Investment Performance & Commentary
June 30, 2025

Inland Empire Community Foundation
where giving grows

THE ECONOMY

Real GDP growth beat expectations in Q2, coming in at 3.0% quarter-over-quarter annualized (2.0% year-over-year) relative to expectations for a growth number in the mid-2s. This report was welcome news to investors and served as further evidence that the economy is moving along at a moderate pace, rather than slowing abruptly. Calendar year 2025 growth will likely be much milder than the surprising strength shown during 2024. U.S. inflation remained sticky and above the Fed's target, rising from 2.4% to 2.7%. There is evidence of price increases across particular items such as televisions, auto parts, and medical equipment, but these rises so far are not large enough to materially lift the overall inflation rate. Some broad inflation categories such as 'apparel' and 'new automobiles' have fallen in price since March.

EQUITY

If U.S. businesses mostly choose to absorb the cost of tariffs rather than hike prices, that would be good for inflation. But this scenario would be damaging to corporate earnings as tariffs hit profit margins. Year-over-year Q2 S&P 500 earnings growth is expected to be +5.6%, according to FactSet as of July 11th. This would mark the weakest growth rate since Q4 2023. Earnings growth is expected to ramp up in the coming quarters, with +9.3% growth for calendar year 2025, according to FactSet.

FIXED INCOME

The 10-year U.S. Treasury yield ended Q2 relatively unchanged at 4.23%. Shorter-term bond yields came down slightly, contributing to a positive return on short- and medium-term Treasury bonds. Credit spreads widened in April following tariff "Liberation Day", but quickly rebounded after delays, progress regarding negotiations, and muted economic impacts helped improve the outlook. Despite widening by nearly 1% in April, high yield bond spreads ended the quarter tighter by 56 bps at 2.96%. Investment grade spreads similarly tightened, ending the quarter at 0.88%. These levels are extremely tight relative to history.

Investment Portfolio	Quarter ended 6/30/25	Year to Date ended 6/30/25	1 Year Return	3 Year Return	5 Year Return
The Community Foundation	7.8	8.0	13.5	12.6	10.3
Blended Benchmark	*7.9*	*7.8*	*13.2*	*12.4*	*9.3*
Market Benchmarks					
Domestic Stocks - *S&P 500*	*10.9*	*6.2*	*15.2*	*19.7*	*16.6*
International Stocks - *MSCI ACWI ex US*	*12.3*	*18.3*	*18.4*	*14.6*	*10.7*
Bonds - *Barclays Capital Aggregate*	*1.2*	*4.0*	*6.1*	*2.5*	*-0.7*
Cash - *90-Day U.S. Treasury Bill*	*1.0*	*2.1*	*4.7*	*4.6*	*2.8*

Notes: *The* ***of future returns*** *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.***

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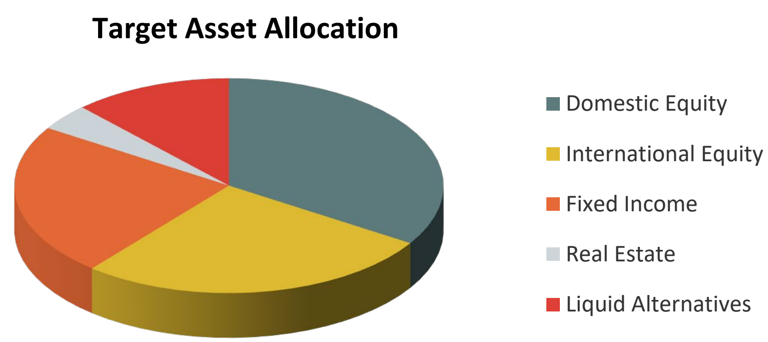
Asset Allocation & Philosophy

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.