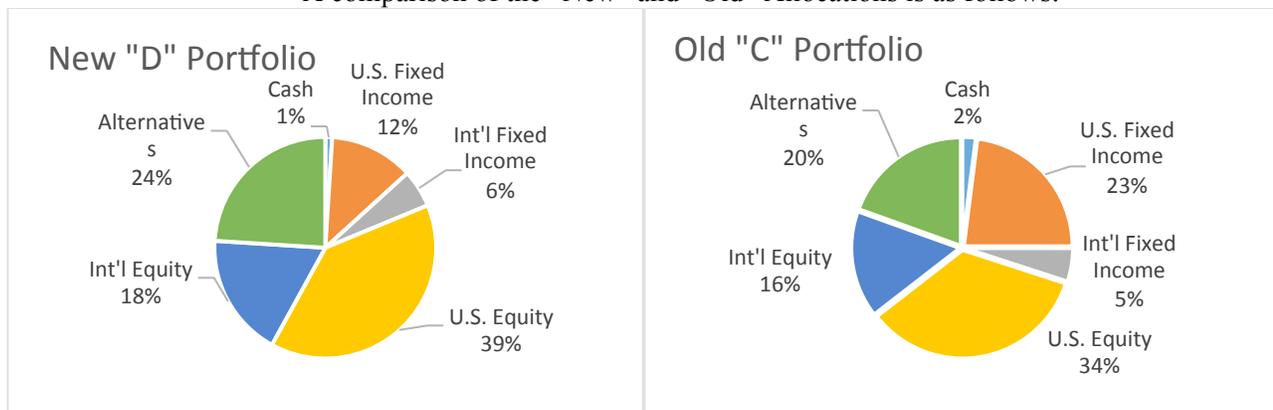


Changes in Asset Allocation of Endowment Pool – November 2016

At the November 15, 2016 board meeting, CFFK approved a change in asset allocation for the investments in the endowment pool in order to improve the long-term capacity to make grants.

Since 2008 CFFK has used the Mason Investment Advisory Services “C” Portfolio (70% Equity / 30% Fixed Income). While the “C” Portfolio has allowed us to achieve the target rate of return 74% of the time, Mason has provided analysis that shows the “D” Portfolio, that has a 77% equity / 23% fixed income asset allocation, has a greater success level of sustaining the endowment principal balance while allowing consistent annual grant payments. The mutual fund investment selection between the “C” and “D” Portfolios are identical, the only difference is the weightings between fixed income and equities. A change to the “D” Portfolio should increase CFFK investment portfolio’s rate of return and give us more favorable comparison with our peers.

A comparison of the “New” and “Old” Allocations is as follows:



Historical models show that by making this change and keeping annual grants at 4.00%, the probability of preserving the endowment assets over a 50 year period increases by 23% to a 98% success rate. This analysis gives the board comfort that there is a reasonable balance between risks and rewards of making the allocation change. Despite potential market volatility, the long term focus of an endowment fund means the new allocation is a better choice for maintaining the fund balance and consistent grants.

Impact on Non-Endowment Funds

The asset allocation described above is appropriate for long term investments. Many funds held by CFFK have a shorter time frame when grants are expected to be paid. If your fund anticipates making significant grant payments, such as 10% or more of the current fund balance during the next 12 to 24 months, then we would like to speak with you about how this change may impact your philanthropic goals. Please give Dianna or Mark a call at (305) 292-1502 to set up a time to discuss the right asset allocation to meet your goals.