

# Creating Futures

UNIVERSITY OF COLORADO FOUNDATION



## Fall 2011 Investment Management Update

### Recent Investment Performance

The CU Foundation's Long Term Investment Pool (LTIP)—which includes the vast majority of Foundation endowments invested for the benefit of the University of Colorado—has generated a positive return over the past year despite the volatile and challenging market environment. **As of 9/30/2011, the LTIP had appreciated +0.7% during the prior one-year period, outperforming our policy benchmark\* (-2.3%) but lagging the S&P 500 (+1.1%).**

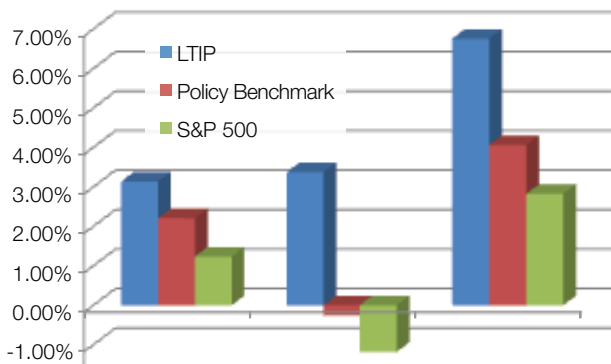
Given the long-term objective of maximizing returns while effectively managing risk, the LTIP is meant to be insulated to an extent against short-term market moves, both positive and negative. The LTIP was effective in doing so over the recent tumultuous period.

The LTIP's longer-term results demonstrate a consistent track record of investment success, in line with the Foundation's objective. **Over the trailing three, five, and ten-year periods (see chart, below left), the LTIP has outperformed its policy benchmark and the S&P 500 by a meaningful margin.**

(continued on reverse)

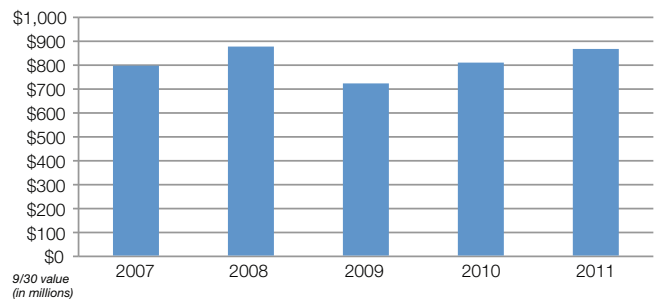
### Long Term Investment Pool (holds most CU endowments)

Investment Performance (3/5/10yr)



\*The Policy Benchmark is comprised of 40% Russell 3000 Index (domestic stocks), 40% MSCI EAFE Index (nondomestic stocks), and 20% Barclay Capital Aggregate Bond Index (fixed income).

Value, 2007-11



Totals expressed in millions.

(NOTE: Increases/decreases of these funds over time do not precisely mirror investment performance, due to variable fundraising inflows/outflows to university programs.)

## Investment Portfolio Composition

The portfolio's success in achieving its objective is critical given the university's long-term educational mission. Faculty, students, and programs on all four CU campuses rely on consistent funding streams from the LTIP for years to come.

With that in mind, the LTIP is structured to maintain a level of volatility (or risk) below that of the broader global equity markets. To do so, portfolio managers manage asset allocation around target ranges set by the Foundation's investment committee, while still allowing room for strategic positioning.

The LTIP performance is reviewed against public equity markets as well as a custom policy benchmark representative of the portfolio's target composition.

While the LTIP still maintains a reasonable allocation toward public equity markets, about 50 percent of portfolio holdings are invested in private capital, real assets, and hedge funds—enabling our investment manager to assemble a portfolio that optimizes prospects for performance over the long term. Meanwhile, the LTIP's current 10.5 percent weighting in cash and fixed income provides a buffer against volatile market environments, and allows for a timely response to pursue new investment opportunities.

The LTIP value is \$863.9 million. The value of endowments invested on behalf of CU (or, for comparison purposes, "the CU Endowment") is \$702.6 million.

### Near-Term Investment Outlook

According to Chris Bittman, partner at asset management firm Perella Weinberg Partners (PWP) and manager of the LTIP:

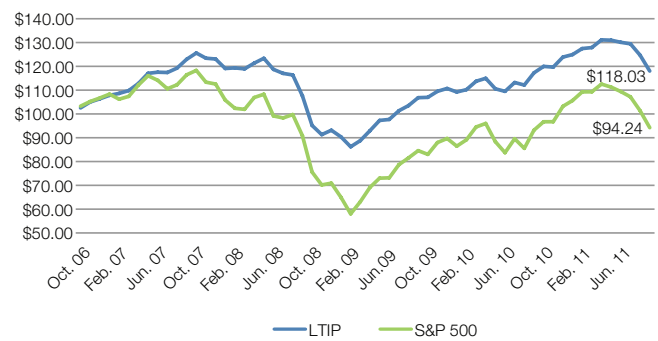
"Market volatility persisted throughout the third quarter in response to continued fears of slowing global growth and a lack of resolution for the deepening European debt crisis. The S&P's downgrading of the U.S. credit rating to AA+ marked the country's first time receiving a less-than-perfect rating, further exacerbating market volatility.

As investors grappled to gauge the depth and breadth of the economic slowdown as well as the manifestation of the European debt crisis, markets fluctuated drastically throughout the third quarter. Due to heightened fear and uncertainty, many investors sought refuge in less risky, "safe haven" assets, despite the securities offering little upside given historically low yields.

While attempting to predict what the market will do any given day, week, or month is impractical, such an exercise seems even more futile given the current state of the markets. We do believe that it's likely that volatility will persist for some time, and for good reason. Against this exceptional backdrop, we remain opportunistic in identifying ways to capitalize on unique themes that can emerge from dislocation."

Bittman can be reached at 303-813-7910 or [cbittman@pwppartners.com](mailto:cbittman@pwppartners.com).

## A \$100 investment on 9/30/06 would be worth...



## We Can Answer Your Questions

As fundraising and endowment investments continue to be key long-term funding components for CU, it's crucial that members of the university family have full faith and understanding in the Foundation's investment activities. We are available to answer any questions you might have, and can make presentations to constituents on our investment model, performance, and outlook.

## Thank you for your continued confidence in our efforts on behalf of the University of Colorado.

For endowment or investment questions:

### Contact

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