Dear Khyentse Foundation supporters, staff, and well wishers,

First of all, I would like to offer my deep appreciation and gratitude for your continuous generosity and one-pointed commitment even in these difficult times.

Our vision and mission are an attempt to put the infinite Bodhisattva path into practice. Past masters have taught us that at all times, and especially during difficult times, one must renew one’s pledge to serve the Buddhadharma and sentient beings. I consider the activity of Khyentse Foundation to be at least an aspiration to follow that teaching.

As followers of the Buddha, we also must not forget that we can and we should have an alchemist’s attitude of turning difficult times into something profitable and beneficial, not only for us as individuals but for many beings. I do pray and I have absolute confidence that by the blessings and aspirations of the Buddhas and Bodhisattvas and our Gurus, whatever we undertake will in one way or another bear fruit.

Dzongsar Jamyang Khyentse
Chair of the Board of Directors
Khyentse Foundation
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Additional Information available upon request:

- Full set of audited financial statements for the year ended June 30, 2008
- Investment policy and guidelines for KF endowments as of December 31, 2008

Designed by Michael Ballou Dudley
Our Strength Is in Our People
Report from the Executive Director

Dear Friends and Supporters of Khyentse Foundation,

I know that we’re all concerned about the impact of the global financial crisis on Khyentse Foundation and the projects and people that we support, so I would like to devote this annual message to that subject.

From the beginning, we have recognized that in order to become an effective Buddhist patron, we need to have long-term planning and to develop the human and financial resources to provide sustainable ongoing support in a world of uncertainty and impermanence. During the past few years, under Rinpoche’s guidance, Khyentse Foundation has built a support system through its five major priority projects, which form the basic structure through which our services are delivered.

Financially, our strategy is to gradually build an endowment that can provide us with the investment income to support ongoing projects. As you know, the collapse of the world’s financial system and the subsequent market downturn have significantly affected most investments, including our portfolio. The losses that we incurred in 2008 eroded our investment gains of the past two and a half years, but leave our endowment principal intact, providing the financial cushion we need to continue the present level of services and fulfill our commitment to existing support. Our present level of funding to all of our important projects will not be affected, but we do need to continue our effort to build up our portfolio again. Although there are lessons to be learned from this experience, we feel that endowments and prudent investment management are still a valid approach to ensuring long-term support. For more information, see the Investment Committee report.

We are very fortunate to have ongoing support from our monthly donors and matching fund sponsors, who continue their contributions to the Foundation in this time of financial hardship. Total donations received in 2008 amounted to close to US$1 million, which ensures that our funding to existing projects and people can continue through 2009.

The efforts of the past year, the Foundation’s seventh, were to maintain and slightly expand our services through the five priority projects. We offered scholarships in Buddhist study and practice to 50 dedicated students embarking on practice and study retreats worldwide. We supported a record number of monks, nuns, and long-term retreatants in Tibet and India. And we sponsored a variety of text preservation, translation, and other projects. For details, see “What We Do: Five Project Highlights.”

A major emphasis of last year’s work was to identify crucial areas that are fundamental to the spread of the Buddha Dharma. Through the contributions of many volunteers, we undertook a series of needs analyses, which will provide important information about effective ways to support Buddhist study and practice. This included the survey to identify centers of excellence in Buddhist studies. For details, see page 11.

Another major effort was the preparation of the groundbreaking conference, “Translating the Words of the Buddha,” held in Bir in March, 2009. The conference explored the direction, scope, and challenges of dharma translation in the coming century.

As a patron of Buddhism, there is so much that Khyentse Foundation can do. We are very encouraged that every year more people are motivated to support the Foundation, both as volunteers and as donors. As an all-volunteer organization that depends on the generosity of individual donors, our strength is in our people. It is not an exaggeration to say that the Foundation’s activities can be seen as the expression of the collective effort of its supporters to carry out Rinpoche’s vision.

I gratefully take this opportunity to thank all our supporters and KF team members, without whose hard work, devotion, and contributions the Foundation would not have been able to achieve what it has done. I look forward to continuing working with you for the benefit of all sentient beings.

Cangioli Che
Executive Director
Khyentse Foundation
What We Do

Highlights of the Five Projects

Khyentse Rinpoche has identified five priority projects as means to support the study and practice of Buddhism. These five projects form the basic framework of Khyentse Foundation’s work.

1. Scholarship Fund

Since May 2006, Rinpoche has made the Scholarship Fund the top priority among Khyentse Foundation’s Five Projects. Even in countries where Buddhism is widely practiced, support for practitioners is becoming less, and in the West such support is almost nonexistent. Khyentse Foundation scholarships help to make the Buddhadharma accessible to those who seek it, and the recipients are a powerful force for spreading the Buddhadharma throughout the world.

The program is now well established, with three types of KF scholarships:

- Scholarships that support Rinpoche’s work, such as funding for three-year retreatants and for attending Rinpoche’s teachings around the world
- Scholarships to individuals and institutions for study and practice projects that they define through open applications
- Scholarships established in collaboration with other institutions, such as Rangjung Yeshe Institute in Nepal and the Khmer-Buddhist Education Assistance Program for Cambodian monks

During the past year, Khyentse Foundation allocated and offered over US$100,000 in scholarships to benefit more than 50 individuals worldwide through open applications and grants to various institutions. Recipients come from Australia, Bangladesh, Belgium, Canada, Cambodia, Germany, Greece, India, Japan, Nepal, South Africa, Tibet, the UK, and the USA. We are very encouraged to see the beginning of the scholarship’s multiplier effect, as scholarship recipients start to organize and teach Buddhadharma in their own countries.

“The scholarship from Khyentse Foundation this year was absolutely crucial, and enabled me to attend and benefit greatly from the programme. This benefit rolls on with every training I do here in South Africa, touching people’s hearts and opening them up to the wisdom of our lineages.”

Luke Younge
KF Scholarship Recipient from South Africa

Fall 2008 recipients of KF-Ranjung Yeshe Institute scholarships (left to right): Gwenaelle Witt-Dorring (Germany), Benjamin Collet-Cassart (Belgium), Eric Puno (Canada), John Harris (USA), Nawaraj Lama (Nepal), Sonam Spitz (Germany), Josh Schauls (USA), Zeta Koutsokera (Greece), and Maya Lama (Nepal).
Photo by Gerry Prindiville
2. Endowment for Monastic Education

The KF Endowment for Monastic Education was originally set up in 2004 to support the basic needs of the Dzongsar Institutes in Tibet and India, which are traditional shedras (Buddhist universities) famous for their academic excellence in higher Buddhist studies.

**Dzongsar Tibet**

During the past year, KF continued to partially support the basic needs of over 1,000 monks, nuns, and long-term retreatants at Dzongsar Monastery, Dzongsar Khamje Institute (the Shedra), and nearby retreat centers and monasteries. We also supported the Buddhist school for children at Gyeltri Monastery.

**Dzongsar India**

In addition to providing basic food and operational needs to over 600 students and teachers at the Dzongsar Khyentse Chökyi Lodrö Institute in Chauntra, India, the Foundation continues to expand the area of its support. A medical clinic funded by the Foundation is now providing much-needed health care to students and faculty. A four-level English program established by the Foundation is enabling close to a hundred monks to learn English.

It is Rinpoche’s wish to develop the Dzongsar Institutes in India and Tibet into world-class centers of Buddhist study, producing Buddhist scholars and teachers who will influence the world. The Foundation is working with the Institutes to provide improved facilities and to expand the curriculum to include foreign languages, computer skills, world history, mathematics, and sciences.

3. Translations and Publications

The Publication Fund is designed to make Buddhist texts readily available to all who wish to study the Dhamma. The Foundation collaborates with other like-minded organizations to concentrate support on three major areas: the preservation, translation, and distribution of Buddhist texts.

The following pages describe some of the projects that the Foundation funded in 2008.

---

**Khenpo Kunga Wangchuk 1921-2008**

*Khyentse Foundation honors Khenpo Kunga Wangchuk, Abbot and Principal of Dzongsar Khyentse Chökyi Lodrö Institute, India from 1983 to 2008. Khenpo’s life was devoted to teaching the Dharma and making sure that the legacy of Dzongsar Institute, established by Buddhist master Jamyang Khyentse Wangpo in 1871, continues for the benefit of future generations.*

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The total amount of Khyentse Foundation grants awarded to scholarships, monastic education, text preservation, and other projects in 2007-2008 was more than double the amount from the previous year. See page 16.

A major grant was awarded to the Tibetan Buddhist Resources Center in support of its Wisdom Masters Digital Library, a five-year project. See page 8.
Tibetan Buddhist Resource Center (TBRC)
Khyentse Foundation has intensified its support of Gene Smith’s work at TBRC to keep the Tibetan wisdom heritage alive. The Foundation committed to fund the operation to complete the scanning, formatting, and outlining of the Wisdom Masters Digital Library, a mammoth effort to digitally preserve Gene’s collection of 15,000 Tibetan texts in a user-friendly digital library that is accessible to all users—scholars, researchers, students, and translators. The Foundation has raised the funds for the first two years’ operations and is seeking support to complete the entire project.

Fragile Palm Leaves Foundation (FPL)
Khyentse Foundation continues to support FPL’s effort to preserve and study the heritage of the Buddhist literature of Southeast Asia. At present, FPL is cataloging and preparing a database of its large collection of Buddhist manuscripts written on palm leaves and paper, in the classical Pali language and in several Southeast Asian languages. FPL has a publishing program of the series “Materials for the Study of the Tripitaka.” Three titles have been published to date, two will go to press in early 2009, and others are in preparation.

Support for Translation Projects
During the past year, the Foundation supported many Dharma translation projects, some commissioned by Rinpoche and some initiated by other translation groups.

The Five Year Plan funded by Khyentse Foundation aims to strengthen three of TBRC’s four essential strategic initiatives and provide for successful completion within a five-year time period. The four-fold strategic plan to seek out, preserve, organize, and disseminate Tibetan language literature will make TBRC a comprehensive, globally accessible, and useful Tibetan digital library within five years.

Special efforts were made to support language study and training, with scholarships and special grants for students who aspire to be Dharma translators.

KF Translation Conference
Khyentse Rinpoche initiated the effort for Khyentse Foundation to host a translation conference, “Translating the Words of the Buddha,” held at Deer Park Institute in Bir, India, in March 2009. The conference
brought together 50 of the world’s top Tibetan-to-English translators, representing major translation groups in different lineages, to discuss ways to work together and to explore the direction, scope, and challenges in translation for the 21st century. This groundbreaking event was blessed by all lineage heads and was chaired by the Dzogchen Ponlop Rinpoche.

4. Buddhist Education Programs
Rinpoche has a long-term vision of providing Buddhist education for all in countries where Buddhist education is not readily available. The format of these programs varies according to the needs of students in different countries.

Deer Park Institute, Bir, India
Khyentse Foundation continued to support the operation of Deer Park Institute in Bir, India, a center for the study of classical Indian wisdom traditions established by Rinpoche in 2006. The mission of Deer Park is to re-create the Nalanda spirit of study and practice, which recognizes all schools of classical Indian philosophy, such as Jain and Advaita, as well as all of the different Buddhist traditions.

Programs in 2008 included classes in classical Tibetan, Sanskrit, Hindi, and English; teachings by HH Sakya Trizin, Dzigar Kontrul Rinpoche, and Geshe Lhakdor; among others; festivals on Chinese medicine, art, and sciences; and many events related to environmental protection, including a conference on global

“I have arrived at the conviction that we cannot have a goal to make ‘Tibetan Buddhism’ a Western institution. For the Buddha’s teachings to truly thrive in our cultures and take root in our hearts, we must have a genuine Western Buddhism. For this genuine tradition to flourish and become fully integrated in the West, we must, in my view, have the words of the Buddha in English. A comprehensive English compilation of the Buddha’s words will serve as an authoritative bedrock for a living tradition.”

Dzogchen Ponlop Rinpoche
Conference Chair

“Without wishing to overdramatize the situation, it’s clear that we need to act quickly, and I believe the only way we can accomplish this monumental endeavor is by finding ways of working together—not only the translators, but also the sponsors, the teachers, and of course the students. We need to pool our skills, resources, experience, and energy and come up with a plan for translating the Buddhadharma—one that we all contribute to. We must decide where we want this process to be in 10 years, 25 years, 50 years, and 100 years.”

Dzongsar Khyentse Rinpoche on the Importance of Translation.
warming. In 2008, over 1,000 participants from all over the world attended Deer Park programs. 

Siddhartha’s School for Children in Australia
Khyentse Foundation continued to support the development of the Siddhartha’s School for Children in Australia and in 2009 will again sponsor the visit of a founding member of the Shambhala School in Halifax, Canada, to assist in the preparation of the school in Lismore.

Monastic Schools for Children
In a limited but essential way, KF continued to support traditional monastic Buddhist schools for children in Sikkim, Ladakh, and Tibet, providing them with much-needed funding for food, clothing, and other necessities.

Other Initiatives
Khyentse Foundation also supports Buddhist education initiatives in Germany and Brazil. The Foundation intends to identify and develop Internet-based education programs that can be used to promote Buddhist education models for children.

5. Academic Endowments
Another of the priority areas identified by Khyentse Rinpoche is to promote the academic study of Buddhism at major universities and Buddhist institutes around the world.

Khyentse Chair at UC Berkeley Appointed
The University of California at Berkeley announced the appointment of Jacob Dalton as assistant professor in the summer of 2008, a new position made possible through the establishment of the Khyentse Chair in Tibetan Buddhism. Professor Dalton holds a joint appointment in the Department of East Asian Languages and Cultures and the Department of South and Southeast Asian Studies. Jacob Dalton received his M.A. and Ph.D. in Buddhist Studies from the University of Michigan. He worked from 2002 to 2005 as a researcher with the International Dunhuang Project at the British Library and taught at Yale University from 2005 through 2008. He is the author of a forthcoming study on violence and the formation of Tibetan Buddhism, and is co-author of Tibetan Tantric Manuscripts from Dunhuang: A Descriptive Catalogue of the Stein Collection at the British Library (Brill, 2006).

Professor Dalton’s appointment represents the fruition of a four-year collaboration between Khyentse Foundation and UC Berkeley. He started teaching at Berkeley in January 2009.

“I hadn’t been prepared for the generosity, for the warm friendship, or for the kind of place where teaching and learning could happen in such utterly open, playful circumstances. Meditation in the early morning amid butter lamps. Spacious courtyards where we could sing out poetry and release wild animal cries, or walk at night with lit candles. An outdoor communal dining hall where students from across the planet came and went. The setting is gorgeous—and profoundly interesting if you value snow-peak mountains, soaring forests, cold streams, animated bird life, and the endless processionals and pujas you find around Indian temples.”

Andrew Schelling on his stay at Deer Park Institute
The Search Is On—Again!

A Khyentse Foundation team of volunteer data collectors, experts in Buddhist higher education, and their advisors were hard at work in 2008 to identify centers of excellence in Buddhist education all over the world, with a three-fold goal:

- To assess the current status of Buddhist studies in universities around the world today
- To identify areas where the support of Khyentse Foundation, as well as other charitable organizations, can be most useful
- To publish the findings and make them available to organizations and individuals interested in promoting the academic study of Buddhism

At the end of 2008, the research team had collected basic information on 60% of the 115 universities in 35 countries identified.

“A century and a half ago, Jamyang Khyentse Wangpo transformed Buddhist education by returning to the roots of the teachings, breaking down sectarian boundaries, and renewing Buddhism for a changing world. Now Dzongsar Khyentse Rinpoche has extended this rich tradition into the west by bringing Tibetan Buddhist Studies to one of our top universities.”

Professor Jacob Dalton
Khyentse Chair in Tibetan Buddhism at UC Berkeley

Photo by Jeff Roe

Syllable DHI painted by Dzongsar Khyentse Rinpoche to support Lotus Outreach
Khyentse Foundation continues to emphasize the study and practice of Buddhism, and our funding supports Tibetans and non-Tibetans, monks and nuns, lay students and practitioners, scholars and translators, teachers and researchers from all the different Buddhist traditions.

During the past year, Khyentse Foundation:

- Supported over 1,800 monk and nuns at the Dzongsar Monastery and Institutes and other monasteries in India and Tibet (some partially)
- Sponsored over 300 monks and nuns in long-term retreat in Tibet
- Supported Deer Park Institute’s programs in Bir, India, which attracted over a thousand participants
- Sponsored over 200 children in monastic schools in Ladakh, Sikkim, and Tibet
- Provided scholarships to various institutions and individuals in different countries in full-time Buddhist studies and practice
- Awarded grants to various projects and programs in the preservation, translation, and distribution of Dharma texts

During 2008, over 30 major grants were awarded to individuals and organizations benefiting thousands of people. The beneficiaries come from many countries, including Australia, Canada, China, India, Germany, Mongolia, Nepal, Norway, Thailand, the United States, and others. The total value of these grants and scholarships exceeded US$700,000.

2008 Grant and Scholarship Recipients

**Berzin Archives, Berlin, Germany**
Supported the work of Dr. Alex Berzin, whose website, www.berzinarchives.com, is a multilingual educational tool for authentic information on the four traditions of Tibetan Buddhism, the history of Buddhism, Tibetan and Central Asian history, Tibetan medicine and astrology, and Buddhist-Muslim relations.

**Deer Park Institute, Bir, India, a project of Siddhartha’s Intent Society India**
Supported staffing and operational expenses to provide a variety of programs and seminars that are free of charge and open to all participants from India and all over the world.

**Dzongsar Khyentse Chökyi Lodrö Institute, Chauntra, India**
Supported 600 students, khenpos, teachers, and staff for their basic food and operations. Funded the medical clinic and the English program.

**Dzongsar Monastery, Derge, China**
Supported the basic needs of 250 monks at the monastery.

**Dzongsar Khamje Institute, Derge, China**
Supported the basic needs of 410 monks (both professors and students) studying at the shedra. They come from four provinces in the Tibetan area, Sichuan, Qinghai, Gansu, and Tibet.

**Gagu and Dangcang Meditation and Retreat Centers, Maisu Area, China**
Supported 350 monks and nuns in long-term retreat, 80 of them in life retreat.

**Jonang Foundation, California, USA**
Supported the work of Jonang Foundation in preserving, sustaining, and enlivening the Jonang tradition. The grant supports Jonang Foundation’s efforts to reproduce Tibetan manuscripts, translate literary works into English, and publish works in Tibetan and English.

**Khmer-Buddhist Educational Assistance Program, United States**
Provided university scholarships to Theravadin monks from Cambodia studying Buddhism at Mahachula University in Thailand.

**Kunzang Palyul Choling International, Mongolia**
Supported the Mongolian Buddhism Revival Project by sponsoring the printing of the first-ever translation into colloquial Mongolian of Patrul Rinpoche’s Kunzang Lamai Zhelung, The Words of My Perfect Teacher.

**Monastic Vikramasila Education Society, Ladakh, India**
Supported 45 student monks at Nyingma Monastic Institute.
School in Satki and Kagyue Monastic School in Chemday.

**Heidi Nevin**
Sponsored the translation, editing, and publication of the spiritual autobiography of the illustrious Kathok Khenpo Ngawang Palzang by Heidi Nevin under the guidance of Chatral Sangye Dorje Rinpoche.

**North Sikkim Academy, Mangan, North Sikkim, India**
Supported education, food, medicine, clothing, and housing for a hundred tribal children at the school.

**Rangjung Yeshe Institute, Kathmandu, Nepal**
Established a joint scholarship program, the Khyentse-Rangjung Yeshe Institute Scholarship, for students from many different countries. In 2008, 18 students were awarded scholarships to study at RYI, including two master’s degree students.

**Siddhartha’s Intent Australia**
Sponsored the printing of Rinpoche’s commentary on the Uttaratantra Shastra by Arya Maitreya.

**Siddhartha’s Intent, Canada**
Supported a scholarship program for students from many parts of the world to attend the Uttaratantra teachings given by Dzongsar Khyentse Rinpoche in Vancouver, July 2008.

**Siddhartha’s School, Lismore, Australia**
Supported a Shambhala School advisor from Halifax, Nova Scotia, Canada to consult on setting up the new Buddhist school for children in Australia.

**Tibetan Buddhist Resource Center, New York, United States**
Supported the scanning, formatting, and outlining operations for the compilation of a digital library of Tibetan texts based on Gene Smith’s collection.

**Tschen Kunchab Ling, All Encompassing Great Compassion, Seat of His Holiness Sakya Trizin, New York, USA**
Supported the translation of a book of biographies of Sakya Pandita, who was the most famous of the five founders of the Sakya Order. Sakya Pandita played a key role in the establishment of Buddhism in Tibet and Mongolia.

"This is indeed an extraordinary day for the Mongolian people. Thank you so much for seeing fit to help us bring Patrul Rinpoche’s precious Kunzang Lamai Zhelung into its first-ever Mongolian translation. What great benefit this will bring."

**Konchog Norbu**
In-Country Director of KPC’s Mongolian Buddhism Revival Project

**Vajradhara Gonpa, New South Wales, Australia**
Supported 17 practitioners who started their traditional three-year retreat in January 2009.

**Warnam Retreat Centre, Tibet**
Supported 14 nuns doing life-long retreat at Warnam Retreat Centre, near Lhasa.

**Individuals**
Through the KF open application process, 8 individual students were granted scholarships for Buddhist study and practice programs of their own choice. The recipients included monastics and lay practitioners from different parts of the world.
Weathering the Storm
Report from the Investment Committee

2008
It was a year we would like to forget, but instead will remember vividly. The S&P 500 declined nearly 39%, its worst yearly performance since the index lost 47% in 1931—77 years ago. More than 94% of the companies in the S&P 500 fell during 2008. Over 30% of them lost more than half of their value. According to Bloomberg, only 6 out of the 1,591 U.S. mutual funds with more than $250 million in assets made a profit. In 2008 more than $29 trillion in value and all of the gains made since 2003 were erased from the markets and investors’ hands. And the decline was global: Germany was down 42%, France 43%, China 65%, India 53%, and Russia 72%, to name a few.

It would be simplistic to say that this is an economic recession, when it is really much more a systemic collapse that affected and is still affecting the global financial markets. Our assumption —stated in the 2007 annual report—that international markets would decouple from the U.S. economy was wrong. In fact, the U.S. equity market noticeably outperformed most other markets, developed or emerging.

Although monetary and fiscal policy efforts were aggressive, attempts to fight off the systemic collapse in the financial markets and growing deflationary forces failed, resulting in a global recession. With the recession came risk aversion and a massive selloff that spared no asset class except gold and treasury bonds. The rest—corporate bonds, emerging market bonds, oil, developed stock markets, emerging stock markets, commodities—everything went down. Most assets held a greater than 85% correlation with the S&P 500; therefore no matter how diversified the portfolio, the return was negative in 2008.

The KF Investment Picture
Khyentse Foundation was not immune to this scenario; we lost 31% in 2008. That is equivalent to the total gains we accumulated in 2007, 2006, and part of 2005. The positive note is that (unlike the rest of the market) not all of our gains going back to 2003 were erased, and we were “only” 21% worse than our synthetic benchmark, down 26%. (Our synthetic benchmark is a mix of the S&P Index, Lehman Brothers Aggregate Bond Index, and MSCI World Index.)

We ended 2008 with $5.6 million in the total portfolio for KF endowments, divided into the asset classes shown in the following chart.

The worst performers were the international holdings—China, India, and Brazil—that brought us significant gains in the past, followed by the international equity fund we have held since 2002 and that has always outperformed the market by a large margin. In addition, we experienced big losses in the bond portfolio; bonds generally have an inverse correlation to equities, but it didn’t work like that in this market crash.

During 2008 the main currency held in the portfolio was U.S. dollars, which did not do badly, considering
that the dollar had its largest run against most currencies in the second half of the year. However, the KF Investment Committee does not believe that this strength was supported by fundamentals, and we expect the dollar to weaken over the coming years.

The expense ratio continues to be extremely low, 0.37%. The turnover ratio was 33%, because we had to maneuver assets around as the situation got worse throughout the second half of 2008. We ended 2008 with 47% in cash, compared to 13% in 2007.

Following the dismal decline in 2008, economists seem to believe that 2009 can’t possibly be as bad. They’re probably right. Another 40% decline would be unprecedented. Also, the near collapse of the world financial system; the subsequent de facto government takeover of many banks; and extraordinary commodities prices are unlikely to be repeated in 2009. That’s the good news. The not-so-good news is that there’s no reason to expect a quick or full recovery of the economy any time soon.

President Obama’s Keynesian counter-cyclical fiscal policy—large-scale deficit spending by the government to fight mass unemployment and rescue the economy—will hopefully turn the U.S. and global economies around. But it’s difficult to predict when.

Meanwhile, we understand that the rules for investing have changed. Equity investing is going to require more time, patience, and acceptance of volatility, and most importantly, returns will probably not match the ones we’ve seen in the past 5 years. Bond investing is more about quality than ever, because deleveraging the economy and allowing failing institutions to actually fail is a lengthy affair. And allowing the global economy to react and get out of the recession will also take time.

Fixed Income

As mentioned earlier, our bonds performance was not good, a negative 22%. We hold two different portfolios of bonds, one that is totally international and another one that is more U.S. oriented.

The international portfolio had a negative return of 1.4%, and most of that negative return was a function of the strengthening of the U.S. dollar against the bonds we hold in other currencies (Australian dollars, Brazilian real, and Indian rupees).

The U.S. portfolio had a negative 32% performance.

This portfolio is composed of a large number of financial companies and banks that were considered “high quality,” and became “high risk” overnight, when the flight to quality happened due to risk aversion.

These losses are “paper losses,” because they don’t materialize unless we decide to liquidate those positions. Bonds, as an asset class, return interest on an annual basis until maturity, when normally the bondholder receives the principal back. We do not intend to liquidate the positions until maturity, so unless one of these companies files for bankruptcy and has other priority bond holders, we should receive the money back. Meanwhile, the function the bonds perform in the portfolio is to bring in a constant flow of cash (through the annual interest paid) in order to fulfill the Foundation’s obligations to its endowments.

Equities

Our equities return was a negative 36%. However, when compared to the negative 39% of the S&P 500 or the negative 42% of the MSCI World Index, it doesn’t look as bad. Our assumption that the international markets would decouple from the U.S. economic and banking industry situation was the main reason for our negative returns.

Adding to that, we want to make a mea culpa for not taking profits. We made a considerable amount of money in the past 5 years, but if we had taken more profits in 2008 and even at the end of 2007, we would not show such a negative performance now. However, we continue to believe that our investment style is solid, and although we had a bad year in 2008, our compounded average return in equities in the past 4 years was 21%.

As mentioned earlier, different classes of assets did not decouple from the S&P 500. This also happened to most of our different holdings in the equity world. There were two main performance groups, one that lost between 35% and 39% and another that lost in the 50% range. A third group posted profits.

In the first group were Berkshire Hathaway (-32%); the U.S. fund managed by Dodge & Cox, which had excellent performance in the previous 5 years (-37%); and our direct investment in Chinese equity (-29%).

In the second group were India (-50%); Brazil (-57%); and China—the broad market (-65%) and clean energy investments through exchange-traded funds (-69%).
In the third group are the only two investments that gave us great gains in 2008—gold, which returned a positive 10%, and some individual stocks in Canada that earned a positive 12.5%.

2009 and Beyond

In 2009 we expect the start of a very slow and painful recovery. A lot of damage happened in 2008, not only in earnings that need to stabilize before the markets can recover, but also in terms of the structure and regulation of the markets.

Volatility, which is the result of uncertainty, will probably continue to be very high, simply because nobody knows how long the downturn will last or what financial landscape will ultimately emerge.

To survive the storm, we will continue to increase our positions that can help us cope with the risk inherent to this situation, meaning gold and lots of cash. We will also continue to diversify out of the U.S. dollar into other currencies, including Canadian dollars—currencies from countries that have a strong internal demand and that could cope with the United States being off the importing scene for a while.

We are reviewing our current bonds portfolio, and although we do not plan to cash into losses, we are adding assets in different currencies that support our view that the U.S. dollar will weaken at some point, and that also help with the cash flow necessary to pay for the Foundation’s projects.

It seems that we must apply Rinpoche’s teachings again: “Be alchemists, transforming ordinary iron into gold, turning these turbulent and volatile situations into something meaningful and profitable.”

We would like to thank our investment advisors and the Khyentse Foundation community for bearing this painful year with us.

Khyentse Foundation Investment Committee

Isabel Pedrosa, Chair
Amelia Chow
Marco Noailles
Angie Tsai
Kelly Yang

---

Program Grants, 2005-2008

$300,000
$250,000
$200,000
$150,000
$100,000
$50,000
0


Scholarships
Monastic Support/Education
Publications and Text Preservation
Education Programs
Special Grants

Total: $674,638
Total: $284,014
Total: $151,752

* Does not include $1 million to endow the Chair of Buddhist Studies at UC Berkeley. Does not include grants arranged by Khyentse Foundation directly between sponsors and beneficiaries.
# Khyentse Foundation Summarized Audited Financial Statement as of June 30, 2008

## Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$1,477,774</td>
</tr>
<tr>
<td>Investments</td>
<td>5,692,533</td>
</tr>
<tr>
<td>Investments</td>
<td>19,689</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$7,189,996</strong></td>
</tr>
</tbody>
</table>

## Liabilities and Net Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted net assets</td>
<td>6,975,785</td>
</tr>
<tr>
<td>Temporarily restricted net assets</td>
<td>214,211</td>
</tr>
<tr>
<td><strong>Total Liabilities and Net Assets</strong></td>
<td><strong>$7,189,996</strong></td>
</tr>
</tbody>
</table>

## Statement of Activities and Changes in Net Assets For the Year Ended June 30, 2008

### Revenues

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted contributions</td>
<td>$964,692</td>
</tr>
<tr>
<td>Restricted contributions</td>
<td>119,406</td>
</tr>
<tr>
<td>In-kind contributions</td>
<td>16,703</td>
</tr>
<tr>
<td>Net Fundraising/Sales/Misc. Revenue</td>
<td>15,260</td>
</tr>
<tr>
<td>Realized gain on investments</td>
<td>150,692</td>
</tr>
<tr>
<td>Unrealized loss on investments</td>
<td>(548,881)</td>
</tr>
<tr>
<td>Interest and dividends, net fees/taxes</td>
<td>308,753</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td><strong>1,026,625</strong></td>
</tr>
</tbody>
</table>

### Expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program grants</td>
<td></td>
</tr>
<tr>
<td>Scholarships</td>
<td>58,992</td>
</tr>
<tr>
<td>Monastery support</td>
<td>154,925</td>
</tr>
<tr>
<td>Publications and text preservation</td>
<td>290,524</td>
</tr>
<tr>
<td>Education programs</td>
<td>72,300</td>
</tr>
<tr>
<td>Special grants</td>
<td>97,897</td>
</tr>
<tr>
<td><strong>Total program expenses</strong></td>
<td><strong>674,638</strong></td>
</tr>
<tr>
<td>Management</td>
<td>37,173</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>716,366</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td>314,814</td>
</tr>
<tr>
<td>Net assets, beginning of year</td>
<td>6,875,182</td>
</tr>
<tr>
<td><strong>Net assets, end of year</strong></td>
<td><strong>$7,189,996</strong></td>
</tr>
</tbody>
</table>

These statements are a summary of information from the financial statements audited by Gregg Associates, PC, Portland OR.
Khyentse Foundation Team List
As of December 31, 2008

**Chair of the Board of Directors**
Dzongsar Jamyang Khyentse Rinpoche

**Advisors**
Ding Nai-Chu
Richard Dixey
William McKeever
Peter Skilling
Gene Smith

**Board of Directors**
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Cangioli Che
Michael Chender
Amelia Chow
Lisa Davison
Florence Koh
Barbara Ma
Marco Noailles
Isabel Pedrosa (ex officio)
Christian Rhomberg
Isaiah Seret
John Solomon
Angie Tsai
Pema Wangchuk
Kris Yao

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Lisa Davison, Secretary
Florence Koh
Marco Noailles, Treasurer
Isabel Pedrosa

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Debra Dorje
Steven Goodman
Jakob Leschly

**Investment Committee**
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Marco Noailles
Angie Tsai
Kelly Yang

**Advisors to the Investment Committee**
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Stuart MacFarlane
Luciana Novaes
Doris Wolter

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Nancy Lee
Yin-wah Ma

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Jill Robinson

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Pem Tshering

**Brazil**
Luciana Novaes
Manoel Vidal

**Canada**
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**Germany**
Arne Schelling
Doris Wolter

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Mazy Kwong
Alyssa Lee

**India**
Pema Wangchuk

**Indonesia**
Loekito Hidajat

**Malaysia**
Yong Siew Chin

**Singapore**
Frank Lee
Lee Kwang-boon

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Marie Crivelli

**Taiwan**
Jain Feng
Stephanie Lai
Kris Yao

**UK**
Richard Dixey
Penelope Tree

**USA**
Linda CoellN
Noa Jones

**Beneficiary Coordinator**
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Communications Coordinator
Huang Jing Rui
Administrative Assistant
Noa Jones
Communications Director
Jesse Klein
Communications Manager
Su-yin Lee
Beneficiary Coordinator
Jakob Leschly
Editor
Louise Rodd
Administrative Assistant
Sharon Roe
Project Coordinator
Margaret Sablatnig
Database Manger
Isaiah Seret
Project Development Director
Yulia Sheynkman
Photo Archives
Alex Trisoglio
KF Fellow
Michelle Tsao
Credit Card Administrator
Albert Paravi Wongchirachai
Editor
Sarah Wilkinson
DJK Quotes
Jessie Wood
Managing Editor
Dave Zwieback
Chief Technology Officer & Web Master

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**Buddhist Education Programs**
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Michael Chender,
Craig Kaufman

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Board of Directors
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Simon Thomas
Bryan Rowe
Meg Hart
Curriculum Coordinator
Phil Davis
Ashoka Film Coordinator
Shakti Bourke
Brazil
Chagdud Khadro
Lama Sherab
Christine Boedler
Ianina Munarski
Luciana Novaes
Isabel Pedrosa

Canada
Lesley Patten

Germany
Doris Wolter

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Coordinator
Amelia Chow
Secretary to the Institute
Khenpo Jamyang Khyentse
Under-Secretary to the Institute
Ugyen Rangdol
India Liaison
Pema Wangchuk
Medical Services
Dr. Rob & Julie MacLachlan
Faculty Panel - English
Pema Maya
Suzie Erbacher

TBRC and Digital Library
Alak Zenkar Rinpoche
Gene Smith
David Lunsford
Isaiah Seret
Jeff Wallman

Endowed Chair in Buddhist Studies
Cangioli Che
Richard Dixey
Steven Goodman
Gene Smith
Kris Yao

Survey on Buddhist Studies
Advisors

Richard Dixey, Steven Goodman, Peter Skilling, Gene Smith

Research Director
Sydney Jay
Researcher
Lynn Hoberg
Project coordinator
Isaiah Seret

Translators Conference
Organizing Team
Tashi Colman, Chair
Cangioli Che, Linda Coelln, Lynn Hoberg, Alex Trisoglio,
Prashant Varma, Pema Wangchuk, Jennifer Yo
Ivy Any, Conference Facilitator

Consultants
Ivy Ang, Strategic Planning
Sharon Roe, Communications
Ron Schultz, Publishing

Legal Counsel
Alexander Halpern LLC
Boulder, Colorado, USA

Auditor
Beth Bown, Gregg Associates, PC
Portland, Oregon, USA

Except for our legal counsel and auditor, all Khyentse Foundation team members serve as volunteers.