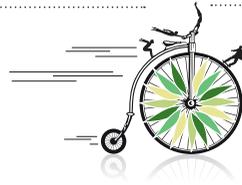


## *: Volatility and Growth Potential*

### **CENTRAL NEW YORK COMMUNITY FOUNDATION**



When investing assets for long term growth, market fluctuations are expected. There is no potential for growth relative to inflation without acceptance of risk which manifests in the form of volatility. Our investment policy statement sets forth a growth approach that requires comprehensive diversification and ranges for asset allocation.

The risk tolerance used in our investment policy is driven by a long time horizon for the use of the endowed funds. The Finance Committee of our board of directors believes that investing in assets with higher return expectations outweighs the short-term volatility risk. As a result, the majority of assets will be invested in equity or equity-like securities. This is balanced with the use of low correlated, lower volatility asset classes including fixed income and alternatives. This risk tolerance would be characterized as moderate growth or growth by most investment managers.

Our spending policy also is designed to mute short-term market volatility. Each year the spendable amount from our endowed funds is calculated by using the prior 20 quarters and averaging the balance of the fund during that time. Then, our spending rate - which is currently 4.4% - is applied to that average. This prevents overspending in periods when the market is up or underspending when the market is down. This highlights the additional role of our investment policy beyond long term growth which is to provide consistent annual support to the nonprofits as directed by our donors.

We use benchmarks as guides to make sure that our portfolio performance is consistent with the investment allocation we have selected when compared to the market. Inherently, since our portfolio does not cover the entire diversified space of the assets we include, we will not always match the benchmark. Sometimes we will outperform the benchmark and sometimes we will underperform the benchmark. The results we have seen indicate that our chosen benchmark is a fair measure and that our selected holdings are performing within an acceptable range.

The Finance Committee, with the guidance of our consultant from Colonial Consulting LLC, regularly reviews managers' performance and will replace those who consistently do not meet our expectations and benchmarks. The Finance Committee also annually reviews the investment policy to ensure it provides for the needs of the Community Foundation both now and in the future.



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