



December, 2016
Investment Performance
for
The Community Foundation for Greater New Haven, Inc. *

The externally compiled investment performance results¹ for the periods ended 31 December 2016 for The Community Foundation for Greater New Haven, Inc. (“The Corporation”), including for those funds held at The Valley Community Foundation under an affiliation agreement.

The investment performance figures, Market Benchmark³ and other market results are expressed as percentages, annualized for periods of one year or longer, and where:

- “**Blue**” highlight denotes performance above or equal to the Market Benchmark;
- “**Red**” highlight denotes performance below the Market Benchmark;
- “**Green**” highlight denotes the Corporation’s Market Benchmark; and
- “**Black**” highlight denotes Passive Market results.

| | -----Annualized Total Return (%)----- | | | | | |
|--|---------------------------------------|-----------------------------|-----------------------------|-----------------------------|------------------------------|---|
| | <u>Trailing 1 years</u> | <u>Trailing 3 years</u> | <u>Trailing 5 years</u> | <u>Trailing 7 years</u> | <u>Trailing 10 years</u> | <u>Since Inception</u> ² |
| The Corporation | 4.2 | 5.4 | 9.7 | 8.2 | 5.7 | 8.4 |
| Market Benchmark ³ | 5.8 | 3.3 | 7.3 | 6.4 | 3.3 | 7.0 |
| Passive Market results ⁴ | 5.9 | 3.3 | 6.6 | 6.1 | 4.2 | 6.6 |
| | | | | | | |
| Annualized Surplus / (deficit) vs. Market Benchmark | (1.6) | 2.1 | 2.4 | 1.8 | 2.4 | 1.4 |

¹ Investment data was externally reviewed and reported on 13 January 2017 by Colonial Consulting LLC, New York, NY. Past performance is no indication of future results. The materials are provided for information purposes only, and do not constitute investment advice or an offer or solicitation to buy or sell any security, service, or investment product. Returns are calculated by Colonial Consulting, LLC, New York, NY, and are presented net of expenses. Net of expenses means net of third-party aggregate Sub-advisory expenses. The aggregate Sub-advisory expenses are the cumulative actual expenses incurred by each Sub-advisor in the Corporation’s Commingled Fund.

² The inception date of January 1, 1995, or 22.0 years.

³ The market benchmark is equal to the rate of return produced by specific market indices representing the asset classes contained in the asset allocation model, with such market indices weighted in accordance with that model. The market benchmark that correspond to the long-term asset allocation model includes: 50% MSCI All Country World Index; 20% HFRI Fund of Funds Index; 5% CPI plus; 5%, 5% JP Morgan EMBI Plus Index; 5% Citigroup World Government Bond Index; 5% Barclays Long Treasury Index; and 5% Citigroup Inflation Linked Index

⁴ The passive market results represent 60% of the MSCI AC World Index and 40% of the Barclays Capital Aggregate.

The Community Foundation for Greater New Haven
Total Fund - Corporation *
Investment Performance and Asset Allocation Summary - Period Ending December 31, 2016
Net of Subadvisory Expenses ¹

| Name | Assets Market Value | % of Total Fund | Target/ Range (%) | Annualized | | | | | | | |
|---|------------------------|--------------------|----------------------|------------|-----------|-----------|-----------|-----------|-----------|------------|----------|
| | | | | 1 Mth % | CYTD % | 1 yr % | 3 yr % | 5 yr % | 7 yr % | 10 yr % | ITD % |
| Corporation Composite (12/31/94) ² | 409,163,823 | 100.0 | 100.0 | 1.0 | 4.2 | 4.2 | 5.4 | 9.7 | 8.2 | 5.7 | 8.4 |
| <i>Corporation Benchmark ³</i> | | | | 1.3 | 5.8 | 5.8 | 3.3 | 7.3 | 6.4 | 3.3 | 7.0 |
| Other Benchmarks | | | | | | | | | | | |
| <i>60% MSCI AC World / 40% Barclays Capital Aggregate</i> | | | | 1.4 | 5.9 | 5.9 | 3.3 | 6.6 | 6.1 | 4.2 | 6.6 |
| <i>MSTAR Moderate Allocation</i> | | | | 1.3 | 7.4 | 7.4 | 3.7 | 7.6 | 7.0 | 4.3 | 6.7 |
| <i>CPI + 5.0%</i> | | | | 0.6 | 7.2 | 7.2 | 6.3 | 6.4 | 6.7 | 7.0 | 7.4 |
| Global Equity Composite | 235,259,768 | 57.5 | 50.0 | 1.1 | 5.4 | 5.4 | 5.5 | 13.1 | 10.6 | 6.5 | 6.6 |
| <i>MSCI All Country World Index</i> | | | (35.0-65.0) | 2.2 | 7.9 | 7.9 | 3.1 | 9.4 | 7.3 | 3.6 | 5.1 |
| <i>MSCI All Country World Ex. US</i> | | | | 2.6 | 4.5 | 4.5 | -1.8 | 5.0 | 2.9 | 1.0 | 4.1 |
| Fixed Income Composite | 79,964,035 | 19.5 | 20.0 | 0.3 | 5.4 | 5.4 | 0.5 | 0.5 | 2.4 | NA | 3.8 |
| <i>Fixed Income Benchmark ⁴</i> | | | (15.0-25.0) | 0.1 | 4.2 | 4.2 | 3.2 | 1.8 | NA | NA | 3.9 |
| Total Hedge Funds | 64,470,546 | 15.8 | 20.0 | 1.7 | -3.6 | -3.6 | 2.2 | 6.4 | 5.3 | 5.2 | 8.8 |
| <i>HFRI Fund of Funds</i> | | | (15.0-25.0) | 0.9 | 0.5 | 0.5 | 1.2 | 3.4 | 2.4 | 1.3 | 4.4 |
| <i>HFRI Equity Hedge</i> | | | | 0.9 | 5.5 | 5.5 | 2.1 | 5.5 | 4.1 | 2.9 | 4.5 |
| Private Hard Assets | 21,382,545 | 5.2 | 10.0 | 0.2 | 11.5 | 11.5 | 23.2 | 19.6 | 17.1 | 12.3 | 7.6 |
| <i>CPI + 5.0%</i> | | | (0.0-20.0) | 0.6 | 7.2 | 7.2 | 6.3 | 6.4 | 6.7 | 7.0 | 7.4 |
| Cash ⁵ | 8,086,929 | 2.0 | | | | | | | | | |

* The Corporation is a Connecticut registered investment advisor, and a charitable corporation organized in 1982 to perform the function and carry out the purposes of The Community Foundation for Greater New Haven.

1. Investment data was externally reviewed and reported on 13 January 2016 by Colonial Consulting LLC, New York, NY.

Past performance is no indication of future results. The material provided for information purposes only and does not constitute investment advice or an offer or solicitation to buy or sell any security of investment product. Returns are calculated by Colonial Consulting, LLC, New York, NY, and are presented net of expenses. Net of expenses means net of the third-party aggregate subadvisory expenses. The aggregate subadvisory expenses are the actual expenses incurred by each subadvisor in the commingled fund.

2. The inception date of January 1, 1995, or 22.00 years, pertains to the Corporation.

3. The market benchmark is equal to the rate of return produced by specific market indices representing the asset classes contained in the asset allocation model, with such market indices weighted in accordance with that model. In specific, the current market benchmark includes:

50.0% MSCI AC World Index, 20.0% HFRI Fund of Funds Index, 10.0% CPI + 5%,

5.0% JP Morgan EMBI Plus Index, 5.0% Citigroup World Government Bond Index, 5.0% Citigroup Inflation Linked Index, and 5.0% Barclays Long Treasury Index.

4. The Fixed Income Benchmark is comprised of 25% of Citigroup World Gov't Bond; 25% Barclays LT Treasury Index; 25% Barclays US TIPS 1-10 Yr, and 25% JPM EMBI Plus.

5. Preliminary.

The Community Foundation for Greater New Haven
Total Fund - Composite Comparison
Investment Performance and Asset Allocation Summary - Period Ending December 31, 2016
Net of Subadvisory Expenses

| Name | Annualized | | | | | | | ITD |
|--|------------------------------------|------|------|------|------|------|-------|-----|
| | Periods Ending - December 31, 2016 | | | | | | | |
| | 1 mon | CYTD | 1 yr | 3 yr | 5 yr | 7 yr | 10 yr | |
| | % | % | % | % | % | % | % | % |
| Composites | | | | | | | | |
| Corporation Composite | 1.0 | 4.2 | 4.2 | 5.4 | 9.7 | 8.2 | 5.7 | 8.4 |
| Bank of America Composite | 1.4 | 5.9 | 5.9 | 3.5 | 8.1 | 7.6 | 5.1 | 7.6 |
| Wells Fargo Composite | 1.0 | 4.2 | 4.2 | 2.0 | 6.5 | 5.9 | 3.5 | 7.7 |
| First Niagara Composite | 1.3 | 9.7 | 9.7 | 5.4 | 9.7 | 7.6 | NA | 6.4 |
| Portfolio Benchmarks | | | | | | | | |
| Total Blended Benchmark ¹ | 1.5 | 7.3 | 7.3 | 4.4 | 8.2 | 7.3 | 4.6 | 7.8 |
| CPI + Spending Policy | 0.6 | 7.4 | 7.4 | 6.5 | 6.7 | 7.0 | 7.2 | 7.7 |
| Corporation Benchmark ² | 1.3 | 5.8 | 5.8 | 3.3 | 7.3 | 6.4 | 3.3 | 7.0 |
| Bank of America Benchmark ³ | 1.5 | 7.3 | 7.3 | 4.4 | 8.1 | 7.4 | 4.6 | 7.8 |
| Wells Fargo Benchmark ⁴ | 1.3 | 5.8 | 5.8 | 3.9 | 7.8 | 7.3 | 4.9 | 7.9 |
| First Niagara Benchmark ⁵ | 1.5 | 9.4 | 9.4 | 6.2 | 10.2 | 9.4 | NA | 5.6 |
| Other Market Benchmarks | | | | | | | | |
| 60% MSCI AC World / 40% Barclays Capital Aggregate | 1.4 | 5.9 | 5.9 | 3.3 | 6.6 | 6.1 | 4.2 | 3.7 |
| MSTAR Moderate Allocation | 1.3 | 7.4 | 7.4 | 3.7 | 7.6 | 7.0 | 4.3 | 6.7 |
| Asset Class Benchmarks | | | | | | | | |
| S&P 500 | 2.0 | 12.0 | 12.0 | 8.9 | 14.7 | 12.8 | 6.9 | 9.5 |
| Russell 3000 | 2.0 | 12.7 | 12.7 | 8.4 | 14.7 | 12.9 | 7.1 | 9.6 |
| Russell 2000 | 2.8 | 21.3 | 21.3 | 6.7 | 14.5 | 13.2 | 7.1 | 9.5 |
| MSCI EAFE | 3.4 | 1.0 | 1.0 | -1.6 | 6.5 | 3.8 | 0.8 | 4.6 |
| MSCI All Country World | 2.2 | 7.9 | 7.9 | 3.1 | 9.4 | 7.3 | 3.6 | 6.6 |
| HFRI Fund of Funds | 0.9 | 0.5 | 0.5 | 1.2 | 3.4 | 2.4 | 1.3 | 5.3 |
| HFRI Equity Hedge | 0.9 | 5.5 | 5.5 | 2.1 | 5.5 | 4.1 | 2.9 | 9.5 |
| NCREIF Property | 0.0 | 6.1 | 6.1 | 10.4 | 10.5 | 11.4 | 6.7 | 9.6 |
| Barclays Capital Aggregate | 0.1 | 2.6 | 2.6 | 3.0 | 2.2 | 3.6 | 4.3 | 5.8 |
| Barclays Long Term Treasury | -0.5 | 1.3 | 1.3 | 7.8 | 2.5 | 7.0 | 6.7 | 7.7 |
| MSCI Emerging Markets | 0.2 | 11.2 | 11.2 | -2.6 | 1.3 | 0.5 | 1.8 | 5.0 |
| Citigroup World Government Bond | -0.7 | 1.6 | 1.6 | -0.8 | -1.0 | 0.9 | 3.0 | 4.7 |
| JP Morgan GBI-EM Global Diversified | 1.9 | 10.2 | 10.2 | -4.0 | -1.2 | 0.9 | 3.8 | NA |

1. Total Blended Benchmark is comprised of 22.5% S&P 500 Index, 17.5% MSCI EAFE, 10% HFR Hedged Equity, 10% HFRI Fund of Funds, 6% Citigroup Inflation Linked, 5% S&P 500 Plus 5, 5% MSCI Emerging, 5% JPMorgan EMBI Plus, 5% Russell 2000, 5% NCREIF Real Estate, 5% Citigroup World Gvt Bond, 4% Barclays Long Treasury.

2. Corporation Benchmark is comprised of 50% MSCI AC World Index, 20% HFRI Fund of Funds, 10% CPI + 5%, 5% JPMorgan EMBI Plus Index, 5% Citigroup World Gvt Bond, 5% Citigroup Inflation Linked, and 5% Barclays Long Treasury.

3. Bank of America Benchmark is comprised of 22.5% S&P 500 Index, 17.5% MSCI EAFE, 10% HFR Hedged Equity, 10% HFRI Fund of Funds, 6% Citigroup Inflation Linked, 5% S&P 500 Plus 5, 5% MSCI Emerging, 5% JPMorgan EMBI Plus, 5% Russell 2000, 5% NCREIF Real Estate, 5% Citigroup World Gvt Bond, 4% Barclays Long Treasury.

4. Wells Fargo Benchmark is comprised of 30% MSCI AC World Index, 20% MSCI ACW Ex US, 10% HFR Hedged Equity, 10% HFRI Fund of Funds, 5% S&P 500 Index, 5% NCREIF Real Estate, 5% JPMorgan EMBI Plus Index, 5% Citigroup World Gvt Bond, 5% Citigroup Inflation Linked, and 5% Barclays Long Treasury.

5. Comparative Benchmark is comprised of 53% S&P 500, 30% Barclays Govt/Corp Intern, 7% S&P MidCap, 5% MSCI EAFE, 3% Russell 2000, 2% MSCI Emerging.

The Community Foundation for Greater New Haven

Investment Management Commentary For periods ended December 31, 2016

Issued January, 2017

When Investments Disappoint: An Endowment Perspective

The Community Foundation's consistent record of investment performance above market-benchmarks for more than two decades makes it an attractive and trusted option for endowments and endowment-like assets for our community's donors and nonprofits. While the Foundation's corporate portfolio performed below its targeted market benchmark for 2016, the net returns generated over more recent (3 years and 5 years) and longer-term (7 years and 10 years) periods are all significantly above the market benchmarks, as of December 31, 2016. Since the Foundation's adoption of our investment strategy in January, 1995, the Foundation has surpassed its benchmark on an annual basis by 1.4% by generating an 8.4% net return for the 22 years just completed.

While 2016 was disappointing, the Foundation is a perpetual endowment steward, broadly diversified, with a global perspective and focused intently on the longer-term performance. In examining our strategies, asset allocation, and underlying sub-advisors, the Foundation assesses rolling 3-year and 5-year market cycles, which for the past decade have all resulted in substantial excess return against our market-driven targets.

In our review of the sub-par year just completed, as we do each year, we examine the results not only against the markets but also against our peer universe. The Foundation's 3-year and 5-year performance have placed us in The Endowment and Foundation's (Investor Force) Survey among the top 5% of the universe. Looking out even further, the 7-year and 10-year results landed us in the top 10% of that Investor Force population.

In an effort to assist our donors and nonprofits with understanding the past year, below please find a few of the key factors that contributed to 2016's results:

- The Foundation's global equity exposure to life sciences, growth –style with a particular focus on international and emerging market equities, and our allocation to financial equities and certain Asian and European markets were all detractors to performance;
- The Foundation's hedge strategies, much like our global equity allocations, and our globally-focused hedged managers were also hindered by the foreign markets and produced inferior results versus expectations; and
- The Foundation's increasing commitment to private assets (real estate, private equity, natural resources) over the past couple of years, given that these managers are in the early stage of deploying that capital, have not yet had a reasonable timeframe to mature.

Understanding the causes of a below-benchmark year is critical, and may lessen the disappointment, but even more important is that our critical analysis is essential for assessing opportunities going forward — and we believe the divergence in the world's markets have created opportunities, and that our underlying sub-advisors are positioned well to meet those challenges.

We thank you for the trust you have placed us, and we will continue to be the patient and diligent investor that has served our community and our nonprofits so well over the many years. If you have questions, [A.F. Drew Alden, SVP for Investments and CFO](#), is happy to talk with you.