

TIDEWATER JEWISH FOUNDATION

INVESTMENT OUTLOOK ~ WINTER 2023 / 2024

**Investments Pooled with the Jewish Community Endowment Pool (JCEP)
in Partnership with Combined Jewish Philanthropies (CJP) of Boston
All Data as of December 31, 2023**

The fourth quarter of 2023 ended December 31st with the Tidewater Jewish Foundation's (TJF's) main investment pool posting a **quarterly return* of 6.1%**, leading its composite benchmark return of 6.0% as shown in the table below. Also as shown, the TJF/JCEP return exceeds its benchmark in all trailing periods. **The JCEP 12 month return of 15.5% exceeds the benchmark return of 10.9% by 460 basis points (bps) and ranks in the 21st percentile of performance of the Endowment and Foundation Universe of funds in excess of \$50 million.**

The JCEP historical performance has generally **met the overall 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. It has met that goal in the last year, but in some longer timeframes when prior inflation rates approached historic highs, the trailing returns fell short of that real 5% return after inflation (e.g. CPI-U + 5%).

TJF's Main Pool Performance (returns, price indexes > 1 year annualized)	4 th QTR	1 Year	3 Years	5 Years	10 Years
TJF / JCEP	6.1%	15.5%	7.0%	8.8%	5.8%
TJF / JCEP Benchmark (a blended composite index corresponding to the TJF / JCEP actual asset allocations)	6.0%	10.9%	6.4%	5.4%	4.5%
CPI-U + 5% (JCEP long-term objective)	1.7%	8.5%	9.3%	7.9%	7.6%

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 fourth quarter was a strong quarter for stocks and bonds. The S&P 500 was up 11.7% for the quarter and up over 26% for the year. Growth stocks outperformed Value stocks. IT sector stocks were up over 21%. Small cap stocks were up 9.5% for the fourth quarter. Developed market international stocks rose 10.4% for the quarter and 18.2% for the year; Japan was the strongest, up over 18%. Emerging market stocks rose 7.9% led by India and Latin America. Fixed income was up 6.8% as interest rates declined. West Texas Intermediate crude oil was down over 20%, closing at \$71.89. Hedge funds increased 4.2%.

QUARTERLY PERFORMANCE ATTRIBUTION

JCEP's domestic equity managers lagged the S&P by 40bps. Developed non-US managers led EAFE by 30 bps. Emerging Market managers led their index by 30bps. Hedge Funds had a strong quarter with hedged equity leading the HFRI by almost 4%.



Annually, since 2011, the Tidewater Jewish Foundation has commissioned an independent external review that confirms the Foundation's 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 conduct of specific procedures designed to verify conformance for its fiscal year ended June 30, 2023, TJF documents and recordings were reviewed by the **independent firm of PBMAres, LLP**, 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.

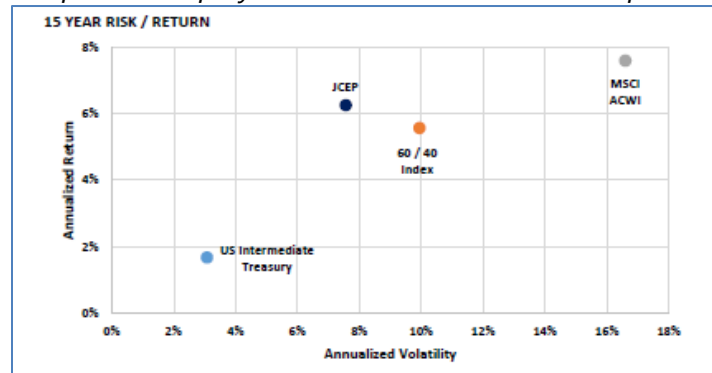
Fiduciary Practices Review



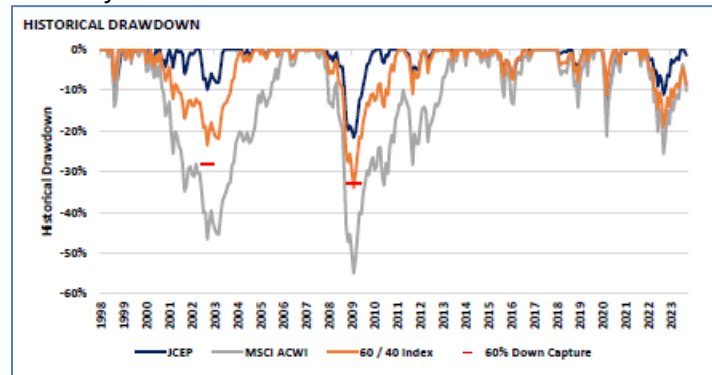
Has conducted an independent review that confirms for the fiscal year ended 6/30/2023 conformance with the
GLOBAL FIDUCIARY STANDARDS OF EXCELLENCE

JCEP Returns Delivered with Less Risk

compared to equity markets or traditional 60/40 pool



The Sharpe Ratio is a standard industry metric for evaluating risk-adjusted returns. **The JCEP 15-year Sharpe Ratio of 0.8**, which slightly exceeds the timeframe of TJF’s partnership but includes the market downturns in the Global Financial Crisis, **shows a higher return with less risk** than the 0.5 Sharpe Ratio for the MSCI ACWI and the 0.6 Sharpe Ratio for a 60/40 portfolio of 60% MSCI ACWI and 40% US Intermediary Treasury Index.

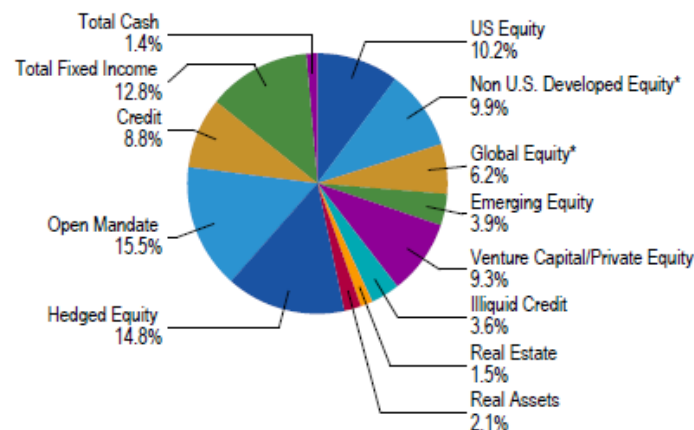


Lower volatility results, in part, from lower participation in market downturns, as had occurred during the 2008 and 2009 Global Financial Crisis, and more recently in 2022 which is reflected in JCEP’s higher 15-year Sharpe ratio noted above. The blue line in the chart above shows how JCEP’s capital preservation traits have generated downside protection, decreasing less when equity markets decline.

Asset Allocation and Relative Returns

The JCEP asset allocation helps drive the lower volatility and the strong downside protection with non-correlated assets relative to other traditional institutional portfolios.

Each quarter, TJF’s Investment Consultant compares the current JCEP allocation both to its target and to the allocation of the reporting entities in the Investment Metrics Endowment and Foundation Plan Universe. See the below actual JCEP allocation as of December 31st.



JCEP’s allocation looks different from other peer group allocations, with a significantly lower allocation to marketable equities as shown in the table below:

	Total Marketable Equity	Alternatives	Fixed Income and Cash	Total
JCEP Actual	30%	55%	15%	100%
JCEP Target	30%	56%	14%	100%
E&F Database*	49%	22%	20%	89%**

*** Database asset class median values won't add to 100%*

Actively investing with key managers, one of the key tenants of the JCEP approach, has generally resulted in out-performance over longer periods, relative to the associated benchmark returns.

In the 4th quarter of 2023, when equity markets rallied and the S&P 500 posted a gain of 11.7%, the diversified JCEP return of 6.1% ranked in the 78th percentile of the Endowment and Foundation Universe of funds in excess of \$50 million. However, in the prior 3rd quarter when equity markets declined, the JCEP return outperformed 99% of the peer groups’ returns.

We believe these recent rankings confirm the expectation previously expressed by members of the JCEP Board of Managers, that the pool will participate meaningfully in “up markets” and protect capital superbly during “down markets.”

Reflecting on the Past Year and on Positive Trends for 2024

As we look back on 2023, tumultuous world events continue to have significant and profound impacts that will be felt for some time to come. Following the geopolitical upheavals from the 2022 Russian invasion of Ukraine and that ongoing conflict, we witnessed the profound crises in Israel resulting from the terrorist attacks of October 7th. The subsequent increased instability in the Middle East and sharp rise in antisemitism both domestically and overseas appear to show no signs of abating.

And yet, as 2024 unfolds, there are positive trends and reasons for optimism. The Federal Reserve's prior interest rate increases curbed last year's inflationary pressures without pushing the US into recessionary territory. To the contrary, US economic growth has continued at a solid pace during the 4th quarter and most US growth forecasts for 2024 have improved. The US labor market remains tight with labor force participation rates just below pre-Covid trends. US equity markets continue to rally and establish new high trading levels.

And for the Tidewater Jewish Foundation (TJF), the consolidated assets under management at the end of 2023 were at an all-time high of nearly \$140 million. Contributions during the year added over \$17 million along with positive investment earnings. Charitable distributions to support TJF's mission and its affiliates were nearly \$14 million. Both the 2023 contributions and 2023 distributions are peak measures during TJF's nearly four decades of operation. Thanks to our donor community's unwavering commitment and faith in our mission, we are proud to report that TJF's charitable distributions of nearly \$7 million in the fourth quarter of 2023 included over \$2.9 million in grants in response to the urgent needs in Israel. This significantly bolstered the United Jewish Federation of Tidewater's Israel 2023 Emergency Fund and other preferred organizations providing aid to Israel. As a Foundation, we were poised to have resources available for responding to emergency needs as well as the trust of donors who knew when they added to their funds, resources would be immediately available. This ensured that when Israel came under attack, we could get the necessary support to those who needed it the most on the ground. Investing strategically, with a long-term horizon to secure the future of our Jewish community, while also maintaining liquidity to respond to the immediate needs of today, are primary objectives of the Tidewater Jewish Foundation.

Along with building endowments and securing legacy commitments, the prudent management and investment of the local Jewish community's funds continues to be some of the key services that the Tidewater Jewish Foundation provides to its donors and to its network of local Affiliate agencies.

TJF representatives would be pleased to meet with any of its fund holders and/or Affiliate Leadership and identified legacy prospects to discuss this investment strategy in more detail.

Sincerely,



Naomi Limor Sedek
President & CEO



TIDEWATER JEWISH FOUNDATION



Financial Markets Overview

After a soft period during Q3, global equities rebounded sharply in Q4, with the MSCI ACWI returning 11.0%. The Index gained 22.2% for 2023.

The S&P 500 rallied strongly during the quarter lead by the Magnificent 7, but the rally broadened as well.

International developed stocks returned 10.4% in Q4, bringing their 2023 gains to 18.2%. A weaker dollar added 540 bps to US\$ returns during the quarter.

Emerging market equities returned 7.9% in Q4 and gained 9.8% in 2023. Latin America was the best performing emerging market equity region last year offsetting negative returns from China..

The US energy sector was the only one with negative returns during Q4. For 2023, communication services, information technology and consumer discretionary were the best performing sectors, while utilities and energy were weakest.

The Bloomberg US Aggregate Index returned 6.8% during the quarter. Treasuries returned 5.7% and corporates returned 8.5%. The yield curve shifted lower during the quarter. The 2-year yield fell 80 bps, while the 30-year yield fell 68 bps.

Commodities generally decreased during the quarter along with natural resources while MLPs held up. The price of WTI crude oil fell by 21% and ended the quarter at around \$72.

Global private equity outperformed global developed stocks over the most recent longer-term trailing periods

Economic & Global Investment Outlook

US economic growth proved remarkably resilient in 2023 and investors are now hoping that easier monetary policy will continue to serve as a tailwind in 2024, offsetting less expansionary fiscal policy and potentially lower consumer spending. US economic growth may slow in 2024, but a hard landing is not expected.

Economic activity in the UK and Eurozone remained slow in Q4. China's economy continued to struggle and entered deflation in the fourth quarter but seemed to be touching its bottom with targeted stimulus measures to support the housing market.

US inflation has fallen significantly. Headline CPI was 3.4% year-over-year through December, while core CPI came in at 3.9%, an over two-year low. Inflation is expected to decline further as remaining inflationary components such as shelter roll over. Labor markets have shown signs of softening from tight levels, which also should help inflation fall back to target.

With rates ending the year in restrictive territory, central banks are now openly signalling an end to the hiking cycle. Markets have priced in several rate cuts in the US for the year, starting as early as March while the Federal Reserve's own rate projections indicate lower rates by the end of 2024.

Others such as the European Central and Bank of England remain more cautious while the Bank of Japan, which had kept rates near all time lows despite rising inflation, has entertained the possibility that it will not enter a hiking cycle.

Geopolitical risks remained in the forefront as the Gaza and Ukraine conflicts continued and shipping in the Red Sea was temporarily disrupted in December due to missile attacks. While the initial market impacts have been limited, there is the risk of escalation with potential impacts on oil markets.

Mercer's outlook for global equities has improved from a macro and policy standpoint but high US equity valuations remain a concern after strong quarterly returns. We believe the rally in Treasuries has brought yields out of the extremely attractive territory reached in September.