

15 years of encouraging personal initiative, advancing individual freedoms and liberties and positively contributing to society in the areas of education and scientific research.



**OUR MISSION** The Brinson Foundation is a privately funded philanthropic organization that provides an opportunity to focus our family's common interests in encouraging personal initiative, advancing individual freedoms and liberties and positively contributing to society in the areas of education and scientific research.

**OUR VISION** We envision a society that cares for all of its members and endeavors to enhance individual self worth and dignity. We also envision a world where every individual is a valued and productive member of society, where all people are committed to improving their lives and the quality of their environments.









<b>1</b>	Our Mission & Vision
<b>2</b>	15th Anniversary at a Glance
<b>5</b>	President's Letter
<b>7</b>	Founder's Statement
<b>10</b>	Our Beliefs
<b>11</b>	Grantmaking Overview
<b>12</b>	Endorsement Grants
<b>14</b>	Programmatic Grants:
	14 Education
	18 Scientific Research
<b>20</b>	Board Special Interest & Other Grants
<b>21</b>	Financial Statements
<b>24</b>	Investment Portfolio
<b>25</b>	Investment Market Conditions
<b>33</b>	Grantmaking Guidelines & Process
<b>35</b>	Directors & Staff



**OneGoal** | OneGoal is working to ensure every young person will have a real opportunity to earn a college degree – and the life that comes with it. ▽



Education  
Grantee



2001 - 2016

849

EDUCATION  
GRANTS

TOTALING

\$25,437,000



Individuals, families  
and communities are  
best positioned to  
define and solve their  
own problems.

As we contemplate the potential for additional Foundation growth over the next several decades, we must redouble our efforts. Otherwise, we risk wasting the gift of resources we are charged with deploying.

Dear Friends and Colleagues:

The Foundation observed its 15<sup>th</sup> Anniversary in 2016. To gain a perspective on our progress, I looked back at our first Annual Report. I was amazed at how much the Foundation has changed. This should be no surprise, as fifteen years of societal evolution can render many aspects of life almost unrecognizable. In nearly every field we have experienced watershed moments since 2001. These ranged from the debut of the iPhone to the detection of gravitational waves. Being from Chicago, I would be remiss if I didn't mention the long-awaited World Series wins for both our north and south side teams.

The changes at the Foundation are not nearly as seminal, but they are significant. At year-end 2001, our assets totaled \$31 million. During that year, we tested the Board's range of interests with 20 grants totaling \$787,000. The grants covered four priority areas: education, environment, public health and scientific research. The Foundation also developed strong statements of mission, vision and beliefs, but the wisdom of experience that would allow the Board to inject greater focus into these statements was yet to come.

Since 2001 the Foundation has made close to 1,700 grants totaling over \$54 million. By year-end 2016, our assets had grown to almost \$107 million, thanks in part to a generous new gift from our founder, Gary Brinson. Today our annual grantmaking exceeds \$4 million and our core grants total just under 100.

Even though our grantmaking has grown significantly, our priorities are now concentrated in two fields: education and scientific research. As we explored a range of interests within these priorities, our Board opted to focus on seven areas in education and five in scientific research.

The scope of our work has expanded over the years as we have learned that it is important for the Foundation to play an active role in the philanthropic and non-profit sectors. To that end, we increasingly participate in volunteer activities that help enhance our grantmaking. Our greatest impact will always come from the excellent work of our grantees, but our grantmaking is enriched by the knowledge and experience we gain from engagement in sector initiatives.

The Foundation has made great strides since inception, but it would be naïve to suggest there is no room for improvement. Despite contrary assertions, effective philanthropy is extraordinarily challenging and often illusive. It is easy to become complacent and lose touch with the demanding environment in which non-profits operate. We must stay connected and engaged if we hope to intelligently evaluate and improve our strategies.

As we contemplate the potential for additional Foundation growth over the next several decades, we must redouble these efforts. Otherwise, we risk wasting the gift of resources we are charged with deploying. We are committed to taking the steps that are needed to ensure these precious resources generate the greatest impact possible. Given the accelerating change and increasing challenges we will likely see in the world around us, this will be no easy task. Yet, we are confident that our grantees will continue to offer extraordinary opportunities to advance our goals in education and scientific research.

Sincerely,



James D. Parsons  
President

*It is easy to become complacent and lose touch with the demanding environment in which non-profits operate. We must stay connected and engaged if we hope to intelligently evaluate and improve our strategies.*





Successful programs need to be communicated to broader audiences to maximize the potential impact on society.

2001 - 2016

296

ENDORSEMENT  
GRANTS

TOTALING

**\$17,987,500**

**Chicago History Museum** | The Museum, which helps visitors make meaningful and personal connections to history, has been a grantee since the Foundation's inception. △



Endorsement  
Grantee





FOUNDER'S STATEMENT

My hope is that, over time, the Foundation will operate with a limited set of priorities and strive to make an impact and contribution within that self constrained focus.

I was born in 1943 and raised in a small home just south of Seattle, Washington. My father was a bus driver and my mother a store clerk. My parents had meager financial income and little resources to cover the costs of raising three boys. I was an average student early in life but realized that I needed an advanced education if I was to break away and achieve my goals of financial independence. I was fortunate to be able to achieve success in the investment management world and eventually formed Brinson Partners where I applied my experience and training until my retirement in 2000. The Brinson Foundation was created in 2001 as the residual result of my decisions regarding wealth transfer to my heirs. After addressing the interests of my family, including a limited generational line of heirs that follow; the remaining fraction of my wealth goes to the Foundation for philanthropic purposes.

In point of fact, I am placing limits on the size of wealth transfer to my heirs. My reasons for limiting the size of the wealth transfer for my heirs stem from my strong belief that “excessive” amounts of this form of largess diminish individual initiative and self esteem. If I had no opinion with respect to limiting the size of wealth transfer to my heirs, there would be no Foundation.

The Brinson Foundation has been funded to date with approximately \$110 million and is likely to receive considerable future funding; the size of which will be a function of investment returns, targeted allocations for my heirs and deductions for estate taxes and administrative expenses. The government’s estate tax policy will not impact the size of the wealth transfer to my heirs, but will impact the remaining residual for philanthropy. Higher estate tax

rates will mean less for philanthropy; lower rates will mean more. If estate taxes become onerous, there will be no further funding for the Foundation at my expiration other than that already included in my estate plan.

My reasons for creating the Foundation as distinct from pursuing personal philanthropic activity are twofold:

- » The Foundation provides a formal structure for the family to interact as members of the board of directors and to work cooperatively with each other in shaping the direction of our philanthropic interests.
- » The Foundation can have more of a targeted and focused set of priorities that can evolve with the family’s growing knowledge and understanding of philanthropic initiatives. In this sense, my personal beliefs stand a better chance of surviving with the passing of time.

The assets of the Foundation must be considered a scarce resource with an investment objective of moderate risk that should satisfy the goal of earning a 4.0% to 4.5% real (inflation adjusted) return over time. This moderate risk objective is to be defined at the aggregate portfolio level and derived from a globally diversified asset mix across all investible asset classes. I am not concerned with the risk of individual securities or asset classes, but only with the aggregate risk of the entire portfolio which is “optimal,” expressed in terms of return per unit of risk. With a payout requirement set by law at 5%, this investment goal suggests that there will likely be some diminishment in the real value of the assets for future years. Adopting a more aggressive risk profile is not appropriate as I view the risk of shortfalls in returns to be more detrimental for grantees than any

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**Columbia University Lamont-Doherty Earth Observatory |**  
LDEO scientists scrutinize the Earth from its deepest interior  
to the outer reaches of its atmosphere. ▽



Scientific  
Research  
Grantee



2001 - 2016

190

SCIENTIFIC RESEARCH  
GRANTS

TOTALING

**\$8,570,000**



Advances in science  
and technology can  
be harnessed to  
materially improve  
the human condition.



## FOUNDER'S STATEMENT

The fact that the Foundation is a U.S.-based organization should not prevent it from defining its role in a global context if that can be accomplished without compromising our standards of practice.

benefits from higher returns. I believe foundations should always keep this “utility function,” as economists call it, firmly in mind.

Some of my personal beliefs which guide the grantmaking activities of The Brinson Foundation are noted below:

- » The embracement of philanthropy is different than that of charity. The Foundation should avoid “charitable grantmaking,” by which I mean grants that deal with symptoms rather than causes.
- » The scope of the Foundation’s activities should be as narrow as possible given the diverse interests of its directors. My hope is that, over time, the Foundation will operate with a limited set of priorities and strive to make an impact and contribution within that self constrained focus. These priorities will likely change and evolve over time. Maintaining a discipline of a narrow set of focus areas will be a necessary challenge.
- » I am a libertarian who values individual liberty and what Ayn Rand calls objectivism. I am convinced of the merits of Darwinism and deeply troubled by the general societal ignorance of this reality as it relates to the development of mankind. I am opposed to all forms of egalitarianism that try to diminish individual freedom in the name of some misplaced societal notion. Equal opportunity, which I support, does not mean equal results for all, which I oppose. The Foundation should stress the importance of individual accountability for action or inaction.

- » Science, scientific research and rational thinking should always receive the Foundation’s attention and grantmaking support.
- » The fact that the Foundation is a U.S.-based organization should not prevent it from defining its role in a global context if that can be accomplished without compromising our standards of practice.
- » Sensible funding of “higher risk” programs where the likelihood of failure is evident is appropriate for a moderate portion of the grantmaking portfolio.
- » I have worked closely with the other directors to ensure that my personal convictions are reflected in the Foundation’s grantmaking guidelines. These include my view that we should avoid funding religious and “faith based” programs; my preference for market-based solutions over government programs; my belief that medical research should focus on quality of life rather than the extension of life; and my opposition to racial, ethnic and gender specific programs (excluding medical) as a result of my fervent belief that discrimination of any form is antithetical to mankind’s progress and further evolution.



Gary P. Brinson  
Founder and Chairman of the Board

*Science, scientific research and rational thinking should always receive the Foundation’s attention and grantmaking support.*

## OUR BELIEFS

The Foundation's beliefs have their roots in the Guiding Principles of the Brinson Partners investment management firm. They have been refined and expanded over the life of the Foundation to reflect the philosophical underpinning of our grantmaking.

- » There are no higher values than integrity, truth and honesty.
- » Strong, collegial and collaborative relationships with grantees are central to effective philanthropy.
- » Individuals, families and communities are best positioned to define and solve their own problems.
- » Sustainable, long-term solutions to societal problems require comprehensive and multi-disciplined approaches.
- » Programs that rely on the incentives of the free enterprise system provide significant potential for long-term success and sustainability and have many advantages over government programs.
- » Initiatives that pursue preventative measures rather than the treatment of existing symptoms offer greater opportunities for long-term impact.
- » Education is essential to the human mind and spirit and provides the basis for people to reach their full potential.
- » Advances in science and technology can be harnessed to materially improve the human condition.
- » Successful programs need to be communicated to broader audiences to maximize the potential impact on society.

The embracement of philanthropy is different than that of charity. The Foundation should avoid “charitable grantmaking,” by which I mean grants that deal with symptoms rather than causes.



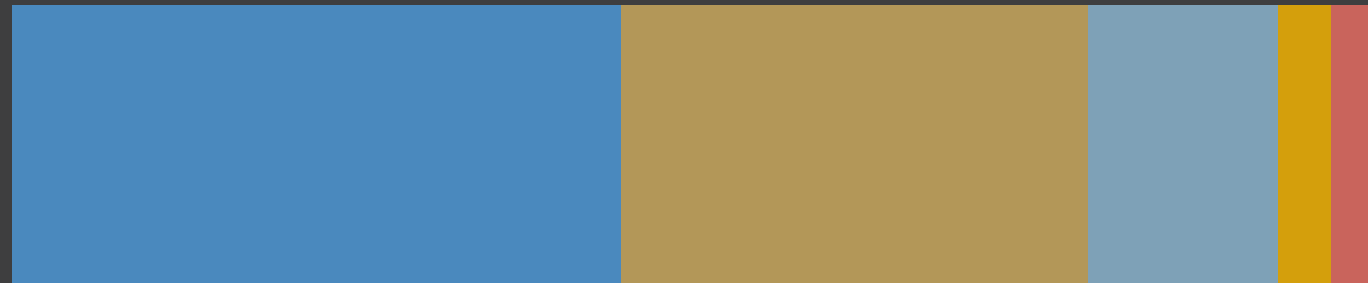
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## GRANTMAKING OVERVIEW

### 2016 Grants by Priority

Total Grants 135

Total Amount \$4,104,900



Education 44.9% | 58 Grants | \$1,845,000    Endorsement 34.5% | 22 Grants | \$1,415,000

Scientific Research 14.0% | 11 Grants | \$575,000    Board Special Interest 3.9% | 7 Grants | \$160,000

Other<sup>1</sup> 2.7% | 37 Grants | \$109,900

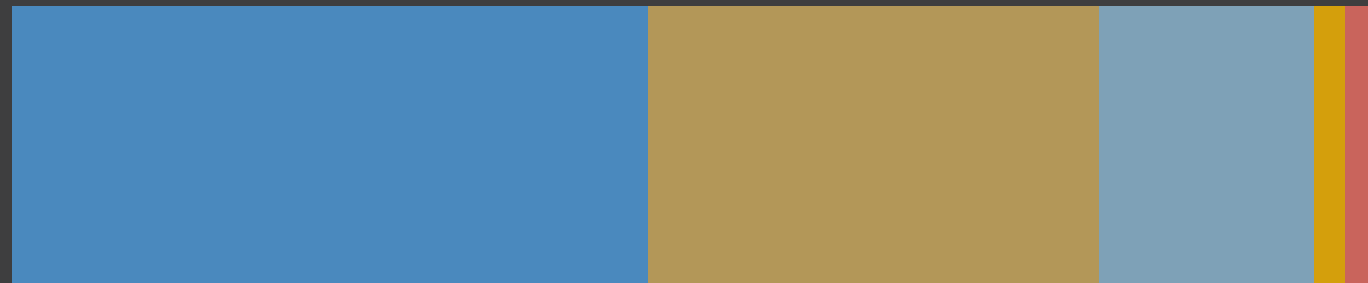
<sup>1</sup> The Foundation provided Professional Development and Technical Assistance grants and funded a peer skill sharing micro-grants program which benefitted 37 existing grantees. These grants totaled \$75,000.

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### Total Grants by Priority Since Inception<sup>2</sup>

Total Grants 1674

Total Amount \$54,200,433



Education 46.9% | 849 Grants | \$25,437,000    Endorsement 33.2% | 296 Grants | \$17,987,500

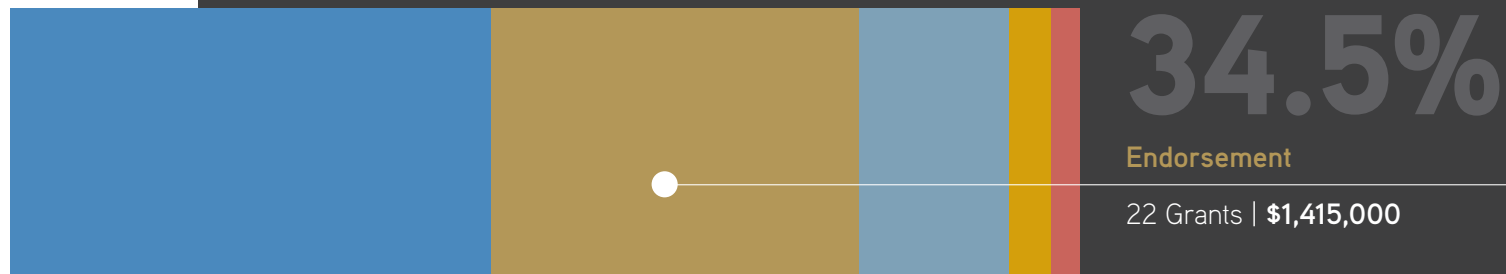
Scientific Research 15.8% | 190 Grants | \$8,570,000    Board Special Interest 2.3% | 52 Grants | \$1,235,000

Other 1.8% | 287 Grants | \$970,933

<sup>2</sup> Inception date of December 31, 2000

Endorsement grants are made to a limited number of leading institutions selected by the Foundation's Directors. These grants often involve ongoing core support of the institution rather than specific programmatic support pursuant to the Foundation's grantmaking priorities. The Foundation does not accept inquiries or applications relating to the Endorsement grant category, as decisions to make these grants are made on a discretionary basis by the Foundation's Board of Directors.

## 2016 ENDORSEMENT GRANTS





**Adler Planetarium**

Chicago, IL  
adlerplanetarium.org  
*Cosmology and Astrophysics Research*  
\$80,000

**America's Foundation for Chess**

Bellevue, WA  
af4c.org  
*General Support and First Move  
in Chicago Public Schools*  
\$40,000

**Ann & Robert H. Lurie Children's  
Hospital of Chicago**

Chicago, IL  
luriechildrens.org  
*Medical Research - Junior  
Investigator Award*  
\$65,000

**Art Institute of Chicago**

Chicago, IL  
artic.edu  
*General Support*  
\$80,000

**Chicago Academy of Sciences  
Peggy Notebaert Nature Museum**

Chicago, IL  
naturemuseum.org  
*General Support*  
\$40,000

**Chicago Architecture Foundation**

Chicago, IL  
architecture.org  
*General Support*  
\$50,000

**Chicago Historical Society  
Chicago History Museum**

Chicago, IL  
chicagohistory.org  
*General Support*  
\$60,000

**Chicago Horticultural Society  
Chicago Botanic Garden**

Glencoe, IL  
chicagobotanic.org  
*Education and Community Programs*  
\$50,000

**Chicago Symphony Orchestra**

Chicago, IL  
cso.org  
*General Support*  
\$60,000

**Eisenhower Medical Center**

Rancho Mirage, CA  
emc.org  
*Nursing Education and General Support*  
\$50,000

**The Field Museum**

Chicago, IL  
fieldmuseum.org  
*Education Programs*  
\$80,000

**The Joffrey Ballet**

Chicago, IL  
joffrey.org  
*General Support*  
\$40,000

**La Rabida Children's Hospital**

Chicago, IL  
larabida.org  
*General Support*  
\$80,000

**Lincoln Park Zoological Society**

Chicago, IL  
lpzoo.org  
*General Support*  
\$60,000

**Lyric Opera of Chicago**

Chicago, IL  
lyricopera.org  
*NEXT - Discount Student Tickets  
for the Next Generation*  
\$60,000

**Museum of Science and Industry**

Chicago, IL  
msichicago.org  
*General Support and  
Community Initiatives*  
\$80,000

**Northwestern Memorial Foundation**

Chicago, IL  
nm.org  
*Neonatal Nurse Practitioner and  
Neuroscience Nursing Education Programs,  
and Nursing Research Symposium*  
\$70,000

**Rehabilitation Institute of Chicago**

Chicago, IL  
ric.org  
*Brinson Stroke Fellowship*  
\$75,000

**Rush University Medical Center**

Chicago, IL  
rush.edu  
*Medical Research - Junior  
Investigator Award*  
\$65,000

**Shedd Aquarium**

Chicago, IL  
sheddaquarium.org  
*General Support*  
\$80,000

**Special Olympics Illinois**

Normal, IL  
soill.org  
*General Support*  
\$50,000

**The University of Chicago Medicine**

Chicago, IL  
medicine.uchicago.edu  
*Medical Research - Junior  
Investigator Award*  
\$100,000

**Lyric Opera of Chicago**

The Lyric Opera's NEXT ticket program offers low cost tickets to college students to encourage young people to become engaged in the arts.

## 2016 PROGRAMMATIC GRANTS

### EDUCATION

We believe education provides people with the opportunity to expand their talents and capabilities. Through our grantmaking, we hope to inspire them to reach their full potential both as individuals and as contributing citizens of a greater community. We are especially interested in programs that make quality education accessible to those who are personally committed.

#### Our Education Grants fall into seven focus areas:

**Financial Literacy** – programs that provide middle and high school students and adults with basic financial and investment skills to help them become financially self-sufficient.

**Health Care Career Development** – programs that spark interest among high school and college students in health care-related career paths or enhance the skills of health care professionals to equip individuals to have careers that offer opportunities for economic advancement while also positively impacting societal health.

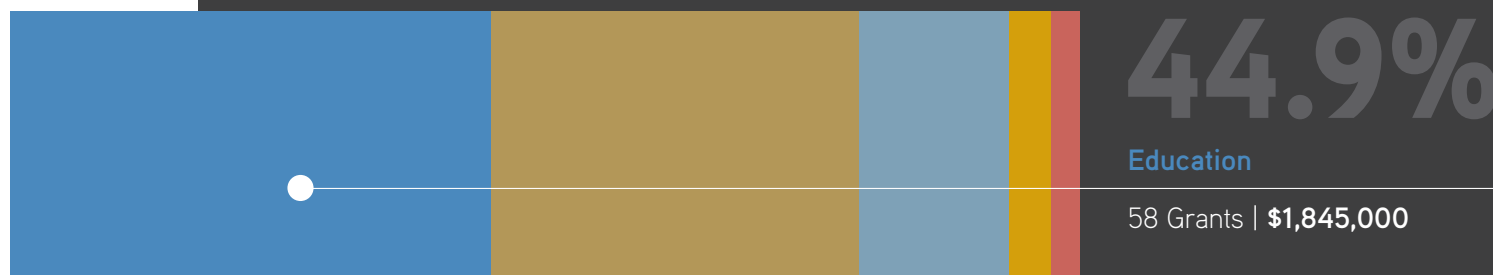
**High School, College and Career Success** – programs that provide motivated students and young adults of limited means with the academic support, personal skills and financial resources needed to reach their full potential in school and careers.

**Liberty, Citizenship and Free Enterprise** – programs that educate and promote the principles of liberty, citizenship and free enterprise to elementary through graduate school students and adults.

**Literacy** – programs that develop the literacy skills of children, birth through elementary school age, improve the pedagogy of teachers and ensure support for this learning among parents so that young children become functionally literate and are prepared for success in their future education and in life.

**Science, Technology, Engineering and Math (STEM)** – programs that provide STEM education to pre-school through graduate school students or professional development for teachers, promote STEM careers or deliver engaging STEM content to the general public.

**Student Health** – programs that foster the physical health of pre-school through high school students to help them stay enrolled and be productive in school.



**A Better Chicago**

Chicago, IL  
 abetterchicago.org  
*General Support*  
 \$25,000

**Accion**

Cambridge, MA  
 accion.org  
*Microfinance Initiatives in Africa*  
 \$30,000

**Acumen**

New York, NY  
 acumen.org  
*Global Fellows Program*  
 \$50,000

**Advance Illinois**

Chicago, IL  
 advanceillinois.org  
*General Support*  
 \$25,000

**After School Matters**

Chicago, IL  
 afterschoolmatters.org  
*Science Out-of-School Time Programming*  
 \$25,000

**Alan Alda Center for Communicating Science**

Stony Brook, NY  
 centerforcommunicatingscience.org  
*General Support*  
 \$30,000

**The Ayn Rand Institute**

Irvine, CA  
 aynrand.org  
*Free Books to Teachers Program – Chicago Area*  
 \$35,000

**Bottom Line**

Chicago, IL  
 bottomline.org  
*General Support*  
 \$25,000

**Cara**

Chicago, IL  
 carachicago.org  
*General Support*  
 \$30,000

**Carole Robertson Center for Learning**

Chicago, IL  
 crcl.net  
*General Support*  
 \$25,000

**Cato Institute**

Washington, DC  
 cato.org  
*Student Briefing Program*  
 \$25,000

**Center for Economic Progress**

Chicago, IL  
 economicprogress.org  
*Financial Capability Program*  
 \$25,000

**CERGE - EI Foundation**

Teaneck, NJ  
 cerge-ei.cz/donors/foundation  
*Brinson Fellows Ph.D. Scholarship Program*  
 \$30,000

**Chicago Literacy Alliance**

Chicago, IL  
 chicagoliteracyalliance.org  
*General Support*  
 \$25,000

**Chicago Public Library Foundation**

Chicago, IL  
 cplfoundation.org  
*Early Literacy Training for Children's Library Staff*  
 \$25,000

**Chicagoland Entrepreneurial Center 1871**

Chicago, IL  
 1871.com/about-cec  
*General Support*  
 \$25,000

**Citizen Schools Illinois**

Chicago, IL  
 citizenschools.org/illinois  
*General Support*  
 \$25,000

**Communities In Schools of Chicago**

Chicago, IL  
 cisofchicago.org  
*General Support for Student Health Programs*  
 \$35,000

**Constitutional Rights Foundation Chicago**

Chicago, IL  
 crfc.org  
*Lawyers in the Classroom Program – U.S. Constitution and Legal System Education for Grades 2-8 and General Support*  
 \$30,000

**Council for the Advancement of Science Writing**

Hedgesville, WV  
 casw.org  
*Graduate School Science Writing Fellowship Stipends and General Support*  
 \$25,000

**Center for Economic Progress**

CEP's financial capability services help working families build assets, reduce debt, improve their knowledge and money management confidence and practice healthy day-to-day financial habits.





### Illinois Institute of Technology

Illinois Tech's Global Leaders Program empowers motivated youth from across Chicago to lead, serve and explore STEM, and supports their path to higher education.

#### **Daniel Murphy Scholarship Fund**

Chicago, IL  
dmsf.org  
*General Support*  
\$45,000

#### **DuPage Children's Museum**

Naperville, IL  
dupagechildrens.org  
*General Support*  
\$35,000

#### **Erie Family Health Center**

Chicago, IL  
www.eriefamilyhealth.org  
*General Support for the Teen Center*  
\$30,000

#### **Forefront**

#### **The Partnership for College Completion**

Chicago, IL  
partnershipfcc.org  
*General Support*  
\$25,000

#### **Foundation for Teaching Economics**

Davis, CA  
fte.org  
*Economics for Leaders Program*  
\$25,000

#### **Harvard T.H. Chan School of Public Health**

Boston, MA  
hsph.harvard.edu  
*Harnessing Private Enterprise for Public Health Project*  
\$35,000

#### **Healthy Schools Campaign**

Chicago, IL  
healthyschoolscampaign.org  
*Change for Good Student Health Program*  
\$35,000

#### **High Jump**

Chicago, IL  
highjumpchicago.org  
*General Support*  
\$45,000

#### **The Horatio Alger Association**

Alexandria, VA  
horatioalger.org  
*Illinois College Scholarship Program*  
\$50,000

#### **Illinois Caucus for Adolescent Health**

Chicago, IL  
icah.org  
*General Support*  
\$25,000

#### **Illinois Institute of Technology**

Chicago, IL  
blogs.iit.edu/global-leaders  
*Illinois Tech Global Leaders Program*  
\$25,000

#### **Inner-City Computer Stars Foundation**

Chicago, IL  
icstars.org  
*General Support*  
\$30,000

#### **Institute for Humane Studies**

Arlington, VA  
theihs.org  
*Student Programming*  
\$30,000

#### **Jack Miller Center for Teaching America's Founding Principles and History**

Bala Cynwyd, PA  
jackmillercenter.org  
*Chicago Program Coordinator and Newberry Library Series on American Political Thought*  
\$35,000

#### **Lake Forest Academy**

Lake Forest, IL  
lfanet.org  
*Class of '93 Scholarship Fund for High School Students*  
\$25,000

#### **Literacy Works**

Chicago, IL  
litworks.org  
*General Support*  
\$25,000

#### **Loyola University Medical Center**

Maywood, IL  
loyolamedicine.org  
*Pediatric Mobile Health Unit*  
\$25,000

#### **Mercatus Center at George Mason University**

Arlington, VA  
mercatus.org  
*F. A. Hayek Program for Advanced Study in Philosophy, Politics and Economics*  
\$25,000

#### **Merit School of Music**

Chicago, IL  
meritmusic.org  
*General Support*  
\$30,000

#### **MetroSquash**

Chicago, IL  
metrosquash.org  
*General Support*  
\$35,000

#### **Mikva Challenge Grant Foundation**

Chicago, IL  
mikvachallenge.org  
*Teen Health Council*  
\$25,000

**Miller Center Foundation**

Charlottesville, VA  
millercenter.org  
*First Year 2017 Project*  
\$25,000

**Moneythink**

Chicago, IL  
moneythink.org  
*General Support*  
\$25,000

**The Morton Arboretum**

Lisle, IL  
mortonarb.org  
*STEM Programs*  
\$35,000

**One Million Degrees**

Chicago, IL  
onemilliondegrees.org  
*General Support*  
\$35,000

**OneGoal**

Chicago, IL  
onegoalgraduation.org  
*General Support*  
\$25,000

**Ounce of Prevention Fund**

Chicago, IL  
theounce.org  
*General Support for Educare*  
\$25,000

**The Posse Foundation - Chicago**

Chicago, IL  
possefoundation.org  
*General Support*  
\$50,000

**Room to Read**

San Francisco, CA  
roomtoread.org  
*General Support for International  
Literacy Programs*  
\$25,000

**Rush University Medical Center**

Chicago, IL  
rush.edu  
*Adolescent Family Center  
Reproductive Health Program*  
\$40,000

**St. John's Hospital Foundation**

Jackson, WY  
tetonhospital.org  
*Nursing Education Program*  
\$40,000

**Teach for America - Chicago**

Chicago, IL  
chicago.teachforamerica.org  
*General Support*  
\$50,000

**Teton Science Schools**

Jackson, WY  
tetonscience.org  
*General Support*  
\$30,000

**The University of Chicago  
Urban Education Institute**

Chicago, IL  
uei.uchicago.edu  
*STEM Teacher Coaching*  
\$40,000

**Window to the World  
Communications, Inc.**

**WTTW**  
Chicago, IL  
wttw.com  
*Local Broadcast of NOVA and  
NOVA ScienceNOW*  
\$70,000

**Namaste Funding Initiative**

*Namaste is a K-8 charter school in the  
McKinley Park neighborhood on the  
southwest side of Chicago.*

**Namaste Charter School**

Chicago, IL  
namastecharterschool.org  
*Alumni Coordinator, Behavioral Health,  
Technology and General Support*  
\$75,000

**Chicago Academy of Sciences  
Peggy Notebaert Nature Museum**

Chicago, IL  
naturemuseum.org  
*STEM Teacher Professional Development  
and Student Science Learning*  
\$15,000

**Spark Chicago**

Chicago, IL  
sparkprogram.org  
*Workplace Apprenticeship and  
Mentoring Program*  
\$10,000

**Erie Family Health Center**

We support the Erie Teen Center which is Chicago's oldest and largest comprehensive health center for teens and young adults.

## 2016 PROGRAMMATIC GRANTS

### SCIENTIFIC RESEARCH

We are interested in programs on the cutting edge of research in specific areas of interest to our Directors that are underfunded or not yet eligible for funding by governmental programs. These programs are typically sponsored by top research institutions, which provide quality assurance oversight and accountability that may not be possible in a less structured environment. Further, the programs often involve pre-doctoral and post-doctoral scientists who are beginning their research careers. In addition to promoting the work of young researchers, we are particularly interested in programs that encourage them to remain engaged in research in their field of interest.

**Our Scientific Research Grants are made in the following focus areas:**

#### PHYSICAL SCIENCES

**Astrophysics** – the study of the behavior, physical properties and dynamic processes of celestial objects and related phenomena.

**Cosmology** – the study of the origin, structure and space-time relationships of the Universe.

**Evolutionary Developmental Biology** – a field of biology which synthesizes embryology, molecular and population genetics, comparative morphology, paleontology and molecular evolution to understand the evolution of biodiversity at a mechanistic level.

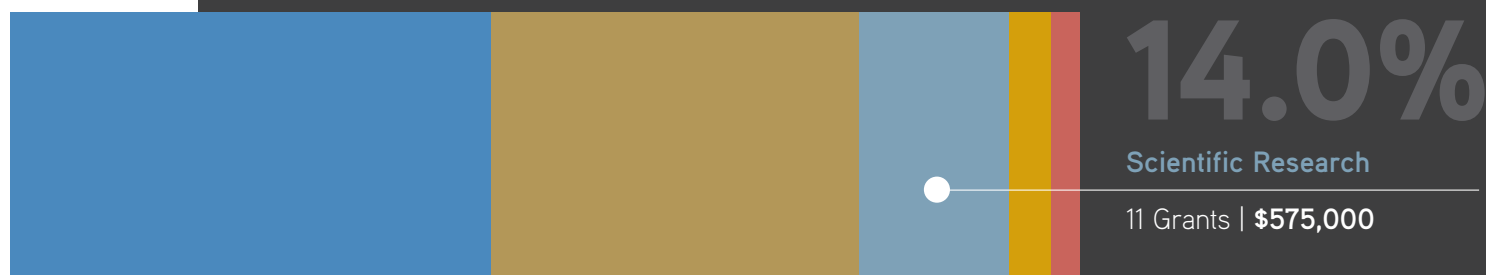
**Geophysics** – the study of the physical processes and phenomena occurring in and on the Earth and in its vicinity.

#### MEDICAL RESEARCH

We partner with leading medical research institutions to fund promising studies conducted by junior investigators that have the potential to cultivate new, innovative clinical interventions for chronic conditions as well as highly treatable conditions which negatively impact the productivity of large segments of the population.

In all cases, we focus our medical research funding in areas that improve the quality of life as distinct from solely extending life.

*The Foundation does not accept grantseeker inquiries in medical research.*





**California Institute of Technology**

Pasadena, CA  
astro.caltech.edu  
*Theoretical Gravitational Wave Research*  
\$70,000

**Carnegie Institution for Science**

Washington, DC  
carnegiescience.edu  
*Seismology Monitoring Research*  
\$55,000

**Columbia University****Lamont-Doherty Earth Observatory**

Palisades, NY  
ldeo.columbia.edu  
*Anticipating Earthquakes Initiative*  
\$55,000

**Cornell University****Center for Astrophysics and Planetary Science**

Ithaca, NY  
astro.cornell.edu  
*Arecibo Legacy Fast ALFA Cosmology Research Program*  
\$40,000

**National Geographic Society**

Washington, DC  
nationalgeographic.com/explorers  
*Young Explorers Grants Program*  
\$40,000

**Northwestern Memorial Foundation**

Chicago, IL  
nucats.northwestern.edu  
*Medical Research - Junior Investigator Award*  
\$65,000

**Smithsonian Astrophysical Observatory**

Cambridge, MA  
cfa.harvard.edu/sao  
*Exoplanet Biosignature Programming Project*  
\$35,000

**The University of Arizona Foundation - Spacewatch**

Tucson, AZ  
spacewatch.lpl.arizona.edu  
*Asteroid Composition Research*  
\$30,000

**The University of Chicago Department of Astronomy and Astrophysics**

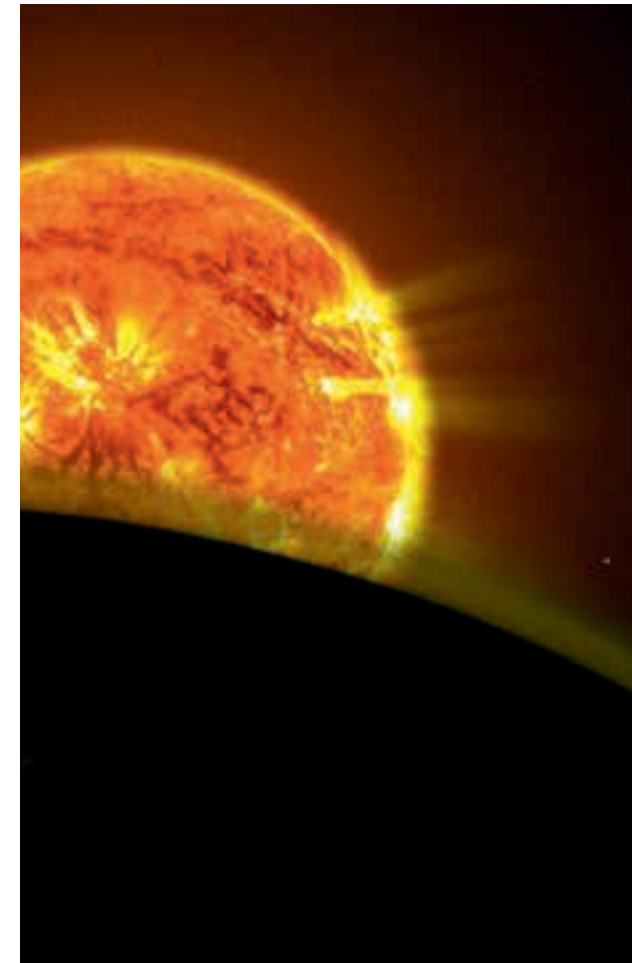
Chicago, IL  
astro.uchicago.edu  
*Brinson Fellowship Program*  
\$85,000

**The University of Chicago Department of Organismal Biology and Anatomy**

Chicago, IL  
pondside.uchicago.edu/oba  
*Evolutionary Developmental Biology Research*  
\$40,000

**The University of Utah**

Salt Lake City, UT  
www.uusatrg.utah.edu  
*Yellowstone Seismology and Tectonophysics Research*  
\$60,000

**Smithsonian Astrophysical Observatory**

The Observatory's more than 300 scientists carry out a broad program of research in astronomy, astrophysics and earth and space sciences.

## 2016 BOARD SPECIAL INTEREST GRANTS

These grants represent special family interests and are either one time grants or fall outside of the Foundation's grantmaking priorities. The Foundation does not accept inquiries related to this category.

### Jackson Hole Land Trust

Jackson, WY  
jhlandtrust.org  
General Support  
\$35,000

### The Living Desert

Palm Desert, CA  
livingdesert.org  
General Support  
\$20,000

### National Museum of Wildlife Art

Jackson, WY  
wildlifeart.org  
General Support  
\$20,000

### NextStep Fitness

Lawndale, CA  
nextstepfitness.org  
General Support  
\$15,000

### Teton County Integrated Solid Waste & Recycling Jackson Community Recycling

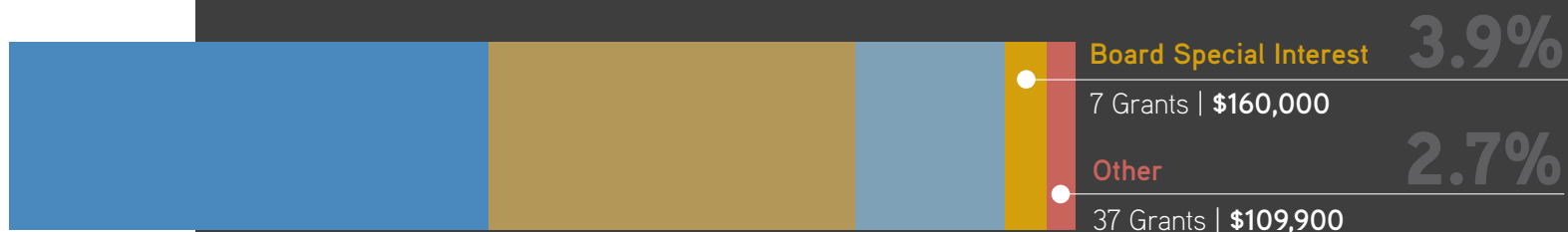
Jackson, WY  
tetonwyo.org/recycl  
General Support  
\$30,000

### To Know Is To Know

Chicago, IL  
belowyourbelt.org/to-know-is-to-know  
Communications and Outreach  
\$15,000

### WE Charities

Chicago, IL  
WE.org  
General Support - Illinois  
\$25,000



## 2016 OTHER GRANTS

### Forefront

Chicago, IL  
myforefront.org  
General Support  
\$26,000

### Grantmakers for Education

Portland, OR  
edfund.org  
General Support  
\$1,000

### Grantmakers for Effective Organizations

Washington, DC  
geofunders.org  
General Support  
\$3,000

### National Center for Family Philanthropy

Washington, DC  
ncfp.org  
General Support  
\$3,900

### National Louis University

Chicago, IL  
www.nl.edu/academics/harrison-professionalpathwaysprogram  
Harrison Professional Pathways Program Sponsorship  
\$1,000

### Professional Development and Technical Assistance Grants

The Foundation provided Professional Development and Technical Assistance grants and funded a peer skill sharing micro-grants program (through Forefront) which benefitted 37 existing grantees.  
\$75,000

## STATEMENT OF FINANCIAL POSITION (UNAUDITED)

### Modified Cash Basis

December 31, 2016

#### ASSETS

Cash	\$ 476,328
Investments, at Fair Value	106,363,326
Property and Equipment, Net	130,979

<b>Total Assets</b>	<b>\$ 106,970,633</b>
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#### NET ASSETS

<b>Unrestricted Net Assets</b>	<b>\$ 106,970,633</b>
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**Note to the Reader:** In an effort to comply with best practices for private foundations, The Brinson Foundation will be undergoing a financial statement audit for the year ended December 31, 2016. Audited financial statements will be available upon request later in 2017.



## STATEMENT OF ACTIVITIES (UNAUDITED)

### Modified Cash Basis

For the Year Ended December 31, 2016

#### REVENUES

Contribution Income	\$ 10,413,480
Investment Income	1,081,129
Realized and Unrealized Gains (Losses) on Investments	3,515,167
Total Revenues	15,009,776

#### EXPENSES

Grants and Donations	4,104,900
Private Foundation Excise Tax	115,000
Investment Management Fees	430,688
Employee Services	715,067
Rent	44,742
Professional Fees	104,812
Other Administrative Expenses	54,744
Depreciation Expense	10,147
Total Expenses	5,580,100

#### Change in Net Assets

Net Assets, Beginning of Year – Unrestricted	97,540,957
<b>Net Assets, End of Year – Unrestricted</b>	<b>\$ 106,970,633</b>

**Note to the Reader:** In an effort to comply with best practices for private foundations, The Brinson Foundation will be undergoing a financial statement audit for the year ended December 31, 2016. Audited financial statements will be available upon request later in 2017.

## NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

### Modified Cash Basis

For the Year Ended December 31, 2016

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### *Basis of Accounting*

The financial statements of The Brinson Foundation (the "Foundation") are prepared on a modified cash basis; consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred.

##### *Investments*

Investments in mutual fund and exchange-traded fund investments are stated at fair value based on quoted market prices. The estimated fair values of alternative investment securities that do not have readily determined fair values (that is, investments not listed on national exchanges or over-the-counter markets, or for which quoted market prices are not available from sources such as financial publications or exchanges) are based on estimates developed by external investment managers. Realized gains and losses are determined on the basis of the carrying value of specific securities sold and investment transactions are recorded on a trade-date basis.

Investments in property and equipment held for charitable purposes are stated at cost or the value at the date of acquisition less applicable accumulated depreciation. Leasehold improvements are depreciated using the MACRS method over an estimated useful life of 39 years. Furniture and computer equipment are depreciated using the MACRS method over useful lives of 7 and 5 years, respectively.

#### 2. GRANT AND DONATION COMMITMENTS

As of December 31, 2016, the Foundation's Board of Directors has approved grants and/or donations of \$355,000 payable through 2019. Disbursements are scheduled to be made as follows:

Year Ending December 31,	
2017	\$ 185,000
2018	\$ 110,000
2019	\$ 60,000

#### 3. TAX STATUS

The Foundation is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation is, however, liable for the private foundation excise tax of 1% or 2% on its net investment income. In addition, the Foundation is required to make minimum qualifying distributions based on a percentage of its assets.

#### 4. NET ASSETS

Beginning of the year Net Assets represent the value from the audited financial statements for the year ended December 31, 2015. This balance differs from the amount in the prior year annual report which was estimated prior to completion of the audit.

**Note to the Reader:** In an effort to comply with best practices for private foundations, The Brinson Foundation will be undergoing a financial statement audit for the year ended December 31, 2016. Audited financial statements will be available upon request later in 2017.

## INVESTMENT PORTFOLIO

### OBJECTIVES

The objectives of the Foundation's investment portfolio are to produce a long-term rate of return that provides sufficient funds to meet the Foundation's required grantmaking target, cover all reasonable and necessary expenses and compensate for inflation. The assets will be invested in a well-diversified global investment portfolio that accepts reasonable risk consistent with the desired return.

### GENERAL STANDARDS OF CARE

The Foundation's Investment Policy provides that the management and investment of the Foundation's assets shall meet the standards of care outlined by the Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) and U.S.

Treasury Regulations Section 53.4944-1(a)(2) (regarding "jeopardizing investments"). Pursuant to these standards, the Foundation's assets must be managed and invested with reasonable care and prudence. Decisions regarding individual investments must not be made in isolation but in context of the portfolio as a whole and as part of an overall investment strategy.

### BENCHMARK

The Foundation has adopted a globally diversified benchmark, the Multiple Markets Index (MMI), comprised of stocks, bonds, real estate and private markets. The actual portfolio's risk and return will be measured against this benchmark over full market cycles. The Foundation's benchmark composition and ranges are shown below:

### MULTIPLE MARKETS INDEX (MMI) COMPONENTS

Asset Class	Benchmark Index Component	Normal Weight	Ranges (95% Frequency)
Global Equity	MSCI All Country World Index	55.00%	+/- 30%
	<i>Developed Markets</i>	49.46%	
	<i>Emerging Markets</i>	5.54%	
Private Markets	Private Equity Performance Indicator	5.00%	+/- 5%
Real Estate	NCREIF Property Index	10.00%	+/- 5%
Global Bonds		25.00%	0 to +30%
	Citigroup World Government Bond ex-U.S. Index	12.50%	
	Citigroup U.S. Government Bond Index	12.50%	
High Yield Bonds	Merrill Lynch U.S. High Yield Cash Pay Constrained Index	3.00%	0 to +10%
Emerging Market Debt	J.P. Morgan EMBI Global	2.00%	0 to +10%
Cash Equivalents	Three Month Eurodollar	0.00%	0 to +50%
TOTAL		100.00%	

**Source:** UBS Global Asset Management



## INVESTMENT MARKET CONDITIONS

### INVESTMENT MARKET CONDITIONS

The events that shaped global investment returns in 2016 were unforeseen at the beginning of the year and their outcomes were unexpected. Investment market conditions, dominated by central bank intervention since the Great Recession, were disrupted by the populist political intervention expressed in both the Brexit referendum and the U.S. election. Both the outcomes of the votes and the response from investment markets were unexpected. These two events marked significant inflection points in both investment returns and uncertainty last year.

Since the Great Recession, markets and investors had become less focused on analysis of endogenous risks and more focused on exogenous risks associated with central bank policy. Endogenous risks are variables from *inside* the financial and economic system, such as cash flows, discount rates and inflation, whereas exogenous risks are associated with risks *outside* the financial system such as central bank intervention and political activism. Although central bank policy has been readily observable and communicated clearly, it is difficult to analyze or model; that is why exogenous risks are more aptly termed uncertainties. The Brexit referendum and U.S. election each introduced their own incremental exogenous risks, increasing political and economic uncertainty. Uncertainty increased in 2016 and its locus transitioned, at least temporarily, from central bank intervention to populist political intervention.

Markets began the year focused on central bank intervention in an environment of muted economic growth with deflationary risks. This dynamic was most evident in the imposition of negative nominal interest rates by central banks, an experiment that increased both the dependence and uncertainty associated with central bank intervention. When a significant decline in oil prices catalyzed a market drawdown that flamed deflationary fears and increased credit spreads, investors looked to central banks for support and they responded in a Pavlovian manner by increasing policy accommodation. Accustomed to this reaction function of increased accommodation in response to volatility, markets were appeased and prices recovered. Risk assets rallied and credit spreads tightened. Government bond yields declined, increasing the scope of global bonds with negative interest rates.

Risk assets continued to rally in tandem with oil prices, but were disrupted by the unexpected outcome of the Brexit referendum in late June. Markets responded negatively to surprises and the response to the Brexit vote outcome was typical: risk asset prices fell and government bond yields declined to record lows. The Bank of England responded with increased accommodation. Once again, investors were comforted by the central bank response and risk assets rallied quickly while government bond yields increased but remained at depressed levels. By the end of the third quarter roughly \$12T of global bonds had negative yields, including both the German and Japanese 10-year government bonds.

The U.S. election provided the year's most striking example of both an unforeseen outcome and unexpected market response, representing a critical inflection point in investment returns and political and central bank uncertainties. Although markets initially reacted negatively to the surprising election outcome and its attendant uncertainty, risk assets rallied once the results of the election were confirmed. Nearly two thirds of the S&P 500's total return in 2016 came *after* the election as investors increased optimism about U.S. growth and inflation prospects, catalyzing a pronounced rally in U.S. risk assets relative to ex-U.S. risk assets and a coincident increase in global government bond yields. The U.S. dollar also rallied powerfully: its entire positive return versus a basket of global currencies occurred post election. The Federal Reserve raised the Fed Funds rate for the first and only time in 2016 at their first meeting after the election. Subsequently, the Federal Reserve increased expectations of future rate increases and intimated it may accelerate its transition to normalization.

In retrospect, 2016 was a remarkable year evidenced by unforeseen events and unexpected outcomes that transitioned investor focus from central banks to politics, both of which represent exogenous risks. Although the outcomes of the Brexit referendum and U.S. election are now known, the dispersion of outcomes that may unfold prospectively is magnified. Political uncertainty increased in 2016. Uncertainty associated with global central bank intervention remains extant. These two dynamics played pivotal roles in investment markets last year against a backdrop of persistently subdued global economic growth. How political and central bank uncertainties interact and intersect is unknown, but these vectors will continue to play critical roles in prospective investment market conditions.

## INVESTMENT MARKET CONDITIONS

### INVESTMENT RETURNS IN 2016

Investment market performance in 2016 followed the narrative outlined above: risk assets, especially those in the U.S. or held in U.S. dollars, provided investors attractive returns with most of that return taking place after the U.S. election. This return pattern contrasts with government bonds, where attractive returns earlier in the year were clawed back as interest rates increased from their post-Brexit nadir but remain subject to central bank distortion. Exhibit A illustrates the notable distinction between unhedged and dollar-hedged asset returns.

In 2016, Cash provided a nominal return of 0.21%, well below the inflation rate of 2.07%. Investors holding cash knowingly accept a negative real return, a “tax” imposed on all savers and a transfer to the government and the financial system. In exchange for this known “tax,” cash is an asset with no duration risk or volatility. These characteristics provide investors holding cash an “anchor to windward” option should other asset classes experience a dislocation. As indicated earlier, bond market returns were driven by central bank policy and credit until the U.S. election. Until the election, government bond yields declined while credit spreads recovered from early year worries mostly associated with oil prices. The U.S. election marked an inflection point for bond returns in 2016: bonds yields increased, credit spreads tightened further and the U.S. dollar rallied. To put this in perspective, the benchmark U.S. 10-year yield started 2016 at 2.17%, fell to 1.85% on election day and then reversed course to 2.45% at the end of the year. The difference between the 1.60% return for unhedged Global Government Bonds compared to the 3.75% return for the dollar-hedged index was attributable to post election U.S. dollar strength. The 2.66% return for U.S. Investment Grade Bonds reflects the countervailing impacts of higher treasury yields and tighter credit spreads. Credit spreads for both U.S. High Yield Bonds and Emerging Market Debt tightened appreciably in 2016 resulting in attractive returns of 17.34% and 10.19% for these credit sensitive assets.

U.S., Global and ex-U.S. equity markets had respective returns of 11.96%, 10.01% and 7.66% on a dollar-hedged basis in 2016. Over the last several years and especially after the election, attractive U.S. equities performance relative to other geographies resulted from investors paying a premium multiple for U.S. earnings.

Returns in ex-U.S. developed equity markets have been more consistent with the underlying fundamentals in those markets, resulting in more subdued performance compared to their U.S. counterparts. The 11.34% Emerging Markets Equities return in 2016 appears attractive in isolation but needs to be understood in the context of recent history. This asset class experienced a -14.90% return in 2015, so it started 2016 at a depressed level. The two-year return for Emerging Market Equities remains negative despite what appears to be an attractive return in 2016.

Real Estate and Private Markets had respective returns of 7.97% and 15.96% in 2016. Investors need to be mindful that these attractive returns cannot be viewed in isolation or as sustainable. Realized returns in these markets tend to lag their liquid counterparts and are highly correlated with liquidity alternatives in these otherwise illiquid asset classes. Real estate returns dampened in 2016 from previous years as this market is influenced negatively by increasing interest rates. Like U.S. equities, Private Markets returns have been influenced positively by multiple expansions in combination with an abundance of liquidity alternatives throughout 2016.

As mentioned earlier, non-dollar currency exposure had a notable impact on global asset returns in 2016, attributable to U.S. dollar performance in response to political events, not central bank intervention. The U.S. dollar’s significant appreciation versus the pound sterling in 2016 occurred after the Brexit referendum. After experiencing a powerful post election rally versus both currencies, the U.S. dollar closed out 2016 with appreciation versus the euro and slight depreciation versus the Japanese yen. Non-dollar currency in global bonds (ex-U.S.) had a contribution of -3.16% versus the dollar-hedged portfolio, while the impact of currency exposure in global equities (ex-U.S.) was -4.41%.

### CURRENT INVESTMENT CONDITIONS

One year’s ending point is the following year’s starting point, and starting points matter for prospective investment returns. Although it is dubious that global central banks have been successful in their economic growth or inflation objectives, they have inflated asset values successfully, resulting in attractive recent returns for investment assets and a current starting point of elevated valuation and debt to

## INVESTMENT MARKET CONDITIONS

GDP levels in combination with depressed interest rates. These observable endogenous variables are coincident with elevated exogenous risks associated with the global central bank and political uncertainties. This combination of variables from both inside and outside of the financial system forms an unattractive starting point for prospective returns over an intermediate to long term horizon at the beginning of 2017.

Investors are faced with two predominant paths forward towards normalization, as it is unlikely valuation multiples have reached a permanently high plateau or central banks can continue to depress interest rates and increase debt to GDP levels in perpetuity. Neither path forward suggests historical returns will be predictive of future returns, but more likely that historical returns were accelerated at the expense of future returns. One predominant path forward might be considered a null hypothesis, or glide path, where equity valuations and interest rates normalize gradually through the passage of time, over a five to ten year window. Should this glide path unfold, investments will provide meager real and nominal returns until assets are priced to deliver satisfactory real returns. Returns will be disappointing along this glide path and investors will be unlikely to achieve their return objectives during this time frame. Afterwards, however, assets will once again be priced to deliver satisfactory returns from that point forward. The other predominant path is the opposite of a glide path, where assets reprice abruptly. Although this path entails painful drawdowns associated with the recalibration of multiples and interest rates, it provides an improved starting point for prospective returns much sooner than the glide path, and one that is different from the beginning of 2017. Neither of these predominant paths is comfortable for investors, the only question is the timing and duration of the discomfort.

The timing of investor discomfort also relates to a structural problem in the U.S., the asset/liability mismatch in pension plans and government entitlement programs. From current valuation and interest rate starting points, future returns will be inadequate to fund these future liabilities. Once again, the only question is the timing of the reckoning; but in this case the postponement of the reckoning notably magnifies its consequences.

Interest rates are a critical input for asset valuations and their path forward will play an integral role in asset valuations and returns. Negative nominal interest rates are unnatural and without precedent; they are a central bank experiment that is unsustainable and unlikely to stand the test of time. Unintended consequences associated with this experiment will be judged harshly by history.

Unlike investors forced to deal with experiments like negative interest rates, politicians and policy makers have the advantage of learning from sound economic principles that have both stood the test of time and served as foundations to global economic growth for hundreds of years. 2017 celebrates the 200<sup>th</sup> anniversary of David Ricardo's *On the Principles of Political Economy and Taxation*. This seminal book expanded on Adam Smith's original concept of absolute advantage articulated in *The Wealth of Nations* by introducing the principle of comparative advantage, a cornerstone of international trade and global economic growth. Comparative advantage recognizes that individual agents have distinct and different marginal costs of production for identical goods and benefit from free trade. Rather than each agent producing and consuming only its own goods, the principle of comparative advantage relies on trade in free markets: each agent maximizes production and exports of goods where they have a relative advantage, trading them for goods where other agents have a relative advantage. Trade in a free market allows each agent to maximize its comparative advantage which in turn allows all agents to increase their individual and collective consumption. Adherence to these fundamental and time tested principles can provide frameworks for policy makers and mitigate the political uncertainty investment markets must confront. Ignoring these principles represents another form of experiment with its own set of unintended consequences that, like negative interest rates, will be judged harshly.

As a result of today's starting point of unattractive real interest rates and equity valuations in combination with elevated exogenous central bank and political uncertainties from outside the financial system, an attractive path forward for investment returns is unlikely. The direction of the path forward may hinge on how known endogenous variables respond to unforeseen events with unexpected outcomes resulting from the interactions and intersections of central bank and political uncertainties.

## INVESTMENT MARKET CONDITIONS

### INVESTMENT STRATEGY

Relative to our Multiple Markets Index benchmark (see MMI Components on page 24), The Brinson Foundation began 2016 with a policy weight in Global Equity and an above policy weight in Cash that was funded by below policy weights in High Yield Bonds, Real Estate and, to a greater extent, Global Bonds. The Cash overweight in concert with the Global Bonds, High Yield Bonds and Real Estate underweights substantially reduced the portfolio's duration risk. Exposure to High Yield Bonds was increased to an above policy weight in response to an idiosyncratic high yield opportunity midyear. When U.S. equity markets hit record highs in late summer, we reduced our Global Equity exposure slightly below benchmark by trimming U.S. Equities with proceeds going to Cash. Towards the end of the year, with negative interest rates pervasive in much of the ex-U.S. bond market and following a rally in Emerging Market Debt, Global Bonds exposure specific to ex-U.S. bonds and Emerging Market Debt was eliminated with proceeds going to Cash. As illustrated in Exhibit B, the portfolio ended the year with a decidedly less than neutral risk posture, attributable to the meaningful underweight in Global Bonds in combination with smaller underweights in Global Equity, Real Estate and Emerging Market Debt, all offset by the meaningful Cash position. This risk posture reflects our concerns regarding the aforementioned exogenous risks and how the transition to normalization may unfold. The sizable Cash position reduced overall portfolio duration risk and volatility and provides option value should a period of volatility and disruption occur.

At the present time, early April 2017, the volatility of markets seems very subdued both relative to history and relative to the risks we judge to be extant. Real interest rates on long duration default free Treasury bonds are 0.9% with inflation expectations set at 2.1% for a nominal rate of 3.0%. If this were to be the new normal, then equity valuations are not elevated as their expected real return of around 4.0% and 6.0% nominal is not out of line with the bond market. However, it seems to us that a more sensible and sustainable state of affairs would have long duration Treasuries with a real interest rate approaching 2.0% and inflation expectations around 2.5% suggesting a nominal rate of around 4.5%. The equity market in this setting would need to produce a nominal return of around 7.5%. As discussed earlier, the repricing adjustment in markets to equilibrate with these circumstances may be rapid or gradual but in either case rather unpleasant.

### PERFORMANCE RESULTS

For the calendar year, the portfolio experienced a 4.78% return, versus 7.15% for our MMI benchmark (see Exhibit C). The inflation rate, using the Consumer Price Index, was 2.07% for the year, making the portfolio's real (inflation adjusted) return 2.66% versus 4.98% for the MMI. Compared to the benchmark, the portfolio's performance was positively influenced by currency allocation and was negatively impacted by the poor performance of an external manager, security selection and the sizable cash position.

The Brinson Foundation's real return objective is 4.0% to 4.5% with moderate risk exposure. From today's starting point of elevated valuations and depressed yields, we are reconciled to the fact that neither of the two predominant paths forward is likely to satisfy our real return objectives without a substantial increase in risk. Increasing risk at this juncture would impinge the portfolio's ability to produce acceptable returns over a full market cycle and potentially challenge The Brinson Foundation's ability to fulfill its mission even after normalization has occurred.

The portfolio's real annualized performance since inception (12/31/00) has been 4.70%, compared to the benchmark's 3.53%, producing 1.17% of added value with most of this contribution coming from market allocation decisions. The portfolio's nominal return since inception has been 6.87% versus the benchmark's 5.67% return. Since inception, the portfolio's volatility is 9.16% compared to the benchmark's 9.32%. Please refer to Exhibit D for a graphic display that includes a wealth index for both the benchmark and the portfolio.

We expect improvement relative to the benchmark specific to security selection after we receive final end of year valuations from our managers in the Private Markets and Real Estate asset classes. Performance revisions take place for *both* the portfolio and the benchmark from the original estimates published in this report each year. Revised historical performance and volatility statistics for the portfolio and the benchmark are included in Exhibit E.



## INVESTMENT MARKET OVERVIEW

### 2016 and Inception to Date

#### Global Capital Market Returns

#### EXHIBIT A

NOMINAL RETURNS	INDEX	2016	Annualized 12/31/00 through 12/31/16
Multiple Markets Index	MMI (Unhedged)	7.15 %	5.67%
	MMI (\$ Hedged)	8.64%	5.71 %
U.S. Inflation (CPI)	CPI	2.07%	2.07%
<b>REAL RETURNS</b>			
Multiple Markets Index	MMI (Unhedged)	4.98%	3.53 %
	MMI (\$ Hedged)	6.44%	3.57 %
<b>MARKET INDEX</b>			
Cash Equivalents	U.S. Treasury Bills (1 Month)	0.21 %	1.35%
Global Government Bonds	Citigroup WGBI (Unhedged)	1.60%	4.40%
	Citigroup WGBI (\$ Hedged)	3.75%	4.48%
Ex-U.S. Government Bonds	Citigroup WGBI Global ex-U.S. (Unhedged)	1.81 %	4.27%
	Citigroup WGBI Global ex-U.S. (\$ Hedged)	5.13 %	4.60%
U.S. Bonds (Investment Grade)	Citigroup U.S. BIG	2.66%	4.89%
U.S. High Yield Bonds	Merrill Lynch High Yield, Cash Pay Constrained Index	17.34%	8.00%
Emerging Market Debt	J.P. Morgan EMBI Global	10.19 %	8.64%
Global Equities	MSCI World Free Index (Unhedged)	8.00%	4.52%
	MSCI World Free Index (\$ Hedged)	10.01%	4.42%
U.S. Equities	S&P 500	11.96%	5.43%
Ex-U.S. Equities	MSCI World Free ex-U.S. Index (Unhedged)	2.91 %	3.56%
	MSCI World Free ex-U.S. Index (\$ Hedged)	7.66%	3.28%
Emerging Market Equities	MSCI EM Emerging Markets Free	11.34%	8.68%
Real Estate	NCREIF Property Index	7.97%	8.89%
Private Markets	Private Equity Performance Indicator	15.96%	8.38%

**Source:** UBS Global Asset Management

## INVESTMENT STRATEGY

### Market & Currency Allocation

As of December 31, 2016

#### EXHIBIT B

MARKET ALLOCATION	BENCHMARK	THE BRINSON FOUNDATION	DIFFERENCE
Global Equity	55.00%	49.61 %	-5.39%
<i>Developed Markets</i>	49.46%	43.80 %	-5.66%
<i>Emerging Markets</i>	5.54%	5.81 %	0.27%
Private Markets	5.00%	4.41%	-0.59%
Real Estate	10.00%	6.47%	-3.53%
Global Bonds	25.00%	4.53%	-20.47%
High Yield Bonds	3.00%	3.96%	0.96%
Emerging Market Debt	2.00%	0.00%	-2.00%
Cash Equivalents	0.00%	31.02%	31.02%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>0.00%</b>
CURRENCY ALLOCATION	BENCHMARK	THE BRINSON FOUNDATION	DIFFERENCE
North America	67.29%	76.82%	9.53%
<i>U.S.</i>	64.86%	74.90 %	10.04%
<i>Canada</i>	0.61%	1.69%	1.08%
<i>Mexico</i>	1.82%	0.23%	-1.59%
Euro	11.55%	4.95%	-6.60%
Other Europe	0.11 %	2.42%	2.31%
UK	4.36 %	3.12 %	-1.24%
Japan	8.44%	4.23%	-4.21%
Asia (Ex-Japan)	0.86%	1.11%	0.25%
Australia / New Zealand	1.78 %	1.30%	-0.48%
Thai Baht	0.14 %	0.24%	0.10%
Other Emerging Markets	5.48%	5.82%	0.34%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>0.00%</b>

**Sources:** J.P. Morgan, UBS Global Asset Management

## INVESTMENT PERFORMANCE (Net of Fees)

For the Period Ending December 31, 2016

### EXHIBIT C

2016 PORTFOLIO PERFORMANCE	2016	INFLATION RATE	REAL RETURN	
The Brinson Foundation Portfolio	4.78%	2.07%	2.66%	
Multiple Markets Index	7.15%	2.07%	4.98%	
Added Value	-2.37%		-2.32%	

SINCE INCEPTION (12/31/2000) PORTFOLIO PERFORMANCE (Annualized)	SINCE INCEPTION	INFLATION RATE	REAL RETURN	VOLATILITY*
The Brinson Foundation Portfolio	6.87%	2.07%	4.70%	9.16%
Multiple Markets Index	5.67%	2.07%	3.53%	9.32%
Added Value	1.20%		1.17%	

### EXHIBIT D

#### THE BRINSON FOUNDATION PORTFOLIO & MULTIPLE MARKETS INDEX BENCHMARK

December 31, 2000 – December 31, 2016



	Portfolio	Benchmark
Annualized Return	6.87%	5.67%
Volatility*	9.16%	9.32%

— The Brinson Foundation Portfolio  
— MMI

\* Annualized standard deviation of monthly logarithmic returns  
Source: UBS Global Asset Management

## THE BRINSON FOUNDATION PORTFOLIO & MULTIPLE MARKETS INDEX BENCHMARK

### Historical Performance and Volatility

December 31, 2000 - December 31, 2016

#### EXHIBIT E

The Brinson Foundation Portfolio and Multiple Markets Index Benchmark return numbers that are **bold** and *italicized* remain subject to revision. The Multiple Markets Index is subject to revision for 18 months.

	The Brinson Foundation Portfolio			Multiple Markets Index Benchmark		
	Annual Return	Annualized Return Since Inception	Annualized Volatility Since Inception*	Annual Return	Annualized Return Since Inception	Annualized Volatility Since Inception*
2001	9.70%	9.70%	0.00%	-7.13%	-7.13%	0.00%
2002	-1.70%	3.85%	8.12%	-7.02%	-7.08%	10.19%
2003	25.32%	10.56%	8.27%	23.35%	2.13%	9.95%
2004	13.17%	11.21%	7.75%	13.24%	4.80%	9.08%
2005	7.60%	10.48%	7.31%	9.40%	5.70%	8.40%
2006	16.23%	11.41%	6.95%	15.32%	7.25%	7.91%
2007	6.51%	10.70%	6.84%	10.59%	7.72%	7.57%
2008	-24.91%	5.46%	8.89%	-24.22%	3.09%	9.52%
2009	24.43%	7.41%	9.86%	18.59%	4.70%	10.19%
2010	12.05%	7.87%	10.06%	11.61%	5.37%	10.33%
2011	-3.62%	6.77%	10.17%	0.20%	4.89%	10.30%
2012	12.90%	7.27%	10.02%	12.02%	5.47%	10.10%
2013	12.74%	7.68%	9.73%	13.28%	6.05%	9.85%
2014	4.76%	7.47%	9.44%	4.90%	5.97%	9.60%
2015	0.87%	7.01%	9.30%	<b>0.16%</b>	<b>5.57%</b>	<b>9.47%</b>
2016	<b>4.78%</b>	<b>6.87%</b>	<b>9.16%</b>	<b>7.15%</b>	<b>5.67%</b>	<b>9.32%</b>

\* Annualized standard deviation of monthly logarithmic returns      **Source:** UBS Global Asset Management



## GRANTMAKING GUIDELINES & PROCESS

### GRANTSEEKER INQUIRIES

We ask grantseekers to review our mission, vision, beliefs, priorities and focus areas as well as our grantmaking guidelines before submitting an inquiry. Information regarding these guidelines can be found on the “Grantseekers” pages on our website at [brinsonfoundation.org](http://brinsonfoundation.org). If a grantseeker believes its request matches one or more of our grantmaking priorities and focus areas, an inquiry can be made by submitting our Grantseeker Information Form (GIF). The GIF is available on the “Grantseekers - Inquiries” and the “Resources” pages of our website. We accept inquiries throughout the year.

The completed form should be emailed to [mail@brinsonfoundation.org](mailto:mail@brinsonfoundation.org). We will send a confirmation email, usually within 3-5 business days, advising the grantseeker of the anticipated timetable for review of the inquiry.

***The Grantseeker Information Form is not an application.*** It simply provides us preliminary information about the grantseeker’s organization and the proposed grant request. We review the information provided in the form to determine whether the organization and the grant request qualify for further consideration. In all cases, we communicate the outcome of the review to the grantseeker. For a description of the process to determine whether an inquiry merits further review, see “Process and Calendar” below.

***The Brinson Foundation Board of Directors has sole authority to approve grant requests.*** The Foundation’s staff is responsible for reviewing, screening, performing due diligence and recommending grants to the Board. See the “Process and Calendar” section on the following page regarding the sequence and timing of our grant cycles.

***Current Perspectives on Grant Inquiries.*** The Board of Directors continues to follow a “no new net grants” policy. Under this policy, new grants will be made only as existing grants are transitioned from our portfolio and our financial resources permit. This policy along with the potential for volatility in the investment markets make it unlikely that we will add a meaningful number of new grantees to our grant portfolio in the near future. To the extent that we are able to consider grant inquiries, we will continue to be highly selective and focus only on those that involve programs that closely align with our interests and fill gaps within our focus area portfolios.

### LEGAL REQUIREMENTS

The Brinson Foundation will consider inviting grant applications from organizations:

- Located in the United States of America that are exempt from tax under Section 501(c)(3) of the Internal Revenue Code and are public charities described in Section 509(a)(1), (2) or (3) of the Internal Revenue Code. Organizations classified under Section 509(a)(3) may be required to submit additional information.
- Located outside of the United States of America if they can provide a written legal opinion or affidavit stating “charitable equivalency” to a qualifying U.S. organization, or if they are carrying out similar charitable or educational activities.

### GRANT LIMITATIONS AND OTHER CONSIDERATIONS

The Brinson Foundation will not consider grant inquiries from organizations that:

- Discriminate on the basis of race, gender, religion, ethnicity or sexual orientation
- Request funding for:
  - » Activities that attempt to influence public elections
  - » Voter registration
  - » Political activity
  - » Lobbying efforts
  - » Programs that promote religious faith, include religious content or are based on religious or spiritual values
  - » Programs that are limited to members of a specific race, gender, religion or ethnic group (excluding medical research programs where such limitations may be necessary and appropriate)

The Brinson Foundation discourages grant inquiries requesting funds for:

- Capital improvements
- Endowments
- Fundraising events

## GRANTMAKING GUIDELINES & PROCESS

### GRANTMAKING PRIORITY UPDATES

The Board of Directors periodically reviews and updates the Foundation's grantmaking priorities. The description of our priorities, which can be accessed from the "Who We Are - Our Priorities" webpage, is intended to provide guidance to grantseekers regarding the types of organizations and programs the Foundation is currently considering for funding. It does not represent a complete statement of the types of organizations and programs that are represented in the Foundation's grant portfolio.

### GEOGRAPHIC CONSIDERATIONS

**Education Programs.** The Foundation's education grants are generally made to organizations that serve individuals and communities in the greater Chicago area. We also consider leading U.S.-based programs that reach broader populations across the U.S. and internationally or have the potential to have a meaningful impact on best practices at the national or international level.

Organizations that do not serve populations in the Chicago area and do not meet the foregoing standards are rarely considered by our Board. As a result, we generally discourage them from submitting inquiries to the Foundation. If you have a question as to whether your organization or program qualifies for consideration, please call our office and speak to a program officer about whether it is appropriate to submit a Grantseeker Information Form.

**Scientific Research Programs.** The Foundation's physical science research grants are made to leading organizations across the United States. In this priority area, the location of the program is less critical than the match with the Foundation's grantmaking priorities.

*The Foundation does not accept grantseeker inquiries in medical research.*

### PROCESS AND CALENDAR

If our initial review of a grantseeker inquiry indicates there may be a sufficient priority and focus area match, we assign one of our program officers to communicate with the grantseeker to learn more about the organization and its programs. If a grantseeker remains under consideration, our spring and fall due diligence, application and grantmaking cycles proceed as follows:

**For New Grantseekers:** We generally conduct due diligence discussions with grantseekers that are being considered for spring cycle invitations between January and March.

Following these due diligence discussions, the staff determines whether to invite the grantseeker to submit a grant application. If so, we email the grantseeker a formal application invitation. Spring cycle applications are generally due on the last Friday in February.

The staff reviews all applications and prepares recommendations for the Board of Directors. The Board meeting usually occurs in late April or early to mid-May. Following the Board meeting, we contact each applicant and advise them of the Board's decision. If the grant is approved, we generally send out the grant agreement within two weeks following the Board meeting and disburse the grant upon receipt of the signed agreement.

The fall cycle activities are the same as the spring cycle but they take place between July and September and end in November or December.

	Due Diligence Discussions	All Applications Completed	Board Meeting Application Review	Grant Disbursement
Spring Cycle	January - March	February (last Friday of the month)	April - May	May - June
Fall Cycle	July - September	August (last Friday of the month)	October - November	November - December

**For Current Grantees:** We have adopted a simplified renewal process for current grantees which combines the evaluation questionnaire and renewal application. The process generally follows the cycle calendars shown above. Details can be found in the "Grantees Login" section of our website.





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