



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 Q3 and we welcome any questions or feedback.

Market Conditions

As we observe the world in late 2023, major change is clearly underway.

- Geopolitics continue to become increasingly complex.
- Structural inflationary forces continue to build while the Federal Reserve slowly but surely seeks to reduce the size of its balance sheet. While the future is never certain, one should not underestimate the impact of central bank policy that must also contend with inflationary forces and can no longer be focused on growth and market stability.
- Capital markets have selectively ignored the sea change underway

and seem to be beholden to the formula that worked during the “free money” climate of the last decade.

In fairness, the returns (see chart, right) tell two different stories. On the side of free money and boundless optimism lies the S&P 500, whose double-digit gain was nearly entirely driven by a 44.6% advance for its top 10 names. On the side of complexity and changing business/ economic conditions lie the other indices.

Market	2023 Q3 Return	CYTD Return to 9/30/23
US Large Cap (S&P 500)	-3.3%	+13.1%
US Small Cap (Russell 2000)	-5.1%	+2.5%
Non-US Developed (MSCI EAFE)	-2.0%	+6.8%
Non-US Emerging Markets (MSCI EM)	-2.9%	+1.8%
Aggregate Bonds (BB Agg)	-3.2%	-1.2%

Our increasingly lonely view is that investors must look past U.S.-focused capitalization-weighted indices to the broader market opportunity set. We find it both frustrating and a source of great optimism that many disagree with us. We’ve heard everything from “traditional valuation metrics don’t apply to large dominant businesses” to “why embrace diversification away from indices now?”

What will change the current state of affairs? When will it happen?

Unfortunately, these are not questions we can responsibly answer. Instead, we rely upon the significance of long-term over short-term outcomes and the inarguable dominance of cyclicity alongside the underlying principles that always ultimately govern investment outcomes.

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 US Fixed Income. Over the last 10 years, the Balanced Pool has gained 6.0% per annum. The Pool lost 2.7% in the third quarter and registered a 14.7% gain in the last 12 months. The portfolio’s forward returns tend to be highly correlated to complexity of an investment climate – greater challenges translate to higher returns.

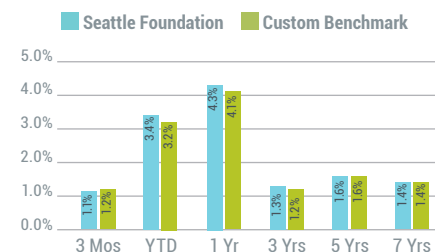
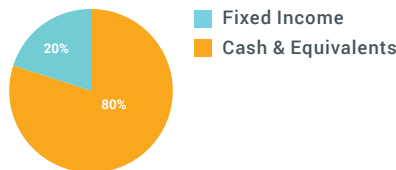
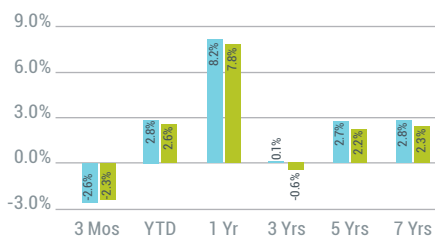
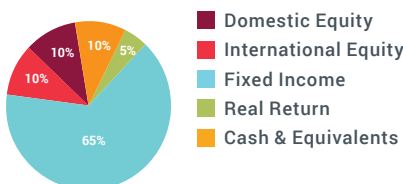
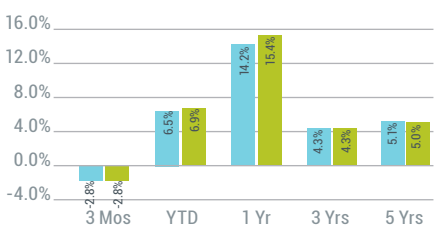
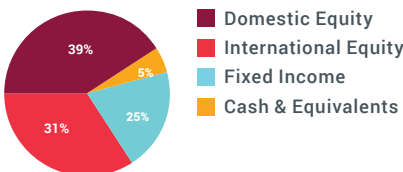
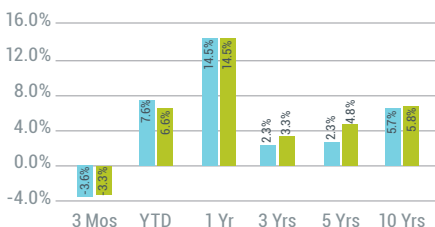
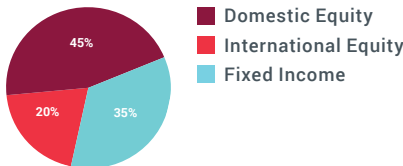
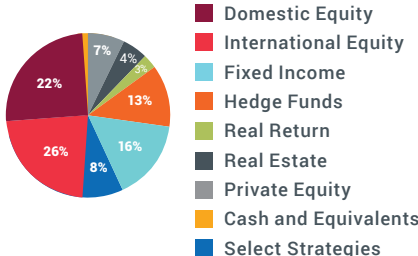
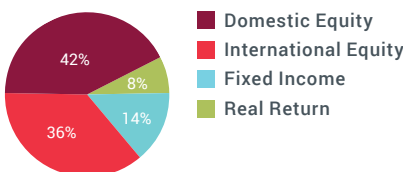
In addition to our Balanced Pool, we offer other investment options to meet our fundholders’ needs. Our Socially Responsible Pool, designed to meet ESG (Environmental, Social, and Governance) requirements while also providing competitive economic returns, lost 3.6% for the quarter. Our Intermediate-Term Pool, designed to meet the expectations of donors with a grantmaking horizon in the 2-7-year range, lost 2.6%. 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 1.1% for the quarter. Lastly, the Foundation offers an Index Pool, which is all passive, and a Growth Pool. These pools lost 2.8% and 3.0% 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. The fee schedules for each investment pool vary based on the pool's holdings, performance, and size. Current management fees range from 0.08 to 1.13% and generally will not exceed 1.5% in any investment pool. 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 March 31, 2024 and transfers will occur no later than May 31, 2024. 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 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 13 members selected for their investment expertise and judgment.

Joseph Boateng, CHAIR

Joseph 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. Joseph received his MBA from UCLA 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

Debra Somberg is founder of **NewView**, a nonprofit 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, The Port Blakely Companies, and the National Advisory Board of Stanford University's Public Service Center. Debra graduated from Stanford University, phi beta kappa, and received an MBA from Harvard Business School.

Sheng-Sheng Foo

Sheng-Sheng Foo is Director of Investments at **Casey Family Programs**, where she has investment responsibilities across asset classes globally in supporting the foundation's endowment. Prior to this, she worked at The University of California Investment Office and previously oversaw the Public Markets portfolio at The California Endowment. She has an MBA from The Wharton School at the University of Pennsylvania and is a CFA charter holder and earned the Certificate in Quantitative Finance (CQF).

Michelle Goldberg

Michelle Goldberg is the former General Partner for venture capital firm **Ignition Partners** and has over a decade of investment experience. She currently sits on a number of boards, including Bakkt, Glympse, Visible Technologies, and Ice.com. She received an MA from Harvard University and a BA from Columbia College.

Alan Heuberger

Alan 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 BA in economics and mathematics from Claremont McKenna College and is a Chartered Financial Analyst.

Steve Hill

Steve 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. Steve received a BS from UC Berkeley and an MBA from UCLA.

Jason Malinowski

Jason Malinowski is the Chief Investment Officer of the **Seattle City Employees' Retirement System**. Prior to joining the City of Seattle, he was a

Managing Director at BlackRock, serving as the Head of Risk and Quantitative Analysis for Alternative Investments. He received a BA in Economics and Mathematics from New York University and a MA in Policy Studies at the University of Washington, Bothell.

Patrick Martinell

Patrick Martinell is an Investment Officer and Director of Research with the **University of Washington**. He also spent two years at the Washington State Investment Board (WSIB) on the Risk Management and Asset Allocation team and 14 years at Cascade Asset Management. Patrick holds a double degree in Economics and Mathematics from Claremont McKenna College. He is a member of the Seattle Society of Financial Analysts and a CFA Charterholder.

Jeff Nita

Jeff Nita is the retired Vice President, Treasurer and Pensions for **Weyerhaeuser Company**. At Weyerhaeuser, he led capital markets and treasury activities, risk, and oversight of its pension investments. He has served on the board of Seattle Children's Hospital and Seattle Cancer Care Alliance and at both organizations served as chair of their investment committee. Jeff has a BA and MA in Public Policy from UC Berkeley.

Daniel Regis

Daniel 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. He also spent more than 30 years with Price Waterhouse LLP, including Managing Partner of the Seattle and Northwest Group of offices. Daniel received a BS from Seattle University.

Garth Reistad

Garth 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. Garth received an MA in Economics from Columbia University. He serves on the Investment Committee for Seattle University.

Kenla Torres-Sibley

Kenla Torres-Sibley is a member of the asset allocation division and leads the external public manager team for the **Bill & Melinda Gates Foundation Trust** and **Cascade Investment**. Prior to joining Cascade, she was an Investment Director at Brown University's endowment. Kenla holds an MS in Investment Management from Boston University and a BS in Finance and Economics from the University of South Florida. She is a member of the investment committee of the United Negro College Fund's Gates Millennium Scholars program.

Greg Wilson

Greg Wilson is a Portfolio Manager at **Pugh Capital Management**. He has spent his career analyzing, trading, and developing strategies supporting the mortgage-backed, asset-backed, and commercial mortgage-backed sectors across Pugh Capital's products. Greg earned his MS in Finance from Seattle University and his BA in Economics and Psychology from Claremont McKenna College.