



THE INVESTMENT FUND FOR FOUNDATIONS
Pursuing investment excellence

To: TIFF Members and Friends
From: Richard Flannery (rflannery@tiff.org; 610.684.8100)
Chief Executive Officer, TIFF Advisory Services, Inc. (TAS)
Date: December 8, 2009
Re: Pursuing Investment Excellence

Ample Notice. We are writing today to inform our valued members and others with whom we regularly interact of a pending personnel transition here at TAS. The post of chief investment officer (CIO) at TAS is held today, and will continue to be held while the planning discussed below unfolds, by the energetic and extremely talented person who has held this post since TIFF's establishment in the early 90's: our founding president, David Salem. Over the past few years, the TAS board (of which both David and I are part), has engaged in succession planning discussions involving key positions within the growing TIFF organization. More recently, David kicked the succession planning process for the CIO position into higher gear when he told the TAS board and me that he would like to change the duties he performs for TAS sometime before the end of 2010.

Strong Incentives. My fellow TAS board members, including David and I, are now engaged in a productive dialog with our senior staff colleagues about how to restructure our investment team to facilitate our continued pursuit of investment excellence while also enabling David to pursue the admirable professional and personal goals outlined in his accompanying note. We do not yet know the precise contours that this restructuring will take, but we **do** know the following:

- Pending implementation of changes in how our investment team goes about its work, David will continue to discharge his duties as our CIO. As his accompanying note underscores, he has strong incentives – psychological as well as financial – to continue performing such duties in the same exemplary manner that he has discharged them since TIFF's founding.
- For reasons rooted in both our ongoing growth and the transition discussed in this note, we expect to add additional senior talent to our already broad and deep investment team as part of this process, though we want to do some further thinking before deciding precisely when and how we'll supplement our team.
- Regardless of how we staff our investment team in coming years, we expect to continue benefiting from David's accumulated investment wisdom and experience beyond 2010.

Exceptionally Capable. The TAS board and I thank David for giving us such ample notice of his desire to effect a change in his duties. The resultant lead time allows us to plan and implement the transition thoughtfully and carefully. We also thank him for developing at TIFF an exceptionally capable team of talented and experienced investment professionals. Most of you already know our highly capable deputy CIO's – Nina Scherago, John Thorndike and Stephen Vicinelli – and their equally capable senior colleagues: Chris Douvos, Mona ElNaggar, Lodge Gillespie and John Merrill. This senior team is and will remain “at the table” as we design, implement and staff our new structure. This team, and the multiple researchers and analysts who support them, will also remain intensely focused on our primary task of stewarding effectively the capital that our valued member-charities have entrusted to TIFF.

Happy to Talk. Having taken the perhaps unusual step of disclosing a pending staffing change in advance of its consummation, we are mindful of our obligation to keep you apprised of material developments on the staffing and other fronts and we will do so. In the meantime, please feel free to call me at 610.684.8100 if you'd like to discuss any aspect of the foregoing. You should also feel free to call David at 617.758.2100 or any of the investment pros at TIFF with whom you customarily interact at 610.684.8200. Thanks, as always, for your ongoing support.

End



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To: TIFF Members and Friends
From: David A. Salem (dsalem@tiff.org; 617.758.2100)
Founding President and Chief Investment Officer
Date: December 8, 2009
Re: Pursuing Investment Excellence

Taking the Long View. My valued colleague and longtime friend Dick Flannery encouraged me to pen this note to accompany one from him on the same topic and I'm pleased to oblige. The topic to which I'm alluding is TIFF's ongoing pursuit of investment excellence — an endeavor that's been my principal professional focus since the MacArthur Foundation and other grantmaking foundations it helped recruit made the seemingly inexplicable decision in 1992 to entrust me with a big chunk of change to build an investment cooperative for endowed charities. Deducing (correctly!) that a 30-something who'd never been a CEO inevitably would do much learning on the job, TIFF's initial backers conditioned their support on my agreeing to stay at TIFF for at least 10 years. Here we are, 17 years on, and I'm still gainfully and happily employed by TIFF — prouder than ever of what this highly distinctive organization has accomplished and more sanguine than ever that its best years lie ahead. I'm bullish on TIFF for several reasons, including the pending transition to which Dick alludes in the accompanying memo, which I encourage you to read before perusing the remainder of this note from me.

Pleasing Precedent. I'm confident the aforementioned transition will go well because this organization has consummated a similar feat before. As many readers will recall, when TIFF's expanding size and scope caused me to conclude that I could no longer perform in a manner satisfactory to me the dual roles of CEO and chief investment officer (CIO), I encouraged our board to transfer the former mantle to a skilled professional who'd proven his worth as head of TIFF's marketable investments program. In the roughly six years since Dick Flannery succeeded me as CEO, the number of endowed charities entrusting capital to TIFF has nearly doubled (from 385 to 732); the capital so entrusted has more than tripled (from \$2.7 billion to \$8.2 billion), despite — or perhaps more accurately because of — historic declines in the prices of most risky assets; and the most conspicuous and important metrics by which our work here gets gauged have evolved in a manner that's **almost** as pleasing to me as it self-evidently is to the growing number of charities entrusting capital to TIFF.

If It Ain't Broke, Fix It. I've highlighted "almost" in the prior sentence because I'm as certain as Fenway Park is handsome that there's room for improvement in all aspects of our team's work, investing included. Indeed, as my fellow board members can attest, the chief reason I undertook the initiative to which Dick's memo alludes is because I'm convinced that we can do better — if we can summon the courage to "fix" that which is

manifestly **not** “broken.” At this writing, we don’t know for sure what changes in staffing and structure we’ll make as 2010 unfolds, although we do know this: not later than the coming year’s end, I’ll shed certain duties I’ve shouldered customarily at TIFF and, as a consequence of doing so, will shed too the title of CIO. What I won’t shed — ever — is my commitment to promoting steps that in my opinion will enhance TIFF’s capacity to steward capital effectively. Such prowess presupposes several things, including a cadre of talented investment pros with strong incentives to perform their assigned duties in an exemplary manner, and the ability and willingness to recruit new talent and make other changes as circumstances warrant. The team of investment pros I’m privileged to head presently, and will continue heading as 2010 commences, is talented and experienced, with an aggregate of over 100 years of relevant professional experience, more than 50 of these with TIFF. And we have strong incentives, tangible as well as intangible, to exert our utmost efforts on behalf of TIFF’s member-charities.

Carpe Diem. In closing, I feel compelled to note an additional reason why I’ll be shedding certain duties here at TIFF — administrative burdens, for sure, plus other duties to be determined — over the next year or so. I’ll be doing so in part because two non-profits near and dear to me are facing opportunities whose successful seizures by them I’m keen to help advance. One is In The Arena, an innovative non-profit founded by my wife, Amory Rowe, that stands poised to expand materially the size and scope of its programs connecting America’s elite amateur athletes with underprivileged youth in need of role models and mentors. The other is my undergraduate *alma mater*, Middlebury College, on whose board I’ve been privileged to sit since 2003 and to which I expect to devote much time in coming years. In short, while I look forward to continued labors on behalf of the hundreds of endowed charities that have entrusted capital to TIFF, I’d like to spend increased time helping two non-profits in particular pursue their missions. I’m grateful to Dick and my fellow board members at TIFF for agreeing to explore means of enabling me to pursue these and other interests while also continuing to participate meaningfully in the stewardship of capital entrusted to TIFF. As for the specific means to be employed in pursuit of these dual aims, please stay tuned — and please accept my sincere thanks for your ongoing support of TIFF.

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