

VII. STANDING COMMITTEES

B. Finance, Audit & Facilities Committee

Comparative Asset Allocation, Performance, and Endowment Trends

There will be an oral report for information only.

Attachment

Comparative Asset Allocation, Performance and Endowment Trends



CAMBRIDGE ASSOCIATES LLC

Comparative Asset Allocation, Performance, and Endowment Trends

University of Washington - Board of Regents
June 7, 2012

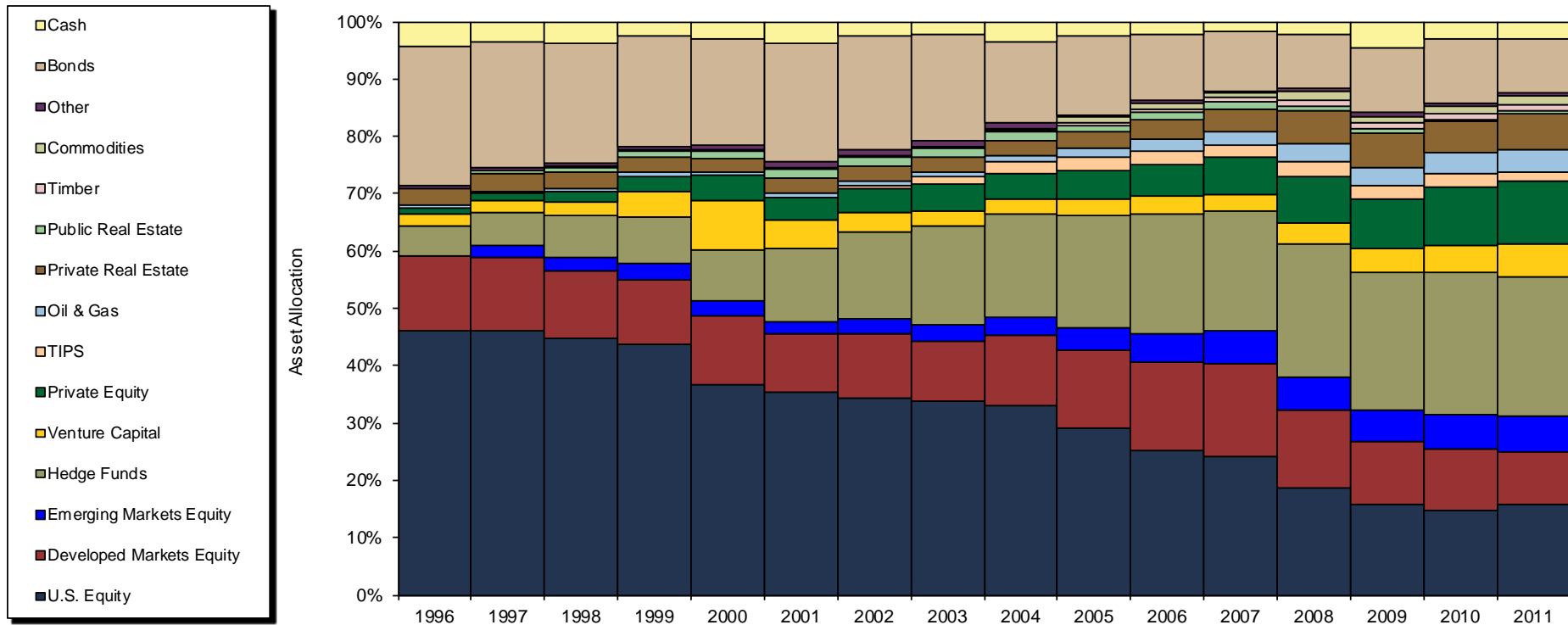
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ATTACHMENT

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Endowments Greater than \$1 Billion Asset Allocation (%) Trends



- The long-term trend is that equity and bonds carry lighter allocations, while hedge funds and private investing carry higher allocations.
- The allocations to fixed income and public equity (except Emerging Markets) are at all time lows.
- Institutions have significant and diverse exposures to Real Assets, which often generate good performance in periods of unanticipated inflation.

Note: Allocations are as of June 30, except for 2011, which is as of December 31. **Bonds** includes U.S. Bonds, Non-U.S. Bonds, and High-Yield Bonds. **Hedge Funds** include Long/Short Hedge Funds, Event Arbitrage, Arbitrage, Distressed Securities, and macro and market-neutral hedge funds. **Other** includes managed futures, macro and market-neutral hedge funds, coal, royalties, cash value life insurance, and synthetic exposure (derivatives).

Endowments Greater than \$1 Billion Asset Allocation (%) Trends cont.



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	MAX
U.S. Equity	46.2	46.1	44.9	43.8	36.8	35.4	34.3	33.7	33.0	29.2	25.2	24.2	18.7	15.8	14.8	15.7	46.2
Developed Markets Equity	12.9	12.8	11.7	11.2	12.0	10.3	11.3	10.6	12.3	13.4	15.4	16.2	13.4	11.0	10.6	9.2	16.2
Emerging Markets Equity	0.1	2.2	2.2	2.8	2.6	2.1	2.5	2.8	3.2	4.1	4.9	5.8	5.8	5.6	6.2	6.3	6.3
Hedge Funds	5.2	5.8	7.3	8.2	8.9	12.6	15.2	17.2	17.9	19.4	20.9	20.8	23.2	23.9	24.8	24.2	24.8
Venture Capital	2.0	2.0	2.4	4.3	8.5	5.1	3.6	2.7	2.7	3.0	3.1	2.9	3.8	4.3	4.6	5.9	8.5
Private Equity	1.2	1.2	1.8	2.8	4.5	4.0	4.1	4.6	4.6	5.0	5.6	6.4	8.1	8.5	10.3	10.8	10.8
TIPS	0.0	0.0	0.0	0.0	0.0	0.0	0.4	1.2	1.9	2.2	2.3	2.1	2.5	2.3	2.3	1.6	2.5
Oil & Gas	0.5	0.4	0.5	0.6	0.6	0.8	0.9	1.0	1.1	1.5	2.1	2.3	2.3	3.3	3.8	4.1	4.1
Private Real Estate	2.9	3.2	2.9	2.6	2.2	2.5	2.6	2.6	2.7	2.9	3.5	4.1	5.6	6.0	5.3	6.3	6.3
Public Real Estate	0.0	0.3	0.8	1.1	1.3	1.6	1.6	1.5	1.4	1.2	1.2	1.2	1.0	0.6	0.5	0.4	1.6
Timber	0.0	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.4	0.5	0.6	0.8	1.1	1.2	1.1	1.0	1.2
Commodities	0.0	0.0	0.1	0.1	0.2	0.1	0.1	0.0	0.3	1.0	1.1	0.9	1.5	0.9	1.3	1.8	1.8
Other	0.6	0.4	0.5	0.5	0.7	0.9	0.9	0.9	1.0	0.3	0.3	0.2	0.5	0.9	0.5	0.5	1.0
Bonds	24.2	21.9	21.0	19.2	18.7	20.7	20.0	18.5	14.1	13.7	11.5	10.3	9.5	11.2	11.1	9.4	24.2
Cash	4.3	3.6	3.7	2.6	2.9	3.8	2.4	2.3	3.5	2.5	2.3	1.8	2.1	4.6	3.1	2.9	4.6
<i>n</i> =	49	50	53	54	53	56	57	59	62	63	68	80	93	76	74	82	

- The boxes on the table represent maximums for the investment strategy shown.
- Both U.S. Equity and Fixed Income have been in a steady allocation decline over the observed period.
- Conversely six strategies, including Emerging Markets and Private Equity, are at historic maximum allocations today.

Note: Boxed figures represent the highest allocation for each asset class. Allocations are as of June 30, except for 2011, which is as of December 31.

Bonds includes U.S. Bonds, Non-U.S. Bonds, and High-Yield Bonds.

Hedge Funds include Long/Short Hedge Funds, Event Arbitrage, Arbitrage, Distressed Securities, and macro and market-neutral hedge funds.

Other includes managed futures, macro and market-neutral hedge funds, coal, royalties, cash value life insurance, and synthetic exposure (derivatives).

UW Asset Allocation versus Peer Institutions



	<u>UW*</u>	<u>Endowments Greater than \$1 Billion</u>	<u>CA Top 50</u>
Emerging Equity	16.6	6.3	6.1
Private Equity	19.3	16.7	21.2
Developed Equity	26.1	24.9	23.3
Real Assets	7.7	15.6	17.6
Opportunistic			
Absolute Return	17.2	24.2	21.8
Fixed Income	13.1	12.3	10.0
n		82	50

** UW Allocation represents current allocation 2/2012, others as of 12/2011.
UW Opportunistic investments categorized with Private Eq. following CA convention.*

- UW asset allocation suggests a few key differences in positioning relative to peer institutions (compared to Top 50):
 - 10% more in Emerging Markets
 - 10% less in Real Assets
 - 3% more Fixed Income

UW Performance versus Peer Institutions



For Years Ending December 31

	2005	2006	2007	2008	2009	2010	2011
CEF Total Return	15.1%	16.8%	18.8%	-27.5%	14.0%	11.7%	-1.5%
Policy Benchmark	13.3%	16.6%	13.9%	-20.9%	14.1%	10.9%	1.2%
Over / Under Policy Benchmark	1.8%	0.2%	4.9%	-6.6%	-0.1%	0.8%	-2.7%



Outperform



Underperform



Neutral

CA Top 50 Median	12.2%	15.5%	13.5%	-24.0%	14.5%	12.8%	1.7%
UW Quartile Ranking	1st	2nd	1st	4th	3rd	3rd	4th

- UW over- and under-performance versus peers over the last 7 years reflects differences in aforementioned asset allocation.

**CA TOP 50 COLLEGES & UNIVERSITIES UNIVERSE
COMPARATIVE PERFORMANCE (%)
As of December 31, 2011**

	7-Yr AACR 1/1/2005 12/31/2011
High	9.06
25th Percentile	6.31
50th Percentile	5.56
75th Percentile	4.80
Low	2.52
n	41
UW	5.50
UW Rank	52%

- As a result, longer periods provide a better measure of relative performance versus peers. UW has exhibited near median performance over the past 7 years.

- Spending
 - Modest change in spending rules among peers
- Private versus Public Investments
 - Several peers found themselves over-committed to Private Investing during the Financial Crisis
 - Some were forced to find liquidity through borrowing or secondary sales
 - In aggregate, however, the % allocation to private investments continues to rise!
- Positioning around European Crisis
 - Shifts at the portfolio level have not been significant in aggregate
 - Some are investing in targeted European Credit funds
 - Portfolios are modestly underweight Europe largely through the actions of managers