

VII. STANDING COMMITTEES

B. Finance, Audit and Facilities Committee

Investment Performance Report – Second Quarter Fiscal Year 2013

For information only.

*Attachment*

Investment Performance Report – Second Quarter Fiscal Year 2013

# UNIVERSITY OF WASHINGTON

## Investment Performance Report Second Quarter Fiscal Year 2013

As of December 31, 2012

Treasurer, Board of Regents  
Treasury Office

Published March 2013

UNIVERSITY OF WASHINGTON  
INVESTMENT PERFORMANCE REPORT  
SECOND QUARTER FISCAL YEAR 2013

As of December 31, 2012

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# TREASURY ASSETS<sup>1</sup> AS OF DECEMBER 31, 2012

\$ = M



<sup>1</sup> Total market value of assets at 12/31/12: \$4.1B. Includes assets whose management falls under the auspices of the Finance & Audit Committee of the Board of Regents, excluding Metro Tract and Forest Trust Lands.

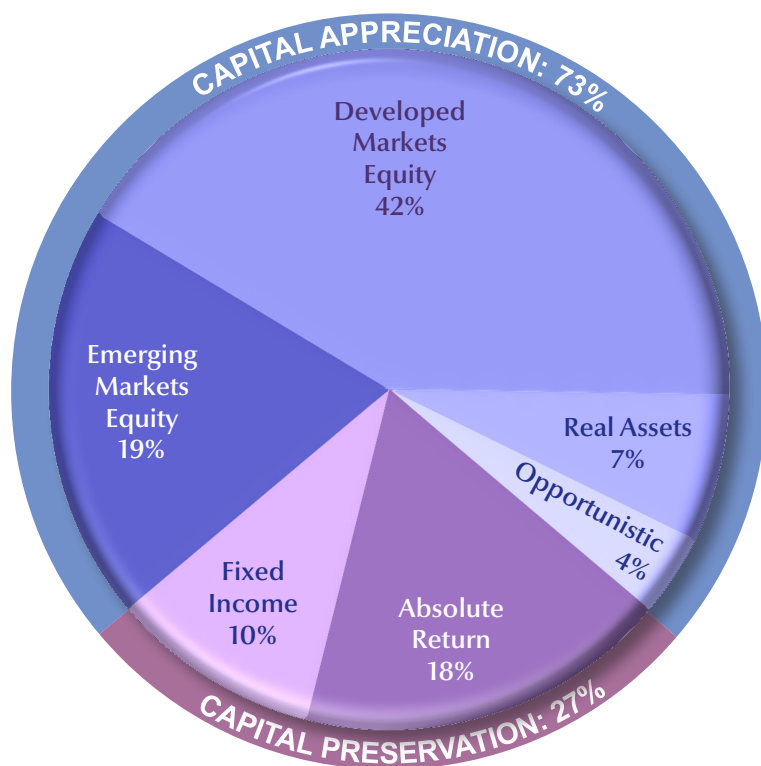
<sup>2</sup> The Invested Funds holds Consolidated Endowment Fund units valued at \$444M. To avoid double counting, the dollars are included only in the CEF totals.

<sup>3</sup> Bond Retirement Fund and Building Fund.

<sup>4</sup> Debt service reserve funds and construction project funds which have not yet been disbursed.

<sup>5</sup> Proceeds from sale of land grants and subsequent investment returns on deposit with the state of Washington.

## CONSOLIDATED ENDOWMENT FUND (CEF) ASSET ALLOCATION FOR THE QUARTER ENDING DECEMBER 31, 2012



	Current Allocation (\$ =M)		Policy Target	Range
Emerging Markets Equity	\$433	19%	17%	
Developed Markets Equity	\$939	42%	36%	
Real Assets	\$164	7%	11%	
Opportunistic	\$87	4%	6%	
<b>Capital Appreciation<sup>1</sup></b>	<b>\$1,623</b>	<b>73%</b>	<b>70%</b>	<b>55%-85%</b>
Absolute Return	\$391	18%	15%	
Fixed Income <sup>2</sup>	\$212	10%	15%	
<b>Capital Preservation</b>	<b>\$603</b>	<b>27%</b>	<b>30%</b>	<b>15%-45%</b>
<b>Total CEF<sup>3</sup></b>	<b>\$2,226</b>	<b>100%</b>		

<sup>1</sup> At 12/31/12 International exposure: 32%, foreign currency exposure: 34%.

<sup>2</sup> Allocation to cash is included in Fixed Income.

<sup>3</sup> Includes 23% current exposure to total private investments and 9% uncalled capital commitment.

Note: Percentages may not sum due to rounding.

# CEF PERFORMANCE SUMMARY FOR THE QUARTER ENDING DECEMBER 31, 2012

## ROLLING YEAR RETURNS<sup>1</sup> (%)

	2 <sup>nd</sup> Qtr FY 2013	Rolling Years		
		1-Year	3-Year	10-Year
<b>Total CEF Return</b>	<b>3.3</b>	<b>12.2</b>	<b>7.3</b>	<b>8.3</b>
Strategy Weighted Policy Benchmark	2.2	11.7	7.9	8.4
70% MSCI ACWI/30% BC Govt Bond	2.1	12.4	7.1	7.8
<b>Capital Appreciation</b>	<b>3.9</b>	<b>16.2</b>	<b>8.4</b>	<b>9.2</b>
MSCI ACWI	3.0	16.8	7.2	8.7
<b>Capital Preservation</b>	<b>1.9</b>	<b>4.1</b>	<b>3.9</b>	<b>5.3</b>
BC Government Bond	-0.1	2.0	5.5	4.7

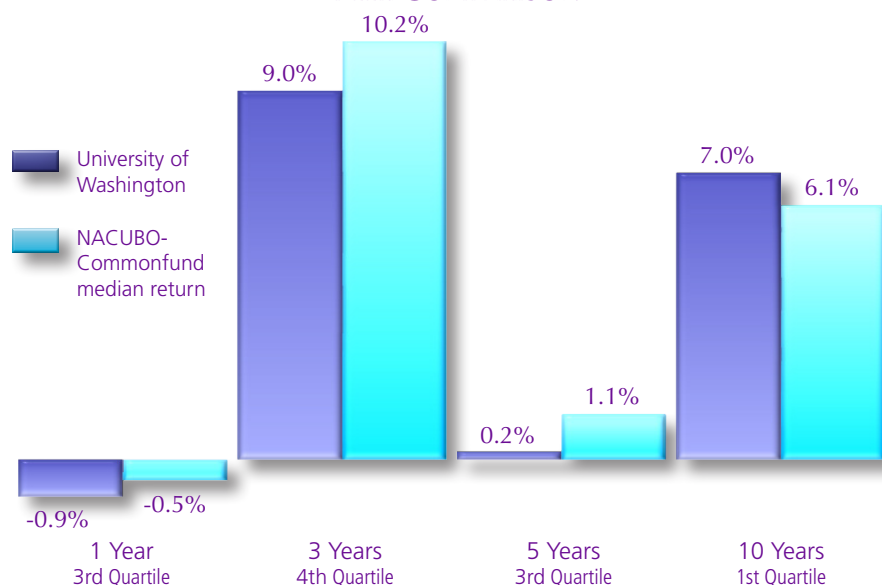
<sup>1</sup> Total Return: average annual compound return (dividend or interest plus capital appreciation or depreciation)

## FISCAL YEAR RETURNS<sup>1</sup> (%)

	FYTD 2013	Fiscal Years			
		2012	2011	2010	2009
<b>Total CEF Return</b>	<b>7.3</b>	<b>-0.9</b>	<b>16.0</b>	<b>12.5</b>	<b>-23.5</b>
Strategy Weighted Policy Benchmark	5.8	1.2	19.9	9.8	-16.5
70% MSCI ACWI/30% BC Govt Bond	7.2	-1.3	21.8	10.9	-18.6
<b>Capital Appreciation</b>	<b>9.2</b>	<b>-1.9</b>	<b>21.5</b>	<b>13.7</b>	<b>-29.3</b>
MSCI ACWI	10.2	-6.0	30.8	12.3	-28.9
<b>Capital Preservation</b>	<b>3.2</b>	<b>1.2</b>	<b>3.6</b>	<b>10.8</b>	<b>-14.0</b>
BC Government Bond	0.5	8.3	2.3	6.5	6.6

<sup>1</sup> Total Return: average annual compound return (dividend or interest plus capital appreciation or depreciation)

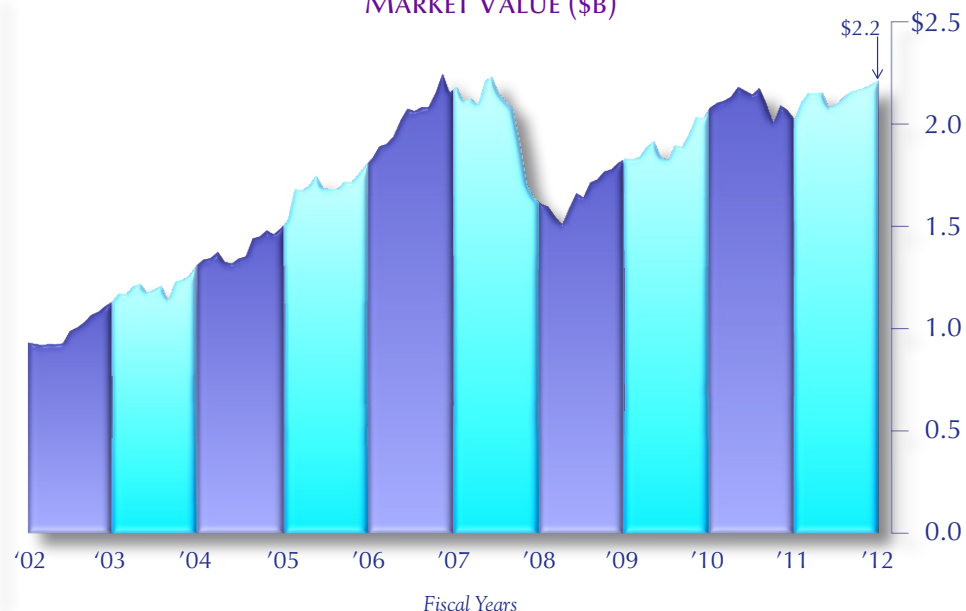
## PEER COMPARISON<sup>1</sup>



F-4.1/2013-13  
3/14/13

<sup>1</sup> For periods ending June 30, 2012

## MARKET VALUE (\$B)



<sup>1</sup> Reflects inclusion of IF units in CEF, starting 2001. Value without IF units would be \$1.7

## CEF PERFORMANCE BY STRATEGY

Total Return<sup>1</sup> as of December 31, 2012

		2 <sup>nd</sup> Qtr FY '13	1 Year	3 Years	5 Years	10 Years
<b>Consolidated Endowment Fund</b>		<b>3.3</b>	<b>12.2</b>	<b>7.3</b>	<b>0.4</b>	<b>8.3</b>
Capital Appreciation	Capital Appreciation	3.9	16.2	8.4	-0.1	9.2
	MSCI ACWI	3.0	16.8	7.2	-0.6	8.7
	Emerging Markets Equity	6.6	21.1	9.1	1.3	18.7
	MSCI EMF	5.6	18.6	5.0	-0.6	16.9
	Developed Markets Equity	2.6	15.9	9.3	0.8	8.5
	MSCI World	2.6	16.5	7.5	-0.6	8.1
	Real Assets <sup>2</sup>	3.0	4.9	5.2	-4.9	4.3
	NCREIF Property Index <sup>2</sup>	2.3	11.0	10.9	2.3	8.3
	CA Natural Resources <sup>2</sup>	1.5	12.3	13.1	8.3	17.8
	Opportunistic <sup>3</sup>	4.8	18.9	--	--	--
MSCI ACWI	3.0	16.8	--	--	--	
Capital Preservation	Capital Preservation	1.9	4.1	3.9	0.4	5.3
	BC Government Bond	-0.1	2.0	5.5	5.2	4.7
	Absolute Return (including historical MAS returns)	2.9	6.8	6.3	2.8	8.6
	HFRI Conservative plus historical MAS benchmark	1.5	4.1	1.7	1.5	5.2
	Fixed Income	0.5	1.4	1.8	0.9	3.0
BC Government Bond	-0.1	2.0	5.5	5.2	4.7	
Public Market Indices						
	S&P	-0.4	16.0	10.9	1.7	7.1
	NASDAQ	-3.1	15.9	10.0	1.7	8.0
	MSCI EAFE	6.6	17.9	4.0	-3.2	8.7
	BC High Yield	3.3	15.8	11.9	10.3	10.6
	Citigroup World Government Bond (unhedged to USD)	-1.7	1.6	4.4	5.3	6.0

<sup>1</sup> Total Return: average annual compound return (dividend or interest plus capital appreciation or depreciation)

<sup>2</sup> Reported on a quarter lag.

<sup>3</sup> New strategy reflecting data starting 7/1/2010.

## CEF ACTIVITY AS OF DECEMBER 31, 2012

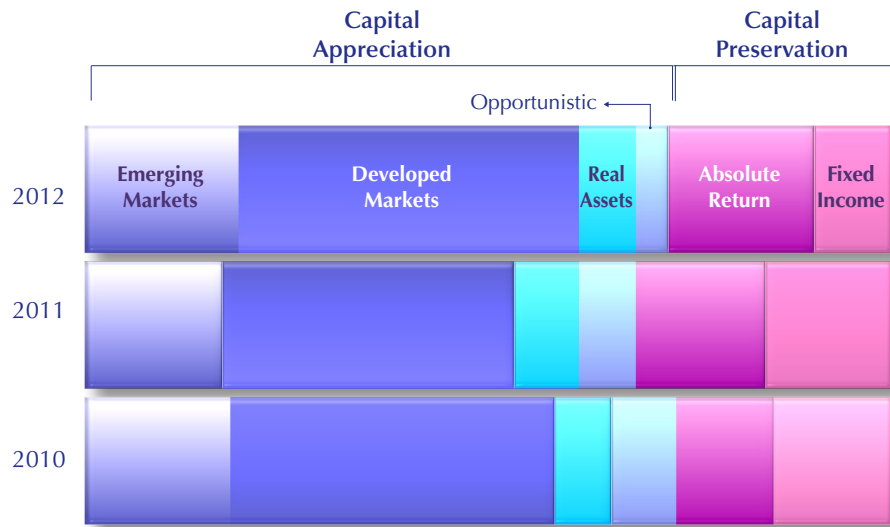
\$ = M

	<u>FYTD 2013</u>	<u>FY 2012</u>	<u>FY 2011</u>	<u>3 Years</u>	<u>10 Years</u>
<b>Beginning Balance</b>	<b>\$2,111</b>	<b>\$2,154</b>	<b>\$1,830</b>	<b>\$1,840</b>	<b>\$945</b>
Gifts	19	75	63	184	681
Transfers	2	8	5	18	89
<b>Total Additions</b>	<b>\$22</b>	<b>\$83</b>	<b>\$68</b>	<b>\$201</b>	<b>\$770</b>
Operating Funds Purchases	0	2	51	56	209
Net Investment Return	147	(21)	301	424	1,218
Distributions	(43)	(85)	(76)	(234)	(745)
Administrative Fees	(2)	(4)	(4)	(12)	(34)
Advancement Support	(9)	(17)	(16)	(49)	(137)
<b>Ending Balance</b>	<b>\$2,226</b>	<b>\$2,111</b>	<b>\$2,154</b>	<b>\$2,226</b>	<b>\$2,226</b>
<b>Net Change</b>	<b>\$115</b>	<b>(\$43)</b>	<b>\$325</b>	<b>\$386</b>	<b>\$1,281</b>

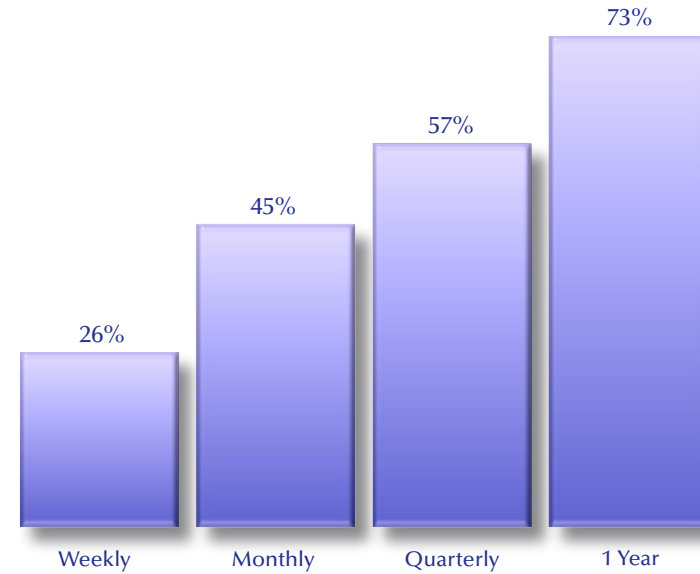


# CEF EXPOSURES FOR THE QUARTER ENDING DECEMBER 31, 2012

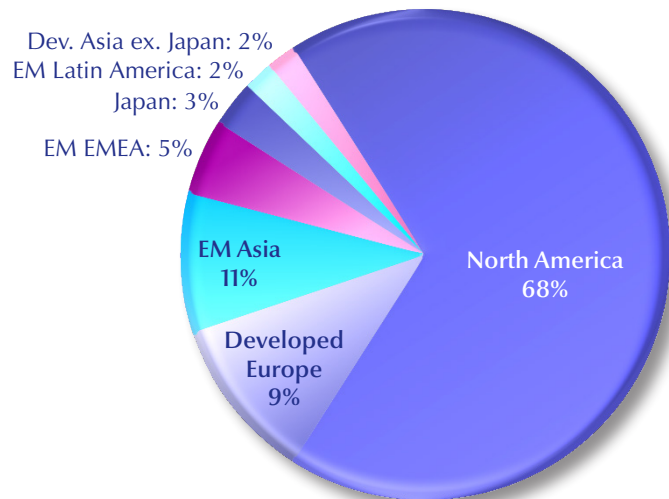
EXPOSURE BY STRATEGY



SHORT-TERM LIQUIDITY ESTIMATES AS % OF CEF

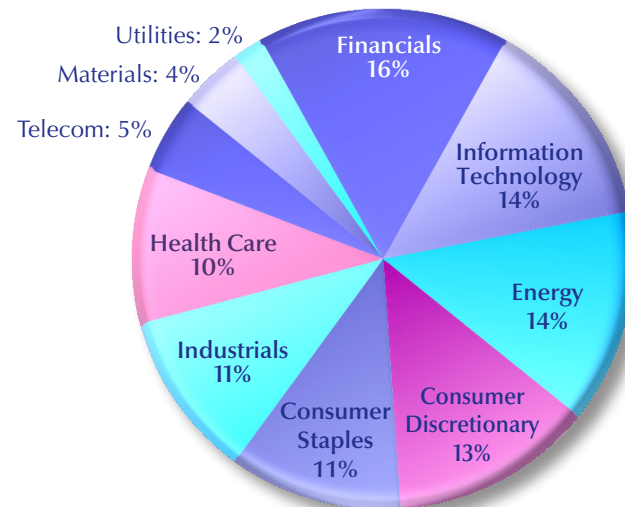


GEOGRAPHIC EXPOSURE<sup>1</sup>



<sup>1</sup> At 12/31/12 foreign currency exposure: 34%

EQUITY SECTOR EXPOSURE<sup>1</sup>



<sup>1</sup> Emerging Markets, Developed Markets, Real Assets and select Absolute Return equity.

# INVESTED FUNDS FOR THE QUARTER ENDING DECEMBER 31, 2012

## TOTAL RETURN<sup>1</sup> (%)

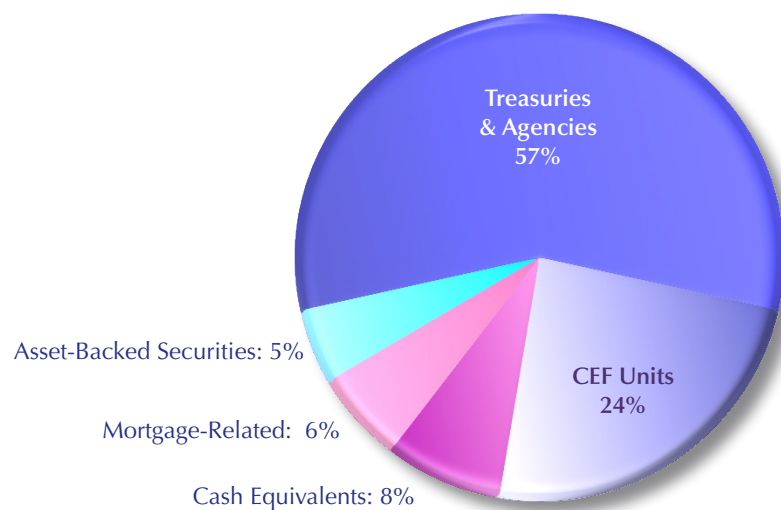
	2 <sup>nd</sup> Qtr FY 2013	1-Year	3-Year	10-Year
<b>IF including CEF units</b>	<b>1.0</b>	<b>4.4</b>	<b>4.1</b>	<b>4.7</b>
Weighted Benchmark	0.5	3.6	4.1	4.9
<b>IF excluding CEF units</b>	<b>0.3</b>	<b>2.0</b>	<b>3.1</b>	<b>3.4</b>
Weighted Benchmark	0.0	1.1	2.7	3.4
<b>Cash</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>2.4</b>
Cash Benchmark	0.1	0.3	0.2	2.2
<b>Liquidity</b>	<b>0.5</b>	<b>3.3</b>	<b>4.9</b>	<b>4.0</b>
BC Intermediate Govt Bond	0.0	1.7	4.2	4.1

<sup>1</sup> Total Return: average annual compound return (dividend or interest plus capital appreciation or depreciation).

## FUND ALLOCATION BY POOL (\$M)

	Fund Allocation		Range	Duration in Years	
				Actual	Maximum
Cash Pool	\$435	23%	10%–40%	1.0	3.0
Liquidity Pool	\$1,018	54%	30%–60%	2.6	4.5
<b>Total Cash &amp; Liquidity Pool</b>	<b>\$1,453</b>	<b>77%</b>			
CEF Units held by IF	\$444	23%	15%–40%		
<b>Total Invested Funds</b>	<b>\$1,897</b>	<b>100%</b>			

## MIX OF INVESTMENTS



## MARKET VALUE (\$B)

