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INVESTMENT AND CASH MANAGEMENT REPORT
FOR THE QUARTER ENDED MARCH 31, 2008

Recommended Action: Receive the Investment and Cash Management Report for the quarter ended March 31, 2008.

Executive Summary: The Regent institutions maintain two investment portfolios — operating and endowment/quasi-endowment.

Institutional Investment Portfolios
Market Value
(in thousands)
As of March 31, 2007, and March 31, 2008

	<u>Operating</u>		<u>Endowment/ Quasi-Endowment</u>	
	<u>Mar 2007</u>	<u>Mar 2008</u>	<u>Mar 2007</u>	<u>Mar 2008</u>
University of Iowa ¹	\$733,582	\$865,522	\$357,302 ²	\$340,107 ²
Iowa State University	336,002	369,388	175,203 ³	164,607 ³
University of Northern Iowa	102,038	115,168	-	-
Iowa School for the Deaf	1,706	1,900	-	-
Iowa Braille & Sight Saving School	980	1,211	-	-
Total	\$1,174,308	\$1,353,189	\$532,505	\$504,714

¹ Includes UIHC.

² Includes UNI.

³ Includes ISD and IBSSS.

As of March 31, 2008, the Regent combined operating and endowment portfolios totaled over \$1.8 billion.

OPERATING

The Merrill Lynch 1-3 year Government/Corporate Index rate for the quarter was 2.66%. Internal and external managers underperformed the benchmark.

ENDOWMENT

The combined endowment managers' returns for the quarter were -6.1% for SUI and -5.9% for ISU, while the blended asset allocation benchmark posted returns of -5.3%. The SUI quasi-endowment returned 1.6% for the quarter ended March 31, 2008, which underperformed the benchmark of 2.2%. The endowment fund manager performance overview for the quarter ended March 31, 2008, may be found on page 3 in the Wilshire Executive Summary report.

COMPLIANCE

The Director of Internal Audit reported that SUI's operating and endowment activities and ISU's endowment portfolio for the quarter ended December 31, 2007, were in compliance with Board policies. The March 31, 2008, compliance reports will be available at the next Committee meeting.

Internal audit compliance reports for operating investment purchases and holdings of ISU, UNI and ISD for the quarter ended March 31, 2008, noted that investments were in compliance with respective Board and institutional investment policies.

Background and Analysis:

The Board monitors institutional investment, treasury management practices, performance, and compliance with policy. 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). Board policy requires university internal auditors to verify operating investment transactions and holdings for compliance at their respective universities.

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 assists with the evaluation of the Board's investment policies and provides quarterly endowment portfolio summary reports.

The Board authorized the following fund managers (See page 7 for values):

Artisan Partners, a small capitalization fund manager, was authorized by the Board in December 2004.

BlackRock, a fixed income manager, was authorized by the Board in February 1996.

Commonfund (CF), a short-term manager, was authorized by the Board in September 2005.

Dodge & Cox, a fixed income manager, was authorized by the Board in February 2004.

Goldman Sachs Asset Management, a large capitalization domestic equity fund manager, was authorized by the Board in September 2004.

Grantham, Mayo, Van Otterloo & Co. (GMO Foreign Fund), an international equity fund manager, was authorized by the Board in February 2004.

Lehman Brothers Asset Management, a private equity manager, was authorized by the Board in November 2005.

Lotsoff Capital Management, a large capitalization domestic equity fund manager, was authorized by the Board in September 2004.

LSV Asset Management manages mid cap value domestic stock portfolios and was authorized by the Board in January 2002.

Post Advisory (a subsidiary of Iowa's Principal Financial Group), a high-yield bonds manager, was authorized by the Board in November 2005.

Principal Group (based in Iowa), a real estate manager, was authorized by the Board in November 2005.

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.

Vanguard, a large capitalization core index fund manager, was authorized by the Board in February 2008.

Wellington, a short duration fixed income manager, was authorized by the Board in March 2003.

OPERATING PORTFOLIOS

The primary goals for investment prudence of the operating portfolio include safety of principal, maintenance of liquidity to match expected liabilities, and a reasonable return. The operating portfolio is to be managed to ensure funds are available to support operational needs.

**Market Value
(in thousands)
As of March 31, 2008**

	<u>Restricted</u>		<u>Unrestricted</u>			<u>Total</u>
	<u>Internal</u>	<u>Internal</u>	<u>BlackRock</u>	<u>Wellington</u>	<u>Commonfund</u>	
SUI	\$111,377	\$376,849	\$163,144	\$162,186	\$51,966	\$865,522
ISU	104,770	183,984	N/I	N/I	80,634	369,388
UNI	27,354	66,714	N/I	N/I	21,100	115,168
ISD	14	1,616	N/I	N/I	270	1,900
IBSSS	N/I	1,211	N/I	N/I	N/I	1,211
Total	\$243,515	\$630,374	\$163,144	\$162,186	\$153,970	\$1,353,189

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.

**Quarterly Rates of Return
For the Quarter Ended March 31, 2008**

	<u>Restricted</u>		<u>Unrestricted</u>			<u>Total</u>
	<u>Internal</u>	<u>Internal</u>	<u>BlackRock</u>	<u>Wellington</u>	<u>Commonfund</u>	
SUI	1.14%	0.93%	1.22%	0.29%	-0.59%	0.73%
ISU	1.02%	1.33%	N/I	N/I	-0.58%	0.75%
UNI	1.40%	0.95%	N/I	N/I	-0.59%	0.58%
ISD	0.54%	0.82%	N/I	N/I	-0.58%	0.62%
IBSSS	N/I	0.75%	N/I	N/I	N/I	0.75%

N/I = No investments of this type.

The comparable industry standard rate of return for the quarter ended March 31, 2008, includes the Merrill Lynch 1-3 year Government/Corporate Index rate of 2.66%. Internal and external managers underperformed the benchmark.

Operating Investment Summary
Unrestricted, Restricted, BlackRock, Wellington, and Commonfund
(in thousands)
As of March 31, 2008

	<u>Market Value</u>	<u>Percent Market Value</u>
University of Iowa		
Money Market / Cash Equivalents	\$485,404	56.0%
Corporate Notes and Bonds	45,414	5.3%
Agency Securities	73,216	8.5%
Asset Backed	153,693	17.8%
Commonfund	51,966	6.0%
U.S. Obligations	53,631	6.2%
Municipals	<u>2,198</u>	<u>0.2%</u>
Total	\$865,522	100.0%
Iowa State University		
Money Market / Cash Equivalents	\$185,856	50.3%
Agency Securities	75,028	20.3%
Commonfund	80,634	21.8%
U.S. Obligations	<u>27,870</u>	<u>7.6%</u>
Total	\$369,388	100.0%
University of Northern Iowa		
Money Market / Cash Equivalents	\$55,351	48.1%
Agency Securities	29,027	25.2%
Commonfund	21,100	18.3%
U.S. Obligations	<u>9,690</u>	<u>8.4%</u>
Total	\$115,168	100.0%
Iowa School for the Deaf		
Money Market / Cash Equivalents	\$1,630	85.8%
Commonfund	<u>270</u>	<u>14.2%</u>
Total	\$1,900	100.0%
Iowa Braille & Sight Saving School		
Money Market / Cash Equivalents	\$11	0.9%
Repurchase Agreements	<u>1,200</u>	<u>99.1%</u>
Total	\$1,211	100.0%
Regent Composite		
Money Market / Cash Equivalents	\$728,252	53.8%
Corporate Notes and Bonds	45,414	3.4%
Agency Securities	177,271	13.0%
Asset Backed	153,693	11.4%
Commonfund	153,970	11.4%
U.S. Obligations	91,191	6.7%
Repurchase Agreements	1,200	0.1%
Municipals	<u>2,198</u>	<u>0.2%</u>
Total	\$1,353,189	100.0%

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 the Iowa Braille and Sight Saving School endowment portfolios are invested through Iowa State University.

In recognition of their long-term charter, the Board’s investment policy indicates that these funds shall be managed actively with the intention of obtaining the highest possible total return while accepting only prudent risk. These funds are to be managed to maintain and preserve, over time, the real value of the funds and shall consist of a prudent, diversified investment portfolio.

Endowment Asset Class Allocation Policy*
As of March 31, 2008

	<u>Target</u>	<u>Range</u>
Domestic Stocks (U.S. equities)	45%	-5/+15%
Domestic Bonds (U.S. fixed income)	30%	+/-5%
International Stocks (foreign equities)	15%	+/-5%
Real Estate	5%	+/-5%
Private Equity	<u>5%</u>	-5/+2%
	100%	

Endowment Manager Allocations*
As of March 31, 2008

<u>Asset Class</u>	<u>Target</u>	<u>Allowable Range</u>	<u>Benchmark</u>
<u>Domestic Stocks</u>	<u>45%</u>	40-60%	Wilshire 5000
Large Cap Core	80%	75-85%	S&P 500 Index
Large Cap Index	0%	n/a	n/a
Small / Mid Cap Growth	10%	5-15%	Russell 2500 Growth
Small / Mid Cap Value	10%	5-15%	Russell 2500 Value
<u>Domestic Bonds</u>	<u>30%</u>	25-35%	Lehman Aggregate
Investment Grade Core	83%	75-100%	Lehman Aggregate
High Yield	17%	0-25%	Merrill Lynch HY Master II
<u>International Stocks</u>	<u>15%</u>	10-20%	MSCI EAFE
International Developed	95%	95-100%	MSCI EAFE
International Emerging Markets	5%	0-5%	MSCI Emerging Markets
<u>Real Estate</u>	<u>5%</u>	0-10%	NACREIF
<u>Private Equity</u>	<u>5%</u>	0-7%	Wilshire 5000

*Approved at the September 2005 meeting.

**Endowment Allocations
Net of Fees
As of March 31, 2008**

MANAGER	University of Iowa			Iowa State University		
	Value (thousands)	Value (percent)	Fees (thousands)	Value (thousands)	Value (percent)	Fees (thousands)
Domestic Stocks						
Artisan	\$10,876	4.4%	\$31	\$8,308	5.0%	\$23
Goldman Sachs	9	0.1%	0	9	0.1%	0
Lotsoff Capital	46,522	18.9%	46	29,436	17.8%	26
LSV	10,363	4.2%	20	7,929	4.8%	14
Vanguard*	<u>45,413</u>	<u>18.4%</u>	<u>0</u>	<u>27,946</u>	<u>17.0%</u>	<u>0</u>
Subtotal	\$113,183	46.0%	\$97	\$73,628	44.7%	\$63
Domestic Bonds						
Dodge and Cox	\$30,090	12.2%	\$34	\$22,132	13.5%	\$25
Reams	31,114	12.7%	20	22,190	13.5%	17
Post Advisory	<u>13,528</u>	<u>5.5%</u>	<u>20</u>	<u>8,935</u>	<u>5.4%</u>	<u>13</u>
Subtotal	\$74,732	30.4%	\$74	\$53,257	32.4%	\$55
International Stocks						
GMO Foreign Fund	\$40,345	16.4%	\$75	\$25,573	15.5%	\$48
Real Estate						
Principal Group	\$14,867	6.0%	\$44	\$10,342	6.3%	\$31
Private Equity						
Lehman Brothers	\$2,667	1.10%	\$14	\$1,667	1.00%	\$9
CF Int'l Partners VI**	93	0.04%	0	62	0.04%	0
CF Private Equity VII**	78	0.03%	0	52	0.03%	0
CF Venture Capital VIII**	<u>44</u>	<u>0.02%</u>	<u>0</u>	<u>26</u>	<u>0.02%</u>	<u>0</u>
Subtotal	\$2,882	1.2 %	\$14	\$1,807	1.1 %	\$9
Total Fund	\$246,009	100.0%	\$304	\$164,607	100.0%	\$206

* Assets managed by Goldman Sachs were transferred to the Vanguard Institutional S&P 500 Index Fund in February of 2008; the amounts reported for Goldman Sachs are residual funds yet to be transferred.

** This is the third quarter that results are reported for the Commonfund (CF); the Board approved these funds at the March 2007 Board meeting; no fees were reported.

**Endowment Performance
Net of Fees
As of March 31, 2008**

	Assets (thousands)	Net Returns	
		Quarter	One Year
SUI	\$246,009	-6.1%	-3.0%
ISU	164,607	-5.9%	-3.0%
Asset Allocation Benchmark*		-5.3%	-0.2%
SUI Quasi-Endowment	<u>94,098</u>	1.6%	6.4%
Fixed Income Benchmark **		2.2%	7.7%
Total	\$504,714		

* 50% Wilshire 5000, 30% Lehman Aggregate, 15% MSCI EAFE (N), 5% NCREIF Property Index.

** 100% Lehman Aggregate.

The quasi-endowment fund is 100% fixed income investments. There are no Board-established fund manager allocations target ranges for the quasi-endowment.

**University of Iowa Quasi-Endowment (100% Fixed Income)
As of March 31, 2008**

	Value (thousands)	Value (percent)	Fees (thousands)	Net Returns	
				Quarter	Year
Dodge and Cox	\$45,576	48.4%	\$51	0.6%	3.8%
Reams	<u>48,522</u>	<u>51.6%</u>	<u>29</u>	2.6%	8.9%
Total Fund	\$94,098	100.0%	\$80		
Fixed Income Benchmark **				2.2%	7.7%

**100% Lehman Aggregate.

Endowment / Quasi-Endowment Portfolios
Market Value - Accrual Basis
(in thousands)
As of March 31, 2008

Portfolio Manager	Endowment Market Value	Quasi-Endowment Market Value	Total Market Value	Percent of Total
Reams Asset Management				
SUI	\$31,114	\$48,522	\$79,636	
ISU	<u>22,190</u>	<u>-</u>	<u>22,190</u>	
Total	\$53,304	\$48,522	\$101,826	20.1%
Dodge and Cox				
SUI	\$30,090	\$45,576	\$75,666	
ISU	<u>22,132</u>	<u>-</u>	<u>22,132</u>	
Total	\$52,222	\$45,576	\$97,798	19.4%
Lotsoff Capital				
SUI	\$46,522	-	\$46,522	
ISU	<u>29,436</u>	<u>-</u>	<u>29,436</u>	
Total	\$75,958	-	\$75,958	15.0%
Vanguard				
SUI	\$45,413	-	\$45,413	
ISU	<u>27,946</u>	<u>-</u>	<u>27,946</u>	
Total	\$73,359	-	\$73,359	14.5%
GMO Foreign Fund				
SUI	\$40,345	-	\$40,345	
ISU	<u>25,573</u>	<u>-</u>	<u>25,573</u>	
Total	\$65,918	-	\$65,918	13.0%
Principal Group				
SUI	\$14,867	-	\$14,867	
ISU	<u>10,342</u>	<u>-</u>	<u>10,342</u>	
Total	\$25,209	-	\$25,209	5.0%
Post Advisory				
SUI	\$13,528	-	\$13,528	
ISU	<u>8,935</u>	<u>-</u>	<u>8,935</u>	
Total	\$22,463	-	\$22,463	4.4%
Artisan				
SUI	\$10,876	-	\$10,876	
ISU	<u>8,308</u>	<u>-</u>	<u>8,308</u>	
Total	\$19,184	-	\$19,184	3.8%
LSV Asset Management				
SUI	\$10,363	-	\$10,363	
ISU	<u>7,929</u>	<u>-</u>	<u>7,929</u>	
Total	\$18,292	-	\$18,292	3.6%
Lehman Brothers				
SUI	\$2,667	-	\$2,667	
ISU	<u>1,667</u>	<u>-</u>	<u>1,667</u>	
Total	\$4,334	-	\$4,334	0.8%
Commonfund International Partners VI				
SUI	\$93	-	\$93	
ISU	<u>62</u>	<u>-</u>	<u>62</u>	
Total	\$155	-	\$155	0.1%
Commonfund Private Equity VII				
SUI	\$78	-	\$78	
ISU	<u>52</u>	<u>-</u>	<u>52</u>	
Total	\$130	-	\$130	0.1%
Commonfund Venture Capital VIII				
SUI	\$44	-	\$44	
ISU	<u>26</u>	<u>-</u>	<u>26</u>	
Total	\$70	-	\$70	0.1%
Goldman Sachs				
SUI	\$9	-	\$9	
ISU	<u>9</u>	<u>-</u>	<u>9</u>	
Total	\$18	-	\$18	0.1%
TOTAL				
SUI	\$246,009	\$94,098	\$340,107	
ISU	<u>164,607</u>	<u>-</u>	<u>164,607</u>	
Total	\$410,616	\$94,098	\$504,714	100.0%

PRINCIPAL DEMUTUALIZATION FUNDS

In November 2001, the Board established an endowment with proceeds from the demutualization of Principal Mutual Holding Company for the benefit of employees and the institutions. The balances of the proceeds are reported on a quarterly basis.

**Market Value
(in thousands)
As of March 31, 2008**

University of Iowa	\$47,180
Iowa State University	26,546
University of Northern Iowa	7,722
Iowa School for the Deaf	326
Iowa Braille and Sight Saving School	167
Board Office	53
Total	<u>\$81,994</u>