COMMUNITY FOUNDATION for SOUTHERN ARIZONA

Investment Pools Performance & Commentary
June 30, 2013

Second Quarter 2013 Market Environment

The U.S. economy continues to provide growth at or slightly below trend, with no sustained driver of growth. Hopes of improvement in the labor and housing markets mask the underlying weakness. Look for a continued trend toward economic weakness as we move into the second half of the year. Expect to see GDP growth trend toward 1% with the potential for lower in Q4.

Europe is at its lowest point of growth in over two years with no potential sign of improvement in the future. EM growth has been higher than developed at nearly 5.5%, but below its potential growth level of 6.25%. Japan on the other hand, is the global testing grounds to see if QE actually works or not. The capital markets in Japan have been directly related to the size and expansion of the Bank of Japan (BoJ) balance sheet. Following the announcement of Abenomics, the Nikkei and 10-year yields increased. Recently, however, the Nikkei has experienced some turbulence and is raising concerns on whether or not QE will work long-term, or if the recent gains were temporary.

Coming out of the March 2009 lows, the financial markets behaved as one would expect with the higher beta assets leading. Equities continued to move higher despite the lack of economic growth as central bank policy continued the extraordinary QE program. When the Fed announced Operation Twist in August 2011, the market determined that QE had become a permanent policy tool and the markets began behaving irregularly. Since developed market central banks have engaged in QE and EM countries have not, developed market equities have outperformed EM.

In the U.S., the broad S&P 500 Index gained 2.9%, while small-cap stocks outperformed their larger counterparts. The MSCI EAFE (Europe, Australia, Far East) Index lost -0.7% while the MSCI Emerging Markets Index fell by -8.0%. Global fixed income posted negative returns, with the Barclays Capital Global Aggregate Bond Index decreasing -2.8% in the quarter. Within domestic credit markets, the Barclays Capital Aggregate Index lost -2.3%. The Treasury Inflation-Protected Securities (TIPS) index fell by -7.1%.

Underlying Investment Managers

Domestic Equity: Vanguard 500 Index, T. Rowe Price Large Cap Growth, Barrow Hanley Large Cap Value, Vanguard Extended Market ETF
International Equity: Dodge & Cox International Stock, EuroPacific Growth, Vanguard Emerging Market ETF
Fixed Income: Dodge & Cox Income, PIMCO Total Return, JP Morgan High Yield, Vanguard Inflation Protected Securities
Real Assets: Credit Suisse Commodity Return Strategy, Penn Square, UBS Trumbull, Vanguard REITs
Liquid Alternatives: PIMCO All Asset All Authority

Investment Pools	Three months ended 6/30/13	Year to Date	Fiscal Year to Date	One (1) Year Return	Three (3) Year Return	Five (5) Year Return
Cash Equivalent 100% Cash Equivalents	*0.1*	*0.2*	*0.5*	*0.5*	*0.8*	*0.8*
Global Constrained Income & Growth 25% Equity, 75% Fixed Income	*-1.9*	*0.1*	*5.7*	*5.7*	*7.7*	*6.5*
Global Constrained Balanced 50% Equity, 50% Fixed Income	*0.0*	*3.5*	*11.0*	*11.0*	*10.5*	*6.3*
Global Growth & Income 65% Equity, 30% Fixed Income, 5% Commodities	*-0.6*	*3.5*	*11.8*	*11.8*	*11.2*	*5.1*
Endowment	*-0.6*	*3.0*	*11.2*	*11.2*	*10.7*	*3.6*
Market Benchmarks						
Cash - *90-Day Treasury Bills*	*0.0*	*0.0*	*0.1*	*0.1*	*0.1*	*0.2*
Bonds - *Barclays Capital Aggregate*	*-2.3*	*-2.4*	*-0.7*	*-0.7*	*3.5*	*5.2*
International Stocks - *MSCI ACWI ex U.S. Gross*	*-2.9*	*0.3*	*14.1*	*14.1*	*8.5*	*-0.3*
Domestic Stocks - *S&P 500*	*2.9*	*13.8*	*20.6*	*20.6*	*18.5*	*7.0*
Blended Benchmark - Endowment[1]	*-1.0*	*3.2*	*10.5*	*10.5*	*10.7*	*

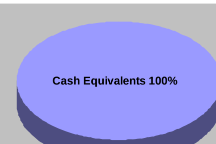
1. 30% Russell 3000, 26% MSCI ACWI ex US, 22% BC Aggregate, 10% NCREIF Property Index, 5% DJ UBS Commodity Index, 7% CPI +5% Index.
** Benchmark was created in 2010*

Notes: *The above are the historical returns for each of the five investment pool.* ***Investment performance of individual funds may vary from the total pool return due to the timing of contributions and grants. Historical returns are not a predictor of future returns. The returns above are net of fees paid to investment managers. This fee represents the plans' blended expense ratio and is between 50 and 60 basis points annually. The fee for our investment consultant, Wurts & Associates, is not reflected in the returns and is provided through your administrative fee.***

Market Commentary Provided by Wurts & Associates Inc., Investment Consultant to CFSA

CASH EQUIVALENT

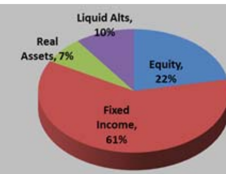
A cash-equivalent pool designed for donors or nonprofits that wish to make grants immediately or for funds that cannot sustain any loss of principal over any time horizon.



During the quarter, the Short Term Pool returned 0.1% given the tepid yields available across the CD and money market universes. Over the past year, the Short-Term Pool has returned 0.5% as the Federal Reserve continues to keep rates near historic lows. When the Fed starts raising short-term interest rates, the yield for the Short-Term Pool should improve.

0GLOBAL CONSTRAINED INCOME & GROWTH

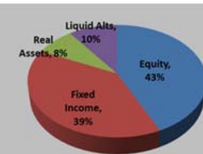
Designed for donors or nonprofits with medium-term objectives (3-5 years). While moderately conservative, this pool will have a risk of loss. A moderate portion may be invested in capital appreciation oriented investments. The income allocation may include an allocation to fixed income instruments. The pool will not include an allocation to illiquid alternative investments.



The Global Constrained Income & Growth Pool fell -1.9% during the quarter and is up 5.7% over the past year. Both domestic and international developed equities experienced positive absolute returns during the quarter. The Pool's fixed income securities, which comprise 75% of its total assets, detracted on an absolute basis and had mixed performance on a relative basis. The allocation to TIPS and emerging market equities were the primary detractors from absolute performance during the quarter.

GLOBAL CONSTRAINED BALANCED

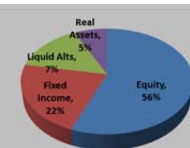
Designed for donors or nonprofits with longer-term objectives (7+ years) and spending rates of less than 4% of assets per year. A portion may be invested in capital appreciation oriented investments. The income allocation may include an allocation to fixed income instruments. The pool will not include an allocation to illiquid alternative investments.



The Global Constrained Balanced pool was flat at 0.0% during the quarter and is up 11.0% over the past year. Domestic Equities contributed the most positive performance, whereas all other asset classes detracted on an absolute basis. The allocation to TIPS and emerging market equities were the primary detractors from absolute performance during the quarter.

GLOBAL GROWTH & INCOME

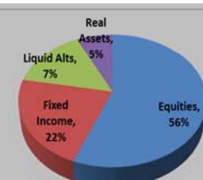
Designed for donors or nonprofits with long-term objectives (10+ years) yet with liquidity requirements and with spending objectives of approximately 4% of assets per year. A large portion may be invested in capital appreciation oriented investments. The income allocation may include an allocation to fixed income instruments. The pool will not include an allocation to illiquid alternative investments.



The Global Growth & Income pool fell by -0.6% during the quarter and is up 11.8% over the past year. Domestic Equities contributed the most positive performance, whereas all other asset classes detracted on an absolute basis. The allocation to TIPS and emerging market equities were the primary detractors from absolute performance during the quarter.

ENDOWMENT POOL

Designed for donors or nonprofits with endowment-like objectives (20+ years), willing to accept moderate illiquidity and with spending objectives of approximately 4% of assets per year. A large portion may be invested in capital appreciation oriented investments. The income allocation may include an allocation to fixed income instruments. The pool may include an allocation to illiquid alternative investments. The management of this pool will be consistent with endowment best practices.



The Endowment pool fell by -0.6% during the quarter and is up 11.2% over the past year. Similar to the Global Growth & Income Pool, the domestic equity allocation positively contributed to performance over the most recent quarter and one year as markets rallied. The allocation to TIPS and emerging market equities were the primary detractors from absolute performance during the quarter.