



**Joseph Boateng**  
Chair of Investment Committee

Thank you for choosing Seattle Foundation as your partner in philanthropy. We know that you share our commitment to creating a region of shared prosperity, belonging, and justice. We appreciate your confidence in us to manage your assets in service of a greater goal: fostering a community where everyone can thrive. We are pleased to share these results from Q2 and we welcome any questions or feedback.

#### **Market Conditions**

Global markets continued to rally in the second quarter, again providing evidence of the random nature of short-term market fluctuations. Recent price gains continue to be concentrated in a few of the largest index positions and have pushed indices such as the S&P 500 into unusually high levels of concentration across their top five names. This is of concern as concentration and risk go hand and hand.

The willingness of investors to provide capital is at the heart of our economy. Bad businesses can survive far longer than one might expect when capital is plentiful, whereas good businesses may fail when it is scarce. Our worry is that most investors have built portfolios that are highly dependent on the free money climate of 2008 to 2021. This is of grave concern as the probability of a very different climate seems increasingly likely.

As a result, whether one is looking at real estate, private debt, public equities, etc., it is essential to consider the implications of an extended period of capital scarcity. Unfortunately, this will require some creativity, pessimistic underwriting, and realization that the track records produced during a time of plentiful capital are basically without meaning.

A quarter ago, we advised a focus on meaningful diversification, resilience, and investment processes that fully account for the risks of a more complex economic climate. The conundrum today is that the surge of investor capital into the S&P 500's largest names is sensible given the amount of cash these businesses generate. At the same time, it does not account for the dangers of crowds and the broader opportunity set that is plain to see. Nevertheless, we must not forget that randomness rules the day and the most successful among us respect its power while also capitalizing on its tendency toward excess.

The Foundation's investment pools were designed to thrive in the type of investment climate we are currently experiencing, as complexity provides an advantage to patient, disciplined investors with in-depth knowledge of the fortunes of individual companies. This, plus the Foundation's diversified strategy, will likely be key contributors to overcoming what might at times be fierce headwinds from markets and the world at large.

#### **Portfolios**

The Balanced Pool is the Seattle Foundation's primary investment pool and is actively managed to deliver returns at 5% plus CPI over a long-term horizon. It maintains a diversified portfolio that includes exposure to global equity markets, alternative investments, and more conservative asset classes such as U.S. Fixed Income. Over the last 10 years, the Balanced Pool has gained 6.9% per annum. The Pool gained 4.2% in the second quarter and registered an 11.3% gain in the last 12 months. The portfolio has rebounded as investors have become more accustomed to the complexity of the current climate.

In addition to our Balanced Pool, we offer other investment options to meet our fundholders' needs. Our Socially Responsible Pool, designed to meet ESG (Environmental, Social, and Governance) requirements while also providing competitive economic returns, gained 4.3% for the quarter. Our Intermediate-Term Pool, designed to meet the expectations of donors with a grantmaking horizon in the 2-7-year range, gained 1.2%. The Foundation also manages a Short-Term Pool for donors with very short grantmaking horizons. This pool is intended to preserve capital as best as possible and gained 1.0% for the quarter. Lastly, the Foundation offers an Index Pool, which is all passive, and a Growth Pool. These pools gained 4.0% and 3.4% in the quarter, respectively.

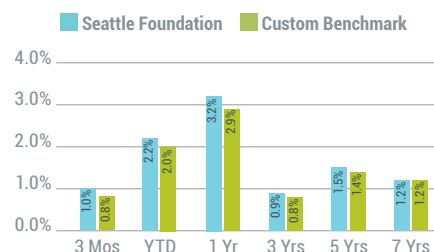
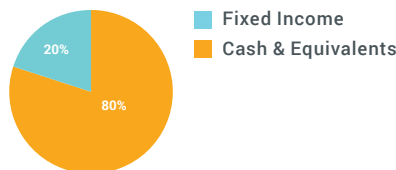
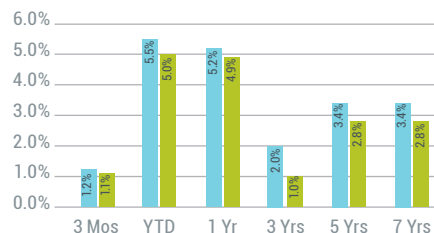
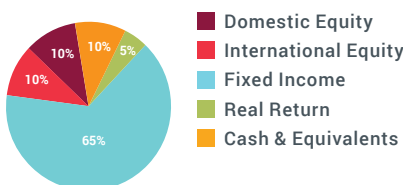
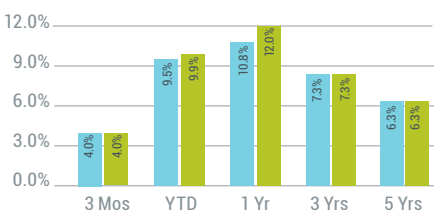
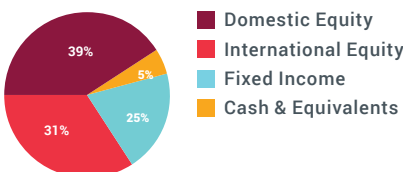
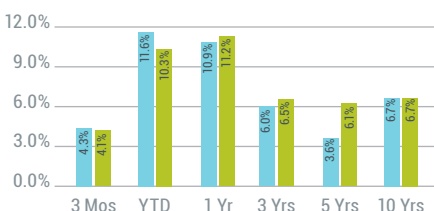
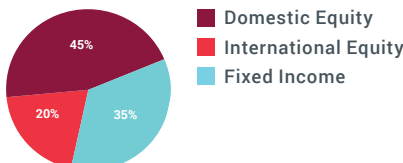
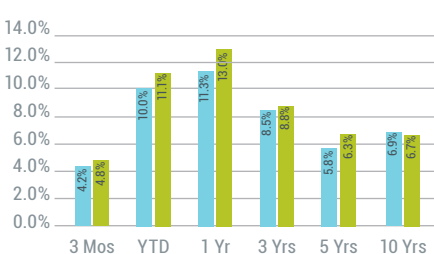
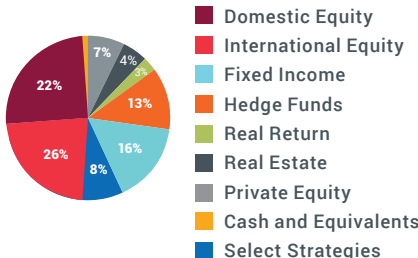
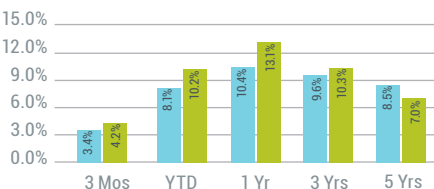
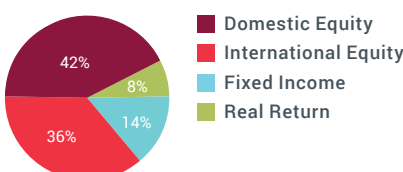
We are thankful for the opportunity to support you in creating powerful, rewarding philanthropy to make King County a stronger, more vibrant community for all. We welcome your questions and comments about Seattle Foundation.

Sincerely,



Joseph Boateng  
Chair of Investment Committee

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.

Seattle Foundation Philanthropic Partners may request a change to their investment pools no more than once in a 12-month period during two windows annually. The current window closes August 31, 2023 and transfers will occur no later than October 31, 2023. Please note endowed funds are solely invested in the Balanced Pool. If you have any questions, please contact your Philanthropic Advisor or our Philanthropic Services team at [ps@seattlefoundation.org](mailto:ps@seattlefoundation.org) or 206.515.2111.

## 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 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 six members selected for their investment expertise and judgment.

### Joseph Boateng, CHAIR

Mr. Boateng joined **Casey Family Programs** as its first Chief Investment Officer in 2007 and is responsible for overseeing the foundation's \$2.6 billion endowment. Before joining Casey, he was a member of the Johnson & Johnson Investment Committee, responsible for managing over \$17 billion. Prior to joining Johnson & Johnson, Joseph spent 13 years at the Xerox Corporation where he was a key member of the Trust Investment Team that managed \$10 billion in assets. Mr. Boateng received his MBA from University of California Los Angeles and is an alumnus of the Said Business School at Oxford. He is a CFA Charterholder, CPA / PFS, and Chartered Global Management Accountant designee.

### Debra Somberg, BOARD MEMBER

Ms. Somberg is founder of **NewView**, a nonprofit organization unlocking the power of tri-sector engagement to build innovative and successful business models that tackle social problems in new and sustainable ways. She also currently serves as Chair-Elect on the board of BECU, a \$25 billion financial cooperative, on the board of The Port Blakely Companies and the National Advisory Board of Stanford University's Public Service Center. Previously, Debra co-managed Maveron LLC, a venture capital firm focused on the consumer with \$500+ million under management. Debra graduated from Stanford University, phi beta kappa, and received an MBA from Harvard Business School.

### Alan Heuberger

Mr. Heuberger is a Senior Investment Manager with **Cascade Asset Management Company** 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.

### Steve Hill

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.

### 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.