



Recent Developments in Foundation Investment and Governance

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Founder & Senior Advisor, Commonfund Institute

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Connecticut Council for Philanthropy
Serving funders. Advancing effective giving.

Potential Scenario Analysis and Projections for 2016*

Scenario	Probability	Real GDP U.S.	Real GDP Europe	Real GDP Japan	U.S. Unem- ployment Rate	10-Year U.S. Treasury Note Yield	S&P 500 Index Level
Bear	20%	1.5%	0.6%	0.5%	5.0%	1.75%	1975
Base	50%	2.8%	1.7%	1.5%	4.5%	2.75%	2185
Bull	20%	3.7%	2.8%	2.5%	4.0%	3.25%	2300
Weighted Average	90%	2.7%	1.7%	1.5%	4.5%	2.65%	2165

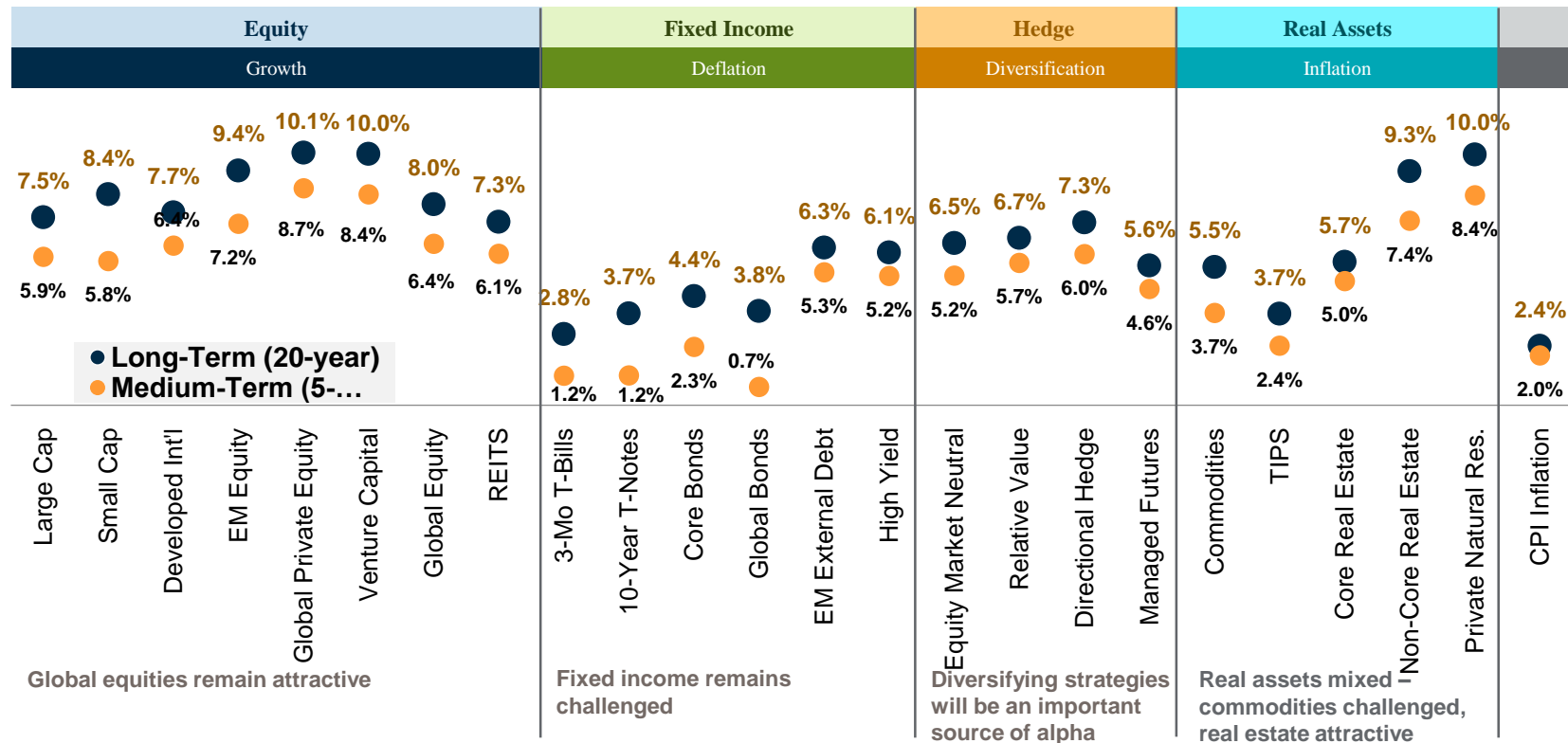
*Excludes 5 percent positive and negative tail outcomes.

See Important Notes

Source: Commonfund Global Economic & Investment Outlook | 2016 – A Year of Transition, January 2016

Commonfund Long- and Medium-Term Return Forecasts

Investment Strategies | Commonfund Point-of-View



Long-Term (20 Years) / Policy and Medium-Term (5-Year) / Cyclical – estimates based upon historical returns, the academic literature, current valuations, the expected future equilibrium macroeconomic environment and expected active management excess return. See “Explanatory Notes Regarding the Long-Medium Term Return/Risk Forecast” and “Important Notes – Market Commentary”. These forecasts represent Commonfund Asset Management Company’s long-term views with respect to the stated asset classes. There can be no assurance that these forecasts will be accurate. These forecasts do not represent the actual returns earned by any investor or investment fund or product, nor do they constitute a recommendation of any investment fund or product. Forecasts are as of January 2016 and runs through end of 2020. (As of February 2016)

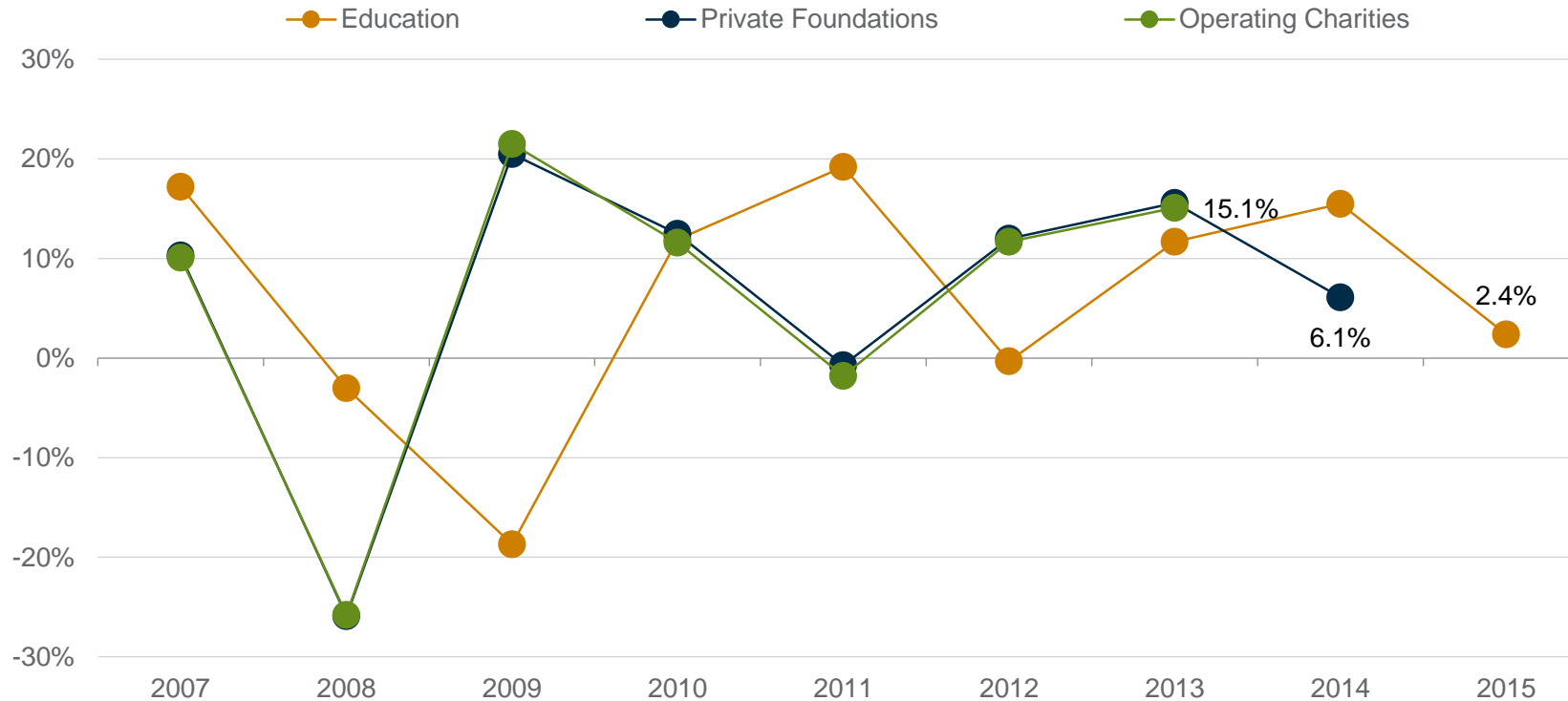
Commonfund Benchmark Studies Executive Summary

NACUBO-Commonfund Study of Endowments[®], Council on Foundations – Commonfund Study of Foundations[™] and Commonfund Benchmarks Study[®]

commonfund

Average Annual Total Return by Segment

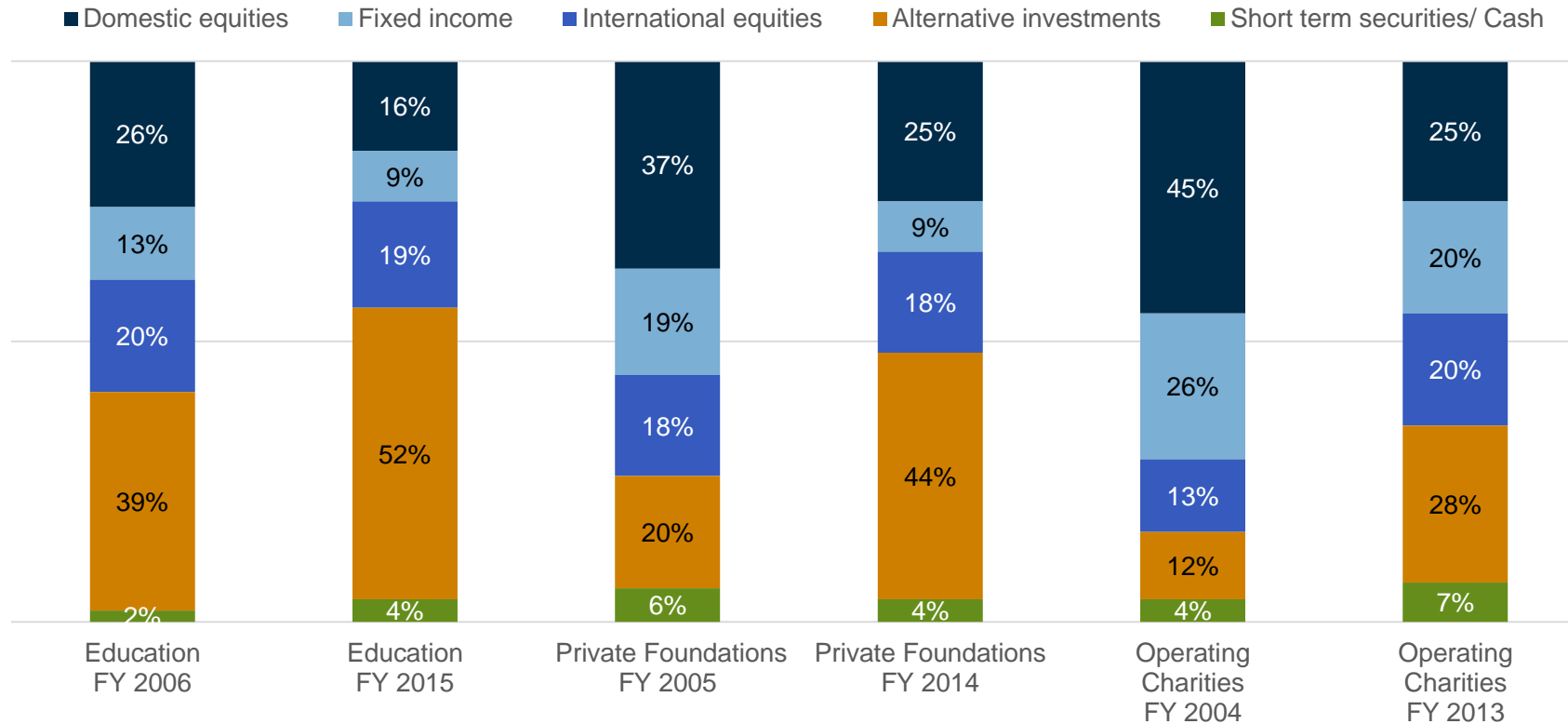
Average Net Total Return



NOTE: All performance information reflects net total returns. Fiscal year end for the majority of educational institutions is June 30th. For the foundations and operating charities sectors fiscal year end is typically December 31st. Information for educational endowments is drawn from the NACUBO-Commonfund Study of Endowments. Information of Foundations is drawn from the Council on Foundations – Commonfund Study of Foundations. Information for other sectors is drawn from the Benchmarks Study for the respective sectors. Copyright 2016 The Common Fund for Nonprofit Organizations. All rights reserved.

Asset Allocation* Trends | Overall

10-Year Trend

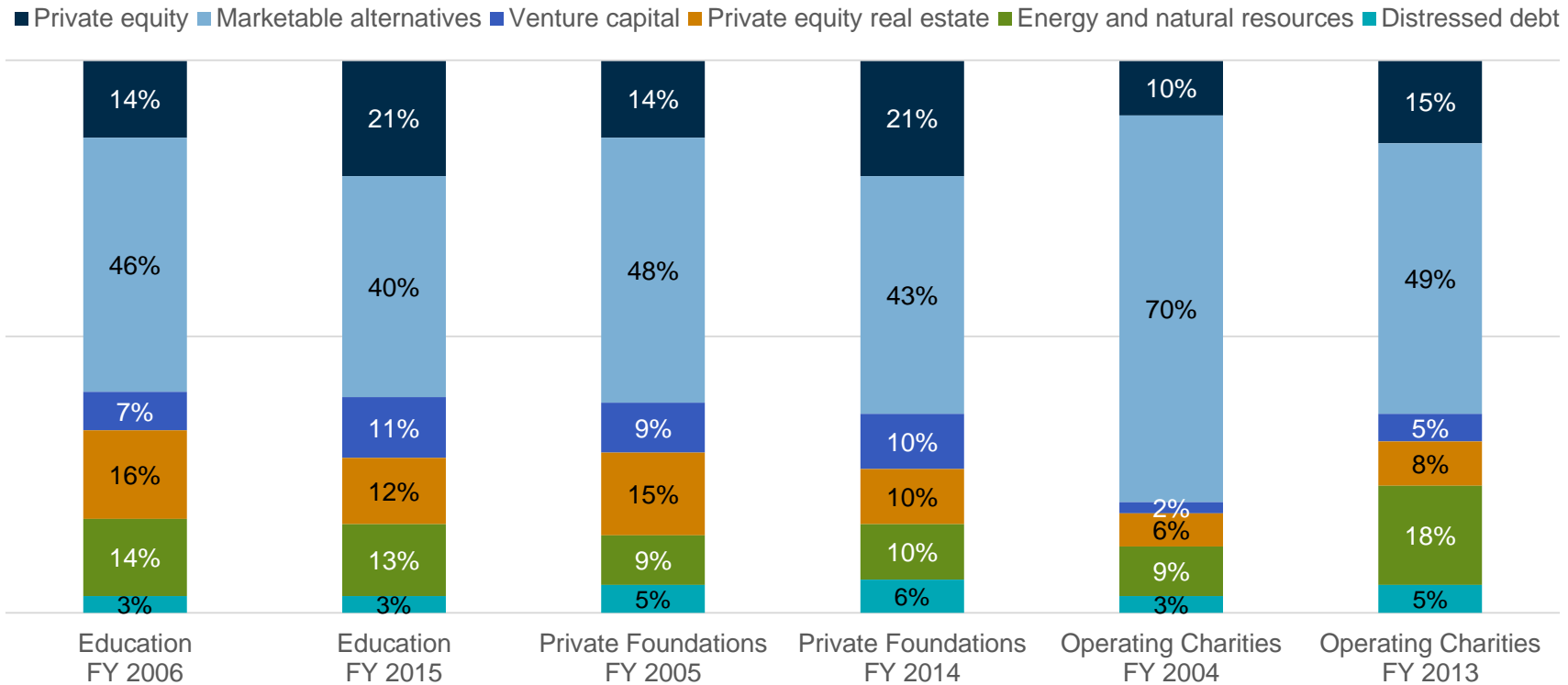


* Dollar-weighted.

NOTE: All performance information reflects net total returns. Fiscal year end for the majority of educational institutions is June 30th. For the foundations and operating charities sectors fiscal year end is typically December 31st. Information for educational endowments is drawn from the NACUBO-Commonfund Study of Endowments. Information of Foundations is drawn from the Council on Foundations – Commonfund Study of Foundations. Information for other sectors is drawn from the Benchmarks Study for the respective sectors. Copyright 2016 The Common Fund for Nonprofit Organizations. All rights reserved.

Alternative Strategies Asset Allocation* Trends

10-Year Trend

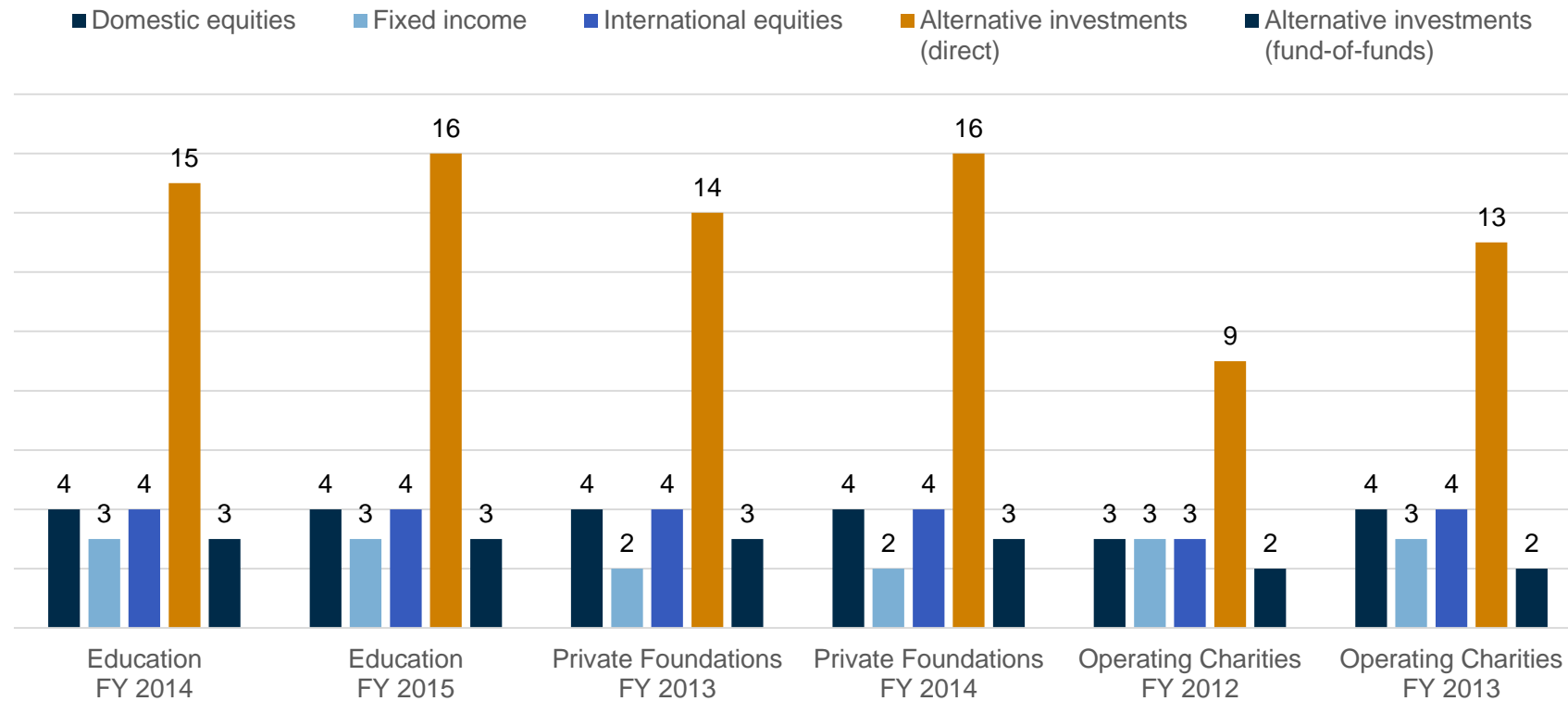


* Dollar-weighted.

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Average Number of Managers Used by Asset Class

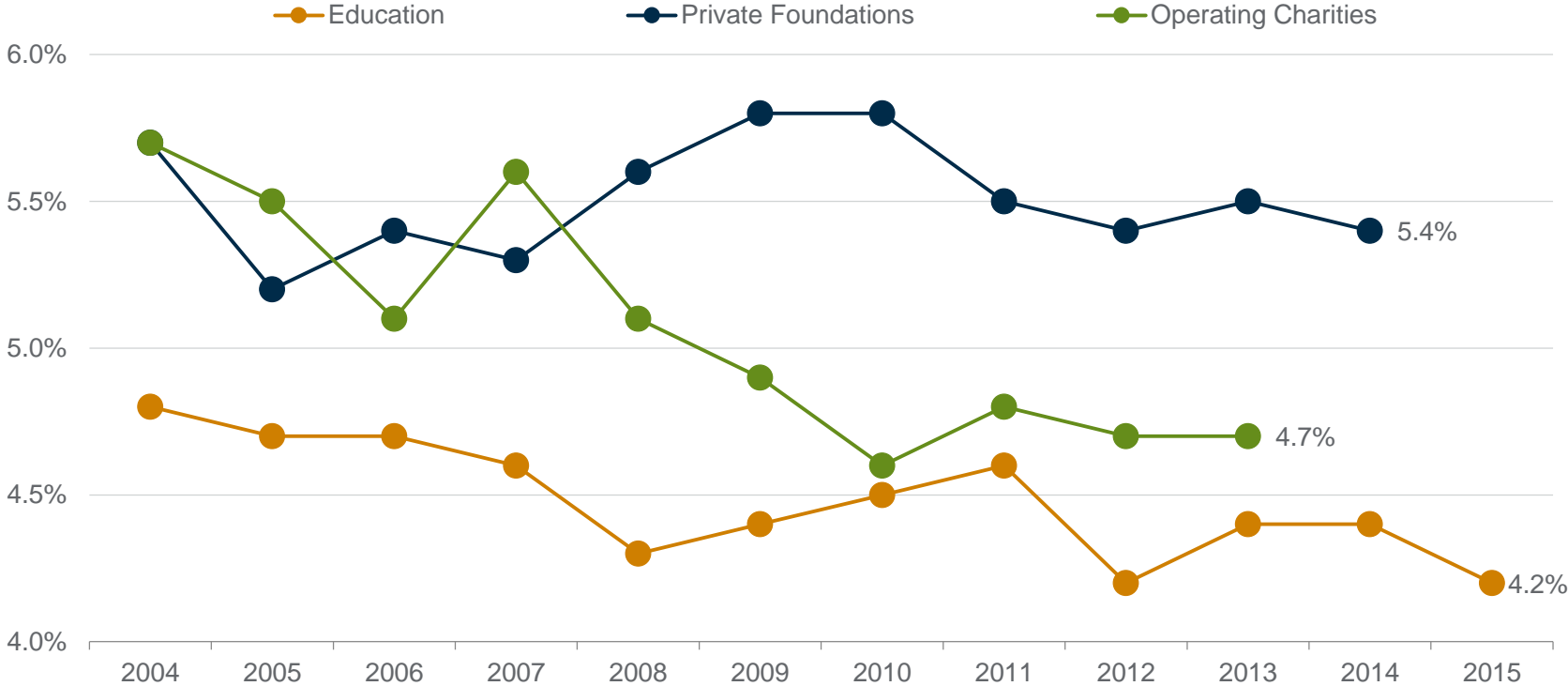
Average Number of Managers



NOTE: All performance information reflects net total returns. Fiscal year end for the majority of educational institutions is June 30th. For the foundations and operating charities sectors fiscal year end is typically December 31st. Information for educational endowments is drawn from the NACUBO-Commonfund Study of Endowments. Information of Foundations is drawn from the Council on Foundations – Commonfund Study of Foundations. Information for other sectors is drawn from the Benchmarks Study for the respective sectors. Copyright 2016 The Common Fund for Nonprofit Organizations. All rights reserved.

Effective Spending Rate

By Fiscal Year

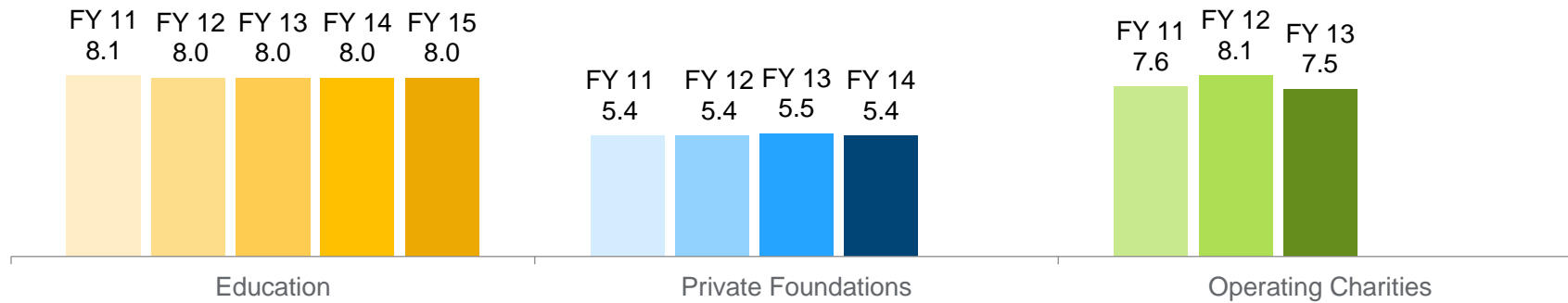


NOTE: All performance information reflects net total returns. Fiscal year end for the majority of educational institutions is June 30th. For the foundations and operating charities sectors fiscal year end is typically December 31st. Information for educational endowments is drawn from the NACUBO-Commonfund Study of Endowments. Information of Foundations is drawn from the Council on Foundations – Commonfund Study of Foundations. Information for other sectors is drawn from the Benchmarks Study for the respective sectors. Copyright 2016 The Common Fund for Nonprofit Organizations. All rights reserved.

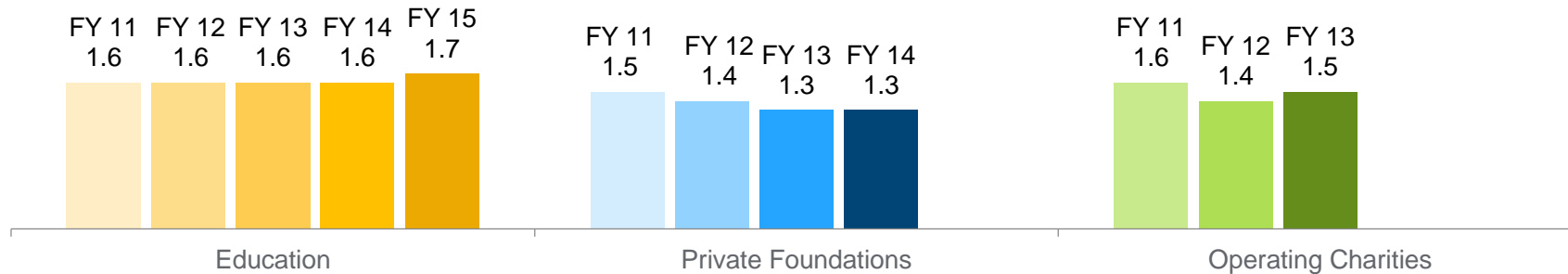
Staffing of Investment Function

By Fiscal Year

Average Number of Investment Committee Members



FTEs Overseeing Investments



NOTE: All performance information reflects net total returns. Fiscal year end for the majority of educational institutions is June 30th. For the foundations and operating charities sectors fiscal year end is typically December 31st. Information for educational endowments is drawn from the NACUBO-Commonfund Study of Endowments. Information of Foundations is drawn from the Council on Foundations – Commonfund Study of Foundations. Information for other sectors is drawn from the Benchmarks Study for the respective sectors. Copyright 2016 The Common Fund for Nonprofit Organizations. All rights reserved.

2014 Council on Foundations - Commonfund Study of Foundations™
Private Foundations Report

commonfund

Demographics

Fiscal Year 2014 ending December 31

Third Annual Report

\$87.6 Billion in assets represented

142 Participating Institutions

- 97 Private Foundations
- 45 Family Foundations

Fiscal Year reporting data

- Investment returns for all participating institutions are reported for the period ending December 31, 2014
- Majority of participants have calendar fiscal years

NOTE: Based on data from 142 interviews.
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Study Demographics

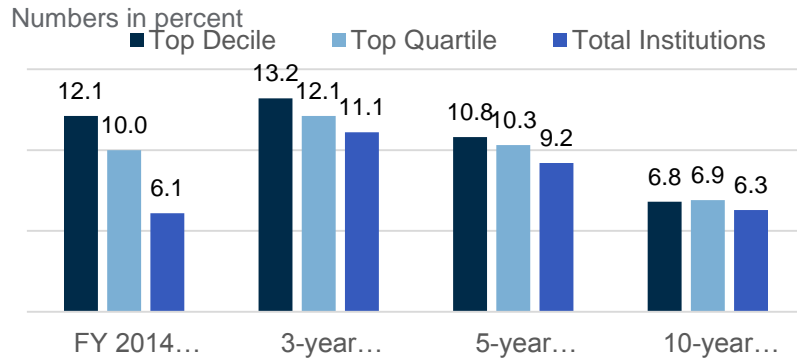
Fiscal Year 2014 ending December 31

Large	Total assets over \$500 Million	25
Mid-Size	Total assets between \$101 Million and \$500 Million	74
Small	Total assets under \$101 Million	43
Total		142

CCSF Leaders

Top Decile and Top Quartile Performers

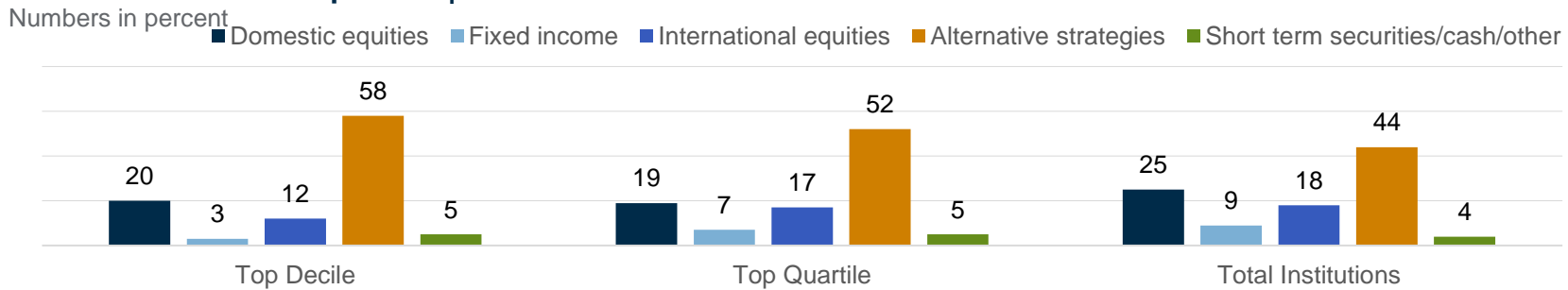
Net Performance¹



Demographics | Fiscal Year 2014

Numbers in percent (%)	Top Decile	Top Quartile	Total Institutions
Number of Institutions	15	36	142
Over \$500 million	27	28	18
\$101 - \$500 million	46	42	52
Under \$100 million	27	30	30

Asset Allocation² Comparison | Fiscal Year 2014



1. Net of fees

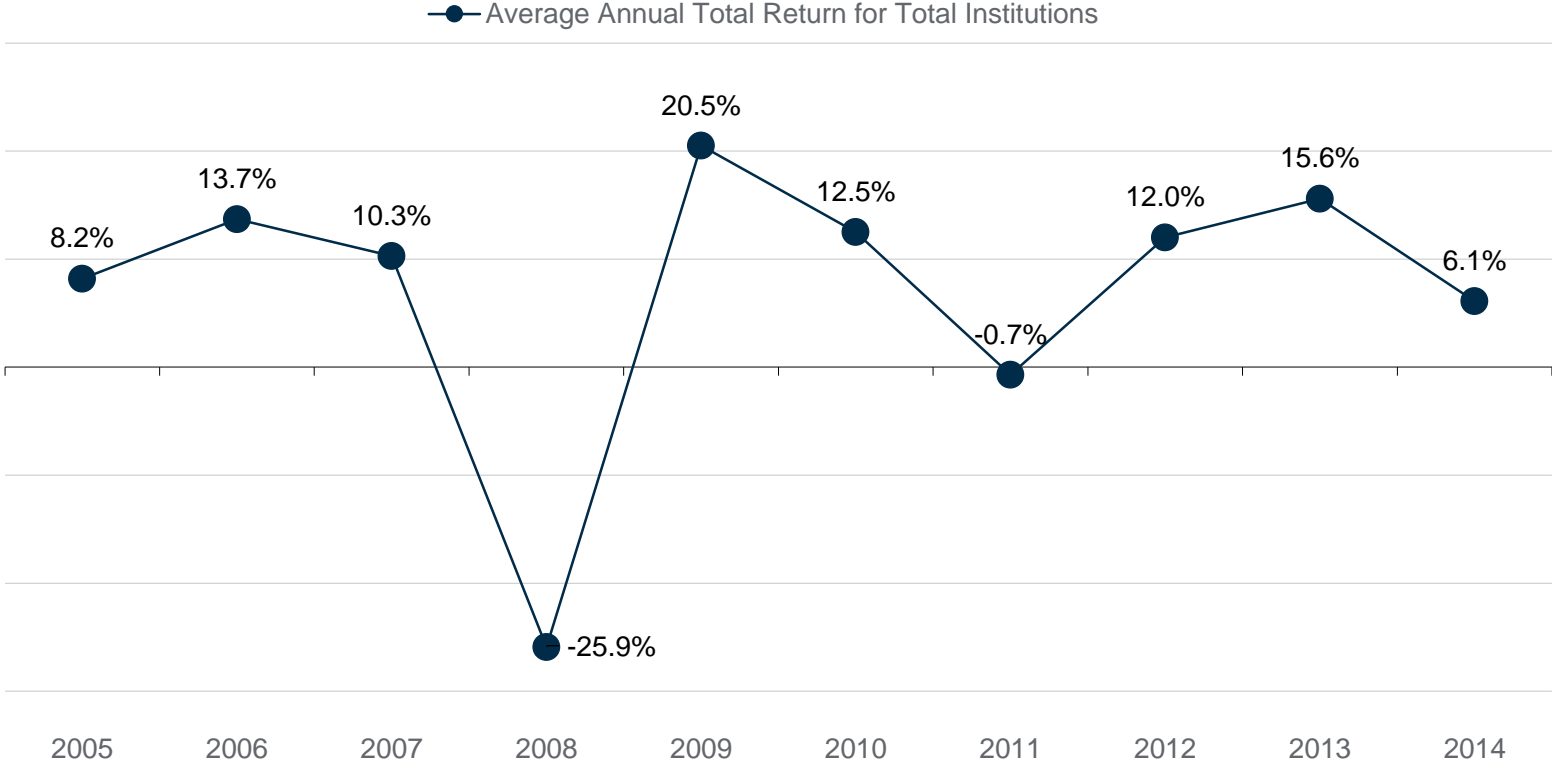
2. Dollar-weighted

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Average Annual Total Return* for Private Foundations

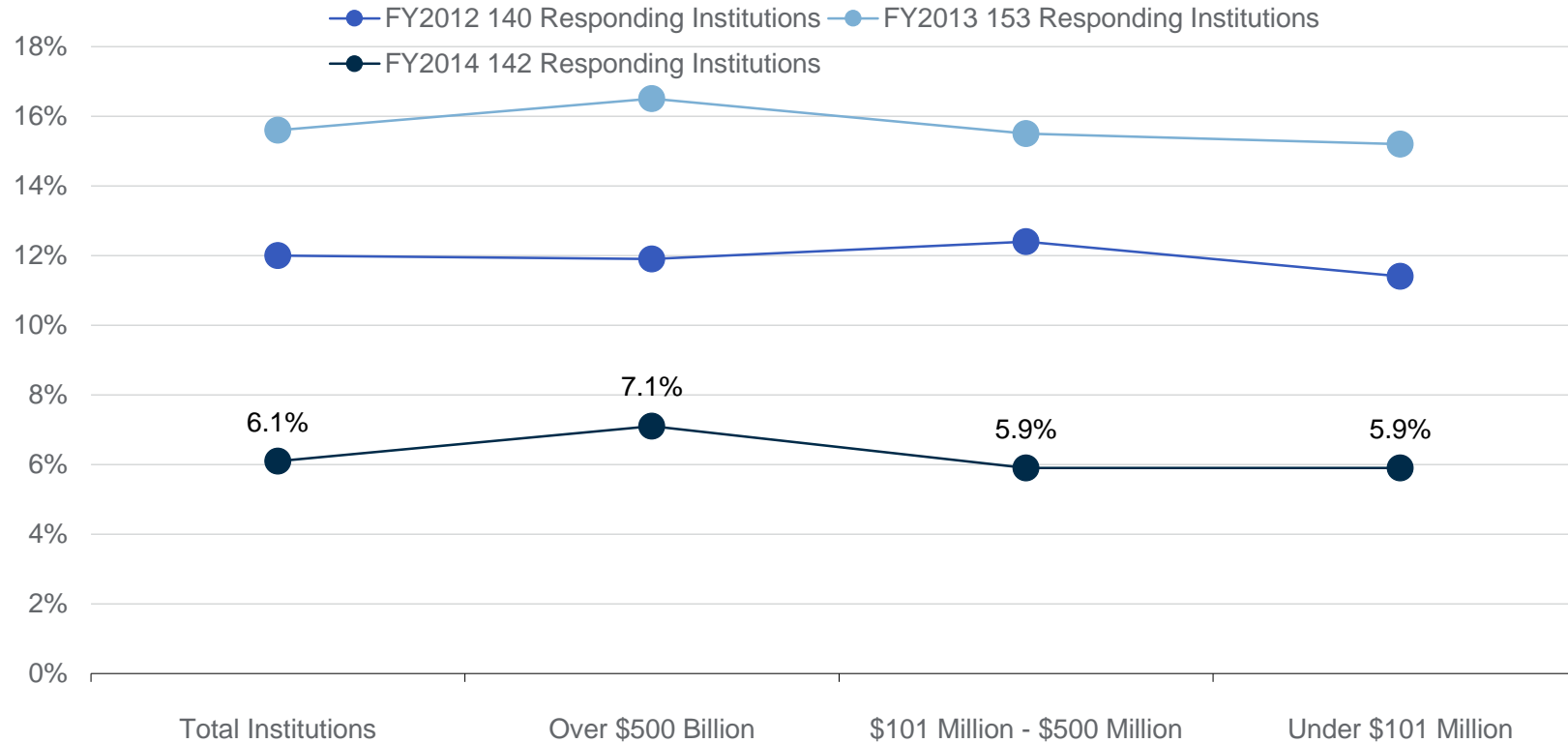
Fiscal Years 2005–2014 ending December 31



*Net of fees
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Average Annual Total Return* by Size of Fund

Fiscal Years 2012–2014 ending December 31

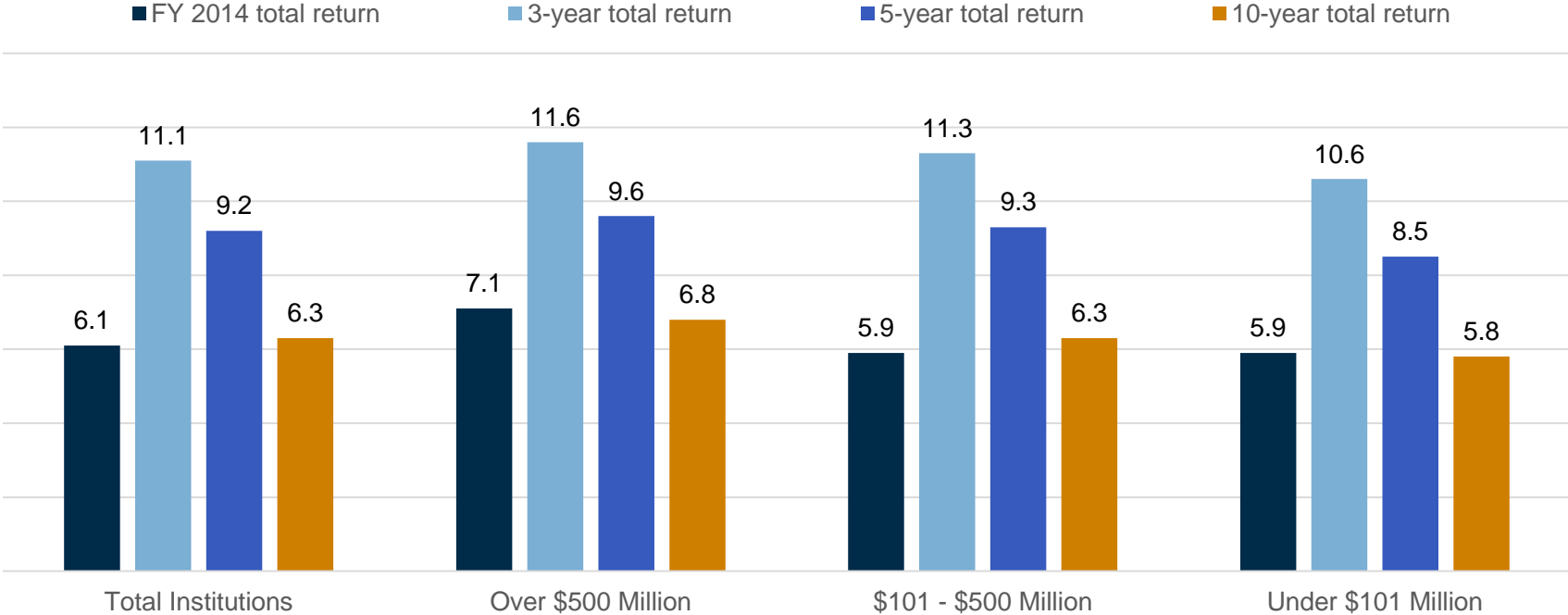


*Net of fees
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Average Reported One-, Three- and Five-Year Returns*

Fiscal Year 2014 ending December 31

Numbers in percent

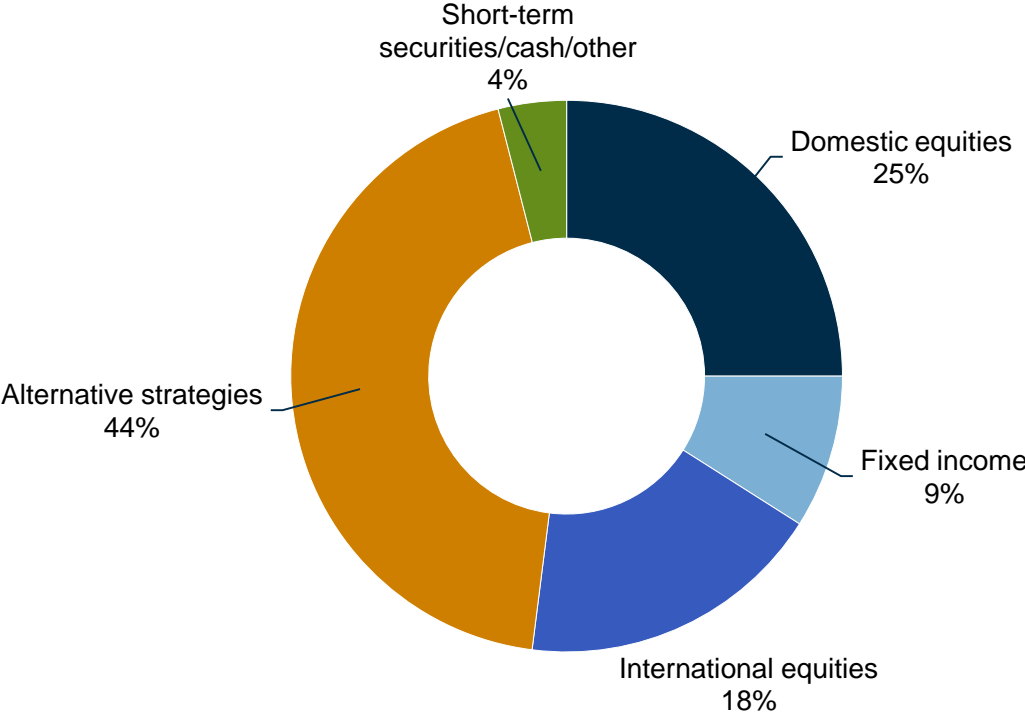


*Net of fees
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Asset Allocation for Private Foundations

Fiscal Year 2014 ending December 31

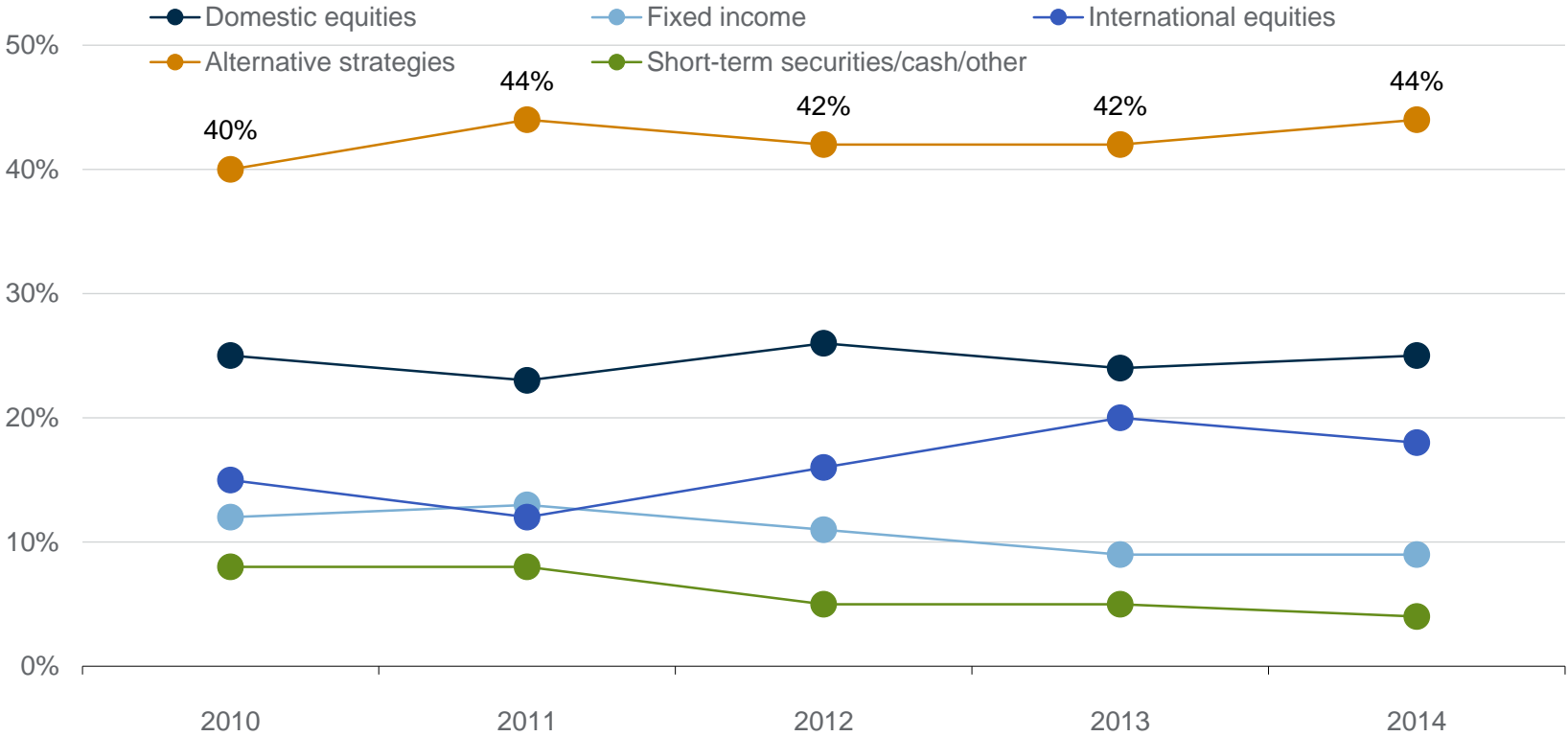
Dollar-weighted Asset Mix



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Asset Allocation* Trend for Total Institutions

Fiscal Years 2010–2014 ending December 31



*Dollar-weighted
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Allocations to Asset Classes*

Fiscal Years 2013–2014 ending December 31

	Total Institutions		Over \$500 Million		\$101 - \$500 Million		Under \$101 Million	
	'14	'13	'14	'13	'14	'13	'14	'13
Number of Institutions	142	153	25	26	74	83	43	44
Fiscal Year	'14	'13	'14	'13	'14	'13	'14	'13
Asset Class								
Domestic equities	25%	24%	23%	22%	30%	29%	35%	36%
Fixed income	9%	9%	8%	7%	14%	15%	17%	18%
International equities	18%	20%	18%	20%	19%	19%	18%	21%
Alternative strategies	44%	42%	47%	46%	32%	31%	24%	21%
Short-term securities/cash/other	4%	5%	4%	5%	5%	6%	6%	4%

*Dollar-weighted
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Alternative Strategies Asset Mix*

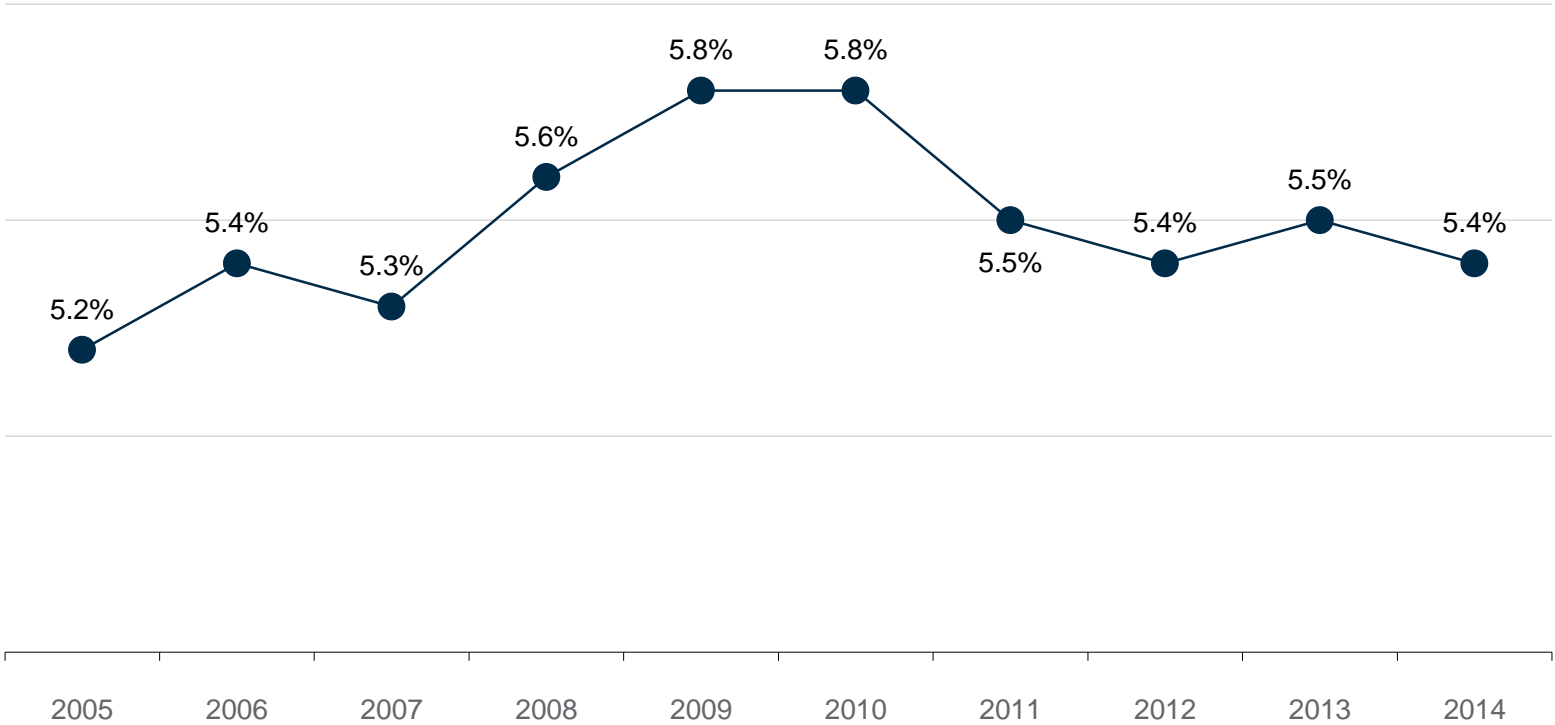
Fiscal Years 2013–2014 ending December 31

	Total Institutions		Over \$500 Million		\$101 - \$500 Million		Under \$101 Million	
Responding Institutions	142	126	22	19	67	73	32	34
Fiscal Year	'14	'13	'14	'13	'14	'13	'14	'13
Type of investment								
Private equity	21%	21%	22%	22%	20%	21%	10%	9%
Marketable alternative strategies	43%	40%	40%	37%	56%	51%	56%	58%
Venture capital	10%	8%	11%	8%	3%	4%	5%	3%
Private equity real estate	10%	10%	10%	11%	9%	8%	17%	9%
Energy and natural resources	10%	14%	10%	14%	10%	13%	9%	19%
Distressed debt	6%	7%	7%	8%	2%	3%	3%	2%

*Dollar-weighted
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Average Annual Effective Spending Rates

Fiscal Years 2005–2014 ending December 31



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Effect of Investment Returns

Fiscal Years 2008–2014

Investment Returns on a \$100 Million Private Foundation's Investment Portfolio with 5% Spending Per Year

	1-Year Return	Spending Rate	Dollars in Millions
Endowment as of 1/1/08			100.0
FY 2008	-25.9%	5.0%	69.1
FY 2009	20.5%	5.0%	79.8
FY 2010	12.5%	5.0%	85.8
FY 2011	-0.7%	5.0%	80.9
FY 2012	12.0%	5.0%	86.6
FY 2013	15.6%	5.0%	95.7
FY 2014	6.1%	5.0%	96.8

Source: Return data from Commonfund Benchmarks Study of Foundations® (FY2008-FY2011) and Council on Foundations-Commonfund Study of Investments for Private Foundations™ (FY2012-FY2014). Copyright 2016 Council on Foundations and Commonfund Institute. 2014 Council on Foundations-Commonfund Study of Investment of Endowments for Private and Community Foundations™ (CCSF). All rights reserved.

Spending Rules

Fiscal Year 2014 ending December 31

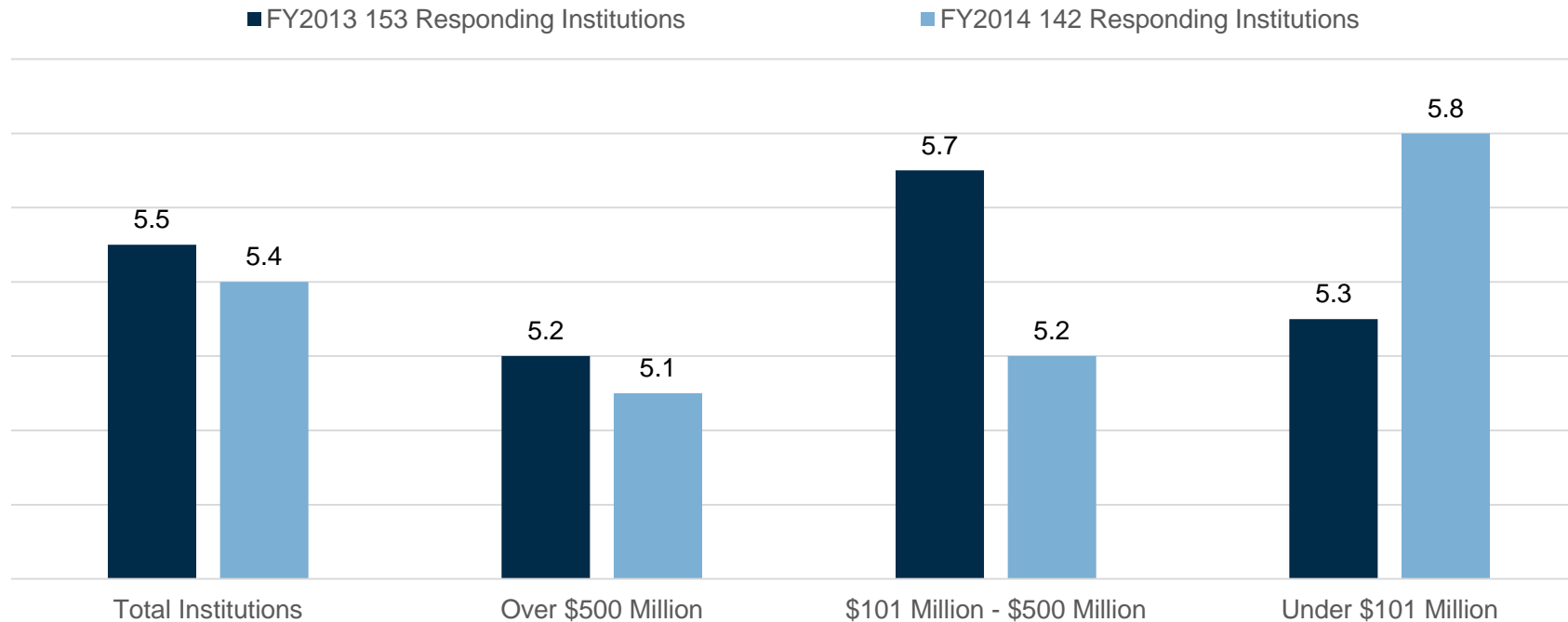
- 72% use the IRS minimum of 5% as their spending rate
- 41% spend a percentage of a moving average
- 32% decide on an appropriate spending rate each year
- 4% spend a pre-specified percentage of beginning market value

NOTE: Multiple responses allowed.
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Average Annual Effective Spending Rates by Size of Institution

Fiscal Years 2013–2014 ending December 31

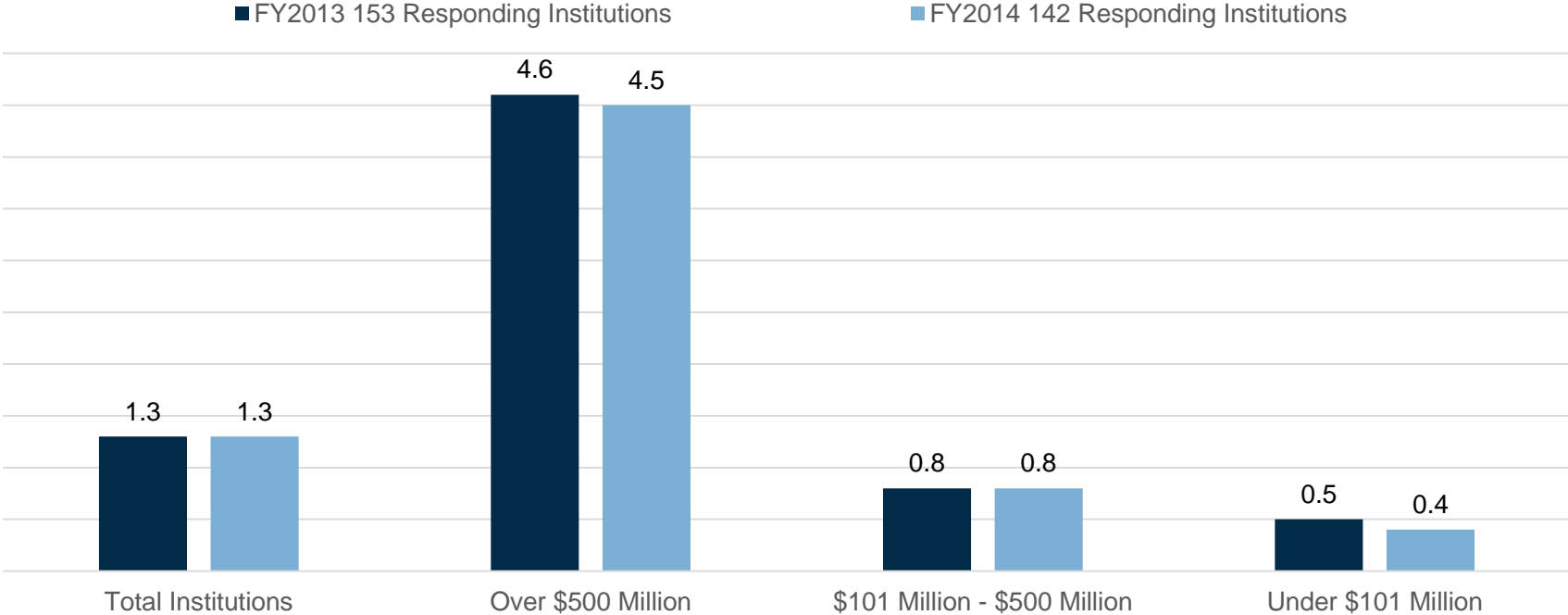
Numbers in percent



Professional Staffing of Investment Function

Fiscal Years 2013–2014 ending December 31

Average Number of Full-time Equivalents (FTEs)

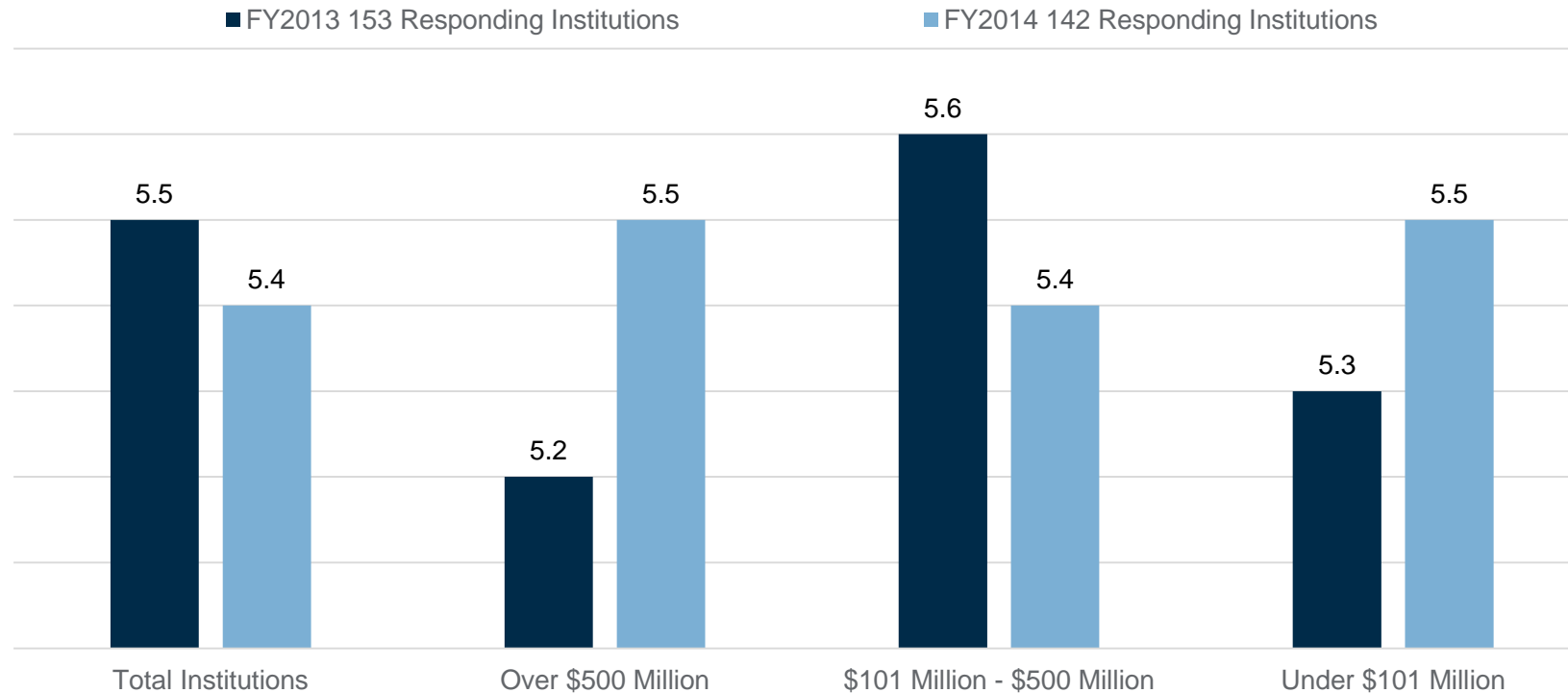


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Average Number of Voting Members on Investment Committee

Fiscal Years 2013–2014 ending December 31

Average Number of Voting Members



2014 Council on Foundations
Commonfund Study of Foundations™
Community Foundations Report

commonfund

Demographics

Fiscal Year 2014 ending December 31

Twelfth annual Community Foundations report

- 1st annual report in conjunction with the Council on Foundations
- \$19.8 Billion in assets represented
- 102 Participating Institutions

Fiscal Year reporting data

- Investment returns for all participating institutions are reported for the period ending December 31, 2014
- Majority of participants have calendar fiscal years

NOTE: Based on data from 102 interviews.

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Study Demographics

Fiscal Year 2014 ending December 31

Large	Total assets over \$500 Million	11
Mid-Size	Total assets between \$101 Million and \$500 Million	33
Small	Total assets under \$101 Million	58
Total		102

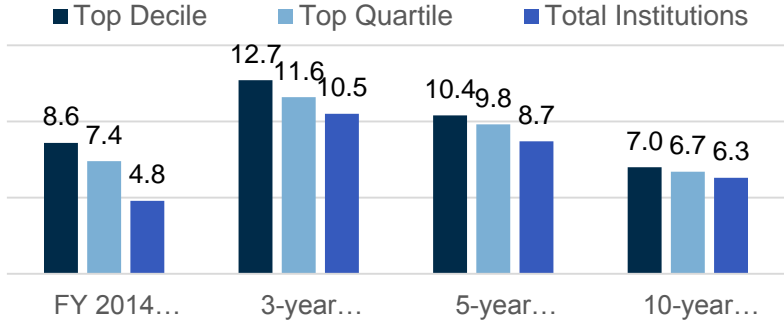
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CCSF Leaders

Top Decile and Quartile Performers

Net Performance¹

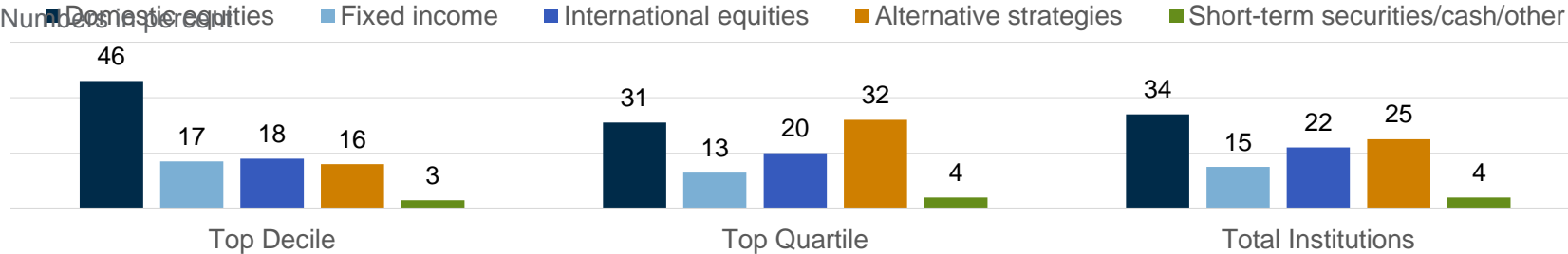
Numbers in percent



Demographics | Fiscal Year 2014

Numbers in percent (%)	Top Decile	Top Quartile	Total Institutions
Number of Institutions	11	26	102
Over \$500 million	0	11	11
\$101 - \$500 million	18	27	32
Under \$100 million	82	62	57

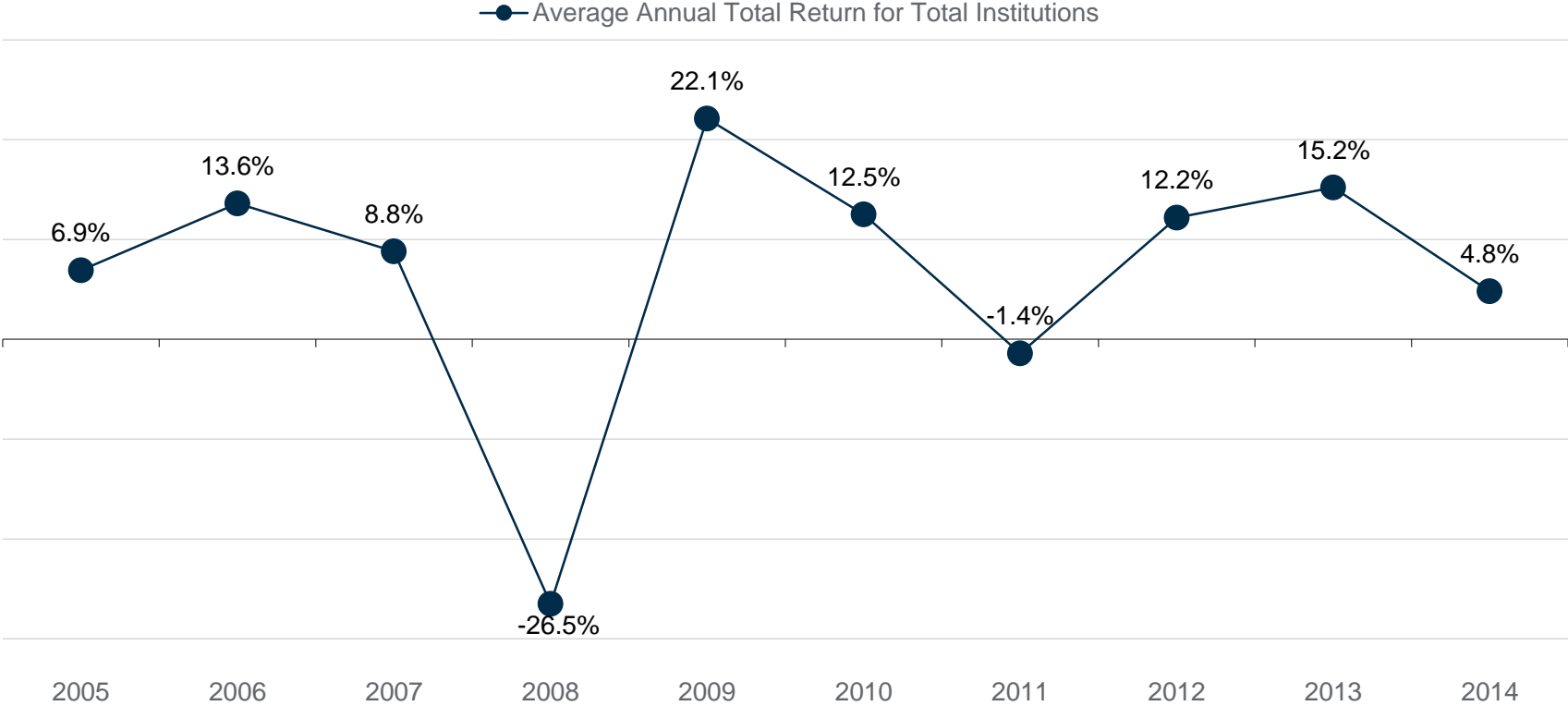
Asset Allocation² Comparison | Fiscal Year 2014



1. Net of fees
 2. Dollar-weighted
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Average Annual Total Return* for Total Institutions

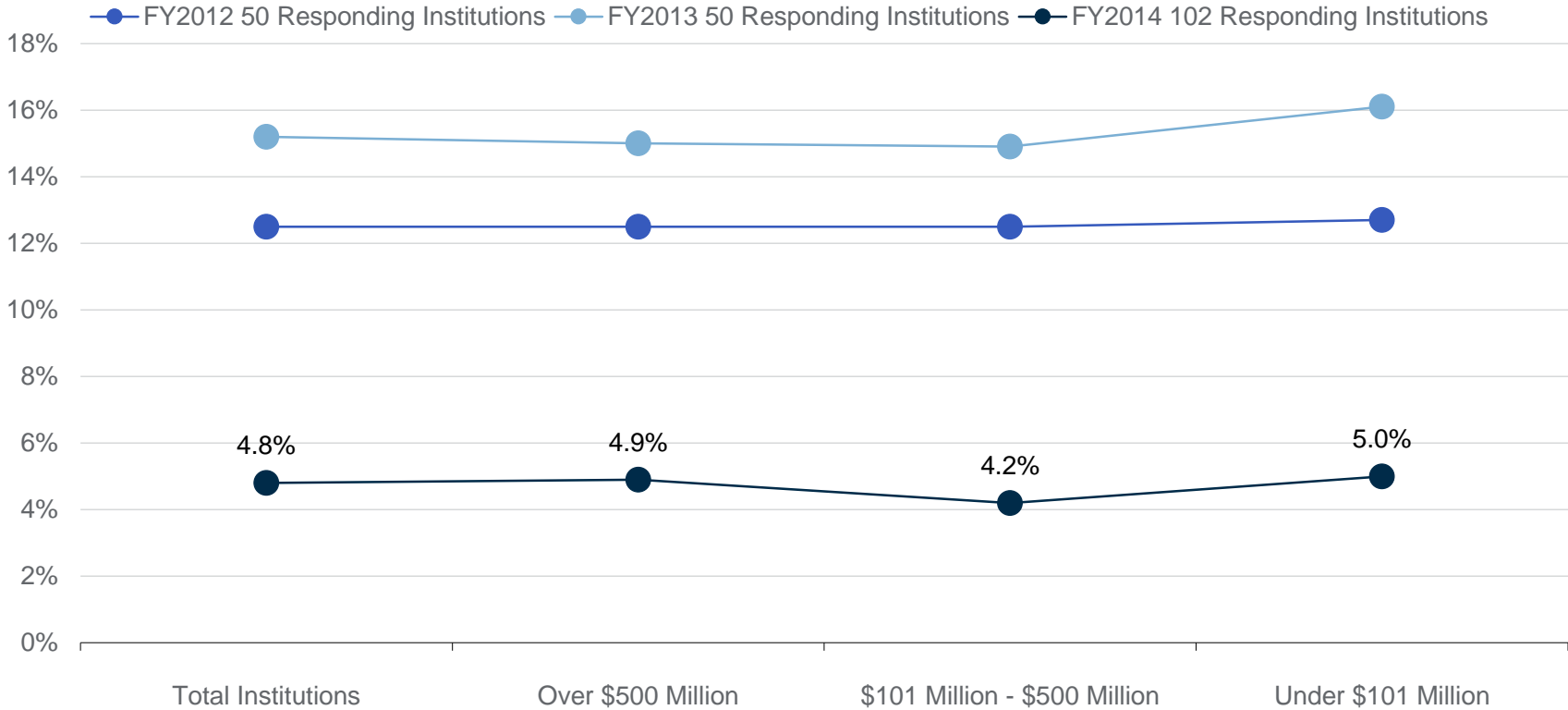
Fiscal Years 2005–2014 ending December 31



*Net of fees
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Average Annual Total Return* by Size of Fund

Fiscal Years 2012–2014 ending December 31

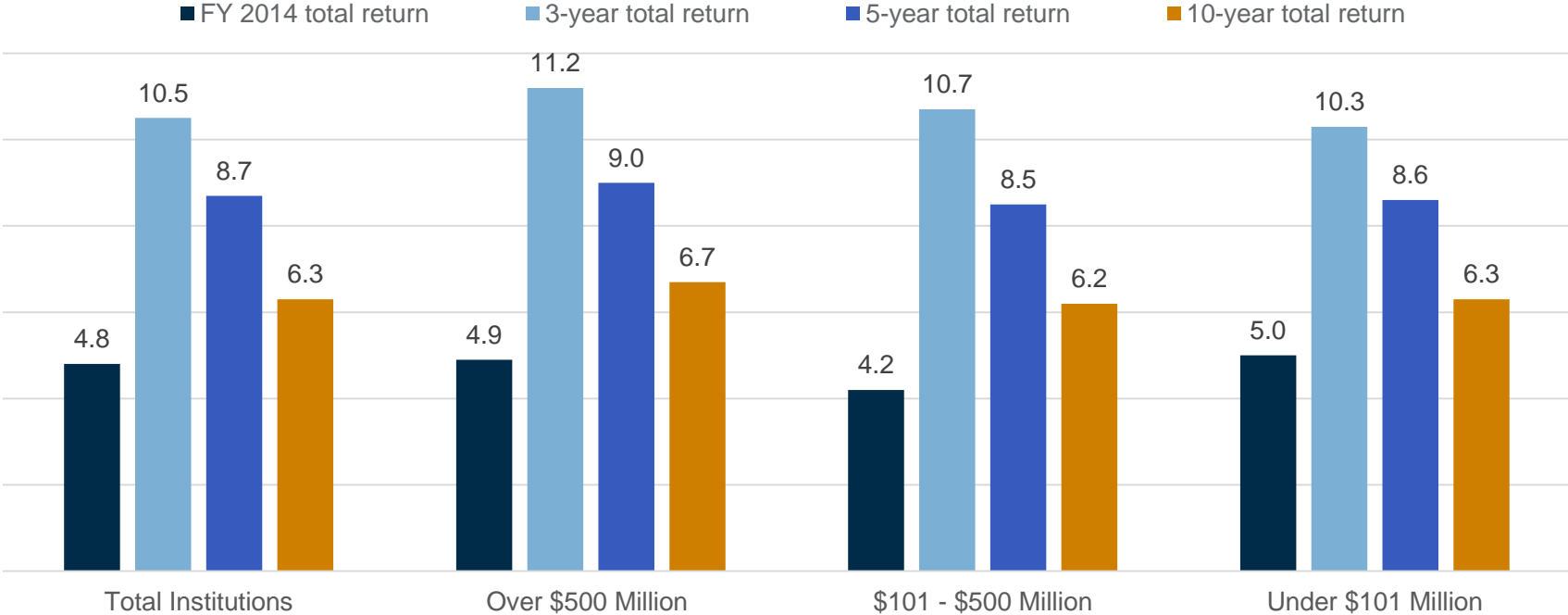


*Net of fees
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Average Reported One-, Three- and Five-Year Returns*

Fiscal Year 2014 ending December 31

Numbers in percent

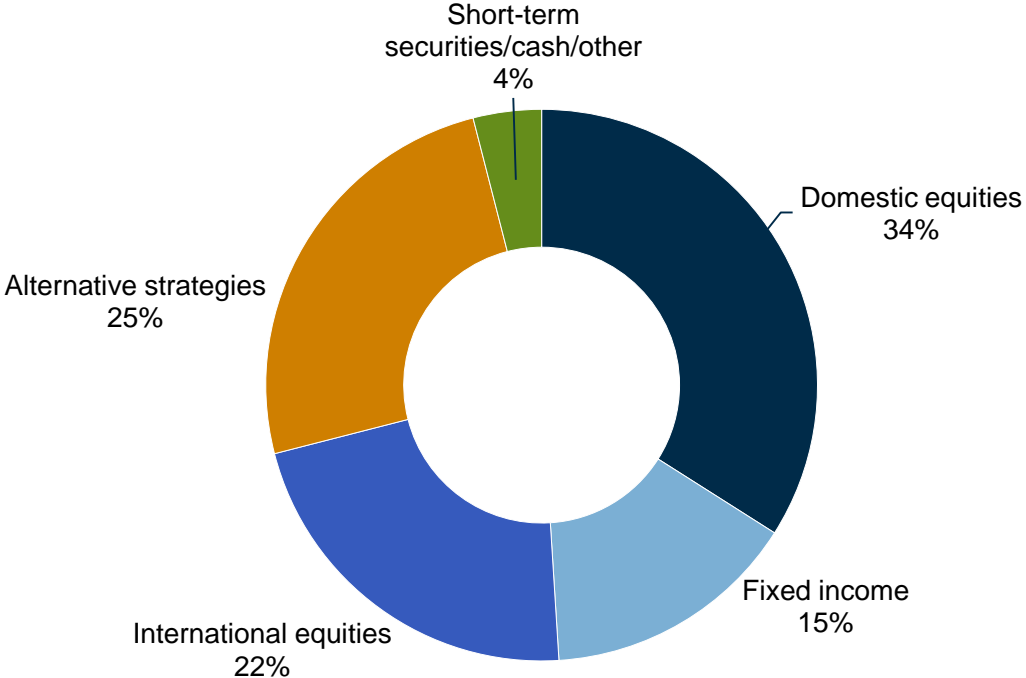


*Net of fees
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Asset Allocation for Total Institutions

Fiscal Year 2014 ending December 31

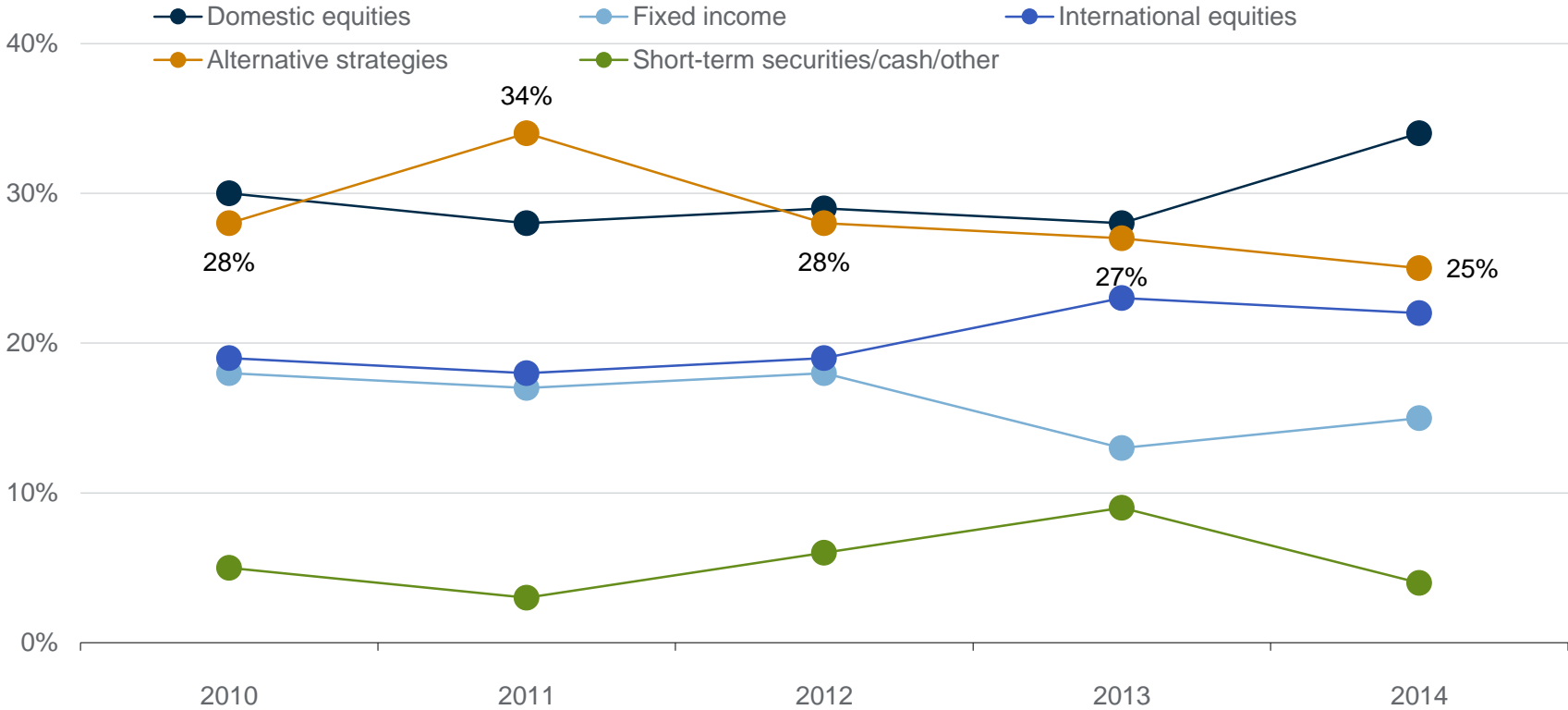
Dollar-weighted Asset Mix



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Asset Allocation* Trend for Total Institutions

Fiscal Years 2010–2014 ending December 31



*Dollar Weighted
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Allocations to Asset Classes*

Fiscal Years 2013–2014 ending December 31

	Total Institutions		Over \$500 Million		\$101 - \$500 Million		Under \$101 Million	
Number of Institutions	102	50	11	12	33	28	58	10
Fiscal Year	'14	'13	'14	'13	'14	'13	'14	'13
Asset Class								
Domestic equities	34%	28%	34%	27%	33%	31%	39%	33%
Fixed income	15%	13%	14%	13%	14%	15%	21%	17%
International equities	22%	23%	22%	21%	22%	24%	19%	25%
Alternative strategies	25%	27%	26%	29%	26%	25%	17%	20%
Short-term securities/cash/other	4%	9%	4%	10%	5%	5%	4%	5%

*Dollar-weighted

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Alternative Strategies Asset Mix*

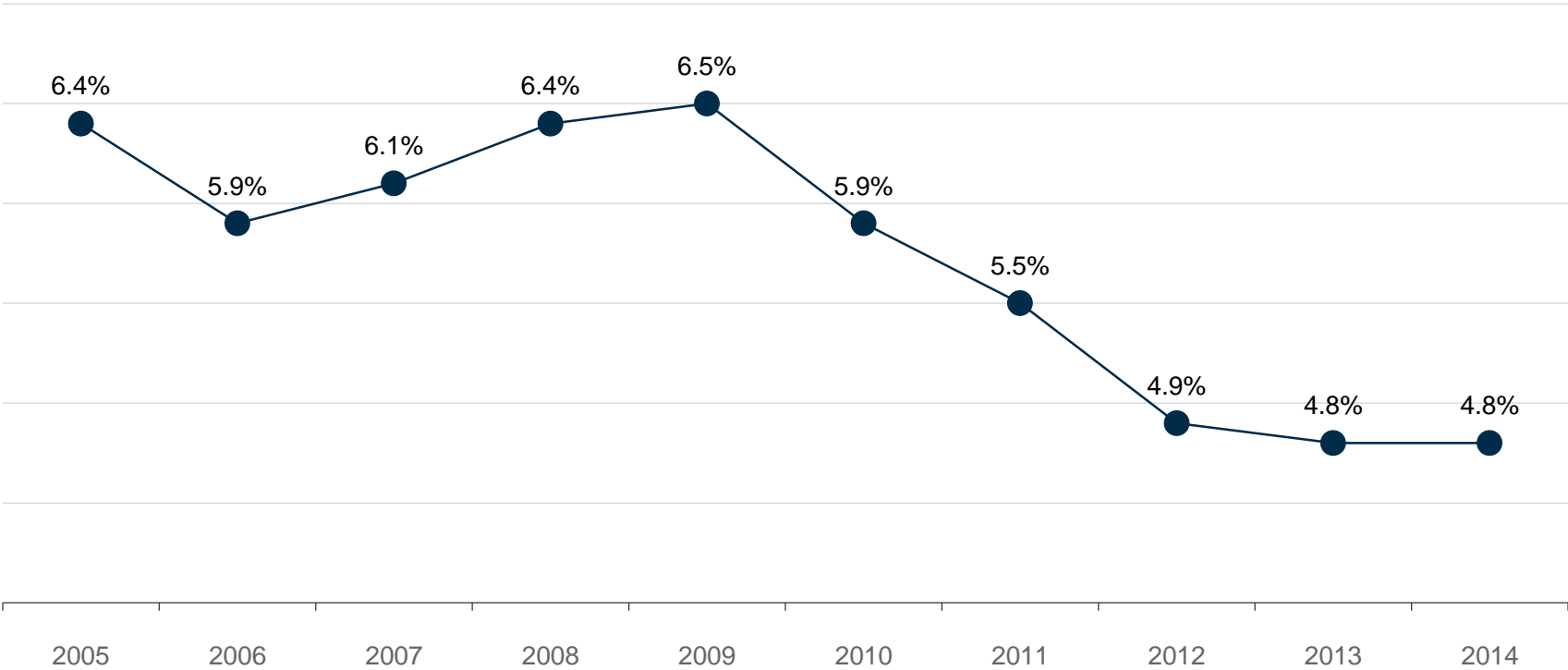
Fiscal Years 2013–2014 ending December 31

	Total Institutions		Over \$500 Million		\$101 - \$500 Million		Under \$101 Million	
Responding Institutions	72	34	10	7	25	20	37	7
Fiscal Year	'14	'13	'14	'13	'14	'13	'14	'13
Type of investment								
Private equity	14%	13%	14%	13%	15%	13%	9%	3%
Marketable alternative strategies	64%	61%	65%	63%	61%	59%	65%	67%
Venture capital	3%	4%	2%	2%	6%	7%	1%	1%
Private equity real estate	5%	6%	6%	6%	3%	6%	8%	4%
Energy and natural resources	12%	13%	10%	12%	14%	13%	16%	19%
Distressed debt	2%	3%	3%	4%	1%	2%	1%	6%

*Dollar-weighted
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Average Annual Effective Spending Rates

Fiscal Years 2005–2014 ending December 31



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Effect of Investment Returns

Fiscal Years 2008–2014

Investment Returns on a \$100 Million Community Foundation’s Investment Portfolio with 5% Spending Per Year

	1-Year Return	Spending Rate	Dollars in Millions
Endowment as of 1/1/08			100.0
FY 2008	-26.0%	5.1%	68.9
FY 2009	20.9%	5.0%	79.9
FY 2010	12.5%	5.1%	85.8
FY 2011	-0.9%	5.1%	80.6
FY 2012	12.2%	4.8%	86.6
FY 2013	15.2%	4.8%	95.6
FY 2014	4.8%	4.6%	95.8

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Spending Policy*

Fiscal Year 2014 ending December 31

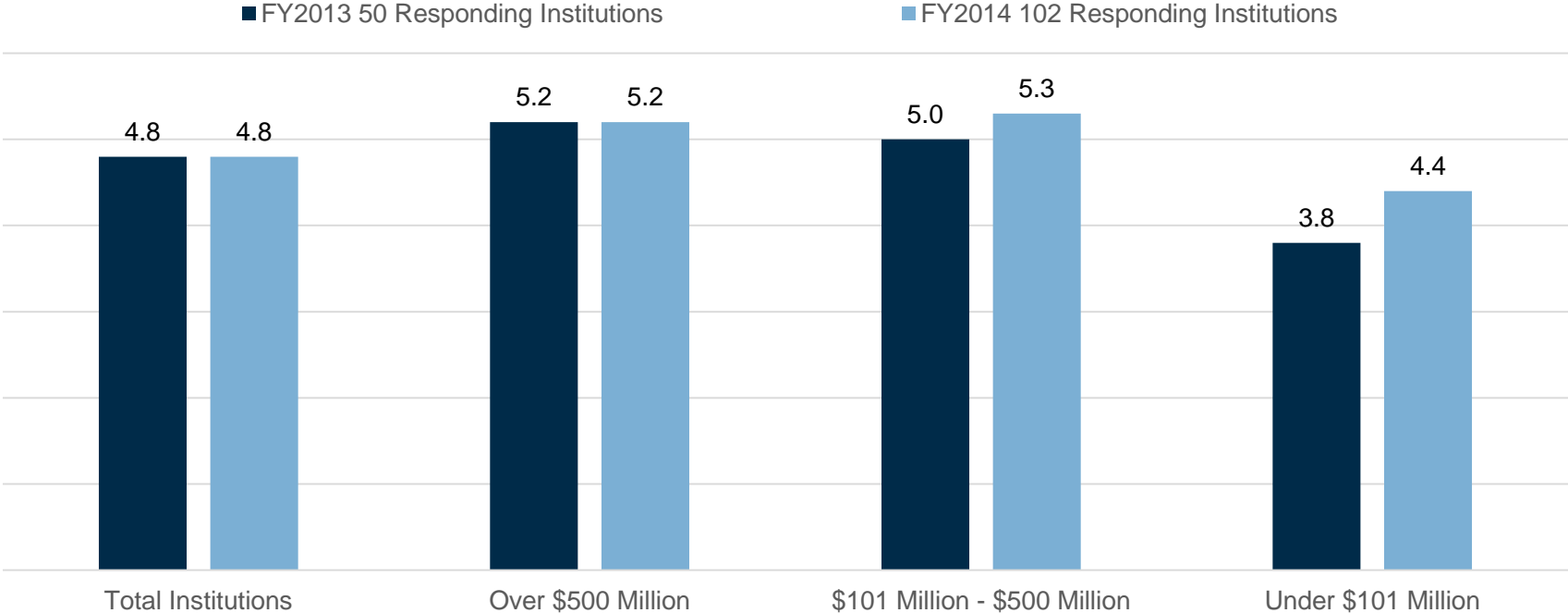
	Total Institutions	Over \$500 Million	\$101 - \$500 Million	Under \$101 Million
Number of institutions	102	11	33	58
Spend all current income	2	0	0	3
Percentage of a moving average	87	73	97	84
<i>Average percentage</i>	<i>4.6</i>	<i>5.2</i>	<i>4.8</i>	<i>4.4</i>
Decide on an appropriate rate each year	13	9	0	21
Grow distribution at a predetermined inflation rate	0	0	0	0
Spend a pre-specified percentage of beginning market value	5	9	0	7
<i>Average pre-specified percentage spent</i>	<i>5.0</i>	<i>6.0</i>	<i>0.0</i>	<i>4.8</i>
Last year's spending plus inflation with upper and lower bands	3	9	6	0
Weighted average or hybrid method (Yale/Stanford Rule)	2	9	0	2
Other	5	9	3	5

* Multiple responses allowed.
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Average Annual Effective Spending Rates | by Size of Institution

Fiscal Years 2013–2014 ending December 31

Numbers in percent

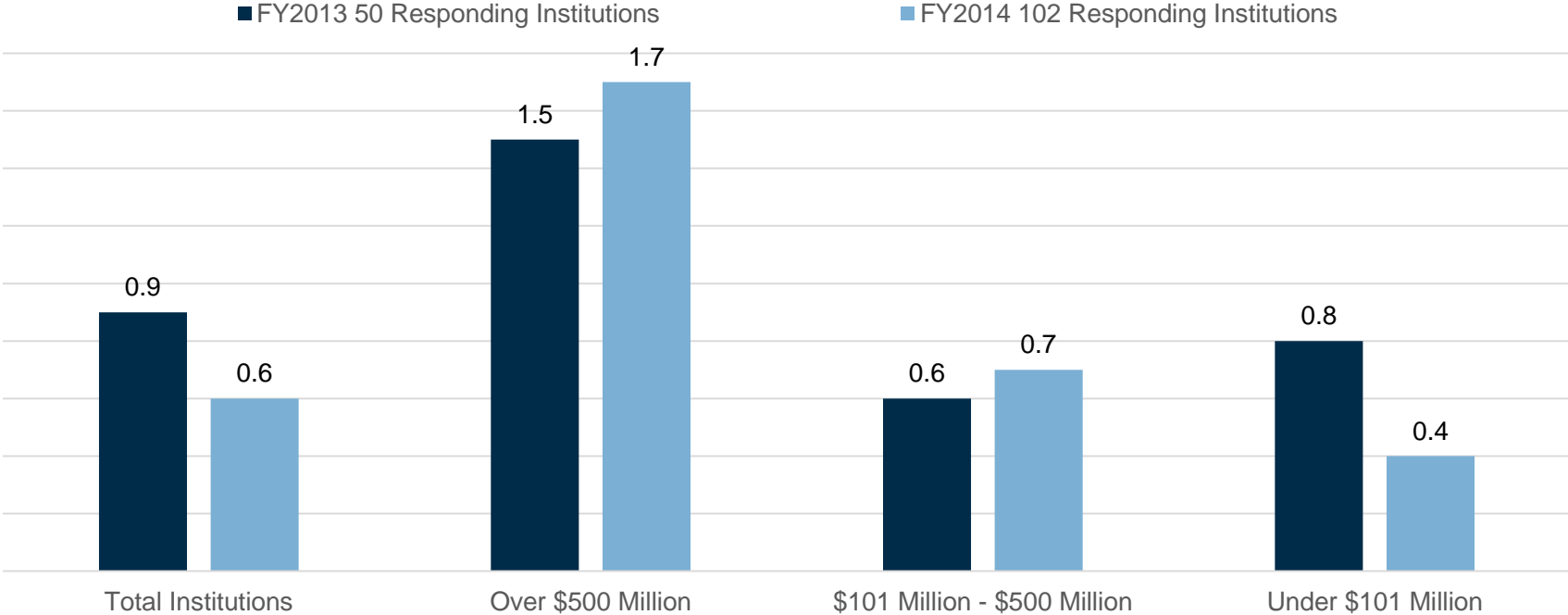


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Professional Staffing of Investment Function

Fiscal Years 2013–2014 ending December 31

Average Number of Full-time Equivalents (FTEs)

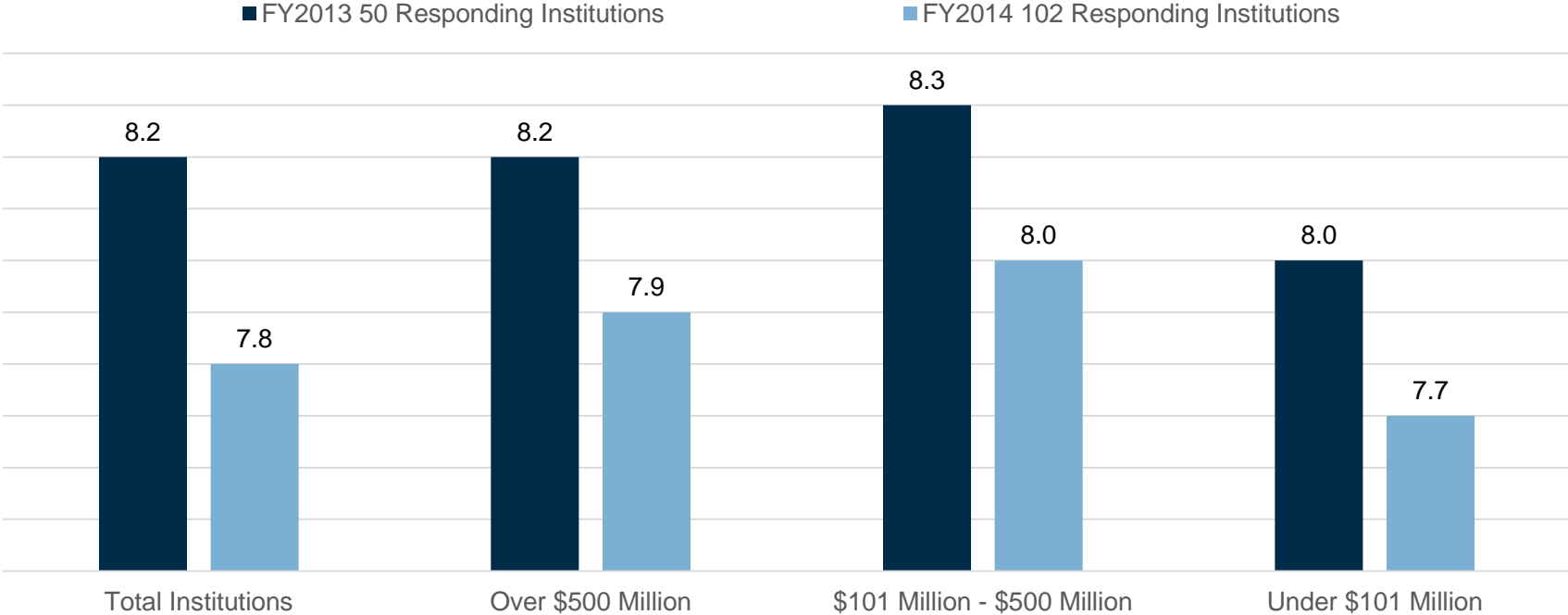


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Average Number of Voting Members on Investment Committee

Fiscal Years 2013–2014 ending December 31

Average Number of Voting Members



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Explanatory Notes Regarding Long–Medium Term Return/Risk Forecasts

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Forecasts

Forecasts are based on data as of December 30, 2015. No forecast can predict the future or account for the infinite number of possible outcomes in forecasting investment returns or risks. Forecasts are based on Commonfund's expectations about returns of various asset classes. Commonfund cannot guarantee the accuracy of the information it used in generating the forecasts, nor does it represent that the information used will necessarily represent market conditions in the future. Forecast results will vary with any change to the inputs. The results will also change with any periodic updates to Commonfund's point of view and assumptions. Because the forecasts uses asset class returns, it should not be used to evaluate or simulate the results of any specific investment program (or fund). The investment asset classes depicted involve varying degrees of investment risk. Alternative assets in particular may involve reduced liquidity and risky investment strategies. Investors in any of these asset classes could lose some or all of their principal. In particular cases (including investments on margin, short selling and similar strategies), investors could lose more than their principal investment.

Explanatory Notes Regarding Long–Medium Term Return/Risk Forecasts

Commonfund’s forecasts may not come true

No financial model or simulation can predict the future or account for the infinite number of possible outcomes in forecasting investment returns or risks. In order to assess the predictive value of any forecast, one should seek to understand the underlying assumptions and information that are used to generate the forecast.

The underlying assumptions of these forecasts

Commonfund’s Long-Medium Term Return/Risk Forecasts are based on Commonfund’s expectations about performance and risk characteristics of various asset classes. Those expectations are derived from historical data, academic and professional literature, and the judgment of Commonfund investment personnel. The utility of these forecasts depends greatly on the accuracy of Commonfund’s assumptions about return parameters. For example, the forecasts take into consideration historical returns from periods experiencing interest rate environments that may be considerably different from future interest rate environments. The forecasts also project excess returns for active strategies as compared to passive strategies, which Commonfund believes is a reasonable expectation but may or may not be realized in the future. The reasonableness of the input assumptions made by Commonfund determines to a significant degree the reasonableness of the forecasts. Commonfund cannot guarantee the accuracy of the information it used in generating the forecasts, nor does it represent that the information used will necessarily represent market conditions in the future. In all cases, the statistical confidence in the predictions falls as the simulation period gets shorter.

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The results of these forecasts will vary

The results of simulations using the Long-Medium Term Return/Risk Forecasts will vary with any change to the inputs: asset allocation, spending rates or methods, contributions, or beginning market value. The results will also change with any periodic updates to Commonfund’s point of view and assumptions. Because the model uses asset class returns, it should not be used to evaluate or simulate the results of any specific investment program (or fund).

These forecasts use estimated fees and expenses.

The return distributions in the Commonfund Long-Medium Term Return/Risk Forecasts are calculated using Monte Carlo simulation and are based on projected returns net of all fees. These net returns reflect Commonfund’s projections for active management returns in excess of both the benchmark and active manager fees. In the case of an actual investment portfolio, fees and expenses may deviate from those projected by Commonfund. To the extent that returns exceed benchmarks for investments that incur incentive fees, fees may be higher. Alternatively, managers in a specific client portfolio may be different from those employed in the simulation.

Investment Risks

The investment asset classes depicted in the Long-Medium Term Return/Risk Forecasts involve varying degrees of investment risk. Alternative assets in particular may involve reduced liquidity and risky investment strategies. Investors in any of these asset classes could lose some or all of their principal. In particular cases (including investments on margin, short selling and similar strategies), investors could lose more than their principal investment.



Recent Developments in Foundation Investment and Governance

Presenter: John S. Griswold

Founder & Senior Advisor, Commonfund Institute

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