

A photograph of a modern university campus. In the foreground, a student with a backpack is walking down a set of stairs. A paved walkway leads towards a large, multi-story brick building with contemporary architectural features like glass balconies and vertical window slits. Several other students are walking along the path. A young tree with green and yellowing leaves stands on the left. A tall, modern street lamp is on the right. The sky is clear and blue.

CAL POLY | 2015 ANNUAL ENDOWMENT REPORT

YOUR INVESTMENT IN
THE FUTURE OF CAL POLY

The Cal Poly Foundation Endowment

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.

STRATEGIC INVESTMENT POLICY

The endowment pool is invested in accordance with the Foundation's investment policy, which is designed to achieve long-term total returns that preserve the 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.

The 2015 calendar year return for the Cal Poly Foundation Endowment, net of fees, was -3.1 percent. This follows two consecutive years in which the endowment produced positive results: 12.1 percent in calendar 2013 and 3.1 percent in calendar 2014. The absolute level of market returns across different asset classes and regions around the world was low in 2015; no major asset class produced a return in excess of 10 percent for the first time since 1937. While 2015 was a disappointing year for many investors, it is important to remember that market returns are quite variable over the short run; often low returns follow periods of high returns and vice versa. From inception through December 31, 2015, Cal Poly's endowment has earned an annualized return of 8.0 percent, a figure well in excess of the spending rate from the endowment plus inflation and exceeding its custom blended benchmark of 7.8 percent.

The endowment's calendar 2015 return lagged its multi-asset benchmark, up 0.3 percent, due primarily to the underperformance of the tactical allocation fund and the performance of the active equity managers. The Cal Poly Foundation Investment Committee approved the divestment of the tactical allocation in November 2015 which will be completed by December 2016.

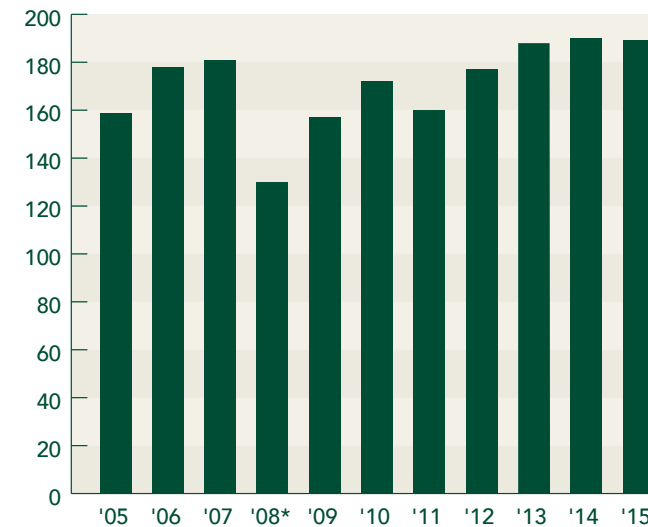
December 31, 2015 Portfolio



ENDOWMENT INVESTMENT RESULTS

As of December 31, 2015, the fair market value of the endowment was \$180,523,382

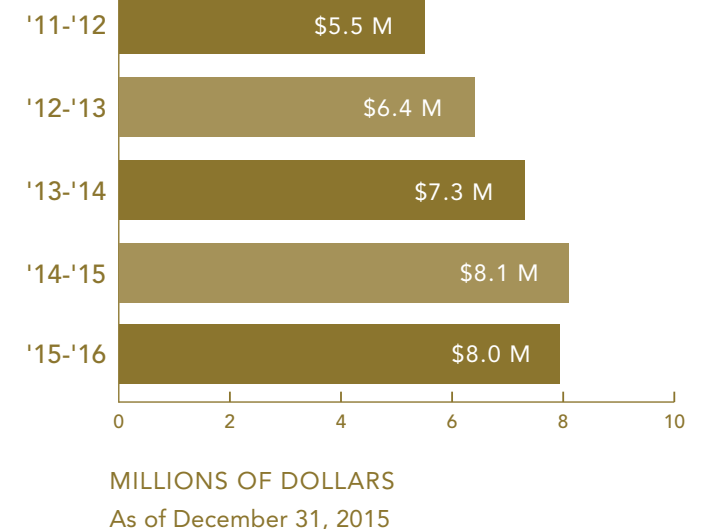
MILLIONS OF DOLLARS As of December 31, 2015



* Financial Crisis

ENDOWMENT IMPACT

The endowment has paid out more than \$35.3 million over the last five academic years, directly benefiting university programs, faculty development and student scholarships.



SPENDING POLICY

TARGET RETURN

4.0%	Payout to University
2.0%	Average Inflation
1.3%	Average Administrative Costs
7.3%	Total Target Return

The 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. The Investment Committee approved a reduction in the endowment payout rate from 4.25 percent to 4.0 percent for payouts beginning in 2016. This reduction was approved based upon the expectation that future returns are projected to be below historical returns primarily resulting from lower

bond returns. Cal Poly's payout rate is consistent with the 4.0 percent average payout rate included in the 2015 National Association of College and University Business Officers (NACUBO) annual endowment survey.

Gifts made to Cal Poly's endowment in 2015 create a foundation for continuous improvement and success.

\$6.6

MILLION in new gifts to the endowment that will support Cal Poly in perpetuity

No.2

Endowment value rank nationally among public master's universities

8%

Average annual endowment increase since 1993

No.2

Endowment value rank in the California State University system



"My genuine gratitude to Mrs. Margaret Bradley for her investment in my education and easing my family and I of the financial burdens. With my abilities, I hope to carry on the wishes of both Mr. and Mrs. Bradley and create a sustainable environment suitable for both humans and the natural environment."

— **July Aung**, *Landscape Architecture '20*



"It was a great honor to be selected as the J.G. Boswell endowed chair. Over the years I have enjoyed my interactions with the Boswell Company and the other Boswell Endowed Chairs at other institutions. The endowment provided the necessary funds to bring me to Cal Poly and maintain a level of education beneficial to our students during a time of reduced state funding."

— **Jeffrey C. Wong, Ph.D.**, *Horticulture and Crop Science Professor*



"We are extremely grateful for the multiple endowments that support the Graphic Communication Department. This private support enables us to provide scholarships to deserving students and professional development opportunities to our faculty members. Our ability to ensure Graphic Communication students fully benefit from Learn by Doing depends on this support."

— **Ken Macro, Ph.D.**, *Graphic Communication Associate Professor*

CAL POLY

University Development / Office of Gift Planning
1 Grand Avenue
San Luis Obispo, California
93407-0444

plannedgiving@calpoly.edu
www.plannedgiving.calpoly.edu
805-756-7125 / 800-549-2666