

TIDEWATER JEWISH FOUNDATION

INVESTMENT OUTLOOK ~ FALL /2018

**Investments Pooled with the Jewish Community Endowment Pool (JCEP)
in Partnership with Combined Jewish Philanthropies (CJP) of Boston
All Data as of September 30, 2018**

The third quarter of 2018 ended September 30th with a positive return* of 0.8%, slightly trailing 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 5.2%, beating our benchmark return of 4.6% (by 60 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	3 rd QTR	YTD	1 Year	3 Years	5 Years	10 Years
TJF History (based on JCEP history since 9/09, Chicago and SEI pools prior)	0.8%	2.6%	5.2%	7.5%	5.2%	4.1%
JCEP History	0.8%	2.6%	5.2%	7.5%	5.2%	6.3%
TJF Historical Benchmark (a blended composite index corresponding to TJF's history and actual asset allocations)	1.4%	1.9%	4.6%	6.3%	4.7%	4.8%
CPI-U + 5% (JCEP long-term objective)	1.4%	6.2%	7.4%	7.1%	6.6%	6.5%

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 were up 4.3% for the quarter led by the United States. Domestic stocks were up across the board. Small cap stocks increased 3.6% but lagged large cap stocks, up 7.7%. Large cap growth stocks continued a remarkable run in their outperformance of value stocks. For the last five years, growth stocks have outperformed value by almost 6% per year. Foreign stocks tracked under the MSCI EAFE index increased 1.4% for the quarter; dollar appreciation modestly impacted returns to US investors. Emerging markets were down 1% as trade war concerns weighed on returns, particularly in China, falling 7.5%. Bonds were little changed on the quarter in the US. Emerging market debt rebounded somewhat, up 1.5%. Real estate investment trusts (REITs) were up modestly for the quarter, increasing 70bps. Hedge funds were not able to take advantage of market volatility and were up only 60 bps for the quarter.



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

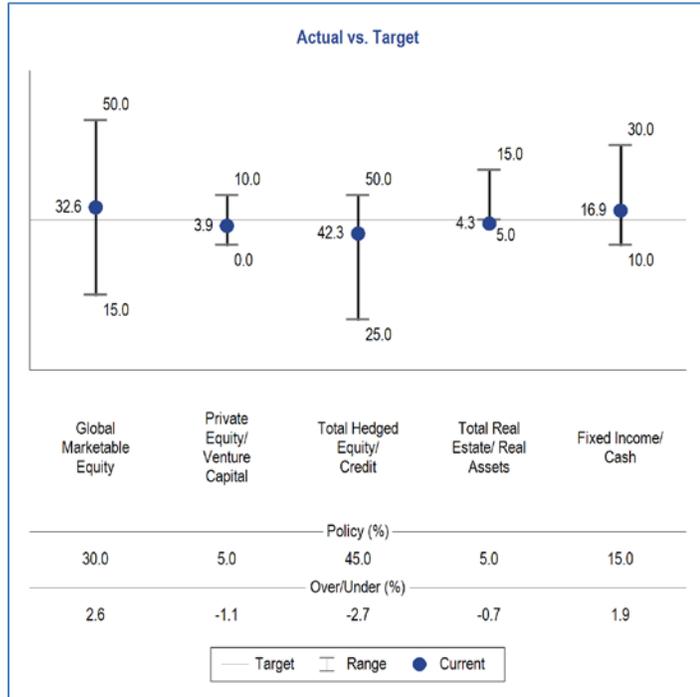
Issued November 2018 to the:
TIDEWATER JEWISH FOUNDATION



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

COMPOSITION OF THE TJF / JCEP PORTFOLIO

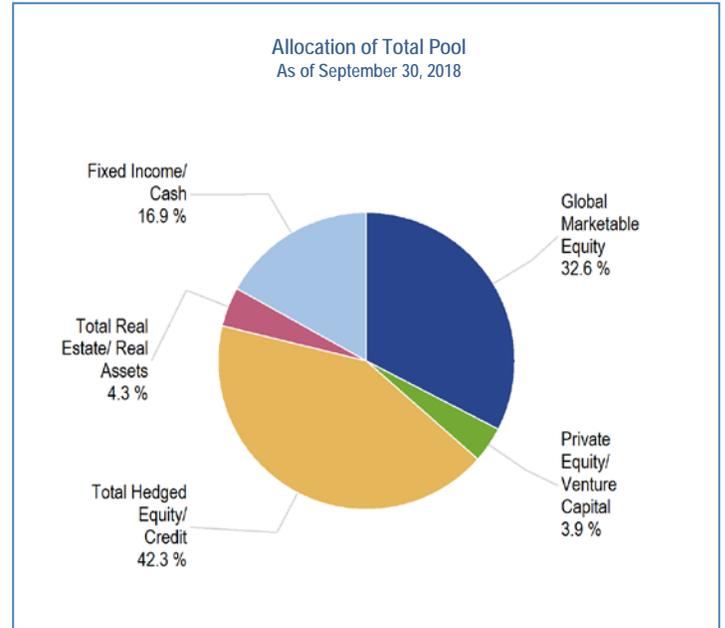
The pie chart to the right reflects the TJF / JCEP portfolio's asset allocation as of the end of the quarter. As shown on the chart below, the portfolio's asset allocation is in compliance with our Investment Policy Statement (IPS) while being slightly overweight to global marketable equity and to cash and fixed income allocations, while being slightly underweight to the private equity/venture capital and 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 96% of the "up market" performance but only 65% of the "down market" performance** relative to the target index.

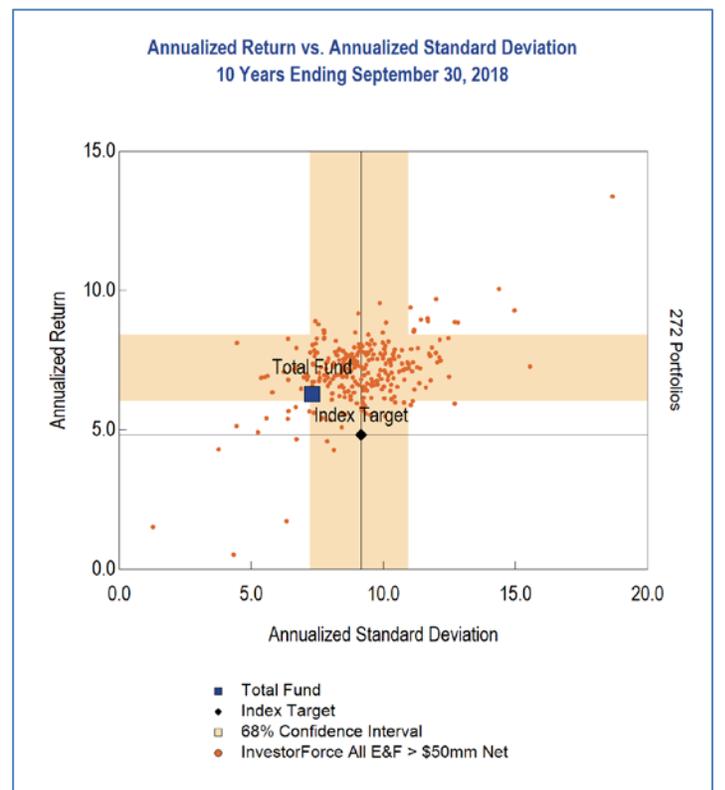
RELATIVE PERFORMANCE

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 chart above and the pie chart on this page, the JCEP allocation to marketable equities was 33% 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 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.



QUARTERLY PERFORMANCE ATTRIBUTION

Total JCEP global marketable equities were up 2.2% but lagged the MSCI ACWI, up 4.3%. Domestic equities were up 6.1% lagging the S&P 500 index, up 7.7%. Non US equities lagged the index and were negative for the quarter. Emerging market managers struggled for the quarter lagging the index by almost 1%. Hedge funds were down 30 bps for the quarter lagging the HFRI FoF Index at 0.6%. Real assets were up modestly for the quarter, however several managers in private real estate had very strong performance. Cash allocation was 5.2% declining from the typical allocation of 18%. An allocation was made during the quarter to the Wellington Treasury bond strategy.

Tidewater Jewish Foundation Earns Fiduciary Excellence Certificate

At the November 19th 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, 2018.



From left, Marc Weiss, Chair of TJF's Investment Committee, Tim Jester from The Colony Group and Scott Kaplan, TJF President and CEO, at the 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."**

Scott Kaplan, TJF's President and CEO, thanked Tim for his role in assessing TJF's investment policies and procedures. He also expressed appreciation to Marc Weiss for his leadership as Chair of TJF's Investment Committee, and to Committee members and to Foundation staff for their dedication and diligence in executing their fiduciary roles. Scott noted that the certificate represents an acknowledgement 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. 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 were up 4.3% capping a positive but volatile 3rd quarter.

Domestic equities continued to lead international equities. The S&P 500 increased almost 8% and small cap stocks rose 3.6%.

Non-US Developed Market equities increased 1.4%. Unlike previous quarters, dollar appreciation detracted less than 1%.

Emerging markets were down 1.1% as BRIC economies (Brazil, Russia, Indian and China) negatively impacted markets.

Interest rates were little changed for the quarter. However, rates did increase for September as the Fed increased interest rates for the third time this year.

Oil prices jumped. WTI crude increased from just under \$65 per barrel to \$74. Oil prices declined 1.2% for the quarter but are up over 21% year to date.

Global Economy

Global economic expansion continues. Mercer, an economic forecasting firm used by TJF's Investment Consultant, expects 2018 to be peak year for growth.

Growth in the US remains brisk. After growing 4.1% in the second quarter, the first estimate of GDP for the third quarter posted a 3.5% growth rate.

The US added an average of 218,000 jobs during the quarter, little changed from 2Q. The unemployment rate ended the quarter at 3.7%

BCA Research forecasts that growth in Japan and the Eurozone has peaked and will lag the US, generally posting growth at less than 2%.

The FOMC tightened during the third quarter raising rates by 0.25% and is expected to tighten 1 more time in 2018.

Consumer prices increased 2.4% year over year, as of September 30.

Outlook

Mercer and BCA see global growth weakening as growth becomes less synchronized. However, expect US growth to remain strong.

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.

Mercer forecasts the possibility of 4 more rate hikes by the end of 2019.

Eurozone and Japanese growth is moderating and growth may have peaked.

US equities appear expensive relative to other markets but should generate modest returns this year according to BCA.

The threat of a global trade war looms over the global economy. Additionally, optimism for a deal with North Korea has faded.