

**Madison Community Foundation Investment Objective**

Madison Community Foundation's primary investment goal is to deliver long-term investment returns sufficient to cover both spending and inflation to preserve the purchasing power (or intergenerational equity) of the endowment portfolio. MCF seeks to achieve this goal through the following:

- Cost-effective implementation at an appropriate level of risk
- Diversification of asset classes and strategies to provide consistent returns
- Capital preservation in down market cycles to provide stability in spending support
- Long-term capital appreciation through the incorporation of risk-based assets, including non-marketable, illiquid alternatives

The MCF Investment Committee is appointed by the MCF Board of Governors, which maintains overall responsibility for the investment portfolio. The Investment Committee seeks to achieve the MCF investment objective through quarterly meetings to review investment performance and tactical asset allocations. The committee includes Board members and community volunteers:

Ron Mensink, Chair	<i>State of Wisconsin Investment Board (Ret'd)</i>	David Reinecke	<i>Foley &amp; Lardner</i>
Chuck Carpenter	<i>State of Wisconsin Investment Board (Ret'd)</i>	Blaine Renfert	<i>Sub-Zero Group, Inc.</i>
Phyllis Lovrien	<i>Robert W. Baird &amp; Co.</i>	David Stark	<i>Stark Company Realtors</i>
Gary Mecklenburg	<i>Waud Capital Partners</i>	Enid Glenn	<i>Ex-Officio, Board Chair</i>
Tom Olson	<i>University of Wisconsin Foundation</i>		
Mark Ready	<i>UW School of Business</i>		

**Commonfund Strategic Solutions Group**

MCF employs Commonfund Strategic Solutions Group (SSG) as its Outsourced Chief Investment Officer (OCIO) for its largest endowment portfolio. SSG has created a customized investment strategy based on MCF's risk tolerance, return targets, operational needs and other factors and requirements.

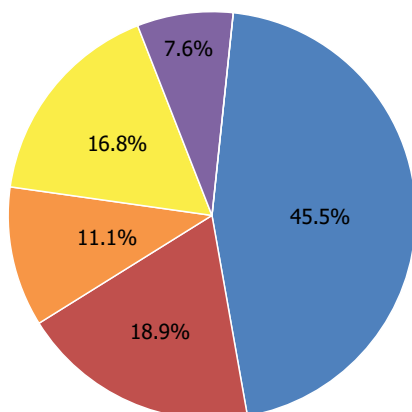
SSG services include investment policy review; portfolio construction, asset allocation and rebalancing; manager selection; risk management assessment and reporting. Commonfund also provides education and research on topics such as investments, economics, risk management and governance.

SSG balances active management with passive strategies - making asset allocations by creating different scenarios that balance the opportunity for growth with its associated risks, and considering the most likely outcomes as well as potential tail risks. It employs a variety of asset managers

**Commonfund Asset Allocation Perspective**

LIQUIDITY SCALE		RISK ASSETS/ GROWTH	DEFLATION HEDGES	INFLATION HEDGES	DIVERSIFICATION
High	<b>TRADITIONAL</b>	<ul style="list-style-type: none"> <li>Public equities (large)</li> <li>Public equities (small)</li> <li>High Yield</li> </ul>	<ul style="list-style-type: none"> <li>Cash</li> <li>U.S. Treasuries</li> <li>High Quality Corporates and Mortgages</li> <li>Hedged Global Sovereign Debt</li> </ul>	<ul style="list-style-type: none"> <li>Commodities</li> <li>REITs</li> <li>TIPs</li> </ul>	<ul style="list-style-type: none"> <li>Currency (Non U.S. \$ investments)</li> </ul>
Moderate	<b>HEDGE FUNDS</b>	<ul style="list-style-type: none"> <li>Long/short equities</li> <li>Event-driven</li> <li>Opportunistic credit</li> </ul>	<ul style="list-style-type: none"> <li>Trend following hedge funds (CTAs*, Macro)</li> </ul>	<ul style="list-style-type: none"> <li>Trend following hedge funds (CTAs*, Macro)</li> </ul>	<ul style="list-style-type: none"> <li>Trend following hedge funds (CTAs*, Macro)</li> <li>Relative value strategies</li> </ul>
Low	<b>PRIVATE PROGRAMS</b>	<ul style="list-style-type: none"> <li>Distressed Debt</li> <li>Venture capital</li> <li>Private equity</li> <li>Opportunistic Real Estate</li> <li>Value Add Real Estate</li> </ul>		<ul style="list-style-type: none"> <li>Core Real Estate</li> <li>Natural Resources/ Timber</li> <li>Infrastructure</li> </ul>	

**MCF Endowment Asset Allocation Detail**



- Public Equity**  
Growth-focused investments in traditional, liquid global stocks
- Fixed Income**  
Deflation-hedging investments in core, global and high yield corporates, mortgages, sovereign debt, etc.
- Diversifying Strategies**  
Marketable alternative strategies capable of producing consistent, uncorrelated positive returns regardless of the direction of the broader markets
- Private Programs**  
Growth-focused, illiquid investments in private equity, venture capital, distressed debt & natural resources
- Real Estate**  
Inflation-hedging investments in private, opportunistic real estate and REITs

**MCF Endowment Performance - Cumulative (Growth of \$100) | 4/30/1990 - 3/31/2019**



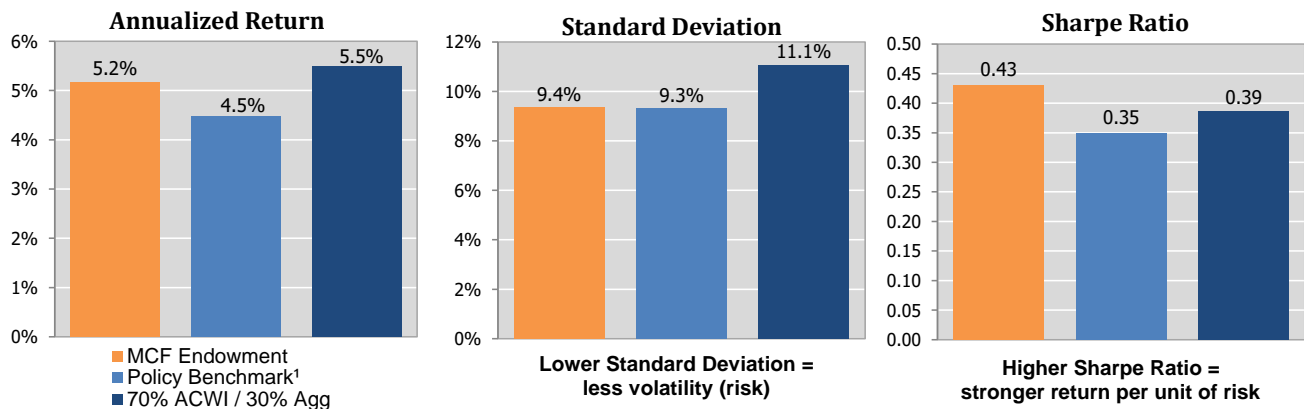
**MCF Endowment Performance with Commonfund**

Calendar Year	MCF Endowment	Policy Benchmark <sup>1</sup>	Community Foundations*	70% ACWI/30% Agg	Annualized 3/31/2019	MCF Endowment	Policy Benchmark <sup>1</sup>	70% ACWI/30% Agg
2018	-1.17%	-2.82%	NA	-6.48%	QTD	7.07%	7.61%	9.38%
2017	18.65%	16.28%	15.10%	17.50%	1 Year	6.41%	4.69%	3.37%
2016	6.62%	7.38%	7.30%	6.42%	3 Years	10.34%	9.15%	8.13%
2015	-0.64%	-2.98%	-1.90%	-1.30%	5 Years	6.44%	5.25%	5.47%
2014	4.50%	4.03%	4.20%	4.77%	10 Years	9.27%	8.64%	9.69%
2013	15.09%	11.90%	14.90%	14.90%	Inception	5.17%	4.47%	5.50%
2012	10.71%	10.02%	12.40%	12.65%				
2011	-5.25%	-1.69%	-1.80%	-2.68%				
2010	10.87%	11.22%	12.40%	11.31%				
2009	22.82%	19.16%	21.60%	25.93%				
2008	-30.02%	-29.05%	-26.60%	-30.18%				

Commonfund Inception date: 2/28/2006

\*Commonfund Foundations Report; net returns; \$101-500M for 2013-2017 and under \$200M for 2008-2012

**Risk & Return Summary | 03/31/2006 - 3/31/2019**



**Definitions**

**Standard Deviation:** statistical measure of the degree to which a value in a probability distribution tends to vary from the mean of the distribution; the larger the Standard Deviation, the greater the volatility.  
**Sharpe Ratio:** risk-adjusted measure, calculated using standard deviation and excess return to determine reward per unit of risk. The higher the ratio, the better a fund's risk-adjusted performance.

**<sup>1</sup>Policy Benchmark:**

**Current:** 49.0% MSCI ACWI; 6.0% Burgiss Private Capital Composite; 23.0% Bloomberg Barclays U.S. Aggregate Bond Index; 7.0% ICE BAML High-Yield Index; 3.0% Burgiss Private Natural Resources Composite; 3.0% S&P Global LargeMidCap Commodity and Resources Index; 9.0% NCREIF ODCE (Lagged)