



Investment Review

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TIAA, FSB
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BUILT TO PERFORM.

CREATED TO SERVE.

As of February 28, 2018

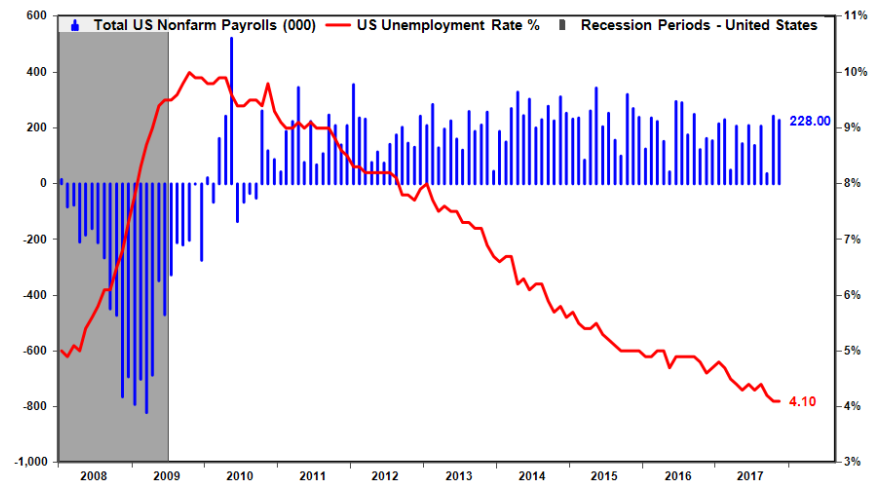
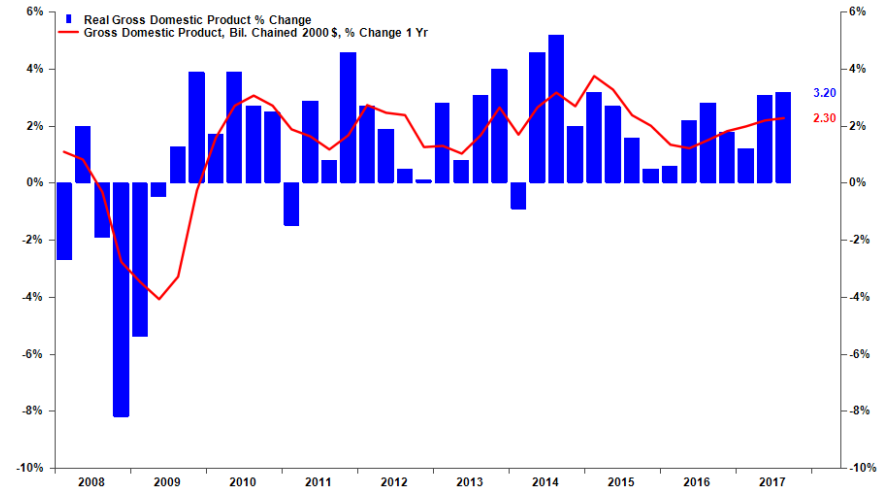


Korean American Scholarship Foundation

Helping One Student At A Time...

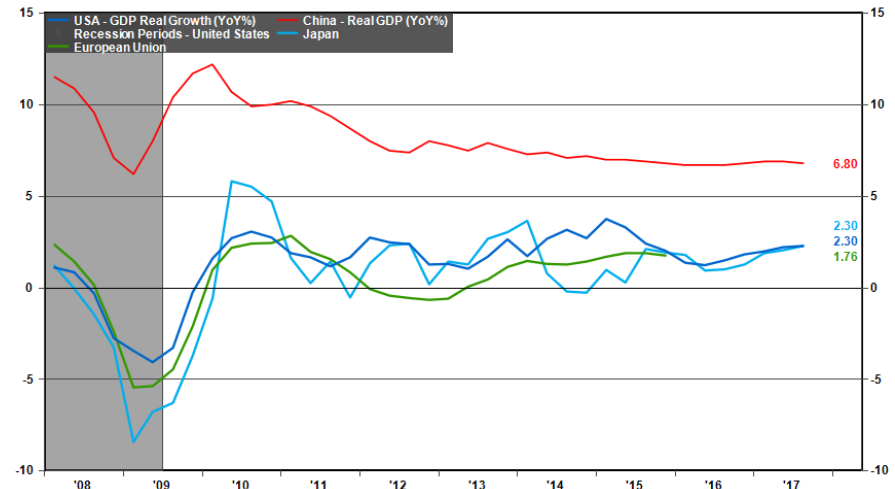


- **US real GDP** increased at a 3.2% annual rate during the third quarter of 2017, the highest growth rate since the first quarter of 2015 and the first time since 2014 that the economy experienced growth of 3% or more for two straight quarters. Robust business spending powered by inventory accumulation led the way.
- **Labor markets** remained tight though November with the unemployment rate registering at 4.1%, a seventeen year low. 17.6MM jobs have been added since February 2010. Wage growth remains sluggish with YOY growth of 2.3%.
- **U.S. Housing** starts have recovered back to an annualized run rate of approximately 1.3MM, their 20 year average. While the average price relative to income is once again elevated, affordability remains solid because of historically low mortgage rates.
- **Industrial production** has grown 3.4% YOY through November, driven by automotive production and the resumption of oil and gas drilling.
- **Inflation** remains muted with the headline and Core CPI readings at 2.2% and 1.7%, respectively, YOY through November. Personal Consumption Expenditure (PCE) remains below the Fed's 2% target.



Source: FactSet; Bureau of Economic Analysis

- **Global economic** growth is forecasted at 3.7% in 2018 by the International Monetary Fund. Developing economies are forecasted to grow 4.9% with the developed world forecasted to grow at 2%.
- **US GDP growth** is expected to continue to gain momentum in 2018 with an expected range of 2.5%-2.75%.
- **Corporate earnings** are expected to be strong again in the fourth quarter, capping a solid year. The implementation of corporate tax reform will be a tailwind for earnings during 2018.
- **Consumer confidence** remains at elevated levels with the University of Michigan consumer Sentiment Index registering the highest average reading in 2017 since 2000. The index predicts personal consumption expenditures will grow by 2.6% during 2018.
- **Inflation expectations** are beginning to show some upwards pressure driven by the tight labor market, solid consumer sentiment and tax reform implementation.
- **Washington** will turn its focus to the mid-term election cycle. This should keep things quiet on the policy front.



US Real Personal Consumption Expenditures % Change YOY

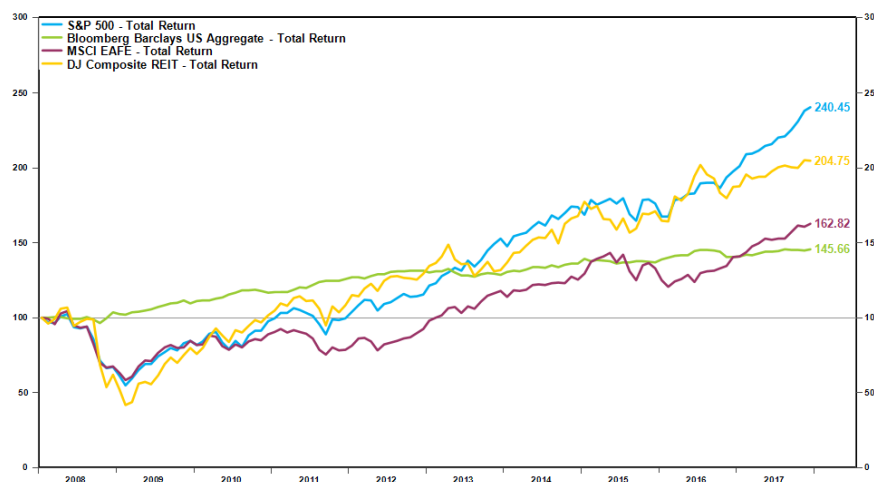
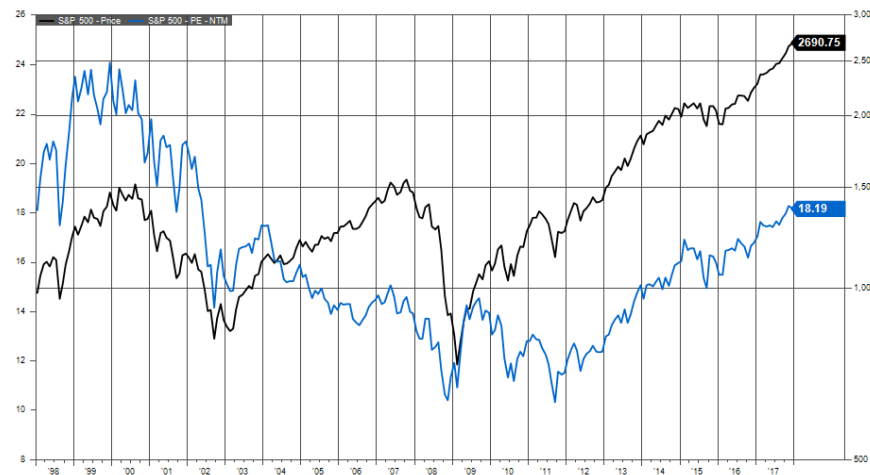


Review

- 2017 was a banner year for equity markets. Only REITs failed to provide double digit returns.
- In the U.S., large cap equities, as measured by the S&P 500, lead the way with a return of 21.8%. The S&P has a trailing 5 year annualized return of +15.79%.
- International equities had a great year driven by broad based economic recovery, dollar weakness and commodity stabilization. Emerging markets returned a stunning 37.3% while developed large caps returned 25%.

Outlook

- Domestically, corporate earnings will receive a shot of adrenaline as the statutory tax rate is reduced to 21% from 35%. Financials and small caps will see the biggest impact.
- The forward looking P/E ratio of the S&P is 18.2x, ahead of the 25 year average of 16x. While not alarming, profit growth, tax reform and gradual monetary tightening are required for progress from here.
- International equities have begun to close the gap on domestic equities. They continue to trade cheaper on a valuation and dividend yield basis. Since the lows of 2009, the S&P is up a cumulative 295% while international equities broadly are up 127% cumulatively.

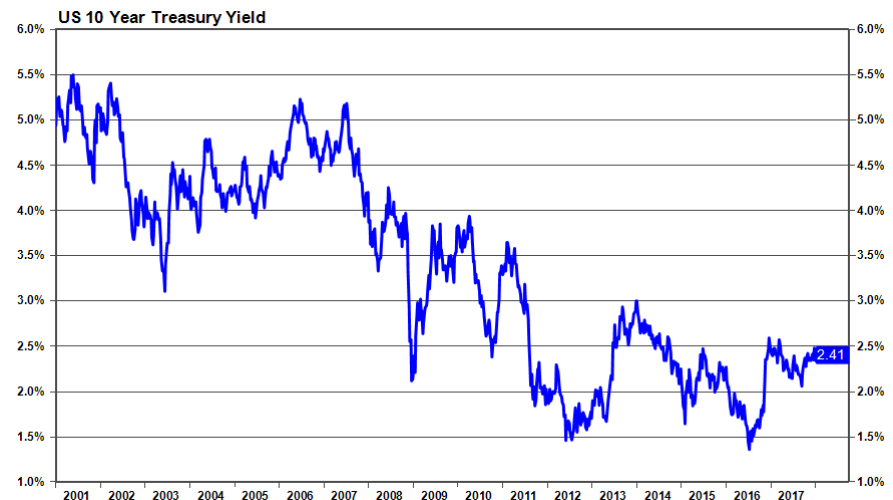
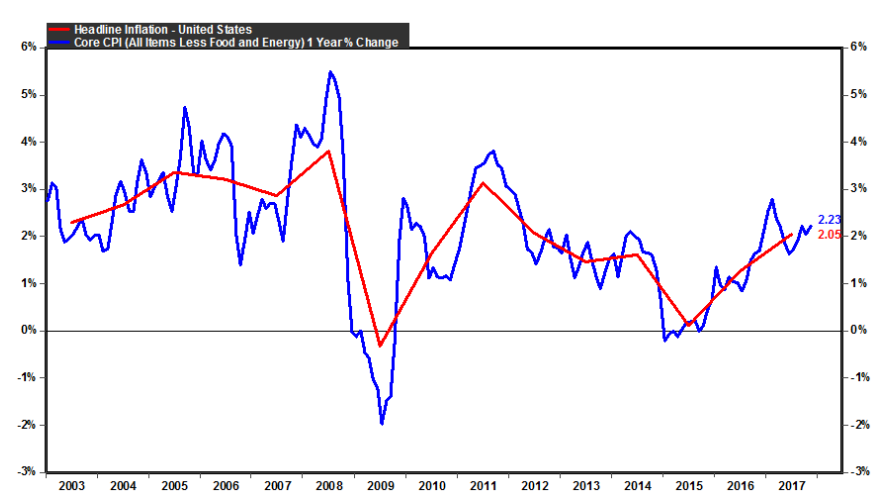


Review

- The ten year yield moved in a range of 0.57% during 2017, the tightest range in a decade. The yield closed at 2.4%, close to where it began the year.
- All fixed income sectors generated positive returns for the year with credit sectors leading the way.
- High yield spreads compressed during the year approaching the levels of 2007 prior to the economic crisis. The healthy economic environment kept the default rate low at 1.3%.

Outlook

- The Fed will transition to Chairman Jerome Powell, who succeeds Janet Yellen. We assume continuity will be the goal.
- Like Chairwoman Yellen we suspect that Chairman Powell will err on the dovish side. However, the Fed has a stated goal of continuing down the monetary tightening path as long as inflation cooperates.
- Assuming economic growth cooperates, 2018 will see the Federal Reserve begin to shrink their \$4.5T balance sheet. It will be a gradual process that may put pressure on the long end of the yield curve.
- A yield curve that has flattened over the last few years remains a risk to the Fed's plans. Tightening, both Fed Funds rate increases and balance sheet reduction, may cease if the yield curve starts to signal economic weakness by inverting.



Source: FactSet Data Systems

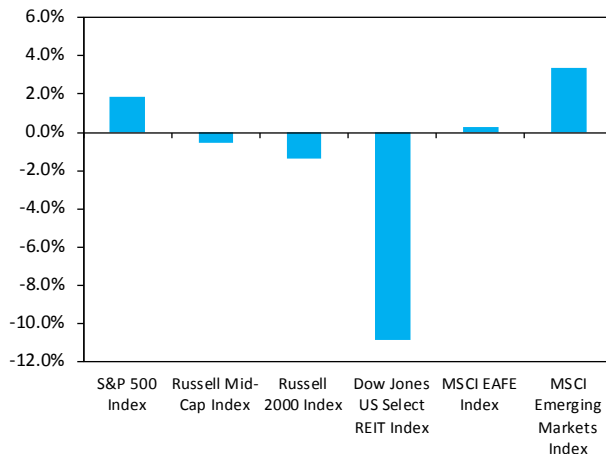
Capital Markets Update

Asset Returns

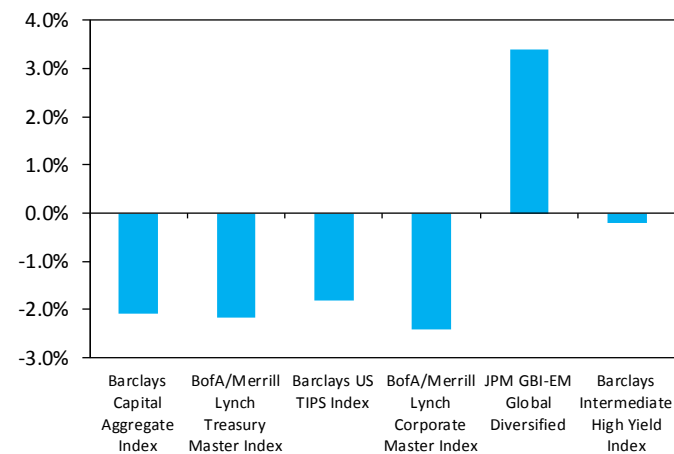


<i>Total Returns as of 2/28/2018</i>	<i>Index</i>	<i>1 Mo.</i>	<i>YTD</i>	<i>One Year</i>
Equity Markets				
US Large Cap	S&P 500 Index	-3.7%	1.8%	17.1%
US Mid Cap	Russell Mid-Cap Index	-4.1%	-0.5%	11.9%
US Small Cap	Russell 2000 Index	-3.9%	-1.4%	10.5%
Real Estate	Dow Jones US Select REIT Index	-7.2%	-10.9%	-9.9%
International Developed Markets	MSCI EAFE Index	-4.5%	0.3%	20.1%
Emerging Markets	MSCI Emerging Markets Index	-4.6%	3.3%	30.5%
Fixed Income Markets				
Intermediate Term Bonds	Barclays Capital Aggregate Index	-1.0%	-2.1%	0.5%
Treasury Bonds	BofA/Merrill Lynch Treasury Master Index	-0.8%	-2.2%	-0.5%
Inflation Protected Bonds	Barclays US TIPS Index	-1.0%	-1.8%	-0.2%
Corporate Bonds	BofA/Merrill Lynch Corporate Master Index	-1.5%	-2.4%	2.3%
Emerging Markets	JPM GBI-EM Global Diversified	-1.0%	3.4%	14.4%
High Yield	Barclays Intermediate High Yield Index	-0.7%	-0.2%	4.0%

YTD 2018 Equity Returns



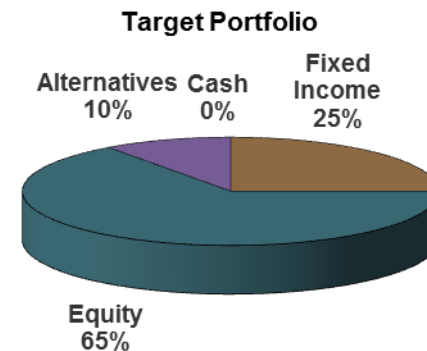
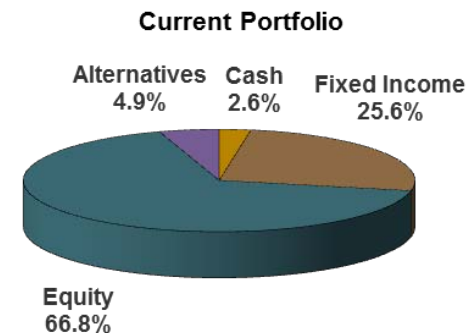
YTD 2018 Bond Returns



Korean American Scholarship Foundation Asset Allocation – As of February 28, 2018



Asset Class	Market Value	% of Assets	Target %	Allocation Ranges
Cash Equivalents				
TIAA Cash Deposit Account	\$100,307	2.6%		
Total Cash Equivalents	\$100,307	2.6%	0.0%	0%-2%
Fixed Income				
U.S. Treasury Obligations	\$256,653	6.7%		
U.S. Government Agencies	\$76,233	2.0%		
Corporate Bonds	\$223,675	5.8%		
Fidelity Advisor Emerging Markets Inc Fund	\$110,283	2.9%		
DFA Inflation Protected Securities Portfolio Fund	\$73,244	1.9%		
TIAA-CREF Inflation Linked Bond Fund	\$73,633	1.9%		
TIAA-CREF High Yield Fund	\$85,839	2.2%		
Mainstay High Yield Corporate Bond Fund	\$86,744	2.3%		
Total Fixed Income	\$986,304	25.6%	25.0%	20%-30%
Domestic Equity				
TIAA-CREF Large Cap Value Index Fund	\$460,295	12.0%		
TIAA-CREF Large Cap Growth Index Fund	\$451,352	11.7%		
Vanguard Mid Cap Value Index Fund	\$193,571	5.0%		
AMG MG Fairpoint Mid Cap Fund	\$156,839	4.1%		
Delaware Small Cap Value Fund	\$87,211	2.3%		
DFA US Small Cap Portfolio Fund	\$88,808	2.3%		
Cohen & Steers Real Estate Fund	\$31,796	0.8%		
Vanguard REIT Index Fund	\$30,818	0.8%		
Total Domestic Equity	\$1,500,690	39.0%	40.0%	35%-45%
International Equity				
TIAA-CREF International Equity Index Fund	\$739,497	19.2%		
DFA Emerging Markets Portfolio Fund	\$136,587	3.5%		
DFA Emerging Markets Small Cap Portfolio Fund	\$78,732	2.0%		
MFS International New Discovery Fund	\$58,354	1.5%		
DFA International Small Cap Value Fund	\$58,143	1.5%		
Total International Equity	\$1,071,313	27.8%	25.0%	20%-30%
Total Equity	\$2,572,003	66.8%	65.0%	55%-75%
Alternative Assets				
Diamond Hill Long/Short Index Fund	\$114,880	3.0%		
AQR Managed Futures Str-I Fund	\$75,306	2.0%		
Total Alternatives	\$190,186	4.9%	10.0%	0%-15%
Total Portfolio Market Value	\$3,848,800	100.0%	100.0%	

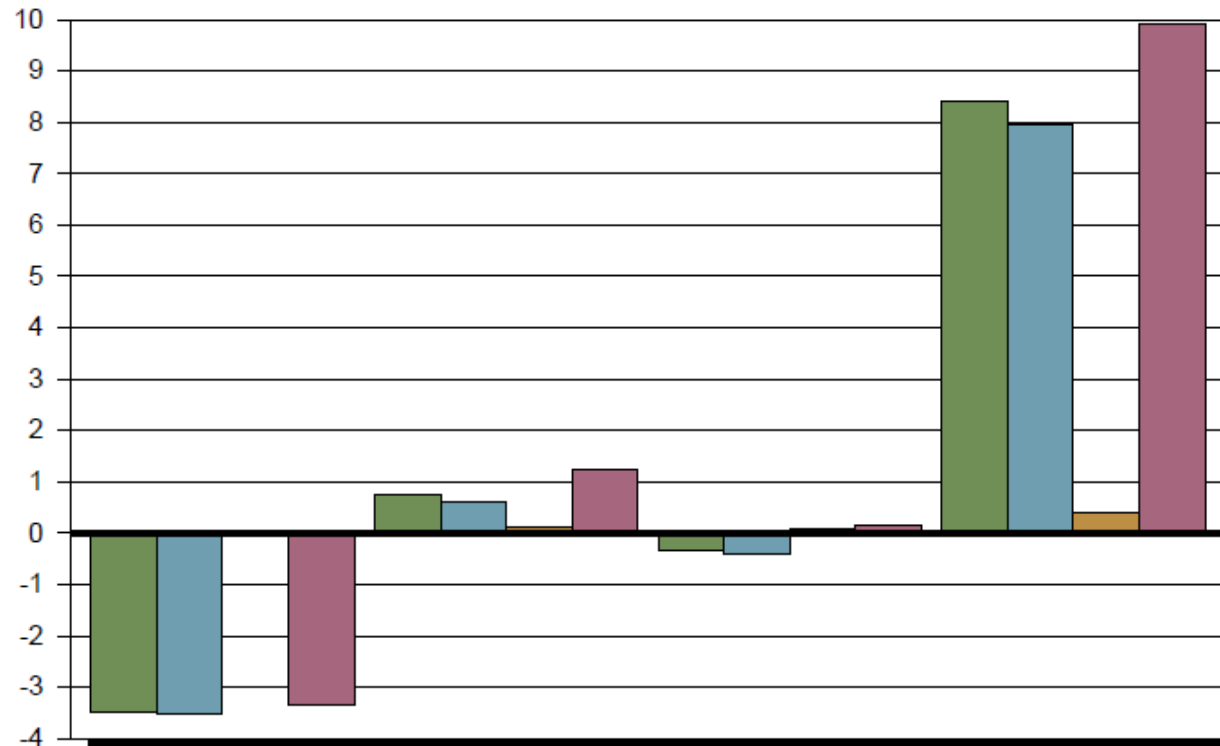


Korean American Scholarship Foundation Investment Returns – As of February 28, 2018



	Inception Date	Latest Quarter	Fiscal Yr to Date	Latest 1 Year	Latest 3 Years	Latest 5 Years	Since Inception
Total Account	04/30/17	0.74	-0.32	N/A	N/A	N/A	8.41
Policy Allocation Index		1.23	0.17	N/A	N/A	N/A	9.92
Average Allocation Index		1.14	0.03	N/A	N/A	N/A	9.68
LC Eq - Growth	04/30/17	5.06	4.27	N/A	N/A	N/A	21.81
Russell 1000 Gr		5.09	4.27	26.12	13.52	17.04	21.89
LC Eq - Value	04/30/17	0.32	-1.12	N/A	N/A	N/A	9.02
Russell 1000 Val		0.35	-1.09	7.75	8.01	12.04	9.07
MC Eq - Core	04/30/17	0.50	-1.03	N/A	N/A	N/A	5.30
Russell Midcap		0.40	-0.53	11.93	8.00	13.01	11.25
MC Eq - Value	04/30/17	0.70	-1.09	N/A	N/A	N/A	9.40
Russell Mid Val		-1.54	-2.74	5.47	7.07	12.03	6.04
SC Eq - Core	04/30/17	-2.70	-2.39	N/A	N/A	N/A	6.85
Russell 2000		-1.76	-1.36	10.52	8.55	12.19	9.17
SC Eq - Value	04/30/17	-3.66	-3.24	N/A	N/A	N/A	5.13
Russell 2000 Val		-4.75	-3.83	2.95	8.02	10.58	3.43
Real Estate	04/30/17	-10.75	-10.64	N/A	N/A	N/A	-6.39
DJ US Sel REIT		-10.85	-10.87	-9.86	0.07	5.72	-7.03
Long/Short	04/30/17	1.72	0.38	N/A	N/A	N/A	3.35
HFR Equity Hedge		2.70	1.39	11.55	5.67	6.13	9.76
Managed Futures	04/30/17	-1.85	-2.17	N/A	N/A	N/A	-0.22
CS Mg Fut Liquid		-1.29	-2.53	-2.56	-1.26	4.57	0.64
Intl Eq - Dev	04/30/17	1.17	-0.10	N/A	N/A	N/A	13.17
MSCI EAFE -Net		1.90	0.28	20.13	5.65	7.06	14.02
Intl Eq - Emg	04/30/17	5.92	2.23	N/A	N/A	N/A	20.24
MSCI EM - Net		7.05	3.34	30.51	8.98	5.01	24.58
Intl Eq - SC	04/30/17	3.13	0.55	N/A	N/A	N/A	12.95
MSCI SC EAFE Net		4.09	1.38	27.39	12.29	11.77	19.76
IS Fixed Taxable	04/30/17	-1.25	-1.38	N/A	N/A	N/A	-0.67
BB Inter Gvt/Cr		-1.22	-1.34	0.04	0.99	1.21	-0.63
High Yield Bond	04/30/17	0.02	-0.62	N/A	N/A	N/A	2.73
BB Intmed USHY		0.05	-0.21	3.97	4.89	5.03	3.05
Emg Mkts Bond	04/30/17	-0.44	-1.31	N/A	N/A	N/A	2.06
GBIEM Global Div		5.48	3.39	14.43	4.02	-0.97	10.55
TIPS	04/30/17	-0.91	-1.64	N/A	N/A	N/A	-0.95
BB US Treas TIPS		-0.92	-1.82	-0.18	0.79	-0.11	-0.72
Cash & Equiv	04/30/17	0.26	0.18	N/A	N/A	N/A	0.71
Lipper Inst MM		0.36	0.24	1.19	0.62	0.39	1.03

Korean American Scholarship Foundation Comparative Returns – As of February 28, 2018



	Latest Month	Latest Quarter	Fiscal Yr to Date	From 04/30/17
Gross Returns	-3.49	0.74	-0.32	8.41
Net Returns	-3.53	0.62	-0.40	7.96
Management Fees	0.04	0.13	0.08	0.42
Blended Index	-3.35	1.23	0.17	9.92

Korean American Scholarship Foundation Investment Returns – As of February 28, 2018



Fund data is on a trade date basis and income is included in the fund returns on an accrual basis

Fund returns are gross of management fees

All returns include the effects of all principal change and income, and returns for longer than one year are annualized

Total Account Blended Index: Monthly average asset mix allocations, Report period average asset mix allocation detailed below

04/30/17 - 02/28/18 24.00% S&P 500, 9.00% Russell Midcap, 5.00% Russell 2000, 2.00% DJ US Sel REIT, 20.00% MSCI EAFE -Net,
5.00% MSCI EM - Net, 17.00% BB Inter Gvt/Cr, 5.00% BB Intmed USHY, 3.00% GBIEM Global Div,
5.00% HFR Equity Hedge, 5.00% CS Mg Fut Liquid

Total Account Blended Index: Monthly average asset mix allocations, Report period average asset mix allocation detailed below

04/30/17 - 02/28/18 11.50% Russell 1000 Gr, 12.36% Russell 1000 Val, 3.96% Russell Midcap, 4.98% Russell Mid Val,
2.41% Russell 2000, 2.39% Russell 2000 Val, 1.86% DJ US Sel REIT, 2.96% HFR Equity Hedge,
1.94% CS Mg Fut Liquid, 19.24% MSCI EAFE -Net, 5.41% MSCI EM - Net, 3.06% MSCI SC EAFE Net,
13.16% BB Inter Gvt/Cr, 4.73% BB Intmed USHY, 2.93% GBIEM Global Div, 3.92% BB US Treas TIPS,
3.19% Lipper Inst MM

Korean American Scholarship Foundation

Account Activity Summary – As of February 28, 2018



	Latest Quarter	Fiscal Yr to Date	From 04/30/17
Beginning Market Value	3,776,161	3,864,091	3,544,083
Accrued Income	2,729	3,501	2,935
Contributions	140,000	0	361,269
Withdrawals	90,000	0	335,000
Net Flows	50,000	0	26,269
Interest/Dividend Income	51,053	4,171	74,603
Gains/Losses	-23,568	-16,190	219,497
Change in Accrued Income	643	-129	437
Total Earnings	28,128	-12,148	294,537
Management Fees	4,846	3,272	15,320
Portfolio Fees	0	0	0
Expenses	0	0	332
Total Fees & Expenses	4,846	3,272	15,652
As of 02/28/18			
Ending Market Value	3,848,800	3,848,800	3,848,800
Accrued Income	3,372	3,372	3,372



You should consider the investment objectives, risks, charges and expenses carefully before investing. Go to tiaa.org for a prospectus that contains this and other information. Please read the prospectus carefully before investing.

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