Foundations and Endowments Specialty Practice

First Quarter 2022 Review

Executive Summary

- **The first quarter of 2022 was dominated by a litany of concerns that served to lower global growth expectations** including, first and foremost, Russia's invasion of Ukraine, the Omicron wave, elevated inflationary pressures, and expectations for a more-aggressive Fed.
- **After falling double-digits through mid-March, equities staged a rally that mitigated much of the first quarter losses**. At its worst, the S&P 500 was down -13% before ending the quarter -4.6%. Large Cap outperformed Mid- and Small-Caps while Value handily beat Growth. U.S. stocks outperformed international markets, bolstering our domestic bias.
- **The Federal Reserve's messaging turned decidedly more aggressive in its resolve to bring inflation down amid a strong labor market**. In March, the Fed raised its Fed Funds rate by 25 basis points (0.25%) from 0.0% and projected a year-end level of 2.8%. The Fed's nearly $9 trillion balance sheet will be reduced this year as well, though details are forthcoming.
- **After posting a negative return in 2021, the bond market fell further in 1Q22; the Bloomberg Barclays Aggregate Bond Index fell -5.9%,** losing more than large cap U.S. equities and posting its worst quarterly return since 1980. Rising interest rates, particularly as yields for shorter maturities rose with Fed expectations, resulted in a flat – and temporarily inverted – yield curve. Corporate bond spreads widened slightly, placing further downward pressure on fixed income portfolio returns.
- **The yield curve inversion raised concerns about an economic recession**. While a sustained inverted curve has historically been an accurate indicator, there's often a long lead time and a great deal of variation between the curve's inversion and the emergence of a recession. Nonetheless, a curve that remains inverted should not be dismissed..
- **Ongoing uncertainties** from the Russian invasion, COVID-19 variants, inflation's trajectory, lower expectations for global growth and corporate earnings, and the Fed's attempt at a soft landing will continue to weigh on asset classes and portfolio returns.

TRUIST

Asset Class Returns Ending March 31, 2022

US EQUITY	1Q2022
Large-Cap (S&P 500)	-4.60%
Mid-Cap (Russell MidCap)	-5.68%
Small-Cap (Russell 2000)	-7.53%
Large-Cap Growth (Russell 1000 Growth)	-9.04%
Large-Cap Value (Russell 1000 Value)	-0.74%
All-Cap (Russell 3000)	-5.28%

NON-US EQUITY	
Developed Large Cap (MSCI EAFE)	-6.77%
Developed Small Cap (MSCI EAFE Small Cap)	-9.40%
Emerging Markets (MSCI EM)	-7.79%

US FIXED INCOME	
Core Taxable Bonds (Bloomberg US Agg)	-5.93%
US Government (Bloomberg US Govt)	-5.53%
Investment Grade (BofA US Corporate)	-7.74%
High Yield (BofA US High Yield)	-4.51%
US Mortgage-Backed (Bloomberg US MBS)	-4.97%
Non-US Developed Bonds (BBg Global Agg)	-6.16%

OTHER ASSET CLASSES	
REITs (FTSE Nareit All Equity REITs)	-5.29%
Commodities (Bloomberg Commodity)	25.55%
Gold (S&P GSCI Gold)	6.59%
HFRI-I Liquid Alternatives	-2.34%

LEVELS	3/31/2022
10-year U.S. Treasury Yield	2.34%
Crude Oil	$100.53
Gold/oz	$1,949
CBOE VIX	20.56%

Truist Performance Report

Reporting period: March 31, 2022

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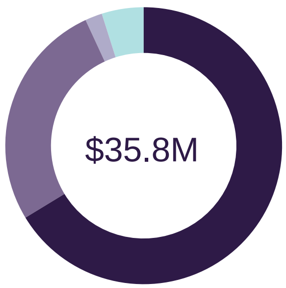
Managed since: June 01, 2016

Allocation

	% of Mkt Val
Total Equity	63.6
Fixed Income	26.8
Non-Traditional	4.8
Short Term	4.8
Total	**100.0**



Selected Period Performance

	1Q22	1 Yr	3 Yr	5 Yr	Inception 5/31/16
Episcopal Diocese *(Gross Return)*	**-6.07%**	**4.33%**	**11.84%**	**10.32%**	**10.40%**
70% Total Equity /30% Fixed Income - Portfolio Benchmark	-5.52%	6.02%	11.82%	10.23%	10.41%

TRUIST

Looking Ahead: Russia's invasion of Ukraine has altered circumstances

Economy & Equities: Outcomes are wider

- We expect more moderate real economic growth in 2022 due to the impact of the Russia/Ukraine war, higher inflation, broad Central Bank monetary tightening, and slowing global growth
- We believe the range of outcomes has widened for global equities due to increasing headwinds for earnings from slowing growth, persistently high inflation, and relatively higher equity valuations
- We maintain our long standing bias toward U.S. equities given the strong U.S. dollar, resilience of the U.S. economy, and likelihood that international economies will be impacted more by the conflict in Ukraine
- *Our take*: We expect volatility and uncertainty to remain high as policy makers and companies navigate through this uncertain time

Inflation: Broader and persistently higher

- Today's inflation environment is likely to persist higher for longer due to the Russia/Ukraine war's impact on energy, metals, grains, and fertilizer prices; Russia and Ukraine are key suppliers of these commodities for the global economy
- Before the war broke out, our forecast was for COVID-related supply disruptions to resolve this year and for inflation to decline toward 3%. The war has changed the trajectory and persistence of global inflation and our 2022 outlook
- *Our take*: In an environment of persistently high inflation, rising rates, and slowing growth, we cannot rule out the possibility of a global recession, especially in Europe and emerging economies. That said, our current base case is that recession is avoided

Federal Reserve & Bonds: Higher volatility

- The Federal Reserve will be tightening monetary policy significantly during 2022 through rate hikes and balance sheet reduction. Intermediate and longer duration bond returns will continue to be challenged in this rising rate environment
- We expect this removal of policy accommodation to inject volatility into financial markets in general and fixed income in particular. While bond yields have already risen at a record pace year this year in anticipation of Fed tightening, the trajectory of inflation is likely to determine the future trend in interest rates and fixed income returns
- *Our take*: Economic growth has generally remained positive during the early part of a Fed hiking cycle, but the fact that inflation remains stubbornly high this time makes a soft landing more difficult for the Fed to accomplish

Other factors and/or geopolitical concerns

- Russia's military operation in Ukraine has the potential to become a major geopolitical event, potentially reshaping supply chains for key commodities and changing the global political order
- There are now multiple sources of global disruptions, including the ongoing Russia-Ukraine crisis, new waves of COVID-19 in China and other parts of Asia, U.S. midterm elections and, possibly, China/Taiwan challenges; we are more mindful of risks from any of these factors
- *Our take*: For the first time in decades we have high inflation, rising rates, high asset valuations, and war in Europe involving a major nuclear power - all happening at the same time; therefore, we are maintaining a cautious portfolio posture as we navigate through uncertainty and monitor ongoing developments