

Our Investment Strategy

The Endowment portfolio is managed with a 35 to 50 year time horizon. Time horizons this long require different choices than most private investors have made for their personal situations. The goal is to achieve a specific target real return to sustain charitable grants and the foundation operations over time, not to beat the “stock market”. This is 4.25% for grants and 1.2% for operations, for a target real rate of return of 5.45% (after inflation). The Investment Committee recommends a more conservative 4.0% grant payout rate.

Current and Notable CFFK Highlights

- Working with our generous Fund Advisors, we awarded **227 grants** in 2016 totaling **\$1.63 million**.
- We received **347 gifts** in 2016 totaling **\$1.55 million** for Funds at CFFK, the Future Fund and CFFK Operations and our Endowment.
- Thanks to all of our partners, we met the **Future Fund match** and exceeded our goal - **adding over \$107,000** to the Fund.

The portfolio is guided by a detailed formal [Investment Policy Statement](#). Historical analysis has determined that:

- Attempts at market timing ultimately harm performance;
- A formal rebalancing policy takes advantage of market volatility and fosters a discipline to buy as asset prices decrease and sell as asset prices increase; and
- A global allocation should enhance opportunities over time.

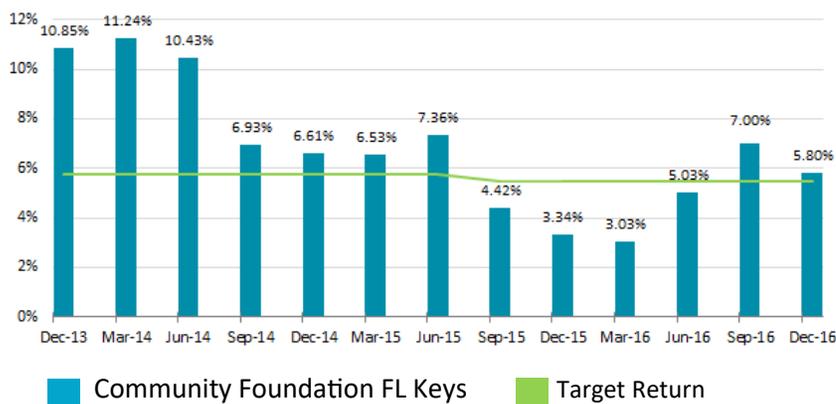
During the fourth quarter 2016 CFFK board approved a change to the asset allocation. The new allocation is shown in the chart below. This change is intended to increase the investment return and is appropriate for funds making grants at the spending policy rate.

Performance Comparison to Market Indices as of 12/31/16

	QTD	YTD	1-Year	3-Years Annualized	5-Years Annualized	Since Inception (09/30/08)
Community Foundation of the Florida Keys¹	0.97	9.53	9.53	3.29	7.18	6.83
77/23 Domestic Stock Bond Mix ²	2.63	10.21	10.21	6.79	11.08	8.76
77/23 Global Stock Bond Mix ³	-0.80	6.64	6.64	2.27	7.20	6.01
65/35 Domestic Stock Bond Mix ²	1.73	8.94	8.94	6.16	9.60	8.06
65/35 Global Stock Bond Mix ³	-1.82	5.87	5.87	1.82	6.02	5.51

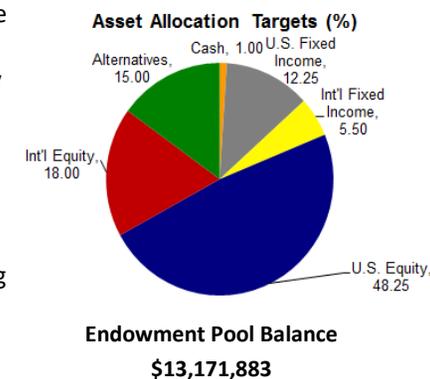
Target Rate of Return Achieved 71% of the Time (since inception)

Rolling 5 Year Portfolio Returns Net of Inflation vs. Target Rate of Return



To measure our progress compared to our target real return, we calculate a five year trailing return each quarter:

- Due to this short five year measurement period, historically we expect to meet our target real return about 58% of the time.
- Since September 30, 2008 through the end of the current quarter, we have actually performed better than historical expectations, at 71% of the time.
- Historical models using a 77/23 asset allocation, over rolling 25 to 50 year time horizons, have shown an 85% to 98% success rate.



1. The Community Foundation consolidated the investment pool and began tracking performance in Q4 2008, when Mason Investment Advisory Services, Inc. (Mason) was hired to help manage our portfolio and provide investment performance reporting. Performance is displayed net of all investment management fees, reflects the reinvestment of dividends and is calculated using the time-weighted return method. As of 12/31/15, the advisory fee paid to Mason was 0.42% and the total expenses paid to the mutual funds and ETFs was 0.35%.

2. 77/23 and 65/35 Domestic Stock Bond Mix derived from 77% (or 65%) of the Wilshire 5000 Total Market Index and 23% (or 35%) of the Barclays Capital Aggregate Index.

3. 77/23 and 65/35 Global Stock Bond Mix derived from 77% (or 65%) of the S&P Global BMI Index and 23% (or 35%) of the Barclays Global Aggregate Index

* Performance of both of the stock/bond mixes is presented net of the average annual ETF and index fund expense ration prorated monthly. This was the average expense ration of all 1,523 ETFs and Index Funds included in the Morningstar database as of 9/30/13, which was 0.68%.