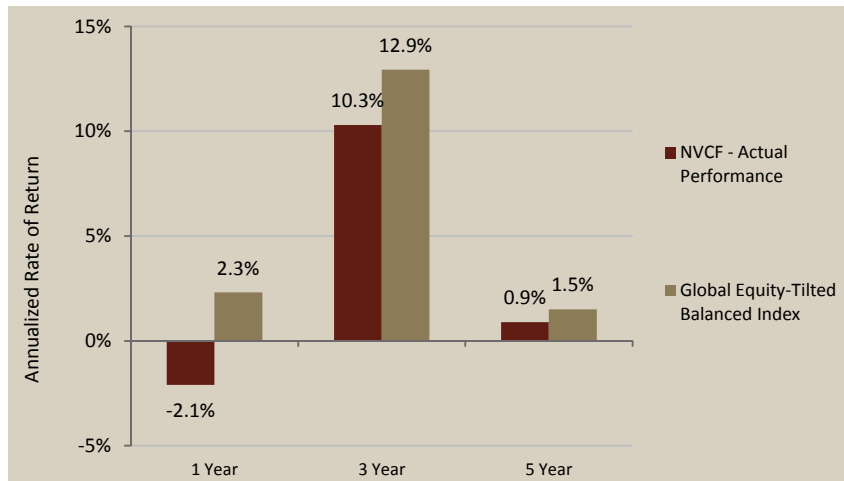
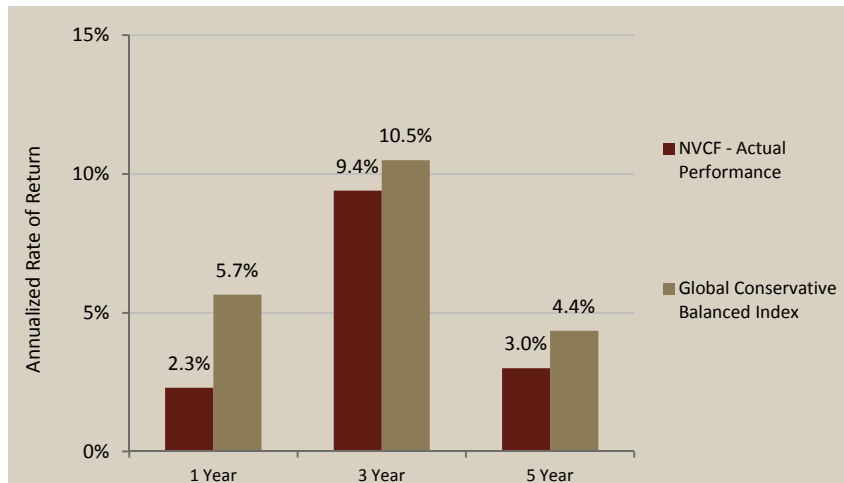


# 2012 Investment Report for Donors

**NAPA VALLEY**  
**COMMUNITY FOUNDATION**

# Annualized Investment Returns as of Fiscal Year-End June 30, 2012



Performance data include all interest, dividends and other earnings and are net of fees.

## Intermediate-Term Pool

- A conservative portfolio that focuses on capital preservation and income as opposed to growth
- A long-term strategic allocation equal to 60% bonds and 40% stocks
- Ideal for assets that are to be granted within 1.5 – 5 years

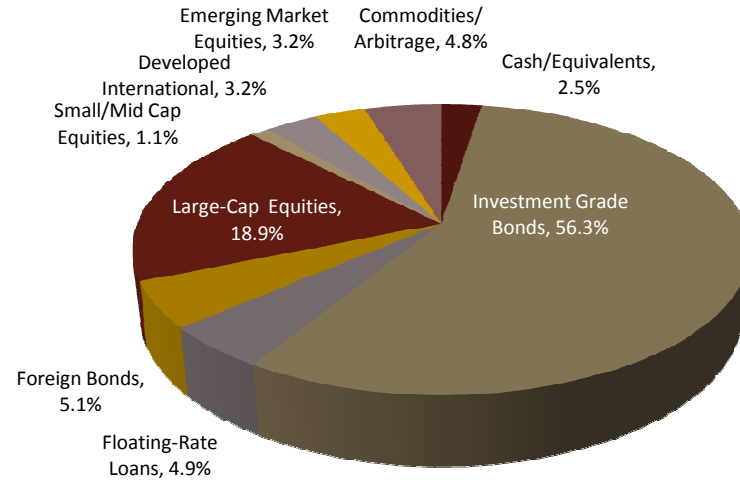
## Long-Term Pool

- A more aggressive portfolio with a primary objective of growth
- A long-term strategic allocation equal to 25% bonds and 75% stocks
- Ideal for assets that are to be granted over 5 – 10 years or more and for permanent endowments and legacy funds in pursuit of longer-term growth

# Current Portfolio Allocations\*

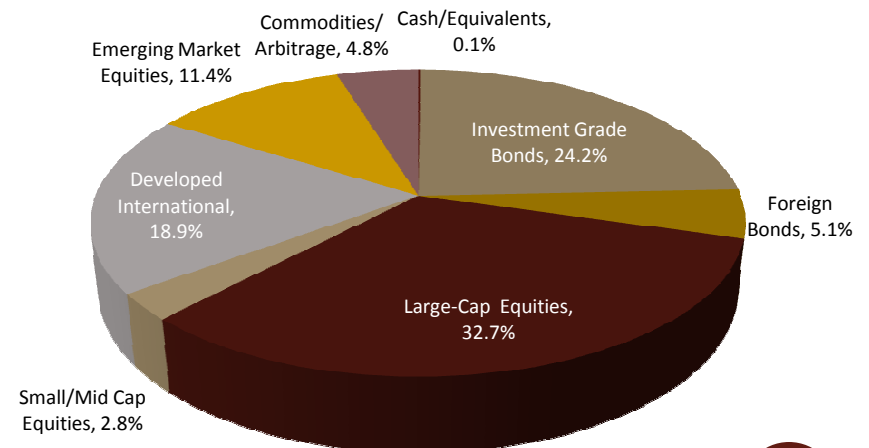
## Intermediate-Term Pool

Asset Class	%	Suitable Investments	Market Value	%
Cash/Equivalents	2.5%	Cash/Equivalents	\$ 168,304	2.5%
Fixed Income	66.3%	Investment Grade Bonds	\$ 3,794,772	56.3%
		Inflation-Protected Bonds	\$ -	0.0%
		Floating-Rate Loans	\$ 328,840	4.9%
		Foreign Bonds	\$ 344,232	5.1%
		High Yield Bonds	\$ -	0.0%
U.S. Equities	20.0%	Large-Cap Equities	\$ 1,271,551	18.9%
		Small/Mid Cap Equities	\$ 78,537	1.1%
		REITs	\$ -	0.0%
International Equities	6.4%	Developed International	\$ 223,749	3.2%
		Emerging Market Equities	\$ 212,667	3.2%
Alternative Investments	4.8%	Commodities/Arbitrage	\$ 320,765	4.8%
	100.0%		\$ 6,743,417	100.0%



## Long-Term Pool

Asset Class	%	Suitable Investments	Market Value	%
Cash/Equivalents	0.1%	Cash/Equivalents	\$ 5,781	0.1%
Fixed Income	29.3%	Investment Grade Bonds	\$ 988,569	24.2%
		Foreign Bonds	\$ 209,376	5.1%
		High Yield Bonds	\$ -	0.0%
U.S. Equities	35.5%	Large-Cap Equities	\$ 1,335,152	32.7%
		Small/Mid Cap Equities	\$ 114,545	2.8%
		REITs	\$ -	0.0%
International Equities	30.3%	Developed International	\$ 773,891	18.9%
		Emerging Market Equities	\$ 465,224	11.4%
Alternative Investments	4.8%	Commodities/Arbitrage	\$ 194,946	4.8%
	100.0%		\$ 4,087,484	100.0%



\*Total approx. assets of NVCF at June 30, 2012

\$20,710,000

# Investment Outlook

- The debt-related fault lines in the global economy have not stabilized, and are likely to prevail for at least a few more years
- Financial markets will continue to oscillate in response to macro news surrounding the eurozone crisis, China's softening economy, and domestic headwinds strengthened by political and tax uncertainty
- Forward-looking stock returns, especially outside of the United States, are starting to improve and we recently took the opportunity to increase our foreign equity exposure at more favorable valuations
- Especially from current yields, we continue to believe U.S. Treasuries will offer poor returns over the next five years, and we have focused our fixed-income exposure on areas offering better values, even though we give up some of the ballast that Treasuries provide during shorter-term market scares
- Our portfolios are not only somewhat underexposed to risk, but are also invested quite differently from their long-term strategic allocations, which we feel is critical to not only managing risk but to generating reasonable returns in this low-return environment

# Finance Committee

Responsible for overseeing the finances and investments of the Foundation, under the direction of the Board of Directors.



**Dr. Richard Meese, Committee Chair**  
Former Managing Director, Barclays Global Investors

Dr. Meese worked in the Global Market Strategies Group of BGI, which is responsible for active currency and global macro hedge fund strategies. Before that, he was a Chaired Professor of Economic Analysis and Policy in the Haas School of Business at UC Berkeley. He also served as a research economist in the International Finance Division of the Board of Governors of the Federal Reserve.



**Dell Coats, CPA, Committee Member**  
Partner, G&J Seiberlich

Dell Coats specializes in accounting and financial reporting for nonprofit, construction and professional service organizations. He is a member of the AICPA, the California Society of Certified Public Accountants and the Certified Fraud Examiners Association.



**Mark Farley, Committee Member**  
Vice President of Engineering, Zep Solar, Inc.

Mark Farley is a Judge and Chair for California Clean Tech Open. He is a former Vice President of Engineering of the Finisar Corporation. He is a former Board Member of NVCF.



**David Gaw, Committee Member**  
Co-founder, Attorney, Director, and Shareholder, Gaw Van Male

David Gaw is the Chair of the Board of Directors of Napa Valley Community Foundation. He is also a Director at Napa Valley Hospice & Adult Day Services and serves as a Trustee at Queen of the Valley Medical Center.



**Rick Jones, Committee Member**  
Owner, Jones Family Vineyards, Calistoga

Rick Jones also is a Director of Napa Valley Vintners and Napa Valley Vintners/Auction Napa Valley. He is a Director of St. Helena Hospital and the St. Helena Hospital Foundation, as well as NVCF.



**Blair Lambert, CPA (inactive), Committee Member**  
Former COO/CFO, Gymboree Corporation

Blair Lambert has held various finance and operations positions with retail and consumer product companies throughout the San Francisco bay area. Most recently he served as COO, CFO and Board member of the Gymboree Corporation, a publicly traded retailer of children's apparel operating over 1000 stores primarily located in North America.



**Brenda Perry, CPA, Committee Member**  
Principal, Perry & Company

Brenda Perry was previously with Deloitte and is the owner of Perry & Company, a CPA firm. The firm provides tax services to small businesses and individuals, as well as audit, consulting, and tax services to nonprofit organizations. She is currently a Director of NapaLearns and the Rotary Club of Napa.



**Iain Silverthorne, Committee Member**  
Partner, Evercore Wealth Management

Iain Silverthorne advises high-net-worth individuals and families on their wealth management and financial planning needs. Prior to joining Evercore, he was a Senior VP at U.S. Trust, B of A Wealth Management.

# Benchmark Details

The Global Conservative Balanced Portfolio Benchmark consists of a 60% weighting to the U.S. Bond Market (Barclays Capital Aggregate Index), a 30% weighting to U.S. Large-Cap Stocks (S&P 500 Index), a 5% weighting to U.S. Small-Cap Stocks (Russell 2000 Index), and a 5% weighting to International Stocks (Vanguard Total Int'l Index). As of June 1, 2003 our small cap benchmark changed from Vanguard Small Cap Index to the Russell 2000 Index iShares. Prior to January 1999 the benchmark composition changed for purposes of improving the accuracy of the benchmark composition. See Index descriptions below.

The current Global Equity-Tilted Balanced Portfolio Benchmark consists of a 25% weighting to the U.S. Bond Market (Barclays Capital Aggregate Index), a 50% weighting to U.S. Large-Cap Stocks (S&P 500 Index), a 10% weighting to U.S. Small-Cap Stocks (Russell 2000 Index), and a 15% weighting to International Stocks (Vanguard Total Int'l Index). As of June 1, 2003 our small cap benchmark changed from Vanguard Small Cap Index to the Russell 2000 Index iShares. Prior to January 1999 the benchmark composition changed for purposes of improving the accuracy of the benchmark composition. See Index descriptions below.

**1. Inflation (CPI):**

We are currently using the Consumer Price Index (CPI-U), a non-seasonally adjusted U.S. city average of urban consumer price items published by the Bureau of Labor Statistics, as a representation of inflation.

**2. U.S. Bond Market (Barclays Capital Aggregate Index):**

We are currently using the Vanguard Total Bond Market Fund to represent the Barclays Capital Aggregate Bond Index, an index of U.S. investment grade bonds.

**3. U.S. Large-Cap Stocks (S&P 500 Index):**

We are currently using the Vanguard 500 Index Fund to represent the S&P 500, an index of primarily U.S. large-cap equities.

**4. U.S. Small-Cap Stocks (Russell 2000 Index):**

We are currently using the Russell 2000 Index iShares Exchange Traded Fund (ETF) to represent the Russell 2000, an index of primarily U.S. small-cap equities.

**5. International Stocks (Vanguard Total Int'l Index):**

We are currently using the Vanguard Total International Stock Index Fund to represent an index of primarily developed market non-U.S. stocks with some emerging market stocks. The Vanguard Total International Index is an asset-weighted blend of stocks in the MSCI Europe Index, the MSCI Pacific Index, and the MSCI Emerging Markets Index.