

30 THIRTY YEARS OF TIFF INVESTMENT MANAGEMENT

**30 Years of Serving Nonprofit Organizations - How Can That Be?
A Conversation with Past TIFF Leaders: Larry Landry, David Salem,
Nina Scherago, and Dick Flannery.**



LARRY LANDRY

Often referred to as “the father of TIFF,” Larry was a founding Board Member of TIFF and served the organization from its inception in 1991 until 1996. Always a friend to TIFF, he currently serves as the CEO for Westport Advisors and Chairman of Masterpiece Living, LLC.

Would you summarize the core need you were trying to address when TIFF was created? How does TIFF measure up today against that original objective?

A Council of Foundations published study confirmed that smaller foundations had significantly lower investment returns than larger foundations. The study concluded that the reasons for this were the absence of long-term investment performance, the lack of investment acumen on small foundation boards and the smaller size endowments precluded access to the best managers including private equity. TIFF was created to provide an alternative OCIO model for foundations and private charities and its investment record has been more than acceptable.

What do you consider to be your most significant accomplishment while serving TIFF?

Two things come to mind. First, we were able to organize the larger foundations to create TIFF and provide working capital and investment funds to begin the initial products. Second was the board’s decision to hire David Salem as the founding CEO. David’s investment and legal background provided TIFF with credibility in the investment world and with foundations. David made our initial road show a great success.

Have the investment needs of nonprofits fundamentally changed since TIFF’s inception in 1991? If so, how? How have they stayed the same?

The basic investment needs of foundations remain the same; however, the investment market is much more complicated today than in 1991 thereby increasing the need for an OCIO model.

Tell us about a significant contribution to TIFF that one of your fellow directors made during your tenure on TIFF’s board?

It is difficult for me to select a single director. Rather, I think of the incredible leadership the founding board members played to organize, fund, and promote TIFF. Also adding CIOs from higher education to the board greatly enhanced our reputation.

What was the toughest decision you had to make as a TIFF director?

A single tough decision does not come to mind; however, as previously mentioned, recruiting, and hiring David Salem proved to be the most significant decision the board made.

What is the best leadership or investment advice you have ever been given?

In terms of investments results, time is the most significant factor contributing to returns with a well-diversified portfolio.

Which TIFF director had the best wit among your colleagues when you served? Please give an example of his/her clever remarks.

The only thing that comes to mind is David's newsletters and his tendency to compare investing with baseball. The entire board got into it, contributing to the humor and learning. It became part of TIFF's culture and made serving on the board great fun.

How do you view the future of the OCIO industry and how can TIFF continue to lead in the future?

Given today's complexities, TIFF is very well positioned to contribute as an alternative OCIO model while also offering specialized investment products. It is important that TIFF continues its educational role and provide the investment returns that promote its members' philanthropic missions.



DAVID SALEM

As the first President and CEO of TIFF, David Salem joined the organization in 1992 and served until 2010. David is well-known for his writing about the Investment Industry, which always includes stories about life – and baseball. David currently acts as a consultant in the industry and continually pursues his entrepreneurial interests.

What do you consider to be your most significant accomplishment while serving TIFF?

Upon reflection, I think my most significant contribution to TIFF came on my first day as its founding president, and indeed the first morning of that first day, when I crafted the TIFF Credo. It had to be approved by the board, of course, and it was during the first board meeting of my presidency, unchanged from my initial draft ... and unchanged since.

Have the investment needs of nonprofits fundamentally changed since TIFF's inception in 1991? If so, how? How have they stayed the same?

I don't think the needs of non-profits as a group have changed. Alas, due primarily to the lofty returns generally produced by both US stocks and longer duration bonds since TIFF's founding, I think the wants or return expectations of non-profits, or more precisely the persons overseeing them, have changed. To a greater degree now than when TIFF launched, non-profit trustees and officers think about returns first and risk second. They ought to precisely do the reverse: define as clearly as possible the types and degrees of risk that the organizations they oversee should incur, then set return goals consistent with such risk parameters.

Tell us about a significant contribution to TIFF that one of your fellow directors made during your tenure on TIFF's board?

The TIFF Advisory Services (TAS) Risk Management Committee did a superb job overseeing staff's work to craft and implement a large scale put purchase on behalf of several TIFF portfolios circa 2007-2009.

What was the toughest decision you had to make as a TIFF director?

Terminating three division heads at crucial points in their respective divisions' evolution—two for failing to adhere fully to TIFF's Credo and a third for lacking the skills and temperament needed to succeed in his post. Of course, the initial hiring of all three individuals constituted mistakes on my part, and big ones.

What is the best leadership or investment advice you have ever been given?

Focus your time and mental bandwidth on things you can control, not on things you can't.

Which TIFF director had the best wit among your colleagues when you served? Please give an example of his/her clever remarks.

The late and great Carl Schafer, former Treasurer of Princeton University and a true gentleman who smiled as readily as he made others smile. I can't recall specific wisecracks but I do recall him explaining at great length exactly how Princeton's endowment outperformed other schools' during the Great Depression, with timely sales before the stock market plunged in 1929 and timely purchases as the US stock market was hitting bottom in 1942. Alas, careful research by yours truly as well as well-known investment guru Jim Grant and his team has produced essentially no evidence that Carl's account was accurate - truly riveting even if largely if not entirely untrue!

How do you view the future of the OCIO industry and how can TIFF continue to lead in the future?

The industry will likely continue to expand and will surely continue evolving, with the most innovative, adaptative and resilient OCIO firms remaining in the vanguard. The key to doing so, in my humble opinion, is to honor a time-tested principle in investing: "if it ain't broke, fix it." Happily, Kane and Jay understand this intuitively, making it probable that TIFF will be among the OCIO industry's leaders in the future just as it has been since its founding 30 years ago.



NINA SCHERAGO

Nina began her service on the TIFF Board in 1998, but also became a key leader of the organization as she launched TIFF's hedge fund program. Nina left TIFF in 2012 to launch Edgehill Endowment Partners.

What do you consider to be your most significant accomplishment while serving TIFF?

As a director, introducing my private equity relationships to TIFF and working with the TIFF team to obtain coveted allocations with highly sought-after managers.

As a TIFF employee, I am proudest of:

- With David Salem, I expanded the TIFF product offering and launched the hedge fund program and then was responsible for manager selection, portfolio construction and client communication for 13 years. For the 10-year period through June 30, 2012, the hedge fund program outperformed the HFRI Fund Weighted Composite by more than 200 basis points. Many clients told us it was the single best performing holding in their portfolio for the decade.
- Always doing the right thing for clients! For example, we offered clients an off-cycle and before yearend cash redemption in November 2008, anticipating many clients could be in distress after October 2008.
- Attracting key employees to TIFF. I recruited Mike Costa (with David's blessing) and Kelly Lundstrom with whom I previously worked at HHMI. Mike Costa went on to have a broad role at TIFF and stepped up to major responsibility for the comprehensive endowment strategy. I recruited Kelly Lundstrom out of "retirement" from Canada and she built the Operations team in Conshohocken. Mike and Kelly greatly contributed to building the team and processes and capability at TIFF. I also recruited Kate Powell to TIFF – converting an informational interview into a new hire. Kate Powell was greatly additive for 5 years and is enriching the foundation community as an investment professional with the Packard Foundation.
- Working closely with Dick Flannery as he took the firm mantle with David's retirement.

Have the investment needs of nonprofits fundamentally changed since TIFF's inception in 1991? If so, how? How have they stayed the same?

The needs of nonprofits have not fundamentally changed. It is a tall order for institutions to earn a 5% real return and to adhere to good governance practices in their endowment oversight role.

The prominence of ESG as a consideration is a change in managing endowment portfolios. Similarly, non-profits are also asking their endowment stewards to include equity and inclusion as a consideration in manager selection.

Tell us about a significant contribution to TIFF that one of your fellow directors made during your tenure on TIFF's board?

After about two years and 8 meetings, David Swensen succeeded in persuading other board members and staff to repurpose the TIFF's bond fund, a broad mandate fund, into a vehicle only including U.S. government bonds. Although the TIFF organization understood it would not be able to offer "value added" in its fixed income offering and the fund might cease to exist, TIFF embraced the change. After several years, the bond fund was closed.

Jack Meyer, Mark Kritzman, and later Rich Lindsey – all served on the TAS Risk Committee. The Risk Committee had a unique perch in having staff analyze various types of risks in a systematic manner. We appreciated and valued the Risk Committee's review of our white paper on the rationale for the hedge and articulation of the conditions under which we would remove the hedge. A hedging program was in place from November 2006 through October 2008.

What was the toughest decision you had to make as a TIFF director?

A single tough decision does not come to mind; building a firm and investment vehicles required constant attention to detail. During my tenure, the work always focused on building the best investment portfolio and the best team.

What is the best leadership or investment advice you have ever been given?

"To thine own self be true." – William Shakespeare and a message from my Dad

"Crisis reveals character." – David Salem

"No member of staff is too exalted to perform, when necessary, the duties of the least-senior or lowest-paid employee." – David Salem

Which TIFF director had the best wit among your colleagues when you served? Please give an example of his/her clever remarks.

We had many directors with sharp wits. The great pleasure of TIFF board gatherings was great intellectual engagement leavened by good humor and fellowship.

How do you view the future of the OCIO industry and how can TIFF continue to lead in the future?

In TIFF's early days, TIFF proselytized the superiority of a model that entailed giving discretion to an independent advisor and holding them accountable ("part-timers need not apply"). In 2021, full discretion is well accepted as a model. Demand for OCIO services is robust – and the OCIO sector's long-term success will depend on whether the sector delivers the performance. The "legal protection" rationale has contributed to outsourcing to OCIOs by corporate pension plans, but endowment and foundations will ultimately stay the course based on investment performance. My advice to TIFF is keep the product offering SIMPLE and aligned with investors. Keep "all eyes" at TIFF focused on a great result(s) for a core or small number of vehicles. And – continue the education mission!



DICK FLANNERY

Dick Flannery joined TIFF in 2003 and became David Salem's successor. Known for his dedication to TIFF's mission, Dick retired from TIFF in 2020 and currently serves as a Senior Advisor to the organization.

What do you consider to be your most significant accomplishment while serving TIFF?

Most of the things for which I get credit at TIFF were done primarily by other folks. My main contribution was to keep TIFF laser focused on its core mission of serving non-profits that lack the resources to achieve investment excellence on their own. Among the key ways I tried to do so were: hiring talented folks for whom our mission was meaningful, keeping the Boards staffed with top notch non-profit investors, and repeating the mission statement over and over again.

Have the investment needs of nonprofits fundamentally changed since TIFF's inception in 1991? If so, how? How have they stayed the same?

The core need (achieve net returns in excess of your spending) hasn't changed. The "how" has changed dramatically as new investment options and approaches have emerged, available information has exploded, and the economic landscape has shifted tectonically. TIFF has necessarily evolved and adapted and has led its members through these tumultuous developments.

Tell us about a significant contribution to TIFF that one of your fellow directors made during your tenure on TIFF's board?

My tenure on the Board was quite long (17 years) and there were so many extraordinary contributions by so many directors that it is hard to single out one. But, I try to answer questions as asked, so I will cite the extraordinary work done by Collette Chilton, Scott Malpass, and Neal Triplett in working through the 2 year transition from me to Kane Brenan. So many investment firms stumble when making CEO transitions. We were all firmly committed to making sure that didn't happen at TIFF. Collette, Scott, and Neal each devoted countless hours to planning the process (way back to asking me several years ago to hire a COO and to form a management committee), executing the search, and identifying and on-boarding new CEO, Kane Brenan. TIFF's members are incredibly well-served by having boards members like them in place every day, but are especially fortunate when transitions take place.

What was the toughest decision you had to make as a TIFF director?

There were many tough decisions over 17 years, but I will again go to a transition, this time our CIO search in 2015. We had so many excellent applicants that it was challenging to narrow the field to a group of 3 finalists. It was even harder to "turn down" two highly skilled professionals and pick just one. Happily, time has shown that we got that decision right - Jay Willoughby has unarguably done an outstanding job for TIFF's members.

What is the best leadership or investment advice you have ever been given?

I am going to cheat a bit here and say two things. One is: Always do the right thing for the client. If you do, good things will also happen for you and your staff colleagues. The other is: Be yourself. That doesn't mean don't try to learn or evolve. You absolutely must do both. But, as you learn and grow in the job, never try to be someone you are not. Your team will sniff out a "fake" quickly and you'll have no credibility.

Which TIFF director had the best wit among your colleagues when you served? Please give an example of his/her clever remarks.

You would be angry if I said it was a 20-way tie for first, so I will pick our great friend Sheryl Johns. Sheryl was by no means the most voluble director, but when she spoke people listened. She reminds me of Sam Ervin who self-deprecatingly described himself during the Watergate hearings as "just a country lawyer" while outthinking everyone else in the room. One of my favorite Sheryl observations was that "on any project you can have any two, but only two, of the following: cheap, fast, good."

How do you view the future of the OCIO industry and how can TIFF continue to lead in the future?

Big question, big topic. Over the very long term, I think and hope the OCIO industry will be an unending, constantly evolving, and steadily improving search for investment excellence FOR THE BENEFIT OF THE CLIENTS (in TIFF's case, the non-profit community).

More discretely and more immediately, after the recent period of rapid and exponential expansion in the OCIO space, I expect to see significant consolidation and some outright OCIO failures. We have already seen a bit of each; more is coming. I also expect to see consolidations and outright failures within the non-profit community, especially in academia.

TIFF will survive and prosper in this upcoming period of tumult if it sticks to its unique mission, continues to hire well, continues to have the unparalleled board every other OCIO wishes it had, and innovates as the changing investment landscape requires. I see many reasons to think TIFF will do all that and will do it well.

Past performance does not guarantee future results.

All investments involve risk, including possible loss of principal.

Not all strategies are appropriate for all investors. There is no guarantee that any particular asset allocation or mix of strategies will meet your investment objectives.

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