

THE SAN FRANCISCO FOUNDATION

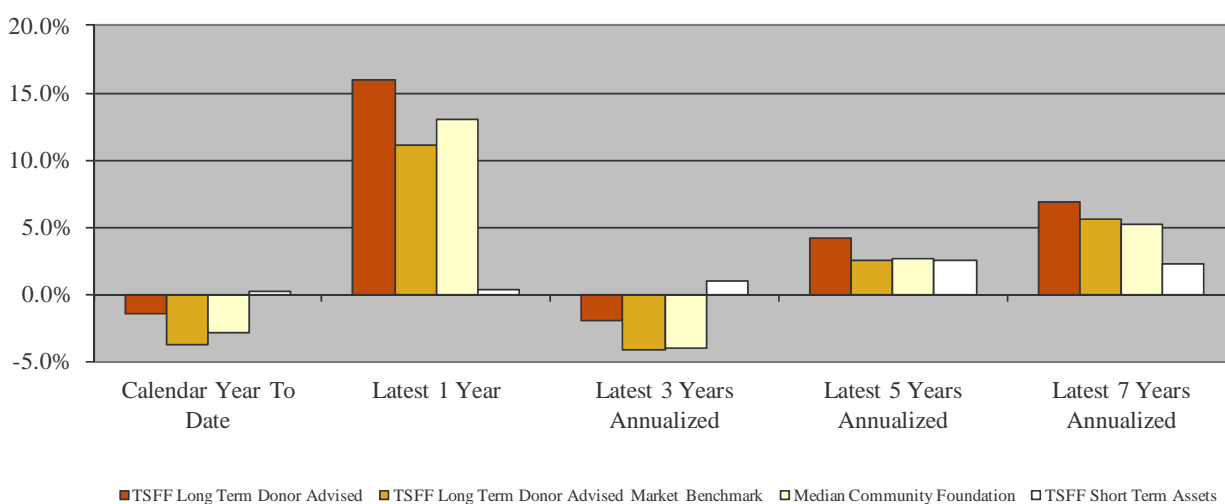
The Community Foundation of the Bay Area

Long Term Donor Advised Pool Investment Strategy & Performance As of June 30, 2010

For most of the past two years, the power and instability of market forces have been on stark display and have influenced both the psychology and the portfolios of many investors. As none of us can completely escape either human tendencies or their implications, the world currently seems exceptionally uncertain and complex.

Ironically, when uncertainty is running highest, prospective returns are most likely to be strongest and in that regard the Foundation has the broadest array of choices for intelligently deploying capital. This stands in contrast to times when investors are optimistic and high valuations limit choices.

As the Foundation does not seek to adjust its portfolio based on short term forecasts for market direction, near term outcomes are inextricably linked to the vagaries of markets. Yet, rather than seeing the situation from the perspective of helplessness, the Foundation instead seeks to base its portfolio construction on three very simple ideas: avoiding extreme outcomes, capitalizing on volatility, and selecting investments that can succeed even without perfect timing.



Ending 6/30/10 – 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	-1.5%	15.9%	-2.0%	4.2%	6.9%
TSFF Long Term Donor Advised Market Benchmark	-3.8%	11.1%	-4.2%	2.5%	5.6%
Median Community Foundation	-2.9%	13.0%	-4.0%	2.6%	5.2%
TSFF Short Term Assets	0.2%	0.3%	1.0%	2.5%	2.3%

The Long Term Donor Advised Pool was not immune from the market turmoil during the second quarter. Nevertheless, returns continue to be well above benchmarks thanks to the Foundation's exposure to credit and very strong relative returns from its non-U.S. equity and fixed income managers. Looking ahead it is our view that market volatility, while generally unpleasant, creates opportunities for the Foundation thanks to its long-time horizon, a well-balanced and diversified portfolio, and the use of managers who are able to capitalize on the short time horizons of others through their fundamentally driven approach for valuing securities.