

To: Community Foundation for the Fox Valley Region

From: Brian Crawford, CFA and Jonathan Goldberg, CFA

Re: Investment Update: September 2017

As hurricanes tragically struck Texas, Florida and Puerto Rico, markets appeared unfazed as we saw continued advancement in equities during the 3rd quarter. The IMF raised its global growth forecasts to 3.6% for both 2017 and 2018, amid fundamental economic strength in nearly all regions. The S&P500 gained 4.5% on the quarter while Non-US equities continued to lead; developed markets (MSCI EAFE) gained 5.4% while emerging (MSCI EM) equities gained 7.9% on the quarter.

In the US earnings continues to be the core story as we entered our fifth consecutive quarter of earnings growth, after previously having seven consecutive quarters with negative earnings growth. Meanwhile, wage growth and inflation remain in-check, for now.

Outside of the US, economies have been growing at an even faster pace in recent quarters, as industrial production hit its highest level in the European Union in six years and unemployment in the region is at its lowest since 2009. In Japan Prime Minister Shinzo Abe’s party won majority control of the country’s lower Parliament, setting up the PM for re-election next fall. Meanwhile Japan’s economy has now expanded for seven straight quarters and inflation, albeit small, is in positive territory.

China reported GDP growth of 6.9% in 2Q, however risks continue to build in terms of corporate and personal debt utilized to help fuel a stronger equity and real estate market. That said China still accounts for more than half of the global demand for iron ore, copper, zinc and tin; their growth can have a significant impact on many other emerging countries dependent on exporting such commodities

Turning to the portfolio, we continue to see strong absolute results from the portfolio. For the three months ending September 30th, the portfolio returned 3.7%. Over the past year the portfolio has returned 14.7% outperforming its target benchmark by 1.6%. For the latest one year the portfolio has benefitted from strong stock selection within is domestic large cap growth/value managers and hedge fund managers.

As we have stated in past reports, volatility and inefficiency can create opportunity if we identify strong executors of our strategy. The Community Foundation has been successful in this regard over the past year and the Committee is continually focused on ensuring that success continues.

The latest three months, 1-Year, 3-Year, 5-Year and 7-Year returns ending 9/30/17 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)

