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Austin Community Foundation Investment Update Webinar 4th Quarter 2017

February 21, 2018



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Austin Community Foundation: Investment Portfolio Purpose



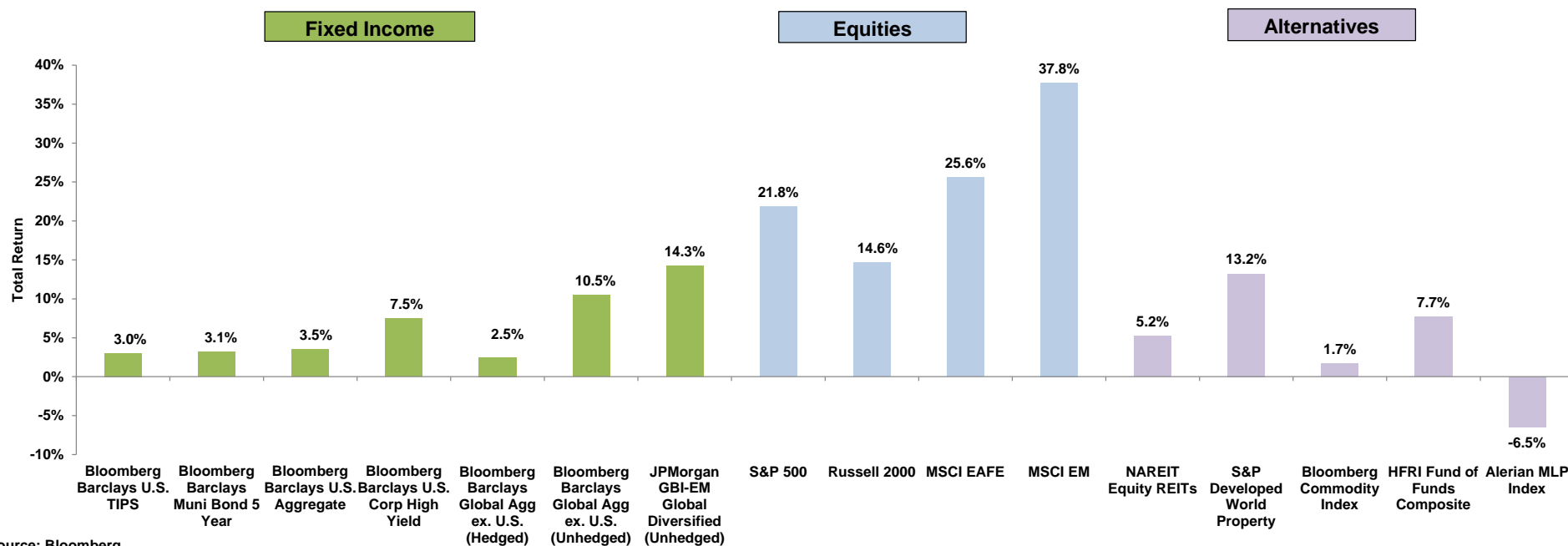
Austin Community Foundation is the catalyst for generosity in Austin. The Foundation brings together philanthropists, dollars and ideas to close the opportunity gap in Central Texas through research, pooled resources and data-driven grantmaking.

Investment Portfolio Objective :

The primary objective is to preserve the portfolio's purchasing power through asset growth at least equal to the spending policy, plus the rate of inflation. In order to ensure a predictable level of funds, a total return spending policy has been adopted. Beginning January 1, 2017, this policy provides for 4% spending of the rolling 20-quarter market value for endowment funds.



2017 IN REVIEW



Source: Bloomberg
Total return as of 12/31/2017

- Appetite for risk continued to drive strong absolute returns in equities globally, especially outside the U.S.
- Corporate High Yield, International Bonds, and Emerging Market Debt performed best in fixed income and each outperformed investment-grade U.S. bonds, which were up modestly
- Alternatives were mixed with REITs, Commodities and Hedge Funds positive for the year and MLPs as the sole asset class down for the year



WHY DIVERSIFY?

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	10yr Annualized
Aggregate Bond 5.2%	Emerging 79.0%	MLP 35.9%	MLP 13.9%	Emerging 18.6%	Small Growth 43.3%	REITs 30.1%	Large Growth 5.7%	Small Value 31.7%	Emerging 37.8%	Large Growth 10.0%
Foreign Bond 4.4%	MLP 76.4%	Small Growth 29.1%	TIPS 13.6%	REITs 18.1%	Small Blend 38.8%	Large Blend 13.7%	REITs 3.2%	Small Blend 21.3%	Large Growth 30.2%	Small Growth 9.2%
Cash 1.8%	High Yield 58.2%	REITs 27.9%	REITs 8.3%	Small Value 18.1%	Small Value 34.5%	Large Value 13.5%	Large Blend 1.4%	MLP 18.3%	International 25.6%	Small Blend 8.7%
TIPS -2.4%	Large Growth 37.2%	Small Blend 26.9%	Aggregate Bond 7.8%	International 17.9%	Large Growth 33.5%	Large Growth 13.1%	Aggregate Bond 0.5%	Large Value 17.3%	Small Growth 22.2%	Large Blend 8.5%
Emerging Debt -5.2%	Small Growth 34.5%	Small Value 24.5%	High Yield 5.0%	Large Value 17.5%	Large Value 32.5%	Aggregate Bond 6.0%	Cash 0.0%	High Yield 17.1%	Large Blend 21.8%	Small Value 8.2%
Hedge Funds -21.4%	International 32.5%	Emerging 19.2%	Foreign Bond 4.4%	Emerging Debt 16.8%	Large Blend 32.4%	Small Growth 5.6%	Hedge Funds -0.3%	Large Blend 12.0%	Emerging Debt 15.2%	High Yield 8.0%
Balanced -23.9%	REITs 28.0%	Commodities 16.8%	Large Growth 2.6%	Small Blend 16.3%	MLP 27.6%	Small Blend 4.9%	International -0.4%	Commodities 11.7%	Small Blend 11.7%	REITs 7.4%
High Yield -26.2%	Small Blend 27.2%	Large Growth 16.7%	Large Blend 2.1%	Large Blend 16.0%	International 23.3%	MLP 4.8%	Small Growth -1.4%	Emerging 11.6%	Large Value 13.7%	Large Value 7.1%
Small Value -28.9%	Balanced 26.8%	Emerging Debt 15.7%	Balanced 1.0%	High Yield 15.8%	Hedge Funds 9.0%	Small Value 4.2%	TIPS -1.4%	Small Growth 11.3%	Balanced 12.5%	MLP 6.0%
Small Blend -33.8%	Large Blend 26.5%	Large Value 15.5%	Large Value 0.4%	Large Growth 15.3%	High Yield 7.4%	TIPS 3.6%	Large Value -3.8%	Emerging Debt 9.9%	Foreign Bond 10.5%	Balanced 4.5%
Commodities -35.6%	Emerging Debt 22.0%	High Yield 15.1%	Cash 0.1%	Small Growth 14.6%	Balanced 7.1%	Hedge Funds 3.4%	Small Blend -4.4%	REITs 8.5%	Small Value 7.8%	Aggregate Bond 4.0%
Large Value -36.8%	Small Value 20.6%	Large Blend 15.1%	Emerging Debt -1.8%	Balanced 10.7%	REITs 2.5%	Balanced 3.3%	High Yield -4.5%	Balanced 8.3%	Hedge Funds 7.7%	Emerging Debt 3.6%
MLP -36.9%	Large Value 19.7%	Balanced 13.9%	Small Growth -2.9%	TIPS 7.0%	Cash 0.1%	High Yield 2.5%	Foreign Bond -6.0%	Large Growth 7.1%	High Yield 7.5%	TIPS 3.5%
Large Blend -37.0%	Commodities 18.9%	International 8.2%	Small Blend -4.2%	MLP 4.8%	Aggregate Bond -2.0%	Cash 0.0%	Balanced -6.1%	TIPS 4.7%	REITs 5.2%	International 2.4%
REITs -37.7%	Hedge Funds 11.5%	Aggregate Bond 6.5%	Small Value -5.5%	Hedge Funds 4.8%	Emerging -2.3%	Emerging -1.8%	Small Value -7.5%	Aggregate Bond 2.6%	Aggregate Bond 3.5%	Foreign Bond 2.4%
Large Growth -38.4%	TIPS 11.4%	TIPS 6.3%	Hedge Funds -5.7%	Aggregate Bond 4.2%	Foreign Bond -3.1%	Foreign Bond -3.1%	Emerging -14.6%	International 1.5%	TIPS 3.0%	Emerging 2.0%
Small Growth -38.5%	Foreign Bond 7.5%	Hedge Funds 5.7%	International -11.7%	Foreign Bond 4.1%	TIPS -8.6%	International -4.5%	Emerging Debt -14.9%	Foreign Bond 1.5%	Commodities 1.7%	Hedge Funds 1.1%
International -43.1%	Aggregate Bond 5.9%	Foreign Bond 4.9%	Commodities -13.3%	Cash 0.1%	Emerging Debt -9.0%	Emerging Debt -5.7%	Commodities -24.7%	Hedge Funds 0.5%	Cash 0.8%	Cash 0.3%
Emerging -53.2%	Cash 0.2%	Cash 0.1%	Emerging -18.2%	Commodities -1.1%	Commodities -9.5%	Commodities -17.0%	MLP -32.6%	Cash 0.3%	MLP -6.5%	Commodities -6.8%

Total returns as of 12/31/2017

Source: Morningstar and Lipper

Please reference the disclosures at the end of this presentation for additional information related to the material presented.

Austin Community Foundation: Performance Review – Long-Term Active

Performance Ending 12/31/17 (Net of Fees)	Q4 2017	Calendar 2017	Last 3 Years	Last 5 Years	Last 7 Years
Long-Term Active Investment Pool	3.06%	14.01%	4.92%	5.96%	5.72%
Long-Term Active Investment Pool Custom Benchmark	3.51%	14.66%	4.81%	5.28%	4.97%

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Austin Community Foundation: Portfolio Snapshot

Long-Term Active

<i>Asset Classes</i>	<i>Total Current Allocation</i>	<i>Strategic Target Allocation</i>	<i>Over/Under Weight Strategic Target</i>
Cash	3.0%	2.0%	1.0%
TIPS	0.0%	0.0%	0.0%
Broad Domestic Bonds	12.7%	14.0%	-1.3%
Foreign Bonds	0.0%	0.0%	0.0%
Emerging Market Bonds	2.0%	2.0%	0.0%
High Yield Bonds	0.0%	2.0%	-2.0%
<i>Global Fixed Income & Cash Total</i>	<i>17.7%</i>	<i>20.0%</i>	<i>-2.3%</i>
Large-Cap U.S. Equity	20.0%	20.0%	0.0%
Mid-Cap U.S. Equity	5.2%	5.0%	0.2%
Small-Cap U.S. Equity	3.1%	3.0%	0.1%
Developed International Equity	16.0%	17.0%	-1.0%
Emerging Market Equity	9.9%	10.0%	-0.1%
Global REITs	4.0%	4.0%	0.0%
<i>Global Equities (Public) Total</i>	<i>58.3%</i>	<i>59.0%</i>	<i>-0.7%</i>
Diversified Commodities	0.0%	0.0%	0.0%
Energy Infrastructure (MLPs)	5.3%	6.0%	-0.7%
<i>Real Assets Total</i>	<i>5.3%</i>	<i>6.0%</i>	<i>-0.7%</i>
Direct Hedge Funds	14.0%	10.0%	4.0%
Private Equity FOF	4.7%	5.0%	-0.3%
<i>Alternatives Total</i>	<i>18.7%</i>	<i>15.0%</i>	<i>3.7%</i>
Total Assets	100.0%	100.0%	0.0%

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Austin Community Foundation: Performance Review – Long-Term Passive

Performance Ending 12/31/17 (Net of Fees)	Q4 2017	Calendar 2017	Last 3 Years	Last 5 Years	Since Inception (2/1/17)
Long-Term Passive Investment Pool	4.59%	N/A	N/A	N/A	16.91%
Long-Term Passive Investment Pool Custom Benchmark	4.76%	N/A	N/A	N/A	17.48%

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Austin Community Foundation: Portfolio Snapshot

Long-Term Passive

<i>Asset Classes</i>	<i>Total Current Allocation</i>	<i>Strategic Target Allocation</i>	<i>Over/Under Weight Strategic Target</i>
Cash	1.6%	2.0%	-0.4%
TIPS	0.0%	0.0%	0.0%
Broad Domestic Bonds	13.8%	14.0%	-0.2%
Foreign Bonds	0.0%	0.0%	0.0%
Emerging Market Bonds	2.0%	2.0%	0.0%
High Yield Bonds	2.0%	2.0%	0.0%
<i>Global Fixed Income & Cash Total</i>	<i>19.3%</i>	<i>20.0%</i>	<i>-0.7%</i>
Large-Cap U.S. Equity	27.4%	27.0%	0.4%
Mid-Cap U.S. Equity	8.1%	8.0%	0.1%
Small-Cap U.S. Equity	4.0%	4.0%	0.0%
Developed International Equity	23.2%	23.0%	0.2%
Emerging Market Equity	14.1%	14.0%	0.1%
Global REITs	4.0%	4.0%	0.0%
<i>Global Equities Total</i>	<i>80.7%</i>	<i>80.0%</i>	<i>0.7%</i>
Total Assets	100.0%	100.0%	0.0%

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Austin Community Foundation: Performance Review – Mid-Term Passive

Performance Ending 12/31/17 (Net of Fees)	Q4 2017	Calendar 2017	Last 3 Years	Last 5 Years	Since Inception (1/1/17)
Mid-Term Passive Investment Pool	3.45%	14.13%	N/A	N/A	14.13%
Mid-Term Passive Investment Pool Custom Benchmark	3.64%	14.68%	N/A	N/A	14.68%

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Austin Community Foundation: Portfolio Snapshot

Mid-Term Passive

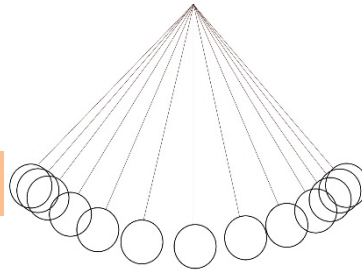
<i>Asset Classes</i>	<i>Total Current Allocation</i>	<i>Strategic Target Allocation</i>	<i>Over/Under Weight Strategic Target</i>
Cash	2.4%	2.0%	0.4%
TIPS	2.9%	3.0%	-0.1%
Broad Domestic Bonds	26.6%	27.0%	-0.4%
Foreign Bonds	0.0%	0.0%	0.0%
Emerging Market Bonds	3.0%	3.0%	0.0%
High Yield Bonds	4.9%	5.0%	-0.1%
<i>Global Fixed Income & Cash Total</i>	<i>39.8%</i>	<i>40.0%</i>	<i>-0.2%</i>
Large-Cap U.S. Equity	20.0%	20.0%	0.0%
Mid-Cap U.S. Equity	6.0%	6.0%	0.0%
Small-Cap U.S. Equity	3.0%	3.0%	0.0%
Developed International Equity	17.2%	17.0%	0.2%
Emerging Market Equity	10.2%	10.0%	0.2%
Global REITs	3.8%	4.0%	-0.2%
<i>Equities (Public) Total</i>	<i>60.2%</i>	<i>60.0%</i>	<i>0.2%</i>
Total Assets	100.0%	100.0%	0.0%

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CLOSING THOUGHTS

- Last year was fear driven; be cautious this year of greed...wait, that was last year's commentary! Yet it should apply even more today...

2008: FEAR



2018: GREED?

2017 News

- ***The Stock Market's Wall of Worry Stands Tall*** *Barron's 4/24/17*
- ***Why the 'Most-Hated' Bull Market Just Won't Die*** *WSJ 9/12/17*

2018 News

- ***Retail Investors Are Bullish On Bitcoin Futures*** *Investopedia 1/8/2018*
- ***Fearful millennials are finally ready to take a chance on the stock market*** *CNBC 1/23/18*
- Beware of the...Upward Sloping Demand Curve?
- ...and the Price vs. Value distortions it can create

CLOSING THOUGHTS (*continued*)

- WE ARE NOT PREDICTING IMMINENT DOOM IN THE MARKETS! But...
 - ✓ **Average** calendar-year, peak-to-trough decline in the S&P 500 is ~13.8%
 - ✓ Bear markets (20% decline or greater) happen, on average, about every five or six years in the S&P 500
 - ✓ The mother of panic is surprise, so let's not be surprised
- OUR MOTTO FOR THIS YEAR:
 - ✓ Ensure you're in the right asset allocation
 - ✓ Stay true to that asset allocation and rebalance accordingly
 - ✓ Don't "reach" for the higher returns on equity (or bitcoin for that matter!)



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When referencing asset class returns or statistics, the following indices are used to represent those asset classes. Each index is unmanaged and investors can not actually invest directly into an index: Cash - Citigroup 90 Day T-Bill; TIPS - Barclays US Treasury TIPS; Aggregate Bond - Barclays US Aggregate Bond Index; High Yield - Barclays US Corporate High Yield; Foreign Bond - Barclays Global Aggregate Ex USD; Emerging Debt - JPMorgan GBI-EM Global Diversified Unhedged Index; Large Value - Russell 1000 Value; Large Blend - S&P 500; Large Growth - Russell 1000 Growth; Small Value - Russell 2000 Value; Small Blend - Russell 2000; Small Growth - Russell 2000 Growth; International - MSCI EAFE; Emerging Markets - MSCI EM; REITs - FTSE NAREIT Equity REITs; Commodities - Bloomberg Commodity Index; MLP - Alerian MLP; Hedge Funds - HFRI Fund of Funds Composite Index; Balanced - 5% Barclays US Treasury TIPS, 10% Barclays US Aggregate Bond Index, 4.5% Barclays Global Aggregate Ex USD, 4.5% Barclays Global Aggregate Ex USD (Hedged), 9% Barclays US Corporate High Yield, 2% JPMorgan GBI-EM Global Diversified Unhedged Index, 16% S&P 500, 5% Russell 2000, 12% MSCI EAFE, 7% MSCI EM, 5% FTSE NAREIT Equity REITs, 5% Bloomberg Commodity Index, 5% Alerian MLP, 10% HFRI Fund of Funds Composite Index