



**Board of Regents, State of Iowa**

# Wilshire Consulting

***Board of Regents, State of Iowa  
Executive Summary of Investment Performance  
Quarter Ending September 30, 2007***



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# Operating Account Review (External Managers)



	Inception Date	Mkt. Value \$'000	Comp %	Qtr %	YTD %	1 Yr %	3 Yrs %	5 Yrs %	Inception %	Investment Fee \$'000
<b>University of Iowa External Mgr. Composite</b>	<b>(12/31/96)</b>	<b>367,871</b>	<b>100%</b>	<b>1.5</b>	<b>3.6</b>	<b>4.7</b>	<b>3.5</b>	<b>3.0</b>	<b>5.0</b>	<b>158</b>
<i>Merrill Lynch 1-3 Yr. G/C</i>				2.4	4.6	5.7	3.6	3.1	5.1	
<i>Merrill Lynch 1-5 Yr. Govt/Corp</i>				2.6	4.7	5.7	3.5	3.3	5.4	
<b>BlackRock Short Duration</b>	<b>(12/31/96)</b>	<b>157,818</b>	<b>42.9%</b>	<b>2.0</b>	<b>4.1</b>	<b>5.3</b>	<b>3.6</b>	<b>3.0</b>	<b>5.0</b>	<b>83</b>
<i>Merrill Lynch 1-3 Yr. G/C</i>				2.4	4.6	5.7	3.6	3.1	5.1	
<i>Merrill Lynch 1-5 Yr. Govt/Corp</i>				2.6	4.7	5.7	3.5	3.3	5.4	
<b>Wellington Short Bond</b>	<b>(3/31/03)</b>	<b>158,313</b>	<b>43.0%</b>	<b>1.2</b>	<b>3.4</b>	<b>4.5</b>	<b>3.5</b>	<b>--</b>	<b>3.0</b>	<b>64</b>
<i>Merrill Lynch 1-3 Yr. G/C</i>				2.4	4.6	5.7	3.6	--	3.0	
<i>Merrill Lynch 1-5 Yr. Govt/Corp</i>				2.6	4.7	5.7	3.5	--	3.2	
<b>CF Intermediate Term Fund</b>	<b>(12/31/06)</b>	<b>51,740</b>	<b>14.1%</b>	<b>0.8</b>	<b>2.9</b>				<b>2.9</b>	<b>11</b>
<i>Merrill Lynch 1-3 Yr. Treasury</i>				2.7	4.8				4.8	

	Inception Date	Mkt. Value \$'000	Comp %	Qtr %	YTD %	1 Yr %	3 Yrs %	5 Yrs %	Inception %	Investment Fee \$'000
<b>Iowa State University External Mgr. Composite</b>	<b>(6/30/05)</b>	<b>80,279</b>	<b>100%</b>	<b>0.8</b>	<b>2.9</b>	<b>4.4</b>	<b>--</b>	<b>--</b>	<b>3.9</b>	<b>14</b>
<i>Operating Benchmark</i>				2.7	4.8	5.8	--	--	4.3	
<b>CF Intermediate Term Fund</b>	<b>(9/30/05)</b>	<b>80,279</b>	<b>100.0%</b>	<b>0.8</b>	<b>2.9</b>	<b>4.4</b>	<b>--</b>	<b>--</b>	<b>4.4</b>	<b>14</b>
<i>Merrill Lynch 1-3 Yr. Treasury</i>				2.7	4.8	5.8	--	--	4.8	

	Inception Date	Mkt. Value \$'000	Comp %	Qtr %	YTD %	1 Yr %	3 Yrs %	5 Yrs %	Inception %	Investment Fee \$'000
<b>University of Northern Iowa External Mgr. Composite</b>	<b>(12/31/04)</b>	<b>21,012</b>	<b>100%</b>	<b>0.8</b>	<b>2.9</b>	<b>4.3</b>	<b>--</b>	<b>--</b>	<b>3.6</b>	<b>7</b>
<i>Operating Benchmark</i>				2.7	4.8	5.8	--	--	3.8	
<b>CF Intermediate Term Fund</b>	<b>(12/31/05)</b>	<b>21,012</b>	<b>100.0%</b>	<b>0.8</b>	<b>2.9</b>	<b>4.3</b>	<b>--</b>	<b>--</b>	<b>4.4</b>	<b>7</b>
<i>Merrill Lynch 1-3 Yr. Treasury</i>				2.7	4.8	5.8	--	--	5.0	

(Periods Ending September 30, 2007)

Note: At the direction of the Board of Regents, slight adjustments have been made to composite market values to account for rounding.

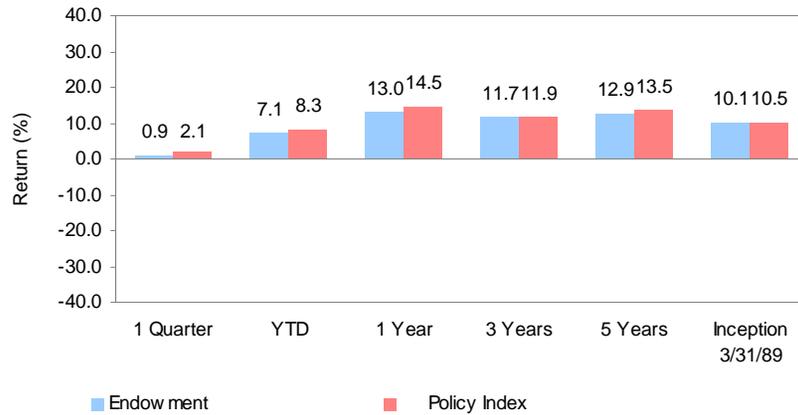
\*Please see page 10 for policy specifications.

# Total Endowment Fund Results

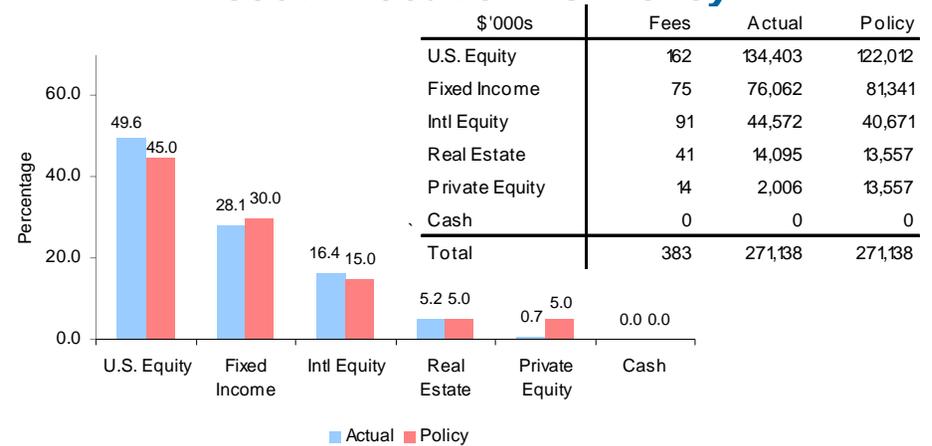
University of Iowa



## Investment Performance



## Asset Allocation vs. Policy

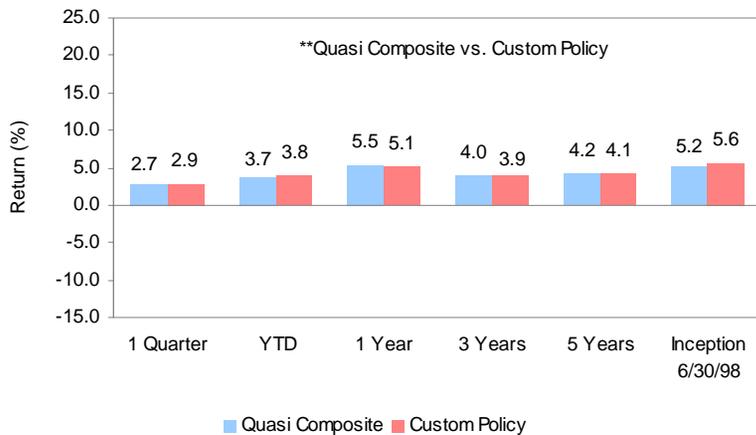


	\$'000s	Fees	Actual	Policy
U.S. Equity		162	134,403	122,012
Fixed Income		75	76,062	81,341
Intl Equity		91	44,572	40,671
Real Estate		41	14,095	13,557
Private Equity		14	2,006	13,557
Cash		0	0	0
<b>Total</b>		<b>383</b>	<b>271,138</b>	<b>271,138</b>

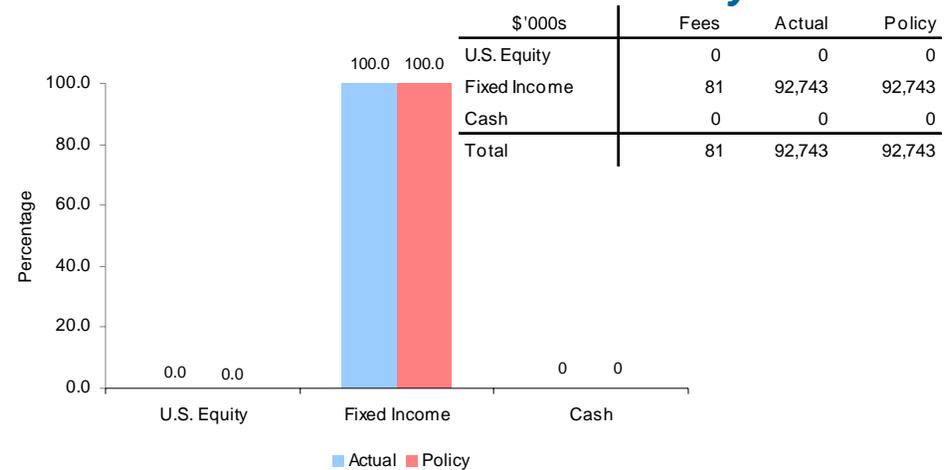
# Total Quasi-Endowment Fund Results

University of Iowa

## Investment Performance



## Asset Allocation vs. Policy



(Periods Ending September 30, 2007)

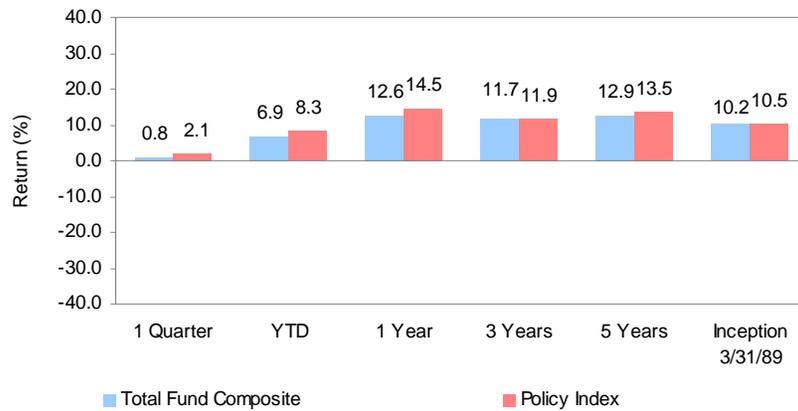
Note: At the direction of the Board of Regents, slight adjustments have been made to composite market values to account for rounding.

# Total Endowment Fund Results

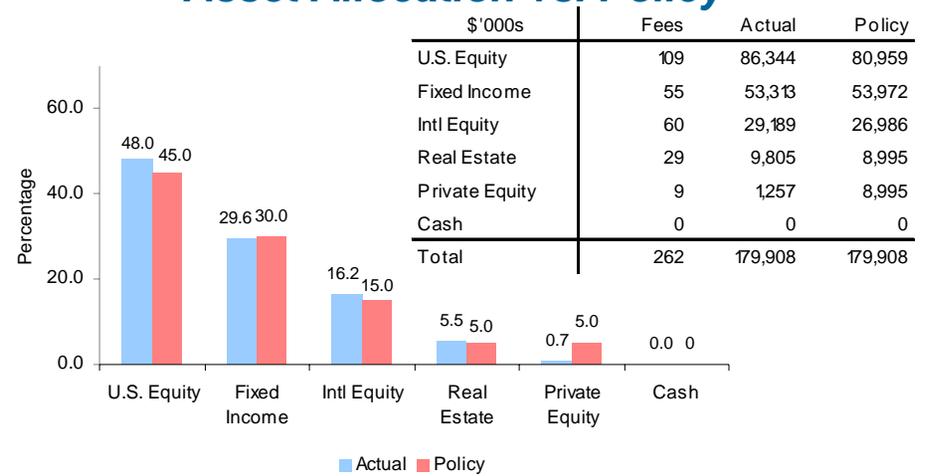
Iowa State University



## Investment Performance



## Asset Allocation vs. Policy



\$'000s	Fees	Actual	Policy
U.S. Equity	109	86,344	80,959
Fixed Income	55	53,313	53,972
Intl Equity	60	29,189	26,986
Real Estate	29	9,805	8,995
Private Equity	9	1,257	8,995
Cash	0	0	0
<b>Total</b>	<b>262</b>	<b>179,908</b>	<b>179,908</b>

(Periods Ending September 30, 2007)

Note: At the direction of the Board of Regents, slight adjustments have been made to composite market values to account for rounding.

# Total Endowment Fund Results

	Inception Date	Mkt. Value \$'000	Comp %	QTR %	YTD %	1 Year %	3 Years %	5 Years %	Inception %	Qtr. Inv. Fee \$'000
<b>University of Iowa Total Endowment</b>	<b>(3/31/89)</b>	<b>271,138</b>	<b>100.0%</b>	<b>0.9</b>	<b>7.1</b>	<b>13.0</b>	<b>11.7</b>	<b>12.9</b>	<b>10.1</b>	<b>383</b>
<b>Iowa State University Total Endowment</b>	<b>(3/31/89)</b>	<b>179,908</b>	<b>100.0%</b>	<b>0.8</b>	<b>6.9</b>	<b>12.6</b>	<b>11.7</b>	<b>12.9</b>	<b>10.2</b>	<b>262</b>
<i>Policy Index</i>				<i>2.1</i>	<i>8.3</i>	<i>14.5</i>	<i>11.9</i>	<i>13.5</i>	<i>10.5</i>	
<b>University of Iowa Domestic Equity Composite</b>	<b>(3/31/89)</b>	<b>134,403</b>	<b>49.6%</b>	<b>-0.4</b>	<b>6.9</b>	<b>13.7</b>	<b>13.1</b>	<b>15.1</b>	<b>11.5</b>	<b>162</b>
<b>Iowa State University Domestic Equity Composite</b>	<b>(3/31/89)</b>	<b>86,344</b>	<b>48.0%</b>	<b>-0.8</b>	<b>6.6</b>	<b>12.9</b>	<b>12.8</b>	<b>14.9</b>	<b>11.3</b>	<b>109</b>
<i>Dow Jones Wilshire 5000</i>				<i>1.5</i>	<i>9.1</i>	<i>17.0</i>	<i>14.0</i>	<i>16.5</i>	<i>11.6</i>	
University of Iowa: Goldman Sachs Large Cap	(3/31/05)	54,478	20.1%	-0.2	5.2	11.6	--	--	12.4	51
Iowa State University: Goldman Sachs Large Cap	(3/31/05)	32,662	18.2%	-0.5	5.0	10.3	--	--	11.6	34
<i>S&amp;P 500</i>				<i>2.1</i>	<i>9.2</i>	<i>16.5</i>			<i>12.9</i>	
University of Iowa: Lotsoff Large Cap Equity	(3/31/05)	54,329	20.0%	1.2	9.5	16.3	--	--	13.0	48
Iowa State University: Lotsoff Large Cap Equity	(3/31/05)	34,060	18.9%	1.2	9.5	16.3	--	--	13.0	30
<i>S&amp;P 500</i>				<i>2.1</i>	<i>9.2</i>	<i>16.5</i>			<i>12.9</i>	
University of Iowa: LSV Asset Management	(6/30/02)	12,143	4.5%	-8.8	0.7	8.9	11.1	16.1	10.9	25
Iowa State University: LSV Asset Management	(6/30/02)	9,345	5.2%	-9.8	0.3	8.1	11.4	16.3	11.1	16
<i>Russell 2500 Value</i>				<i>-6.1</i>	<i>-0.3</i>	<i>8.8</i>	<i>13.6</i>	<i>19.1</i>	<i>13.6</i>	
University of Iowa: Artisan Small Cap Growth	(3/31/05)	13,453	5.0%	0.7	9.3	15.8	--	--	11.5	38
Iowa State University: Artisan Small Cap Growth	(3/31/05)	10,277	5.7%	0.7	9.3	15.8	--	--	11.5	29
<i>Russell 2000 Growth</i>				<i>0.0</i>	<i>9.4</i>	<i>18.9</i>			<i>13.9</i>	
<b>University of Iowa International Equity Composite</b>	<b>(9/30/94)</b>	<b>44,572</b>	<b>16.4%</b>	<b>1.8</b>	<b>12.5</b>	<b>24.3</b>	<b>23.2</b>	<b>25.3</b>	<b>9.1</b>	<b>91</b>
<b>Iowa State University International Equity Composite</b>	<b>(9/30/94)</b>	<b>29,189</b>	<b>16.2%</b>	<b>1.8</b>	<b>12.4</b>	<b>24.2</b>	<b>23.1</b>	<b>24.8</b>	<b>8.9</b>	<b>60</b>
<i>MSCI EAFE (N) Index</i>				<i>2.2</i>	<i>13.2</i>	<i>24.9</i>	<i>23.2</i>	<i>23.6</i>	<i>8.2</i>	
University of Iowa: GMO Foreign Fund	(3/31/04)	44,572	16.4%	1.8	12.5	24.3	23.2	--	19.9	91
Iowa State University: GMO Foreign Fund	(3/31/04)	29,189	16.2%	1.8	12.4	24.2	23.1	--	19.9	60
<i>MSCI EAFE (N) Index</i>				<i>2.2</i>	<i>13.2</i>	<i>24.9</i>	<i>23.2</i>	<i>--</i>	<i>19.6</i>	
<b>University of Iowa Fixed Income Composite</b>	<b>(3/31/89)</b>	<b>76,062</b>	<b>28.1%</b>	<b>2.3</b>	<b>3.9</b>	<b>5.9</b>	<b>4.2</b>	<b>4.2</b>	<b>7.4</b>	<b>75</b>
<b>Iowa State University Fixed Income Composite</b>	<b>(3/31/89)</b>	<b>53,313</b>	<b>29.6%</b>	<b>2.3</b>	<b>3.8</b>	<b>5.8</b>	<b>4.2</b>	<b>4.3</b>	<b>6.8</b>	<b>55</b>
<i>Custom Policy</i>				<i>2.9</i>	<i>3.8</i>	<i>5.1</i>	<i>3.9</i>	<i>4.1</i>	<i>7.5</i>	
University of Iowa: Dodge & Cox Income Fund	(3/31/04)	31,444	11.6%	2.1	3.3	5.1	3.9	--	3.5	35
Iowa State University: Dodge & Cox Income Fund	(3/31/04)	21,782	12.1%	2.1	3.2	5.0	3.9	--	3.5	24
<i>Lehman Aggregate</i>				<i>2.9</i>	<i>3.8</i>	<i>5.1</i>	<i>3.9</i>	<i>--</i>	<i>3.5</i>	
University of Iowa: Reams Asset Management	(6/30/02)	30,538	11.3%	3.2	4.1	5.4	4.0	4.2	4.2	19
Iowa State University: Reams Asset Management	(6/30/02)	22,232	12.4%	3.2	4.1	5.3	4.0	4.3	4.3	17
<i>Lehman Aggregate</i>				<i>2.9</i>	<i>3.8</i>	<i>5.1</i>	<i>3.9</i>	<i>4.1</i>	<i>4.1</i>	
University of Iowa: Post Advisory	(3/31/06)	14,080	5.2%	0.5	4.6	8.7	--	--	8.0	21
Iowa State University: Post Advisory	(3/31/06)	9,299	5.2%	0.5	4.6	8.7	--	--	8.0	14
<i>Merrill Lynch High Yield Master II</i>				<i>0.3</i>	<i>3.4</i>	<i>7.7</i>	<i>--</i>	<i>--</i>	<i>8.0</i>	

(Periods Ending September 30, 2007)

Note: At the direction of the Board of Regents, slight adjustments have been made to composite market values to account for rounding.

\*Please see page 10 for policy specifications.

# Total Endowment Fund Results

	Inception Date	Mkt. Value \$'000	Comp %	QTR %	YTD %	1 Year %	3 Years %	5 Years %	Inception %	Qtr. Inv. Fee \$'000
<b>University of Iowa Real Estate Composite</b>	(12/31/05)	14,095	5.2%	4.0	11.1	14.3	--	--	19.9	41
<b>Iowa State University Real Estate Composite</b>	(12/31/05)	9,805	5.5%	4.0	11.1	14.3	--	--	19.9	29
<i>NCREIF Property Index</i>				4.6	13.3	17.2	--	--	17.8	
University of Iowa: Principal Enhanced Property Fund	(12/31/05)	14,095	5.2%	4.0	11.1	14.3	--	--	19.9	41
Iowa State University: Principal Enhanced Property Fund	(12/31/05)	9,805	5.5%	4.0	11.1	14.3	--	--	19.9	29
<i>NCREIF Property Index</i>				4.6	13.3	17.2	--	--	17.8	
<b>University of Iowa Private Equity Composite</b>	(12/31/06)	2,006	0.7%	0.9	-2.0	1.1	--	--	1.1	14
<b>Iowa State University Private Equity Composite</b>	(12/31/06)	1,257	0.7%	0.9	-2.0	1.1	--	--	1.1	9
<i>Dow Jones Wilshire 5000</i>				1.5	9.1	17.0	--	--	17.0	
University of Iowa: Lehman Brothers Crossroads XVII	(12/31/06)	1,893	0.7%	1.4	-1.5	1.6	--	--	1.6	14
Iowa State University: Lehman Brothers Crossroads XVII	(12/31/06)	1,183	0.7%	1.4	-1.5	1.6	--	--	1.6	9
<i>Dow Jones Wilshire 5000</i>				1.5	9.1	17.0	--	--	17.0	
University of Iowa: CF Int'l Partners VI	(3/31/07)	64	0.0%	-3.3	--	--	--	--	-3.3	--
Iowa State University: CF Int'l Partners VI	(3/31/07)	42	0.0%	-3.3	--	--	--	--	-3.3	--
<i>Dow Jones Wilshire 5000</i>				1.5	--	--	--	--	1.5	
University of Iowa: CF Private Equity VII	(3/31/07)	39	0.0%	-26.5	--	--	--	--	-26.5	--
Iowa State University: CF Private Equity VII	(3/31/07)	26	0.0%	-26.5	--	--	--	--	-26.5	--
<i>Dow Jones Wilshire 5000</i>				1.5	--	--	--	--	1.5	
University of Iowa: CF Venture Capital VIII	(6/30/07)	10	0.0%	--	--	--	--	--	--	--
Iowa State University: CF Venture Capital VIII	(6/30/07)	6	0.0%	--	--	--	--	--	--	--
<i>Dow Jones Wilshire 5000</i>				--	--	--	--	--	--	--

\*Principal Enhanced Property Fund & NCREIF Property Index is lagged one quarter

# Total Quasi-Endowment Fund Results

	Inception Date	Mkt. Value \$'000	Comp %	Qtr %	YTD %	1 Yr %	3 Yrs %	5 Yrs %	Inception %	Qtr. Inv. Fee \$'000
<b>University of Iowa Quasi Composite</b>	(6/30/98)	92,743	100%	2.7	3.7	5.5	4.0	4.2	5.2	81
<i>Custom Policy</i>				2.9	3.8	5.1	3.9	4.1	5.6	
Dodge & Cox Income Quasi	(3/31/04)	45,907	49.5%	2.1	3.3	5.1	3.9	--	3.5	52
<i>Lehman Aggregate</i>				2.9	3.8	5.1	3.9	--	3.5	
Reams Asset Management Quasi	(9/30/01)	46,836	50.5%	3.3	4.2	5.8	4.2	4.4	4.6	29
<i>Lehman Aggregate</i>				2.9	3.8	5.1	3.9	4.1	4.9	

(Periods Ending September 30, 2007)

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\*Please see page 10 for policy specifications.

# Manager Overview

## Goldman Sachs Asset Management

- **Style:** Large Capitalization U.S. Core Equity
- **Construction Process:** Optimization
- **Investment Philosophy:** Enhanced Index
- **Selection Method:** Quantitative Valuation

## Lotsoff Capital Management

- **Style:** Large Capitalization U.S. Core Equity
- **Construction Process:** Optimization
- **Investment Philosophy:** Active-Bottom Up
- **Selection Method:** Quantitative Valuation

## LSV Asset Management

- **Style:** Small / Mid Capitalization U.S. Value Equity
- **Construction Process:** Optimization
- **Investment Philosophy:** Active-Bottom Up
- **Selection Method:** Quantitative Valuation

## Artisan Partners

- **Style:** Small Capitalization U.S. Growth Equity
- **Construction Process:** Optimization
- **Investment Philosophy:** Active-Bottom Up
- **Selection Method:** Fundamental Valuation

## GMO International

- **Style:** International Value Non-U.S. Equity
- **Construction Process:** Valuation Measures
- **Investment Philosophy:** Active-Bottom Up
- **Selection Method:** Fundamental Earnings Forecast

## Dodge & Cox

- **Style:** Market Core Fixed Income
- **Construction Process:** Fundamental, Favors Securities with Yield Greater than the Market
- **Investment Philosophy:** Active-Bottom Up
- **Selection Method:** Quantitative & Qualitative Valuation

## Reams Asset Management

- **Style:** Market Core Fixed Income
- **Construction Process:** Optimization
- **Investment Philosophy:** Active-Bottom Up
- **Selection Method:** Quantitative & Qualitative Valuation

## Post Asset Management

- **Style:** High Yield Fixed Income
- **Construction Process:** Fundamental Evaluation / Selection
- **Investment Philosophy:** Active-Bottom Up
- **Selection Method:** Scoring Model Based on Quantitative & Qualitative Inputs

# Manager Overview

## Principal Enhanced Property Fund

- **Style:** Value-Added Private Real Estate Fund
- **Selection Method:** Quantitative Valuation
- **Fund Size:** \$1.0 Billion

## Lehman Brothers Crossroads Fund XVII

- **Style:** Private Equity Fund of Funds
- **Asset Allocation %:** 20-30% Venture Capital, 45-65% Buyouts, 15-25% Distressed Securities, <20% Secondary & Direct Co-Investments
- **Fund Size:** \$1.0 Billion +

## Common Fund Int'l Partners VI

- **Style:** Private Equity Fund of Funds
- **Asset Allocation %:** 100% Int'l Buyout
- **Fund Size:** \$0.5 Billion - \$0.75 Billion

## Common Fund Private Equity VII

- **Style:** Private Equity Fund of Funds
- **Asset Allocation %:** 100% U.S. Buyout
- **Fund Size:** \$0.75 Billion - \$1 Billion

## Common Fund Venture Capital VIII

- **Style:** Private Equity Fund of Funds
- **Asset Allocation %:** 100% Venture Capital
- **Fund Size:** \$0.5 Billion – \$0.65 Billion

# Quarterly Manager Attribution

## Goldman Sachs Asset Management

- Poor stock selection within the Financial, Energy, and Consumer Staple sectors were the primary drivers of underperformance
- Stock selection within the Materials and Consumer Discretionary sectors added value to the portfolio during the third quarter

## Lotsoff Capital Management

- Poor stock selection within the Financial and Consumer Discretionary sectors were the primary drivers of underperformance for the quarter
- Stock selection within Information Technology and Materials added value to the portfolio during the third quarter
- An overweight to the Consumer Discretionary sector combined with an underweight to the Consumer Staples sector detracted from overall performance

## LSV Asset Management

- Stock selection within the Financial sector was the leading driver of the underperformance during the quarter
- An overweight to the Consumer Discretionary sector along with an underweight to Utilities detracted value from the portfolio
- Stock selection within both Consumer Staples and Consumer Discretionary added value to the portfolio

## Artisan Partners

- Stock selection within Consumer Discretionary and Energy were the main contributors of out performance for the quarter
- Poor stock selection within the Information Technology sector detracted from performance
- An underweight to both Health Care and Materials had a negative impact on performance during the third quarter

## GMO International

- Poor stock selection within Germany combined with an underweight to the Australian markets were the main drivers of underperformance during the third quarter
- Stock selection within Japan along with an underweight to Finland added value to the overall portfolio

## Dodge & Cox

- Dodge & Cox underperformed the Lehman Aggregate by 0.75% during the third quarter
- The average quality of the bonds within the portfolio is A, compared to the Lehman Aggregate's AA rating
- The portfolio has a duration of 4.25 years, versus the benchmark's duration of 4.62 years

## Reams Asset Management

- Reams' returned higher than that of the Lehman Aggregate in the third quarter
- The average quality of bonds within the portfolio is AA matching the Lehman Aggregate's AA rating
- The portfolio has a duration of 4.22 years, versus the Lehman Aggregate's duration of 4.62 years

## Post Asset Management

- Post Advisory High Yield outperformed its benchmark by 0.22% in the third quarter
- The average quality of bonds within the portfolio is a B rating, a slightly lower rating than the Merrill Lynch High Yield Master II's rating of BB
- The portfolio has a duration of 3.82 years lagging the benchmark's duration of 4.83 years

(Periods Ending September 30, 2007)

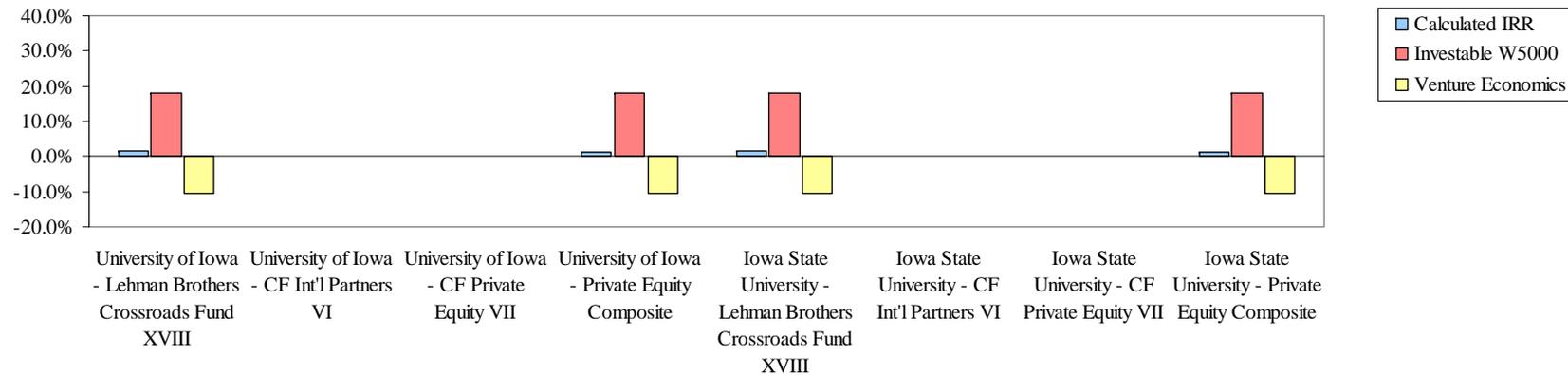
# Private Equity Composite Review

Fund	Inception	Total Commitment	Capital Called	Distributions	Investment Gain/Loss	Market Value	Performance		
							Calculated IRR	Investable W5000	Venture Economics
University of Iowa - Lehman Brothers Crossroads Fund XVIII	4q2006	6,000,000	1,920,000 32%	0	103,597	1,892,745	1.5%	18.2%	-10.5% <sup>1</sup>
University of Iowa - CF Int'l Partners VI	2q2007	1,200,000	66,000 6%	0	-2,134	63,866	--	--	--
University of Iowa - CF Private Equity VII	2q2007	2,400,000	44,400 2%	0	-5,608	38,792	--	--	--
University of Iowa - CF Venture Capital VIII	3q2007	1,000,000	10,000 1%	0	0	10,000	--	--	--
<b>University of Iowa - Private Equity Composite</b>	<b>4q2006</b>	<b>10,600,000</b>	<b>2,040,400 19%</b>	<b>0</b>	<b>95,855</b>	<b>2,005,403</b>	<b>1.1%</b>	<b>17.9%</b>	<b>-10.5%</b> <sup>2</sup>

Fund	Inception	Total Commitment	Capital Called	Distributions	Investment Gain/Loss	Market Value	Performance		
							Calculated IRR	Investable W5000	Venture Economics
Iowa State University - Lehman Brothers Crossroads Fund XVIII	4q2006	3,750,000	1,200,000 32%	0	64,747	1,182,965	1.5%	18.2%	-10.5% <sup>1</sup>
Iowa State University - CF Int'l Partners VI	2q2007	800,000	44,000 6%	0	-1,423	42,577	--	--	--
Iowa State University - CF Private Equity VII	2q2007	1,600,000	29,600 2%	0	-3,738	25,862	--	--	--
Iowa State University - CF Venture Capital VIII	3q2007	600,000	6,000 1%	0	0	6,000	--	--	--
<b>Iowa State University - Private Equity Composite</b>	<b>4q2006</b>	<b>6,750,000</b>	<b>1,279,600 19%</b>	<b>0</b>	<b>59,586</b>	<b>1,257,404</b>	<b>1.1%</b>	<b>17.9%</b>	<b>-10.5%</b> <sup>2</sup>

- (1) Venture Economics – Median return of all private equity funds with vintage year 2006
- (2) Venture Economics – Median return of all private equity funds with vintage year 2006



(Periods Ending September 30, 2007)

<b><u>Endowment Policy Index</u></b>	<b><u>%</u></b>	<b><u>Description</u></b>
6/89 -6/99	60.00	S&P 500
	30.00	Lehman Gov't/Credit
	10.00	MSCI EAFE Index (N)
9/99 -6/01	63.00	S&P 500
	30.00	Lehman Gov't/Credit
	7.00	MSCI EAFE Index (N)
9/01 -3/02	63.00	S&P 500
	30.00	Lehman Aggregate
	7.00	MSCI EAFE Index (N)
6/02 -3/06	63.00	Wilshire 5000
	30.00	Lehman Aggregate
	7.00	MSCI EAFE Index (N)
6/06 - Present	50.00	Wilshire 5000
	30.00	Lehman Aggregate
	15.00	MSCI EAFE (N)
	5.00	NCREIF Property Index
<b><u>Fixed Income/ Quasi Policy</u></b>		
9/98 -6/01	100.00	Lehman Gov't/Credit
9/01 - Present	100.00	Lehman Aggregate



# Appendix

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# Market Review (Periods Ending September 30, 2007)

## ***Market Observations***

The Federal Reserve lowered rates from 5.25% to 4.75% during the 3rd quarter of 2007. In response to tightening credit conditions, the Fed Funds target was cut for the first time since June 2003, following an inter-meeting cut in the Fed's discount rate as well. Longer rates, such as the 10-year Treasury Yield, were volatile in the quarter, trading from 5.19% in early July to 4.34% in mid September before ending the 3rd quarter at 4.59%.

Second quarter real GDP rose considerably from the 1st quarter rate of 0.6%, expanding at a rate of 3.8%. Exports aided the growth by continuing their expansion (+10.5% year over year).

Year-over-year Core CPI and Core PCE have continued to moderate (2.0% & 1.8% in August, respectively), providing some comfort for the Fed to ease rates. Core CPI (2.0%) and PCE (1.8%) fell in the comfort range of 1%-2% in August. Energy prices soared in September with crude oil reaching above \$80 per barrel, achieving all-time highs.

Job growth has decelerated dramatically with only 133,000 jobs created from June through August. August showed a reduction of 4,000 jobs, the first decrease since 2003. Unemployment ticked up to 4.6% from 4.5% in May.

The housing market continued to drag on the economy. Both new and existing home sales fell 21.2% & 12.8% respectively in August.

## ***US Stock Market***

The U.S. stock market, as measured by the DJ Wilshire 5000, posted a respectable 1.46% advance in the third quarter, but traveled a bumpy ride along the way. After reaching all-time highs in early-July, stocks sold off sharply in late-July and early-August before rebounding in mid-August and rallying strongly through the end of September. Investor jitters focused on short-term credit conditions and housing's continued drag on the economy, while the Fed's rate cuts were received enthusiastically by the market.

Building off of their recent leadership established in the 2<sup>nd</sup> quarter, large capitalization stocks dominated smaller stocks during the quarter with the DJ Wilshire Large Cap Index returning 2.12% versus a -2.36% pullback for the DJ Wilshire Small Cap Index. The trend was even more pronounced for micro-caps, which retreated by -4.79%. Growth stocks expanded their recent advantage outpacing value stocks by 2.70% and 4.19% within the large and small-cap universes, respectively. The best performance for a sector was 7.93% in the Oil & Gas sector, while Financials suffered from investor concerns surrounding subprime and other credit related woes.

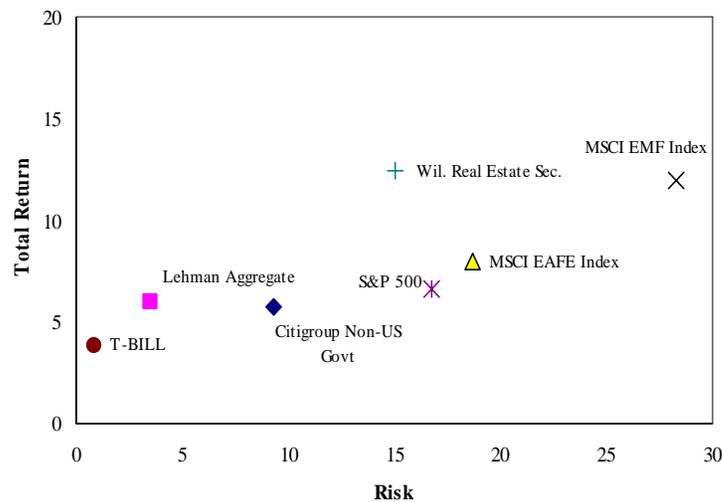
The short-term credit crunch and subprime concerns peaked in mid-August, as yields on risk free paper plummeted to 2.35% on August 20<sup>th</sup>, the Monday following the 50 basis point cut on interest rates. Yields quickly rebounded to 4.50%, but trended downward throughout the end of the third quarter ending near 3.25%.

# Capital Markets Review (Periods Ending September 30, 2007)

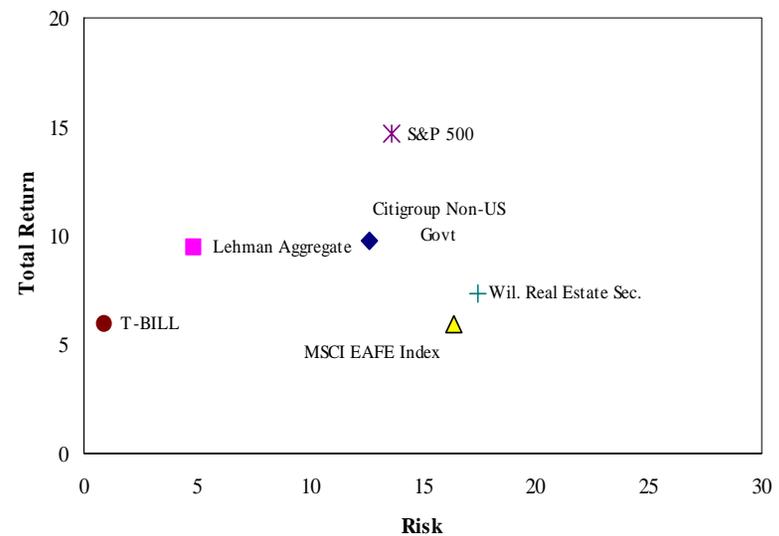
## Major Asset Class Returns (%)

	QTR	YTD	1 yr	3 yr	5 yr	10yr
<b>Equity</b>						
Dow Jones - Wilshire 5000	1.5	9.1	17.0	14.0	16.5	6.8
Standard and Poor's 500	2.0	9.1	16.4	13.1	15.5	6.6
International Stock (MSCI EAFE)(USD)	2.2	13.1	24.9	23.2	23.6	8.0
Emerging Markets (MSCI EMF)(USD)	14.5	34.9	58.6	41.3	39.1	11.9
Dow Jones - Wilshire Real Estate Securities	1.4	-4.6	3.9	19.7	22.5	12.4
<b>Fixed Income</b>						
Lehman Aggregate Bond	2.9	3.9	5.1	3.9	4.1	6.0
First Boston High Yield	0.1	3.8	8.4	7.5	12.5	6.4
International Bonds (Citigroup Non-US)	8.1	7.3	9.5	4.8	8.0	5.8
Treasury Bills (91 Day)	1.3	3.9	5.2	4.1	2.9	3.8
<b>Consumer Price Index</b>						
	0.1	3.3	2.8	3.2	2.9	2.6

*Risk versus Return (9/30/97 – 9/30/07)*



*Risk versus Return (9/30/87 – 9/30/97)*

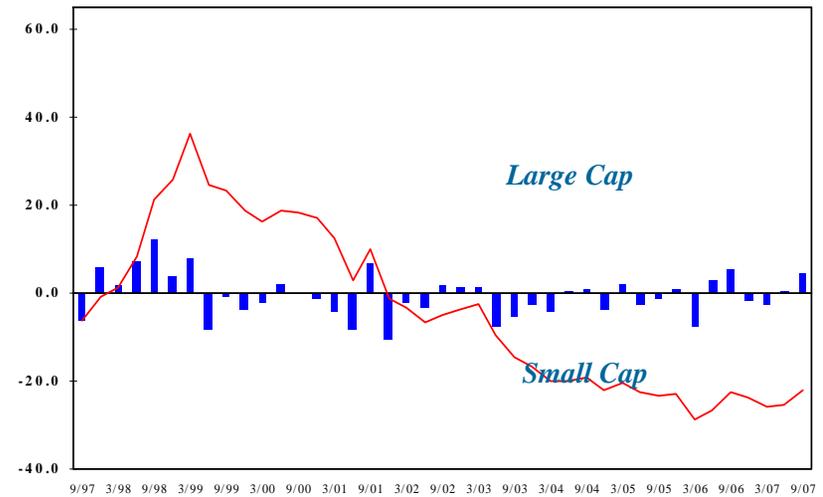


# Domestic Equity Markets (Periods Ending September 30, 2007)

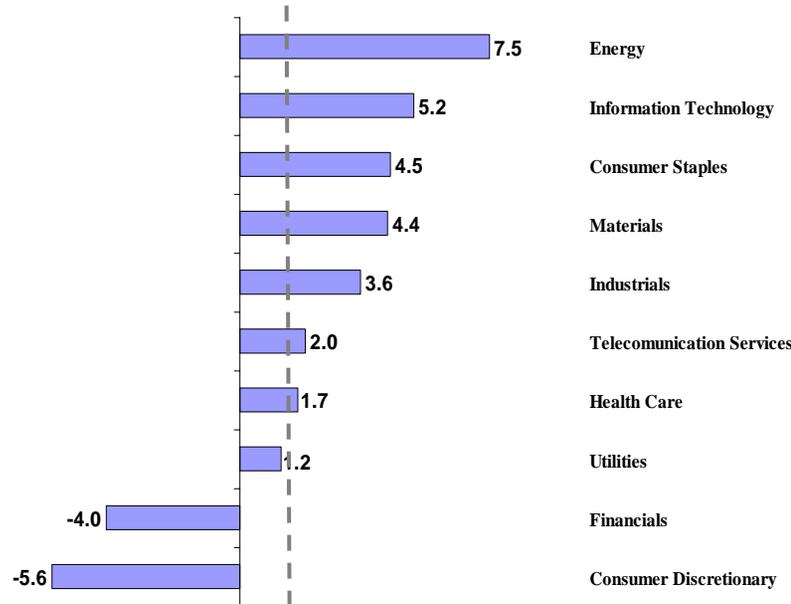
## US Equity Returns (%)

	QTR	YTD	1 yr	3 yr	5 yr	10yr
DJ Wilshire 4500	-0.6	9.0	18.8	16.2	19.9	7.9
DJ Wilshire 5000	1.5	9.1	17.0	14.0	16.5	6.8
DJ Wilshire Real Est. Secs	1.4	-4.6	3.9	19.7	22.5	12.4
DJ Wilshire Large Cap	2.1	9.6	17.2	13.9	15.9	6.8
DJ Wilshire Mid Cap	-1.7	9.9	19.3	16.2	19.4	9.5
DJ Wilshire Small Cap	-2.4	7.2	16.5	15.2	20.7	8.8
DJ Wilshire Micro Cap	-4.8	-0.1	9.5	10.8	22.4	11.2
DJ Wilshire Large Growth	3.5	11.7	18.6	12.3	14.5	4.5
DJ Wilshire Large Value	0.8	7.6	15.8	15.3	17.2	8.7
DJ Wilshire Mid Growth	1.0	15.0	24.9	19.7	22.4	6.6
DJ Wilshire Mid Value	-5.0	3.8	12.6	12.4	16.3	10.6
DJ Wilshire Small Growth	-0.3	12.0	21.6	16.9	22.1	6.0
DJ Wilshire Small Value	-4.5	2.4	11.4	13.5	19.1	10.6

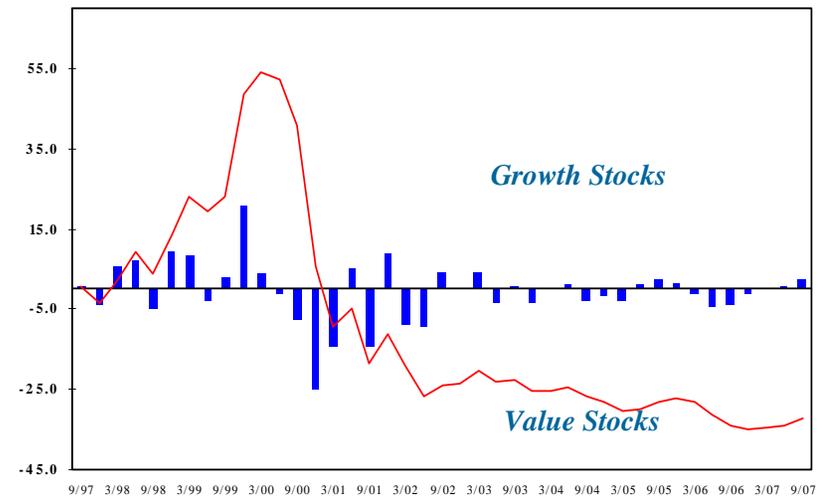
## Large Cap Vs. Small Cap



## DJ Wilshire 5000 Sector Returns (%)



## Growth Stocks Vs. Value Stocks



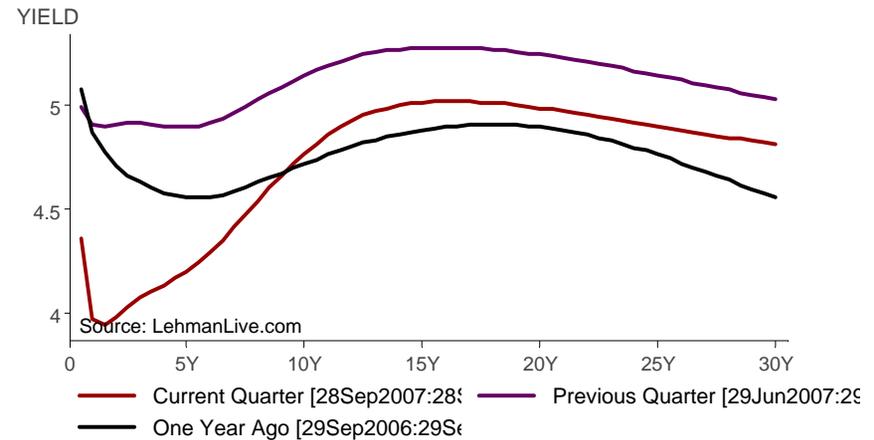
--- Represents DJ Wilshire 5000 Quarterly Return

# Domestic Fixed Income Markets (Periods Ending September 30, 2007)

## US Fixed Income Returns (%)

	QTR	YTD	1 yr	3 yr	5 yr	10yr
Lehman Aggregate	2.9	3.9	5.1	3.9	4.1	6.0
Lehman ABS	1.4	3.0	4.1	3.4	3.5	5.7
Lehman Credit	2.1	2.8	4.2	3.5	5.0	6.1
Lehman Gov't	3.6	4.8	5.6	3.8	3.5	5.9
Lehman Gov / Credit	3.0	4.0	5.1	3.7	4.2	6.0
Lehman Long Treasury	4.9	3.9	4.4	4.6	4.5	7.2
Lehman Mortgage	2.7	3.8	5.5	4.3	4.2	5.8
Lehman Agency	3.2	4.5	5.7	4.0	3.7	5.9
First Boston High Yield	0.1	3.8	8.4	7.5	12.5	6.4
Citigroup World Gov't Bond	7.2	6.8	8.7	4.6	7.0	5.9
Citigroup Non-US Bond	8.1	7.3	9.5	4.8	8.0	5.8
Lehman US TIPS	4.5	6.4	5.0	4.0	5.4	7.1
BGI Inflation-Linked Bond Index	4.5	6.2	4.7	4.0	5.4	7.1

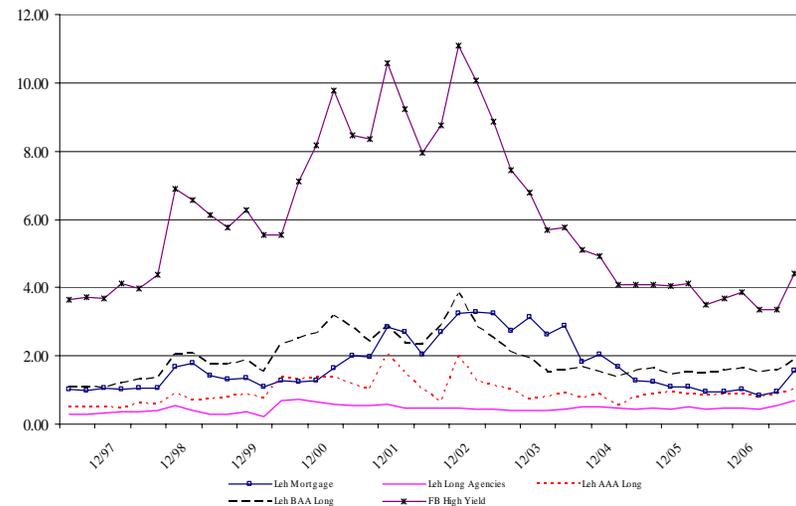
## Treasury Yield Curve



## Market Commentary

The Fed tapped its primary credit discount window August 17<sup>th</sup> in response to the commercial paper market seizure, lowering the interest rate charged to commercial banks. On Tuesday, September 18<sup>th</sup>, the Federal Reserve followed up the former action by lowering both the Federal Funds Rate and Discount Rate by 0.50% to 4.75% and 5.25% respectively. The decision was made to alleviate existing stress in the financial markets as a result of tightening credit conditions. Looking forward the action is intended to decrease the probability for future market dislocation and promote liquidity in the credit markets. The treasury market reaction to the Fed's easing was a 7.9 basis points rise in the 30 year TSY Bond yield, a 6.8 basis point rise in the 10 year TSY Note yield, and a 26.3 basis point decline in the 1 month T-bill yield.

## Historical Yield Spread Comparison to Treasuries



# International Equity Markets (Periods Ending September 30, 2007)

## International Index Returns (%)

Equity (in U.S. \$)	QTR	YTD	1 yr	3 yr	5 yr	10yr
Non U.S. (ACWI X U.S)	4.7	17.9	31.1	26.5	26.3	9.2
Developed (EAFE)	2.2	13.1	24.9	23.2	23.6	8.0
Emerging (EMF)	14.5	34.9	58.6	41.3	39.1	11.9
Europe	1.7	14.4	27.5	24.7	25.5	9.6
Pacific	3.3	10.4	19.2	20.1	19.4	4.9
France	-0.4	12.5	24.3	24.1	25.9	11.3
Germany	3.7	28.7	47.2	31.9	32.4	9.3
Japan	-0.9	2.0	7.1	15.4	15.1	2.9
United Kingdom	0.2	11.0	22.4	20.6	21.7	7.7
<b>Currencies (% change)</b>						
Euro vs Dollar	5.3	7.9	12.3	4.6	7.6	--
Yen vs Dollar	7.4	3.6	2.7	-1.4	1.1	0.5
Pound vs Dollar	1.6	4.1	9.1	4.0	5.3	2.4

## Market Commentary

The Non-U.S. equity market finished the 3rd quarter outperforming the U.S. equity market with a return of 4.69%, marking the 4<sup>th</sup> consecutive quarter that international stocks topped the U.S. market. While most Non-US Equity Market indexes finished the quarter in the black, the MSCI Japan Index finished in the red. MSCI Emerging Markets posted a sharp gain of 14.42%, aided in part by countries with that maintain either a hard peg or close currency band with the U.S. Federal Reserve's rate cut. Stress on equity market indexes resulting from the subprime contagion are evident in relative return performance between quarter to date and month to date returns. In local currency terms, quarter to date draw-down for the indices is much more pronounced with all indices posting negative returns except MSCI AC World ex U.S. and MSCI Emerging Markets.

## MSCI EAFE Index

