



***Ventura County Community Foundation***  
***2009 Investment Performance and Commentary***

As of Fiscal Year ending September 2008							
	Last Quarter	Fiscal YTD	Last Fiscal Year	Last Fiscal 3 Years	Last Fiscal 5 Years	Last Fiscal 7 Years	Last Fiscal 10 Years
VCCF	10.8	(6.5)	(14.0)	2.2	6.8	7.0	6.6
Policy Index	12.7	(9.4)	(14.7)	2.0	5.8	5.3	4.7

\*Portfolio returns reflect the VCCF endowment funds. Fiscal year ends September 30, 2009; prior FY performance returns are as of September 30, 2008. The Policy Index is 50% Russell 3000 / 15% MSCI EAFE After Taxes / 35% Barclays Capital Aggregate Bond. 3-month Treasury Bills returned 0.22% for the most recent quarter.

Strong market performance in the 2<sup>nd</sup> calendar quarter is reflected in significant gains in the overall portfolio, narrowing the fiscal year to date loss from levels earlier in the fiscal year. The fiscal year to date results also include sizable outperformance (310 bps) of the policy index, lending further confidence that VCCF's diversified investment strategies will continue to provide both relative and absolute results that sustain our long term investment objectives.

**Asset Allocation Targets\***

Asset Class	Phase 2 12/31/08	Phase 3 12/31/10	VCCF Portfolio 06/30/09
Large Cap Equity	20.0%	20.0%	17.4%
Large Cap Value	10.0%	10.0%	6.9%
Large Cap Growth	10.0%	10.0%	10.5%
Mid Cap Equity	10.0%	7.5%	8.1%
Small Cap Equity	10.0%	7.5%	8.0%
International Equity	20.0%	20.0%	19.6%
Fixed Income	25.0%	20.0%	27.8%
Alternatives	15.0%	25.0%	19.1%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

\*The Foundation has an allocation to Alternative strategies through hedge funds and private capital investments. The Foundation invests in managers that take a fundamental approach to security selection and manage the portfolio without the use of undue leverage. We do not invest with managers that employ black box strategies or highly esoteric instruments in their portfolio. We also avoid managers that rely heavily on leverage to generate investment returns. Thus, the Foundation's portfolio is aimed to target a 25% allocation to Alternatives by the end of year 2010. Declines in the equity portions of the portfolio have brought current allocations closer to the 2010 targets sooner than anticipated.

VCCF endowment funds are governed by the VCCF Investment policy, reviewed annually by the VCCF Investment Committee and approved by the VCCF Board of Directors. For a copy of the policy, please visit VCCF's website at [www.vccf.org](http://www.vccf.org) and go to the Funds page, or contact VCCF's office at 805-988-0196.

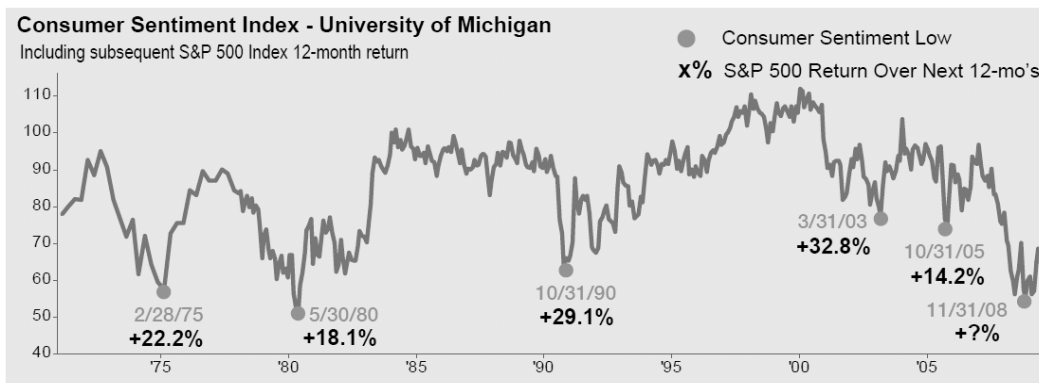


**June 30, 2009 – Quarterly Market Commentary**  
 (Supplied by VCCF consultant Canterbury Consulting Inc.)

For the Quarter ending June 30, 2009, the Ventura County Community Foundation (VCCF) portfolio return was +10.8%, while the Policy Index (50% Russell 3000 / 15% MSCI EAFE / 35% Barclays Capital Aggregate Bond) was +12.7%. Most of the relative underperformance during the quarter was attributed to the international equity manager, who returned +22.3% versus the MSCI EAFE return of +25.4%. The domestic equity piece of the portfolio was also a detractor to relative performance during the quarter. The domestic equity managers returned +15.2%, while the benchmark (Russell 3000) returned +16.8%. The fixed income manager was ahead of the composite’s respective index, returning +4.8% for the quarter, while the index (BC Aggregate) returned +1.8%. Lastly, the liquid and illiquid alternative pieces of the VCCF portfolio returned +13.7% and -9.5% respectively. The overall portfolio has consistently outperformed over the long term, beating the Policy Index during the 1, 3, 5, 7, and 10 year periods.

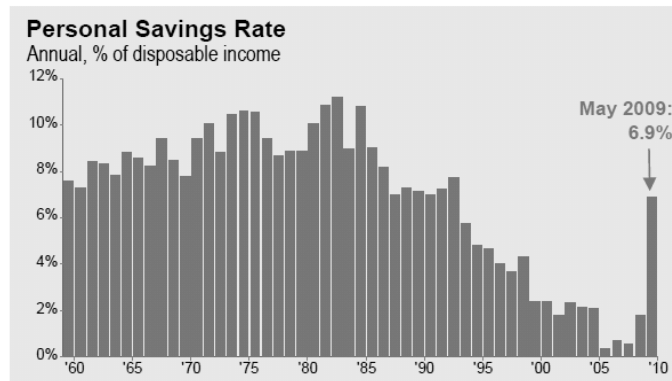
The second quarter of 2009 brought signs of economic stabilization, characterized by Federal Reserve Chairman Ben Bernanke as, “green shoots”. Equity markets rallied off their March 9th lows and investors who had had been fearing company failures or even an economic depression, began to take on more risk. A look at the index returns demonstrates investors’ reversal of flight to quality: Equities outperformed bonds, small caps outperformed large caps, emerging markets outperformed developed markets and high yield dramatically outperformed Treasuries.

The US economy remains in recession though there are signs that it is bottoming out. GDP fell by 6.3% in the fourth quarter of 2008 followed by a 5.5% drop in the first quarter of 2009, and the second quarter advanced estimate is down 1.0%. Government stimulus is beginning to trickle through the economy and consumer confidence has risen (see below). Home prices have started to register smaller annual declines and banks like Citigroup, Bank of America, Goldman Sachs and JP Morgan had positive earnings announcements.



Source: JP Morgan Asset Management

While these “less bad” data points helped to spur a market rally, the question of sustainable economic growth remains. Considerable headwinds including rising unemployment, rising energy costs, rising interest rates, a depressed housing market and a still de-leveraging consumer remain. In past recessions, the consumer has been the driving force of recovery. However this time consumers’ behavior has changed with the personal savings rate reaching 6.9% at the end of May, its highest level in 16 years.



Source: JP Morgan Asset Management

## Equity Markets

At the beginning of March, equity markets staged a strong rally that carried through the quarter. By June 30th, the S&P 500 had risen 15.9%. As risk aversion subsided, investors moved aggressively back into the market driving stock prices higher. By quarter-end, equities of all styles, market caps and sectors ended comfortably in positive territory. The best performing sectors were Financials (35.7%), Information Technology (19.7%) and Industrials (18.9%).

International equities fared even better with the MSCI EAFE index up 25.6% and the MSCI Emerging Markets index returning 34.7% for the quarter. The combination of improving sentiment regarding the future of financial institutions, rising commodity prices and strong prospects for growth played a large part in fueling the performance.

## Fixed Income Markets

As data came in suggesting the worst of the recession may be past, equity markets rose sharply, risk premiums subsided and credit spreads tightened. As investors’ appetite for risk grew, there was movement out of US Treasuries and into more risky, credit-sensitive sectors. On the quarter, Treasuries returned -3.0% while High Yield bonds posted a 23.1% return and corporate bonds posted a 10.5% return.

With massive amounts of fiscal and monetary stimulus being pumped into the system, much debate regarding the future prospects of inflation has ensued.

## KEY ECONOMIC STATISTICS

- Real GDP decreased at an annual rate of 5.5% in the first quarter of 2009, and another 1.0% in the second quarter.
- The Federal Reserve left rates unchanged and targeted between 0.0% and 0.25%.
- Labor figures remain depressed as unemployment rose to 9.5% by the end of the second quarter.
- For the 3 months ending May 2009, Core CPI is up 2.3%.
- The US Dollar index weakened by over 5% in the second quarter.



### **July 2009 –Market Commentary**

(Supplied by VCCF consultant Canterbury Consulting Inc.)

The market advance that began in March continued through July, with the Dow Jones Industrial Average gaining 9.1%, the best month for the index since October 2002. The S&P 500, MSCI EAFE and Barclays Capital Aggregate indices all posted positive returns of 7.6%, 9.1%, and 1.6%, respectively.

All of the S&P 500 sectors posted gains in the month of July, the standout being Materials (+13.31%) with Consumer Discretionary (+9.37%) and Industrials (+9.24%) not too far behind. As investors continued to position themselves more aggressively Telecommunications Services and Utilities were the laggards; however, both were able to still post gains over 3% for the month.

Looking across the market cap spectrum as measured by the Russell indices investors favored value stocks over growth stocks by a slight margin; however, on a year-to-date basis growth stocks continue to lead over value by a more sizeable margin. Additionally, small cap companies gained some ground in July positioning them over their large cap counterparts for the year, but still second to mid cap.