

# Investment Performance & Financial Report

Fall 2015

## Our Investment Management and Policy

Since our founding in 1969, the Oklahoma City Community Foundation has been central Oklahoma's leading advocate for building endowment funds through not only support from donors but also through sound investment and distribution strategies.

### Low Administrative Expenses & Investment Costs

Our investment policy benefits all endowments, large and small, because we balance the use of active managers and index funds in a way that maximizes the opportunity for adding value while keeping the cost low. We attempt to balance the level of services provided with a cost conscious approach. The administrative expenses over the last five years have averaged just under 40 basis points (40/100 of 1 percent).

The low cost and efficient operation of our investment management program benefits all endowment funds. For Fiscal Year 2015, our cost of investments was 30 basis points (30/100 of 1 percent) compared to more than 100 basis points charged for the average mutual fund or active equity fund manager that requires a large minimum account.

### Investment Policy & Investment Committee's Role

Our investment policy is specifically designed for an endowment fund to provide annual distributions for charitable purposes in perpetuity. Our policy's goals are to allow the fund to generate distributions, grow to accommodate inflation and continue to exist in the future.

Our Investment Committee uses a style-based investor management system and allocates assets to specific investment styles. The committee remains disciplined in staying with a policy that emphasizes diversification of assets, quality investments and a long-term perspective. Both the committee and our Trustees

### Our investment policy has four major objectives:

- Capital preservation.
- Inflation protection.
- Continuing source of annual distribution for charitable purposes.
- Investment return in the top third of professionally managed funds.

view these responsibilities as among the most important we provide as managers of the community's endowment.

The committee hires investment managers to manage a particular style. We use seven active managers; five for equities and two for fixed income investments. Approximately 47 percent of the pooled investments are actively managed.

As endowment fund investors we have a perpetual horizon and maintain a disciplined approach to long-term investment strategy while utilizing short-term tactical allocations to add value when opportunities arise. We also remain committed to a long-term diversification strategy with an allocation to high quality fixed income assets even in times of booming equity investments. In addition, our prudent spending policy provides a structured method of making distributions from an endowment that protects the stream from inflation thus creating a predictable annual distribution and allows the Investment Committee to focus on maximizing total investment return.

For more information on investment and spending policies, please contact Rhonda Godwin, director of administration and investment operations, at 405/606-2916.

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# Fiscal Year 2015 Investment Committee

The committee includes both Trustees and non-Trustees who all have a strong investment expertise and volunteer their time and knowledge. The committee, along with investment counsel, determines asset allocation between equity and fixed income sectors.



**Bond Payne \***  
Chairman, Investment Committee  
Vice Chairman, Board of Trustees  
Chairman, Heritage Trust



**Tony Tyler \***  
Chairman, Board of Trustees  
Vice President, Tyler Media

**Steve Agee\***  
Dean, Meinders School  
of Business

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Attorney, Hartzong Conger  
Cason & Neville

**Peter B. Delaney**  
Chairman & CEO,  
OGE Energy Corp.

**Paul W. Dudman\*\***  
Attorney, Fellers Snider  
Blankenship Baily & Tippens

**Kirkland Hall\*\***  
Co-owner, Hall Capital

**James H. Holloman Jr.\*\***  
Attorney, Crowe & Dunlevy

**Ed Krei**  
Managing Director,  
The Baker Group

**Mike Collison\***  
CFO, OPUBCO

**J. Edward Barth\*\***  
Ex-Officio  
Attorney, Andrews Davis

**Christian K. Keese\*\***  
Ex-Officio  
Chairman, Kirkpatrick Bank

**Jack Marringa**, Investment Consultant  
United Capital Financial Advisors, LLC

\*FY2015 Trustee \*\*Past Trustee

## General Pool Investment Active Managers

as of 6/30/2015

Once the Investment Committee determines equity allocation, it then selects style-specific managers. The committee evaluates each manager's performance against the appropriate benchmark for their particular sector and their adherence to the specific style they have been engaged to manage. For Fiscal Year 2015, we had seven active managers, five for equities and two in fixed income investments.

### Large Capitalization Value O'Shaughnessy Asset Management

(Stamford, Conn.) Hired in February 2012 and invests in companies with a market capitalization greater than \$10 billion and are classified as value stocks.

### Large Capitalization Core Saratoga Research and Investment Firm

(Saratoga, Calif.) Hired in February 2012, the firm's orientation is to high-quality companies at a price that provides an opportunity for appreciation.

### Small Capitalization Value Earnest Partners, LLC

(Atlanta, Ga.) Hired in 2003 and manages value stocks with capitalization of \$2 billion or less.

### Small Capitalization Core Kalmar Investments Inc.

(Wilmington, Del.) Hired in 1998, Kalmar's style is described as "growth with value" in the small-capitalization universe and is classified between both growth and value for asset allocation decisions.

**International  
Aberdeen Asset Management** (U.S. headquarters in Philadelphia, Pa.) Hired in 2008, the firm is a global investment management group that provides an active manager component in the emerging markets sector.

**Fixed Income**  
Our fixed income investments are managed by **JP Morgan Chase Asset Management** and **BOK Financial**. Both of these institutions have a long history in our community and have worked with the Oklahoma City Community Foundation for many years.

## Board of Trustees

Tony Tyler, *Chairman*

Steve Agee

Mary Ann Bauman

Mike Collison \*\*

Steven Davis

Mark W. Funke

Leslie Hudson

Oscar Jackson

Ann Johnstone

Harry Merson \*

Jenny Love Meyer

Vicki Miles-LaGrange

P.B. Odom III

Bond Payne

David E. Rainbolt

T. Scott Spradling

Christian K. Keese, *Ex-Officio*

Nancy B. Anthony, *President*

\* Term expired June 30, 2015

\*\* Term began July 1, 2015

# Pooled Investments Performance Summary

Manager	% of Total Portfolio		Rate of Return	Fiscal Year Ended	General Pool Rate of Return	Composite Indices (Note A)	Allocation Benchmark (Note B)																																																				
	June 30, 2015	% of Asset Class June 30, 2015	Year Ended June 30, 2015																																																								
<b>EQUITY</b>																																																											
<b>LARGE CAP VALUE</b>																																																											
O'Shaughnessy Asset Mgmt.	3.62%	5.89%	5.18%	June 30, 2015	4.20%	3.49%	5.49%																																																				
BlackRock Russell 1000 Value Index Fund	9.23%	15.03%	4.24%	June 30, 2014	14.56%	16.56%	16.66%																																																				
Russell 1000 Value			4.13%	June 30, 2013	11.24%	12.58%	13.15%																																																				
				June 30, 2012	2.31%	1.63%	5.44%																																																				
				June 30, 2011	21.57%	21.96%	21.26%																																																				
				June 30, 2010	12.99%	12.32%	12.28%																																																				
<b>LARGE CAP GROWTH</b>																																																											
BlackRock Russell 1000 Growth Index Fund	16.42%	26.72%	10.70%	June 30, 2009	-14.61%	-16.09%	-15.20%																																																				
Russell 1000 Growth			10.56%	June 30, 2008	-3.23%	-4.76%	-5.94%																																																				
<b>SMALL/MID CAP VALUE</b>																																																											
Earnest Partners	3.80%	6.18%	7.76%	June 30, 2007	13.68%	16.49%	15.40%																																																				
Russell 2000 Value			0.78%	June 30, 2006	6.82%	8.90%	5.54%																																																				
<b>SMALL/MID CAP GROWTH</b>																																																											
iShares Russell Mid Cap Growth ETF	5.05%	8.21%	9.13%	<b>Ten Years</b>	6.43%	6.66%	6.80%																																																				
Russell Mid Cap Growth			9.45%	<b>Compounded (Note A)</b>																																																							
<b>INTERNATIONAL</b>																																																											
BlackRock EAFE Index Fund	3.48%	5.67%	-4.52%	<p>Note A: Equity performance is compared to the Russell 3000 stock index and the MSCI ACWI exUS International equity index; fixed income performance is compared to the Barclays Capital Government/Credit Intermediate bond index (Barclays Capital G/C Int) and total return is compared to a composite of these three indices.</p> <p>Note B: Equity performance is compared to the Standard and Poor's 500 stock index (S&amp;P500); fixed income performance is compared to Barclays Capital Government/Credit Intermediate bond index (Barclays Capital G/C Int) and total return is compared to a composite of these two indices.</p>																																																							
MSCI EAFE (US\$) Net			-4.22%																																																								
BlackRock Emerging Markets Index Fund	0.26%	0.42%	-5.24%																																																								
Aberdeen Emerging Markets Fund	4.31%	7.02%	-7.35%																																																								
MSCI EMF (Gross) Index			-4.77%																																																								
<b>CORE</b>																																																											
BlackRock Russell 1000 Index Fund	9.17%	14.93%	7.47%	<p>As of Fiscal Year ending June 30, 2015</p> <p><b>Asset Allocation Model - General Pool</b></p> <table border="1"> <thead> <tr> <th></th> <th>Target</th> <th>Range</th> </tr> </thead> <tbody> <tr> <td>Equity</td> <td>60%</td> <td>40-70%</td> </tr> <tr> <td>Fixed Income</td> <td>37.5%</td> <td>30-60%</td> </tr> <tr> <td>Cash</td> <td>2.5%</td> <td>0-10%</td> </tr> </tbody> </table> <p><b>Asset Class Target Percentage Allocation for Equities</b></p> <table border="1"> <tbody> <tr> <td>Large Cap Value</td> <td>21%</td> <td>Large Cap Core</td> <td>19%</td> <td>Large Cap Growth</td> <td>25%</td> </tr> <tr> <td></td> <td></td> <td>Developed Markets</td> <td>7%</td> <td></td> <td></td> </tr> <tr> <td>Small/Mid Cap Value</td> <td>6%</td> <td>Small Cap Core</td> <td>5%</td> <td>Small/Mid Cap Growth</td> <td>8%</td> </tr> <tr> <td></td> <td></td> <td>Emerging Markets</td> <td>9%</td> <td></td> <td></td> </tr> </tbody> </table> <p><b>Target Asset Class Ranges</b></p> <table border="1"> <tbody> <tr> <td>Large Cap Value</td> <td>18-28%</td> <td>Small/Mid Cap Value</td> <td>4-10%</td> </tr> <tr> <td>Large Cap Growth</td> <td>18-28%</td> <td>Small/Mid Cap Growth</td> <td>4-10%</td> </tr> <tr> <td>Large Cap Core</td> <td>20-48%</td> <td>Small Cap Core</td> <td>10-24%</td> </tr> <tr> <td>Developed Markets</td> <td>5-15%</td> <td>Emerging Markets</td> <td>5-10%</td> </tr> </tbody> </table>					Target	Range	Equity	60%	40-70%	Fixed Income	37.5%	30-60%	Cash	2.5%	0-10%	Large Cap Value	21%	Large Cap Core	19%	Large Cap Growth	25%			Developed Markets	7%			Small/Mid Cap Value	6%	Small Cap Core	5%	Small/Mid Cap Growth	8%			Emerging Markets	9%			Large Cap Value	18-28%	Small/Mid Cap Value	4-10%	Large Cap Growth	18-28%	Small/Mid Cap Growth	4-10%	Large Cap Core	20-48%	Small Cap Core	10-24%	Developed Markets	5-15%	Emerging Markets	5-10%
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JPMorgan	15.73%	40.96%	2.36%																																																								
Bank of Oklahoma	13.72%	35.72%	1.93%																																																								
iShares 1-3yr. Credit Bond ETF	7.57%	17.72%	0.70%																																																								
BlackRock 1-3yr. Treasury Bond Index Fund	1.02%	2.64%	0.73%																																																								
T Bill Strips	0.37%	0.95%	-																																																								
<b>TOTAL FIXED INCOME</b>	<b>38.40%</b>	<b>100.00%</b>	<b>1.79%</b>																																																								
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Notes: Equity performance is compared to the Russell 3000 stock index and the MSCI ACWI exUS International equity index; fixed income performance is compared to the Barclays Capital Government/Credit Intermediate bond index (Barclays Capital G/C Int) and total return is compared to a composite of these three indices.



OKLAHOMA CITY  
COMMUNITY FOUNDATION  
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Confirmed in Compliance with National  
Standards for U.S. Community Foundations

## Fiscal Year 2015 Investment Performance Pooled Investments

	Year Ended June 30, 2015	Three Years Ended June 30, 2015	Five Years Ended June 30, 2015	Ten Years Ended June 30, 2015
<b>EQUITIES</b>				
Oklahoma City Community Foundation	5.74%	15.64%	15.48%	7.43%
S&P 500	7.42%	17.31%	17.34%	7.89%
Russell 3000	7.29%	17.73%	17.54%	8.15%
MSCI ACWI ex US	-4.85%	9.92%	8.23%	6.01%
<b>FIXED INCOME</b>				
Oklahoma City Community Foundation	1.79%	1.76%	2.97%	4.26%
Barclays Capital Govt./Credit Intermediate A+	1.77%	1.31%	2.47%	
<b>TOTAL RETURN</b>				
Oklahoma City Community Foundation	4.20%	9.91%	10.45%	6.43%
50% Russell3000/15%MSCI ACWI/35% Barclays Capital G/C Int (Note A)	3.49%	10.74%	10.96%	6.66%
65% S&P500/35% Barclays Capital G/C Int (Note B)	5.49%	11.67%	12.23%	6.80%

Note A: Equity performance is compared to the Russell 3000 stock index and the MSCI ACWI exUS International equity index; fixed income performance is compared to the Barclays Capital Government/Credit Intermediate bond index (Barclays Capital G/C Int) and total return is compared to a composite of these three indices.

Note B: Equity performance is compared to the Standard and Poor's 500 stock index (S&P500); fixed income performance is compared to Barclays Capital Government/Credit Intermediate bond index (Barclays Capital G/C Int) and total return is compared to a composite of these two indices.

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