# Community Foundation for Muskegon County

*Serving the Community Foundations of Muskegon, Manistee, Mason, and Oceana Counties*

Portfolio review

May 9, 2016

# Agenda

I. Vanguard's economic and investment outlook

II. Portfolio summary

III. Segregated accounts reporting

IV. NACUBO vs. Performance comparison

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# Vanguard’s economic and investment outlook

# Themes and outlook

| | Global | U.S. | Europe | Asia |
|---|---|---|---|---|
| **Growth** | • *Frustratingly fragile*<br>• Downside cyclical risks, with "global recession scares" continuing in 2016. Few, if any, economies accelerate this year.<br>• Low-growth world in the midst of *structural convergence*, not more dire secular stagnation. | • Growth should prove uneven but resilient despite presence of "recession scares."<br>• But, our outlook is below consensus, near 2%. Job growth should slow later in 2016.<br>• Service sector strength offsets continued manufacturing weakness | • Decent growth (1.5%) fueled by QE, Euro weakness and oil prices<br>• QE continues to ease financial conditions in the periphery<br>• Slowdown in the speed of fiscal tightening a positive for growth | • China: permanently slower, but hard landing unlikely. Growth expected in the 6-7% range, with industrial data much weaker<br>• Japan: magnitude of cyclical recovery limited by structural headwinds. No progress on Abenomics' "Third Arrow" |
| **Inflation** | • Secular deflationary forces persist, though some headwinds should fade at margin<br>• Central banks will continue to struggle to meet 2% targets | • Downward pressure from dollar / oil prices abating, but core inflation should continue trending towards 2% target.<br>• Wage growth should rise modestly with sub-5% unemployment rate. | • Inflation outlook improving on QE-induced Euro weakness. | • Japan: Abenomics goal of 2% put off, although additional easing not expected to boost falling inflation enough to hit target.<br>• Monetary easing not having desired effect on nominal wage growth either |
| **Monetary policy & interest rates** | • Divergent monetary policies: ECB and BoJ may not raise rates this decade<br>• We view low-rate environment as secular, not temporary | • *Dovish tightening*, 1% could be high watermark in Fed funds rate over next 1-2 years.<br>• 10Y Treasury may struggle to exceed 2.25% | • No further expansion or extension of QE program likely following actions in December and March | • PBoC: Further monetary easing likely. Monetary policy constrained by capital outflows<br>• Japan: QQE will continue, although time will be taken to assess impacts of negative rates. |

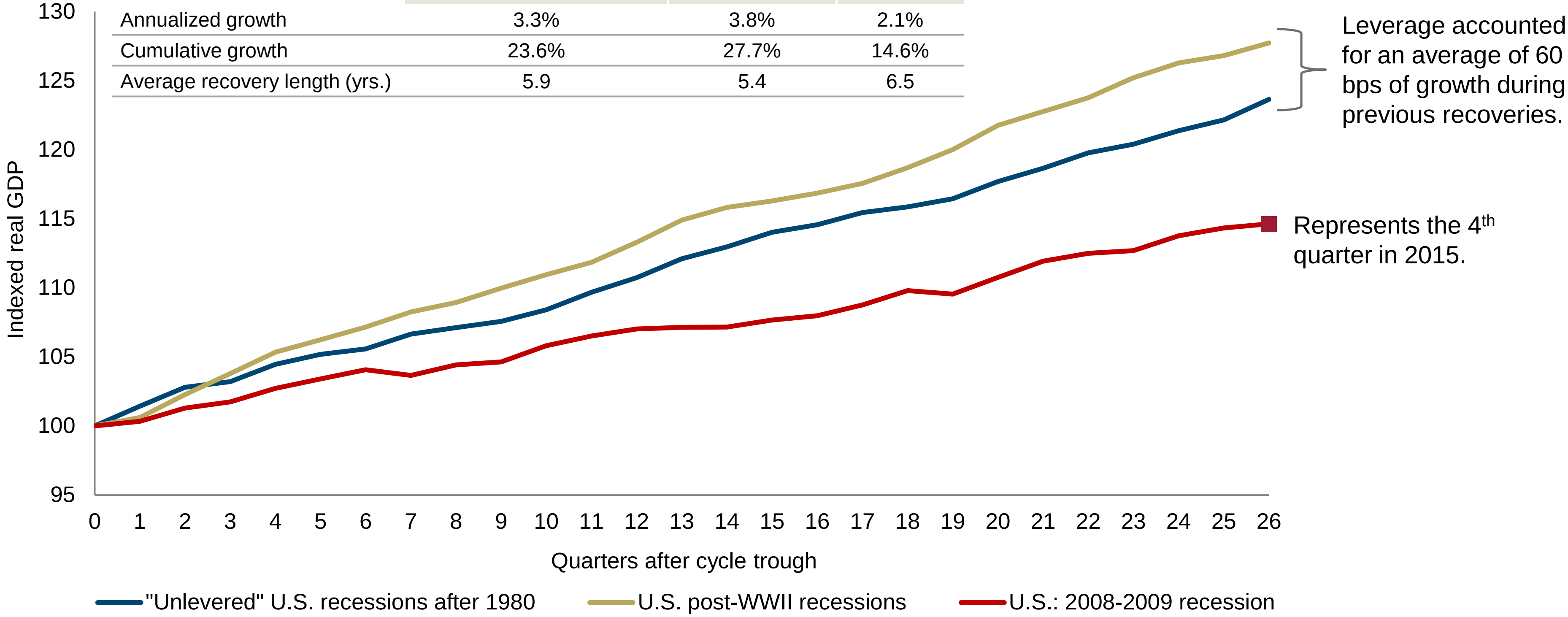
| | Balanced | Equities | Bonds |
|---|---|---|---|
| **Asset returns (Global)** | • A guarded view given global crosscurrents of low yields and equity valuations<br>• Principles of portfolio construction remain unchanged<br>• 10-year expected returns for balanced portfolios lower than historical averages, with shorter-term expectations even lower | • In spite of high valuations, long-term outlook is not bearish when adjusted for the low-rate environment. This, of course, does not preclude a bear market<br>• Outlook for global equity risk premium remains decent over long run | • Treasury yields may struggle to rise significantly unless inflation dynamics change; we still see credit risk (i.e., recession) as higher than duration risk (i..e., rapid rise in interest rates)<br>• Bond returns likely to be muted; central tendency of 2–3% nominal annualized over 10 years |

Source: Vanguard.

# The ‘steroid era’ of leveraged growth is over

## Along with demographic trends, lack of leverage helps account for relatively slower recovery

| | "Unlevered" after 1980 | All Post-WWII | 2008/2009 |
|---|---|---|---|
| Annualized growth | 3.3% | 3.8% | 2.1% |
| Cumulative growth | 23.6% | 27.7% | 14.6% |
| Average recovery length (yrs.) | 5.9 | 5.4 | 6.5 |




Sources: Vanguard calculations based on data from U.S. Bureau of Economy Analysis, National Bureau of Economic Research, and Moody's Analytics.
Notes: "Unlevered" growth is calculated by taking the average debt to disposable income ratio from 1980 to 2000, estimating linear regressions between this ratio and real PCE, real residential investment, and real fixed investment, and calculating counterfactuals for each series using the average debt to disposable income ratio. The counterfactuals were then combined according to each series' weight in GDP, and this "residual" was added to GDP growth, yielding leverage-adjusted growth. This approach is a proxy for removing the effects of excess leverage driving growth, and is applied to every recovery after 1980 excluding the current recovery. Each index begins at 100 which signifies the cycle trough.

# U.S. economy: Recession or growth scare?

A mixed bag for market-based forecasts; macro-fundamental models are more reliable

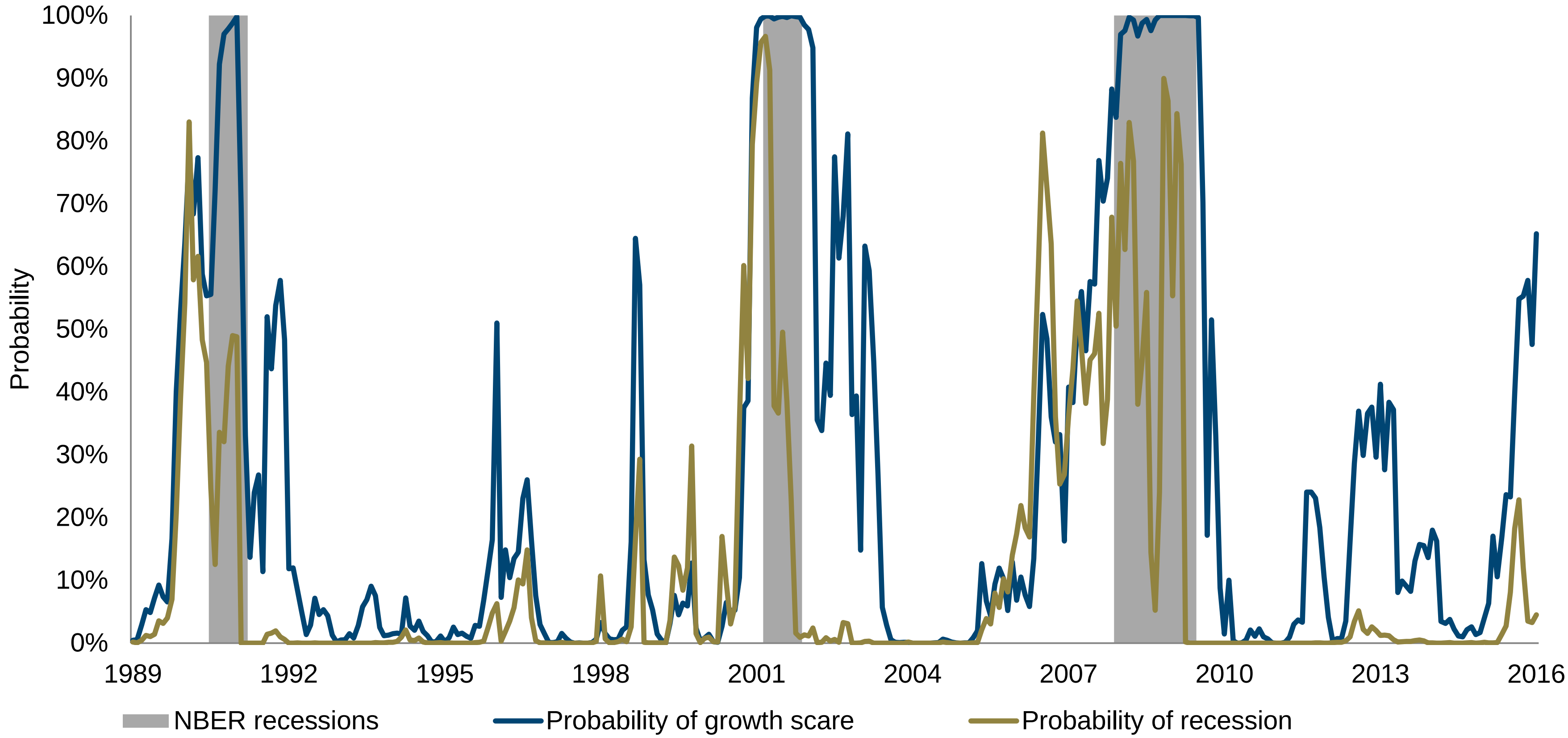
## A low probability of a recession over the next six months

| | Financial market based models | | Fundamental and financial variable based model |
|---|---|---|---|
| **Model** | U.S. stocks | U.S. corporate bonds | Vanguard |
| **Predictive power (model R2)** | 17% | 6% | 60% |
| **Probability of recession** | **45%** | **30%** | **5%** |

Sources: Vanguard calculations based on data from U.S. Bureau of Economic Analysis, National Bureau of Economic Research, Thomson Reuters Datastream, Federal Reserve System , Federal Reserve Bank of St. Louis, Standard and Poor's, and Moody's Analytics.
Notes: Notes: The results are based on a series of probit models accounting for changes in U.S. equities represented by the S&P 500 Index, 12-month trailing S&P 500 volatility, a credit spread defined by the difference between AAA yield minus Baa yield, effective real federal funds rate, term premium defined by 10-year Treasury yield minus 3-monthT-bill yield, and lastly Vanguard's Leading Economic Indicator (VLEI), a proprietary economic growth and momentum indicator. The probit model is specifically designed to anticipate turning points in the business cycle and slowdowns in payroll growth projected as of January 31, 2016 with a six-month subsequent probability of a recession.

# Vanguard's model estimated using both fundamental and market variables

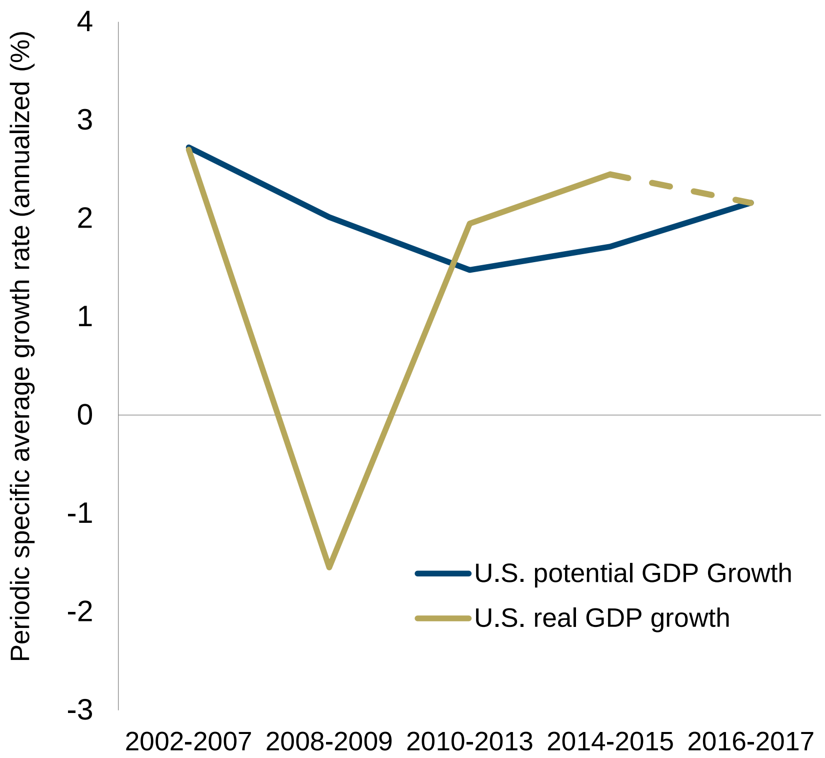
## Vanguard's recession model



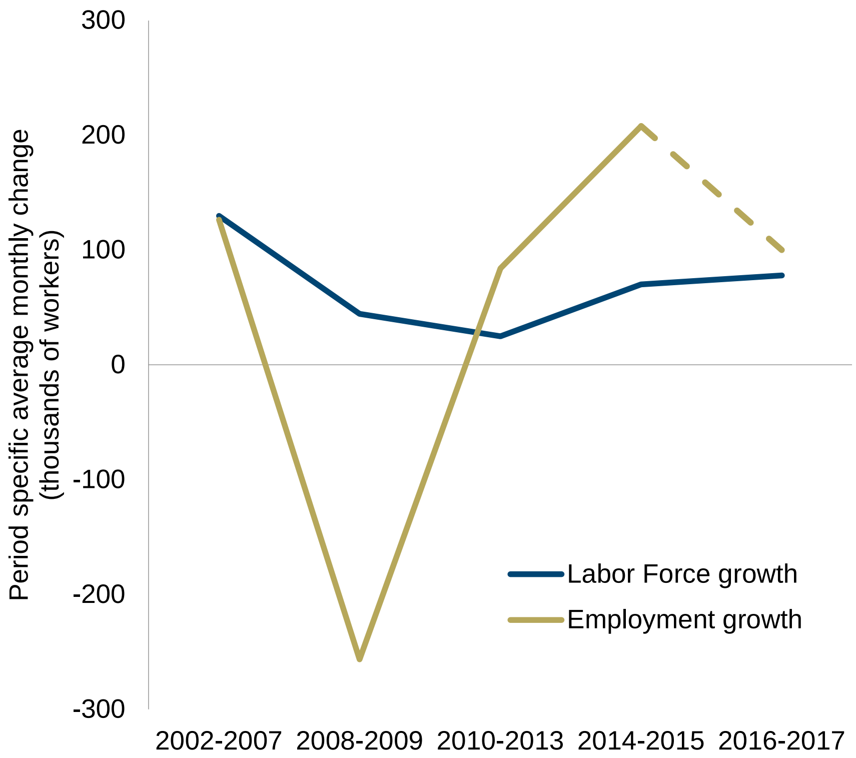

Sources: Vanguard calculations based on data from Thomson Reuters Datastream, Moody's Analytics, and National Bureau of Economic Research.
Notes: The figure is based on results of a probit model which accounts for a default spread, yield slope, Vanguard leading economic indicators, and U.S. equities. Historical recessions are defined by the National Bureau of Economic Research and a 'growth scare' is any period during which the 3-month moving average of nonfarm payrolls drops below 50,000. Estimates based on data beginning January 1982 to January 31, 2016.

# From cyclical thrust, back to trend growth in U.S.

## Convergence in real GDP growth



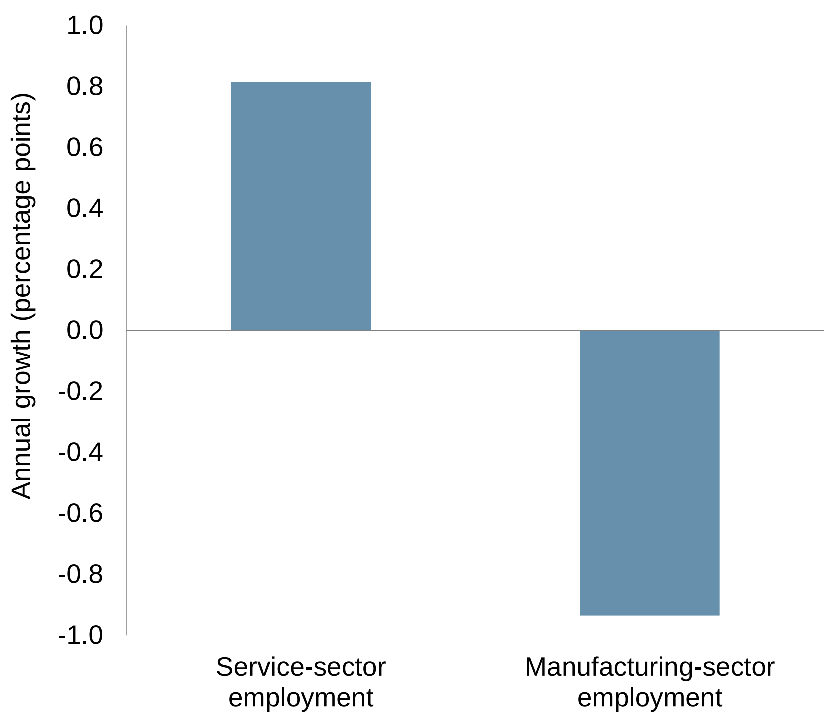

## Convergence in employment growth



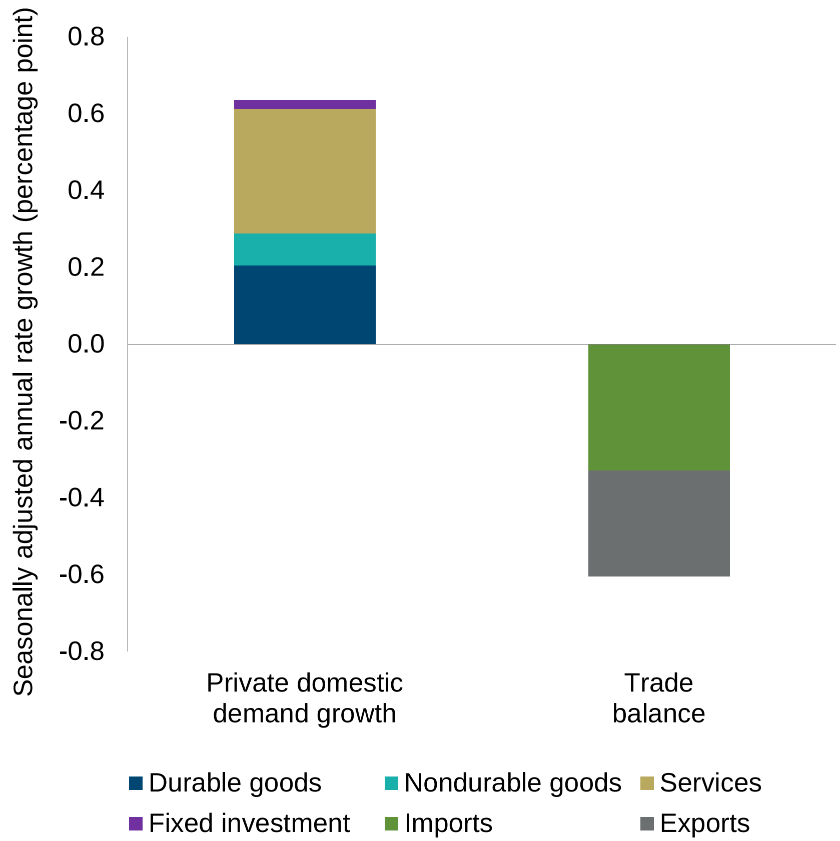

Sources: Vanguard calculations based on data from Congressional Budget Office, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, and Moody's Analytics.
Notes: Potential GDP growth represents Congressional Budget Office (CBO) estimates for potential in time periods listed while real growth is that provided by Bureau of Economic Analysis through the third quarter of 2015. US real GDP growth assumed to return to potential over the 2016-2017 period. Labor force growth represents average monthly change in labor force historically while 2016-2017 period estimated using population growth estimates and assumptions of no change in participation rates. Employment growth is assumed to return to trend in labor force growth over the 2016-2017 period.

# Effects of stronger U.S. dollar are not one-sided

## Impact on employment growth



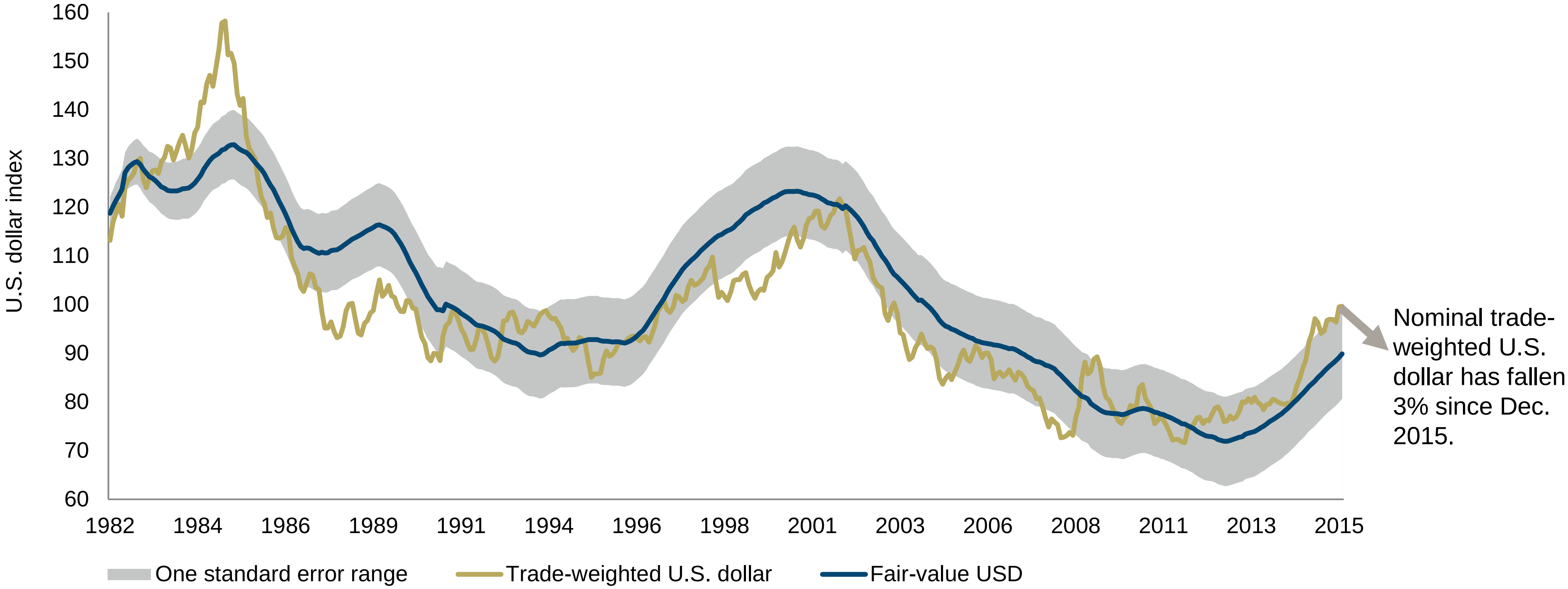

## Impact on real GDP growth and components




Sources: Vanguard calculations, based on data from Moody's Analytics.
Notes: Estimated impacts based on regressions of macro variables (components of employment growth and real GDP growth) on Real Broad Dollar Index. Estimated effects arise from applying cumulative real appreciation since third-quarter 2014 (12%) to corresponding regression coefficients. Results are weighted by components as follows: service-sector employment (84%), manufacturing-sector employment (16%), consumer services (46% of GDP), durable goods (7%), nondurable goods (15%), imports (15%), and exports (13%). U.S. government sector not included in this analysis. Data as of September 30, 2015.

# U.S. dollar strength above and beyond macro fundamentals

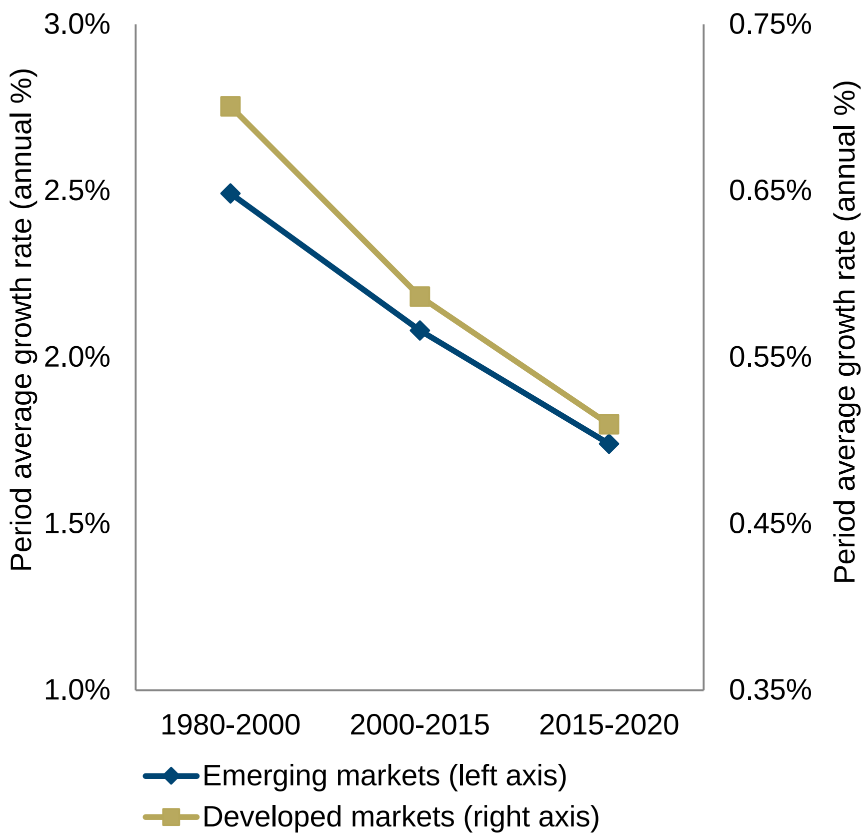
## Macro fundamentals support recent appreciation, and falls in early 2016 pushed dollar closer to fair value



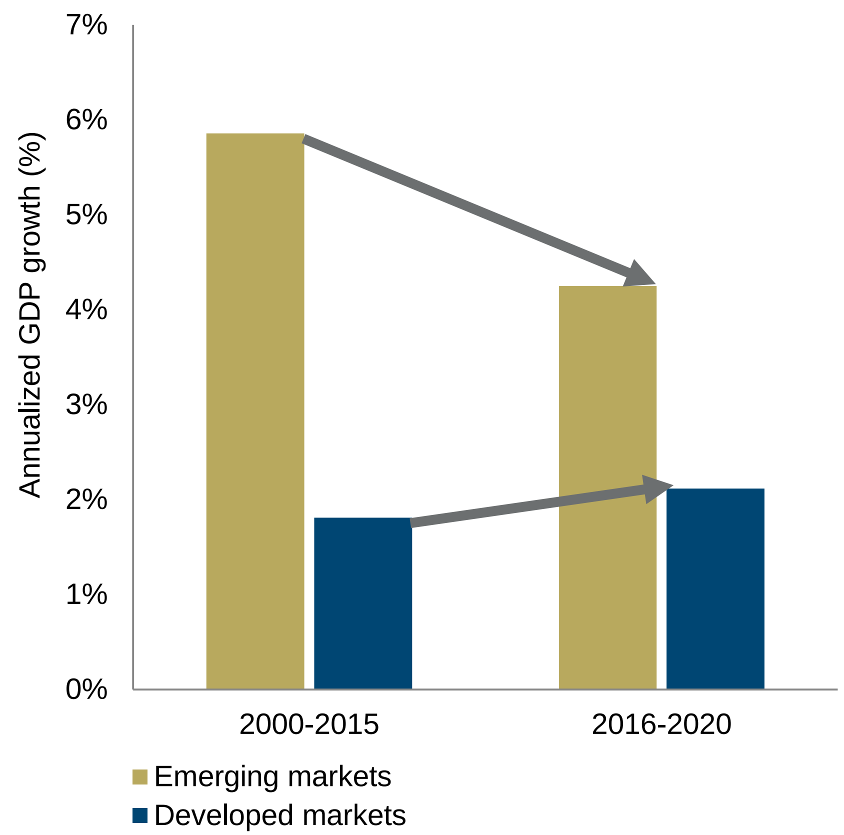

Sources: Vanguard calculations, based on data from the Federal Reserve System, International Monetary Fund, U.S. Bureau of Labor Statistics, UK ONS, CANSIM, Eurostat, ECB, Japan Statistics Bureau, Swiss Federal Statistics Office, Statistics Sweden, Australian Bureau of Statistics, Statistics Austria, National Bank of Belgium, Statistical Service of the Republic of Cyprus, Bundesbank, Spain National Institute of Statistics, Statistics Estonia, Statistics Finland, Source French National Institute of Statistics and Economic Studies, Hellenic Statistical Authority, Ireland Central Statistics Office, Italian National Institute of Statistics, Japan Economic and Social Research Institute, Statistics Lithuania, STATEC Luxembourg, Central Statistical Bureau of Latvia, Malta National Statistics Office, Statistics Netherlands, Statistics Norway, Instituto Nacional de Estatística - Portugal, Statistical Office of the Slovak Republic, Statiscal Office of the Republic of Slovenia, Germany Federal Statistics Office and Moody's Analytics.
Notes: Fair-value USD is based on a statistical model that corrects the nominal trade-weighted dollar (using the Federal Reserve's methodology) for the differentials between the U.S. and other countries in the Major Currencies Index on real GDP per capita, inflation, 10-year government bond yields, and the U.S. current account balance. The statistical model specification is a vector error correction (VEC), estimated over the period June 1981 to December 2015.

# Low-growth world in the midst of *structural* convergence, not more dire secular stagnation

## Demographic headwinds in emerging and developed markets



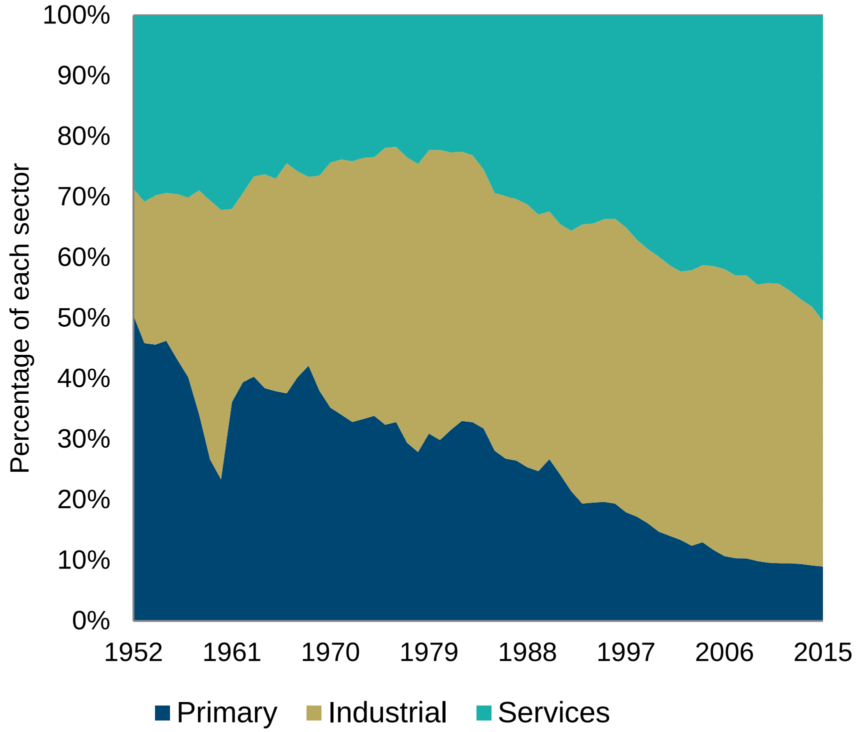

## Narrowing growth gap



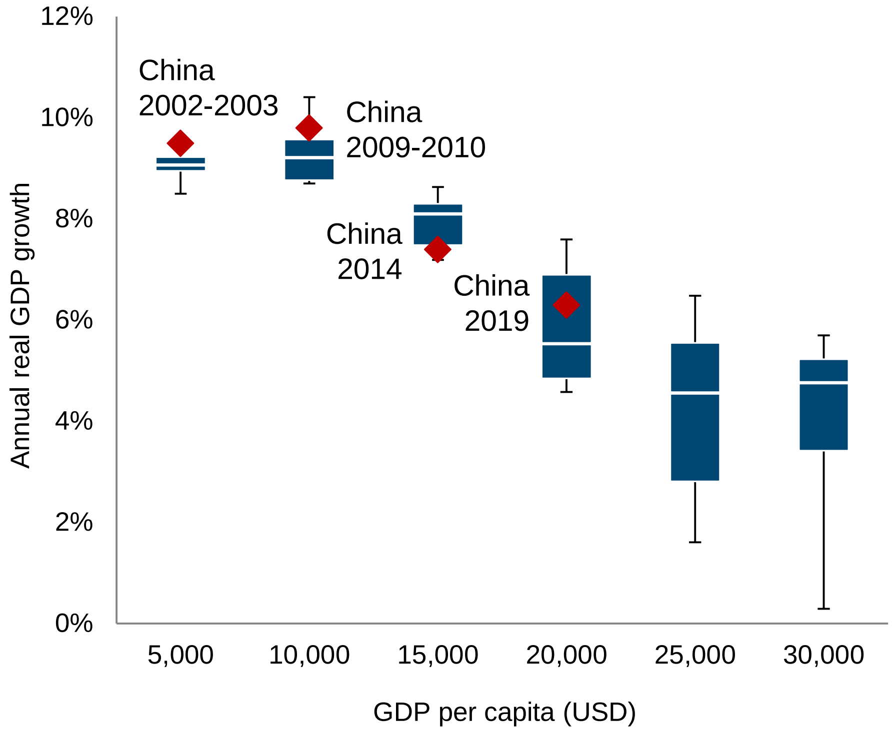

Sources: Vanguard calculations based on data from International Monetary Fund - World Economic Outlook.
Notes: Population growth and potential GDP data and projections based on IMF estimates of output gap and real GDP growth by country. Developed and emerging market group totals estimated as GDP-weighted average of individual countries. Groupings follow IMF designation. Data as of October 31, 2015.

# No hard landing, but sustained slowdown

## The path to a developed market follows the service sector



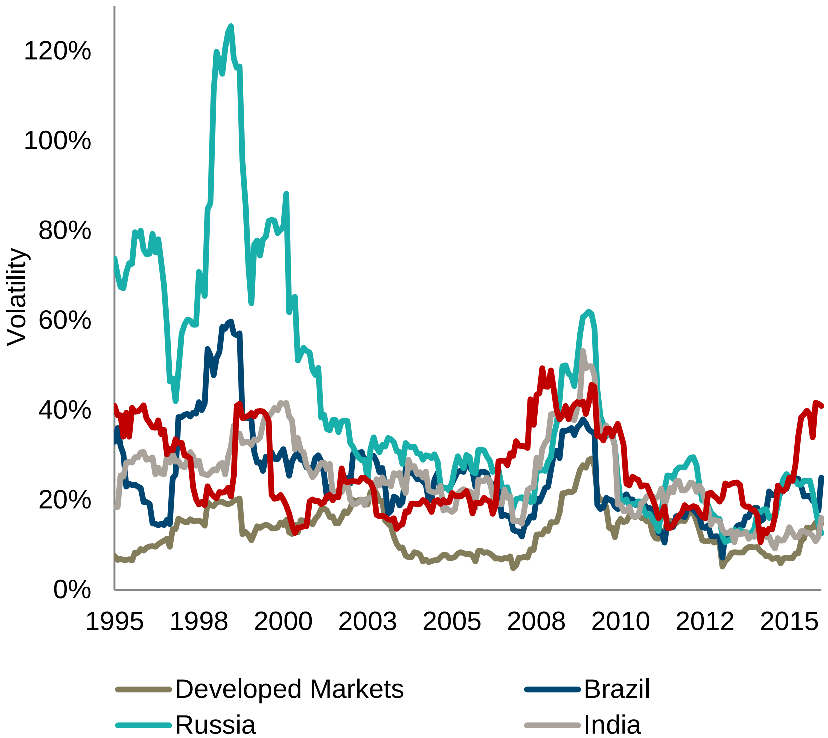

## Historical real GDP growth versus GDP per capita for various Asian economies



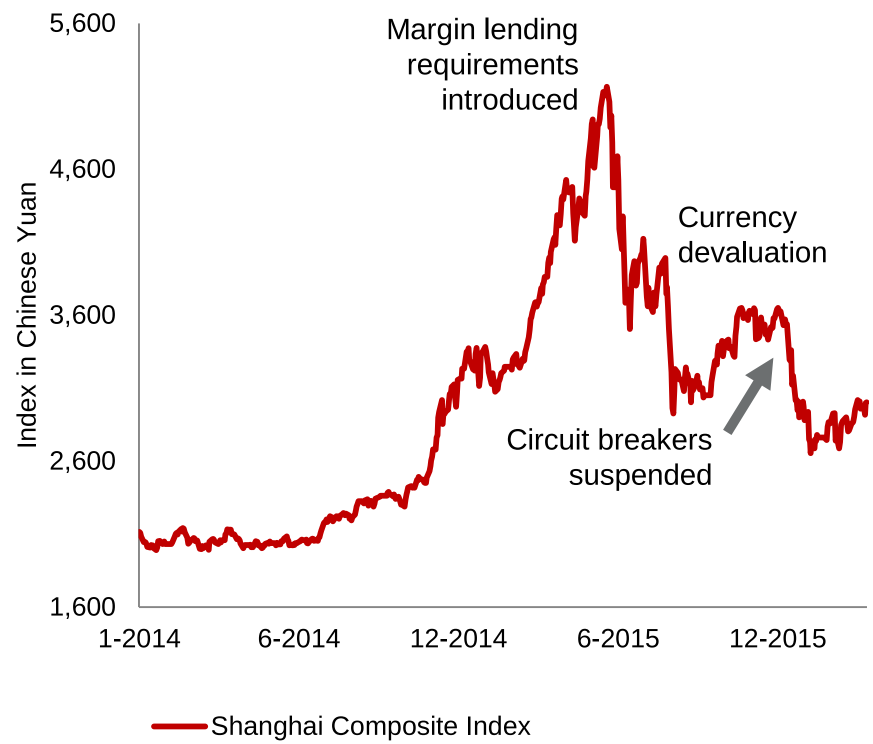

Sources: Vanguard calculations based on data from CEIC, Penn World Tables v8.0 and International Monetary Fund.
Notes: (Left-hand chart) Primary sector refers to the agricultural sector. (Right-hand chart) The chart illustrates real GDP growth rates against GDP per capita for China (for the years shown) and for Hong Kong, Japan, Taiwan, South Korea, and Singapore (represented by the box plots) for 1951–November 2014. For each level of GDP per capita, we calculated distribution of real GDP growth rates across the five Asian economies. China 2014 and 2019 forecasts represent data from IMF World Economic Outlook (WEO), October 2014.

# Recent Chinese market volatility is typical for an emerging market, though perspective is warranted given the size of the stock market

While there is historical precedent for this type of volatility in emerging markets…



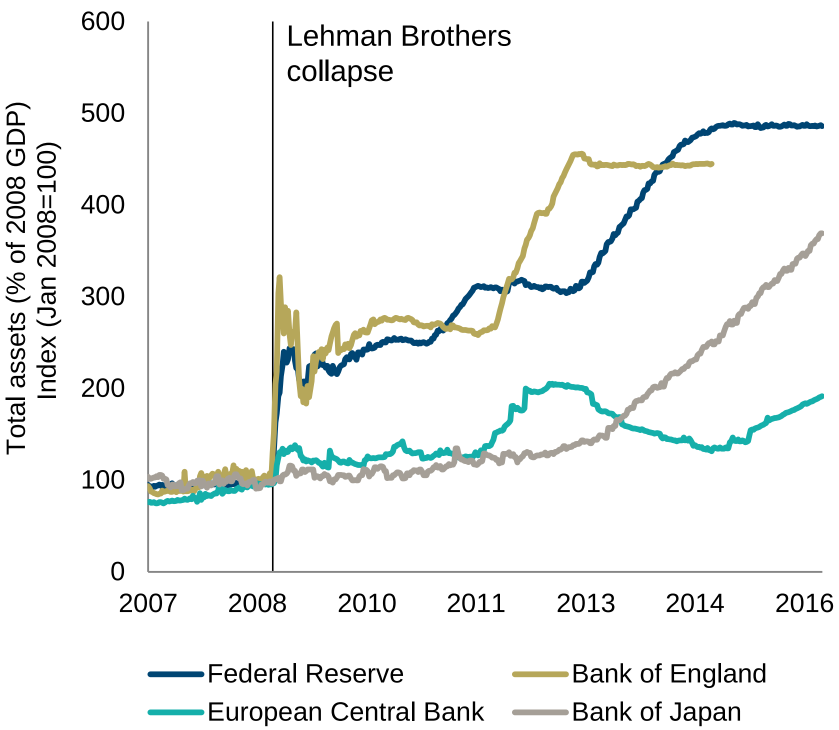

…there are concerns around the impact of policy



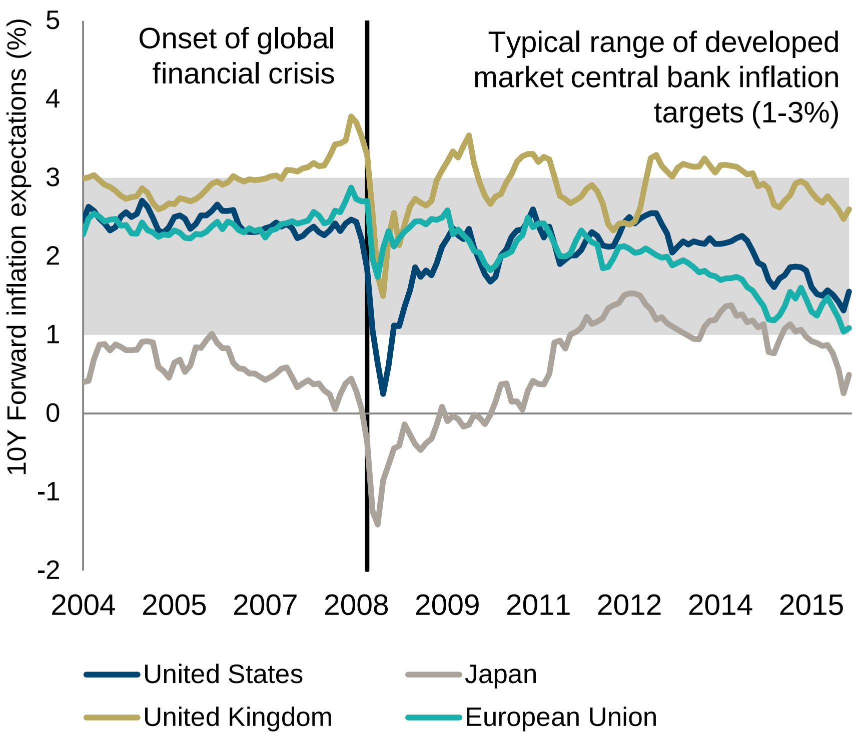

Sources: Vanguard calculations based data from Thomson Reuters Datastream, MSCI and CEIC.
Notes: (Left-hand chart) Chart depicts the 12-month rolling annualized standard deviation of returns. Developed market equities represented by the MSCI World Index; Brazil represented by the MSCI Brazil Index; India represented by the MSCI India Index; Russia represented by the MSCI Russia Index; and China represented by the Shanghai Composite Index. All returns are in local currency with data as of March 31, 2016. (Right-hand chart) Returns are in local currency with data as of March 31, 2016.

# Divergent monetary policies a response to missing inflation targets

## ECB and BoJ assets will continue to increase, while the U.S. and U.K. should decline




## Break even inflation expectations have been falling prompting recent policy actions

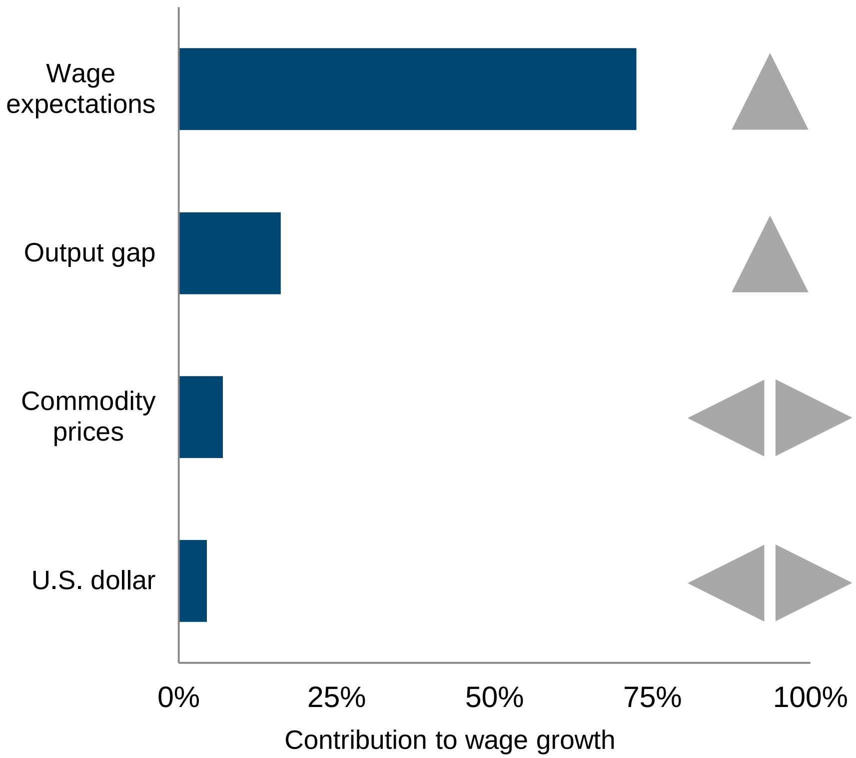



Sources: Vanguard calculations, based on data from Federal Reserve System, Bank of England, European Central Bank, Bank of Japan, and the International Monetary Fund.

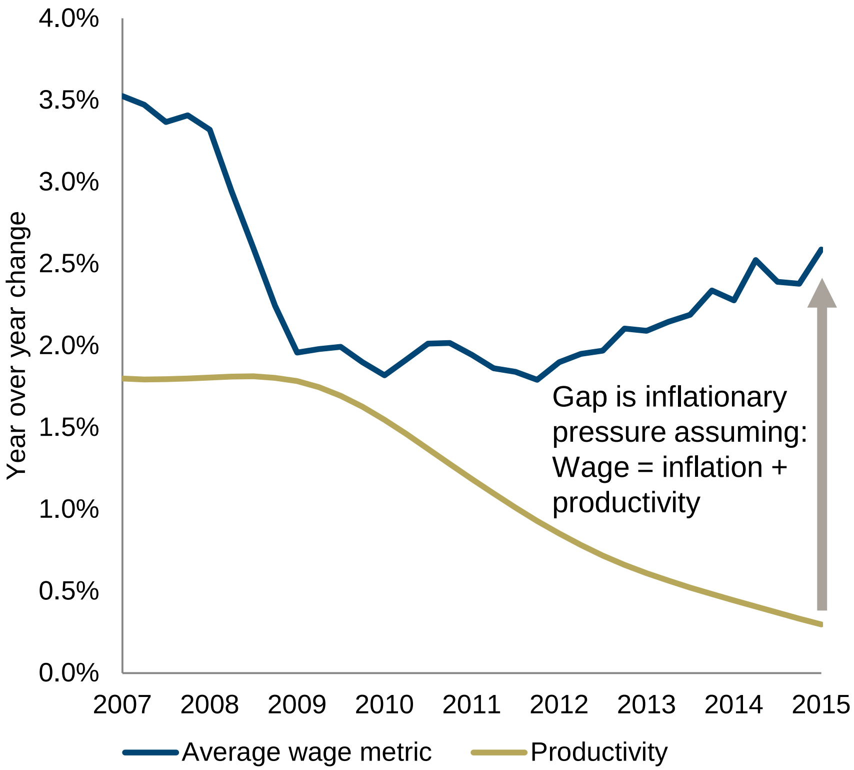
Notes: (Left-hand chart) Total assets for each central bank are shown as percentages of that country's or region's 2008 GDP. Weekly data as of March 31, 2016. (Right-hand chart) Figure displays 10-year forward inflation expectations for each country. U.S. and UK represent 10-year break even inflation (BEI), Japan represents 10-year US BEI less 10-year yield differential between U.S. and Japan through October 31, 2013 and 10-year break even inflation thereafter, and EU represents 10-year Inflation swaps. The data is as of March 31, 2016.

# The limits of central bank policies:
# Inflation expectations moving away from their targets

## Labor market strength may not be sufficient unless it translates into wage growth



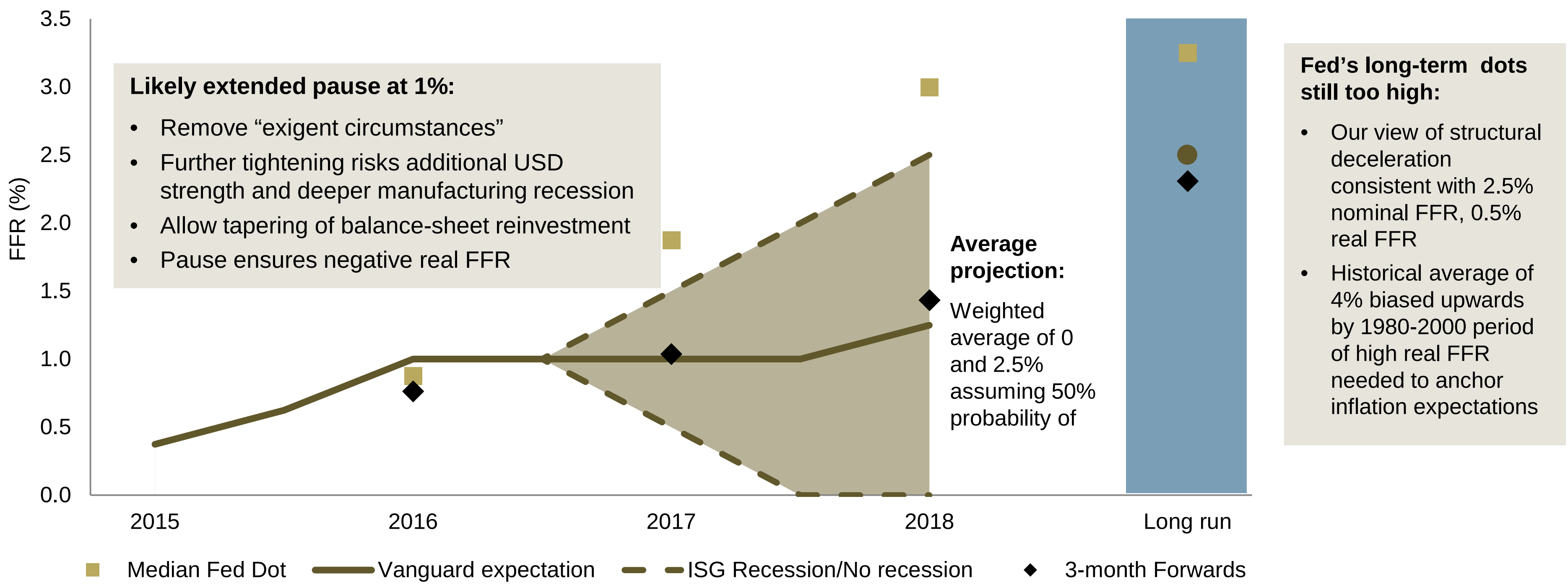

## Productivity-adjusted wage growth is the right metric to gauge inflation expectations




Source: Vanguard calculations based on data from U.S. Bureau of Labor Statistics, Federal Reserve System, Commodity Research Bureau, Federal Reserve Bank of Atlanta and Federal Reserve Bank of Philadelphia.
Notes: (Left-hand chart) Chart based on inflation-variance decomposition from 10,000 Monte Carlo bootstrapped simulations on the vector autoregressive model's (VAR) residual covariance matrix, measured over the period January 1983 to December 2013. (Right-hand chart) Average wage metric represents average of three month moving averages of the most recently available Employment Cost Index (ECI), Atlanta Federal Reserve Wage Growth Tracker, total private hourly wages, and Vanguard's proprietary composite wage index.

# Deconstructing our "dovish tightening"

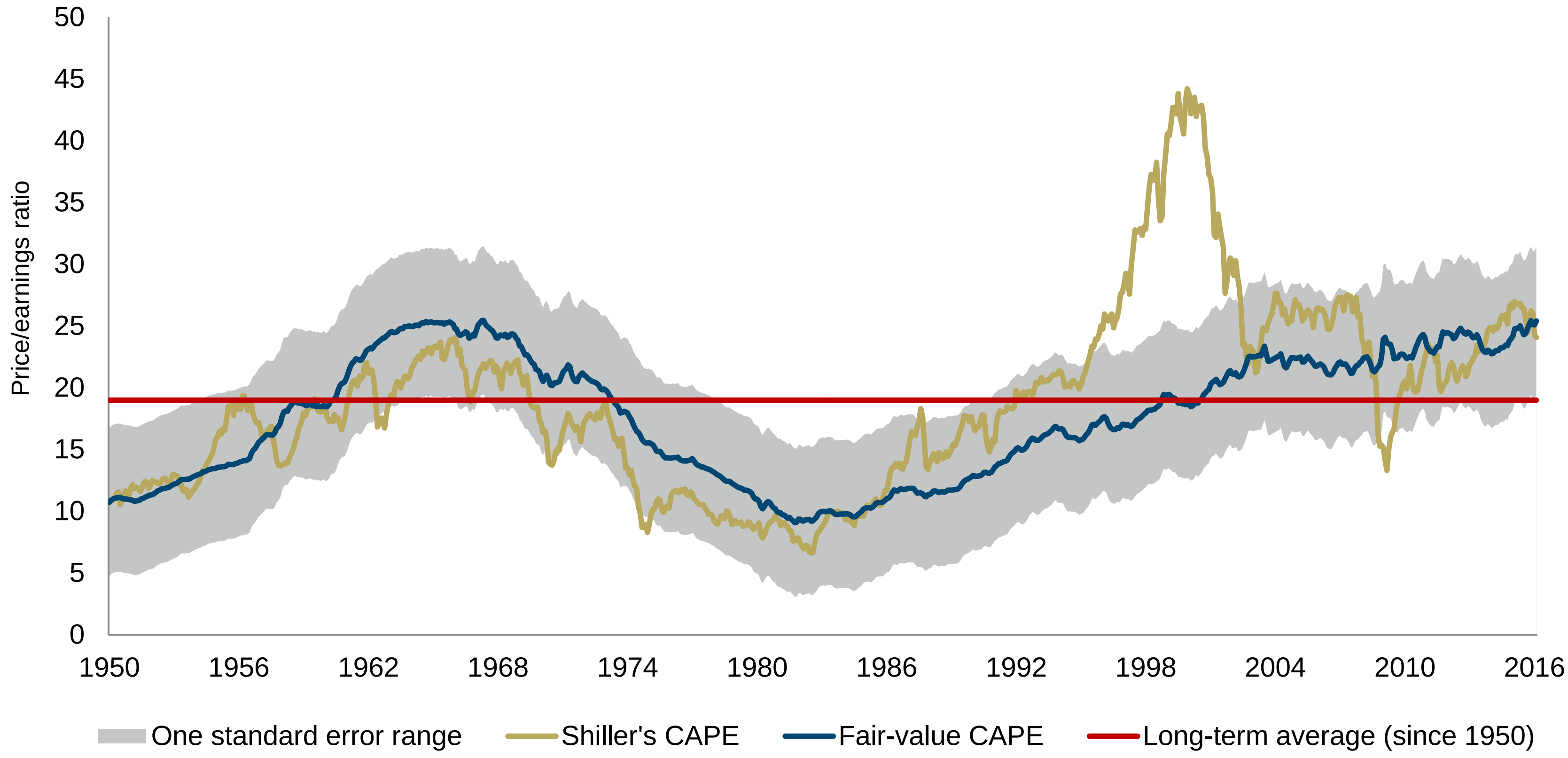
1% federal funds rate consistent with 50% odds of a recession sometime over the next three years




Sources: Vanguard calculations, based on data from Federal Reserve System and Bloomberg.
Notes: Gold boxes represent median expectation at stated year-end from Federal Reserve System's March 2016 Summary of Economic Projections. Tan line represents Vanguard's projection of appropriate Fed policy adjusted for probability of recession in any one year beginning in 2018. Dashed lines represent binary outcomes of recession (line approaching and remaining at zero) or no recession (line approaching and remaining at 3%). FFR = federal funds rate.

# U.S. equity market does not appear grossly 'overvalued' when adjusted for low rates

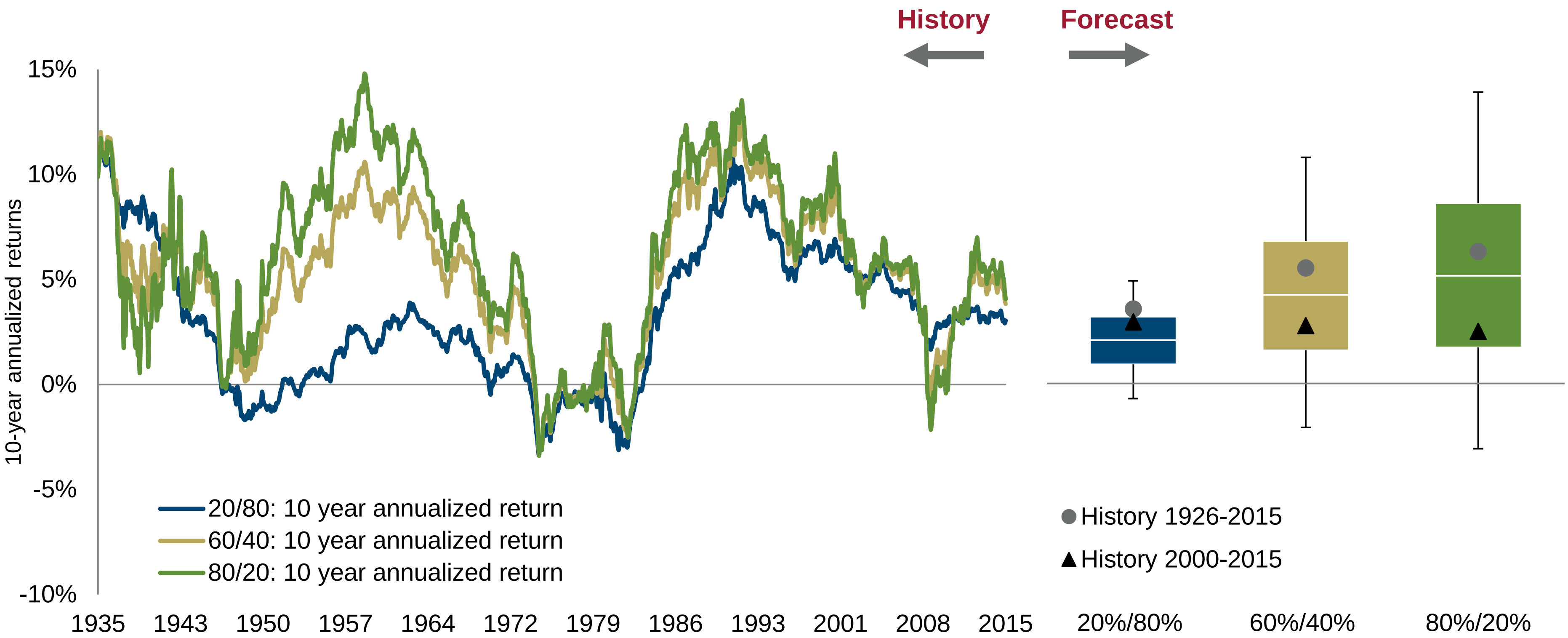
## A comparison of Fair-value CAPE versus Shiller's CAPE




Sources: Vanguard calculations based on data from Online Data Robert Shiller, U.S. Bureau of Labor Statistics and Federal Reserve System.
Notes: Fair-value cyclically adjusted price to earnings (CAPE) ratio is based on a statistical model that adjusts the CAPE measure with respect to the current inflation expectations and 10-year Treasury nominal yield. The model's specification is a three-variable vector error correction model with the following inputs: S&P 500 Index earnings yield, 10-year Treasury yield and 10-year trailing inflation. The model is developed based on data beginning in January 1940 to February 29, 2016.

# Projected ten-year real return outlook for balanced portfolios

## Setting proper future expectations




**IMPORTANT: The projections or other information generated by the VCMM regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Distribution of return outcomes from the VCMM are derived from 10,000 simulations for each modeled asset class in USD. Simulations are as of December 31, 2015. Results from the model may vary with each use and over time. For more information, please see the important information slide.**

Sources: Vanguard.

Notes: Forecast displays 5th/25th/50th/75th/95th percentile ranges of 10,000 VCMM simulations for projected ten-year annualized nominal returns in USD. The equity portfolio is 60% U.S. equity and 40% global ex-U.S. equity. The bond portfolio is 70% U.S. bonds and 30% global ex-U.S. bonds. For details, see 'Vanguard's economic and investment outlook' (Davis et al. 2015).

# Portfolio summary

# COMMUNITY FOUNDATION FOR MUSKEGON COUNTY

## Monthly Performance Summary

March 31, 2016

| | Market Value ($) | Current Allocation (%) | Policy Allocation (%) | Current Month (%) | Three Months (%) | One Year (%) | Three Years (%) | Five Years (%) | Ten Years (%) | Since Client Inception (%)* |
|---|---|---|---|---|---|---|---|---|---|---|
| Vanguard® Total Stock Market Index Fund Institutional Shares | 57,658,846.22 | 37.47 | 36.00 | 7.03 | 0.95 | -0.44 | 11.12 | 11.00 | 7.06 | - |
| Spliced Total Stock Market Index | | | | 7.03 | 0.95 | -0.45 | 11.12 | 11.01 | 7.05 | - |
| Multi-Cap Core Fund Average | | | | 6.79 | 0.42 | -3.80 | 8.76 | 8.41 | 5.30 | - |
| **Total Equity Domestic** | **57,658,846.22** | **37.47** | **36.00** | **7.03** | **0.95** | **-0.44** | **-** | **-** | **-** | **5.96** |
| **Spliced Total Stock Market Idx** | | | | **7.03** | **0.95** | **-0.45** | **11.12** | **11.01** | **7.05** | **5.95** |
| Vanguard® Total International Stock Index Fund Inst Shares | 38,278,571.89 | 24.87 | 24.00 | 8.24 | -0.16 | -8.13 | 0.84 | 0.71 | - | - |
| Spliced Total Int'l Stock Index | | | | 8.25 | -0.29 | -7.95 | 1.01 | 0.73 | 1.97 | - |
| International Fund Average | | | | 6.91 | -1.67 | -7.12 | 1.97 | 1.66 | 1.61 | - |
| **Total Equity International** | **38,278,571.89** | **24.87** | **24.00** | **8.25** | **-0.15** | **-8.13** | **-** | **-** | **-** | **-5.48** |
| **Spliced Total Int'l Stock Index** | | | | **8.25** | **-0.29** | **-7.95** | **1.01** | **0.73** | **1.97** | **-5.16** |
| **Total Equity** | **95,937,418.11** | **62.34** | **60.00** | **7.51** | **0.52** | **-3.52** | **-** | **-** | **-** | **1.37** |

| | Market Value ($) | Current Allocation (%) | Policy Allocation (%) | Current Month (%) | Three Months (%) | One Year (%) | Three Years (%) | Five Years (%) | Ten Years (%) | Since Client Inception (%)* |
|---|---|---|---|---|---|---|---|---|---|---|
| Vanguard® Total Bond Market Index Fund Institutional Shares | 41,804,811.45 | 27.17 | 30.00 | 0.95 | 3.09 | 1.83 | 2.39 | 3.73 | 4.89 | - |
| Spliced Barclays US Agg Float-Adj Ix | | | | 0.98 | 3.12 | 1.88 | 2.47 | 3.80 | 4.91 | - |
| Spl Interm Inv-Grade Debt Funds Avg | | | | 1.29 | 2.68 | 0.93 | 1.91 | 3.56 | 4.26 | - |
| **Total Fixed Income Investment Grade** | **41,804,811.45** | **27.17** | **30.00** | **0.95** | **3.09** | **1.83** | **-** | **-** | **-** | **3.40** |
| **Spl Barclays US Agg Float-Adj Ix** | | | | **0.98** | **3.12** | **1.88** | **2.47** | **3.80** | **4.91** | **3.47** |
| **Total Fixed Income** | **41,804,811.45** | **27.17** | **30.00** | **0.95** | **3.09** | **1.83** | **-** | **-** | **-** | **3.40** |
| Vanguard® REIT Index Fund Institutional Shares | 16,141,697.99 | 10.49 | 10.00 | 10.43 | 6.26 | 3.94 | 10.37 | 11.77 | 6.76 | - |
| REIT Spliced Index | | | | 10.42 | 6.31 | 4.05 | 10.45 | 11.85 | 6.70 | - |
| Real Estate Fund Average | | | | 9.41 | 4.48 | 2.27 | 9.01 | 10.55 | 5.45 | - |
| **Total Other Investments Domestic** | **16,141,697.99** | **10.49** | **10.00** | **10.43** | **6.26** | **3.94** | **-** | **-** | **-** | **12.22** |
| **MSCI US REIT Index** | | | | **10.42** | **6.31** | **4.05** | **10.45** | **11.85** | **6.49** | **12.34** |
| **Total Other Investments** | **16,141,697.99** | **10.49** | **10.00** | **10.43** | **6.26** | **3.94** | **-** | **-** | **-** | **12.22** |
| **Total Portfolio** | **153,883,927.55** | **100.00** | **100.00** | **5.96** | **1.98** | **-1.04** | **-** | **-** | **-** | **3.26** |
| **Total Portfolio** - Net of Fee | | | | **5.96** | **1.96** | **-1.09** | **-** | **-** | **-** | **3.22** |
| **Composite Benchmark^** | | | | **5.85** | **1.94** | **-0.86** | **-** | **-** | **-** | **3.34** |
| **Total Portfolio IRR** | | | | **5.94** | **2.13** | **-0.48** | **-** | **-** | **-** | **3.23** |

* Since Client Inception returns for the Total Portfolio represent the period beginning 04/30/2014. Sub-asset class returns reflect the client inception date of their respective sub-asset class.

^ 36% Spliced Total Stock Market Index/30% Spliced Barclays US Agg Float-Adj Ix/24% Spliced Total Int'l Stock Index/10% REIT Spliced Index since 04/30/2014

† Rows within the Current Allocation column may not add because of rounding.

# Asset allocation summary of CFMC VIAS composite portfolio
# As of March 31, 2016

| Investment | Market value as of March 31, 2016 | Target allocation | Actual weight | Variance |
|---|---|---|---|---|
| Domestic equity | | | | |
| Total Stock Market Index Fund Institutional Shares | $57,658,846 | 36.0% | 36.5% | 0.5% |
| *Domestic equity subtotal* | *$57,658,846* | *36.0%* | *36.5%* | *0.5%* |
| International equity | | | | |
| Total International Stock Index Fund Institutional Shares | $38,278,572 | 24.0% | 24.2% | 0.2% |
| *International equity subtotal* | *$38,278,572* | *24.0%* | *24.2%* | *0.2%* |
| Fixed income | | | | |
| Total Bond Market Index Fund Institutional Shares | $41,804,811 | 30.0% | 29.0% | –1.0% |
| Total Bond Market ETF (held at PNC in pledge)* | $3,990,699 | | | |
| *Fixed income subtotal* | *$45,795,510* | *30.0%* | *29.0%* | *–1.0%* |
| Other investments | | | | |
| REIT Index Fund | $16,141,698 | 10.0% | 10.2% | 0.2% |
| *Other investments subtotal* | *$16,141,698* | *10.0%* | *10.2%* | *0.2%* |
| **Total portfolio** | **$157,874,626** | **100.0%** | **100.0%** | |

* Total Bond Market ETF market value is reported by Community Foundation for Muskegon County staff.

# Historical portfolio performance

**Community Foundation for Muskegon County (CFMC)**
**Quarterly Summary of Combined Historical Performance**
**For the period ending 3/31/2016**

| | | | | Annualized return | | | Calendar return | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Quarter** | **YTD** | **1 year** | **3 year** | **5 year** | **10 year** | **2015** | **2014** | **2013** | **2012** | **2011** | **2010** |
| **CFMC Composite Portfolio** | 1.96 | 1.96 | –1.08 | 5.26 | 4.77 | 4.49 | –0.42 | 5.68 | 12.35 | 12.21 | –3.47 | 13.95 |
| **CFMC Composite Benchmark*** | 1.94 | 1.94 | –0.86 | 6.86 | 7.25 | 5.58 | –0.20 | 7.08 | 19.26 | 12.92 | 0.70 | 12.98 |

**Notes:**
Composite performance data consists of previous providers' portfolio and benchmark returns through April 2014; VIAS returns thereafter. Data prior to May 2014 is based upon information taken from the previous providers' quarterly performance reports and is provided as an estimate only. Composite does not include segregated accounts or pledge holdings.
Return calculations are derived from Morningstar Direct.
* Composite Benchmark allocations over time:
50% S&P 500 / 10% Russell 2000 / 10% MSCI EAFE / 30% LB AGG from March 2004 to March 2005;
45% S&P 500 / 12.5% Russell 2000 / 12.5% MSCI EAFE / 30% LB AGG from March 2005 to December 2007;
55% Russell 3000 / 15% MSCI AC World Index ex-US / 30% LB AGG from December 2007 to December 2008;
55% Russell 3000 / 15% MSCI AC World Index ex-US / 30% Barclays AGG from December 2008 to April 2014;
36% Spliced Total Stock Market Index (CRSP US Total Market Index) / 30% Spliced Barclays US Agg Float-Adj Ix (Barclays U.S. Aggregate Float Adjusted Index)/24% Spliced Total Int'l Stock Index (FTSE Global All Cap ex US Index) / 10% REIT Spliced Index (MSCI US REIT Index) since 4/30/2014.
Past performance is not a guarantee of future returns.

# Segregated accounts

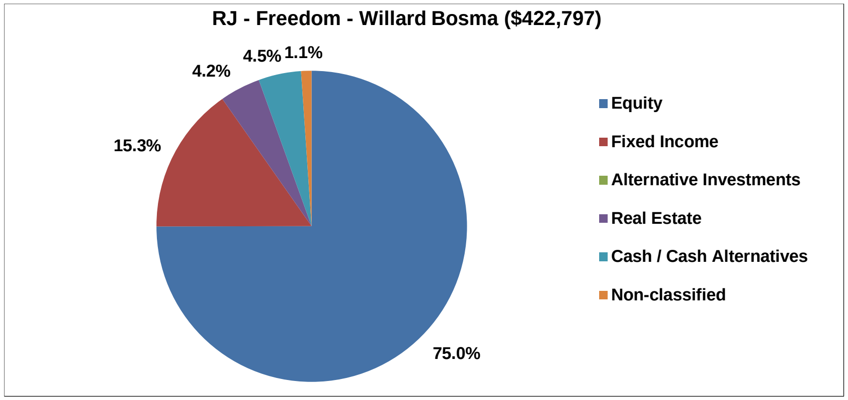
# Investment performance of segregated accounts
# As of March 31, 2016

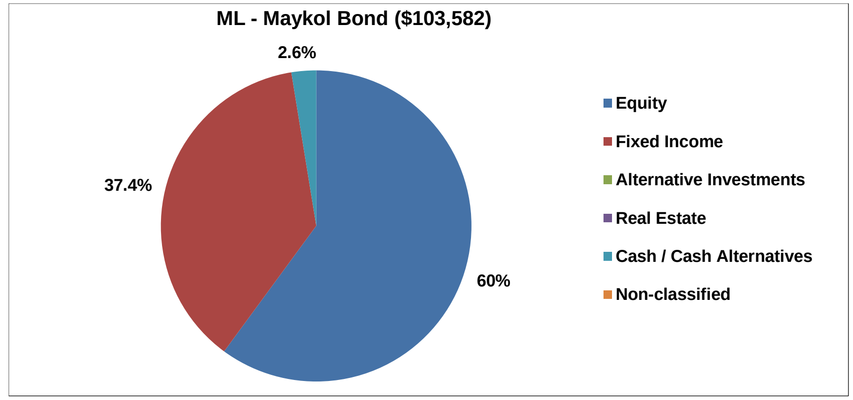
**Community Foundation for Muskegon County (CFMC)**
**Quarterly Summary of Investment Performance of Segregated Accounts**
**For the period ending 3/31/2016**

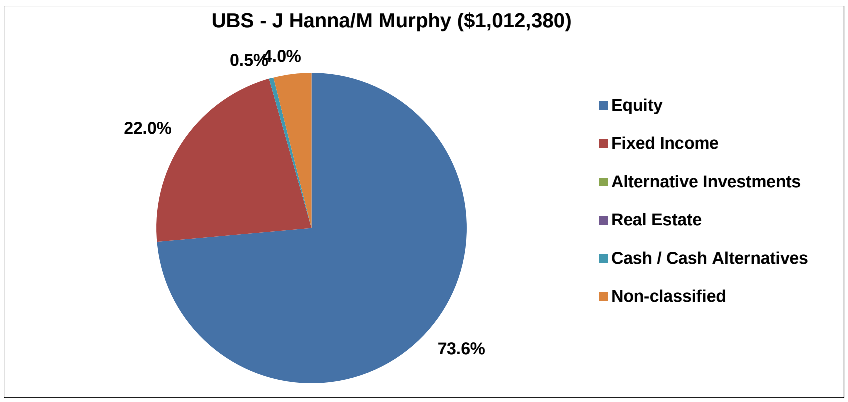
| Account name | Investment manager | Q1 2016 return | YTD 2016 | Market value as of 3/31/16 |
|---|---|---|---|---|
| Freedom – Willard Bosma | RJ | +0.80% | +0.80% | $422,797 |
| Maykol Bond | ML | +0.69% | +0.69% | $103,582 |
| J. Hanna / M. Murphy | UBS | –0.02% | –0.02% | $1,012,380 |
| Ernest E. Settle | UBS | +0.06% | +0.06% | $1,091,091 |
| Cutler | Schwab | +1.90% | +1.90% | $200,121 |
| The 2012 Fund | Schwab | +0.00% | +0.00% | $1,052,088 |
| MI Heritage Trails (MICHHT) | UBS | +1.03% | +1.03% | $1,170,637 |
| Hilt Landing Proj. (Hiltlp) | UBS | +0.00% | +0.00% | $38,618 |
| Donahue | NW | +1.90% | +1.90% | $104,854 |
| G & B Hilt Fund (hilt05) | UBS | +0.75% | +0.75% | $6,466,499 |
| Collins | RJ | –0.25% | –0.25% | $611,125 |
| Smith | RJ | +3.11% | +3.11% | $63,742 |
| Bush Scholarship (bushj) | AGLC | +0.43% | +0.43% | $15,767 |

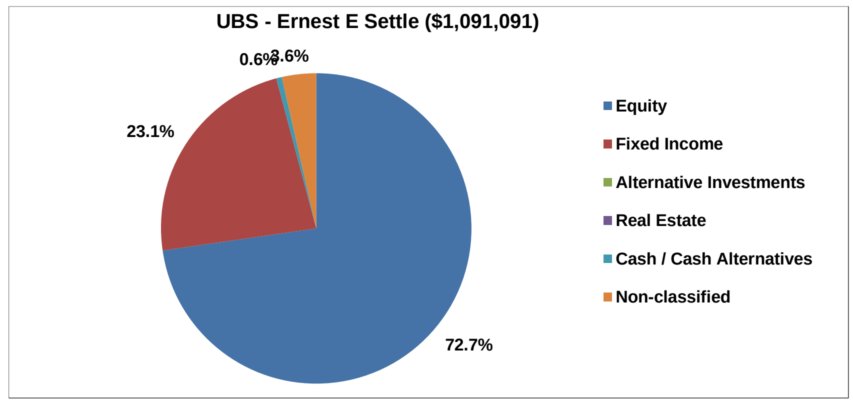
Note: Vanguard cannot independently validate the accuracy of the returns shown above.
Note: Performance net of investment manager fees.
All returns are manually calculated using data provided by the investment providers and CFMC staff. Return calculation reflects beginning period and ending period market values adjusted for investment provider or CFMC cash flows and investment provider fees.
Past performance is not a guarantee of future returns.

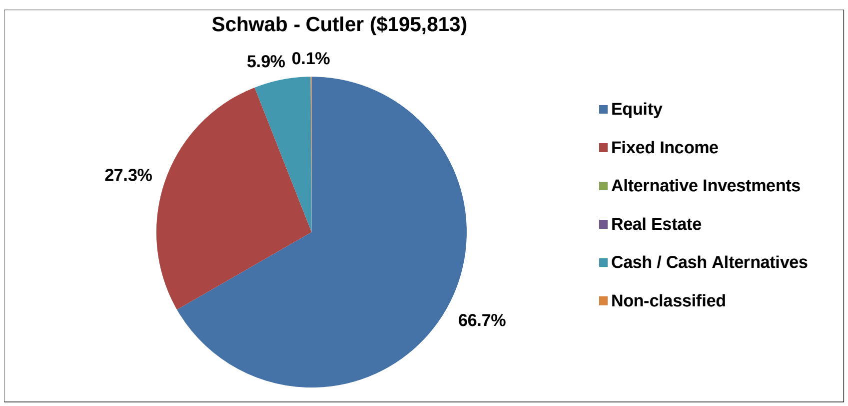
**Community Foundation for Muskegon County (CFMC)**
**Quarterly Asset Allocation Summary of Segregated Accounts - As of 3/31/2016**

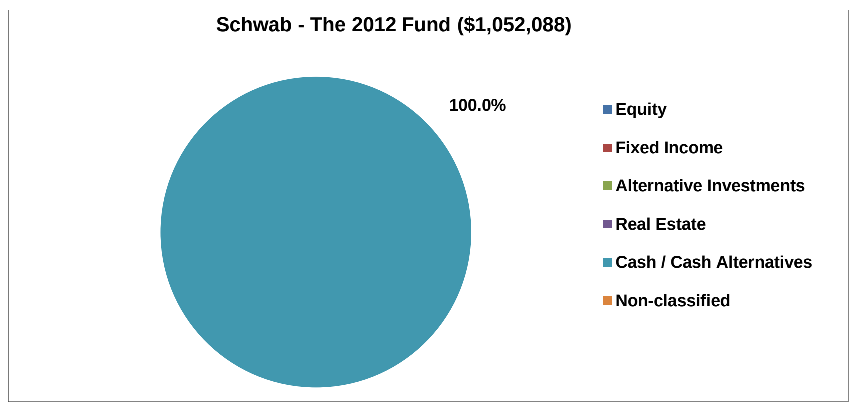


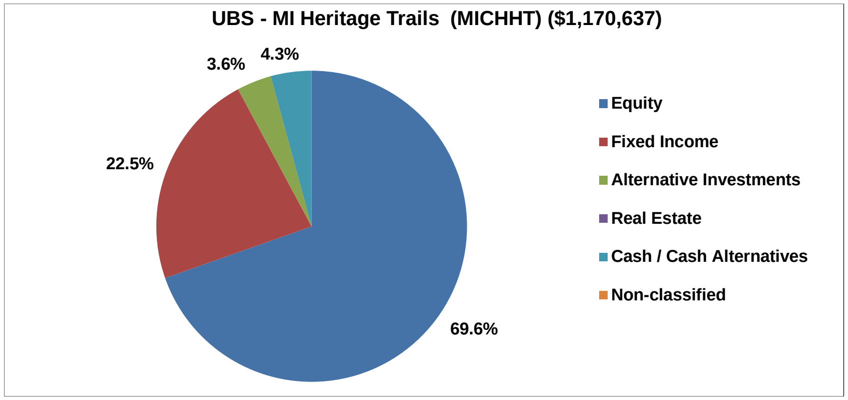



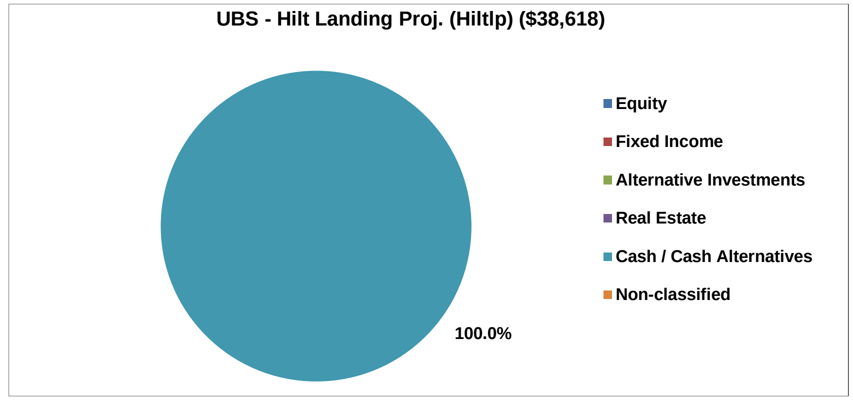



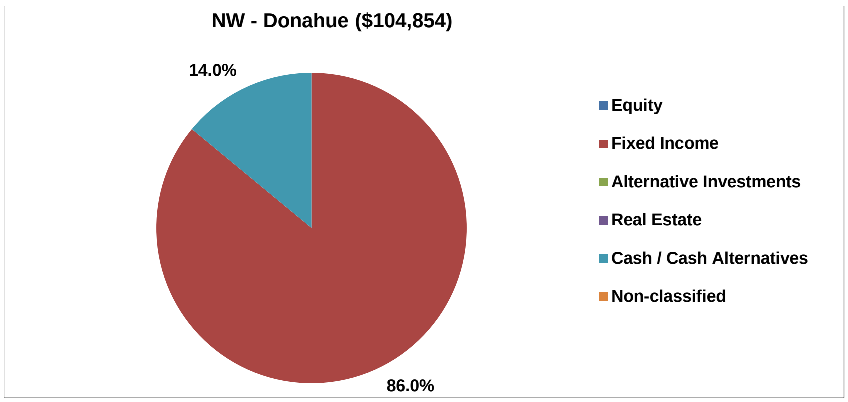



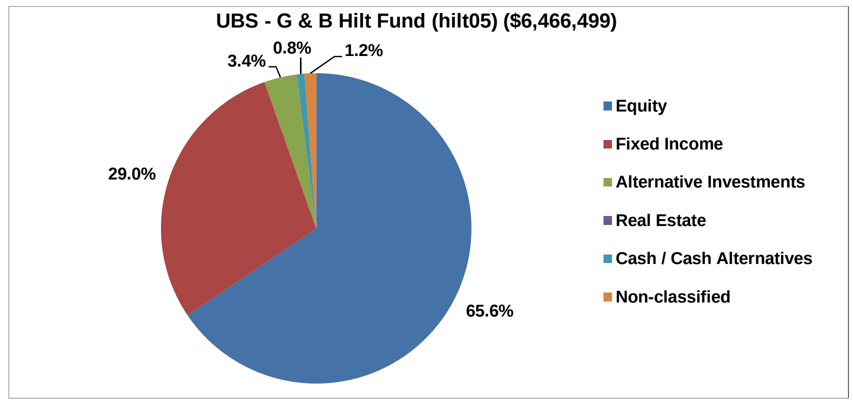

Note: Asset allocation data sourced from investment manager statements. Vanguard cannot independently validate the accuracy of the data provided.

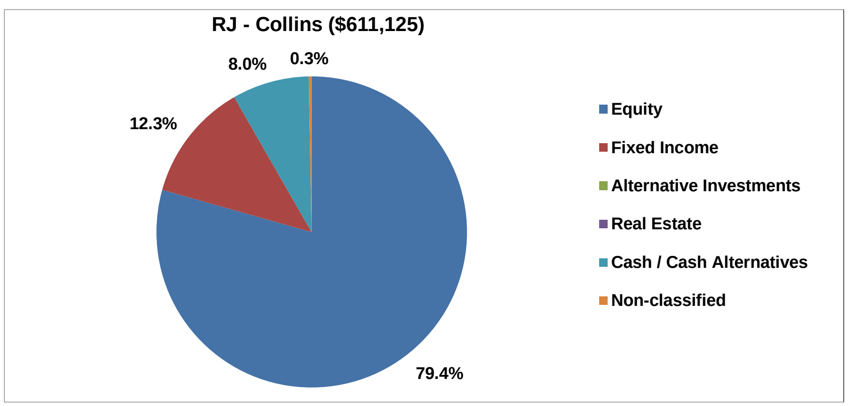
**Community Foundation for Muskegon County (CFMC)**
**Quarterly Asset Allocation Summary of Segregated Accounts - As of 3/31/2016**

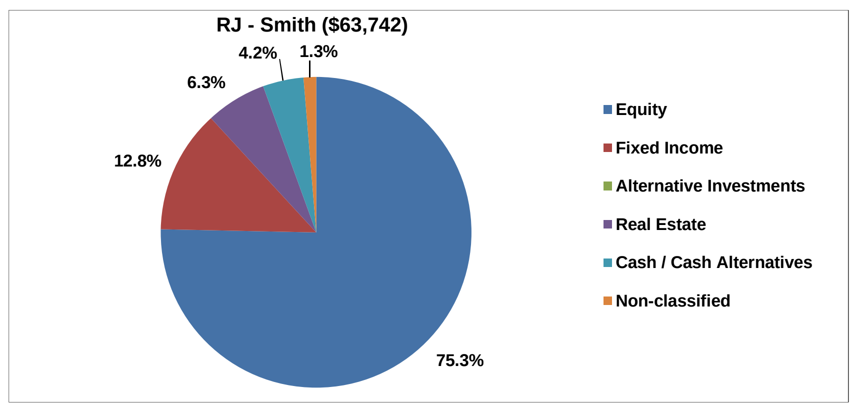


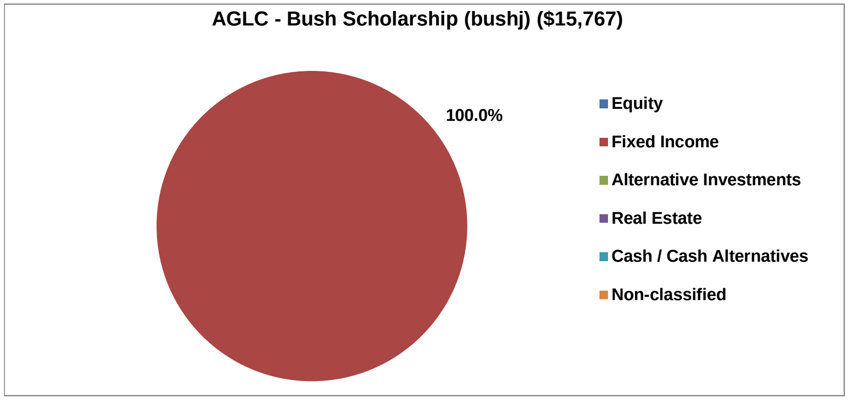



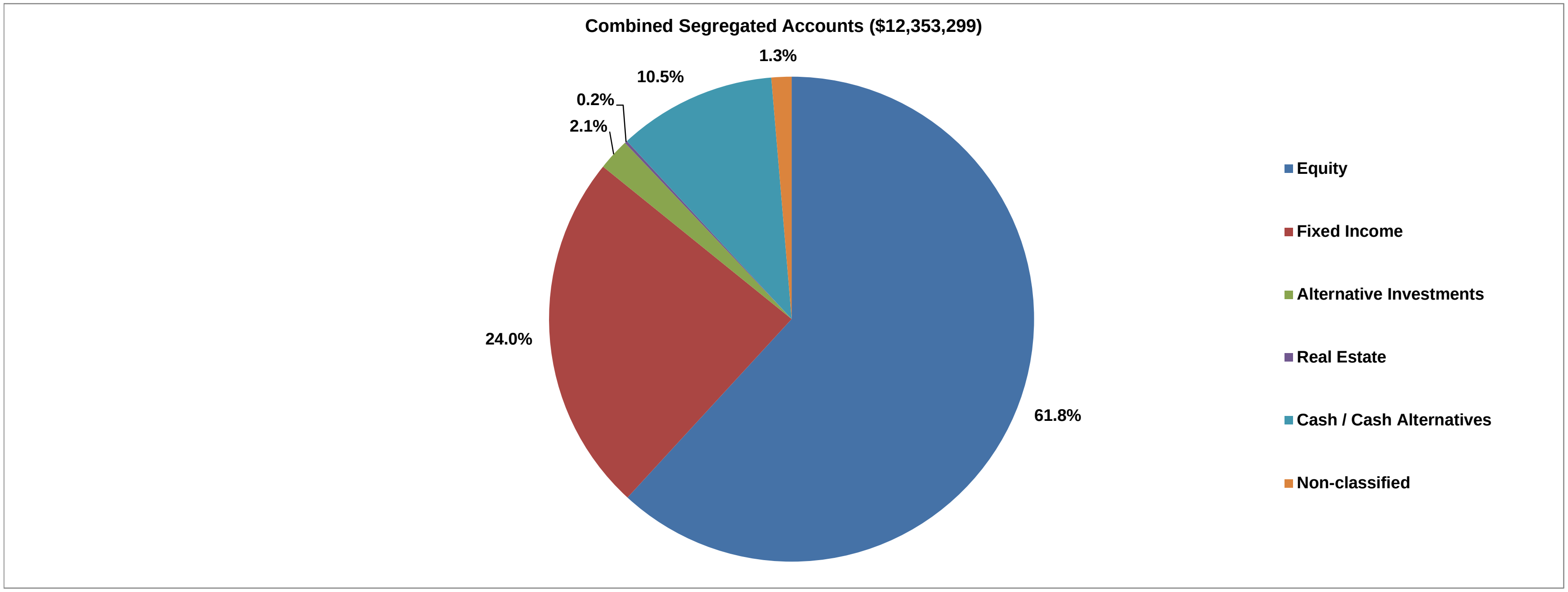




Note: Asset allocation data sourced from investment manager statements. Vanguard cannot independently validate the accuracy of the data provided.

Community Foundation for Muskegon County (CFMC)
Quarterly Asset Allocation Summary of Segregated Accounts - As of 3/31/2016

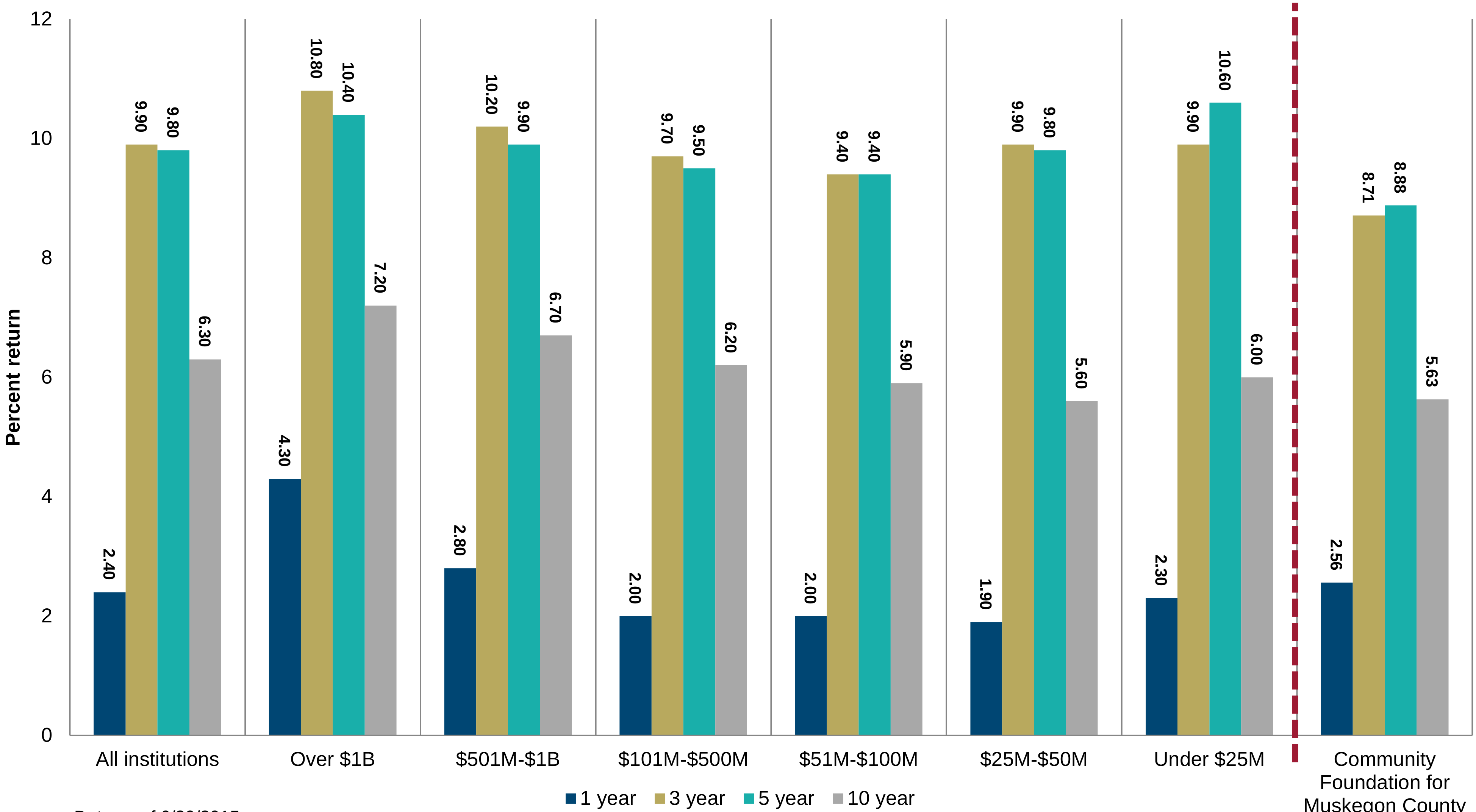



Note: Asset allocation data sourced from investment manager statements. Vanguard cannot independently validate the accuracy of the data provided.

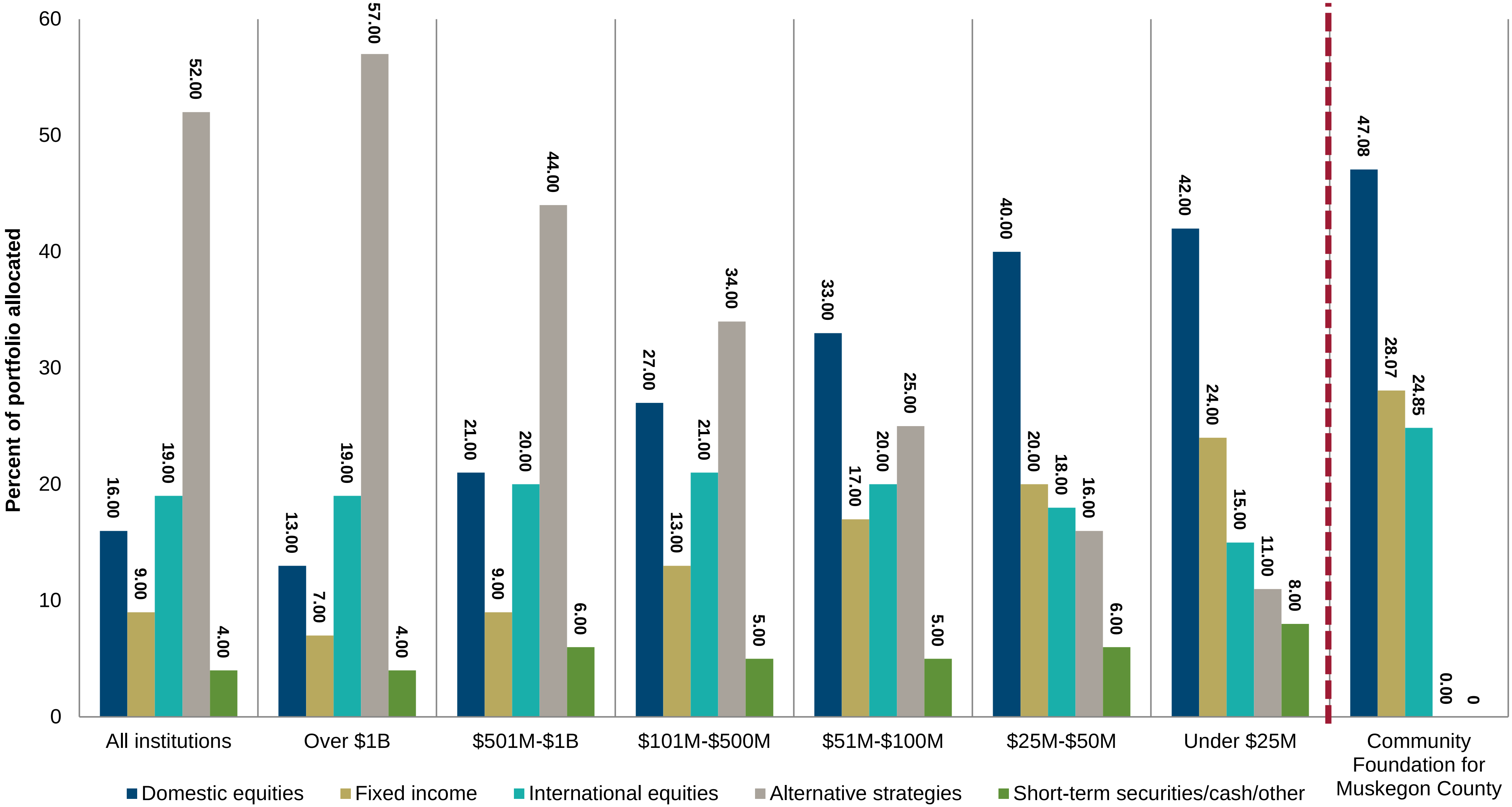
# NACUBO vs. Performance comparison

# 2015 NACUBO study results – Average period returns




Data as of 6/30/2015.
Source: NACUBO, Vanguard.

# 2015 NACUBO study results – Average asset allocation




Data as of 6/30/2015.
Source: NACUBO, Vanguard.

# Legal

**The performance data shown represents past performance, which is not a guarantee of future results. Investment returns and principal value will fluctuate, so investors' shares, when sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at www.vanguard.com/performance.**

**An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although a money market fund seeks to preserve the value of your investment at $1 per share, it is possible to lose money by investing in such a fund.**

Total Portfolio Net of Fees returns reflect the deduction of fund expense ratios, purchase or redemption fees, and any advisory service fee applied to the client portfolio.

Total Portfolio returns represent client-specific time-weighted returns (TWR) are presented gross of any applicable service fees with the exception of mutual fund expense ratios and other security-level expenses.

Internal rates of return (IRR) are net of any applicable service fees, include account-specific cashflows, and are not directly comparable to a benchmark, since benchmarks do not include cashflows.

Client performance inception date is generally the first month-end after initial funding.

Performance figures assume the reinvestment of dividends and capital gains distributions. The fund performance percentages are based on fund total return data, adjusted for expenses, obtained from Lipper, a Thomson Reuters Company. The total return data was not adjusted for fees and loads.

The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index. Benchmark comparative indexes represent unmanaged or average returns on various financial assets, which can be compared with funds' total returns for the purpose of measuring relative performance.

The Russell 1000 Growth Index is used as the comparative benchmark for the PRIMECAP Fund in this report; The S&P 500 is the fund's primary benchmark, as indicated in the fund prospectus.

The Spliced Core Bond Funds Average contains the returns of the Intermediate Inv-Grade Debt Funds Average through 8/31/2013; Core Bond Funds Average thereafter.

The Spliced Barclays U.S. Aggregate Float Adjusted Index contains the returns of the Barclays U.S. Aggregate Bond Index through December 31, 2009; Barclays U.S. Aggregate Float Adjusted Index thereafter.

The Spliced Barclays U.S. Long Government/Credit Float Adjusted Index contains the returns of the Barclays U.S. Long Government/Credit Bond Index through December 31, 2009; Barclays U.S. Long Government/Credit Float Adjusted Index thereafter.

The Spliced Barclays U.S. 1-5 Year Government/Credit Float Adjusted Index contains the returns of the Barclays U.S. 1-5 Year Government/Credit Bond Index through December 31, 2009; Barclays U.S. 1-5 Year Government/Credit Float Adjusted Index thereafter.

The Spliced Barclays U.S. 5-10 Year Government/Credit Float Adjusted Index contains the returns of the Barclays U.S. 5-10 Year Government/Credit Bond Index through December 31, 2009; Barclays U.S. 5-10 Year Government/Credit Float Adjusted Index thereafter.

The Spliced Total Stock Market Index contains Dow Jones U.S. Total Stock Market Index (formerly known as the Dow Jones Wilshire 5000 Index) through May 31, 2005; MSCI US Broad Market Index through June 2, 2013; and CRSP US Total Market Index thereafter.

The Spliced Institutional Total Stock Market Index contains the returns of the Dow Jones U.S. Total Stock Market Index (formerly known as the Dow Jones Wilshire 5000 Index through April 8, 2005; the MSCI US Broad Market Index through January 14, 2013; and the CRSP US Total Market Index thereafter.

The Spliced EAFE + Emerging Markets Index contains the returns of the Total International Composite Index through August 31, 2006; MSCI EAFE + Emerging Markets Index thereafter. Returns for the MSCI EAFE + Emerging Markets Index are adjusted for withholding taxes applicable to Luxembourg holding companies.

The Spliced Extended Market Index contains the returns of the Dow Jones U.S. Completion Total Stock Market Index until June 17, 2005; S&P Transitional Completion Index through September 16, 2005; S&P Completion Index thereafter.

The Spliced Large Cap Growth Index contains the returns of the MSCI US Prime Market 750 Index through January 30, 2013, and the CRSP US Large Cap Index thereafter.

The Spliced Mid Cap Index contains the returns of the S&P MidCap 400 Index through May 16, 2003; the MSCI US Mid Cap 450 Index through January 30, 2013; and the CRSP US Mid Cap Index thereafter.

The Spliced Value Index contains the S&P 500 Value Index (formerly known as the S&P 500/Barra Value Index) through May 16, 2003; MSCI US Prime Market Value Index through April 16, 2013; CRSP US Large Cap Value Index thereafter.

The Spliced Growth Index contains the S&P 500 Growth Index (formerly known as the S&P 500/Barra Growth Index) through May 16, 2003; MSCI US Prime Market Growth Index through April 16, 2013; and CRSP US Large Cap Growth Index thereafter.

The Spliced Small Cap Index contains the returns of the Russell 2000 Index through May 16, 2003; the MSCI US Small Cap 1750 Index through January 30, 2013; and the CRSP US Small Cap Index thereafter.

The Spliced Small Cap Value Index contains the SmallCap 600 Value Index (formerly known as the S&P SmallCap 600/Barra Value Index) through May 16, 2003; MSCI US Small Cap Value Index through April 16, 2013; CRSP US Small Cap Value Index thereafter.

The Spliced Small Cap Growth Index contains the S&P SmallCap 600 Growth Index (formerly known as the S&P SmallCap 600/Barra Value Index) through May 16, 2003; MSCI US Small Cap Growth Index through April 16, 2013; and CRSP US Small Cap Growth Index thereafter.

The Spliced Small and Mid Cap Index contains the returns of the Russell 2800 Index through May 31, 2003; MSCI US Small + Mid Cap 2200 Index thereafter.

The Convertibles Composite Index contains the returns of the CS First Boston Convertible Index until November 30, 2004; Bank of America Merrill Lynch All US Convertibles Index through December 31, 2010; and 70% Bank of America Merrill Lynch All US Convertibles Index and 30% Bank of America Merrill Lynch Global 300 Convertibles ex-US Index thereafter.

The Spliced Emerging Markets Index contains the returns of the Select Emerging Markets Index through August 23, 2006; the MSCI Emerging Markets Index through January 9, 2013; the FTSE Emerging Transition Index through June 27, 2013; FTSE Emerging Index through November 1, 2015; and the FTSE Emerging Markets All Cap China A Transition Index thereafter.

The Spliced Precious Metals and Mining Index contain the returns of the MSCI Gold Mines Index through December 31, 1994; S&P/Citigroup World Equity Gold Index through June 30, 2005; S&P Global Custom Metals and Mining Index thereafter.

The Spliced International Index contains the returns of the MSCI EAFE Index through May 31, 2010; MSCI All Country World Index ex USA thereafter.

The Spliced Total International Stock Index consists of the Total International Composite Index through August 31, 2006; MSCI EAFE + Emerging Markets Index through December 15, 2010; MSCI ACWI ex USA IMI Index through June 2, 2013; and FTSE Global All Cap ex US Index thereafter.

The Spliced Energy Index contains the returns of the S&P 500 Index through November 30, 2000; S&P Energy Sector Index through May 31, 2010; MSCI All Country World Energy Index thereafter.

The Spliced Health Care Index contains the returns of the S&P 500 Index through December 31, 2001; S&P Health Care Index through May 31, 2010; MSCI All Country World Health Care Index thereafter.

The Spliced Total World Stock Index consists of the FTSE All-World Index through December 16, 2011; FTSE Global All Cap Index thereafter.

The S&P 500/Citigroup Value Index contains the returns of the S&P 500/Barra Value Index though December 16, 2005; S&P 500/Citigroup Value Index thereafter.

The S&P 500/Citigroup Growth Index contains the returns of the S&P 500/Barra Growth Index though December 16, 2005; then the S&P 500/Citigroup Growth Index thereafter.

The S&P MidCap 400/Citigroup Growth Index contains the returns of the S&P MidCap 400/Barra Growth Index though December 16, 2005; S&P MidCap 400/Citigroup Growth Index thereafter.

The S&P MidCap 400/Citigroup Value Index contains the returns of the S&P MidCap 400/Barra Value Index though December 16, 2005; S&P MidCap 400/Citigroup Value Index thereafter.

The S&P SmallCap 600/Citigroup Growth Index contains the returns of the S&P SmallCap 600/Barra Growth Index though December 16, 2005; S&P SmallCap 600/Citigroup Growth Index thereafter.

The S&P SmallCap 600/Citigroup Value Index contains the returns of the S&P SmallCap 600/Barra Value Index though December 16, 2005; S&P SmallCap 600/Citigroup Value Index thereafter.

The Tax-Managed Balanced Composite Index contains the weighted returns of 50% Russell 1000 Index and 50% Barclays 7 Year Municipal Bond Index through January 31, 2002 and 50% Russell 1000 Index and 50% Barclays 1-15 Year Index thereafter.

The Spliced Intermediate-Term Tax-Exempt Index contains the returns of the Barclays 7 Year Municipal Bond Index through January 31, 2002; Barclays 1-15 Year Municipal Bond index thereafter.

The Spliced MA Tax-Exempt Index contains the returns of the Barclays 10 Year Municipal Bond Index through August 31, 2003; Barclays MA Municipal Index thereafter.

The NJ Long-Term Tax-Exempt Index contains the returns of the Barclays 10 Year Municipal Bond Index through August 31, 2003; Barclays NJ Municipal Index thereafter.

The Spliced PA Tax-Exempt Money Market Funds Avg contains the returns of the PA Tax-Exempt MM Funds Average through 8/31/2013; Other States Tax-Exempt MM Fds Avg thereafter.

The Spliced Developed Europe Index contains the MSCI Europe Index through March 26, 2013; the FTSE Developed Europe Index through September 30, 2015; then the FTSE Developed Europe All Cap Index thereafter.

The Spliced Pacific Stock Index contains the MSCI Pacific Index through March 26, 2013; the FTSE Developed Asia Pacific Index through September 30, 2015; then the FTSE Developed Asia Pacific All Cap Index thereafter.

The Spliced Developed Markets Index contains the MSCI EAFE Index through April 16, 2013; FTSE Developed ex North America Index thereafter.

The Spliced Developed Markets ex North America Index contains the MSCI EAFE Index through May 28, 2013; FTSE Developed ex North America Index through December 20, 2015; FTSE Developed All Cap ex US Transition Index thereafter.

The Spliced Mid Cap Growth Index contains the MSCI US Mid Cap Growth Index through April 16, 2013; CRSP US Mid Cap Growth Index thereafter.

The Spliced Mid Cap Value Index contains the MSCI US Mid Cap Value Index through April 16, 2013; CRSP US Mid Cap Value Index thereafter.

The REIT Spliced Index contains MSCI US REIT Index adjusted to include a 2% cash position (Lipper Money Market Average) through April 30, 2009; MSCI US REIT Index thereafter.

The Spliced Social Index contains Calvert Social Index through December 16, 2005; FTSE4Good US Select Index thereafter.

The Spliced Intermediate-Term Investment Grade Debt Funds Average contains the returns of the Intermediate-Term Inv-Grade Debt Funds Average through 09/01/2013; Core Bond Funds Average thereafter.

The Wellington Composite Index contains 65% S&P 500 Index and 35% Lehman U.S. Long Credit AA or Better Bond Index through February 29, 2000; 65% S&P 500 Index and 35% Barclays U.S. Credit A or Better Bond Index thereafter.

The Wellesley Income Composite Index is weighted 65% bonds and 35% stocks. For Bonds: Lehman U.S. Long Credit AA or Better Bond Index through March 31, 2000, and Barclays U.S. Credit A or Better Bond Index thereafter. For stocks: 26% S&P 500/Barra Value Index and 9% S&P Utilities Index through June 30, 1996, when the utilities component was split into the S&P Utilities Index (4.5%) and the S&P Telephone Index (4.5%); as of January 1, 2002, the S&P Telephone Index was replaced by the S&P Integrated Telecommunication Services Index; as of July 1, 2006, the S&P 500/Barra Value Index was replaced by the S&P 500/Citigroup Value Index; as of August 1, 2007, the three stock indexes were replaced by the FTSE High Dividend Yield Index.

The Balanced Composite Index contains two unmanaged benchmarks, weighted 60% Dow Jones U.S. Total Stock Market Index (formerly known as the Dow Jones Wilshire 5000 Index) and 40% Lehman Brothers U.S. Aggregate Bond Index through May 31, 2005; 60% MSCI US Broad Market Index and 40% Barclays U.S. Aggregate Bond Index through December 31, 2009; 60% MSCI US Broad Market Index and 40% Barclays U.S. Aggregate Float Adjusted Index through January 14, 2013; and 60% CRSP US Total Market Index and 40% Barclays U.S. Aggregate Float Adjusted Index thereafter.

The Dividend Growth Spliced Index (formerly known as the Utilities Composite Index prior to December 6, 2002) contains the index weightings: 40% S&P Utilities Index, 40% S&P Telephone Index, and 20% Lehman Brothers Utility Bond Index though April 30, 1999; 63.75% S&P Utilities Index, 21.25% S&P Telephone Index, and 15% Lehman Brothers Utility Bond Index through March 31, 2000; 75% S&P Utilities Index and 25% S&P Integrated Telecommunication Services Index through December 6, 2002; 100% Russell 1000 through January 2010; 100% NASDAQ US Dividend Achievers Select Index (formerly known as the Dividend Achievers Select Index.

The STAR Composite Index contains 62.5% Dow Jones U.S. Total Stock Market Index, 25% Barclays U.S. Aggregate Bond Index, and 12.5% Citigroup Three-Month U.S. Treasury Bill Index through December 31, 2002; 50% Dow Jones U.S. Total Stock Market Index, 25% Barclays U.S. Aggregate Bond Index, 12.5% Barclays U.S. 1–5 Year Credit Bond Index, and 12.5% MSCI EAFE Index through April 22, 2005; 50% MSCI US Broad Market Index, 25% Barclays U.S. Aggregate Bond Index, 12.5% Barclays U.S. 1–5 Year Credit Bond Index, and 12.5% MSCI EAFE Index through September 30, 2010; and 43.75% MSCI US Broad Market Index, 25% Barclays U.S. Aggregate Bond Index, 12.5% Barclays U.S. 1–5 Year Credit Bond Index, and 18.75% MSCI All Country World Index ex USA thereafter. MSCI international benchmark returns are adjusted for withholding taxes..

The REIT Spliced Index contains MSCI US REIT Index adjusted to include a 2% cash position (Lipper Money Market Average) through April 30, 2009; MSCI US REIT Index thereafter.

The High-Yield Corporate Composite Index consists of 95% Barclays U.S. High-Yield Ba/B 2% Issuer Capped Index and 5% Barclays U.S. 1-5 Year Treasury Bond Index

The Spliced Equity Income Index contains Russell 1000 Value Index through July 31, 2007; FTSE High Dividend Yield Index thereafter.

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MSCI Provisional Index Series returns beginning November 16, 2001.

# Important information

**IMPORTANT: The projections or other information generated by the Vanguard Capital Markets Model® (VCMM) regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. VCMM results will vary with each use and over time.**

The VCMM projections are based on a statistical analysis of historical data. Future returns may behave differently from the historical patterns captured in the VCMM. More important, the VCMM may be underestimating extreme negative scenarios unobserved in the historical period on which the model estimation is based.

The Vanguard Capital Markets Model™ is a proprietary financial simulation tool developed and maintained by Vanguard's primary investment research and advice teams. The model forecasts distributions of future returns for a wide array of broad asset classes. Those asset classes include U.S. and international equity markets, several maturities of the U.S. Treasury and corporate fixed income markets, international fixed income markets, U.S. money markets, commodities, and certain alternative investment strategies. The theoretical and empirical foundation for the Vanguard Capital Markets Model is that the returns of various asset classes reflect the compensation investors require for bearing different types of systematic risk (beta). At the core of the model are estimates of the dynamic statistical relationship between risk factors and asset returns, obtained from statistical analysis based on available monthly financial and economic data from as early as 1960. Using a system of estimated equations, the model then applies a Monte Carlo simulation method to project the estimated interrelationships among risk factors and asset classes as well as uncertainty and randomness over time. The model generates a large set of simulated outcomes for each asset class over several time horizons. Forecasts are obtained by computing measures of central tendency in these simulations. Results produced by the tool will vary with each use and over time.

# Important information

***For more information about Vanguard funds or non-Vanguard funds offered through Vanguard Brokerage Services, visit vanguard.com or call 866-499-8473 to obtain a prospectus or, if available, a summary prospectus. Investment objectives, risks, charges, expenses, and other important information are contained in the prospectus; read and consider it carefully before investing.***

***An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although a money market fund seeks to preserve the value of your investment at $1 per share, it is possible to lose money by investing in such a fund.***

***Vanguard ETF® Shares are not redeemable with the issuing Fund other than in very large aggregations worth millions of dollars. Instead, investors must buy or sell Vanguard ETF Shares in the secondary market and hold those shares in a brokerage account. In doing so, the investor may incur brokerage commissions and may pay more than net asset value when buying and receive less than net asset value when selling.***

Mutual funds and all investments are subject to risk, including the possible loss of the money you invest. Prices of mid- and small-cap stocks often fluctuate more than those of large-company stocks. Investments in stocks or bonds issued by non-U.S. companies are subject to risks including country/regional risk and currency risk. These risks are especially high in emerging markets. Funds that concentrate on a relatively narrow sector face the risk of higher share-price volatility. It is possible that tax-managed funds will not meet their objective of being tax-efficient. Because company stock funds concentrate on a single stock they are considered riskier than diversified stock funds.

Investments in bond funds are subject to the risk that an issuer will fail to make payments on time, and that bond prices will decline because of rising interest rates or negative perceptions of an issuer's ability to make payments. High-yield bonds generally have medium- and lower-range credit quality ratings and are therefore subject to a higher level of credit risk than bonds with higher credit quality ratings. Although the income from a municipal bond fund is exempt from federal tax, you may owe taxes on any capital gains realized through the fund's trading or through your own redemption of shares. For some investors, a portion of the fund's income may be subject to state and local taxes, as well as to the federal Alternative Minimum Tax. Diversification does not ensure a profit or protect against a loss.

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