



**Board of Regents, State of Iowa**

# **Executive Summary of Investment Performance**

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*Third Quarter 2005*



# Capital Markets Review

Third Quarter 2005

## *Market Observations*

Mother Nature was the big story of the third quarter as Hurricanes Katrina and Rita caused widespread damage throughout the Gulf Coast. The hurricanes affected over 90% of oil production in the gulf, which accounts for over 30% of U.S. offshore oil production. Not surprisingly, the price of oil moved higher in anticipation of the hurricanes, but has remained in the high \$60 range since then. Natural gas, on the other hand, continued to move markedly higher.

Consumer confidence fell sharply in September to a two year low of 86.6, according to the Conference Board survey, reflecting the effects of higher energy prices and the perception of a weaker job market. In actuality, the unemployment rate was modestly lower at 4.9% in August as non-farm payrolls increased by 169,000. Consumer expenditures fell by half a percentage point in August and debate continues to rage on the effect a slowdown in consumer spending will have on the economy. GDP for the second quarter was finalized at 3.3% versus 3.8% in the first quarter. The Institute for Supply Management (ISM) index came in at 59.4 in September, a 10.4% increase over the end of the second quarter. Finally, in August, sales of new one-family houses increased 6.2% on a year-over-year basis. However, August saw a drop of 9.9% versus July 2005.

## *U.S. Stock Market*

U.S. equity markets finished the third quarter higher with the Dow Jones Wilshire 5000 up 4.0%. The market rallied at the start of the third quarter and spent most of August and September consolidating the gains made in July. Year to date, the broad U.S. equity market is modestly higher (up 4.1%) with the majority of the gain coming during the third quarter. Growth stocks across the capitalization spectrum handily outperformed value, with small growth stocks in particular notching an impressive gain of 5.9%. Microcap stocks produced the strongest returns for the quarter, in comparison to other market cap categories, with an 8.7% gain. However, the index has performed the worst by the same comparison when valued on a year to date basis (only 2.2%). Finally, REITs slightly lagged the overall market, but remained the best performing sector with double digit performance year to date of 11.0%.

The energy sector produced considerable gains (up over 18%) driven by an increase in worldwide energy demand and supply worries attributable to the hurricanes. Utilities and information technology followed suit with strong gains of 7.3% and 6.0%, respectively. Consumer discretionary was a notable laggard, with a loss of almost 1.0% for the quarter.

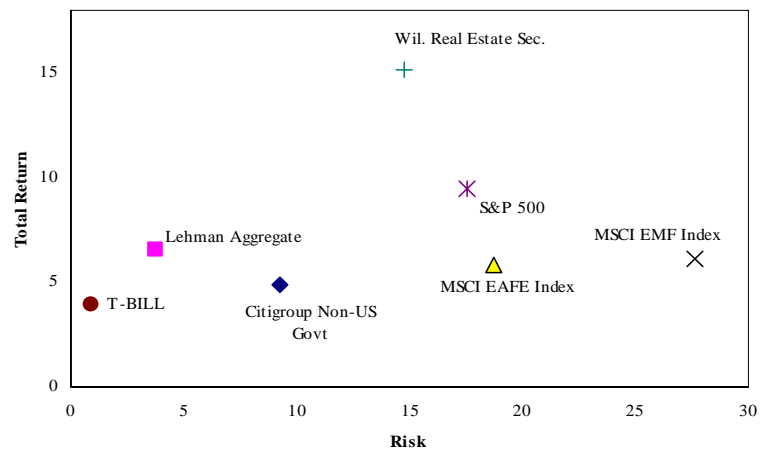


# Market Review

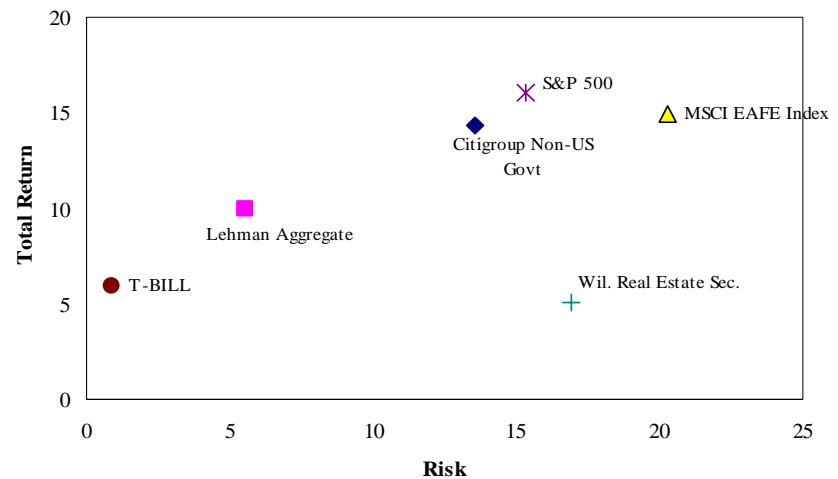
## Major Asset Class Returns (%)

	QTR	YTD	1 yr	3 yr	5 yr	10yr
<b>Equity</b>						
Dow Jones - Wilshire 5000	4.0	4.1	14.7	18.4	-0.5	9.4
Standard and Poor's 500	3.6	2.8	12.2	16.7	-1.5	9.5
International Stock (MSCI EAFE)(USD)	10.4	9.1	25.8	24.6	3.2	5.8
Emerging Markets (MSCI EMF)(USD)	18.1	25.5	47.2	39.6	14.5	6.1
Dow Jones - Wilshire Real Estate Securities	3.6	10.5	28.7	27.4	19.4	15.2
<b>Fixed Income</b>						
Lehman Aggregate Bond	-0.7	1.8	2.8	4.0	6.6	6.6
First Boston High Yield	0.9	1.7	6.3	15.6	8.6	7.4
International Bonds (Citigroup Non-US)	-1.1	-6.8	3.1	9.5	8.7	4.9
Treasury Bills (91 Day)	0.8	2.1	2.6	1.7	2.5	3.9
<b>Consumer Price Index</b>						
	2.2	4.5	4.7	3.2	2.7	2.6

*Risk versus Return ( 9/30/95 - 9/30/05)*



*Risk versus Return ( 9/30/85 - 9/30/95)*



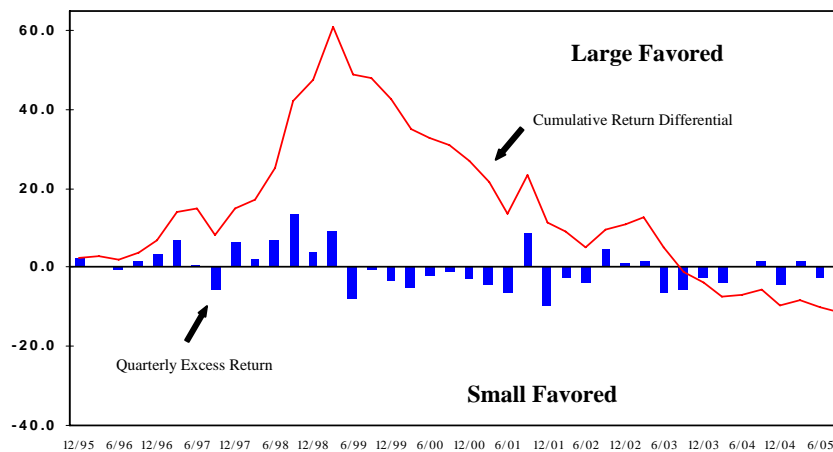


# Domestic Equity Markets

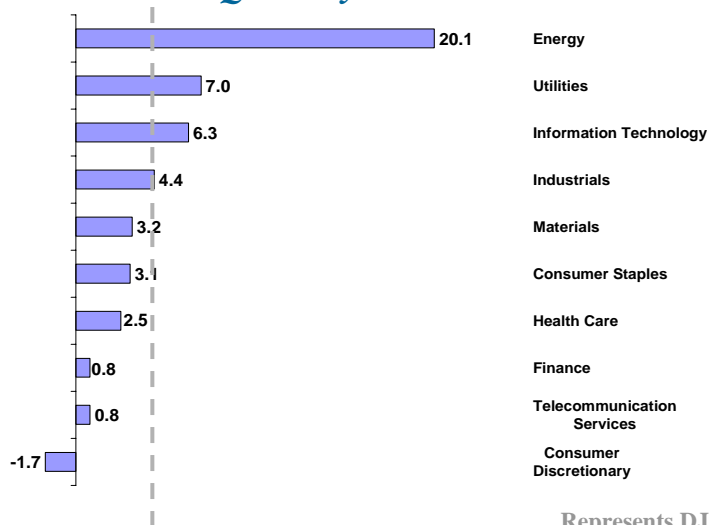
## US Equity Returns

	QTR	YTD	1 yr	3 yr	5 yr	10yr
Dow Jones - Wilshire 4500	5.2	7.1	21.7	24.4	1.9	9.8
Dow Jones - Wilshire 5000	4.0	4.1	14.7	18.4	-0.5	9.4
Wilshire Internet Index	5.3	-3.6	12.8	31.7	-21.7	N/A
Wilshire Large Cap 750	3.8	3.2	12.8	16.9	-1.9	9.3
Wilshire Small Cap 1750	5.2	5.4	20.1	25.6	6.2	10.6
Wilshire Micro Cap 2500	8.7	2.2	19.9	36.9	17.1	16.2
Wilshire Venture Capital	8.2	-1.7	15.9	31.5	-17.6	7.5
Wilshire Large Growth	4.0	1.0	9.3	13.2	-8.8	7.1
Wilshire Large Value	3.4	5.1	15.8	20.6	4.1	10.2
Wilshire Mid Growth	5.4	7.5	24.0	22.8	-1.6	9.2
Wilshire Mid Value	4.4	9.4	23.9	29.5	15.9	14.8
Wilshire Small Growth	5.9	3.8	19.5	22.6	-4.9	5.6
Wilshire Small Value	4.5	6.8	20.7	28.6	15.6	13.5

## Small Cap vs. Large Cap Quarterly Returns

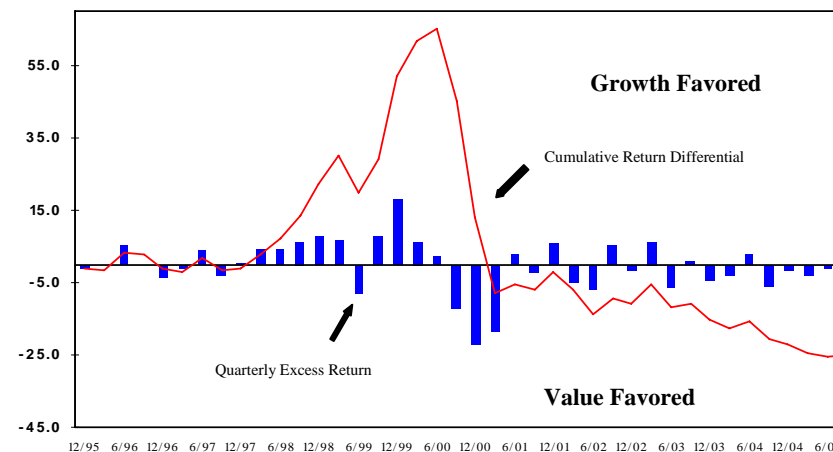


## Wilshire 5000 Quarterly GICS Sector Returns



Represents DJ Wilshire 5000 Quarterly Return

## Value vs. Growth Stocks Quarterly Returns



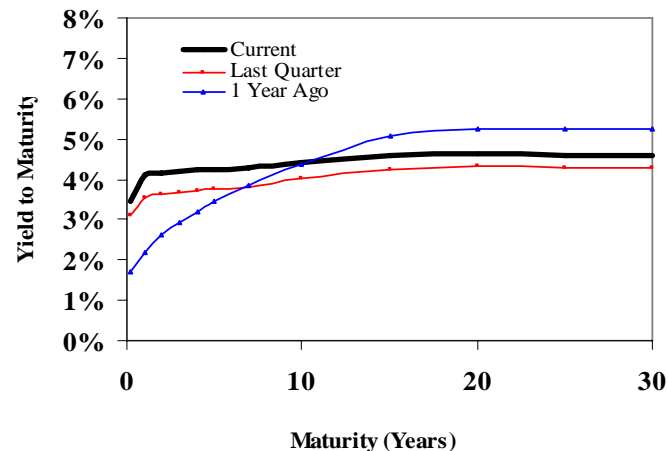


# Fixed Income

## Fixed Income

	QTR	YTD	1 yr	3 yr	5 yr	10yr
Lehman Aggregate	-0.7	1.8	2.8	4.0	6.6	6.6
Lehman ABS	-0.1	1.5	1.9	3.1	6.2	6.3
Lehman Credit	-1.0	1.5	2.8	5.8	7.7	6.9
Lehman Gov't	-0.9	2.0	2.5	2.8	6.3	6.3
Lehman Gov / Credit	-1.0	1.8	2.6	4.1	6.9	6.6
Lehman Long Treasury	-2.7	5.4	6.9	5.2	8.7	8.1
Lehman Mortgage	-0.2	2.0	3.3	3.7	6.1	6.5
Lehman Agency	-0.5	1.8	2.4	3.0	6.4	6.4
First Boston High Yield	0.9	1.7	6.3	15.6	8.6	7.4
Salomon Bros World Gov't Bond	-1.1	-5.1	3.0	8.1	8.3	5.5
Salomon Bros Non-US Bond	-1.1	-6.8	3.1	9.5	8.7	4.9
Lehman US TIPS	0.0	2.7	5.3	6.7	9.5	N/A

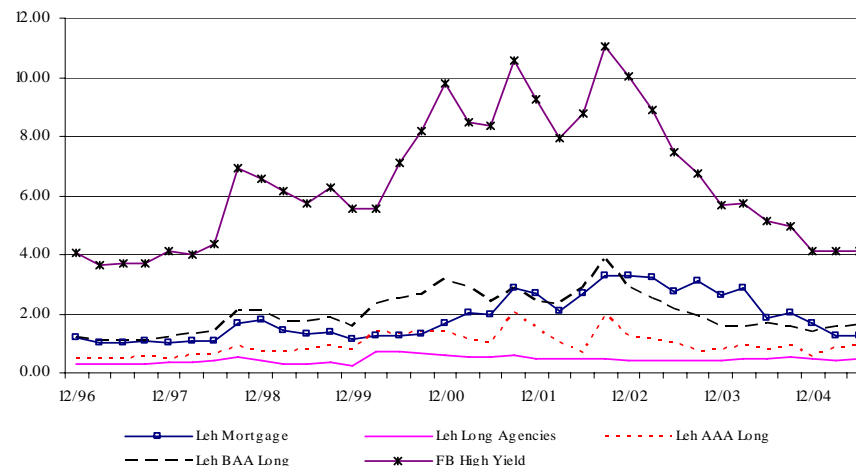
## Treasury Yield Curve



## Market Commentary

The Federal Reserve continued its series of rate increases, bringing the key Fed Funds rate to 3.75% with little apparent intention of stopping. Some market participants speculated that the hurricanes would forestall many more bumps to the Fed Funds rate, but the pace of the economy and threat of inflation appears to have convinced the Fed to stay the course of gradual increases. The benchmark 10-Year Note rose to approximately 4.4% from 4.0% at the end of the second quarter, but the increase did not keep pace with the rise in short-term rates such that the yield curve flattened very slightly. Fixed income markets were mixed across the quality and maturity spectrum. The Lehman U.S. Aggregate posted a loss of 67 basis points while long-term U.S. Treasuries were off almost 2.7%. High yield had a modestly better quarter, and finished up close to 1%.

## Yield Spread To Treasuries





## International Equity Markets

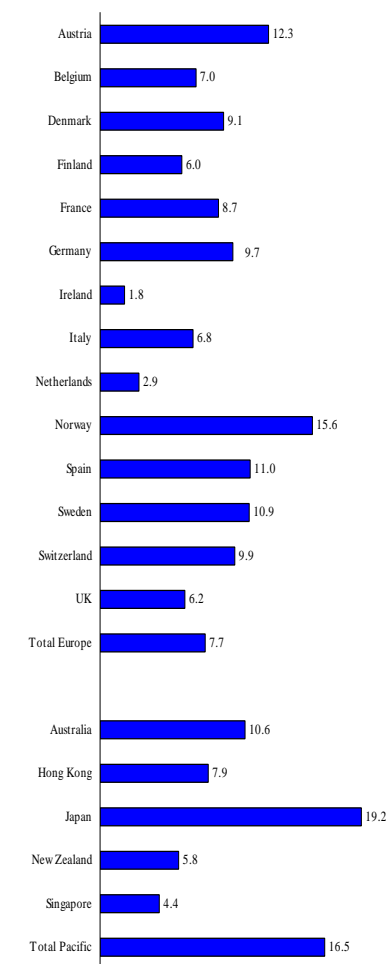
Equity (in U.S. \$)	QTR	YTD	1 yr	3 yr	5 yr	10yr
Non U.S. (ACWI X U.S)	11.8	12.2	29.5	27.2	4.8	6.6
Developed (EAFE)	10.4	9.1	25.8	24.6	3.2	5.83
Emerging (EMF)	18.1	25.5	47.2	39.6	14.5	6.1
Europe	7.7	7.3	24.4	25.9	3.7	9.5
Pacific	16.5	12.9	28.7	21.7	1.9	0.7
France	8.7	9.2	25.4	27.6	2.2	10.8
Germany	9.7	5.2	25.6	30.6	1.0	6.7
Japan	19.2	12.2	26.9	18.6	-1.1	-0.8
United Kingdom	6.2	7.2	20.7	22.5	4.5	8.8
<b>Currencies (% change)</b>						
Euro vs Dollar	-0.4	-11.3	-2.9	6.9	6.4	--
Yen vs Dollar	-2.2	-9.6	-2.8	2.4	-1.0	-1.4
Pound vs Dollar	-1.3	-7.9	-2.2	4.0	3.7	1.1

### Market Commentary

Non-U.S. equity markets were solidly higher in both local currency and USD terms. The MSCI EAFE index was up almost 11.5% in local currency, although reduced to 10.4% when expressed in USD. Japan was a standout performer with a 21.9% gain in local currency (19.2% USD). Mergers and acquisitions in telecommunications and utilities markets were plentiful in Europe, which could have contributed to its extended run. Emerging markets continued to perform well with a 17.5% local return (18.1% USD). Prominent performers include Russia and Argentina, both enjoying close to 50% returns. Also, China increased its currency by 2.1% against the U.S. dollar in a move long sought by trading partners.

### MSCI EAFE Index

#### Quarterly Returns in USD



Country	Weight
Austria	0.4
Belgium	1.3
Denmark	0.8
Finland	1.5
France	9.2
Germany	6.8
Ireland	0.8
Italy	3.8
Netherlands	3.5
Norway	0.8
Spain	4.0
Sweden	2.4
Switzerland	6.7
UK	25.3
<b>Total Europe</b>	<b>67.3</b>
Australia	5.4
Hong Kong	1.7
Japan	23.6
New Zealand	0.2
Singapore	0.8
<b>Total Pacific</b>	<b>31.7</b>
<b>Other Countries</b>	<b>1.0</b>

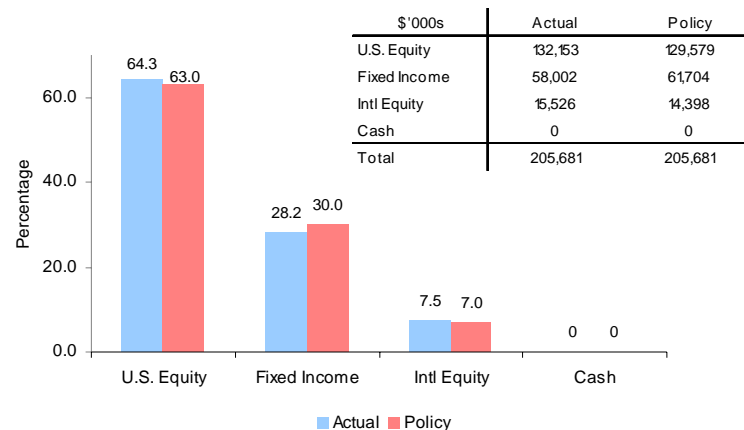
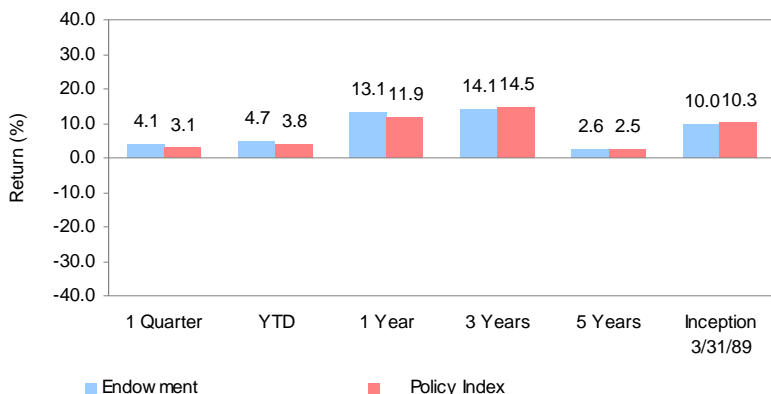


# Total Fund Results

# The University of Iowa Endowment

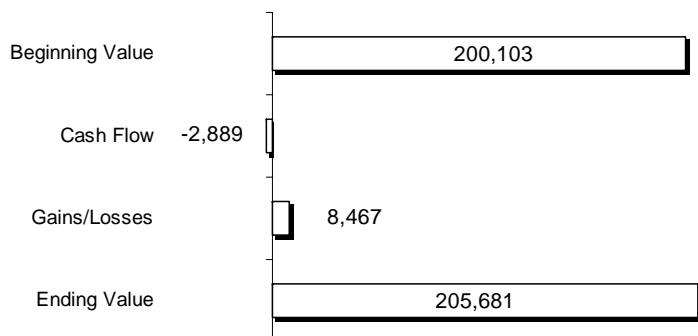
## Investment Performance

## Asset Allocation vs. Policy



\$'000s	Actual	Policy
U.S. Equity	132,153	129,579
Fixed Income	58,002	61,704
Intl Equity	15,526	14,398
Cash	0	0
<b>Total</b>	<b>205,681</b>	<b>205,681</b>

## Quarter Results (\$'000)



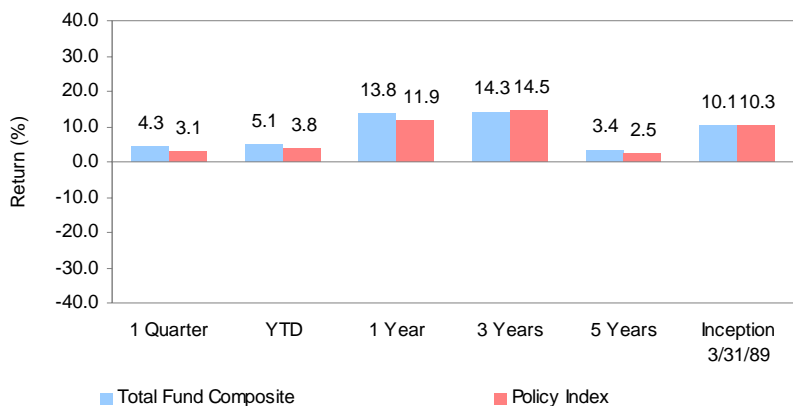
- The University of Iowa Endowment assets totaled \$205.7 million at the close of the third quarter.
- During the quarter, investment gains totaled \$8.5 million.
- Total contributions totaled \$302,000.
- Total distributions and fees totaled \$3.1 million.
- The Endowment fund returned 4.11% for the third quarter, outperforming the benchmark by 1.05%.



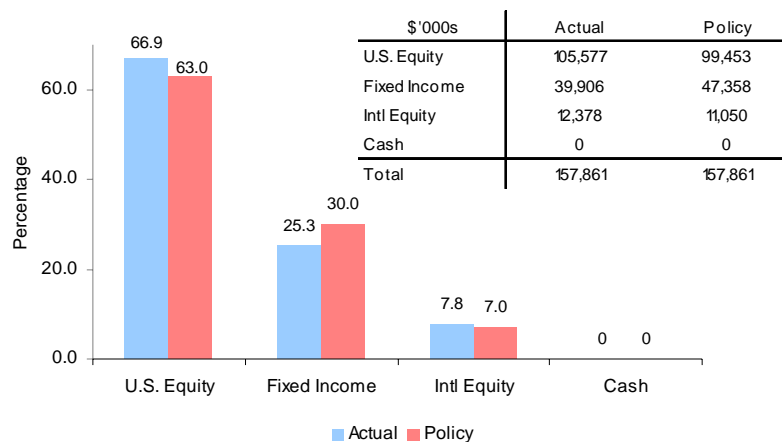
# Total Fund Results

# Iowa State University Endowment

## Investment Performance

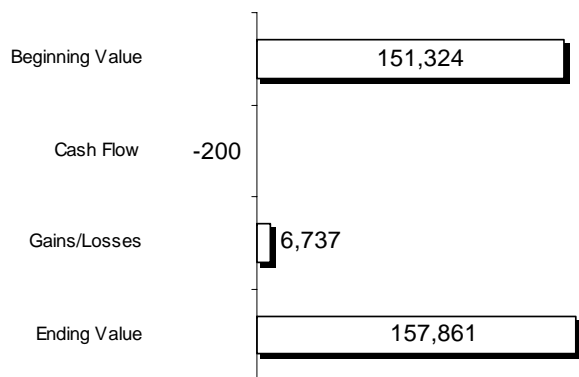


## Asset Allocation vs. Policy



## Quarter Results

(\$'000)



- The Iowa State Endowment assets totaled \$157.9 million at the close of the third quarter.
- During the quarter, investment gains totaled \$6.7 million.
- Total contributions were \$224,000.
- Total fees and distributions were \$424,000.
- The Endowment fund returned 4.32% for the third quarter, outperforming the benchmark by 1.26%.





# Total Fund Results

## University of Iowa

	\$'000	Qtr %	YTD %	1 Yr %	3 Yrs %	5 Yrs %	Inception %
Domestic Equity Composite (3/31/89) <i>Wilshire 5000</i>	132,153	5.3 4.0	5.7 4.1	16.7 14.7	17.7 18.4	-0.1 -0.5	11.5 11.3
Fixed Income Composite (3/31/89) <i>Custom Policy*</i>	58,002	-0.1 -0.7	1.7 1.8	2.8 2.8	3.8 4.0	6.1 6.6	7.7 7.9
Int'l Equity Composite (9/30/94) <i>MSCI EAFE (N)</i>	15,526	10.7 10.4	8.4 9.1	24.9 25.8	27.3 24.6	10.0 3.2	6.9 5.8
<b>Total Endowment (3/31/89)</b> <i>Policy Index**</i>	<b>205,681</b>	<b>4.1</b> 3.1	<b>4.7</b> 3.8	<b>13.1</b> 11.9	<b>14.1</b> 14.5	<b>2.6</b> 2.5	<b>10.0</b> 10.3

\* 6/94 -- 6/01 100% Lehman Govt / Credit  
9/01 -- Present 100% Lehman Aggregate

\*\* 6/89 -- 6/99 60% S&P 500 30% Lehman Govt / Credit 10% MSCI EAFE (n)  
9/99 -- 6/01 63% S&P 500 30% Lehman Govt / Credit 7% MSCI EAFE (n)  
9/01 -- 3/02 63% S&P 500 30% Lehman Aggregate 7% MSCI EAFE (n)  
3/02 -- Present 63% Wilshire 5000 30% Lehman Aggregate 7% MSCI EAFE (n)

## Iowa State

	\$'000	Qtr %	YTD %	1 Yr %	3 Yrs %	5 Yrs %	Inception %
Domestic Equity Composite (3/31/89) <i>Wilshire 5000</i>	105,557	5.4 4.0	6.1 4.1	17.3 14.7	17.9 18.4	-0.8 -0.5	11.3 11.3
Fixed Composite (3/31/89) <i>Custom Policy*</i>	39,906	-0.2 -0.7	1.6 1.8	2.7 2.8	3.8 4.0	6.1 6.6	7.1 7.9
Int'l Equity Composite (9/30/94) <i>MSCI EAFE (N)</i>	12,378	10.8 10.4	8.5 9.1	24.9 25.8	26.5 24.6	9.4 3.2	6.6 5.8
<b>Total Endowment (3/31/89)</b> <i>Policy Index**</i>	<b>157,861</b>	<b>4.3</b> 3.1	<b>5.1</b> 3.8	<b>13.8</b> 11.9	<b>14.3</b> 14.5	<b>3.4</b> 2.5	<b>10.1</b> 10.3

\* 6/94 -- 6/01 100% Lehman Govt / Credit  
9/01 -- Present 100% Lehman Aggregate

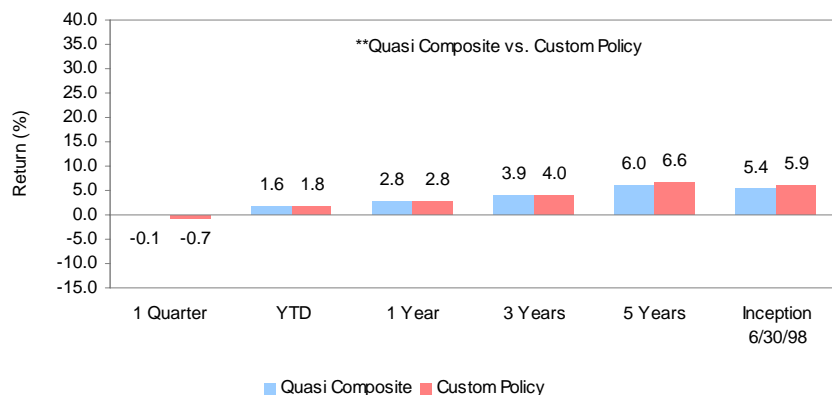
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9/01 -- 3/02 63% S&P 500 30% Lehman Aggregate 7% MSCI EAFE (n)  
3/02 -- Present 63% Wilshire 5000 30% Lehman Aggregate 7% MSCI EAFE (n)



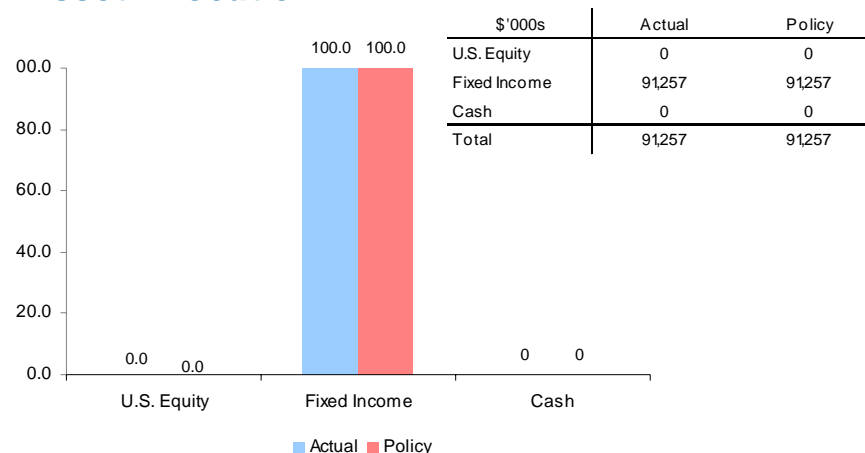
# Total Fund Results

# University of Iowa Quasi-Endowment

## Investment Performance



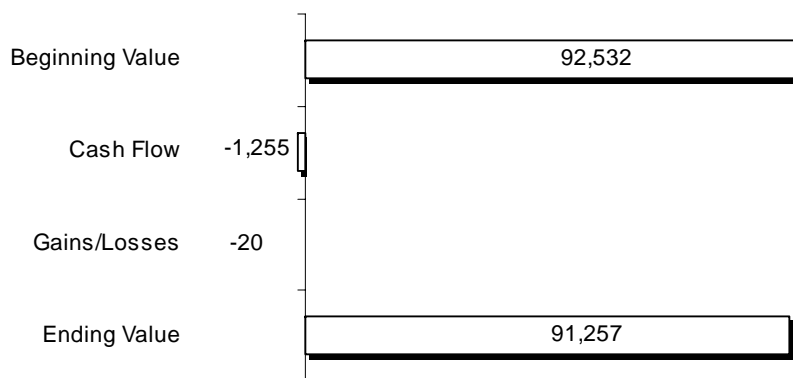
## Asset Allocation



\* 6/94 -- 6/01 100% Lehman Govt / Credit  
 9/01 -- Present 100% Lehman Aggregate

## Quarter Results

(\$'000)



- The Quasi Endowment portfolio returned -0.08% during the third quarter, outperforming the benchmark by 0.60%.
- The Quasi total fund has total assets of \$91.3 million.
- Total contributions were \$51,000.
- Total distributions and fees totaled \$1.25 million.
- The Quasi fund had investment loss of \$20,000.



## Quasi Endowment Review

	\$'000	Investment Fee \$'000	Comp %	Qtr %	YTD %	1 Yr %	3 Yrs %	5 Yrs %	Inception %
Dodge & Cox (3/31/04)	45,152	51	49.5%						
Gross of Fee Return				-0.1	1.8	3.1	--	--	2.6
Net of Fee Return				-0.2	1.4	2.6	--	--	2.2
<i>Lehman Aggregate</i>				-0.7	1.8	2.8	--	--	2.3
Reams Asset Management Quasi (9/30/01)	46,105	34	50.5%						
Gross of Fee Return				0.2	2.3	3.5	4.6	--	4.9
Net of Fee Return				0.1	2.1	3.2	4.3	--	4.6
<i>Lehman Aggregate</i>				-0.7	1.8	2.8	4.0	--	5.1
<b>Quasi Composite (6/30/98)</b>	<b>91,257</b>	<b>85</b>	<b>100%</b>	<b>-0.1</b>	<b>1.6</b>	<b>2.8</b>	<b>3.9</b>	<b>6.0</b>	<b>5.4</b>
<i>Custom Policy**</i>				-0.7	1.8	2.8	4.0	6.6	5.9

\*\* 9/98 -- 6/01    100% Lehman Govt / Credit  
 9/01 -- Present    100% Lehman Aggregate



## Domestic Equity Composite Review

### Manager Returns – University of Iowa

University of Iowa	\$'000	Investment Fee \$'000	Comp %	Qtr %	YTD %	1 Year %	3 Years %	5 Years %	Inception %
Goldman Sachs Large Cap (3/31/05)	50,154	53	38.0%	4.9	--	--	--	--	6.9
Gross of Fee Return				4.8	--	--	--	--	6.7
Net of Fee Return				3.6	--	--	--	--	5.0
<i>S&amp;P 500</i>									
Lotsoff Large Cap Equity (3/31/05)	51,114	45	38.7%	5.7	--	--	--	--	7.7
Gross of Fee Return				5.6	--	--	--	--	7.5
Net of Fee Return				3.6	--	--	--	--	5.0
<i>S&amp;P 500</i>									
LSV Asset Mgmt (6/30/02)	11,941	21	9.0%	5.4	7.7	21.6	23.7	--	14.3
Gross of Fee Return				5.2	7.1	20.8	22.9	--	13.6
Net of Fee Return				3.6	6.7	21.3	25.6	--	16.0
<i>Russell 2500 Value</i>									
Artisan Small Cap Growth (3/31/05)	18,944	47	14%	6.5	--	--	--	--	12.9
Gross of Fee Return				6.2	--	--	--	--	12.4
Net of Fee Return				6.3	--	--	--	--	10.0
<i>Russell 2000 Growth</i>									
<b>Domestic Equity Composite (3/31/89)</b>	<b>132,153</b>	<b>166</b>	<b>100%</b>	<b>5.3</b>	<b>5.7</b>	<b>16.7</b>	<b>17.7</b>	<b>-0.1</b>	<b>11.5</b>
<i>Wilshire 5000</i>				4.0	4.1	14.7	18.4	-0.5	11.3

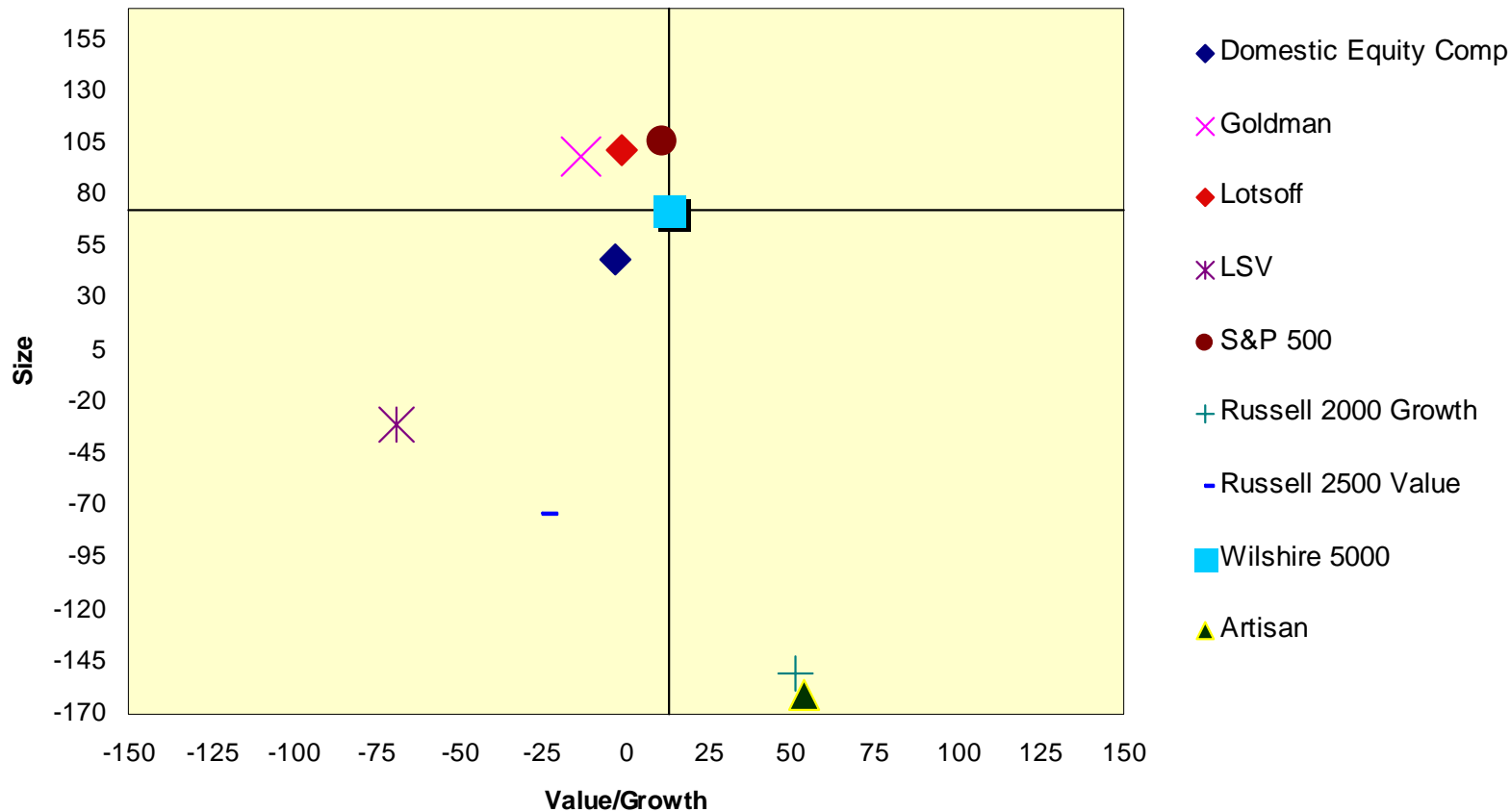
### Manager Returns – Iowa State University

Iowa State University	\$'000	Investment Fee \$'000	Comp %	Qtr %	YTD %	1 Year %	3 Years %	5 Years %	Inception %
Goldman Sachs Large Cap (3/31/05)	39,757	42	37.7%	4.9	--	--	--	--	7.1
Gross of Fee Return				4.8	--	--	--	--	6.9
Net of Fee Return				3.6	--	--	--	--	5.0
<i>S&amp;P 500</i>									
Lotsoff Large Cap Equity (3/31/05)	39,764	35	37.7%	5.7	--	--	--	--	7.7
Gross of Fee Return				5.6	--	--	--	--	7.5
Net of Fee Return				3.6	--	--	--	--	5.0
<i>S&amp;P 500</i>									
LSV Asset Mgmt (6/30/02)	8,946	16	8.5%	6.0	9.0	23.6	24.3	--	15.0
Gross of Fee Return				5.8	8.5	22.7	23.5	--	14.3
Net of Fee Return				3.6	6.7	21.3	25.6	--	16.0
<i>Russell 2500 Value</i>									
Artisan Small Cap Growth (3/31/05)	17,110	43	16%	6.7	--	--	--	--	12.7
Gross of Fee Return				6.5	--	--	--	--	12.4
Net of Fee Return				6.3	--	--	--	--	10.0
<i>Russell 2000 Growth</i>									
<b>Domestic Equity Composite (3/31/89)</b>	<b>105,577</b>	<b>135</b>	<b>100.0%</b>	<b>5.4</b>	<b>6.1</b>	<b>17.3</b>	<b>17.9</b>	<b>-0.8</b>	<b>11.3</b>
<i>Wilshire 5000</i>				4.0	4.1	14.7	18.4	-0.5	11.3



# Domestic Equity Composite Review

### Style Map

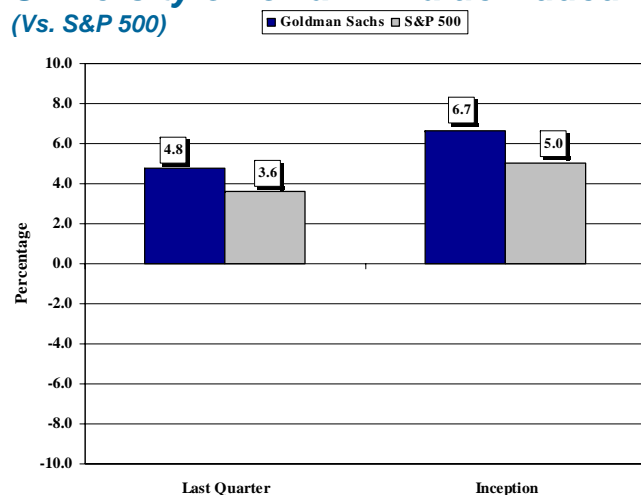




## Domestic Equity Review – Goldman Sachs

### University of Iowa -- Value Added

(Vs. S&P 500)

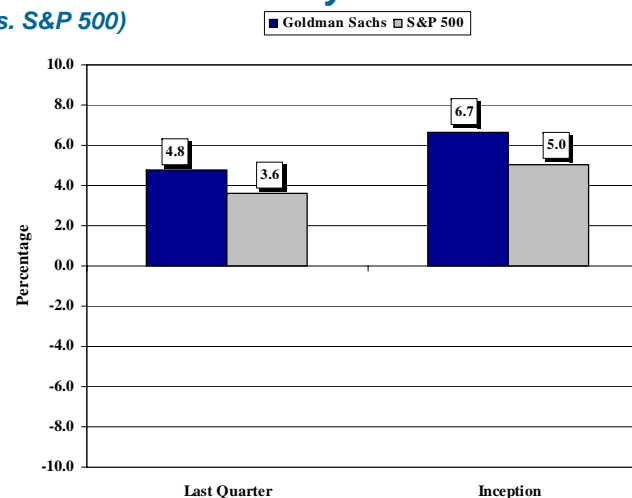


### Attribution

- Stock selection within the energy, consumer staples, and materials sectors contributed to Goldman's outperformance for the quarter.
- Stock selection within utilities, information technology, and financials also had a positive impact on performance.
- Stock selection within the consumer discretionary and industrial sectors had a negative impact on performance for the quarter.

### Iowa State University -- Value Added

(Vs. S&P 500)



### Manager Overview

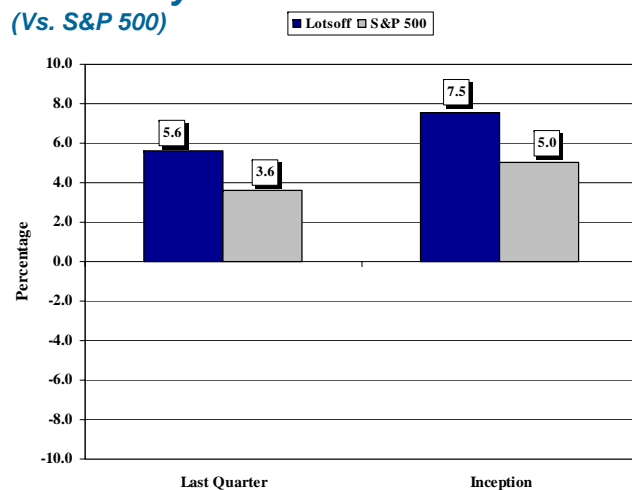
- **Style:** Large Capitalization Core Equity
- **Construction Process:** Optimization
- **Investment Philosophy:** Enhanced Index
- **Selection Method:** Quantitative valuation



## Domestic Equity Review – Lotsoff

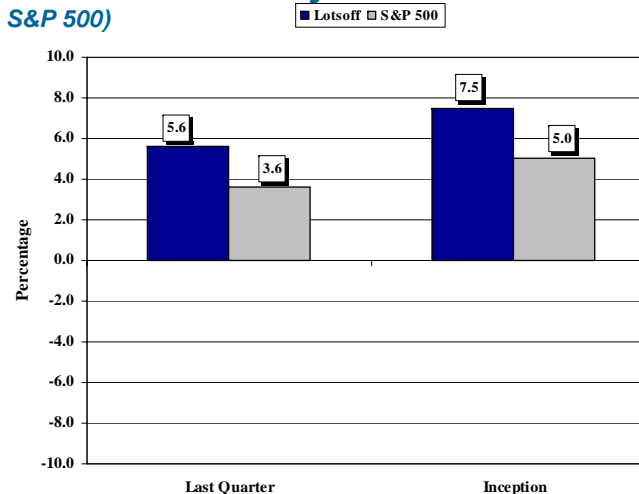
### University of Iowa -- Value Added

(Vs. S&P 500)



### Iowa State University -- Value Added

(Vs. S&P 500)



### Attribution

- Stock selection within the information technology, materials, energy, industrials, and healthcare sectors were the main contributors to Lotsoff's outperformance for the quarter.
- Stock selection within the financial, consumer discretionary, and consumer staples sectors detracted from performance.
- Stock selection within the utilities sector also had a slightly positive impact on performance.

### Manager Overview

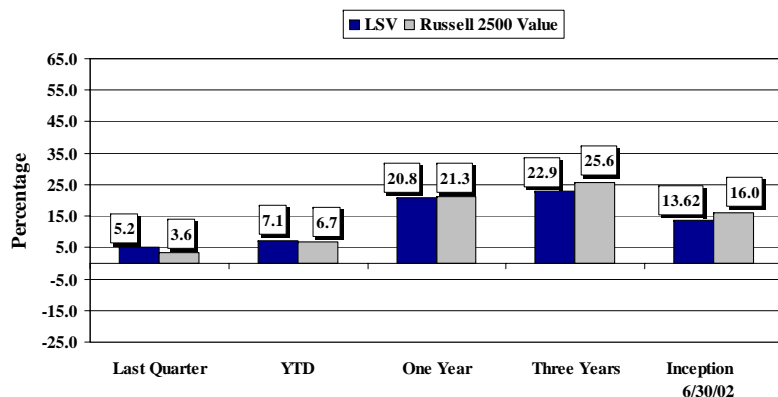
- **Style:** Large Capitalization Core Equity
- **Construction Process:** Optimization
- **Investment Philosophy:** Active Bottom Up
- **Selection Method:** Quantitative valuation



# Domestic Equity Review -- LSV Asset Management

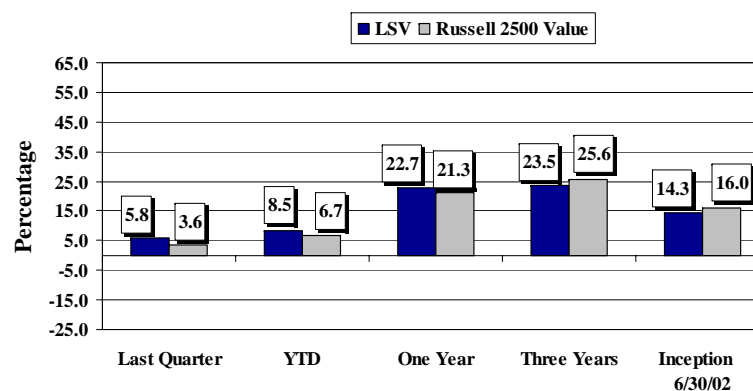
## University of Iowa -- Value Added

(Vs. Russell 2500 Value)



## Iowa State University -- Value Added

(Vs. Russell 2500 Value)



### Attribution

- Stock selection within the energy and information technology sectors were the main contributors to LSV's outperformance for the quarter.
- An overweighting to energy and an underweighting to financials also added to performance.
- Stock selection within the consumer discretionary sectors had a positive impact on performance.

### Manager Overview

- **Style:** Mid Capitalization Value Equity
- **Construction Process:** Optimization
- **Investment Philosophy:** Active - Bottom up
- **Selection Method:** Quantitative valuation

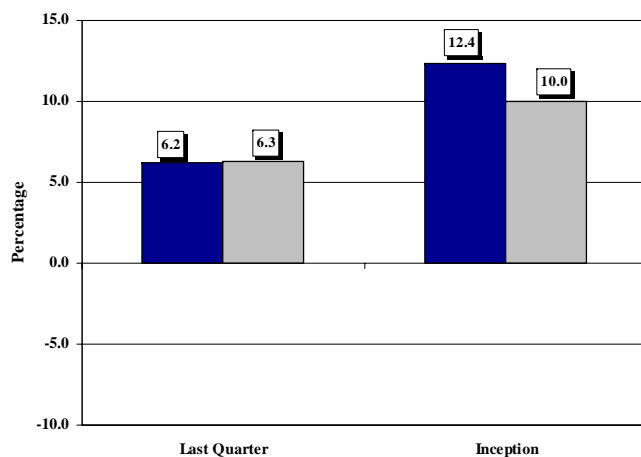




## Domestic Equity Review -- Artisan

### University of Iowa -- Value Added

(Vs. Russell 2000 Growth) ■ Artisan □ Russell 2000 Growth

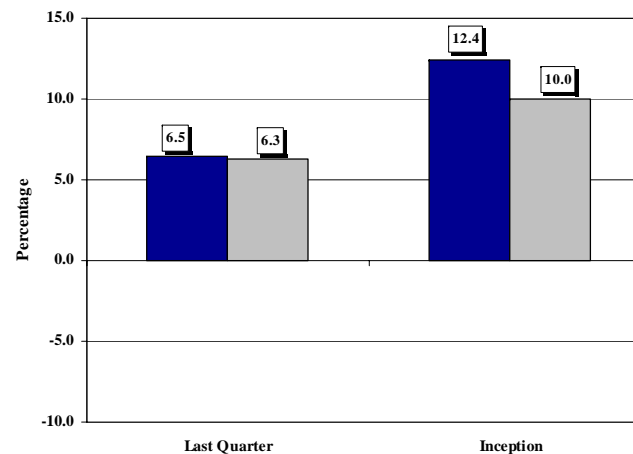


### Attribution

- Stock selection within the industrials sector was the main contributor to Artisan's slight underperformance for the quarter.
- An underweighting to the materials sector also contributed to the underperformance.
- Stock selection within the financials, energy, and health care sectors had a positive impact on performance.

### Iowa State University -- Value Added

(Vs. Russell 2000 Growth) ■ Artisan □ Russell 2000 Growth



### Manager Overview

- **Style:** Small Capitalization Growth Equity
- **Construction Process:** Optimization
- **Investment Philosophy:** Active - Bottom up
- **Selection Method:** Fundamental valuation



# International Equity Composite Review

## University of Iowa -- Manager Returns

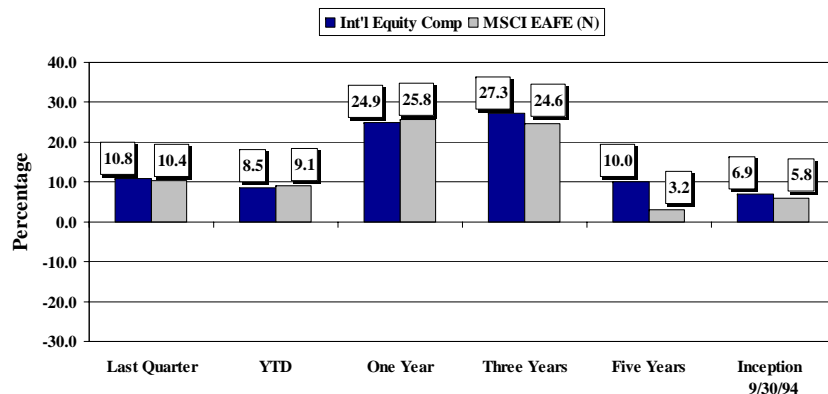
University of Iowa	\$'000 Investment	Fee \$'000	Qtr %	YTD %	1 Yr %	3 Yrs %	5 Yrs %	Inception %
Grantham, Mayo, Van Otterloo Foreign Fund (3/31/04)	15,525	32	11.0	9.0	25.8	--	--	17.5
Gross of Fee Return			10.8	8.5	24.9	--	--	16.7
Net of Fee Return			10.4	9.1	25.8	--	--	16.5
MSCI EAFE Index (N)								
<b>Int'l Equity Composite (9/30/94)</b>	<b>15,525</b>	<b>32</b>	<b>10.8</b>	<b>8.5</b>	<b>24.9</b>	<b>27.3</b>	<b>10.0</b>	<b>6.9</b>
MSCI EAFE Index (N)			10.4	9.1	25.8	24.6	3.2	5.8

## Iowa State University -- Manager Returns

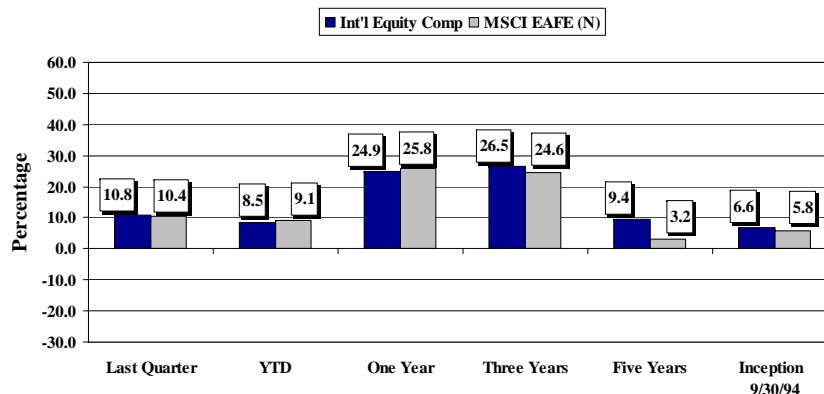
Iowa State University	\$'000 Investment	Fee \$'000	Qtr %	YTD %	1 Yr %	3 Yrs %	5 Yrs %	Inception %
Grantham, Mayo, Van Otterloo Foreign Fund (3/31/04)	12,379	25	11.0	9.1	25.9	--	--	17.5
Gross of Fee Return			10.8	8.5	24.9	--	--	16.7
Net of Fee Return			10.4	9.1	25.8	--	--	16.5
MSCI EAFE Index (N)								
<b>Int'l Equity Composite (9/30/94)</b>	<b>12,379</b>	<b>25</b>	<b>10.8</b>	<b>8.5</b>	<b>24.9</b>	<b>26.5</b>	<b>9.4</b>	<b>6.6</b>
MSCI EAFE Index (N)			10.4	9.1	25.8	24.6	3.2	5.8

Note: We are having difficulty with historical gross of fee return data. Wilshire will provide gross of fee returns once all discrepancies are resolved

## University of Iowa -- Value Added (Vs. MSCI EAFE (N))



## Iowa State University -- Value Added (Vs. MSCI EAFE (N))

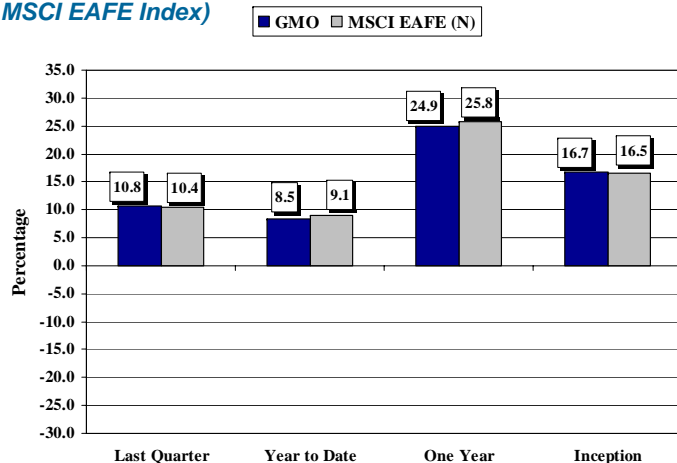




## International Equity Review -- GMO

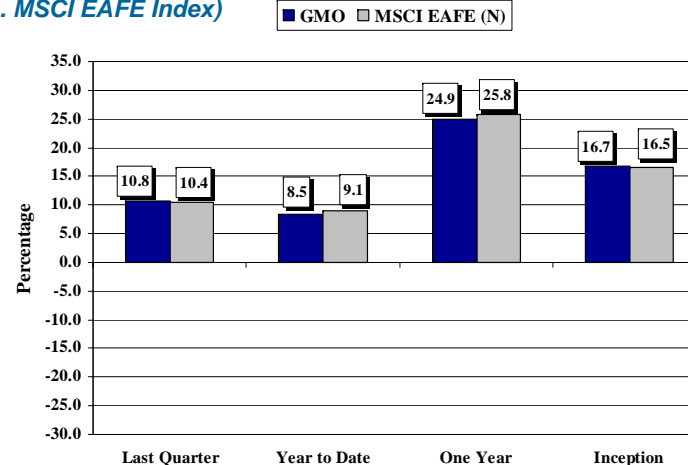
### University of Iowa -- Value Added

(Vs. MSCI EAFE Index)



### Iowa State University -- Value Added

(Vs. MSCI EAFE Index)



### Attribution

- GMO outperformed the benchmark by 0.37% in the third quarter.
- Stock selection in Japan was the primary contributor to the outperformance.
- Sector weighting within Japan and Germany also added value to the portfolio.

### Manager Overview

- **Style:** International Value Equity
- **Construction Process:** Valuation measures
- **Investment Philosophy:** Active - Bottom up
- **Selection Method:** Fundamental Earnings Forecast



## Fixed Income Composite Review

University of Iowa	\$'000	Investment Fee \$'000	Comp %	Qtr %	YTD %	1 Yr %	3 Yrs %	5 Yrs %	Inception %
Dodge & Cox Income Fund (3/31/04)	28,806	32	49.7%						
Gross of Fee Return				-0.1	1.8	3.1	--	--	2.6
Net of Fee Return				-0.2	1.4	2.6	--	--	2.2
<i>Lehman Aggregate</i>				-0.7	1.8	2.8	--	--	2.3
Reams Asset Mgm't (6/30/02)	29,196	22	50.3%						
Gross of Fee Return				0.2	2.3	3.5	4.4	--	4.4
Net of Fee Return				0.1	2.1	3.2	4.1	--	4.1
<i>Lehman Aggregate</i>				-0.7	1.8	2.8	4.0	--	4.0
<b>Fixed Income Composite (3/31/89)</b>	<b>58,002</b>	<b>54</b>	<b>100%</b>	<b>-0.1</b>	<b>1.7</b>	<b>2.8</b>	<b>3.8</b>	<b>6.1</b>	<b>7.7</b>
<i>Custom Policy**</i>				-0.7	1.8	2.8	4.0	6.6	7.9

\*\* 6/94 -- 6/01 100% Lehman Govt / Credit  
9/01 -- Present 100% Lehman Aggregate

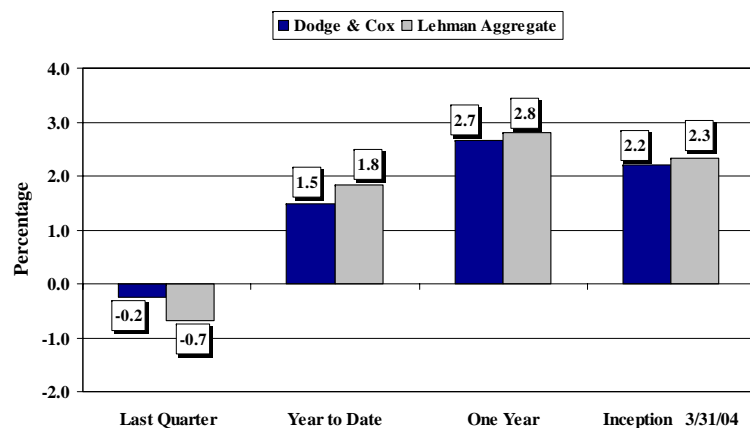
Iowa State University	\$'000	Investment Fee \$'000	Comp %	Qtr %	YTD %	1 Yr %	3 Yrs %	5 Yrs %	Inception %
Dodge & Cox Income Fund (3/31/04)	20,158	23	50.5%						
Gross of Fee Return				-0.1	1.8	3.1	--	--	2.6
Net of Fee Return				-0.2	1.5	2.7	--	--	2.2
<i>Lehman Aggregate</i>				-0.7	1.8	2.8	--	--	2.3
Reams Asset Mgm't (6/30/02)	19,748	15	49.5%						
Gross of Fee Return				0.0	2.4	3.5	4.5	--	4.5
Net of Fee Return				0.0	2.1	3.1	4.2	--	4.2
<i>Lehman Aggregate</i>				-0.7	1.8	2.8	4.0	--	4.0
<b>Fixed Income Composite (3/31/89)</b>	<b>39,906</b>	<b>38</b>	<b>100%</b>	<b>-0.2</b>	<b>1.6</b>	<b>2.7</b>	<b>3.8</b>	<b>6.1</b>	<b>7.1</b>
<i>Custom Policy**</i>				-0.7	1.8	2.8	4.0	6.6	7.9

\*\* 6/94 -- 6/01 100% Lehman Govt / Credit  
9/01 -- Present 100% Lehman Aggregate

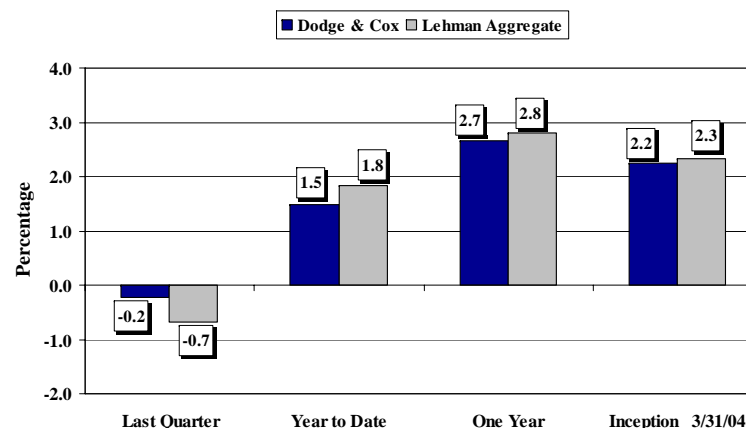


## Fixed Income Review – Dodge & Cox

### University of Iowa -- Value Added (Vs. Lehman Aggregate)



### Iowa State University -- Value Added (Vs. Lehman Aggregate)



### Attribution

- Dodge & Cox outperformed the benchmark by 0.44% in the third quarter.
- The quality of bonds within the portfolio is AA, versus the Lehman Aggregate's average quality of AAA.
- The portfolio has a duration of 3.30 years, versus the Lehman Aggregate's duration of 4.44 years.

### Manager Overview

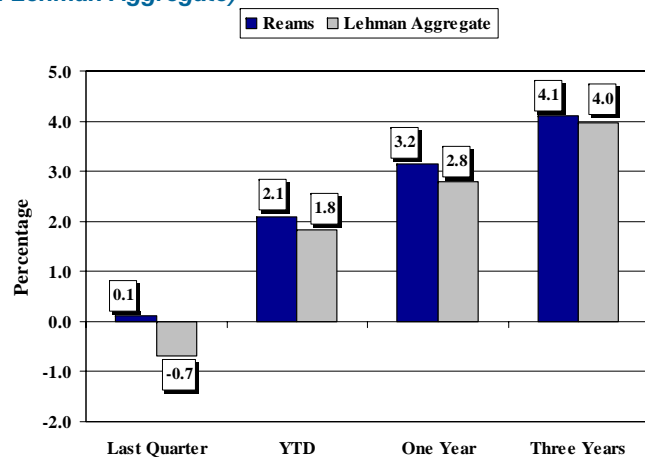
- **Style:** Market Core
- **Construction Process:** Build Portfolios with Higher Yield than Market Portfolio
- **Investment Philosophy:** Active - Bottom up
- **Selection Method:** Quantitative and Qualitative valuation



## Fixed Income Review -- Reams Asset Management

### University of Iowa -- Value Added

(Vs. Lehman Aggregate)

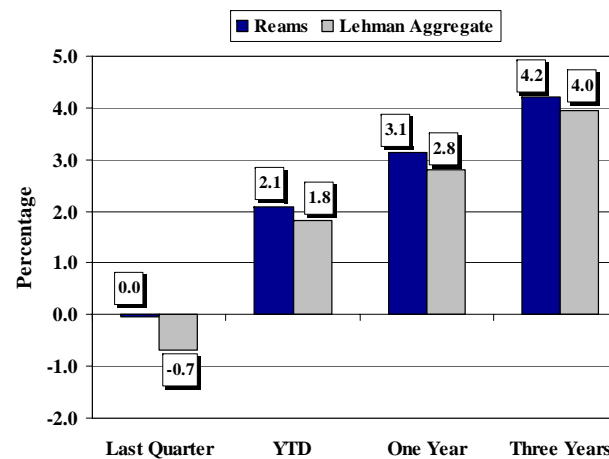


### Attribution

- Reams outperformed the benchmark by 0.80% in the third quarter.
- The average quality of bonds within the portfolio is AA, versus the Lehman Aggregate's average quality of AAA.
- The portfolio has a duration of 4.38 years, versus the Lehman Aggregate's duration of 4.44 years.

### Iowa State University -- Value Added

(Vs. Lehman Aggregate)



### Manager Overview

- **Style:** Market Core
- **Construction Process:** Optimization
- **Investment Philosophy:** Active - Bottom up
- **Selection Method:** Quantitative and Qualitative valuation

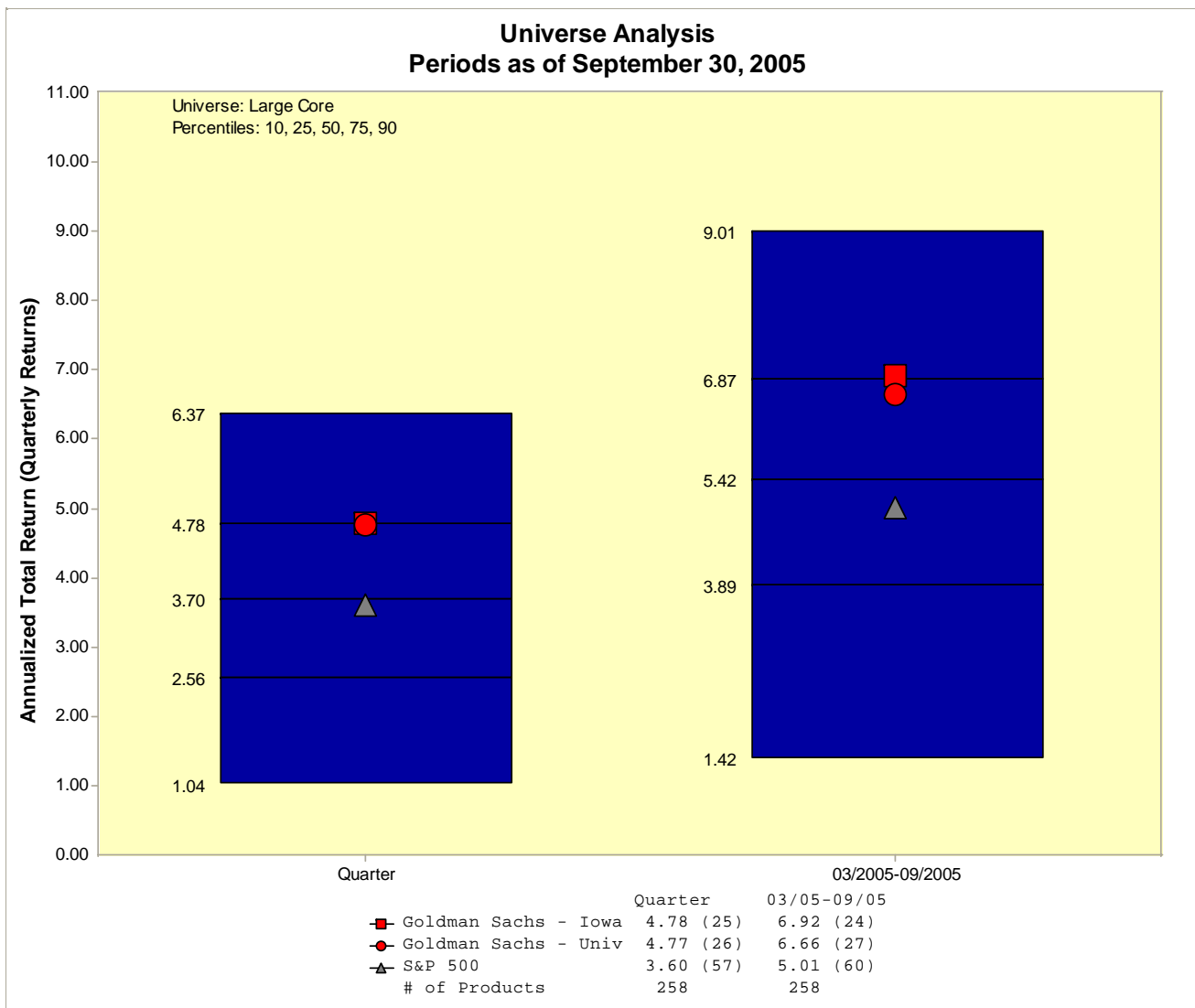
# Appendix

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Manager Detail



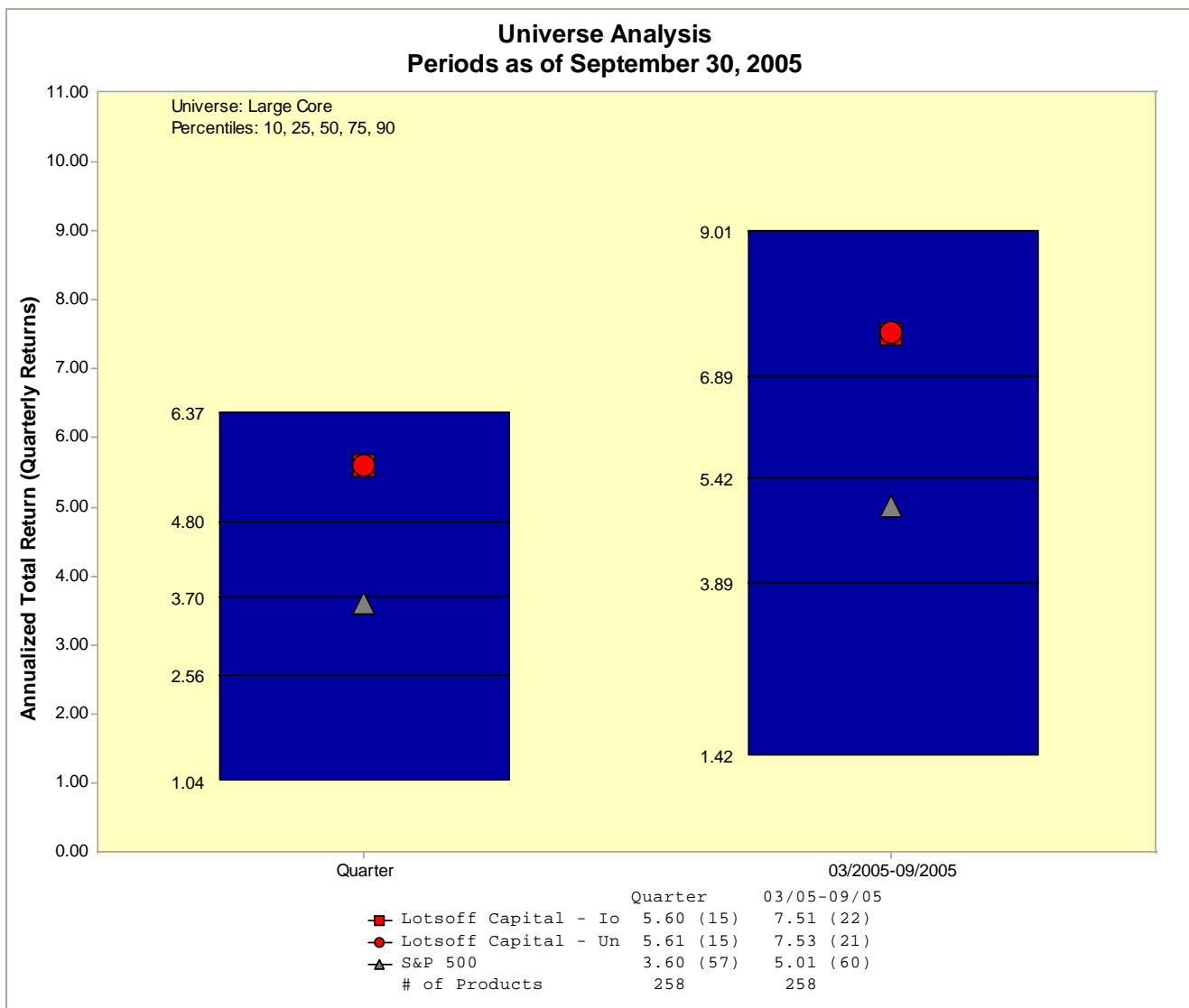
# Domestic Equity Manager Detail – Goldman Sachs





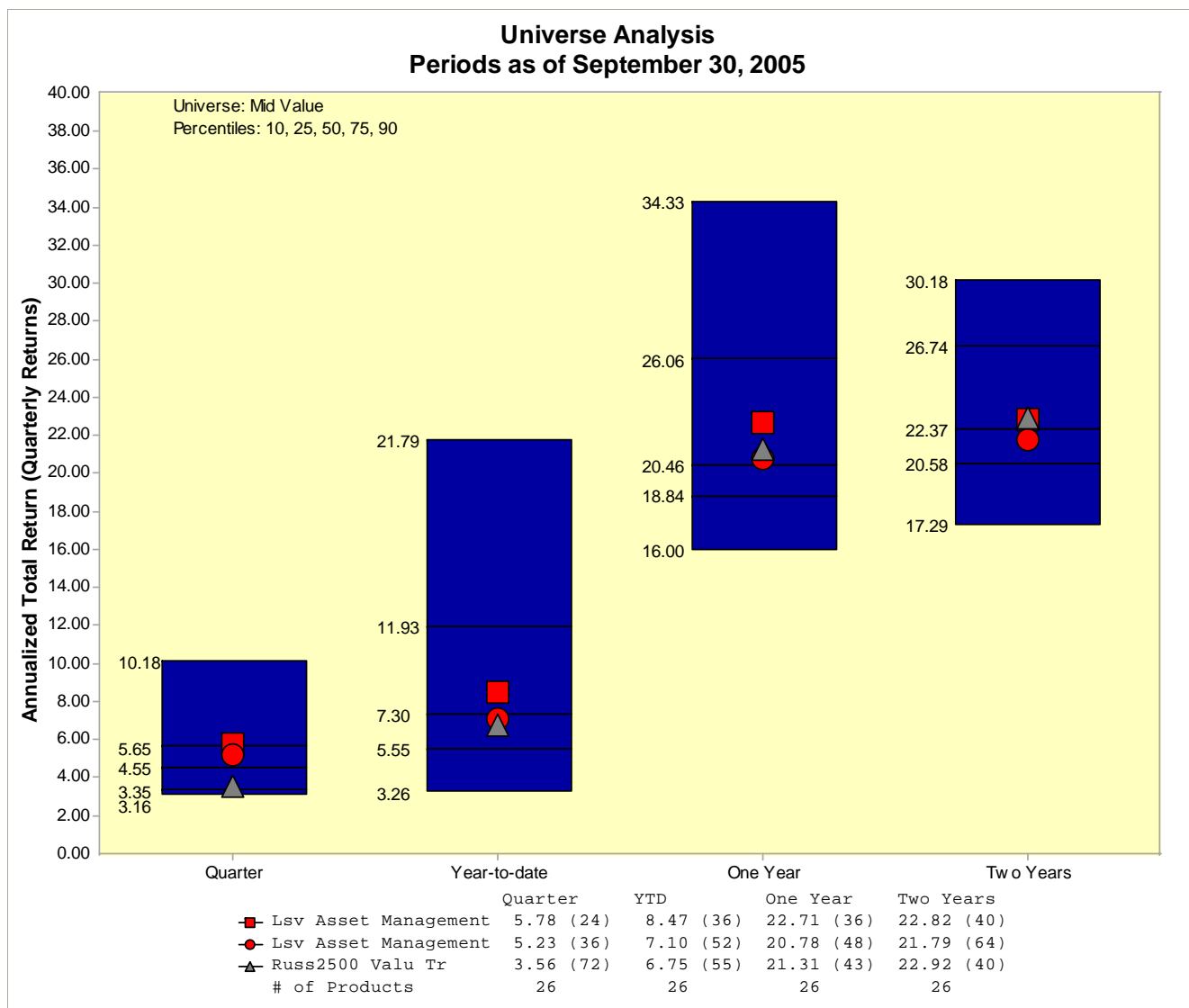


# Domestic Equity Manager Detail – Lotsoff



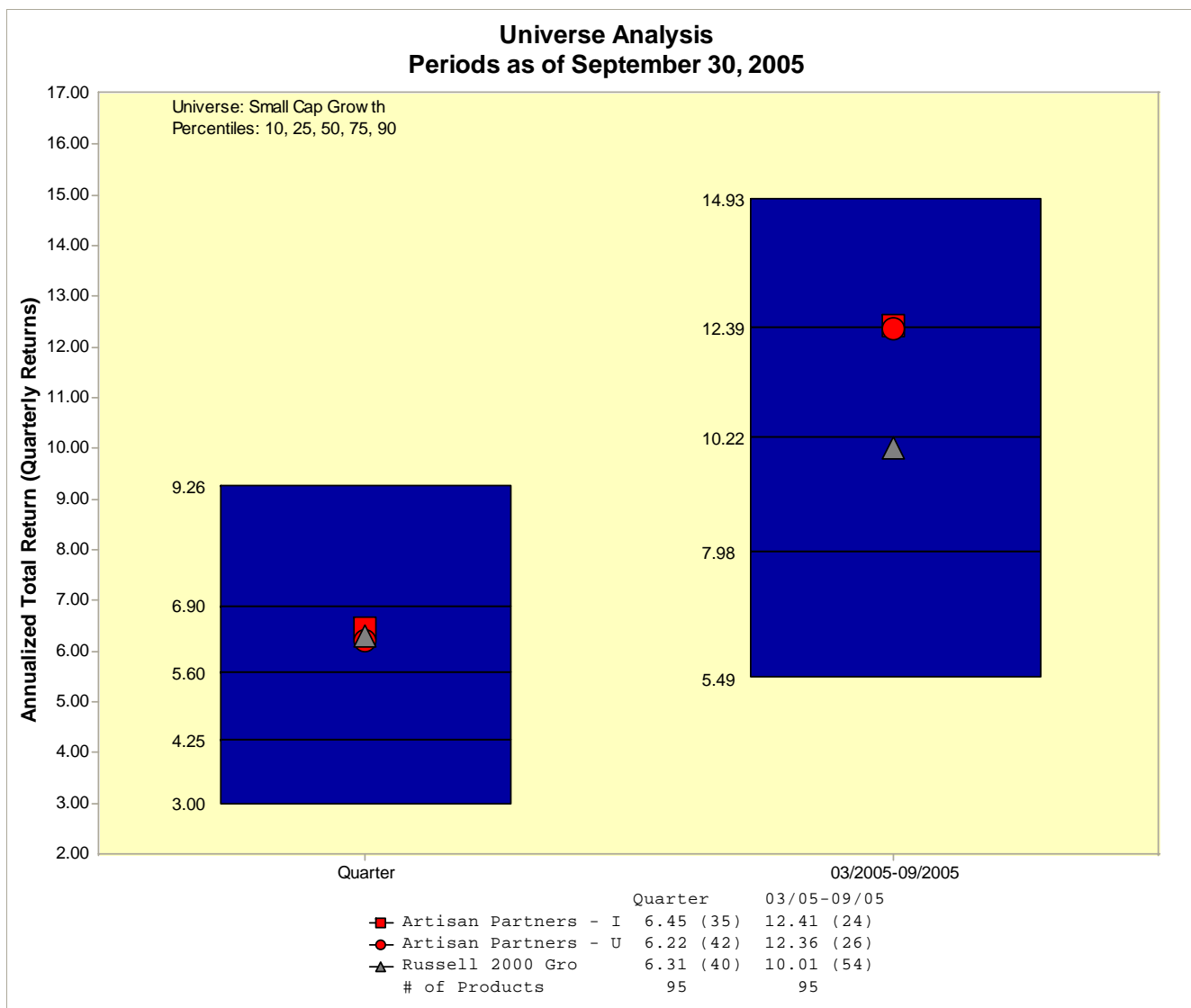


# Domestic Equity Manager Detail - LSV Asset Management



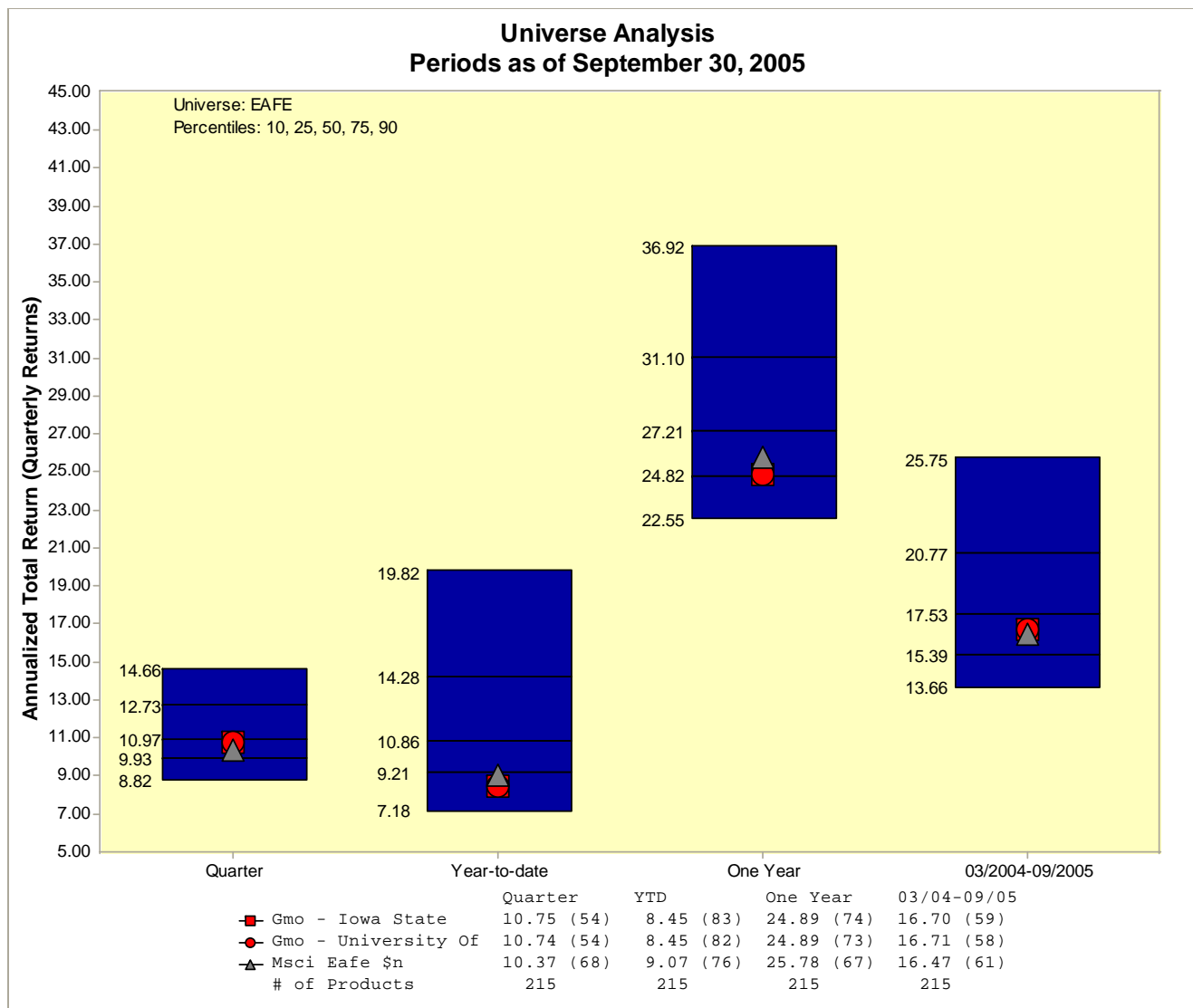


# Domestic Equity Manager Detail - Artisan

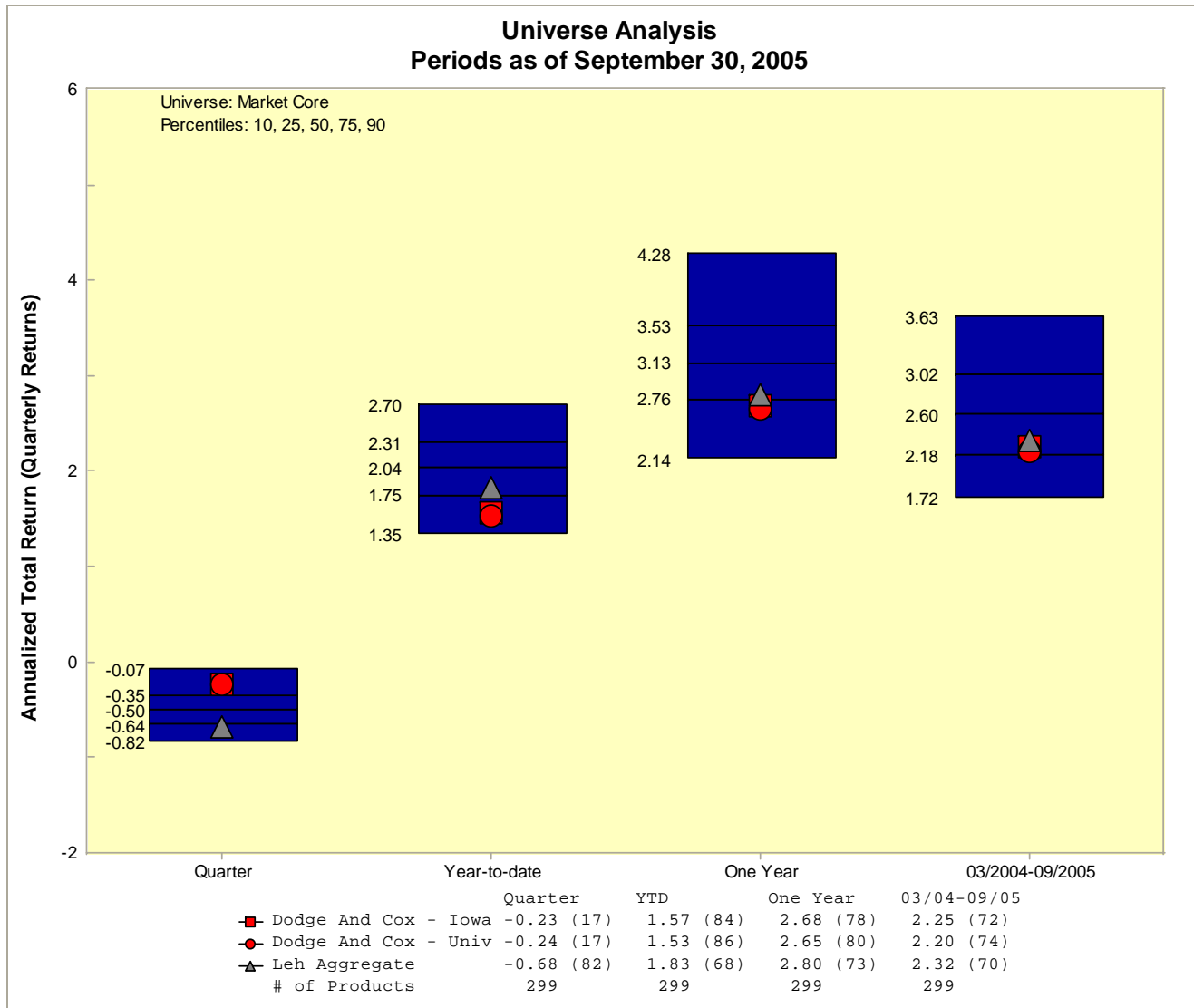




# International Equity Manager Detail - GMO



# Fixed Income Manager Detail – Dodge & Cox





# Fixed Income Manager Detail – Reams Asset Management

