



THE COMMUNITY FOUNDATION

FINDLAY - HANCOCK COUNTY

Bridging Resources. Granting Opportunity.

Investment Briefing Presentation

November 2, 2017

William A. Hummel

Managing Principal



Fund Evaluation Group®
investment advisors

I. Current Market Environment

II. Market Opportunities

III. Foundation Summary

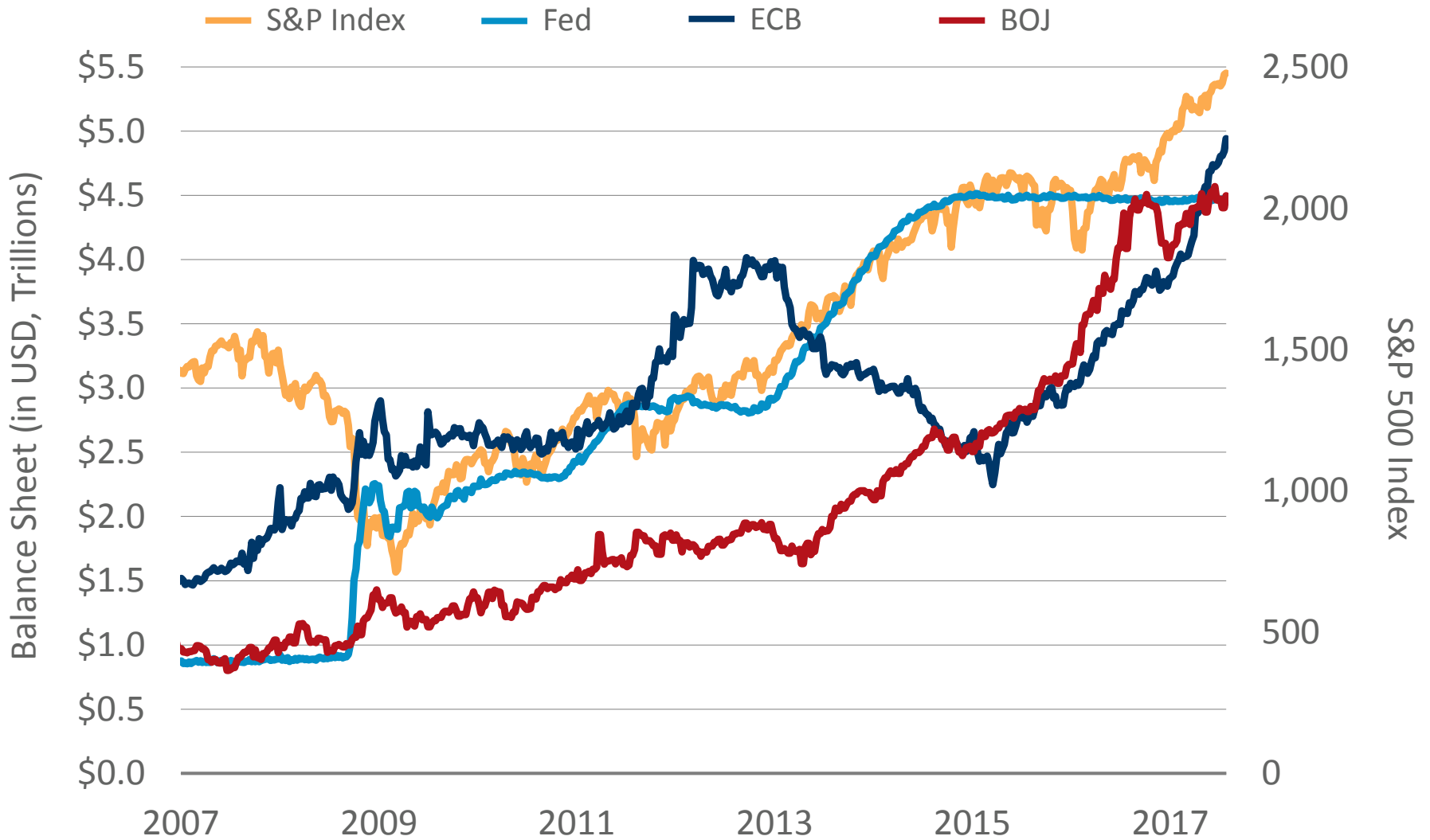
IV. Questions



Current Market Environment

RISING TIDES LIFT ALL BOATS

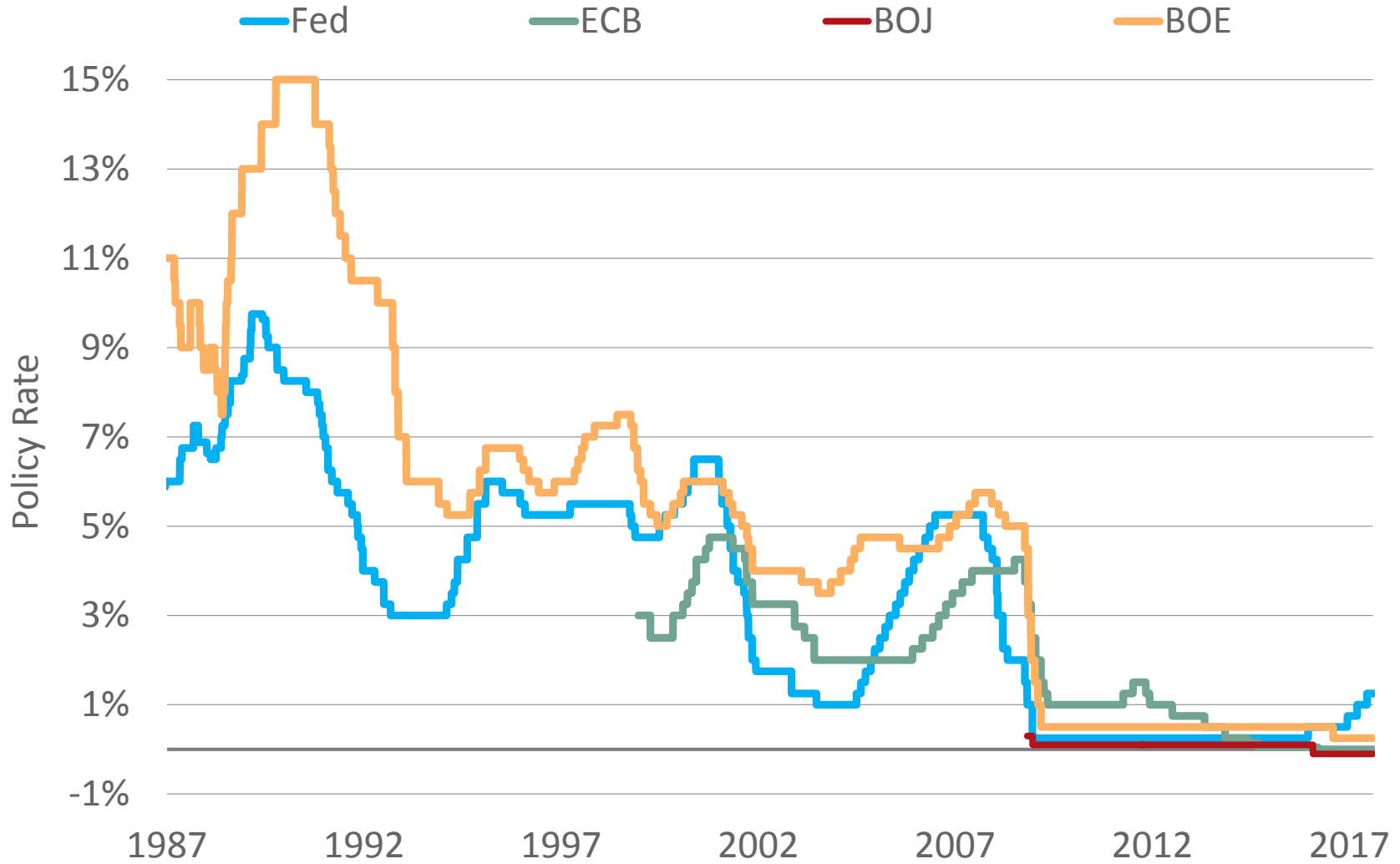
CENTRAL BANK BALANCE SHEETS



Data sources: Bloomberg, L.P., Fed, ECB, BOJ; data as of 7/26/2017

HISTORICAL LOWS

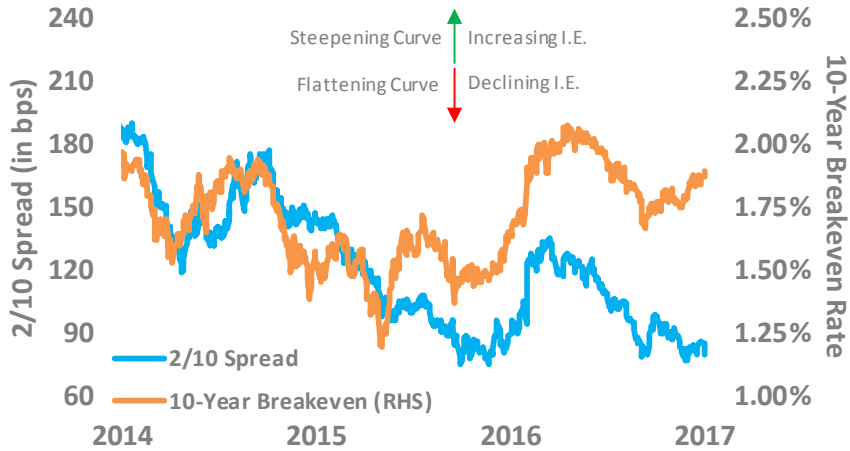
MAJOR CENTRAL BANK MAIN POLICY RATES



Data sources: Bloomberg, L.P., Fed, ECB, BOE, BOJ; data as of 8/7/2017

FED POLICY & RATE EXPECTATIONS

Yield Curve Slope & Inflation Expectations



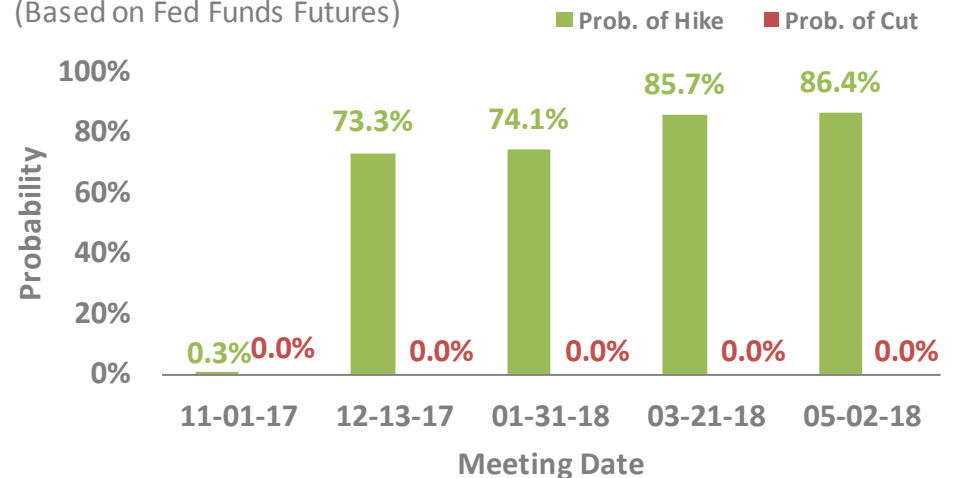
Data sources: Bloomberg, L.P.; Data as of 10/12/2017

- Curve remains stable despite a rebound in inflation expectations

- The Fed is expected to carry out their next rate hike in December

Current FOMC Rate Hike Probabilities

(Based on Fed Funds Futures)



Data source: Bloomberg, L.P.; Data as of 10/13/2017 @ 10:52am ET

TRUMP POLICY – OPPORTUNITY OR RISK?



- Healthcare
- Tax Reform
- Infrastructure

“ Impact of Trump corporate tax cut could be ‘gigantic.’ ”

CNBC – *March 2017*

“Trump Tax Cut Could Add 20% to Corporate Profits.”

CFO.com – *December 2016*

America First

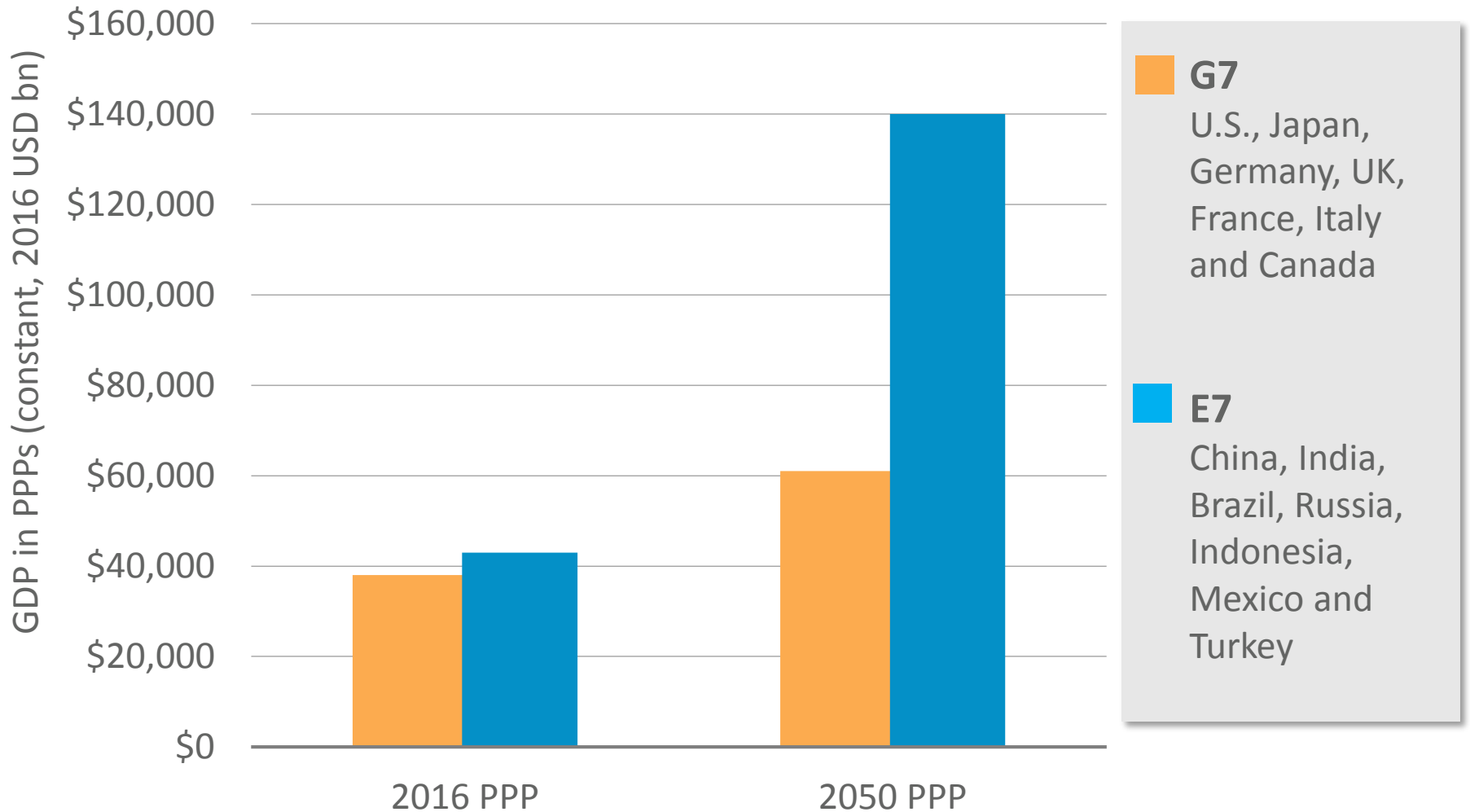
**A Budget Blueprint to Make
America Great Again**



Office of Management and Budget

SHIFTING GLOBAL ECONOMIC POWER

RELATIVE SIZE OF G7 & E7 ECONOMIES IN 2016 AND 2050



Data Source: PwC "The World in 2050: How will the global economic order change?"

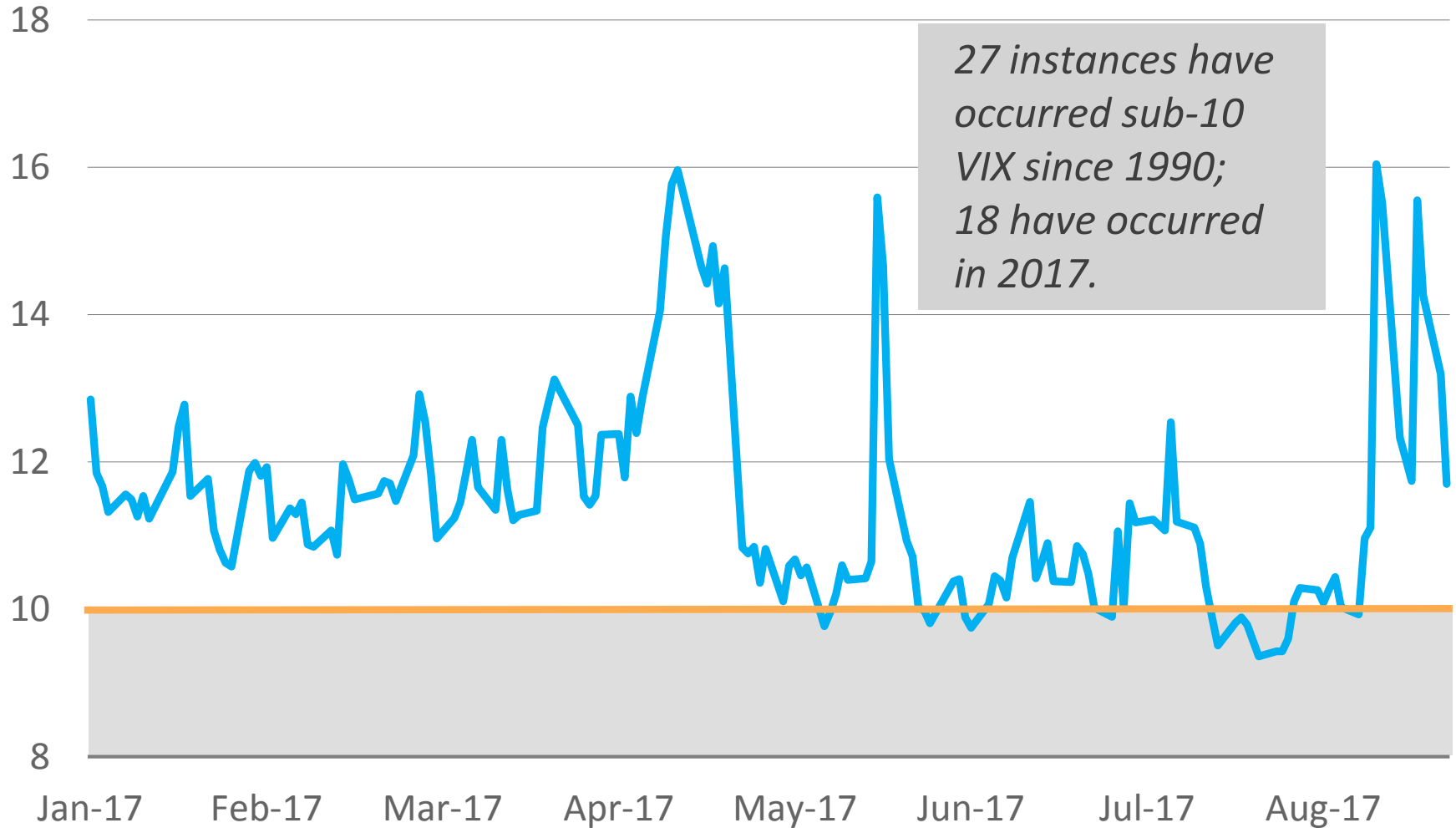
GEOPOLITICAL RISKS



MARKET REMAINS COMPLACENT

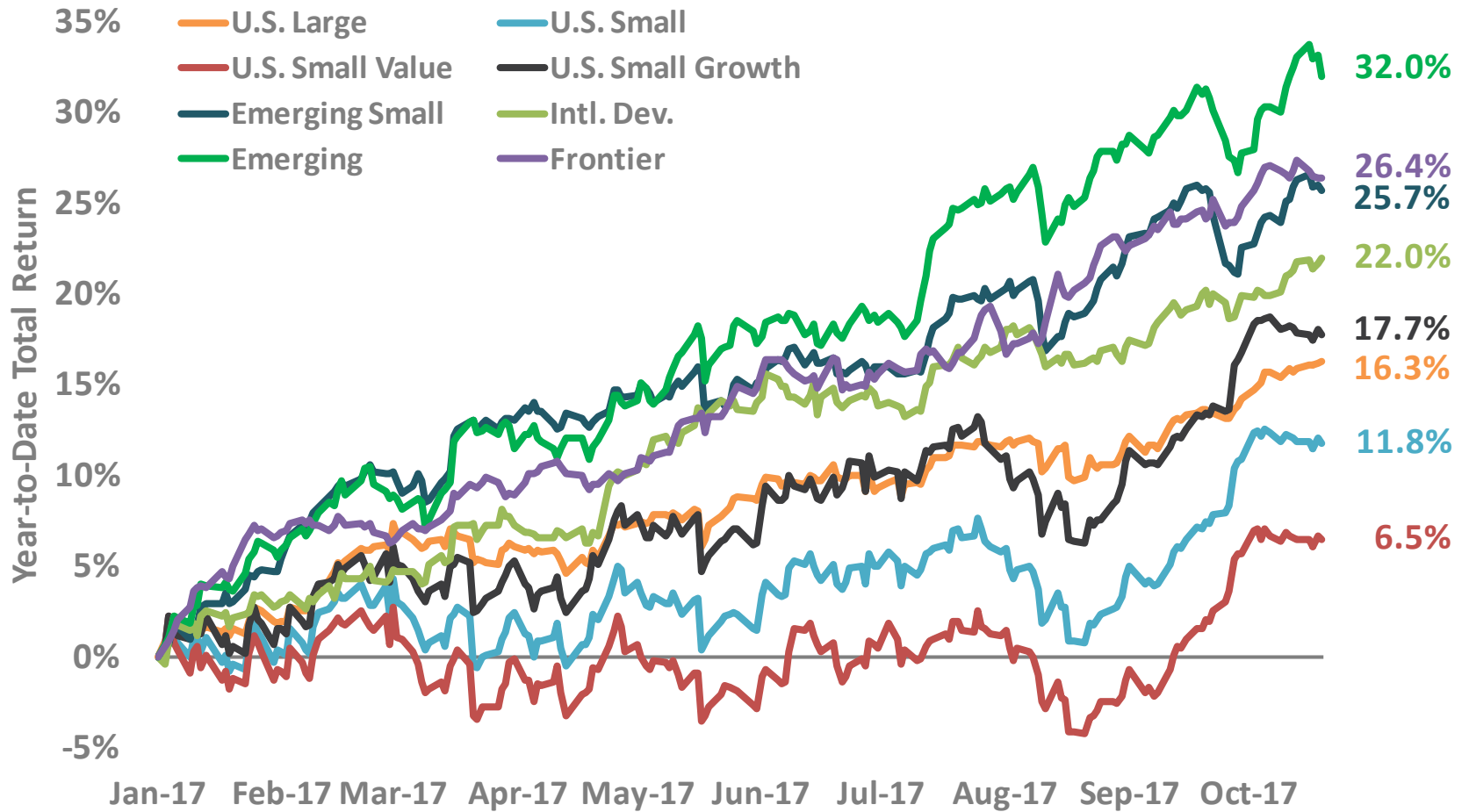
VIX

January 1, 2017 – August 22, 2017



CURRENT MARKET ENVIRONMENT – GLOBAL EQUITY

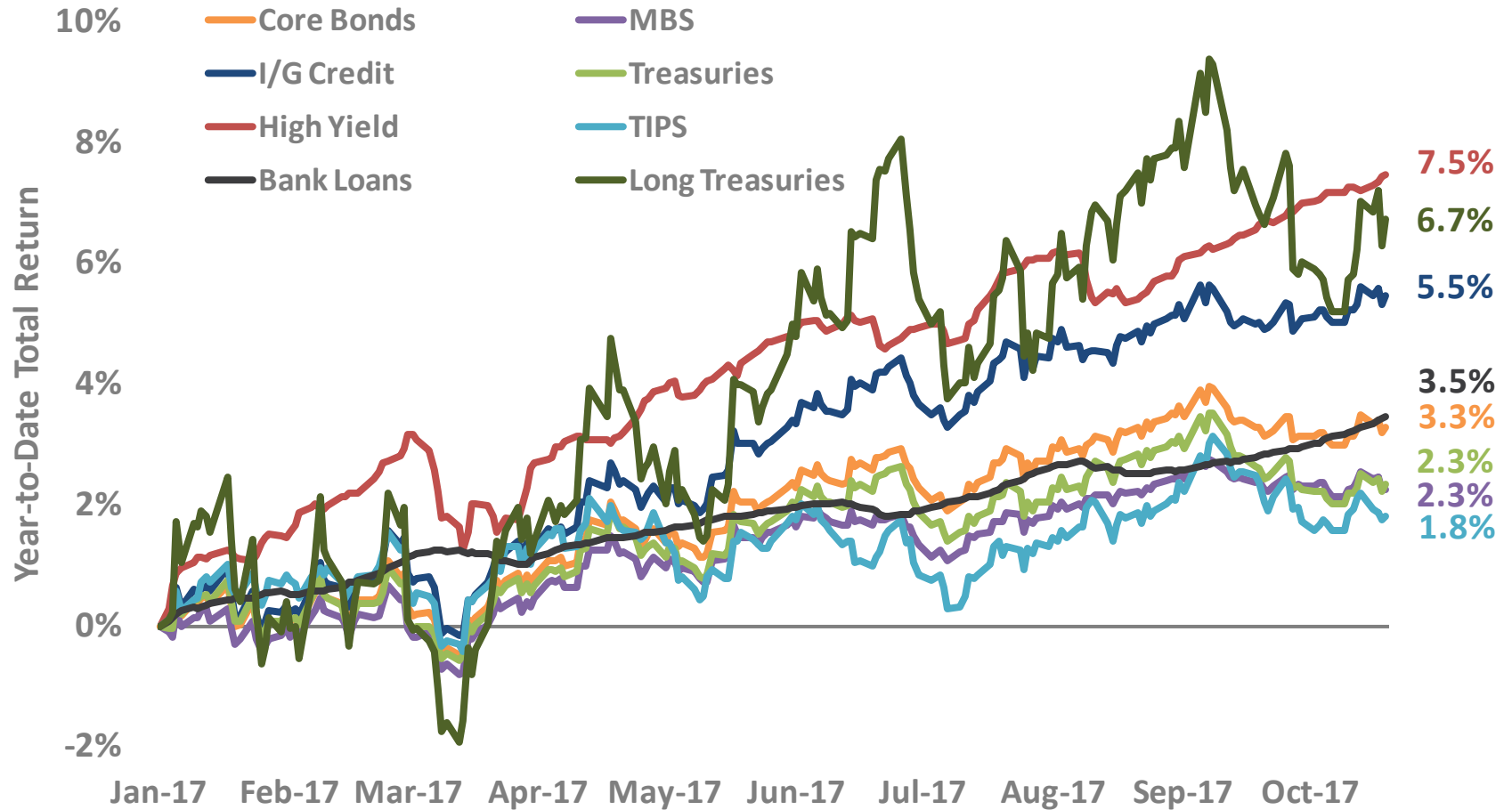
Global Equity Year-to-Date Performance (in USD)



Data source: Bloomberg, L.P.; Data as of 10/19/2017

CURRENT MARKET ENVIRONMENT – FIXED INCOME

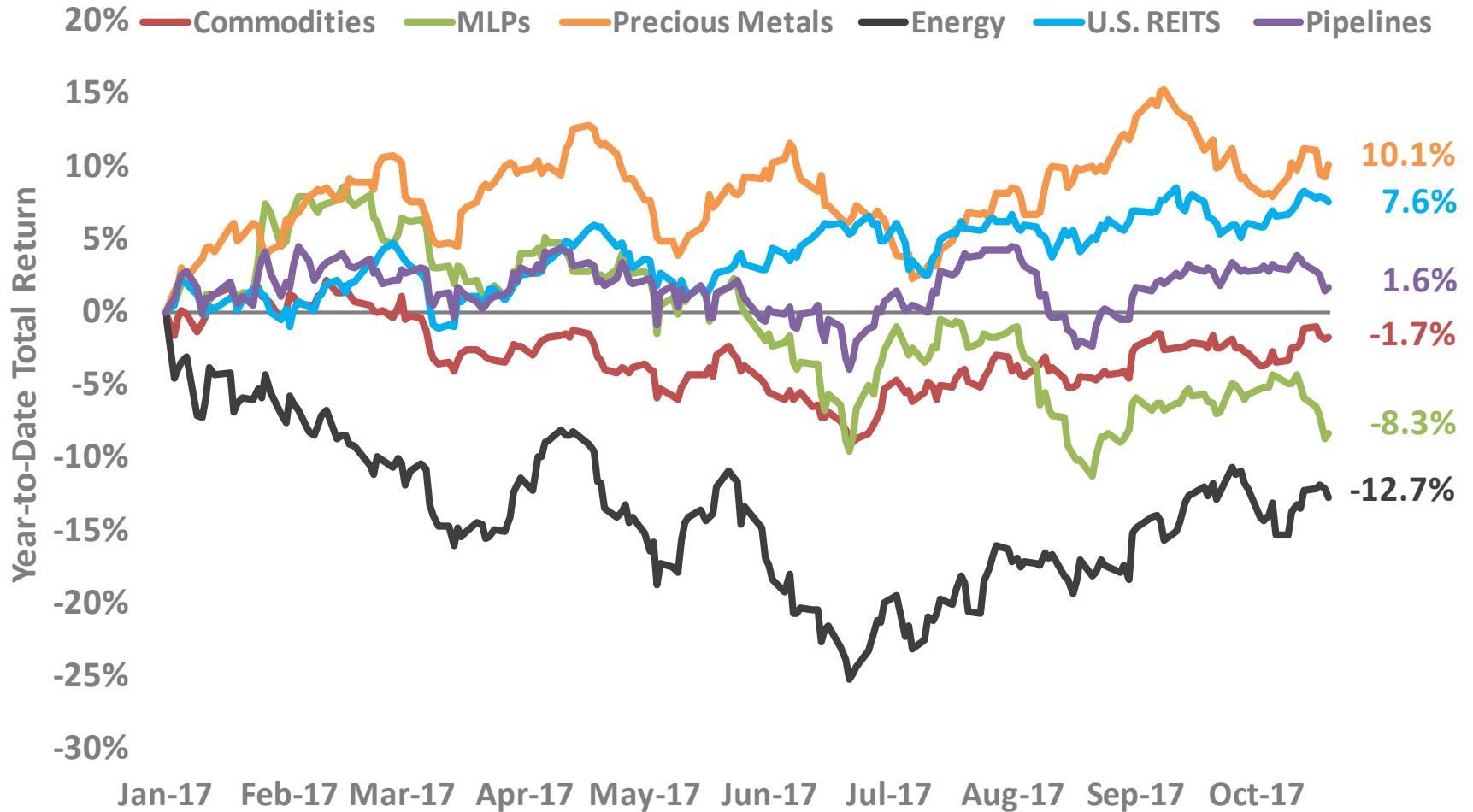
Fixed Income Year-to-Date Performance



Data source: Bloomberg, L.P.; Data as of 10/19/2017

CURRENT MARKET ENVIRONMENT - REAL ASSETS

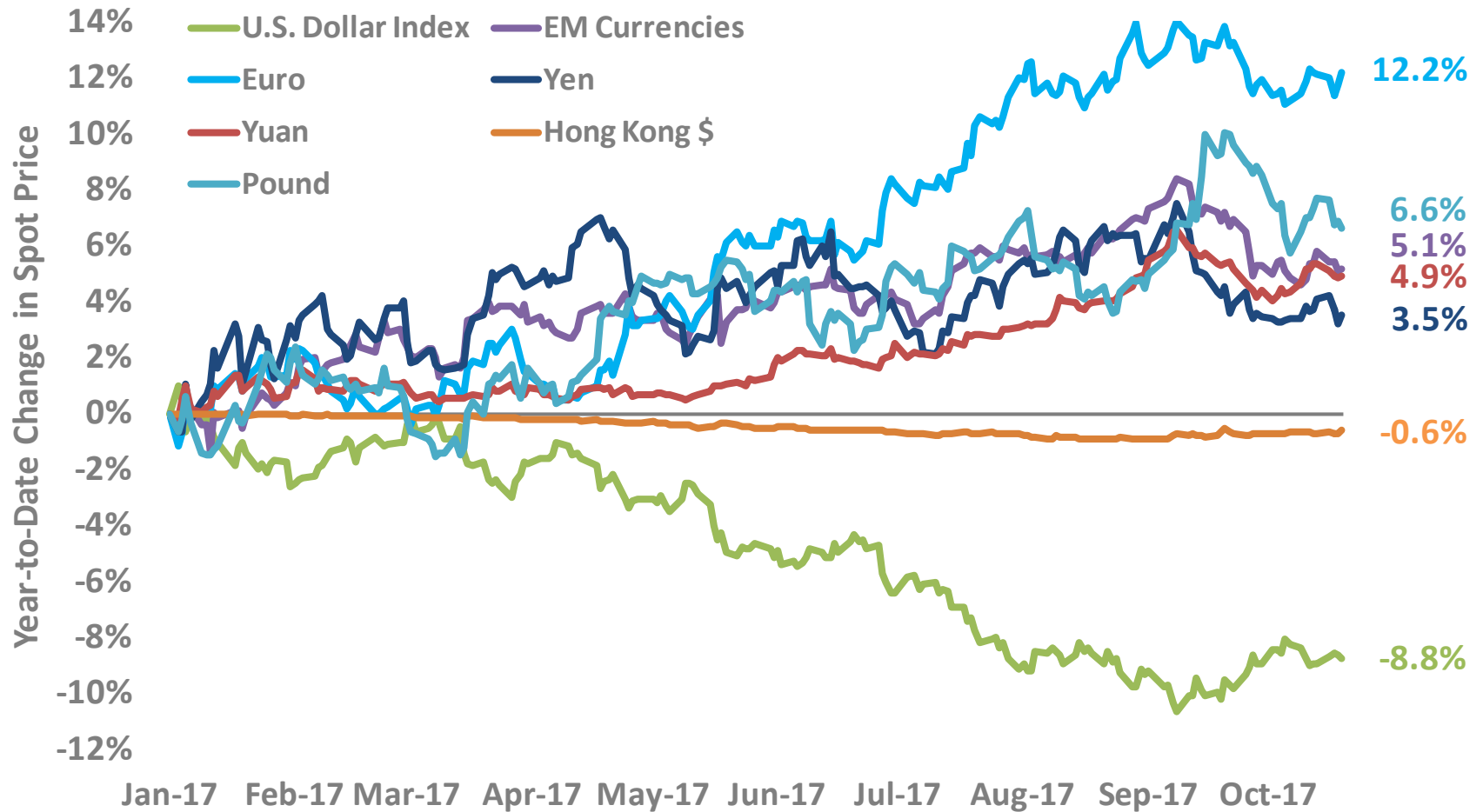
Real Assets Year-to-Date Performance



Data source: Bloomberg, L.P.; Data as of 10/19/2017

CURRENT MARKET ENVIRONMENT - CURRENCY

Global Currency YTD Change in Spot (Base: USD)



Data source: Bloomberg, L.P.; Data as of 10/19/2017

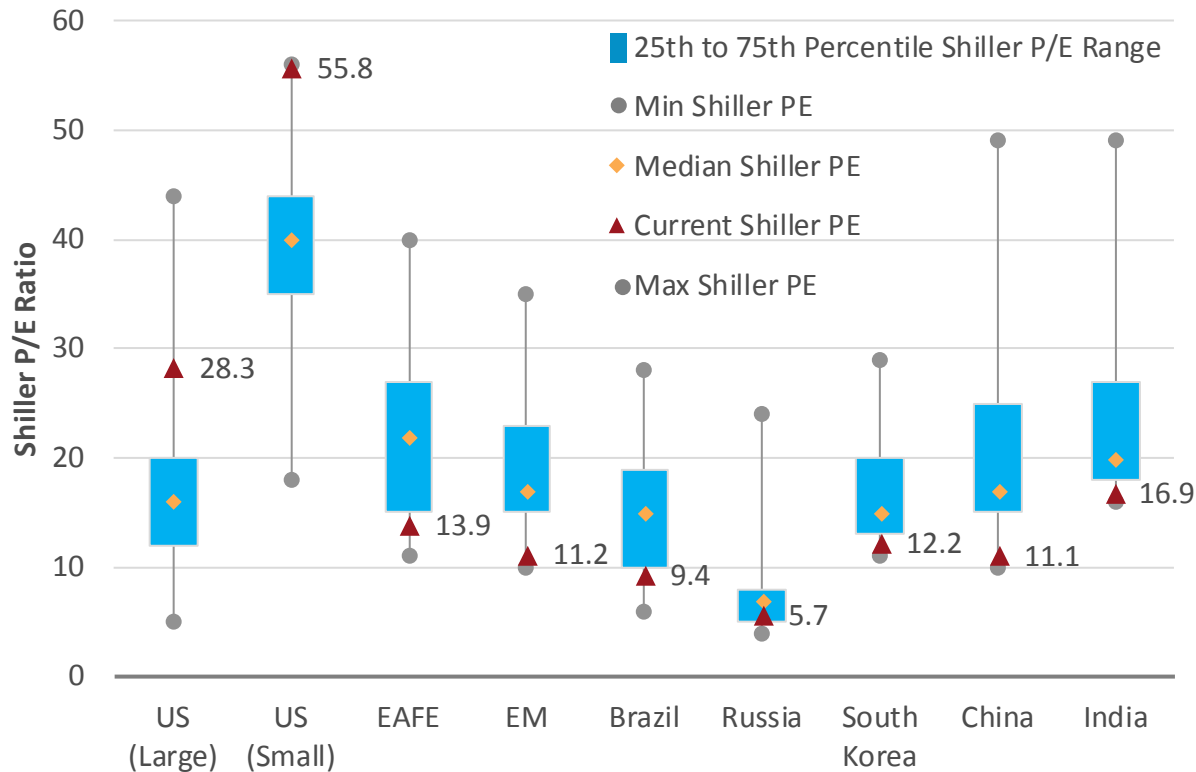


Market Opportunities

MARKET OPPORTUNITIES - INTERNATIONAL DEVELOPED AND EM

- Opportunities remain in International Developed Markets and Emerging Markets compared to U.S. based on the relative cheapness in valuations compared against U.S. markets.

Price to Normalized Earnings by Country

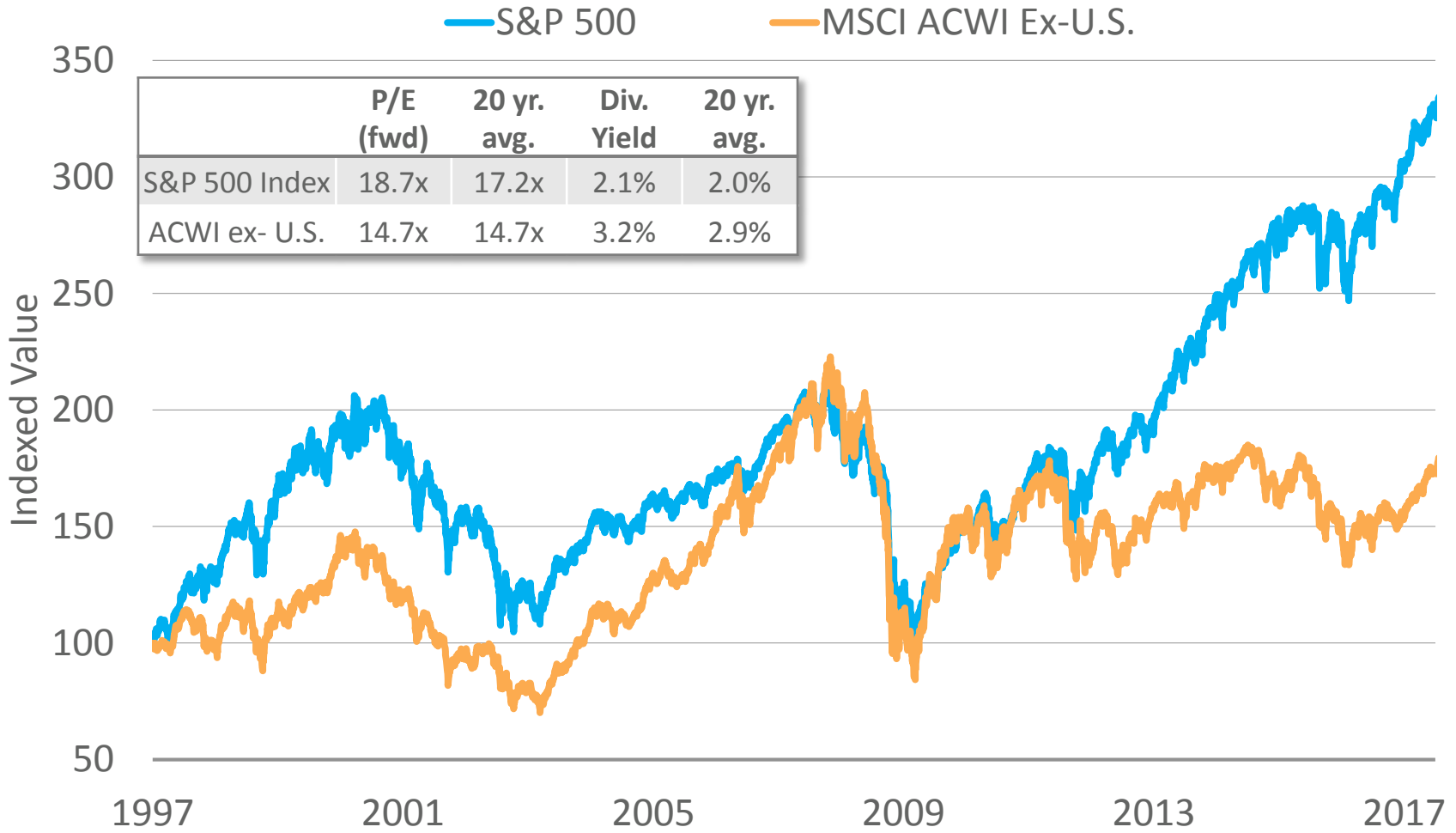


Data sources: Research Affiliates LLC, MSCI, and Bloomberg LP

MARKET OPPORTUNITIES – GEOGRAPHIC DIVERSIFICATION

MSCI ACWI ex-U.S. AND S&P 500 INDEX

Price Return 1996 – 2017

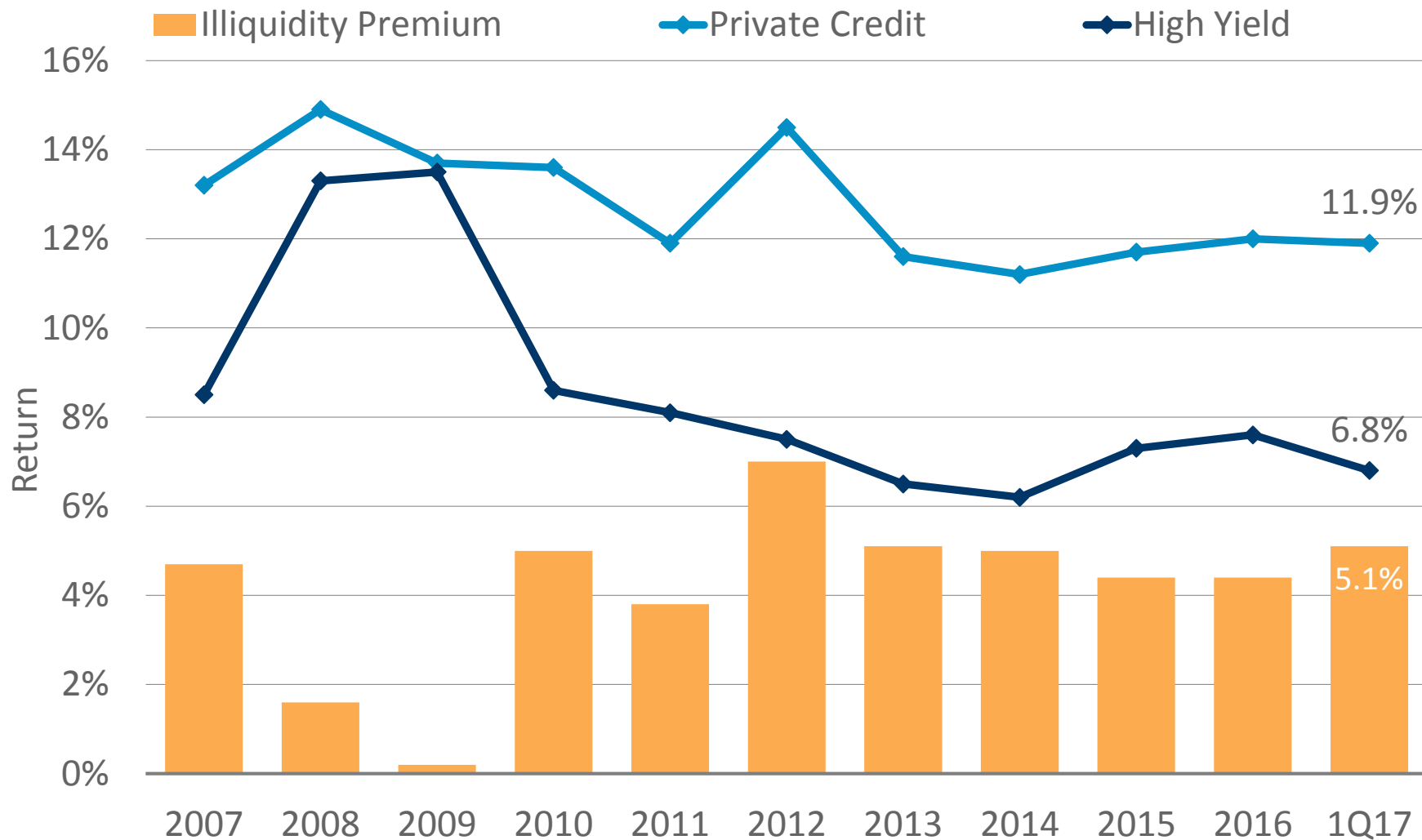


Note: All Country World Index (ACWI)

Data sources: MSCI, J.P. Morgan, FactSet, Bloomberg, L.P.; data as of 6/30/2017. Values shown in USD.

INVESTMENT OPPORTUNITIES – PRIVATE CREDIT

PRIVATE CREDIT vs. HIGH YIELD



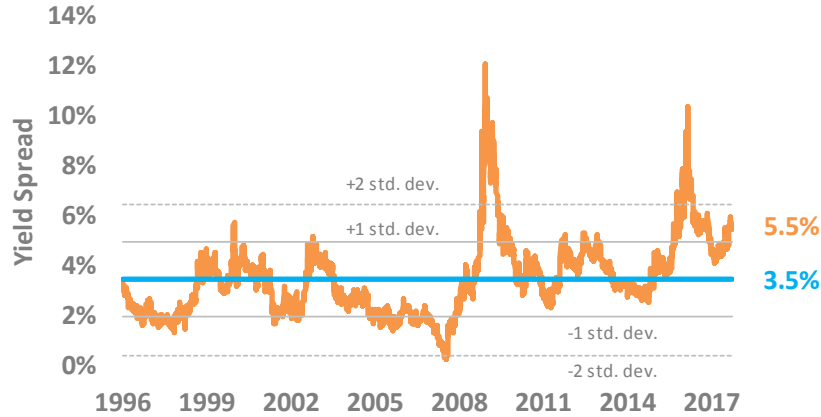
¹ Private Credit = Weighted Average Yield: Originated Senior Subordinated Term Debt

² High Yield = 12-month Average Yield Original Senior Subordinated Term Debt

Sources: Bloomberg, Ares company filings, KKR Credit analysis; data as of 3/31/2017.

INVESTMENT OPPORTUNITIES - ENERGY

Alerian MLP Yield Spread vs. 10-Year Treasuries

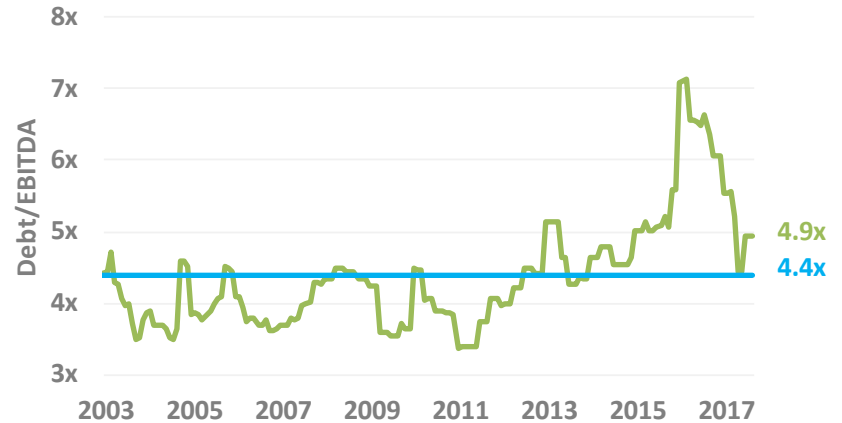


Data sources: Alerian, Bloomberg, L.P.; Data as of 9/15/2017

- MLPs continue to offer attractive yields and long-term stable cash flows.

- Debt-to-earnings-before-interest-taxes-depreciation-amortization (EBITDA) ratios for MLPs have been on a steady decline over the past two year years.

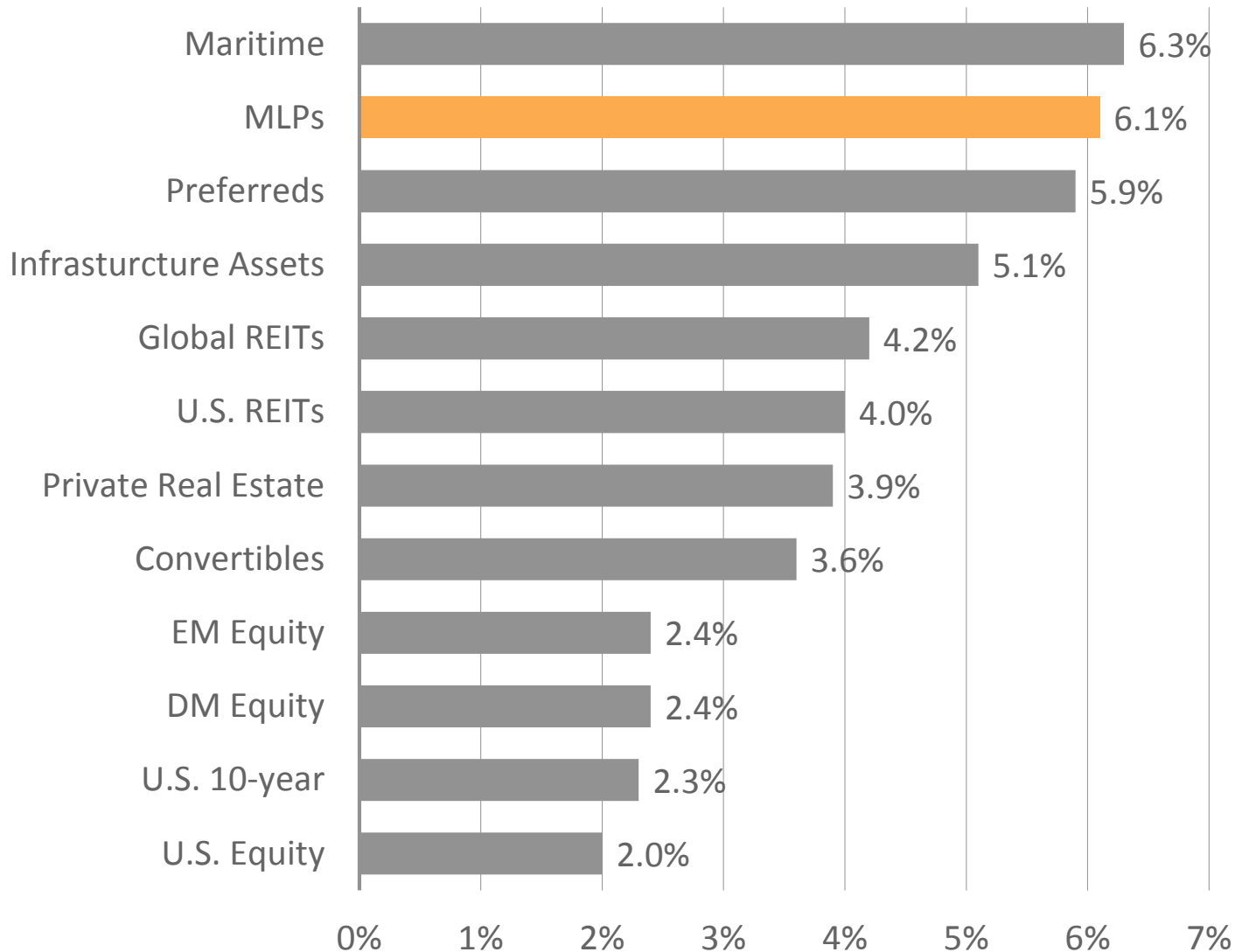
Alerian MLP Debt/EBITDA



Data source: Bloomberg, L.P.; Data as of August 2017

INVESTMENT OPPORTUNITIES – ENERGY

ASSET CLASS YIELDS



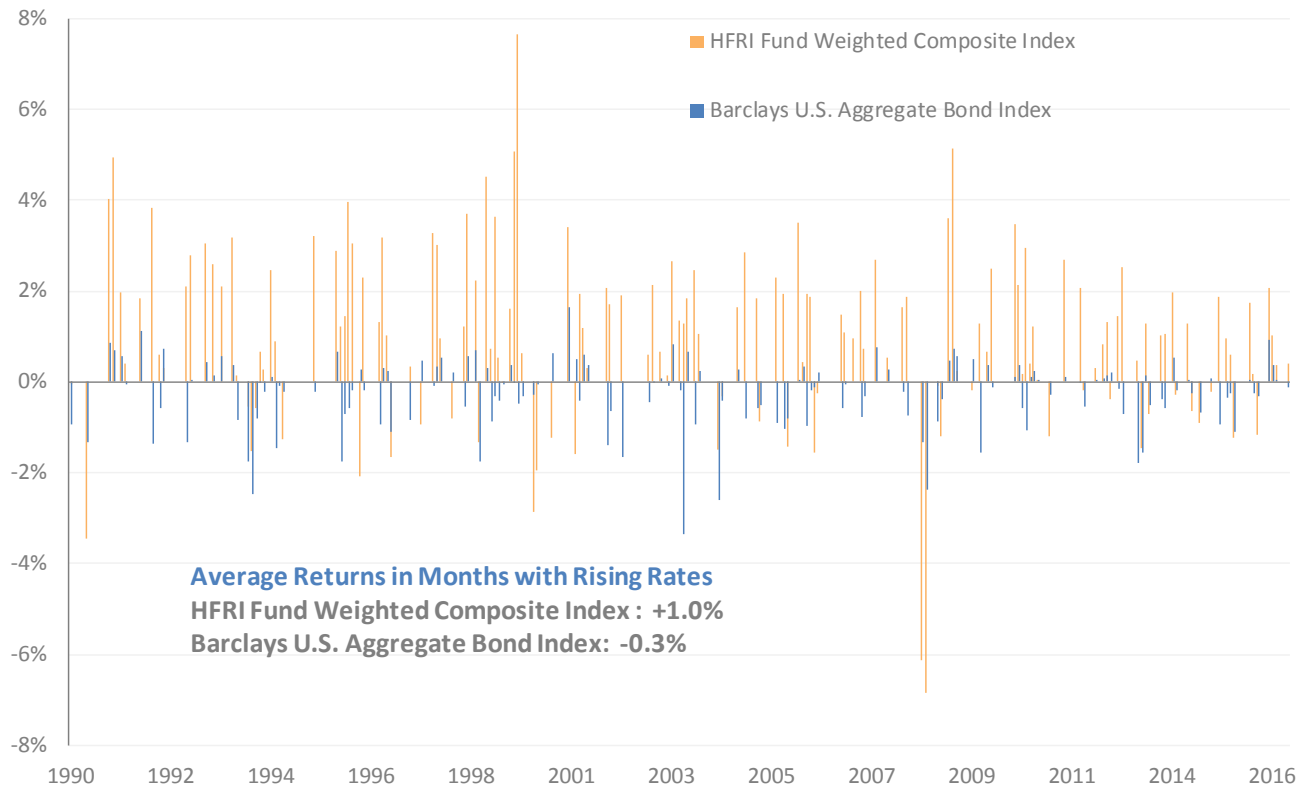
Sources: FactSet, J.P. Morgan Asset Management. Guide to the Markets – U.S.; data as of June 30, 2017

INVESTMENT OPPORTUNITIES – DIVERSIFYING STRATEGIES

Diversifying strategies, which effectively exhibit a low-duration profile, have not benefited as much from falling rates as other asset classes; although they traditionally have performed well in rising rate environments

Performance in Rising Rate* Environments (Since 1990)

Data as of September 30, 2016

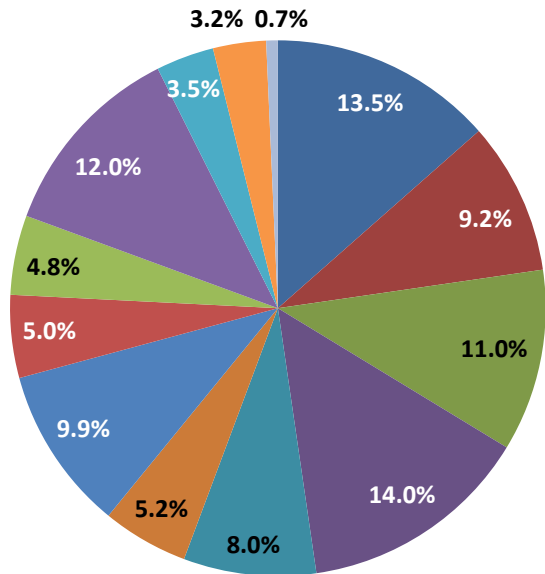


Data Source: Bloomberg LP
*Change in Ten-Year Rates



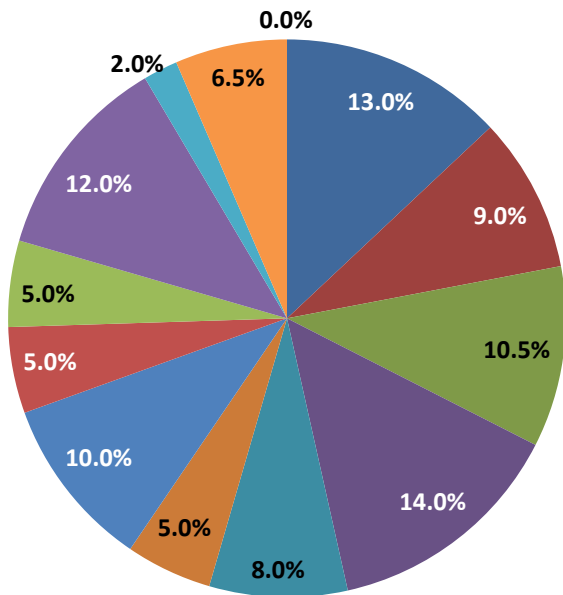
Foundation Summary

FHCCF ASSET ALLOCATION BY ASSET CLASS



FHCCF Current %

- Large Cap Equity
- Mid Cap Equity
- Small Cap Equity
- International Equity
- Emerging Markets
- International Small Cap
- Core Fixed Income
- Bank Loans
- High Yield
- Diversified Hedge
- Public Natural Resources
- Private Debt
- Money Market



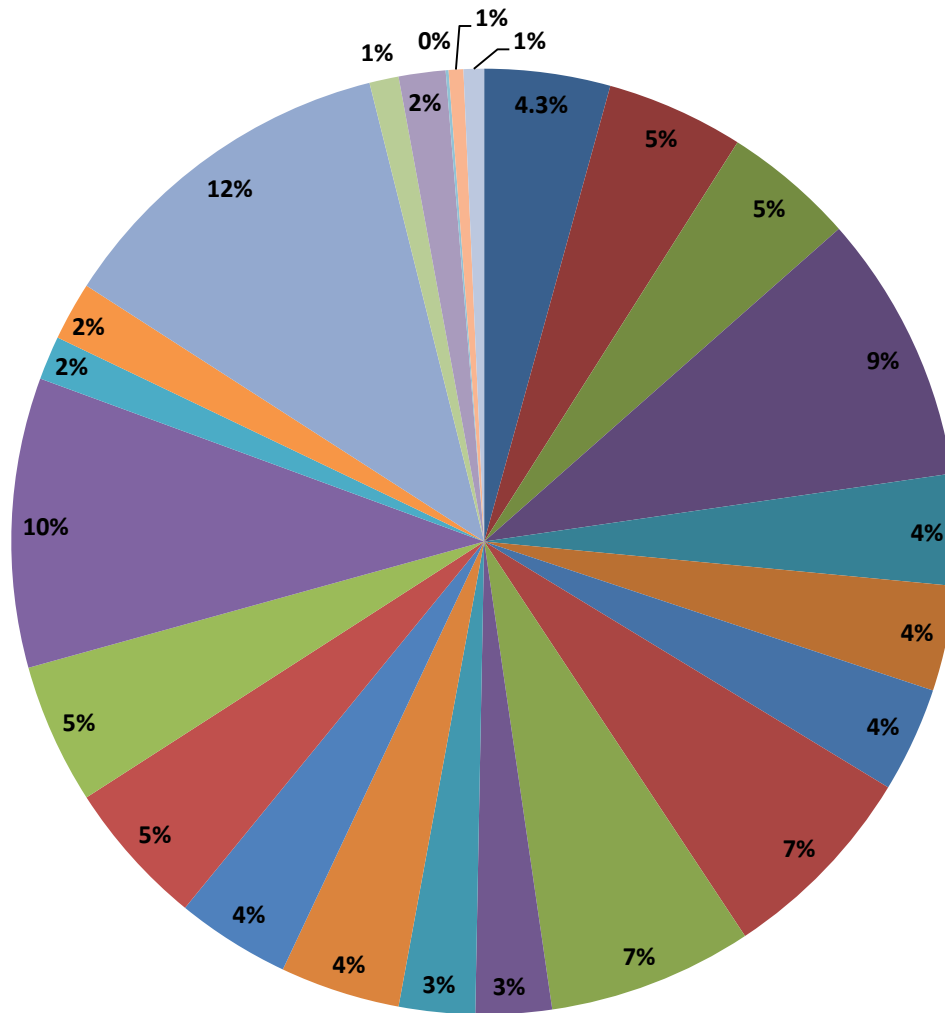
FHCCF Target %

- Large Cap Equity
- Mid Cap Equity
- Small Cap Equity
- International Equity
- Emerging Markets
- International Small Cap
- Core Fixed Income
- Bank Loans
- High Yield
- Diversified Hedge
- Public Natural Resources
- Private Debt
- Money Market

<u>Asset Allocation by Asset Class</u>	<u>FHCCF Current %</u>	<u>FHCCF Target %</u>
Large Cap Equity	13.5%	13.0%
Mid Cap Equity	9.2%	9.0%
Small Cap Equity	11.0%	10.5%
International Equity	14.0%	14.0%
Emerging Markets	8.0%	8.0%
International Small Cap	5.2%	5.0%
Core Fixed Income	9.9%	10.0%
Bank Loans	5.0%	5.0%
High Yield	4.8%	5.0%
Diversified Hedge	12.0%	12.0%
Public Natural Resources	3.5%	2.0%
Private Debt	3.2%	6.5%
Money Market	0.7%	0.0%
100.0%		100.0%

Data source: FEG Data. As of 9/30/2017.

FHCCF ASSET ALLOCATION BY MANAGER



- Vanguard Index 500 Fund
- T. Rowe Price Inst. Large Cap Growth
- DFA U.S. Large Cap Value Fund
- Vanguard Mid Cap Index Fund
- Vanguard Small Cap Index Fund
- Schwab Fundamental Small Co. Index
- DFA US Small Cap Value Fund
- Europacific Growth Fund
- Dodge & Cox International Fund
- Oberweis International Opportunities
- Templeton Instl. Foreign Smaller Co. Fund
- Harding Loevner Emerging Markets SC
- DFA Emerging Markets Small Cap Fund
- Virtus SEIX Floating Rate Fund
- Fidelity Real Estate High Income Fund
- DoubleLine Total Return Fund
- PIMCO Commodity Real Return Fund
- JP Morgan Alerian MLP ETN
- Weatherlow Offshore Fund
- Private Debt Manager (To be determined)
- Strategic Value Special Situations II
- Strategic Value Special Situations III
- Strategic Value Special Situations IV
- Falcon Strategic Partners V
- Cash

23 Managers

3 Large Cap Equity Managers

1 Mid Cap Equity Manager

3 Small Cap Equity Managers

6 International Equity Managers (Includes Emerging Mkts)

7 Fixed Income Managers (Includes Private Debt)

1 Diversified Hedge Fund of Funds Managers

2 Public Natural Resources

Data source: FEG Data. As of 9/30/2017.

LONG-TERM TARGET RETURNS

FHCCF Goal:

Achieve Real Growth:

Return above Spending, Inflation, and Administrative Expenses¹

Formula:

Spending + Inflation + Administrative Fees = Minimum Long-Term Target Return

$$4.5\% + 2.0\% + 1.0\%^* = 7.5\%$$

A **7.5%** return will ensure intergenerational equity. In other words, spending today will have the same economic impact as future spending in real dollars (adjusted for inflation).

¹ Administrative expenses include costs incurred to oversee the portfolio, such as salaries, custodian costs, consulting fees, legal fees, and other administrative costs. ***Some institutions include this as part of the spending policy.*** Investment manager fees are not included, as the capital market expectations are assumed to be either a passive representation of the asset category or the median return, net of fees.

*Scholarship funds have an effective administrative fee of 2%.

FEG CAPITAL MARKET ASSUMPTIONS

FEG 10-Year Capital Market Assumptions

	Expected Return	Expected Standard Deviation		Expected Return	Expected Standard Deviation
Global Equity			Real Assets		
Long-Only Strategies			Real Estate		
U.S. Equity	6.3%	23.4%	Public Real Estate	5.0%	17.5%
Large Cap	5.2%	22.1%	Private Real Estate	8.0%	25.0%
Mid Cap	5.0%	20.0%	Natural Resources		
Small Cap	5.5%	25.0%	Commodities	4.0%	25.0%
	5.5%	27.0%	Timber	6.2%	11.0%
			Private Energy	10.0%	30.0%
International Equity	7.5%	24.8%	Infrastructure		
Large Cap Developed	7.0%	22.0%	MLPs	9.0%	27.0%
Small Cap Developed	7.0%	27.0%			
Emerging Markets	9.5%	34.0%	Diversifying Strategies		
Frontier Markets	9.5%	35.0%	Semi-liquid Hedged Strategies		
			Event Driven	5.2%	10.8%
Global Hedged Equity	5.0%	15.0%	Macro	5.5%	12.0%
Private Equity	10.0%	35.0%	Relative Value	4.5%	9.0%
			Liquid Diversifying Strategies	4.0%	10.0%
Global Fixed Income/Credit			Money Markets		
Interest Rate Sensitive Strategies			U.S. Inflation	2.2%	
Core (Investment Grade)	2.6%	6.9%	U.S. Cash	1.5%	
Inflation Protected (TIPS)	2.6%	7.0%			
Long Duration Corporate Debt	2.7%	6.5%			
Emerging Market Debt	4.0%	8.5%			
	5.2%	14.0%			
Credit Sensitive Strategies	5.8%	15.8%			
Bank Loans	4.5%	11.5%			
High Yield	5.0%	15.0%			
Private Debt	8.0%	21.0%			

MONTE CARLO SIMULATION

- Monte Carlo is a random sampling computer simulation used to obtain approximate solutions to mathematical or physical problems, especially in terms of a range of values, each of which has a calculated probability of being the solution.
- The following simulation generated 5,000 iterations of investment returns based on the expected return and standard deviation of the portfolios.
- We are then able to analyze the expected range of returns for periods longer than one year (e.g., 10 years). This analysis assists in evaluating long-term impacts of asset allocation.
- Long-term returns are less than the one year arithmetic returns, due to the negative effect of volatility.*

* Assumes standard deviation > 0%

FHCCF DETAILED ASSET CATEGORY ALLOCATION

1 Year

	<u>Target</u>
Expected Return	8.0%
Standard Deviation	16.4%

10 Year - Monte Carlo Simulation

95th Percentile	15.6%
75th Percentile	10.3%
Expected Return	6.9%

Hurdle Rate – 7.5%

25th Percentile	3.5%
5th Percentile	-1.1%

Asset Mix

U.S. Large Cap	13.0%
U.S. Mid Cap	9.0%
U.S. Small Cap	10.5%
International Developed	14.0%
International Small Cap	5.0%
Emerging Markets	8.0%
Frontier Markets	0.0%
Private Debt	6.5%
Core Bonds	10.0%
High Yield	5.0%
Bank Loans	5.0%
Diversifying Strategies*	12.0%
Commodities	0.0%
MLPs	2.0%
Real Estate	0.0%
Cash	0.0%

**The Foundation's current investment of Evanston Weatherlow is modeled as 50% Long/Short Equity and 50% Absolute Return.*

Source: FEG Data

PERFORMANCE SUMMARY AS OF SEPTEMBER 30, 2017

Asset Category	Quarter to Date	Year to Date	Latest 1 Year	Latest 3 Years	Latest 5 Years	Latest 7 Years	Latest 10 Years	Since Inception (3/05)
Findlay-Hancock County Community Foundation	4.0%	11.6%	13.4%	5.1%	7.4%	7.3%	3.6%	5.3%
Target Weighted Index ¹	3.6%	11.1%	12.1%	5.0%	6.7%	6.5%	3.2%	4.9%

1 The Foundation's Target Weighted Index is currently comprised of: 32.5% Russell 3000 Index, 27.0% MSCI AC World Index ex-US, 12.5% Bloomberg Barclays U.S. Aggregate, 12.0% HFRI Fund of Funds Index, 2.0% Alerian MLP Index, 5.0% Barclays U.S. Investment Grade CMBS, 5.0% CS Leveraged Loan Index, 1.0% Bloomberg Commodity Index, 1.5% Thomson One Distressed Index, and 1.5% Thomson One Mezzanine Index.

2 FHCCF market value as of September 30, 2017 was \$76,080,686.

Source: FEG data



Questions?



William A. Hummel
513.719.5122
bhummel@feg.com
www.feg.com

William A. Hummel

Managing Principal

- Investment Professional since 1990
- FEG team member since 1995

Education:

- BS in Accounting, Xavier University

Experience:

- Fidelity Investments – Retirement Plan Specialist

Presentations:

- Physician Management Practice Forum for the Healthcare Financial Management Association (HFMA) – Southwestern Ohio Chapter
- National Business Institute (NBI)
- Professional Association for Investment Communications Resources (PAICR)
- National Business Officers Association (NBOA)
- Community Foundations of Butler County

Memberships:

- Great Miami Valley YMCA Board of Directors

Past Memberships:

- St. Xavier High School Investment Committee

DISCLOSURES

This one on one presentation was prepared by Fund Evaluation Group, LLC (FEG), a federally registered investment adviser under the Investment Advisers Act of 1940, as amended, providing non-discretionary and discretionary investment advice to its clients on an individual basis. Registration as an investment adviser does not imply a certain level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser. Fund Evaluation Group, LLC, Form ADV Part 2A & 2B can be obtained by written request directed to: Fund Evaluation Group, LLC, 201 East Fifth Street, Suite 1600, Cincinnati, OH 45202 Attention: Compliance Department.

Neither the information nor any opinion expressed in this report constitutes an offer, or an invitation to make an offer, to buy or sell any securities.

The information herein was obtained from various sources. FEG does not guarantee the accuracy or completeness of such information provided by third parties. The information in this presentation is given as of the date indicated and believed to be reliable. FEG assumes no obligation to update this information, or to advise on further developments relating to it. FEG, its affiliates, directors, officers, employees, employee benefit programs and client accounts may have a long position in any securities of issuers discussed in this presentation.

Portfolio allocations and performance shown on page 22 is a result of hypothetical allocations of actual investments constructed under assumption of various constraints and liquidity needs, and allocations may not be appropriate for all investment objectives. The results do not necessarily represent the actual asset allocation of any client portfolio and may not reflect the impact that material economic and market factors might have had on investment decisions. Investment results achieved by actual client accounts may differ from the results portrayed. Expected returns are forecasted net of fees based on asset category.

Past performance is not indicative of future results.

Funds of private capital funds are speculative and involve a high degree of risk. An investor could lose all or a substantial amount of his or her investment.

Any return expectations provided are not intended as, and must not be regarded as, a representation, warranty or predication that the investment will achieve any particular rate of return over any particular time period or that investors will not incur losses.

Index performance results do not represent any portfolio returns. An investor cannot invest directly in a presented index, as an investment vehicle replicating an index would be required. An index does not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown.

This presentation is prepared for informational purposes only. It does not address specific investment objectives, or the financial situation and the particular needs of any person who may receive this presentation.

The CFA designation is a professional certification issued by the CFA Institute to qualified financial analysts who: (i) have a bachelor's degree and four years of professional experience involving investment decision making or four years of qualified work experience[full time, but not necessarily investment related]; (ii) complete a self-study program (250 hours of study for each of the three levels); (iii) successfully complete a series of three six-hour exams; and (iv) pledge to adhere to the CFA Institute Code of Ethics and Standards of Professional Conduct.

The Chartered Alternative Investment Analyst Association® is an independent, not-for-profit global organization committed to education and professionalism in the field of alternative investments. Founded in 2002, the CAIA Association is the sponsoring body for the CAIA designation. Recognized globally, the designation certifies one's mastery of the concepts, tools and practices essential for understanding alternative investments and promotes adherence to high standards of professional conduct.

Expected returns are forecasted net of fees based on asset category and any return expectations provided are not intended as, and must not be regarded as, a representation, warranty or predication that the investment will achieve any particular rate of return over any particular time-period or those investments will not incur losses. FEG Capital Market Assumptions are the result of a hypothetical allocation of actual investments constructed under assumption of various constraints and liquidity needs, and allocations may not be appropriate for all investment objectives. The results do not necessarily represent the actual asset allocation of any client portfolio and may not reflect the impact that material economic and market factors might have had on investment decisions. Investment results achieved by actual client accounts may differ from the results portrayed.



Fund Evaluation Group[®]
investment advisors



201 EAST FIFTH STREET, SUITE 1600, CINCINNATI, OH 45202 • PH 513 977 4400 • FX 513 977 4430 • INFORMATION@FEG.COM

www.feg.com

SATELLITE OFFICES Dallas / Detroit / Indianapolis