On behalf of The Denver Foundation’s Board of Trustees, I’m pleased to present the Foundation’s 2014-15 Report from the Treasurer. The purpose of this report is to provide an overview of the Foundation’s investment philosophy and results.

During The Denver Foundation’s first 90 years, individuals, families, and businesses have contributed generously and created nearly 1,000 different personalized funds. We remain mindful of the level of trust that they place in our management of their charitable resources. Because some of these funds will be used in the short term, while others are endowed for future generations, we practice careful stewardship that provides protection and performance in both positive and negative economic climates.

I’m pleased to report that The Denver Foundation maintains its long-term tradition of excellence in investment and fund management. In 2014, the Foundation’s Unitized Investment Pool gained 5.08 percent. The Investment Committee, chaired by Barbara Baumann, works with our advisors at Monticello Associates to build a portfolio that protects against market volatility, allows for necessary expenditures of dollars for our donors’ grantmaking purposes, and provides for long-term endowment growth. The committee works with several benchmarks to evaluate the performance of our portfolio, including a policy benchmark that represents the blend of asset class indices to mirror our asset allocation. Over the past 15 years, through June 30, 2015, the Foundation’s investments have grown by an average of 6.34 percent per year.

The Denver Foundation also offers our donors the option of placing their funds in our Sustainable and Responsible Investment (SRI) Pool. This group of funds has returned 13.62 percent on average for the three years ended June 30, 2015 (this option is relatively new). We continue to see a significant increase in interest in the SRI Pool among our donors as it performs well related to benchmarks.

Last year, the Foundation created a new Impact Investment Fund, which makes philanthropic investments in the Foundation’s priority areas of Basic Human Needs, Economic Opportunity, Education, and Community Leadership, with any returns of principal and investment earnings redeployed for new community investments. Please contact us if you are interested in learning more.

The Denver Foundation operates with administrative expenses of less than one percent of assets. Economies of scale have allowed us to lower the administrative fees on our funds while maintaining our superior customer service.

In this document, you will find the following:

- An overview of our investment philosophy
- Information about our investment performance and asset allocation
- A description of our investment advisor, Monticello Associates
- A list of the members of our Investment Committee in 2014 and 2015

For more information on the Foundation’s financial outlook and investment strategy, please contact us or visit denverfoundation.org.

K.C. Gallagher
Treasurer, Board of Trustees 2014-15

The Denver Foundation’s Investment Philosophy

Reflecting the mission and purpose of The Denver Foundation, the major objective of the Foundation’s investments is long-term capital appreciation.

Consistent with the goal of long-term capital appreciation as well as prudent fiduciary management, the Investment Committee has recommended and the Board has approved the following investment ranges: equities (domestic, international, and hedged equity) each 15-30 percent, fixed income 5-30 percent, absolute return funds 10-30 percent, and other (including real assets and private capital) 10-35 percent.

The Investment Committee (see back page) carefully monitors investment performance on an ongoing basis and reviews the asset allocations quarterly with management and its external investment consultant.

The Denver Foundation’s Investment Consultant: Monticello Associates

Monticello Associates, based in Denver, Colorado, is a leading provider of investment management consulting services to endowments and foundations throughout the United States. Monticello currently advises on $76 billion in client assets and is considered to be a premium service provider to community foundations.

K.C. Gallagher is Chief Executive Officer of The Little Pub Company, owners and operators of 20 Colorado-based neighborhood restaurants/pubs. He also serves as Chairman of West Creek Partners, LLC, and Vice Chairman of Gallagher Industries, LLC, both private family investment firms.
The following charts demonstrate the investment performance of The Denver Foundation's Unitized investments (left), and SRI investments (right) over time.

### Foundation Composite Performances

**Investment Mix**

**As of June 30, 2015**

- **Private Capital**
  - Actis Emerging Markets 3
  - Actis Global 4
  - China Enterprise Capital
  - Clayton, Dubilier & Rice Fund VII
  - Clayton, Dubilier & Rice Fund VIII, Co-Investment
  - Clayton, Dubilier & Rice Fund VIII, Drawbridge Long Dated Value
  - Denham IV
  - Denham VI
  - Lime Rock Resources III C
  - MHR Institutional Advisors II
  - MHR Institutional Partners III
  - MHR Institutional Partners IV
  - Spinnaker Global Special Situations
  - TIFF Partners II, IV, V-US, V-Intl

- **Real Assets**
  - Convexity Capital Offshore
  - PIMCO Total Return III

- **Fixed Income**
  - PIMCO Short Term

- **Emerging Markets**
  - DFA Emerging Markets Social Core

- **Sustainable and Responsible Investment (SRI) Pool**
  - Brevan Howard Credit Catalysts
  - TIFF Absolute Return

**Foundation Composite Performances**

- **Real Assets**, 2.1% Absolute Return, 10.1% Cash, 2.6%
- **Domestic Equity**, 29.8%
- **Hedged Equity**, 12.9%
- **International Equity**, 21.2%
- **Private Capital**, 14.3%

**SRI Investment Managers**

- **Large Cap**
  - DFA US Sustainability Core
  - Parnassus Fund
- **Small and Mid Cap**
  - Ariel Fund
  - Pax World Small Cap
- **International Developed**
  - Calvert International Opportunities
  - DFA International Sustainability Core
- **Fixed Income**
  - PIMCO Total Return III

### Historical Performance

**2014**

- **Denver Foundation Total Fund**
  - Rolling 12-month Period: 5.06%
  - Latest 2 Quarters: 2.59%
  - Latest Year (Rolling 12 Month Period): 2.43%
  - Latest 5 Years Annualized: 9.45%
  - Latest 7 Years Annualized: 6.03%
  - Latest 10 Years Annualized: 6.78%
  - Latest 15 Years Annualized: 6.34%

- **Policy Benchmark (1)**
  - Rolling 12-month Period: 4.83%
  - Latest 2 Quarters: 1.35%
  - Latest Year (Rolling 12 Month Period): 1.33%
  - Latest 5 Years Annualized: 9.26%
  - Latest 7 Years Annualized: 5.32%
  - Latest 10 Years Annualized: 6.30%
  - Latest 15 Years Annualized: 5.54%

- **S&P 500**
  - Rolling 12-month Period: 13.69%
  - Latest 2 Quarters: 1.23%
  - Latest Year (Rolling 12 Month Period): 7.42%
  - Latest 5 Years Annualized: 17.34%
  - Latest 7 Years Annualized: 9.42%
  - Latest 10 Years Annualized: 7.89%
  - Latest 15 Years Annualized: 4.36%

- **Barclays U.S. Aggregate**
  - Rolling 12-month Period: 5.97%
  - Latest 2 Quarters: -0.10%
  - Latest Year (Rolling 12 Month Period): 1.00%
  - Latest 5 Years Annualized: 3.35%
  - Latest 7 Years Annualized: 4.50%
  - Latest 10 Years Annualized: 4.44%
  - Latest 15 Years Annualized: 5.42%

**2015**

- **Denver Foundation Total Fund**
  - Rolling 12-month Period: 2.92%
  - Latest 2 Quarters: 2.37%
  - Latest Year (Rolling 12 Month Period): 9.90%
  - Latest 5 Years Annualized: 13.62%

- **Policy Benchmark (2)**
  - Rolling 12-month Period: 4.85%
  - Latest 2 Quarters: 2.98%
  - Latest Year (Rolling 12 Month Period): 10.48%
  - Latest 5 Years Annualized: 12.30%

- **S&P 500**
  - Rolling 12-month Period: 13.69%
  - Latest 2 Quarters: 7.42%
  - Latest Year (Rolling 12 Month Period): 15.70%
  - Latest 5 Years Annualized: 17.31%

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(1) Total Policy Benchmark consists of 15% S&P 500, 15% MSCI ACWI ex US, 15% HFRI Hedged Equity, 17.5% S&P 500 + 3%, 3.75% GSCI, 3.75% CPI + 3%, 15% T-Bills + 3%, 15% Barclays US Aggregate.

Key Volunteers and Staff

Investment Committee 2014-2015

The Denver Foundation’s Investment Committee consists of professionals who volunteer their time and insight to steward the Foundation’s assets on behalf of the residents of Metro Denver.

Barbara Baumann, Chair - Denver Foundation Trustee, 2014–Present
Barbara is president of Cross Creek Energy Corporation of Denver, Colorado.

Virginia Bayless - Denver Foundation Trustee, 2011–Present
Virginia has more than 25 years of investment banking, financial advisory, and business valuation experience. Currently, she assists in managing a family office with investment, real estate, and oil and gas assets.

Norman Benedict - Norman is the retired deputy executive director of investments, chief investment officer for Public Employees Retirement Association of Colorado, PERA.

Jeremy Duhon - Denver Foundation Trustee, 2015
Jeremy is a partner at Denver Investments.

Cole Finegan - Denver Foundation Trustee, 2012–2014
Cole is the managing partner of Hogan Lovell's Denver office, representing clients in regulatory, land use and development, and legislative and public policy law.

Jim Kelley - Denver Foundation Trustee, 2008–2013
Jim is a founding partner of Vestar Capital Partners.

Thomas Kelly - Thomas “Tad” is a partner and co-founder of CHB Capital Partners, a US private equity firm with offices in Denver and Houston.

Robert Reich - Robert is the chief financial officer at Gallagher Enterprises LLC.

Bill Ryan - Denver Foundation Trustee, 2009-2014
Bill is the director of the Colorado State Land Board overseeing more than three million acres of state land.

David Miller
President and CEO
During his tenure, David’s vision and leadership have helped the Foundation grow from $58 million to over $740 million in charitable assets for the community’s future.

Before joining The Denver Foundation in 1996, David was a principal in Greenberg, Baron, Simon & Miller (GBSM), a Denver strategic communications consulting firm. While at GBSM, David was a consultant to The Hunt Alternatives Fund, a private foundation, where he served as vice president. He also spent ten years in Colorado state and local government, serving as executive director of the Colorado Office of State Planning and Budgeting, and as chief of staff for Denver Mayor Federico Peña.

David is a fifth generation Denverite, and a graduate of Harvard College and Harvard Law School.

Dan Lee
Vice President of Finance and Administration
A 25-year financial veteran, Dan is responsible for overall financial management at the Foundation, its financial reporting and transparency, and for multiple corporate functions including investments, accounting, grants processing, administration, and information technology.

Dan joined the Foundation in 2000 from Operation Able where he served as chief financial officer. Prior to that he was director of finance with the Joffrey Ballet and a senior consultant with Ernst & Young, both in Chicago. He began his career in various financial positions at Abbott Laboratories in Abbott Park, Illinois.

A native of Chicago, IL, Dan earned his B.S./M.S. from the University of Illinois at Chicago and an M.B.A. from the Illinois Institute of Technology.

www.denverfoundation.org