



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 Q4 and we welcome any questions or feedback.

Market Conditions

2023 proved to be a very profitable year for most public market investors as shown in the chart at right. A pessimistic mindset following 2022's losses was clearly the wrong perspective for the year ahead. Should we be similarly suspicious of any optimism born from 2023's gains?

Due to the simple fact that the Foundation bases investment decisions on rigor, history, and patience to produce a high probability of longer-term success, engaging in the admittedly attention-grabbing matters of near-term market-direction speculation has never been of interest. To be blunt, we do not favor forecasts where our odds of success are at best the same as a coin toss.

	Calendar 2023
Russell Top 200 Growth	46.6%
S&P 500	26.3%
Russell Top 200 Value	10.6%
MSCI All Country World	22.2%
Russell 2000	16.9%
Bloomberg High Yield	13.4%
MSCI EAFE	18.2%
MSCI EM	9.8%
Bloomberg Aggregate	5.5%
MSCI China	-11.2%
Bloomberg Commodity	-7.9%
Consumer Prices	3.3%

One way to think about recent gains is to attempt to identify those that reflect a justifiable (i.e., durable) adjustment in price. In other words, does this increase reflect a correction of a prior discrepancy between price and fundamental value? Or does the increase merely reflect growing optimism for the future and/or investor willingness to pay an ever-increasing premium for a perception of comfort and safety?

Take the Magnificent 7.¹ On an equally weighted basis, this group posted a stunning 107.0% return for the year, while the return was 75.7% on a capitalization-weighted basis. Presently, we have earnings data through September 2023 which amounted to just under a 19% one-year growth rate while expected earnings growth for the next 12 months is approximately 25% on an equally weighted basis. Simply put, regardless of which of these figures we use, multiple expansion (i.e., optimism for the future) defined the story of last year. This is true because price increases substantially exceeded earnings growth.

Why is optimism a dangerous foundation for investment decisions? Unfortunately, despite the positive connotation commonly attached to such an outlook, reality rarely matches hope—subsequent results are predictably disappointing as future outcomes fail to live up to lofty expectations.

Ultimately, this is a tale of two markets. On one hand, we have the Magnificent 7 priced at nearly 40x trailing earnings—this is the ultimate “what can go wrong?” valuation. On the other, we have scores of beaten-down stocks both inside and outside the U.S. trading at what seem to be exceptionally low valuations.

On balance, we continue to believe that monetary policy is on a slow yet undoubtedly erratic path towards normalization thanks to higher structural inflation. This introduces many less familiar but well-documented risks that investors will have to face whether they like it or not. Given that everyone, including us, lack foresight into the future, the primary factor worth considering is the strong tendency of low valuations to create a wider array of scenarios in which equities produce acceptable returns. This very reliable force will likely provide the fuel for strong future returns at the Foundation.

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 6.3% per annum. The Pool gained 8.0% in the fourth quarter and registered a 15.7% 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, gained 9.6% for the quarter. Our Intermediate-Term Pool, designed to meet the expectations of donors with a grantmaking horizon in the 2-7-year range, gained 6.6%. 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; gained 1.6% for the quarter. Lastly, the Foundation offers an Index pool, which is all passive and a Growth Pool. These pools gained 8.7% and 9.2% 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

¹ Alphabet, Amazon, Apple, Meta, Microsoft, NVIDIA, and Tesla.

LOWER VOLATILITY

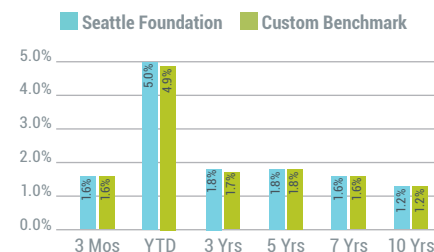
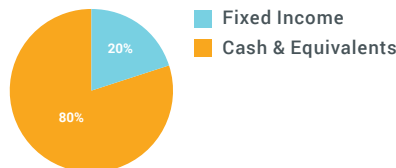
HIGHER VOLATILITY

CASH

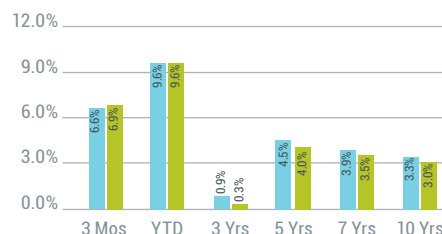
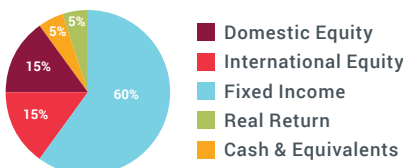
EQUITIES

Investment Pool
Target Asset Allocation
Performance
Short-Term Pool

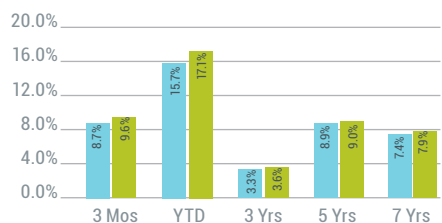
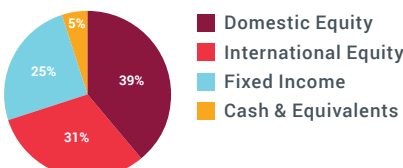
0-2 year giving horizon


Intermediate Pool

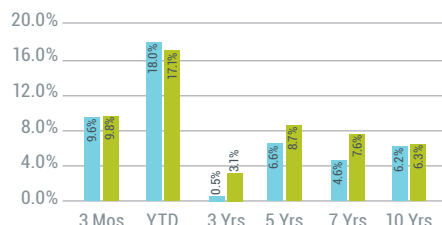
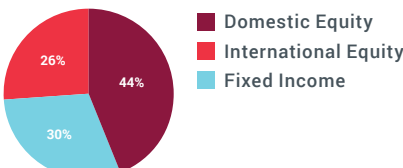
3-7 year giving horizon


Index Pool

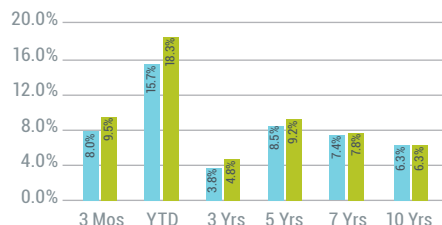
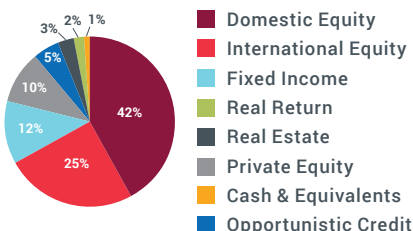
10+ year giving horizon


Socially Responsible Investment Pool

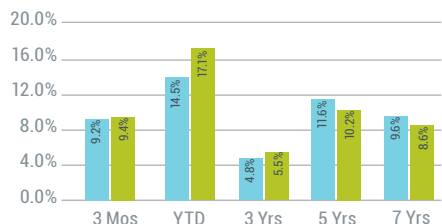
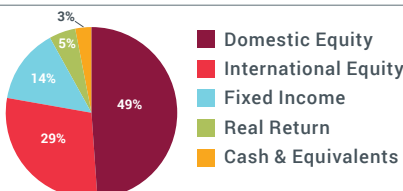
10+ year giving horizon


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 0.09 to 1.02% 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.

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.

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.