Portfolio Choices & Tools

LIPPER ADVISORY SERVICES' METHODOLOGY

Lipper Advisory Services

The single most important and often overlooked investment decision point is:

Judgement Time

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Needs not addressed by most Investment Policy Statements:

- Segregating beneficiaries
- Defining required time periods for capital
- Understanding that many pools of investment capital have immortality

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Many pools of capital could benefit from:

Creating sub-portfolio buckets based on Discreet Time Spans

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TIMESPAN L Portfolios® may be the answer

Lipper Advisory Services

- A copyrighted concept that divides a portfolio into sub portfolios based on agreed time spans
- Each sub portfolio holds multiple investments with different characteristics
- Capital owner and investment advisor collaborate to make investment choices

Investment Policy Decisions

- Market Sensitivities vs. measures
- Risk Management & tolerance for volatility
- Mixing and selection skills
- Investment vehicles: separate accounts, private equity, venture capital, ”real assets”, and mutual funds
- Custodian
- Frequency of reporting
- Level of decision making

Why Mutual Funds?

- Highest regulation
- Daily valuations and liquidity
- Financial media and academic scrutiny
- Access to over 300,000 funds around the world, through a Lipper Advisory Services relationship with Lipper Inc, owned by ThomsonReuters

TIMESPANS

- Each client defines the duration of the timespan sub portfolios.
- We find the following four portfolios are often the most useful.

Operational Portfolio

- To accommodate near-term funding requirements and expected to liquidate through payments in a reasonable number of years.
- Generally invested in the highest quality short duration investments, with substantial liquidity.

Replenishment Portfolio

- Designed to replace the spent grants of the Operational Portfolio.
- Assumes at least one down year before it is exhausted.
- Under certain circumstances an attempt may be made to avoid substantially declining prices late in its duration.

Endowment Portfolio

- A long-term portfolio that should have a timespan equaling the average age of senior management or investment committee, whichever is younger.
- This portfolio will be fully invested, permitting individual managers to administer their responsibilities.

Endowment Portfolio (continued)

- Majority of the portfolio should be invested in anticipation of a changing world.
- Should be oriented toward the growth of earnings power, often found in companies disruptive to the established order.
- May be more volatile than the other shorter-term portfolios, due to the uncertainty of success in new and innovative products.

Legacy Portfolio

- Addresses the need to provide capital for future grantees.
- Investments should be based on the belief that some companies will be providing critical products and services for new eras.
- Initially, this will likely be the smallest of the portfolios.

Questions and Some Answers

- Thank you for your attention.
- I will be available for private conversations.