



THE ECONOMIC CLIMATE

Real GDP grew at a 4.9% rate year-over-year in Q4 (+6.9% quarterly annualized rate). Strong expenditures into new inventory boosted growth, as many businesses have struggled to replenish inventory levels in the face of global supply chain issues. Business investment and rising exports also contributed to the strong pace of growth.

MARKET PORTFOLIO IMPACTS

High yield credit spreads expanded from 2.8% to 3.3%, although default activity is expected to remain historically low. It appears spread movement has been more of an effect of broader risk-off market moves, rather than a specific reflection of changing credit conditions. U.S. Core CPI, excluding food & energy, rose by 6.5% year-over-year in March. Headline inflation, which is being closely watched at the moment as this includes energy & food prices, reached 8.5%. Prices in some other areas have stabilized. Many investors believe inflation peaked in March, though there remains much uncertainty around the path from here.

THE INVESTMENT CLIMATE

In late February, Russian forces invaded Ukraine – a move which was anticipated by major Western intelligence communities. Ukraine has put together a remarkable defense thus far, as many citizens have taken up arms to defend their country. Multi-year underinvestment in energy, and now the Russia/Ukraine war, has created a shock to energy markets and crisis-level prices in many European countries. Government officials have been hesitant to vocally support increased local energy production, primarily due to climate concerns. In the U.S., many shale firms have opted to increase production on existing land, but have been slow to pursue new projects – partly due to supply chain issues (shortages in labor, truck drivers, and frack sand) and also due to prioritization of profits over growth.

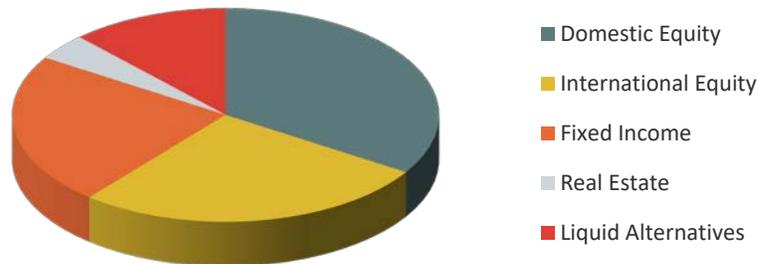
Investment Portfolio	Quarter ended 3/31/22	Year to Date ended 3/31/22	1 Year Return	3 Year Return	5 Year Return
Inland Empire Community Foundation	-5.5	-5.5	3.6	9.5	8.2
<i>Blended Benchmark</i>	-5.4	-5.4	3.6	9.7	8.6
Market Benchmarks					
Domestic Stocks - S&P 500	-4.6	-4.6	15.6	18.9	16.0
International Stocks - MSCI ACWI ex US	-5.3	-5.3	-1.0	8.0	7.3
Bonds - Barclays Capital Aggregate	-5.9	-5.9	-4.2	1.7	2.1
Cash - 91-Day Treasury Bills	0.0	0.0	0.1	0.7	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.