



UNIVERSITY OF WASHINGTON

OFFICE OF THE TREASURER OF THE BOARD OF REGENTS

July 18, 2006

Vice Provosts, Vice Presidents, Chancellors, Deans, Directors, and Chairs:

The purpose of this memo is to provide information regarding Invested Funds performance and distribution rates for FY06. As of May 31, 2006, the Invested Funds portfolio totaled \$1.1 billion and provided a ten year average annual total return of 6.6%. Realized yield (income and realized gain/loss) available for campus use was 3.2% for the distribution year and averaged 6.1% over the past ten years. The inclusion of realized gains and losses, rather than just income, in the distribution rate calculation results in an overall higher distribution through time but with less predictability on an annual basis.

The primary objective of the Invested Funds is to enable the University to meet its financial obligations as they come due. A secondary objective is to achieve investment returns above its benchmark. To achieve these objectives, funds are invested primarily in intermediate term fixed income securities and, to enhance performance and add diversification, about one-third of the funds are invested in the Consolidated Endowment Fund.

The distribution rates for investors in the fund for FY06 are below:

<u>Primary Funds in Rate Pool</u>	<u>Department/Budgets Receiving Income</u>	<u>Rate</u>	<u>Rate Description</u>
Endowment Suspense	Office of Development	3.2%	Realized Yield
Metro Tract	Metro Tract	3.2%	Realized Yield
UWMC Plant Fund Reserves over \$50 Million	UWMC	3.0%	95% of Realized Yield
Self-sustaining units, UWMC Plant Fund Reserves less than \$50 Million, gifts for construction, student fee accounts	Credit to budgets holding funds	2.9%	90% of Realized Yield
Royalty funds	Credited to budgets holding funds	1.0%	Base Rate (Cash Yield)
Current use gift budgets	Office of Development	3.0%	Development Rate

Distributions for FY '06 were made in late June. If you have questions, please contact Judy Peterson at jp01@u.washington.edu or 543-3524.

Sincerely,

V'ella Warren
Treasurer of the Board of Regents