

THE ECONOMIC CLIMATE

Real GDP contracted at a -9.0% rate year-over-year in Q2 (-31.4% quarterly annualized rate)—likely the most sudden economic recession in American history. Europe is experiencing a drastic second wave of COVID-19 which has been sweeping across the continent. The seven-day average daily case growth of the EU and the U.K. combined rose from 4,699 to 48,807 during Q3. Election polls and the betting markets are indicating that Joe Biden is leading President Trump materially as we move into the final weeks pre-election. In 2016, the story was largely the same, as Clinton was expected to win up until the day before the election.

MARKET PORTFOLIO IMPACTS

U.S. and emerging markets have recovered most losses year-to-date, while international remain negative. Global equities are now positive for 2020 despite an earnings recession and considerable economic uncertainty. U.S. core inflation increased to a more normal level, rising 1.7% year-over-year in August from 1.2% in June. Inflation expectations also normalized. The 10yr U.S. TIPS inflation breakeven rate recovered to 1.6%, from a low of 0.5% on March 19th. The breakeven rate of inflation is now on par with actual year-over-year inflation.

THE INVESTMENT CLIMATE

The Federal Reserve announced a notable change to its inflation targeting approach, now aiming to achieve “inflation moderately above 2% for some time so that inflation averages 2% over time and longer-term inflation expectations remain well anchored at 2%.” This was a reversal from the prior goal of achieving 2% inflation. The Federal Reserve maintained an accommodative tone, and most members of the FOMC held their view that short rates are likely to stay near-zero through 2023—eventually moving to 2.50% over the longer-term. According to FactSet, S&P 500 Q3 earnings are expected to be down -20.5%. However, earnings in Q2 beat expectations by 12.5% (-31.6% YoY vs. -44.1%). Another large positive surprise in Q3 would be welcome news to investors.

FISCAL YEAR TO DATE PERFORMANCE

With respect to the fiscal year, the Endowment portfolio experienced a 5.0% gain in the period ending September 2020. During the period, Equities and Fixed Income posted positive returns and outperformed their benchmarks.

Investment Pools	Three months ended 9/30/2020	Year to Date	Fiscal Year to Date	One (1) Year Return	Three (3) Year Return	Five (5) Year Return
Cash Equivalent 100% Cash Equivalents	0.0	0.6	0.0	0.8	1.3	0.9
Global Constrained Income & Growth 22% Equity, 61% Fixed Income, 7% Real Estate, 10% Alternative Investments	3.3	3.9	3.3	6.3	4.8	5.5
Global Constrained Balanced 43% Equity, 39% Fixed Income, 8% Real Estate, 10% Alternative Investments	4.7	1.9	4.7	6.1	5.0	6.6
Global Growth & Income 56% Equity, 22% Fixed Income, 10% Real Estate, 12% Alternative Investments	6.0	1.0	6.0	6.4	4.8	7.1
Endowment	5.0	1.3	5.0	6.6	4.7	4.1
Market Benchmarks						
<i>Cash - 90-Day Treasury Bills</i>	0.0	0.4	0.0	0.8	1.6	1.1
<i>Bonds - Bloomberg Barclays US Aggregate</i>	0.6	6.8	0.6	7.0	5.2	4.2
<i>International Stocks - MSCI ACWI ex U.S. Gross</i>	6.3	-5.4	6.3	3.0	1.2	6.2
<i>Domestic Stocks - S&P 500</i>	8.9	5.6	8.9	15.1	12.3	14.1
Blended Benchmark - Endowment¹	5.0	2.3	5.0	7.8	6.0	7.8

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 3.3% during the quarter and was up 6.3% over the past year. Domestic Equity gained 10.4% and International Equity increased 6.5% over the quarter. Total Equities account for 26.7% of the portfolio, Domestic equity and International Equity outperformed their benchmarks. The Pool's Fixed Income securities, which comprise 65.4% of its total assets, returned 1.6% for the quarter and outperformed its benchmark. The 4.8% allocation to REITs was up 1.3% and the 2.9% allocation to Alternatives saw a loss of 4.9%. REITs as well as alternatives underperformed their benchmarks.

GLOBAL CONSTRAINED BALANCED

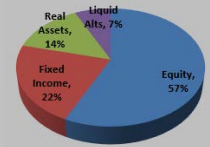
Designed for donors or nonprofits with longer-term objectives (7+ years) and spending rates of less than 4% of assets per year. A portion may be invested in capital appreciation-oriented investments. The income allocation may include an allocation to fixed income instruments. The pool will not include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



The Global Constrained Balanced pool returned 4.7% during the quarter and is up 6.1% over the past year. Domestic Equity returned 10.4% and International Equity was up 6% over the quarter. Total Equities account for 47.9% of the portfolio, Domestic Equity outperformed its benchmark, but International Equity underperformed its benchmark. The Pool's Fixed Income securities, which comprises 40.3% of its total assets, returned 1.6% for the quarter and outperformed its benchmark. The 9.1% allocation to REITs was up 1.3% and the 2.3% allocation to Alternatives saw a loss of 4.9%. REITs and alternatives underperformed their benchmarks.

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 6.0% during the quarter and up 6.4% over the past year. Domestic Equity gained 10.4% and International Equity rose 6.9% over the quarter. Total Equities account for 61.1% of the portfolio, both equity composites outperformed their benchmarks. The Pool's Fixed Income securities, which comprises 26.4% of its total assets, returned 1.6% for the quarter and outperformed its benchmark. The 9.8% allocation to REITs was up 1.3% and the 2.4% allocation to Alternatives saw a loss of 4.9%. REITs and alternatives underperformed their benchmarks.

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 increased 5.0% during the quarter. For the trailing one year the Endowment was up 6.6%. Domestic Equity gained 10.4% and International Equity was up 7.1% over the quarter. Total Equities account for 56.6% of the portfolio, Domestic Equity and International Equity outperformed their benchmarks. The Pool's Fixed Income securities, which comprises 18.3% of its total assets, returned 1.7% for the quarter and outperforming its benchmark. Real Estate and Alternatives returned -1.3% and -3.2% respectively over the quarter.

Investment Pools Performance & Commentary

September 30, 2020

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1. 30% Russell 3000, 26% MSCI ACWI ex US, 22% Bloomberg Barclays US Aggregate, 10% FTSE NAREIT All, 5% Bloomberg Commodity Index, 7% 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 500 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, Voya Floating Rate I, Vanguard Inflation Protected Securities

Alternative Investments: AQR Style Premia Fund

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

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