




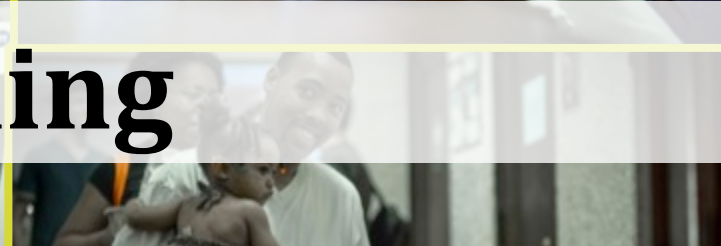
# Welcome!

CICF Investor Meeting

February 19, 2015


A scenic park path with trees, benches, and cyclists. The path is paved and has a white line down the center. Two blue metal benches are on the left side of the path. In the background, two people are riding bicycles. The trees are green and some are bare, suggesting a transitional season like autumn. The sky is overcast.

Together, we have  
done many great  
things...



**#NowTrending**





We have a team you can trust to make your investments go further in the community.

# CICF Joint Investment Board

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Community leaders and financial experts who ensure investment strategy:

- James Roederer
- David Becker
- David Knall
- Marni McKinney
- Jerry Semler
- John Quinn
- Charles Sutphin
- Gene Tanner
- Jean Wojtowicz



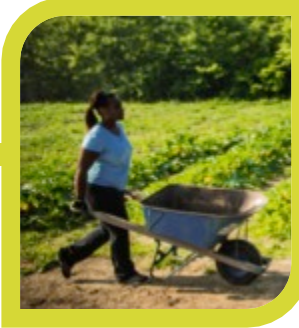
# CICF Investment Staff

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- Jennifer Bartenbach, CFO
- Jennifer Schrier, Director of Finance & Systems
- Cathy Davis, Senior Accountant
- Brenda Delaney, Controller



# Cambridge Associates



Manages 40% of all U.S. foundation assets and 70% of all U.S. higher education endowment assets; CICF's consultant since June 2009.

- Natalie Eckford
- Sharcus Steen
- Jon Hansen
- Tyler Abell



# 2014 Financial Results





# Money In, Money Out



2014 CONTRIBUTIONS:

\$32,044,100

2014 GRANTS OUT:

\$42,894,222

32%



HEALTH & HUMAN SERVICES

26%



EDUCATION

17%



CIVIC & COMMUNITY IMPROVEMENT

16%



ARTS & CULTURE

9%



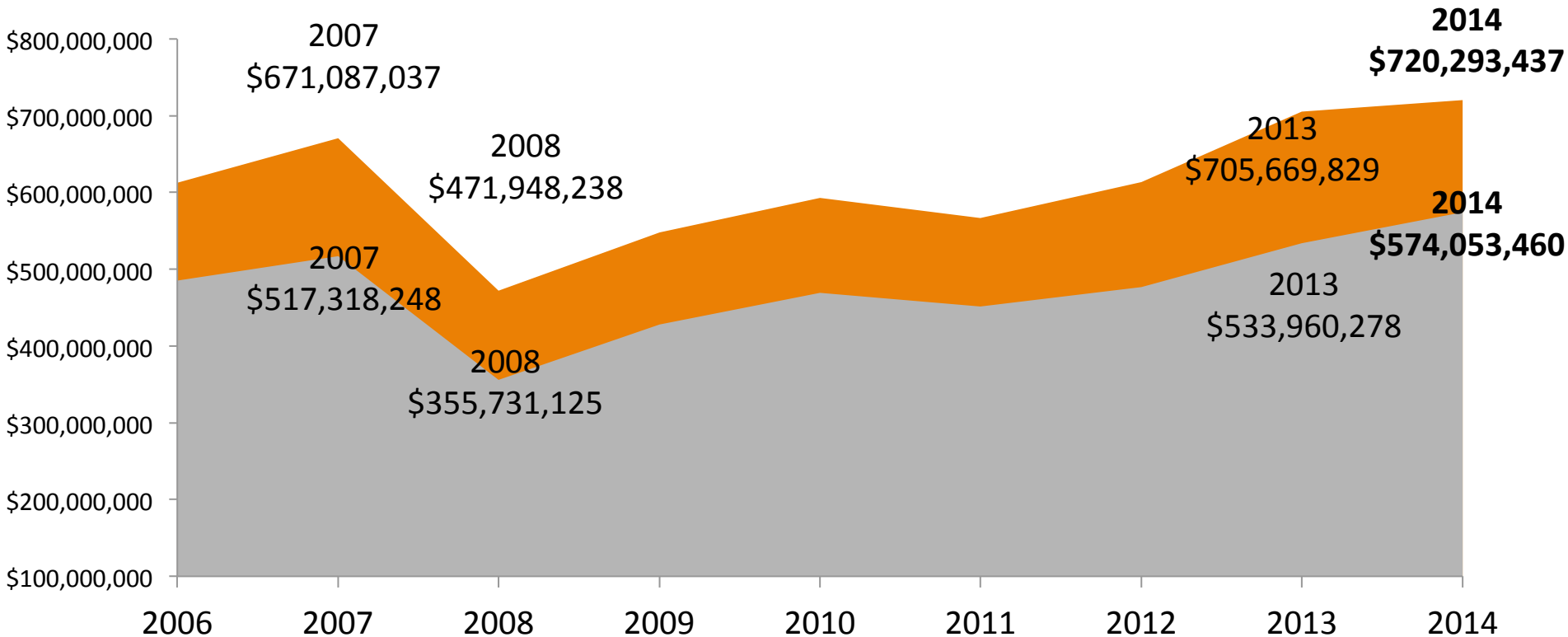
ENVIRONMENT

# Total Assets



■ Total Assets

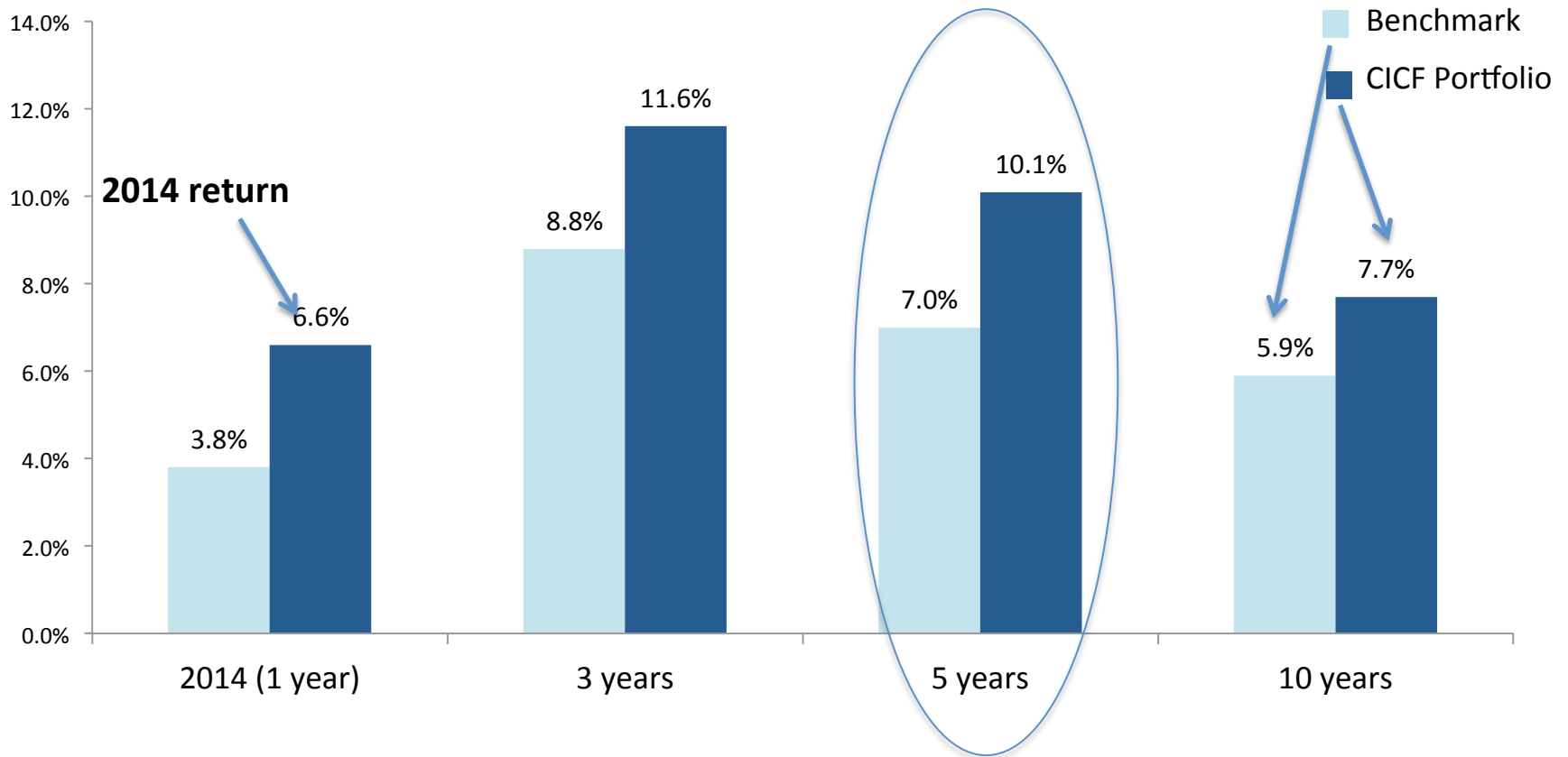
■ Managed Pool Assets



# Results



C|A has worked with CICF for nearly 5 years.



Note: Returns above include private equity valuations from Oct. 1, 2013 – Sept. 30, 2014

How did we get there?



# Strategy



Goal

Maximize return at an appropriate level of risk

Role

Growth engine

Hedge against catastrophic macroeconomic risk

Diversification

Asset Classes

**Public Equities**

U.S., non-U.S., emerging

**Private Equities**

Private equity & venture capital

Deflation

**Fixed Income**

High quality, intermediate to long-term, non-callable bonds

Inflation

**Real Assets**

Commodities, real estate, oil & gas (public and private investments)

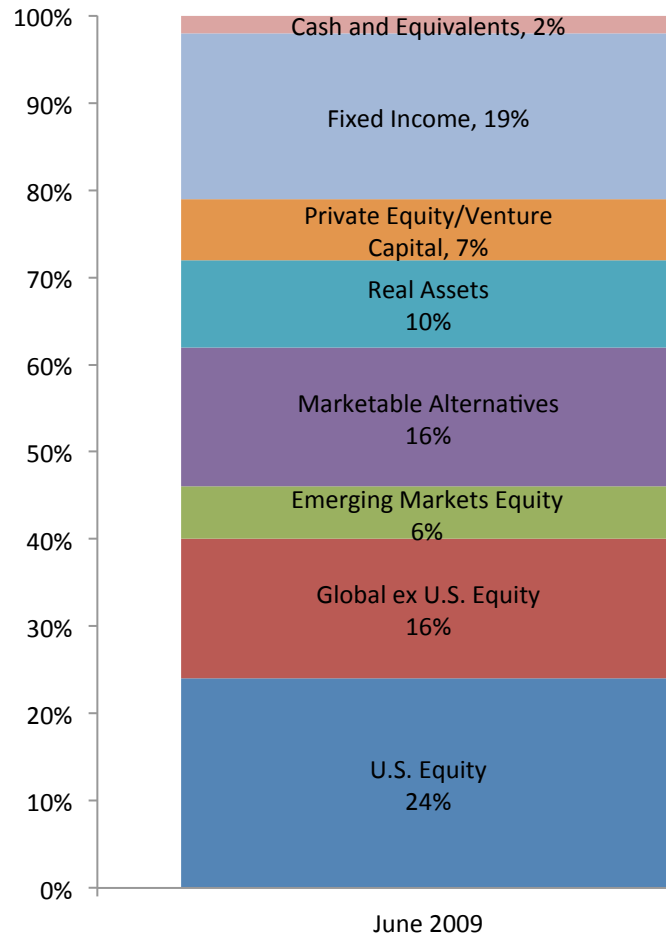
**Marketable Alternatives (MALT)**

Absolute return, long-short hedge funds

# Asset Allocation



**Pre-Cambridge Associates**



**Post-Cambridge Associates**



# Asset Allocation

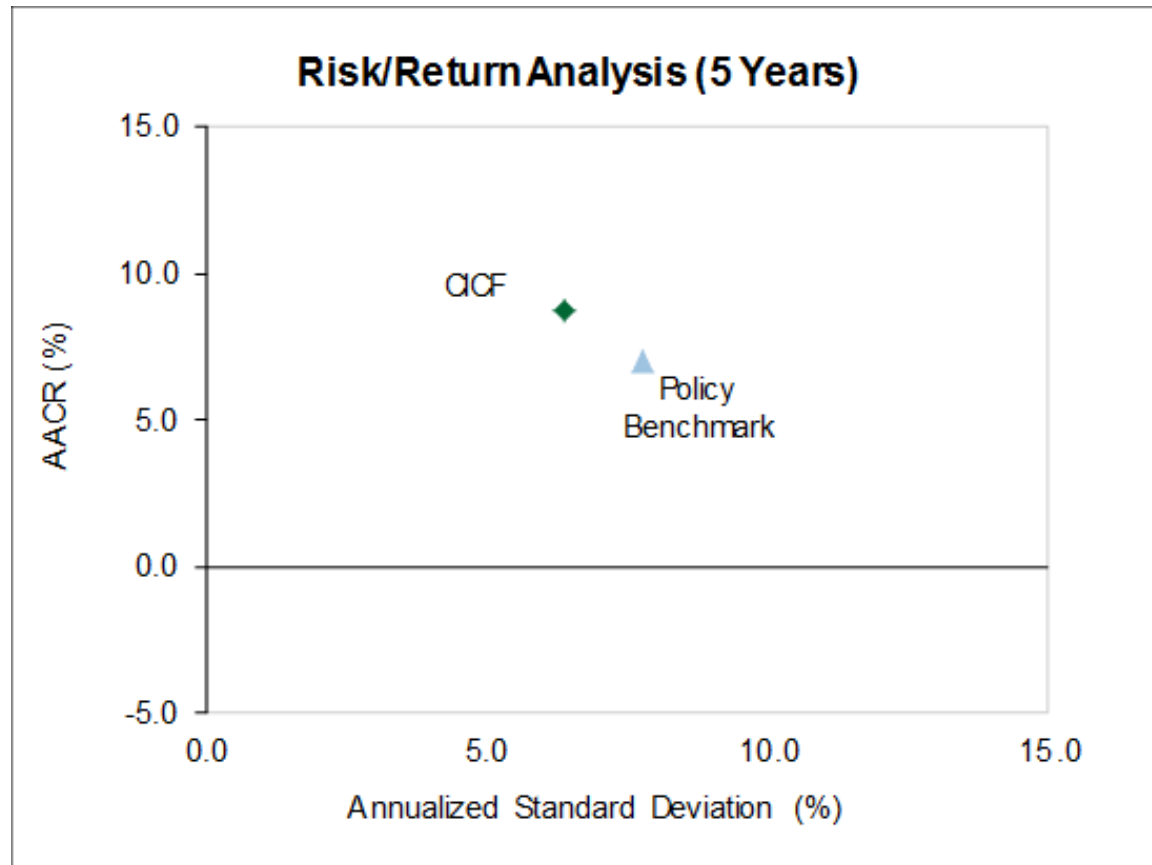


Our primary goal has been to generate higher returns at a lower level of risk.

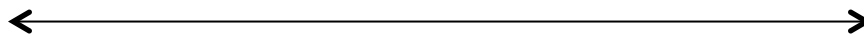
Better  
return



Worse  
return



Less risk



More risk



# CICF's internal controls

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## What does CICF do to monitor alternative investment managers?

1. Engaged Cambridge to perform due diligence on new and current managers
2. New investment opportunities are presented at the Joint Investment Board meetings and voted on in accordance with the Investment Policy Statement.
3. Purchases, capital calls, redemption notices are prepared by the Director of Finance & Systems and approved by the Chief Financial Officer
4. Communications from investment managers are reviewed by the Director of Finance & Systems daily



# CICF's internal controls



## What does CICF do to monitor alternative investment managers?

5. Investment activity is recorded monthly by the Senior Accountant using available information from managers
6. Investment reconciliations are reviewed monthly by the Director of Finance & Systems
7. Audited financial statements are reviewed and compared to statements received by CICF
8. BKD, LLP performs an audit of CICF and obtains confirmations for over 90% of the portfolio

A photograph of a classroom scene. A male teacher with grey hair, wearing a grey t-shirt, stands at the front of the room with his hands raised. Several students are also raising their hands. The room has a whiteboard and fluorescent lights on the ceiling. A semi-transparent white box is overlaid on the center of the image, containing the text "Looking into the future...".

Looking into the future...



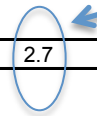
# Current Valuations Suggest Muted Returns on US Stocks

## MSCI US Composite Normalized Price-Earnings Ratios and Subsequent Nominal AACRs

December 31, 1969 – January 31, 2015

<u>Decile</u>	<u>Price-Earnings Range</u>		<u>One-Year</u>	<u>Five-Year</u>	<u>Ten-Year</u>
1	6.6 – 9.1	Average AACR	19.5	16.6	14.8
2	9.1 – 10.6	Average AACR	13.0	13.0	13.5
3	10.7 – 12.6	Average AACR	15.8	10.8	13.8
4	12.7 – 15.1	Average AACR	12.4	12.2	15.7
5	15.2 – 16.9	Average AACR	10.0	16.4	10.8
6	16.9 – 18.7	Average AACR	12.7	16.1	8.8
7	18.7 – 21.2	Average AACR	7.7	7.7	6.5
8	21.2 – 22.1	Average AACR	11.0	2.7	5.4
9	22.2 – 25.3	Average AACR	1.9	2.0	4.6
10	25.4 – 40.5	Average AACR	3.5	-1.0	NM
		Average AACR	10.8	9.6	10.4

For perspective:  
The Trailing 5 year  
Return is almost  
16%



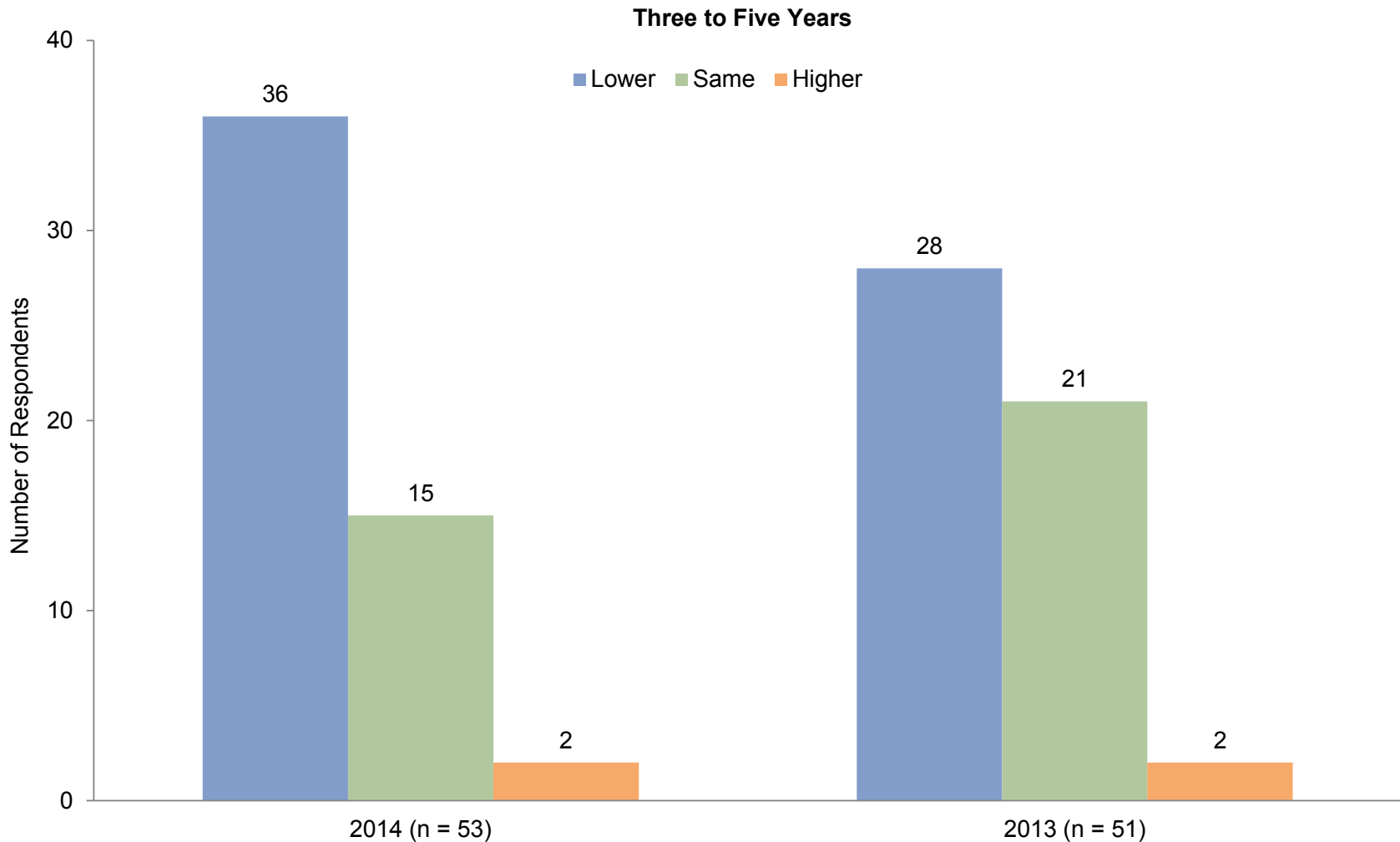
Sources: MSCI Inc. and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.

Notes: The nominal average annual compound return (AACR) for the MSCI US Index from 1969 through January 31, 2015, is 9.08%. Given that the majority of tenth decile price-earnings (P/E) ratios occurred in the late 1990s and early 2000s, subsequent ten-year average real returns are not meaningful (NM) due to the limited number of observations.

# Lower Expectations



Relative to long-term equilibrium expectations, what are return expectations for large Universities and Foundations in the future?





# Are We There Yet?

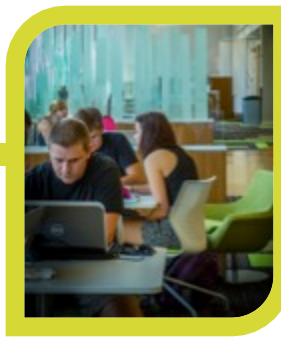
Valuations are getting more expensive:

## C|A Valuations Summary

(As of January 8, 2015)

<i>Very Overvalued</i>	<i>Overvalued</i>	<i>Fairly Valued</i>	<i>Undervalued</i>
<ul style="list-style-type: none"><li>▪ U.S. Small-Cap Equities</li><li>▪ U.S. High-Yield Bonds</li><li>▪ U.S. Private Equity</li></ul>	<ul style="list-style-type: none"><li>▪ U.S. Equities</li><li>▪ U.S. Bonds</li><li>▪ Developed Market Equities</li><li>▪ U.S. Venture Capital</li></ul>	<ul style="list-style-type: none"><li>▪ Global ex-US Developed Equities</li><li>▪ U.S. Private Property</li><li>▪ Commodities</li><li>▪ Private Oil, Gas, &amp; Other Energy</li></ul>	<ul style="list-style-type: none"><li>▪ Emerging Markets Equities</li><li>▪ Natural Resources Equities</li></ul>

# CICF Joint Investment Board



What is the JIB discussing in light of the current environment?

- Stay the course
- Seek more Alpha and more Premium through illiquidity
- Cast a wider net
- Be mindful of spending
- Raise more cash (for spending in a tougher market environment or for market opportunities that arise in a dislocation)

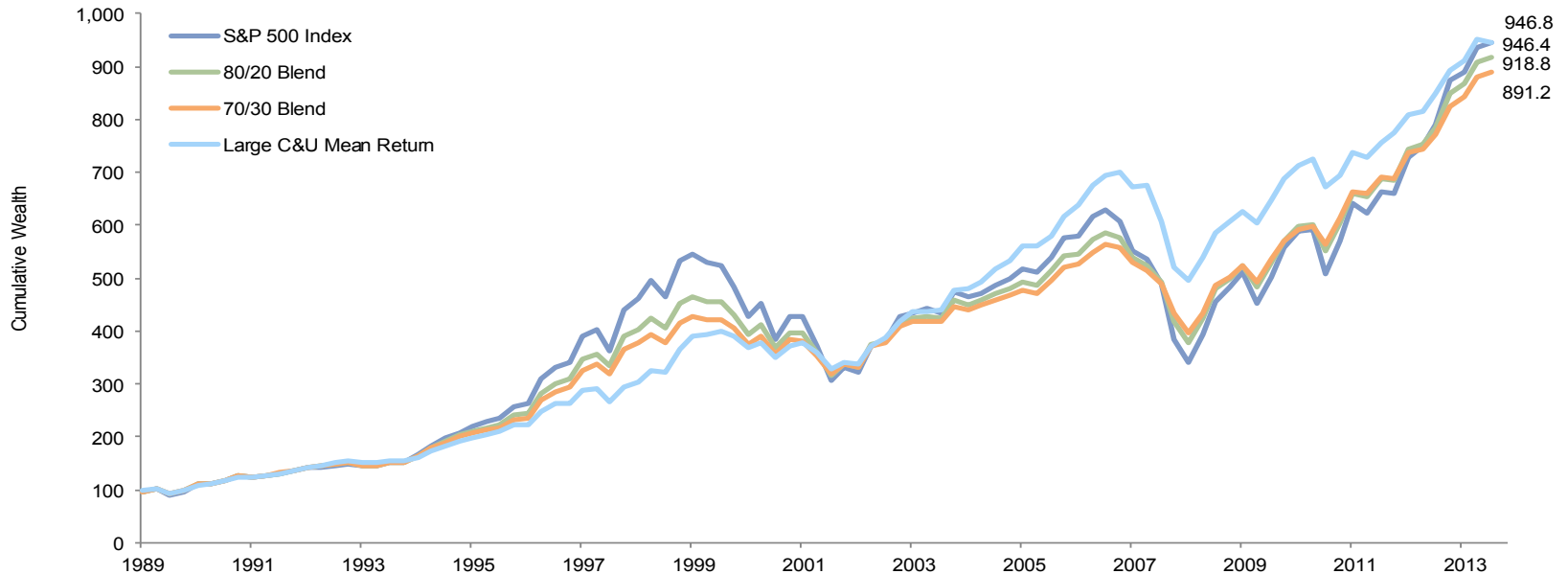


# Stay the Course

While in shorter periods diversified portfolios can underperform, the longer-term track record for an endowment model is sound.

## Cumulative Wealth of Various Portfolios

First Quarter 1990 – Third Quarter 2014 • U.S. Dollars • December 31, 1989 = \$100.00



Portfolio	Full-Period AACR	Annualized Standard Deviation	Sharpe Ratio
C&U	9.51%	9.86	0.65
S&P 500 Index	9.51%	16.06	0.45
80/20 Blend	9.37%	12.42	0.53
70/30 Blend	9.24%	10.68	0.58

Sources: BofA Merrill Lynch, Cambridge Associates LLC, and Standard & Poor's.

Notes: Graph represents quarterly data. The Large C&U Mean Return (C&U) is the mean return of all Colleges & Universities (>\$500 million) for which we have data back to 1990. In the blended benchmarks, U.S. Equity is represented by the S&P 500 Index, while U.S. Fixed Income is represented by 50% BofA Merrill Lynch Intermediate-Term U.S. Treasuries Index and 50% BofA Merrill Lynch Long-Term U.S. Treasuries Index. The 80/20 blend is 80% U.S. Equity and 20% U.S. Fixed Income. The 70/30 blend is 70% U.S. Equity and 30% U.S. Fixed Income.

# Seek More Premium through Illiquidity



## Select areas:

### Annualized Returns of U.S. Private Equity versus S&P 500

- 15 year – 11.7% vs 4.9%
- 10 year – 14.1% vs 8.1%
- 5 year – 16.8% vs 15.7%
- 3 year – 17.0% vs 23.0%

Sources: Cambridge Associates LLC, MSCI Inc., Standard & Poor's, Thompson Reuters Datastream, and *The Wall Street Journal*, Bloomberg L. P. MSCI data provided "as is" without any express or implied warranties.

Notes: Three-, five-, and ten year returns are pooled end-to-end returns net of fees, expenses, and carried interest.

Excess discount refers to the current discount minus the implied "fair value" discount for each region.

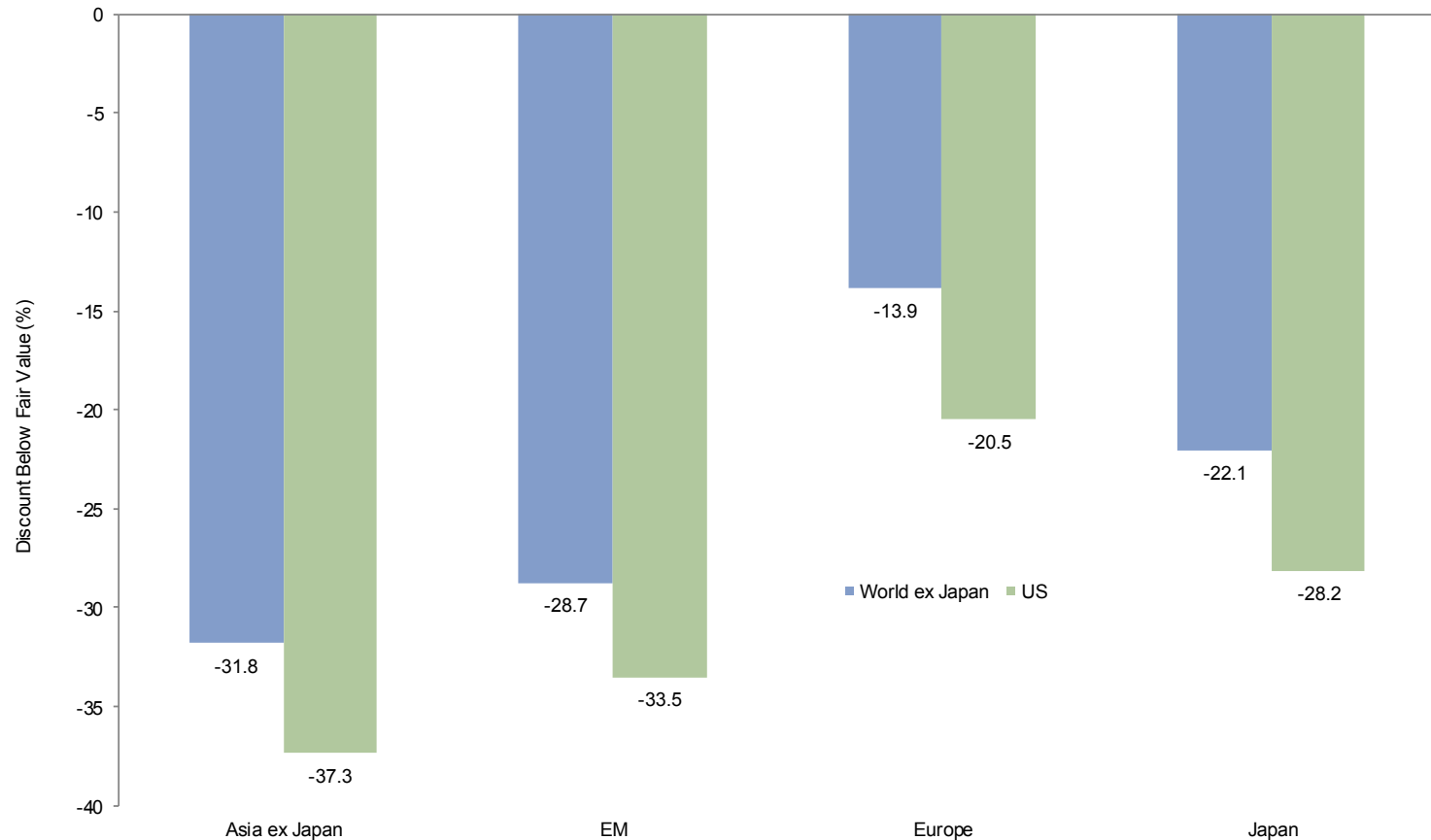


# Cast A Wider Net

Equities outside the U.S. offer relative discounts:

## Excess Discounts vs World ex Japan and US Equities

As of January 31, 2015



Sources: MSCI Inc. and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.

Note: Excess discount refers to the current discount minus the implied "fair value" discount for each region.

# Raise More Cash



## Be Opportunistic:


- Have flexibility when dislocations occur
- Crude oil has fallen over 50% since last summer
- Further dislocation in energy may present some opportunities going forward



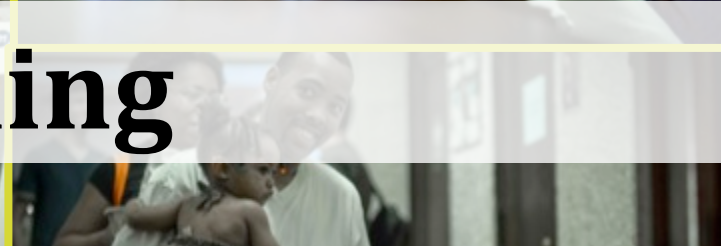
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Excess discount refers to the current discount minus the implied "fair value" discount for each region.

A group of people in a room, with a man in a white shirt and red suspenders laughing and a woman in a blue shirt clapping. The scene is indoors, with a clock on the wall and a door in the background.

With your help, we're  
putting Central Indiana on  
the map!



**#NowTrending**





“Indianapolis: America's most surprising city”  
- *Lonely Planet*

34<sup>th</sup> of 52 Places to Go in 2014 (in the world).  
- *NYTimes.com*

“The city is affordable and easy to get around.”  
- *USA Today* names Indianapolis Best Convention City

6<sup>th</sup> of Top 10 Cities in USA to visit in 2015.  
- *Lonely Planet*

Top 20 U.S. Cities for Culture: Indianapolis ranks #2.  
- *PropertyShark.com*



Best Places for Businesses and Careers:  
Indianapolis-Carmel rank #22 of 200.

- *Forbes*

Cultural Trail won Pinnacle Award for Public  
Space Capital Improvements.

- *International Downtown Association*

“Best Cities to View From a Bicycle Seat!”

- *Away.com*

“A bold vision and strong leadership at a community  
foundation has now raised the bar for other cities.”

- *Project For Public Spaces*

# What is the Talent Dividend?



By increasing college attainment rate by 1%...



The economic impact would equal \$1.3 billion!

# Talent Dividend Achievement:



Indianapolis increased its college attainment rate by **5.5%** since 2009!

*According to a Cleveland State Study.*



The economic implication is over **\$7** billion for Central Indiana!



Questions?

The image shows a screenshot of a web browser displaying the Bureau of Labor Statistics website. The browser's address bar shows the URL [www.bls.gov/oes/current/oes291123.htm](http://www.bls.gov/oes/current/oes291123.htm). The page header includes the text "UNITED STATES DEPARTMENT OF LABOR" and "BUREAU OF LABOR STATISTICS". A navigation menu contains links for "Home", "Subject Areas", "Databases & Tools", "Publications", "Economic Releases", and "Beta". The main content area is titled "Occupational Employment Statistics" and "Occupational Employment and Wages, May 2012". Below this, the specific occupation "29-1123 Physical Therapists" is listed. A brief description follows: "Assess, plan, organize, and participate in rehabilitative programs that improve mobility, relieve pain, and improve or correct disabling conditions resulting from disease or injury." At the bottom, there are links for "National estimates for this occupation" and "Look at the profile for this occupation".

A modern office lounge with large windows, a whiteboard with math equations, and people working at a table. The scene is brightly lit with natural light from the windows. In the foreground, a whiteboard is filled with mathematical equations. In the background, two people are seated at a table, working on laptops. The room features a dark sofa and blue ottomans.

Thank you!

$$(x_1, x_2, x_3)$$
$$x + iy$$
$$n: X_1 = \frac{\operatorname{Re} z}{|z|^2 + 1}$$
$$1 + x_1^2 + x_2^2$$
$$x^2 + y^2 + (1-t)^2$$
$$t^2 x^2 + t^2 y^2 + (t^2 - 2t + 1)$$
$$t^2(x+y+1) + 1 - 2t$$
$$t=0$$
$$t = \frac{2}{x^2 + y^2 + 1} = \frac{2}{|z|^2 + 1}$$

$$X_2 = \frac{\operatorname{Im} z}{|z|^2 + 1}$$
$$N = (x, y, 1 - |z|^2)$$
$$\begin{pmatrix} x \\ y \\ 1 - |z|^2 \end{pmatrix}$$
$$-2x - 2y - 2|z|^2$$