

ASSET ALLOCATION

II A. Permanent University Fund *Investment Policies*

B. Common Trust Fund

C. Medical Liability Self Insurance Fund

Board of Regents Meeting - 2/13/92

ASSET ALLOCATION

	<u>12/31/91</u>	<u>Allowable Range</u>	<u>Long Term Target</u>
<u>PUF</u>			
Unallocated	4.9%	0% - 10%	0%
Fixed Income	51.3	30% - 60%	45
Equities	42.0	35% - 60%	45
Other	<u>1.8</u>	0% - 15%	<u>10</u>
Total	100.0%		100%
<u>CTF</u>			
Unallocated	0.7%	0% - 10%	0%
Fixed Income	51.8	30% - 60%	40
Equities	41.3	35% - 60%	50
Other	<u>6.2</u>	0% - 15%	<u>10</u>
Total	100.0%		100%
<u>MED LIAB</u>			
Unallocated	8.0%	(1) - 15%	5%
Fixed Income	50.3	30% - 60%	40
Equities	41.7	35% - 60%	50
Other	<u>---</u>	0% - 10%	<u>5</u>
Total	100.0%		100%

(1) As calculated based on restrictions in the policy statement linking minimum short-term investment levels to 50% of reserves for claim liabilities and legal expenses.

ENDOWMENT ASSET MIX
- Invested Funds -

Endowment Pools
Over \$400 million
@ 6/30/91*

Equities	51.3%
Fixed Income	30.2
Cash Equivalents	6.1
Other	<u>12.4</u>
Total	<u>100.0%</u>

*** Source: Cambridge Associates**

**FIXED INCOME PORTFOLIO
CREDIT QUALITY**

A. Permanent University Fund

B. Common Trust Fund

**C. Medical Liability Self
Insurance Fund**

INVESTMENT GUIDELINES

- **Corporate bonds must be rated a minimum of Baa3 or BBB-, when purchased, unless approved by the Executive Vice Chancellor for Asset Management**
- **Bonds rated below A3 or A- shall not constitute an excessive portion of the total bond portfolio**

RATING DEFINITIONS (Moody's Investors Service)

Aaa]	High Grade
Aa		
A]	Medium Grade
Baa		
Ba]	Low Grade
B		
Caa]	No Grade/Highly Speculative
Ca		
C		

Baa(BBB) Medium Grade

- neither highly protected nor poorly secured
- debt service appears adequate for present but certain protective elements may be lacking, or, unreliable over the long term
- lack outstanding investment characteristics
- have speculative characteristics as well

Baa vs A YIELD DIFFERENCE
(Combined Average for Industrial and Public Utility Bonds)

- **Ave. Yield Spread (1982-90) = .52%**
- **Range = .43% to .68%**

**PERMANENT UNIVERSITY FUND
BOND PORTFOLIO
AS OF 12/31/91
(\$ in millions)**

<u>Rating Category</u>	<u>Amount</u>	<u>Portfolio Percentage</u>	
Aaa	\$1,061.8	50.7 %	
Aa	84.1	4.0	
A	297.3	14.2	
Baa	268.0	12.8	14.8%
Ba	33.9	1.6	
B	-0-	-0-	
Caa	3.8	.2	
Ca	<u>4.5</u>	<u>.2</u>	
Subtotals	\$1,753.5	83.7 %	
Not rated	<u>339.9</u>	<u>16.2</u>	
Totals	\$2,093.4	100.0%	

**COMMON TRUST FUND
BOND PORTFOLIO
AS OF 12/31/91
(\$ in millions)**

<u>Rating Category</u>	<u>Amount</u>	<u>Portfolio Percentage</u>	
Aaa	\$96.2	23.0 %	
Aa	12.5	3.0	
A	94.3	22.5	
Baa	103.5	24.7	30.1%
Ba	21.1	5.0	
B	-0-	-0-	
Caa	1.0	.2	
Ca	<u>1.0</u>	<u>.2</u>	
Subtotals	\$329.6	78.7 %	
Not rated	<u>89.2</u>	<u>21.3</u>	
Totals	\$418.8	100.0%	

<u>Baa</u>	<u>Amount</u>	<u>%</u>
Baa 1	53.0	51.2%
Baa 2	37.5	36.2%
Baa 3	<u>13.0</u>	<u>12.6%</u>
Total	\$103.5	100.0%

**MEDICAL LIABILITY SELF INSURANCE FUND
BOND PORTFOLIO
AS OF 12/31/91
(\$ in millions)**

<u>Rating Category</u>	<u>Amount</u>	<u>Portfolio Percentage</u>	
Aaa	\$36.8	69.3%	
Aa	-0-	-0-	
A	7.8	14.8	15.9%
Baa	7.7	14.5	
Ba	.8	1.4	
B, Caa, Ca, C, etc.	<u>-0-</u>	<u>-0-</u>	
Total Portfolio	\$ 53.1	100.0 %	