



Cal Poly Corporation

Annual Investment Report

June 30, 2011

ANNUAL INVESTMENT REPORT

June 30, 2011

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

JUNE 30, 2011

Asset Values and Average Historical Total Returns as of 6/30/11

	1 Year	3 Years	5 Years	10 Years	15 Years
Corporate Pool	24.2%	5.8%	5.2%	5.7%	8.6%
<ul style="list-style-type: none"> • \$22.2 million, Asset Allocation Strategy: 70% equities, 30% fixed income 					
APBO Pool	20.1%	4.9%	4.7%	n/a	n/a
<ul style="list-style-type: none"> • \$21.9 million, Asset Allocation Strategy: 57% equities, 43% fixed income 					
Endowment Pool	23.9%	6.0%	5.4%	7.4%	8.8%
<ul style="list-style-type: none"> • \$4.6 million, Asset Allocation Strategy: 70% equities, 30% fixed income 					
Grant & Annuity Society	20.9%	4.9%	4.9%	5.9%	6.8%
<ul style="list-style-type: none"> • \$1.9 million, customized portfolio in compliance with California Department of Insurance regulations 					

Market Indices at 6/30/11

	1 Year	3 Years	5 Years	10 Years
S&P 500	30.7%	3.3%	2.9%	2.7%
Russell 2000	37.4%	7.8%	4.1%	6.3%
MSCI EAFE	30.4%	(1.8)%	1.5%	5.7%
Barclays Capital Intermediate Govt/Credit Bond Index	3.8%	5.8%	6.1%	5.3%

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.

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 cash is 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 a low duration fixed income fund, 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 70% equities and 30% fixed income. It has a customized benchmark based upon its blended asset allocation.
3. **The Student Investment Management Program** also 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

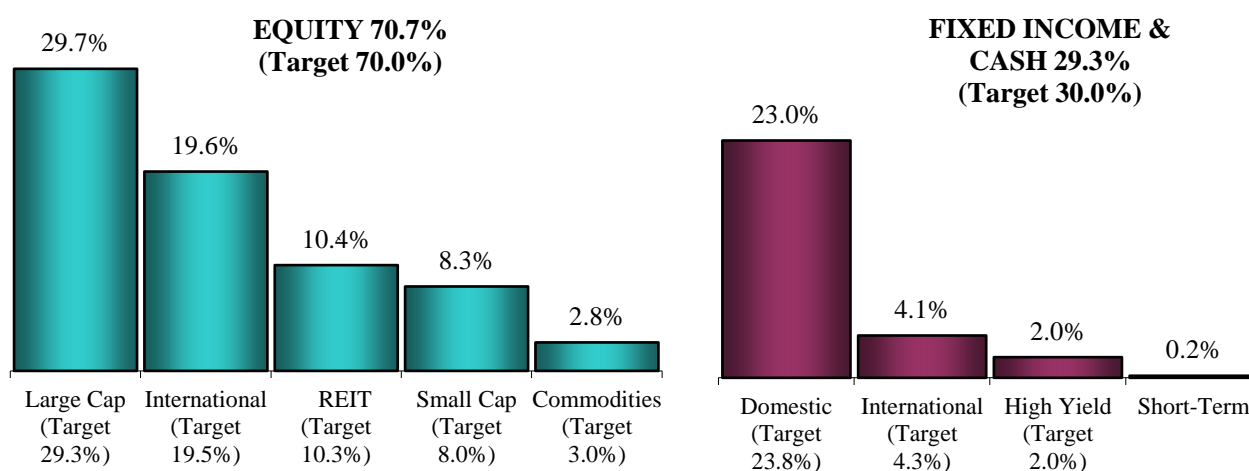
SHORT TO MID-TERM ASSETS

	Money Market/CD	Advanced Funds	Program Investments
Asset Value at June 30, 2011 (<i>thousands</i>)	\$3,583.6	\$484.8	\$3,389.0
Rate of Return at June 30, 2011 (<i>annualized</i>)	.8%	4.2%	5.1%
Number of Advances	N/A	2	3
	Value (<i>thousands</i>)	Actual (<i>fiscal YTD</i>)	Benchmark (<i>fiscal YTD</i>)
PIMCO Short-Term Fund	\$2,500.1	0.0% (<i>partial year</i>)	N/A (<i>partial year</i>)
PIMCO Low Duration Fund	\$8,219.0	2.7% (<i>partial year</i>)	N/A (<i>partial year</i>)

LONG-TERM ASSETS

	Student Investment Management Program	Corporate Investment Pool
Actual (<i>fiscal Year To Date</i>)	25.1%	24.2%
Benchmark (<i>fiscal Year To Date</i>)	30.7%	23.3%
Asset Value at June 30, 2010 (<i>thousands</i>)	\$416.6	\$18,025.2
Income	3.4	343.0
Market Value Gain/(Loss)	103.2	3,829.5
Transfer In/(Out)	0	0
Change in Liabilities	(2.1)	7.7
Asset Value at June 30, 2011	\$521.1	\$22,205.4

CORPORATE INVESTMENT POOL ASSET ALLOCATION



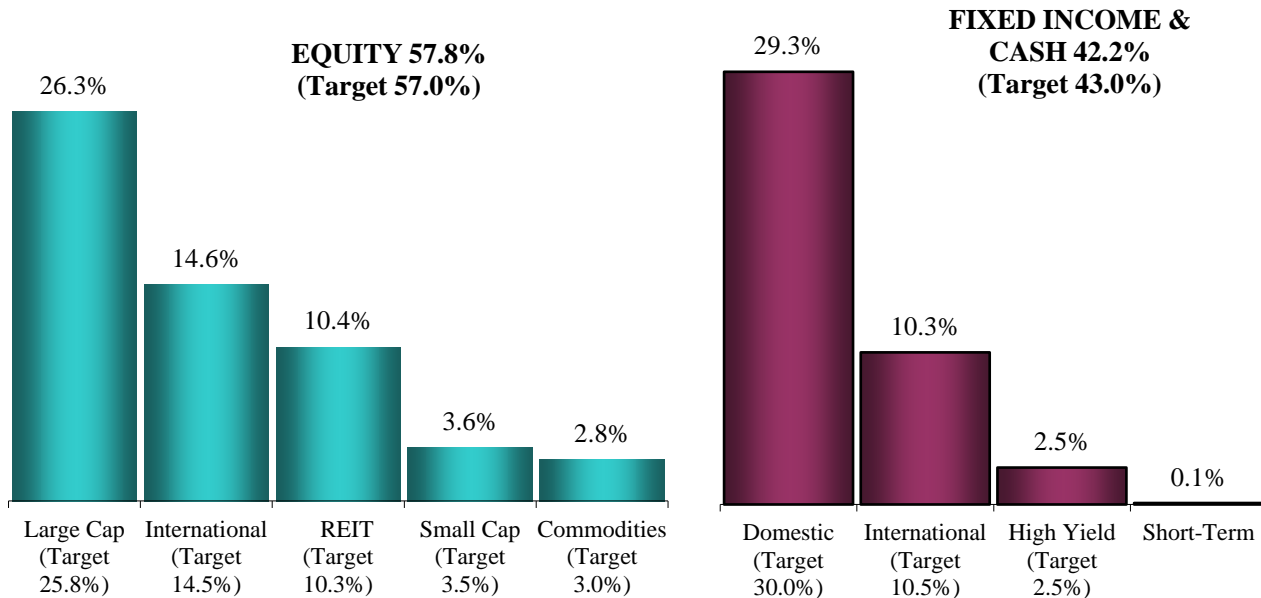
Corporate Investment Pool asset value at June 30, 2011 is \$22.2 million. All assets are managed with mutual funds selected by Kaspick & Company. All asset classes are within acceptable allowance from target, as set by Board policy, or in the process of being rebalanced. The Total Return reported above is net of all manager fees but excludes the administrative fee paid to Cal Poly Corporation.

APBO TRUST FUND

June 30, 2011

	Actual	Blended Benchmark
APBO Trust Fund Investment Pool	20.1%	19.3%
Total Return (Fiscal YTD)		
Asset Value at June 30, 2010 (<i>thousands</i>)	\$17,840.5	
Income	565.0	
Market Value Gain/(Loss)	3,083.3	
Transfer In/(Out)	400.0	
Asset Value at June 30, 2011	\$21,888.8	

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, 2011 is \$23.9 million. In addition to the long term investment pool, the APBO Trust Fund also holds short term certificates of deposit (CD). The final two of ten \$200 thousand conversions from CD to investment pool were made in July and August 2010. At year end, CDs and related interest receivable totaled \$2.0 million and were earning .67% (*annualized*). Interest earned fiscal year to date on those assets is \$15.6 thousand.

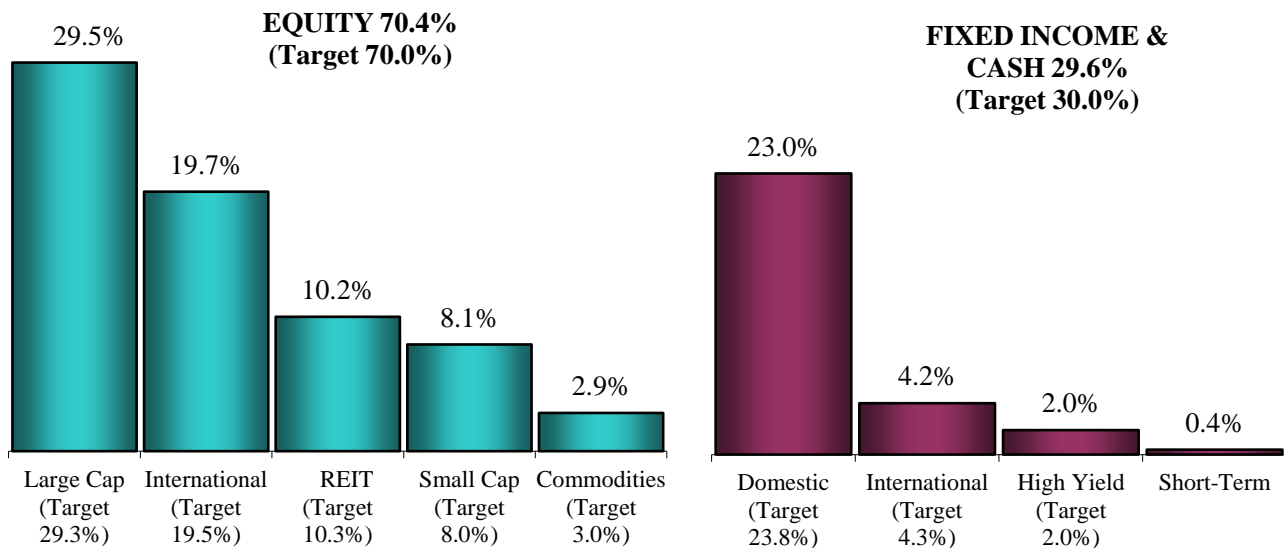
All pool assets are managed by mutual funds selected by Kaspick & Company and all asset classes are within acceptable allowance from target, as set by Board policy or in the process of being rebalanced. The return reported above is net of all manager fees but excludes the administrative fee paid to Cal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

ENDOWMENT FUND

June 30, 2011

	Actual	Blended Benchmark
Endowment Investment Pool Total Return (Fiscal YTD)	23.9%	23.3%
Asset Value at June 30, 2010 (<i>thousands</i>)		\$4,144.2
Income		72.6
Market Value Gain/(Loss)		833.4
Additions to Fund		71.2
Withdrawals from Fund		(500.5)
Change in Liabilities		.6
Asset Value at June 30, 2011		\$4,621.6

ENDOWMENT INVESTMENT POOL ASSET ALLOCATION



As of June 30, 2011, Cal Poly Corporation managed eleven endowments with direct or indirect benefit to Cal Poly and its auxiliaries and affiliated organizations. Total asset value was \$4.6 million

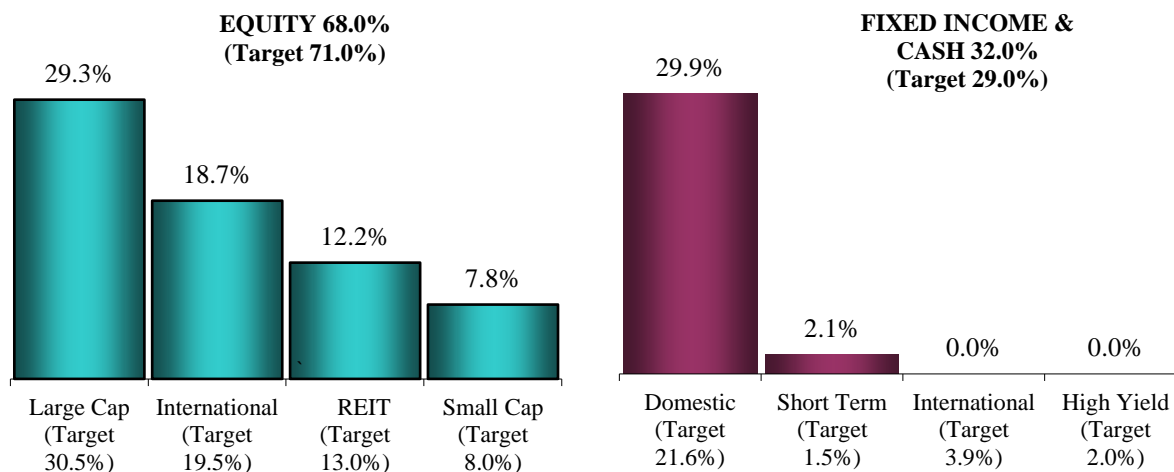
All assets are managed by mutual funds selected by Kaspick & Company and all asset classes are within acceptable allowance from target, as set by Board policy or in the process of being rebalanced. The return reported above is net of all manager fees but excludes the administrative fee paid to Cal Poly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

	Actual	Benchmark
Grant & Annuity Society Investment Pool	20.9%	23.5%
Total Return (Fiscal YTD)		
Asset Value at June 30, 2010 (<i>thousands</i>)	\$1,597.7	
Income (Net)	29.1	
Market Value Gain/(Loss)	307.1	
Gifts and Transfers In	1.0	
Distributions and Transfers Out	(174.9)	
Change in Liabilities & Funds Held for Others	101.1	
Asset Value at June 30, 2011	\$1,861.2	

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.



During the year, two new contracts were issued. The Foundation for the Performing Arts Center is the remainderman a \$100.0 thousand contract and the Kennedy Library is the remainderman of a \$2.5 thousand contract. One contract matured and \$37.5 thousand was delivered to the Cal Poly Foundation for the benefit of the Department of Materials Engineering. At June 30, 2011, 67 contracts were participating in the pool.

The return reported above is net of all manager fees but excludes the administrative fee paid to Cal Poly Corporation.