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**INVESTMENT AND CASH MANAGEMENT REPORT FOR THE
QUARTER ENDED MARCH 31, 2006**

Recommended Action: Receive the Investment and Cash Management Report for the quarter ended March 31, 2006.

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

Institutional Investment Portfolios				
Market Value (in thousands)				
For the Quarters Ended March 31, 2005 and March 31, 2006				
	Operating		Endowment/ Quasi-Endowment	
	<u>Mar 2005</u>	<u>Mar 2006</u>	<u>Mar 2005</u>	<u>Mar 2006</u>
University of Iowa ¹	\$643,628	\$663,729	\$288,518 ²	\$327,206 ²
Iowa State University	298,089	339,502	150,577 ³	167,488 ³
University of Northern Iowa	81,279	92,130	-	-
Iowa School for the Deaf	2,451	1,920	-	-
Iowa Braille & Sight Saving School	<u>559</u>	<u>449</u>	-	-
Total	\$1,026,006	\$1,097,730	\$439,095	\$494,694

¹ Includes UIHC.

² Includes UNI.

³ Includes ISD and IBSSS.

As of March 31, 2006, the Regent combined operating and endowment portfolios totaled nearly \$1.6 billion.

External manager, BlackRock, outperformed the Merrill Lynch 1-3 year Government/Corporate Index rate of 0.48% for SUI, ISU, and ISD and underperformed the benchmark for UNI. Wellington outperformed the benchmark. Commonfund outperformed the benchmark for ISU and underperformed for UNI. UNI transferred funds from BlackRock to Commonfund during the quarter.

The combined endowment managers' returns for the quarter were 4.4% for SUI and 4.5% for ISU, while the blended asset allocation benchmark posted returns of 3.9%.

The SUI quasi-endowment returned -0.4% for the quarter ended March 31, 2006, which outperformed the benchmark of -0.6%.

Internal audit compliance reports for operating investment purchases and holdings of ISU, UNI and IBSSS for the quarter ended March 31, 2006, noted that investments were in compliance with respective Board and institutional investment policies.

The University of Iowa internal auditor reported that operating and endowment fund activity for SUI's operating and endowment activities, ISU's endowment, and ISD's operating portfolio for the quarter ended December 31, 2005, was in compliance with Board policies, except for certain asset classes of SUI's and ISU's endowment, which were outside the allowable policy ranges. Board policy requires treasurers to rebalance during the following quarter. The March 31, 2006, compliance reports will be available at the next Investment Committee meeting.

An overview of endowment fund manager performance is illustrated below:

<u>Inception</u>	<u>Fund Manager</u>	<u>Assets (thousands)</u>	<u>Net Return 3/31/06</u>	<u>Benchmark 3/31/06</u>	<u>Perf. Variance</u>
SUI					
6/30/02	Reams	\$29,159	-0.6	-0.6	0.0
3/31/04	Dodge and Cox	28,989	0.0	-0.6	0.6
3/31/05	Goldman Sachs	47,764	5.6	4.2	1.4
3/31/05	Lotsoff Capital	47,184	3.6	4.2	-0.6
3/31/04	Grantham, Mayo	37,349	10.1	9.4	0.7
3/31/05	Artisan	12,409	12.9	14.4	-1.5
6/30/02	LSV	12,265	7.2	10.5	-3.3
3/31/06	Post Advisory	11,550	--	--	--
3/31/06	Principal Group	<u>11,500</u>	--	--	--
	Total	\$238,169			
SUI-Quasi					
9/30/01	Reams	\$44,842	-0.7	-0.6	-0.1
3/31/04	Dodge and Cox	<u>44,195</u>	0.0	-0.6	0.6
	Total	\$89,037			
ISU					
6/30/02	Reams	\$19,752	-0.3	-0.6	0.3
3/31/04	Dodge and Cox	19,834	0.0	-0.6	0.6
3/31/05	Goldman Sachs	33,934	4.5	4.2	0.3
3/31/05	Lotsoff Capital	33,732	3.7	4.2	-0.5
3/31/04	Grantham, Mayo	25,313	10.1	9.4	0.7
3/31/05	Artisan	9,914	12.9	14.4	-1.5
6/30/02	LSV	8,723	7.5	10.5	-3.0
3/31/06	Post Advisory	8,286	--	--	--
3/31/06	Principal Group	<u>8,000</u>	--	--	--
	Total	\$167,488			

Background and Analysis:

The Board delegates the authority for monitoring institutional investment, treasury management practices, performance, and compliance with policy to the Investment Committee. The Board's policies identify broad investment strategy to be followed in the investment of the assets and any general limitations on the discretion given to the institutions' investment managers (both internal and external). Board policy requires university internal auditors to verify operating investment transactions and holdings for compliance at their respective universities.

The Board of Regents employs an investment advisor and money managers to guide its policy of active, diversified investment management. Wilshire Associates 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 pages 4 and 6 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, 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.

Goldman Sachs Asset Management, a large capitalization domestic equity fund manager, was authorized by the Board in September 2004.

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

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.

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

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.

Principal Demutualization Funds

(In thousands)
March 31, 2006

University of Iowa	\$49,539
Iowa State University	27,716
University of Northern Iowa	8,022
Iowa School for the Deaf	338
Iowa Braille and Sight Saving School	194
Board Office	<u>56</u>
Total	\$85,865

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 March 31, 2006**

	<u>Internally Managed</u>		<u>BlackRock</u>	<u>Externally Managed</u>		<u>Total</u>
	<u>Unrestricted</u>	<u>Restricted</u>		<u>Wellington</u>	<u>Commonfund</u>	
SUI	\$181,092	\$130,413	\$175,985	\$176,239	N/I	\$663,729
ISU	162,400	83,695	47,928	N/I	45,479	339,502
UNI	36,157	36,381	N/I	N/I	19,592	92,130
ISD	1,659	10	251	N/I	N/I	1,920
IBSSS	449	N/I	N/I	N/I	N/I	449
Total	\$381,757	\$250,499	\$224,164	\$176,239	\$65,071	\$1,097,730

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. For comparison purposes, rates of return for the current quarter and for the four previous quarters are on the following page.

**Quarterly Rates of Return
For the Quarter Ended March 31, 2006**

	<u>Internal</u>	<u>Unrestricted</u>		<u>Commonfund</u>	<u>Combined</u>	<u>Restricted</u>
		<u>BlackRock</u>	<u>Wellington</u>			<u>Internal</u>
SUI	1.09%	0.56%	0.55%	N/I	0.71%	0.90%
ISU	0.90%	0.60%	N/I	0.76%	0.82%	0.79%
UNI	0.96%	0.18%	N/I	0.47%	0.85%	0.80%
ISD	1.09%	0.60%	N/I	N/I	1.03%	1.00%
IBSSS	1.05%	N/I	N/I	N/I	1.05%	N/I

N/I No investments of this type.

The comparable industry standard rate of return for the quarter ended March 31, 2006, includes the Merrill Lynch 1-3 year Government/Corporate Index rate of 0.48%.

External manager, BlackRock, outperformed the benchmark for SUI, ISU and ISD and underperformed the benchmark for UNI. Wellington outperformed the benchmark, and Commonfund outperformed the benchmark for ISU and underperformed the benchmark for UNI.

UNI transferred funds from BlackRock to Commonfund during the quarter.

Operating Investment Portfolios Summary

Unrestricted, Restricted, BlackRock, Wellington, and Commonfund
For the Quarter Ended March 31, 2006

	<u>Market Value</u>	<u>Percent Market Value</u>
University of Iowa		
Money Market / Cash Equivalents	\$255,949,682	38.6%
U.S. Obligations	113,956,516	17.1%
Agency Securities	104,914,689	15.8%
Corporate Notes and Bonds	188,471,650	28.4%
Municipals	<u>436,617</u>	<u>0.1%</u>
Total	\$663,729,154	100.0%
Iowa State University		
Money Market / Cash Equivalents	\$78,915,596	23.2%
U.S. Obligations	69,898,918	20.6%
Agency Securities	116,520,496	34.3%
Corporate Notes and Bonds	28,687,997	8.5%
Commonfund	<u>45,479,073</u>	<u>13.4%</u>
Total	\$339,502,080	100.0%
University of Northern Iowa		
Money Market / Cash Equivalents	\$32,068,546	34.8%
U.S. Obligations	9,482,692	10.3%
Agency Securities	30,986,595	33.6%
Commonfund	<u>19,591,716</u>	<u>21.3%</u>
Total	\$92,129,549	100.0%
Iowa School for the Deaf		
Money Market / Cash Equivalents	\$1,669,829	87.0%
U.S. Obligations	29,363	1.5%
Agency Securities	70,727	3.7%
Corporate Notes and Bonds	<u>150,054</u>	<u>7.8%</u>
Total	\$1,919,973	100.0%
Iowa Braille & Sight Saving School		
Money Market / Cash Equivalents	\$10,834	2.4%
Repurchase Agreements	<u>438,572</u>	<u>97.6%</u>
Total	\$449,406	100.0%
Regent Composite		
Money Market / Cash Equivalents	\$368,614,487	33.5%
U.S. Obligations	193,367,489	17.6%
Agency Securities	252,492,507	23.0%
Corporate Notes and Bonds	217,309,701	19.8%
Municipals	436,617	0.1%
Repurchase Agreements	438,572	0.1%
Commonfund	<u>65,070,789</u>	<u>5.9%</u>
Total	\$1,097,730,162	100.0%

The top three investment categories for the combined Regent operating portfolios included Money Market / Cash Equivalents, Agency Securities, and Corporate Notes and Bonds.

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 Iowa Braille and Sight Saving School endowment portfolios are invested through Iowa State University.

In recognition of their long-term charter, the Board's investment policy indicates that these funds shall be managed actively with the intention of obtaining the highest possible total return while accepting only prudent risk. These funds are to be managed to maintain and preserve, over time, the real value of the funds and shall consist of a prudent, diversified investment portfolio.

**Endowment Portfolios
Asset Class Allocation Policy**

	<u>Target Range</u>		<u>Range</u>	
	<u>(current)</u>	<u>(as of 6-30-06)</u>	<u>(current)</u>	<u>(as of 6-30-06)</u>
Domestic Stocks (U.S. equities)	63%	45%	+/-5%	-5/+15%
Domestic Bonds (U.S. fixed income)	30%	30%	+/-5%	+/-5%
International Stocks (foreign equities)	7%	15%	+/-3%	+/-5%
Real Estate (<i>new</i>)		5%		+/-5%
Private Equity (<i>new</i>)		5%		-5/+2%

**Endowment Portfolios
Manager Allocations**

<u>Asset Class</u>	<u>Target</u>		<u>Allowable Range</u>		<u>Benchmark</u>	
	<u>(current)</u>	<u>(as of 6-30-06)</u>	<u>(current)</u>	<u>(as of 6-30-06)</u>	<u>(current)</u>	<u>(as of 6-30-06)</u>
<u>U.S. Equities</u>	63%	45%	58-68%	40-60%	Wilshire 5000	Wilshire 5000
Large Cap Core	24%	80%	19-29%	75-85%	S&P 500 Index	S&P 500 Index
Large Cap Index	24%	0%	19-29%	n/a	S&P 500 Index	n/a
Small / Mid Cap Growth	10%	10%	8-12%	5-15%	Russell 2500 Growth	Russell 2500 Growth
Small / Mid Cap Value	5%	10%	3-7%	5-15%	Russell 2500 Value	Russell 2500 Value
<u>U.S. Bonds</u>	30%	30%	25-35%	25-35%	Lehman Aggregate	Lehman Aggregate
Investment Grade Core	30%	83%	25-35%	75-100%	Lehman Aggregate	Lehman Aggregate
High Yield (<i>new</i>)		17%		0-25%		Merrill Lynch HY Master II
<u>International Equities</u>	7%	15%	4-10%	10-20%	MSCI EAFE	MSCI EAFE
International Developed (<i>new</i>)		95%		95-100%		MSCI EAFE
International Emerging Markets (<i>new</i>)		5%		0-5%		MSCI Emerging Markets
<u>Real Estate</u> (<i>new</i>)		5%		0-10%		NACREIF
<u>Private Equity</u> (<i>new</i>)		5%		0-7%		Wilshire 5000

The new asset classes, allocations, and ranges approved at the September 2005 meeting will become effective June 30, 2006.

Endowment Portfolios

Allocations Net of Fees

As of March 31, 2006

MANAGER	<u>University of Iowa</u>		<u>Iowa State University</u>	
	<u>Value</u> <u>(thousands)</u>	<u>Value</u> <u>(percent)</u>	<u>Value</u> <u>(thousands)</u>	<u>Value</u> <u>(percent)</u>
<u>Domestic Stocks</u>				
Artisan	\$12,409	5.2%	\$9,914	5.9%
Goldman Sachs	47,764	20.1%	33,934	20.3%
Lotsoff Capital	47,184	19.8%	33,732	20.1%
LSV	12,265	5.1%	8,723	5.2%
Subtotal	\$119,622	50.2%	\$86,303	51.5%
<u>Domestic Bonds</u>				
Dodge and Cox	\$28,989	12.2%	\$19,834	11.8%
Reams	29,159	12.2%	19,752	11.8%
Post Advisory	11,550	4.9%	8,286	5.0%
Subtotal	\$69,698	29.3%	\$47,872	28.6%
<u>International</u>				
Grantham, Mayo	\$37,349	15.7%	\$25,313	15.1%
<u>Real Estate</u>				
Principal Group	\$11,500	4.8%	\$8,000	4.8%
<u>Private Equity</u>	\$0	0.0%	\$0	0.0%
Total Fund	\$238,169	100.0%	\$167,488	100.0%

Assets are shown as invested.

The institutions are making progress toward the new asset allocations and ranges that are effective June 30, 2006.

The quasi-endowment fund is 100% fixed income investments.

University of Iowa – Quasi-Endowment (100% Fixed Income)

March 31, 2006

	Value	Value	Fees	Net Returns	
	(thousands)	(percent)	(thousands)	Quarter	One Year
Dodge and Cox	\$44,195	49.6%	\$50	0.0%	2.4%
Reams	<u>44,842</u>	<u>50.4%</u>	<u>33</u>	-0.7%	2.6%
Total Fund	\$89,037	100.0%	\$83		
100% Lehman Aggregate.				-0.6%	2.3%

There are no Board-established fund manager allocations target ranges for the quasi-endowment. Dodge and Cox outperformed and Reams slightly underperformed the benchmark for the quarter; both outperformed the benchmarks for the year.

Endowment Portfolios

Performance Net of Fees

As of March 31, 2006

	Assets	Net Returns	
	(thousands)	Quarter	One Year
SUI	\$238,169	4.4%	12.9%
ISU	167,488	4.5%	13.3%
Asset Allocation Benchmark*		3.9%	11.6%
SUI Quasi-Endowment	<u>89,037</u>	-0.4%	2.6%
Fixed Income Benchmark **		-0.6%	2.3%
Total	\$494,694		

* 63% Wilshire 5000, 30% Lehman Aggregate, 7% MSCI EAFE (N).

** 100% Lehman Aggregate.

<i>University of Iowa Endowment</i>	<u>Jun 2005</u>	<u>Sep 2005</u>	<u>Dec 2005</u>	<u>Mar 2006</u>
Assets - Qtr.	\$200.0 million	\$205.7 million	\$206.3 million	\$238.2 million
Gains/Losses - Qtr.	\$4.6 million	\$8.5 million	\$3.5 million	\$9.9 million
Fees/Distributions - Qtr.	\$1.9 million	\$3.1 million	\$3.1 million	\$1.5 million
Contributions - Qtr.	\$248,000	\$302,000	\$249,000	\$23.7 million
Returns - Quarter	2.2%	4.1%	1.6%	4.4%
Benchmark - Quarter	2.3%	3.1%	1.9%	3.9%
Returns - Year	8.8%	13.1%	6.4%	12.9%
Benchmark - Year	8.3%	11.9%	5.7%	11.6%

<i>University of Iowa Quasi-Endowment</i>	<u>Jun 2005</u>	<u>Sep 2005</u>	<u>Dec 2005</u>	<u>Mar 2006</u>
Assets - Quarter	\$92.5 million	\$91.3 million	\$90.5 million	\$89.0 million
Gains/Losses - Qtr.	\$2.3 million	-\$20,000	\$452,000	-\$247,000
Fees/Distributions - Qtr.	\$1.4 million	\$1.3 million	\$1.3 million	\$1.3 million
Contributions - Qtr.	\$87,000	\$51,000	\$85,000	\$33,000
Returns - Quarter	2.5%	-0.1%	0.5%	-0.4%
Benchmark - Quarter	3.0%	-0.7%	0.6%	-0.6%
Returns - Year	6.0%	2.8%	2.3%	2.6%
Benchmark - Year	6.8%	2.8%	2.4%	2.3%

<i>Iowa State University Endowment</i>	<u>Jun 2005</u>	<u>Sep 2005</u>	<u>Dec 2005</u>	<u>Mar 2006</u>
Assets - Qtr.	\$151.3 million	\$157.9 million	\$161.1 million	\$167.5 million
Gains/Losses - Qtr.	\$3.7 million	\$6.7 million	\$2.6 million	\$7.4 million
Fees/Distributions - Qtr.	\$165,000	\$424,000	\$202,000	\$901,000
Contributions - Qtr.	-\$2.8 million	\$224,000	\$791,000	\$120,000
Returns - Quarter	2.4%	4.3%	1.6%	4.5%
Benchmark - Quarter	2.3%	3.1%	1.9%	3.9%
Returns - Year	9.3%	13.8%	6.7%	13.3%
Benchmark - Year	8.3%	11.9%	5.7%	11.6%

Endowment / Quasi-Endowment Portfolios

Market Value - Accrual Basis
(In thousands)
March 31, 2006

Portfolio Manager	Endowment Market Value	Quasi-Endowment Market Value	Total Market Value	Percent of Total
Reams Asset Management				
SUI	\$29,159	\$44,842	\$74,001	
ISU	<u>19,752</u>	<u>-</u>	<u>19,752</u>	
Total	\$48,911	\$44,842	\$93,753	19.0%
Dodge and Cox				
SUI	\$28,989	\$44,195	\$73,184	
ISU	<u>19,834</u>	<u>-</u>	<u>19,834</u>	
Total	\$48,823	\$44,195	\$93,018	18.8%
Goldman Sachs				
SUI	\$47,764	-	\$47,764	
ISU	<u>33,934</u>	<u>-</u>	<u>33,934</u>	
Total	\$81,698	-	\$81,698	16.5%
Lotsoff Capital				
SUI	\$47,184	-	\$47,184	
ISU	<u>33,732</u>	<u>-</u>	<u>33,732</u>	
Total	\$80,916	-	\$80,916	16.4%
Grantham, Mayo				
SUI	\$37,349	-	\$37,349	
ISU	<u>25,313</u>	<u>-</u>	<u>25,313</u>	
Total	\$62,662	-	\$62,662	12.7%
Artisan				
SUI	\$12,409	-	\$12,409	
ISU	<u>9,914</u>	<u>-</u>	<u>9,914</u>	
Total	\$22,323	-	\$22,323	4.5%
LSV				
SUI	\$12,265	-	\$12,265	
ISU	<u>8,723</u>	<u>-</u>	<u>8,723</u>	
Total	\$20,988	-	\$20,988	4.2%
Post Advisory				
SUI	\$11,550	-	\$11,550	
ISU	<u>8,286</u>	<u>-</u>	<u>8,286</u>	
Total	\$19,836	-	\$19,836	4.0%
Principal Group				
SUI	\$11,500	-	\$11,500	
ISU	<u>8,000</u>	<u>-</u>	<u>8,000</u>	
Total	\$19,500	-	\$19,500	3.9%
TOTAL				
SUI	\$238,169	\$89,037	\$327,206	
ISU	<u>167,488</u>	<u>-</u>	<u>167,488</u>	
Total	\$405,657	\$89,037	\$494,694	100.0%