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Fiscal Year 2013
- Added 200 new endowments
- Distributed $87 million in campus support
- Market value increased by $236 million

Fiscal Years 2004–2013
- Added 2,076 new endowments
- Distributed $747 million in program support
- Increased market value by $1,337 million
- Earned an average annual return of 8.2%

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Value (in millions)</td>
<td>$1,649</td>
<td>$1,830</td>
<td>$2,154</td>
<td>$2,111</td>
<td>$2,347</td>
</tr>
<tr>
<td>Return</td>
<td>-23.3%</td>
<td>12.5%</td>
<td>16.0%</td>
<td>-0.9%</td>
<td>13.5%</td>
</tr>
<tr>
<td>Number of endowments</td>
<td>3,118</td>
<td>3,334</td>
<td>3,545</td>
<td>3,782</td>
<td>3,982</td>
</tr>
<tr>
<td>Distributions to campus (in millions)</td>
<td>$75</td>
<td>$59</td>
<td>$76</td>
<td>$85</td>
<td>$87</td>
</tr>
</tbody>
</table>
In 1905, the University received its first cash endowed gift of $400, the Philo Sherman Bennett Endowed Prize. This endowment, as well as the bulk of the University’s endowments, invests in the Consolidated Endowment Fund (CEF).

Though distinct in purpose or restriction, endowed funds are commingled in the CEF and tracked with unit accounting much like a large mutual fund. Endowed gifts are exchanged for units that represent a claim on a portion of the entire CEF.

Since the initial cash gift, the value of the CEF has grown to $2.3 billion as of July 30, 2013.
As the University of Washington’s schools and units expand, and as our faculty and students continue to excel in scholarship and research, the University must meet the cost of innovation. Distributions from endowments make that possible. Endowments provide the University with a competitive edge and help enhance the quality of the University of Washington experience.

A hypothetical gift of $100,000 invested on July 1, 1993 would have provided $180,964 in total campus support over the past 20 years. At the end of this same period, the endowment’s ending market value, net of these distributions, would be $204,916. Had this gift been invested in a blend of stock and bond indices, it would only have a market value of $135,689 while providing the same percentage payout.
Generous donor support, coupled with investment returns, resulted in the growth of endowment distributions over the past decade.

The impact on students, faculty and programs has been substantial with $747 million distributed over the past 10 years touching every part of campus.

The majority of endowments benefit specific departments and programs. Approximately 80% are restricted to the donor's designated purpose and the remaining 20% consists primarily of long-term operating monies invested by policy in the CEF.

Many unique purposes are supported by the CEF and provide opportunities for students and faculty in their quest for excellence and innovation.

* A portion of the University's operating funds are invested in the CEF. Distributions benefit campus-wide programs.
## SCHOOLS, COLLEGES AND PROGRAMS THAT HAVE RECEIVED ENDOWED GIFTS

<table>
<thead>
<tr>
<th>Schools, Colleges and Programs with Endowments</th>
<th>Endowment Value at 6/30/13</th>
<th>Number of Individual Endowments</th>
</tr>
</thead>
<tbody>
<tr>
<td>UW Medicine</td>
<td>$527,899,798</td>
<td>796</td>
</tr>
<tr>
<td>College of Arts and Sciences</td>
<td>283,871,997</td>
<td>842</td>
</tr>
<tr>
<td>Engineering</td>
<td>173,873,402</td>
<td>361</td>
</tr>
<tr>
<td>Foster School of Business</td>
<td>125,766,152</td>
<td>205</td>
</tr>
<tr>
<td>Student Life</td>
<td>115,975,443</td>
<td>216</td>
</tr>
<tr>
<td>Offices of the President and Provost</td>
<td>87,360,007</td>
<td>78</td>
</tr>
<tr>
<td>Law School</td>
<td>76,662,273</td>
<td>94</td>
</tr>
<tr>
<td>College of the Environment</td>
<td>74,215,269</td>
<td>243</td>
</tr>
<tr>
<td>Intercollegiate Athletics</td>
<td>44,424,742</td>
<td>168</td>
</tr>
<tr>
<td>University Libraries</td>
<td>39,160,503</td>
<td>83</td>
</tr>
<tr>
<td>Graduate School</td>
<td>38,202,340</td>
<td>81</td>
</tr>
<tr>
<td>Tacoma Campus</td>
<td>35,098,015</td>
<td>61</td>
</tr>
<tr>
<td>Undergraduate Academic Affairs</td>
<td>34,015,559</td>
<td>29</td>
</tr>
<tr>
<td>Nursing</td>
<td>31,835,684</td>
<td>123</td>
</tr>
<tr>
<td>College of Built Environments</td>
<td>27,222,146</td>
<td>105</td>
</tr>
<tr>
<td>Dentistry</td>
<td>23,490,980</td>
<td>81</td>
</tr>
<tr>
<td>College of Education</td>
<td>18,332,922</td>
<td>56</td>
</tr>
<tr>
<td>Evans School of Public Affairs</td>
<td>17,824,386</td>
<td>28</td>
</tr>
<tr>
<td>Health Sciences</td>
<td>14,874,802</td>
<td>4</td>
</tr>
<tr>
<td>Pharmacy</td>
<td>14,071,430</td>
<td>54</td>
</tr>
<tr>
<td>UW Alumni Association</td>
<td>12,593,634</td>
<td>3</td>
</tr>
<tr>
<td>School of Public Health</td>
<td>11,117,090</td>
<td>77</td>
</tr>
<tr>
<td>Office of Research</td>
<td>7,062,686</td>
<td>5</td>
</tr>
<tr>
<td>School of Social Work</td>
<td>6,684,000</td>
<td>37</td>
</tr>
<tr>
<td>University Press</td>
<td>5,878,297</td>
<td>16</td>
</tr>
<tr>
<td>Information School</td>
<td>5,273,320</td>
<td>42</td>
</tr>
<tr>
<td>Office of Minority Affairs</td>
<td>3,151,828</td>
<td>33</td>
</tr>
<tr>
<td>Bothell Campus</td>
<td>3,069,334</td>
<td>13</td>
</tr>
<tr>
<td>Center for Commercialization</td>
<td>2,778,156</td>
<td>1</td>
</tr>
<tr>
<td>Office of the Senior Vice President</td>
<td>1,445,792</td>
<td>3</td>
</tr>
<tr>
<td>Educational Outreach</td>
<td>856,351</td>
<td>2</td>
</tr>
<tr>
<td>University Advancement</td>
<td>689,467</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,864,777,805</strong></td>
<td><strong>3,944</strong></td>
</tr>
<tr>
<td>Non-University of Washington Endowments</td>
<td>13,728,571</td>
<td>36</td>
</tr>
<tr>
<td>Operating Funds</td>
<td>468,186,637</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,346,693,013</strong></td>
<td><strong>3,982</strong></td>
</tr>
</tbody>
</table>
The Board of Regents of the University of Washington is vested by statute with responsibility for the management of the properties of the University, including the Consolidated Endowment Fund.

Investment program oversight resides with the Finance, Audit and Facilities Committee (FAF), a sub-committee of the Board of Regents. In May 2001, the Board approved the establishment of an advisory committee, University of Washington Investment Committee (UWINCO), consisting of both Board members and external investment professionals. In 2004, the Board approved the appointment of the University’s first Chief Investment Officer (CIO) to manage the day-to-day activities of the investment portfolios.

The CIO manages a team of investment professionals who develop the strategic direction of the portfolio, tactically allocate to attractive opportunities, and select investment managers all within a risk management framework.

**BOARD OF REGENTS AS OF JUNE 30, 2013**

Joanne R. Harrell (Chair)  
Orin Smith* (Vice Chair)  
William S. Ayer  
Kristianne Blake*  
Craig W. Cole  
Jeremy Jaech  
Christopher Jordan  
Patrick M. (Pat) Shanahan*  
Herb Simon*

* Members of the Finance, Audit and Facilities Committee

**UNIVERSITY OF WASHINGTON INVESTMENT COMMITTEE AS OF JUNE 30, 2013**

Jeffrey H. Brotman  
David Bonderman  
Michael Larson  
Mary Pugh  
Orin Smith  
Bryan White
KEY ROLES AND RESPONSIBILITIES

Board of Regents

Sets investment policy
- Spending rate
- Strategic asset allocation
- Delegations

Appoints investment officers/advisors
- Chief Investment Officer
- UWINCO Members
- Investment consultants

Reviews results
- Program oversight/accountability

University of Washington Investment Committee (UWINCO)

Advises the CIO
- Investment planning
- Asset allocation
- Manager identification
- Market trends

Advises the Board of Regents
- Investment program oversight

Chief Investment Officer (CIO)

Implements investment program
- Day-to-day management
- Tactical asset allocation
- Manager appointments
- Manager terminations
- Risk management
- Research

Monitors results
- Performance reporting
CONSOLIDATED ENDOWMENT FUND SPENDING POLICY AND OBJECTIVES

Spending policies provide a disciplined approach to moving money from the endowment to support the purpose designated by the donor on a foreseeable, consistent basis.

A good spending policy must strike a balance between providing a predictable and stable stream of revenue for current beneficiaries and maintaining the purchasing power of the revenue stream for future beneficiaries.

A $100,000 gift invested in the CEF 20 years ago would have earned $285,880 in investment returns. A portion of this return would have been distributed to campus, and the remainder reinvested in the CEF. As a result, the endowment's value at June 30, 2013 of $204,916 exceeds the inflation adjusted value of the initial gift of $161,706. The endowment distributed $180,964 to campus while increasing its purchasing power.

This model provides a growing base to support current and future beneficiaries.

CHANGE IN VALUE OF A HYPOTHETICAL $100,000 ENDOWMENT OVER 20 FISCAL YEARS ENDING JUNE 30, 2013

- $100,000 Gift Amount July 1, 1993
- $285,880 Investment Return
- $146,027 Program Support
- $34,937 Internal Fees
- $43,210 Reinvestment
- $204,916 Endowment Value June 30, 2013
- $161,706 Inflation Adjusted Gift Value
On October 21, 2010 the Board of Regents adopted a new spending policy for the Consolidated Endowment Fund (CEF).

The policy replaced the interim spending policy which was approved March 2009. At that time, the intent was to prevent further erosion of the endowment following the severe meltdown in global financial markets in the last half of FY2008. Under the interim policy, program distributions were lowered and then frozen at approximately half that of FY2008 levels.

Under the current spending policy, distributions to programs are 4% of a five year rolling average. This is an increase from the interim policy effective rate of just over 3% but a decrease from the previous long-term rate of 5% of a three year rolling average.

An administrative fee of 1% of a five year rolling average supports campus wide fundraising and stewardship activities (0.80%) and offsets the internal cost of managing endowment assets (0.20%).

^The estimated payout for fiscal year 2014 is $3.11 per unit.
CONSOLIDATED ENDOWMENT FUND INVESTMENT STRATEGY AND PERFORMANCE

Endowment portfolios are commonly managed around a core set of objectives focused on the need to provide support for endowed programs in perpetuity. The Board of Regents in conjunction with the University of Washington Investment Committee (UWINCO) establishes the policy asset allocation judged to be most appropriate for the University from a long-term potential return and risk perspective. The policy asset allocation is reviewed annually for its continuing fit with the University’s risk profile and with consideration of the changing dynamics of the capital markets.

The CEF asset allocation includes two clearly defined categories of investments: those which facilitate growth or appreciation (Capital Appreciation), and those which preserve endowment values (Capital Preservation). At June 30, 2013, 74% of the CEF was invested in Capital Appreciation and 26% in Capital Preservation. We anticipate that market returns for equities will exceed bonds over the next decade. We therefore maintain a medium-to-long-term objective of generally overweighting equity-oriented strategies with a focus on quality companies and downside protection.

CEF ASSET ALLOCATION
As of June 30, 2013

- 74% Capital Appreciation
- 45% Developed Markets Equity
- 18% Emerging Markets Equity
- 7% Real Assets
- 4% Opportunistic
- 17% Absolute Return
- 9% Fixed Income
For the fiscal year ending June 30, 2013 the CEF earned an investment return of +13.5%, significantly outperforming both the policy and blended benchmarks. All CEF strategies delivered positive relative performance, with the exception of Emerging Markets Equity which lagged a remarkably strong global equity benchmark. We remain committed to a large strategic position in emerging markets. While the asset class may be volatile relative to developed markets, exposure to emerging markets is important for diversification and long-term growth.

Intermediate-term returns for the CEF continue to be weighed down substantially by the 2008-09 global financial crisis. CEF returns over the past five years averaged +2.3%. Performance over the ten-year period remains solid, with the CEF returning an annual average of +8.2%.
Absolute Return. Low correlation and low beta equities and credit

Asset Allocation. Diversification of endowment assets among various asset classes. Asset allocation affects both risk and return and is a central concept in investment management

Asset Classes. Including, but not limited to, developed markets equity, emerging markets equity, real assets, opportunistic, absolute return and fixed income

Capital Appreciation. Provides the capital growth that will enable the CEF to meet its spending requirements, while at the same time preserving the purchasing power of the CEF for future generations

Capital Preservation. Provides liquidity in support of spending and capital commitments; a deflation hedge; and to reduce the overall volatility of the CEF

Equity. Investments where the underlying asset is the ownership interest in a company

Fixed Income. Government, corporate or municipal bonds which pay interest until the bonds mature, including cash and short term liquid assets (e.g., Treasury bills, commercial paper and non-convertible bonds with remaining maturities of under one year)

Opportunistic. Diversify risk-return profile of the CEF, often with credit instruments

Real Assets. Investments in real estate, natural resources and inflation protection vehicles

Spending. Amount withdrawn from an endowment as authorized by the Board of Regents

Spending Policy. Guidelines used to determine the frequency and rate of distributions from the endowment

Total Return. The accepted method of measuring the performance of equity and bond funds; the combination of income (interest and dividends) and appreciation/depreciation in the fund’s value for a specified period of time
INVESTMENT MANAGERS AS OF JUNE 30, 2013*

Accel-KKR
Adamas Partners, LLC
Aetos Capital, LLC
AKO Capital, LP
Angelo Gordon & Company, LP
ARCH Venture Partners, LLC
ArcLight Capital Partners, LLC
Arisaig Partners, Ltd
Arrowstreet Capital, LP
Bain Capital
Bares Capital Management
Battery Ventures
Baupost Group, LLC
Beacon Capital Partners, LLC
BlackRock Financial Management, Inc.
BPG Properties, Ltd
Bridger Capital, LLC
Cabot Properties, Inc.
Cadent Energy Partners, LLC
CarVal Investors
Centerbridge Capital Partners
Chryscapital Management Company, LLC
City of London Investment Management Company, Ltd
CLSA Capital Partners
Code Hennessy & Simmons, LLC
Commonfund Capital, Inc.
Convexity Capital Management, LP
CrossHarbor Capital Partners
Crow Holdings Realty Management, LP
Deer Capital Management Company, LLC
Deerfield Capital Management, LLC
Denham Capital Management, LP
Domain Associates, LLC
Dynamo Administracao de Recursos LTDA
Endeavour Capital, LLC
Fidelity Real Estate Partners, LLC
Frazier Healthcare Ventures
GEM Realty Capital, Inc.
Gemini Oil & Gas Advisors, LLP
General Catalyst Partners, LP
Greenbriar Equity Group, LLC
Grove International Partners, LLC
Hamilton Lane
HarbourVest Partners, Ltd
HIG Capital, LLC
Ignition Partners, LLC
Income Research & Management
InterWest Partners, LLC
J.C. Flowers & Company, LLC
LaSalle Investment Management, Inc.
Lone Pine Capital, LLC
Madrona Venture Group, LLC
Matlin Patterson Global Advisers, LLC
Mekong Capital
Merit Energy Company
Morgan Stanley
Natural Gas Partners
New Enterprise Associates
NGP Energy Technology Partners, LLC
Oak Investment Partners
Oaktree Capital Management, LLC
Orbis Real Estate Advisors
Parthenon Capital, LLC
Paul Capital Partners
Payden & Rygel
Philadelphia Financial Life Assurance Company
Phoenix Property Investors Ltd
Polaris Venture Management Company, LLC
Pomona Associates, LP
Proa Partners
Prosperity Capital Management, Ltd
Pugh Capital Management, Inc.
Quadrangle Group, LLC
Regiment Capital Advisors, LP
Resource Management Services, LLC
Rimrock Capital Management, LLC
Riva Ridge
Riverside Company
Rockland Capital
Select Equity Group
Sevin Rosen
Siguler Guff & Company, LLC
Silchester International Investors, LLP
Snyder Capital Management
Square Mile Capital Management, LLC
Standard Investment Research
State Street Bank and Trust Company
TA Associates, LLC
Tenex Capital Management
Thackeray Partners
TPG Partners, LP
Valinor Capital Partners, LP
Varde Partners, Inc.
Vestar Capital Partners
Voyager Capital Management, LLC
Ward Ferry Management, Ltd
Wellington Management Company
Westbridge Capitol
Weston Presidio Service Company, LLC

* Excludes idle accounts
This report on the management of the University’s endowed funds was prepared by the Treasurer of the Board of Regents for donors and other interested parties. Reports are also available, upon request, to donors and fund administrators for each of the 3,982 separate funds in the Consolidated Endowment Fund.

For Further Information
If you have questions or comments about this report, or would like copies of the Consolidated Endowment Fund investment policies, please contact:

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Treasurer of the Board of Regents
(206) 685-1822
vwarren@uw.edu

Keith Ferguson
Chief Investment Officer
(206) 685-1822
invest@uw.edu

Jeff Follman
Associate Treasurer/Controller
(206) 685-1822
jfollman@uw.edu

For further information on the University’s investment program please visit: www.washington.edu/admin/treasury.

If you would like to receive information on how you can support the University’s programs, please contact:

Connie Kravas
Vice President for University Advancement
(206) 685-1980
ckravas@uw.edu