

To: Community Foundation for the Fox Valley Region

From: Brian Crawford, CFA and Jonathan Goldberg, CFA

Re: Investment Update: June 2017

June 30th is an important date for the Community Foundation as it marks the end of its fiscal year. This year, it also signifies that one year has passed since the Committee decided to restructure the Foundation’s portfolio. We are happy to report that over the past year the portfolio has performed extremely well on both an absolute and relative basis. For the 1-year ending June 30th, the total portfolio has returned 15.8% outperforming its target benchmark by 260 basis points. The portfolio has benefitted from strong stock selection within its domestic large cap growth/value managers and hedge fund managers. The portfolio also benefitted from an increased allocation to non-US developed equity and diversification within its fixed income assets.

The strength of this performance is further highlighted when we compare the Foundation to its peers. According to the FAOG Community Foundation Survey, the Community Foundation for the Fox Valley Region was a top decile performer within its peer universe of 40 similarly sized community foundations. This peer group had a 1-year median return of 12.9% nearly 3% below Fox Valley’s portfolio. We see a similar story if we turn our attention to a larger universe. The InvestorForce Endowment and Foundation Universe consists of over 750 charitable organizations of varying size and scope. The Community Foundation for the Fox Valley Region was a top decile performer in this Universe as well, outperforming the median return by 3.4%.

Looking outside the portfolio, equity markets continued to push forward in the 2nd Quarter of 2017. U.S. markets (S&P500) gained 3.1% while Non-US Markets performed even stronger as developed markets (MSCI EAFE) gained 6.1% and emerging markets (MSCI EM) gained 6.3%. In the U.S. the Federal Reserve raised rates again in June on the heels of strong employment growth and improved housing. Unemployment hit its lowest level since 2001 at 4.3%.

Outside of the U.S. Europe witnessed continued economic growth in manufacturing, consumer confidence and spending. Europe grew at an even faster annualized rate than the US, gaining 1.8% year-over year. Lastly, Japan saw improved domestic demand and continued strength in exports, leading to overall improvement in the economy. Politics played a role in market performance as Emmanuel Macron, a centrist and European Union supporter, won the French Election. Meanwhile, in the United Kingdom Theresa May called for a snap-election in June and it backfired, leading the conservatives to lose 12 seats and their majority-hold in the UK Parliament.

Commodities were a weak spot in an otherwise positive market environment. Through June 30th Natural Gas prices have dropped nearly 19% in 2017 and oil prices slid in the 2nd quarter on renewed production notably in Africa.

While we are pleased with the portfolio’s performance over the past year, the Community Foundation’s Investment Committee with the support of its consultant are working to continually improve the portfolio. With a long-term view in mind they are focused on ensuring the portfolio has the most appropriate asset allocation and manager roster.

The latest three months, 1-Year, 2-Year, 3-Year, 5-Year and 7-Year returns ending 6/30/17 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)

