

TIDEWATER JEWISH FOUNDATION

INVESTMENT OUTLOOK ~ FALL 2023

**Investments Pooled with the Jewish Community Endowment Pool (JCEP)
in Partnership with Combined Jewish Philanthropies (CJP) of Boston
All Data as of September 30, 2023**

The third quarter of 2023 ended September 30th with the Tidewater Jewish Foundation's (TJF's) main investment pool posting a **quarterly return* of 1.1%**, leading its composite benchmark return, which lost -1.0% for the quarter, as shown in the table below. **The pool ranked in the top 1% of the Endowment and Foundation Universe of funds in excess of \$50 million for the Quarter.** Also as shown, the TJF/JCEP return exceeds its benchmark in all trailing periods. **The JCEP 12 month return of 14.3% exceeds the benchmark return of 9.4% by 490 bps and ranks in the 15th percentile of performance of that universe.**

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 prior to that, when recent inflation rates approached historic highs, the trailing returns for longer periods fall short of that real 5% return after inflation (e.g. CPI-U + 5%).

TJF's Main Pool Performance (returns, price indexes > 1 year annualized)	3 rd QTR	YTD	1 Year	3 Years	5 Years	10 Years
TJF / JCEP	1.1%	8.8%	14.3%	8.0%	6.1%	5.6%
TJF / JCEP Benchmark (a blended composite index corresponding to the TJF / JCEP actual asset allocations)	-1.0%	4.6%	9.4%	3.7%	3.8%	4.3%
CPI-U + 5% (JCEP long-term objective)	2.4%	6.7%	8.9%	11.0%	9.2%	7.9%

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

Large cap domestic equities declined by 3.3% in the third quarter (all equity sectors); the S&P 500's year-to-date return was 13.1%. Value and Growth stocks were virtually the same. Small cap stocks fell 5.1%. Developed market stocks declined 4.1% with Europe being largest laggard down 4.96%. Emerging market stocks fell 2.9% overall, with India up 2.72%. Fixed income was down over 3% as interest rates continue to rise. West Texas Intermediate was up over 205% closing at \$90.77. Hedge funds increased 1.4%.

QUARTERLY PERFORMANCE ATTRIBUTION

JCEP's domestic equity managers led the S&P 500 index by 320 bps (one JCEP manager was up 13.6%). Developed non-US managers led the EAFE index by 360 bps. Emerging Market managers lagged by 140 bps. Hedge Funds had a strong quarter leading HFRI Fund Weighted Index by 70 bps. Total Marketable Alternatives led by 140 bps.



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.

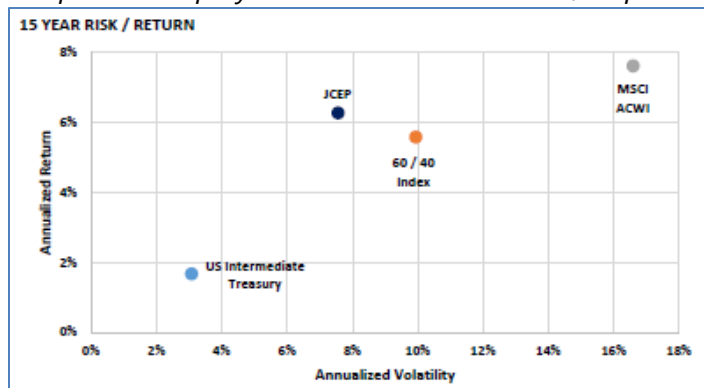
Fiduciary Practices Review



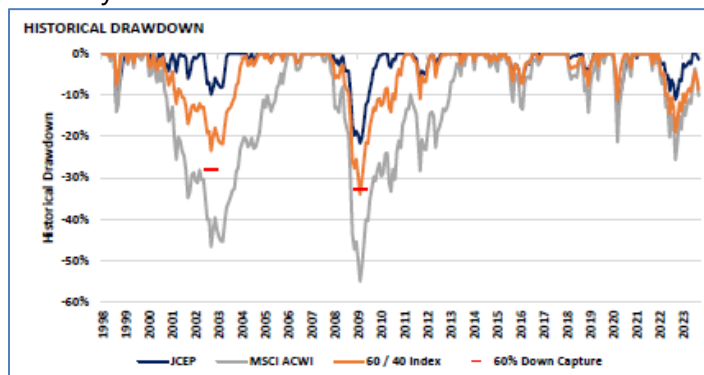
Has conducted an independent review that confirms for the fiscal year ended 6/30/2023 conformance with the
GLOBAL FIDUCIARY STANDARDS OF EXCELLENCE

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.

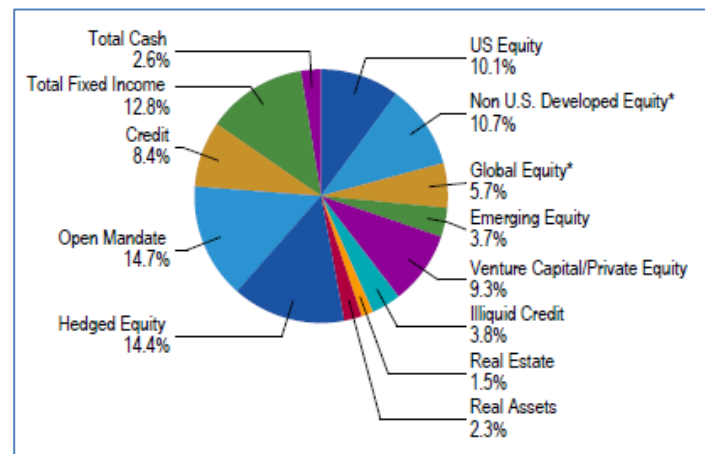


Lower volatility results, in part, from lower participation in market downturns, as had occurred during the 2008 and 2009 Global Financial Crisis and more recently in 2022 which is reflected in JCEP's higher 15-year Sharpe ratio noted above. The blue line in the chart above shows how JCEP's capital preservation 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 June 30th.



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%	55%	15%	100%
E&F Database	57%	23%	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.

As most equity markets began to rebound in the 4th quarter of 2022 and into the first half of 2023, JCEP's returns for those three quarters ranked in the lower half of peer group. **However, when looking back at the most recent quarter with declines in equity markets, the JCEP returns outperformed 99% of the Endowment and Foundation Universe of funds in excess of \$50 million.**

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."

Tidewater Jewish Foundation Responds to Crisis in Israel

Just after the recent quarter ended, we witnessed the profound crises in Israel as a result of the terrorist attacks of October 7th. Thanks to our donor community's unwavering commitment and faith in our mission, we are proud to report that together, **the Tidewater Jewish Foundation has granted nearly \$2.8 million to-date to Israeli crisis relief.** The TJF Board responded with an emergency allocation from TJF's grants pool, and our donors added substantially more, making this monumental contribution possible by generously channeling their support through advised fund directed grants. This has 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.

Year-End Tax Planning Considerations:

We encourage you to continue supporting the Tidewater Jewish Foundation to amplify our collective impact. As the year draws to a close, we offer some tax-savvy suggestions below to promote your philanthropy:

- **Use appreciated assets to make a charitable gift in 2023.** As in previous years, gifts of long-term appreciated assets (stock) remain a best practice. Such gifts not only provide a deduction to the donor but also avoid the capital gains tax. Conversely, built-in loss assets generally should be sold (generating a tax loss) with the resulting cash proceeds donated, if desired.
 - **Consider donating to a DAF this year for maximum flexibility.** Donor-advised funds (DAFs) facilitate a significant donation to charity over time but can provide a charitable income tax deduction today. Consider adding funds to an existing DAF or opening a new DAF with the Tidewater Jewish Foundation.
 - **Look into an IRA charitable rollover.** The IRA charitable rollover, also known as a Qualified Charitable Distribution or QCD, is an attractive option because it can help satisfy the minimum distribution requirement without incurring income tax, even if you don't itemize your deductions.
-

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. Our local community is well-served by our 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,



Naomi Limor Sedek
President & CEO



TIDEWATER JEWISH FOUNDATION



Market & Economic Overview

Global equity markets experienced a decline in the quarter, primarily due to an increase in longer-term rates as markets anticipated a prolonged period of higher rates.

Volatility remained low for most of the quarter but rose in the final weeks alongside the spike in rates.

Energy was the best performing equity sector in Q3, while the interest rate sensitive real estate and utility sectors lagged.

Treasury yields generally rose during the quarter, and the yield curve became less inverted. The 2-year Treasury yield rose 16 bps from 4.9% to 5.0% during Q3, while the 30-year Treasury yield rose 88 bps from 3.8% to 4.7%.

The Bloomberg Aggregate Bond Index fell 3.2% in Q3, while the MSCI ACWI declined 3.4%. Consequently, a traditional 60/40 portfolio fell 3.3%. Year-to-date, a 60/40 portfolio has gained 5.6%.

Global economic growth has proved resilient so far in 2023 but is set to slow as several positive tailwinds fade.

US economic activity has been remarkably strong, supported by the release of pent-up savings, strong private and expansionary fiscal policy.

US inflation has fallen significantly. Headline CPI was up 3.7% year-over-year through August, while core CPI stood at 4.3%.

Economic & Global Investment Outlook

US economy activity is set to slow but the US is expected to avoid a hard landing. Inflation should continue to decline as remaining inflationary such as shelter, stabilize.

Labor markets remain tight and could exert upward pressure on inflation into 2024. A potential slowdown in US growth would likely ease market tightness and reduce wage pressures.

Wage growth has turned lower but remains above the 3-4% rate implied by the Fed's inflation target.

With rates firmly in restrictive territory, central banks are cautiously transitioning from rate hikes to a pause. Federal Reserve officials suggest the possibility of further rate hikes, but market pricing suggests they have reached the peak rate for this cycle, albeit with rate cuts pushed further out.

Most other developed market central banks are in a similar position, with the notable exception being the bank of Japan, which still maintains a stimulative policy.

Geopolitical risks have returned to the forefront due to the conflict in Israel, resulting in tragic human consequences. While the initial market impacts have been limited, there is the risk that escalation could affect oil markets.

Looking forward, Mercer's outlook for global equities has improved due to the recent pullback, negative investor sentiment, and the prospect for economic normalization, although high US equity valuations remain a concern. The sell-off in Treasuries has brought yields into attractive territory. The biggest risk Mercer sees is if inflation remains sticky, leading to additional rate hikes and further weakness for stocks and bonds.