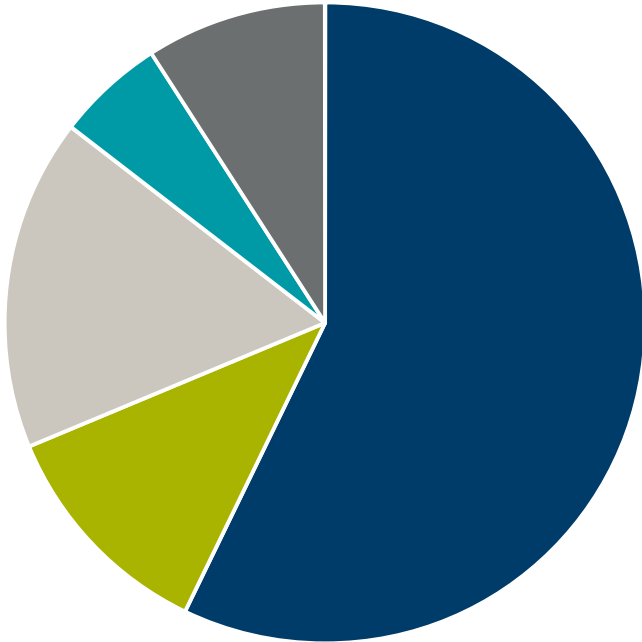


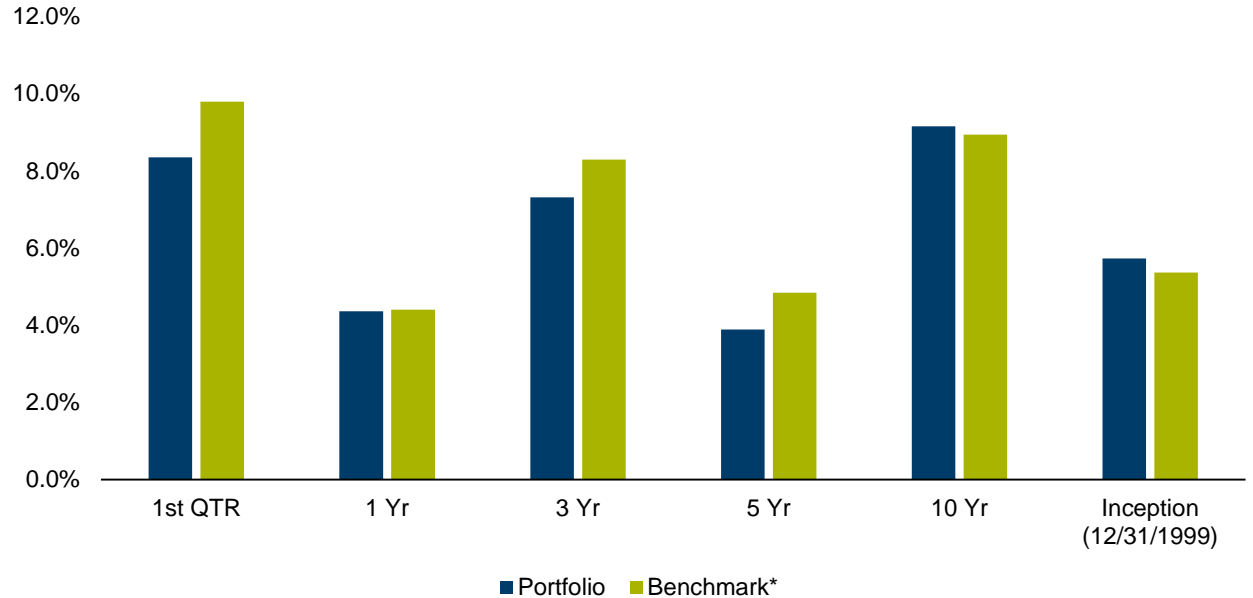
# Greater Tacoma Community Foundation – Endowment Portfolio

## Portfolio composition



- 59% Equity
- 11% Private Equity
- 16% Fixed Income
- 8% Liquid Alternatives
- 6% Real Estate

## Endowment Performance



	1st QTR	1 Yr	3 Yr	5 Yr	10 Yr	Inception (12/31/1999)
<b>Portfolio</b>	8.4%	4.4%	7.3%	3.9%	9.2%	5.7%
<b>Benchmark*</b>	9.8%	4.4%	8.3%	4.8%	8.9%	5.4%

Local impact investments may represent up to 3% of the portfolio, spread across real estate, fixed income, and equity.

Data as-of March 31, 2019. Source: Vanguard

\*Returns are net of investment management fee

\*\*Time weighted benchmark. Benchmark history available upon request.

## 1st Quarter Overview

### Heightened volatility led to losses across the global equity markets

Driven by steep losses in the fourth quarter of -14.3%, the U.S. equity market<sup>1</sup> ended the year with a return of -5.2%. The uncertainty created by continuing trade disputes, concerns over the velocity of the Federal Reserve's interest rate hikes, and the partial government shutdown, all contributed to volatility and market declines. As of year-end, large cap stocks<sup>2</sup> had turned in the best performance, despite losing -4.4%, including a -13.5% loss for the quarter, due to better relative results from the Information Technology and Healthcare sectors. Meanwhile, mid-cap<sup>3</sup> and small-cap<sup>4</sup> equity segments also fell sharply, returning -9.2% and -9.3% in 2018, respectively; they posted -15.5% and -18.3% returns during the fourth quarter. Although growth stocks<sup>5</sup> (-16.3%) trailed relative to value stocks<sup>6</sup> (-12.2%) for the quarter, they outpaced their value counterparts for the year, returning -2.1% versus -8.6%. Facing concerns over muted growth expectations, international equities<sup>7</sup> also suffered losses during the quarter, falling -11.8% during the period, and -14.6% for the prior twelve months. Higher Treasury yields and the strong U.S. dollar continued to negatively impact emerging markets<sup>8</sup>, which were down -6.1% for the fourth quarter and -13.3% for the year. Similarly, the developed markets index<sup>9</sup> fell -13.2% for the quarter, as Brexit fears, the Italian budget crisis and riots in France contributed to volatility. Even the German economy saw its first contraction since early 2015, partially due to very low demand in the auto industry.

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### Fixed income asset classes posted mixed results, with the broad U.S. market mainly flat for 2018

The broad U.S. fixed income market<sup>10</sup>, although up 1.6% during the fourth quarter, remained relatively flat for the year with a return of -0.1%. The Federal Reserve raised short-term rates by 25 basis points in December, marking the fourth time in twelve months, to a target range of 2.25% to 2.50%. The yield curve continued to flatten, and the spread between 2-year and 10 year Treasury securities finished 2018 at 0.21%, down from 0.51% at the end of 2017. Market participants closely watch the relationship between short-term and long-term yields as an inverted yield curve is widely considered an indicator of a possible recession. The ten-year Treasury note fell from 3.09% to 2.69% in the fourth quarter as these securities rallied, with investors moving toward their relative safety in light of continued equity market volatility and geopolitical uncertainty. Widening credit spreads served as a headwind to corporate bond returns, as concerns of slowing global growth, the impact of rising interest rates on corporate profits in the form of higher borrowing costs, as well as the general risk-off sentiment led investors to demand higher yield for more risk. Overall, higher quality bonds held up better than high-yield bonds for the quarter, given investors' preference for safety during recent months. Investment-grade corporate bonds<sup>11</sup> finished flat for the quarter (0.01%) but down -2.1% for the year; high-yield bonds<sup>12</sup> posted a loss of -4.5% for the quarter and matched the -2.1% performance of the higher quality corporate segment for the year. International bonds fared positively in the fourth quarter, with the currency-hedged index performing better than the unhedged version, as the U.S. dollar appreciated relative to other major currencies. The hedged index<sup>13</sup> returned 1.9% for the quarter and 3.2% for the year, while unhedged international bonds<sup>14</sup>, which are subject to currency fluctuations, returned 0.9% for the quarter and fell -2.1% for the year.

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### Final thoughts

Vanguard's current outlook reflects lower return expectations across equities and fixed income relative to history while continuing to stress the importance of a long-term perspective. With increased volatility and lower returns on the horizon, Vanguard believes it's important to maintain perspective as a low-cost diversified portfolio along with periodic rebalancing, greatly increases the chances for investment success. Vanguard Chief Investment Officer, Greg Davis, reminds us in his recent blog, "What all investors should keep in mind is the risk of timing an investment decision poorly is generally higher than the risk of changing nothing at all in your portfolio. Remember, it's also a decision to do nothing."

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### Index Returns

1) CRSP US Total Market Index, 2) CRSP US Large-Cap Index, 3) CRSP US Mid-Cap Index, 4) CRSP US Small-Cap Index, 5) Russell 3000 Growth Index, 6) Russell 3000 Value, 7) FTSE Global All-Cap Ex-US Index, 8) FTSE Emerging Market Index, 9) FTSE Developed All Cap ex US Index, 10) BloombergBarclays US Aggregate Float Adjusted Index, 11) BloombergBarclays US Credit Index, 12) BloombergBarclays US Corporate High Yield Index, 13) BloombergBarclays Global Aggregate ex-USD Float Adjusted RIC Cap Index Hedged, 14) BloombergBarclays Global Aggregate ex-USD Index

### Sources:

Vanguard, U.S. Treasury, U.S. Federal Reserve, Bureau of Labor Statistics, Bureau of Economic Analysis, Conference Board, Institute for Supply Management, Bank of England, Financial Times, Eurostat, Wall Street Journal, IHS Markit, Reuters, Bank of Japan, Bloomberg, European Central Bank, and International Monetary Fund

## Benchmark History

### Endowment History

**From inception through 7/31/2013**, the benchmark is represented by 32% S&P 500 Index, 3% Russell Midcap Index, 3% Russell 2000 Index, 11% MSCI EAFE Index, 2% MSCI Small Cap EAFE Index, 8% MSCI Emerging Markets Index, 22% Barclays U.S. Aggregate Bond Index, 3% Barclays U.S. TIPS Index, 6% DJ/CS HFI Long/Short Equity, 3% DB Liquid Commodity Index–OY Div., 7.00% U.S. T-Bill + 3%. **From 8/31/2013 to 9/30/2016**, the benchmark is represented by 10% S&P 500 Index, 5% Russell Midcap Index, 5% Russell 2000 Index, 10% MSCI EAFE Index, 2% MSCI Small Cap EAFE Index, 8% MSCI Emerging Markets Index, 18% Barclays U.S. Aggregate Bond Index, 2% Barclays U.S. TIPS Index, 5% DJ/CS HFI Long/Short Equity, 7.5% Bloomberg Commodity Index 7.50%, 20% U.S. T-Bill + 3%, 7.5%, FTSE EPRA/NAREIT Global Index. **From 10/1/2016 through 6/30/2018**, the benchmark is represented by 40% Spliced Total Stock Market Index, 26% Spliced Total International Stock Index, 10% Spliced Bloomberg Barclays US Agg Float Adj Ix, 4% Bloomberg Barclays GA ex-USD FIAj RIC Cplx Hgd, 10% REIT Spliced Index, 5% Citi 3 month Treasury Bill, 5% FTSE 3-month U.S.T-Bill Index + 4%. **Thereafter**, the benchmark is represented by 40% Spliced Total Stock Market Index, 26% Spliced Total International Stock Index, 10% Spliced Bloomberg Barclays US Agg Float Adj Ix, 4% Bloomberg Barclays GA ex-USD FIAj RIC Cplx Hgd, 10% REIT Spliced Index, 10% Citi 3 month Treasury Bill.

Note: Inception date of MSCI Small Cap EAFE Index total return series is 1/31/2001, prior to that the price only series was used.

### Annuity History

**From inception through 9/30/2016**, the benchmark is represented by 5% Russell 2500 Index, 26% Russell 1000 Index, 5% Russell 2000 Value Index, 23% MSCI EAFE Index, 35% Barclays U.S. Aggregate Bond Index, 6% FTSE NAREIT Equity Index. **From 10/31/2016**, the benchmark is represented by 36% Spliced Total Stock Market Index, 23% Spliced Total International Stock Index, 25% Spliced BBgBarc US Agg Float Adj Ix, 6% REIT Spliced Index, 5% Citi 3mth Treasury Bill, 5% FTSE 3-month U.S.T-Bill Index + 4%.

### Short-Term History

**From 10/31/2010 through 9/30/2016**, the benchmark is represented by 10% Russell 3000 Index, 5% MSCI AC World Index ex-U.S., 70% Barclays U.S. Aggregate Bond Index, 15% Barclays Inst'l Money Market. **From 10/31/2016**, the portfolio is represented by 17% Spliced Total Stock Market Index, 8% Spliced Total International Stock Index, 65% Spliced BBgBarc US Agg Float Adj Ix, 10% Citi 3 month Treasury Bill.