REPORT FROM THE TREASURER

THE DENVER FOUNDATION
On behalf of The Denver Foundation’s Board of Trustees, I’m pleased to present the Foundation’s 2018 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 use a moderately conservative investment strategy—that provides protection and performance in both positive and negative economic climates.

The last quarter of 2018 was a difficult time in the worldwide markets resulting in the S&P 500 and the MSCI All Country World Index (ACWI) experiencing losses for the year of -4.4% and -8.9%, respectively. In 2018, the Foundation’s Unitized Investment Pool was down -3.5%. While the Investment Committee as well as management are never satisfied with losses in the portfolio, the relatively better returns for the year compared to these widely used benchmarks reflect the value of broad portfolio diversification. The Investment Committee, chaired by Tad Kelly, works with our advisors at Monticello Associates to build a portfolio that protects against market volatility, allows for expenditures of dollars for our donors’ grantmaking purposes, and provides for long-term asset growth. Over the last five years, through December 31, 2018, the Foundation’s investments in the Unitized Investment Pool have grown by an average of 4.1% 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 2018, the SRI Pool had a loss of -6.6%. Over the last five years, through December 31, 2018, the Foundation’s investments in the SRI Pool have grown by an average of 3.7% per year.

The Denver Foundation operates very efficiently, with administrative expenses of less than one percent of total assets. Economies of scale allow us to provide superior financial oversight, an extensive array of philanthropic services, and strategic community investments.

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

Barbara Baumann
Treasurer, Board of Trustees 2018

Barbara Baumann is President of Cross Creek Energy Corporation of Denver, Colorado. She previously worked for Amoco Corporation and its subsidiaries. Barbara currently serves as a Director of publicly traded Devon Energy Corporation and of Buckeye Energy Partners, L.P. She is an independent Trustee of the Putnam Mutual Funds.
### Asset Allocation

**AS OF 12.31.2018**

**Unitized Investment Pool**
- **Domestic Equity**: 23.1%
- **International Equity**: 19.6%
- **Hedged Equity**: 12.0%
- **Absolute Return**: 9.7%
- **Fixed Income**: 23.9%
- **Private Capital**: 17.8%
- **Cash**: 1.6%

**Sustainable and Responsible Investment (SRI) Pool**
- **Domestic Equity**: 33.4%
- **International Equity**: 30.0%
- **Hedged Equity**: 12.0%
- **Absolute Return**: 9.7%
- **Fixed Income**: 25.9%
- **Cash**: 3.0%

### Foundation Composite Performance

**Annualized Returns for Periods Ending 12.31.2018**

<table>
<thead>
<tr>
<th></th>
<th>1 Year</th>
<th>3 Year</th>
<th>5 Year</th>
<th>7 Year</th>
<th>10 Year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unitized Investment Pool</strong></td>
<td>-3.5%</td>
<td>5.7%</td>
<td>4.1%</td>
<td>6.6%</td>
<td>8.1%</td>
</tr>
<tr>
<td><strong>Policy Benchmark (1)</strong></td>
<td>-1.1%</td>
<td>6.6%</td>
<td>5.5%</td>
<td>7.7%</td>
<td>8.6%</td>
</tr>
</tbody>
</table>

**SRI Pool**
- **Domestic Equity**: 33.4%
- **International Equity**: 30.0%
- **Hedged Equity**: 12.0%
- **Absolute Return**: 9.7%
- **Fixed Income**: 25.9%
- **Cash**: 3.0%

**Policy Benchmark (2)**
- **-5.4%**
- **5.7%**
- **4.2%**
- **8.1%**

(1) Effective 1/1/2013 Policy Benchmark consists of 15% Russell 3000 / 15% MSCI ACWI ex USA / 15% HFRI Equity Hedge (Total) Index / 18.75% Cambridge Assoc. U.S. Private Equity Index / 6.25% NCREIF Property Index / 15% T-Bills + 4% / 13.5% BBgBarc US Aggregate TR / 1.5% 91 Day T-Bills. From 1/1/2008 - 12/31/2012 Policy Benchmark was 70% MSCI ACWI / 30% BBgBarc US Aggregate TR. Prior to 1/1/2008 Policy Benchmark was 60% MSCI ACWI / 40% BBgBarc US Aggregate TR.

(2) Effective 7/1/2014 the Policy Benchmark consists of 35% Russell 3000 / 30% MSCI ACWI ex USA / 10% T-Bills + 4% / 23% BBgBarc US Aggregate TR / 2% 91 Day T-Bills. Prior to that the Policy Benchmark was 75% Russell 3000 / 25% BBgBarc US Aggregate TR.

### Unitized Pool Investment Managers (As of 12.31.2018)

**Domestic Equity**
- AlphaOne
- Elk Creek Partners
- Rock Springs Capital Offshore
- SPY
- Wellington Mid Cap Opportunities
- Wellington Research Equity

**International Equity**
- Edgbaston Asian Equity Trust
- Highclere Capital
- Newport Asia Institutional
- VEA
- WVO

**Private Capital**
- Actis Emerging Markets 3 Global
- Actis Global 4
- Axiom Asia Co-Investment
- Axiom Asia V
- Canyon Distressed Opportunity
- Charterhouse Capital Partners X
- Clayton, Dubilier & Rice VIII
- Clayton, Dubilier & Rice IX
- Denham Commodity Partners IV
- Denham Commodity Partners VI
- Drawbridge Long-Dated Value
- Golub Capital Partners
- International T1
- Lime Rock Resources III-C
- Madison Dearborn Capital Partners V
- Madison Dearborn Capital Partners VI
- MHR Institutional Partners IIA
- MHR Institutional Partners III
- MHR Institutional Partners IV
- Och Ziff Real Estate TE
- Och Ziff Real Estate Parallel III B
-_stepStone International Investors III
- Vitruvian Investment Partnership III

**Fixed Income**
- PIMCO Total Return ESG Institutional

### SRI Pool Investment Managers (As of 12.31.2018)

**Domestic Equity**
- Ariel
- DFA US Sustainability Core
- Parnassus
- Pax World Small Cap Institutional

**International Equity**
- Calvert International Opportunities
- DFA Emerging Markets Social Core
- DFA International Sustainability Core

**Absolute Return**
- Eton Park Overseas
- Farallon Capital Institutional Partners
- Nut Tree Offshore
- Renaissance Institutional
- Diversified Alpha
- Two Sigma Spectrum Cayman

**Fixed Income**
- PIMCO Short Term Institutional
The Denver Foundation’s Investment Committee consists of professionals who volunteer their time and insights to steward the Foundation’s assets.

Thomas Kelly, Chair
Denver Foundation Trustee, 2016–Present
Thomas “Tad” Kelly is a Partner and Co-Founder of CHB Capital Partners, a US private equity firm with offices in Denver and Houston.

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

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

Afsoon Kelly
Denver Foundation Trustee, 2018–Present
Afsoon Kelly is Director of Operations at Anschutz Investment Company.

Dr. Nancy McCallin
Dr. Nancy McCallin is the former President of Colorado Community College System, 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.

2019 INCOMING COMMITTEE MEMBERS
Sanjai Bhonsle
Sanjai Bhonsle serves as Partner and Portfolio Manager for ArrowMark’s leveraged loan investments and CLO funds.

Carey Dobbertin
Carey Dobbertin is Chief Financial Officer and Treasurer at Gary Community Investments.

The Denver Foundation
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Virginia Bayless
Interim President and CEO
Virginia Bayless is interim President and CEO of The Denver Foundation. Prior to joining the The Denver Foundation, Virginia managed a family office and was consulting Chief Financial Officer for The Boppy Company. Prior to founding her own consulting firm, Virginia worked for The Wallach Company, a Denver-based investment bank, as a partner leading mergers and acquisitions for public and private companies. Before joining The Wallach Company, she was with Wilard Services, Boettcher and Company, and Bankers Trust Company.

Virginia currently serves on the Board of Directors of Professional Assist Corporation and is chair of the Audit Committee. From 2016-2018, she was chair of the Board of Trustees of The Denver Foundation.

Virginia received an M.B.A. from The Amos Tuck School at Dartmouth College and an undergraduate degree in economics from Princeton University.

Dan Lee
Vice President of Finance & Administration
An experienced financial veteran, Dan Lee is responsible for overall financial management at the Foundation, its reporting and transparency, and for multiple corporate functions including investments, accounting, grants processing, 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, Dan earned his B.S. and M.S. from the University of Illinois at Chicago and an M.B.A. from the Illinois Institute of Technology.