



# Eleemosynary

A Newsletter for Endowments and Foundations

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## Special Report:

### Global Diversification May Reduce Risk

A generally accepted strategy in modern investment portfolio design is diversification, the concept of assembling a portfolio of securities or investments that fluctuate in value differently from one another. The benefit of diversification can usually be seen in a reduction in volatility or an increase in return.

The concept is explained by some people rather simplistically as, “don’t put all your eggs in one basket.”

In application of the diversification concept however, some investment committees fail to consider that modern portfolio theory, which is considered by some to be the foundation of asset allocation and diversification is based not only on diversifying across different investments or asset classes to gain different performance, but that the investments or asset classes should be **negatively correlated**.

Correlation is a statistical term measuring the amount of similarity between the volatility and or performance of any two indexes, individual securities, asset classes or investment portfolios. Negative correlation implies that investments or portfolios are dissimilar and that based on certain circumstances or inputs they will move in different if not opposite directions.

Most committees effectively implement a diversification strategy based on the differences in volatility and performance of fixed instruments such as bonds or cash, and equity securities such as common and preferred stock. Some committees also demonstrate an understanding of the differences in volatility and performance related to small capitalization vs. mid cap or large cap and the differences between growth and value in equities or short term vs. intermediate term or long term debt instruments.

Where some committees are not implanting as effectively, is in the global or international asset areas for fixed and especially equity securities. Global investing brings with it some difficulties and extra concerns, not the least of which are currency issues, custodial issues, and in some instances less stable economies and or governments.

However, American domestic equity markets and international markets do not move in tandem, and can provide a degree of negative correlation within the portfolio which can offer further diversification even within a market cap or growth vs. value diversification strategy. Individual stocks of companies around the world may have similar risk as well as similar expected returns. However, they don’t get there in the same manner or most importantly at the same time.

**“Correlation is a statistical term measuring the amount of similarity between the volatility and or performance of any two investments.”**



## Technology Solutions

Harnessing technology to work for your organization is always a challenge. We want to introduce you to an organization that may be able to help, TechBridge. Founded in 2001, TechBridge is the Atlanta-based nonprofit organization that puts technology know-how in the hands of other nonprofits. TechBridge provides superior technology services, consulting and education to a variety of nonprofits dedicated to making our community a better place.

TechBridge serves the nonprofit community by offering free or discounted technology services. Among the free services are free email and website hosting. Since inception through our affiliation with the NPower Network, TechBridge has facilitated the donation of more than \$2.5 million in free Microsoft software. In 2005 alone, we completed over 120 technology projects to help over 85 nonprofit organizations enhance operational efficiencies and improve their delivery of essential services.

TechBridge is a membership organization and our affordable membership program enables organizations of all sizes to tailor our expert technology resources to suit their unique needs. Among the many benefits member-nonprofits enjoy are discounts on TechBridge services, assistance with software selection and implementation and support for their hosted email and websites. A critical extension of this program is the Community Technology HelpDesk, a call-in service to assist our members with unanticipated technology problems.

Uniquely designed to give smaller nonprofits a robust and affordable web presence, TechBridge's Web-in-Box provides a set of professionally designed website templates, which are quick to implement. Our content management tool EasyEdit then enables nonprofits to easily control and administer their website content without onsite technical assistance.

In addition to website services and support, TechBridge offers Technology Audits and Technology Plans to assess current technology situations and to plan for future needs. For nonprofits that have needs for computer or network support, TechBridge offers Scheduled Support services. These scheduled services are designed to provide nonprofits with a "one-stop shop" to address their technology issues. For a fixed monthly fee, Scheduled Services clients receive regular onsite visits to provide proactive, preventative maintenance on their networks, technology infrastructure, servers, and workstations. These proactive steps help to minimize costly downtime and improve network security – without any budgetary surprises.

For more information about how TechBridge can assist your nonprofit with technology, please visit TechBridge on the web at [www.techbridge.org](http://www.techbridge.org).

**Anthony Young**  
*Director of Client Development*

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