



*Cascade on Meadow Run.
Image by Stacy Butera.*

Legacy Fund

Philosophy

Professional expertise and diligent oversight are central to the efficient and effective management of the Foundation's investments. The Foundation employs professional investment and portfolio managers for the ultimate benefit of the community it serves.

It is a core tenet in the management of our investments that markets are, generally speaking, efficient and that portfolio managers should seek to allocate across asset classes so that investors are compensated for taking risk, that equity investments are expected to out-perform fixed income investments, that illiquid/private equities are expected to outperform liquid/public equities, and that, in markets or asset classes where active management cannot reasonably be expected to generate superior net-of-fees performance, passive management is most effective.

The Foundation does not attempt to engage in market timing, due to the unreliable nature of this practice. Instead, we believe that sound risk management is an essential component of any effective investment program with each decision and investment containing an element of risk, including the temptation to take no risk at all. Further, the Foundation seeks to align the investment of its assets with the charitable intent of the donor and the donor's fund, employing varying degrees of liquidity and risk as appropriate. The Foundation also seeks to identify and utilize the best practices that have stood the test of time in the best-managed endowments and foundations, including the prudent management of fees and avoidance of conflicts of interest. To that end, the Foundation employs open architecture principles and aspires to work with best-in-class advisors and managers throughout the investment process.

Investment Strategy

In its perpetual portfolios, the Foundation seeks to achieve a return equal to the target spending policy (currently 5%) plus an incremental return in excess of inflation – measured as the Consumer Price Index for Urban Consumers. Additionally, the Foundation seeks to avoid the pitfall of home country bias and looks to take advantage of the opportunities available to investors with a long time-horizon. Furthermore, the Foundation employs the well-documented effects of diversification throughout its investment strategy. Consequently, the Foundation is invested in domestic, international and emerging market equities (both public and private). Equities are deemed to provide the best inflation-adjusted growth component for the Foundation. In an effort to reduce volatility of returns and provide a core inflation component, the Foundation invests in domestic fixed income assets including high yield and inflation-protected bonds.

Finally, to capture the potential returns of uncorrelated assets that may also provide protection against inflation, the Foundation invests in real assets – both real estate and commodities – and hedge fund investments.

The Foundation does not directly engage in the use of leverage or derivatives at the portfolio level, but will allow their use by managers who have a demonstrated skill in managing their implementation.

Legacy Fund Components

Legacy Perpetual Fund

The flagship fund of the Foundation, this is a perpetual investment strategy designed for long-term capital appreciation. It is intended for assets that are permanently invested versus other funds in the Foundation’s family that have more liquidity and shorter time horizons. *Estimated investment management fees: 19 basis points.*

Legacy Index Fund

This is a perpetual investment strategy designed for long-term capital appreciation using a passive index approach. This fund consists of Vanguard index mutual funds allocated to mirror the overall allocation of the Legacy Perpetual Fund, but without the private equity and hedge fund investments, resulting in a more liquid and lower-cost portfolio though subject to a slightly higher volatility and lower expected return. *Estimated investment management fees: 12 basis points.*

Legacy Index – All Equity Fund

This perpetual investment strategy is designed for long-term capital appreciation and uses a passive index approach that consists only of the equity portion of the Legacy Index Fund mentioned above, excluding fixed income investments subject to significantly higher volatility. *Estimated investment management fees: 12 basis points.*

Legacy Intermediate Fund

This intermediate investment strategy is designed for capital preservation for donors who wish to distribute the entirety of their fund over the next three to seven years. It takes a more conservative approach, with a high allocation to fixed income investments targeting significantly lower volatility and return than the Perpetual, Index and All-Equity portfolios. *Estimated investment management fees: 12 basis points.*

Legacy Grantmaking Fund

This fund utilizes a short-term cash management investment strategy designed to protect principal. It contains high quality, short-term bonds for donor funds that are intended to be granted out over the next one to three years. *Estimated investment management fees: 12 basis points.*

