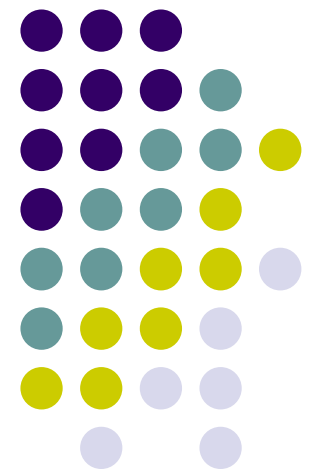


Pieper Challenge Grant and Match program 2013 Annual Report

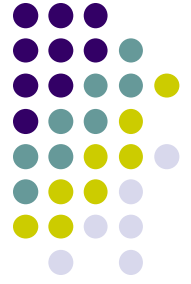


Prepared by Marquette University – College of Business Administration

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Grantee Summary

- The Pieper Family Foundation has created Challenge Grant and Match program to stimulate the trustees of not-for-profits to sharpen their investment policy and oversight. The objective of these grants is growth of capital and the expectation is that investment results will fall within the upper quartile of diversified equity funds' returns over time.
- Pieper Fund returns are provided by each Grantee. The Grantees also provide a description of how their Pieper Fund is invested and the current investment policy. Morningstar performance data is used to evaluate performance. The Challenge Grant and Match program completed the transition from Lipper data in 2013. Morningstar is widely accepted in the investment industry.
- In addition to comparing performance to large groups of peers, results are compared to the Consumer Price Index, a measure of inflation, plus 5% to reflect a risk premium and the desire to create an absolute and growing source of support for each Grantee.
- Ten Grantees reported on their Pieper Challenge & Match results for 2013. Grantees reported results in a range of +8% to +33% compared to +33% for the Vanguard Total Stock Market Index.
- Longer term performance proved more challenging, particularly compared to inflation. During the last 10 years, there was a significant equity bear market; as a result, half of the Grantees earned returns that met the absolute return goal of CPI +5% annually. Four of ten earned returns in excess of the broad U.S. market over five years and only one earned returns in excess of this benchmark over ten years.
- **Over the decade all of the Grantees have sharpened their investment policy focus and oversight. Like most investors, over half of the Grantees have experienced missteps during their participation in the Pieper Challenge (primarily early on in their tenure). Corrections by the Grantees have produced fruit, in the form of higher and more stable returns.**

Performance Summary



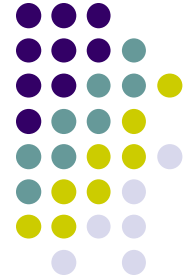
- All ten Grantee funds earned a positive return in 2013. The Vanguard Total Stock Market Index Fund gained 33.5% for the year. One of the ten Grantees performed as well as or better than the Vanguard Total Stock Market Index.
- The highest return for 2013 was 33.5%, achieved by Grantee Nine. The lowest return for 2013 was 8.5% earned by Grantee Three.
- All of the Grantees gained more than the 2013 increase of the CPI +5% (6.5%). This benchmark is used as a goal of earning the rate of inflation to preserve purchasing power, plus a risk premium.
- Two Grantees' five-year performance was in the top quartile versus the Morningstar Aggressive Allocation comparison group. Grantee Two had the highest five-year cumulative return at 130%. Grantee Nine also had first quartile rankings with a five-year cumulative return of 128%.
- All ten Grantees now have ten year performance records. The cumulative returns are listed below:
 - Grantee One: +93%
 - Grantee Two: +99%
 - Grantee Three: +80%
 - Grantee Four: +123%
 - Grantee Five: +12%
 - Grantee Six: +90%
 - Grantee Seven: +75%
 - Grantee Eight: +63%
 - Grantee Nine: +101%
 - Grantee Ten: +69%



Evaluation Method

- Performance of each total Pieper Challenge and Match Fund is compared:
 - among the Grantees
 - versus the Vanguard Total US Stock Market Index Fund, as a tool for evaluation against all publicly traded U.S. stocks
 - against the Consumer Price Index +5% to consider growth of purchasing power plus a market risk premium.
 - against the Morningstar Aggressive Allocation composite, a widely-used benchmark for diversified, growth-oriented portfolios

Grantee	2013 Return	Investment Policy	
	(%)	Stocks (%)	Bonds (%)
Grantee 1	24.4	80	20
Grantee 2	28.8	100	0
Grantee 3	8.5	35	65
Grantee 4	18.3	60	40
Grantee 5	12.5	100	0
Grantee 6	15.2	75	25
Grantee 7	13.6	85	15
Grantee 8	14.9	75	25
Grantee 9	33.5	100	0
Grantee 10	21.6	80	20
Vanguard Total Stock Mkt Index	33.5		
CPI +5%	6.5		
Morningstar Aggressive Allocation	21.3		



Grantee Fund Performance Summary Table

Investment Performance	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Grantee One	11.6	6.3	16.4	4.8	-38.9	32.9	18.5	-2.6	14.8	24.4
Grantee Two	12.2	7.5	15.9	4.0	-40.7	36.3	17.8	-3.3	15.4	28.8
Grantee Three	9.9	3.7	5.9	7.9	-10.1	14.3	9.8	2.2	11.0	8.5
Grantee Four	14.0	6.0	9.2	9.3	-22.6	28.0	13.0	3.8	12.9	18.3
Grantee Five	12.7	8.7	3.2	-7.4	-44.4	22.4	19.1	-7.2	13.2	12.5
Grantee Six	13.7	5.0	8.8	12.4	-35.3	38.2	12.9	0.7	11.5	15.2
Grantee Seven	6.6	8.5	16.6	10.2	-31.1	22.1	12.9	-0.8	10.5	13.6
Grantee Eight	9.2	3.4	15.6	7.1	-36.8	29.9	16.2	-7.3	14.9	14.9
Grantee Nine	9.1	2.0	23.2	4.9	-38.7	24.2	17.1	1.1	16.4	33.5
Grantee Ten	0.3	4.5	12.3	5.4	-32.2	33.3	13.8	-5.0	15.0	21.6
Benchmarks										
Vanguard Total Stock Mkt Index Fund	12.5	6.0	15.5	5.5	-37.0	28.7	17.1	1.0	16.3	33.5
Consumer Price Index +5%	3.3	3.4	7.5	9.1	5.1	7.7	6.5	8.2	6.8	6.5
Morningstar Aggressive Allocation	10.9	7.4	13.1	7.4	-34.3	29.4	13.5	-3.8	13.4	21.3
Greater Milwaukee Foundation - Corporate Assets Pool	10.9	8.5	14.9	8.0	-25.6	25.1	13.5	0.1	13.1	16.7
Greater Milwaukee Foundation - US Bank Pool	11.3	8.8	14.2	9.2	-26.7	28.0	12.4	-1.3	13.8	17.2
Greater Milwaukee Foundation - JP Morgan Pool	12.4	7.6	15.6	7.9	-26.4	30.2	14.4	0.1	13.8	17.2
Greater Milwaukee Foundation - BMO Harris Bank Pool	10.8	8.9	14.7	8.2	-28.2	26.1	14.3	-3.5	14.1	20.2

Grantee Fund Performance Summary Table



Investment Performance	Annualized		5-year	10-year
	5 Year	10 Year	Morningstar Category Quartile	Morningstar Category Quartile
Grantee One	17.0%	6.8%	2	2
Grantee Two	18.2%	7.1%	1	1
Grantee Three	9.1%	6.1%	3	3
Grantee Four	14.9%	8.4%	2	1
Grantee Five	11.5%	1.2%	4	4
Grantee Six	15.1%	6.7%	2	2
Grantee Seven	11.4%	5.8%	3	3
Grantee Eight	13.1%	5.0%	3	4
Grantee Nine	17.9%	7.2%	1	1
Grantee Ten	15.0%	5.4%	2	4
Benchmarks				
Vanguard Total Stock Mkt Index Fund	18.7%	8.0%		
Consumer Price Index +5%	7.1%	6.4%		
Morningstar Aggressive Allocation	14.2%	6.3%		
Greater Milwaukee Foundation - Corporate Assets Pool	13.4%	7.6%		
Greater Milwaukee Foundation - US Bank Pool	13.6%	7.7%		
Greater Milwaukee Foundation - JP Morgan Pool	14.7%	8.2%		
Greater Milwaukee Foundation - BMO Harris Bank Pool	13.8%	7.4%		

Grantee Fund Performance Summary Table



- Endnotes:
 - Full calendar year performance for each Grantee is presented and analyzed in this report.
 - Grantee One – performance in 1999 and 2000 is a simple average of two managers during a transition in management.
 - Grantee Four – inception date is 3/31/1999.
 - Grantee Six – inception date is 11/20/2000.
 - Grantee Seven – inception date is 9/1/2000.
 - Grantee Eight – inception date is 1/1/2002.
 - Grantee Nine – inception date is 11/1/2003.
 - Grantee Ten – inception date is 9/31/2002.
- Each individual fund is compared with its respective industry peer group. Up through 2012, this peer group was calculated by Lipper. Starting in 2013, we are using the Morningstar peer group.

Annualized return rankings



5-year annualized returns

Grantee	Return
<i>Vanguard Total Mkt</i>	18.7%
Grantee Two	18.2%
Grantee Nine	17.9%
Grantee One	17.0%
Grantee Six	15.1%
Grantee Ten	15.0%
Grantee Four	14.9%
<i>Morningstar Agg Alloc</i>	14.2%
Grantee Eight	13.1%
Grantee Five	11.5%
Grantee Seven	11.4%
Grantee Three	9.1%
<i>CPI + 5%</i>	7.1%

10-year annualized returns

Grantee	Return
Grantee Four	8.4%
<i>Vanguard Total Mkt</i>	8.0%
Grantee Nine	7.2%
Grantee Four	7.1%
Grantee One	6.8%
Grantee Six	6.7%
<i>CPI + 5%</i>	6.4%
<i>Morningstar Agg Alloc</i>	6.3%
Grantee Three	6.1%
Grantee Seven	5.8%
Grantee Ten	5.4%
Grantee Eight	5.0%
Grantee Five	1.2%

Sharpe ratio rankings

Sharpe ratio is a measure of risk-adjusted return. It measures excess return (i.e. risk premium – the return achieved above the 10-year Treasury bond’s return, for example) per unit of risk. Higher Sharpe ratios imply better risk-adjusted performance.



5-year Sharpe ratio

Grantee	Ratio
<i>CPI + 5%</i>	5.61
Grantee Three	1.43
Grantee Four	1.38
Grantee Nine	1.28
<i>Vanguard Total Mkt</i>	1.26
Grantee One	1.08
Grantee Seven	1.05
Grantee Two	1.03
<i>Morningstar Agg Alloc</i>	0.93
Grantee Six	0.90
Grantee Ten	0.88
Grantee Eight	0.78
Grantee Five	0.76

10-year Sharpe ratio

Grantee	Ratio
<i>CPI + 5%</i>	1.53
Grantee Three	0.40
Grantee Four	0.38
<i>Vanguard Total Mkt</i>	0.24
Grantee Nine	0.19
Grantee Six	0.18
Grantee Two	0.18
Grantee One	0.17
<i>Morningstar Agg Alloc</i>	0.17
Grantee Seven	0.16
Grantee Five	0.11
Grantee Ten	0.11
Grantee Eight	0.09

General Market Performance Overview



Index	2013
S&P 500	32.4%
Dow	29.7%
Russell 2000	38.8%
MSCI EAFE	23.6%
MSCI EM	-2.4%
Barclays T-Bill	0.1%
Barclays Agg	-2.1%

Total return = Price change + income

Performance disclaimer



- This report has been prepared by undergraduate students in Marquette University's College of Business Administration. Every effort has been made to calculate and report accurate information.
- The information contained in this summary is prepared from records which Marquette University considers reliable. However it is not intended to and should not be used as a substitute for periodic statements that you receive on a regular basis from your investment advisor and custodian. Please compare the data on this document carefully with your monthly statements to verify its accuracy.
- If you discover an error in this report, please report it to Dan Geigler, Adjunct Instructor, daniel.geigler@mu.edu.