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Free investment advice fuels Evanston Community Foundation's long-term growth

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How has the Evanston Community Foundation met its funding requirements, offset the impact of inflation and grown to support incremental spending?

Its investment practices might hold one clue.

Since its inception in 1988, the foundation's endowment has earned an annual return of 9.4 percent. The 2013 investment return was 14.1 percent.

ECF hosted its second annual investment forum on endowment performance and practices on March 19. Presiding over the forum at the Hilton Garden Inn were ECF investment committee chair Ralph Segall (chief investment officer, Segall, Bryant & Hamill), and committee members John McCarthy (Chief investment officer, Centaur Capital Partners, Inc.) and Bill Blanchard (vice president-private banking USA, Credit Suisse).

"Like many others, we were pleasantly surprised by the stock market in 2013; yet any one year's results are not critical to our thinking," Segall said. We have always viewed our investing activity as a marathon, not a sprint, and generating consistent returns over time is our objective."

In a follow-up interview, Segall said the board adheres to a set of guidelines setting spending objectives and directing investment practices.

"As long as you have a process, and you have smart people applying that process, you tend to keep yourselves out of trouble," he said. "Rather than swing for the fences, what we're trying to do is not strike out and consistently hit singles and doubles."

ECF board and investment committee member McCarthy summed up the

group's mission this way: "‘Why we do what we do,’ to borrow from a popular Ted Talk by Simon Sinek, is to balance future needs with the needs of today.”

The Foundation's Investment and Spending Policy is designed to address the tension between saving and spending to provide for Evanston's current and long term needs. The existing policy enables the foundation to take an annual 5 percent distribution from endowment to fund community programs, initiatives and grants, preserving the rest of the funds to grow at a rate higher than the 5 percent draw plus inflation to meet the community's needs in perpetuity.

“The Foundation is fortunate to have so many senior investment management professionals on the committee, both as board members and public volunteers,” said Committee member Ingrid Stafford of the 13-member investment committee. “The cumulative professional investment experience of the committee is almost three centuries.”

The all-volunteer work of the investment committee saves ECF an estimated \$75,000 in financial consulting expenses per year.

The investment committee evaluates ECF's portfolio performance against four standards: The Foundation's 5 percent annual spending target, A passive index of financial market benchmarks. Investment results of community foundation peer groups; and risk-reward analysis.

“The Evanston Community Foundation is doing very well compared to its peers,” Segall concluded.