



Kirstin Sandaas
Chief Financial Operating Officer

The judicious stewardship of assets is a principal tenet of Seattle Foundation's value proposition. The first quarter of 2018 highlights the importance of this fundamental commitment of our Foundation and the value of the many fund options that enable philanthropists to align their investing and their grantmaking.

While the year 2017 represented a 35-year market volatility low, market fluctuations re-emerged in 2018 resulting in a choppy first quarter for equity markets. The Standard & Poor's 500 lost 0.8% and Non-US Stocks (MSCI EAFE) lost 1.5% during the first three months of the year. Investors saw strong gains in early January, followed by fears of heightened inflation and rising interest rates which drove a market correction in early February. As markets began to rebound, new concerns arose over trade as strong corporate earnings and stalled annual wage growth were announced, followed by another increase in rates by the Federal Reserve.

This volatility generally resulted in short-term losses. However, our multi-year time horizon allows us to position the Balanced Pool past difficult markets with corresponding high emotion levels and short-term thinking. Instead, we focus the portfolio position to generate strong and, at times, asymmetric profit opportunities. In addition, we offer a range of investment options to match a donor's giving horizon and risk tolerance.

The **Balanced Pool**, the largest of our investment options, maintains a diversified portfolio that includes exposure to multiple domestic and international equity markets, as well as more conservative asset classes such as U.S. Fixed Income. Despite global equities producing negative returns on the quarter, the Balanced Pool protected assets and gained 0.2%, returning 12.0% over the past 12 months. Strategy execution drove returns (net of fees) in the Balanced Pool over its target benchmark in every time frame, exceeding the benchmark by 80 to 110 bps (net of fees) over the last 3, 5, and 7 years. This is an improvement from the previous quarter, when we exceeded the benchmark by 50 to 90 basis points over the similar time frames. Much of this success is attributable to active management in the equity space, as well as strong performance in alternative areas.

Our **Socially Responsible Pool**, targeted to Environmental, Social, and Governance (ESG) investments while also providing competitive economic returns, lost 2.0% for the quarter but is up 2.9% over the past 12 months. Our **Intermediate-Term Pool**, designed to meet the expectations of donors with a grant-making horizon in the 2-7 year range, lost -0.3% this quarter and has gained 4.5% for the year. The **Short-Term Pool**, designed for donors with very short grant-making horizons, is intended to preserve capital and it gained 0.2% on the quarter and 0.8% for the prior 12-month period. The **Index Pool**, which is invested in passive vehicles, lost 0.4% this quarter but gained 10.6% for the year. The **Growth Pool**, which holds more than 80% of the portfolio in equities, was flat this quarter and has gained 13.3% for the last 12 months.

Beyond investment returns, Seattle Foundation strengthened key components of our value proposition during the quarter.

- We have significantly increased our programming to share deep community insights on key issues, including recent well-attended discussions on homelessness, elephant conservation and youth civic engagement.
- We advanced our effective philanthropic advising by updating our comprehensive "Giving with Impact" curriculum to support philanthropists to develop strategic and effective giving plans.
- Seattle Foundation exercised our civic leadership through engagement with the City of Seattle's and King County's joint effort to address homelessness, known as One Table.

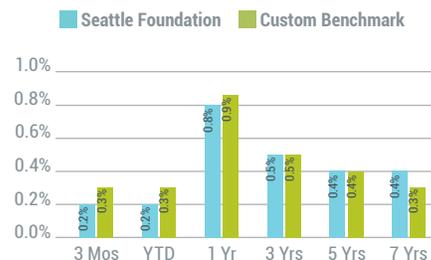
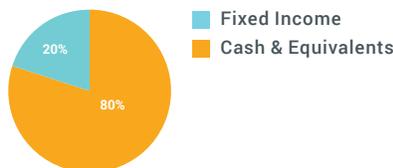
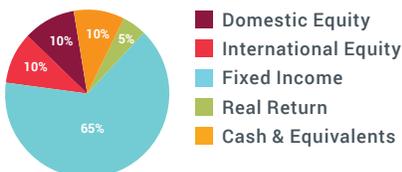
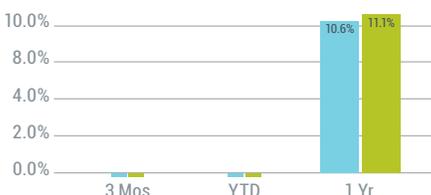
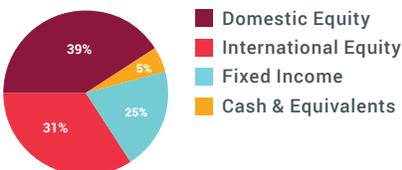
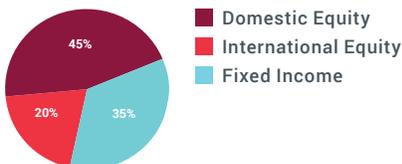
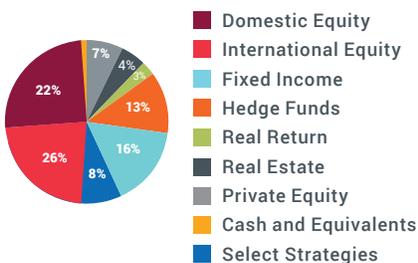
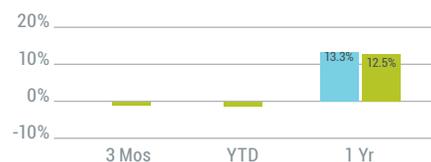
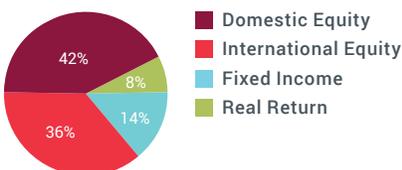
Through these efforts and more, Seattle Foundation ignites powerful, rewarding philanthropy to make Greater Seattle a stronger, more vibrant community for all. Thank you for your partnership in this important mission.

Sincerely,



Kirstin Sandaas, Chief Financial Operating Officer

CASH
 LOWER VOLATILITY
 HIGHER VOLATILITY
 EQUITIES

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 University of California Los Angeles 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.

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 Kirlan 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.