The Brinson Foundation

2018

Annual Report for Two Thousand Eighteen

Encouraging personal initiative, advancing individual freedoms and liberties and

positively contributing to society

- There are no higher values than integrity, truth and honesty.
- Strong, collegial and collaborative relationships with grantees are central to effective philanthropy.
- Individuals, families and communities are best positioned to define and solve their own problems.
- Sustainable, long-term solutions to societal problems require comprehensive and multi-disciplined approaches.
- Programs that rely on the incentives of the free enterprise system provide significant potential for long-term success and sustainability and have many advantages over government programs.
- Initiatives that pursue preventative measures rather than the treatment of existing symptoms offer greater opportunities for long-term impact.
- Education is essential to the human mind and spirit and provides the basis for people to reach their full potential.
- Advances in science and technology can be harnessed to materially improve the human condition.
- Successful programs need to be communicated to broader audiences to maximize the potential impact on society.

Contents

Our Mission The Brinson Foundation is a privately funded philanthropic organization that provides an opportunity to focus our family's common interests in encouraging personal initiative, advancing individual freedoms and liberties and positively contributing to society in the areas of education and scientific research.

Our Vision We envision a society that cares for all of its members and endeavors to enhance individual self-worth and dignity. We also envision a world where every individual is a valued and productive member of society, where all people are committed to improving their lives and the quality of their environments.

Project SYNCERE

Project SYNCERE provides underrepresented students with an engineering curriculum that integrates STEM through the use of project-based learning.

EFFECTIVE PHILANTHROPY REQUIRES AN OPEN MIND, CAREFUL LISTENING AND A WILLINGNESS TO TAKE RISKS.

A DEDICATED AND ENGAGED BOARD AND STAFF ARE ONE OF THE MOST IMPORTANT KEYS TO SUCCESS.

The Brinson Foundation Funded

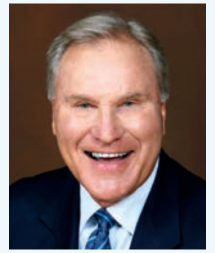
26

Endorsement Grants in 2018

The Field Museum

Since its inception, the Foundation has been funding The Field Museum, helping to fuel a journey of discovery across time.

Note from the Founder



It is with mixed emotions that I announce our long-time President, James D. Parsons, has decided to step down at the end of 2019. During the past fifteen years, Jim has been instrumental in helping our Board and staff implement best practices in governance and management, refine the Foundation's grantmaking strategies and leverage our grantmaking through his leadership in the non-profit sector. Jim also has demonstrated a commitment to nurturing future generations of leaders, and I am pleased to announce that Christy Uchida, our Senior Program Officer for the past seven years, will succeed Jim as President. The Board and I extend our sincere thanks to Jim and look forward to working with Jim and Christy through this important transition of leadership.

Gary P. Brinson, *Founder and Chairman of the Board*

President's Letter

As I look back on my time with The Brinson Foundation, I am struck by what an extraordinary privilege it has been to serve in this role. One of the greatest benefits of leading a foundation is having the opportunity to learn something new every day. Since this will be my last President's letter, I will take the liberty of highlighting a few of the valuable lessons I have learned since joining the Foundation in 2004:

◊ Effective philanthropy requires an open mind, careful listening and a willingness to take risks.

◊ Impact often follows if you concentrate on identifying effective programs and then trust grantees with the resources and flexibility they need to execute and evaluate their work.

◊ Focused research and relevant data are essential to the effective deployment of non-profit resources and philanthropic dollars.

◊ Ignoring public policy considerations substantially increases the risk that precious human and financial resources will be squandered.

◊ A dedicated and engaged Board and staff are one of the most important keys to success.

And finally,

◊ You are never as smart nor as effective as grantees might lead you to believe.

Most importantly, I have learned from working with some amazing philanthropic and non-profit colleagues that impressive results can be achieved when sheer willpower, creative thinking and collaborative energy are marshaled to attack a problem.

I am writing this letter in March of 2019 and still have a lot on my "to-do" list before the year comes to a close. Once it does, I have no thoughts of slinking off to a retirement filled with golf and afternoon naps, partly because I am lousy at both. I look forward to working with the Brinson family and Christy Uchida to ensure that future generations look back on my years at the helm as a good start toward an incredibly productive future. I plan to stay involved in a variety of volunteer activities that will keep me engaged in the work of the non-profit sector. After all, I've learned that there's always more work to be done!

Respectfully,

Jim Parsons, *President*

Founder's Statement

I was born in 1943 and raised in a small home just south of Seattle, Washington. My father was a bus driver and my mother a store clerk. My parents had meager financial income and little resources to cover the costs of raising three boys. I was an average student early in life but realized that I needed an advanced education if I was to break away and achieve my goals of financial independence. I was fortunate to be able to achieve success in the investment management world and eventually formed Brinson Partners where I applied my experience and training until my retirement in 2000.

The Brinson Foundation was created in 2001 as the residual result of my decisions regarding wealth transfer to my heirs. After addressing the interests of my family, including a limited generational line of heirs that follow; the remaining fraction of my wealth goes to the Foundation for philanthropic purposes.

In point of fact, I am placing limits on the size of wealth transfer to my heirs. My reasons for limiting the size of the wealth transfer for my heirs stem from my strong belief that "excessive" amounts of this form of largess diminish individual initiative and self esteem. If I had no opinion with respect to limiting the size of wealth transfer to my heirs, there would be no Foundation.

The Brinson Foundation has been funded to date with approximately $110 million and is likely to receive considerable future funding; the size of which will be a function of investment returns, targeted allocations for my heirs and deductions for estate taxes and administrative expenses. The government's estate tax policy will not impact the size of the wealth transfer to my heirs, but will impact the remaining residual for philanthropy. Higher estate tax rates will mean less for philanthropy; lower rates will mean more. If estate taxes become onerous, there will be no further funding for the Foundation at my expiration other than that already included in my estate plan.

My reasons for creating the Foundation as distinct from pursuing personal philanthropic activity are twofold:

- ◊ The Foundation provides a formal structure for the family to interact as members of the board of directors and to work cooperatively with each other in shaping the direction of our philanthropic interests.
- ◊ The Foundation can have more of a targeted and focused set of priorities that can evolve with the family's growing knowledge and understanding of philanthropic initiatives. In this sense, my personal beliefs stand a better chance of surviving with the passing of time.

The assets of the Foundation must be considered a scarce resource with an investment objective of moderate risk that should satisfy the goal of earning a 4.0% to 4.5% real (inflation adjusted) return over time. This moderate risk objective is to be defined at the aggregate portfolio level and derived from a globally diversified asset mix across all investible asset classes. I am not concerned with the risk of individual securities or asset classes, but only with the aggregate risk of the entire portfolio which is "optimal," expressed in terms of return per unit of risk. With a payout requirement set by law at 5%, this investment goal suggests that there will likely be some diminishment in the real value of the assets for future years. Adopting a more aggressive risk profile is not appropriate as I view the risk of shortfalls in returns to be more detrimental for grantees than any

Jackson Hole Land Trust

The Foundation's grant supports the preservation of open space in Jackson Hole and Northwest Wyoming by assisting landowners who wish to protect their land in perpetuity.

The Brinson Foundation Funded
56
Education Grants in 2018

IMPRESSIVE RESULTS CAN BE ACHIEVED WHEN SHEER WILLPOWER, CREATIVE THINKING AND COLLABORATIVE ENERGY ARE MARSHALED TO ATTACK A PROBLEM.

SCIENCE, SCIENTIFIC RESEARCH AND RATIONAL THINKING SHOULD ALWAYS RECEIVE THE FOUNDATION'S ATTENTION AND GRANTMAKING SUPPORT.

Carnegie Institution for Science

The Foundation's grant supports volcano seismology research with the aim of expanding our understanding of plate tectonics and planetary formation and structure.

The Brinson Foundation Funded

12

Scientific Research Grants in 2018

Founder's Statement

benefits from higher returns. I believe foundations should always keep this "utility function," as economists call it, firmly in mind.

Some of my personal beliefs which guide the grantmaking activities of The Brinson Foundation are noted below:

◊ The embracement of philanthropy is different than that of charity. The Foundation should avoid "charitable grantmaking," by which I mean grants that deal with symptoms rather than causes.

◊ The scope of the Foundation's activities should be as narrow as possible given the diverse interests of its directors. My hope is that, over time, the Foundation will operate with a limited set of priorities and strive to make an impact and contribution within that self constrained focus. These priorities will likely change and evolve over time. Maintaining a discipline of a narrow set of focus areas will be a necessary challenge.

◊ I am a libertarian who values individual liberty and what Ayn Rand calls objectivism. I am convinced of the merits of Darwinism and deeply troubled by the general societal ignorance of this reality as it relates to the development of mankind. I am opposed to all forms of egalitarianism that try to diminish individual freedom in the name of some misplaced societal notion. Equal opportunity, which I support, does not mean equal results for all, which I oppose. The Foundation should stress the importance of individual accountability for action or inaction.

◊ Science, scientific research and rational thinking should always receive the Foundation's attention and grantmaking support.

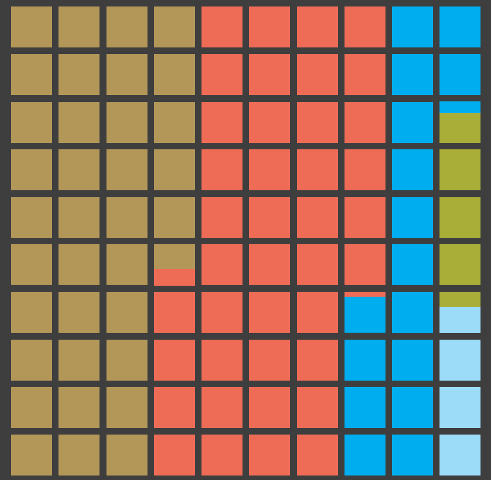
◊ The fact that the Foundation is a U.S.-based organization should not prevent it from defining its role in a global context if that can be accomplished without compromising our standards of practice.

◊ Sensible funding of "higher risk" programs where the likelihood of failure is evident is appropriate for a moderate portion of the grantmaking portfolio.

◊ I have worked closely with the other directors to ensure that my personal convictions are reflected in the Foundation's grantmaking guidelines. These include my view that we should avoid funding religious and "faith based" programs; my preference for market-based solutions over government programs; my belief that medical research should focus on quality of life rather than the extension of life; and my opposition to racial, ethnic and gender specific programs (excluding medical) as a result of my fervent belief that discrimination of any form is antithetical to mankind's progress and further evolution.

Gary P. Brinson
Founder and Chairman of the Board

GRANTMAKING OVERVIEW



2018 GRANTS BY PRIORITY

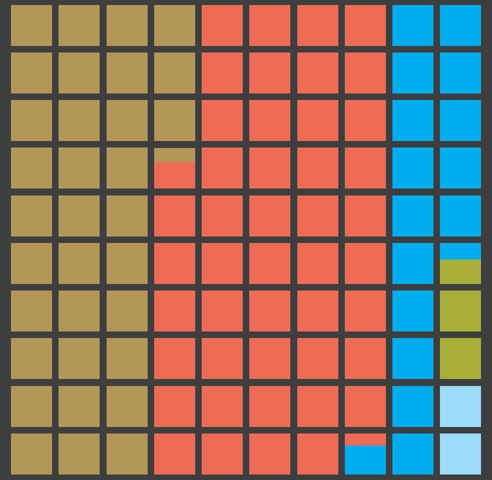
Total Grants 151 Total Amount $4,595,650

- Endorsement 35.6% | 26 Grants | $1,635,000
- Education 40.5% | 56 Grants | $1,860,000
- Scientific Research 16.2% | 12 Grants | $745,000
- Board Special Interest 4.1% | 8 Grants | $190,000
- Other[1] 3.6% | 49 Grants | $165,650

1 The Foundation provided Professional Development and Technical Assistance grants, funded an evaluation capacity building initiative and supported a peer skill sharing micro-grants program (through Forefront) which benefitted 41 existing grantees. These grants totaled $120,650.

TOTAL GRANTS BY PRIORITY SINCE INCEPTION[2]

Total Grants 1,970 Total Amount $63,223,733



- Endorsement 33.3%[3] | 344 Grants | $21,037,500
- Education 46.0% | 965 Grants | $29,097,000
- Scientific Research 16.1% | 214 Grants | $10,195,000
- Board Special Interest 2.5% | 68 Grants | $1,610,000
- Other 2.0% | 379 Grants | $1,284,233

2 Inception date of December 31, 2000.
3 Percentage totals do not add due to rounding.

Institute for Humane Studies

The Institute has been a grantee in our Liberty, Citizenship and Free Enterprise focus area since 2008.

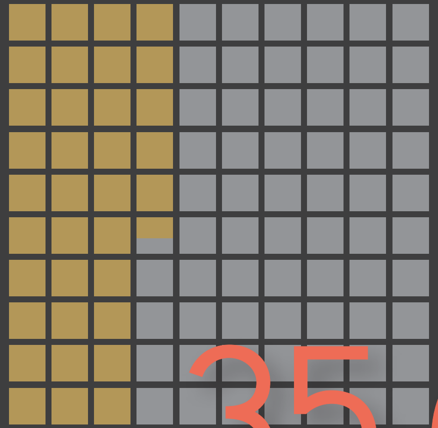
Total Grantmaking Since Inception

$63.2 Million

IMPACT OFTEN FOLLOWS IF YOU CONCENTRATE ON IDENTIFYING EFFECTIVE PROGRAMS AND THEN TRUST GRANTEES WITH THE RESOURCES AND FLEXIBILITY THEY NEED TO EXECUTE AND EVALUATE THEIR WORK.

2018 ENDORSEMENT GRANTS

Endorsement grants are made to a limited number of leading institutions selected by the Foundation's Directors. These grants often involve ongoing core support of the institution rather than specific programmatic support pursuant to the Foundation's grantmaking priorities. The Foundation does not accept inquiries or applications relating to the Endorsement grant category, as decisions to include grants in this category are solely within the discretion of the Foundation's Board of Directors.



35.6%

ENDORSEMENT 26 Grants | $1,635,000

La Rabida Children's Hospital

Since inception, the Foundation has supported the comprehensive care La Rabida delivers to children with medically complex conditions, chronic illnesses and disabilities.

Adler Planetarium
Chicago, IL
Cosmology and Astrophysics Research
$80,000

America's Foundation for Chess
Bellevue, WA
General Support and First Move in Chicago Public Schools
$40,000
Online Platform Development
$50,000

Ann & Robert H. Lurie Children's Hospital of Chicago
Chicago, IL
Medical Research - Junior Investigator Award
$70,000

Art Institute of Chicago
Chicago, IL
General Support
$80,000

Chicago Architecture Center
Chicago, IL
General Support
$50,000
Program Expansion for the Chicago Architecture Center
$50,000

Chicago Botanic Garden
Chicago Horticultural Society
Glencoe, IL
Learning and Engagement Programs
$50,000

Chicago History Museum
Chicago Historical Society
Chicago, IL
General Support
$60,000

Chicago Symphony Orchestra Association
Chicago, IL
General Support
$60,000

Eisenhower Medical Center
Rancho Mirage, CA
Nursing Education and General Support
$50,000

The Field Museum
Chicago, IL
General Support
$80,000

The Joffrey Ballet
Chicago, IL
General Support
$40,000

La Rabida Children's Hospital
Chicago, IL
General Support
$80,000

Lincoln Park Zoological Society
Chicago, IL
General Support
$60,000

Lyric Opera of Chicago
Chicago, IL
NEXT – Discount Student Tickets for the Next Generation
$60,000

The Morton Arboretum
Lisle, IL
General Support
$40,000

Museum of Science and Industry
Chicago, IL
General Support and Community Initiatives
$80,000

The University of Chicago Medicine

Since 2001, the Foundation has supported a wide range of research initiatives led by UChicago Medicine Junior Investigators.

Northwestern Memorial Foundation
Chicago, IL
NICU Lactation and Nursing Education Programs at Northwestern Memorial Hospital
$70,000

Peggy Notebaert Nature Museum
Chicago Academy of Sciences
Chicago, IL
General Support
$40,000

Rush University Medical Center
Chicago, IL
Medical Research - Junior Investigator Award
$70,000

Shedd Aquarium
Chicago, IL
General Support
$80,000

Shirley Ryan AbilityLab
Rehabilitation Institute of Chicago
Chicago, IL
Brinson Stroke Fellowship
$75,000

Special Olympics Illinois
Normal, IL
General Support
$50,000

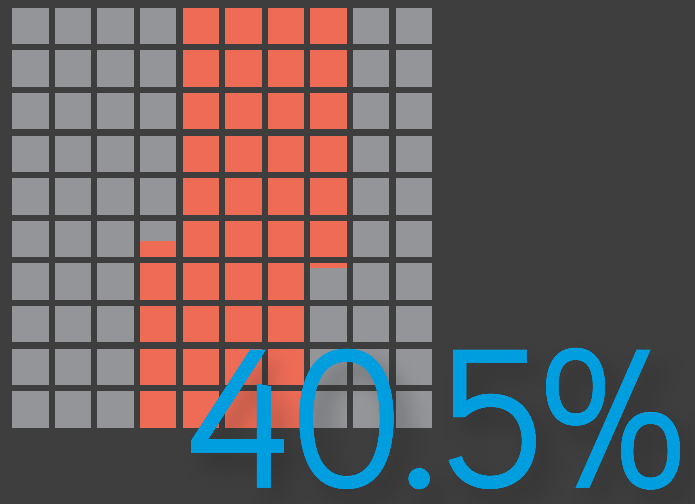
The University of Chicago Medicine
Chicago, IL
Medical Research - Junior Investigator Award
$100,000

WTTW
Window to the World Communications, Inc.
Chicago, IL
Local Broadcast of NOVA and General Support
$70,000

2018 PROGRAMMATIC GRANTS

EDUCATION GRANTS

We believe education provides people with the opportunity to expand their talents and capabilities. Through our grantmaking, we hope to inspire them to reach their full potential both as individuals and as contributing citizens of a greater community. We are especially interested in programs that make quality education accessible to those who are personally committed.



EDUCATION **56** Grants | $1,860,000

OUR EDUCATION GRANTS ARE MADE IN THE FOLLOWING FOCUS AREAS:

Financial Literacy – programs that provide middle and high school students and adults with basic financial skills to help them become financially self-sufficient.

Health Care Career Development – programs that spark interest among high school and college students in health care-related career paths or enhance the skills of health care professionals to equip individuals to have careers that offer opportunities for economic advancement while also positively impacting societal health.

High School, College and Career Success – programs that provide motivated students and young adults of limited means with the academic support, personal skills and financial resources needed to reach their full potential in school and careers.

Liberty, Citizenship and Free Enterprise – programs that educate and promote the principles of liberty, citizenship and free enterprise to elementary through graduate school students and adults.

Literacy – programs that develop the literacy skills of children, birth through elementary school age, improve the pedagogy of teachers and ensure support for this learning among parents so that young children become functionally literate and are prepared for success in their future education and in life.

Science, Technology, Engineering and Math (STEM) – programs that provide STEM education to pre-school through graduate school students or professional development for teachers, promote STEM careers or deliver engaging STEM content to the general public.

Student Health – programs that foster the physical health of pre-school through high school students to help them stay enrolled and be productive in school.

A Better Chicago
Chicago, IL
General Support
$25,000

Accion
Cambridge, MA
Microfinance Initiatives in Africa and Exploratory Work in Cuba
$40,000

Acumen
New York, NY
Acumen Angels Online Platform
$50,000

Advance Illinois
Chicago, IL
General Support
$25,000

After School Matters
Chicago, IL
STEM Out-of-School Time Programming
$25,000

Alan Alda Center for Communicating Science Stony Brook Foundation
Stony Brook, NY
General Support
$35,000

The Ayn Rand Institute
Irvine, CA
Free Books to Teachers Program – Chicago Area
$35,000

Bottom Line
Chicago, IL
General Support – Chicago
$35,000

Cara
Chicago, IL
General Support
$30,000

Carole Robertson Center for Learning
Chicago, IL
General Support
$25,000

Cato Institute
Washington, DC
Student Briefing Program and Student Seminar
$25,000

CERGE - EI Foundation
Teaneck, NJ
Brinson Fellows Ph.D. Scholarship Program
$30,000

Chicago Community Foundation Chicagoland Workforce Funder Alliance
Chicago, IL
Progressive Postsecondary Pathways Support Fund
$25,000

Chicago Literacy Alliance
Chicago, IL
General Support
$25,000

Chicago Public Education Fund
Chicago, IL
Fund 5 Support to Promote Principal Quality in Chicago Public Schools
$100,000

Bottom Line

The Foundation's grant supports Bottom Line's college access and success programs in Chicago.

Chicago Public Library Foundation
Chicago, IL
Early Literacy Training for Children's Library Staff
$25,000

Chicagoland Entrepreneurial Center 1871
Chicago, IL
General Support
$30,000

Communities In Schools of Chicago
Chicago, IL
General Support for Student Health Programs
$40,000

Constitutional Rights Foundation Chicago
Chicago, IL
Lawyers in the Classroom – U.S. Constitution and Legal System Education for Grades 2-8
$25,000

Council for the Advancement of Science Writing
Hedgesville, WV
Graduate School Science Writing Fellowships and General Support
$25,000

Daniel Murphy Scholarship Fund
Chicago, IL
General Support
$50,000

DuPage Children's Museum
Naperville, IL
General Support
$35,000

Erie Family Health Foundation
Chicago, IL
General Support for the Teen Center
$40,000

Chicago Public Education Fund

Our multi-year commitment to Fund 5 will help The Fund make principal quality an enduring aspect of Chicago's school improvement strategy.

Healthy Schools Campaign
Chicago, IL
General Support – Chicago
$40,000

High Jump
Chicago, IL
General Support
$45,000

The Horatio Alger Association
Alexandria, VA
Illinois College Scholarship Program
$50,000

i.c.stars
Inner-City Computer Stars Foundation
Chicago, IL
General Support
$30,000

Illinois Institute of Technology
Chicago, IL
Illinois Tech Global Leaders Program
$25,000

Illinois Network of Charter Schools
Chicago, IL
General Support
$25,000

Institute for Humane Studies
Arlington, VA
Student Programming
$35,000

Jack Miller Center for Teaching America's Founding Principles and History
Bala Cynwyd, PA
High School Teacher Professional Development in Civics
$35,000

Lake Forest Academy
Lake Forest, IL
Class of '93 Scholarship Fund for High School Students
$25,000

Literacy Works
Chicago, IL
General Support
$25,000

Loyola University Medical Center
Maywood, IL
Pediatric Mobile Health Unit
$25,000

Math Circles of Chicago
Chicago, IL
General Support
$25,000

Mercatus Center at George Mason University
Arlington, VA
F. A. Hayek Program for Advanced Study in Philosophy, Politics and Economics
$25,000

MetroSquash
Chicago, IL
General Support
$40,000

Mikva Challenge Grant Foundation
Chicago, IL
Teen Health Council
$25,000

Miller Center Foundation
Charlottesville, VA
Education and Healthy Democracy Panels
$25,000

Moneythink
Chicago, IL
General Support
$25,000

One Million Degrees
Chicago, IL
General Support
$35,000

OneGoal
Chicago, IL
General Support – Chicago
$35,000

Ounce of Prevention Fund
Chicago, IL
General Support for Educare
$30,000

The Partnership for College Completion
Chicago, IL
General Support
$25,000

The Posse Foundation
Chicago, IL
General Support – Chicago
$50,000

Project SYNCERE
Chicago, IL
General Support
$25,000

Room to Read
San Francisco, CA
General Support for International Literacy Programs
$25,000

Rush University Medical Center
Chicago, IL
Adolescent Family Center Reproductive Health Program
$40,000

St. John's Hospital Foundation
Jackson, WY
Nursing Education Program
$50,000

Teach For America
Chicago, IL
General Support – Chicago and Northwest Indiana
$35,000

Teton Science Schools
Jackson, WY
General Support
$35,000

The University of Chicago Consortium on School Research
Chicago, IL
General Support
$25,000

The University of Chicago Urban Education Institute
Chicago, IL
Literacy Teaching and Coaching
$25,000

Ounce of Prevention Fund

The Foundation supports Ounce's Educare school, a state-of-the-art early childhood center that incorporates what science says children birth to five need to flourish.

Namaste Funding Initiative
Namaste is a K-8 charter school in the McKinley Park neighborhood on the southwest side of Chicago.

Namaste Charter School
Chicago, IL
Alumni Support, Behavioral Health, Technology and General Support
$75,000

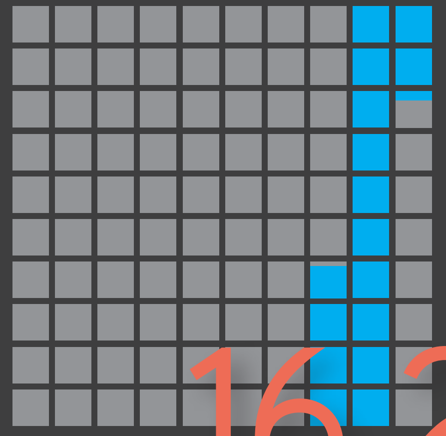
Mikva Challenge Grant Foundation
Chicago, IL
Enhancing Instructional Practices to Develop Youth Civic Skills
$15,000

Spark Chicago
Chicago, IL
Workplace Apprenticeship and Mentoring Program
$10,000

2018 PROGRAMMATIC GRANTS

SCIENTIFIC RESEARCH

We are interested in programs on the cutting edge of research in specific areas of interest to our Directors that are underfunded or not yet eligible for funding by governmental programs. These programs are typically sponsored by top research institutions, which provide quality assurance oversight and accountability that may not be possible in a less structured environment. Further, the programs often involve pre-doctoral and post-doctoral scientists who are beginning their research careers. We are particularly interested in programs that encourage early-career scientists to remain engaged in research in their field.



16.2%

SCIENTIFIC RESEARCH 12 Grants | $745,000

OUR SCIENTIFIC RESEARCH GRANTS ARE MADE IN THE FOLLOWING FOCUS AREAS:

Physical Sciences

Astrophysics – the study of the behavior, physical properties and dynamic processes of celestial objects and related phenomena.

Cosmology – the study of the origin, structure and space-time relationships of the Universe.

Evolutionary Developmental Biology – a field of biology which synthesizes embryology, molecular and population genetics, comparative morphology, paleontology and molecular evolution to understand the evolution of biodiversity at a mechanistic level.

Geophysics – the study of the physical processes and phenomena occurring in and on the Earth and in its vicinity.

Medical Research

We partner with leading medical research institutions to fund promising studies conducted by junior investigators that have the potential to cultivate new, innovative clinical interventions for chronic conditions as well as highly treatable conditions which negatively impact the productivity of large segments of the population.

In all cases, we focus our medical research funding in areas that improve the quality of life as distinct from solely extending life.

The Foundation does not accept grantseeker inquiries in medical research.

California Institute of Technology
Pasadena, CA
Theoretical Gravitational Wave Research
$80,000

Carnegie Institution for Science
Washington, DC
Seismology Monitoring Research
$60,000

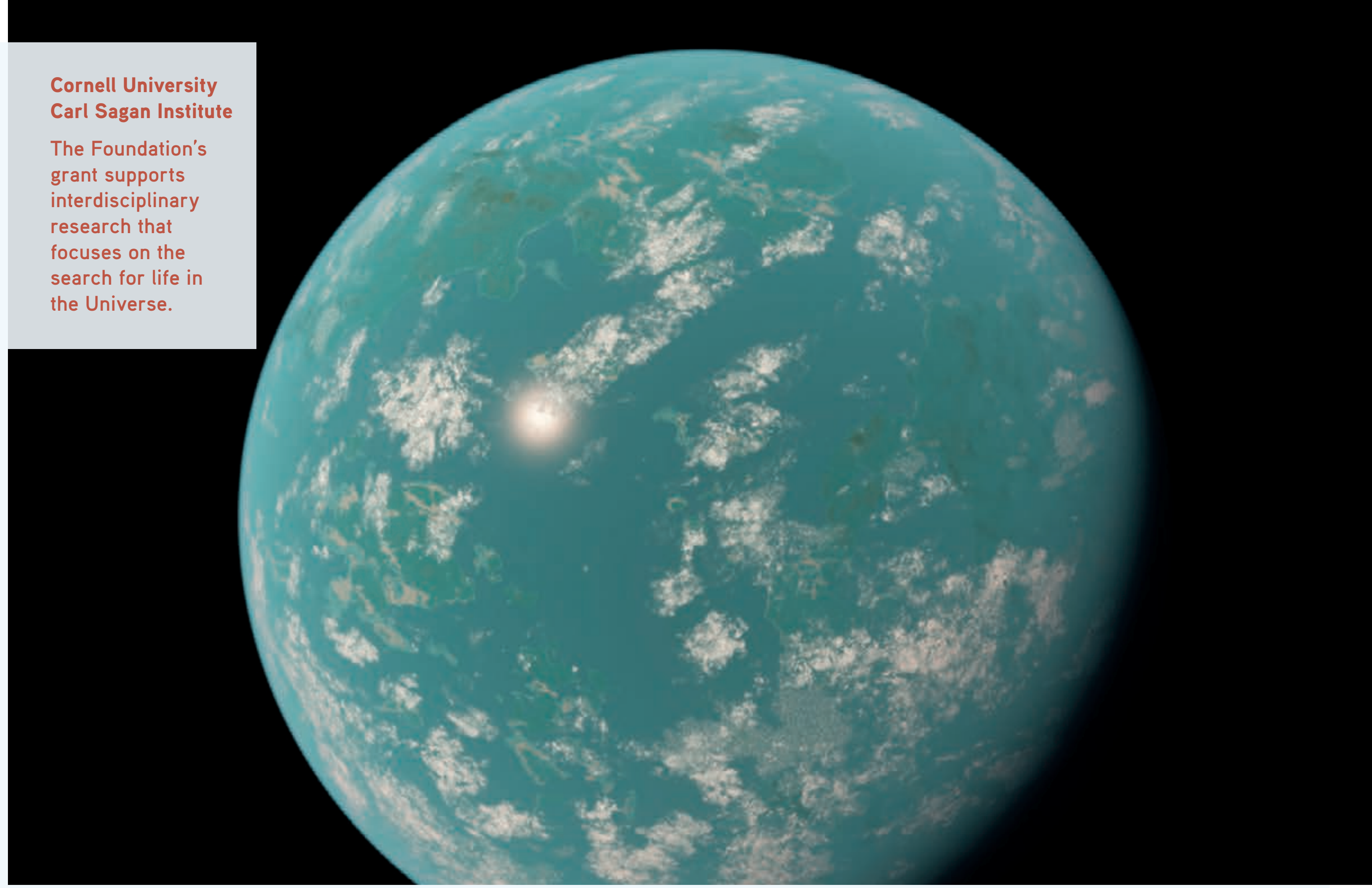
Columbia University
Lamont-Doherty Earth Observatory
Palisades, NY
Anticipating Earthquakes Initiative
$65,000

Cornell University
Carl Sagan Institute
Ithaca, NY
Search for Life in the Universe Research
$50,000

Cornell University
Center for Astrophysics and Planetary Science
Ithaca, NY
Galaxy Filament Dark Matter Research
$50,000

Large Synoptic Survey Telescope Corporation
Tucson, AZ
Data Science Fellowship Program
$100,000

Northwestern Memorial Foundation
Chicago, IL
Medical Research – Junior Investigator Award at Northwestern Memorial Hospital
$65,000



Cornell University
Carl Sagan Institute

The Foundation's grant supports interdisciplinary research that focuses on the search for life in the Universe.

Smithsonian Astrophysical Observatory
Cambridge, MA
Exoplanet Biosignature Search Project
$40,000

The University of Arizona Foundation
Tucson, AZ
Spacewatch – Asteroid Composition Research
$35,000

The University of Chicago
Department of Astronomy and Astrophysics
Chicago, IL
Brinson Fellowship Program
$85,000

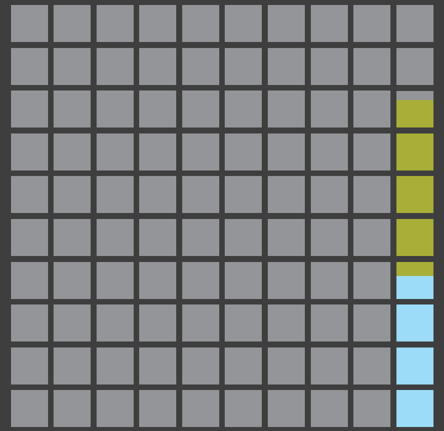
The University of Chicago
Department of Organismal Biology and Anatomy
Chicago, IL
Evolutionary Developmental Biology Research
$50,000

The University of Utah
Salt Lake City, UT
Yellowstone Seismology and Tectonophysics Research
$65,000

2018 BOARD SPECIAL INTEREST & OTHER GRANTS

These grants represent special family interests and are either one time grants or fall outside of the Foundation's grantmaking priorities.

The Foundation does not accept inquiries in this category.



BOARD SPECIAL INTEREST

8 Grants | $190,000

4.1%

OTHER

49 Grants | $165,650

3.6%

2018 BOARD SPECIAL INTEREST GRANTS

826CHI
Chicago, IL
General Support
$15,000

Ingenuity, Inc.
Chicago, IL
General Support
$15,000

Jackson Hole Land Trust
Jackson, WY
General Support
$35,000

The Living Desert
Palm Desert, CA
General Support
$20,000

Merit School of Music
Chicago, IL
General Support
$30,000

National Museum of Wildlife Art
Jackson, WY
General Support
$20,000

Teton County Integrated Solid Waste & Recycling
Jackson, WY
Recycling, Waste Collection, Waste Diversion and Education Outreach
$30,000

WE Charity
Chicago, IL
WE Schools – Illinois
$25,000

2018 OTHER GRANTS

American Association for the Advancement of Science
Washington, DC
General Support
$1,000

California Institute of Technology
Pasadena, CA
Honorarium – in support of student research conducted jointly by Fermilab and Caltech
$2,500

Erikson Institute
Chicago, IL
Honorarium
$2,500

Forefront
Chicago, IL
General Support
$30,000

Grantmakers for Education
Portland, OR
General Support
$1,000

GuideStar
Washington, DC
General Support
$500

National Center for Family Philanthropy
Washington, DC
General Support
$5,000

The University of Chicago – The MacLean Center for Clinical Medical Ethics
Chicago, IL
Honorarium
$2,500

Professional Development and Technical Assistance Grants
The Foundation provided Professional Development and Technical Assistance grants, funded an evaluation capacity building initiative and supported a peer skill sharing micro-grants program (through Forefront) which benefitted 41 existing grantees.
$120,650

STATEMENT OF FINANCIAL POSITION (UNAUDITED)

MODIFIED CASH BASIS

DECEMBER 31, 2018

ASSETS	
Cash	$ 597,193
Investments, at Fair Value	107,184,064
Property and Equipment, Net	116,462
TOTAL ASSETS	**$ 107,897,719**
NET ASSETS	
UNRESTRICTED NET ASSETS	**$ 107,897,719**

Note to the Reader: In an effort to comply with best practices for private foundations, the Foundation will be undergoing a financial statement audit for the year ended December 31, 2018. Audited financial statements will be available upon request later in 2019.

STATEMENT OF ACTIVITIES (UNAUDITED)

MODIFIED CASH BASIS

FOR THE YEAR ENDED DECEMBER 31, 2018

REVENUES	
Contribution Income	$ 8,508
Investment Income	2,617,876
Realized and Unrealized Gains (Losses) on Investments	(5,798,533)
Total Revenues	**(3,172,149)**
EXPENSES	
Grants and Donations	4,595,650
Private Foundation Excise Tax	100,000
Investment Management Fees	349,659
Employee Services	792,822
Rent	46,399
Professional Fees	85,412
Other Administrative Expenses	74,583
Depreciation Expense	7,404
Total Expenses	**6,051,929**
CHANGE IN NET ASSETS	**(9,224,078)**
Net Assets, Beginning of Year – Unrestricted	117,121,797
NET ASSETS, END OF YEAR – Unrestricted	**$ 107,897,719**

Note to the Reader: In an effort to comply with best practices for private foundations, the Foundation will be undergoing a financial statement audit for the year ended December 31, 2018. Audited financial statements will be available upon request later in 2019.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

MODIFIED CASH BASIS

FOR THE YEAR ENDED DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of The Brinson Foundation (the "Foundation") are prepared on a modified cash basis; consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred.

Investments

Investments in mutual fund and exchange-traded fund investments are stated at fair value based on quoted market prices. The estimated fair values of alternative investment securities that do not have readily determined fair values (that is, investments not listed on national exchanges or over-the-counter markets, or for which quoted market prices are not available from sources such as financial publications or exchanges) are based on estimates developed by external investment managers. Realized gains and losses are determined on the basis of the carrying value of specific securities sold and investment transactions are recorded on a trade-date basis.

Investments in property and equipment held for charitable purposes are stated at cost or the value at the date of acquisition less applicable accumulated depreciation. Leasehold improvements are depreciated using the MACRS method over an estimated useful life of 39 years. Furniture and computer equipment are depreciated using the MACRS method over useful lives of 7 and 5 years, respectively.

2. GRANT AND DONATION COMMITMENTS

As of December 31, 2018, the Foundation's Board of Directors has approved grants and/or donations of $285,000 payable through 2021. Disbursements are scheduled to be made as follows:

Year Ending December 31,	
2019	$ 160,000
2020	$ 100,000
2021	$ 25,000

3. TAX STATUS

The Foundation is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation is, however, liable for the private foundation excise tax of 1% or 2% on its net investment income. In addition, the Foundation is required to make minimum qualifying distributions based on a percentage of its assets.

4. NET ASSETS

Beginning of the year Net Assets represent the value from the audited financial statements for the year ended December 31, 2017. This balance differs from the amount in the prior year annual report which was estimated prior to completion of the audit.

Note to the Reader: In an effort to comply with best practices for private foundations, the Foundation will be undergoing a financial statement audit for the year ended December 31, 2018. Audited financial statements will be available upon request later in 2019.

OBJECTIVES

The objectives of the Foundation's investment portfolio are to produce a long-term rate of return that provides sufficient funds to meet the Foundation's required grantmaking target, cover all reasonable and necessary expenses and compensate for inflation. The assets will be invested in a well-diversified global investment portfolio that accepts reasonable risk consistent with the desired return.

GENERAL STANDARDS OF CARE

The Foundation's Investment Policy provides that the management and investment of the Foundation's assets shall meet the standards of care outlined by the Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) and U.S. Treasury Regulations Section 53.4944-1(a)(2) (regarding "jeopardizing investments"). Pursuant to these standards, the Foundation's assets must be managed and invested with reasonable care and prudence. Decisions regarding individual investments must not be made in isolation but in context of the portfolio as a whole and as part of an overall investment strategy.

BENCHMARK

The Foundation has adopted a globally diversified benchmark, the Global Diversified Index (GDI), comprised of stocks, bonds, real estate and private markets. The actual portfolio's risk and return will be measured against this benchmark over full market cycles. The Foundation's benchmark composition and ranges are shown below.

GLOBAL DIVERSIFIED INDEX (GDI) COMPONENTS

ASSET CLASS	BENCHMARK INDEX COMPONENT	NORMAL WEIGHT	RANGES (95% FREQUENCY)
Global Equity	MSCI All Country World Index	55.00%	+/- 30%
	Developed Markets	*48.82%*	
	Emerging Markets	*6.18%*	
Private Markets	Cambridge Associates Private Equity Index	5.00%	+/- 5%
Real Estate	NCREIF Property Index	10.00%	+/- 5%
Global Bonds	Bloomberg Barclays Global Aggregate Bond Index	25.00%	0 to +30%
	Bloomberg Barclays Capital U.S. Aggregate Bond Index	*12.50%*	
	Bloomberg Barclays Global Aggregate ex USD Corporate Index	*12.50%*	
High Yield Bonds	Bloomberg Barclays High Yield Very Liquid Bond Index	3.00%	0 to +10%
Emerging Market Debt	Bloomberg Barclays USD Emerging Markets Government RIC Capped Index	2.00%	0 to +10%
Cash Equivalents	ICE BofA Merrill Lynch U.S. 3-Month Treasury Bill Index	0.00%	0 to +50%
TOTAL		**100.00%**	

Sources: BISAM, Bloomberg, GP Brinson Investments, MSCI
As of December 31, 2018.

INVESTMENT MARKET CONDITIONS

Although many variables contributed to the performance of investment markets in 2018 it was central bank policy normalization of long duration U.S. real interest rates that played a crucial role in asset returns, volatilities, and correlations last year. Long duration, default free U.S. real interest rates played the leading role in influencing investment market conditions. These rates are the cornerstone of financial asset valuation models as risk premiums and inflation expectations are combined with default free real interest rates to determine the appropriate discount rate.

Since the Great Financial Crisis (GFC), markets and investors have been forced to focus on both exogenous uncertainties associated with central bank policy and traditional endogenous risks. Exogenous uncertainties are associated with risks *outside* the financial system such as central bank intervention, whereas endogenous risks are variables from *inside* the financial and economic system, such as cash flows, risk premia, and inflation. Central bank intervention, justifiably initiated during the depths of the GFC, successfully staved off a financial market meltdown during that period. Intervention increased afterwards through zero and negative interest rate policies combined with Quantitative Easing (QE) that resulted in unnaturally low and sometimes negative real and nominal interest rates, an interest rate environment generally associated with a pessimistic growth outlook. Zero and negative interest rate policies and QE are all procyclical programs without precedent and with unprecedented results, most notably negative nominal interest rates, an unnatural distortion that *never* existed in the annals of history. Therefore, central bank policy normalization, the reversal of easing policies, is a countercyclical policy also without precedent, suggesting confrontations with unnatural interest rate distortions will be inevitable.

Central bank policy accommodation set the stage for 2018's starting asset valuation framework. First, present value calculations were comprised of a numerator, representing an asset's future earnings stream, and an artificial denominator, representing the discount rate used to present value the earnings stream. Investors understood the incongruity of the numerator and denominator in these equations, as unnaturally low or negative long duration real interest rates that were embedded in the denominator and inflated valuations were a function of QE. Second, risk models incorporated the extended and persistent nature of procyclical policies that had resulted in a prolonged period of subdued volatility and negative correlations between stocks and government bonds. The combination of these observed and statistically validated inputs resulted in attractive ex-post risk adjusted returns and a starting point of elevated valuations at the beginning of the year. Expectations for synchronous global growth played an integral role in both the numerator and denominator in valuation expectations: upward adjusted economic and earnings growth in the numerator was a precedent for central banks to take initial steps towards policy normalization that would increase interest rates in the denominator. The positive influence of higher growth in the numerator was thought to be enough to offset the negative influence of higher discount rates in the denominator.

This confrontation between higher growth and discount rates was destined to take place first in the U.S., where economic growth appeared strong and stable and the Federal Reserve (Fed) had announced plans to remove policy accommodation by raising the Federal Funds rate and reducing the size of its balance sheet via Quantitative Tightening (QT). Over the course of the year, the optimistic numerator in valuation models was proven correct, as the tailwind from the Tax Cuts and Jobs Act passed in late 2017 supported U.S. economic and earnings growth that exceeded expectations. As the Fed took incremental steps to remove policy accommodation, long duration real interest rates in the U.S. increased episodically, influencing a fundamental input in the denominator of valuation models. Increases in long duration real interest rates impact financial assets directly and, unlike inflation, do not result in offsetting passthroughs in the numerator. This change in real interest rates combined with expectations of further Fed normalization disrupted volatilities and correlations that had been extant since the end of the GFC. Long duration U.S. real interest rates played a central role in the attractive and procyclical asset returns, volatilities and correlations prior to 2018, and played an equally critical role in their countercyclical pivot in 2018.

U.S. Investment market *returns* in 2018 and *levels* at the end of the year are attributable to this increase in long duration U.S. real interest rates. Although the numerator in U.S. risk asset valuation models improved throughout the year, valuations ultimately succumbed to the immutable force of higher real yields embedded in the denominator in these same models. This mathematical identity exerted itself on investment returns in 2018: increasing real discount rates decreased the real present value of future cash flows, resulting in negative returns and lower valuations for all U.S. liquid risk assets. In Ex-U.S. Equity markets, where interest rates did not increase in 2018, the negative currency hedged returns were a function of the numerator in valuation models being reduced as growth expectations and observed cash flows were recalibrated.

Risk asset *volatility* in 2018 that originated in the U.S. was attributable to the valuation and statistical confrontations associated with increasing long duration U.S. real rates and procyclical volatilities and correlations that had combined to provide a veneer of market tranquility since the GFC. Until early 2018, both stock and bond volatilities had been near record lows, and correlations between stocks and government bonds had been negative, resulting in risk adjusted returns that were attractive for individual asset classes and unprecedented for diversified portfolios. Because these observed relationships had been so persistent, their endurance contributed to increased statistical significance in risk models, underscoring the logic behind Hyman Minsky's argument that "stability is destabilizing." Meaningful increases in long duration default free U.S. real interest rates in February and then again in September and October resulted in negative returns for bonds and countercyclical increases in volatility coincident with a reversal in correlations between equities and government bonds – from negative to positive. This dynamic imposed a perfect storm on investment products and trading strategies dependent upon these statistical inputs. Forced rebalancing in an untested liquidity market resulted in significant intraday volatility in both episodes and was at the core of the October correction of what then proved to be a more expansive and protracted global equity selloff in the fourth quarter.

In 2018, 30-year nominal U.S. Treasury (UST) bond yields increased 28 basis points from 2.74% to 3.02%. This change was comprised of a real yield increase of 49 basis points from 0.72% to 1.21% and offset by a 21 basis point decrease in inflation expectations, meaning inflation expectations fell from 2.02% to 1.81%. 30-year real UST yields experienced two significant increases last year, 28 basis points in the first three weeks of February and then 39 basis points in September through October. Both instances proved destabilizing. In February the U.S. stock market experienced a "volatility tantrum" where volatility, measured by the VIX, spiked from less than 9 in January to over 50 in February, forcing several short volatility products to liquidate abruptly. Global equity markets experienced a drawdown, and for the first time since the GFC, the correlation between government bonds and stock prices was positive, not negative. Coincident with the marked increase in real rates in September and October, positive correlations between government bonds and stocks increased further, catalyzing a powerful fourth quarter global equity drawdown in the face of strong U.S. economic growth and earnings. After returning over 10.5% through the end of September, the S&P 500 fell over 13.5% in the last quarter, posting its worst December since 1931. Unlike February's transitory bout, this episode was accompanied by prospective concerns impacting the numerator in valuation models, specifically deteriorating global growth and a worrisome tightening of global financial conditions.

The fourth quarter global equity drawdown marked a pivot point for investment markets. Until then, investors had shrugged off February's "volatility tantrum" and focused on attractive growth prospects and procyclical conditions that supported asset valuations and a "risk on" attitude. That changed in the fourth quarter. As financial conditions tightened, investors focused on deteriorating growth expectations in the developed economies and unresolved issues in and amongst European Union constituents. Concerns about weakness in China's growth trajectory, stock market weakness and shadow bank deleveraging were brought to the forefront as trade tensions with the U.S. escalated. Global growth concerns translated to declining oil prices that fell over 35% in the final quarter of the year. In late December, ongoing U.S. political gridlock resulted in what would be the longest government shutdown in history. Investment sentiment had pivoted.

Despite expectations of strong fourth quarter earnings in the U.S., investors recognized prospective challenges to the numerator in valuation models, and naturally turned their attention to central bank policy for adjustments to the denominator, specifically the first mover towards normalization, the Fed. As widely anticipated, in mid-December the Fed raised the Federal Funds rate for the fourth time in 2018, but the dovish tone was a notable difference from earlier communication, signaling the potential for a pause in the Fed's normalization plans. Long duration bonds rallied into the end of the year. After being in single digits at the beginning of the year, the VIX's closing print in 2018 was over 25. Surprisingly, at the end of 2018 the correlation between stocks and bonds was once again negative, almost unchanged on a year over year basis. Investment returns, volatilities, and correlations in 2018 bore witness to the inevitable confrontation between exogenous uncertainties and endogenous risks: the impact of central bank normalization attempts on long duration real interest rates and the immutable impact of that critical fundamental input on asset returns and valuations.

INVESTMENT RETURNS IN 2018

Investment market performance in 2018 followed the narrative outlined above: increasing real rates in the U.S. decreased the present value of future cash flows, resulting in negative returns for U.S. liquid risk assets. Somewhat surprisingly Real Estate and Private Markets have not as yet exhibited interest rate sensitivity as discussed below. Equity markets outside the U.S. performed poorly as a result of deteriorating growth prospects as interest rates in those markets did not follow the U.S. upward path. As in past years, and as illustrated in Exhibit A, currencies played a pronounced role between unhedged and dollar hedged asset returns.

Cash had the highest return of unhedged liquid assets in 2018, a nominal return of 1.87%, in line with the inflation rate of 1.91%. After being a drag on returns since the GFC, cash provided investors both an attractive return and optionality during dislocations in 2018. Although U.S. government bond yields increased in 2018, benchmark yields in other developed economies, notably Japan and Germany, decreased. This divergence in yields is expressed by the Ex-U.S. Government Bonds positive return of 3.60% in dollar-hedged terms compared to the lower 2.82% for Global Government Bonds in dollar-hedged terms. The combination of higher benchmark yields and wider credit spreads in U.S. Investment Grade Bonds, U.S. High Yield Bonds, and Emerging Market Debt produced returns of -2.51%, -2.57%, and -2.60%, respectively.

U.S., Global, and ex-U.S. equity markets had respective returns of -4.38%, -6.59%, and -8.94% on a dollar-hedged basis in 2018. Continuing a theme from past years, U.S. equity outperformance relative to other geographies resulted from investors paying a premium multiple for U.S. earnings. Emerging Market Equities posted a weaker -14.57% return in reflection of their higher beta to asynchronous and dampened global growth expectations as well as China's stock market which fell over 20% in local currency terms last year.

Real Estate and Private Markets had respective returns of 6.72% and 10.29% in 2018. Investors need to be cognizant that these attractive returns are partly a function of the valuation metrics used for these asset classes. Unlike liquid assets that are priced daily, these assets are usually marked to market value on a quarterly basis; therefore, observed volatilities in both asset classes are subdued relative to their liquid counterparts. Although realized returns in both of these markets tend to lag their liquid counterparts, over a full market cycle realized returns are highly correlated with liquid alternatives in these otherwise illiquid asset classes.

As mentioned earlier, non-dollar currency exposure had a notable impact on global asset returns in 2018, attributable to U.S. dollar strength versus the pound sterling and euro reduced slightly by weakness versus the Japanese yen. Non-dollar currency in global bonds (ex-U.S.) had a contribution of -5.24% versus the dollar-hedged portfolio, while the impact of currency exposure in global equities (ex-U.S.) was -5.65%.

CURRENT INVESTMENT CONDITIONS

As 2019 began all eyes were on the Fed. After 2018 exposed the codependency between central bank intervention, investment markets and financial conditions, as well as the uncertainties associated with central bank normalization, investors were looking for certainty regarding the Fed's dovish posture intimated in December. They didn't have to wait long. In early January Chairman Powell stated the Fed "will be patient" with monetary policy and "wouldn't hesitate" to adjust its QT program if necessary, as the Fed was sensitive to the signals markets were sending. The Fed's reaction function was to pause normalization efforts. In what has become a Pavlovian response since the GFC, markets took their cue from this message and risk assets rallied strongly. The S&P 500 gained over 8% in January alone and by the end of February had nearly eclipsed the entire fourth quarter drawdown. The correlation between stocks and long duration government bonds was once again negative, about where it was at the beginning of 2018, and the VIX had declined to just below 15.

Just as the Fed and central banks are taking signals from markets, markets are taking direction from them on the predominant path forward towards normalization. Optimistic growth rates cannot be discounted at historically low real rates in perpetuity. 2018 provided a glimpse of one path, where assets reprice abruptly in response to an increase in long duration real rates. This abrupt normalization entails a painful drawdown associated with a recalibration of valuations, as well as an unwinding of procyclical effects on volatilities and correlations that would then provide an attractive starting point for prospective returns. The Fed's reaction function to 2018's experience signaled concerns about that path, and a preference for a smoother glide path, where growth rates and real interest rates normalize gradually, over a longer and indeterminate window. Along this glide path, investments will provide unsatisfactory real and nominal returns until assets are repriced to deliver satisfactory returns from that point forward. *Central bankers can't improve both asset prices and then future returns at the same time.* Equally important, this path and its stability is dependent upon ongoing central bank intervention, suggesting that markets will be beholden to the attendant exogenous uncertainties for the foreseeable future.

There are many variables that influence investment returns in any given year, with central bank intervention an example of an exogenous uncertainty. Although it is difficult to isolate any one additional exogenous uncertainty, over the last year or so uncertainties appear to be accumulating, whether expressed in the form rising populist political movements, trade wars, or government shutdowns. Like central bank intervention, these influences defy conventional analysis and may impact markets unpredictably and intermittently. Their accumulation simply adds to challenges investors must face.

INVESTMENT STRATEGY

Relative to our Global Diversified Index (GDI) benchmark (see GDI Components on page 24), The Brinson Foundation began 2018 with a significant above policy weight in Cash and High Yield Bonds that was funded by below policy weights in Global Bonds, Emerging Market Debt, Real Estate, and Global Equities, specifically U.S. Equities. The Cash overweight coordinates with strategy underweights to substantially reduce the portfolio's duration risk. Our High Yield Bonds exposure is due to an idiosyncratic floating rate high yield opportunity and not the attraction of the asset class itself. On the first day of the second quarter and in response to what we judged to be an oversold condition, we brought Global Equity strategy to neutral by introducing a 10% position to another idiosyncratic exposure, large cap investment grade midstream assets. We categorize this new ex-benchmark exposure as Global Equity, and funded it equally from Cash and existing Developed Equity exposures. During the depths of the December drawdown as we felt prices moving inversely to our perception of prospective fundamentals, we added to our midstream exposures, bringing Global Equity strategy slightly above the policy weight. The idiosyncratic high yield and midstream strategies are not in the benchmark and combine to comprise more than a fifth of the portfolio strategy. We find the cash flow and valuation characteristics of these exposures appealing, and as a result, expect their prospective returns to be less influenced by the challenges traditional assets face. As illustrated in Exhibit B, the portfolio ended the year with a decidedly less than neutral risk posture specific to interest rates, attributable to the meaningful underweight in Global Bonds in combination with smaller underweights in Emerging Market Debt and Real Estate, all offset by the Cash position. The sizable Cash position reduces overall portfolio duration risk and volatility and provides option value in turbulent times. This risk posture reflects our concerns regarding how the aforementioned exogenous uncertainties may intersect with endogenous risks. Prudent risk management is often indistinguishable and can act as a drag on performance in risk seeking environments. Nonetheless, sensible risk management is the distinguishing characteristic that enables investors to be risk seeking when markets are in risk avoidance – and *prospective* returns are most attractive.

As we write this in late February 2019, we find real interest rates on long duration default free UST bonds are 1.07% with inflation expectations set at 1.83% for a nominal rate of 3.00%, while the upper bound of the Federal Funds target rate is 2.50%. In this interest rate environment, we find little compensation for duration risk and appreciate cash's option value. If this were to be the new normal, then equity valuations are not dangerously elevated as their expected real return of around 4.5% and 6.5% nominal is not out of line with the bond market, although the implied risk premium of around 3.5% could be considered modest relative to history. It seems to us that a more sensible and sustainable state of affairs would have long duration Treasuries with a real interest rate approaching 2.0% and inflation expectations around 2.5% suggesting a nominal rate of around 4.5%. Based on the Fed's communication in early 2019, we must consider what we think will happen rather than what we think should happen and position the portfolio accordingly. Although we recognize this dynamic for what it is, this recognition only underscores our conundrum.

PERFORMANCE RESULTS

For the calendar year, the portfolio experienced a -2.96% return, versus -3.85% for our GDI benchmark (see Exhibit C). The inflation rate, using the Consumer Price Index, was 1.91% for the year, making the portfolio's real (inflation adjusted) return -4.78% versus -5.65% for the GDI. Compared to the benchmark, the portfolio's performance was positively influenced by security selection in High Yield Bonds, the midstream assets, Real Estate and Private Markets. The Cash position contributed positively to market allocation but was offset by other factors that negated its positive influence, resulting in a small negative overall market allocation effect.

The Foundation's real return objective is 4.0% to 4.5% with moderate risk exposure. From today's starting point we are reconciled to the fact that neither of the two predominant paths forward is likely to satisfy our real return objectives without a substantial increase in risk. As witnessed by last year's events, increasing risk at this juncture would impinge the portfolio's ability to produce acceptable returns over a full market cycle and potentially challenge the Foundation's ability to fulfill its grantmaking mission even after normalization has occurred.

The portfolio's real annualized performance since inception (12/31/00) has been 4.58%, compared to the benchmark's 3.53%, producing 1.06% of added value with most of this contribution coming from market allocation decisions. The portfolio's annualized nominal return since inception has been 6.74% versus the benchmark's 5.66% return. Since inception, the portfolio's volatility is 8.82% compared to the benchmark's 8.92%. Please refer to Exhibit D for a graphic display that includes a wealth index for both the benchmark and the portfolio.

Performance revisions take place for *both* the portfolio and the benchmark from the original estimates published in this report each year, specific to final year end valuations for the Private Markets benchmark return and year end valuations from our managers in Private Markets and Real Estate. Sometimes the revisions are meaningful, as in 2017 when the portfolio's performance was revised upwards by 80 basis points from 14.31% to 15.11% versus the benchmark's revision from 16.01% to 15.98%. Revised historical performance and volatility statistics for the portfolio and the benchmark are included in Exhibit E.

2018 AND INCEPTION TO DATE

GLOBAL CAPITAL MARKET RETURNS

EXHIBIT A

NOMINAL RETURNS	INDEX	2018	ANNUALIZED 12/31/00 THROUGH 12/31/18
Global Diversified Index (GDI)	GDI (Unhedged)	-3.85%	5.66%
	GDI ($ Hedged)	-2.40%	5.67%
U.S. Inflation (CPI)	CPI	1.91%	2.06%
REAL RETURNS			
Global Diversified Index (GDI)	GDI (Unhedged)	-5.65%	3.53%
	GDI ($ Hedged)	-4.23%	3.53%
MARKET INDEX			
Cash Equivalents	ICE BofA Merrill Lynch U.S. 3-Month Treasury Bill Index	1.87%	1.51%
Global Government Bonds	Bloomberg Barclays Global Aggregate Treasuries Index (Unhedged)	-0.38%	4.29%
	Bloomberg Barclays Global Aggregate Treasuries Index ($ Hedged)	2.82%	4.26%
Ex-U.S. Government Bonds	Bloomberg Barclays Global Treasury ex-U.S. (Unhedged)	-1.83%	4.27%
	Bloomberg Barclays Global Treasury ex-U.S. ($ Hedged)	3.60%	4.40%
U.S. Bonds (Investment Grade)	Bloomberg U.S. Corporate Bond Index	-2.51%	4.55%
U.S. High Yield Bonds	Bloomberg Barclays High Yield Very Liquid Bond Index	-2.57%	7.32%
Emerging Market Debt	Bloomberg Barclays USD EM Government RIC Capped Index	-2.60%	7.97%
Global Equities	MSCI World Free Index (Unhedged)	-8.71%	4.41%
	MSCI World Free Index ($ Hedged)	-6.59%	4.24%
U.S. Equities	S&P 500	-4.38%	5.70%
Ex-U.S. Equities	MSCI World Free ex-U.S. Index (Unhedged)	-14.09%	3.50%
	MSCI World Free ex-U.S. Index ($ Hedged)	-8.94%	3.26%
Emerging Market Equities	MSCI Emerging Markets Net Index	-14.57%	8.65%
Real Estate	NCREIF Property Index	6.72%	8.67%
Private Markets	Cambridge Associates Private Equity Index	10.29%	9.10%

Sources: BISAM, Bloomberg, GP Brinson Investments, MSCI

INVESTMENT STRATEGY

MARKET & CURRENCY ALLOCATION

AS OF DECEMBER 31, 2018

EXHIBIT B

MARKET ALLOCATION	BENCHMARK	THE BRINSON FOUNDATION	DIFFERENCE
Global Equity	55.00 %	55.97 %	0.97 %
Developed Markets	*48.82 %*	*49.76 %*	*0.94 %*
Emerging Markets	*6.18 %*	*6.21 %*	*0.03 %*
Private Markets	5.00 %	5.20 %	0.20 %
Real Estate	10.00 %	9.43 %	-0.57 %
Global Bonds	25.00 %	5.46 %	-19.54 %
U.S. Bonds	*12.50 %*	*5.46 %*	*-7.04 %*
Global ex-U.S. Bonds	*12.50 %*	*0.00 %*	*-12.50 %*
High Yield Bonds	3.00 %	7.07 %	4.07 %
Emerging Market Debt	2.00 %	0.00 %	-2.00 %
Cash Equivalents	0.00 %	16.87 %	16.87 %
TOTAL	**100.00 %**	**100.00 %**	**0.00 %**
CURRENCY ALLOCATION	**BENCHMARK**	**THE BRINSON FOUNDATION**	**DIFFERENCE**
North America	66.79 %	81.91 %	15.12 %
U.S.	*64.23 %*	*80.58 %*	*16.35 %*
Canada	*2.32 %*	*1.15 %*	*-1.17 %*
Mexico	*0.24 %*	*0.18 %*	*-0.06 %*
Euro	12.68 %	3.75 %	-8.93 %
UK	4.18 %	2.13 %	-2.05 %
Other Europe	2.82 %	1.90 %	-0.92 %
Japan	5.59 %	3.21 %	-2.38 %
Asia (ex-Japan)	3.02 %	3.06 %	0.04 %
Australia / New Zealand	1.61 %	0.93 %	-0.68 %
China / Hong Kong	2.04 %	1.96 %	-0.08 %
Other Emerging Markets	1.27 %	1.15 %	-0.12 %
TOTAL	**100.00 %**	**100.00 %**	**0.00 %**

Sources: BISAM, FactSet, GP Brinson Investments

INVESTMENT PERFORMANCE (NET OF FEES)

FOR THE PERIOD ENDING DECEMBER 31, 2018

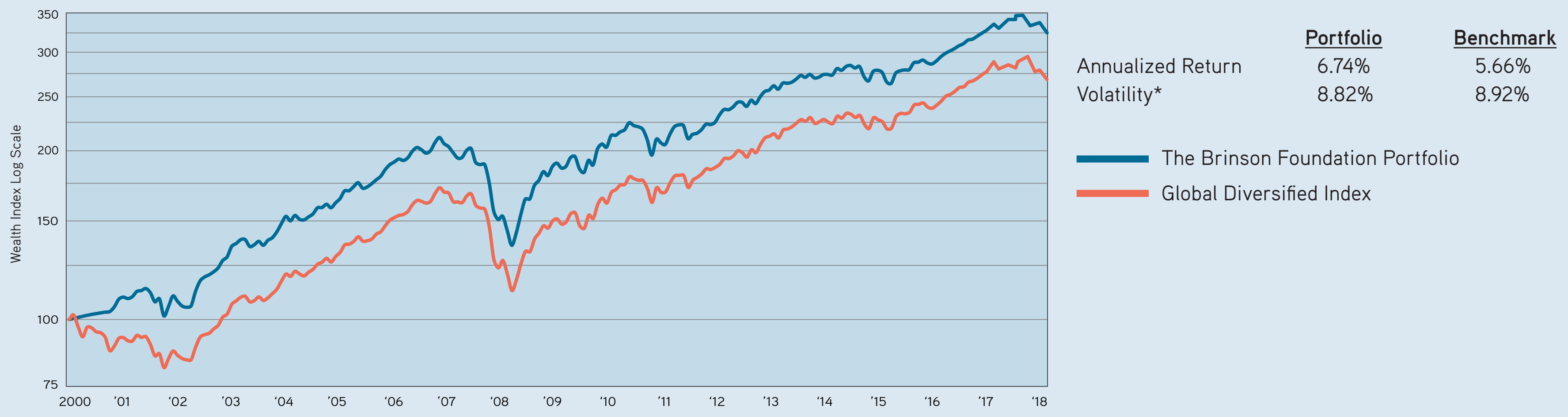
EXHIBIT C

2018 PORTFOLIO PERFORMANCE	2018	INFLATION RATE	REAL RETURN	VOLATILITY*
The Brinson Foundation Portfolio	-2.96%	1.91%	-4.78%	7.88%
Global Diversified Index	-3.85%	1.91%	-5.65%	7.42%
Added Value	0.89%		0.87%	
SINCE INCEPTION (12/31/2000) **PORTFOLIO PERFORMANCE** (Annualized)	**SINCE INCEPTION**	**INFLATION RATE**	**REAL RETURN**	**VOLATILITY***
The Brinson Foundation Portfolio	6.74%	2.06%	4.58%	8.82%
Global Diversified Index	5.66%	2.06%	3.53%	8.92%
Added Value	1.08%		1.06%	

EXHIBIT D

THE BRINSON FOUNDATION PORTFOLIO & GLOBAL DIVERSIFIED INDEX BENCHMARK

December 31, 2000 – December 31, 2018



* Annualized standard deviation of monthly logarithmic returns

Sources: BISAM, GP Brinson Investments

THE BRINSON FOUNDATION PORTFOLIO & GLOBAL DIVERSIFIED INDEX BENCHMARK

HISTORICAL PERFORMANCE AND VOLATILITY

DECEMBER 31, 2000 - DECEMBER 31, 2018

EXHIBIT E

The Brinson Foundation Portfolio and Global Diversified Index Benchmark return numbers that are **bold** and ***italicized*** remain subject to revision. The Global Diversified Index is subject to revision for five months.

	The Brinson Foundation Portfolio			Global Diversified Index Benchmark		
	Annual Return	Annualized Return Since Inception	Annualized Volatility Since Inception*	Annual Return	Annualized Return Since Inception	Annualized Volatility Since Inception*
2001	9.70 %	9.70 %	3.11 %	-7.13 %	-7.13 %	10.57 %
2002	-1.70 %	3.85 %	8.04 %	-7.02 %	-7.08 %	10.10 %
2003	25.32 %	10.56 %	8.28 %	23.35 %	2.13 %	9.91 %
2004	13.17 %	11.21 %	7.76 %	13.24 %	4.80 %	9.06 %
2005	7.60 %	10.48 %	7.32 %	9.40 %	5.70 %	8.37 %
2006	16.23 %	11.41 %	6.96 %	15.32 %	7.25 %	7.89 %
2007	6.51 %	10.70 %	6.85 %	10.59 %	7.72 %	7.56 %
2008	-24.91 %	5.46 %	8.75 %	-24.22 %	3.09 %	9.34 %
2009	24.43 %	7.41 %	9.77 %	18.59 %	4.70 %	10.04 %
2010	12.05 %	7.87 %	10.00 %	11.61 %	5.37 %	10.21 %
2011	-3.62 %	6.77 %	10.12 %	0.20 %	4.89 %	10.20 %
2012	12.90 %	7.27 %	9.97 %	12.02 %	5.47 %	10.00 %
2013	12.74 %	7.68 %	9.68 %	13.28 %	6.05 %	9.75 %
2014	4.76 %	7.47 %	9.39 %	4.91 %	5.97 %	9.50 %
2015	0.87 %	7.01 %	9.26 %	0.16 %	5.57 %	9.39 %
2016	4.78 %	6.87 %	9.12 %	7.16 %	5.67 %	9.24 %
2017	15.11 %	7.34 %	8.86 %	15.98 %	6.25 %	8.99 %
2018	***-2.96 %***	***6.74 %***	***8.82 %***	***-3.85 %***	***5.66 %***	***8.92 %***

* Annualized standard deviation of monthly logarithmic returns **Sources:** BISAM, GP Brinson Investments

GRANTMAKING GUIDELINES & PROCESS

GRANTSEEKER INQUIRIES

We ask grantseekers to review our mission, vision, beliefs, priorities and focus areas as well as our grantmaking guidelines before submitting an inquiry. Information regarding these guidelines can be found on the "Grantseekers" pages on our website at brinsonfoundation.org. If a grantseeker believes its request matches one or more of our grantmaking priorities and focus areas, it can make an inquiry by submitting our Grantseeker Information Form (GIF). The GIF is available on the "Grantseekers - Inquiries" and the "Resources" pages of our website. We accept inquiries throughout the year.

The completed form should be emailed to mail@brinsonfoundation.org. We will send a confirmation email, usually within 3-5 business days, advising the grantseeker of the anticipated timetable for review of the inquiry.

The Grantseeker Information Form is not an application. It simply provides us preliminary information about the grantseeker's organization and the proposed grant request. We review the information provided in the form to determine whether the organization and the grant request qualify for further consideration. In all cases, we communicate the outcome of the review to the grantseeker. For a description of the process followed should we determine that an inquiry merits further review, see "Process and Calendar" on the following page.

The Brinson Foundation Board of Directors has sole authority to approve grant requests. The Foundation's staff is responsible for reviewing, screening, performing due diligence and recommending grants to the Board. See the "Process and Calendar" section on the following page regarding the sequence and timing of our grant cycles.

Current Perspectives on Grant Inquiries. The Board of Directors continues to follow a "no new net grants" policy. Under this policy, new grants will be made only as existing grants are transitioned from our portfolio and our financial resources permit. This policy along with the potential for volatility in the investment markets make it unlikely that we will add a meaningful number of new grantees to our grant portfolio in the near future. To the extent that we are able to consider grant inquiries, we will continue to be highly selective and focus only on those that involve programs that closely align with our interests and fill gaps within our focus area portfolios.

LEGAL REQUIREMENTS – U.S. AND INTERNATIONAL GRANTMAKING

Grantmaking within the United States. The Foundation will consider inviting grant applications from organizations located in the United States of America that have been determined by the Internal Revenue Service to be exempt from tax under Section 501(c)(3) of the Internal Revenue Code and to be public charities described in Section 509(a)(1), (2) or (3) of the Internal Revenue Code ("501(c)(3) Public Charities"). 501(c)(3) Public Charities classified under Section 509(a)(3) of the Code may be required to submit additional information.

International Grantmaking. In general, the Foundation's international grantmaking is conducted exclusively through 501(c)(3) Public Charities. In extraordinary circumstances identified by the Foundation's staff and approved by the Board of Directors, the Foundation may consider funding non-U.S. organizations without a determination from the Internal Revenue Service of status under Section 501(c)(3) of the Internal Revenue Code ("Non-U.S. Organizations"). In these isolated situations, grantmaking will be subject to the Foundation completing an "equivalency determination" or exercising expenditure responsibility to make restricted grants to such organizations. Given the highly limited circumstances in which the Foundation will consider grants to Non-U.S. Organizations, we generally discourage them from submitting inquiries to the Foundation.

GRANT LIMITATIONS AND OTHER CONSIDERATIONS

The Foundation will not consider grant inquiries from organizations that:

◊ Discriminate on the basis of race, gender, religion, ethnicity or sexual orientation

◊ Request funding for:

- Activities that attempt to influence public elections
- Voter registration
- Political activity
- Lobbying efforts
- Programs that promote religious faith, include religious content or are based on religious or spiritual values
- Programs that are limited to members of a specific race, gender, religion or ethnic group (excluding medical research programs where such limitations may be necessary and appropriate)

The Foundation discourages grant inquiries requesting funds for:

◊ Capital improvements

◊ Endowments

◊ Fundraising events

GRANTMAKING PRIORITY UPDATES

The Board of Directors periodically reviews and updates a statement of the Foundation's Grantmaking Priorities. This statement, which can be found on our website's "Who We Are – Our Priorities" pages, is intended to provide guidance to grantseekers regarding the types of organizations and programs the Foundation is currently considering for funding. It does not represent a complete statement of the types of organizations and programs that are represented in the Foundation's grant portfolio.

GEOGRAPHIC CONSIDERATIONS

Education Programs. The Foundation's education grants are generally made to organizations that serve individuals and communities in the greater Chicago area. We also consider leading U.S.-based programs that reach broader populations across the U.S. and internationally or have the potential to have a meaningful impact on best practices at the national or international level. See above, however, "Legal Requirements – U.S. and International Grantmaking."

Organizations that do not serve populations in the Chicago area and do not meet the foregoing standards are rarely considered by our Board. As a result, we generally discourage them from submitting inquiries to the Foundation. If you have a question as to whether your organization or program qualifies for consideration, please call our office and speak to a program officer about whether it is appropriate to submit a Grantseeker Information Form.

Scientific Research Programs. The Foundation's physical science research grants are made to leading organizations across the United States. In this priority area, the location of the program is less critical than the match with the Foundation's grantmaking priorities.

The Foundation does not accept grantseeker inquiries in medical research.

PROCESS AND CALENDAR

If our initial review of a grantseeker inquiry indicates there may be a sufficient priority and focus area match, we assign one of our program officers to communicate with the grantseeker to learn more about the organization and its programs. If a grantseeker remains under consideration, our spring and fall due diligence, application and grantmaking cycles proceed as follows:

For New Grantseekers: We generally conduct due diligence discussions with grantseekers that are being considered for spring cycle invitations between January and March.

Following these due diligence discussions, the staff determines whether to invite the grantseeker to submit a grant application. If so, we email the grantseeker a formal application invitation. Spring cycle applications are generally due in mid to late February.

The staff reviews all applications and prepares recommendations for our Board of Directors. The Board meeting usually occurs in late April or early to mid-May. Following the Board meeting, we contact each applicant and advise them of the Board's decision. If the grant is approved, we generally send out the grant agreement within two weeks following the Board meeting and disburse the grant upon receipt of the signed agreement.

The fall cycle activities are the same as the spring cycle but they take place between July and September and end in November or December.

	Due Diligence Discussions	All Applications Completed	Board Meeting Application Review	Grant Disbursement
Spring Cycle	January - March	Mid to Late February	April - May	May - June
Fall Cycle	July - September	Mid to Late August	October - November	November - December

For Current Grantees: We have adopted a simplified renewal process for current grantees which combines the evaluation questionnaire and renewal application. The process generally follows the cycle calendars shown above. Details can be found in the "Grantees Login" section of our website.

Directors & Staff

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Gary P. Brinson, *CFA*

Suzann A. Brinson

Monique B. Demery

Thomas R. Demery

Tally S. Melone

Staff

James D. Parsons, *President*

Christy Uchida, *Senior Program Officer*

Jamie B. Bender, *Program Officer*

Harriett V. Edmonds, *Grants Manager*

Credits

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Page 4 The Field Museum / *Kyle Flubacker Photography*

Page 7 Jackson Hole Land Trust / *Lizzie Votruba*

Page 8 Carnegie Institution for Science / *Diana Roman*

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Page 19 Cornell University Carl Sagan Institute / *J. Madden*

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The cover and narrative pages of this Annual Report are printed on paper that is Forest Stewardship Council® (FSC) certified ensuring responsible forest management and is manufactured and printed using 100% certified renewable electricity.

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