Despite a notably steep “wall of worry,” banking system strains, persistent inflationary pressures, and the most aggressive Federal Reserve (Fed) tightening campaign in four decades, performance across the financial markets in the second quarter appeared overwhelmingly positive. The portfolio gained $1.6 million during the second quarter of 2023.

It is important to remember the Foundation has a long-term investment horizon. While some years may be positive or negative, it is important to look at the cumulative growth. Since June 2006, the portfolio increased by $46.7 million.

The Foundation uses two benchmarks to review portfolio performance. The Primary Benchmark is the return goal for the Foundation, in excess of spending and inflation. The Target Weighted Benchmark represents the composition of each asset class benchmark weighted by its long-term strategic asset allocation.

The Portfolio returned 2.4% during the second quarter 2023 vs. 2.0% for the Primary Benchmark (CPI + 5.5%) and 2.8% for the Target Weighted Index, respectively.

The Portfolio’s cumulative annualized return of 5.8% trailed the Primary Benchmark return of 7.9%, though it outperformed the Target Weighted Index return of 5.6% since inception (June 2006).

**Net return** represents the Total Portfolio performance “net” of investment management fees.

**Target Weighted Index** composition: 1.5% FTSE Global Core Infrastructure 50/50, 20.0% POF Target Weighted Index, 31.0% Russell 3000 Index, 15.0% MSCI EAFE Index, 6.0% MSCI Emerging Markets Index, 23.0% Bloomberg U.S. Aggregate Index, 1.5% FTSE Gold Mines Index, and 2.0% S&P Developed BMI Property Index.

**CPI + 5.5%** represents the primary return objective of the Total Portfolio, which is to achieve a total return (net of fees) in excess of the Foundation’s spending rate plus inflation.

*The Cumulative total is the annualized return since inception (June 2006).
PORTFOLIO RISK-ADJUSTED RETURN VS. BENCHMARK

- The Sharpe ratio is a risk-adjusted measure calculated using the excess return, risk free rate and standard deviation to determine the reward per unit of risk. The higher the Sharpe ratio, the better the portfolio’s historical risk-adjusted performance.

Note that 2015, 2018 and 2022 are negative, therefore, the Sharpe Ratio is not meaningful.

TOTAL PORTFOLIO DOLLARS ADDED VS. BENCHMARK

- The Portfolio lost $0.8 million vs. a hypothetical passive investment year to date ending June 30, 2023.
- Since inception (June 2006), the Portfolio earned $1.5 million vs. the benchmark on a cumulative basis.
FEG FIRM OVERVIEW
Fund Evaluation Group, LLC (FEG) provides independent discretionary and non-discretionary investment advisory services, focusing predominately on nonprofit organizations throughout the nation. Since our founding in 1988, we have partnered with institutional investors to help improve their outcomes by designing globally diverse portfolios to help enhance investment returns.

With more than 130 employees and $73.8 billion in total assets under advisement (AUA), FEG is large enough to command the resources and talent our clients require, yet small enough to remain nimble and offer customized investment solutions and unsurpassed client service.

FEG’s COMMITMENT
FEG partnered with the Community Foundation of the Lowcountry in 2006 and shares the Foundation’s commitment to care for their donors’ investments. Through our longstanding partnership, and the over 35 years our firm has been working with non-profits, we have witnessed many market cycles and know first-hand the challenges these create for grant-making and the impact on the communities reliant on these grants.

The best course of action has been, and continues to be, to remain focused on the long-term, stay diversified, and stay invested. Markets have historically recovered following declines. While future market environments are difficult to predict, the cyclical nature of market downturns and recoveries was a consideration when designing the investment strategy for the Foundation’s portfolio.