Inland Empire Community Foundation
where giving grows

Investment Performance & Commentary December 31, 2023

THE ECONOMIC CLIMATE

Real GDP increased at a 2.9% pace from a year ago in Q3 (4.9% quarter-over-quarter annualized rate). The economy has remained relatively strong while inflation now appears likely to fall closer to the Fed's 2% target in 2024. These expectations contributed to a dovish pivot from the Fed, a sharp drop in interest rates, and a notable market rally as the possibility of a soft landing has risen. Unemployment fell slightly from 3.8% to 3.7%, though the labor participation rate dropped sharply towards the end of the year. The labor market remains surprisingly resilient after roughly a full year of higher interest rates.

MARKET PORTFOLIO IMPACTS

Consumer sentiment has been incredibly poor, and one of the greatest concerns for Americans is inflation. Although inflation has fallen considerably, prices of goods and services remain high, placing strain on budgets. Because inflation measures the rate of changes of prices, rather than the level of prices, lower inflation has failed to ease the financial pressure that many households face. The Cboe VIX implied volatility index moved even lower during Q4, from 17.5 to 12.5. At the same time, bond market volatility was very high, as indicated by the "MOVE" index. Uncertainty around inflation, the Federal Reserve's possible interest rate path and the extent of rate cuts, potential recession, and fears around the U.S. fiscal situation are likely contributing to market shakiness.

THE INVESTMENT CLIMATE

An abrupt change in Federal Reserve communication regarding interest rate cuts during the quarter coincided with sharply lower bond yields, higher equity valuations, and further tightening of credit spreads. U.S. headline inflation fell during the quarter, from 3.7% to 3.3% year-over-year. Core CPI (ex-food & energy) declined from 4.1% to 3.9%. Low inflation numbers in October and November (0.0% and 0.1% month-over-month) were counterbalanced by a surprisingly high inflation number in December (0.3% month-over-month).

Investment Portfolio	Quarter ended 12/31/23	Year to Date ended 12/31/23	1 Year Return	3 Year Return	5 Year Return
Inland Empire Community Foundation	9.2	16.8	16.8	4.1	8.4
Blended Benchmark	*10.1*	*16.7*	*16.7*	*3.0*	*8.3*
Market Benchmarks					
Domestic Stocks - *S&P 500*	*11.7*	*26.3*	*26.3*	*10.0*	*15.7*
International Stocks - *MSCI ACWI ex US*	*9.8*	*16.2*	*16.2*	*2.0*	*7.6*
Bonds - *Barclays Capital Aggregate*	*6.8*	*5.5*	*5.5*	*-3.3*	*1.1*
Cash - *91-Day Treasury Bills*	*1.4*	*5.0*	*5.0*	*2.2*	*1.9*

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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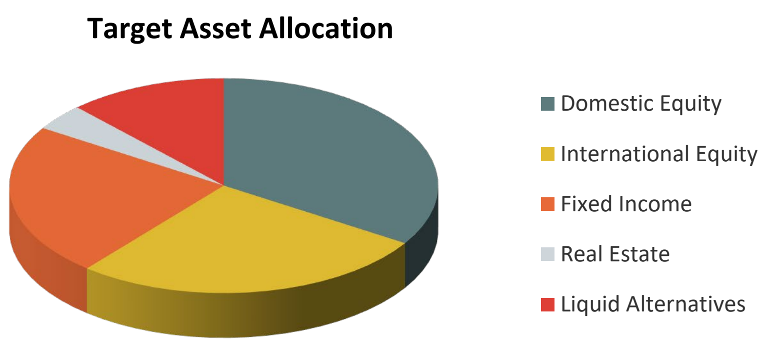
Asset Allocation & Philosophy

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.



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	Portfolio Allocations
Fund Manager Analysis	Investment Performance
Manager Searches (as needed)	Education on Various Investment Topics
Market Environment	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.