

TIDEWATER JEWISH FOUNDATION

INVESTMENT OUTLOOK ~ WINTER 2018/2019

**Investments Pooled with the Jewish Community Endowment Pool (JCEP)
in Partnership with Combined Jewish Philanthropies (CJP) of Boston
All Data as of December 31, 2018**

The fourth quarter of 2018 ended December 31st with a negative return* of -6.7%, trailing the Tidewater Jewish Foundation's (TJF's) composite benchmark return for the quarter by 80 basis points (bps) as shown below. **The one-year return was a negative -4.3%, also lagging our benchmark return of negative -4.1% (by 20 bps) for the past 12 months.** The fourth quarter and the one-year returns, while below the benchmarks, were strong on a relative basis, ranking in the top 20% and top third respectively in a database of peer organizations (see page 2).

The JCEP historical performance continues to be well ahead of the benchmark target for longer periods of time measured (i.e. business cycles) and has generally **met the overall investment objective of supporting ongoing spending needs for our community programs.** JCEP's primary investment objective is to attain an average annual real total return (defined as a nominal return net of fees and inflation) of at least 5% over the long term (rolling 5 year periods) to support program requirements. It is acknowledged that this objective may not be achieved in all periods.

TJF's Main Pool Performance	4 th QTR	1 Year	3 Years	5 Years	10 Years
TJF History (based on JCEP history since 9/09, Chicago and SEI pools prior)	-6.7%	-4.3%	4.4%	2.8%	5.9%
JCEP History	-6.7%	-4.3%	4.4%	2.8%	6.8%
TJF Historical Benchmark (a blended composite index corresponding to TJF's history and actual asset allocations)	-5.9%	-4.1%	3.5%	2.7%	5.9%
CPI-U + 5% (JCEP long-term objective)	0.7%	7.0%	7.1%	6.6%	6.9%

Cash and cash equivalents held by TJF for fund liquidity needs, local investment-related expenses and fund level capital transactions may result in returns observed within an individual fund that differ from the overall portfolio returns presented above.

** Note: all returns are reported net of investment management expenses*

Quarterly Market Performance Recap

Global Stocks declined almost 13% during the fourth quarter with the US lagging the rest of the world. The S&P 500 declined 13.5% as energy and tech stocks struggled. Small caps were the poorest performing sector, dropping over 20%. Value stocks outperformed growth stocks for the first time this quarter in many years, ending a remarkable run for growth stocks. Developed stocks were not immune to the decline, dropping 12.5%. Surprisingly, emerging markets stocks were the leader dropping only 7.5%. Bonds were little changed with a modest decline in rates on the long end of the curve. The ten-year treasury ended the year at 2.69%. Oil prices struggled mightily, dropping almost 40%.



For its fiscal years 2011 through 2018, the Tidewater Jewish Foundation has been awarded a certificate of conformance to the Best Practices under the Global Fiduciary Standard of Excellence. The assessment process is built upon the Fiduciary Quality Management System, as established by the Centre for Fiduciary Excellence. In the execution of The Colony Group's four-step assessment process, TJF documents and recordings were reviewed, including: TJF's Investment Policy Statements and Asset Allocation Analyses, Investment Committee Meeting minutes, By-Laws, as well as other investment governance records maintained by TJF.

FIDUCIARY PRACTICES REVIEW

Issued November 2018 to the:
TIDEWATER JEWISH FOUNDATION



for conformance to the Best Practices under the
GLOBAL FIDUCIARY STANDARD OF EXCELLENCE

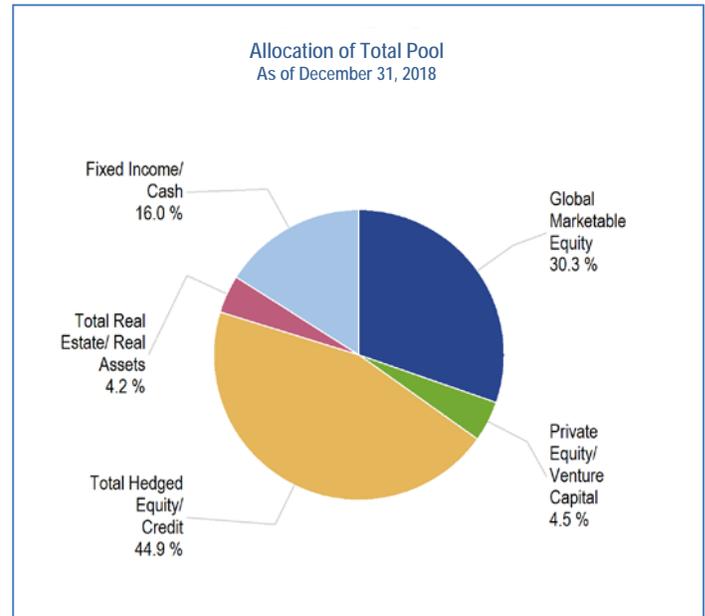
COMPOSITION OF THE TJF / JCEP PORTFOLIO

The pie chart to the right reflects the TJF / JCEP portfolio's asset allocation as of the end of the quarter. The composition of the TJF / JCEP Portfolio has allowed it to effectively participate in market rallies while preserving capital well during periods of decline. Specifically, **over the past ten year period, the portfolio has captured approximately 95% of the "up market" performance but only 70% of the "down market" performance** relative to the target index.

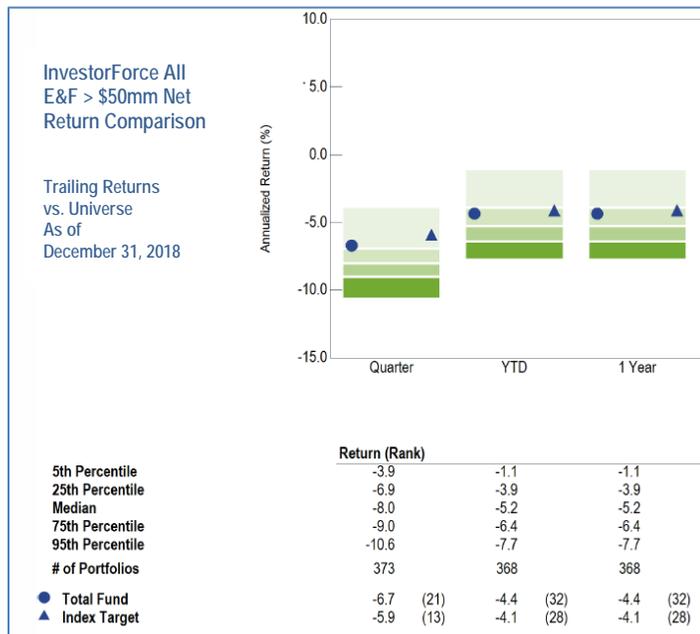
RELATIVE PERFORMANCE

Several hundred endowments and foundations have been monitored over the past several years in the InvestorForce database used by TJF's Investment Consultant to report relative performance.

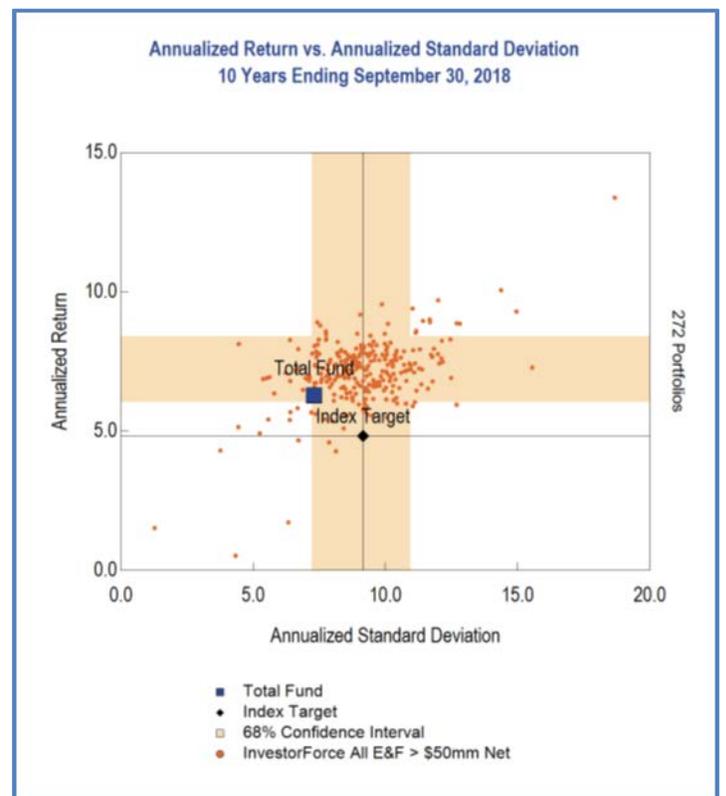
Noted in the pie chart on this page, the JCEP allocation to marketable equities was 30% at the end of the quarter. Comparatively, the allocation across the InvestorForce peer database to equities for the period was 58%. The portfolio performs well on a relative basis in protecting capital during down markets as experienced during 2018.



The JCEP returns have demonstrated lower volatility than most of its peer group of the InvestorForce reported endowments/foundations as measured by the annualized standard deviation, generally used as an indicator of risk. The top left or "northwest quadrant" in the volatility chart below is most desirable, indicating higher returns (the vertical axis) achieved with lower risk (the horizontal axis). Other reporting entities are represented by the red scatter points which are mostly to the more volatile "east" of the blue square representing the JCEP portfolio.



The image above shows the dispersion of endowment and foundation returns in the peer database for the fourth quarter and for 2018 (each shaded band is a quartile of the population) – the JCEP return ranked in the 21st and 32nd quartile respectively, as noted on page 1. This downside protection strategy was also very evident in the 2008 recession that preceded the past decade's "bull run."



QUARTERLY PERFORMANCE ATTRIBUTION

Total JCEP portfolio equities declined 14.2% lagging the MSCI ACWI down 12.8%. Domestic equities were down 21.5% lagging the S&P 500 and Russell 2000. Non-US equities were down 12.8% roughly matching the MSCI EAFE at -12.5%. Emerging market equities in the JCEP portfolio were down 4.8%, leading the emerging markets index which was down 7.5%. Hedge funds were down 5.3% closely matching the related index, down 5.0%. Real assets were up modestly for the quarter, however several managers in private real estate had very strong performance. The recently added fixed income component, the Wellington Treasury bond strategy, returned 1.5% for the quarter.

Tidewater Jewish Foundation Completes Successful Year 2 of LIFE & LEGACY™

The second Year of TJF's LIFE & LEGACY™ program has been completed with resounding success! **Teams of staff and volunteers from nine local agencies and synagogues have pulled together to secure over 400 commitments, worth an estimated \$17 million in future gifts for our Jewish community.** With the support of the Harold Grinspoon Foundation, the LIFE & LEGACY™ teams have learned the nuts and bolts of legacy giving, while also building cooperation and partnerships between all of the Tidewater Jewish organizations.

The program has changed the philanthropic landscape of our community, enabling and encouraging people of all levels of wealth to participate. Jason Lovitz, who leads the team for Temple Emanuel, is deeply appreciative of the program because **"Grinspoon's whole idea is that it is not about how much you give, it's about how many people give.** Before I got involved in LIFE & LEGACY™, I thought it was for the ultra-rich and/or the ultra-old. That couldn't be further from the truth. It's for anybody. Everyone can be a giver."



Teams from nine local agencies are recognized at the Year 1 Celebration in 2018 for meeting incentive goals in collecting new legacy commitments for the future benefit of the entire Jewish community.

Leaving a legacy gift is a meaningful way to let your friends and family know what you care about and what your hopes are for the future. **TJF will celebrate all of our community's legacy donors at the Year 2 Celebration on Monday, March 18th at 5:30 p.m. at the Sandler Family Campus.**

Development of new endowment assets, along with the prudent management and investment of the local Jewish community's prior endowment gifts, continue to be key services that the Tidewater Jewish Foundation provides to its network of local Affiliate agencies. Our local community is well-served in this regard by its investment partnership with CJP/JCEP. TJF representatives would be pleased to meet with any of its fund holders and/or Affiliate Leadership to discuss this investment strategy in more detail.

Sincerely,

Scott Kaplan
President & CEO



TIDEWATER JEWISH FOUNDATION



Global Markets

Global equities declined nearly 13% in the fourth quarter due to concerns about fed tightening, protectionism, and slowing Chinese growth.

Unlike previous quarters, domestic equities were the laggard. The S&P 500 dropped over 13% and small caps declined over 20%

Non-US developed market equities dropped 12.5% as concerns about growth in Europe and Japan bubbled up.

Emerging markets held up surprisingly well, declining only 7.5%.

The yield curve flattened during the fourth quarter. The fed raised interest rates by 25 bps in December.

Hedge Funds declined almost 6% as hedged equity strategies declined over 8%.

Global Economy

Global growth showed signs of slowing during the fourth quarter.

GDP in the US for the fourth quarter was not yet available due to the government shutdown but is expected to continue a strong run despite a moderate slowdown.

Job growth remained strong in the US averaging 254,000 per month in the fourth quarter. The unemployment rate ticked up to 4% in January

The Eurozone grew 1.2% during the fourth quarter while Japan growth is expected to be less than 1%.

The FOMC tightened during the fourth quarter, raising interest rates by 0.25%.

Consumer prices increased 1.9% during 2018.

Outlook

Mercer and BCA, economic analysis services used by TJF's Investment Consultant, see global growth weakening as growth becomes less synchronized. However, they expect US growth to remain strong relative to other developed markets.

Historically, bear markets rarely occur without a recession. If forecasters are correct, stock prices should continue to rise. A trade war is the wild card.

Rate hikes are expected to remain on hold for several months.

Eurozone and Japanese growth is moderating but is expected to remain positive.

The decline in equity prices has improved valuations. BCA expects modest but positive returns for 2019.

The threat of a global trade war looms over the global economy. China and the US are struggling to come to an agreement.