Board of Regents, State of Iowa

First Quarter 2002 Performance Review

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WILSHIRE
CONSULTING

Capital Market Review

First Quarter 2002 Performance Review

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Market Review

Market Observations

Broad equity markets around the world produced a modest positive return for investors during the first quarter of 2002. This marks the two-year anniversary of the decline in equity markets worldwide, dating back to the bursting of the technology bubble. The past two quarters represent the only occurrences of positive broad market performance both in the US and globally since the decline. In the US, housing and consumer spending were a stabilizing force for the economy. Record low interest rates helped to fuel the housing sector both in terms of new and existing home sales. Consumer spending and personal income rose throughout the quarter, providing additional good news for the economy. Meanwhile, the Federal Reserve left short-term interest rates unchanged during two consecutive meetings of the Federal Open Market Committee, in sharp contrast to last year's eleven reductions.

US Stock Market

Broad market indices recovered to positive territory in March following two months of negative performance. The Wilshire 5000 produced a return of 0.96% for the quarter, while the S&P 500 gained 0.28%. The Nasdaq Index, however, ended the quarter in negative territory at –5.24%, a result of continued weakness in the technology sector.

Wilshire Style Index	Periods Ending March 31, 2002		
	One Quarter	One Year	Five Years
Large Growth	-1.90%	1.86%	8.11%
Large Value	3.52%	0.84%	9.24%
Mid Cap Growth	-1.72%	11.19%	10.30%
Mid Cap Value	7.96%	18.60%	13.58%
Small Growth	-2.93%	6.90%	5.39%
Small Value	8.97%	20.69%	12.44%

Small stocks outperformed large stocks, maintaining a pattern that has existed in five the six previous quarters. The Russell 2000 Index was up 3.99%, while the Wilshire 4500 was up 1.80%.

Value stocks outperformed growth stocks during the first quarter. This trend persisted throughout much of 2001 except during the fourth quarter of 2001 when growth stocks led the strong market rebound. These relationships were reflected in both large and small stocks.

Technology Index	Periods Ending March 31, 2002		
	One Quarter	One Year	Five Years
Wilshire Internet	-17.89%	-27.90%	12.18%
NASDAQ	-5.24%	1.46%	9.17%

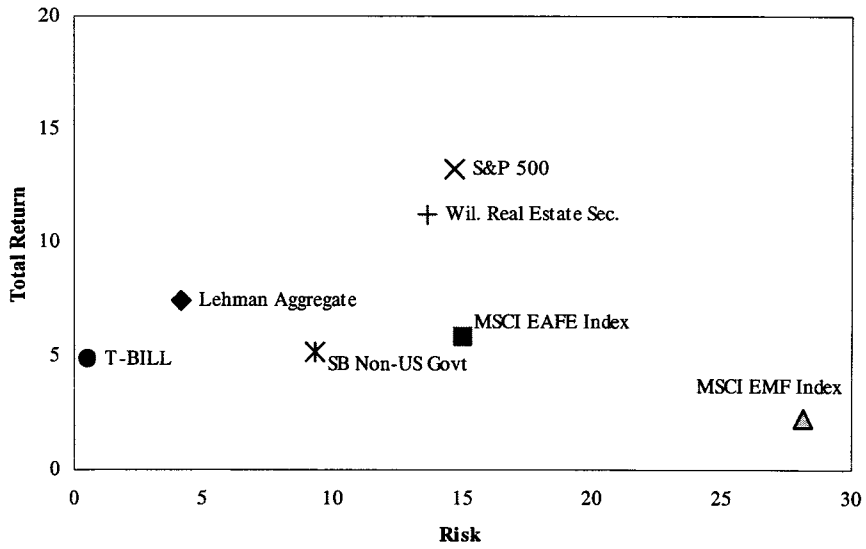
Market Review

Major Asset Class Returns

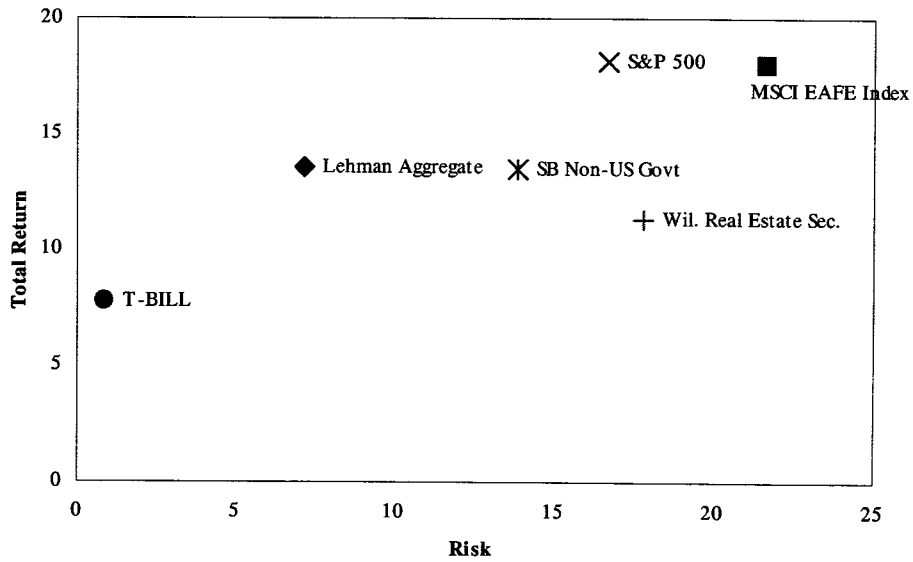
(%)

	QTR	Ytd	1 yr	3 yr	5 yr	10yr
Equity						
Standard and Poor's 500	0.3	0.3	0.3	-2.5	10.2	13.3
International Stock (MSCI EAFE)	0.5	0.5	-8.5	-5.3	1.3	5.8
Emerging Markets (MSCI EMF)	11.4	11.4	15.0	3.8	-5.2	2.3
Wilshire Real Estate Securities	9.1	9.1	21.7	16.5	8.2	11.2
Fixed Income						
Lehman Aggregate Bond	0.1	0.1	5.3	6.5	7.6	7.4
International Bonds (SB Non-US)	-1.9	-1.9	-0.5	-2.8	0.9	5.1
Treasury Bills (91 Day)	0.4	0.4	3.3	4.8	5.0	4.8
Consumer Price Index	1.2	1.2	1.5	2.7	2.3	2.5

Risk versus Return (3/31/92 - 3/31/02)



Risk versus Return (3/31/82 - 3/31/92)

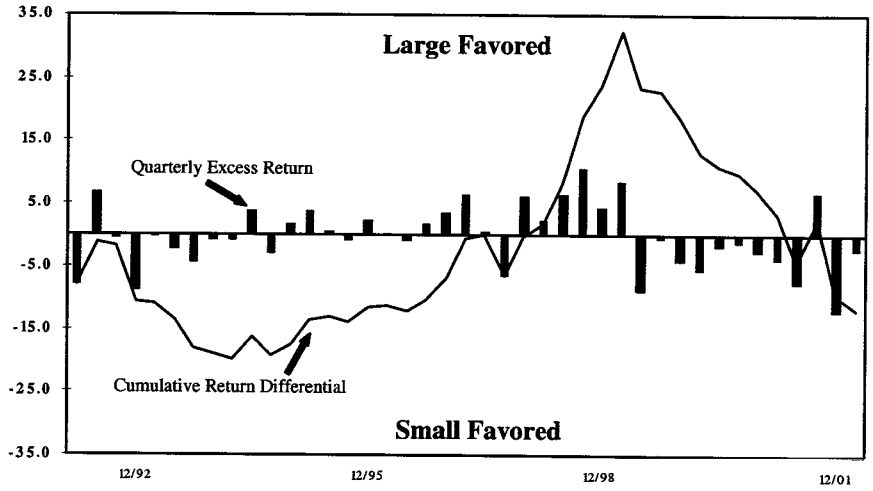


Domestic Equity Markets

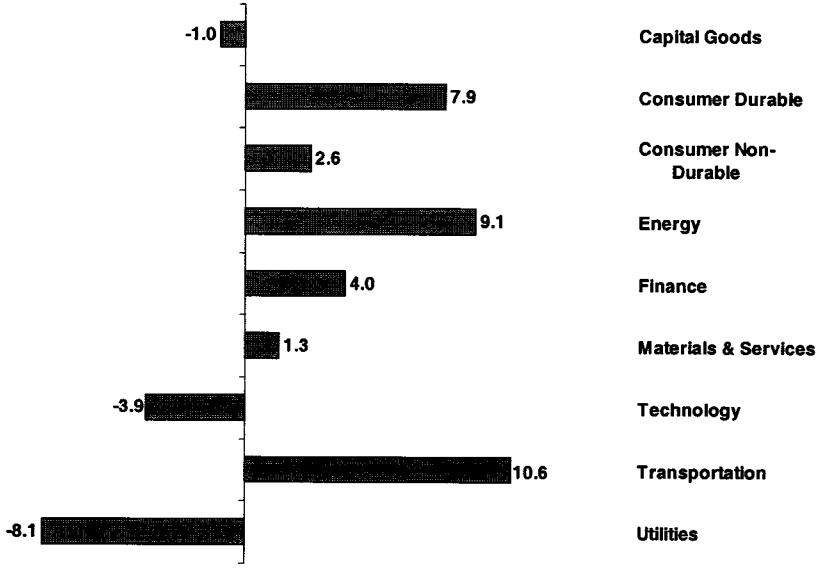
US Equity Returns

	QTR	YTD	1 yr	3 yr	5 yr	10yr
Wilshire 4500	1.8	1.8	9.7	1.8	8.5	10.7
Wilshire 5000	1.0	1.0	2.6	-1.6	9.8	12.5
Wilshire Internet Index	-17.9	-17.9	-27.9	-31.5	12.2	N/A
Wilshire Large Cap 750	0.7	0.7	0.9	-3.1	9.9	12.8
Wilshire Micro Cap 2500	5.2	5.2	25.3	21.3	14.7	13.9
Wilshire Small Cap 1750	3.1	3.1	12.6	10.5	11.0	12.4
Wilshire Venture Capital	-11.9	-11.9	2.5	-2.6	18.6	15.0
Wilshire Large Growth	-1.9	-1.9	1.9	-9.8	8.1	10.9
Wilshire Large Value	3.5	3.5	0.9	1.0	9.3	13.5
Wilshire Mid Growth	-1.7	-1.7	11.2	5.5	10.3	11.2
Wilshire Mid Value	8.0	8.0	18.6	16.7	13.6	15.3
Wilshire Small Growth	-2.9	-2.9	6.9	-1.6	5.4	7.8
Wilshire Small Value	9.0	9.0	20.7	17.2	12.5	14.9

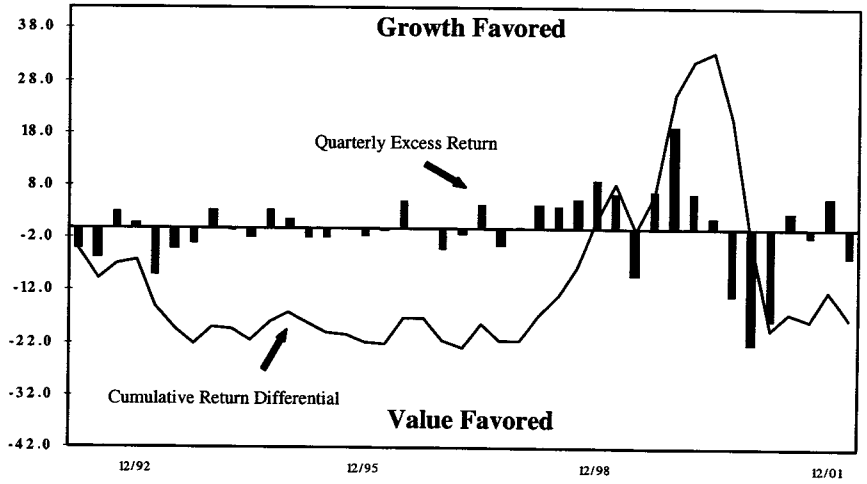
Small Cap vs. Large Cap Quarterly Returns



Wilshire 5000 Quarterly Sector Returns



Value vs. Growth Stocks Quarterly Returns

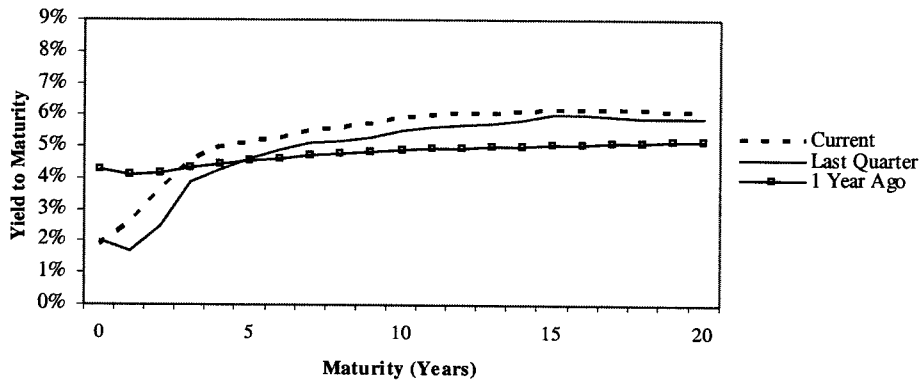


Fixed Income

Fixed Income

	QTR	YTD	1 yr	3 yr	5 yr	10yr
Lehman Aggregate	0.1	0.1	5.3	6.5	7.6	7.4
Lehman Gov / Credit	-0.5	-0.5	4.7	6.2	7.5	7.4
Lehman Agency	-0.2	-0.2	5.0	6.5	7.6	7.4
Lehman ABS	0.5	0.5	6.8	7.3	7.5	7.1
Lehman Gov't	-0.6	-0.6	4.0	6.2	7.4	7.3
Lehman Corp	-0.3	-0.3	5.6	6.0	7.4	7.7
Lehman Mortgage	1.0	1.0	6.4	7.0	7.7	7.3
Lehman Long Treasury	-1.7	-1.7	1.1	5.5	8.7	8.7
First Boston High Yield	2.5	2.5	3.3	1.5	3.5	7.3
Salomon Bros World Gov't Bond	-1.6	-1.6	0.5	-0.5	2.7	5.5
Salomon Bros Non-US Bond	-1.9	-1.9	-0.5	-2.8	0.9	5.1
Lehman US TIPS	1.5	1.5	4.5	8.2	N/A	N/A

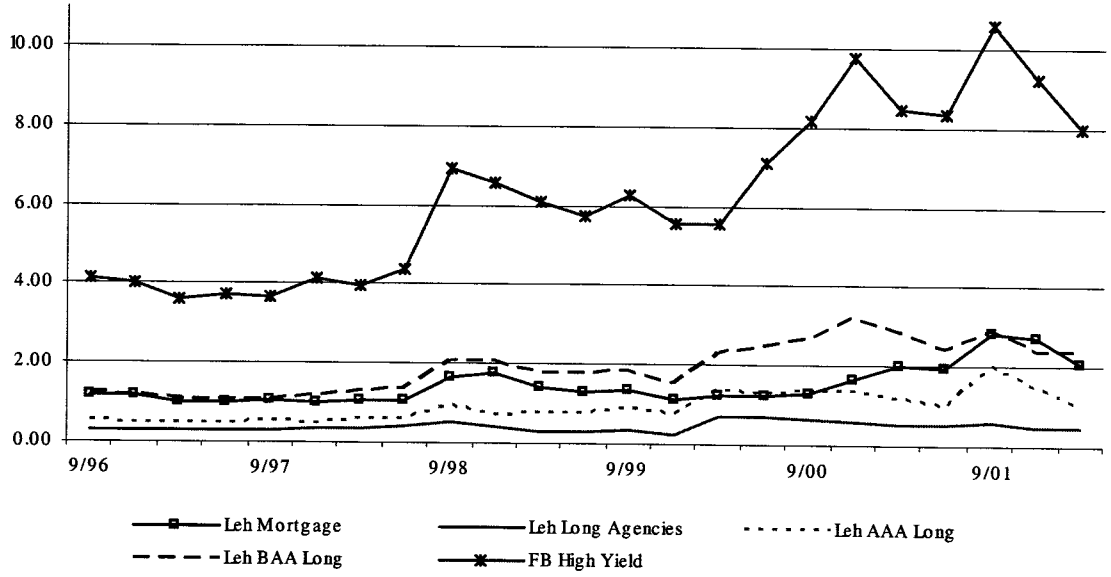
Treasury Yield Curve



Bond Market

The Federal Reserve left rates unchanged during its two meetings in the first quarter of 2002, continuing its stance of an accommodative monetary policy. The Lehman Aggregate Index produced a modest return of 0.10% during the quarter. Treasury Inflation Protection Securities (TIPS) and High Yield Bonds produced the strongest returns in the US bond market during the first quarter.

Yield Spread To Treasuries



International Equity Markets

European and Asian markets overall produced similar first quarter returns as in the US stock markets. The MSCI EAFE Index was up 0.51% for the period. The index was held up by strong performance in the Pacific region during the first quarter. While the MSCI Europe Index was down 0.11%, the MSCI Pacific Index was up 2.20%, influenced heavily by positive performance in Japanese markets. Emerging markets continued the strong rebound that began in the fourth quarter of 2001.

International Index Returns

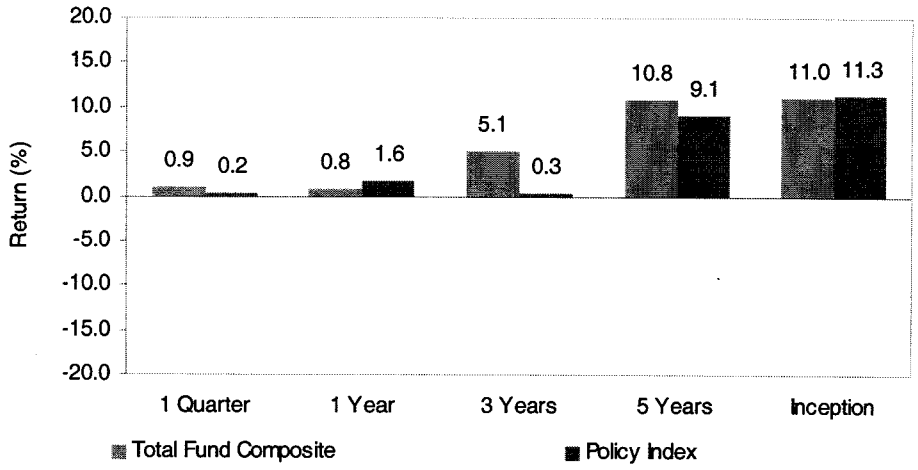
Equity (in U.S. $)	QTR	Ytd	1 yr	3 yr	5 yr	10yr
Non U.S. (ACWI X U.S)	1.7	1.7	-5.8	-3.9	1.3	5.9
Developed (EAFE)	0.5	0.5	-8.5	-5.3	1.3	5.8
Emerging (EMF)	11.4	11.4	15.0	3.8	-5.2	2.3
IFC Composite	12.9	12.9	18.1	4.9	-5.0	1.9
Europe	-0.1	-0.1	-5.3	-4.6	5.2	10.0
Pacific	2.2	2.2	-16.1	-7.1	-5.4	-0.1
France	-0.6	-0.6	-6.7	-0.8	7.4	9.1
Germany	1.7	1.7	-7.5	-4.1	2.4	7.7
Japan	1.5	1.5	-21.8	-9.5	-5.5	-1.4
United Kingdom	-0.3	-0.3	-2.3	-6.5	4.0	9.3
Currencies (% change)						
Euro vs Dollar	-2.0	-2.0	-1.3	-6.9	N/A	N/A
Yen vs Dollar	-1.1	-1.1	-5.5	-3.7	-1.4	0.1
Pound vs Dollar	-2.2	-2.2	0.2	-4.1	-2.8	-2.0

MSCI EAFE Index

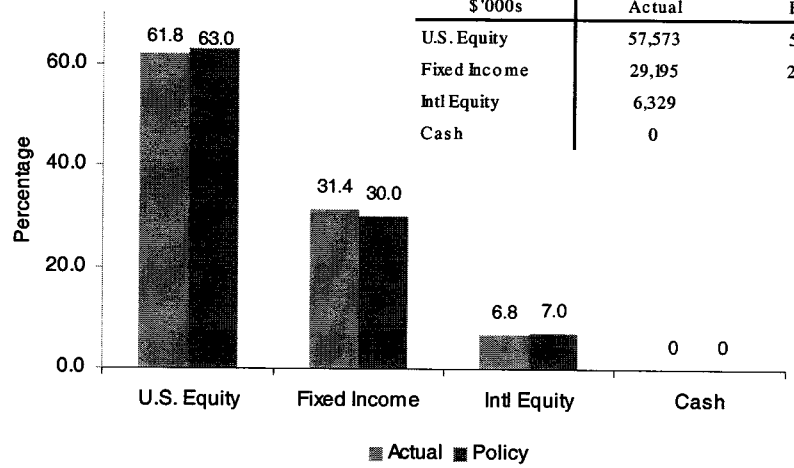
Country	Country Weightings
Austria	0.1
Belgium	1.1
Denmark	0.9
Finland	2.3
France	10.2
Germany	7.9
Greece	0.4
Ireland	0.8
Italy	4.1
Netherlands	5.8
Norway	0.5
Portugal	0.5
Spain	3.3
Sweden	2.4
Switzerland	7.8
UK	25.3
Total Europe	**73.3**
Australia	3.7
Hong Kong	2.0
Japan	20.1
New Zealand	0.1
Singapore	0.9
Total Pacific	**26.8**

Total Fund Results

Investment Performance



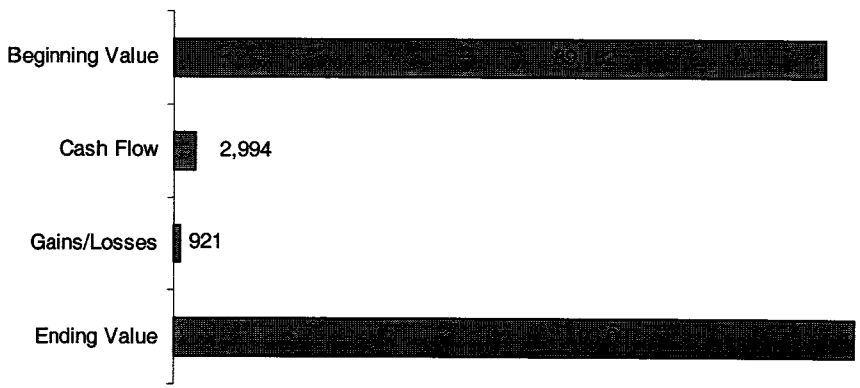
Asset Allocation vs. Policy



$'000s	Actual	Policy
U.S. Equity	57,573	58,651
Fixed Income	29,195	27,929
Intl Equity	6,329	6,517
Cash	0	0

Quarter Results

($'000)

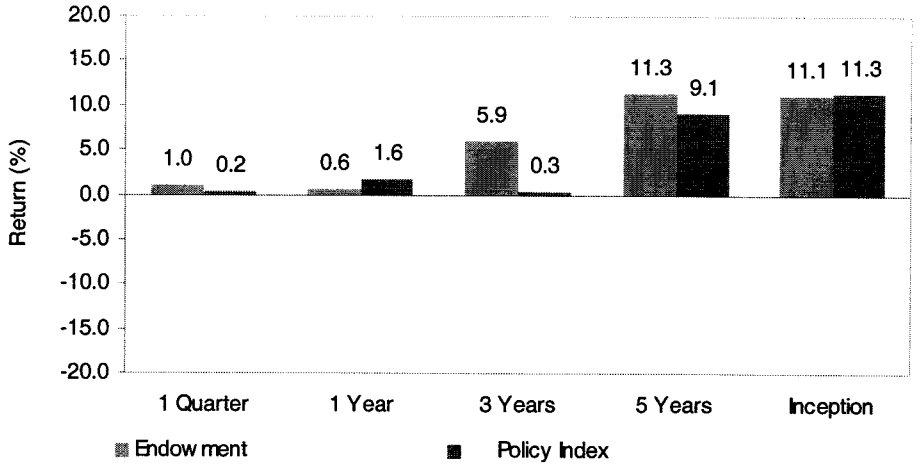


- The Iowa State Endowment assets totaled $93,097 million at the close of the first quarter.
- During the quarter, investment gains totaled $921,000.
- Total contributions were $3.1 million.
- Total fees and distributions were $140,000.
- The Endowment fund returned 0.91% for the first quarter, outperforming the benchmark by 0.67%.

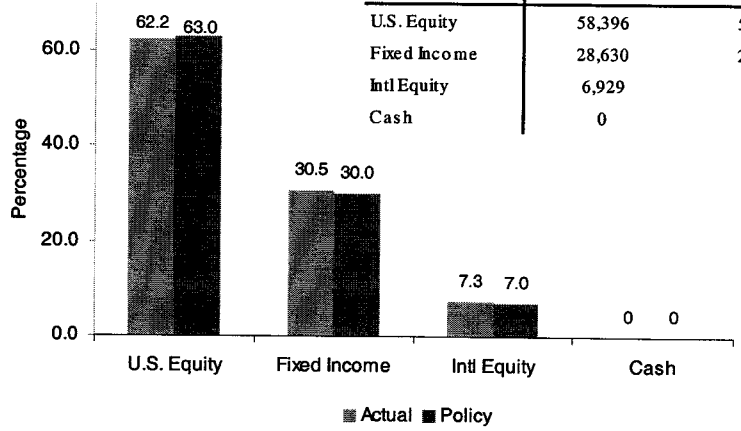
Total Fund Results

The University of Iowa Endowment

Investment Performance



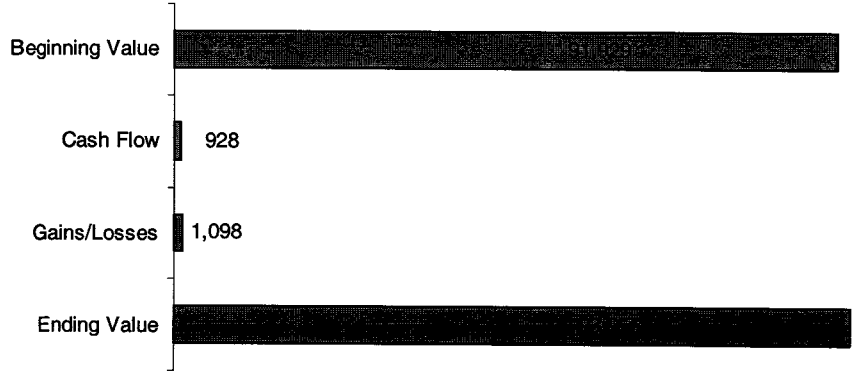
Asset Allocation vs. Policy



$'000s	Actual	Policy
U.S. Equity	58,396	59,192
Fixed Income	28,630	28,187
Intl Equity	6,929	6,577
Cash	0	0

Quarter Results

($'000)



- The University of Iowa Endowment assets totaled $94 million at the close of the first quarter.
- During the quarter, investment gains totaled $1.1 million.
- Total contributions totaled $2.5 million.
- Total distributions and fees totaled $1.6 million.
- The Endowment fund returned 1.04% for the first quarter, outperforming the benchmark by 0.80%.

Total Fund Results

Iowa State

	$'000	Qtr %	1 Yr %	3 Yrs %	5 Yrs %	Inception %
Domestic Equity Composite (3/31/92)	17,257	1.7	-7.9	11.4	17.8	14.0
Wilshire Mid Cap Growth	--	*-1.7*	*11.2*	*5.5*	*10.3*	*11.2*
S&P 500	--	*0.3*	*0.3*	*-2.5*	*10.2*	*13.3*
Balanced Composite (3/31/89)	69,511	0.6	2.8	2.2	8.8	10.5
Balanced Benchmark	--	*0.2*	*2.9*	*1.6*	*9.2*	*10.8*
Int'l Equity Composite (9/30/94)	6,329	2.8	-2.0	-1.6	-0.7	2.5
MSCI EAFE (N)	--	*0.5*	*-8.5*	*-5.3*	*1.3*	*2.8*
Total Endowment (3/31/89)	**93,097**	**0.9**	**0.8**	**5.1**	**10.8**	**11.0**
Policy Index	--	*0.2*	*1.6*	*0.3*	*9.1*	*11.3*
Principal Financial Transition Account	36,638	--	--	--	--	--

** 6/89 -- 6/99 30% Lehman Govt/Credit 60% S&P 500 10% MSCI EAFE (n)
9/99 -- 6/01 30% Lehman Govt/Credit 63% S&P 500 7% MSCI EAFE (n)
9/01 -- Present 30% Lehman Aggregate 63% S&P 500 7% MSCI EAFE (n)

University of Iowa

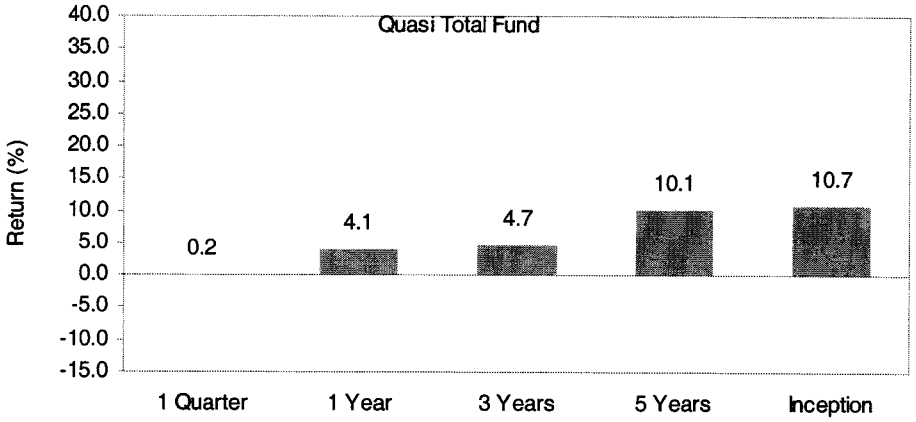
	$'000	Qtr %	1 Yr %	3 Yrs %	5 Yrs %	Inception %
Domestic Equity Composite (6/30/95)	18,858	2.1	-7.6	10.7	17.8	16.6
Wilshire Mid Cap Growth	--	*-1.7*	*11.2*	*5.5*	*10.3*	*10.4*
S&P 500		*0.3*	*0.3*	*-2.5*	*10.2*	*13.5*
Balanced Composite (3/31/89)	68,168	0.6	2.8	2.2	8.8	10.3
Balanced Benchmark	--	*0.2*	*2.9*	*1.6*	*9.2*	*10.8*
Int'l Equity Composite (9/30/94)	6,929	2.3	-2.6	-1.9	-1.0	2.5
MSCI EAFE (N)	--	*0.5*	*-8.5*	*-5.3*	*1.3*	*2.8*
Total Endowment (3/31/89)	**93,955**	**1.0**	**0.6**	**5.9**	**11.3**	**11.2**
Policy Index	--	*0.2*	*1.6*	*0.3*	*9.1*	*11.3*
Total Endowment with Quasi (3/31/89)	**--**	**0.5**	**2.6**	**6.0**	**11.1**	**11.2**
UI Principal Financial Transition Account	54,395	--	--	--	--	--
UNI Principal Financial Transition Account	13,365	--	--	--	--	--

** 6/89 -- 6/99 60% S&P 500 30% Lehman Govt / Credit 10% MSCI EAFE (n)
9/99 -- 6/01 63% S&P 500 30% Lehman Govt / Credit 7% MSCI EAFE (n)
901 -- Present 63% S&P 500 30% Lehman Aggregate 7% MSCI EAFE (n)

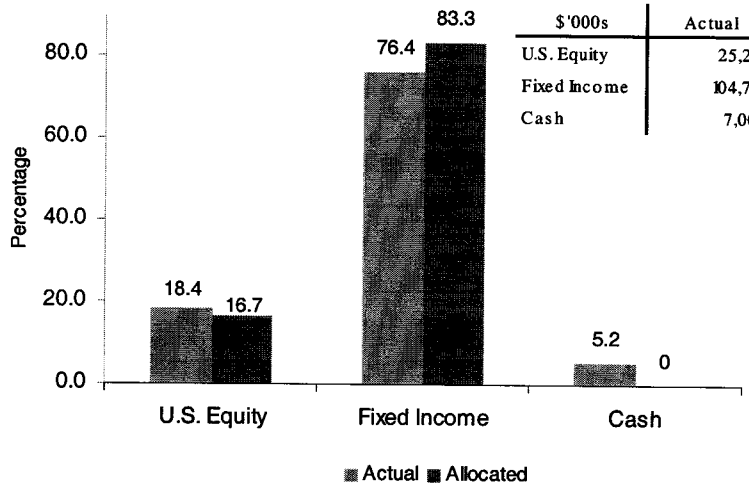
Total Fund Results

University of Iowa Quasi-Endowment

Investment Performance



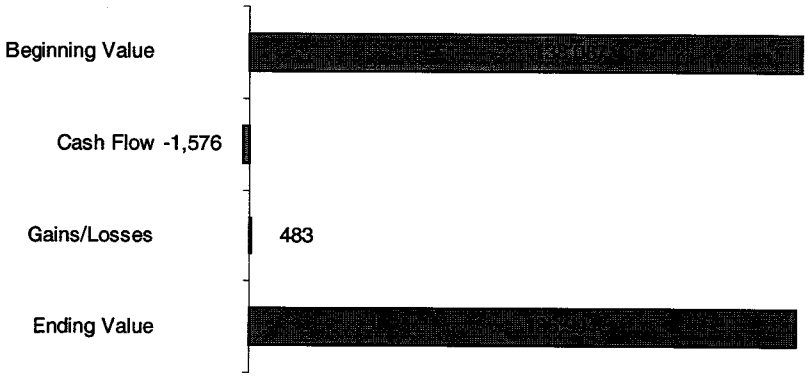
Asset Allocation



$'000s	Actual	Allocated
U.S. Equity	25,271	22,832
Fixed Income	104,719	114,162
Cash	7,004	0

Quarter Results

($'000)



- The Quasi Endowment portfolio returned 0.19% during the first quarter.
- The Quasi total fund has total assets of $137 million.
- Total contributions totaled $72,000.
- Total Distribution and fees totaled $1.7 million.
- The Quasi fund had investment gains of $483,000.

Quasi Endowment Review

Quasi I -- Invesco Balanced Composite

Quasi I	$'000	Qtr %	1 Yr %	3 Yrs %	5 Yrs %	Inception %
Invesco Balanced Composite (9/30/89)	45,663	0.5	3.0	3.0	9.4	10.4
*Balanced Benchmark-Quasi**	--	*0.2*	*3.3*	*2.6*	*9.8*	*10.4*

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

Quasi II -- Fixed Income Composite

Quasi II	$'000	Qtr %	1 Yr %	3 Yrs %	5 Yrs %	Inception %
Fixed Invesco (6/30/98)	58,864	-0.2	4.3	5.7	--	5.4
*Custom Policy***	--	*0.1*	*5.1*	*6.3*	--	*6.1*
Reams Asset Management (9/30/01)	32,467	0.5	--	--	--	0.5
Lehman Aggregate	--	*0.1*	--	--	--	*0.1*
Fixed Quasi II Composite (12/30/00)	**91,331**	**0.1**	**4.4**	**--**	**--**	**5.5**
Lehman Aggregate	--	*0.1*	*5.3*	--	--	*6.7*

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

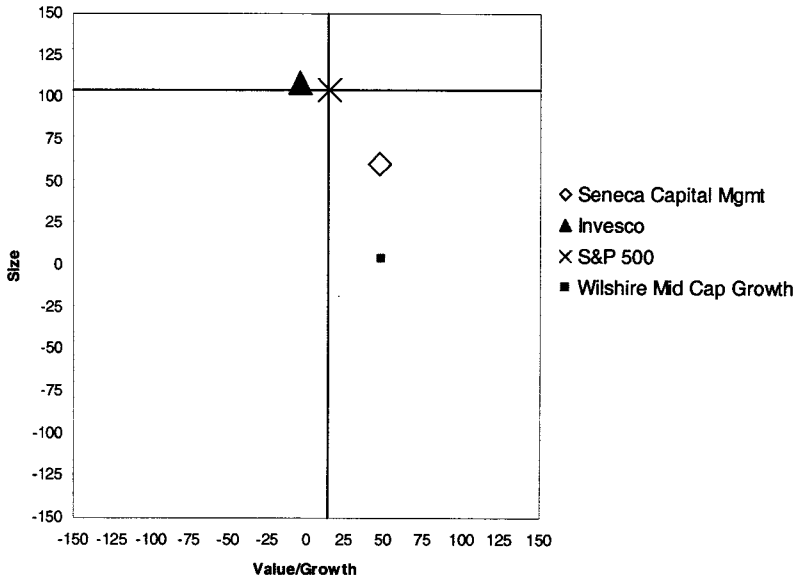
Domestic Equity Composite Review (Periods Ended 3/31/02)

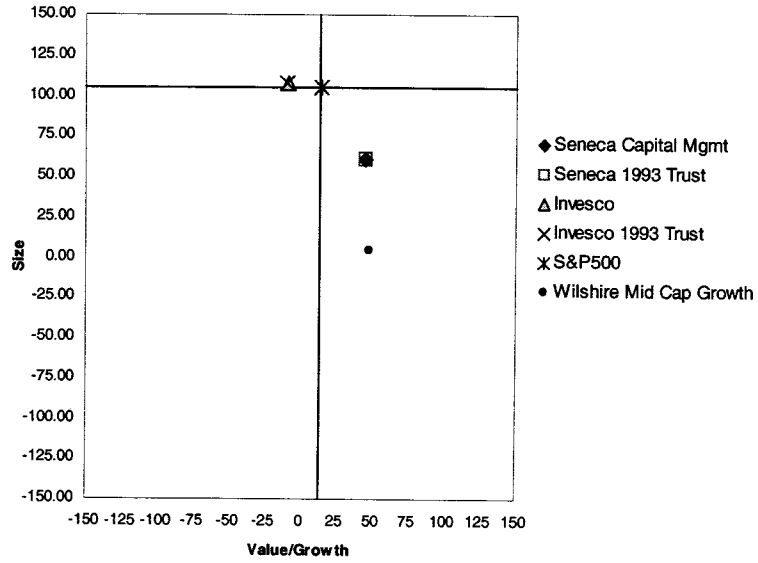
Manager Structure

University of Iowa	$'000	Qtr %	1 Year %	3 Years %	5 Years %	Inception %
Seneca Capital Mgmt. (6/30/95)	18,858	2.1	-7.6	10.7	17.8	16.6
Wilshire Mid Cap Growth	--	*-1.7*	*11.2*	*5.5*	*10.3*	*10.4*
S&P 400 Mid Cap	--	*6.7*	*18.9*	*15.2*	*18.0*	*17.6*
S&P 500	--	*0.3*	*0.3*	*-2.5*	*10.2*	*13.5*

Iowa State University	$'000	Qtr %	1 Year %	3 Years %	5 Years %	Inception %
Seneca Capital Mgmt. (6/30/95)	14,737	1.7	-8.0	11.5	18.1	16.7
Seneca 1993 Trust (6/30/95)	2,520	1.7	-8.1	10.9	17.9	16.8
Equity Composite (3/31/92)	**17,257**	**1.7**	**-7.9**	**11.4**	**17.8**	**14.0**
Wilshire Mid Cap Growth (3/31/92)	--	*-1.7*	*11.2*	*5.5*	*10.3*	*11.2*
S&P 500 (3/31/92)	--	*0.3*	*0.3*	*-2.5*	*10.2*	*13.3*
S&P 400 Mid Cap (3/31/92)	--	*6.7*	*18.9*	*15.2*	*18.0*	*15.8*

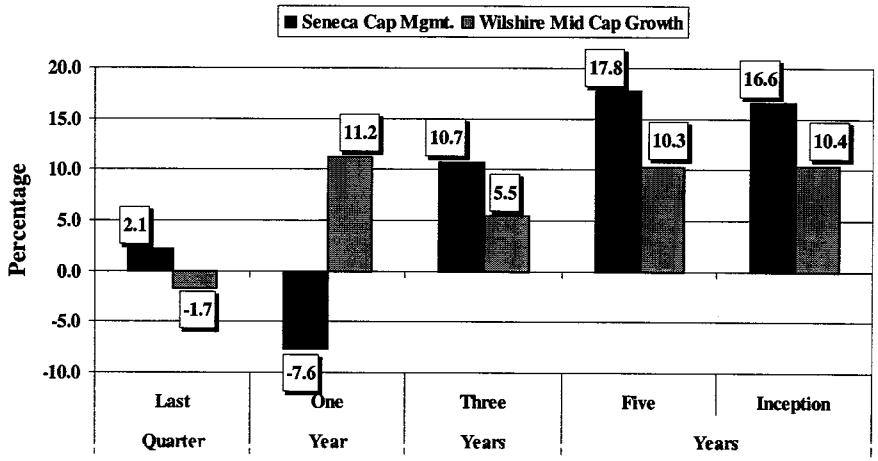
Style Map



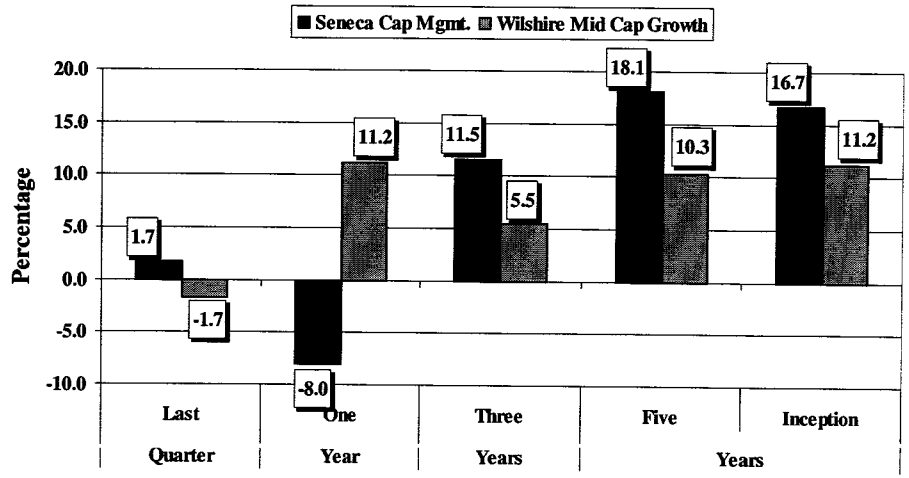


Domestic Equity Review-- Seneca Capital Management

University of Iowa -- Value Added
(Vs. Wilshire Mid Cap Growth)



Iowa State University -- Value Added
(Vs. Wilshire Mid Cap Growth)



Attribution

- Stock and sector selection both contributed to the portfolio's outperformance for the quarter.
- Overweighting to the consumer durables and non-durables sector with an underweighting to the utilities sector were primary contributors to the portfolio's outperformance for the quarter.
- Stock selection within the technology sector had the largest positive impact on the portfolio's performance, while stock selection within the consumer durables and non-durables sector detracted from performance.

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 3/31/02)

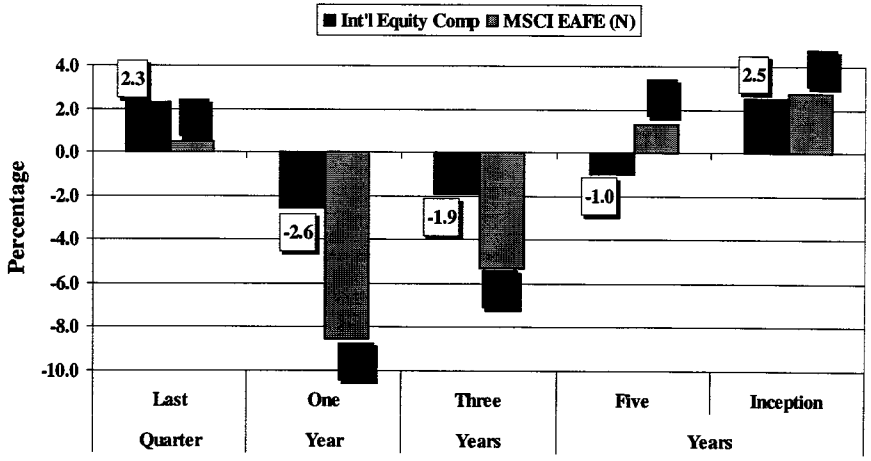
University of Iowa -- Manager Structure

University of Iowa	$'000	Qtr %	1 Yr %	3 Yrs %	5 Yrs %	Inception %
Alliance Bernstein (6/30/99)	6,929	2.3	-2.6	--	--	-2.6
MSCI EAFE Index (N)	--	*0.5*	*-8.5*	--	--	*-6.6*
Int'l Equity Composite (9/30/94)	**6,929**	**2.3**	**-2.6**	**-1.9**	**-1.0**	**2.5**
MSCI EAFE Index (N)	--	*0.5*	*-8.5*	*-5.3*	*1.3*	*2.8*

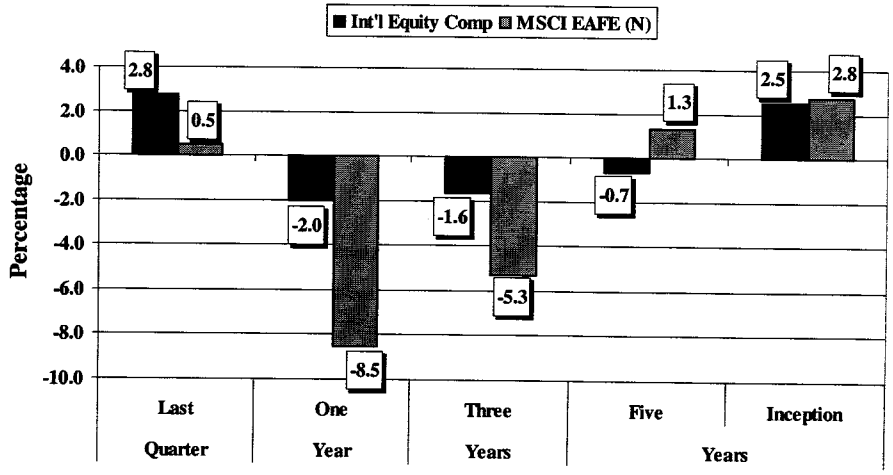
Iowa State University -- Manager Structure

Iowa State University	$'000	Qtr %	1 Yr %	3 Yrs %	5 Yrs %	Inception %
Alliance Bernstein (6/30/99)	6,329	2.8	-2.0	--	--	-2.2
MSCI EAFE Index (N)	--	*0.5*	*-8.5*	--	--	*-6.6*
Int'l Equity Composite (9/30/94)	**6,329**	**2.8**	**-2.0**	**-1.6**	**-0.7**	**2.5**
MSCI EAFE Index (N)	--	*0.5*	*-8.5*	*-5.3*	*1.3*	*2.8*

Value Added

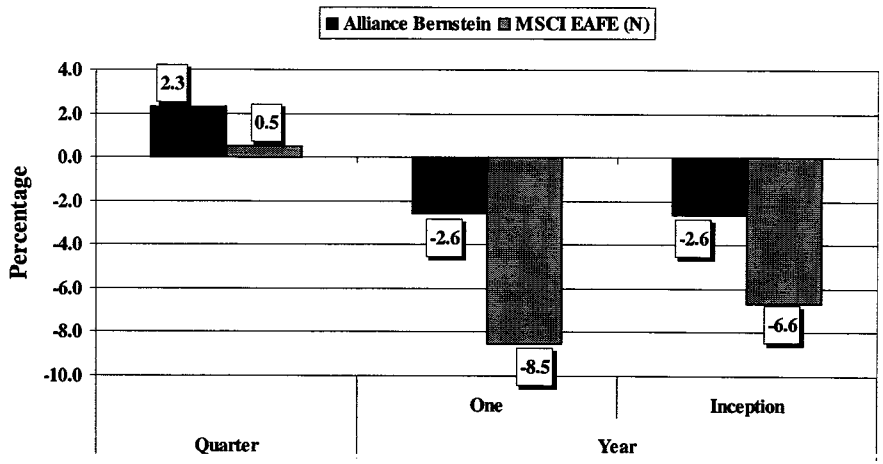


Value Added

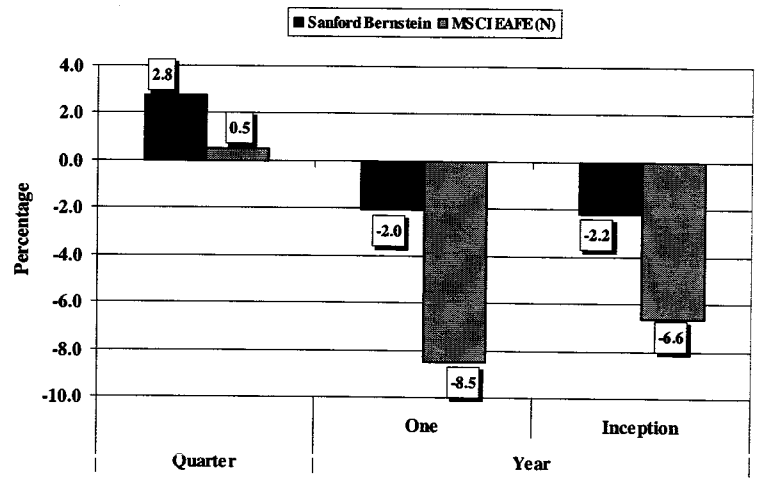


International Equity Review-- Alliance Bernstein

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



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



Attribution

- Alliance Bernstein outperformed the benchmark by 2.24% in the first quarter.
- Overweighting within Finland and France were positive contributors to the portfolio, whereas an underweighting to Switzerland had a negative impact.
- Stock selection across European countries was a primary contributor to the portfolio's outperformance for the quarter.

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 3/31/02)

University of Iowa -- Manager Structure

University of Iowa	$'000	Qtr %	1 Yr %	3 Yrs %	5 Yrs %	Inception %
Invesco (Endowment) (3/31/89)	**68,168**	**0.6**	**2.8**	**2.2**	**8.8**	**10.3**
Equity	42,103	1.1	1.3	-0.6	10.2	12.8
Fixed Income	24,494	-0.1	5.0	6.1	7.3	8.5
Cash and Equiv	1,571	0.4	3.6	5.8	5.6	5.5
Invesco (Quasi I) (9/30/89)	**45,663**	**0.5**	**3.0**	**3.0**	**9.4**	**10.4**
Equity	25,271	1.1	1.2	-0.8	10.1	12.3
Fixed Income	18,792	-0.2	4.9	5.9	7.3	7.9
Cash and Equiv	1,600	0.4	3.5	5.0	5.1	--
Balanced Composite (3/31/89)	**--**	**0.6**	**2.8**	**2.2**	**8.8**	**10.3**
*Balanced Custom Benchmark***	--	*0.2*	*2.9*	*1.6*	*9.2*	*10.8*
S&P 500	--	*0.3*	*0.3*	*-2.5*	*10.2*	*13.6*
Lehman Aggregate	--	*0.1*	*5.3*	*6.5*	*7.6*	*8.5*

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

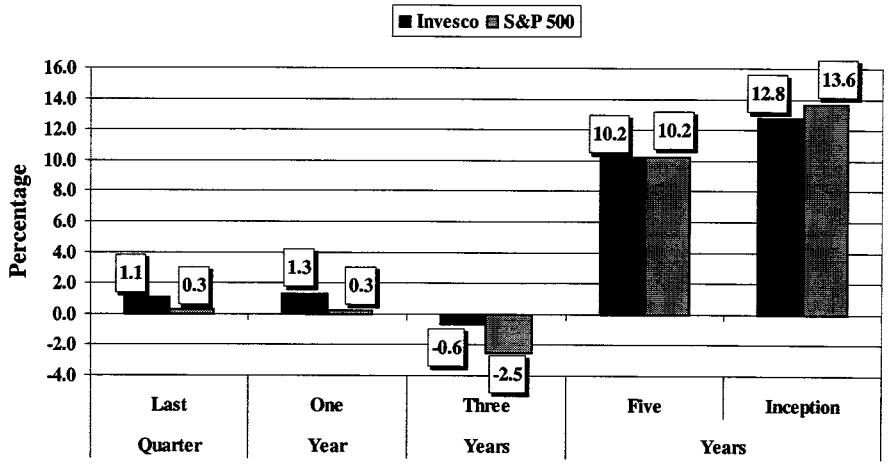
Iowa State University -- Manager Structure

Iowa State University	$'000	Qtr %	1 Yr %	3 Yrs %	5 Yrs %	Inception %
Invesco (Endowment) (3/31/89)	**56,272**	**0.5**	**2.7**	**2.2**	**8.8**	**10.4**
Equity	35,226	1.0	1.2	-0.8	10.1	12.7
Fixed Income	17,470	-0.2	4.9	5.9	7.1	8.4
Cash and Equiv	3,576	0.4	3.6	5.5	5.4	5.5
Invesco (1993 Trust) (3/31/94)	**13,239**	**0.6**	**3.1**	**2.4**	**8.8**	**10.8**
Equity	8,260	1.1	1.3	-0.9	9.9	14.2
Fixed Income	4,530	-0.2	4.8	6.0	7.2	7.3
Cash and Equiv	449	0.4	3.9	5.3	5.3	--
Balanced Composite (3/31/89)	**69,511**	**0.6**	**2.8**	**2.2**	**8.8**	**10.5**
*Balanced Custom Benchmark***	--	*0.2*	*2.9*	*1.6*	*9.2*	*10.8*
S&P 500	--	*0.3*	*0.3*	*-2.5*	*10.2*	*13.6*
Lehman Aggregate	--	*0.1*	*5.3*	*6.5*	*7.6*	*8.5*

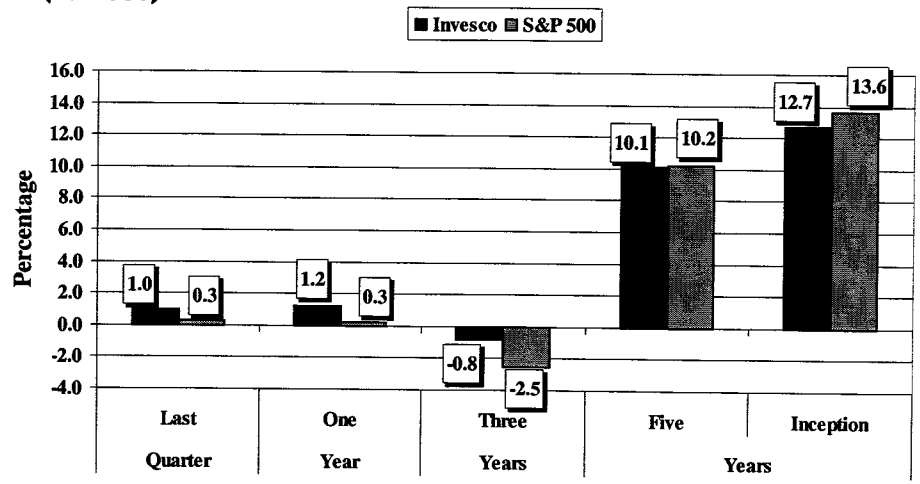
** 6/89 -- 6/97 40% S&P500 60% Lehman Govt / Credit
9/97 -- 6/01 58% S&P500 42% Lehman Govt / Credit
9/01 -- Present 58% S&P500 42% Lehman Aggregate

Balanced Composite Review -- Invesco Equity

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



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



Attribution

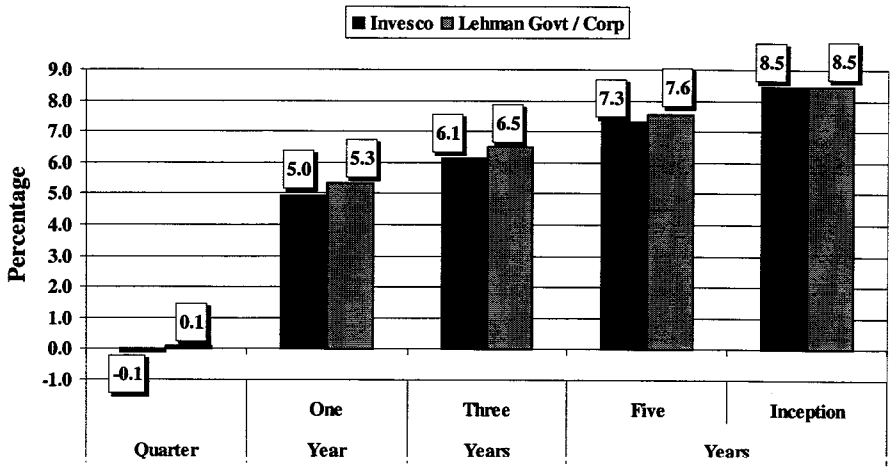
- The equity component of the balanced composite outperformed the benchmark during the first quarter.
- Stock selection within the materials and services sector had the greatest positive impact on the portfolio while stock selection within utilities detracted from the portfolio's performance.
- An overweighting to the finance sector contributed to the portfolio's outperformance.

Manager Overview

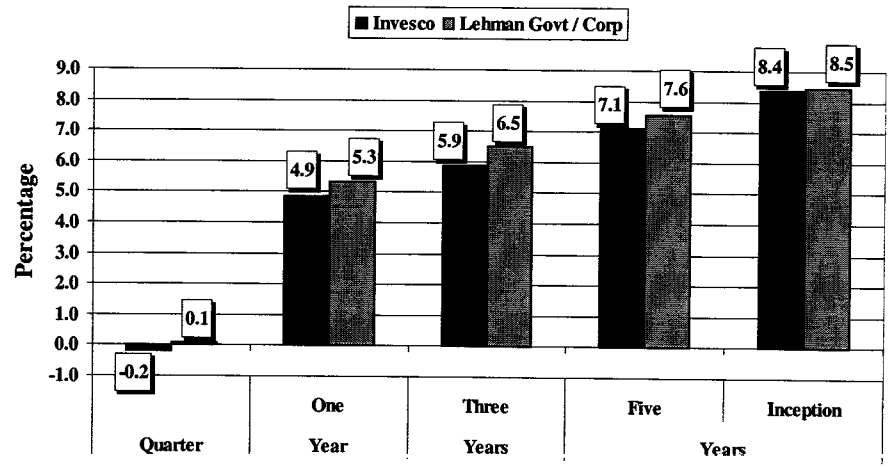
- **Style:** Large Value
- **Construction Process:** Equal Weighted Securities
- **Investment Philosophy:** Active - Bottom up
- **Selection Method:** Quantitative Valuation

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 underperformed the benchmark in the first quarter.
- 64.1% of the bonds within the fixed income portion of the balanced composite will mature between one and ten years.
- The average quality of the bonds within the portfolio is AA.

Manager Overview

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