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To: Community Foundation for the Fox Valley Region

From: Brian Crawford, CFA, and Jonathan Goldberg, CFA

Re: Investment Update: June 2019

Global equity markets continued to extend its gains for the year during the 2nd quarter of 2019. The S&P500 gained 4.3% while Non-US Equities (MSCI EAFE) gained 3.7%. Emerging equities (MSCI EM) were relatively flat during the quarter (+0.6%). As economic data in both the United States and abroad have been solid, investors have been growing concerned with the prospects of future corporate earnings growth, manufacturing and consumer spending. In addition, concerns of an extended trade war with not only China, but many global trade partners have triggered fear across the investment landscape.

That said, monetary authorities reacted in early 2019, starting with the US Federal Reserve. Early in the year Fed Chairman Jerome Powell indicated the Federal Reserve would not raise rates in 2019 and during the quarter, implied there would be at least one rate cut this year, if not more. This reversal in the Bank's posture pushed markets higher, despite extended valuations.

Outside of the US we witnessed similar positive growth. The European Union posted +0.4% growth in GDP while Japan's Q1 GDP registered at +2.4%. That said, political turmoil and pressures from trade have kept these equity markets muted, as compared to the United States. Lastly, we would note the continued unrest in the United Kingdom as its Parliament attempts to leave the European Union in as smooth a manner as possible. Prime Minister Theresa May stepped down in 2Q and was replaced by conservative Boris Johnson, who has vowed to press forward with "Brexit" as soon as possible

2019 has so-far proven to be a unique year for investing. It is unusual, in a low interest rate environment, to see strong gains for both global stocks (16%) and U.S. investment grade bonds (6%). This strong performance can be seen throughout the portfolio as the Community Foundation for the Fox Valley region returned 11.9% for the first six months of 2019. These strong gains have helped push the Foundation's 10-year return comfortably above its long-term performance goal of preserving the purchasing power of the Foundation's assets.

The last year has been one of market extremes as global equity markets plummeted in late 2018 only to quickly recover its losses in 2019. Despite these market gyrations the Investment Committee continues to oversee the Foundation's assets with a long-term, disciplined outlook. The portfolio maintains its diversified approach with with a focus towards undervalued assets and valuation-sensitive investment strategies.

The latest three-month and one-, two-, three-, five-, seven-, and ten-year returns ending 6/30/19 are shown in the accompanying graph for the following:

- Endowed Investment Portfolio (59% equity, 18% fixed income/cash, 23% alternatives)
- 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% alternatives)