The Episcopal Diocese of Bethlehem

Third Quarter 2023

Truist Foundations & Endowments Specialty Practice

TRUIST

Crosscurrents frame our portfolio positioning: still *Tactically cautious*

Reflections on 3Q23: Broad Selloff in Markets

- In 3Q, investors had to contend with headwinds of higher interest rates and oil prices, the UAW strike, the restart of student loan payments, and the potential for a government shutdown. **These concerns manifested themselves through a broad selloff in risk assets.**
- **Our view at the start of 3Q23 was that these headwinds would lead to choppier waters for markets**. In this year's first half, markets had been boosted by economic, earnings, and inflation data that came in better than feared.
- **The most pressing headwind for the markets has been the sharp rise of the 10-year U.S. Treasury yield** which, at 4.7%, reached its highest level since 2007. As such, fixed income returns declined.
- **Stocks now have more competition from higher-yielding fixed income.** The move in yields puts pressure on valuations, which came down in 3Q from their lofty levels.

Considerations going forward: Tactical / Cautious

- The market's **risk/reward within the context of this still-choppy range is normalizing**; but narrow leadership from the *Magnificent 7* ongoing.
- Nonetheless, **the lagged impact of aggressive central bank tightening remains a valid risk** to the economy, earnings, and risk assets. Sub-par growth is a likely condition going into 1H24 and with broad reach.
- **We don't expect a near-term easing of Federal Reserve's tight policy**, nor its resolve to fight still-above-average price and wage pressures. As such, certain pockets of the markets still seem vulnerable as the lagged effects unfold.
- We continue to favor U.S. large cap over international and smaller caps in equities along with higher quality fixed income in the current environment. **We believe that a tactical yet prudently cautious approach is still very much warranted for 2H23.**

Asset Class Returns: broadly negative for 3Q23 but disparities Year-to-Date

US EQUITY	3Q2023	YTD	2022
NASDAQ Composite	-3.7%	27.4%	-32.4%
All-Cap (Russell 3000)	-3.3%	12.4%	-19.2%
Large-Cap (S&P 500)	-3.3%	13.1%	-18.1%
Large-Cap Growth (R1000 Growth)	-3.1%	25.0%	-29.1%
Large-Cap Value (R1000 Value)	-3.2%	1.8%	-7.5%
Mid-Cap (Russell MidCap)	-4.7%	3.9%	-17.3%
Small-Cap (R2000)	-5.1%	2.5%	-20.4%

NON-US EQUITY			
Developed Large Cap (MSCI EAFE)	-4.9%	6.6%	-14.5%
Emerging Markets (MSCI EM)	-2.9%	1.8%	-20.1%

FIXED INCOME	3Q2023	YTD	2022
Core Taxable Bonds (BBg Aggregate)	-3.2%	-1.2%	-13.0%
US Government (BBg US Govt)	-3.0%	-1.5%	-12.3%
Investment Grade (BofA US Corporate)	-2.7%	0.5%	-15.8%
High Yield (BofA US High Yield)	0.5%	6.0%	-11.2%
US Mortgage-Backed (BBg US MBS)	-4.1%	-2.3%	-11.8%
Non-US Dev'd Bonds (BBg Global Agg)	-3.6%	-2.2%	-16.3%

OTHER ASSET CLASSES			
REITs (FTSE Nareit All Equity REITs)	-8.3%	-5.6%	-25.0%
Commodities (BBg Commodity)	4.7%	-3.4%	16.1%
Gold (S&P GSCI Gold)	-3.9%	1.3%	-0.7%

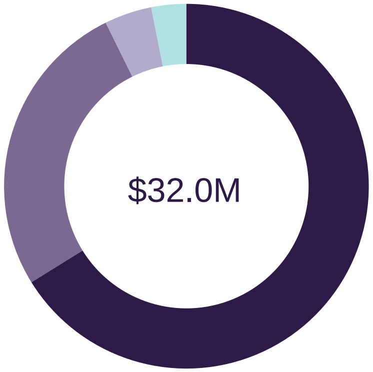
LEVELS	9/30/2023	6/30/2023	12/31/2022
10-year U.S. Treasury Yield	4.56%	3.87%	3.88%
Unemployment Rate (Sept 2023)	3.80%	3.60%	3.50%
Crude Oil	$90.79	$70.64	$80.16
Gold/oz	$1,848	$1,919	$1,812
CPI (Sept 2023)	3.7%	3.0%	6.5%
Core CPI ex-Food/Energy (Sept 2023)	4.1%	4.8%	5.7%

THE EPISCOPAL DIOCESE OF BETHLEHEM
Truist Performance Report 3Q23

December 31, 2022 to September 30, 2023
Managed Since: June 01, 2016

Allocation

	% of Mkt Val
Total Equity	66.1
Fixed Income	26.5
Non-Traditional	4.2
Short Term	3.1
Total	**100.0**



Selected Period Performance

	Market Value	3Q23	Year to Date (9 Months)	1 Year	3 Years	5 Years	Inception to Date 06/01/2016	2022	Standard Deviation
EPISCOPAL DIOCESE - DIT	**32,028,313**	**-3.23**	**4.30**	**12.21**	**3.90**	**5.31**	**7.46**	**-14.28%**	**12.79**
Benchmark: 70/30*		*-3.42*	*7.31*	*15.64*	*5.00*	*5.96*	*7.56*	**-15.41%**	**13.68**

**Does not include cash*

TRUIST

Standard Deviation is a measure of the volatility and risk of your portfolio. A low Standard Deviation indicates a portfolio with less volatile returns and therefore less inherent risk.

ECONOMY / FEDERAL RESERVE

- Crosscurrents abound as Central bank firming plus tighter lending conditions are offset by still-resilient pockets of economy
- U.S. consumer, though relatively less interest-rate sensitive than past cycles, has been depleting savings and faces headwinds
- The lagged impact of Fed's aggressive "higher for longer" tightening is likely to start weighing on economic resilience

FINANCIAL MARKETS

- Narrow market breadth and leadership by a handful of very large stocks still skewing equity returns
- Choppy trading as markets grapple with crosscurrents
- Higher bond yields making certain equity asset sectors less attractive
- Increased risk premium on bonds has pushed yields higher for now
- Bond investors navigating crosscurrents from economic resilience, sticky inflation, and impact of Fed tightening
- Emphasis remains focused on high-quality fixed income