



Inland Empire  
Community  
Foundation

where giving grows

# Investment Performance & Commentary June 30, 2022

## THE ECONOMIC CLIMATE

U.S. real GDP fell again during Q2, down -0.9% annualized (+1.6% over the past full year). This stoked broad fears of recession, as two consecutive quarters of negative growth is a common definition of technical recession. U.S. real personal consumption slowed to pre-COVID rates of growth, coming in at 2.1% year-over-year in May. The buying habits of consumers appear to have transitioned back towards services and away from goods, reversing the unprecedented spending shift that had occurred during the pandemic. This trend should help mitigate strained supply chains, as fewer goods require shipping.

## MARKET PORTFOLIO IMPACTS

U.S. core CPI slowed to 5.9% year-over-year in June. Headline inflation, which includes food and energy prices, came in surprisingly hot at 9.1% year-over-year, exceeding expectations. Higher energy prices were a major driver of the inflation print, with energy commodities and gasoline moving more than 10% higher from May to June. Credit markets sold off during Q2, impacted by concerns of a slowing economy and possibility of recession as the Fed signaled a willingness to raise rates until inflation slows. Bank loans performed the best at -4.4% and outperformed longer duration bonds such as investment grade and high yield (-7.3% and -9.8%, respectively).

## THE INVESTMENT CLIMATE

Russia's invasion of Ukraine continued, resulting in heavy losses on both sides. Most fighting has taken place in the east, as Russia gradually advances. Both Finland and Sweden are in the process of joining NATO – a landmark move and result of war likely unforeseen by Russia. Early in 2022 many investors feared a potential global commodity shortage – a product of underinvestment in production capacity in recent years. Russia's invasion of Ukraine further amplified these concerns, pushing commodities higher. This trend appears to have reversed, as recession is a notable possibility, and many commodities have seen sharp losses.

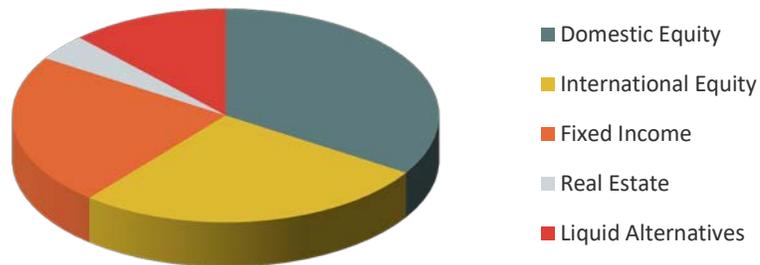
Investment Portfolio	Quarter ended 6/30/22	Year to Date ended 6/30/22	1 Year Return	3 Year Return	5 Year Return
<b>Inland Empire Community Foundation</b>	-11.5	-16.4	-13.8	4.2	4.9
<i>Blended Benchmark</i>	-12.9	-17.6	-14.8	3.7	5.0
<b>Market Benchmarks</b>					
<b>Domestic Stocks - S&amp;P 500</b>	-16.1	-20.0	-10.6	10.6	11.3
<b>International Stocks - MSCI ACWI ex US</b>	-13.5	-18.2	-19.0	1.8	3.0
<b>Bonds - Barclays Capital Aggregate</b>	-4.7	-10.3	-10.3	-0.9	0.9
<b>Cash - 91-Day Treasury Bills</b>	0.1	0.1	0.2	0.6	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.