



# Environmental, Social, Governance (ESG) POOL

December 31, 2016

**Fund Objective:** The goal of the ESG Pool is capital appreciation and is appropriate for Fund Holders with a grantmaking horizon greater than 7 years and annual spending less than 10%.

ESG mirrors the core values of the East Bay Community Foundation and many of our donors. Beyond direct impact investing, ESG enables you to take an active role in influencing the behavior of public companies, including their impact on the environment, adoption of sustainable business practices, contribution to local communities, and promotion of diversity and gender equality in the workplace, to name just a few. Expected annual fees are 0.60% per year.

Performance Analysis	Market Value	Cum. Returns			Trailing Annualized Returns				Calendar Year Returns				
		MTH	QTR	YTD	1 Year	3 Year	5 Year	Inception 6/26/2014	2011	2012	2013	2014	2015
<b>EBCF ESG Pool</b>	\$ 4,063,766	1.00%	1.36%	7.28%	7.28%	4.97%	10.29%	3.51%	-1.07%	14.52%	23.18%	5.14%	0.55%
70% Global Stocks / 30% US Bonds		1.74%	0.48%	6.62%	6.62%	3.10%	6.80%	2.59%	-2.33%	11.47%	13.73%	4.73%	-1.30%

Inception date June 26, 2014

## ASSET ALLOCATION SUMMARY

ASSET CLASS	CURRENT TACTICAL ALLOCATION	POLICY BAND	ESG STRATEGIC ALLOCATION
<b>Equity</b>	67.30%	40-80%	67.00%
U.S. Large Cap Growth	16.03%		16.0%
U.S. All Cap Value	27.12%		27.0%
U.S. Multi Cap Growth	10.92%		11.0%
International ADR	13.23%		13.0%
<b>Real Assets</b>	0.00%	0-15%	0.0%
Real Estate	0.00%		0.0%
Natural Resources	0.00%		0.0%
<b>Alternatives</b>	0.00%	0-25%	0.0%
Liquid Alternative Funds	0.00%		0.0%
Non-Liquid Alt./Hedge Funds	0.00%		0.0%
Private Equity	0.00%		0.0%
<b>Fixed Income</b>	32.70%	15-35%	33.0%
Opportunistic Credit	0.00%		0.0%
Govt/Corp Bonds	32.70%		33.0%
Fixed Income Alternatives	0.00%		0.0%
Cash	0.00%		0.0%
<b>TOTAL PORTFOLIO</b>	100.00%		100.0%

## FUND OVERVIEW

<b>Total Assets:</b>	\$4 million
<b>Number of Sub-Advisors:</b>	1
<b>Annual Expense Ratio:</b>	0.40%
<b>Number of Fund Holders in the Pool:</b>	15
<b>Investment Consultant:</b>	Graystone Consulting
<b>Fund Objective:</b>	Long-Term Growth
<b>Pool Risk Profile:</b>	Higher Risk

## CONTACT US

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Annual fees include investment manager expenses of 0.40% and custody and consulting fees of 0.20% as of 12/31/2016. ESG Pool inception June 2014. Performance is based on the underlying manager composite gross performance prior to inception; 16% CB Large Growth, 11% CB Multi Growth, 27% CB All Cap Value, 13% CB Int'l ADR and 33% CB Taxable Fixed Income. The benchmark composite is based on a 70% MSCI All Country World Index / 30% Barclays US Aggregate Bond Index mix. This information is subject to change and, while we believe this information to be reliable, East Bay Community Foundation bears no responsibility whatsoever for any errors or omissions. Past performance is not a guide to the future performance of any manager or strategy, and that the performance results and historical information provided displayed herein may have been adversely or favorably impacted by events and economic conditions that will not prevail in the future. Therefore, caution must be used in inferring that these results are indicative of the future performance of any strategy, fund, manager or group of managers.

## Capital Markets Overview – 4<sup>th</sup> Quarter 2016

### Introduction

- The election of Donald Trump as the next U.S. President sent markets surging to new highs during the 4th quarter of 2016. Trump's pro-growth agenda focusing on infrastructure spending, tax reform, and deregulation fueled markets into the so-called "Trump Rally." Along with the election, all eyes were on the Federal Open Market Committee as the US reported improving inflation expectations and employment numbers, giving the Fed a green light to hike in December. With expectations fully priced in, markets reacted calmly when the Fed raised their target rate by 25 basis points and signaled three further hikes in 2017.
- For the quarter, US equities posted strong performance, especially the Financials sector of the S&P 500, which returned 21.1%. REITs and long-term US Treasuries lagged on the back of increasing inflation expectations and rising real interest rates. For the one-year period ending December 31, 2016, MLPs, US high yield corporate bonds, US equities and emerging market equities led the pack with double-digit returns. Managed futures and munis were the laggards for the year.
- The Dow Jones Industrial Average increased 8.7% in the fourth quarter. The NASDAQ Composite Index was up 1.7% for the quarter. The S&P 500 Index increased 3.8% for the quarter.
- Eight of the 11 sectors within the S&P 500 generated positive returns in the fourth quarter of 2016. The top-performing sector was Financials, which was up 21.1%. Energy and Industrials rose 7.3% and 7.2%, respectively, and were also among the top-performing sectors. The biggest laggards were Real Estate, which decreased 4.4%, and HealthCare, which fell 4.0%.
- The bond market registered negative returns during the fourth quarter. The Bloomberg U.S. Aggregate Bond Index, a general measure of the bond market, decreased 3.0% for the quarter.
- Morgan Stanley & Co. economists expect U.S. real GDP will be 1.6% in 2016 and 2.0% in 2017. They forecast global GDP growth to be 3.0% in 2016 and 3.4% in 2017.
- After posting negative third quarter returns, commodities registered positive returns in the fourth quarter; the Bloomberg Commodity Index increased 2.7%.
- For the fourth quarter of 2016, global mergers and acquisitions (M&A) deal volume was \$1,200 billion, compared to \$813 billion for the third quarter of 2016. Global M&A activity decreased to \$3.6 trillion in 2016 from \$4.3 trillion in 2015.

**Source: Graystone Consulting Global Investment Committee's Capital Markets Commentary as of December 31, 2016**

This market view represents as general market assessment of Graystone Consulting as of December 31, 2016. It does not represent the performance or the position of the investments held in the East Bay Community Foundation investment pools. Copy of full outlook available upon request. This information is subject to change and, while we believe this information to be reliable, East Bay Community Foundation bears no responsibility whatsoever for any errors or omissions. Past performance is no guarantee of future results of any manager or strategy, and that the performance results and historical information provided displayed herein may have been adversely or favorably impacted by events and economic conditions that will not prevail in the future. Therefore, caution must be used in inferring that these results are indicative of the future performance of any strategy, fund, manager or group of managers.