

Copy of Vice President Combe's Email

TO: President Young, Vice Presidents and Deans
FROM: Arnold B. Combe
DATE: January 8, 2009
SUBJECT: Endowment Pool Update

The University's spending practice for the Endowment Pool is currently 4% of a trailing 12 quarter average market value. The practice is designed to insulate endowment distributions from yearly market volatility, which can be particularly important during cyclical recessions when financial markets are facing challenges. However, the current financial crisis is not the result of typical recessionary forces, but of a contraction of leveraged asset values that has severely impacted the global financial system.

As everyone is aware, since the close of the 2008 fiscal year, the financial markets have experienced a drop in value of historic proportions. The University's endowment portfolio is estimated to have declined approximately -20% from July 1, 2008 through December 31, 2008, with the result that the total market value of the Endowment Pool is now below its cost basis. As we discussed in the November 5, 2008 CAD meeting, since the market value is below cost we will be lowering the spending rate for the Endowment Pool distribution for the 2nd fiscal quarter ended December 31, 2008 to 3%.

Donors have put their trust in the University and it is our responsibility to strategically manage both endowment investments and spending so that future generations benefit from endowed funds in the same way as past and current generations. We cannot control the financial markets. However, we can ensure that the University is responsibly managing its resources, painful as it may be at times like these.

Jon Shear will be available at the next CAD meeting, should you have any questions.

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