

THE ECONOMIC CLIMATE

U.S. real GDP growth reached 3.0% in Q3, supported by fiscal stimulus which is more or less expected to fade in 2019. Growth is forecast to moderate in the U.S., in-line with the rest of the developed world. The U.S. and China ended their most recent round of trade negotiations during the first week of January. China indicated willingness to purchase more American agricultural goods, energy, and other manufactured goods, but little progress is evident overall.

MARKET PORTFOLIO IMPACTS

The Federal Reserve raised the fed funds rate by 0.25% to a range of 2.25%-2.50%. Market expectations for future rate hikes changed dramatically in December. As of year-end, the fed funds futures market is pricing in zero hikes for 2019, and a rate cut for 2020. Emerging markets were the top equity performer in Q4, as these markets (MSCI EM -7.5%) experienced much less pain than developed markets (S&P 500 -13.5%, MSCI EAFE -12.5%) during the equity sell-off. Currencies stabilized in Q4 (JPMorgan EM Currency Index +0.2%) and emerging market crises concerns faded from the news headlines.

THE INVESTMENT CLIMATE

The U.S. equity market experienced a fairly significant peak-to-trough drawdown in Q4 (S&P 500 -19.8%, Russell 1000 -20.1%), along with global equity markets. Equity corrections of this size have historically occurred roughly once per cycle. After reaching a cyclical high of 3.2% in November, the 10-year U.S. Treasury yield fell sharply to end the year at 2.7%. Much of this drop was due to falling inflation expectations as energy prices trended down. The House of Commons in British Parliament overwhelmingly rejected Theresa May's Brexit deal that had been approved by the European Union. The details surrounding the terms of Great Britain's exit remain uncertain ahead of the March 30th deadline.

FISCAL YEAR TO DATE PERFORMANCE

With respect to the fiscal year, the Endowment portfolio experienced a 2.1% gain in the period ending September 2018. During the period, Domestic Fixed Income posted positive returns and outperformed its benchmark. Real Estate and Domestic Equities saw positive performance but lagged their benchmark.

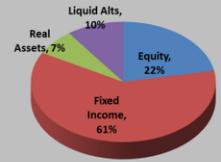
Investment Pools	Three months ended 12/31/2018	Year to Date	Fiscal Year to Date	One (1) Year Return	Three (3) Year Return	Five (5) Year Return
Cash Equivalent 100% Cash Equivalents	0.5	1.7	1.0	1.7	0.8	0.5
Global Constrained Income & Growth 22% Equity, 61% Fixed Income, 7% Real Estate, 10% Alternative Investments	-4.0	-4.0	-3.0	-4.0	3.3	2.8
Global Constrained Balanced 43% Equity, 39% Fixed Income, 8% Real Estate, 10% Alternative Investments	-6.8	-6.2	-5.4	-6.2	4.0	3.2
Global Growth & Income 56% Equity, 22% Fixed Income, 10% Real Estate, 12% Alternative Investments	-9.4	-8.5	-7.7	-8.5	4.3	3.1
Endowment	-8.2	-6.6	-6.2	-6.6	5.3	3.7
Market Benchmarks						
Cash - 90-Day Treasury Bills	0.5	1.9	1.0	1.9	1.0	0.6
Bonds - Bloomberg Barclays US Aggregate	1.6	0.0	1.7	0.0	2.1	2.5
International Stocks - MSCI ACWI ex U.S. Gross	-11.4	-13.8	-10.7	-13.8	5.0	1.1
Domestic Stocks - S&P 500	-13.5	-4.4	-6.9	-4.4	9.3	8.5
Blended Benchmark - Endowment¹	-7.6	-5.2	-5.4	-5.2	5.4	4.1

Investment Pools Performance & Commentary

December 31, 2018

GLOBAL 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 returned -4.0% during the quarter and was down -4.0% over the past year. Domestic Equity lost -14.7% and International Equity fell -11.8% over the quarter. Total Equities account for 20.4% of the portfolio, Domestic equity and International Equity underperformed their benchmarks. The Pool's Fixed Income securities, which comprise 62.4% of its total assets, returned 0.1% for the quarter and underperformed its benchmark. The 6.9% allocation to REITs was down -6.5% and the 9.9% allocation to Alternatives saw a loss of -5.7%. REITs and alternatives both underperformed their benchmarks.

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 returned -6.8% during the quarter and was down -6.2% over the past year. Domestic Equity returned -14.5% and International Equity was down -11.8% over the quarter. Total Equities account for 41.4% of the portfolio, Domestic and international equity both underperformed their benchmark. The Pool's Fixed Income securities, which comprises 42.2% of its total assets, returned 0.1% for the quarter and underperformed its benchmark. The 7.9% allocation to REITs was down -6.5% and the 8.0% allocation to Alternatives saw a loss of -5.7%. REITs and Alternatives both underperformed their benchmarks.

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 returned -9.4% during the quarter and was down -8.5% over the past year. Domestic Equity lost -14.6% and International Equity fell -12.4% over the quarter. Total Equities account for 56.1% of the portfolio, Domestic equity underperformed its benchmark. The Pool's Fixed Income securities, which comprises 22.6% of its total assets, returned 0.0% for the quarter and underperformed its benchmark. The 9.4% allocation to REITs was down -6.5% and 7.5% allocation to Alternatives saw a loss of -5.7%. REITs and alternatives both underperformed their benchmarks. Commodities saw a -12.1% decrease and underperformed the benchmark.

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 lost -8.2% during the quarter which ranked in the 55th percentile. For the trailing one year the Endowment was down -8.2%. Domestic Equity lost -14.6% and International Equity was down -12.3% over the quarter. Total Equities account for 53.1% of the portfolio, Domestic Equity underperformed its benchmark. The Pool's Fixed Income securities, which comprises 22.6% of its total assets, returned 0.1% for the quarter and underperformed its benchmark. Real Estate and Alternatives returned 1.5% and -5.7 respectively over the quarter. Commodities saw a -0.8% decrease and underperformed the benchmark.

1. 30% Russell 3000, 26% MSCI ACWI ex US, 22% Bloomberg Barclays US Aggregate, 10% FTSE NAREIT All, 5% Bloomberg Commodity Index, 7% HFRI Fund of Funds Composite Index.

Notes: The above are the historical returns for each of the five investment pools. 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, Verus, is not reflected in the returns.

Underlying Investment Managers

Domestic Equity: Vanguard 500 Index, Vanguard Extended Market ETF

International Equity: Dodge & Cox International Stock, EuroPacific Growth, DFA International Small Cap, Harding Loevner Emerging Markets

Fixed Income: Dodge & Cox Income, Met West Total Return, Voya Floating Rate I, Vanguard Inflation Protected Securities

Alternative Investments: AQR Style Premia Fund

Real Assets: Gresham Commodity, TownSquare Real Estate, Penn Square, UBS Trumbull, TA Realty Fund, Vanguard REITs

Note: Performance for Penn Square Global Real Estate II and Town Square Real Estate Alpha Fund I is lagged by one quarter.