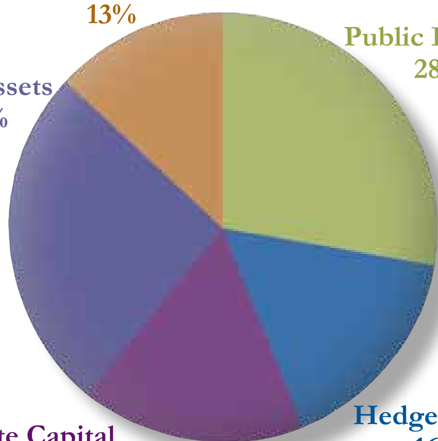
POOLED ENDOWMENT FUNDS
2009 INVESTMENT REPORT

ASSET ALLOCATION POLICY



Case Western Reserve University's Office of Investments diligently stewards your contributions to provide the greatest impact for future generations. The university's endowed assets are managed by the Office of Investments staff of five investment professionals reporting to the university's chief financial officer. It is overseen by the Investment Committee of the Board of Trustees.

Distributions from pooled endowments to support donors' purposes are reviewed and reset annually upon recommendation of the Investment Committee. These decisions are guided by the statutory requirements of UPMIFA (the Uniform Prudent Management of Institutional Funds Act, Ohio Revised Code sections 1715.51-1715.59). The goal of spending policy is to provide consistent and predictable annual distributions that keep pace with academic inflation, while preserving a balance between support for today's students and support for future generations.

In addition to the pooled endowment, Case Western Reserve benefits from other significant endowed assets, mostly trusts and deferred gifts, which brought the total endowment market value to nearly $1.5 billion on Dec. 31, 2009. The total endowment today represents the combined support of nearly 2,500 individual gifts that are directed, usually by specific donor request, to scholarships, professorships, research, facilities and other essential activities across the university.

Calendar year 2009 closed on a far more promising note than the tumultuous 12-month period that preceded it. As the global financial markets stabilized and improved, so too did Case Western Reserve's pooled endowment (the pool). By year's end, the pool posted positive investment returns for the year and began to recover the market value lost in 2008 and early 2009.

In the snapshot taken on Dec. 31, 2009, the pool's market value was again nearing $1.2 billion. This value equates to an investment return for the calendar year of 10.3 percent. Its annualized rate of return is about 5 percent over both five- and 10-year periods.

Diversification, long-term holdings and hedged equities help smooth volatility. As a result, they tend to dampen the portfolio's performance during periods of steeply positive or negative market movements. This was the case through most of 2009, when the pool's returns underperformed its benchmarks and the equity markets generally as equities recovered sharply. When assessed over the past five- and 10-year periods, however, the pool significantly outperformed its policy portfolio. It also exceeded the S&P 500, achieving performance advantages of more than 400 basis points over five years and more than 600 basis points over 10 years.

Maintaining the pool's access to cash and other highly marketable investments that may be liquidated quickly remained a central theme of oversight throughout the year. The usual goal of cash management is to provide sufficient and timely liquidity to meet the portfolio's obligations. At Case Western Reserve, these obligations include the annual distribution dollars to the university's operating budget. At the same time, effective cash management preserves the ability to take on new opportunities arising from dislocations, such as forced selling of assets by other investors. Throughout 2009, the pool had sufficient liquidity to place new or additional investments into distressed sectors that had favorable risk-adjusted expected returns.

The turmoil of the last 18 months has heightened our emphasis on risk-management decisions that can protect the portfolio in volatile markets. It has also increased our focus on how to benefit from market dislocations, including the use of hedging strategies that often are most cost effective at unexpected times. Finally, it has reinforced our confidence that the endowment's investment and risk policies are set appropriately for its financial support of the university.

Sally J. Staley
Chief Investment Officer

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