Chester County
COMMUNITY FOUNDATION

Welcome to the 2012 Investment Forum

growing philanthropy for good. forever.

1

Community Foundation Facts

Michael B. Karwic, CFP, CRPC, Chair of the Board, CCCF…Welcome
Karen Simmons, President/CEO, CCCF…Mission & Funds
Matthew Kelly, Vice Chair & Investment Chair, CCCF…Investment Goals, Asset Allocation, Investment Performance

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Investment Partner Updates/Roles

Jeffrey J. Kulp, Regional President, Susquehanna
Chris Valerio, CFA, Vice President, Hirtle Callaghan

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Investment Overview: Opportunities In Today's Capital Market

Richard M. Behler, Ph.D., Director of Portfolio Management
Hirtle Callaghan

4

Questions & Wrap Up

Chester County
COMMUNITY FOUNDATION

For Good. Forever.

Chester County
COMMUNITY FOUNDATION

Mission:

connect people who care with causes that matter so their philanthropy makes a difference now and forever

growing philanthropy
for good. forever

Chester County Community Foundation

350 Funds of the Foundation

The Rhoads Six Foundation

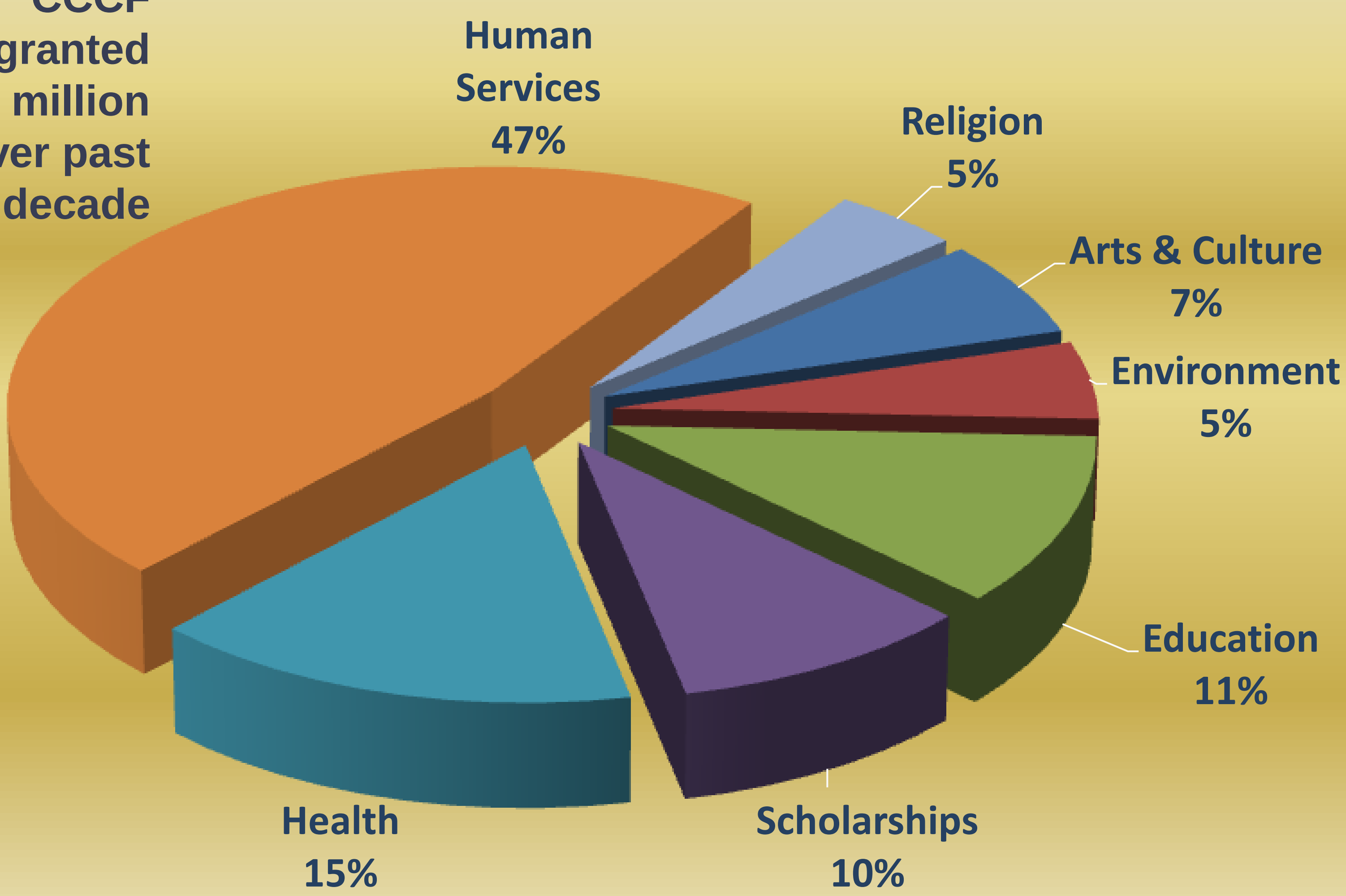
Chester County
COMMUNITY FOUNDATION

foundation
facts

our grant awards meet diverse community needs

440 grants @ $1,281,209
+ 131 scholarships @ $ 139,328
awarded $1,420,538

CCCF granted $25 million over past decade



Chester County
COMMUNITY FOUNDATION

foundation facts

our grant awards meet diverse community needs

six reasons

people choose to give through the Community Foundation

1 We are a **local organization** with deep roots in the community

2 Our professional staff has **broad expertise** regarding community issues and needs

3 We provide highly **personalized service** tailored to each individual's charitable and financial interests

4 Our **Donor Advised Funds, Field of Interest Funds**, **Nonprofit Designated Funds** and **Scholarship Funds** help people invest in the causes they care about most

5 We accept a wide **variety of assets** and can facilitate complex forms of giving

6 Our **investments are well-managed** by highly expert professionals

Chester County
COMMUNITY FOUNDATION

Community Foundation

investment goals

1. Achieve long–term growth, net of inflation, while constantly weighing the risks in asset classes and money managers
2. Provide for the Foundation's annual spending needs
3. Protect principal, while recognizing that risk must be taken to achieve the first two goals

Chester County Community Foundation

Endowed Funds (up to 5% grant payout)

asset allocation

ASSET CLASS	POLICY	STRATEGY TARGET	RANGE		
			Min	-	Max
Global Equity	**50.0%**		**40.0%**	**-**	**68.0%**
US Large Cap Value		10.5%	7.5%	-	26.0%
US Large Cap Growth		10.5%	7.5%	-	26.0%
US Small Cap		4.0%	2.0%	-	10.0%
Intl Equity - Developed		20.0%	14.5%	-	28.5%
Intl Equity - Emerging		5.0%	0.0%	-	10.0%
Alternatives	**24.0%**		**10.0%**	**-**	**30.0%**
Private Equity		7.0%	0.0%	-	10.0%
Equity - Hedge		6.0%	0.0%	-	10.0%
Fixed Income - Hedge		3.0%	0.0%	-	6.0%
Commodities		4.0%	0.0%	-	8.0%
Real Estate		4.0%	0.0%	-	8.0%
Fixed Income	**26.0%**		**16.0%**	**-**	**36.0%**
Core Fixed Income		12.7%	7.5%	-	22.5%
Opportunistic Fixed Income		5.5%	0.0%	-	10.0%
TIPS		7.8%	0.0%	-	10.0%
Cash		0.0%	0.0%	-	10.0%

Chester County Community Foundation

Quasi Endowed Funds (up to 20% grant payout)

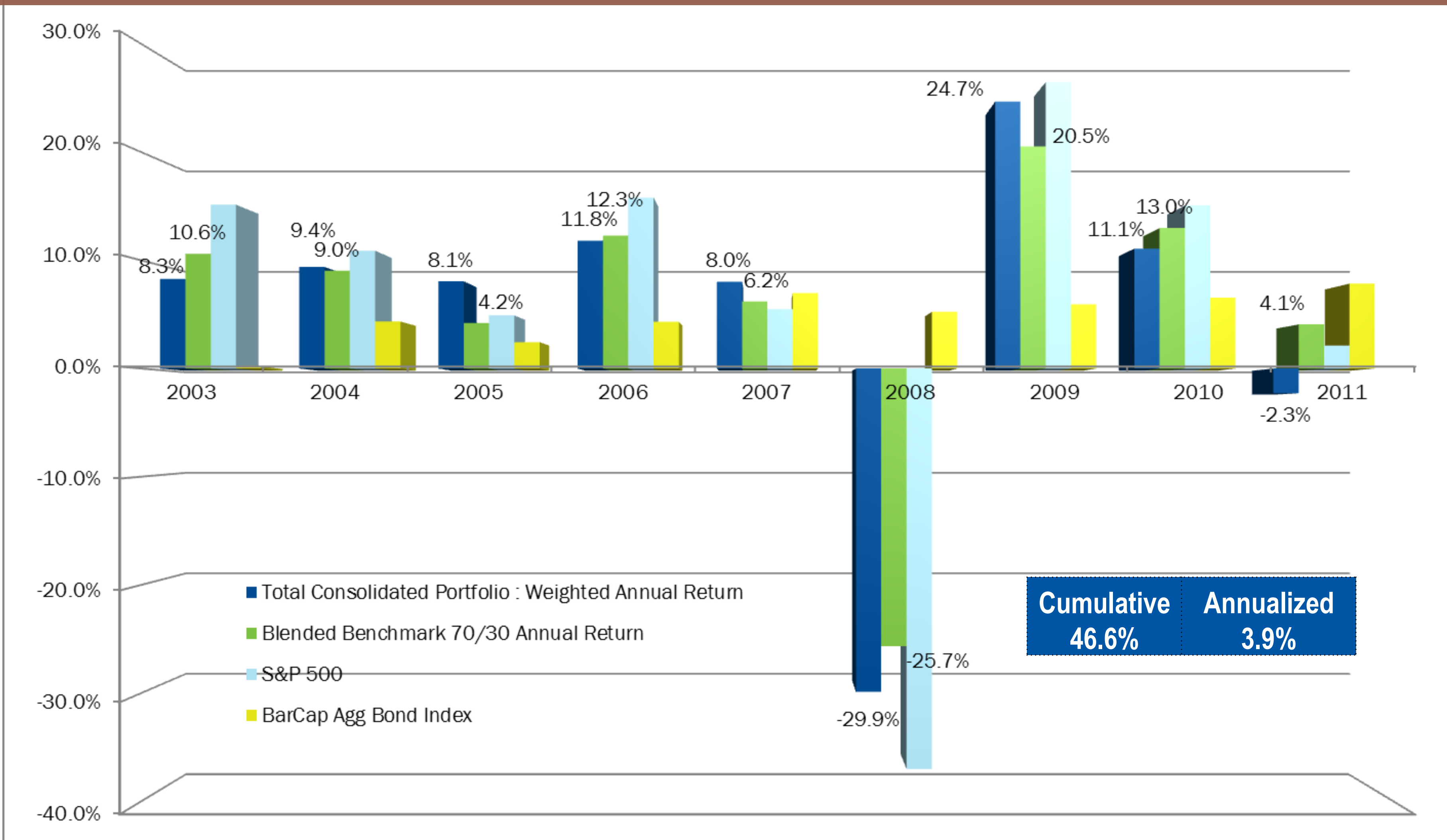
asset allocation

ASSET CLASS	POLICY	STRATEGY TARGET	RANGE		
			Min	-	Max
Global Equity	**44.0%**		**35.0%**	**-**	**55.0%**
US Large Cap Value		9.2%	6.0%	-	14.0%
US Large Cap Growth		9.2%	6.0%	-	14.0%
US Small Cap		3.5%	1.5%	-	6.0%
Intl Equity - Developed		17.6%	13.0%	-	27.0%
Intl Equity - Emerging		4.4%	2.0%	-	7.0%
Alternatives	**8.0%**		**0.0%**	**-**	**16.0%**
Commodities		4.0%	0.0%	-	8.0%
Real Estate		4.0%	0.0%	-	8.0%
Fixed Income	**48.0%**		**40.0%**	**-**	**55.0%**
Core Fixed Income		18.0%	10.0%	-	30.0%
Opportunistic Fixed Income		5.0%	0.0%	-	10.0%
TIPS		5.0%	0.0%	-	10.0%
Cash		20.0%	0.0%	-	25.0%

Endowed Funds

investment performance

since 6/03 inception w/HC



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COMMUNITY FOUNDATION

GRAYSTONE WEALTH
– MANAGEMENT –
A DIVISION OF GRAYSTONE TOWER BANK

Susquehanna

Doing what counts.

Jeffrey J. Kulp

Regional President, Delaware Valley Division

Susquehanna Bank

Wealth Management

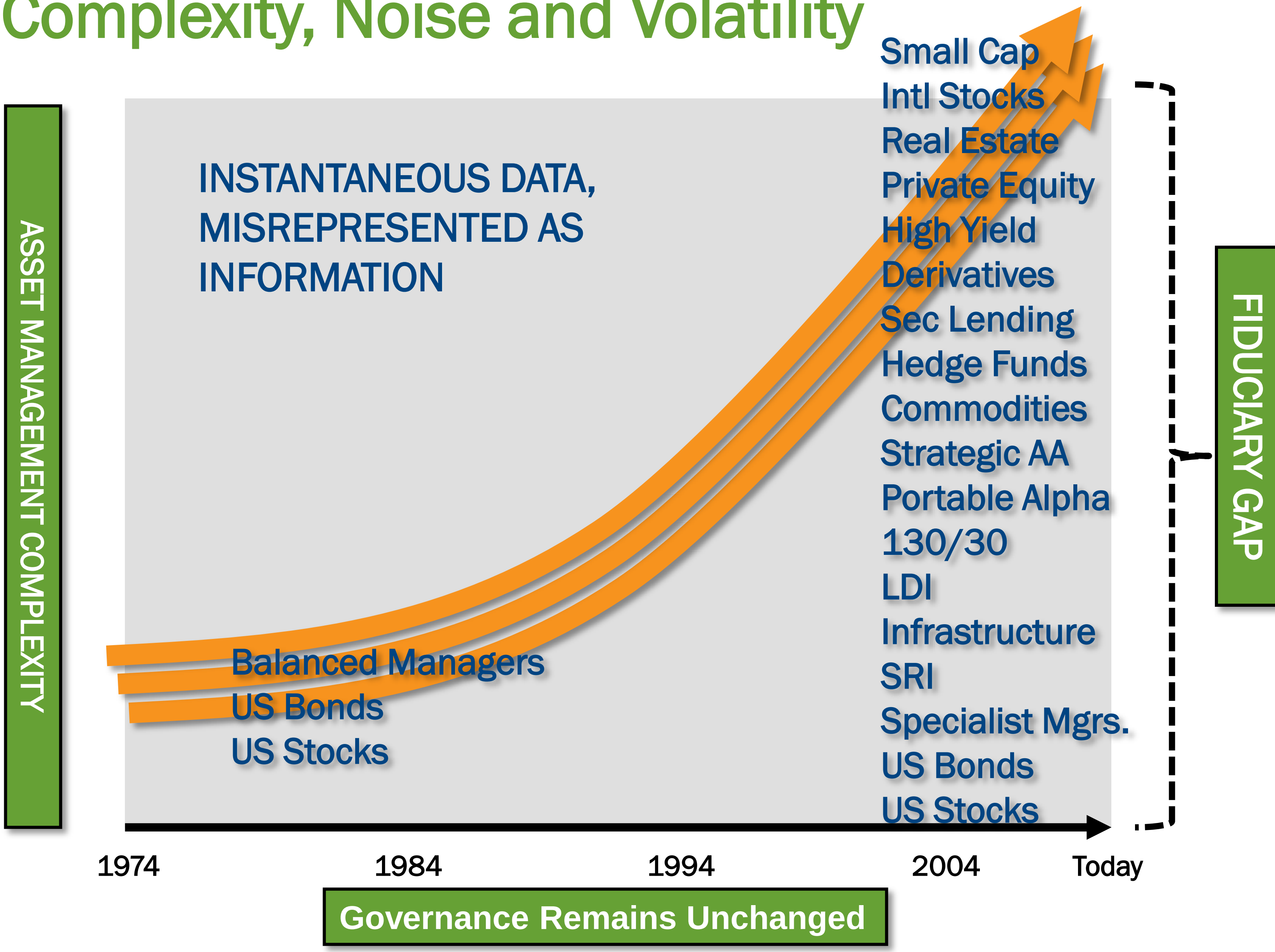
HIRTLE CALLAGHAN & CO

Chief Investment Officers

America's First Outsourced Chief Investment Officer®

Chris Valerio, CFA
Vice President

Complexity, Noise and Volatility

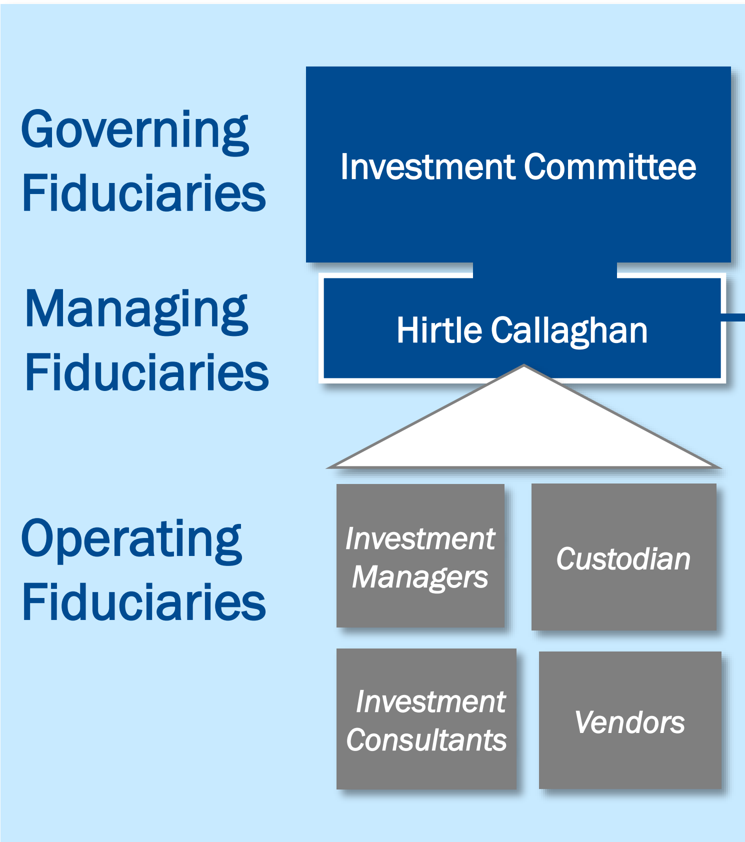


Background

We are America's first large, sophisticated, conflict-free, solution-oriented investment institution.

- **Pioneered Outsourced Chief Investment Officer - 1988**
- **Only Line of Business**
- **> 85 Professionals**
- **More Than 200 Client Relationships, Including:**
  - **Foundations and Endowments**
  - **Pension Funds and Captive Insurance Companies**
  - **Family Groups**
- **> $20 Billion of Assets Under Discretion**
- **Philadelphia, Atlanta, Chicago, New York, Phoenix and Pittsburgh**
- **Independently Owned**
- **Zero Conflicts of Interest**
- **Service Model Ensures High-Touch Delivery of Best Ideas**

Structure and Role:
Pioneer of the Outsourced Chief Investment Officer Model



- **59 Advanced Degrees or Certifications**
- **253 Years of Combined Experience (on the Investment Policy Committee Alone)**
- **Zero Conflicts**
- **Additional Source of Alpha**
- **Active Risk Management**
- **Day-To-Day Point Accountability, Account Oversight and Supervision**
- **Extension of Your Staff**
- **Low or No Additional Cost**

Investment Philosophy

Disciplined, Fact-Based Process for Making the Decisions that Matter Most

Globally Diversified, Risk Managed, Fiduciary Quality Portfolios
Custom Designed, Performance Driven and Tax-Sensitive

- **Broad Class and Style Diversification**
- **Active and Passive Management**
- **Active-Strategic Capital Allocation**
  - **Market Driven**
  - **Manage Risk to Achieve Return**
- **True-Alpha Manager Search**
- **Integrated Alternatives Programs**
- **Custom Designed for Client Objectives**
- **Highly Cost Effective**
- **Opportunistic Overlay**
  - **Market Driven**
  - **Risk Managed**
  - **Strategically Limited**

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Chester County
COMMUNITY FOUNDATION

OPPORTUNITIES IN TODAY'S CAPITAL MARKETS

HIRTLE
CALLAGHAN
& CO

Chief
Investment
Officers

America's First Outsourced Chief Investment Officer®

Richard M. Behler, Ph.D.
Director of Portfolio Management
Hirtle Callaghan & Co.

Highlights

- **Environment:**
  - **High Return Volatility**
  - **Significant Economic, Political, and Market Risks**
  - **"Risk On / Risk Off"**
- **Returns:**
  - **Overall Flat**
  - **Quality Wins**
    - **Stocks**
    - **Bonds**
  - **International Hurts**
  - **Hedge Funds Cost**
- **Demand for "Safety and Income" Remain High**
- **Certainty Is An Illusion**
- **Need A Game Plan**

Our Game Plan…

- **Strategic Focus**
- **Diversified Portfolios**
- **Valuation Emphasis**
- **Skilled Managers**
- **Cost Effective**
- **Disciplined, Not Emotional**

Agenda

- **Market Update**
- Strategy Update
- Hedge Funds
- Summary

Market Update

2011 Portfolio Results:

- **Portfolio Return in 2011 Nearly Flat**
  - **"Historic" Negative Third Quarter**
  - **Non-US Equity Dampened Total Equity Returns**

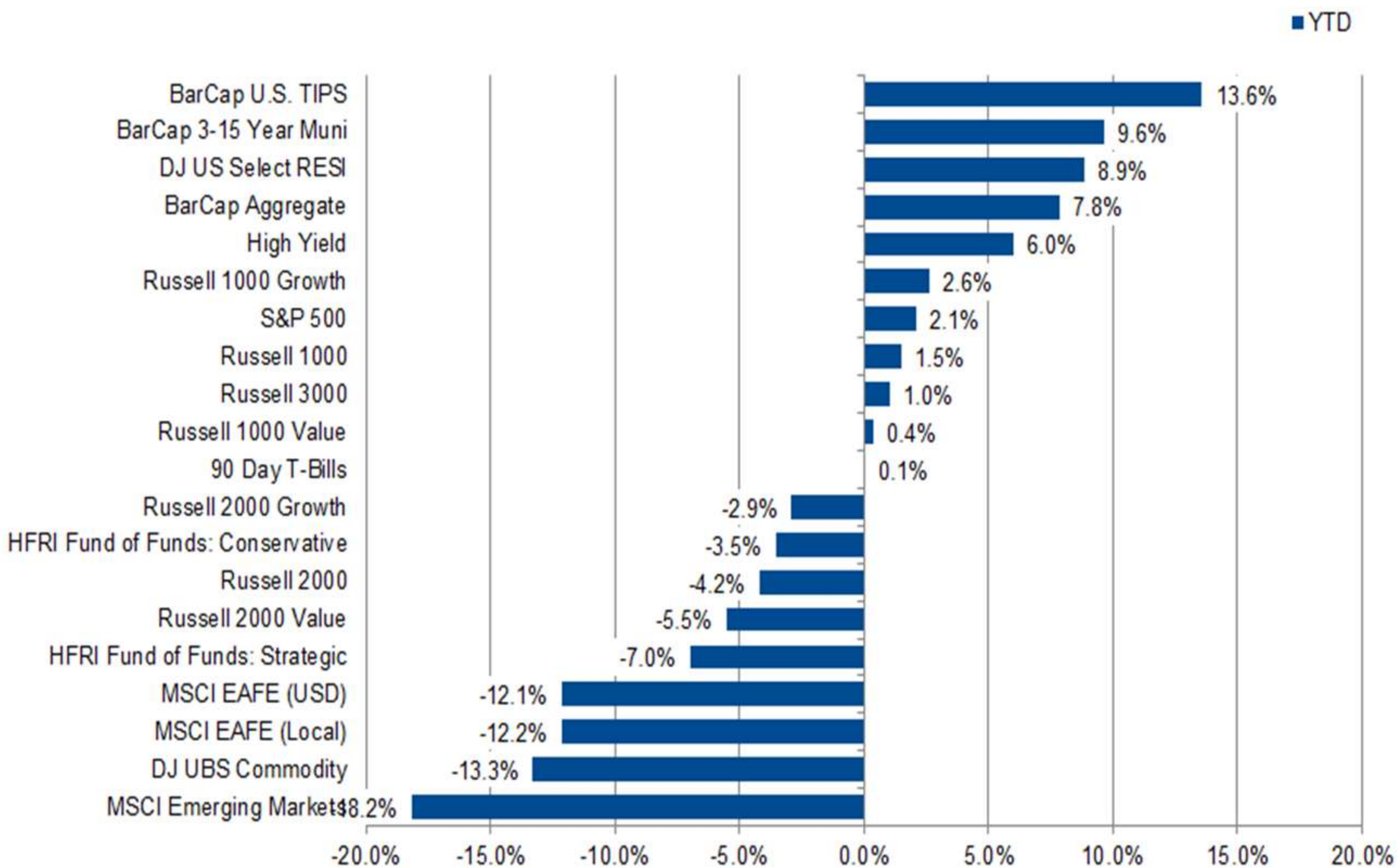
- **"Quality Emphasis" Within Stocks and Bonds Benefited Portfolio**

- ***Growth* Equities Outperformed *Value* Counterparts**

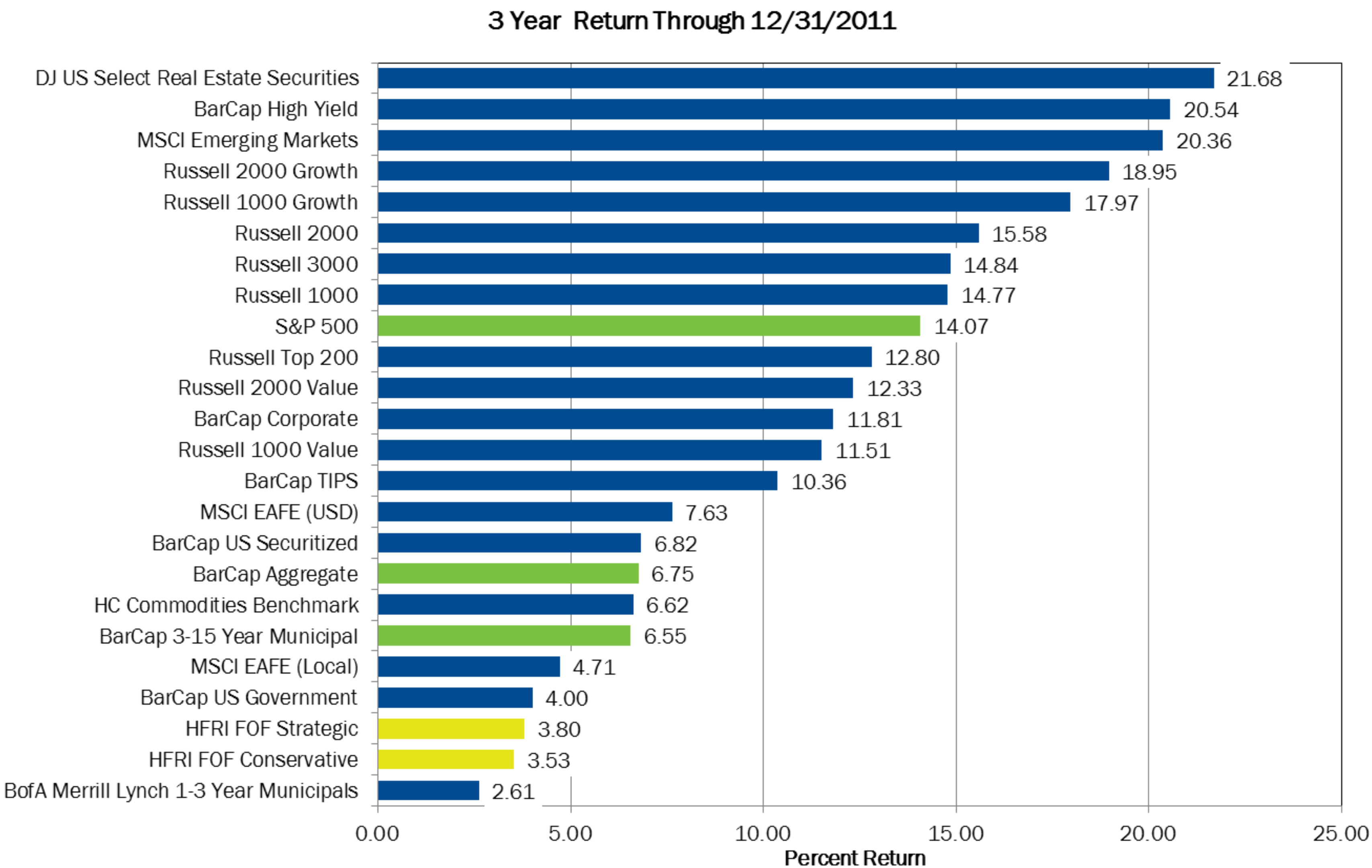
- **Despite A Stable Third Quarter, Hedge Funds Were a Drag**

- **Hirtle Callaghan Valuation-Bias Led to Adding Risk Exposure in Third Quarter 2011**

Overall 2011 Return Was Flat, Performance Drivers Mixed



Volatile, But Very Strong Rebound From 2008 Crisis…



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2011 Portfolio Strategy Perspective

- **High Market Volatility Environment To Continue**
  - **Despite Progress, European Sovereign Debt Uncertainty Remains**
  - **Slow Global Economic Growth**
  - **“Risk On / Risk Off” Mentality**

- **Current Valuations Support Equity *Overweight* As We Enter 2012**

- **Demand for “Safety and Income” Remain High**

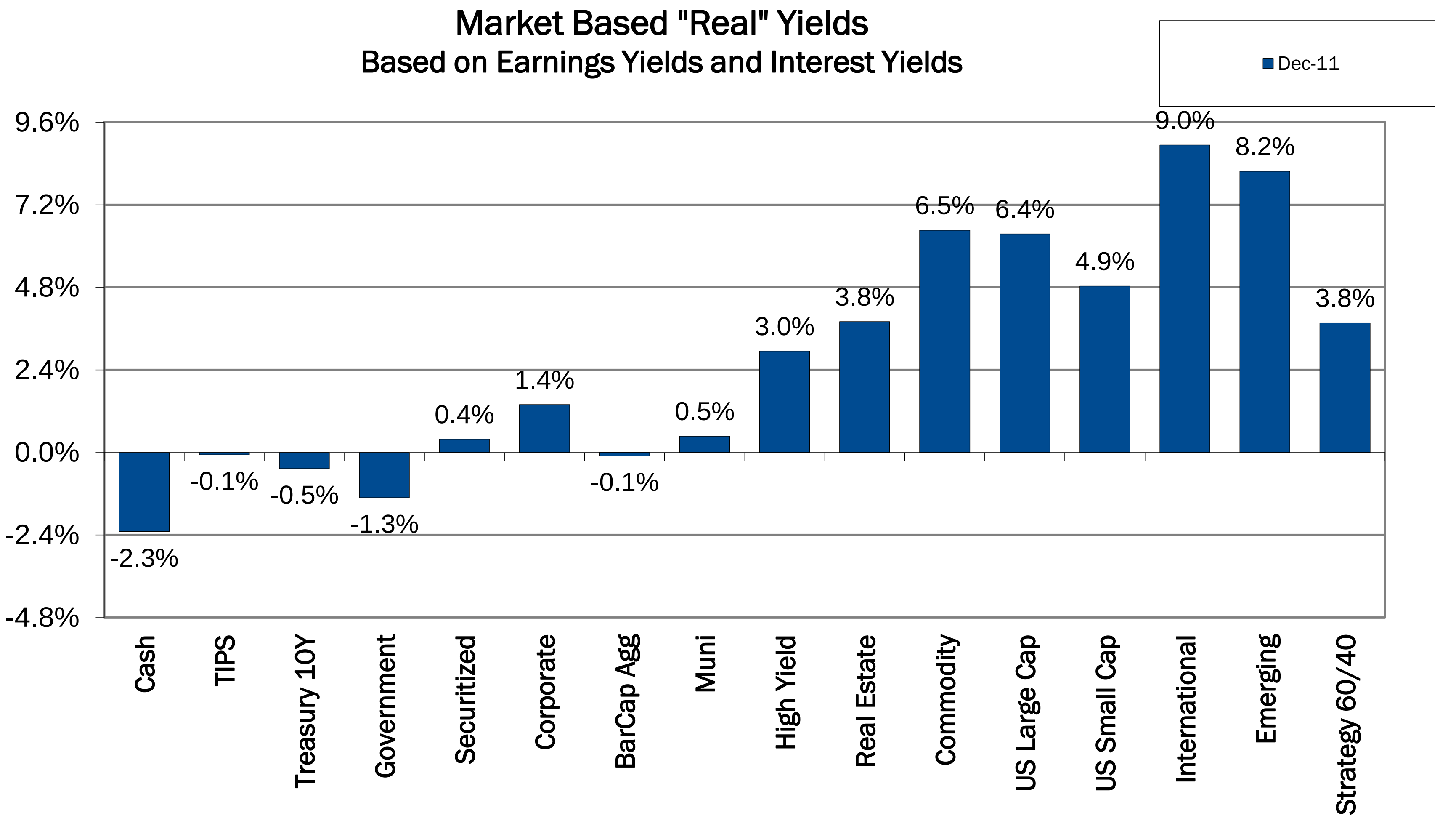
- **Interest Rate Risk Remains High**

- **Private Equity On Track, Determine Next Commitment**

- **Maintain Discipline of Long Term Investment Policy**

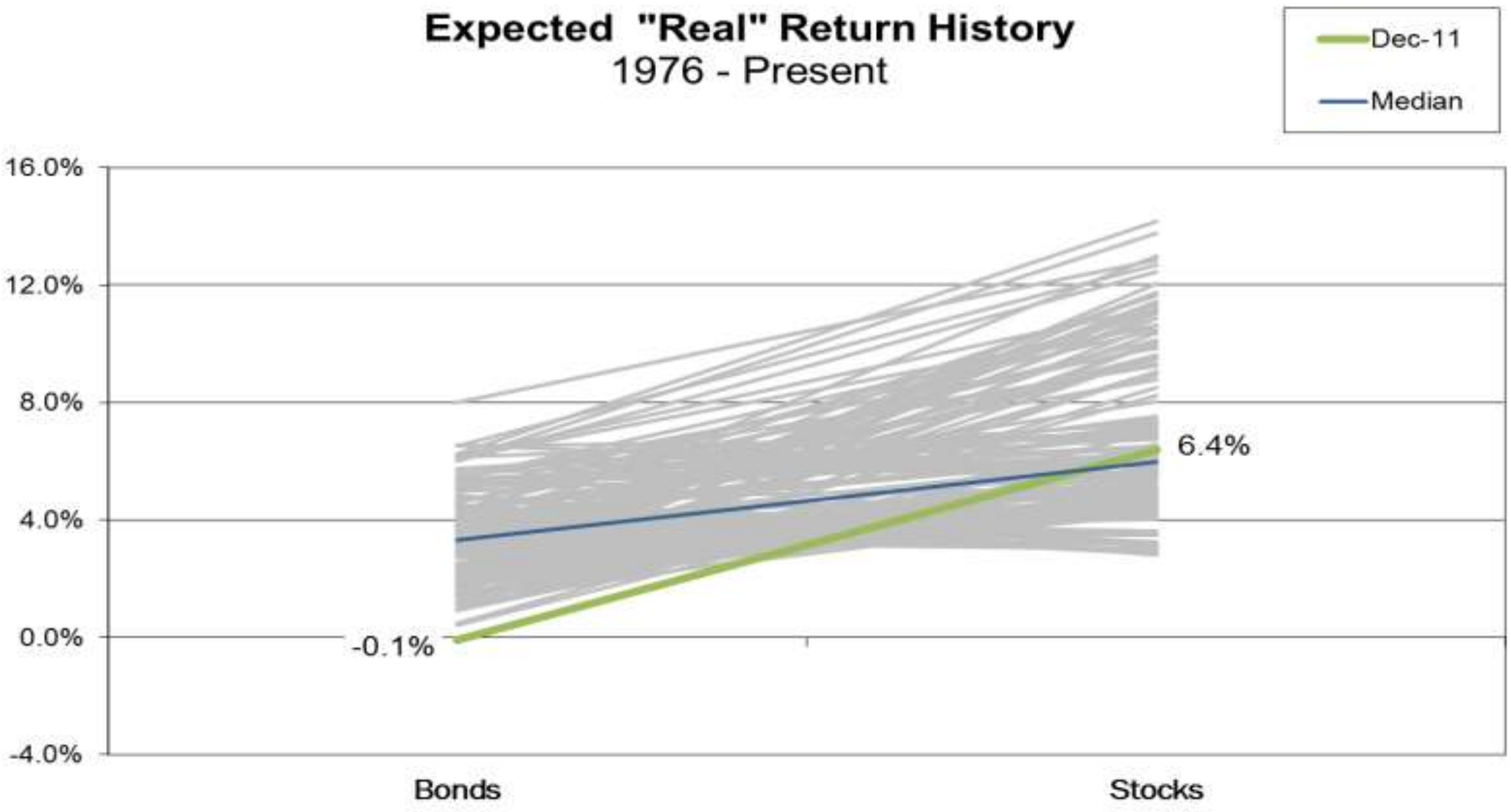
Asset Class Expected Returns (Real)

Equities Maintain Relative Attractiveness



This information is based on market data and is not a guarantee of future performance.

Current "Market" Expectations…



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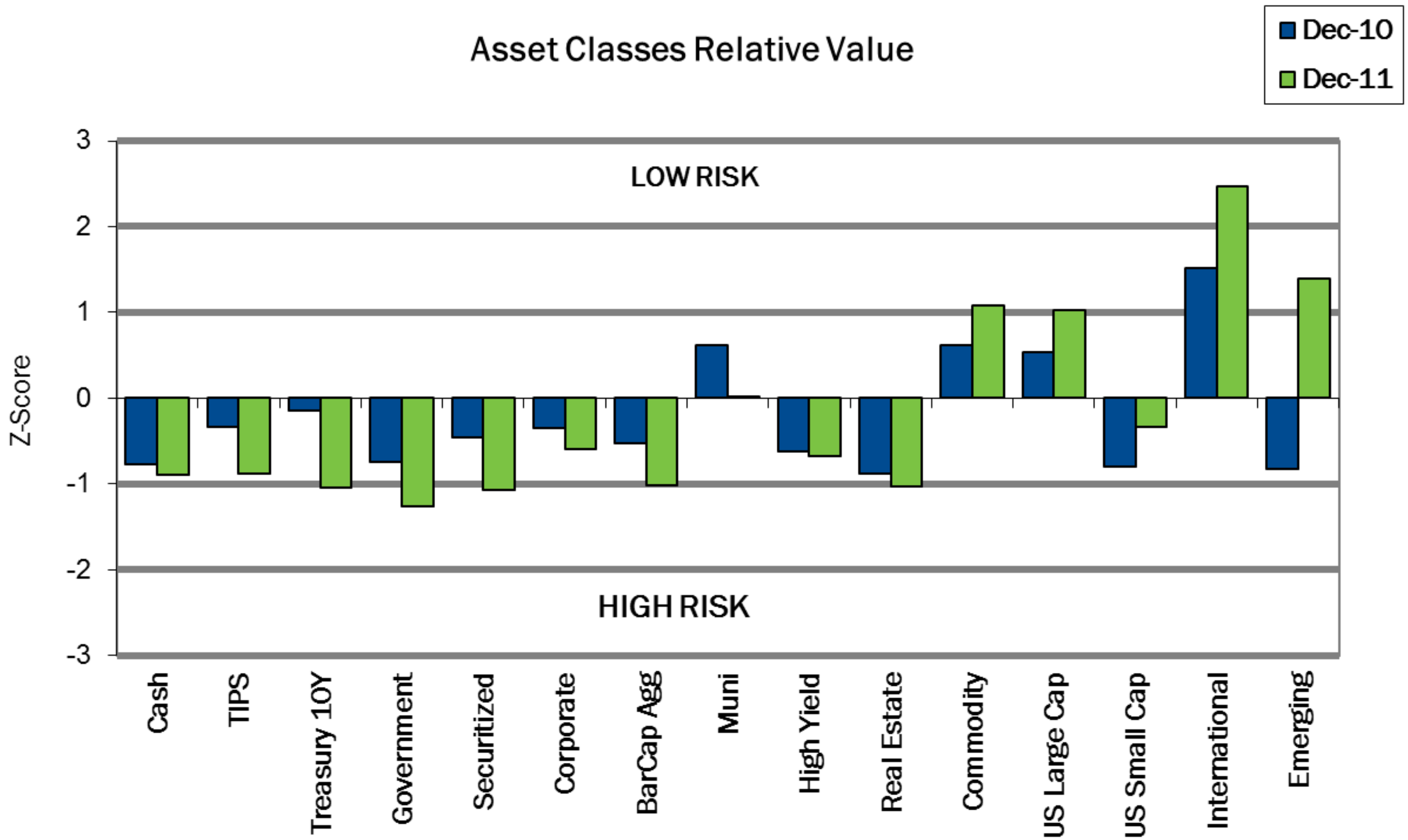
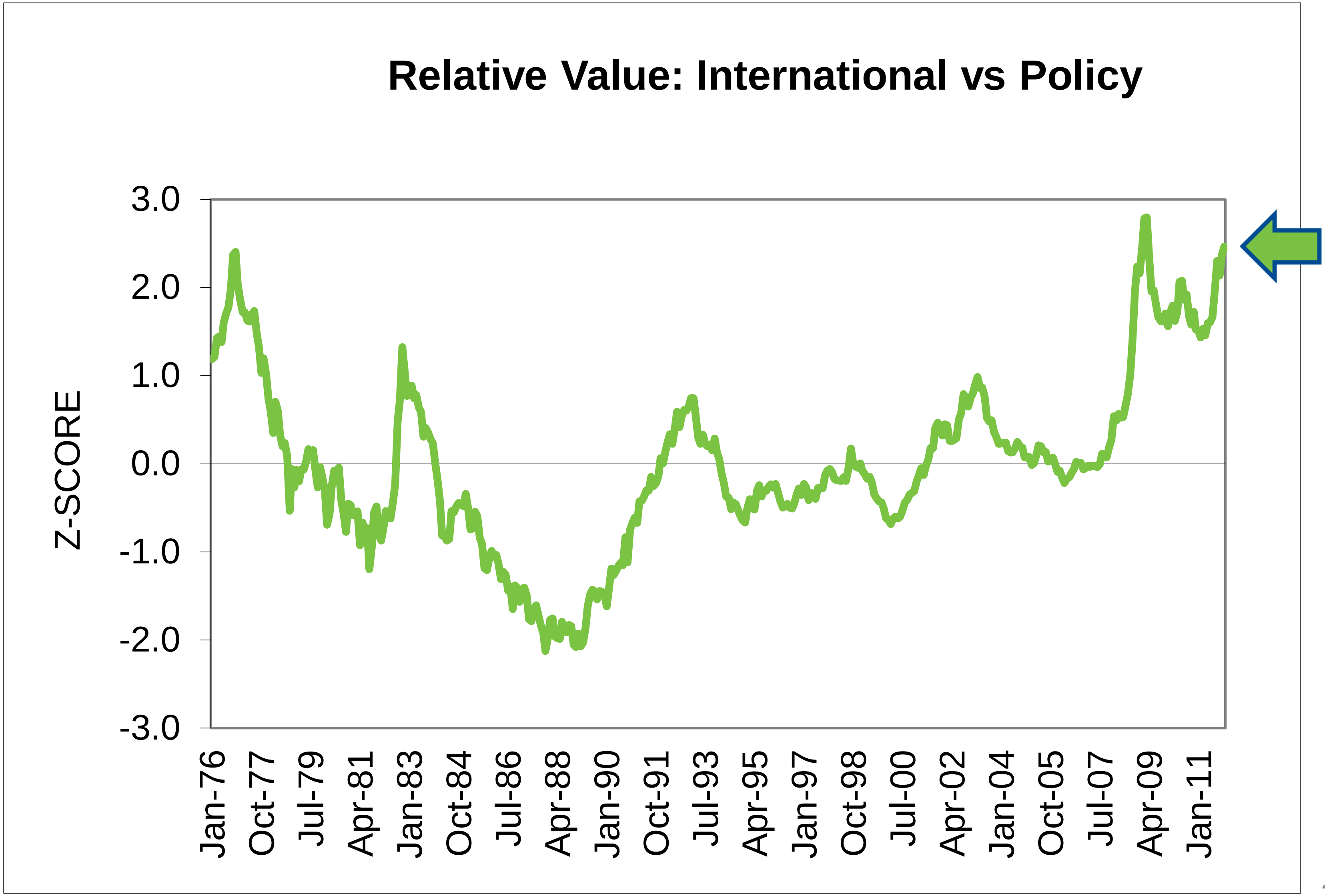


The Opportunity in International Equity…



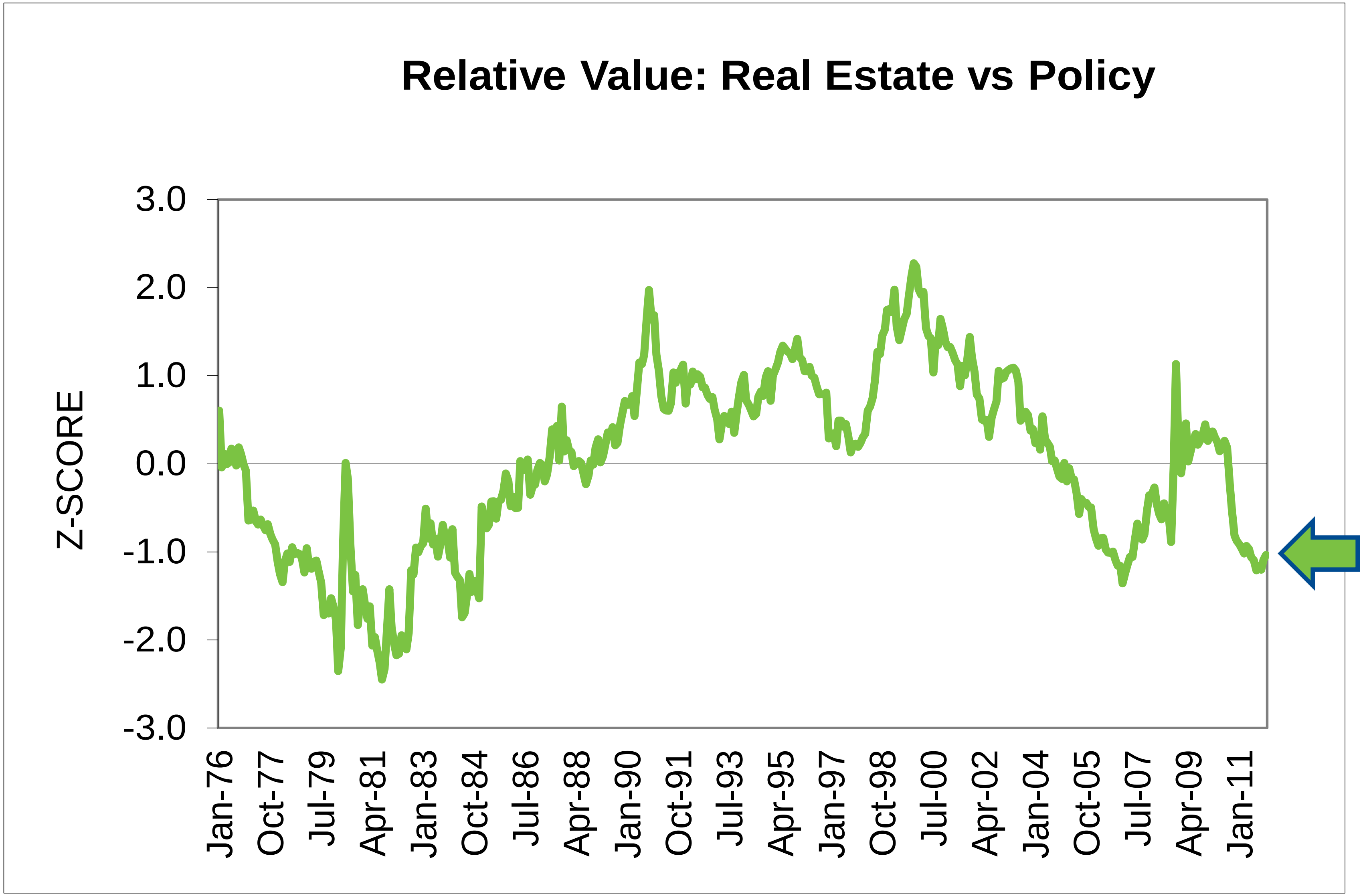
International Risk:
"It's The Countries, Not The Companies"…

Country	GDP($US)	Debt($US)	Debt/GDP
Germany	3,287	2734	83%
France	2,563	2094	82%
UK	2,250	1800	80%
Italy	2,055	2446	119%
Spain	1,410	847	60%
Netherlands	781	489	63%
Poland	469	258	55%
Belgium	468	453	97%
Sweden	459	183	40%
Austria	377	273	72%
Denmark	310	135	44%
Greece	305	436	143%
Finland	239	116	48%
Portugal	229	213	93%
Ireland	207	199	96%
Total	**16,242**	**12994**	**80%**

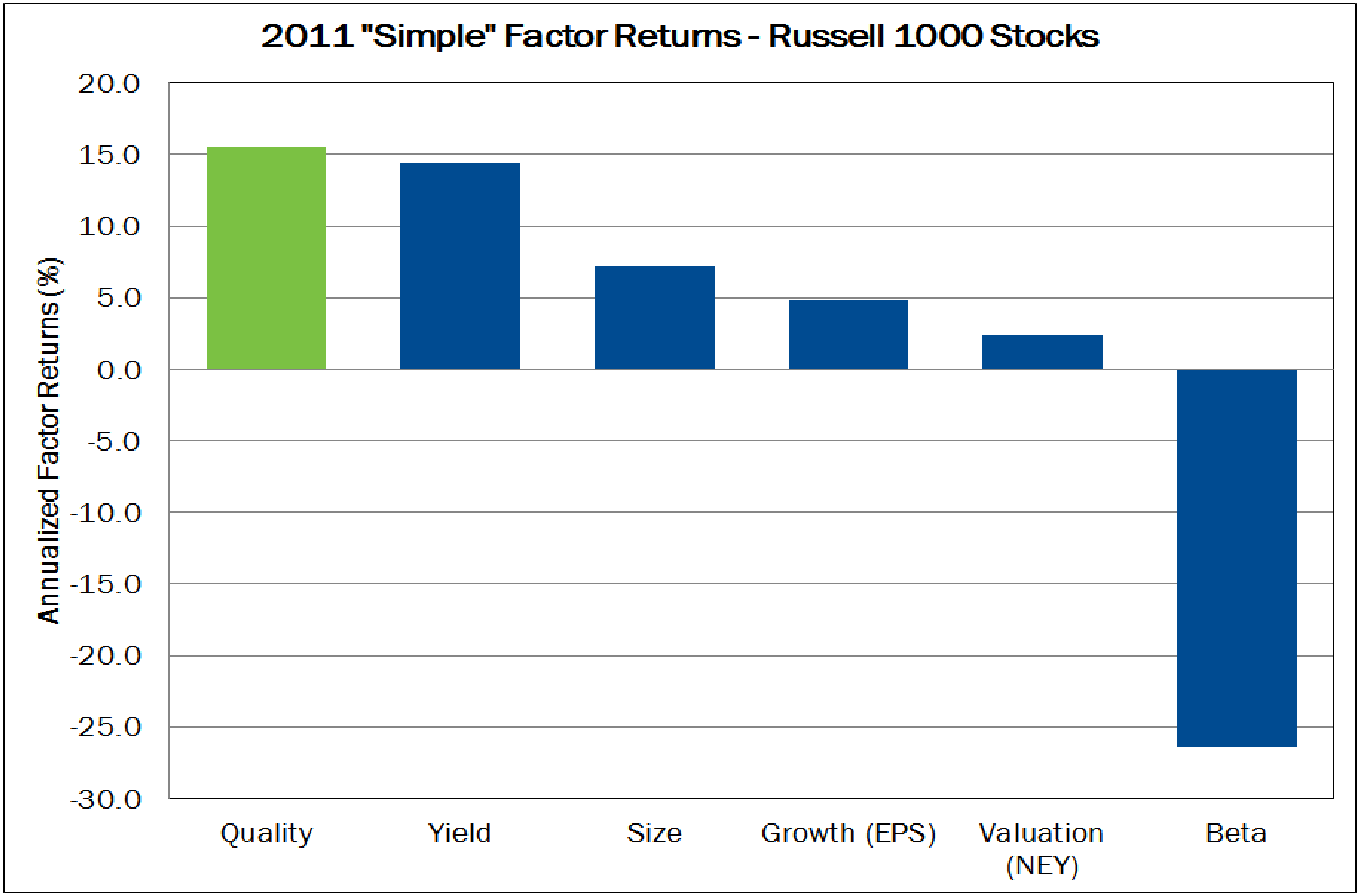
Company	MV	Debt	Debt/MV
Linde AG	19	6	32%
Softbank Corp.	19	6	32%
Pernod Ricard S.A.	18	7	39%
AIA Group Ltd.	95	40	42%
Anheuser-Busch InBev	94	40	43%
Nestle S.A.	178	4	2%
Honda Motor Co. Ltd.	27	24	89%
Imperial Tobacco Group PLC	24	30	125%
Akzo Nobel N.V.	12	10	83%
Roche Holding AG	33	2	6%
Bayer AG	55	20	36%
Sands China Ltd.	23	10	43%
Danone S.A.	29	1	3%
Reed Elsevier N.V.	9	0	0%
Unilever N.V.	95	0	0%
British American Tobacco PLC	93	11	12%
Japan Tobacco Inc.	48	15	31%
SAP AG	72	0	0%
Canadian Pacific Railway Ltd.	10	4	40%
Siemens AG	89	4	4%
Rolls-Royce Holdings PLC	13	10	76%
Total	**1,055**	**244**	**23%**

Data as of 9/30/11. Source: FactSet Research Systems

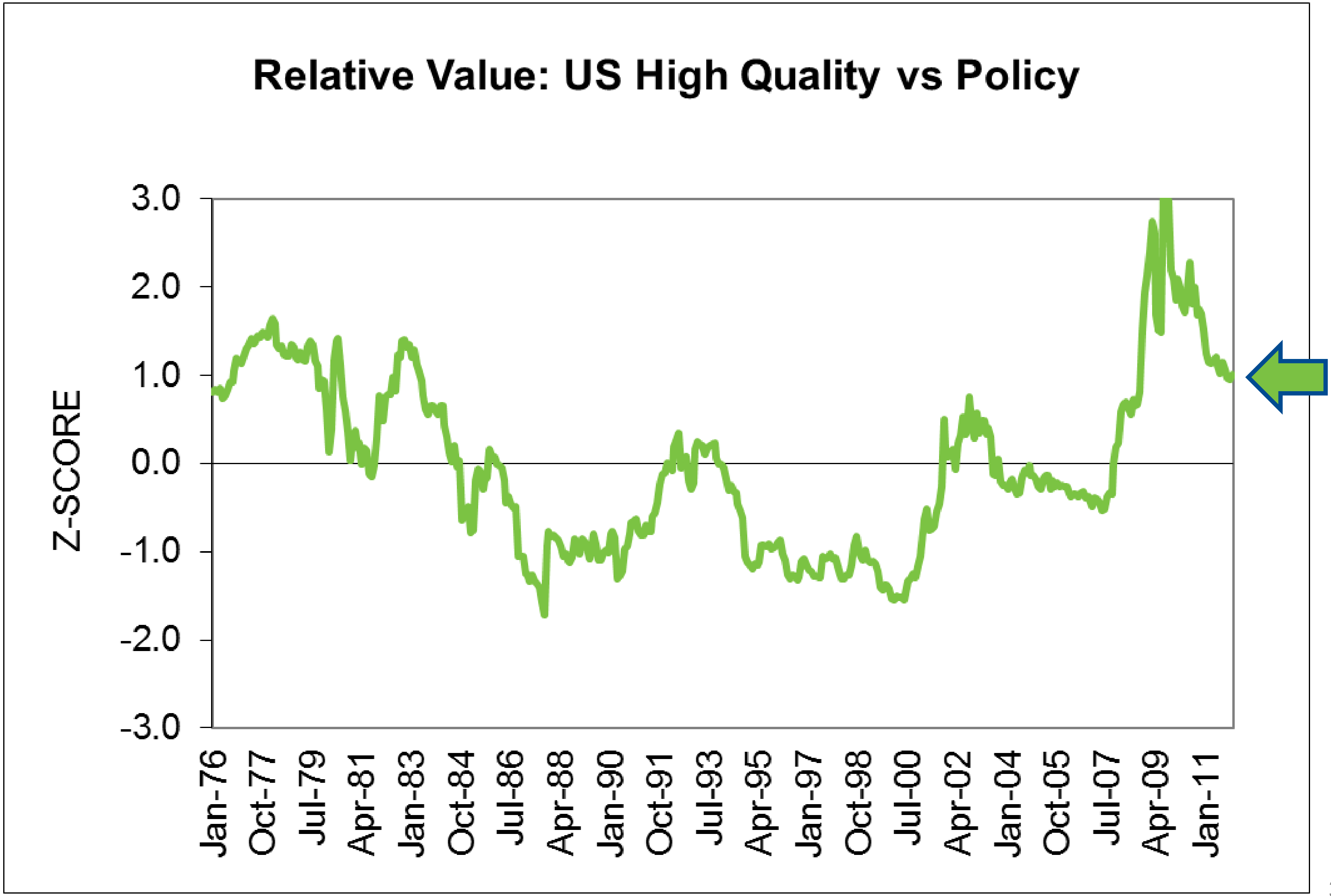
Strategic Actions, the Risk In REITs…



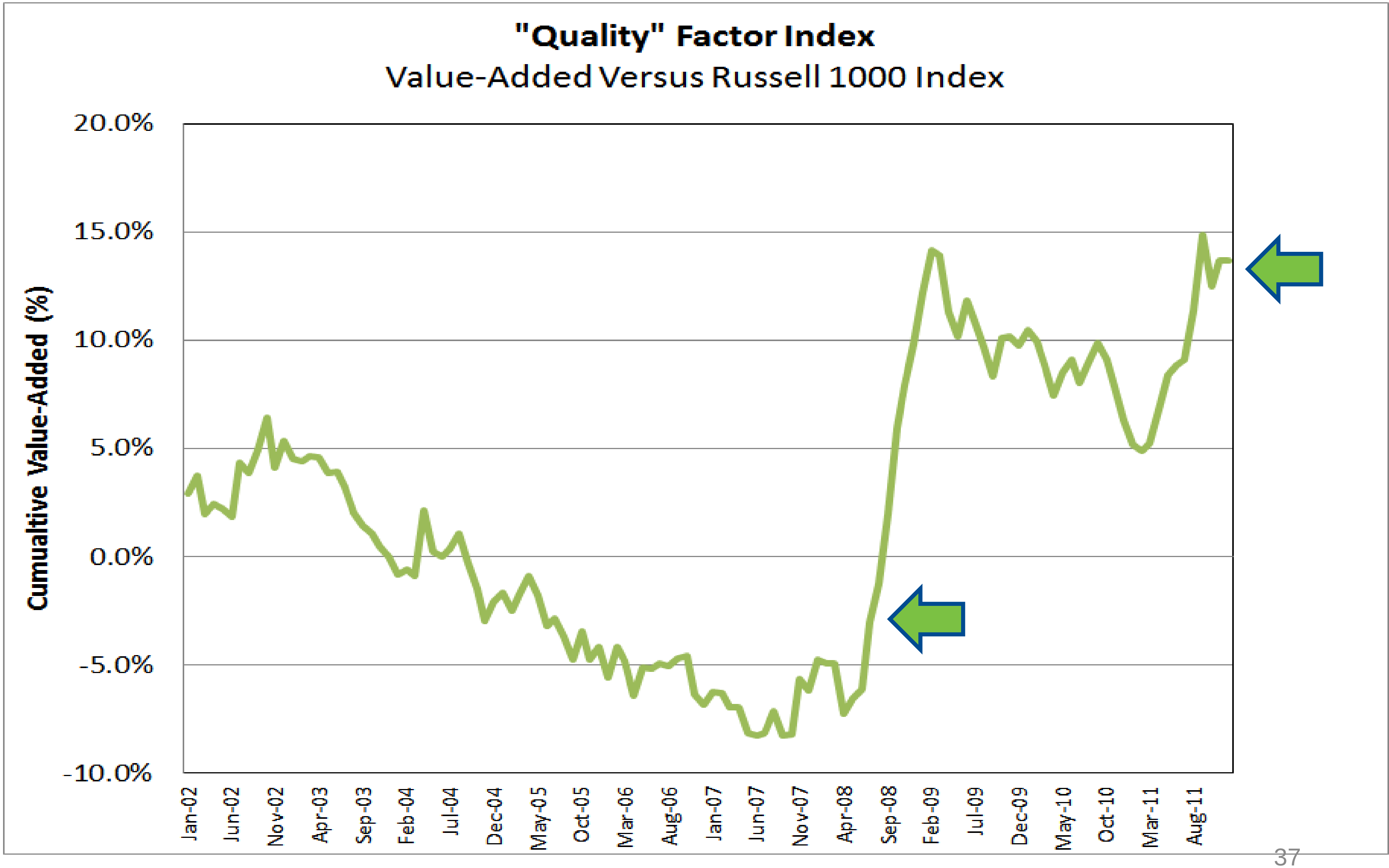
Quality Dominates in 2011…



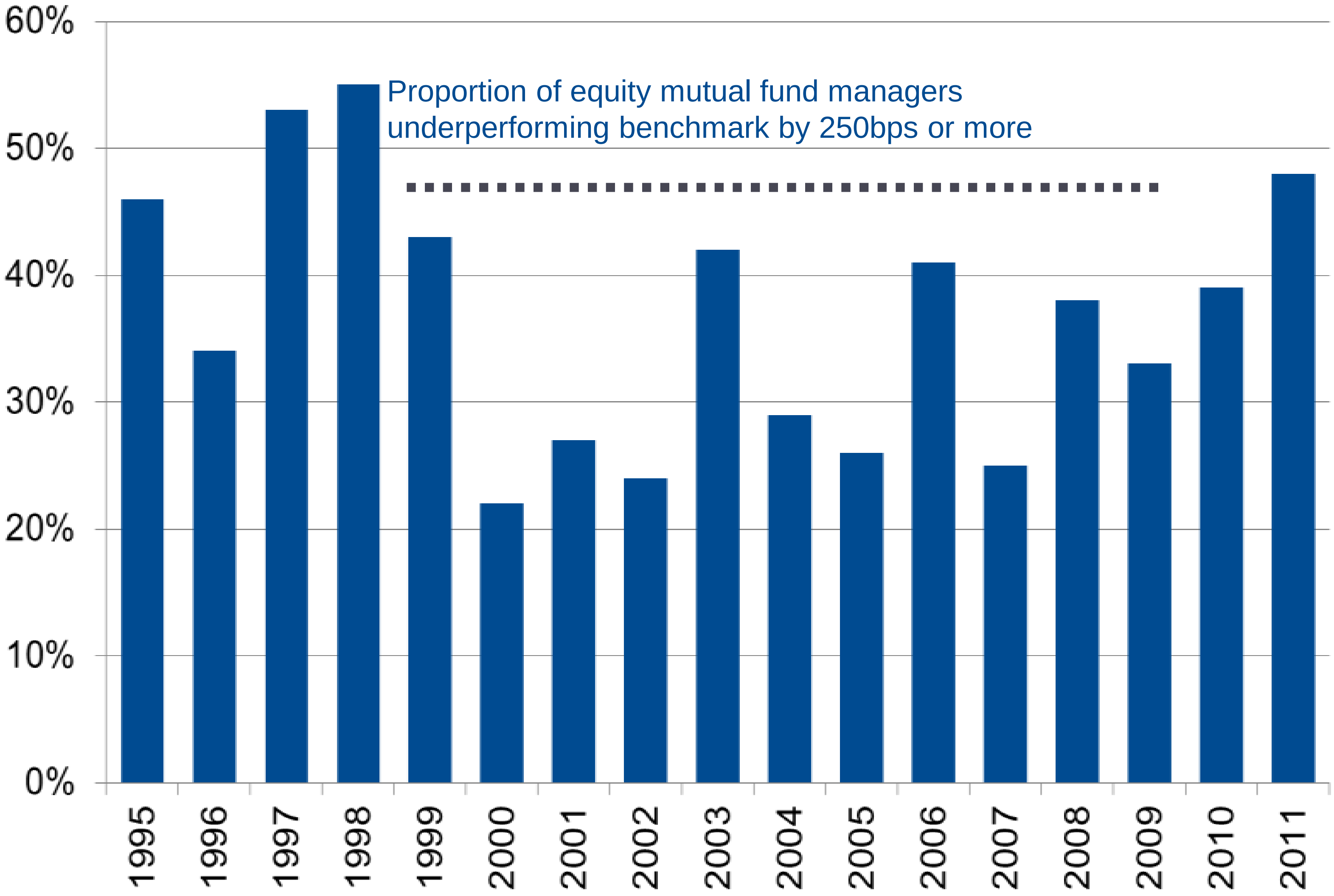
The "Quality" Opportunity in US Equity…



The Multi-Year Quality Rally…



Active Managers Challenged…



Source: Bianco Research

Active Managers Challenged…
Add Passive Component

	Period Ending 12/31/2011					
	Portfolio Weight	4Q11	1 Year	3 Years	5 Years	10 Years
Instl Growth Equity Portfolio [1]	**100%**	**10.3%**	**3.4%**	**18.3%**	**N/A**	**N/A**
Jennison Associates [2]	**28%**	7.3%	1.1%	17.5%	3.0%	3.4%
Sustainable Growth Advisers [2]	**26%**	12.1%	4.7%	20.1%	3.6%	3.6%
PIMCO [2]	**18%**	12.3%	1.3%	18.7%	0.1%	3.2%
HC High Quality Growth Index [1]	**20%**	10.8%	9.8%	N/A	N/A	N/A
SSgA Russell 1000 Grwth Index [1]	**8%**	10.6%	2.7%	18.0%	2.5%	2.6%
Russell 1000 Growth	--	10.6%	2.6%	18.0%	2.5%	2.6%
S&P 500	--	11.8%	2.1%	14.1%	-0.3%	2.9%
Lipper Average	--	9.2%	-2.1%	15.0%	0.5%	1.2%

(1) Reflects actual portfolio performance; (2) Reflects composite manager performance.

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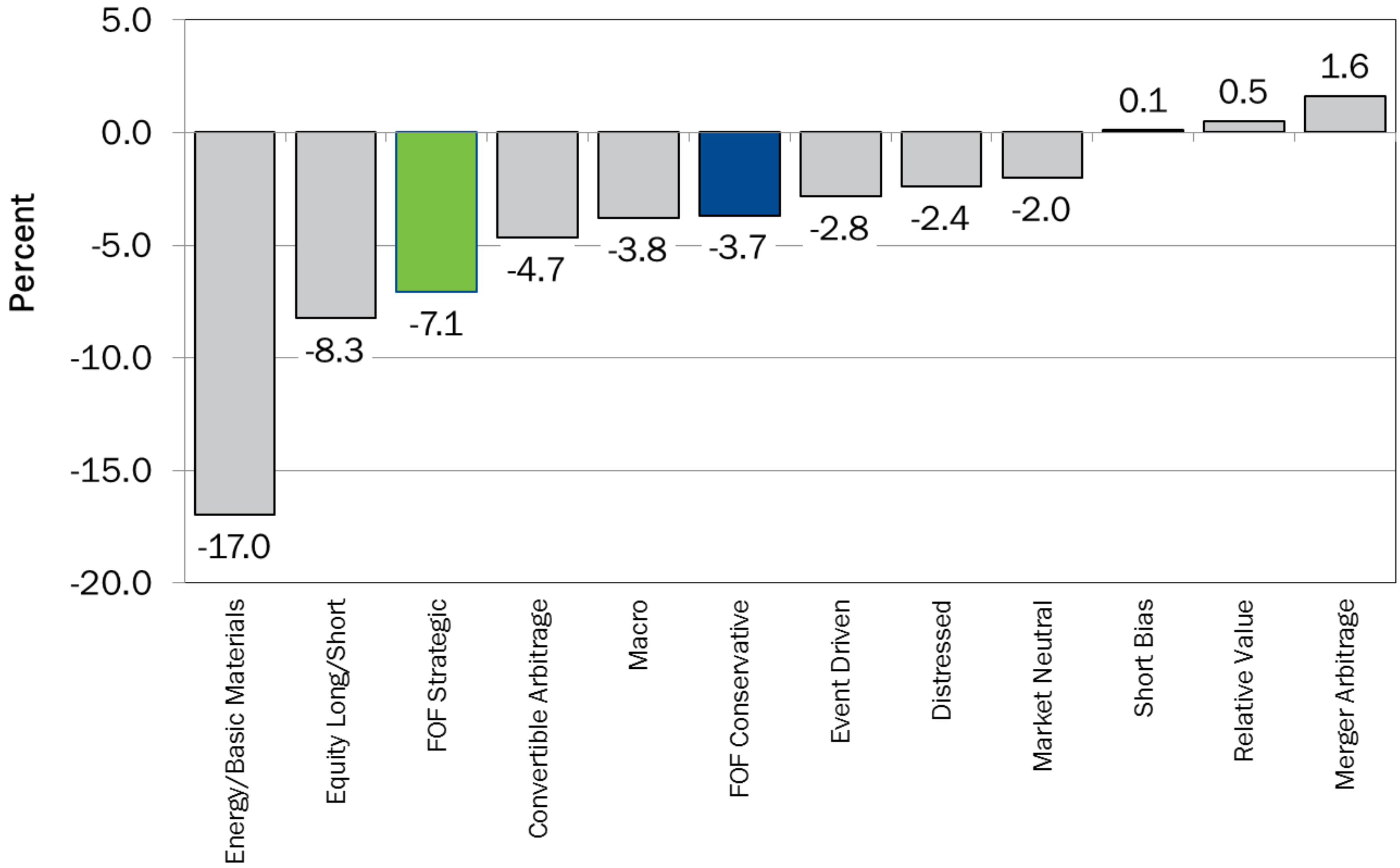
- **Hedge Funds**
- Summary

Hedge Funds Also Challenged in 2011…



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Summary

- **Extreme Volatility Likely to Continue (Take Advantage)**
- **Equity Values Compelling (Long Term)**
- **Equity Cash Flows Attractive (Dividends, Buybacks)**
- **Continue to Emphasize Larger Cap, Higher Quality Stocks**
- **Strategic Benefits to International Equity as Compelling As Ever**
- **Commodities Continue to Offer:**
  - **Attractive Value**
  - **Hedge to Unanticipated Inflation**
- **Longer Term: *“Fixed Income Remains The Greatest Risk”***

Hirtle, Callaghan & Co.
Disclosure Statement and Important Information

Unless otherwise indicated, these materials reflect the actual performance of investment vehicles selected and/or sponsored by Hirtle Callaghan and believed by Hirtle Callaghan to be appropriately structured to capture a specific market sector or asset class. The results shown do not reflect, however, the investment experience of any client account and do not adjust for cash flows that may be experienced in an individual client accounts or other individual factors. Additionally, the unaudited information presented in these materials is shown net of all operating expenses of the underlying vehicles but exclusive of Hirtle Callaghan's management fee and custody expenses that will be incurred by any client account. Application of such fees will reduce investment return. For example, a $10 million account with a one year total return of 5.00% would grow to $10.5 million gross and approximately $10.4 million net of advisory fees, assuming an annual investment advisory fee of 0.95%. Hirtle Callaghan's standard fee schedule is contained in Part II of Hirtle Callaghan's Form ADV. Fees payable by individual client accounts are set forth in the monthly account statement. Past performance is, of course, no guarantee of future performance and the performance achieved by the investment vehicles and/or Hirtle Callaghan clients in the past is not indicative of the investment results that may be achieved in the future.

In some cases, we have included "composite" performance information for the underlying Investment Managers. This information reflects the historical performance of individual mangers and is based on composite data provided to Hirtle Callaghan by a third party sources. This information is provided as a means of illustrating the contribution of individual managers to the performance of the underlying investment vehicle; they do not reflect results achieved by any Hirtle Callaghan client, may not reflect manager changes, and are not indicative of future results. Additionally, composite information is shown exclusive of management fee and custody expenses that will be incurred by any client account. Application of such fees will reduce investment return.

Certain slides present the performance achieved by the Hirtle Callaghan Private Equity and Hedge Funds. The performance data represented is net of all fund fees and expenses but does not include the Hirtle, Callaghan & Co., Inc. investment advisory fee. Current year performance is unaudited, preliminary and subject to change. This information is neither an offer to sell nor a solicitation of an offer to purchase any securities. Such an offer will only be made to qualified purchasers by means of a confidential private placement memorandum and related subscription documents. You have received this presentation as we have been in contact with you in the past and we have reason to believe that you are a qualified purchaser or a representative of such.

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HIRTLE CALLAGHAN & CO

Chief Investment Officers

America's First Outsourced Chief Investment Officer®

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COMMUNITY FOUNDATION

Some of the **greatest opportunities**
to make charitable gifts arise when making
major business, personal and financial decisions.

Chester County
COMMUNITY FOUNDATION

Chester County Community Foundation

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