



Inland Empire
Community
Foundation

where giving grows

Investment Performance & Commentary March 31, 2023

THE ECONOMIC CLIMATE

Real GDP increased at a 2.7% rate in the fourth quarter (0.9% growth year-over-year). The U.S. economy was supported by mild but positive growth across most aspects of activity. Unemployment continued to suggest a strong labor market, unchanged at 3.5% in March. Widespread layoffs in the technology sector have captured headlines, though the sector makes up a rather small segment of overall jobs. The labor participation rate is showing positive signs as workers who had left the job market during the pandemic are once again seeking employment.

MARKET PORTFOLIO IMPACTS

The U.S. inflation picture continued to improve. March headline CPI came in at 5.0% year-over-year – the lowest since Q2 2021. Core inflation remained stubbornly high at 5.6% year-over-year. Many of the goods and services that initially contributed to high inflation, such as used cars, food, and energy, have moderated in price. U.S. real (inflation-adjusted) personal consumption expenditures were modest in February at 2.5% growth year-over-year. Household purchases of services continued to climb, while goods purchases remained flat. During the pandemic, an unprecedented surge in spending on goods occurred to the detriment of services. It appears that trend has now normalized.

THE INVESTMENT CLIMATE

U.S. yield curve inversion reached even more extreme levels during Q1. The 10-year 2-year yield spread (short-term interest rates being higher than long-term interest rates) reached ~107 bps on March 8th. Inversion has historically preceded recession. Silicon Valley Bank (SVB) failed and was transitioned to government ownership on March 10th. SVB is among the top 20 largest banks in the United States with approximately 1% of all U.S. domestic bank deposits. In the near-term, sentiment seems to have been shored up by backstops from the Federal Reserve, Treasury, and FDIC, though we are watching conditions closely.

Investment Portfolio	Quarter ended 3/31/23	Year to Date ended 3/31/23	1 Year Return	3 Year Return	5 Year Return
Inland Empire Community Foundation	5.4	5.4	-5.9	12.2	4.6
<i>Blended Benchmark</i>	5.6	5.6	-7.2	10.8	4.7
Market Benchmarks					
Domestic Stocks - S&P 500	7.5	7.5	-7.7	18.6	11.2
International Stocks - MSCI ACWI ex US	7.0	7.0	-4.6	12.3	3.0
Bonds - Barclays Capital Aggregate	3.0	3.0	-4.8	-2.8	0.9
Cash - 91-Day Treasury Bills	1.1	1.1	2.5	0.9	1.4

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.**



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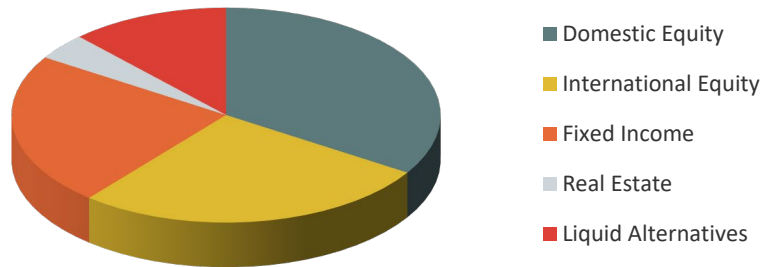
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Asset Allocation & Philosophy

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.