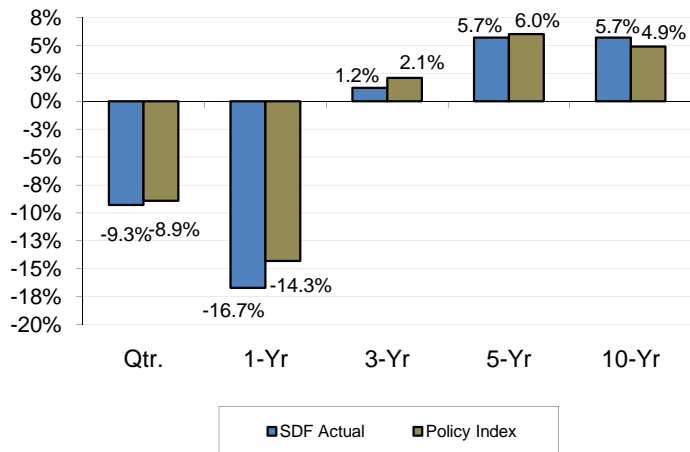




## INVESTMENT SUMMARY ENDOWMENT FUNDS September 30, 2008

OVERVIEW	BALANCED POOL ASSET ALLOCATION <small>Includes Endowment Principal Only</small>
<p>It is the policy of The Foundation that no member of the Investment Committee manages any part of the asset allocation or receives any compensation for their advice. This ensures impartiality when reviewing money manager performance.</p> <p>The size of The San Diego Foundation's asset base allows the negotiation of fees on a wholesale basis increasing the overall investment return for all participants in each pool.</p>	<div style="text-align: center;"> </div> <p style="text-align: center; font-weight: bold; margin-top: 10px;">\$237.3 Million as of September 30, 2008</p>

### BALANCED POOL TOTAL RETURNS (Net of Investment Management Fees) for periods ending September 30, 2008



The Foundation's Policy Index is a composite of indexes reflecting our diversified portfolio, specifically: Russell 1000; Russell 2000; S & P 500; LBGC Index; CITI EMI WORLD; MSCI EAFE; LB US Tips Index; HFRI, Fund of Funds and NCREIF Property Index.

INVESTMENT MANAGERS
<p><b>Domestic Equities:</b>            FTSE RAFI US 1000            Lazard            S&amp;P 500 Index Fund            SSGA Russell 2000 Growth</p> <p><b>International Equities:</b>            DFA Emerging Markets Value            DFA International Value            EuroPacific Growth            GMO International</p> <p><b>Fixed Income:</b>            Metropolitan West Asset Management            PIMCO All Asset            Reams Asset Management</p> <p><b>Alternative Investments:</b>            Alternative Investment Group            Archstone            Hancock Timberland            Harris Associates            PIMCO Distressed Mortgage</p> <p><b>Real Estate:</b>            RREEF America            Penn Square Global            Goldman Sachs International</p> <p style="text-align: center; font-weight: bold; margin-top: 5px;">CONSULTANT: Wurts &amp; Associates</p>

Investment performance of individual funds may vary from the total pool return due to the timing of contributions and grants. Gains and losses associated with both principal and distributable balances are reported in "Earnings on Investment Activity" on fund statements.

For more information about The San Diego Foundation, please visit our website at [www.sdfoundation.org](http://www.sdfoundation.org). Audited financial statements and tax returns are available for viewing in the Professional Advisor's Center, along with additional investment resources.



## INVESTMENT OVERVIEW

September 30, 2008

### INVESTMENT COMMITTEE MEMBERS

**John Wylie / Chair**

Portfolio Manager, Nicholas Investment Partners

**Fred Applegate**

Retired Co-Founder, Nicholas Applegate Capital Mgmt.

**Richard F. Grannis**

SVP and Treasurer, QUALCOMM, Inc.

**John D. Cambon**

Principal, Regent Partners, LLC

**Conny Jamison**

Former City Treasurer

**Kay Chandler**

President & CEO, Chandler Asset Management

**Jerry Katzin**

Retired Investment Banker

**Skip Coomber**

President, Rancho Capital Management

**Bob Kelly**

President & CEO, The San Diego Foundation

**Ted Cranston**

Partner, DLA Piper Rudnick Gray Cary US LLP

**Carolyn Taylor**

President, Weatherly Asset Management

### INVESTMENT PHILOSOPHY

The San Diego Foundation's endowment funds are invested in a "Balanced Pool" 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.

### 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. In accordance with this policy the Investment Committee is committed to:

- 1) Protecting the corpus of The Foundation;
- 2) Preserving the spending power of the income from the fund;
- 3) Maintaining a diversified portfolio of assets in order to meet investment return objectives while keeping the level of risk commensurate with that of the median fund in a representative foundation and endowment universe; and
- 4) Complying with applicable law.

### RECENT INVESTMENT COMMITTEE ACTIONS

**Q3 - 2008**

Beginning July 1, 2008 the monthly calculation to determine the amount of money added to distributable balances, for grant making, will be based upon the average fund balances for the prior 36 months rather than the prior 7 months. In September, SSGA Russell 2000 Growth fund was hired to replace Kennedy Capital.

**Q2 - 2008**

Approved a \$7m commitment to a new PIMCO Distressed Senior Credit Opportunities fund. Began funding new real estate managers approved in the 4th quarter of 2007.

**Q1 - 2008**

Approved and funded the new alternative investment money manager, Alternative Investment Group, a funds of funds hedge fund, to further diversify the alternative investment allocation.

**Q4 - 2007**

Added three real estate investment managers based on the allocation increase allowed from the previous quarter. TA Associates, Domestic Real Estate, Penn Square, Global Real Estate and Goldman Sachs, International Real Estate.