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**INVESTMENT AND CASH MANAGEMENT REPORT
FOR THE QUARTER ENDED SEPTEMBER 30, 2007**

Recommended Action: Receive the Investment and Cash Management Report for the quarter ended September 30, 2007.

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

**Institutional Investment Portfolios
Market Value
(in thousands)
As of September 30, 2006, and September 30, 2007**

	<u>Operating</u>		<u>Endowment/ Quasi-Endowment</u>	
	<u>Sep 2006</u>	<u>Sep 2007</u>	<u>Sep 2006</u>	<u>Sep 2007</u>
University of Iowa ¹	\$699,532	\$829,284	\$340,081 ²	\$363,881 ²
Iowa State University	332,458	332,883	164,592 ³	179,908 ³
University of Northern Iowa	93,731	104,712	-	-
Iowa School for the Deaf	1,943	1,895	-	-
Iowa Braille & Sight Saving School	739	1,241	-	-
Total	\$1,128,403	\$1,270,015	\$504,673	\$543,789

¹ Includes UIHC.

² Includes UNI.

³ Includes ISD and IBSSS.

As of September 30, 2007, the Regent combined operating and endowment portfolios totaled over \$1.8 billion.

The Merrill Lynch 1-3 year Government/Corporate Index rate for the quarter was 2.39%. Internal and external managers underperformed the benchmark.

The combined endowment managers' returns for the quarter were 0.9% for SUI and 0.8% for ISU, while the blended asset allocation benchmark posted returns of 2.1%.

The SUI quasi-endowment returned 2.7% for the quarter ended September 30, 2007, which slightly underperformed the benchmark of 2.9%.

The Director of Internal Audit reported that SUI's operating and endowment activities and ISU's endowment portfolio for the quarter ended June 30, 2007, were in compliance with Board policies. The September 30, 2007, compliance reports will be available at the next Board meeting.

Internal audit compliance reports for operating investment purchases and holdings of ISU, UNI and ISD for the quarter ended September 30, 2007, noted that investments were in compliance with respective Board and institutional investment policies.

**Endowment Fund Manager Performance Overview
For the Quarter Ended September 30, 2007**

<u>Inception</u>	<u>Fund Manager</u>	<u>Assets (thousands)</u>	<u>Net Return 9/30/07</u>	<u>Benchmark 9/30/07</u>	<u>Variance in Basis Points</u>	<u>Variance as a Percentage</u>
University of Iowa						
3/31/05	Goldman Sachs	\$54,478	-0.2%	2.1%	-230	-9.5%
3/31/05	Lotsoff Capital	54,329	1.2%	2.1%	-90	57.1%
3/31/04	GMO Foreign Fund	44,572	1.8%	2.2%	-40	81.8%
3/31/04	Dodge and Cox	31,444	2.1%	2.9%	-80	72.4%
6/30/02	Reams	30,538	3.2%	2.9%	30	110.3%
12/31/05	Principal Group	14,095	4.0%	4.6%	-60	87.0%
3/31/06	Post Advisory	14,080	0.5%	0.3%	20	166.7%
3/31/05	Artisan	13,453	0.7%	0.0%	70	--
6/30/02	LSV	12,143	-8.8%	-6.1%	-270	55.7%
12/31/06	Lehman Brothers	1,893	1.4%	1.5%	-10	93.3%
3/31/07	CF Int'l Partners VI*	64	-3.3%	1.5%	-480	-220.0%
3/31/07	CF Private Equity VII*	39	-26.5%	1.5%	-2800	-1766.7%
6/30/07	CF Venture Capital VIII*	10	*	--	--	--
3/31/89	Total	\$271,138	0.9%	2.1%	-120	42.9%
University of Iowa Quasi Endowment						
9/30/01	Reams	\$46,836	3.3%	2.9%	40	113.8%
3/31/04	Dodge and Cox	<u>45,907</u>	2.1%	2.9%	-80	72.4%
6/30/98	Total	\$92,743	2.7%	2.9%	-20	93.1%
Iowa State University						
3/31/05	Lotsoff Capital	\$34,060	1.2%	2.1%	-90	57.1%
3/31/05	Goldman Sachs	32,662	-0.5%	2.1%	-260	-23.8%
3/31/04	GMO Foreign Fund	29,189	1.8%	2.2%	-40	81.8%
6/30/02	Reams	22,232	3.2%	2.9%	30	110.3%
3/31/04	Dodge and Cox	21,782	2.1%	2.9%	-80	72.4%
3/31/05	Artisan	10,277	0.7%	0.0%	70	--
12/31/05	Principal Group	9,805	4.0%	4.6%	-60	87.0%
6/30/02	LSV	9,345	-9.8%	-6.1%	-370	39.3%
3/31/06	Post Advisory	9,299	0.5%	0.3%	20	166.7%
12/31/06	Lehman Brothers	1,183	1.4%	1.5%	-10	93.3%
3/31/07	CF Int'l Partners VI*	42	-3.3%	1.5%	-480	-220.0%
3/31/07	CF Private Equity VII*	26	-26.5%	1.5%	-2800	-1766.7%
6/30/07	CF Venture Capital VIII*	6	*	--	--	--
3/31/89	Total	\$179,908	0.8%	2.1%	-130	38.1%

*This is the first quarter results are reported for the Commonfund (CF); the Board approved these funds at the March 2007 Board meeting.

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 8 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, 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.

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

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.

**Principal Demutualization Funds
(in thousands)
As of September 30, 2007**

University of Iowa	\$52,863
Iowa State University	29,620
University of Northern Iowa	8,628
Iowa School for the Deaf	369
Iowa Braille and Sight Saving School	191
Board Office	60
Total	\$91,731

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 September 30, 2007**

	<u>Internally Managed</u>		<u>Externally Managed</u>			<u>Total</u>
	<u>Unrestricted</u>	<u>Restricted</u>	<u>BlackRock</u>	<u>Wellington</u>	<u>Commonfund</u>	
SUI	\$354,173	\$107,239	\$157,819	\$158,313	\$51,740	\$829,284
ISU	185,849	66,755	N/I	N/I	80,279	332,883
UNI	57,475	26,224	N/I	N/I	21,013	104,712
ISD	1,613	13	N/I	N/I	269	1,895
IBSSS	<u>1,241</u>	<u>N/I</u>	<u>N/I</u>	<u>N/I</u>	<u>N/I</u>	<u>1,241</u>
Total	\$600,351	\$200,231	\$157,819	\$158,313	\$153,301	\$1,270,015

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 September 30, 2007**

	<u>Internal</u>	<u>BlackRock</u>	<u>Unrestricted</u>			<u>Combined</u>	<u>Restricted</u>
			<u>Wellington</u>	<u>Commonfund</u>	<u>Internal</u>		
SUI	1.32%	1.96%	1.17%	0.77%	1.40%	1.50%	
ISU	1.51%	N/I	N/I	0.77%	1.29%	1.48%	
UNI	1.43%	N/I	N/I	0.76%	1.25%	1.69%	
ISD	1.31%	N/I	N/I	0.77%	1.23%	1.23%	
IBSSS	1.26%	N/I	N/I	N/I	1.26%	N/I	
Total							

N/I = No investments of this type.

The comparable industry standard rate of return for the quarter ended September 30, 2007, includes the Merrill Lynch 1-3 year Government/Corporate Index rate of 2.39%. Internal and external managers underperformed the benchmark.

Operating Investment Summary
Unrestricted, Restricted, BlackRock, Wellington, and Commonfund
(in thousands)
As of September 30, 2007

	<u>Market Value</u>	<u>Percent Market Value</u>
University of Iowa		
Money Market / Cash Equivalents	\$439,675	53.0%
Corporate Notes and Bonds	201,330	24.3%
Agency Securities	89,315	10.8%
Commonfund	51,740	6.2%
U.S. Obligations	46,582	5.6%
Municipals	<u>642</u>	<u>0.1%</u>
Total	\$829,284	100.0%
Iowa State University		
Money Market / Cash Equivalents	\$124,900	37.5%
Agency Securities	84,687	25.5%
Commonfund	80,279	24.1%
U.S. Obligations	<u>43,017</u>	<u>12.9%</u>
Total	\$332,883	100.0%
University of Northern Iowa		
Money Market / Cash Equivalents	\$47,334	45.2%
Agency Securities	23,564	22.5%
Commonfund	21,013	20.1%
U.S. Obligations	<u>12,801</u>	<u>12.2%</u>
Total	\$104,712	100.0%
Iowa School for the Deaf		
Money Market / Cash Equivalents	\$1,626	85.8%
Commonfund	<u>269</u>	<u>14.2%</u>
Total	\$1,895	100.0%
Iowa Braille & Sight Saving School		
Money Market / Cash Equivalents	\$11	0.9%
Repurchase Agreements	<u>1,230</u>	<u>99.1%</u>
Total	\$1,241	100.0%
Regent Composite		
Money Market / Cash Equivalents	\$613,546	48.3%
Corporate Notes and Bonds	201,330	15.9%
Agency Securities	197,566	15.6%
Commonfund	153,301	12.0%
U.S. Obligations	102,400	8.0%
Repurchase Agreements	1,230	0.1%
Municipals	<u>642</u>	<u>0.1%</u>
Total	\$1,270,015	100.0%

The top three investment categories for the combined Regent operating portfolios included Money Market / Cash Equivalents, Corporate Notes and Bonds, and Agency Securities.

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 September 30, 2007**

	<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	5%	-5/+2%
	100%	

**Endowment Manager Allocations*
As of September 30, 2007**

<u>Asset Class</u>	<u>Target</u>	<u>Allowable Range</u>	<u>Benchmark</u>
<u>Domestic Stocks</u>	45%	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>	30%	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>	15%	10-20%	MSCI EAFE
International Developed	95%	95-100%	MSCI EAFE
International Emerging Markets	5%	0-5%	MSCI Emerging Markets
<u>Real Estate</u>	5%	0-10%	NACREIF
<u>Private Equity</u>	5%	0-7%	Wilshire 5000

*Approved at the September 2005 meeting.

**Endowment Allocations
Net of Fees
As of September 30, 2007**

MANAGER	University of Iowa			Iowa State University		
	Value (thousands)	Value (percent)	Fees (thousands)	Value (thousands)	Value (percent)	Fees (thousands)
<u>Domestic Stocks</u>						
Artisan	\$13,453	5.0%	\$38	\$10,277	5.7%	\$29
Goldman Sachs	54,478	20.1%	51	32,662	18.2%	34
Lotsoff Capital	54,329	20.0%	48	34,060	18.9%	30
LSV	12,143	4.5%	25	9,345	5.2%	16
Subtotal	\$134,403	49.6%	\$162	\$86,344	48.0%	\$109
<u>Domestic Bonds</u>						
Dodge and Cox	\$31,444	11.6%	\$35	\$21,782	12.1%	\$24
Reams	30,538	11.3%	19	22,232	12.3%	17
Post Advisory	14,080	5.2%	21	9,299	5.2%	14
Subtotal	\$76,062	28.1%	\$75	\$53,313	29.6%	\$55
<u>International Stocks</u>						
GMO Foreign Fund	\$44,572	16.4%	\$91	\$29,189	16.2%	\$60
<u>Real Estate</u>						
Principal Group	\$14,095	5.2%	\$41	\$9,805	5.5%	\$29
<u>Private Equity</u>						
Lehman Brothers	\$1,893	0.7%	\$14	\$1,183	0.7%	\$9
CF Int'l Partners VI*	64	0.1%	*	42	0.1%	*
CF Private Equity VII*	39	0.1%	*	26	0.1%	*
CF Venture Capital VIII*	10	0.1%	*	6	0.1%	*
Subtotal	\$2,006	1.0%	\$14	\$1,257	1.0%	\$9
Total Fund	\$271,138	100.0%	\$383	\$179,908	100.0%	\$262

*This is the first quarter 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 September 30, 2007**

	Assets (thousands)	Net Returns	
		Quarter	One Year
SUI	\$271,138	0.9%	13.0%
ISU	179,908	0.8%	12.6%
Asset Allocation Benchmark*		2.1%	14.5%
SUI Quasi-Endowment	92,743	2.7%	5.5%
Fixed Income Benchmark **		2.9%	5.1%
Total	\$543,789		

* 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 September 30, 2007**

	Value (thousands)	Value (percent)	Fees (thousands)	Net Returns	
				Quarter	Year
Dodge and Cox	\$45,907	49.5%	\$52	2.1%	5.1%
Reams	46,836	50.5%	29	3.3%	5.8%
Total Fund	\$92,743	100.0%	\$81		
Fixed Income Benchmark **				2.9%	5.1%

**100% Lehman Aggregate.

Endowment / Quasi-Endowment Portfolios
Market Value - Accrual Basis
(in thousands)
As of September 30, 2007

Portfolio Manager	Endowment Market Value	Quasi-Endowment Market Value	Total Market Value	Percent of Total
Reams Asset Management				
SUI	\$30,538	\$46,836	\$77,374	
ISU	<u>22,232</u>	-	<u>22,232</u>	
Total	\$52,770	\$46,836	\$99,606	18.3%
Dodge and Cox				
SUI	\$31,444	\$45,907	\$77,351	
ISU	<u>21,782</u>	-	<u>21,782</u>	
Total	\$53,226	\$45,907	\$99,133	18.2%
Lotsoff Capital				
SUI	\$54,329	-	\$54,329	
ISU	<u>34,060</u>	-	<u>34,060</u>	
Total	\$88,389	-	\$88,389	16.2%
Goldman Sachs				
SUI	\$54,478	-	\$54,478	
ISU	<u>32,662</u>	-	<u>32,662</u>	
Total	\$87,140	-	\$87,140	16.0%
GMO Foreign Fund				
SUI	\$44,572	-	\$44,572	
ISU	<u>29,189</u>	-	<u>29,189</u>	
Total	\$73,761	-	\$73,761	13.5%
Principal Group				
SUI	\$14,095	-	\$14,095	
ISU	<u>9,805</u>	-	<u>9,805</u>	
Total	\$23,900	-	\$23,900	4.4%
Artisan				
SUI	\$13,453	-	\$13,453	
ISU	<u>10,277</u>	-	<u>10,277</u>	
Total	\$23,730	-	\$23,730	4.3%
Post Advisory				
SUI	\$14,080	-	\$14,080	
ISU	<u>9,299</u>	-	<u>9,299</u>	
Total	\$23,379	-	\$23,379	4.3%
LSV Asset Management				
SUI	\$12,143	-	\$12,143	
ISU	<u>9,345</u>	-	<u>9,345</u>	
Total	\$21,488	-	\$21,488	3.9%
Lehman Brothers				
SUI	\$1,893	-	\$1,893	
ISU	<u>1,183</u>	-	<u>1,183</u>	
Total	\$3,076	-	\$3,076	0.6%
Commonfund International Partners VI				
SUI	\$64	-	\$64	
ISU	<u>42</u>	-	<u>42</u>	
Total	\$106	-	\$106	0.1%
Commonfund Private Equity VII				
SUI	\$39	-	\$39	
ISU	<u>26</u>	-	<u>26</u>	
Total	\$65	-	\$65	0.1%
Commonfund Venture Capital VIII				
SUI	\$10	-	\$10	
ISU	<u>6</u>	-	<u>6</u>	
Total	\$16	-	\$16	0.1%
TOTAL				
SUI	\$271,138	\$92,743	\$363,881	
ISU	<u>179,908</u>	-	<u>179,908</u>	
Total	\$451,046	\$92,743	\$543,789	100.0%