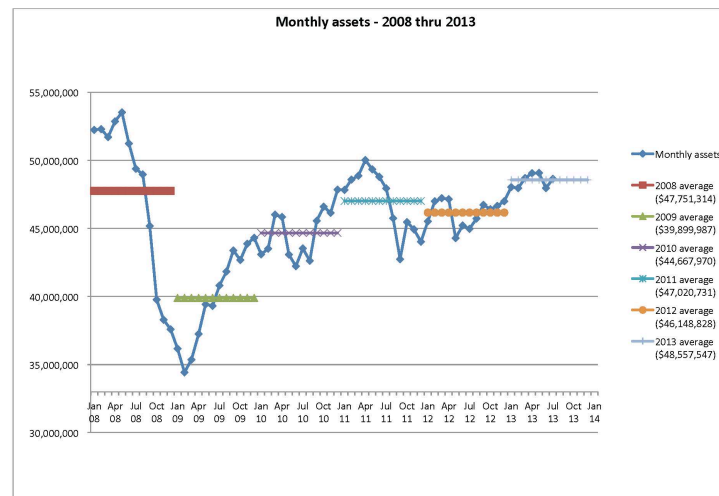


THE CHARLOTTE W. NEWCOMBE FOUNDATION

2012 FINANCIAL HIGHLIGHTS



September, 2013

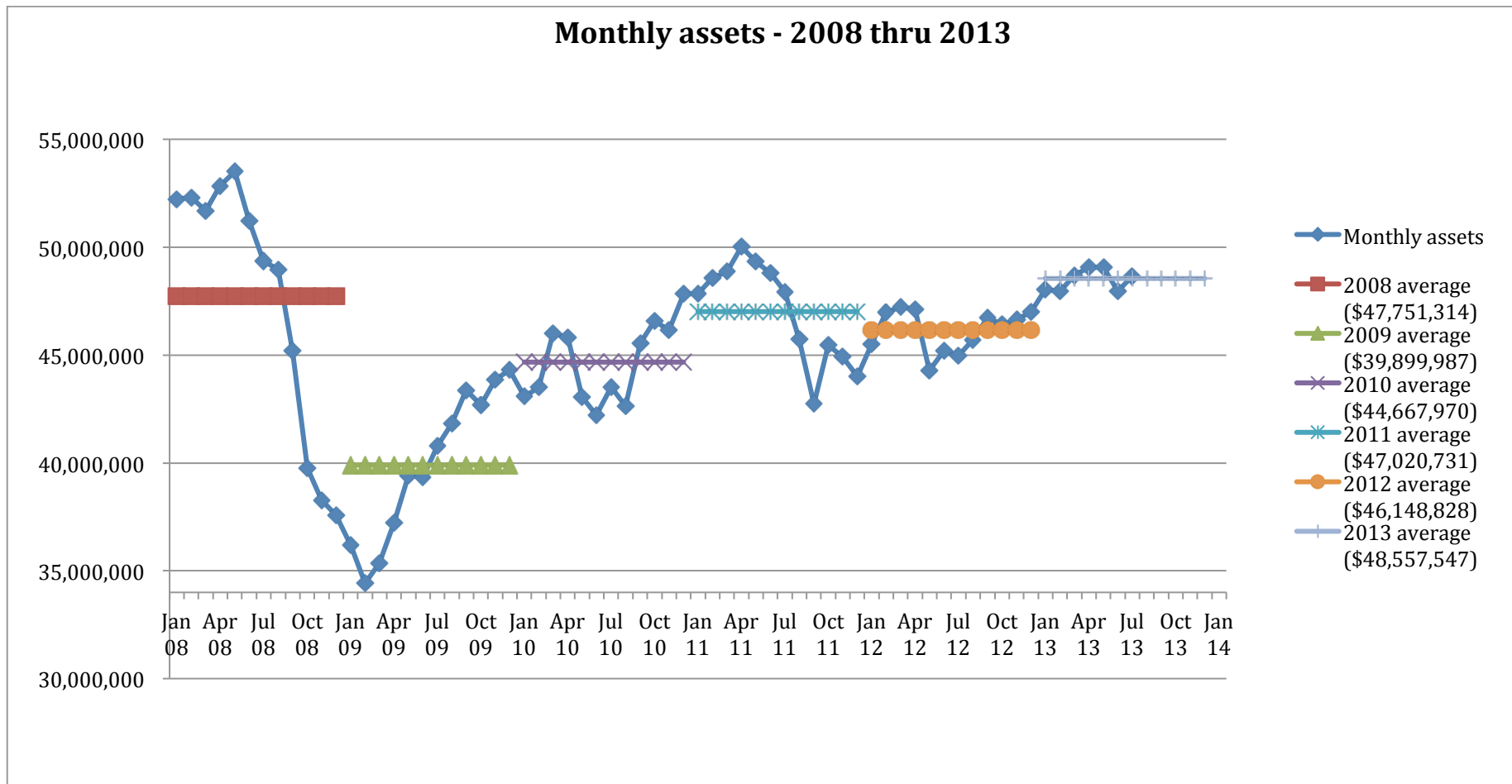
THE CHARLOTTE W. NEWCOMBE FOUNDATION

2012 FINANCIAL HIGHLIGHTS

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MONTHLY ASSET VALUES, 2008 - 2013

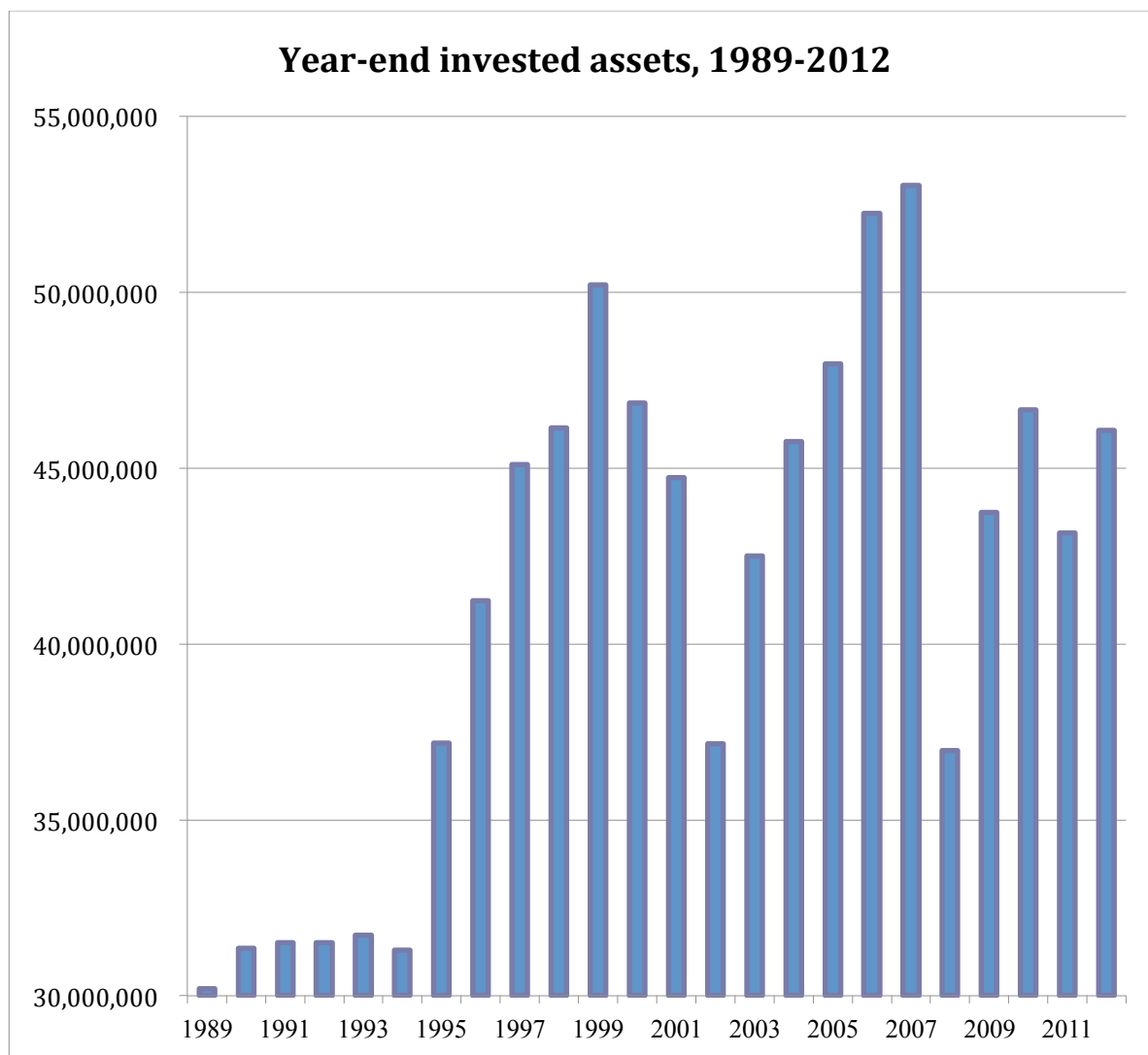
The drastic decline in invested asset values that began in June 2008 continued through February 2009. Increases were then registered in most of the remaining months of 2009. Markets were volatile in 2010, 2011 and early 2012, but the value of assets climbed steadily from May 2012 through May 2013. The chart below illustrates total assets, including checking account balances and real property, as required for IRS form 990-PF. For each year, the value of *average monthly assets* is shown as twelve equal data points on a horizontal line. The average shown for 2013 is tentative, based on January through July.



END-OF-YEAR INVESTED ASSETS

The year-end value of the Newcombe Foundation’s invested assets, which had rebounded in 2009 and 2010 from the 14-year low level to which it had plummeted in 2008, and then declined by 7.5% in 2011, grew 6.8% to \$46,076,495 at the end of 2012.

The chart displays end-of-year assets for each year since 1989.

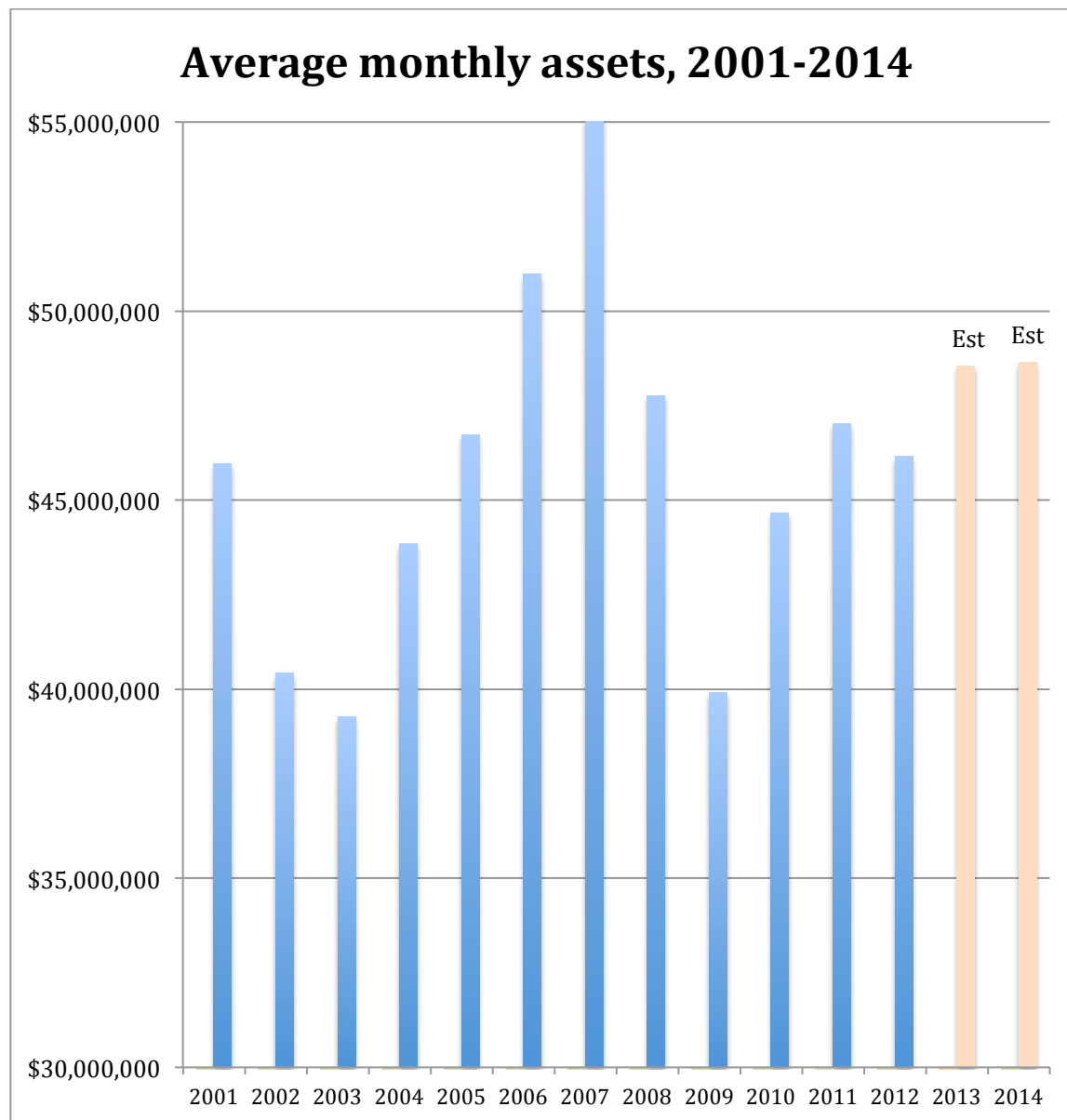


AVERAGE MONTHLY ASSETS

Average end-of-month total assets in 2012, at \$46,154,905, were down \$865,826 or 1.8% from the 2011 average of \$47,020,731. The 2012 average was 3.3% below the 2008 level of \$47,751,314 and 16.3% below the historical maximum of \$55,108,920 in 2007.

Average total assets include funds held in checking accounts and the estimated value of 35 Park Place and its depreciated contents. The latter totaled \$792,000 for 2012, the value to which it had increased in 2010 due to the reassessment of Princeton Borough property values.

The chart at right includes estimates for 2013 and 2014 assuming that assets will remain constant at the 7/31/2013 level; i.e., that returns will be roughly equal to expenditures through the end of 2014.

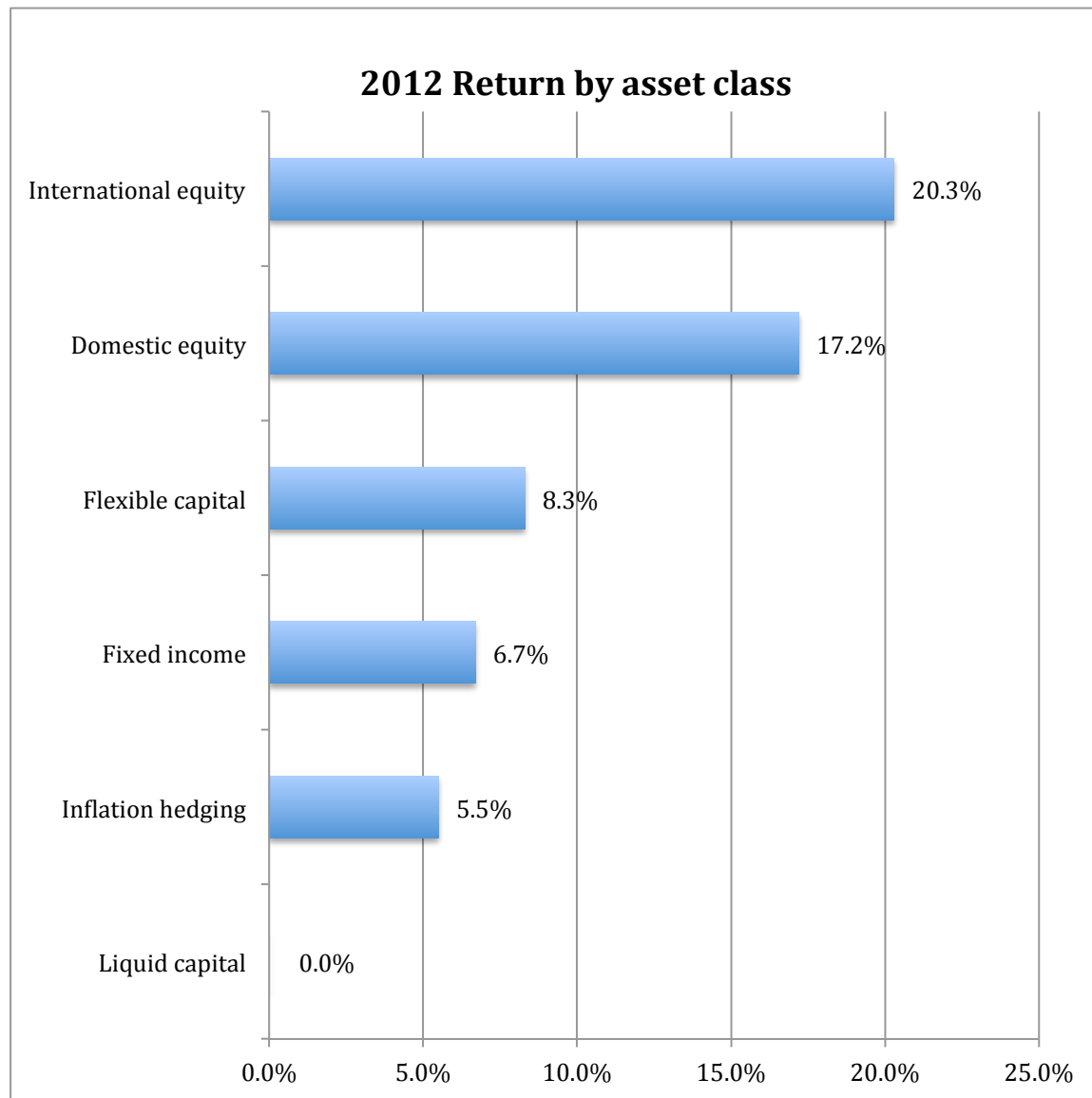


INVESTMENT PERFORMANCE - 2012

The Foundation’s investment managers provided better than benchmark performance in 2012 with a combined 13.0% rate of return as compared with 10.6% for the Policy Index. All investment categories yielded positive returns. International equity investments, which had performed the poorest in 2011, produced the strongest returns in 2012. See Appendix 1 for details.

CUMULATIVE PERFORMANCE SINCE 1979

Cumulative performance since the inception of the Foundation has been extraordinary. The original bequest of \$16.4 million has generated enough through 2012 to allow expenditures totaling \$64.9 million including \$56.1 million in grants, and the end-of-2012 fair market value of all assets \$47.0 million. The cumulative return since 1979 has been 582%, while the cumulative inflation for the same period was 216%, according to the US DOL BLS CPI Inflation Calculator.



END-OF-YEAR ASSET ALLOCATION

At the end of 2012, invested asset distribution was as follows. The investments are sorted from top to bottom in terms of size. Amounts shaded in green had positive returns for the year while those in pink were negative. Asset categories are grouped by column, left to right in order of the Foundation's total investment in that category.

Manager	\$ Rank	International equity	Domestic equity	Flexible capital	Fixed income	Inflation hedging	Liquid capital
Adage Capital Partners, L.P.	1		\$4,912,068				
Dodge & Cox Intl Stock Fund	2	\$3,528,806					
TIFF Absolute Return Pool II	3			\$3,468,818			
William Blair Intl Growth I Fund	4	\$3,405,617					
Colchester Global Bond Fund	5				\$3,248,006		
Barlow Partners Offshore Fund, Ltd.	6			\$2,961,392			
Archstone Market Neutral Strategies Fund	7			\$2,951,408			
City of London Gbl Emerging Mkts Cntry Fd	8	\$2,439,585					
Acadian International Small Cap Fund	9	\$2,410,799					
Vanguard Inflation-Protected Sec Inv Fund	10				\$2,198,825		
Geneva Midcap Equity Growth Acct	11		\$1,904,819				
Systematic Mid Cap Value Fund I	12		\$1,891,397				
Vanguard Energy Admiral Fund	13					\$1,592,836	
Vanguard 500 Index Signal Fund	14		\$1,529,284				
The TAP Fund, LLC	15					\$1,506,967	
MAP 2003, L.P.	16					\$1,500,000	
Vanguard S-Term Treasury Admiral Fund	17				\$1,363,724		
Vanguard Emerging Markets Index Signal Fd	18	\$1,084,250					
Angelo Gordon Core Plus Realty Fund III	19					\$644,117	
Black Rock Treasury Trust Fund	20						\$554,378
MAP 2004, L.P.	21					\$500,000	
MAP 2009, L.P.	22					\$445,000	
Category total	--	\$12,869,057	\$10,237,568	\$9,381,618	\$6,810,554	\$6,188,920	\$554,378
% of overall total	--	28.0%	22.2%	20.4%	14.8%	13.4%	1.2%
Policy goal	--	27.5%	22.5%	20.0%	15.0%	15.0%	0.0%

ASSET ALLOCATION SHIFTS

Allocation policy was not modified during 2012.

The distribution of assets in the portfolio varied during the year due to investment performance, fund transfers and redemptions, but by year's end, the distribution among asset categories had not varied much (see table below).

Three asset classes ended 2012 closer to their policy targets when the year began. Two others moved only 0.1% further away from their respective targets. (The increased allocation to Liquid Capital was an anomaly, as \$500,000 from an Adage redemption (Domestic Equity) was in the process of being transferred to checking at year's end.)

Investment class	Policy goal Lower - Target - Upper	Starting allocation	Ending allocation	Net shift
International equity	23% - 27.5% - 32%	26.1%	28.0%	+1.9%
Domestic equity	18% - 22.5% - 27%	24.2%	22.2%	-2.0%
Flexible capital	15% - 20% - 25%	20.3%	20.4%	+0.1%
Fixed income	10% - 15% - 20%	15.8%	14.8%	-1.0%
Inflation hedging	10% - 15% - 20%	13.5%	13.4%	+0.1%
Liquid capital	0% - 5%	0.1%	1.2%	+1.1%

INVESTMENT DISTRIBUTIONS, CAPITAL CALLS, WITHDRAWALS AND REBALANCING

The table below summarizes the year's investment distributions, transfers for rebalancing, and withdrawals to cover expenditures. The Foundation's investment in the Guggenheim Plus II real estate partnership completed its liquidation deleted during the year, and its investments in MAP 2009 and Angelo Gordon Core Plus Realty Fund continued to grow via capital calls. Throughout the year, investment decisions and transactions were guided by Prime, Buchholz & Associates.

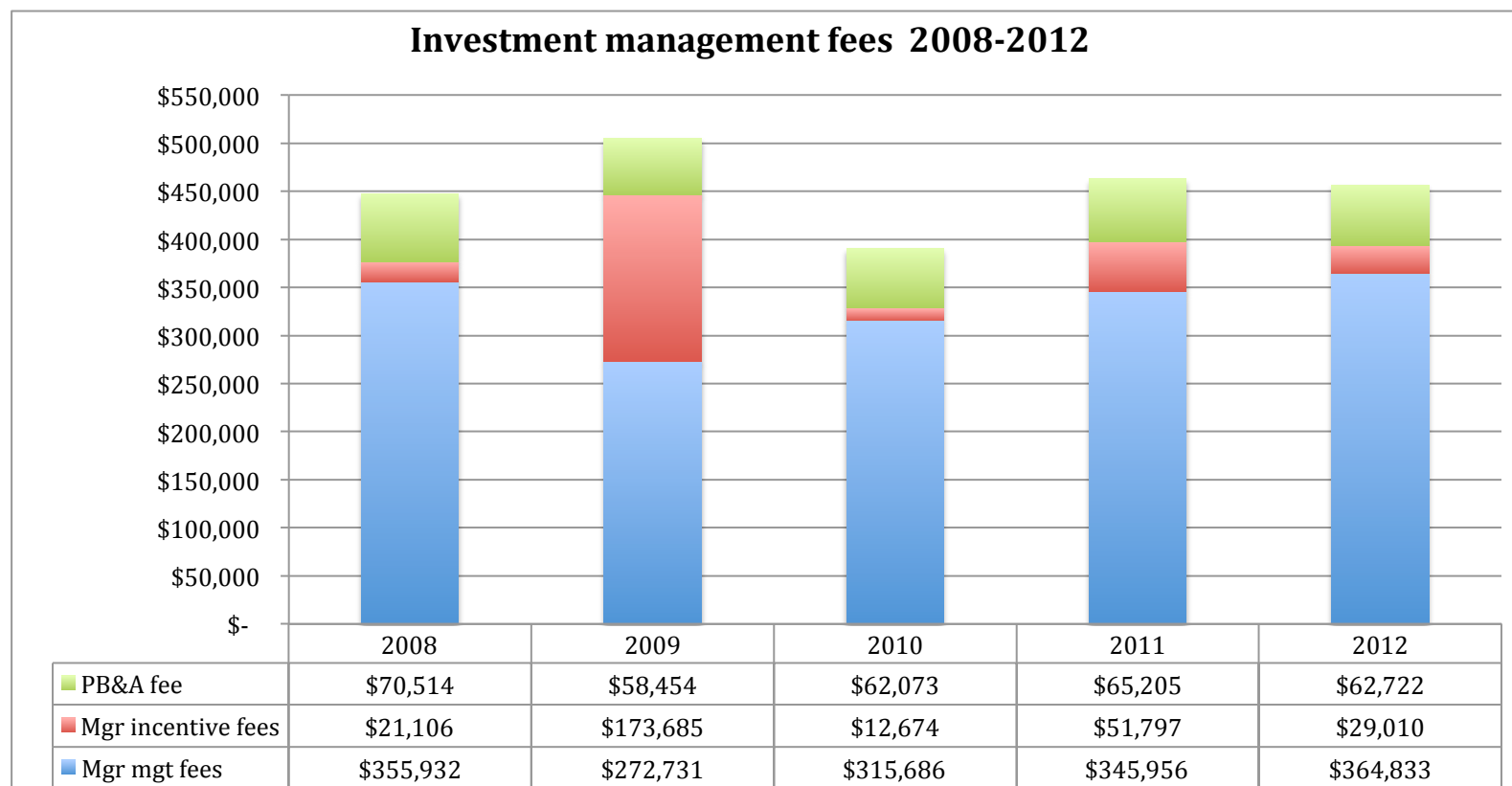
When	Source	Amount	Transaction	Destination
Jan	Vanguard Inflation-Protected Sec Fund	\$500,000	Transfer/Rebalancing	Vanguard Short-term Treas Adm Fund
Mar	Geneva Midcap Equity Growth Account	\$350,000	Withdrawal	<i>Checking account</i>
Apr	<i>BAML Cash Sweep Acct</i>	\$35,000	Capital call	MAP 2009, L.P.
Jun	Vanguard Inflation-Protected Sec Fund (\$100,000)	\$60,000	Capital call	Angelo Gordon Core Plus Realty Fund
		\$40,000	Withdrawal	<i>Checking account</i>
Jul	Adage Capital Partners, L.P.	\$500,000	Withdrawal	<i>Checking account</i>
Jul	Vanguard Inflation-Protected Sec Fund	\$275,000	Withdrawal	<i>Checking account</i>
Aug	William Blair Intl Growth Fund	\$500,000	Transfer/Rebalancing	Vanguard Emerging Markets Sig Fund
Aug	Acadian Intl Small Cap Fund	\$500,000	Transfer/Rebalancing	Vanguard Emerging Markets Sig Fund
Sep	Managers AMG Systematic MC Val 1 Fund (\$125,000)	\$30,000	Capital call	MAP 2009, L.P.
		\$83,584	Capital call	Angelo Gordon Core Plus Realty Fund
		\$11,416	Withdrawal pending	<i>BAML Cash Sweep Acct</i>
Oct	Managers AMG Systematic MC Val 1 Fund	\$100,000	Withdrawal	<i>Checking account</i>
Oct	Geneva Midcap Equity Growth Account	\$100,000	Withdrawal	<i>Checking account</i>
Nov	Vanguard 500 Index Fund	\$30,000	Capital call	MAP 2009, L.P.
Dec	Geneva Midcap Equity Growth Account	\$200,000	Withdrawal	<i>Checking account</i>
Dec	Adage Capital Partners, L.P.	\$250,000	Withdrawal pending	<i>BAML Cash Sweep Acct</i>
Dec	William Blair Intl Growth Fund	\$150,000	Withdrawal	<i>Checking account</i>
Dec	Dodge & Cox Intl Stock Fund	\$150,000	Withdrawal	<i>Checking account</i>
Dec	Acadian Intl Small Cap Fund	\$275,000	Withdrawal pending	<i>BAML Cash Sweep Acct</i>
Dec	Managers AMG Systematic MC Val 1 Fund (\$200,000)	\$172,500	Capital call	Angelo Gordon Core Plus Realty Fund
		\$20,000	Withdrawal	<i>Checking account</i>
		\$7,500	Withdrawal pending	<i>BAML Cash Sweep Acct</i>
Jan-Apr-Jul-Oct	MAP 2003, L.P.	\$243,820	Distributions	<i>Checking account</i>
Jan-Apr-Jul-Oct	MAP 2004, L.P.	\$37,745	Distributions	<i>Checking account</i>
Jan-Apr-Jul-Oct	MAP 2009, L.P.	\$16,526	Distributions	<i>Checking account</i>
Jan-Apr-Jul-Oct	Guggenheim Plus II L.P.	\$428,391	Liquidation	<i>Checking account</i>

INVESTMENT MANAGEMENT FEES

Investment management fees* charged by the twenty-three managers that invested assets for the Foundation during 2012 totaled \$398,551, or 0.86% of the \$46,076,495 in average monthly invested assets, the same as the 0.86% paid in 2011 but well below the 1.12% figure for 2009. The year-to-year change in effective net rate has been primarily due to changes in the incentive fees for Adage, as its returns have fluctuated in comparison with the S&P 500 benchmark. Incentive fees for 2012 were \$29,010, down 44% from \$51,797 in 2011.

Prime, Buchholz and Associates (PB&A) was paid \$62,722 for investment consulting services during 2012, a decrease of 3.8% below the \$65,205 total in 2011. This fee for 2012 equated to 0.13% of average invested assets, about the same as last year. The total for all investment fees was therefore **\$461,273**, or 1.00% of average assets, the same as in 2011 and well below the 2009 level of 1.27%.

* Some managers list actual fees in monthly or quarterly reports; for others, fees are estimated based on the managers' published fee percentages.



2012 Estimate of Investment Expense Fees

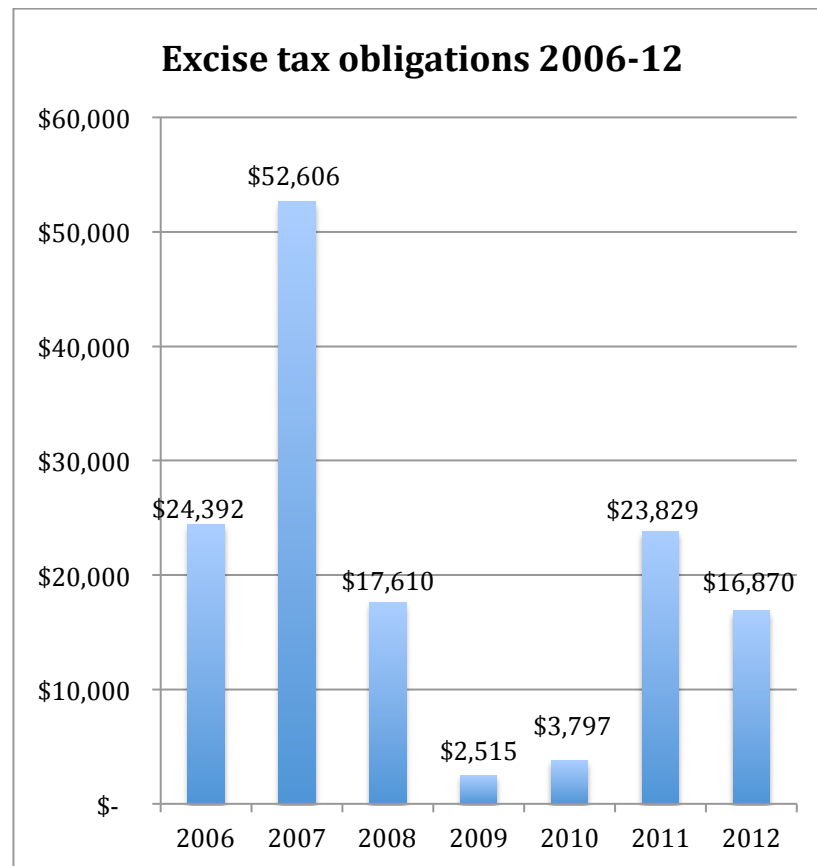
INVESTMENT ACCOUNT	AVERAGE ASSETS	PUBL RATE	CALC RATE	MGMT FEES	ADMIN/ INCENTIVE	A/I RATE	COMBINED FEES	EFFECTIVE NET RATE
Adage Large Cap Core	4,912,068	0.50%	1.11%	54,629 ²	25,179 ²	0.51%	79,808	1.62%
Vanguard 500 Index	1,529,284	0.05%		765 ¹			765	0.05%
Geneva Midcap Growth	1,904,819	0.75%	0.90%	17,056 ²	3,815	0.20%	20,871	1.10%
Systematic MidCap Value	1,891,397	0.88%		16,644 ¹			16,644	0.88%
William Blair Int'l Growth	3,405,617	1.15%		39,165 ¹			39,165	1.15%
Dodge & Cox	3,528,806	0.64%		22,584 ¹			22,584	0.64%
Acadian Intl Small Cap	2,410,799	0.75%	0.87%	20,887 ²			20,887	0.87%
City of London Global Mkts	2,439,585	1.25%		30,495 ¹			30,495	1.25%
Vanguard Emerging Markets	1,096,982	0.20%		2,194 ²			2,194	0.20%
Archstone Absolute Return	2,955,051	1.00%		29,551 ¹			29,551	1.00%
Barlow Partners Offshore	2,962,027	1.00%		29,620 ²			29,620	1.00%
TIFF Absolute Return Pool II	3,471,166	0.45%		15,620 ²			15,620	0.45%
MAP 2003 LP	1,500,000	1.00%		15,000 ¹			15,000	1.00%
MAP 2004 LP	500,000	1.00%		5,000 ¹			5,000	1.00%
MAP 2009 LP	445,000	2.00%		8,900 ¹			8,900	2.00%
AG Core Plus Realty III	659,159	1.50%		9,887 ^{2,3}			9,887	1.50%
Guggenheim RE & REIT Share	0	0.95%		72 ²	16 ²	0.00%	87	N/A
Vanguard Energy	1,592,836	0.28%		4,460 ¹			4,460	0.28%
Gresham TAP	1,506,967	1.10%		16,577 ^{1,3}			16,577	1.10%
Vanguard Inflation-Protected	2,198,825	0.20%		4,398 ¹			4,398	0.20%
Colchester Global Bond	3,248,006	0.60%	0.58%	18,858 ²			18,858	0.58%
Vanguard ST Treasury	1,363,724	0.10%		1,364 ¹			1,364	0.10%
Blackrock Treasury Trust	554,378	0.20%		1,109 ¹			1,109	0.20%
Total	46,076,495			364,833	29,010		393,843	0.85%
Mutual Fund Custody Fees	16,064,866			203 ²			203	0.001%
Geneva Custody Fees	1,904,819			4,707 ²			4,707	0.25%
Commission Recapture	1,904,819			-203 ²			-203	-0.01%
Total (Net Recapture)	46,076,495			364,833	29,010		398,551	0.86%
PB & A Fees	46,711,004			62,722 ^{2,4}			62,722	0.13%
Total Fees	46,076,495			427,555			461,273	1.00%

¹ Fees estimated from published rates² Fees deducted in year 2012³ Fees for Partial Year⁴ Based on Trailing Quarterly Average

21-May-13

INVESTMENT INCOME AND EXCISE TAX

- For 2012, the Foundation’s net investment income for tax purposes was \$1,687,038.
- The Foundation’s federal excise tax obligation is 1% of net investment income, or \$16,870. This was 28% less than the tax obligation in 2011.
- As the year progressed, budget adjustments were implemented to fine-tune grant payments in relation to IRS requirements. These adjustments included the deferment of the payout of \$608,750 of 2012 grant payments into 2013.
- In the Foundation’s IRS 990-PF tax return for 2012, its “qualifying distributions” totaled \$2,344,656, exceeding its 1% excise tax target by \$15,971 and its basic 5% payout target by \$71,527.

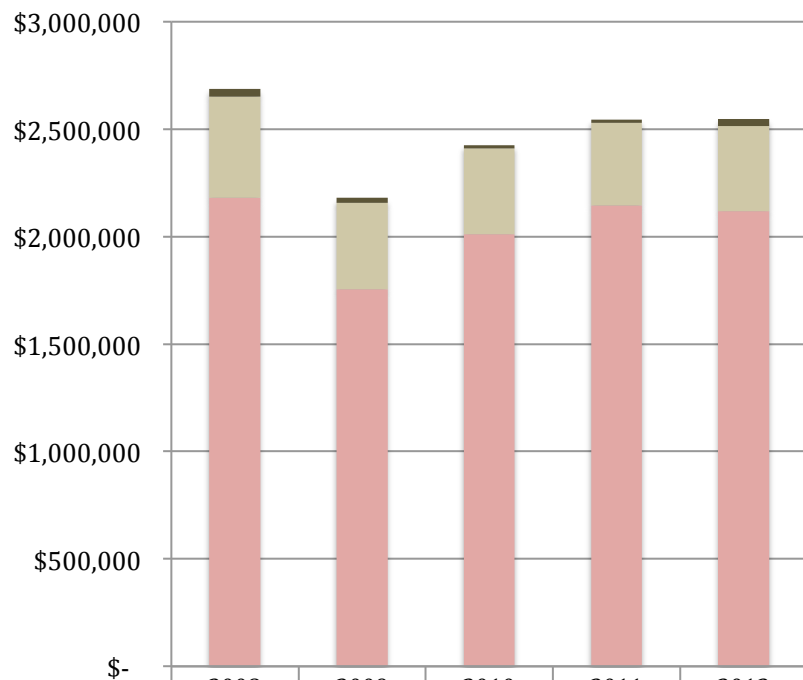


EXPENDITURES

Total expenditures (\$2,548,047) were 0.2% higher in 2012 than in 2011. Grants (\$2,119,825) decreased 1.1% while overall management expenditures (\$395,935) grew by 2.3%. Details vs. 2011 are included in the attached document **2012 Budget** (Appendix 2). Management expenses have held very steady since 2009 at approximately \$400,000 per year. Within the Management categories:

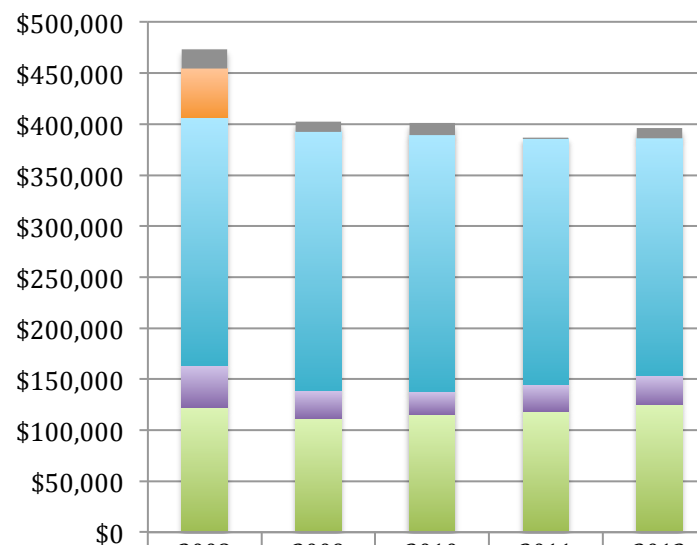
- Compensation was down 3.2% in the first full year of the four-person staffing model.
- Net occupancy costs (\$9,702) returned to a normal level due to maintenance projects and apartment turnover.
- Administration costs (\$28,790) grew 7.4% due to two computer upgrades (vs. none in 2011) and an increase in campus visits.
- Professional fees (\$124,722) grew 5.5% due to the one-time hiring of attorney Kathy Rodgers regarding the MW program transition.

Overview of expenditures, 2008-2012



	2008	2009	2010	2011	2012
Excise tax dep	\$35,742	\$22,310	\$15,227	\$13,000	\$32,287
Management	\$473,164	\$402,694	\$400,948	\$386,848	\$395,935
Grants	\$2,179,685	\$1,755,474	\$2,010,428	\$2,143,692	\$2,119,825

Management expenditures, 2008-2012



	2008	2009	2010	2011	2012
Net occupancy	\$18,545	\$10,271	\$11,642	\$1,364	\$9,702
Special Compn	\$48,000	\$-	\$-	\$-	\$-
Compensation	\$243,216	\$253,578	\$251,398	\$240,484	\$232,721
Administration	\$41,039	\$27,340	\$22,385	\$26,795	\$28,790
Prof fees	\$122,364	\$111,504	\$115,523	\$118,205	\$124,722

IMPLICATIONS FOR 2013 BUDGET

The 2013 budget adopted in December 2012 set spending at \$2,358,414. This was revised up to \$2,644,583 in May 2013 due to growth in invested assets between December and April.

Grant expenditures for 2013 were originally budgeted at \$2,118,414, a decrease of 0.1% from the 2012 level of \$2,119,825. The May revision increased this to \$2,213,997, or 4.4% higher than 2012. Actual grant payout for the year (and deferral of some payments into 2014) will be determined in December in response to subsequent changes in asset values and management expenses. Final adjustments will attempt to ensure the Foundation's continued qualification for the 1% excise tax and clearance of the 5% payout target.

2011 AUDIT & 2012 ACCOUNTING

The Trustees' agreement with WithumSmith+Brown, a Princeton accounting firm, provides that the audit work and tax preparation will be done each year after April 15th. Audit reports and tax filings are prepared and reviewed by senior partners after K-1 forms have been received (usually by the end of May).

Heidi Dreyfuss and a colleague of WithumSmith+Brown began preparing the Foundation's 2011 audit during the late spring of 2012. The preparatory work went smoothly and the staff again found them helpful and easy to work with. Ms. Dreyfuss met with the Trustees in October 2012 to review with them her 2011 audit report and the 2011 Form 990-PF. She found no cause for concern with the Foundation's financial record keeping.

Also, throughout 2012, Ms. Dreyfuss was very helpful in responding to staff questions about accounting practices in anticipation of the preparation of Form 990-PF for 2012. These consultations resulted in an even smoother review process for 2012 during the early summer of 2013.