



The Power of Every *One*.
CENTENNIAL CAMPAIGN

Investment Report





“Our mission in the Division of Finance is to provide the health system with a ‘Best in Class’ financial services operation.”

Cleveland Clinic is a world leader in healthcare by providing the best in patient care, research and education. Our mission in the Division of Finance is to provide the health system with a “Best in Class” financial services operation, supporting the organization’s mission and goals. We remain steadfast in the prudent management of our assets and your philanthropic contributions. Your charitable support gives us the flexibility to undertake new and innovative programs designed to enhance the patient experience and improve outcomes while increasing efficiencies. All of us at Cleveland Clinic are honored by the generosity of supporters like you. **Thank you.**

Should you have any questions about the information in this report, I encourage you to contact me at 216.444.0692 or Lara Kalafatis at 216.445.8695.

A handwritten signature in black ink, appearing to read 'S. C. Glass'. The signature is fluid and cursive, with the first name 'S' and last name 'Glass' being the most prominent parts.

Steven C. Glass
Chief Financial Officer

Cleveland Clinic Investment Office

Summary

- \$10.1 Billion under management as of December 31, 2017
 - \$8.5 Billion Long-Term Investment Pool
 - \$1.2 Billion Cleveland Clinic Health System Defined Benefit Plan
 - \$168 Million Akron General Health System Defined Benefit Plan
 - \$211 Million Cleveland Clinic Health System Indemnity Company (Cayman)
- Responsible for the investment and discretionary oversight of assets
- Manages diverse, global portfolios that include public equities, fixed income, hedge funds, private equity, venture capital, real estate, natural resources, commodities and cash

Investment Philosophy

These principles represent the fundamental beliefs we hold while exercising our fiduciary responsibilities to manage assets for Cleveland Clinic.

- Invest assets with a long-term focus
- Monitor the relationship between risk and return
- Take advantage of market cyclicalities
- Exhibit bias toward active management when rational
- Capture illiquidity premiums
- Seek to invest capital where Cleveland Clinic Foundation can be strategic

Oversight

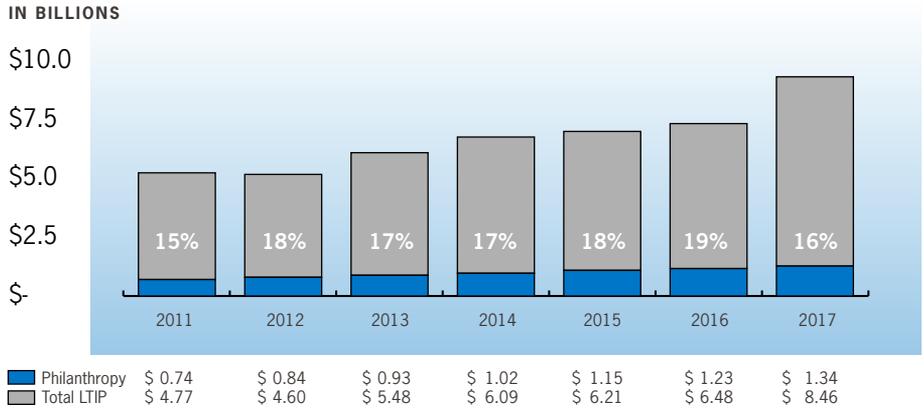
Operates under the direction of:

- Tom Mihaljevic, MD, CEO and President
- Steven C. Glass, Chief Financial Officer
- Stefan Strein, Chief Investment Officer
- Investment Committee of the Cleveland Clinic Board of Directors

Building a Foundation of Strength

Cleveland Clinic invests its assets in a commingled investment structure known as the Long-Term Investment Pool (LTIP). As of December 2017, the LTIP held \$8.46B in assets. The LTIP is the foundation of Cleveland Clinic's financial strength and is used to support operations, fund strategic initiatives and support Cleveland Clinic's outstanding debt obligations (which totaled \$4.01B as of December 2017). From time to time, Cleveland Clinic issues debt to finance capital projects and other strategic initiatives for the health system. In addition, the LTIP includes endowment assets received through philanthropic giving, representing 16% of the total LTIP, or \$1.34B, at the end of 2017.

LTIP AND PHILANTHROPIC GROWTH



Over the past seven years, the endowment portion of the LTIP has grown steadily thanks to \$748M in gifts received and \$418M in investment returns. The endowment's growth has enabled \$494M in philanthropic spending in support of our mission.

PHILANTHROPIC ASSET GROWTH

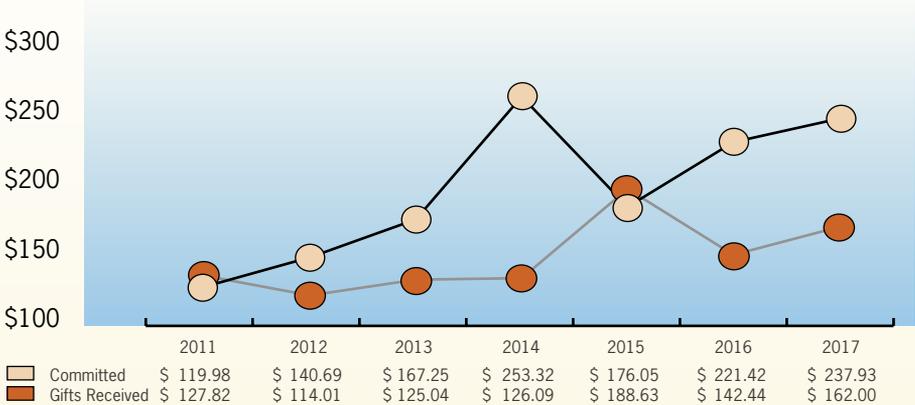


The Power of Every One

America's healthcare industry is in the midst of unprecedented change and Cleveland Clinic is rising to the challenge. In 2011, we embarked upon the most ambitious philanthropic campaign in our history: The Power of Every One. With a goal of raising \$2B by our centennial anniversary in 2021, Cleveland Clinic is committed to transforming healthcare for patients, the nation and the world. As of December 2017, nearly \$1.5B in commitments have been made with close to \$1B of those assets received and comprehensively managed within the LTIP.

CAMPAIGN COMMITMENTS AND GIFTS RECEIVED (ANNUAL)

IN MILLIONS



Gifts and commitments that are structured for immediate use result in Cleveland Clinic's increased ability to connect funding with organizational priorities. We steward gifts in accordance with donor intent, enabling maximum impact by funding critical and unique projects. Thanks to your generosity, we have been able to provide \$494M in support to physicians and researchers over the last seven years as they continue to work to provide world-class care.

PHILANTHROPIC SPENDING (ANNUAL)

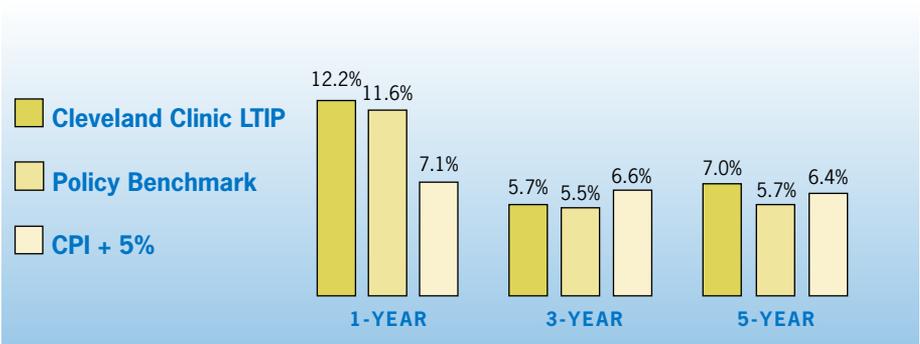
IN MILLIONS



Investment Management for Long-Term Stability

Cleveland Clinic's investment goal is to earn a return sufficient to support our mission, exceed inflation and magnify our impact by growing the portfolio each year. The investment portfolio has achieved a long-term track record of success resulting in \$418M in investment returns since 2011. In addition, portfolio performance has outpaced inflation and exceeded benchmarks over time.

INVESTMENT RETURNS (ANNUALIZED)



Investment policy is approved by the Investment Committee of the Cleveland Clinic Board of Directors and implemented by the Cleveland Clinic Investment Office. A long-term approach is taken with regard to management of the investment portfolio, which is diversified by asset class and geography.

POLICY ASSET ALLOCATION

