

Office of the President  
November 2, 2011

AGENDA ITEM 408

ITEM FOR CONSENT

For the Meeting of November 8, 2011

RE: Quarterly Report of the Performance of the University's Cash Management Pool, Endowment Pool and Hinckley Pool for the Quarter Ended September 30, 2011

The Interim President reports to the Board of Trustees on the quarterly investment performance of the University's Cash Management Pool, Endowment Pool and Hinckley Pool for the quarter ended September 30, 2011.

BACKGROUND

The attached report is a comparison of the performance of the University's investments in its Cash Management Pool, Endowment Pool and Hinckley Pool relative to established bond and stock performance indices for the quarter ended September 30, 2011.

### Endowment Pool<sup>1</sup>

The University Endowment Pool ended the 1<sup>st</sup> quarter 2012 fiscal year (September 30, 2011) with a total market value of \$501 million. This is a decrease of \$42 million from the previous quarter ending of \$543 million.

Net transfers into the Endowment Pool this quarter totaled \$5.7 million; investment losses were \$47.9 million, with an overall decline for the quarter of -8.7%.

### Global Marketable Fixed Income

The Endowment's Global Marketable Fixed income portfolio increased 1.4% for the quarter compared to 4.7% for the benchmark (Barclays Government/Credit Index.)

All but one of the 5 fixed income funds were positive for the quarter: *BlackRock 1-3Yr Treasury Index Fund*, (the largest holding), 0.5%; *BlackRock Gov/Credit Bond Index Fund*, 4.7%; *Wells Fargo Advantage Total Return Bond Fund*, 3.6%; *PIMCO Real Return Fund*, 3.3%; *PIMCO Total Return Fund*, -1.1%.

Short-term rates continued in the historical low ranges. The quarterly return on the Cash Equivalents/Short-Term Investment portfolio was 0.1%. This was above its benchmark, the 90-day U.S. Treasury Bill, which was 0.0% during the quarter.

### Global Marketable Equities

The Global Marketable Equities portfolio experienced a very difficult quarter with declines in major markets around the world. All eight individual funds ended negative for the quarter. The equity portfolio as a whole ended the quarter down -15.8%; the benchmark, the MSCI All Country World Index (ACWI) ended down -17.3%.

The 8 individual funds in the equity portfolio had the following results for the quarter:

*Arbor Small-Cap Growth Fund*: -21.0%

*Arbor Mid-Cap Focus Fund*: -16.5%

*GMO Quality Fund*: -5.4%

*Internally Managed Vanguard Portfolio*: -18.5%

*Pyrford International Value*: -13.0%

*RS Global Natural Resources*: -20.7%

*State Street Global Advisors ACWI Fund*, (the largest holding): -17.3%

*Vanguard Convertible Securities Fund*: -14.0%.

<sup>1</sup> Performance measurement and informational sources provided by LCG, Associates

### Alternative Funds

The Endowment's marketable alternative investments had a decline for the quarter of -6.6%. The three individual funds in the portfolio had quarterly results of: *Winston Global Fund*, -5.8%; *Mainer Opportunity Fund*, -0.7%; *PIMCO Global Multi-Asset*, -7.7%.

We continue to fulfill our existing commitments to the Endowment Pool's private equity and venture capital investments held with *Commonfund*, *Legacy Venture*, *Sorenson Capital Partners*, *University Opportunity Fund*, *Goldman Sachs*, *Solamere*, *Fort Washington*, and *Triventures*. During the quarter a new investment was made in *Cross Creek Partners*. These non-marketable investments have provided a net Internal Rate of Return to the Endowment since the investment program began in 2002 of 10.4% (IRR).

### Cash Management Pool

The Cash Management Pool's total yield earned for the quarter was 0.9%. Average yields for the markets during the quarter were: 0.1% for 90-day T-Bills, 0.6% for 2-year Treasuries, 1.9% for 5-year Treasuries and 3.2% for 10-year Treasuries.

### Hinckley Portfolio

The Hinckley Portfolio, (comprised mostly of U.S. stocks plus some cash equivalents) declined -9.7% for the quarter compared to the S&P500 of -13.9%.

**Fiscal Year 2012- Year to Date**

Beginning Market Value ( June 30, 2011 ) *		\$542,836,769
Other Net Transfers In / (Out)	5,720,529	
Investment Gains (Losses)	(47,939,262)	
Total Net Change		(42,218,733)
Ending Market Value (September 30, 2011)		\$500,618,036

**Quarter Ended September 30, 2011**

Beginning Market Value (June 30, 2011) *		\$542,836,769
Other Net Transfers In / (Out)	5,720,529	
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Total Net Change		(42,218,733)
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\* This number has been adjusted from the previous quarter to reflect the final market value at quarter end.  
Performance data calculated by LCG Associates, Inc.

	<u>Current Quarter</u>	<u>Fiscal YTD</u>	<u>Calendar YTD</u>
<b><i>Cash Equivalents/Short-Term Investments</i></b>	0.1 %	0.1 %	0.2 %
US Treasury Bill (90 day)	0.0 %	0.0 %	0.1 %
<b><i>Global Marketable Fixed Income</i></b>	1.4 %	1.4 %	4.1 %
Barclays Government/Credit Index	4.7 %	4.7 %	7.5 %
<b><i>Global Marketable Equities</i></b>	-15.8 %	-15.8 %	-10.8 %
MSCI All Country World Index	-17.3 %	-17.3 %	-13.2 %
<b><i>Non-Marketable Alternatives</i></b>	n/a	n/a	n/a
<b><i>Marketable Alternatives</i></b>	-6.6 %	-6.6 %	-4.2 %
<b><i>Total Endowment</i></b>	-8.7 %	-8.7 %	-4.6 %

# University of Utah Endowment Pool

September 30, 2011

## ASSET ALLOCATION

Fiscal 1st Quarter

	Market Value	Percent of Total
<b><u>Cash Equivalents/Short-Term Investments</u></b>	<b>\$36,052,114</b>	<b>7.2%</b>
Utah Public Treasurers' Investment Fund	4,628,627	0.9 %
Vanguard Prime Money Market Fund	16,385,596	3.3
SSgA Money Market Fund	15,037,891	3.0
<b><u>Global Marketable Fixed Income</u></b>	<b>\$153,970,473</b>	<b>30.8%</b>
BlackRock Government/Credit Bond Index Fund	10,272,988	2.1 %
BlackRock 1-3 Year Treasury Index	46,029,968	9.2
PIMCO Total Return Bond Fund	38,713,438	7.7
PIMCO Real Return Bond Fund	30,422,754	6.1
Wells Fargo Advantage Total Return Bond Fund	28,531,325	5.7
<b><u>Global Marketable Equities</u></b>	<b>\$242,969,655</b>	<b>48.5%</b>
Arbor Small-Cap Growth Fund	20,193,309	4.0 %
Arbor Mid-Cap Focus Fund	10,918,754	2.2
GMO Quality Fund	35,517,522	7.1
Pyrford International Fund	23,252,934	4.6
RS Global Natural Resources	11,870,571	2.4
State Street Global Advisors MSCI All Country World	54,336,196	10.9
Vanguard Convertible Securities Fund	18,050,749	3.6
Wasatch Emerging Small Cap	12,384,578	2.5
Wellington Select Quality	23,693,644	4.7
Internally Managed Mutual Funds Portfolio	32,751,398	6.5
<b><u>Non-Marketable Alternatives</u></b>	<b>\$28,493,211</b>	<b>5.7%</b>
Commonfund Capital International Partners V, LP	2,008,932	0.4 %
Commonfund Capital International Partners VI, LP	1,125,403	0.2
Commonfund Capital Partners 2000, LP	452,530	0.1
Commonfund Capital Private Equity Partners VI, LP	2,518,632	0.5
Commonfund Capital Private Equity Partners VII, LP	921,736	0.2
Commonfund Capital Venture Partners VI, LP	4,151,604	0.8
Commonfund Capital Venture Partners VII, LP	2,812,908	0.6
Commonfund Capital Venture Partners VIII, LP	1,415,946	0.3
Cross Creek Partners II-B	120,000	0.0
Fort Washington Private Equity Opp. Fund II	399,997	0.1
Goldman Sachs Private Equity Partners IX, LP	3,404,297	0.7
Goldman Sachs Private Equity Partners X, LP	1,917,501	0.4
Legacy Venture II, LLC	2,523,165	0.5
Solamere Founders Fund I, LP	920,183	0.2
Sorenson Capital Partners, LP	2,375,206	0.5
Triventures II Fund	327,750	0.1
University Opportunity Fund, LLC	1,097,421	0.2
<b><u>Marketable Alternatives</u></b>	<b>\$39,132,583</b>	<b>7.8%</b>
Mariner Opportunities Fund, LP	\$1,036,059	0.2 %
Winston Global Fund, L.P.	\$20,308,933	4.1
PIMCO Global Multi-Asset	\$17,787,591	3.6
<b>Total</b>	<b>\$500,618,036</b>	<b>100.0%</b>

Performance data calculated by LCG Associates, Inc.

### PERFORMANCE SUMMARY BY MANAGER

### Fiscal 1st Quarter

	Current Quarter	Fiscal YTD	Calendar YTD
<b><u>Cash Equivalents/Short-Term Investments</u></b>			
Utah Public Treasurers' Investment Fund	0.1 %	0.1 %	0.4 %
Vanguard Prime Money Market Fund	0.0	0.0	0.0
SSgA Money Market Fund*	n/a	n/a	n/a
<b>Total Cash and Equivalents</b>	<b>0.1 %</b>	<b>0.1 %</b>	<b>0.2 %</b>
<b><u>Global Marketable Fixed Income</u></b>			
BlackRock Government/Credit Bond Index Fund	4.7 %	4.7 %	7.4 %
BlackRock 1-3 Year Treasury Index	0.5	0.5	1.3
PIMCO Total Return Fund	(1.1)	(1.1)	1.9
PIMCO Real Return Fund	3.3	3.3	8.7
Wells Fargo Advantage Total Return Bond Fund	3.6	3.6	6.9
<b>Total Global Marketable Fixed Income</b>	<b>1.4 %</b>	<b>1.4 %</b>	<b>4.1 %</b>
<b><u>Global Marketable Equities</u></b>			
Arbor Small-Cap Growth Fund	(21.0) %	(21.0) %	(11.2) %
Arbor Mid-Cap Focus Fund*	(16.5)	(16.5)	n/a
GMO Quality Fund	(5.4)	(5.4)	1.3
Pyrford International Fund	(13.0)	(13.0)	(7.0)
RS Global Natural Resources*	(20.7)	(20.7)	n/a
State Street Global Advisors MSCI All Country World	(17.3)	(17.3)	(13.4)
Vanguard Convertible Securities Fund	(14.0)	(14.0)	(11.2)
Wasatch Emerging Markets Small Cap*	n/a	n/a	n/a
Wellington Select Quality*	n/a	n/a	n/a
Internally Managed Mutual Funds Portfolio	(18.5)	(18.5)	(13.8)
<b>Total Global Marketable Equities</b>	<b>(15.8) %</b>	<b>(15.8) %</b>	<b>(10.8) %</b>
<b><u>Non-Marketable Alternatives</u></b>			
Private Equity / Venture Capital**	n/a	n/a	n/a
<b><u>Marketable Alternatives</u></b>			
Mariner Opportunities Fund, LP	(0.7) %	(0.7) %	1.0 %
Winston Global Fund, L.P.	(5.8)	(5.8)	(4.6)
PIMCO Global Multi-Asset	(7.7)	(7.7)	(3.2)
<b>Total Marketable Alternatives</b>	<b>(6.6) %</b>	<b>(6.6) %</b>	<b>(4.2) %</b>
<b>Total Endowment</b>	<b>(8.7) %</b>	<b>(8.7) %</b>	<b>(4.6) %</b>

\* Investments made recently, not all performance numbers available to report at this time.

\*\* The net internal rate of return (IRR) for the University's non-marketable alternatives is 9.9% since inception in 2002.

Performance data calculated by LCG Associates, Inc.

# University of Utah Cash Management Pool

September 30, 2011

## CASH MANAGEMENT ALLOCATION & YIELD COMPARISON

Fiscal 1st Quarter

<u>Investment Maturity / Category</u>	<u>Market Value</u>	<u>Percent of Total</u>
0 to 1 yr.	\$717,644,518	64.0 %
1 to 2 yrs.	135,646,666	12.0
2 to 3 yrs.	103,420,741	9.0
3 to 5 yrs.	98,535,971	8.0
5 to 10 yrs.	73,385,259	7.0
<b>Total Cash Management</b>	<b>\$1,128,633,155</b>	<b>100.0 %</b>

	<u>Current Quarter</u>	<u>Fiscal YTD</u>	<u>Calendar YTD</u>
<b>Total Yield (Earned)</b>	<b>0.9 %</b>	<b>0.9 %</b>	<b>0.9 %</b>

### Average Market Yields \*

Federal Funds	0.1 %	0.1 %	0.1 %
3-Month Treasury Bill	0.0	0.0	0.1
2-Year Treasury Securities	0.3	0.3	0.5
5-Year Treasury Securities	1.2	1.2	1.7
10-Year Treasury Securities	2.5	2.5	3.0
30-Year Treasury Securities	3.7	3.7	4.2

\* Source: Research Division, Federal Reserve Bank of St. Louis

	<u>Market Value</u>	<u>Percent of Total</u>
<i><u>Cash and Equivalents</u></i>	\$93,996	1.3%
<i><u>Domestic Equities</u></i>	\$7,322,962	98.7%
<i><u>Total Hinckley Portfolio</u></i>	\$7,416,958	100.0%

	<u>Current Quarter</u>	<u>Fiscal YTD</u>	<u>Calendar YTD</u>
<i><u>Total Return</u></i>	(9.7) %	(9.7) %	(2.3) %
S&P 500 Index	(13.9) %	(13.9) %	(8.7) %