

Investment Performance

AS OF SEPTEMBER 30, 2018

MESSAGE FROM THE INVESTMENT COMMITTEE CHAIR

Dear BCF Fundholders,



While this letter reflects on the third quarter of 2018, September seems like it was years ago, given how forcefully volatility returned to the markets in October. This pullback is not particularly surprising when you consider that interest rates are rising, the labor market is tight, and there is a trade dispute with China, all of which could put pressure on an otherwise growing economy. Indeed, we could experience more volatility ahead, as we expect

further Fed tightening and difficult earnings comparisons going forward. Volatility, though, is the price we pay for getting better than expected returns from the stock market over the long term. So we stay the course, understanding we will have some downturns along the way.

In the past quarter, the BCF Pool was up 2.9% vs. our benchmark return of 2.8%. Our U.S. equities led the way, up 7.1% for the quarter. Emerging markets were the weakest asset class, down 1.7%. Developing economies saw early fallout from trade skirmishes. And, while our bond portfolio didn't lose money this quarter, they were basically flat, owing to the steady rise in interest rates. Rising rates continue into the fourth quarter at a fairly rapid pace, which will likely have a negative effect on bonds.

Because of volatile periods as we've seen since the end of the 3rd quarter, the BCF Investment Committee recently revisited our asset allocation and reflected on our decision to shift into passive investments. We have concluded that over time we will most certainly benefit by maintaining a broadly diversified and low cost portfolio, sticking with the strict discipline of rebalancing when called for. This process helps us take the human emotion out of our decision-making.

We continue to take our fiduciary responsibility seriously, always with an eye towards growing your charitable fund assets for the long term. Thanks, as always, for your commitment to BCF and to Baltimore.

Warm regards,

Patricia P. Baum
Chair, Investment Committee

BCF INVESTMENT COMMITTEE

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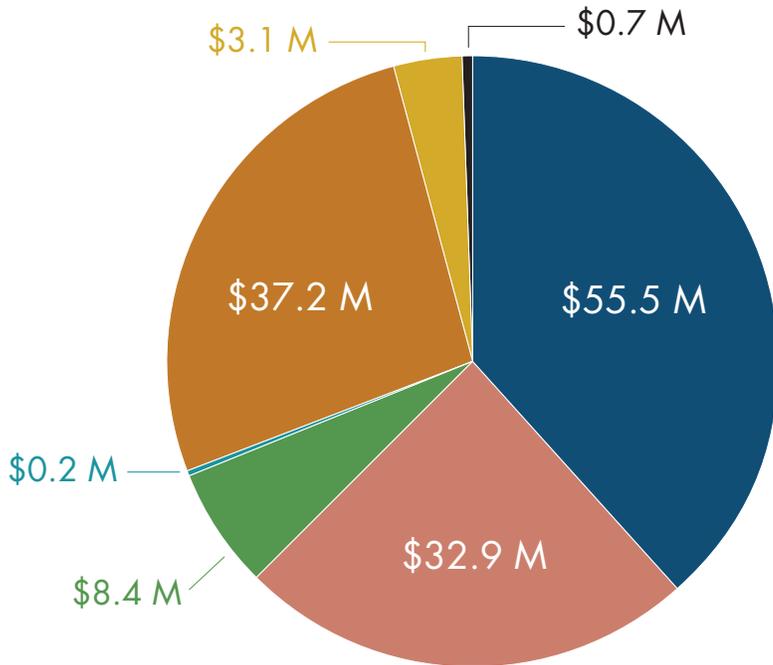
A copy of the Investment
Policy Statement is
available at [www.bcf.org/
InvestmentPolicy](http://www.bcf.org/InvestmentPolicy)

	1 YEAR	3 YEAR	5 YEAR	SINCE INCEPTION ²
BCF POOL	6.6%	9.4%	5.4%	4.3%
Benchmark¹	6.8%	9.1%	5.5%	4.6%

1. The BCF Benchmark is currently comprised of 38% Russell 3000 Index, 25% FTSE Developed All Cap ex US Index, 7% FTSE Emerging Markets All Cap China A Inclusion Index, 27% Barclays U.S. Aggregate Float Adjusted Index, and 3% T-Bills. Historical composition of the benchmark over time is available upon request.

2. Since inception means from August 2005 when the BCF pool was established.

BCF Pool



ASSET CLASS DESCRIPTIONS

- **EQUITY**—frequently referred to as “common stock”—may differ by geographic orientation: U.S./non-U.S./emerging markets.
 - **U.S. EQUITY**
 - **NON-U.S. DEVELOPED EQUITY**
 - **EMERGING MARKETS**
- **FIXED INCOME:** may include bond market index funds and community impact lending.
- **CASH & EQUIVALENTS:** Investments in short-term, high-quality securities, with income largely dependent on the current interest rate environment.
- **OPPORTUNISTIC INVESTMENTS** may include strategies or asset classes which are not included in the BCF Pool’s normal strategic asset allocation.

ASSET CLASS	ACTUAL	TARGET	MANAGER(S) AS OF 9/30/2018	BENCHMARKS
U.S. EQUITY	40.3%	38%	Vanguard Total Stock Market Index Fund (VITSX)	Russell 3000 Index
NON-U.S. DEVELOPED EQUITY	23.8%	25%	Vanguard Developed Markets Index Fund (VTMNX)	FTSE Developed All Cap ex US Index
EMERGING MARKETS	6.1%	7%	Vanguard Emerging Markets Stock Index Fund (VEMIX)	FTSE Emerging Markets All Cap China A Inclusion Index
HEDGE FUNDS (in transition)	0.2%	0%	Redeeming Funds	HFRI Fund of Funds Composite Index
FIXED INCOME	25.5%	23%	Vanguard Intermediate-Term Bond Index Fund (VBIMX)	Bloomberg Barclays U.S. Aggregate Float Adjusted Index
	1.4%	4%	Vanguard Total Bond Market Index Fund (VTBIX) Local Impact Investments	
CASH AND EQUIVALENTS	2.2%	3%	Vanguard Treasury Money Market Fund (VUSXX)	Citigroup 3 Month Treasury Bill Index
OPPORTUNISTIC (in transition)	0.5%	0%	Siguler Guff Distressed Opportunities Fund III	

INVESTMENT POOL

All endowed funds are invested in the BCF Pool, which is managed with a long-term horizon and aims to produce a relatively stable spendable amount available for grantmaking from year to year. Non-endowed funds are invested in the Vanguard Treasury Money-Market Fund, with a 1-Year return of 1.51% on the Vanguard Treasury Money Market. Non-endowed fundholders with a longer time-horizon for grantmaking may recommend investment in the BCF Pool.

The Investment Committee will regularly review and adjust asset allocation for each pool.

- Local Impact Investments include:
 - RBC Funds Access Capital Community Investment Fund\$993,753
 - Reinvestment Fund Notes.....\$501,096
 - Cash and Cash Equivalents:\$503,605
- Performance is for informational purposes only. Past performance is no guarantee of future performance.

