Cal Poly’s Learn by Doing environment is known for molding talented, enterprising students into industry leaders who enhance our global community. This tradition of academic excellence is only possible through private donor support. A gift to the Cal Poly Endowment not only ensures future Learn by Doing opportunities for generations of Cal Poly students – it plants the seeds of prosperity for our communities, our state and our nation.

Since 1985, the Cal Poly Foundation has maintained an endowment pool to hold, administer and invest in perpetuity the private endowment gifts that benefit the university. The endowment pool combines individual endowments contributed by many donors into a single investment fund that can be efficiently and economically invested as a broadly diversified portfolio.

The endowment pool is invested in accordance with the Foundation’s endowment investment policy, which is designed to achieve long-term total returns that preserve the endowment’s purchasing power while providing a predictable stream of income to the university. These goals are achieved by investing in a diversified mix of investments across a broad range of asset classes, including equities (stocks), fixed income (bonds) and alternative investments.

Eighty-six percent of the pool assets are invested in a growth allocation with a target of 71 percent equities and 29 percent fixed income. The remaining 14 percent is invested in tactical strategies. These assets are managed externally by professional investment managers hired by the Foundation and are closely monitored by the Foundation’s Investment Committee, which is made up of investment professionals and public company CEO and CFOs.

Since inception, the Cal Poly Endowment has had an average annual historical investment return of 8.5 percent – exceeding its custom blended benchmark of 8.1 percent.
ENDOWMENT INVESTMENT RESULTS

As of December 31, 2014, the fair market value of the Endowment was $189,388,000.

ENDOWMENT IMPACT

The Cal Poly Endowment has paid out more than $33.3 million over the last five academic years directly benefiting university programs, faculty development and student scholarships.

SPENDING POLICY

The Foundation’s endowment spending policy defines how much of each endowment will be distributed annually to the university for the purpose specified by the donor. The Foundation regularly reviews this policy, which balances the need to fund current university programs with the responsibility to protect endowments against inflation and preserve spending power for future generations. In addition to the annual payout rate and inflation, the spending policy must consider investment management, custodial and administrative expenses.

Cal Poly’s endowment spending rate of 4.00 percent for its established endowments is comparable to the 4.3 percent average payout rate for college and university endowments of a similar size, as reported by the 2014 National Association of College and University Business Officers (NACUBO) annual endowment survey.

Distributions to the university are based on the average of the trailing 12 quarterly market values ending with the preceding December 31. This smoothing strategy protects the university’s income stream from the sharp fluctuations that occur from time to time in the financial markets. The resulting distributions are made to various colleges, units and programs across campus in accordance with donor designations.

TARGET RETURN

<table>
<thead>
<tr>
<th>Return Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payout to University</td>
<td>4.00%</td>
</tr>
<tr>
<td>Average Inflation</td>
<td>2.0%</td>
</tr>
<tr>
<td>Average Administrative Costs</td>
<td>1.3%</td>
</tr>
<tr>
<td>Total Target Return</td>
<td>7.30%</td>
</tr>
</tbody>
</table>

Endowment investment returns are reported net of all investment management fees paid to external investment managers and custodians. The Foundation endeavors to administer and invest the endowment pool funds in an economically efficient manner, minimizing costs when prudent and feasible.

California Polytechnic State University Foundation’s federal tax identification number is 20-4927897.