



WELCOME

CENTRAL INDIANA COMMUNITY FOUNDATION  
JOINT INVESTMENT BOARD MEETING  
MARCH 2, 2017

A composite image of a covered bridge over a river. The left side is in grayscale, showing the bridge's stone pier and the surrounding trees and sky. The right side is in a golden-hour color palette, showing the bridge's wooden siding and the riverbank with rocks. The text 'A TEAM YOU CAN TRUST' is overlaid in white on the golden-hour section.

**A TEAM  
YOU CAN TRUST**

# CICF'S JOINT INVESTMENT BOARD

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
- Alan Levin
- Jeff Thomasson

# CICF'S INVESTMENT STAFF

- Jennifer Bartenbach, CFO
- Jennifer Schrier, director of finance & systems
- Cathy Davis, senior accountant
- Brenda Delaney, controller

# CAMBRIDGE ASSOCIATES



Manages 30 percent of all U.S. foundation assets and 70 percent of all U.S. higher education endowment assets; CICF's consultant since June 2009.

- Natalie Eckford
- Sharcus Steen
- Jon Hansen
- Carolyn Keating

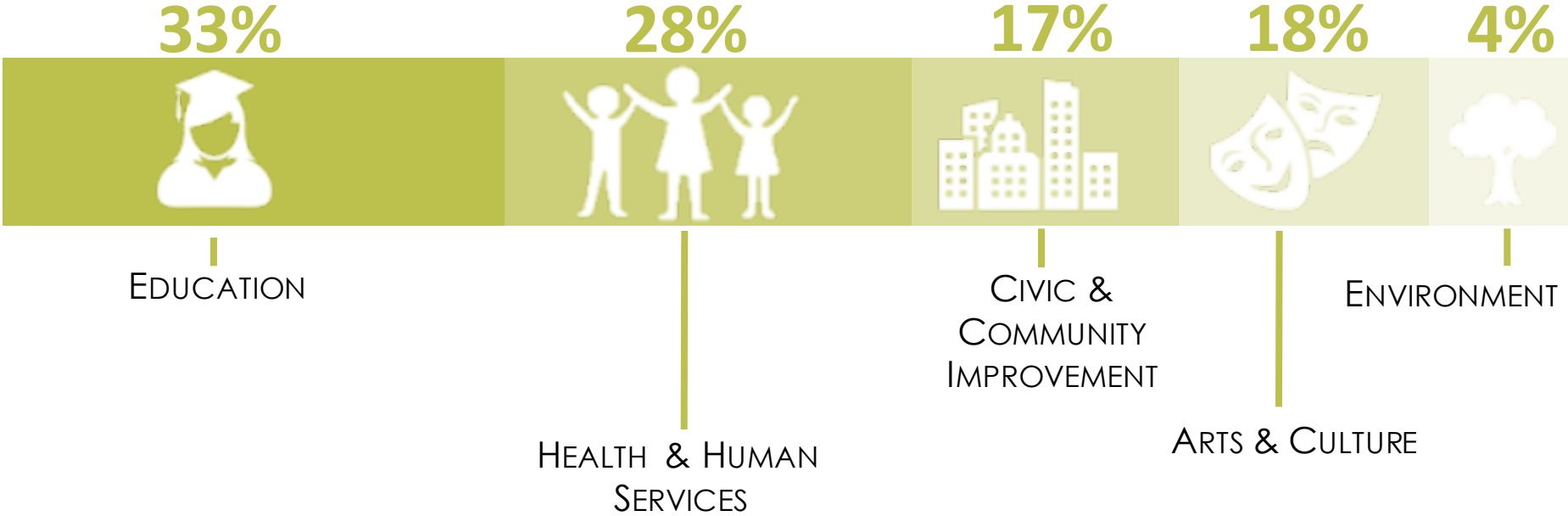


**A YEAR OF  
IMPACT**

# OUR IMPACT: MONEY IN; MONEY OUT



# OUR IMPACT: CATEGORIZED GIVING



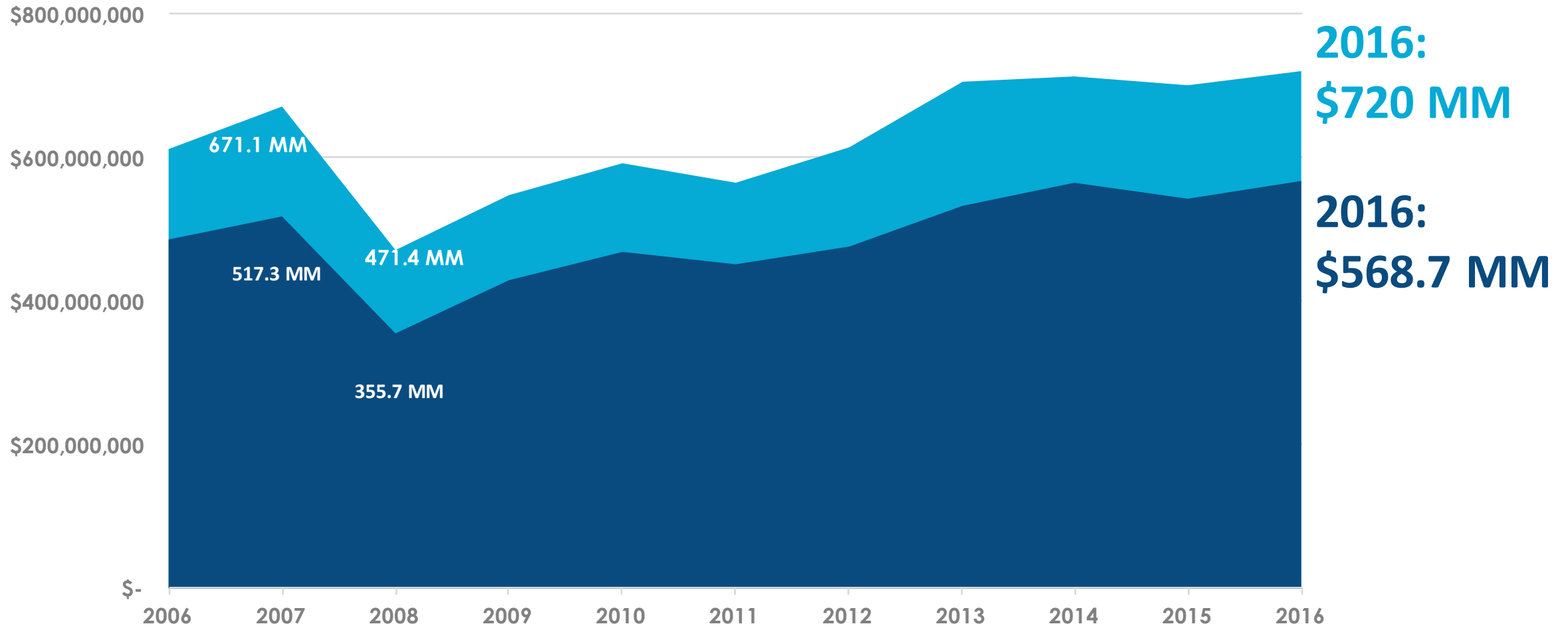




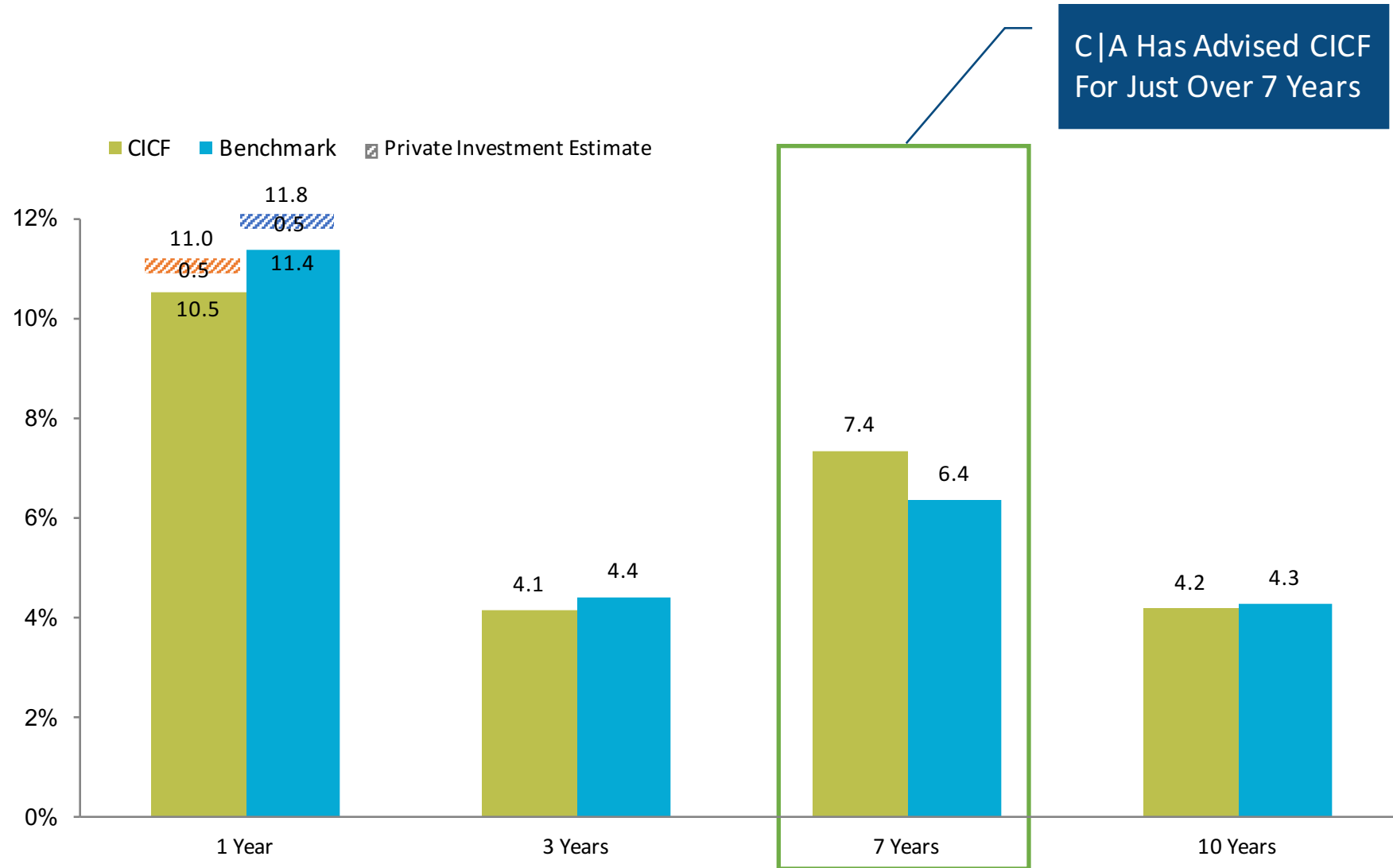
# A LOOK AT INVESTMENTS

# TOTAL ASSETS

■ Total Assets ■ Managed Pool Assets



# RESULTS



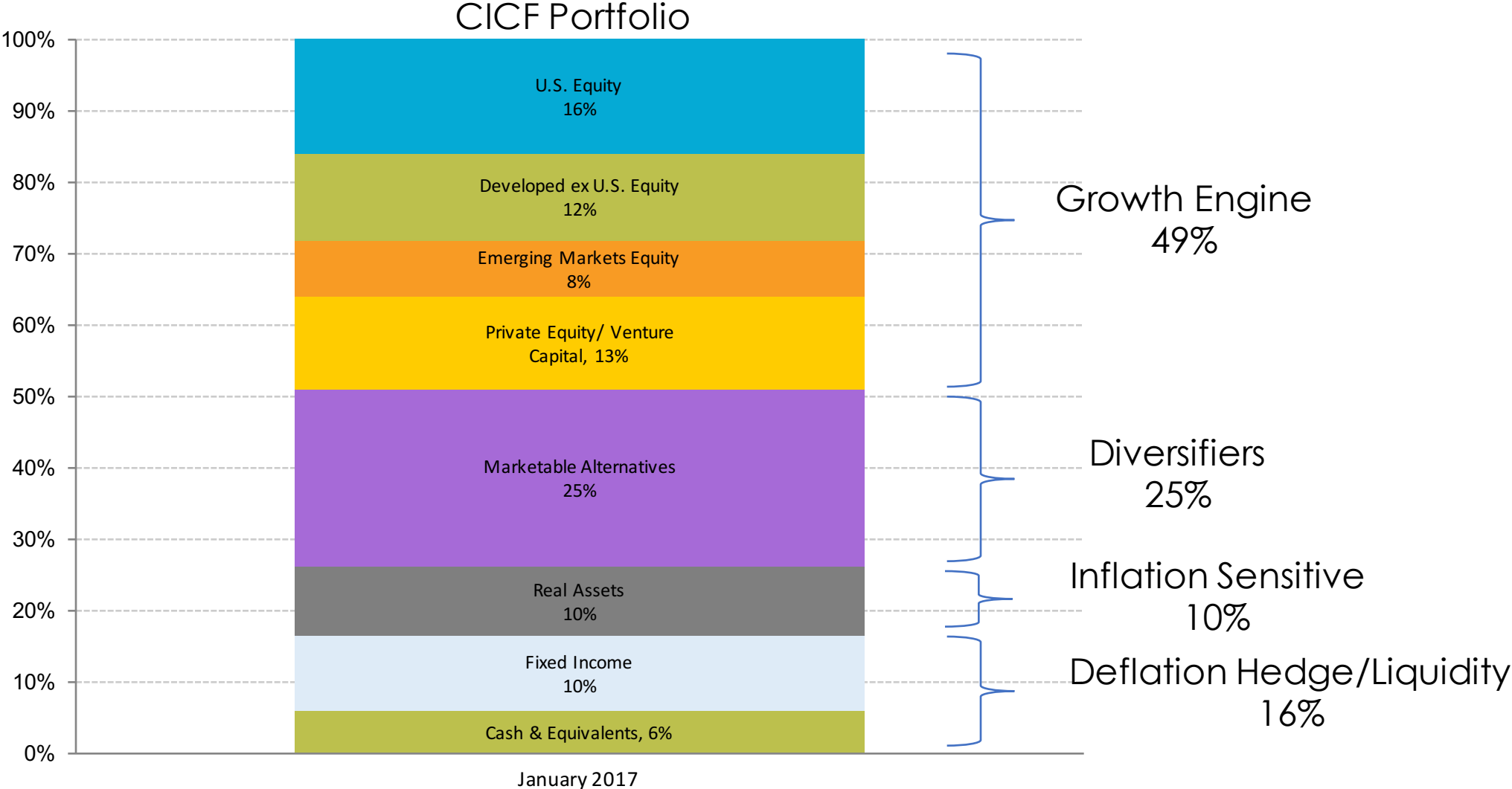
Note: As of January 31, 2017. Returns above include private equity valuations from Oct. 1, 2013 – Sept. 30, 2016. Public equivalent returns are used for the lagging 4 months of private equity and private real assets.

# ROLE OF ASSET CLASSES

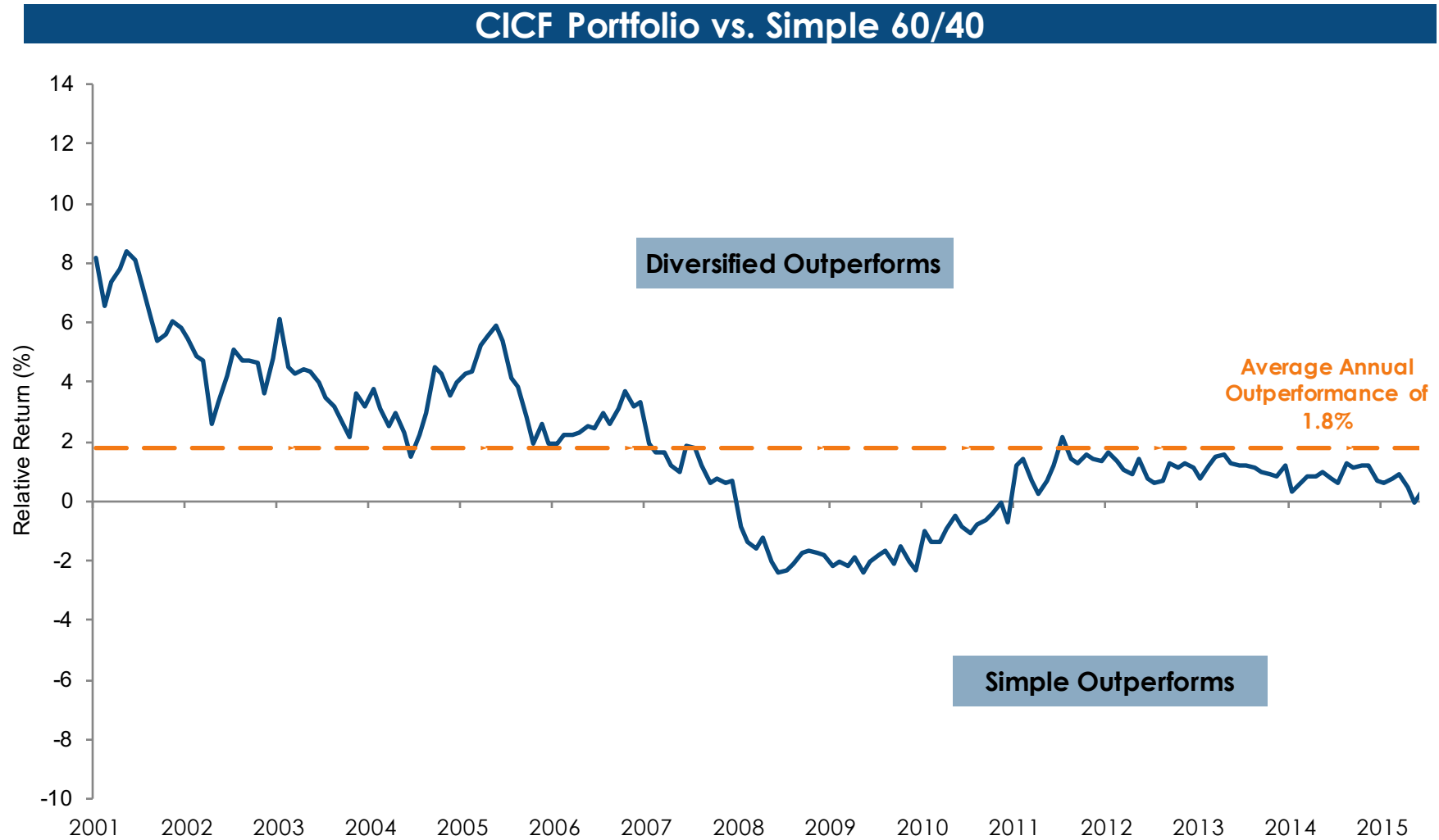
Goal	Maximize Return at an Appropriate Level of Risk			
Role	Diversified Growth		Macroeconomic Risk Hedges	
	<p><u>Growth Engine</u> Support spending needs while maintaining corpus over long term</p>	<p><u>Diversifiers</u> Mitigate volatility while attempting to improve risk/return profile</p>	<p><u>Inflation Sensitive</u> Stable value or appreciation in rising inflation environment</p>	<p><u>Deflation Hedge &amp; Liquidity Reserve</u> Stable value or appreciation in economic contraction; Source of spending in market downturn</p>
Examples of Asset Classes	<p>Global public equities Higher beta long / short equity and credit Venture capital and buyouts</p>	<p>Lower beta long/short equity and credit Capital structure arbitrage Convertible arbitrage Global macro Active currency Open mandate Event arbitrage</p>	<p>Core private real estate Commodities Natural resources (upstream oil &amp; gas and timber) Inflation-linked bonds Gold</p>	<p>High quality/intermediate long-term fixed income Gold Cash</p>

Note: Effectiveness of asset classes in these roles depends on valuations and implementation considerations.

# CICF PORTFOLIO TODAY



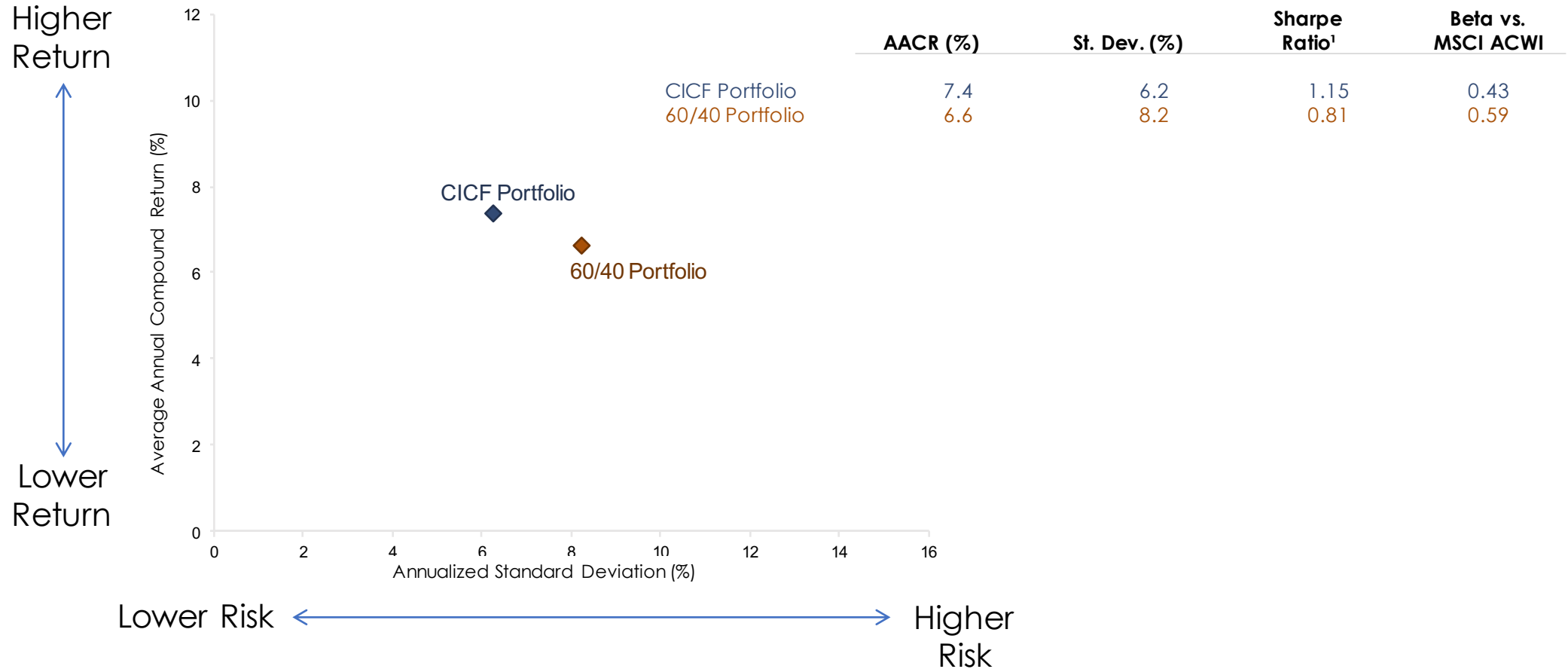
# SUCCESS OF DIVERSIFICATION: CYCLICAL



Note: Relative returns represent the differential of the rolling 3-year returns of CICF versus 60% MSCI ACWI / 40% BBG Barclays Aggregate Bond Index.

# OUTPERFORMANCE: GENERATED BY LESS RISK

## Risk/Return Analysis – Trailing 7 Years as of 1/31/17



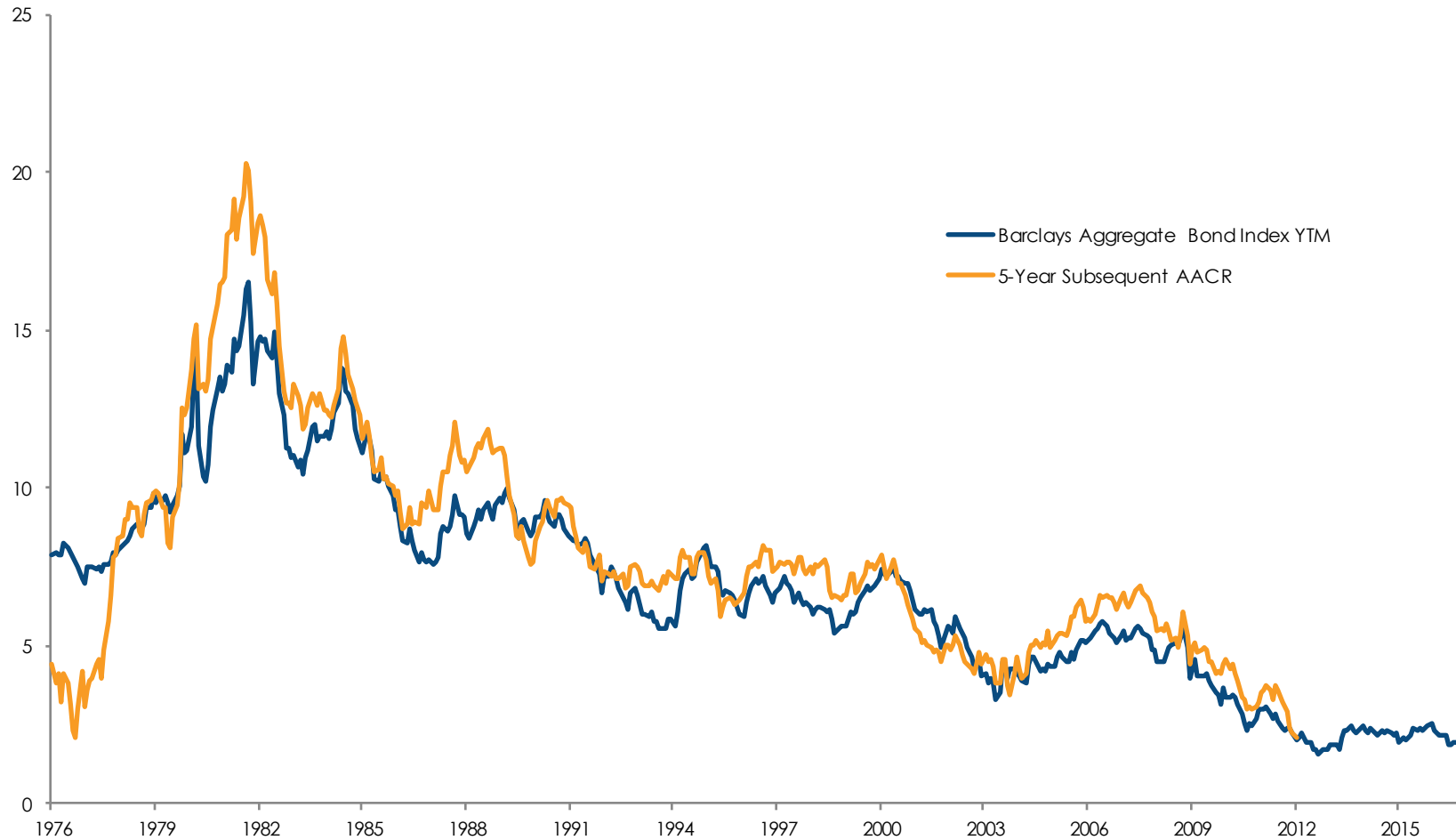
Notes: Calculations are based on monthly data, net of fees.

<sup>1</sup>The Sharpe Ratio represents the excess return generated for each unit of risk. To calculate this number, subtract the average T-Bill return (risk-free return) from the manager's average return, then divide by the manager's standard deviation.

# CURRENT BOND YIELDS: SUGGEST LOW RETURNS MOVING FORWARD

## US Aggregate Bond Index

January 1, 1976 – January 31, 2017 • Percent (%)



Sources: Barclays, Bloomberg L.P., and Thomson Reuters Datastream.

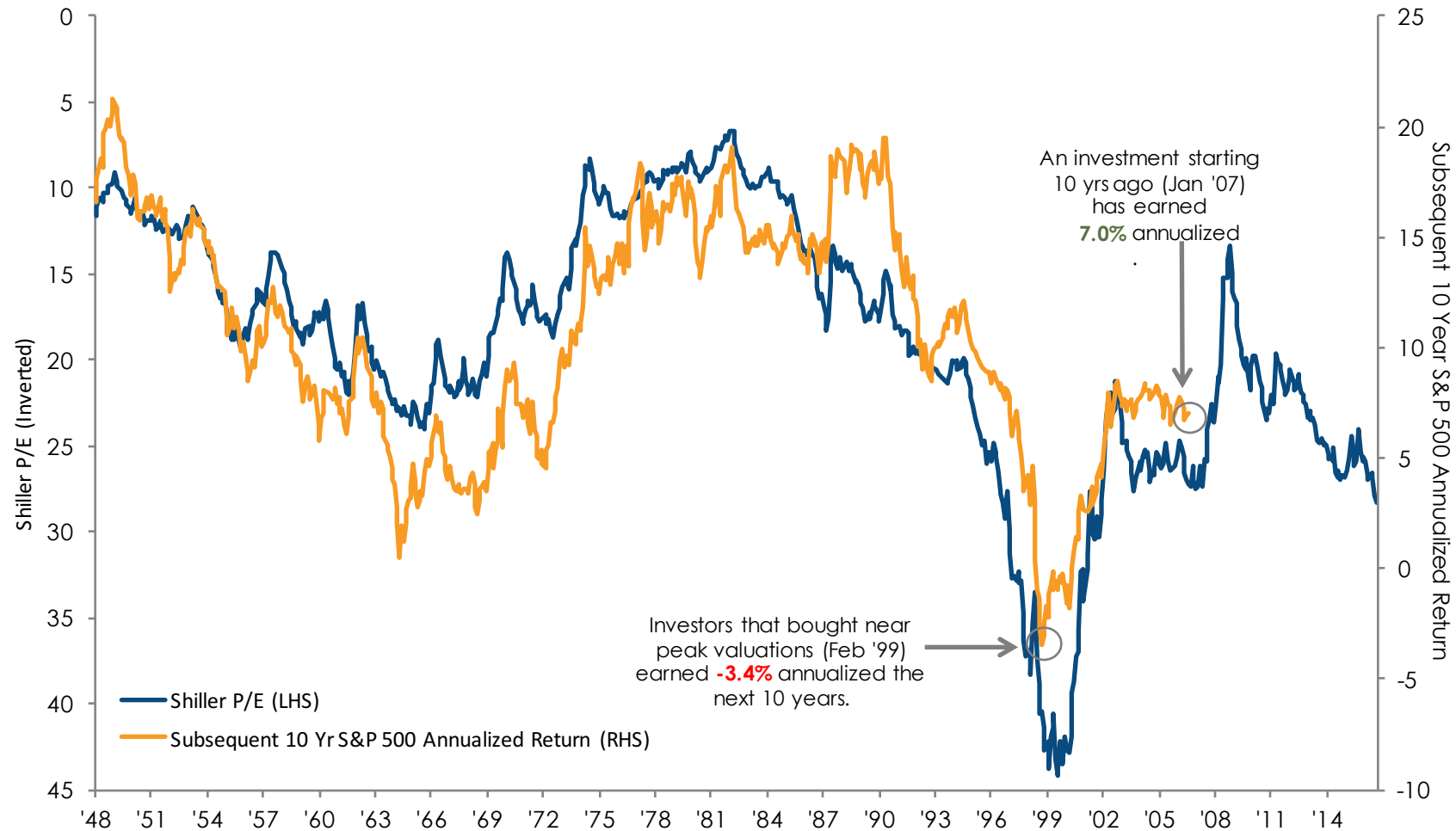
Notes: Data are monthly. The last full five-year period was February 1, 2012 to January 31, 2017. The January 31, 2017 yield-to-maturity of 2.61% on the Barclays Aggregate Bond Index implies low nominal returns at best.



# EQUITY VALUATIONS: ALSO SUGGEST LOW RETURNS MOVING FORWARD

## Shiller (Cyclically Adjusted 10 Yr) PE vs. Subsequent S&P 10 Year Nominal Returns

June 30, 1948 – January 31, 2017

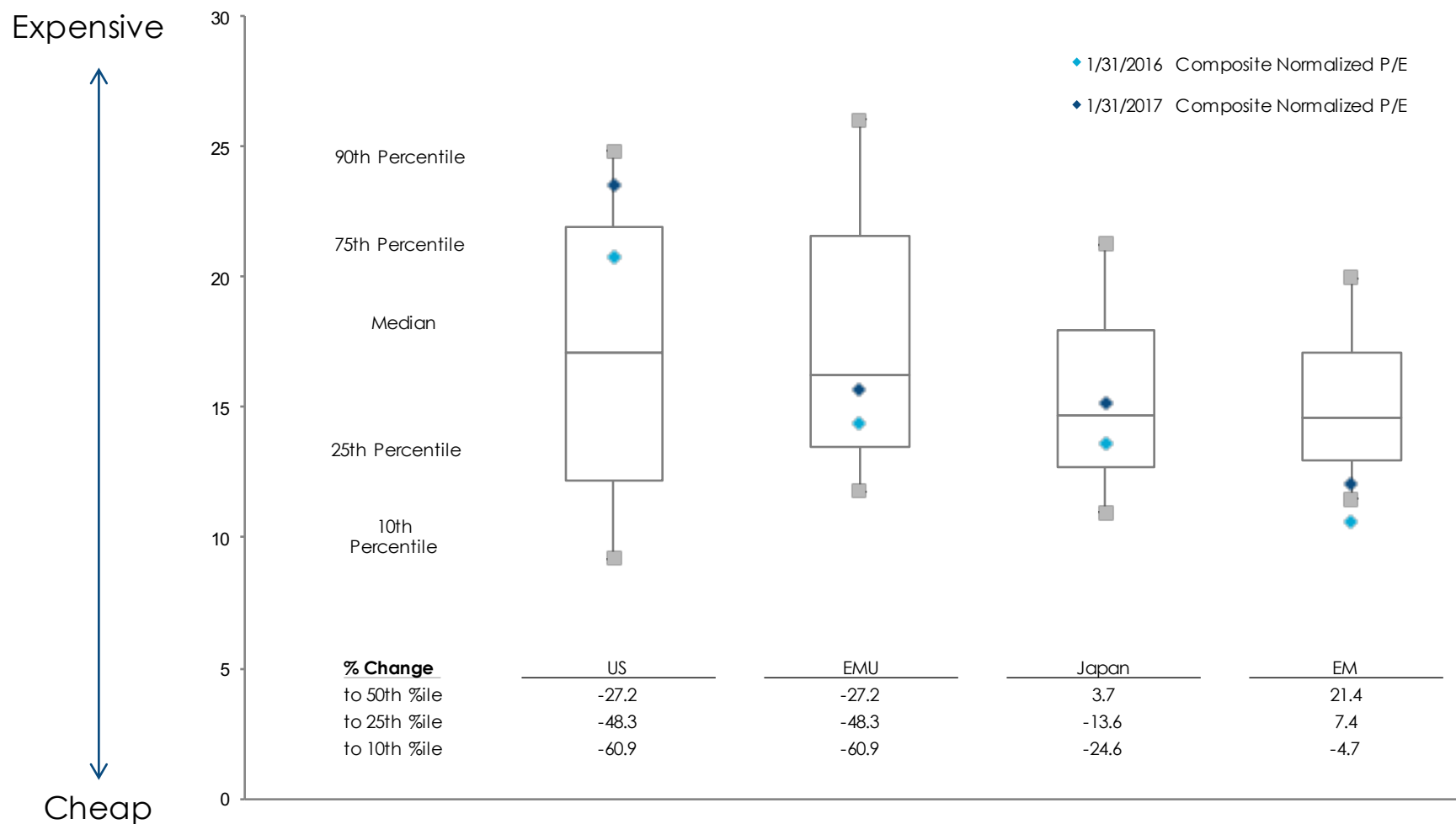


Sources: Robert J. Shiller and Standard & Poor's.

Note: Normalized real P/E ratios (Shiller P/E ratio) for the S&P 500 Index are calculated by dividing the current index value by the rolling ten-year average of inflation-adjusted earnings.

# CURRENT U.S. VALUATIONS

Current U.S. Valuations are unattractive relative to other regions, implying a higher risk of disappointing returns.



# DIVERSIFIED PORTFOLIO PERFORMANCE

*During a Complete Market Cycle*

	Bear Market	Bull Market	Full Market Cycle
Start Date	7/1/2001	4/1/2009	7/1/2001
End Date	3/31/2009	9/30/2016	9/30/2016
<b>Annualized Performance</b>			
Average C   A Diversified Portfolio	2.6	9.4	5.9
CICF Portfolio	2.8	10.2	6.4
60% MSCI ACWI / 40% Agg	1.7	9.6	5.5
60% S&P 500 / 40% Agg	0.3	12.0	5.9
S&P 500 Index	-3.6	16.7	5.9
MSCI ACWI (Net)	-1.4	12.6	5.3
BBG Barclays Agg	5.5	4.6	5.0

# RESIST INVESTMENT TEMPTATIONS: AND THEIR ALTERNATIVES

1 Chasing macro and political developments

Look for investments that can win in a rising rate environment even if growth disappoints.

2 Sticking with a strategy designed to work only in a falling rate environment

Use discipline in establishing and sizing tactical positions.

3 Ignoring the risk of inflation

Seek out investments that offer cheap protection against inflation, but recognize that it might not pay out when inflation rises, so don't accept too much opportunity cost.

4 Giving up on diversification

Maintain diversification to protect against uncertainty and to find a good balance between return seeking to meet objectives, and stability to support spending and other cash needs.

5 Bucketing hedge funds as if they were all the same

Understand that markets are cyclical and look ahead to where inflection points may be, based on historical trends and depressed valuations.

6 Investing while looking through the rear view mirror

Maintain selectivity, seeking out managers with a repeatable value proposition and/or unique or difficult to replicate strategies.

7 Taking too much risk eight years into a bull market

Evaluate fundamentals and look for investments where you expect to be well compensated for taking risk. And remain disciplined in commitments to PI.

8 Cutting back on belts and braces ahead of what may well be a bumpy ride

Stress test portfolios and manage liquidity tightly.



**A FEW  
BIG WINS**

# THE INDIANAPOLIS FOUNDATION: 100-YEAR ANNIVERSARY

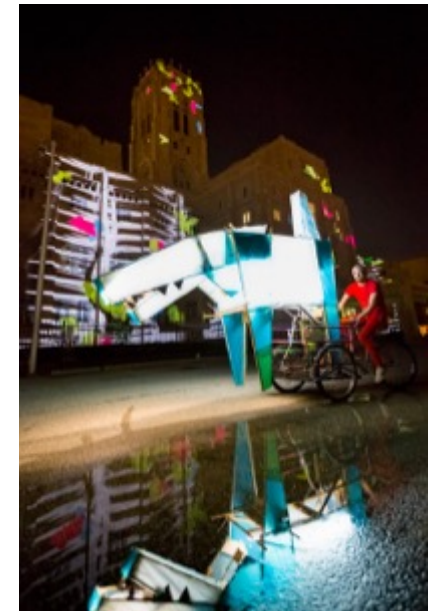


## \$1 million surprise giveaway:

- **10** not-for-profit organizations with endowments with The Indianapolis Foundation received **\$10,000** each
- **10** Indianapolis Foundation Fellows received **\$10,000** each to support their board participation
- **6** not-for-profit visionary organizations received **\$100,000** each
- **12** professional theatre MVPs received **\$10,000** each (including two couples) as a thank you for committing their talent and vision to Indy
- **10** audience members received **\$10,000** each to grant to an organization of their choice



# THE INDIANAPOLIS FOUNDATION:





# LEGACY FUND: 25-YEAR ANNIVERSARY



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- Record attendance for annual Celebration of Philanthropy
- Youth Assistance Program is self-sustaining
- New Community Leadership Initiative will focus on seniors



# WOMEN'S FUND: 20-YEAR ANNIVERSARY



# WOMEN'S FUND: 20-YEAR ANNIVERSARY

- Angela Ahrendts, native Hoosier and senior vice president of retail for Apple, Inc. was the featured speaker
- 800 women and men in attendance
- \$489,486 raised to increase the total number and quality of opportunities for women and girls in Central Indiana



**20 YEARS**  
**WOMEN'S**  
**FUND** of Central  
Indiana  
A CICF Fund  
Inspiring philanthropy



**A BRIGHT  
FUTURE**

# THE INDIANAPOLIS FOUNDATION: BEN FRANKLIN FUNDS



## TWO 100,000 FUNDS

- \$100 and \$1,000 donors
- community dinners throughout Indy

**WORTH \$100 MILLION EACH BY 2116**

# LILLY ENDOWMENT:

SIXTH PHASE OF  
GIVING INDIANA FUNDS FOR TOMORROW

THE ENDOWMENT FOR  
INDIANAPOLIS

**\$1.6M**

THE ENDOWMENT FOR  
HAMILTON COUNTY

**\$1.7M**

COMMUNITY LEADERSHIP  
INNOVATION FUND

**CREATED**

# A NEW PLAN: 3-YEAR STRATEGY

A black and white photograph of a park. In the foreground, there is a pond with a metal railing around it. The pond is surrounded by trees and a fence. In the background, a tall skyscraper with a distinctive top is visible through the trees. The sky is overcast.

**HOPE. OPPORTUNITY. EQUITY.**



A black and white photograph of a park. In the foreground, there is a calm pond reflecting the sky and the surrounding trees. The middle ground is filled with dense foliage and trees. In the background, a tall skyscraper with a distinctive top is visible through the trees. The sky is overcast with soft, diffused light. The overall mood is serene and reflective.

**THANK YOU  
FOR A GREAT YEAR.**