ENDOWMENT INVESTING FAQ

What is the goal of East Tennessee Foundation's investment policies?

- The goal of East Tennessee Foundation's (ETF) investment policies is to maintain or increase the real value of endowment assets over the long-term while funding current needs at an appropriate level.
- ETF has adopted a "total return" approach to investment management which allows the investment portfolio to be structured for maximum return within accepted risk parameters but without current yield constraints. Under the "total return" approach, the income plus the appreciation (total market value) of ETF's assets, averaged over time, are taken into consideration in determining available grant dollars for each year's distribution.
- ETF's board of directors adopted the current 4.5% annual spending level for grant distributions (not including administrative fees) to be calculated on a rolling average of twelve quarters of ending market values. The rate is directly related to ETF's asset allocation and is generally based on an analysis of historical asset class returns.

Why should you entrust an endowment fund to ETF?

- ETF is a 501(c)3 nonprofit organization whose mission is to provide philanthropic leadership inspiring donors to make lives better and communities stronger in enduring ways across generations.
- Because ETF expects to operate in perpetuity, wise stewardship of the funds entrusted to us is central to our mission.
- ETF has more than thirty-five years of experience in managing endowments.
- More than $225 million is currently held in ETF's main long-term commingled investment fund.
- ETF's investment program is overseen by our dedicated volunteer investment committee of seasoned financial and business professionals, who are appointed by and report directly to our Board of Directors.
- ETF's long-term commingled investment fund is a well-diversified investment portfolio that aims for capital preservation and long-term growth with an appropriate level of risk, while allowing for a reasonable annual spending rate.
- This large asset pool gives fundholders access to top-tier investment managers and vehicles not available to smaller endowment funds. ETF has a record of strong investment performance, with an average 7.6% annualized return in the long-term commingled investment fund since 1987.

Who manages the investments of ETF?

- ETF's local investment committee selects investment managers, monitors their performance, and decides what portion of the portfolio to allocate to each investment vehicle.
- ETF has selected TIFF Investment Management (TIFF) as its principal investment manager, directing approximately 67% of our portfolio.
- The remaining assets are deployed directly by the investment committee into other investment funds that complement the allocations made by TIFF.

What is TIFF?

- Founded in 1993, the idea behind TIFF was to create an organization where nonprofit foundations lacking sufficient internal resources could pool endowment funds to access the innovative investment techniques being utilized by large foundations and universities.
- An employee-owned public benefit company, TIFF is a leading asset management firm delivering comprehensive outsourced Chief Investment Officer (CIO) services, investment management, and private equity investment solutions to primarily endowments, foundations, and other charitable organizations.
- TIFF's mission is to assist nonprofit organizations by seeking to enhance their investment returns through strategic asset allocation, investment manager selection, and reduced investment/administrative expenses. TIFF helps ETF to broaden the universe of available investment choices, deploy the assets in a manner that supports our mission while preserving purchasing power. In addition, TIFF provides comprehensive analysis to help monitor and evaluate investment performance.
- TIFF invests more than $7.2 billion in assets from approximately 476 member organizations in 41 states.

Why has ETF selected TIFF to manage its investment portfolio?

- TIFF's mission-oriented focus on endowment investing makes it a perfect partner for organizations like ETF who are investing for the very long term.
- TIFF's investment objectives are an excellent fit for ETF. They focus on providing reasonable gains without undue risk, keeping ahead of inflation, and maintaining a reasonable spending policy.
- TIFF's large asset base gives them access to managers, funds, and investment opportunities not available to individual nonprofits.
- TIFF's CIO services provide the ETF investment committee and staff with wise, up-to-date investment counsel and full-time oversight of the investments and fund managers.

What TIFF investments are used by ETF?

- ETF's largest investment is the TIFF Multi-Asset Fund, which is a multi-manager core endowment strategy for nonprofits; the Fund is structured as a regulated open-end mutual fund open only to nonprofits with an asset base exceeding an eligibility threshold. The Fund's components include investments in domestic and international stocks, bonds, diversifying strategies (hedge funds, real assets, and other uncorrelated investments), and cash. The Fund's long-term goal is to produce investment returns of at least the Consumer Price Index (CPI) + 5% per year.
- ETF also invests in the TIFF Keystone Fund, which pursues a multi-manager endowment strategy with investment objectives similar to the Multi-Asset Fund. TIFF Keystone Fund, however, is a limited partnership and includes investments in private securities. Compared to the Multi-Asset Fund, it has higher expected returns commensurate with certain liquidity constraints. The Fund's long-term goal is to produce investment returns of at least CPI + 5% per year.

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