



Endowment Report

of the Children's
Hospital Colorado
Health System



For the 18-Month Period
Ending December 31, 2017



Children's Hospital Colorado
Foundation

Investing in Excellence at Children's Hospital Colorado

At Children's Hospital Colorado, we are fortunate to have generous donors like you who have created 50 endowed chairs and 125 endowed funds. Some donors invest to fuel research and medical breakthroughs, others to advance treatments for specific diseases. Still others give unrestricted funds to meet the greatest needs of the hospital and to give all children access to world-class pediatric care.

Whatever your philanthropic motivation, your generous support through an endowment gift is greatly appreciated and ensures that Children's Colorado remains one of the best pediatric health care institutions in the country.

Endowment gifts provide a valued and reliable source of revenue for Children's Colorado. The Children's Hospital Colorado Health System's ("the Health System") Investment Committee makes strategic investments to protect the principal (or corpus) and to produce investment income. This income is used for operations and programs that honor your intent.

Thank you for your confidence in us and for sharing our vision:

Child Health. Reimagined. Realized.

"It's an enormous amount of trust a family gives to us. I want to make sure that trust is worth it to them, and that we've honored and respected their intention and their spirit."

LIA GORE, MD

Section Head, Pediatric Hematology/Oncology/BMT
The Ergen Family Chair in Pediatric Cancer



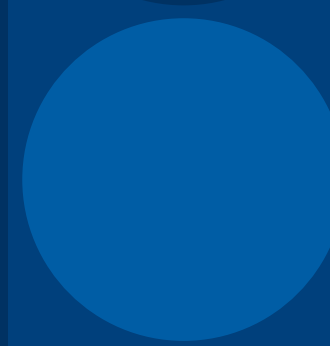
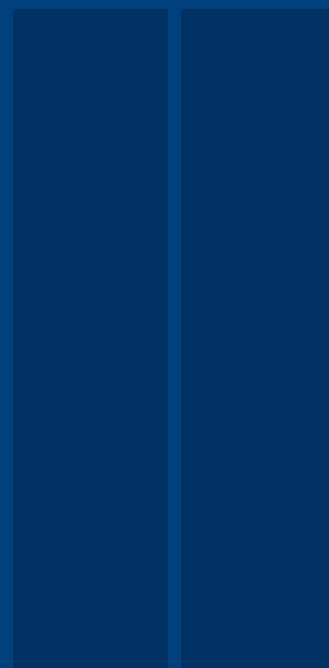
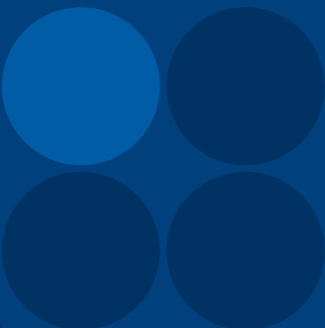


*“When families come here,
they sense this is a real
community that they can be
part of and will help them take
better care of their child.”*

D. DUNBAR IVY, MD

Chief, Pediatric Cardiology

Selby's Chair in Pediatric Cardiology





Endowment Spending Policy

The spending policy for fully funded endowments specifies an annual distribution of 5 percent of the average market value of the endowment investments. Additional earnings beyond the distribution rate are returned to the principal to seek growth and to protect against inflation.

The Health System makes yearly distributions from the endowment to restricted accounts that are used to further the goals of the particular funds. These annual distributions must be used by the hospital in a manner consistent with the fund's purpose and the donor's intent.

The spending policy also dictates that annual distributions never allow the value of the endowment to fall below 80 percent of the principal in order to protect the corpus and ensure that the endowment—and the programs it makes possible—continues to sustain the hospital for the long term.

Reporting Period

In prior years, endowment financial statements reflected endowment activity—including investment performance—for a 12-month period ending on June 30 of each year. In order to better align with the Health System's fiscal year, beginning with 2017, endowment financial statements will report on a period ending December 31 of each year. Please note that because this change first took effect in 2017, the financial data presented herein reflects endowment activity from July 1, 2016 to December 31, 2017.

Endowment Management

Endowment funds are invested in the Health System's Long-Term Investment Pool (LTIP), which stood at \$942 million in total assets as of December 31, 2017.

Funds are invested in a diversified investment portfolio designed to maximize impact by generating the highest return possible for current efforts, while preserving principal for future use and to generate future income.



Ranked Among the Best of the Best

Children's Hospital Colorado is consistently ranked among the best pediatric hospitals in the nation. In 2017, we ranked in nine of 10 *U.S. News & World Report's* recognized specialty areas, including five in the top 10.

\$111.7 million +

*University of Colorado and Children's Colorado:
combined child health grants (2016)*

Commitment to Research

The Children's Hospital Colorado Research Institute continues to spearhead basic, clinical and outcome discoveries that drive the development of new medicines, devices, diagnostic approaches and other health care innovations.

Our scientists, physicians and staff have implemented an ambitious strategic plan to expand the scope and quality of child health research in virtually every pediatric subspecialty.



Children's Hospital Colorado has been Magnet-recognized by the American Nurses Credentialing Center for a third time, a designation only 3 percent of all hospitals achieve.

Endowment Performance

After challenging market returns for many endowments in 2015 and into 2016, global economic growth was stronger than expected in 2017, with many investors, including the Health System, experiencing double-digit returns for the calendar year ending December 31, 2017. As always, the Investment Committee follows a prudent policy, which, through diversification and appropriate risk management, seeks to provide long-term positive investment performance.

Endowment Summary

Endowment by Type	12/31/2017	12/31/2016
Board Designated Quasi-Endowments	\$ 28,440,738	\$ 25,821,680
Donor-Restricted Endowments	\$ 148,105,834	\$ 124,581,211
Total	\$ 176,546,572	\$ 150,402,890

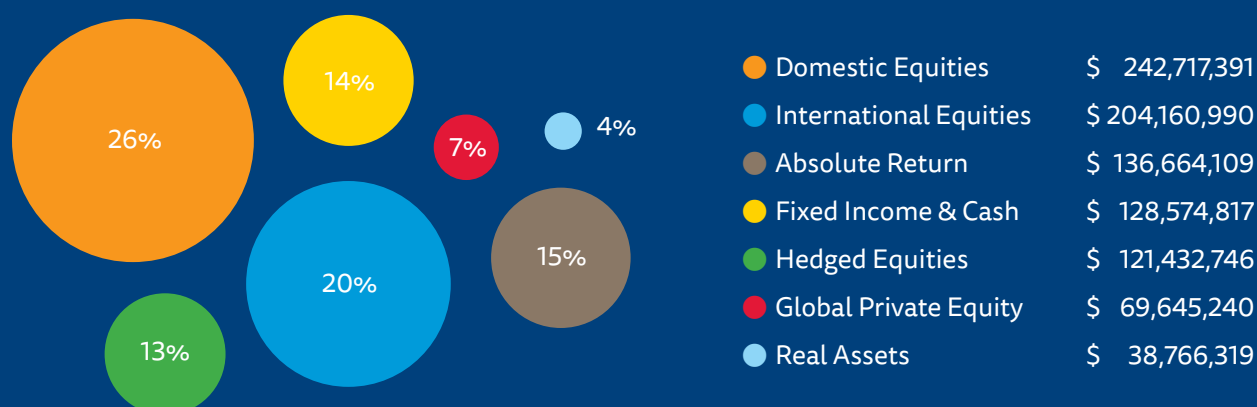
Total LTIP Assets

\$941,961,612

(17% year-over-year increase)

Long-Term Investment Pool (LTIP) Asset Allocation

As of December 31, 2017



Annualized Investment Performance

For the Period Ending December 31, 2017

	1 Year	3 Years	5 Years	10 Years	15 Years
Children's Hospital Colorado Health System	14.21%	5.77%	7.01%	5.38%	8.29%
MSCI ACWI (Global Equities)	23.97%	9.30%	10.80%	4.65%	9.00%
S&P 500 (U.S. Large Cap Equities)	21.83%	11.41%	15.79%	8.50%	9.92%
MSCI EAFE (Developed Markets Large- and Mid-Cap Equities)	25.03%	7.80%	7.90%	1.94%	8.11%
MSCI Emerging Markets	37.28%	9.10%	4.35%	1.68%	12.31%
Barclays U.S. Aggregate (Bonds)	3.54%	2.24%	2.10%	4.01%	4.15%

The indexes listed above are unmanaged and are not available for purchase. The MSCI ACWI is a market capitalization-weighted index comprised of stocks from both developed and emerging markets and is designed to provide a broad measure of equity-market performance throughout the world. The S&P 500® Index is composed of 500 selected common stocks chosen on a market capitalization-weighted basis, most of which are listed on the New York Stock Exchange. Created by Standard & Poor's® Corporation, it is considered to represent the performance of the U.S. stock market in general. The MCSI EAFE® is a widely followed group of stocks from 20 countries, excluding the United States. The MCSI EM Index represents the performance of stocks in 26 emerging market countries. The Barclays Aggregate Bond Index is composed of Treasury, U.S. government agency, corporate bond and mortgage-backed securities. Past performance is no guarantee of future results.

Oversight of the Endowment's Investments

The volunteer-led Health System Investment Committee is made up of members of the Children's Hospital Colorado Board of Directors and the Children's Hospital Colorado Foundation Board of Trustees, and community members. The Investment Committee provides oversight for the endowment, sets investment policy and monitors investment performance. The committee reports regularly to the Board of Directors and Board of Trustees, as well as to hospital leadership. Together, the committee members work to strike a strategic balance between generating income to meet the hospital's needs today and preserving capital to fuel advances in the future.

The Endowment's Investment Advisor

The Health System partners with the independent asset management firm Monticello Associates in Denver, Colorado, to advise the Investment Committee in implementing the investment policy. Founded in 1992, Monticello provides a variety of consulting services, including developing investment policies and objectives, analyzing asset allocation and diversification, and providing due diligence and performance monitoring. One of the country's leading asset management consultants, Monticello Associates serves 175 clients, including prominent hospitals, museums, colleges and universities, with \$82 billion in assets under advisement as of December 31, 2017.



Children's Hospital Colorado Health System Investment Committee 2017-2018

Regular Members

Fred Taylor, Chair

Northstar Investment Advisors, LLC
Trustee and Vice Chair, Children's Hospital Colorado Foundation

Peter Calamari

Platte River Equity
Trustee, Children's Hospital Colorado Foundation

Katherine (Katey) Driscoll

Community Volunteer
Trustee, Children's Hospital Colorado Foundation

David Hanson

Lynwood Capital Partners, Inc.

David Honeyfield

Treasurer, Children's Hospital Colorado Board of Directors

Joy Johnson

Community Volunteer

Steve Kris

Conundrum Capital LLC
Trustee, Children's Hospital Colorado Foundation

Tom McGonagle

Industrial Income Trust
Trustee, Children's Hospital Colorado Foundation

Scott Nycum

J.P. Morgan Private Bank

Kevin Reidy

KTR Advisors
Past Chair, Children's Hospital Colorado Board of Directors
Trustee, Children's Hospital Colorado Foundation

Ex-Officio Members

Bill Lindsay

Chair, Children's Hospital Colorado Board of Directors

Barth Whitham

Chair, Children's Hospital Colorado Board of Directors
(as of May 2018)

Laura Wright, CFA

One Point Franchise Accounting
Chair and Trustee, Children's Hospital Colorado Foundation

Jena Hausmann

President and CEO, Children's Hospital Colorado
Cille B. and Ronald W. Williams Endowed Chair in
Executive Leadership
Trustee, Children's Hospital Colorado Foundation

Jeff Harrington

Senior Vice President/Chief Financial Officer,
Children's Hospital Colorado
Trustee, Children's Hospital Colorado Foundation

Jennifer Roe Darling

President, Children's Hospital Colorado Foundation

Alexander Giguere, CPA

Senior Vice President, Accounting and Finance,
Children's Hospital Colorado Foundation



Children's Hospital Colorado
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