Investment Performance Report

SIMPLE. FLEXIBLE. FOREVER. 2006–07

OKLAHOMA CITY COMMUNITY FOUNDATION | FALL 2007

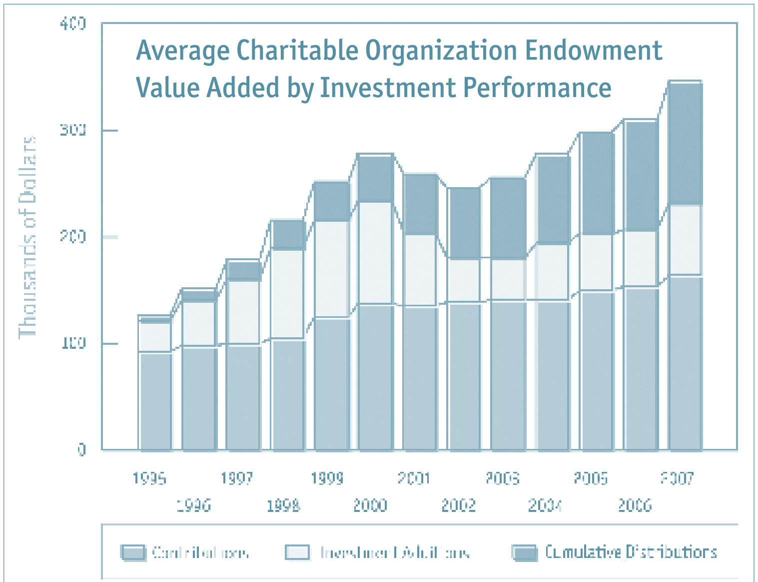
Distribution Policy creates increased value for endowments

Between 1995-2007, for every $1 in new contributions to a Charitable Organization Endowment fund more than $3 in increased value was generated by the Oklahoma City Community Foundation. During the same period, the market value of the average endowment increased from $121,690 to $233,399. These results are thanks to three simple but crucial endowment principles: investing for long-term growth; utilizing a spending rule for distribution that balances the need for current income and the growth of that income stream into the future; and protecting the endowment from invasion.

Since 1989, the Oklahoma City Community Foundation has employed a distribution policy that is designed to permit funds to capitalize on good investment years as well as protect in the event of a low or negative market return. The policy also allows the Investment Committee to focus on maximizing total investment return. The experience of the last few years, where returns were on both extremes of investment performance, has proven the wisdom of a policy that stabilizes the effects of market conditions on distributions from an endowment.

Cash distributions from most of the endowments at the Oklahoma City Community Foundation are based on a spending policy that calls for 5 percent of the fund's average market value. The remaining investment return is left with the fund to add to the value, which protects the future distribution stream from inflation. As a result, the annual distribution from the endowment is more predictable because the amount is not tied to current income, which fluctuates due to shifts in market conditions, but is based on a rolling quarter average of the fund's market value, adjusted for additional contributions. The number of quarters used in the average varies from eight to 20 depending upon the type of fund.

"The 5 percent figure is universally considered by endowment managers a safe amount to spend and still provide protection for the principal," says Carla Pickrell, director of administration at the



Data supports that a 5 percent spending rule will produce higher total distributions than 6 percent or 7 percent over a period of time, especially in periods of good investment performance. The chart above illustrates the value added by both investment performance and the 5 percent spending policy for the average charitable organization endowment at the Oklahoma City Community Foundation in the period of 1995-2007.

Oklahoma City Community Foundation. This belief is based upon an estimate of two factors over time: market return and inflation. A conservative prediction of average market return in a balanced fund over time is 8 percent. It is widely expected that inflation will

Distribution Policy continued on page 2

Investment policy and low fees benefit all endowments

An investment program with assets in excess of $580 million benefits all endowments at the Oklahoma City Community Foundation. Even the smallest charitable organization endowment or scholarship fund reaps the benefits that a large investment pool provides at a cost that is significantly below normal investment management fees.

Our investment program benefits from its very low-cost and efficient operation. By balancing the use of active managers and index funds in a way that maximizes the opportunity for adding value but keeps the cost low, we have been able to produce annualized returns over 10 years that exceed the markets but at a cost which is much lower than mutual funds or other balanced fund alternatives. For FY2007, the cost of investments at the Oklahoma City Community Foundation was 37 basis points, compared to more than 100 basis points for the average mutual fund or active equity fund manager requiring a large minimum account.

For a $50,000 fund that returns 8 percent over a 10-year period, this cost difference means approximately $6,400 more in value to the fund. Over a 20-year period, the fee difference can amount to $26,000 or more of added fund value over the alternatives who charge a signficantly higher investment fee.

Diversification is a hallmark of a solid endowment investment policy and is one of the greatest advantages these funds receive. The general investment pool is invested in all classes of domestic equities, in a

Investment Fees continued on page 2

Distribution Policy creates increased value for endowments

Continued from page 1

average 3 percent over time. This leaves 5 percent to spend while still protecting the fund's value for the future. The Investment Committee's focus on long-term fund growth allows for a bias to equities in the asset allocation.

While there are other approaches to determining distributions, the 5 percent spending rule does not require a specific investment allocation to income-producing assets and is not subject to short-term market fluctuations. Investment managers are then able to focus on achieving the best possible return.

"This is especially important because of our goal of increasing the value of these endowments," Pickrell adds. "Our distribution policy allows for an endowment to grow over time even if there are no additional contributions to the fund. The value added from the Oklahoma City Community Foundation's stewardship is significant."

Investment policy and low fees benefit all endowments

Continued from page 1

range of fixed income securities and also has exposure to international markets. We provide a "balanced" portfolio by allocating assets to highly qualified managers in a wide-range of investment classes. Due to the size of our investment pool, this level of equity exposure is available so that even the smallest funds benefit.

All Oklahoma City Community Foundation investments are overseen by an active committee of community leaders with strong investment expertise and are led by Hotchkiss and Associates, an investment counsel firm based in Chicago, Ill. All funds benefit from the expertise of this committee and their efforts to provide the best investment product at the most efficient price.

For many years, the Oklahoma City Community Foundation has been the leading advocate for building endowment funds in the community. Utilizing a large investment pool that allows us to keep fees low is one of the greatest advantages the Oklahoma City Community Foundation provides to charitable organization endowments.

Oklahoma City Community Foundation Investment Policy: A Summary

The investment policy of the Oklahoma City Community Foundation is designed for an endowment fund to provide annual distributions for charitable purposes in perpetuity. The investments need to allow the fund to generate distributions, grow to accommodate inflation and continue to exist in the future.

The Trustees have adopted an investment policy that has four major objectives: capital preservation; inflation protection; continuing source of annual distribution for charitable purposes; and investment return in the top third of professionally managed funds.

These objectives lead to a portfolio of high-quality equity investments and fixed-income securities. The portfolio is structured by asset allocation to a range of equity styles and then to style-specific managers who are among the best in their area. The asset allocation between equity and fixed-income investments allows for growth in value and stability in distribution expectations over time.

The benchmarks for measuring performance are currently the Standard and Poor's 500 stock index and the Lehman Government/Credit Intermediate bond index. Style-specific managers will be measured by appropriate benchmarks for that particular style. Managers are judged on a time horizon of three to five years.

Investment Definitions

Growth Stock | Shares of a company that is growing earnings and /or revenues faster than its industry or the overall market. Typically, these companies pay little or no dividends, preferring to use income to finance further expansion. Growth stocks tend to have higher P/E ratios than the overall stock market because investors expect future earnings growth will be higher than it is currently.

Value Stock | A stock that appears undervalued relative to the value of its assets. A stock may be a "buy" as a value stock if its cash per share (or its book value) is high relative to its stock price. P/E ratios tend to be below growth stocks and the market's because investors expect future earnings growth to be less than it is currently. Dividend yields tend to be relatively high.

The Core Equity style | Designed to produce a market rate return with similar volatility (risk). This makes for a consistent investment strategy that is unaffected by short-term investment style themes such as growth vs. value. These assets are characterized by low stock turnover and low transactions cost. Core equity investing is a prudent way to preserve assets while at the same time participating in the long-term growth of the economy. Both large cap and small cap core equity investments are utilized.

Definitions of large, mid and small market capitalization vary, but could be reasonably considered as: **small cap** – less than $1 billion; **mid cap** – greater than $1 billion but less than $5 billion; **large cap** – greater than $5 billion.

Price-to-Earnings (P/E) Ratio | A stock's price divided by its earnings per share, used as a method of valuation.

Market Capitalization | Stock price multiplied by shares outstanding.

General Pool Investment Managers *Effective 6/30/07*

EQUITY

LARGE CAP VALUE
Wedge Capital Management, *Charlotte, NC*
Barclays Global Investors, *San Francisco, CA*

LARGE CAP GROWTH
Barclays Global Investors, *San Francisco, CA*

SMALL/MID CAP VALUE
Earnest Partners, *Atlanta, GA*

SMALL/MID CAP GROWTH
Columbus Circle, *Stamford, CT*

INTERNATIONAL
Barclays Global Investors, *San Francisco, CA*

LARGE CAP CORE
Barclays Global Investors, *San Francisco, CA*

SMALL CAP CORE
Kalmar Investors, *Wilmington, DE*
Barclays Global Investors, *San Francisco, CA*

FIXED INCOME

JP Morgan Asset Management, *Columbus, OH & Oklahoma City, OK*
Bank of Oklahoma, *Oklahoma City, OK*
Barclays Global Investors, *San Francisco, CA*

TOTAL RETURN	Year Ended June 30, 2007	Three Years Ended June 30, 2007	Five Years Ended June 30, 2007	Ten Years Ended June 30, 2007
Oklahoma City Community Foundation	13.68%	9.29%	9.60%	7.72%
S&P 500/Lehman G/C Int *	15.40%	8.80%	8.52%	6.64%

* Composite indices based upon applicable asset allocation.

Asset Class Target Percentage Allocation

As of 6/30/07

Large Cap Value 22%	*Large Cap Core* 22%	*Large Cap Growth* 26%
	Developed Markets 5%	
Small/Mid Cap Value 7%	*Small Cap Core* 8%	*Small/Mid Cap Growth* 9%
	Emerging Markets 1%	

Asset Allocation Model - General Pool

	Target	Range
Equity	65%	40–70%
Fixed Income	35%	30–60%
Cash	0%	0–10%

Targeted Asset Class Ranges

Large Cap Value	12–24%	*Small/Mid Cap Value*	4–16%
Large Cap Growth	12–24%	*Small/Mid Cap Growth*	4-16%
Large Cap Core	20-48%	*Small Cap Core*	7–24%
Developed Markets	0-10%	*Emerging Markets*	0-5%

For Investment Definitions see page 2.

Investment Committee 2006–07

Paul W. Dudman, CHAIRMAN
TRUSTEE,
OKLAHOMA CITY
COMMUNITY FOUNDATION
Attorney, Fellers Snider Blankenship Baily & Tippens

Kirkland Hall
PRESIDENT,
OKLAHOMA CITY
COMMUNITY FOUNDATION
EX-OFFICIO
Fred Jones Industries

J. Edward Barth
PAST PRESIDENT,
OKLAHOMA CITY
COMMUNITY FOUNDATION
EX-OFFICIO
Attorney, Andrews Davis

Kenneth R. Brown
KRB & Associates

James Daniel
TRUSTEE,
OKLAHOMA CITY
COMMUNITY FOUNDATION
Vice Chairman, Bancfirst

Steven C. Davis
TRUSTEE,
OKLAHOMA CITY
COMMUNITY FOUNDATION
Attorney, Hartzog Conger Cason & Neville

James H. Holloman Jr.
PAST PRESIDENT,
OKLAHOMA CITY
COMMUNITY FOUNDATION
Attorney, Crowe & Dunlevy

Christian K. Keesee
TRUSTEE,
OKLAHOMA CITY
COMMUNITY FOUNDATION
EX-OFFICIO
Chairman, Kirkpatrick Bank

John Linehan
Retired CFO, Kerr-McGee
EX-OFFICIO

Jeneé Naifeh Lister
Investment Advisor, Merrill-Lynch

Stephen Mason
TREASURER,
OKLAHOMA CITY
COMMUNITY FOUNDATION
EX-OFFICIO
Cardinal Engineering

William Shdeed
TRUSTEE,
OKLAHOMA CITY
COMMUNITY FOUNDATION
Attorney

INVESTMENT COUNSEL
James Hotchkiss | *Hotchkiss & Associates*
303 W. Madison, Suite 1050, Chicago, Ill. 60606

OKLAHOMA CITY COMMUNITY FOUNDATION

Investment Performance Report 2006–07

Pooled Investments Performance Summary

Manager	% of Total Portfolio June 30, 2007	% of Asset Class June 30, 2007	Rate of Return Year Ended June 30, 2007
EQUITY			
LARGE CAP VALUE			
Wedge Capital Management	8.20%	12.44%	18.95%
Barclays Russell 1000 Value Index Fund	5.94%	9.03%	21.64%
Russell 1000 Value			21.85%
LARGE CAP GROWTH			
Barclays Russell 1000 Growth Index Fund	17.20%	26.13%	18.38%
Russell 1000 Growth			19.06%
SMALL/MID CAP VALUE			
Earnest Partners	4.60%	6.99%	9.52%
Russell 2000 Value			16.06%
SMALL/MID CAP GROWTH			
Columbus Circle Investors	6.01%	9.12%	15.63%
Russell 2500 Growth			19.03%
INTERNATIONAL			
Barclays EAFE Index Fund	3.30%	5.01%	27.29%
MSCI EAFE (US$) Net	.95%	1.44%	27.01%
Barclays Emerging Markets Index Fund			43.87%
MSCI EMF (Gross) Index			45.45%
CORE			
Barclays Russell 1000 Index Fund	14.63%	22.17%	20.32%
Russell 1000			20.43%
Kalmar Investments	4.83%	7.34%	17.59%
Barclays Russell 2000 Index Fund	.22%	.33%	15.39%
Russell 2000			16.44%
TOTAL EQUITIES	65.88%	100.00%	18.02%
S&P500 Stock Index			20.59%
FIXED INCOME			
JPMorgan Asset Management	18.11%		5.94%
Bank of Oklahoma	9.07%		6.13%
Barclays 1-3 yr. Treasury Bond Index Fund	6.94%		5.22%
TOTAL FIXED INCOME	34.12%		5.90%
Lehman G/C Int. Index			5.76%
Lehman 1-3 Govt			5.21%
TOTAL POOLED INVESTMENTS	100.00%		13.68%
Composite Indices 65% S&P500/35% Lehman G/C Int.			15.40%

Notes: Investment managers are measured against the index selected for that manager's specific style with the overall performance of the equities being measured against the S&P500 stock index. All performance returns are gross of management fees and custody/transaction charges and net of sales commissions.

Year Ended	General Pool Rate of Return	Composite Indices (Note A)
June 30, 2007	13.68%	15.40%
June 30, 2006	6.82%	5.54%
June 30, 2005	7.52%	5.76%
June 30, 2004	15.03%	12.39%
June 30, 2003	5.28%	3.96%
June 30, 2002	-5.58%	-8.83%
June 30, 2001	-5.65%	-5.78%
June 30, 2000	10.30%	6.19%
June 30, 1999	12.51%	16.26%
June 30, 1998	20.35%	19.15%
Ten Years Compounded (Note A)	7.72%	6.64%

Note A: Equity performance is compared to the Standard and Poor's 500 stock index (S&P500); fixed income performance is compared to the Lehman Government/Credit Intermediate bond index (Lehman G/C Int.); and total return is compared to the composite of these indices with weighting based upon applicable asset allocation. For fiscal years prior to June 30, 1999, the mid-range of the asset target allocation was 50% equity and 50% fixed income. Beginning with FY '99 the allocation benchmark was changed to 65% equity and 35% fixed income.

Board of Trustees 2007-08

Oklahoma City Community Foundation
P.O. Box 1146 73101-1146
1000 N. Broadway Ave.
Oklahoma City, OK 73102
405/235-5603 fax 405/235-5612 www.occf.org