

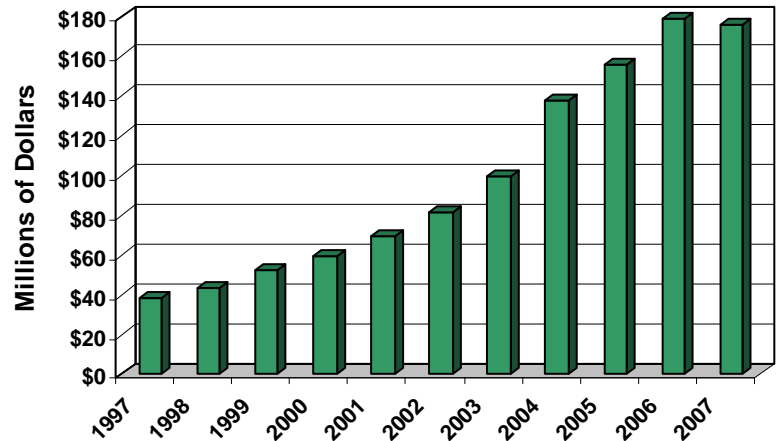
Enhancing Cal Poly's Future

The Cal Poly Foundation Endowment

Background

In 1985, The California Polytechnic State University Foundation's Board of Directors established the Endowment Pool to serve as a vehicle for administering and investing private gifts to California Polytechnic State University in perpetuity. The rationale for creating the Endowment was to combine all of the University's endowed funds into a pool that could be efficiently and economically invested in a wide range of assets. In an effort to ensure that all gifts to the Endowment experience uniform investment results and income distributions, each individual endowment fund holds an interest in the Endowment via "units."

Through the continuing generosity of alumni, friends and corporate partners and the Foundation's prudent financial stewardship of these assets, the Endowment has experienced substantial growth in recent years.



As of December 31, 2007, the fair market value of the Endowment was \$175,700,600.

In 2005-06, the Endowment made a commitment to allocate a portion of assets to the subclass of alternative investments. These alternatives include funds of venture capital, private equity, directional hedge, absolute return and commodities. The initial commitment to alternatives is 8.5% of the portfolio, and funding will be accomplished over a period of several years.

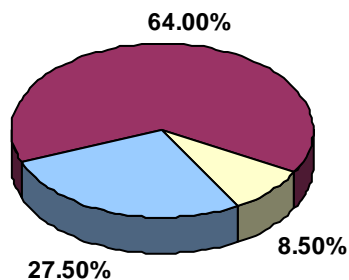
The remaining portfolio continues to be invested in its traditional allocation of 70% equities and 30% fixed income. Within the equity asset class, further diversification is achieved by investing in large capitalization, small capitalization, international and real estate securities. The fixed income asset is diversified into domestic, international and high-yield classes.

Investment Policy

The Endowment is invested in accordance with the Foundation's Endowment Investment Policy. This policy has been designed to preserve the Endowment's purchasing power while providing a predictable stream of income to the University. These goals are achieved by developing a proper mix of investments across a variety of asset classes, such as equities (stocks), fixed income (bonds) and others. These assets are assigned to full-time, professional, external investment managers hired by the Foundation.

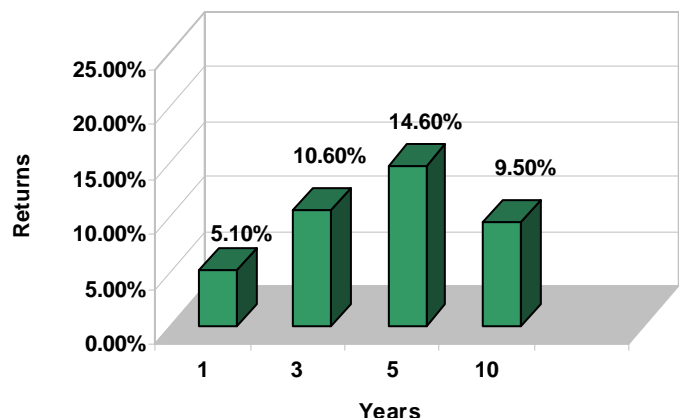
Investment Results

Total Portfolio



■ Traditional Fixed Income ■ Traditional Equity ■ Alternative

Historical Returns



The Cal Poly Foundation Endowment

Spending Policy

The Foundation's Board of Directors has established a Spending Policy with a view toward balancing the need for expendable funds for University programs against the need to preserve the Endowment against inflation as calculated by the Higher Education Price Index ("HEPI"). The Spending Policy of the Endowment defines how much can be distributed annually to the University for expenditure.

The Foundation's Board of Directors has adopted a spending policy of 4.5%. In order to achieve the objective of maintaining purchasing power, the Endowment's return must be equal to the payout distributed annually, plus inflation, plus management, custodial, and administrative fees.

The Foundation endeavors to administer and invest the Endowment Pool in a very economical manner. The Investment Committee understands the impact of expenses on long-term performance and has sought to minimize costs where prudent and feasible. The investment/administrative fees for the Endowment average 1% annually.

It is anticipated that over the long run the Endowment's investments will earn 4-5% in excess of what is spent annually. Thus, with a 4.5% spending Policy, higher education inflation averaging between 3-4% annually, and fees of 1%, the Endowment's average expected return should be about 9.5% per year.

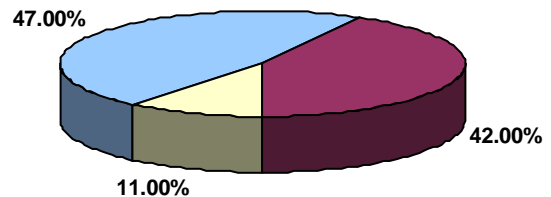
Breakdown of Total Return

4.5%	Payout to University
4.0%	Inflation (average), Higher Education Price Index (HEPI)
1.0%	(Average) Investment/ Administrative Costs

9.5%	Total Return

The distribution to the University is based on a 12 quarter moving average of the market value at December 31. This protects the University's income stream from the sharp fluctuations that may occur in the financial markets. These distributions are made to various colleges, units and programs across the campus in accordance with donor designations.

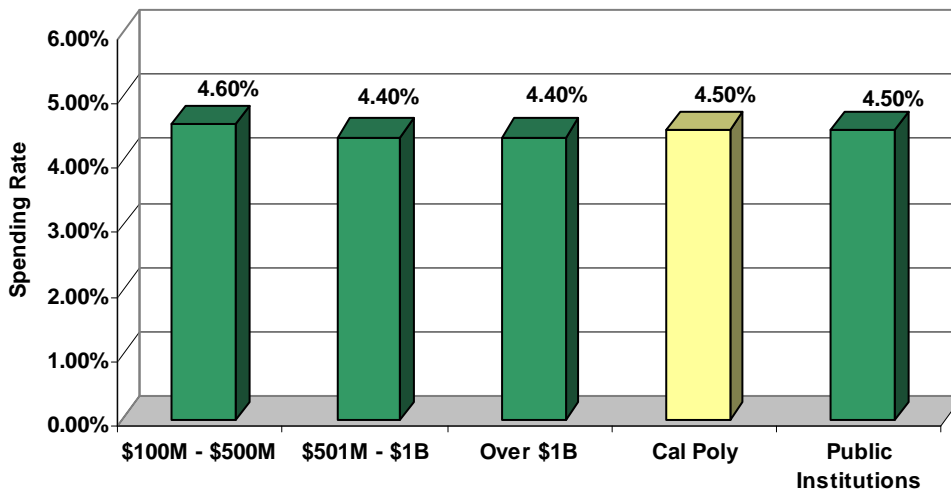
Breakdown of Total Returns



Comparable Spending

Average Spending Rates

The Endowment's spending rate is comparable to other University payout rates as published by the National Association of College and University Business Officers (NACUBO) annual endowment survey for 2007.



For more information about the Cal Poly Foundation Endowment call:

Planned Giving & Endowments - (800) 549-2666 or (805) 756-7125 - email - plannedgiving@calpoly.edu