

December 17, 2014

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 October 1, 2013 – September 30, 2014.

The value of the WVU unrestricted investment portfolio managed by the WVU Foundation was \$56,933,366 on September 30, 2014. The asset allocation ranges for these funds as well as the actual allocation as of September 30, 2014 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 9.6%. As a point of comparison, during the same period of time the S&P 500 returned 19.7% and the Barclay's Aggregate bond index returned 4.0%. WVU uses a blended benchmark to assess performance. The benchmark blended rate for the period was 9.3%. This portfolio outperformed its blended benchmark by 30 basis points and has also outperformed the blended benchmark for the 3-year period and since inception.

As mentioned on page 4 of the WVU Foundation report, WVU reviews its asset allocation of this portfolio at least annually. Over the past few years, upon recommendation of the WVU Foundation based on WVU's expressed risk tolerance, WVU has modestly increased its equity allocation to more closely reflect the long term nature of the assets being managed.

WVU and the WVU Foundation are proud that this portfolio has performed so well in strong equity but challenging fixed income market conditions. The graph on page 2 of the WVU Foundation report demonstrates a decline and subsequent 'rebound' of the S&P over the past several years largely related to downgrading of the U.S. government from AAA status in the summer of 2011 after the debt ceiling debacle as well as market reactions to continued quantitative easing by the Federal Reserve which is impacting domestic markets. We continue to view the comparative performance of our portfolio detailed on page 5 as evidence that this investment program and the prudent investment strategies allowed within the program can generate positive results.

Should you desire additional information regarding WVU's investment managed by the WVU Foundation, please contact me directly at 304-293-4245.

Sincerely,

(Electronically signed and submitted)

Elizabeth P. Reynolds
Associate Vice President for Planning and
Treasury Operations

cc: Aaron Allred, Legislative Services
James W. Dailey, II, WVU Board of Governors Chair
William O. Nutting, WVU Board of Governors Finance Chair
E. Gordon Gee, President
Narvel G. Weese, Jr., Vice President for Administration and Finance

December 15, 2014

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 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 October 1, 2013 through September 30, 2014. The Investment Funds were made available pursuant to West Virginia Code §12-1-12d.

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,

A handwritten signature in blue ink that reads "Richard S. Kraich". The signature is written in a cursive style with a large, looped initial "R".

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

Market Overview

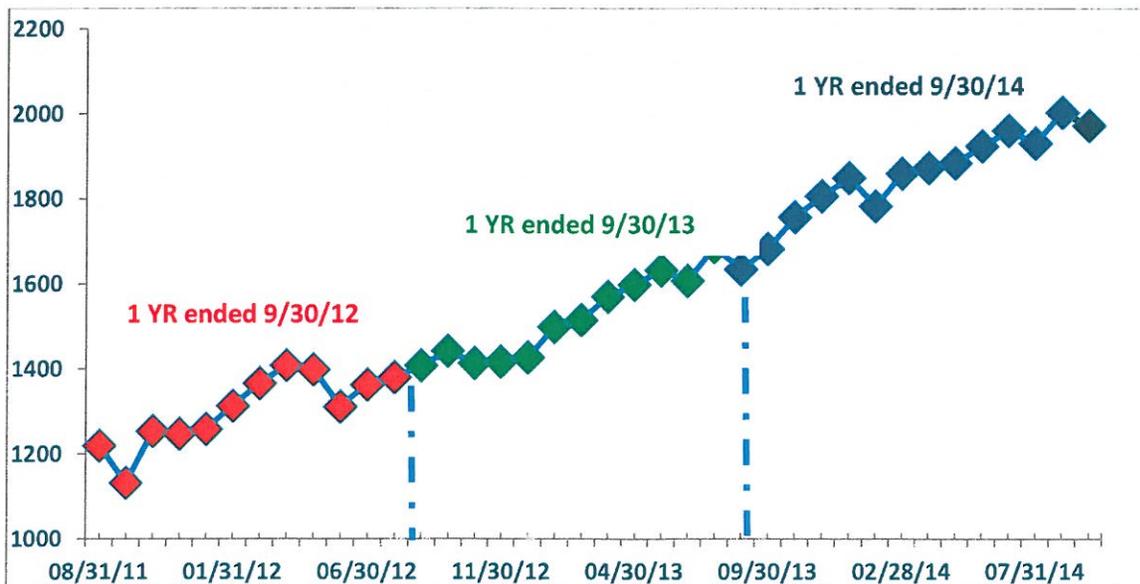
The U.S. equity markets led global growth for the year amid continued political unrest abroad in Russia, Ukraine and Iraq. The S&P 500 gained 19.7% while the Russell 3000 gained 17.8%. Small cap stocks struggled in comparison to large cap stocks over the past 12 months, returning a mere 3.9% for the Russell 2000. International equity and emerging markets growth was mixed with geopolitical turmoil looming. The Morgan Stanley Capital International EAFE Index and the Morgan Stanley Capital International Emerging Markets index both returned 4.3% for the year.

The Barclays Aggregate Bond Index returned 4.0% during the one year period ended September 30, 2014 as investors were pouring into bonds once again after yields on treasuries fell. The Citigroup World Government Bond Index posted a negative return for the year at -0.1% while emerging markets bonds sales surged in anticipation of U.S. interest rates rising. The JP Morgan Emerging Markets Bond Index returned 9.7%. Commodities suffered this year, returning -7.8%, due to several factors: a softening in demand in the agriculture sector, energy supply/demand easing, and precious metals weakening as the U.S. dollar climbed.

The following charts display (i) the change in value of the S&P 500 over the most recent 3-year period, and (ii) the performance of key market indices for the 1-, 2-, and 3-year periods ended September 30, 2014.

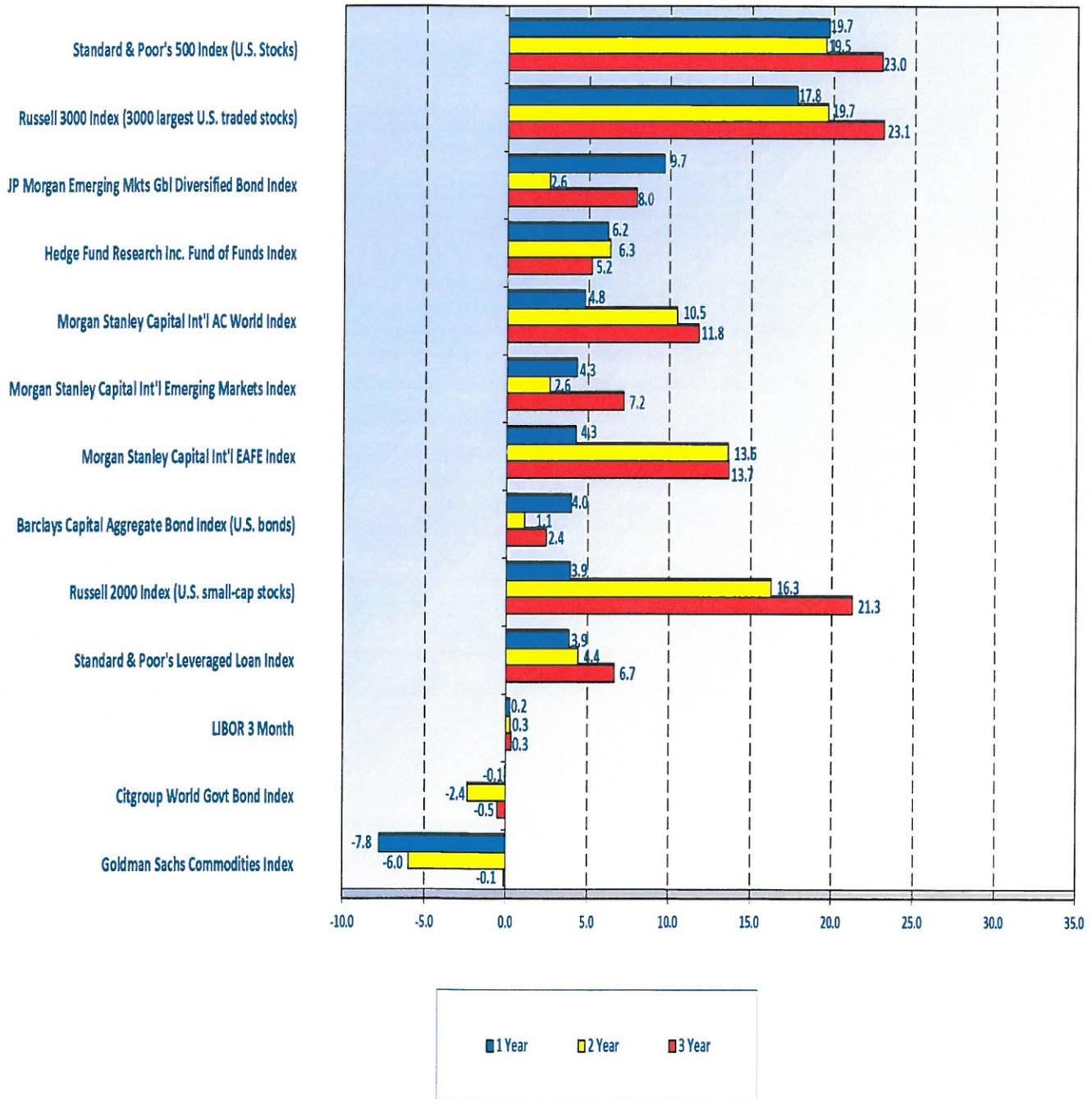
The first chart illustrates the S&P 500 monthly values over the last 3 years. The worst dip in value over this period was largely the result of the U.S. government debt ceiling debacle and subsequent downgrading from its AAA rating in the summer of 2011.

S&P 500 Values



The Market Performance chart illustrates the strong performance of U.S. equities over all three time periods.

Market Performance Periods Ended September 30, 2014



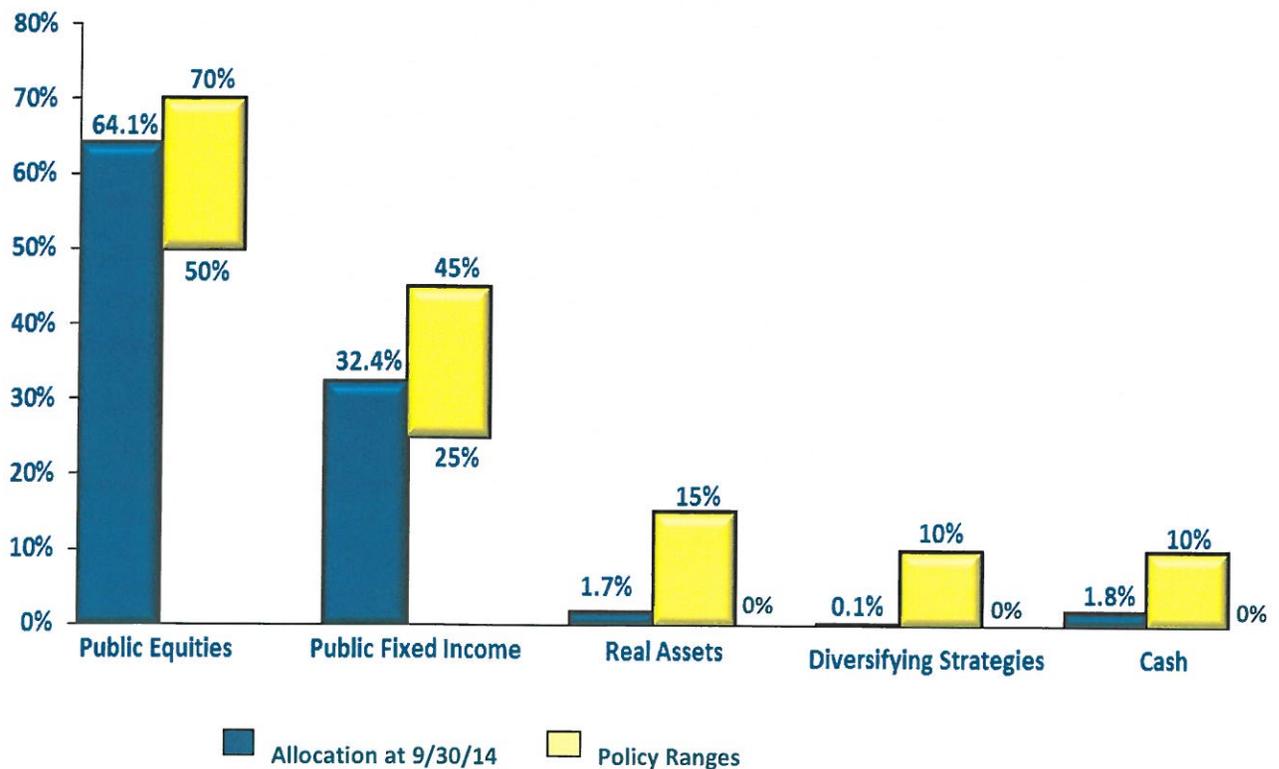
Portfolio Review

Investment Assets under Management: At September 30, 2014 the value of the Investment Funds' portfolio was \$56.9 million. The portfolio generated \$5.0 million of net earnings during the twelve month period.

Asset Allocation: The Investment Funds' asset allocation policy is reviewed annually with the Investment Committee. In March 2014, there were no changes recommended to asset class allocation ranges for the coming year.

At September 30, 2014, all asset classes were in line with their policy ranges. This portfolio is rebalanced quarterly to policy ranges subject to Committee review and approval. The Investment Policy allows for flexibility to maintain allocations outside the recommended range at the Committee's discretion.

Asset Allocation as of September 30, 2014



Performance: For the 12 months ended September 30, 2014, the Investment Funds earned \$5.0 million, resulting in a return of 9.6% for the year. The Investment Funds outperformed their custom blended benchmark by 36 basis points. Performance was led by the Funds' investments in Public Equities, most notably Dodge & Cox Stock Fund, which gained 20.8% for the 12-month period, and Vanguard Total Stock Market ETF, which returned 17.6% for the same period. The Fixed Income portion of the portfolio returned 3.6% for the year, underperforming the Barclays Aggregate Bond Index return of 4.0%. The Real Assets space struggled during the year with mixed results, but ended the period with a return of 5.2%. Since inception of the Investment Funds' program in November 2006, the program has generated an annualized return of 5.2%, as compared to its Custom Benchmark return of 5.0%.

Performance

%	<u>1 YR</u>	<u>3 YR</u>	<u>ITD</u>
WVU Unrestricted Investment Funds	9.6	11.3	5.2
<i>Custom Benchmark*</i>	9.3	10.2	5.0
<i>S&P 500 Index</i>	19.7	23.0	6.7
<i>MSCI EAFE</i>	4.3	13.7	1.8
<i>MSCI Emerging Markets</i>	4.3	7.2	4.3
<i>Barclays Aggregate Bond Index</i>	4.0	2.4	4.8

**Custom Benchmark calculated by BNY Mellon. 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.*