

THE ECONOMIC CLIMATE

Real GDP grew at a 2.1% rate year-over-year in the third quarter (2.1% quarterly annualized rate). Falling imports and weak fixed investment (-0.2% contribution) acted as a drag on growth, while personal consumption continued to be the greatest driver of growth. U.S. and Chinese negotiators signed the “phase one” trade agreement, and Boris Johnson’s Conservative Party in the U.K. won a decisive victory. These events appear to have removed some uncertainty from the geopolitical landscape over the short- to intermediate-term.

MARKET PORTFOLIO IMPACTS

Global equity markets exhibited strong performance through Q4, and U.S. equity performance was in-line (MSCI ACWI +9.0%, S&P 500 +9.1%). Emerging markets were the top performing asset class (+11.8%). U.S. headline inflation increased 2.3% YoY in December, alongside the core inflation growth figure, and up from 1.7% in September. Although this was a notable jump in the inflation rate, investors appear more concerned about global deflationary forces, as indicated by the 10yr U.S. TIPS Breakeven Inflation Rate of 1.73%. Cyclical price pressures remain surprisingly absent from the current environment.

THE INVESTMENT CLIMATE

In October, the Federal Open Market Committee cut interest rates by 0.25% to a new range of 1.50 – 1.75%. This marked the third consecutive rate cut by the committee. Global sovereign bond yields picked up modestly in Q4, on higher inflation and growth prospects. The dollar value of negative-yielding outstanding debt fell from nearly \$15 trillion to just above \$11 trillion. Central bankers appealed for fiscal action, citing the limited capacity of monetary policy to sustain further economic expansion.

FISCAL YEAR TO DATE PERFORMANCE

With respect to the fiscal year, the Endowment portfolio experienced a 5.7% gain in the period ending December 2019. Over the past year, domestic equity and fixed income posted positive returns but domestic equities underperformed the benchmark.

Investment Pools	Three months ended 12/31/2019	Year to Date	Fiscal Year to Date	One (1) Year Return	Three (3) Year Return	Five (5) Year Return
Cash Equivalent 100% Cash Equivalents	0.4	1.8	0.8	1.8	1.3	0.8
Global Constrained Income & Growth 25% Equity, 65% Fixed Income, 5% Real Estate, 5% Alternative Investments	2.3	13.0	3.9	13.0	5.8	4.2
Global Constrained Balanced 45% Equity, 40% Fixed Income, 10% Real Estate, 5% Alternative Investments	4.1	17.3	5.5	17.3	6.1	4.7
Global Growth & Income 60% Equity, 25% Fixed Income, 10% Real Estate, 5% Alternative Investments	5.4	20.3	6.4	20.3	8.5	5.9
Endowment	5.2	16.7	5.7	16.7	8.3	6.1
Market Benchmarks						
<i>Cash - 90-Day Treasury Bills</i>	0.4	2.1	0.9	2.1	1.6	1.1
<i>Bonds - Bloomberg Barclays US Aggregate</i>	0.2	8.7	2.5	8.7	4.0	3.0
<i>International Stocks - MSCI ACWI ex U.S. Net</i>	8.9	21.5	7.0	21.5	9.9	5.5
<i>Domestic Stocks - S&P 500</i>	9.1	31.5	10.9	31.5	15.3	11.7
Blended Benchmark - Endowment¹	5.4	18.4	6.0	18.4	9.0	6.7

GLOBAL CONSTRAINED INCOME & GROWTH

Designed for donors or nonprofits with medium-term objectives (3-5 years). While moderately conservative, this pool will have a risk of loss. A moderate portion may be invested in capital appreciation oriented investments. The income allocation may include an allocation to fixed income instruments. The pool will not include an allocation to illiquid alternative investments.



The Global Constrained Income & Growth Pool returned 2.3% during the quarter and was up 13.0% over the past year. Domestic Equity gained 7.8% and International Equity gained 11.0% over the quarter. Total Equities account for 25.8% of the portfolio, Domestic equity underperformed the benchmark and International Equity outperformed the benchmark. The Pool's Fixed Income securities, which comprise 64.0% of its total assets, returned 0.6% for the quarter, outperforming its benchmark's return. The 4.9% allocation to REITs was up 0.6% and the 4.6% allocation to Alternatives saw a loss of -5.9%. REITs outperformed the benchmark and Alternatives underperformed the benchmark.

GLOBAL CONSTRAINED BALANCED

Designed for donors or nonprofits with longer-term objectives (7+ years) and spending rates of less than 4% of assets per year. A portion may be invested in capital appreciation-oriented investments. The income allocation may include an allocation to fixed income instruments. The pool will not include an allocation to illiquid alternative investments.



The Global Constrained Balanced pool returned 4.1% during the quarter and is up 17.3% over the past year. Domestic Equity returned 7.8% and International Equity was up 10.8% over the quarter. Total Equities account for 25.9% of the portfolio, Domestic Equity underperformed the benchmark and international equity underperformed the benchmark. The Pool's Fixed Income securities, which comprises 40.4% of its total assets, returned 0.6% for the quarter, underperforming its benchmark's return. The 10.2% allocation to REITs was up 0.6% and the 3.2% allocation to Alternatives saw a loss of -1.9%. REITs outperformed the benchmark while Alternatives underperformed the benchmark.

GLOBAL GROWTH & INCOME

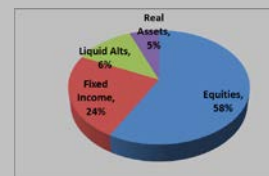
Designed for donors or nonprofits with long-term objectives (10+ years) yet with liquidity requirements and with spending objectives of approximately 4% of assets per year. A large portion may be invested in capital appreciation-oriented investments. The income allocation may include an allocation to fixed income instruments. The pool will not include an allocation to illiquid alternative investments.



The Global Growth & Income pool returned 5.4% during the quarter and was up 20.3% over the past year. Domestic Equity gained 7.8% and International Equity gained 11.1% over the quarter. Total Equities account for 60.6% of the portfolio, Domestic Equity underperformed the benchmark and International Equity outperformed the benchmark. The Pool's Fixed Income securities, which comprises 24.7% of its total assets, returned 0.6% for the quarter, outperforming its benchmark's return. The 10.1% allocation to REITs was up 0.6% outperforming the benchmark. The 4.2% allocation to Alternatives saw a loss of -5.9% underperforming the benchmark.

ENDOWMENT POOL

Designed for donors or nonprofits with endowment-like objectives (20+ years), willing to accept moderate illiquidity and with spending objectives of approximately 4% of assets per year. A large portion may be invested in capital appreciation oriented investments. The income allocation may include an allocation to fixed income instruments. The pool may include an allocation to illiquid alternative investments. The management of this pool will be consistent with endowment best practices.



The Endowment pool gained 5.2% during the quarter. For the trailing one year the Endowment was up 16.7%. Domestic Equity gained 8.0% and International Equity was up 11.1% over the quarter. Total Equities account for 53.7% of the portfolio, Domestic Equity underperformed the benchmark while International Equities outperformed the benchmark. The Pool's Fixed Income securities, which comprises 18.5% of its total assets, returned 0.6% for the quarter, outperforming its benchmark's return. Real Estate and Alternatives returned 2.0% and -4.9% respectively over the quarter.

1. 30% Russell 3000, 25% MSCI ACWI ex US, 20% Bloomberg Barclays US Aggregate, 15% NCREIF Property Index, 5%, S&P/LSTA Leveraged Loan Index 5% HFRI Fund of Funds Composite Index.

Notes: The above are the historical returns for each of the five investment pools. Investment performance of individual funds may vary from the total pool return due to the timing of contributions and grants. Historical returns are not a predictor of future returns. The returns above are net of fees paid to investment managers. This fee represents the plans' blended expense ratio and is between 50 and 60 basis points annually. The fee for our investment consultant, Verus, is not reflected in the returns.

Underlying Investment Managers

Domestic Equity: Vanguard FTSE Social Index, Vanguard Extended Market ETF

International Equity: Dodge & Cox International Stock, EuroPacific Growth, DFA International Small Cap, Harding Loevner Emerging Markets

Fixed Income: Dodge & Cox Income, Met West Total Return, Vanguard Inflation Protected Securities

Alternative Investments: BlackRock Style Advantage, AQR Style Premia Alternative

Real Assets: Gresham Commodty, TownSquare Real Estate, Penn Square, UBS Trumbull, TA Realty Fund, Invesco Core Real Estate, Vanguard REITs

Note: Performance for Penn Square Global Real Estate II and Town Square Real Estate Alpha Fund I is lagged by one quarter.