

# Quarterly Report on Endowment Performance

## December 31, 2016

This is the first in a series of ongoing quarterly reports on the endowment portfolio's performance.

The Cal Poly Pomona Foundation administers gifts and donations to programs, scholarships and endowments on behalf of Cal Poly Pomona. The purpose of the endowment portfolio is to support the university and its mission over the long term by ensuring that the future growth of the endowment is sufficient to offset normal inflation plus reasonable spending, thereby preserving the constant dollar value and purchasing power of the endowment. The Cal Poly Pomona Foundation Investment Portfolio (Endowment) is managed by Graystone Consulting, a Business of Morgan Stanley under the direction of the Board of Directors per the Endowment Investment Policy #130.

### Investment Objective

The overall objective of the Endowment is to obtain a total return annual return of 5.0% plus the percentage change in the greater Los Angeles area consumer price index. The value of the Cal Poly Pomona endowment is \$89.3 million at December 31, 2016.

PERFORMANCE (net of fees)		QTR	Fiscal YTD	1 Year	3 Years	5 Years	Since Inception
Endowment		-0.35%	4.43%	-5.01%	2.66%	3.43%	5.66%
Benchmark		0.69%	4.55%	-0.61%	5.26%	5.68%	6.61%
Difference +/-		-1.04%	-0.12%	-4.40%	-2.60%	-2.25%	-0.95%

For the quarter ending December 31, 2016, the Endowment lost -0.35% or thirty-five basis points and fiscal YTD returned 4.43%. The Endowment underperformed compared to the Endowment custom benchmark's return of 0.69% or sixty-nine basis points for the quarter and fiscal YTD returned 4.55% primarily due to International and Emerging Market Equities underperformance. The International portion of the Endowment has trailed the U.S. stock market's performance in recent years. While it can be tempting to question the rationale for ownership of non-U.S. stocks when domestic stocks have recently performed so much better, we are reminded that the decade of the 2000s produced a zero percent annualized return for U.S. stocks while non-U.S. stocks delivered a much better 7% approximate annual return.

The Endowment employs a combination of active and passive investment strategies. In recent years the passive strategies have fared better than those which are actively managed. In contrast, the active strategies protected capital better during the negative years of the last financial crisis. We have confidence that a combination of active and passive strategies can enhance the performance of the Endowment to achieve its target return objective while also reducing the year-to-year variability of returns long term.

In addition, it is desirable to reduce the volatility, or variability of returns, in order to smooth out the stream of distributable income from the Endowment to support the programs and scholarships of the university.

If you have any questions or would like further information, please contact David Prenovost at [dfprenovost@cpp.edu](mailto:dfprenovost@cpp.edu).

