Quarterly Investment Update
As of March 31, 2020

Overview: The 1st quarter of 2020 will be remembered for one of history’s most sudden starts to a bear market. After a strong start to the year, the S&P 500 declined nearly 20% for the quarter while the developed markets globally dropped 22.8% and emerging markets lost 23.6%. Hardest hit, besides oil, were small capitalization stocks which shed 30.6%.

The Foundation’s investment pool is constructed to generate strong long-term returns with the goal of moderating losses due to diversification. While the seriousness and impact of COVID-19 is becoming more widely understood, markets have slowly begun to function more normally as evidenced by less dramatic levels of volatility and slightly more discerning pricing.

Looking ahead, we now face a vastly more complex economic and investment climate. One point of cautious optimism is to note that the rigorous, patient and risk aware investing that is employed across the Foundation’s assets should provide a significant return benefit over the next three to five years as the uncertainties and change that produced large losses have also created very large opportunities.

Total Assets in Pool: $106.6 million across 24 investment managers

Aggregated Investment Performance

As we enter a time of great economic dislocation and uncertainty, the long-term benefits of asset class diversification and its ability to serve philanthropy best over time become increasingly important. To illustrate the Foundation’s historical record, assume that a $1 million fund is established in early 1999 as that is the beginning of the performance data we track. We further assume that 5% of a twenty-quarter average market value is distributed each year and that no new gifts are made to the Fund. Finally, we invest this fund in the Foundation’s portfolio and in the S&P 500 index.
The first group of columns reflects the fact that the S&P 500 outperformed the Foundation portfolio by approximately 24.8% cumulatively over this period. The middle set of bars shows that the S&P 500 invested fund generated less spending as lengthy bear markets took their toll on distributions. The final set of bars adds spending plus the growth of the Fund above the $1 million initial value to reflect the total amount of philanthropic output. Here the results are essentially identical with the Foundation portfolio producing a stronger philanthropic outcome. The graph below paints an even weaker picture for a more aggressive strategy as it provides the pattern of annual spending over time.

While strong and weak markets impact the Foundation’s distributions, the trend is quite steady and well aligned with effective philanthropy. In contrast, the S&P 500 portfolio produced a deeply disturbing pattern that includes long, steep declines. In aggregate, the Foundation portfolio, through a strategy designed to capture a large percentage of market gains while assuming appropriate amounts of risk, produced significantly more effective philanthropy.
**Investment Objective:** The Jewish Community Foundation invests its assets to maximize grantmaking to address current needs, while protecting long-term purchasing power for grantmaking in perpetuity. It is through a balanced approach that is sensitive to market opportunities and volatility over long time frames that this objective is best achieved.

**Oversight:** The Foundation’s Board of Directors, advised by the Investment Committee of volunteer financial experts, and with consultation provided by Colonial Consulting LLC.