

# Investment Performance Summary

As of 3/31/2017

KERN COMMUNITY  
FOUNDATION

Growing community.  
Growing philanthropy.

Individual Investment Options	YTD	1 Month	3 Month	1 Year	3 Years	5 Years	10 Years
<b>Equity Pool TR</b>	<b>6.42</b>	<b>0.74</b>	<b>6.42</b>	<b>17.05</b>	<b>7.73</b>	<b>11.05</b>	<b>5.74</b>
Blended Equity Benchmark	6.31	0.66	6.31	16.94	7.74	11.34	6.17
S&P 500 TR USD	6.07	0.12	6.07	17.17	10.37	13.30	7.51
MSCI ACWI Ex USA NR USD	7.86	2.54	7.86	13.13	0.56	4.36	1.35
<b>Intermediate-Term Fixed Income Pool TR</b>	<b>1.16</b>	<b>0.02</b>	<b>1.16</b>	<b>0.87</b>	<b>2.93</b>		
Intermediate-Term Fixed Income Benchmark	1.08	0.00	1.08	1.03	3.10	2.88	
<b>Short-Term Fixed Income Pool TR</b>	<b>0.50</b>	<b>0.02</b>	<b>0.50</b>	<b>0.72</b>	<b>1.53</b>		
Short-Term Fixed Income Benchmark	0.56	0.06	0.56	0.94	1.65	1.54	
<b>Money Market Pool TR</b>	<b>0.03</b>	<b>0.01</b>	<b>0.03</b>	<b>0.10</b>	<b>0.07</b>	<b>0.04</b>	<b>0.75</b>
USTREAS T-Bill Auction Ave 3 Mon	0.15	0.07	0.15	0.42	0.19	0.14	0.60

Individual investment options allow donors to recommend a custom allocation strategy, which can include one or more Investment Pools.

Please refer to the quarterly Investment Performance Supplemental Report for benchmark definitions

Investment Mix Options	YTD	1 Month	3 Months	1 Year	3 Years	5 Years	10 Years
<b>Aggressive Mix TR</b>	<b>5.28</b>	<b>0.60</b>	<b>5.28</b>	<b>13.65</b>	<b>6.70</b>	<b>9.43</b>	<b>5.79</b>
Aggressive Mix Benchmark	5.20	0.54	5.20	13.61	6.74	9.53	5.98
<b>Moderately Aggressive Mix TR</b>	<b>4.10</b>	<b>0.45</b>	<b>4.10</b>	<b>10.29</b>	<b>5.48</b>	<b>7.61</b>	<b>5.11</b>
Moderately Aggressive Mix Benchmark	4.04	0.41	4.04	10.32	5.54	7.55	5.13
<b>Moderate Mix TR</b>	<b>2.89</b>	<b>0.31</b>	<b>2.89</b>	<b>6.96</b>	<b>4.14</b>	<b>5.66</b>	<b>4.56</b>
Moderate Mix Benchmark	2.87	0.29	2.87	7.07	4.23	5.48	4.40
<b>Conservative Mix TR</b>	<b>1.69</b>	<b>0.16</b>	<b>1.69</b>	<b>3.72</b>	<b>2.78</b>	<b>3.69</b>	<b>3.90</b>
Conservative Mix Benchmark	1.71	0.17	1.71	3.89	2.89	3.40	3.56
<b>Risk Averse Mix TR</b>	<b>0.03</b>	<b>0.01</b>	<b>0.03</b>	<b>0.10</b>	<b>0.07</b>	<b>0.04</b>	<b>0.75</b>
USTREAS T-Bill Auction Ave 3 Mon	0.15	0.07	0.15	0.42	0.19	0.14	0.60

Investment Mix options offer a simple, one-stop approach to an investment strategy that best reflects your charitable goals. Donors recommend one option, which the Community Foundation rebalances.

The Long Term I Mix TR has been renamed the Moderately Aggressive Mix TR  
The Aggressive Mix TR inception date is 6/30/14; performance prior to that date is pro-forma.

Returns for periods greater than one year are compound annual returns.  
TR = Total Return

Current Investment Mix Allocations	Equity Pool	Inter-Term Fixed Income Pool	Short-Term Fixed Income Pool	Money Market Pool
Aggressive	80%	10%	10%	0%
Moderately Aggressive	60%	14%	21%	5%
Moderate	40%	18%	27%	15%
Conservative	20%	22%	33%	25%
Risk Averse	0%	0%	0%	100%

#### Estimated Investment Management Fees for the Investment Mix Options

Aggressive	0.06%
Moderately Aggressive	0.07%
Moderate	0.09%
Conservative	0.10%
Risk Averse	0.14%

Performance is presented gross of Kern Community Foundation's administrative fees but net of all investment management fees, brokerage, consulting and other transaction costs.

#### Customer Service

If you have any questions about your fund or wish to request a change in your investment mix, please contact Donor Services at 661.616.2617 or donorservices@kernfoundation.org.

Contact Danette Rinehart at 661.616.2602 or danette@kernfoundation.org for more information on the pools, including their component funds and blended benchmarks, the Board of Directors Finance and Administrative Committee, or the Investment Policy Statement.

3300 Truxtun Ave, Ste 220, Bakersfield, CA 93301

661.325.5346

www.kernfoundation.org

# Equity Pool

As of 3/31/2017

## Trailing Returns

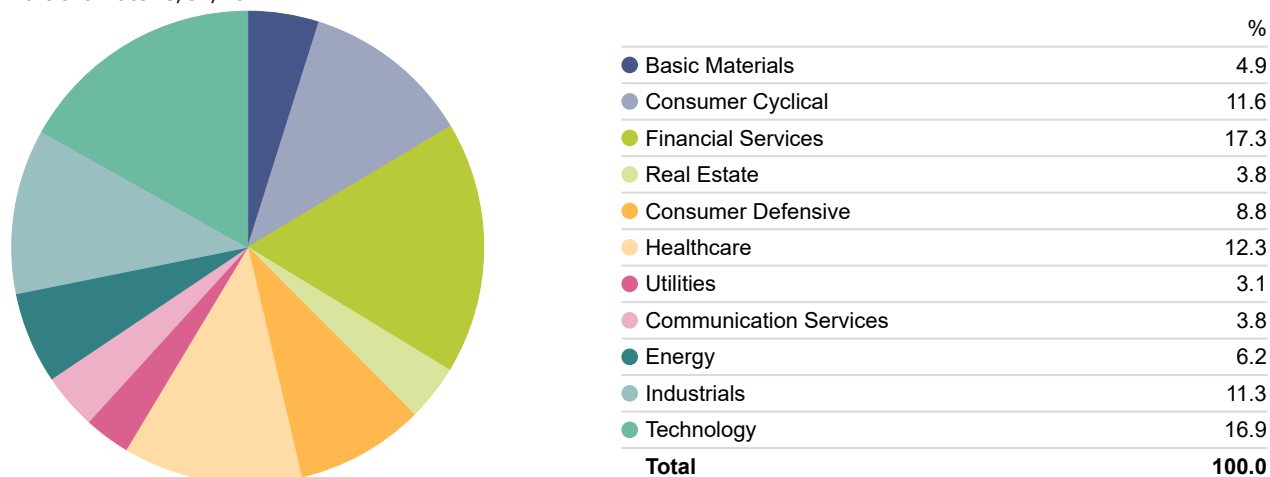
Equity Pool & Blended Benchmark	YTD	Quarter	1 Year	3 Years Annualized	5 Years Annualized	10 Years Annualized
<b>Equity Pool TR</b>	<b>6.42</b>	<b>6.42</b>	<b>17.05</b>	<b>7.73</b>	<b>11.05</b>	<b>5.74</b>
Blended Equity Benchmark	6.31	6.31	16.94	7.74	11.34	6.17

## Trailing Returns

Equity Pool Holdings & Benchmarks	YTD	Quarter	1 Year	3 Years Annualized	5 Years Annualized	10 Years Annualized
<b>Vanguard Instl Ttl Stk Mkt Idx InstlPIs</b>	<b>5.74</b>	<b>5.74</b>	<b>18.10</b>	<b>9.77</b>	<b>13.21</b>	<b>7.76</b>
CRSP US Total Market TR USD	5.79	5.79	18.09	9.71	13.15	7.72
<b>Vanguard Developed Markets Index Instl</b>	<b>7.81</b>	<b>7.81</b>	<b>12.73</b>	<b>1.17</b>	<b>6.20</b>	<b>1.41</b>
FTSE Developed ex US All Cap NR USD	7.24	7.24	12.06	0.72		
<b>Vanguard Emerging Mkts Stock Idx Instl</b>	<b>10.89</b>	<b>10.89</b>	<b>17.60</b>	<b>1.94</b>	<b>0.91</b>	<b>2.75</b>
FTSE Emerging NR USD	10.19	10.19	17.54	2.20	1.18	3.09

## Equity Pool - Equity Sectors (Morningstar)

Portfolio Date: 3/31/2017



## Purpose

The purpose of the Equity Pool is to facilitate the funding of current and future charitable needs of participating charitable funds and organizations. The long term investment objective of the Equity Pool is to obtain broad equity market exposure utilizing a passive, cost effective approach that is diversified across market capitalizations and regions. A secondary objective is to provide cash flows to fund distributions and to preserve the purchasing power of the funds to meet charitable needs now and in the future.

## Equity Pool - Top Holdings

Portfolio Date: 3/31/2017

	Market Value (mil)	Portfolio Weighting %
Total Market Value: \$421,254,523		
Vanguard Instl Ttl Stk Mkt Idx InstlPIs	\$ 333.5	75%
Vanguard Developed Markets Index Instl	\$ 88.1	20%
Vanguard Emerging Mkts Stock Idx Instl	\$ 21.9	5%

## Top Stock Holdings

1. Apple Inc.
2. Microsoft Corp.
3. Amazon.com Inc.
4. Exxon Mobil Corp.
5. Johnson & Johnson
6. JPMorgan Chase & Co.
7. Berkshire Hathaway Inc. B
8. Facebook Inc. A
9. General Electric Co.
10. Wells Fargo & Co.

Trailing Twelve Month Dividend Yield: 2.27%

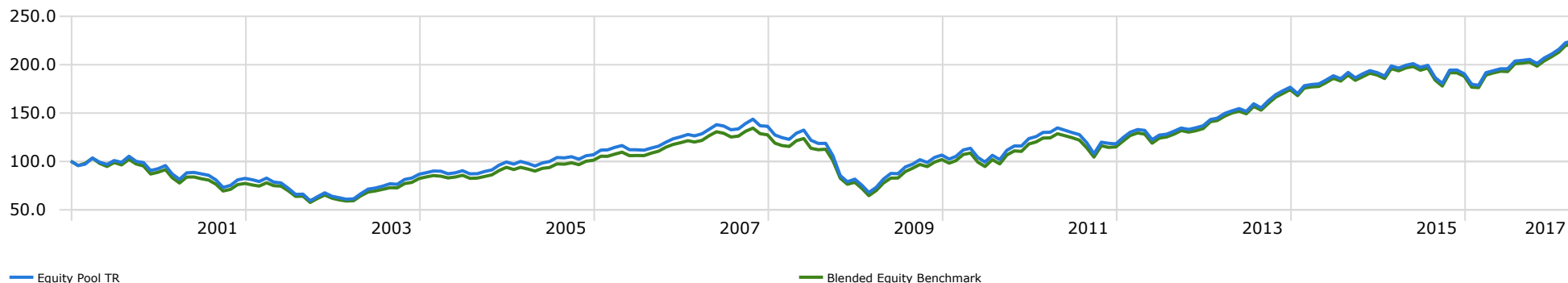
Equity Benchmark	Current	Equity Benchmark 01/14 - 03/15	Equity Benchmark 2011-2013	Equity Benchmark 2003-2011	Performance is presented gross of administrative fees but net of all investment management fees, brokerage, consulting and other transaction costs.
CRSP US Total Stock Market	75%	CRSP US Total Stock Market	75%	Wilshire 5000	80%
FTSE Developed ex US All Cap	20%	FTSE Developed ex North Amer.	15%	MSCI EAFE	20%
FTSE Emerging Markets	5%	FTSE Emerging Markets	10%	MSCI Emerging Markets	5.0%

Estimated Pool Investment Management Fee: .05%

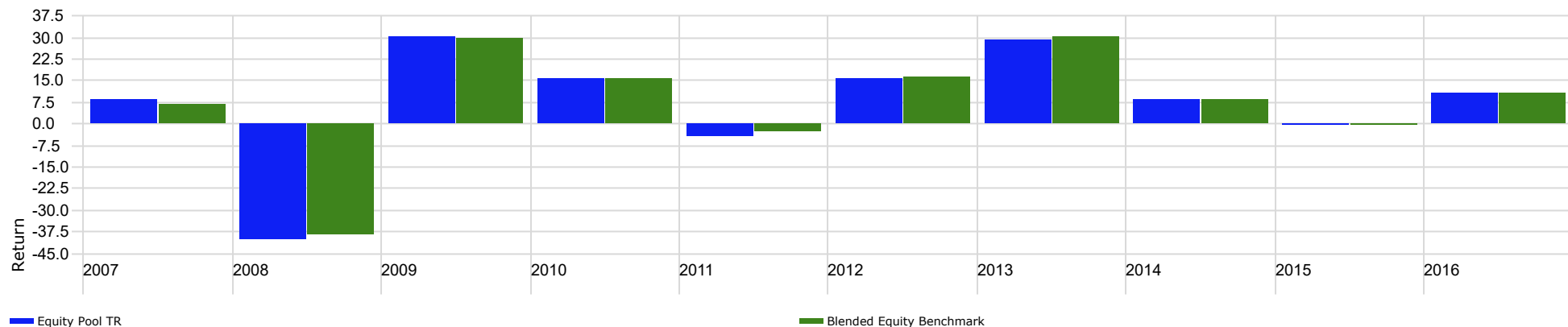
# Equity Pool

## Investment Growth

Time Period: 1/1/2000 to 3/31/2017



## Calendar Year Returns



## Equity Pool TR - Quarterly Returns

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year
2017	6.42				6.42
2016	0.59	2.10	4.95	2.65	10.64
2015	2.40	0.38	-8.36	5.50	-0.62
2014	1.59	5.04	-1.13	2.89	8.56
2013	9.26	1.43	7.25	8.64	29.12
2012	12.55	-4.32	5.76	1.77	15.90
2011	5.36	-0.29	-16.92	9.50	-4.43
2010	4.97	-11.22	12.30	10.87	16.03
2009	-10.40	19.30	16.60	4.70	30.49
2008	-9.92	-0.77	-13.02	-22.99	-40.13
2007	2.50	6.29	1.88	-2.06	8.71

Source: Morningstar Direct

# Intermediate-Term Fixed Income Pool

As of 3/31/2017

## Trailing Returns

Int-Term Fixed Income Pool & Blended Benchmark	Year to Date	Quarter	1 Year	3 Years Annualized	5 Years Annualized	10 Years Annualized
<b>Intermediate-Term Fixed Income Pool TR</b>	<b>1.16</b>	<b>1.16</b>	<b>0.87</b>	<b>2.93</b>		
Intermediate-Term Fixed Income Benchmark	1.08	1.08	1.03	3.10	2.88	

## Purpose

The purpose of the Intermediate-Term Fixed Income Pool is to provide capital preservation and current income to help meet spending requirements of donor portfolios. The Pool will utilize a passive, cost effective approach with a secondary objective to provide broad exposure to U.S. income markets. The Pool is diversified across U.S. Treasuries notes and bonds, corporate bonds, bank loans, mortgaged-backed securities and U.S. Treasury Inflation-Protected Securities. The average effective duration and interest rate risk of the Pool will be commensurate with broad fixed income benchmarks such as the Barclays U.S. Aggregate Bond Index.

## Trailing Returns

Int-Term Fix. Income Pool Holdings & Benchmarks	Year to Date	Quarter	1 Year	3 Years Annualized	5 Years Annualized	10 Years Annualized
<b>Vanguard Interm-Term Bond Index I</b>	<b>1.28</b>	<b>1.28</b>	<b>0.10</b>	<b>3.27</b>	<b>3.01</b>	<b>5.38</b>
BBgBarc US 5-10Y GovCredit FIAdj TR USD	1.18	1.18	0.24	3.35	3.05	
<b>Vanguard Mortgage-Backed Secs Idx Instl</b>	<b>0.53</b>	<b>0.53</b>	<b>0.22</b>	<b>2.54</b>		
BBgBarc US MBS TR USD	0.47	0.47	0.17	2.69	2.04	4.16
<b>Vanguard Shrt-Term Infl-Prot Sec Idx Ins</b>	<b>0.69</b>	<b>0.69</b>	<b>1.62</b>	<b>0.64</b>		
BBgBarc U.S. Treasury TIPS 0-5Y TR USD	0.70	0.70	1.69	0.71	0.35	2.62
<b>SPDR® Blmbg Barclays High Yield Bd ETF</b>	<b>2.27</b>	<b>2.27</b>	<b>14.81</b>	<b>2.26</b>	<b>4.92</b>	
BBgBarc VLI High Yield TR USD	2.44	2.44	15.27	3.90	6.21	7.23

## Intermediate-Term Fixed Income Pool Holdings

Portfolio Date: 3/31/2017

Total Market Value: \$93,206,816	Market Value (mil)	Portfolio Weight %
Vanguard Interm-Term Bond Index I	\$ 68.5	70%
Vanguard Mortgage-Backed Secs Idx Instl	\$ 19.6	20%
Vanguard Shrt-Term Infl-Prot Sec Idx Ins	\$ 4.7	5%
SPDR® Blmbg Barclays High Yield Bd ETF	\$ 4.6	5%

## Int.-Term Fixed Income Benchmark Weights

	Percent	Inception Date: January 1, 2014
Barclays US 5-10Y Gov/Credit FIAdj TR USD	70%	Performance is presented gross of administrative fees but net of all investment management fees, brokerage, consulting and other transactions costs.
Barclays US MBS Float Adjusted TR USD	20%	
Barclays VLI High Yield TR USD	5%	
Barclays U.S. Treasury TIPS 0-5Y TR USD	5%	Estimated Pool Investment Management Fee: .09%

## Fixed Income Pool Statistics

Average Yield to Maturity	3.16%
Average Effective Duration	6.12 years
Trailing Twelve Month Yield	2.49%

# Short-Term Fixed Income Pool

As of 3/31/2017

## Trailing Returns

Short-Term Fix. Inc. Pool & Blended Benchmark	Year To Date	Quarter	1 Year	3 Years Annualized	5 Years Annualized	10 Years Annualized
<b>Short-Term Fixed Income Pool TR</b>	<b>0.50</b>	<b>0.50</b>	<b>0.72</b>	<b>1.53</b>		
Short-Term Fixed Income Benchmark	0.56	0.56	0.94	1.65	1.54	

## Trailing Returns

Short-Term Fix. Inc. Pool Holdings & Benchmarks	Year to Date	Quarter	1 Year	3 Years Annualized	5 Years Annualized	10 Years Annualized
<b>Vanguard Short-Term Bond Idx I</b>	<b>0.49</b>	<b>0.49</b>	<b>0.40</b>	<b>1.28</b>	<b>1.21</b>	
BBgBarc US 1-5Y GovCredit FIAdj TR USD	0.57	0.57	0.52	1.38	1.30	
<b>Vanguard Mortgage-Backed Secs Idx Instl</b>	<b>0.53</b>	<b>0.53</b>	<b>0.22</b>	<b>2.54</b>		
BBgBarc US MBS Float Adjusted TR USD	0.46	0.46	0.24	2.53	2.01	
<b>Vanguard Shrt-Term Infl-Prot Sec Idx Ins</b>	<b>0.69</b>	<b>0.69</b>	<b>1.62</b>	<b>0.64</b>		
BBgBarc U.S. Treasury TIPS 0-5Y TR USD	0.70	0.70	1.69	0.71	0.35	2.62
<b>PowerShares Senior Loan ETF</b>	<b>0.53</b>	<b>0.53</b>	<b>7.28</b>	<b>1.99</b>	<b>3.38</b>	
S&P/LSTA U.S. Leveraged Loan 100 TR USD	0.78	0.78	9.04	2.81	4.06	

## Short-Term Fixed Income Benchmark Weights

	Percent
Barclays US 1-5Y GovCredit FIAdj TR USD	70%
Barclays US MBS Float Adjusted TR USD	20%
Barclays U.S. Treasury TIPS 0-5Y TR USD	5%
S&P/LSTA U.S. Leveraged Loan 100 TR USD	5%

## Inception Date: January 1, 2014

Performance is presented gross of administrative fees but net of all investment management fees, brokerage, consulting and other transactions costs.

Estimated Pool Investment Management Fee: .10%

## Purpose

The purpose of the Short-Term Fixed Income Pool is to provide capital preservation and current income to help meet spending requirements of donor portfolios. The Pool will utilize a passive, cost effective approach with a secondary objective to provide broad exposure to U.S. income markets. The Pool is diversified across U.S. Treasury notes and bonds, corporate bonds, bank loans, mortgaged-backed securities and U.S. Treasury Inflation-Protected Securities. The Pool will have a lower average effective duration than broad fixed income market benchmarks such as the Barclays U.S. Aggregate Bond Index, hence limiting overall interest rate risk.

## Short-Term Fixed Income Pool Holdings

Portfolio Date: 3/31/2017

Total Market Value: \$141,619,597	Market Value (mil)	Portfolio Weight %
Vanguard Short-Term Bond Idx I	\$ 104.0	70%
Vanguard Mortgage-Backed Secs Idx Instl	\$ 29.8	20%
Vanguard Shrt-Term Infl-Prot Sec Idx Ins	\$ 7.5	5%
PowerShares Senior Loan ETF	\$ 7.3	5%

## Fixed Income Pool Statistics

Average Yield to Maturity	2.11%
Average Effective Duration	3.10 years
Trailing Twelve Month Yield	1.68%

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# Money Market Pool

As of 3/31/2017

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## Purpose

The purpose of the Money Market Pool is to provide liquidity for participating charitable funds and organizations in funding grant making and payment of fees and administrative costs while providing desired principal stability. The long term investment objective of the Money Market Pool is to seek a competitive market return to preserve and grow the portfolio, provide cash flows to meet charitable needs now and those in the future. As such, the Money Market Pool is highly liquid, which enables donors to access funds for grants in a timely manner. The Money Market Pool invests in bank deposits and obligations of the United States government and its agencies.

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### Money Market Trailing Returns

Time Period	Money Market Pool	90 Day Treasury Bills
3 Months	0.03%	0.15%
1 Year	0.10%	0.42%
3 Years	0.07%	0.19%
5 Years	0.04%	0.14%
10 Years	0.75%	0.60%

*Performance periods greater than 12 months are annualized.  
Performance is net of investment management fees but not the  
Foundation's administrative fees.*

**Estimated Current Yield: 0.12%**

# Investment Commentary—March 31, 2017

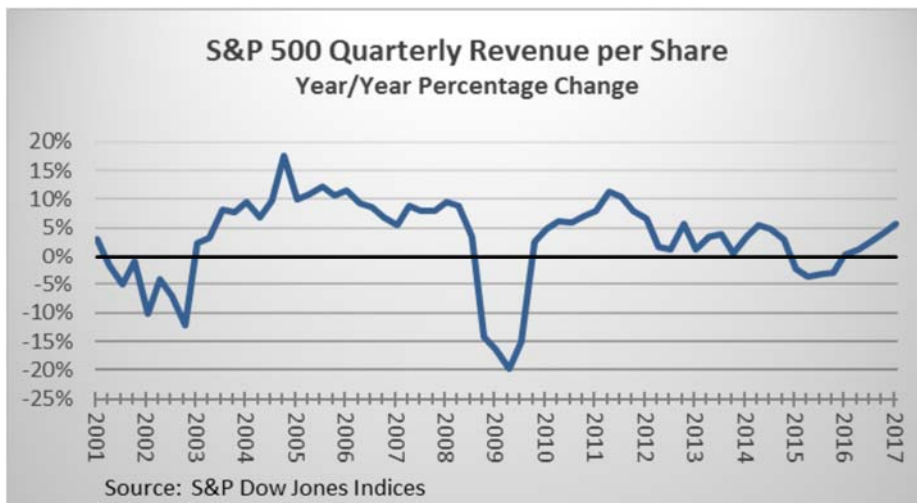
## Change in the Composition of the Equity Pool

At its April 11, 2017, meeting, the Investment Committee voted to increase the Equity Pool's allocation to stocks in foreign developed markets from 20% to 23% and reduce the allocation to the U.S. market from 75% to 72%. This change will be implemented on April 30, 2017. The allocation to emerging markets remains unchanged.

This move is a strategic shift to increase the benefits of diversification offered by foreign stock markets. The goal of portfolio management is to find a mix of assets with differing return patterns that will reduce the volatility of the portfolio's returns (a proxy for risk) and maintain or even increase the level of its returns. While foreign developed markets have underperformed the U.S. market over the last 10 years, this underperformance has given the foreign developed market stocks a distinct value advantage when compared to U.S. stocks. The price/earnings ratio of the FTSE Developed Markets ex U.S. Index is 17.9 times trailing earnings compared to 21.3 for the CRSP Total U.S. Market Index.

## Commentary

From the beginning of November until the end of March the S&P 500 gained 12.2%. Much has been written linking this gain in stocks to the outcome of the



national election. However, it's worth noting that the rally actually began the day before the election. Also, there may be a more fundamental cause of the rally as depicted on the accompanying chart. Based on early reports of first quarter results, S&P Dow-Jones Indices estimates that revenue growth for the 500 companies accelerated to 6.8% in the first quarter, a rate not seen since 2012. Much of this rebound in revenue growth is tied to the rebound in energy revenues as the price of oil doubled off the low prices of a year ago to the \$50 to \$54 range in the first quarter of this year.

The Equity Pool had a total return of 6.42% in the first quarter led by foreign stocks. During the quarter, the FTSE Developed Market ex U.S. Index was up 7.24% while the FTSE Emerging Markets Index gained 10.19%. Within the U.S., large company stocks gained 6.19% while the small company stocks "only" gained 3.74% after their strong performance in the fourth quarter of last year. In the first quarter, stocks in the rest of the world benefited from a 2.36% decline in the exchange rate of the U.S. dollar. This decline compares to a 7.84% gain in the U.S. dollar's exchange rate in the fourth quarter. The fourth quarter strength of the dollar negated strong gains in foreign stocks when the gains were translated back to U.S. dollars.

The Intermediate-Term Fixed Income Pool gained 1.16% as the yield on the 10 year Treasury note dipped slightly from 2.45% to 2.40%. This small drop in yields took place despite the move by the Federal Reserve's Federal Open Market Committee (FOMC) to raise the target "fed funds" rate to a range of 0.75% to 1.00%. The FOMC has increased the target rate two consecutive quarters and suggests there will be two more rate increases this year. The Intermediate-Term Fixed Income Pool finished the quarter with a 3.16% average yield-to-maturity and an average effective duration of 6.12 years.

The Short-Term Fixed Income Pool gained 0.50% for the quarter as the yield on the five year Treasury note was flat at 1.93%. The yield on the two year Treasury note increased slightly from 1.20% to 1.27%. The bond market's inflation expectations for the next five years began the quarter at 1.84%, rose to 1.96% in January before falling off to 1.77% at the end of the quarter. The Short-Term Investment Pool ended the quarter with a 2.11% yield-to-maturity and an average effective duration of 3.1 years.