



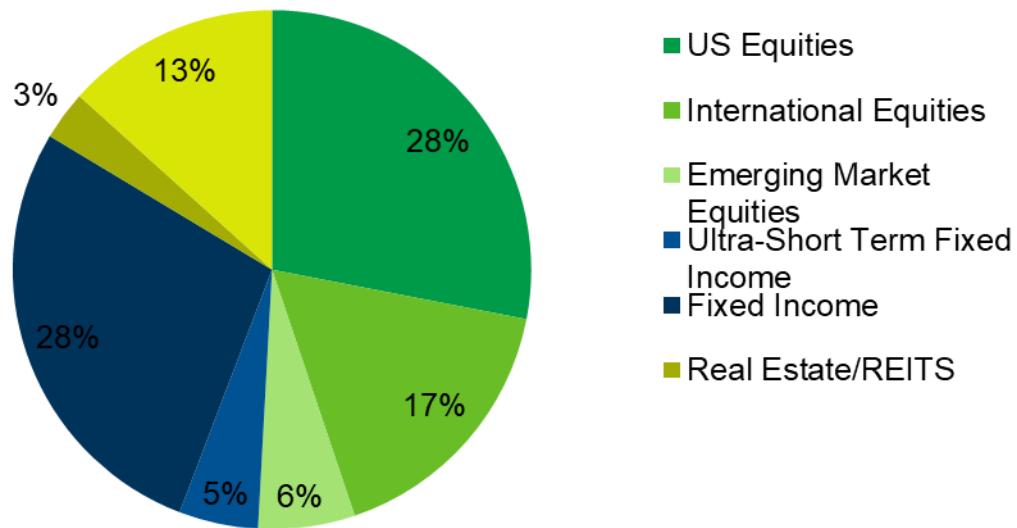
Investments Performance and Outlook

By: Leslie Sabin, Vice President of Finance and Operations

Approximately 55% of the funds at Pikes Peak Community Foundation (PPCF) are invested in the Moderate Pool which is currently managed by Jensen Wealth Management at Morgan Stanley. The remaining 45% of funds are invested with approximately 25 independent wealth advisors who manage investments with discretion adhering to PPCF's Investment Policy Statement.

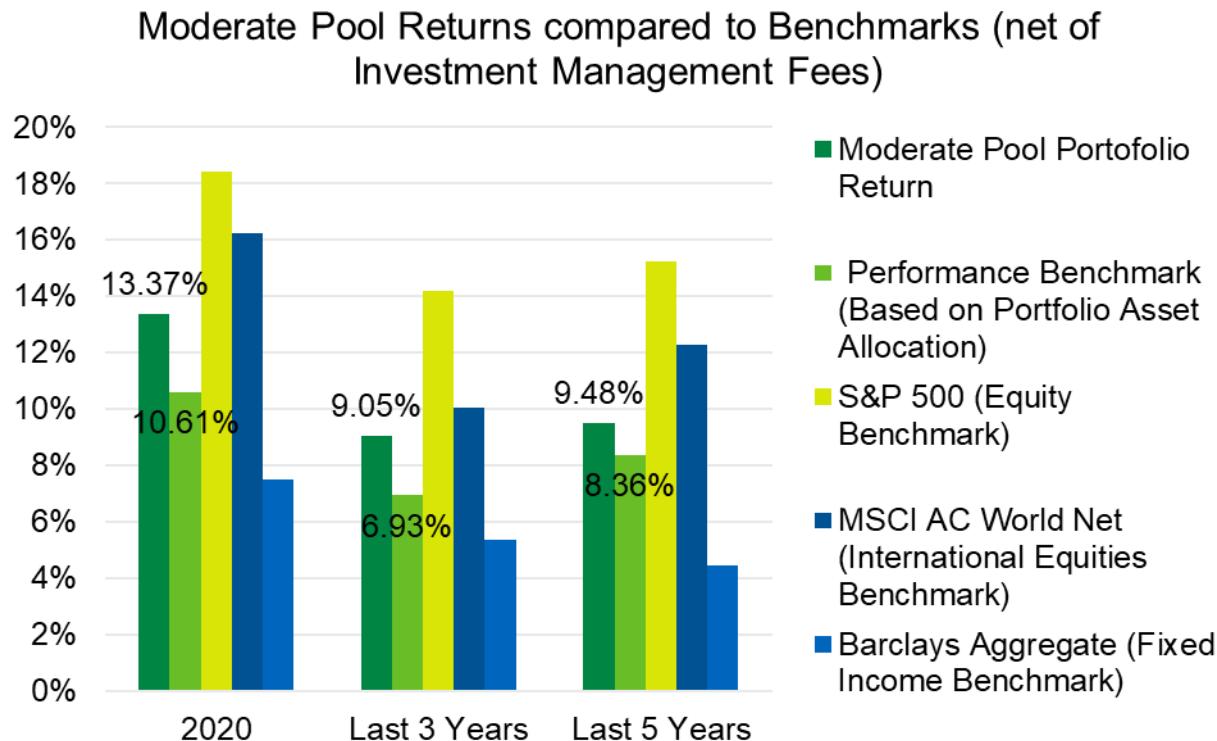
The Moderate Pool, along with all PPCF's investments, is invested in a well-diversified portfolio in accordance with the Investment Policy Statement and overseen by the Investment and Finance Committees of PPCF. The investment objectives are to preserve the long-term real purchasing power of assets, to generate a relatively predictable and growing stream of annual distributions and is allocated amongst approximately 14 fund managers to take a balanced approach to a diversified capital growth and income strategy. PPCF's Moderate Pool is actively managed with discretion to maximize returns while managing downside risk.

Current Asset Allocation of PPCF Moderate Pool at Morgan Stanley



In 2020, the markets saw volatility as they reacted to uncertainties surrounding the political and social climate, economic projections, and the COVID-19 pandemic. The Foundation's investments experienced broad swings in performance measures, but ultimately were well-positioned to weather the volatility due to our asset allocation and

strong cash positions and ended the fiscal year with strong investment performance as well as the ability to meet increased granting needs due to cash management policies.



2021 Outlook & Priorities

Low interest rates and high bond prices might encourage investment managers to take on more risk by investing more heavily in equities as well as search for alternatives to diversify portfolios away from fixed income options. The Moderate Pool has added modest investments in liquid alternatives including real estate investment trusts and recession-friendly commodities as diversification alternatives to current fixed income positions. We believe these positions will serve as good hedges to unexpected rises in inflation, which may be a risk given the unprecedented fiscal stimulus and improving economy. As a measure of risk, as of January 31st, the Moderate Pool had an historical 5-year deviation of 10.14 (compared to S&P 500 of 15.03, MSCI AC World Net of 14.75 and Barclays Aggregate of 3.16), which the foundation deems acceptable and in line with target volatility objectives.

PPCF's Board of Trustees approved a 6% spending policy for endowed funds for 2021. The spending policy is reviewed on an annual basis by the Investment and Finance committees and considers the previous 12 quarter investment returns and inflation when setting the spending rate for the upcoming year, as well as current needs and future outlook.



To ensure endowed grantmaking dollars are available in both positive and negative return environments and maintain the purchasing power of endowment contributions, the foundation applies the approved spending rate to the average balance of the previous 12 quarters of an endowed fund's balance. As an additional measure to help the foundation meet the objectives of providing consistent grantmaking dollars with maintaining the purchasing power of endowed dollars, the foundation applies a spending collar in which spending from endowed funds will never drop below 3% or above 6% of the average of the previous 12 quarters funds balance.

In 2021, the investment and finance committees considered several factors in setting endowed fund spending rates. Increased grantmaking needs due to the COVID-19 pandemic factored heavily into the decision criteria along with the foundation's investments strong 3-year historical returns and relatively low inflation numbers. These factors were balanced with some reservation regarding anticipated projections of long-term lower returns and PPCF expects future spending policies to more closely align to 4%-5% in future years.

PPCF anticipates a thorough review and updates to the Investment Policy Statement in 2021 including reviewing the asset allocation ranges, permitted and prohibited investments and liquidity considerations. In addition, the investment and finance committees anticipate exploring ways to incorporate components of an ESG (environmental, social, governance) screen into the investment offerings as well as how PPCF might invest in local investment opportunities that meet the foundation's impact objectives either through the Investment Policy Statement or through the Impact Investing Fund.

For questions or comments on PPCF's investment performance, investment policy statement, or spending policy, please contact Leslie Sabin, Vice President of Finance and Operations at lsabin@ppcf.org.