

ENDOWMENT INVESTMENT REPORT

AS OF DECEMBER 31, 2017

Investment Objective

Our investment objective is to maximize fund growth while minimizing investment risk, which enables us to optimize dollars available to invest in the community today while maintaining fund values for tomorrow. Our strategic allocation targets long-term annualized investment returns of 7% to 8%. This strategy allows us to spend an average of 5%, in real terms, from each fund annually while maintaining purchasing power over time.

Investment Strategy

The Foundation manages to a total return strategy that includes equities, fixed income, and alternatives. This diversified strategy allows the endowment to participate in the returns of a rising market and provide adequate protection from the downside of a falling market. Our Asset Allocation reflects our long-term vision of the investment landscape and serves as a framework for portfolio construction and measuring performance. Ranges are used around each allocation to provide for flexibility, depending on current market conditions or trends.

Asset Allocation

Asset Type	Policy	Actual as of 12/31/17
Fixed Income/Cash	17%	16%
Domestic Equity	32%	33%
Int'l Equity	16%	20%
Real Estate	7%	4%
Private Equity	8%	4%
Absolute Return	17%	20%
Commodities	3%	3%

Investment Performance

	Year Ended 12/31/17	5 Years
LCCF Corp Pool	15.8%	7.1%
Blended Benchmark	14.7%	8.0%

Performance and Positioning

Equities continued to rise in the fourth quarter of 2017, driven higher by synchronized global growth and tax reform. In the U.S., large cap equities experienced positive returns for 13 consecutive months, and 20 out of the past 21 months, the longest streak since 1959. International equities were the best performing asset class in 2017, benefitting from improving economic fundamentals, inexpensive valuations, and continued accommodative policy from their central banks. Fixed income markets produced positive returns, but face a challenging environment moving forward as the Federal Reserve continues to normalize interest rate policy.

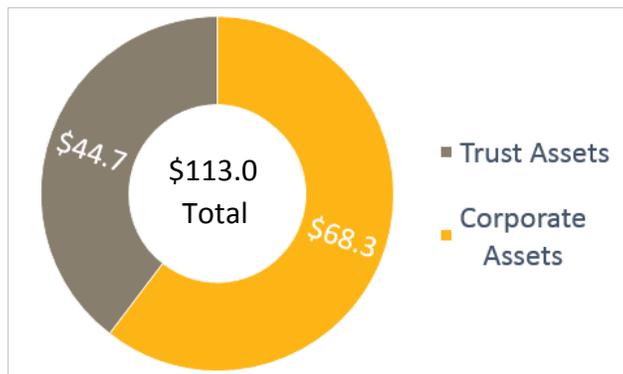
The Federal Reserve raised interest rates at the December 13th meeting to 1.25%-1.50% and continues to monitor inflation and the strengthening labor market to determine the path of interest rates. Over the course of 2017, rates were gradually increased three times as inflation remained below their 2% target. However, the U.S. unemployment rate remained at 4.1%, the lowest level since 2000 and within the Federal Reserve's comfort zone.

Given the likelihood of increased market volatility and consistent with our investment philosophy, the portfolio remains fully diversified, and we are seeking attractive long-term opportunities in equities, fixed income, and alternative investments.

Quick Facts

Lancaster County Foundation was formed as a community trust in 1924. At that time, all gifts were required to be placed in trust. Those trusts were perpetual and still exist today, accounting for less than half of the assets of the Foundation. In 2005, the Lancaster County Community Foundation Corporation became operational. As a nonprofit corporation, the Foundation became a more flexible and nimble organization that better serves its donors, beneficiaries and the community, accepting gifts of all sizes and types.

Assets by Type at 12/31/17 (in \$Millions)



Committee Members

Joe Byorick
Chief Financial Officer
Lancaster General Hospital/Penn Medicine

J. Thomas Dunlevy
Executive Vice President, Retired
Glenmede Trust

Sarah Young Fisher, CFP
President
RKL Wealth Management, LLC

Shane Zimmerman
Treasurer
Steinman Communications

FOUNDATION STAFF

Samuel Bressi
President & CEO

Wayne Groff, CPA
Vice President, Finance

Jordan Zimmerman, CPA
Controller

Economic Backdrop

The current economic expansion remains intact, with economic indicators continuing to point to continued slow growth. Manufacturing data in both the U.S. and Eurozone is in-line with analyst expectations signifying a continued expansionary cycle. Consumer confidence has remained high over the course of 2017, fueled by a strong job market, stock market rally, and congressional fiscal policy reform.

On December 22, 2017 President Trump signed a tax bill that reduced the corporate tax rate to 21%, its lowest level since 1939. Lower corporate tax rates should boost earnings for domestic corporations, and favorable tax treatment for capital expenditures should encourage capital investments, which may have a more long-term positive effect on the economy.

The new Fed Chairman Powell is likely to provide continuity and ongoing gradual normalization of monetary policy, while the unwinding of the Fed's balance sheet bears watching. The European Central Bank and the Bank of Japan may look to taper their respective monetary stimulus as economic data has been generally positive; however, international monetary policy is expected to remain accommodative.

Forever Lancaster: Your Legacy. Our Community.

Lancaster is an extraordinary community. We are a community that has deep passions and an inspired sense of purpose. That's why the Foundation has developed the pathway for you to imagine and create the community you want to see: for today, tomorrow, and forever. By investing even a small piece of your estate in the future of Lancaster, you can turn your ideas into action, and your passion into legacy.

For more information,
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Performance data is based on past performance and is no guarantee of future results. All data is unaudited. Lancaster County Community Foundation is not an investment advisor or broker. It solely invests money legally owned and controlled by it in its corporate capacity.