



Getting Smart About Your Investment Practices:

A Look at the 2014 CCSF Results and Beyond



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Moderator:

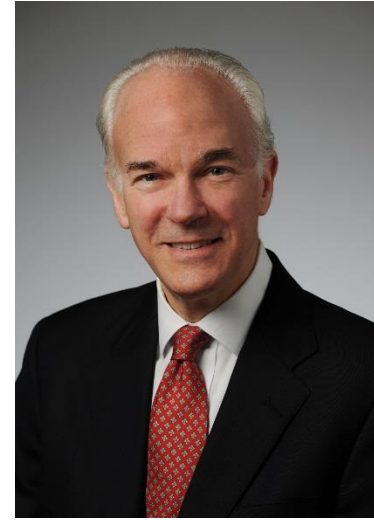
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Agenda

- A Look Back at 2014
- Topline Results of the 2014 Study of Investments
- Q&A

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A Look Back at 2014

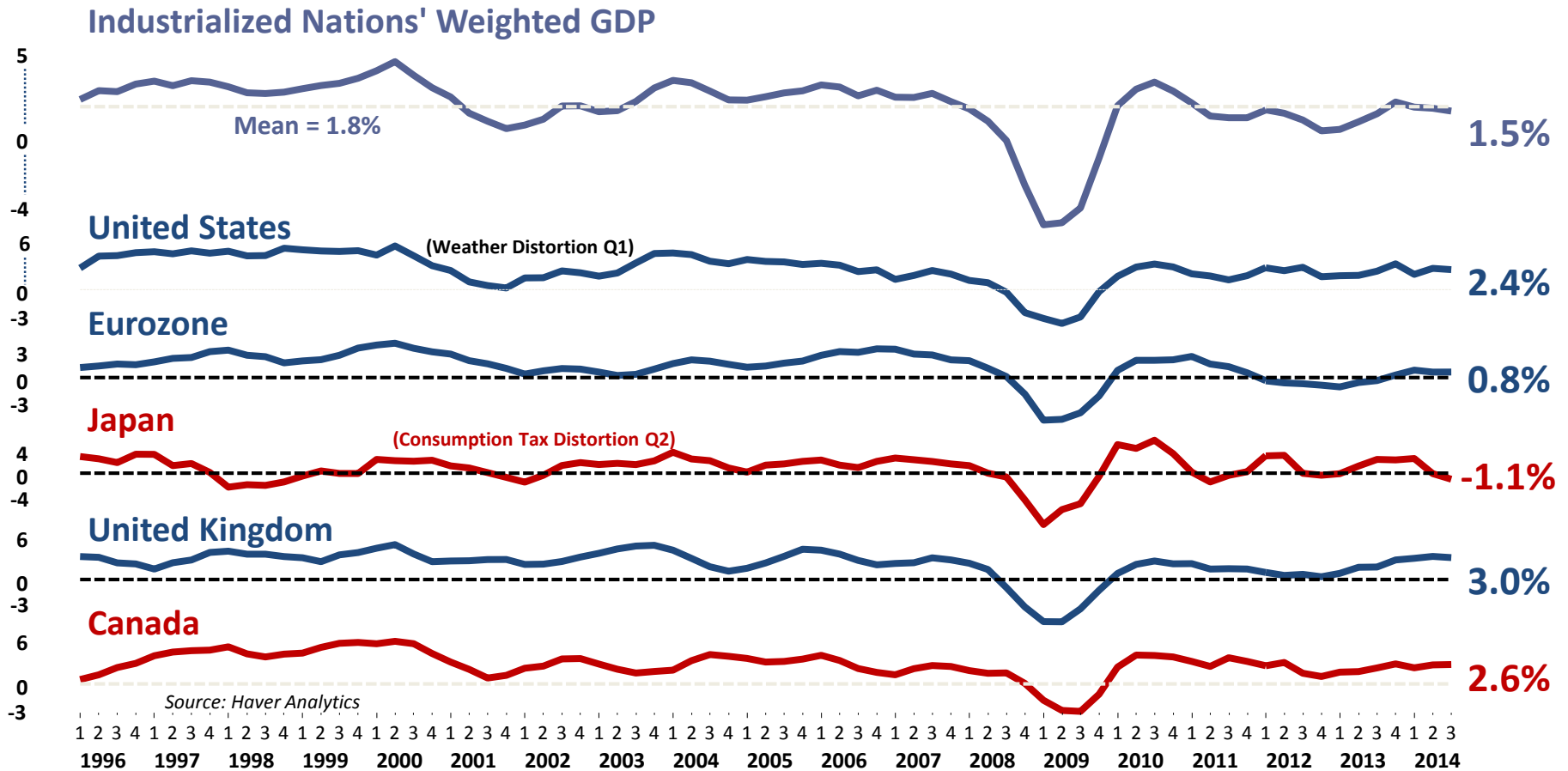


A Look Back at 2014

- A frozen U.S. economy hindered Q1 real GDP, but a significant rebound in growth unfolded in Q2 and Q3.
- Even with weather distortions, U.S. earnings beat analyst estimates.
- The early spring momentum selloff didn't dramatically hit blue chips and the autumn Ebola/Russia/ ISIS events created a buying opportunity.
- Global unrest placed the greatest risk in continental Europe.
- A \$13 + trillion rise in U.S. consumer net worth in last 18 months.
- U.S., Japan, and India were big winners from drop in energy costs.
- BRICs were cheap on a historical basis, but many have challenges, particularly on the profit front, with Brazil, Russia, and China at the top of the list.

GDP For Industrialized Nations (Year-To-Year Changes)

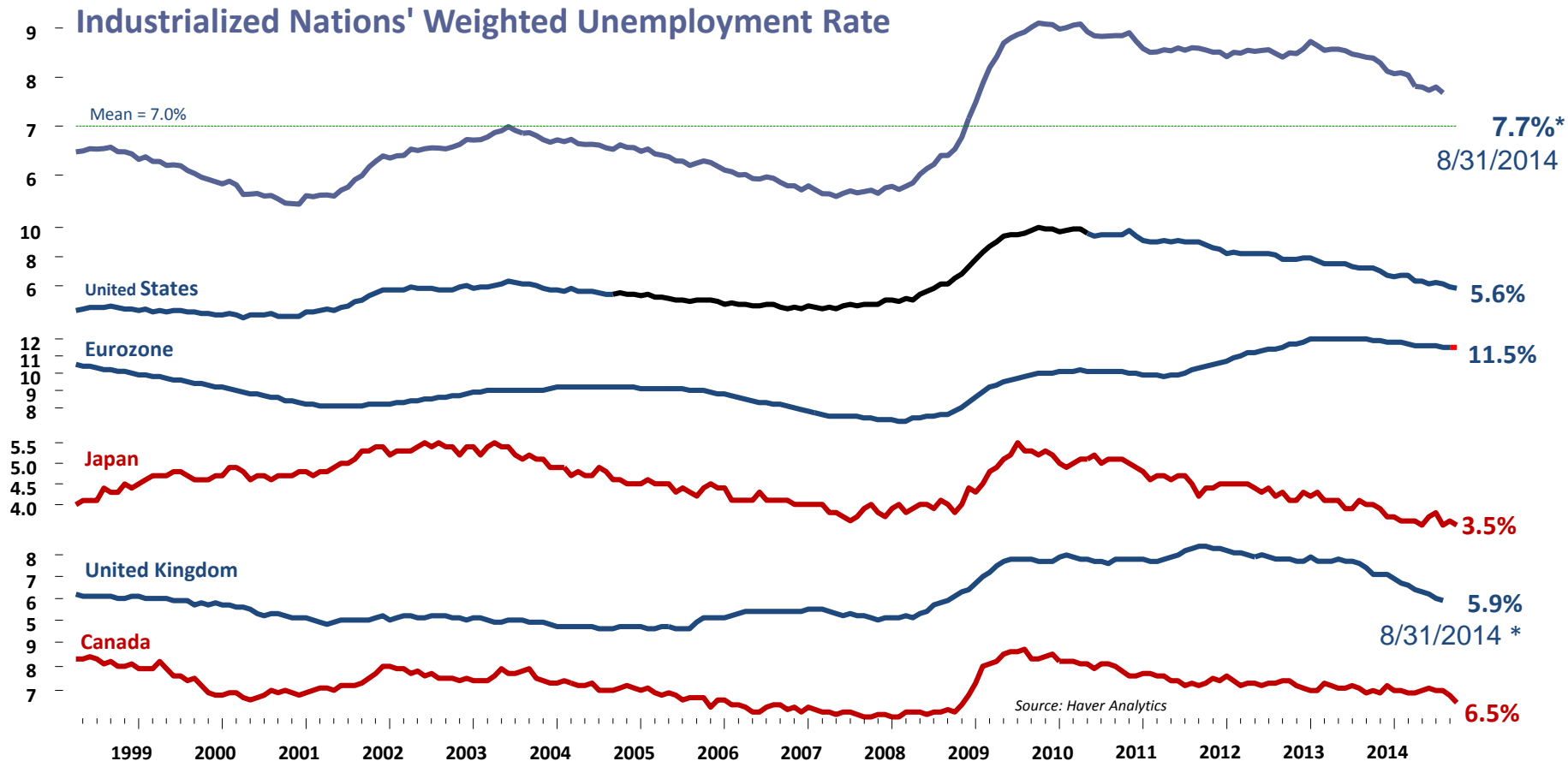
Quarterly Data
3/31/1996 - 9/30/2014



* End date unless otherwise noted
Source: Ned Davis Research, (IE42D)

Unemployment Rates | Industrialized Nations

Monthly Data | 4/30/1998 - 10/31/2014 *

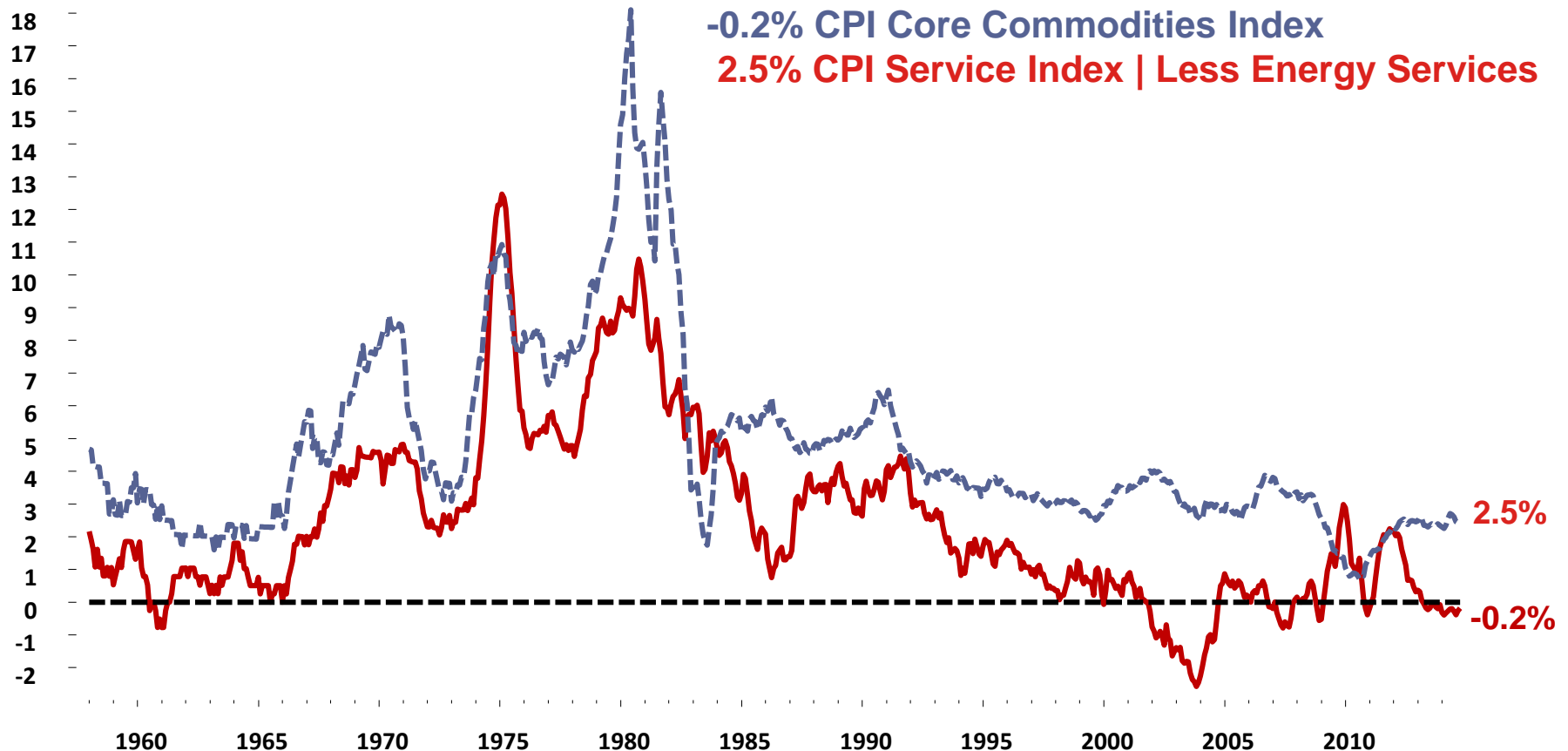


*Unless otherwise noted.

Source: Ned Davis Research, (IE100)

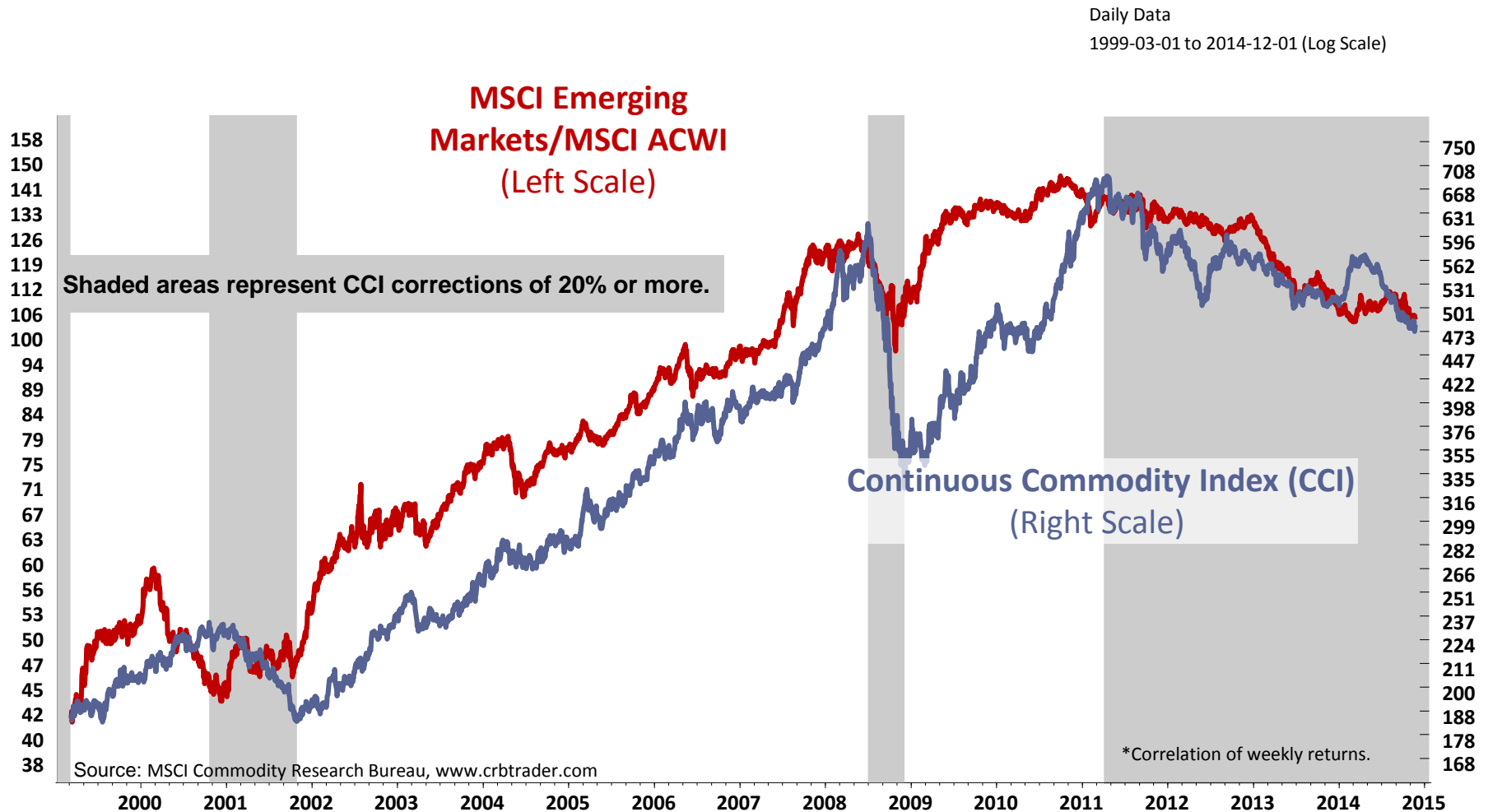
CPI Core Commodities and CPI Services Ex-Energy (Year-to-Year Changes)

Monthly Data
1/31/1958 - 10/31/2014



Source: Ned Davis Research (E704)

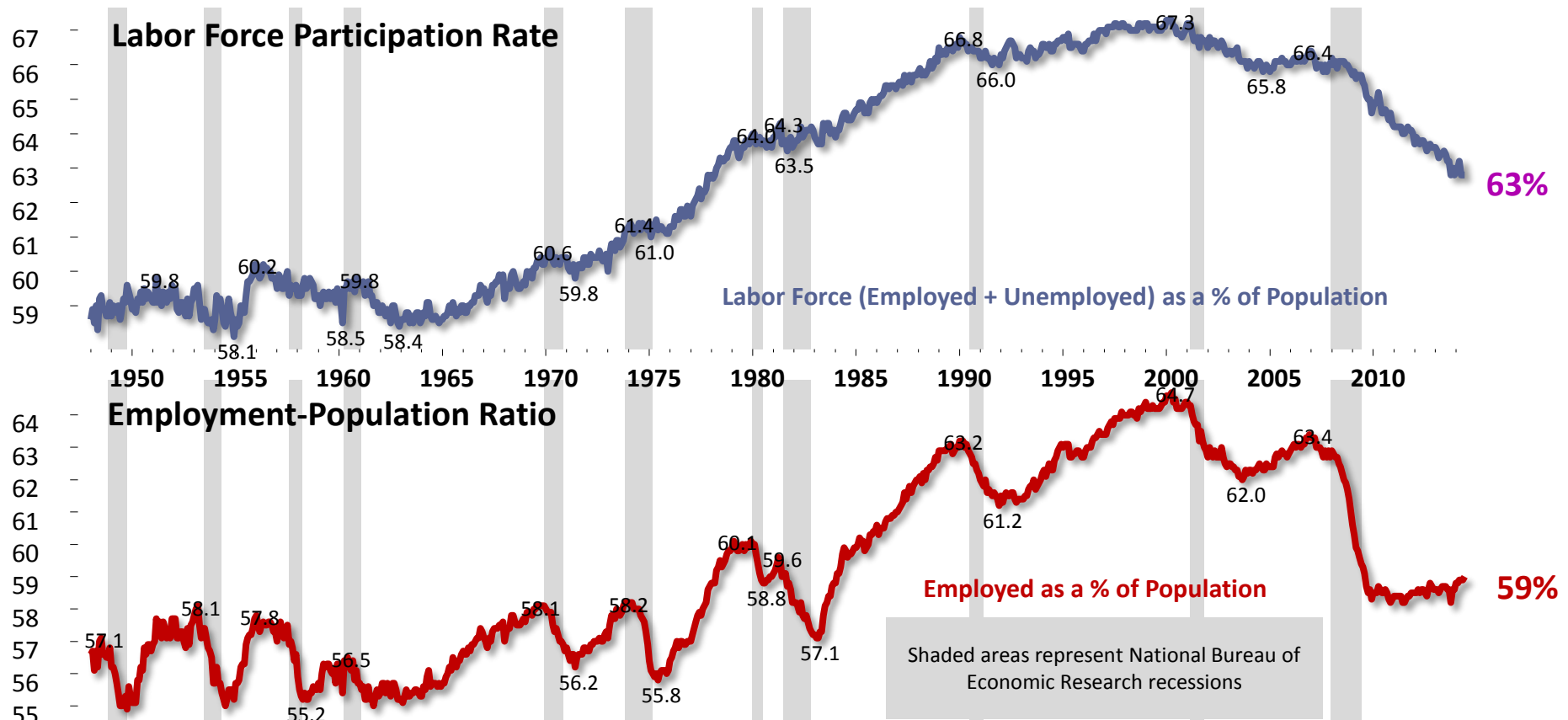
Emerging Markets vs. Commodities



Source: Ned Davis Research (COM802)

Analysis of U.S. Labor Force and Employment as a Percentage of Population

Monthly Data
1/31/1948 - 10/31/2014

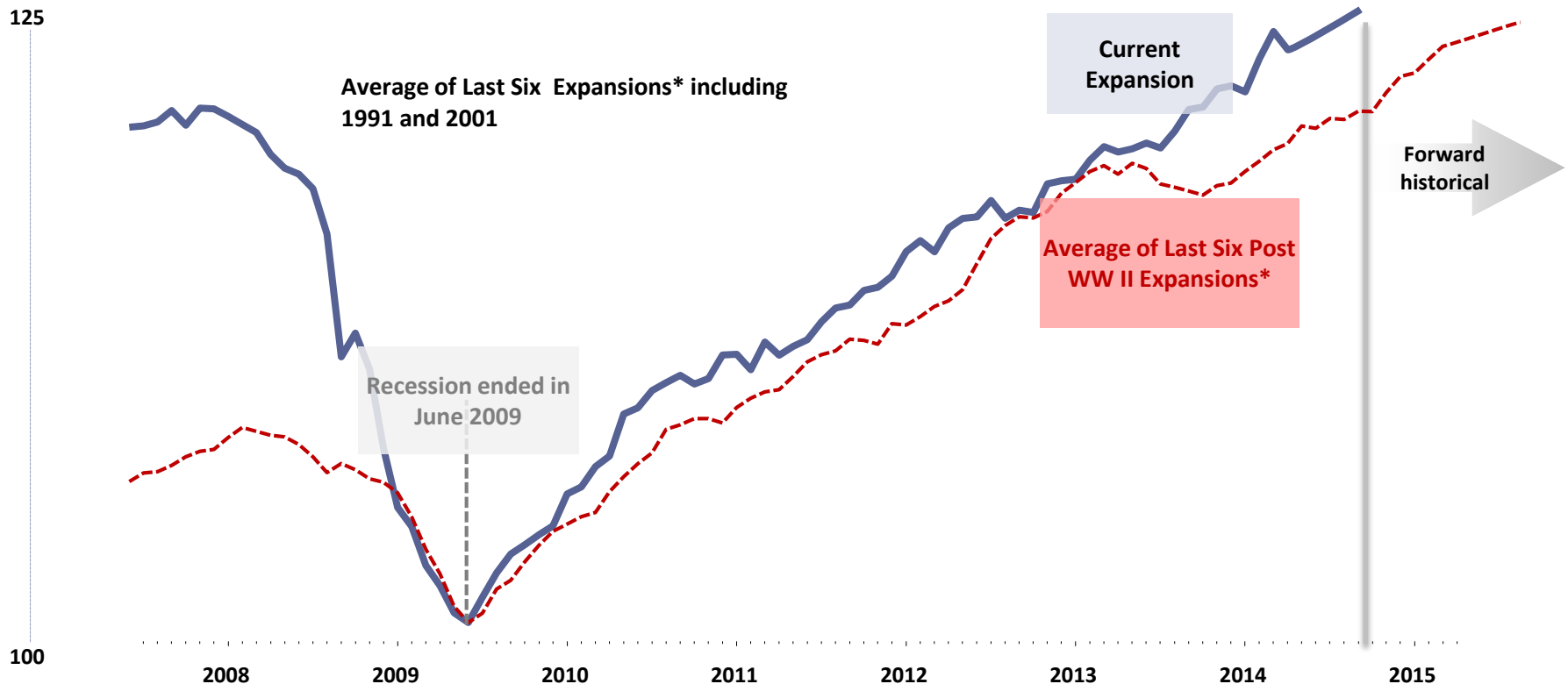


Source: Ned Davis Research (E105)

Industrial Production Growth Since Recession End

Monthly Data
6/30/2007 - 9/30/2015

Performance of Industrial Production vs. Expansions*

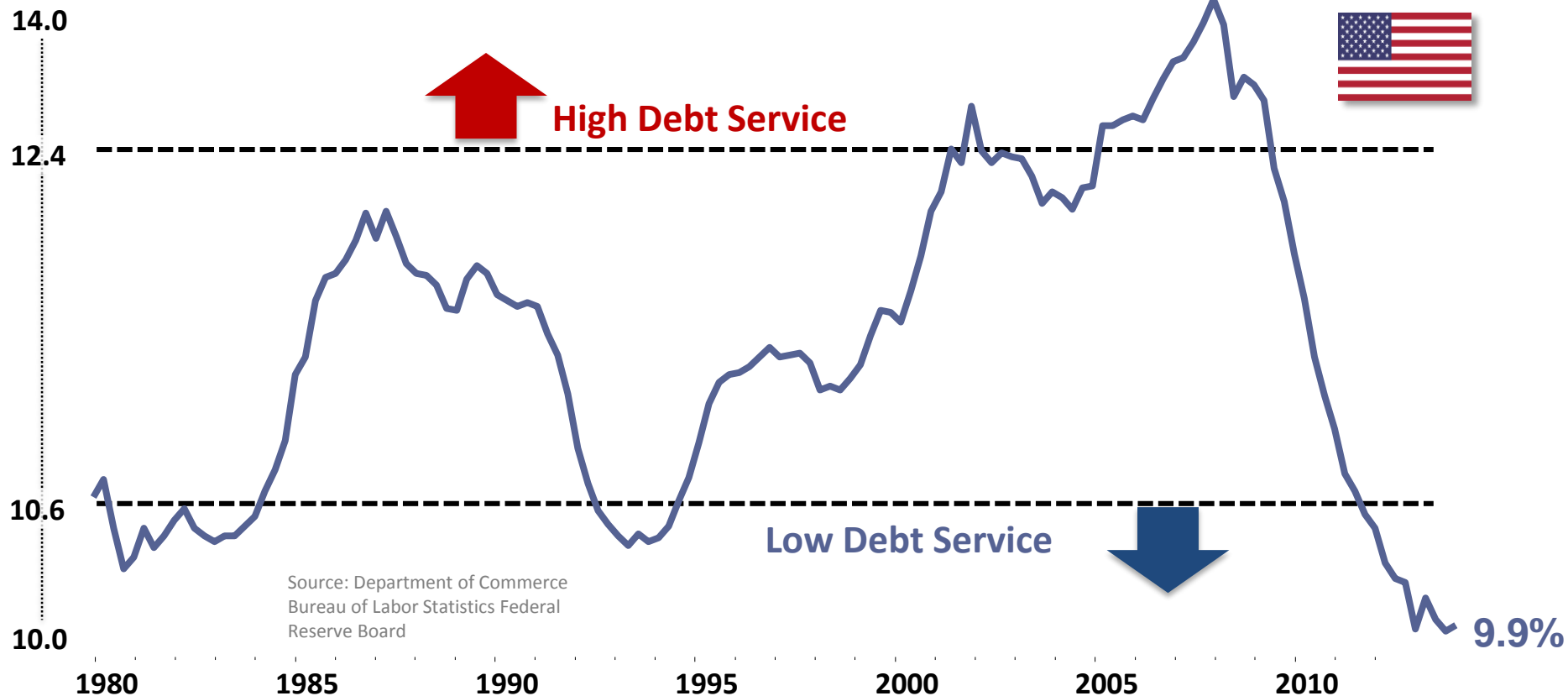


*Dates used for determining economic expansions are those designated by the National Bureau of Economic Research. The data has been adjusted for ease of comparison with the current cycle. Expansion starting dates used: November 1970, March 1975, July 1980, November 1982, March 1991 and November 2001

Source: Ned Davis Research,(E0027)

Household Debt Service Ratio Potential Impact On Growth

Quarterly Data | 3/31/1980 – 6/30/2014



Household Debt Service Ratio

(Minimum Debt Service Payment on Mortgage Debt and Consumer Credit as a % of Disposable Personal Income)

Source: Ned Davis Research, Department of Commerce, Bureau of Labor Statistics, Federal Reserve Board, (DAVIS145)

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CCSF

Study of Foundations

2014

STUDY OF INVESTMENT OF ENDOWMENTS FOR
PRIVATE AND COMMUNITY FOUNDATIONS™

INVESTMENT RETURNS | PORTFOLIO MANAGEMENT | ASSET ALLOCATION
SPENDING RATE/POLICY | DEBT | FEES & EXPENSES | LIQUIDITY
INVESTMENT OFFICE | CONSULTANTS | INVESTMENT COMMITTEE/BOARD


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Topline Results of the 2014 CCSF

- Third year of successful partnership on the CCSF between the Council on Foundations and Commonfund Institute
- 244 foundations participated in the FY14 survey: 142 private | 102 community
- The U.S. foundations had \$107.4 billion in total endowment assets (as of December 31, 2014)

Themes for 2014 and Beyond:

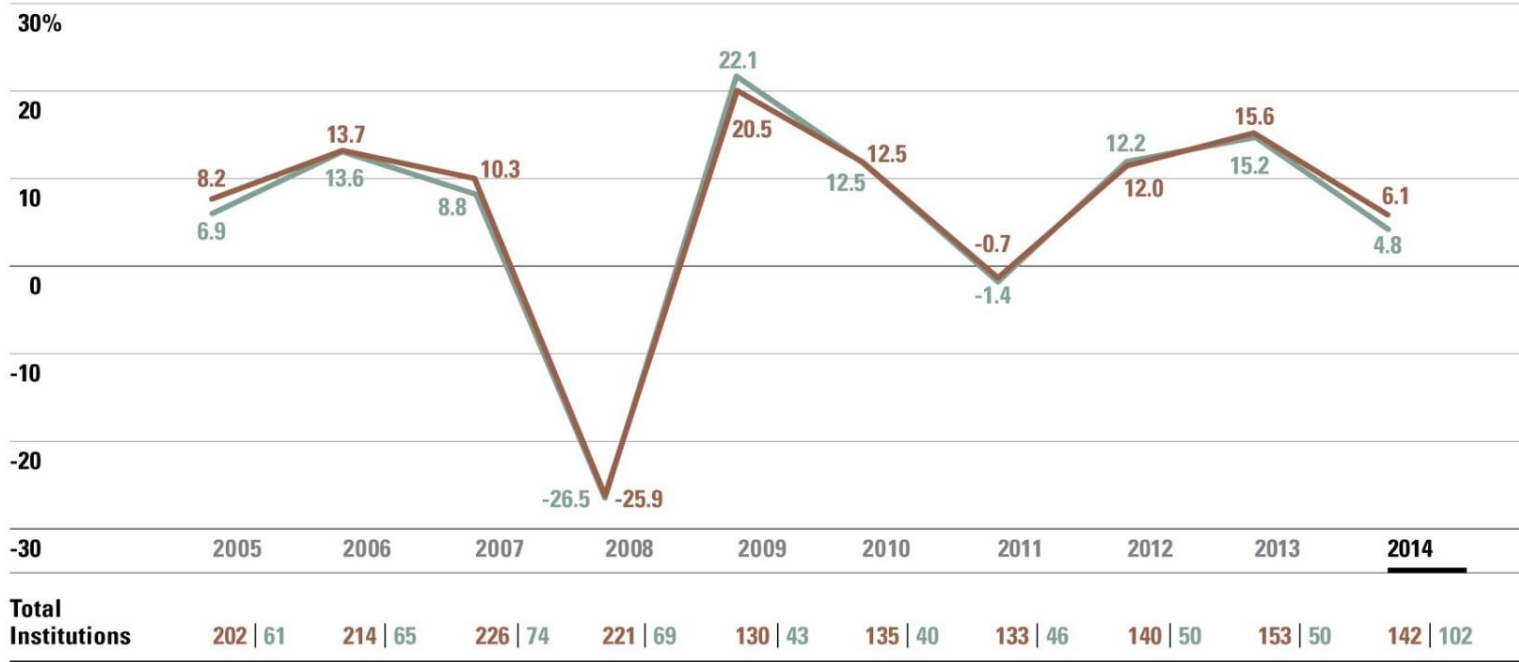
- Private foundations reported an average return of 6.1% in FY14. Community foundations reported 4.8% for the same time period. Over the past 10 years, the average annual return was 6.3% for both private and community foundations.
- One-year returns were generally correlated with endowment size except for community foundations under \$101 million, which benefited from their larger allocation to U.S. equities.
- Alternative strategies such as private equity and venture capital continued to perform strongly, while commodities showed negative returns.
- Asset allocations remain largely stable for private foundations. Community foundations showed shifts toward domestic equities and away from cash.
- Around 60% of private and community foundations increased their spending in dollar terms, by 21% and 34%, respectively, over FY2013.
- Foundations' FY2014 investment results, while positive, must be viewed in the larger context of the fiscal and other challenges that foundations face, including:
 - Continued societal needs despite the economic recovery in the U.S.
 - Uncertain investment prospects in coming years given sub-par economic growth in many countries



Private and Community Foundations | Fiscal Years 2005- to 2014

Figure 2.1 Average Annual Total Net Returns for Total Institutions for Fiscal Years 2005-2014*

numbers in percent (%)



— Private Foundations
— Community Foundations

* Previously published FY2005–2011 numbers were recalculated to include only independent and family foundations.

*Net of fees.

Source: Fiscal years 2005–2011, Commonfund Benchmarks Study® of Foundations; Fiscal years 2011–2014, Council on Foundations-Commonfund Study of Investment of Endowments for Private and Community Foundations.

Average Annual Returns* for One, Three, Five & Ten Years

By Endowment Size | Ending December 31, 2014

Figure 2.2 Average One-, Three-, Five- and 10-Year Net Returns

<i>numbers in percent (%)</i>	Total Institutions		Over \$500 Million		\$101–\$500 Million		Under \$101 Million	
	Private	Community	Private	Community	Private	Community	Private	Community
	142	102	25	11	74	33	43	58
FY2014 total net return	6.1	4.8	7.1	4.9	5.9	4.2	5.9	5.0
3-year net return	11.1	10.5	11.6	11.2	11.3	10.7	10.6	10.3
5-year net return	9.2	8.7	9.6	9.0	9.3	8.5	8.5	8.6
10-year net return	6.3	6.3	6.8	6.7	6.3	6.2	5.8	6.3

*Net of fees.

Source: Fiscal years 2005–2011, Commonfund Benchmarks Study® of Foundations; Fiscal years 2011–2014, Council on Foundations-Commonfund Study of Investment of Endowments for Private and Community Foundations.

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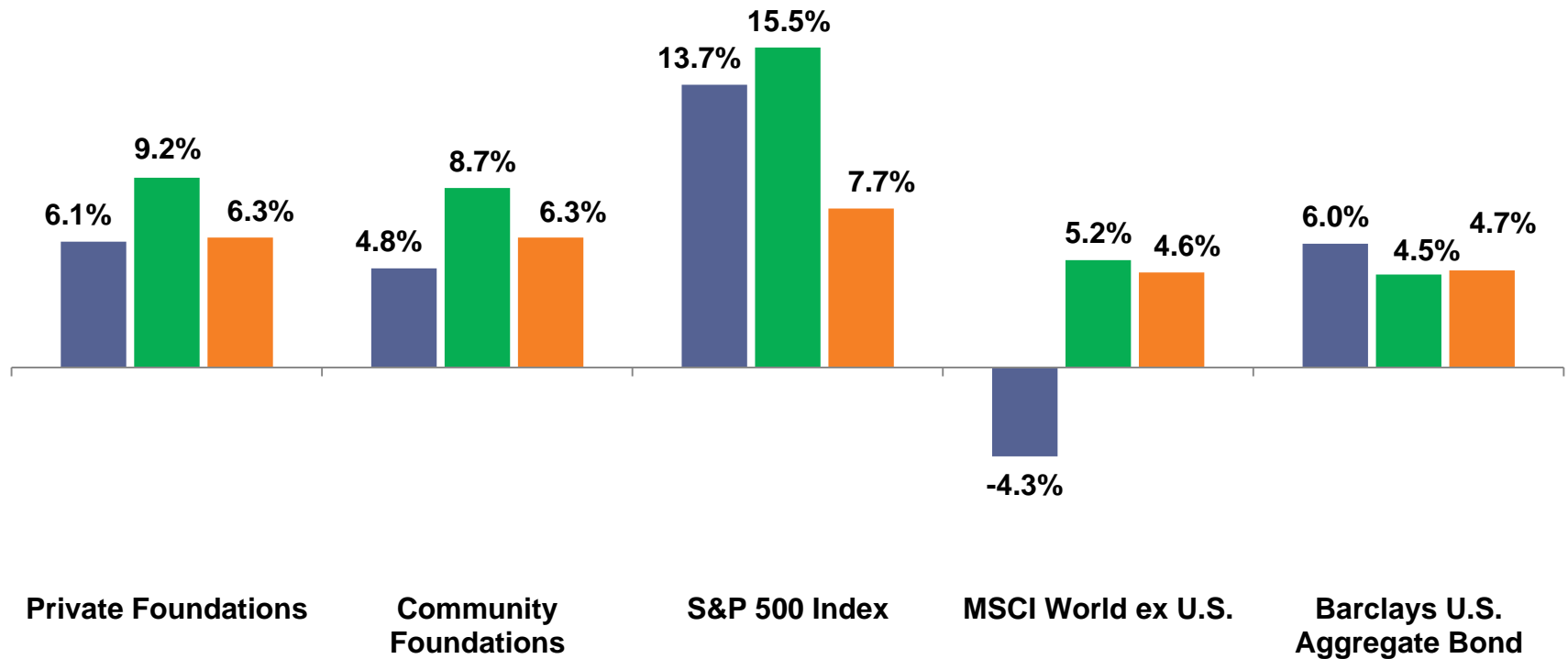


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Total Returns Compared with Major Indices*

Ending December 31, 2014

■ 1-Year ■ 5-Year ■ 10-Year



**Index returns assume reinvestment of dividends.

Allocations to Asset Classes

Fiscal Year 2014

Figure 3.2 Asset Allocations[♦] for Fiscal Year 2014

numbers in percent (%)

	Total Institutions		Over \$500 Million		\$101–\$500 Million		Under \$101 Million	
	Private	Community	Private	Community	Private	Community	Private	Community
	142	102	25	11	74	33	43	58
Domestic equities	25	34	23	34	30	33	35	39
Fixed income	9	15	8	14	14	14	17	21
International equities	18	22	18	22	19	22	18	19
Alternative strategies	44	25	47	26	32	26	24	17
Short-term securities/cash/other	4	4	4	4	5	5	6	4

[♦] *dollar-weighted*



Alternative Strategies Asset Mix*

Fiscal Year 2014

Figure 3.7 Alternative Strategies Asset Mix[♦] for Fiscal Year 2014

<i>numbers in percent (%)</i>	Total Institutions		Over \$500 Million		\$101–\$500 Million		Under \$101 Million	
	Private	Community	Private	Community	Private	Community	Private	Community
Responding Institutions	121	72	22	10	67	25	32	37
Type of investment strategy								
<i>Private equity (LBOs, mezzanine, M&A funds and international private equity)</i>	21	14	22	14	20	15	10	9
<i>Marketable alternative strategies (hedge funds, absolute return, market neutral, long/short, 130/30, event-driven and derivatives)</i>	43	64	40	65	56	61	56	65
<i>Venture capital</i>	10	3	11	2	3	6	5	1
<i>Private equity real estate (non-campus)</i>	10	5	10	6	9	3	17	8
<i>Energy and natural resources (oil, gas, timber, commodities and managed futures)</i>	10	12	10	10	10	14	9	16
<i>Distressed debt</i>	6	2	7	3	2	1	3	1

[♦]dollar-weighted

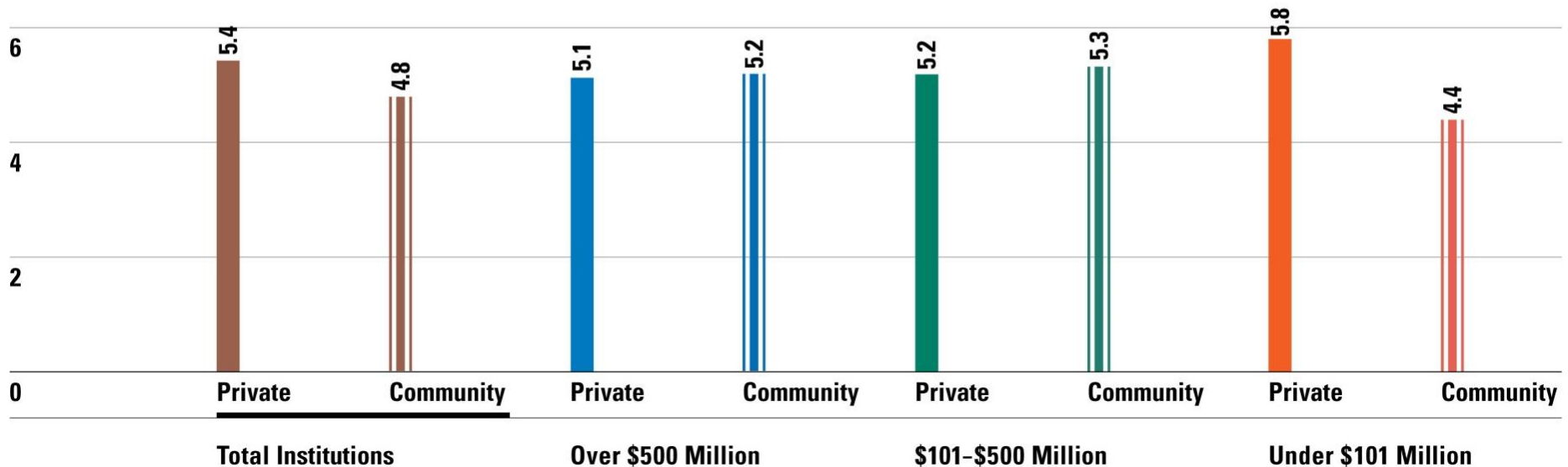
Average Annual Effective Spending Rates*

By Endowment Size | Fiscal Year 2014

Figure 5.2 Average Annual Effective Spending Rates for Fiscal Year 2014

numbers in percent (%)

8%



*The effective spending rate is the percentage of the beginning market value of the endowment that is made available annually for spending on student financial aid, faculty research, maintenance of facilities, and other campus operations, as determined and defined by each institution. The rate is calculated net of any fees or expenses for managing and administering the endowment.

Changes to Spending Dollars

By Endowment Size | Fiscal Year 2014

Figure 5.5 **Changes to Spending Dollars for Fiscal Year 2014**

<i>numbers in percent (%)</i>	Total Institutions		Over \$500 Million		\$101-\$500 Million		Under \$101 Million	
	Private	Community	Private	Community	Private	Community	Private	Community
	142	102	25	11	74	33	43	58
Increased spending dollars	59	61	60	46	58	67	58	60
<i>Average percent increase</i>	21.1	33.9	12.5	8.7	13.5	20.7	39.4	45.8
<i>Median percent increase</i>	9.2	16.8	6.3	8.4	8.7	9.4	11.7	19.3
Decreased spending dollars	30	15	28	18	30	18	33	12
<i>Average percent decrease</i>	11.5	8.0	18.4	1.2	12.5	6.1	6.4	11.5
<i>Median percent decrease</i>	8.4	6.9	20.5	1.2	7.9	6.1	3.6	9.3
No change	1	0	0	0	1	0	2	0
No answer/uncertain	10	24	12	36	11	15	7	28



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Questions?



Endowments & Financial Services Summit

- November 5-6 in New York City
- The IDEAL participants are: CEOs/CIOs/CFOs/Board investment committee
- Summit Experience: 2 thought provoking plenary sessions and peer learning/networking!
- Select workshop sessions:
 - Approaches to Sustainable and Responsible Investing
 - Stress Testing Your Foundation's Portfolio
 - Achieving Diversity Among Foundation Portfolio Managers
 - Protecting Your Data: Cybersecurity in Today's Digital Age
 - Governance Best Practices
 - Investing for Mission and Impact
- Registration is OPEN!
<http://www.cof.org/2015-endowments-financial/register>
- Questions? contact Stephanie McGencey, Senior Director Member Relations,
stephanie.mcgencey@cof.org or 703-879-0618



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