

# AARP Foundation

## Investment Philosophy

The overall objective of the investment program of AARP Foundation is to achieve real returns in excess of inflation and general economic growth to support its ongoing spending programs. It is expected that this objective can best be obtained through a balanced portfolio that shall at all times be invested prudently in accordance with sound investment practices emphasizing long term investment fundamentals.

The investment portfolio is structured into three funds whose investment policies are targeted to individual asset allocations based on maintaining customized levels of return, risk, and liquidity:

- The objective of the *Short Term Fund* is to provide current income and to provide for anticipated liquidity requirements of the Foundation. Preservation of capital is the primary investment objective.
- The objective of the *Intermediate Fund* is to serve as a buffer between the short term and the long term portfolios. This fund will maintain a conservative asset allocation to support infrequent or “lumpy” spending requirements.
- The objective of the *Long Term Fund* is to support the Foundation’s activities over the next 3-5 years. Long term funds are managed as a secondary source of liquidity and are primarily to generate returns that support current and future programs.

Fund investments are designed to achieve a positive long-run real return (over inflation) in order to support the Foundation’s spending requirements. By adhering to a disciplined spending policy (generally 5% of the average investment balance over a three year period) Foundation seeks to achieve a more constant rate of spending while preserving purchasing power over time.

The aim of Foundation’s spending programs is to support real economic and social activities through its missions and program investments which are targeted to advance the objectives and purposes of the Foundation.

## Oversight and Governance

The investment portfolio is managed professionally to maximize risk-adjusted returns and is well structured and broadly diversified across multiple asset classes, managers, and securities. The investment results achieved are regularly compared to standardized performance benchmarks including market indices and manager universes on a periodic basis.

The Foundation maintains a high degree of oversight to assure the integrity of its investment portfolio. This is a continually ongoing effort led by staff and management with counsel and oversight from others as noted below:

***AARP Foundation Board of Directors***

***AARP Foundation Finance Committee***

***AARP Foundation Audit Committee***

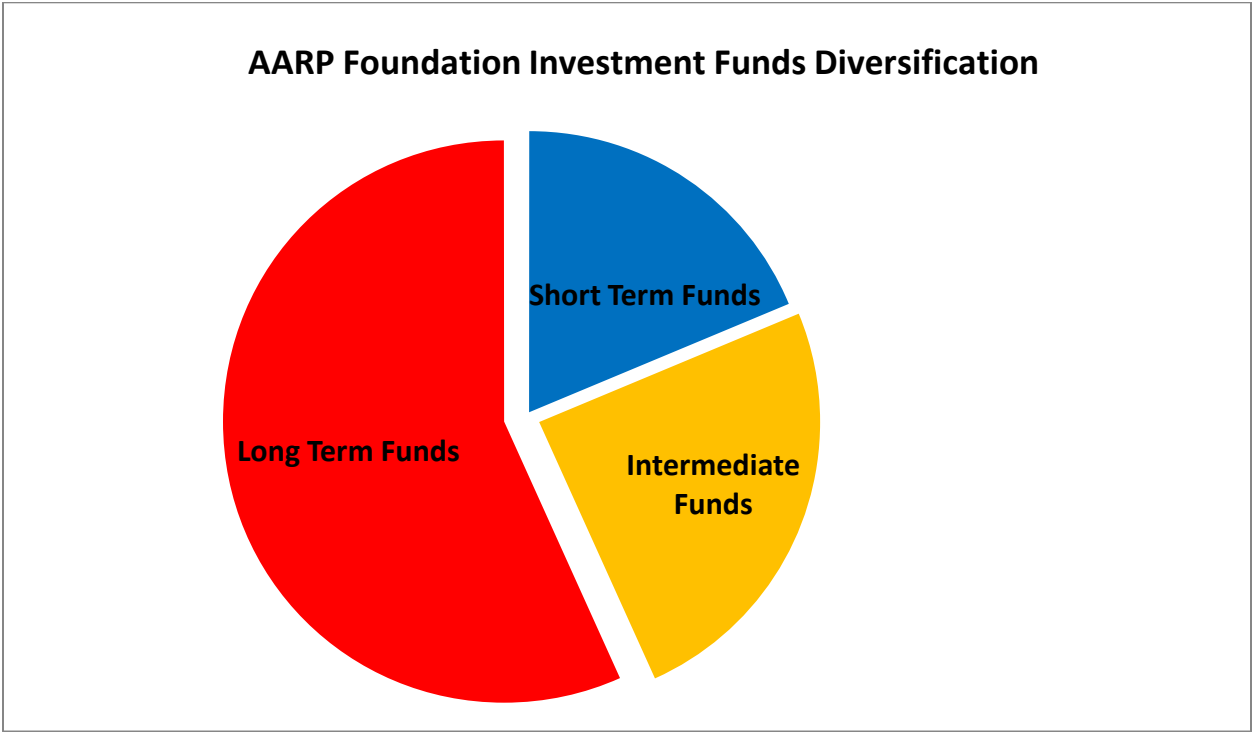
***Cambridge Associates***

***State Street Bank***

***State Street Global Advisors***

### **Diversification**

The following chart highlights the level of investment diversification across funds:



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