Delaware Community Foundation
Engaging Communities, Empowering Giving™

SEI New ways. New answers.®

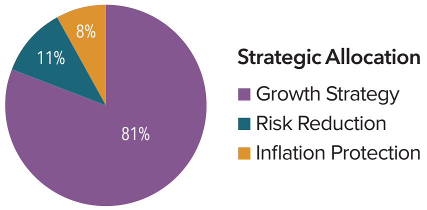
Flagship Long-Term Pool Quarterly Performance and Commentary

as of December 31, 2019

Through inclusion of additional asset classes and more sources of return, the Flagship Long-Term Pool seeks a more consistent return stream with lower year-to-year volatility and the greatest long-term impact for a donor. Broadly diversified in traditional asset classes, the pool also includes less traditional exposures to help enhance return and manage risk in a variety of market environments. Approximately 81% of the portfolio is designed to help enhance return and 19% to help manage risk. Additionally, approximately 52% of the portfolio is allocated to traditional stocks, 14% to traditional bonds, and 34% to non-traditional investments to help both enhance return and manage risk. Non-traditional investments may include, but are not limited to, hedge funds, real estate, private equity, distressed debt, and low-beta equity strategies.

Asset Class	Allocation Range	Actual*
U.S. Equity	25-45%	36.0%
Non-U.S. Equity	15-35%	25.0%
– Developed	15-25%	22.0%
– Emerging	0-15%	3.0%
Alternatives	10-25%	15.7%
Fixed Income	10-30%	20.3%
Real Estate	0-10%	3.0%

*Data as of 12/31/2019.



DCF Flagship	Quarter	FYTD	2019 YTD	1 Year	3 Year	5 Year	10 Year	Since Inception*
Total Portfolio Return Net of Fees	5.43%	5.57%	17.49%	17.49%	7.59%	5.30%	6.23%	6.77%
DCF Policy Benchmark	5.59%	6.30%	18.85%	18.85%	9.65%	6.48%	6.21%	8.51%

Performance quoted is past performance. Past performance does not guarantee future results. Source: SEI. SEI inception date 3/1/2017.
*DCF portfolio inception date 12/31/1993, FY begins July 1.

The Policy Benchmark shown reflects the composition implemented when SEI began managing the assets. As such, prior performance does not reflect historical changes or composition of the benchmark. Portfolio performance prior to March 1, 2017 was provided to SEI by the Foundation's previous provider ("Prior Performance") and has been calculated and linked by SEI. Prior performance does not reflect the same or similar investment team, policy, benchmark or strategy as is currently employed in the pool, therefore, there can be limited to no value when considering for comparison.

The Flagship Long-Term Pool finished 2019 with a very strong return, helping lift the Pool's performance results into the high teens for the year. The greatest returns came mostly from traditional equities. Investors took comfort in a reported trade truce between the U.S. and China and additional clarity on Brexit. A weaker U.S. dollar was a tailwind, especially for emerging markets, as were hopes that China's numerous stimulus measures would help reaccelerate global growth.

Non-U.S. equity markets led the charge in the latest quarter. Reflecting a marked improvement in risk appetite, all major emerging markets turned in the most impressive performance for the quarter. Developed markets lagged emerging, still faring quite well for the quarter, and all regions performed well for the full year. Similar to 2018, the U.S. outperformed all equity markets, led by large capitalization stocks, producing the highest returns for the calendar year.

The Treasury yield curve steepened in the recent quarter, thanks to rate cuts from the Federal Reserve and an improving outlook for U.S. and global growth. The resulting rise in intermediate and longer-term bond yields was a headwind to high-quality, long-duration fixed income. Despite a challenging quarter, long duration generated the highest bond return for the calendar year. Riskier areas like emerging market debt and high yield continued to do well, as receding pessimism supported further narrowing of credit spreads.

Non-traditional investments contributed to ongoing results. There were finally signs of life in commodities and inflation-linked Treasurys. In December, oil and certain agricultural commodities were quite strong, while headline inflation surprised to the upside. Allocations to hedge funds and private real estate also benefited the portfolio with stable and consistent returns throughout the year, as did exposure to low beta equity, helping achieve its volatility reduction goal and producing solid absolute returns throughout the year.

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Benchmark Index Composition: 35% Russell 3000, 25% MSCI All Country World ex-U.S. (Net), 15% HFRI Funds of Funds Composite, 20% Bloomberg Barclays U.S. Aggregate Bond, 5% NCREIF Property.

Index returns are for illustrative purposes only and do not represent actual fund performance. Index performance returns do not reflect any management fees, transaction costs, or expenses, which would reduce returns. Indexes are unmanaged and one cannot invest directly in an index.

Index information may contain hypothetical performance. All information for an index prior to its launch date is hypothetical, based on the methodology that was in effect on the launch date. Hypothetical performance is subject to inherent limitations because it reflects application of an index methodology and selection of index constituents in hindsight. No theoretical approach can take into account all of the factors in the markets in general and the impact of decisions that might have been made during the actual operation of an index. Actual returns may differ from, and be lower than, back-tested returns.

Performance quoted is past performance. Past performance does not guarantee future results. Current performance may be higher or lower. The principal value and investment return of an investment will fluctuate so that shares, when redeemed, may be worth more or less than their original value. Performance data does not reflect individual account performance but reflects assets in the DCF Flagship Long-Term Pool. For account performance please refer to your individual statement.

Performance prior to client's transition to SEI was provided to SEI by client's previous provider ("Prior Performance"). Neither SEI nor its affiliates assume any responsibility for the accuracy or completeness of the Prior Performance, and such information has not been independently verified by SEI.

Performance since client's inception date with SEI is calculated by SEI and has been linked to the Prior Performance. All Prior Performance is net of fees.

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There are risks involved with investing including loss of principal. There is no assurance that the objectives of any strategy or fund will be achieved or will be successful. No investment strategy, including diversification, can protect against market risk or loss. Past performance does not guarantee future results.

Through June 30, 2012, annual performance is calculated based on monthly return streams, geometrically linked. From June 30, 2012 onward, annual performance is based upon daily return streams, geometrically linked as of the specific month end.

In addition to the normal risks associated with equity investing, international investments may involve risk of capital loss from unfavorable fluctuation in currency values, from difference in generally accepted accounting principles or from economic or political instability in other nations. Narrowly focused investments and smaller companies typically exhibit higher volatility. Emerging markets involve heightened risks related to the same factors as well as increased volatility and lower trading volume. These risks may be magnified further with respect to frontier market countries, which are a subset of emerging market countries with even smaller national economies. Real estate and REIT investments are subject to changes in economic conditions, credit risk and interest rate fluctuations.

Bonds and bond funds will decrease in value as interest rates rise. Investments in high-yield bonds can experience higher volatility and increased credit risk and risk of default or downgrade when compared to other fixed-income instruments. TIPS can provide investors a hedge against inflation as the inflation adjustment feature helps preserve the purchasing power of the investment. Because of this inflation adjustment feature, inflation protected bonds typically have lower yields than conventional fixed rate bonds.

Alternative investments are subject to a complete loss of capital and are only appropriate for parties who can bear that risk and the illiquid nature of such investments. Alternative investments:

- *often engage in leveraging and other speculative investment practices that may increase the risk of investment loss*
- *can be highly illiquid*
- *are not required to provide periodic pricing or valuation information to investors*
- *involve complex tax structures and delays in distributing important tax information*
- *are not subject to the same regulatory requirements as mutual funds; and*
- *often charge high fees*

Alternative, Property and Private Assets performance may be reported on a monthly or quarterly lag. Alternative, Property and Private Assets performance may be reported on a monthly or quarterly lag.

There is no guarantee that risk can be managed successfully nor that diversification will protect against market risk.

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