COMMUNITY FOUNDATION FOR THE FOX VALLEY REGION

PORTFOLIO UPDATE 4Q 2023

MARKET UPDATE

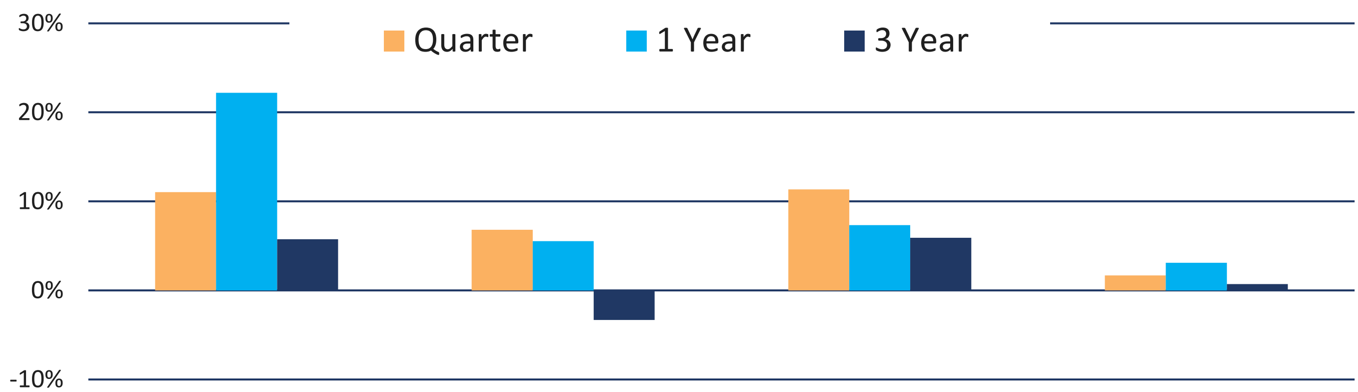
In many ways, 2023 appeared the polar opposite of 2022. The traditional 60/40 portfolio of stocks/bonds declined double digits in 2022, yet this same portfolio mix increased double digits in 2023.

Following the tumultuous market environment of 2022, in which the Federal Reserve's (Fed) quest to restore price stability sent ripples throughout the financial markets, 2023 brought a reversal of fortune, with a looming Fed policy pivot coming closer into focus. After peaking at an annual rate of 9.1% in June 2022, headline consumer price index (CPI) inflation has cooled to a 3.3% pace through December 2023, serving as a downward force on inflation's advance.

Further supporting this growing sentiment for a less restrictive Fed posture was the seemingly goldilocks economic backdrop, marked by a disinflationary bias, solid economic growth, a stable labor market, a recent drop in interest rates, and an "everything rally" of robust performance across asset classes during the year.

The converging forces resulted in 2023 being a good year for investors, with the fourth quarter especially strong. Interest-rate-sensitive real estate rebounded after a challenging year, returning mid-double digits during the fourth quarter. Equities, particularly U.S. equities, continued its strong performance. After appearing on the verge of posting an unprecedented third consecutive calendar year decline, core bonds rallied during the fourth quarter.

MARKET INDEX PERFORMANCE



	MSCI All-Country World	Bloomberg U.S. Aggregate Bond	S&P Real Assets Equity	HFRX Global Hedge Fund
Quarter	11.0%	6.8%	11.4%	1.7%
1 Year	22.2%	5.5%	7.3%	3.1%
3 Year	5.7%	-3.3%	5.9%	0.7%

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PORTFOLIO PERFORMANCE[1]

	4Q	1-YEAR	3-YEAR	5-YEAR
Endowment[2]	9.6%	15.5%	2.3%	7.1%
Target Benchmark[3]	*9.7%*	*16.7%*	*3.8%*	*8.4%*
Long-Term Portfolio	9.1%	15.0%	2.9%	8.0%
Target Benchmark[4]	*9.7%*	*17.0%*	*3.8%*	*11.8%*
Intermediate-Term Portfolio	7.7%	11.0%	1.0%	4.8%
Target Benchmark[5]	*8.0%*	*11.2%*	*0.9%*	*5.7%*
Short-Term Portfolio	1.3%	4.8%	0.4%	0.8%
ST Target Benchmark[6]	1.4%	5.0%	0.2%	0.6%

- The Endowment returned 15.5% for the year vs. a benchmark of 16.7%. Equities drove much of the absolute performance, and active managers, particularly amongst global equities, contributed to the outperformance vs. the benchmark. Private capital, which is part of the Endowment's strategy, could not keep pace with public markets, but these strategies have been additive longer-term.
- The Long-Term Portfolio and Intermediate-Term portfolios returned 15.0% and 11.0% respectively, vs. benchmark returns of 17.0% and 11.2%. Like the Endowment, absolute returns were primarily driven by equities. Unlike the Endowment, the "basket" of non-U.S. active managers detracted from performance. This was more noticeable with the long-term portfolio given these strategies comprise a larger allocation of the portfolio.
- The Short-Term portfolio benefited from the rising interest rates in place for much of 2023, returning 4.8% vs. a benchmark of 5.0%.

PORTFOLIO POSITIONING

	ENDW	LT	IT	ST
GLOBAL EQUITY	67.5%	70.0%	35.0%	0.0%
GLOBAL FIXED INCOME & CASH	20.0	20.0	55.0	100.0
REAL ASSETS	7.5	5.0	5.0	0.0
DIVERSIFYING STRATEGIES	5.0	5.0	5.0	0.0

- All portfolios are positioned conservatively and are staying close to the IPS targets, given several mixed market signals making it difficult to identify any significant opportunistic position.
- Within equities, all portfolios except the Short-Term Portfolio have a slight overweight to small-cap strategies, which had a great fourth quarter but were challenged for the year. These strategies tend to perform well in periods of market growth.

1 Portfolio performance is reported net of investment management fees. FEG advisory fees are currently 0.19% for the Endowment and 0.07% for the long-term and intermediate-term portfolios.
2 4Q performance is reported ex-Private Capital due to limited availability of data.
3 The Endowment target benchmark is currently comprised of Target Benchmark is 67.5% MSCI ACWI, 19.5% Bloomberg U.S. Aggregate Index, 7.5% S&P Real Assets Equity, 5.0% HFRX Global Hedge Fund Index, and 0.5% U.S. 91-Day Treasury Bills.
4 The long-term portfolio target benchmark is currently comprised of 70.0% MSCI ACWI, 19.5% Bloomberg Aggregate Index, 5.0% S&P Real Assets Equity, 5.0% HFRX Global Hedge Fund Index, and 0.5% U.S. 91-Day Treasury Bills.
5 The intermediate-term target benchmark is comprised of 35.0% MSCI ACWI, 50.0% Bloomberg Aggregate Index, 5.0% S&P Real Assets Equity, 5.0% HFRX Global Hedge Fund Index, and 5.0% U.S. 91-Day Treasury Bills.
6 The short-term portfolio target benchmark is comprised of 100% ICE BofAML U.S. 3-Month Treasury Bill Index.

Together, we flourish. Community Foundation™ for the Fox Valley Region

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