Suzanne & Richard Pieper Family Foundation

Date: June 8, 2023
To: Endowment Programs Holding S & R Pieper Family Fund Challenge Grant
From: Dick Pieper
Subject: Frequently Asked Questions and Observations of the Learning Program

The following is intended to assist others in clarifying the intent of the Fund, its challenge grant, and its administration.

1) ***Must the funds be invested in mutual funds listed in Morningstar?***

   Mutual funds could be a source of investment. Morningstar has such funds listed, and they rank them according to top performers. Hence, the upper 25 percentile performance. This is given only as an example of "such as." There are others as well. The intent is to challenge you to find the vehicles to get the best long-term return on your endowment dollars.

2) ***Do you want to control how we invest funds?***

   Quite the contrary. We want to leave that as loose as possible but encourage and permit endowments to invest progressively. In this case, the donor has indicated a progressive investment inequity.

3) ***Each year, 1/2 of the appreciated value of the Fund can be used at our discretion for whatever we choose. If we leave some money in the Fund, does that mean we cannot take it out in future years?***

   On the contrary, the intent is that 1/2 of the appreciated value constitutes the new level of the Fund. Any dollars beyond that accumulated or left in the Fund are at the discretion of the endowment trustees spending policy. You need only keep an account of the new level of the Fund and its yearly return. Any return you have on the balance of monies is yours. (Some agencies have established a third fund account with the credit available to offset short-term cycles.) Historically, we believe that if you put your money in equities (not even progressively), you will have as much money to spend off your endowments as you have had. In addition, you will have an equal amount that will grow your endowment. If most of the endowments in Milwaukee that were established years past had done this, there would not be annual fund-drive efforts and solicitation programs representing significant human resources. They would have increased their endowments 500 to 1000 times, depending upon when it was established, after spending the money they used. We expect that 20 and 30 years from now, you will see the same thing happening with this Fund. As a result, it will give you permission and authority to invest funds progressively. Only invest in Money Markets on a short-term basis to ensure the cash flow you expect from your endowment. Hence, preplanning for the cycles in the equity market.

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4) ***Money must be invested in "Leading Growth Funds," as represented by today's definition of growth funds.***

We did not state this accurately and over time......one Board of Trustees managing our challenge has restated it to represent the thinking of our investment direction better:

> *The Pieper Endowment shall be invested to produce results comparable to those achieved by leading investment funds, as Morningstar can represent. Accordingly, we expect the return on those funds to be equity greater than the medium return of a universe of leading growth fund managers.*

In any case, we are not expecting you to invest in growth funds but compare your results to the upper quartile of investment returns over time.

The following was added in June 2004.

5) At least 2 of the ten grantees seem to have decided to put all their funds into growth funds, as may be interpreted by the original language for the challenge grants. This was clarified in 2000.

6) There is a tendency over time for some of the trustees of endowments to take the challenge grant money and the grant money and treat them differently. They are the same.

7) In one case, the grantee took the returns on the challenge money and used all the returns to put into their operating budget, treating it differently than the grant funds. They understand that and are correcting it.

8) In one case, trustees of funds merely extracted equities from their funds and did not separate the funds to represent their returns. That has been corrected.

The following was added in April 2007.

Challenge Funds and Matching Funds Strategy for Maximizing Performance

9) The intention has been to manage the Challenge and Matching Funds as one portfolio. This portfolio is compared to the top quartile of fund performances.

10) Serious errors have been made in placing all funds with one fund or fund manager or considering Challenge and Matching Funds as part of a more extensive investment portfolio. In any of the above scenarios, the resulting performance has seriously adversely impacted the investment results of the funds. Had such practices been avoided, the performance of the funds would have been in the top quartile.

The following was added in June 2015.

11) Emotions of the committee or board of trustees

Basic human nature is such that decisions tend to be made in the opposite direction of sound investment intelligence. Responding to human emotions is the investor's enemy. Human nature will buy at the high and sell at the low. This repeatedly happens in several cases in these funds.

The following was added in June 2023.

12) Investing for a lifetime is different from investing in perpetuity. For example: Not well understood is that buying long-term bonds is risky to the corpus in perpetuity, versus buying bonds to match payouts for a pension fund is prudent, resulting in basement dwellers.

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