



Inland Empire
Community
Foundation

where giving grows

Investment Performance & Commentary

September 30, 2021

THE ECONOMIC CLIMATE

Real GDP grew at a 12.2% rate year-over-year in Q2 (+6.7% quarterly annualized rate) as the U.S. fully recovered from the pandemic-induced recession of 2020. In the U.S. labor market, unemployment has fallen as many workers who desired jobs have been successful in gaining employment. The overall U.S. labor participation rate has not improved, as millions of workers remain neither employed nor seeking employment. Consumer sentiment deteriorated during the third quarter, on reports of pessimism around the COVID Delta variant, higher inflation, and unfavorable economic prospects. Small business optimism also fell, as businesses face difficulty in hiring and are concerned about tax increases and more burdensome government regulations.

MARKET PORTFOLIO IMPACTS

Credit markets traded in a relatively tight range throughout the quarter, delivering mild returns. Bank loans outperformed in Q3, returning 1.1% and outpacing high yield bonds (0.9%) and corporate investment grade (0.0%). U.S. core CPI, which excludes food & energy prices, rose 4.0% YoY in September. U.S. headline inflation came in at 5.4%. Price changes moderated during Q3, relative to the larger price moves that occurred in March through June.

THE INVESTMENT CLIMATE

The Biden Administration’s \$3.5 trillion social spending package remains in the negotiation stage among Democrats, as the size of the package, the contents, and national concerns over inflation have given some members of the party reason to pause. The package is reportedly being scaled back, which creates the risk of rejection from progressives within the party who are pushing for more spending. It seems that investors have put the 2020 pandemic-induced recession and its associated risks behind them. However, it is not clear that market risks have completely subsided, as the Delta-variant continues to spread, high inflation could indeed persist, and most governments are set to pull back generous stimulus programs.

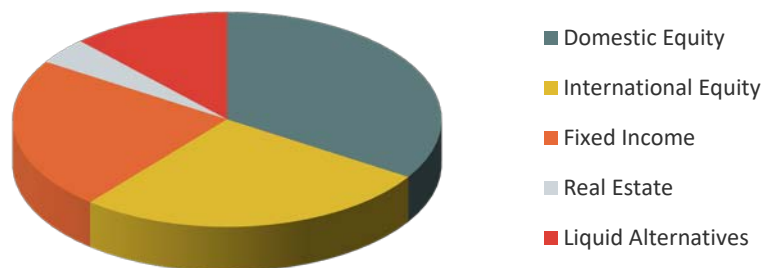
Investment Portfolio	Quarter ended 9/30/21	Year to Date ended 9/30/21	1 Year Return	3 Year Return	5 Year Return
Inland Empire Community Foundation	-0.8	10.1	24.7	10.0	10.0
<i>Blended Benchmark</i>	-0.9	8.1	20.9	10.2	10.0
Market Benchmarks					
Domestic Stocks - S&P 500	0.6	15.9	30.0	16.0	16.9
International Stocks - MSCI ACWI ex US	-2.9	6.3	24.4	8.5	9.4
Bonds - Barclays Capital Aggregate	0.1	-1.6	-0.9	5.4	2.9
Cash - 91-Day Treasury Bills	0.0	0.0	0.0	1.0	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.