

Investment Performance Report

OKLAHOMA CITY COMMUNITY FOUNDATION | FALL 2010

2009–10

Our Investment Management Approach and Process

Achieving good investment results is a key goal of the Oklahoma City Community Foundation Trustees and our Investment Committee. While the markets are often volatile, we intend to have both a strong process for allocation and review and an excellent committee that is well-informed and actively involved. We are very open about the process and the results. We are confident in our approach and are pleased that it has produced a solid investment product for Oklahoma City donors and nonprofit organizations for many years.

Investment Committee

Our Investment Committee is comprised of four Trustees or past Trustees and three community leaders who are knowledgeable about investments. *The members of the Investment Committee for FY2010 are listed on page 3.* It is the role of the committee to oversee the investment functions through adopting the investment policy, hiring the primary professional investment consultant and each of the investment managers. At its quarterly meetings, the committee reviews the investment performance and the recommendations for the allocation of assets to equities or fixed income and then to the various style sectors. This committee provides one of the most important functions that we offer to support donors and nonprofit endowments.

Investment Consultant

Hotchkiss Associates has served as our investment consulting firm since 1998. Jack Marringa is the Hotchkiss principal who serves as the direct contact with the Investment Committee and our staff. Based in Chicago, Hotchkiss Associates is affiliated with United Capital Financial Advisors which provides administrative and research support to the firm. In addition to monitoring investment performance and making recommendations about asset allocation, Hotchkiss Associates assists with the selection of style-specific managers to implement the Investment Committee's allocation policy.

The Process

Our management process begins with the Investment Committee's determination of percentages of the assets to be allocated between equities, fixed income securities and cash. Next, the committee determines the equity allocation among the various styles of equity management. (see charts above right).

Once allocation is determined, the committee selects the style-specific equity managers. The managers performance is evaluated against the appropriate benchmark for that particular sector. They are also evaluated as to their adherence to the specific style they have been engaged to manage. Currently we have six active equity managers:

Large Capitalization Value

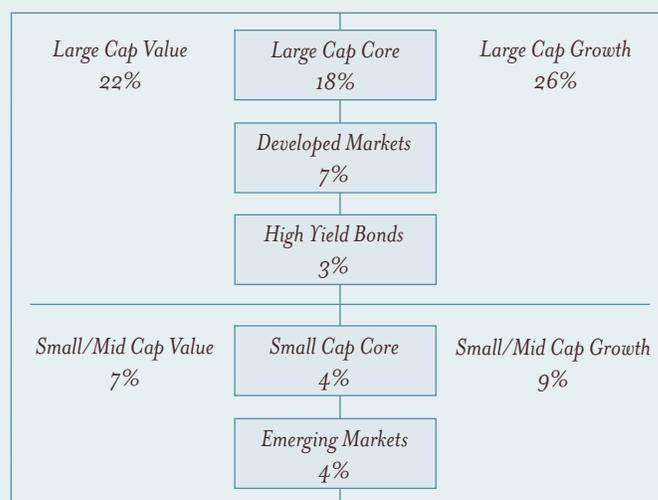
Wedge Capital Management (Charlotte, N.C.) Wedge has worked for us since and invests in companies with a market capitalization greater than \$3 billion which are classified as value stocks.

Asset Allocation Model - General Pool

	Target	Range
Equity	62.5%	40–70%
Fixed Income	32.5%	30–60%
Cash	5.0%	0–10%

Asset Class Target Percentage Allocation for Equities

As of 6/30/10



Target Asset Class Ranges

Large Cap Value	12–24%	Small/Mid Cap Value	4–16%
Large Cap Growth	12–24%	Small/Mid Cap Growth	4–16%
Large Cap Core	20–48%	Small Cap Core	7–24%
Developed Markets	0–10%	Emerging Markets	0–5%
High Yield Bonds	0–7%		

For Investment Definitions see page 2.

Small Capitalization Value

Earnest Partners, LLC (Atlanta, Ga.) Earnest Partners was hired in 2002 and manages value stocks with capitalization of \$3 billion or less.

Small/Mid Capitalization Growth

Columbus Circle Investors (Stamford, Conn.) Columbus Circle was hired in to manage stocks with a market cap of less than \$3 billion that are classified as growth stocks having good prospects for increasing revenue and earnings.

Small Capitalization Core

Kalmar Investments Inc. (Wilmington, Del.) Kalmar's style is described as "growth with value" in the small-capitalization

Continued on Page 2

universe and is classified between both growth and value for asset allocation decisions. Kalmar has worked for us since .

High Yield Bonds

Wells Capital Management (*San Francisco, Calif.*) Wells is a division of Wells Fargo and manages a portfolio of bonds with greater risk and higher yield than normal fixed income securities. The Investment Committee has classified this asset with equities because of the type of risk associated with this asset class.

International

Aberdeen Emerging Markets (*Philadelphia, Pa.*) Aberdeen was added to the group of active managers in 2009 to provide an active manager for our asset allocation to international stocks. Aberdeen focuses on international stocks in emerging markets such as Asia and South America.

In addition to these managers who actively select stocks in each of their respective sectors, we also use a group of index funds which provide some additional diversification within the sector. While the return from the index funds is targeted to match the market, the relative cost of these index funds allows us to maintain a very low total cost for its investment operations. The primary provider of these index funds has been Barclays Global Investors (*San Francisco, Calif.*) and the annual costs ranges from 0.05 percent to 0.35 percent.

Fixed Income

Our fixed income investments are managed by JP Morgan Chase

The History of our Investment Management Style

Providing professional investment management for endowment funds is a cornerstone of community foundations and of the Oklahoma City Community Foundation since our establishment in 1969. Initially the Oklahoma City Community Foundation utilized the investment services available through the trust departments of several local banks such as Liberty, First National and Fidelity. Our Trustees provided oversight and investment policies and each trust department utilized a balanced fund approach to achieve the best possible return.

By the late 1990s, our assets had grown significantly and many of the local banks were no longer either locally owned or managed. Our Trustees restructured the investment function adding a very strong Investment Committee and changing to a style-based investment manager system. Since its formation, the Investment Committee has allocated assets to specific investment styles and hired investment managers to manage that particular style. James Hotchkiss from Hotchkiss Associates assumed the role of Investment Consultant to the Investment Committee to recommend both the asset allocation and specific managers. This investment management structure has been our approach since July 1, 1998.

and Bank of Oklahoma. Both of these institutions have a long history in our community and have worked with the Oklahoma City Community Foundation for many years. They have provided investment returns that have matched or exceeded the fixed-income market index.

For more information, please contact Carla Pickrell at 405/606-2901 or c.pickrell@occf.org.

Endowments benefit from low-cost, efficient investment program

The low cost and efficient operation of our investment program benefits all endowments, large and small. We accomplish this by balancing the use of active managers and index funds in a way that maximizes the opportunity for adding value but keeps the cost low. As a result, we have been able to produce annualized returns over 10 years that exceed the markets but at a cost which is much lower than mutual funds or other balanced fund alternatives.

For FY2010, the cost of investments at the Oklahoma City Community Foundation was 37 basis points, compared to more than 100 basis points for the average mutual fund or active equity fund manager requiring a large minimum account. For a \$50,000 fund that returns 8 percent over a 10-year period, this cost difference means approximately \$6,400 more in value to the fund. Over a 20-year period, the fee difference can amount to \$26,000 or more of added value to that same fund.

Diversification is a hallmark of a solid endowment investment policy and is one of the greatest advantages our investment program offers. The general investment pool is invested in all classes of domestic equities, in a range of fixed income securities and also has exposure to international markets. We provide a "balanced" portfolio by allocating assets to highly qualified managers in a wide-range of investment classes. Due to the size of our investment pool, this level of equity exposure is available so that even the smallest funds benefit.

All funds benefit from the expertise of the Investment Committee and its efforts to provide the best investment product at the most efficient price. For 40 years, the Oklahoma City Community Foundation has been the leading advocate for building endowment funds in the community. Utilizing a large investment pool that allows us to keep fees low is one of the greatest advantages we provide to the endowments we administer.

Investment Terms | Definitions

Growth Stock | Shares of a company that is growing earnings and /or revenues faster than its industry or the overall market. Typically, these companies pay little or no dividends, preferring to use income to finance further expansion. Growth stocks tend to have higher P/E ratios than the overall stock market because investors expect future earnings growth will be higher than it is currently.

Value Stock | A stock that appears undervalued relative to the value of its assets. A stock may be a "buy" as a value stock if its cash per share (or its book value) is high relative to its stock price. P/E ratios tend to be below growth stocks and the market's because investors expect future earnings growth to be less than it is currently. Dividend yields tend to be relatively high.

The Core Equity style | Designed to produce a market rate return with similar volatility (risk). This makes for a consistent investment strategy that is unaffected by short-term investment style themes

such as growth vs. value. These assets are characterized by low stock turnover and low transactions cost. Core equity investing is a prudent way to preserve assets while at the same time participating in the long-term growth of the economy. Both large cap and small cap core equity investments are utilized.

Definitions of large, mid and small market capitalization vary, but could be reasonably considered as: **small cap** - less than \$2 billion; **mid cap** - greater than \$2 billion but less than \$10 billion; **large cap** - greater than \$10 billion.

Price-to-Earnings (P/E) Ratio | A stock's price divided by its earnings per share, used as a method of valuation.

Market Capitalization | Stock price multiplied by shares outstanding.

FY2010 Investment Performance Annual Return

For the fiscal year ending June 30, 2010, the Oklahoma City Community Foundation's general investment pool had a total return of 12.99%. For more than 10 years, our return has outperformed that of the benchmark indices and we continued that trend in FY2009 (see a 10-year comparison on page 4).

As endowment fund investors we have a perpetual horizon. Because of this horizon, we maintain a disciplined approach to long-term investment strategy while utilizing short-term tactical allocations to add value when there is opportunity. We also remain committed to a long-term diversification strategy with an allocation to high quality fixed-income assets even in times of booming equity investments. In addition, our prudent distribution policies provide a structured method of making distributions from an endowment that protects the stream from

inflation thus creating a predictable annual distribution and allows the Investment Committee to focus on maximizing total investment return.

Since 1989, we have employed a distribution policy that permits endowments to capitalize on good investment years as well as protect them in low or negative return markets. Cash distributions from most of the endowment funds we administer are based upon a spending policy that calls for distributing 5 percent of the fund's average market value. The remaining investment return is with in the fund to increase the value. The annual distribution amount is based upon a rolling quarter average of the fund's market value. Effective FY2011 we will increase the rolling quarter average from eight to 12 thus protecting the distribution from market fluctuations.

TOTAL RETURN	Year Ended June 30, 2010	Three Years Ended June 30, 2010	Five Years Ended June 30, 2010	Ten Years Ended June 30, 2010
Oklahoma City Community Foundation	12.99%	-2.26%	2.54%	2.78%
S&P 500/Barclays G/C Int *	12.28%	-3.60%	1.75%	1.48%

* Composite benchmark indices based upon applicable asset allocation.

Oklahoma City Community Foundation Investment Policy: A Summary

The investment policy of the Oklahoma City Community Foundation is designed for an endowment fund to provide annual distributions for charitable purposes in perpetuity. The investments need to allow the fund to generate distributions, grow to accommodate inflation and continue to exist in the future.

The Trustees have adopted an investment policy that has four major objectives: capital preservation; inflation protection; continuing source of annual distribution for charitable purposes; and investment return in the top third of professionally managed funds.

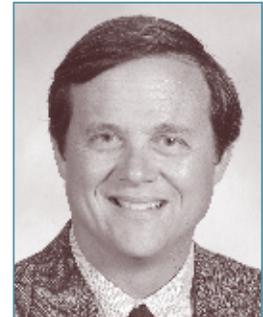
These objectives lead to a portfolio of high-quality equity investments and fixed-income securities. The portfolio is structured by asset allocation to a range of equity styles and then to style-specific managers who are among the best in their area. The asset allocation between equity and fixed-income investments allows for growth in value and stability in distribution expectations over time.

The benchmarks for measuring performance are currently the Standard and Poor's 500 stock index and the Barclays Government/Credit Intermediate bond index. Style-specific managers will be measured by appropriate benchmarks for that particular style. Managers are judged on a time horizon of three to five years.

Investment Committee FY 2010



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Investment Performance Report

FY 2010

Pooled Investments Performance Summary

Manager	% of Total		Rate of Return
	Portfolio	% of Asset Class	Year Ended
	June 30, 2010	June 30, 2010	June 30, 2010
EQUITY			
LARGE CAP VALUE			
Wedge Capital Management	6.66%	11.00%	16.30%
Barclays Russell 1000 Value Index Fund	6.15%	10.17%	17.12%
Russell 1000 Value			16.92%
LARGE CAP GROWTH			
Barclays Russell 1000 Growth Index Fund	15.21%	25.13%	13.82%
Russell 1000 Growth			13.62%
SMALL/MID CAP VALUE			
Earnest Partners	4.60%	7.60%	22.79%
Russell 2000 Value			25.07%
SMALL/MID CAP GROWTH			
Columbus Circle Investors	5.14%	8.50%	20.17%
Russell 2500 Growth			21.44%
INTERNATIONAL			
Barclays EAFE Index Fund	4.26%	7.04%	5.76%
MSCI EAFE (US\$) Net			5.92%
Barclays Emerging Markets Index Fund	.53%	.87%	20.27%
Aberdeen Emerging Markets Fund	2.12%	3.51%	29.82%
MSCI EMF (Gross) Index			23.48%
CORE			
Barclays Russell 1000 Index Fund	10.82%	17.88%	16.95%
Russell 1000			15.24%
Kalmar Investments	2.79%	4.61%	25.70%
Barclays Russell 2000 Index Fund	.01%	.02%	21.63%
Russell 2000			21.48%
HIGH YIELD BONDS			
Wells Capital Management Sutter Fund	2.22%	3.67%	20.64%*
TOTAL EQUITIES	60.51%	100.00%	16.92%
S&P500 Stock Index			14.43%
FIXED INCOME			
JPMorgan	20.45%	56.13%	7.73%
Bank of Oklahoma	13.22%	36.30%	8.89%
Barclays 1-3yr. Treasury Bond Index Fund	2.76%	7.57%	1.75%
TOTAL FIXED INCOME	36.43%	100.00%	7.93%
Barclays G/C Int. Index			8.28%
Barclays 1-3 Govt			2.86%
CASH			
JPMorgan Money Market Fund	3.07%		.12%
TOTAL POOLED INVESTMENTS	100.00%		12.99%
Composite Indices			
65% S&P500/35% Barclays G/C Int.			12.28%

Year Ended	General Pool Rate of Return	Composite Indices (Note A)
June 30, 2010	12.99%	12.28%
June 30, 2009	-14.61%	-15.20%
June 30, 2008	-3.23%	-5.94%
June 30, 2007	13.68%	15.40%
June 30, 2006	6.82%	5.54%
June 30, 2005	7.52%	5.76%
June 30, 2004	15.03%	12.39%
June 30, 2003	5.28%	3.96%
June 30, 2002	-5.58%	-8.83%
June 30, 2001	-5.65%	-5.78%
Ten Years Compounded (Note A)	2.78%	1.48%

Note A: Equity performance is compared to the Standard and Poor's 500 stock index (S&P500); fixed income performance is compared to the Barclays Government/Credit Intermediate bond index (Barclays G/C Int.); and total return is compared to the composite of these indices with weighting based upon applicable asset allocation. For the past 10 years, the allocation benchmark has been 65% equity and 35% fixed income.



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June 30, 2010

Oklahoma City Community Foundation

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* Partial Period

Notes: Investment managers are measured against the index selected for that manager's specific style with the overall performance of the equities being measured against the S&P500 stock index. All performance returns are gross of management fees and custody/transaction charges and net of sales commissions.