

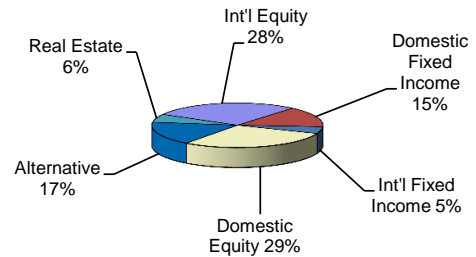
INVESTMENT PHILOSOPHY

The San Diego Foundation's endowment funds are invested in a diversified portfolio, which is structured for long-term total return. To provide diversification and to moderate risk, the investments are divided into carefully defined asset classes. Funding available for each asset classification is invested by professional money managers hired by The Foundation through a competitive process. The investment performance of each money manager is monitored by an independent investment consultant retained by The Foundation.

The Foundation's distribution allocation policy is to disburse 5% annually, based upon endowment principal market value over the last 36 months. These calculations are made on a monthly basis. If the market value of the Endowment Principal of any fund, at the end of each month, is less than the initial value of all the contributions made to Endowment Principal, then distributions will be limited to interest and dividends received.

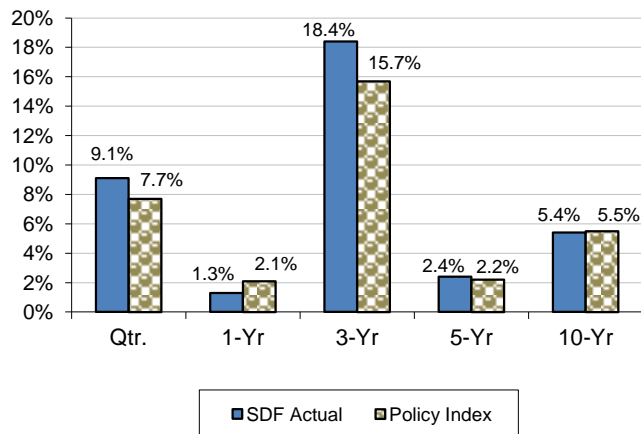
ENDOWMENT ASSET ALLOCATION

Includes Principal Only



\$335 Million as of March 31, 2012

ENDOWMENT TOTAL RETURNS* (Net of Investment Management Fees) For period ending March 31, 2012



The Foundation's Policy Index is a composite of indexes reflecting our diversified portfolio, specifically:
S&P 500, Russell 2000, MSCI EAFE, Citi EMI World ex US SM, MSCI Emerging Markets Free, Barclays Universal, BC US TIPS, NCREIF Property, HFRI Funds of Funds and NCREIF Timber.

INVESTMENT MANAGERS

Domestic Equities:

SSGA S&P 500 Index
SSGA Russell 2000 Index

International Equities:

DFA Emerging Markets Value
DFA International Value
EuroPacific Growth
GMO International

Domestic Fixed Income:

Dodge & Cox
Scout
J.P. Morgan High Yield

International Fixed Income:

Stone Harbor

Alternative Investments:

Alternative Investment Group
Archstone
Audax Mezzanine
Credit Suisse
Hancock Timberland
PIMCO Dist Mtg, Sen Cred & Dist Cred Funds
Stone Tower

Real Estate:

Goldman Sachs International
Penn Square Global
RREEF America
TA Associates

- CONSULTANT: Wurts & Associates



**INVESTMENT SUMMARY
ENDOWMENT FUNDS
March 31, 2012**

INVESTMENT COMMITTEE MEMBERS

John D. Cambon / Chair
Principal, Regent Partners, LLC

Richard F. Grannis / Vice Chair
SVP and Treasurer, QUALCOMM, Inc.

Bob Kelly
President & CEO, The San Diego Foundation

Corey Buuhoan
Sr. Investment Officer, SD City Empl. Ret. System

Steve Klosterman
Regional Director, Halbert Hargrove

Kay Chandler
President & CEO, Chandler Asset Management

Horacio Valeiras
Chief Investment Officer, Allianz Global Investors

Skip Coomber
President, Rancho Capital Management

John Wylie
Portfolio Manager, Nicholas Investment Partners

Joseph Holland (Ex-Officio)
Partner, DLA Piper Rudnick Gray Cary US LLP

FOUNDATION STAFF

Hal Orr
Chief Financial & Investment Officer

Travis Clancy
Senior Accountant

INVESTMENT COMMITTEE MISSION

The mission of the Investment Committee is to provide oversight, guidance and direction regarding the investment of the assets of The Foundation. The Investment Committee operates under the guidelines of the Investment Policy Statement approved by the Board of Governors of The Foundation:

- 1) Protecting the invested assets of The Foundation
- 2) Preserving the spending capacity of the fund income
- 3) Maintaining a diversified portfolio of assets that meet investment return objectives while keeping risk at a level commensurate with that of the median fund in comparable foundations
- 4) Complying with applicable law.

RECENT INVESTMENT COMMITTEE ACTIONS

Q1 - 2012

Approved new fund managers for International Fixed Income and Distressed Debt

Q4 - 2011

Approved 5% allocation to Emerging Market Debt (Local) from Core Fixed Income, to occur in Q1-2012

Q3 - 2011

Sold TIPS and increased high yield fund. Consolidated discretionary funds pool into main endowment pool

Q2 - 2011

The capital calls for Audax, and TA Associates were funded as required