

## Investment of the Endowment

**Hartford Foundation is the steward of a sizable endowment intended to benefit the Greater Hartford community in perpetuity.**

**We constantly balance security and risk, protecting tomorrow's assets while addressing today's needs.**

**Our primary investment goal** is to provide sufficient funds for current grants, while preserving the endowment's value into the future. The Foundation invests the endowment prudently to achieve long-term growth in its value.

### **About the Endowment Portfolios**

As of September 30, 2019 approximately \$975 million was invested in two portfolios which are described below. (This value is unaudited.)

#### ***HFPG, Inc. (The Corporate Portfolio)***

Created in 1979 as a nonprofit corporation, this serves as a corporate affiliate of the Hartford Foundation. Northern Trust serves as the custodian of the donor funds that are held in HFPG, Inc. and are invested with professional investment managers retained by the Foundation with oversight by the Investment Committee. Colonial Consulting, LLC of New York, NY, serves as the investment consultant to the Committee. Funds established in HFPG, Inc. are invested on a diversified basis with investment managers selected by the Foundation's Investment Committee at the recommendation of Foundation staff and Colonial Consulting. These managers are chosen based on their specialization in a given asset class after rigorous due diligence to measure key attributes of manager capability and firm stability. Manager performance is monitored regularly by Foundation investment staff and Colonial Consulting, and reviewed with the Investment Committee and the Foundation's Board of Directors on a quarterly basis.

#### ***Trusts Managed by the Trustee Banks (The Trust Portfolio)***

Consist of numerous trusts established by many donors with trustee banks since 1925, each governed by a Declaration of Trust. Today, Bank of America, N.A. acts as the Trustee of these component trusts, which are held in a common fund. The Trustee has sole authority to invest in a diversified portfolio with professional investment managers (which may include Bank of America, N.A. or any of its investment management affiliates) chosen on a competitive basis. The other trustee bank is Key Bank. Pavilion, a Mercer Practice, of Norwalk, Connecticut, serves as investment consultant to the Trust.

Investment manager selection for the Trust is reviewed with the Foundation's investment staff and Investment Committee prior to the retention or dismissal of an investment manager. Investment performance is monitored regularly by Trustee and Foundation investment staff and Mercer and reviewed by the Foundation's Investment Committee and Board of Directors on a quarterly basis.

## Portfolio Asset Allocation

Each of the Foundation's endowment portfolios is broadly-diversified. The Corporate Portfolio maintains a 60% equity/30% fixed income and cash/10% return-enhancing strategy allocation, while the Trust Portfolio is invested according to a 58% equity/25% fixed income and cash/17% alternative investment allocation. These targets are reviewed by the Investment Committee on an annual basis, but are designed to endure the test of time and changing market environments. Changes to them are therefore made on an infrequent basis. In the table below, allocations to equities are shown in yellow and orange; allocations to fixed income are shown in green; and allocations to alternative investments and return-enhancing strategies are shown in blue.

	HFPG, Inc. (Corporate) Portfolio Target Allocation (%)	Trust Portfolio Target Allocation (%)
US Large Cap Equity	9	16
US Mid Cap Equity		10
US Small Cap Equity		7
US Small/Mid Cap Equity	14	
International Developed Equity	30	20
International Emerging Equity	7	5
US High Quality Fixed Income	12	7
Global High Quality Fixed Income	6	5
Cash/Short Term Fixed Income	5	5
Emerging Market Debt	4	3
High Yield Bonds	3	5
Absolute Return	0	7
Private Equity (commitment)	0	7
Real Assets (Commodities, Real Estate, Timber, etc.)	0	3
Return-Enhancing Strategies	10	0

## Recent Portfolio Performance

The investment performance of the Foundation's broadly-diversified endowment portfolios for periods ended September 30, 2019 follows. *When reviewing these returns, please keep in mind that past performance is not a guarantee of future results.*

### Annualized Investment Returns (net of investment management fees)

Portfolio	Value	One-Year	Three-Year	Five-Year	Ten-Year	Twenty-Year
Corporate	\$408MM	-4%	6.1%	4.7%	7.4%	6.3%
Trust	\$567MM	15%	7.1%	5.1%	7.6%	6.1%