



UNIVERSITY OF WISCONSIN SYSTEM
TRUST FUNDS

ANNUAL REPORT
Year Ended June 30, 2011

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To the UW System Board of Regents, Donors and Friends, UW Campuses and Departments

The University of Wisconsin System Trust Funds is composed mostly of gifts, grants, and bequests from individuals and corporations. Although active fundraising is primarily the purview of individual campus foundations, the University also benefits from the generosity of alumni and friends who have gifted directly to one of the UW institutions rather than through an affiliated foundation.

For the fiscal year ended June 30, 2011, UW System Trust Funds received \$11.7 million in gifts, up significantly from the \$6.6 million received in the prior year. Disbursements from Trust Funds to benefiting UW institutions totaled \$17.1 million, compared to \$16.9 million in fiscal year ended June 30, 2010. Consistent with donor designations, disbursements have predominately gone toward student aid, research, instruction, and public service.

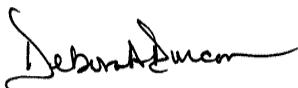
Although disbursements and expenses exceeded contributions for the fiscal year by approximately \$10 million, strong investment returns added some \$65 million to total net asset value by year-end. This resulted in an increase in net assets of \$54.9 million. As of June 30, 2011, Trust Funds' net assets totaled \$464.2 million, compared to \$409.3 million at the end of the prior fiscal year.

Investment returns to most “risky” assets (e.g., equities) were truly stellar during the first half of the fiscal year (June 30, 2010 to December 31, 2010), as confidence took hold that the global economy was on the road to a stable, though moderate, recovery. However, during the first six months of 2011, the global economy clearly began to stumble once again, in the face of challenges such as the euro-zone sovereign debt crisis and the tsunami that hit Japan. Still, for the full fiscal year, stocks and other higher-risk assets performed very well indeed. For example, equities of all types (U.S., non-U.S, large-cap, small-cap, emerging markets, etc.) returned on the order of 30%, and high yielding bonds returned over 12% on average. Commodities, too, were a strong performer, returning nearly 26%. Lower risk assets, on the other hand, turned in a mediocre year; for example, high-quality bonds returned 3.9%, U.S. Treasuries posted a 2.7% gain, and “cash” continued to generate a nominal return of essentially 0% (equating to a negative “real” or inflation-adjusted return, as the Consumer Price Index advanced 3.4% for the year.)

For the 2011 fiscal year, the widely-diversified *Long Term Fund* (used primarily for endowments) gained 21.2%. The *Intermediate Term Fund*, which is invested largely in intermediate-maturity bonds but with some equity exposure, returned 8.3% for the fiscal year. Finally, the short-term, money market-like *Income Fund* returned only 0.2%.

The Annual Report that follows includes detailed information on the various investment funds; contributions, disbursements, and expenses; as well as statements of financial position and cash activities.

To the donors, families and friends of all our contributors, we extend our deep gratitude.



Deborah A. Durcan
Vice President for Finance & Trust Officer
University of Wisconsin System



Douglas J. Hoerr, CFA
Director & Assistant Trust Officer
University of Wisconsin System

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SECTION 1:

Overview

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OVERVIEW

The invested Trust Funds of the University of Wisconsin System (UW Trust Funds) consist predominately of gifts from individuals via wills or other trusts, as well as outright gifts from living donors, corporations (including matching gift programs), and external foundations and trusts. Such bequests and gifts come to the Board of Regents of the University of Wisconsin System (the Board) whenever the donor and documentation name the beneficiary as either the Board of Regents, directly, or any UW System institution, without specifically identifying a UW-related foundation. (UW-related foundations are independent entities with separate governing boards.) These gifts or donations originate as either, 1) “true endowments,” where the donor has in essence restricted the use of “principal” and may or may not have imposed additional restrictions as to purpose (in accounting parlance, “restricted – nonexpendable” gifts), or 2) “quasi-endowments,” where the donor has placed no restriction on use of principal and may or may not have imposed restrictions as to purpose (in accounting parlance, either “restricted – expendable” or fully “unrestricted” gifts).

Recognizing that assets invested with UW Trust Funds may have distinctly different investment time horizons, three separate investment pools (or funds) have been created. To accommodate endowed assets (where the “principal” is to be preserved into perpetuity) and other long-term investments, the *Long Term Fund* has been created. To accommodate fully expendable assets that may have a shorter or immediate investment time horizon, the *Intermediate Term Fund* and *Income Fund* have been created (collectively, the Funds). Each of these Funds are accounted for on a unitized basis, similar to a mutual fund, where investors buy and sell Fund units representing proportional shares of the Funds’ underlying investments. The investment objectives for each of the Funds are inherently different and are discussed separately below.

Long Term Fund

Used primarily for investing endowed assets, the principal investment objective of the *Long Term Fund* is to achieve, net of administrative and investment expenses, significant and attainable “real returns;” that is, nominal returns net of expenses, over and above the rate of inflation. By distributing a significant real return stream, disbursements for current expenditure will grow with the rate of inflation so as to maintain their purchasing power and support level into perpetuity. Assets invested in the *Long Term Fund* receive an annual “spending rate” distribution of a set percentage (currently four percent) of the average market value over the prior twelve quarters (three years). The spending rate percentage is reviewed annually by Trust Funds and the Business, Finance, and Audit Committee of the Board of Regents.

Intermediate Term Fund

The primary objective of the *Intermediate Term Fund* is to provide competitive investment returns consistent with very moderate levels of volatility (ideally, equal to or lower than that expected from an intermediate, investment-grade bond portfolio) and low probability of loss of “principal.” Furthermore, the Fund seeks to maximize its expected return for any given targeted level of volatility.

Income Fund

The *Income Fund* receives spending and interest income distributions from the other Funds. All Trust Funds spending is conducted through the *Income Fund*. The primary objective of the *Income Fund* is to provide competitive investment returns consistent with the need for preservation of “principal” and immediate liquidity. Expected risk and return for the Fund is also expected to be similar to high-quality “money market” funds. By statute, this Fund must reside with the State as part of its agency-commingled State Investment Fund, which is managed by the State of Wisconsin Investment Board.

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SECTION 2: Investment Fund Data

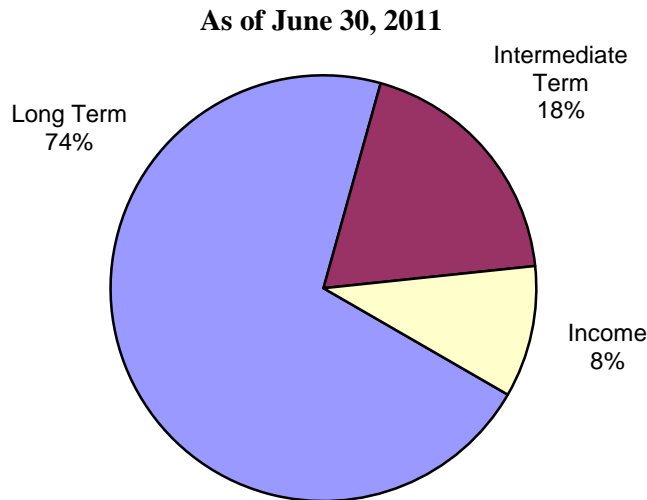
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TOTAL ASSETS
As of Fiscal Years Ended June 30

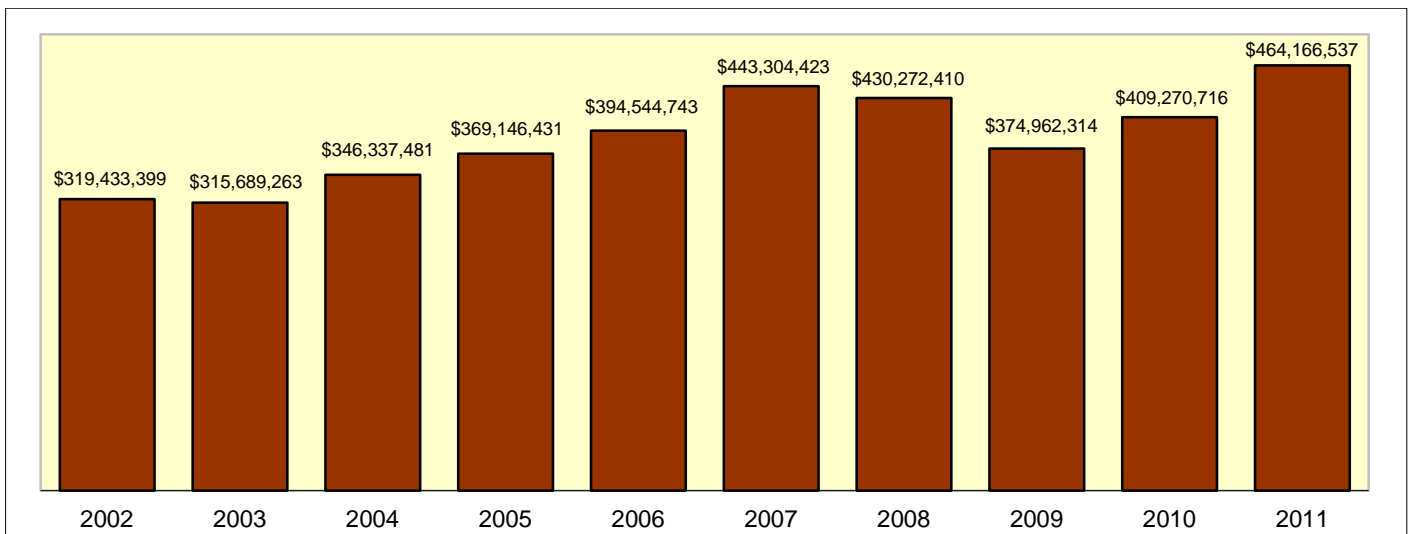
The tables and graphs below provide summary data on the invested assets of the UW System Office of Trust Funds.

MARKET VALUES AND PERCENTS BY FUND

Investment Fund	Market Values (\$millions)	
	2011	2010
Long Term Fund	\$341.7	\$288.6
Intermediate Term Fund	84.5	78.0
Income Fund	38.0	42.7
TOTAL	\$464.2	\$409.3



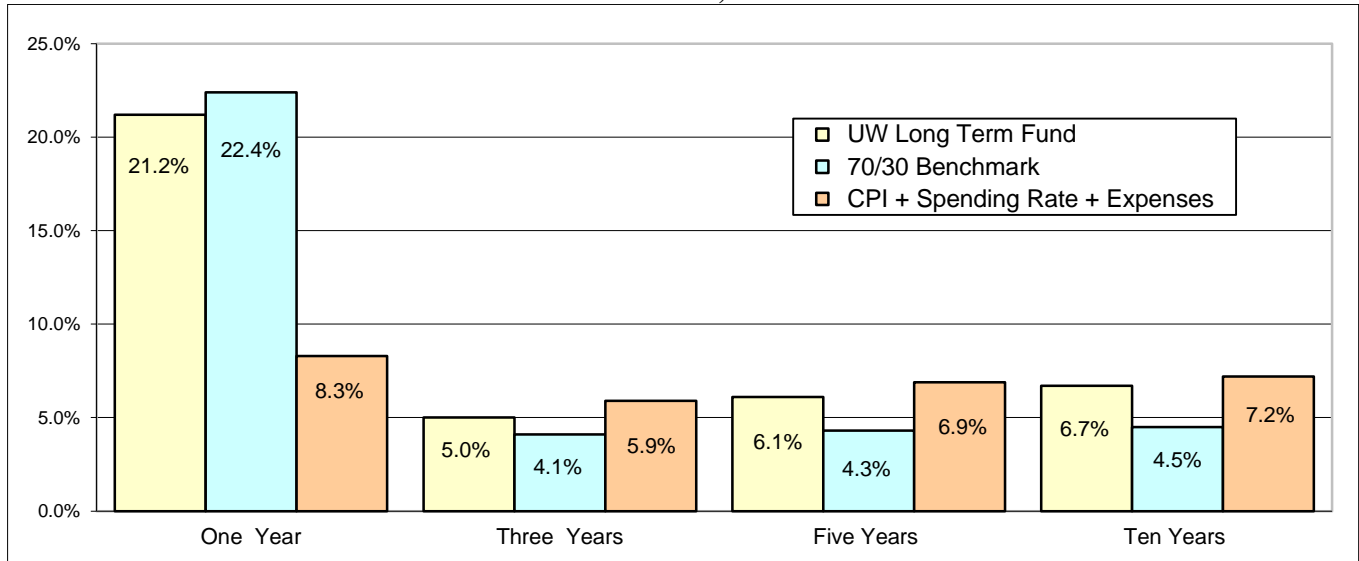
TOTAL NET ASSETS



LONG TERM FUND
As of Fiscal Years Ended June 30

The following chart depicts the investment performance of the *Long Term Fund* for the most recent fiscal year as well as over longer periods. For comparative purposes, the performance of the following benchmarks are also shown: a more “traditional” and passive portfolio consisting of 70 percent global equities and 30 percent bonds; and a “target” or “hurdle” rate consisting of the inflation rate, plus the spending distribution rate, plus expenses.

INVESTMENT PERFORMANCE
As of June 30, 2011



The annual “spending rate” distribution for the *Long Term Fund* has remained at four percent since June 30, 2005. The ten-year history of the spending rate and dollar distributions is given in the table below.

**TEN-YEAR HISTORY OF
SPENDING RATES AND DISTRIBUTIONS**

Fiscal Year	Spending Rate	Distribution
2002	5.0%	13,451,186
2003	4.9% ¹	12,466,702
2004	4.5%	10,902,801
2005	4.4% ²	10,836,217
2006	4.0%	10,704,542
2007	4.0%	11,636,132
2008	4.0%	12,683,559
2009	4.0%	12,809,947
2010	4.0%	12,414,177
2011	4.0%	11,992,394
TEN YEAR TOTAL		\$ 119,897,657

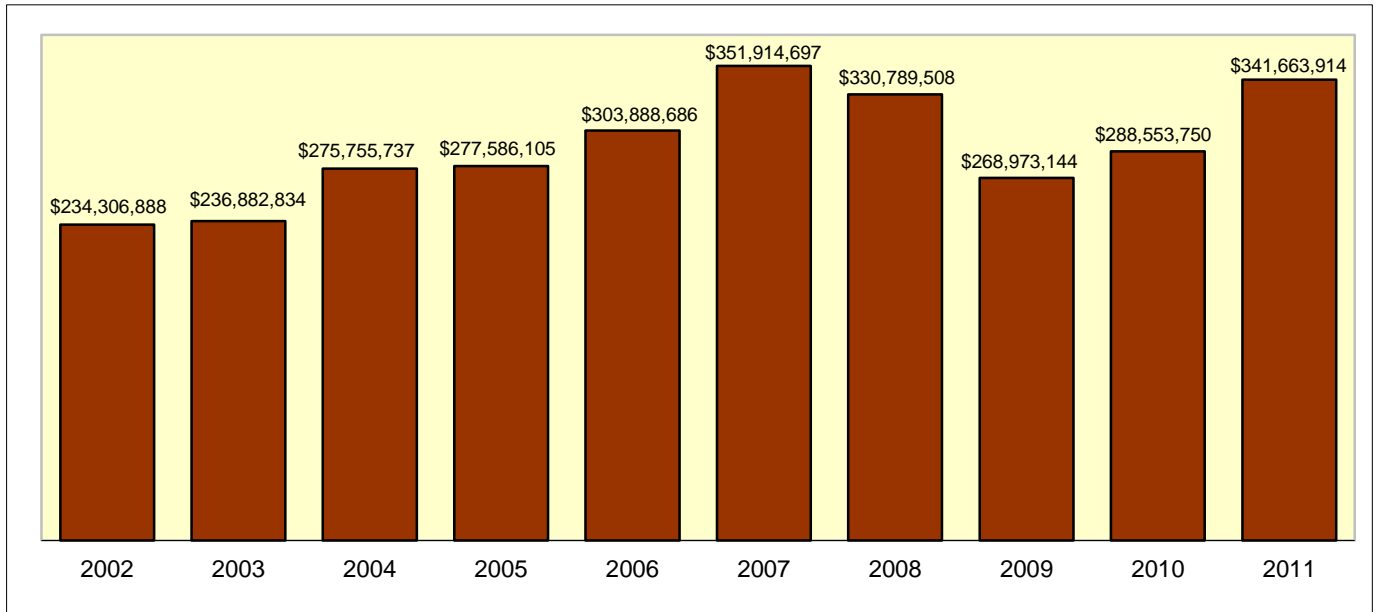
¹ This reflects a 5.0% annual rate for the first three quarters and a 4.5% rate for the fourth quarter.

² This reflects a 4.5% annual rate for the first three quarters and a 4.0% rate for the fourth quarter.

LONG TERM FUND
As of Fiscal Years Ended June 30

Contributing to the overall change in the *Long Term Fund's* net assets are the following: new gifts, plus investment returns, less spending distributions and expenses. The following chart depicts the historical change in net assets of the Fund.

LONG TERM FUND NET ASSETS

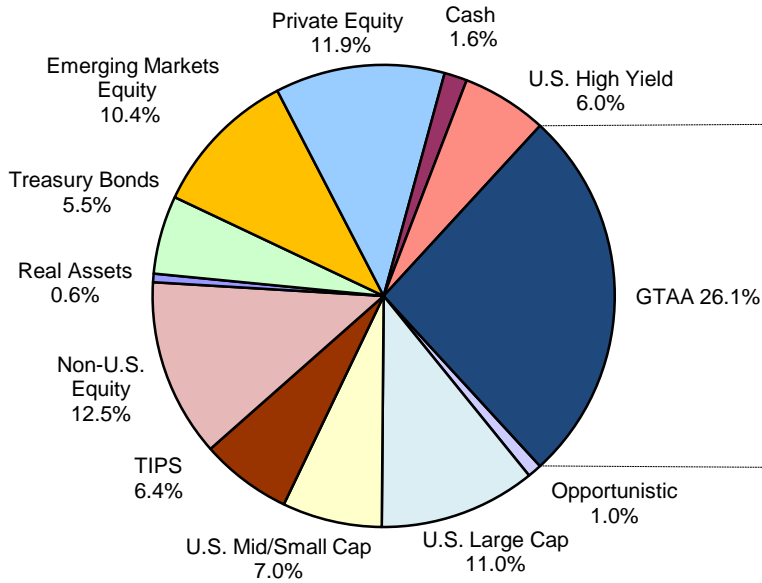


The graphs and charts that follow, present information on the Fund's asset allocation, investment managers, and investment positions.

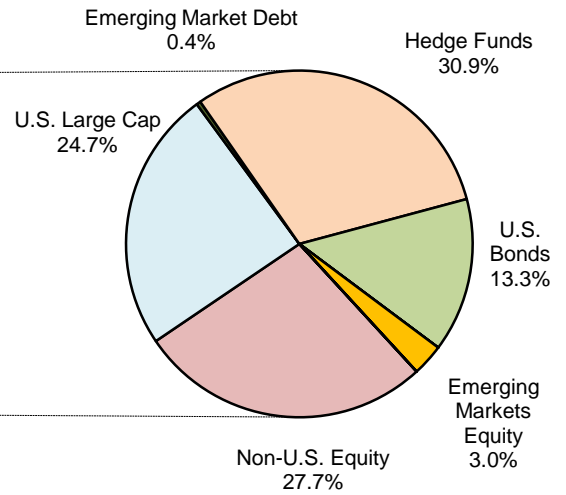
LONG TERM FUND
As of Fiscal Year Ended June 30

ASSET/STRATEGY ALLOCATIONS

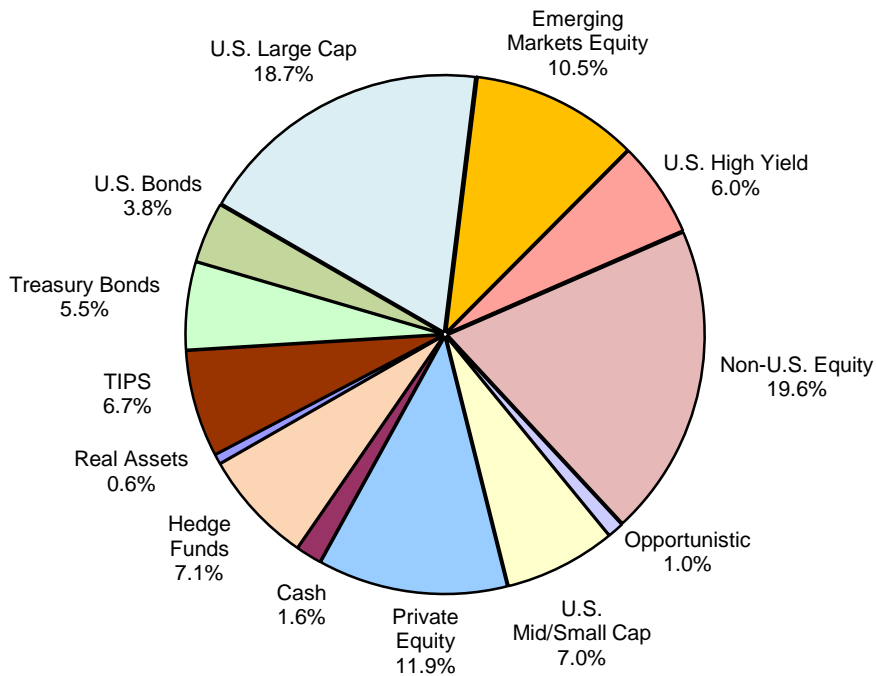
Total Portfolio Asset/Strategy Allocation



Global Tactical Asset Allocation



Total Effective Portfolio Asset Allocation



LONG TERM FUND
As of Fiscal Years Ended June 30

ALLOCATION BY INVESTMENT MANAGER AND ASSET CLASS/STRATEGY

	2011		2010	
	Market Value	% of Fund	Market Value	% of Fund
Global Tactical Asset Allocation				
GMO Real Global Balanced Strategy	\$89,142,409	26.1%	\$77,969,057	27.0%
U.S. Equities - Large Cap				
UBS Global Asset Management	37,663,695	11.0%	28,693,447	9.9%
U.S. Equities – Mid/Small Cap				
300 North Capital	8,816,547	2.6%	6,710,350	2.4%
Russell 2000 ETF	7,624,224	2.2%	5,624,246	1.9%
Russell Mid-Cap ETF	7,592,132	2.2%	5,584,737	1.9%
		7.0%		6.2%
Non-U.S. Developed Market Equities				
UBS Global Asset Management	42,550,278	12.5%	32,838,282	11.4%
Emerging Market Equities				
GMO Emerging Markets Fund	35,496,497	10.4%	26,208,974	9.1%
U.S. High Yield Fixed Income				
Seix Advisors High Yield Fund	20,370,659	6.0%	15,876,683	5.5%
Private Equity/Venture Capital				
Adams Street Partners	22,432,475	6.6%	20,084,527	7.0%
JP Morgan Investment Management	18,138,589	5.3%	13,678,207	4.7%
		11.9%		11.7%
U.S. Investment-Grade Fixed Income				
Applied Security Analysis Program	40,721,856	11.9%	45,928,214	16.0%
U.S. Cash and Cash Equivalent				
Mellon Common Trust Investment Fund	5,422,204	1.6%	3,694,707	1.3%
Real Assets				
GMO Forestry Fund	2,172,000	0.6%	0	0.0%
Opportunistic				
GMO Emerging Illiquid Fund	3,520,349	1.0%	5,662,319	1.9%
TOTALS	\$ 341,663,914	100.0%	\$ 288,553,750	100.0%

LONG TERM FUND As of Fiscal Year Ended June 30, 2011

SUMMARY OF INVESTMENT POSITIONS

Public Equities – 55.8% of Fund

<u>Top Ten Country Positions</u>	<u>% of Equities</u>
Unites States	43.2%
United Kingdom	6.8%
Japan	6.3%
Germany	4.0%
Korea	3.5%
China	3.0%
Russia	2.9%
Brazil	2.9%
Switzerland	2.5%
France	2.2%
TOTAL	77.6%

<u>Top Ten Sector Positions</u>	<u>% of Equities</u>
Financials	19.2%
Energy	12.0%
Information Technology	11.9%
Industrials	10.5%
Materials	8.9%
Consumer Discretionary	7.8%
Health Care	7.4%
Consumer Staples	6.6%
Telecommunications	5.3%
Utilities	3.9%
TOTAL	93.5%

<u>Top Ten Holdings</u>	<u>% of Equities</u>
Exxon Mobil	1.2%
Apple Inc.	1.0%
Oao Gazprom	0.8%
BP	0.7%
Microsoft	0.7%
Johnson & Johnson	0.7%
Novartis	0.6%
Vale SA	0.6%
Samsung Electronics	0.6%
Volkswagon	0.5%
TOTAL	7.4%

Fixed Income – 22.0% of Fund

<u>Top Country Positions</u>	<u>% of Fixed Income</u>
Unites States	99.5%
Non-U.S.	0.5%
TOTAL	100.0%

<u>Top Sector Positions</u>	<u>% of Fixed Income</u>
Cash and Cash Equivalents	32.7%
U.S. TIPS	32.1%
Corporate Bonds	29.3%
Asset Backed Securities	1.1%
U.S. Government	0.8%
TOTAL	96.0%

<u>Top Ten Non-Govt Holdings</u>	<u>% of Fixed Income</u>
Texas Competitive	0.6%
NRG Energy	0.5%
Ally Financial	0.3%
Wind Acquisition Inc.	0.3%
Sears	0.3%
CHC Helicopter	0.3%
CIT Group	0.3%
Intelstat Jackson	0.2%
Genon Energy Corp	0.2%
Oil States Intl	0.2%
TOTAL	3.2%

<u>Average Portfolio Maturity</u>	6.1 Years
<u>Average Portfolio Duration</u>	3.4 Years
<u>Average Portfolio Quality</u>	A+

Cash – 1.6% of Fund

Mellon Common Trust Investment Fund	100.0%
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LONG TERM FUND As of Fiscal Year Ended June 30

SUMMARY OF INVESTMENT POSITIONS

Hedge Funds – 7.1% of Fund

<u>Hedge Fund Classifications</u>	<u>% of Hedge Funds</u>
Market Neutral/Absolute Return	100.0%

<u>Number of Fund Holdings</u>	9
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<u>Top Five Funds</u>	<u>% of Hedge Funds</u>
GMO Completion	15.7%
GMO Mean Reversion	15.7%
GMO Tactical Opportunities	15.0%
GMO Global Macro	14.6%
<u>GMO Aggressive Long/Short</u>	<u>11.7%</u>
<u>TOTAL</u>	<u>72.7%</u>

Opportunistic – 1.0% of Fund

<u>Investment</u>	<u>% of Opportunistic</u>
GMO Emerging Illiquid Fund, L.P.	100%

Real Assets – 0.6% of Fund

<u>Investment</u>	<u>% of Real Assets</u>
GMO Forestry Fund 9, L.P.	100%

Private Equity – 11.9% of Fund

<u>U.S./Non-U.S. Positions</u>	<u>% of Private Equity</u>
U.S.	76.7%
Non-U.S.	23.3%
<u>TOTAL</u>	<u>100.0%</u>

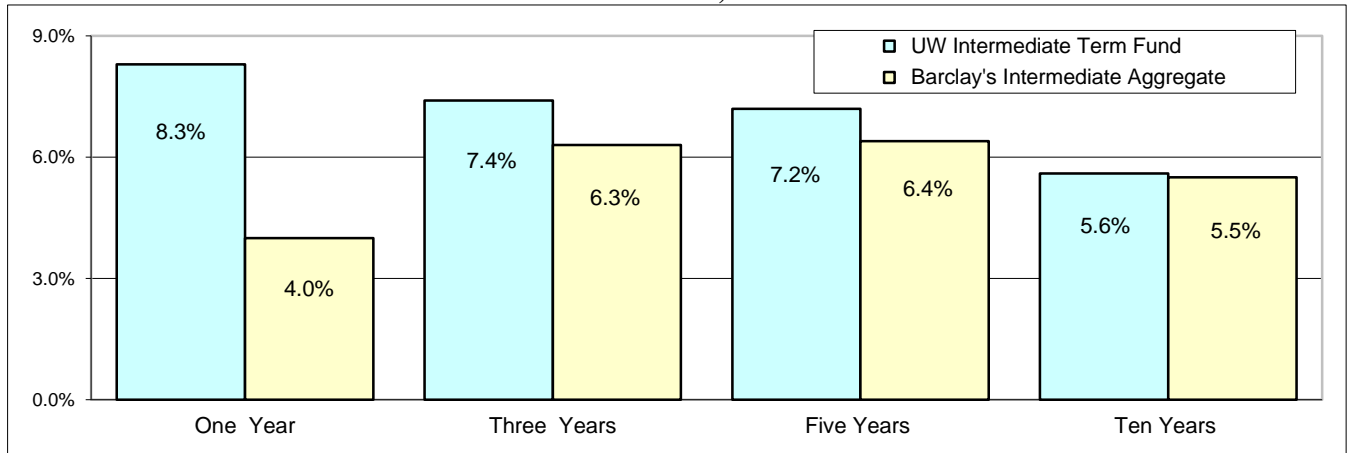
<u>Types of Partnerships</u>	<u>% of Private Equity</u>
Buyouts	47.1%
Venture Capital	30.4%
Special Situations	12.8%
<u>Debt/Restructuring</u>	<u>9.7%</u>
<u>TOTAL</u>	<u>100.0%</u>

<u>Investment Program Inception</u>	2002
<u>Number of Vintage Years</u>	10
<u>Number of Partnerships</u>	582
<u>Number of Underlying Companies</u>	9,567

INTERMEDIATE TERM FUND
As of Fiscal Years Ended June 30

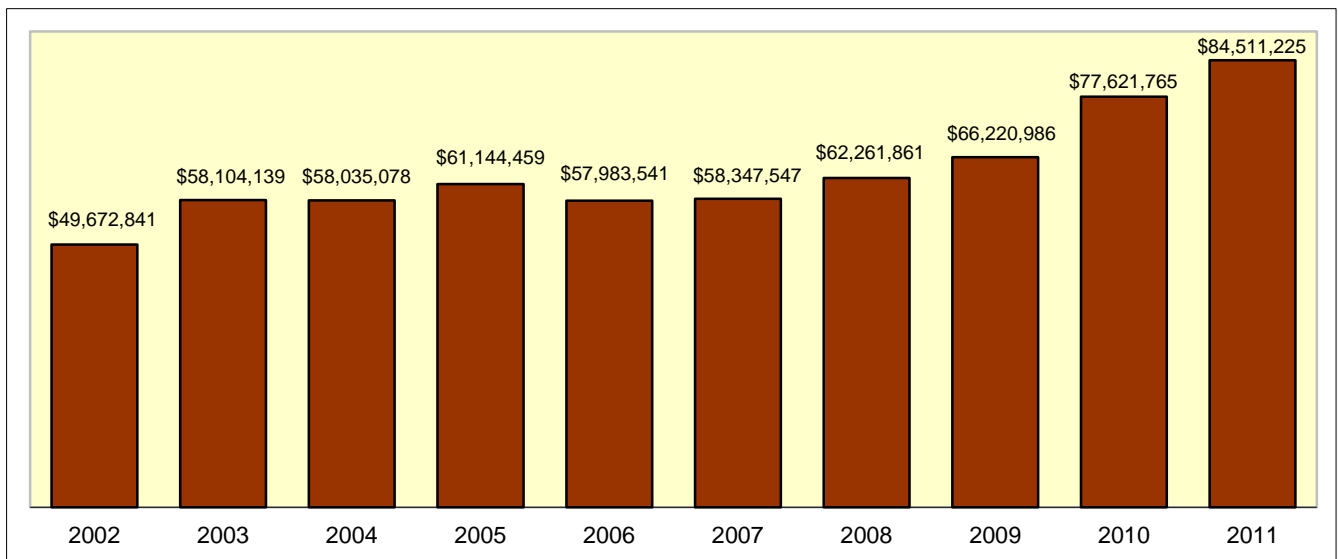
The following chart depicts the investment performance of the *Intermediate Term Fund* for the most recent fiscal year as well as over longer periods. Also shown is the performance of a passive, benchmark index – the Barclay’s Intermediate Aggregate Bond Index.

INVESTMENT PERFORMANCE
As of June 30, 2011



Contributing to the overall change in the *Intermediate Term Fund's* assets are the following: new gifts, plus investment returns, less interest income distributions, expenses, and expenditures of principal. The following chart depicts the historical change in net assets of the Fund.

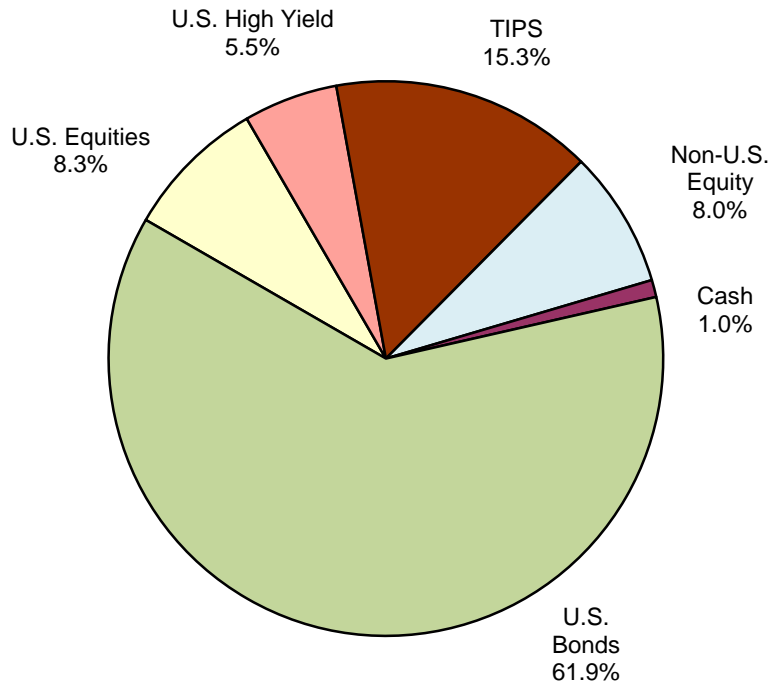
INTERMEDIATE TERM FUND NET ASSETS



The graphs and charts that follow present information on the Fund’s asset allocation, investment managers, and investment positions.

INTERMEDIATE TERM FUND
As of Fiscal Years Ended June 30

ASSET/STRATEGY ALLOCATIONS



ALLOCATION BY INVESTMENT MANAGER AND ASSET CLASS

	2011		2010	
	Market Value	% of Fund	Market Value	% of Fund
U.S. Equities – Large Cap				
S&P 500 ETF	\$ 6,997,602	8.3%	\$ 5,191,999	6.7%
Non-U.S. Developed Market Equities				
MSCI EAFE ETF	6,714,631	8.0%	4,594,252	5.9%
U.S. High Yield Fixed Income				
Seix Advisors High Yield Fund	4,671,354	5.5%	3,362,179	4.3%
U.S. Investment-Grade Fixed Income				
Reams Asset Management	41,624,481	49.2%	39,393,088	50.5%
Barclays TIPS ETF	12,912,440	15.3%	13,668,522	17.5%
Applied Security Analysis Program	10,766,283	12.7%	10,534,617	13.5%
		77.2%		81.5%
U.S. Cash and Cash Equivalents				
Mellon Common Trust Investment Fund	824,434	1.0%	1,281,151	1.6%
TOTALS	\$ 84,511,225	100.0%	\$ 78,025,808	100.0%

INTERMEDIATE TERM FUND
As of Fiscal Year Ended June 30, 2011

Public Equities – 16.3% of Fund

<u>Top Ten Country Positions</u>	<u>% of Equities</u>
Unites States	53.0%
United Kingdom	11.2%
Japan	10.7%
France	4.2%
Switzerland	4.2%
Australia	4.1 %
Germany	3.8%
Spain	1.7%
Sweden	1.4%
<u>Netherlands</u>	<u>1.3%</u>
<u>TOTAL</u>	<u>93.4%</u>

<u>Top Ten Sector Positions</u>	<u>% of Equities</u>
Financials	17.7%
Information Technology	12.3%
Consumer Staples	11.5%
Industrials	11.3%
Health Care	10.9%
Consumer Discretionary	10.4%
Energy	9.9%
Materials	6.6%
Telecommunications	4.7%
<u>Utilities</u>	<u>4.4%</u>
<u>TOTAL</u>	<u>99.7%</u>

<u>Top Ten Holdings</u>	<u>% of Equities</u>
Exxon Mobil	1.7%
Apple Inc.	1.7%
Nestle SA	1.0%
IBM	1.0%
Microsoft	0.9%
Chevron	0.9%
Johnson & Johnson	0.9%
Proctor & Gamble	0.9%
AT&T	0.8%
General Electric	0.8%
<u>TOTAL</u>	<u>10.6%</u>

Fixed Income – 82.7% of Fund

<u>Top Country Positions</u>	<u>% of Fixed Income</u>
Unites States	100.0%

<u>Top Sector Positions</u>	<u>% of Fixed Income</u>
Corporate Bonds	39.4%
U.S. Government Mortgages	19.0%
U.S. TIPS	18.2%
Commercial Mortgage Backed	10.8%
U.S. Government	7.8%
Asset Backed Securities	3.4%
<u>Money Market</u>	<u>1.4%</u>
<u>TOTAL</u>	<u>100.0%</u>

Number of Non-Government Holdings 479

<u>Top Ten Non-Govt Holdings</u>	<u>% of Fund</u>
Metropolitan Life Insurance	1.1%
Bank of America	0.8%
Wachovia Bank	0.8%
Credit Suisse	0.7%
NCUA Guaranteed	0.7%
General Electric	0.7%
Morgan Stanley	0.7%
JP Morgan Chase	0.6%
GMAC	0.5%
<u>Farmers Insurance</u>	<u>0.5%</u>
<u>TOTAL</u>	<u>7.1%</u>

Average Portfolio Maturity 4.7 Years
Average Portfolio Duration 3.2 Years
Average Portfolio Quality AA

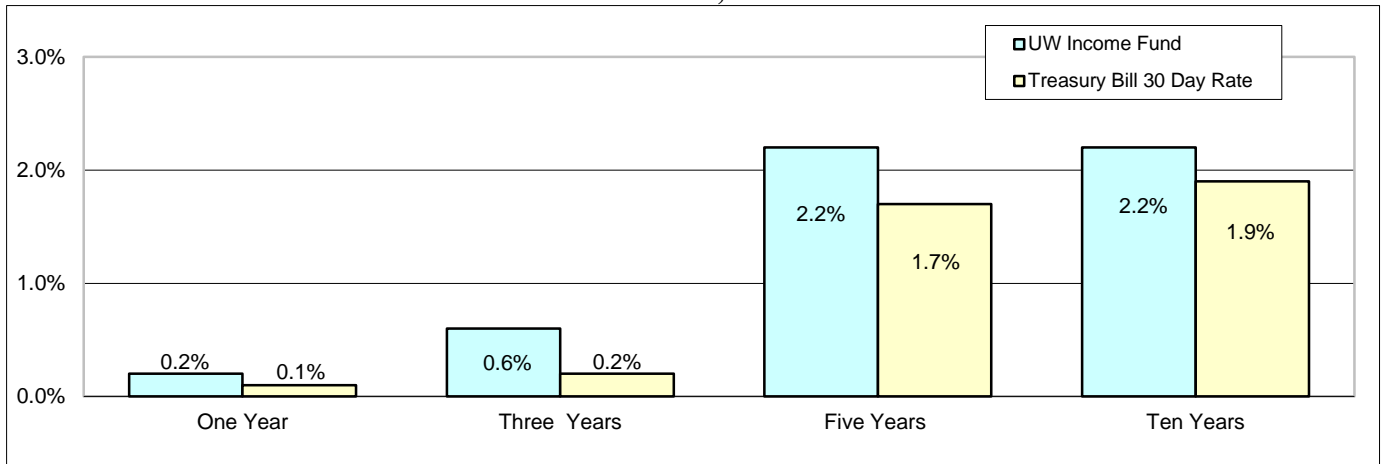
Cash – 1.0% of Fund

Mellon Common Trust Investment Fund 100.0%

INCOME FUND
As of Fiscal Years Ended June 30

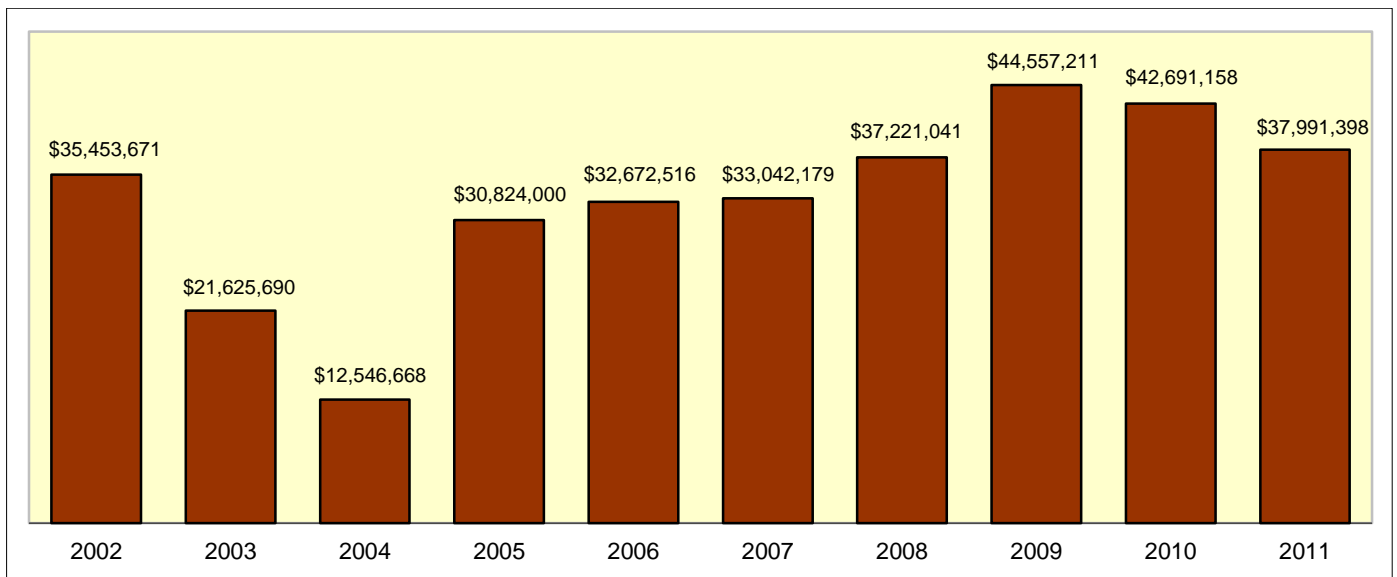
The following chart depicts the investment performance of the *Income Fund* for the most recent fiscal year as well as over longer periods. Also shown, for comparative purposes, is the performance of 30-day Treasury Bills.

INVESTMENT PERFORMANCE
As of June 30, 2011



Contributing to the overall change in the *Income Fund's* net assets are the following: interest income and spending rate distributions received from the *Intermediate* and *Long Term Funds*, plus interest earnings, less expenses and expenditures. The following chart depicts the historical change in net assets of the Fund.

INCOME FUND NET ASSETS



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SECTION 3:
Gifts and Disbursement Data

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GIFTS For Fiscal Years Ended June 30

2011 GIFTS BY TYPE OF GIFT

Gift Type	Total Gifts	Number of Gifts
General Gifts	\$ 5,711,049	393
Bequests	6,038,553	107
Matching Gifts	175	3
TOTAL	\$ 11,749,776	503

Note: General Gifts are generally gifts received from individual living donors, corporations, or foundations. Bequests are generally gifts made through a will or other form of legal trust. Matching Gifts are generally those made by employers or other organizations to match the gifts made by individuals.

2011 GIFTS BY ENDOWMENT CATEGORY

Endowment Category	Total Gifts	Percentage
Quasi Endowment	\$ 7,357,246	62.6%
Designated Endowment	3,263,723	27.8%
True Endowment	1,128,807	9.6%
TOTAL	\$ 11,749,776	100.0%

Note: Quasi Endowments are those where the donor has not restricted use of principal. True Endowments are those gifts where the donor has in essence restricted the use of principal. Designated Endowments are those where the donor has not restricted principal, but the benefiting institution or Board of Regents have elected to do so.

2011 GIFTS BY USAGE DESIGNATION

Usage Designation	Total Gifts	Percentage
Miscellaneous	\$ 6,404,256	54.5%
Student Aid	2,391,662	20.4%
Public Service	2,216,628	18.9%
Research	569,230	4.8%
Auxiliary Service	168,000	1.4%
TOTAL	\$ 11,749,776	100.0%

Note: The Miscellaneous designation generally indicates that the gift could be used for a purpose not falling strictly within one of the other classifications, for purposes falling within multiple classifications, or for fully discretionary purposes.

GIFTS
For Fiscal Years Ended June 30

2011 GIFTS BY CAMPUS AND COLLEGE

Campus	Total Gifts	Number of Gifts
Madison		
School of Medicine and Public Health	\$ 1,522,959	68
General Education Administration	1,230,578	5
College of Letters and Science	525,589	183
College of Engineering	507,248	19
College of Nursing	188,371	16
Wisconsin Union	168,000	1
General Services	92,267	6
College of Agriculture & Life Sciences	77,604	12
School of Education	22,655	23
Graduate School	11,000	2
School of Business	10,000	1
Officer Education	2,425	4
School of Pharmacy	2,000	1
Madison Subtotal	\$ 4,360,696	341
Extension	2,216,628	37
System Administration	1,755,842	57
La Crosse	1,692,737	1
Milwaukee	1,656,234	18
Superior	44,445	4
Parkside	16,044	33
Whitewater	5,710	1
Green Bay	1,100	2
Colleges	340	9
TOTAL	\$ 11,749,776	503

Note: The categories of General Education Administration and General Services reflect gifts that are administered by campus administrative units not tied to a specific college or department. These primarily involve student scholarship and loan funds. The gift amount for System Administration is also impacted by timing differences between when new gifts are deposited into the System pending account, and when they are transferred out to individual permanent accounts.

TEN-YEAR HISTORY OF TOTAL GIFTS

Fiscal Year	Total Gifts	As Percent of Prior Year Principal Market Value
2002	\$ 11,558,611	3.6%
2003	10,789,314	3.6%
2004	12,805,149	4.3%
2005	8,640,969	2.6%
2006	8,059,469	2.3%
2007	16,478,500	4.5%
2008	11,617,369	3.2%
2009	13,891,569	3.5%
2010	6,640,429	2.0%
2011	11,749,776	3.0%
TEN YEAR TOTAL	\$ 112,231,155	AVERAGE 3.3%

DISBURSEMENTS For Fiscal Years Ended June 30

2011 DISBURSEMENTS BY DESIGNATION

Designation	Total Disbursements	Percentage
Research	\$ 8,109,221	47.5%
Student Aid	4,097,319	24.0%
Extension & Public Service	1,798,318	10.5%
Instruction	1,358,767	8.0%
Institutional Support	749,345	4.4%
Academic Support	678,486	4.0%
Student Services	233,589	1.2%
Auxiliary Services	25,969	0.3%
General Operations & Services	3,299	0.1%
Library	263	0.0%
TOTAL	\$ 17,054,576	100.0%

TEN-YEAR HISTORY OF TOTAL DISBURSEMENTS

Fiscal Year	Total Disbursements	As Percent of Prior Year Principal Market Value
2002	\$ 18,700,470	5.9%
2003	17,014,555	5.7%
2004	21,771,311	7.4%
2005	20,412,504	6.1%
2006	22,382,067	6.5%
2007	24,980,366	6.5%
2008	20,348,667	5.6%
2009	17,446,575	4.4%
2010	16,863,697	5.0%
2011	17,054,576	5.1%
TOTAL	\$ 196,974,788	AVERAGE 5.8%

TOTAL BALANCES As of Fiscal Year Ended June 30, 2011

2011 TOTAL FUNDS BY CATEGORY

Category	Principal Market Value	Percentage	Number of Accounts
True Endowment	\$ 179,780,457	42.0%	581
Quasi Endowment	153,415,837	35.8%	828
Designated Endowment	94,879,045	22.2%	133
Term Endowment	137,727	0.0%	1
TOTAL	\$ 428,213,066	100.0%	1,543

Note: The total market value shown in the table above and the two that follow reflect only what is classified as "principal" by the Trust Funds accounting system. Therefore, it does not equal the total Trust Funds market value shown elsewhere in this report, which includes "income." Essentially, total principal market value consists of the market values of the *Long Term* and *Intermediate Term Funds*, plus that portion of the *Income Fund* designated as "principal," which is generally monies awaiting investment in the other Funds.

2011 TOTAL FUNDS BY USAGE DESIGNATION

Usage Designation	Principal Market Value	Percentage	Number of Accounts
Miscellaneous	\$ 183,843,914	42.9%	521
Student Aid	124,796,431	29.1%	663
Research	82,640,587	19.3%	239
Library	13,898,102	3.3%	51
Public Service	12,272,033	2.9%	28
Instruction	9,325,357	2.2%	31
Physical Plant	1,223,028	0.3%	7
Auxiliary Services	182,148	0.0%	2
General Operations	31,466	0.0%	1
TOTAL	\$ 428,213,066	100.0%	1,543

Note: The Miscellaneous designation generally indicates that the gift could be used for a purpose not falling strictly within one of the other classifications, for purposes falling within multiple classifications, or for fully discretionary purposes.

TOTAL BALANCES As of Fiscal Year Ended June 30, 2011

2011 TOTAL FUNDS BY CAMPUS AND COLLEGE

Campus	Principal Market Value	Percentage	Number of Accounts
Madison			
School of Medicine and Public Health	\$ 72,594,913	17.6%	340
College of Ag & Life Sciences	56,652,441	13.8%	170
College of Letters & Sciences	59,747,056	13.2%	335
General	43,885,223	11.0%	4
General Services	24,720,159	6.0%	76
General Education Administration	18,473,627	4.3%	18
Graduate School	19,134,355	4.3%	32
Business Services	18,067,300	3.7%	24
College of Engineering	11,865,937	2.6%	62
School of Education	6,633,815	1.6%	43
School of Nursing	5,955,515	1.5%	21
General Library	5,953,514	1.5%	16
School of Business	5,521,627	1.4%	22
Division of International Studies	3,871,408	1.0%	4
School of Human Ecology	3,898,492	0.9%	26
School of Pharmacy	3,631,923	0.8%	23
Academic Services	2,874,421	0.7%	8
Law School	3,241,261	0.7%	29
Other	2,742,128	0.5%	12
University Housing	967,685	0.2%	3
Intercollegiate Athletics	961,365	0.2%	8
School of Veterinary Medicine	411,246	0.1%	6
Officer Education (ROTC)	66,765	0.0%	3
Madison Subtotal	\$ 371,872,176	86.8%	1,285
System Administration	18,405,310	4.3%	28
Extension	13,300,032	3.1%	31
Milwaukee	9,981,469	2.3%	90
Platteville	3,686,184	0.9%	6
Superior	2,607,122	0.6%	14
La Crosse	2,593,784	0.6%	8
Parkside	1,255,816	0.3%	21
Colleges	1,179,657	0.3%	14
Oshkosh	768,047	0.2%	6
Stout	765,033	0.2%	10
Eau Claire	730,931	0.2%	5
Whitewater	507,807	0.1%	13
Green Bay	367,403	0.1%	4
Stevens Point	145,916	0.0%	4
River Falls	46,379	0.0%	4
TOTAL	\$ 428,213,066	100.0%	1,543

Note: The categories of General, General Education Administration, General Services, Business Services, and Academic Services reflect gifts that are administered by campus administrative units not tied to a specific college or department. These primarily involve student scholarship and loan funds. The System Administration market value is also impacted by timing differences between when new gifts are deposited into the System pending account, and when they are transferred out to individual permanent accounts.

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SECTION 4:
Financial Statements

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FINANCIAL STATEMENTS As of Fiscal Years Ended June 30
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STATEMENTS OF FINANCIAL POSITION

	2011	2010
	Total Principal and Income Market Value	Total Principal and Income Market Value
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 70,645,031	\$ 70,392,220
Accounts Receivable, Net	943,783	788,207
Prepaid Expenses	310	13,515
Total Current Assets	\$ 71,589,124	\$ 71,193,942
Investments		
U.S. Government & Agency Obligations	42,698,724	50,958,872
Corporate Bonds	23,829,917	19,153,454
Mortgage & Asset Backed Securities	4,597,486	4,038,478
Common Stocks	44,568,243	34,725,255
GMO Strategic Opportunities Fund	64,711,016	55,982,123
UBS Int'l Relationship Fund	42,550,278	32,838,282
GMO Emerging Markets Fund III	35,496,497	26,208,974
GMO Emerging Illiquid Fund	3,520,349	5,662,319
iShares Russell Midcap Index	7,592,132	5,584,737
iShares S&P 500 Index	6,997,602	5,187,381
iShares MSCI EAFE Index	6,714,631	4,590,165
iShares Barclays 0-5 Year TIPS Index	12,912,440	13,656,363
iShares Russell 2000 Index	7,624,224	5,624,246
Seix High Yield Fund	25,042,014	19,123,481
Limited Partnerships	67,174,457	55,749,669
Total Investments	\$ 396,030,010	\$ 339,083,799
TOTAL ASSETS	\$ 467,619,134	\$ 410,277,741
LIABILITIES & NET ASSETS		
Liabilities		
Accounts Payable and Accrued Liabilities	2,811,075	671,533
Compensated Absences	641,522	335,492
Total Liabilities	\$ 3,452,597	\$ 1,007,025
Net Assets		
Restricted:		
Nonexpendable	155,641,629	133,671,335
Expendable	200,325,665	180,178,717
Student Loans	13,175,938	13,006,142
Other	17,628,374	15,966,710
Unrestricted:	77,394,931	66,447,812
Total Net Assets	\$ 464,166,537	\$ 409,270,716
TOTAL LIABILITIES & NET ASSETS	\$ 467,619,134	\$ 410,277,741

Note: Restricted net assets are subject to externally-imposed stipulations. Restricted – Nonexpendable net assets are subject to an externally-imposed stipulation that they be maintained permanently (generally, these equate to the *Long Term Fund*'s "historic dollar value," or original gift principal, of all True Endowments). Restricted – Expendable net assets are subject to externally-imposed stipulations as to usage or purpose, but are otherwise fully expendable (generally, these equate to the market values of all such Designated and Quasi Endowments, plus the *Intermediate Term* and *Income Fund* market values of all True Endowments, and the excess/deficit of the market value over/under the "historic dollar value" for the *Long Term Fund* holdings of True Endowments). Unrestricted net assets are not subject to externally-imposed stipulations of any kind and are fully expendable (generally, these would equate to the market values of all such Designated and Quasi Endowments, plus the *Intermediate Term* and *Income Fund* market values of all True Endowments.)

FINANCIAL STATEMENTS
As of Fiscal Years Ended June 30

STATEMENTS OF CASH ACTIVITIES AND INVESTMENT GAINS

<u>RECEIPTS/GAINS</u>	2011	2010
Contributions	\$11,749,776	\$6,640,429
Net Investment Income, Realized/Unrealized Gains	64,911,506	46,337,241
Total Contributions, Investment Gains/Losses	\$ 76,661,282	\$ 52,977,670
 Transfers In:		
From Other UW Funds	2,077,049	2,412,231
Student Loans	783,450	950,125
Total Transfers In	\$ 2,860,499	\$ 3,362,356
TOTAL RECEIPTS/GAINS	\$ 79,521,781	\$ 56,340,026
 <u>DISBURSEMENTS</u>		
Distributions to UW Institutions:		
Student Aid and Services	5,080,253	3,747,894
Instruction	1,358,767	958,539
Research	8,109,221	7,585,552
Extension and Public Service	1,798,318	2,295,802
Academic Support	678,486	972,947
Other	29,531	438,337
Total Distributions to UW Institutions	\$ 17,054,576	\$ 16,863,697
 Transfers Out:		
To Other UW Funds	5,536,390	3,348,628
Student Loans	423,365	256,877
Total Transfers Out	\$ 5,959,755	\$ 3,605,505
 Expenses:		
General Administrative	444,671	400,181
Investment Management and Custody	1,166,958	1,162,241
Total Expenses	\$ 1,611,629	\$ 1,562,422
TOTAL DISBURSEMENTS	\$ 24,625,960	\$ 22,031,624
 <u>EXCESS OF RECEIPTS/GAINS OVER DISBURSEMENTS</u>	 54,895,821	 34,308,402
Net Assets Beginning of Period	409,270,716	374,962,314
Prior Period Adjustment	0	0
Net Assets - End of Period	\$ 464,166,537	\$ 409,270,716

Note: Transfers to/from Other UW Funds consist primarily of transfers to/from sponsored gift and grant appropriations where the sponsor requires the funds be invested (or endowed) to benefit the stipulated programs/projects.

SECTION 5: Supplementary Data

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SUPPLEMENTARY DATA
For Fiscal Years Ended June 30

INVESTMENT MANAGEMENT AND OTHER RELATED FEES

	2011	2010
Intermediate Term Fund		
Reams Asset Management	\$ 78,292	\$ 74,362
Applied Security Analysis Program ¹	0	0
Long Term Fund		
GMO	544,579	550,487
UBS Global Asset Management	452,771	441,165
300 North Capital	83,958	84,821
Legal Fees	0	7,313
Total Investment Management Fees²	\$ 1,159,600	\$ 1,154,954

¹ Applied Security Analysis Program is the UW-Madison Business School's applied investment management program for graduate students. Trust Funds pay no management fees to the program.

² The fees listed in the above chart are only those separately billed to UW Trust Funds. Trust Funds also invested through various commingled fund providers: GMO Emerging Markets Fund III, GMO Emerging Illiquid Fund, GMO Real Return Global Balanced Fund, GMO Forestry Fund, Adams Street Partners Private Equity Funds, JP Morgan Private Equity Funds, Seix Advisors High Yield Fund, iShares Russell 2000 Index Fund, iShares Russell Midcap Index Fund, iShares Barclays TIPS Index Fund, iShares S&P 500 Index Fund, and iShares MSCI EAFE Index Fund. Fees for these funds are taken directly out of fund assets rather than separately billed. Estimated investment management expenses for these various providers for 2011 were as follows: \$334,887; \$59,713; \$279,453; \$1,644; \$353,252; \$300,771; \$111,835; \$3,344; \$2,686; \$26,970; \$13,282; and \$21,807, respectively.

Investment management expenses (including estimated fees through commingled funds) as a percent of total average Trust Fund assets (*Long Term* plus *Intermediate Term Funds*) were 0.67% and 0.74% for fiscal years 2011 and 2010, respectively. Fees as a percent of assets by separate Fund were 0.80% and 0.20% for the *Long Term Fund* and *Intermediate Term Fund*, respectively, for fiscal year ended 2011, versus 0.87% and 0.21%, respectively, for fiscal year ended 2010.

CUSTODY FEES

	2011	2010
Mellon Trust	\$ 7,358	\$ 7,286

Trust Funds' custodial services are provided through a custodial agreement with Mellon Trust. This agreement was negotiated by the State of Wisconsin Investment Board (SWIB), which also employs Mellon. Fees are billed to SWIB and charged back to Trust Funds. Custodial expenses as a percent of average Trust Fund assets were 0.002% and 0.002% for fiscal years 2011 and 2010, respectively. While commingled fund shares are recorded and custodied at Mellon, the actual securities held by these funds are custodied elsewhere.

SUPPLEMENTARY DATA For Fiscal Years Ended June 30
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ADMINISTRATIVE EXPENSES

	2011	2010
Staff and Staff Support		
Salaries	\$ 236,933	\$ 232,276
Fringe Benefits	154,747	117,342
Travel and Training Expenses	11,858	10,447
Other Expenses	1,869	319
Telecommunications/Telephone Service	1,545	1,210
Publications	1,120	1,000
Office Supplies/Equipment	234	0
Computer Hardware/Software	0	1,897
Professional Services		
Trust Accounting System (SunGard)	34,896	34,074
Information Services Support	1,469	1,616
Total Administrative Expenses	\$ 444,671	\$ 400,181

Total administrative expenses as a percent of average total Trust Fund assets (*Long Term, Intermediate Term* and *Income Funds*) were 0.11% and 0.12% for fiscal years 2011 and 2010, respectively.

**UW SYSTEM TRUST FUNDS:
TRUSTEES AND STAFF**

Business, Finance, and Audit Committee of the Board of Regents of the UW System
(As of June 30, 2011)

Brent Smith (Chair)
Michael Falbo (Vice Chair)
Mark Bradley
David Walsh
Betty Womack

UW System Administration

Senior Management

Kevin P. Reilly, President
Michael L. Morgan, Senior Vice President for Administration and Fiscal Affairs
Deborah A. Durcan, Vice President for Finance and Trust Officer
Tomas L. Stafford, General Counsel and Assistant Trust Officer

Office of Trust Funds Staff

Douglas J. Hoerr, Director and Assistant Trust Officer
Thomas R. Reinders, Senior Investment Portfolio Analyst
Debra Morgan, Senior Accountant
Jamies Erbs, Financial Specialist III

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