

Prepared for

Community Foundation for Muskegon County

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

February 12, 2018



Vanguard

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Agenda

- I. Market recap
- II. Portfolio review
- III. Economic outlook
- IV. Risk/return analysis
- V. Investment committee best practices

Appendix

–Segregated accounts reporting

Presented by:

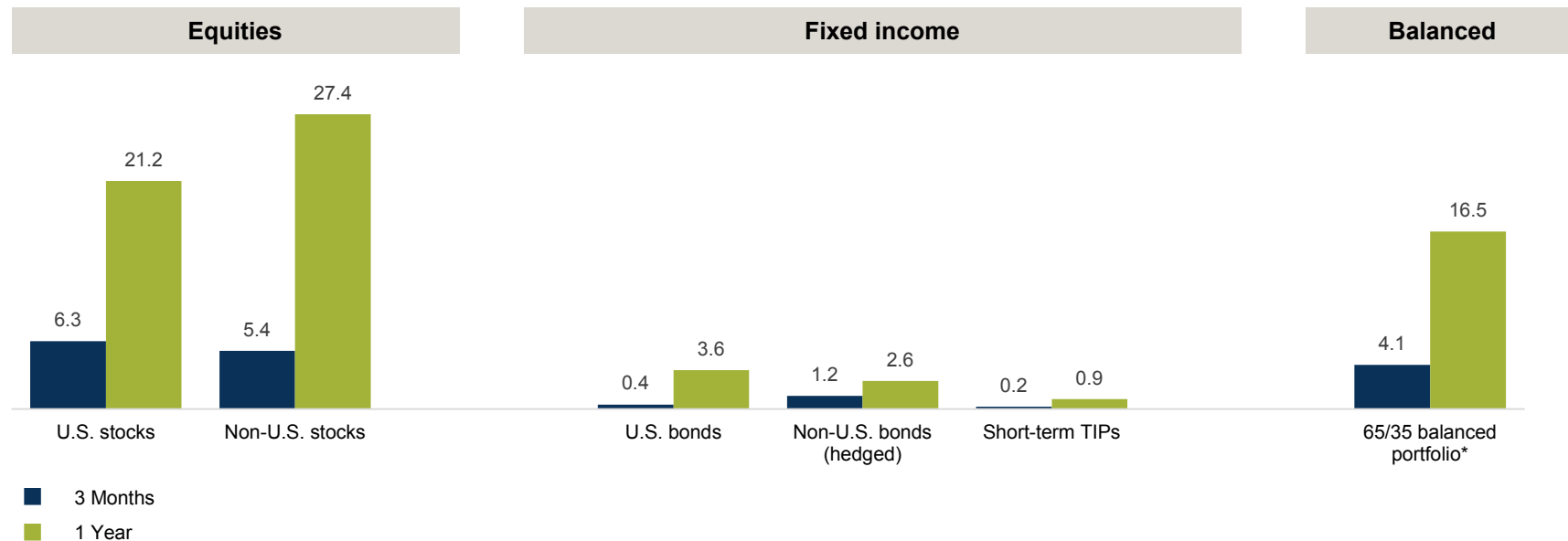
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Senior Investment Consultant
Vanguard Institutional Advisory Services®

Market recap

Global equities end year with continued rally, bonds provide modest return

- U.S. equities continued their extended upward trend, aided by full employment, healthy GDP results, and significant tax reform
- International equities have outperformed U.S equities over the trailing 12 months due to positive economic data in key regions around the globe
- Global fixed income delivered positive returns for the quarter and year despite a general rise in rates for short- and intermediate-term U.S. securities

Global market returns as of December 31, 2017 (%)



Past performance is no guarantee of future returns. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.

Sources: Barclays, FTSE, MSCI, Russell, and Dow Jones.

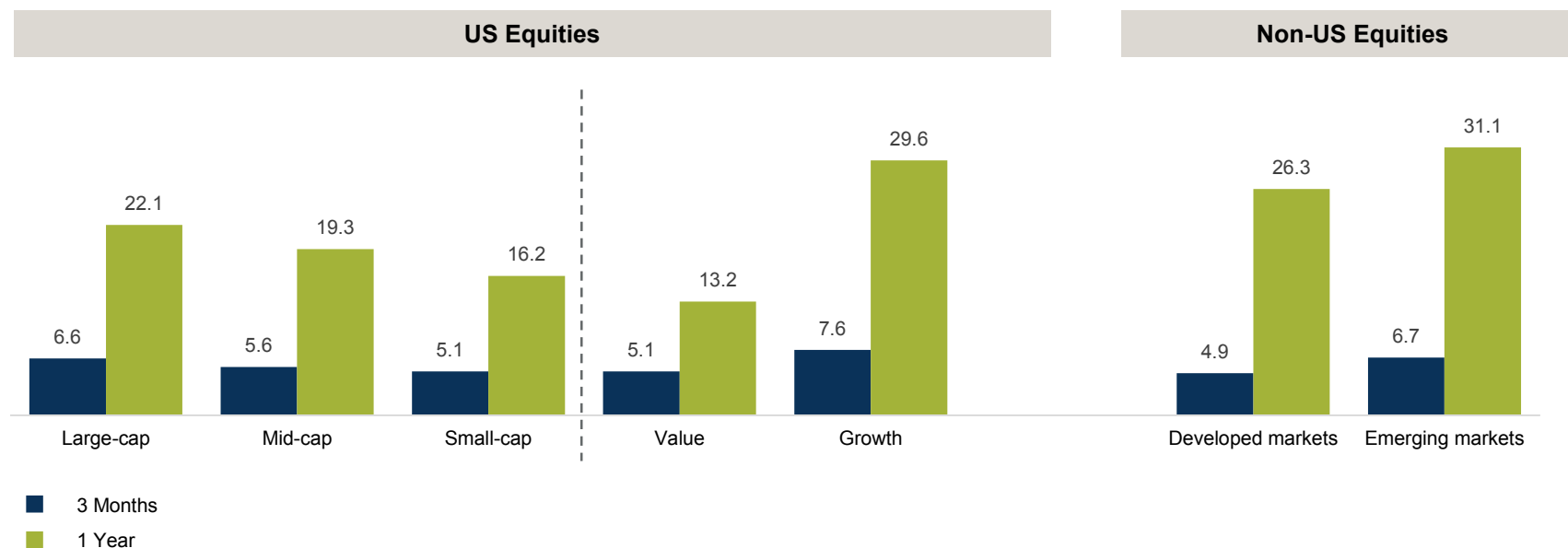
US Stocks (CRSP US Total Market Index), Non-US Stocks (FTSE Global All-Cap ex-US Index), US Bonds (Barclays US Aggregate Float Adjusted Index), Non-US Bonds hedged (Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index hedged), Short-term TIPS (Barclays US 0-5 Year TIPS Index).

* 65/35 balanced portfolio Static Composite (39% U.S. stocks, 26% International stocks, and 24.5% Investment-grade U.S. bonds, 10.5% Investment-grade international bonds).

Positive global equity returns across market capitalizations and styles

- U.S. large-cap stocks finished the year outperforming its mid- and small-cap peers
- U.S. growth stocks finished the year outperforming value stocks by a wide margin led by strong results in Information Technology
- International equities have had a positive year for both developed and emerging markets investors

Global equity market returns as of December 31, 2017 (%)



Past performance is no guarantee of future returns. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.

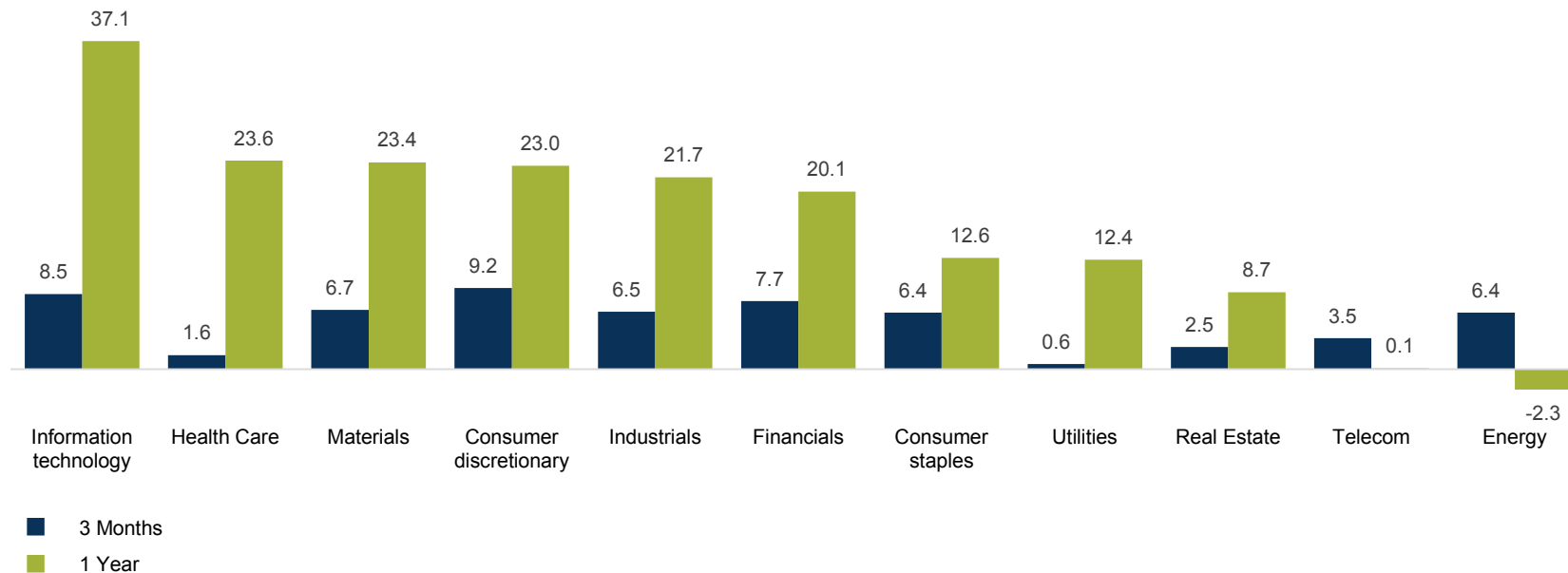
Sources: Barclays, FTSE, MSCI, Russell, and Dow Jones.

Large-cap (CRSP US Large Cap Index), Mid-cap (CRSP US Mid Cap Index), Small-cap (CRSP US Small Cap Index); Value (Russell 3000 Value Index), Growth (Russell 3000 Growth Index); Developed markets (FTSE Developed All Cap ex-US Index), Emerging markets (FTSE Emerging Markets All Cap China A Inclusion Index)

U.S. sector performance – most sectors positive for prior 3 and 12 months

- IT was the best performing sector in 2017 by a wide margin as investors looked for growth
- Strong performance in other growth sectors (i.e. Consumer Discretionary, Industrials, and Health Care) that contributed to the growth style outperformance in 2017
- Energy rebounded strongly in the prior 3 months but remained negative for the year

U.S. equity sector returns as of December 31, 2017 (%)



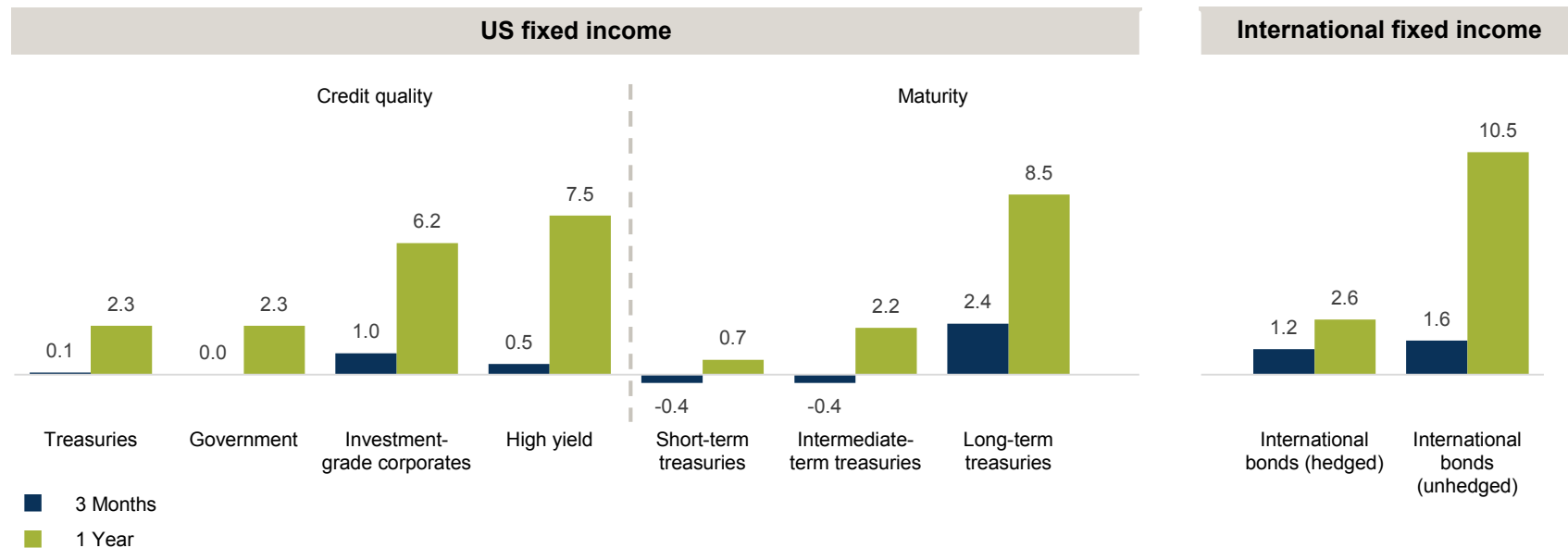
Past performance is no guarantee of future returns. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.

Sources: FactSet and Vanguard.
 U.S. markets measured by CRSP US Total Market Index, and international markets represented by FTSE All-Cap ex US Index. Past performance is no guarantee of future returns.

Spreads tighten to boost credit bonds returns

- The U.S. Treasury yield curve has experienced a “bear flattening” over the past 12 months
- Short-term rates trended higher by Fed actions, while “soft” inflation data has kept intermediate and long term rates much more range bound
- Unhedged international bonds typically display more return volatility due to currency fluctuations, and during this period strong gains due to a weaker dollar

Global fixed income market returns as of December 31, 2017 (%)

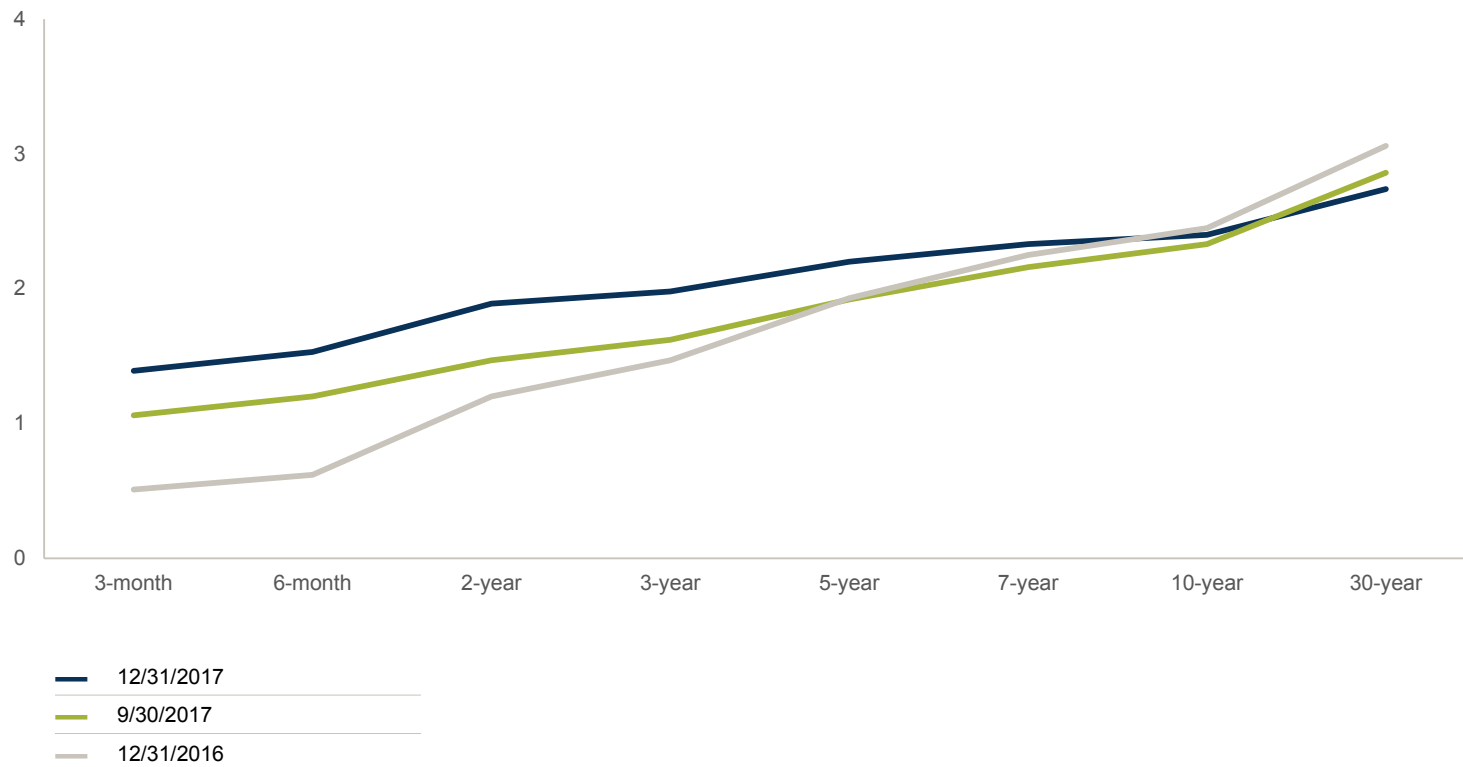


Past performance is no guarantee of future returns. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.

Sources: Barclays, FTSE, MSCI, Russell, and Dow Jones.
 Treasuries-Government-Investment Grade Corporates-High Yield (Barclays US Treasury/Government/Credit/Corporate High Yield Indices); Short-Inter-Long-term Treasuries (Barclays US 1-5/5-10/Long Year Treasury Indices)
 International Bonds Hedged (Barclays Global Aggregate ex-USD Float Adj. RIC Cap Index hedged) Unhedged (Barclays Global Aggregate ex-USD Index)

U.S. Treasury yield curve – Continued flattening of the yield curve over the last 3 months

Yield (%) and change (bps)	3-month	6-month	2-year	3-year	5-year	7-year	10-year	30-year
Current Yield (%)	1.39	1.53	1.89	1.98	2.20	2.33	2.40	2.74
3 Mo. Δ	33	33	42	36	28	17	7	-12
12 Mo. Δ	88	91	69	51	27	8	-5	-32



Market leadership changes

- The positions of the various asset classes change meaningfully over the last 10-years, which points to the value of diversification
- Emerging markets equities appeared at both the top and bottom multiple times, demonstrating the relatively high volatility level of single asset classes
- The balanced portfolio generally falls near the middle, demonstrating the volatility dampening effect of high-grade fixed income

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	10-Year Average
IB	5.7	85.2	28.5	8.7	18.1	38.8	30.4	5.1	21.3	31.1	9.9
Bnd	5.2	58.2	26.9	7.8	17.8	34.2	13.2	2.5	18.4	29.6	8.7
T-Bill	1.8	37.0	19.8	5.0	17.5	33.1	12.7	1.4	17.1	26.3	8.6
HF	-23.3	36.7	17.6	3.9	17.4	32.7	12.4	0.9	12.1	21.7	8.0
Bal	-24.6	28.6	16.7	2.2	16.4	20.5	8.8	0.5	11.4	16.5	7.4
HY	-26.2	28.4	16.2	1.5	16.4	16.8	6.4	0.0	10.3	14.6	7.2
Sml	-33.8	27.2	16.1	0.1	15.8	7.4	6.0	-0.6	8.6	13.2	6.2
Val	-36.3	24.7	15.1	-0.1	15.2	6.7	4.9	-1.8	7.4	7.5	4.2
Cmd	-36.6	19.8	12.1	-0.9	12.7	2.5	2.6	-3.6	7.3	6.0	4.0
Lrg	-37.6	18.7	11.2	-4.2	6.5	1.2	2.5	-4.1	4.9	5.1	2.5
REIT	-38.0	13.4	6.5	-8.9	4.2	0.1	0.0	-4.4	3.1	3.5	1.8
Grw	-38.4	5.9	5.2	-12.7	3.5	-2.0	-0.6	-4.5	2.6	2.5	0.3
Dev	-44.2	4.4	3.3	-13.4	0.1	-3.2	-4.4	-13.5	2.5	0.8	-0.4
Emg	-54.2	0.2	0.1	-20.0	-1.1	-9.6	-17.0	-24.7	0.3	0.7	-7.1

Val	Value oriented U.S. based stocks (Russell 3000 Value Index)
Grw	Growth oriented U.S. based stocks (Russell 3000 Growth Index)
Lrg	Large U.S. based stocks (Russell 1000 Index)
Sml	Small U.S. based stocks (Russell 2000 Index)
Dev	International stocks from developed countries (FTSE Developed All Cap ex US Index)
Emg	International stocks from emerging countries (FTSE Emerging ACap CN A Includ Idx)
Bnd	Investment-grade U.S. bonds (BloomBarc US Aggregate Bond Index)
HY	High-yield U.S. bonds (BloomBarc US Corp High Yield Index)
IB	Investment-grade international bonds (BloomBarc GA ex-USD Index Hedged)
T-Bill	Short-term Treasury rates (Citigroup 3-Month US T-Bill Index)
REIT	U.S. public equity real estate (REIT) (MSCI US REIT Index)
Cmd	Commodities (Bloomberg Commodity Index)
HFI	Hedge funds (HFRX Global Hedge Fund Index*)
Bal	Balanced Static Composite (39% U.S. stocks**, 26% Int'l stocks [†] , 24.5% Invest-grade U.S. bonds ^{††} , 10.5% Invest-grade Int'l bonds ^{††})

Past performance is no guarantee of future returns. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.

Source: Vanguard. Last observation: December 31, 2017; 10-year average performance from December 31, 2008 through December 31, 2017.

* Source: Hedge Fund Research, Inc.

** U.S. stocks: MSCI US Broad Market Index.

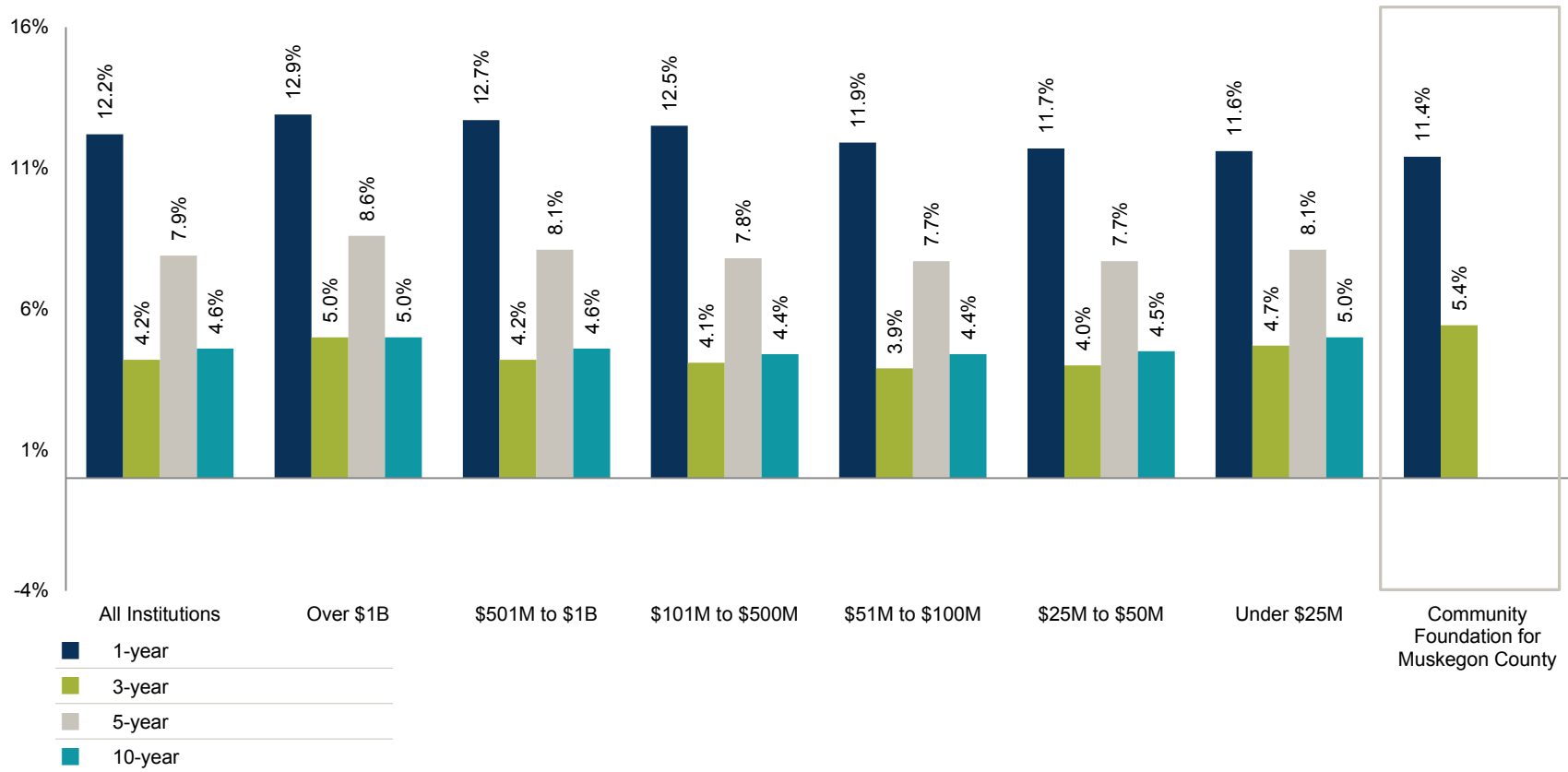
[†] International Stocks: FTSE Global All Cap ex-US Index.

^{††} Bonds: BloomBarc US Aggregate Bond Index and BloomBarc GA ex-USD Index Hedged.

Portfolio summary

Comparison with NACUBO returns as of fiscal year ending June 30, 2017

Average annualized returns

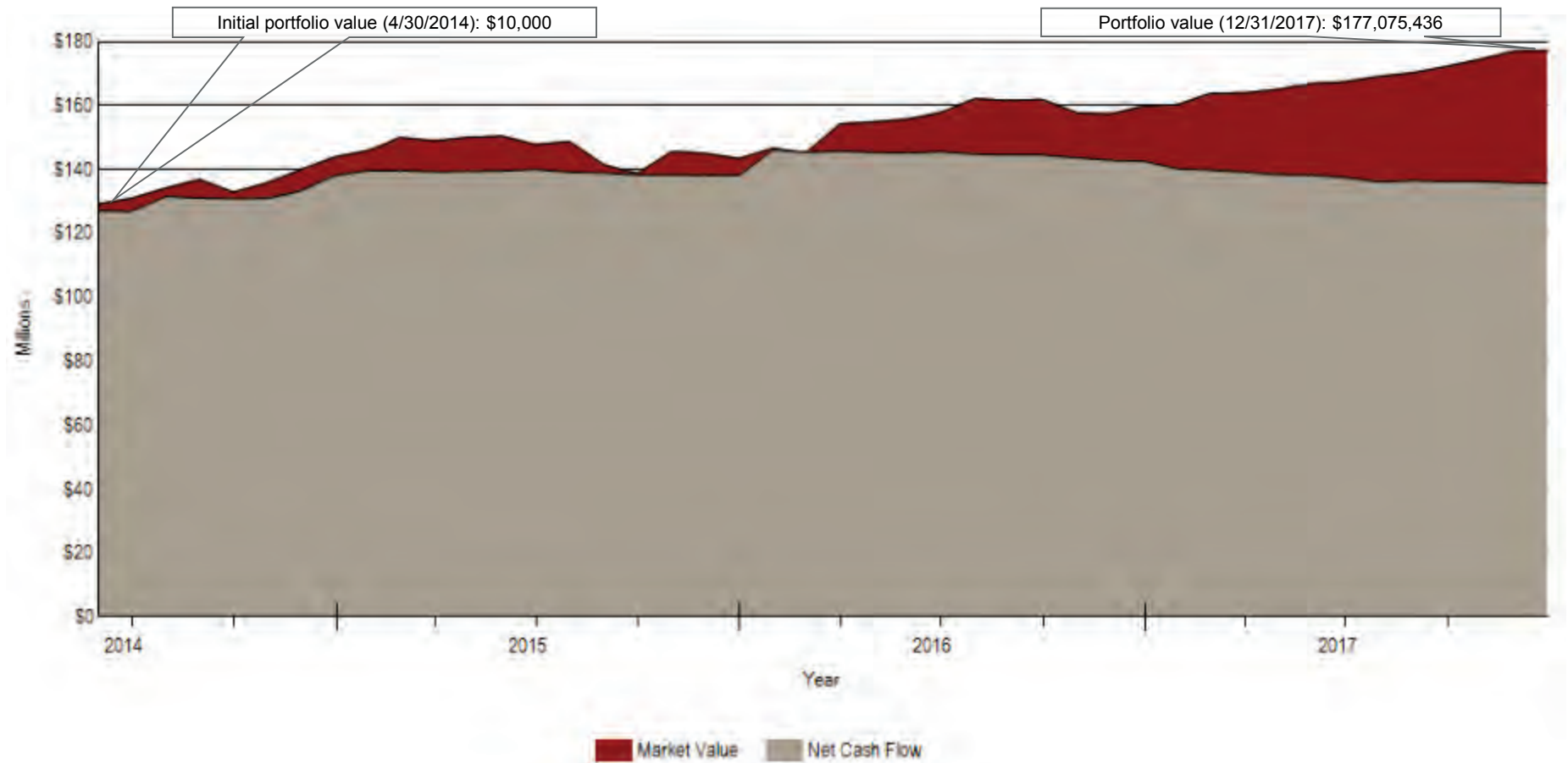


Sources: NACUBO-CommonfundStudy of Endowments and Vanguard.

All returns are reported net of fees. The volatility of the VIAS portfolios is materially different from that of the NACUBO institutions' portfolios. NACUBO institutions' may have had during the time periods noted above, and may currently have, investment objectives that are not consistent with the VIAS portfolios. Past performance is no guarantee of future results.

VIAS portfolios are reviewed quarterly to determine the deviation from target weightings and rebalanced according to written investment guidelines. VIAS advisory fees are subject to change dependent on portfolio size and as described in the VIAS advisory brochure. VIAS portfolios are subject to fluctuations in value and investment losses. Please see important information slide and appendix for additional details.

Portfolio summary since inception



Initial market value (4/30/2014)	Net cash flow	Income	Market appreciation	Ending market value (12/31/2017)
\$10,000	\$135,840,914	\$14,667,836	\$26,556,685	\$177,075,436

COMMUNITY FOUNDATION FOR MUSKEGON COUNTY

Market Performance

Name	Periods Ending December 31, 2017					
	Dec-17	Last 3 Months	1 Yr	3 Yrs	5 Yrs	10 Yrs
US Equity						
CRSP US Total Market TR USD	1.0	6.3	21.2	11.1	15.6	8.7
S&P 500	1.1	6.6	21.8	11.4	15.8	8.5
S&P 400 MidCap	0.2	6.3	16.2	11.1	15.0	10.0
S&P 600 SmallCap	-0.5	4.0	13.2	12.0	16.0	10.4
International Equity						
MSCI Emerging Markets	3.6	7.4	37.3	9.1	4.3	1.7
MSCI Emerging Markets NR LCL	2.6	5.7	30.6	10.5	8.0	4.1
MSCI EAFE	1.6	4.2	25.0	7.8	7.9	1.9
MSCI EAFE NR LCL	1.2	3.7	15.2	8.5	11.4	3.3
MSCI ACWI ex USA	2.2	5.0	27.2	7.8	6.8	1.8
Fixed Income Domestic						
BBgBarc US Aggregate TR	0.5	0.4	3.5	2.2	2.1	4.0
BBgBarc US Corporate 1-5 Years TR	0.1	-0.1	2.6	2.2	2.0	3.7
BBgBarc US Credit/Corp 5-10 Yr TR	0.5	0.5	5.6	4.0	3.5	6.0
BBgBarc US Corporate Long TR	2.2	3.3	12.1	5.9	5.3	7.8
BBgBarc US Govt/Credit Long TR	1.9	2.8	10.7	4.5	4.4	7.3
BBgBarc US Treasury Strips 20-30 Yr Equal Parity TR	2.8	4.4	13.5	3.3	4.9	8.5
BBgBarc US High Yield TR	0.3	0.5	7.5	6.4	5.8	8.0
BBgBarc US Govt TR	0.3	0.0	2.3	1.4	1.3	3.2
BBgBarc US Credit TR	0.8	1.0	6.2	3.6	3.2	5.4
BBgBarc US Treasury 1-5 Yr TR	0.0	-0.4	0.7	0.9	0.7	2.0
BBgBarc US Treasury 5-10 Yr TR	0.1	-0.4	2.2	1.7	1.3	4.2
BBgBarc US Treasury Long TR	1.7	2.4	8.5	2.8	3.5	6.6
BBgBarc US Treasury TIPS 0-5 Yr TR	0.2	0.2	0.9	1.2	0.2	1.9
BBgBarc US TIPS TR	0.9	1.3	3.0	2.0	0.1	3.5
Fixed Income International						
BBgBarc Global Aggregate ex US Tres Hedged TR	0.0	1.1	2.5	2.9	3.7	4.2
BBgBarc Emerging Markets TR	0.4	0.6	8.2	6.4	3.9	7.0
REIT						
MSCI US REIT Gross	-0.2	1.4	5.1	5.4	9.3	7.4

COMMUNITY FOUNDATION FOR MUSKEGON COUNTY

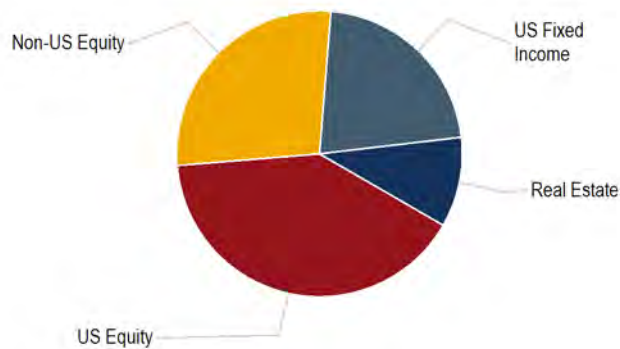
Total Portfolio Performance & Asset Allocation

Performance Summary

	Market Value (\$)	Ending December 31, 2017						Inception	
		1 Mo (%)	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
COMMUNITY FOUNDATION FOR MUSKEGON COUNTY (Gross)	177,075,436	1.04	4.12	16.56	7.74	--	--	7.63	Apr-14
COMMUNITY FOUNDATION FOR MUSKEGON COUNTY (Net)		1.04	4.10	16.50	7.69	--	--	7.58	
0JABQX Composite Benchmark		1.12	4.10	15.96	7.57	--	--	7.49	Apr-14

- 0JABQX Composite Benchmark = 39% Spliced Total Stock Market Index / 26% Spl Total International Stock Index / 25% Spliced BBgBarc USAgg Float Adj Ix / 10% REIT Spliced Index

Current Allocation
as of December 31, 2017



	Current	%	Policy	Difference*
US Equity	\$71,498,491	40.4%	39.0%	1.4%
Non-US Equity	\$48,785,812	27.6%	26.0%	1.6%
US Fixed Income	\$38,757,263	21.9%	25.0%	-3.1%
Real Estate	\$18,033,871	10.2%	10.0%	0.2%
Total	\$177,075,436	100.0%	100.0%	

*Difference between Policy and Current Allocation

COMMUNITY FOUNDATION FOR MUSKEGON COUNTY

Performance Summary (Gross of Fees)

	Ending December 31, 2017								Inception	
	Market Value (\$)	% of Portfolio	1 Mo (%)	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
COMMUNITY FOUNDATION FOR MUSKEGON COUNTY	177,075,436	100.00	1.04	4.12	16.56	7.74	--	--	7.63	Apr-14
OJABQX Composite Benchmark			1.12	4.10	15.96	7.57	--	--	7.49	Apr-14
Total Equity	120,284,302	67.93	1.43	5.75	23.69	10.11	--	--	9.24	Apr-14
Equity Domestic	71,498,491	40.38	1.00	6.34	21.18	11.10	--	--	11.94	Apr-14
Spliced Total Stock Market Index			1.01	6.34	21.19	11.09	15.56	8.71	11.93	Apr-14
Vanguard® Total Stock Market Index Fund Institutional Shares	71,498,491	40.38	1.00	6.34	21.17	11.09	15.55	8.73	11.93	Apr-14
Spliced Total Stock Market Index			1.01	6.34	21.19	11.09	15.56	8.71	11.93	Apr-14
Multi-Cap Core Funds Average			1.07	5.82	19.15	8.66	13.18	6.74	9.29	Apr-14
Equity International	48,785,812	27.55	2.06	4.87	27.56	8.55	--	--	5.11	Apr-14
Spl Total International Stock Index			2.42	5.36	27.41	8.49	7.39	1.95	5.30	Apr-14
Vanguard® Total International Stock Index Fund Inst Shares	48,785,812	27.55	2.06	4.87	27.55	8.54	7.14	1.94	5.10	Apr-14
Spl Total International Stock Index			2.42	5.36	27.41	8.49	7.39	1.95	5.30	Apr-14
International Funds Average			1.65	4.05	26.69	7.93	7.35	1.74	4.62	Apr-14
Total Fixed Income	38,757,263	21.89	0.45	0.41	3.57	2.18	--	--	2.61	Apr-14
Fixed Income Domestic	38,757,263	21.89	0.45	0.41	3.57	2.18	--	--	2.61	Apr-14
Spliced BBgBarc USAgg Float Adj Ix			0.47	0.41	3.63	2.27	2.10	4.03	2.70	Apr-14
Vanguard® Total Bond Market Index Fund Institutional Shares	38,757,263	21.89	0.45	0.41	3.57	2.19	2.03	3.97	2.64	Apr-14
Spliced BBgBarc USAgg Float Adj Ix			0.47	0.41	3.63	2.27	2.10	4.03	2.70	Apr-14
Spl Interm Inv-Grade Debt Funds Avg			0.42	0.33	3.56	2.15	1.96	3.72	2.41	Apr-14
Total Real Estate	18,033,871	10.18	-0.26	1.39	4.92	5.26	--	--	8.24	Apr-14
Real Estate Domestic	18,033,871	10.18	-0.26	1.39	4.92	5.26	--	--	8.24	Apr-14
REIT Spliced Index			-0.21	1.41	5.07	5.37	9.34	7.63	8.35	Apr-14
Vanguard® REIT Index Fund Institutional Shares	18,033,871	10.18	-0.26	1.39	4.93	5.26	9.26	7.67	8.24	Apr-14
REIT Spliced Index			-0.21	1.41	5.07	5.37	9.34	7.63	8.35	Apr-14
Real Estate Funds Average			0.11	2.25	5.89	4.95	8.45	6.30	7.76	Apr-14

COMMUNITY FOUNDATION FOR MUSKEGON COUNTY

Benchmark History

As Of December 31, 2017

COMMUNITY FOUNDATION FOR MUSKEGON COUNTY

9/1/2017	Present	39% Spliced Total Stock Market Index / 26% Spl Total International Stock Index / 25% Spliced BBgBarc USAgg Float Adj Ix / 10% REIT Spliced Index
8/1/2017	8/31/2017	38% Spliced Total Stock Market Index / 25.33% Spl Total International Stock Index / 26.67% Spliced BBgBarc USAgg Float Adj Ix / 10% REIT Spliced Index
7/1/2017	7/31/2017	37.5% Spliced Total Stock Market Index / 25% Spl Total International Stock Index / 27.5% Spliced BBgBarc USAgg Float Adj Ix / 10% REIT Spliced Index
5/1/2014	6/30/2017	10% REIT Spliced Index / 30% Spliced BBgBarc USAgg Float Adj Ix / 24% Spl Total International Stock Index / 36% Spliced Total Stock Market Index

Total Equity

N/A

Equity Domestic

4/30/2014 Present 100% CRSP US Total Market TR USD

Vanguard® Total Stock Market Index Fund Institutional Shares

4/30/2014 Present 100% CRSP US Total Market TR USD

Equity International

4/30/2014 Present 100% FTSE Global All Cap ex US

Vanguard® Total International Stock Index Fund Inst Shares

4/30/2014 Present 100% FTSE Global All Cap ex US

Total Fixed Income

N/A

Fixed Income Domestic

4/30/2014 Present 100% BBgBarc US Aggregate Float Adjusted TR

Vanguard® Total Bond Market Index Fund Institutional Shares

4/30/2014 Present 100% BBgBarc US Aggregate Float Adjusted TR

Total Real Estate

N/A

Real Estate Domestic

4/30/2014 Present 100% MSCI US REIT Gross

Benchmark History

As Of December 31, 2017

Vanguard® REIT Index Fund Institutional Shares

4/30/2014 Present 100% MSCI US REIT Gross

Legal

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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.

Client performance inception date is generally the first month-end after initial funding. Mutual funds and all investments are subject to risk, including the possible loss of the money you invest. Diversification does not ensure a profit or protect against a loss.

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.

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.

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Asset allocation summary of CFMC VIAS composite portfolio As of December 31, 2017

	Market value as of Dec 31, 2017	Sept target allocation	Actual weight	Variance	Policy target allocation	Variance (%)	Variance (\$)
Domestic equity							
Total Stock Market Index Fund Institutional Shares	\$71,498,491	39.0%	39.0%	0.0%	39.0%	0.0%	-\$88,804
<i>Domestic equity subtotal</i>	<i>\$71,498,491</i>	<i>39.0%</i>	<i>39.0%</i>	<i>0.0%</i>	<i>39.0%</i>	<i>0.0%</i>	
International equity							
Total International Stock Index Fund Institutional Shares	\$48,785,812	26.0%	26.6%	0.6%	26.0%	0.6%	\$1,060,948
<i>International equity subtotal</i>	<i>\$48,785,812</i>	<i>26.0%</i>	<i>26.6%</i>	<i>0.6%</i>	<i>26.0%</i>	<i>0.6%</i>	
Fixed income							
Total Bond Market Index Fund Institutional Shares	\$38,757,263						
		25.0%	24.6%	-0.4%	25.0%	-0.4%	-\$650,298
Total Bond Market ETF (held at PNC in pledge)*	\$6,481,730						
<i>Fixed income subtotal</i>	<i>\$45,238,993</i>	<i>25.0%</i>	<i>24.6%</i>	<i>-0.4%</i>	<i>25.0%</i>	<i>-0.4%</i>	
Other investments							
REIT Index Fund	\$18,033,871	10.0%	9.8%	-0.2%	10.0%	-0.2%	-\$321,846
<i>Other investments subtotal</i>	<i>\$18,033,871</i>	<i>10.0%</i>	<i>9.8%</i>	<i>-0.2%</i>	<i>10.0%</i>	<i>-0.2%</i>	
Total portfolio	\$183,557,167	100.0%	100.0%		100.0%		

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

Quarterly summary of combined historical performance as of December 31, 2017

	Annualized returns						Calendar return							
	QTR	YTD	1 year	3 year	5 year	10 year	2017	2016	2015	2014	2013	2012	2011	2010
CFMC Composite Portfolio	4.10	16.50	16.50	7.69	8.20	5.12	16.50	7.67	-0.42	5.68	12.35	12.21	-3.47	13.95
<i>CFMC Composite Benchmark*</i>	4.10	15.96	15.96	7.57	9.71	6.20	15.96	7.59	-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) from May 2014 to June 2017.

39% Spliced Total Stock Market Index (CRSP US Total Market Index) / 25% Spliced Barclays US Agg Float-Adj Ix (Barclays U.S. Aggregate Float Adjusted Index)/26% Spliced Total Int'l Stock Index (FTSE Global All Cap ex US Index) / 10% REIT Spliced Index (MSCI US REIT Index) since July 2017.

Fee analysis

Portfolio assets	Market value as of 12/31/2017	Percent of portfolio	Expense ratio in basis points	Total fees in basis points
Equity				
Domestic				
Total Stock Market Index Fund Institutional Shares	\$71,498,491.00	40.38%	3.5	1.41
International				
Total International Stock Index Fund Institutional Shares	\$48,785,812.00	27.55%	9	2.48
Fixed Income				
Investment grade				
Total Bond Market Index Fund Institutional Shares	\$38,757,263.00	21.89%	4	0.88
Other				
REIT Index Fund Institutional Shares	\$18,033,871.00	10.18%	10	1.02
Total annual expense ratio in basis points				5.79
Total market value	\$177,075,437.00			
Total annual expense ratio in dollars			\$102,468.48	
Portfolio fee statistics (%)				
Total annual expense ratio in basis points			5.79	
Total annual advisory fee in basis points			4.60	
Total all-in fee in basis points			10.38	
Total market value	\$177,075,437.00			
Estimated total annual expense ratio in dollars			\$102,468.48	
Estimated total annual advisory fee in dollars			\$81,415.09	
Estimated total annual all-in fee			\$183,883.57	

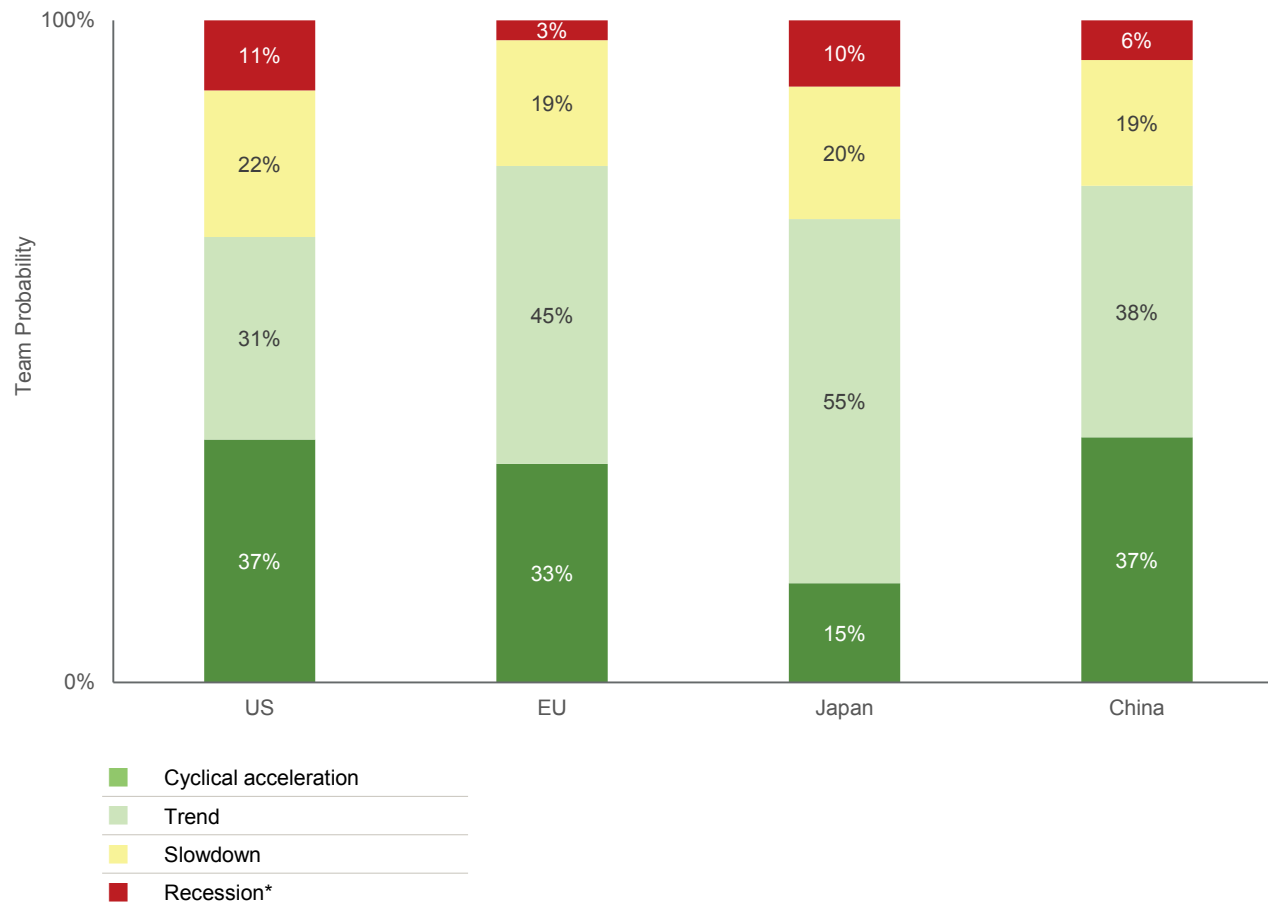
Economic outlook

Broad strokes

1. **Growth:** Broad-based firmness in global economic fundamentals suggests a continuation of synchronized growth. Consensus expectations have settled on modest growth and tepid inflation over the long term, although risks lie in underestimating the possibility of cyclical deviations.
2. **Inflation:** While inflation is not expected to exceed central banks' 2% targets in 2018, the movement toward that point could be faster than anticipated. Tightening labor markets, strong global growth, and a nadir in commodity prices could contribute to a global inflation push.
3. **Policy and interest rates:** The risk in 2018 is that a higher-than-expected bounce in wages or continued strengthening in the labor markets – at a point when 80% of major economies are at full employment – may lead markets to price in a more aggressive path of global monetary normalization. The most likely candidate is the United States, where the Federal Reserve is increasingly likely to raise rates to 2% by the end of 2018.
4. **Global Asset Returns:** For 2018 and beyond, our investment outlook is one of higher risks and lower returns. Elevated valuations, low volatility, and secularly low bond yields are unlikely to be allies for robust financial market returns over the next five years. Downside risks are more elevated in the equity market than in the bond market, even with higher-than-expected inflation.

A probabilistic view of the growth outlook

- Strong global fundamentals deliver a positive growth assessment for 2018

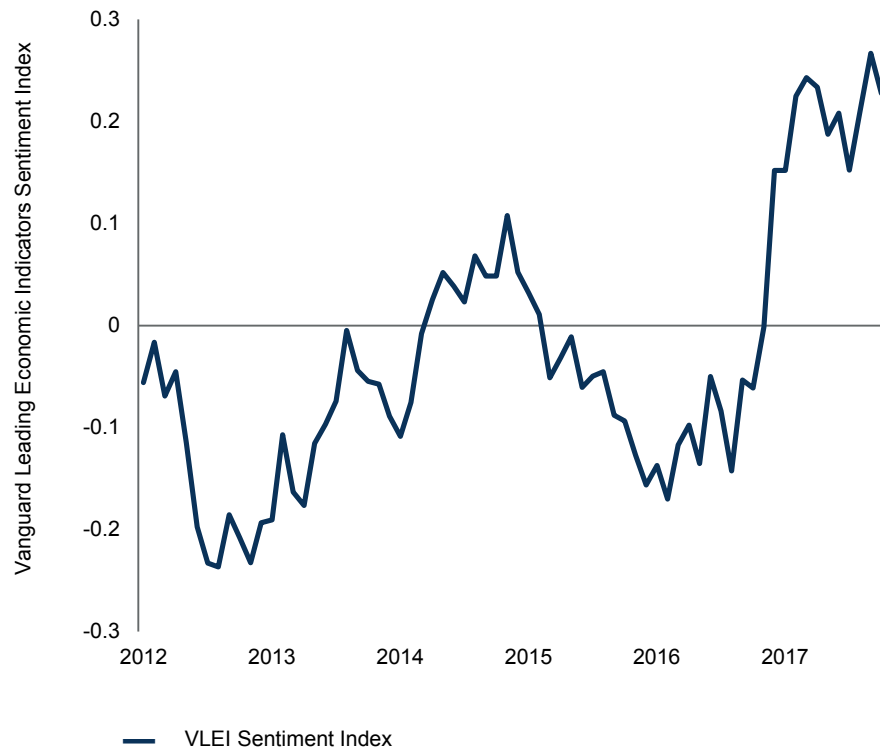


Source: Vanguard.

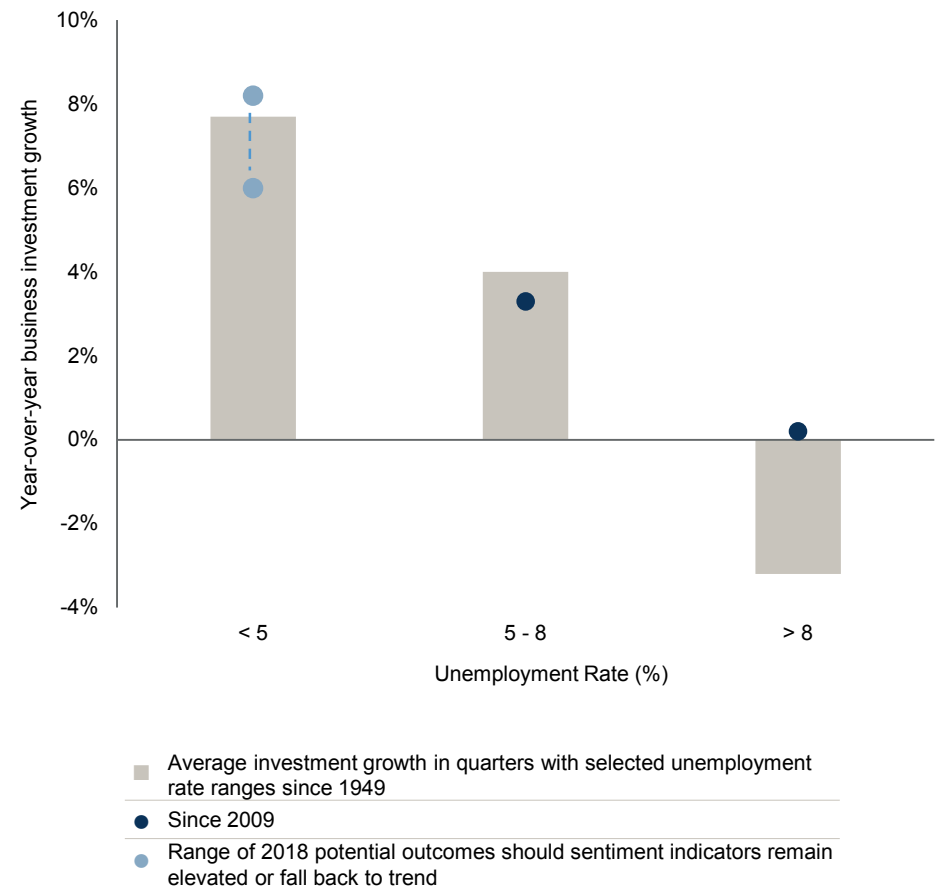
* For China – Hard landing

Strong sentiment + low unemployment = higher business capital spending

Optimism at highest levels since 2005



Lower unemployment incentivizes capital expenditures

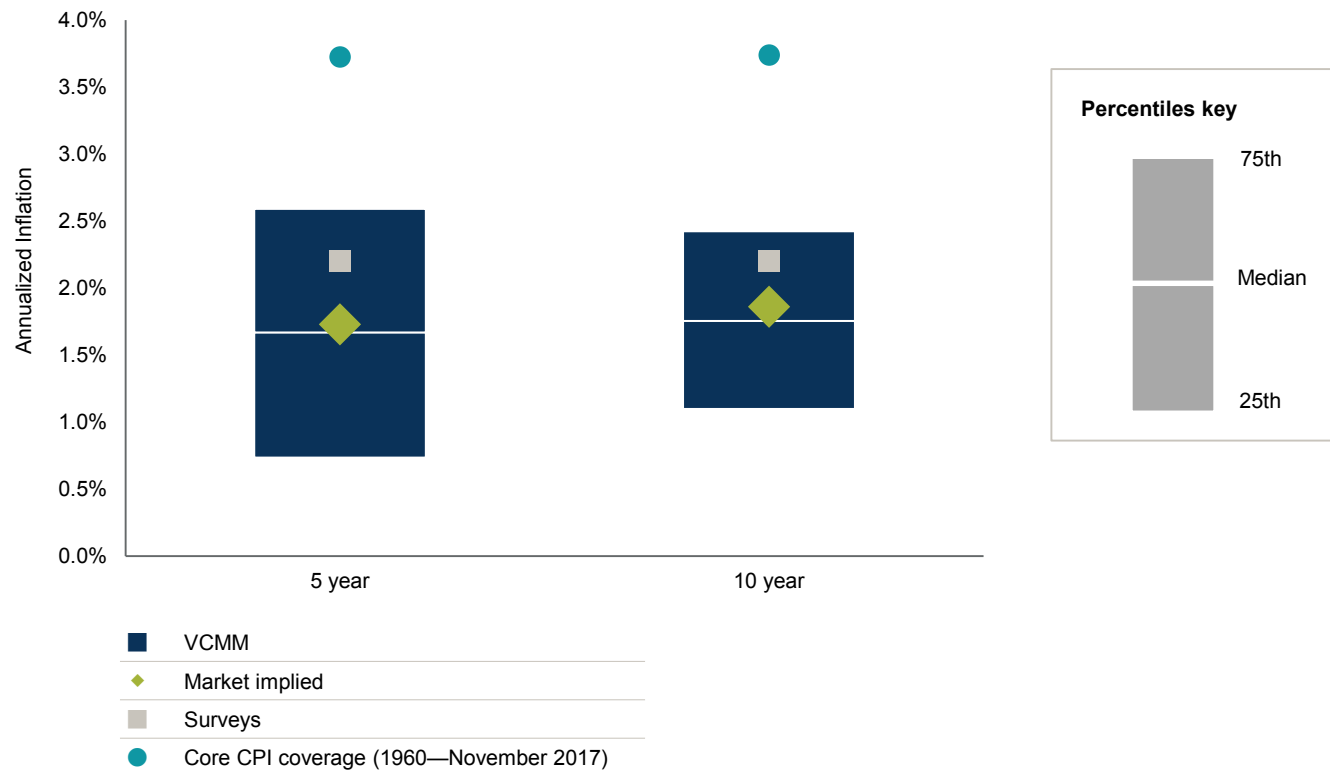


Sources: Vanguard, based on data from Moody's Data Buffet, the U.S. Bureau of Economic Analysis, and the Bureau of Labor Statistics.

Notes: (Left-hand Chart) The chart depicts consumer and business sentiment indicators from the Vanguard Leading Economic Indicators Index, an aggregation of the signals of a proprietary set of leading economic indicators that is further filtered to include only sentiment and survey measures.

A look at the U.S. inflation outlook through multiple lenses

U.S. inflation outlook is near 2%



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. Simulations are as of September 30, 2017. Results from the model may vary with each use and over time. For more information, please see the important information slide.

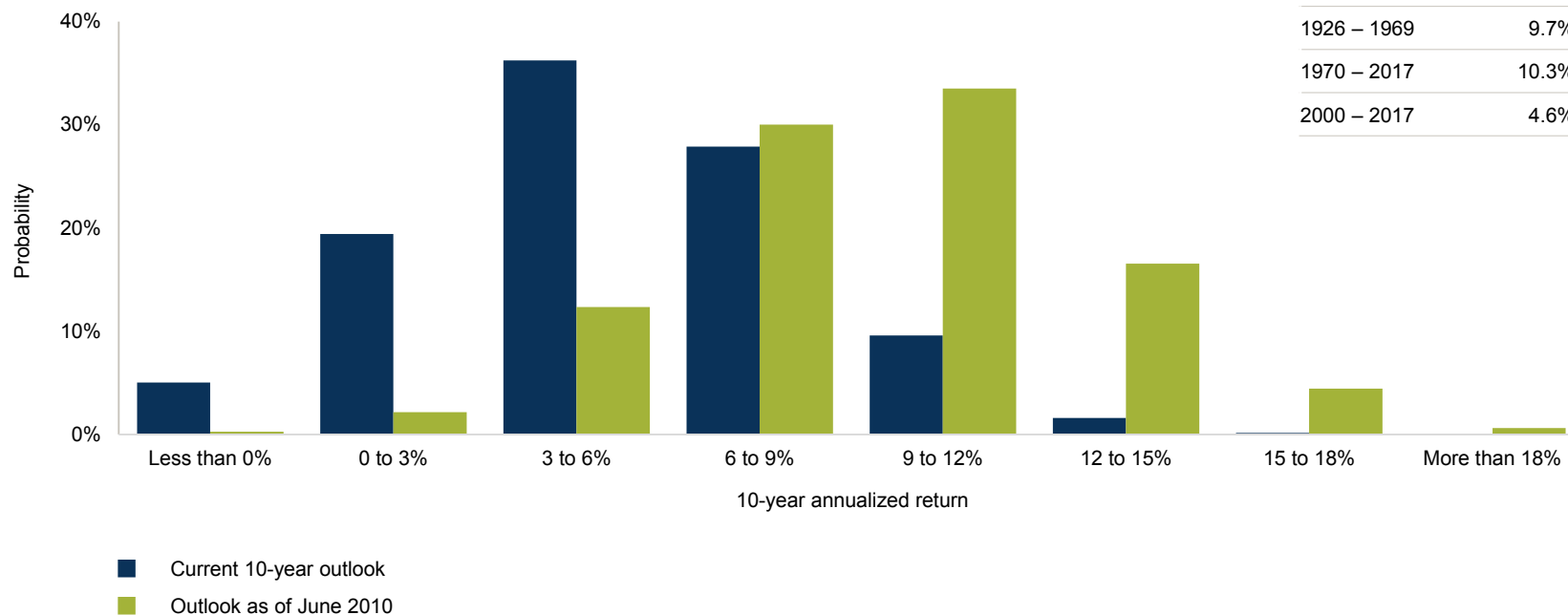
Sources: Vanguard calculations based on data from U.S. Bureau of Labor Statistics, Federal Reserve System, Thomson Reuters Datastream, Moody's Analytics, Barclays and Bloomberg.

Notes: Green diamonds on box-plot represent latest values (November 30, 2017) of Federal Reserve's five-year and ten-year breakeven inflation indexes. Tan boxes represent latest median values of five-year and ten-year annualized CPI inflation forecasts in Federal Reserve Bank of Philadelphia's Survey of Professional Forecasters (December 2017).

Projected global equity ten-year return outlook

VCMM-simulated distribution of expected average annualized nominal return of global equity market as of June 2010 and September 2017

Global equity 60% US / 40% Global Ex US



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 VCMM, derived from 10,000 simulations for global equity returns in USD. Simulations are as of September 30, 2017. Results from the model may vary with each use and over time. For more information, please see the important information slide.

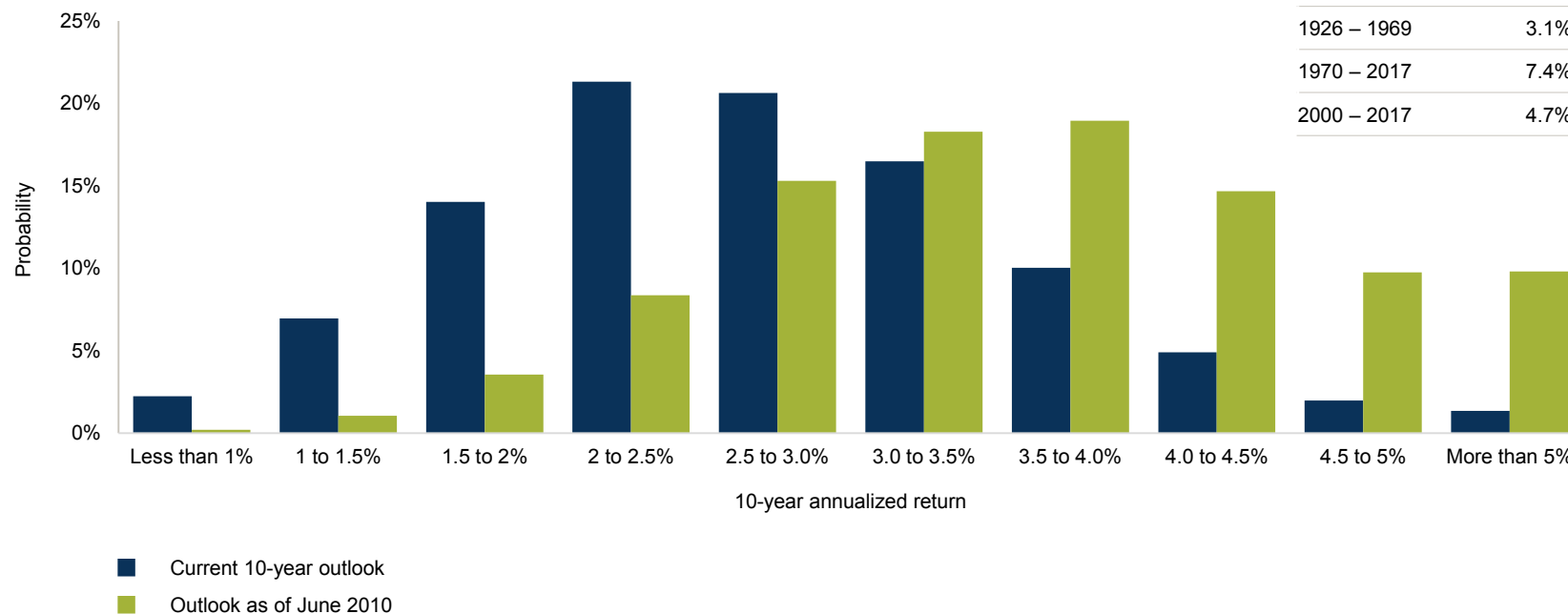
Sources: Vanguard.

Notes: Figure displays projected range of potential returns for portfolios of 60% U.S./40% ex-U.S. equities unhedged in USD, rebalanced annually. For details on benchmarks used for historical returns, see "Indexes used in our historical calculations," on page 5 of 2017 economic and market outlook: Stabilization, not stagnation (Davis et. al 2016).

Projected global fixed income ten-year return outlook

VCMM-simulated distribution of expected average annualized nominal return of total fixed income market as of June 2010 and September 2017

Global bonds 70% US / 30% Global Ex US

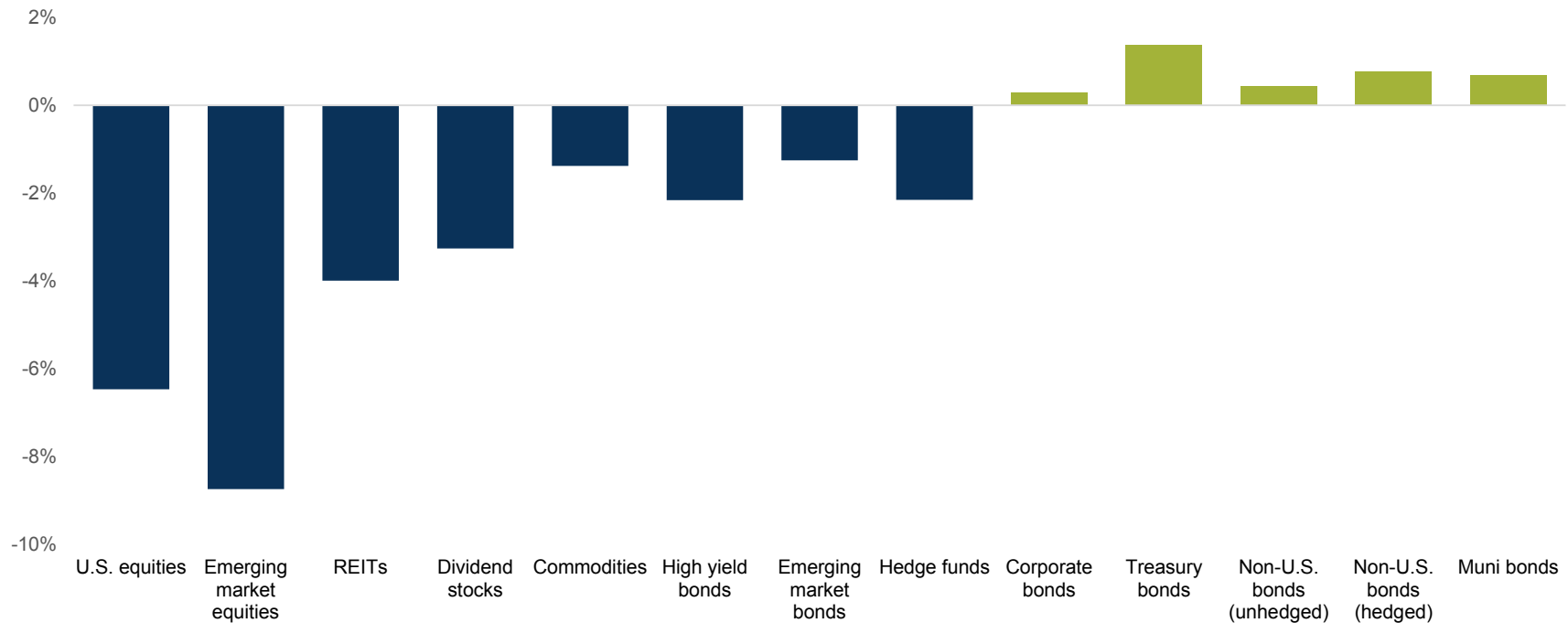


IMPORTANT: The projections or other information generated by the VCMM regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Distribution of return outcomes from VCMM, derived from 10,000 simulations for global equity returns and fixed income returns in USD. Simulations as of September 30, 2017. Results from the model may vary with each use and over time. For more information, please see the Important information slide.

Note: Figure displays projected range of returns for a portfolio of 70% U.S. bonds and 30% ex-U.S. bonds, rebalanced quarterly. For details, see *Vanguard's economic and investment outlook* (Davis, Aliaga-Diaz, Westaway, Wang, Patterson, and Ahluwalia 2016). Source: Vanguard.

Bonds can provide ballast in an equity bear market

Median return of various asset classes during the worst decile of monthly equity returns 1988-2017



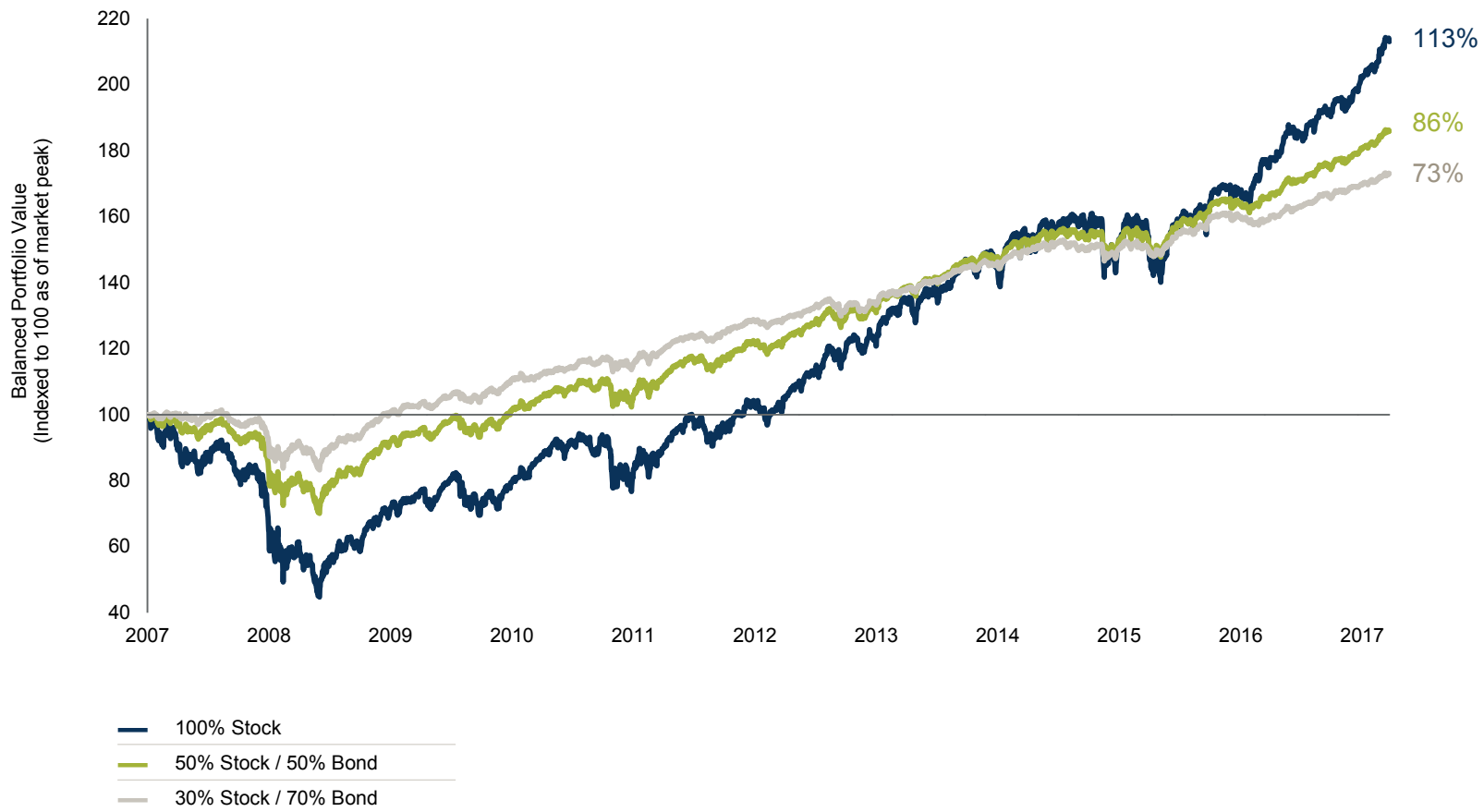
Past performance is no guarantee of future returns. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.

Sources: Vanguard calculations based on data from Thomson Reuters Datastream, Bloomberg Barclays, HFRI, MSCI, FTSE, CRSP, S&P, and Dow Jones.

Notes: U.S. stocks represented by Dow Jones U.S. Total Stock Market Index through April 2005, MSCI US Broad Market Index through June 2013 and CRSP US Total Market Index thereafter; emerging markets stocks are represented by MSCI Emerging Markets Index; REITs by FTSE NAREIT Equity REIT Index; dividend stocks by Dow Jones U.S. Select Dividend Index; commodities by S&P GSCI Commodity Index; high yield bonds by Bloomberg Barclays U.S. Corporate High Yield Bond Index; emerging market bonds by Bloomberg Barclays EM USD Aggregate Index; investment-grade corporate bonds by Bloomberg Barclays U.S. Corporate Index; U.S. Treasury bonds by Bloomberg Barclays U.S. Treasury Bond Index; Hedge fund index by HFRI fund-weighted total return Index and international bonds by Bloomberg Barclays Global Aggregate ex-USD Bond Index. The Dow Jones U.S. Select Dividend Index starts in January 1992; Bloomberg Barclays EM USD Aggregate Index starts in January 1993; hedge fund data start in 1994 and Bloomberg Barclays Global Aggregate ex USD Bond Index starts in January 1990. All data provided through December 31, 2017.

The benefits of long-term perspective, balance and diversification

A balanced diversified investor has fared relatively well



Sources: Vanguard calculations based on data from FactSet.

Notes: Each balanced portfolio represented by the mixture of equity and fixed income from the following indices: S&P 500 Total Return Index for equities and Bloomberg Barclays U.S. Aggregate Bond Index for fixed income. Each portfolio is constructed using historical daily data implemented with a monthly rebalancing scheme. Data as of September 30, 2017. Past performance is no guarantee of future returns.

Themes and outlook

	Global	U.S.	Europe	Asia
Growth	<ul style="list-style-type: none"> Broad-based firmness in economic fundamentals globally suggests a continuation of the recent trend of synchronized growth. Consensus expectations have settled on a view of modest growth and tepid inflation, though risks lie in mistaking this trend for the cycle. The most pronounced risk in 2018 is a further tightening of the labor market that leads to a cyclical uptick in inflation. 	<ul style="list-style-type: none"> A powerful combination of tight labor markets, strong financial market returns, increasing housing values, improving access to credit, and the end of the housing deleveraging cycle are driving both the consumer and investment engines of economic growth. Rebound in labor productivity as job growth slows. We anticipate growth of about 2.5% in 2018. 	<ul style="list-style-type: none"> During the next 12 months, the outlook for the euro-area economy is brighter than it's been in 10 years with growth expectations just under 2.0%. The forecast for the United Kingdom, on the other hand, is less certain given the lack of clarity around Brexit. 	<ul style="list-style-type: none"> Alongside tighter property regulations and supply-side adjustments, the financial tightening is likely to cause China to decelerate modestly in 2018, with growth at about 6.0%–6.5. However, we do not anticipate a Chinese “hard landing” in 2018. We expect Japan's recovery to become more broad-based in 2018, with the country enjoying another year of above-trend growth.
Inflation	<ul style="list-style-type: none"> While inflation is not expected to exceed central banks' 2% targets in 2018, the movement toward that point could be faster than anticipated. Tightening labor markets, global growth, and a nadir in commodity prices could contribute to push global inflation higher. 	<ul style="list-style-type: none"> We believe that in 2018, the growing impact of cyclical factors such as tightening labor markets, as well as stable and broader global growth may lead to wage and price inflation stronger than currently anticipated by the financial markets. 	<ul style="list-style-type: none"> Though recently quite subdued in Europe and the U.K., we expect that inflation will resurface somewhat as unemployment continues to fall toward the equilibrium rate, which is assumed to be 8.5%–9% in the euro area and as low as 4% in the United Kingdom. 	<ul style="list-style-type: none"> The key for China is the ability to relax government control and allow market forces to play a bigger role in the economy and address the inefficiencies created by state-owned enterprises. In Japan, core inflation is likely to increase gradually to 1%.
Policy and interest rates	<ul style="list-style-type: none"> The risk in 2018 is that a higher-than-expected bounce in wages—at a point when 80% of major economies (weighted by output) are at full employment—may lead markets to price in a more aggressive path or pace of global monetary policy normalization. 	<ul style="list-style-type: none"> The most likely candidate of a potentially more aggressive pace of monetary policy normalization is the United States, where the Federal Reserve is expecting to raise rates to at least 2% by the end of 2018, a more rapid pace than anticipated by the bond market. 	<ul style="list-style-type: none"> In an environment of tightening product and labor markets, we expect the European Central Bank to terminate its asset purchase by the end of 2018. We do not anticipate rate increases until at least 2019. In the United Kingdom, the policy outlook for the Bank of England is challenging over the coming years, especially in light of Brexit. 	<ul style="list-style-type: none"> Tighter financial controls and a rebound in nominal growth have helped stunt a rise in corporate liabilities. While this bodes well for China's medium-term goal of maintaining financial stability, it could have a negative impact on short-term growth.
	Balanced	Equities	Bonds	
Asset returns (Global)	<ul style="list-style-type: none"> A guarded view given global crosscurrents of low yields and equity valuations. 10-year expected returns for balanced portfolios lower than historical averages. In some ways, the next 5 years may prove more challenging than the previous five. Principles of portfolio construction remain unchanged. 	<ul style="list-style-type: none"> 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. Outlook for global equity risk premium remains decent over long run. 	<ul style="list-style-type: none"> Despite potential for yield volatility in near term, the low-rate environment will persist long term; we still see credit risk (i.e., recession) as higher than duration risk (i.e., rapid rise in interest rates). Bond returns likely to be muted; central tendency of 1.5–3% nominal annualized over 10 years. 	

Source: Vanguard.

Risk/return analysis

Total return framework, risk/return study: September 30, 2017

Time horizon: 10 years			10-year asset class return distribution					
Asset classes	Current portfolio	Proposed portfolio	5	25	50	75	95	Volatility
U.S. equities	39.0%	39.0%	-2.3%	1.5%	4.1%	6.7%	10.7%	17.1%
Non-U.S. equities (unhedged)	26.0%	31.0%	1.4%	4.3%	6.3%	8.3%	11.3%	16.3%
U.S. Bonds	25.0%	25.0%	1.4%	2.1%	2.7%	3.3%	4.3%	5.2%
REITs	10.0%	5.0%	-3.8%	0.8%	3.9%	7.3%	12.0%	18.9%
median return (geometric)	4.83%	4.90%						
median inflation-adjusted return	3.10%	3.10%						
median risk (volatility)	11.17%	11.26%						
sharpe ratio	0.258	0.263						

Portfolio return distribution											
	5	10	20	30	40	50	60	70	80	90	95
Current Portfolio	1.06%	1.92%	2.89%	3.64%	4.26%	4.83%	5.40%	5.99%	6.74%	7.88%	8.66%
Proposed Portfolio	1.16%	2.03%	3.01%	3.72%	4.35%	4.90%	5.47%	6.08%	6.79%	7.94%	8.78%

Inflation-adjusted portfolio return distribution											
	5	10	20	30	40	50	60	70	80	90	95
Current Portfolio	-0.91%	-0.04%	1.05%	1.80%	2.44%	3.07%	3.71%	4.34%	5.14%	6.28%	7.27%
Proposed Portfolio	-0.81%	0.04%	1.14%	1.90%	2.54%	3.15%	3.77%	4.44%	5.22%	6.35%	7.36%

Recommendations

- Reallocate 5% from the REIT Index Fund to Total International Stock Index Fund
- Real Estate will represent 5% of the total portfolio and International Equities will represent 31%
- The resulting US / International Equity mix will be 56%/44% from 60%/40%. Global market cap weightings are roughly 52%/48%



Investment committee best practices



Vanguard

Vanguard took a close look at what inspires committee effectiveness

Proprietary investment committee surveys
Clients across more than 170 countries
Thousands of investment committees
Years of academic research



The pillars of best practices



Policy



People



Procedures



Principles

Know your fiduciary duty

Act in the best interest of the mission and its beneficiaries.

Adopt and abide by the committee charter.

Develop and regularly review the Investment Policy Statement (IPS).

Assess all costs regularly to ensure reasonableness.

Ensure consistent, timely, and detailed documentation.

Know your fiduciary duty

Exclusive benefit rule
Managed for the exclusive benefit of participants.

Prudent expert standard
Act with care, skill and prudence as a prudent expert would.

Investment selection and monitoring
Develop and regularly review the Investment Policy Statement (IPS).

Plan cost reasonableness
Implement appropriate asset allocation and reasonable costs.

Procedural prudence
Document all meetings, events, decisions.

Your committee can only control so much

Put time and focus on the things you can control

Asset allocation

Due diligence

Costs

Liability management

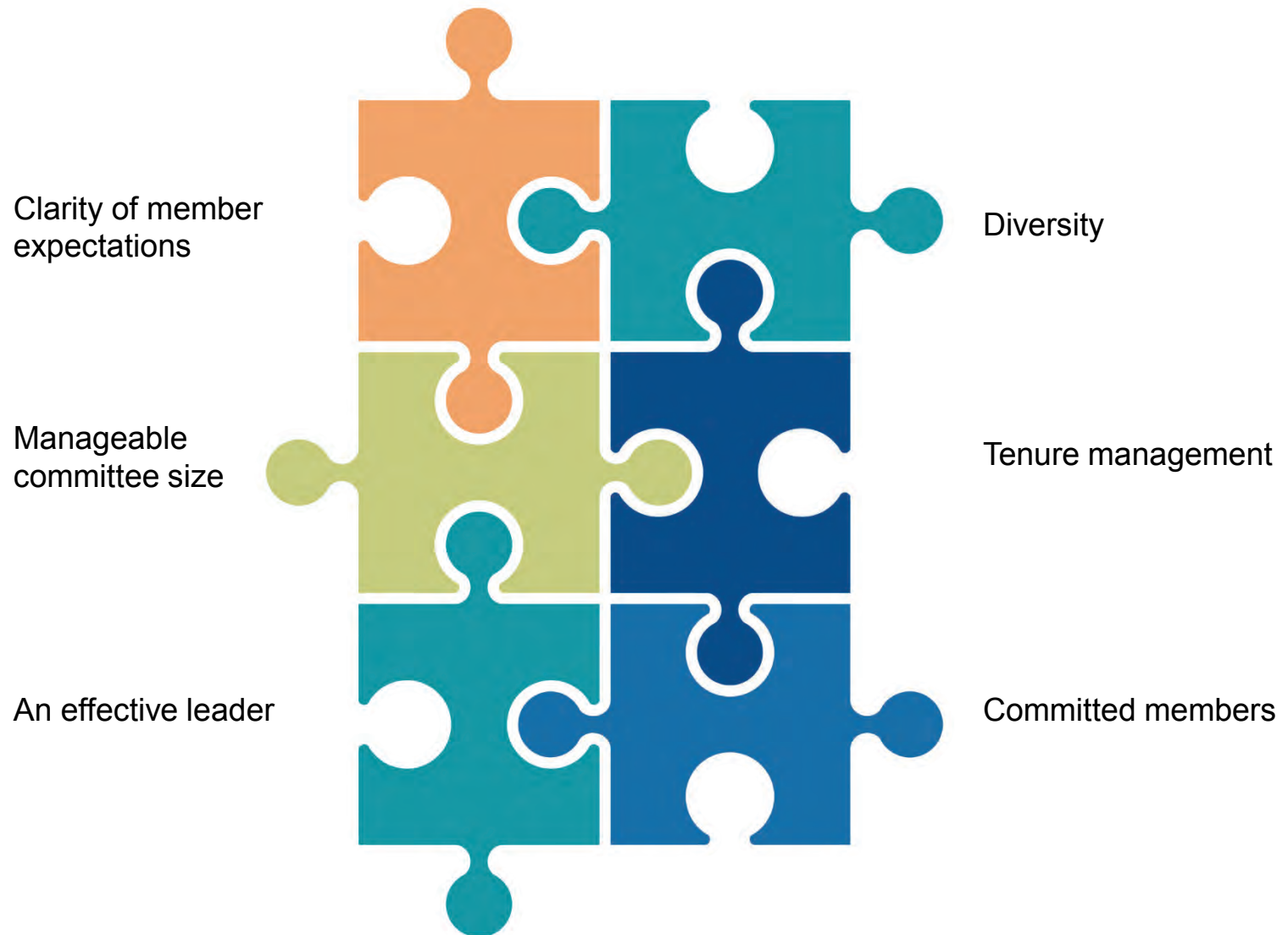
Not the things you cannot

Manager performance

Financial markets

Peer analysis

A committee's construction is key to its success



How to improve a committee's efficiency and outcomes



Before the meeting

- Brainstorm meeting topics
- Prioritize agenda
- Send out materials



During the meeting

- Address key decisions
- Review performance (Q&A only)
- Include continuing education
- Allow time for open discussions
- Determine future action items



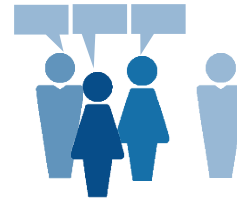
After the meeting

- Distribute minutes promptly
- Onboard new members

Group dynamics can produce poor decision-making



Groupthink
“I don’t want to cause conflict, so I’ll just agree with the group.”



Social loafing
“I don’t know as much as some others on this topic, so I’m going to keep quiet.”



Group polarization
“Since consensus feels this way, let's make a big bet.”



Shared information bias
“We’re less familiar with that topic, so let’s not even consider it for our portfolio.”

Other behavioral hurdles that can lead to unwise choices



Herding
“Everyone else is doing it, so we should too.”



Action bias
“Why bother meeting if we aren’t going to change something?”



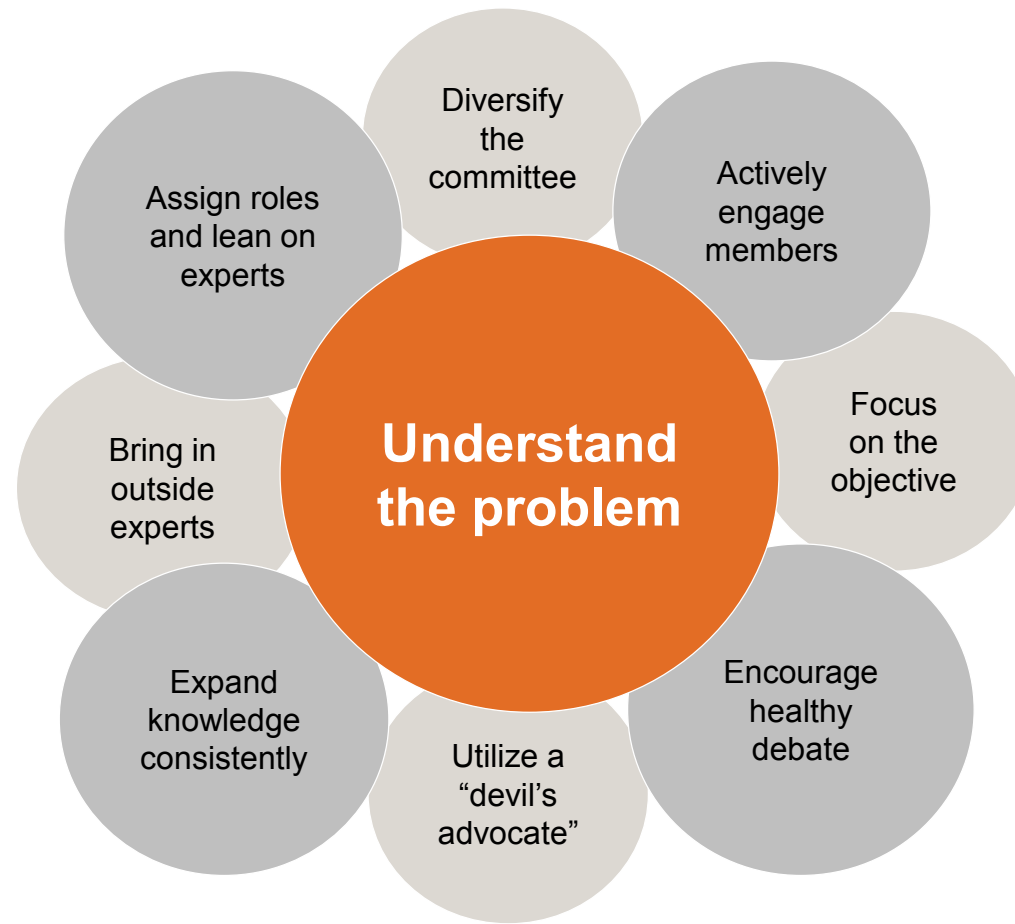
Overconfidence
“Interest rates have to go up this year.”



Confirmation bias
“Yes, I only looked for information that supports my opinion.”

These tendencies can be addressed and avoided

“A problem well defined is a problem half-solved.”
—John Dewey, American philosopher and psychologist



Focus on the investment fundamentals

1
Goals
Create clear, appropriate investment objectives and document in the IPS.

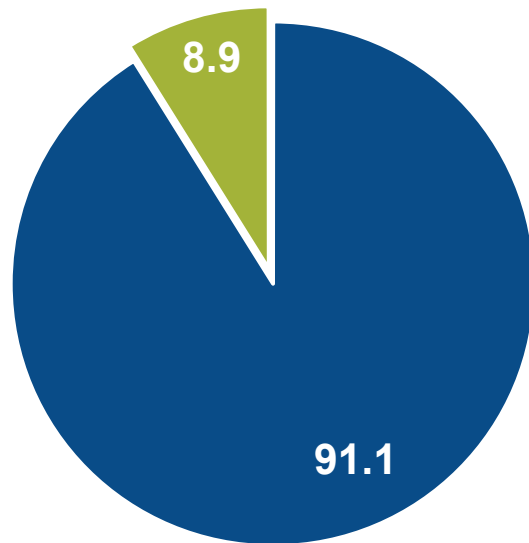
2
Balance
Develop a suitable asset allocation that is broadly diversified.

3
Cost
Minimize costs.

4
Discipline
Maintain perspective and long-term discipline.

The goal: To have a well-diversified portfolio

Investment success is largely determined by strategic asset mix

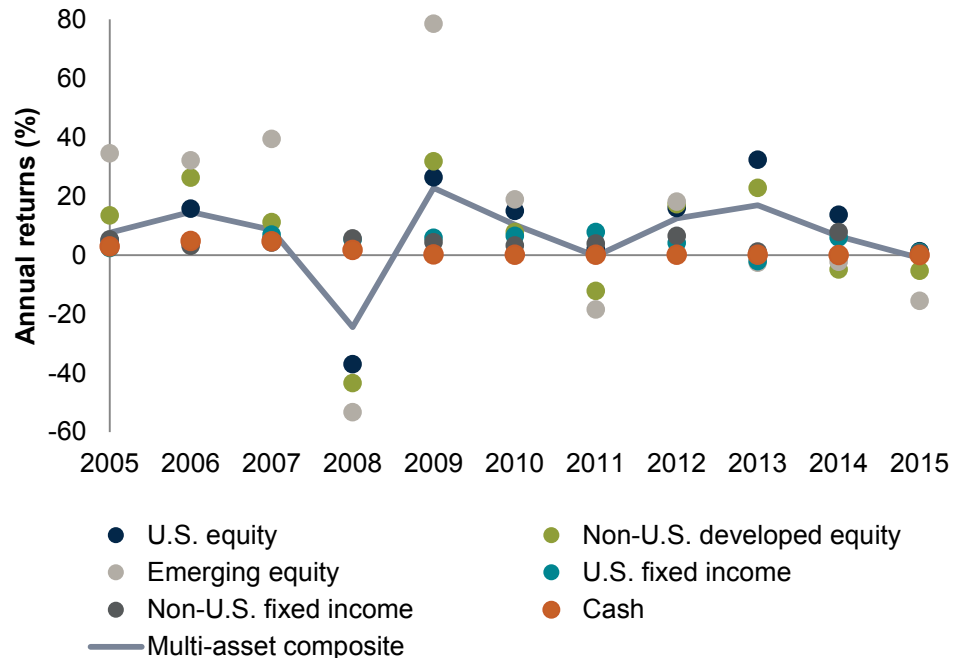


- 91.1% Asset allocation
- 8.9% Security selection and market timing

Notes: The 91.1% for the United States represents the median observation from the distribution of percentage of return variation explained by asset allocation for balanced funds. For the period January 1990–September 2015, the sample included 709 balanced funds. Calculations were based on monthly net returns, and policy allocations were derived from a fund’s actual performance compared with a benchmark using returns-based style analysis (as developed by William F. Sharpe) on a 36-month rolling basis. Funds were selected from Morningstar’s Multi-Sector Balanced category. Only funds with at least 48 months of return history were considered in the analysis. The policy portfolio was assumed to have a U.S. expense ratio of 1.5 basis points per month (18 bps annually, or 0.18%) and a non-U.S. expense ratio of 2.0 bps per month (24 bps annually, or 0.24%).

Sources: Vanguard calculations, using data from Morningstar, Inc.

A well-diversified portfolio is less prone to large performance swings



Notes: Past performance is no guarantee of future returns. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index. Last observation: December 31, 2015.

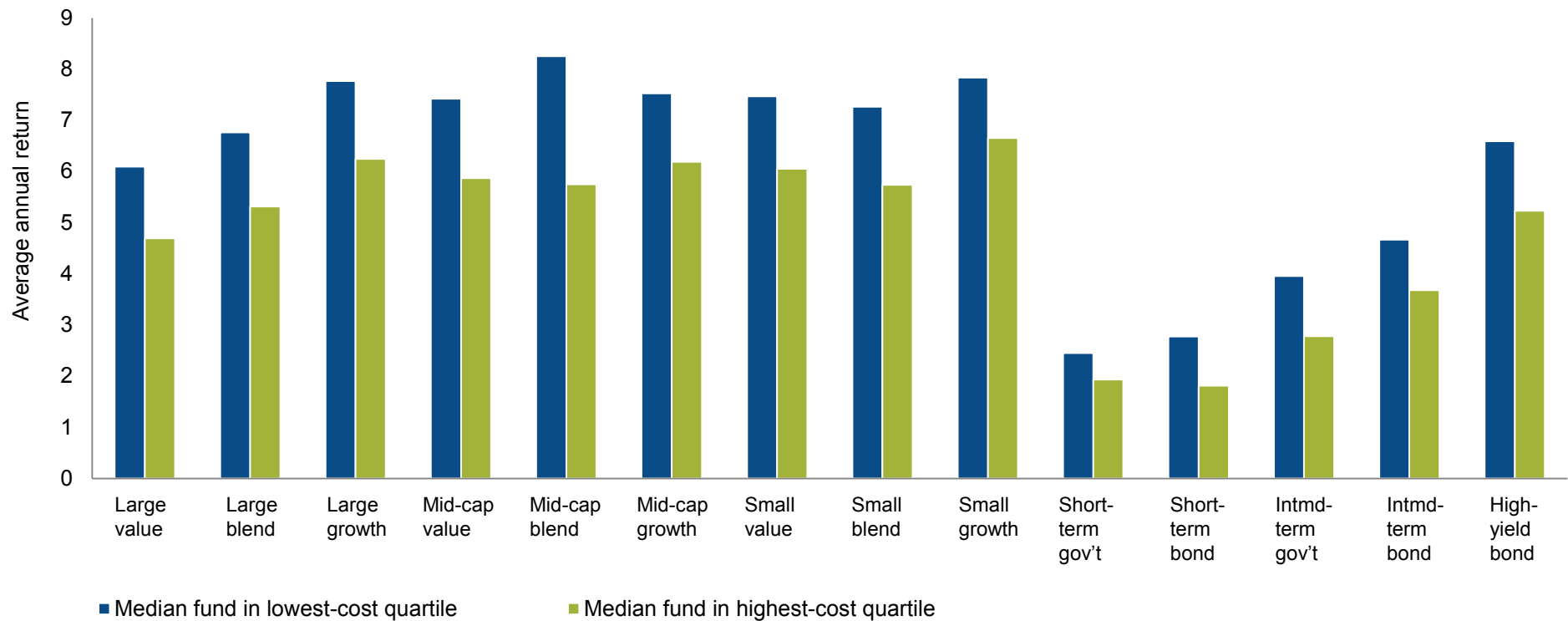
U.S. equity represented by S&P 500 Index, international equity represented by MSCI EAFE Index, emerging equity represented by MSCI Emerging Markets Index, U.S. bonds represented by Bloomberg Barclays Aggregate Bond Market Index, international bonds represented by Bloomberg Barclays Global Aggregate Ex USD Index (hedged), Cash represented by Citigroup 3-Mo T-bill. Composite represents 39% S&P 500 Index, 21% MSCI EAFE Index, 5% MSCI Emerging Index, 24.5% Bloomberg Barclays Aggregate Bond Index, 10.5% Bloomberg Barclays Global Aggregate Bond Ex-USD Index (hedged), and is rebalanced annually.

Sources: Vanguard, based on data from Standard & Poor’s, MSCI, Bloomberg Barclays, and Citigroup.

Higher costs can act as a headwind to investment success

Lower-cost strategies have generally outperformed their higher-cost counterparts

Average annual return for 10 years through 2016



Notes: Past performance is no guarantee of future results. This analysis included only funds that were in existence in their respective Morningstar category during the ten years ended December 31, 2016; "dead" funds (i.e., funds that were merged or liquidated during the period) were excluded.

Source: Vanguard, using Morningstar data.

Data as of December 31, 2016.

Pulling it all together



Meet your fiduciary responsibilities



Construct your committee thoughtfully



Structure meetings with purpose




Address and avoid behavioral hurdles



Focus on investing fundamentals

Supporting materials

The wealth of Vanguard's best practices at your fingertips




Sample Investment Committee Charter

This document will help you, as a fiduciary, develop a charter for the committee that oversees investments for your nonprofit organization. Committee charters clarify the roles, responsibilities, and authority of the investment committee, support staff, outside consultants, and investment managers. They also help you be working with nonretail investors. A committee charter is a key component of a successful investment board and a critical first step in forming a committee.

Drafting the committee charter will clarify the scope and range of roles, streamline decision-making, and avoid duplication. Most importantly, this process will help you meet the fiduciary responsibility you owe your organization and all of your organization's mission.

The charters and sample charters will serve as a valuable tool to help you create your own committee charter that meets your nonprofit's specific needs. However, this document is only a "one-size-




Common investment committee agenda topics

Topics of discussion and frequency of meetings will vary depending on each investment committee's charter, the portfolio's complexity, and the staff's size and capabilities.

At a minimum, committees should meet periodically to evaluate the portfolio's performance and at least annually to review asset allocation characteristics.

Other committees may choose to meet on a quarterly basis with at least one meeting taking an educational focus, such as reviewing a particular asset class or investment strategy.



Evaluating managers: Best practices for investment committees

Developing and using a disciplined framework for manager evaluation is critical for overcoming the challenges that inherently come with manager evaluation and selection. The following six criteria outline Vanguard's approach:


Plan Evaluation measures • Consistent structure • Business viability • Investment culture • Flexibility	Red flags • Problems attracting new business • Losing current business • Lack of strong future • Focus is on multi-asset rather than core investing • Lack of employee ownership	Concerning challenges with manager selection • Too many managers • Too few challenges with manager selection and evaluation and the associated fiduciary non-challenges • Needs a lot of work to do • Don't have the time
People Evaluation measures • Track record • Temperament • Experience • Breadth of strategy • Staffing	Red flags • Questionable ethics • Lack of asset allocation expertise • Investment team lacks depth	Evaluation tool implementation • Overly complex • Too little or no feedback on decisions • Expensive and inflexible



Where investment committees spend their time

If your investment committee focuses on the right issues, they'll have more time to spend on things they can't control and less time on things they can. For example, a survey conducted several years ago by Vanguard found 42% of committee time is spent reviewing asset performance—far more than the time spent making strategy decisions or on other issues. How does your committee stack up?

Take this tool to your next committee meeting and see if you're maximizing the use of a limited resource—time.



Sample Investment Policy Statement

I. Introduction


The XYZ Institution Board of Trustees refers to as the "Trust" and consists of the Board of Trustees (the "Trustees"). The purpose of this Investment Policy Statement is to establish guidelines for the Trust's investment decisions. The Trustees are also responsible for the overall management of the Trust's investment program and for reviewing the performance of the Trust's investments on behalf of the beneficiaries of the Trust.

II. Role of the Investment Committee

The Investment Committee is the "Trust" and is a fiduciary body with respect to the Trust's assets and is responsible to the Board of Trustees for reviewing the investment of all assets owned by or held in trust for the Trust.

III. Investment objective and spending policy

The Trust is to be invested with the objective of preserving the principal value of the assets and providing a steady stream of income to the beneficiaries of the Trust. The Trust's investments are to be managed in a prudent and conservative manner and are to be diversified across asset classes and geographic regions.



Committee assessment tool for group behaviors

Committee members are important stakeholders. They can set strategy, determine budgets, and create a positive culture. Committees also have a duty to ensure the organization's investment portfolio is managed in a prudent and conservative manner. This tool is designed to help you:

- Identify behaviors that can negatively affect group performance—the first step toward improving a group's overall quality of performance and decision-making.
- Identify and apply some possible techniques for addressing opportunity areas.

Definitions and examples of suboptimal behaviors

Analysis and behaviors that put in the size of the committee decision-making group. The committee can take a variety of actions. The committee can help to determine the current state of your investment committee in terms of frequency of communication.

Suboptimal behaviors

- Group members do not have the necessary information to make a decision.
- Group members do not have the necessary information to make a decision.
- Group members do not have the necessary information to make a decision.
- Group members do not have the necessary information to make a decision.

What is the right committee mix?

Vanguard's committee member matrix

Member name/position	Joining year	Career field/degrees/designations	Qualitative aspects	Equity	Fixed income	Alternatives	Accounting/finance	Economics	Regulatory/legal	Risk management	Government relations	Media relations	Fund-raising	Health care
Committee member #1	2006	Health care / MD												✓
Committee member #2	2008	Lawyer / Esq							✓					
Committee member #3	2009	Accountant / CPA					✓							
Committee member #4	2007	Health care / MD												✓
Committee member #5	2006	Investments / CFA		✓				✓						
Committee member #6	2005	Health care / MD												✓
Committee member #7	2007	Investments / CFP			✓		✓							
Committee member #8	2006	General business					✓							✓

How is our committee doing?

Vanguard's committee assessment tool

	Structure		Process			Information	
	Diverse members	Group size	Decision-making tactics	Devil's advocate	Leadership style	Leveraging member expertise	Outside expert
Groupthink	•		•	•••	••		••
Confirmation bias	•••		•	••	•		•
Group polarization	•••		•	••			•
Shared-information bias	•	•••			•	••	
Herding	•		•	••			•••
Social loafing		••			•	•••	

• Good •• Better ••• Best

Segregated accounts reporting

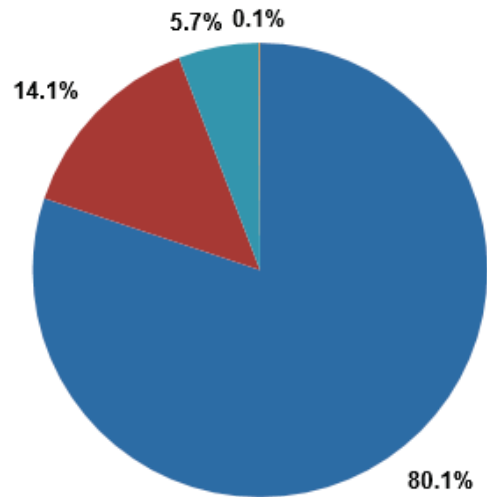
Quarterly investment performance summary of segregated accounts

Account name	Investment manager	Q42017 return	YTD 2017	Market value as of 12/31/2017
Freedom - Willard Bosma	RJ	+4.03%	+14.52%	\$479,726
Maykol	ML	+2.68%	+10.47%	\$115,626
J Hanna/M Murphy	UBS	+4.56%	+16.39%	\$1,254,647
Ernest E Settle	UBS	+4.38%	+15.76%	\$1,261,522
Cutler	Schwab	+3.65%	+10.64%	\$220,563
The 2012 Fund	Schwab	+0.02%	+0.06%	\$614,099
MI Heritage Trails (MICHHT)	UBS	+4.13%	+15.28%	\$1,335,585
Campbell Scholarship	ML	+2.66%	+11.29%	\$26,886
Donahue	NW	+0.58%	+3.52%	\$152,564
G & B Hilt Fund	UBS	+4.38%	+15.34%	\$7,276,473
Collins	RJ	+4.59%	+15.70%	\$705,534
Smith	RJ	+3.46%	+11.32%	\$42,007
Shelby Rotary	LPL	+3.51%	+7.02%	\$367,798

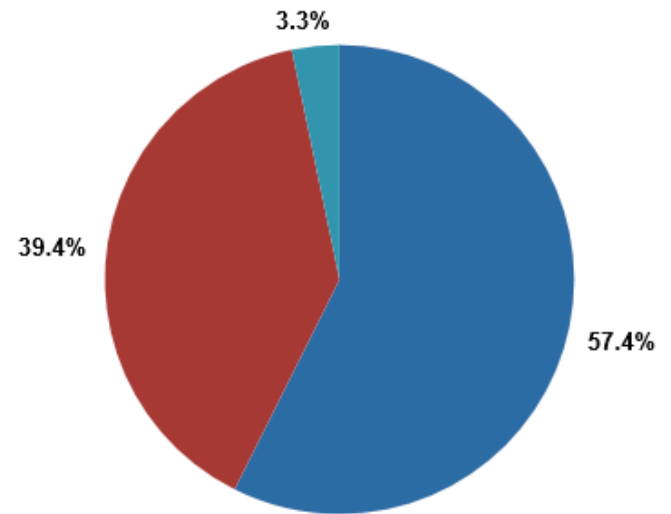
* Total Bond Market ETF market value is reported by Community Foundation for Muskegon County staff.

Quarterly asset allocation summary of segregated accounts as of December 31, 2017

RJ – Freedom – Willard Bosma (\$479,726)



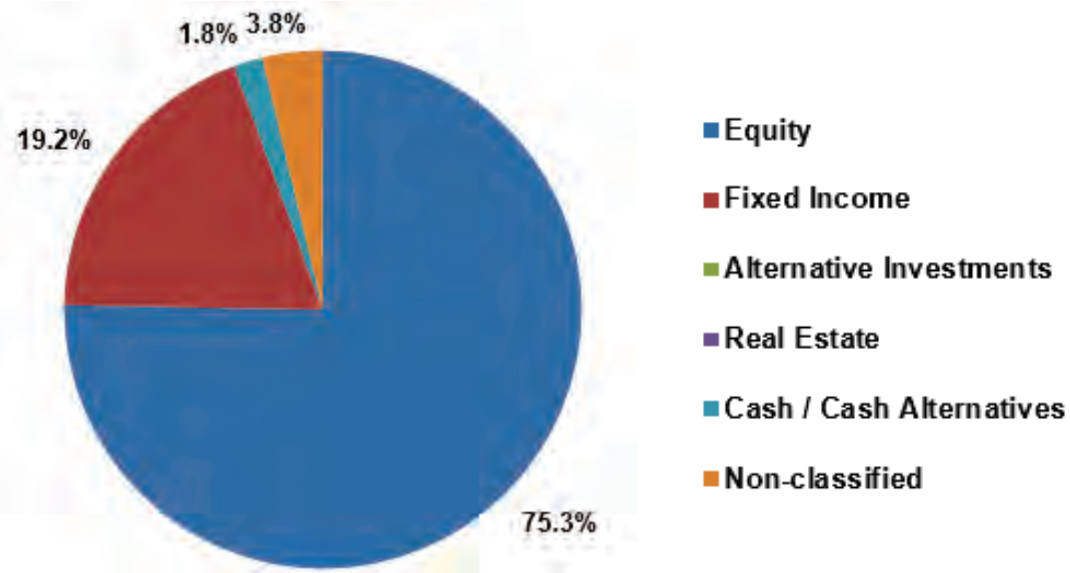
ML – Maykol (\$115,626)



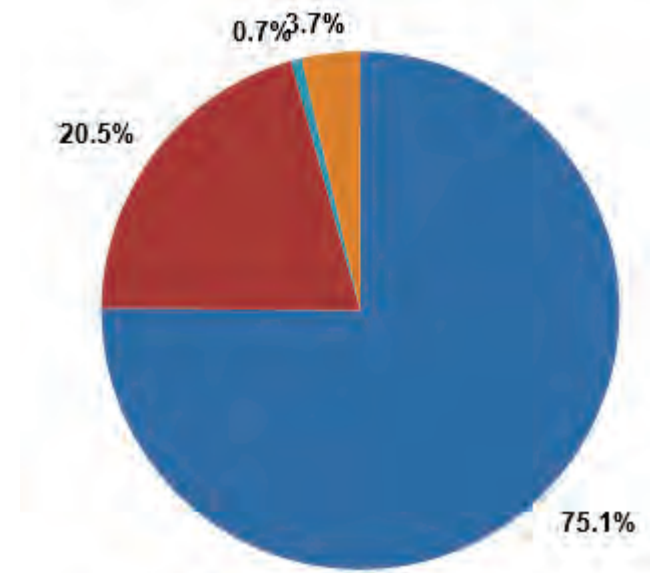
- Equity
- Fixed Income
- Alternative Investments
- Real Estate
- Cash / Cash Alternatives
- Non-classified

Quarterly asset allocation summary of segregated accounts as of December 31, 2017

UBS – J Hanna/M Murphy (\$1,254,647)

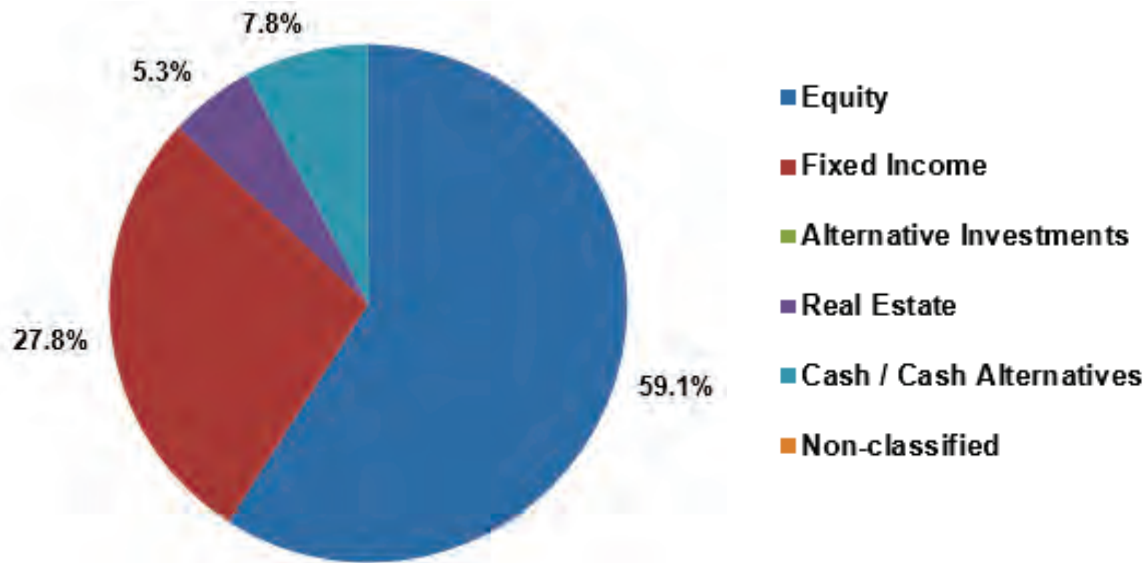


UBS – Ernest E Settle (\$1,261,522)

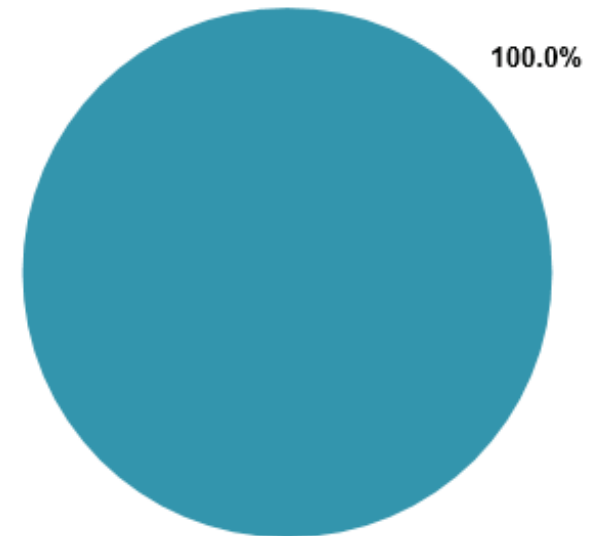


Quarterly asset allocation summary of segregated accounts as of December 31, 2017

Schwab – Cutter (\$195,813)

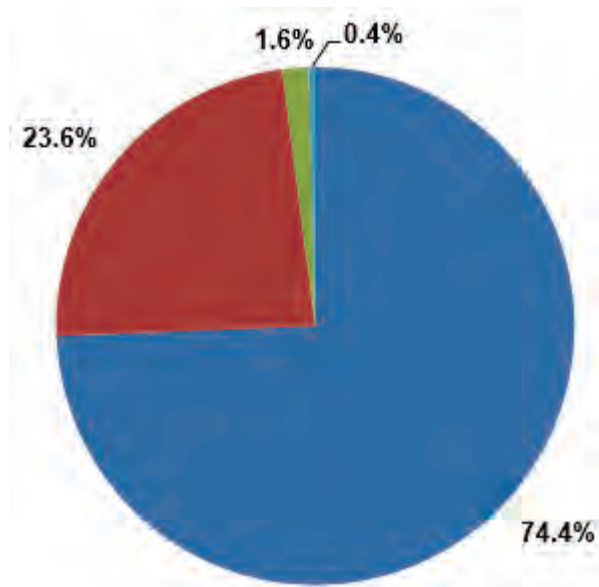


Schwab – The 2012 Fund (\$614,099)



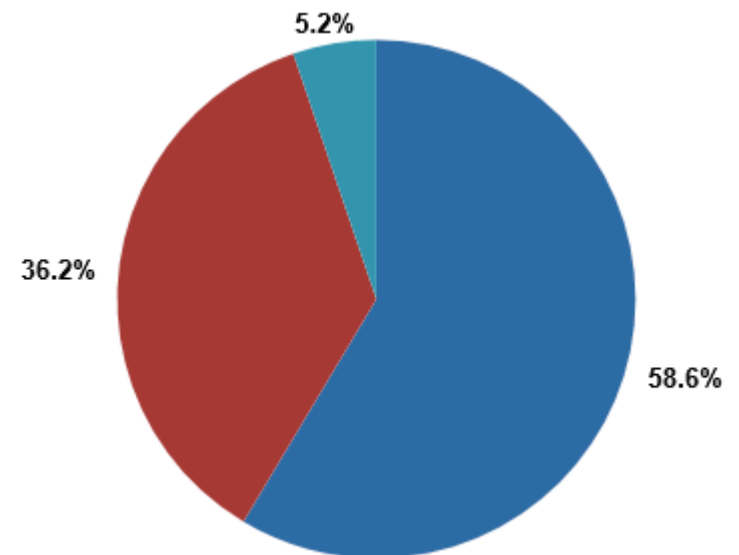
Quarterly asset allocation summary of segregated accounts as of December 31, 2017

UBS –MI Heritage Trails (MICHHT) (\$1,335,585)



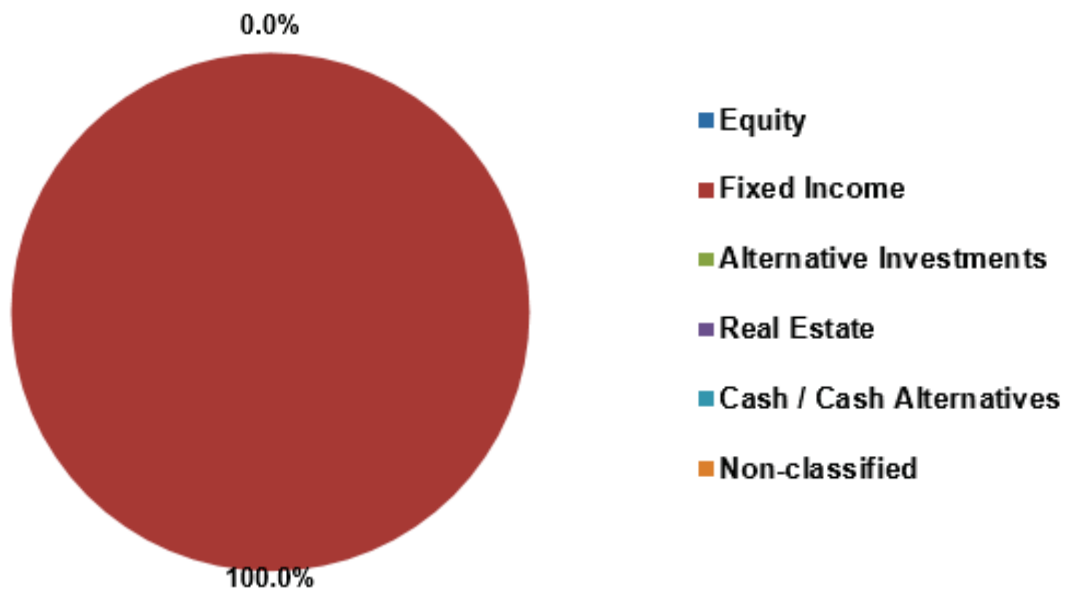
ML –Campbell Scholarship (\$26,886)

- Equity
- Fixed Income
- Alternative Investments
- Real Estate
- Cash / Cash Alternatives
- Non-classified

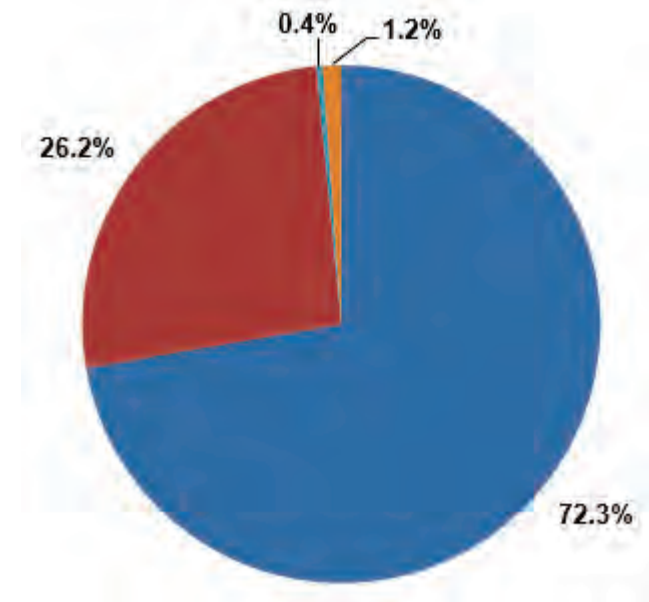


Quarterly asset allocation summary of segregated accounts as of December 31, 2017

NW – Donahue (\$152,564)

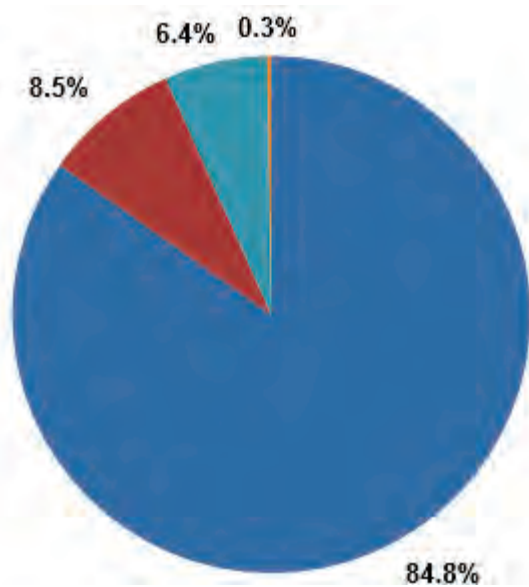


UBS – G&B Hilt Fund (hilt05) (\$7,276,473)

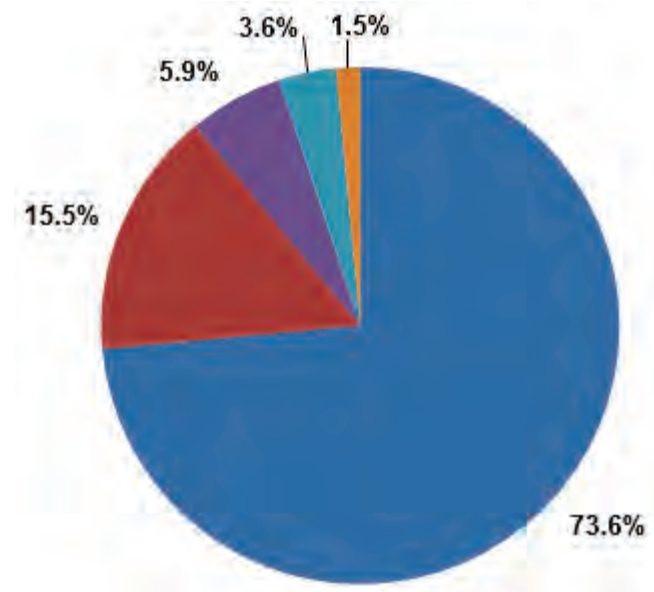


Quarterly asset allocation summary of segregated accounts as of December 31, 2017

RJ – Collins (\$705,534)



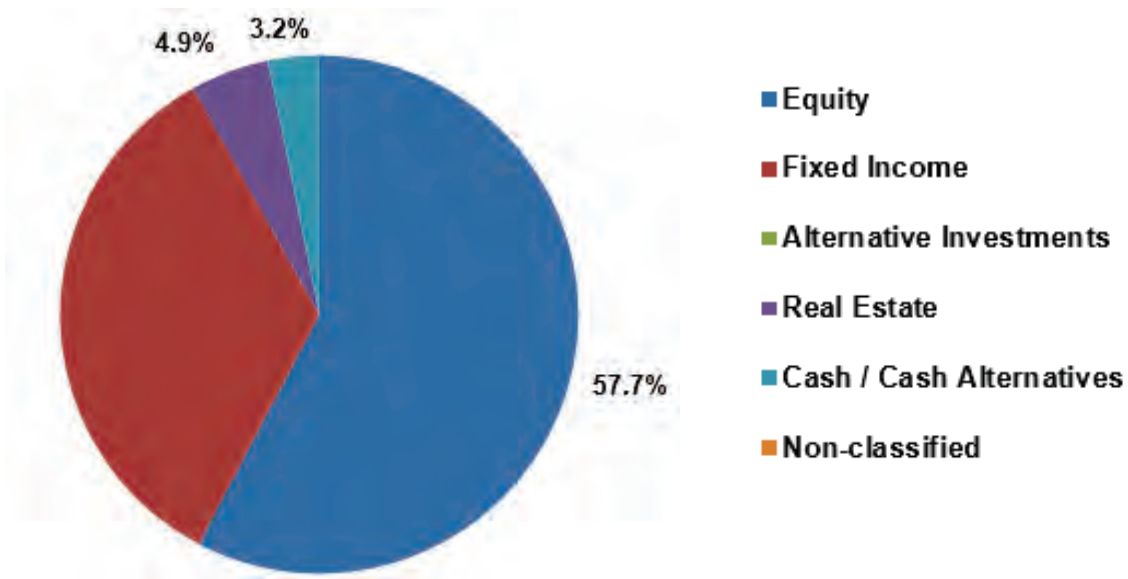
RJ – Smith (\$42,007)



- Equity
- Fixed Income
- Alternative Investments
- Real Estate
- Cash / Cash Alternatives
- Non-classified

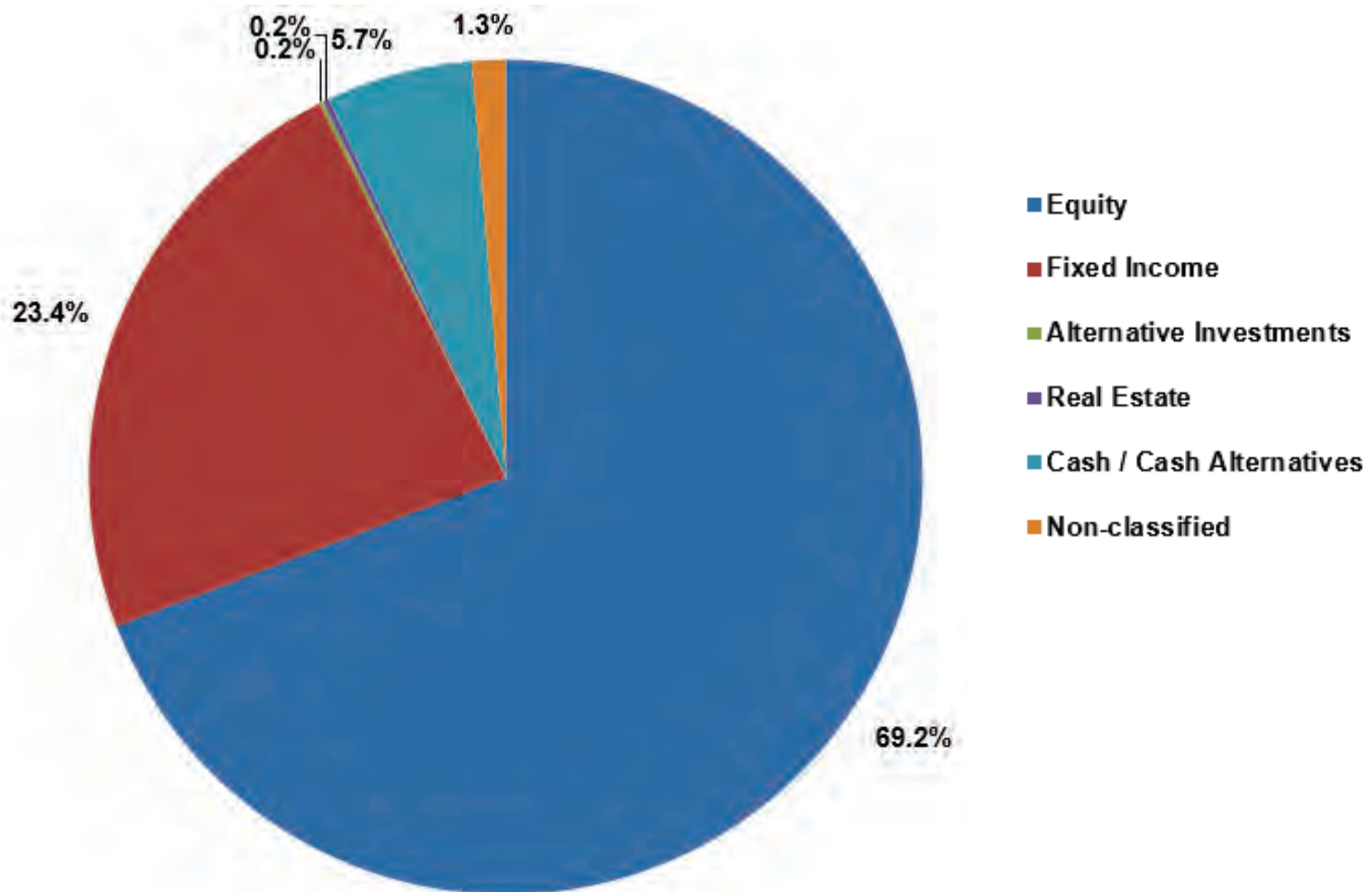
Quarterly asset allocation summary of segregated accounts as of December 31, 2017

LPL – Shelby Rotary (\$367,798)



Quarterly asset allocation summary of segregated accounts as of December 31, 2017

Combined Segregated Accounts (\$13,853,030)



Vanguard Total Stock Market Index Fund (VITSX)

Investment approach

- Seeks to track the performance of the CRSP US Total Market Index.
- Large, mid-, and small-cap equity diversified across growth and value styles.
- Passively managed, using index sampling.
- Fund remains fully invested.
- Low expenses minimize net tracking error.

Key facts

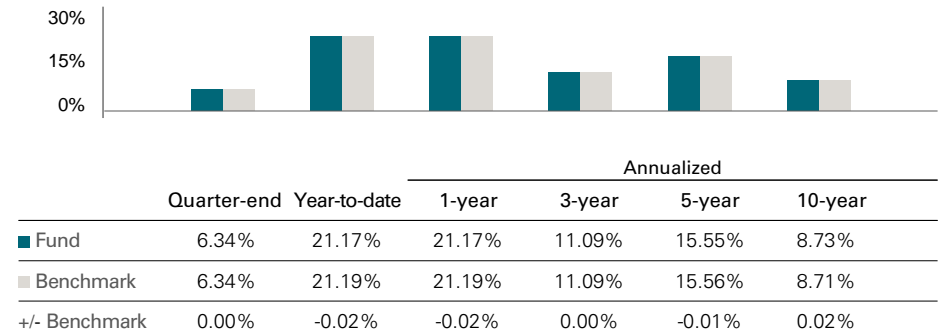
Expense ratio as of 04/27/2017	3.5 bps
As reported in the most recent prospectus.	
Designation	Domestic large-cap blend
Fund inception date	04/27/1992
Institutional Shares inception date	07/07/1997
Total net assets as of 12/31/2017 (\$M)	\$662,577
Net fund assets for VITSX as of 12/31/2017 (\$M)	\$113,557
Holdings	3,638
Indexed to	CRSP US Total Market Index (CRSPTMT)
Turnover rate (fiscal year-end 12/31/2017)	4.1%
CUSIP	922908801
Investment manager	Vanguard Equity Index Group

Risk and volatility

	R ²	Beta
Primary benchmark	1.00	1.00
Broad-based benchmark	1.00	1.00

R-squared and beta are calculated from trailing 36-month fund returns relative to the associated benchmark. Broad-based benchmark: Dow Jones U.S. Total Stock Market Float Adjusted Index.

Performance



Spliced Total Stock Market Index: Dow Jones U.S. Total Stock Market Index (formerly known as the Dow Jones Wilshire 5000 Index) through April 22, 2005; MSCI US Broad Market Index through June 2, 2013; and CRSP US Total Market Index thereafter.

Performance versus competitors

Percentage of Multi-Cap Core Funds outperformed by VITSX



Source: Lipper, a Thomson Reuters Company. Based on total returns as of December 31, 2017. Number of funds in category: 1-year, 727; 3-year, 617; 5-year, 541; 10-year, 379. Results will vary for other time periods.

The performance data shown represent 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 vanguard.com/performance.

Figures for periods of less than one year are cumulative returns. All other figures represent average annual returns. Performance figures include the reinvestment of all dividends and any capital gains distributions. All returns are net of expenses.

The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.

Share of U.S. stock market (%)



- 100% CRSP US Total Market Index

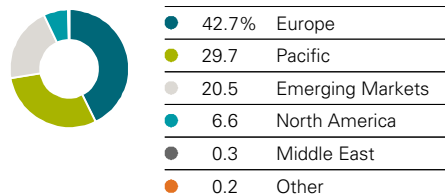
As measured by the MSCI US Broad Market Index.

Vanguard Total International Stock Index Fund (VTSNX)

Investment approach

- Seeks to track the performance of the FTSE Global All Cap ex US Index.
- Broad exposure across developed and emerging non-U.S. equity markets.
- Passively managed.
- Fund remains fully invested.
- Low expenses minimize net tracking error.

Regional diversification



Key facts

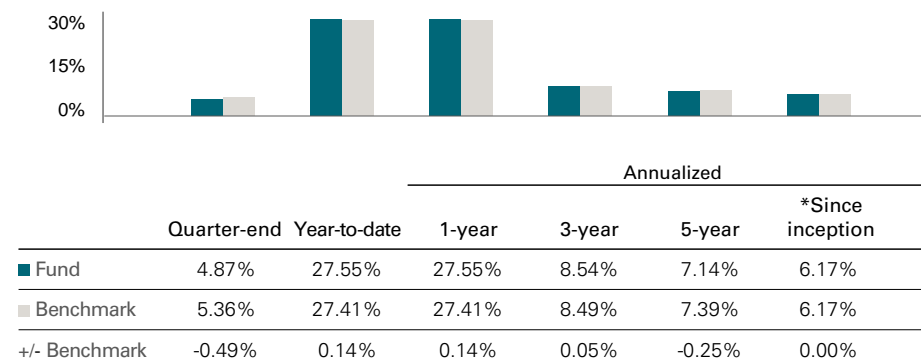
Expense ratio as of 02/23/2017	9 bps
As reported in the most recent prospectus.	
Designation	International/global blend
Fund inception date	04/29/1996
Institutional Shares inception date	11/29/2010
Total net assets as of 12/31/2017 (\$M)	\$331,182
Net fund assets for VTSNX as of 12/31/2017 (\$M)	\$31,188
Holdings	6,283
Indexed to	FTSE Global All Cap ex US Index (TGPVAN17)
Turnover rate (fiscal year-end 10/31/2017)	3.4%
CUSIP	921909784
Investment manager	Vanguard Equity Index Group

Risk and volatility

	R ²	Beta
Primary benchmark	0.98	0.94
Broad-based benchmark	0.98	0.94

R-squared and beta are calculated from trailing 36-month fund returns relative to the associated benchmark.
Broad-based benchmark: FTSE Global All Cap ex US Index.

Performance

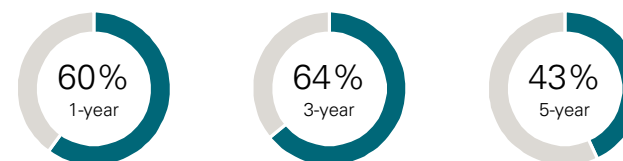


Spliced Total International Stock Index: Total International Composite Index through August 31, 2006; MSCI EAFE + Emerging Markets Index through December 15, 2010; MSCI ACWI ex USA IMI Index through June 2, 2013; and FTSE Global All Cap ex US Index thereafter. Benchmark returns are adjusted for withholding taxes.

* Since fund's inception, November 29, 2010.

Performance versus competitors

Percentage of International Funds outperformed by VTSNX



Source: Lipper, a Thomson Reuters Company. Based on total returns as of December 31, 2017. Number of funds in category: 1-year, 1445; 3-year, 1169; 5-year, 1026. Results will vary for other time periods.

The performance data shown represent 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 vanguard.com/performance. Figures for periods of less than one year are cumulative returns. All other figures represent average annual returns. Performance figures include the reinvestment of all dividends and any capital gains distributions. All returns are net of expenses.

The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.

Vanguard Total Bond Market Index Fund (VBTIX)

Investment approach

- Seeks to track the performance of the Bloomberg Barclays U.S. Aggregate Float Adjusted Index.
- Broadly diversified exposure to investment-grade U.S. bond market.
- Passively managed using index sampling.
- Intermediate-duration portfolio.
- Provides moderate current income with high credit quality.

Share of U.S. bond market (%)



- 100% Bloomberg Barclays U.S. Aggregate Float Adjusted Index

As measured by the Bloomberg Barclays U.S. Aggregate Bond Index.

Key facts

Expense ratio as of 04/26/2017	4 bps
As reported in the most recent prospectus.	
Designation	Treasury/agency/blend intermediate-term
Fund inception date	12/11/1986
Institutional Shares inception date	09/18/1995
Total net assets as of 12/31/2017 (\$M)	\$195,872
Net fund assets for VBTIX as of 12/31/2017 (\$M)	\$39,101
Holdings	8,345
Indexed to	Bloomberg Barclays U.S. Aggregate Float Adjusted Index (LBUFTRUU)
Turnover rate (fiscal year-end 12/31/2017)	61.0%
CUSIP	921937504
Investment manager	Vanguard Fixed Income Group

Risk and volatility

	R ²	Beta
Primary benchmark	0.99	1.04
Broad-based benchmark	0.99	1.04

R-squared and beta are calculated from trailing 36-month fund returns relative to the associated benchmark. Broad-based benchmark: Spliced Bloomberg Barclays U.S. Aggregate Float Adjusted Index.

Performance



	Annualized					
	Quarter-end	Year-to-date	1-year	3-year	5-year	10-year
Fund	0.41%	3.57%	3.57%	2.19%	2.03%	3.97%
Benchmark	0.41%	3.63%	3.63%	2.27%	2.10%	4.03%
+/- Benchmark	0.00%	-0.06%	-0.06%	-0.08%	-0.07%	-0.06%

Spliced Bloomberg Barclays U.S. Aggregate Float Adjusted Index: Bloomberg Barclays U.S. Aggregate Bond Index through December 31, 2009; Bloomberg Barclays U.S. Aggregate Float Adjusted Index thereafter.

Performance versus competitors

Percentage of Core Bond Funds outperformed by VBTIX



Source: Lipper, a Thomson Reuters Company. Based on total returns as of December 31, 2017. Number of funds in category: 1-year, 488; 3-year, 427; 5-year, 390; 10-year, 294. Results will vary for other time periods.

The performance data shown represent 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 vanguard.com/performance. Figures for periods of less than one year are cumulative returns. All other figures represent average annual returns. Performance figures include the reinvestment of all dividends and any capital gains distributions. All returns are net of expenses.

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Vanguard REIT Index Fund (VGSNX)

Investment approach

- Seeks to track the performance of the MSCI US REIT Index.
- Equity real estate investment trusts.
- Passively managed, full-replication approach.
- Benchmark index covers two-thirds of the REIT market.
- Low expenses minimize net tracking error.

Key facts

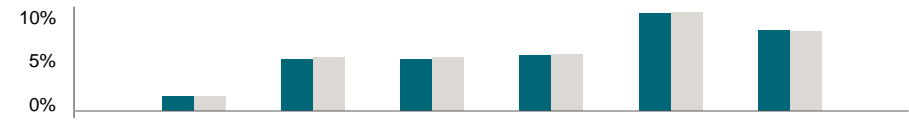
Expense ratio as of 05/25/2017	10 bps
As reported in the most recent prospectus.	
Designation	Sector/specialized
Fund inception date	05/13/1996
Institutional Shares inception date	12/02/2003
Total net assets as of 12/31/2017 (\$M)	\$64,179
Net fund assets for VGSNX as of 12/31/2017 (\$M)	\$8,459
Holdings	154
Indexed to	MSCI US REIT Index (RMSG)
Turnover rate (fiscal year-end 01/31/2017)	6.7%
CUSIP	921908869
Investment manager	Vanguard Equity Index Group

Risk and volatility

	R ²	Beta
Primary benchmark	1.00	1.00
Broad-based benchmark	0.19	0.57

R-squared and beta are calculated from trailing 36-month fund returns relative to the associated benchmark. Broad-based benchmark: Dow Jones U.S. Total Stock Market Float Adjusted Index.

Performance



	Quarter-end	Year-to-date	Annualized			
			1-year	3-year	5-year	10-year
Fund	1.39%	4.93%	4.93%	5.26%	9.26%	7.67%
Benchmark	1.41%	5.07%	5.07%	5.37%	9.34%	7.63%
+/- Benchmark	-0.02%	-0.14%	-0.14%	-0.11%	-0.08%	0.04%

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

Performance versus competitors

Percentage of Real Estate Funds outperformed by VGSNX



Source: Lipper, a Thomson Reuters Company. Based on total returns as of December 31, 2017. Number of funds in category: 1-year, 239; 3-year, 216; 5-year, 186; 10-year, 133. Results will vary for other time periods.

The performance data shown represent 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 vanguard.com/performance. Figures for periods of less than one year are cumulative returns. All other figures represent average annual returns. Performance figures include the reinvestment of all dividends and any capital gains distributions. All returns are net of expenses.

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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 importantly, 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.

All investing is subject to risk, including the possible loss of money you invest. Diversification does not ensure a profit or protect against a loss. 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. Investments in bonds 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.

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.

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.

Investments in Target Retirement Funds or Trusts are subject to the risks of their underlying funds. The year in the fund name refers to the approximate year (the target date) when an investor in the fund or trust would retire and leave the workforce. The fund or trust will gradually shift its emphasis from more aggressive investments to more conservative ones based on its target date. An investment in the Target Retirement Fund or Trust is not guaranteed at any time, including on or after the target date.

Vanguard collective trusts are not mutual funds. They are collective trusts available only to tax-qualified plans and their eligible participants. Investment objectives, risks, charges, expenses, and other important information should be considered carefully before investing. The collective trust mandates are managed by Vanguard Fiduciary Trust Company, a wholly owned subsidiary of The Vanguard Group, Inc.

A stable value investment is neither insured nor guaranteed by the U.S. government. There is no assurance that the investment will be able to maintain a stable net asset value, and it is possible to lose money in such an investment.

The information contained herein does not constitute tax advice, and cannot be used by any person to avoid tax penalties that may be imposed under the Internal Revenue Code. We recommend that you consult a tax or financial advisor about your individual situation.

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