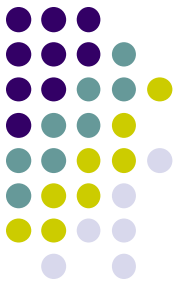


Pieper Challenge Grant and Match Program 2016 Annual Report



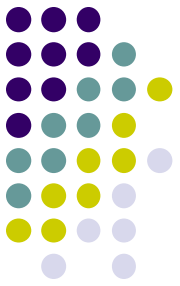
Prepared by Marquette University – College of Business Administration

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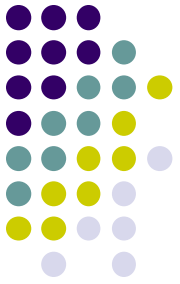
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Grantee Summary



- The Pieper Family Foundation has created the 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 U.S. 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 data is used to evaluate performance. The Challenge Grant and Match program completed the transition from Lipper data in 2014. Morningstar is widely accepted in the investment industry.
- In addition to comparing performance to large groups of peers, results are compared to the Greater Milwaukee Foundation – Investment Pool, the in-house managed Pool for a large local foundation.
- Ten Grantees reported on their Pieper Challenge & Match results for 2016. Grantees reported results in a range of +3.6% to +12.7% compared to +12.7% for the Vanguard Total Stock Market Index.
- Longer term performance proved more challenging. During the last 10 years, there was a significant equity bear market; as a result, only two Grantees earned returns that met or exceeded the return of the Greater Milwaukee Foundation – Investment Pool annually.
- 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 2016. The Vanguard Total Stock Market Index Fund gained 12.7% 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 2016 was 12.7%, achieved by Grantee Nine. The lowest return for 2016 was +3.6% earned by Grantee Six.
- Five Grantees gained as much or more than the 2016 increase of the Greater Milwaukee Foundation – Investment Pool (+8.1%).
- Three Grantees' five-year performance was in the top quartile versus the Morningstar 70-80% Equity Allocation comparison group. Grantee Nine had the highest five-year average return (14.6%/year). Grantee Two (+11.9%/year) and Grantee One (+10.5%/year) also had first quartile rankings over the five year period.
- Grantee performance since inception is summarized on the next page. We are interested in Grantees' change in relative performance over time. In other words, have Grantees learned lessons from participating in the Challenge Grant Program that they have implemented to improve performance over time?

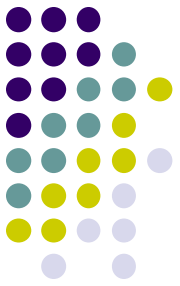
Grantee Fund Performance Since Inception



Grantee	Return /year since inception	Inception	Quartile/ Inception	Progress
Grantee 1	4.6%	1999	2	Improved
Grantee 2	8.8%	1997	1	Consistent
Grantee 3	2.5%	1999	3	Consistent
Grantee 4	5.0%	1999	1	Improved
Grantee 5	2.4%	1999	4	Worsened
Grantee 6	2.9%	2000	3	Consistent
Grantee 7	4.9%	2000	3	Worsened
Grantee 8	4.3%	2002	3	Worsened
Grantee 9	7.7%	2003	1	Improved
Grantee 10	4.4%	2002	2	Improved (only recently)

- 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.

Value creation over time



- The Pieper Challenge Grant and Match program allows for half of the annual gain to be withdrawn for spending by the Grantee and half to be added back to the principal of the portfolio.
- A summary of what \$1 at inception has grown to for each Grantee:

Grantee	Inception	Total for spending	Currently in portfolio
Grantee 1	1999	\$0.49	\$1.59
Grantee 2	1997	\$0.92	\$2.33
Grantee 3	1999	\$0.24	\$1.24
Grantee 4	1999	\$0.54	\$1.62
Grantee 5	1999	\$0.30	\$1.17
Grantee 6	2000	\$0.24	\$1.26
Grantee 7	2000	\$0.41	\$1.42
Grantee 8	2002	\$0.35	\$1.37
Grantee 9	2003	\$0.58	\$1.81
Grantee 10	2002	\$0.35	\$1.36



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 70-85% Equity Allocation composite, a widely-used benchmark for diversified, growth-oriented portfolios. In 2016, Morningstar renamed their Allocation Benchmarks, and the Aggressive Allocation benchmark is now known as the 70-85% Equity Allocation benchmark.
- 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.

Grantee	2016 Return	Investment Policy	
	(%)	Stocks (%)	Bonds (%)
Grantee 1	9.6	80	20
Grantee 2	11.9	100	0
Grantee 3	4.3	65	35
Grantee 4	7.2	60	40
Grantee 5	10.7	100	0
Grantee 6	3.6	75	25
Grantee 7	4.0	85	15
Grantee 8	8.1	75	25
Grantee 9	12.7	100	0
Grantee 10	7.1	80	20
Vanguard Total Stock Mkt Index	12.7		
Greater Milwaukee Fdn – Inv Pool	8.1		
Morningstar 70-85% Equity Allocation	7.9		

Grantee Fund Performance Summary Table



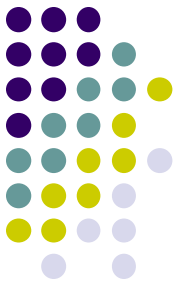
Investment Performance	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Grantee One	4.8	-38.9	32.9	18.5	-2.6	14.8	24.4	6.8	-1.4	9.6
Grantee Two	4.0	-40.7	36.3	17.8	-3.3	15.4	28.8	5.9	-1.7	12.1
Grantee Three	7.9	-10.1	14.3	9.8	2.2	11.0	8.5	5.5	-1.5	4.3
Grantee Four	9.3	-22.6	28.0	13.0	3.8	12.9	18.3	7.1	0.3	7.2
Grantee Five	-7.4	-44.4	22.4	19.1	-7.2	13.2	12.5	4.1	-5.5	10.7
Grantee Six	12.4	-35.3	38.2	12.9	0.7	11.5	15.2	5.5	-0.8	3.6
Grantee Seven	10.2	-31.1	22.1	12.9	-0.8	10.5	13.6	5.5	-2.7	4.0
Grantee Eight	7.1	-36.8	29.9	16.2	-7.3	14.9	14.9	5.5	-3.5	8.1
Grantee Nine	4.9	-38.7	24.2	17.1	1.1	16.4	33.5	12.5	0.3	12.7
Grantee Ten	5.4	-32.2	33.3	13.8	-5.0	15.0	21.6	3.3	-2.3	7.1
Benchmarks										
Vanguard Total Stock Mkt Index Fund	5.5	-37.0	28.7	17.1	1.0	16.3	33.5	12.5	0.3	12.7
Morningstar 70-85% Equity Allocation	7.4	-34.3	29.4	13.5	-3.8	13.4	21.3	5.7	-2.8	7.9
Greater Milwaukee Foundation - Investment Pool	8.0	-25.6	25.1	13.5	0.1	13.1	16.7	4.4	-1.2	8.1

Grantee Fund Performance Summary Table



Investment Performance	5 Year	Annualized 10 Year	15 Year
Grantee One	10.5%	4.9%	5.7%
Grantee Two	11.7%	5.2%	6.9%
Grantee Three	5.5%	5.0%	4.1%
Grantee Four	9.0%	6.9%	6.2%
Grantee Five	6.8%	-0.3%	1.6%
Grantee Six	6.8%	4.7%	4.5%
Grantee Seven	6.0%	3.4%	5.2%
Grantee Eight	7.8%	3.2%	4.3%
Grantee Nine	14.6%	6.4%	n/a
Grantee Ten	8.6%	4.5%	n/a
Benchmarks			
Vanguard Total Stock Mkt Index Fund	14.6%	7.1%	7.2%
Morningstar 70-85% Equity Allocation	8.8%	4.3%	5.6%
Greater Milwaukee Foundation - Investment Pool	8.0%	5.3%	6.7%

Annualized return rankings



5-year annualized returns

Grantee	Return
Grantee 9	14.6%
<i>Vanguard Total Mkt</i>	14.6%
Grantee 2	11.7%
Grantee 1	10.5%
Grantee 4	9.0%
<i>Morningstar 70-85% Alloc</i>	8.8%
Grantee 10	8.6%
<i>Greater Milw Fnd – Inv Pool</i>	6.4%
Grantee 8	7.8%
Grantee 5	6.8%
Grantee 6	6.8%
Grantee 7	6.0%
Grantee 3	5.5%

10-year annualized returns

Grantee	Return
<i>Vanguard Total Mkt</i>	7.1%
Grantee 4	6.9%
Grantee 9	6.4%
<i>Greater Milw Fnd – Inv Pool</i>	5.3%
Grantee 2	5.2%
Grantee 3	5.0%
Grantee 1	4.9%
Grantee 6	4.7%
Grantee 10	4.5%
<i>Morningstar 70-85% Alloc</i>	4.3%
Grantee 7	3.4%
Grantee 8	3.2%
Grantee 5	-0.3%

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 Treasury bond’s return, for example) per unit of risk. Higher Sharpe ratios imply better risk-adjusted performance.



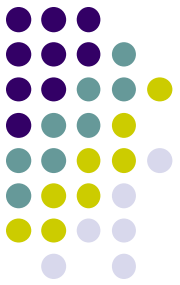
5-year Sharpe ratio

Grantee	Ratio
<i>CPI + 5%</i>	10.00
Grantee 4	1.28
Grantee 9	1.19
<i>Vanguard Total Mkt</i>	1.19
Grantee 3	1.09
Grantee 1	1.06
Grantee 6	1.02
Grantee 2	1.00
Grantee 8	0.97
<i>Morningstar 70-85% Alloc</i>	0.95
Grantee 7	0.90
Grantee 10	0.88
Grantee 5	0.82

10-year Sharpe ratio

Grantee	Ratio
<i>CPI + 5%</i>	3.84
Grantee 3	0.40
Grantee 4	0.36
<i>Vanguard Total Mkt</i>	0.26
Grantee 9	0.22
Grantee 1	0.14
Grantee 2	0.14
Grantee 6	0.14
Grantee 10	0.13
<i>Morningstar 70-85% Alloc</i>	0.12
Grantee 7	0.08
Grantee 8	0.06
Grantee 5	-0.13

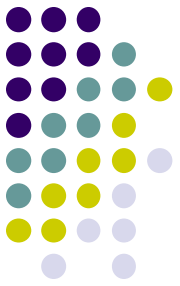
General Market Performance Overview



Index	Description	2016
S&P 500	Large-Cap US Equity	12.0%
Dow	Large-Cap US Equity	16.5%
Russell 2000	Small-Cap US Equity	21.3%
MSCI EAFE	International – Developed Markets	1.0%
MSCI EM	International – Emerging Markets	11.2%
Bloomberg Barclays T-Bill	Cash	0.2%
Bloomberg Barclays Agg	Fixed Income	2.7%

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.