

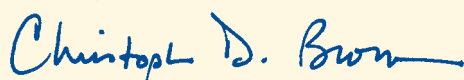
A Message from the Chief Investment Officer

In a time of financial market unrest, Bucknell University remains committed to our increased communication about the investment activities of the endowment fund. Our goal is to keep you informed about our long-term investment objectives and results. To that end, I am pleased to provide you with this financial report for the first half of the 2008 fiscal year, which updates the full endowment report published in the fall of 2007.

The Committee on Investments of the Board of Trustees is analyzing the global economic outlook and investment opportunities available as a result of the dislocations in the markets. Our long-term time horizon enables us to look past the frenzy of daily market volatility, and invest rather than trade. The efforts of this group of dedicated stewards are greatly appreciated.

Bucknell is also extremely grateful to its donors, past and present, and looks to manage the endowment fund carefully and thoughtfully. With your continued support, the University will achieve its vision to provide students with the premier undergraduate experience in American higher education.

Sincerely,



Christopher D. Brown '81, CFA

Commentary for the six months ended December 31, 2007

Bucknell University's endowment performed well through a choppy first six months of the fiscal year. The U.S. equities markets provided negative returns, in a range of -1.4 percent for the S&P 500 to -12.6 percent for the smaller capitalization Russell 2500 Value index. Despite these downturns, the endowment fund returned +1.3 percent, aided by our diversification into multiple markets and asset classes.

The non-U.S. equity markets fared better than their U.S. counterparts. During the six-month period, the Morgan Stanley international equity index (ACWI ex-U.S.) returned +4.0 percent, aided in part by the weak U.S. dollar. Particular strength came from emerging markets, which returned +18.6 percent.

While hedge funds were increasingly subject to regulatory and financial press scrutiny, as an overall asset class they performed well, returning +1.9 percent, as measured by the Hedge Fund Research index¹. We have taken a diversified approach to hedge fund investing, participating in different strategies with multiple managers.

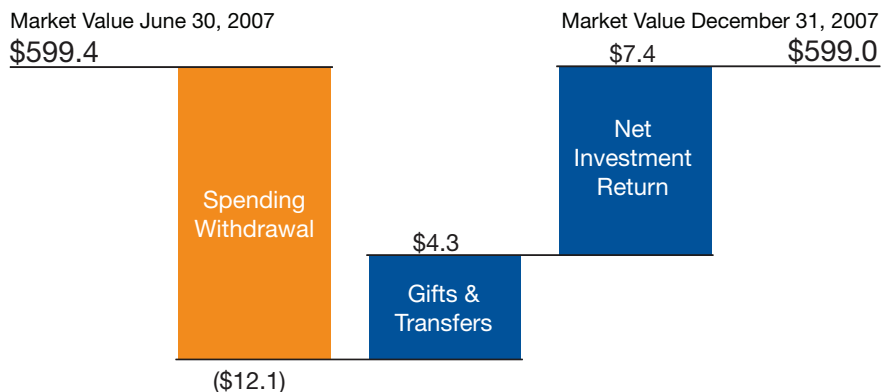
The total endowment value at December 31, 2007 was \$599.0 million. What appears to be a modest change from its value at June 30th belies a considerable amount of activity, depicted in the adjacent chart. Total distributions exceeded \$12 million, funding scholarships, grants, and University operations. The fund was supplemented by gifts and transfers of \$4.3 million, and investment performance of approximately \$7.5 million.

The endowment fund increased its allocation during the six-month period to Hybrid assets and Inflation-Protection assets by +2 percent and +1 percent, respectively, and decreased its allocation to Low Volatility assets by -3 percent. This change primarily reflected the termination of a Low Volatility hedge fund manager. We kept a portion of the proceeds in cash, while deploying the remainder to an Asian-concentrated hedge fund.



TOTAL ENDOWMENT ACTIVITY

Six months ended December 31, 2007



¹Source: HFR Fund of Funds index, Hedge Fund Research Inc., ©HFR, Inc. [12-31-2007], www.hedgefundresearch.com

The Return to Normalcy — 2008 Brings New Challenges

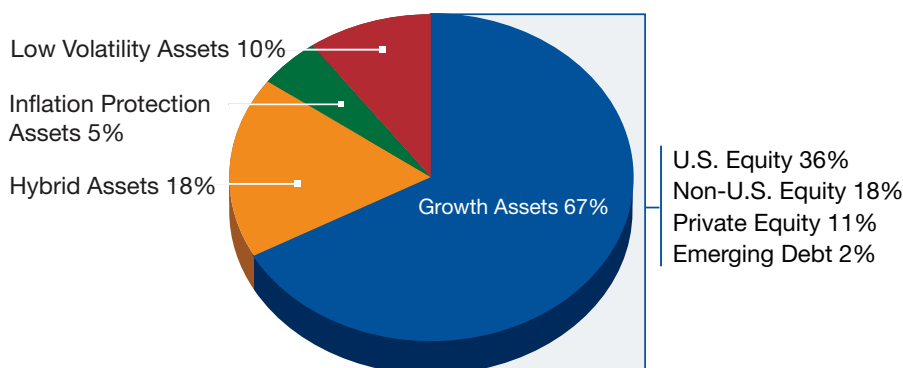
The emotional volatility of markets is often depicted as a pendulum, swaying between the extremes of fear on one side and greed on the other. Strong corporate profit growth and reasonable interest rates had pushed the major equity market averages to new highs in the latter part of 2007. But the New Year has ushered in worries about a potential recession, as well as concerns for the overall banking system, prompting the Federal Reserve to aggressively lower interest rates. This in turn has sparked fears of inflation, with the U.S. dollar remaining weak, and commodity prices rising rapidly. We would argue that all of this represents a return to normal, with risk being priced back into the markets and the pendulum of emotion swinging along its familiar path.

In fact, the abnormal time was from late 2002 into early 2007, when the U.S. equity markets moved higher in almost a straight line, without so much as a 10 percent correction. Fear lay dormant as the appetite for risk-taking grew, as evidenced by the decline in the quality of lending practices. Credit creation was limited only by the imagination of the financiers.

With the market's move back to more normal levels of appreciation for risk, fiscal 2008 returns promise to be nothing like the last five years, which saw a near doubling of the endowment fund. Bucknell is fortunate that the Committee on Investments, charged with oversight for the endowment, has positioned the portfolio for the long term, but with an eye toward weathering short-term volatility. We intend to use times of stress and dislocation to our advantage, committing capital to opportunities that will protect and grow the endowment for years to come.

ASSET ALLOCATION

December 31, 2007



The Burgee Memorial Scholarship Fund

The founders of Bucknell supported openness to diversity in all its forms and established a culture of strong faculty-student interaction. Today, the Clyde E. Burgee Memorial Scholarship Fund exemplifies both of these core University values.



Clyde E. Burgee

Established in the 1970s by Samuel H. Woolley '32 and other former students and friends of Professor Clyde E. Burgee, the scholarship generates aid for needy students majoring in accounting and economics.

Burgee, who taught at Bucknell for 34 years, died in 1970, six years after his retirement as the Charles P. Vaughan Professor of Economics. Woolley studied under Burgee before embarking on a career in banking, which culminated in becoming chairman of the board of the Bank of New York and serving as a member of the University's Board of Trustees. After Burgee's death, Woolley led a fundraising campaign to create an academic memorial to help others obtain an education in the fields that meant the most to the professor - accounting and economics.

"When Professor Burgee came to Bucknell in the early 1930s he brought a love of knowledge, a high level of scholarship, and an excellence of teaching which caught the imagination of all who came in touch with him," Woolley once said.

Phil Roy '42, trustee emeritus and consistent supporter of the scholarship, agrees. He describes Burgee as the professor having the greatest impact on him during his time at Bucknell.

Thanks to the generous support of numerous donors, the Burgee Memorial Scholarship has grown substantially in value over the years, reaching a total market value of more than \$3 million, and has provided academic financial support for 68 Bucknellians to date, and many more to come.

Bucknell
UNIVERSITY

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