2016 Treasurer’s Report:
Investing for the Future
2016 Treasurer's Report: Investing for the Future

On behalf of The Denver Foundation's Board of Trustees, I'm pleased to present the Foundation's 2016 Report from the Treasurer. The purpose of this report is to provide an overview of the Foundation's investment philosophy and results.

For more than 90 years, individuals, families, and businesses have contributed generously and created 1,000+ different personalized funds at The Denver Foundation. We remain mindful of the level of trust that they place in our management of 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 – and a moderately conservative investment strategy – 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 steadiness in investment and fund management. In 2016, the Foundation's Unitized Investment Pool gained 5.13%. 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 asset growth. Over the last 5 years, through December 31, 2016, the Foundation's investments in the Unitized Investment Pool have grown by an average of 6.86% per year.

The Denver Foundation also offers our donors the option of placing their funds in our Sustainable and Responsible Investment (SRI) Pool, which was created in 2010. In 2016 the SRI Pool's performance was 9.25%. Over the last 5 years, through December 31, 2016, the Foundation's investments in the SRI Pool have grown by an average of 10.23% per year. 2016 assets invested in the SRI Pool exceeded $50 million.

The Denver Foundation operates very efficiently with administrative expenses of less than one percent of total assets. Economies of scale allow us to maintain our superior financial oversight, philanthropic services, and strategic community investment.

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 2016 Investment Committee

For more information on our investment strategy, please contact The Denver Foundation or visit our website, www.denverfoundation.org.

K.C. Gallagher
Treasurer, Board of Trustees 2016

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 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 Associates currently advises on $77 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 24 Colorado-based neighborhood restaurants/pubs. He also serves as chairman of Gallagher Industries, LLC and chairman of West Creek Partners, LLC, both private investment firms. Mr. Gallagher currently serves on the boards of UMB Financial Corporation (NASDAQ: UMBF), UMB Bank Colorado, Love Grown Foods LLC, and Event Rents USA LLC. He also serves on the board of trustees for the University of Denver, The Denver Foundation, and the Colorado Restaurant Association. K.C. holds a B.S. in Business Administration from the University of San Diego and an M.B.A. from the Daniels College of Business at the University of Denver.
Investment Mix
As of December 31, 2016

Foundation Composite Performances

<table>
<thead>
<tr>
<th>Unitized Investment Pool</th>
<th>2015</th>
<th>2016</th>
<th>As of December 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rolling 12-Month Period</td>
<td>Rolling 12-Month Period</td>
<td>Latest 3 Years Annualized</td>
</tr>
<tr>
<td>Unitized Investment Pool</td>
<td>-0.64%</td>
<td>5.13%</td>
<td>2.84%</td>
</tr>
<tr>
<td>Policy Benchmark (1)</td>
<td>-0.93%</td>
<td>7.60%</td>
<td>3.82%</td>
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<table>
<thead>
<tr>
<th>Sustainable and Responsible Investment (SRI) Pool</th>
<th>2015</th>
<th>2016</th>
<th>As of December 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rolling 12-Month Period</td>
<td>Rolling 12-Month Period</td>
<td>Latest 3 Years Annualized</td>
</tr>
<tr>
<td>Sustainable and Responsible Investment Pool</td>
<td>-3.42%</td>
<td>9.25%</td>
<td>3.21%</td>
</tr>
<tr>
<td>Policy Benchmark (2)</td>
<td>-2.84%</td>
<td>10.27%</td>
<td>3.97%</td>
</tr>
</tbody>
</table>

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


Unitized Investment Managers (As of 12/31/16)

- Domestic Equity
  - AlphaOne
  - Elk Creek Partners
  - GMD Quality Fund III
  - Rock Springs Capital
  - SPY
  - Wellington Mid Cap Opportunities
  - Wellington US Research Equity

- Hedged Equity
  - Highfields International
  - Maverick
  - Seminole
  - Viking Global Opportunities III

- International Equity
  - Capital Guardian Emerging Markets
  - Caravel
  - Dodge & Cox International
  - Edgbaston Asian Equity
  - Highclere International Investors
  - Newport Asia
  - VEA
  - VWO

- Private Capital
  - Actis Emerging Markets 3
  - Actis Global 4
  - Charter House Capital Partners X
  - China Enterprise Capital
  - Clayton, Dubilier & Rice Fund VII
  - Clayton, Dubilier & Rice Fund VIII, Co-Investment
  - Clayton, Dubilier & Rice Fund VIII
  - Denham IV
  - Denham VI
  - Drawbridge Long-Dated Value
  - Green Equity Investors
  - Lime Rock Resources III C
  - Madison Dearborn Capital Partners V
  - Madison Dearborn Capital Partners VI
  - Madison Dearborn Capital Partners VII
  - MHR Institutional Advisors II A
  - MHR Institutional Investors III
  - MHR Institutional Partners IV
  - Och Ziff Real Estate
  - Och Ziff Real Estate III B
  - Spinnaker Global Special Situations
  - Stepstone International Investors III

SRI Investment Managers (As of 12/31/16)

- Large Cap
  - DFA US Sustainability Core
  - Parnassus

- Absolute Return
  - Farallon Capital
  - Two Sigma

- Fixed Income
  - Convexity Capital
  - PIMCO Short Term

- Emerging Markets
  - DFA Emerging Markets Social Core

- Small and Mid Cap
  - Ariel
  - Pax World Small Cap

- International Developed
  - Calvert International Opportunities
  - DFA International Sustainability Core

- Absolute Return
  - Farallon Fossil Fuel Filtered Fund

- Fixed Income
  - Access Capital Community
  - PIMCO Total Return III
Key Volunteers and Staff

Investment Committee 2016

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

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

Virginia Bayless,
*Denver Foundation Trustee, 2011–Present*
Virginia Bayless 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.

Jeremy Duhon
*Denver Foundation Trustee, 2015–Present*
Jeremy Duhon is a partner at Denver Investments.

Thomas Kelly
*Denver Foundation Trustee, 2016*
Thomas “Tad” Kelly is a partner and co-founder of CHB Capital Partners, a US private equity firm with offices in Denver and Houston.

Dr. Nancy McCallin
Dr. Nancy McCallin is president of Colorado Community College System, leading the state’s largest system of higher education.

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

Christine Márquez-Hudson
President and CEO
Christine Márquez-Hudson became president & chief executive officer of The Denver Foundation in January 2016. Prior to her selection, Christine was the chief executive officer of Mi Casa Resource Center, a well-known community-based organization dedicated to advancing the economic success of Latino and other low-income families. She led the organization through a comprehensive strategic planning process that redefined Mi Casa's mission, focused its identity and created a strategic plan that aligned with community needs and economic as well as demographic trends.

As a Colorado native, Christine is proud to be a member of the Colorado Women’s Forum, the Colorado Forum, and the Mayor's Education Compact Committee. Christine received her M.A. in Nonprofit Management from Regis University and her B.A. in Political Science from UCLA.

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.