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To: Community Foundation for the Fox Valley Region

From: Brian Crawford, CFA and Jonathan Goldberg, CFA

Re: Investment Update: March 2017

It's been over eight years since the great financial meltdown that caused equity markets to plummet. The S&P500 hit its low on March 9th, 2009 at 676. Fast forward today and the S&P500 has since climbed nearly 250%. Below we highlight markets at the start of the bull market and again 8 years later:

	March 9, 2009	March 9, 2017	Percent Change
S&P500	676.53	2,364.87	249.6%
NASDAQ	1,268.74	5,838.81	360.2%
EuroStoxx	1,809.98	2,409.89	88.4%
Nikkei	7,806.03	19,318.58	172.6%
WTI Oil	47.07	49.28	4.7%
US 10-Yr Treas.	2.86	2.61	-8.9%
S&P500 P/E	13.7x	22.3x	62.9%

Despite being eight years into what is now the second longest bull market since 1928, the first quarter saw continued strong equity returns as a sense of optimism about future economic growth was pervasive around the globe. Within the U.S. the rise in sentiment tied to expectations of the Trump administration's ability to create a pro-growth environment through a combination of tax and regulatory reform was buttressed by signs of the anticipated economic growth. This combination of job growth and increased business and consumer confidence allowed the Federal Reserve to raise its key interest rate by 0.25% in mid-March, the second time in four months.

Signs of economic growth were evident outside of the U.S. as well. In Europe, positive inflation numbers across the region and news that job creation rose to its highest number in ten years indicated to some market participants that the region had turned a corner. China and Japan both saw positive economic data, indicating growth in their manufacturing sectors, while emerging markets benefited from growing exports.

The optimism around economic growth translated to strong returns across all regions. The S&P500 gained 6.1% on the quarter yet lagged both Non-US Developed Equities (MSCI EAFE) which gained 7.2% while Emerging Equities (MSCI EM) gained 11.4% on the quarter.

Turning to the portfolio, we continue to see positive results from the Committee's decision to restructure the portfolio last summer. Since the restructuring occurred, the portfolio is up 12.2%

outperforming its target benchmark by 2.6%. The portfolio has benefitted from strong stock selection within is domestic large cap growth/value managers, emerging markets and hedge fund managers. The portfolio also benefitted from diversification within its fixed income assets.

Looking ahead, we continually work to ensure our asset allocation strategy is in line with the portfolio's objectives while maximizing return for the level of risk assumed. Fundamentally we strive to accomplish this by shifting the portfolio to areas that are relatively cheaper. While valuations in the US continue to get stretched, we witness a different dynamic when we look outside the US. In light of this valuation mismatch the Community Foundation increased its allocation to Non-US Developed equities by 2% to better position the portfolio on a go forward basis.

Above all, we reiterate our view that volatility and uncertainty can create tremendous opportunity for intelligent, prudent investors with a long-term view in mind. The Community Foundation continues to apply sound management practices in an effort to capitalize on others' irrational, short-term thinking.

The latest three months, 1-Year, 3-Year, 5-Year and 7-Year returns ending 3/31/17 are shown in the accompanying graph for the:

- Endowed Investment Portfolio (60% equity, 19% fixed income/cash, 21% alternative)
- Non-endowed Short Term Portfolio (100% short-term fixed income/cash)
- Non-endowed Intermediate Term Portfolio (39% equity, 61% fixed income/cash)
- Non-endowed Long Term Portfolio (65% equity, 25% fixed income, 10% alternative)