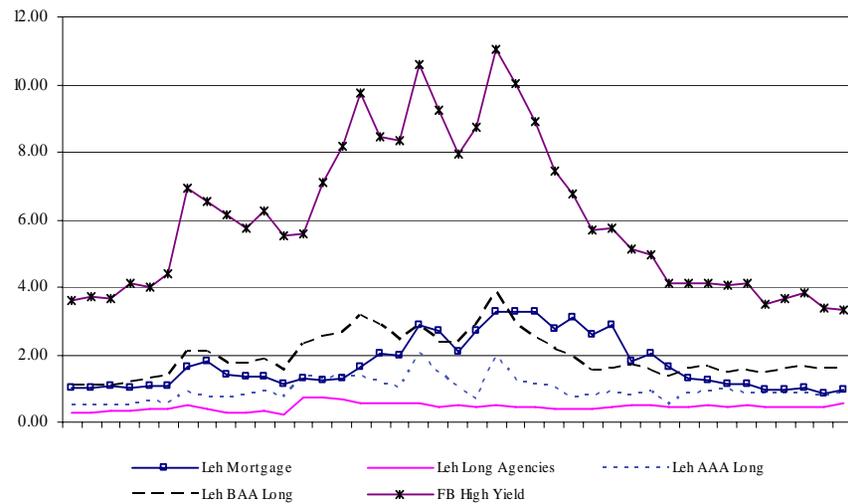
## Treasury Yield Curve



## Market Commentary

The Federal Open Market Committee (FOMC) continued to leave short term interest rates unchanged at the end of the first quarter as it kept the federal funds rate at 5.25% while the yield on the 10-year Note continued to experience some notable volatility but finished the quarter at 4.65, six basis points lower than where it ended last quarter. While the spread between the 10-year Note and the 91-day T-Bill widened by 8 basis points to 39 basis points from last quarter, the sub-prime turmoil had a large impact on the spreads of mortgage backed securities as investors flocked away from the sector towards higher rated bonds. The FOMC noted in their March statement that core inflation remains somewhat elevated and the high level of resource utilization has the potential to sustain those inflationary pressures.

## Historical Yield Spread Comparison to Treasuries



# International Equity Markets (Periods Ending March 31, 2007)

## International Index Returns (%)

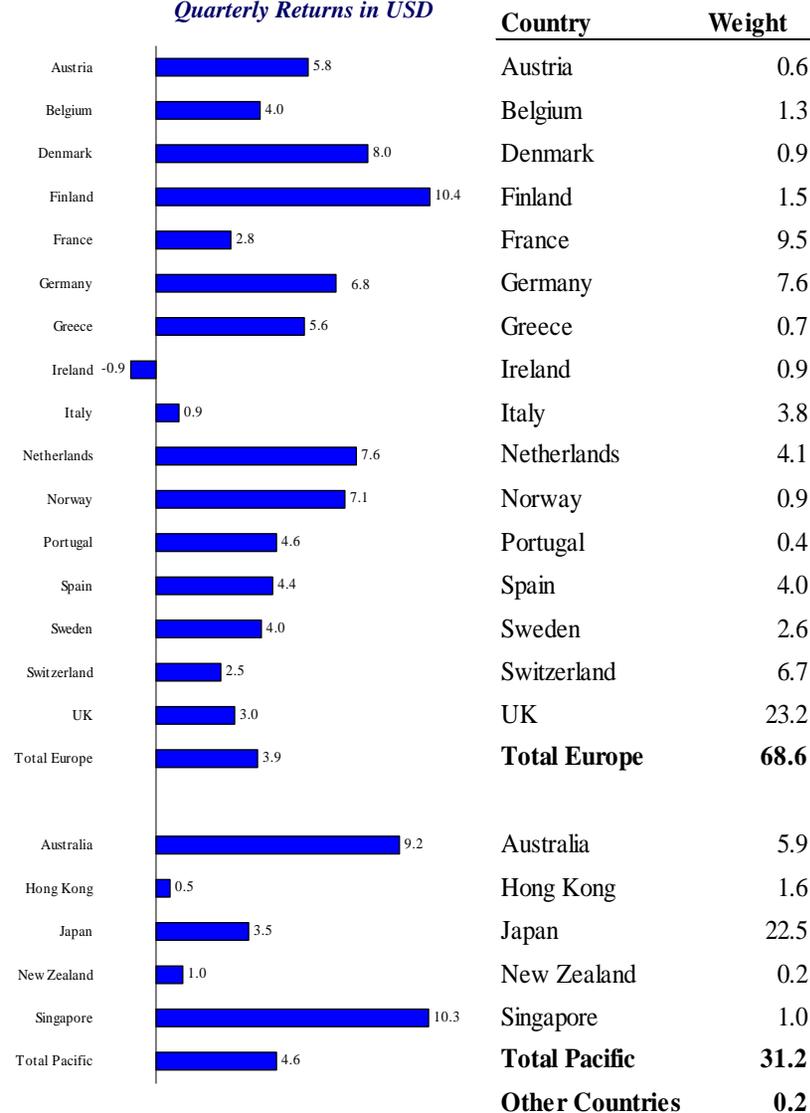
Equity (in U.S. \$)	QTR	1 yr	3 yr	5 yr	10yr
Non U.S. (ACWI X U.S)	3.8	20.3	21.4	17.4	9.0
Developed (EAFE)	4.1	20.2	19.8	15.8	8.3
Emerging (EMF)	2.4	21.0	28.0	24.8	8.8
Europe	3.9	25.4	22.1	15.8	10.4
Pacific	4.6	10.0	14.9	16.0	4.8
France	2.8	22.1	21.8	14.9	11.1
Germany	6.8	27.6	24.8	14.8	8.4
Japan	3.5	3.0	11.6	14.0	3.8
United Kingdom	3.0	24.2	19.3	14.2	9.0
<b>Currencies (% change)</b>					
Euro vs Dollar	1.0	10.0	2.7	8.8	--
Yen vs Dollar	0.9	-0.1	-4.1	2.3	0.5
Pound vs Dollar	0.2	13.1	2.2	6.6	1.8

## Market Commentary

Similar to the U.S. equity market, the non-U.S. equity market experienced some notable volatility during the first quarter of 2007. The non-U.S. equity market ended the first quarter with a 3.75% advance as the availability of abundant liquidity came into question during the quarter. Until the late-February sell-off, the availability of abundant liquidity combined with the low volatility environment, allowed many market participants to keep their “yen-carry trade” going. In this trade, yield hungry participants borrow a low yielding currency, in this case the Japanese yen, convert it into a higher yielding currency, in this case the U.S. dollar, and buy a bond for the equivalent amount. As long as the exchange rate does not change between the two countries, the “yen-carry” trader stands to make a profit of approximately 4.5% (US bond yield: ~4.5% - Japanese bond yield: ~0.0%). It was estimated that as much as \$1 trillion may be staked on the “yen-carry trade.” The return of volatility in late February was also the result of some unwinding of this trade and thus caused a 0.94% windfall for unhedged U.S. investors as traders sold dollars and bought back their borrowed yen positions. Although emerging markets bounced back from the February sell-off and led the way in March with a 3.98% USD based advance, it lagged the field during the quarter.

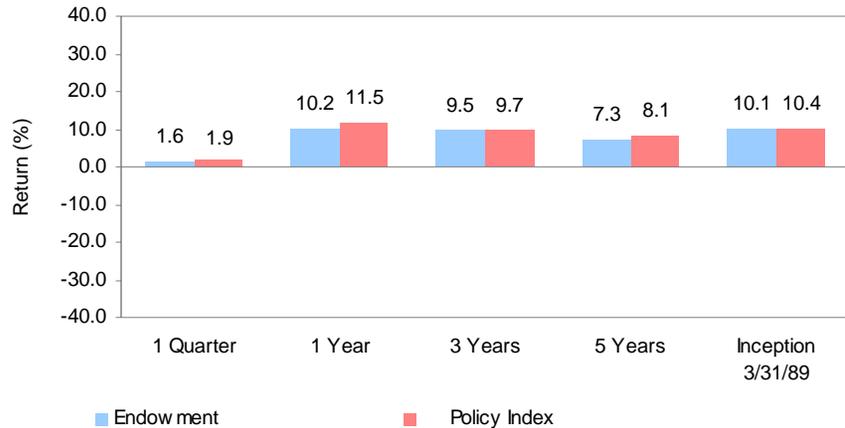
## MSCI EAFE Index

### Quarterly Returns in USD

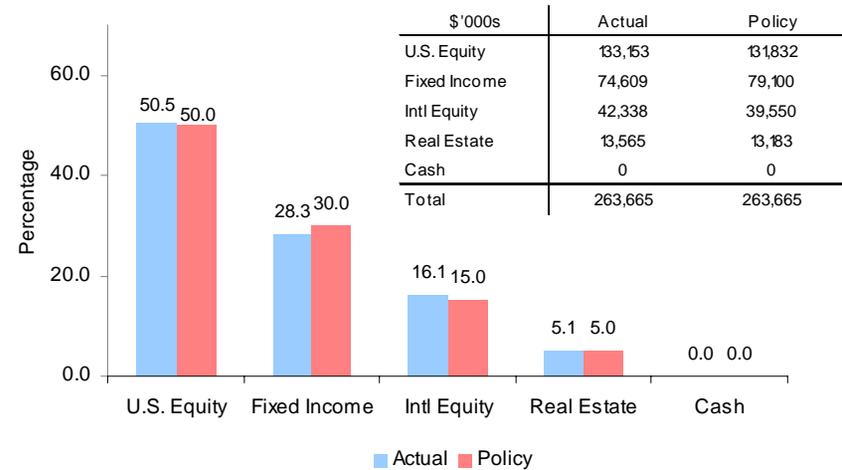


# Total Fund Results

## Investment Performance



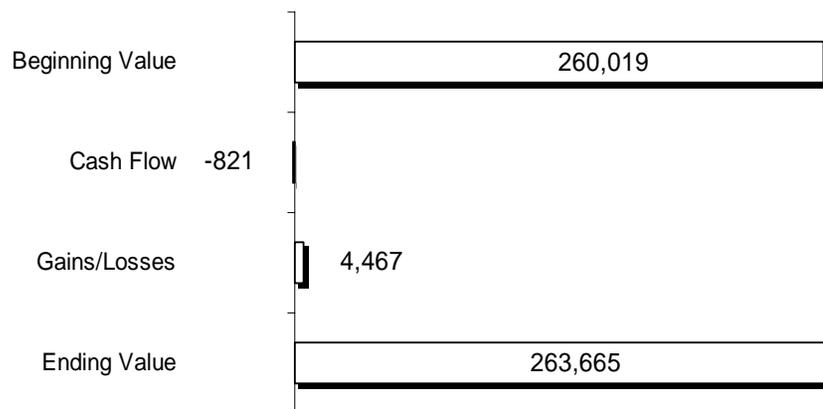
## Asset Allocation vs. Policy



	\$'000s	Actual	Policy
U.S. Equity		133,153	131,832
Fixed Income		74,609	79,100
Intl Equity		42,338	39,550
Real Estate		13,565	13,183
Cash		0	0
<b>Total</b>		<b>263,665</b>	<b>263,665</b>

## Quarter Results

(\$'000)



- The University of Iowa Endowment assets totaled \$263.7 million at the close of the first quarter
- During the quarter, investment gains totaled \$4.5 million
- Contributions totaled \$0.6 million
- Distributions and fees totaled \$1.5 million.
- The Endowment fund returned 1.56% for the first quarter, underperforming the benchmark by 0.38%.

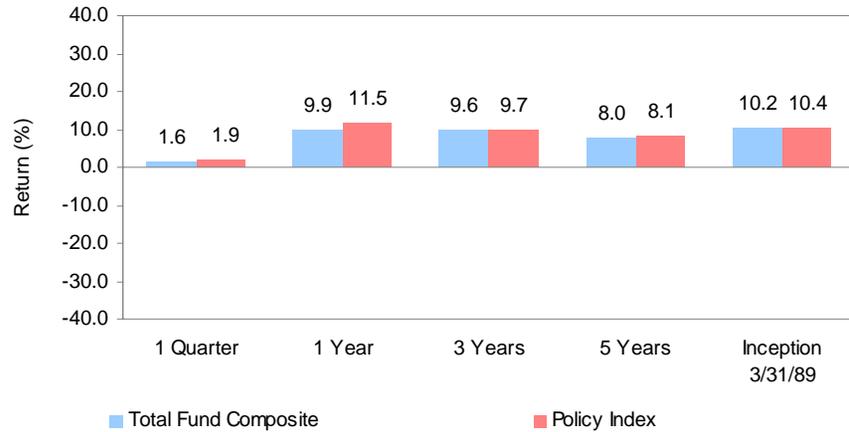
(Periods Ending March 31, 2007)

Note: At the direction of the Board of Regents, slight adjustments have been made to composite market values to account for rounding.

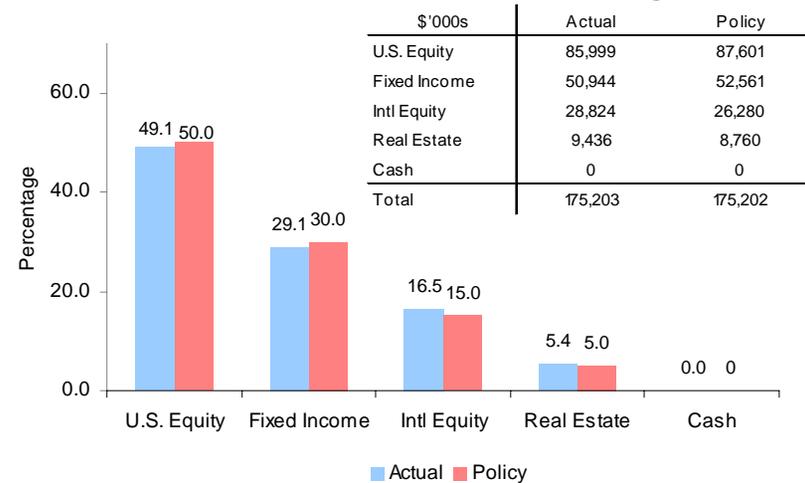
# Total Fund Results

## Iowa State University

### Investment Performance

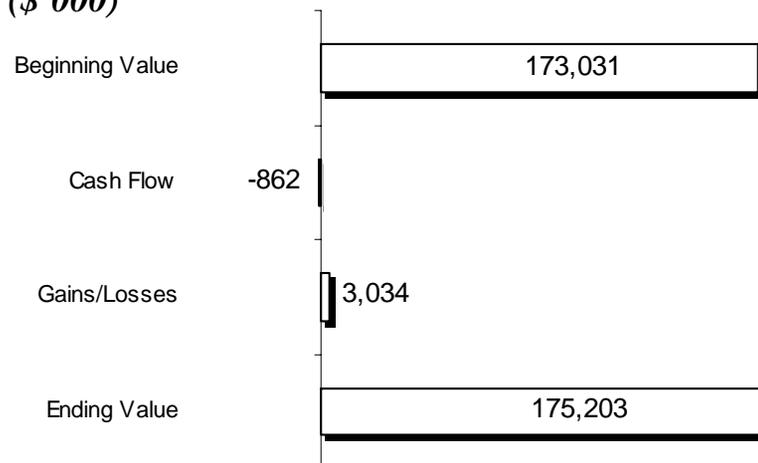


### Asset Allocation vs. Policy



### Quarter Results

(\$'000)



- The Iowa State Endowment assets totaled \$175.2 million at the close of the first quarter
- During the quarter, investment gains totaled \$3.0 million
- Total contributions were \$0.6 million
- Total fees and distributions were \$1.5 million
- The Endowment fund returned 1.59% for the first quarter, underperforming the benchmark by 0.35%

(Periods Ending March 31, 2007)

Note: At the direction of the Board of Regents, slight adjustments have been made to composite market values to account for rounding.

# Total Fund Results

## University of Iowa

	\$'000	Qtr %	1 Yr %	3 Yrs %	5 Yrs %	Inception %
Domestic Equity Composite (3/31/89) <i>Dow Jones Wilshire 5000</i>	131,578	0.7 1.4	8.4 11.3	10.3 11.0	5.7 7.7	11.5 11.5
Fixed Income Composite (3/31/89) <i>Custom Policy*</i>	74,609	1.7 1.5	7.4 6.6	3.7 3.3	5.2 5.4	7.5 7.6
Int'l Equity Composite (9/30/94) <i>MSCI EAFE (N)</i>	42,338	3.8 4.1	19.7 20.2	20.3 19.8	19.0 15.8	8.8 7.8
Real Estate Composite (12/31/05) <i>NCREIF Property Index</i>	13,565	2.8 3.6	15.9 16.6	-- --	-- --	18.8 16.3
Private Equity Composite (12/31/06) <i>Dow Jones Wilshire 5000</i>	1,575	-2.8 1.4	-- --	-- --	-- --	-2.8 1.4
<b>Total Endowment (3/31/89)</b> <i>Policy Index*</i>	<b>263,665</b>	<b>1.6</b> 1.9	<b>10.2</b> 11.5	<b>9.5</b> 9.7	<b>7.3</b> 8.1	<b>10.1</b> 10.4

## Iowa State

	\$'000	Qtr %	1 Yr %	3 Yrs %	5 Yrs %	Inception %
Domestic Equity Composite (3/31/89) <i>Wilshire 5000</i>	85,015	0.7 1.4	7.9 11.3	10.2 11.0	5.5 7.7	11.2 11.5
Fixed Composite (3/31/89) <i>Custom Policy*</i>	50,944	1.7 1.5	7.3 6.6	3.8 3.3	5.3 5.4	6.9 7.6
Int'l Equity Composite (9/30/94) <i>MSCI EAFE (N)</i>	28,824	3.8 4.1	19.7 20.2	20.3 19.8	18.3 15.8	8.6 7.8
Real Estate Composite (12/31/05) <i>NCREIF Property Index</i>	9,436	2.8 3.6	15.9 16.6	-- --	-- --	18.8 16.3
Private Equity Composite (12/31/06) <i>Dow Jones Wilshire 5000</i>	984	-2.8 1.4	-- --	-- --	-- --	-2.8 1.4
<b>Total Endowment (3/31/89)</b> <i>Policy Index*</i>	<b>175,203</b>	<b>1.6</b> 1.9	<b>9.9</b> 11.5	<b>9.6</b> 9.7	<b>8.0</b> 8.1	<b>10.2</b> 10.4

(Periods Ending March 31, 2007)

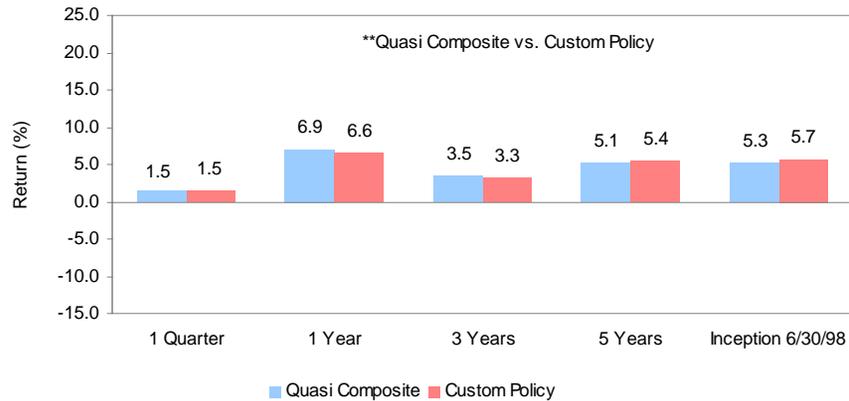
Note: At the direction of the Board of Regents, slight adjustments have been made to composite market values to account for rounding.

\*Please see Glossary for policy specifications.

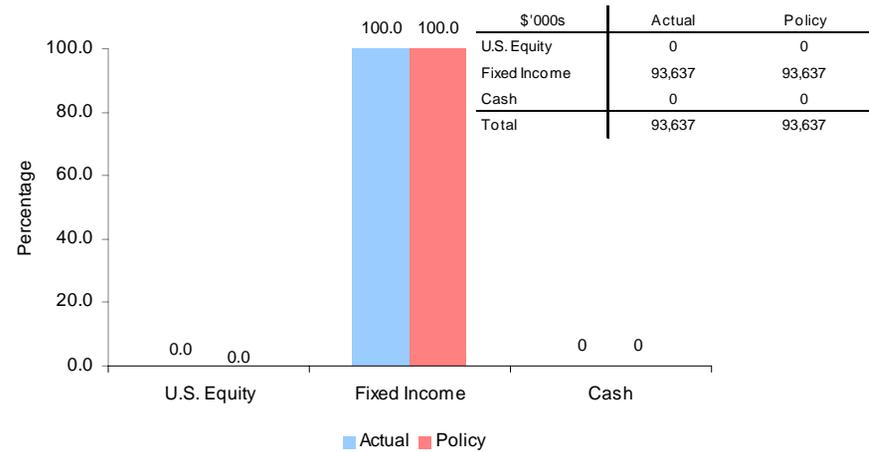
# Total Fund Results

## University of Iowa Quasi

### Investment Performance

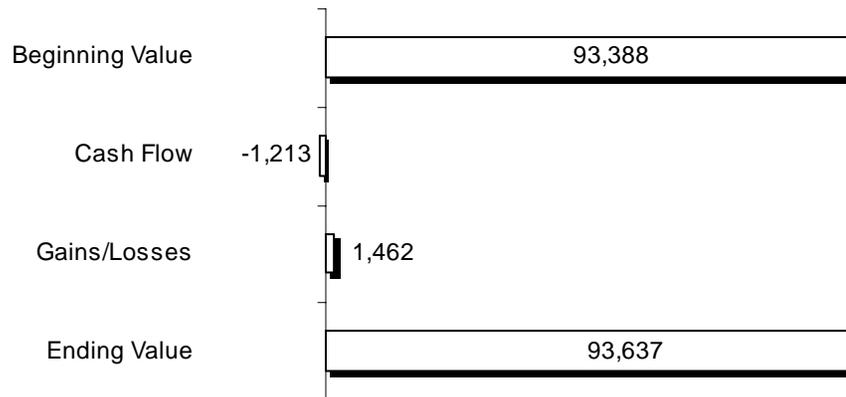


### Asset Allocation vs. Policy



### Quarter Results

(\$'000)



- The Quasi Endowment portfolio returned 1.48% during the first quarter, underperforming the benchmark by 0.02%
- The Quasi total fund has total assets of \$93.6 million
- There were no contributions this quarter
- Total distributions and fees totaled \$1.21 million
- The Quasi fund had investment gain of \$1.5 million

(Periods Ending March 31, 2007)

Note: At the direction of the Board of Regents, slight adjustments have been made to composite market values to account for rounding.

# Quasi Endowment Review

	\$'000	Investment Fee \$'000	Comp %	Qtr %	1 Yr %	3 Yrs %	5 Yrs %	Inception %
Dodge & Cox (3/31/04)	47,986	54	51.2%					
Gross of Fee Return				1.6	7.2	3.9	--	3.9
Net of Fee Return				1.4	6.7	3.5	--	3.5
<i>Lehman Aggregate</i>				1.5	6.6	3.3	--	3.3
Reams Asset Management Quasi (9/30/01)	45,651	28	48.8%					
Gross of Fee Return				1.6	7.4	3.8	5.2	4.8
Net of Fee Return				1.5	7.1	3.5	4.9	4.6
<i>Lehman Aggregate</i>				1.5	6.6	3.3	5.4	4.9
<b>Quasi Composite (6/30/98)</b>	<b>93,637</b>	<b>82</b>	<b>100%</b>	<b>1.5</b>	<b>6.9</b>	<b>3.5</b>	<b>5.1</b>	<b>5.3</b>
<i>Custom Policy*</i>				1.5	6.6	3.3	5.4	5.7

(Periods Ending March 31, 2007)

Note: At the direction of the Board of Regents, slight adjustments have been made to composite market values to account for rounding.

\*Please see Glossary for policy specifications.

# Domestic Equity Composite Review

## Manager Returns – University of Iowa

University of Iowa	\$'000	Investment Fee \$'000	Comp %	Qtr %	1 Year %	3 Years %	5 Years %	Inception %
<b>Goldman Sachs Large Cap (3/31/05)</b>	52,840	50	40.2%					
Gross of Fee Return				0.1	10.2	--	--	13.3
Net of Fee Return				0.0	9.8	--	--	12.8
<i>S&amp;P 500</i>				0.7	11.9	--	--	11.8
<b>Lotsoff Large Cap Equity (3/31/05)</b>	52,811	47	40.1%					
Gross of Fee Return				0.6	10.3	--	--	12.0
Net of Fee Return				0.5	9.9	--	--	11.6
<i>S&amp;P 500</i>				0.7	11.9	--	--	11.8
<b>LSV Asset Mgmt (6/30/02)</b>	13,563	23	10.3%					
Gross of Fee Return				4.8	11.4	13.8	--	13.7
Net of Fee Return				4.6	10.6	13.0	--	13.0
<i>Russell 2500 Value</i>				3.1	12.2	15.2	--	16.0
<b>Artisan Small Cap Growth (3/31/05)</b>	12,364	35	9.4%					
Gross of Fee Return				0.7	-3.7	--	--	11.0
Net of Fee Return				0.4	-4.7	--	--	9.9
<i>Russell 2000 Growth</i>				2.5	1.6	--	--	13.9
<b>Domestic Equity Composite (3/31/89)</b>	<b>131,578</b>	<b>155</b>	<b>100.0%</b>	<b>0.7</b>	<b>8.4</b>	<b>10.3</b>	<b>5.7</b>	<b>11.5</b>
<i>Wilshire 5000</i>				1.4	11.3	11.0	7.7	11.5

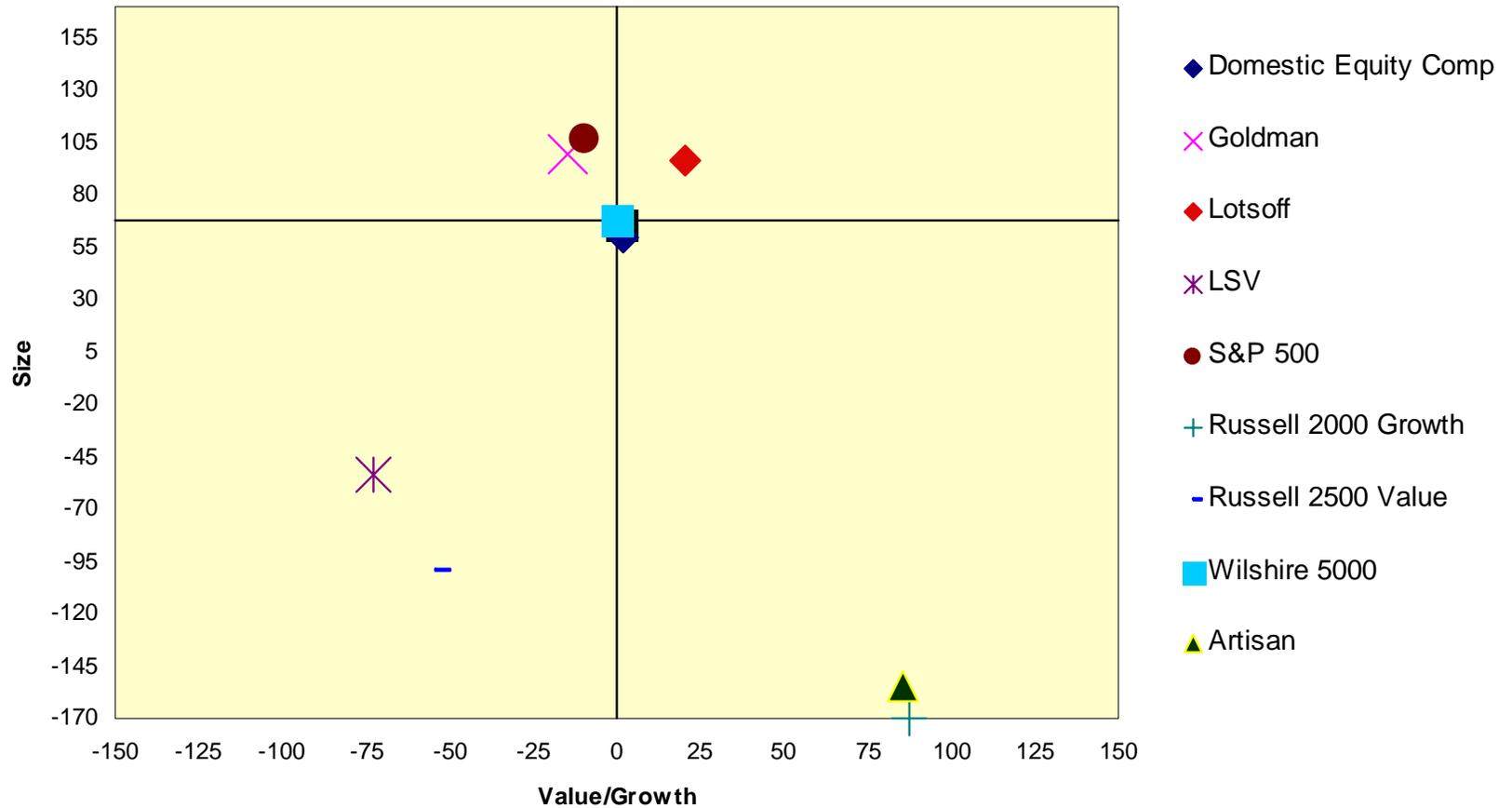
## Manager Returns – Iowa State University

Iowa State University	\$'000	Investment Fee \$'000	Comp %	Qtr %	1 Year %	3 Years %	5 Years %	Inception %
<b>Goldman Sachs Large Cap (3/31/05)</b>	32,846	34	38.6%					
Gross of Fee Return				0.0	9.3	--	--	12.3
Net of Fee Return				-0.1	8.9	--	--	11.9
<i>S&amp;P 500</i>				0.7	11.9	--	--	11.8
<b>Lotsoff Large Cap Equity (3/31/05)</b>	32,987	29	38.8%					
Gross of Fee Return				0.6	10.2	--	--	12.0
Net of Fee Return				0.5	9.9	--	--	11.7
<i>S&amp;P 500</i>				0.7	11.9	--	--	11.8
<b>LSV Asset Mgmt (6/30/02)</b>	9,736	17	11.5%					
Gross of Fee Return				5.0	11.6	14.4	--	14.1
Net of Fee Return				4.8	10.8	13.6	--	13.4
<i>Russell 2500 Value</i>				3.1	12.2	15.2	--	16.0
<b>Artisan Small Cap Growth (3/31/05)</b>	9,446	27	11%					
Gross of Fee Return				0.7	-3.7	--	--	10.9
Net of Fee Return				0.4	-4.7	--	--	9.9
<i>Russell 2000 Growth</i>				2.5	1.6	--	--	13.9
<b>Domestic Equity Composite (3/31/89)</b>	<b>85,015</b>	<b>107</b>	<b>100.0%</b>	<b>0.7</b>	<b>7.9</b>	<b>10.2</b>	<b>5.5</b>	<b>11.2</b>
<i>Wilshire 5000</i>				1.4	11.3	11.0	7.7	11.5

(Periods Ending March 31, 2007)

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# Domestic Equity Composite Review

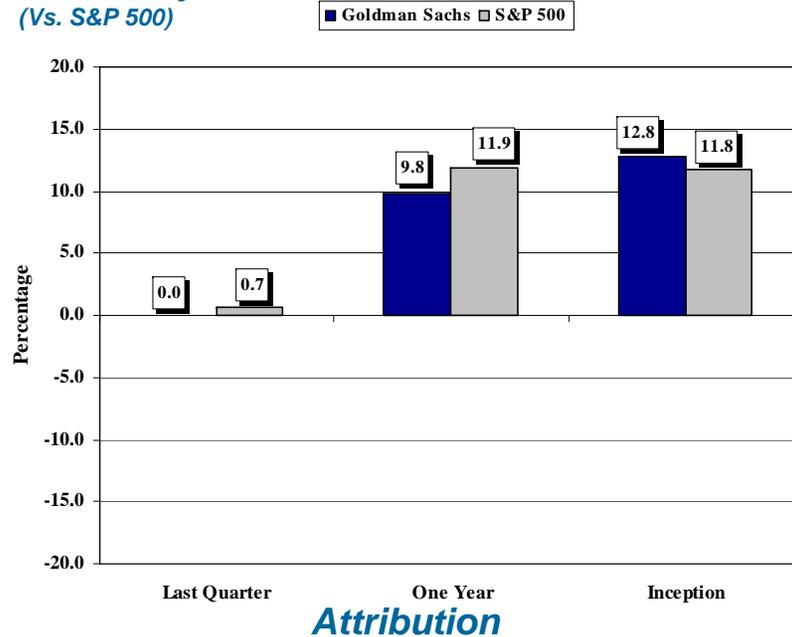


(Periods Ending March 31, 2007)

# Domestic Equity Review – Goldman Sachs

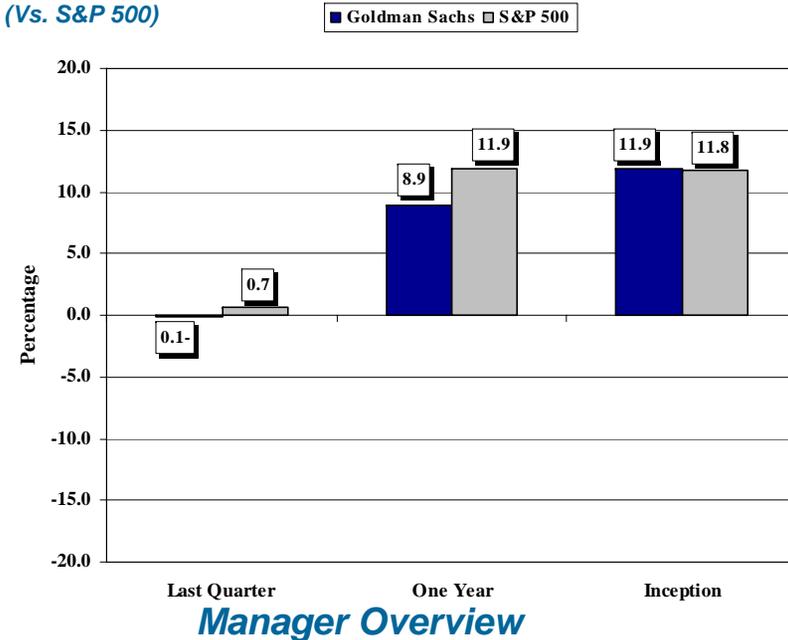
## University of Iowa -- Value Added

(Vs. S&P 500)



## Iowa State University -- Value Added

(Vs. S&P 500)



- Stock selection within the Health Care, Consumer Discretionary, and Information Technology sectors detracted from the value of portfolio during the first quarter
- Stock selection within the Energy and Industrial sectors added value to the portfolio
- An underweight to Utilities relative to the benchmark also diminished the return

- **Style:** Large Capitalization Core Equity
- **Construction Process:** Optimization
- **Investment Philosophy:** Enhanced Index
- **Selection Method:** Quantitative valuation

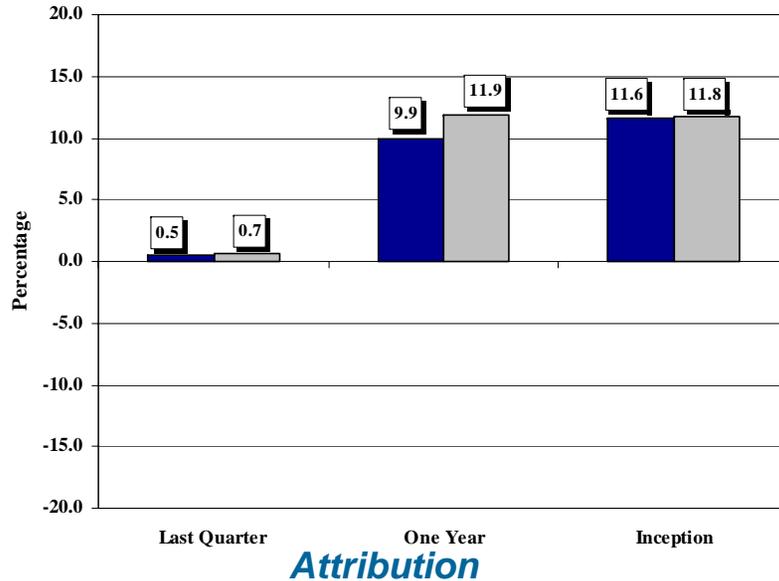
(Periods Ending March 31, 2007)

# Domestic Equity Review – Lotsoff

## University of Iowa -- Value Added

(Vs. S&P 500)

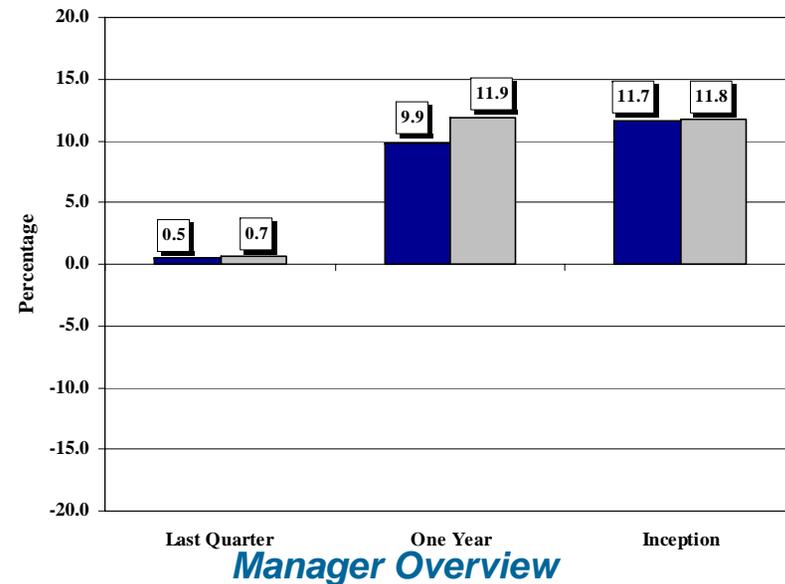
■ Lotsoff □ S&P 500



## Iowa State University -- Value Added

(Vs. S&P 500)

■ Lotsoff □ S&P 500



- Stock selection within the Industrials and Energy sectors added value to the portfolio
- An underweighting to both the Utilities and Telecommunications sectors relative to the benchmark were causes of underperformance
- Poor stock selection within the Financials and Consumer Discretionary sectors were primary drivers of underperformance.

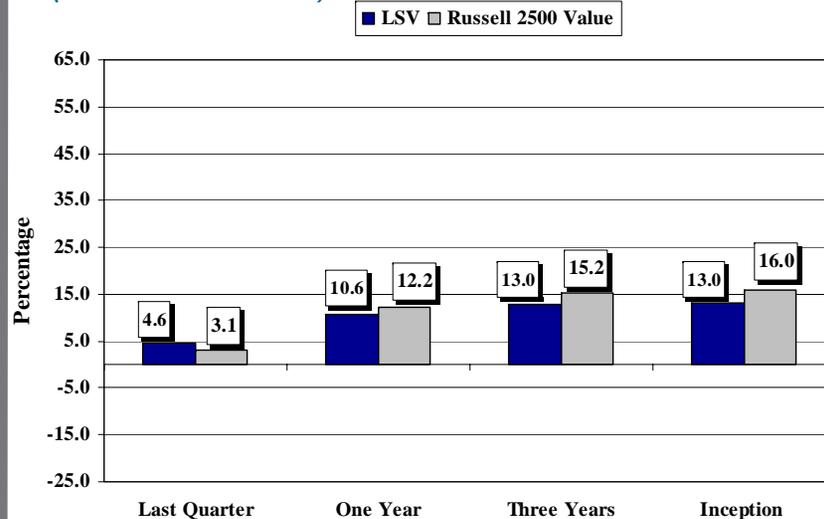
- **Style:** Large Capitalization Core Equity
- **Construction Process:** Optimization
- **Investment Philosophy:** Active Bottom Up
- **Selection Method:** Quantitative valuation

(Periods Ending March 31, 2007)

# Domestic Equity Review – LSV Asset Mgmt.

## University of Iowa -- Value Added

(Vs. Russell 2500 Value)

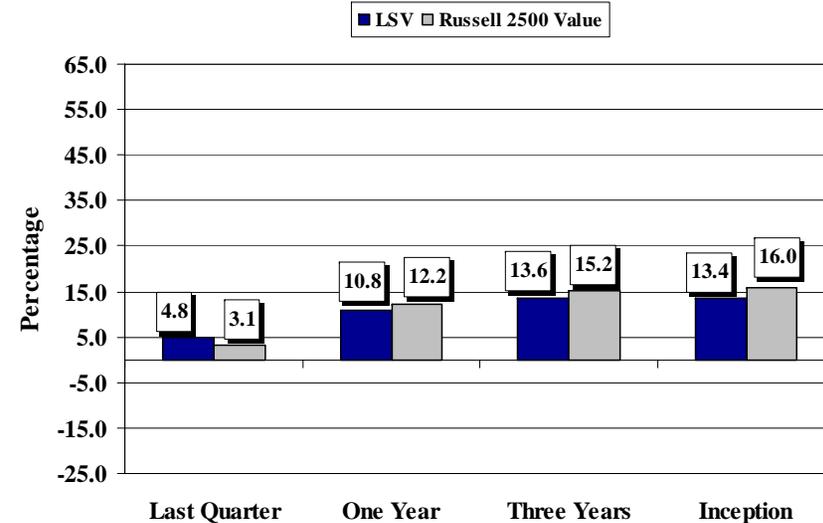


### Attribution

- Stock selection was the primary driver of LSV's out performance this quarter
- Stock selection within the Consumer Staples and Consumer Discretionary sectors added value to the portfolio
- An underweight to Financials and an overweight to Consumer Staples were sources of LSV's out performance

## Iowa State University -- Value Added

(Vs. Russell 2500 Value)



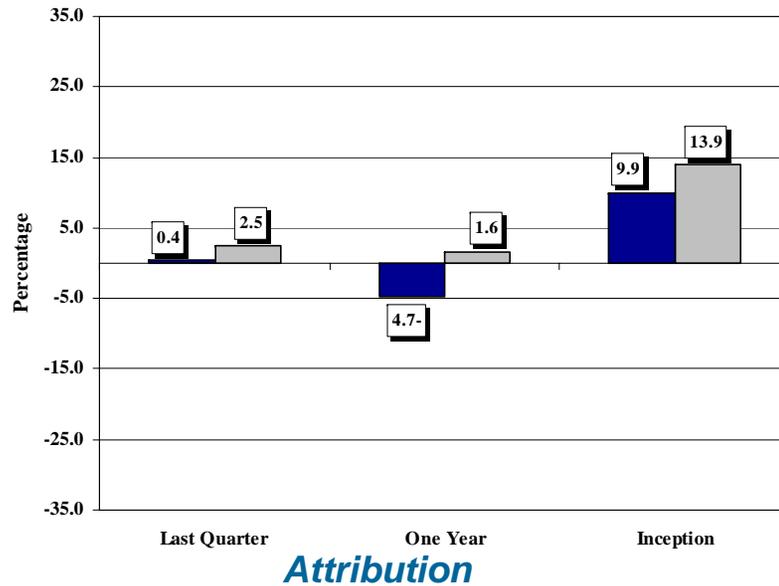
### Manager Overview

- **Style:** Mid Capitalization Value Equity
- **Construction Process:** Optimization
- **Investment Philosophy:** Active - Bottom up
- **Selection Method:** Quantitative valuation

(Periods Ending March 31, 2007)

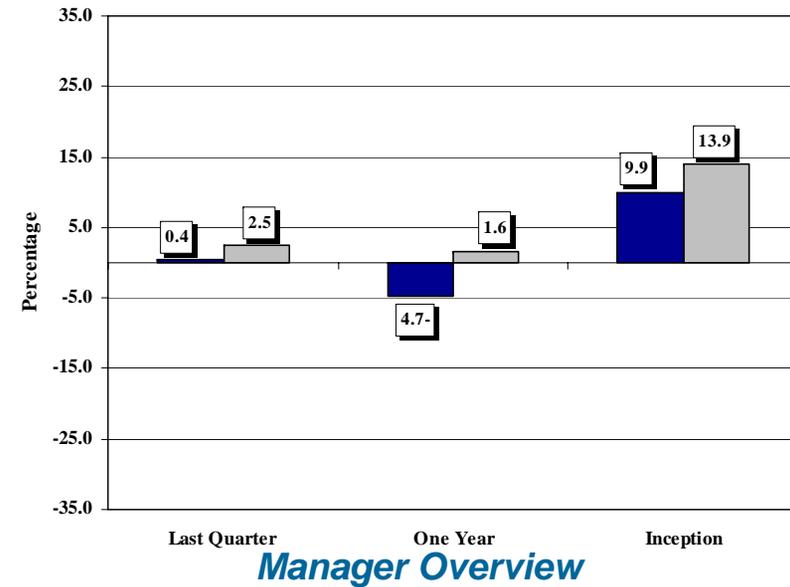
# Domestic Equity Review – Artisan

**University of Iowa -- Value Added**  
(Vs. Russell 2000 Growth) ■ Artisan □ Russell 2000 Growth



- Poor stock selection within the Information Technology, and Consumer Discretionary sectors were the main contributors to Artisan’s underperformance for the quarter
- Stock selection within the Healthcare sector had a positive impact on performance

**Iowa State University -- Value Added**  
(Vs. Russell 2000 Growth) ■ Artisan □ Russell 2000 Growth



- **Style:** Small Capitalization Growth Equity
- **Construction Process:** Optimization
- **Investment Philosophy:** Active - Bottom up
- **Selection Method:** Fundamental valuation

(Periods Ending March 31, 2007)

# International Equity Composite Review

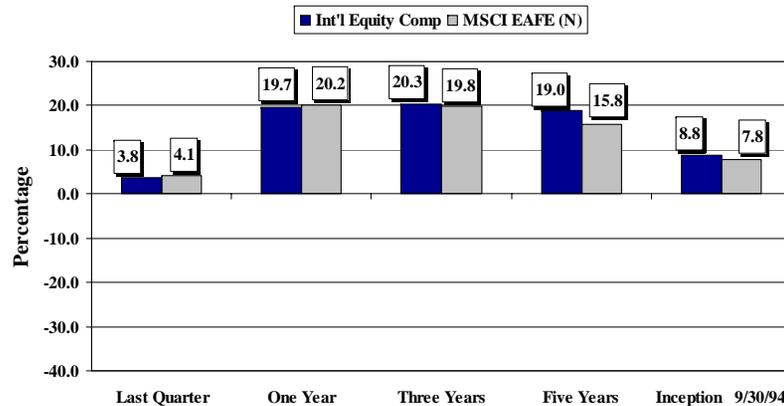
## University of Iowa -- Manager Returns

University of Iowa	\$'000 Investment	Fee \$'000	Qtr %	1 Yr %	3 Yrs %	5 Yrs %	Inception %
Grantham, Mayo, Van Otterloo Foreign Fund (3/31/04)	42,338	87					
Gross of Fee Return			4.0	20.7	21.2	--	21.2
Net of Fee Return			3.8	19.7	20.3	--	20.3
MSCI EAFE Index (N)			4.1	20.2	19.8	--	19.8
<b>Int'l Equity Composite (9/30/94)</b>	<b>42,338</b>	<b>87</b>	<b>3.8</b>	<b>19.7</b>	<b>20.3</b>	<b>19.0</b>	<b>8.8</b>
MSCI EAFE Index (N)			4.1	20.2	19.8	15.8	7.8

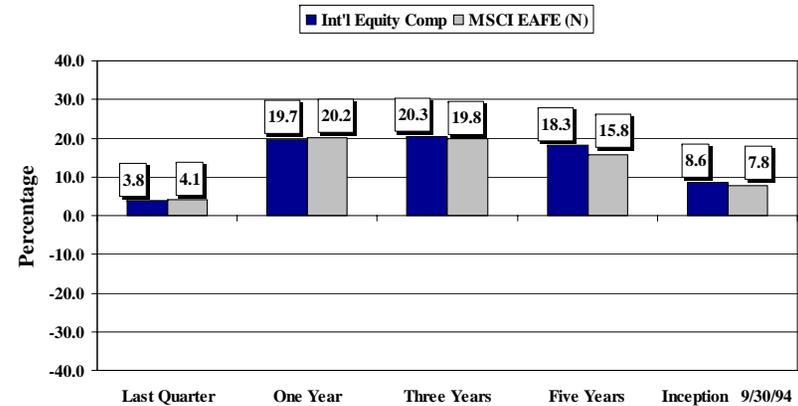
## Iowa State University -- Manager Returns

Iowa State University	\$'000 Investment	Fee \$'000	Qtr %	1 Yr %	3 Yrs %	5 Yrs %	Inception %
Grantham, Mayo, Van Otterloo Foreign Fund (3/31/04)	28,824	59					
Gross of Fee Return			4.0	20.7	21.2	--	21.2
Net of Fee Return			3.8	19.7	20.3	--	20.3
MSCI EAFE Index (N)			4.1	20.2	19.8	--	19.8
<b>Int'l Equity Composite (9/30/94)</b>	<b>28,824</b>	<b>59</b>	<b>3.8</b>	<b>19.7</b>	<b>20.3</b>	<b>18.3</b>	<b>8.6</b>
MSCI EAFE Index (N)			4.1	20.2	19.8	15.8	7.8

## University of Iowa -- Value Added (Vs. MSCI EAFE (N))



## Iowa State University -- Value Added (Vs. MSCI EAFE (N))

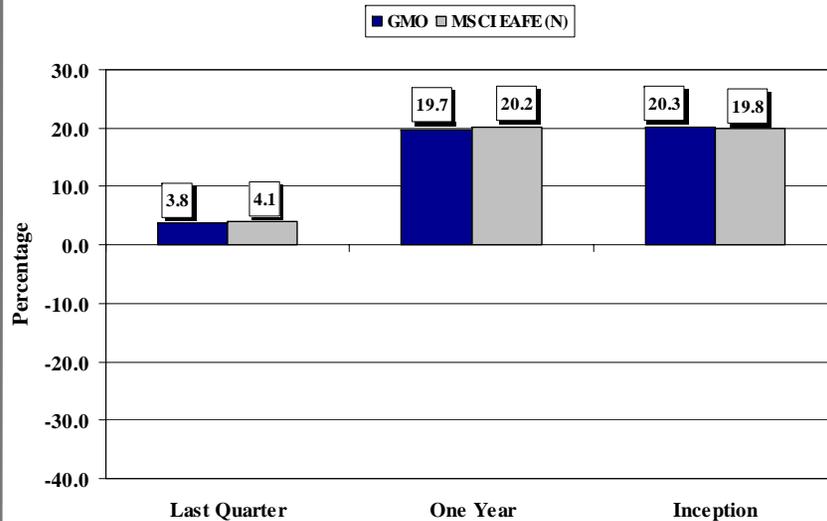


(Periods Ending March 31, 2007)

Note: At the direction of the Board of Regents, slight adjustments have been made to composite market values to account for rounding

# International Equity Review – Grantham, Mayo, Van Otterloo

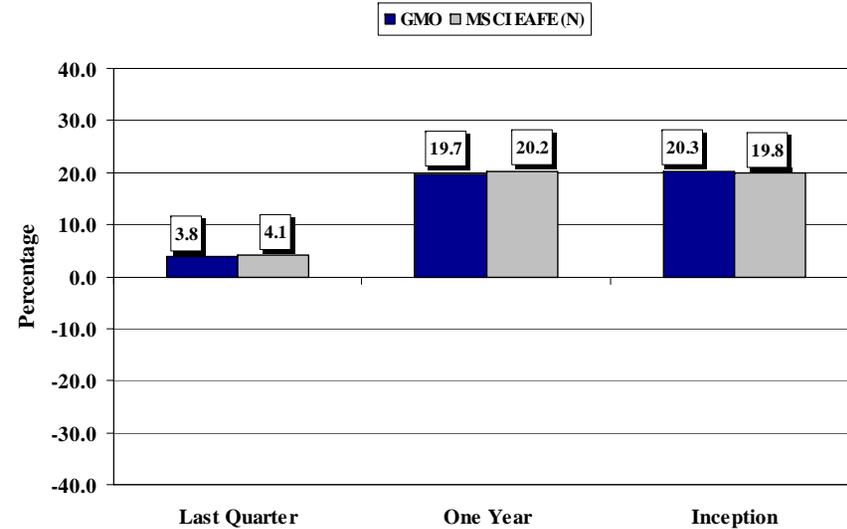
**University of Iowa -- Value Added**  
(Vs. MSCI EAFE Index)



## Attribution

- GMO underperformed the benchmark in the first quarter
- Stock selection within Germany was a primary driver of underperformance for the quarter
- An underweighting to the Australian markets detracted from overall performance

**Iowa State University -- Value Added**  
(Vs. MSCI EAFE Index)



## Manager Overview

- **Style:** International Value Equity
- **Construction Process:** Valuation measures
- **Investment Philosophy:** Active - Bottom up
- **Selection Method:** Fundamental Earnings Forecast

(Periods Ending March 31, 2007)

# Fixed Income Composite Review

University of Iowa	\$'000	Investment Fee \$'000	Comp %	Qtr %	1 Yr %	3 Yrs %	5 Yrs %	Inception %
Dodge & Cox Income Fund (3/31/04)	30,871	35	41.4%					
Gross of Fee Return				1.6	7.2	3.9	--	3.9
Net of Fee Return				1.4	6.7	3.5	--	3.5
<i>Lehman Aggregate</i>				1.5	6.6	3.3	--	3.3
Reams Asset Mgmt (6/30/02)	29,880	19	40.0%					
Gross of Fee Return				1.6	6.9	3.7	--	4.4
Net of Fee Return				1.5	6.7	3.4	--	4.1
<i>Lehman Aggregate</i>				1.5	6.6	3.3	--	4.1
Post Advisory (3/31/06)	13,858	21	18.6%					
Gross of Fee Return				3.1	10.9	--	--	10.9
Net of Fee Return				2.9	10.5	--	--	10.5
<i>Merrill Lynch High Yield Master II</i>				2.7	11.6	--	--	11.6
<b>Fixed Income Composite (3/31/89)</b>	<b>74,609</b>	<b>75</b>	<b>100%</b>	<b>1.7</b>	<b>7.4</b>	<b>3.7</b>	<b>5.2</b>	<b>7.5</b>
<i>Custom Policy*</i>				1.5	6.6	3.3	5.4	7.6
<b>Iowa State University</b>	<b>\$'000</b>	<b>Investment Fee \$'000</b>	<b>Comp %</b>	<b>Qtr %</b>	<b>1 Yr %</b>	<b>3 Yrs %</b>	<b>5 Yrs %</b>	<b>Inception %</b>
Dodge & Cox Income Fund (3/31/04)	20,686	23	40.6%					
Gross of Fee Return				1.6	7.2	3.9	--	3.9
Net of Fee Return				1.4	6.7	3.5	--	3.5
<i>Lehman Aggregate</i>				1.5	6.6	3.3	--	3.3
Reams Asset Mgmt (9/30/02)	21,106	16	41.4%					
Gross of Fee Return				1.6	6.9	3.8	--	4.5
Net of Fee Return				1.5	6.5	3.4	--	4.2
<i>Lehman Aggregate</i>				1.5	6.6	3.3	--	4.1
Post Advisory (3/31/06)	9,152	13	18.0%					
Gross of Fee Return				3.1	10.8	--	--	10.8
Net of Fee Return				2.9	10.5	--	--	10.5
<i>Merrill Lynch High Yield Master II</i>				2.7	11.6	--	--	11.6
<b>Fixed Income Composite (3/31/89)</b>	<b>50,944</b>	<b>52</b>	<b>100%</b>	<b>1.7</b>	<b>7.3</b>	<b>3.8</b>	<b>5.3</b>	<b>6.9</b>
<i>Custom Policy*</i>				1.5	6.6	3.3	5.4	7.6

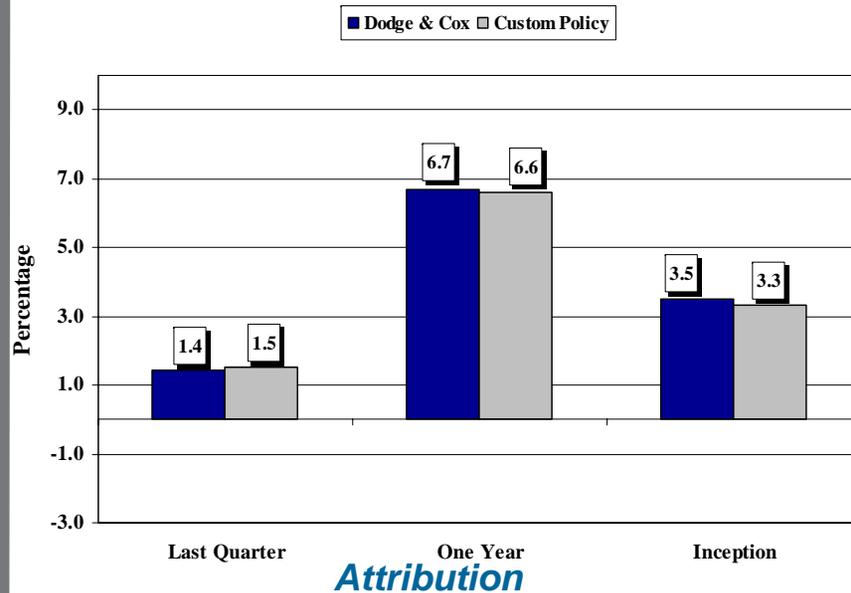
(Periods Ending March 31, 2007)

Note: At the direction of the Board of Regents, slight adjustments have been made to composite market values to account for rounding

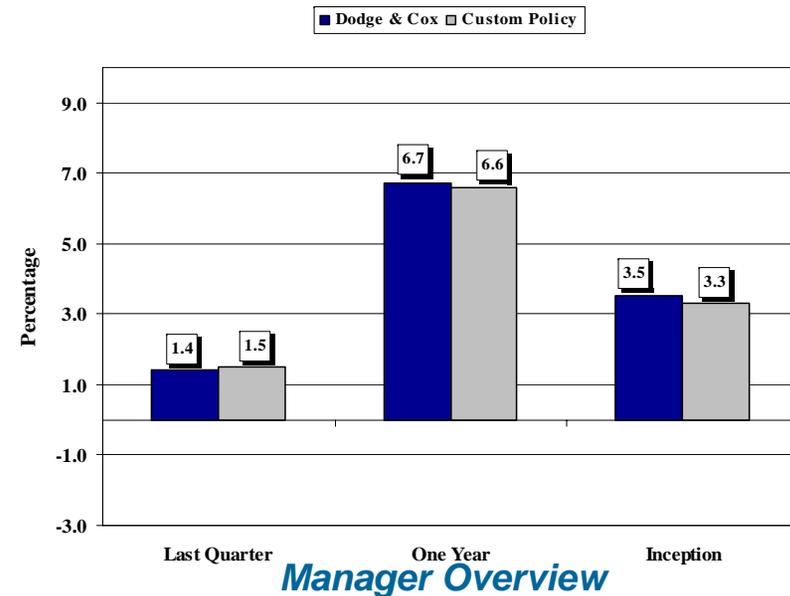
\*Please see Glossary for policy specifications.

# Fixed Income Review – Dodge and Cox

**University of Iowa -- Value Added**  
(Vs. Lehman Aggregate)



**Iowa State University -- Value Added**  
(Vs. Lehman Aggregate)



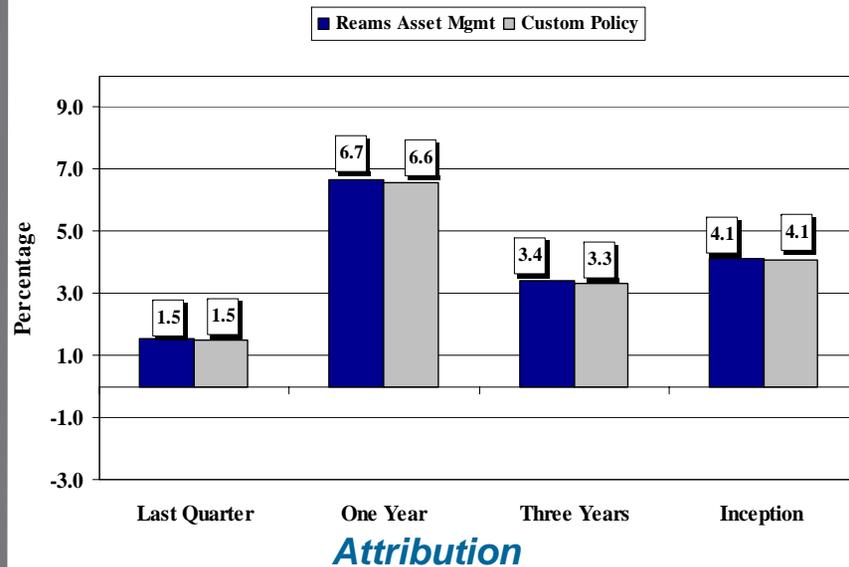
- Dodge & Cox underperformed the benchmark by 0.07% in the first quarter
- The average quality of bonds within the portfolio is AA, compared to Lehman Aggregate’s AAA rating
- The portfolio has a duration of 3.82 years, versus the Lehman Aggregate’s duration of 4.50 years

- **Style:** Market Core
- **Construction Process:** Build Portfolios with Higher Yield than Market Portfolio
- **Investment Philosophy:** Active - Bottom up
- **Selection Method:** Quantitative and Qualitative valuation

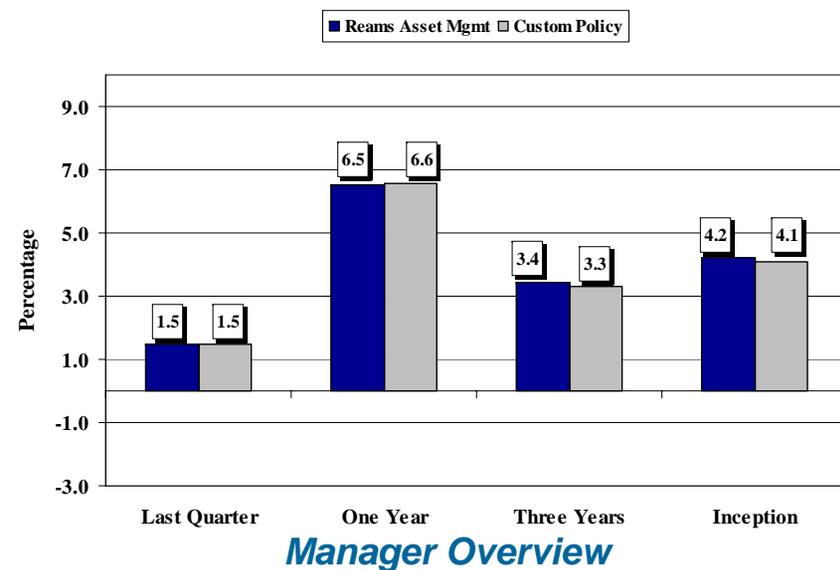
(Periods Ending March 31, 2007)

# Fixed Income Review - Reams

**University of Iowa -- Value Added**  
(Vs. Lehman Aggregate)



**Iowa State University -- Value Added**  
(Vs. Lehman Aggregate)



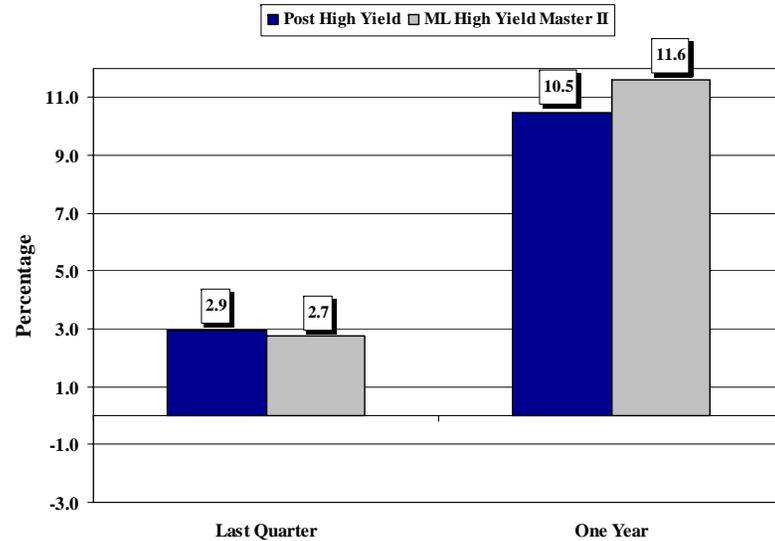
- Reams' return was slightly greater than the benchmark by 0.02% in the first quarter.
- The average quality of bonds within the portfolio is AA, compared to Lehman Aggregate's AAA rating
- The portfolio has a duration of 3.71 years, versus the Lehman Aggregate's duration of 4.50 years.

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

(Periods Ending March 31, 2007)

# Fixed Income Review – Post Advisory

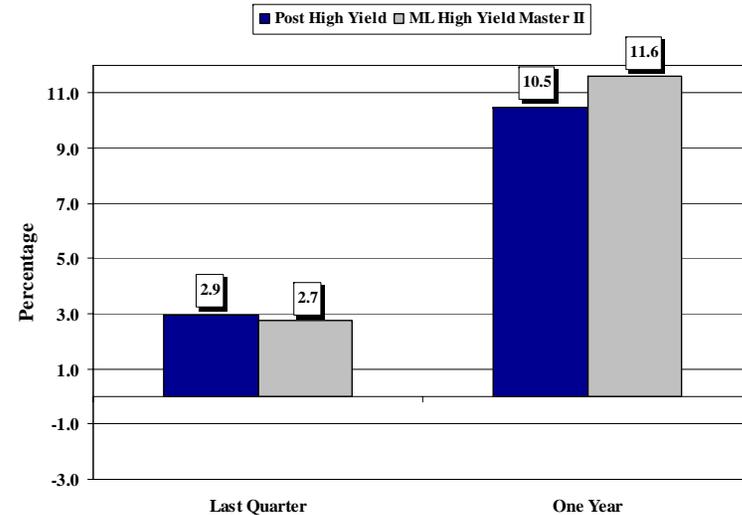
**University of Iowa -- Value Added**  
(Vs. ML High Yield Master II)



## Attribution

- Post Advisory out performed its benchmark by 0.20% in the first quarter
- The average quality of bonds within the portfolio is B, a slightly lower rating than the Merrill Lynch High Yield Master II's rating of BB
- The portfolio has a duration of 3.73 years, versus the benchmark duration of 4.67 years.

**Iowa State University -- Value Added**  
(Vs. ML High Yield Master II)



## Manager Overview

- **Style:** High Yield
- **Construction Process:** Subjective
- **Investment Philosophy:** Active - Bottom up
- **Selection Method:** Scoring model based on quantitative and quantitative inputs

(Periods Ending March 31, 2007)

# Real Estate Composite Review

University of Iowa	\$'000 Investment Fee \$'000	Qtr %	1 Yr %	3 Yrs %	5 Yrs %	Inception %
Principal Global Investors Enhanced Property Fund (12/31/05) <i>NCREIF Property Index</i>	13,565 --	2.8 3.6	15.9 16.6	-- --	-- --	18.8 16.3
<b>Real Estate Composite (12/31/05)</b> <i>NCREIF Property Index</i>	<b>13,565</b> --	<b>2.8</b> 3.6	15.9 16.6	-- --	-- --	<b>18.8</b> 16.3

Iowa State University	\$'000 Investment Fee \$'000	Qtr %	1 Yr %	3 Yrs %	5 Yrs %	Inception %
Principal Global Investors Enhanced Property Fund (12/31/05) <i>NCREIF Property Index</i>	9,436 --	2.8 3.6	15.9 16.6	-- --	-- --	18.8 16.3
<b>Real Estate Composite (12/31/05)</b> <i>NCREIF Property Index</i>	<b>9,436</b> --	<b>2.8</b> 3.6	15.9 16.6	-- --	-- --	<b>18.8</b> 16.3

(Periods Ending March 31, 2007)

Note: At the direction of the Board of Regents, adjustments have been made to composite market values to account for rounding

# Private Equity Composite Review

<b>University of Iowa</b>	<b>\$'000 Investment</b>	<b>Fee \$'000</b>	<b>Qtr %</b>	<b>1 Yr %</b>	<b>3 Yrs %</b>	<b>5 Yrs %</b>	<b>Inception %</b>
Lehman Brothers Crossroads Fund XVIII (12/31/06) <i>Dow Jones Wilshire 5000</i>	1,575	53	-2.8 1.4	-- --	-- --	-- --	-2.8 1.4
<b>Private Equity Composite (12/31/06)</b> <i>Dow Jones Wilshire 5000</i>	<b>1,575</b>	<b>53</b>	<b>-2.8</b> 1.4	-- --	-- --	-- --	<b>-2.8</b> 1.4

<b>Iowa State University</b>	<b>\$'000 Investment</b>	<b>Fee \$'000</b>	<b>Qtr %</b>	<b>1 Yr %</b>	<b>3 Yrs %</b>	<b>5 Yrs %</b>	<b>Inception %</b>
Lehman Brothers Crossroads Fund XVIII (12/31/06) <i>Dow Jones Wilshire 5000</i>	984	33	-2.8 1.4	-- --	-- --	-- --	-2.8 1.4
<b>Private Equity Composite (12/31/06)</b> <i>Dow Jones Wilshire 5000</i>	<b>984</b>	<b>33</b>	<b>-2.8</b> 1.4	-- --	-- --	-- --	<b>-2.8</b> 1.4

(Periods Ending March 31, 2007)

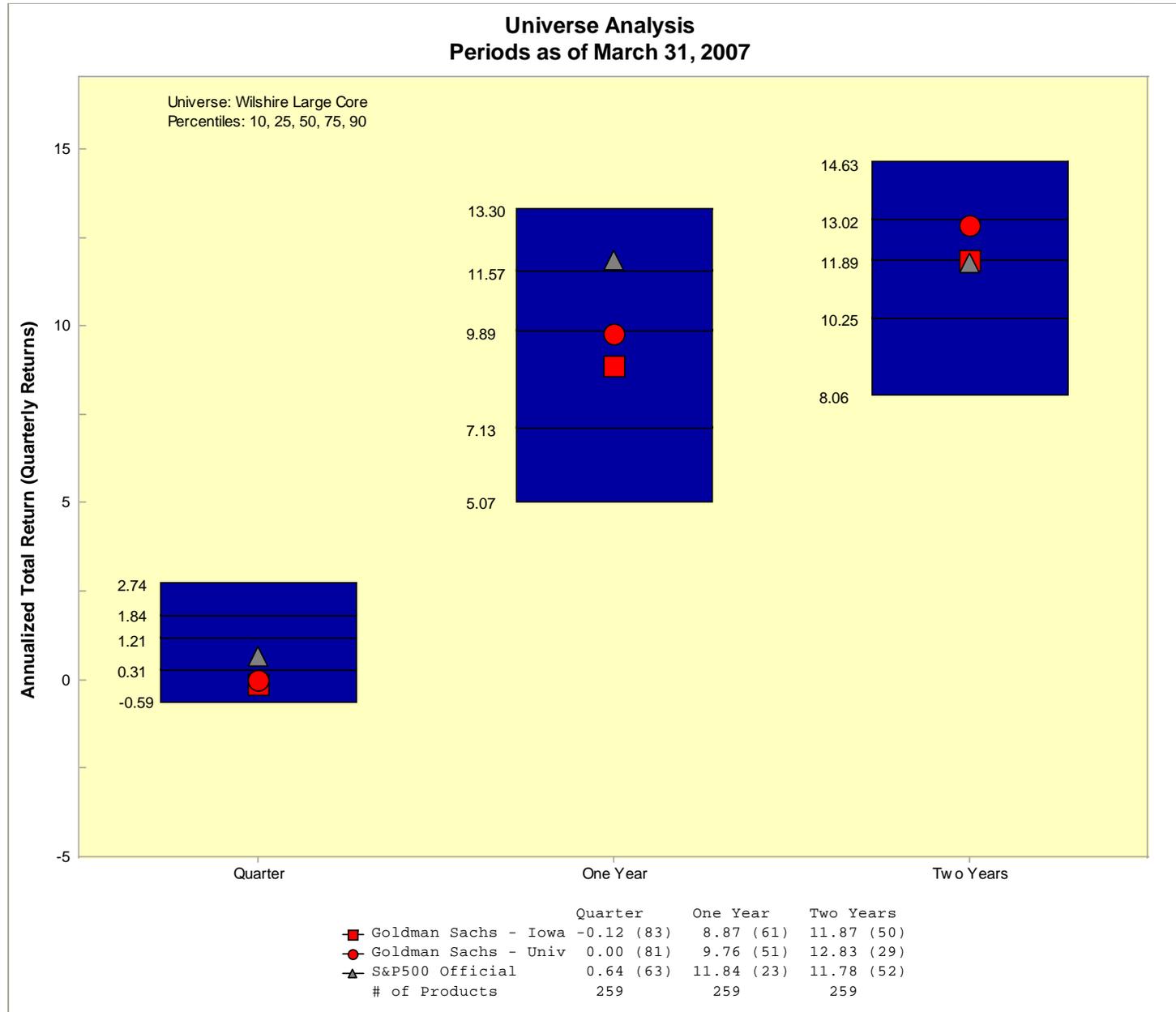
Note: At the direction of the Board of Regents, adjustments have been made to composite market values to account for rounding



# Appendix

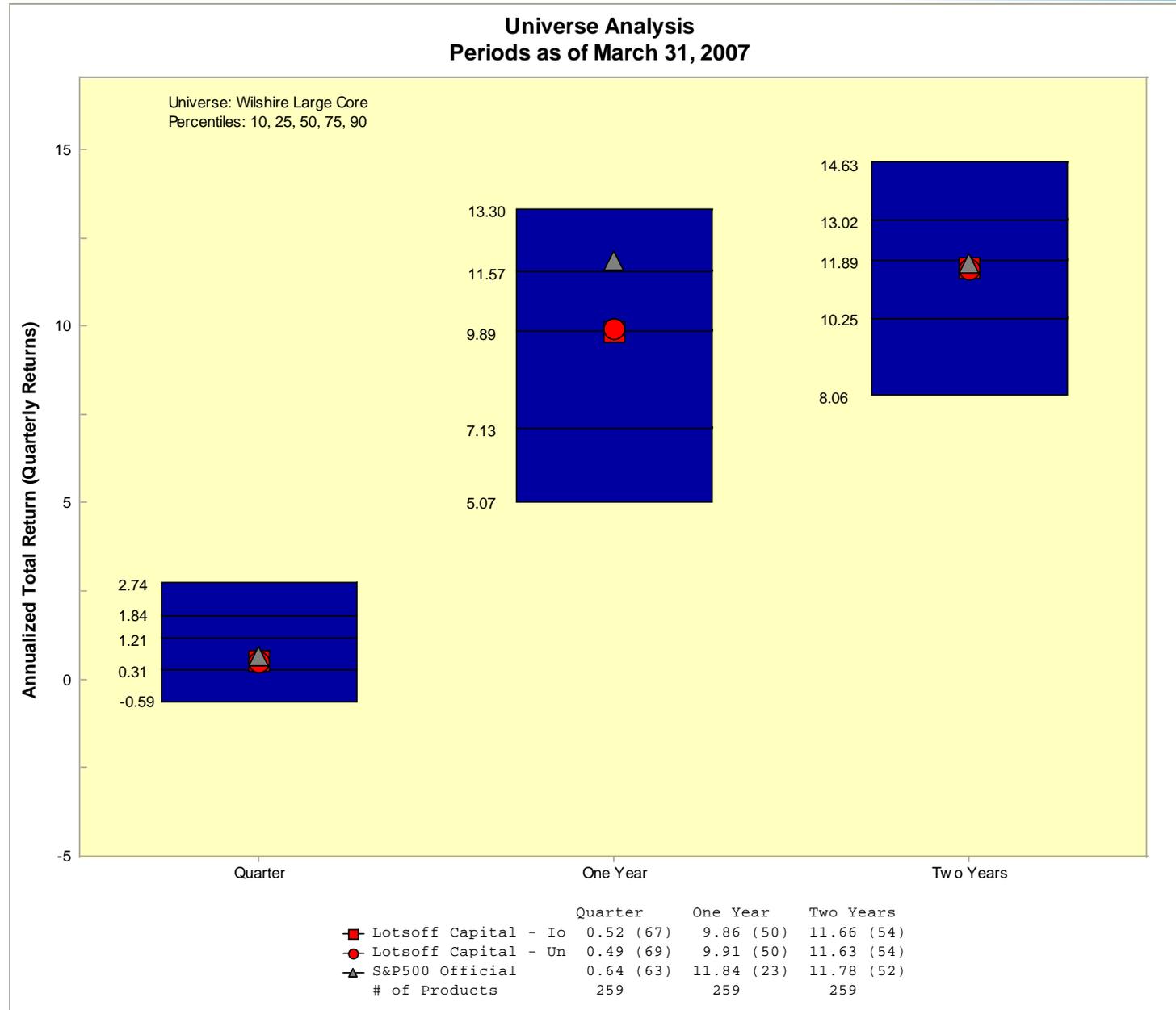
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# Domestic Equity Manager Detail – Goldman Sachs



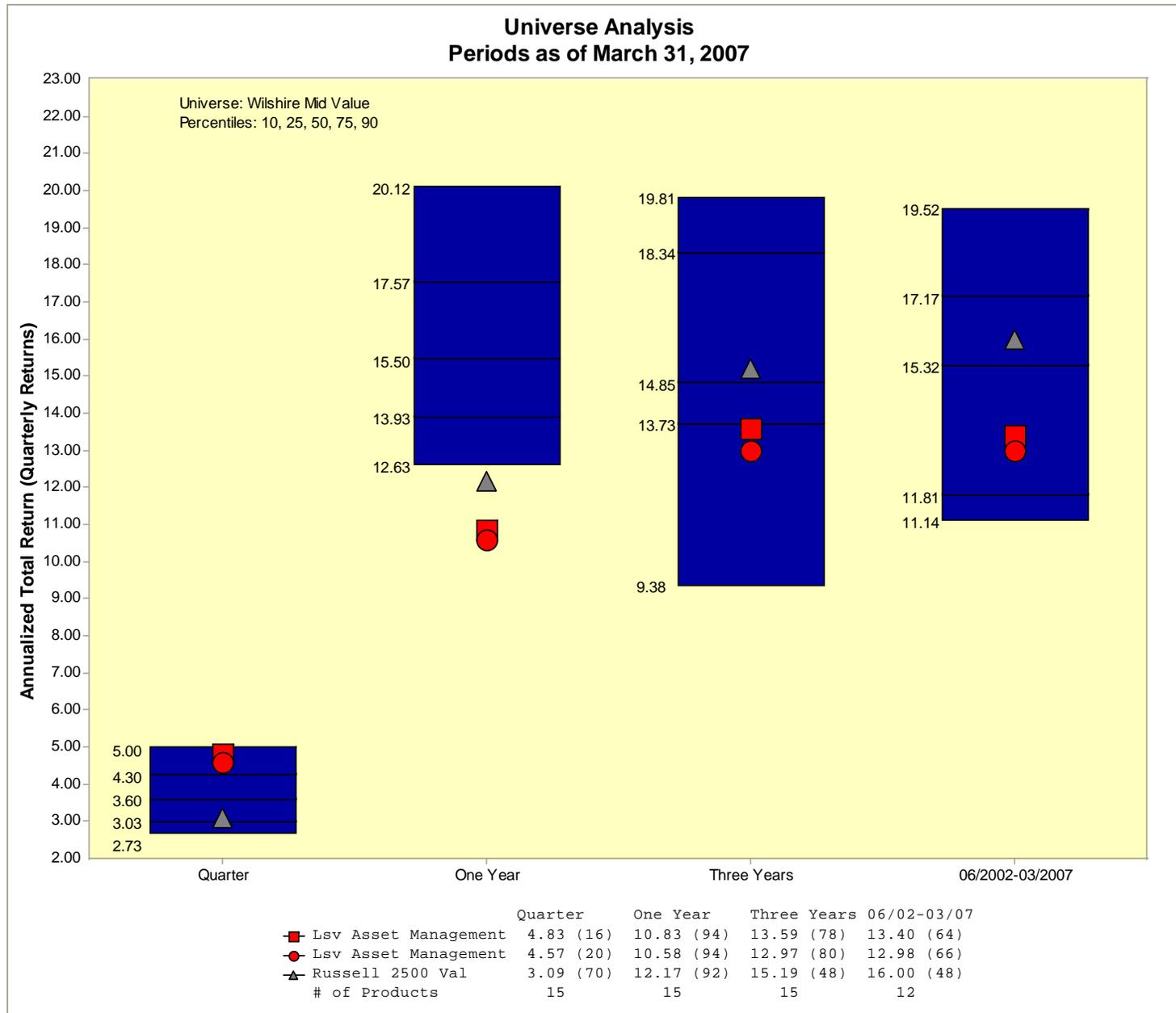
(Periods Ending March 31, 2007)

# Domestic Equity Manager Detail – Lotsoff



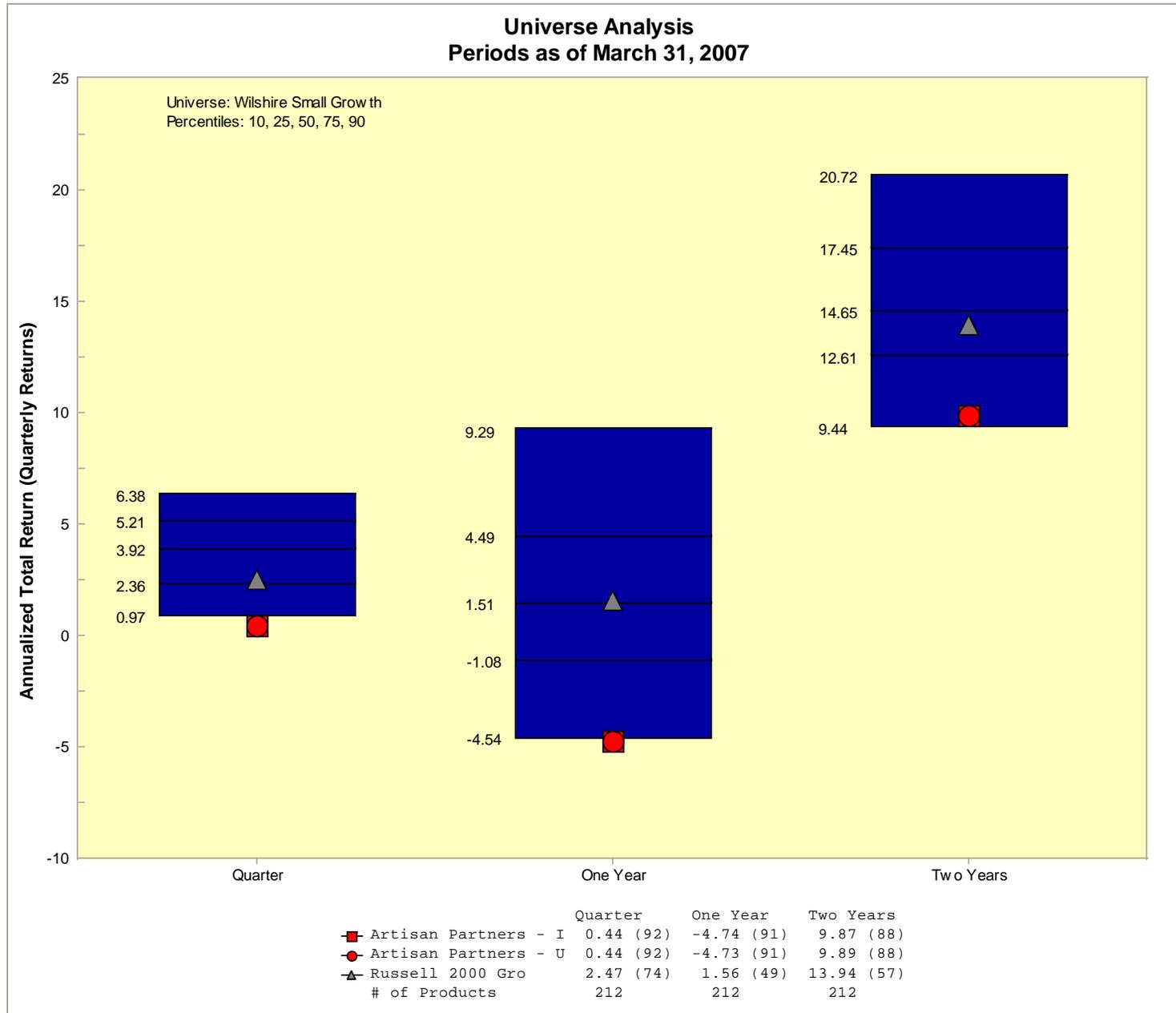
(Periods Ending March 31, 2007)

# Domestic Equity Manager Detail – LSV



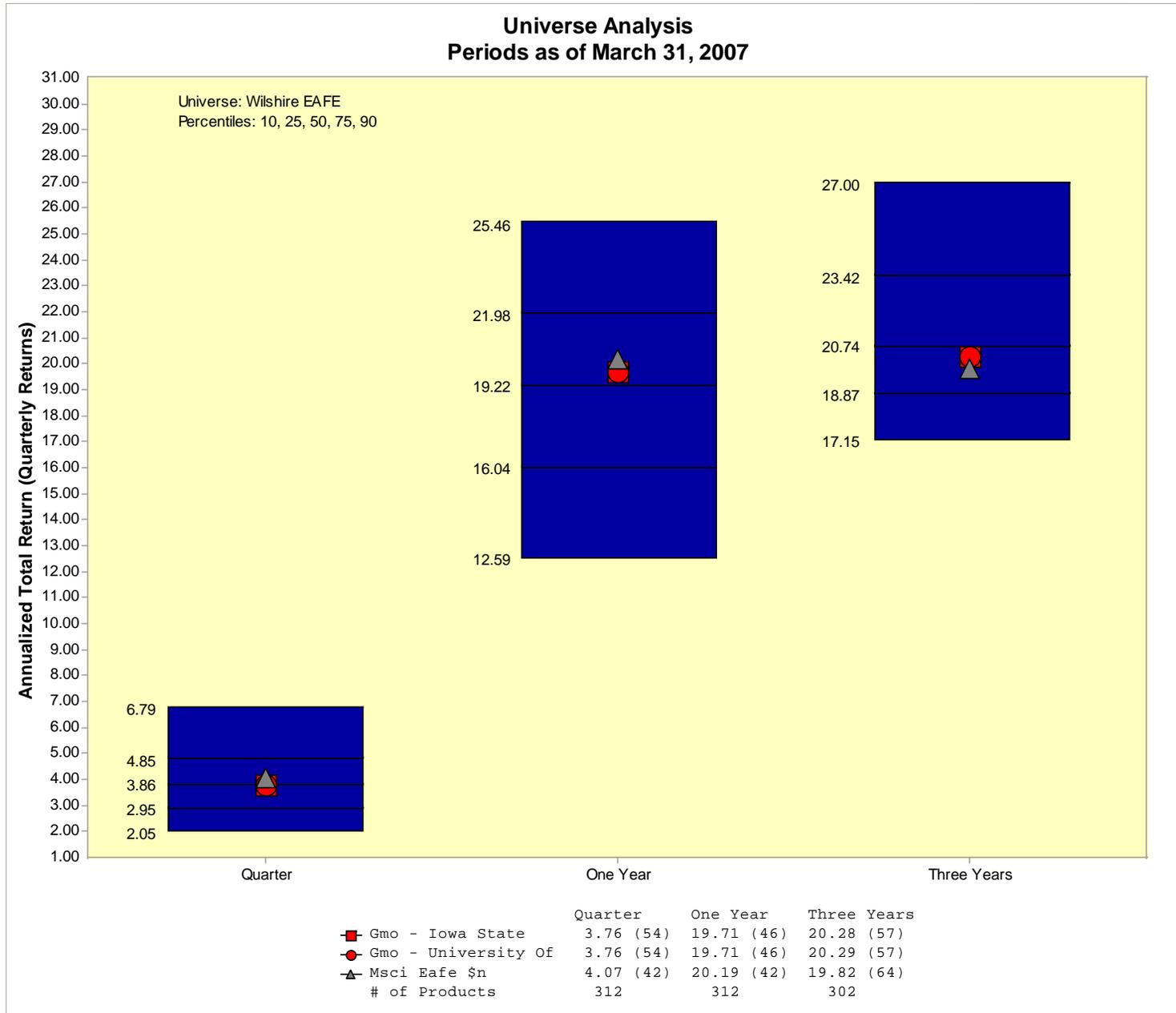
(Periods Ending March 31, 2007)

# Domestic Equity Manager Detail – Artisan



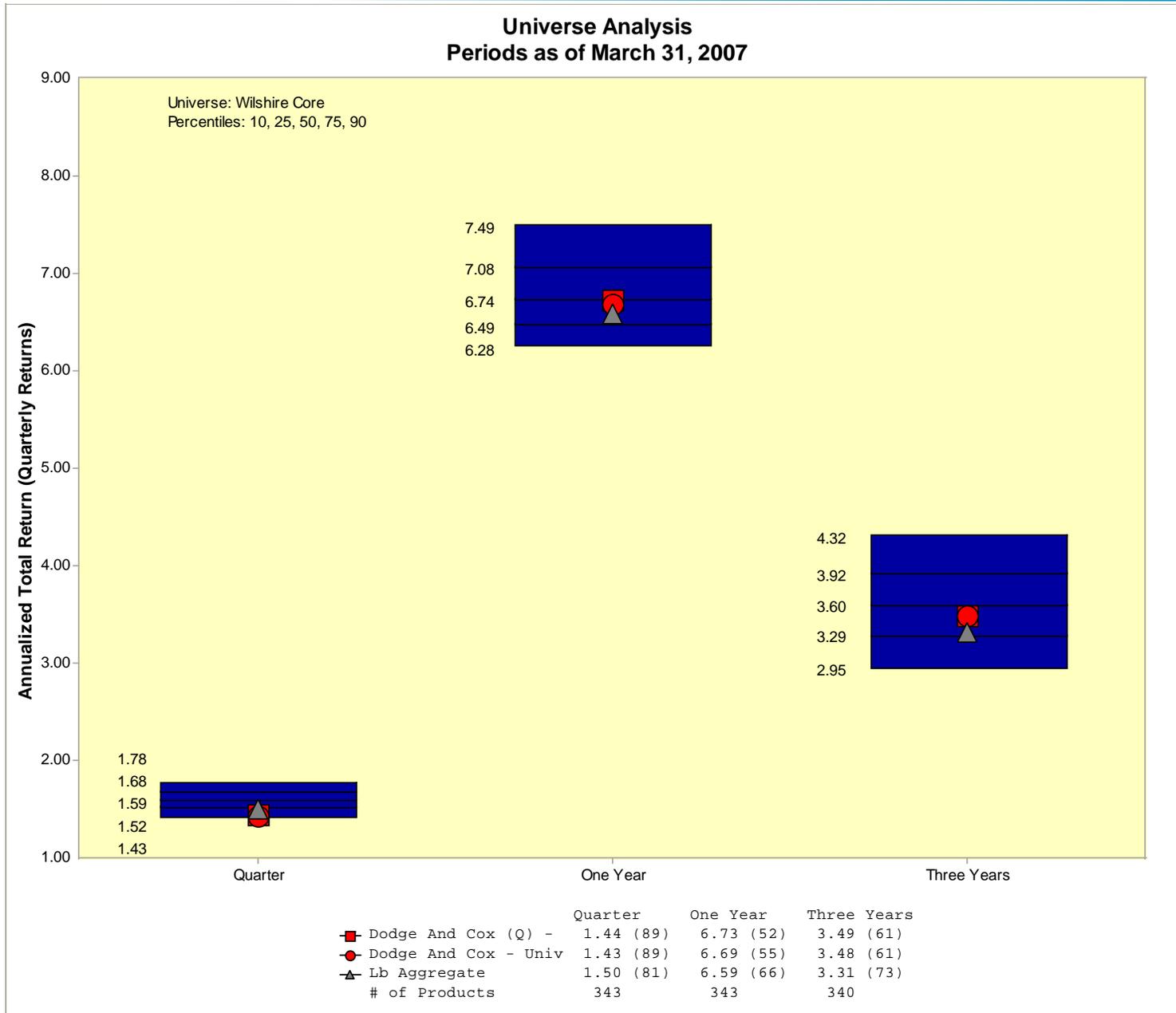
(Periods Ending March 31, 2007)

# International Equity Manager Detail – Grantham, Mayo, Van Otterloo



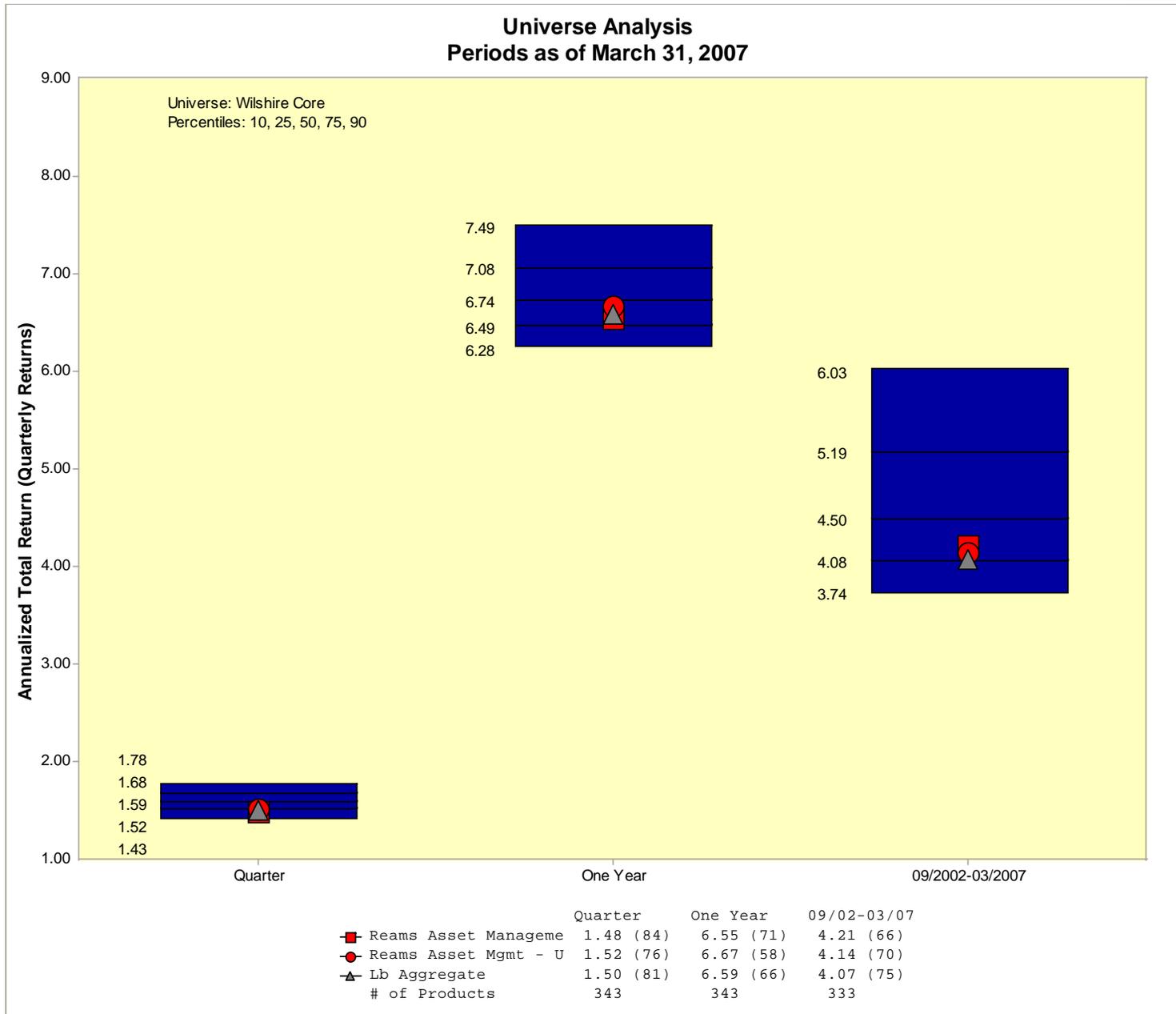
(Periods Ending March 31, 2007)

# Fixed Income Manager Detail – Dodge & Cox



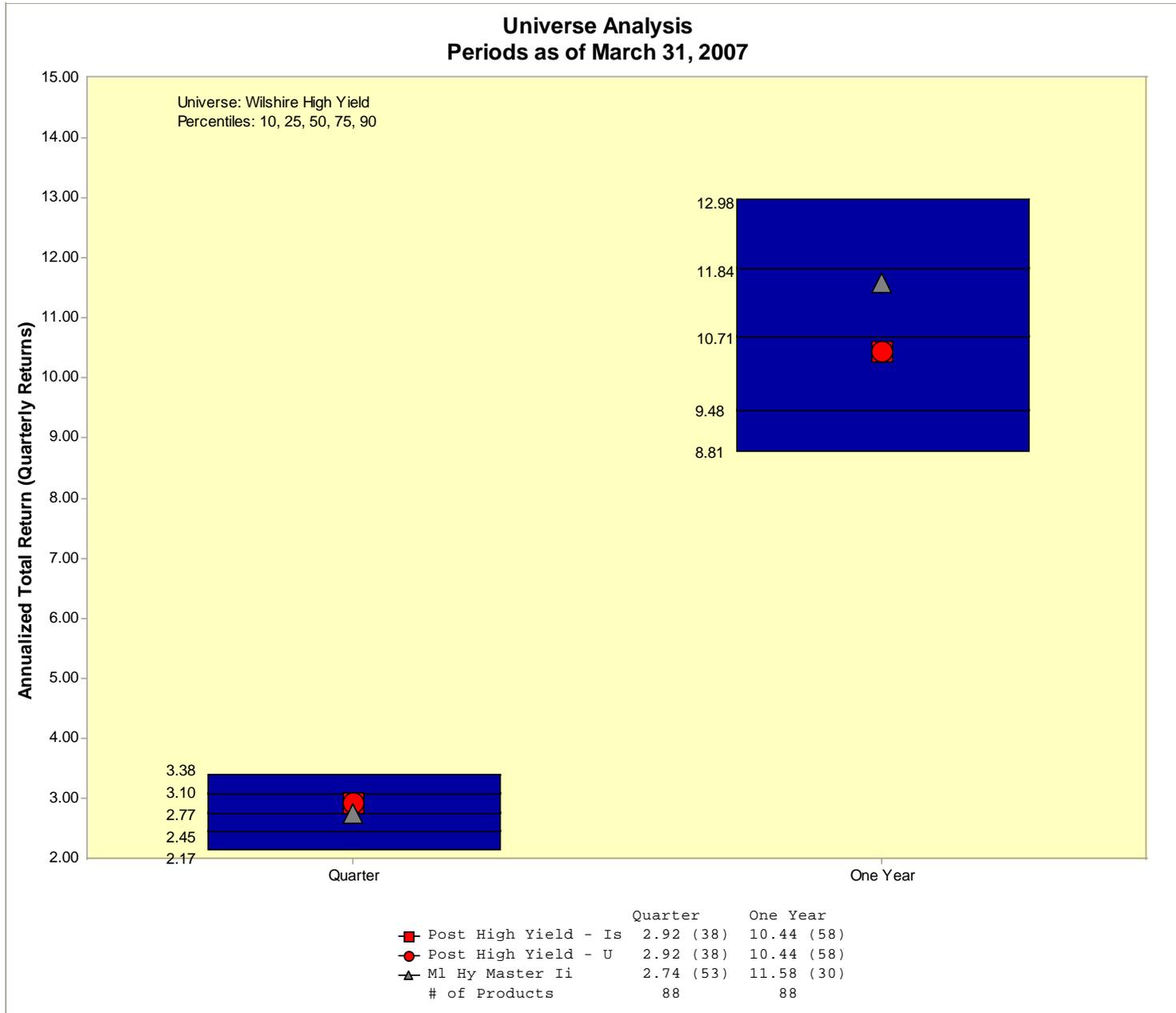
(Periods Ending March 31, 2007)

# Fixed Income Manager Detail – Reams



(Periods Ending March 31, 2007)

# Fixed Income Manager Detail – Post Advisory



(Periods Ending March 31, 2007)

# Glossary

<u>Total Endowment Policy</u>	<u>%</u>	<u>Description</u>
6/89 -6/99	60.00	S&P 500
	30.00	Lehman Gov't/Credit
	10.00	MSCI EAFE Index (N)
9/99 -6/01	63.00	S&P 500
	30.00	Lehman Gov't/Credit
	7.00	MSCI EAFE Index (N)
9/01 -3/02	63.00	S&P 500
	30.00	Lehman Aggregate
	7.00	MSCI EAFE Index (N)
6/02 -3/06	63.00	Wilshire 5000
	30.00	Lehman Aggregate
	7.00	MSCI EAFE Index (N)
6/06 - Present	50.00	Wilshire 5000
	30.00	Lehman Aggregate
	15.00	MSCI EAFE (N)
	5.00	NCREIF Property Index
<u>Fixed Income/ Quasi Policy</u>	<u>%</u>	<u>Description</u>
9/98 -6/01	100.00	Lehman Gov't/Credit
9/01 - Present	100.00	Lehman Aggregate