



## **History and Background**

An Achievable Dream was established in 1992, with the vision to provide summer school programs and tennis clinics to children facing various social-risk factors. Along with this initial mission, our founder, Walter Segaloff, and a number of Hampton Roads corporate, education, city, and military leaders established an Endowment Fund to provide ongoing operational support to the programs offered by AAD.

As AAD programs expanded over the years, so too did our Endowment Fund, through the generosity of our donors. In our early years, Endowment assets grew through donations, reaching \$2 million in assets in 2002, and almost \$15 million in 2012. These donations provided the foundation to our strong financial position today.

Early in our life span, our Endowment Fund was overseen by the AAD Foundation Board, but in 2008, in recognition of the increasing asset balances and importance and potential reach of the Endowment Fund, AAD established a distinct Endowment Board, whose purpose is to ensure the professional and prudent management of Endowment assets. Through this Board and its use of professional investment advisors, our Endowment Fund assets have more than doubled, reaching \$30 million in assets in 2021.

## **Fiduciary Board and Investment Advisor**

The Endowment Board is comprised of notable industry experts from Hampton Roads, all of whom have been donors to the mission of An Achievable Dream. This group has extensive experience in operating as fiduciaries at other non-profit and corporate organizations. Our Board is responsible for establishing the broad parameters used to guide the investment of assets. The Board has chosen to partner with Graystone Consulting as its investment advisor. Graystone is the institutional consulting business of Morgan Stanley, a well-known, leading global financial services firm.

Graystone is a fiduciary to the Endowment Fund and advises the Endowment Board across a wide range of investment issues. Graystone provides conflict-free investment advice and solutions to its clients. Graystone has been in existence since 1973, always serving the needs of

the institutional investment community. In its role for Endowment, Graystone advises the Endowment Board by providing asset allocation and portfolio construction advice, investment manager selection, and on-going performance and risk reporting. Graystone Consulting operates as an outsourced chief investment officer, retaining the discretion to select individual investments within the parameters established by the Endowment Board. The Board is responsible for evaluating the performance of Graystone Consulting. In this effort, the Board meets regularly to evaluate Endowment Fund performance against pre-established benchmarks, goals and objectives, and relative to risks incurred.

### **Endowment Fund Philosophy and Allocation**

The Board recognizes that the purpose of Endowment assets is to provide operating support to AAD and other organizations today and in the future. As a result, the current investment strategy balances the need for long-term, inflation-adjusted growth with the liquidity needed to provide current operating support should the need arise. Our broad asset allocation strategy reflects this dynamic and is comprised of 70% in publicly-traded global stocks and 30% in publicly-traded fixed income securities.

While the individual investments are selected by Graystone Consulting, our Board has emphasized the need for broad diversification, liquidity and low cost. Our portfolio consists of a mix of passive index funds and actively managed accounts, which Graystone aggressively negotiates the fees for on our behalf. Given the Endowment's size and need for liquidity, we do not currently invest in any alternative investment solutions.

### **How We Define Success**

Growth in inflation-adjusted assets while providing liquidity when needed is our focus. As such, our primary investment objective is to earn an investment return of 5% over the Consumer Price Index (CPI), net of all fees and expenses, over a long time horizon. Our Board appreciates that this objective requires a portfolio with an equity orientation, in our case 70%.

With this exposure comes volatility in returns, commensurate with broad global equity markets. In light of this, our Board has established a secondary investment objective to earn a long-term investment return, net of all fees and expenses, in excess of a Policy Benchmark reflective of our strategic asset allocation targets. Our Policy Benchmark is a composite of 70% of the return of the MSCI All Country World Index and 30% of the return of the Bloomberg Barclays US Aggregate Bond Index. We compare the Endowment Fund's returns relative to this Benchmark over various short- and long-term periods on a quarterly basis, and relative to the risks incurred. This is the most objective measure of success and is a best practice in the management and oversight of institutional portfolios.