

TIDEWATER JEWISH FOUNDATION

INVESTMENT OUTLOOK ~ WINTER 2019 / 2020

**Investments Pooled with the Jewish Community Endowment Pool (JCEP)
in Partnership with Combined Jewish Philanthropies (CJP) of Boston
All Data as of December 31, 2019**

The fourth quarter of 2019 ended December 31st with a return* of 4.9%, leading the Tidewater Jewish Foundation's (TJF's) composite benchmark return for the quarter by 60 basis points (bps) as shown below. **The one-year return was a positive 15.4%, beating our benchmark return of 13.0% (by 240 bps) for the past 12 months.**

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 / JCEP	4.9%	15.4%	7.1%	5.4%	6.2%
TJF / JCEP Benchmark <small>(a blended composite index corresponding to the TJF / JCEP actual asset allocations)</small>	4.3%	13.0%	6.4%	4.5%	5.0%
CPI-U + 5% (JCEP long-term objective)	1.3%	7.4%	7.2%	6.9%	6.8%

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

The S&P increased 9.1% for the quarter and over 31% for the year. Much of the increase was led by Apple, up over 80% for the year, and Microsoft, up approximately 50%. Small cap stocks rebounded strongly during the quarter up almost 10%. Growth once again regained lead over value by over 3%. For the last five years, growth has outperformed by over 6%. Developed stocks were up 8.2% during the quarter as optimism over central bank activity in Europe and Japan fueled the increase. Emerging market stocks increased 11.8%, the most of any major sector, fueled by progress in the US-China trade war. Bond yields rose slightly with the 10 year treasury yield increasing from 1.68% to 1.92%. Oil prices declined approximately 13%. Gold was up approximately 74%.

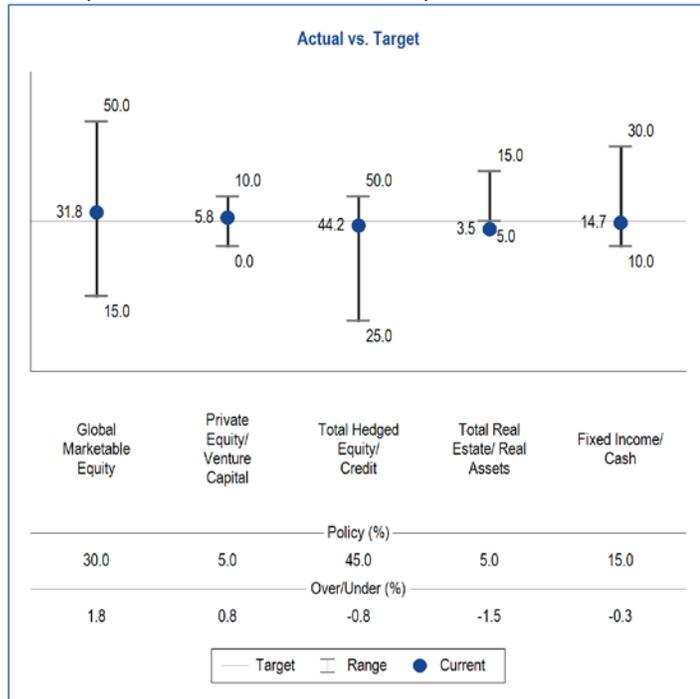


For its fiscal years 2011 through 2019, the Tidewater Jewish Foundation has been awarded a certificate of conformance to the Best Practices under the Global Fiduciary Standard of Excellence. The assessment process is built upon the Fiduciary Quality Management System, as established by the Centre for 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.



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. As shown on the chart below, the portfolio's asset allocation is in compliance with our Investment Policy Statement (IPS) while being slightly overweight to global marketable equity and private equity/venture capital, while being slightly underweight to the hedged equity/credit allocations as well as the real estate/real asset segments of the portfolio at the end of the quarter.

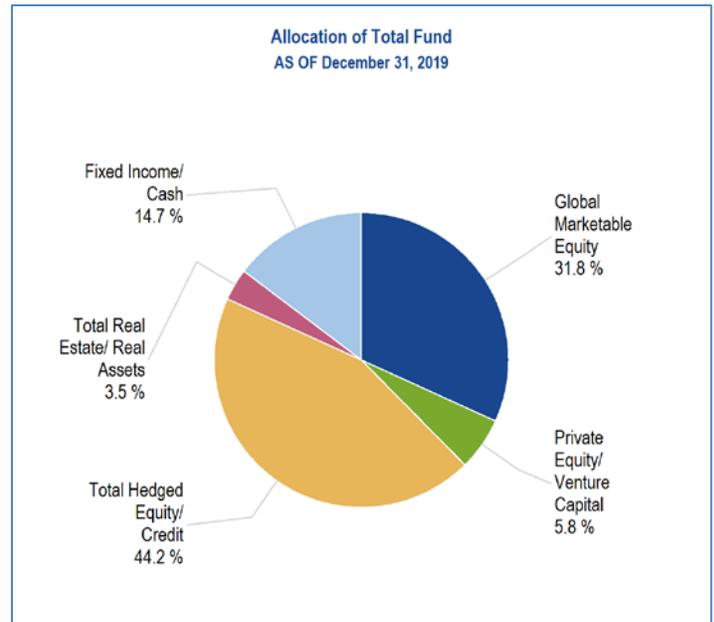


The composition of the TJF / JCEP Portfolio has allowed it to effectively participate in market rallies while preserving capital well during periods of decline.

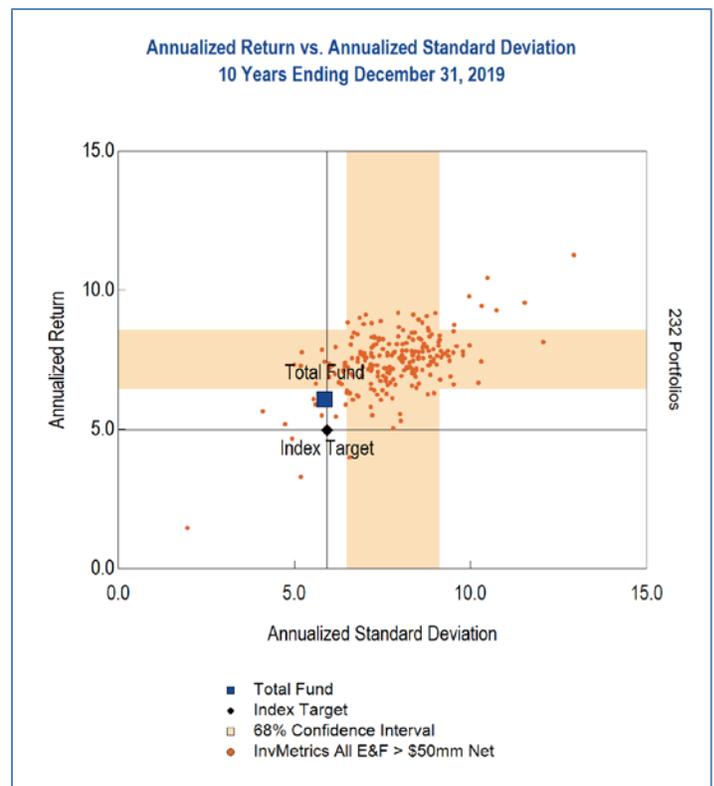
Specifically, **over the past ten-year period, the portfolio has captured approximately 105% of the "up market" performance but only 74% of the "down market" performance** relative to the target index.

RELATIVE PERFORMANCE

Several hundred endowments and foundations have been monitored over the past several years in the InvMetrics database used by TJF's Investment Consultant to report relative performance. Noted in the chart above and the pie chart on this page, the JCEP allocation to marketable equities was 32% at the end of the quarter. Comparatively, the allocation across the InvestorForce peer database to equities for the period was 57%. During periods of significant volatility in the equity markets, JCEP generally demonstrates lower volatility than the comparative group, neither "peaking" nor "bottoming out" with "bull or bear" markets.



The JCEP returns have demonstrated lower volatility than most of its peer group of the InvMetrics 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.



QUARTERLY PERFORMANCE ATTRIBUTION

Total portfolio equities were up 8.8% compared to the MSCI ACWI increasing 9%. Global Absolute Return/Hedged Equity expanded during the quarter to include Liquid Credit Managers. This asset class had another good quarter on a relative basis, up 4.9% compared to the HFRI Funds of Funds index increasing 3.0%. Real Estate managers within the JCEP portfolio did well for the quarter, up 3.4% compared to the NCREIF Property increasing only 1.6%. Within the Fixed Income/Cash allocation, the Wellington Treasury investment rose 40 bps as the short end of the yield declined.

Tidewater Jewish Foundation Completes Successful Year 3 of LIFE & LEGACY®

The third year of TJF's LIFE & LEGACY® program has been completed with resounding success! **Teams of staff and volunteers from eight local agencies and synagogues have pulled together to secure over 540 commitments, worth an estimated \$20.3 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.



Teams from eight local agencies and staff participating in 2019's Year 2 Celebration of the new legacy commitments for the future benefit of the entire Jewish community.

and/or the ultra-old. That couldn't be further from the truth. It's for anybody. Everyone can be a giver." To-date, **319 unique donors have participated and made new commitments.** While there have been more than thirty commitments of over \$100,000 and even a handful above \$1 million, **any new endowment gift or designation of at least \$1,000 counts!**

Growing endowment funds with new legacy gifts helps increase the annual support for the local Jewish Community along with the prudent management of the investment assets.

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 3 Celebration on Thursday, April 2nd at 5:30 p.m. at the Sandler Family Campus.**

Prudent management and investment of the local Jewish community's funds continues to be one of the key services that the Tidewater Jewish Foundation provides to its network of local Affiliate agencies. Our local community is well-served by this 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,

**Randy Parrish, CPA, AEP®
Interim President & CEO / CFO**



TIDEWATER JEWISH FOUNDATION



A program of the HAROLD GRINSPOON FOUNDATION

Global Markets

Equities ended the quarter on a very strong note. The global index increased 9% for the quarter.

Large cap domestic stocks relinquished their lead for the quarter but were up a healthy 9.1%. Small cap stocks were up 9.9%.

Non-US developed market equities increased 8.2%. Over 2% was contributed by the decline in the dollar.

Emerging markets were the strongest performing sector, up 11.8% fueled by trade progress and signs of stabilization in their economies.

Interest rates rose slightly during the quarter but interest income resulted in a slightly positive return for the intermediate index.

Hedge funds had one of their best quarters in years up 3% for the quarter and 8.3% for the year.

Global Economy

Year over year growth in the US economy was the slowest since 2016 at 2.3%.

Consumer spending has remained reasonably strong and was up 0.2% in December after rising 0.4% in November.

Nonfarm payrolls averaged 152,000 jobs per month during the second quarter. Unemployment ended the year at 3.5%

Chinese growth remained soft and shows few signs of acceleration. GDP increased 6% YOY, the weakest posting since 1992.

The FOMC cut rates once during the quarter. The ECB and BOJ continued to ease.

Inflation increase 2.3% YOY in December. This was the highest rate since 2011

Outlook

Despite weak economic growth, Mercer and BCA, economic analysis services used by TJF's Investment Consultant, see global growth stabilizing over the next few quarters. Our Consultant's partners, BCA and Alpine Macro see equity prices continuing to rise in 2020. US equity price increases are expected to lag foreign stocks due to valuations.

The market does not expect further interest rate cuts this year but our Consultant's partners expect 1 to 2 cuts.

Eurozone and Japanese growth is moderating but is expected to remain positive. If stimulus efforts in China take hold, the outlook is stronger although the Corona Virus epidemic will be an obstacle.

Price/Earnings ratios rose from 21.1 to 23.1 in domestic equities but given the low levels of interest rates, this is a reasonable valuation.

A resumption of the trade wars and the uncertainty of the scope of the coronavirus epidemic are the main wildcards impacting global growth.