

**Kirstin Sandaas***Chief Financial Operating Officer*

The judicious stewardship of charitable assets is the paramount responsibility of the community's foundation. Philanthropists and nonprofit organizations trust Seattle Foundation to manage funds for the shared benefit of our region. With an annualized return of 17.2% for the Balanced Pool, our investment performance for 2017 validates that trust is well earned. This impressive return is also representative of the Seattle Foundation's highly impactful 2017, as we lived our mission to make Greater Seattle a stronger, more vibrant community for all.

The last 12 months represented a remarkable period of global economic growth. In the U.S., a rebound in corporate profits combined with the anticipated impact of the Tax Cuts and Jobs Act produced favorable market gains with little volatility. For 2017, emerging equities led the equity markets with a return of 37.3%, followed by non-U.S. developed equities which were up 25 percent. The Standard & Poors 500 Index took up third place, nevertheless booking remarkable gains of 21.8%.

Economic data outside of the U.S. also remains very encouraging. In Europe, unemployment has fallen to its lowest level since January 2009 and gross domestic product (GDP) growth over the past 12 months has outpaced the U.S. As compared to the U.S. Federal Reserve recent rate hikes, monetary policy within Europe remains a stimulant, as central banks maintained their policies of low interest rates. Chinese GDP growth remained on track, with growth in services outpacing industrials. As President Xi begins his second five-year term, eyes are on his identified growth quality focus.

Our **Balanced Pool** maintains a diversified portfolio that includes strategically managed exposure to domestic and global asset classes, as well as alternative investments, balanced with more conservative investments such as U.S. fixed income. Reporting a fourth quarter gain of 3.6%, the Balanced Pool finished the year with an impressive gain of 17.2%. It's noteworthy that the Balanced Pool has produced returns that out-perform (net of fees) our target benchmark in all of our target timeframes. Most importantly, the long-term returns exceed the benchmark by 50-90 basis points (net of fees) over the latest 3-, 5- and 7-year periods.

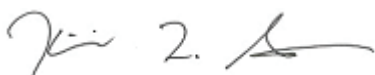
Our **Socially Responsible Pool**, designed to meet environmental, social, and governance needs while providing competitive economic returns, gained 3.3% for the quarter and 9.9% on the year. Our **Intermediate-Term Pool** for philanthropists with a grant-making horizon in the 2-7 year range, gained 1.3% this quarter and gained 6.8% for the year. The **Short-Term Pool**, intended to preserve capital, gained 0.2% for the quarter and 0.8% for the year. Our passively managed **Index Pool** gained 3.5% this quarter and an annual return of 15.8%. Finally, our **Growth Pool**, which holds more than 80% of the portfolio in equities, gained 4.5% this quarter and 19.9% for 2017.

These very favorable investment returns are just one way Seattle Foundation delivers value to our philanthropists and our community. Since 2015, we have executed on major evolutions of our value proposition, voice, community impact model, philanthropist engagement, and our approach to achieving organizational excellence. Our [Moment of Max Q blog](#) details the impact these evolutions during the last year, including:

- Investing \$100 million in grants with partner philanthropists, across the spectrum of community needs—locally, nationally and internationally.
- Welcoming 66 new funds (a 40 percent increase over the prior year) with high-impact philanthropists and corporations, bringing our total assets to over \$1 billion.
- Driving systems-change through innovative partnerships such as the King County Accountable Community of Health project to transform Medicaid in our region, the Seahawks Players Equality & Justice For All Action Fund, and The Seattle Times' Project Homeless initiative, which explores solutions to this chronic challenge.
- Igniting a powerful philanthropic agenda and attracting new social investors to increase racial equity and economic opportunity through our [Community Investment Portfolio](#).

We look forward to an exciting and impactful 2018. Thank you for your partnership to make Greater Seattle a stronger, more vibrant community for all.

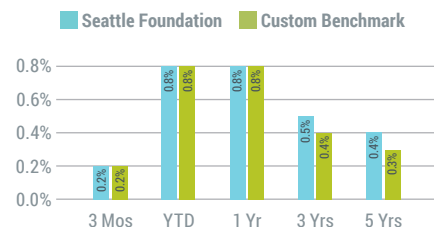
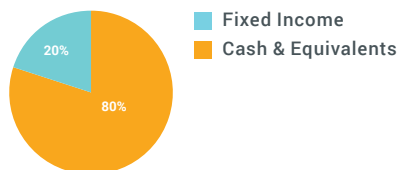
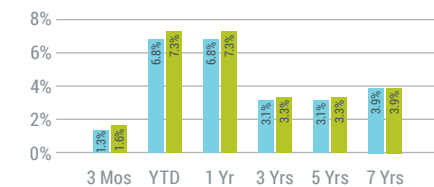
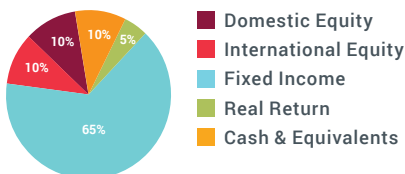
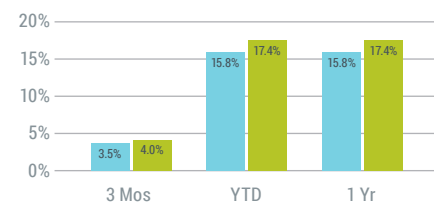
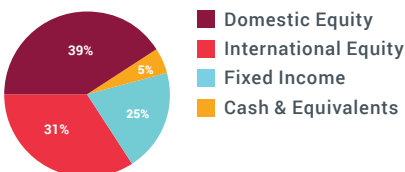
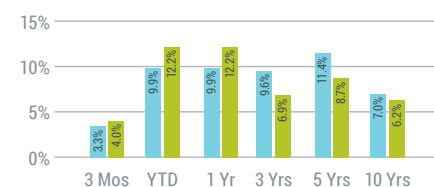
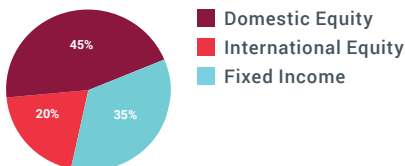
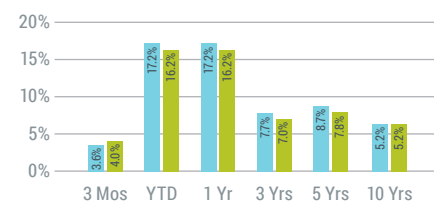
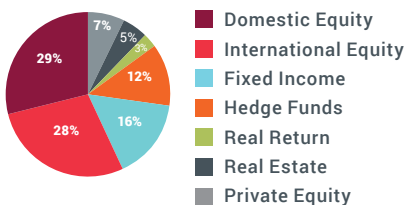
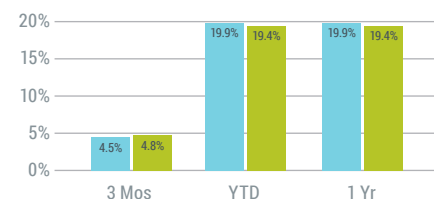
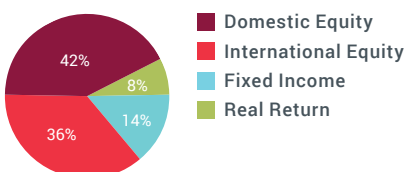
Sincerely,



Kirstin Sandaas, *Chief Financial Operating Officer*

LOWER VOLATILITY

HIGHER VOLATILITY


Investment Pool
Target Asset Allocation
Performance
Short-Term Pool
0-2 year giving horizon

Intermediate Pool
3-7 year giving horizon

Index Pool
10+ year giving horizon

Socially Responsible Investment Pool
10+ year giving horizon

Balanced Pool
10+ year giving horizon

Growth Pool
10+ year giving horizon


Seattle Foundation returns are net of investment management fees. Returns are not net of fees for investment consulting and custodial services. Individual fund performance may vary due to the timing of contributions and grants. The Balanced Pool has a number of private asset investments that periodically provide valuation updates too late to be reflected in this report.

Investment Philosophy and Strategy

Effective stewardship of assets is key to Seattle Foundation's ability to fulfill its mission of fostering powerful and rewarding philanthropy to make Greater Seattle a stronger, more vibrant community for all. Reflecting the infinite life of a community foundation, we take a long-term approach to our investment management to maximize the philanthropic resources available over time to meet community needs. Our long-term return objective is to generate annual returns of 4.5% plus inflation over a full market cycle of 10+ years through prudent management of a diversified portfolio.

We are oriented towards a total-return approach to investing, which aims to blend income and capital appreciation to address the challenge of preserving long-term purchasing power while dealing with unanticipated inflation. This approach to investment management is consistent with the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as implemented by Washington State.

As a prudent steward, the Foundation has the following main priorities for our Balanced Pool: *maximize total return and protect principal*. In addition to the Balanced Pool, the Foundation offers five other pools for philanthropists with different investment focus (Socially Responsible Investment and Index), risk profile (Growth) and giving horizons (Intermediate and Short-Term). Outside management for funds larger than \$750,000 is also available.

Investment Committee

The Investment Committee, a standing committee of the Board of Trustees, is charged with overseeing the investment activities of the Foundation. This includes advising the Board of Trustees on the investment policy, asset allocation strategies to meet the return objectives, and monitoring portfolio performance. The committee consists of 10 members selected for their investment expertise and judgment.

Steve Hill, CHAIR, BOARD MEMBER

Mr. Hill is the former director of the **Department of Retirement Systems and Health Care Authority** and former Senior Vice President of Human Resources at **Weyerhaeuser**. His investment committee experience includes service on the Washington State Investment Board, Consumer Reports (Finance Chair), Washington State University Endowment, and the Weyerhaeuser Pension committee. Mr. Hill received a B.S. from the University of California at Berkeley and an MBA from the University of California at Los Angeles.

Debra Somberg, BOARD MEMBER

Ms. Somberg is the managing partner at **Sovern Group**, a venture capital company focused on bringing technology innovations to the healthcare arena. Prior experience includes co-managing partner of Maverson LLC, founding partner of Thomas Weisel Partners, Senior Managing Director of Montgomery Securities, and positions at Goldman Sachs and McKinsey & Co. She graduated Phi Beta Kappa from Stanford University and has an MBA from Harvard Business School.

Tom Alberg

Mr. Alberg is a co-founding member of **Madrona Investment Group** and currently serves as a director for several portfolio companies including Impinj, SNUPI and Mercent. Mr. Alberg received his undergraduate degree from Harvard College, graduating cum laude, and his law degree from Columbia Law School, where he was an editor of the Columbia Law Review.

Joseph Boateng

Mr. Boateng joined **Casey Family Programs** as its first Chief Investment Officer in 2007 and is responsible for overseeing the foundation's \$2.2 billion endowment. Before joining Casey, he was a member of the Johnson & Johnson Investment Committee, responsible for managing over \$17 billion. Mr. Boateng received his MBA from UCLA and is an alumnus of the Said Business School at Oxford.

Keith Ferguson

Currently the Chief Investment Officer at the **University of Washington** in Seattle, Mr. Ferguson has over 20 years of investment management experience working primarily as a portfolio manager and research analyst. Previously, Mr. Ferguson held senior roles at Fidelity Investments including Chief Investment Officer for the Asia Pacific region based in Hong Kong. Mr. Ferguson received a B.A. from Princeton University and an MBA from the University of Washington.

Alan Heuberger

Mr. Heuberger is a portfolio manager with **BMGI** and currently oversees a number of investment areas including private assets and fixed income. He has served on various investment committees in the greater Seattle area, including College Success Foundation, The Overlake School and YMCA of Greater Seattle. He received a B.A. in economics and mathematics from Claremont McKenna College and is a Chartered Financial Analyst (CFA).

Stanley B. McCammon

Mr. McCammon is President & CEO of **Joshua Green Corporation** (JGC), a private investment company holding a diversified portfolio, and is a trustee of the Joshua Green Foundation. Prior to joining JGC, he was President of Orca Bay Capital Corporation, CEO of Orca Bay Sports & Entertainment and co-founder in Orca Bay Partners. Mr. McCammon is a graduate of the University of Nebraska, School of Business, and the University of Nebraska and New York University law schools, holding J.D. and LL.M. degrees.

Mary Pugh

With over 33 years of institutional portfolio management and investment experience, Ms. Pugh is the founder, CEO and Chief Investment Officer of **Pugh Capital Management** with over \$3.5 billion in assets under management. She recently completed nine years of board service to Seattle Foundation where she was Chairperson of the Investment Committee. Ms. Pugh received a B.A. in economics from Yale University.

Daniel Regis

Mr. Regis is currently the General Partner of **Regis Investments, LP**. Prior experience includes Chairman of the Advisory Board for Fluke Venture Partners, Managing Director of Digital Partners and President of Kirilan Venture Capital, Inc. and Managing Partner of its venture funds. Mr. Regis also spent more than 30 years with Price Waterhouse LLP, including Managing Partner of the Seattle and Northwest Group of offices. Mr. Regis received a B.S. from Seattle University.

Allyson Tucker

Ms. Tucker is the Senior Investment Officer of Risk Management and Asset Allocation with the **Washington State Investment Board (WSIB)**, one of the nation's largest institutional investors, currently managing over \$110 billion comprised of defined benefit and defined contribution retirement funds, deferred compensation funds, insurance and other funds. Ms. Tucker received a B.A. in accounting from the University of Washington.