



Board of Regents, State of Iowa

Executive Summary of Investment Performance
Quarter Ending September 30, 2006



Board of Regents, State of Iowa

Market Review

Market Observations

After 17 consecutive ¼ point rate hikes, the Federal Reserve paused during the third quarter, leaving rates unchanged at 5.25%. During the second quarter, GDP growth slowed to 2.6% compared with growth of 5.6% in the first quarter. This rapid deceleration prompted concerns by some of a looming U.S. recession and contributed to the Fed's decision to hold rates steady. Oil prices remained volatile during the quarter, reaching an all-time high near \$78 per barrel in early August before selling off sharply to half-year lows near \$60 as the quarter ended.

Inflation data was mixed during the quarter. Signs of slowing productivity in the second quarter coupled with rising labor costs created inflationary pressures. The annual change in Core CPI rose to 2.8% in August, up from 2.4% in May. Conversely, Core PPI painted a more benign inflationary picture with an annual change of 0.9%, down from 1.9% in June. The bond market's long-term breakeven inflation forecast mirrored this sentiment. The spread between the 10-year TIPS and the 10-year nominal bond narrowed 27 basis points from 2.70% on August 8th, the day of the Fed's first rate pause, to 2.43% at quarter's end.

Job growth remained moderate with a monthly average of 128,000 jobs created from June through August. The unemployment rate stood at 4.7% in August. Finally, the housing market showed more signs of a significant slowdown, with housing starts off 6% in August, the 5th decline in 6 months.

US Stock Market

After a nearly 2% sell-off in the second quarter, the U.S. equity market rebounded strongly during the 3rd quarter (DJW 5000 4.47%). Despite geopolitical uncertainty, some signs of rising core inflation, and a rapidly slowing housing market, equities rallied on the Fed's decision to halt its 2-year rate tightening campaign. The previously mentioned pullback in oil prices also helped lift stock prices. As would be expected, interest sensitive stocks benefited from the Fed's decision to hold rates steady, with the DJW REIT index up 9.1%, while lower oil prices triggered investors to take profits in energy stocks, bringing the Oil & Gas industry group down -2.8% in the quarter.

Large capitalization stocks outpaced smaller stocks during the quarter with the DJW Large Cap index up 5.26% versus sell-offs of -0.16% and -1.67% for the DJW Small and Micro Cap indexes, respectively. The relative strength of large caps drove their returns for the year above those of small caps (8.11% vs. 7.64%). Value stocks dominated growth stocks across the capitalization spectrum. The DJW Large Value index was up 7.19% compared to a 3.18% advance for the Large Growth index, while the Small Value index increased by 1.17% versus a decline of -1.59% for the DJW Small Growth index.

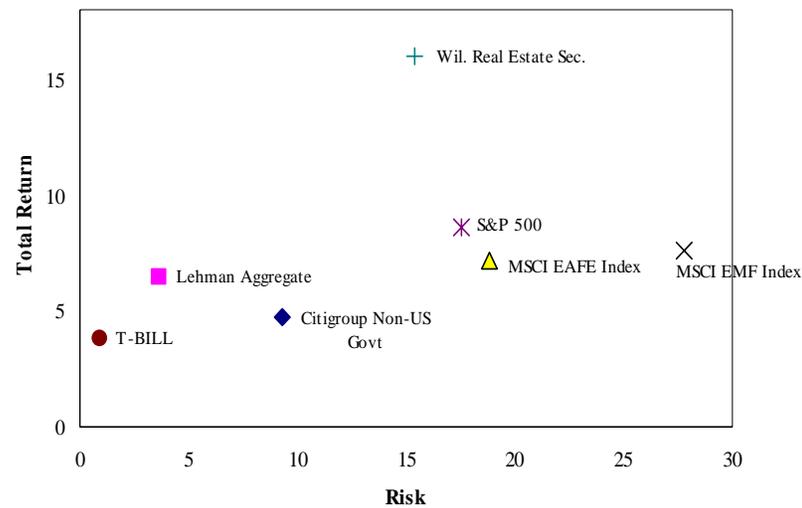
Telecom, Health Care, and Information Technology were the best performing sectors during the 3rd quarter. Materials, Industrials, and Energy were the only sectors to post negative returns; down -1.0%, -1.5%, and -3.6% respectively.

Capital Markets Review

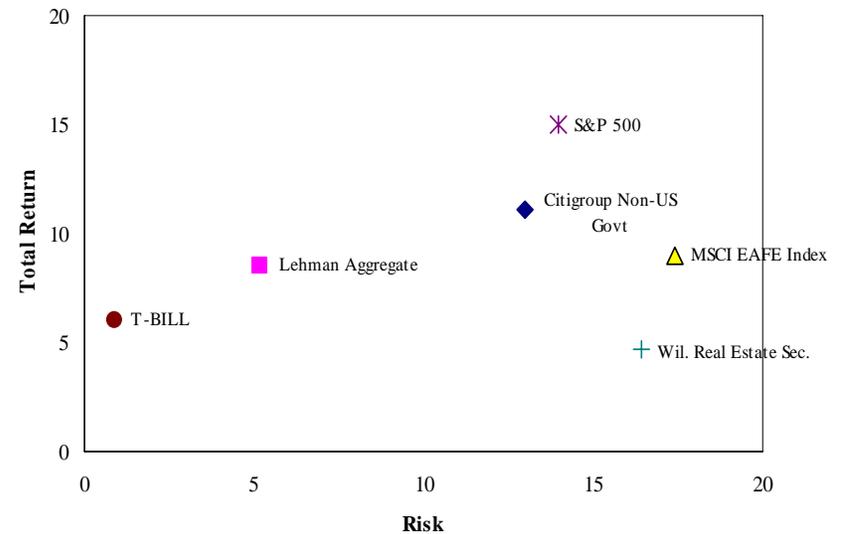
Major Asset Class Returns (%)

	QTR	YTD	1 yr	3 yr	5 yr	10yr
Equity						
Dow Jones - Wilshire 5000	4.5	8.0	10.4	13.3	8.6	8.6
Standard and Poor's 500	5.7	8.5	10.8	12.3	7.0	8.6
International Stock (MSCI EAFE)(USD)	3.9	14.5	19.2	22.3	14.3	6.8
Emerging Markets (MSCI EMF)(USD)	5.0	12.7	20.8	31.0	28.9	7.6
Dow Jones - Wilshire Real Estate Securities	9.1	24.6	28.3	27.8	23.2	16.0
Fixed Income						
Lehman Aggregate Bond	3.8	3.1	3.7	3.4	4.8	6.4
First Boston High Yield	3.5	7.2	7.8	9.1	11.3	7.1
International Bonds (Citigroup Non-US)	0.9	4.8	2.0	4.4	8.2	4.7
Treasury Bills (91 Day)	1.3	3.5	4.5	2.7	2.3	3.8
Consumer Price Index						
	0.0	3.1	2.1	3.1	2.6	2.5

Risk versus Return (9/30/96 - 9/30/06)



Risk versus Return (9/30/86 - 9/30/96)



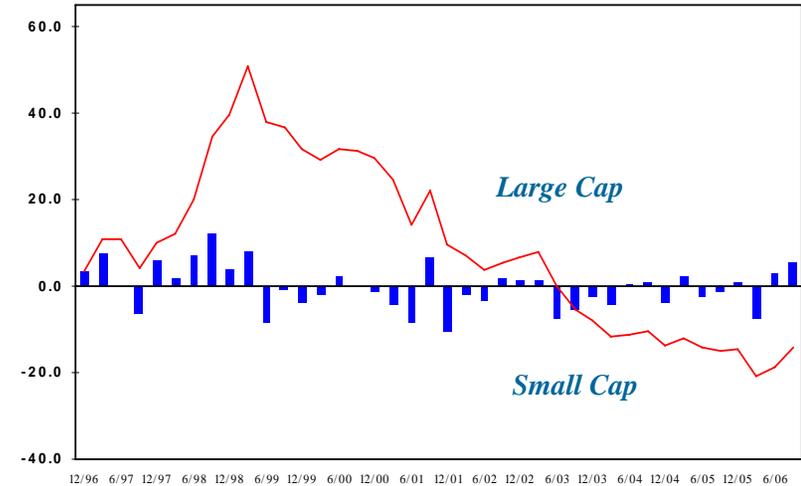
(Periods Ending September 30, 2006)

Domestic Equity Markets

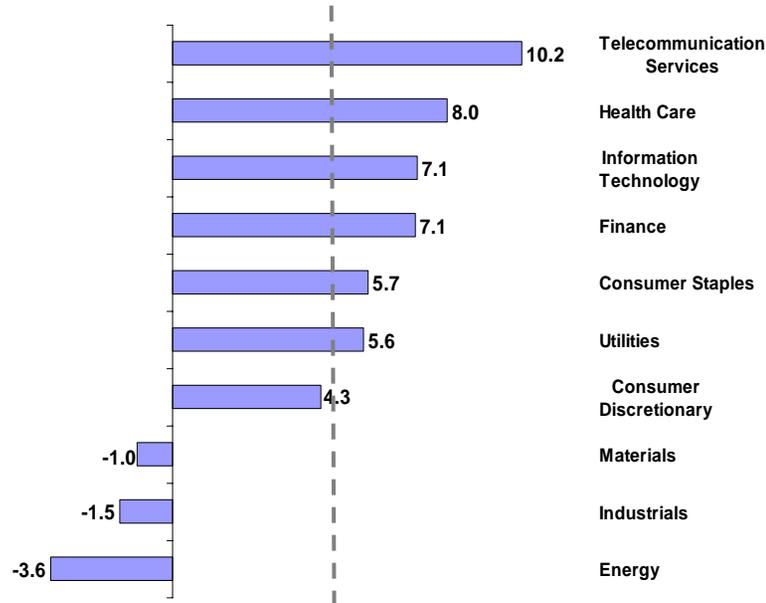
US Equity Returns (%)

	QTR	YTD	1 yr	3 yr	5 yr	10yr
DJ Wilshire 4500	0.2	5.7	8.6	16.0	14.2	9.1
DJ Wilshire 5000	4.5	8.0	10.4	13.3	8.6	8.6
DJ Wilshire Real Est. Secs	9.1	24.6	28.3	27.8	23.2	16.0
DJ Wilshire Large Cap	5.3	8.1	10.6	12.9	7.7	8.6
DJ Wilshire Mid Cap	0.1	4.6	7.1	16.1	13.6	10.8
DJ Wilshire Small Cap	-0.2	7.6	9.4	16.6	15.6	10.3
DJ Wilshire Micro Cap	-1.7	4.8	5.5	13.2	21.1	13.3
DJ Wilshire Large Growth	3.2	2.8	6.0	9.9	5.5	6.3
DJ Wilshire Large Value	7.2	13.2	15.0	15.7	10.0	10.5
DJ Wilshire Mid Growth	-0.9	2.7	6.9	17.0	14.0	7.1
DJ Wilshire Mid Value	1.3	6.7	7.7	15.1	13.0	13.0
DJ Wilshire Small Growth	-1.6	4.8	7.4	15.6	14.1	6.4
DJ Wilshire Small Value	1.2	10.4	11.3	17.5	16.9	13.4

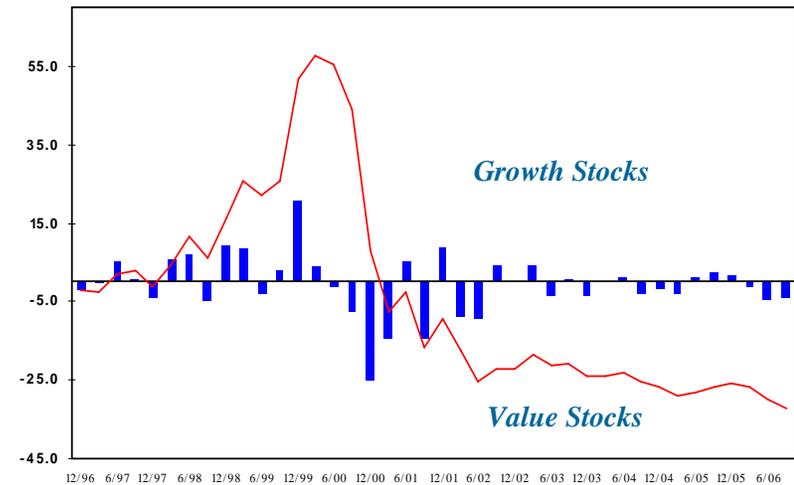
Large Cap Vs. Small Cap



DJ Wilshire 5000 Sector Returns (%)



Growth Stocks Vs. Value Stocks



--- Represents DJ Wilshire 5000 Quarterly Return

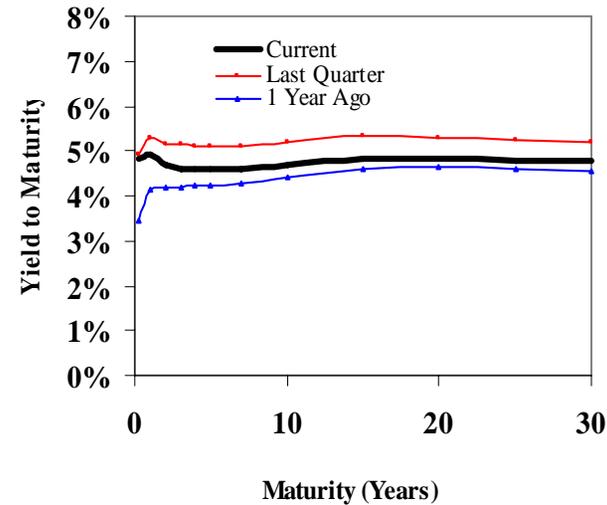
(Periods Ending September 30, 2006)

Domestic Fixed Income Markets

US Fixed Income Returns (%)

	QTR	YTD	1 yr	3 yr	5 yr	10yr
Lehman Aggregate	3.8	3.1	3.7	3.4	4.8	6.4
Lehman ABS	2.9	3.6	4.2	3.0	4.2	6.1
Lehman Credit	4.5	2.9	3.4	3.5	5.8	6.8
Lehman Gov't	3.5	2.6	3.3	2.8	4.3	6.2
Lehman Gov / Credit	3.9	2.7	3.3	3.1	5.0	6.5
Lehman Long Treasury	6.4	1.4	2.4	4.7	6.4	8.1
Lehman Mortgage	3.6	3.6	4.2	3.9	4.5	6.3
Lehman Agency	3.2	3.2	3.8	2.9	4.4	6.3
First Boston High Yield	3.5	7.2	7.8	9.1	11.3	7.1
Salomon Bros World Gov't Bond	1.4	4.2	2.2	4.1	7.3	5.3
Salomon Bros Non-US Bond	0.9	4.8	2.0	4.4	8.2	4.7
Lehman US TIPS	3.6	1.8	1.9	4.9	7.3	

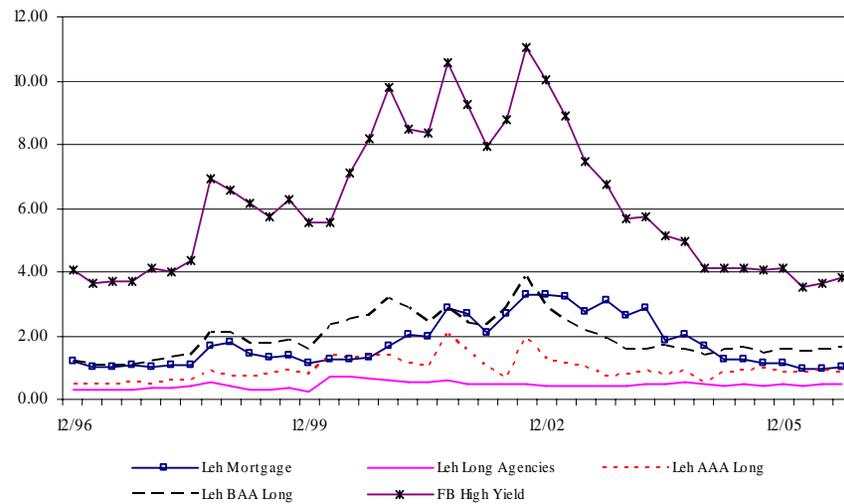
Treasury Yield Curve



Market Commentary

Following the Fed decision to pause its Federal Funds rate tightening cycle during the 3rd quarter, trading on the 10-year Note has surprised many investors as its yield decreased by 52 basis points from 5.14% to 4.62%. Over the same time period the yield curve's inversion has become more pronounced as the spread between the 10-year Note and the 91-day T-Bill closed the quarter at -0.12%. There is some debate about whether the Fed will be successful in managing a "soft landing" for the U.S. economy, as there is historical precedence for sustained periods of yield inversion leading to recession.

Historical Yield Spread Comparison to Treasuries



International Equity Markets

International Index Returns (%)

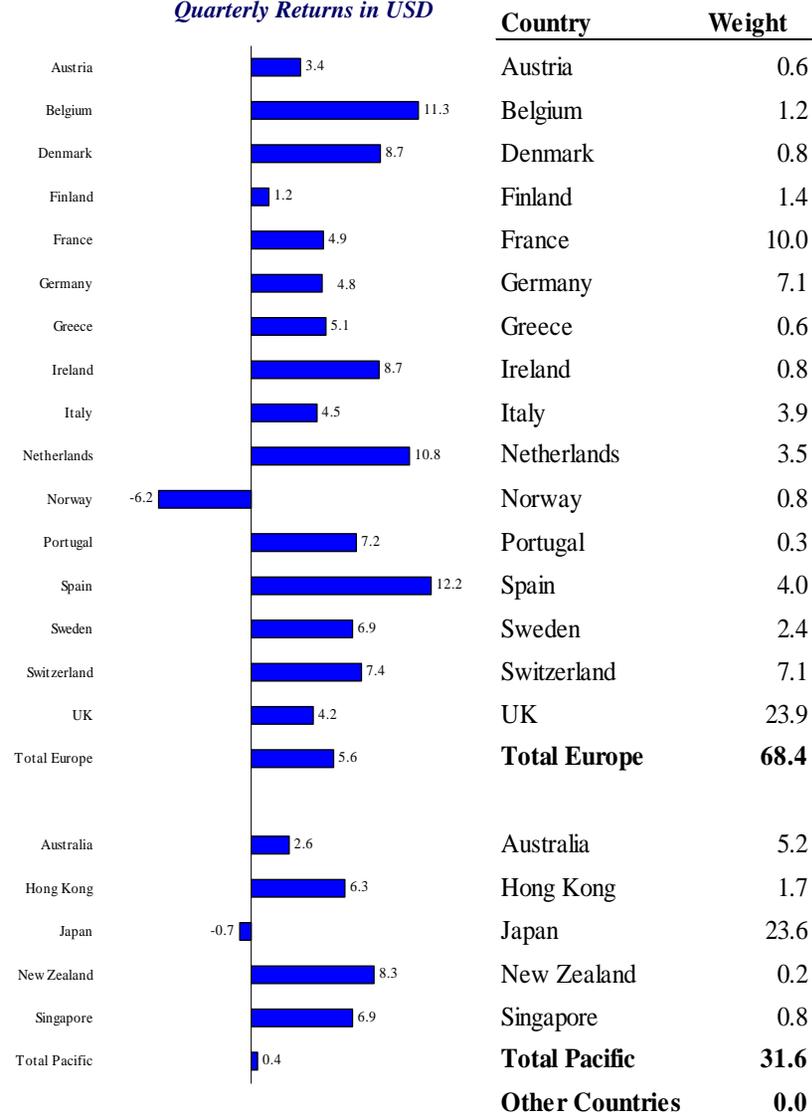
Equity (in U.S. \$)	QTR	YTD	1 yr	3 yr	5 yr	10yr
Non U.S. (ACWI X U.S)	4.0	14.3	19.4	23.9	16.4	7.6
Developed (EAFE)	3.9	14.5	19.2	22.3	14.3	6.8
Emerging (EMF)	5.0	12.7	20.8	31.0	28.9	7.6
Europe	5.6	20.0	22.3	24.1	14.6	10.3
Pacific	0.4	4.0	12.9	18.5	13.6	1.7
France	4.9	21.7	22.5	24.7	14.3	11.2
Germany	4.8	18.9	24.2	25.9	14.2	8.0
Japan	-0.7	1.2	13.2	16.8	11.0	0.4
United Kingdom	4.2	18.4	18.7	21.6	12.7	9.2
Currencies (% change)						
Euro vs Dollar	-0.9	7.4	5.1	2.8	6.8	--
Yen vs Dollar	-3.2	0.0	-4.0	-1.8	0.2	-0.6
Pound vs Dollar	1.0	8.8	5.6	4.0	4.9	1.8

Market Commentary

The U.S. equity market was not alone during its summer rally as most of the non-U.S. equity market also charged ahead. Non-U.S. equities were led by Europe and the emerging markets which posted third quarter gains of 5.63% and 5.01%, respectively, in USD. The strengthening U.S. dollar had a hampering effect on the markets, particularly on Japanese equities where 3.18% was lost due to currency movement. Two main events slightly rattled some parts of the emerging markets: the military coup d'etat that took place in Thailand and the continued protests in Hungary which called for the resignation of Prime Minister Gyurcsany. The Thai baht declined by more than 1.3% against the dollar the day news broke of the coup while its local equity markets sustained a minor sell-off. But after the events settled, local markets gained some traction and the slippage in equity prices and the local currency were minimal.

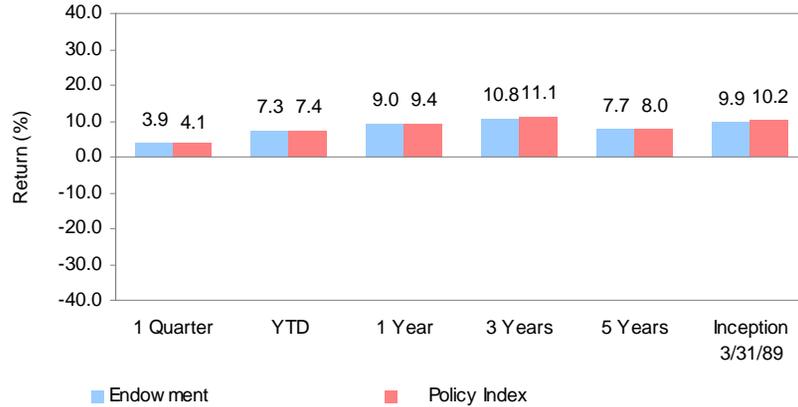
MSCI EAFE Index

Quarterly Returns in USD

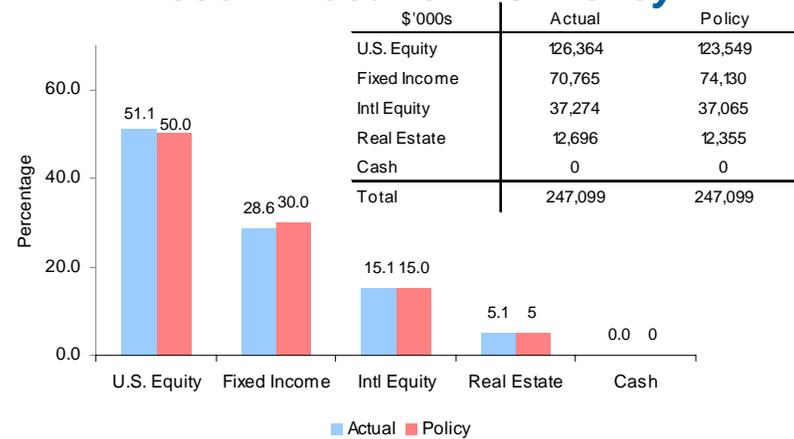


Total Fund Results

Investment Performance



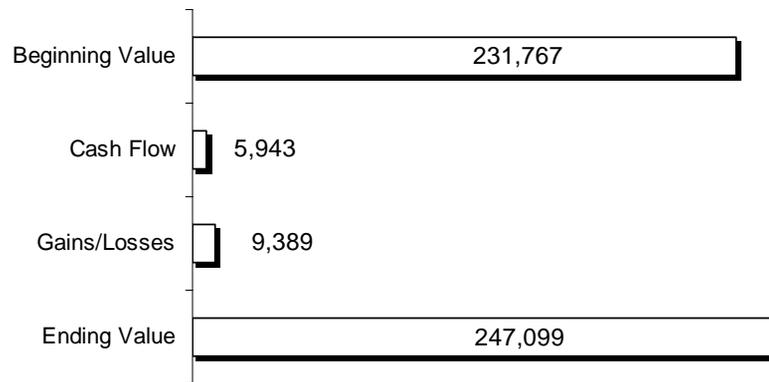
Asset Allocation vs. Policy



\$'000s	Actual	Policy
U.S. Equity	126,364	123,549
Fixed Income	70,765	74,130
Intl Equity	37,274	37,065
Real Estate	12,696	12,355
Cash	0	0
Total	247,099	247,099

Quarter Results

(\$'000)



- The University of Iowa Endowment assets totaled \$247.1 million at the close of the third quarter
- During the quarter, investment gains totaled \$9.4 million
- Contributions totaled \$6.4 million
- Distributions and fees totaled \$0.4 million.
- The Endowment fund returned 3.85% for the third quarter, underperforming the benchmark by 0.29%.

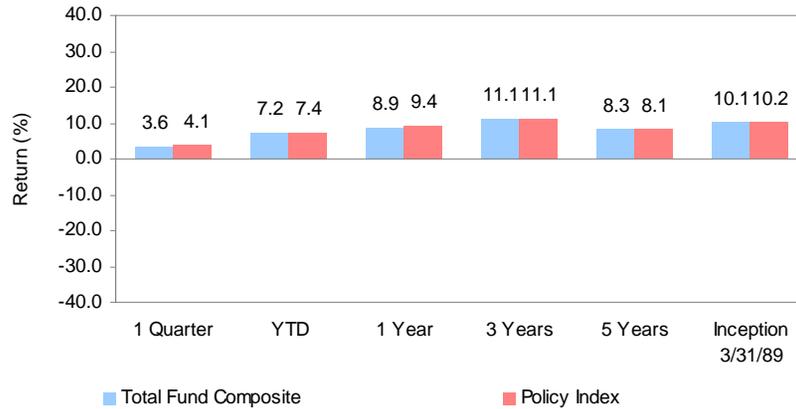
(Periods Ending September 30, 2006)

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

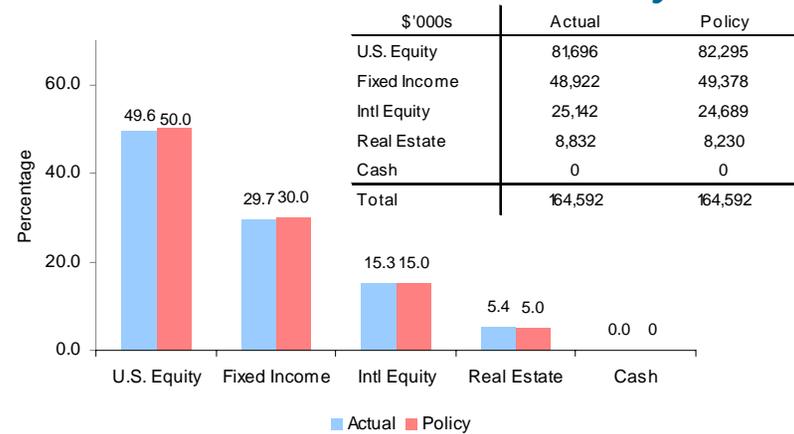
Total Fund Results

Iowa State University

Investment Performance



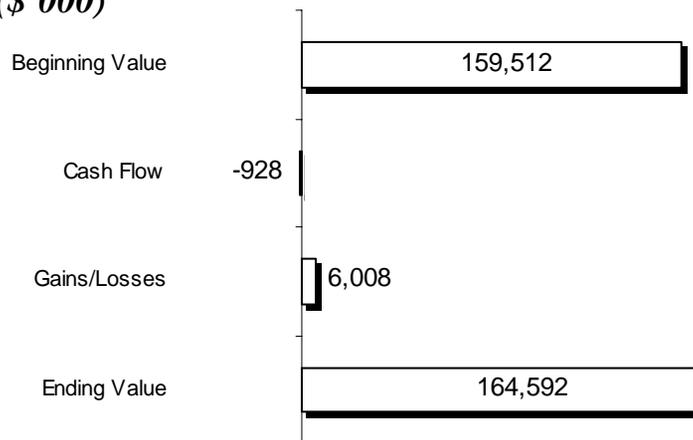
Asset Allocation vs. Policy



\$'000s	Actual	Policy
U.S. Equity	81,696	82,295
Fixed Income	48,922	49,378
Intl Equity	25,142	24,689
Real Estate	8,832	8,230
Cash	0	0
Total	164,592	164,592

Quarter Results

(\$'000)



- The Iowa State Endowment assets totaled \$164.6 million at the close of the third quarter
- During the quarter, investment gains totaled \$6.0 million
- Total contributions were \$0.3 million
- Total fees and distributions were \$1.25 million
- The Endowment fund returned 3.64% for the third quarter, underperforming the benchmark by 0.50%

(Periods Ending September 30, 2006)

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

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>	126,364	4.0 4.5	7.1 8.0	9.0 10.4	12.5 13.3	6.8 8.6	11.4 11.3
Fixed Income Composite (3/31/89) <i>Custom Policy*</i>	70,765	3.5 3.8	3.4 3.1	3.9 3.7	3.5 3.4	4.5 4.8	7.5 7.6
Int'l Equity Composite (9/30/94) <i>MSCI EAFE (N)</i>	37,274	4.4 3.9	14.9 14.5	20.4 19.2	23.1 22.3	17.5 14.3	8.0 6.9
Real Estate Composite (12/31/05) <i>NCREIF Property Index</i>	12,696	3.1 3.5	15.7 11.6	-- --	-- --	-- --	15.7 11.6
Total Endowment (3/31/89) <i>Policy Index**</i>	247,099	3.9 4.1	7.3 7.4	9.0 9.4	10.8 11.1	7.7 8.0	9.9 10.2

Iowa State

	\$'000	Qtr %	YTD %	1 Yr %	3 Yrs %	5 Yrs %	Inception %
Domestic Equity Composite (3/31/89) <i>Wilshire 5000</i>	81,696	3.6 4.5	6.6 8.0	8.4 10.4	12.5 13.3	6.7 8.6	11.2 11.3
Fixed Composite (3/31/89) <i>Custom Policy*</i>	48,922	3.5 3.8	3.5 3.1	3.9 3.7	3.6 3.4	4.5 4.8	6.9 7.6
Int'l Equity Composite (9/30/94) <i>MSCI EAFE (N)</i>	25,142	4.4 3.9	14.9 14.5	20.4 19.2	22.7 22.3	16.8 14.3	7.7 6.9
Real Estate Composite (12/31/05) <i>NCREIF Property Index</i>	8,832	3.1 3.5	15.7 11.6	-- --	-- --	-- --	15.7 11.6
Total Endowment (3/31/89) <i>Policy Index**</i>	164,592	3.6 4.1	7.2 7.4	8.9 9.4	11.1 11.1	8.3 8.1	10.1 10.2

* 9/98 -- 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 -- 3/06 63% Wilshire 5000 30% Lehman Aggregate 7% MSCI EAFE (n)
 6/06 -- Present 50% Wilshire 5000 30% Lehman Aggregate 15% MSCI EAFE (n) 5% NCREIF Property Index

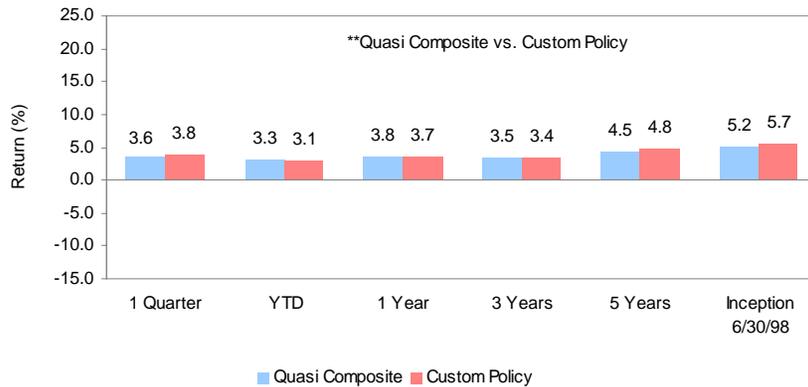
(Periods Ending September 30, 2006)

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

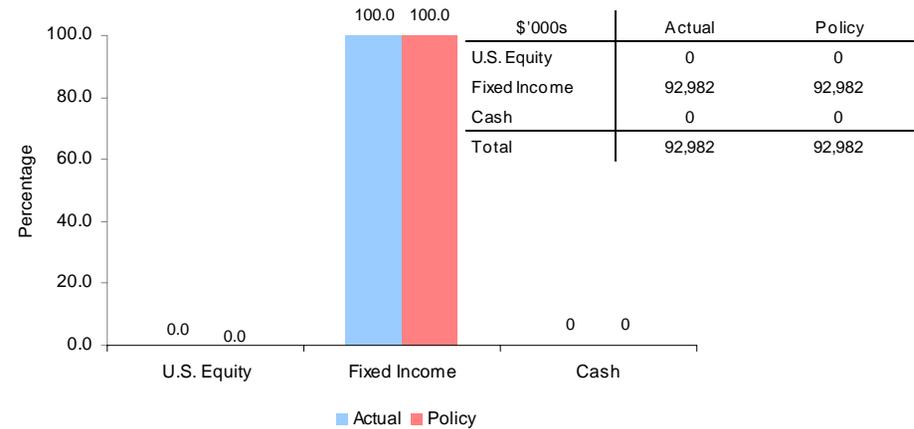
Total Fund Results

University of Iowa Quasi

Investment Performance

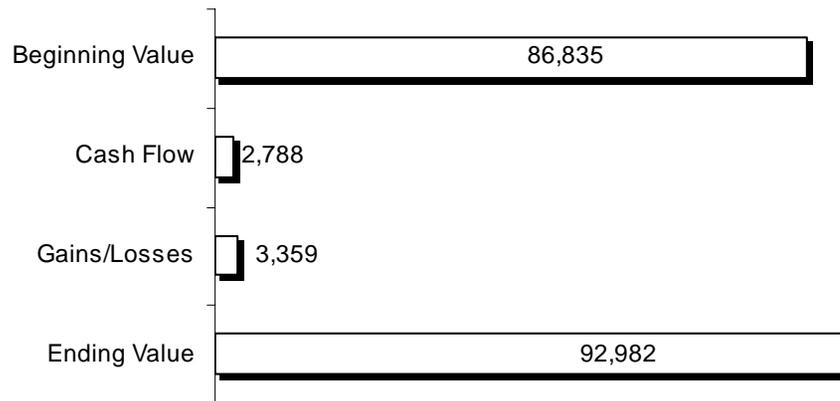


Asset Allocation vs. Policy



Quarter Results

(\$'000)



- The Quasi Endowment portfolio returned 3.62% during the third quarter, underperforming the benchmark by 0.19%
- The Quasi total fund has total assets of \$93.0 million
- Total contributions totaled \$4.0 million
- Total distributions and fees totaled \$1.2 million
- The Quasi fund had investment gain of \$3.4 million

(Periods Ending September 30, 2006)

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

Quasi Endowment Review

	\$'000	Investment Fee \$'000	Comp %	Qtr %	YTD %	1 Yr %	3 Yrs %	5 Yrs %	Inception %
Dodge & Cox (3/31/04)	48,712	55	52.4%						
Gross of Fee Return				3.5	3.8	4.4	--	--	3.3
Net of Fee Return				3.4	3.4	4.0	--	--	2.9
<i>Lehman Aggregate</i>				3.8	3.1	3.7	--	--	2.9
Reams Asset Management Quasi (9/30/01)	44,270	27	47.6%						
Gross of Fee Return				3.9	3.4	3.8	4.0	4.6	4.6
Net of Fee Return				3.8	3.2	3.5	3.7	4.4	4.4
<i>Lehman Aggregate</i>				3.8	3.1	3.7	3.4	4.8	4.8
Quasi Composite (6/30/98)	92,982	82	100%	3.6	3.3	3.8	3.5	4.5	5.2
<i>Custom Policy**</i>				3.8	3.1	3.7	3.4	4.8	5.7

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

(Periods Ending September 30, 2006)

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

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)	51,805	0	41.0%						
Gross of Fee Return				5.8	9.6	13.0	--	--	13.4
Net of Fee Return				5.8	9.3	12.6	--	--	13.0
S&P 500				5.7	8.5	10.8	--	--	10.6
Lotsff Large Cap Equity (3/31/05)	50,953	41	40.3%						
Gross of Fee Return				4.7	7.0	9.0	--	--	11.3
Net of Fee Return				4.6	6.7	8.6	--	--	10.9
S&P 500				5.7	8.5	10.8	--	--	10.6
LSV Asset Mgm't (6/30/02)	11,993	21	9.5%						
Gross of Fee Return				-0.5	5.4	5.0	16.5	--	12.0
Net of Fee Return				-0.7	4.8	4.3	15.7	--	11.4
Russell 2500 Value				2.3	10.1	11.1	18.9	--	14.8
Artisan Small Cap Growth (3/31/05)	11,613	33	9.2%						
Gross of Fee Return				-1.1	1.9	2.0	--	--	9.9
Net of Fee Return				-1.4	1.0	0.9	--	--	8.8
Russell 2000 Growth				-1.8	4.2	5.9	--	--	10.7
Domestic Equity Composite (3/31/89)	126,364	95	100.0%	4.0	7.1	9.0	12.5	6.8	11.4
Wilshire 5000				4.5	8.0	10.4	13.3	8.6	11.3

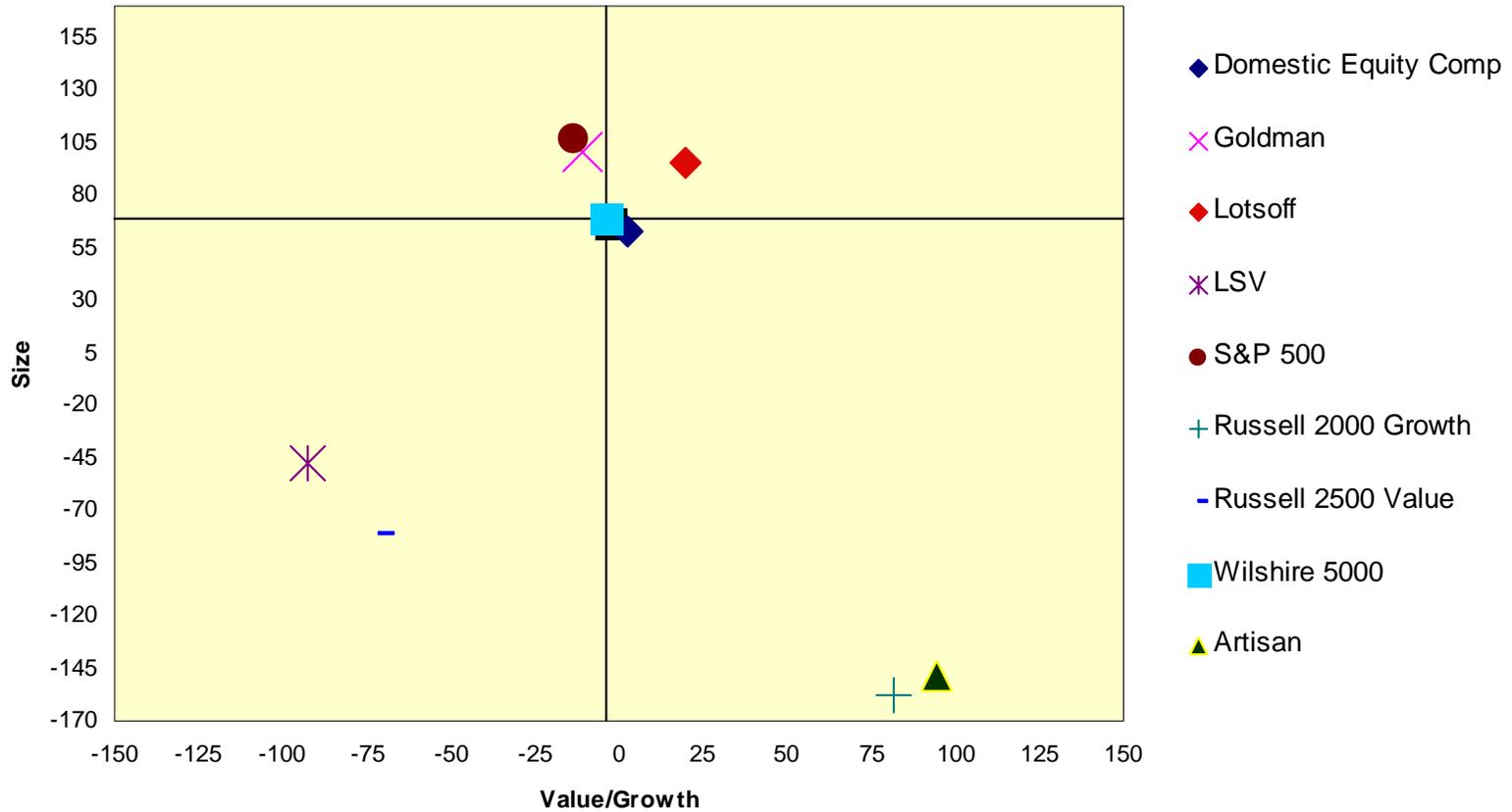
Manager Returns – Iowa State University

Iowa State University	\$'000	Investment Fee \$'000	Comp %	Qtr %	YTD %	1 Year %	3 Years %	5 Years %	Inception %
Goldman Sachs Large Cap (3/31/05)	32,377	34	39.6%						
Gross of Fee Return				5.4	8.6	11.9	--	--	12.9
Net of Fee Return				5.3	8.3	11.5	--	--	12.4
S&P 500				5.7	8.5	10.8	--	--	10.6
Lotsff Large Cap Equity (3/31/05)	31,865	28	39.0%						
Gross of Fee Return				4.6	7.0	9.0	--	--	11.3
Net of Fee Return				4.5	6.7	8.6	--	--	10.9
S&P 500				5.7	8.5	10.8	--	--	10.6
LSV Asset Mgmt (6/30/02)	8,583	15	10.5%						
Gross of Fee Return				-0.7	5.9	5.0	17.1	--	12.5
Net of Fee Return				-0.9	5.4	4.2	16.3	--	11.8
Russell 2500 Value				2.3	10.1	11.1	18.9	--	14.8
Artisan Small Cap Growth (3/31/05)	8,871	25	11%						
Gross of Fee Return				-1.1	1.9	2.0	--	--	9.7
Net of Fee Return				-1.4	1.1	0.9	--	--	8.7
Russell 2000 Growth				-1.8	4.2	5.9	--	--	10.7
Domestic Equity Composite (3/31/89)	81,696	102	100.0%	3.6	6.6	8.4	12.5	6.7	11.2
Wilshire 5000				4.5	8.0	10.4	13.3	8.6	11.3

(Periods Ending September 30, 2006)

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

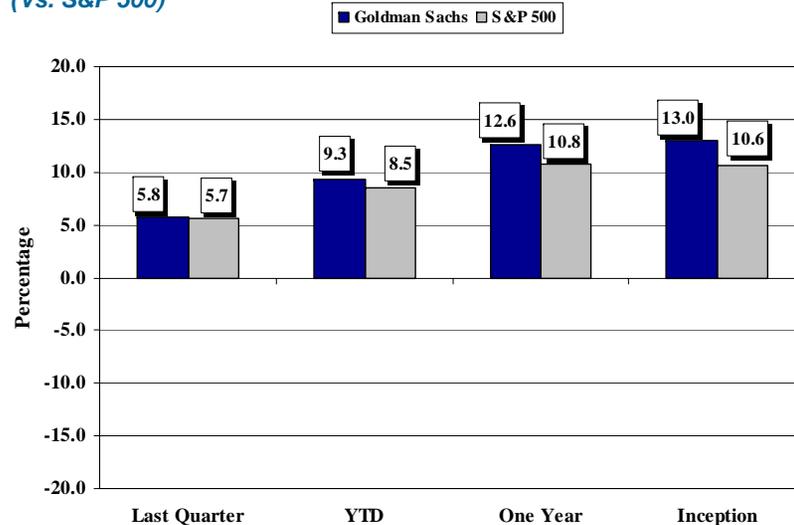
Domestic Equity Composite Review



(Periods Ending September 30, 2006)

Domestic Equity Review – Goldman Sachs

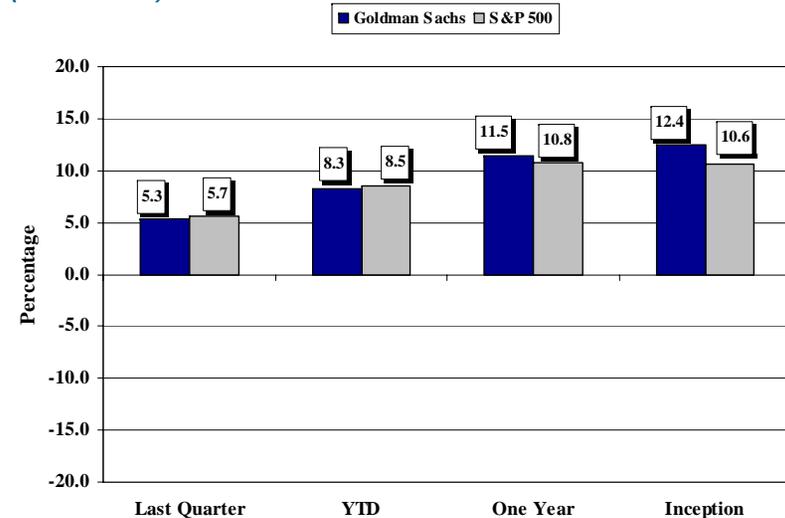
University of Iowa -- Value Added
(Vs. S&P 500)



Attribution

- Stock selection within the Health Care, Consumer Staples, and Industrial sectors added value to the portfolio during the third quarter
- Stock selection within the Financials and Consumer Discretionary sectors detracted from the value of the portfolio
- The disparity between the two portfolio's returns can be attributed to the timing of the University of Iowa's cash flow into its Goldman Sachs's portfolio

Iowa State University -- Value Added
(Vs. S&P 500)



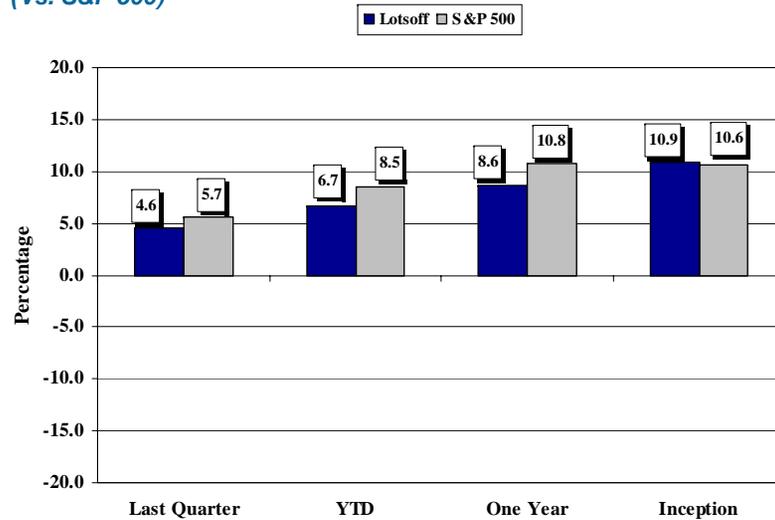
Manager Overview

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

(Periods Ending September 30, 2006)

Domestic Equity Review – Lotsoff

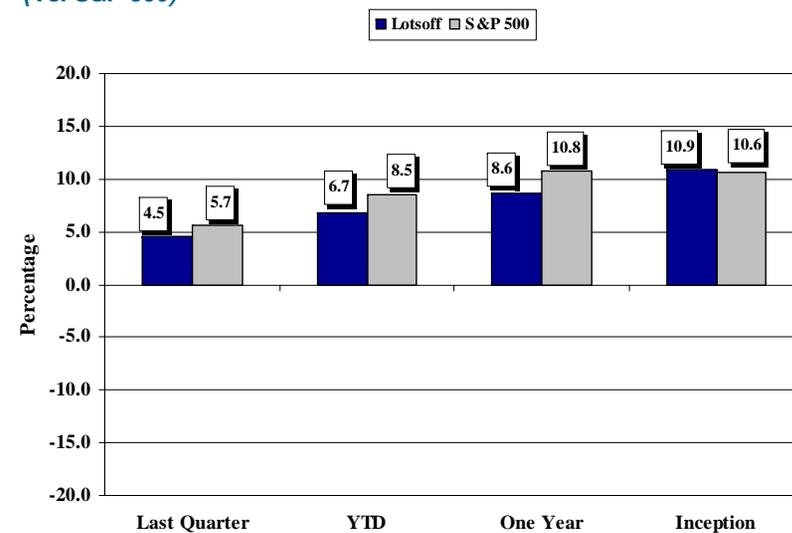
University of Iowa -- Value Added
(Vs. S&P 500)



Attribution

- Stock selection within the Information Technology and Consumer discretionary added value to the portfolio
- Poor stock selection within the Energy and Industrials sectors was a primary source of underperformance for the third quarter
- An underweight to the Telecom Services sector detracted from performance for the quarter

Iowa State University -- Value Added
(Vs. S&P 500)



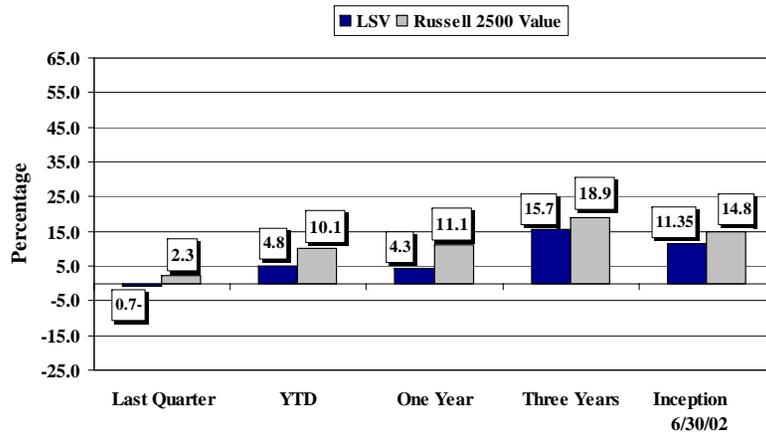
Manager Overview

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

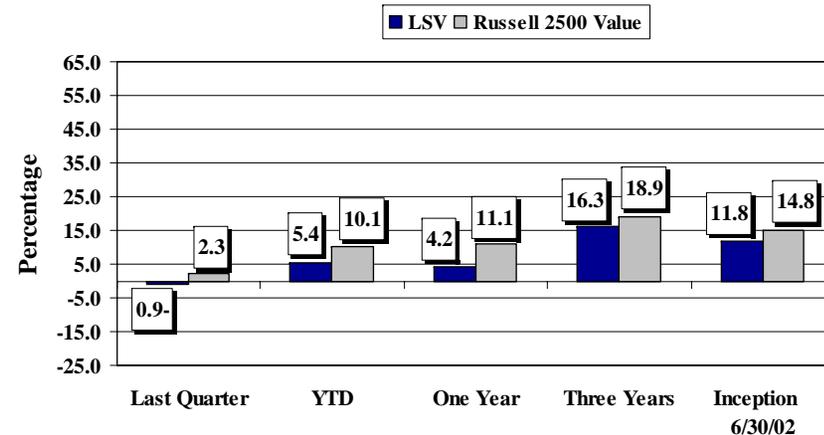
(Periods Ending September 30, 2006)

Domestic Equity Review – LSV Asset Mgmt.

University of Iowa -- Value Added
(Vs. Russell 2500 Value)



Iowa State University -- Value Added
(Vs. Russell 2500 Value)



Attribution

- Stock selection was the primary driver of LSV’s underperformance this quarter
- Stock selection within the Information Technology, Industrials, and Financial sectors were main contributors to LSV’s underperformance for the quarter
- Stock selection within the Consumer Discretionary sector added value to the portfolio

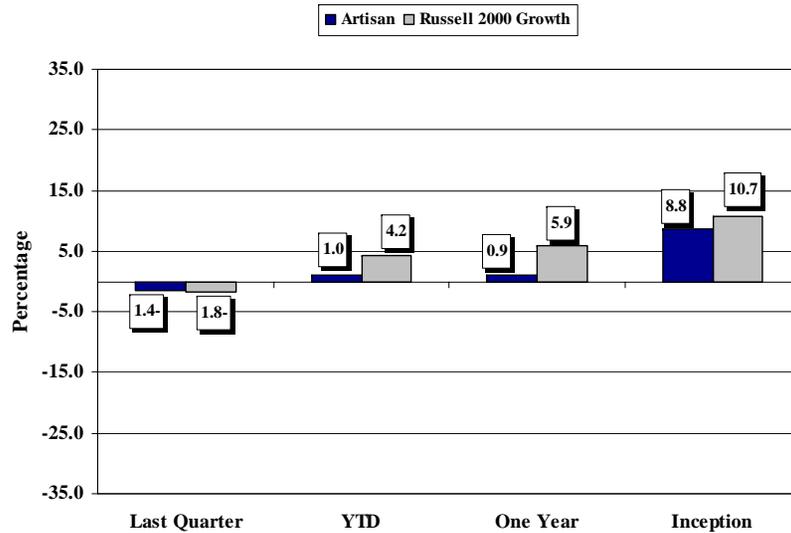
Manager Overview

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

(Periods Ending September 30, 2006)

Domestic Equity Review – Artisan

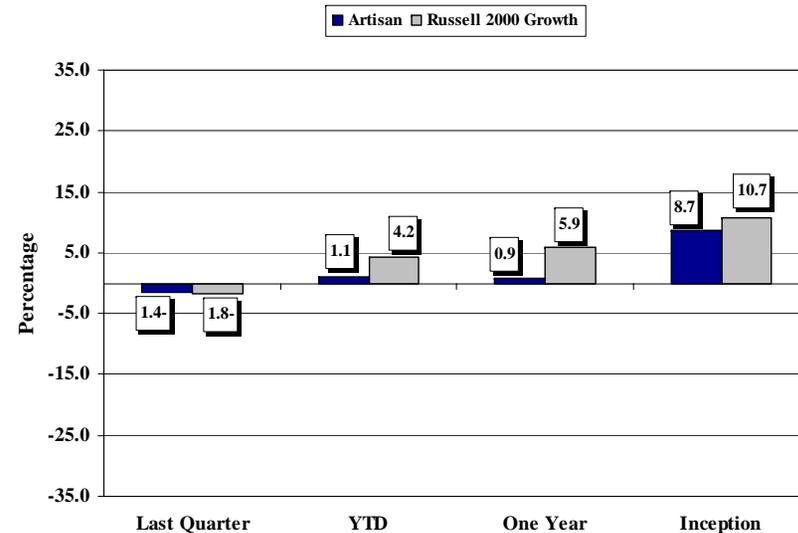
University of Iowa -- Value Added
(Vs. Russell 2000 Growth)



Attribution

- Stock selection within the Industrials, Consumer Discretionary, and Financials sectors were the main contributors to Artisan’s out performance for the quarter
- Stock selection within the Energy sector had a negative impact on performance

Iowa State University -- Value Added
(Vs. Russell 2000 Growth)



Manager Overview

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

(Periods Ending September 30, 2006)

International Equity Composite Review

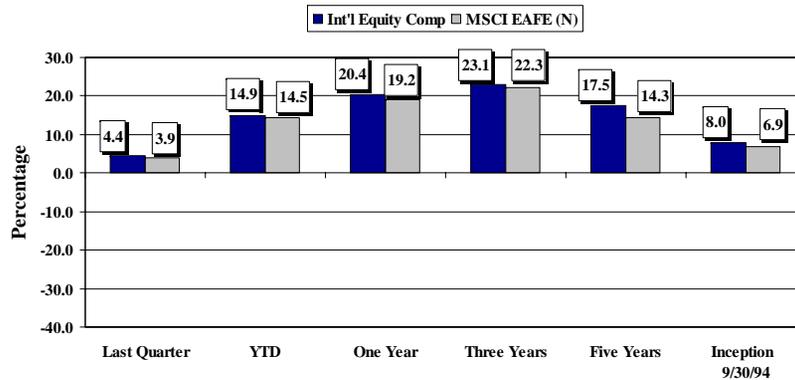
University of Iowa -- Manager Returns

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)	37,274	76	4.7	15.6	21.4	--	--	19.0
Gross of Fee Return			4.4	14.9	20.4	--	--	18.2
Net of Fee Return			3.9	14.5	19.2	--	--	17.5
MSCI EAFE Index (N)								
Int'l Equity Composite (9/30/94)	37,274	76	4.4	14.9	20.4	23.1	17.5	8.0
MSCI EAFE Index (N)			3.9	14.5	19.2	22.3	14.3	6.9

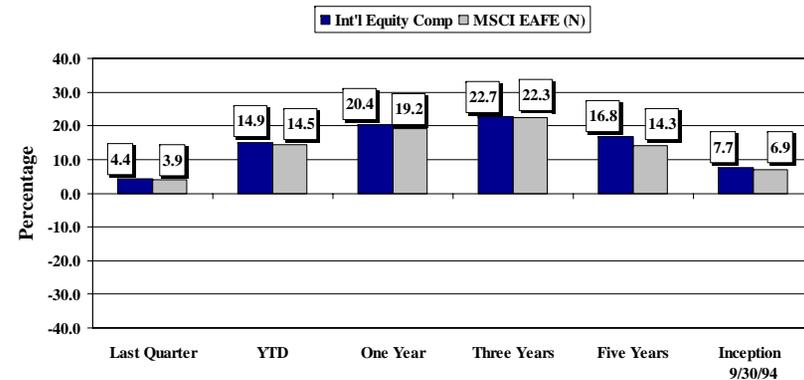
Iowa State University -- Manager Returns

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)	25,142	52	4.7	15.6	21.4	--	--	19.0
Gross of Fee Return			4.4	14.9	20.4	--	--	18.2
Net of Fee Return			3.9	14.5	19.2	--	--	17.5
MSCI EAFE Index (N)								
Int'l Equity Composite (9/30/94)	25,142	52	4.4	14.9	20.4	22.7	16.8	7.7
MSCI EAFE Index (N)			3.9	14.5	19.2	22.3	14.3	6.9

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



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

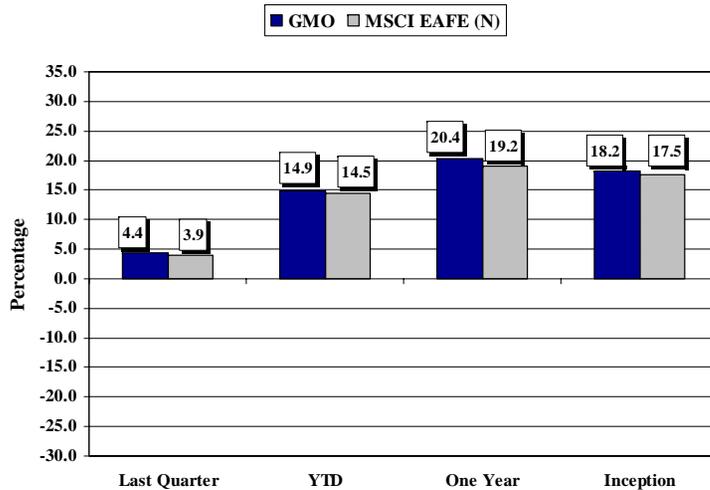


(Periods Ending September 30, 2006)

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

University of Iowa -- Value Added

(Vs. MSCI EAFE Index)

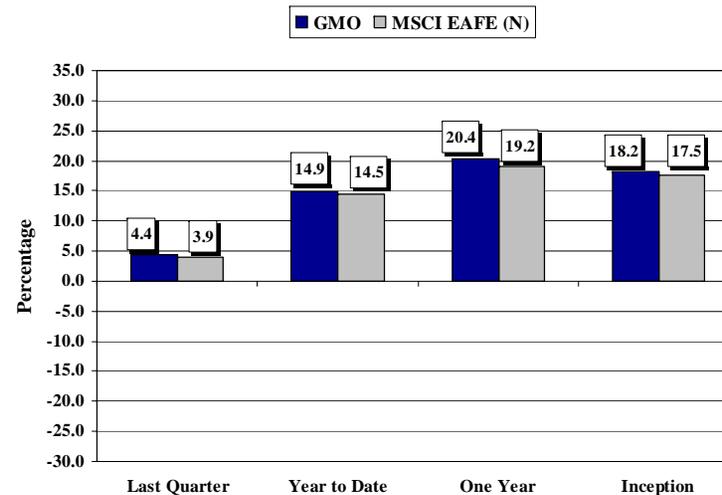


Attribution

- GMO outperformed the benchmark by 0.51% in the third quarter
- Sector weighting and stock selection within the United Kingdom was a primary driver of out performance for the quarter
- An overweighting to the Swiss markets detracted from overall performance

Iowa State University -- Value Added

(Vs. MSCI EAFE Index)



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)	28,736	32	40.6%						
Gross of Fee Return				3.6	3.7	4.4	--	--	3.3
Net of Fee Return				3.4	3.4	4.0	--	--	2.9
<i>Lehman Aggregate</i>				3.8	3.1	3.7	--	--	2.9
Reams Asset Mgmt (6/30/02)	29,077	18	41.1%						
Gross of Fee Return				3.9	3.4	3.8	4.0	--	4.2
Net of Fee Return				3.8	3.2	3.5	3.7	--	4.0
<i>Lehman Aggregate</i>				3.8	3.1	3.7	3.4	--	3.9
Post Advisory (3/31/06)	12,952	0	18.3%						
Gross of Fee Return				2.8	--	--	--	--	3.3
Net of Fee Return				2.8	--	--	--	--	3.3
<i>Merrill Lynch High Yield Master II</i>				4.0	--	--	--	--	4.2
Fixed Income Composite (3/31/89)	70,765	50	100%	3.5	3.4	3.9	3.5	4.5	7.5
<i>Custom Policy**</i>				3.8	3.1	3.7	3.4	4.8	7.6

** 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)	20,514	22	41.9%						
Gross of Fee Return				3.5	3.7	4.4	--	--	3.3
Net of Fee Return				3.4	3.4	4.0	--	--	2.9
<i>Lehman Aggregate</i>				3.8	3.1	3.7	--	--	2.9
Reams Asset Mgmt (6/30/02)	19,854	15	40.6%						
Gross of Fee Return				3.9	3.6	3.9	4.1	--	4.4
Net of Fee Return				3.8	3.4	3.6	3.8	--	4.0
<i>Lehman Aggregate</i>				3.8	3.1	3.7	3.4	--	3.9
Post Advisory (3/31/06)	8,554	0	17.5%						
Gross of Fee Return				2.8	--	--	--	--	3.3
Net of Fee Return				2.8	--	--	--	--	3.2
<i>Merrill Lynch High Yield Master II</i>				4.0	--	--	--	--	4.2
Fixed Income Composite (3/31/89)	48,922	37	100%	3.5	3.5	3.9	3.6	4.5	6.9
<i>Custom Policy**</i>				3.8	3.1	3.7	3.4	4.8	7.6

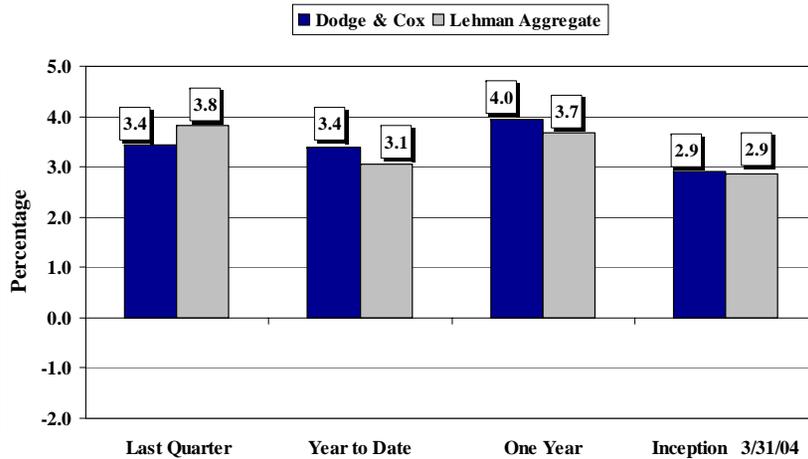
** 6/94 -- 6/01 100% Lehman Govt / Credit
9/01 -- Present 100% Lehman Aggregate

(Periods Ending September 30, 2006)

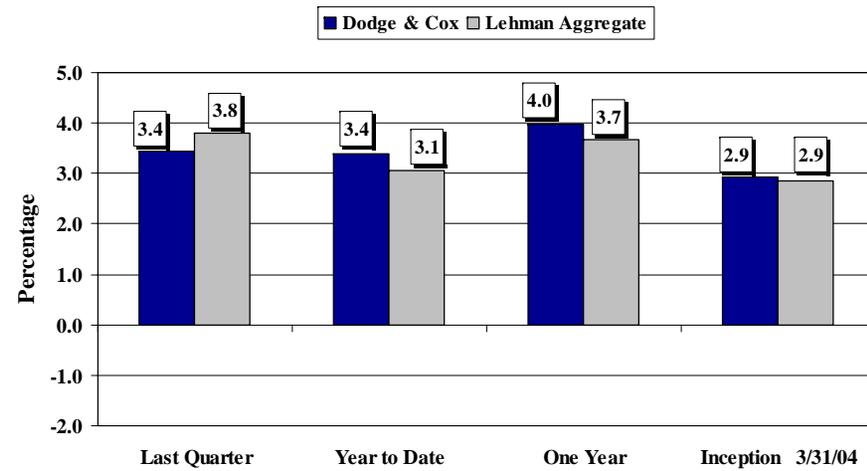
Note: At the direction of the Board of Regents, slight adjustments have been made to composite market values to account for rounding

Fixed Income Review – Dodge and Cox

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



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



Attribution

- Dodge & Cox underperformed the benchmark by 0.38% in the third quarter
- The quality of bonds within the portfolio is AA, matching the Lehman Aggregate's average quality
- The portfolio has a duration of 3.8 years, versus the Lehman Aggregate's duration of 4.6 years

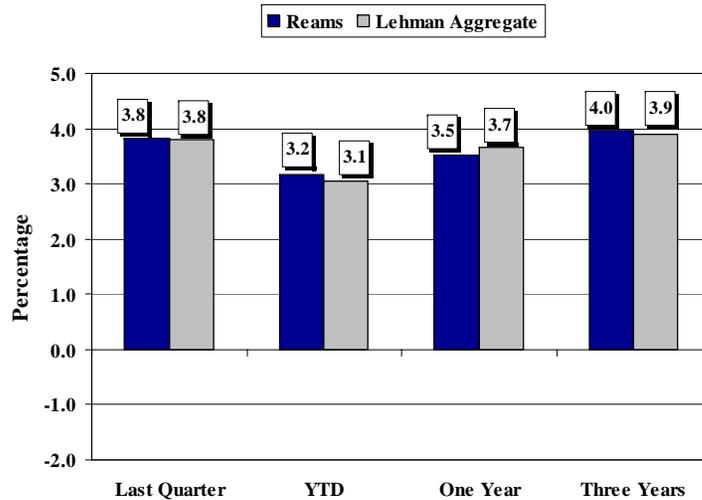
Manager Overview

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

(Periods Ending September 30, 2006)

Fixed Income Review - Reams

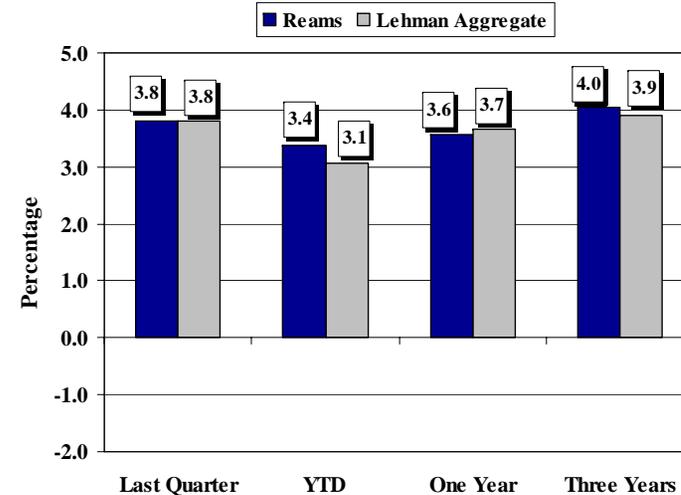
University of Iowa -- Value Added
(Vs. Lehman Aggregate)



Attribution

- Reams' return was slightly lower than the benchmark by 0.01% in the third quarter.
- The average quality of bonds within the portfolio is AA, compared to Lehman Aggregate's AA rating
- The portfolio has a duration of 4.8 years, versus the Lehman Aggregate's duration of 4.6 years.

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



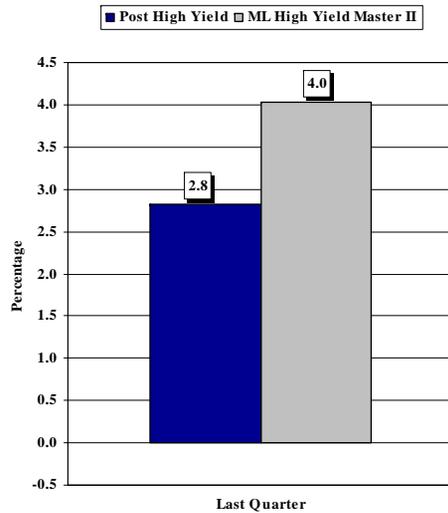
Manager Overview

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

(Periods Ending September 30, 2006)

Fixed Income Review – Post Advisory

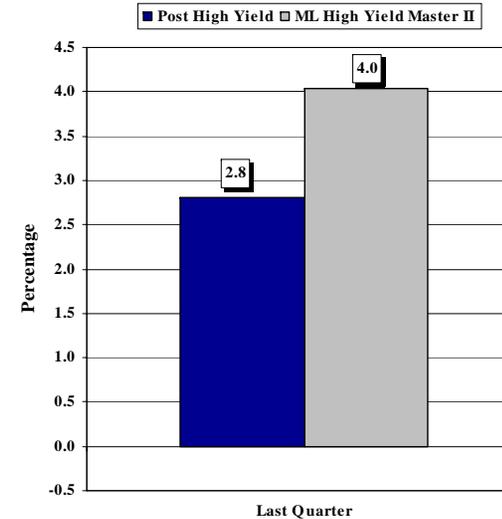
University of Iowa -- Value Added (Vs. ML High Yield Master II)



Attribution

- Post Advisory underperformed its benchmark by 1.21% in the third quarter
- The average quality of bonds within the portfolio is B, a slightly lower rating than the Merrill Lynch High Yield Master II's rating of BB
- The portfolio has a duration of 3.79 years, versus the benchmark duration of 4.66 years.

Iowa State University -- Value Added (Vs. ML High Yield Master II)



Manager Overview

- **Style:** High Yield
- **Construction Process:** Subjective
- **Investment Philosophy:** Active - Bottom up
- **Selection Method:** Scoring model based on quantitative and quantitative inputs

(Periods Ending September 30, 2006)

Real Estate Composite Review

University of Iowa	\$'000	Qtr	YTD	1 Yr	3 Yrs	5 Yrs	Inception
		%	%	%	%	%	%
Principal Global Investors Enhanced Property Fund (12/31/05) <i>NCREIF Property Index</i>	12,696	3.1 3.5	15.7 11.6	-- --	-- --	-- --	15.7 11.6
Real Estate Composite (12/31/05) <i>NCREIF Property Index</i>	12,696	3.1 3.5	15.7 11.6	-- --	-- --	-- --	15.7 11.6

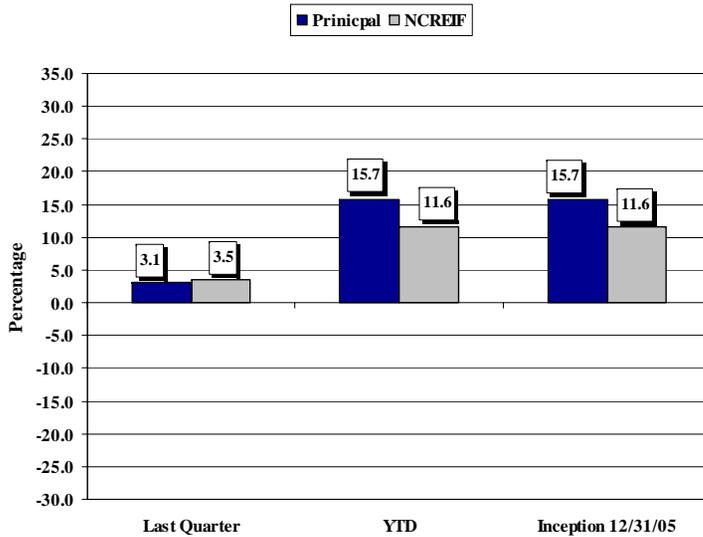
Iowa State University	\$'000	Qtr	YTD	1 Yr	3 Yrs	5 Yrs	Inception
		%	%	%	%	%	%
Principal Global Investors Enhanced Property Fund (12/31/05) <i>NCREIF Property Index</i>	8,832	3.1 3.5	15.7 11.6	-- --	-- --	-- --	15.7 11.6
Real Estate Composite (12/31/05) <i>NCREIF Property Index</i>	8,832	3.1 3.5	15.7 11.6	-- --	-- --	-- --	15.7 11.6

(Periods Ending September 30, 2006)

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

Real Estate Review – Principal Global Investors

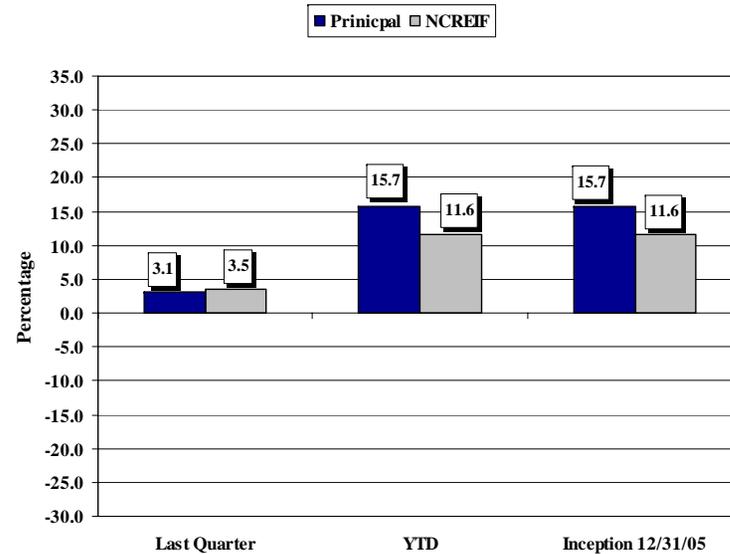
University of Iowa -- Value Added (Vs. NCREIF Property Index)



Commentary

- Operating income during the third quarter was below Principal’s business plan due to less than anticipated office and retail demand
- Overall occupancy remains consistent and high at 93%
- Underperformance can be partially attributed to an overweight of development properties relative to the NCREIF Property Index

Iowa State University -- Value Added (Vs. NCREIF Property Index)



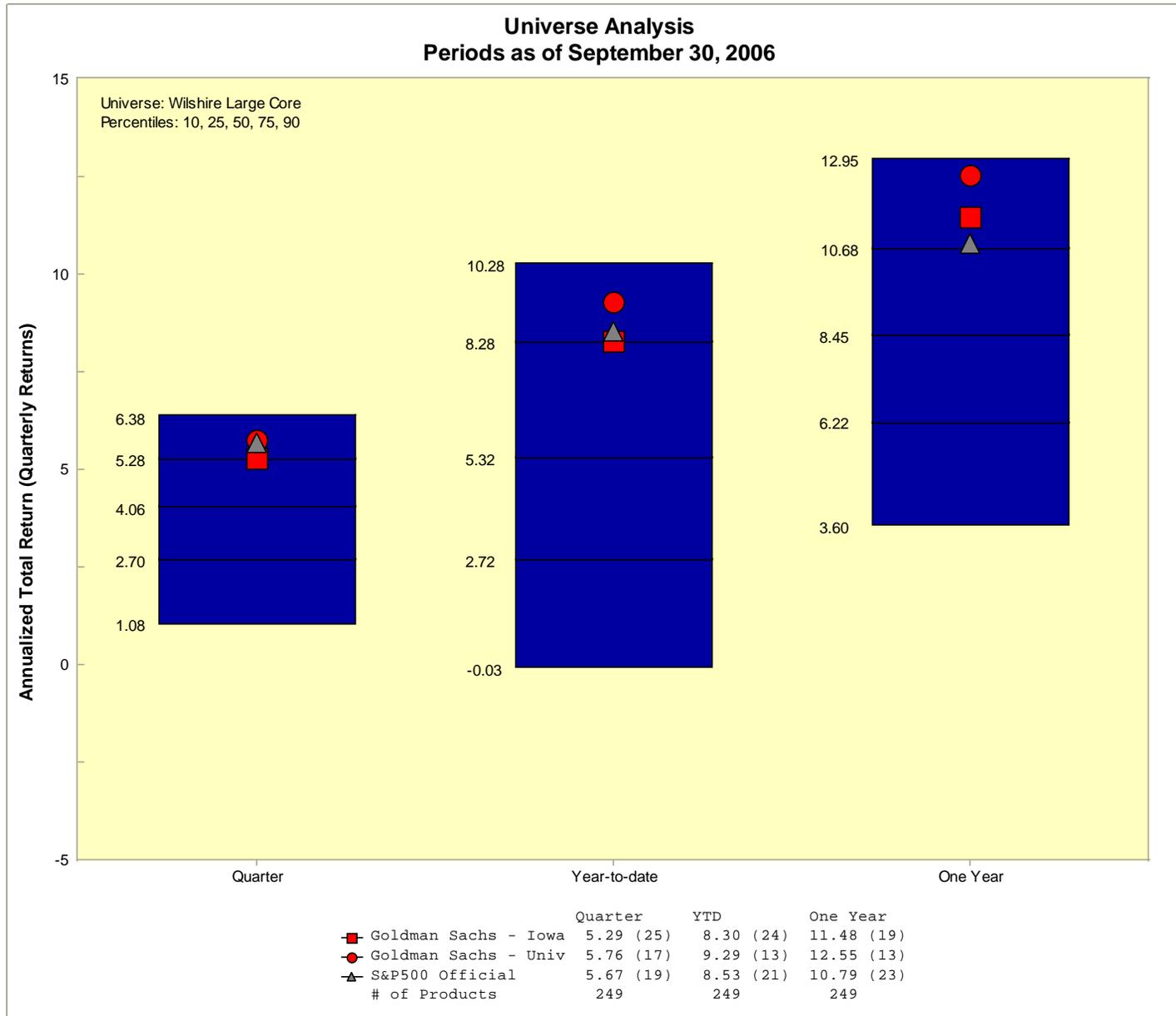
Manager Overview

- **Style:** U.S. Domestic Real Estate
- **Investment Philosophy:** Active – Top Down
- **Selection Method:** Tactical - Opportunistic



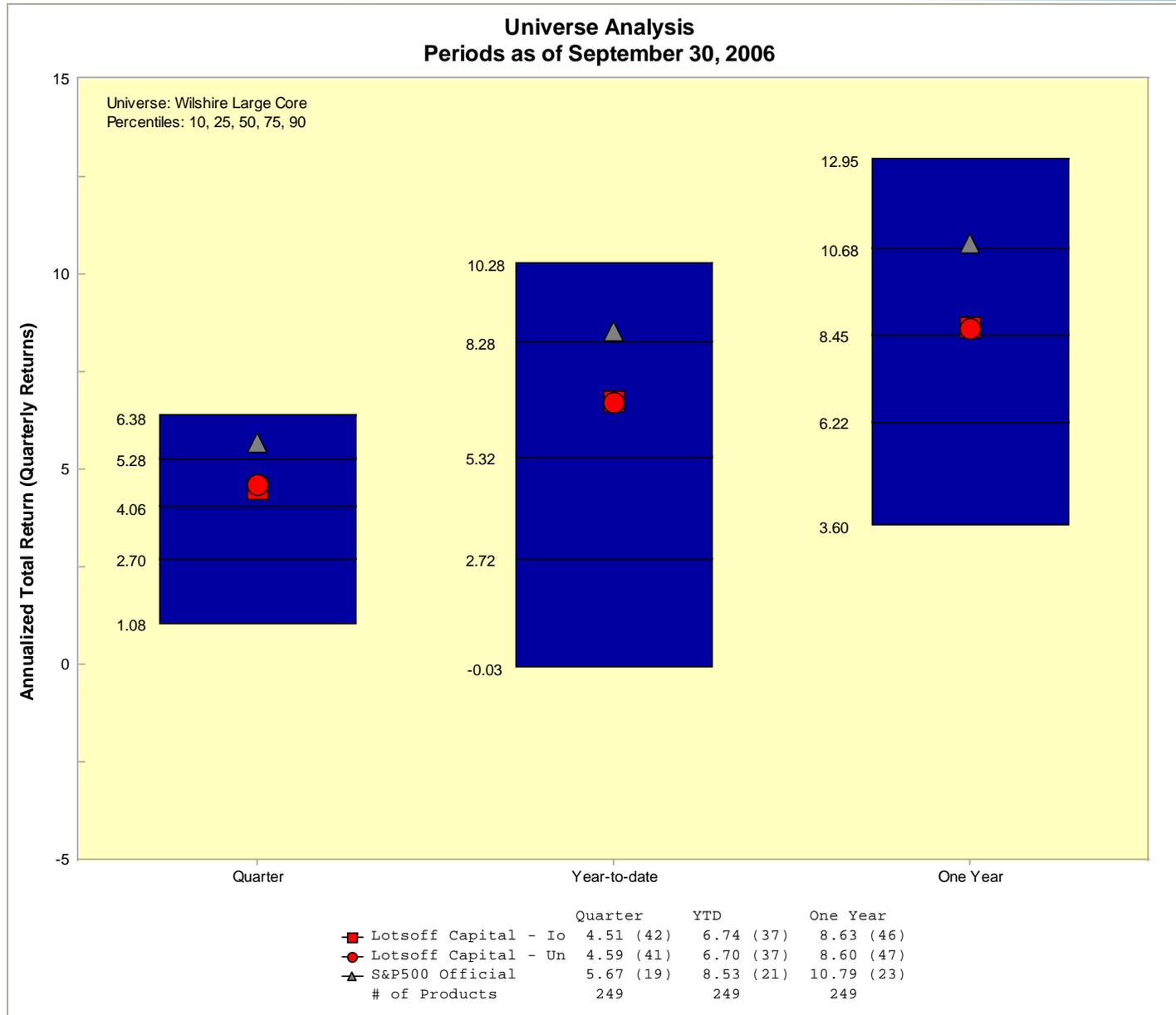
Appendix

Domestic Equity Manager Detail – Goldman Sachs



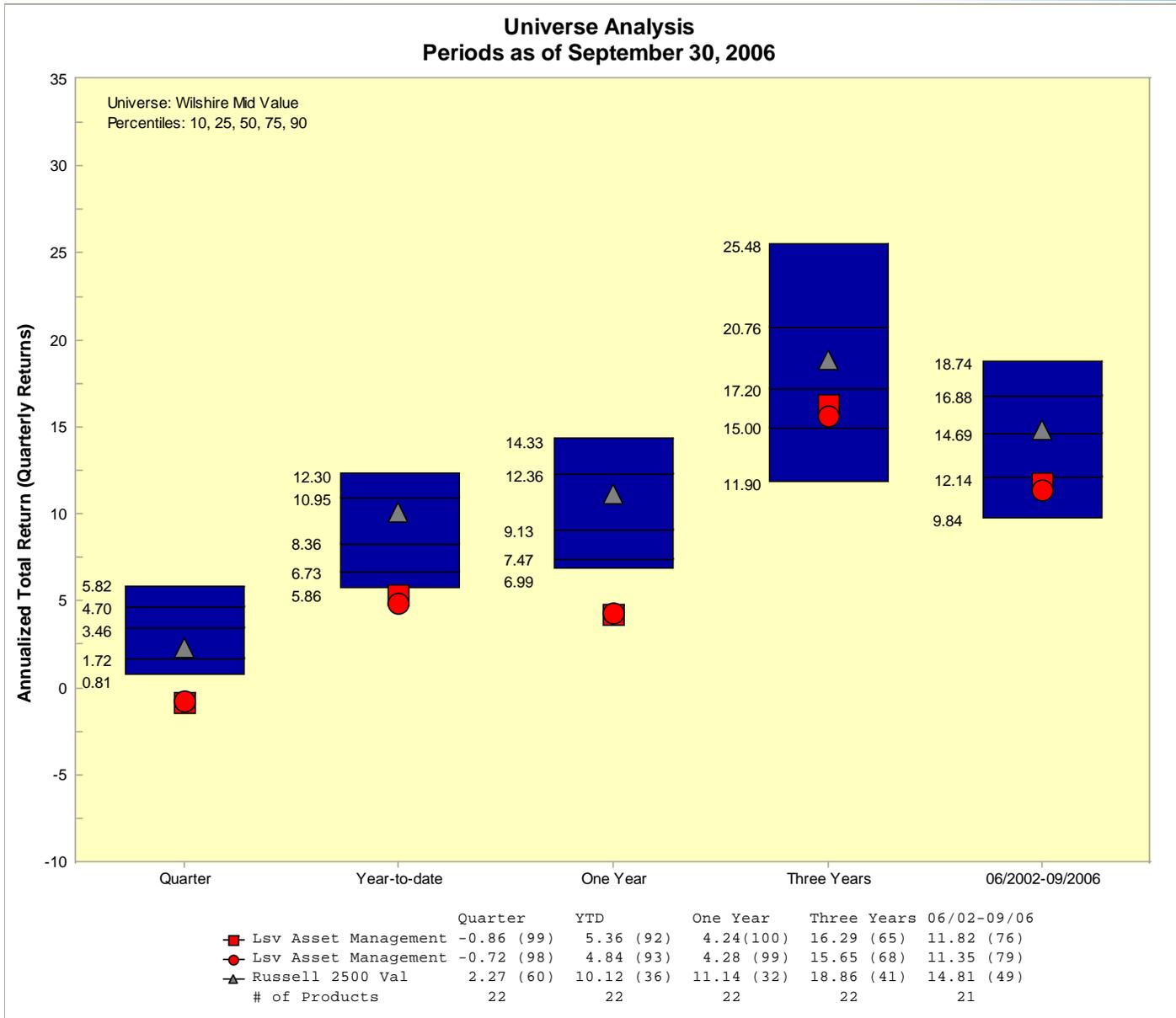
(Periods Ending September 30, 2006)

Domestic Equity Manager Detail – Lotsoff



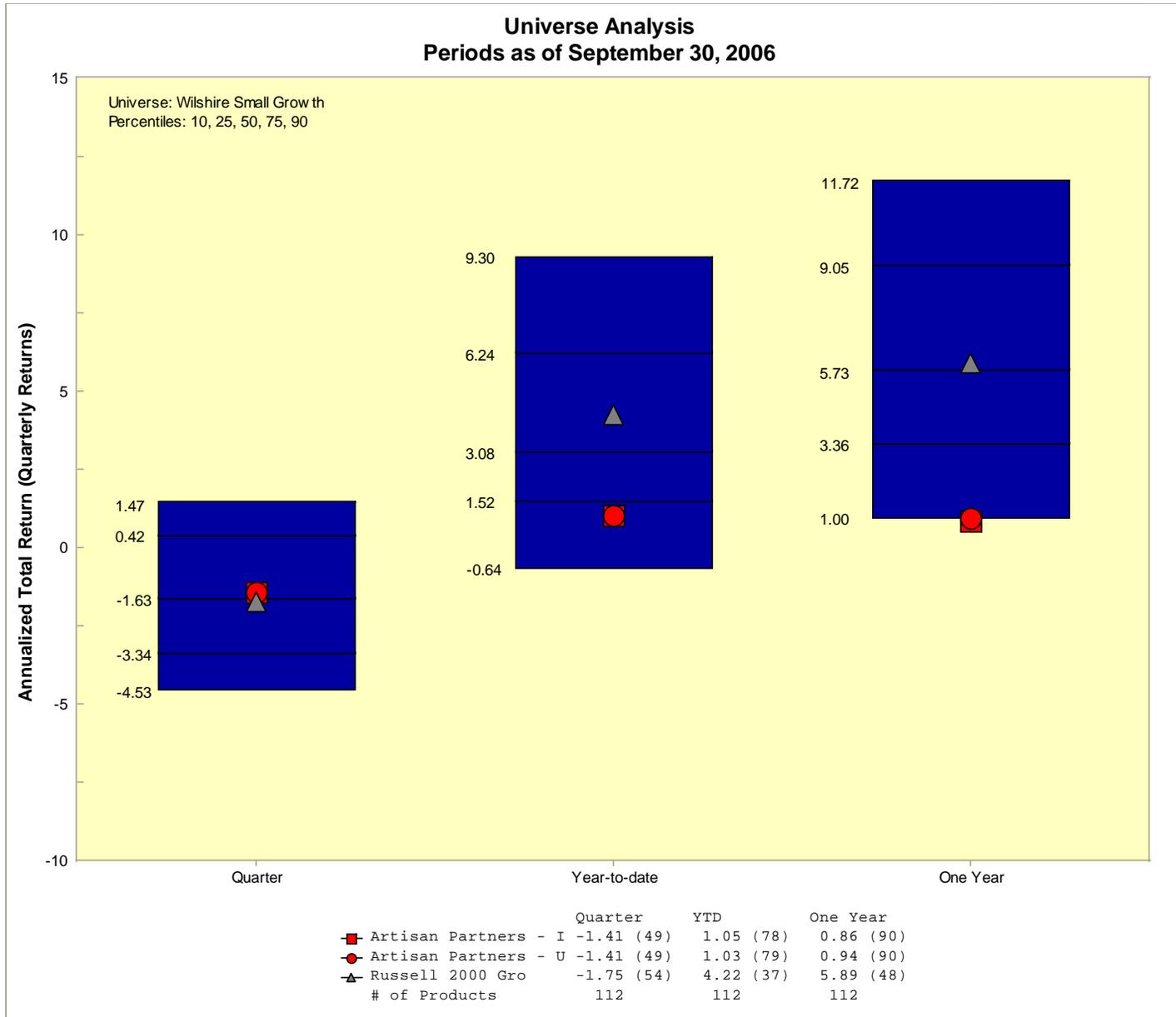
(Periods Ending September 30, 2006)

Domestic Equity Manager Detail – LSV



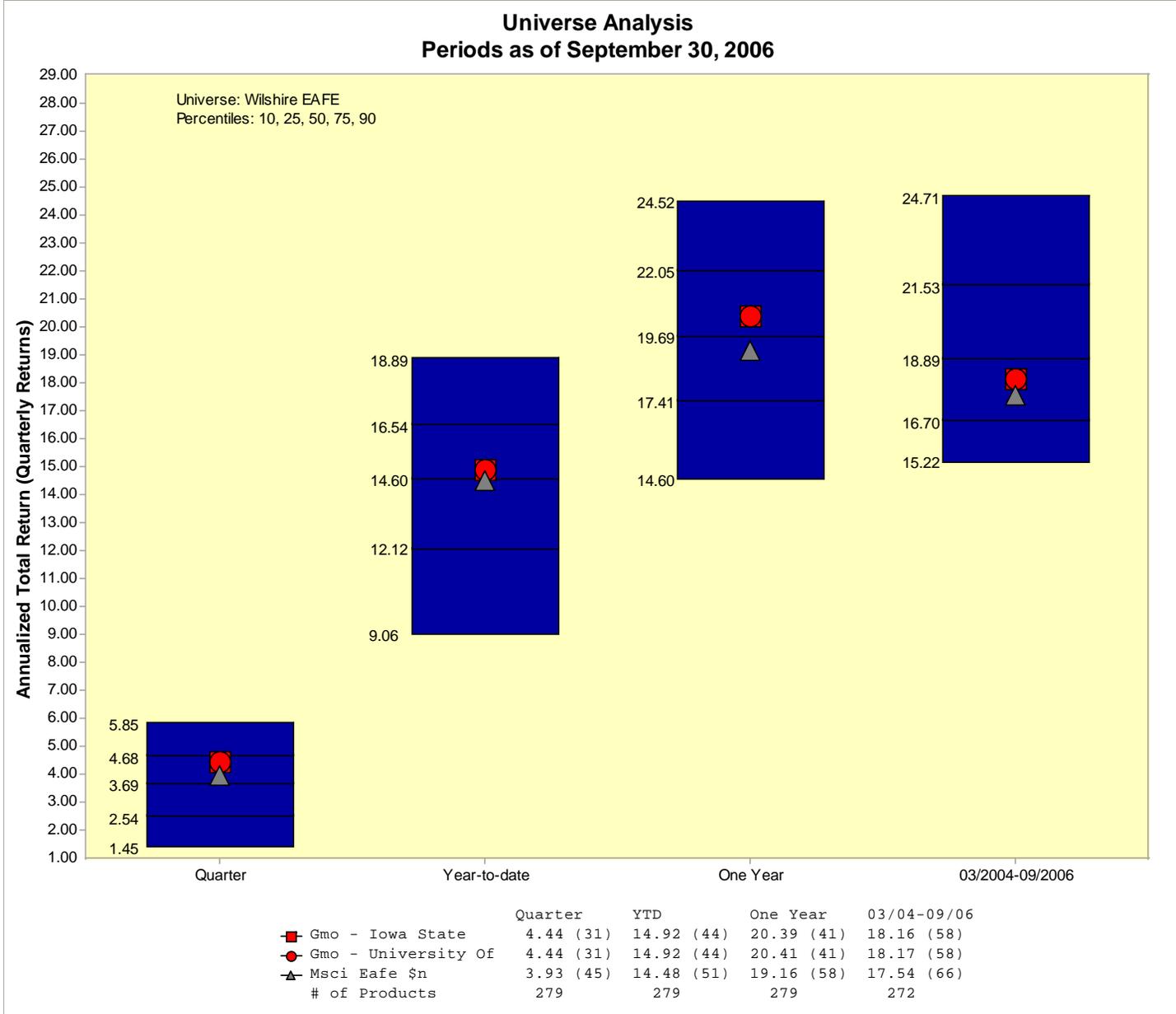
(Periods Ending September 30, 2006)

Domestic Equity Manager Detail – Artisan



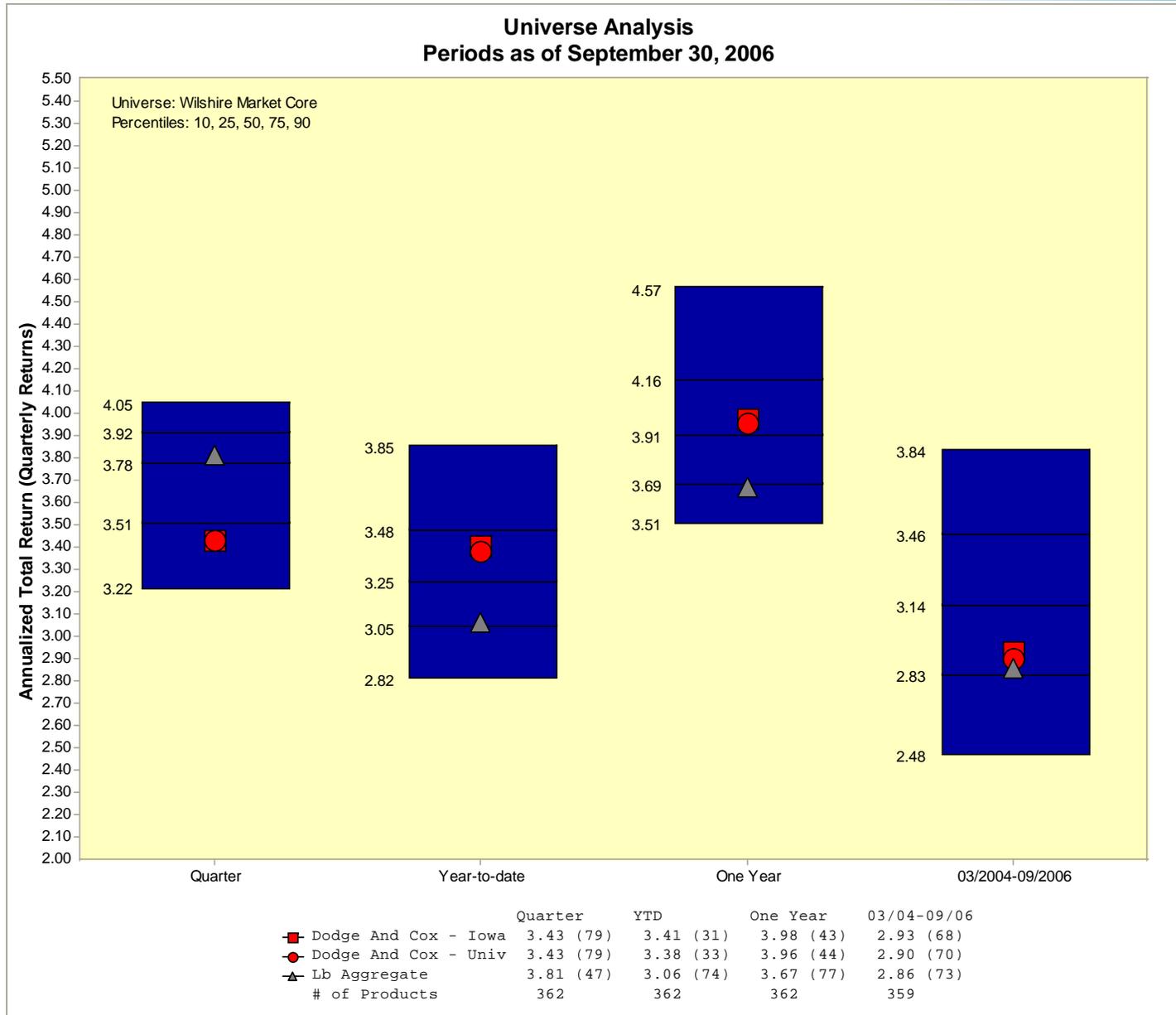
(Periods Ending September 30, 2006)

International Equity Manager Detail – Grantham, Mayo, Van Otterloo



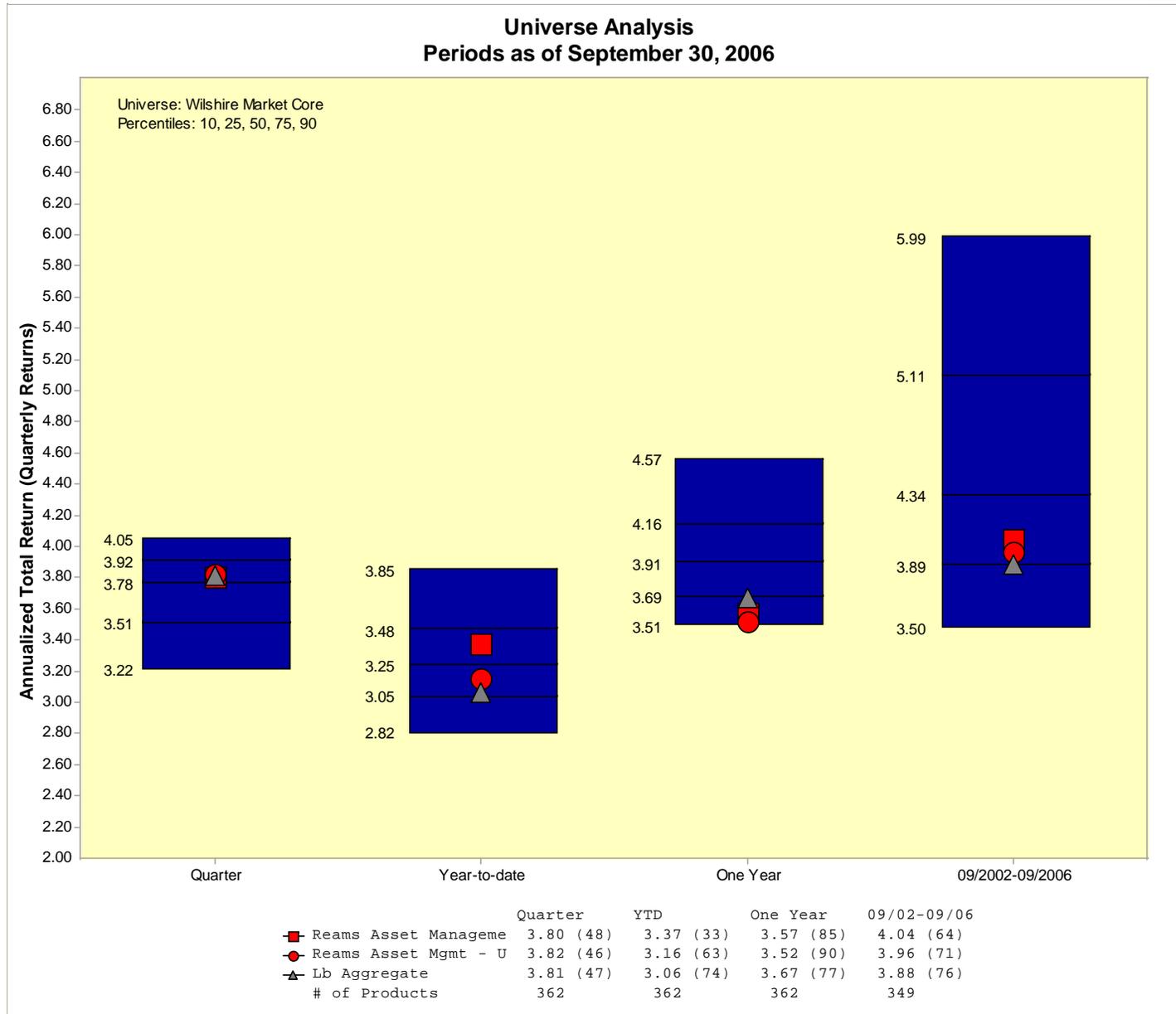
(Periods Ending September 30, 2006)

Fixed Income Manager Detail – Dodge & Cox



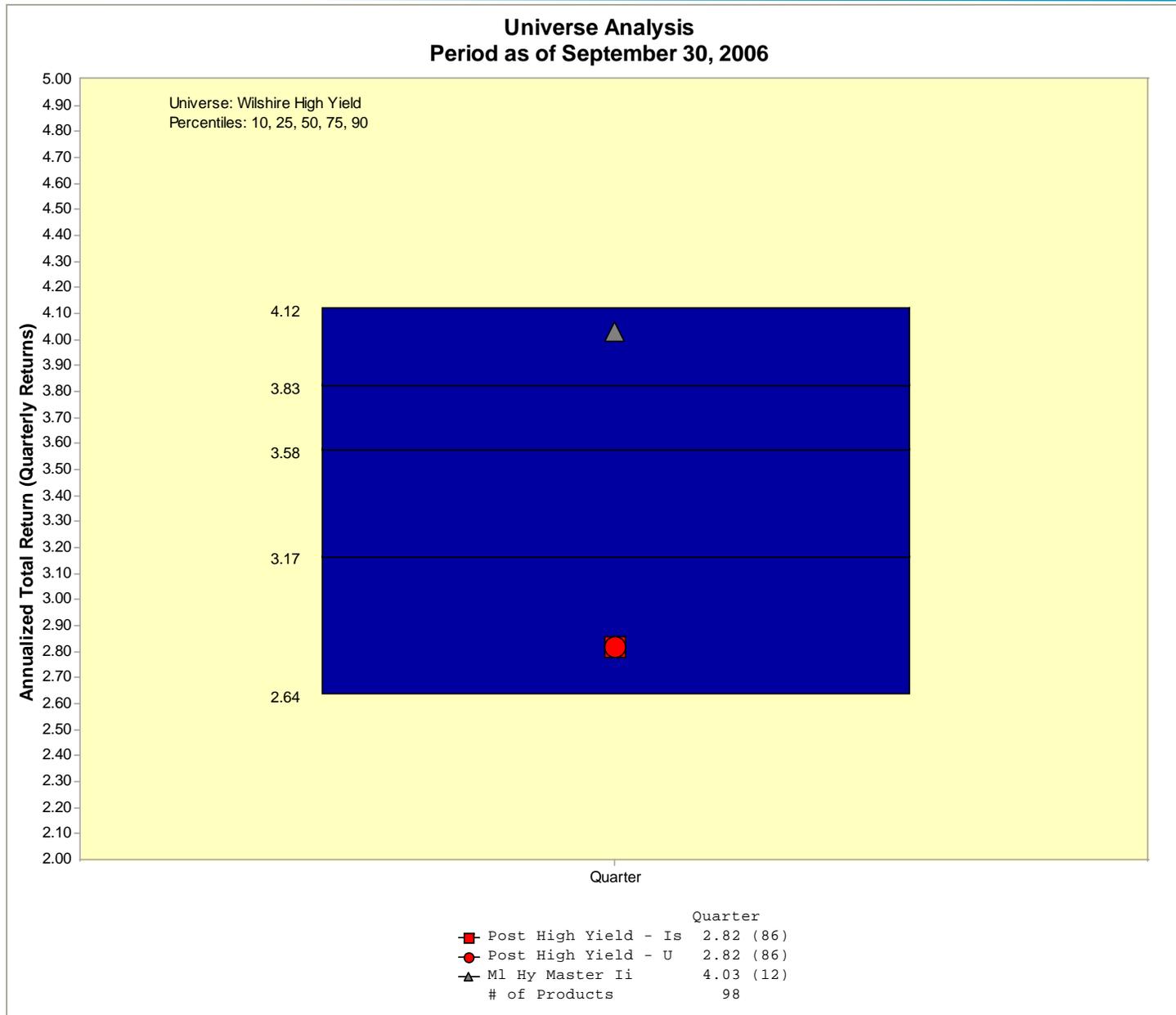
(Periods Ending September 30, 2006)

Fixed Income Manager Detail – Reams



(Periods Ending September 30, 2006)

Fixed Income Manager Detail – Post Advisory



(Periods Ending September 30, 2006)