



Inland Empire
Community
Foundation

where giving grows

Investment Performance & Commentary March 31, 2021

THE ECONOMIC CLIMATE

Real GDP grew at a -2.4% rate year-over-year in the fourth quarter (+4.3% quarterly annualized rate) as the U.S. economic recovery continued at a brisk pace. The speed of vaccinations in the U.S. has exceeded expectations, reaching more than 3 million doses per day during the first week of April. Approximately 23% of the country have been fully vaccinated, and 37% have received a first dose. The Europe Union has been slower to roll out vaccinations, suggesting member countries may be grappling with the virus for longer periods of time.

MARKET PORTFOLIO IMPACTS

We believe the U.S. economy is playing catch-up to the markets in the current environment. While it seems increasingly likely that the economy will rapidly come back to life over the next year, this optimism may already be baked into equity prices. U.S. core inflation remained low and stable, at 1.6% year-over-year in March. A jump in gasoline prices, along with base effects from the 2020 recession, pushed up headline inflation to 2.6%. It appears likely that inflation will continue to see a temporary rise in the coming months due to the lower prices of Q2 2020, since inflation is a year-over-year measure.

THE INVESTMENT CLIMATE

President Biden announced his \$2 trillion Infrastructure Plan. In its initial form, the plan did not have bipartisan support, reportedly due to the lower proportion of the plan that related to traditional infrastructure spending, the size of the plan, and the proposed methods to fund it. Negotiations will commence in late-April, though it remains possible that the bill is modified in order to pass it via the “reconciliation” process, to avoid the need for Republican support. According to FactSet, S&P 500 earnings expectations for 2021 improved by 5.0% during the quarter. Analysts are now forecasting 25.4% earnings growth for 2021 – an incredible recovery from the -11.2% earnings drop expected of 2020.

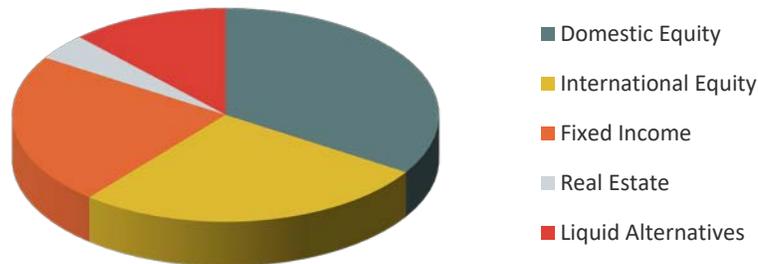
Investment Portfolio	Year to Date ended 3/31/21	One (1) Year Return	Three (3) Year Return	Five (5) Year Return
Inland Empire Community Foundation	4.4	45.0	8.6	10.3
<i>Blended Benchmark</i>	3.0	41.7	9.5	10.3
Market Benchmarks				
Domestic Stocks - S&P 500	6.2	56.4	16.8	16.3
International Stocks - MSCI ACWI ex US	3.6	50.0	7.0	10.3
Bonds - Barclays Capital Aggregate	-3.4	0.7	4.7	3.1
Cash - 91-Day Treasury Bills	0.0	0.1	1.4	1.1

Notes: The above are the historical returns for The Inland Empire Community Foundation portfolio, net of investment management fees. These returns are compared to a blended benchmark of the underlying manager’s individual benchmarks. **Historical returns are not a predictor of future returns.**

Asset Allocation & Philosophy

Making sound strategic decisions on the structure of a portfolio has a profound influence on investment results which is why the Foundation has a diversified portfolio with a long-term time horizon. The portfolio is invested in accordance with a core principle of successful investing which acknowledges that a diversified portfolio across different asset classes should provide a sustainable rate of income while minimizing the volatility that affects all investments to varying degrees. The portfolio is periodically rebalanced to target allocations to maintain portfolio equilibrium, increase value and support donor's spending over the long term. The pool will remain liquid and not include an allocation to illiquid alternative investments.

Target Asset Allocation



Process & Governance

The Foundation's portfolio is reviewed at least quarterly by the Investment Committee and the Foundation's investment consultant (Verus Advisory). On an on-going basis the Investment Committee and Verus Advisory review:

Strategic Investment Opportunities
Fund Manager Analysis
Manager Searches (as needed)
Market Environment

Portfolio Allocations
Investment Performance
Education on Various Investment Topics
Capital Market Assumptions

The Investment Committee and Verus Advisory recognize that we must avoid focusing on the short term which always plays out randomly and unpredictably and instead look forward over the long term where we can achieve a reasonable degree of certainty. We will continue to focus on a sound investment policy for the benefit of our donors and will continue to employ best practices as we oversee the Foundation's investments.