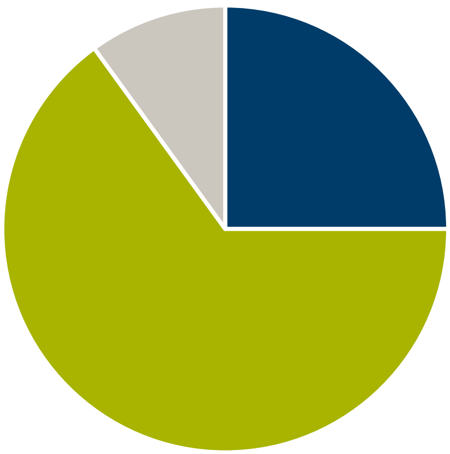
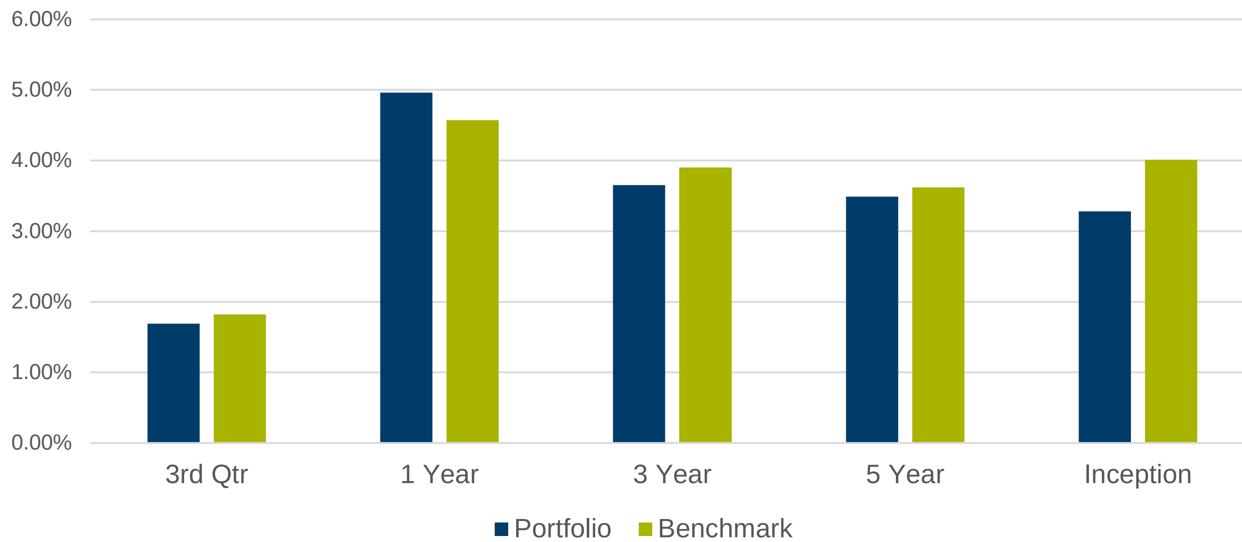
Greater Tacoma Community Foundation – Short-Term Portfolio

Portfolio composition



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

Portfolio Performance



	3rd QTR	1 Yr	3 Yr	5 Yr	Inception (12/31/2010)
Portfolio	1.7%	4.9%	3.7%	3.5%	3.3%
Benchmark*	1.8%	4.6%	3.9%	3.6%	4.0%

Data as-of September 30, 2017. Source: Vanguard

*Benchmark history available upon request.

3rd Quarter Overview

Economic data drives equities even higher

Global equities continued their upward march during the third quarter as economic data continued to point to a healthy global economy. The broad U.S. equity market[1] managed to shrug off geopolitical concerns and policy uncertainty in Washington to post a 4.5% return, along with record highs, for the quarter.

From a size perspective, gains within the domestic equity markets were broad-based as small-cap stocks[2] rose 4.6%, in-line with the 4.5% return for large-caps[3], while mid-cap stocks[4] lagged slightly with a return of 3.4%. For the year-to-date period, large-cap stocks continued to lead the way with a gain of 14.5%. Meanwhile, from a style perspective, growth stocks[5] continued to handily outpace value as they rose 5.9% over the quarter and 20.4% over the previous nine months. Their value counterparts[6] produced positive, albeit lower, gains with returns of 3.3% and 7.7% for the quarter and year-to-date periods, respectively.

As was the case in the second quarter, international equity markets[7] continued to outperform domestic markets with a gain of 6% for the quarter. International markets were buoyed by strong economic data out of many regions as well as the continued weakening of the U.S. dollar. Emerging market equities[8] in particular have benefitted from those factors and gained 7.8% over the quarter and 23.5% for the year-to-date period. Not to be outdone, developed markets[9] outside of the U.S. have also posted strong gains of 20.8% for the year-to-date period.

Fixed income returns stay positive

After rallying to start the quarter, Treasury bonds[10] sold off in September as fixed income investors seemed to take Federal Reserve policy tightening communications more seriously. Over the quarter, U.S. Treasury bonds gained 0.4% as the yield on the 10-year Treasury note started the quarter at 2.31%, fell as low as 2.05% in early September, and then rose again to finish the quarter at 2.33%.

Meanwhile, the risk-on sentiment displayed in the equity markets during the quarter was also visible in fixed income markets as U.S. credit bonds[11] returned 1.3% and high-yield bonds[12] rose 2% as default rates remained subdued. Over the year-to-date period, high-yield bonds continued to lead the way with a return of 7% versus the 5.1% for credit bonds and 2.3% for Treasury bonds. In this environment, the broad U.S. fixed income market[13] gained 0.8% over the quarter and 3.2% for the year-to-date period.

Outside of the United States, returns for both hedged and unhedged international bonds remained positive. As a result of the continued weakening of the U.S. dollar, unhedged international bonds[14] produced a strong gain of 2.5% over the quarter and outperformed their currency-hedged counterparts[15] which returned 0.7%.

Looking ahead: historically low inflation and interest rates

With the global economy at full employment, low inflation is the last key obstacle preventing policymakers from more aggressively normalizing monetary policy. Vanguard has long held that structural forces such as globalization, demographics, and the growing diffusion of more powerful and cheaper technologies into the global economy, means that most economies will struggle to achieve a sustainable inflation target of 2%. This further bolsters our view that interest rates will remain low for quite some time.

Historically, fixed income yields have done a reasonable job of predicting bond returns and as such we maintain our guarded, but not bearish view, that global fixed income returns may average 1% - 3% over the next ten years. Similarly, when adjusted for the current low levels of interest rates and inflation, Vanguard considers equity market valuations to be on the high end of fair value. With this in mind, our outlook calls for somewhat muted global equity returns of 5% - 8% over the next ten-years. As always, Vanguard reminds investors that establishing a low-cost, well-diversified portfolio based on your specific goals, and with reasonable expectations in mind, is a time-tested strategy that gives all investors the best chance for investment success.

Index Returns

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