



Kirstin Sandaas
Chief Financial Operating Officer

Despite overwhelming pessimism by industry experts at the beginning of 2019, equity markets surprised everyone with impressive returns for the year. Equities gained across the globe, led by an S&P500 return of 31.5%. Non-U.S. developed markets (MSCI EAFE) gained 22.0% and emerging markets (MSCI EM) gained 18.4%. A strong fourth quarter punctuated these annual gains, as global equities overall (MSCI ACWI) rose 9.0%.

Entering 2019, GDP growth and corporate earnings were slowing, driving fears of a recession. Uncertainties surrounding Brexit in the United Kingdom and U.S. trade tensions with China, Japan, and Europe created further angst in the marketplace, leading many to expect a difficult year for investors. But once again central banks around the world stepped in to provide liquidity and prop up equity markets. For its part, the Federal Reserve lowered overnight rates three times in 2019. They also reversed course on balance sheet reductions, instead expanding their balance sheet and generating more liquidity for the market. By the end of the year, GDP growth was back on track and the U.S. unemployment rate fell to 3.5%. More significantly the U-6 unemployment rate, which counts discouraged workers who have quit looking for a job and part-time workers who are seeking full-time employment, reached a new cycle low of 6.7%.

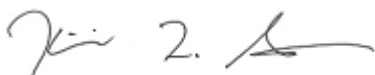
Data began to improve outside the U.S. as well. European growth seems to have bottomed after the U.K. Parliament agreed to an exit from the European Union in the fourth quarter. Japan added more than \$120 billion in fiscal stimulus and aided equity markets locally. China continues to provide liquidity to its market and on Jan. 1, 2020, lowered reserve ratio limits to banks, its eighth such cut in the past two years. Despite negative headlines throughout 2019, the Chinese equity market gained more than 37% on the year.

The diversified portfolio of our Balanced Pool includes exposure to each of the equity markets described above, as well as to more conservative asset classes, such as U.S. Fixed Income. In 2019 the portfolio gained 18.3% (net of investment management fees). The Balanced Pool exceeded its Target Benchmark over the 5-, 7- and 10-year periods, and its success is largely attributable to active management in the equity space as well as to 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 Q4, Seattle Foundation made several big and exciting investments in equity and innovation. We awarded \$500,000 in grants to 10 organizations that are addressing the disproportionate effects of climate change on communities of color and low-income communities. We were the first community foundation to join a unique philanthropic guarantee pool, led by the Kresge Foundation, a tool that will ultimately catalyze more than \$150 million in investments in small businesses, climate and affordable housing nationwide. We also launched Civic Commons, a new initiative that brings people and communities together to take action on the region's biggest economic and social challenges. Civic Commons includes the Scorecard for Shared Prosperity, which tracks the total well-being of the region's residents, and We Belong Here, which develops relationships between people and institutions from all sectors.

As always, thank you for your partnership. We are proud to support your philanthropy as we work to make Greater Seattle a stronger, more vibrant community for all. I look forward to working together in the year ahead and welcome your questions and comments at any time. I can be reached at 206.515.2105 or k.sandaas@seattlefoundation.org.

Sincerely,



Kirstin Sandaas
Chief Financial Operating Officer

LOWER VOLATILITY

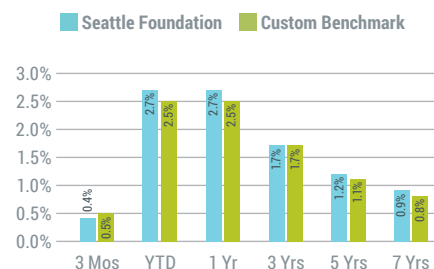
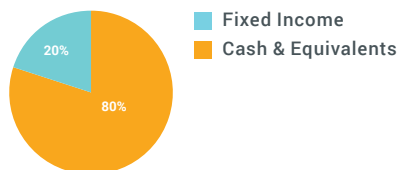
HIGHER VOLATILITY

Investment Pool
Target Asset Allocation
Performance

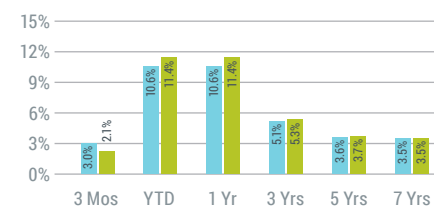
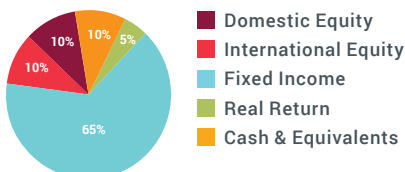
CASH

Short-Term Pool

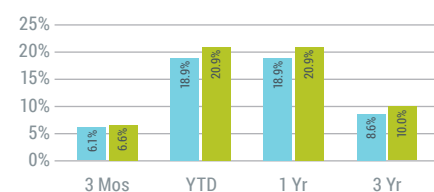
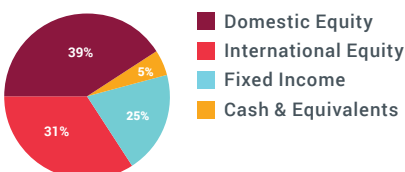
0-2 year giving horizon


Intermediate Pool

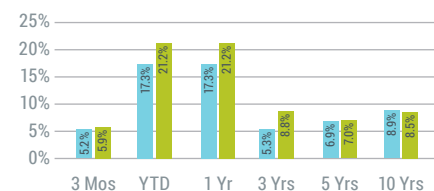
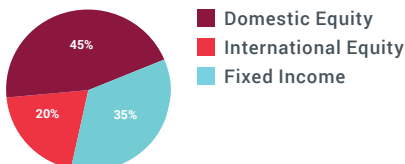
3-7 year giving horizon


Index Pool

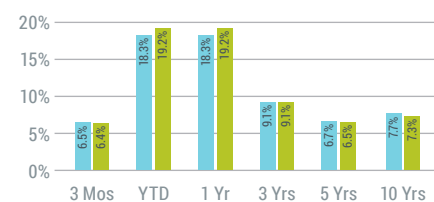
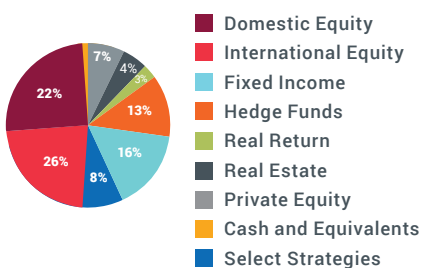
10+ year giving horizon


Socially Responsible Investment Pool

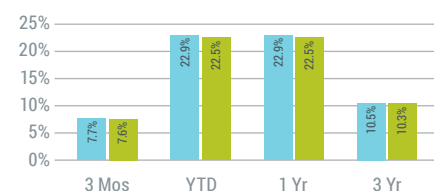
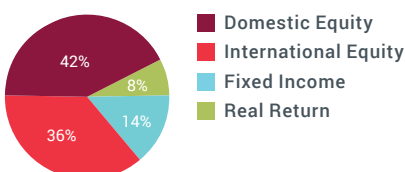
10+ year giving horizon


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.

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.