

THE SAN FRANCISCO FOUNDATION

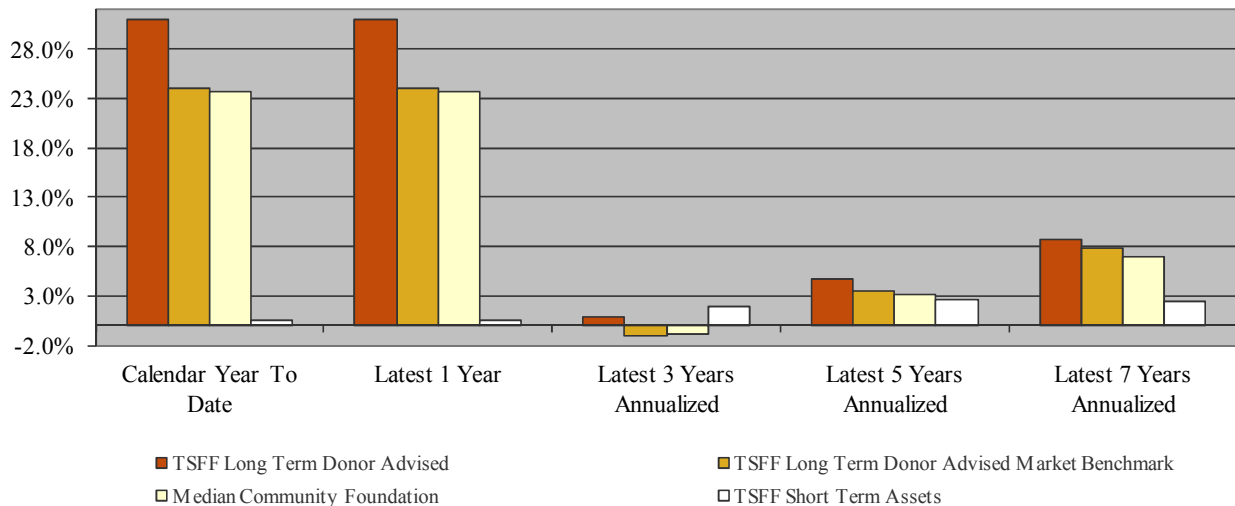
The Community Foundation of the Bay Area

Long Term Donor Advised Pool Investment Strategy & Performance

As of December 31, 2009

In the depths of 2008's financial crisis, powerful and frightening words such as *Depression* and *Deflation* were widely used to characterize prospective economic conditions on a prolonged basis. While markets in 2008 undoubtedly delivered a psychologically depressing period, the economy itself has thus far averted the disaster of a protracted downturn. As usual, it is difficult to say whether markets have recovered because economic conditions were not as poor as they looked or if economic conditions have stabilized thanks to market gains.

Either way, this segment of market history has provided yet another example of the importance of a sound approach for considering risk within any portfolio. Looking ahead, there are a variety of issues to keep in mind including persistently high unemployment, anemic economic growth, large government deficits, and the continuing process for addressing the excesses of the recent past. The challenges these issues introduce will undoubtedly create considerable complexity and opportunity for investors. As in the past, the Foundation's strategy is to maintain a consistent approach which seeks to combine a steady mix of strategies executed by talented investors.



	Ending 12/31/09 - Net of Fees				
	<u>Calendar Year To Date</u>	<u>Latest 1 Year</u>	<u>Latest 3 Years Annualized</u>	<u>Latest 5 Years Annualized</u>	<u>Latest 7 Years Annualized</u>
TSFF Long Term Donor Advised	31.0%	31.0%	0.9%	4.7%	8.8%
TSFF Long Term Donor Advised Market Benchmark	24.0%	24.0%	-1.0%	3.5%	7.9%
Median Community Foundation	23.7%	23.7%	-1.0%	2.9%	6.5%
TSFF Short Term Assets	0.6%	0.6%	1.9%	2.7%	2.4%

Following a difficult year in 2008, the Long Term Donor Advised Pool was able to capitalize on 2009's surprising market rebound. The key drivers of this outcome included a decision to maintain the portfolio's overall strategy during the dark days of late 2008 and early 2009, several portfolio changes that the Foundation's Investment Committee implemented at that time, and a number of instances where the Foundation's managers delivered stellar returns versus their benchmarks. Importantly, the Pool's long time horizon proved to be the common theme in each of these instances, as solid assets were acquired at attractive prices based on the view that it could take an indeterminate period of time for these steps to prove successful. Fortunately, a major shift in market sentiment quickly produced significant gains.