

ENDOWMENT INVESTMENT REPORT

AS OF DECEMBER 31, 2018

Investment Objectives

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 Target	Actual as of 12/31/18
Fixed Income/Cash	17%	17%
Domestic Equity	32%	32%
International Equity	16%	20%
Real Estate	7%	4%
Private Equity	8%	5%
Absolute Return	17%	19%
Commodities	3%	3%

Investment Performance (Net of fees)

	Year Ended 12/31/18	3 Years Annualized
LCCF Corp Pool	-6.1%	4.6%
Blended Benchmark	-5.7%	5.0%

Performance and Positioning

Equity markets sold off broadly through Christmas Eve, with the S&P 500 down almost 20% from September highs. Concerns were fueled by Federal Reserve policy, ongoing trade tension between the U.S. and China, fears over slowing earnings growth, and uncertainty in Washington. U.S. corporations benefited from fiscal stimulus in 2018 in the form of both tax cuts and increased government spending. While these measures should continue to support an aging expansion through 2019, earnings growth rates are expected to slow as any additional incremental benefit is limited.

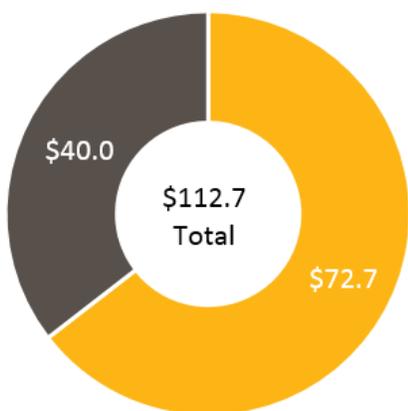
The Federal Reserve raised short-term rates at its meeting in December, which was widely anticipated by investors. Throughout 2018, FOMC participants have supported gradual rate increases as data remained consistent with a sustained economic expansion. After the volatility experienced in December, the Federal Reserve has taken a more dovish tone, and expectations are for the Fed to pause on additional hikes for now while monitoring employment and inflation trends.

Given the likelihood of increased market volatility and consistent with our investment philosophy, we continue to diversify the portfolio across asset classes, sectors, and regions and have positioned the portfolio to take advantage of the current environment.

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 about one third 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- including donor advised funds and charitable gift annuities.

Assets by Type at 12/31/18 (in \$Millions)



■ Corporate Assets ■ Trust Assets

Investment Committee Members

Joe Byorick, Chair

Chief Financial Officer

Penn Medicine/Lancaster General Hospital

J. Thomas Dunlevy

Executive Vice President, Retired

Glenmede Trust

Sarah Young Fisher, CFP

President Emeritus

RKL Wealth Management, LLC

Shane Zimmerman

EVP & Treasurer

Steinman Communications

Jon Zuo

President

Advanced Cooling Technologies

Economic Backdrop

Recent market volatility is symptomatic of the late-stage economic expansion. A recession does not yet appear imminent and we believe the expansion is likely to continue, but the economic picture is more fragile than it had been earlier in the cycle. Growth is apparent and the employment picture is strong, but wage and other business margin pressures are growing.

Following the G20 meeting in early December, Chinese tariffs on U.S. vehicles and auto parts were reduced from 40% to 15%, suggesting incremental progress from bilateral talks. Major technology companies have recently lowered earnings forecasts, citing headwinds from the ongoing trade dispute with China. Fearing additional negative market impacts, both sides appear more keen on deescalating trade tensions.

Risks are still apparent in Europe as the ECB plans to end its ultra-easy monetary policy. Expectations are that the ECB will no longer increase the size of their balance sheet and may begin to raise ultra-low interest rates in the second half of 2019. While Brexit negotiations are ongoing, the United Kingdom is faced with options that include a hard-Brexit, no Brexit at all, or a delay in the negotiating window to provide additional time to resolve differences. A hard-Brexit seems unlikely, but the ongoing uncertainty with central bank and government policy may continue to contribute to market volatility.

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. 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 info, contact Jessica Mailhot at 717-397-1629 or JMailhot@lanconfound.org.

Foundation Staff

Samuel Bressi

President & CEO

Wayne Groff, CPA

Chief Financial Officer

Jordan Zimmerman, CPA

Controller

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.