



Inland Empire  
Community  
Foundation

where giving grows

# Investment Performance & Commentary December 31, 2022

## THE ECONOMIC CLIMATE

Real GDP increased at a 2.9% rate in the fourth quarter (1.0% year-over-year growth), slightly exceeding expectations. Consumer spending, private inventory investment, government expenditures, and nonresidential investment were supportive of growth. Unemployment remained near historic lows during the quarter, at 3.5% in December. While this figure suggests a strong and resilient job market, the workforce remains much smaller than pre-pandemic times as more than two million workers remain out of the labor force.

## MARKET PORTFOLIO IMPACTS

Inflation fears continue to ease as domestic inflation fell further. Headline inflation was 6.5% year-over-year in December – the lowest since October 2021 – while core inflation came in at 5.7%. Prices for most goods and services have moderated with the exception of shelter costs, which increased at a worryingly fast pace of 10.0% annualized in December. U.S. real personal spending held steady at 2.0% year-over-year in August. Households focused spending on services over goods, which has removed some stress from supply chains and likely helped to normalize global transportation issues. Relatively strong spending seems to suggest it is possible that inflation moderates without a painful slowdown in the economy.

## THE INVESTMENT CLIMATE

China’s rapid pivot away from a “Zero Covid” policy towards the end of Q4 added a large tailwind to emerging market equity performance and the global growth outlook. Despite this positive news, an uptick in virus cases poses challenges for China’s reopening. Credit performed well in the fourth quarter, as resilient U.S. economic growth combined with expectations for the Fed to ease their tightening cycle helped mitigate investor concerns of a near-term cyclical downturn.

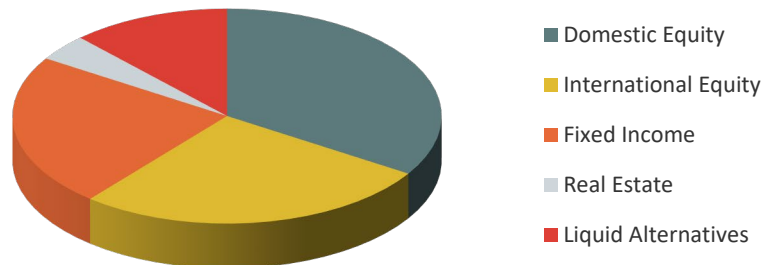
| Investment Portfolio                          | Quarter ended<br>12/31/22 | Year to Date<br>ended 12/31/22 | 1 Year<br>Return | 3 Year<br>Return | 5 Year<br>Return |
|---|---------------------------|--------------------------------|------------------|------------------|------------------|
| <b>Inland Empire Community Foundation</b>     | 7.0                       | -15.7                          | -15.7            | 2.6              | 3.4              |
| <i>Blended Benchmark</i>                      | 7.5                       | -16.9                          | -16.9            | 1.8              | 3.4              |
| <b>Market Benchmarks</b>                      |                           |                                |                  |                  |                  |
| <b>Domestic Stocks - S&amp;P 500</b>          | 7.6                       | -18.1                          | -18.1            | 7.7              | 9.4              |
| <b>International Stocks - MSCI ACWI ex US</b> | 14.4                      | -15.6                          | -15.6            | 0.5              | 1.4              |
| <b>Bonds - Barclays Capital Aggregate</b>     | 1.9                       | -13.0                          | -13.0            | -2.7             | 0.0              |
| <b>Cash - 91-Day Treasury Bills</b>           | 0.8                       | 1.5                            | 1.5              | 0.7              | 1.3              |

**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.