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# **Pieper Challenge Grants Annual Report 2007**

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# Grantee Summary

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- Ten grantees reported on Pieper Funds that were invested during 2007.
- All grantees were cooperative in sending information.
- Notable grantee news/changes included:
  - In January to February of 2007, Grantee Four liquidated their assets at Congress Asset Management and reinvested them with Fiduciary Management in their large-cap separately managed product that has a value tilt to its strategy.
  - Grantee Three hired M&I Trust Company as investment agent in 2007. The portfolio was reinvested in a diversified mix of mutual funds in August. The impact was positive for the account since performance for the year was ahead of the Vanguard Total Stock Market Index Fund for the first time since 2000.
  - Grantee Six moved from a single manager approach to multiple managers with the addition of three additional strategies. Diversification increased materially since each of the three new managers invests in a style distinct from the existing manager.
  - With this change in Grantee Six's portfolio, Grantee Five is the only portfolio following a single manager strategy. It is important to note that while Grantee Eight's portfolio holds only one mutual fund, the fund is itself a collection of many different strategies, thus giving it more diversification than a single strategy mutual fund.

# Grantee Summary

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- All ten grantees are invested in long-term assets, primarily in equity mutual funds.
- Six grantee Funds have investments in bonds as well as equities. Grantee Ten, Grantee Four, Grantee Three and Grantee Nine are invested in a combination of stock and bond mutual funds. Grantee Seven invests all of its Pieper Fund in the Central Indiana Community Foundation (CICF), which has an investment policy that allows for a 30% fixed income allocation. Grantee Eight is invested in a “fund of funds,” which currently allocates 20% to fixed income funds.
- Observations regarding grantee investments include:
  - There was a significant increase in diversification for two portfolios. Grantee Six’s portfolio expanded from one manager to four. Grantee Three’s portfolios were invested by a new investment agent allocating among a broad mix of mutual funds.
  - Grantee Seven is invested in a commingled fund. CICF does not keep the Pieper Challenge Grant as a separate account.
  - Grantee Five sold their five SEI mutual funds last year and invested their assets in a single, separately-managed product of Third Avenue Management. Third Avenue Management’s All-Cap Value strategy also invests in international stocks, but as noted elsewhere, a single manager is less diversified. This separately managed portfolio had performance well below the comparable mutual funds managed by Third Avenue.
  - Grantee Eight now holds a single Russell “fund of funds” through Northwestern Mutual. They should be aware of the higher fees associated with this type of investment.
  - Grantee Ten was invested in a diversified mix of 18 mutual funds during the year. Whether this much diversification adds value will be known over time.

# Performance Summary

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- Nine of the ten grantee Funds earned a positive return in 2007, with two grantee Funds earning returns in excess of 10%. The Vanguard Total Stock Market Index Fund returned 5.49% in 2007.
- The highest return for 2007 was the 12.36% return achieved by Grantee Six's portfolio.
- The lowest return for 2007 was the -7.39% return earned by Grantee Five, which was also the only portfolio with a negative return. Grantee Five had the lowest return among grantees in 2006 and the highest in 2005.
- Five grantee Funds earned 2007 returns in excess of the broad equity market as measured by the Vanguard Total Stock Market Index Fund. They were: Grantee Three, Grantee Four, Grantee Seven, Grantee Eight and Grantee Six.
- In 2007, the CPI+5% comparison was higher than at any point in the last ten years due to higher energy and food prices last year, setting a benchmark level of 9.39%. Two grantee funds earned a return above this level: Grantee Seven and Grantee Six.
- None of the portfolio's five-year performance was in the top quartile versus either the Lipper Super Growth or Lipper Super Combo comparison groups. Grantee Two has the highest five-year cumulative return at 97.14%, placing it in the second quartile versus the Lipper Super Growth and Lipper Super Combo groups.
- Two funds have ten year performance records. Grantee One's Pieper Funds ranked in the second quartile of the Lipper Super Growth Group and the third quartile of the Lipper Super Combo Group. There are two Pieper funds with Grantee Two. One ranked in the first and the other in the second Lipper quartiles.

# Evaluation Method

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- The Pieper Family Foundation has created Challenge Grants to stimulate the trustees of not-for-profits to sharpen their investment policy and oversight. The objective of these grants is growth of capital and the expectation is that investment results will fall within the upper quartile of diversified U.S. equity funds' returns over time.
- Pieper Fund returns are provided by each grantee. The grantees also provide a description of how the Pieper Fund is invested. Lipper, Inc. performance data is used to evaluate mutual funds and Zephyr data is used for separately managed accounts.
- Performance of each total fund is compared:
  1. among the grantees;
  2. versus the Vanguard Total U.S. Stock Market Index Fund, as a tool for evaluation against all publicly traded U.S. stocks;
  3. by quartile rank
    - a) among all Growth funds (Lipper Super Growth Group),
    - b) among the combination of all Core, Growth and Value funds (Lipper Super Combo Group),
  4. compared to the Consumer Price Index plus 5% to consider real growth of purchasing power.

# Evaluation Method

- Performance of each underlying investment (mutual funds or separately managed accounts) is compared:

By quartile rank

- among all Growth funds (Lipper Super Growth Group),
- among the combination of all Core, Growth and Value funds (Lipper Super Combo Group),
- within the appropriate Lipper or Zephyr peer group universe.

**Lipper Super Growth Quartiles**

**Lipper Super Combo Quartiles**

Lipper Super Growth Quartiles					Lipper Super Combo Quartiles				
Cumulative Return %					Cumulative Return %				
Quartile	10 Years	5 Years	4 Years	3 Years	Quartile	10 Years	5 Years	4 Years	3 Years
Max	917.1	384.87	191.28	159.12	Max	917.1	384.87	223.46	159.12
#1	128.2	116.61	58.08	40.61	#1	134.05	109.36	53.62	34.98
#2	85.25	94.84	44.34	31.10	#2	92.04	91.83	43.63	27.71
#3	50.58	76.62	34.59	23.21	#3	62.15	76.04	35.14	20.60
Min	-67.31	-1.90	-33.33	-25.70	Min	-95.64	-73.85	-72.71	-72.71

# Grantee Fund Performance Summary Table

## Pieper Challenge Grants

Investment Performance	% Total Return									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>Grantee One</b>										
Pieper Funds	4.82	16.40	6.30	11.60	31.60	-22.04	-12.70	2.00	9.76	28.10
Other Pieper Challenge	4.87	16.43	6.20	11.40	31.60	-22.04	-12.70	-7.21	31.88	N/A
Combined Pieper	4.85	16.42	6.25	11.50	31.60	-22.04	-12.70	-5.55	20.82	N/A
<b>Grantee Two</b>										
Pieper Challenge Fund	4.00	15.90	7.50	12.20	35.60	-13.37	0.50	8.34	29.73	18.38
Pieper Family Fund	4.00	15.90	7.50	12.20	35.60	-12.45	0.58	8.03	28.95	-7.12
<b>Grantee Three</b>										
Pieper Fund	7.90	5.91	3.69	9.94	25.31	-25.09	-17.77	-9.10	13.30	
<b>Grantee Four</b>										
Pieper Fund	9.27	9.20	5.97	13.95	18.00	-18.78	-15.06	-4.98	19.11	
<b>Grantee Five</b>										
Pieper Funds	-7.39	3.23	8.73	12.70	31.67	-21.64	-11.60	15.40	18.90	
<b>Grantee Six</b>										
Pieper Fund	12.36	8.79	4.99	13.65	17.57	-19.89	-15.06	-4.36		
<b>Grantee Seven</b>										
Pieper Fund	10.20	16.60	8.50	6.60	13.80	0.74	1.20			
<b>Grantee Eight</b>										
Pieper Combined Fund	7.06	15.62	3.41	9.20	21.00	-13.70				
<b>Grantee Nine</b>										
Pieper Family Fund	4.90	23.16	1.99	9.10	3.20					
<b>Grantee Ten</b>										
Pieper Challenge Fund	5.35	12.30	4.50	0.30	0.53	0.14				
Pieper Family Fund	5.35	12.30	4.50	0.30	0.53	0.14				
<b>Benchmarks</b>										
Vanguard Total Stock Mkt Index Fund	5.49	15.51	5.98	12.52	31.35	-20.96	-10.97	-10.57	23.81	23.26
Consumer Price Index +5%	9.39	7.78	8.69	8.52	7.08	7.60	6.74	8.66	7.93	6.80
Greater Milwaukee Foundation - Corporate Assets Pool	8.00	14.87	8.50	10.88	26.05	-9.99	-5.38	-1.53	23.66	12.00
Greater Milwaukee Foundation - US Bank Pool	9.20	14.16	8.82	11.27	26.25	-11.53	-2.29	3.02	6.41	13.55
Greater Milwaukee Foundation - JP Morgan Pool	7.90	15.62	7.64	12.36	25.38	-9.12	-1.62	2.19	16.44	14.52
Greater Milwaukee Foundation - M&I Bank Pool	8.20	14.74	8.87	10.78	25.48	-11.88	-1.97	-3.99	21.35	14.12
Greater Milwaukee Foundation - Corporate Assets Pool					<u>10-Year Return (Ann)</u>					
					8.14					
Greater Milwaukee Foundation - Average of Three Largest Trust Pools					<u>20-Year Return (Ann)</u>					
					10.07					

# Grantee Fund Performance Summary Table

## Pieper Challenge Grants

Investment Performance	From 12/31/02 to 12/31/07			From 12/31/97 to 12/31/07		
	5 Year Cum	Super Growth	Super Combo	10 Year Cum	Super Growth	Super Combo
<b>Grantee One</b>						
Pieper Funds	90.48	3	3	85.92	2	3
Other Pieper Challenge	90.10	3	3	N/A	N/A	N/A
Combined Pieper	90.31	3	3	N/A	N/A	N/A
<b>Grantee Two</b>						
Pieper Challenge Fund	97.14	2	2	185.57	1	1
Pieper Family Fund	97.14	2	2	124.61	2	2
<b>Grantee Three</b>						
Pieper Fund	63.24	4	4	N/A		
<b>Grantee Four</b>						
Pieper Fund	70.02	4	4	N/A		
<b>Grantee Five</b>						
Pieper Funds	54.25	4	4	N/A		
<b>Grantee Six</b>						
Pieper Fund	71.48	4	4	N/A		
<b>Grantee Seven</b>						
Pieper Fund	69.13	4	4	N/A		
<b>Grantee Eight</b>						
Pieper Combined Fund	69.13	4	4	N/A		
<b>Grantee Nine</b>						
Pieper Family Fund	N/A	N/A	N/A	N/A		
<b>Grantee Ten</b>						
Pieper Challenge Fund	24.66	4	4	N/A		
Pieper Family Fund	24.66	4	4	N/A		
<b>Benchmarks</b>						
Vanguard Total Stock Mkt Index Fund	90.86			83.31		
Consumer Price Index +5%	48.91			114.23		
Greater Milwaukee Foundation - Corporate Assets Pool	88.29			118.76		

# Grantee Fund Performance Summary Table

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## Endnotes:

- Grantee One Combined Pieper Fund – performance in 1999 and 2000 is a simple average of two managers during a transition in management.
- Grantee Four inception date is 3/31/1999.
- Grantee Six inception date is 11/20/2000.
- Grantee Seven inception date is 9/1/2001 – 12/31/2001.
- Grantee Eight inception date is 1/1/2002.
- Grantee Nine inception date is 11/1/2003.
- Grantee Ten inception date is 9/31/2002.

# Grantee One

Grantee One	% Total Return									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Pieper Funds	4.82	16.40	6.30	11.60	31.60	-22.04	-12.70	2.00	9.76	28.10
Other Pieper Challenge	4.87	16.43	6.20	11.40	31.60	-22.04	-12.70	-7.21	N/A	N/A
Combined Pieper	4.85	16.42	6.25	11.50	31.60	-22.04	-12.70	-5.55	N/A	N/A
Vanguard Instl Index Fund	5.47	15.78	4.91	10.86	28.66	-22.03	-11.93	-8.95	21.17	28.79
<i>Lipper S&amp;P 500 Funds Index</i>	5.25	15.55	4.65	10.56	28.25	-22.30	-12.21	-9.31	20.61	28.34
Harbor Small Cap Value	-1.82	10.24	9.89	22.99	45.59	N/A	N/A	N/A	N/A	N/A
Wells Fargo Adv Sm Cap Disciplined Fd	-4.53	18.89	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<i>Lipper Small Cap Core Funds Index</i>	1.92	13.70	7.56	18.37	40.90	-19.23	7.12	6.93	20.17	-3.64
Vanguard Explorer	5.06	9.70	9.28	13.75	44.25	-24.58	0.56	9.22	37.26	3.52
<i>Lipper Small Cap Growth Funds Index</i>	9.68	10.65	5.34	10.79	44.77	-27.63	-12.97	-8.25	61.17	0.96
Oakmark International	-0.51	30.60	14.12	19.09	38.04	-8.46	-5.13	12.50	39.47	-7.00
<i>Lipper International Mlt-Cap Core Index</i>	12.61	24.89	13.76	19.20	37.29	-13.98	-17.62	-13.72	44.06	9.51
Julius Baer International Equity	17.84	32.07	17.40	23.58	36.46	-3.07	-18.52	N/A	N/A	N/A
Dodge & Cox International Stock	11.71	28.01	16.75	32.46	49.42	N/A	N/A	N/A	N/A	N/A
<i>Lipper International Mlt-Cap Value Index</i>	10.22	27.54	14.33	21.92	40.61	-11.24	-13.14	N/A	N/A	N/A
DFA International Small Company	5.72	24.88	21.96	30.92	58.78	1.91	-10.52	-5.41	21.86	8.19
<i>Lipper International Small/Mid-Cap Core Index</i>	3.90	28.46	17.65	28.72	48.12	N/A	N/A	N/A	N/A	N/A
Vanguard Total Stock Mkt Index Fund	5.49	15.51	5.98	12.52	31.35	-20.96	-10.97	-10.57	23.81	23.26

# Grantee One

Grantee One	From 12/31/2002 to 12/31/2007				From 12/31/1997 to 12/31/2007			
	% Return		Lipper Quartile Rank		% Return		Lipper Quartile Rank	
	5 Year Cum	Super Growth	Super Combo	Among Peers	10 Year Cum	Super Growth	Super Combo	Among Peers
Pieper Funds	90.48	3	3	N/A	85.92	2	3	N/A
Other Pieper Challenge	90.10	3	3	N/A	N/A	N/A	N/A	N/A
Combined Pieper	90.31	3	3	N/A	N/A	N/A	N/A	N/A
Vanguard Instl Index Fund	82.72	3	3	1	78.28	3	3	1
<i>Lipper S&amp;P 500 Funds Index</i>	80.46				72.81			
Harbor Small Cap Value	112.97	2	1	2	N/A	N/A	N/A	N/A
Wells Fargo Adv Sm Cap Disciplined Fd	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<i>Lipper Small Cap Core Funds Index</i>	107.89				122.74			
Vanguard Explorer	106.66	2	2	2	143.24	1	1	2
<i>Lipper Small Cap Growth Funds Index</i>	105.05				92.82			
Oakmark International	143.76	1	1	3	208.90	1	1	1
<i>Lipper International Mlt-Cap Core Index</i>	161.82				152.55			
Julius Baer International Equity	208.12	1	1	1	N/A	N/A	N/A	N/A
Dodge & Cox International Stock	230.44	1	1	1	N/A	N/A	N/A	N/A
<i>Lipper International Mlt-Cap Value Index</i>	175.54				182.47			
DFA International Small Company	234.71	1	1	2	280.63	1	1	3
<i>Lipper International Small/Mid-Cap Core Index</i>	199.38				N/A			
Vanguard Total Stock Mkt Index Fund	90.86				83.31			

# Grantee One

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- The Pieper Funds underperformed the broad equity market benchmark in 2007. Each of the funds is invested identically with a target allocation of 100% equity, as recorded in the investment policy statement. The Pieper Funds returned about 4.8% each last year; the Vanguard Total Stock Market Index Fund returned 5.5%.
- The grantee has a 54% allocation to the Vanguard Institutional Index Fund, which matched the performance of the broad market. All five of the domestic stock funds (79% of the portfolio) underperformed the Vanguard Total Stock Market Index Fund. Large-cap and growth strategies outperformed the broad market. The two value mutual funds had negative returns.
- International funds made up 21% of the portfolio at the end of the year. Three out of the four international funds outperformed the domestic benchmark last year. Despite the better relative performance, only two of the mutual funds beat international benchmarks.
- The Pieper Fund returned 90% cumulatively for the trailing five years, about equal to the 91% return for the Vanguard Total Stock Market Index Fund. The Pieper Fund return ranks in the third quartile of the Lipper Super Growth Group and the Lipper Super Combo Group for that time period.
- Grantee One's Pieper Fund invests a portion of the portfolio in a core passively managed index fund complemented by small-cap and international funds. This is a reasonable strategy. It places all of the risks of an active manager in areas of the market known to have greater potential for mispriced securities. The passive core also comes at an extremely low mutual fund level expense. This strategy has resulted in the Pieper Fund closely tracking the performance of the Vanguard Total Stock Market Index Fund over each of the last five years.
- Grantee One's Pieper fund has outperformed the Vanguard Total Stock Market Index Fund in five out of the past ten calendar years.
- Only one new mutual fund was added to the portfolio in 2007, the DFA International Small Company fund. DFA uses a valuation-sensitive approach, holds an unusually high number of positions at 4,647 to achieve broad diversification and attempts to exploit trading opportunities in illiquid stocks. The fund has an above-average long-term track record.

# Grantee One

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## Analysis Notes:

- Performance for the Pieper Funds is reported gross of fees, 0.69% deducted for expenses through 2000.
- Combined Pieper - simple average of the two accounts in 1999 and 2000.
- Other Pieper Challenge - estimate of the performance in 2001.

# Grantee Two

Grantee Two	% Total Return									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Pieper Challenge Fund	4.00	15.90	7.50	12.20	35.60	-13.37	0.50	8.34	29.73	18.38
Pieper Family Fund	4.00	15.90	7.50	12.20	35.60	-12.45	0.58	8.03	28.95	-7.12
Dodge & Cox Stock	0.14	18.53	9.37	19.17	32.34	-10.55	9.33	16.31	20.21	5.40
Longleaf Partners	-0.44	21.63	3.62	7.14	34.80	-8.34	10.34	20.60	2.18	14.28
<i>Lipper Multi Cap Value Funds Index</i>	<i>-1.04</i>	<i>17.07</i>	<i>6.33</i>	<i>14.91</i>	<i>32.78</i>	<i>-17.61</i>	<i>1.30</i>	<i>9.64</i>	<i>5.94</i>	<i>6.53</i>
Growth Fund of America	10.95	10.94	14.23	11.95	32.90	-22.02	-12.28	7.49	45.70	31.78
<i>Lipper Multi Cap Growth Funds Index</i>	<i>12.79</i>	<i>9.21</i>	<i>9.13</i>	<i>11.26</i>	<i>35.38</i>	<i>-29.82</i>	<i>-25.16</i>	<i>-12.05</i>	<i>46.35</i>	<i>24.80</i>
Meridian Growth	5.40	15.81	0.33	14.47	47.90	-17.82	14.76	28.20	13.33	3.09
<i>Lipper Mid Cap Core Funds Index</i>	<i>6.34</i>	<i>13.44</i>	<i>9.46</i>	<i>15.44</i>	<i>36.58</i>	<i>-17.37</i>	<i>-4.90</i>	<i>6.26</i>	<i>28.19</i>	<i>7.78</i>
Artisan Mid Cap Value	1.65	14.20	15.46	26.20	36.83	-3.87	N/A	N/A	N/A	N/A
<i>Lipper Mid Cap Value Funds Index</i>	<i>3.62</i>	<i>15.66</i>	<i>8.75</i>	<i>19.54</i>	<i>39.08</i>	<i>-14.66</i>	<i>6.73</i>	<i>10.59</i>	<i>11.94</i>	<i>-1.72</i>
James Small Cap	-6.16	12.49	7.51	26.18	53.64	-2.40	5.38	5.03	-10.43	N/A
<i>Lipper Small Cap Value Funds Index</i>	<i>-4.57</i>	<i>17.13</i>	<i>7.45</i>	<i>20.65</i>	<i>47.53</i>	<i>-11.20</i>	<i>17.20</i>	<i>16.10</i>	<i>1.89</i>	<i>-6.71</i>
American Century New Opportunity	23.07	10.76	6.82	6.30	28.75	-22.62	-29.59	-18.20	147.97	13.33
<i>Lipper Small Cap Growth Funds Index</i>	<i>9.68</i>	<i>10.65</i>	<i>5.34</i>	<i>10.79</i>	<i>44.77</i>	<i>-27.63</i>	<i>-12.97</i>	<i>-8.25</i>	<i>61.17</i>	<i>0.96</i>
Mathews Asian Growth and Income	21.54	23.38	15.76	21.44	38.62	9.01	14.29	3.73	48.88	1.24
<i>Lipper Pacific Ex-Japan Funds Index</i>	<i>39.37</i>	<i>33.49</i>	<i>29.58</i>	<i>17.94</i>	<i>50.06</i>	<i>-8.69</i>	<i>-4.61</i>	<i>-32.81</i>	<i>74.88</i>	<i>-12.92</i>
American Funds EuroPacific Growth	18.96	21.87	21.12	19.69	32.91	-13.61	-12.17	-17.84	56.97	15.54
<i>Lipper International Mlti-Cap Growth Index</i>	<i>17.09</i>	<i>25.50</i>	<i>19.70</i>	<i>18.19</i>	<i>36.31</i>	<i>-20.78</i>	<i>-24.10</i>	<i>-19.47</i>	<i>54.98</i>	<i>17.19</i>
<i>Vanguard Total Stock Mkt Index Fund</i>	<i>5.49</i>	<i>15.51</i>	<i>5.98</i>	<i>12.52</i>	<i>31.35</i>	<i>-20.96</i>	<i>-10.97</i>	<i>-10.57</i>	<i>23.81</i>	<i>23.26</i>

# Grantee Two

Grantee Two	From 12/31/2002 to 12/31/2007				From 12/31/1997 to 12/31/2007			
	% Return	Lipper Quartile Rank			% Return	Lipper Quartile Rank		
	5 Year Cum	Super Growth	Super Combo	Among Peers	10 Year Cum	Super Growth	Super Combo	Among Peers
Pieper Challenge Fund	97.14	2	2	N/A	185.57	1	1	N/A
Pieper Family Fund	97.14	2	2	N/A	124.61	2	2	N/A
Dodge & Cox Stock	104.74	2	2	1	195.06	1	1	1
Longleaf Partners	81.22	3	3	3	158.11	1	1	1
<i>Lipper Multi Cap Value Funds Index</i>	87.97				94.10			
Growth Fund of America	109.19	2	2	2	195.33	1	1	1
<i>Lipper Multi Cap Growth Funds Index</i>	102.47				70.81			
Meridian Growth	107.34	2	2	2	192.88	1	1	2
<i>Lipper Mid Cap Core Funds Index</i>	108.19				140.17			
Artisan Mid Cap Value	131.44	1	1	1	N/A	N/A	N/A	N/A
<i>Lipper Mid Cap Value Funds Index</i>	116.69				140.14			
James Small Cap	120.01	1	1	1	N/A	N/A	N/A	N/A
<i>Lipper Small Cap Value Funds Index</i>	113.80				145.56			
American Century New Opportunity	99.26	2	2	3	149.59	1	1	1
<i>Lipper Small Cap Growth Funds Index</i>	105.05				92.82			
Mathews Asian Growth and Income	192.22	1	1	4	469.22	1	1	1
<i>Lipper Pacific Ex-Japan Funds Index</i>	326.66				280.25			
American Funds EuroPacific Growth	179.34	1	1	2	215.82	1	1	1
<i>Lipper International Mlt-Cap Growth Index</i>	183.36				149.20			
<i>Vanguard Total Stock Mkt Index Fund</i>	90.86				83.31			

## Grantee Two

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- Grantee Two's Pieper Funds trailed the Vanguard Total Stock Market Index benchmark in 2007. The return for the five-year period ended December 31, 2007 was ahead of the broad equity market index return by six percentage points on a cumulative basis. The Pieper Funds' five-year performance places them in the second quartile versus both the Lipper Super Growth and Lipper Super Combo groups. In addition, Grantee Two has exceeded the CPI plus 5% objective over the trailing five years. The Pieper Funds have benefited from a diversified mix of domestic funds in addition to exposure to international markets, which performed strongly again this year.
- The Pieper Funds owned only two funds for the whole year that were ahead of their peers for the year (Dodge & Cox and Longleaf). Strong absolute returns from their international funds, in addition to strong performance from their domestic multi-cap value funds, helped to offset weaker results from other funds.
- Two funds were added in the last weeks of the year: American Century and American Funds: EuroPacific Growth Fund. These funds have top quartile performance versus the Lipper Super Growth and Super Combo Groups in both the five and ten year periods.
- Each of the underlying funds currently included in the portfolio has an excellent performance record, ranking in the top quartile of its respective peer group for the prior ten years, with the exception of Meridian Growth Fund which is ranked in the second quartile.
- Grantee Two has outperformed the Vanguard Total Stock Market Index Fund in seven out of the past ten calendar years.
- Three funds were eliminated from the portfolio in 2007: Bjurman Micro Cap Growth Fund, Oakmark International and Wasatch Growth.

# Grantee Three

Grantee Three	% Total Return								
	2007	2006	2005	2004	2003	2002	2001	2000	1999
Pieper Fund	7.90	5.91	3.69	9.94	25.31	-25.09	-17.77	-9.10	13.30
Vanguard Total Bond Market Index	7.05	-1.26	10.41	5.91	24.00	-25.24	-17.68	-20.19	28.40
<i>Lipper Intmdt Inv Grd Funds Index</i>	5.43	4.47	2.28	4.28	5.41	8.29	8.22	10.58	-0.98
Davis NY Venture	5.24	15.39	11.02	12.75	32.79	-16.91	-11.15	10.26	17.90
<i>Lipper Large Cap Value Funds Index</i>	2.46	18.28	6.26	12.00	28.00	-19.68	-8.58	1.95	10.78
T. Rowe Price Growth Stock	10.37	14.05	6.56	10.24	31.23	-23.00	-9.79	0.27	22.15
<i>Lipper Large Cap Growth Funds Index</i>	14.97	4.72	7.58	7.45	26.96	-28.11	-23.87	-19.68	34.82
Vanguard Institutional Index	5.47	15.78	4.91	10.86	28.66	-22.03	-11.93	-8.95	21.17
<i>Lipper S&amp;P 500 Funds Index</i>	5.25	15.55	4.65	10.56	28.25	-22.30	-12.21	-9.31	20.61
Vanguard Selected Value	-0.23	19.11	10.67	20.38	35.21	-9.79	14.99	17.45	-2.72
<i>Lipper Mid Cap Value Funds Index</i>	3.62	15.66	8.75	19.54	39.08	-14.66	6.73	10.59	11.94
Vanguard Mid Cap Index	6.22	13.78	14.09	20.45	34.33	-14.45	-0.37	18.39	15.41
<i>Lipper Mid Cap Core Funds Index</i>	6.34	13.44	9.46	15.44	36.58	-17.37	-4.90	6.26	28.19
Marshall Small Cap Growth	18.79	14.84	8.66	16.67	48.68	-28.78	8.98	-19.66	34.79
<i>Lipper Small Cap Growth Funds Index</i>	9.68	10.65	5.34	10.79	44.77	-27.63	-12.97	-8.25	61.17
Vanguard Small Cap Value Index	-7.07	19.24	6.07	23.55	37.19	-14.20	13.70	21.88	3.35
<i>Lipper Small Cap Value Funds Index</i>	-4.57	17.13	7.45	20.65	47.53	-11.20	17.20	16.10	1.89
Dodge & Cox International	11.71	28.01	16.75	32.46	49.42	-13.11	N/A	N/A	N/A
<i>Lipper International Mlti-Cap Value Index</i>	10.22	27.54	14.33	21.92	40.61	-11.24	-13.14	-3.34	21.78
Harbor International	21.82	32.69	20.84	17.97	40.95	-6.38	-12.25	-4.97	23.89
<i>Lipper International Lg-Cap Core Index</i>	12.51	25.11	13.84	17.18	32.70	-14.55	-20.33	-11.17	38.95
Marshall International Stock	8.31	24.11	16.39	11.23	34.83	-18.38	-22.87	-16.78	54.46
<i>Lipper International Mlti-Cap Growth Index</i>	17.09	25.50	19.70	18.19	36.31	-20.78	-24.10	-19.47	54.98
Vanguard Total Stock Mkt Index Fund	5.49	15.51	5.98	12.52	31.35	-20.96	-10.97	-10.57	23.81

# Grantee Three

Grantee Three	From 12/31/2002 to 12/31/2007			
	% Return	Lipper Quartile Rank		
	5 Year Cum	Super Growth	Super Combo	Among Peers
Pieper Fund	63.24	4	4	N/A
Vanguard Total Bond Market Index	53.27	4	4	1
<i>Lipper Intmdt Inv Grd Funds Index</i>	23.83			
Davis NY Venture	101.85	2	2	1
<i>Lipper Large Cap Value Funds Index</i>	84.61			
T. Rowe Price Growth Stock	94.05	3	2	1
<i>Lipper Large Cap Growth Funds Index</i>	76.70			
Vanguard Institutional Index	82.72	3	3	1
<i>Lipper S&amp;P 500 Funds Index</i>	80.46			
Vanguard Selected Value	114.06	2	1	2
<i>Lipper Mid Cap Value Funds Index</i>	116.69			
Vanguard Mid Cap Index	123.10	1	1	1
<i>Lipper Mid Cap Core Funds Index</i>	108.19			
Marshall Small Cap Growth	157.13	1	1	1
<i>Lipper Small Cap Growth Funds Index</i>	105.05			
Vanguard Small Cap Value Index	99.22	2	2	3
<i>Lipper Small Cap Value Funds Index</i>	113.80			
Dodge & Cox International	230.44	1	1	1
<i>Lipper International Mlt-Cap Value Index</i>	175.54			
Harbor International	224.79	1	1	1
<i>Lipper International Lg-Cap Core Index</i>	149.16			
Marshall International Stock	134.64	1	1	4
<i>Lipper International Mlt-Cap Growth Index</i>	183.36			
Vanguard Total Stock Mkt Index Fund	90.86			

## Grantee Three

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- After years of earning disappointing returns from their previous equity investments, Grantee Three's Pieper Fund transitioned its holdings to a more diversified mix of equity and bond mutual funds during the year. The decision to do so immediately paid off as the Pieper Fund outperformed the broad equity market, as measured by the Vanguard Total Stock Market Index Fund, for the first time since 2000. In the third quarter of 2007 M&I Trust Company became the investment manager for the fund.
- The outperformance was mainly attributable to strong results from the portfolio's largest holding, the Vanguard Total Bond Market Index Fund. Following an extended period of trailing equity returns, some fixed income securities managed to outperform the broad equity market as increasingly skittish investors poured money into Treasuries, thereby driving yields lower and prices higher. Since the Vanguard Total Bond Market Index fund has roughly one-third of its portfolio invested in Treasuries, the fund participated in the rally in Treasuries and outperformed its Lipper peer group benchmark for the year.
- The portfolio's equity investments also performed well for the year with seven out of ten performing in-line or exceeding the return of the broad U.S. equity market. Harbor International provided the highest return in the portfolio for the full one-year period as international stocks generally outperformed domestic stocks. On the opposite end, the Vanguard Small-Cap Value Index Fund posted the weakest return in the portfolio for the year with a decline of over -7%. The large loss was mainly the result of shifting preference among investors to more attractively valued, larger-cap, growth-oriented investments following an extended period of outsized gains for small-cap value stocks.
- The Pieper Fund's five-year return through December 31, 2007 remains behind the Vanguard Total Stock Market Index Fund; however, we are encouraged by the steps taken to diversify the Pieper Fund into a broader range of investments that are less expensive, and in our opinion, have more talented managers. The five-year return ranks in the bottom quartile of both the Lipper Super Growth Group, and the Lipper Super Combo Group.
- Grantee Three has trailed the Vanguard Total Stock Market Index Fund in seven out of the past nine calendar years, but we are hopeful 2007 signaled a reversal in underperformance.

# Grantee Four

Grantee Four	% Total Return								
	2007	2006	2005	2004	2003	2002	2001	2000	1999
Pieper Fund	9.27	9.20	5.97	13.95	18.00	-18.78	-15.06	-4.98	19.11
Loomis Sayles Bond	5.90	4.64	2.36	3.96	4.75	5.05	10.18	10.21	-0.07
<i>Zephyr Medium Duration High Credit Universe Median</i>	6.93	4.50	2.58	4.41	4.62	10.19	8.66	11.63	-0.47
Fiduciary Large Cap	4.50	17.37	9.85	19.15	34.29	N/A	N/A	N/A	N/A
<i>Zephyr Large Cap Value Universe Median</i>	3.43	18.66	8.13	15.39	30.57	-15.51	-0.85	11.31	7.92
Vanguard Growth Equity	22.47	6.14	7.88	5.35	38.56	-30.94	-27.41	-23.10	53.60
<i>Lipper Large Cap Growth Funds Index</i>	14.97	4.72	7.58	7.45	26.96	-28.11	-23.87	-19.68	34.82
Fiduciary Small Cap	-1.07	18.35	10.94	20.84	27.18	N/A	N/A	N/A	N/A
<i>Zephyr Small Cap Value Universe Median</i>	-5.97	19.05	8.68	23.89	44.93	-6.72	17.60	21.75	3.08
Artisan International	19.73	25.56	16.27	17.76	29.14	-18.90	-15.86	-10.59	81.29
<i>Lipper Multi Cap Growth Funds Index</i>	12.79	9.21	9.13	11.26	35.38	-29.82	-25.16	-12.05	46.35
Artisan International Value	-0.67	34.46	10.09	32.26	56.59	N/A	N/A	N/A	N/A
<i>Lipper International Small/Mid-Cap Core Index</i>	3.90	28.46	17.65	28.72	48.12	N/A	N/A	N/A	N/A
Vanguard Total Stock Mkt Index Fund	5.49	15.51	5.98	12.52	31.35	-20.96	-10.97	-10.57	23.81

Note that the Pieper Fund returns are net of fees. Composite returns are gross of fees as are the results within the Zephyr peer group.

Inception date is 3/31/99. Therefore, the 1999 Pieper Fund return shown above is for a partial year. Returns for benchmarks, composites and funds are for the entire year in 1999.

# Grantee Four

Grantee Four	From 12/31/2002 to 12/31/2007			
	% Return 5 Year Cum	Super Growth	Lipper Quartile Rank Super Combo	Among Peers
Pieper Fund	70.02	4	4	N/A
Loomis Sayles Bond	23.52	4	4	N/A
<i>Zephyr Medium Duration High Credit Universe Median</i>	<i>25.21</i>			
Fiduciary Large Cap	115.58	2	1	N/A
<i>Zephyr Large Cap Value Universe Median</i>	<i>99.94</i>			
Vanguard Growth Equity	104.70	2	2	1
<i>Lipper Large Cap Growth Funds Index</i>	<i>76.70</i>			
Fiduciary Small Cap	99.62	2	2	N/A
<i>Zephyr Small Cap Value Universe Median</i>	<i>118.44</i>			
Artisan International	165.82	1	1	3
<i>Lipper Multi Cap Growth Funds Index</i>	<i>102.47</i>			
Artisan International Value	204.52	1	1	1
<i>Lipper International Small/Mid-Cap Core Index</i>	<i>199.38</i>			
<i>Vanguard Total Stock Mkt Index Fund</i>	<i>90.86</i>			

Note that the Pieper Fund returns are net of fees. Composite returns are gross of fees as are the results within the Zephyr peer group.

## Grantee Four

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- Grantee Four's Pieper Fund outperformed the Vanguard Total Stock Market Index Fund benchmark by a wide margin in 2007. At the beginning of 2007, the Pieper funds at Congress Asset Management were liquidated and reinvested into a diversified mix of equity and fixed income separate accounts and mutual funds. The new investments performed well for the year as four out of five of the portfolio's equity investments beat their respective peer group benchmarks.
- Investors sought out attractively priced, growth-oriented investments at the expense of value-oriented investments, such as financials in 2007. As a result, Vanguard Growth Equity posted the best return in the portfolio for the year, a return of roughly +22.5%, while value-oriented manager, Fiduciary Large Cap produced a much more subdued gain of +4.5%.
- After a long period of strong relative returns for small-cap stocks, large-cap stocks performed better than small-cap stocks in 2007. This theme was reflected in the portfolio's domestic and international investment results as both Fiduciary Small Cap and Artisan International Value finished in negative territory, and had the weakest returns in the portfolio for the year.
- Loomis Sayles Bond slightly underperformed its own benchmark, but delivered a solid absolute return of nearly +6% for the year. While fixed income investments are generally included in a portfolio's allocation to provide for stability of principal, Loomis Sayles Bond provided the added benefit of outperforming the broad equity market in 2007 as represented by the Vanguard Total Stock Market Index Fund.
- Over the five-year period ended December 31, 2007, the Pieper Fund return continues to trail the Vanguard Total Stock Market Index Fund return. The poor relative returns were mainly due to the fact that the portfolio's previous investment was in a single large-cap equity manager, so the portfolio missed out on the extended rally among small- and mid-cap stocks. However, we are encouraged by the portfolio's new investment lineup since it is diversified by both market-capitalization, and also provides the added diversification benefit of two investments in international products.
- For the trailing five-year period, the Pieper Fund ranks in the bottom quartile of the Lipper Super Growth Group and the Lipper Super Combo Group. The weak results over this timeframe are primarily because of poor returns relative to the Vanguard Total Stock Market Index Fund in both 2003 and 2006.
- Grantee Four has performed in-line with or ahead of the Vanguard Total Stock Market Index Fund in five out of the past eight full-calendar years that the Fund has been invested.

# Grantee Five

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Grantee Five	% Total Return								
	2007	2006	2005	2004	2003	2002	2001	2000	1999
Pieper Funds	-7.39	3.23	8.73	12.70	31.67	-21.64	-11.60	15.40	18.90
Third Avenue Value Equity	-7.39	13.81	14.27	20.96	44.98	-12.75	-0.41	34.81	6.48
<i>Zephyr All Cap Value Universe Median</i>	<i>4.29</i>	<i>16.60</i>	<i>10.71</i>	<i>18.42</i>	<i>37.03</i>	<i>-12.27</i>	<i>10.69</i>	<i>20.72</i>	<i>10.80</i>
<i>Vanguard Total Stock Mkt Index Fund</i>	<i>5.49</i>	<i>15.51</i>	<i>5.98</i>	<i>12.52</i>	<i>31.35</i>	<i>-20.96</i>	<i>-10.97</i>	<i>-10.57</i>	<i>23.81</i>

# Grantee Five

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Grantee Five	From 12/31/2002 to 12/31/2007			
	% Return		Lipper Quartile Rank	
	5 Year Cum	Super Growth	Super Combo	Among Peers
Pieper Funds	54.25	4	4	N/A
Third Avenue Value Equity	111.21	2	1	N/A
<i>Zephyr All Cap Value Universe Median</i>	<i>118.46</i>			
<i>Vanguard Total Stock Mkt Index Fund</i>	<i>90.86</i>			

## Grantee Five

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- Grantee Five's Pieper Funds posted the lowest return among all grantees for the second straight year in 2007 and trailed the broad domestic equity market, as represented by the Vanguard Total Stock Market Index Fund, by a wide margin.
- Over the course of 2006, the Pieper Funds were transitioned from a mix of mutual funds at SEI to a single, all-cap value separately managed strategy at Third Avenue Management. While Third Avenue All-Cap Value has had a history of producing good long-term results, it has had periodic periods of sharp underperformance, which was the case in 2001 and again in 2007.
- For the year, the weakest performing investments were generally found among smaller-cap investments and value-oriented investments. As a result, Third Avenue All-Cap Value faced a significant headwind to performance since the product was invested in the most out-of-favor areas of the market in 2007.
- The cumulative return for the trailing five years ended December 31, 2007 lagged the Vanguard Total Stock Market Index Fund by a significant margin. Even though the portfolio outperformed the Vanguard Total Stock Market Index from 2003 through 2005, weak returns in 2006 and 2007 have more than eroded the relative gains over the prior periods.
- The Pieper Fund return now ranks in the bottom quartile of the Lipper Super Growth Group and the Lipper Super Combo Group over the trailing five years.
- In order to decrease volatility, reduce manager risk, and increase other diversification benefits, we continue to advocate the use of more than one manager and one strategy.
- Grantee Five has outperformed the Vanguard Total Stock Market Index Fund in four out of the past nine calendar years.

# Grantee Six

Grantee Six	% Total Return							
	2007	2006	2005	2004	2003	2002	2001	2000
Pieper Fund	12.36	8.79	4.99	13.65	17.57	-19.89	-15.06	-4.36
Congress Asset Management Composite	11.44	9.12	6.35	14.23	19.46	-17.32	-14.51	-5.48
<i>Zephyr Large Cap Growth Universe Median</i>	<i>13.12</i>	<i>9.03</i>	<i>7.76</i>	<i>9.24</i>	<i>28.00</i>	<i>-24.75</i>	<i>-17.24</i>	<i>-9.08</i>
Brandywine	21.80	11.09	14.39	13.11	31.46	-21.71	-20.55	7.10
<i>Zephyr Mid Cap Growth Median</i>	<i>15.99</i>	<i>10.14</i>	<i>11.33</i>	<i>15.68</i>	<i>36.58</i>	<i>-20.58</i>	<i>-9.30</i>	<i>6.73</i>
Snow Capital All Cap Value	-1.88	16.14	13.90	17.31	44.89	N/A	N/A	N/A
<i>Zephyr All Cap Value Universe Median</i>	<i>4.29</i>	<i>16.60</i>	<i>10.71</i>	<i>18.42</i>	<i>37.03</i>	<i>-12.27</i>	<i>10.69</i>	<i>20.72</i>
Johnston Asset Management - International	19.98	32.06	19.59	18.08	48.96	N/A	N/A	N/A
<i>Zephyr Broad International Median</i>	<i>11.53</i>	<i>27.42</i>	<i>16.69</i>	<i>21.03</i>	<i>39.70</i>	<i>-12.17</i>	<i>-18.09</i>	<i>-9.47</i>
<i>Vanguard Total Stock Mkt Index Fund</i>	<i>5.49</i>	<i>15.51</i>	<i>5.98</i>	<i>12.52</i>	<i>31.35</i>	<i>-20.96</i>	<i>-10.97</i>	<i>-10.57</i>

Note that the Pieper Fund returns are net of fees. Composite returns are gross of fees as are the results within the Zephyr peer group.

- Inception date is November 2000. Therefore, 2000 Pieper Fund performance shown above is for a partial year.
- Returns for the benchmarks and the Congress Asset Management Composite are for the entire year in 2000.

# Grantee Six

Grantee Six	From 12/31/2002 to 12/31/2007			
	% Return 5 Year Cum	Super Growth	Lipper Quartile Rank Super Combo	Among Peers
Pieper Fund	71.48	4	4	N/A
Congress Asset Management Composite	76.48	4	3	N/A
<i>Zephyr Large Cap Growth Universe Median</i>	<i>85.84</i>			
Brandywine	130.15	1	1	1
<i>Zephyr Mid Cap Growth Median</i>	<i>124.71</i>			
Snow Capital All Cap Value	120.62	1	1	N/A
<i>Zephyr All Cap Value Universe Median</i>	<i>118.46</i>			
Johnston Asset Management - International	233.29	1	1	N/A
<i>Zephyr Broad International Median</i>	<i>180.38</i>			
<i>Vanguard Total Stock Mkt Index Fund</i>	<i>90.86</i>			

Note that the Pieper Fund returns are net of fees. Composite returns are gross of fees as are the results within the Zephyr peer group.

## Grantee Six

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- Grantee Six's Pieper Fund beat the Vanguard Total Stock Market Index Fund benchmark return by a substantial margin in 2007, and posted the best return among all grantees for the year.
- At the beginning of the year, a portion of the assets in Congress Asset Management were liquidated and reinvested in three new managers including Brandywine, Snow Capital and Johnston Asset Management. Even though large-cap growth managers performed well for the year, the portfolio still benefited from its diversification into other managers as asset classes. Brandywine, a mid-cap growth manager registered the best return in the portfolio of +21.8%, and was followed closely behind by Johnston Asset Management, which invests in international stocks and delivered a return of +20.0% for the period. The strong returns from Brandywine and Johnston Asset Management more than offset weakness from all-cap value manager Snow Capital, which finished the year in negative territory.
- Over the five-year period ended December 31, 2007, the Pieper Fund return remains behind the Vanguard Total Stock Market Index Fund return; however, we are hopeful that the strong return in 2007, along with a more diversified portfolio, will be a signal of better relative performance in the future.
- For the trailing five-year period, the Pieper Fund ranks in the bottom quartile of both the Lipper Super Growth Group and the Lipper Super Combo Group. The poor relative returns were mainly due to the fact that the portfolio's previous investment was in a single large-cap equity manager, so the portfolio missed out on the extended rally among small- and mid-cap stocks.
- Grantee Six has outperformed the Vanguard Total Stock Market Index Fund in three out of the past six full-calendar years that the Fund has been invested.

# Grantee Seven

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Grantee Seven	% Total Return						
	2007	2006	2005	2004	2003	2002	2001
Pieper Fund	10.20	16.60	8.50	6.60	13.80	0.74	1.20
Central Indiana Community Foundation	10.20	16.60	10.33	11.50	28.00	N/A	N/A
<i>Zephyr Broad Balanced Median</i>	<i>6.41</i>	<i>11.63</i>	<i>4.70</i>	<i>8.54</i>	<i>18.25</i>	<i>-9.46</i>	<i>-2.00</i>
<i>Vanguard Total Stock Mkt Index Fund</i>	<i>5.49</i>	<i>15.51</i>	<i>5.98</i>	<i>12.52</i>	<i>31.35</i>	<i>-20.96</i>	<i>-10.97</i>

Account has an inception date of 9/1/2001. Therefore, the Pieper Fund return shown above for 2001 is only a partial year return but the mutual fund and benchmark returns are for the entire year.

The investment policy statement for the Central Indiana Community Foundation indicates an asset allocation target of 70% equity and 30% fixed income. Information on the components of the foundation portfolio is not available.

# Grantee Seven

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Grantee Seven	From 12/31/2002 to 12/31/2007			
	% Return	Lipper Quartile Rank		
	5 Year Cum	Super Growth	Super Combo	Among Peers
Pieper Fund	69.13	4	4	N/A
Central Indiana Community Foundation	102.33	2	2	0
<i>Zephyr Broad Balanced Median</i>	59.63			
<i>Vanguard Total Stock Mkt Index Fund</i>	90.86			

## Grantee Seven

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- Grantee Seven's Pieper Fund outperformed the Vanguard Total Stock Market Index Fund benchmark for the third straight year in 2007.
- For five straight years, the Central Indiana Community Foundation (CICF) outperformed its peer group benchmark. Unlike prior periods where having an allocation to fixed income negatively impacted performance relative to an all-equity benchmark, the fixed income allocation in CICF managed to produce a competitive return this year and also helped to dampen overall volatility. In addition, CICF has roughly 15% of its assets invested in international stocks, which added to performance for the year as international stocks generally outperformed domestic stocks.
- Grantee Seven's Pieper Fund trailed the Vanguard Total Stock Market Index over the trailing five years ended December 31, 2007. The Pieper Fund return ranks in the bottom quartile of the Lipper Super Growth Group and the Lipper Super Combo Group.
- Grantee Seven has outperformed the Vanguard Total Stock Market Index Fund for three straight calendar years. In total, Grantee Seven has outperformed the Vanguard Total Stock Market Index Fund in four out of the past six full-calendar years that the Fund has been invested.

# Grantee Eight

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Grantee Eight	% Total Return					
	2007	2006	2005	2004	2003	2002
Pieper Combined Fund	7.06	15.62	3.41	9.20	21.00	-13.70
Russell LifePoints Agg Strategy	7.06	15.62	8.30	12.97	27.94	-14.06
<i>Lipper Balanced Funds Index</i>	6.53	11.60	5.20	8.99	19.94	-10.69
<i>Vanguard Total Stock Mkt Index Fund</i>	5.49	15.51	5.98	12.52	31.35	-20.96

# Grantee Eight

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Grantee Eight	From 12/31/2002 to 12/31/2007			
	% Return 5 Year Cum	Super Growth	Super Combo	Lipper Quartile Rank Among Peers
Pieper Combined Fund	69.13	4	4	N/A
Russell LifePoints Agg Strategy	93.76	3	2	N/A
<i>Lipper Balanced Funds Index</i>	63.47			
<i>Vanguard Total Stock Mkt Index Fund</i>	90.86			

## Grantee Eight

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- Grantee Eight's Pieper Fund outperformed the Vanguard Total Stock Market Index Fund benchmark return in 2007.
- All of the grantee's assets are invested in the Frank Russell LifePoints Aggressive Strategy Fund, which is a "fund of funds" that invests in a wide range of asset classes, including fixed income, real estate, and foreign stocks from both developed and emerging markets. The fund's target allocation is 20% fixed income and 80% equity. International securities account for roughly 17% of the portfolio and real estate accounts for 6% of the fund's allocation. While international and diversified equities were the largest contributors to performance for the year, fixed income also added to results, especially over the latter half of the year as market volatility increased.
- The Pieper Fund's return over the trailing five-year period ranks in the bottom quartile of the Lipper Super Growth Group and the Lipper Super Combo Group. The Fund's trailing five-year return is well behind the broad equity market benchmark, due to a period of underperformance from 2003-2005. The Pieper Fund had a significant allocation to fixed income during this time, which resulted in poor relative performance versus the all equity Vanguard Total Stock Market Index Fund benchmark since equities outperformed fixed income by a sizable amount over this timeframe.
- As we have mentioned in the past, the grantee should be fully aware that "fund of funds" options can be expensive and may have fees that are not apparent at the surface. Since a "fund of funds" owns each of the underlying investments, an investor is exposed to each of the individual investment's expenses, in addition to the expenses paid to the manager of the "fund of funds." As a reminder, for this particular fund, Russell charges 25 basis points for annual fund operating expenses. This brings the total fee of the "fund of funds" to 130 basis points. We believe that the grantee may be able to find a cheaper alternative, which in turn may benefit the grantee's long-term performance due to fee savings.
- Grantee Eight has outperformed the Vanguard Total Stock Market Index Fund for two straight calendar years, and three out of the past six calendar years in total.

# Grantee Nine

Grantee Nine	% Total Return				
	2007	2006	2005	2004	2003
Pieper Family Fund	4.90	23.16	1.99	9.10	3.20
Vanguard Intermediate Term Bond Index Fund	7.61	3.91	1.75	5.22	5.65
<i>Lipper Intmdt Inv Grd Funds Index</i>	5.43	4.47	2.28	4.28	5.41
Vanguard Value Index Fund	0.09	22.15	7.09	15.29	32.25
<i>Lipper Large Cap Value Funds Index</i>	2.46	18.28	6.26	12.00	28.00
Vanguard Growth Index Fund	12.56	9.01	5.09	7.20	25.92
<i>Lipper Large Cap Growth Funds Index</i>	14.97	4.72	7.58	7.45	26.96
Vanguard Mid Cap Index Fund	6.02	13.60	13.93	20.35	34.14
<i>Lipper Mid Cap Core Funds Index</i>	6.34	13.44	9.46	15.44	36.58
Vanguard European Stock Index Fund	13.82	33.42	9.26	20.86	38.70
<i>Lipper European Funds Index</i>	16.93	34.97	13.89	22.09	38.15
Heartland Value Fund	-5.53	28.02	1.99	9.10	70.16
<i>Lipper Small Cap Core Funds Index</i>	1.92	13.70	7.56	18.37	40.90
<i>Vanguard Total Stock Mkt Index Fund</i>	5.49	15.51	5.98	12.52	31.35

\*Inception date 11/26/03

Date of first investment is late November 2003. Therefore, the Pieper Family Fund return for 2003 shown above is for the month of December 2003. Individual investment returns and benchmark returns are for the entire year in 2003.

# Grantee Nine

Grantee Nine	From 12/31/2004 to 12/31/2007			
	% Return 3 Year Cum	Super Growth	Lipper Quartile Rank Super Combo	Among Peers
Pieper Family Fund	31.77	2	2	N/A
Vanguard Intermediate Term Bond Index Fund	13.77	4	4	1
<i>Lipper Intmtd Inv Grd Funds Index</i>	<i>12.65</i>			
Vanguard Value Index Fund	30.93	3	2	2
<i>Lipper Large Cap Value Funds Index</i>	<i>28.78</i>			
Vanguard Growth Index Fund	28.95	3	2	2
<i>Lipper Large Cap Growth Funds Index</i>	<i>29.52</i>			
Vanguard Mid Cap Index Fund	37.22	2	1	1
<i>Lipper Mid Cap Core Funds Index</i>	<i>32.04</i>			
Vanguard European Stock Index Fund	65.92	1	1	2
<i>Lipper European Funds Index</i>	<i>79.74</i>			
Heartland Value Fund	23.35	3	3	2
<i>Lipper Small Cap Core Funds Index</i>	<i>24.64</i>			
<i>Vanguard Total Stock Mkt Index Fund</i>	<i>29.14</i>			

\*Inception date 11/26/03

## Grantee Nine

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- Grantee Nine's Pieper Family Fund trailed the Vanguard Total Stock Market Index Fund slightly in 2007 due to relative underperformance of each of the equity funds.
- All three domestic index funds trailed their Lipper peer group benchmark for the year. Despite being the top performer, the Vanguard European Stock Index Fund trailed its peers by roughly 3%. In addition, Heartland Value Fund reversed its performance lead from last year with a negative return in 2007, trailing its Lipper peer group benchmark by nearly 7.5%.
- Grantee Nine has outperformed the Vanguard Total Stock Market Index Fund in one out of the past five calendar years.
- While the move to Vanguard funds last year puts the portfolio in a favorable position from a cost standpoint, last year was an example of a year when these index funds' competitors—most of them active managers—were able to outperform.
- The case is reversed for the bond funds. The index fund held a large portion of its assets in Treasuries, which outperformed credit and mortgage bonds that had been favored by most active bond managers last year for their higher yields.

# Grantee Ten

Grantee Ten	% Total Return					
	2007	2006	2005	2004	2003	2002
Pieper Challenge Fund	5.35	12.30	4.50	0.30	0.53	0.53
Pieper Family Fund	5.35	12.30	4.50	0.30	0.53	0.53
Dodge & Cox Income	4.68	5.30	1.98	3.64	5.97	5.97
<i>Lipper A-Rated Bond Funds Index</i>	4.55	3.90	2.53	4.51	5.02	5.02
Baird Short-Term Bond	6.07	4.65	1.84	N/A	N/A	N/A
<i>Lipper Short-Term Inv Grade Funds Index</i>	4.80	4.40	1.76	2.64	2.65	2.65
BlackRock Intermediate Bond	6.85	4.10	1.43	3.11	4.36	4.36
<i>Lipper Short-Interm Inv Grade Funds Index</i>	5.39	4.07	1.35	2.64	3.85	3.85
Eaton Vance Special Inv Large Cap Value	10.27	19.11	11.73	N/A	N/A	N/A
<i>Lipper Large Cap Value Funds Index</i>	2.46	18.28	6.26	12.00	28.00	28.00
Touchstone Select Growth	18.53	-6.50	9.63	19.00	36.99	36.99
T. Rowe Price Growth Stock	10.37	14.05	6.56	10.24	31.23	31.23
<i>Lipper Large Cap Growth Funds Index</i>	14.97	4.72	7.58	7.45	26.96	26.96
H&W Core Value	-11.10	14.98	12.61	N/A	N/A	N/A
John Hancock Classic Value	-14.20	16.54	8.81	14.28	36.25	36.25
<i>Lipper Multi Cap Value Funds Index</i>	-1.04	17.07	6.33	14.91	32.78	32.78
Calvert Large Cap Growth	13.94	5.12	11.69	17.37	39.01	39.01
<i>Lipper Multi Cap Growth Funds Index</i>	12.79	9.21	9.13	11.26	35.38	35.38

Inception date is 9/5/2002 for the Pieper Challenge Fund. Inception date is 11/21/2002 for the Pieper Family Fund. Returns for the fund benchmarks are for the entire year in 2002.

# Grantee Ten (continued)

Grantee Ten	% Total Return					
	2007	2006	2005	2004	2003	2002
Wilmington CRM MCV	10.42	17.26	7.97	24.98	41.92	-16.67
<i>Lipper Mid Cap Core Funds Index</i>	6.34	13.44	9.46	15.44	36.58	-17.37
Munder Mid Cap Core Growth	20.97	11.82	13.11	22.30	37.07	-15.22
<i>Lipper Mid Cap Growth Funds Index</i>	21.41	11.02	9.58	14.03	35.42	-28.47
RS Inv Value	3.76	16.37	11.67	29.31	65.98	1.38
<i>Lipper Mid Cap Value Funds Index</i>	3.62	15.66	8.75	19.54	39.08	-14.66
Harbor Small Cap Value	-1.44	10.66	10.33	23.58	45.69	-4.94
<i>Lipper Small Cap Core Funds Index</i>	1.92	13.70	7.56	18.37	40.90	-19.23
Stratton Small Cap Value	-2.20	13.82	10.86	26.43	49.63	-9.51
Keeley Small Cap Value	7.17	19.55	16.12	32.94	39.31	-8.47
<i>Lipper Small Cap Value Funds Index</i>	-4.57	17.13	7.45	20.65	47.53	-11.20
Harbor International	21.82	32.69	20.84	17.97	40.95	-6.38
<i>Lipper International Lg-Cap Core Index</i>	12.51	25.11	13.84	17.18	32.70	-14.55
Julius Baer International Equity	17.84	32.07	17.40	23.58	36.46	-3.07
Oakmark International	-0.51	30.60	14.12	19.09	38.04	-8.46
<i>Lipper International Mlt-Cap Core Index</i>	12.61	24.89	13.76	19.20	37.29	-13.98
<i>Lipper Money Market Fund Index</i>	4.77	4.51	2.66	0.78	0.62	1.32
<i>Vanguard Total Stock Mkt Index Fund</i>	5.49	15.51	5.98	12.52	31.35	-20.96

Inception date is 9/5/2002 for the Pieper Challenge Fund. Inception date is 11/21/2002 for the Pieper Family Fund.  
Returns for the fund benchmarks are for the entire year in 2002.

# Grantee Ten

Grantee Ten	From 12/31/2002 to 12/31/2007			
	% Return	Lipper Quartile Rank		
	5 Year Cum	Super Growth	Super Combo	Among Peers
Pieper Challenge Fund	24.66	4	4	N/A
Pieper Family Fund	24.66	4	4	N/A
Dodge & Cox Income	23.46	4	4	2
<i>Lipper A-Rated Bond Funds Index</i>	22.24			
Baird Short-Term Bond	N/A	N/A	N/A	N/A
<i>Lipper Short-Term Inv Grade Funds Index</i>	16.11			
BlackRock Intermediate Bond	21.40	4	4	1
<i>Lipper Short-Interm Inv Grade Funds Index</i>	18.49			
Eaton Vance Special Inv Large Cap Value	N/A	N/A	N/A	N/A
<i>Lipper Large Cap Value Funds Index</i>	84.61			
Touchstone Select Growth	98.06	2	2	1
T. Rowe Price Growth Stock	94.05	3	2	1
<i>Lipper Large Cap Growth Funds Index</i>	76.70			
H&W Core Value	N/A	N/A	N/A	N/A
John Hancock Classic Value	69.41	4	4	4
<i>Lipper Multi Cap Value Funds Index</i>	87.97			
Calvert Large Cap Growth	118.26	1	1	2
<i>Lipper Multi Cap Growth Funds Index</i>	102.47			

# Grantee Ten (continued)

Grantee Ten	From 12/31/2002 to 12/31/2007			
	% Return	Lipper Quartile Rank		
	5 Year Cum	Super Growth	Super Combo	Among Peers
Wilmington CRM MCV <i>Lipper Mid Cap Core Funds Index</i>	147.96 108.19	1	1	1
Munder Mid Cap Core Growth <i>Lipper Mid Cap Growth Funds Index</i>	156.49 128.07	1	1	1
RS Inv Value <i>Lipper Mid Cap Value Funds Index</i>	189.40 116.69	1	1	1
Harbor Small Cap Value <i>Lipper Small Cap Core Funds Index</i>	116.65 107.89	1	1	2
Stratton Small Cap Value	133.45	1	1	1
Keeley Small Cap Value <i>Lipper Small Cap Value Funds Index</i>	175.53 113.80	1	1	1
Harbor International <i>Lipper International Lg-Cap Core Index</i>	224.79 149.16	1	1	1
Julius Baer International Equity	208.12	1	1	1
Oakmark International <i>Lipper International Mlt-Cap Core Index</i>	143.76 161.82	1	1	3
<i>Lipper Money Market Fund Index</i>	13.98			
<i>Vanguard Total Stock Mkt Index Fund</i>				

# Grantee Ten

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- In 2007, Grantee Ten's Pieper Fund was about equal to the Vanguard Total Stock Market Index Fund benchmark. The Pieper Fund returned 5.35% for the year. Two of the fixed income mutual funds returned more than 6%, indicating that in total the equity funds underperformed the bond funds.
- The Pieper Funds are invested in a diversified mix of 18 mutual funds. The portfolio's current allocation includes approximately 20% of assets in fixed income funds versus a stated policy target of 26%. Approximately 19% of assets are invested in international funds, for which the target allocation is 14%. The rest of the portfolio is allocated to a cash balance of about 1% and domestic equity of 53%.
- For the year, 12 of the 18 mutual funds owned outperformed their respective Lipper peer group benchmarks, including all three bond funds. The funds have displayed relatively strong performance over the trailing five years with 13 out of 15 funds (with five year performance histories) ranking in the top half of their respective peer groups.
- Since the Pieper Fund had been in a money market fund for the majority of three of the past five years, performance has suffered versus a generally positive equity market. Grantee Ten is in the bottom quartile for both the Lipper Super Growth and Lipper Super Combo peer groups over the trailing five years.
- Grantee Ten has trailed the Vanguard Total Stock Market Index Fund in each of the past five full-calendar years the Fund has been invested.
- It is still our concern that while we are pleased that Grantee Ten has taken the initiative to invest the Pieper Funds, we wonder whether the use of 18 mutual funds has over-diversified the Pieper Fund. In this case, a broad, passively managed, low-cost fund or a combination of passive fixed, U.S. and international equity with low expenses might be better. Small position sizes tend to dilute the impact of each fund.

# Summary For Grantees

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- Ten grantees reported on Pieper Funds for 2007. All ten grantees with Pieper Funds are now invested in long-term assets.
- Six grantee Funds have investments in bonds as well as equities.
- Seven grantees made a change in how the Pieper Funds were invested during 2007.
- All but one of the ten grantee Funds earned a positive return for 2007, with two grantee Funds earning a return in excess of 10%.
- The highest return for 2007 was 12.36% and the lowest return for 2007 was -7.39%.
- Five grantee Funds earned 2007 returns in excess of the broad equity market as measured by the Vanguard Total Stock Market Index Fund.
- Two grantee Funds earned a return in 2007 above the Consumer Price Index (CPI) plus 5% objective.
- Nine grantee Funds now have returns for the trailing five years. Only one earned returns above the Vanguard Total Stock Market Index Fund return for the period. Eight grantee Funds ranked in the bottom half of the Lipper Super Growth Group and eight ranked in the bottom half of the Lipper Super Combo Group.

## Form ADV Part II & Code of Ethics

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Annually, as a registered investment adviser with the SEC, we offer to our clients our Form ADV Part II which provides detailed information on the structure of our firm, how we conduct our business, the types of clients we serve and the business background of our colleagues. At Lipper Advisory Services, we believe that ethical behavior goes beyond the law and regulations to a basic principle that our clients' interests are first, and activities that might be deemed to put personal interests or those of the firm ahead of our clients' interest are not acceptable. We have adopted a set of standards to help assure that we meet our fiduciary responsibilities with integrity and professionalism. These standards are in addition to our Code of Ethics required under Rule 204A-1 of the Investment Advisers Act of 1940, as amended. If you would like a copy of our Form ADV Part II and/or Code of Ethics, please contact us at 866-272-3848 or [dcody@mboclare.com](mailto:dcody@mboclare.com).

Current regulation requires financial institutions to provide their investors with a copy of their privacy statement on an annual basis. Enclosed is a copy of our Privacy Policy Statement.

# Privacy Statement

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## LIPPER ADVISORY SERVICES, INC. PRIVACY POLICY STATEMENT

Lipper Advisory Services, Inc. (Lipper Advisory) considers privacy to be fundamental to our relationship with our clients. We are committed to maintaining the confidentiality, integrity and security of our current and former clients' non-public information. Accordingly, we have developed internal policies to protect confidentiality while meeting clients' needs.

We respect our clients' rights to privacy. We also know, however, that our clients expect us to conduct Lipper Advisory's investment program in an accurate and efficient manner. To do so, we must collect and maintain certain non-public information about our clients. We collect this information from various sources including our *Advisory Agreements* and through transactions made by us with your custodians or broker of record.

We will not disclose any non-public personal information about any of our clients, except to our affiliates and other service providers where necessary and for your benefit, i.e. custodians and brokers as allowed by applicable law or regulation or required to transact business on your behalf. In the normal course of serving our clients, information we collect may be shared with companies that perform various services such as your accountants, auditors, attorneys and custodian. Specifically, we may disclose to these service providers non-public personal information including:

- Information we receive on subscription agreements or other forms, such as name, address, account or tax identification number and the type of investment;
- Information about transactions with us, our affiliates or others, such as participation in other investment programs, ownership of certain types of accounts such as IRAs or other account data.

Any party that receives this information will use it only for the services required and as allowed by applicable law or regulation, and is not permitted to share or use this information for any other purpose. To protect the personal information of individuals, foundations, retirement plans, etc., we permit access only by authorized employees who need access to that information in order to provide services to our clients. In order to guard clients' non-public personal information, we maintain physical, electronic and procedural safeguards that comply with U.S. federal standards. A client's right to privacy extends to all forms of contact with us, including telephone, written correspondence and electronic media, such as the Internet.