

## Foundation Funds

### Quarterly Performance Summary

December 31, 2017

#### Capital Markets Overview

##### **U.S. Equity Market**

Hitting new highs, the S&P 500 Index spent its ninth straight year in the black. The flagship US index has posted 14 consecutive months of gains with only one of the last 20 quarters in the red. The S&P 500 Index was up 6.6% in the fourth quarter, bolstered by the prospect of corporate tax cuts.

##### **Non-U.S. Equity Market**

Maintaining their lead, emerging market equities gained 7.4% in the fourth quarter and ended the year with returns of 37.3%. Healthcare and consumer discretionary dominated sector performance for the quarter, while utilities and telecommunication services lagged. Information technology led in 2017, largely driven by one stock, Chinese internet giant Tencent, which was up 114.3% for the year. Among countries, South Africa, Greece and India led performance, while Malta, Mexico and Pakistan were the stragglers.

##### **Fixed Income Market**

Credit also didn't miss a beat in the fourth quarter. The US yield curve flattened as short rates rose but longer-dated bond yields declined. The Bloomberg Barclays US Aggregate gained 0.4% in the fourth quarter. Long Treasuries and long credit maintained their trajectory, returning 2.4% and 3.2%, respectively, in the quarter. US high yield gained 0.5%, while the S&P Leveraged Loans Index posted a 1.1% return. Outside of the US, the rally continued within emerging markets. Emerging market currencies were the outperformer, up 2%. Local debt, largely helped by currencies, returned 80 basis points.

## Performance Overview

Foundation Standard Funds							
	3 Mo	YTD	1 Yr	3 Yr	5 Yr	Return	Since
Standard-Equity	5.45%	22.40%	22.40%	9.77%	11.78%	6.78%	Jan-97
<i>Standard-Equity Policy</i>	5.52%	23.04%	23.04%	9.54%	11.80%	7.54%	Jan-97
Standard-Fixed Income	0.62%	4.49%	4.49%	3.29%	2.85%	4.63%	Jan-97
<i>Standard-Fixed Income Policy</i>	0.58%	3.95%	3.95%	2.85%	2.70%	5.55%	Jan-97
Standard-Conservative Balanced	1.85%	8.85%	8.85%	4.92%	5.07%	5.69%	Dec-01
<i>Standard-Conservative Balanced Policy</i>	1.80%	8.45%	8.45%	4.58%	5.00%	5.76%	Dec-01
Standard-Moderate Balanced	3.03%	13.20%	13.20%	6.67%	7.86%	6.15%	Jan-97
<i>Standard-Moderate Balanced Policy</i>	3.03%	13.14%	13.14%	6.27%	7.79%	6.92%	Jan-97
Standard-Aggressive Balanced	4.26%	17.75%	17.75%	8.31%	9.55%	6.58%	Dec-01
<i>Standard-Aggressive Balanced Policy</i>	4.27%	17.99%	17.99%	7.94%	9.56%	6.90%	Dec-01

Foundation Preference Funds							
	3 Mo	YTD	1 Yr	3 Yr	5 Yr	Return	Since
Domestic Equity Fund	6.10%	18.99%	18.99%	11.13%	15.38%	6.43%	Nov-99
Domestic Equity Index	5.93%	19.66%	19.66%	10.82%	15.34%	6.30%	Nov-99
International Equity Fund	4.69%	27.04%	27.04%	8.15%	7.14%	5.01%	Nov-99
Int'l Equity Fund Index	5.42%	28.84%	28.84%	8.26%	7.05%	4.76%	Nov-99
Core Bond Fund	0.68%	4.13%	4.13%	2.78%	2.39%	4.93%	Nov-99
Core Bond Fund Index	0.56%	3.43%	3.43%	2.21%	2.08%	4.94%	Nov-99
High Yield Bond Fund	0.35%	6.01%	6.01%	5.36%	4.76%	6.91%	Nov-99
High Yield Bond Fund Index	0.65%	6.05%	6.05%	5.51%	5.08%	7.08%	Nov-99
Money Market Fund	0.21%	0.73%	0.73%	0.41%	0.26%	1.71%	Nov-99
Citi 3mth Treasury Bill	0.28%	0.84%	0.84%	0.38%	0.24%	1.68%	Nov-99

Market Returns							
	3 Mo	YTD	1 Yr	3 Yr	5 Yr	Return	Since
<i>S&amp;P 500</i>	6.64%	21.83%	21.83%	11.41%	15.79%	5.80%	Nov-99
<i>Russell 1000</i>	6.59%	21.69%	21.69%	11.23%	15.71%	6.13%	Nov-99
<i>Russell 2000</i>	3.34%	14.65%	14.65%	9.96%	14.12%	8.71%	Nov-99
<i>MSCI ACWI ex USA</i>	5.00%	27.19%	27.19%	7.83%	6.80%	4.73%	Nov-99
<i>MSCI EAFE</i>	4.23%	25.03%	25.03%	7.80%	7.90%	4.05%	Nov-99
<i>MSCI Emerging Markets</i>	7.44%	37.28%	37.28%	9.10%	4.35%	8.56%	Nov-99
<i>Barclays Aggregate</i>	0.39%	3.54%	3.54%	2.24%	2.10%	5.04%	Nov-99
<i>BofA Merrill Lynch US High Yield BB-B Rated</i>	0.36%	6.98%	6.98%	6.04%	5.58%	6.76%	Nov-99

## Domestic Equity Fund Summary

Performance Summary				
	4Q	3 Yr	5 Yr	Since Inception
Domestic Equity Fund	6.10%	11.13%	15.38%	6.43%
Domestic Equity Index	5.93%	10.82%	15.34%	6.30%

Fund Composition				
Manager	Investment Style	Position in Fund	4Q Manager Return	4Q Benchmark Return
BlackRock Russell 1000	Large Cap Core	50.0%	6.6%	6.6%
Jacobs Levy	Large Cap Core	15.2%	5.8%	6.6%
Rhumblin	Large Cap Equal Weighted	20.0%	6.2%	6.2%
Peregrine	Small Cap Growth	5.0%	5.1%	4.6%
Wellington	Small Cap Value	4.8%	3.2%	2.0%
CenterSquare	REIT	4.8%	3.0%	1.5%
Cash	n/a	0.1%		

CHARACTERISTICS		
	Portfolio	Russell 3000
Number of Holdings	1,220	2,961
Weighted Avg. Market Cap. (\$B)	108.2	150.1
Median Market Cap. (\$B)	11.0	1.7
Price to Earnings	27.0	25.0
Price to Book	5.3	4.6
Price to Sales	3.7	3.6
Return on Equity (%)	19.3	17.5
Yield (%)	1.8	1.7
Beta	1.0	1.0
R-Squared	1.0	1.0

TOP 10 HOLDINGS	
APPLE	2.2%
MICROSOFT	1.7%
AMAZON.COM	1.3%
ALPHABET 'C'	1.1%
FACEBOOK CLASS A	1.0%
EXXON MOBILE	1.0%
BERKSHIRE HATHAWAY 'B'	0.8%
JOHNSON & JOHNSON	0.8%
JP MORGAN CHASE & CO.	0.8%
CHEVRON	0.7%

SECTOR ALLOCATION		
	Portfolio	Russell 3000
Energy	6.0	5.8
Materials	3.6	3.4
Industrials	12.9	11.0
Consumer Discretionary	12.3	12.5
Consumer Staples	6.3	7.3
Health Care	11.8	13.3
Financials	14.1	15.1
Information Technology	20.1	22.8
Telecommunication Services	1.4	1.9
Utilities	2.7	3.0
Real Estate	8.6	3.9

## International Equity Fund Summary

Performance Summary				
	4Q	3 Yr	5 Yr	Since Inception
International Equity Fund	4.69%	8.15%	7.14%	5.01%
Int'l Equity Fund Index	5.42%	8.26%	7.05%	4.76%

Fund Composition				
Manager	Investment Style	Position in Fund	4Q Manager Return	4Q Benchmark Return
BlackRock	MSCI World ex US	26.7%	4.3%	4.2%
BlackRock Canada	MSCI Canada	5.4%	4.2%	4.1%
MFS	EAFE	16.4%	5.6%	4.2%
Marathon	EAFE	16.0%	3.6%	4.2%
AQR International	EAFE Small Cap	10.2%	5.5%	6.1%
Aberdeen	Emerging Markets	12.5%	4.9%	7.4%
OFI International	Emerging Markets	12.5%	5.1%	7.4%
Cash	n/a	0.3%		

CHARACTERISTICS		
	Portfolio	MSCI ACWI ex US
Number of Holdings	2,233	1,866
Weighted Avg. Market Cap. (\$B)	52.2	66.3
Median Market Cap. (\$B)	5.9	8.6
Price to Earnings	23.2	20.8
Price to Book	3.8	2.8
Price to Sales	2.9	2.2
Return on Equity (%)	17.2	15.0
Yield (%)	2.3	2.7
Beta	0.9	1.0
R-Squared	1.0	1.0

TOP 10 HOLDINGS	
TAIWAN SEMICON.MNFG.	1.5%
CASH - USD	1.5%
AIA GROUP	1.2%
TENCENT HOLDINGS	1.1%
HOUSING DEVELOPMENT FIN.	1.0%
NESTLE 'R'	1.0%
ROCHE HOLDING	0.9%
ALIBABA GROUP HLDG.SPN. ADR 1:1	0.8%
NAVER	0.7%
BP	0.6%

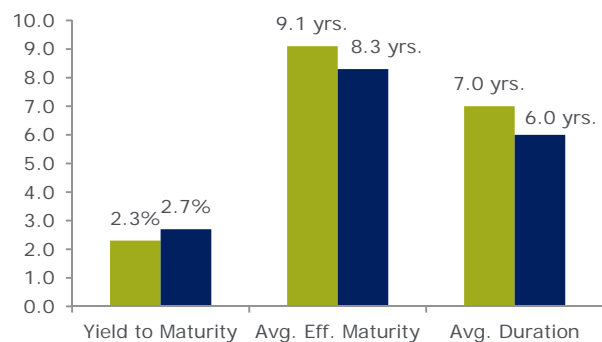
SECTOR ALLOCATION		
	Portfolio	MSCI ACWI ex US
Energy	2.1	6.7
Materials	7.9	8.1
Industrials	14.1	11.9
Consumer Discretionary	13.3	11.3
Consumer Staples	11.0	9.5
Health Care	7.0	7.6
Financials	20.5	23.1
Information Technology	11.4	11.5
Telecommunication Services	2.9	4.0
Utilities	2.5	2.9
Real Estate	3.2	3.2

## Core Bond Fund Summary

Performance Summary				
	4Q	3 Yr	5 Yr	Since Inception
Core Bond Fund	0.68%	2.78%	2.39%	4.93%
Core Bond Fund Index	0.56%	2.21%	2.08%	4.94%

Fund Composition				
Manager	Investment Style	Position in Fund	4Q Manager Return	4Q Benchmark Return
JP Morgan Core	Core Bond	39.9%	0.5%	0.4%
Prudential Core	Core Bond	39.9%	0.6%	0.4%
BlackRock TIPS	TIPS	20.0%	1.3%	1.3%
Cash	n/a	0.1%		

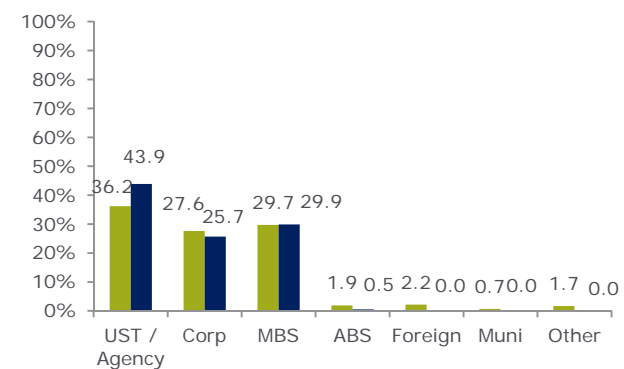
### CHARACTERISTICS



### TOP 10 HOLDINGS

FNMA CONV 30 YR SF	1.6%
CASH - USD	1.6%
FNMA ACTUAL/360 BALLON DUS	1.3%
UST 0.125 04/15/19	1.3%
GNMA2 SINGLE FAMILY 30 YR MULTIPLE	1.2%
UNITED STATES TREASURY	1.0%
UST 0.125 04/15/20	1.0%
UST 0.125 01/15/22	0.9%
UST 0.625 01/15/24	0.9%
UST 0.125 01/15/23	0.9%

### SECTOR ALLOCATION



Core Bond Fund      Barclays Aggregate

## High Yield Bond Fund Summary

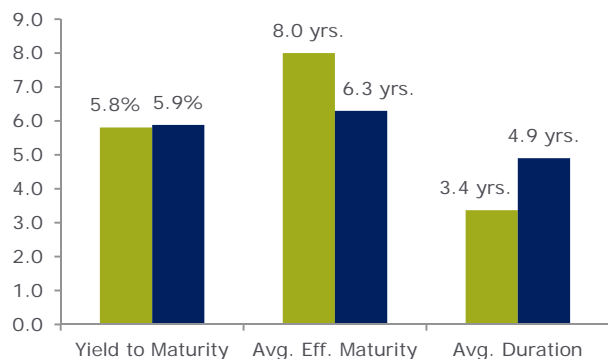
### Performance Summary

	4Q	3 Yr	5 Yr	Since Inception
High Yield Bond Fund	0.35%	5.36%	4.76%	6.91%
High Yield Bond Fund Index	0.65%	5.51%	5.08%	7.08%

### Fund Composition

Manager	Investment Style	Position in Fund	4Q Manager Return	4Q Benchmark Return
Fort Washington	High Yield Bond	33.0%	-0.2%	0.4%
Nomura Clydesdale	High Yield Bond	32.8%	0.3%	0.4%
Credit Suisse	Leveraged Loan	34.1%	0.9%	1.2%
Cash	n/a	0.1%		

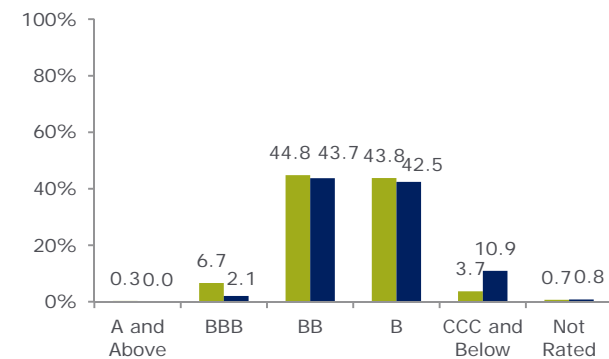
### CHARACTERISTICS



### TOP 10 HOLDINGS

CASH - USD	1.9%
NUME 6.000 05/15/22 '17	0.9%
SPRINT COMMUNICATIONS INC	0.8%
NEPTUNE FINCO CORP	0.8%
MGM RESORTS INTERNATIONAL	0.5%
COMM 5.000 06/15/21	0.5%
FRONTIER COMMUNICATIONS CORP	0.5%
THC 6.000 10/01/20	0.5%
CTL 5.800 03/15/22	0.5%
SHEA HOMES LP	0.5%

### QUALITY RATINGS



■ High Yield Bond Fund ■ High Yield Custom Benchmark\*

\*High Yield custom benchmark is 66% BofA ML US HY BB-B Constrained/34% CS Leveraged Loan

## Standard Funds Summary

### Equity Standard Fund

	Performance Summary			
	4Q	3 Yr	5 Yr	Since Inception
Standard-Equity	5.45%	9.77%	11.78%	6.78%
Standard-Equity Policy	5.52%	9.54%	11.80%	7.54%

	Composition	
	Actual	Target
Domestic Equity Pref. Fund	54.45%	55.0%
International Pref. Fund	44.25%	45.0%
Cash	1.29%	0.0%

### Fixed Income Standard Fund

	Performance Summary			
	4Q	3 Yr	5 Yr	Since Inception
Standard-Fixed Income	0.62%	3.29%	2.85%	4.63%
Standard-Fixed Income Policy	0.58%	2.85%	2.70%	5.55%

	Composition	
	Actual	Target
Core Bond Pref. Fund	78.48%	80.0%
High Yield Bond Pref. Fund	19.47%	20.0%
Cash	2.05%	0.0%

### Conservative Balanced Standard Fund

	Performance Summary			
	4Q	3 Yr	5 Yr	Since Inception
Standard-Conservative Balanced	1.85%	4.92%	5.07%	5.69%
Standard-Conservative Balanced Policy	1.80%	4.58%	5.00%	5.76%

	Composition	
	Actual	Target
Domestic Equity Pref. Fund	14.08%	13.8%
International Pref. Fund	11.32%	11.2%
Core Bond Pref. Fund	58.49%	60.0%
High Yield Bond Pref. Fund	14.55%	15.0%
Cash	1.56%	0.0%

## Standard Funds Summary (continued)

### Moderate Balanced Standard Fund

	Performance Summary			
	4Q	3 Yr	5 Yr	Since Inception
Standard-Moderate Balanced	3.03%	6.67%	7.86%	6.15%
Standard-Moderate Balanced Policy	3.03%	6.27%	7.79%	6.92%

	Composition	
	Actual	Target
Domestic Equity Pref. Fund	27.46%	27.5%
International Pref. Fund	22.84%	22.5%
Core Bond Pref. Fund	37.85%	40.0%
High Yield Bond Pref. Fund	9.39%	10.0%
Cash	2.46%	0.0%

### Aggressive Balanced Standard Fund

	Performance Summary			
	4Q	3 Yr	5 Yr	Since Inception
Standard-Aggressive Balanced	4.26%	8.31%	9.55%	6.58%
Standard-Aggressive Balanced Policy	4.27%	7.94%	9.56%	6.90%

	Composition	
	Actual	Target
Domestic Equity Pref. Fund	41.43%	41.3%
International Pref. Fund	33.98%	33.7%
Core Bond Pref. Fund	18.82%	20.0%
High Yield Bond Pref. Fund	4.68%	5.0%
Cash	1.09%	0.0%



## Notes

Domestic Equity Fund Benchmark: Since Inception through 12/31/2015: Wilshire 5000; 1/1/2016 to 1/31/2017: 90% Russell 1000/10% Russell 2000; 2/28/2017 to present: 65% Russell 1000/20% S&P 500 Equal Weighted/10% Russell 2000/5% NAREIT Equity.

International Equity Fund Benchmark: Since Inception through 12/31/2011: 75% MSCI ACWI ex-U.S. Index/25% MSCI EAFE Index; 1/1/2012 to 6/30/2016: 100% MSCI ACWI ex-U.S. Index; 7/1/2016 to present: 27% MSCI ACWI ex-U.S. Index/6% MSCI Canada IMI/32% MSCI EAFE/10% MSCI EAFE Small Cap/25% MSCI EM.

Core Fixed Income Fund Benchmark: Since Inception through 12/31/2007: 75% Barclays U.S. Aggregate Intermediate Index/25% Barclays U.S. Aggregate Index; 1/1/2008 to 10/30/2016: 100% Barclays U.S. Aggregate Index; 11/1/2016 to 2/28/2017: 95% Barclays U.S. Aggregate Index/5% Barclays U.S. TIPS; 3/1/2017 to 4/30/2017: 90% BBgBarc U.S. Aggregate/10% BBgBarc U.S. TIPS; 5/1/2017 to 5/31/2017: 85% BBgBarc U.S. Aggregate/15% BBgBarc U.S. TIPS; 6/1/2017 to present: 80% BBgBarc U.S. Aggregate/20% BBgBarc U.S. TIPS.

High Yield Bond Fund Benchmark: Since Inception through 3/31/2015: Citi High Yield Cash Pay Capped Index; 4/1/2015 to 6/30/2016: 75% BofA ML US HY BB-B Constrained/25% Credit Suisse Leveraged Loans; 7/1/2016 to present: 66% BofA ML US HY BB-B Constrained/34% Credit Suisse Leveraged Loans.