

## Education Sessions for Nonprofit Investors

Lancaster Pollard Investment Advisory Group offers free sessions to nonprofit organizations and the trade associations that serve them. The following topics are a sample of the content we have provided on individual, state, regional and national levels.

Each topic is tailored to your specific audience, and requests for sessions not listed here are welcome. To request a speaker, e-mail [wcourson@lancasterpollard.com](mailto:wcourson@lancasterpollard.com).

### Assigning Purpose to the Assets In Your Investment Portfolio

Many portfolios appear to have diversified asset classes, but correlation analysis proves otherwise. This session introduces an asset allocation strategy to smooth the volatility of returns in the context of an organization's unique risk tolerance, which should be defined by its embedded liabilities, such as a spending policy, a target rate of return, or debt covenants.

A well-thought-out strategic asset allocation recommendation seeks to balance equity-like volatility with fixed-income-like volatility to match the unique risk tolerance of each pool of funds. Further, each asset class in a portfolio should serve a particular purpose, whether that be to provide liquidity, hedge against interest rate risk, provide income, or answer another need.

Portfolios that considered asset classes as purposeful answers to questions of liquidity, interest rate risk hedges, income, and other factors fared better than those that did not in the most recent market downturns. This session explains how to look at asset classes in new ways in order to create a less volatile portfolio.

You will learn:

- The flaws in common investment diversification strategies and why these can lead to unanticipated investment losses. These flaws include style drift, high correlations, lack of transparency and others.
- How asset classes can be reevaluated and redeployed to serve strategic purposes.

### The Spending Policy: Managing Unintended Risks and Lost Opportunities

Several spending rules and rule hybrids help endowments and foundations accomplish their traditional goals of preservation (or growth), budgetary stability and intergenerational equity. Unfortunately, no spending rule can simultaneously maximize all three; each organization must implement a spending rule that best reflects the relative importance of each goal. The two major tradeoffs of any spending rule are stability vs. utility maximization and spending vs. portfolio growth. This session covers the spending rules and rule hybrids and the decision process to determine which spending rule is appropriate.

Portfolios that may have been used to spending X% each year may realize that they need to pull back on spending, but they don't know how much pulling back is too much and how this year's spending should relate to next year's

spending. We'll review spending policy models and math and the questions nonprofit investors need to ask themselves. The key learning outcomes include a better understanding of the effect of volatile markets, resulting in better budgeting, as well as greater fiduciary comfort when explaining to donors all aspects of risk management of gifts and capital campaign contributions.

You will learn to:

- Understand the purpose of each spending rule and rule hybrid and how they're calculated.
- Apply a decision process to determine which spending rule or rule hybrid best fits your organization's objectives.
- Monitor the portfolio performance more efficiently and advance the purpose of the funds according to steward-defined goals.