



THE INVESTMENT FUND FOR FOUNDATIONS

pursuing investment excellence on behalf of endowed non-profits

April 25, 2013

Dear TIFF Members and Friends,

The sun has, in our view, been shining brightly on TIFF for more than two decades. We are grateful for the wisdom of TIFF's founders, the hard work of talented TIFF staff and board members, and the support of hundreds of endowed charities that have conspired to produce our ongoing good fortune. In spite of that good fortune, we are keenly aware that our industry is rapidly changing. Investment organizations that rest on their laurels may not see dark clouds threatening until it's too late. Conscious of these realities, we recently completed our first formal strategic planning process since TIFF's founding over two decades ago. In this letter, we summarize the central findings of our strategic plan and explain what we are already doing in the early stages of the plan's implementation. We also want to give you a sense of what to expect in the future.

Before we do any of that, however, we want to assure you unequivocally that **TIFF will remain a non-profit organization dedicated exclusively to the pursuit of investment excellence on behalf of the non-profit community.** TIFF's Mission Statement is printed here on the right. It has not changed since our founding. As part of our strategic planning process, we enthusiastically reaffirmed it in all respects. We do not intend to change what we do. But we do seek to improve the ways in which we do it. How we intend to do that will be explained in response to the queries below.

TIFF'S MISSION

- To seek to enhance the investment returns of non-profit organizations
- To reduce the investment and administrative expenses of non-profit organizations
- To broaden the universe of investment choices available to non-profit organizations
- To assist non-profit organizations in deploying their assets in a manner that will support charitable expenditures while preserving the purchasing power of their assets
- To help non-profit organizations monitor and evaluate their investment performance
- To promote within the non-profit community an understanding of investment management

Why did TIFF embark on a strategic review at this time?

The investment management marketplace for non-profits is changing rapidly and significantly, steadily attracting more firms, and offering an ever increasing variety of investment models and services. The "outsourced CIO" concept is one hot trend in our space. At the same time, the challenge of delivering satisfactory real returns to non-profit institutions in a low (no?) growth world economy is at least as formidable as it has been at any time in TIFF's history. In order to meet the challenges of the next decade, TIFF will continue to add investing depth and breadth, continue to improve our analytics, continue to expand our global investment reach, and ultimately seek to develop a larger and even better-equipped investment team along with the attendant and vitally important operational capabilities. Doing so implies long-term, steady growth, i.e., a prolonged continuation of our existing "growth at a reasonable pace" business strategy. In early 2012, we embarked on TIFF's first comprehensive strategic review since the firm's first, pre-founding business plan to determine how we should pursue these objectives in our rapidly evolving milieu. Our instincts told us that we need to evolve to stay on top of our game. Our strategic review confirmed it.

Who led the review process?

We selected Darragh Inc., whose principal is Olive Darragh, former co-head of the asset management practice at McKinsey & Co., to conduct our strategic review. The TIFF boards formed a three-person Steering Committee which oversaw the work of Darragh, Inc. and our internal project team. Larry Lebowitz and I headed up the internal TIFF staff team, which worked closely with Darragh, Inc.

What process did the review follow?

Darragh, Inc.'s charge was to examine independently **every fundamental element of TIFF's business**, including the core issue of whether our organization should continue to operate as a non-profit entity¹ and continue to serve only non-profit organizations. Darragh, Inc. began the process in early 2012 by conducting confidential interviews with more than 60 people inside and outside TIFF, including current and former member organizations, current and former TIFF board members, endowment management consultants, former TIFF leadership and ex-employees, industry leaders, and of course TIFF's senior staff in all departments. Darragh, Inc. also conducted an in-depth analysis of TIFF's member base, of our Member Services unit, of TIFF's cost structure, and of the broader marketplace of investment organizations serving endowed non-profits. Ideas and options for improvement were tested and re-tested in a series of brainstorming sessions conducted with the internal TIFF staff team, with the board's Steering Committee and with TIFF's full board. Darragh, Inc.'s work culminated in a set of strategic statements for TIFF and an action plan that is today in the early stages of implementation.

What did you learn?

We learned much that pleased us and some things that humbled us. Although it will appear self-serving to repeat here, our consultants told us that TIFF enjoys a strong reputation for integrity, honesty, and straight shooting; that we are viewed as an investment manager focused on performance rather than asset growth; and, that our investment staff strives to deliver what they say they are going to deliver. These observations were certainly heartening to hear. However, we also heard that TIFF should continue to build out its investment staff to avoid future single point of failure risk; that our generally passive approach to what we call "outreach" (better known in the commercial world as sales, marketing and client service) could be enhanced; and, that TIFF had allowed its position as a leader in investment education for non-profits to languish. We also were told that our approach to service occasionally lacked coherence and consistency.

How will TIFF change in the future?

As we noted in the introduction, TIFF's core mission will **not** change. In fact, what we heard from our members, the consultants with whom we work and many others reinforced our commitment to a focused and singular mission: the pursuit of investment excellence exclusively on behalf of endowed non-profit entities. What will change are a number of the techniques we use in our pursuit of investment excellence. We list below several core strengths that TIFF intends to reinforce as well as new strengths we intend to develop or improve. Importantly, we recognize and in fact re-emphasize that all of the initiatives described below are merely means to an unchanging end: that is, we wish to grow steadily in order to continue generating the resources necessary to support ongoing investment excellence.

¹ TIFF Advisory Services, Inc., is a taxable, non-stock corporation, formed under Delaware law.

Strengths to be reinforced
TIFF will continue to operate as a non-profit entity exclusively serving endowed non-profits
TIFF's first priority will remain investment excellence, pursuing and retaining the talent necessary to promote investment success
TIFF will continue to talk candidly to our members and will seek to build upon our reputation for integrity, honesty, and high-quality investment management
TIFF will continue its primary reliance on external investment managers and will continue to select investments directly where we see the potential for strong performance at reduced cost

Areas to develop/improve
TIFF will take a more active, focused, and streamlined approach to member communications and outreach
TIFF will be more disciplined and precise in our approach to delivering varying service levels to members
TIFF will invest in its future and its ability to serve members by adding to its investment, outreach, communications, and operations capabilities
TIFF will redouble its effort to fulfill its education mission on behalf of endowed non-profits
TIFF will sharpen its outsourced CIO model at varying levels of service, including full service
TIFF will add specialized investment options only when our work indicates that such options are both desirable and helpful and we believe we have a distinct edge in operating them

The tables above sound rather general, perhaps even amorphous. They are. But, we have a series of discrete action steps designed to pursue those broad goals. For example, careful readers of our “areas to develop” list above might worry that the “more active, focused, and streamlined approach to member communications and outreach” means that TIFF is about to become a marketing juggernaut. Fear not, we have no such intentions. That said, we **do plan** to be seen and heard more often, to have more of us being seen and heard, and to be seen and heard in new and different ways. We have created a new position at TIFF -- head of member development -- and are already recruiting folks for that senior post (candidate ideas are welcome!). We hope you have already noticed a marked increase in the number of group conference calls and regional roundtables we are conducting. These and other forms of “leveraged outreach” (e.g., we will be a bit more amenable to speaking at industry conferences than we have been in the past) are discrete elements of our strategic plan. Our long held antipathy for most of what constitutes “marketing” in the investment industry remains firmly in place. We are going to work harder at getting folks to know us, but as we do so, we will continue to inform and educate, not try to “sell” any product or service.

Said another way, we are quite happy with TIFF's current rate of growth. We are seeking neither to increase materially nor decrease materially that pace. We do believe, however, that changing industry dynamics dictate that we do more and say more going forward to maintain our existing, and rather pleasing, growth dynamic.

We also see opportunities to refine and tighten up our business model. Upcoming changes to the terms on which we offer the TIFF Multi-Asset Fund (“MAF”) to non-profit organizations are one example. Those changes were approved recently by the board and will be included in MAF's new prospectus which will be available shortly. The key upcoming change to MAF's terms involves a **prospective only** increase in the minimum initial investment in MAF from \$1 million to \$2.5 million. We believe this change is necessary, if not necessarily desirable, to allow MAF to continue to serve the needs of small, medium and large non-profits at extremely competitive fee levels. A second example involves an increase in reliance on our strategic partners. There are operational functions we currently perform ourselves (e.g., member trades and private equity calls and distributions) that can likely be done at least as well by organizations

like State Street, our custodian and administrator, which have enormous resources dedicated to performing such activities. A third example relates to enhanced use of technology across the TIFF organization. We will make significant financial commitments to investment technology, to enhancing our website, and to bolstering the use of technological solutions in our operations.

How soon will the changes cited above be implemented?

Many, including those noted above, already are in process. Others will take months if not a few years to fully implement. Members have recently seen and commented favorably on the substantial enhancements to our quarterly reports; more will follow. Members can expect even more conference calls and roundtables in selected cities. Our President & CIO, Larry Lebowitz, is now regularly producing a semi-annual letter to members. He is also building out important capabilities within our investment team, adding both depth and breadth. Larry is a relentless “excellence in all things” fellow and his fresh perspectives are driving us all to be better at everything we do. We are undertaking a thorough review of our service levels and options, and, as noted above, our outreach effort will expand noticeably. We are studying ways to better fulfill our education mandate; this will take some time. Look for updates on our website in this regard.

The sum of these various initiatives is simple: TIFF remains firmly committed to bringing the finest people together to invest with wisdom and integrity solely on behalf of our non-profit members. We are also, however, committing TIFF to a more effective, disciplined, modern, and market-aware approach to conducting business, all while carefully guarding our non-commercial ethos and our “investment excellence is job #1” clarity. We have greater financial and human resources available at TIFF today than at any time in our history and we are not afraid to dedicate those resources now to achieving long-term goals.

We hope this description has been useful and informative. As our partners, you deserve a clear understanding of both TIFF’s goals and the means we have chosen to reach them. You will hear from us again on this topic, in various venues and in myriad ways. We fully expect comments, questions and even debate. We eagerly solicit all of them, now and in the future. Please direct your thoughts to memberservices@tiff.org. You can expect an e-mail or telephonic reply directly from Larry Lebowitz or me.

We are pleased by our success to date, but our forward goal is an even smarter, stronger and more effective TIFF. We remain extremely grateful for your support in that endeavor.

Sincerely,



Richard J. Flannery
Chief Executive Officer

<https://www.tiff.org/MutualFunds/reports/prospectus/MutualFundProspectus.pdf>

Mutual fund investing involves risk. Principal loss is possible. TIFF Advisory Services, Inc. is the investment advisor to the TIFF Multi-Asset Fund. The TIFF Multi-Asset Fund is distributed by Quasar Distributors, LLC.