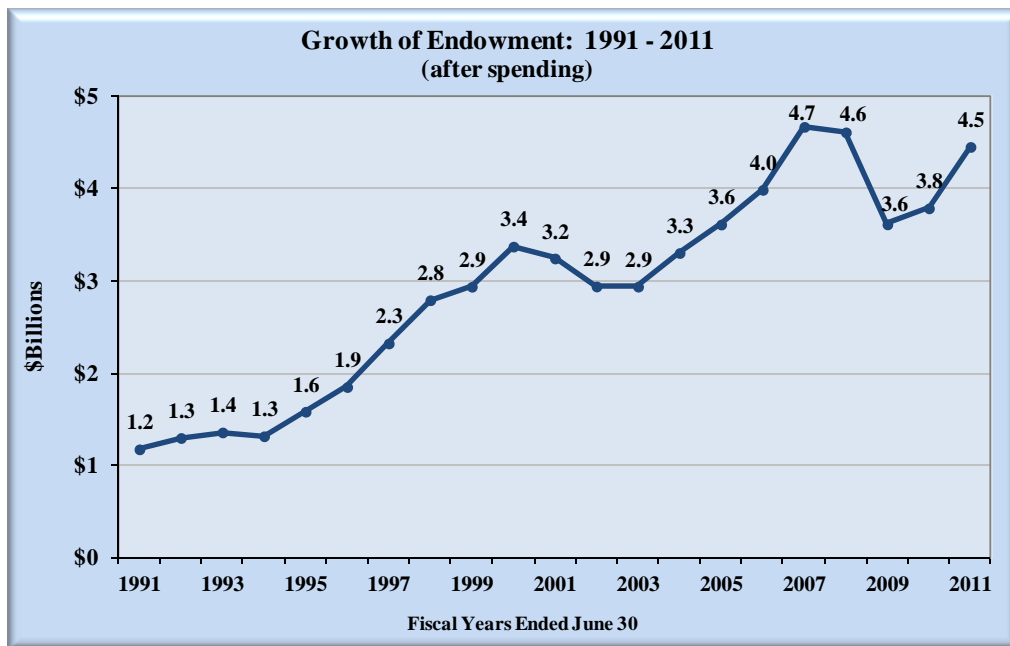




The Rice University Endowment Fiscal Year 2011 Update

Current Year Performance

The Rice Endowment had a very strong year posting a 22.4% investment return for the fiscal year ended June 30, 2011. This year's investment return marks the highest one-year return for the endowment since recording a 23.8% return in fiscal year 1998. The endowment ended with a value of \$4.45 billion at June 30, 2011, about \$220 million shy of the fiscal year-end high of \$4.67 billion at June 30, 2007. This year's investment return was strengthened by excellent returns in energy and natural resources investments, publicly traded equities, and private equity and venture capital. Graphic 1 shows endowment value over the past 20 years.



Graphic 1

Fiscal Year 2011 Change in Endowment Value

Endowment value at fiscal year-end 2011 was \$4.45 billion, compared to \$3.79 billion at the beginning of the fiscal year. Graphic 2 shows the various components of the change and their impact on the overall endowment value.

	Change in Value (<u>\$millions</u>)
Market Value @ June 30, 2010	\$3,787
Endowment investment returns	834
Endowment gifts	50
Endowment spending	<u>(220)</u>
Market Value @ June 30, 2011	<u>\$4,451</u>

Graphic 2

Importance of Endowment Gifts

Rice's endowment has benefited from strong investment returns over time, but the endowment would not be where it is today without the continued addition of new gifts from generous donors. New endowment gifts ensure perpetual support for their purposes and help provide for program enhancements over time. Graphic 3 shows actual endowments established at Rice at different times over the past 50 years, the initial gift that established the endowment, the significant amount of distributions they have funded since inception and the remaining value at June 30, 2011.

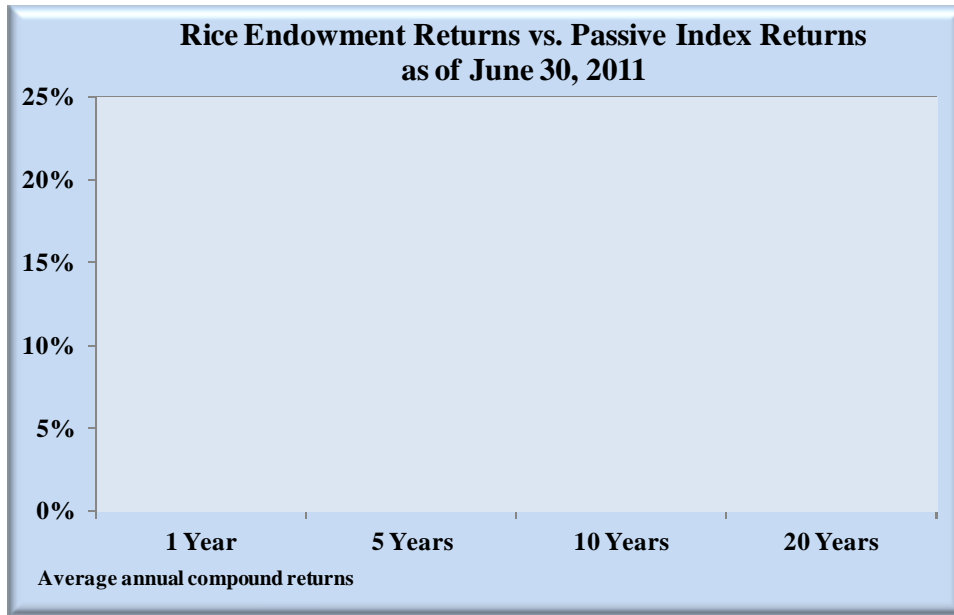
	Endowment A	Endowment B	Endowment C
Year Established	1960	1980	2000
Original Gift	\$21,197	\$44,319	\$150,000
FY 2011 Distribution	\$13,797	\$15,542	\$8,347
ITD Distributions	\$213,163	\$240,617	\$56,842
6/30/11 Market Value	\$267,676	\$298,428	\$200,657

Graphic 3

Endowment A established 50 years ago has been able to pay out 10 times its original gift value and still has a remaining market value of \$267,676 at June 30, 2011, more than 12 times the original gift amount. This illustrates how endowments provide perpetual and increasing support for specific programs or for the university in general over time.

Investment Performance

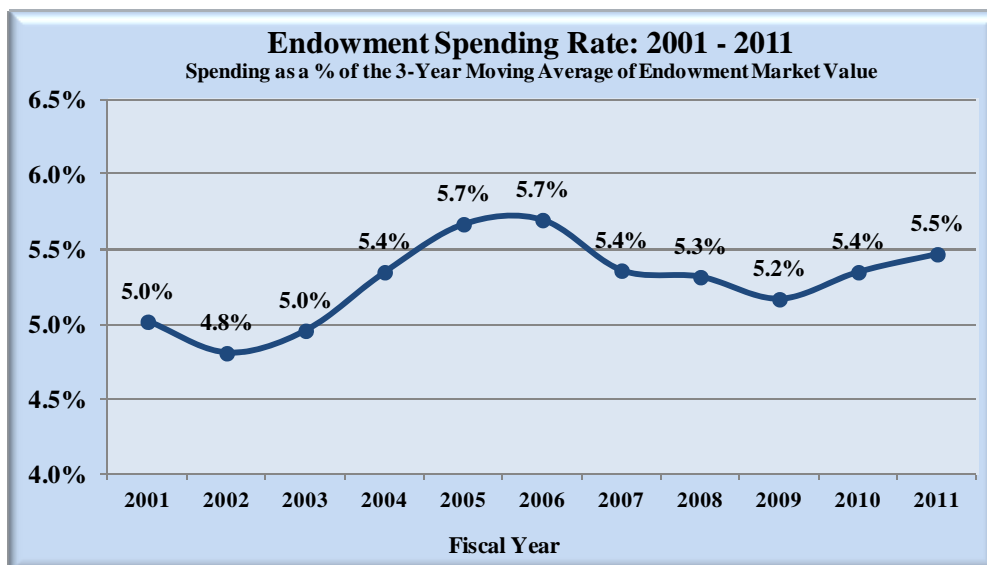
Based on preliminary published returns from other private universities, Rice's investment return of 22.4% for fiscal year 2011 ranks near the top of that list. Rice's endowment is diversified across many asset classes and is actively managed by more than 100 investment managers. Asset allocation and diversification are the foundations of the investment process and are critical to managing the endowment through different economic cycles. Active management has paid dividends as Rice has outperformed a passive index over 5-, 10-, and 20-year periods as shown in Graphic 4 below.



Graphic 4

Endowment Spending Policy

Rice’s endowment spending policy governs the rate at which funds are released from the endowment for current spending. The policy attempts to balance the current resource needs of Rice with the long-term objectives of preserving the purchasing power of the endowment for future generations and to ensure reasonable year-over-year stability of future endowment payouts. The policy provides for an endowment spending level between 4% and 6.5% of the 3-year average endowment market value, with a targeted range of 4.5% to 5.5% in the intermediate term. Using a 3-year average market value in the calculation helps to dampen the volatility in the annual endowment distribution. Graphic 5 shows Rice’s endowment spending rate over the past 10 years.



Graphic 5

Endowment Pool

The endowment is a consolidated investment pool composed of a large unrestricted endowment (approximately 54% of the total endowment) and more than 1,500 funds with restricted purposes. Accounting for the pool operates similarly to a mutual fund, with each individual fund given credit for a proportionate share of the gains and losses earned by the pool. Endowment gifts are bought into the consolidated pool the month they are received. Subsequently, the gift earns the same investment return as the endowment pool.

The Rice endowment ranks in the top 20 endowments of private research universities (by market value) in the U.S. The endowment funds are the permanent capital of the university, established to provide a perpetual source of revenue for current operations and certain capital needs.