

December 21, 2010

The Honorable Earl Ray Tomblin
Governor of West Virginia
State Capitol 1900 Kanawha Blvd., East
Charleston, WV 25305

Dear Governor Tomblin,

In accordance with the requirements of WV State Code §12-1-12d(f), I respectfully submit the enclosed report on behalf of the West Virginia University Board of Governors. This report provides information about the University's unrestricted investment fund for the period November 1, 2009 – October 31, 2010. In order to present a 12-month return and provide this report by December 31 of each year, WVU has chosen November 1 – October 31 as its investment reporting year.

The value of the WVU unrestricted investment portfolio managed by the WVU Foundation was \$31,170,632 on October 31, 2010. The asset allocation targets and ranges for these funds as well as the allocation as of October 31, 2010 may be found in the attached report from the WVU Foundation on page 4.

The 12-month return for these investments can be found on page 5 of the report from the WVU Foundation. The WVU portfolio achieved a 12-month return during the investment reporting period of 11.6%. As a point of comparison, during the same period of time the S&P 500 returned 16.5% and the Barclay's Aggregate bond index rose 8.0%. If you blend these returns to mimic the asset allocation for these funds, the benchmark blended rate for the period was 9.5%. This portfolio outperformed its blended benchmark by 2.1%.

The report from the WVU Foundation includes a list of the investments held in the portfolio at October 31, 2010 including their return during the investment period compared to benchmarks on pages 6 and 7.

WVU and the WVU Foundation are proud that this portfolio has performed so well under trying market conditions. The graph on page 2 of the WVU Foundation report demonstrates the significant decline and subsequent 'rebound' of the S&P 500 since this portfolio was authorized. During a time that the S&P 500 returned -2.1%, this portfolio has returned 2.0%. We view this as evidence that this investment program and the prudent investment strategies allowed within the program can generate positive results.

The authorization for this investment will sunset in July 2011 unless legislative action is taken during the next Legislative Session. WVU has seen value as a result of this flexibility. Since the collapse of the financial markets in September 2008, this portfolio has earned approximately \$6.4 million. WVU believes that the ability to invest through the WVU Foundation is a valuable tool in meeting the financial challenges of the future and respectfully requests that the sunset provision as provided in WV State Code section 12-1-12d(g) be removed from the current statute.

Should you desire additional information regarding WVU's investment with the WVU Foundation, please contact me directly.

Sincerely,

Narvel G. Weese, Jr
Vice President for Administration and Finance

cc: Aaron Allred, Legislative Services
John Homburg, Legislative Services
Carolyn Long, WVU Board of Governors Chair
Ted Mattern, WV Board of Governors Finance Chair
James P. Clements, President

December 17, 2010

Mr. Narvel G. Weese, Jr.
Vice President for Administration and Finance
West Virginia University
Stewart Hall
Post Office Box 6205
Morgantown, West Virginia 26506

Re: Annual Report to West Virginia University
Regarding the SB603 Unrestricted Investment Funds

Dear Mr. Weese:

The West Virginia University Foundation, Incorporated, in its capacity as Investment Agent, has prepared the enclosed annual report on the Unrestricted Investment Funds (the "Investment Funds") for the 12-month period from November 1, 2009 through October 31, 2010. The Investment Funds were made available pursuant to §12-1-12b of WV Senate Bill 603.

Included herein is a Market Overview and a Portfolio Review for the 12-month period, detailing the investment assets under management, asset allocation, and annual performance.

We are honored to serve as Investment Agent on behalf of West Virginia University and look forward to serving your needs as they relate to the Investment Funds. If you have any questions or would like any additional information, please do not hesitate to contact us.

Sincerely,



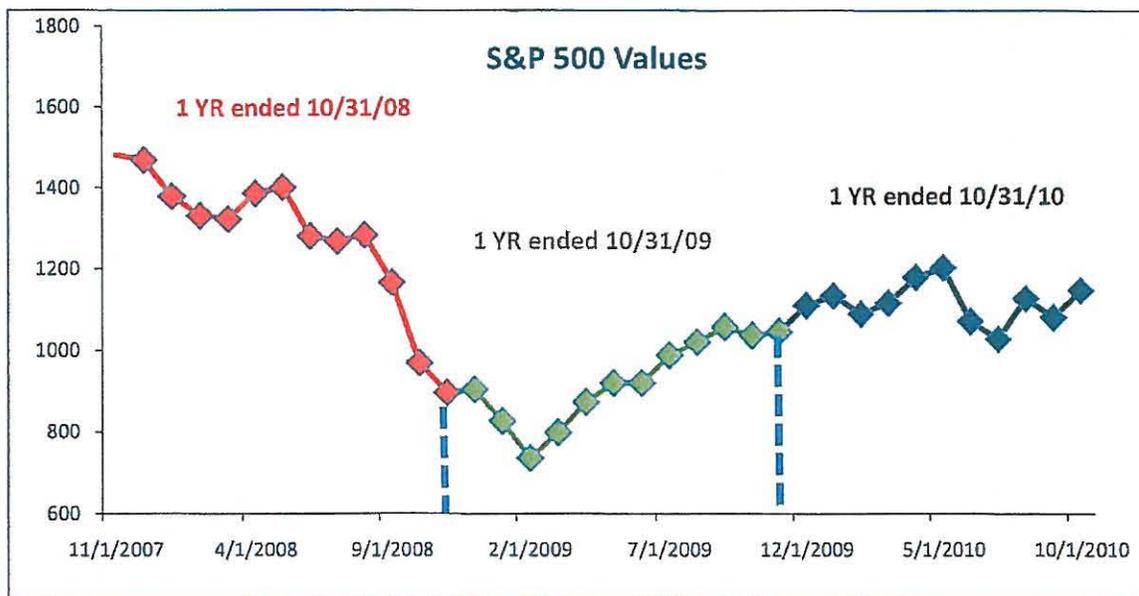
Richard S. Kraich, CFA
Vice President & Chief Investment Officer

Market Overview

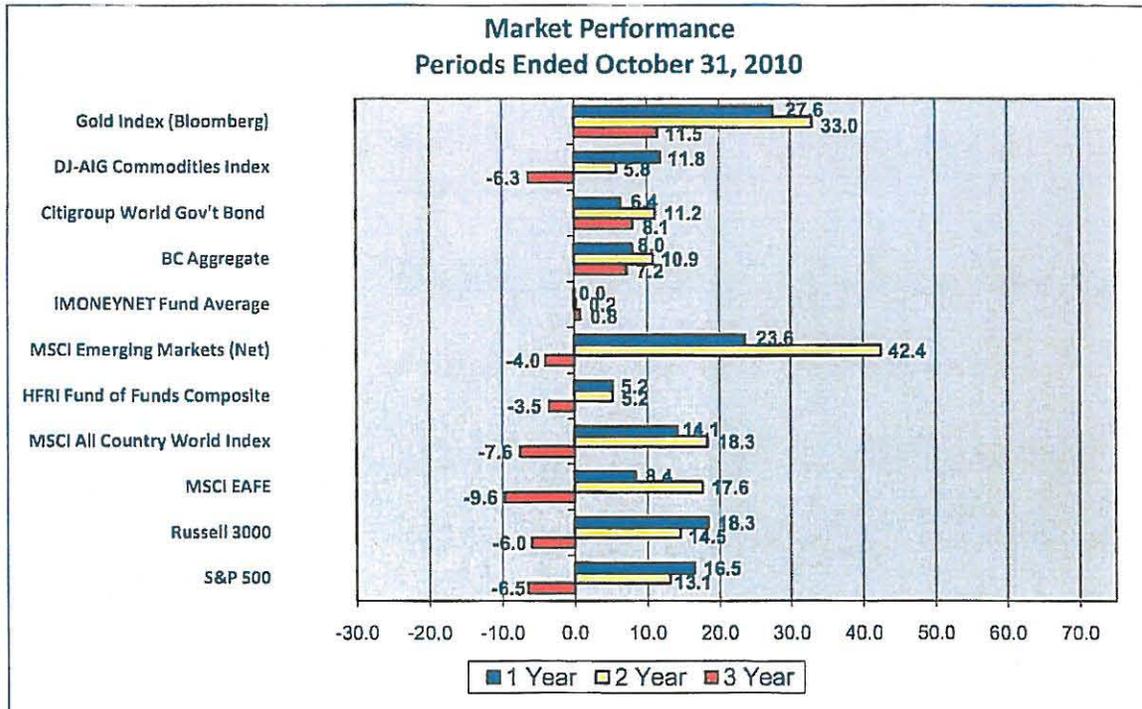
Markets continue to recover from the financial crisis of 2008-2009. From the market peak in October 2007 to the trough in March 2009, the S&P 500 lost over half of its value. The index recovered just over half of that loss through October 2010. The sharp rebound beginning in March 2009 has become more muted in 2010 as government stimulus wanes, some European countries have experienced sovereign debt issues, and unemployment remains stubbornly high. The equity markets are encouraged, however, by further quantitative easing from the Federal Reserve, reduced uncertainty after the elections, and continued global economic growth.

The following charts display (i) the change in value of the S&P 500 Index over a 3-year period, and (ii) the performance of key market indices for the 1-, 2-, and 3-year periods ended October 31, 2010.

The first chart illustrates the S&P 500 near its peak in late 2007, the sharp drop beginning with the Lehman bankruptcy in September 2008, and the bottom being reached in March 2009. As the financial system stabilized, the index showed a steady recovery until the European sovereign debt crisis in the spring of 2010 and has rebounded again since then.



The Market Performance chart illustrates the negative impact of the financial crisis on 3-year returns on all asset classes except for bonds and gold as shown by the red bars. The 2-year returns illustrate the strong returns since then once the prior year's return is excluded. All listed asset classes have seen positive returns over the recent 1- and 2-year periods.

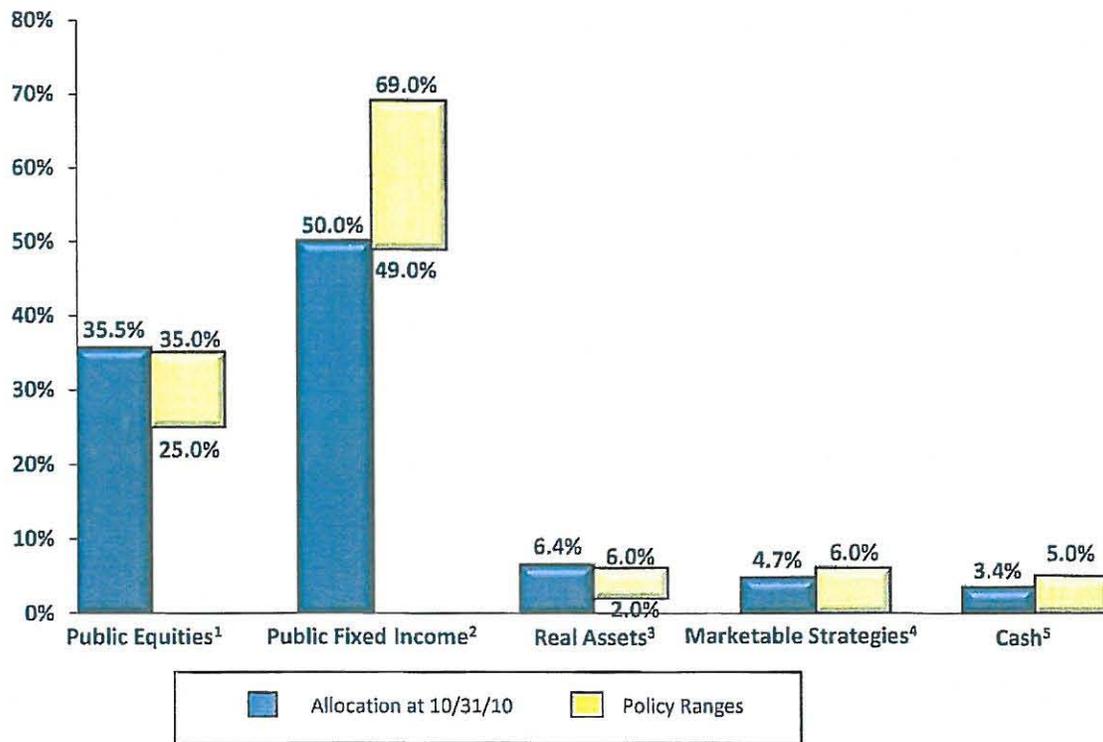


Portfolio Review

Investment Assets under Management: At October 31, 2010, the value of the Investment Funds' portfolio was \$31.2 million (10/31/09: \$28.1 million). The portfolio generated \$3.1 million of net earnings during the twelve month period and there were no transfers in or out of the pool.

Asset Allocation: At October 31, 2010, the Public Equities and Real Assets were slightly above the policy ranges while Public Fixed Income, Marketable Strategies and Cash were in line with the ranges. This portfolio is rebalanced quarterly to policy ranges subject to WVU Investment Committee review and approval. The Investment Policy allows for flexibility to maintain allocations outside the recommended range.

Asset Allocation as of October 31, 2010



¹ CF Multi-Strategy Equity, CF Core Equity, Dodge & Cox Stock, Dodge & Cox International

² IR&M, CF Multi-Strategy Bond, Brandywine, Dodge & Cox Fixed Income

³ Gold

⁴ CF Absolute Return and Robeco-Sage Capital International

⁵ Cash

Performance: For the 12-months ended October 31, 2010, the Investment Funds earned \$3.3 million, resulting in an 11.6% return for the year while the S&P 500 gained 16.5% and the Barclays Aggregate Bond Index rose 8.0%. The Investment Funds outperformed their custom blended benchmark by 218 basis points. The strong performance was led by the Funds' exposure to gold through the SPDR Gold Trust ETF, which gained 29.4% for the 12-month period, and was helped by the allocation to equities which, while choppy, performed well during the time period. The Funds' exposure to international bonds also enhanced returns. Since inception of the Investment Funds' program in November 2006, the S&P 500 Index has generated a return of -2.1%, as compared to the 2.0% return of the Investment Funds.

Performance

%	<u>1 YR</u>	<u>3 YR</u>	<u>ITD</u>
WVU Unrestricted Investment Funds	11.6	0.7	2.0
<i>Custom Benchmark*</i>	<i>9.5</i>	<i>0.5</i>	<i>2.2</i>
<i>S&P 500 Index</i>	<i>16.5</i>	<i>-6.5</i>	<i>-2.1</i>
<i>Barclays Aggregate Bond Index</i>	<i>8.0</i>	<i>7.2</i>	<i>6.6</i>
<i>90 day T-bills</i>	<i>0.1</i>	<i>1.0</i>	<i>2.0</i>

**Custom Benchmark calculated by State Street. Benchmark is a dynamic blend based upon the average monthly balances of all WVU Unrestricted investment accounts and the returns of their corresponding benchmark indexes.*

West Virginia University Unrestricted

RATES OF RETURN - Net Mgr

Periods Ending October 31, 2010



STATE STREET

PERFORMANCE SUMMARY REPORT

	MKT VAL	% OF FUND	1 YEAR	PERF. ITD	PERF. INCEPT. DATE
<u>EQUITY</u>					
CF CORE EQUITY FUND	2,251,411	7.2	17.80	17.80	11/2009
<i>S&P 500</i>			16.52	16.52	
CF MULTI STRATEGY EQUITY FUND	4,426,777	14.2	16.38	-3.82	10/2007
<i>S&P 500</i>			16.52	-5.84	
DODGE AND COX	2,681,237	8.6	14.47	-5.89	12/2006
<i>S&P 500</i>			16.52	-2.13	
DODGE AND COX INTL STK FD	1,711,202	5.5	16.20	-4.57	07/2007
<i>MSCI EAFE (NET)</i>			8.36	-7.02	
TOTAL EQUITIES	11,070,628	35.5	16.16	-3.77	04/2007
<u>FIXED INCOME</u>					
INCOME RESEARCH & MANAGEMENT	5,872,631	18.8	7.25	6.46	12/2006
<i>BC AGGREGATE</i>			8.01	6.60	
CF MULTI STRATEGY BOND FUND	3,635,209	11.7	10.59	6.63	10/2007
<i>BC AGGREGATE</i>			8.01	7.33	
DODGE & COX FIXED INCOME	4,680,690	15.0		5.24	04/2010
<i>BC AGGREGATE</i>				6.43	
BRANDYWINE GLOBAL FIXED INCOME	1,408,749	4.5	13.60	8.98	12/2006
<i>Citigroup WGBI (All Maturities)</i>			6.35	7.84	
TOTAL FIXED INCOME	15,597,279	50.0	8.66	6.70	04/2007
<u>ALTERNATIVE INVESTMENTS</u>					
CF ABSOLUTE RETURN FUND	19,255	0.1	-44.37	-19.60	02/2008
ROBECO SAGE	1,441,516	4.6	5.57	-0.40	12/2006
TOTAL ALTERNATIVES	1,460,771	4.7	4.33	-1.05	04/2007

03

West Virginia University Unrestricted

RATES OF RETURN - Net Mgr

Periods Ending October 31, 2010



STATE STREET

PERFORMANCE SUMMARY REPORT

	MKT VAL	% OF FUND	1 YEAR	PERF. ITD	PERF. INCEPT. DATE
<u>REAL ASSETS</u>					
SPDR GOLD SHARES	1,985,356	6.4	29.40	32.09	05/2009
<u>CASH EQUIVALENTS</u>					
SSGA CASH	1,056,598	3.4	0.12	2.30	12/2006
<u>TOTAL FUND</u>					
TOTAL UNRESTRICTED INVESTMENTS	31,170,632	100.0	11.64	2.04	12/2006
TOTAL UNRESTRICTED BENCHMARK			9.46	2.15	

The Total Unrestricted Benchmark is a dynamic blend based upon the average monthly balances of all investments and the returns of their corresponding indexes.