

# TIDEWATER JEWISH FOUNDATION

## INVESTMENT OUTLOOK ~ FALL / 2020

### Investments Pooled with the Jewish Community Endowment Pool (JCEP) in Partnership with Combined Jewish Philanthropies (CJP) of Boston All Data as of September 30, 2020

The third quarter of 2020 ended September 30<sup>th</sup> with the Tidewater Jewish Foundation's (TJF's) main investment pool posted a quarterly return\* of **5.2%**, leading its composite benchmark return for the quarter by 120 basis points (bps). Due to the severity of the first quarter decrease however, the 2020 YTD, lags the benchmark as shown below, while longer term returns are on par with or exceed the composite benchmark.

The volatility of financial markets in 2020 has been challenging for the JCEP returns to meet 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 (returns, price indexes > 1 year annualized)	3 <sup>rd</sup> QTR	YTD	1 Year	3 Years	5 Years	10 Years
<b>TJF / JCEP</b>	<b>5.2%</b>	<b>-1.2%</b>	<b>3.7%</b>	<b>3.8%</b>	<b>5.7%</b>	<b>5.4%</b>
TJF / JCEP Benchmark (a blended composite index corresponding to the TJF / JCEP actual asset allocations)	4.0%	1.9%	3.7%	3.8%	5.7%	4.8%
<b>CPI-U + 5% (JCEP long-term objective)</b>	<b>2.2%</b>	<b>5.1%</b>	<b>6.4%</b>	<b>6.9%</b>	<b>6.9%</b>	<b>5.8%</b>

*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 500 was up 8.9% for the quarter. Once again, growth led value by almost 8%. Technology stocks continued to be strong. Small cap stocks increased 4.9%. Developed International stocks rose 4.8%. Over 3% of that performance was due to a decline in the dollar. Emerging market stocks were up 9.6% largely led by Asian markets, and in particular China. Treasury yields were little changed during the quarter. A modest tightening in lower rated bonds allowed the Barclays Aggregate to eke out a small positive return. Gold made a cycle high of \$2,061 in August but closed at \$1,883 for a 5% increase. Crude oil closed at \$40.05, an increase of 2%.

### QUARTERLY PERFORMANCE ATTRIBUTION

JCEP global equity performed strongly in the third quarter, returning 10.9% and out-performing 81% of the InvestmentMetrics universe (see "Relative Performance," next page) and led all major indexes. One domestic equity manager returned 27.0% for the quarter and 43.3% for the past twelve months. JCEP hedged equity / credit allocation lagged, with this allocation modestly up 3.1% compared to 4.1% for the HFRI FOF Composite Index. Illiquid Credit performed well in the quarter, up 4.5%. One particular manager was up over 25% for the quarter.

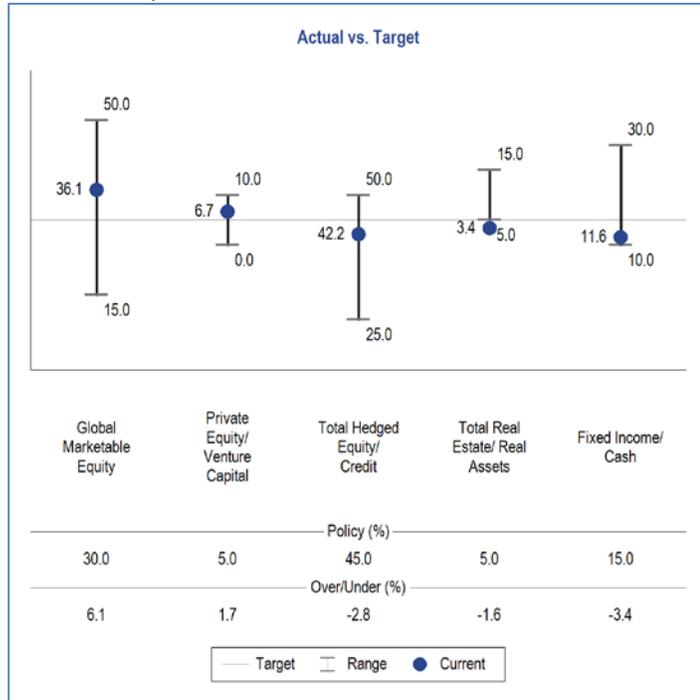


For its fiscal years 2011 through 2020, the Tidewater Jewish Foundation has been awarded a certificate of conformance to the Best Practices under the Global Fiduciary Standard of Excellence. The assessment process is built upon the Fiduciary Quality Management System, as established by the Centre for 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) with slight overweight/underweight allocations at the end of the quarter.

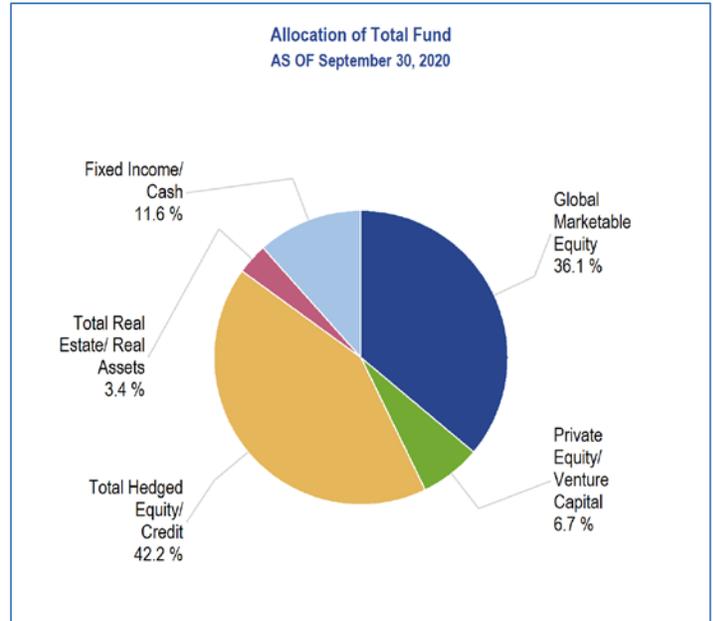


Historically, the composition of the TJF / JCEP Portfolio has allowed it to effectively participate in market rallies while preserving capital well during prior periods of decline. However, the first quarter's downturn impacted all investment allocations negatively and the portfolio's hedging strategies did not provide anticipated downside protection. The second quarter's rebound was not strong enough to offset the impacts of that prior decline.

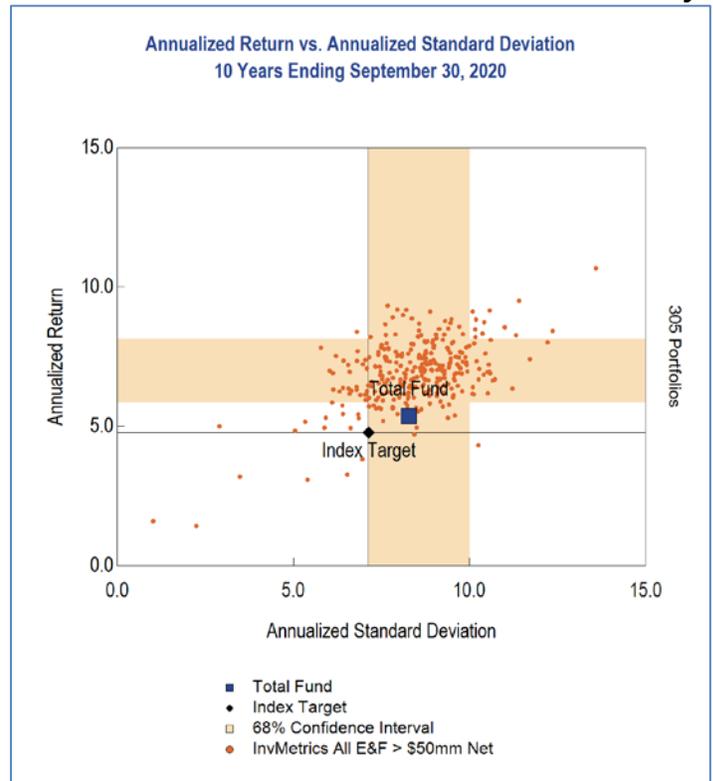
**The Up Market/Down Market Capture Ratio relative to the Foundation benchmark still remains favorable with 109% for up capture compared to 100% down capture for the 10-year period.**

## RELATIVE PERFORMANCE

Several hundred endowments and foundations have been monitored over the past several years in the InvestmentMetrics database used by TJF's Investment Consultant to report relative performance. In prior periods, JCEP had generally demonstrated lower volatility than the comparative group.



However, with the significant dispersion of first quarter returns in hedge fund allocations (90% of the reporting universe Q1 returns ranged between -1.7% and -19.3%), and with the JCEP hedged equity/credit managers significantly underperforming relative to this group, overall JCEP relative returns for multiple periods have been impacted. The updated ten-year annualized returns and standard deviation chart below shows lower returns but average volatility. **The TJF Investment Committee continues to monitor these trends closely.**



# Tidewater Jewish Foundation Earns Fiduciary Excellence Certificate

The Tidewater Jewish Foundation is working with more than a dozen Jewish agencies, synagogues and organizations to secure the future of our Tidewater Jewish community as well as with hundreds of community members who opened donor advised funds at the Foundation. We take this honor very seriously and are happy to announce that at the November 18th meeting of Tidewater Jewish Foundation's Investment Committee, Tim Jester presented TJF with a Certificate of Conformance to twenty-one specific best practices under the Global Fiduciary Standard of Excellence for the Fiscal Year ended June 30, 2020. While we were unable to have the presentation in person in 2020 due to the pandemic, we thought we would share a mask-less photo from the 2019 presentation.



*From left, Byron Harrell, Chair of TJF's Investment Committee, Tim Jester from The Colony Group and Lawrence Steingold, TJF's Board immediate past chairman, at the 2019 prior presentation of the Fiduciary Excellence Certificate*

The Standard is built around four steps, Organize, Formalize, Implement and Monitor, modelled after the Global ISO 9000 Quality Management System standard, which emphasizes continual improvement in a decision-making process. The specific practices under these steps are each prescribed by various laws (such as the Uniform Prudent Management of Institutional Funds Act, or UPMIFA) with the criteria providing specific mechanisms to evaluate compliance with such laws/practices.

Tim Jester, Director of the Institutional Advisory Practice at The Colony Group, has been qualified as an Accredited Investment Fiduciary by fi360, Inc. The Colony Group assesses fiduciary practices under the Standard, which was originally developed by the Center for Fiduciary Studies about ten years ago and has since been refined and updated as a handbook published by fi360, Inc. entitled, Prudent Practices for Investment Stewards. Tim shared that "the handbook is designed for use by persons who have the legal responsibility for managing someone else's money, including trustees and investment committee members." He congratulated the committee members, adding that, "TJF's conformance with these best practices provides assurance to donors that their gifts to the Foundation are being well managed, for the perpetual benefit of the community."

Lawrence Steingold, immediate past chair of TJF's Board of Directors, thanked Tim for his role in assessing TJF's investment policies and procedures. He also expressed appreciation to Byron Harrell for his leadership as Committee Chairman and to Committee members and to Foundation staff for their dedication and diligence in executing their fiduciary roles. Byron noted that the certificate represents an acknowledgement and assurance to donors that the Foundation is well-qualified to receive and administer the community's charitable endowment assets. 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 and our local community is well-served by this investment partnership with CJP/JCEP.



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 and 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, Affiliate Leadership and others interested in Joining the Tidewater Jewish Foundation as a partner in philanthropy to discuss this investment strategy in more detail.

Sincerely,

  
**Naomi Limor Sedek**  
**President & CEO**



**TIDEWATER JEWISH FOUNDATION**



**Global Markets**

Global equities continued to rally strongly, up 8.1% for the third quarter.

The S&P 500 was up 8.9% as tech and consumer discretionary remained strong. Small Caps were up 4.9%.

Non-US developed markets were up 4.8% for the quarter. However, the decline in the dollar added 360 bps to returns for dollar investors.

Emerging markets equities were up 9.6% for the quarter as Asian markets continued to drive returns. Chinese stocks were up 12.5%.

Intermediate bonds returned 0.6% as corporate bonds tightened modestly. Interest rates were little changed.

Hedge Funds returned 4.1% as hedged equity strategies remained strong. Event driven and relative value lagged.

**Global Economy**

Economic indicators displayed a stronger than expected cyclical rebound over the quarter but some slowing in the fourth quarter is expected.

In the first estimate of 3<sup>rd</sup> quarter GDP, the economy grew at 33.1%.

The Federal Reserve's balance sheet has expanded to over \$7T and similar expansions have been seen in the ECB and JCB.

Retail sales increased almost 2% for September as sales remained strong..

The fed funds rate remained at 0% during the quarter.

US unemployment has fallen to 7.9% after peaking at 14.7% in April.

**Outlook**

Economic growth rebounded in the third quarter due to relaxed lockdowns and a resumption in economic activity. We do expect the growth rate to decline.

Equity prices continued to recover from the large equity price decline in the first quarter. Our partners expect this to continue but we will likely experience greater volatility.

The volatility around the presidential and senate elections is expected to be high, particularly if the election is close and the outcome is not known immediately.

Estimates of over 100 vaccines in development give us optimism that one or more will be successful although some issues in the third stage of testing has hit some rough spots.

Nominal valuations appear high however due to the decline in the risk-free rate look reasonable.

The administration has verbally reignited the trade war with China.

Sources: Mercer, Morningstar Direct, Federal Reserve Bank of St. Louis, Bureau of Economic Analysis, and BCA Research, Alpine Macro