

MEMORANDUM

To: Banking Committee
From: Board Office
Subject: Quarterly Investment and Cash Management Report
Date: June 9, 2003

Recommended Actions:

1. Receive the Investment and Cash Management Reports for the quarter ended March 31, 2003; and
2. Receive the Spending Policy Review from Wilshire Associates.

Executive Summary:

The Regent institutions maintain two investment portfolios — operating and endowment/Quasi-endowment. Both portfolios include restricted and unrestricted funds.

Institutional Investment Portfolios

Market Value (in thousands)

For the Quarters Ended December 31, 2002 and March 31, 2003

	<u>Operating</u>		<u>Endowment/ Quasi-Endowment</u>	
	<u>Dec. 2002</u>	<u>March 2003</u>	<u>Dec. 2002</u>	<u>March 2003</u>
University of Iowa ¹	\$566,686	\$570,157	\$260,113 ²	\$255,501 ²
Iowa State University	252,934	286,932	100,239 ³	96,184 ³
University of Northern Iowa	75,621	89,021	-	-
Iowa School for the Deaf	2,304	2,365	-	-
Iowa Braille & Sight Saving School	462	517	-	-
Total	\$898,007	\$948,992	\$360,352	\$351,685

¹ Includes UIHC.² Includes UNI.³ Includes ISD and IBSSS.

As of March 31, 2003, total Regent combined operating and endowment portfolios of \$1.3 billion are \$42.3 million more than December 2002.

Operating

The market value of the combined operating portfolios, as reported by the Regent institutions, totaled \$949.0 million as of March 31, 2003, and represent a point in time during operations. The university operating portfolios performed in line with industry standards.

Endowment

Wilshire Associates, the Board's investment advisor, prepares the summary report on the endowment/quasi-endowment portfolio, which totaled \$352.0 million for the quarter ended March 2003.

The University of Iowa (excluding the quasi-endowment) and Iowa State University endowment portfolios totaled \$160.6 million and \$96.2 million, respectively, as of March 31, 2003. The combined investment managers' returns for the quarter were -2.4% for SUI and -2.6% for ISU, while the blended asset allocation benchmark posted returns of -2.1%. The SUI endowment portfolio had a net loss of \$4.9 million for the quarter while ISU had a net loss of \$4.0 million.

The quasi-endowment totaled \$94.9 million and returned 1.5% as of March 31, 2003, which outperformed the benchmark of 1.4% for the quarter. The quasi-endowment had a net gain of \$277,000 during last quarter.

	<p>Wilshire reported that Alliance Bernstein outperformed their benchmark, Seneca and LSV Asset Management underperformed their benchmark, and the remaining three endowment investment managers were comparable to their respective benchmarks.</p>
Evaluate Impact of Asset Allocation Change	<p>At its March meeting, the Banking Committee questioned the potential impact of a change in asset allocation - redistributing the equities/fixed income balance from 70/30 to 60/40 – on the universities' endowment spending policies.</p> <p>The Banking Committee requested that Wilshire Associates review the Regent institution's portfolio performance. Wilshire's analysis, attached to this memorandum, shows that the current 5.0% spending policy could not be maintained. Representatives from Wilshire will be available to provide the Committee with an oral report.</p>
Investment Issues	<p>Two corporate bonds, El Paso Corp. and PDVSA Finance, held by Reams Asset Management were downgraded below investment grade for the quarter ended December 31, 2002. These bonds were further downgraded for the quarter ended March 31, 2003. Reams continues to hold the bonds in accordance with their guidelines.</p> <p>The internal auditors verified that remaining investment purchases and holdings for the quarter ended March 31, 2003 were in compliance with respective Board and institutional investment policies.</p>

Background and Analysis:

	<p>The Board delegates the authority for monitoring institutional investment and treasury management practices and performance to the Banking Committee. The Board's policies identify broad investment strategy to be followed in the investment of the assets and any general limitations on the discretion given to the institutions' investment managers (both internal and external).</p> <p>The policy of the Board of Regents is to maintain the financial health of the institutions it governs by ensuring compliance with investment practices that preserve principal, ensure liquidity sufficient for anticipated needs, and maintain purchasing power of investment assets.</p> <p>The institutions maintain two types of investment portfolios – operating and endowment. Both portfolios include unrestricted assets as well as assets restricted by donors, bond covenants, or funding agencies.</p> <p>As required by Board policy, university internal auditors verified operating investment transactions and holdings for compliance at their respective universities. Iowa School for the Deaf operating investments were reviewed by the University of Iowa internal auditors, while the Iowa Braille and Sight Saving School operating investments were reviewed by the Iowa State University internal auditors. The University of Iowa internal auditors also verified the endowment investment transactions and holdings for the Regent institutions.</p>
Investment Policy History	<p>Since FY 1989, the Board has employed an investment advisor and fund managers to guide its active investments of endowment funds. Wilshire Associates has been the Board's investment advisor since May 1996.</p> <p>The Banking Committee established an asset allocation policy of 63% equities, 30% fixed income, and 7% international equities with specific investment manager allocations and target ranges. The policy is reviewed annually.</p>

**OPERATING
PORTFOLIOS**

Board policies permit the institutions to invest operating funds in short-term, cash equivalent investments such as U.S. government bills, money market accounts, and secure commercial paper, as well as U.S. government notes, agency securities, and corporate notes with maturities not to exceed 63 months.

Since December 1996, the institutions have invested a portion of their unrestricted operating portfolios with BlackRock, an external fund manager. The institutions currently manage the remaining operating funds utilizing banks and brokers services.

In March 2003, the Board authorized institutional optional use of Wellington Management Company as a short duration fixed income manager for their operating portfolios.

No investments were made through Wellington Management Company for the quarter ended March 31, 2003. In April 2003, a transfer of \$50 million was made from funds held in SUI's unrestricted portfolio money market at March 31 to fund the new Wellington Management account.

Operating Portfolios
Market Value (in thousands)
As of March 31, 2003

	<u>Unrestricted</u>	<u>Restricted</u>	<u>BlackRock</u>	<u>Total</u>
SUI	\$295,334	\$96,638	\$178,185	\$570,157
ISU	125,093	74,540	87,299	286,932
UNI	37,073	35,707	16,241	89,021
ISD	2,123	8	234	2,365
IBSSS	<u>517</u>	<u>N/I</u>	<u>N/I</u>	<u>517</u>
Total	\$460,140	\$206,893	\$281,959	\$948,992

N/I No investments of this type.

Total rate of return measures all income and market valuation changes in the portfolios during the period. Rates of return for the quarter are provided in the following table. Table 1 on page 13 contains the rates for the current quarter and for the four previous quarters.

Operating Portfolios
Quarterly Rates of Return
For the Quarter Ended March 31, 2003

	<u>Unrestricted</u>	<u>Restricted</u>	<u>BlackRock</u>
SUI	0.50%	0.67%	0.76%
ISU	0.44%	0.63%	0.75%
UNI	0.58%	0.64%	0.75%
ISD	0.41%	0.39%	0.70%
IBSSS	0.29%	N/I	N/I

N/I No investments of this type.

The comparable industry standard rates of return for the quarter ended March 31, 2003, include the Merrill Lynch 1-3 year Government/Agency Index rate of 0.6% and the 91-day T-bill rate of 0.3%. Table 2 on page 14 contains investment yields for the current quarter and for the four previous quarters.

Operating Investment Portfolios Summary
Unrestricted, Restricted, and BlackRock
For the Quarter Ended March 31, 2003

	<u>Market Value</u>	<u>Percent Market Value</u>
University of Iowa		
Money Market / Cash Equivalents	\$188,369,385	33.0%
U.S. Obligations	162,942,912	28.6%
Agency Securities	170,533,913	29.9%
Asset-Backed	47,908,553	8.4%
Mortgage-Backed	<u>402,003</u>	<u>0.1%</u>
Total	\$570,156,766	100.0%
Iowa State University		
Money Market / Cash Equivalents	\$98,182,411	34.2%
U.S. Obligations	103,271,639	36.0%
Agency Securities	70,586,671	24.6%
Other	<u>14,891,167</u>	<u>5.2%</u>
Total	\$286,931,888	100.0%
University of Northern Iowa		
Money Market / Cash Equivalents	\$13,563,811	15.2%
U.S. Obligations	25,555,458	28.7%
Agency Securities	43,272,190	48.6%
Other	<u>6,629,657</u>	<u>7.5%</u>
Total	\$89,021,116	100.0%
Iowa School for the Deaf		
Money Market / Cash Equivalents	\$2,163,919	91.5%
U.S. Obligations	137,832	5.8%
Agency Securities	23,439	1.0%
Other	<u>40,012</u>	<u>1.7%</u>
Total	\$2,365,202	100.0%
Iowa Braille & Sight Saving School		
Money Market / Cash Equivalents	\$10,696	2.1%
Repurchase Agreements	<u>505,847</u>	<u>97.9%</u>
Total	\$516,543	100.0%
Regent Composite		
Money Market / Cash Equivalents	\$302,290,222	31.8%
U.S. Obligations	291,907,841	30.7%
Agency Securities	284,416,213	30.0%
Asset-Backed	47,908,553	5.0%
Other	21,560,836	2.3%
Repurchase Agreements	505,847	0.1%
Mortgage-Backed	<u>402,003</u>	<u>0.1%</u>
Total	\$948,991,515	100.0%

The top three investment categories for the combined Regent operating portfolios included Money Market / Cash Equivalents, U.S. Obligations, and Agency Securities.

**ENDOWMENT/
QUASI-ENDOWMENT
PORTFOLIOS**

Two primary endowment portfolios are maintained — the University of Iowa and Iowa State University. The University of Northern Iowa endowment portfolio is invested through the University of Iowa. The Iowa School for the Deaf and Iowa Braille and Sight Saving School endowment portfolios are invested through Iowa State University.

Board policies permit endowment funds to be invested in investment grade, long-term fixed income securities and high quality equities that may produce both income and growth, with a targeted return to exceed inflation by 2% to 3% for bonds, by 4% to 6% for domestic stocks, and by 7% for foreign stocks (after exchange transactions and currency conversions).

The Board of Regents employs an investment advisor and money managers to guide its policy of active, diversified investment management. Wilshire Associates has been the investment advisor to the Board and Regent institutions since May 1996.

Wilshire Associates assists with the evaluation of the Board's investment policies and provides quarterly endowment portfolio summary reports which review the allocation of endowment assets relative to the Board's policies, compare the returns of the portfolios to the established benchmarks, and evaluate individual fund manager performance.

The Board has authorized the following fund managers for the Regent endowment portfolios:

Invesco, a Regent fund manager since April 1989, manages large capitalization core domestic equity portfolios and market core domestic fixed income portfolios separately. Until January 2002, Invesco had managed balanced portfolios of U.S. equity and fixed income.

Vanguard, authorized by the Board in September 2002, manages a large capitalization index portfolio.

Seneca Capital Management has managed U.S. stock portfolios with a mid-capitalization growth orientation since May 1995.

LSV Asset Management, authorized by the Board in January 2002, manages small value domestic stock portfolios.

Reams Asset Management, a market core fixed income manager, began handling SUI quasi-endowment funds in July 2001. In January 2002, the Board authorized the use of Reams for its endowments.

Alliance Bernstein has managed the international value equity portfolios since June 1999.

**ALLOCATION OF
ENDOWMENT
ASSETS**

The Banking Committee expects the endowments to be maintained close to the established asset allocation targets and periodically reviews its investment structure.

The Board approved designated specific manager allocations and ranges to assist institutional officials in maintaining the Board's asset allocation policy.

Asset Allocation
Policy

Institutional officials are authorized to maintain the appropriate portfolio asset allocations, and if, at the end of a quarter, rebalancing is required, the institutional officials are to rebalance the portfolio during the following quarter.

Asset Allocation Policy

	<u>Target Range</u>	<u>Range</u>
Domestic Stocks (US equities)	63%	+/-5%
Domestic Bonds (US fixed income)	30%	+/-5%
International Stocks (foreign equities)	7%	+/-3%

The Board's target range for the asset allocation is plus or minus 5% of the established asset allocation policy for domestic equities and fixed income and plus or minus 3% for international equities.

Asset Allocations

Endowment Asset Allocations

Net of Fees
March 31, 2003

Investments	<u>University of Iowa</u>		<u>Iowa State University</u>		Target Range (percent)
	Value (thousands)	Value (percent)	Value (thousands)	Value (percent)	
U.S. Stocks	\$99,309	61.8%	\$60,463	62.9%	63%(+/-5%)
U.S. Bonds	50,345	31.4%	29,283	30.4%	30%(+/-5%)
International Stocks	<u>10,985</u>	<u>6.8%</u>	<u>6,438</u>	<u>6.7%</u>	<u>7%(+/-3%)</u>
Total Fund	\$160,639	100.0%	\$96,184	100.0%	100%

Asset allocations of the endowment portfolios were within the Board-established target ranges.

SUI Quasi-
Endowment

The quasi-endowment fund is 100% fixed income investments.

University of Iowa – Quasi-Endowment (100% Fixed Income)

March 31, 2003

	Value (thousands)	Value (percent)	<u>Returns</u>	
			<u>Quarter</u>	<u>One Year</u>
Invesco	\$49,103	51.8%	1.5%	10.9%
Reams	<u>45,759</u>	<u>48.2%</u>	<u>1.4%</u>	<u>8.4%</u>
Total Fund	\$94,862	100.0%	1.5%	10.0%
100% Lehman Aggregate			1.4%	11.7%

There is no Board-established fund manager allocations target ranges for the quasi-endowment.

Manager Allocation
Policy

The following manager allocations, adopted by the Board in January 2002, generate the new target endowment asset allocation when all managers are at policy targets (rounded to the nearest percent). The specific manager targets are designed to maintain the allocations within domestic equities and domestic bonds.

<u>Manager</u>	<u>Style</u>	<u>Policy</u>	<u>Rebalancing Ranges</u>
Domestic Stocks			
Invesco	Large Core	35%	+/-5%
Vanguard	Large Index	13%	+/-3%
Seneca	Mid Growth	10%	+/-2%
LSV Asset Management	Small Value	<u>5%</u>	+/-2%
Total		63%	+/-5%
Domestic Bonds			
Invesco	Core	15%	+/-5%
Reams	Core	<u>15%</u>	+/-5%
Total		30%	+/-5%
International Stocks			
Alliance Bernstein	Value	<u>7%</u>	+/-3%
Total		7%	+/-3%
Total Fund		100%	

The manager allocations of the endowment portfolios were within the Board-established target ranges

Manager Allocations

Endowment Manager Allocations

Net of Fees
March 31, 2003

<u>MANAGER</u>	<u>University of Iowa</u>		<u>Iowa State University</u>	
	<u>Value (thousands)</u>	<u>Value (percent)</u>	<u>Value (thousands)</u>	<u>Value (percent)</u>
<u>Domestic Stocks</u>				
Invesco	\$54,731	34.1%	\$34,277	35.6%
Vanguard	21,636	13.5%	12,750	13.3%
Seneca	15,409	9.6%	9,645	10.0%
LSV Asset Mgmt.	<u>7,533</u>	<u>4.7%</u>	<u>3,791</u>	<u>4.0%</u>
Total	\$99,309	61.9%	\$60,463	62.9%
<u>Domestic Bonds</u>				
Invesco	\$24,188	15.0%	\$14,167	14.7%
Reams	<u>26,157</u>	<u>16.3%</u>	<u>15,116</u>	<u>15.7%</u>
Subtotal	\$50,345	31.3%	\$29,283	30.4%
<u>International</u>				
Alliance Bernstein	\$10,985	6.8%	\$6,438	6.7%
Total Fund	\$160,639	100.0%	\$96,184	100.0%

Assets are shown as invested.

**ENDOWMENT
PERFORMANCE**

The following table compares the returns of the endowment portfolios for the period ended March 31, 2003, with the established benchmarks. The portfolios were close to the benchmarks for the quarter and were behind the benchmarks for the year.

Endowment Portfolios

Net of Fees

As of March 31, 2003

	<u>Assets</u> (thousands)	<u>Returns</u>	
		<u>Quarter</u>	<u>One Year</u>
SUI	\$160,639	-2.4%	-15.6%
ISU	96,184	-2.6%	-16.5%
Asset Allocation Benchmark*		-2.1%	-13.8%
SUI Quasi-Endowment	<u>94,862</u>	1.5%	10.0%
Fixed Income Benchmark **		1.4%	11.7%
Total	\$351,685		

* 63% S&P 500, 30% Lehman Aggregate, 7% MSCI EAFE.

** 100% Lehman Aggregate.

*University of Iowa
Endowment*

The University of Iowa endowment assets totaled \$160.6 million as of March 31, 2003, a \$4.9 million decrease from the previous quarter. For the quarter ended March 31, 2003, investment losses totaled \$4.0 million, net contributions equaled \$1.6 million, and net distributions and fees amounted to \$2.6 million.

The endowment assets held by the University of Iowa earned a return of -2.4% for the quarter, slightly underperforming the benchmark return of -2.1% by 0.3%. Returns for the endowment over the one-year period were -15.6%, which were under the benchmark of -13.8%.

*University of Iowa
Quasi-Endowment*

The University of Iowa quasi-endowment assets totaled \$94.9 million as of March 31, 2003, a \$0.3 million increase over the previous quarter. For the quarter ended March 31, 2003, investment gains totaled \$1.4 million, net contributions totaled \$31,000, and net distributions and fees amounted to \$1.2 million.

The quasi-endowment earned a return of 1.5% for the quarter and 10.0% for the year. The returns were slightly higher than the benchmark of 1.4% for the quarter and under the 11.7% benchmark for the year.

*Iowa State
University
Endowment*

Iowa State University endowment assets totaled \$96.2 million as of March 31, 2003, a \$4.0 million decrease from the previous quarter. For the quarter, investment losses totaled \$3.0 million, while net distributions and fees were \$1.5 million. Net contributions totaled \$62,000.

The Iowa State University endowment assets earned a return of -2.6% for the quarter underperforming the policy benchmark return of -2.1%. The one-year return for ISU was -16.5%, which was lower than the one-year benchmark of -13.8%.

Investment
Managers

		Invesco Net of Fees March 31, 2003			
		<u>Assets</u>	<u>Returns</u>		
		(thousands)	Quarter	One Year	Three Years
SUI					
	U.S. Stocks	\$54,731	-4.8%	-27.0%	-12.1%
	U.S. Bonds	<u>24,188</u>	1.5%	10.3%	9.0%
		\$78,919			
SUI Quasi-Endowment					
	U.S. Bonds	\$49,103	1.5%	10.9%	8.8%
ISU					
	U.S. Stocks	28,092	-5.1%	-27.3%	-12.3%
	U.S. Bonds	<u>9,981</u>	1.5%	10.5%	8.9%
		\$38,073			
ISU 93 Trust					
	U.S. Stocks	6,185	-4.7%	-27.0%	-12.2%
	U.S. Bonds	<u>4,186</u>	1.6%	10.9%	9.1%
		\$10,371			
Total		\$176,466			
	Benchmark – U.S. Stocks ¹		-3.2%	-24.8%	-16.2%
	Benchmark – U.S. Bonds ²		1.4%	11.7%	9.7%

1 S&P 500.
2 100% Lehman Aggregate.

Invesco
Performance

Invesco manages the Regent portfolio of U.S. stocks and U.S. bonds separately, as approved by the Board in January 2002.

Stocks

For the quarter ended March 31, 2003, Invesco's performance in U.S. stocks included returns of -4.8% for the SUI endowment, -5.1% for the ISU endowment, and -4.7% for the ISU 93 Trust. These returns underperformed the benchmark of -3.2%.

Wilshire reported that stock selection within the information technology consumer discretionary, health care and consumer staples sectors primarily contributed to the portfolio for the quarter. Underweighting to the telecommunication services sector had a positive impact on performance while stock selection within the telecommunication services sector had a negative impact on performance. Overweighting to the financials sector detracted from performance.

For the year ended March 31, 2003, Invesco's performance in U.S. stocks included returns of -27.0% for the SUI endowment, -27.3% for the ISU endowment, and -27.0% for the ISU 93 Trust. These returns underperformed the benchmark of -24.8%.

Bonds

For the quarter ended March 31, 2003, Invesco's U.S. bond performance included returns of 1.5% for the SUI endowment, the SUI quasi-endowment, and the ISU endowment, and 1.6% for the ISU 93 Trust. These returns outperformed the benchmark of 1.4%.

For the year ended March 31, 2003, Invesco's U.S. bond performance included returns of 10.3% for the SUI endowment, 10.9% for the SUI quasi-endowment, 10.5% for the ISU endowment, and 10.9% for the ISU 93 Trust. All the portfolios underperformed the benchmark of 11.7%.

Vanguard		
Net of Fees		
March 31, 2003		
	<u>Assets</u>	<u>Returns</u>
	(thousands)	(Quarter)
SUI	\$21,636	-3.2%
ISU	<u>12,750</u>	-3.2%
Total	\$34,386	
Benchmark: S&P 500		-3.2%

Vanguard performance

Vanguard is a large cap index fund manager that was approved by the Board to provide diversification.

This was the second full quarter for investments with Vanguard. The Board approved the selection of Vanguard as a new index fund manager at its September 19, 2002, meeting.

Seneca Capital Management				
Net of Fees				
March 31, 2003				
	<u>Assets</u>	<u>Returns</u>		
	(thousands)	<u>Quarter</u>	<u>One Year</u>	<u>Three Years</u>
SUI	\$15,409	-0.8%	-33.9%	-22.5%
ISU	7,973	-1.0%	-34.4%	-23.0%
ISU 93 Trust	<u>1,672</u>	-0.7%	-34.1%	-22.9%
Total	\$25,054			
Benchmark: Wilshire Mid Cap Growth Index		-3.2%	-29.3%	-23.6%

Seneca performance

Seneca Capital Management manages U.S. equity portfolios with a mid-capitalization growth orientation.

For the quarter, Seneca Capital Management returned -0.8% for the SUI endowment, -1.0% for the ISU endowment, and -0.7% for the ISU 93 Trust. These returns all significantly outperformed the Wilshire Mid Cap Growth Index return of -3.2%.

Wilshire reported that stock selection contributed to Seneca's outperformance for the quarter. Adding to the portfolio's performance was stock selection within the health care, information technology, consumer discretionary and materials sectors. Stock selection within the industrials sector detracted from performance.

For the one-year period, Seneca Capital Management returned -33.9% for SUI, -34.4% for ISU and -34.1% for the ISU 93 Trust; all underperformed the Wilshire Mid Cap Growth Index of -29.3%. The three-year returns all outperformed the Wilshire Mid Cap Growth Index.

LSV Asset Management		
Net of Fees		
March 31, 2003		
	<u>Assets</u>	<u>Returns</u>
	<u>(thousands)</u>	<u>Quarter</u>
SUI	\$7,533	-6.8%
ISU	<u>3,791</u>	-6.5%
Total	\$11,324	
Benchmark: Russell 2500 Value		-4.8%

LSV Asset Mgmt.
performance

LSV Asset Management manages small value domestic stocks.

This was the third quarter for investments with LSV. Returns for the quarter underperformed the Russell 2500 Value benchmark of -4.8%.

Wilshire reported that stock selection within the consumer staples and health care sectors, along with an underweighting to the financials sector, contributed to the negative impact on performance. Stock selection within the consumer discretionary sector added to performance during the quarter.

Reams Asset Management			
Net of Fees			
March 31, 2003			
	<u>Assets</u>	<u>Returns</u>	
	<u>(thousands)</u>	<u>Quarter</u>	<u>One Year</u>
SUI	\$26,157	1.1%	-
SUI – Quasi-Endowment	45,759	1.4%	8.4%
ISU	<u>15,116</u>	1.3%	-
Total	\$87,032		
Benchmark: Lehman Aggregate		1.4%	11.7%

Reams
performance

This was the seventh quarter for the University of Iowa's quasi-endowment investments with Reams Asset Management. Returns for the quarter of 1.4% equaled the benchmark.

For the quarter, Reams returned 1.1% for the SUI endowment and 1.3% for Iowa State University. These returns slightly underperformed the Lehman Aggregate benchmark return of 1.4%. No benchmark is reported for the year.

Alliance Bernstein			
Net of Fees			
March 31, 2003			
	<u>Assets</u>		<u>Returns</u>
	(thousands)	<u>Quarter</u>	<u>One Year</u>
SUI	\$10,985	-5.8%	-13.0%
ISU	<u>6,438</u>	-6.3%	-14.9%
Total	\$17,423		
Benchmark: MSCI EAFE Index		-8.2%	-23.2 %

Alliance Bernstein performance Alliance Bernstein manages an international equity portfolio that utilizes a value philosophy and intensive research in constructing portfolios.

Wilshire reported returns for the quarter of -5.8% for the SUI endowment and -6.3% for the ISU endowment, which outperformed the MSCI EAFE Index of -8.2%. Wilshire reported returns for the year of -13.0% for SUI and -14.9% for ISU, which significantly outperformed the MSCI EAFE benchmark of -23.2%.

Positive contributors to the outperformance include stock selection within the United Kingdom, Switzerland, Spain, and France, and an overweighting to Canada were primary contributors to the portfolio's outperformance. Sector weightings within the Netherlands, Japan and Italy negatively impacted performance for the quarter.

Table 1
Operating Portfolios
Quarterly Rates of Return

<i>Unrestricted Funds</i>					
	<u>3/31/02</u>	<u>6/30/02</u>	<u>9/30/02</u>	<u>12/31/02</u>	<u>3/31/03</u>
University of Iowa	0.16%	2.06%	1.51%	0.83%	0.50%
Iowa State University	0.22%	2.11%	1.12%	0.62%	0.44%
University of Northern Iowa	0.10%	1.90%	1.43%	0.82%	0.58%
Iowa School for the Deaf	1.00%	0.80%	0.42%	0.42%	0.41%
Iowa Braille & Sight Saving School	0.41%	0.42%	0.42%	0.37%	0.29%
<i>Restricted Funds</i>					
	<u>3/31/02</u>	<u>6/30/02</u>	<u>9/30/02</u>	<u>12/31/02</u>	<u>3/31/03</u>
University of Iowa	0.41%	1.64%	2.01%	0.83%	0.67%
Iowa State University	0.15%	1.58%	1.43%	0.62%	0.63%
University of Northern Iowa	0.26%	1.53%	2.33%	0.55%	0.64%
Iowa School for the Deaf	0.87%	1.03%	0.69%	0.52%	0.39%
Iowa Braille & Sight Saving School	N/I	N/I	N/I	N/I	N/I
N/I = No investments of this type.					
<i>BlackRock</i>					
	<u>3/31/02</u>	<u>6/30/02</u>	<u>9/30/02</u>	<u>12/31/02</u>	<u>3/31/03</u>
University of Iowa	0.23%	2.62%	2.73%	0.97%	0.76%
Iowa State University	0.17%	2.59%	2.59%	0.94%	0.75%
University of Northern Iowa	0.22%	2.56%	2.74%	1.02%	0.75%
Iowa School for the Deaf	0.17%	2.59%	2.59%	0.94%	0.70%
Iowa Braille & Sight Saving School	N/I	N/I	N/I	N/I	N/I
N/I = No investments of this type.					

Table 2
Operating Portfolios
Quarterly Current Yield

Unrestricted Funds

	<u>3/31/02</u>	<u>6/30/02</u>	<u>9/30/02</u>	<u>12/31/02</u>	<u>3/31/03</u>
University of Iowa	4.19%	3.75%	3.57%	3.31%	2.88%
Iowa State University	4.44%	3.90%	3.34%	3.12%	2.62%
University of Northern Iowa	3.30%	3.85%	3.16%	2.80%	2.93%
Iowa School for the Deaf	2.17%	1.96%	1.65%	1.65%	1.65%
Iowa Braille & Sight Saving School	1.66%	1.69%	1.69%	1.20%	1.37%

Restricted Funds

	<u>3/31/02</u>	<u>6/30/02</u>	<u>9/30/02</u>	<u>12/31/02</u>	<u>3/31/03</u>
University of Iowa	3.98%	3.46%	3.65%	3.21%	3.21%
Iowa State University	4.06%	3.95%	3.22%	3.30%	3.36%
University of Northern Iowa	4.74%	4.35%	4.32%	4.23%	3.64%
Iowa School for the Deaf	3.50%	4.09%	2.73%	2.05%	1.57%
Iowa Braille & Sight Saving School	N/I	N/I	N/I	N/I	N/I

N/I = No investments of this type.

BlackRock

	<u>3/31/02</u>	<u>6/30/02</u>	<u>9/30/02</u>	<u>12/31/02</u>	<u>3/31/03</u>
University of Iowa	5.40%	4.91%	4.73%	4.47%	3.76%
Iowa State University	5.32%	4.81%	4.60%	4.36%	3.60%
University of Northern Iowa	5.51%	4.99%	4.72%	4.47%	4.01%
Iowa School for the Deaf	5.32%	4.81%	4.60%	4.36%	3.60%
Iowa Braille & Sight Saving School	N/I	N/I	N/I	N/I	N/I

N/I = No investments of this type.

Table 3
Endowment / Quasi-Endowment Portfolios
Market Value - Accrual Basis
(In thousands)
March 31, 2003

Portfolio Manager	Endowment Market Value	1993 Trust Market Value	Quasi-Endowment Market Value	Total Market Value	Percent of Total
Invesco					
SUI	\$78,919	-	\$49,103	\$128,022	
ISU	<u>38,073</u>	<u>\$10,371</u>	-	<u>48,444</u>	
Total	\$116,992	\$10,371	\$49,103	\$176,466	50.2%
Vanguard					
SUI	\$21,636	-	-	\$21,636	
ISU	<u>12,750</u>	-	-	<u>12,750</u>	
Total	\$34,386	-	-	\$34,386	9.8%
Seneca Capital Mgmt.					
SUI	\$15,409	-	-	\$15,409	
ISU	<u>7,973</u>	<u>\$1,672</u>	-	<u>9,645</u>	
Total	\$23,382	\$1,672	-	\$25,054	7.1%
LSV Asset Mgmt.					
SUI	\$7,533	-	-	\$7,533	
ISU	<u>3,791</u>	-	-	<u>3,791</u>	
Total	\$11,324	-	-	\$11,324	3.2%
Reams Asset Mgmt.					
SUI	\$26,157	-	\$45,759	\$71,916	
ISU	<u>15,116</u>	-	-	<u>15,116</u>	
Total	\$41,273	-	\$45,759	\$87,032	24.7%
Alliance Bernstein					
SUI	\$10,985	-	-	\$10,985	
ISU	<u>6,438</u>	-	-	<u>6,438</u>	
Total	\$17,423	-	-	\$17,423	5.0%
TOTAL					
SUI	\$160,639	-	\$94,862	\$255,501	
ISU	<u>84,141</u>	<u>\$12,043</u>	-	<u>96,184</u>	
Total	\$244,780	\$12,043	\$94,862	\$351,685	100.0%

Table 4 Principal Demutualization Funds (In thousands) March 31, 2003	
SUI	\$38,282
ISU	20,774
UNI	6,113
ISD	238
IBSSS	152
Board Office	<u>43</u>
Total	\$65,602