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
- Chuck Carpenter
- Phyllis Lovrien
- Gary Mecklenburg
- Tom Olson
- Sebastien Plante
- State of Wisconsin Investment Board (Ret’d)
- Robert W. Baird & Co.
- University of Wisconsin Foundation
- Foley & Lardner
- Sub-Zero Group, Inc.
- Stark Company Realtors
- Ex-Officio, Board Chair

Commonfund Asset Management Company

MCF employs Commonfund Asset Management Company (COMANCO) as its Outsourced Chief Investment Officer (OCIO) for its largest endowment portfolio. COMANCO has created a customized investment strategy based on MCF’s risk tolerance, return targets, operational needs and other factors and requirements.

COMANCO 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.

COMANCO 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 allocation strategies:

- **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

Past performance is no assurance of future returns; returns are net of fees
# MCF Endowment Portfolio Overview

Commonfund Asset Management Company

As of December 31, 2019

## Calendar Year Performance

<table>
<thead>
<tr>
<th>Year</th>
<th>MCF</th>
<th>Policy</th>
<th>Community</th>
<th>70% ACWI/30% Agg</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>16.19%</td>
<td>17.40%</td>
<td>NA</td>
<td>21.21%</td>
</tr>
<tr>
<td>2018</td>
<td>-1.17%</td>
<td>-2.81%</td>
<td>-5.30%</td>
<td>-6.48%</td>
</tr>
<tr>
<td>2017</td>
<td>18.65%</td>
<td>16.28%</td>
<td>15.10%</td>
<td>17.50%</td>
</tr>
<tr>
<td>2016</td>
<td>6.62%</td>
<td>7.35%</td>
<td>7.30%</td>
<td>6.42%</td>
</tr>
<tr>
<td>2015</td>
<td>-0.64%</td>
<td>-2.99%</td>
<td>-1.90%</td>
<td>-1.30%</td>
</tr>
<tr>
<td>2014</td>
<td>4.50%</td>
<td>4.04%</td>
<td>4.20%</td>
<td>4.77%</td>
</tr>
<tr>
<td>2013</td>
<td>15.09%</td>
<td>11.90%</td>
<td>14.90%</td>
<td>14.90%</td>
</tr>
<tr>
<td>2012</td>
<td>10.71%</td>
<td>10.02%</td>
<td>12.40%</td>
<td>12.65%</td>
</tr>
<tr>
<td>2011</td>
<td>-2.55%</td>
<td>-1.70%</td>
<td>-1.80%</td>
<td>-2.68%</td>
</tr>
<tr>
<td>2010</td>
<td>10.87%</td>
<td>11.22%</td>
<td>12.40%</td>
<td>11.31%</td>
</tr>
<tr>
<td>2009</td>
<td>22.82%</td>
<td>19.16%</td>
<td>21.60%</td>
<td>25.93%</td>
</tr>
<tr>
<td>2008</td>
<td>-30.02%</td>
<td>-29.05%</td>
<td>-26.60%</td>
<td>-30.18%</td>
</tr>
</tbody>
</table>

## Risk & Return Summary

### Annualized Return

- **MCF Endowment**: 5.5%
- **Policy Benchmark¹**: 4.9%
- **70% ACWI/30% Agg**: 6.0%

### Standard Deviation

- **Lower Standard Deviation = less volatility (risk)**
  - **MCF Endowment**: 9.2%
  - **Policy Benchmark¹**: 9.2%
  - **70% ACWI/30% Agg**: 10.9%

### Sharpe Ratio

- **Higher Sharpe Ratio = stronger return per unit of risk**
  - **MCF Endowment**: 0.46
  - **Policy Benchmark¹**: 0.40
  - **70% ACWI/30% Agg**: 0.44

## 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 degree of dispersion around the average value.

**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.

¹**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)

Past performance is no assurance of future returns; returns are net of fees.