



May 13, 2015

Dear TIFF Members,

In our March 31, 2015 letter to Members announcing our pending CIO transition, TIFF Advisory Services (TAS) Board Chair Collette Chilton and I promised that TIFF would update you during the period and process in which we selected a new CIO. Collette and I decided that I should provide the first such update. This update will address three topics: TIFF's CIO hiring process, our ongoing portfolio positioning work, and recent investment team hiring.

Over the last several weeks, our board search committee (Collette Chilton, Seth Alexander, Scott Malpass, and me) has been working hard on our CIO transition. We have retained David Barrett Partners (DBP) to assist us with our CIO search. We selected DBP because the firm is well respected by several of our board members and because the firm has done substantial work placing CIOs at well regarded institutions in the non-profit investment universe (e.g., DBP recently completed the search for Stanford University's CIO). Our early work with DBP has included reviewing the list of CIO candidates that the TIFF boards have generated, as well as reviewing CIO candidates that DBP has independently generated. Unsurprisingly, there is a good deal of overlap between the two lists. The combined list includes sitting CIOs in the endowment and foundation (E&F) universe, strong "number two's" in the E&F universe, and candidates from the commercial investment world who have demonstrated experience in, and enthusiasm for, the non-profit sector. We have had several working sessions culling our list and have begun contacting prospects. As this letter goes to print, we are beginning first-round, in-person interviews. We are enthused by both the quantity and the quality of candidates interested in the TIFF CIO position. While we can't guarantee when our search process will be completed, we are off to a fast start and we anticipate roughly a four- to six-month process. We won't take any shortcuts, but we will press forward with energy and a strong sense of purpose.

While the CIO search is ongoing, our investment work across all of TIFF's specialized and core strategies continues apace. Several positioning changes and manager fundings recently have been completed, are in progress, or are under active review. For example, we are in the process of selling the last of our TIPS Breakevens (but not our straight TIPS) from our core strategies. Inflation remains, in our view, a meaningful long-term risk, but we have other inflation fighting positions in our portfolios that we think offer better total return potential than the breakevens. We have also added modest additional equity beta in our comprehensive portfolios. As we do so, we remain mindful that many equity markets are somewhere between fully priced and overvalued. We are, therefore, being very selective about the type of new equity exposure we are adding. For example, we recently hired a new global equity manager,

Hosking Partners. Hosking is about a 6% position in our core strategies, but equity beta has increased by only about half that amount (circa 3%), as we sold some passive equity to fund the Hosking global value mandate. Hosking's global equity portfolios generally have price characteristics that should provide some defensiveness in the event of a significant equity pullback. Importantly, each of the moves described above has been discussed with and vetted by TAS board members.

Firmly committed to continuous improvement in all that we do at TIFF, we have also recently had significant discussion with our boards on our general approach to portfolio construction. We have always been humble about our ability to outsmart capital markets through tactical asset allocation, hedging, and other relatively short-term strategies. We believe we should be even more humble about our ability to do so as central banks around the world prolong their distortion of market behavior with massive infusions of liquidity and the maintenance of exceptionally low interest rates. Thus, we have begun to migrate our core strategies to a less idiosyncratic position. (The sale of our TIPS Breakevens is one example of this migration.) We believe we can continue to add more value through manager selection than we can through tactical tilts, hedging, etc. Please note carefully that the language in the preceding sentence is, by careful design, relative in nature, not absolute. We expect to retain our long-held value bias and we remain price sensitive buyers.

We continue to deepen and broaden our investment team. We are pleased to report that one new staffer joined our investment team in March and three more staffers will join us in the next several weeks:

Chris Anderson: A naval engineer by training, Chris comes to TIFF with nine years of private investing experience. Most recently at Alcatel-Lucent Investment Management Corp., Chris managed a \$3 billion portfolio of private investments spanning venture capital, buyout, energy, distress, and credit.

Jessica Bolster: Jessica joins TIFF's staff in Boston as an assistant trader. Most recently, she was a trading and investment operations analyst at The Baupost Group in Boston. Prior to her time at Baupost, Jessica spent eight years at Fidelity Investments and Geode Capital Management.

Brad Calder: With a passion for the emerging markets that led him to China for two years, Brad founded his own business in China and served as an educational advisor to Chinese students seeking a Western education. Most recently, Brad was a member of the investment team at The Wallace Foundation, where he concentrated on manager research and due diligence.

Stephen Williams: After graduating with honors in mathematics from the University of Chicago, Stephen spent two years at Cogent Partners, advising institutional investors in buying and selling secondary interests in private investments. More recently, Stephen continued his work with Cogent from New Haven, where he earned a Master of Arts in History from Yale University.

While progress continues on the investment and staffing fronts, we are as ever focused on our Members. We have heard from many of you in the past weeks, and we are thankful for the confidence, support, and constructive comments you have shared with us. In addition to reviewing future written updates, we hope you will join us for our semiannual vehicle conference calls in July and August. We will be sending invitations to you in the next month. We also hope to see many of you at upcoming roundtable discussions in Detroit on June 11th and New York City on June 22nd. As always, if you have any questions or would like to discuss any aspect of this update please contact us by email at memberservices@tiff.org or by phone at [610.684.8200](tel:610.684.8200).

Thank you for your continued interest and confidence in TIFF.

A handwritten signature in black ink that reads "Dick". The script is cursive and fluid.

Dick Flannery
CEO and Interim CIO