

**INVESTMENT AND CASH MANAGEMENT REPORT  
FOR THE QUARTER ENDED SEPTEMBER 30, 2016**

**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	\$127,772	11.1%	0.08%	0.30%	0.31%
91-Day T-Bill			0.09%	0.29%	
Internally Managed Short-Term Securities and Bank CDs	\$19,983	1.7%	-0.13%	-0.35%	0.92%
Merrill Lynch 1-3 Treasury/Agency			-0.10%	0.89%	
Externally Managed Short-Term Bond Fund (funded 8/12)	\$15,839	1.4%	0.40%	2.50%	
Merrill Lynch 1-3 Government/Corporate			0.03%	1.32%	
Externally Managed Diversified Operating Pool	\$984,516	85.8%	1.40%	5.60%	
Merrill Lynch 1-3 Government/Corporate			0.03%	1.32%	
<b>Total Operating</b>	<b>\$1,148,110</b>	<b>100.0%</b>	<b>1.22%</b>	<b>4.89%</b>	
Restricted Bond Accounts	\$135,877		0.11%	0.53%	0.64%
91-Day T-Bill			0.09%	0.29%	
Merrill Lynch 1-3 Treasury/Agency			-0.10%	0.89%	
Long-Term Endowment	\$369,664		3.60%	9.80%	
Blended Policy Index			3.90%	9.90%	
Intermediate Term Pool	\$392,193		2.20%	8.00%	
Barclays Aggregate			1.80%	7.70%	
<ul style="list-style-type: none"> <li>▶ SUI has additional bond trustee balances of \$159.0 million with Wells Fargo Corporate Trust.</li> <li>▶ SUI has an additional investment account at Chicago Equity Partners with a balance of \$23.0 million for the Iowa Medical Mutual Insurance Company.</li> </ul>					
IOWA STATE UNIVERSITY	Market Value		Return		Current Yield
	Dollars (000's)	%	Quarter	Rolling 1 Year	
Cash and Daily Liquidity	\$173,010	27.0%	0.07%	0.32%	0.32%
91-Day T-Bill			0.09%	0.29%	
Internally Managed Short-Term Securities and Bank CDs	\$176,190	27.5%	0.11%	0.44%	1.19%
Merrill Lynch 1-3 Treasury/Agency			-0.10%	0.89%	
Externally Managed Diversified Operating Pool	\$291,448	45.5%	1.20%	5.60%	
Merrill Lynch 1-3 Government/Corporate			0.03%	1.32%	
<b>Total Operating</b>	<b>\$640,648</b>	<b>100.0%</b>	<b>0.60%</b>	<b>3.11%</b>	
Restricted Bond Accounts	\$116,889		0.11%	0.03%	0.85%
91-Day T-Bill			0.09%	0.29%	
Merrill Lynch 1-3 Treasury/Agency			-0.10%	0.89%	
Long-Term Endowment	\$163,885		3.60%	10.00%	
Blended Policy Index			3.90%	9.90%	
<ul style="list-style-type: none"> <li>▶ ISU has additional bond trustee balances of \$35.2 million with Wells Fargo Corporate Trust.</li> </ul>					
UNIVERSITY OF NORTHERN IOWA	Market Value		Return		Current Yield
	Dollars (000's)	%	Quarter	Rolling 1 Year	
Cash and Daily Liquidity	\$40,991	47.4%	0.11%	0.40%	0.34%
91-Day T-Bill			0.09%	0.09%	
Internally Managed Short-Term Securities and Bank CDs	\$5,770	6.7%	0.19%	0.87%	1.26%
Merrill Lynch 1-3 Treasury/Agency			-0.10%	0.89%	
Externally Managed Diversified Operating Pool	\$39,711	45.9%	1.40%	5.60%	
Merrill Lynch 1-3 Government/Corporate			0.03%	1.32%	
<b>Total Operating</b>	<b>\$86,472</b>	<b>100.0%</b>	<b>0.75%</b>	<b>2.24%</b>	
Restricted Bond Accounts	\$43,136		0.06%	0.97%	0.83%
91-Day T-Bill			0.09%	0.29%	
Merrill Lynch 1-3 Treasury/Agency			-0.10%	0.89%	
Long-Term Endowment	\$9,136		3.60%	9.80%	
Blended Policy Index			3.90%	9.90%	
Intermediate Term Pool	\$10,499		2.20%	8.00%	
Barclays Aggregate			1.80%	7.70%	
<ul style="list-style-type: none"> <li>▶ UNI invests in SUI's Externally Managed Diversified Operating and Intermediate Pools and Long-Term Endowment.</li> </ul>					

IOWA SCHOOL FOR THE DEAF	Market Value		Return		Current Yield
	Dollars (000's)	%	Quarter	Rolling 1 Year	
Cash and Daily Liquidity	\$2,436	100.0%	0.05%	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	\$1,159	100.0%	0.20%	0.19%	0.20%
▶ ISD and IBSSS invest in ISU's Long-Term Endowment.					

**Background:** Board of Regents investment policy

<http://www.iowaregents.edu/plans-and-policies/board-policy-manual/22-business-procedures/#Investment Policy>

The Board of Regents employs an investment advisor for periodic review and evaluation of investment policy, strategy, and performance. Marquette Associates, Inc. was approved by the Board at its October 2015 meeting to be the investment advisor to the Board and Regent institutions. The investment advisor 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**

Bond 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
Adams Street Partners 2013 Global Offering	Private Equity Fund Manager	September 2012
AllianceBernstein Global-Plus Fixed Income	Fixed Income Fund Manager	September 2014
Arrowstreet Capital All World ex-U.S.	Non-U.S. Equity Investment Manager	June 2013
Brandywine Global Opportunistic	Fixed Income Fund Manager	September 2014
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) (DFA 1-year Fixed Income Fund)	Short-Term Fixed Income Manager Short-Term Fixed Income Manager	February 2012 December 2013
Dodge & Cox (Income Fund) Dodge & Cox (Global Bond Fund)	Fixed Income Fund Manager Global Bond Fund Manager	February 2004 September 2014
EARNEST Partners International Equity	Non-U.S. Equity Investment Manager	June 2013
Federated Investors (Federated Ultra-Short Bond Fund)	Short-Term Fixed Income Manager	December 2013
FLAG Capital Management (FLAG Energy & Resources Partners III, L.P.)	Private Real Assets Fund Manager	December 2013

*Continued on the following page.*

<u>MANAGER</u>	<u>TYPE</u>	<u>AUTHORIZED</u>
Guggenheim Partners Asset Management	Bank Loan Fund Manager	August 2013
ING Investment Management	Bank Loan Fund Manager	August 2013
Neuberger Berman	High Yield Bond Fund Manager	August 2011
	High Yield Bond Fund Manager	August 2014
NB Alternative Advisors (NB Crossroads XVIII)	Private Equity Fund Manager	November 2005
NB Alternative Advisors (NB Crossroads XX)	Private Equity Fund Manager	September 2012
NB Alternative Advisors	Private Equity/Private Real Assets Fund Manager	March 2015
Landmark Partners (Landmark Equity Partners XIV, L.P.)	Private Equity Fund Manager	March 2010
Landmark Partners (Landmark Equity Partners XV, L.P.) (Landmark Real Estate Fund VII)	Private Equity Fund Manager	September 2012
	Private Real Estate Fund Manager	December 2013
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 PIMCO Short-Term Bond Fund	Short-Term Fixed Income Manager	February 2012
	Short-Term Fixed Income Manager	December 2013
Principal Financial Group (Enhanced Property Fund)	Private Real Estate Fund Manager	November 2005
Reams Asset Management	Fixed Income Fund Manager	January 2002
	Institutional Endowments SUI Intermediate Term Endowment	July 2001
State Street Global Advisors (SSGA ACWI ex-U.S. Index)	Short-Term Fixed Income Manager	February 2012
	Diversified Investment Options (Intermediate Portfolio)	February 2011
	International Equity Index Fund Manager	April 2009
Vanguard Group (Institutional Index Fund) (Global ex-U.S. Real Estate Index Fund)	Short-Term Fixed Income Manager	February 2012
	Diversified Investment Options (Operating Portfolio)	September 2008
	Large Cap S&P 500 Index Fund	February 2008
	Public Real Estate Fund Manager	December 2013
Western Asset Management	Bank Loan Fund Manager	August 2013

# Asset Class Allocation Policy

Approved at the August 2014 Meeting

Asset Class	Diversified Operating Portfolio		Diversified Intermediate Term Portfolio		Endowment Portfolio	
	Policy %	Range	Policy %	Range	Policy %	Range
U.S. Equity	5.0	2.5 - 7.5	10.0	7.5 - 12.5	25.0	20.0 - 30.0
Non-U.S. Equity	5.0	2.5 - 7.5	10.0	7.5 - 12.5	25.0	20.0 - 30.0
Private Equity	0.0	na	0.0	na	10.0	5.0 - 15.0
<b>Total Equity</b>	<b>10.0</b>	<b>5.0 - 15.0</b>	<b>20.0</b>	<b>15.0 - 25.0</b>	<b>60.0</b>	<b>55.0 - 65.0</b>
Core Fixed Inc	20.0	15.0 - 25.0	28.0	23.0 - 33.0	0.0	0.0 - 20.0
High Yield	5.0	0.0 - 10.0	5.0	0.0 - 10.0	5.0	0.0 - 10.0
Short-Term Fixed Inc	0.0	na	0.0	na	10.0	0.0 - 20.0
Bank Loans	5.0	0.0 - 10.0	5.0	0.0 - 10.0	5.0	0.0 - 10.0
Other Fixed Inc	0.0	0.0 - 10.0	0.0	0.0 - 10.0	0.0	0.0 - 10.0
Global Fixed Income	5.0	0.0 - 10.0	7.0	0.0 - 10.0	5.0	0.0 - 10.0
Private Credit Opportunities	0.0	0.0 - 10.0	0.0	0.0 - 10.0	0.0	0.0 - 10.0
<b>Total Fixed Income</b>	<b>35.0</b>	<b>30.0 - 40.0</b>	<b>45.0</b>	<b>40.0 - 50.0</b>	<b>25.0</b>	<b>20.0 - 30.0</b>
<b>Liquidity (incl cash)</b>	<b>40.0</b>	<b>35.0 - 45.0</b>	<b>15.0</b>	<b>10.0 - 20.0</b>	<b>0.0</b>	<b>na</b>
Real Assets - Public	15.0	10.0 - 20.0	20.0	15.0 - 25.0	0.0	0.0 - 10.0
Global REITs (U.S. and non-U.S.)	7.5	5.0 - 10.0	10.0	7.5 - 12.5	0.0	0.0 - 10.0
TIPS	7.5	5.0 - 10.0	10.0	7.5 - 12.5	0.0	0.0 - 10.0
MLPs	0.0	0.0 - 10.0	0.0	0.0 - 10.0	0.0	0.0 - 10.0
Real Assets - Private	0.0	na	0.0	na	15.0	5.0 - 20.0
Real Estate	0.0	na	0.0	na	<i>not specified</i>	0.0 - 10.0
Natural Resources	0.0	na	0.0	na	<i>not specified</i>	0.0 - 10.0
<b>Total Real Assets</b>	<b>15.0</b>	<b>10.0 - 20.0</b>	<b>20.0</b>	<b>15.0 - 25.0</b>	<b>15.0</b>	<b>5.0 - 20.0</b>
<b>TOTAL PORTFOLIO</b>	<b>100.0</b>	<b>na</b>	<b>100.0</b>	<b>na</b>	<b>100.0</b>	<b>na</b>
Expected Return (%)	3.80		4.88		7.23	
Expected Risk (%)	3.58		5.56		12.00	
Return/Risk	1.06		0.88		0.60	

\*Expected Return / Risk data based upon Wilshire's 2014 Asset Class Assumptions.