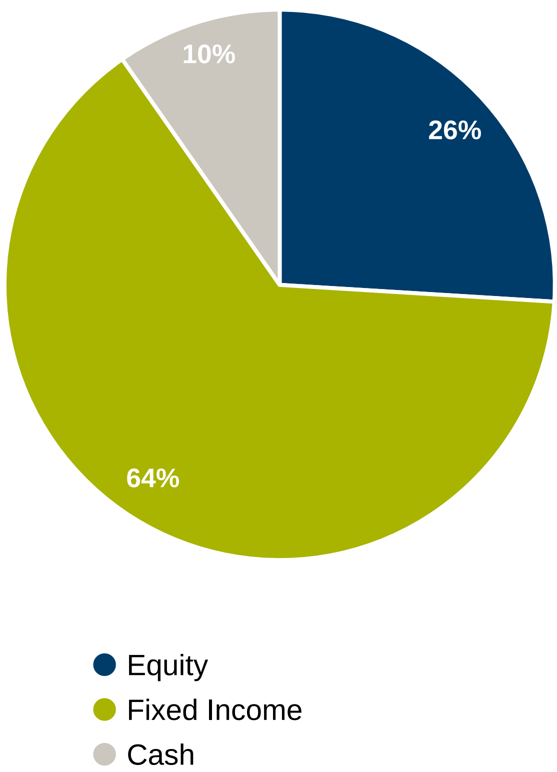
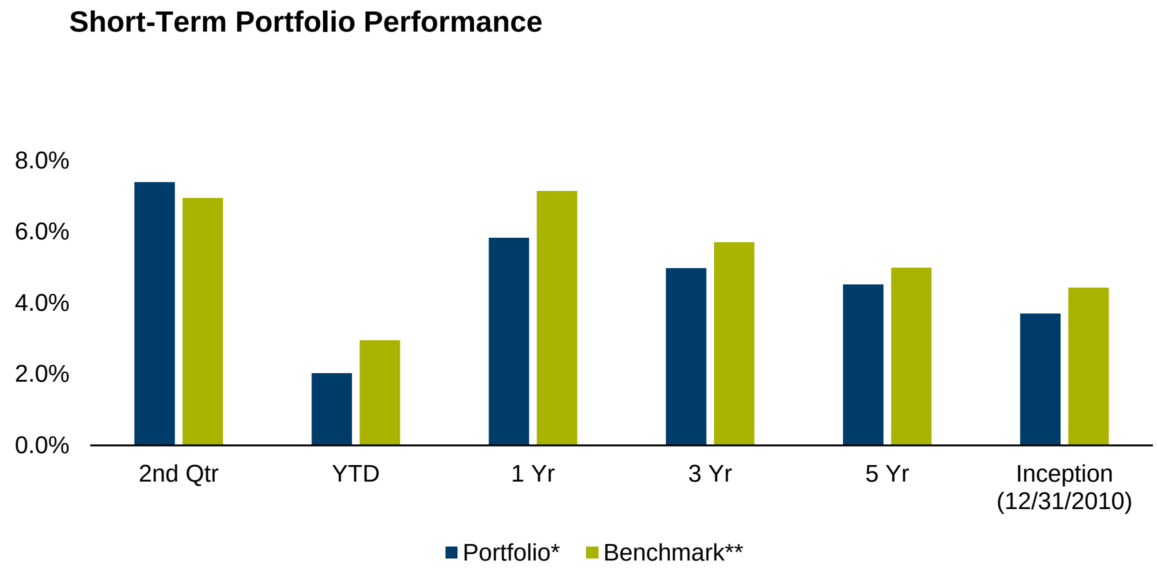
Greater Tacoma Community Foundation – Short-Term Portfolio

Portfolio composition





	2nd Qtr	YTD	1 Yr	3 Yr	5 Yr	Inception (12/31/2010)
Portfolio*	7.4%	2.0%	5.8%	5.0%	4.5%	3.7%
Benchmark**	7.0%	3.0%	7.1%	5.7%	5.0%	4.4%

Local impact investments may represent up to 3% of the portfolio, spread across real estate, fixed income, and equity.

Data as-of June 30, 2020. Source: Vanguard
*Returns are net of investment management fee
**Time weighted benchmark. Benchmark history available upon request.

2nd Quarter Overview

Dramatic rebound in the equity markets

After the United States saw the longest bull market come to an end in the first quarter, the global equity markets rebounded during the second quarter as domestic1 and international2 equities saw returns of 22.1% and 17.0%, respectively. U.S. stocks wrapped up their best quarter in more than 20 years, a remarkable rally after the coronavirus pandemic brought businesses around the world to a virtual standstill. U.S. small-cap stocks3 led the way, returning 26.7% while mid-cap4 and large-cap5 stocks had returns of 25.0% and 21.4%, respectively. However, large-cap stocks maintained their dominance over mid- and small-cap equities with returns of 8.4% over the trailing 12 months. Growth6 continued to outperform value7 and returned 28.0% versus 14.6% for the quarter. The outperformance is even more pronounced over the trailing 12 months as growth has returned 21.9% to value's -9.4%. Driven at least partially by an unprecedented $2 trillion fiscal stimulus package from Congress, accommodative monetary policy, and a surge in trading among individual investors, the U.S. equity rally has lifted everything from beaten-down energy stocks to apparel retailers to big technology firms. Every sector was up for the quarter and the consumer discretionary sector8 led the way with a return of 37.8%. The energy sector9 has been extremely volatile recently but had the second highest return for the quarter, posting a return of 33.3%. However, over the last year, it is still down -38.1%. With respect to international equities, emerging markets10 fared slightly better than developed markets for the quarter. Emerging market stocks returned 18.4% while their developed market11 counterparts posted a 16.4% performance. Demand for growth-oriented technology, e-commerce, and healthcare stocks increased as investors piled into companies largely insulated from the effects of mandatory lockdowns. This led to a second quarter return of 19.1% for international growth equities12 versus the 12.8% recorded by international value13 funds.

Yields will be lower for longer

The Federal Reserve stated that it would keep rates at near zero in the U.S. through 2022 to achieve its goals of stable prices and maximum employment. Even with rates near zero, we still saw positive returns in fixed income with the broad U.S. fixed income market14 up 3.0% for the quarter. As the markets took a risk-on approach in the second quarter, credit spreads tightened and U.S. credit bonds15 responded with 8.2% returns relative to a corresponding 0.5% boost for U.S. Treasury securities16 . Both credit and Treasury bonds have also seen positive returns over the last year of 9.1% and 10.4%, respectively. The yield curve continues to be upward sloping with a spread of 0.50% between the two-year and ten-year Treasury securities compared to 0.47% at the end of the first quarter. This relationship points to investors' expectations of higher interest rates in the future along with some level of positive economic growth. This time last year the spread was 0.22%. The US dollar weakened during the second quarter which triggered unhedged international fixed income17 to outperform their hedged counterpart18 3.4% to 2.3%. However, due to the increased volatility we've seen in the last 12 months, the U.S. currency has been viewed as a safe haven which aided hedged international fixed income to a 4.3% return versus 0.7% for unhedged international fixed income.

Final Thoughts

The spread of COVID-19 has forced a sharp fall in economic activity worldwide. However, the recession is anticipated to be relatively short as the most stringent containment measures ease. The subsequent recovery is likely to be slow and will vary substantially across different sectors and regions of the global economy Vanguard's revised outlook for 2020 GDP in the markets we serve is largely unchanged. However, recent readings of high-frequency data, including in the vulnerable face-to-face sectors of Asia and Australia, suggest the next change to our outlook in those regions could be to the upside. Our outlook presumes the easing of restrictions on economic activity during the June timeframe and that any second waves of infection will not require national lockdowns.

Index Returns

1) CRSP US Total Market Index, 2) FTSE Global All-Cap ex US Index, 3) CRSP US Small-Cap Index, 4) CRSP US Mid-Cap Index, 5) CRSP US Large-Cap Index, 6) Russell 3000 Growth Index, 7) Russell 3000 Value Index, 8) MSCI US IMI Consumer Discretionary 25/50 9) MSCI US IMI Energy 25/50, 10) FTSE Emerging Index, 11) FTSE Developed All-cap ex-US Index, 12) MSCI AC World Growth ex US 13) MSCI AC World Value ex US 14) BloombergBarclays US Agg Float Adj Index, 15) Bloomberg Barclays US Credit Index, 16) BloombergBarclays US Treasury Index, 17) BloombergBarclays Global Agg Index ex-USD, 18) BloombergBarclays Global Agg ex-USD Float Adjusted RIC Hedged

Sources:
Vanguard, U.S. Treasury, Trading Economics, Bloomberg, CNBC, NY Times, European Central Bank, Morningstar, BBC, Wall Street Journal

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, 7.5% 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 FlAj RIC CpIx Hgd, 10% REIT Spliced Index, 5% Citi 3 month Treasury Bill, 5% FTSE 3 month U.S.T-Bill Index + 4%. **From 7/1/2018 through 2/29/2020**, the benchmark is represented by 40% Spliced Total Stock Market Index, 26% Spliced Total International Stock Index, 14% Spliced Bloomberg Barclays US Agg Float Adj Ix, 4% Bloomberg Barclays GA ex-USD FlAj RIC CpIx Hgd, 4% Real Estate Spliced Index, 2% S&P Global ex-US Property Index, 10% FTSE 3 month Treasury Bill. **Thereafter**, the benchmark is represented by 40% Spliced Total Stock Market Index, 26% Spliced Total International Stock Index, 16.5% Spliced Bloomberg Barclays US Agg Float Adj Ix, 4% Bloomberg Barclays GA ex-USD FlAj RIC CpIx Hgd, 4% Real Estate Spliced Index, 2% S&P Global ex-US Property Index, 7.5% FTSE 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 through 11/30/2018**, 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% Real Estate Spliced Index, 5% FTSE 3 month Treasury Bill, 5% FTSE 3 month U.S.T-Bill Index + 4%. **From 12/1/2018 through 2/29/2020**, 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% Real Estate Spliced Index, 10% FTSE 3 month Treasury Bill. **Thereafter**, the benchmark is represented by 36% Spliced Total Stock Market Index, 23% Spliced Total International Stock Index, 27.5% Spliced BBgBarc US Agg Float Adj Ix, 6% Real Estate Spliced Index, 7.5% FTSE 3 month Treasury Bill.

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. **Thereafter**, 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% FTSE 3 month Treasury Bill.