

Creating Futures



University of Colorado *Foundation*



CU Foundation Investment Update: Summer 2010

Recent Investment Performance

The CU Foundation's Long Term Investment Pool (LTIP)—which includes the vast majority of Foundation endowments invested on behalf of the University of Colorado—has seen substantial recovery this past calendar year as the economic shocks of 2008-09 continue to moderate.

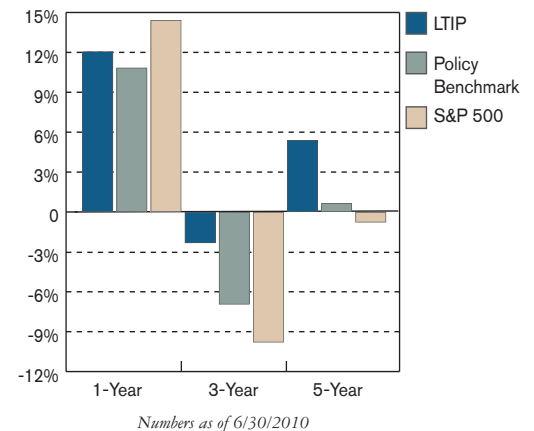
As of 6/30/2010, the LTIP had appreciated 12.08% during the prior one-year period. Our one-year performance exceeded our policy benchmark* (+10.85%), and lagged the S&P 500 (+14.43%) for this period.

We are encouraged by our one-year performance against our benchmark, which we exceeded for the 6th consecutive year, and are not surprised by the broad-market lag for two reasons: 1) The LTIP portfolio composition (*detailed on reverse*) is buffered against steep short-term market moves; and 2) Private capital and real assets (comprising roughly 30% of the LTIP) are revalued less frequently than public equities, and 6/30/10 performance data does not represent updated valuations of all portfolio elements.

The LTIP's longer-term results indicate a consistent track record of investment success. Over the trailing three, five, and ten-year periods, the LTIP has outperformed policy benchmarks and the S&P 500 by a wide margin. For example, in the five-year period ending 6/30/10, the LTIP gained 5.41% annually, compared with 0.67% for its policy benchmark and -0.79% for the S&P 500. This means that \$100 invested in our LTIP on 6/30/05 would have grown to \$130.14 based on its investment performance, compared with \$96.11 if invested in the S&P 500. This performance ranks the CU Foundation in the top 5% among our peer group during this five-year period.

(continued on reverse)

LTIP Performance vs. Benchmarks



*The Policy Benchmark is comprised of 50% Russell 3000 Index (domestic stocks), 20% MSCI EAFE Index (nondomestic stocks), and 30% Barclay Capital Aggregate Bond Index (fixed income).

Investment Portfolio Composition

As its name indicates, the Long Term Investment Pool is engineered to maximize returns over an extended period of time, and to manage risk. This is critical given the university's long-term educational mission—faculty, students, and programs on all four University of Colorado campuses depend on reliable funding streams from the LTIP for years to come.

The LTIP is structured to maintain a level of volatility below that of the domestic and international equity markets in aggregate. Portfolio managers maintain an LTIP asset allocation within a target range established and monitored by an Investment Policy Committee that reports to the Foundation Board of Directors. The LTIP performance is assessed not primarily against public equity markets, but rather against a policy benchmark comprised of a combination of external indices that match the target composition of the LTIP portfolio.

While the LTIP has a strong stake in public equity markets, about 50 percent of its holdings are invested in private capital, real assets, and hedge funds—enabling investment managers to assemble a portfolio that combines safety with strength. The LTIP's current 13 percent weighting in cash and fixed income provides a buffer against volatility, and allows for a timely response to investment opportunities.

The LTIP's current value is \$802.1 million. The current value of endowments invested on behalf of CU (or, for purposes of peer comparison, "the CU Endowment"), is \$661.7 million. A chart detailing LTIP value over a five-year period is at right.

Near-Term Investment Outlook

According to Chris Bittman, partner at asset management firm Perella Weinberg Partners (PWP) and manager of the LTIP: "Our investments continue to be positioned conservatively relative to the Foundation's long-term asset-allocation targets.

The markets have recovered substantially since March 2009 thanks to unprecedented stimulus spending. But recent positive GDP figures overstate the story seen by many citizens: employment, production, and lending remain weak, and long-term changes in consumption and home-ownership are likely. Despite government efforts, it's yet to be seen whether the private sector can fully fill the gap as the stimulus recedes, especially given the debt profile of the typical consumer. Also, sovereign credit concerns in Europe could presage similar issues in the U.S., Japan, and the U.K. Bottom line: This remains a very fragile economic recovery, as we've seen this summer.

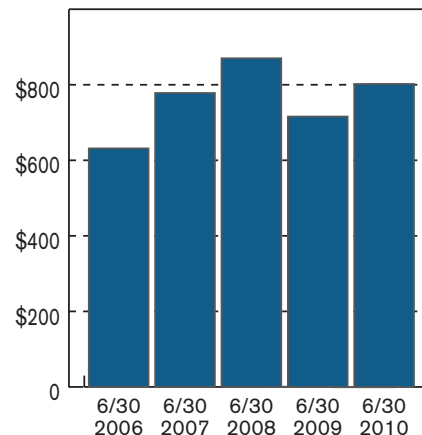
We remain optimistic that there are asset classes that may benefit from current market conditions, and we are working to increase our exposure to those areas that we believe will be positively impacted by the changing tides."

We Can Answer Your Questions

As fundraising and endowment investments continue to be key long-term funding components of the University of Colorado, it's crucial that members of the CU family have full faith and understanding in the Foundation's endowment-management operations. We are available to answer any questions you might have, and can make presentations to university constituent groups on our investment model, performance, and outlook. Thank you for your continued confidence in our efforts on behalf of the University of Colorado.



LTIP Value, 2006-10



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.)

A \$100 investment in the LTIP on 6/30/05 would have grown to \$130.14 based on its investment performance, compared with \$96.11 if invested in the S&P 500.

For endowment or investment questions:

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