

## **Piece for WCF Newsletter (Bill Roberts 11/9/17)**

Stewardship of charitable funds is among the most important services that the Community Foundation provides to donors and nonprofit organizations. Bill Roberts, the Foundation's Treasurer, answers some questions below about WCF invests and manages its funds.

### **Q: How does the Foundation invest its funds?**

A: The endowment fund, which currently totals about \$5.0 million, is invested for the long-term, with the goal of producing a return that exceeds the rate of inflation, after annual distributions for grants and operating expenses. Permanent funds such as community endowment funds, agency endowment funds and field-of-interest funds are invested with the endowment fund. Donor-advised funds, which currently total about \$700,000, are normally invested in short-term assets, although donors who expect their funds to be more permanent in nature may choose to invest their funds with the endowment.

### **Q: Who oversees the Foundation's investments?**

A: A volunteer committee of experienced business and finance professionals oversees management of the funds, with the support of Mason Investment Advisory Services, an independent investment consultant based in Northern Virginia.

### **Q: What is in the investment portfolio and how are assets allocated?**

A: Because of its long term nature and the need to protect its purchasing power, the endowment fund looks beyond short-term fluctuations in financial markets. Risk is mitigated by the broad diversification of the Foundation's portfolio, which encompasses carefully-chosen categories of stocks and bonds, both U.S. and international. Long-term targets reflect a profile that averages 77% stocks and similar risk assets, and 23% bonds. Within these categories, about one-quarter will represent international investments, with three-quarters U.S.-domiciled.

These broad asset allocation decisions are implemented by investing in institutional mutual funds with low fees and strong performance records. The managers of the mutual funds are monitored by our investment consultant to insure, among other things, that their portfolio is conforming to its stated investment objectives and that their performance remains strong, compared with other funds with a similar mandate. Our finance and investment committee meets with the investment consultant quarterly to review detailed reports on investment allocations and performance. We also compare our fund performance and asset allocation with other community foundations and with well-established multi-asset funds that are available to us as an investor.

### **Q: What has the return on investment been this year?**

A: Results have been good. Total return to the endowment in 12 months ended June 30, 2017 was 12.8%, which was above average for community foundations with less than \$50 million in

assets and near the average of 13.0% for community foundations of all sizes. Our recent returns are also competitive with college and university endowments that publish their returns.

Market returns since the bottom of the financial crisis in 2009 have been excellent for most investors. History suggests that it will be difficult for returns to continue at this pace, and we, along with many others, are keeping the spending rate from our endowment at a conservative level, so that beneficiaries of the Foundation's grantmaking will not be penalized if there is a pause in the markets' upward path.