

**Harbor Branch Oceanographic Institute Foundation  
Performance Summary  
September 2014**

The global markets pulled back in the third quarter of 2014, after a resilient first half of the year, based in part on geopolitical tensions and concerns over the expected changes to the Federal Reserve's policies. As volatility across the globe increased, risky assets such as equities declined. Investors appeared to escape to "quality" in the third quarter as money flowed into U.S. large-cap equities and to U.S. investment grade bonds. Domestic equities outpaced international equities once again this last quarter according to the S&P 500 (+1.1%) and the MSCI EAFE (-5.9%). Similar to equities, the fixed-income markets struggled to produce positive returns in the third quarter of 2014. The Barclays U.S. Aggregate Index squeezed out a 0.2% return for the quarter

For the quarter ending September 30, 2014, the Total Composite was -1.57% versus -1.70% for a balanced index that reflects the underlying asset allocation of the total fund. The Total Composite continues to outperform the balanced index over the one, three, and five year time periods while also achieving an annualized return of 5.95% versus 5.71% since inception.

As expected, our Vanguard large cap equity index fund performed in line for the quarter returning 1.12% versus 1.13% for the S&P 500 index.

Our small cap manager, SouthernSun, underperformed during the third quarter returning -8.75% versus -7.36% for the Russell 2000 index. Despite poor third quarter performance, SouthernSun continues to outperform over one, three, five and since inception time periods. During the quarter, we also added the Vanguard Russell 2000 index fund as a replacement for Kornitzer Capital.

Our international equity manager, EuroPacific Growth, held up well during the quarter returning -4.24% versus -5.88% for the MSCI EAFE index. EuroPacific Growth's three year return is now ahead of the index (14.42% versus 13.65% for the MSCI EAFE). We recommend taking EuroPacific off of caution. EuroPacific continues to outperform over one, three, five and since inception time periods.

In fixed income, Loomis Sayles Bond fund underperformed this quarter returning -1.80% versus -0.35% for the blended index. Loomis Sayles Bond fund continues to outperform over one, three, five and since inception time periods. PIMCO Short Term returned 0.46% versus 0.01% for the Citi 3 Month T-Bill Index. Legg Mason Brandywine Global Opportunities, our global fixed income manager, also outperformed for the quarter returning -2.03% versus -3.78% for the Citi World Government Bond Index.

Results for the alternative managers were mixed during the third quarter. Ironwood outperformed the HFRI Conservative index earning 1.31% versus 0.58%. Archstone underperformed returning -0.32% versus 0.55% for the HFRI Fund of Funds index. Collins outperformed the HFRI Fund of Funds index

returning 1.38% versus 0.55%. All of the alternative investments are outperforming their respective benchmark over the one, three, five and since inception time periods.

In summary, the overall investment program for Harbor Branch continues to perform well. The long term performance on a net basis is outperforming on the upside while protecting on the downside for the short term. The termination of Archstone and Collins will be effective December 31, 2014. During our next meeting in early January I will be addressing the overall allocation and direction of hedge fund proceeds.