

UNIVERSITY AT BUFFALO FOUNDATION, INC.

Investment Performance and Policies June 30, 2009

The Portfolio and its Management

At June 30, 2009 the market value for total investments of the University at Buffalo Foundation amounted to \$516.0 million, as compared to \$365.0 million in 2008. These funds are managed under the supervision of the foundation's board investment committee. Twenty-eight 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 \$462.0 million at June 30, 2009, which are managed and administered on a pooled basis.

Endowment Portfolio 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 2009

Total Return

Endowment Portfolio	-19.74%
Policy Benchmark	-15.41%

US Equity Managers

Endowment Portfolio	Note 1
S&P 500	-26.2%
Russell 3000 Index	-26.6%

Non-US Equity Managers

Endowment Portfolio	Note 1
MSCI EAFE	-31.0%
MSCI EAFE Small Cap	-27.8%

Global Equities

Endowment Portfolio	Note 1
MSCI World	-29.0%

Emerging Markets

Endowment Portfolio	-23.8%
MSCI Emerging Markets	-27.8%

Global REITs

Endowment Portfolio	-30.5%
Global REIT Hybrid	-36.4%

Fixed Income

Endowment Portfolio	-1.6%
BC Global Aggregate	7.1%

Hedge Fund of Funds

Endowment Portfolio	-12.9%
90 Day T-Bills + 4%	5.0%

Private Equity

Endowment Portfolio	-24.9%
Russell 3000 +4%	-23.6%

Note 1: Due to asset allocation changes during the fiscal year performance results for the Endowment Portfolio are not available for this asset class for FY '09.

Key to Indices

Policy Benchmark: Comprised of 30.6% MSCI World, 8% MSCI EM, 3.9% Russell 2500 Index, 2% BC US TIPS, 7.4% Multisector Blended Benchmark, 2.5% S&P Developed EX-US Property, 3.9% MSCI EAFE Small Cap, 2.5% MSCI US REIT, 14% 90 Day T-Bills + 4%, 9.0% Russell 3000 Index + 4%, 5.8% BC Global Aggregate Index (Hedged), 4.5% Citigroup World Gov't Bond, 6% 90-Day T-Bills.

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

EAFE: Europe, Australia, Far East
 EMBI: Emerging Market Bond Index
 BC: Barclays Capital
 T: Treasury

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Endowment Portfolio Performance Compared to Benchmarks for Fiscal 1999-2008

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*
2008	-3.8%	-3.0%	728	404	56
2006-2008	7.7%	8.0%	699	346	50
2004-2008	10.2%	9.7%	652	272	42
1999-2008	6.1%	6.5%	494	271	55

* Latest available comparative numbers according to the 2008 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, 2009 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--Small/Mid Cap	3.8%	3.9%	3.5%
International Equity--Small Cap	4.1%	3.9%	3.5%
Global Equity	29.2%	30.6%	21.0%
Emerging Market Equity	8.1%	8.0%	8.0%
REIT's	4.8%	5.0%	5.0%
Private Real Estate/Hard Assets	0.0%	0.0%	5.0%
Private Equity	6.7%	9.0%	14.0%
Hedge Fund of Funds	15.6%	14.0%	14.0%
Inflation Linked Bonds	1.9%	2.0%	2.0%
Global Bonds	5.3%	5.7%	4.5%
Global Government Bonds	3.9%	4.5%	4.5%
Multi-Sector Fixed Income	7.3%	7.4%	9.0%
Cash	9.3%	6.0%	6.0%
	100.0%	100.0%	100.0%

NOTE: Targets adopted as of March 1, 2009. Intermediate term target is goal for 2011.
Long term target is goal for 2012.

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.