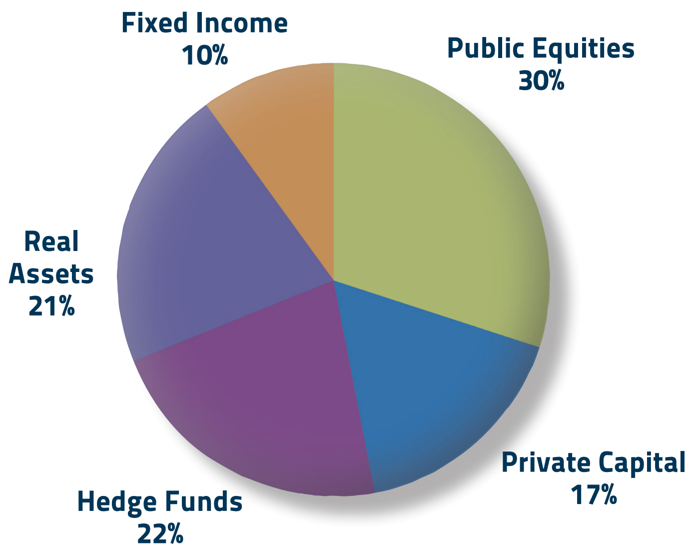
POOLED ENDOWMENT FUNDS
2010 INVESTMENT REPORT

ASSET ALLOCATION POLICY



Case Western Reserve University's Office of Investments diligently stewards contributions to provide the greatest impact for future generations. The university's endowed assets are managed by a staff of five investment professionals, who report to the chief financial officer. The Investment Committee of the Board of Trustees oversees the work of the entire team.

The university reviews and resets distributions from pooled endowments annually to support donors' intended purposes, upon the recommendation of the Investment Committee. The committee and the university 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 this spending policy is to provide consistent and predictable annual distributions that keep pace with academic inflation. The policy also aims to preserve a balance between support for current students and for those who will attend the university in future years.

In addition to the pooled endowment, Case Western Reserve benefits from other significant endowed assets, mostly trusts and deferred gifts. As of Dec. 31, these other assets helped bring total endowment market value to more than $1.6 billion. The total endowment 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.

CASE WESTERN RESERVE
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The Case Western Reserve University pooled endowment ("the pool") posted a strong investment result during calendar year 2010. Specifically, it continued to recover market value lost in the economic turmoil of 2008 and early 2009. As of Dec. 31, the pool's market value approached $1.3 billion net of positive investment returns and new endowed gifts. In addition, $69 million flowed to endowment-supported activities around the university.

This market value equated to an investment return of 10.3 percent for the calendar year; 4 percent annualized over a five-year period; and 6 percent annualized over 10 years. Since the end of 2000, the pool significantly outperformed the S&P 500's return of 1.4 percent and has experienced only half the volatility of the stock market index.

The pool's investment policy places a priority on active risk-management strategies that seek to protect and grow portfolio value in volatile markets. It is focused more on consistency of investment outcome than on maximizing investment return at any cost. To that end, the university uses inexpensive hedges designed to protect value in falling markets, holds diversified funds and assigns managers to various asset classes. The overriding goal is to build a portfolio that does well on both an absolute and a relative basis in a variety of economic and inflationary environments—an approach known as outcome-driven investing.

To accompany this approach, the university revised the pool's target asset allocation at the beginning of 2011. The real assets allocation was reduced from 26 percent to 21 percent, mostly through an adjustment to the private real estate sector. Fixed income was also reduced from 13 percent to 10 percent, in recognition of the likely end to the 25-year trend of declining interest rates. The university added the proceeds from these reductions to public equity and hedge fund allocations. Public equity was increased from 28 percent to 30 percent, and the mix of markets was adjusted toward the world's growth economies. Hedge funds grew from 16 percent to 22 percent to incorporate credit, distressed debt, currencies and other alternatives to the equity markets. Across the portfolio, the allocation portrays a focus on true diversification with less reliance on economic growth to drive equity valuations higher.

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