

Investment Performance Summary

As of 6/30/2019

Investment Mix Options	YTD	1 Month	3 Months	1 Year	3 Years	5 Years	10 Years
Combined Equity Pools	17.25	6.67	3.73	6.62	12.65	8.22	12.37
Equity Benchmark	17.19	6.66	3.74	6.59	12.70	8.21	12.80
Domestic Equity Pool TR*	18.70	6.99	4.07	9.04	14.03	10.20	
Domestic Equity Benchmark*	18.71	6.99	4.08	9.00	14.04	10.18	14.69
International Equity Pool TR*	13.50	5.86	2.83	0.60	8.96	2.56	
International Equity Benchmark*	13.23	5.79	2.78	0.61	9.16	2.63	
S&P 500 TR USD	18.54	7.05	4.30	10.42	14.19	10.71	14.70
MSCI ACWI Ex USA NR USD	13.60	6.02	2.98	1.29	9.39	2.16	6.54
Intermediate-Term Fixed Income Pool TR	6.83	1.38	3.17	8.75	2.48	3.10	
Intermediate-Term Fixed Income Benchmark	6.92	1.49	3.32	8.85	2.63	3.24	
Short-Term Fixed Income Pool TR	3.73	0.65	1.78	5.21	1.81	1.86	
Short-Term Fixed Income Benchmark	3.81	0.71	1.88	5.33	1.94	1.97	
Money Market Pool TR	1.08	0.18	0.56	1.89	0.91	0.57	0.32
USTREAS T-Bill Auction Ave 3 Mon	1.22	0.19	0.60	2.36	1.47	0.92	0.50

Individual investment options allow donors to recommend a custom allocation strategy, which can include one or more Investment Pools.

Please refer to the quarterly Investment Performance Supplemental Report for benchmark

Investment Mix Options	YTD	1 Month	3 Months	1 Year	3 Years	5 Years	10 Years
Aggressive Mix TR	14.88	5.54	3.56	6.96	10.60	7.17	10.82
Aggressive Mix Benchmark	14.85	5.54	3.59	6.96	10.67	7.19	11.07
Moderately Aggressive Mix TR	12.17	4.34	3.20	6.79	8.43	5.93	9.14
Moderately Aggressive Mix Benchmark	12.17	4.36	3.25	6.83	8.54	5.99	9.26
Moderate Mix TR	9.30	3.12	2.74	6.30	6.19	4.57	7.10
Moderate Mix Benchmark	9.34	3.15	2.81	6.41	6.36	4.68	7.10
Conservative Mix TR	6.44	1.90	2.24	5.69	3.94	3.17	5.01
Conservative Mix Benchmark	6.51	1.94	2.32	5.86	4.17	3.33	4.90
Short-Term Mix TR	2.80	0.49	1.35	4.04	1.50	1.41	
Short-Term Mix Benchmark	2.90	0.53	1.43	4.29	1.78	1.60	
Risk Averse Mix TR	1.08	0.18	0.56	1.89	0.91	0.57	0.32
USTREAS T-Bill Auction Ave 3 Mon	1.22	0.19	0.60	2.36	1.47	0.92	0.50

Investment Mix options offer a simple, one-stop approach to an investment strategy that best reflects your charitable goals. Donors recommend one option, which the Community Foundation rebalances.

*The Domestic Equity TR, the International Equity TR, the Domestic Equity Benchmark and the International Equity Benchmark have an inception date of 6/30/19; performance prior to that date is pro-forma.

Returns for periods greater than 1 year are compound annual returns.
TR = Total Return

Current Investment Mix Allocations	Domestic Equity Pool	Int-l Equity Pool	Interm-Term Fixed Income Pool	Short-Term Fixed Income Pool	Money Market Pool
Aggressive	55%	22%	10%	10%	3%
Moderately Aggressive	43%	17%	14%	21%	5%
Moderate	29%	11%	18%	27%	15%
Conservative	14%	6%	22%	33%	25%
Short Term	0%	0%	0%	65%	35%
Risk Averse	0%	0%	0%	0%	100%

Estimated Investment Management Fees for the Investment Mix Options

Aggressive	0.06%
Moderately Aggressive	0.07%
Moderate	0.09%
Conservative	0.10%
Short Term	0.12%
Risk Averse	0.14%

Performance is presented net of all investment management fees, brokerage, consulting and other transaction costs but gross of Long Beach Community Foundation administrative fees.

Customer Service

If you have any questions about your fund or wish to request a change in your investment mix, please contact LBCF at (562) 435-9033 or info@longbeachcf.org.

Contact Colleen Bragalone at (562) 435-9033 ext 2254 or Colleen@longbeachcf.org for more information on the pools, including their component funds and blended benchmarks, the Board of Directors Investment Committee, or the Investment Policy Statement.

Domestic Equity Pool

As of 6/30/2019

Trailing Returns

Equity Pool & Benchmark	YTD	Quarter	1 Year	3 Years Annualized	5 Years Annualized	10 Years Annualized
Domestic Equity Pool TR	18.70	4.07	9.04	14.03	10.20	
Domestic Equity Benchmark	18.71	4.08	9.00	14.04	10.18	14.69
S&P 500 TR USD	18.54	4.30	10.42	14.19	10.71	14.70
Russell 3000 TR USD	18.71	4.10	8.98	14.02	10.19	14.67

Performance for the Domestic Equity Pool prior to 06/30/2019 is pro-forma based on the experience of the previous Equity Pool

Trailing Returns

Domestic Equity Pool Holding & Benchmark	YTD	Quarter	1 Year	3 Years Annualized	5 Years Annualized	10 Years Annualized
Vanguard Instl Ttl Stk Mkt Idx InstlPIs	18.73	4.09	9.03	14.06	10.22	14.77
CRSP US Total Market TR USD	18.71	4.08	9.00	14.04	10.18	14.69

Purpose

The purpose of the Domestic Equity Pool is to facilitate the funding of current and future charitable needs of participating charitable funds and organizations. The long term investment objective of the Domestic Equity Pool is to obtain broad US equity market exposure utilizing a passive, cost effective approach that is diversified across market capitalizations and regions. A secondary objective is to provide cash flows to fund distributions and to preserve the purchasing power of the funds to meet charitable needs now and in the future.

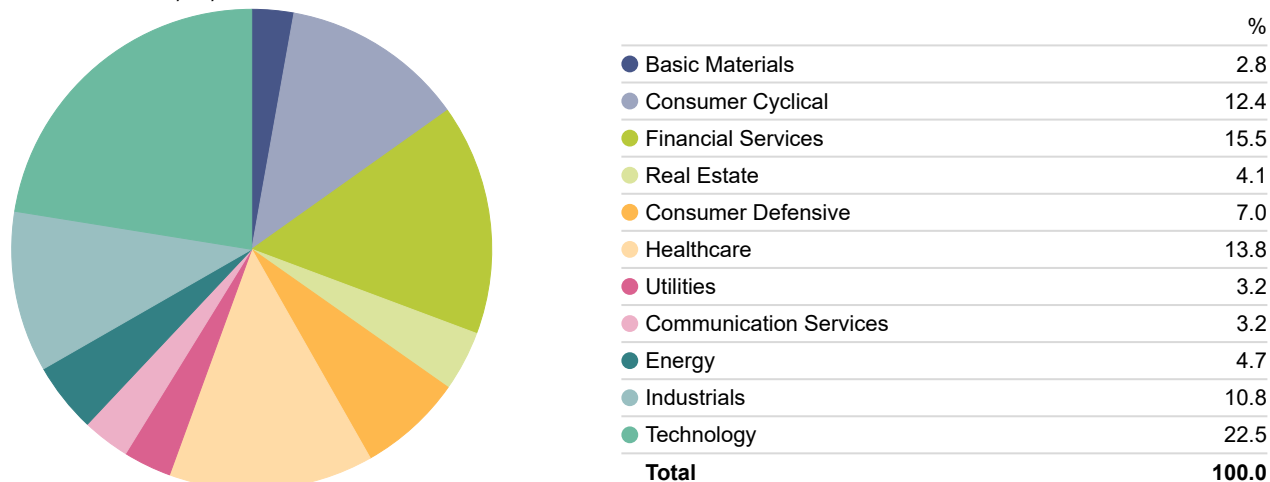
Domestic Equity Pool - Top Holdings

Portfolio Date: 6/30/2019

	Market Value (mil)	Portfolio Weighting %
Total Market Value: \$388,718,260.95		
Vanguard Instl Ttl Stk Mkt Idx InstlPIs	\$ 388.7	100%

Domestic Equity Pool - Equity Sectors (Morningstar)

Portfolio Date: 6/30/2019



Equity Benchmark Current
CRSP US Total Stock Market 100%

Top Stock Holdings

1. Microsoft Corp
2. Apple Inc.
3. Amazon.com Inc.
4. Alphabet Inc.
5. Facebook Inc
6. Berkshire Hathaway Inc B
7. Johnson & Johnson
8. JPMorgan Chase & Co
9. Exxon Mobil Corp
10. Visa Inc

Trailing Twelve Month Dividend Yield: 1.90%

Performance is presented gross of administrative fees but net of all investment management fees, brokerage, consulting and other transaction costs.

Estimated Pool Investment Management Fee: .03%

International Equity Pool

As of 6/30/2019

Trailing Returns

Equity Pool & Benchmark	YTD	Quarter	1 Year	3 Years Annualized	5 Years Annualized	10 Years Annualized
International Equity Pool TR	13.50	2.83	0.60	8.96	2.56	
International Equity Benchmark	13.23	2.78	0.61	9.16	2.63	
FTSE Global All Cap ex US TR USD	13.58	2.99	0.81	9.51	2.70	7.26

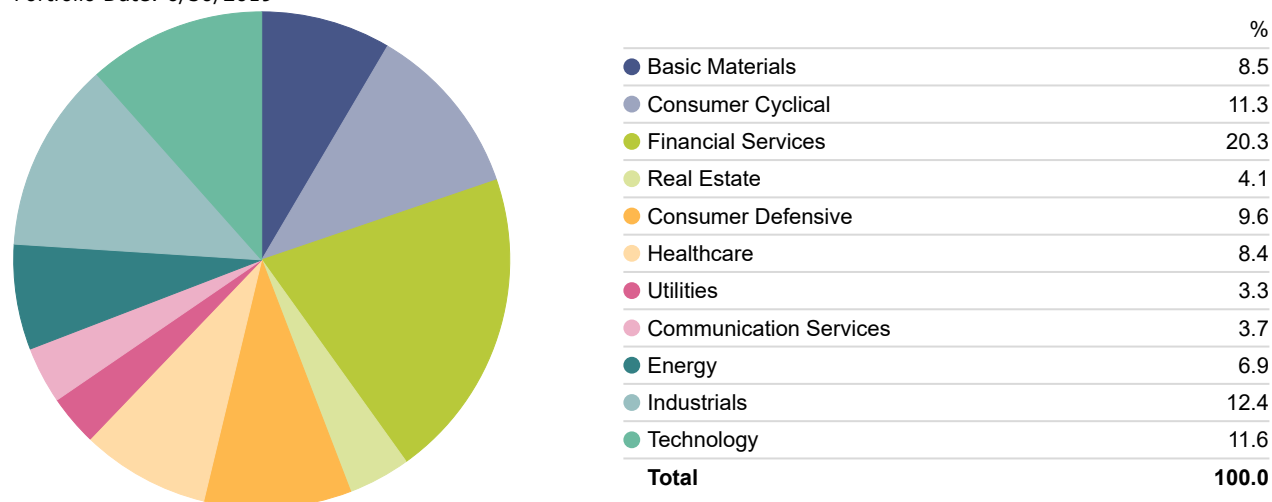
Performance for the International Equity Pool prior to 06/30/2019 is pro-forma based on the experience of the previous Equity Pool

Trailing Returns

International Equity Pool Holding & Benchmark	YTD	Quarter	1 Year	3 Years Annualized	5 Years Annualized	10 Years Annualized
Vanguard Developed Markets Index Instl	13.85	3.27	0.01	8.86	2.55	7.08
FTSE Developed ex US All Cap NR USD	13.65	3.23	-0.38	8.79	2.13	
Vanguard Emerging Mkts Stock Idx Instl	12.37	0.91	3.50	9.37	2.34	5.62
FTSE Emerging NR USD	11.74	1.21	4.02	10.28	2.87	6.00

International Equity Pool - Equity Sectors (Morningstar)

Portfolio Date: 6/30/2019



International Equity Benchmark	Current
FTSE Developed ex US All Cap	78%
FTSE Emerging Markets	22%

Source: Morningstar Direct

Purpose

The purpose of the International Equity Pool is to facilitate the funding of current and future charitable needs of participating charitable funds and organizations. The long term investment objective of the International Equity Pool is to obtain broad international equity market exposure utilizing a passive, cost effective approach that is diversified across market capitalizations and regions. A secondary objective is to provide cash flows to fund distributions and to preserve the purchasing power of the funds to meet charitable needs now and in the future.

International Equity Pool - Top Holdings

Portfolio Date: 6/30/2019

Total Market Value: \$148,536,404.38	Market Value (mil)	Portfolio Weighting %
Vanguard Developed Markets Index Ins Pls	\$ 116.0	78%
Vanguard Emerging Mkts Stock Idx Instl	\$ 32.6	22%

Top Stock Holdings

1. Nestle SA
2. Tencent Holdings Ltd
3. Novartis AG
4. Roche Holdings AG Dividend Right Cert.
5. Samsung Electronics Co Ltd
6. Alibaba Group Holdings Ltd ADR
7. HSBC Holdings PLC
8. Toyota Motor Corp
9. Royal Dutch Shell PLC Class A
10. BP PLC

Trailing Twelve Month Dividend Yield: 2.71%

Performance is presented gross of administrative fees but net of all investment management fees, brokerage, consulting and other transaction costs.

Estimated Pool Investment Management Fee: .06%

Intermediate-Term Fixed Income Pool

As of 6/30/2019

Trailing Returns

Int-Term Fixed Income Pool & Blended Benchmark	Year to Date	Quarter	1 Year	3 Years Annualized	5 Years Annualized	10 Years Annualized
Intermediate-Term Fixed Income Pool TR	6.83	3.17	8.75	2.48	3.10	
Intermediate-Term Fixed Income Benchmark	6.92	3.32	8.85	2.63	3.24	

Purpose

The purpose of the Intermediate-Term Fixed Income Pool is to provide capital preservation and current income to help meet spending requirements of donor portfolios. The Pool will utilize a passive, cost effective approach with a secondary objective to provide broad exposure to U.S. income markets. The Pool is diversified across U.S. Treasuries notes and bonds, corporate bonds, bank loans, mortgaged-backed securities and U.S. Treasury Inflation-Protected Securities. The average effective duration and interest rate risk of the Pool will be commensurate with broad fixed income benchmarks such as the Barclays U.S. Aggregate Bond Index.

Trailing Returns

Int-Term Fix. Income Pool Holdings & Benchmarks	Year to Date	Quarter	1 Year	3 Years Annualized	5 Years Annualized	10 Years Annualized
Vanguard Interm-Term Bond Index I	7.70	3.73	10.01	2.43	3.47	5.12
BBgBarc US 5-10Y GovCredit FIAdj TR USD	7.77	3.91	10.11	2.54	3.54	
Vanguard Mortgage-Backed Secs Idx Instl	3.94	1.79	5.87	1.91	2.39	
BBgBarc US MBS TR USD	4.17	1.96	6.22	2.06	2.56	3.23
Vanguard Shrt-Term Infl-Prot Sec Idx Ins	3.32	1.58	3.16	1.59	0.88	
BBgBarc US TIPS 0-5 Year TR USD	3.33	1.65	3.22	1.64	0.92	1.89
Xtrackers USD High Yield Corp Bd ETF	10.11	2.49	7.90			
Solactive USD HY Corp Total Mkt TR USD	10.15	2.47	8.03	7.16	4.28	

Intermediate-Term Fixed Income Pool Holdings

Portfolio Date: 6/30/2019

	Market Value (mil)	Portfolio Weight %
Total Market Value	\$126,852,855.84	
Vanguard Interm-Term Bond Index I	\$ 88.8	70%
Vanguard Mortgage-Backed Secs Idx Instl	\$ 25.4	20%
Xtrackers USD High Yield Corp Bd ETF	\$ 6.3	5%
Vanguard Shrt-Term Infl-Prot Sec Idx Ins	\$ 6.3	5%

Int.-Term Fixed Income Benchmark Weights

	Percent	Inception Date: January 1, 2014
Barclays US 5-10Y Gov/Credit FIAdj TR USD	70%	Performance is presented gross of administrative fees but net of all investment management fees, brokerage, consulting and other transactions costs.
Barclays US MBS Float Adjusted TR USD	20%	
Solactive USD HY Corp Total Mkt TR USD	5%	Estimated Pool Investment Management Fee: 0.07%
Barclays U.S. Treasury TIPS 0-5Y TR USD	5%	

Fixed Income Pool Statistics

Average Yield to Maturity	2.59%
Average Effective Duration	5.39 years
Trailing Twelve Month Yield	2.87%

Short-Term Fixed Income Pool

As of 6/30/2019

Trailing Returns

Short-Term Fix. Inc. Pool & Blended Benchmark	Year To Date	Quarter	1 Year	3 Years Annualized	5 Years Annualized	10 Years Annualized
Short-Term Fixed Income Pool TR	3.73	1.78	5.21	1.81	1.86	
Short-Term Fixed Income Benchmark	3.81	1.88	5.33	1.94	1.97	

Trailing Returns

Short-Term Fix. Inc. Pool Holdings & Benchmarks	Year to Date	Quarter	1 Year	3 Years Annualized	5 Years Annualized	10 Years Annualized
Vanguard Short-Term Bond Idx I	3.50	1.83	5.25	1.67	1.76	
BBgBarc US 1-5Y GovCredit FIAAdj TR USD	3.56	1.92	5.34	1.72	1.82	
Vanguard Mortgage-Backed Secs Idx Instl	3.94	1.79	5.87	1.91	2.39	
BBgBarc US MBS Float Adjusted TR USD	4.05	1.90	6.06	2.03	2.46	
Vanguard Shrt-Term Infl-Prot Sec Idx Ins	3.32	1.58	3.16	1.59	0.88	
BBgBarc US TIPS 0-5 Year TR USD	3.33	1.65	3.22	1.64	0.92	1.89
Invesco Senior Loan ETF	5.84	1.34	3.73	3.92	2.33	
S&P/LSTA U.S. Leveraged Loan 100 TR USD	6.79	1.58	4.22	4.89	3.10	5.74

Short-Term Fixed Income Benchmark Weights

	Percent
Barclays US 1-5Y GovCredit FIAAdj TR USD	70%
Barclays US MBS Float Adjusted TR US	20%
Barclays U.S. Treasury TIPS 0-5Y TR USD	5%
S&P/LSTA U.S. Leveraged Loan 100 TR USD	5%

Inception Date: January 1, 2014

Performance is presented gross of administrative fees but net of all investment management fees, brokerage, consulting and other transactions costs.

Estimated Pool Investment Management Fee: 0.09%

Purpose

The purpose of the Short-Term Fixed Income Pool is to provide capital preservation and current income to help meet spending requirements of donor portfolios. The Pool will utilize a passive, cost effective approach with a secondary objective to provide broad exposure to U.S. income markets. The Pool is diversified across U.S. Treasury notes and bonds, corporate bonds, bank loans, mortgaged-backed securities and U.S. Treasury Inflation-Protected Securities. The Pool will have a lower average effective duration than broad fixed income market benchmarks such as the Barclays U.S. Aggregate Bond Index, hence limiting overall interest rate risk.

Short-Term Fixed Income Pool Holdings

Portfolio Date: 6/30/2019

Total Market Value: \$194,208,470.93	Market Value (mil)	Portfolio Weight %
Vanguard Short-Term Bond Idx I	\$ 135.9	70%
Vanguard Mortgage-Backed Secs Idx Instl	\$ 38.8	20%
Invesco Senior Loan ETF	\$ 9.8	5%
Vanguard Shrt-Term Infl-Prot Sec Idx Ins	\$ 9.7	5%

Fixed Income Pool Statistics

Average Yield to Maturity	2.33%
Average Effective Duration	2.81 years
Trailing Twelve Month Yield	2.43%

Money Market Pool

As of 6/30/2019

Purpose

The purpose of the Money Market Pool is to provide liquidity for participating charitable funds and organizations in funding grant making and payment of fees and administrative costs while providing desired principal stability. The long term investment objective of the Money Market Pool is to seek a competitive market return to preserve and grow the portfolio, provide cash flows to meet charitable needs now and those in the future. As such, the Money Market Pool is highly liquid, which enables donors to access funds for grants in a timely manner. The Money Market Pool invests in bank deposits and obligations of the United States government and its agencies.

Money Market Trailing Returns

Time Period	Money Market Pool	90 Day Treasury Bills
3 Months	0.56%	0.62%
1 Year	1.89%	2.24%
3 Years	0.91%	1.29%
5 Years	0.57%	0.80%
10 Years	0.32%	0.45%

*Performance periods greater than 12 months are annualized.
Performance is net of investment management fees but not the
Foundation's administrative fees.*

Estimated Current Yield: 2.24%

Investment Commentary—June 30, 2019

Changes in the Equity Pool and the Aggressive Mix

As noted in the last Investment Commentary, on June 30th the Equity Pool was divided into two Pools. Beginning on June 30, 2019, there is a Domestic Equity Pool and an International Equity Pool. Going forward, donors have the option of choosing the allocation between U.S. equities and international equities that meets their investment objectives and risk tolerance. The overall weighting of equities remains the same in each donor fund and the relative weighting of U.S. to non-U.S. stocks remains the same unless a donor made a specific change for the June 30th rebalancing.

Also noted in the last Investment Commentary, there is a slight change to the Aggressive Investment Mix. The equity weighting was reduced to 77% and the Money Market Pool was increased to 3% to provide ample cash to encourage grant making.

Commentary

Within the investment community there is a sharp division over the future course of economic growth. Many are saying that a recession has already begun in the U.S. or that it will begin before year-end. Others are saying that any recession is at least a year away. The obvious thing to do in this case is consult the data. However, the data is equally divided.

Those expecting a weak economy point to the deceleration of the growth rates of total employment and industrial production along with the unexpected decline in long-term bond yields. Not only are long-term bond yields below the level of Treasury bill rates, bond yields are also forecasting a level of CPI inflation significantly below the Federal Reserve's target. The low bond yields are taken as a sign of recession. In addition, the European economies appear to be sinking into recession providing additional headwinds to the U.S. economy.

On the other hand, those expecting U.S. economic growth to continue, if not accelerate, point to the low level of initial unemployment claims filed each week. Rising initial unemployment claims, as shown below, have historically been a good indicator that recession is imminent or has already begun. Currently, there is no apparent financial stress expressed by the various Financial Stress Indices or by corporate bond yields relative to Treasury bond yields. Also, first quarter earnings for the S&P 500 were not as bad as forecast and are now estimated to accelerate in the second quarter.

The conundrum for most pundits is the low level of interest rates. Many associate a low level of interest rates with weak economic growth. Others say that demographic changes in the U.S. and the high level of total debt suggest that inflation will be much

lower going forward than has been the experience since 1971. Rather than forecasting recession, the low level of interest rates could be forecasting an inflation rate that will not increase as economic growth accelerates. Historically, economic growth has been the cure for high inflation, not its cause.

Turning to the last quarter, the Equity Pool (as historically constituted) gained 3.73% for the quarter bringing the year-to-date return to 17.25%. The domestic portion of the Equity Pool had returns of 4.07% and 18.70% respectively while the international portion had returns of 2.83% and 13.50% respectively.

The real surprise in the quarter was the substantial decline of Treasury bond yields. After beginning the year at 2.69% the 10 year Treasury yield fell to 2.41% on March 29th and then to 2.00% on June 28th. Corporate BBB bond yields¹ began the year at 4.69% and ended the quarter at 4.02% while below investment grade corporate bond yields² fell from 7.89% to 5.89% over the same period. When bond yields fall, prices of existing bonds appreciate so the Intermediate-Term Fixed Income Pool gained 3.17% in the quarter bringing the year-to-date return to 6.83% as the estimated yield-to-maturity on the Pool fell from 3.51% to 2.59% over the first six months of the year.

The yield on the 5 year Treasury note began the year at 2.51% and fell to 1.76% at the end of the second quarter. The estimated yield-to-maturity on the Short-Term Fixed Income Pool fell from 3.10% to 2.33% in the first 6 months enabling the Pool to return 1.78% in the second quarter and 3.73% year-to-date. Obviously, the price gains implicit in these total return numbers would be reversed if yields were to move higher from these levels.

¹ All Treasury note yield data comes from the Board of Governors of the Federal Reserve System (US)

All corporate yield data comes from the ICE Benchmark Administration Limited (IBA).

² ICE BofAML US Corporate BBB Effective Yield [BAMLC0A4CBBBEY]

² ICE US High Yield Master II Effective Yield [BAMLH0A0HYM2EY]

All the yield data was retrieved from FRED, Federal Reserve Bank of St. Louis on July 26, 2019.

