

PALISADE
Asset Management, LLC

Aging Services of Minnesota's
The Institute

presentation

**'Effective and Efficient
Investment Management
for Foundations and Endowments'**

By
Peter D. Rocca, CIMA
Steven E. Landberg, CFA

February 09, 2012
2:00pm – 3:30pm

PALISADE
Asset Management, LLC

Presentation Objectives

1. How to define your Foundation's investment objectives.
INVESTMENT OBJECTIVES
2. How to create an efficient investment strategy to achieve objectives.
INVESTMENT STRATEGY
3. How to efficiently monitor investment progress vs. stated objectives.
INVESTMENT MONITORING

T
H
E

I
N
S
T
I
T
U
T
E

2
0
1
2

1

PALISADE
Asset Management, LLC

INVESTMENT OBJECTIVES

1. Investment Policy Development
 - ▶ Statement of Purpose
 - ▶ Investment Objectives
 - Spending Policy
 - Net Growth expectations
 - ▶ Risk Tolerance
 - ▶ Investment Management Guidelines
 - ▶ Investment Performance Guidelines
 - ▶ Asset Allocation Guidelines
 - ▶ Reporting Guidelines
 - Finance/Investment Committee Oversight
 - ▶ Roles & Responsibilities

T
H
E

I
N
S
T
I
T
U
T
E

2
0
1
2

2

PALISADE
Asset Management, LLC

INVESTMENT STRATEGY
Ongoing Challenges

1. Inflation
2. Investment Costs
3. Investment Discipline

T
H
E
I
N
S
T
I
T
U
T
E

2
0
1
2

12

PALISADE
Asset Management, LLC

INVESTMENT STRATEGY
Ongoing Challenges

1. Inflation

* 5 yr. average C-PIIC
Source: Bloomberg

T
H
E
I
N
S
T
I
T
U
T
E

2
0
1
2

13

PALISADE
Asset Management, LLC

INVESTMENT STRATEGY
Ongoing Challenges

2. Investment Costs (annual)

INVESTMENT TYPE	EXPENSE RATIO	TRADING FEE	MANAGER FEE	BROKER / SALES FEE	ADVISORY FEE	TOTAL FEE
Mutual Funds – Load	1.35%	0.50%	-----	0.25%	0.00%	2.10%
Mutual Funds - No Loads	0.50%	0.50%	-----	-----	1.00%	2.00%
Separately Managed Accounts (SMA)	-----	-----	0.50%	0.35%	1.00%	1.85%
Index ETFs	0.25%	0.10%	-----	-----	1.00%	1.35%
Investment Manager - Individual Securities	-----	0.02%	1.00%	-----	-----	1.02%

* Source: Mutual Funds - separate research reports; ETFs - iShares website; SMA - Merrill Lynch; Investment Manager - Palisade

T
H
E
I
N
S
T
I
T
U
T
E

2
0
1
2

14

PALISADE
Asset Management, LLC

INVESTMENT STRATEGY
Ongoing Challenges

3. Investment Discipline

- Market Volatility
- Behavioral Finance

Source: Morningstar Direct
©ICMA-RC 2012

Posted 01/06/2012

15

T
H
E
I
N
S
T
I
T
U
T
E

PALISADE
Asset Management, LLC

INVESTMENT MONITORING

- ▶ **Investment Policy**
- ▶ **Investment (Finance) Committee**
 - Structure
 - Frequency
- ▶ **Review Process**
 - Performance reporting
 - Asset Allocation (vs. 'Target' allocation)
 - Spending Policy
 - 'Other' Policy guidelines

16

T
H
E
I
N
S
T
I
T
U
T
E

PALISADE
Asset Management, LLC

Foundation & Endowment
Investment Management

Case Studies

17

T
H
E
I
N
S
T
I
T
U
T
E

PALISADE
Asset Management, LLC

‘ABC Community Healthcare Foundation’
Case Study 1

► **Foundation Size:** \$5,500,000

► **Investment Policy Objectives:**

- 5% Foundation Spending Policy
- Grow at rate of Inflation + Costs
- 1% added annual long-term growth

INVESTMENT POLICY OBJECTIVES	
Spending Policy	5.0%
- Inflation*	2.4%
- Costs	1.0%
- Added LT Growth	1.0%
L.T. Growth Objective	4.4%
Total Growth Objective	9.4%

* Inflation based on a five year rolling average

ASSET ALLOCATION

ASSET CLASS - GROWTH PROJECTIONS			
Asset Class	% Allocation	*Estimated Rate of Return	Growth Projection
Cash	5.0%	0.2%	0.0%
Bonds	15.0%	2.5%	0.4%
Stocks	80.0%	8.0%	6.4%
TOTAL	100.0%		Growth Projection 6.8%

*Estimated Growth Projection represents a blend of Historical and Projected asset class rates of return.

18

T
H
E
I
N
S
T
I
T
U
T
E

2
0
1
2

PALISADE
Asset Management, LLC

‘ABC Community Healthcare Foundation’
Case Study 3

► **Issues?**

-
-
-
-

► **Possible Solutions**

-
-
-
-

19

T
H
E
I
N
S
T
I
T
U
T
E

2
0
1
2

PALISADE
Asset Management, LLC

‘Smith Family Endowment’
Case Study 2

► **Foundation Size:** \$750,000

► **Investment Policy Objectives:**

- 3% Endowment Spending Policy
- Grow at rate of Inflation + Costs
- No added annual long-term growth

INVESTMENT POLICY OBJECTIVES	
Spending Policy	3.0%
- Inflation*	2.4%
- Costs	1.0%
- Added LT Growth	0.0%
L.T. Growth Objective	3.4%
Total Growth Objective	6.4%

* Inflation based on a five year rolling average

ASSET ALLOCATION

ASSET CLASS - GROWTH PROJECTIONS			
Asset Class	% Allocation	*Estimated Rate of Return	Growth Projection
Cash	10.0%	0.2%	0.0%
Bonds	40.0%	3.0%	1.2%
Stocks	50.0%	8.0%	4.0%
TOTAL	100.0%		Growth Projection 5.2%

*Estimated Growth Projection represents a blend of Historical and Projected asset class rates of return.

20

T
H
E
I
N
S
T
I
T
U
T
E

2
0
1
2

PALISADE
Asset Management, LLC

**‘ABC Community Healthcare Foundation’
Case Study 3**

► **Issues?**

-
-
-
-

► **Possible Solutions**

-
-
-
-

T
H
E
I
N
S
T
I
T
U
T
E

2
0
1
2

21

PALISADE
Asset Management, LLC

**‘XYZ Assisted Living Foundation’
Case Study 3**

► **Foundation Size:** \$1,800,000

► **Investment Policy Objectives:**

- 5% Foundation Spending Policy
- Grow at rate of Inflation + Costs
- 1% added annual long-term growth

INVESTMENT POLICY OBJECTIVES	
Spending Policy	5.0%
- Inflation*	2.4%
- Costs	1.0%
- Added LT Growth	1.0%
L.T. Growth Objective	4.4%
Total Growth Objective	9.4%

* Inflation: based on a five year rolling average

ASSET ALLOCATION

ASSET CLASS - GROWTH PROJECTIONS			
Asset Class	% Allocation	2006 (actual) Rates of Return	Growth Projection
Cash	10.0%	4.7%	0.5%
Bonds	40.0%	5.5%	2.2%
Stocks	50.0%	17.6%	8.8%
TOTAL	100.0%	Growth Projection	11.4%

*Growth Projection represents Actual 2006 asset class rates of return.

T
H
E
I
N
S
T
I
T
U
T
E

2
0
1
2

22

PALISADE
Asset Management, LLC

**‘ABC Community Healthcare Foundation’
Case Study 3**

► **Issues?**

-
-
-
-

► **Possible Solutions**

-
-
-
-

T
H
E
I
N
S
T
I
T
U
T
E

2
0
1
2

23
