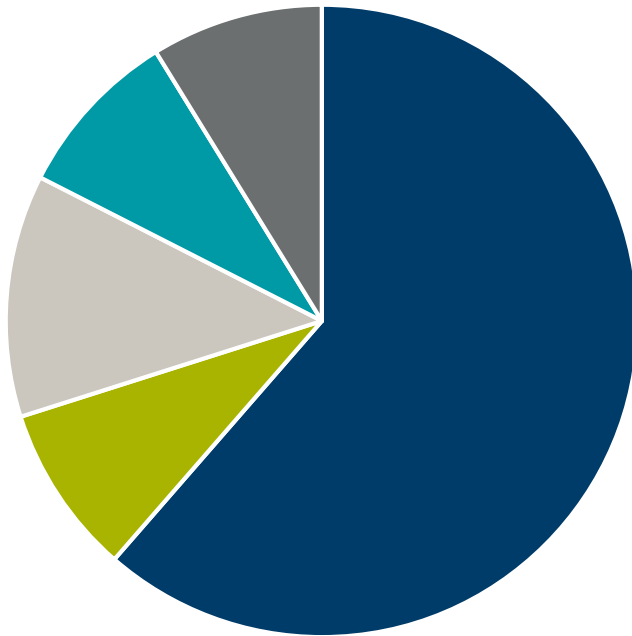


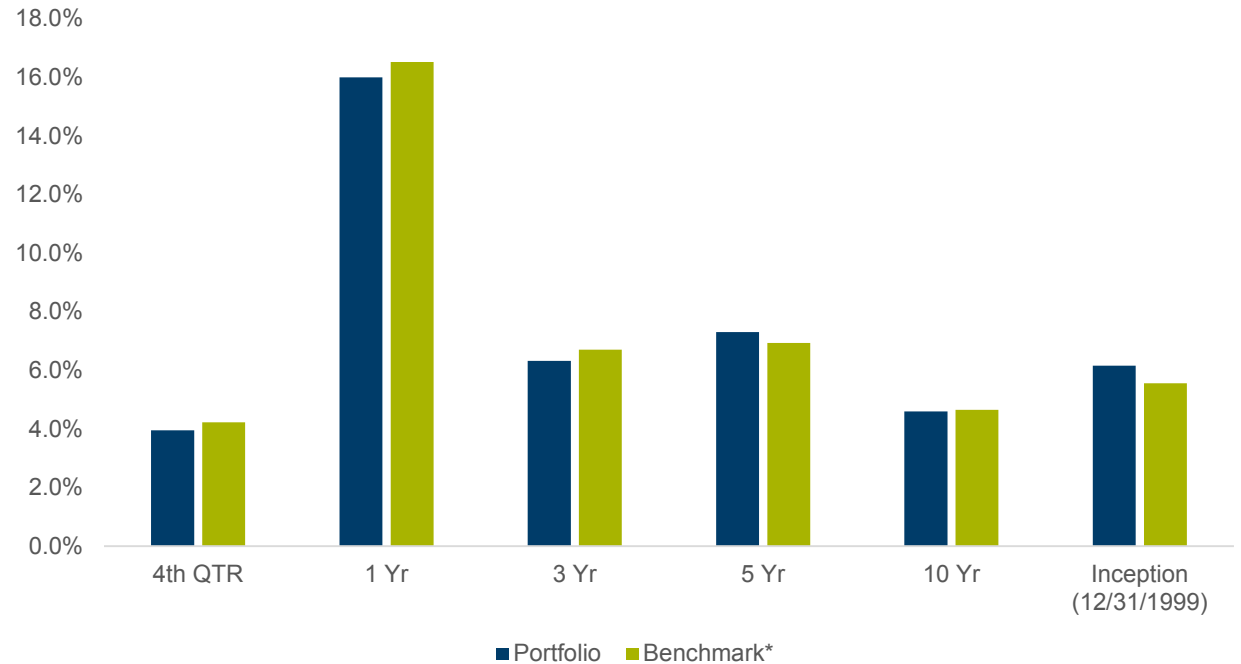
Greater Tacoma Community Foundation – Endowment Portfolio

Portfolio composition



- 61% Equity
- 9% Private Equity
- 12% Fixed Income
- 9% Real Estate
- 9% Liquid Alternatives

Endowment Performance



	4th QTR	1 Yr	3 Yr	5 Yr	10 Yr	Inception (12/31/1999)
Portfolio*	4.0%	16.0%	6.3%	7.3%	4.6%	6.2%
Benchmark**	4.2%	16.5%	6.7%	6.9%	4.7%	5.6%

Data as-of December 31, 2017. Source: Vanguard

*Returns are net of investment management fee

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

4th Quarter Overview

Equity markets end the year on a strong note

Equity markets around the world ended 2017 on a strong note as a solid earnings season, continued healthy economic growth, and U.S. tax cuts provided global equity markets with a tailwind in the fourth quarter. The broad U.S. equity market¹ delivered positive returns for every month of 2017 and gained 6.3% in the fourth quarter, ending the year with a return of 21.2%.

Within the domestic equity market, large-cap stocks² continued to be the best performers from a size perspective with returns of 6.6% and 22.1% over the quarter and one-year, respectively. Despite trailing large-caps, mid-cap stocks³ returned a very respectable 5.6% for the quarter while small-caps⁴ trailed slightly further with a return of 5.1%. For the one-year period, mid-cap stocks and small-cap stocks trailed their large-cap counterparts, with returns of 19.3% and 16.2%, respectively. Meanwhile, from a style perspective, growth stocks handily outpaced their value counterparts as the technology sector rose 37.1% over the year and more defensive bond-proxy sectors such as utilities, telecommunications, and real estate investment trusts lagged throughout the year. Energy was the only sector not in positive territory in 2017. Growth stocks⁵ gained 7.6% over the final three months of 2017 for a one-year gain of 30%, while value stocks⁶ returned 5.1% and 13.2% over those time periods.

Despite the remarkable strength of U.S. equities in 2017, international equities managed to outperform their domestic counterparts for the first time since 2012 due to stronger than expected economic data as well as downside political risks that failed to materialize. Over the quarter, international equity markets⁷ gained 5.4% on their way to a 27.4% gain for the one-year period. Meanwhile, the weakening of the U.S. dollar throughout 2017, which has historically been supportive of the relative performance of emerging market equities⁸, was a tailwind to performance, resulting in returns of 6.7% over the quarter and 31.1% over the one-year period. Emerging market equities outperformed their developed market counterparts.

Fixed income assets provide positive returns

Positive, albeit muted, returns were earned by holders of high quality fixed income assets during the fourth quarter of 2017 despite a relative flurry of activity by major central banks around the world. In the United States, the benchmark ten-year Treasury yield ended 2017 at 2.40%, slightly above the 2.33% yield at the end of September but slightly below the 2.45% to start the year. In this interest rate environment, the broad U.S. fixed income market⁹ gained 0.4% over the quarter and 3.6% over the one-year period. U.S. Treasuries¹⁰ gained 0.1% over the quarter and 2.3% over the one-year period. As had been the trend throughout 2017, U.S. investment-grade credit bonds¹¹ and U.S. high-yield bonds¹² outperformed Treasuries as credit spreads narrowed further in the risk-on environment. High-yield bonds in the U.S. were the top performer among fixed income assets for 2017 with gains of 0.5% and 7.5% over the quarter and one-year periods. Credit bonds rose 1.0% and 6.2% over these periods.

Outside of the United States, returns were strongest for unhedged international bonds¹³ as a result of the general weakening of the dollar over the year. Unhedged international bonds provided investors with strong returns of 1.6% and 10.5% over the quarter and one-year periods compared with the more muted returns for their currency hedged counterparts¹⁴ of 1.2% and 2.6%, respectively.

Looking ahead: rising risks to the status quo

Vanguard's economic and market outlook for 2018 asserts that recent strong market returns and low financial volatility underscore investor's conviction that the current global environment of modest growth and tepid inflation is here to stay. We agree with that long-term economic prognosis but argue that the chances of a short-term cyclical rebound are underappreciated and as such, the risks lie in mistaking persistent trends for the 2018 cycle. The most pronounced risk to the status quo resides in the United States, where an already tight labor market will grow tighter, driving the unemployment rate well below 4%. This, followed by a cyclical uptick in wages and inflation, should justify the Federal Reserve to continue raising rates through 2018. Expectations of additional rate hikes would inevitably follow, ending an era of extraordinary monetary support in the United States and possibly leading markets to price in more aggressive normalization plans elsewhere in the world.

For 2018 and beyond, Vanguard's investment outlook is one of higher risks and lower returns. Elevated valuations, low volatility, and secularly low bond yields are unlikely to be allies for robust financial market returns over the next five years. In Vanguard's view, the solution to this challenge is not shiny new objects or aggressive tactical shifts. Rather, our market outlook underscores the need for investors to remain disciplined and globally diversified, armed with realistic return expectations and low-cost strategies.

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) BloombergBarclays US Aggregate Float Adjusted Index 10) BloombergBarclays US Treasury Index, 11) BloombergBarclays US Credit Index, 12) BloombergBarclays US Corporate High Yield, 13) BloombergBarclays Global Aggregate ex-USD Index, 14) 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

Themes and outlook

	Global	U.S.	Europe	Asia
Growth	<ul style="list-style-type: none"> Broad-based firmness in economic fundamentals globally suggests a continuation of the recent trend of synchronized growth. Consensus expectations have settled on a view of modest growth and tepid inflation, though risks lie in mistaking this trend for the cycle. The most pronounced risk in 2018 is a further tightening of the labor market that leads to a cyclical uptick in inflation. 	<ul style="list-style-type: none"> A powerful combination of tight labor markets, strong financial market returns, increasing housing values, improving access to credit, and the end of the housing deleveraging cycle are driving both the consumer and investment engines of economic growth. Rebound in labor productivity as job growth slows. We anticipate growth of about 2.5% in 2018. 	<ul style="list-style-type: none"> During the next 12 months, the outlook for the euro-area economy is brighter than it's been in 10 years with growth expectations just under 2.0%. The forecast for the United Kingdom, on the other hand, is less certain given the lack of clarity around Brexit. 	<ul style="list-style-type: none"> Alongside tighter property regulations and supply-side adjustments, the financial tightening is likely to cause China to decelerate modestly in 2018, with growth at about 6.0%–6.5. However, we do not anticipate a Chinese “hard landing” in 2018. We expect Japan's recovery to become more broad-based in 2018, with the country enjoying another year of above-trend growth.
Inflation	<ul style="list-style-type: none"> While inflation is not expected to exceed central banks' 2% targets in 2018, the movement toward that point could be faster than anticipated. Tightening labor markets, global growth, and a nadir in commodity prices could contribute to push global inflation higher. 	<ul style="list-style-type: none"> We believe that in 2018, the growing impact of cyclical factors such as tightening labor markets, as well as stable and broader global growth may lead to wage and price inflation stronger than currently anticipated by the financial markets. 	<ul style="list-style-type: none"> Though recently quite subdued in Europe and the U.K., we expect that inflation will resurface somewhat as unemployment continues to fall toward the equilibrium rate, which is assumed to be 8.5%–9% in the euro area and as low as 4% in the United Kingdom. 	<ul style="list-style-type: none"> The key for China is the ability to relax government control and allow market forces to play a bigger role in the economy and address the inefficiencies created by state-owned enterprises. In Japan, core inflation is likely to increase gradually to 1%.
Policy and interest rates	<ul style="list-style-type: none"> The risk in 2018 is that a higher-than-expected bounce in wages—at a point when 80% of major economies (weighted by output) are at full employment—may lead markets to price in a more aggressive path or pace of global monetary policy normalization. 	<ul style="list-style-type: none"> The most likely candidate of a potentially more aggressive pace of monetary policy normalization is the United States, where the Federal Reserve is expecting to raise rates to at least 2% by the end of 2018, a more rapid pace than anticipated by the bond market. 	<ul style="list-style-type: none"> In an environment of tightening product and labor markets, we expect the European Central Bank to terminate its asset purchase by the end of 2018. We do not anticipate rate increases until at least 2019. In the United Kingdom, the policy outlook for the Bank of England is challenging over the coming years, especially in light of Brexit. 	<ul style="list-style-type: none"> Tighter financial controls and a rebound in nominal growth have helped stunt a rise in corporate liabilities. While this bodes well for China's medium-term goal of maintaining financial stability, it could have a negative impact on short-term growth.
	Balanced	Equities	Bonds	
Asset returns (Global)	<ul style="list-style-type: none"> A guarded view given global crosscurrents of low yields and equity valuations. 10-year expected returns for balanced portfolios lower than historical averages. In some ways, the next 5 years may prove more challenging than the previous five. Principles of portfolio construction remain unchanged. 	<ul style="list-style-type: none"> In spite of high valuations, long-term outlook is not bearish when adjusted for the low-rate environment. This, of course, does not preclude a bear market. Outlook for global equity risk premium remains decent over long run. 	<ul style="list-style-type: none"> Despite potential for yield volatility in near term, the low-rate environment will persist long term; we still see credit risk (i.e., recession) as higher than duration risk (i.e., rapid rise in interest rates). Bond returns likely to be muted; central tendency of 1.5–3% nominal annualized over 10 years. 	