



Kirstin Sandaas
Chief Financial Operating Officer

Equity markets surged in the first three months of 2019, providing a strong start to this year and positive quarterly gains for all of Seattle Foundation's investment offerings. We are pleased to share first quarter performance results and the outcome of our diversity investment manager policy, implemented in 2018.

For the first quarter, the S&P500 gained 13.6%, while Non-US Equities (MSCI EAFE) gained 10.0% and emerging equities (MSCI EM) gained 9.9%. Despite the impacts of the longest government shutdown ever, the quarter saw improved jobs data, steady wage growth and controlled inflation.

While economic data was strong, monetary policy decisions proved to be most pivotal. After focusing in 2018 on "normalizing" interest rates and trimming its balance sheet, the Federal Reserve changed course in January to halt rate hikes for the foreseeable future. Equity markets reacted positively with large gains that continued in February and March.

While global growth appears to be slowing, data remains positive in nearly all regions. The European Union projects 1.3% GDP growth for 2019, while China is targeting 6.0 to 6.5%. Looking ahead, politics and policies will certainly play a role in market outcome, particularly in the United Kingdom and China.

The **Balanced Pool** maintains a diversified portfolio with exposure to each of the equity markets described above, as well as more conservative asset classes such as U.S. Fixed Income. Through Q1, the portfolio gained 8.1%, which is up 0.3% over the past year (all performance results are net of management fees). The Balanced Pool exceeds its target benchmark over three, five, seven and 10-year periods. Much of this success is due to active management in equities and strong performance in alternative areas.

Our **Socially Responsible Pool**, designed to meet Environmental, Social and Governance needs while providing competitive returns, gained 7.3% for the quarter and is down -0.9% over the past 12 months. Our **Intermediate Pool**, designed for donors with a grantmaking horizon of three to seven years, gained 3.8% this quarter and 2.3% for the past year. The Foundation's **Short-Term Pool**, for donors with very short grantmaking horizons, gained 0.8% on the quarter and 2.3% over the 12-month period. Lastly, the Foundation's all passive **Index Pool** gained 8.3% for the quarter and is up 1.2% over the past 12 months. Our **Growth Pool**, with more than 80% in equities, gained 10.5% this quarter and 1.3% for the last year.

Highlighting the Foundation's deep commitment to racial equity, I'm very pleased to report the first-year results of our new policy to implement a diversity lens in investment manager selection. As of April 30, 2019, Seattle Foundation retained six diverse investment managers, representing \$127 million of assets under management. This is a doubling in one year, the start of a dedicated effort to demonstrate our equity commitment in our policies and practices.

Seattle Foundation announced two impactful new efforts in early spring. The first is our creation of a \$1 million Regional Census Fund in partnership with the City of Seattle and King County. This fund will support community-based efforts to reach hard-to-count communities and ensure a complete, accurate and inclusive Census 2020 count. We also made a significant investment of \$500,000 to support diverse and inclusive programming at Seattle's future Waterfront Park, to make this new public space welcoming to all.

We are delighted to welcome Allyson Tucker, Senior Investment Officer of Risk Management and Asset Allocation at the Washington State Investment Board, as our newest Trustee. She has provided key guidance as a community representative of our Investment Committee since 2017.

Seattle Foundation's strong, consistent investment performance and impressive committee membership reflects the dedication and brilliance of Mary Pugh, whose service over the past 14 years as both Investment Committee chair and member, concludes in June. Mary's intellect, integrity and commitment to diversity and community set the standard for our approach to our paramount responsibility as a community foundation: the judicious stewardship of charitable assets. We are deeply grateful to Mary. Our community has benefitted immensely from her service.

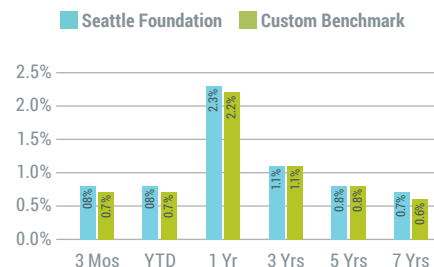
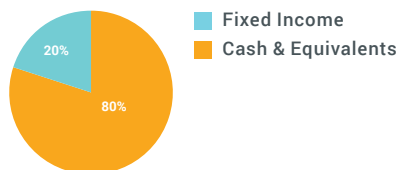
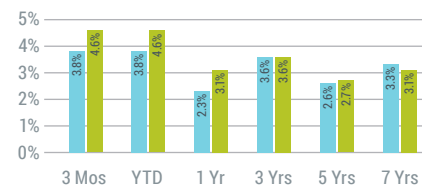
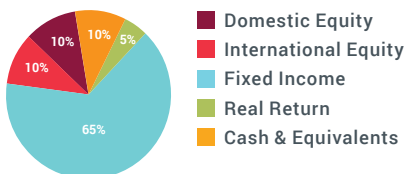
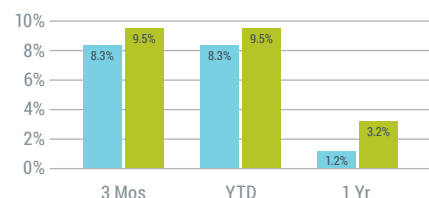
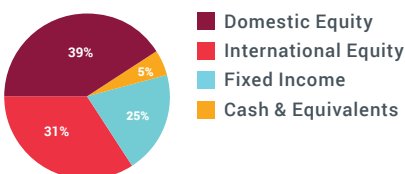
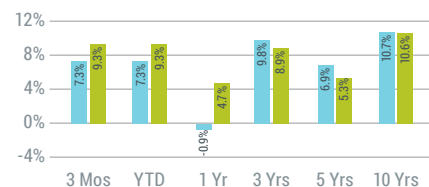
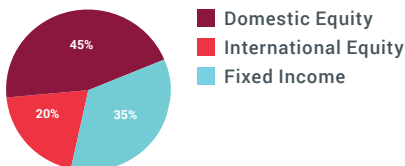
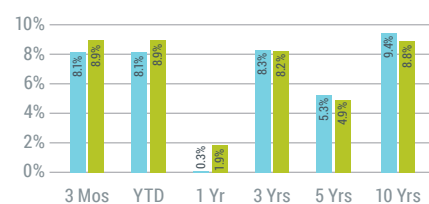
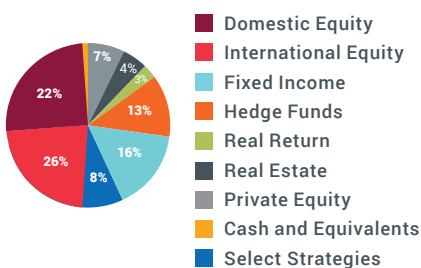
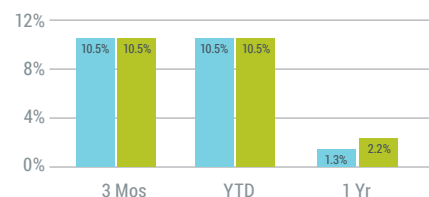
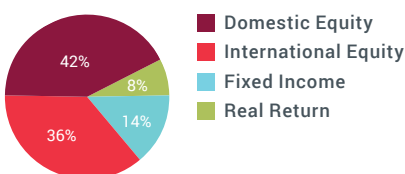
As always, thank you for your partnership in our mission to make Greater Seattle a stronger, more vibrant community for all.

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 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 interests (Socially Responsible Investment and Index), risk profiles (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.

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.

Garth Reistad

Mr. Reistad is the Deputy Chief Investment Officer at the **University of Washington**, where he has over 20 years of experience. Prior to joining the University, he worked at Bank of America in San Francisco. Mr. Reistad received an M.A. in Economics from Columbia University. He serves on the Investment Committee for 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.