The mission of the California Institute of Technology is to expand human knowledge and benefit society through research integrated with education. We investigate the most challenging, fundamental problems in science and technology in a singularly collegial, interdisciplinary atmosphere, while educating outstanding students to become creative members of society.

You help make it happen.

*Financial data: fiscal year 2010
<table>
<thead>
<tr>
<th>INSIDE:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment Highlights</td>
<td>2</td>
</tr>
<tr>
<td>Impact of the Endowment</td>
<td>3</td>
</tr>
<tr>
<td>Stewardship and Performance</td>
<td>6</td>
</tr>
<tr>
<td>Investment and Spending Policy</td>
<td>8</td>
</tr>
</tbody>
</table>
Dear endowment contributor,

We are pleased to share with you the 2011 Update for Endowment Contributors, which highlights the impact and performance of the endowed funds that serve as Caltech’s financial foundation. Endowed gifts like yours are essential to Caltech’s proven formula: identify and recruit extraordinary students and scholars, and give them the resources they need to do their best—and most groundbreaking—work.

The value of your contribution cannot be overstated; at Caltech, it has the power to make a difference in the world. From the development of new ways to battle life-threatening disease to improvements in the efficiency of solar-energy cells, what we do here will affect our children’s and grandchildren’s lives.

As chief investment officer, I am charged with stewarding Caltech’s consolidated Endowment Investment Pool, which includes nearly 1,100 individual endowed funds, to maximize long-term investment performance and balance growth and payout. The Caltech administration and the Investment Committee of the Board of Trustees are dedicated to safeguarding and increasing the value of the endowment, ensuring its ability to perpetuate Caltech’s tradition of scholarship, discovery, and innovation. As with our commitment to leadership in science and technology, we are committed to excellence in our management of the endowment.

I hope that you find this a useful update, from its overviews of allocation, performance, and management to its sampling of extraordinary faculty and student achievements made possible by your support. I invite you to continue your engagement beyond this update via the links and contact information provided. Like all of my colleagues, I am deeply thankful for your support of Caltech.

Scott Richland
Chief Investment Officer
Endowment Highlights
Fiscal year 2010

• $1.6 billion in assets as of September 30, 2010
• 23 new endowed funds added
• Approximately $90 million of endowment income supported students and faculty

Uses of Endowment
Endowment income distribution by category, Fiscal year 2010
Impact of the Endowment

Each person who has contributed funds to the endowment is helping researchers and students do their very best work—and in so doing, is changing the world.

M ore than any other single factor at Caltech, it is people—faculty, students, friends, supporters—who have made the campus a worldwide center for innovation and discovery. Faculty and students come to Caltech for the opportunity to work at the forefront of science and engineering with other passionate, creative scholars. They come to use cutting-edge labs. They come for the freedom to exercise their vision. They wouldn’t find those qualities at Caltech if it weren’t for strong private support from generous donors like you.

Caltech has flourished for more than a century due to benefactors who have invested in its long-term success. It is private support—along with success in attracting grant funding, and efficient management—that allows Caltech to use the bulk of its resources to promote discovery and offer a world-class education to all qualified students regardless of their means.

Endowed gifts in particular provide freedom, flexibility, and stability. They are invested in Caltech’s Endowment Investment Pool (“endowment”). The original endowment gift is preserved as principal while a portion of the investment earnings is spent as specified by the donors. In this way, one-time gifts are managed so that they provide support to Caltech for generations to come.
Selected Research and Education Highlights
2010–2011

Keep up with Caltech at www.today.caltech.edu.
Caltech Today covered hundreds of events in 2010–11. Here is a sampling.
(Related news and feature stories are archived online.)

• Summerfield Professor Amnon Yariv awarded National Medal of Science for pioneering the field of optoelectronics
• Professor John Dabiri, whose studies of schooling fish may improve wind farms, named MacArthur Fellow
• Postdoc Robert Eagle and Sharp Professor John Eiler directly measure body temperatures of extinct vertebrates
• Department of Energy selects Caltech to lead its artificial photosynthesis Energy Innovation Hub
• Assistant professor Sarkis Mazmanian, postdoc Yunkyung Lee, and former senior research fellow Juscilene Menezes discover link between gut bacteria and multiple sclerosis
• Professor Antonio Rangel, grad student Benjamin Bushong, Kirby Professor Colin Camerer, and alumna Lindsay King prove that consumers will pay more for products they can touch
• Professor Chiara Daraio named one of 2010’s “Brilliant 10” by Popular Science for developing sound bullets that may be used in surgery, imaging, and detection of hidden damage in materials
• Team led by Schlinger Professor Mark Davis provides evidence in humans of RNA interference using targeted nanoparticles
• Hughes Professor Harry Atwater, Argyros Professor Nate Lewis, and postdoc Michael Kelzenberg create highly efficient, flexible solar cells that use 98 percent less silicon
• Assistant professor John Johnson and colleagues spot an exoplanet 80 light-years away that is only four times the size of Earth
• Faculty, students, and colleagues from around the world share cutting-edge research with a standing-room-only crowd at TEDxCaltech
• Hanish Professor Michael Aschbacher wins the Schock Prize in Mathematics
• Caltech seniors win the Mathematics Association of America’s 2011 Putnam Mathematical Competition
• Students from Caltech and Saintgits, a university in India, collaborate to develop engineering innovations that could improve quality of life for India’s poorest residents
The Tools to Expand Human Knowledge and Benefit Society

Unrestricted endowment funds—such as the President’s Priorities Fund—help Caltech respond to special opportunities, hire faculty, provide cutting-edge labs and instruments, and support particularly innovative research and educational collaborations.

Institutes and centers enable Caltech to address the most urgent, challenging problems our society faces and to lead in fast-growing areas of science and engineering. Faculty members strategically apply these funds, customizing a suite of tools—such as fellowships, workshops, lectures, professorships, and seed funds—to expand knowledge in key areas.

Professorships are held by world-class scholars. Named chairs recognize and sustain extraordinary achievement.

Visiting professorships bring distinguished researchers to campus, expanding teaching resources and giving faculty opportunities to work closely with distant colleagues.

Undergraduate scholarships support Caltech’s need-blind admissions policy and allow students to focus on their studies without accumulating financially crippling debt.

Graduate fellowships help Caltech attract and support the very best graduate students—future leaders who will influence science, technology, and society.

Postdoctoral fellowships enable Caltech to offer Outstanding young PhDs incomparable early career opportunities to address major challenges in a period of dedicated research.

Discovery funds act as venture capital for time-sensitive, forefront research, supporting the work required to turn an inspiration into a successful prototype or proven result.
Stewardship

The Caltech Board of Trustees and senior administrators share stewardship responsibilities for the endowment. The Investment Committee of the Board of Trustees provides oversight, authorizes investment strategy, sets policy, approves asset allocation targets, and reviews overall investment performance. The Committee balances support for current academic and research programs with preservation of long-term value that will enable Caltech to meet its future needs.

Investment Committee of the Board of Trustees

Stephen A. Ross (BS ’65)  
Franco Modigliani Professor of Finance and Economics, MIT  
Chairman, Compensation Valuation, Inc.

Chair

Ronald K. Linde (PhD ’64)  
Chair, The Ronald and Maxine Linde Foundation  
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Advisor

Ronald P. Spogli  
President and CEO, Freeman Spogli & Co.; former U.S. ambassador

Advisor

Scott H. Richland  
Chief Investment Officer, California Institute of Technology

Advisor

Dean W. Currie  
Vice President for Business and Finance, California Institute of Technology

Advisor
Endowed gifts are invested in the consolidated endowment investment pool, a fund allocated among more than 75 leading investment managers diversified across virtually every asset sector. With the oversight and approval of the Investment Committee, Caltech’s Investment Office selects and monitors the performance of the various investment managers.

During the fiscal year ending September 30, 2010, the endowment generated a total return of 10.2 percent. This compares favorably to a benchmark portfolio of 75 percent stocks and 25 percent bonds, which provided a return of 7.5 percent for the same period. The endowment’s cash balances were built up in 2008 in response to severe market conditions. Cash balances are being prudently redeployed into investments over time, though portfolio liquidity remains a priority.

20-Year Performance

From July 1, 1990, to June 30, 2010, Caltech’s endowment earned a 9.2 percent annual compound return. A benchmark based on reports from 111 universities showed a median 8.8 percent return over the same period. Over those 20 years, the S&P 500 returned 7.7 percent annualized.
Consistent with contemporary endowment management practices, Caltech’s investment and spending policy focuses on total return (income plus capital gains) and preservation of capital. The objective is to maximize long-term total investment return, growing the purchasing power of the principal and providing for predictable spending that increases over time.

As part of the budget process for Caltech, the Board of Trustees establishes an endowment payout on an annual basis. In accordance with a policy reviewed annually by the Board, Caltech ensures the success of these funds by directing a specified portion of the authorized payout of each fund to academic program support, administration, and infrastructure. Individual gifts added to the endowment purchase shares in the endowment investment pool and share proportionately in the total return of the endowment’s investments. The distributable amount of payout is budgeted to each spending account at the beginning of each fiscal year.

The majority of funds within the endowment —approximately 67 percent—are restricted to their donors’ designated purposes. Each of these funds benefits specific programs, departments, divisions, centers, or institutes, as stipulated by the donor.

Above: Specially equipped aircraft enable vital research on atmospheric chemistry and air pollution.
If you would like more information about the Caltech endowment, please contact

Scott Richland
Chief Investment Officer
(626) 395-2141 / scott.richland@caltech.edu

This update was prepared by the Office of Donor Relations in Development and Institute Relations, in conjunction with Caltech’s Investment Office and Business and Finance Office. Reports for the nearly 1,100 individual endowment funds within the Consolidated Endowment Fund are available, upon request, to the funds’ donors.
Each individual endowment starts with an idea and a hope.