



Kirstin Sandaas
Chief Financial Operating
Officer

The financial markets reflected steady results in the third quarter, led by U.S. companies' strong results and continued consumer and business confidence. With rising concerns about tariffs, political tensions and recessionary predictions in the news, and as we move close to year-end, it is an opportune time to align your investment pool choices with your philanthropic plans and timelines to preserve your giving capacity. We encourage you to review your pool selection to ensure that it is aligned with your giving horizon. (A summary of the pool options matched to grantmaking timelines is provided in this report.)

Looking at equity markets, S&P 500 closed the third quarter with a 1.7% gain, while domestic small cap equities fell 2.4% (Russell 2000), Non-US Equities (MSCI EAFE) lost 1.1% and Emerging Equities performed the worst, falling 4.2% (MSCI EM). Globally, the MSCI AC World index reflected an overall pause in gains, finishing the period with a 0.0% return. Investors continue to grapple with the same issues that have been driving the market for the last year, balancing solid but slowing economic data with uncertainty surrounding Brexit and the continued escalation of trade disputes between the U.S. and China.

Delivering on statements it made earlier this year, the Federal Reserve Board instituted new rounds of quantitative easing, as did the European Central Bank and Peoples' Bank of China. These interest rate cuts marked a significant shift in the Fed's position from late 2018, when it maintained a tightening stance. As a result of falling rates, fixed income continued its rise during the quarter with U.S. Core Fixed

Income (Barclays Capital Aggregate) returning 2.3% for the period and 8.5% year-to-date.

Outside the U.S., growth remains positive but slow. The UK market weakened, however, as the likelihood of a "hard Brexit" increased. Simultaneously, the 19-member Eurozone reported an annualized growth rate of +0.8%. Japan continued to experience political stability as Prime Minister Shinzo Abe was victorious in Japan's national elections, becoming the longest-tenured prime minister in Japan's history. Economic growth remained positive in the nation due to increased consumer spending and despite negative effects of the manufacturing trade conflict between the United States and China.

Looking to Seattle Foundation's investment pools, the **Balanced Pool** maintains a diversified portfolio that includes exposure to each of the equity markets described above, as well as more conservative asset classes such as U.S. Fixed Income. Through the third quarter, the pool gained 11.2% (net of investment management fees). The Balanced Pool also exceeded its target benchmark over the 5-, 7- and 10-year periods. Much of this success is attributable to active management in the equity space as well as strong performance in alternative areas. Performance data about our other investment pools are shown in the accompanying charts. I encourage you to read the pool profiles and evaluate the options available for your philanthropic funds.

During the quarter, we focused our community impact efforts toward helping uphold our democracy. Our **Regional Census Fund** is working to ensure a fair, accurate and inclusive census count in 2020, through making grants to trusted community-based organizations that are conducting effective outreach in hard-to-count communities. We convened some grantees at Bellevue Public Library in September, where leaders from the Washington Census Alliance, the Eastside Refugee and Immigrant Coalition, and the India Association of Western Washington discussed their work and the challenges they're facing. In another ongoing effort to strengthen our democracy, we now serve as the fiscal sponsor for the **Investigative Journalism Fund at The Seattle Times**, a fund that supports in-depth original reporting and is the first of its kind in the nation. The fund's innovation caught the attention of the Knight Foundation, which in August awarded it a \$250,000 grant. We also continued critical investment through our **Vibrant Democracy Initiative**, supporting compelling leadership development efforts and strengthening the voice and participation of underrepresented communities in policymaking.

As we approach year-end, Seattle Foundation philanthropists are on track to conclude another record year of grantmaking to worthy causes, locally, nationally and internationally. Further, new philanthropists and new funds continue to come to Seattle Foundation. We anticipate 2019 will be a record year in gifts into the foundation. Most importantly, it is our positive partnership with you in driving impact to our community through furthering equity and opportunity that will be our most significant shared achievement for the year.

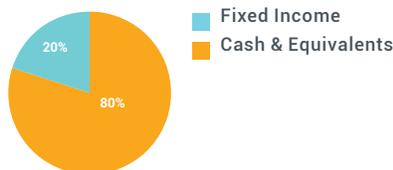
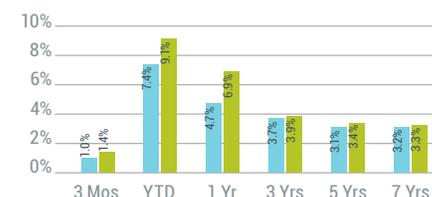
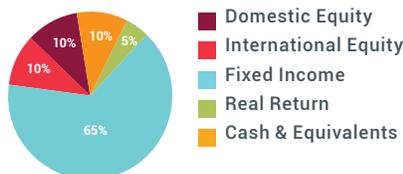
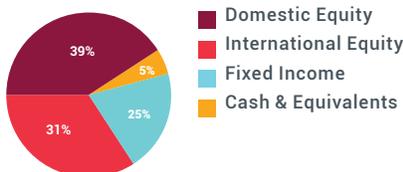
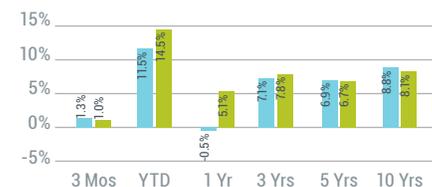
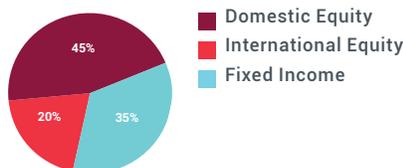
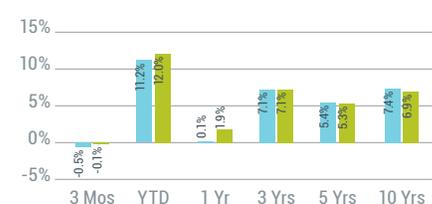
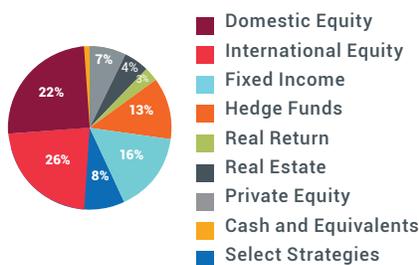
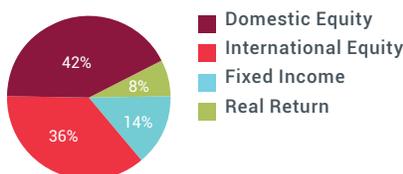
As we look to the end of the year and the busiest months for philanthropy, we remind you that our team of philanthropic advisors and program officers are available to support you in your giving and estate planning. Our mission is to ignite powerful, rewarding philanthropy to make Greater Seattle a stronger, more vibrant community for all and we thank you for your partnership in this mission. I welcome your questions and comments at any time and can be reached at 206.515.2105 or k.sandaas@seattlefoundation.org.

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 interests (Socially Responsible Investment and Index), risk profiles (Growth) and giving horizons (Intermediate and Short-Term). Outside management for funds larger than \$1 million 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 Mavero 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.

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.

Anthony C. Smith

Mr. Smith serves as Deputy Chief Investment Officer for the **Seattle City Employees' Retirement System (SCERS)** where he works closely with SCERS' CIO in the oversight of the SCERS \$2.8 billion pension portfolio. His investment career covers roles in trading, portfolio management, servicing, marketing and new business development. Mr. Smith received a B.A. in finance from Seattle University and an M.B.A. from the Kellogg School of Management at Northwestern 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.