1. **Who is Spider Management?**

Spider Management Company (“Spider”) serves as the investment manager for the Community Foundation’s Signature Fund, our primary investment pool designed to produce strong, long-term investment returns with low volatility. Spider was founded in 2001 as a nonprofit organization, wholly owned by the University of Richmond (“UR”), to manage the investments of UR’s endowment, and has since evolved to provide investment management services to a select group of other endowments and foundations. The Community Foundation (“the Foundation”) began its partnership with UR in February 2008 when Spider formally launched a private fund, called The Richmond Fund, LP to manage assets of other nonprofit entities in a unique Outsourced Chief Investment Officer (OCIO) model. From an investment and asset allocation perspective, UR’s and The Richmond Fund’s assets are invested as one portfolio. Through this structure, Richmond Fund partners and UR earn the same gross rate of return, highlighting the significant alignment of interests between UR and the Foundation.

Spider’s evolution to manage money outside of UR’s endowment was due to the importance of scale in managing assets and the opportunity to partner with other like-minded investor groups to achieve greater scale. The nonprofit institutions who invest with Spider gain access to an experienced, full-time team of professionals devoted to investment management, and are immediately invested in Spider’s mature and diversified portfolio. All partners in The Richmond Fund are nonprofits that share a similar philosophy on long-term investing, managing a portfolio for perpetuity, and investing in a prudent, risk-adjusted manner.

2. **What are the benefits of investing alongside a University endowment?**

Spider is 100% owned by UR, and the Community Foundation sees significant value in partnering with another nonprofit organization. This ownership structure drives Spider’s investment strategy. Unlike most investment firms, Spider is not driven to increase assets or monetize shareholders over investment performance. Rather, all partners share a similar objective of achieving superior risk-adjusted performance to realize their missions. Large university endowments are also highly regarded in the industry as sophisticated and long-term investors – a benefit to the Foundation’s fund holders, who gain access to selective investment managers and Spider’s experienced investment team.
3. What are the core tenets of Spider’s investment philosophy?

Spider’s investment philosophy is focused on generating long-term inflation-adjusted returns, growing assets net of spending needs, and capital preservation. Spider is a strong believer in the “endowment model” style of investing and believes a significant allocation to alternative strategies is an integral part of achieving long-term objectives for endowments. One of Spider’s fundamental investment beliefs is to maintain a bias toward equity investments (both public and private) in order to meet its nonprofit partners’ growth and spending needs. Spider’s diversified portfolio is designed to reduce risk and generate returns in excess of a passive stock/bond portfolio over time. Lower volatility is critical to supporting the Foundation’s grantmaking activities regardless of market environment. Downside protection is also key, as periods of market stress often coincide with increased need for resources in the community.

4. What is Spider’s portfolio composition?

Spider’s portfolio is diversified across asset classes, with a heavy allocation to alternative strategies such as private equity, real estate, private credit, and hedge funds. The objective of these alternative investments is to both enhance returns and reduce volatility. The majority of the portfolio is invested with actively managed funds, as Spider believes the skill of world-class investment managers will generate returns in excess of passively managed funds over time. The following table shows Spider’s Investment Policy weighting and ranges. This is meant to provide a general idea of how the portfolio is allocated, as the actual portfolio allocation will change from quarter to quarter.

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Description</th>
<th>Policy Weight</th>
<th>Portfolio Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Equity</td>
<td>Exposure to public stocks globally; goal of providing growth, liquidity, and excess returns over public market indices</td>
<td>30%</td>
<td>20-40%</td>
</tr>
<tr>
<td>Private Equity</td>
<td>Buyout and venture capital strategies; goal of generating higher returns than public equities over a long time horizon</td>
<td>27%</td>
<td>20-35%</td>
</tr>
<tr>
<td>Absolute Return</td>
<td>Includes hedge funds and credit; goal of providing downside protection and lower correlation to traditional markets</td>
<td>25%</td>
<td>15-35%</td>
</tr>
<tr>
<td>Real Assets</td>
<td>Includes natural resources and real estate; goal of providing diversified sources of growth and inflation protection</td>
<td>13%</td>
<td>5-20%</td>
</tr>
</tbody>
</table>
Spider’s long-term investment horizon allows the Community Foundation’s fund holders to take advantage of less efficient parts of the market, such as private equity. Investors in the Signature Fund gain exposure to all investments in Spider’s portfolio, including mature private investments. This is a significant benefit, as private investments typically take several years to begin generating positive returns. Furthermore, the difference between top and bottom quartile performance in these asset classes is much greater than in public markets. It is therefore essential when investing in private equity to partner with an institutional investor like Spider and the University of Richmond, who can access top-tier investment managers.

5. What is Spider’s fee structure?

Spider offers a tiered management fee schedule based on assets under management. Currently, the Signature Fund’s management fee is approximately 0.40%. There is no performance/incentive fee. Spider has relatively low partnership expenses, averaging approximately 0.06% per year, include custody, accounting, audit, and fund administration expenses. All returns reported by Spider are inclusive of fees and expenses paid to underlying managers.

6. How does the Community Foundation assess its relationship with Spider Management?

The Community Foundation believes it is important to periodically evaluate the marketplace for investment managers. In 2021, the Foundation conducted a thorough request for proposal (“RFP”) process to review the partnership with Spider and identify the best investment partner for our Signature Fund.

By comparing Spider to other candidates, the Foundation analyzed and benchmarked Spider’s investment performance and fee structure relative to other firms and were reassured that Spider’s investment offerings are competitive. Additionally, Spider is committed to strengthening the Richmond region and has increased its focus on diversity, equity and inclusion both internally and as part of manager selection. As a result, the Foundation is confident in our continued partnership with Spider and the benefits for its fund holders to access to investments typically not available to individual investors.

7. What type of donor should select the Signature Fund?

Spider’s unique model and investment strategy is a good option for all donors, and especially for donors who have a long-term outlook, prioritize preservation of capital, and value lower
volatility than a passive stock/bond portfolio. These are the same reasons that the Community Foundation has invested its discretionary, endowed resources in the Signature Fund.

8. How does Spider incorporate ESG and DEI principles into its investment process?

Spider incorporates environmental, social and governance (ESG) and diversity, equity, and inclusion (DEI) into its investment decision-making process in order to maximize long-term investment returns. Spider believes that investing with managers and in companies that operate under the highest ethical standards and incorporate diverse opinions into their decision-making process will lead to better long-term portfolio outcomes. The majority of underlying managers in Spider’s portfolio integrate ESG into their investment process, ranging from strategies that consider ESG concepts to impact-oriented strategies that explicitly aim to generate strong investment returns with a positive social impact.

Spider assesses managers’ ESG policies during initial and ongoing investment due diligence and assess the diversity of managers’ teams. Diverse investment managers provide differentiated opportunities, address evolving consumer needs, and are less likely to have “group think” and therefore focuses on diversity across race and gender, as well as geographic, educational, and socio-economic backgrounds.

9. What other organizations are invested with Spider?

Spider invests the assets of approximately 30 nonprofit organizations, including other community foundations, universities/colleges, independent schools, and other cultural institutions. Please see below for composition of Spider’s Richmond Fund partners by assets.¹

- Community Foundations: 41%
- Higher Education: 37%
- Independent Schools: 9%
- Cultural: 5%
- Other: 8%

10. When are returns available from Spider Management?

The cadence and timing of Spider’s performance reporting is driven by the timing of performance received from underlying investment managers. Spider values its portfolio on a quarterly basis. Preliminary returns are available approximately 45 days after quarter-end, but preliminary returns do not include performance for private investments, which account for approximately 40% of Spider’s portfolio. Spider’s final performance on the total portfolio is

¹ Does not include the University of Richmond.
available approximately 75 days after quarter-end. While the timing of reporting takes longer, the Foundation believes investing in a diversified set of asset classes is the best strategy for achieving the Foundation’s long-term investment objectives and has plays an important role in the Signature Fund’s performance to date.

The Foundation prepares fund statements quarterly upon receipt of preliminary returns and will issue revised statements if final returns differ by more than 1%.

11. **What have been the historic returns of the Signature Fund’s investment with Spider?**

As of December 31, 2021, Spider has generated more than $370 million for the Signature Fund since The Richmond Fund’s inception in 2008. The 10-year annualized net return for the Signature Fund is 10.33%, compared to 9.37% return of a 70% stock/30% bond portfolio. Spider has also produced these returns with less volatility than a stock/bond portfolio over the same time period.

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2 The timing for December 31 performance is typically 30-40 days longer than other quarters, as the majority of Spider’s underlying funds are undertaking their annual audits and typically have 120 days to do so.

3 Stock/bond portfolio refers to 70% MSCI ACWI / 30% Barclays US Aggregate

4 Volatility calculated as the standard deviation of quarterly returns, annualized over 10 years.