

MEMORANDUM

To: Banking Committee
From: Board Office
Subject: Quarterly Investment and Cash Management Report
Date: September 9, 2002

Recommended Action:

Receive the Investment and Cash Management Reports for the quarter ended June 30, 2002.

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 (Thousands of Dollars)
As of June 30, 2002

	<u>Operating</u>	<u>Endowment/ Quasi-Endowment</u>
University of Iowa ¹	\$554,069	\$220,253 ²
Iowa State University	267,159	82,444 ³
University of Northern Iowa	61,677	-
Iowa School for the Deaf	2,559	-
Iowa Braille & Sight Saving School	<u>526</u>	<u>-</u>
Total	\$885,990	\$302,697

¹ Includes UIHC.

² Includes UNI.

³ Includes ISD and IBSSS.

As of June 30, 2002, total Regent combined operating and endowment portfolios was nearly \$1.2 billion.

Operating

The market value of the combined operating portfolios, as reported by the Regent institutions, totaled \$886.0 million. The university operating portfolios performed in line with comparable industry standards.

Endowment

Wilshire Associates, the Board's investment advisor, prepares the summary report on the endowment portfolio, which totaled \$302.7 million. The combined investment managers' returns for the University of Iowa (excluding the quasi-endowment) and Iowa State University endowment portfolios were -7.6% and -8.2%, respectively, for the quarter. The blended asset allocation benchmark posted returns of -7.0% for the quarter.

Wilshire reported that the five endowment investment managers were close to their respective benchmarks.

Endowment Policy
Implementation

In January 2002, the Board implemented a new endowment investment policy due to the significant demutualization proceeds. Because of the uncertainty of anticipated legislative actions, full implementation of the Board policy was not accomplished at the direction of the Board Office. Full implementation of the policy may not be realized for another quarter or two.

As of June 30, 2002, the University of Iowa had one item that fell outside of the asset allocation policy as set forth in the Board policy. The Board's investment policy requires that institutional officials rebalance the portfolios during the following quarter. The University plans to rebalance during the quarter ending September 30, 2002.

The internal auditors verified that remaining investment purchases and holdings during the year ended June 30, 2002, were in compliance with respective Board and institutional investment policies.

Background and Analysis:

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).

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.

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.

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 verify the endowment investment transactions and holdings for the Regent institutions.

Investment Policy
History

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.

In May 1997, the Banking Committee adopted a process to manage the asset allocation close to the established targets and agreed to annually review the investment structure.

In April 1999, the Board modified the asset allocation policy to 63% equities, 30% fixed income, and 7% international equities and added specific investment manager asset allocations and target ranges.

At its May 2001 meeting, the Board changed the fixed income performance benchmark from the Lehman Government / Credit Index to the Lehman Aggregate Index effective July 1, 2001.

At its June 2001 meeting, the Board selected a second fixed income manager, Reams Asset Management, for the University of Iowa to use for new deposits into its quasi-endowment portfolios beginning July 1, 2001.

At its January 2002 meeting, Wilshire Associates recommended to further diversify the Regent endowment portfolios because of the addition of the Principal demutualization proceeds. The Board adopted a revised investment policy to:

1. Maintain the current asset allocation mix of 63 percent domestic equities, 7 percent international equities, and 30 percent fixed income;
2. Add three new fund managers and discontinue the use of balanced portfolio management at Invesco and split into two accounts: U.S. Equity and U.S. Fixed Income;
3. Adopt new specific manager allocations;
4. Adopt new target ranges to adjust the manager weightings and shorten the rebalancing target ranges; and
5. Merge SUI Quasi I into the University's endowment portfolio.

Implementation
Issues

As reported to the Board at its June 2002 meeting, the investment policy changes for the quarter ended March 31, 2002, were not implemented at the direction of the Board Office due to the uncertainty of anticipated legislative action. The Principal proceeds (Table 4, page 16) were held in liquid short-term assets, pending legislative action.

HF 2623 of the 2002 regular legislative session required the Board of Regents to transfer \$30 million of these proceeds to the state general fund to fund the state salary adjustment appropriation.

The subsequent May 28 extraordinary legislative session also threatened the demutualization proceeds.

Because of provisions of Iowa law, the institutions were unable to sign the investment agreement with the selected new large index manager, Barclays Global Investors. To implement the Board's investment policy, a new manager will need to be hired (see B.C. 7).

Investment Policy
Implementation

Of the investment policy items identified on page three, the following implementation is expected:

- Endowment portfolios are expected to maintain an asset allocation mix of 63% domestic stocks, 30% domestic bonds, and 7% international stocks.
 - The balanced portfolio with Invesco was discontinued and split into two separate accounts: a domestic equity account and a domestic fixed income account.
 - The endowment portfolios are to be maintained within the new target asset allocation ranges as outlined by the new policy, which allows the universities to rebalance the portfolios during the subsequent quarter.
 - Due to legislative uncertainty, the Board Office delayed the investment agreements with two of the three new fund managers.
 - Only two of the three fund managers can be utilized which impacts compliance with the specific manager allocations. No moneys were invested with the two new fund managers until after June 30, 2002.
 - Implementation of specific manger allocations will not be accomplished until after a new large index manager is hired and the universities have an opportunity to modify their investments.
 - The University of Iowa has already merged its Quasi I portfolio (previously 50% stocks and 50% bonds) with its regular endowment portfolio. The Quasi II portfolio (100% bonds) is the only remaining Quasi-endowment.
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**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 manage the remaining operating funds utilizing banks and brokers services (B.C. 8 and B.C.9.)

For the quarter ended June 30, 2002, the institutions reported the following:

Operating Portfolios

Market Value (Thousands of Dollars)
As of June 30, 2002

	<u>Unrestricted</u>	<u>Restricted</u>	<u>BlackRock</u>	<u>Total</u>
SUI	\$348,570	\$107,185	\$98,314	\$554,069
ISU	160,280	66,264	40,615	267,159
UNI	24,843	26,019	10,815	61,677
ISD	2,328	5	226	2,559
IBSSS	<u>526</u>	<u>N/I</u>	<u>N/I</u>	<u>526</u>
Total	\$536,547	\$199,473	\$149,970	\$885,990

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; historical rates are presented in Table 1 on page 14.

Operating Portfolios

Quarterly Rates of Return
For the Quarter Ended June 30, 2002

	<u>Unrestricted</u>	<u>Restricted</u>	<u>BlackRock</u>
SUI	2.06%	1.64%	2.62%
ISU	2.11%	1.58%	2.59%
UNI	1.90%	1.53%	2.56%
ISD	0.80%	1.03%	2.59%
IBSSS	0.42%	N/I	N/I

N/I No investments of this type.

The comparable industry standard rates of return for the quarter ended June 30, 2002, include the Merrill Lynch 1-3 year Government/Agency Index rate of 2.45% and the 91-day T-bill rate of 0.48%. Table 2 on page 15 contains current investment yields for the current quarter and for the four previous quarters.

Operating Investment Portfolios Summary

Unrestricted, Restricted, and BlackRock
For the Quarter Ended June 30, 2002

	<u>Market Value</u>	<u>Percent Market Value</u>
University of Iowa		
Money Market/Cash Equivalents	\$196,435,638	35.4%
U.S. Obligations	100,749,224	18.2%
Agency Securities	215,388,998	38.9%
Mortgage-Backed	497,039	0.1%
Asset-Backed	<u>40,998,014</u>	<u>7.4%</u>
Total	\$554,068,913	100.0%
Iowa State University		
Money Market/Cash Equivalents	\$79,473,382	29.7%
U.S. Obligations	65,704,964	24.6%
Agency Securities	107,580,433	40.3%
Other – Mostly Corporate	<u>14,400,759</u>	<u>5.4%</u>
Total	\$267,159,538	100.0%
University of Northern Iowa		
Money Market/Cash Equivalents	\$9,751,166	15.8%
U.S. Obligations	16,920,924	27.5%
Agency Securities	30,855,430	50.0%
Other - Mostly Corporate	<u>4,149,106</u>	<u>6.7%</u>
Total	\$61,676,626	100.0%
Iowa School for the Deaf		
Money Market/Cash Equivalents	\$2,354,546	92.0%
U.S. Obligations	104,296	4.1%
Agency Securities	19,904	0.8%
Other - Mostly Corporate	<u>80,019</u>	<u>3.1%</u>
Total	\$2,558,765	100.0%
Iowa Braille & Sight Saving School		
Money Market/Cash Equivalents	\$10,694	2.0%
Repurchase Agreements	<u>515,794</u>	<u>98.0%</u>
Total	\$526,488	100.0%
Regent Composite		
Money Market/Cash Equivalents	\$288,025,426	32.5%
U.S. Obligations	183,479,408	20.7%
Agency Securities	353,844,765	39.9%
Other - Mostly Corporate	18,629,884	2.1%
Mortgage-Backed	497,039	0.1%
Asset-Backed	40,998,014	4.6%
Repurchase Agreements	<u>515,794</u>	<u>0.1%</u>
Total	\$885,990,330	100.0%

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

**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 money managers for the Regent endowment portfolios include:

Invesco, which the Board authorized to manage U.S. stocks and U.S. bonds separately in January 2002. The Board previously had authorized Invesco to manage a balanced portfolio investing in U.S. equity and fixed income markets since April 1989.

Seneca Capital Management, which the Board authorized to manage U.S. equity portfolios with a mid-capitalization growth orientation since May 1995.

Alliance Bernstein, which the Board authorized to manage its international equity portfolio since June 1999. The Board selected Sanford C. Bernstein & Co., Inc. to manage its international equity portfolio. Alliance Capital Management acquired Sanford C. Bernstein & Co., Inc. in 2000.

Reams Asset Management, which is the second fixed income manager for the University of Iowa quasi-endowment portfolio, began handling SUI funds in July 2001. In January 2002, the Board authorized the institutions' use of Reams as a second fixed income manager. No endowment funds were invested with Reams until after June 30, 2002.

The Board authorized *LSV Asset Management* as a small cap value manager in January 2002. No endowment funds were invested with LSV until after June 30, 2002.

**ALLOCATION OF
ENDOWMENT
ASSETS**

The Banking Committee manages the endowment asset allocation close to the established targets and periodically reviews its investment structure.

The Board approved designated specific manager allocations and ranges to assist the 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.

The asset allocations of the primary endowment portfolios were within the Board-established target ranges.

Asset Allocations

Endowment Asset Allocations*

Net of Fees
June 30, 2002

	<u>University of Iowa</u>		<u>Iowa State University</u>		Target Range (percent)
	Value (thousands)	Value (percent)	Value (thousands)	Value (percent)	
Investments					
U.S. Stocks	\$78,110	60.8%	\$54,478	66.1%	63%(+/-5%)
U.S. Bonds	43,172	33.6%	21,437	26.0%	30%(+/-5%)
International Stocks	<u>7,170</u>	<u>5.6%</u>	<u>6,529</u>	<u>7.9%</u>	<u>7%(+/-3%)</u>
Total Fund	\$128,452	100.0%	\$82,444	100.0%	100%

*Assets are shown as allocated.

SUI Endowment

The Board had authorized two separately maintained quasi-endowments as investment options for the University of Iowa – Quasi I established in 1989 and Quasi II established in April 1998.

At its January 2002 meeting, the Banking Committee authorized the University of Iowa to merge its Quasi I fund into its regular endowment fund. As a result, no separate report on the Quasi I funds is provided.

The Quasi II fund (now referred to as the Quasi Endowment) allows the University of Iowa to retain a quasi-endowment pool with 100% fixed income investments.

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

June 30, 2002

	Value (thousands)	Value (percent)
Invesco	\$58,595	63.8%
Reams	<u>33,206</u>	<u>36.2%</u>
Total Fund	\$91,801	100.0%

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%
(Vacant)	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%	

This policy has not yet been implemented as explained on pages 3 and 4.

Manager
Allocations

Endowment Manager Allocations

Net of Fees
June 30, 2002

<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>
Domestic Stocks				
INVESCO	\$60,201		\$40,006	
Seneca	<u>17,909</u>		<u>14,472</u>	
Total	78,110	60.8%	54,478	66.1%
Domestic Bonds				
INVESCO	43,172	33.6%	21,437	26.0%
International				
Alliance Bernstein	7,170	5.6%	6,529	7.9%
Total Fund	\$128,452	100.0%	\$82,444	100.0%

Assets are shown as invested.

The manager allocations of the endowment portfolios were within the Board-established target ranges except for the Operating and Endowment fund as reported by the SUI internal auditors.

**ENDOWMENT
PERFORMANCE**

The following table compares the returns of the endowment portfolios for the period ended June 30, 2002, with the established benchmarks. The portfolios were behind the benchmark for the quarter and for the year.

Endowment Portfolios

Net of Fees
As of June 30, 2002

	<u>Assets (thousands)</u>	<u>Returns</u>	
		<u>Quarter</u>	<u>One Year</u>
SUI	\$128,452	-7.6%	-10.0%
ISU	82,444	-8.2%	-10.4%
Asset Allocation Benchmark		-7.0%	-8.9%
SUI Quasi Endowment	<u>91,801</u>	2.8%	7.1%
Fixed Income Benchmark *		3.7%	8.6%
Total	\$302,697		

* From 7/1/01 to present 100% Lehman Aggregate.

*University of Iowa
Endowment*

The University of Iowa endowment assets totaled \$128.5 million as of June 30, 2002, an \$11.1 million dollar decrease from the previous quarter.

For the quarter ended June 30, 2002, investment losses totaled \$10.6 million, net contributions equaled \$2.7 million while net distributions and fees amounted to \$3.2 million.

The endowment assets held by the University of Iowa earned a return of -7.6% for the quarter, underperforming the benchmark return of -7.0% by 0.6%. Returns for the endowment over the one-year period were -10.0%, which were lower than the benchmark of -8.9%.

The SUI Quasi Endowment earned a return of 3.1% for the quarter and 7.4% for the year. Both were lower than their respective benchmarks of 3.7% and 8.6%.

*Iowa State
University
Endowment*

Iowa State University endowment assets totaled \$82.4 million as of June 30, 2002, a \$10.7 million decrease from the previous quarter. For the quarter, investment losses totaled \$7.6 million, while net distributions and fees were \$3.1 million. Net contributions totaled \$77,000.

The Iowa State University endowment assets earned a return of -8.2% for the quarter underperforming the policy benchmark return of -7.0% by 1.2%. The one-year return for ISU was -10.4%, which was lower than the one-year benchmark of -8.9%.

Investment
Managers

	INVESCO			
	Net of Fees June 30, 2002			
	<u>Assets</u>	<u>Returns</u>		
	(Thousands)	Quarter	One Year	Three Years
SUI				
U.S. Stocks	\$60,201	-12.6%	-15.6%	-8.6%
U.S. Bonds	<u>43,172</u>	2.7%	2.6%	7.5%
	\$103,373			
SUI Quasi Endowment				
U.S. Bonds	58,595	3.1%	7.4%	7.3%
ISU				
U.S. Stocks	32,597	-12.3%	-15.3%	-8.5%
U.S. Bonds	<u>16,609</u>	2.5%	7.2%	7.3%
	\$49,206			
ISU 93 Trust				
U.S. Stocks	7,409	-12.6%	-15.7%	-9.0%
U.S. Bonds	<u>4,828</u>	2.7%	7.5%	7.5%
	\$12,237			
Benchmark – U.S. Stocks ¹		-13.4%	-18.0%	-9.2%
Benchmark – U.S. Bonds ¹		3.7%	8.6%	8.0%
Total	\$223,411			

¹ From 7/1/01 to present – 100% Lehman Aggregate.

Invesco Performance Invesco now manages U.S. stocks and U.S. bonds separately as approved by the Board in January 2002.

Stocks For the quarter ended June 30, 2002, Invesco's performance in U.S. stocks included returns of -12.6% for the SUI endowment, -12.3% for the ISU endowment, and -12.6% for the ISU 93 Trust. These returns outperformed the benchmark of -13.4%.

Wilshire reported that the greatest positive impact on the portfolio was stock selection within the consumer discretionary and industrials sector; stock selection within healthcare, telecommunication services, and consumer staples sectors detracted from performance. An overweighting to the materials and financials sectors primarily contributed to the portfolio's outperformance for the quarter.

For the year ended June 30, 2002, Invesco's performance in U.S. stocks included returns of -15.6% for the SUI endowment, -15.3% for the ISU endowment, and -15.7% for the ISU 93 Trust. These returns significantly outperformed the benchmark of -18.0%.

Bonds For the quarter ended June 30, 2002, Invesco's U.S. bond performance included returns of 2.7% for the SUI endowment, 3.1% for the SUI Quasi endowment, 2.5% for the ISU endowment, and 2.7% for the ISU 93 Trust. These returns underperformed the benchmark of 3.7%.

For the year ended June 30, 2002, Invesco's U.S. bond performance included returns of 2.6% for the SUI endowment, 7.4% for the SUI Quasi endowment, 7.2% for the ISU endowment, and 7.5% for the ISU 93 Trust. These returns significantly underperformed the benchmark of 8.6%.

Reams Asset Management

Net of Fees
June 30, 2002

	<u>Assets</u> (thousands)	<u>Quarter</u>
SUI – Quasi Endowment	\$33,206	2.2%
Lehman Aggregate Benchmark		3.7%

Reams performance This was the fourth quarter for quasi endowment investments with Reams. Its return for the quarter was lower than the benchmark. The first quarter that the endowment was invested through Reams was not a full quarter. No benchmark is reported for the year.

Seneca Capital Management				
Net of Fees				
June 30, 2002				
	<u>Assets</u>	<u>Returns</u>		
	<u>(Thousands)</u>	<u>Quarter</u>	<u>One Year</u>	<u>Three Years</u>
SUI	\$17,909	-16.5%	-26.2%	1.3%
ISU	12,369	-16.2%	-26.6%	2.1%
ISU 93 Trust	<u>2,103</u>	-16.7%	-26.9%	1.6%
Total	\$32,381			
S&P 500 Mid Cap Growth Index		-13.4%	-18.0%	-9.2%
Wilshire Mid Cap Growth Index		-15.5%	-22.6%	-5.1%

Seneca performance

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

Seneca Capital Management returned -16.5% for the SUI endowment and -16.2% for the ISU endowment during the quarter. These returns underperformed the Wilshire Mid Cap Growth Index return of -15.5% and the S&P 500 Mid Cap Growth Index, which returned -13.4% for the quarter.

Wilshire reported that stock and sector selection contributed to Seneca's underperformance for the quarter. Stock selection within the consumer discretionary and financial sectors added to performance while stock selection within the information technology sector had the largest negative impact. Underperformance was primarily due to overweighting in the information technology sectors.

For the one-year period, Seneca Capital Management returned -26.2% for SUI and -26.6% for ISU, which underperformed the S&P 500 Mid Cap Growth Index and the Wilshire Mid Cap Growth Index; the three-year returns significantly outperformed the S&P 500 Mid Cap Growth Index and the Wilshire Mid Cap Growth Index.

Alliance Bernstein			
Net of Fees			
June 30, 2002			
	<u>Assets</u>	<u>Returns</u>	
	<u>(Thousands)</u>	<u>Quarter</u>	<u>One Year</u>
SUI	\$7,170	3.3%	-2.3%
ISU	<u>6,529</u>	2.9%	-2.2%
Total	\$13,699		
MSCI EAFE Index		-2.1%	-9.5%

Alliance Bernstein performance

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

Returns for the quarter and the year significantly outperformed the MSCI EAFE benchmark.

Positive contributors include sector weighting with European countries. Stock selection within the United Kingdom primarily contributed to the outperformance for the quarter.

Table 1
Operating Portfolios
Quarterly Rates of Return

Unrestricted Funds

	<u>6/30/01</u>	<u>9/30/01</u>	<u>12/31/01</u>	<u>3/31/02</u>	<u>6/30/02</u>
University of Iowa	1.22%	2.19%	0.74%	0.16%	2.06%
Iowa State University	1.14%	2.64%	0.63%	0.22%	2.11%
University of Northern Iowa	1.17%	1.94%	0.68%	0.10%	1.90%
Iowa School for the Deaf	1.50%	1.51%	1.56%	1.00%	0.80%
Iowa Braille & Sight Saving School	1.04%	0.86%	0.52%	0.41%	0.42%

Restricted Funds

	<u>6/30/01</u>	<u>9/30/01</u>	<u>12/31/01</u>	<u>3/31/02</u>	<u>6/30/02</u>
University of Iowa	1.17%	1.80%	0.65%	0.41%	1.64%
Iowa State University	1.09%	2.07%	0.77%	0.15%	1.58%
University of Northern Iowa	1.16%	2.55%	0.72%	0.26%	1.53%
Iowa School for the Deaf	1.49%	1.71%	1.44%	0.87%	1.03%
Iowa Braille & Sight Saving School	N/I	N/I	N/I	N/I	N/I

N/I = No investments of this type.

BlackRock

	<u>6/30/01</u>	<u>9/30/01</u>	<u>12/31/01</u>	<u>3/31/02</u>	<u>6/30/02</u>
University of Iowa	1.05%	3.69%	0.50%	0.23%	2.62%
Iowa State University	1.11%	3.62%	0.46%	0.17%	2.59%
University of Northern Iowa	1.11%	3.69%	0.51%	0.22%	2.56%
Iowa School for the Deaf	1.16%	3.62%	0.46%	0.17%	2.59%
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>6/30/01</u>	<u>9/30/01</u>	<u>12/31/01</u>	<u>3/31/02</u>	<u>6/30/02</u>
University of Iowa	5.34%	4.92%	4.37%	4.19%	3.75%
Iowa State University	5.16%	4.75%	4.62%	4.44%	3.90%
University of Northern Iowa	5.65%	3.74%	3.82%	3.30%	3.85%
Iowa School for the Deaf	5.76%	5.60%	6.04%	2.17%	1.96%
Iowa Braille & Sight Saving School	3.92%	3.27%	1.78%	1.66%	1.69%

Restricted Funds

	<u>6/30/01</u>	<u>9/30/01</u>	<u>12/31/01</u>	<u>3/31/02</u>	<u>6/30/02</u>
University of Iowa	5.35%	5.17%	3.79%	3.98%	3.46%
Iowa State University	4.51%	4.89%	4.61%	4.06%	3.95%
University of Northern Iowa	5.79%	5.69%	4.51%	4.74%	4.35%
Iowa School for the Deaf	5.90%	6.78%	5.75%	3.50%	4.09%
Iowa Braille & Sight Saving School	N/I	N/I	N/I	N/I	N/I

N/I = No investments of this type.

BlackRock

	<u>6/30/01</u>	<u>9/30/01</u>	<u>12/31/01</u>	<u>3/31/02</u>	<u>6/30/02</u>
University of Iowa	5.82%	5.53%	5.51%	5.40%	4.91%
Iowa State University	5.94%	5.55%	5.64%	5.32%	4.81%
University of Northern Iowa	5.91%	5.69%	5.67%	5.51%	4.99%
Iowa School for the Deaf	5.94%	5.55%	5.64%	5.32%	4.81%
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 Market Value of Institutional Portfolios

Accrual Basis
(In thousands)
June 30, 2002

	<u>Endowment Market Value</u>	<u>1993 Trust Market Value</u>	<u>Quasi-Endowment Market Value</u>	<u>Total Market Value</u>	<u>Percent of Total</u>
INVESCO					
SUI	\$103,373	-	\$58,595	\$161,968	
ISU	<u>54,034</u>	<u>\$7,409</u>	<u>-</u>	<u>61,443</u>	
Total	\$157,407	\$7,409	\$58,595	\$223,411	73.8%
Reams Asset Management					
SUI	-	-	\$33,206	\$33,206	11.0%
Seneca Capital Management					
SUI	\$17,909	-	-	\$17,909	
ISU	<u>12,369</u>	<u>\$2,103</u>	<u>-</u>	<u>14,472</u>	
Total	\$30,278	\$2,103	-	\$32,381	10.7%
Alliance Bernstein					
SUI	\$7,170	-	-	\$7,170	
ISU	<u>6,529</u>	<u>-</u>	<u>-</u>	<u>6,529</u>	
Total	\$13,699	-	-	\$13,699	4.5%
TOTAL					
SUI	\$128,452	-	\$91,801	\$220,253	
ISU	<u>72,932</u>	<u>9,512</u>	<u>-</u>	<u>82,444</u>	
Total	\$201,384	\$9,512	\$91,801	\$302,697	100.0%

Table 4
Principal Demutualization Funds

(In thousands)
June 30, 2002

SUI	\$43,132
ISU	24,165
UNI	<u>7,044</u>
	\$74,341