

## Foundation Funds

### Quarterly Performance Summary

December 31, 2018

#### Capital Markets Overview

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

The fourth quarter saw the decline of most major asset classes, and US equities suffered their worst December since the 1930s. The wave of risk aversion was felt broadly as safe-haven fixed income rallied with Treasury yields declining in the final weeks of last year. Investors, accustomed to the extended period of calm in the markets, need to reset their expectations and brace for higher levels of volatility. In addition, the US economy has entered the late stage of its expansionary cycle, negatively skewing the range of market outcomes in the coming years. That said, the late stage of an expansionary economic cycle does not imply the end of the cycle. There is little evidence to suggest a recession is imminent in the United States.

##### **International Equity Markets**

Outside the US, stocks across the board took a severe beating in the fourth quarter with the MSCI World ex US Index down 12.8%; energy, the worst performing sector, lost 20.2%. The MSCI EAFE Index was 12.5% in the red. Emerging markets outperformed developed markets during the quarter. Brazil was the best performing country, buoyed by President-elect Jair Bolsonaro's pick for chief economic advisor and his pledge to sell state-owned companies.

##### **Fixed Income Markets**

The Barclays Aggregate Index rose 1.6% and Barclays US Long Treasury was up 4.2%, illustrating the flight to safe-haven fixed income during the fourth quarter, while Barclays High Yield fell 4.5%. In the US, high-yield spreads widened significantly. The burgeoning BBB-rated segment is a concern for investment-grade and high-yield debt investors. Double the size of the high-yield market, the growth in the BBB-segment has been driven largely by insurance, an increase in M&A, and credit downgrades from A to BBB.

## Performance Overview

Foundation Standard Funds							
	3 Mo	YTD	1 Yr	3 Yr	5 Yr	Return	Since
Standard-Equity	-13.24%	-9.71%	-9.71%	6.31%	4.59%	5.97%	Jan-97
<i>Standard-Equity Policy</i>	-12.91%	-9.64%	-9.64%	6.67%	4.65%	6.69%	Jan-97
Standard-Fixed Income	0.09%	-0.45%	-0.45%	2.99%	2.83%	4.39%	Jan-97
<i>Standard-Fixed Income Policy</i>	0.28%	-0.35%	-0.35%	2.76%	2.71%	5.27%	Jan-97
Standard-Conservative Balanced	-3.26%	-2.59%	-2.59%	3.96%	3.33%	5.19%	Dec-01
<i>Standard-Conservative Balanced Policy</i>	-3.09%	-2.59%	-2.59%	3.83%	3.30%	5.25%	Dec-01
Standard-Moderate Balanced	-6.67%	-4.99%	-4.99%	4.79%	3.82%	5.61%	Jan-97
<i>Standard-Moderate Balanced Policy</i>	-6.41%	-4.90%	-4.90%	4.84%	3.83%	6.36%	Jan-97
Standard-Aggressive Balanced	-9.93%	-7.27%	-7.27%	5.59%	4.26%	5.72%	Dec-01
<i>Standard-Aggressive Balanced Policy</i>	-9.68%	-7.24%	-7.24%	5.79%	4.27%	6.01%	Dec-01

Foundation Preference Funds							
	3 Mo	YTD	1 Yr	3 Yr	5 Yr	Return	Since
Domestic Equity Fund	-14.49%	-5.75%	-5.75%	8.18%	7.66%	5.76%	Nov-99
Domestic Equity Index	-14.14%	-5.94%	-5.94%	8.34%	7.61%	5.62%	Nov-99
International Equity Fund	-11.64%	-14.50%	-14.50%	4.06%	0.66%	3.88%	Nov-99
Int'l Equity Fund Index	-11.28%	-14.44%	-14.44%	4.79%	0.86%	3.66%	Nov-99
Core Bond Fund	1.07%	-0.22%	-0.22%	2.37%	2.71%	4.66%	Nov-99
Core Bond Fund Index	1.22%	-0.24%	-0.24%	1.94%	2.45%	4.67%	Nov-99
High Yield Bond Fund	-3.81%	-1.48%	-1.48%	5.49%	3.37%	6.46%	Nov-99
High Yield Bond Fund Index	-3.46%	-0.88%	-0.88%	6.03%	3.47%	6.65%	Nov-99
Money Market Fund	0.42%	1.36%	1.36%	0.82%	0.53%	1.69%	Nov-99
Citi 3mth Treasury Bill	0.57%	1.86%	1.86%	0.99%	0.60%	1.69%	Nov-99

Market Returns							
	3 Mo	YTD	1 Yr	3 Yr	5 Yr	Return	Since
S&P 500	-13.52%	-4.38%	-4.38%	9.26%	8.49%	5.25%	Nov-99
Russell 1000	-13.82%	-4.78%	-4.78%	9.09%	8.21%	5.53%	Nov-99
Russell 2000	-20.20%	-11.01%	-11.01%	7.36%	4.41%	7.58%	Nov-99
MSCI ACWI ex USA	-11.46%	-14.20%	-14.20%	4.48%	0.68%	3.65%	Nov-99
MSCI EAFE	-12.54%	-13.79%	-13.79%	2.87%	0.53%	3.04%	Nov-99
MSCI Emerging Markets	-7.47%	-14.58%	-14.58%	9.25%	1.65%	7.21%	Nov-99
Barclays Aggregate	1.64%	0.01%	0.01%	2.06%	2.52%	4.77%	Nov-99
BofA Merrill Lynch US High Yield BB-B Rated	-3.83%	-1.99%	-1.99%	6.36%	3.87%	6.28%	Nov-99

Data as of December 31, 2018

## Domestic Equity Fund Summary

Performance Summary				
	4Q	3 Yr	5 Yr	Since Inception
Domestic Equity Fund	-14.49%	8.18%	7.66%	5.76%
Domestic Equity Index	-14.14%	8.34%	7.61%	5.62%

Fund Composition				
Manager	Investment Style	Position in Fund	4Q Manager Return	4Q Benchmark Return
BlackRock Russell 1000	Large Cap Core	50.3%	-13.8%	-13.8%
Jacobs Levy	Large Cap Core	14.6%	-17.3%	-13.8%
Rhumblin	Large Cap Equal Weighted	20.1%	-13.9%	-13.9%
Peregrine	Small Cap Growth	4.9%	-20.7%	-21.7%
Wellington	Small Cap Value	4.7%	-18.6%	-18.7%
CenterSquare	REIT	5.3%	-7.3%	-6.7%
Cash	n/a	0.1%		

Characteristics		
	Portfolio	Russell 3000
Number of Holdings	1,182	3,015
Weighted Avg. Market Cap. (\$B)	109.3	154.7
Median Market Cap. (\$B)	9.9	1.4
Price To Earnings	21.5	22.3
Price To Book	5.1	4.2
Price To Sales	4.2	4.1
Return on Equity (%)	21.4	21.0
Yield (%)	2.2	2.1
Beta	1.0	1.0
R-Squared	1.0	1.0

Top Holdings	
MICROSOFT	2.26%
APPLE	1.86%
AMAZON.COM	1.85%
ALPHABET 'C'	1.21%
BERKSHIRE HATHAWAY 'B'	0.90%
JOHNSON & JOHNSON	0.79%
JP MORGAN CHASE & CO.	0.74%
FACEBOOK CLASS A	0.71%
ALPHABET A	0.70%
BOEING	0.69%

Characteristics		
	Portfolio	Russell 3000
INDUSTRY SECTOR DISTRIBUTION (% Equity)		
Energy	5.18	4.95
Materials	3.35	2.68
Industrials	11.87	9.94
Consumer Discretionary	10.58	10.28
Consumer Staples	5.52	6.65
Health Care	13.40	15.05
Financials	13.18	13.86
Information Technology	17.73	19.88
Communication Services	6.62	9.14
Utilities	3.06	3.31
Real Estate	9.10	3.90

## International Equity Fund Summary

Performance Summary				
	4Q	3 Yr	5 Yr	Since Inception
International Equity Fund	-11.64%	4.06%	0.66%	3.88%
Int'l Equity Fund Index	-11.28%	4.79%	0.86%	3.66%

Fund Composition				
Manager	Investment Style	Position in Fund	4Q Manager Return	4Q Benchmark Return
BlackRock	MSCI World ex US	33.7%	-12.8%	-12.8%
MFS	EAFE	15.3%	-13.5%	-12.5%
Marathon	EAFE	15.2%	-13.9%	-12.5%
AQR International	EAFE Small Cap	9.0%	-16.4%	-16.0%
Aberdeen	Emerging Markets	13.5%	-3.5%	-7.5%
OFI International	Emerging Markets	13.2%	-8.0%	-7.5%
Cash	n/a	0.3%		

Characteristics	MSCI	
	Portfolio	ACWI ex USA
Number of Holdings	2,082	2,136
Weighted Avg. Market Cap. (\$B)	50.4	56.1
Median Market Cap. (\$B)	6.0	7.0
Price To Earnings	18.0	16.4
Price To Book	3.0	2.4
Price To Sales	3.2	2.4
Return on Equity (%)	17.0	15.5
Yield (%)	3.0	3.4
Beta	1.0	1.0
R-Squared	1.0	1.0

Top Holdings	
MEDIA NUSNT.CITRA	1.85%
SAMSUNG ELECTRONICS	1.68%
TAIWAN SEMICON.MNFG.	1.67%
TENCENT HOLDINGS	1.41%
CASH - USD	1.32%
SHINHAN FINL.GROUP	1.09%
HOUSING DEVELOPMENT FINANCE CORPORATION	1.05%
AIA GROUP	1.03%
ALIBABA GROUP HLDG.SPN. ADR 1:1	0.78%
SAMSUNG ELTN.PREF.	0.75%

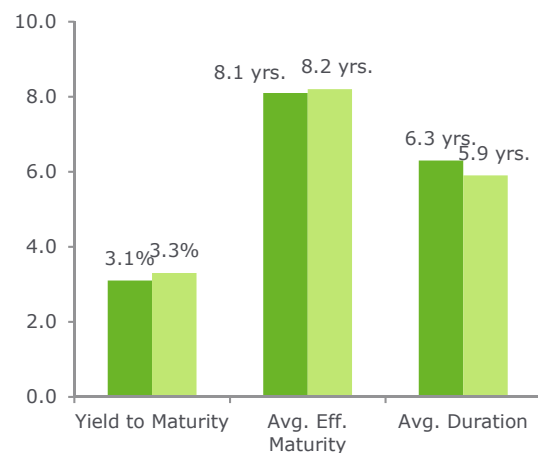
Characteristics		
	Portfolio	MSCI ACWI ex USA
INDUSTRY SECTOR DISTRIBUTION (% Equity)		
Energy	4.68	7.32
Materials	6.19	7.67
Industrials	11.47	11.69
Consumer Discretionary	12.96	10.57
Consumer Staples	9.98	9.84
Health Care	7.35	8.38
Financials	20.54	22.17
Information Technology	10.72	8.02
Communication Services	8.69	7.60
Utilities	1.90	3.39
Real Estate	3.49	3.32

\*International Equity custom benchmark is 27% MSCI ACWI ex US/6% MSCI Canada IMI/32% MSCI EAFE/10% MSCI EAFE Small Cap/25% MSCI EM

## Core Bond Fund Summary

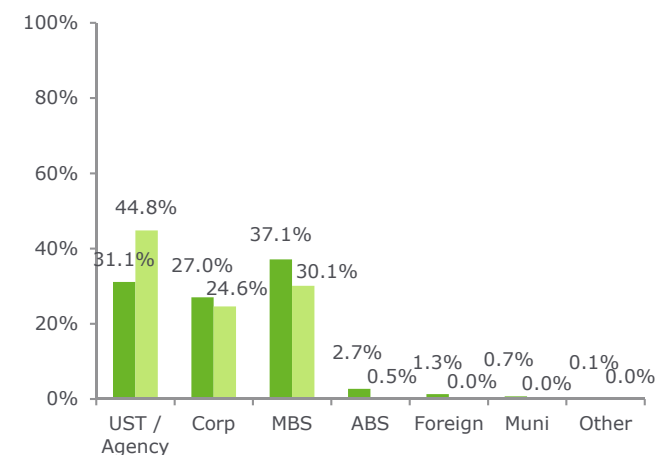
Performance Summary				
	4Q	3 Yr	5 Yr	Since Inception
Core Bond Fund	1.07%	2.37%	2.71%	4.66%
Core Bond Fund Index	1.22%	1.94%	2.45%	4.67%

Fund Composition				
Manager	Investment Style	Position in Fund	4Q Manager Return	4Q Benchmark Return
JP Morgan Core	Core Bond	40.1%	1.6%	1.6%
Prudential Core	Core Bond	40.0%	1.3%	1.6%
BlackRock TIPS	TIPS	19.8%	-0.4%	-0.4%
Cash	n/a	0.1%		



Top Holdings	
FNMA ACTUAL/360 BALLOON DUS	3.64%
FNMA CONV 30 YR SF	2.49%
GNMA2 SINGLE FAMILY 30 YR MULTIPLE	2.05%
FHLMC GOLD 30 YR	1.16%
UST 0.375 07/15/27 When Iss	0.97%
UST 0.125 04/15/22 When Iss	0.94%
UST 0.125 07/15/26 When Iss	0.93%
UST 0.125 04/15/20	0.90%
UST 0.125 07/15/22	0.87%
UNITED STATES TREASURY	0.82%

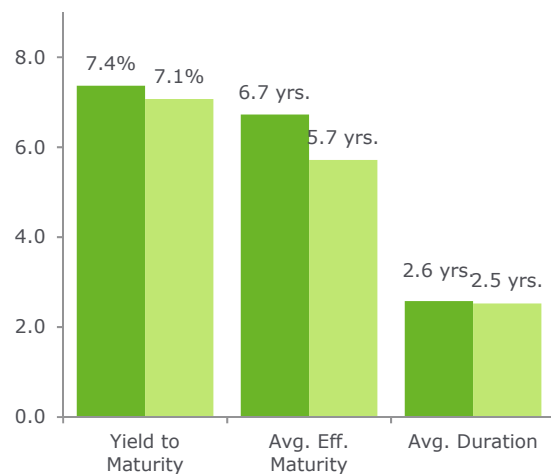
■ Core Bond Fund ■ Barclays Aggregate



## High Yield Bond Fund Summary

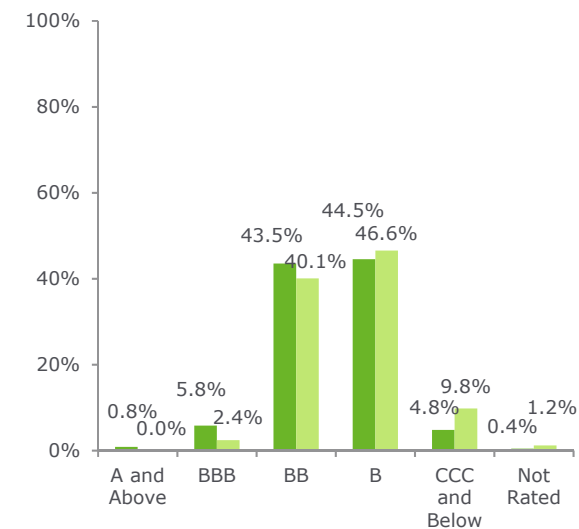
Performance Summary				
	4Q	3 Yr	5 Yr	Since Inception
High Yield Bond Fund	-3.81%	5.49%	3.37%	6.46%
High Yield Bond Fund Index	-3.46%	6.03%	3.47%	6.65%

Fund Composition				
Manager	Investment Style	Position in Fund	4Q Manager Return	4Q Benchmark Return
Fort Washington	High Yield Bond	25.1%	-4.0%	-3.8%
Nomura Clydesdale	High Yield Bond	24.9%	-4.9%	-3.8%
Credit Suisse	Leveraged Loan	49.9%	-3.2%	-3.1%
Cash	n/a	0.1%		



Top Holdings	
CASH - USD	1.68%
EURAM 12.000 08/15/20 '18	0.68%
MGM RESORTS INTERNATIONAL	0.62%
CHTR 5.125 05/01/27	0.56%
DISH 5.875 07/15/22	0.52%
SLM 6.125 03/25/24 MTN	0.50%
SPRINT CORP	0.48%
ALTICE FINANCING SA	0.47%
CCMO 6.500 11/15/22	0.47%
NRG 6.625 01/15/27 '21	0.47%

■ High Yield Fund ■ High Yield Custom Benchmark



\*High Yield custom benchmark is 50% Bloomberg Barclays US High Yield/50% CS Leveraged Loan

## Standard Funds Summary

### Equity Standard Fund

Performance Summary				
	4Q	3 Yr	5 Yr	Since Inception
Standard-Equity	-13.24%	6.31%	4.59%	5.97%
Standard-Equity Policy	-12.91%	6.67%	4.65%	6.69%

Composition		
	Actual	Target
Domestic Equity Pref. Fund	53.52%	55.0%
International Pref. Fund	45.45%	45.0%
Cash	1.03%	0.0%

### Fixed Income Standard Fund

Performance Summary				
	4Q	3 Yr	5 Yr	Since Inception
Standard-Fixed Income	0.09%	2.99%	2.83%	4.39%
Standard-Fixed Income Policy	0.28%	2.76%	2.71%	5.27%

Composition		
	Actual	Target
Core Bond Pref. Fund	80.04%	80.0%
High Yield Bond Pref. Fund	18.96%	20.0%
Cash	1.00%	0.0%

### Conservative Balanced Standard Fund

Performance Summary				
	4Q	3 Yr	5 Yr	Since Inception
Standard-Conservative Balanced	-3.26%	3.96%	3.33%	5.19%
Standard-Conservative Balanced Policy	-3.09%	3.83%	3.30%	5.25%

Composition		
	Actual	Target
Domestic Equity Pref. Fund	12.32%	13.8%
International Pref. Fund	10.18%	11.2%
Core Bond Pref. Fund	61.59%	60.0%
High Yield Bond Pref. Fund	14.68%	15.0%
Cash	1.23%	0.0%

## Standard Funds Summary (continued)

### Moderate Balanced Standard Fund

Performance Summary				
	4Q	3 Yr	5 Yr	Since Inception
Standard-Moderate Balanced	-6.67%	4.79%	3.82%	5.61%
Standard-Moderate Balanced Policy	-6.41%	4.84%	3.83%	6.36%

Composition		
	Actual	Target
Domestic Equity Pref. Fund	25.38%	27.5%
International Pref. Fund	21.35%	22.5%
Core Bond Pref. Fund	41.42%	40.0%
High Yield Bond Pref. Fund	10.04%	10.0%
Cash	1.81%	0.0%

### Aggressive Balanced Standard Fund

Performance Summary				
	4Q	3 Yr	5 Yr	Since Inception
Standard-Aggressive Balanced	-9.93%	5.59%	4.26%	5.72%
Standard-Aggressive Balanced Policy	-9.68%	5.79%	4.27%	6.01%

Composition		
	Actual	Target
Domestic Equity Pref. Fund	39.11%	41.3%
International Pref. Fund	33.01%	33.7%
Core Bond Pref. Fund	21.35%	20.0%
High Yield Bond Pref. Fund	5.15%	5.0%
Cash	1.38%	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 6/30/2018: 66% BofA ML US HY BB-B Constrained/34% Credit Suisse Leveraged Loans; 7/1/2018 to present: 50% BofA ML US HY BB-B Constrained/50% Credit Suisse Leveraged Loans