

Investment Performance and Policies June 30, 2008

The Portfolio and its Management

At June 30, 2008 the market value for total investments of the University at Buffalo Foundation amounted to \$365.0 million, as compared to \$379.6 million in 2007. These funds are managed under the supervision of the foundation's board investment committee. Twenty professional investment managers currently share in the administration of the portfolio, with performance monitored by the trustees. Included in this total are certain investments, known as the Endowment Portfolio, having a market value of \$342.2 million at June 30, 2008, which are managed and administered on a pooled basis.

Investment Strategy

The primary investment objective is to maximize total investment return while preserving the inflation-adjusted purchasing power of the portfolio. This should provide a relatively predictable, constant and stable (in real terms) stream of funds for current use. Total investment return is the sum of interest, dividends and capital appreciation.

Endowment Portfolio Performance Compared to Benchmarks for Fiscal 2008

Total Return	
Endowment Portfolio	- 3.8%
Policy Benchmark *	- 3.9%
U.S. Equity Managers	
Endowment Portfolio	-11.3%
S&P 500 *	-13.1%
Russell 3000 Index	-12.7%
Non-U.S. Equity Managers	
Endowment Portfolio	- 7.5%
MSCI EAFE *	-10.2%
MSCI EAFE Small Cap *	-20.5%
MSCI Emerging Markets Free *	4.9%
Real Estate	
Endowment Portfolio	-19.7%
MS REIT Index *	-14.1%
World and US Property BMI	-24.0%
Fixed Income Managers	
Endowment Portfolio-Fixed Income Composite	3.3%
LB Global Aggregate Index *	5.0%
Hybrid Multisector Benchmark	4.0%
Hedge Fund of Funds	
Endowment Portfolio	1.9%
90 Day Treasury Bills + 4%	7.7%
Private Equity	
Endowment Portfolio	7.6%
Russell 3000 Index + 4%	-9.2%

* Key to Indices

Policy Benchmark:	Comprised of 22.8% Russell 3000 Index, 5% Lehman USTIPS, 4% JPM EMBI Global, 18.2% MSCI EAFE, 6% MSCI Emerging Markets Free, 4.5% MSCI EAFE Small Cap, 5% MS REIT Index, 15% 90 Day T-Bills + 4%, 3.5% Russell 3000 Index + 4%, 8.1% LB Global Aggregate Index (Hedged), 4% LB Global Aggregate Credit Index, and 4% ML Global High Yield Index.
S&P 500:	Standard and Poors 500 Index
MSCI:	Morgan Stanley Capital International
LB:	Lehman Brothers
CSFB:	Credit Suisse First Boston
MS:	Morgan Stanley
JPM:	JP Morgan
ML:	Merrill Lynch

Endowment Portfolio Performance Compared to Benchmarks for Fiscal 1998-2007

The accompanying chart reflects the ten-year performance for the Endowment Portfolio in comparison with over 700 other colleges and universities across the country.

**Average Annual Compounded Nominal Return
Fiscal Years Ended June 30**

	Total Return	NACUBO Mean*	# of Funds*	UBF Rank*	Percentile Rank*
2007	16.1%	17.2%	726	505	70
2005-2007	12.8%	12.4%	683	284	42
2003-2007	11.9%	11.1%	636	221	35
1998-2007	8.1%	8.6%	499	295	60

* Latest available comparative numbers according to the 2007 National Association of College University Business Officers' Endowment Study Report.

Asset Allocation Policy

The proper distribution of investments among various asset classes allows the foundation to honor spending policies, maintain risk tolerance and stability, produce appropriate investment returns, and achieve long-term objectives.

Asset allocation at June 30, 2008 was as follows:

<u>By Manager Type</u>	<u>Endowment Portfolio</u>	<u>Immediate Term Target</u>	<u>Long Term Target</u>
U.S. Equity	19.8%	21.0%	17.0%
International Equity	20.5%	21.0%	17.0%
Emerging Market Equity	5.7%	6.0%	6.0%
REIT	4.2%	5.0%	5.0%
Private Equity	9.6%	7.0%	15.0%
Hedge Fund of Funds	15.9%	15.0%	15.0%
Inflation Linked Bonds	4.9%	5.0%	5.0%
Global Bond	7.7%	8.0%	8.0%
Multi-Sector Fixed Income	<u>11.8%</u>	<u>12.0%</u>	<u>12.0%</u>
	100.0%	100.0%	100.0%

NOTE: Targets adopted as of March 1, 2006. Intermediate term target is goal for 2008. Long term target is goal for 2011.

Spending Policy

Spending is defined as funds made available from the portfolio for university programs and administrative expenses, exclusive of management, brokerage and custodial fees.

A formula governs the portion of total return made available each year for spending with an objective of maintaining its purchasing power relative to inflation. This formula allows spending to increase by the predetermined annual growth rate of 3% as long as spending stays within 3.5% and 6% of the three-year average market value of principal.