

MEMORANDUM

To: Banking Committee
From: Board Office *GSN*
Subject: Investment and Cash Management Report for the Quarter Ended June 30, 2003
Date: September 8, 2003

Recommended Action:

Receive the Investment and Cash Management Reports for the quarter ended June 30, 2003.

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 June 30, 2002 and June 30, 2003

	<u>Operating</u>		<u>Endowment/ Quasi-Endowment</u>	
	<u>June 2002</u>	<u>June 2003</u>	<u>June 2002</u>	<u>June 2003</u>
University of Iowa ¹	\$554,069	\$554,600	\$220,253 ²	\$271,439 ²
Iowa State University	267,159	288,995	82,444 ³	109,087 ³
University of Northern Iowa	61,677	61,822	-	-
Iowa School for the Deaf	2,559	2,297	-	-
Iowa Braille & Sight Saving School	526	587	-	-
Total	\$885,990	\$908,301	\$302,697	\$380,526

¹ Includes UIHC.

² Includes UNI.

³ Includes ISD and IBSSS.

As of June 30, 2003, the Regent combined operating and endowment portfolios total \$1.3 billion.

Operating

The market value of the combined operating portfolios, as reported by the Regent institutions, totaled \$908.3 million as of June 30, 2003, and represent a point in time during operations. The university operating portfolios performed in line with quarterly industry standards. BlackRock outperformed industry standards.

Endowment

Wilshire Associates, the Board's investment advisor, prepares the summary report on the endowment/quasi-endowment portfolio, which totaled \$380.5 million for the quarter.

The University of Iowa (excluding the quasi-endowment) and Iowa State University endowment portfolios totaled \$175.8 million and \$109.1 million, respectively, as of June 30, 2003. The combined investment managers' returns for the quarter were 13.1% for SUI and 13.3% for ISU, while the blended asset allocation benchmark posted returns of 12.5%. The SUI endowment portfolio had investment gains of \$21.2 million for the quarter while ISU had gains of \$12.9 million.

The SUI quasi-endowment totaled \$95.6 million and returned 2.1% as of June 30, 2003, which underperformed the benchmark of 2.5% for the quarter. The quasi-endowment had a net gain of \$766,000 during last quarter.

Wilshire reported that, for the quarter, Alliance Bernstein outperformed their benchmarks; Invesco and Vanguard outperformed or were comparable to their benchmarks; and Seneca, LSV Asset Management, and Reams underperformed their benchmarks.

Investment Issues Corporate bonds held by Reams Asset Management, five for the University of Iowa and two for Iowa State University, were downgraded below investment grade for the quarter ended June 30, 2003. Reams continues to hold the bonds in accordance with established guidelines.

The internal auditors verified that remaining investment purchases and holdings for the quarter ended June 30, 2003, 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 verified 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.

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.

**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. In March 2003, the Board authorized the optional use of Wellington Management Company as a short duration fixed income manager for institutional operating portfolios. The institutions manage the remaining operating funds utilizing banks and brokers services.

In April 2003, SUI transferred \$50.6 million of operating funds to Wellington. Wellington's monthly returns for May and June were .68% and .11% and were comparable to BlackRock returns of .64% and .14% for the same time periods. No quarterly return is presented for Wellington.

Operating Portfolios
Market Value (in thousands)
As of June 30, 2003

	<u>Unrestricted</u>	<u>Restricted</u>	<u>BlackRock</u>	<u>Wellington</u>	<u>Total</u>
SUI	\$249,160	\$114,719	\$140,114	50,607	\$554,600
ISU	110,473	90,110	88,412	N/I	288,995
UNI	16,674	26,554	18,594	N/I	61,822
ISD	2,056	4	237	N/I	2,297
IBSSS	<u>587</u>	<u>N/I</u>	<u>N/I</u>	<u>N/I</u>	<u>587</u>
	\$378,950	\$231,387	\$247,357	50,607	\$908,301

Total

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 June 30, 2003

	<u>Unrestricted</u>	<u>Restricted</u>	<u>BlackRock</u>
SUI	0.56%	0.89%	1.05%
ISU	0.44%	0.75%	1.05%
UNI	0.78%	0.95%	1.03%
ISD	0.41%	0.51%	1.00%
IBSSS	0.30%	N/I	N/I

N/I No investments of this type.

The comparable industry standard rates of return for the quarter ended June 30, 2003, include the Merrill Lynch 1-3 year Government/Agency Index rate of 0.8% 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, BlackRock, and Wellington
For the Quarter Ended June 30, 2003

	<u>Market Value</u>	<u>Percent Market Value</u>
University of Iowa		
Money Market / Cash Equivalents	\$208,671,360	37.6%
U.S. Obligations	127,902,253	23.1%
Agency Securities	147,656,252	26.6%
Asset-Backed	70,053,920	12.6%
Mortgage-Backed	<u>316,111</u>	<u>0.1%</u>
Total	\$554,599,896	100.0%
Iowa State University		
Money Market / Cash Equivalents	\$125,502,034	43.4%
U.S. Obligations	88,822,656	30.7%
Agency Securities	52,367,280	18.1%
Other	22,176,873	7.7%
Municipals	<u>126,585</u>	<u>0.1%</u>
Total	\$288,995,428	100.0%
University of Northern Iowa		
Money Market / Cash Equivalents	\$4,740,541	7.7%
U.S. Obligations	22,668,508	36.7%
Agency Securities	27,717,473	44.8%
Other	<u>6,695,400</u>	<u>10.8%</u>
Total	\$61,821,922	100.0%
Iowa School for the Deaf		
Money Market / Cash Equivalents	\$2,074,896	90.3%
U.S. Obligations	129,405	5.6%
Agency Securities	32,898	1.4%
Other	59,589	2.6%
Municipals	<u>340</u>	<u>0.1%</u>
Total	\$2,297,128	100.0%
Iowa Braille & Sight Saving School		
Money Market / Cash Equivalents	\$15,517	2.7%
Repurchase Agreements	<u>570,991</u>	<u>97.3%</u>
Total	\$586,508	100.0%
Regent Composite		
Money Market / Cash Equivalents	\$341,004,348	37.5%
U.S. Obligations	239,522,822	26.3%
Agency Securities	227,773,903	25.0%
Asset-Backed	70,053,920	7.7%
Other	28,931,862	3.2%
Repurchase Agreements	570,991	0.1%
Mortgage-Backed	316,111	0.1%
Municipals	<u>126,925</u>	<u>0.1%</u>
Total	\$908,300,882	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 institutional 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 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
June 30, 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	\$111,337	63.3%	\$71,336	65.4%	63%(+/-5%)
U.S. Bonds	51,116	29.1%	29,922	27.4%	30%(+/-5%)
International Stocks	<u>13,358</u>	<u>7.6%</u>	<u>7,829</u>	<u>7.2%</u>	<u>7%(+/-3%)</u>
Total Fund	\$175,811	100.0%	\$109,087	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)

June 30, 2003

	Value (thousands)	Value (percent)	Returns	
			Quarter	One Year
Invesco	\$49,088	51.3%	2.5%	10.3%
Reams	<u>46,540</u>	<u>48.7%</u>	<u>1.7%</u>	<u>7.8%</u>
Total Fund	\$95,628	100.0%	2.1%	9.3%
100% Lehman Aggregate.			2.5%	10.4%

There is no Board-established fund manager allocations target ranges for the quasi-endowment. Invesco equaled or was close to the quarterly and yearly benchmark of 2.5% and 10.4%. Reams was behind the benchmark for the quarter and for the year.

Manager Allocation
Policy

The following manager allocations, adopted by the Board in January 2002, generate the target endowment asset allocation when all managers are at policy targets (rounded to the nearest percent). The 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
June 30, 2003

MANAGER	<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	\$62,588	35.6%	\$40,785	37.4%
Vanguard	21,776	12.4%	14,778	13.5%
Seneca	17,909	10.2%	11,205	10.3%
LSV Asset Mgmt.	<u>9,064</u>	<u>5.1%</u>	<u>4,568</u>	<u>4.2%</u>
Total	\$111,337	63.3%	\$71,336	65.4%
Domestic Bonds				
Invesco	\$24,801	14.1%	\$14,542	13.3%
Reams	<u>26,315</u>	<u>15.0%</u>	<u>15,380</u>	<u>14.1%</u>
Subtotal	\$51,116	29.1%	\$29,922	27.4%
International				
Alliance Bernstein	\$13,358	7.6%	\$7,829	7.2%
Total Fund	\$175,811	100.0%	\$109,087	100.0%

Assets are shown as invested.

**ENDOWMENT
PERFORMANCE**

The following table compares the returns of the endowment portfolios for the period ended June 30, 2003, with the established benchmarks. The SUI and ISU endowment portfolios outperformed the benchmarks for the quarter and for the year. The SUI quasi-endowment was behind the benchmark for the quarter and for the year.

Endowment Portfolios			
Net of Fees			
As of June 30, 2003			
	<u>Assets</u> <u>(thousands)</u>	<u>Returns</u>	
		<u>Quarter</u>	<u>One Year</u>
SUI	\$175,811	13.1%	5.0%
ISU	109,087	13.3%	4.7%
Asset Allocation Benchmark*		12.5%	4.2%
SUI Quasi-Endowment	<u>95,628</u>	2.1%	9.3%
Fixed Income Benchmark **		2.5%	10.4%
Total	\$380,526		

* 63% Wilshire 5000, 30% Lehman Aggregate, 7% MSCI EAFE (N).

** 100% Lehman Aggregate.

*University of Iowa
Endowment*

The University of Iowa endowment assets totaled \$175.8 million as of June 30, 2003, a \$15.2 million increase over the previous quarter. For the quarter ended June 30, 2003, investment gains totaled \$21.2 million, net contributions equaled \$162,000, and net distributions and fees amounted to \$6.0 million.

The endowment assets held by the University of Iowa earned a return of 13.1% for the quarter, outperforming the benchmark return of 12.5% by 0.6%. Returns for the endowment over the one-year period were 5.0%, which outperformed the benchmark of 4.2% by 0.8%.

*University of Iowa
Quasi-Endowment*

The University of Iowa quasi-endowment assets totaled \$95.6 million as of June 30, 2003, a \$0.7 million increase over the previous quarter. For the quarter ended June 30, 2003, investment gains totaled \$2.0 million, net contributions totaled \$45,000, and net distributions and fees amounted to \$1.3 million.

The quasi-endowment earned a return of 2.1% for the quarter and 9.3% for the year. The returns were below the benchmarks of 2.5% for the quarter and 10.4% for the year.

*Iowa State
University
Endowment*

Iowa State University endowment assets totaled \$109.1 million as of June 30, 2003, a \$12.9 million increase over the previous quarter. For the quarter, investment gains totaled \$12.9 million, while net distributions and fees were \$100,000. Net contributions totaled \$100,000.

The Iowa State University endowment assets earned a return of 13.3% for the quarter outperforming the policy benchmark return of 12.5%. The one-year return for ISU was 4.7%, which outperformed the benchmark of 4.2% by 0.5%.

Investment
Managers

		Invesco Net of Fees June 30, 2003			
		<u>Assets</u> (thousands)	<u>Returns</u>		
			<u>Quarter</u>	<u>One Year</u>	<u>Three Years</u>
SUI					
	U.S. Stocks	\$62,588	18.8%	-0.7%	-6.5%
	U.S. Bonds	<u>24,801</u>	2.5%	10.0%	9.4%
		\$87,389			
SUI Quasi-Endowment					
	U.S. Bonds	\$49,088	2.5%	10.3%	9.2%
ISU					
	U.S. Stocks	33,430	18.9%	-1.4%	-6.6%
	U.S. Bonds	<u>10,252</u>	2.5%	10.4%	9.3%
		\$43,682			
ISU 93 Trust					
	U.S. Stocks	7,355	18.8%	-0.8%	-6.5%
	U.S. Bonds	<u>4,290</u>	2.4%	10.5 %	9.5%
		\$11,645			
	Total	\$191,804			
	Benchmark – U.S. Stocks ¹		15.4%	0.2%	-11.2%
	Benchmark – U.S. Bonds ²		2.5%	10.4%	10.1%

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 June 30, 2003, Invesco's performance in U.S. stocks included returns of 18.8% for the SUI endowment, 18.9% for the ISU endowment, and 18.8% for the ISU 93 Trust. These returns outperformed the benchmark of 15.4%.

Wilshire reported that stock selection within the financials, consumer staples, information technology, and health care sectors primarily contributed to the portfolio for the quarter. Underweighting to the consumer staples sector and overweighting to the financials sector positively affected performance. Stock selection within the industrials sector detracted from performance.

For the year ended June 30, 2003, Invesco's performance in U.S. stocks included returns of -0.7% for the SUI endowment, -1.4% for the ISU endowment, and -0.8% for the ISU 93 Trust. These returns underperformed the benchmark of 0.2%.

Bonds

For the quarter ended June 30, 2003, Invesco's U.S. bond performance included returns of 2.5% for the SUI endowment, the SUI quasi-endowment, and the ISU endowment, and 2.4% for the ISU 93 Trust. These returns equaled or were close to the benchmark of 2.5%.

For the year ended June 30, 2003, Invesco's U.S. bond performance included returns of 10.0% for the SUI endowment, 10.3% for the SUI quasi-endowment, 10.4% for the ISU endowment, and 10.5% for the ISU 93 Trust. These returns equaled or were close to the benchmark of 10.4%.

	Vanguard Net of Fees June 30, 2003	
	<u>Assets</u> (thousands)	<u>Returns</u> <u>Quarter</u>
SUI	\$21,776	15.6%
ISU	<u>14,778</u>	15.4%
Total	\$36,554	
Benchmark: S&P 500		15.4%

Vanguard performance

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

This was the third 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 June 30, 2003			
	<u>Assets</u> (thousands)	<u>Quarter</u>	<u>Returns</u>	
			<u>One Year</u>	<u>Three Years</u>
SUI	\$17,909	16.0%	-8.1%	-18.0%
ISU	9,262	16.0%	-9.2%	-18.9%
ISU 93 Trust	<u>1,943</u>	16.1%	-8.2%	-18.7%
Total	\$29,114			
Benchmark: Russell 2500 Growth		22.7%	4.1%	-16.2%

Seneca performance

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

For the quarter, Seneca Capital Management returned 16.0% for the SUI endowment, 16.0% for the ISU endowment, and 16.1% for the ISU 93 Trust. These returns underperformed the Russell 2500 Growth Index return of 22.7%.

Wilshire reported that stock selection within the consumer discretionary, and materials and consumer staples sectors primarily contributed to Seneca's underperformance for the quarter. Adding to the portfolio's performance was underweighting to industrials and overweighting to information technology. Overweighting to consumer staples negatively impacted performance.

For the one-year period, Seneca Capital Management returned -8.1% for SUI, -9.2% for ISU and -8.2% for the ISU 93 Trust; all underperformed the Russell 2500 Growth Index of 4.1%. The three-year returns all underperformed the Russell 2500 Growth Index of -16.2%.

LSV Asset Management

Net of Fees
June 30, 2003

	<u>Assets</u> (thousands)	<u>Quarter</u>	<u>Returns</u> <u>Year</u>
SUI	\$9,064	20.2%	-3.7%
ISU	<u>4,568</u>	20.4%	-3.3%
Total	\$13,632		
Benchmark: Russell 2500 Value		21.3%	-0.6%

LSV Asset Mgmt.
performance

LSV Asset Management manages small value domestic stocks.

This was the first full year for investments with LSV. Returns for the quarter and for the year underperformed the Russell 2500 Value benchmarks of 21.3% and -0.6%, respectively.

Wilshire reported that stock selection within the industrials, information technology and financial sectors contributed to the negative impact on performance. Stock selection within the health care sector and overweighting to the consumer discretionary sector added to performance during the quarter.

Reams Asset Management

Net of Fees
June 30, 2003

	<u>Assets</u> (thousands)	<u>Quarter</u>	<u>Returns</u> <u>One Year</u>
SUI	\$26,315	1.6%	7.0%
SUI – Quasi-Endowment	46,540	1.7%	7.8%
ISU	<u>15,380</u>	1.7%	8.6%
Total	\$88,235		
Benchmark: Lehman Aggregate		2.5%	10.4%

Reams
performance

For the quarter, Reams returned 1.6% for the SUI endowment and 1.7% for Iowa State University. These returns underperformed the Lehman Aggregate benchmark of 2.5%.

For the year, Reams returned 7.0% for the SUI endowment and 8.6% for Iowa State University. These returns underperformed the Lehman Aggregate benchmark of 10.4%.

This was the second full year for the University of Iowa's quasi-endowment investments with Reams Asset Management. Returns for the quarter and for the year underperformed the benchmarks of 2.5% and 10.4% respectively.

Alliance Bernstein

Net of Fees
June 30, 2003

	<u>Assets</u>	<u>Quarter</u>	<u>Returns</u>	
	(thousands)		<u>One Year</u>	<u>Three Years</u>
SUI	\$13,358	21.4%	1.7%	-2.8%
ISU	<u>7,829</u>	21.3%	0.4%	-3.2%
Total	\$21,187			
Benchmark: MSCI EAFE Index (N)		19.3%	4.1%	-13.5%

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 21.4% for the SUI endowment and 21.3% for the ISU endowment, which outperformed the MSCI EAFE Index (N) of 19.3%. Wilshire reported returns for the year of 1.7% for SUI and 0.4% for ISU, which significantly outperformed the MSCI EAFE Index (N) benchmark of -6.5%.

Positive contributors to the outperformance include stock selection within the United Kingdom, Japan, and Sweden. Sector weightings within Sweden and Spain negatively impacted performance for the quarter.

Table 1
Operating Portfolios
Quarterly Rates of Return

Unrestricted Funds

	<u>6/30/02</u>	<u>9/30/02</u>	<u>12/31/02</u>	<u>3/31/03</u>	<u>6/30/03</u>
University of Iowa	2.06%	1.51%	0.83%	0.50%	0.56%
Iowa State University	2.11%	1.12%	0.62%	0.44%	0.44%
University of Northern Iowa	1.90%	1.43%	0.82%	0.58%	0.78%
Iowa School for the Deaf	0.80%	0.42%	0.42%	0.41%	0.41%
Iowa Braille & Sight Saving School	0.42%	0.42%	0.37%	0.29%	0.30%

Restricted Funds

	<u>6/30/02</u>	<u>9/30/02</u>	<u>12/31/02</u>	<u>3/31/03</u>	<u>6/30/03</u>
University of Iowa	1.64%	2.01%	0.83%	0.67%	0.89%
Iowa State University	1.58%	1.43%	0.62%	0.63%	0.75%
University of Northern Iowa	1.53%	2.33%	0.55%	0.64%	0.95%
Iowa School for the Deaf	1.03%	0.69%	0.52%	0.39%	0.51%
Iowa Braille & Sight Saving School	N/I	N/I	N/I	N/I	N/I

N/I = No investments of this type.

BlackRock

	<u>6/30/02</u>	<u>9/30/02</u>	<u>12/31/02</u>	<u>3/31/03</u>	<u>6/30/03</u>
University of Iowa	2.62%	2.73%	0.97%	0.76%	1.05%
Iowa State University	2.59%	2.59%	0.94%	0.75%	1.05%
University of Northern Iowa	2.56%	2.74%	1.02%	0.75%	1.03%
Iowa School for the Deaf	2.59%	2.59%	0.94%	0.70%	1.00%
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

<i>Unrestricted Funds</i>					
	<u>6/30/02</u>	<u>9/30/02</u>	<u>12/31/02</u>	<u>3/31/03</u>	<u>6/30/03</u>
University of Iowa	3.75%	3.57%	3.31%	2.88%	2.66%
Iowa State University	3.90%	3.34%	3.12%	2.62%	2.10%
University of Northern Iowa	3.85%	3.16%	2.80%	2.93%	3.86%
Iowa School for the Deaf	1.96%	1.65%	1.65%	1.65%	1.65%
Iowa Braille & Sight Saving School	1.69%	1.69%	1.20%	1.37%	1.31%

<i>Restricted Funds</i>					
	<u>6/30/02</u>	<u>9/30/02</u>	<u>12/31/02</u>	<u>3/31/03</u>	<u>6/30/03</u>
University of Iowa	3.46%	3.65%	3.21%	3.21%	2.82
Iowa State University	3.95%	3.22%	3.30%	3.36%	2.28
University of Northern Iowa	4.35%	4.32%	4.23%	3.64%	3.40
Iowa School for the Deaf	4.09%	2.73%	2.05%	1.57%	2.05
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>6/30/02</u>	<u>9/30/02</u>	<u>12/31/02</u>	<u>3/31/03</u>	<u>6/30/03</u>
University of Iowa	4.91%	4.73%	4.47%	3.76%	3.36
Iowa State University	4.81%	4.60%	4.36%	3.60%	3.34
University of Northern Iowa	4.99%	4.72%	4.47%	4.01%	3.56
Iowa School for the Deaf	4.81%	4.60%	4.36%	3.60%	3.34
Iowa Braille & Sight Saving School	N/I	N/I	N/I	N/I	N/I

N/I = No investments of this type.

<i>Wellington</i>					
	<u>6/30/02</u>	<u>9/30/02</u>	<u>12/31/02</u>	<u>3/31/03</u>	<u>6/30/03</u>
University of Iowa	N/A	N/A	N/A	N/A	3.94%

The University of Iowa deposited \$50.6 million to Wellington in April 2003.

Table 3
Endowment / Quasi-Endowment Portfolios
Market Value - Accrual Basis
(In thousands)
June 30, 2003

Portfolio Manager	Endowment Market Value	1993 Trust Market Value	Quasi-Endowment Market Value	Total Market Value	Percent of Total
Invesco					
SUI	\$87,389	-	\$49,088	\$136,477	
ISU	<u>43,682</u>	<u>\$11,645</u>	<u>-</u>	<u>55,327</u>	
Total	\$131,071	\$11,645	\$49,088	\$191,804	50.4%
Vanguard					
SUI	\$21,776	-	-	\$21,776	
ISU	<u>14,778</u>	-	-	<u>14,778</u>	
Total	\$36,554	-	-	\$36,554	9.6%
Seneca Capital Mgmt.					
SUI	\$17,909	-	-	\$17,909	
ISU	<u>9,262</u>	<u>\$1,943</u>	-	<u>11,205</u>	
Total	\$27,171	\$1,943	-	\$29,114	7.6%
LSV Asset Mgmt.					
SUI	\$9,064	-	-	\$9,064	
ISU	<u>4,568</u>	-	-	<u>4,568</u>	
Total	\$13,632	-	-	\$13,632	3.6%
Reams Asset Mgmt.					
SUI	\$26,315	-	\$46,540	\$72,855	
ISU	<u>15,380</u>	-	<u>-</u>	<u>15,380</u>	
Total	\$41,695	-	\$46,540	\$88,235	23.2%
Alliance Bernstein					
SUI	\$13,358	-	-	\$13,358	
ISU	<u>7,829</u>	-	-	<u>7,829</u>	
Total	\$21,187	-	-	\$21,187	5.6%
TOTAL					
SUI	\$175,811	-	\$95,628	\$271,439	
ISU	<u>95,499</u>	<u>\$13,588</u>	<u>-</u>	<u>109,087</u>	
Total	\$271,310	\$13,588	\$95,628	\$380,526	100.0%

Table 4	
Principal Demutualization Funds	
(In thousands)	
June 30, 2003	
SUI	\$42,743
ISU	23,260
UNI	6,825
ISD	270
IBSSS	154
Board Office	<u>48</u>
Total	\$73,300