

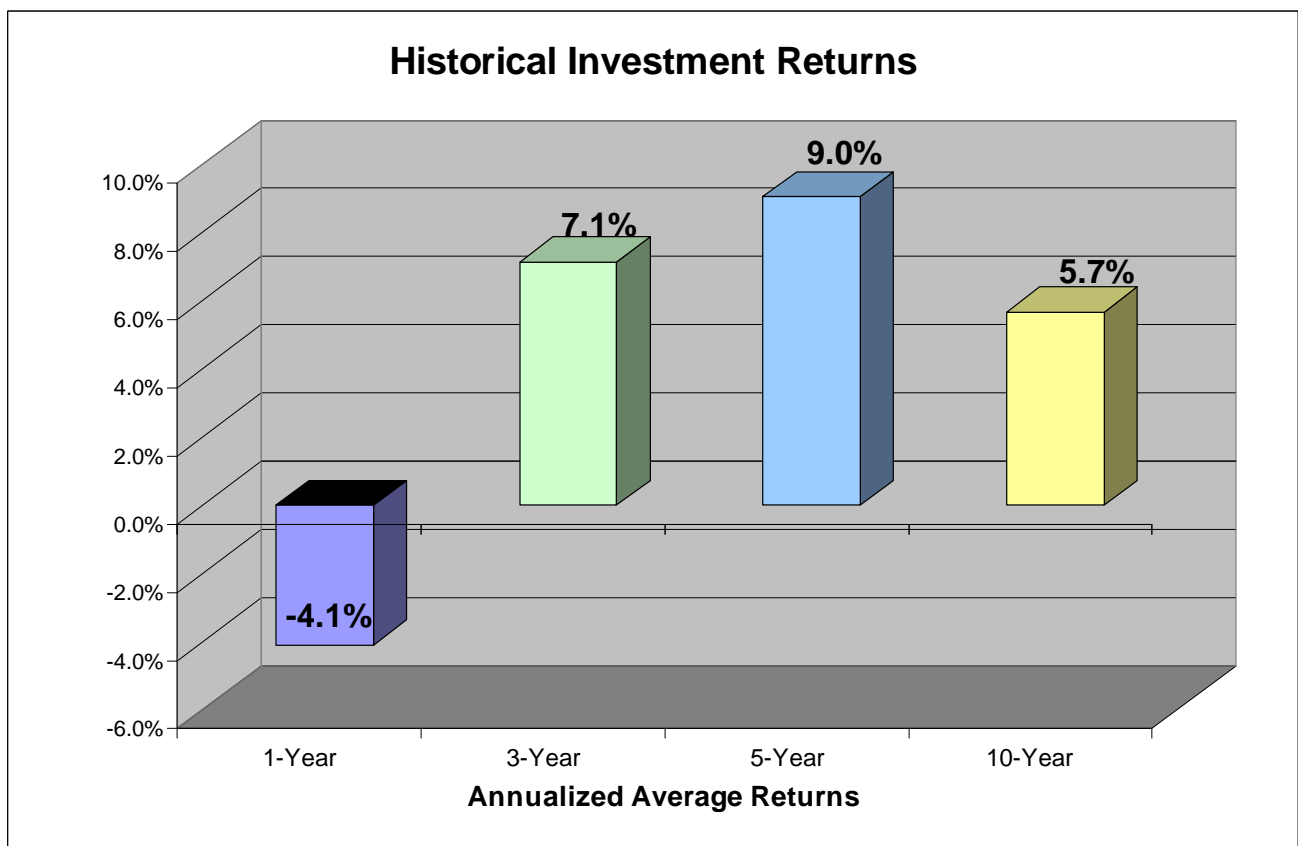
**Recap of Foundation Investment Performance for the Quarter Ended December 31, 2008:**

For the 6-month period ended December 31, 2008, the Foundation's had a loss of 23.7%, which is equivalent to approximately \$30.7 million of realized and unrealized losses. The Foundation's fiscal year-to-date losses are comprised of a 29.0% loss on equities, a 0.1% loss on fixed income investments, and a 27.8% loss on alternative investments. These losses are comparable to the losses being recorded by other university endowments across the country.

**Foundation Investment Policies:**

The Foundation's current asset allocation consists of 48.9% of the total amount invested in equities, 20.9% of the total amount invested in fixed income, and 30.2% of the total amount invested in alternative investments. The comparable target allocations set forth by the Foundation's Asset Allocation Policy (modified and approved in September 2007) are as follows: 50% to equities, 18% to fixed income, and 32% to alternative investments. Modest variations in allocation compared to policy are routine, particularly in the volatile markets we are currently experiencing.

As a reminder, the Foundation's unrestricted, temporarily restricted and permanently restricted funds are pooled together so that any gains/losses affect all funds in accordance to the ratio of those funds to the total amount invested. It is the Board of Directors' policy to assume responsibility for the unrealized and realized gains/losses related to unrestricted and temporarily restricted accounts. In the same manner, all endowment gains/losses affect endowment balances.



## Quarterly Commentary:

Financial markets worldwide continued to struggle during the fourth quarter of 2008 with most investment categories declining substantially. A steady stream of negative news related to the global financial crisis discouraged investors, hindered the fortunes of companies across the industrial spectrum, and prompted unprecedented response actions by governments and central banks in the US and abroad. Some of the factors that characterized one of the most challenging quarters in modern history were:

- ongoing weakness in the housing market
- scarcely available credit
- the well-publicized difficulties of large financial services companies and U.S. automakers
- the largest government bail-out in US history (\$700 billion for the financial sector plus an additional \$17.4 billion for auto makers)
- the multi-billion securities fraud scheme by Bernard L. Madoff (estimated at over \$50 billion)
- high unemployment rate
- a soft retail environment throughout the holiday season
- declining commodity prices, particularly energy

Below is information on index return for the as of 12/31/08.

### **Market Performance as of 12/31/08**

<b>Index</b>	<b>4Q 2008</b>	<b>One Year</b>	<b>Five Years (annualized)</b>	<b>Ten Years (annualized)</b>
Barclays Capital Aggregate (bonds)	+4.57%	+5.24%	+4.65%	+5.63%
DJIA	-19.12%	-33.84%	-3.44%	-0.45%
S&P 500	-21.96%	-37.01%	-2.19%	-1.38%
NASDAQ Composite	-24.61%	-40.53%	-4.67%	-3.24%
Russell 2000	-26.12%	-33.80%	-0.93%	+3.02%
MSCI-EAFE	-19.96%	-43.39%	+1.66%	+0.80%

### **What this means for FIU**

The FIU Foundation's investment portfolio has not been immune to the negative market conditions suffered through 12/31/08, and unfortunately, the markets have continued in a downward spiral in January, continuing to worsen the Foundation's financial position. Collins Capital, one of the Foundation's hedge fund managers, had exposure to the fraudulent actions of Bernie Madoff through an investment in the Rye Select Broad Market Prime Fund to the tune of 5.8% or 0.36% of Foundation investments. This represents about a \$375,000 in realized losses to the Foundation. We are in uncharted territory and have started taking measures to reduce unnecessary spending. Based on a recent endowment analysis conducted by our staff, 76% of our endowments would be underwater (a market value that is less than the original endowment) at year-end based on the investment earnings through 12/31/08. This would prevent any of these endowments from receiving a distribution at year-end for spending in 2009-10, in accordance with our current Endowment Reserve Policy. As such, we are advising all departments to be prudent in their spending and save operating dollars whenever possible in order to remain viable in the near future. If you have any questions, please do not hesitate to contact our office.