Objectives

Financial Objectives: • Support a stream of regular distributions in support of annual budgetary needs; and • Preserve the real (inflation-adjusted) purchasing power of the Endowment Fund net of regular distributions

Investment Objectives: • Target a real annualized total return, net of investment expenses, over a five-to-seven-year horizon, that aligns with financial objectives; • Outperform the Endowment Fund’s benchmark consistent with volatility targets; and • Adhere to the Social Witness Principles of the General Assembly of the PC(USA)

Commentary

Current Quarter
• For the quarter, the program returned +4.7% vs. the PCF Historical Benchmark of +6.3% as US equity markets pulled ahead of the rest of the world and private equity valuations continue to be strong. YTD, the portfolio is up +20.9%, just behind the PCF Historical Benchmark at 21.4%.
• Clean Energy fell during the quarter, returning -1.7%. YTD, the ETF is down -24.2% pulling back further from its meaningful performance of last year as markets have cooled off. Since inception in the portfolio (2018), the fund is up +25.4%
• Real Assets were up +11.1% in Q4, bringing YTD performance up to +29.4%
• Fixed Income program outperformed its benchmark but was down -0.1% in Q4 and is slightly negative YTD as interest rates react to both inflation concerns and future Federal Reserve policy decisions.
• Lagged Private Equity valuations continue to contribute greatly to returns as strong marks increase asset values. The liquid portion of the portfolio (78.2%) was up +4.1% in Q4 and finished the year up +13.2%.

Tactical Themes
• Allocations continue to be close to target, staying aware of overall program risk as markets weigh economic growth, inflation, and future rate hikes in the face a solid corporate profitability. All of which is driving higher overall market volatility.
• Current positioning will continue to focus on supporting target allocations with positioning shifting slightly to incorporate greater global diversification and sustainability to manage risk and capture returns.
• Core fixed income and cash remain at or near targets, but allocations may again drift lower should equity markets again rally. Forward looking focus remains on risk management and continuing to maintain these allocations close to targets.
• New Private Equity commitments have begun again with one commitment made to date. Future commitments will be carefully considered as the year moves ahead, and opportunities arise subject to our policy targets and constraints.

Actual vs. Target Allocation

Asset allocation does not guarantee a profit or protection against a loss in declining markets
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