

2013 Investment Review – Long Term Pool

Prepared for



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EXECUTIVE SUMMARY

The Humboldt Area Foundation's (HAF's) Long Term Investment Pool finished 2013 with \$78.9 million in assets, up from \$63.6 million at the end of 2012, to return 18.1% (net of fees) for the year. This was ahead of its passive policy index return of 15.1%, as well as ahead of the median community foundation peer return of 16.0%.

US equity markets drove strong performance, helped by improving economic conditions and expansionary monetary policy from the US Federal Reserve and central banks around the world. Developed non-US equities delivered lower but still double-digit returns, but emerging market equities swooned. Bonds also delivered negative returns in 2013. At the end of May 2013, the US Fed announced it would consider slowing quantitative easing, causing market volatility and a rise in interest rates.

This report reviews the Long Term Pool's portfolio structure and asset allocation policy, as well as expenses and performance. Our analysis covers the five investment manager organizations represented in the portfolio (American Funds, Dimensional Fund Advisors (DFA), Vanguard, Allianz, and PIMCO), as well as the individual funds held by HAF.

BACKGROUND

Angeles has worked with the Humboldt Area Foundation since 2003, initially on a project basis to structure the portfolio and then conduct annual reviews through 2006. In 2007, HAF retained Angeles on an ongoing basis. Angeles Investment Advisors is retained by HAF to provide consulting services regarding HAF's investment assets. This relationship encompasses preparation of this annual investment report on the Foundation's assets, as well as advice and recommendations on any other investment-related issues throughout the year, including investment policy such as the asset allocation targets manager monitoring and selection issues, monthly performance reporting and attending meetings (including by conference call) as needed.

To prepare this report Angeles undertook the following:

- Reviewed monthly statements for the Foundation's assets and the allocations to each fund;
- Calculated returns for each asset class composite, and compared those to appropriate benchmarks;
- Evaluated performance of each fund individually; and,
- Reviewed organizational issues affecting the funds and their parent companies, including meeting with representatives of the fund families in which HAF invests.

Angeles' major findings in our review of HAF's Long Term Investment Pool during 2013 are:

- **Asset Allocation:** A primary investment objective of Foundation's investment policy is to ensure that over the long term assets retain their purchasing power after inflation and spending. To this end, the Foundation's current Long Term investment policy targets are oriented to growth/capital appreciation assets with the following asset allocation: 70% in global equity, 5% in absolute return (hedge funds), 20% in fixed income and 5% in real estate securities. All asset classes and individual funds were within their allowable ranges at the end of 2013. Hedge funds are a new asset class for HAF, which approved adding them in November 2013 and implemented this decision effective January 1, 2014. The objective of absolute return strategies is to generate attractive risk-adjusted returns with lower correlation to traditional investment benchmarks and less downside risk. Angeles believes HAF's current policy is appropriate given the investment objectives of the Foundation to exceed inflation and spending over the

long term. Angeles will continue to meet regularly with HAF's Investment Committee to review investment topics such as asset allocation policy and manager structure and will analyze alternative mixes.

- **Performance Review:** The Total Fund advanced 18.1% in 2013, ahead of the Policy Index's return of 15.7%. The Policy Index is a benchmark composed of passive asset class indices weighted by the long term asset allocation targets. Table I below provides a summary of recent and long term performance:

Table I
Summary of HAF Long Term Investment Pool Performance
Through December 31, 2013

	% of Fund	Annualized					Since Fund Inception [^]	Inception Date
		1 Year	3 Year	5 Year	7 Year	9 Year		
Total Fund	100%	18.1	8.4	13.3	3.9	5.7	6.4	12/31/2003
Policy Index ¹		15.7	8.7	13.6	4.5	6.0	6.6	

	% of Fund	Calendar Years								
		2013	2012	2011	2010	2009	2008	2007	2006	2005
Total Fund	100%	18.1	13.8	-5.2	13.7	28.9	-33.9	5.7	15.4	9.0
Policy Index ¹		15.7	14.4	-2.8	13.8	29.1	-32.3	6.6	15.5	7.1

¹Effective April 1, 2013, the Policy Benchmark = 70% MSCI ACWIMI, 25% Barclays Aggregate, and 5% S&P Global REIT Index. Effective August 1, 2012, the Policy Index = 70% MSCI All Country World Investable Market Index, 25% Barclays Universal Index, and 5% S&P Global REIT Index.

From June 1, 2008 to July 31, 2012, the Policy Index = 35% Russell 3000 Index, 35% MSCI All Country World Ex US Investable Market Index, 25% Barclays Capital Universal Index (formerly Lehman Brothers Universal Index) and 5% Blended REIT Index. The Blended REIT Index consists of 50% Wilshire REIT Index and 50% S&P/Citi Global Ex US REIT Broad Market Index.

From June 1, 2006 to May 31, 2008, the policy index consists of 50% Russell 3000 Index, 20% MSCI ACWI Ex-US Index, 25% Barclays Capital Universal Index (formerly Lehman Brothers Universal Index), and 5% DJ Wilshire REIT Index.

Prior to June 1, 2006, the policy index consists of 50% Russell 3000 Index, 15% MSCI ACWI Ex-US Index, 30% Barclays Capital Universal Index (formerly Lehman Brothers Universal Index), and 5% DJ Wilshire REIT Index.

[^]Returns are annualized for periods greater than a year.

- **Peer Performance Comparison:** HAF outperformed the median return of community foundations (based on Council on Foundations (COF) data), which reported a median net of fees return for all community foundations of 16.0% in 2013. (The COF performance data covered 86 community foundations in 2013). Versus its similarly-sized peer community foundations (\$50-99.9 million in assets), HAF outperformed the median return of 15.9% in 2013. We believe HAF's higher allocation to global equities versus peers is responsible for the positive performance gap versus other community foundations in 2013.
- **Investment Manager Review:** We continue to have confidence in the investment managers HAF has selected (American Funds, DFA, Vanguard, PIMCO, and Allianz). In recent years **American Funds** (AF) has lost assets as investors have shifted away from equities and due to some performance issues in large AF funds. In January 2014, American Funds gained its first monthly inflow (\$1.7 billion) since June 2009, a 42-month streak of outflows that totaled more than \$205 billion. We continue to monitor the significant outflows but to date do not believe they have materially impacted the firm's well-resourced mutual fund family or its unique multiple portfolio manager investment process.

We believe **DFA** is a solid organization whose research-driven investment approach and expertise in low-cost trading has produced strong investment results over time as well as significant growth in assets. Angeles maintains a positive view of DFA's well-communicated and gradual approach to implementing generational changes at the firm.

Vanguard ended 2013 as the largest fund family in the US, with \$1.9 trillion in assets. The firm has benefited from its reputation as a low-cost, well-governed fund family.

PIMCO, added to HAF's holdings in 2012, offers a unique advantage to investors due to its utilization of multiple sectors of the bond market including niche areas such as non-agency mortgage securities. Angeles believes that the PIMCO Income fund is a strong diversifier for HAF's fixed income portfolio that offers a significant boost to current income.

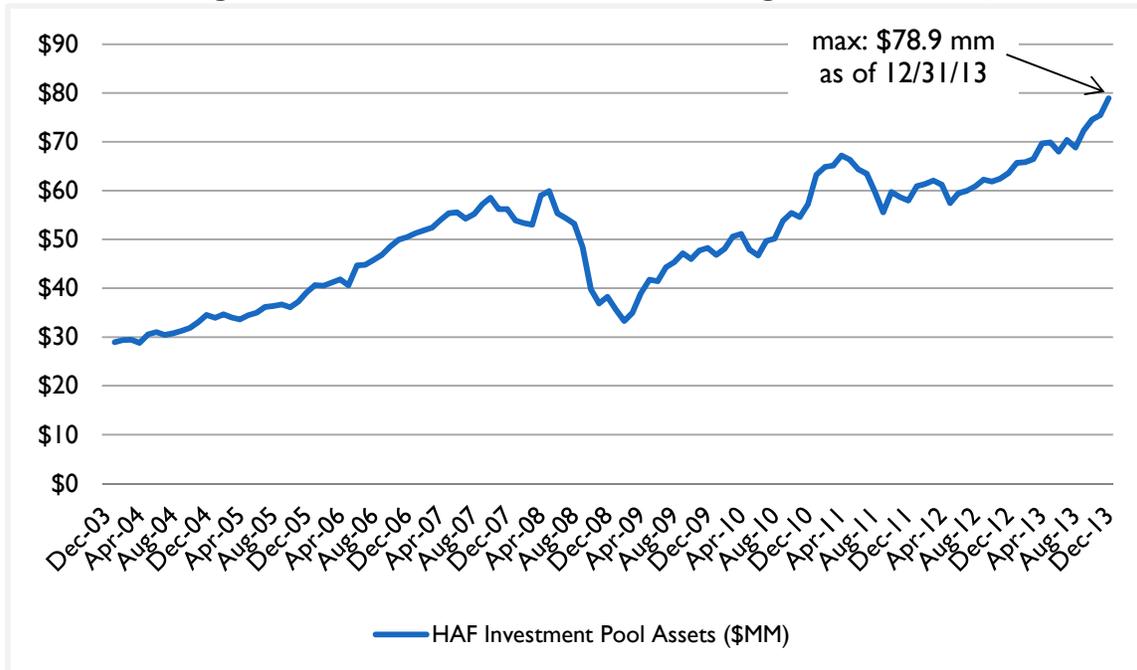
HAF also added **Allianz** in 2012 for exposure to a portfolio and asset class – convertible bonds – not available from the other firms held by HAF. This is a well-diversified, risk-controlled portfolio that employs deep credit modeling and fundamental research. The portfolio's bond orientation and income provide a cushion during falling markets and serves to dampen volatility in the equity portfolio.

- **Cost Review:** HAF's portfolio consists primarily of funds from low cost investment fund families, with fees charged by each of the individual funds that are well below the median of their respective universes. Ten of the twelve funds held by HAF's Long Term Pool reported fees in the bottom 5th percentile of all fees for managers in their peer groups. HAF's overall investment management fee for the Long Term Investment Pool is 0.44% of assets (44 basis points).
- **Fund Review:** Angeles will continue to review the holdings and investment policy of the Foundation on an ongoing basis and recommend changes to the Investment Committee for its consideration as necessary.

ASSET ALLOCATION

HAF's Long Term Investment Pool assets reached \$78.9 million as of December 31, 2013, up from \$63.6 million on December 31, 2012. Assets increased during 2013 due to robust returns, particularly for equities, as well as net inflows. According to information provided by HAF Staff, the pool had inflows during 2013 of \$6.2 million, and withdrawals of \$2.5 million during the year, for net inflows of \$3.7 million during the year.

Figure I
HAF Long Term Investment Pool Assets – Through December 31, 2013



The Foundation's current investment policy is oriented to **capital appreciation/growth**, and targets the following allocations in the Long Term Pool: 70% in global equity, 5% in absolute return, 20% in fixed income and 5% in real estate securities. In November 2013, the Foundation approved a recommendation by Angeles to add absolute return strategies (hedge funds) to the Long Term Pool's portfolio. These strategies engage in a wide variety of investment and trading activities seeking to exploit inefficiencies in capital markets, often limiting downside risk by hedging investments or selling short. We believe that adding hedge funds will provide an opportunity to capture market opportunities through manager skill. HAF approved adding hedge funds at 5% of total assets (with a commensurate reduction in bonds) in November 2013. The allocation was implemented effective January 1, 2014 by an investment in the Angeles Absolute Return Fund, a diversified fund of 10-20 hedge funds selected and monitored by Angeles. Angeles receives no incremental fee from its consultant clients, including HAF, for managing the fund.

As of December 31, 2013, all asset classes remained within the allowable ranges established in HAF's Investment Policy Statement. At year end, the Long Term Investment Pool was slightly overweight global equity and slightly underweight other asset classes.

Table 2*
Asset Allocation as of December 31, 2013

	Market Value	Actual Allocation	Target Allocation	Variance from Target	Allowable Range
Global Equity					
DFA Large Cap Companies	\$8,327,216	10.6%	10.5%	0.1%	
DFA Small Cap Index	\$1,673,465	2.1%	2.1%	0.0%	
Fundamental Investors	\$2,840,370	3.6%	3.5%	0.1%	
DFA Emerging Mkts Core Fund	\$1,633,756	2.1%	2.1%	0.0%	
DFA Int'l Small Cap Fund	\$2,235,931	2.8%	2.8%	0.0%	
DFA Global Equities	\$16,770,432	21.2%	21.0%	0.2%	
Allianz Convertibles	\$5,533,398	7.0%	7.0%	0.0%	
EuroPacific Growth Fund	\$16,545,028	21.0%	21.0%	0.0%	
Total Global Equity	\$55,559,596	70.4%	70.0%	0.4%	55-85%
Absolute Return					
Angeles Absolute Return Fund**	\$3,872,500	4.9%	5.0%	-0.1%	
Total Absolute Return	\$3,872,500	4.9%	5.0%	-0.1%	0-10%
Fixed Income					
Vanguard Total Bond Market Index	\$5,409,786	6.9%	7.0%	-0.1%	
PIMCO Income Fund	\$7,749,504	9.8%	10.0%	-0.2%	
DFA I-Year Fixed Income	\$2,339,000	3.0%	3.0%	0.0%	
Total Fixed Income	\$15,498,290	19.6%	20.0%	-0.4%	15-30%
Real Estate Securities					
DFA Global Real Estate Securities	\$3,903,022	4.9%	5.0%	-0.1%	
Total Real Estate	\$3,903,022	4.9%	5.0%	-0.1%	0-7%
Cash					
TDA - Cash Sweep Account	-\$16,137	0.0%	0.0%	0.0%	
TD Bank USA MMDA - Cash Reserve	\$104,101	0.1%	0.0%	0.1%	
Total Cash	\$87,964	0.1%	0.0%	0.1%	0-1%
Total Fund	\$78,921,372	100%	100%		
Total American Funds	\$19,385,398	24.6%	24.5%	0.1%	
Total DFA Funds	\$36,882,822	46.7%	46.5%	0.2%	
Total Vanguard Funds	\$5,409,786	6.9%	7.0%	-0.1%	
Total Allianz & PIMCO Funds	\$13,282,902	16.8%	17.0%	-0.2%	
Total Angeles Fund	\$3,872,500	4.9%	5.0%	-0.1%	

*Unless otherwise noted, all HAF market value data in this report was provided to Angeles by Premier Financial Group. Targets indicated for fund families are the sum of targets for individual fund, not targets for the fund family per se.

**Assets were wired at the end of December 2013, and will be invested on January 1, 2014.

Asset Allocation Policy:

HAF's asset allocation is reviewed regularly by the Investment Committee with assistance from Angeles Investment Advisors. The Committee's last major review was in November 2013. In that review HAF decided to add hedge funds at a 5% allocation, and reduce bonds by a like amount.

When we review asset allocation for clients like HAF, Angeles Investment Advisors uses proprietary capital market assumptions to project future long term returns. Our assumptions include the expected return, risk (volatility or standard deviation of returns) and correlation for major asset classes. While the assumptions are for a long-term horizon, which we define as at least 10 years, Angeles updates these assumptions annually, with our most recent review completed in January 2014.

Relative to Angeles' capital market assumptions in 2013, in 2014 we have modestly increased the expected return for fixed income to reflect a rise in yields over the past year. Expected returns for core fixed income rose from 2.5% to 2.75%. Risk (volatility) assumptions regarding global equities, hedge funds, and global real estate were reduced by 1% due to market deleveraging and structure improvements in the overall economy. All other return and risk assumptions remain unchanged, including future long term inflation at 2.25% annualized.

A summary of our expected returns and risk for major asset classes appears in the table below.

Table 3
Angeles' Projected Long Term (>10 years)
Asset Class Return and Risk Assumptions as of January 2014
(Net of Fees and Transactions Costs)

	Expected Return	Expected Risk
Global Equity	7.5%	17.0%
Absolute Return	6.5%	9.0%
Global Real Estate Securities	6.0%	19.0%
Core Fixed Income	2.75%	5.0%

A principle goal of HAF's investment policy is to preserve the inflation adjusted purchasing power of its assets after spending and inflation. In recognition of lower return opportunities, HAF has sought to contain spending to 4% in the last several years. This would translate to a 6.25% return hurdle (spending plus inflation of 2.25%), which is likely achievable over the long term based on Angeles capital market assumptions and HAF's asset allocation policy as outlined below. **In 2013 HAF withdrew \$2.5 million from the Long Term Investment Pool for grants and operations, which is approximately 3.5% of its average market value during the year.**

Angeles' return expectations for HAF's Total Fund, including manager excess returns relative to benchmarks, are illustrated in the table below (**Table 4**). These return expectations reflect a full market cycle; in the short-term, excess returns achieved by managers in aggregate can vary from this amount both in a positive and negative direction. **Based on these long term capital market assumptions for future returns and HAF's current policy targets for the Long Term Investment Pool, we estimate that the expected return of the HAF Long Term Investment Pool will be 6.4% not taking into account any excess returns, and 7.0% with excess returns.**



Table 4
Asset Allocation for the HAF Long Term Investment Pools¹

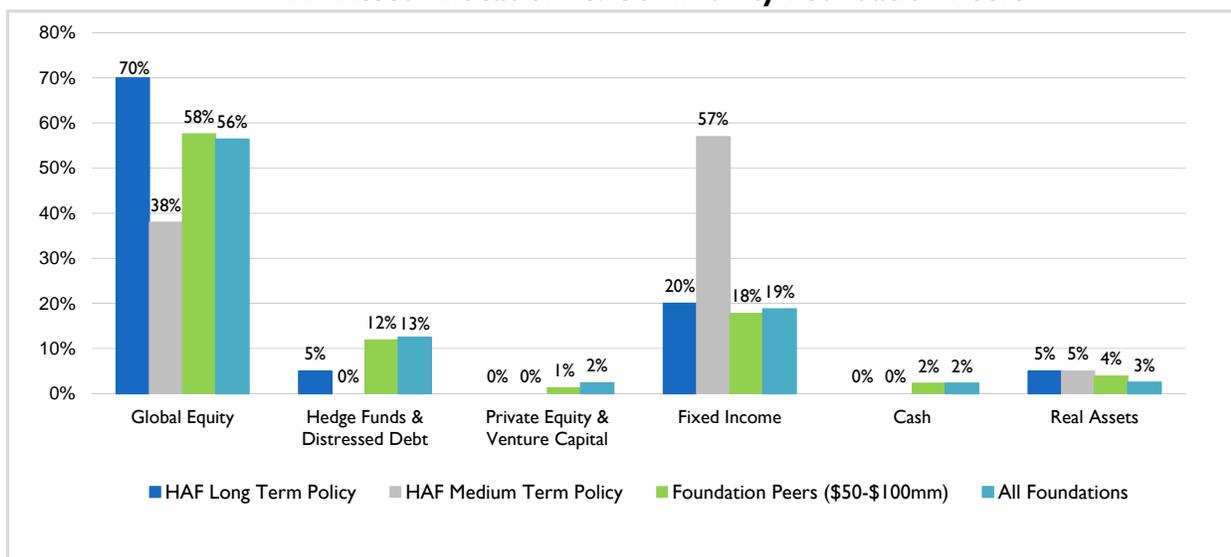
	Long Term Inv. Pool
Global Equity	70%
Absolute Return	5%
Global REITs	5%
Fixed Income	20%
Expected Return	6.4
Expected Excess Return	0.6
<i>Expected Return Incl. Manager Excess Returns</i>	7.0
Expected Risk	13.1
Sharpe Ratio	0.32
<i>Probability of a Loss:</i>	
1-Year	32% 
5-Years	17%
10-Years	10%
2 Standard Deviation Event	
Very Bad Scenario**	-22.2

** Very Bad Scenario assumes that correlations across asset classes go to 1 and each class experiences a two standard deviation negative event.

In comparison to similarly sized Community Foundation peers (\$50-\$100mm), HAF's investment policy allocations are overweight global equity and fixed income while underweight alternative asset classes, including hedge funds and distressed debt as well as private equity and venture capital. This comparison can be seen in **Figure 2** below.

¹ The Total Fund's expected excess return from manager outperformance is a weighted sum of the underlying asset class composites' excess returns. Global equity's expected excess return is 0.5%, absolute return's expected excess return is 2.0%, core fixed income's expected excess return is 0.5%, and REITs' excess return expectation is 0% (given DFA's passively managed approach in its REIT portfolios).

Figure 2
HAF Asset Allocation vs. Community Foundation Peers²



Expenses:

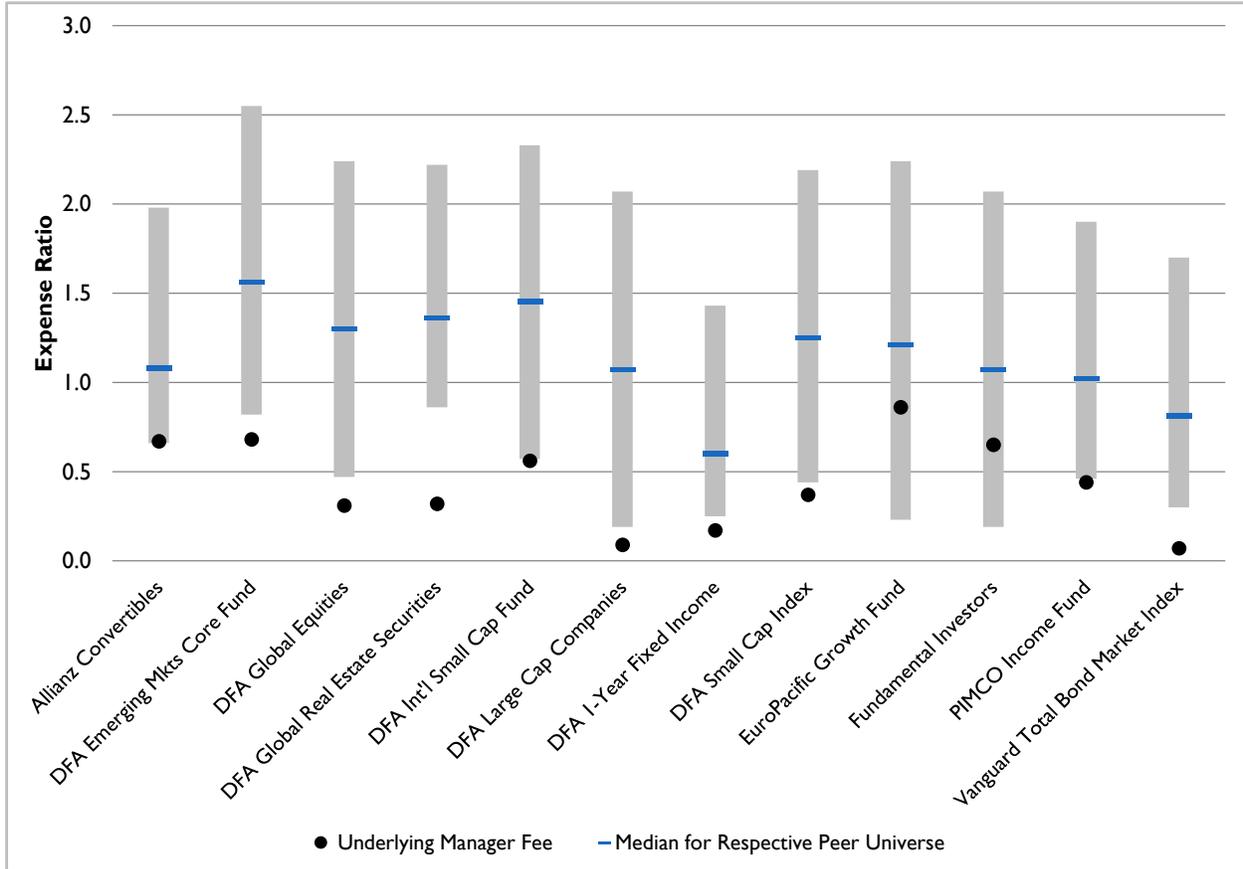
Fees charged by the Humboldt Area Foundation’s managers were all well below the median for funds in each of their respective peer groups, as demonstrated in **Figure 3** below. **Ten of the twelve funds held by HAF’s Long Term Pool reported fees in the bottom 5th percentile of all fees for managers in their peer groups.** Vanguard’s passive Total Bond Market fund was lowest among all HAF managers with an expense ratio of 7 basis points (bps) (0.07%). DFA funds reported low expenses as well, ranging from 9 bps (DFA US Large Co.) to 68 bps (DFA Emerging Markets Core). American Funds imposed some of the higher fees in the portfolio, but in comparison to their respective peers, remained significantly below the median. Allianz Convertibles and PIMCO Income, carried lower fees to rank among the bottom 5th percentile within their respective peer groups.

Based on the approved target asset allocation and fund fees as of 12/31/13, the weighted fee for investment management services for the Foundation was 46 basis points (0.46%) for the Long Term Investment Pool. The manager fees are netted from the performance of the mutual funds in which HAF invests, and are not paid out-of-pocket by the Foundation.

Taking into account the charge of Premier Financial group for custody of all funds held (except American Funds) and performance measurement for the plan, the administrative cost of the investment program is 15 basis points (0.15%) as of December 31, 2013. The Foundation also pays a consulting fee to Angeles Investment Advisors.

² Source: Council on Foundations, 2013, based on 86 Community Foundation participants that provided asset allocation information. HAF information is based on asset allocation targets for the Long Term Investment Pool.

Figure 3
Manager Fee Rankings: HAF Managers versus Peer Universes



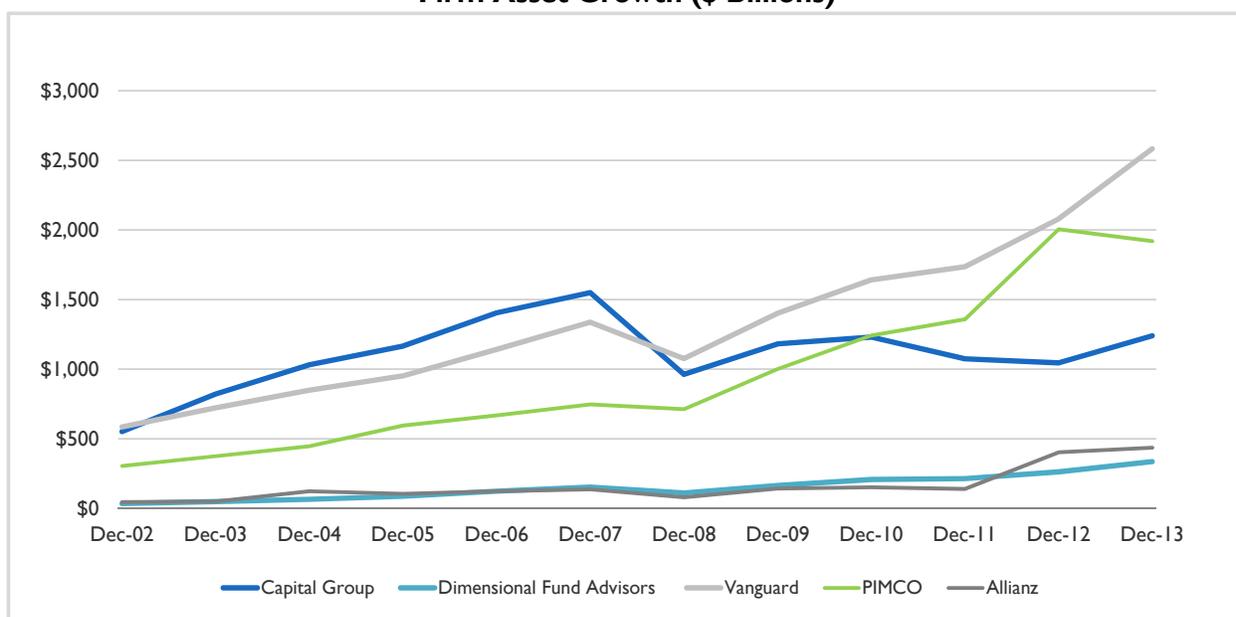
Source: Morningstar Direct as of December 2013. Each black circle represents the listed manager's net expense ratio. The horizontal gray bars represent fees for the 95th and 5th percentile fee within each respective manager universe.

INVESTMENT MANAGER OVERVIEW

All five of the investment management firms used by HAF — Allianz, American Funds (Capital Group), Dimensional Fund Advisors, PIMCO, and Vanguard Group — remain solid, stable and highly-regarded organizations.

Dimensional Fund Advisors (DFA), Vanguard, PIMCO and Allianz all reached new peaks in assets under management during 2013. PIMCO's peak occurred after the first quarter of 2013 and the firm subsequently saw outflows as a result of bond market weakness, while the other firms reached new peaks by year end. In contrast, Capital Group (of which American Funds is a subsidiary) saw 2% outflows from its family of mutual funds over the trailing year. Capital Group remains 22% below its 2007 peak in assets.

Figure 4
Firm Asset Growth (\$ Billions)



Assets in Billions	Assets at 12/31/2002	Assets at 12/31/2013	Min Asset Level	Date	Max Asset Level	Date
Capital Group	\$552	\$1,239	\$542	3/31/2003	\$1,585	9/30/2007
Dimensional Fund Advisors	\$35	\$335	\$32	3/31/2003	\$335	12/31/2013
Vanguard	\$585	\$2,583	\$585	12/31/2002	\$2,583	12/31/2013
PIMCO	\$305	\$1,920	\$305	12/31/2002	\$2,044	3/31/2013
Allianz*	\$45	\$436	\$40	3/31/2003	\$436	12/31/2013

Source: eVestment Alliance

*Allianz Global Investors Capital was built from the integration of three registered investment advisory affiliates, Oppenheimer Capital (founded 1969), Nicholas-Applegate Capital Management (1984) and NFJ Investment Group (1989). The assets for 2010 and forward reflect the combined assets of AGI Capital and NFJ Investment Group. Prior period assets are the combined assets of Nicholas-Applegate, Oppenheimer Capital and NFJ Investment Group.

The following table lists the top 10 mutual fund families in the US as of the end of 2013. Vanguard, American Funds, and PIMCO remain in the top 5, with DFA as the 8th largest and Allianz as the 51th largest.

Table 5
Largest US Mutual Fund Families – 12/31/13

Rank	Fund Family	Total Net Assets (\$ Billions)
1	Vanguard	1931.8
2	Fidelity Investments	1162.4
3	American Funds	1102.2
4	PIMCO	516.2
5	Franklin Templeton Investments	430.8
6	T. Rowe Price	416.8
7	JPMorgan	219.2
8	Dimensional Fund Advisors	217.2
9	OppenheimerFunds	193.0
10	BlackRock	191.2
51	Allianz Funds	38.3

Source: Morningstar Direct as of 12/31/2013

Note: Assets represent US open-ended funds, excluding money market funds and fund-of-funds

AMERICAN FUNDS

Capital Group Companies is the consolidated entity that manages the firm’s mutual funds (American Funds) as well as institutional portfolios. The firm remains a privately-owned enterprise headquartered in Los Angeles. Capital Group is one of the country’s oldest financial services organizations and has been managing portfolios for over 80 years. Previously the firm’s mutual fund and institutional portfolio management groups were segregated, but in the last year they have undertaken efforts toward greater integration, including “branding” the entire firm under the Capital Group name.

The firm takes a unique approach to managing portfolios, with each fund managed by a team of experienced portfolio counselors with individual autonomy and accountability. Portfolio assets are divided into portions and assigned to portfolio counselors who have discretion to manage the funds using their own investment approach, which remain within the objectives of the fund. Each fund also has a Principal Investment Officer who oversees the fund from an administrative perspective and acts as a coordinator among the fund’s counselors. This results in a portfolio of highest conviction ideas with added diversification, and increases the firm’s ability to handle the large asset base. Newer counselors are brought into funds while the more senior counselors are still in the prime of their careers, making for smooth transitions over multiple years as personnel turnover occurs.

The portfolio counselors at Capital Group are supported by 164 equity and 32 fixed income research analysts located in 12 offices across the globe. (Angeles - check data) In addition, analysts manage a portion of each fund in a “research portfolio.” The analyst role is a life-time career option at Capital

and analysts typically have well over a decade of experience. The ability to manage money in the research portfolio is a key attraction for many analysts of working at the firm. We believe that the firm's global research capabilities are the primary competitive advantage of the firm.

As shown above, American Funds had \$1.1 trillion in assets as of December 31, 2013. Redemptions from American Fund's family of mutual funds were down from the previous year, totaling nearly 2% of the subsidiary's assets at the start of the year, compared to 6% in 2012. The slowdown in outflows was attributed by the firm to investors becoming more comfortable with equity markets overall and better relative performance. While we are cognizant of these significant outflows, the firm remains the third largest fund manager in the industry (behind Vanguard and Fidelity) and we believe the firm remains a solid choice.

While the firm reduced head count by approximately 15% in the downturn in 2008 and 2009 to cut costs and minimize redundancies across the large organization, none of the layoffs affected the investment teams. Capital believes they have increased the efficiency of the firm, and since then have been selectively adding investment professionals. The firm has not had any layoffs related to declining assets and portfolio counselors remain tenured with significant experience managing across varying market cycles; **counselors across Capital Group average 26 years of investment experience, including an average of 20 years at the firm.**

Angeles continues to believe that the Capital Group is a sound organization staffed with talented and experienced investment professionals, a truly global orientation, and a unique management process that enables it to effectively handle the sizable assets under management.

DIMENSIONAL FUND ADVISORS (DFA)

Founded in 1981, DFA is a privately-held corporation headquartered in Austin, Texas with other offices located across the globe, including Santa Monica, CA, Vancouver, Toronto, London, Amsterdam, Berlin and Sydney. DFA also opened two offices in Asia – Singapore and Tokyo – in 2012 that are now fully operational. Austin has replaced Santa Monica as the firm's official headquarters and will house the majority of the firm's future growth. Current headcount at the firm is nearly 750, with approximately 430 in Austin and 100 in Santa Monica. Both offices have full capabilities in terms of trading and portfolio management and are designed to be interchangeable in the event of a disaster.

Quantitative research is a specialty of the firm and has been applied to the development of innovative techniques to construct portfolios that they believe will outperform. Since the firm's inception, prominent academicians and authors of many seminal finance articles, including 2013 Nobel Prize winner, Eugene Fama, and Kenneth French, have served as directors of the firm and members of its investment committee. Recent research studies have shown that "direct profits" scaled by book value capture a return premium (excess returns); they have included this as a third dimension, along with company size and relative value, to their existing strategies while also launching a series of growth products that take advantage of this factor.

The firm also benefits from its experienced and deep trading capabilities, which make trading a source of value added for the firm rather than a portfolio cost.

Dimensional's assets rose to \$335 billion in 2013, up from \$262 billion at December 31, 2012, and another peak in assets. The firm has seen client interest and growth across their strategies, particularly in fixed income and emerging markets equities, where they have a long history of managing assets. DFA continues to manage assets exclusively for institutional investors and the clients of registered financial advisors.

DFA is continuing its process of a well-planned succession, with co-founder, Chairman and co-CEO of Dimensional, David Booth, expected to step down in the next few years. This decision was announced in December 2010. In December 2009, Eduardo Repetto, then the Head of Research, was given the co-CEO title, a role he will take full ownership of upon Booth's departure. Repetto has been with DFA for 12 years and has served as CIO, a role he will continue in, for the past seven years. DFA also announced in 2010 that Gerard O'Reilly had been appointed Head of Research, replacing Repetto. Gerard O'Reilly joined DFA in 2004 as a member of the Research team after obtaining his PhD from California Institute of Technology.

DFA demonstrated it is capable of a smooth transition of a founder with the retirement in 2005 of Rex Sinquefeld, DFA's other co-founder, as well as his wife, Jeanne Sinquefeld, who had supervised the firm's trading operations since 1983. Angeles believes that the firm has again created an appropriate level of continuity and re-assignment of responsibilities over time. Sinquefeld retains his ownership in the firm currently, and the same is expected to be the case when David Booth steps away. Today, the two own less than 50% of the business and are continually diluted by employees' additional ownership; overall, 70% of the firm is held by employees and directors, while the remainder is held by "friends of the firm" not engaged with the company.

Angeles maintains a positive view of DFA's well-communicated and gradual approach to implementing generational changes at the firm. We believe DFA is a solid organization whose research-driven investment approach and expertise in low-cost trading has produced strong investment results over time. The firm's tenured investment professionals, diverse product offerings and measured business growth provide a solid foundation in continuing to serve clients' investment needs.

VANGUARD GROUP

Vanguard was launched in 1975, but the firm's heritage extends back to 1929 with the inception of the Wellington Fund, one of the first balanced mutual funds and one of the longest-operating funds of any kind. Over the decades, Vanguard has evolved from providing fewer than a dozen mutual funds to one of the world's largest investment management companies. As of year-end, Vanguard was the largest fund family in the US, with \$1.9 trillion in mutual fund assets. The mutual fund company has over 14,000 employees across 15 offices globally, though most (~10,000) are based out of the firm's corporate headquarters in suburban Philadelphia, PA. The firm has cultivated a reputation in the investment industry as a low-cost, well-governed fund family. Vanguard has a unique mutual ownership structure in which shareholders essentially own the management company. This helps keep costs low and avoids conflicts of interest between fund managers and shareholders.

Vanguard manages some of its fund offerings itself, particularly its index funds, but most of its actively managed funds are sub-advised by external firms.

Bill McNabb remains CEO, taking over for a retiring Jack Brennan in December 2009. He is only the third CEO in the company's 38-year history, illustrating Vanguard's stability and continuity.

HAF has experience with Vanguard through its investment in the Total Bond Market Index Fund, as well as some previously owned funds held in HAF's Medium Term Pool. Vanguard introduced the first index mutual fund for individual investors in 1976 and has established a strong business of passive fund management through the use of low-cost index funds. Today, the firm manages \$1.2 trillion in index assets. The Fixed Income Group is responsible for passively managed index portfolios, such as the Total Bond Market Index Fund, as well as actively managed strategies. Kenneth E. Volpert is the head of Vanguard's Taxable Bond Group and has direct oversight responsibility for all taxable bond funds

managed by the Fixed Income Group. He has managed investment portfolios since 1982 and has been with Vanguard since 1992. Robert Auwaerter, head of the Vanguard Fixed Income Group, announced his retirement in November 2013 after 32 years with the firm. Gregory Davis, CIO of the Asia Pacific region and director of Vanguard Investments Australia will take over when Auwaerter steps down in March 2014. Davis joined Vanguard in 1999 and prior to his current position, served as head of bond index trading and as a senior portfolio manager in the Fixed Income Group, managing more than \$200 billion in bond index fund portfolios. Overall we believe Vanguard is a strong organization and a solid choice for HAF in offering market exposures at low cost.

PACIFIC INVESTMENT MANAGEMENT COMPANY (PIMCO)

PIMCO was founded in Newport Beach, California in 1971. PIMCO started as a subsidiary of Pacific Life Insurance Company to manage separate accounts for institutional clients. Today, PIMCO's global client base is served from offices Newport Beach, New York, Amsterdam, Singapore, Tokyo, London, Sydney, Munich, Zurich, Toronto, Hong Kong, Milan, and Rio de Janeiro. Bill Gross, the founder of the firm, remains at the helm of PIMCO's investment process.

In 2000, PIMCO was acquired by Allianz SE, a large global financial services company based in Germany. Allianz, owner of PIMCO, has subsidiaries throughout the world, including insurance companies, investment managers and SEC registered broker dealers and investment advisors. PIMCO is operationally autonomous from its parent and has no direct interaction with the foreign affiliates.

In 2011, the establishment of Allianz Asset Management (AAM,) the new holding company structure for Allianz's asset management business, was announced. AAM is comprised of two distinct global asset management entities: PIMCO and Allianz Global Investors (AGI). PIMCO also took over the retail distribution of its funds in the US from Allianz, launching its own broker dealer, PIMCO Investments, LLC. PIMCO continues to operate under its single and distinct investment platform, as it has throughout its history.

PIMCO manages approximately \$2.0 trillion in fixed income as of 12/31/13, a large total even for the liquid fixed income markets. While this large size might appear to be problematic, the firm's assets have been behemoth for years, with no discernible negative impact on performance. In addition, PIMCO believes it benefits from its size by allowing them to commit more resources to research than smaller firms can afford and giving them greater access to dealer research and analytics in return for the ability to trade with PIMCO. As one of the largest bond managers in the US, PIMCO is able to leverage its size to keep transaction costs as low as possible.

The fund in which the Long Term Investment Pool invests is the PIMCO Income Pool, which invests opportunistically across the full range of bond market opportunities, particularly non-agency mortgage-backed securities in the current environment. The fund is managed by Dan Ivascyn and Alfred Murata, who are backed up by the full resources of the firm and draws on the strategic inputs of the firm's leadership.

In January 2014, PIMCO announced that Mohamed El-Erian, CEO and co-CIO with Bill Gross, would leave the firm in mid-March. The announcement came as a surprise, as El-Erian was widely considered the heir apparent to Gross and had significant visibility as a spokesperson for the firm and its investment views. Chief Operating Officer Doug Hodge has been named El-Erian's replacement as CEO. Additionally, PIMCO has named six new Deputy CIOs, and Gross will now become sole CIO. The six Deputy CIOs include Dan Ivascyn, Andrew Balls, Mark Kiesel, Virginie Maisonneuve, Mihir Worah, and Scott Mather. Ivascyn will remain a Portfolio Manager on the PIMCO Income fund, and will continue to manage the fund along with Portfolio Manager Alfred Murata; both managers were named 2013 US Fixed Income Fund Managers of the Year by Morningstar. Murata has 14 years of investment experience

and holds both a Ph.D. and J.D. from Stanford. While we do not expect El-Erian's departure to have any direct impact on the PIMCO Income fund, we are closely monitoring the situation, especially the increased management responsibilities of Ivascyn.

ALLIANZ GLOBAL INVESTORS CAPITAL

Allianz Global Investors Capital (AGI Capital) was launched in 2009 to provide a wide range of investment solutions in equity, fixed income and alternative strategies. The firm combined the services from three Allianz Global Investors affiliates, NFJ Investment Group (founded in 1989), Nicholas-Applegate (founded in 1984) and Oppenheimer Capital (founded in 1969), with long-term, successful investment management and service histories. The deliberate design of their organizational structure expanded their capabilities across all non-investment related firm functions while maintaining autonomy for their investment teams and processes. AGI Capital is owned by the same parent as PIMCO, Allianz, but the two entities are completely separate. The firm manages \$436 billion in assets globally, including \$78 billion in the US.

The Convertibles strategy is managed in San Diego, CA by an experienced senior team led by Doug Forsyth, Justin Kass, Brit Stickney and Michael Yee, who have worked together for over a decade at their predecessor affiliate, Nicholas-Applegate. This group leads the Income & Growth team that manages \$23.1 billion across Convertibles, High Yield and Collateralized Debt Obligations (CDOs). The philosophy and process were originally developed by Forsyth and the Convertibles product continues to be a well-resourced focus of the firm. The core PM group is supported by a team of seven analysts who perform research as generalists. All four PMs also share in the research efforts, enabling cross-checking and verification of investment ideas. The convertibles team leverages resources from the 25+ equity analysts at Allianz as well. All decision making is team-based, leveraging fundamental company research from the entire team. As of 12/31/13, the team managed over \$7.9 billion in its convertible strategy, second to the \$12.3 billion in their High Yield strategy. The convertibles strategy is AGI Capital's 5th largest product and the mutual fund was closed to new investors on January 15, 2014, a step Angeles views as positive.

TOTAL FUND PERFORMANCE REVIEW

The Humboldt Area Foundation's Long Term Investment Pool returned 18.1% in 2013, outperforming the Policy Index return of 15.7%. The Policy Index is composed of index returns weighted by HAF asset allocation targets. This strong absolute return was generated from strong equity markets.

HAF outperformed the median return of community foundations (based on Council on Foundations (COF) data), which reported a median net of fees return for all community foundations of 16.0% in 2013. Versus its similarly-sized peer community foundations (\$50-99.9 million in assets), HAF also outperformed the median return of 15.9% in 2013. We believe HAF's higher allocation to global equities versus peers in HAF's portfolio was responsible for the relative outperformance versus other foundations in 2013.

Over the trailing three years (annualized), HAF underperformed the median peer community foundation. The median peer over this three-year period returned 8.9%, versus 8.4% for HAF. The median similarly sized peer (\$50-99.9 million) returned 8.7% during this period.

Effective April 1, 2013, The Foundation's Policy Index is a blended benchmark consisting of asset class index returns weighted according to the Foundation's approved target allocations as specified below:

- 70% MSCI All Country World Investable Market Index (global equity)
- 25% Barclays Aggregate Bond Index (US fixed income)
- 5% S&P Global REIT Index (global real estate securities)

Global equity, which consisted of the consolidated returns of the US equity and international equity composites earlier in the year, outpaced its blended benchmark. Additionally, fixed income securities also outperformed the benchmark for the year. Relative manager performance in 2013 within real estate securities detracted from overall performance as the asset class lagged their benchmarks.

2013 performance for the Foundation's Total Fund is shown below in **Table 6**. Returns for individual asset classes, along with their respective benchmarks, are also displayed.

**Table 6 –
Historical Total Fund and Asset Class Performance
As of December 31, 2013
(Annualized, Net of Fees)**

	% of Fund	Annualized					Since Fund	Inception
		1 Year	3 Year	5 Year	7 Year	9 Year	Inception ^A	Date
Total Fund	100%	18.1	8.4	13.3	3.9	5.7	6.4	12/31/2003
Policy Index ¹		15.7	8.7	13.6	4.5	6.0	6.6	
Global Equity²	70.4%	25.9	10.5	16.3	4.8	7.0	7.8	12/31/2003
Global Equity Blended Index ³		23.6	10.4	16.0	4.1	6.1	6.9	
Fixed Income	19.6%	1.3	4.4	6.3	2.7	3.1	3.4	12/31/2003
Fixed Income Blended Index ⁴		-1.8	3.6	5.3	5.1	4.8	4.8	
Real Estate Securities	4.9%	1.8	8.2	15.7	0.1	4.9	7.3	12/31/2003
Real Estate Blended Index ⁵		1.7	7.8	15.7	0.1	5.1	7.7	
Absolute Return	4.9%	–	–	–	–	–	–	12/31/2013
HFRI Fund of Funds Index		–	–	–	–	–	–	
Total Cash	0.1%	0.0	0.0	0.0	1.0	1.6	1.6	12/31/2003
90-day T-Bills		0.0	0.1	0.1	1.0	1.6	1.6	

	% of Fund	Calendar Years								
		2013	2012	2011	2010	2009	2008	2007	2006	2005
Total Fund	100%	18.1	13.8	-5.2	13.7	28.9	-33.9	5.7	15.4	9.0
Policy Index ¹		15.7	14.4	-2.8	13.8	29.1	-32.3	6.6	15.5	7.1
Global Equity²	70.4%	25.9	17.8	-8.9	15.5	36.6	-40.2	9.0	17.2	13.0
Global Equity Blended Index ³		23.6	16.8	-6.9	14.9	35.9	-41.8	8.4	18.4	8.5
Fixed Income	19.6%	1.3	4.6	7.3	7.5	11.2	-11.2	3.2	6.8	2.2
Fixed Income Blended Index ⁴		-1.8	-1.3	5.5	7.4	7.2	-11.2	2.4	6.5	5.0
Real Estate Securities	4.9%	1.8	23.5	0.8	23.7	32.2	-40.5	-18.7	35.3	13.2
Real Estate Blended Index ⁵		1.7	23.2	0.1	22.8	34.4	-40.7	-17.9	35.9	14.1
Absolute Return	4.9%	–	–	–	–	–	–	–	–	–
HFRI Fund of Funds Index		–	–	–	–	–	–	–	–	–
Total Cash	0.1%	0.0	0.0	0.0	0.0	0.1	2.0	4.8	4.8	3.0
90-day T-Bills		0.0	0.1	0.1	0.1	0.2	1.8	4.7	4.8	3.0

¹ Effective April 1, 2013, the Policy Index = 70% MSCI All Country World Investable Market Index, 25% Barclays Aggregate Index, and 5% S&P Global REIT Index. From August 1, 2012 to March 31, 2013, the Policy Index = 70% MSCI All Country World Investable Market Index, 25% Barclays Universal Index, and 5% S&P Global REIT Index. From June 1, 2008 to July 31, 2012, the Policy Index = 35% Russell 3000 Index, 35% MSCI All Country World Ex US Investable Market Index, 25% Barclays Capital Universal Index (formerly Lehman Brothers Universal Index) and 5% Blended REIT Index. The Blended REIT Index consists of 50% Wilshire REIT Index and 50% S&P/Citi Global Ex US REIT Broad Market Index. From June 1, 2006 to May 31, 2008, the policy index consists of 50% Russell 3000 Index, 20% MSCI ACWI Ex-US Index, 25% Barclays Capital Universal Index (formerly Lehman Brothers Universal Index), and 5% DJ Wilshire REIT Index. Prior to June 1, 2006, the policy index consists of 50% Russell 3000 Index, 15% MSCI ACWI Ex-US Index, 30% Barclays Capital Universal Index (formerly Lehman Brothers Universal Index), and 5% DJ Wilshire REIT Index.

² Historical performance of the Global Equity composite is based on the consolidated weighted returns of the US Equity and International Equity composites.

³ Effective August 1, 2012, the Global Equity Blended Index consists of 100% MSCI All Country World Investable Market Index. Prior to August 1, 2012, the blended benchmark is calculated based on the weighted returns of the US Equity Benchmark and the International Equity Benchmark. From June 1, 2008 to August 1, 2012, the blended index consists of 50% Russell 3000 Index and 50% MSCI All Country World Ex US Investable Market Index. From

June 1, 2006 to May 31, 2008, the blended index consists of 71.4% Russell 3000 Index and 28.6% MSCI ACWI Ex-US Index. Prior to June 1, 2006, the blended index consists of 76.9% Russell 3000 Index and 23.1% MSCI ACWI Ex-US Index.

⁴ Effective April 1, 2013, the Fixed Income Blended Index consists of 100% Barclays Aggregate Index. Prior to April 1, 2013, the blended benchmark consisted of 100% Barclays Universal Index.

⁵ Real Estate Securities benchmark is a custom blended benchmark: Effective August 1, 2012, the benchmark consists of 100% S&P Global REIT Index. From June 1, 2008 to July 31, 2012, the benchmark consists of 50% DJ Wilshire RE Securities and 50% S&P/Citi Global US RE Index. Prior to 6/1/08, the benchmark consists of 100% DJ Wilshire RE Secs.

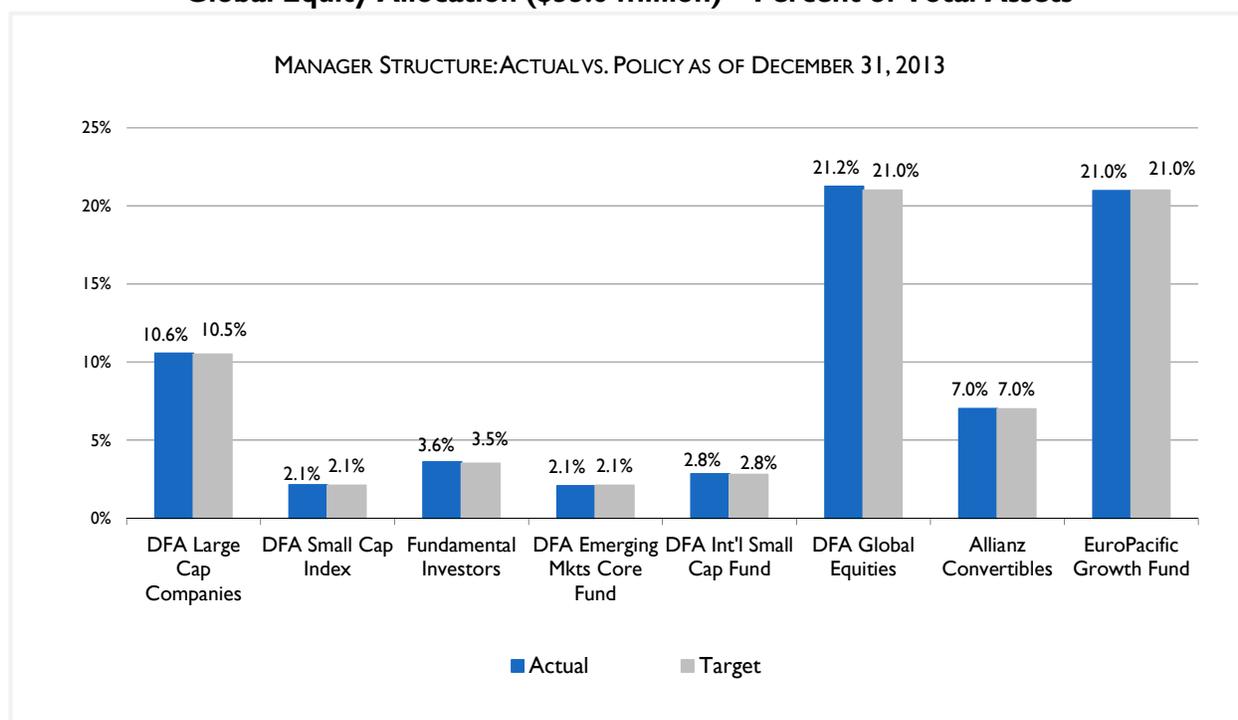
^Returns are annualized for periods greater than a year.

GLOBAL EQUITY REVIEW

HAF's \$55.6 million global equity portfolio is well diversified across investment styles, geography, and market capitalization. **Collectively, HAF's equities performed well in 2013.** The Foundation's total global equity composite gained 25.9% during 2013, outperforming the blended global equity benchmark return of 23.6%.

Figure 5 displays the global equity portfolio's composition at the end of December 2013 versus HAF's global equity policy targets. At year end, HAF was in line with all the targets for each segment. These targets were revised slightly in November 2013 to increase non-US equities and decrease emerging markets.

Figure 5
Global Equity Allocation (\$55.6 million) – Percent of Total Assets



HAF's outperformance in 2013 versus the global index is especially notable given the significant exposure to index funds. DFA international small cap fund performed especially well, returning 27.4% against its benchmark's 19.7% return. Additionally, DFA Small Cap Index had outstanding returns, up 42.2% for the trailing year.

Table 7
Global Equity Performance as of December 31, 2013
(Annualized, Net of Fees)

	% of Fund	Annualized					Since Fund	Inception		
		1 Year	3 Year	5 Year	7 Year	9 Year	Inception [^]	Date		
Global Equity²	70.4%	25.9	10.5	16.3	4.8	7.0	7.8	12/31/2003		
<i>Global Equity Blended Index³</i>		23.6	10.4	16.0	4.1	6.1	6.9			
DFA Large Cap Companies	10.6%	32.3	16.1	17.9	6.2	7.1	7.3	1/31/2004		
<i>S&P 500 Index</i>		32.4	16.2	17.9	6.1	7.0	7.3			
DFA Small Cap Index	2.1%	42.2	17.7	23.8	8.8	9.3	9.8	1/31/2004		
<i>Russell 2000 Index</i>		38.8	15.7	20.1	7.2	8.1	8.7			
Fundamental Investors	3.6%	31.5	14.8	18.1	6.7	8.6	7.6	6/30/2006		
<i>S&P 500 Index</i>		32.4	16.2	17.9	6.1	7.0	7.4			
DFA Emerging Markets Core Fund*	2.1%	-2.6	-2.4	16.1	5.3	9.8	11.7	12/31/2003		
<i>MSCI Emerging Mkts</i>		-2.6	-2.1	14.8	3.8	9.7	11.2			
DFA Int'l Small Cap Fund	2.8%	27.4	8.6	17.7	4.2	8.2	30.2	7/31/2012		
<i>MSCI ACWI ex-US Small Cap Index</i>		25.6	7.5	18.5	3.3	7.2	27.8			
DFA Global Equities	21.2%	29.1	12.2	17.8	5.2	7.4	28.1	7/31/2012		
<i>MSCI ACWI IMI Index</i>		23.6	9.8	15.6	4.1	6.7	23.0			
Allianz Convertibles	7.0%	25.6	11.2	18.1	9.6	9.7	22.8	7/31/2012		
<i>BofA ML US All Conv</i>		24.9	10.8	18.8	6.9	6.9	22.7			
EuroPacific Growth Fund	21.0%	20.2	7.4	13.5	4.2	7.8	8.8	1/31/2004		
<i>MSCI ACWI ex-US Index</i>		15.3	5.1	12.8	2.2	6.2	7.5			
					Calendar Years					
	% of Fund	2013	2012	2011	2010	2009	2008	2007	2006	2005
Global Equity²	70.4%	25.9	17.8	-8.9	15.5	36.6	-40.2	9.0	17.2	13.0
<i>Global Equity Blended Index³</i>		23.6	16.8	-6.9	14.9	35.9	-41.8	8.4	18.4	8.5
DFA Large Cap Companies	10.6%	32.3	15.8	2.1	15.0	26.6	-36.8	5.5	15.7	5.0
<i>S&P 500 Index</i>		32.4	16.0	2.1	15.1	26.5	-37.0	5.5	15.8	4.9
DFA Small Cap Index	2.1%	42.2	18.4	-3.1	30.7	36.3	-36.0	-3.1	16.6	6.1
<i>Russell 2000 Index</i>		38.8	16.3	-4.2	26.9	27.2	-33.8	-1.6	18.4	4.6
Fundamental Investors	3.6%	31.5	17.1	-1.9	14.1	33.4	-39.7	13.6	19.2	11.7
<i>S&P 500 Index</i>		32.4	16.0	2.1	15.1	26.5	-37.0	5.5	15.8	4.9
DFA Emerging Markets Core Fund*	2.1%	-2.6	20.5	-20.6	23.6	83.6	-50.7	37.5	30.9	0.0
<i>MSCI Emerging Mkts</i>		-2.6	18.2	-18.4	18.9	78.5	-53.3	39.4	32.1	34.0
DFA Int'l Small Cap Fund	2.8%	27.4	18.9	-15.3	23.9	42.0	-43.9	5.7	24.9	22.0
<i>MSCI ACWI ex-US Small Cap Index</i>		25.6	17.5	-15.8	24.5	50.8	-48.0	3.3	19.5	25.0
DFA Global Equities	21.2%	29.1	18.2	-7.4	19.4	34.5	-40.0	4.4	20.5	11.0
<i>MSCI ACWI IMI Index</i>		23.6	16.4	-7.9	14.3	36.4	-42.3	11.2	20.9	11.6
Allianz Convertibles	7.0%	25.6	12.0	-2.3	21.2	37.7	-28.8	16.2	12.9	7.2
<i>BofA ML US All Conv</i>		24.9	15.0	-5.2	16.8	49.1	-35.7	4.5	12.8	1.0
EuroPacific Growth Fund	21.0%	20.2	19.2	-13.6	9.4	39.1	-40.5	19.0	21.9	21.1
<i>MSCI ACWI ex-US Index</i>		15.3	16.8	-13.7	11.2	41.4	-45.5	16.7	26.7	16.6

Note: Performance displayed above reflects historical returns since fund inception. Some funds include extended performance based on oldest share class, adjusted for fees.

² Historical performance of the Global Equity composite is based on the consolidated weighted returns of the US Equity and International Equity composites.

³ Effective August 1, 2012, the Global Equity Blended Index consists of 100% MSCI All Country World Investable Market Index. Prior to August 1, 2012, the blended benchmark is calculated based on the weighted returns of the US Equity Benchmark and the International Equity Benchmark. From June 1, 2008 to August 1, 2012, the blended index consists of 50% Russell 3000 Index and 50% MSCI All Country World Ex US Investable Market Index. From June 1, 2006 to May 31, 2008, the blended index consists of 71.4% Russell 3000 Index and 28.6% MSCI ACWI Ex-US Index. Prior to June 1, 2006, the blended index consists of 76.9% Russell 3000 Index and 23.1% MSCI ACWI Ex-US Index.

[^] Returns are annualized for periods greater than a year.

* Prior to April 1, 2008 the portfolio was based off returns from DFA Emerging Markets (DFEMX). Since April 1, 2008, the portfolio has been based off performance from DFA Emerging Markets Core Equity (DFCEX).

Allianz Global Investors – US Convertible Bonds

Overview: Allianz’s convertibles team follows a disciplined, fundamental bottom-up research process, which facilitates the early identification of convertibles issuers demonstrating the ability to improve their fundamental characteristics.

The team will initially screen the broader equity universe on quantitative characteristics in search of industry and issuer themes and trends that affect the convertible universe. The emphasis is on companies exhibiting positive fundamental change and momentum will typically lead them to growth industries that are seeing increased revenue, margin expansion, cash flow increases, new products, etc.

The process then moves to deep, fundamental credit research, which relies heavily on the team’s “Upgrade Alert Mode.” Using scenario analysis and conservative forecasts, they project financial statements out 5 years on a pro-forma basis. Over 60 operating statistics are generated from this. Their quantitative model will then make use of hand-keyed financial statement metrics to generate an internal credit quality rating based on eight ratings factors, similar to those used in S&P and other ratings agencies. The companies/issues selected for the portfolio exceed minimum fundamental metrics, exhibit the highest visibility of future expected operating performance and are often candidates for ratings upgrades. Relative value and liquidity then determine the timeliness of the trade. Macro factors are assessed at the individual issuer level.

Investment decisions are made by team consensus, though Forsyth is accountable for final decisions. Portfolios are well diversified, owning 70 to 100 equally-weighted issues to avoid specific security risk. Issues have at least \$200 million outstanding and they seek equity market caps over \$500 million to ensure proper liquidity. It is a pure US convertible strategy that will not deviate from its core universe to generate yield or return; it invests in US dollar-denominated issues only, limits international exposure and enforces a 90-day limit for equity holdings from forced convertible conversions.

HAF invested in Allianz’s US Convertibles strategy in July 2012.

Performance: Allianz’s US Convertibles strategy returned 25.6% in 2013, outperforming the 24.9% return of the BofA ML US All Convertibles Index. For the period, selection in the healthcare sector was the biggest detractor. Industry allocations that helped relative performance in the period were Financials and Consumer Discretionary. Stock selection generated outperformance in Financials. The conversion premium at quarter-end was approximately 21%. The portfolio is well-positioned to participate on the upside and protect on the downside.

Conclusion: This is a well-diversified, risk-controlled portfolio that employs deep credit modeling and fundamental research. Despite a poor 2012, longer term performance is impressive versus the index and peers. The Allianz team expects that its balanced convertible portfolio will participate in 70-80% of market gains while only experiencing 40-50% of market declines over time. The portfolio’s bond orientation and income provide a cushion during falling markets and serves to dampen volatility in the equity portfolio.

American Funds – Fundamental Investors Fund (Large Capitalization Core)

Overview: The Fundamental Investors Fund is a large capitalization fund with a dual growth and income objective, managed against the S&P 500. The team uses fundamental analysis to target undervalued and overlooked opportunities with the potential for growth in sales, earnings and dividends. While there is a dividend focus, the fund aims to achieve long-term growth of capital over yield. The process favors companies with strong balance sheets, high quality products, and leading market share. The fund is able to invest up to 35% of assets outside the US and up to 5% in debt securities rated BB+/Ba1 or below.

Portfolio counselor James Drasdo retired from Capital Group in June 2013, after 37 years with the firm and 29 years managing Fundamental Investors. There have been no immediate plans to replace Drasdo. The remaining 5 portfolio counselors have between 6 and 20 years' experience managing the fund. The team is led by Dina Perry, who has spent 20 years on the Fundamental Investors Fund.

As of December 31, 2013 the fund had \$68 billion in assets under management, up from \$52 billion the prior year. Outflows from the fund were relatively modest in 2013, at \$900 million.

HAF invested in American Funds' Fundamental Investors strategy in June 2006.

Performance: Fundamental Investors earned 31.5% for the year versus the S&P 500's gain of 32.4%. Contributing to performance was strong stock selection in Consumer Discretionary, including its largest position, Amazon. Cash, at 3.8% as of 12/31/13, was the fund's biggest detractor. Over the course of the year, the fund added to consumer staples and industrials, and trimmed from health care, based on valuations.

Conclusion: Fundamental Investors' bottom-up, fundamental approach to stock selection is a good complement to the quantitative, quasi-passive funds managed by Dimensional Fund Advisors. Angeles believes the more opportunistic nature of the fund, including the ability to invest globally, is a distinguishing feature relative to large growth and income mandates. The fund also mitigates security-specific risk by investing across 180 holdings. Over the long term, the team has been able to add value with this wider mandate.

DFA – US Small Capitalization Fund

Overview: This fund provides US small capitalization core exposure and is managed to exceed the performance of the Russell 2000 Index of small capitalization companies. The portfolio invests in securities with market capitalizations within the smallest 10% of the market universe or smaller than the 1,000th largest US Company, whichever produces the higher market cap break. Once companies have met the market cap and book-to-market requirements, DFA will apply their exclusion criteria to arrive at their investable universe. These criteria include eliminating ADRs or foreign stocks, REITs, recent IPOs, regulated utilities, and stocks in severe financial distress, and applying liquidity filters and momentum screens. More recently, DFA has moved to exclude small cap stocks with extreme growth characteristics. DFA's proprietary research going back to 1979 has shown that strategies that exclude these securities would have earned measurable improvement in long-term performance.

Due to the reduced liquidity of small capitalization stocks, trading costs are often the largest component of the overall implementation cost of small cap strategies. DFA uses its competitive advantage as one of the largest small cap equity managers, with the trading power of \$30 billion in US small cap assets, and its network of brokers to mitigate these costs. DFA's trading strategy focuses on minimizing turnover in the portfolio by using buy, hold and sell ranges, and excluding securities that lack sufficient liquidity.

They also take advantage of momentum, and don't move too quickly to buy stocks that are falling or sell stocks that are rising in price and valuation. DFA utilizes block trades for over half of their purchases in an effort to keep transaction costs down as well. This method of efficient implementation has been a source of added value and is a distinguishing trait of DFA.

HAF invested in DFA's US Small Capitalization strategy in January 2004.

Performance: By outperforming the Russell 2000 Index's return of 38.8% by 3.4% last year, DFA's small cap strategy has put together an impressive run of five straight years of outperformance. Stock selection within industrials was added value over the quarter. Among individual names, solar plant operator SunEdison delivered the strongest contribution with a 63.7% gain. DFA's exclusion of REITs aided results as interest rate rises hurt that sector.

Conclusion: Angeles recommends retaining this small cap fund. While this is HAF's smallest allocation in the equity sleeve at 2.1% of the total portfolio (3.0% of equities), it is an important diversification tool. They strategy's broad exposure to 2,210 companies seeks to resemble the universe of small cap stocks and we believe the manager's disciplined, price-conscious, and well-executed approach should continue to add value.

DFA – US Large Company Fund (S&P 500 Index)

Overview: The fund seeks to replicate the total return of the S&P 500 Index by investing in all of the stocks that comprise the index and in the same proportions as they are represented in the index. These stocks, which are chosen by a committee at Standard & Poor's to be broadly representative of the US market, are generally large capitalization companies that collectively represent 70% of the total market capitalization of all publicly-traded US stocks. Annual portfolio turnover is expected to be less than 20% for this fund (turnover was under 5% in 2013).

Mirroring the S&P Index, the fund held 500 securities at year-end, with equity characteristics (market capitalization, book-to-market, and price/earnings) in-line with the benchmark. This fund is one of the few DFA offerings that is a fully-replicated index fund that matches the holdings of a specific index. DFA's other products are what Angeles considers to be quasi-passive in that they seek to replicate the general characteristics of a style benchmark, but do not precisely replicate the names and index weights of each name in an index.

HAF invested in DFA's US Large Capitalization strategy in January 2004.

Performance: DFA's S&P index fund returned 32.3% in 2013, matching the return of the S&P 500 Index. The average active manager in the peer universe was unable to add value over the index, posting a 31.1% return for the year, and has underperformed over 3, 5 and 10 years. A fee of just 9 bps for DFA versus an average of 1.11% for the Large Blend Universe is a distinct advantage.

Conclusion: DFA's Large Capitalization Core Fund continues to deliver on its mandate of efficiently tracking the returns of the S&P 500 Index. Angeles recommends the Foundation retain this fund as a source of exposure to the US large cap core market segment and as a complement to American Fund's Fundamental Investors, which is also indexed to the S&P 500. We maintain our confidence in DFA's abilities to deliver returns with minimal tracking error.



American Funds – EuroPacific Growth Fund (Core International Equity)

Overview: The EuroPacific Growth Fund provides core international equity exposure by investing in non-US companies of all sizes. Typically, at least 80% of assets are invested in companies domiciled in Europe and the Pacific Basin. The portfolio is well diversified across regions and sectors, with approximately 300 securities.

As expected, Stephen Bepler, co-manager of the fund since its 1984 inception, retired in 2013 at the age of 70. The portfolio is now managed by 9 portfolio counselors, all with over 17 years of experience in the Capital Group organization; five of the 9 have been on the fund for more than a decade. Carl Kawaja and Mark Denning are the Principal Investment Officers (PIOs) on the fund.

The EuroPacific Growth Fund ended 2013 with \$123 billion in assets, up from \$104 billion the prior year. This was despite \$2 billion in fund outflows. EuroPacific Growth is the second largest fund behind Growth Fund of America at American Funds.

HAF invested in American Funds' EuroPacific Growth strategy in January 2004.

Performance: The EuroPacific Growth Fund continued to perform strongly in 2013, up 20.2%, trouncing the MSCI ACWI ex-US Index return of 15.3%. The biggest contributors to the portfolio included underweights to metals & mining and selection within the technology sector. Top individual contributors included Softbank, Tencent, and Baidu. The biggest detractor in 2013 was cash drag; cash ended the year at 6.6% of fund assets.

At the end of 2013, the fund had approximately 20% invested in emerging markets, down from 27% the year prior. While they acknowledge the region is trading at very attractive discounts, they are taking a wait-and-see approach before adding to their positions.

Conclusion: While we have been monitoring the fund's large asset base, our concerns have been tempered by the fund's continued strong performance over longer term periods and expansion of the management team over the last few years. Asset growth has also been performance driven as the fund experienced \$2 billion in outflows for the year, down from \$5 billion in 2012. Angeles remains confident in EuroPacific's team and long-term, fundamental, bottom-up approach. 

DFA – International Small Cap Equity Fund

Overview: DFA's international small cap equity fund is a quantitative strategy that invests in the universe of small cap stocks in non-US developed markets. The strategy focuses on companies that have market capitalization in the bottom 10-15% of each country's total stock market universe. The strategy focuses on companies that have market capitalizations in the bottom 10-15% of each country's total stock market universe (but above \$50 million). Country weights are determined by region and are designed to reflect the current small company market capitalization of each region, relative to the entire international small company universe. Countries within a region and issues within a country are also market weighted. The portfolio currently invests in companies in Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Portugal, the Netherlands, New Zealand, Norway, Singapore, Spain, Sweden, Switzerland and the United Kingdom. As of December 31, 2013, the portfolio's top country allocations were to the UK (24%), Japan (22%), and Canada (9%).

HAF invested in DFA's International Small Cap strategy in July 2012.

Performance: DFA's International Small Cap Equity posted a 27.4% gain to outperform the MSCI All Country World Index ex-US Small Cap Index return of 25.6%. Stock selection within financials was one of the stronger contributors for the period. Security composition within healthcare names also contributed. Amongst individual names, Alcatel-Lucent contributed most with a 25.2% gain.

Conclusion: The fund provides solid exposure to the international small cap space at a reasonable expense of 56 basis points (0.56%). The portfolio has outperformed the MSCI All Country World Index ex-US Small Cap Index return over the trailing 1- and 3-year history. This fund provides a good complement to the EuroPacific Growth fund managed by American Funds, which invests in companies with the largest market capitalizations, and will include emerging markets holdings.

DFA – Emerging Markets Core Fund

Overview: DFA's Emerging Markets fund is quantitatively managed and will purchase a diversified basket of emerging markets issuers, with an increased exposure to small capitalization stocks and those it considers value stocks. DFA regularly reviews countries based on a set of qualitative and quantitative criteria in order to determine both the suitability of investments as well as the appropriate classification (developed or emerging). They will apply minimum criteria that include market liquidity, fair treatment of foreign investors, adequate regulation at the exchange level and reasonable accounting standards. The Portfolio currently invests in companies in Brazil, Chile, China, Colombia, the Czech Republic, Egypt, Hungary, India, Indonesia, Malaysia, Mexico, Peru, the Philippines, Poland, Russia, South Africa, South Korea, Taiwan, Thailand and Turkey. They will not invest in the locally traded shares of China or Russia, instead preferring to use depository receipts to gain exposure.

DFA's core emerging markets portfolio differs slightly from the country weights in the MSCI Emerging Markets Index, with individual country weights capped at 15%, an increase from the 12.5% limit in 2009. As of December 31, China, South Korea, and Taiwan were at the maximum allocation allowed. China will be systematically underweight in this portfolio given these constraints; its weight in the benchmark is 19.8%, while South Korea is 16.1%, and Taiwan is 11.7%. Individual position weightings are not to exceed 5% at time of purchase.

DFA's emerging market fund reported assets of \$17.2 billion as of December 31, 2013, up from \$9.7 billion at the end of 2012, and more than six times the value of the \$2.8 billion at the end of 2009. Turnover remains extremely low (at 1%) and the fund continues to stick with its smaller cap bias with a weighted average total market capitalization of \$27.3 billion versus the MSCI Emerging Market's average market capitalization of \$45.5 billion. The fund has had to increase its holdings to more than 3,900, nearly double the number in 2006, to maintain its liquidity restrictions.

HAF invested in DFA's EM strategy in January 2004.

Performance: DFA's EM portfolio returned -2.6% matching the MSCI EM Index's return. Strong security performance within basic materials and consumer cyclical bolstered results but was offset by weak performance from technology names. Amongst individual names Chinese internet application developer Tencent performed best and Brazilian state owned oil and gas company, Petroleo Brasileiro, performed worst.

Conclusion: The fund's preference for smaller capitalization stocks will lead to greater volatility, though thoughtful risk controls and diversification across regions and market capitalizations make this

fund is a solid option for emerging markets exposure. Angeles believes HAF's international composite will benefit from its exposure to this fund over a long-term horizon. The fund's asset growth could limit its flexibility and will be monitored.

DFA – Global Equity Portfolio

Overview: The DFA Global Equity Portfolio allocates its assets to a combination of underlying funds offered by DFA that invest in equities in the US, international and emerging markets. The strategy is fully diversified across over 12,000 securities and more than forty-four countries, minimizing the effect of any single company or country on investment results. While still designed to put greater emphasis on securities with higher expected returns—small cap and value—it also provides exposure to large company stocks. As of 12/31/2013, the portfolio was overweight the US at 64% of the portfolio (versus 54% for the ACWI IMI Index).

HAF invested in DFA's Global Equity strategy in July 2012.

Performance: The Global Equity Portfolio returned 29.1% for the year, outperforming the MSCI ACWI IMI's return of 23.6%, the fourth year running that the strategy has outperformed. An overweight allocation to financials and industrials added to overall outperformance. The portfolio's underweight to the large cap market detracted over the period. Regionally, an overweight to the US strongly contributed.

Conclusion: This is a highly diversified (12,000+ holdings) global fund whose value and small capitalization tilts act as an important counter-balance to EuroPacific's actively managed growth style. This is the largest holding in the equity sleeve at 30.1%, or 21.2% of the total portfolio.

FIXED INCOME REVIEW

As of December 31, 2013, the Foundation's fixed income portfolio consisted of the Vanguard Total Bond Index fund (core bonds), the PIMCO Income Fund (opportunistic bonds), and the DFA 1-Year Fixed Income fund, which was added in December 2013. The newly rebalanced portfolio offers exposure to a range of mortgage and credit sectors while offering significant diversification.

At the end of the year, the fixed income allocations were in line with their targets.

Figure 6
Fixed Income Allocation (\$15.5 million) – as a Percent of Total Assets

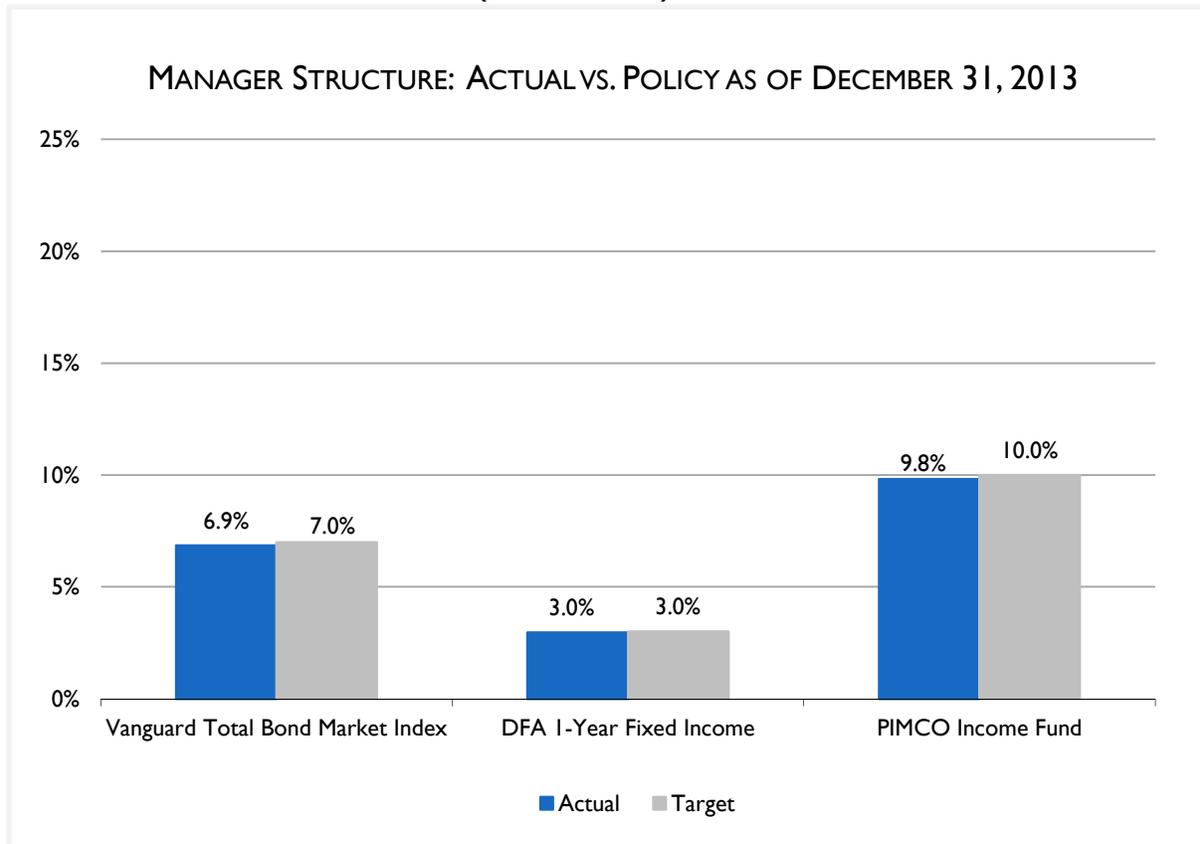


Table 8
Fixed Income Fund Performance as of December 31, 2013
(Annualized, Net of Fees)

	% of Fund	Annualized					Since Fund Inception [^]	Inception Date
		1 Year	3 Year	5 Year	7 Year	9 Year		
Fixed Income	19.6%	1.3	4.4	6.3	2.7	3.1	3.4	12/31/2003
<i>Fixed Income Blended Index⁴</i>		<i>-1.8</i>	<i>3.6</i>	<i>5.3</i>	<i>5.1</i>	<i>4.8</i>	<i>4.8</i>	
Vanguard Total Bond Market Index	6.9%	-2.1	3.2	4.4	4.9	4.6	3.8	10/31/2009
<i>Barclays Aggregate Index</i>		<i>-2.0</i>	<i>3.3</i>	<i>4.4</i>	<i>4.9</i>	<i>4.6</i>	<i>3.8</i>	
PIMCO Income Fund	9.8%	4.8	10.8	14.4	–	–	5.3	12/31/2012
<i>Barclays Aggregate Index</i>		<i>-2.0</i>	<i>3.3</i>	<i>4.4</i>	–	–	<i>-2.1</i>	
DFA 1-Year Fixed Income	3.0%	0.3	0.6	1.0	2.0	2.3	-0.6	12/1/2013
<i>BofA ML 6 Month Treasuries</i>		<i>0.1</i>	<i>0.2</i>	<i>0.3</i>	<i>1.5</i>	<i>2.0</i>	<i>0.3</i>	

	% of Fund	Calendar Years								
		2013	2012	2011	2010	2009	2008	2007	2006	2005
Fixed Income	19.6%	1.3	4.6	7.3	7.5	11.2	-14.2	3.2	6.8	2.2
<i>Fixed Income Blended Index⁴</i>		<i>-1.8</i>	<i>-1.3</i>	<i>5.5</i>	<i>7.4</i>	<i>7.2</i>	<i>8.6</i>	<i>2.4</i>	<i>6.5</i>	<i>5.0</i>
Vanguard Total Bond Market Index	6.9%	-2.1	4.2	7.7	6.6	6.1	5.2	7.0	4.4	2.5
<i>Barclays Aggregate Index</i>		<i>-2.0</i>	<i>4.2</i>	<i>7.8</i>	<i>6.5</i>	<i>5.9</i>	<i>5.2</i>	<i>7.0</i>	<i>4.3</i>	<i>2.4</i>
PIMCO Income Fund	9.8%	4.8	22.2	6.4	20.5	19.2	-5.5	–	–	–
<i>Barclays Aggregate Index</i>		<i>-2.0</i>	<i>4.2</i>	<i>7.8</i>	<i>6.5</i>	<i>5.9</i>	<i>5.2</i>	–	–	–
DFA 1-Year Fixed Income	3.0%	0.3	0.9	0.6	1.2	1.9	4.0	5.2	4.8	2.3
<i>BofA ML 6 Month Treasuries</i>		<i>0.1</i>	<i>0.2</i>	<i>0.3</i>	<i>0.4</i>	<i>0.5</i>	<i>3.4</i>	<i>5.4</i>	<i>4.8</i>	<i>3.0</i>

Note: Performance displayed above reflects historical returns since fund inception. Some funds include extended performance based on oldest share class, adjusted for fees. These tables reflect historical performance for the funds in which the Long Term Investment Pool invests, but HAF did not hold these funds for the entire period shown.

[^] Returns are annualized for periods greater than a year.

The Foundation's fixed income composite returned 1.3% in 2013, outperforming the Blended Index's³ return of -1.8%. The portfolio's largest individual holding – PIMCO Income Fund – returned 4.8% over the year to outperform its benchmark's -2.0% return. For 2013, Vanguard Total Bond Market Index returned -2.1% to slightly underperform its benchmark. The newly added DFA 1-Year Fixed Income fund returned 0.3% for the year, and was added at the end of the year to lower the overall interest rate sensitivity of the bond portfolio.

Vanguard – Total Bond Market Index Fund (Core Fixed Income)

Overview: The Total Bond Index Fund is passively managed by Vanguard's Fixed Income Group. The fund tracks the Barclays Aggregate Bond Index, which represents a wide spectrum of public, investment-grade, taxable, fixed income securities in the United States—including government, corporate, and international dollar-denominated bonds, as well as mortgage-backed and asset-backed securities—with maturities of more than 1 year.

³ The Blended Index is a blend of the Barclays Aggregate Index (which covers all investment grade dollar-denominated bonds) and the Universal Index (which includes investment grade and non-investment grade issues).

The fund employs sampling techniques, meaning that it selects a range of securities that will keep the fund's characteristics in-line with those of its benchmark. Strict sampling controls are in place across all bond-index funds at Vanguard so that portfolios match key benchmark characteristics including maturity, duration, quality and sector weights. To maintain similarity, at least 80% of the fund's assets will be invested in bonds that are also held in the Index. This approach is designed to avoid the inefficiencies and costs associated with fully replicating the Index. As of 12/31/13, the index fund held 6,166 securities versus 8,701 in the Index.

To mitigate risk, the team pays close attention to lower quality corporate bonds to avoid holding those that have the potential to be downgraded to junk. The portfolio leverages research and analysis done by Vanguard's credit group, underweighting BBB bonds that the investment grade team has concerns over, and slightly overweighting BBB bonds the credit research team views favorably. With the fund's average quality rating of AA, overall credit risk is minimal. US Government and agency securities constitute nearly 70% of the index's market value, and all securities are investment-grade.

The fund's average duration of 5.5 years and average maturity of 7.5 years is consistent with the index. The fund reported a 2.4% yield-to-maturity as of 12/31/13. Fees for this index fund are modest at 7 basis points, aided by Vanguard's Fixed Income Group's ability to cross security trades across Vanguard Bond funds (i.e., one bond fund buying what a second bond fund is selling) which reduces brokerage and market implied costs for the fund.

HAF invested in Vanguard's Total Bond Market Index strategy in October 2009.

Performance: Performance for the Total Bond Index Fund slightly trailed its benchmark, returning -2.1% in 2013. Any small deviation in the fund's performance versus that of its benchmark (whether positive or negative) is to be expected given that the fund uses a sampling approach and incurs management fees.

Conclusion: With an expense ratio of 7 basis points, this fund is a cost effective means of gaining diversified exposure to the broad bond market with a risk level that effectively matches that of the Barclays Capital Aggregate Bond Index. As a passively managed "index-matching" portfolio, the fund does not incur sector, credit or duration risks that are typically incurred by actively managed portfolios. The fund can be expected to deliver stable and consistent returns that are generally in-line with its benchmark, the Barclays Aggregate Index.

PIMCO – Income Fund (Opportunistic Fixed Income)

Overview: The investment philosophy of PIMCO's Income strategy is to seek high, consistent dividend income through an emphasis on high quality and principal protection. The strategy's multi-sector approach helps portfolio managers seek out what they feel are the most efficient income-generating ideas in any given market climate, targeting multiple sources of income from a global investment universe.

PIMCO funds are managed in the context of the firm's outlook for the global economy and markets, but investment decisions and value-added come primarily from traditional bottom-up credit analysis. The firm's general approach to managing fixed income portfolios revolves around the principle of diversification. The firm believes that no single risk should dominate returns; they manage diversified strategies that rely on multiple sources of value. The firm seeks to add value through the use of "top down" strategies such as exposure to interest rates, duration, changing volatility, yield curve positioning

and sector rotation. They also employ "bottom up" strategies involving analysis and selection of individual securities.

The Fund offers a unique advantage to investors due to its utilization of multiple sectors of the bond market in which no single sector or strategy should dominate. It invests strategically across all fixed income asset classes where it can find the best combination of income, relative value and risk-adjusted returns. This has historically led them to agency and non-agency mortgages, but the Fund over time has shifted to become increasingly diversified across corporates, high yield, bank loans, municipal bonds, non-US developed and emerging market bonds. The Fund will invest in below investment grade assets, but is constrained by the prospectus to no more than 50% of its total assets in securities rated below investment grade but rated at least Caa by one of the three main rating agencies. With a yield-to-maturity as of 12/31/13 at 5.46%, the Income Fund has a significant yield advantage versus the Barclay's US Aggregate Bond Index at 2.5%.

The Income Fund has been managed by Portfolio Manager Dan Ivascyn since its May 2007 inception. Ivascyn joined PIMCO in 1998 and is also the head of the mortgage credit portfolio management team, a lead portfolio manager for PIMCO's credit hedge fund and mortgage and asset-backed opportunistic strategies, and was recently named Deputy CIO as well as a member of its Investment Committee, which sets strategy for the firm. Ivascyn shares portfolio management responsibilities with Alfred Murata, who joined PIMCO in 2001.

HAF invested in the PIMCO Income strategy in December 2012.

Performance: The Income Fund rose 4.8% versus -2.0% for the Barclays Aggregate Index in 2013, with non-agency mortgages the largest driver of relative returns. The fund also benefited from its exposure to high quality agency MBS and emphasis on investment grade bonds of financial and industrial firms. Duration and currency were the largest detractors from returns.

Longer-term performance has been outstanding, falling in the top quartile over one, three and five years versus Morningstar's Multisector Bond Universe.

Conclusion: This strategy allows for access to PIMCO's "top down" views and value add through strategies such as exposure to interest rates, duration, changing volatility, yield curve positioning and sector rotation. The Income strategy is not managed to a specific benchmark, but rather is a go anywhere strategy in search of reliable income/yield. However, while the fund is going to seek out the highest possible income for shareholders, it will not sacrifice quality or principal stability to get there; long-term capital appreciation is a secondary objective. Angeles believes this is a great diversifier for HAF's fixed income portfolio that offers a significant boost to current income.

DFA – One-Year Fixed Income Fund

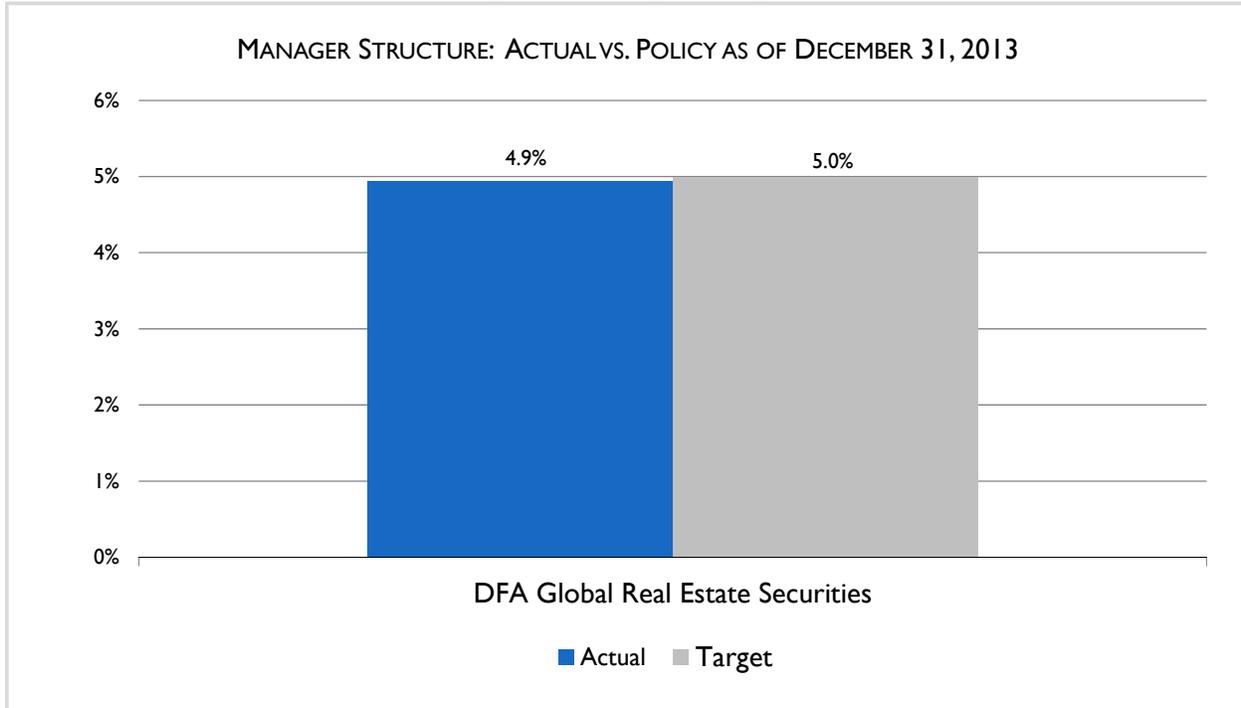
Overview: In December, the Foundation invested in DFA's One Year Fixed Income Fund. The fund holds debt securities maturing within one year, but will occasionally invest in up to a 2-year maturity to enhance returns (yield). The portfolio is diversified between corporate debt and commercial paper, with ratings above single-A. DFA has been adding to bond capabilities in recent years.

Conclusion: 2013 marked the third time in 34 years that investment grade bonds finished in negative territory, and the first loss since 1999, as the US Federal Reserve announced its 'tapering' of bond purchases (quantitative easing). With a duration of less than 1 year, the DFA One-Year Fixed Income fund is expected to reduce bond volatility and protect from potential losses due to rising interest rates.

REAL ESTATE REVIEW

At the end of 2013, HAF had \$3.9 million, or approximately 4.9% of the Foundation's total assets, invested in real estate securities. The allocation is slightly underweight the 5% target.

Figure 7
Real Estate Allocation (\$3.9 Million) – as a percent of Total Assets



The real estate composite slightly outperformed in 2013, returning 1.8% against the blended benchmark return of 1.7%. REITs suffered relative to other public equities in 2013 as interest rates rose.

Table 9
REITs Performance as of December 31, 2013
(Annualized, Net of Fees)

	% of Fund	Annualized					Since Fund	Inception
		1 Year	3 Year	5 Year	7 Year	9 Year	Inception [^]	Date
Real Estate Securities	4.9%	1.8	8.2	15.7	0.1	4.9	7.3	12/31/2003
<i>Real Estate Blended Index⁵</i>		1.7	7.8	15.7	0.1	5.1	7.7	
DFA Global Real Estate Securities	4.9%	1.8	8.5	16.0	--	--	1.3	7/31/2012
<i>S&P Global REIT Index</i>		1.7	7.8	15.0	--	--	4.1	

	% of Fund	Calendar Years									
		2013	2012	2011	2010	2009	2008	2007	2006	2005	
Real Estate Securities	4.9%	1.8	23.5	0.8	23.7	32.2	-40.5	-18.7	35.3	13.2	
<i>Real Estate Blended Index⁵</i>		1.7	23.2	0.1	22.8	34.4	-40.7	-17.9	35.9	14.1	
DFA Global Real Estate Securities	4.9%	1.8	23.2	1.8	23.8	32.7	--	--	--	--	
<i>S&P Global REIT Index</i>		1.7	22.4	0.6	22.1	31.7	--	--	--	--	

Note: Some funds include extended performance based on oldest share class, adjusted for fees. Performance displayed above reflects historical returns since fund inception. Some funds include extended performance based on oldest share class, adjusted for fees.

[^] Returns are annualized for periods greater than a year.

⁴ Real Estate Securities benchmark is a custom blended benchmark: Effective August 1, 2012, the benchmark consists of 100% S&P Global REIT Index. From June 1, 2008 to July 31, 2012, the benchmark consists of 50% DJ Wilshire RE Securities and 50% S&P/Citi Global US RE Index. Prior to 6/1/08, the benchmark consists of 100% DJ Wilshire RE Secs.

DFA – Global Real Estate Securities Fund (Global REITs)

Overview: DFA’s Global Real Estate Securities portfolio is designed to achieve long-term capital appreciation and invests passively in a broad range of US and non-US companies in the real estate industry with a focus on REITs. The portfolio primarily purchases shares of DFA’s US Real Estate and International Real Estate Securities Portfolios, and also may invest directly in securities of companies in the real estate industry. The portfolio invests in both developed and emerging markets and is diversified across geography, property type, and capitalization. The fund currently is authorized to invest in the following countries: Australia, Belgium, Canada, China, France, Germany, Greece, Hong Kong, Japan, the Netherlands, New Zealand, Singapore, South Africa, Taiwan, the United Kingdom and the United States. Country weights are primarily determined by the aggregate market capitalization of the investable universe in each country and region. The country weighting methodology caps weightings at 30% (at time of purchase) to all countries except the US. Securities must pass quantitative and qualitative filters before becoming eligible for purchase into the strategy. The portfolio will not invest in mortgage REITs (given their tendency to behave more like fixed income securities than real estate), prison REITs, REITs in extreme financial difficulties, REITs involved in mergers or consolidation, or those that may be the subject of an acquisition. DFA manages \$7.5 billion in real estate strategies, including \$2.8 billion in this strategy (\$2.1 billion in the fund).

HAF invested in DFA’s Global Real Estate strategy in July 2012.

Performance: DFA’s Global REIT fund slightly outperformed its S&P Global REIT Index, earning 1.8% for the year versus 1.7% for the index. A slight overweight to the UK/Ireland helped performance, as did security selection in emerging Asia.

Conclusion: DFA's Global REIT Fund is attractive for its diversification benefits, including exposure to properties across emerging markets. With 351 securities, the portfolio is well diversified across geography, size and REIT type. Expenses are low and turnover is minimal, keeping trading costs low.

**Exhibit I:
Summary of Performance through
December 31, 2013**

Humboldt Area Foundation
2013 Investment Performance Review – Long Term Pool

As of December 31, 2013	Ticker	Market Value	% of Fund	Policy Target	1 Month	FYTD*	1 Year	3 Yrs. (Annld)	5 Yrs. (Annld)	7 Yrs. (Annld)	9 Yrs. (Annld)	10 Yrs. (Annld)	Expense Ratio**
Global Equity													
		\$ 55,559,596	70%	70%									
DFA Large Cap Companies ¹	DFUSX	\$ 8,327,216	11%	11%	2.6%	16.2%	32.3%	16.1%	17.9%	6.2%	7.1%	7.4%	0.10
DFA Small Cap Index	DFSTX	\$ 1,673,465	2%	2%	2.0%	21.4%	42.2%	17.7%	23.8%	8.8%	9.3%	10.1%	0.37
EuroPacific Growth Fund	AEPGX	\$ 16,545,028	21%	21%	1.8%	17.8%	20.2%	7.4%	13.5%	4.2%	7.8%	8.9%	0.86
DFA Emerging Mkts Core Fund [^]	DFCEX	\$ 1,633,756	2%	2%	-0.9%	7.6%	-2.6%	-2.4%	16.1%	5.4%	10.3%	12.1%	0.68
Fundamental Investors	ANCFX	\$ 2,840,370	4%	4%	3.1%	16.8%	31.5%	14.8%	18.1%	6.7%	--	--	0.65
DFA Int'l Small Cap Fund	DFISX	\$ 2,235,931	3%	3%	2.7%	22.7%	27.4%	--	--	--	--	--	0.56
DFA Global Equities	DGEIX	\$ 16,770,432	21%	21%	2.3%	17.6%	29.1%	--	--	--	--	--	0.33
Allianz Convertibles	ANNPX	\$ 5,533,398	7%	7%	1.7%	13.7%	25.6%	--	--	--	--	--	0.67
MSCI ACWI IMI Index					1.8%	16.1%	23.6%	9.8%	15.6%	4.1%	6.7%	7.6%	
Absolute Return		\$ 3,872,500	5%	5%									
Angeles Absolute Return Fund ^{***}		\$ 3,872,500	5%	5%	--	--	--	--	--	--	--	--	
HFRI Fund of Funds Index					--	--	--	--	--	--	--	--	
Fixed Income		\$ 15,498,290	20%	20%									
Vanguard Total Bond Market Index ²	VBTIX	\$ 5,409,786	7%	7%	-0.6%	0.4%	-2.1%	3.2%	--	--	--	--	0.07
PIMCO Income Fund	PIMIX	\$ 7,749,504	10%	10%	0.2%	3.3%	--	--	--	--	--	--	0.44
DFA 1-Year Fixed Income	DFIHX	\$ 2,339,000	3%	3%	0.0%	--	--	--	--	--	--	--	0.17
Barclays Aggregate Index					-0.6%	0.4%	-2.0%	3.3%	--	--	--	--	

¹Ticker changed from DFLCX to DFUSX due to fund merger of two DFA (Large Cap Companies) funds; the fund name remains unchanged.

²Vanguard Total Bond Market Index Fund (VBTIX) was added on October 9, 2009, in the amount of roughly \$5.2mm. Proceeds from the liquidation of the Bond Fund of America that were moved into the Vanguard GNMA Fund (\$4.8mm) were used to fund VBTIX.

Note: Market value data and Total Fund returns provided by Premier.

*Fiscal Year is June 30.

**Estimated average total fund fee based on individual fund audited expense ratio and target allocations.

***Assets were wired at the end of December and will be invested on January 1, 2014.

[^] Prior to April 1, 2008, performance was based off DFA Emerging Markets (DFEMX).



Angeles Investment Advisors, LLC attest the information contained herein has been prepared from sources believed reliable but is not guaranteed by us as to its timeliness or accuracy, and is not a complete summary or statement of all available data. We urge you to compare the account information we present to the information provided on your monthly/quarterly custodians statements and notify us of any discrepancies. This data is intended solely for our clients, is for informational purposes only, may not be publicly disclosed or distributed without our prior written consent, and should not be construed as a research report, a recommendation, or an offer to buy or sell any security referred to herein. Opinions expressed herein are subject to change without notice.

Humboldt Area Foundation
2013 Investment Performance Review – Long Term Pool

As of December 31, 2013	Ticker	Market Value	% of Fund	Policy Target	1 Month	FYTD*	1 Year	3 Yrs. (Annlzd)	5 Yrs. (Annlzd)	7 Yrs. (Annlzd)	9 Yrs. (Annlzd)	10 Yrs. (Annlzd)	Expense Ratio**
Real Estate Securities		\$ 3,903,022	5%	5%									
	DFA Global Real Estate Securities	DFGEX \$ 3,903,022	5%	5%	0.0%	-1.0%	1.8%	--	--	--	--	--	0.34
S&P Global REIT Index					-0.3%	-1.2%	1.7%	--	--	--	--	--	
Cash		\$ 87,964	0%	0%									
	American Funds Money Market Fund	-- \$ -	0%	0%	--	--	--	--	--	--	--	--	
	TDA - Cash Sweet Account	-- \$ (16,137)	0%	0%	--	--	--	--	--	--	--	--	
	TD Bank USA MMDA - Cash Reserve	-- \$ 104,101	0%	0%	--	--	--	--	--	--	--	--	
90-Day T-Bills					--	--	--	--	--	--	--	--	
Total Fund		\$ 78,921,372	100%	100%	1.5%	12.2%	18.1%	8.4%	13.3%	3.9%	5.7%	6.4%	0.44
Policy Benchmark					1.1%	11.2%	15.7%	8.7%	13.6%	4.5%	6.0%	6.6%	
	Allianz & PIMCO Funds	\$ 13,282,902	18%	17%									
	American Funds	\$ 19,385,398	26%	25%									
	Angeles Absolute Return Fund	\$ 3,872,500	5%	5%									
	DFA Funds	\$ 36,882,822	49%	47%									
	Vanguard Funds	\$ 5,409,786	7%	7%									

Note: Market value data and Total Fund returns provided by Premier.

*Fiscal Year is June 30.

**Estimated average total fund fee based on individual fund audited expense ratio and target allocations.

Effective April 1, 2013, the Policy Benchmark = 70% MSCI ACWIMI, 25% Barclays Aggregate, and 5% S&P Global REIT Index.

From August 1, 2012 to March 31, 2013, the Policy Benchmark = 70% MSCI ACWIMI, 25% Barclays Universal, 5% S&P Global REIT Index.

From June 1, 2008 to July 31, 2012, the Policy Benchmark = 35% Russell 3000 Index, 35% MSCI All Country World Ex US Investable Market Index, 25% Barclays Capital Universal Index (formerly Lehman Brothers Universal Index) and 5% Blended REIT Index.

From June 1, 2006 to May 31, 2008, the policy benchmark consists of 50% Russell 3000 Index, 20% MSCI ACWI Ex-US Index, 25% Barclays Capital Universal Index (formerly Lehman Brothers Universal Index) and 5% DJ Wilshire US Select REIT Index.

Prior to June 1, 2006, the policy benchmark consists of 50% Russell 3000 Index, 15% MSCI ACWI Ex-US Index, 30% Barclays Capital Universal Index (formerly Lehman Brothers Universal Index), and 5% DJ Wilshire US Select REIT Index.



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Exhibit 2: Fund Summary Table

**Exhibit 2 – Fund Summary
Table**

	Ticker	Assets (MM) as of 12/31/13	Expense Ratio (bps)	Turnover	Number of Holdings	Morningstar Rating
Global Equity						
DFA Large Cap Companies	DFUSX	\$5,153.3	9	3%	500	★★★★★
DFA Small Cap Index	DFSTX	\$8,075.0	37	10%	2189	★★★★★
Fundamental Investors	ANCFX	\$65,081.6	65	28%	180	★★★★
DFA Emerging Mkts Core Fund	DFCEX	\$13,071.1	63	1%	3979	★★★★★
DFA Int'l Small Cap Fund	DFISX	\$9,059.3	54	--	4279	★★★★
DFA Global Equities	DGEIX	\$3,292.0	31	--	12,063	★★★★★
Allianz Convertibles	ANNPX	\$2,604.5	65	81%	128	★★★★★★
EuroPacific Growth Fund	AEPGX	\$118,029.1	86	27%	280	★★★★★
Fixed Income						
PIMCO Income Fund	PIMIX	\$30,743.2	44	226%	4000	★★★★★★
Vanguard Total Bond Market Index	VBPIX	\$110,883.6	7	73%	6166	★★★★
DFA 1-Year Fixed Income	DFIHX	\$9,051.9	17	62%	179	★★★★
Real Estate Securities						
DFA Global Real Estate Securities	DFGEX	\$2,295.2	32	--	351	★★★★★★

Source: Morningstar; Data as of 12/31/13.

Exhibit 3:
Historical Fund Performance Through
December 31, 2013

American Funds Historical Fund Performance through December 31, 2013

Fund Name	Ticker	Net Assets		Annlzd Return				% Rank in Cat			
		\$MM	Exp Ratio	1 Yr	3 Yr	5 Yr	10 Yr	1 Yr	3 Yr	5 Yr	10 Yr
Fundamental Investors Fund	ANCFX	\$65,082	0.65%	31.5	14.8	18.1	9.1	56	52	26	7
Morningstar Large Blend Average			1.11%	31.3	14.1	16.8	6.6				
S&P 500 Index				32.4	16.2	17.9	7.4				
EuroPacific Growth Fund	AEPGX	\$118,029	0.86%	20.2	7.4	13.5	8.9	46	40	23	12
Morningstar Foreign Large Blend Average			1.23%	19.3	6.7	11.9	6.4				
MSCI ACWI ex-US Index				15.3	5.1	12.8	7.6				

Performance rankings are as of 12/31/13 and rank manager's performance relative to peers. Provided by Morningstar; 1=Best, 100=Worst.

Dimensional Fund Advisors Fund Performance through December 31, 2013

Fund Name	Ticker	Net Assets		Annlzd	Annlzd	Annlzd	Annlzd	Rank	Rank	Rank	Rank
		\$MM	Exp Ratio	Return	Return	Return	Return	in Cat	in Cat	in Cat	in Cat
				1 Yr	3 Yr	5 Yr	10 Yr	1 Yr	3 Yr	5 Yr	10 Yr
DFA Global Real Estate	DFGEX	\$2,295	0.32%	1.8	8.5	--	--	78	9	--	--
Morningstar Global Real Estate Average			1.42%	2.7	6.5	--	--				
S&P Global REIT Index				1.7	7.8	--	--				
DFA U.S. Small Cap	DFSTX	\$8,075	0.37%	42.2	17.7	23.8	10.1	17	18	9	22
Morningstar Small Blend Average			1.29%	37.6	14.9	20.3	8.7				
Russell 2000 Index				38.8	15.7	20.1	9.1				
DFA US Large Co	DFUSX	\$5,153	0.09%	32.3	16.1	17.9	7.4	42	23	30	34
Morningstar Large Blend Average			1.11%	31.3	14.1	16.8	6.6				
S&P 500 Index				32.4	16.2	17.9	7.4				
DFA Emerging Mkts Core Equities	DFCEX	\$13,071	0.63%	-2.6	-2.4	16.1	--	58	58	19	--
Morningstar Diversified Emerging Mkts Average			1.59%	-0.7	-1.9	14.2	--				
MSCI Emerging Mkts Net Div				-2.6	-2.1	14.8	--				
DFA International Small Cap	DFISX	\$9,059	0.54%	27.4	8.6	17.7	10.3	49	53	60	41
Morningstar Foreign Small/Mid Blend Average			1.45%	24.6	8.1	16.8	10.0				
MSCI ACWI Ex US Small Cap Index				19.7	5.0	18.7	10.1				
DFA Global Equities	DGEIX	\$3,292	0.31%	29.1	12.2	17.8	--	26	27	21	--
Morningstar World Stock Average			1.35%	24.7	9.9	15.1	--				
MSCI ACWI IMI				23.6	9.8	15.6	--				
DFA One-Year Fixed-Income I	DFIHX	\$9,052	0.17%	0.3	0.6	1.0	2.2	59	62	68	31
Morningstar Ultrashort Bond			0.62%	0.5	0.9	2.4	1.4				
BofA ML 6 Month Treasuries				0.1	0.2	0.3	1.9				

Performance rankings are as of 12/31/13 and rank manager's performance relative to peers. Provided by Morningstar; 1=Best, 100 =Worst.

Vanguard Fund Performance through December 31, 2013

Fund Name	Ticker	Net Assets		Annld	Annld	Annld	Annld	Rank	Rank	Rank	Rank
		\$MM	Exp Ratio	Return	Return	Return	Return	in Cat	in Cat	in Cat	in Cat
				1 Yr	3 Yr	5 Yr	10 Yr	1 Yr	3 Yr	5 Yr	10 Yr
Vanguard Total Bond Market Index Fund	VBTIX	\$110,884	0.07%	-2.1	3.2	4.4	4.6	67	67	83	42
Morningstar Intermediate-Term Bond Average			0.89%	-1.4	3.7	6.4	4.1				
Barclays Aggregate Index				-2.0	3.3	4.4	4.5				

Performance rankings are as of 12/31/13 and rank manager's performance relative to peers. Provided by Morningstar; 1=Best, 100=Worst.

Allianz and PIMCO Historical Fund Performance through December 31, 2013

Fund Name	Ticker	Net Assets		Annld	Annld	Annld	Annld	Rank	Rank	Rank	Rank
		\$MM	Exp Ratio	Return	Return	Return	Return	in Cat	in Cat	in Cat	in Cat
				1 Yr	3 Yr	5 Yr	10 Yr	1 Yr	3 Yr	5 Yr	10 Yr
Allianz Convertibles Fund	ANNPX	\$2,605	0.65%	25.6	11.2	18.1	9.9	7	1	21	1
Morningstar Convertibles Average			1.24%	21.6	8.5	16.5	6.6				
BofA ML All US Convertibles				24.9	10.8	18.8	7.1				
PIMCO Income Fund	PIMIX	\$30,743	0.44%	4.8	10.8	14.4	--	19	1	17	--
Morningstar Multisector Bond Average			1.12%	2.2	5.5	10.3	--				
Barclays Aggregate Index				-2.0	3.3	4.4	--				

Performance rankings are as of 12/31/13 and rank manager's performance relative to peers. Provided by Morningstar; 1=Best, 100=Worst.

