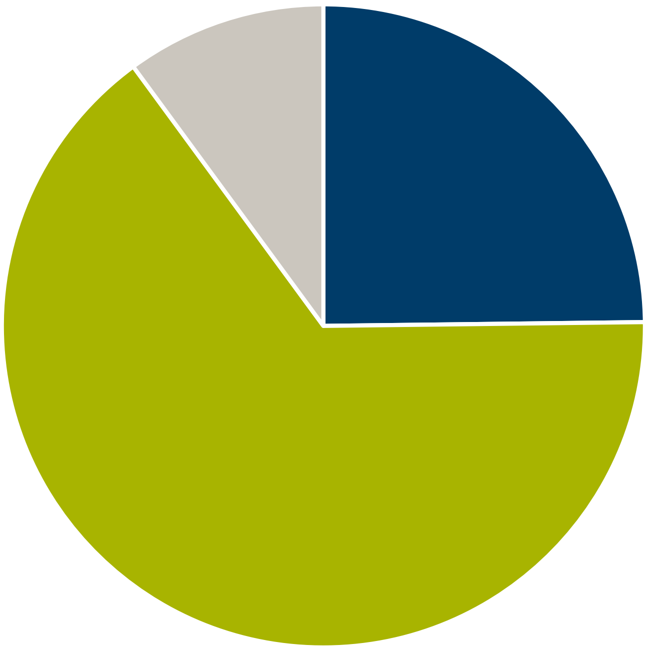
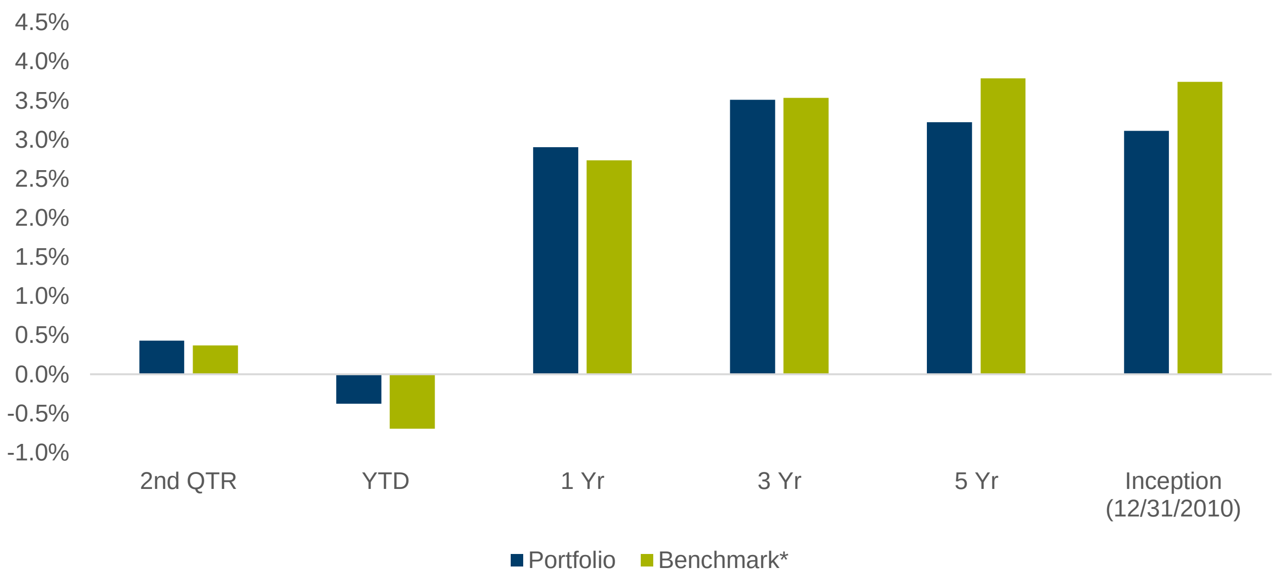
Greater Tacoma Community Foundation – Short-Term Portfolio

Portfolio composition



Short-Term Portfolio Performance



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

	2nd QTR	YTD	1 Yr	3 Yr	5 Yr	Inception (12/31/2010)
Portfolio	0.4%	-0.4%	2.9%	3.5%	3.2%	3.1%
Benchmark*	0.4%	-0.7%	2.7%	3.5%	3.8%	3.7%

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 market[1] gained 3.9% during the second quarter and, as a result, domestic equities have gained 3.3% year-to-date. Small-cap equities[2] were the star performer over the second quarter after gaining 6.2% while large-cap[3] and mid-cap equities[4] 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 stocks[5] continued to handily outperform value stocks[6] 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 market[7] returned -2.6% for the quarter, bringing the six month return down to -3.7%. Losses within international equities were primarily driven by emerging markets[8], 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 markets[9] 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 market[10] returned -0.2% for the quarter and -1.7% for the year-to-date period. Within the U.S. fixed income market, Treasuries[11] gained 0.1% for the quarter while U.S. credit bonds[12] returned -0.9%. As was the case in the first quarter, high-yield bonds[13] 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 bonds[14] gained 0.5% for the quarter, easily outperforming their unhedged[15] 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.

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 Market Index, 9) FTSE Developed All Cap ex US Index, 10) BloombergBarclays US Aggregate Float Adjusted Index, 11) BloombergBarclays US Treasury Index, 12) BloombergBarclays US Credit Index, 13) BloombergBarclays US Corporate High Yield Index, 14) BloombergBarclays Global Aggregate ex-USD Float Adjusted RIC Cap Index Hedged, 15) 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, HIS Markit, Reuters, Bank of Japan, Bloomberg, European Central Bank, and International Monetary Fund