

Creating *Futures*

Investing in the Future of CU



Private support is an essential ingredient in the University of Colorado's ability to meet the challenges of the future. In addition to raising funds to support the university, the Foundation manages investments on behalf of CU, including endowments and charitable trusts.

The generosity of our donors lays the groundwork for our success. With a well-planned investment strategy and stringent oversight, the CU Foundation's mission is to wisely manage these funds to meet the long-term needs of the university.

Your gifts enable CU to endow scholarships and professorships, enrich academic programs, upgrade and construct facilities and support research and programs to benefit students and faculty, as well as the Colorado and broader community. Indeed, donors like you are changing the world.

Our investment success extends this support into the future.



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Investment Goals Designed to Fund Current and Future Needs

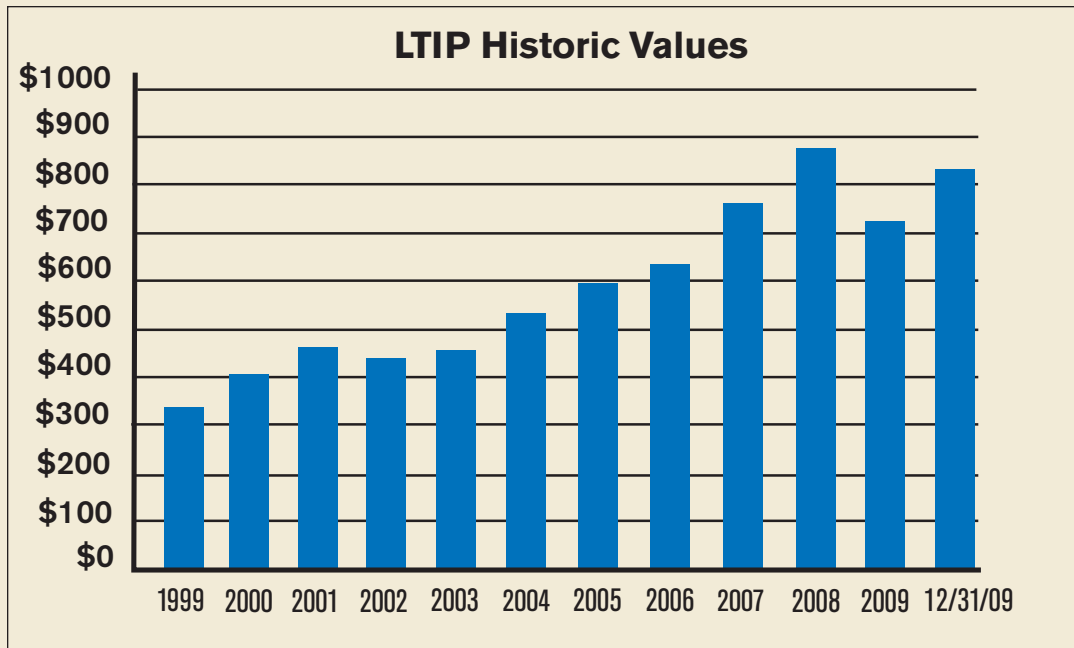
Total assets under management include short-term, planned gift and long-term assets. The largest segment of the portfolio is the Long Term Investment Pool (LTIP).

At the direction of the Foundation’s Board of Directors, the Investment Policy Committee establishes specific guidelines for management of the LTIP, a pooled fund designed for endowed and similar long-term funds. LTIP funds are invested in a broad mix of asset classes. Its goal is to provide a steady and recurring stream of funding for the University of Colorado while maintaining the real inflation-adjusted purchasing power of the investments over time.

The investment objectives of the LTIP are to:

- Attain an average annual return in excess of a benchmark index, net of investment management expenses
- Achieve out-performance of the benchmark index with less risk (measured by standard deviation) than the benchmark index

Over the long term, the LTIP has consistently met or exceeded the portfolio management guidelines resulting in both the growth of funds made available to CU and the asset size of the portfolio. As of December 31, 2009, the LTIP had grown to a market value of \$811 million, a 249% increase since 1999*.



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* Based on preliminary figures.

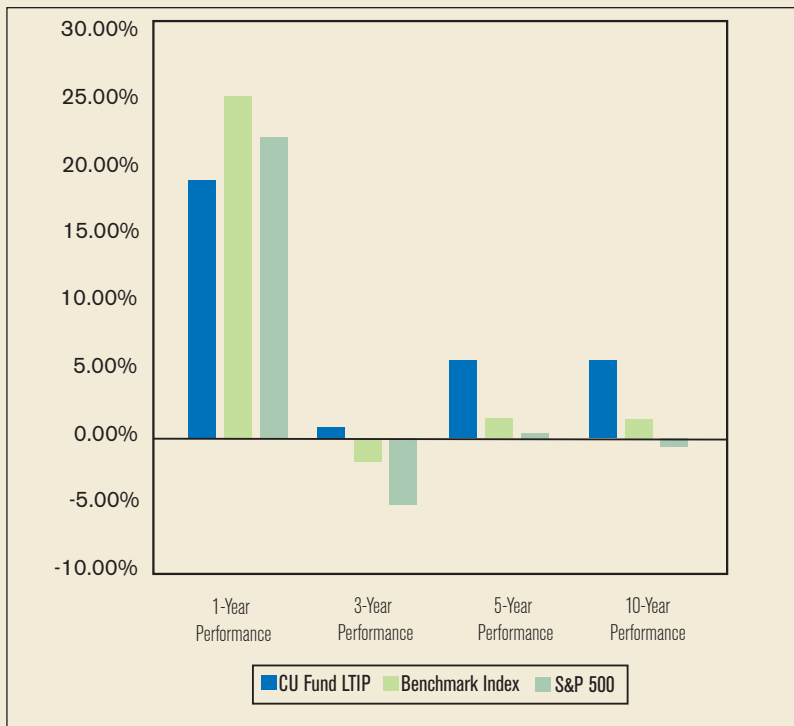
December 31, 2009 Investment Update

The five year annualized performance as of December 31, 2009 for the Foundation's LTIP was 6.03% which compares favorably to the Benchmark Index of 2.18% and the S&P 500 of 0.42% for the same period. Based on the most current peer data, the Foundation's LTIP performance for the five years ending September 30, 2009, ranks ahead of 99% of its peers as measured against the Wilshire Cooperative Database of similarly managed endowments, foundations, municipalities and corporate pension plans.

In this extraordinary economic environment, the Investment Policy Committee and the staff have recently reaffirmed that the LTIP's asset allocation remains appropriate for a long term endowed portfolio. To that end, the staff and committee continue to carefully monitor the LTIP's holdings and other opportunities.

Foundation and Endowment Money Management, a publication of *Institutional Investor*, recently named the University of Colorado Foundation as "Large Foundation of the Year" in their 2007 Nonprofit Awards for Excellence. The only university foundation nominated, the Foundation was chosen for its investment performance, innovation and outstanding asset allocation moves.

December 31, 2009 Investment Update



*Performance is shown net of manager, custodian and consultant fees.

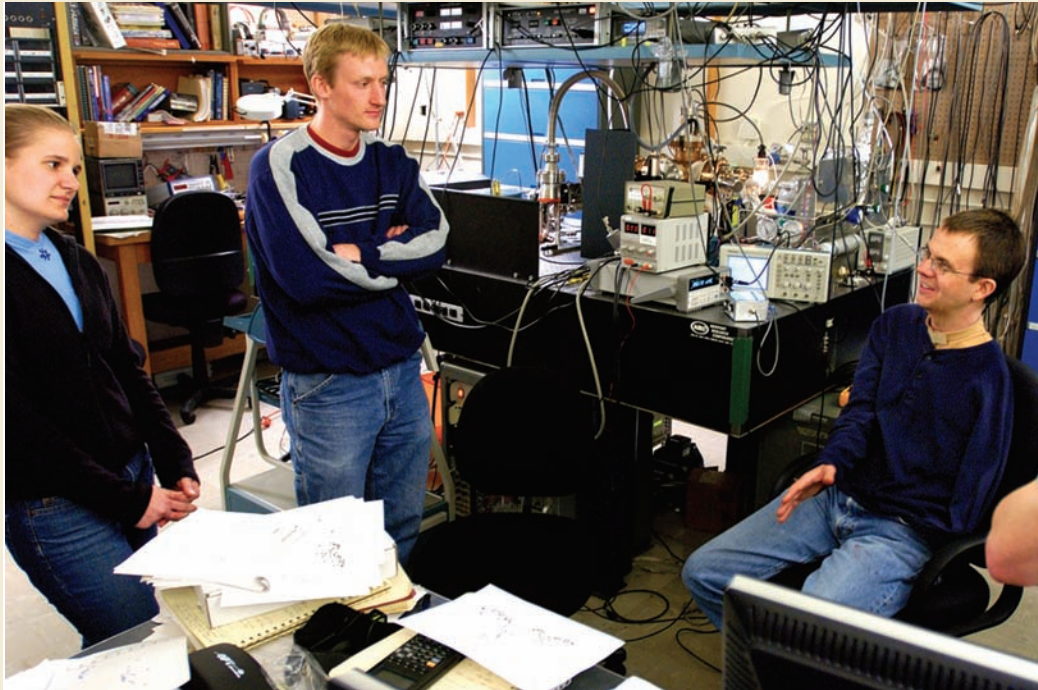
"Achieving this national recognition from *Institutional Investor* is a great honor. It reflects the excellent effort of our team of directors, trustees, investment policy committee and staff."

—Chris Bittman, Jour '85
Chief Investment Officer



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* Based on preliminary figures.



Endowments: *The Gifts that Keep on Giving*

Endowment support from donors allows the Foundation to provide a predictable, stable stream of distributable income to the University. These truly are gifts that keep on giving.

Endowment funds are invested in the Long Term Investment Pool (LTIP). Specific guidelines for use of the investment earnings ensure both a steady flow of funds to CU while protecting the purchasing power of both the income and the assets against inflation.

The distributions are smoothed through the use of a multi-year average fair market value of the LTIP, with a minimum of 4% distributed for the benefit of CU annually. Investment earnings in excess of the distribution amount stay in the endowment and continue to grow the principal value, creating long-term stability.

These funds help to sustain a culture of excellence and positively impact 50,000 students in a tangible way. Endowment income enables CU to attract the best talent and retain outstanding faculty, funds innovative new programs and supports faculty research that can lead to transformational discoveries.



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Professional Management with Prudent Oversight

Assets are professionally managed with an eye toward performance and risk controls with appropriate oversight. Donors can have confidence that the CU Foundation has structured management of the investment area according to industry best practices.

The purpose of the Foundation’s Investment Policy Committee is to assist the Board of Directors in fulfilling its responsibility for oversight of the investments of the Foundation. The Committee is comprised of experts in several investment disciplines. Manager and security selection and daily oversight of investments is handled by the Foundation’s Chief Investment Officer and in-house staff.

This joint effort between staff and volunteers ensures accountability, transparency and prudent daily oversight in the investment management process.

The Foundation’s life income gifts (charitable remainder trusts, charitable gift annuities and pooled income funds) are administered by Kaspick & Company and are typically invested in a pool of no-load mutual funds. Kaspick & Company is a nationally recognized leader in planned gift asset management and administration.

Outperformance of Benchmark Index* With Less Risk

| | Performance | | | Risk |
|-----------------|-------------|--------|--------|---------------------------|
| | 1-Year | 3-Year | 5-Year | 5-Year Standard Deviation |
| LTIP | 18.84% | 1.35% | 6.03% | 11.49% |
| Benchmark Index | 25.38% | -2.93% | 2.18% | 15.40% |
| S&P 500 | 22.46% | -5.63% | 0.42% | 17.16% |

*Benchmark Index is comprised of 40% Russell 3000 Index (domestic stocks), 40% MSCI EAFE Index (non-domestic stocks) and 20% Barclays Capital Aggregate Bond Index (fixed income). From the Fund’s inception to 6-30-08, the Benchmark Index was 50% Russell 3000, 20% MSCI EAFE and 30% Barclays Capital Aggregate Bond.

** Performance is shown net of manager, custodian and consultant fees for the period ending December 31, 2009 and is based on preliminary figures.

*** Standard deviation is typically used as a measure of the risk associated with a portfolio.





Accountability to our Donors

Donors direct their support to a wide variety of programs, projects and areas. Based on donors' wishes, some gifts are immediately available to the university while others are endowed gifts, intended to provide support over an extended period of time.

A sophisticated donation stewardship process has been established with the University to assure that donor funds are used in accordance with the donors' wishes. Specialized accounting oversight is also required to calculate and distribute funds to the university per donor intent. We are committed to being good stewards of your gifts and take this part of our mission very seriously.



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Diversification Strategy – *Investment in a Variety of Asset Classes*

A wide variety of investment assets are included in the LTIP to maximize earnings at an acceptable risk level. The investment policy committee establishes ranges and long-term targets for asset allocation while staff determines the actual allocation within the ranges.

Domestic Equities: Equity investments in US companies are among the most liquid and well-researched opportunities. This class will typically be diversified in terms of style and capitalization and may use both active and passive investment strategies.

International Equities: Exposure to international equities in developed and emerging markets provide opportunities to participate in growing economies outside of the United States.

Global Private Capital: This asset class represents one of the most illiquid investment classes, but may offer attractive returns by exploiting market inefficiencies through various value-added strategies.

Asset Allocation Policy

| | Range | Target |
|------------------------|---------|--------|
| Global Equity | 20%-70% | 40% |
| Domestic Equity | | 20% |
| International Equity | | 20% |
| Alternatives | | 50% |
| Global Private Capital | 10%-30% | 20% |
| Real Assets | 5%-20% | 10% |
| Hedge Funds | 10%-35% | 20% |
| Fixed Income/Cash | 5%-20% | 10% |



Diversification Strategy – *Investment in a Variety of Asset Classes*

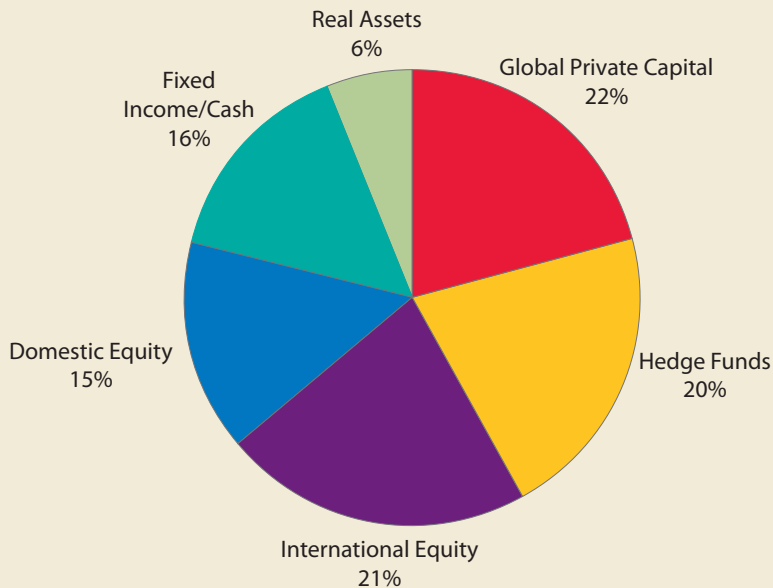
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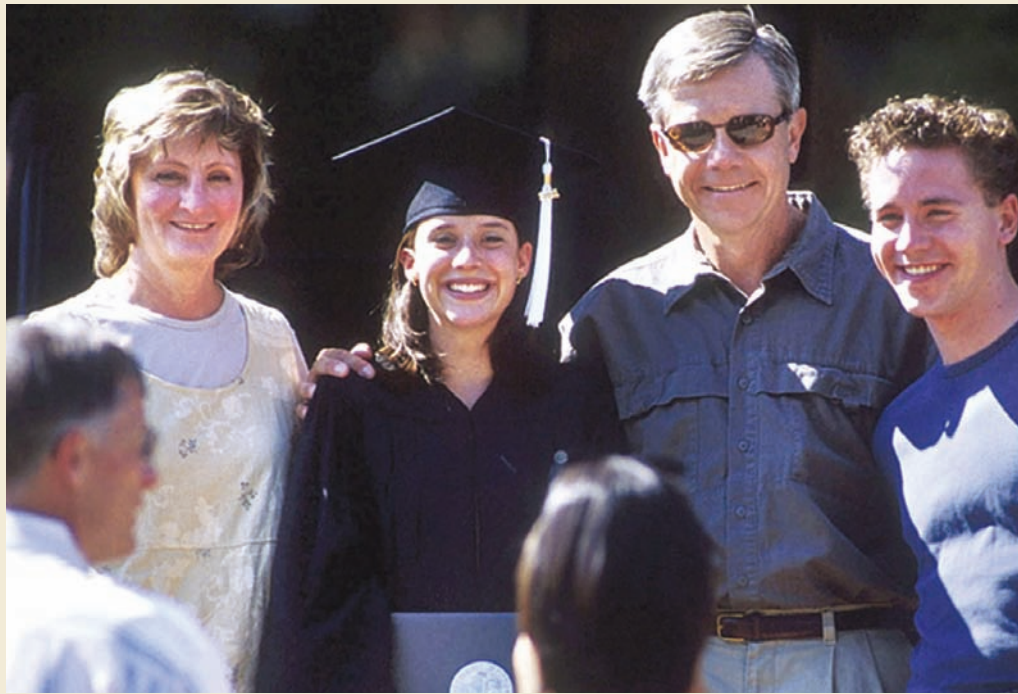
Real Assets: Investments included in the Real Assets class include those assets whose primary purpose is to achieve overall portfolio diversification and to provide a potential hedge against inflationary pressures in the traditional investment markets. Examples include real estate, commodities and inflation-protected securities.

Hedge Funds: Incorporate diverse strategies which seek to generate high long-term real returns by exploiting market price inefficiencies, which provides significant diversification benefits and downside protection. Typically, these managers will be sufficiently hedged to generate positive returns in either up or down markets.

Fixed Income: The historical returns of fixed income investments are lower than those of equity investments. The goal for the fixed income assets is to provide diversification for the total portfolio.

Actual LTIP asset allocation as of 12/31/09.





Your Gift Counts!

Your gift can have an important impact on the future of the University of Colorado. Please help us meet the ever increasing need for private donations to support CU's strategic goals. Whether your interest is in supporting excellence in academic programs, student scholarships, faculty chairs, increasing diversity or building infrastructure, the University of Colorado Foundation welcomes the opportunity to steward your gift for the benefit of the University of Colorado.

For additional information, please contact:

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