Greater Tacoma Community Foundation – Endowment Portfolio

Portfolio composition

- 59% Equity
- 10% Private Equity
- 16% Fixed Income
- 6% Real Estate
- 9% Liquid Alternatives

Endowment Performance

<table>
<thead>
<tr>
<th>Period</th>
<th>Portfolio</th>
<th>Benchmark*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2nd QTR</td>
<td>0.6%</td>
<td>1.3%</td>
</tr>
<tr>
<td>YTD</td>
<td>0.2%</td>
<td>0.1%</td>
</tr>
<tr>
<td>1 Yr</td>
<td>7.6%</td>
<td>8.1%</td>
</tr>
<tr>
<td>3 Yr</td>
<td>6.0%</td>
<td>6.2%</td>
</tr>
<tr>
<td>5 Yr</td>
<td>6.3%</td>
<td>6.1%</td>
</tr>
<tr>
<td>10 Yr</td>
<td>5.2%</td>
<td>5.3%</td>
</tr>
<tr>
<td>Inception (12/31/1999)</td>
<td>6.0%</td>
<td>5.4%</td>
</tr>
</tbody>
</table>

Data as-of June 30, 2018. Source: Vanguard
*Returns are net of investment management fee
**Time weighted benchmark. Benchmark history available upon request.
2nd Quarter Overview

U.S. equities rebound while international markets slip further into negative territory
Equity markets within the United States performed well during the second quarter as strong economic data releases and positive earnings momentum was enough to overcome heightened trade rhetoric and other geopolitical concerns. After returning -0.6% over the first quarter, the broad U.S. equity market1 gained 3.9% during the second quarter and, as a result, domestic equities have gained 3.3% year-to-date. Small-cap equities2 were the star performer over the second quarter after gaining 6.2% while large-cap3 and mid-cap equities4 gained 3.4% and 2.6%, respectively. For the year-to-date period, small-caps continue to lead the way after gaining 6.0%, followed by a 2.7% gain for large-cap and 2.6% gain for mid-cap equities. From a style perspective, growth stocks5 continued to handily outperform value stocks6 over the quarter as they returned 5.9% compared with the 1.7% return for value stocks. This trend has been consistent in 2018 with growth stocks gaining 7.4% versus the -1.2% return for value stocks during the first six months of the year.

Outside of the United States, the heightened trade rhetoric, as well as the strengthening dollar, hurt returns for international equities. The broad international equity market7 returned -2.6% for the quarter, bringing the six month return down to -3.7%. Losses within international equities were primarily driven by emerging markets8, which have been more negatively impacted by a strong U.S. dollar. Emerging market equities returned -8.2% during the quarter and -6.9% for the first six months of the year. Meanwhile, developed markets9 outside of the U.S. performed slightly better, although they still produced negative returns. For the quarter, developed markets returned -1.1% which brought their year-to-date return to -2.8%.

Global fixed income markets experience volatility
Interest rates in the United States continued their upward trajectory during the second quarter as the yield on the ten-year Treasury rose from 2.73% in early April to 2.85% at the end of June. The rise in rates was not a smooth one, however, as the ten-year yield hit a seven-year high of 3.11% in mid-May on the back of continued strong economic growth and inflation expectations. Later in the quarter, risk aversion and safe-haven buying caused rates to retreat from those levels. Meanwhile, the shape of the yield curve continued to flatten as the two-year Treasury yield rose to end the quarter at 2.52% and the spread between the ten-year and two-year Treasuries was a mere 33 basis points, the lowest level since 2007. In this interest rate environment, the broad U.S. fixed income market10 returned -0.2% for the quarter and -1.7% for the year-to-date period. Within the U.S. fixed income market, Treasuries11 gained 0.1% for the quarter while U.S. credit bonds12 returned -0.9%. As was the case in the first quarter, high-yield bonds13 outperformed higher quality fixed income assets, returning 1.0% to bring the year-to-date return up to 0.2% after slight losses during the first quarter. For the year-to-date period, both Treasuries and credit bonds are lagging high-yield with returns of -1.1% and -3.0% respectively.

Outside of the United States, international hedged bonds14 gained 0.5% for the quarter, easily outperforming their unhedged15 counterpart’s return of -4.8% as the strengthening of the U.S. dollar was a headwind to performance for unhedged fixed income. For the year-to-date period, hedged international bonds have returned 1.4% compared with the -1.3% for unhedged

Looking ahead: Vanguard’s principles for investing success still apply
The current investing environment presents several potential distractions for long-term focused investors, from geopolitical issues, concerns over the potential for a trade war, as well as the expectations for muted equity and fixed income returns over the next ten years. As always, Vanguard urges investors to focus on the aspects of investing that are within their control and do their best to tune out these short-term distractions. A well-constructed portfolio focused on a strategic asset allocation that accounts for an investor’s specific circumstances, goals, and risk tolerance, implemented at a low cost, is best positioned to navigate short-term market volatilities, and achieve long-term investment success.
