

December 14, 2009

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, 2008 through October 31, 2009. The Investment Funds were made available pursuant to §12-1-12b of WV Senate Bill 603.

Included herein is an Investment Commentary, Market Overview, and Portfolio Review for the 12-month period, detailing the investment assets under management and their 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,

Dale M. Hunt
Vice President & Chief Investment Officer

Investment Commentary

“When you get into a tight place and everything goes against you, til it seems as though you could not hang on a minute longer, never give up then, for that is just the time and place when the tide will turn.”

Harriet Beecher Stowe

The 12 months ended October 31, 2009 was one of the most extraordinary investment periods in our lifetime. Never before had we witnessed an environment in which there were such swift and severe market losses affecting most asset classes and regions globally, followed by a robust rally. One of our investment managers described the markets’ behavior during this period as a ‘schizophrenic journey.’

During the third calendar quarter of 2008, the financial crisis accelerated. The repercussions from the events of September 2008, particularly the failure of Lehman Brothers, set the stage for one of the worst seven week periods in memory. An ‘every man for himself’ mentality set in, as investors sought to preserve whatever capital was left. After losing 17% in October, the markets stabilized somewhat from mid-November through December, but the S&P 500 Index still recorded a 37% loss for 2008.

Volatility continued to rule the markets during the first calendar quarter of 2009. The release of weak data points led economists to revise downward their estimates for global GDP growth. In response, investors’ risk aversion soared and equity markets fell sharply during the first two months of the year. The S&P 500 Index lost 8.4% in January and another 10.7% in February, one of the worst two-month starts to any year ever. The equity markets initially continued their heavy losses into early March. However, with the announcement of the government’s aggressive quantitative easing program, the markets rallied and erased most of the losses from January and February.

From March 9th onwards, the markets mounted a major rally on expectations that the end of the recession was in sight. From March through May, the S&P 500 Index rose over 23%, and the credit markets responded in similar fashion. The rally lasted until the middle of June, when investors became skittish again about rising default rates, growing unemployment, and the anticipation of weak corporate earnings.

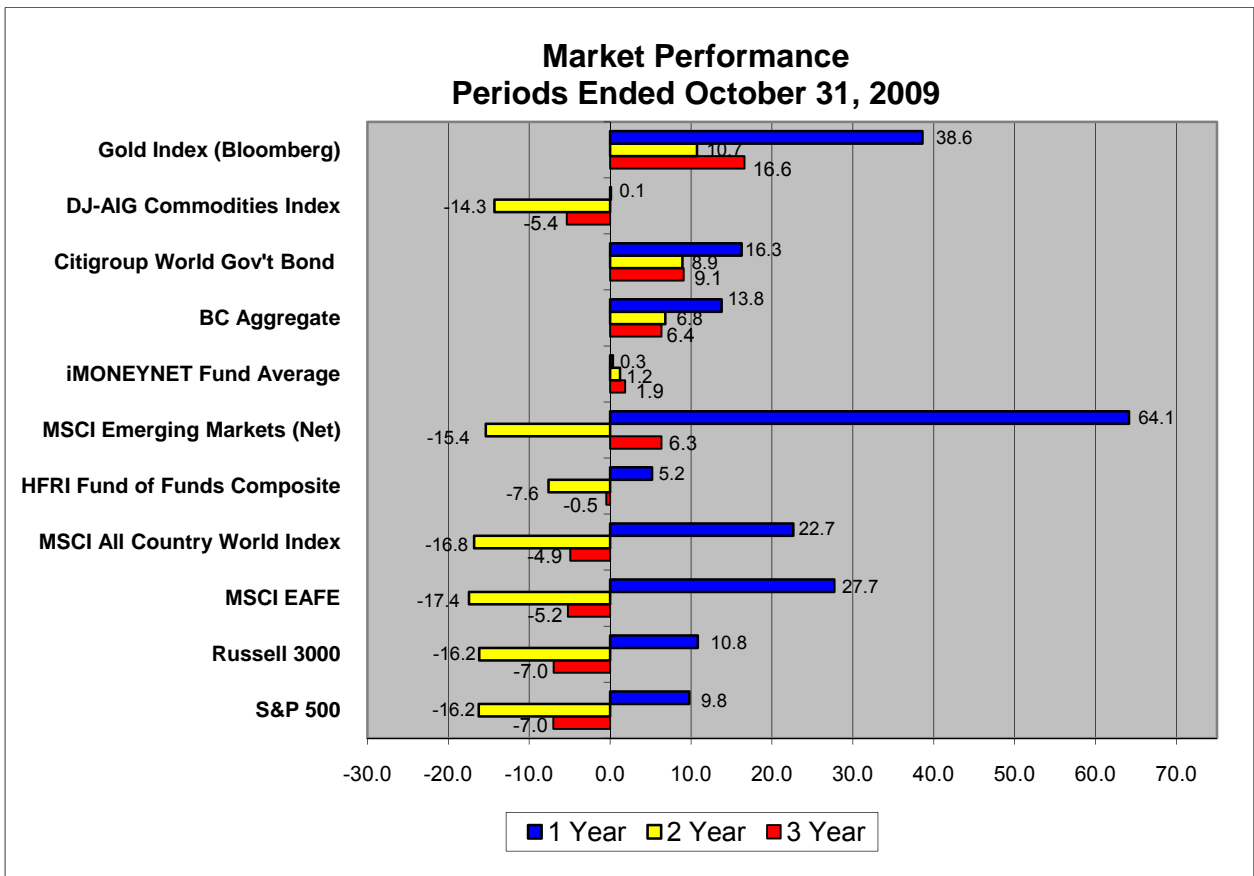
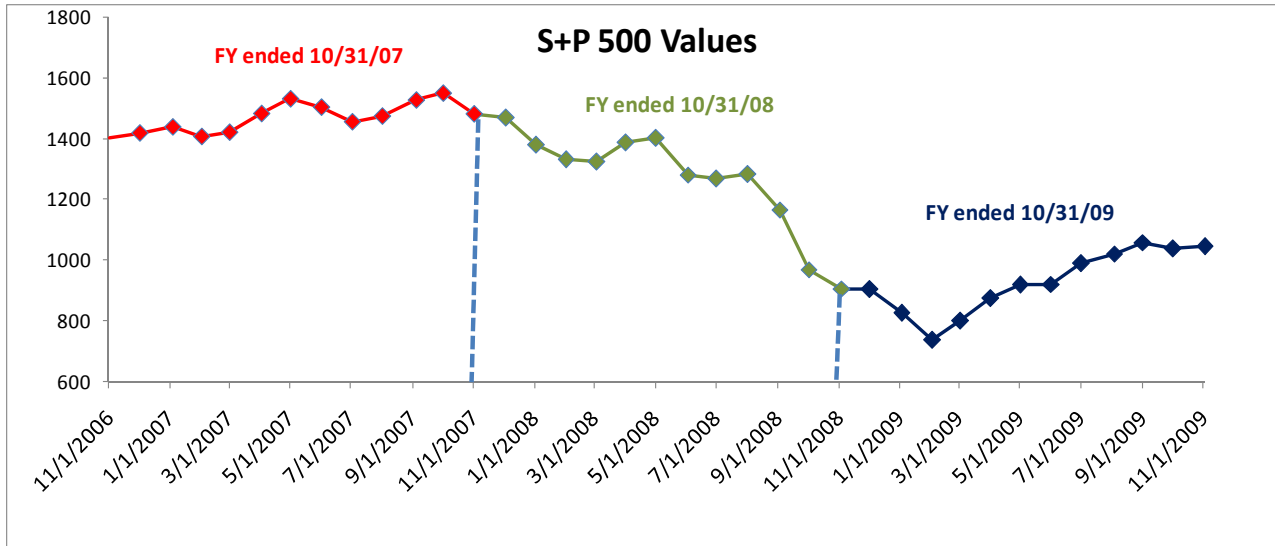
The equity and credit markets continued to move higher again in July, August and September, with ample liquidity being the principal driver behind the rally. Sensing that a recovery was underway, and that central bank policy would remain accommodative, investors began to shift some cash back into ‘riskier’ assets, driving prices higher. It was not until the end of October that the markets experienced a sharp decline, resulting in the first monthly losses since February. Market commentators characterized the surge in volatility as a flight from ‘risk assets’ (equities, commodities, and currencies). However, there was not any single factor that appeared to be guiding investor action at the end of October.

As we enter 2010, it is likely that the road ahead will be bumpy, with a mix of rallies and pull-backs. The best way forward is to *“Keep Calm and Carry On”*.¹

¹Motivational slogan developed by the British Government’s Ministry of Information in 1939.

Market Overview

The following charts display (i) the change in value of the S&P 500 Index over the three-year period since inception of the Investment Funds program, and (ii) the performance of key market indices for the one-, two-, and three-year periods ended October 31, 2009.



Portfolio Review

Investment Assets under Management: At October 31, 2009, the value of the Investment Funds' portfolio was \$28.1 million (10/31/08: \$20.8 million). During October 2009, \$4.0 million of additional funds were added to the portfolio, but there were no other transfers in or out of the pool during the year.

Asset Allocation: At October 31, 2009, the total equity and fixed income and alternative investment components were in line with the target allocations and policy ranges as outlined in the Investment Policy.

	Actual Allocation %	Target Allocation %	Policy Ranges %
<u>EQUITY:</u>			
U.S.	28.7	25.0	(20-30)
International	5.2	5.0	(3-7)
TOTAL EQUITY:	33.9	30.0	(25-35)
<u>FIXED INCOME & ALTERNATIVES:</u>			
U.S. Bonds	43.7	50.0	(45-55)
Global Bonds	4.4	3.0	(2-5)
TIPS ¹	0.0	3.0	(2-5)
High Yield ¹	0.0	2.0	(0-4)
Real Assets (Commodities & Real Estate)	5.5	4.0	(2-6)
Hedge Funds	5.4	4.0	(0-6)
Cash	7.1	4.0	(0-5)
TOTAL FIXED INCOME & ALTERNATIVES	66.1	70.0	(65-75)

¹ Some exposure in U.S. Bonds ($\leq 5\%$).

Performance: For the 12-months ended October 31, 2009, the Investment Funds earned \$3.4 million, resulting in a 16.3% return for the year. For this same period, the S&P 500 gained 9.8%, while the BC Aggregate Bond Index rose 13.8%. For comparative purposes, the Investment Funds outperformed a blended benchmark (34% S&P 500/66% Barclays Aggregate) by 390 basis points. Since inception of the Investment Funds' program in November 2006, the S&P 500 Index has generated a three-year annualized return of -7.0%, as compared to the -0.9% return of the Investment Funds.

Equities: At October 31, 2009, the equity component (33.9% of the total portfolio) was invested in four funds: *The Commonfund Multi-Strategy Equity Fund*, *Dodge & Cox Stock Fund*, *Dodge & Cox International Stock Fund*, and *The Commonfund Core Equity Fund* (since October 2009).

The Commonfund Multi-Strategy Equity Fund (13.6% of the total portfolio) returned 18.5% for the 12-month period, as compared with 9.8% for the S&P 500 Index. The fund benefited from an increased exposure to opportunistic, active managers whose stock-picking skills allowed them to identify undervalued, but fundamentally sound, equities. Strong stock selection in the financial, energy, and healthcare sectors outperformed the benchmark. The fund's international and emerging markets equity exposure (approximately 20% of the fund) added significant relative value. In addition, during the severe market downturn early in the year, the portfolio's hedge fund exposure provided much needed downside protection.

Dodge & Cox Stock Fund (8.3% of the total portfolio) returned 14.4%, as compared to 9.8% for the S&P 500 Index. After a difficult 2008, the fund rebounded strongly in 2009 thanks to (i) its holdings in the energy sector, (ii) a higher average weighting than the index in the consumer discretionary sector; and (iii) positive stock selection in the telecommunication services sector. In addition, an 18% exposure to foreign stocks also added incremental value.

Dodge & Cox International Stock Fund (5.2% of the total portfolio) returned 36.9%, as compared with the 27.7% return of the MSCI EAFE Index. Similar to its U.S. counterpart, the fund underperformed in 2008 but recovered in 2009. The fund's performance was helped by strong stock selection across all sectors. The fund's patience in holding onto some of the weakest performers in 2008 paid off as these securities rebounded dramatically. In addition, the fund's 21% exposure to emerging markets added significant value as these markets rallied.

The Commonfund Core Equity Fund (6.8% of the total portfolio) was added to the portfolio at the end of October. Using four sub-advisors, the fund invests primarily in large cap U.S. equities and is benchmarked against the S&P 500 Index. For the 12-months ended October 31, 2009, the fund returned 13.9% as compared with 9.8% for the index.

Fixed Income: The fixed income component (48.1% of the total portfolio) was invested in four funds: *Income Research & Management*, *The Commonfund Multi-Strategy Bond Fund*, *Vanguard Bond Index Fund*, and *Brandywine Global Fixed Income*.

Income Research & Management (26.5% of the total portfolio) returned 20.3% for the 12-month period, as compared with the 13.8% return of the Barclays Aggregate Bond Index. In 2008, the fund was hurt by its lack of exposure to U.S. government bonds and an overweight allocation to credit-oriented strategies. As 2009 progressed, however, the fund was able to benefit from its exposure to credit product, such as corporate bonds, as spreads tightened relative to U.S. Treasuries. Non-agency mortgages and asset-backed securities also benefited from government-supported programs, such as TALF and PPIP.

The Commonfund Multi-Strategy Bond Fund (11.7% of the total portfolio) returned 17.1% for the one-year period, as compared to the 13.8% return of the Barclays Aggregate Bond Index. The fund's core strategy outperformed the index, as its corporate investment grade exposure outperformed government bonds. Global exposure also provided a diversification benefit, as several currency and bond markets gained relative to the U.S. fixed income markets.

Vanguard Bond Index Fund (5.5% of the total portfolio) was added to the portfolio at the end of July 2009. This fund is designed to more closely track the Barclays Aggregate Bond Index, and therefore will typically have a market weighting in U.S. Treasuries (which was an underweight allocation elsewhere in the portfolio). For the one-year period ended October 31st, the fund returned 13.9% (versus 13.8% for the index).

Brandywine Global Fixed Income (4.4% of the total portfolio) returned 26.5% compared to the 16.3% return of the Citigroup World Government Bond Index. Developed sovereign bond markets rallied toward the latter part of the 12-month period, as inflation fears and global growth concerns moderated. The best performing currencies were non-U.S. dollar bloc countries, such as Australia, New Zealand and Canada. The fund's significant exposure to corporate bonds, which had detracted from performance in 2008, contributed positively as spreads narrowed.

Alternative Investments: At October 31, 2009, the portfolio's alternative investment exposure (5.4% of the total portfolio) was invested in two hedge fund-of-funds, *The Commonfund Absolute Return Fund* and *Robeco-Sage Capital International*.

The Commonfund Absolute Return Fund (0.6% of the total portfolio) returned 15.3% for the 12-month period. This compares with a 2.2% annual return for 3-month U.S. Treasury Bills plus 200 basis points, the fund's benchmark. Effective March 31, 2009, this fund was closed by *The Commonfund* and proceeds are being distributed back to investors. As of October 31st, 90.3% of the investment had been returned.

Robeco-Sage Capital International (4.9% of the total portfolio) returned 5.0% for the 12-month period, as compared with the 5.2% return of the HFRI Fund of Funds Composite. One-third of the fund's assets were invested in event-driven strategies; 31% each in long-short equity and trading strategies; and 5% in cash. Not surprisingly, the fund was defensively positioned going into 2009, and lagged the strong rally in equities which started in March.

Gold: At October 31, 2009, the portfolio held a 5.5% position in the SPDR GLD ETF, which appreciated 43.7% for the one-year period.

Cash: At October 31, 2009, 7.1% of the portfolio was invested in short-term money market and government securities funds at *The Commonfund* and *State Street*.

WVU UNRESTRICTED INVESTMENT FUNDS

Summary of Assets Under Management/Performance through 10/31/09

	Market Value (\$) at 10/31/09	Percentage of Fund (%)	Returns (%)		
			1 Year	2 Year Annualized	ITD
Equities: (Inception Date)					
CF MULTI STRATEGY EQUITY FUND (10/2007) <i>S&P 500</i>	3,803,729	13.6	18.5 9.8	-14.0 -16.2	-12.2 -15.0
CF CORE EQUITY (10/2009) <i>S&P 500</i>	1,911,238	6.8	13.9 ¹ 9.8 ¹	-15.9 ¹ -16.2 ¹	N/A N/A
DODGE AND COX STOCK FUND (12/2006) <i>S&P 500</i>	2,342,656	8.3	14.4 9.8	-19.0 -16.2	-12.0 -7.8
DODGE AND COX INTERNATIONAL STOCK FUND (07/2007) <i>MSCI EAFE (NET)</i>	1,472,623	5.2	36.9 27.7	-15.5 -17.4	-12.3 -12.9
U. S. Fixed Income: (Inception Date)					
INCOME RESEARCH & MANAGEMENT (12/2006) <i>BC AGGREGATE</i>	7,433,752	26.5	20.3 13.8	7.5 6.8	6.2 6.1
CF MULTI STRATEGY BOND FUND (10/2007) <i>BC AGGREGATE</i>	3,287,052	11.7	17.1 13.8	4.5 6.8	4.8 7.0
VANGUARD TOTAL BOND FUND (08/2009) <i>BC AGGREGATE</i>	1,537,691	5.5	13.9 ¹ 13.8 ¹	7.0 ¹ 6.8 ¹	2.7 2.6
Non-U.S. Fixed Income: (Inception Date)					
BRANDYWINE GLOBAL FIXED INCOME (12/2006) <i>CITIGROUP WORLD GOV'T BOND</i>	1,240,101	4.4	26.5 16.3	6.0 8.9	7.4 8.4
Real Assets: (Inception Date)					
SPDR GOLD (04/2009)	1,534,220	5.5	43.7 ¹	14.2 ¹	17.5
Cash Equivalents: (Inception Date)					
CF SHORT TERM FUND (11/2006)	50,575	0.2	7.8	5.1	5.3
STATE STREET CASH ACCOUNT (12/2006)	1,860,171	6.6	0.7	2.0	3.0
GOVERNMENT SECURITIES FUND (10/2008)	89,216	0.3	0.1	N/A	0.1
Alternative Investments: (Inception Date)					
CF ABSOLUTE RETURN FUND (2/2008)	153,496	0.6	15.3	-1.9 ¹	-0.7
ROBECO-SAGE CAPITAL INTERNATIONAL (12/2006)	1,365,451	4.9	5.0	-7.5	-2.4
Total Portfolio:	28,081,970		16.3	-4.4	-0.9

¹ For informational purposes only.