



## A Message From the Board Treasurer

We are living through extraordinary economic times. Over the past year, we have seen deterioration in nearly all market segments, both domestic and abroad. In recent months, we have seen circumstances further exacerbated with concerns surrounding some of the largest financial institutions in the United States. It is clear that there will be continued volatility in the markets.

As an individual who has deep compassion for the nonprofit sector, you understand that when the economy is in turmoil, the world of philanthropy and the nonprofit sector experience a double hit. Nonprofits see their asset base reduced by financial crises and incoming contributions reduced because donors have less disposable income. At the same time, there is an increased demand for both programs and services and an increased need for financial support for nonprofits struggling to keep up with demand for the programs and services they provide. Armed with that understanding, your Foundation remains committed to the ongoing support of our region’s nonprofit organizations.

During the past several months, we have witnessed a series of financial events which have tested the world’s capital markets. Let me therefore describe our general investment philosophy and the way these events influence our overall investment strategy. I assure you that preservation of capital and growth over the long-term continues to be our goal. We take our responsibility as the steward of charitable capital extremely seriously, and we must consider both the short- and long-term implications of our decisions. Through broad diversification, we continue to invest assets in a manner that is likely to achieve our long-term return objectives while seeking to mitigate loss. We work with investors who utilize a process that is driven by in-depth research accompanied by intelligent, forward-looking risk management.

During difficult times, it may seem safer to move to a more defensive posture, i.e. a move to more liquidity, until conditions improve. However, we strongly believe that taking this action after markets have significantly fallen is in fact a risky step for a long-term investor; moving toward more liquid investments, after sustaining losses due to a market downfall, essentially locks in these losses. Historically, those invested in a more diverse portfolio will outperform those heavily weighted in liquid assets. We believe that our investment strategy and policy gives us the latitude and flexibility to take advantage of opportunities as they arise—and even in times such as these, opportunities will present themselves. In fact, those who embrace the long-term view of investing in communities through endowment may find that now is an ideal time to add to their charitable funds because they will be “buying low” at a time when the market is poised to rebound.

I want to emphasize that the philosophy described here is not built on blind faith that time will cure all. Instead, we know that the bulk of any rewards come to those who act wisely, and in that regard we continue to diligently monitor investments. This process is driven by our need to gain a full appreciation for the risks being assumed along with the decisions that are being made during this unusual and tumultuous period.

In 2006, your Foundation revised and expanded its investment strategy for endowed assets, and we should recognize this period as one of the portfolio’s first tests—a test to prove whether diversification can truly benefit a portfolio. One of the primary purposes of diversification is to protect assets in difficult markets. Although all markets are generally down right now, we hope the portfolio’s relative resilience provides some comfort. Following is a five-year performance summary through December 31, 2008:

	Past 6 months	1 Year	2 Years	3 Years	4 Years	5 Years
Alliance	-24.1	-25.8	-10.8	-3.5	-1.5	0.5
Policy Index*	-22.4	-27.1	-12.8	-4.5	-1.7	0.2

*\*The benchmark we use to compare our investment returns to appropriate investment indices such as the S&P 500.*

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While negative performance is not something we appreciate seeing, the diversification benefits embedded in our portfolio have proven to protect assets more than what the market is providing.

As you know, the impact of the fraud investigation of Wall Street money manager Bernard Madoff is being felt around the world, particularly for those currently involved in investing their dollars. We want to assure all of our donors that we have no affiliation with Bernard Madoff and that none of our investments and assets have been impacted by this sad situation.

In tough times like these, when current giving declines, one thing we know is that the community's endowment will be here, supporting indispensable work across our community. This is when we see most clearly the wisdom of our donors, whose foresight and commitment have helped to build the community's charitable endowment. Together, we foster academic achievement, build economic prosperity, encourage healthy people, support social enrichment, and create vibrant neighborhoods. We are committed to being good stewards of the charitable dollars that you have given into our care and thank you for your commitment to improving the quality of life in our communities.

Sincerely,



Mark Ewing  
Board Treasurer and  
Investment Committee Chair

