



Kirstin Sandaas
Chief Financial Operating Officer

The overall performance of the financial markets was optimistic in the second quarter of 2019, led by U.S. companies' strong results and steady consumer and business confidence. We are pleased to share the quarter's investment performance results, which show positive returns in each of Seattle Foundation's investment offerings and support the continued generosity and community impact of our philanthropic partners.

The equity markets had impressive results, with the S&P 500 gaining 4.3% while Non-U.S. Equities (MSCI EAFE) gained 3.7%. Emerging equities (MSCI EM) were relatively flat during the quarter (+0.6%). While market data in both the United States and abroad have been solid, investors are growing concerned about future corporate earnings growth, manufacturing and consumer spending. Fear of extended trade wars with China and other global trade partners has triggered anxiety across the investment landscape.

Monetary authorities reacted to this uneasiness in the second quarter, including the U.S. Federal Reserve. Chairman Jerome Powell indicated the Fed would not raise rates again in 2019; in July, the Fed executed a rate cut. This change of course from just a few months ago, combined with recent increased tariffs, has caused increased market volatility.

International markets saw positive growth. The European Union posted +0.4% growth in gross domestic product (GDP) while Japan's first quarter GDP gained 2.4%. But political turmoil and pressures from trade have kept these equity markets muted compared to the United States. Unrest continues in the United Kingdom while its Parliament attempts to leave the European Union as smoothly as possible.

Looking to Seattle Foundation's investment returns, the Balanced Pool gained 11.2% year-to-date and 2.6% over the last 12 months (net of investment management fees). The Balanced Pool exceeds its target benchmark over the 3-, 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 all our investment pools are shown in the accompanying charts.

Our community impact during the quarter can be measured by several major policy and budget achievements for our community partners during the Washington State Legislature's 2019 session. Bringing change to systems that limit opportunity for marginalized people is a primary objective of many of our grantees. These include Civil Survival, which won passage of The New Hope Act, a bill to support formerly incarcerated individuals as they re-enter society. Statewide Poverty Action Network passed a slate of debt reform bills that provide consumers more equitable protections. Washington Census Alliance secured a \$15 million budget commitment from the State Legislature to fund an accurate count of Washington residents in the upcoming census. And, Tenants Union of Washington helped ensure passage of eviction reform. Read about these changes and others on the Seattle Foundation blog.

We continue our focus on delivering meaningful educational and engagement opportunities for our partners. Recent events include a panel discussion on race and homelessness, a book-signing with Maya Sotoreo Ng (educator, author and sister of President Barack Obama) and a conversation with Governor Gary Locke about Census 2020. These opportunities provide philanthropists insights to shape their giving and focus on issue areas Seattle Foundation prioritizes in our civic leadership and grantmaking.

Through our solid investment performance and our growing community impact, Seattle Foundation is igniting powerful, rewarding philanthropy to make Greater Seattle a stronger, more vibrant community for all. 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



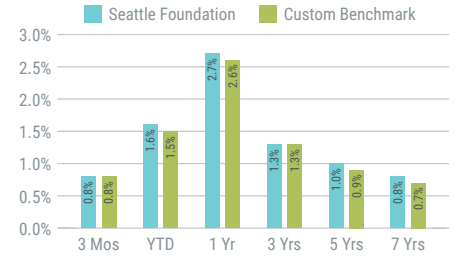
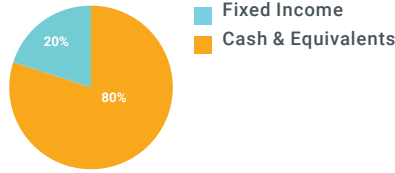
Investment Pool

Target Asset Allocation

Performance

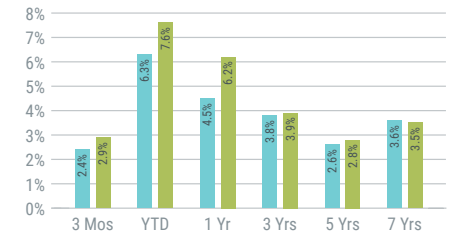
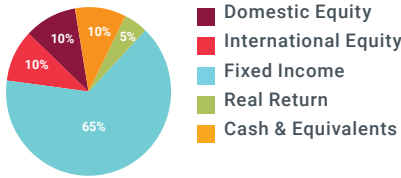
Short-Term Pool

0-2 year giving horizon



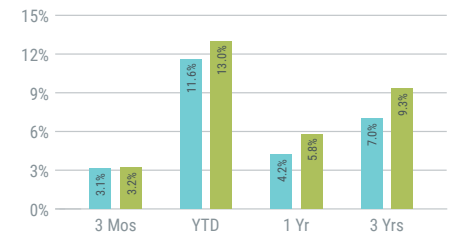
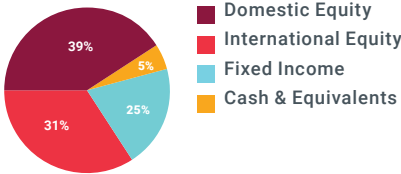
Intermediate Pool

3-7 year giving horizon



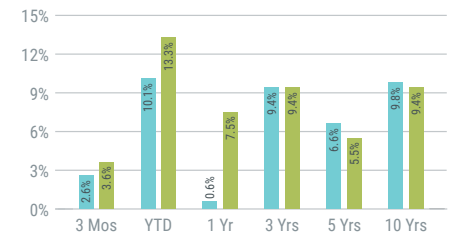
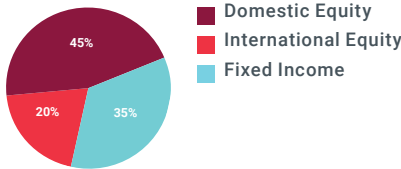
Index Pool

10+ year giving horizon



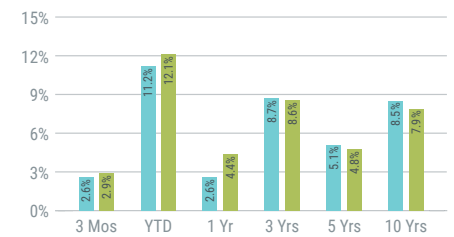
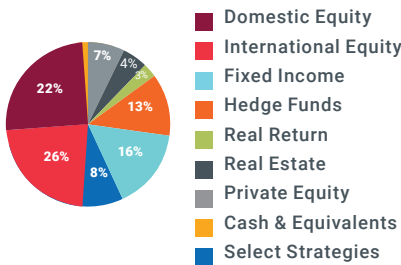
Socially Responsible Investment Pool

10+ year giving horizon



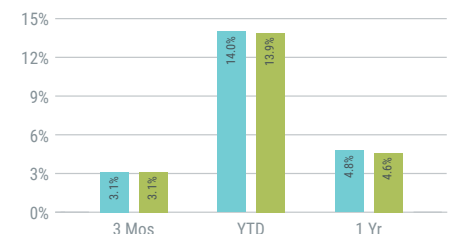
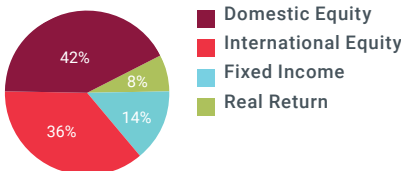
Balanced Pool

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 \$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 Maveron 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.