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MEMO

DATE: April 18, 2000  
Revised June 21, 2004, March 28, 2007

TO: Endowment Program Holding S&R Pieper Family Fund Challenge Grants

FROM: Dick Pieper

RE: Frequently Asked Questions  
S&R Pieper Family Endowment Management

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

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

Mutual funds could be a source of investing. 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 "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.

***Do you want to control the way in which we invest funds?***

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

***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 of the money in the Fund, does that mean we can't 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 is at the discretion of the endowment trustees spending policy. You need only keep an account of the new level of the Fund and its return each year. Any return you have on balance of monies is yours. (Some agencies have established a third fund account with balance available to offset short-term cycles.) We believe, historically, if you progressively put your money in equities (not even progressively) that you will have as much money to spend off your endowments as you have had in the past. In addition, you will have an equal amount that will be growing 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, solicitation programs that represent significant human resources. They would have increased their endowments 500 to 1000 times, depending upon when it was established, after having spent the money they have used. Our expectation is 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 more progressively. Only invest in Money Markets on a short-term basis to assure the cash flow that you expect from your endowment. Hence, preplanning for the cycles in the equity market.

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

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

*The Pieper Endowment shall be invested in a manner to produce results as comparable to those achieved by leading investment funds as can be represented by Morningstar. We expect the return on those funds to be equity greater than medium return of a universe of leading growth fund managers.*

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

**The following was added in June 2004.**

- There seems to be at least 2 of the 10 grantees who have made decisions to put all their funds into growth funds as may be literally interpreted by the original language for the challenge grants. This was clarified in 2000.
- 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.
- 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.
- In one case, trustees of funds merely extracted equities from their funds and really didn't 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***

The intention has been and is that the Challenge Funds and the Matching Funds be managed as one portfolio. This one portfolio is compared to the top quartile of fund performances.

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 larger investment portfolio. In any one of the above scenarios, the resulting performance has seriously, adversely impacted the investment results of the funds. Had such practices been avoided, performance of the funds would likely have been in the top quartile.