

## Quarterly Investment Update As of September 30, 2023

### Overview from the Foundation's Investment Consultant:

As we observe the world in late 2023, major change is clearly underway.

- Geopolitics continue to become increasingly complex. The Hamas attack on Israel is only the latest example of a major global event with the potential to disrupt markets, or not.
- Structural inflationary forces continue to build while the Federal Reserve slowly but surely seeks to reduce the size of its balance sheet. While the future is never certain, one should not underestimate the impact of central bank policy not solely focused on growth and stability that must also contend with inflationary forces.
- Capital markets have selectively ignored the sea change underway and seem to be beholden to the formula that worked during the 'free money' climate of the last decade.

<u>Market</u>	<u>3Q 2023 Return</u>	<u>CYTD Return to 9/30/23</u>
US Large Cap (S&P 500)	-3.3%	+13.1%
US Small Cap (Russell 2000)	-5.1%	+2.5%
Non-US Developed (MSCI EAFE)	-2.0%	+6.8%
Non-US Emerging Markets (MSCI EM)	-2.9%	+1.8%
Aggregate Bonds (BB Agg)	-3.2%	-1.2%

In fairness, the returns above tell two different stories. On the side of free money and boundless optimism lies the S&P 500, whose double-digit gain was nearly entirely driven by a 44.6% advance for its top ten names. On the side of complexity and changing business/economic conditions lies the other indices.

Our view is that investors must look past US focused capitalization-weighted indices to the broader market opportunity set. We find it both frustrating and a source of great optimism that many disagree with us. We've heard everything from "traditional valuation metrics don't apply to large dominant businesses" to "why embrace diversification away from indices now?"

What will change the current state of affairs? When will it happen?

Unfortunately, these are not questions we can responsibly answer. Instead, we rely upon the significance of long-term over short-term outcomes and the inarguable dominance of cyclicity alongside the underlying principles that always ultimately govern investment outcomes.

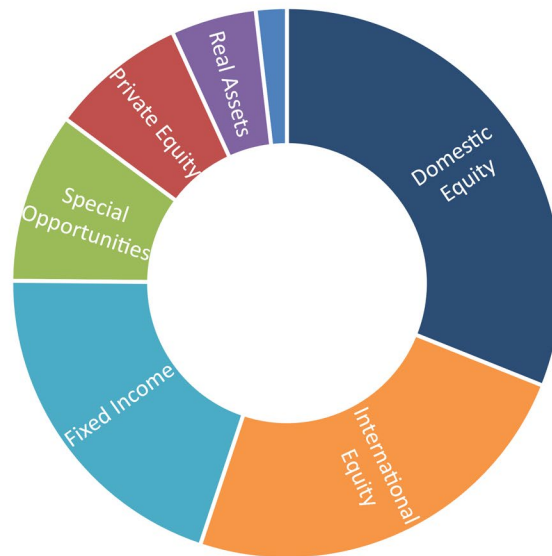
*--Michael Miller, Chief Investment Officer, Crewcial Partners (JCF's Investment Consultant)*

## Investment Performance Objectives

The **long-term** performance objective for the Foundation’s pooled investment portfolio is to earn a rate of return that is at least equal to the rate of inflation plus the spending rate. In other words, the Foundation invests its assets to maximize grantmaking to address current needs, while protecting long-term purchasing power for grantmaking in perpetuity. This is best achieved through a balanced approach that is sensitive to market opportunities and volatility over long time frames.

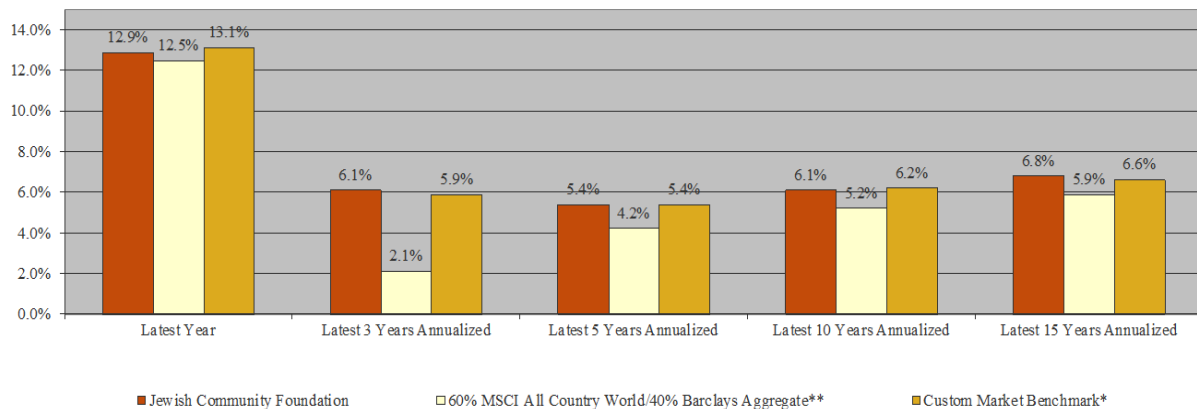
The total portfolio is based on a strategic asset allocation, benchmarked using suitable market indices to represent each asset class. On September 30, 2023, total assets in the Pool were approximately \$158 million across 29 investment managers. The allocation among asset classes was as follows:

Asset Allocation  
as of September 30, 2023



While the Foundation uses performance benchmarks for each asset class, it also considers weighted benchmarks for the entire portfolio as demonstrated below:

## Aggregated Investment Performance



\*Custom Market Benchmark reflects the portfolio’s strategic asset mix over time. Currently, it consists of the following indices: 9% Barclays Capital Aggregate, 26% S&P 500, 8% Russell MidCap, 8% Russell 2000, 19% MSCI EAFE, 5% MSCI Emerging Markets, 10% MSCI AC World, 4% FTSE World Government Bond Index, 5% Bloomberg Commodity Index, 3% Barclays US TIPS, and 3% 90 Day T-Bills.

\*\*MSCI All Country World Index measures the equity market performance of developed and emerging markets. THE MSCI ACWI consists of 45 country indices comprising 24 developed and 21 emerging market country indices.

## Managed Portfolio Investment Performance

	Periods ending September 30, 2023				Annualized		
	3 months	CYTD	FYTD	1 year	3 year	5 year	10 year
<b>Jewish Community Foundation Total Managed Portfolio</b>	<b>-2.4%</b>	<b>5.4%</b>	<b>-2.4%</b>	<b>12.9%</b>	<b>6.1%</b>	<b>5.4%</b>	<b>6.1%</b>
<i>Overall Market Benchmark</i> <sup>1</sup>	-3.1%	6.1%	-3.1%	15.2%	5.5%	5.1%	6.1%
<i>Overall Market Benchmark with Cambridge PE</i> <sup>2</sup>	-2.8%	4.9%	-2.8%	13.1%	5.9%	5.4%	6.2%
<i>60% MSCI AC World/40% Bloomberg U.S. Aggregate</i> <sup>3</sup>	-3.3%	5.5%	-3.3%	12.5%	2.1%	4.2%	5.2%
<i>Standard &amp; Poor's 500 Composite Stock Index</i> <sup>4</sup>	-3.3%	13.1%	-3.3%	21.6%	10.2%	9.9%	11.9%
<i>Bloomberg U.S. Aggregate Index</i> <sup>5</sup>	-3.2%	-1.2%	-3.2%	0.6%	-5.2%	0.1%	1.1%

<sup>1</sup> Overall Market Benchmark: This benchmark is composed of: 9% Bloomberg U.S. Aggregate; 26% Standard & Poor's 500; 8% Russell MidCap; 8% Russell 2000; 10% Morgan Stanley Capital International (MSCI) AC World, 19% MSCI EAFE; 5% Morgan Stanley Emerging Market Equities (MSCI EME); 4% FTSE World Government Bond Index; 5% Bloomberg Commodity Index; 3% Bloomberg U.S. Treasury Inflation Protection Securities; and 3% 90-day Treasury Bills.

<sup>2</sup> Overall Market Benchmark with Cambridge PE: In May 2023, the Foundation's Investment Committee added a second policy benchmark option that is identical to the original benchmark except for the use of the Cambridge Private Equity index in place of the S&P 500 for private equity. This benchmark is composed of: 9% Bloomberg U.S. Aggregate; 15% Standard & Poor's 500; 11% Cambridge all PE; 8% Russell MidCap; 8% Russell 2000; 10% Morgan Stanley Capital International (MSCI) AC World, 19% MSCI EAFE; 5% Morgan Stanley Emerging Market Equities (MSCI EME); 4% FTSE World Government Bond Index; 5% Bloomberg Commodity Index; 3% Bloomberg U.S. Treasury Inflation Protection Securities; and 3% 90-day Treasury Bills.

<sup>3</sup> 60% MSCI AC World/ 40% Bloomberg U.S. Aggregate Bond Index: A benchmark comprised of 60% of the Morgan Stanley All Country World index which includes equities from the United States, developed and emerging markets from around the world. And, this benchmark is 40% invested in Bloomberg US Aggregate Bond Index, a measure of primarily US dollar denominated, investment grade fixed income securities. The Foundation's equity holdings are diversified across the geographies covered by the MSCI index. The Foundation's equity holdings are diversified across the geographies covered by the MSCI index.

<sup>4</sup> S&P 500: A market capitalization-weighted price-only index comprised of 500 widely held common stocks listed on the New York Stock Exchange and NASDAQ. It is used as a benchmark to measure the overall performance of the U.S. stock market.

<sup>5</sup> Bloomberg U.S. Aggregate Index: An unmanaged market value-weighted index comprised of U.S. investment grade, fixed rate bond market securities, including U.S. Government bonds, corporate bonds (minimum grade Baa), mortgage pass-through securities, commercial mortgage-backed securities and asset-backed securities that are publicly offered for sale in the United States. Effective November 3, 2008, the Lehman Brothers Aggregate Bond Index rebranded Barclays Capital Aggregate Bond Index. There have been no changes to the calculation or definition of the index data.