

Frequently Asked Questions Regarding The Citadel Foundation's Move from Smith Barney to The Richmond Fund

Summary

In October 2007, The Citadel Foundation's Board of Directors approved a resolution to pursue a co-investment relationship of the Foundation's investable assets with an affiliate of Spider Management Company, a wholly owned subsidiary of the University of Richmond. During the first quarter of 2008 this transaction was consummated and the holdings at Smith Barney were liquidated and transferred to The Richmond Fund – a Virginia Limited Partnership of which The Richmond Fund Management Company, LLC, a Virginia limited liability company, is the General Partner. The General Partner's initial member is Spider Management Company, LLC, a Virginia limited liability company. The University of Richmond and The Citadel Foundation are initial limited partners in the Fund. The Richmond Fund is only available to qualified 501(c)3 organizations and "accredited investors" within the meaning set forth in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended.

The change in investment strategy from a traditional equity/debt investment allocation to an absolute return strategy provides a wider degree of diversification. By engaging in this transaction, we have diversified our holdings from six active investment managers in two asset classes to one hundred thirty-four active managers across six asset classes. The structure of the transaction leverages the size of The University of Richmond's endowment with ours, giving economies of scale that allow The Citadel Foundation to invest in asset classes to which it would not ordinarily have access. The structure of The Richmond Fund enables The Citadel Foundation to participate in long-term investments that were made prior to the creation of the Fund through the use of a blended return strategy that provides quarterly balancing of returns between the University of Richmond's endowment and the new investments made to the Fund by the University of Richmond, The Citadel Foundation, and other investors.

The Fund's investment objective is to seek long-term growth of capital, to maintain the purchasing power of the investable assets in perpetuity, and to meet the needs of the Foundation's distribution policy.

What is The Richmond Fund?

The Richmond Fund is an investment partnership that was created to house The University of Richmond's and The Citadel Foundation's investable assets, along with the assets of several other nonprofit organizations. Its management team is comprised of the staff of Spider Management Company (SMC). SMC is wholly owned by the University of Richmond.

Why did we decide to invest in The Richmond Fund (TRF)

- A dedicated investment team that is focused solely on the management of our investable assets.
- The ability to access investment classes that our individual size prevented the Foundation from investing in prudently. By joining TRF, our combined investable assets are \$1.9 billion, of which University of Richmond contributed ~\$1.75 billion and we contributed ~\$150 million.
 - By investing across a greater number of asset classes, we reduce the risk of one sector having a material impact on our overall investment portfolio.
- Greater diversification of assets:
 - From six investment managers in two asset classes to 134 managers across six asset classes.
- The ability to participate in strategies that will potentially reduce or dampen the risk of investment declines during declining markets.
- The larger endowments based on NACUBO measurements have consistently outperformed endowments of our size.

What is different about TRF's investment strategy versus our historical approach?

Our investment strategy prior to investing in TFR was 80% equities and 20% fixed income. Equities were allocated across international, value, growth, and small cap investments. This allocation was a prudent strategy based on the size of our investment portfolio. By joining TRF, we now have access to various conservative hedging and absolute return strategies, private equity, venture capital, real estate, and real assets as well as investments in long positions in various markets in which we could not prudently invest on our own.