

Market Update and Investment Briefing

THIS PRESENTATION WILL BEGIN SHORTLY



THE **CATHOLIC**
COMMUNITY FOUNDATION
OF SANTA CLARA COUNTY

Market Update and Investment Briefing

PRESENTATION BY:

THE CATHOLIC COMMUNITY FOUNDATION
& JORDAN PARK



THE **CATHOLIC**
COMMUNITY FOUNDATION
OF SANTA CLARA COUNTY

What We Do

We
Gather



We
Grow



We
Give





GROW = Wise Investments

Types of Funds

- Institutional Endowments
 - Parishes, schools, agencies
- Family Philanthropy Funds
 - Donor Advised Funds
 - Family Endowments

Endowment Overview

- Permanent support (***FOREVER VALUE***)
 - Reliable annual grant
- How endowments grow
 - Broad diversification
 - Appropriate return over time

Investment Objectives

- Maximize Returns, Minimize Risk
 - Diversification through Asset Allocation
- Focus on Long Term, Endowments are in perpetuity
- Pool assets to capitalize on scale and access to top managers
- Responsible Investing
 - Catholic Investing
 - Impact Investing
- Effective Partnerships



Jordan Park provides investment management and financial advice to a distinct community of individuals, families, and institutions.

Our mission is to enhance lives and legacies.

2020 Q2 Market & Econ Deck

Outlook

- While Q1 delivered one of the steepest equity market sell-offs in history, Q2 sustained the largest rally since 1933 as unprecedented fiscal and monetary stimulus fueled risk assets.
- We opportunistically reduced our equity underweight, rebalanced to the increased equity target weight and are now neutrally positioned on risk assets.
- A gradual (U-shaped) economic recovery in the near term is most likely.
- Over the longer term, we believe the most likely scenario is 1-2% GDP growth, low inflation, and Federal Funds near 0%.
- Equity valuations may seem expensive on a historical basis, but we think are likely near fair value and may shift upwards in an extended low interest rate environment.
- Volatile markets remind us of the value that a balanced portfolio can provide, with enough equity risk to participate in market upside and enough safe-haven assets to enable rebalancing, i.e. buy equities when they go “on sale” as they did in Q1.

10-Year U.S. Treasury
YTD Return:

+12.7%

10-Year U.S. Treasury
Yield:

0.66%

3-Month U.S. Treasury
Yield:

0.13%

Global Equities
YTD Return:

-6.0%

Global Equities
1-Year Return:

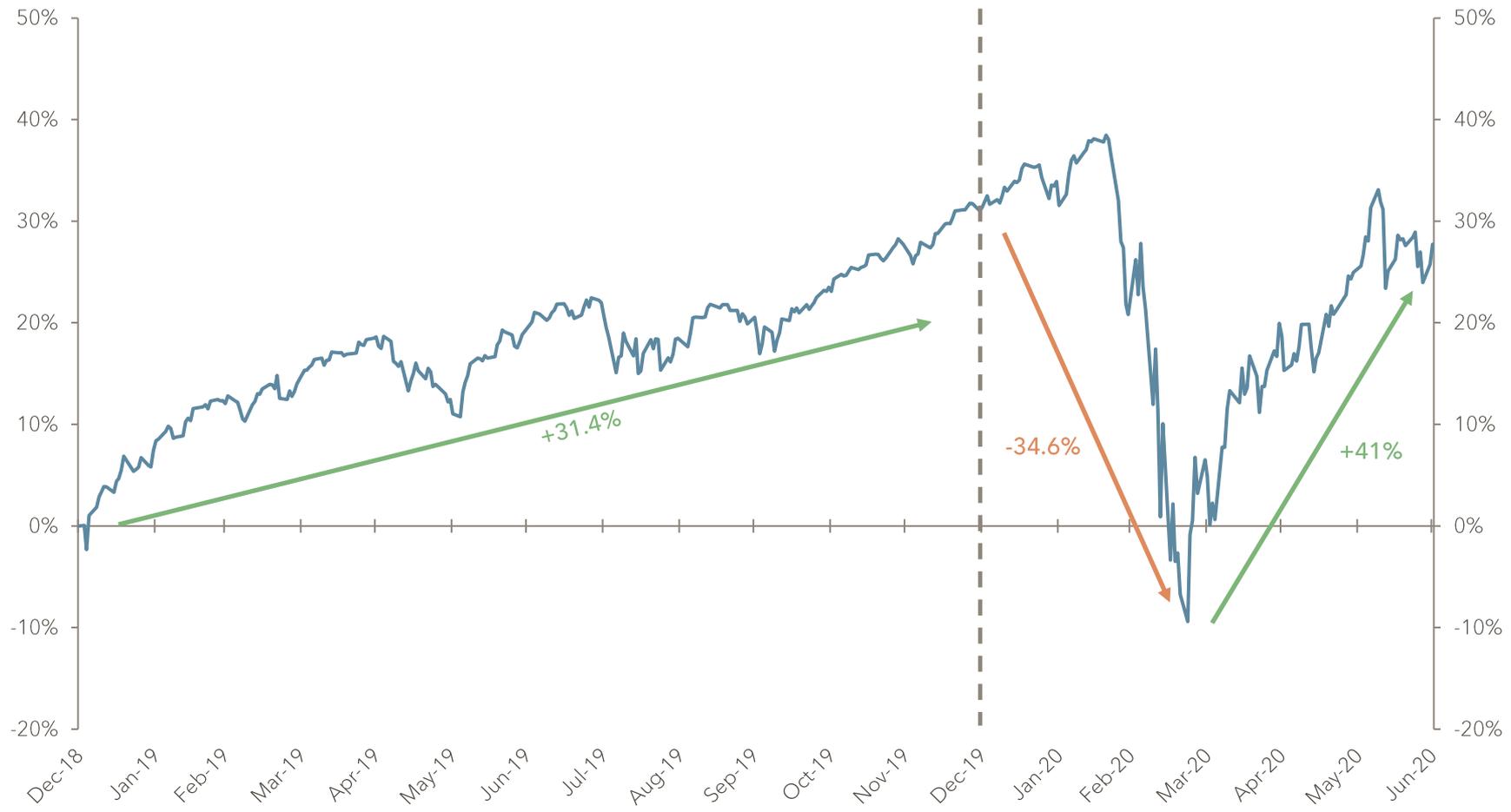
+2.7%

Global Equities
1-Year Volatility:

27%

Market Volatility Will Go Down In History ...

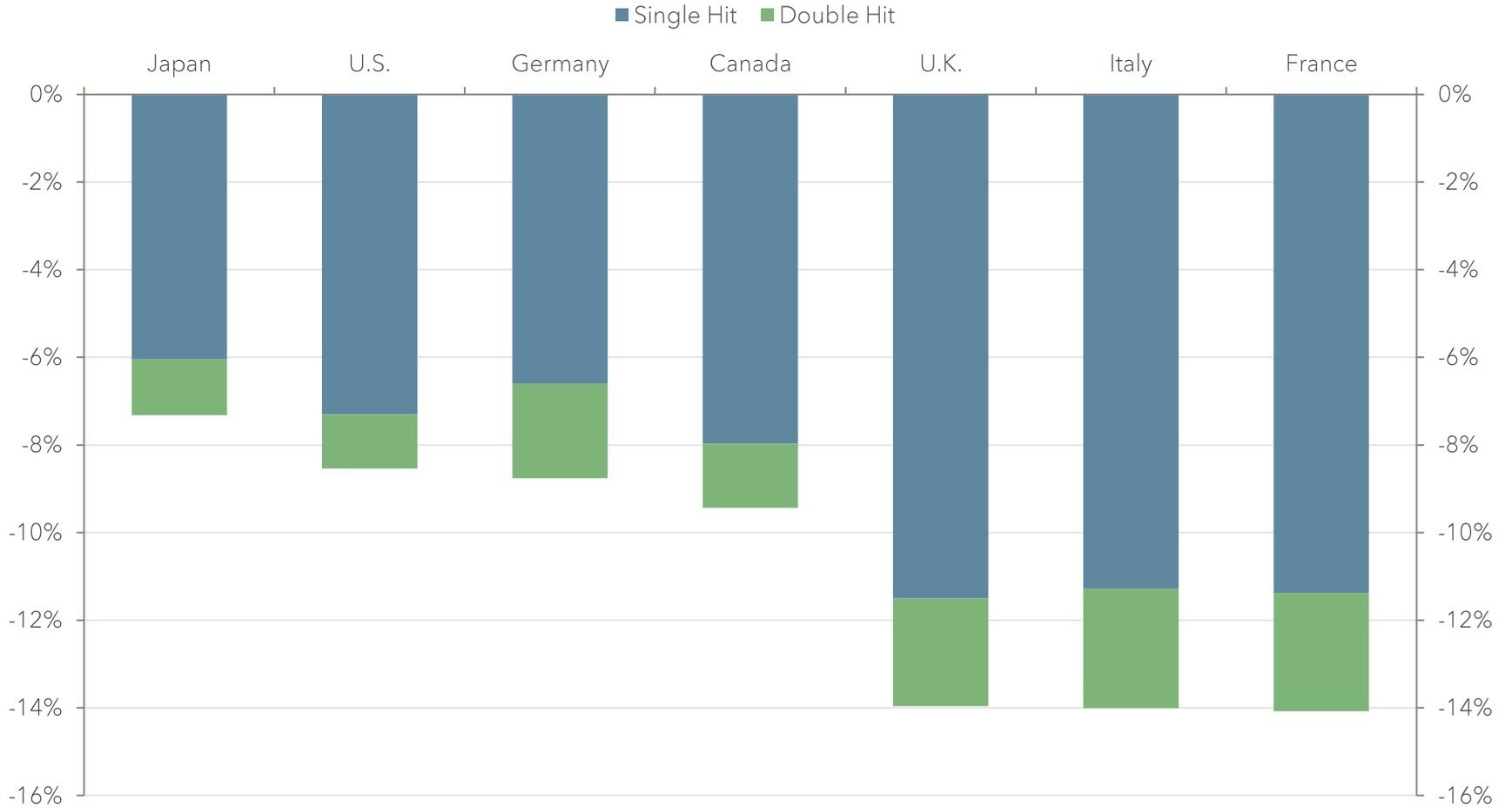
Russell 1000 Total Return



Source: Bloomberg, Jordan Park analysis. Past performance is not a guarantee of future results. Data as of 06/30/2020. Returns shown are inclusive of estimated dividends.

...Reflecting A Rapid Global Economic Contraction

2020 Real GDP Forecast Scenarios

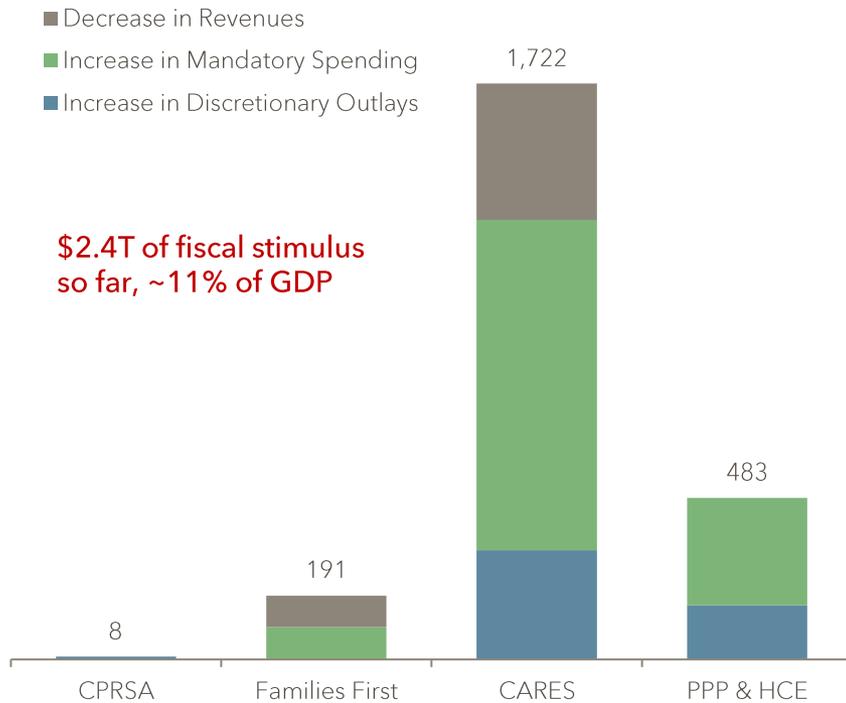


Source: OECD (2020), Real GDP Forecast (Indicator). Data as of 06/17/2020.

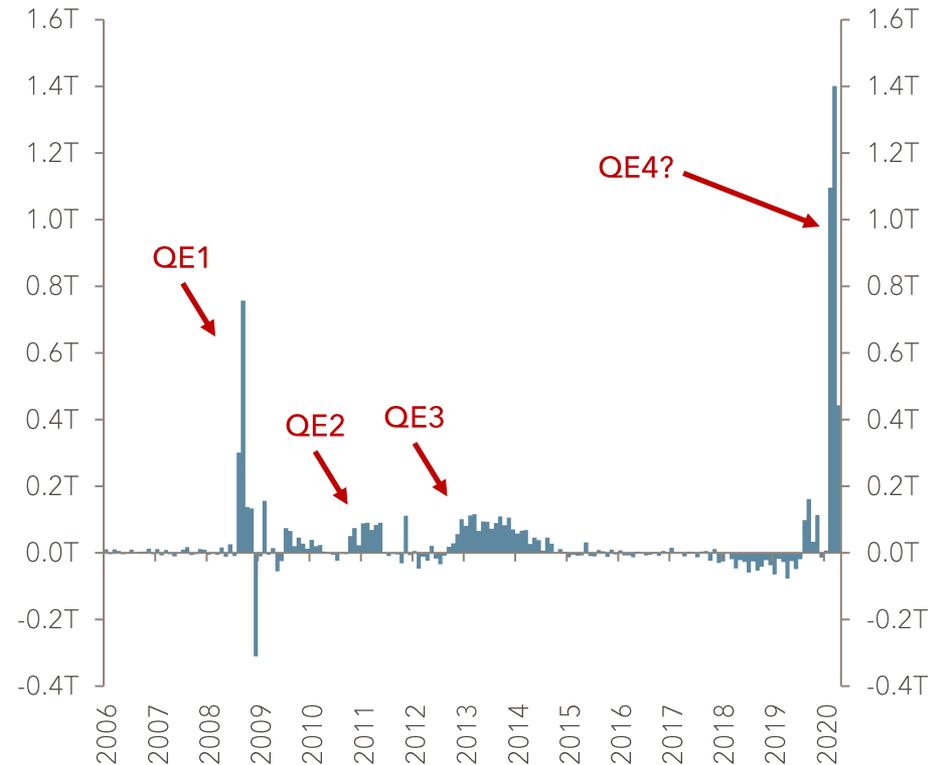
The Response: Enormous Sums Of Economic Stimulus

Dramatic intervention from both fiscal and monetary policymakers has put a floor under the market. We expect the path to remain volatile as uncertainties dissipate.

Estimated Effects On U.S. Budget of Recent Stimulus
(USD, Billions)



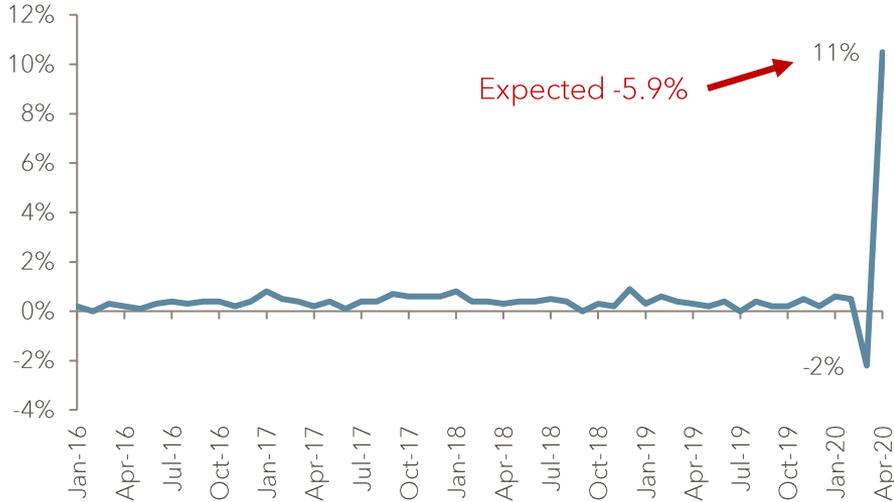
Federal Reserve Balance Sheet Changes



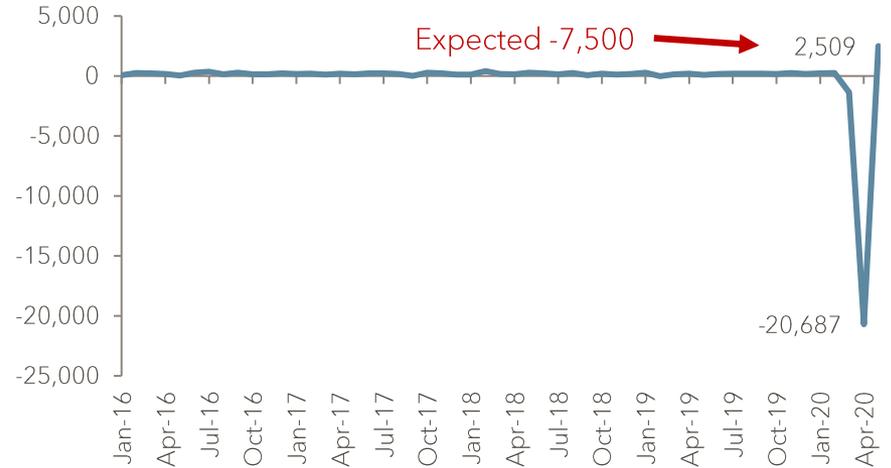
Source: Federal Reserve, Congressional Budget Office, Bloomberg. Jordan Park analysis. Data as of 06/17/2020. CPRSA: Coronavirus Preparedness And Response Supplemental Appropriations Act (Mar 6, 2020), Families First Coronavirus Response Act (Mar 18, 2020), Coronavirus Aid, Relief, And Economic Security (CARES) Act (Mar 27, 2020), Paycheck Protection Program And Healthcare Enhancement Act (Apr 24, 2020).

The Worst May Be Behind Us

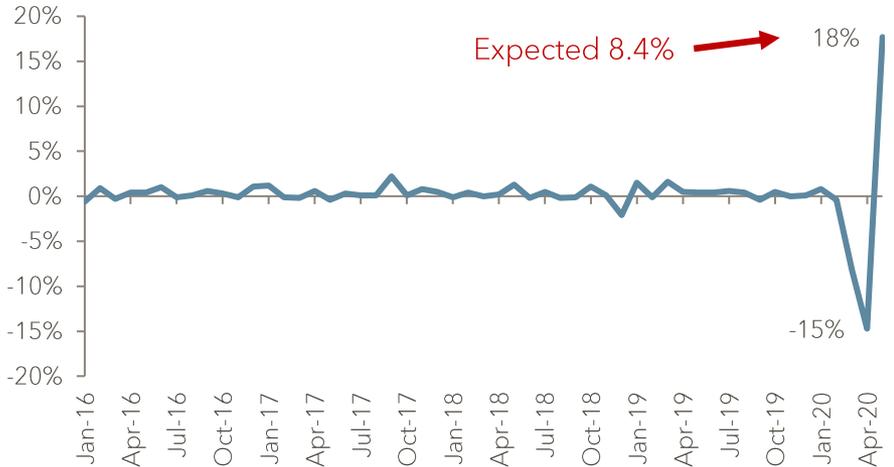
US Personal Income MoM SA



US Employees on Nonfarm Payrolls Total MoM Net Change SA



Adjusted Retail & Food Services Sales SA Total Monthly % Change



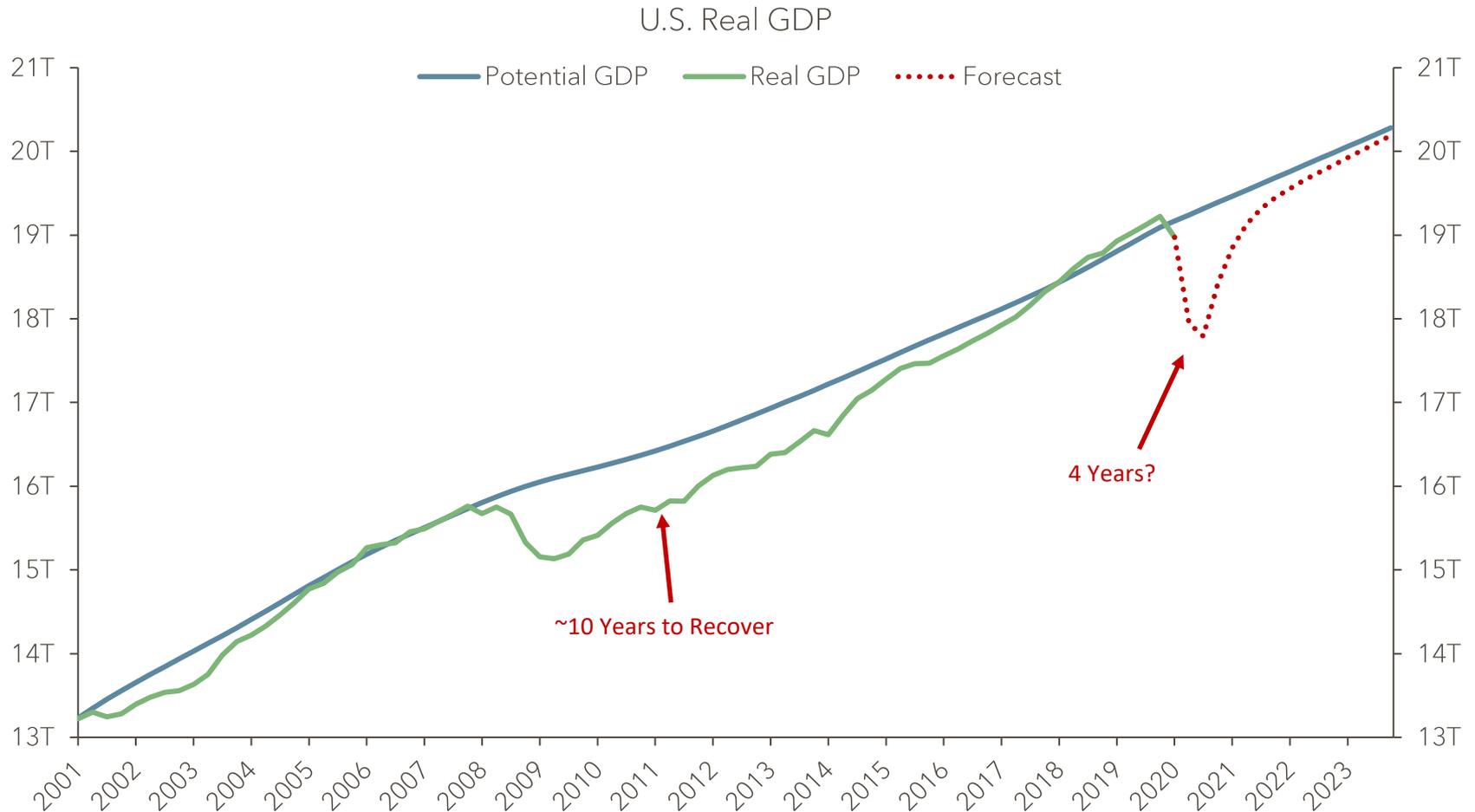
US Industrial Production MOM SA



Source: Bureau of Economic Analysis, Bureau of Labor Statistics, U.S. Census Bureau, Federal Reserve, Bloomberg Data. Jordan Park Analysis. Data as of 06/20/2020. Expectations are the median forecast of submitting economists.

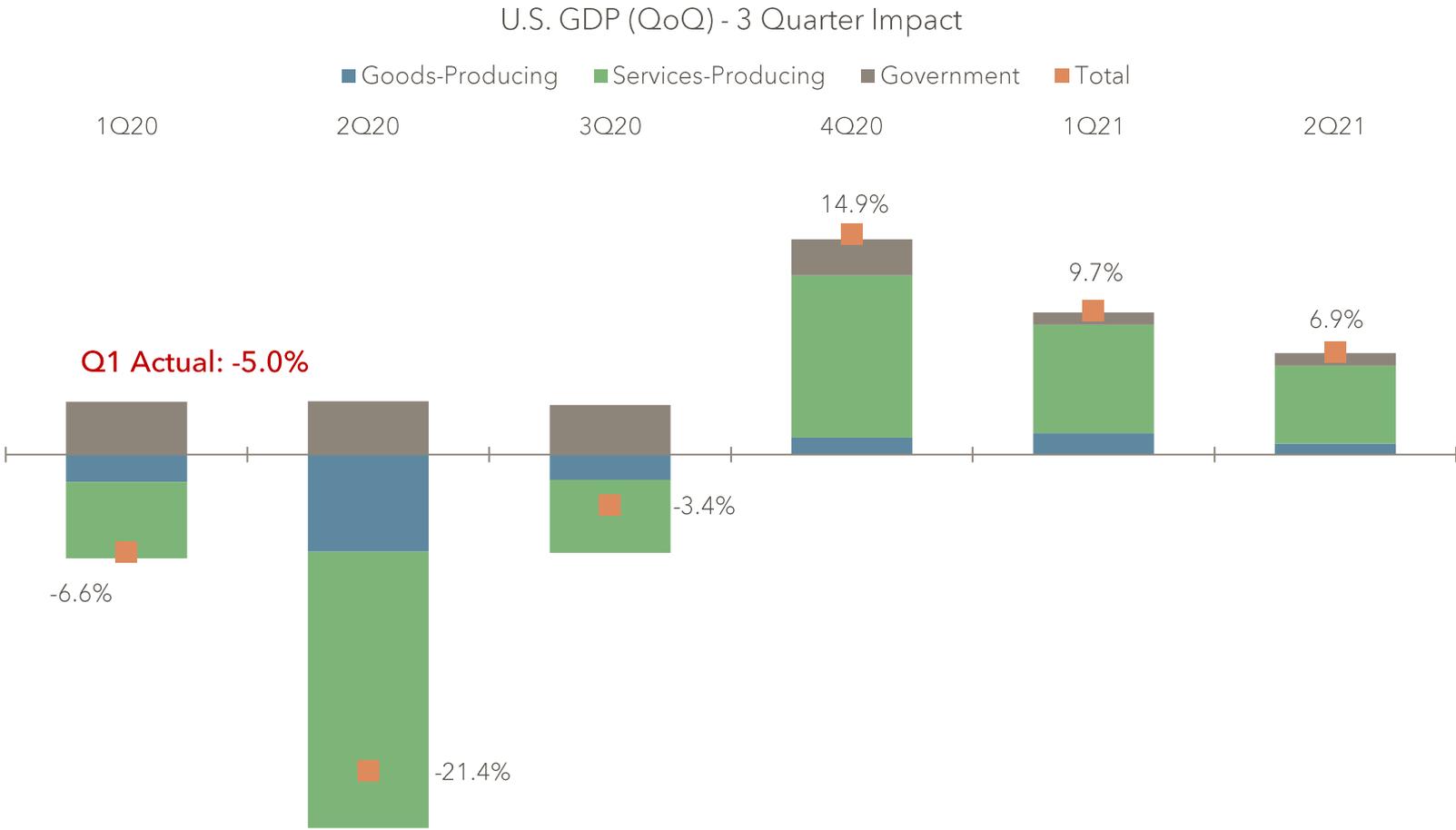
Market Is Looking Through The Crisis

The recovery from COVID-19 should be quicker than the Global Financial Crisis because this crisis was kicked off by an exogenous shock rather than the need to rectify years of misallocation of capital like in the Global Financial Crisis.

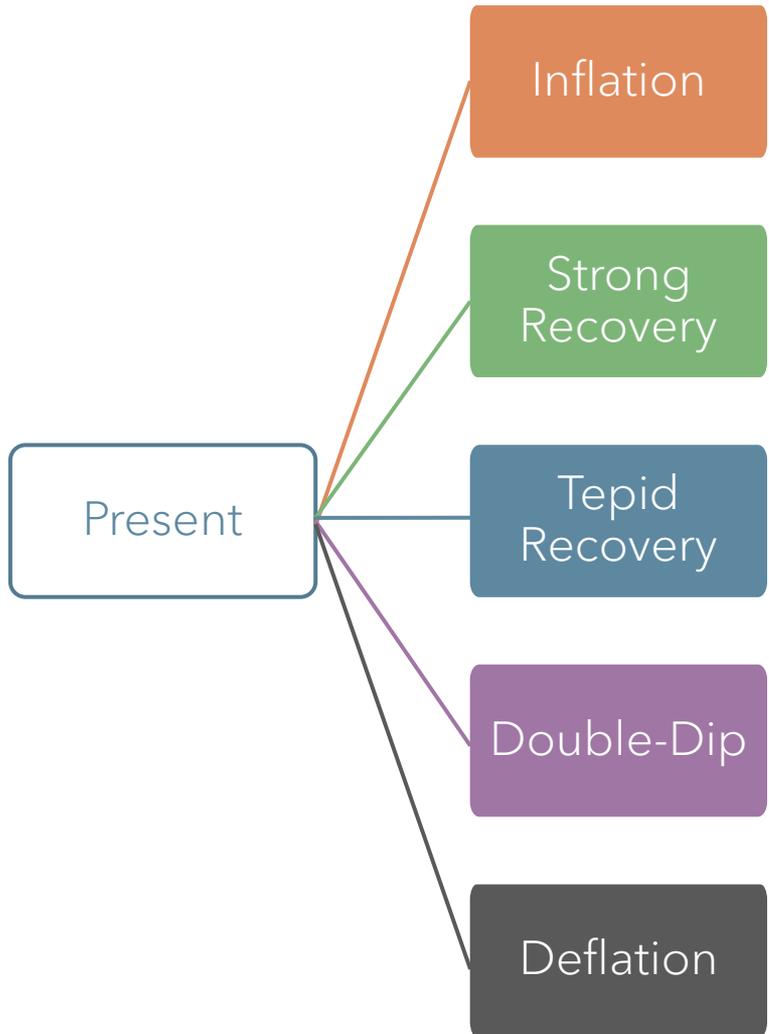


Source: Congressional Budget Office, Bloomberg Data. Jordan Park Analysis. Data as of 06/15/2020. Past performance is not a guarantee of future results.

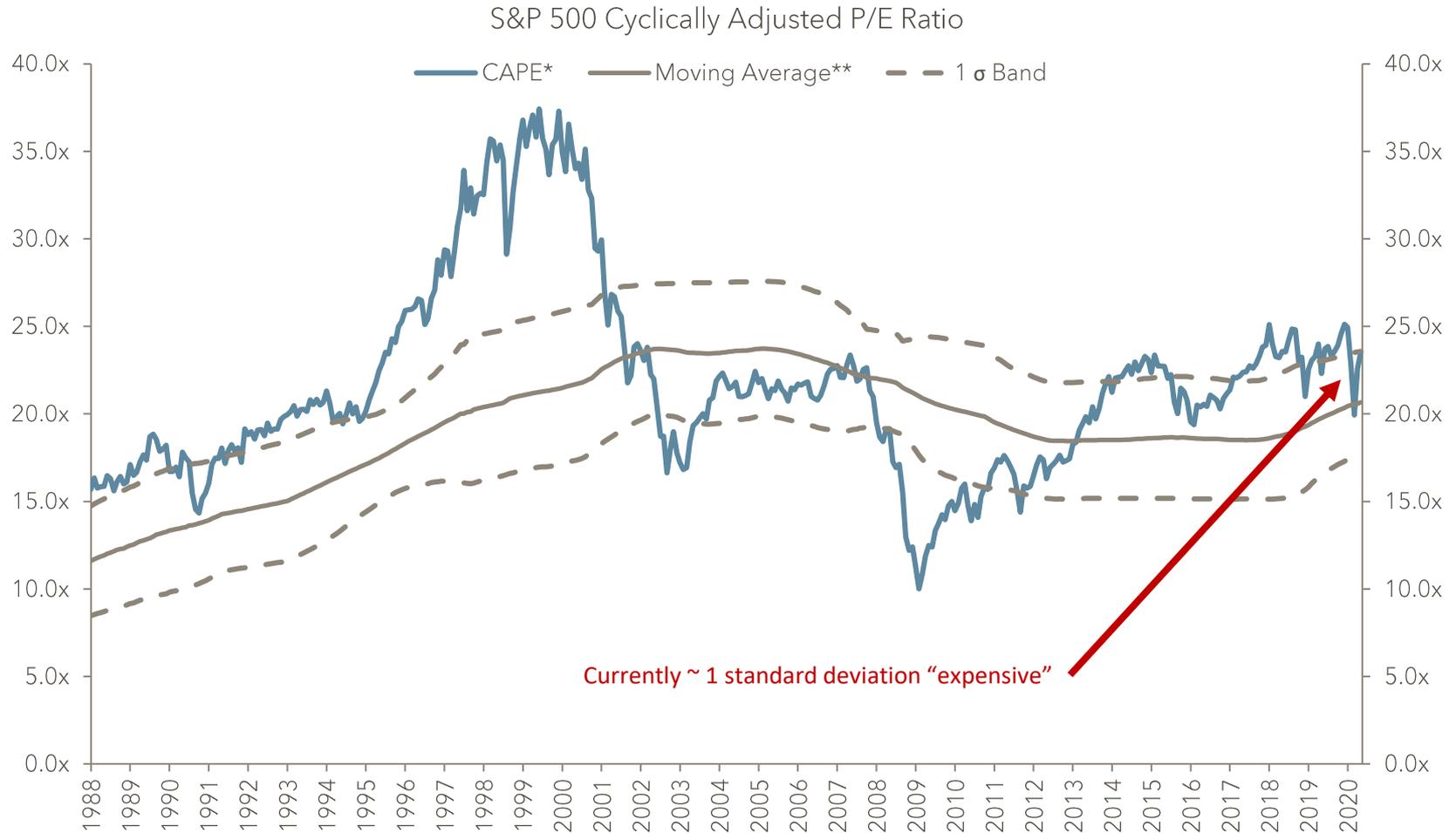
Near Term: Likely To See "U-Shaped" Recovery (not "V")



Source: Bureau Of Economic Analysis, Jordan Park Analysis. Data as of 05/31/2020. Analysis above is provided to illustrate a concept; actual results will vary.

	<u>Scenario Detail</u>	<u>Our View</u>
	Inflation <ul style="list-style-type: none"> • GDP Growth >3% for multiple quarters • Inflation >5% for multiple quarters • Interest rates and commodities jump • Bonds suffer and USD depreciates 	Least Likely
	Strong Recovery <ul style="list-style-type: none"> • GDP Growth 2-3% • Tolerable inflation 2-4% • Interest rates manageably higher • Equities enjoy the economic updraft 	Unlikely
	Tepid Recovery <ul style="list-style-type: none"> • Range-bound GDP in 1-2% range • Inflation likewise subdued, 0 to 1% • Fed rate @ 0, longer maturity rates stay low • Sideways and volatile equity markets 	Most Likely
	Double-Dip <ul style="list-style-type: none"> • GDP 0-1%, possibly negative quarters • Inflation flirts with deflation near 0% • Additional stimulus pushes rates negative • Equities re-test recent lows 	Unlikely
	Deflation <ul style="list-style-type: none"> • GDP flat to negative • Inflation <0% for quarters despite stimulus • Stubborn unemployment despite stimulus • Substantial equity tail event, big bond rally 	Very Unlikely

Equities Appear Slightly Expensive Relative To History



Data source: Bloomberg. Jordan Park analysis. Data as of 05/31/2020. Past performance is not a guarantee of future results. Indices are not directly investable.

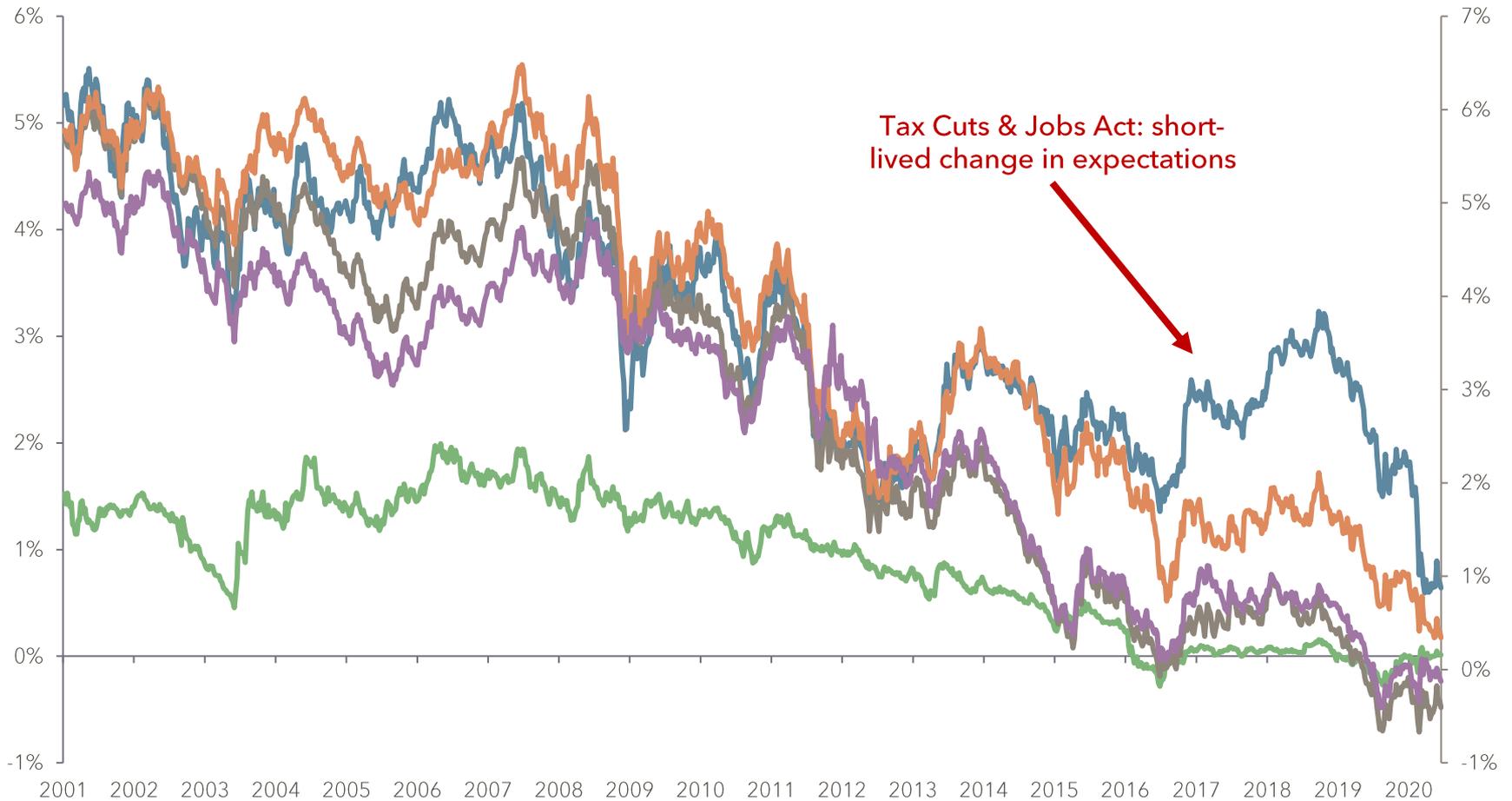
* The CAPE is calculated as the inflation-adjusted price divided by the 7-year average real earnings per share.

** The moving average uses 10 years of data with a 5% trim using data since May 1955.

But How Useful Is History In A Shifting Economic Regime?

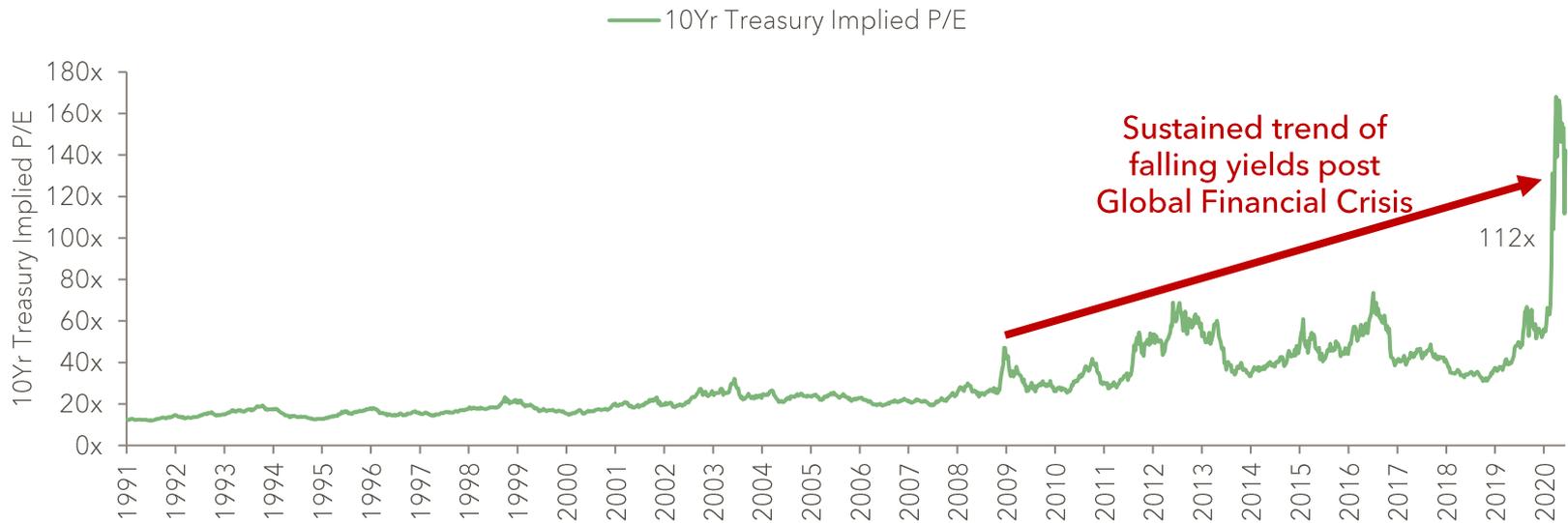
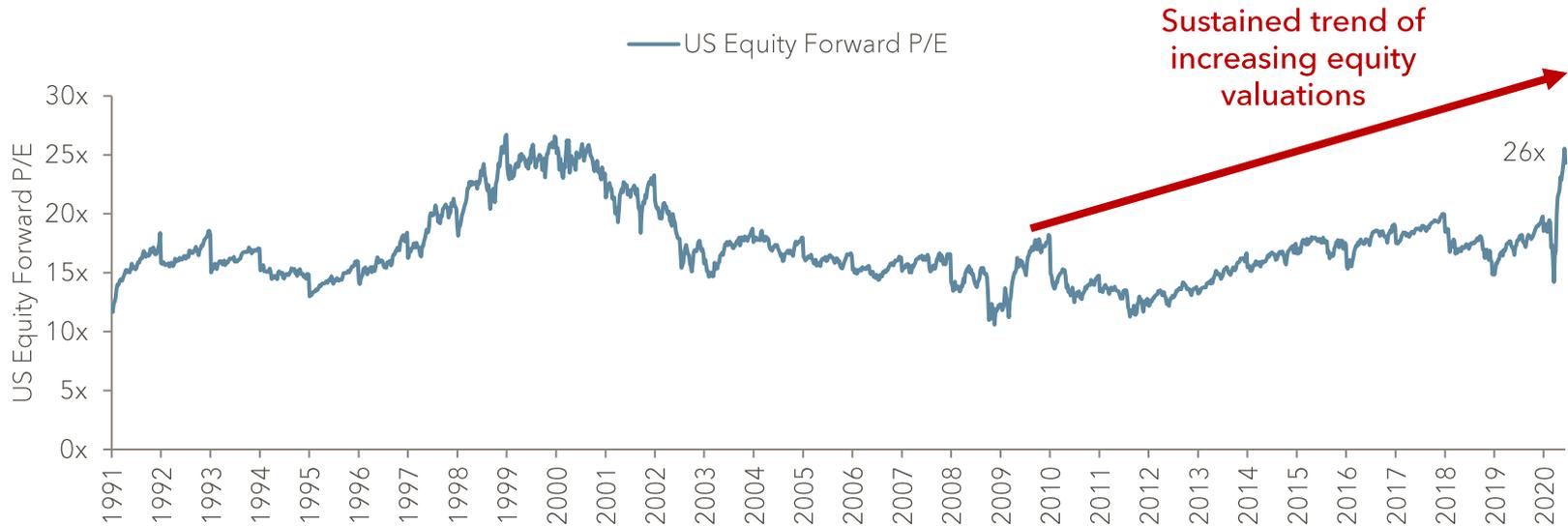
Developed Economy 10-Year Treasury Yields

— U.S. — Japan — Germany — U.K. — France

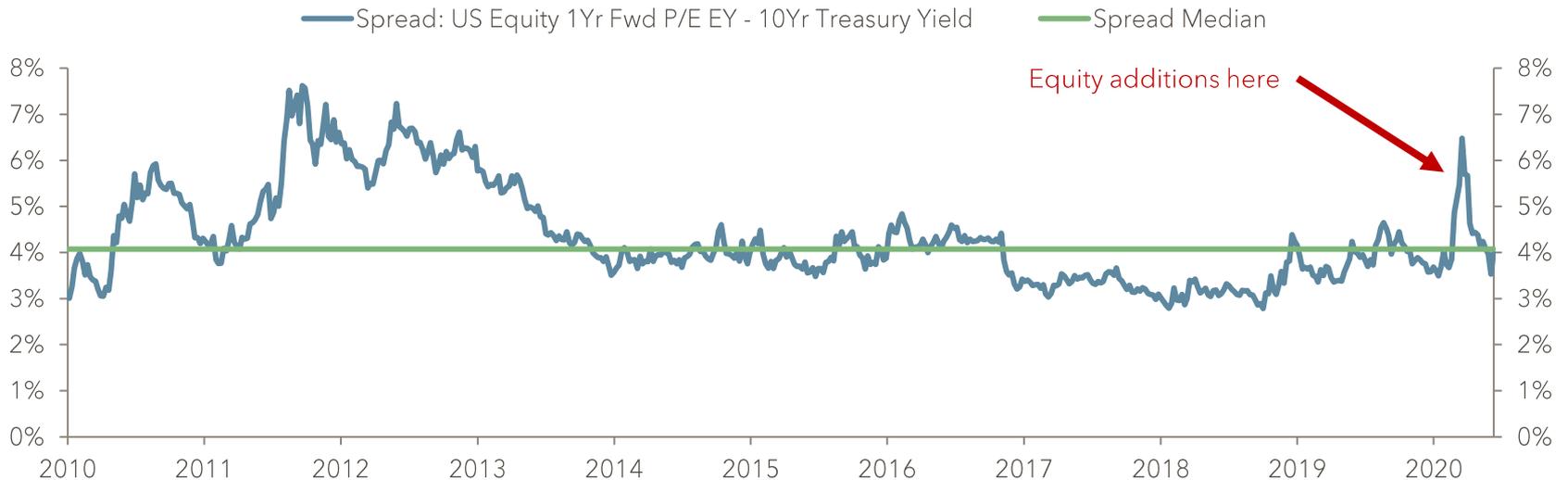
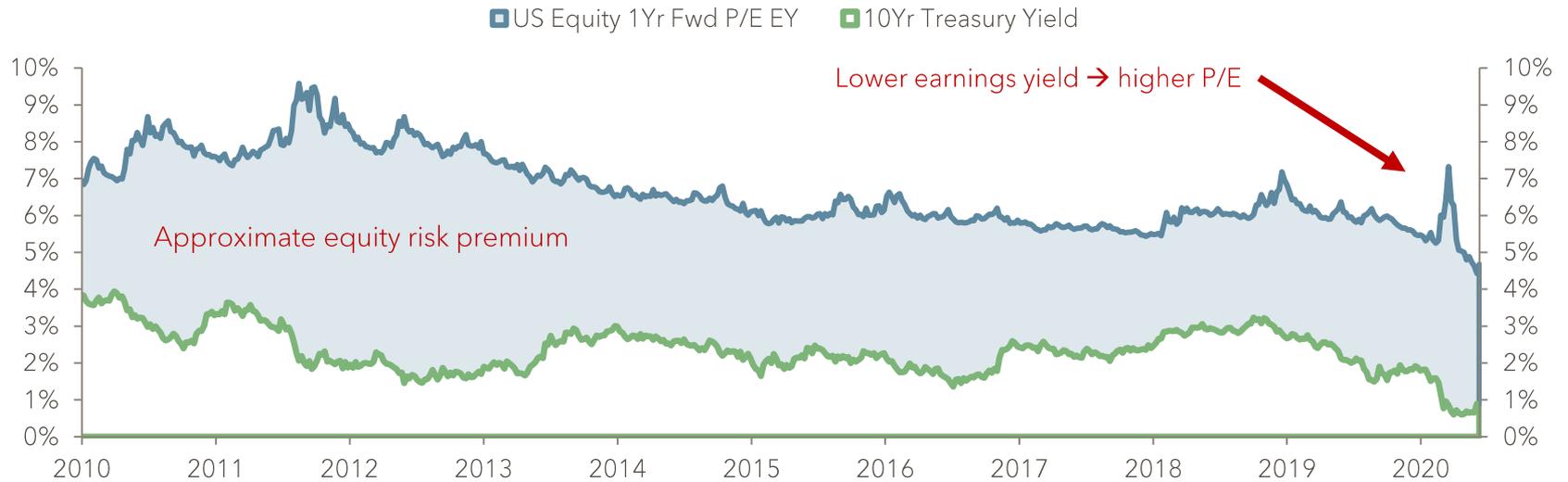


Source: Bloomberg, Jordan Park analysis. Data as of 06/10/2020. Past Performance is not a guarantee of future results.

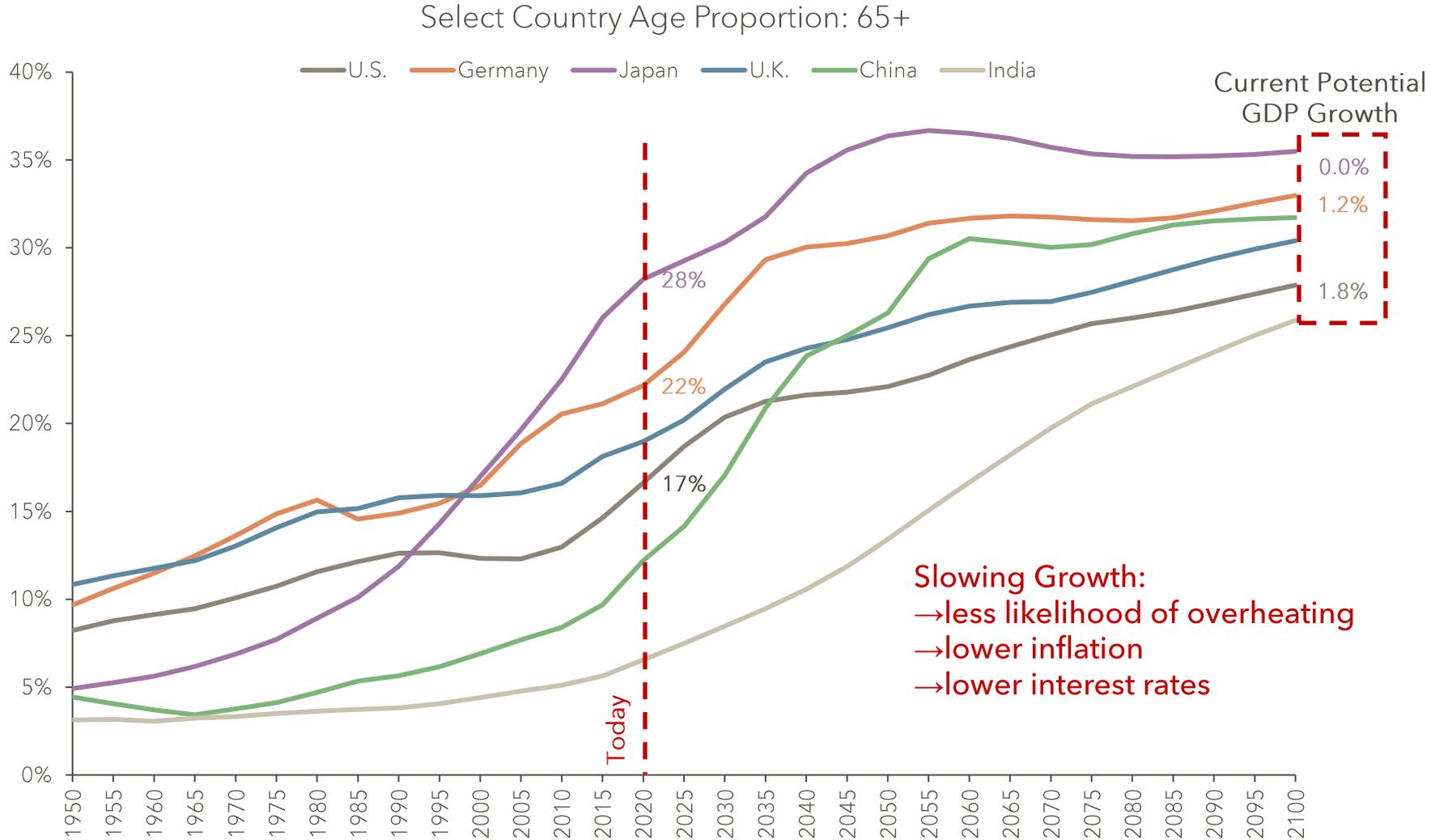
Lower Rates Imply Higher Equity Valuations



Relative Prices In Terms Of Risk Premia Tell Same Story



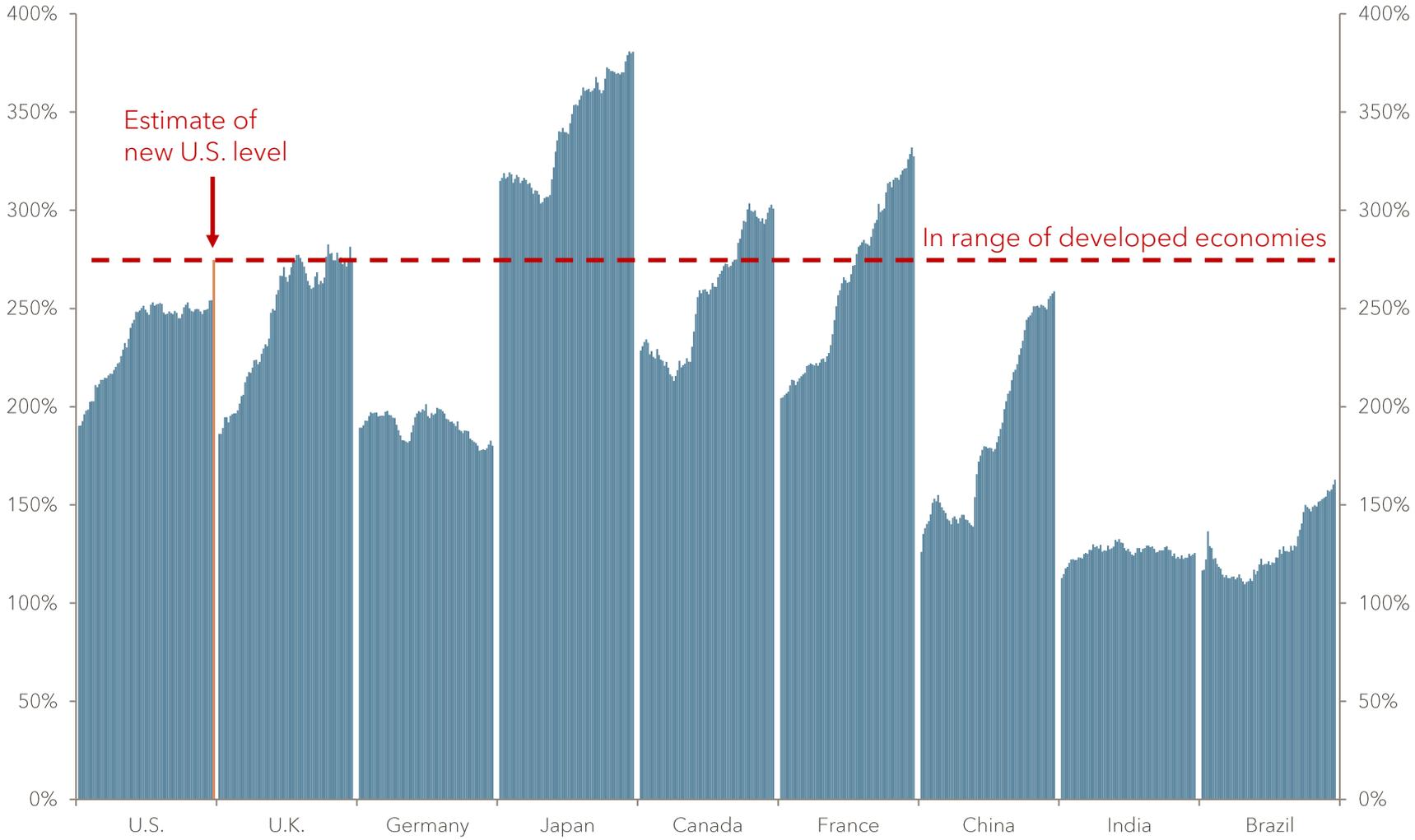
Rates Will Stay Low: Aging Population Implies Slowing Growth



Source: United Nations Population Prospects, 2017. Jordan Park Analysis. As of 2018.

Rates Will Stay Low: Increasing Debt Also "Dampens" Economy

Government, Household, Corporate Debt, % of GDP



Data source: Bank for International Settlements, Bloomberg. Jordan Park Analysis. As of 06/10/2020. Orange highlighted area incorporates the estimated impact of U.S. fiscal stimulus.

Survive The Path: Balanced Portfolios "Work" More Often

	Fixed Income (F.I. Centric)	Balanced (35%-70% Equity)	Equity (Equity Centric)
Inflation	✗	—	✓
Strong Recovery	—	✓	✓
Tepid Recovery	—	✓	—
Double-Dip	✓	✓	—
Deflation	✓	—	✗



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Endowment Experience with COVID-19



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Endowment Experience with COVID

- For other institutions
 - Scholarship endowments
- For us
 - Endowment grants for parishes and schools
 - Combined with family philanthropy for largest granting to date
- Funds for the long term



Q&A

Thank you for Joining Us!

Questions? Want a copy of today's slides?

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