



**Snapshot Poll of ASF Members:
Investment Portfolio Strategy and Performance**
January 26, 2009

Many foundations are in a wait-and-see mode with their investment strategy as we begin 2009. Many respondents express concern that this will be a slow recovery for the economy and for foundations. Without influx of donor money into corpus, foundations are looking at several years of recovery to return to pre-2008 levels for their assets and their grantmaking.

About half the respondents say they are making changes to their grantmaking and spending for 2009, with grantmaking budgets estimated to be cut from 10-50% lower than the previous year. The majority of respondents' portfolios were down more than 20% in 2008, and the ripple effect with grant funding and foundation spending may be yet to come (since spending levels are most commonly based on prior fiscal year-end or short-term rolling average asset values). Most respondents are meeting current grant obligations using their cash balances, but it remains to be seen how and when many foundations will rebalance and diversify to meet obligations in subsequent years.

ASF and CITI collaborated on this study as a means to further ASF's mission to help its members enhance their investment performance. The study is also intended to assist CITI's advisors in serving their foundation clients.

This survey was conducted from January 6-11, 2009, and yielded nearly 350 respondents. Responses have been rounded to the nearest percentage point.

1. Has the market decline changed your plans for spending and grant making in 2009?

61% Yes (see comments below)

39% No

If yes, explain: (common themes)

- cutting grant making budgets anywhere from 10-50%
- not accepting new applications for grants; no new grantees
- no new multi-year commitments being pledged
- may use carryover and suspend grant making in order to preserve corpus and take advantage of strategic investment opportunities
- reducing expenses as much as possible, but there isn't much wiggle room there; grants is where the major cuts will need to be made

2. Is your spending policy currently calculated using?

58% Year-end market value (no moving average)

28% Other (most wrote in one-yr moving average or 5% distribution requirement)

12% Three-year moving average

4% Five-year moving average

3. Are you currently considering changing your spending policy calculation?

87% No change to spending policy calculation

11% Interested in changing our spending policy calculation, but we're not sure in what way

2% Other (varied)

4. For background reference, below is the asset allocation distribution reported in the ASF 2008-2009 Foundation Operations and Management Report:

<i>Average percent</i>	FY07	FY06	FY05	FY04	FY03	FY02
Domestic stocks*	48.2%	47.3%	52.5%	49.4%	49.0%	47.8%
Foreign stocks	12.9	9.0	7.4	5.6	5.5	4.6
Fixed income (e.g., bonds)	19.7	20.5	21.1	22.0	22.7	24.0
Balanced funds	n/o	5.4	4.8	5.6	5.0	5.8
Cash/cash equivalents	8.0	7.7	6.9	11.8	10.7	13.3
Real estate	n/o	2.8	2.6	2.8	3.6	2.2
Alternative investment (e.g., hedge funds)	7.8	4.1	4.6	2.8	3.4	2.4
Other	3.4	3.3	n/o	n/o	n/o	n/o
TOTAL	100	100	100	100	100	100
<i>Total responding</i>	<i>(187)</i>	<i>(385)</i>	<i>(361)</i>	<i>(406)</i>	<i>(332)</i>	<i>(433)</i>

n/o: not a response option

As a result of the market decline, are you currently considering any of the following changes to your asset allocation (check all that apply):

- 49%** No change
- 15%** Interested in changing our asset allocation, but we're not sure in what way
- 14%** Increasing cash exposure
- 12%** Adding opportunistic investments that would benefit from market recovery
- 10%** Increasing bond exposure
- 10%** Increasing equity exposure
- 6%** Adding alternative investments
- 4%** Increasing alternative investment exposure
- 2%** Adding downside hedging/controls

5. Are you currently considering increasing or decreasing your allocation to (check all that apply):

	Increase	No Change	Decrease
Cash	28%	62%	10%
Investment Grade Bonds	25%	70%	5%
Non-US Bonds	4%	87%	10%
High Yield Bonds	13%	79%	8%
Emerging Market Debt	1%	87%	12%
Emerging Market Stocks	7%	82%	11%
US Large-Cap Stocks	23%	67%	10%
US Mid-Cap Stocks	13%	76%	11%
US Small-Cap Stocks	10%	77%	13%
International Stocks	12%	74%	14%
Hedge Funds	7%	77%	16%
Managed Futures	1%	89%	10%
Real Estate	7%	84%	9%
Private Equity	7%	88%	6%
SRI/MRI (Social Screening)	3%	93%	5%

6. What is your current rebalancing policy?

- 35%** Rebalance when an asset class moves beyond the upper/lower limits
- 30%** No rebalancing policy
- 16%** Rebalance annually
- 13%** Rebalance quarterly
- 9%** Other (most wrote in as needed, with grant cycle, or when an investment manager advises it)

7. Are you currently considering changing your rebalancing policy to:

- 86%** No change in rebalancing policy
- 7%** Interested in changing our rebalancing policy, but we're not sure in what way
- 7%** Other (varied)

8. If you have a rebalancing policy, are you currently following it or holding off due to current market conditions?

- 59%** Following rebalancing policy
- 41%** Holding off

9. What asset classes are you selling to make your payments for grants (check all that apply)?

- 83%** From cash balance
- 26%** US Large-Cap Stocks
- 19%** Investment Grade Bonds
- 15%** US Mid-Cap Stocks
- 14%** US Small-Cap Stocks
- 11%** International Stocks
- 7%** High Yield Bonds
- 6%** Emerging Market Stocks
- 3%** Non-US Bonds
- 3%** Hedge Funds
- 3%** Real Estate
- 3%** Private Equity
- 2%** Emerging Market Debt
- 1%** Managed Futures

10. What is your investment performance for 2008 (if final numbers are not available, please estimate)?

Note: listed in scaled order of investment performance from best to worst, not in order of greatest response

- 1%** +15% or better
- 1%** +10% to +15%
- 4%** +5% to +10%
- 6%** 0% to +5%
- 2%** -5% to 0%
- 8%** -5% to -10%
- 10%** -10% to -15%
- 19%** -15% to -20%
- 50%** -20% or worse

11. What do you think has been the impact of the investment decisions you've made since the financial crisis deepened in September 2008?

- 59%** little or no impact on your investment performance in 2008
25% a negative impact on your investment performance in 2008
16% a positive impact on your investment performance in 2008

12. What do you think the market will do in 2009?

Note: listed in scaled order of investment performance from best to worst, not in order of greatest response

- 4%** +15% or better
9% +10% to +15%
23% +5% to +10%
34% 0% to +5%
10% -5% to 0%
6% -5% to -10%
9% -10% to -15%
4% -15% to -20%
1% -20% or worse

13. In a few short words, please describe your state of mind as you think about the investing challenges you face in 2009:

- opportunity
- how to make up our loss
- the market will recover and now is the time to buy
- we have an unusual and volatile market that is beyond the tools of investment advisors
- cautiously hopeful
- thinking about whether to retain our current manager
- hold steady
- buying both quality and income producing bonds and stocks
- vigilant and cautious but open to prudent risk taking
- we are clueless
- very bearish