

Why hire a family office to advise a foundation?

Foundations are typically formed to make a lasting difference over generations. Family offices are built to provide objective integrated advice for stewards of multigenerational wealth to successfully grow and sustain assets into the future. There is alignment between the fiduciary duty of a family office and the fiduciary requirements of trustee and committee directed investment pools.

Foundations are faced with a relentless tension: provide as much support as possible today, while sustaining the organization for many generations to come. This is where Pathstone can help. We provide solutions, tools and best practices to specifically address this tension and assist organizations to meet their short and long-term objectives.



Stewards have a generational responsibility

Pathstone's service model, integral to the work we do with our family clients, is an important reason why many of our institutional clients choose us. They benefit not only from the investment advice we provide, but also from the comprehensive suite of investment and foundation office services that truly allows them the peace of mind and bandwidth to focus on managing the organizational, charitable and programmatic work. We are successful when our institutional clients feel the assurance of having a fully integrated investment office, without having to actually build one in-house.

With a history of serving stewards of wealth, we have established ourselves as the ideal partner for institutions with a multigenerational vision. As a result of our experience and forward-thinking approach, we have seen a climb in demand for Pathstone's services by institutions around the country. Our institutional clients are an integral segment of our business today and we expect for generations to come.

Is Pathstone the Right Fit for My Organization?

Organizations that recognize large financial institutions and consulting firms are not fully aligned with the culture of preserving and growing assets across generations, look to Pathstone for answers. Committees and trustees desiring a talent rich firm that delivers objective advice, look to Pathstone. These institutions are unique in that they recognize these facts and therefore pick Pathstone as the partner to help them carry out their fiduciary duties and help advance their goal in making a lasting and measurable difference.

While we have the ability to work with foundations of all shapes and sizes, we believe our approach best fits with organizations that answer 'yes' to any of the following questions:

- Is your organization a family, independent or corporate private foundation, private operating foundation or public charity?
- Is your organization a small-to-mid-sized foundation or public charity (\$10M – \$150M in total assets)?
- Does your organization have a limited number of staff that are focused on the management of the foundation and programmatic work?
- Does your organization currently outsource all of its administrative and granting activities?
- Does your organization have an interest in aligning its investments with its philanthropic or programmatic objectives?
- Does your organization need support in addition to investment-related services (e.g. Tax, Cash Management, Program Management, etc.)?

A family office not only shares a foundation’s vision of multigenerational success, but its structure also promotes trust, transparency, and provides the widest range of integrated solutions with the highest level of personalization. Foundations that choose a family office as their partner recognize these facts.

But among family offices, why choose Pathstone?

In the age of accelerating technology and changing global markets, foundations are presented with a complex new set of opportunities and threats. Family offices must now become equally adept at leveraging the tools of change and innovation to provide their clients with best practices, timely solutions and the information needed to make informed decisions and stay ahead of the curve.

Today, Pathstone strives to stand ahead of others in combining innovative programs and solutions with the timeless family office tradition of service and trust. This is why Pathstone is *The Modern Family Office*.



Today, we believe that one firm stands above the rest – Pathstone, The Modern Family Office.

“Innovation” in the financial realm causes concern for many clients for good reason. We’ve all seen the results of financial engineering, experimentation and speculation at banks and brokerage houses seeking their own gain.

At Pathstone, we innovate for the opposite reasons: we innovate solely for your foundation’s benefit. We innovate at every opportunity for both preservation and growth. We innovate for greater efficiencies and better fee structures in order to pass the savings on to you. We innovate to provide timely integrated information to help you make informed decisions. We innovate to give you deeper insights and greater opportunities to align the financial endeavors of your organization with your responsibilities as multigenerational stewards. But we never experiment or speculate in any way that would put our clients at greater risk. This is the essence of Pathstone—the modern family office.

Pathstone's Institutional Clients

Type	# of Clients <i>as of 12/31/17</i>	Total Assets (\$M) <i>as of 12/31/17</i>	Average (\$M) <i>as of 12/31/17</i>
Foundations	11	\$451M	\$41M
Endowments	10	\$108M	\$11M
Other - Institutional	5	\$1.50B	\$300M
TOTAL	26	\$2.06B	\$79M

Services

Pathstone's provides a full spectrum of investment services, solutions and counsel to distinctively serve trustee and committee directed portfolios. To complement our investment services, Pathstone provides organizations the ability to selectively or fully outsource other critical activities.

INVESTMENT SOLUTIONS	FOUNDATION OFFICE SERVICES
<input type="checkbox"/> Investment Advisory	<input type="checkbox"/> Tax Compliance
<input type="checkbox"/> Investment Administration	<input type="checkbox"/> Accounting
<input type="checkbox"/> Investment Reporting	<input type="checkbox"/> Banking
<input type="checkbox"/> Outsourced CIO	<input type="checkbox"/> Bill Pay
	<input type="checkbox"/> Cash Management
	<input type="checkbox"/> Risk Management
	<input type="checkbox"/> Administration
	<input type="checkbox"/> Board and Governance
	<input type="checkbox"/> Program Management

Working with the Board

Pathstone's on-boarding process begins with an evaluation of whether the risk and return profile for the current portfolio is appropriate to meet the organization's long-term objectives. We go beyond simply asking the Board about spending patterns, growth objectives, or risk tolerance. We seek to understand investment constraints, usual and unusual budget commitments, and corresponding liquidity needs. This information will allow us to find the right mix of asset classes that will ideally meet long-term return targets while seeking the least amount of volatility and downside risk. Once agreed upon by the Board, the strategic allocation will be documented in an Investment Policy Statement and the portfolio construction process will begin.

The Pathstone team will work closely with the investment committee of the board to review the current investments and identify a plan to implement the recommended changes. As the actual execution begins to take place, we will strive to make sure that each investment complements the next and that there are no unintended or absolute exposures at the stock, sector, industry, or other underlying areas.

We will regularly monitor the portfolio and maintain active dialogue with the board's investment committee. We believe that any time a significant change occurs to the foundation's goals, objectives, or risk tolerance, or a fundamental change in the characteristics of available investments occurs, then the

investment policy should be revisited and adjusted as may be necessary.

Pathstone – Summary of Value Add Investment Solutions



P-Cubed

Pathstone has developed a proprietary investment execution methodology – Pathstone Portfolio Platform or P-Cubed. Our platform provides the ability for institutions to hold diverse investments with customization in a single account. The primary goal is to increase efficiencies and lower overall portfolio expenses.

Hypothetical Case Study¹: P-Cubed Investment Fees*

LIQUID GROWTH INVESTMENTS	Sample Allocation		Fees Without P ³		Fees With P ³	
	%	\$	%	\$	%	\$
U.S. Large Cap Equity	42.0%	\$10,500,000				
U.S. Large Cap Core Passive	21.0%	\$5,250,000	0.35%	\$18,375	0.05%	\$2,625
U.S. Large Cap Sustainable Growth	10.5%	\$2,625,000	1.00%	\$26,250	0.30%	\$7,875
U.S. Large Cap Value	10.5%	\$2,625,000	1.00%	\$26,250	0.25%	\$6,563
U.S. Small Cap Equity	18.0%	\$4,500,000				
U.S. Small/Mid Value	9.0%	\$2,250,000	1.00%	\$22,500	0.30%	\$6,750
U.S. Small/Mid Cap Core	9.0%	\$2,250,000	1.00%	\$22,500	0.60%	\$13,500
Developed International Equity	29.0%	\$7,250,000				
Developed International Value	6.7%	\$1,675,000	1.07%	\$17,923	1.01%	\$16,918
Developed International Core ADR Passive	6.7%	\$1,675,000	0.40%	\$6,700	0.35%	\$5,863
Developed International Growth ADR	6.7%	\$1,675,000	1.00%	\$16,750	0.50%	\$8,375
Developed International Small Cap	8.9%	\$2,225,000	1.24%	\$27,590	1.24%	\$27,590
Emerging Markets Equity	11.0%	\$2,750,000				
Emerging Markets 1	5.5%	\$1,375,000	1.45%	\$19,938	1.45%	\$19,938
Emerging Markets 2	5.5%	\$1,375,000	0.75%	\$10,313	0.75%	\$10,313
Total Market Value / Investment Mgr Fees	100.0%	\$25,000,000	0.86%	\$215,088	0.51%	\$126,308
Estimated Overlay Manager Fee			0.00%	\$0	0.19%	\$47,020
TOTAL INVESTMENT FEES *			0.86%	\$215,088	0.69%	\$173,328
			ESTIMATED FEE SAVINGS VIA P-CUBED		-0.17%	-\$41,760

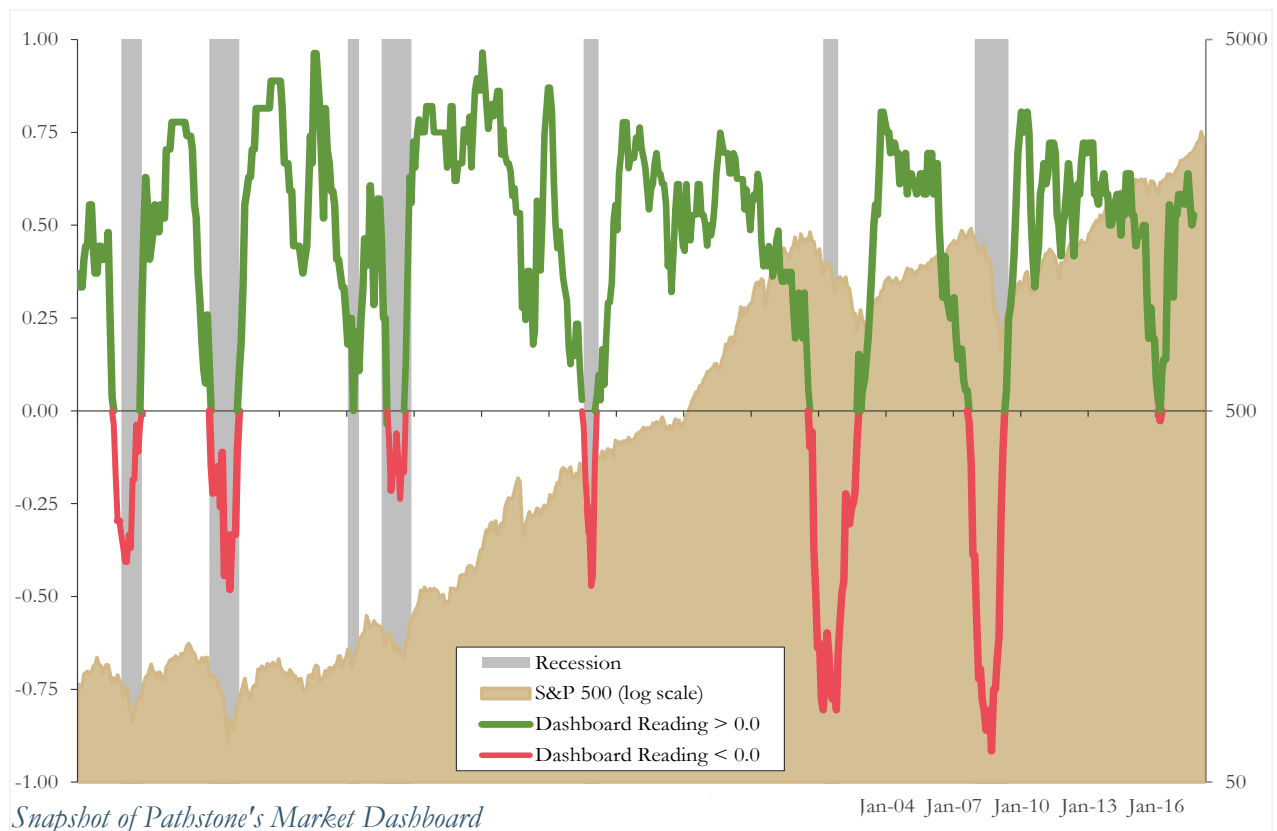
¹ The information provided is a hypothetical study compiled by Pathstone for illustrative purposes and is not representative of any client portfolio. The above-noted positions are examples of the strategies currently available; however, there is no guarantee that they will continue to be available to be held in clients' portfolios. Manager fee reduction will vary based on asset allocations, manager selections, and other factors.

* Fees described in this hypothetical study include the investment manager fees + overlay manager fees only. They do not include Pathstone's fees or custodial fees.

Market Dashboards


It should come as little surprise that the worst periods of stock market performance have coincided with economic recessions, especially those accompanied by unfavorable valuations. To provide more rigor in identifying these downturns, we developed the Market Cycle Dashboard to serve as a quantitative and unemotional risk management tool. Specifically, the dashboard looks across an array of macro factors which have historically preceded or accompanied turning points in the business cycle and/or equity bear markets. Reducing growth asset exposure during these periods seeks to provide meaningful performance improvements, as well as psychological benefits.

Market Cycle Dashboard			
	Prior Month	Current Reading	Notes
Economic Factors	Bullish	Bullish	Economy is looking healthy, with GDP growth and low unemployment
Credit Factors	Bullish	Bullish	Yield curve flattening but remains positively sloped
Valuation Factors	Bearish	Bearish	Elevated valuations not a great timing tool but can magnify downside risks
Momentum Factors	Bullish	Bullish	Price uptrend is still in place for most equity segments
Sentiment Factors	Bullish	Bullish	Sentiment is positive despite increased volatility. Consumer confidence high
Overall Market Cycle	Bullish	Bullish	Volatility has returned, but stable economy & robust corporate earnings should provide support for stocks



Targeted Solutions & Access

We utilize our size and scale for the sole benefit of our clients. As a result of our size, we are able to provide access to investment managers that we believe are exceptional, and to negotiate reduced fees for strategies across asset classes. We are not so large, however, that we are constrained from delivering personalized advice to individual clients. We are large where it matters, small where it counts.

PRIVATE EQUITY PLATFORM (Page 2)																																															
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Sample of Pathstone's Hedge Fund & PE Platforms. The list above should not be viewed as past or present recommendations of Pathstone, but rather examples of solutions that may be available on our platform.

ESG Investments and Scoring

Pathstone is not only a leading adviser for social and mission-related investing, but an established and recognized thought leader at the industry level. Our commitment to this space runs deep and wide—we've nearly doubled investments in this area in recent years. We will continue to dedicate significant resources to innovating and providing clients with creative solutions to seek to best align their investments with their values and their mission. In 2018 Pathstone developed a proprietary ESG scoring system that measures ESG and Impact performance of a portfolio, in addition to its investment performance.

