

Donor-Advised Fund Program

Investment Options

Horizons Foundation offers a variety of investment options to meet the varied needs and interests of donors. We are especially proud of the options we offer in socially responsible funds, including those that support the LGBT community in areas such as employment non-discrimination.

You may recommend any mix of investment options provided and may recommend changes in those allocations quarterly. If you choose not to recommend an allocation, funds in your DAF will be held in the Vanguard Prime Money Market Fund.

For donors desiring guidance on how to allocate funds among the investment options with a significant element of social responsibility, Horizons Foundation has prepared the model portfolios outlined below. These model portfolios strive to maximize the social and community impact of these investments by emphasizing socially responsive and community investment options that, at a minimum, ensure attention to LGBT equality issues and non-discriminatory practices. The model portfolios propose allocations among asset classes and risk-reward tradeoffs to support donors' grantmaking timeframes.

For more information about investment options, or Horizons' donor-advised funds program, please contact Deb Stallings, Director of Development and Gift Planning at 415.398.2333 x103 or dstallings@horizonsfoundation.org.

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FIXED INCOME AND BOND OPTIONS

- **Vanguard Prime Money Market Fund** invests in a combination of commercial paper, certificates of deposit, bankers' acceptances, and U.S. government securities. This fund typically offers the highest yield of Vanguard's money market funds. (VMMXX; annual fee: 30 basis points)
- **PIMCO Total Return Fund, Class D** is an actively managed, industry-leading intermediate-term bond fund that invests in fixed income instruments issued by the U.S. government and corporations with investment-grade credit ratings. The fund seeks return from both income and capital appreciation. (PTTDX; 75 bp)
- **Horizons Foundation Community Investment Fund, administered by Calvert Foundation**, is a groundbreaking investment program that channels critically needed investment capital to communities throughout the world. The fund finances opportunity and development among socially responsive enterprises by funding microcredit, affordable housing, small business, community facilities, and other socially responsive enterprises, including LGBT nonprofits. Accounts earn a fixed rate and the return of principal. (No symbol; no fee)

EQUITY OPTIONS

- **Neuberger Berman Socially Responsive Fund** is an actively managed large-cap stock fund that seeks growth of capital primarily by investing in securities of U.S. and foreign companies that meet both financial criteria and social policy. The managers initially screen companies using value investing criteria, then look for companies that show leadership in major areas of social impact such as the environment, workplace diversity, and progressive employment practices, including LGBT anti-discrimination policies and practices. (NBSRX; 106 bp)

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- **Dodge & Cox International Stock Fund** employs active management and invests primarily in equity securities issued by non-U.S. companies from at least three different foreign countries, including emerging markets. The fund invests in medium to large well-established firms that are temporarily undervalued but have long-term growth prospects. It is a simple, low-cost way to hold a diversified portfolio of international stocks. (DODFX; 77 bp)
- **Vanguard Total Stock Market Index Fund/Admiral Shares** employs a “passive management”—or indexing—investment approach designed to track the performance of the MSCI® U.S. Broad Market Index, which consists of nearly all regularly traded U.S. common stocks. The fund typically invests substantially all of its assets in a representative sample of the stocks that make up the index, and it operates at very low cost. (VTSAX; 9 bp)
- **Vanguard Calvert Social Index Fund** employs a passive management strategy designed to track the performance of the Calvert Social Index, which is composed of large- and mid-cap stocks that have been screened for favorable performance on certain criteria—environmental policies, workplace issues, product safety and impact, international operations and human rights, and weapons contracting. Calvert screens out companies having significant involvement in tobacco, alcohol, gambling, weapons manufacturing, nuclear power, or unfair labor practices. Calvert supports shareholder resolutions requesting sexual orientation be added to corporate non-discrimination policies. (VFTSX; 25 bp)

Model Portfolios

Horizons Foundation's donor-advised fund investment options are intended to provide a range of choices to ensure the appropriate level of preservation, diversification, and growth of your charitable dollars based on your grantmaking horizon, your funding plans, and your desire for socially responsible investments.

PORTFOLIO 1: THE ANNUAL PHILANTHROPIST

If you plan to replenish your fund on an annual basis or at periodic intervals, and expect to recommend grants that spend down most funds within a one to two year timeframe, we recommend that 100% of your funds remain liquid in the Vanguard prime money market fund. This alternative protects against short-term market shifts, minimizes expenses, and helps ensure that funds will be available for grants you may recommend. Please note that money market funds may lose purchasing power during periods of inflation. The current expense ratio is 30 basis points** for this fund.

PORTFOLIO 2: THE GROWING PHILANTHROPIST

If you are planning to grow your fund slowly over the next 3+ years, while still making regular grant recommendations throughout the year, then we suggest the following allocation:

- 40% Vanguard Prime Money Market Fund
- 20% Horizons Foundation Community Investment Fund
- 20% PIMCO Total Return Fund
- 5% Dodge & Cox International Stock Fund
- 15% Vanguard Total Market Index (A) or Vanguard Calvert Social Index Fund (B)*

This option will balance the opportunities to grow the value of your fund with cash availability for annual grantmaking. Please note that allocations to stock and bond funds will have price volatility and money market funds may lose purchasing power during periods of inflation. The current expense ratio for this pool is 32-35 basis points.

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PORTFOLIO 3: THE PERMANENT PHILANTHROPIST

If you plan to retain a sizeable balance in your fund for the next 5+ years, while making regular grant recommendations, we recommend the following allocation:

- 15% Vanguard Prime Money Market Fund
- 20% Horizons Foundation Community Investment Fund
- 15% PIMCO Total Return Fund
- 50% equity:
 - 20% Neuberger Berman Socially Responsive Fund
 - 10% Dodge & Cox International Stock Fund
 - 20% Vanguard Total Market Index (A) or Vanguard Calvert Social Index Fund (B)*

This allocation is intended to grow the principal in your fund over a longer time horizon, while maintaining some cash availability for annual grantmaking. Please note that the higher allocation to stock and bond funds of this portfolio makes it more susceptible to price volatility and that money market funds may lose purchasing power during periods of inflation. The current expense ratio for this pool is 47-50 basis points.

PORTFOLIO 4: CUSTOM PLAN

If you have another timeframe in mind or wish to recommend an allocation that differs from the model portfolios, you may select any or all of the existing investment vehicles and recommend percentages among them. For example, you may have unusually high cash income this year, and plan to give it all over a set period of time, or you may not wish to make grants for a period of time while you grow your fund, or you may wish to have 100% of the money in socially responsible investment products. Please feel free to discuss your individual needs and situation with Horizons. We will be happy to consider your custom recommendations for investment of your fund assets.

Investment Options

Horizons Foundation <i>Donor-Advised Funds Investment Options</i>			
Recommended asset allocation	Portfolio 1	Portfolio 2	Portfolio 3
Vanguard Prime Money Market Fund	100%	40%	15%
Fixed Income/Bonds:			
PIMCO Total Return Fund	0%	20%	15%
Horizons Foundation Community Investment Fund	0%	20%	20%
Equity:			
Neuberger Berman Socially Responsive Fund	0%	0%	20%
Vanguard Total Market Index (A) or Vanguard Calvert Social Index Fund (B)*	0%	15%	20%
Dodge & Cox International Stock Fund	0%	5%	10%
Total	100%	100%	100%
Current expense ratio**	30 basis points	A: 32 or B: 35 basis points	A: 47 or B: 50 basis points

* Donors may choose either the A or B version of these portfolios. Both versions are market index funds, but the B version is a socially-responsive screened fund.

** Expense ratios may change from time to time.