

# 2017 Investment Review – Long Term Pool

Prepared for



**HUMBOLDT AREA FOUNDATION**

MARCH 9, 2018



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## EXECUTIVE SUMMARY

This report reviews the Long Term Pool's portfolio structure and asset allocation policy, as well as expenses and performance. Our analysis also covers the five investment manager organizations that manage HAF's assets.

The Humboldt Area Foundation's (HAF's) Long Term Investment Pool ended 2017 with \$109.5 million in assets, increasing \$15.7 million from the end of 2016. Thanks to strong capital markets and good performance from its managers, HAF generated a return of 20.3%<sup>1</sup> during the year, ahead of its policy benchmark return of 18.2%. The median return for other community foundations in 2017 was 15.9%.<sup>2</sup>

## BACKGROUND

Angeles Investment Advisors is an independent investment advisor based in southern California that 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 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 Investment Committee and other 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 2017 are:

- **Asset Allocation:** A primary investment objective of the 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, 10% in absolute return (hedge funds), 15% in fixed income and 5% in real estate securities. All asset classes and individual funds were within their allowable ranges at the end of 2017.

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<sup>1</sup> All returns in this report are net of manager fees.

<sup>2</sup> Investment Performance and Asset Allocation Survey for Community Foundations, prepared by Colonial Consulting and Fiscal and Administrative Officers Group, 2017.

## 2017 INVESTMENT PERFORMANCE REVIEW – LONG TERM POOL

Angeles believes HAF's current investment 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 capital market activity, asset allocation policy, consideration of new asset classes, risk management and monitoring, and manager structure.

- **Performance Review:** The Total Fund returned 20.3% in 2017, outpacing the Policy Index's return of 18.2%. The Policy Index is a benchmark composed of passive asset class index returns weighted by HAF's long term asset allocation targets. Table 1 below provides a summary of recent and long term performance:

**Table 1**  
**Summary of HAF Long Term Investment Pool Performance – Periods Ending 12/31/17**

	% of Fund	Annualized					Since Fund Inception <sup>^</sup>	Inception Date
		1 Year	3 Year	5 Year	7 Year	10 Year		
<b>Total Fund</b>	<b>100.0%</b>	<b>20.3</b>	<b>8.6</b>	<b>9.7</b>	<b>7.9</b>	<b>5.2</b>	<b>6.7</b>	<b>12/31/2003</b>
Policy Index <sup>1</sup>		18.2	7.6	8.7	7.7	5.3	6.7	
CPI +4%		6.3	5.5	5.4	5.8	5.7	6.2	

	% of Fund	Calendar Years													
		2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Total Fund</b>	<b>100.0%</b>	<b>20.3</b>	<b>7.0</b>	<b>-0.5</b>	<b>4.8</b>	<b>18.1</b>	<b>13.7</b>	<b>-5.2</b>	<b>13.7</b>	<b>28.9</b>	<b>-33.9</b>	<b>5.7</b>	<b>15.4</b>	<b>9.0</b>	<b>13.2</b>
Policy Index <sup>1</sup>		18.2	7.0	-1.4	5.1	15.7	14.4	-2.8	13.8	29.1	-32.3	6.6	15.5	7.1	12.3
CPI +4%		6.3	5.8	4.5	5.3	5.3	5.9	7.6	5.1	6.0	5.1	8.5	6.0	7.5	7.8

<sup>1</sup> Effective August 1, 2015, the Policy Benchmark = 70% MSCI ACWIMI, 15% Bloomberg Barclays Aggregate, 10% HFRI Fund of Funds Composite Index, and 5% S&P Global REIT Index.

From January 1, 2014 to July 31, 2015, the Policy Benchmark = 70% MSCI ACWIMI, 20% Bloomberg Barclays Aggregate, 5% HFRI Fund of Funds Composite Index, and 5% S&P Global REIT Index.

From April 1, 2013 to December 31, 2013, the Policy Benchmark = 70% MSCI ACWIMI, 25% Bloomberg Barclays Aggregate, and 5% S&P Global REIT Index.

From August 1, 2012 to April 1, 2013, the Policy Index = 70% MSCI All Country World Investable Market Index, 25% Bloomberg 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% Bloomberg 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% Bloomberg 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% Bloomberg Barclays Capital Universal Index (formerly Lehman Brothers Universal Index), and 5% DJ Wilshire REIT Index.

<sup>^</sup>Returns are annualized for periods greater than a year.

- **Peer Performance Comparison:** HAF outperformed the median return of community foundations of similar size (\$100-250 mm), which returned 16.1% in 2017. HAF has also outperformed in the trailing 3, 5 and 10 year periods.
- **Investment Manager Review:** We continue to have confidence in the investment managers HAF has selected with the assistance of Angeles: Capital Group/American Funds, Dimensional Fund Advisors (DFA), Vanguard, PIMCO, Baird and Dodge & Cox.
  - **American Funds** (26% of total HAF assets) is a well-resourced mutual fund family with a multi-portfolio manager investment process and an impressive, long-term track record as an

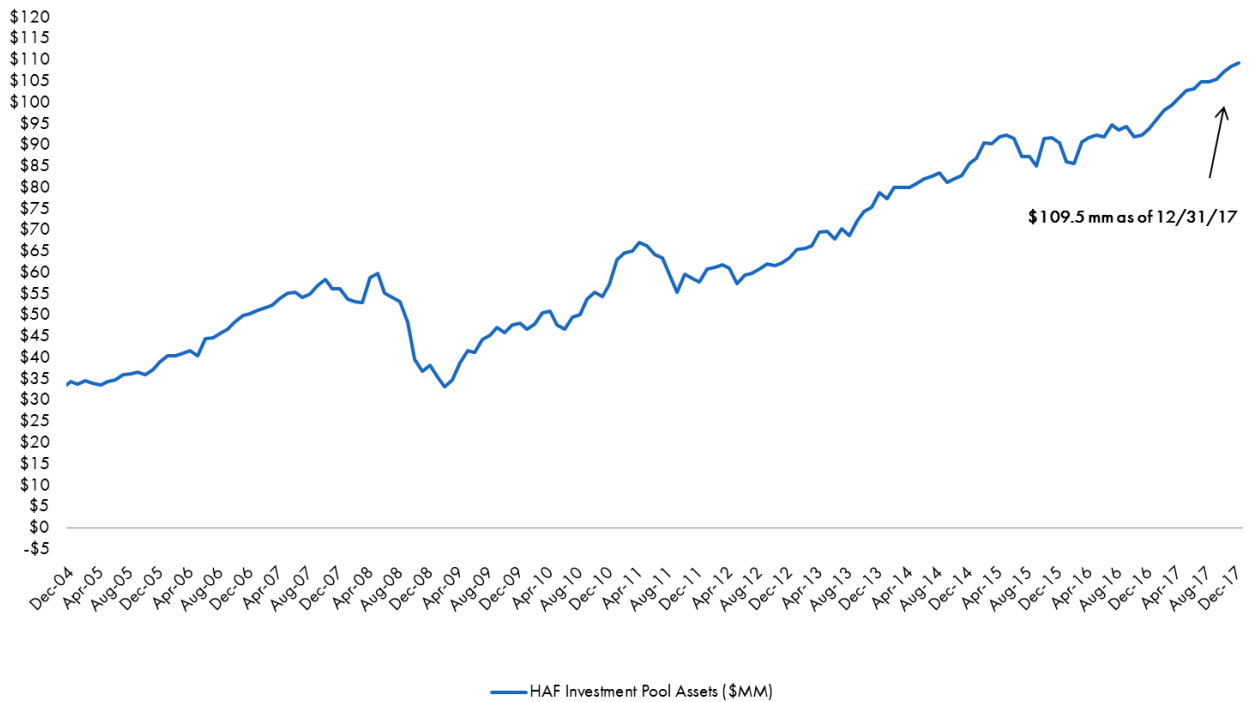
active equity manager. The firm remains employee-owned, and has slowed the outflow of assets moving toward passive management

- **DFA** (35% of total assets) 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.
- **Vanguard** (14% of total assets) ended 2017 with over \$4.9 trillion in assets due to both continued high demand for the firm's low cost passive funds and to market appreciation.
- **PIMCO** (5% of total assets) Income Fund has grown to the largest bond mutual fund in the US. It continues to deliver excellent returns for its investors by investing in niche sectors that its large scale and global presence affords, including non-agency mortgages and emerging markets debt.
- **Baird** (5% of total assets) strategy is managed by a very experienced and stable team led by CIO Mary Ellen Stanek; senior members of team average over 30 years of fixed income experience. The team employs fundamental credit research to identify attractively priced securities to construct a well-diversified fixed income portfolio across US dollar-denominated fixed income sectors, with the flexibility to allocation up to 20% of the portfolio in below investment-grade securities.
- **Dodge & Cox** (3% of total assets) was added to HAF's holdings in 2016, providing core fixed income exposure. The strategy is well-resourced with a stable investment team led by an eight-member investment committee chaired by Dana Emery, with an average tenure at Dodge & Cox of 20 years.
- **Cost Review:** HAF's portfolio consists primarily of mutual funds from low cost mutual fund families. All HAF's mutual fund holdings have fees below that of the respective peer group medians. Four of the nine mutual funds held in HAF's Long Term Pool reported fees in the bottom 5<sup>th</sup> (least expensive) percentile of all mutual funds in their respective peer groups. HAF's overall investment management fees for the Long Term Investment Pool are 0.52% of assets (52 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 \$109.5 million as of December 31, 2017, up from \$93.8 million on December 31, 2016. Assets increased during 2017 primarily due to capital appreciation. HAF reports that the Long Term Investment Pool had inflows of \$2.4 million and withdrawals of \$5.6 million during the year, resulting in net outflows of approximately \$3.2 million.

Figure 1 –  
HAF Long Term Investment Pool Assets – Through December 31, 2017



The Foundation's current investment policy is oriented to **growth/capital appreciation**, and targets the following allocations in the Long Term Pool:

- 70% in global public equity
- 10% in absolute return (hedge funds)
- 15% in fixed income
- 5% in real estate securities

As of December 31, 2017, all asset classes remained within the allowable ranges established in HAF's Investment Policy Statement and in line with the long term targets for all major asset classes. HAF rebalances its assets on a regular basis, resulting in very little variance in allocations versus policy targets.

**Table 3\***  
**Asset Allocation and Portfolio Holdings as of December 31, 2017**

	Market Value	% of Total Assets		Variance from Target	Allowable Range
		Actual	Target		
<b>Global Equity</b>					
AF EuroPacific Growth Fund	\$21,060,230	19.2%	18.9%	0.3%	
DFA Emerging Mkts Core Fund	\$2,363,364	2.2%	2.1%	0.1%	
DFA Global Equities	\$30,638,718	28.0%	28.0%	0.0%	
Vanguard Institutional Index	\$15,099,087	13.8%	14.0%	-0.2%	
AF New Perspective	\$7,835,329	7.2%	7.0%	0.2%	
<b>Total Global Equity</b>	<b>\$76,996,728</b>	<b>70.4%</b>	<b>70.0%</b>	<b>0.4%</b>	<b>55-85%</b>
<b>Absolute Return</b>					
Angeles Absolute Return Fund	\$10,389,870	9.5%	10.0%	-0.5%	
<b>Total Absolute Return</b>	<b>\$10,389,870</b>	<b>9.5%</b>	<b>10.0%</b>	<b>-0.5%</b>	<b>0-15%</b>
<b>Fixed Income</b>					
Baird Core Plus Bond Fund	\$5,719,975	5.2%	5.6%	-0.4%	
PIMCO Income Fund	\$5,679,487	5.2%	5.6%	-0.4%	
Dodge & Cox Income Fund	\$3,193,009	2.9%	2.8%	0.1%	
Community Loans	\$1,814,084	1.7%	1.0%	0.7%	
<b>Total Fixed Income</b>	<b>\$16,406,555</b>	<b>15.0%</b>	<b>15.0%</b>	<b>0.0%</b>	<b>10-25%</b>
<b>Real Estate Securities</b>					
DFA Global Real Estate Securities	\$5,609,614	5.1%	5.0%	0.1%	
<b>Total Real Estate</b>	<b>\$5,609,614</b>	<b>5.1%</b>	<b>5.0%</b>	<b>0.1%</b>	<b>0-7%</b>
<b>Cash</b>					
TDA - Cash Sweep Account	-\$135,371	-0.1%	0.0%	-0.1%	
TD Bank USA MMDA - Cash Reserve	\$193,133	0.2%	0.0%	0.2%	
<b>Total Cash</b>	<b>\$57,762</b>	<b>0.1%</b>	<b>0.0%</b>	<b>0.1%</b>	<b>0-1%</b>
<b>Total Fund</b>	<b>\$109,460,529</b>	<b>100%</b>	<b>100%</b>		
<b>Total American Funds</b>	<b>\$28,895,559</b>	<b>26.4%</b>	<b>25.9%</b>	<b>0.5%</b>	
<b>Total DFA Funds</b>	<b>\$38,611,696</b>	<b>35.3%</b>	<b>35.1%</b>	<b>0.1%</b>	
<b>Total Vanguard Funds</b>	<b>\$15,099,087</b>	<b>13.8%</b>	<b>14.0%</b>	<b>-0.2%</b>	
<b>Total PIMCO Funds</b>	<b>\$5,679,487</b>	<b>5.2%</b>	<b>5.6%</b>	<b>-0.4%</b>	
<b>Total Angeles Fund</b>	<b>\$10,389,870</b>	<b>9.5%</b>	<b>10.0%</b>	<b>-0.5%</b>	
<b>Total Baird Funds</b>	<b>\$5,719,975</b>	<b>5.2%</b>	<b>5.6%</b>	<b>-0.4%</b>	
<b>Total Dodge &amp; Cox Funds</b>	<b>\$3,193,009</b>	<b>2.9%</b>	<b>2.8%</b>	<b>0.1%</b>	
<b>Community Loans</b>	<b>\$1,814,084</b>	<b>1.7%</b>	<b>1.0%</b>	<b>0.7%</b>	

\*Unless otherwise noted, all HAF market value data in this report was provided to Angeles by Premier Financial Group. Except for the Angeles Absolute Return fund which is updated with the December 2017 statement value. Targets indicated for fund families are the sum of targets for individual funds, not targets for a fund family per se.

**Asset Allocation Policy:**

HAF's asset allocation is reviewed regularly by the HAF Investment Committee with assistance and recommendations from Angeles Investment Advisors. The Committee's last major review was in July 2017. In that meeting, the Investment Committee reviewed portfolio performance and discussed the possibility of adding private equity to the portfolio. HAF decided not to add private equity at this time.

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 2018. Our assumptions are net of management fees and transactions costs, but do not include any excess returns from manager outperformance.

Relative to Angeles' 2017 capital market assumptions, in 2018 we have slightly reduced expected long term returns for global equities from 6.5% to 6.4% because of lower emerging markets inflation expectations and increased anticipated valuation compression in the US. The global real GDP growth expectation is unchanged at 2.1% as we continue to observe slowing labor productivity and population growth, and high levels of debt in non-US developed nations. We also expect that global growth will continue to remain below the long-term average since 1960 of 3.5%. Expected returns for core fixed income were unchanged from last year's level, as yields were relatively unchanged during 2017. Angeles' long-term US inflation assumption remains 2.25% as we believe it is likely the US Federal Reserve will exceed its stated longer run target of 2% inflation. Additionally, we modestly reduced the expected return for global public real estate securities (REITs) from 5.25% to 5.0%. All other return and risk assumptions remain unchanged.

The following table summarizes Angeles' expected returns and risk for HAF's major asset classes.

**Table 4**  
**Angeles' Projected Long Term (>10 years)**  
**Asset Class Return and Risk<sup>3</sup> Assumptions as of January 2018**  
**(Net of Fees and Transactions Costs)**

	Expected Return	Expected Risk
Global Equity	6.4%	17.0%
Absolute Return	5.5%	8.0%
Global Real Estate Securities	5.0%	19.0%
Fixed Income	2.75%	5.0%
<i>Inflation</i>	2.25%	

<sup>3</sup> Risk is measured by standard deviation or volatility of returns.



A primary long term goal of HAF's investment policy is to preserve the inflation-adjusted purchasing power of its assets after spending and inflation. In recognition of the possibility of lower prospective returns, HAF has sought to contain spending to 4.0% of assets annually. The asset value for this rule is based on the average value over the trailing 16 quarters.

Angeles' return expectations for HAF's Total Fund, including manager excess returns relative to benchmarks, are illustrated in the table below (Table 5). 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 5.7% not considering any excess returns, and 6.4% with excess manager returns. **With spending of 4% of assets on grants, plus 2.25% inflation, the Long Term Pool's expected returns based on its current asset allocation policy would allow HAF to maintain the purchasing power of its assets over the long term (more than 10 years).** In addition to withdrawals that are for spending for grantmaking, HAF charges investors an administrative cost recovery fee of 1.75%-2.0%.

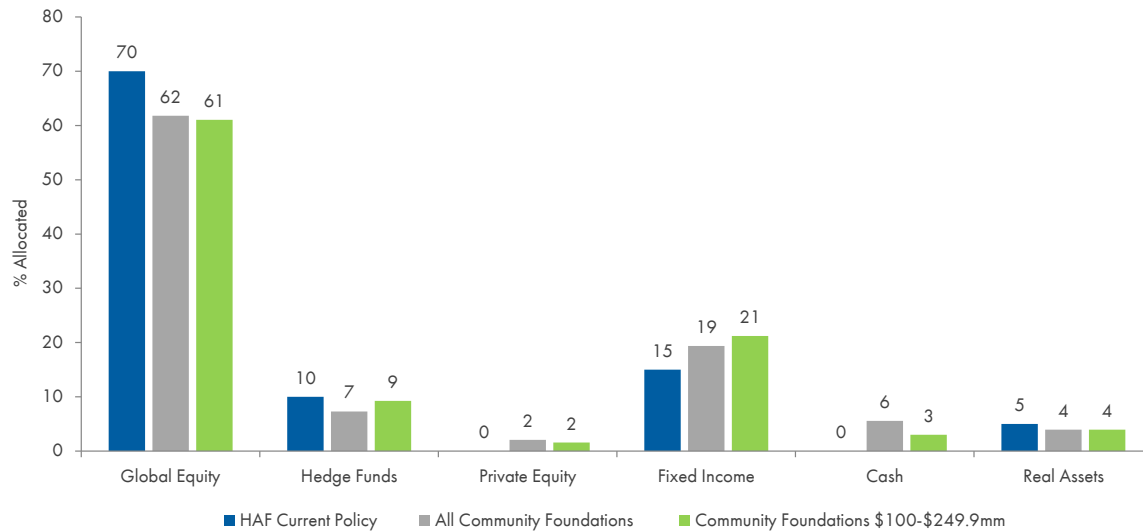
**Table 5**  
**Asset Allocation for the HAF Long Term Investment Pools<sup>4</sup>**

	Long Term Pool
Global Equity	70%
Absolute Return	10%
Global REITs	5%
Fixed Income	15%
<b>Expected Return</b>	<b>5.7%</b>
<i>Expected Excess Return</i>	0.75%
<b>Expected Return incl. Mgr Excess Retu</b>	<b>6.4%</b>
<b>Expected Risk</b>	<b>13.4%</b>
<b>Sharpe Ratio</b>	<b>0.28</b>
Probability of a Loss <sup>1</sup> :	
1-Year	31%
5-Year	16%
10-Year	9%
<i>2 Standard Deviation Event</i>	
<i>Very Bad Scenario<sup>2</sup></i>	-23%
<sup>1</sup> Based on return assumptions without manager excess returns.	
<sup>2</sup> Very Bad Scenario assumes that correlations across asset classes go to 1 and each class experiences a two standard deviation negative event.	

<sup>4</sup> 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 0.75%, absolute return's expected excess return is 1.5%, 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).

In comparison to similarly sized Community Foundation peers (\$100-\$250mm), HAF's Long Term investment policy allocations are overweight global equity, underweight fixed income and private equity, and in line with peer allocations to hedge funds and real assets. This comparison can be seen in **Figure 2** below.

**Figure 2**  
**HAF Asset Allocation vs. Community Foundation Peers<sup>5</sup>**



### Expenses:

Fees charged by the Humboldt Area Foundation's investment mutual fund managers were all well below the median for mutual funds in each of their respective peer groups, as demonstrated in Figure 3 below. Four of the nine funds held by HAF's Long Term Pool reported fees in the bottom 5th (least expensive) percentile of all fees for managers in their respective peer groups. Vanguard's S&P Index fund (the Vanguard Institutional Index) had the lowest fee among all HAF managers with an expense ratio of 4 basis points (bps) (0.04%).

DFA fund expense ratios remained low for 2017, ranging from 24 bps (DFA Global Real Estate Securities) to 55 bps (DFA Emerging Markets Core Equity). American Funds had relatively higher expense ratios from the rest of the portfolio with 85 bps (EuroPacific Growth Fund) and 75 bps (New Perspective Fund). However, both are still below the peer median.

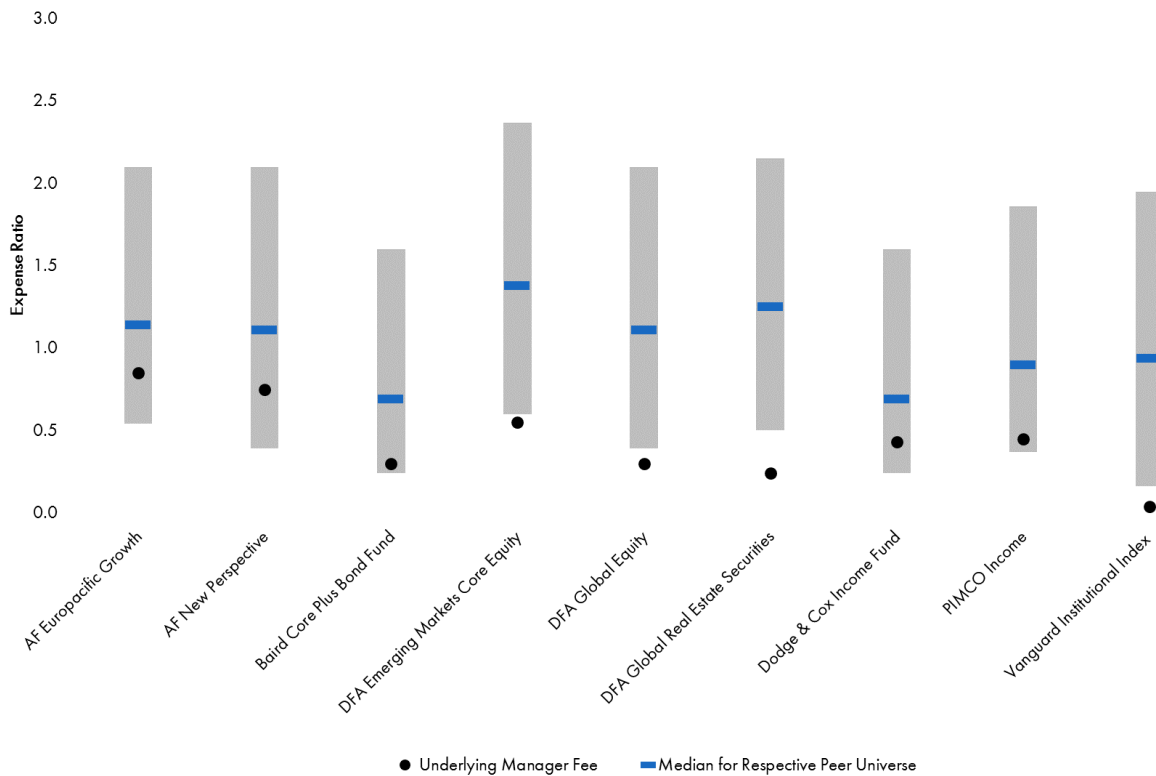
As would be expected from an alternative asset portfolio of hedge funds, the Angeles Absolute Return Fund had the highest management fee of 141 bps. In addition, the underlying hedge fund managers in the Angeles Absolute Return Fund may earn additional fees through variable fees based on performance, and variable administrative fees are charged to the fund for legal, accounting, and other services from third parties. There is no additional advisory fee charged by Angeles to consulting clients such as HAF for investing in the Angeles Absolute Return Fund.

<sup>5</sup> Source: Colonial Consulting, LLC and Fiscal and Administrative Officers Group (FAOG) Community Foundation Survey for the 4<sup>th</sup> quarter of 2017. "All Community Foundations" includes 34 participants and "Community Foundations \$100-\$249.9mm" includes 10 participants. Cash also includes "other" and Real Assets includes by Real Estate and Real Assets.

Based on the approved target asset allocation and fund fees as of December 31, 2017, the weighted fee for investment management services for the Foundation was 52 basis points (0.52%) per annum for the Long Term Investment Pool. Manager fees are netted from the performance of the funds in which HAF invests, and not paid out-of-pocket by the Foundation.

Premier Financial Group earns a fee from HAF for custody of all funds held (except American Funds, Hedge Funds, and Local Investing funds) and performance measurement, which amounts to an administrative charge to the fund of 20 basis points (0.2%) on covered assets or 12 basis points on average total fund assets in 2017. The Foundation also pays a consulting fee to Angeles Investment Advisors which in 2017 was 9.5 basis points (0.095% of total assets).

**Figure 3**  
**Mutual Fund Manager Fee Rankings: HAF Managers versus Mutual Fund Peer Universes**



Source: Morningstar Direct as of December 2017. 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.

## TOTAL FUND PERFORMANCE REVIEW

All major asset classes delivered positive returns in 2017. The market environment was characterized by strong and accelerating global economic growth. Global equity markets led all major asset classes with a 24.0% return. All global sectors were positive and were led by information technology, which advanced 41.0% (as measured by the MSCI ACWI IMI Index) outpacing the second best performer, materials, which gained 29.3%. From a regional perspective, Emerging Markets performed best, returning 36.8% in dollar terms, with outperformance in China, South Korea, India, Poland, Chile, and South Africa. Developed markets excluding the US generally outperformed US equities, in part due to a strong dollar. The broad US equity market was characterized by unusually low volatility and saw a reversal in leadership from value to growth during the year; large capitalization stocks were particularly strong.

US bond markets as measured by the Bloomberg Barclays US Aggregate Index returned 3.5% in 2017. All sectors posted positive total returns during the year and were led by Emerging Markets debt and 10+ year US Treasuries which were up 10% and 8.2%, respectively. The yield curve flattened during the year as interest rates increased in shorter maturity bonds and decreased in longer maturity bonds.

Global public real estate securities returned 11.4% in 2017. Non-US real estate investment trusts (REITs) posted the strongest returns and noticeably outpacing their US counterparts. From a regional perspective, Italy and Singapore led the market returning 67.1% and 43.0% (as measured by the FTSE EPRA/NAREIT Developed Index), respectively. Within the US, Industrials were the strongest performing sector with a 23.3% return, while Retail lagged with a -4.8% return.

Hedge funds, as measured by the HFRI Fund of Funds Composite Index, returned 7.9% for the year.

**In this environment, the Humboldt Area Foundation's Long Term Investment Pool returned 20.3% in 2017, outpacing the Policy Index's return of 18.2%.** The Policy Index is composed of index returns weighted by HAF asset allocation targets. Global equity was the best performing asset class on an absolute basis in 2017, returning 25.5%. The fixed income composite returned 6.1%, exceeding the benchmark Bloomberg Barclays US Aggregate Index by approximately 260 basis points. Real estate securities returned 9.2% and outperformed the S&P Global REIT Index by 180 basis points. Absolute return was the best performing asset class on a relative basis, returning 13.4% versus 7.7% for the HFRI Fund of Funds Composite Index.

**HAF outperformed the 15.9% median return of community foundations in 2017 and has outperformed peers over longer annualized periods.** The foundation also outperformed versus its similarly-sized peer community foundations (\$100-249.9 million in assets), which posted a median return of 16.1% in 2017. The survey covers 85 community foundations (excluding HAF); for foundations with assets between \$100-249.9 million, 21 institutions are covered.

Over the trailing three years (annualized), HAF outperformed the median peer community foundation. The median peer over this three-year period returned 7.2%, versus 8.6% for HAF. The median similarly sized peer (\$100-249.9 million) returned 6.9% during this period. HAF also outperformed the median community foundation over the trailing 5- and 7-years.

## 2017 INVESTMENT PERFORMANCE REVIEW – LONG TERM POOL

Effective August 1, 2015, 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)
- 15% Bloomberg Barclays Aggregate Bond Index (US fixed income)
- 5% S&P Global REIT Index (global real estate securities)
- 10% HFRI Fund of Funds Composite Index (absolute return)

2017 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, 2017 (Annualized, Net of Fees)**

	% of Fund	Annualized					Since Fund Inception <sup>^</sup>	Inception Date
		1 Year	3 Year	5 Year	7 Year	10 Year		
<b>Total Fund</b>	<b>100.0%</b>	<b>20.3</b>	<b>8.6</b>	<b>9.7</b>	<b>7.9</b>	<b>5.2</b>	<b>6.7</b>	<b>12/31/2003</b>
Policy Index <sup>1</sup>		18.2	7.6	8.7	7.7	5.3	6.7	
CPI +4%		6.3	5.5	5.4	5.8	5.7	6.2	
<b>Global Equity<sup>2</sup></b>	<b>70.4%</b>	<b>25.5</b>	<b>10.2</b>	<b>11.8</b>	<b>9.4</b>	<b>5.9</b>	<b>8.0</b>	<b>12/31/2003</b>
Global Equity Blended Index <sup>3</sup>		24.0	9.5	11.0	9.0	5.2	7.2	
<b>Fixed Income</b>	<b>15.0%</b>	<b>6.1</b>	<b>4.4</b>	<b>4.0</b>	<b>4.6</b>	<b>3.4</b>	<b>3.8</b>	<b>12/31/2003</b>
Fixed Income Blended Index <sup>4</sup>		3.1	2.2	2.1	3.3	4.1	4.3	
<b>Real Estate Securities</b>	<b>5.1%</b>	<b>9.2</b>	<b>5.4</b>	<b>7.9</b>	<b>9.0</b>	<b>5.9</b>	<b>7.9</b>	<b>12/31/2003</b>
Real Estate Securities Index <sup>5</sup>		7.4	4.2	6.9	8.1	5.4	7.9	
<b>Absolute Return</b>	<b>9.4%</b>	<b>13.4</b>	<b>5.1</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>5.3</b>	<b>12/31/2013</b>
HFRI Fund of Funds Index		7.6	2.5	--	--	--	2.8	
<b>Total Cash</b>	<b>0.1%</b>	<b>0.5</b>	<b>0.2</b>	<b>0.1</b>	<b>0.1</b>	<b>0.3</b>	<b>1.2</b>	<b>12/31/2003</b>
90-day T-Bills		0.8	0.4	0.2	0.2	0.3	1.2	

**Table 6 (Continued)**  
**Calendar Year Returns**

	% of Fund	Calendar Years													
		2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Total Fund</b>	<b>100.0%</b>	<b>20.3</b>	<b>7.0</b>	<b>-0.5</b>	<b>4.8</b>	<b>18.1</b>	<b>13.7</b>	<b>-5.2</b>	<b>13.7</b>	<b>28.9</b>	<b>-33.9</b>	<b>5.7</b>	<b>15.4</b>	<b>9.0</b>	<b>13.2</b>
Policy Index <sup>1</sup>		18.2	7.0	-1.4	5.1	15.7	14.4	-2.8	13.8	29.1	-32.3	6.6	15.5	7.1	12.3
CPI +4%		6.3	5.8	4.5	5.3	5.3	5.9	7.6	5.1	6.0	5.1	8.5	6.0	7.5	7.8
<b>Global Equity<sup>2</sup></b>	<b>70.4%</b>	<b>25.5</b>	<b>8.0</b>	<b>-1.2</b>	<b>3.6</b>	<b>25.9</b>	<b>17.7</b>	<b>-8.9</b>	<b>15.5</b>	<b>36.6</b>	<b>-40.2</b>	<b>9.0</b>	<b>17.2</b>	<b>13.0</b>	<b>15.8</b>
Global Equity Blended Index <sup>3</sup>		24.0	8.4	-2.2	3.8	23.6	16.8	-6.9	14.9	35.9	-41.7	8.4	18.4	8.5	14.0
<b>Fixed Income</b>	<b>15.0%</b>	<b>6.1</b>	<b>5.3</b>	<b>1.8</b>	<b>5.7</b>	<b>1.3</b>	<b>4.6</b>	<b>7.3</b>	<b>7.5</b>	<b>11.2</b>	<b>-14.2</b>	<b>3.2</b>	<b>6.8</b>	<b>2.2</b>	<b>6.5</b>
Fixed Income Blended Index <sup>4</sup>		3.1	2.9	0.5	6.0	-1.8	5.5	7.4	7.2	8.6	2.4	6.5	5.0	2.7	5.0
<b>Real Estate Securities</b>	<b>5.1%</b>	<b>9.2</b>	<b>6.6</b>	<b>0.7</b>	<b>22.7</b>	<b>1.8</b>	<b>23.5</b>	<b>0.8</b>	<b>23.7</b>	<b>32.2</b>	<b>-40.5</b>	<b>-18.7</b>	<b>35.3</b>	<b>13.2</b>	<b>32.1</b>
Real Estate Securities Index <sup>5</sup>		7.4	5.8	-0.4	21.5	1.7	23.2	0.1	22.7	34.4	-40.6	-17.9	35.9	14.1	34.8
<b>Absolute Return</b>	<b>9.4%</b>	<b>13.4</b>	<b>2.0</b>	<b>0.2</b>	<b>5.4</b>	--	--	--	--	--	--	--	--	--	--
HFRI Fund of Funds Index		7.6	0.5	-0.3	3.4	--	--	--	--	--	--	--	--	--	--
<b>Total Cash</b>	<b>0.1%</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>2.0</b>	<b>4.8</b>	<b>4.8</b>	<b>3.0</b>	<b>1.2</b>
90-day T-Bills		0.0	0.3	0.0	0.0	0.0	0.1	0.1	0.1	0.2	1.8	4.7	4.8	3.0	1.2

<sup>1</sup> Effective August 1, 2015, the Policy Benchmark = 70% MSCI ACWIMI, 15% Bloomberg Barclays Aggregate, 10% HFRI Fund of Funds Composite Index, and 5% S&P Global REIT Index.

From January 1, 2014 to July 31, 2015, the Policy Benchmark = 70% MSCI ACWIMI, 20% Bloomberg Barclays Aggregate, 5% HFRI Fund of Funds Composite Index, and 5% S&P Global REIT Index.

From April 1, 2013 to December 31, 2013, the Policy Index = 70% MSCI All Country World Investable Market Index, 25% Bloomberg 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% Bloomberg 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% Bloomberg 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% Bloomberg 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% Bloomberg Barclays Capital Universal Index (formerly Lehman Brothers Universal Index), and 5% DJ Wilshire REIT Index.

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

<sup>3</sup> 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.

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

<sup>5</sup> 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.

## INVESTMENT MANAGER OVERVIEW

All six of the investment management firms used by HAF — American Funds (Capital Group), Dimensional Fund Advisors (DFA), Vanguard, PIMCO, Baird and Dodge & Cox — are solid, stable and highly-regarded organizations.

Capital Group, Dodge & Cox, DFA, Vanguard and Baird reached new peaks in assets under management during 2017. Assets under management at PIMCO increased during 2017 but remain under the peak of \$2.0 trillion reached in 2012. None of HAF’s funds experienced significant personnel or organizational changes, although Eduardo Repetto did resign as Chief Investment Officer of DFA in September 2017. With DFA’s deep bench of talent and intellectual capital, as well as its quasi-passive style, Angeles believes this change will not affect DFA’s ability to successfully execute its investment process.

## GLOBAL EQUITY REVIEW

HAF’s \$76.9 million global equity portfolio is invested in five mutual funds, and is well diversified across investment styles, geography, and market capitalization. The Foundation’s total global equity composite returned 25.5% during 2017, compared to 24.0% for the global equity benchmark. A significant portion of HAF’s public equities (63%) are passively or quasi-passively managed.

**Table 7** displays the global equity portfolio’s composition at the end of December 2017 versus HAF’s global equity policy targets. At year-end, HAF was in line with all the targets for each segment.

**Table 7**  
**Global Equity Allocation (\$77.0 million) – Percent of Total Assets**

	Market Value	% of Total Assets		Variance from Target	Allowable Range
		Actual	Target		
<b>Global Equity</b>					
AF EuroPacific Growth Fund	\$21,060,230	19.2%	18.9%	0.3%	
DFA Emerging Mkts Core Fund	\$2,363,364	2.2%	2.1%	0.1%	
DFA Global Equities	\$30,638,718	28.0%	28.0%	0.0%	
Vanguard Institutional Index	\$15,099,087	13.8%	14.0%	-0.2%	
AF New Perspective	\$7,835,329	7.2%	7.0%	0.2%	
<b>Total Global Equity</b>	<b>\$76,996,728</b>	<b>70.4%</b>	<b>70.0%</b>	<b>0.4%</b>	<b>55-85%</b>

The American Funds EuroPacific Growth Fund and New Perspective Fund returned 30.7% and 28.9%, respectively. The Dimensional funds were also positive: the DFA Emerging Markets Core Equity Fund returned 36.6% and its Global Equity Fund returned 22.2%. The Vanguard Institutional Index Fund returned 21.8%, approximating its S&P 500 Index.

American Funds EuroPacific Growth was an important contributor to returns, generating 3.5% of excess return over the MSCI All Country World Index ex-USA. Within this fund, information technology holdings had the most significant positive impact on returns. American Funds New Perspective was also a strong performer, returning 28.9% and exceeding the MSCI All Country World Index by 4.9%. Performance was driven by

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positive security selection within the consumer discretionary sector, in addition to broader security selection within the US.

The DFA Emerging Markets Core Fund was the lowest performer on a relative basis, trailing the benchmark MSCI Emerging Markets Index by 0.7%. At the sector level, the fund's lower allocation to information technology detracted from relative performance, as information technology was the strongest-performing sector for the year. At the country level, the fund's lower allocation to China also detracted, as China was among the strongest-performing countries in the Index. The DFA Global Equities Fund also lagged the benchmark, trailing the MSCI World Index by 0.2% over the year. At the sector level, the fund's stock selection within information technology detracted from relative performance. At the country level, the fund's greater allocation to the US detracted, as the US underperformed both developed ex-US and emerging markets for the year.

**Table 8**  
**Global Equity Performance as of December 31, 2017**  
**(Annualized, Net of Fees)**

	% of Fund	Annualized					Since Fund Inception <sup>^</sup>	Inception Date
		1 Year	3 Year	5 Year	7 Year	10 Year		
<b>Global Equity<sup>2</sup></b>	<b>70.4%</b>	<b>25.5</b>	<b>10.2</b>	<b>11.8</b>	<b>9.4</b>	<b>5.9</b>	<b>8.0</b>	<b>12/31/2003</b>
<i>Global Equity Blended Index<sup>3</sup></i>		24.0	9.5	11.0	9.0	5.2	7.2	
DFA Emerging Markets Core Fund*	<b>2.2%</b>	<b>36.6</b>	<b>9.3</b>	<b>4.7</b>	<b>2.7</b>	<b>3.0</b>	<b>10.5</b>	<b>12/31/2003</b>
<i>MSCI Emerging Mkts</i>		37.3	9.1	4.3	2.6	1.7	9.7	
DFA Global Equities	<b>28.0%</b>	<b>22.2</b>	<b>10.3</b>	<b>12.6</b>	<b>10.3</b>	<b>6.7</b>	<b>13.7</b>	<b>7/31/2012</b>
<i>MSCI World</i>		22.4	9.3	11.6	9.6	5.0	12.3	
AF EuroPacific Growth Fund	<b>19.3%</b>	<b>30.7</b>	<b>9.3</b>	<b>8.8</b>	<b>6.7</b>	<b>3.6</b>	<b>8.0</b>	<b>1/31/2004</b>
<i>MSCI ACWI ex-US Index</i>		27.2	7.8	6.8	4.9	1.8	6.7	
Vanguard Institutional Index	<b>13.8%</b>	<b>21.8</b>	<b>11.4</b>	<b>15.8</b>	<b>13.7</b>	<b>8.5</b>	<b>12.3</b>	<b>3/31/2014</b>
<i>S&amp;P 500 Index</i>		21.8	11.4	15.8	13.8	8.5	12.3	
AF New Perspective	<b>7.2%</b>	<b>28.9</b>	<b>11.4</b>	<b>12.6</b>	<b>10.6</b>	<b>6.9</b>	<b>10.9</b>	<b>7/31/2015</b>
<i>MSCI ACWI Index</i>		24.0	9.3	10.8	8.7	4.7	8.2	

	% of Fund	Calendar Years													
		2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Global Equity<sup>2</sup></b>	<b>70.4%</b>	<b>25.5</b>	<b>8.0</b>	<b>-1.2</b>	<b>3.6</b>	<b>25.9</b>	<b>17.7</b>	<b>-8.9</b>	<b>15.5</b>	<b>36.6</b>	<b>-40.2</b>	<b>9.0</b>	<b>17.2</b>	<b>13.0</b>	<b>15.8</b>
<i>Global Equity Blended Index<sup>3</sup></i>		24.0	8.4	-2.2	3.8	23.6	16.8	-6.9	14.9	35.9	-41.7	8.4	18.4	8.5	14.0
DFA Emerging Markets Core Fund*	<b>2.2%</b>	<b>36.6</b>	<b>12.4</b>	<b>-14.9</b>	<b>-0.9</b>	<b>-2.6</b>	<b>20.5</b>	<b>-20.6</b>	<b>23.6</b>	<b>83.6</b>	<b>-50.7</b>	<b>37.5</b>	<b>30.9</b>	<b>29.9</b>	<b>29.9</b>
<i>MSCI Emerging Mkts</i>		37.3	11.2	-14.9	-2.2	-2.6	18.2	-18.4	18.9	78.5	-53.3	39.4	32.1	34.0	25.6
DFA Global Equities	<b>28.0%</b>	<b>22.2</b>	<b>12.9</b>	<b>-2.7</b>	<b>4.6</b>	<b>29.1</b>	<b>18.2</b>	<b>-7.4</b>	<b>19.4</b>	<b>34.5</b>	<b>-40.0</b>	<b>4.4</b>	<b>20.5</b>	<b>11.0</b>	<b>19.0</b>
<i>MSCI World</i>		22.4	7.5	-0.9	4.9	26.7	15.8	-5.5	11.8	30.0	-40.7	9.0	20.1	9.5	14.7
AF EuroPacific Growth Fund	<b>19.2%</b>	<b>30.7</b>	<b>0.7</b>	<b>-0.8</b>	<b>-2.6</b>	<b>20.2</b>	<b>19.2</b>	<b>-13.6</b>	<b>9.4</b>	<b>39.1</b>	<b>-40.5</b>	<b>19.0</b>	<b>21.9</b>	<b>21.1</b>	<b>19.7</b>
<i>MSCI ACWI ex-US Index</i>		27.2	4.5	-5.7	-3.9	15.3	16.8	-13.7	11.2	41.4	-45.5	16.7	26.7	16.6	20.9
Vanguard Institutional Index	<b>13.8%</b>	<b>21.8</b>	<b>11.9</b>	<b>1.4</b>	<b>13.7</b>	<b>32.3</b>	<b>16.0</b>	<b>2.1</b>	<b>15.0</b>	<b>26.6</b>	<b>-37.0</b>	<b>5.5</b>	<b>15.8</b>	<b>4.9</b>	<b>10.9</b>
<i>S&amp;P 500 Index</i>		21.8	12.0	1.4	13.7	32.4	16.0	2.1	15.1	26.5	-37.0	5.5	15.8	4.9	10.9
AF New Perspective	<b>7.2%</b>	<b>28.9</b>	<b>1.9</b>	<b>5.3</b>	<b>3.2</b>	<b>26.8</b>	<b>20.8</b>	<b>-7.6</b>	<b>12.8</b>	<b>37.4</b>	<b>-37.8</b>	<b>16.0</b>	<b>19.9</b>	<b>11.3</b>	<b>14.3</b>
<i>MSCI ACWI Index</i>		24.0	7.9	-2.4	4.2	22.8	16.1	-7.3	12.7	34.6	-42.2	11.7	21.0	10.8	15.2

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

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

<sup>3</sup> 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



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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).

## American Funds – EuroPacific Growth Fund (International Equity)

**Overview:** The EuroPacific Growth Fund provides core international equity exposure by investing in non-US companies of all sizes and wide geographies, including emerging markets. Typically, at least 80% of assets are invested in companies domiciled in Europe and the Pacific Basin. Proprietary research is core of the process and the starting point for investment ideas. Analysts focus on fundamentals and place emphasis on the insights gained from on-the-ground, in-person research. The portfolio is well diversified across regions and sectors, with approximately 270 securities (as of December 31, 2017).

The composition of the portfolio management team was unchanged in 2017, with Mark Denning and Carl Kawaja acting as co-Principal Investment Officers. Principal Investment Officers are accountable for the overall objectives of the fund, guide risk management, and work with a coordinating group to select and monitor the lineup of portfolio managers. The nine portfolio managers average over 24 years with Capital Group.

As of December 31, 2017, the fund had \$162 billion in assets under management, up from \$120 billion the prior year. 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:** For full year 2017, EuroPacific Growth returned 30.7% net of fees versus 27.2% for the MSCI ACWI ex-US Index. Security selection among companies domiciled in emerging markets was the primary driver of the fund's strong relative returns. Almost all the sectors in which the fund was invested made a positive impact on relative performance, except health care. The fund's overweight to and selection within information technology aided relative performance, with Alibaba, Nintendo, and Tencent among top contributors. Security selection in financials also contributed, most notably Indian lender HDFC Bank which continues to grow market share and has benefited from regulatory tightening from the Reserve Bank of India. The fund's cash position was the only meaningful detractor to relative performance during the period, even at the low end of the historical range of cash holdings in the fund.

The fund remains overweight information technology, while underweight financials and health care. There were no meaningful sector rotations, and the fund remains positioned to benefit from tailwinds for growth. With regards to regional allocation, the fund meaningfully increased its overweight to emerging markets by reducing positions in Europe and Japan.

**Conclusion:** EuroPacific Growth bounced back strongly in 2017 after stumbling in 2016, due to a combination of style tailwinds and security selection within emerging markets. The fund ended the year ranked 16<sup>th</sup> percentile versus Morningstar's Foreign Large Growth universe and continues to outperform on a net of fee basis over 3-, 5-, 10- and 15-years. Angeles remains confident in EuroPacific's team and long-term, fundamental, bottom-up approach.

### American Funds – New Perspective Fund (Global Equity)

**Overview:** The New Perspective Fund provides global equity exposure by investing in US and non-US companies of all sizes. The fund has the flexibility to invest up to 100% of assets outside the US, though this is unlikely given the fund's global mandate. The fund diversifies among blue chip companies in the United States and abroad, emphasizing multinational or global companies and focusing on opportunities generated by changes in global trade patterns and economic and political relationships. The portfolio is well diversified across regions and sectors, with approximately 240 securities (as of December 31, 2017).

The composition of the portfolio management team was unchanged in 2017, with Robert Lovelace and Joanna Jonsson acting as co-Principal Investment Officers. Principal Investment Officers are accountable for the overall objectives of the fund, guide risk management, and work with a coordinating group to select and monitor the lineup of portfolio managers. The seven portfolio managers average over 26 years with Capital Group.

As of December 31, 2017, the fund had \$77 billion in assets under management, up from \$59 billion the prior year.

HAF invested in American Funds' New Perspective strategy in July 2015.

**Performance:** For full year 2017, New Perspective returned 28.9% net of fees versus 24.0% for the MSCI ACWI Index. Style was a tailwind given the fund's bias toward growth sectors and underweights to traditional value sectors like financials, energy and materials. Security selection in consumer discretionary was the largest contributor to relative performance, led by Naspers and Amazon. The fund's greater allocation to information technology also contributed, as this was the best performing sector in the index. The fund had positive contributions from every sector that it is invested in, which last happened in 2003. An allocation to cash was the only meaningful detractor to relative performance during the year.

The fund has meaningfully reduced its overweight to health care, with much of the capital rotated to information technology, in addition to financials and materials where certain portfolio managers found attractive value with tailwinds for growth. The fund has increased Europe and emerging markets exposure, with capital moving out of Japan. Cash is at the lowest level it has been at in 10 years. The fund's emerging markets exposure is in-line with the index.

**Conclusion:** New Perspectives bounced back strong in 2017 after significantly underperforming the prior year. The fund benefited from its large-cap, global growth bias, as well as strong stock selection. Additionally, the fund's underweight to the US also contributed to results. The fund ended the year ranked 17<sup>th</sup> percentile relative to Morningstar's World Stock universe, and has a strong track record net of fees over 3, 5, 10 and 15 years. Angeles thinks New Perspective's bottom-up, fundamental approach to stock selection is a good complement to the quantitative, quasi-passive funds managed by Dimensional Fund Advisors. It is a good complement for DFA Global Equity due to that fund's structural overweight to US equity, whereas New Perspective has a more global mandate and is currently underweight the US.

## DFA – Emerging Markets Core Equity Fund (Emerging Markets Equity)

**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 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.

DFA's Emerging Markets Core portfolio differs slightly from the country weights in the MSCI Emerging Markets Index, with individual country weights capped at 17.5%, an increase from the previous 15% limit. As of December 31, China and South Korea are within 1% of the limit. China will be structurally underweight in this portfolio given these constraints; its weight in the benchmark is 29.7%, while South Korea is 15.4%. Individual position weightings are not to exceed 5% at time of purchase.

Turnover remains extremely low (~4%) and the fund continues to stick with its smaller cap bias with a weighted average total market capitalization of \$50.1 billion versus the MSCI Emerging Market's average market capitalization of \$100.3 billion. The fund has had to increase its holdings to nearly 4,850 (about double the number in 2006) to maintain its liquidity requirements.

As of December 31, 2017, the strategy had \$33 billion in assets under management, up from \$21 billion the prior year.

HAF invested in DFA's Emerging Markets strategy in January 2004.

**Performance:** Emerging Markets Core returned 36.6% net of fees versus the 37.3% return of the MSCI Emerging Markets Index. Small caps underperformed large caps in 2017, which was a headwind for the strategy; this was somewhat offset by the fund's emphasis on stocks with higher profitability, as higher-profitability stocks outperformed in emerging markets for the year. An emphasis on value stocks detracted as large-cap growth stocks led during the year. At the sector level, the portfolio's lesser allocation to information technology detracted from relative performance, as information technology was the strongest-performing sector for the year. At the country level, the portfolio's lesser allocation to China also detracted from relative performance, as China was among the strongest-performing countries in the index. Conversely, the portfolio's lesser allocation to Russia and exclusion of the UAE, Pakistan, and Qatar contributed positively to relative performance, as those countries underperformed the overall index for the year.

**Conclusion:** Emerging markets continued to perform well in 2017 after bouncing back in 2016 from three straight years of negative absolute returns in 2016. The fund has a structural bias toward value and small cap, but its broad diversification across regions and market capitalizations, thoughtful risk controls and focus on minimizing transaction costs make this fund is a solid option for emerging markets exposure. Angeles believes HAF's international composite will benefit from exposure to this fund over a long-term horizon, which it gets at an attractive fee relative to the universe of emerging markets mutual funds.

## DFA – Global Equity Portfolio (Global Equity)

**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 December 31, 2017, the portfolio was overweight the US at 68% of the portfolio versus 59% for the MSCI All Country World Index Investible Market Index.

As of December 31, 2017, the fund had \$7.7 billion in assets under management, up from \$5.2 billion the prior year.

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

**Performance:** Global Equity returned 22.2% net of fees versus 22.4% return of the MSCI World Index. The portfolio's greater emphasis on value stocks had a negative impact on relative performance, as value stocks generally underperformed growth stocks globally in 2017. With the US underperforming both developed ex-US and emerging markets, the portfolio's greater allocation to the US also detracted from relative performance. Additionally, the portfolio's emphasis on small-cap and value stocks had a particularly negative impact in the US. This was offset by an allocation to emerging markets (out of benchmark) which outperformed both US and developed non-US markets for the year.

**Conclusion:** This is a highly diversified (12,000+ holdings) global fund whose value and small capitalization tilts act as an important counter-balance to the active growth bias present in both EuroPacific Growth and New Perspective. This is the largest holding in HAF's equity at 40%, or 28% of the total portfolio.

## FIXED INCOME REVIEW

As of December 31, 2017, the Foundation's fixed income portfolio consisted of the PIMCO Income Fund, the Baird Core Plus Bond Fund, the Dodge & Cox Income Fund, and AEDC Loans. Excluding the AEDC Loans portion, the portfolio offers approximately 30% exposure to investment grade corporate bonds, 25% exposure to mortgage-backed securities, 35% exposure to US Treasuries, and 12% exposure to asset-backed/collateralized securities. The remaining allocation is diversified amongst domestic high yield bonds and international sovereigns. Considered together, the bond holdings outperformed the index in 2017 and have outperformed the index over all reporting periods. The PIMCO Income Fund remains the composite's top performer; the fund's 5-year returns rank at the top of its Morningstar peer group.

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

**Table 9**  
**Fixed Income Allocation (\$16.4 million) – as a Percent of Total Assets**

	Market Value	% of Total Assets		Variance from Target	Allowable Range
		Actual	Target		
<b>Fixed Income</b>					
Baird Core Plus Bond Fund	\$5,719,975	5.2%	5.6%	-0.4%	
PIMCO Income Fund	\$5,679,487	5.2%	5.6%	-0.4%	
Dodge & Cox Income Fund	\$3,193,009	2.9%	2.8%	0.1%	
Community Loans	\$1,814,084	1.7%	1.0%	0.7%	
<b>Total Fixed Income</b>	<b>\$16,406,555</b>	<b>15.0%</b>	<b>15.0%</b>	<b>0.0%</b>	<b>10-25%</b>

**Table 10**  
**Fixed Income Fund Performance as of December 31, 2017**  
**(Annualized, Net of Fees)**

	% of Fund	Annualized					Since Fund Inception <sup>^</sup>	Inception Date
		1 Year	3 Year	5 Year	7 Year	10 Year		
<b>Fixed Income</b>	<b>15.0%</b>	<b>6.1</b>	<b>4.4</b>	<b>4.0</b>	<b>4.6</b>	<b>3.4</b>	<b>3.8</b>	<b>12/31/2003</b>
<i>Fixed Income Blended Index<sup>4</sup></i>		3.1	2.2	2.1	3.3	4.1	4.3	
PIMCO Income Fund	5.2%	8.6	6.6	6.4	8.5	--	6.4	12/31/2012
<i>Bloomberg-Barclays Aggregate Index</i>		3.5	2.2	2.1	3.2	--	2.1	
Baird Core Plus Bond Fund	5.2%	4.6	3.1	2.9	4.3	5.3	4.7	11/17/2016
<i>Bloomberg-Barclays Aggregate Index</i>		3.5	2.2	2.1	3.2	4.0	3.3	
Dodge & Cox Income Fund	2.9%	4.4	3.1	3.1	4.0	5.0	4.8	11/17/2016
<i>Bloomberg-Barclays Aggregate Index</i>		3.5	2.2	2.1	3.2	4.0	3.3	
Community Loans	1.7%	5.4	--	--	--	--	5.1	12/31/2014

	% of Fund	Calendar Years													
		2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Fixed Income</b>	<b>15.0%</b>	<b>6.1</b>	<b>5.3</b>	<b>1.8</b>	<b>5.7</b>	<b>1.3</b>	<b>4.6</b>	<b>7.3</b>	<b>7.5</b>	<b>11.2</b>	<b>-14.2</b>	<b>3.2</b>	<b>6.8</b>	<b>2.2</b>	<b>6.5</b>
<i>Fixed Income Blended Index<sup>4</sup></i>		3.1	2.9	0.5	6.0	-1.8	5.5	7.4	7.2	8.6	2.4	6.5	5.0	2.7	5.0
PIMCO Income Fund	5.2%	8.6	8.7	2.6	7.2	4.8	22.2	6.4	20.5	19.2	-5.5	--	--	--	--
<i>Bloomberg-Barclays Aggregate Index</i>		3.5	2.6	0.5	6.0	-2.0	4.2	7.8	6.5	5.9	5.2	--	--	--	--
Baird Core Plus Bond Fund	5.2%	4.6	4.7	0.1	6.6	-1.3	8.0	7.9	9.8	15.4	-1.8	6.0	6.6	2.2	6.3
<i>Bloomberg-Barclays Aggregate Index</i>		3.5	2.6	0.5	6.0	-2.0	4.2	7.8	6.5	5.9	5.2	7.0	4.3	2.4	4.3
Dodge & Cox Income Fund	2.9%	4.4	5.6	-0.6	5.5	0.6	7.9	4.8	7.2	16.1	-0.3	4.7	5.3	2.0	3.6
<i>Bloomberg-Barclays Aggregate Index</i>		3.5	2.6	0.5	6.0	-2.0	4.2	7.8	6.5	5.9	5.2	7.0	4.3	2.4	4.3
Community Loans	1.7%	5.4	4.3	5.8	--	--	--	--	--	--	--	--	--	--	--

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.

<sup>^</sup> Returns are annualized for periods greater than a year.

<sup>4</sup> The fixed income index consists of the Bloomberg Barclays US Aggregate Index is a blend of the Bloomberg Barclays Aggregate Index (which covers all investment grade dollar-denominated bonds) from 4/1/13-12/31/14 and the Universal Index (which includes investment grade and non-investment grade issues) prior to 4/1/13.

The Foundation's fixed income composite returned 6.1% in 2016, outperforming the policy index's return of 3.1%. The portfolio's largest individual holding – PIMCO Income Fund – returned 8.6% over the year to outperform its benchmark's 3.5% return. All fixed income funds held by HAF as of year-end outperformed the Bloomberg Barclays US Aggregate Index over the calendar year 2017.

### 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 identify 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.

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 December 31, 2017 at 5.1%, the Income Fund has a significant yield advantage versus the Bloomberg Barclays US Aggregate Index at 2.7%.

The Income Fund has been managed by portfolio manager Dan Ivascyn since its May 2007 inception. Ivascyn joined PIMCO in 1998 and was named Group CIO in 2014. He is a permanent member of the PIMCO's Investment Committee, which sets strategy for the firm. Ivascyn shares portfolio management responsibilities with Alfred Murata, who joined PIMCO in 2001.

As of December 31, 2017, the fund had \$107.8 billion in assets under management, up from \$70 billion the prior year. The fund has grown to be the largest mutual fund and attracted the second highest level of net contributions of any fund in 2017 (\$31 billion).

HAF invested in the PIMCO Income strategy in December 2012.

**Performance:** The Income Fund returned 8.6% net of fees versus 3.5% for the Bloomberg Barclays US Aggregate Index, with contributions from various strategies including US duration via TIPS exposure, Australian duration as a proxy for China, non-agency MBS, security selection in select investment grade and high yield corporate credit, and emerging markets debt exposure in Mexico, Russia, Brazil, Saudi Arabia, Kuwait and Abu Dhabi.

Long term performance remains outstanding, ranking in the top quartile of funds in trailing periods versus the Multisector 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" bond 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.

### **Baird – Core Plus Bond Fund (Core Plus Fixed Income)**

**Overview:** Baird's philosophy is that interest rates are difficult to forecast consistently over time. Therefore, Baird employs a duration-neutral, risk-controlled approach. They add incremental value through security selection, sector allocation, yield curve positioning and competitive execution of trades. They focus on the relative value, or risk/return profile, offered by various industry sectors within the bond market. Sector positions are analyzed on a contribution to duration basis and carefully evaluated for the return potential of each sector, focusing on general and specific risks involved.

Detailed credit research plays a fundamental role and is an important aspect of security selection. They have a maximum allocation of 20% to below investment grade, with a significant underweight to emerging market debt. They focus on below investment grade securities with additional security such as collateralized structures that they believe offer good relative value.



As of December 31, 2017, the fund had \$16.4 billion in assets under management, up from \$12.8 billion the prior year.

HAF invested in the Baird Core Plus Bond Fund in November 2016.

**Performance:** Baird Core Plus Bond returned 4.7% net of fees versus 3.5% for the Bloomberg Barclays Aggregate Index, driven by strong security selection across investment grade corporate credit and non-agency mortgage-backed securities. Yield curve positioning also contributed as the fund benefited from a flatter yield curve. An underweight to high yield credit and emerging markets debt detracted from results.

Long-term performance is strong, ranking 1<sup>st</sup> quartile over 1, 3, 5, 10 and 15 years versus Morningstar's Intermediate-term Bond universe.

**Conclusion:** The team employs fundamental credit research to identify attractively priced securities to construct a well-diversified, all-weather, fixed income portfolio across US dollar-denominated fixed income sectors. It is duration-neutral relative to the index, focusing on credit selection to build a yield advantage with the potential for capital appreciation to generate excess return. Angeles believes the fund is a more attractive option versus a passive bond vehicle with similar duration.

### **Dodge & Cox – Income Fund (Core Plus Fixed Income)**

**Overview:** The philosophy guiding the firm's fixed income portfolios is to construct and manage a high average quality, diversified portfolio of securities that are selected through bottom-up, fundamental analysis. They believe that by combining fundamental research with a long-term investment horizon, it is possible to uncover and act upon inefficiencies in the valuation of market sectors and individual securities. To seek attractive returns for clients, they emphasize market sector and individual security selection, strive to build portfolios that have a higher yield than the composite yield of the broad bond market, and analyze portfolio and individual security risk.

Fundamental research is central to the investment process. The purpose of their research is to find securities that they believe will provide a relatively high and predictable stream of income and an opportunity for attractive relative price performance. An extended investment horizon enables them to take advantage of short-term uncertainty in their effort to seek long-term performance. They typically construct their portfolios with the goal of generating a relatively high, sustainable income stream without assuming undue levels of risk. Though it is rarely critical in any single year, the compounding of this income can have a significant positive effect on the total return of a fixed income portfolio over longer periods of time.

As of December 31, 2017, the fund had \$54.3 billion in assets under management, up from \$46.6 billion the prior year.

HAF invested in the Dodge & Cox Income Fund in November 2016.

**Performance:** Dodge & Cox Income returned 4.4% net of fees versus 3.5% for the Bloomberg Barclays Aggregate Index, driven by strong security selection in corporate credit, including emerging market-domiciled holdings that had detracted in 2015. The fund's overweight to corporate bonds and underweight to US Treasuries also added to relative returns given the strong performance of credit. The nominal yield advantage

also benefited returns. Detractors included the fund's lower exposure to long-term (10+ years) bonds as the yield curve flattened, and certain corporate holdings including Macy's and Verizon.

Long-term performance is strong, ranking 1<sup>st</sup> quartile over 3, 5, 10 and 15 years versus Morningstar's Intermediate-term Bond universe.

**Conclusion:** The strategy is well-resourced with a stable investment team led by an eight-member investment committee with an average tenure at Dodge & Cox of 20 years. Reflecting Dodge & Cox's well-known value orientation in equity, its fixed income team seeks attractively valued securities and will step into sectors that are out-of-favor with markets by taking a longer-term view. Angeles believes the fund is attractive as it seeks to deliver excess returns by taking credit risk rather than interest rate risk, which we think is more repeatable for sustained long term performance.

### Regional Mission Related Investments/Community Investing (Community Loans)

**Overview:** Community Loans are investments in alignment with HAF's mission which supports projects which benefit the community and meet HAF due diligence standards as sound investments for the Foundation. These investments are approved on a case by case basis by the HAF Investment Committee and Board of Directors and shall comply with the guidelines outlined in the Investment Policy Statement (IPS).

As of December 31, 2017, the foundation had \$1.8 million (2% of the long-term investment pool) invested in Community Loans, up from \$1.4 million the prior year. Allocations are in line with the IPS, which targets up to 5% to Community Loans.

### REAL ESTATE REVIEW

At the end of 2017, HAF had \$5.6 million, or approximately 5.1% of the Foundation's total assets, invested in real estate securities. The allocation is in line with HAF's 5% target.

Table 11

#### Real Estate Allocation (\$5.6 Million) – as a percent of Total Assets

	Market Value	% of Total Assets		Variance from Target	Allowable Range
		Actual	Target		
<b>Real Estate Securities</b>					
DFA Global Real Estate Securities	\$5,609,614	5.1%	5.0%	0.1%	
<b>Total Real Estate</b>	<b>\$5,609,614</b>	<b>5.1%</b>	<b>5.0%</b>	<b>0.1%</b>	<b>0-7%</b>

The real estate composite, composed of the DFA Global Real Estate Securities Fund, advanced 9.2% in 2017, exceeding the benchmark S&P Global REIT Index return of 7.4%. Domestic real estate led the advance, while Japanese real estate declined in value.

**Table 12**  
**REITs Performance as of December 31, 2017**  
**(Annualized, Net of Fees)**

	% of Fund	Annualized					Since Fund Inception <sup>^</sup>	Inception Date
		1 Year	3 Year	5 Year	7 Year	10 Year		
<b>Real Estate Securities</b>	<b>5.1%</b>	<b>9.2</b>	<b>5.4</b>	<b>7.9</b>	<b>9.0</b>	<b>5.9</b>	<b>7.9</b>	<b>12/31/2003</b>
<i>Real Estate Securities Index<sup>5</sup></i>		7.4	4.2	6.9	8.1	5.4	7.9	
DFA Global Real Estate Securities	5.1%	9.2	5.4	7.9	9.1	--	11.6	7/31/2012
<i>S&amp;P Global REIT Index</i>		7.4	4.2	6.9	8.1	--	10.9	

	% of Fund	Calendar Years													
		2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Real Estate Securities</b>	<b>5.1%</b>	<b>9.2</b>	<b>6.6</b>	<b>0.7</b>	<b>22.7</b>	<b>1.8</b>	<b>23.5</b>	<b>0.8</b>	<b>23.7</b>	<b>32.2</b>	<b>-40.5</b>	<b>-18.7</b>	<b>35.3</b>	<b>13.2</b>	<b>32.1</b>
<i>Real Estate Securities Index<sup>5</sup></i>		7.4	5.8	-0.4	21.5	1.7	23.2	0.1	22.7	34.4	-40.6	-17.9	35.9	14.1	34.8
DFA Global Real Estate Securities	5.1%	9.2	6.6	0.7	22.7	1.8	23.2	1.8	23.8	32.7	--	--	--	--	--
<i>S&amp;P Global REIT Index</i>		7.4	5.8	-0.4	21.5	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.

<sup>^</sup> Returns are annualized for periods greater than a year.

<sup>5</sup> 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 may also 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, Ireland, Italy, Japan, Malaysia, Mexico, the Netherlands, New Zealand, Singapore, South Africa, Spain, Taiwan, Turkey, 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.

As of December 31, 2017, the fund had \$8.2 billion in assets under management, up from \$5.2 billion the prior year. Most of the fund is invested in the United States (67%) with top holdings including Simon Property Group, American Tower Corp, Equinix Inc, Prologis Inc, and Crown Castle International Corp.

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

**Performance:** DFA Global Real Estate returned 9.2% net of fees for the year versus 7.4% for the index. At the country level, holdings differences between the portfolio and the benchmark in the United States contributed

positively to relative performance. These holdings differences were due to methodology differences between the portfolio and the benchmark regarding the inclusion or exclusion of specific types of REITs. The portfolio's lack of exposure to prison REITs contributed positively to relative performance, as these securities were held by the benchmark and generally underperformed for the year. Additionally, the portfolio's greater allocation to specialized REITs (billboard, cellphone and wireless towers, net lease and data centers) benefited relative performance, as these securities outperformed for the year.

**Conclusion:** DFA's Global Real Estate Securities Fund is attractive for its diversification benefits, including exposure to properties across emerging markets. With over 400 securities, the portfolio is well diversified across geography, size and REIT type. Expenses are low, and turnover is minimal, keeping trading costs low.

## HEDGE FUNDS REVIEW

At the end of 2017, HAF had \$10.4 million, or approximately 9.5% of the Foundation's total assets, invested in hedge funds through the Angeles Absolute Return Fund. Angeles waives its management fee for the fund for its clients, including HAF. HAF's allocation to the fund was slightly under its 10% long term policy target for hedge funds that was established in July 2015.

Table 13

### Hedge Fund Allocation (\$10.4 Million) – as a percent of Total Assets and as of 12/31/17

	Market Value	% of Total Assets		Variance from Target	Allowable Range
		Actual	Target		
<b>Absolute Return</b>					
Angeles Absolute Return Fund	\$10,304,644	9.5%	10.0%	-0.5%	
<b>Total Absolute Return</b>	<b>\$10,304,644</b>	<b>9.5%</b>	<b>10.0%</b>	<b>-0.5%</b>	<b>0-15%</b>

Over the course of 2017, the AIA Absolute Return Fund returned 13.4%, outperforming the benchmark HFRI Fund of Funds Composite Index return of 7.6%. The fund has a 5-year correlation coefficient of 0.8 with both the MSCI All Country World Index and the S&P 500 Index, indicating the aggregation of the active investment and hedging strategies employed by the fund's underlying managers did not move in lock-step with equity markets. Maintaining low correlation between asset classes helps to smooth out volatility of returns of the overall portfolio.

**Table 14**  
**Angeles Absolute Return Fund Performance as of December 31, 2017**  
**(Annualized, Net of Fees)**

	% of Fund	Annualized					Since Fund Inception <sup>^</sup>	Inception Date
		1 Year	3 Year	5 Year	7 Year	10 Year		
<b>Absolute Return</b>	<b>9.4%</b>	<b>13.4</b>	<b>5.1</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>5.3</b>	<b>12/31/2013</b>
<i>HFRI Fund of Funds Index</i>		7.6	2.5	--	--	--	2.8	
Angeles Absolute Return Fund		13.4	5.1	--	--	--	5.3	12/31/2013
<i>HFRI Fund of Funds Index</i>		7.6	2.5	--	--	--	2.8	

	% of Fund	Calendar Years													
		2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Absolute Return</b>	<b>9.5%</b>	<b>13.4</b>	<b>2.0</b>	<b>0.2</b>	<b>5.4</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<i>HFRI Fund of Funds Index</i>		7.6	0.5	-0.3	3.4	--	--	--	--	--	--	--	--	--	--
Angeles Absolute Return Fund		13.4	2.0	0.2	5.4	--	--	--	--	--	--	--	--	--	--
<i>HFRI Fund of Funds Index</i>		7.6	0.5	-0.3	3.4	--	--	--	--	--	--	--	--	--	--

Since inception, the absolute return composite index is the HFRI Fund of Funds Composite Index.

## ANGELES ABSOLUTE RETURN FUND

**Overview:** The Angeles Absolute Return Fund LTD (AIA ARF) provides Angeles Investment Advisors' manager selection and portfolio construction expertise in hedge funds in a fund-of-funds format, which allows investors to gain hedge fund exposure through a diversified structure that is administratively simple. The goal of the AIA ARF is to generate superior risk-adjusted returns with moderate volatility by investing in funds managed by historically successful and high quality managers pursuing a cross-section of absolute return strategies. The goal of the fund is to mitigate losses in falling markets, exhibit lower correlation to traditional asset classes, and provide a range of exposures across sectors, regions, strategies, and managers.

The fund is well diversified across strategies, and as of year-end, the underlying managers included 6 long/short equity funds, 3 credit-focused funds, 3 activist equity funds, and 2 event driven/multi-strategy funds, with the largest allocation to long/short equity managers. The fund is also globally diversified, and most managers maintain global approaches. Managers tend to employ low leverage; in aggregate the fund has a leverage ratio of about 1.2x as of December 31, 2017.

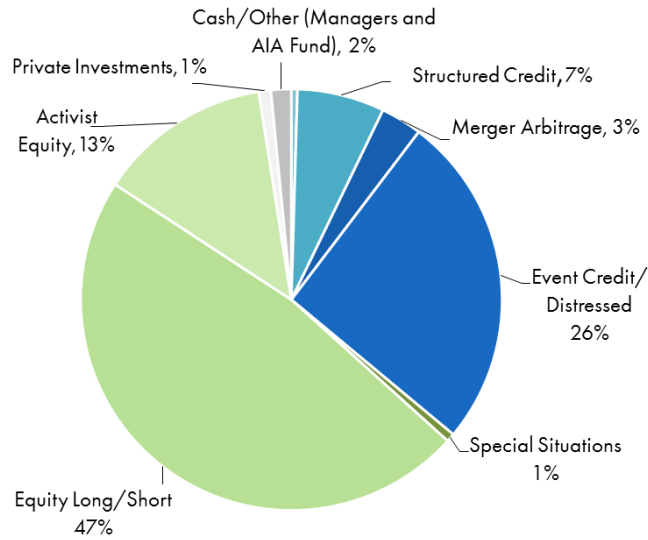
HAF invested in the Angeles Absolute Return Fund in on January 1, 2014.

**Performance:** For 2017, the Angeles Absolute Return Fund returned 13.4% net of fees versus 7.6% for the HFRI Fund of Funds Composite Index, placing the fund in the top quartile of a peer universe of 466 hedge fund of funds. For the year, the fund's equity-focused managers were the top contributors to performance, adding 7.4% gross of fees to absolute performance. There was no sub-asset class of managers that detracted from performance in 2017. At the individual manager level, top performers included Green Court (China long/short equity), Orbimed (healthcare long/short equity), and Oceanwood (European multi-strategy). Underperformers included Trian co-invest (activist equity) and Salthill (biotech long/short equity).

**Conclusion:** The Angeles Absolute Return Fund provides an efficient structure to gain diversified exposure to direct hedge funds that implement alternative asset strategies that attempt to offer attractive, risk-adjusted rates of returns that are not highly correlated with traditional asset classes. The fund will hold approximately 5-20

managers, diversified across sectors, regions and strategies. For existing clients, Angeles does not assess a management fee at the fund level, and fund administrative expenses are low at approximately 0.16% in 2017.

**Figure 10**  
**Strategy Allocations (% Long Exposure) as of January 1, 2018**



**Table 15**  
**Manager Allocations as of January 1, 2018**

Manager	Allocation as of 1/1/2018*	Strategy	Investment Focus
Och-Ziff Credit	10.6%	Global Credit/Distressed	Invests in U.S. and European corporate and structured credit.
Canyon	10.2%	US Multi-strategy	Pursues a credit-oriented strategy focused on value and event-driven investments.
Green Court	9.9%	China Long/Short Equity	Invests in long/short equities (China) based on fundamental analysis.
MidOcean	8.1%	US Long/Short Credit	Invests in corporate credit with a focus on underfollowed situations.
Whale Rock	7.9%	TMT Long/Short Equity	Global technology focused long/short equity manager.
Beach Point	7.7%	Global Credit/Distressed	Invests in event driven and distressed credit with a focus on complex and underfollowed situations.
Oceanwood	7.2%	European Multi-strategy	Invests in event-driven opportunities across Europe in both credit and equity.
Luminus	7.0%	Long/Short Relative Value	Employs a low net, relative value, long/short equity and credit strategy within the broader energy ecosystem.
Sachem Head	6.4%	US Long/Short Equity	Employs a concentrated, value-oriented long/short investment strategy with the willingness to use activism.
Orbimed	6.2%	Healthcare Long/Short Equity	Invests long/short in the global healthcare sector.
Cevian	6.1%	European Activist Equity	Concentrated activist equity strategy focused on investing in the Nordic region of Europe.
Salthill	5.8%	Biotechnology Long/Short Equity	Invests long/short in the global biotechnology sector.
Triam (includes co-investment fund)	5.7%	Activist Equity	Concentrated activist equity strategy focused on the US and Europe.
Managers in liquidation	0.9%	Other	Side pocket investments, liquidation process



**Exhibit 1:**  
**Summary of Performance through**  
**December 31, 2017**

## 2017 INVESTMENT PERFORMANCE REVIEW – LONG TERM POOL

As of December 31, 2017	Market Value	% of Fund	Policy Target	1 Month	3 Months	YTD	1 Year	3 Yrs. (Annlzd)	5 Yrs. (Annlzd)	7 Yrs. (Annlzd)	10 Yrs. (Annlzd)	Expense Ratio *
<b>Global Equity</b>	<b>\$ 76,996,728</b>	<b>70%</b>	<b>70%</b>	<b>1.3%</b>	<b>5.8%</b>	<b>25.5%</b>	<b>25.5%</b>	<b>10.2%</b>	<b>11.8%</b>	<b>9.4%</b>	<b>5.9%</b>	
<b>MSCI ACWI IMI Index</b>				<b>1.6%</b>	<b>5.7%</b>	<b>23.9%</b>	<b>23.9%</b>	<b>9.5%</b>	<b>11.0%</b>	<b>8.8%</b>	<b>5.0%</b>	
AF EuroPacific Growth Fund	\$ 21,060,230	19%	19%	1.1%	4.2%	30.7%	30.7%	9.3%	8.8%	6.7%	3.6%	0.85
DFA Emerging Mkts Core Fund <sup>^</sup>	\$ 2,363,364	2%	2%	3.7%	7.7%	36.6%	36.6%	9.3%	4.7%	2.7%	3.2%	0.61
DFA Global Equities	\$ 30,638,718	28%	28%	1.6%	6.6%	22.2%	22.2%	10.3%	12.6%	--	--	0.30
Vanguard Institutional Index I	\$ 15,099,087	14%	14%	1.1%	6.6%	21.8%	21.8%	11.4%	--	--	--	0.04
AF New Perspective	\$ 7,835,329	7%	7%	0.4%	4.6%	28.9%	28.9%	--	--	--	--	0.75
<b>Absolute Return</b>	<b>\$ 10,389,870</b>	<b>9%</b>	<b>10%</b>	<b>0.9%</b>	<b>1.7%</b>	<b>13.4%</b>	<b>13.4%</b>	<b>5.1%</b>	<b>--</b>	<b>--</b>	<b>--</b>	
<b>HFRI Fund of Funds Index</b>				<b>0.9%</b>	<b>2.0%</b>	<b>7.7%</b>	<b>7.7%</b>	<b>2.6%</b>	<b>--</b>	<b>--</b>	<b>--</b>	
Angeles Absolute Return Fund**	\$ 10,389,870	9%	10%	0.9%	1.7%	13.4%	13.4%	5.1%	--	--	--	1.41
<b>Fixed Income</b>	<b>\$ 16,406,555</b>	<b>15%</b>	<b>15%</b>	<b>0.4%</b>	<b>0.8%</b>	<b>6.1%</b>	<b>6.1%</b>	<b>4.4%</b>	<b>4.0%</b>	<b>4.6%</b>	<b>3.4%</b>	
<b>Bloomberg-Barclays Aggregate Index</b>				<b>0.5%</b>	<b>0.4%</b>	<b>3.5%</b>	<b>3.5%</b>	<b>2.2%</b>	<b>2.1%</b>	<b>3.2%</b>	<b>4.0%</b>	
PIMCO Income Fund	\$ 5,679,487	5%	6%	0.3%	1.1%	8.6%	8.6%	6.6%	--	--	--	0.45
Community Loans	\$ 1,814,084	2%	1%	0.5%	1.2%	5.4%	5.4%	--	--	--	--	
Baird Core Plus Bond Fund	\$ 5,719,975	5%	6%	0.4%	0.6%	4.6%	4.6%	--	--	--	--	0.30
Dodge & Cox Income	\$ 3,193,009	3%	3%	0.4%	0.5%	4.4%	4.4%	--	--	--	--	0.43
<b>Real Estate Securities</b>	<b>\$ 5,609,614</b>	<b>5%</b>	<b>5%</b>	<b>1.0%</b>	<b>3.7%</b>	<b>9.2%</b>	<b>9.2%</b>	<b>5.4%</b>	<b>7.9%</b>	<b>9.0%</b>	<b>5.9%</b>	
<b>S&amp;P Global REIT Index</b>				<b>1.0%</b>	<b>3.0%</b>	<b>7.4%</b>	<b>7.4%</b>	<b>4.2%</b>	<b>6.9%</b>	<b>2.2%</b>	<b>4.2%</b>	
DFA Global Real Estate Securities	\$ 5,609,614	5%	5%	1.0%	3.7%	9.2%	9.2%	5.4%	7.9%	--	--	0.24
<b>Cash</b>	<b>\$ 57,762</b>	<b>0%</b>	<b>0%</b>	<b>0.1%</b>	<b>0.2%</b>	<b>0.5%</b>	<b>0.5%</b>	<b>0.2%</b>	<b>0.1%</b>	<b>0.1%</b>	<b>0.3%</b>	
<b>90-Day T-Bills</b>				<b>0.1%</b>	<b>0.3%</b>	<b>0.8%</b>	<b>0.8%</b>	<b>0.4%</b>	<b>0.2%</b>	<b>0.2%</b>	<b>0.3%</b>	
TDA - Cash Sweep Account	\$ (135,371)	0%	0%	--	--	--	--	--	--	--	--	
TD Bank USA MMDA - Cash Reserve	\$ 193,133	0%	0%	--	--	--	--	--	--	--	--	
<b>Total Fund</b>	<b>\$ 109,460,529</b>	<b>100%</b>	<b>100%</b>	<b>1.1%</b>	<b>4.5%</b>	<b>20.3%</b>	<b>20.3%</b>	<b>8.6%</b>	<b>9.7%</b>	<b>7.9%</b>	<b>5.2%</b>	<b>0.52</b>
<b>Policy Benchmark</b>				<b>1.4%</b>	<b>4.4%</b>	<b>18.2%</b>	<b>18.2%</b>	<b>7.6%</b>	<b>8.7%</b>	<b>7.7%</b>	<b>5.3%</b>	
<b>CPI +4%</b>				<b>0.7%</b>	<b>2.0%</b>	<b>6.3%</b>	<b>6.3%</b>	<b>5.5%</b>	<b>5.4%</b>	<b>5.8%</b>	<b>5.7%</b>	

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. Expense ratio for Angeles Absolute Return Fund only includes management fees, but does not include administrative fees or variable performance fees. Administrative fees will vary each year.

\*\*Performance and market value are based on underlying manager estimates for the trailing month.

<sup>^</sup> Prior to April 1, 2008, performance was for DFA Emerging Markets (DFEMX).

Effective August 1, 2015, the Policy Benchmark = 70% MSCI ACWIMI, 15% Bloomberg-Barclays Aggregate, 10% HFRI Fund of Funds Index, and 5% S&P Global REIT Index.

From January 1, 2014 to July 31, 2015, the Policy Benchmark = 70% MSCI ACWIMI, 20% Bloomberg-Barclays Aggregate, 5% HFRI Fund of Funds Index, and 5% S&P Global REIT Index.

From April 1, 2013 to December 31, 2013, the Policy Benchmark = 70% MSCI ACWIMI, 25% Bloomberg-Barclays Aggregate, and 5% S&P Global REIT Index.

From August 1, 2012 to March 31, 2013, the Policy Benchmark = 70% MSCI ACWIMI, 25% Bloomberg-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% Bloomberg-Barclays Capital Universal Index (formerly Lehman Brothers Universal Index) and 5% Blende 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% Bloomberg-Barclays Capital Universal Index (formerly Lehman Brothers Universal Index) and 5% DJ Wilshire US Select REIT Ind

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

## **Exhibit 2: Fund Summary Table**

	Ticker	Assets (MM) as of 12/31/17	Expense Ratio (bps)	Turnover	Number of Holdings	Morningstar Rating
<b>Global Equity</b>						
AF EuroPacific Growth Fund	AEPGX	\$165,698.2	85	36%	386	★★★★
DFA Emerging Mkts Core Fund	DFCEX	\$29,499.8	55	4%	4880	★★★★
DFA Global Equities	DGEIX	\$6,737.0	30	0%	6	★★★★
Vanguard Institutional Index	VINIX	\$241,169.4	4	5%	509	★★★★
AF New Perspective	ANWPX	\$79,418.5	75	28%	305	★★★★★
<b>Fixed Income</b>						
PIMCO Income Fund	PIMIX	\$109,955.9	45	190%	5,901	★★★★★
Baird Core Plus Bond Fund	BCOIX	\$16,408.6	30	33%	1253	★★★★★
Dodge & Cox Income Fund	DODIX	\$54,286.8	43	27%	1031	★★★★★
<b>Real Estate Securities</b>						
DFA Global Real Estate Securities	DFGEX	\$6,847.9	24	--	439	★★★

Source: Morningstar; Data as of 12/31/17. Morningstar expense ratios are based on Annual Reports provided by managers. PIMCO holdings count as of 9/30/17 and provided by Bloomberg.

**Exhibit 3:**  
**Historical Fund Performance Through**  
**December 31, 2017**

Historical Fund Performance through December 31, 2017<sup>6</sup>

Fund Name	Ticker	Net Assets \$MM	Exp Ratio	Annlzd Return 1 Yr	Annlzd Return 3 Yr	Annlzd Return 5 Yr	Annlzd Return 10 Yr	% Rank in Cat 1 Yr	% Rank in Cat 3 Yr	% Rank in Cat 5 Yr	% Rank in Cat 10 Yr
<b>AF EuroPacific Growth Fund</b>	<b>AEPGX</b>	<b>\$165,698</b>	<b>0.85%</b>	<b>30.7</b>	<b>9.3</b>	<b>8.8</b>	<b>3.6</b>	<b>55</b>	<b>43</b>	<b>36</b>	<b>29</b>
Morningstar Foreign Large Growth Median			1.14%								
MSCI ACWI ex-US Index				27.2	7.8	6.8	1.8				
<b>AF New Perspective</b>	<b>ANWPX</b>	<b>\$79,419</b>	<b>0.75%</b>	<b>28.9</b>	<b>11.4</b>	<b>12.6</b>	<b>6.9</b>	<b>20</b>	<b>16</b>	<b>18</b>	<b>10</b>
Morningstar World Stock Median			1.10%								
MSCI ACWI Index				24.0	9.3	10.8	4.7				
<b>DFA Global Real Estate</b>	<b>DFGEX</b>	<b>\$6,848</b>	<b>0.24%</b>	<b>9.2</b>	<b>5.4</b>	<b>7.9</b>	<b>--</b>	<b>84</b>	<b>31</b>	<b>7</b>	<b>--</b>
Morningstar Global Real Estate Median			1.25%								
S&P Global REIT Index				7.4	4.2	6.9	--				
<b>DFA Emerging Mkts Core Equities</b>	<b>DFCEX</b>	<b>\$29,500</b>	<b>0.55%</b>	<b>36.6</b>	<b>9.3</b>	<b>4.7</b>	<b>3.0</b>	<b>48</b>	<b>37</b>	<b>43</b>	<b>16</b>
Morningstar Diversified Emerging Mkts Median			1.36%								
MSCI Emerging Mkts Net Div				37.3	9.1	4.3	1.7				
<b>DFA Global Equities</b>	<b>DGEIX</b>	<b>\$6,737</b>	<b>0.30%</b>	<b>22.2</b>	<b>10.3</b>	<b>12.6</b>	<b>6.7</b>	<b>61</b>	<b>24</b>	<b>17</b>	<b>14</b>
Morningstar World Stock Median			1.10%								
MSCI ACWI IMI				23.9	9.5	11.0	5.0				
<b>Vanguard Institutional Index</b>	<b>VINIX</b>	<b>\$241,169</b>	<b>0.04%</b>	<b>21.8</b>	<b>11.4</b>	<b>15.8</b>	<b>8.5</b>	<b>30</b>	<b>12</b>	<b>13</b>	<b>18</b>
Morningstar Large Blend Median			0.94%								
S&P 500 Index				21.8	11.4	15.8	8.5				

<sup>6</sup> Source: Morningstar. Ranks are percentile rankings versus peer groups for managers in respective styles; 1 is the top percentile ranking will 99 is worst.

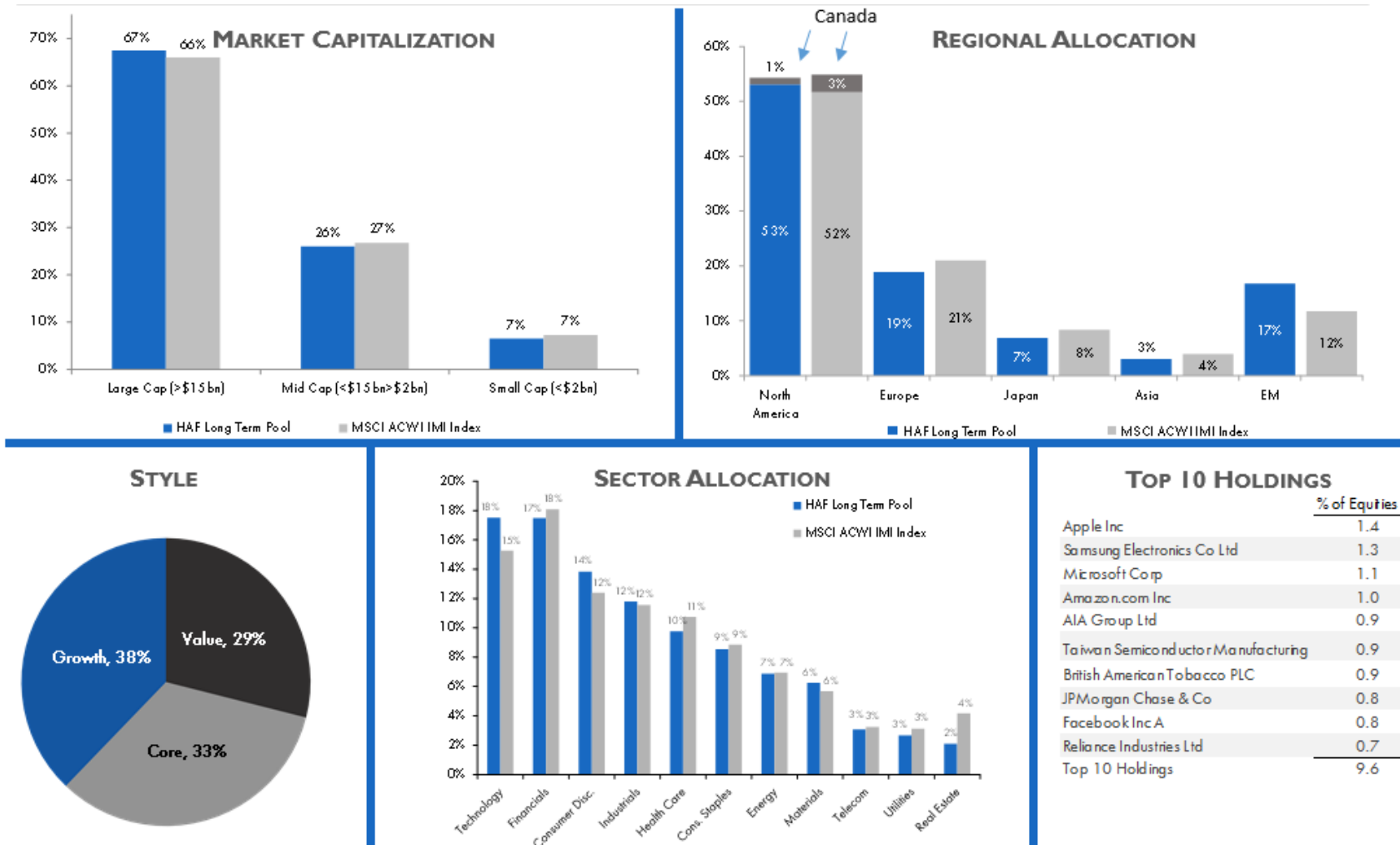
Fund Name	Ticker	Net Assets \$MM	Exp Ratio	Annld Return 1 Yr	Annld Return 3 Yr	Annld Return 5 Yr	Annld Return 10 Yr	% Rank in Cat 1 Yr	% Rank in Cat 3 Yr	% Rank in Cat 5 Yr	% Rank in Cat 10 Yr
<b>PIMCO Income Fund</b>	<b>PIMIX</b>	<b>\$109,956</b>	<b>0.45%</b>	<b>8.6</b>	<b>6.6</b>	<b>6.4</b>	<b>--</b>	<b>14</b>	<b>2</b>	<b>2</b>	<b>--</b>
Morningstar Multisector Bond Median			0.91%								
Bloomberg-Barclays Aggregate Index				3.5	2.2	2.1	--				
<b>Baird Core Plus Bond</b>	<b>BCOIX</b>	<b>\$16,409</b>	<b>0.30%</b>	<b>4.6</b>	<b>3.1</b>	<b>2.9</b>	<b>5.3</b>	<b>20</b>	<b>10</b>	<b>13</b>	<b>7</b>
Morningstar Intermediate-Term Bond Median			0.68%								
Bloomberg-Barclays Aggregate Index				3.5	2.2	2.1	4.0				
<b>Dodge &amp; Cox Income</b>	<b>DODIX</b>	<b>\$54,287</b>	<b>0.43%</b>	<b>4.4</b>	<b>3.1</b>	<b>3.1</b>	<b>5.0</b>	<b>28</b>	<b>11</b>	<b>10</b>	<b>13</b>
Morningstar Intermediate-Term Bond Median			0.68%								
Bloomberg-Barclays Aggregate Index				3.5	2.2	2.1	4.0				

Performance rankings are as of 12/31/17 and rank manager's performance relative to peers. Provided by Morningstar; 1=Best, 100=Worst.

**Exhibit 4:**  
**Global Equity Characteristics**  
**December 31, 2017**



## Global Equity Characteristics as of December 31, 2017



Note: All data sourced from eVestment, Morningstar, and managers as of 12/31/2017. Figures may not add up to 100% due to rounding.

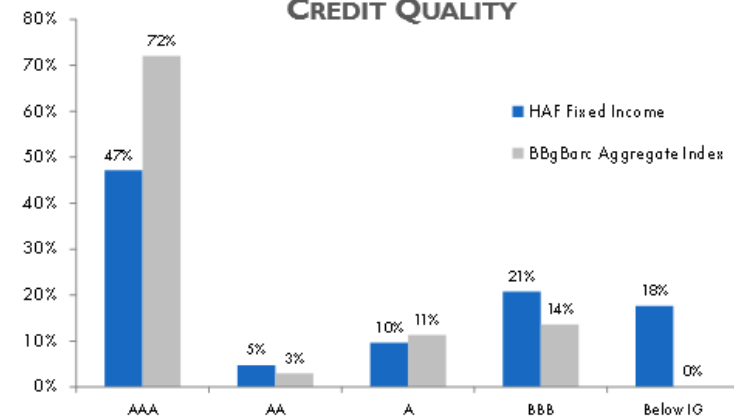
**Exhibit 5:**  
**Fixed Income Characteristics**  
**December 31, 2017**

## Fixed Income Characteristics as of December 31, 2017

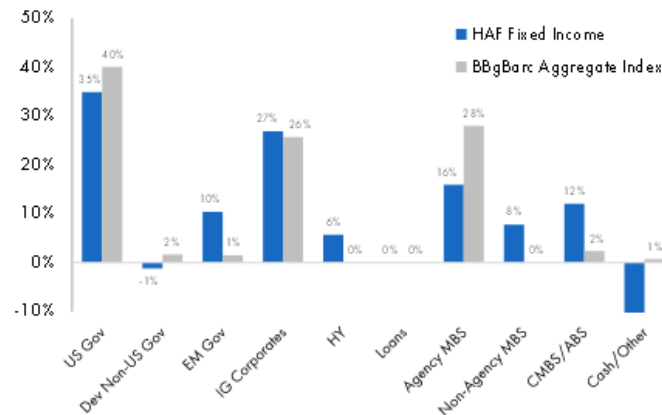
### CHARACTERISTICS

	% of FI	30 Day SEC Yield	YTM	Duration	Maturity	Credit Quality
PIMCO Income (PIMIX)	39%	3.8%	5.1%	2.4	6.5	A
Baird Core Plus (BCOIX)	39%	2.8%	3.1%	5.8	7.6	A
Dodge & Cox Income (DODIX)	22%	2.6%	3.0%	4.2	7.5	AA
<b>Fixed Income Portfolio</b>	<b>100%</b>	<b>3.2%</b>	<b>3.8%</b>	<b>4.1</b>	<b>7.2</b>	<b>A</b>
Bloomberg-Barclays Aggregate Index	N/A	N/A	2.7%	6.2	8.2	AA

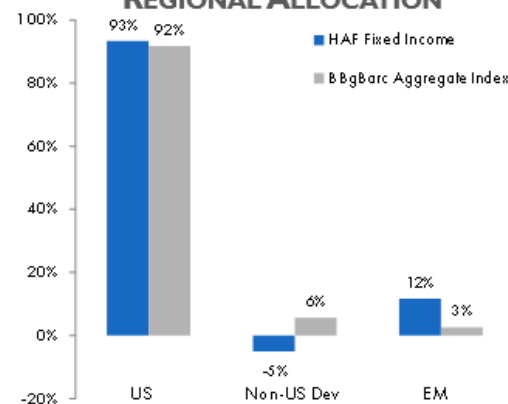
### CREDIT QUALITY



### SECTOR ALLOCATION



### REGIONAL ALLOCATION



### CURRENCY EXPOSURE

Currency	% of Portfolio
USD	98.2%
AUD	-0.8%
TRY	0.7%
MXN	0.7%
Other	1.2%
<b>Total</b>	<b>100.0%</b>

Note: All data sourced from eVestment, Morningstar, and respective managers as of 12/31/2017. Note: Sector and Regional Allocation data for PIMCO fixed-income funds are duration-weighted. Due to PIMCO's use of derivatives and other forward-settling securities, Angeles believes the duration-weighted method most accurately describes the risk profile of the net exposure of PIMCO's funds. Figures may not add up to 100% due to rounding. "Cash/Other" includes Converts/Preferreds, TIPS, and Municipals. Currency Exposure table represents the top 4 significant positions (in absolute terms) within the holdings-weighted portfolio.

## **Exhibit 6: Attribution Analysis**

Humboldt Area Foundation - Trailing 1 Year

1-1-2017 - 12-31-2017

		Average Weights %		Market Return(%)		Attribution Effect(%)				
		Portfolio	Policy	Portfolio	Benchmark	Asset Class Weighting	Manager Selection	Manager Style	Manager Fee	Active Return
<b>Global Equity</b>	<b>MSCI ACWI IMI NR USD</b>	<b>71.4</b>	<b>70.0</b>	<b>25.4</b>	<b>24.0</b>	<b>0.1</b>	<b>1.3</b>	<b>0.1</b>	<b>-0.4</b>	<b>1.1</b>
American Funds Europacific Growth A	MSCI ACWI Ex USA NR USD	19.6		30.7	27.2	0.0	0.9	0.6	-0.2	1.3
DFA Global Equity I	MSCI World NR USD	28.3		22.2	22.4	0.0	0.0	-0.4	-0.1	-0.5
American Funds New Perspective A	MSCI ACWI NR USD	7.2		28.9	24.0	0.0	0.4	0.0	-0.1	0.3
Vanguard Institutional Index I	S&P 500 TR USD	14.2		21.8	21.8	0.0	0.0	-0.3	0.0	-0.3
DFA Emerging Markets Core Equity I	MSCI EM NR USD	2.2		36.6	37.3	0.0	0.0	0.3	0.0	0.3
<b>Absolute Return</b>	<b>HFRI FOF</b>	<b>9.6</b>	<b>10.0</b>	<b>13.4</b>	<b>7.7</b>	<b>0.1</b>	<b>0.6</b>	<b>0.0</b>	<b>0.0</b>	<b>0.6</b>
Angeles Absolute Return Fund	HFRI FOF	9.6		13.4	7.7	0.0	0.6	0.0	0.0	0.6
<b>Real Assets</b>	<b>S&amp;P Global REIT NR USD</b>	<b>4.4</b>	<b>5.0</b>	<b>7.0</b>	<b>7.4</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>
DFA Global Real Estate Securities Port	S&P Global REIT TR USD	4.4		7.0	5.5	0.0	0.1	0.0	0.0	0.1
<b>Fixed Income</b>	<b>BarCap US Agg Bond TR USD</b>	<b>14.6</b>	<b>15.0</b>	<b>6.1</b>	<b>3.5</b>	<b>0.1</b>	<b>0.5</b>	<b>0.0</b>	<b>-0.1</b>	<b>0.5</b>
Community Loans	BBgBarc US Agg Bond TR USD	1.6		5.4	3.5	0.0	0.0	0.0	0.0	0.0
PIMCO Income Instl	BBgBarc US Agg Bond TR USD	5.2		8.6	3.5	0.0	0.3	0.0	0.0	0.3
Dodge & Cox Income	BBgBarc US Agg Bond TR USD	2.6		4.4	3.5	0.0	0.0	0.0	0.0	0.0
Baird Core Plus Bond Inst	BBgBarc US Agg Bond TR USD	5.2		4.7	3.5	0.0	0.1	0.0	0.0	0.1
<b>Cash and Equivalents</b>	<b>BofAML US Treasury Bill 3 Mon</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
TD Bank USA MMDA - Cash Reserve	BofAML US Treasury Bill 3 Mon TR USD	0.1		0.0	0.9	0.0	0.0	0.0	0.0	0.0
TDA - Cash Sweep Account	BofAML US Treasury Bill 3 Mon TR USD	0.0		0.0	0.8	0.0	0.0	0.0	0.0	0.0
<b>Total</b>		<b>100.0</b>	<b>100.0</b>	<b>20.5</b>	<b>18.5</b>	<b>0.2</b>	<b>2.4</b>	<b>0.1</b>	<b>-0.5</b>	<b>2.3</b>
<b>Net of Fee Performance</b>				<b>20.3</b>	<b>18.5</b>					

Humboldt Area Foundation - Trailing 3 Year

1-1-2015 - 12-31-2017

		Average Weights %		Market Return(%)		Attribution Effect(%)				
		Portfolio	Policy	Portfolio	Benchmark	Asset Class Weighting	Manager Selection	Manager Style	Manager Fee	Active Return
<b>Global Equity</b>	<b>MSCI ACWI IMI NR USD</b>	<b>70.2</b>	<b>69.9</b>	<b>10.3</b>	<b>9.5</b>	<b>0.0</b>	<b>1.2</b>	<b>-0.1</b>	<b>-0.4</b>	<b>0.7</b>
AllianzGI Convertible Institutional	ICE BofAML All US Convertible TR USD	2.8		0.3	1.7	0.0	0.0	0.0	0.0	0.0
American Funds Europacific Growth A	MSCI ACWI Ex USA NR USD	20.3		9.3	7.8	0.0	0.6	-0.4	-0.2	-0.1
American Funds Fundamental Invs A	S&P 500 TR USD	2.1		5.7	3.9	0.0	0.1	0.1	0.0	0.2
DFA Global Equity I	MSCI World NR USD	23.7		10.3	9.3	0.0	0.4	-0.1	-0.1	0.2
American Funds New Perspective A	MSCI ACWI NR USD	4.2		10.8	10.1	0.0	0.1	0.0	-0.1	0.0
Vanguard Institutional Index I	S&P 500 TR USD	11.9		11.4	11.4	0.0	0.0	0.2	0.0	0.2
DFA Emerging Markets Core Equity I	MSCI EM NR USD	2.1		9.3	9.1	0.0	0.0	0.0	0.0	0.0
DFA US Small Cap I	Russell 2000 TR USD	1.3		1.9	0.8	0.0	0.0	0.0	0.0	0.0
DFA International Small Company I	MSCI World Ex USA Small Cap NR USD	1.7		6.1	5.2	0.0	0.1	0.1	0.0	0.2
<b>Absolute Return</b>	<b>HFRI FOF</b>	<b>8.8</b>	<b>10.0</b>	<b>5.1</b>	<b>2.6</b>	<b>0.0</b>	<b>0.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.3</b>
Angeles Absolute Return Fund	HFRI FOF	8.8		5.1	2.6	0.0	0.2	0.0	0.0	0.2
<b>Real Assets</b>	<b>S&amp;P Global REIT NR USD</b>	<b>4.9</b>	<b>5.0</b>	<b>4.9</b>	<b>4.2</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>
DFA Global Real Estate Securities Port	S&P Global REIT TR USD	4.9		4.9	3.7	0.0	0.1	0.0	0.0	0.1
<b>Fixed Income</b>	<b>BarCap US Agg Bond TR USD</b>	<b>16.0</b>	<b>15.1</b>	<b>4.4</b>	<b>2.2</b>	<b>-0.1</b>	<b>0.5</b>	<b>0.0</b>	<b>-0.1</b>	<b>0.4</b>
Community Loans	BBgBarc US Agg Bond TR USD	1.1		5.1	2.0	0.0	0.1	0.0	0.0	0.1
PIMCO Income Instl	BBgBarc US Agg Bond TR USD	7.0		6.6	2.2	0.0	0.4	0.0	0.0	0.4
Dodge & Cox Income	BBgBarc US Agg Bond TR USD	0.9		4.6	3.4	0.0	0.1	0.0	0.0	0.0
Baird Core Plus Bond Inst	BBgBarc US Agg Bond TR USD	1.9		4.6	3.4	0.0	0.1	0.0	0.0	0.1
DFA One-Year Fixed-Income I	ICE BofAML US 6M Trsy Bill TR USD	1.5		0.6	0.4	0.0	0.0	0.0	0.0	0.0
Vanguard Total Bond Market Index I	BBgBarc US Agg Float Adj TR USD	3.4		3.6	3.6	0.0	0.0	0.0	0.0	0.0
Vanguard Total Bond Market Index Inv	BBgBarc US Agg Float Adj TR USD	0.3		-3.4	-3.2	0.0	0.0	0.0	0.0	0.0
<b>Cash and Equivalents</b>	<b>BofAML US Treasury Bill 3 Mon</b>	<b>0.1</b>	<b>0.0</b>	<b>0.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
TD Bank USA MMDA - Cash Reserve	BofAML US Treasury Bill 3 Mon TR USD	0.1		1.2	0.4	0.0	0.0	0.0	0.0	0.0
TDA - Cash Sweep Account	BofAML US Treasury Bill 3 Mon TR USD	0.1		0.0	0.4	0.0	0.0	0.0	0.0	0.0
<b>Total</b>		<b>100.0</b>	<b>100.0</b>	<b>8.7</b>	<b>7.8</b>	<b>0.0</b>	<b>2.0</b>	<b>-0.2</b>	<b>-0.5</b>	<b>1.4</b>
<b>Net of Fee Performance</b>				<b>8.6</b>	<b>7.8</b>					

**Asset Class Weighting Effect**

Measures how an over or under weight allocation to an asset class contributes or detracts from relative performance.

**Manager Style Effect**

Measures the contribution to the total portfolio's relative performance based on the managers' style (determined by their benchmarks) relative to the benchmark of their respective broader asset class.

**Manager Selection Effect**

Measures the contribution to the total portfolio's relative performance based on the managers' excess return against their specific benchmarks.

**Total Net Effect**

Represents the portfolio's total active return relative to the benchmark. It is the summation of the weighting effect, manager style & selection effect and manager fee effect.

**Disclosure:**

Attribution data approximates gross returns\* for asset classes and the total fund by weighting the returns of underlying managers by their allocation within the portfolio. Active changes in the portfolio's structure are captured by periodic allocation updates. Approximated attribution returns may differ from actual returns by as much as ½% over any twelve-month period shown. Performance data for mutual funds, ETFs, individual equities and indices provided by Morningstar. All other fund performance provided by the respective manager or calculated by Angeles.

Returns for managers and corresponding indices reflect the return earned on the investment for the period it was held within the portfolio if shorter than the time period indicated by the report. Returns are gross of Angeles' management fees, but net of all underlying manager fees.