

**CAL POLY**  

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**CORPORATION**

**Annual Investment Report**

June 30, 2013

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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.



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Ron Weaver  
Investment Administrator

## HISTORICAL INVESTMENT PERFORMANCE

### Asset Values and Average Historical Total Returns as of 6/30/13

	1 Year	3 Years	5 Years	10 Years	15 Years
<b>Corporate Pool</b>	10.9%	11.1%	5.5%	7.8%	6.4%
<ul style="list-style-type: none"> <li><i>\$24.1 million, Asset Allocation Strategy: 71% equities, 29% fixed income</i></li> </ul>					
<b>APBO Pool</b>	8.3%	9.7%	4.9%	n/a	n/a
<ul style="list-style-type: none"> <li><i>\$24.1 million, Asset Allocation Strategy: 57% equities, 43% fixed income</i></li> </ul>					
<b>Endowment Pool</b>	10.9%	11.0%	5.6%	8.3%	7.2%
<ul style="list-style-type: none"> <li><i>\$4.5 million, Asset Allocation Strategy: 71% equities, 29% fixed income</i></li> </ul>					
<b>Grant &amp; Annuity Society</b>	11.5%	10.4%	5.2%	6.1%	5.9%
<ul style="list-style-type: none"> <li><i>\$1.9 million, customized portfolio in compliance with California Department of Insurance regulations</i></li> </ul>					

### Market Indices at 6/30/13

	1 Year	3 Years	5 Years	10 Years	15 Years
<b>S&amp;P 500</b>	20.6%	18.4%	7.0%	7.3%	4.2%
<b>Russell 2000</b>	24.2%	18.7%	8.8%	9.5%	6.6%
<b>MSCI EAFE</b>	18.6%	10.0%	(.6)%	7.7%	3.6%
<b>Barclays Capital Intermediate Government/ Credit Bond Index</b>	.3%	3.1%	4.6%	4.0%	5.2%

## 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 deposit (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 12.0% 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 and the students have the option of selling covered calls. 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.

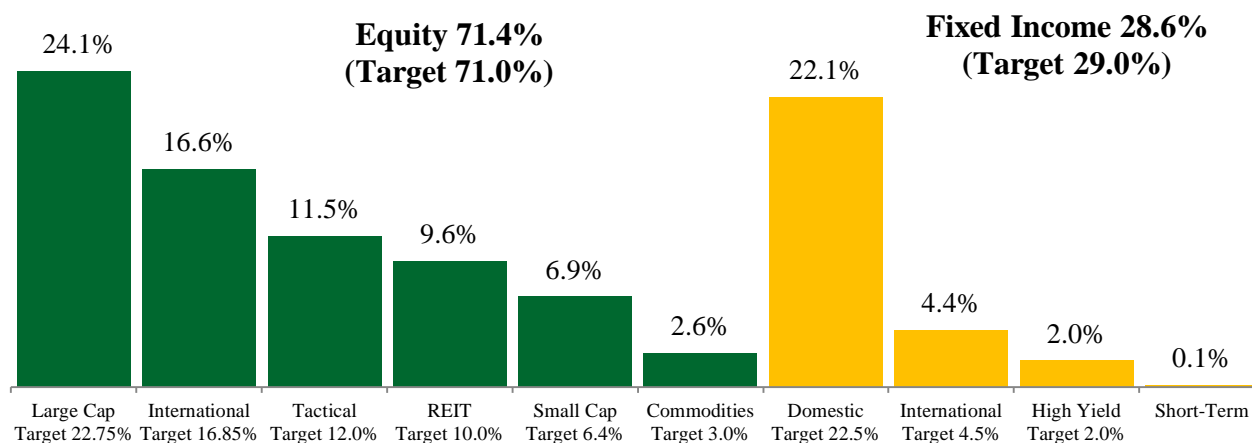
## GENERAL FUND, CONTINUED

<b>SHORT TO MID-TERM ASSETS</b> <i>(June 30, 2013)</i>	<b>Value</b> <i>(thousands)</i>	<b>Return</b> <i>(annualized)</i>	<b>Benchmark</b>
<b>Money Market &amp; Certificate of Deposit</b>	<b>\$7,519.8</b>	<b>.24%</b>	N/A
<b>Advanced Funds</b>	<b>415.5</b>	<b>4.25%</b>	N/A
		<b>Return</b> <i>(fiscal year to date)</i>	
<b>PIMCO Short-Term Mutual Fund</b>	<b>3,584.1</b>	<b>1.5%</b>	.1%
<b>PIMCO Low Duration Mutual Fund</b>	<b>16,299.7</b>	<b>1.3%</b>	.3%

During the year, \$6.75 million of additional PIMCO fixed income mutual funds were purchased. PIMCO assets totaled \$19.9 million at June 30, 2013. The two funds combined earned \$99.0 thousand, fiscal year to date. \$389.0 thousand of dividends was offset by a \$290.0 thousand market value loss.

<b>LONG-TERM ASSETS</b>	<b>Student Investment Management Program</b>	<b>Corporate Investment Pool</b>
Actual <i>(fiscal Year To Date)</i>	<b>8.0%</b>	<b>10.9%</b>
Benchmark <i>(fiscal Year To Date)</i>	20.6%	12.2%
Asset Value at June 30, 2012 <i>(thousands)</i>	\$488.7	\$21,948.2
Income	5.4	469.6
Market Value Gain/(Loss)	33.8	1,710.6
Transfer In/(Out)	0	0
Change in Liabilities	(2.1)	5.8
<b>Asset Value at June 30, 2013</b>	<b>\$525.8</b>	<b>\$24,134.2</b>

### Corporate Investment Pool Asset Allocation



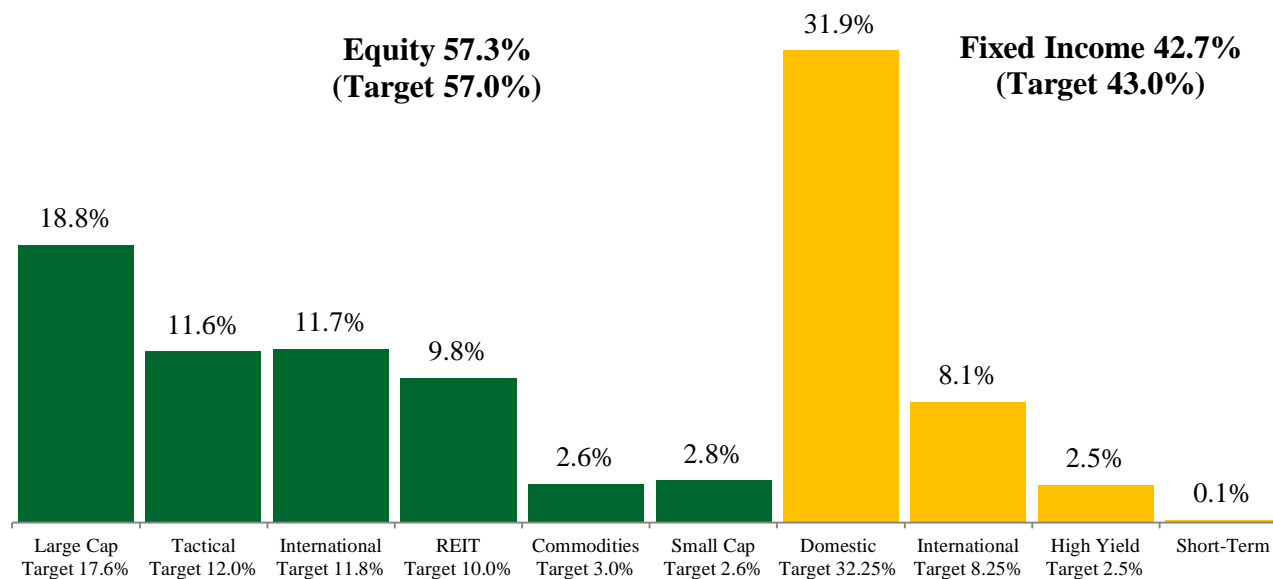
All Corporate Investment Pool assets are managed with mutual funds selected by Kaspick & Company. All asset classes are within acceptable allowance from target, as set by Board policy, or in the process of being rebalanced. The Total Return reported above is net of all manager fees but excludes the administrative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

## APBO TRUST FUND

	Actual	Blended Benchmark
<b>APBO Trust Fund Investment Pool</b>	<b>8.3%</b>	9.4%
<b>Total Return (Fiscal YTD)</b>		

Asset Value at June 30, 2012 ( <i>thousands</i> )	\$22,208.6
Income	746.5
Market Value Gain/(Loss)	1,099.8
Transfer In/(Out)	0
<b>Asset Value at June 30, 2013</b>	<b>\$24,054.9</b>

### 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, 2013 is \$25.6 million. In addition to the long term investment pool, the APBO Trust Fund also holds short term certificates of deposit (CD). At year 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 \$4.4 thousand.

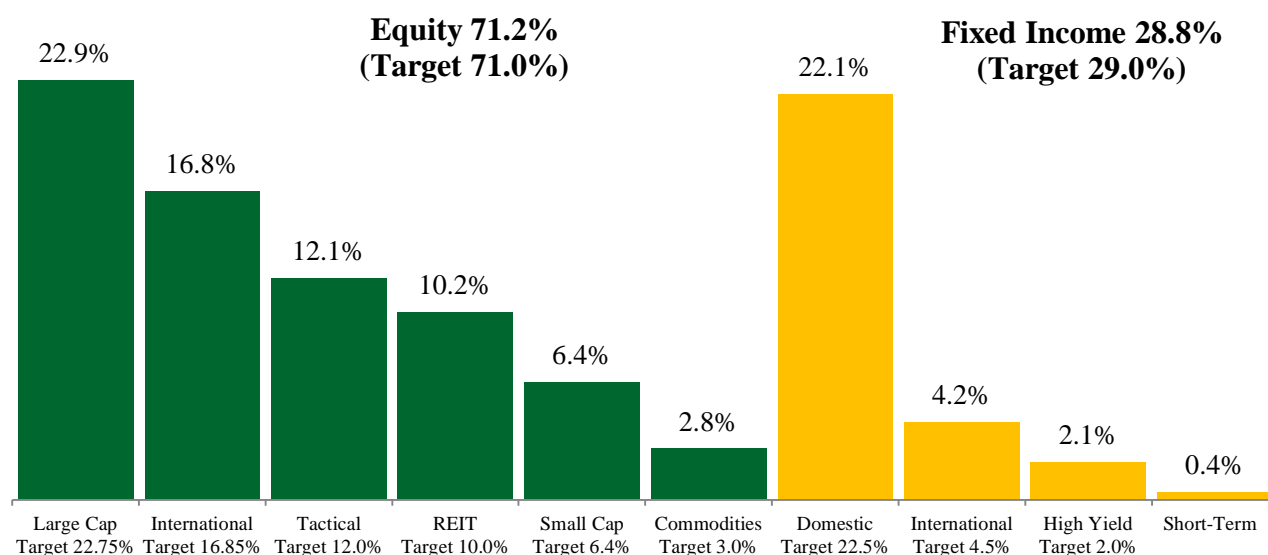
All pool assets are managed by mutual funds selected by Kaspick & Company and all asset classes are within acceptable allowance from target, as set by Board policy or in the process of being rebalanced. The return reported above is net of all manager fees.

## ENDOWMENT FUND

	Actual	Blended Benchmark
<b>Endowment Investment Pool Total Return (Fiscal YTD)</b>	<b>10.9%</b>	12.2%

Asset Value at June 30, 2012 ( <i>thousands</i> )	\$4,429.2
Income	91.9
Market Value Gain/(Loss)	351.8
Additions to Fund	14.8
Withdrawals from Fund	(415.8)
Change in Liabilities	(8.7)
<b>Asset Value at June 30, 2013</b>	<b>\$4,463.2</b>

### Endowment Investment Pool Asset Allocation



As of June 30, 2013, Cal Poly Corporation managed ten endowments with direct or indirect benefit to Cal Poly and its auxiliaries and affiliated organizations.

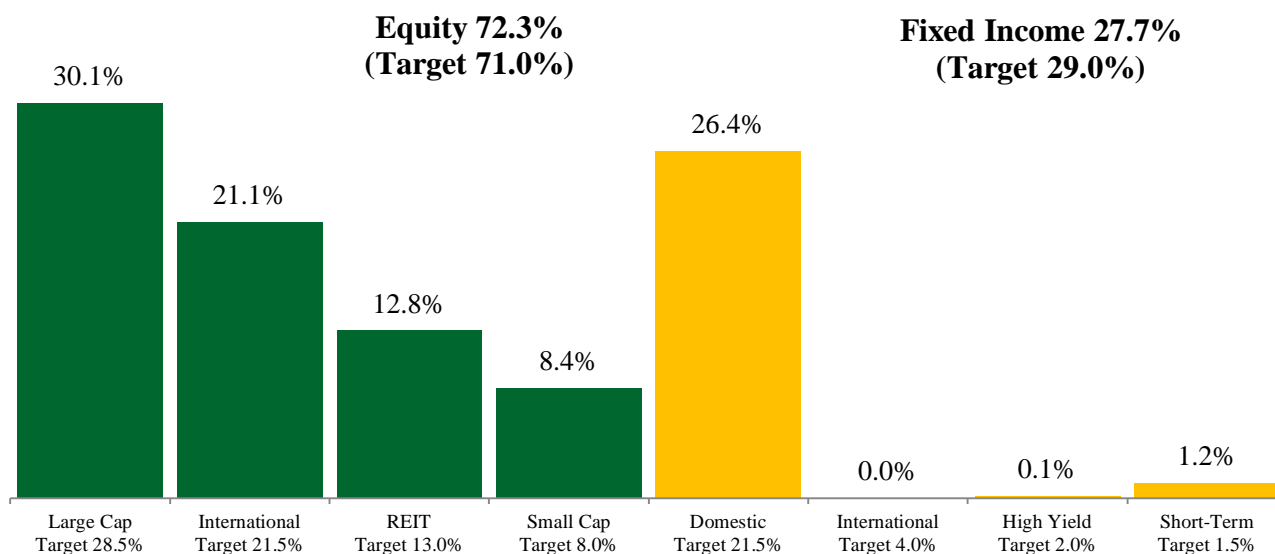
All assets are managed by mutual funds selected by Kaspick & Company and all asset classes are within acceptable allowance from target, as set by Board policy or in the process of being rebalanced. The return reported above is net of all manager fees but excludes the administrative fee paid to Cal Poly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



## GRANT & ANNUITY SOCIETY

	Actual	Benchmark
<b>Grant &amp; Annuity Society Investment Pool</b>	<b>11.5%</b>	12.7%
<b>Total Return (Fiscal YTD)</b>		
Asset Value at June 30, 2012 ( <i>thousands</i> )	\$1,701.7	
Income (Net)	36.3	
Market Value Gain/(Loss)	157.8	
Gifts and Transfers In	100.0	
Distributions and Transfers Out	(123.3)	
Change in Liabilities & Funds Held for Others	(1.8)	
<b>Asset Value at June 30, 2013</b>	<b>\$1,870.7</b>	

### Grant & Annuity Asset Allocation



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 trustee fee paid to Cal Poly Corporation.

During the year, one contract matured and \$13.3 thousand was delivered to the Cal Poly Foundation. \$8.3 thousand went to support scholarships in the BioResource and Agricultural Engineering Department and the balance was made available to the University in general. One new contract was written. It was funded with a deposit of \$100.0 thousand and the remainderman will be a College of Engineering scholarship endowment.