Inland Empire Community Foundation
where giving grows

Investment Performance & Commentary December 31, 2025

THE ECONOMY

U.S. real GDP grew at an impressive rate in Q3 QoQ, fueled by consumer purchases, exports, and government spending. The Atlanta Fed GDPNow indicator suggested an incredible 5.3% QoQ growth rate in Q4, as of January 14th. The economy may continue to surpass expectations in 2026 with strong spending, monetary and fiscal easing, and further signs of productivity gains from AI investment. U.S. inflation eased during Q4. The November report was surprisingly soft at 2.7% YoY and December data reinforced this figure. Inflation was not reported in October due to the government shutdown and a lack of price data collection. This was the first missed inflation report in modern history, and questions remain broadly about the robustness of recent inflation reports.

EQUITY

International developed equity (MSCI EAFE +4.9%) and emerging market equities (MSCI EM +4.7%) led during Q4, while domestic equities lagged (S&P 500 +2.7%). The outperformance of non-U.S. was materially larger for investors with currency hedging programs in place, due to the pain of U.S. dollar appreciation. U.S. equity P/E multiples moved further upwards, on positive earnings surprise and enthusiasm that certain headwinds may be easing. Tariff-fueled inflation has been far more tepid than feared, international trade volume has fared well despite trade frictions, and growth has been resilient.

FIXED INCOME

High-quality bonds produced slightly positive returns in Q4 and mid single digit returns over the full year. Riskier fixed income delivered stronger returns during those periods. Falling long-term bond yields boosted the returns of duration assets, while stable spreads and mild default activity allowed investors to capture the spreads of risk assets such as high yield bonds and bank loans. High yield bond defaults rose slightly to 1.9% YoY, below the 15-year average of 2.5%. Loan default rates fell to 2.9% YoY, slightly above the 15-year average of 2.4%. Following the First Brands and Tricolor defaults in late 2025 which created a market-wide credit scare, recent evidence seems to suggest that these were isolated incidents of fraud rather than indicative of broader systemic issues.

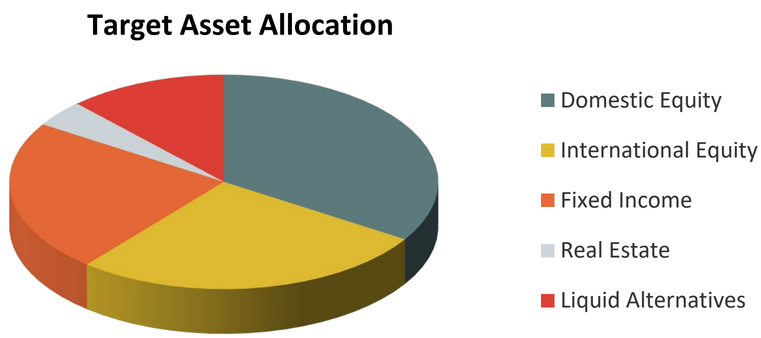
Investment Portfolio	Quarter ended 12/31/25	Year to Date ended 12/31/25	1 Year Return	3 Year Return	5 Year Return
Inland Empire Community Foundation	2.6	17.4	17.4	15.5	8.2
Blended Benchmark	*2.4*	*16.9*	*16.9*	*15.1*	*7.4*
Market Benchmarks					
Domestic Stocks - *S&P 500*	*2.7*	*17.9*	*17.9*	*23.0*	*14.4*
International Stocks - *MSCI ACWI ex US*	*5.1*	*32.4*	*32.4*	*17.3*	*7.9*
Bonds - *Barclays Capital Aggregate*	*1.1*	*7.3*	*7.3*	*4.7*	*-0.4*
Cash - *90-Day U.S. Treasury Bill*	*1.0*	*4.2*	*4.2*	*4.8*	*3.2*

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.***

Investment Performance & Commentary December 31, 2025

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.