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**INVESTMENT AND CASH MANAGEMENT REPORT**  
**FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

**Recommended Action:** Receive the report.

**Executive Summary:** The Regent institutions maintain the following investment portfolios:

UNIVERSITY OF IOWA	Market Value		Return		Current Yield
	Dollars (000's)	%	Quarter	Rolling 1 Year	
Cash and Daily Liquidity	\$154,122	12.5%	0.06%	0.23%	0.21%
91-Day T-Bill			0.04%	0.09%	
Internally Managed Short-Term Securities and Bank CDs	\$25,167	2.0%	0.32%	1.06%	0.78%
Merrill Lynch 1-3 Treasury/Agency			0.26%	0.63%	
Externally Managed Short-Term Bond Fund (funded 8/12)	\$25,047	2.0%	0.19%	n/a	
Merrill Lynch 1-3 Government/Corporate			0.58%	1.52%	
Externally Managed Diversified Operating Pool	\$1,028,209	83.4%	1.52%	7.43%	
Merrill Lynch 1-3 Government/Corporate			0.58%	1.52%	
<b>Total Operating</b>	<b>\$1,232,547</b>	<b>100.0%</b>	<b>1.39%</b>	<b>6.55%</b>	
Restricted Bond Accounts	\$170,515		0.10%	0.30%	0.62%
91-Day T-Bill			0.04%	0.09%	
Merrill Lynch 1-3 Treasury/Agency			0.26%	0.63%	
Long-Term Endowment	\$302,615		4.25%	15.80%	
Blended Policy Index			4.72%	16.77%	
Intermediate Term Pool	\$190,334		2.53%	11.75%	
Barclays Aggregate			1.59%	5.16%	

▶ SUI has additional bond trustee balances of \$74.3 million with Wells Fargo Corporate Trust.

▶ SUI has an additional investment account at Chicago Equity Partners with a balance of \$24.6 million for the Iowa Medical Mutual Insurance Company.

IOWA STATE UNIVERSITY	Market Value		Return		Current Yield
	Dollars (000's)	%	Quarter	Rolling 1 Year	
Cash and Daily Liquidity	\$110,176	23.0%	0.04%	0.11%	0.17%
91-Day T-Bill			0.04%	0.09%	
Internally Managed Short-Term Securities and Bank CDs	\$142,242	29.8%	0.28%	1.03%	0.86%
Merrill Lynch 1-3 Treasury/Agency			0.26%	0.63%	
Externally Managed Diversified Operating Pool	\$225,682	47.2%	1.57%	7.50%	
Merrill Lynch 1-3 Government/Corporate			0.58%	1.52%	
<b>Total Operating</b>	<b>\$478,100</b>	<b>100.0%</b>	<b>0.83%</b>	<b>3.41%</b>	
Restricted Bond Accounts	\$91,876		0.08%	0.21%	0.64%
91-Day T-Bill			0.04%	0.09%	
Merrill Lynch 1-3 Treasury/Agency			0.26%	0.63%	
Long-Term Endowment	\$141,137		4.20%	16.24%	
Blended Policy Index			4.72%	16.77%	

▶ ISU has additional bond trustee balances of \$5.7 million with Wells Fargo Corporate Trust.

UNIVERSITY OF NORTHERN IOWA	Market Value		Return		Current Yield
	Dollars (000's)	%	Quarter	Rolling 1 Year	
Cash and Daily Liquidity	\$28,363	32.3%	0.02%	0.06%	0.06%
91-Day T-Bill			0.04%	0.09%	
Internally Managed Short-Term Securities and Bank CDs	\$18,848	21.4%	0.12%	0.57%	1.16%
Merrill Lynch 1-3 Treasury/Agency			0.26%	0.63%	
Externally Managed Diversified Operating Pool	\$40,715	46.3%	1.52%	7.43%	
Merrill Lynch 1-3 Government/Corporate			0.58%	1.52%	
<b>Total Operating</b>	<b>\$87,926</b>	<b>100.0%</b>	<b>0.74%</b>	<b>3.58%</b>	
Restricted Bond Accounts	\$35,117		0.32%	0.79%	1.14%
91-Day T-Bill			0.04%	0.09%	
Merrill Lynch 1-3 Treasury/Agency			0.26%	0.63%	
Long-Term Endowment	\$7,748		4.25%	15.80%	
Blended Policy Index			4.72%	16.77%	

▶ UNI invests in SUI's Externally Managed Diversified Operating Pool and Long-Term Endowment.

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IOWA SCHOOL FOR THE DEAF	Market Value		Return		Current Yield
	Dollars (000's)	%	Quarter	Rolling 1 Year	
Cash and Daily Liquidity	\$2,221	100.0%	0.01%	0.05%	0.05%
IOWA BRAILLE AND SIGHT SAVING SCHOOL	Market Value		Return		Current Yield
	Dollars (000's)	%	Quarter	Rolling 1 Year	
Cash and Daily Liquidity	\$533	100.0%	0.22%	0.21%	0.20%
▶ ISD and IBSSS invest in ISU's Long-Term Endowment.					

**Background:**

Board of Regents investment policy: <http://www.regents.iowa.gov/Policies/Chapter%207/chapter7.04.htm>

The Board of Regents employs an investment advisor for periodic review and evaluation of investment policy, strategy, and performance. Wilshire Consulting 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 portfolio summary reports on fund and investment manager performance.

The Regent institutions maintain the following investment portfolios:

**OPERATING PORTFOLIOS**

The primary goals for investment prudence of the operating portfolios 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.

**RESTRICTED BOND ACCOUNTS**

Bonds accounts include proceeds from bond issues. Accounts include project construction funds, sinking funds, and reserves. Each individual bond has specific investment restrictions which may vary by type of account with reserve accounts being the most restrictive as to types of authorized investment.

**INTERMEDIATE TERM PORTFOLIOS**

Intermediate term pools provide added flexibility for long-duration asset investment including quasi endowments, which are longer-term in nature but have no externally-imposed restriction that the principal remain intact.

**ENDOWMENT PORTFOLIOS**

The Board's investment policy defines endowment funds as primarily donor gifts and other funds received for specific purposes. The purpose of endowment funds is to provide:

- ▶ Intergenerational equity of income in perpetuity; and
- ▶ A stable income sufficient to meet the reasonable spending needs of the component endowments by keeping pace with inflation and not degrading the real value of the corpus over time.

Below are the Board authorized fund managers:

<u>MANAGER</u>	<u>TYPE</u>	<u>AUTHORIZED</u>
Adams Street Partners 2010 Global Offering	Private Equity Fund Manager	March 2010
Adams Street Partners 2012 Global Offering	Private Equity Fund Manager	September 2011
<u>Adams Street Partners</u> <u>2013 Global Offering</u>	<u>Private Equity Fund Manager</u>	<u>September 2012</u>
Chicago Equity Partners	Fixed Income Fund Manager	December 2010
Commonfund Capital, Inc. Natural Resource Partners IX	Private Real Assets Fund Manager	April 2012
Commonfund Capital International Partners VI, L.P. (CF Int'l Partners VI)	International Private Equity Manager	March 2007
Commonfund Capital Private Equity Partners VII, L.P. (CF Private Equity VII)	Domestic Private Equity Manager	March 2007
Commonfund Capital Venture Partners VIII, L.P. (CF Venture Capital VIII)	Primarily Domestic Venture Capital Manager	March 2007
Commonfund Capital Natural Resources Partners VIII, L.P. (CF NR Partners VIII)	Private Real Assets Fund Manager	September 2008
Delaware Investments	Small Cap Core Domestic Fund Manager	December 2008
Dimensional Fund Advisors (DFA)	Short-Term Fixed Income Manager	February 2012
Dodge & Cox (Income Fund)	Fixed Income Fund Manager	February 2004
Grantham, Mayo, Van Otterloo & Co. (GMO Foreign Fund)	International Equity Fund Manager	February 2004
Neuberger Berman	High Yield Bond Fund Manager	August 2011
NB Alternative Advisors (NB Crossroads XVIII)	Private Equity Fund Manager	November 2005
<u>NB Alternative Advisors</u> <u>(NB Crossroads XX)</u>	<u>Private Equity Fund Manager</u>	<u>September 2012</u>
Landmark Partners (Landmark Equity Partners XIV, L.P.)	Private Equity Fund Manager	March 2010
<u>Landmark Partners</u> <u>(Landmark Equity Partners XV, L.P.)</u>	<u>Private Equity Fund Manager</u>	<u>September 2012</u>
Metropolitan Real Estate Partners Global III Fund (MREP Global III)	Private Real Estate Fund Manager	September 2009
Metropolitan Real Estate Partners Global VI Fund (MREP Global VI)	Private Real Estate Fund Manager	April 2012
PIMCO	Short-Term Fixed Income Manager	February 2012
Principal Financial Group (Enhanced Property Fund)	Private Real Estate Fund Manager	November 2005

*Continued on the following page.*

<u>MANAGER</u>	<u>TYPE</u>	<u>AUTHORIZED</u>
Reams Asset Management	Fixed Income Fund Manager Institutional Endowments SUI Intermediate Term Endowment	January 2002 July 2001
State Street Global Advisors (SSGA ACWI ex-U.S. Index)	Short-Term Fixed Income Manager Diversified Investment Options (Intermediate Portfolio) International Equity Index Fund Manager	February 2012 February 2011 April 2009
Vanguard Group (Institutional Index Fund)	Short-Term Fixed Income Manager Diversified Investment Options (Operating Portfolio) Large Cap S&P 500 Index Fund	February 2012 September 2008 February 2008

**Intermediate Term Portfolios  
Asset Class Allocation Policy**  
*Approved at the February 2011 meeting*

<u>Asset Class</u>	<u>Target</u>	<u>Allowable Range</u>
<u>Public Equity</u>	<u>20%</u>	14-26%
U.S. Equity	10%	7-13%
Non U.S. Equity	10%	7-13%
<u>Fixed Income</u>	<u>55%</u>	50-60%
Core Fixed Income	40%	35-45%
High Yield Fixed Income	5%	3-7%
TIPS	10%	7-13%
<u>Cash</u>	<u>15%</u>	12-18%
<u>REITs</u>	<u>10%</u>	7-13%

**Endowment Portfolios  
Asset Class Allocation Policy**  
*Approved at the September 2008 meeting; revised at the December 2008 meeting*

<u>Asset Class</u>	<u>Target</u>	<u>Allowable Range</u>
<u>Public Equity</u>	<u>50%</u>	45-55%
U.S. Equity	25%	20-30%
Non U.S. Equity	25%	20-30%
<u>Fixed Income</u>	<u>30%</u>	25-35%
Core Fixed Income	25%	20-30%
High Yield Fixed Income	5%	0-10%
<u>Real Assets</u>	<u>10%</u>	5-15%
Public	0%	N/A
Private	10%	5-15%
<u>Private Equity</u>	<u>10%</u>	0-15%