

Contact: Andrea Anania

**INVESTMENT AND CASH MANAGEMENT REPORT
FOR THE QUARTER ENDED SEPTEMBER 30, 2008**

Recommended Action: Receive the Investment and Cash Management Report for the quarter ended September 30, 2008.

Executive Summary: The Regent institutions maintain two investment portfolios — operating and endowment/quasi-endowment.

**Institutional Investment Portfolios
Market Value
(in thousands)
As of September 30, 2007, and September 30, 2008**

	<u>Operating</u>		<u>Endowment/ Quasi-Endowment</u>	
	<u>Sep 2007</u>	<u>Sep 2008</u>	<u>Sep 2007</u>	<u>Sep 2008</u>
University of Iowa ¹	\$829,284	\$899,657	\$363,881 ²	\$308,386 ²
Iowa State University	332,883	381,700	179,908 ³	142,106 ³
University of Northern Iowa	104,712	120,040	-	-
Iowa School for the Deaf	1,895	1,830	-	-
Iowa Braille & Sight Saving School	1,241	506	-	-
Total	\$1,270,015	\$1,403,733	\$543,789	\$450,492

¹ Includes UIHC.

² Includes UNI.

³ Includes ISD and IBSSS.

As of September 30, 2008, the Regent combined operating and endowment portfolios totaled over \$1.8 billion.

OPERATING

The Merrill Lynch 1-3 year Government/Corporate Index rate for the quarter was 0.18%. Internal managers outperformed the benchmark with the exception of the ISD restricted return; BlackRock, Wellington, and Commonfund underperformed the benchmark.

ENDOWMENT

The combined endowment managers' returns for the quarter ended September 30, 2008, were -8.6% for SUI and -8.1% for ISU, while the blended asset allocation benchmark posted returns of -7.5%. The SUI quasi-endowment returned -3.8% for the quarter, which underperformed the benchmark of -0.5%. Endowment and quasi-endowment fund manager performance overviews may be found on pages 3 and 6, respectively, in the Wilshire Executive Summary of Investment Performance report.

INVESTMENT POLICY

At its September 17th meeting, the Investment Committee approved a revised and restructured investment policy (<http://www2.state.ia.us/regents/Policies/Chapter%207/chapter7.04.htm>).

COMPLIANCE

The Director of Internal Audit reported that SUI's operating and endowment activities and ISU's endowment portfolio for the quarter ended June 30, 2008, were in compliance with Board policies.

Beginning with the quarter ended September 30, 2008, the new investment policies allow the Director of Internal Audit to perform compliance audits at his discretion or by special request.

Background and Analysis:

The Board: (1) delegates authority for monitoring institutional investment activities and recommending investment policy to its Investment Committee; (2) delegates management and oversight authority for investment activities to the vice presidents for finance at each institution; and (3) appoints the treasurers for each institution, who are delegated authority by the vice presidents for finance, to manage investment and treasury activities within the policies defined by the Board of Regents and by the individual institutions.

The Board's objective is to preserve principal, ensure liquidity sufficient for anticipated needs, and maintain purchasing power of investable assets while obtaining a reasonable return for a prudent level of risk. The institutions, and any designated investment advisor or investment manager, shall exercise the judgment and care which persons of prudence, discretion and intelligence exercise in accordance with applicable state law.

The Board of Regents employs an investment advisor and money managers to guide its policy of active, diversified investment management. Wilshire Consulting has been the investment advisor to the Board and Regent institutions since May 1996. Wilshire assists with the evaluation of the Board's investment policies and provides quarterly endowment portfolio summary reports.

The Board authorized the following fund managers (See page 7 for values):

Artisan Partners, a small capitalization fund manager, was authorized by the Board in December 2004.

BlackRock, a fixed income manager, was authorized by the Board in February 1996.

Commonfund (CF), a short-term manager, was authorized by the Board in September 2005.

Dodge & Cox, a fixed income manager, was authorized by the Board in February 2004.

Grantham, Mayo, Van Otterloo & Co. (GMO Foreign Fund), an international equity fund manager, was authorized by the Board in February 2004.

Lehman Brothers Asset Management, a private equity manager, was authorized by the Board in November 2005.

Lotsoff Capital Management, a large capitalization domestic equity fund manager, was authorized by the Board in September 2004.

LSV Asset Management manages mid cap value domestic stock portfolios and was authorized by the Board in January 2002.

Post Advisory (a subsidiary of Iowa's Principal Financial Group), a high-yield bonds manager, was authorized by the Board in November 2005.

Principal Group (based in Iowa), a real estate manager, was authorized by the Board in November 2005.

Reams Asset Management, a market core fixed income manager, began handling SUI quasi-endowment funds in July 2001. In January 2002, the Board authorized the use of Reams for institutional endowments.

Vanguard, a large capitalization core index fund manager, was authorized by the Board in February 2008.

Wellington, a short duration fixed income manager, was authorized by the Board in March 2003.

OPERATING PORTFOLIOS

The primary goals for investment prudence of the operating portfolio include safety of principal, maintenance of liquidity to match expected liabilities, and a reasonable return. The operating portfolio is to be managed to ensure funds are available to support operational needs.

**Market Value
(in thousands)
As of September 30, 2008**

	<u>Restricted</u>		<u>Unrestricted</u>			<u>Total</u>
	<u>Internal</u>	<u>Internal</u>	<u>BlackRock</u>	<u>Wellington</u>	<u>Commonfund</u>	
SUI	\$149,385	\$380,390	\$160,939	\$159,061	\$49,882	\$899,657
ISU	87,148	217,148	N/I	N/I	77,404	381,700
UNI	35,031	64,760	N/I	N/I	20,249	120,040
ISD	11	1,560	N/I	N/I	259	1,830
IBSSS	N/I	506	N/I	N/I	N/I	506
Total	\$271,575	\$664,364	\$160,939	\$159,061	\$147,794	\$1,403,733

N/I = No investments of this type.

Total rate of return measures all income and market valuation changes in the portfolios during the period. Rates of return for the quarter are provided in the following table.

**Quarterly Rates of Return
For the Quarter Ended September 30, 2008**

	<u>Restricted</u>		<u>Unrestricted</u>			<u>Total</u>
	<u>Internal</u>	<u>Internal</u>	<u>BlackRock</u>	<u>Wellington</u>	<u>Commonfund</u>	
SUI	0.96%	0.65%	-1.88%	-1.28%	-3.25%	-0.68%
ISU	0.76%	0.80%	N/I	N/I	-3.27%	-0.27%
UNI	1.35%	0.71%	N/I	N/I	-3.29%	-0.24%
ISD	-0.13%	0.50%	N/I	N/I	-3.27%	-0.04%
IBSSS	N/I	0.49%	N/I	N/I	N/I	0.49%

N/I = No investments of this type.

The comparable industry standard rate of return for the quarter ended September 30, 2008, includes the Merrill Lynch 1-3 year Government/Corporate Index rate of 0.18%. Internal managers outperformed the benchmark with the exception of the ISD restricted return; BlackRock, Wellington, and Commonfund underperformed the benchmark.

Operating Investment Summary
Unrestricted, Restricted, BlackRock, Wellington, and Commonfund
(in thousands)
As of September 30, 2008

	<u>Market Value</u>	<u>Percent Market Value</u>
University of Iowa		
Money Market / Cash Equivalents	\$499,907	55.6%
Agency Securities	116,605	13.0%
Commonfund	49,882	5.5%
Asset Backed	129,579	14.4%
U.S. Obligations	59,250	6.6%
Corporate Notes and Bonds	42,788	4.7%
Municipals	<u>1,646</u>	<u>0.2%</u>
Total	\$899,657	100.0%
Iowa State University		
Money Market / Cash Equivalents	\$185,795	48.7%
Agency Securities	81,627	21.4%
Commonfund	77,404	20.3%
U.S. Obligations	<u>36,874</u>	<u>9.6%</u>
Total	\$381,700	100.0%
University of Northern Iowa		
Money Market / Cash Equivalents	\$42,154	35.1%
Agency Securities	38,425	32.0%
Commonfund	20,249	16.9%
U.S. Obligations	<u>19,212</u>	<u>16.0%</u>
Total	\$120,040	100.0%
Iowa School for the Deaf		
Money Market / Cash Equivalents	\$1,571	85.8%
Commonfund	<u>259</u>	<u>14.2%</u>
Total	\$1,830	100.0%
Iowa Braille & Sight Saving School		
Money Market / Cash Equivalents	\$11	2.2%
Repurchase Agreements	<u>495</u>	<u>97.8%</u>
Total	\$506	100.0%
Regent Composite		
Money Market / Cash Equivalents	\$729,438	52.0%
Agency Securities	236,657	16.9%
Commonfund	147,794	10.5%
Asset Backed	129,579	9.2%
U.S. Obligations	115,336	8.2%
Corporate Notes and Bonds	42,788	3.0%
Municipals	1,646	0.1%
Repurchase Agreements	<u>495</u>	<u>0.1%</u>
Total	\$1,403,733	100.0%

ENDOWMENT PORTFOLIOS

Two primary endowment portfolios are maintained – the University of Iowa and Iowa State University. The University of Northern Iowa endowment portfolio is invested through the University of Iowa. The Iowa School for the Deaf and the Iowa Braille and Sight Saving School endowment portfolios are invested through Iowa State University.

The Board’s investment policy defines endowment funds as primarily donor gifts and other funds received for specific purposes. The purpose of endowment funds is to provide: (1) intergenerational equity of income in perpetuity; and (2) a stable income sufficient to meet the reasonable spending needs of the component endowments by keeping pace with inflation and not degrading the real value of the corpus over time.

**Endowment Asset Class Allocation Policy*
As of September 30, 2008**

	<u>Target</u>	<u>Range</u>
Public Equity	50%	+/-5%
Fixed Income	30%	+/-5%
Private Equity	10%	+/-5%
Real Assets	<u>10%</u>	+/-5%
	100%	

**Endowment Manager Allocations*
As of September 30, 2008**

<u>Asset Class</u>	<u>Target</u>	<u>Allowable Range</u>	<u>Benchmark</u>
<u>Public Equity</u>	<u>50%</u>	45-55%	Wilshire 5000
US Equity	25%	20-30%	Wilshire 5000
Non US Equity	25%	20-30%	MSCI EAFE (N)
<u>Fixed Income</u>	<u>30%</u>	25-35%	Lehman Aggregate
Core Fixed Income	25%	20-30%	Lehman Aggregate
High Yield FI	5%	0-10%	Merrill Lynch HY Master II
<u>Real Assets</u>	<u>10%</u>	0-10%	NACREIF
Public	0%	N/A	N/A
Private	10%	0-10%	NACREIF
<u>Private Equity</u>	<u>10%</u>	10-20%	Wilshire 5000

*Approved at the September 2008 meeting. A transition period is expected as assets are reallocated to this new plan.

**Endowment Allocations
Net of Fees
As of September 30, 2008**

MANAGER	University of Iowa			Iowa State University		
	Value (thousands)	Value (percent)	Fees (thousands)	Value (thousands)	Value (percent)	Fees (thousands)
<u>Public Equity</u>						
<u>US Equity</u>						
Artisan	\$9,869	4.5%	\$28	\$7,539	5.3%	\$21
Lotsoff Capital	40,293	18.2%	40	23,105	16.3%	20
LSV	9,749	4.4%	17	7,441	5.2%	13
Vanguard	41,872	18.9%	7	24,919	17.5%	4
Subtotal	\$101,783	46.0%	\$92	\$63,004	44.3%	\$58
<u>Non US Equity</u>						
GMO Foreign Fund	\$31,507	14.3%	\$59	\$18,667	13.1%	\$35
<u>Fixed Income</u>						
<u>Dodge & Cox</u>						
Dodge & Cox	\$27,862	12.6%	\$31	\$19,094	13.4%	\$21
Reams	28,077	12.7%	19	19,942	14.0%	15
Post Advisory	13,248	6.0%	20	8,750	6.2%	13
Subtotal	\$69,187	31.3%	\$70	\$47,786	33.6%	\$49
<u>Real Assets</u>						
<u>Principal Group</u>						
Principal Group	\$14,857	6.7%	\$45	\$10,335	7.3%	\$31
<u>Private Equity</u>						
<u>Lehman Brothers</u>						
Lehman Brothers	\$3,123	1.4%	\$14	\$1,952	1.4%	\$9
CF Int'l Partners VI*	219	0.1%	*	146	0.1%	*
CF Private Equity VII*	217	0.1%	*	145	0.1%	*
CF Venture Capital VIII*	118	0.1%	*	71	0.1%	*
Subtotal	\$3,677	1.7%	\$14	\$2,314	1.7%	\$9
Total Fund	\$221,011	100.0%	\$280	\$142,106	100.0%	\$182

* No fees were reported.

**Endowment Performance
Net of Fees
As of September 30, 2008**

	Assets (thousands)	Net Returns	
		Quarter	One Year
SUI	\$221,011	-8.6%	-16.9%
ISU	142,106	-8.1%	-16.4%
Asset Allocation Benchmark*		-7.5%	-14.3%
SUI Quasi-Endowment	87,375	-3.8%	-0.7%
Fixed Income Benchmark **		-0.5%	3.7%
Total	\$450,492		

* 50% Wilshire 5000, 30% Lehman Aggregate, 15% MSCI EAFE (N), 5% NCREIF Property Index.

** 100% Lehman Aggregate.

The quasi-endowment fund is 100% fixed income investments. There are no Board-established fund manager allocations target ranges for the quasi-endowment.

**University of Iowa Quasi-Endowment (100% Fixed Income)
As of September 30, 2008**

	Value (thousands)	Value (percent)	Fees (thousands)	Net Returns	
				Quarter	Year
Dodge & Cox	\$43,717	50.0%	\$49	-3.8%	-2.3%
Reams	43,658	50.0%	29	-3.8%	1.0%
Total Fund	\$87,375	100.0%	\$78		
Fixed Income Benchmark **				-0.5%	3.7%

**100% Lehman Aggregate.

Endowment / Quasi-Endowment Portfolios
Market Value - Accrual Basis
(in thousands)
As of September 30, 2008

Portfolio Manager	Endowment Market Value	Quasi-Endowment Market Value	Total Market Value	Percent of Total
Dodge & Cox				
SUI	\$27,862	\$43,717	\$71,579	
ISU	<u>19,094</u>	-	<u>19,094</u>	
Total	\$46,956	\$43,717	\$90,673	20.1%
Reams Asset Management				
SUI	\$28,077	\$43,658	\$71,735	
ISU	<u>19,942</u>	-	<u>19,942</u>	
Total	\$48,019	\$43,658	\$91,677	20.3%
Vanguard				
SUI	\$41,872	-	\$41,872	
ISU	<u>24,919</u>	-	<u>24,919</u>	
Total	\$66,791	-	\$66,791	14.8%
Lotsoff Capital Management				
SUI	\$40,293	-	\$40,293	
ISU	<u>23,105</u>	-	<u>23,105</u>	
Total	\$63,398	-	\$63,398	14.1%
GMO Foreign Fund				
SUI	\$31,507	-	\$31,507	
ISU	<u>18,667</u>	-	<u>18,667</u>	
Total	\$50,174	-	\$50,174	11.1%
Principal Group				
SUI	\$14,857	-	\$14,857	
ISU	<u>10,335</u>	-	<u>10,335</u>	
Total	\$25,192	-	\$25,192	5.6%
Post Advisory				
SUI	\$13,248	-	\$13,248	
ISU	<u>8,750</u>	-	<u>8,750</u>	
Total	\$21,998	-	\$21,998	4.9%
Artisan Partners				
SUI	\$9,869	-	\$9,869	
ISU	<u>7,539</u>	-	<u>7,539</u>	
Total	\$17,408	-	\$17,408	3.9%
LSV Asset Management				
SUI	\$9,749	-	\$9,749	
ISU	<u>7,441</u>	-	<u>7,441</u>	
Total	\$17,190	-	\$17,190	3.8%
Lehman Brothers Asset Management				
SUI	\$3,123	-	\$3,123	
ISU	<u>1,952</u>	-	<u>1,952</u>	
Total	\$5,075	-	\$5,075	1.1%
Commonfund Private Equity VII				
SUI	\$219	-	\$219	
ISU	<u>146</u>	-	<u>146</u>	
Total	\$365	-	\$365	0.1%
Commonfund International Partners VI				
SUI	\$217	-	\$217	
ISU	<u>145</u>	-	<u>145</u>	
Total	\$362	-	\$362	0.1%
Commonfund Venture Capital VIII				
SUI	\$118	-	\$118	
ISU	<u>71</u>	-	<u>71</u>	
Total	\$189	-	\$189	0.1%
TOTAL				
SUI	\$221,011	\$87,375	\$308,386	
ISU	<u>142,106</u>	-	<u>142,106</u>	
Total	\$363,117	\$87,375	\$450,492	100.0%

PRINCIPAL DEMUTUALIZATION FUNDS

In November 2001, the Board established an endowment with proceeds from the demutualization of Principal Mutual Holding Company for the benefit of employees and the institutions. The balances of the proceeds are reported on a quarterly basis.

**Market Value
(in thousands)
As of September 30, 2008**

University of Iowa	\$41,143
Iowa State University	23,304
University of Northern Iowa	6,753
Iowa School for the Deaf	300
Iowa Braille and Sight Saving School	150
Board Office	<u>47</u>
Total	\$71,697



Board of Regents, State of Iowa

Wilshire Consulting

***Board of Regents, State of Iowa
Executive Summary of Investment Performance
Quarter Ending September 30, 2008***



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Total Endowment Fund Results

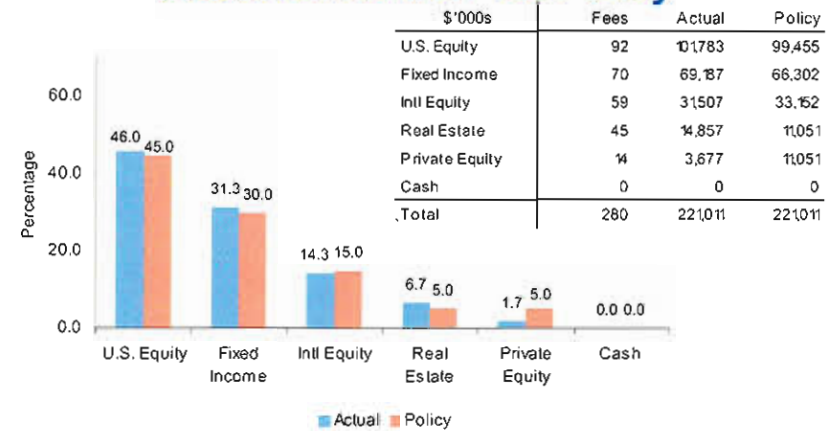
University of Iowa



Investment Performance



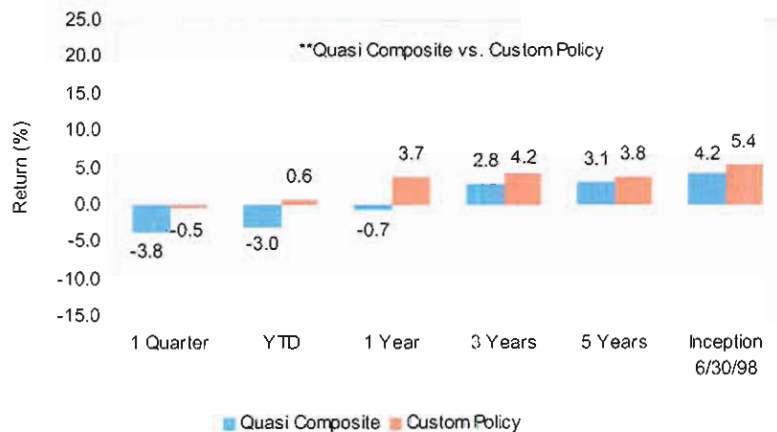
Asset Allocation vs. Policy



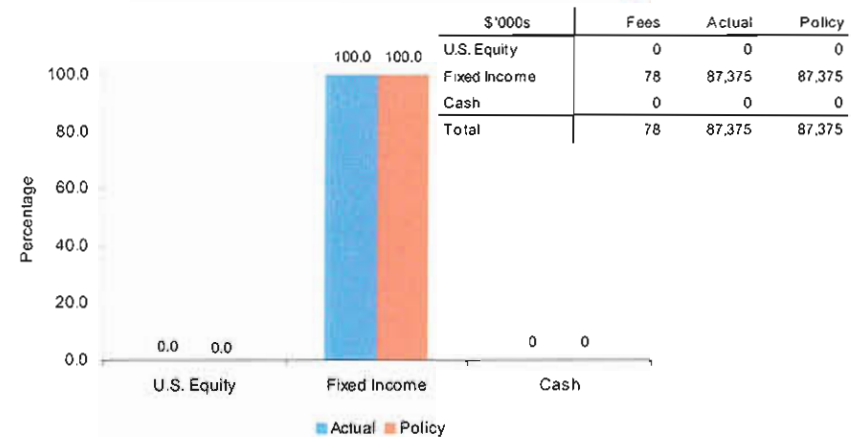
Total Quasi-Endowment Fund Results

University of Iowa

Investment Performance



Asset Allocation vs. Policy



(Periods Ending September 30, 2008)

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

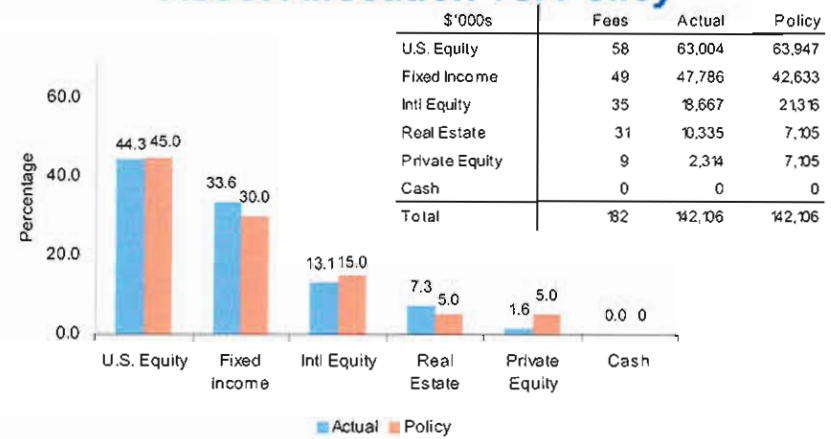
Iowa State University



Investment Performance



Asset Allocation vs. Policy



	\$'000s	Fees	Actual	Policy
U.S. Equity		58	63,004	63,947
Fixed Income		49	47,786	42,633
Intl Equity		35	8,667	21,316
Real Estate		31	10,335	7,105
Private Equity		9	2,314	7,105
Cash		0	0	0
Total		182	142,106	142,106

(Periods Ending September 30, 2008)

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

Endowment Fund Manager Performance Overview



University of Iowa												
Inception	Asset Class / Manager	Assets (thousands)	Net Return 1 Quarter	Benchmark 1 Quarter	Variance (bps) 1 Quarter	Net Return 1 Year	Benchmark 1 Year	Variance (bps) 1 Year	Net Return 5 Years	Benchmark 5 Years	Variance (bps) 5 Years	
	Domestic Equity	\$101,783	-9.1%	-8.7%	-44	-23.8%	-21.3%	-257	4.3%	6.0%	-172	
3/31/2005	Lotsoff Capitol	\$40,293	-12.8%	-8.4%	-442	-25.4%	-22.0%	-343	-	-	-	
6/30/2002	LSV	\$9,749	0.1%	-1.2%	132	-19.7%	-15.8%	-394	6.2%	9.0%	-278	
3/31/2005	Artisan	\$9,869	-4.8%	-7.0%	219	-26.6%	-17.1%	-957	-	-	-	
3/31/2008	Vanguard	\$41,872	-8.3%	-8.4%	3	-	-	-	-	-	-	
	International Equity	\$31,507	-19.1%	-20.6%	148	-29.6%	-30.5%	90	10.3%	9.7%	59	
3/31/2004	GMO Foreign Fund	\$31,507	-19.1%	-20.6%	148	-29.6%	-30.5%	90	-	-	-	
	Fixed Income	\$69,187	-4.1%	-0.5%	-361	-1.7%	3.7%	-532	2.9%	3.8%	-86	
3/31/2004	Dodge & Cox	\$27,862	-3.8%	-0.5%	-329	-2.3%	3.7%	-593	-	-	-	
9/30/2002	Reams	\$28,077	-3.8%	-0.5%	-334	0.9%	3.7%	-276	3.5%	3.8%	-30	
3/31/2006	Post Advisory	\$13,248	-5.4%	-9.5%	411	-5.9%	-11.7%	576	-	-	-	
	Real Estate	\$14,857	-0.8%	0.6%	-137	5.1%	9.2%	-409	-	-	-	
3/31/2006	Principal Group	\$14,857	-0.8%	0.6%	-137	5.1%	9.2%	-409	-	-	-	
	Private Equity	\$3,677	-3.5%	-8.7%	521	-0.6%	-21.3%	2,067	-	-	-	
12/31/2006	Lehman Brothers	\$3,123	-3.6%	-8.7%	512	-2.7%	-21.3%	1,860	-	-	-	
3/31/2007	CF Intl Partners VI	\$219	-7.8%	-8.7%	90	86.0%	-21.3%	10,728	-	-	-	
3/31/2007	CF Private Equity VII	\$217	-2.8%	-8.7%	585	21.1%	-21.3%	4,233	-	-	-	
6/30/2007	CF Private Equity VIII	\$118	7.2%	-8.7%	1,589	-75.6%	-21.3%	-5,438	-	-	-	
	Total Endowment	\$221,011	-8.8%	-7.5%	-104	-16.9%	-14.3%	-265	5.0%	6.1%	-112	

Iowa State University												
Inception	Asset Class / Manager	Assets (thousands)	Net Return 1 Quarter	Benchmark 1 Quarter	Variance (bps) 1 Quarter	Net Return 1 Year	Benchmark 1 Year	Variance (bps) 1 Year	Net Return 5 Years	Benchmark 5 Years	Variance (bps) 5 Years	
	Domestic Equity	\$63,004	-8.7%	-8.7%	9	-23.8%	-21.2%	-254	4.2%	6.0%	-183	
3/31/2005	Lotsoff Capitol	\$23,105	-12.7%	-8.4%	-431	-25.0%	-22.0%	-299	-	-	-	
6/30/2002	LSV	\$7,441	0.3%	-1.2%	151	-20.8%	-15.8%	-500	6.1%	9.0%	-287	
3/31/2005	Artisan	\$7,539	-4.8%	-7.0%	219	-26.6%	-17.1%	-957	-	-	-	
3/31/2008	Vanguard	\$24,919	-8.3%	-8.4%	3	-	-	-	-	-	-	
	International Equity	\$18,667	-19.1%	-20.6%	144	-29.7%	-30.5%	84	10.0%	9.7%	33	
3/31/2004	GMO Foreign Fund	\$18,667	-19.1%	-20.6%	144	-29.7%	-30.5%	84	-	-	-	
	Fixed Income	\$47,786	-4.2%	-0.5%	-367	-1.6%	3.7%	-529	2.9%	3.8%	-87	
3/31/2004	Dodge & Cox	\$19,094	-3.8%	-0.5%	-329	-2.3%	3.7%	-595	-	-	-	
9/30/2002	Reams	\$19,942	-4.0%	-0.5%	-352	0.8%	3.7%	-290	3.5%	3.8%	-32	
3/31/2006	Post Advisory	\$8,750	-5.4%	-9.5%	411	-5.9%	-11.7%	576	-	-	-	
	Real Estate	\$10,335	-0.8%	0.6%	-138	5.1%	9.2%	-410	-	-	-	
3/31/2006	Principal Group	\$10,335	-0.8%	0.6%	-138	5.1%	9.2%	-410	-	-	-	
	Private Equity	\$2,314	-3.5%	-8.7%	519	-0.5%	-21.3%	2,078	-	-	-	
12/31/2006	Lehman Brothers	\$1,952	-3.6%	-8.7%	512	-2.7%	-21.3%	1,860	-	-	-	
3/31/2007	CF Intl Partners VI	\$146	-7.8%	-8.7%	90	86.0%	-21.3%	10,729	-	-	-	
3/31/2007	CF Private Equity VII	\$145	-2.8%	-8.7%	585	21.1%	-21.3%	4,233	-	-	-	
6/30/2007	CF Private Equity VIII	\$71	7.2%	-8.7%	1,589	-75.6%	-21.3%	-5,437	-	-	-	
	Total Endowment	\$142,106	-8.1%	-7.5%	-59	-16.4%	-14.3%	-212	5.2%	6.1%	-92	

(Periods Ending September 30, 2008)

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

Operating Account Review (External Managers)



	Inception Date	Mkt. Value \$'000	Comp %	Qtr %	YTD %	1 Yr %	3 Yrs %	5 Yrs %	Inception %	Investment Fee \$'000
University of Iowa External Mgr. Composite	(12/31/96)	369,882	100 %	-1.8	-1.2	0.2	2.9	2.4	4.6	163
<i>Merrill Lynch 1-3 Yr. G/C</i>				0.2	2.3	4.5	4.7	3.3	5.0	
<i>Merrill Lynch 1-5 Yr. Govt/Corp</i>				-0.2	1.6	4.1	4.5	3.3	5.3	
BlackRock Short Duration	(12/31/96)	160,939	43.5%	-1.9	-0.2	1.5	3.5	2.7	4.7	87
<i>Merrill Lynch 1-3 Yr. G/C</i>				0.2	2.3	4.5	4.7	3.3	5.0	
<i>Merrill Lynch 1-5 Yr. Govt/Corp</i>				-0.2	1.6	4.1	4.5	3.3	5.3	
Wellington Short Bond	(3/31/03)	159,061	43.0%	-1.3	-1.2	0.0	2.9	2.4	2.5	65
<i>Merrill Lynch 1-3 Yr. G/C</i>				0.2	2.3	4.5	4.7	3.3	3.3	
<i>Merrill Lynch 1-5 Yr. Govt/Corp</i>				-0.2	1.6	4.1	4.5	3.3	3.3	
CF Intermediate Term Fund	(12/31/06)	49,882	13.5%	-3.3	-4.4	-3.4	--	--	-0.3	11
<i>Merrill Lynch 1-3 Yr. Treasury</i>				1.7	3.8	6.3	--	--	6.4	

	Inception Date	Mkt. Value \$'000	Comp %	Qtr %	YTD %	1 Yr %	3 Yrs %	5 Yrs %	Inception %	Investment Fee \$'000
Iowa State University External Mgr. Composite	(6/30/05)	77,404	100 %	-3.3	-4.4	-3.4	1.6	--	1.6	14
<i>Operating Benchmark</i>				1.7	3.8	6.3	5.3	--	4.9	
CF Intermediate Term Fund	(9/30/05)	77,404	100.0%	-3.3	-4.4	-3.4	1.7	--	1.7	14
<i>Merrill Lynch 1-3 Yr. Treasury</i>				1.7	3.8	6.3	5.3	--	5.3	

	Inception Date	Mkt. Value \$'000	Comp %	Qtr %	YTD %	1 Yr %	3 Yrs %	5 Yrs %	Inception %	Investment Fee \$'000
University of Northern Iowa External Mgr. Composite	(12/31/04)	20,249	100 %	-3.3	-4.4	-3.5	1.6	--	1.7	7
<i>Operating Benchmark</i>				1.7	3.8	6.3	5.3	--	4.5	
CF Intermediate Term Fund	(12/31/05)	20,249	100.0%	-3.3	-4.4	-3.5	--	--	1.5	7
<i>Merrill Lynch 1-3 Yr. Treasury</i>				1.7	3.8	6.3	--	--	5.5	

(Periods Ending September 30, 2008)

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 11 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
University of Iowa Total Endowment	(3/31/89)	221,011	100.0%	-8.6	-15.3	-16.9	0.8	5.0	8.5	280
Iowa State University Total Endowment	(3/31/89)	142,106	100.0%	-8.1	-14.7	-16.4	0.8	5.2	8.7	182
<i>Policy Index</i>				-7.5	-13.6	-14.3	2.4	6.1	9.0	
University of Iowa Domestic Equity Composite	(3/31/89)	101,783	46.0%	-9.1	-20.1	-23.8	-1.9	4.3	9.4	92
Iowa State University Domestic Equity Composite	(3/31/89)	63,004	44.3%	-8.7	-19.9	-23.8	-2.3	4.2	9.1	58
<i>Dow Jones Wilshire 5000</i>				-8.7	-18.6	-21.3	0.6	6.0	9.6	
University of Iowa: Vanguard S&P 500 Index	(3/31/08)	41,872	18.9%	-8.3	--	--	--	--	-10.8	7
Iowa State University: Vanguard S&P 500 Index	(3/31/08)	24,919	17.5%	-8.3	--	--	--	--	-10.9	4
<i>S&P 500</i>				-8.3	--	--	--	--	-10.8	
University of Iowa: Lotsoff Large Cap Equity	(3/31/05)	40,293	18.2%	-12.8	-22.8	-25.4	-2.0	--	0.7	40
Iowa State University: Lotsoff Large Cap Equity	(3/31/05)	23,105	16.3%	-12.7	-22.4	-25.0	-1.8	--	0.6	20
<i>S&P 500</i>				-8.4	-19.3	-22.0	0.2	--	1.6	
University of Iowa: LSV Asset Management	(6/30/02)	9,749	4.4%	0.1	-12.4	-19.7	-3.1	6.2	5.3	17
Iowa State University: LSV Asset Management	(6/30/02)	7,441	5.2%	0.3	-14.0	-20.8	-3.7	6.1	5.3	13
<i>Russell 2500 Value</i>				-1.2	-9.5	-15.8	0.6	9.0	8.3	
University of Iowa: Artisan Small Cap Growth	(3/31/05)	9,869	4.5%	-4.8	-22.4	-26.6	-5.0	--	-1.1	28
Iowa State University: Artisan Small Cap Growth	(3/31/05)	7,539	5.3%	-4.8	-22.4	-26.6	-5.0	--	-1.1	21
<i>Russell 2000 Growth</i>				-7.0	-15.3	-17.1	1.5	--	4.1	
University of Iowa International Equity Composite	(9/30/94)	31,507	14.3%	-19.1	-28.2	-29.6	1.8	10.3	5.8	59
Iowa State University International Equity Composite	(9/30/94)	18,667	13.1%	-19.1	-28.2	-29.7	1.7	10.0	5.6	35
<i>MSCI EAFE (N) Index</i>				-20.6	-29.3	-30.5	1.1	9.7	4.8	
University of Iowa: GMO Foreign Fund	(3/31/04)	31,507	14.3%	-19.1	-28.2	-29.6	1.8	--	6.5	59
Iowa State University: GMO Foreign Fund	(3/31/04)	18,667	13.1%	-19.1	-28.2	-29.7	1.7	--	6.5	35
<i>MSCI EAFE (N) Index</i>				-20.6	-29.3	-30.5	1.1	--	6.0	
University of Iowa Fixed Income Composite	(3/31/89)	69,187	31.3%	-4.1	-3.4	-1.7	2.6	2.9	6.9	70
Iowa State University Fixed Income Composite	(3/31/89)	47,786	33.6%	-4.2	-3.4	-1.6	2.6	2.9	6.4	49
<i>Custom Policy</i>				-0.5	0.6	3.7	4.2	3.8	7.3	
University of Iowa: Dodge & Cox Income Fund	(3/31/04)	27,862	12.6%	-3.8	-3.5	-2.3	2.2	--	2.2	31
Iowa State University: Dodge & Cox Income Fund	(3/31/04)	19,094	13.4%	-3.8	-3.5	-2.3	2.2	--	2.2	21
<i>Lehman Aggregate</i>				-0.5	0.6	3.7	4.2	--	3.5	
University of Iowa: Reans Asset Management	(9/30/02)	28,077	12.7%	-3.8	-2.5	0.9	3.3	3.5	3.7	19
Iowa State University: Reans Asset Management	(9/30/02)	19,942	14.0%	-4.0	-2.6	0.8	3.2	3.5	3.7	15
<i>Lehman Aggregate</i>				-0.5	0.6	3.7	4.2	3.8	4.1	
University of Iowa: Post Advisory High Yield	(3/31/06)	13,248	6.0%	-5.4	-5.2	-5.9	--	--	2.2	20
Iowa State University: Post Advisory High Yield	(3/31/06)	8,750	6.2%	-5.4	-5.2	-5.9	--	--	2.2	13
<i>Merrill Lynch High Yield Master II</i>				-9.5	-10.6	-11.7	--	--	-0.3	

(Periods Ending September 30, 2008)

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 11 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
University of Iowa Real Estate Composite	(03/31/06)	14,857	6.7%	-0.8	2.2	5.1	--	--	12.7	45
Iowa State University Real Estate Composite <i>NCREIF Property Index Lagged</i>	(03/31/06)	10,335	7.3%	-0.8	2.2	5.1	--	--	12.7	31
				0.6	5.5	9.2	--	--	13.7	
University of Iowa: Principal Enhanced Property Fund	(03/31/06)	14,857	6.7%	-0.8	2.2	5.1	--	--	12.7	45
Iowa State University: Principal Enhanced Property Fund <i>NCREIF Property Index</i>	(03/31/06)	10,335	7.3%	-0.8	2.2	5.1	--	--	12.7	31
				0.6	5.5	9.2	--	--	13.7	
University of Iowa Private Equity Composite	(12/31/06)	3,677	1.7%	-3.5	-1.4	-0.6	--	--	0.3	14
Iowa State University Private Equity Composite <i>Dow Jones Wilshire 5000</i>	(12/31/06)	2,314	1.6%	-3.5	-1.4	-0.5	--	--	0.2	9
				-8.7	-18.6	-21.3	--	--	-8.3	
University of Iowa: Lehman Brothers Crossroads XVII	(12/31/06)	3,123	1.4%	-3.6	-3.3	-2.7	--	--	1.6	14
Iowa State University: Lehman Brothers Crossroads XVII <i>Dow Jones Wilshire 5000</i>	(12/31/06)	1,952	1.4%	-3.6	-3.3	-2.7	--	--	1.6	9
				-8.7	-18.6	-21.3	--	--	-8.3	
University of Iowa: CF Int'l Partners VI	(3/31/07)	219	0.1%	-7.8	27.8	86.0	--	--	-41.5	--
Iowa State University: CF Int'l Partners VI <i>Dow Jones Wilshire 5000</i>	(3/31/07)	146	0.1%	-7.8	27.8	86.0	--	--	-41.5	--
				-8.7	-18.6	-21.3	--	--	-8.3	
University of Iowa: CF Private Equity VII	(3/31/07)	217	0.1%	-2.8	-15.4	21.1	--	--	-81.1	--
Iowa State University: CF Private Equity VII <i>Dow Jones Wilshire 5000</i>	(3/31/07)	145	0.1%	-2.8	-15.4	21.1	--	--	-81.1	--
				-8.7	-18.6	-21.3	--	--	-8.3	
University of Iowa: CF Venture Capital VIII	(6/30/07)	118	0.1%	7.2	42.0	-75.6	--	--	-67.7	--
Iowa State University: CF Venture Capital VIII <i>Dow Jones Wilshire 5000</i>	(6/30/07)	71	0.0%	7.2	42.0	-75.6	--	--	-67.7	--
				-8.7	-18.6	-21.3	--	--	-8.3	

*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
University of Iowa Quasi Composite <i>Custom Policy</i>	(6/30/98)	87,375	100%	-3.8	-3.0	-0.7	2.8	3.1	4.2	78
				-0.5	0.6	3.7	4.2	3.8	5.4	
Dodge & Cox Income Quasi <i>Lehman Aggregate</i>	(3/31/04)	43,717	50.0%	-3.8	-3.6	-2.3	2.2	--	2.2	49
				-0.5	0.6	3.7	4.2	--	3.5	
Reams Asset Management Quasi <i>Lehman Aggregate</i>	(9/30/01)	43,658	50.0%	-3.8	-2.4	1.0	3.4	3.6	4.1	29
				-0.5	0.6	3.7	4.2	3.8	4.7	

(Periods Ending September 30, 2008)

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 11 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



Lotsoff Capital Management

- Lotsoff Large Cap Equity posted a -13.02% return for the 3rd quarter, underperforming the S&P 500 Index by 466 bps.
- Poor stock selection within the energy sector was the main driver of underperformance during the 3rd quarter..
- An underweight to both the financial and consumer staples sectors also detracted value from the portfolio.

LSV Asset Management

- LSV Small/Mid Cap Value portfolio posted a 0.28% return for the 3rd quarter, outperforming the Russell 2500 Value Index by ~149 bps.
- The main driver of underperformance was poor stock selection within both the energy and consumer discretionary sectors.
- An underweight to utilities combined with an overweight to the consumer discretionary sector also detracted value from the portfolio.
- Strong stock selection within the information technology and materials added value to the portfolio during the 2nd quarter.

Artisan Partners

- The Artisan Small Cap Growth Fund posted a -4.79% return, outperformed the Russell 2000 Growth Index by 220 bps during the 3rd quarter.
- An underweight to the energy sector was the main driver of outperformance during the quarter as energy prices declined nearly 35%.
- Strong stock selection within the financial sector also added value to the portfolio.
- An underweight combined with poor stock selection within the healthcare sector detracted value from the portfolio during the quarter.

GMO International

- GMO Foreign Fund posted a -19.12% return for the 3rd quarter, outperforming the MSCI EAFE Index by 144 bps .
- An underweight position to the Australian markets was the main driver of outperformance during the 3rd quarter.
- Strong stock selection with Germany, France, and the UK also added value to the portfolio.

Dodge & Cox

- Dodge & Cox Income Fund posted a -3.80% return for the 3rd quarter, underperforming the Lehman Aggregate Index by ~330 bps.
- An overweight combined with poor security selection detracted significant value to the portfolio during the 3rd quarter.
- A significant underweight to Treasury bonds also detracted value as these bonds posted positive gains.

Reams Asset Management

- Reams Core Fixed Income posted a -3.90% return for the 3rd quarter, underperforming the Lehman Aggregate Index by ~340 bps.
- An overweight to CMBS and investment grade credits as spreads widened during the 3rd quarter.
- An underweight to both Treasury & Agency bonds also detracted value from the portfolio.

Post Asset Management

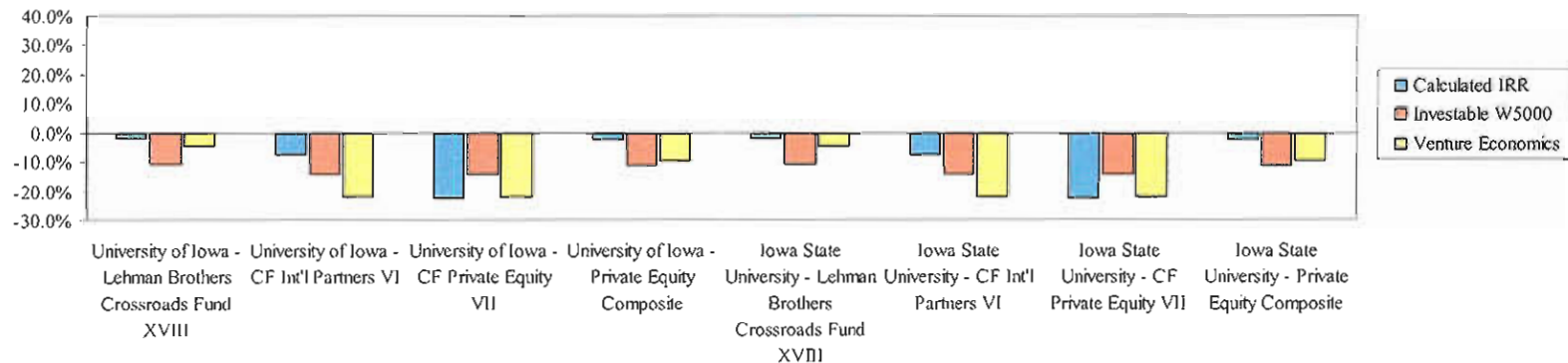
- Post Advisory High Yield posted a -5.37% return, outperformed the Merrill Lynch High Yield Master II Index by 410 bps during the 3rd quarter.
- The portfolio's underweight to the Auto Sector was the main driver of underperformance during the 3rd quarter.
- Poor stock selection within both GMAC and Ford Motor Company (though underweight to the sector), detracted value from the portfolio.

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	3,300,000 55%	56,985	-120,194	3,122,821	-1.8%	-10.9%	-4.4%
University of Iowa - CF Int'l Partners VI	2q2007	1,200,000	228,000 19%	220	-9,007	218,773	-7.5%	-14.0%	-21.8%
University of Iowa - CF Private Equity VII	2q2007	2,400,000	242,400 10%	159	-25,388	216,853	-22.5%	-14.3%	-21.8%
University of Iowa - CF Venture Capital VIII	3q2007	1,000,000	107,500 11%	0	10,699	118,199	24.5%	-14.5%	-22.0%
University of Iowa - Private Equity Composite	4q2006	10,600,000	3,877,900 37%	57,364	-143,890	3,676,646	-2.2%	-11.2%	-9.4%

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	2,062,500 55%	35,616	-75,124	1,951,760	-1.8%	-10.9%	-4.4%
Iowa State University - CF Int'l Partners VI	2q2007	800,000	152,000 19%	148	-6,003	145,849	-7.5%	-14.0%	-21.8%
Iowa State University - CF Private Equity VII	2q2007	1,600,000	161,600 10%	107	-16,925	144,568	-22.5%	-14.3%	-21.8%
Iowa State University - CF Venture Capital VIII	3q2007	600,000	64,500 11%	0	6,419	70,919	24.5%	-14.5%	-22.0%
Iowa State University - Private Equity Composite	4q2006	6,750,000	2,440,600 36%	35,871	-91,633	2,313,096	-2.2%	-11.2%	-9.4%

- (1) Venture Economics – Median return of all private equity funds with vintage year 2006
- (2) Venture Economics – Median return of all buyout funds with vintage year 2007
- (3) Venture Economics – Median return of all buyout funds with vintage year 2007
- (4) Venture Economics – Median return of all venture capital funds with vintage year 2007
- (5) Venture Economics – Median return of all private equity funds with vintage year 2006



(Periods Ending September 30, 2008)

<u>Endowment Policy Index</u>	<u>%</u>	<u>Description</u>
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 Lagged
<u>Fixed Income/ Quasi Policy</u>	<u>%</u>	<u>Description</u>
9/98 -6/01	100.00	Lehman Gov't/Credit
9/01 - Present	100.00	Lehman Aggregate



Appendix

Market Review (Periods Ending September 30, 2008)

Market Observations

Despite seeing the effective Fed Funds rate fall below its target, the Fed held rates steady at 2%. One-month AA commercial paper spreads surged to 3% above T-bills as the credit crisis intensified in late September. The elevated spreads reflect increased borrowing costs and an unwillingness of banks to lend to one another.

In the second quarter Real GDP grew at an annual rate of 2.8%, largely propelled by export growth of 12.3%. GDP growth in the fourth quarter of 2007 and first quarter of 2008 were revised down to -0.2% and 0.9%, respectively. The fourth quarter 2007 decline was the first quarterly GDP contraction since the third quarter of 2001.

After hitting decade high levels of inflation early in the third quarter, inflation pressures began to ease as energy prices collapsed. Oil fell from \$140 to \$102 and mounting concerns over a global economic slowdown pushed the 10-year breakeven inflation rate down to 1.6% by quarter's end. Personal Consumption Expenditures and Core PCE advanced 4.5% and 2.6% respectively, since August of 2007.

The unemployment rate rose to 6.1% in August, its highest level since September of 2003. The economy has lost 605,000 jobs through the first eight months of the year.

The S&P Case-Schiller Index reported further declines in home prices. Through July, the 20-city index was off -10.1% year-to-date and -16.3% from a year earlier.

US Stock Market

The U.S. stock market followed up its worst mid-year performance since 1974 by nearly doubling losses with a -8.67% return in the third quarter. September brought the heaviest selling as equity investors reacted to the deteriorating credit crisis by driving the Dow Jones Wilshire 5000 down -9.30%. Lawmakers inability to pass the troubled assets relief program (TARP) bill on Monday, September 29th sent stocks into a -8.39% tailspin, the market's worst single-day loss since October 26th, 1987.

Though the market sell-off was broad and deep, small capitalization stocks pared losses experienced by large cap stocks. The DJ Wilshire Small Cap Index was off -5.94% for the quarter versus a steeper -9.04% decline for the DJ Wilshire Large Cap Index. Specifically, small value stocks held up very well considering the gloomy backdrop; the DJ Wilshire Small Value Index gave back a modest -0.21% for the quarter.

The Consumer Goods industry bucked the general negative trend with a 4.46% advance during the quarter as consumers benefitted from the recent sharp fall in energy prices. Financials also posted gains, climbing 3.04% to scratch back a small part of their recent market underperformance. Adding to a mean-reversion theme, the Basic Materials and Oil & Gas industries were negatively impacted by the general fall in commodity prices, lagging all industries with sell-offs of -31.10% and -25.36%, respectively.

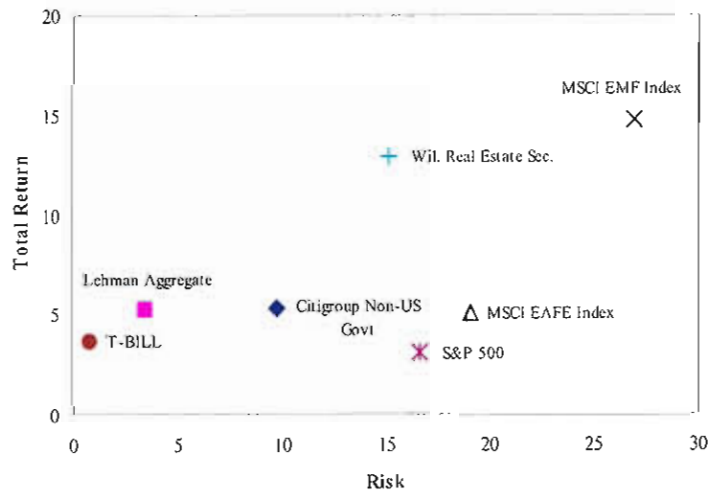
Despite the dramatic equity sell-off, the credit crisis' impact is most evident in yield spreads. Elevated short-term borrowing rates represent a significant cost increase to the financing needs of corporations, not just financials, and result in a virtual seizing up of credit markets. The massive spike in the spread of one-month AA commercial paper rates over T-bills provides supporting evidence. Should such a borrowing premium exist for an extended period of time, it has the potential to dampen corporate earnings and further deteriorate economic prospects.

Capital Markets Review (Periods Ending September 30, 2008)

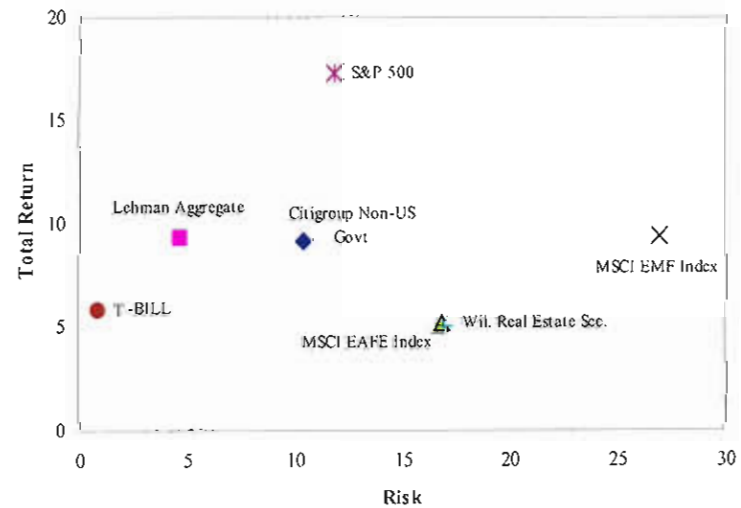
Major Asset Class Returns (%)

	QTR	YTD	1 yr	3 yr	5 yr	10yr
Equity						
Dow Jones - Wilshire 5000	-8.7	-18.7	-21.3	0.6	6.0	4.0
Standard and Poor's 500	-8.4	-19.3	-22.0	0.2	5.2	3.1
International Stock (MSCI EAFE)(USD)	-20.6	-29.3	-30.5	1.1	9.7	5.0
Emerging Markets (MSCI EMF)(USD)	-26.9	-35.4	-33.0	8.7	19.0	14.8
Dow Jones - Wilshire Real Estate Securities	4.5	1.0	-12.9	5.1	13.6	12.9
Fixed Income						
Lehman Aggregate Bond	-0.5	0.6	3.7	4.2	3.8	5.2
First Boston High Yield	-8.1	-9.1	-10.1	1.7	4.8	5.3
International Bonds (Citigroup Non-US)	-4.3	1.2	5.2	5.5	5.6	5.2
Treasury Bills (91 Day)	0.6	1.8	2.9	4.2	3.3	3.6
Consumer Price Index	0.0	4.2	4.9	3.3	3.4	3.0

Risk versus Return (9/30/98 – 9/30/08)



Risk versus Return (9/30/88 – 9/30/98)

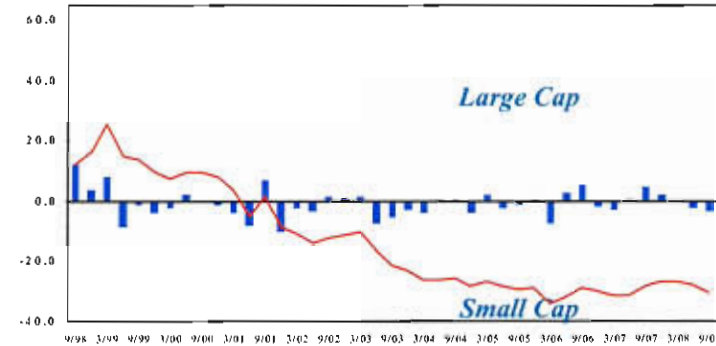


Domestic Equity Markets (Periods Ending September 30, 2008)

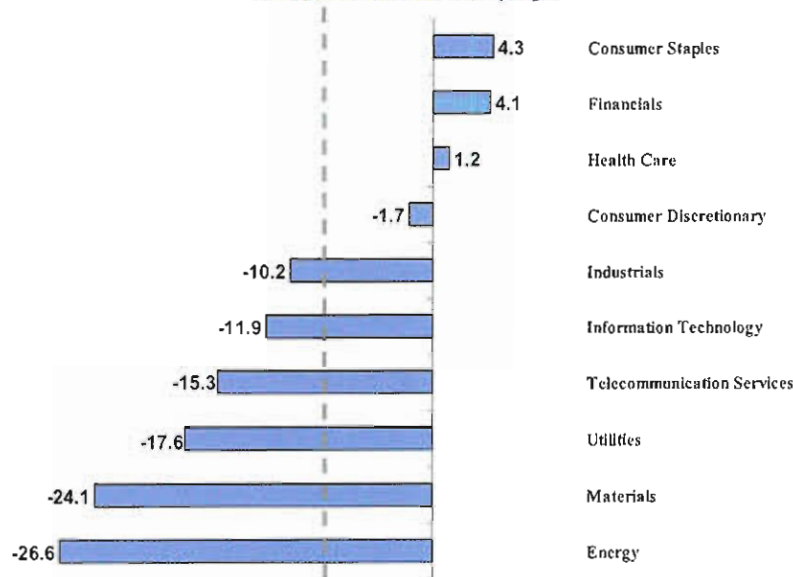
US Equity Returns (%)

	QTR	YTD	1 yr	3 yr	5 yr	10yr
DJ Wilshire 4500	-10.0	-17.1	-19.8	1.2	8.3	6.9
DJ Wilshire 5000	-8.7	-18.7	-21.3	0.6	6.0	4.0
DJ Wilshire Real Est. Secs	4.5	1.0	-12.9	5.1	13.6	12.9
DJ Wilshire Large Cap	-9.0	-19.1	-21.4	0.6	5.8	3.4
DJ Wilshire Mid Cap	-11.7	-17.5	-20.7	0.4	8.1	8.3
DJ Wilshire Small Cap	-5.9	-14.7	-18.9	1.1	8.4	8.4
DJ Wilshire Micro Cap	-7.2	-20.8	-27.5	-5.8	2.9	10.4
DJ Wilshire Large Growth	-12.0	-18.6	-19.1	0.5	4.9	1.3
DJ Wilshire Large Valuc	-5.4	-19.6	-23.8	0.5	6.5	5.1
DJ Wilshire Mid Growth	-16.1	-20.0	-22.6	1.1	9.2	5.8
DJ Wilshire Mid Value	-4.6	-13.6	-17.8	-0.1	7.1	9.1
DJ Wilshire Small Growth	-11.0	-17.7	-20.6	1.2	8.3	5.8
DJ Wilshire Small Valuc	-0.2	-11.4	-17.0	1.0	8.5	10.2

Large Cap Vs. Small Cap

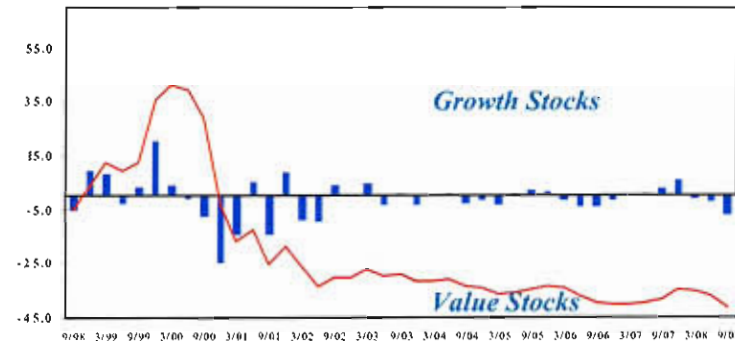


DJ Wilshire 5000 Sector Returns (%)



--- Represents DJ Wilshire 5000 Quarterly Return

Growth Stocks Vs. Value Stocks

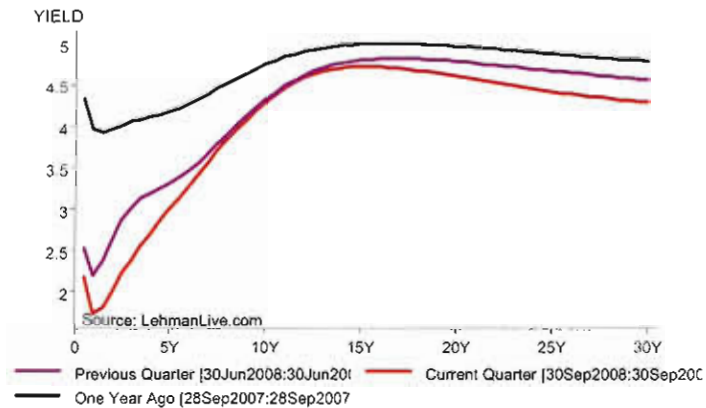


Domestic Fixed Income Markets (Periods Ending September 30, 2008)

US Fixed Income Returns (%)

	QTR	YTD	1 yr	3 yr	5 yr	10yr
Lehman Aggregate	-0.5	0.6	3.7	4.2	3.8	5.2
Lehman ABS	-3.7	-6.3	-7.0	0.3	1.1	4.0
Lehman Credit	-6.4	-6.8	-4.8	0.9	1.9	4.5
Lehman Gov't	1.9	4.0	7.9	5.6	4.3	5.3
Lehman Gov / Credit	-1.6	-0.7	2.4	3.6	3.4	5.0
Lehman Long Treasury	2.8	4.5	10.4	5.7	5.8	6.2
Lehman Mortgage	1.9	3.8	7.0	5.5	4.8	5.7
Lehman Agency	1.1	2.7	6.1	5.2	4.1	5.3
Credit Suisse - High Yield	-8.1	-9.1	-10.1	1.7	4.8	5.3
Citigroup World Gov't Bond	-3.0	1.9	5.9	5.6	5.3	5.4
Citigroup Non-US Bond	-4.3	1.2	5.2	5.5	5.6	5.2
Lehman US TIPS	-3.5	1.2	6.2	4.3	5.2	7.1
BGI Inflation-Linked Bond Index	-3.6	1.0	6.2	4.2	5.1	7.1

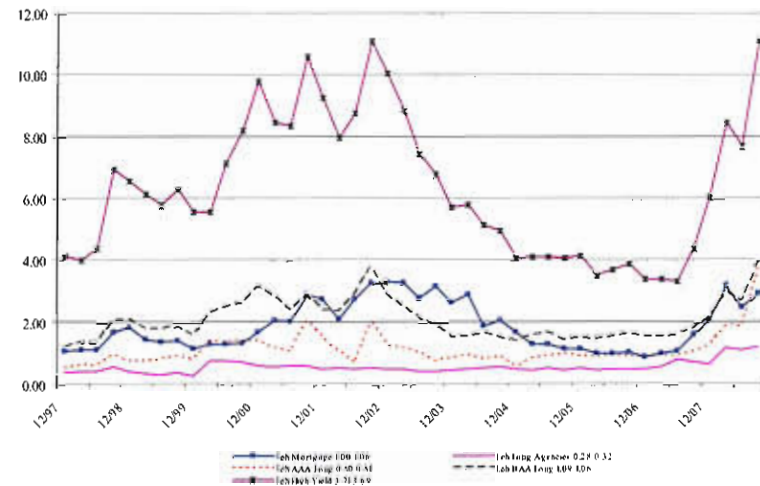
Treasury Yield Curve



Market Commentary

The U.S. yield curve steepened significantly with short-end rates dropping dramatically and long-end rates declining slightly. The 10-year U.S. Treasury bond yield ended the quarter at 3.83%, a large rebound from the quarter lows of 3.41%. While TIPS benefited from a flight to quality during the past year, they declined during the quarter in concert with a sharp rise in real yields. On the high yield front, spreads widened more than 300 basis points during the quarter from 700+ basis points to 1,000+ basis points.

Historical Yield Spread Comparison to Treasuries



International Equity Markets (Periods Ending September 30, 2008)

International Index Returns (%)

Equity (in U.S. \$)	QTR	YTD	1 yr	3 yr	5 yr	10yr
Non U.S. (ACWI X U.S)	-21.9	-29.9	-30.3	2.6	11.3	--
Developed (EAFE)	-20.6	-29.3	-30.5	1.1	9.7	5.0
Emerging (EMF)	-27.0	-35.5	-33.2	8.4	18.7	14.4
Europe	-20.8	-30.6	-30.9	2.5	11.0	4.8
Pacific	-20.1	-26.2	-29.6	-1.8	6.9	5.8
France	-18.9	-28.6	-28.1	3.0	11.6	6.3
Germany	-20.6	-31.6	-28.1	9.5	16.1	4.5
Japan	-17.7	-22.2	-26.9	-4.0	4.5	3.8
United Kingdom	-21.0	-29.9	-31.5	-0.2	8.5	3.4
Currencies (% change)						
Euro vs Dollar	-10.9	-3.9	-1.2	5.2	3.8	--
Yen vs Dollar	-0.2	5.2	8.3	2.2	1.0	2.5
Pound vs Dollar	-10.4	-10.5	-12.5	0.3	1.4	0.5

Market Commentary

Non-U.S. equity markets continued their downward slide through the third quarter in both USD and Local Currency terms. Weakening global economic growth and the unresolved U.S. and European financial credit crises continue to fuel forecasts of a spreading economic slowdown. Return volatility has more than doubled for each of the non-U.S. equity indexes over the last year compared with the same time period a year earlier. The ACWI ex-U.S. Index led the increase in risk posting return volatility of 21.80% versus 8.08% a year earlier. For the year, the non-U.S. equity market has fallen -30.13% in USD terms and -27.70% in local currency terms. The emerging markets suffered the heaviest USD-based losses for the quarter and year with returns of -26.95% and -33.00%, respectively.

MSCI EAFE Index

