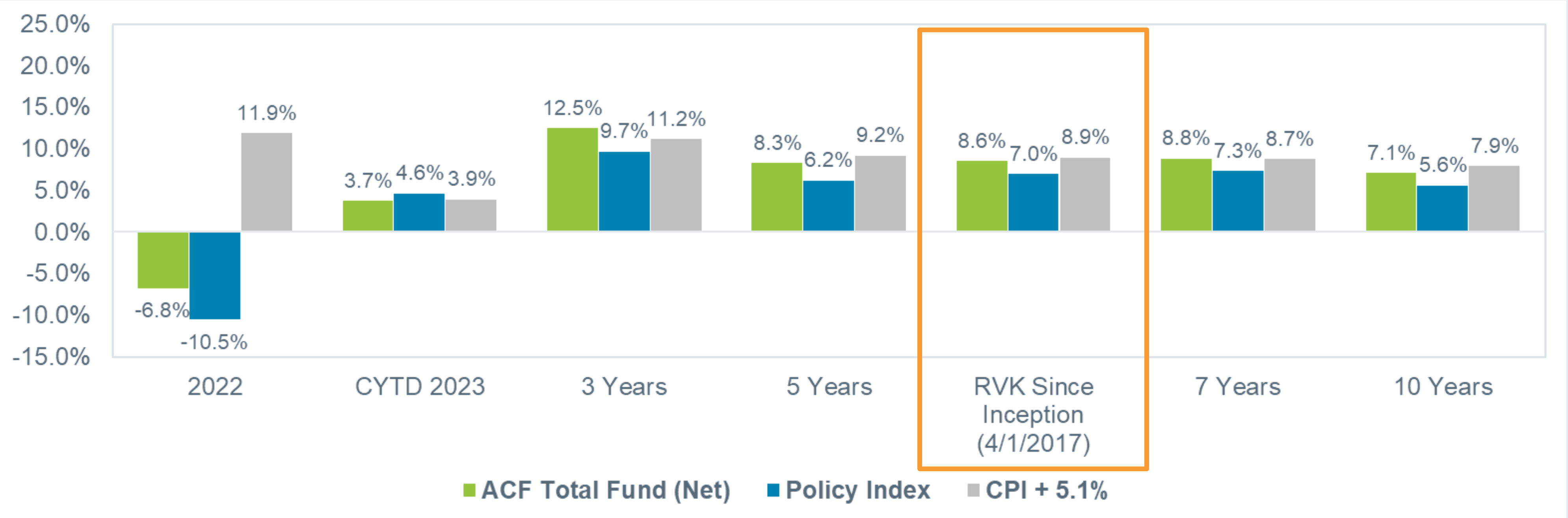
# Annual Investment Update

Albuquerque Community Foundation

June 5, 2023

# Investment Performance Update

## Net of Fees Performance: As of April 30, 2023




## Net of Fees Performance: As of March 31, 2023*

| | 2022 | CYTD 2023 | 3 Years | 5 Years | RVK Since Inception (4/1/2017) | 7 Years | 10 Years |
|---|---|---|---|---|---|---|---|
| **ACF Total Fund (Net)** | **-6.8%** | **3.0%** | **14.5%** | **8.2%** | **8.6%** | **8.9%** | **7.1%** |
| Median E&F (<$250M) | -13.7% | 4.4% | 10.3% | 5.1% | 5.8% | 6.6% | 6.1% |
| **Rank** | **8** | **85** | **2** | **2** | **2** | **3** | **17** |

Performance is preliminary and subject to change. Returns are annualized for periods greater than one year.
The Policy Index is based on the target asset allocation of the Fund and currently consists of 24% Russell 3000 Index, 15% MSCI ACW Ex US Index (USD) (Net), 13% MSCI ACW IM Index (USD) (Net), 13% Fixed Income Custom Index, 5% Real Asset Custom Index, 15% NCREIF ODCE Index (AWA) (Net), and 15% HFRI Asset Wtd. Comp Index.
*Peer group percentile ranks are available on a quarterly basis.



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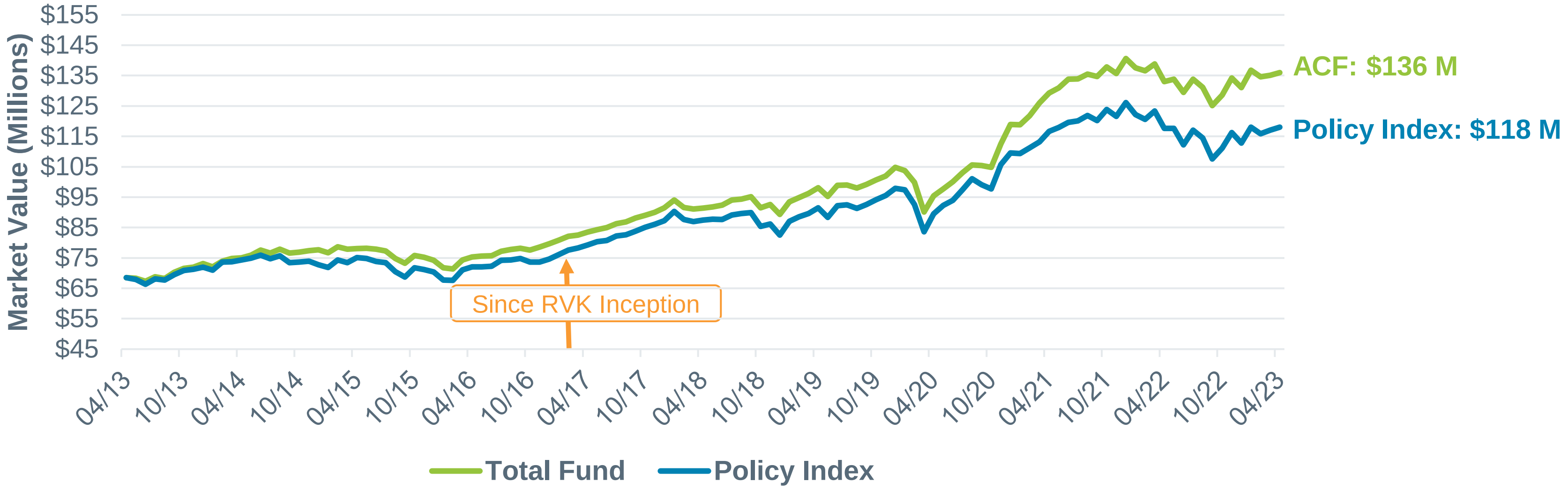
# Asset Allocation and Asset Growth

## Asset Allocation vs. Target Allocation

| | Asset Allocation ($) | Asset Allocation (%) | Target Allocation (%) | Differences vs. Target (%) |
|---|---|---|---|---|
| **Total Fund** | **135,974,233** | 100 | 100 | - |
| US Equity | 35,430,626 | 26 | 24 | +2 |
| Non-US Equity | 21,101,641 | 16 | 15 | +1 |
| Private Equity | 15,153,714 | 11 | 13 | -2 |
| Fixed Income | 14,805,445 | 11 | 13 | -2 |
| Real Assets | 6,287,410 | 5 | 5 | - |
| Real Estate | 21,375,979 | 16 | 15 | +1 |
| Multi-Strategy | 19,948,946 | 15 | 15 | - |
| Cash Equivalents | 1,870,473 | 1 | 0 | +1 |

## Growth of Assets – 10 Years

Over the past 10 years, the Foundation has grown from $68 million to ~**$136 million** today.




As of April 30, 2023. Market values are preliminary and subject to change.

# Recently Completed Initiatives

RVK and the Investment Committee continue to monitor and evaluate opportunities to meet the Foundation's long-term objectives. Below is a summary of initiatives completed in the last year.

1. **Annual Investment Policy Review**
   - Approved at September 2022 meeting
   - Updates addressed investment manager benchmarking

2. **Annual Spending Policy Analysis**
   - Reviewed at November 2022 meeting
   - Confirmed long-term viability of the Fund and growth projections

3. **Annual Asset Allocation Analysis**
   - New policy targets approved at the March 2023 meeting
   - Addressed significant changes in various market estimates following 2022
   - Long-term strategic allocations increased bonds and hedge funds, decreased public equities

# 2022: Historic Year for Interest Rates

1. **Equities Experience Large Losses**
   - 2022 marked the worst calendar year for US equities since the Great Financial Crisis
   - **US equities returned -19%**
   - **International equities returned -16%**

2. **Worst Return Ever for the US Aggregate Bond Index**
   - Aggressive Federal Reserve action resulted in significant rise in interest rates
   - **The US bond market returned -13%**

3. **ACF Performance Bolstered by Alternative Investments**
   - **ACF Real Estate managers +11%**
   - **ACF Hedge Fund managers +4%**
   - **ACF Real Asset portfolio -5%**

***2022 returns have led to improved outlook for bonds and equities, however near-term economic concerns remain.***



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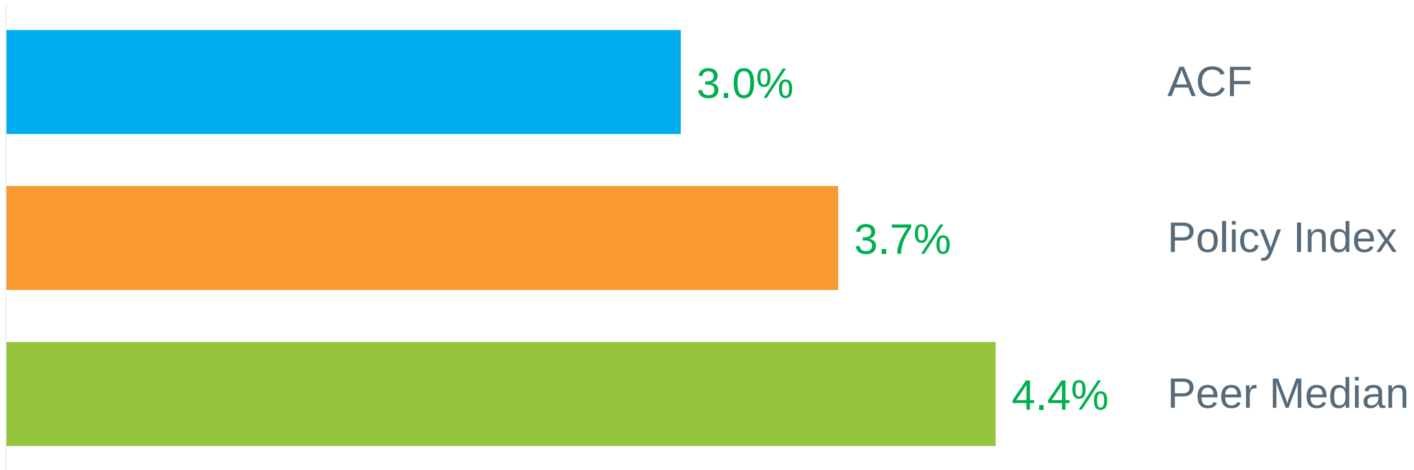
# 2023: Cautiously Optimistic

- Markets are processing slowing (but still elevated) inflation and surprisingly strong jobs data, while speculating on future decisions by the Fed.

- Fortunately, last summer's expectations of an imminent recession continue to be delayed.

**Quarter Ended March 31, 2023**




**In a reversal of 2022, public equities lead all other asset classes, resulting in less competitive (but still quite positive) returns for the ACF.**

Foundation and peer group performance is reported net of fees.



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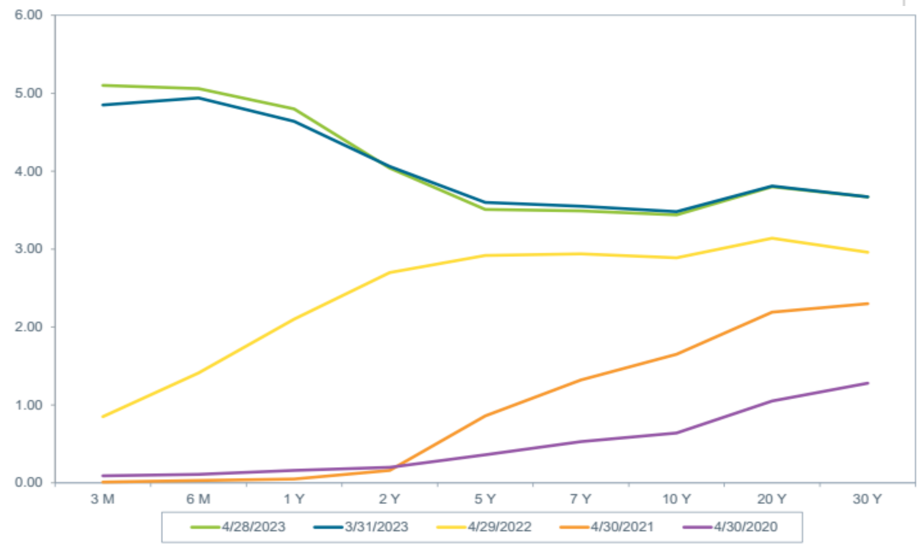
# Capital Markets Update: As of May 26, 2023

| Benchmark | Asset Class | CYTD | 1 Yr | 3 Yr | 5 Yr | 10 Yr* |
|---|---|---|---|---|---|---|
| S&P 500 | Large Cap Stocks | 10.3 | 5.4 | 13.8 | 11.0 | 12.3 |
| Russell 2000 | Small Cap Stocks | 1.2 | -2.1 | 9.7 | 3.1 | 8.0 |
| MSCI EAFE | Developed Non-US Markets | 8.8 | 6.4 | 9.7 | 3.1 | 4.9 |
| MSCI EM | Emerging Markets | 2.5 | -2.1 | 4.1 | -0.7 | 2.0 |
| Bloomberg US Agg | US Bonds | 1.2 | -3.8 | -3.9 | 0.7 | 1.3 |
| NCREIF ODCE** | Private Commercial Real Estate | -3.2 | -3.1 | 8.4 | 7.5 | 9.5 |

**Treasury Yield Curve (%)**




| Economic Indicators | As of | Current | 12/31/2022 | 3/31/2020 | 10-Year Avg |
|---|---|---|---|---|---|
| WTI Crude Oil | 5/26/2023 | $73 | $80 | $20 | $65 |
| Fed Funds Rate | 5/25/2023 | 5.08% | 4.33% | 0.08% | 0.97% |
| 10 Yr. Treasury Yield | 5/26/2023 | 3.80% | 3.88% | 0.70% | 2.22% |
| 30 Yr. Treasury Yield | 5/26/2023 | 3.96% | 3.97% | 1.35% | 2.78% |
| US Dollar Total Weighted Index | 5/19/2023 | 120.01 | 122.20 | 122.55 | 111.28 |
| Unemployment Rate | 4/30/2023 | 3.40% | 3.50% | 4.40% | 5.11% |
| CPI YoY (Headline) | 4/30/2023 | 4.90% | 6.50% | 1.50% | 2.65% |
| ISM PMI - Manufacturing | 4/30/2023 | 47.10% | 48.40% | 49.10% | 54.33% |

*10 Yr index returns are as of most recent month-end.
**NCREIF ODCE returns are gross of fees as of March 31, 2023
Treasury Yield Curve data is shown as of April 30, 2023.



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# Market Outlook

- **Inflation Reports Continue to Move Markets**
  - Inflationary pressure has moderated but remains elevated relative to history.
  - As discussed last year, any inflationary surprises to the upside are almost guaranteed to be a negative for markets… and vice versa.
  - The Fed is unlikely to cut rates until inflation is closer to their 2.0% growth target.

- **U.S Slowdown Unlikely to be Severe**
  - Economic conditions, including full employment, have been better than expected.
  - A recession was at least partly “priced in” last year, and economic contraction may not necessarily result in additional significant market declines.

- **Global Allocations Remain Prudent**
  - Initial expectations of a European energy crisis never fully materialized, boosting returns relative to U.S. markets.
  - The US Dollar may continue to weaken as foreign central banks catch up to the Fed in raising interest rates.

# Upcoming Initiatives

- Updated Spending Policy Analysis (September 2023)
- Private Equity Manager Recommendation (November 2023)
- Asset Allocation Recommendation (March 2024)
- Review & Benchmarking of Investment Managers (Ongoing)
- Review of Investment Policy & Asset Allocation (Ongoing)
- Investment Committee Education (Ongoing)

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