Greater Tacoma Community Foundation – Short-Term Portfolio

Portfolio composition

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

Short-Term Portfolio Performance

<table>
<thead>
<tr>
<th></th>
<th>4th Qtr</th>
<th>1 Yr</th>
<th>3 Yr</th>
<th>5 Yr</th>
<th>Inception (12/31/2010)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Portfolio</strong></td>
<td>2.4%</td>
<td>11.6%</td>
<td>5.6%</td>
<td>4.2%</td>
<td>3.7%</td>
</tr>
<tr>
<td><strong>Benchmark</strong></td>
<td>2.4%</td>
<td>12.9%</td>
<td>6.1%</td>
<td>4.5%</td>
<td>4.3%</td>
</tr>
</tbody>
</table>

Data as-of December 31, 2019. Source: Vanguard
*Returns are net of investment management fee
**Time weighted benchmark. Benchmark history available upon request.
4th Quarter Overview

Global equities have a bounce back year

Amid the backdrop of persistently low inflation, slowing global growth, and geopolitical tensions, central banks around the globe stepped in to quell fears and mitigate volatility by enacting accommodative monetary policy. As a result, domestic and international stocks rebounded from weakness in 2018 with an exceptionally strong showing in 2019, returning 30.8% and 21.4%, respectively, while also posting strong fourth quarter returns of 9.0% and 6.6%. For the year, domestic large cap stocks (31.5%)2 outperformed their mid (31.1%)3 and small cap (27.3%)4 counterparts perhaps due to the belief that larger companies are better positioned to withstand the geopolitical instability. Additionally, while all sectors were in positive territory, Information Technology (IT) proved to be the biggest contributor with an impressive yearly return of 48.6%.16 IT was also the second highest performing sector during the fourth quarter, posting a return of 13.7%. From a style standpoint, growth stocks (35.8%)5 continued to outperform value stocks (26.3%)6 for the year, and the same phenomenon occurred for the fourth quarter, with growth returning 10.7% versus value at 7.5%. On the international front, developed market stocks (22.3%)9 outpaced emerging market stocks (20.4%)8 in 2019, despite emerging market equities coming out well ahead in the fourth quarter (11.4% versus 8.6%).

Optimism on trade talks drove treasury yields higher

The broad U.S. fixed income market10 returned only 0.14% for the fourth quarter as interest rates picked up across the yield curve. The yield on the ten-year Treasury note rose from 1.65% to 1.92% during the three month period ended December 31st. However, for the full year, the broad U.S. fixed income market returned 8.87%, reflecting a persistent decline in yields throughout most of the previous nine months. The yield curve is no longer inverted. The spread between the two-year and ten-year Treasury securities widened to 0.34% (from 0.05% at the end of the third quarter and from 0.13% from a year earlier). Market participants continue to monitor the relationship between short-term and long-term yields, even though the yield curve is now upward sloping, thus suggesting a lower risk of a recession in near future. U.S. credit bonds (1.05%)11 outpaced Treasury securities (-0.79%)12 for the quarter as well as over the past year (13.80% versus 6.86%). Credit spreads narrowed allowing U.S. high yield corporate bonds13 to return 2.61% for the quarter and 14.32% for the trailing 12 months. Meanwhile, hedged international bonds outperformed their unhedged counterparts for the trailing 12-month period, as U.S. dollar strength contributed to higher returns and added to a sizable advantage relative to unhedged bonds. The hedged index14 returned -1.25% for the quarter and 8.06% over the past year, while the unhedged index15 returned 0.68% for the quarter and 5.09% in 2019.

Final Thoughts

The years ahead will be characterized by uncertainty: an unpredictable policy environment along with continued geopolitical risk will serve as a drag on demand, thus potentially hampering long-term potential growth. The current environment of loose monetary policy will persist as low growth and low inflation continues. While the aforementioned factors may cause a fragile market in the years ahead, more favorable valuations have led to a slight increase in our 10-year outlook for stocks while fixed income projections continue to remain low. Through it all, Vanguard maintains that investors should continue to hold a diversified portfolio whilst maintaining a long-term approach.

Index Returns


Sources:
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 12/31/2016, 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, 7.50% Bloomberg Commodity Index 7.50%, 20% U.S. T-Bill + 3%, 7.5%, FTSE EPRA/NAREIT Global Index. From 10/1/2016 through 6/30/2018, 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 FIAj RIC Cplx Hgd, 10% REIT Spliced Index, 5% Citi 3 month Treasury Bill, 5% FTSE 3-month U.S.T-Bill Index + 4%. 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 FIAj RIC Cplx Hgd, 10% REIT Spliced Index, 10% Citi 3 month Treasury Bill.

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 12/31/2016, 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 3 month Treasury Bill, 5% FTSE 3-month U.S.T-Bill Index + 4%.

Short-Term History

From 10/31/2010 through 12/31/2016, 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.