PROTECTING. STRENGTHENING. GROWING.

## SINCE 1930



Protect. Strengthen. Grow.®

HIGHGROUND STANDS FOR ALL THREE DIMENSIONS OF OUR VISION—PROTECT. STRENGTHEN. GROW. WE GO TO HIGHER GROUND IN ORDER TO PROTECT OUR CLIENTS, TO STRENGTHEN THEM FOR FUTURE AND TO GROW MORE EFFECTIVELY. IN THE ANCIENT WORLD, CITIES WERE ALWAYS BUILT ON THE HIGHEST POINT FOR THAT REASON. HIGHGROUND MEANS BEING SPIRITUALLY GROUNDED AND SPIRITUALLY DRIVEN. IT MEANS THINKING OUTSIDE OF THE BOX LIKE OUR FOUNDERS, WHO WERE PIONEERING AND VISIONARY WHEN OUR JOURNEY BEGAN IN 1930. WE PUT YOU FIRST, IT'S IN OUR DNA.

## VIEWS FROM THE TEAM

Since **1930**.

**JEFF** 

It is hard to believe that we have been serving faith-based ministries and tax-exempt organizations for almost 100 years. It is even harder to believe that I assumed the role of President and CEO 6 years ago.

In that short time, I have seen many wonderful beginnings—a new name, an expanded client base, a client solutions team dedicated to serve you, development of our brand promise and core values, just to name a few. And what a great adventure it has been.

But as each adventure ends, we realize that more changes are needed in order for HighGround to maintain momentum and venture onto the next highest peak. So, we won't let the past define us as our strategy continues to evolve. We will remain committed to expanding our investment platform, and will persistently look for opportunities to create efficiencies for you — a promise that will lead to excellent adventures.

But don't just take my word for it, I asked the leadership team to highlight the key client-centric improvements that have been taking place over the last year into 2019. We recently implemented new communication tools to help our clients access information much more efficiently such as our quarterly newsletter, website blog, webinar series, and statement enhancements.



Another tool on the horizon, due to its growing popularity, is the development of our donor-advised fund online platform which will simplify the giving process for organizations and their donors.

Additionally, we are transitioning to the daily processing of trades, rather than our current bimonthly schedule. We anticipate launching this change by the end of the third quarter.

Driven by long-term wealth creation, we are always seeking opportunities to strengthen and grow investment performance, including researching new and innovative investment strategies and managers. And, we will continue to refine our investment



and risk management processes, streamline investment operations and seek ways to reduce investment costs.

During our latest review of investment management fees, we secured fee concessions from several of our investment managers, which resulted in fee savings. Based on this review, we are confident that our investment managers' fees are highly competitive and, in some cases, more competitive than the market.

The needs of our institutional clients are constantly evolving, and while the HighGround Endowment Fund (HGEF) is popular with many of our institutions, it may not be the right investment solution for others. In order to meet their needs, our investment team has developed two



new commingled fund solutions. If you are interested in learning more about our investment solutions for endowment or other planned gifts, our client solutions team is ready to discuss the options available to you.



# CHOOSE YOUR OWN ADVENTURE

This annual report is different from other annual reports. You do not need to read this book straight through from beginning to end, but we welcome you to. These pages contain many different adventures you can take depending on your personal needs.

The adventures you take are a result of your choice. You are responsible because you choose!

For the nonprofit executive go to page 8.

For the church executive go to page 8.

For the higher education executive go to page 12.

For the couple retiring go to page 14.

For the individual with real estate go to page 14.

For the individual with a business go to page 16.



## MEET FAITH.

As a religiously affiliated nonprofit, Faith's goal is to provide churches in its designated region with resources and assist them in growing their congregations. To achieve their mission and grow their assets, they have historically utilized the HighGround Endowment Fund. The HighGround Endowment Fund represents HighGround's most advanced and most popular solution for endowment clients. The Fund is a unitized "fund-of-funds" which gains its investment exposure from underlying HighGround Asset Class Funds.

The HighGround Endowment Fund has served Faith well as their long-term investment solution for many decades. However, recently, Faith's investment objectives changed for their reserve fund and they expressed the need to find a lower cost solution with a shorter time horizon and different return requirements.

If you choose to find out how HighGround responded, turn to page 12.

If you decide to start over, turn to page 7.

## MEET CORNERSTONE.

Over the last five years, Cornerstone has seen a major growth in its congregation. In fact, the growth has been so significant that the church is preparing for a capital campaign to build additional facilities. While new infrastructure is a more immediate need, they know that they also need a plan for their long-term outlook, which includes funding ministries and the upkeep of their facilities to impact future generations.

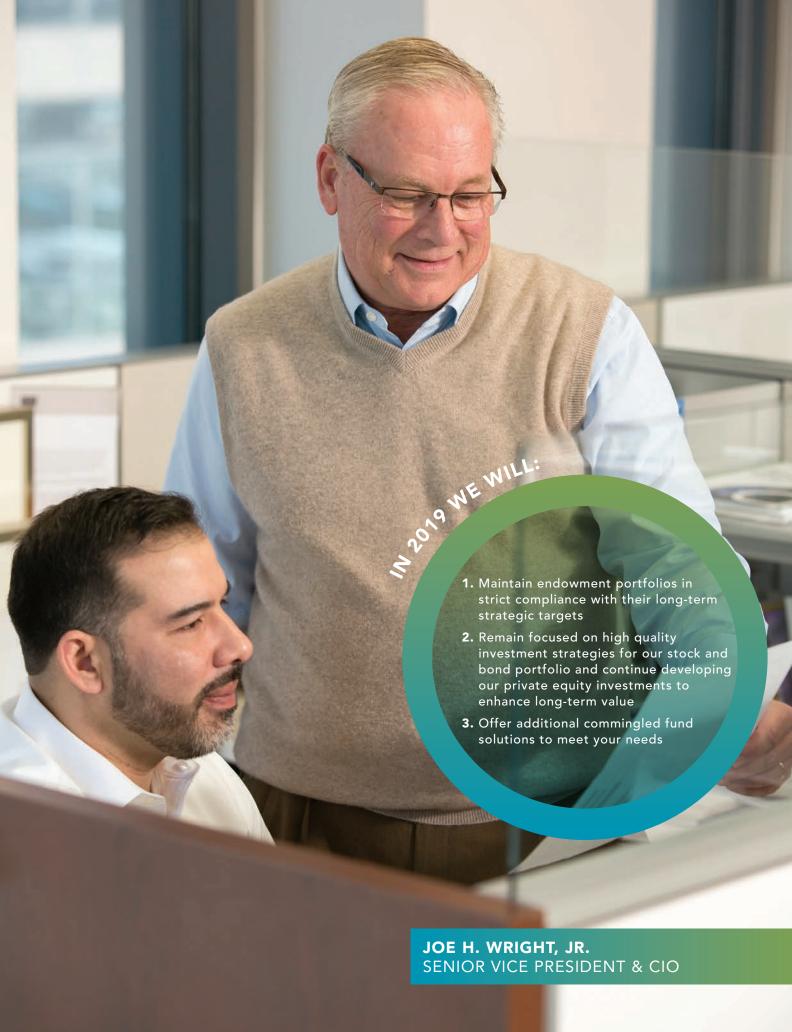
Their pastor, Carl, recently attended a regional meeting for church leaders. While there, he heard about HighGround Advisors and the bundle of services they offer to churches such as his. Carl then invited HighGround to come and give a presentation to his leadership team.

In addition to educating church members on how they can give, HighGround was able to assure Carl and his team that we can help them plan for the long-term outlook that they know is crucial to the church's success.

If you choose to learn whether Carl decided to work with HighGround, turn to page 18.

If you decide to start over, turn to page 7.





As 2018 came to a close we were left with a bitter taste of uncertainty as equity markets sharply declined after reaching all-time highs in September, driven by investor concerns over tighter Fed monetary policy, slowing global growth, escalating trade tensions and corporate earnings disappointments. Investors' worries were short-lived however, as markets strongly rebounded in first quarter 2019, extending the U.S. equity bull market to 10 years—its longest in history.

The contrasting backdrop of the last two quarters provides an excellent illustration of why we believe well-diversified investment strategies are vital to navigating capital market uncertainty and achieving long-term performance goals.

HighGround's strategic allocations to risk reduction assets softened 2018 fourth quarter's market turbulence, while its growth investment assets were able to fully capture first quarter's recovery. As a result, HighGround's 6.8% first quarter return more than offset 2018's 3.5% decline, with one-year positive performance despite the market's extreme volatility.

HighGround's strategy has also worked over longer periods, surpassing our expectations over the last ten years with a 10% return which exceeded the total of cash distributions to clients, inflation and expenses by over 2.0% annually. Our clients' financial resources grew in real, after inflation terms, that in turn has enabled them to expand their mission-critical work.

Looking forward, we continue to believe a U.S. recession in 2019 is unlikely, although we expect economic growth to be moderate. But, despite a relatively good economic outlook, we would not be surprised to see more volatility in 2019 as

there are a number of continuing risks to capital market performance. Geo-political tensions are escalating, values of U.S. equities and sovereign bonds are very high relative to historical averages, forecasts of corporate earnings are on the decline and corporate debt has reached extreme levels. In addition, interest rates have dropped substantially reflecting investors' concerns about slowing global growth, with the ten-year Treasury yield falling by over 1.0% since November.

Regardless of the ebbs and flows of the capital markets, we believe the best approach for achieving long-term investment objectives is to stick with long-term strategic asset allocations. We are highly confident that HighGround's investment portfolios are well positioned to withstand periods of market turmoil and deliver consistent cash distributions and the long-term financial results our clients expect.





## PERFORMANCE

While we offer other customizable solutions, the HighGround Endowment Fund (HGEF), is our most popular endowment fund valued at over \$1.3 billion as of March 31, 2019. HGEF is designed for long-term endowment assets and offers a fully outsourced investment solution for nonprofits.

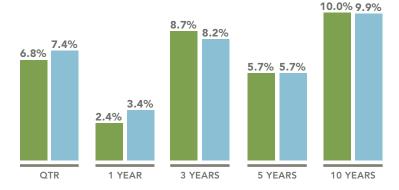
## **ASSET ALLOCATION**

AS OF MARCH 31, 2019



## **PERFORMANCE**

AS OF MARCH 31, 2019



## HIGHGROUND'S ENDOWMENT FUND'S PERFORMANCE CONTINUES TO RANK IN THE TOP QUARTILES OF OUR NONPROFIT PEER GROUP

■ HGEF INVESTMENT RETURN¹

POLICY BENCHMARK

<sup>1</sup>HGEF's performance is gross of fees and expenses totaling approximately 0.92% (0.64% direct) and doesn't include additional share class administrative fee.

## PERFORMANCE PEER RANKINGS

AS OF DECEMBER 31, 2018

	1 YEAR	5 YEARS	10 YEARS
5TH PERCENTILE	2.5	7.0	9.4
25TH PERCENTILE	-2.4	4.7	8.4
	HGEF -3.9	HGEF +4.1	HGEF +8.0
MEDIAN	-4.6	3.9	7.8
75TH PERCENTILE	-6.3	3.1	7.0
95TH PERCENTILE	-8.1	2.2	5.7
MEAN	-4.0	4.1	7.7
PEERS RANKED	380	375	353

Source: Cambridge Associates, December 31, 12018 Endowment and Foundation Composite. It includes the long-term investment portfolios of member college and universities, independent schools, cultural and environmental organizations, foundations, healthcare organizations and other endowment institutions.

Survey results and HGEF performance are net of investment fees and costs, but are not net of overhead and administrative costs and/or fees.

■ HGEF INVESTMENT RETURN

## MEET EDUCATION.

As a nonprofit organization, Education's goal is to manage and grow the private assets entrusted to them through endowments, gift planning and property in order to support their mission. Accomplishing these goals, however, is a large task for Education's limited resources.

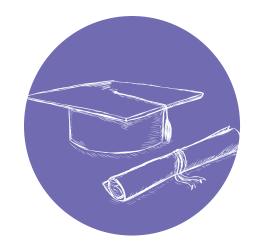
Education realized their best chance for a solution was to fully outsource all their needs—preferably to an organization that could provide gift planning and accounting services in addition to managing and investing its endowment. After learning about HighGround Advisors, Education decided we were the perfect fit for them.

Education opened three types of accounts with HighGround, including endowments, a building fund and a gift annuity program, all of which work together to meet the needs of the organization and its donors. In addition to receiving monthly performance reports for each group of assets, Education also receives specialized reports that provide composite performance for their three groups of accounts.

Recently, HighGround's Investment Team helped Education write an Investment Policy Statement (IPS). An IPS allows an organization and its investment manager to work together to define the goals and objectives of an investment program. It typically also includes the strategies a manager can utilize to achieve the investment's goals.

If you choose to find out what additional services HighGround provided, turn to page 20.

If you need a do over, turn to page 7.



## **FAITH CONTINUED**

As an organization, HighGround is committed to being responsive to the needs of our partner organizations. We sat down with Faith, reviewed their current investment strategy and new objectives to determine what customized solution would best meet their needs.

Through transparent communication, our investment experts were able to present tailored portfolios for their reserve fund in order to better achieve its objectives and set our partner up for long-term success.

"The investment solutions we developed represent our best thinking based on our professional experiences and acting in the role of an Outsourced Chief Investment Officer, or OCIO," Senior Vice President and Chief Strategy Officer David Slover said. "However, we can also function solely as an investment product provider and provide a low-cost investment solution of the client's choosing."

HighGround's open architecture and flexible investment platform enabled us to develop new options for our partner organization that better met its needs – all while delivering excellent business results with a spirit of service.





## MEET SARAH & DAN.

Sarah and Dan are nearing retirement, and they are reviewing their financial and estate plans for the first time in several years. They want to pass assets to their three children, and they would like to benefit the charitable organization they regularly support.

As Sarah and Dan started planning for their future, they identified some savings they don't expect to need during their lifetimes. They contacted HighGround to discuss establishing a charitable remainder trust. A charitable remainder trust is an irrevocable trust that would pay income to Sarah and Dan while they are living, and at the end of their lifetimes, the trust assets would be distributed to the charitable organization they designate.

If you choose to uncover if Sarah and Dan decided on an irrevocable trust, turn to page 16.

If you decide to return to the beginning, turn to page 7.

## MEET BOB.

Bob has invested in real estate across his city for the past 20 years. Earlier this year, he sold several holdings that have increased in value. Bob started to consider how he might minimize his tax burden and increase his impact to charity. Bob supports many charities through his annual giving, and he would like to learn more about their major projects and ongoing funding needs before he determines where to direct his charitable giving. However, he needs to complete his gifts during this year in order to offset his higher taxable income.

If you choose to see whether Bob minimized his tax burden, turn to page 20.

If you decide to return to the beginning, turn to page 7.





## MEET MIKE.

Mike serves as the Vice President for a large corporation in a large metropolitan city. He also has two children, ages 13 and 15, and serves as a deacon at his church.

There are a lot of changes happening in Mike's life. As a deacon, he is preparing to assist his church in its latest fundraising campaign to expand the campus—a campaign he intends to support. Mike is also in the process of cashing out of the corporation he has worked at for the last 20 years. Unless Mike finds a creative solution for his money, he will be faced with transfer taxes that will reduce the amount he can pass to his children.

After meeting with trust and legal experts at HighGround Advisors, Mike decided to establish a charitable lead trust.

If you choose to find out if Mike's goals were met, turn to page 18.

If you decide to start over, turn to page 7.



## **SARAH & DAN CONTINUED**

While Sarah and Dan liked that idea, they decided an irrevocable gift was not the best fit for their goals. They began talking with HighGround's trust and legal team about establishing a revocable trust. Ultimately, the trust they established will pay income to Sarah and Dan during their lives, and thereafter the assets will be distributed equally between their three children and the charity they support. The trust is revocable, which means that Sarah and Dan have the ability to change their plan based on changes to their financial needs or their giving goals in the future. This option gives Sarah and Dan the security of knowing they have put a plan in place, but they have the ability to make changes to their plan and accommodate their needs going forward.



## **CORNERSTONE** CONTINUED

The church's leadership team brought HighGround on board to help educate its members about various giving options available to them so they can help their church grow today and in the future. While annual giving comes out of a member's income, or the money they have available now, it doesn't include a legacy gift.

"It's false to believe that donors cannot support you now while also supporting you later with a legacy gift," Joe Hancock, Vice President and General Counsel for HighGround, said. "In fact, the two are complementary."

Carl agreed with Joe during the meeting, stating that annual giving and legacy giving aren't an either/or situation—meaning members will not choose either annual giving or legacy giving. The fact that they support the church with their annual giving now is more likely to entice them to leave the church a legacy gift.

"We need to be thinking about both when we approach this." Carl said.

By designing custom-made documents to meet Cornerstone's philanthropic needs, Joe and his team of legal experts were able to educate the church's members on the various ways they can impact the capital campaign now, but also support other endeavors, like missions and education, in the future.

"By creating ministry funds and giving guides for the church, we are helping them in a more tailored way," Joe said. "They are addressing their immediate needs and looking down the road – that's what wise charities do."

## MIKE CONTINUED

A charitable lead trust is a giving vehicle that provides an income stream to a nonprofit of the donor's choice. In this case, Mike chose to anonymously donate the income to his church's building fund. At the end of the trust term, the assets are then transferred back to the donor or to other individuals, usually family members. Mike chose to name his children as remainder beneficiaries of the trust.

Over the 15-year period of the trust, Mike donates \$525,000 of income to his church and then, after the 15 years, transfers the remaining trust assets to his children who are now settling into adulthood and planning families of their own. The charitable lead trust enables Mike to significantly reduce the transfer taxes he would otherwise owe to pass assets to his children.

"Planned giving vehicles allow us to work with donors and increase benefits passing to family members and charitable organizations," Joe Hancock said.



## **EDUCATION CONTINUED**

HighGround's trust and legal department was essential in establishing the gift annuity program for Education, including preparing all the required documentation. A gift annuity is a contractual agreement between a donor, where he or she is guaranteed a set amount of income, or annuity, for life and receives a charitable tax deduction. At the end of the donor's lifetime, the remainder of the annuity's balance is given to the charity of their choice – in this case, Education. Gift annuities are regulated on the state level, which means the applicable laws vary from state to state.

HighGround's trust and legal team was able to build Education's gift annuity program from the ground up while ensuring that they were compliant with state laws. The team also established the reserve requirements for an annuity, drafted agreement templates and reviewed the Education's promotional materials for their discussions with donors. Education has found annuities to be a popular giving vehicle and, over the past three years, has been able to instruct donors on an annuity's benefits and establish additional gifts. Our experts were able to work with those donors to establish a personalized gift plan and provide the greatest impact for Education.

In order to grow the confidence of Education's donor-facing members, including employees and board members, Joe Hancock, Vice President and General Counsel of HighGround Advisors, provided gift planning training. The information enhanced Education staff member's knowledge about investment and gift planning options for its donors.

With HighGround's help, Education is able to focus on scholarships, campus infrastructure, student recruiting and other programs at the university.

## **BOB** CONTINUED

Bob's primary goals for his charitable giving are ease of administration and flexibility.

Bob learned about HighGround's donor-advised fund program and decided that establishing a donor-advised fund would be the best way to accomplish his charitable giving goals. A donor-advised fund is a flexible giving solution that allows the donor to recommend, on an ongoing basis, which charitable organizations should receive distributions of income and/or principal from the fund they establish. This giving strategy provided Bob with a tax deduction for the amount he used to establish the fund, and it will enable him to take time to research the causes and charities he is most interested in supporting. Plus, the contributions Bob makes to the donor-advised fund can grow tax-free, potentially providing more distributions over time.

"We were able to work with Bob to navigate the giving process and he was able to maximize his tax benefits and do something great for several charitable organizations," Joe Hancock said.

## THE END

No matter what path you are on or what adventure you choose, HighGround's expertise centers firmly on the provision of financial solutions that are tailored to achieve your charitable long-term goals:

- We **protect** you with personalized account support services
- We strengthen you with gift planning services that complement and extend your fundraising efforts
- We grow your assets through customized investment management solutions and dedicated specialists equipped to handle unique, complex assets such as minerals and real estate

We understand the complex issues that matter to you most.



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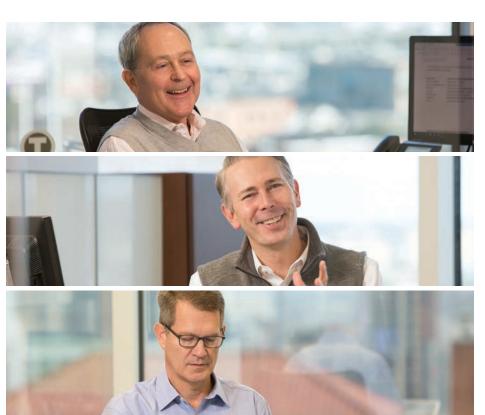
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