STRATEGIC ASSET ALLOCATION & MODERN PORTFOLIO PROPORSAL

EVERGREEN FOUNDATION ENDOWNMENT

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AGENDA

- Client Objectives & IPS framework
- Risk tolerance and policy constraints
- Capital market assumptions & methodology
- Model portfolios: Conservative, Moderate, Growth
- Efficient frontier & opportunity set
- Risk, diversification & compliance review
- Key observations & recommendation

Client Overview & Investment Objective

Client Profile

• Evergreen Foundation Endowment (~$1.0B)

• Perpetual investment horizon

• Mission-driven capital with intergenerational equity

Primary Investment Objective

• Preserve and grow real (inflation-adjusted) purchasing power

• Support stable annual spending for Foundation programs

Return Objective

• Target nominal return: CPI + 4.0% (net of fees)

Spending Policy & Liquidity Needs

Spending Policy

• Annual distribution: 4.0% of a 3-year trailing average market value

• Board discretion to smooth distributions during stressed periods

Liquidity Requirements

• Maintain sufficient liquid assets to fund 6–9 months of distributions

• Target cash & liquidity allocation: ~4–6%

• Minimum allowable cash: 3%

Risk Tolerance & Governance Constraints

Risk Profile

• Moderate risk tolerance

• Willing to accept interim volatility to achieve long-term real returns

Risk Limits

• Target long-term volatility: ~10%–16%

• No portfolio-level leverage without approval

Governance Emphasis

• Diversification, transparency, and policy discipline

Policy Asset Allocation (Targets & Ranges)

Policy Allocation Framework

ASSET CLASS	TARGET	RANGE
Global Equity	40%	30-55%
Private Equity	12%	8-20%
Real Assets	12%	6-18%
Hedge Funds	8%	0-15%
Credit	10%	5-15%
Core Fixed Income	12%	5-25%
Cash	6%	3-10%

Capital Market Assumptions (Inputs)

Key Inputs Used in Portfolio Construction

- Long-term expected returns by asset class
- Annualized covariance and correlation matrix
- Conservative, policy-consistent assumptions

Philosophy

- Emphasis on long-term behavior rather than short-term forecasts
- Diversification benefits explicitly incorporated

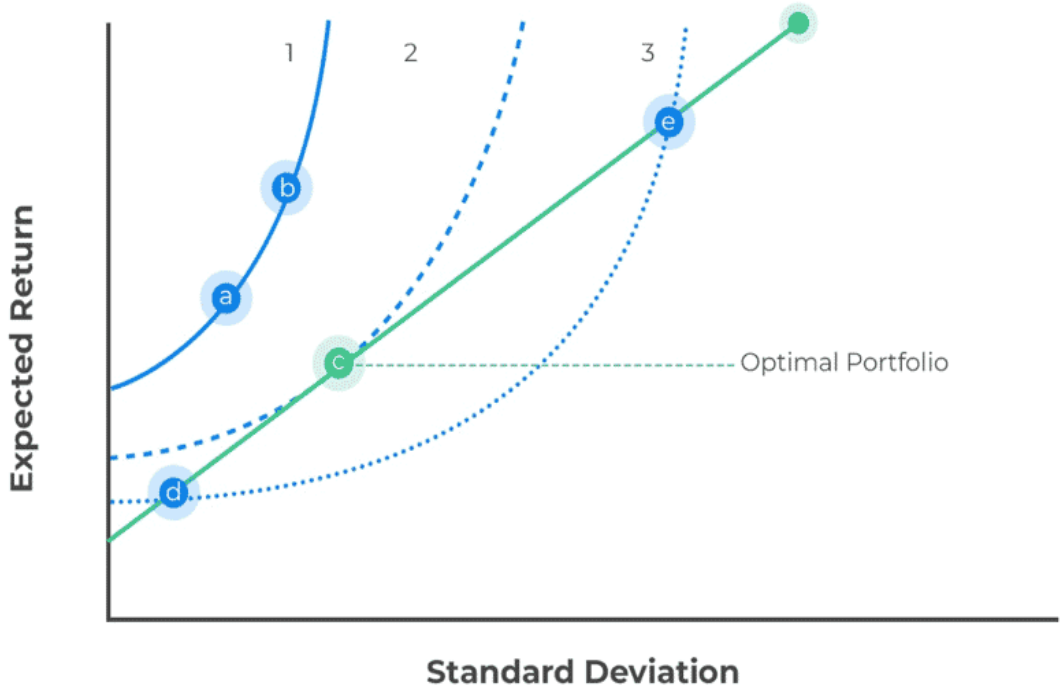
Portfolio Construction Methodology

Approach

- Mean-Variance Optimization (MVO) framework
- Objective: maximize risk-adjusted return

Key Constraints Applied

- Full investment (weights sum to 100%)
- No short selling
- Asset class ranges per IPS
- Illiquid assets ≤ 25%
- Cash ≥ 3%



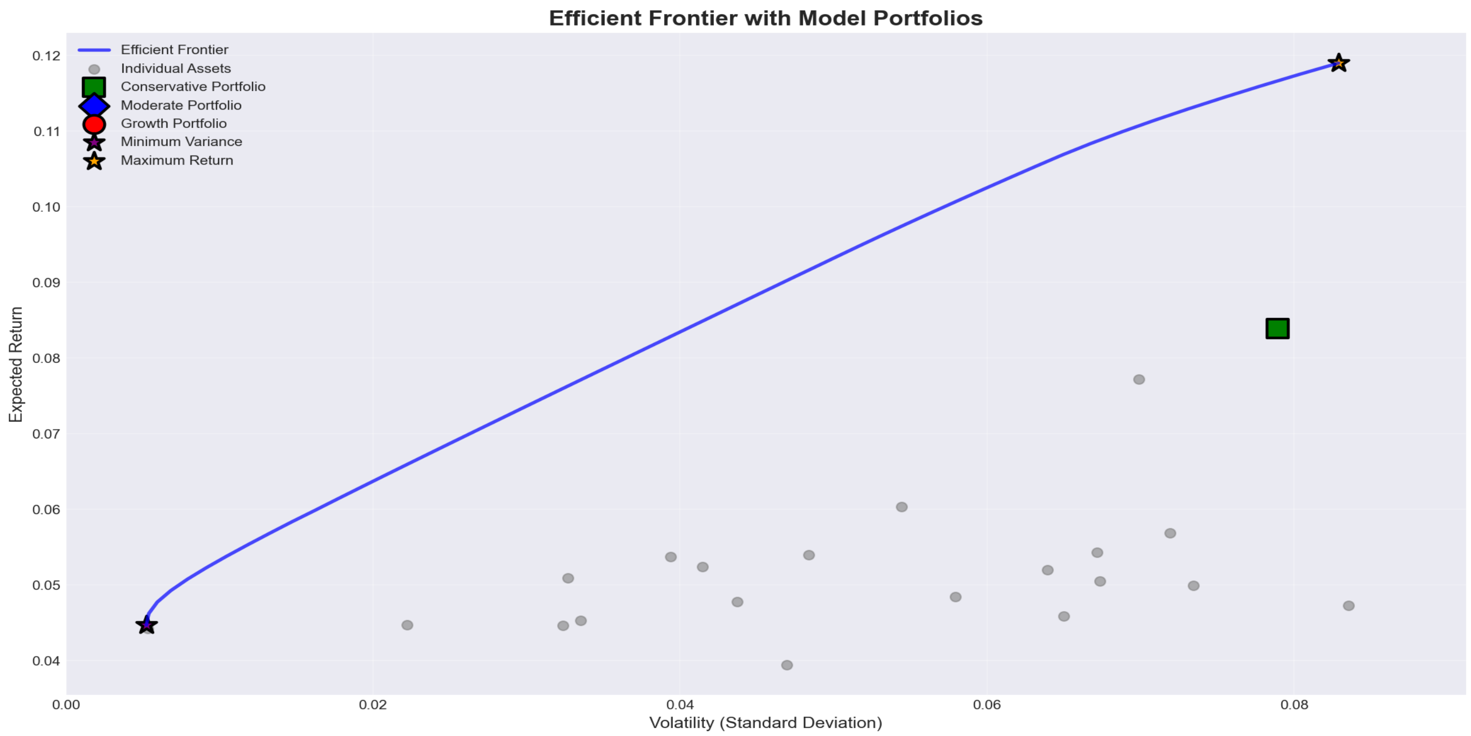
Building Different Portfolios with Various Ranges

ASSET CLASS	CONSERVATIVE RANGE	MODERATE RANGE	GROWTH RANGE
Global Equity	20-35%	35-50%	45-55%
Private Equity	0-10%	8-15%	12-20%
Real Assets	5-12%	8-15%	10-18%
Hedge Funds	0-10%	5-12%	5-15%
Credit	10-20%	8-15%	5-12%
Core Fixed Income	20-35%	10-20%	5-12%
Cash	5-10%	3-7%	3-5%

Rationale for Three Model Portfolios

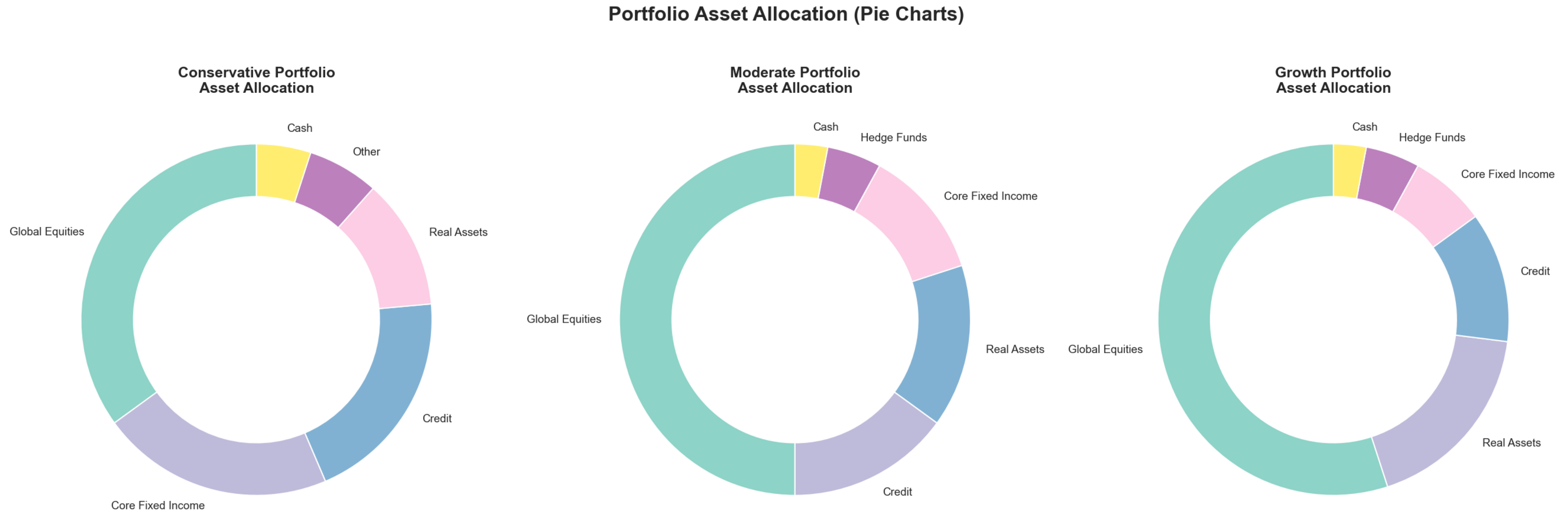
- Conservative: Capital preservation focus
- Moderate: Balanced risk-return profile
- Growth: Long-term return maximization

Efficient Frontier (Feasible Opportunity Set)



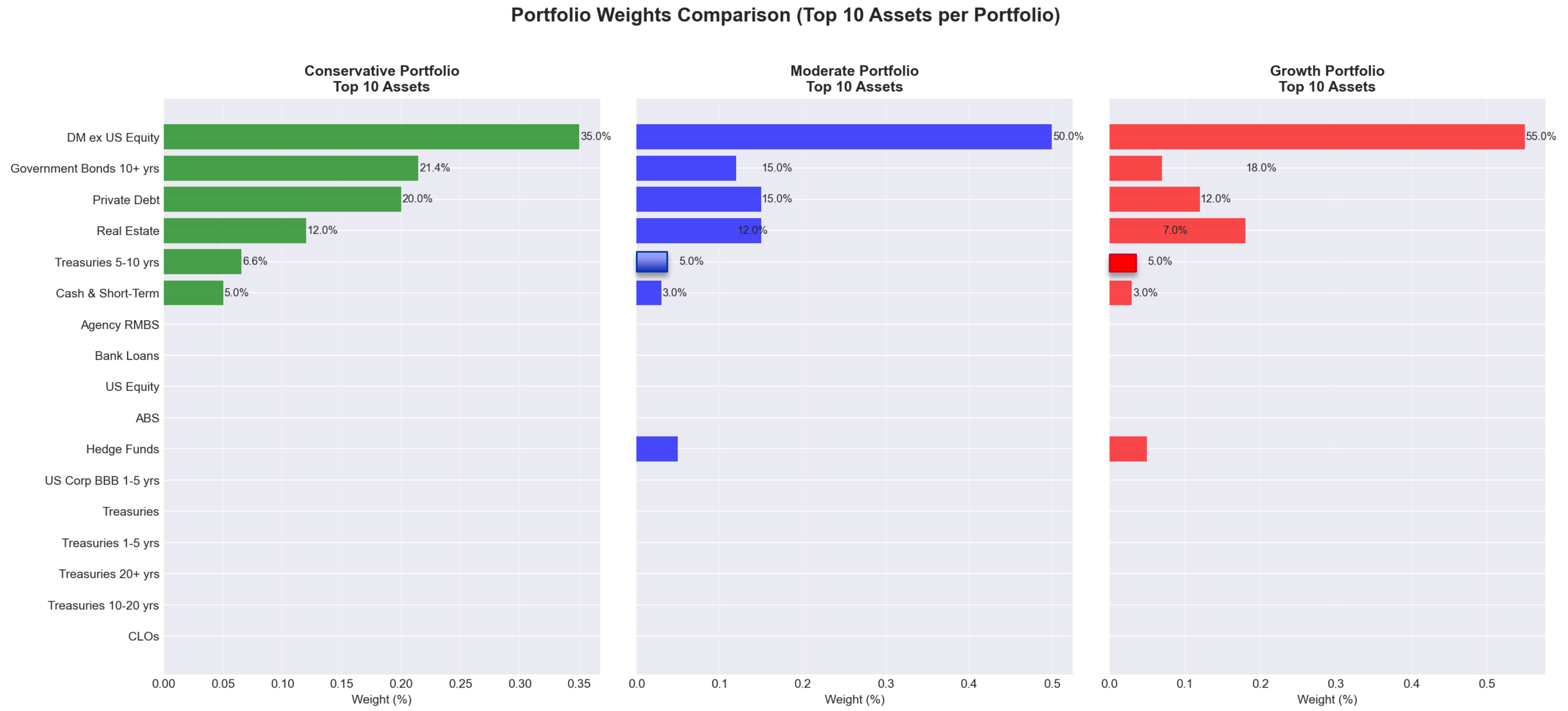
- Frontier reflects only IPS-compliant portfolios
- Demonstrates trade-off between risk and expected return
- Model portfolios lie on or near the efficient frontier

Asset Allocation by Category



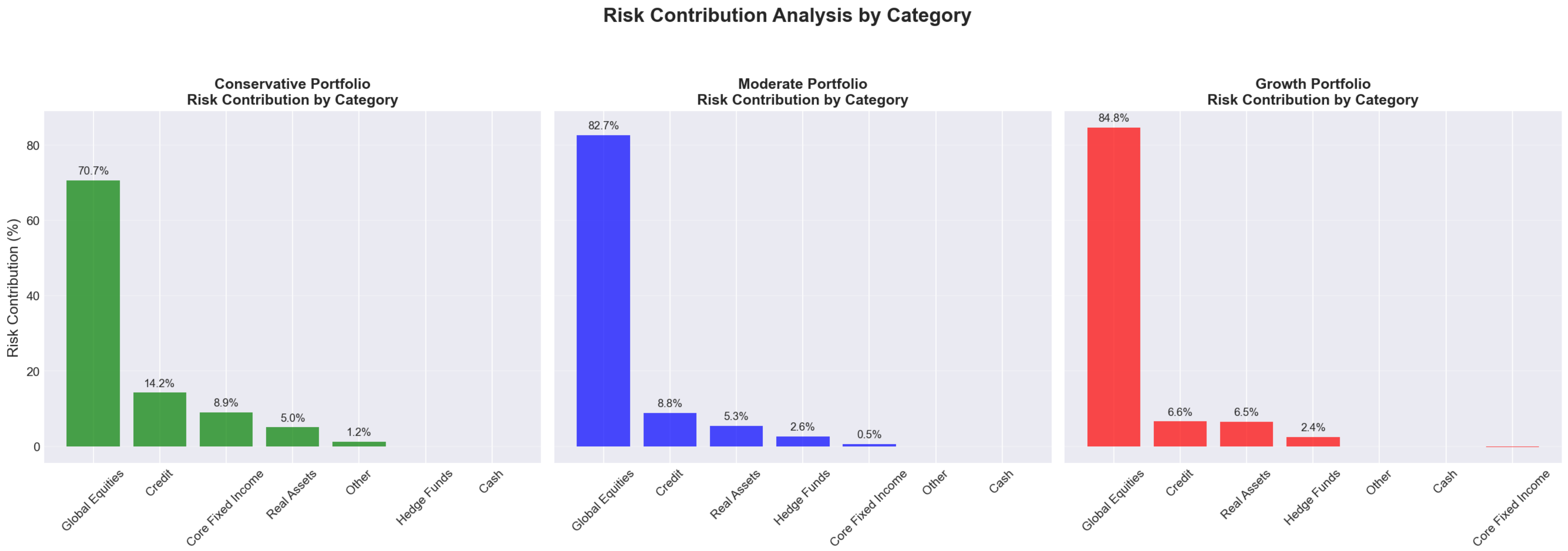
- Clear differentiation across portfolios
- Increasing equity and illiquidity from Conservative → Growth
- All allocations remain within IPS ranges

Portfolio Composition: Top Holdings



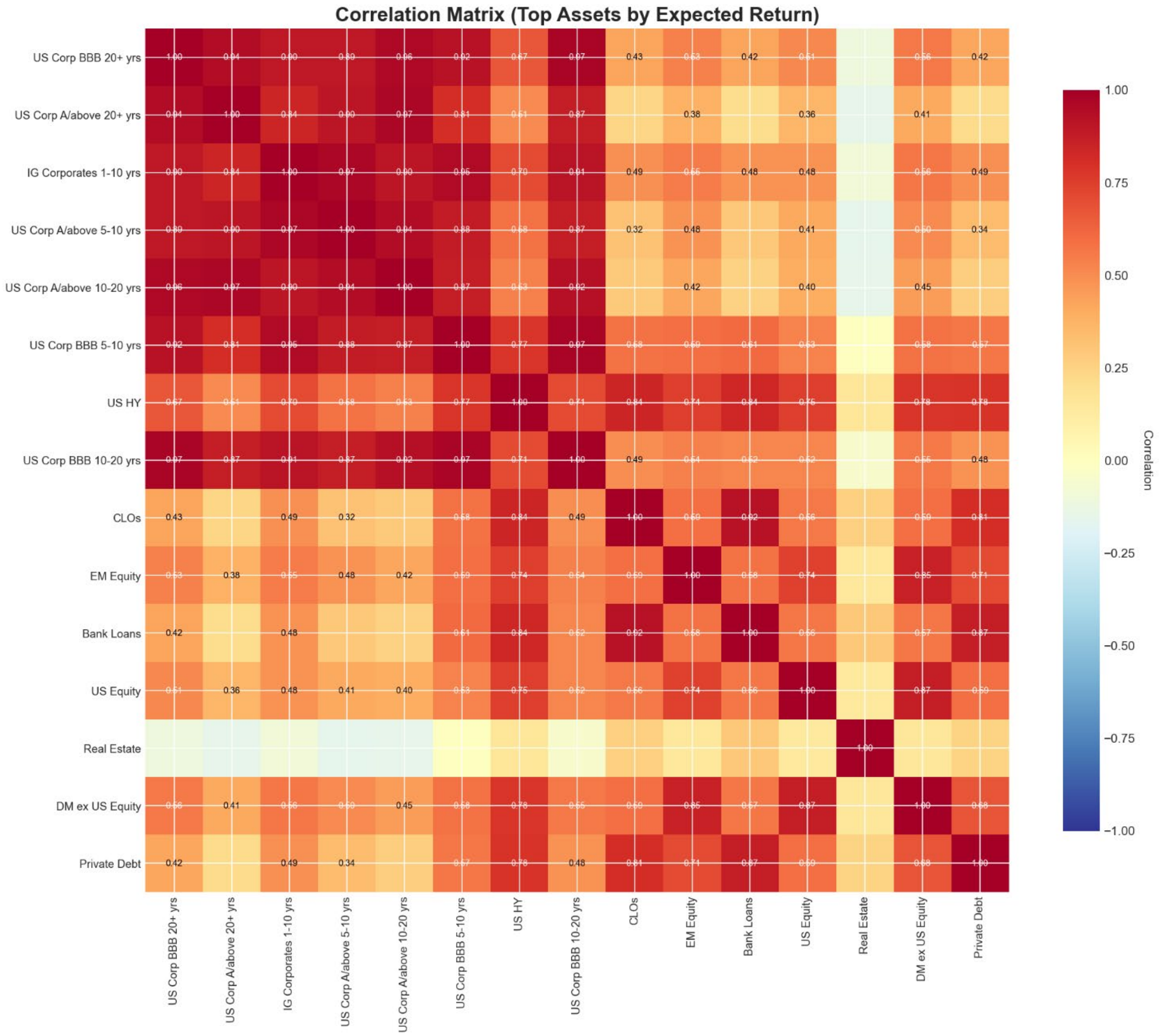
- Broad diversification across assets
- No excessive concentration in single assets
- Implementation-ready structure

Risk Contribution Analysis



- Risk contribution differs materially from capital allocation
- Equity assets dominate total portfolio risk
- Defensive assets provide volatility dampening

Correlation & Diversification Benefits



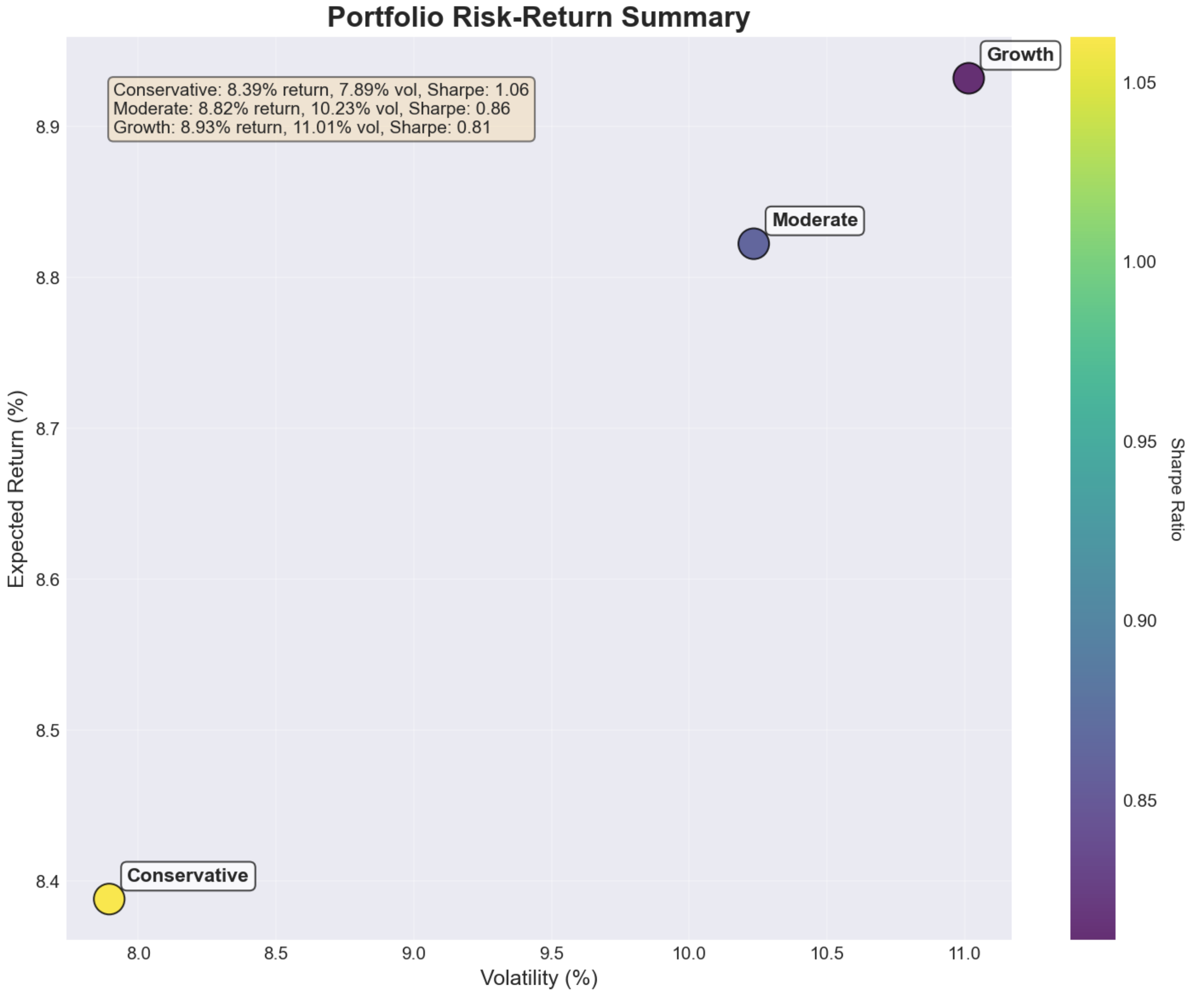
Key Takeaways

- Low to moderate correlations across asset classes
- Alternatives and real assets enhance diversification
- Improved downside risk resilience

Risk–Return Profile Summary

Comparison

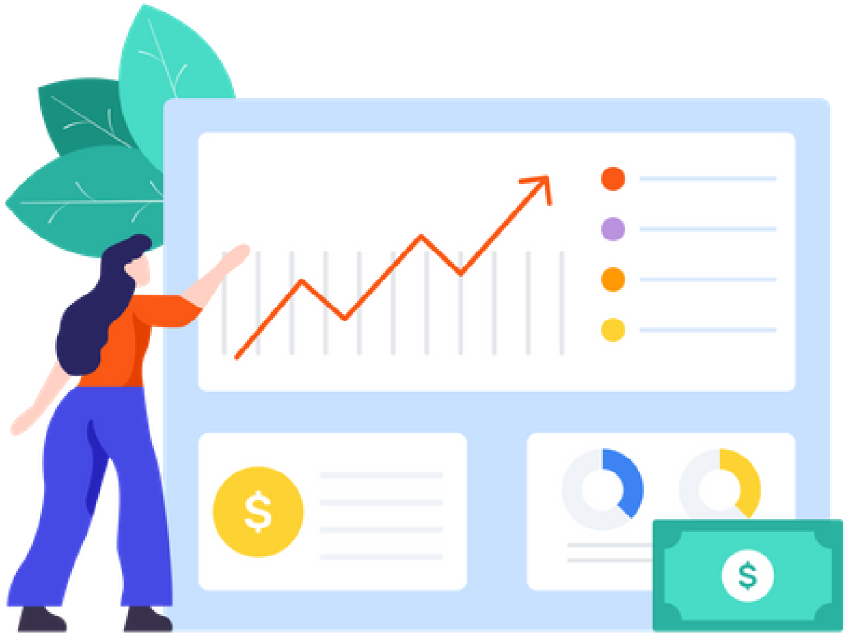
- Conservative: Lower return, lower volatility
- Moderate: Balanced return and risk
- Growth: Higher expected return with higher volatility
- All portfolios fall within IPS volatility target range



Constraint Compliance & Trade-offs

Summary

- All asset class allocations within policy ranges
- Illiquid exposure remains below stated limits
- Cash minimum satisfied
- Volatility aligned with target band



Key Observations

- Higher illiquidity improves expected return but raises risk
- Diversification meaningfully reduces portfolio volatility
- Moderate portfolio aligns most closely with IPS targets
- Growth portfolio maximizes long-term purchasing power

Conclusion & Next Steps

Conclusion

- IPS-aligned, governance-driven portfolios constructed
- Clear risk-return trade-offs presented
- Strong diversification achieved

Next Steps

- Stress testing and scenario analysis
- Monte Carlo analysis of purchasing power
- Manager selection and implementation planning

Thank You