



Inland Empire
Community
Foundation

where giving grows

Investment Performance & Commentary September 30, 2022

THE ECONOMIC CLIMATE

U.S. real GDP fell in Q2 for a second consecutive quarter, down -0.6% annualized (+1.6% over the past full year). forecasts suggest a potential growth turnaround in the third quarter; the Atlanta Fed GDPNow forecast indicated a growth rate of 2.8% and economists expected 0.9% as of October 14th. The U.S. dollar delivered an impressive rally year-to-date, appreciating approximately 15% relative to major currencies. A stronger dollar may result in slowing U.S. exports as domestic goods become more expensive to foreign buyers, and lower inflation as American businesses and households are able to purchase foreign goods at cheaper prices.

MARKET PORTFOLIO IMPACTS

September inflation figures conveyed two stories: first, U.S. core CPI (excludes food & energy) remained elevated, rising 0.6% during the month to a new 40-year high of 6.6% year-over-year; second, headline inflation (includes all prices) continued to show another more moderate monthly print of 0.4% but remained high at 8.2% year-over-year. Credit performance was mixed during Q3, with lower duration exposures faring better than higher duration. Fears of a looming recession remained as the Fed’s 75 basis point rate hikes in both July and September reinforced its intention to fight inflation until the “job is done.”

THE INVESTMENT CLIMATE

The Russia Ukraine war may be taking a turn, as Ukraine’s counteroffensive gains steam. In a rare admission, Russia’s Defense Ministry spokesman Igor Konashenkov acknowledged recent defeats: “With numerically superior tank units in the direction of Zolata Balka and Oleksandrivka, the enemy managed to forge deep into our defenses.” The broad market selloff increased in intensity as global central banks hiked interest rates, effectively withdrawing liquidity from the financial system. Higher interest rates and central bank balance sheet winddowns mark a major change from the liquidity-driven environment of the past decade.

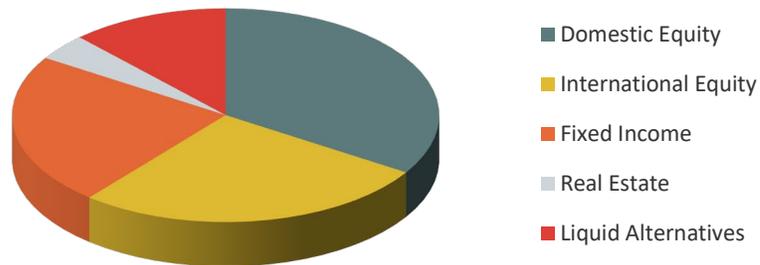
Investment Portfolio	Quarter ended 9/30/22	Year to Date ended 9/30/22	1 Year Return	3 Year Return	5 Year Return
The Community Foundation	-5.7	-21.2	-18.0	2.3	2.8
<i>Blended Benchmark</i>	-6.1	-22.7	-19.2	1.4	2.8
Market Benchmarks					
Domestic Stocks - S&P 500	-4.9	-23.9	-15.5	8.2	9.2
International Stocks - MSCI ACWI ex US	-9.8	-26.2	-24.8	-1.1	-0.3
Bonds - Barclays Capital Aggregate	-4.8	-14.6	-14.6	-3.3	-0.3
Cash - 91-Day Treasury Bills	0.5	0.6	0.6	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.