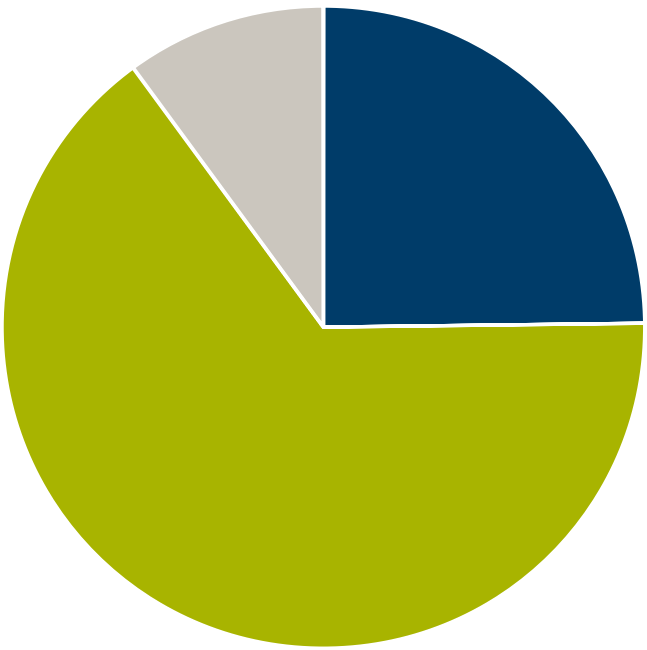
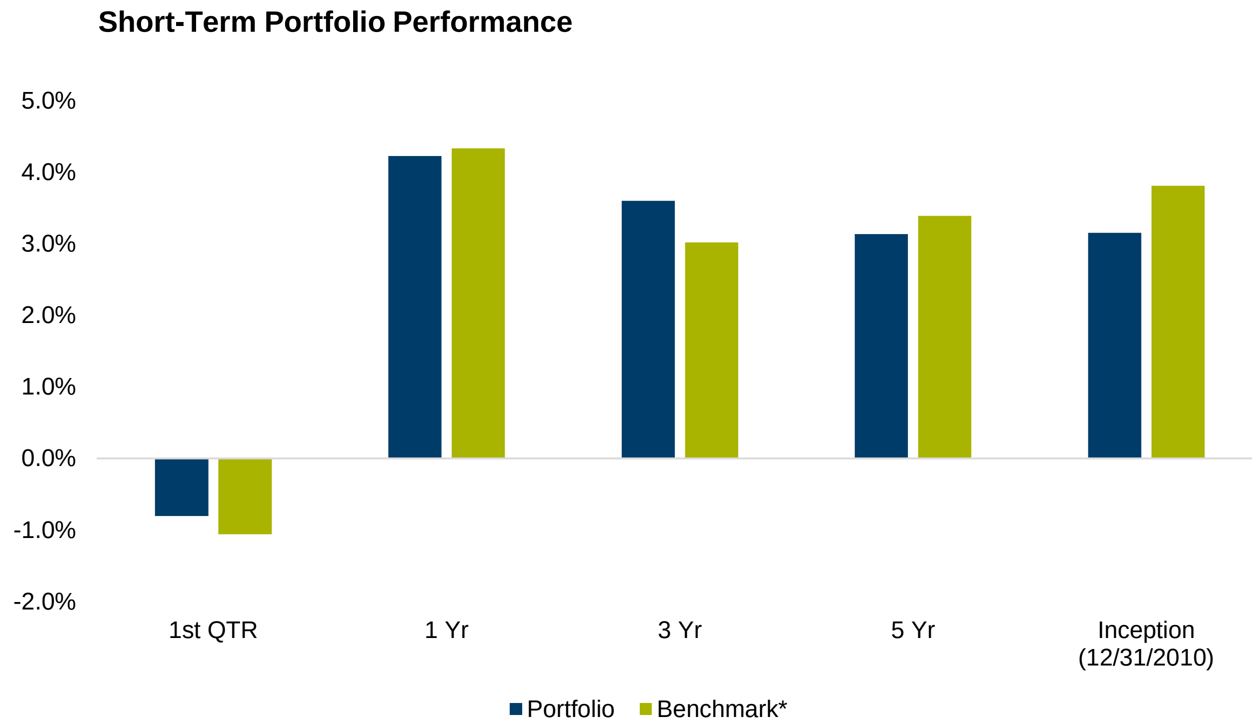
Greater Tacoma Community Foundation – Short-Term Portfolio

Portfolio composition



- 25% Equity
- 65% Fixed Income
- 10% Cash



	1st QTR	1 Yr	3 Yr	5 Yr	Inception (12/31/2010)
Portfolio*	-0.8%	4.2%	3.6%	3.1%	3.2%
Benchmark**	-1.1%	4.3%	3.0%	3.4%	3.8%

Data as-of March 31, 2018. Source: Vanguard
*Returns are net of investment management fee
**Time weighted benchmark. Benchmark history available upon request.

1st Quarter Overview

Global equity markets experience a sharp uptick in volatility

Following a strong year in 2017 where U.S.[1] and international[2] equity markets gained 21.2% and 27.4 %, respectively, global equity markets started 2018 on a strong note as both domestic and international stocks climbed over 5% in January. However, February delivered a sharp selloff in global equities beginning with the release of the January U.S. nonfarm payrolls report. Part of this report showed that average hourly earnings increased 2.9% year-over-year which was the biggest increase since the global financial crisis. The magnitude of the acceleration caused concern among investors about higher inflation and, in-turn, the possibility of the Federal Reserve raising interest rates more aggressively than previously anticipated. Consequently, U.S. and international equities fell -3.7% and -4.6%, respectively, during the month of February despite continued strong economic data releases. Just as calm seemed to return to the equity markets in early March, the Trump administration announced tariffs on steel and aluminum imports followed by additional tariffs on $60 billion of Chinese imports. In response, China announced tariffs on roughly $3 billion of U.S. imports, further igniting fears of a looming trade war between the world's two largest economies. When the dust had finally settled on a volatile quarter for equity markets, U.S. equities had fallen -0.6%. Within the U.S. market, mid-cap equities[3] were the best performers, gaining 0.03% while small-caps[4] and large-caps[5] produced losses of -0.2% and -0.7% respectively. From a style perspective, growth stocks[6] continued their outperformance over their value counterparts as they returned 1.5% over the quarter compared with -2.8% for value stocks[7]. Outside of the U.S., international equities fell more than their U.S. counterparts as the broad international equity market lost -1.1% over the quarter. Within international markets, developed markets[8] were the laggard as they fell -1.8% over the quarter while emerging markets[9] gained 1.4%.

Vanguard believes it is important to remind investors that pullbacks like the one endured in February are not rare events. In fact, since 1980, a significant market event – a correction or bear market, for example – has happened once every two years on average. It is important to always put these losses into context as market uncertainty can often cause investors to diverge from their asset allocation targets as they try to insulate themselves from the turmoil. However, Vanguard believes that trying to time these events can lead to costly mistakes. Furthermore, investors in the equity markets must remember that short-term volatility is the price for long-term outperformance.

Tough start to the year for fixed income

The first quarter of 2018 saw a fairly significant rise in interest rates across the U.S. Treasury yield curve. The benchmark ten-year yield rose from 2.4%, at the start of the year, to 2.8% at the end of the first quarter, while both the two-year and thirty-year maturities also saw significant upward movements in their interest rates. In that rising interest rate environment, the broad U.S. fixed income market[10] fell -1.5%. Within the U.S. fixed income market, high-yield bonds[11] returned -0.9%, outperforming both investment-grade corporate bonds[12] and U.S. Treasury bonds[13] which returned -2.1% and -1.2%, respectively. The U.S. dollar has continued to weaken thus far in 2018, despite the shift higher in expectations for U.S. interest rates. As a result, unhedged international bonds[14] returned 3.6% over the quarter, handily outperforming their currency hedged counterparts[15] which returned 0.94%.

Vanguard does not believe that higher global interest rates are cause for concern, particularly for long-term, globally diversified investors. According to Vanguard's chief European economist, Peter Westaway: "Interest rates are still expected to rise in a very gradual and predictable manner and to a lower endpoint than we've experienced historically. This slow and low interest rate cycle should not lead to too much financial market disruption over the long term. In addition, rising interest rates are a direct consequence of a healthy global economy." Higher yields may mean falling prices for fixed income assets which could have a negative impact on portfolio returns in the short-term. However, for long-term investors, the reinvestment of income at higher interest rates has proven favorable for long-term fixed income returns.

Looking ahead: continued risk to the status quo

For 2018 and beyond, Vanguard's investment outlook continues to be one of higher risks and lower returns as the current market environment remains challenging for investors. A low and slowly rising interest rate environment, coupled with elevated equity market valuations, implies that future long-term returns across asset classes are likely to be subdued relative to history. At the same time, as central bankers gradually withdraw monetary stimulus and policy normalizes, average market volatility is likely to rise. Investors can also reasonably assume that trade rhetoric will remain a source of volatility throughout 2018, as the Trump administration tries to set a new course on trade policy without triggering retaliation from partners. With lower expected returns and the potential for more frequent periods of market turbulence, we advocate that investors remain disciplined by sticking to their long-term investment strategies while maintaining a diversified approach to better navigate potential market volatility.

Index Returns 1) CRSP US Total Market Index, 2) FTSE Global All-Cap Ex-US Index 3) CRSP US Mid-Cap Index, 4) CRSP US Small-Cap Index, 5) CRSP US Large-Cap Index 6) Russell 3000 Growth Index, 7) Russell 3000 Value, 8) FTSE Developed All Cap ex US Index 9) FTSE Emerging Market Index, 10) BloombergBarclays US Aggregate Float Adjusted Index 11) BloombergBarclays US Corporate High Yield Index, 12) BloombergBarclays US Credit Index, 13), 10) BloombergBarclays US Treasury Index,14) BloombergBarclays Global Aggregate ex-USD Index, 15) BloombergBarclays Global Aggregate ex-USD Float Adjusted RIC Cap Index Hedged

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, HIS 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. 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 FlAj RIC CpIx Hgd, 10% REIT Spliced Index, 5% Citi 3 month Treasury Bill, 5% FTSE 3-month U.S.T-Bill Index + 4%.

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.