



Cal Poly Corporation
Annual Investment Report

June 30, 2012

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ANNUAL INVESTMENT REPORT

The Annual Investment Report provides the Cal Poly Corporation Board of Directors and Investment Advisory Committee with information on current investment holdings and year-to-date performance. It includes information on the General Fund, APBO Trust Fund, Endowment Fund and the Grant & Annuity Society.

The schedules present market value information, actual and benchmark rates of return, asset allocation and information on external managers' holdings. Non-performing assets such as operating cash are excluded from this report.

Please feel free to contact me at (805) 756-5031 if you have any questions or wish to discuss Cal Poly Corporation's investment activities.



Ron Weaver
Investment Administrator

HISTORICAL INVESTMENT PERFORMANCE

Asset Values and Average Historical Total Returns as of 6/30/12

	1 Year	3 Years	5 Years	10 Years	15 Years
Corporate Pool	(.3)%	12.6%	1.9%	6.8%	6.9%
<ul style="list-style-type: none"> \$21.9 million, Asset Allocation Strategy: 71% equities, 29% fixed income 					
APBO Pool	1.5%	12.2%	1.8%	n/a	n/a
<ul style="list-style-type: none"> \$22.2 million, Asset Allocation Strategy: 57% equities, 43% fixed income 					
Endowment Pool	(.4)%	12.7%	2.2%	7.5%	7.4%
<ul style="list-style-type: none"> \$4.4 million, Asset Allocation Strategy: 71% equities, 29% fixed income 					
Grant & Annuity Society	(.1)%	11.0%	2.0%	5.5%	5.9%
<ul style="list-style-type: none"> \$1.7 million, customized portfolio in compliance with California Department of Insurance regulations 					

Market Indices at 6/30/12

	1 Year	3 Years	5 Years	10 Years	15 Years
S&P 500	5.4%	16.4%	.2%	5.3%	4.8%
Russell 2000	(2.1)%	17.8%	.5%	7.0%	6.2%
MSCI EAFE	(13.8)%	6.0%	(6.1)%	5.2%	2.9%
Barclays Capital Intermediate Government/ Credit Bond Index	5.4%	5.8%	6.0%	5.1%	5.8%

These indices are presented for information purposes only and are not meant to provide comparative analysis numbers for the actual Cal Poly Corporation historical returns listed above.

GENERAL FUND

The General Fund consists of three investment sub-funds:

1. **The Internal Fund** holds notes receivable and short to mid-term assets. Notes receivable are categorized in two ways: (1) *Advanced Funds* are provided to University Departments for specific projects or programs. Investment performance is secondary to the purpose of project or program support. (2) *Program Investments* benefit University or Cal Poly Corporation programs. They are made with the full expectation that the note will be readily marketable and provide an attractive investment return. Program Investments are generally secured by real property.

Internal Fund assets are held in a combination of institutional money market, certificate of deposits (CD) and fixed income mutual fund accounts. The money market fund provides added earnings opportunity and full liquidity as operating cash fluctuates through normal business cycles. CD's are short to mid-term and provide a safe alternative between the fully liquid money market and the longer term Corporate Investment Pool portfolio. The Internal Fund also invests in low duration and short-term fixed income funds, further diversifying risk.

2. **The Corporate Fund** holds long-term investment assets. The Corporate Fund currently consists of one group of investment assets titled the *Corporate Investment Pool*. This pool is invested with a long term strategy and includes the market sensitive asset class of equities. Its overall asset allocation is 71% equities and 29% fixed income. Equities include a 7.5% allocation to a tactical strategy fund. The investment pool has a customized benchmark based upon its blended asset allocation.
3. **The Student Investment Management Program** holds long-term investment assets. It is managed by senior project students in the Orfalea College of Business. The Student Investment Management Program was created in 1992 when students were given the opportunity to manage \$200,000 of General Fund assets. The program has been successful over the years both in investment performance and educational advancement. Asset value is capped at \$500,000 and reviewed annually in June.

75% of Student Investment Management Program assets are invested in a mix of domestic equity and fixed income. The remaining 25% may be invested in a mix of international equity, emerging market equity and REIT's. The fund's benchmark is the S&P 500 Index.

Investment earnings from the assets described above help to support the Cal Poly Corporation Business Office budget, assist with Corporation and University special projects and build Corporation reserves.

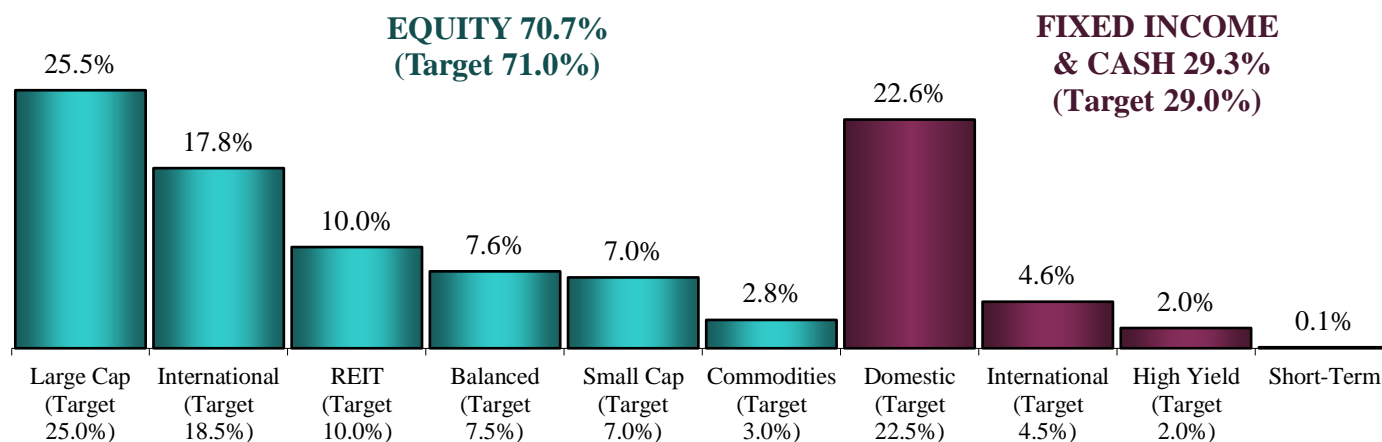
GENERAL FUND, CONTINUED

<u>SHORT TO MID-TERM ASSETS</u> (June 30, 2012)	Value (thousands)	Return (annualized)	Benchmark
Money Market & Certificate of Deposit	\$6,775.7	.48%	N/A
Advanced Funds (2 advances)	475.0	4.25%	N/A
		Return (fiscal year to date)	
PIMCO Short-Term Mutual Fund	3,040.8	1.2%	0.0%
PIMCO Low Duration Mutual Fund	9,994.0	2.7%	.8%

In 2011-12, the two PIMCO funds earned \$315.6 thousand, of which, \$313.2 thousand was dividends and \$2.4 thousand was market value gain.

<u>LONG-TERM ASSETS</u>	Student Investment Management Program	Corporate Investment Pool
Actual (fiscal Year To Date)	(6.6)%	(.3)%
Benchmark (fiscal Year To Date)	5.4%	.7%
Asset Value at June 30, 2011 (thousands)	\$521.1	\$22,205.4
Income	2.8	464.7
Market Value Gain/(Loss)	(37.3)	(720.6)
Transfer In/(Out)	0	0
Change in Liabilities	2.1	(1.3)
Asset Value at June 30, 2012	\$488.7	\$21,948.2

CORPORATE INVESTMENT POOL ASSET ALLOCATION



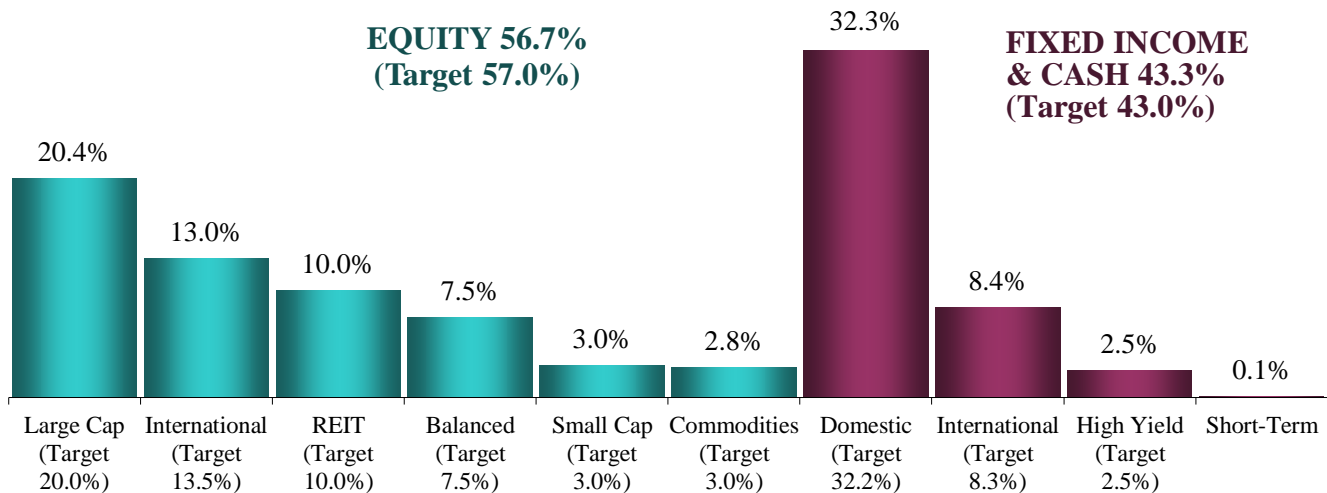
All Corporate Investment Pool assets are managed with mutual funds selected by Kaspick & Company. All asset classes are within acceptable allowance from target, as set by Board policy, or in the process of being rebalanced. The Total Return reported above is net of all manager fees but excludes the administrative fee paid to Cal Poly Corporation.

APBO TRUST FUND

	Actual	Blended Benchmark
APBO Trust Fund Investment Pool	1.5%	2.2%
Total Return (Fiscal YTD)		

Asset Value at June 30, 2011 (<i>thousands</i>)	\$21,888.8
Income	711.4
Market Value Gain/(Loss)	(391.6)
Transfer In/(Out)	0
Asset Value at June 30, 2012	\$22,208.6

APBO TRUST FUND INVESTMENT POOL ASSET ALLOCATION



Accumulated Post Retirement Benefits Obligation (APBO) Trust funds are assets designated to pay costs and liabilities associated with current and future retiree health benefits. Investment pool assets are managed with mutual funds selected by Kaspick & Company.

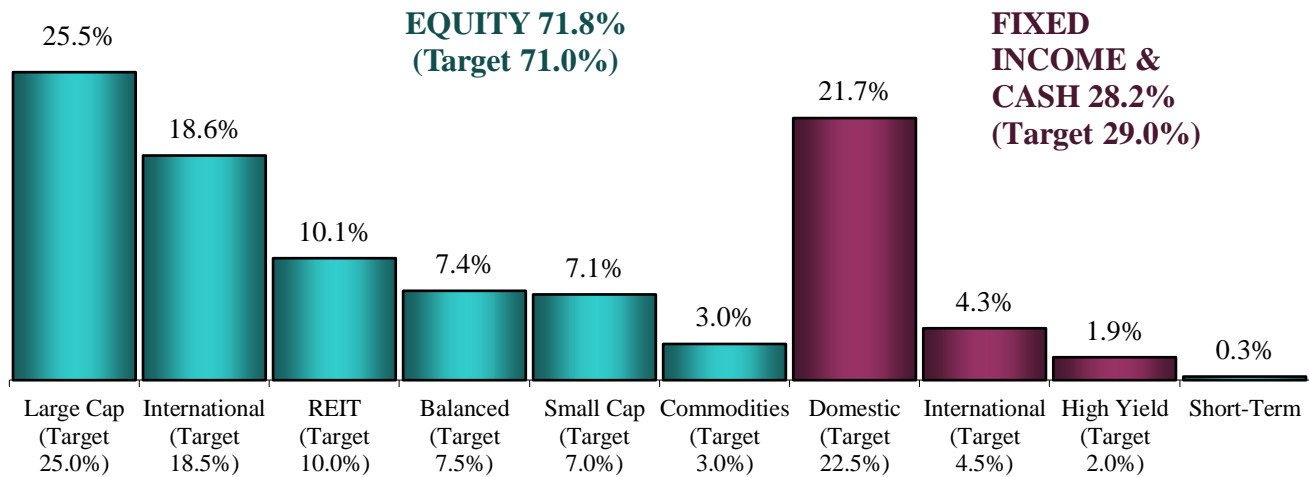
Total value of all APBO Trust Fund assets at June 30, 2012 is \$23.7 million. In addition to the long term investment pool, the APBO Trust Fund also holds short term certificates of deposit (CD). At quarter end, CDs and related interest receivable totaled \$1.5 million and were earning .31% (*annualized*). Interest earned fiscal year to date on those assets is \$9.3 thousand.

All pool assets are managed by mutual funds selected by Kaspick & Company and all asset classes are within acceptable allowance from target, as set by Board policy or in the process of being rebalanced. The return reported above is net of all manager fees.

ENDOWMENT FUND

	Actual	Blended Benchmark
Endowment Investment Pool Total Return (Fiscal YTD)	(.4)%	.7%
Asset Value at June 30, 2011 (<i>thousands</i>)		\$4,621.6
Income		97.1
Market Value Gain/(Loss)		(156.5)
Additions to Fund		71.3
Withdrawals from Fund		(211.2)
Change in Liabilities		6.9
Asset Value at June 30, 2012		\$4,429.2

ENDOWMENT INVESTMENT POOL ASSET ALLOCATION



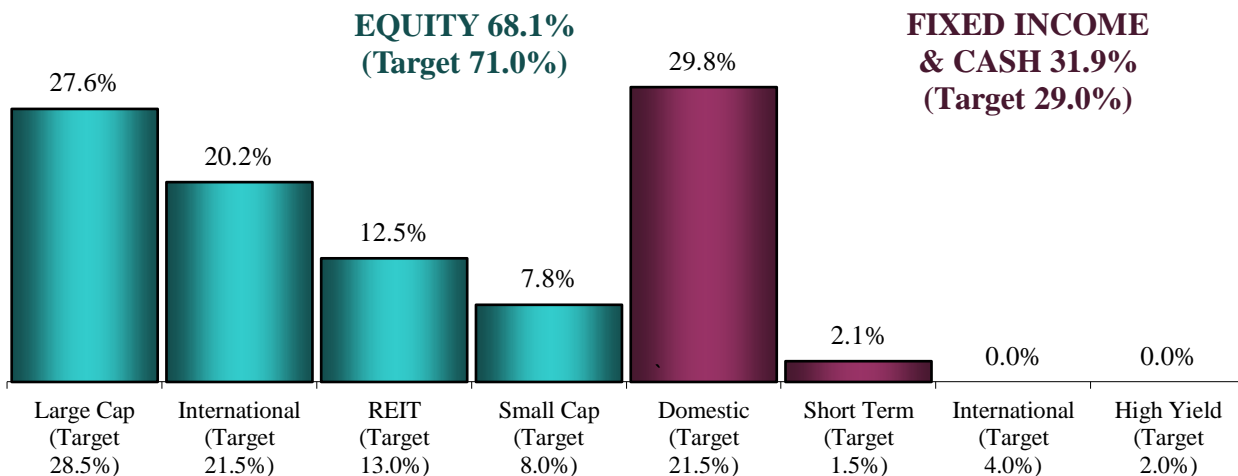
As of June 30, 2012, Cal Poly Corporation managed eleven endowments with direct or indirect benefit to Cal Poly and its auxiliaries and affiliated organizations.

All assets are managed by mutual funds selected by Kaspick & Company and all asset classes are within acceptable allowance from target, as set by Board policy or in the process of being rebalanced. The return reported above is net of all manager fees but excludes the administrative fee paid to Cal Poly Corporation.

GRANT & ANNUITY SOCIETY

	Actual	Benchmark
Grant & Annuity Society Investment Pool	(.1)%	1.3%
Total Return (Fiscal YTD)		
Asset Value at June 30, 2011 (<i>thousands</i>)	\$1,861.2	
Income (Net)	21.8	
Market Value Gain/(Loss)	(31.9)	
Gifts and Transfers In	213.4	
Distributions and Transfers Out	(366.4)	
Change in Liabilities & Funds Held for Others	3.6	
Asset Value at June 30, 2012	\$1,701.7	

GRANT & ANNUITY ASSET ALLOCATION



Three new contracts were written during the year. \$13.4 thousand will eventually benefit Computer Science; \$100.0 thousand will fund a College of Engineering Scholarship Endowment, and; \$100.0 thousand will benefit Dairy Science. Three contracts matured during the year. \$3.9 thousand benefited the Center for Coastal Marine Science; \$6.9 thousand was discretionary to the College of Science and Mathematics; \$71.2 thousand established a Mechanical Engineering Scholarship Endowment, and; \$163.5 was discretionary to Dairy Science.

The target asset allocation and benchmark for the Grant and Annuity pool, reserves and surplus combined, is 71% equity and 29% fixed income. While that is the ideal, reaching that allocation is dependent upon the mix of annuitants, the associated reserve requirement as determined by the California Department of Insurance and total assets of the pool. All assets are managed with mutual funds selected by Kaspick & Company. The return reported above is net of all manager fees but excludes the administrative fee paid to Cal Poly Corporation.