



**Kirstin Sandaas**  
Chief Financial Operating Officer

The wide range of economic and political events occurring in recent months fueled uncertainty in the capital markets here and abroad. To weather this volatility, Seattle Foundation offers a range of investment offerings based upon risk tolerance and grantmaking timelines, and we are pleased to share economic commentary and the performance results from our investment pools for second quarter 2018.

On the economic front, the fundamental strength seen in many countries across the globe was overshadowed by concerns over trade wars and rising interest rates. Trade, in particular, created a wide performance gap between developed and emerging countries, with the Standard & Poors 500 Index gaining 3.4% this quarter while emerging markets as measured by the MSCI fell by 8.0%. These nations, notably China and Latin American countries, have been negatively impacted by trade war rhetoric in recent months. While Europe continues to see positive growth overall, it, too, has been marred by political turmoil.

The United States continues to see strong job growth, with another 213,000 jobs added in June. The unemployment rate rose to 4.0% after the labor participation rate jumped. Gross Domestic Product (GDP) growth held at 2.0% which, while positive, is lower than recent quarters. The Federal Reserve raised the Federal Funds Rate another 0.25% in June, to a range of 1.75% to 2.00%.

Our largest investment option, the **Balanced Pool**, maintains a diversified portfolio that includes exposure to multiple equity markets, in addition to conservative asset classes such as US Fixed Income. Increased market volatility during the second quarter led to wide dispersions in performance, however the pool's diversity led to stable gains of 0.2% on the quarter and year-to-date gains of 0.7%. In contrast, the benchmark (60% global equities/40% Barclays aggregate) lost -0.8% over the same time frame. Over the last 12 months, the Balanced Pool has gained 8.8%, net of investment management fees, and continues to outperform its target benchmark in all periods, returning 5.9% over the past 10 years.

In addition to our Balanced Pool, we offer other investment options to meet our philanthropists' needs. Our **Socially Responsible Pool**, designed to meet Environmental, Social, and Governance (ESG) needs while also providing competitive economic returns, gained 1.0% for the quarter and is up 5.5% over the past 12 months. Our **Intermediate-Term Pool**, designed to meet the expectations of philanthropists with a grantmaking horizon in the two to seven year range, gained 0.3% this quarter and 3.2% over the last 12 months. Also, the Foundation manages a **Short-Term Pool** for philanthropists with very short grantmaking horizons. This pool is intended to preserve capital. It gained 0.4% on the quarter and is up 1.0% for the past 12 months.

Lastly, the Foundation offers an **Index Pool**, which is passively invested. This pool was flat for the quarter and has gained 6.4% over the last 12 months. Our **Growth Pool**, which holds more than 80% of the portfolio in equities, lost -0.4% this quarter and gained 8.9% for the latest 12 months.

I'm very pleased to share that in May, the Investment Committee adopted a diversity policy to ensure proactive consideration of investment management firms owned and managed by people of color and women. Beginning in 2019, we will report on the diversity of our investment managers and the share of assets they manage. This will be available on our website.

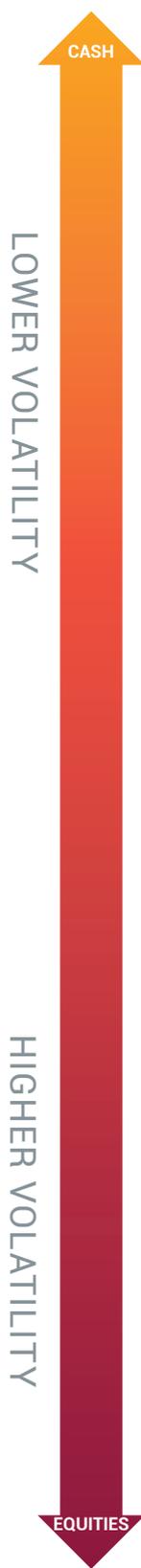
In the Spring, we announced an evolution in our leadership team, with Fidelma McGinn named Chief Philanthropy Officer and Mary Grace Roske assuming the role of Chief Brand Officer. Longtime Foundation leader Michael Brown moved to spearhead the launch of the Civic Commons. This critical new Seattle Foundation initiative aims to create a new model for community engagement, activating all partners in a collective approach to decision-making. The search for a Chief Impact Officer to lead our civic leadership and grantmaking programs is now underway.

We are thankful for the opportunity to support you in creating powerful, rewarding philanthropy to make Greater Seattle a stronger, more vibrant community for all. Please mark your calendars for 3:30 – 5:00 p.m. on Thursday, November 1 for our annual Investment Briefing, followed by a social hour for our philanthropists and professional advisors.

Sincerely,

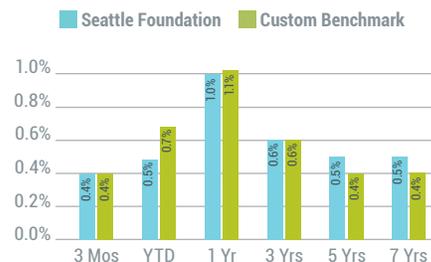
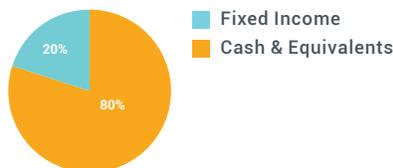


Kirstin Sandaas, Chief Financial Operating Officer

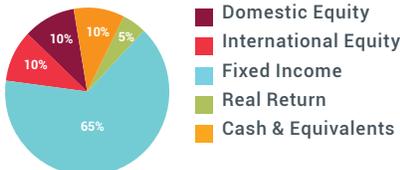


Investment Pool Target Asset Allocation Performance

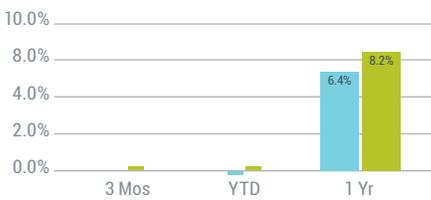
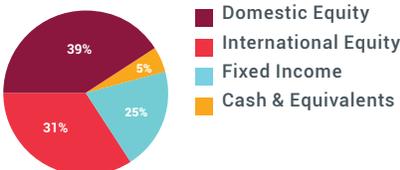
**Short-Term Pool**  
0-2 year giving horizon



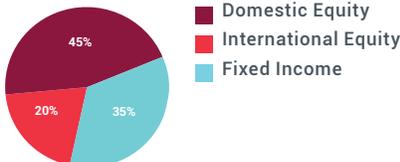
**Intermediate Pool**  
3-7 year giving horizon



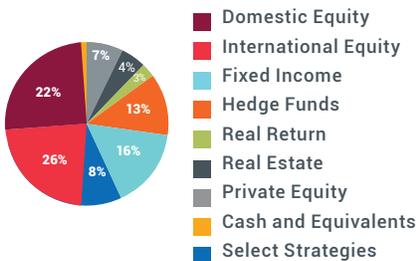
**Index Pool**  
10+ year giving horizon



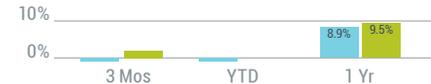
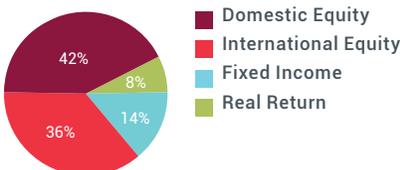
**Socially Responsible Investment Pool**  
10+ year giving horizon



**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 igniting 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 Mavron 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 Chair 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.