

Market Update & Investment Briefing

February 18, 2021



THE CATHOLIC
COMMUNITY FOUNDATION

Welcome

Mary Quilici Aumack

CHIEF EXECUTIVE OFFICER



THE **CATHOLIC**
COMMUNITY FOUNDATION

What We Do

We
Gather



We
Grow



We
Give



What We Do

We
Gather



We
Grow



We
Give





GROW = Wise, Catholic Investing

Types of Funds



Institutional and Purpose-Specific Endowments

- Parishes, schools, agencies
- Outreach, vocations, etc.



Family Philanthropy Funds

- Donor Advised Funds
- Family Endowments & Funds

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

2020 Foundation Investment Performance

Sean Finigan

OPERATIONS MANAGER



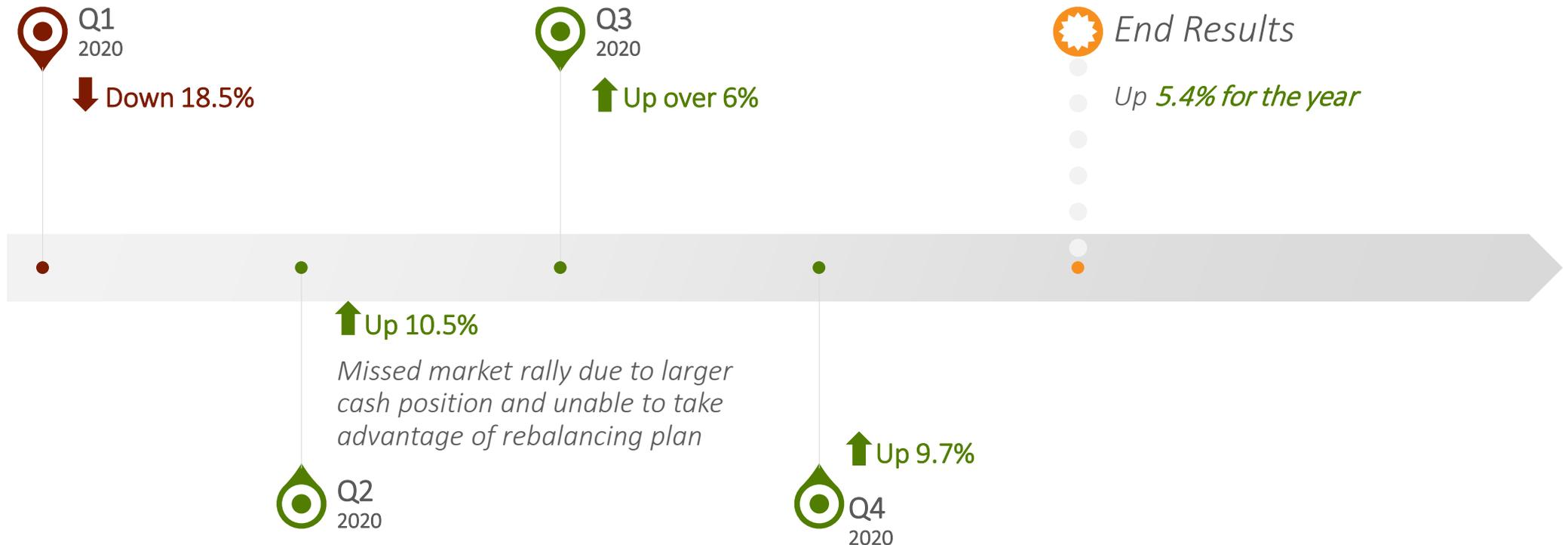
THE CATHOLIC
COMMUNITY FOUNDATION

2020 Time of Transition

- In February (before Covid-19)
 - Foundation was focused on long-term health of the funds and opted to switch investment advisors from Colonial Consulting LLC to Jordan Park
- Volatility
 - 2020 unusual year of extreme volatility
- Transition led to unusually large cash positions during the year

Endowment Performance by Quarter

Five-Year Returns (annualized): **Up 8.3%**



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Introduction to Jordan Park

Frank Ghali

FOUNDER, PRESIDENT & CHIEF EXECUTIVE OFFICER



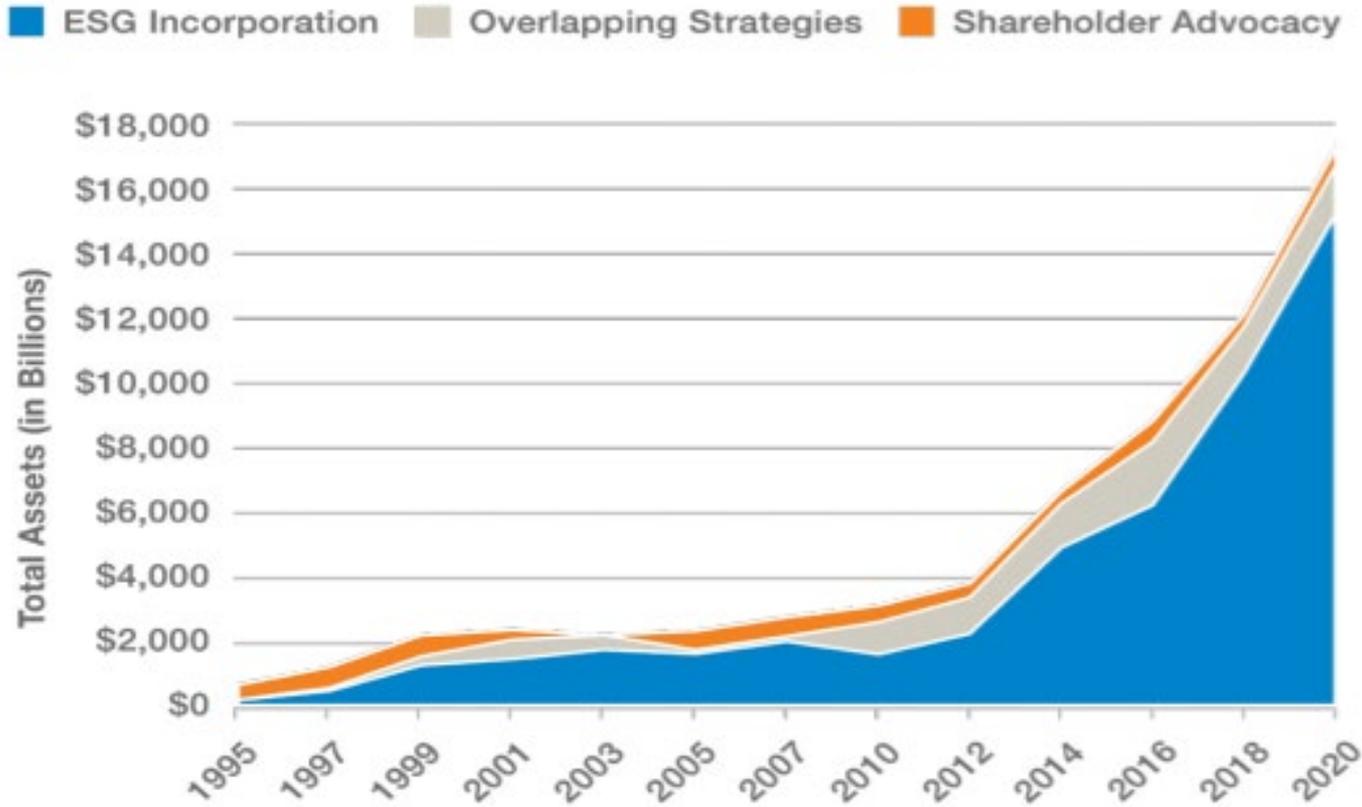
JORDAN PARK



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.

Driven by investor demand, the sustainable/ESG and impact investing markets have continued to grow exponentially in recent years.



US-based AUM using sustainable investing strategies grew from \$12 trillion in 2018 to \$17.1 trillion in 2020, an increase of 42%

This represents 33%, or one in three dollars, of the \$51.4 trillion in total US AUM in 2020

Simultaneously, the global impact investing market grew from \$502 billion AUM in 2018 to \$715 billion as of the end of 2019, a YOY increase of 42.4%

Areas of greatest industry progress over the past decade,
also remain top challenges.

- Sophistication of impact measurement, management, and reporting practices
- High-quality investment opportunities with sufficient data, track record, and exit options
- Product proliferation leading to increased risk of or “impact-washing”
- Innovative deal structures and financing tools to accommodate investor needs
- Appropriate impact-oriented capital allocated across the risk/return spectrum
- Investment firms with varying impact capabilities and levels of expertise
- Inconsistent government and regulatory support of the market

Across the financial spectrum – from philanthropy to investing – we partner with clients seeking effective and innovative strategies to promote positive change.



Education & Guidance

Provide insight, support, and educational resources across a wide range of ESG/impact investing and philanthropy-related topics



Strategy Development

Design tailored strategic plans that help clients explore, formulate, carry out, and evaluate their impact objectives



Entity Formation & Funding

Assess, identify, and set up optimal impact funding structures based on client priorities (e.g., private foundations, donor-advised funds, LLCs)



Research & Analysis

Source and conduct due diligence on funding opportunities in line with client interests and preferences (e.g., thematic areas, geographies)



Portfolio Alignment

Integrate SRI, ESG, and impact investing strategies across client portfolios in line with their impact and financial goals



Reporting

Track ESG, impact investment, and grant allocations alongside social and environmental metrics of client portfolios

2021 Market Update & Long-Term Investments

Michel Del Buono

SENIOR VICE PRESIDENT, CHIEF INVESTMENT OFFICER

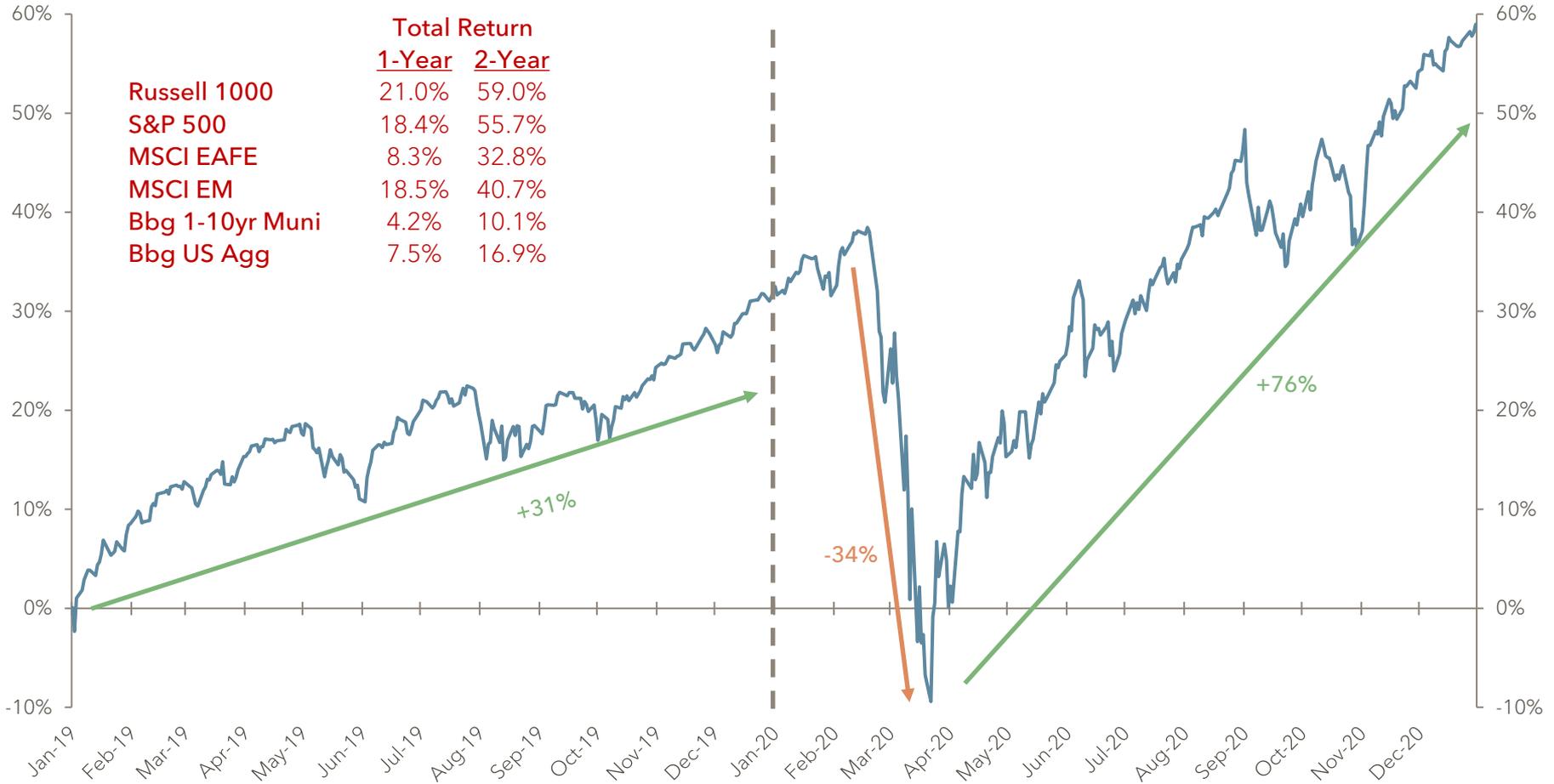


- Global economy will likely continue its recovery albeit at a slower pace than in the second half of the year. U.S. real growth forecasted at -3.5% and +3.9% for 2020 and 2021, respectively.
- Another fiscal stimulus has occurred (5% of GDP) but will be overshadowed by the significant shift in Federal Reserve policy, keeping interest rates low and allowing inflation to run hotter to support the economy and labor market.
- We are positioning portfolios for the continued recovery by shifting some U.S. equity exposure to sectors more sensitive to economic activity.
- The typical recovery results in longer-maturity interest rates rising, equity valuation multiples falling, and earnings per share improving. Fed's new policy may change that narrative, improving the odds of continued equity market strength.
- Long term, the economic backdrop will likely remain deflationary, thanks to demographics, leverage, and productivity trends.

¹ Source: Bloomberg, Bureau of Labor Statistics. As of 12/31/2020.

Rally Driven By Powerful Global Economic Stimulus...

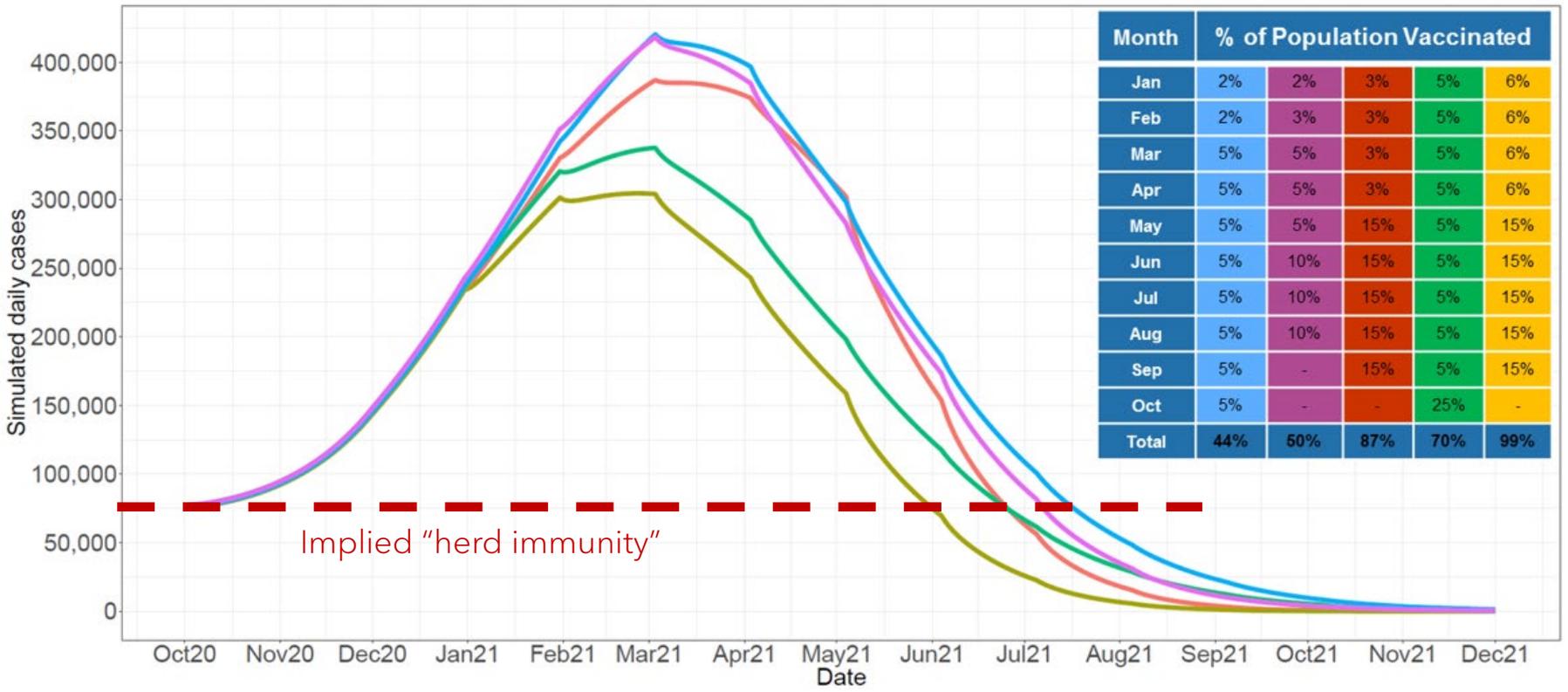
Russell 1000 Total Return



Source: Bloomberg, Jordan Park analysis. **Past performance is not a guarantee of future results.** Data as of 12/31/2020. Returns shown are inclusive of estimated dividends. The performance of the index does not reflect the impact of fees, applicable taxes or trading costs which, unlike the index, may reduce the returns of a managed portfolio. Investors cannot invest in an index.

... And Vaccine Optimism

Key to a rapid return to “normal” is the speed of vaccine rollout. Q4 is a safe bet unless mutations get in the way. If things go very well, late summer is a possibility.

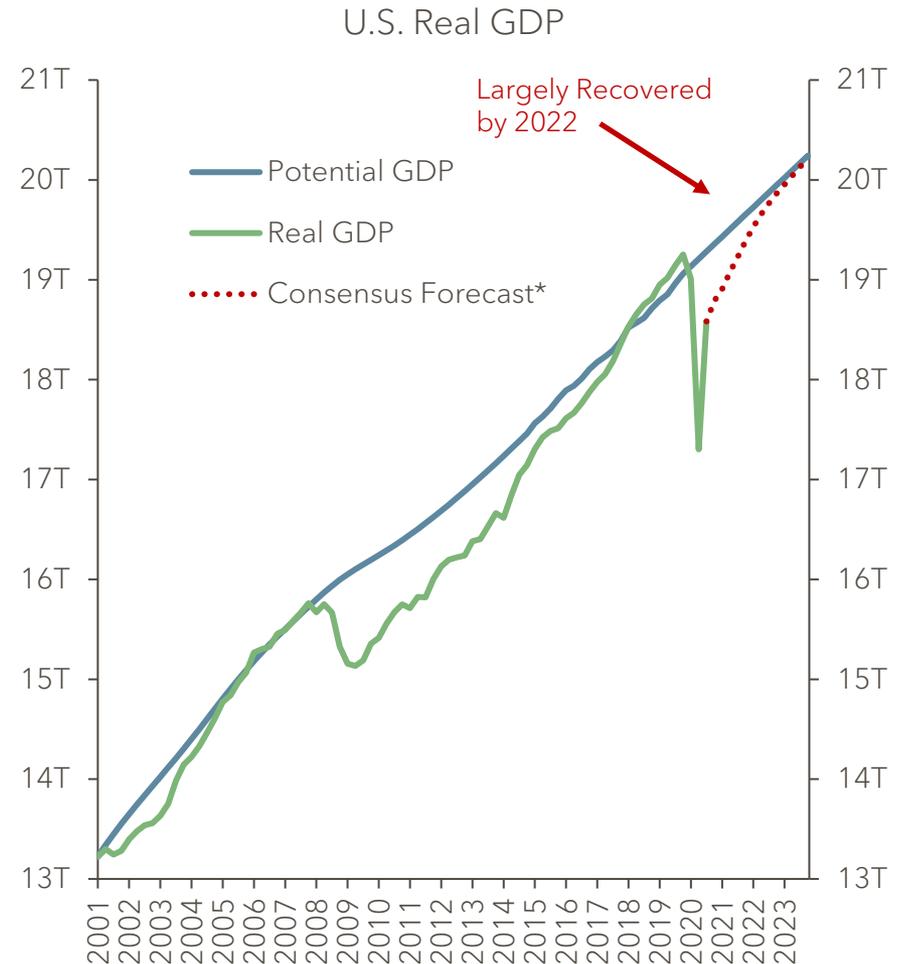
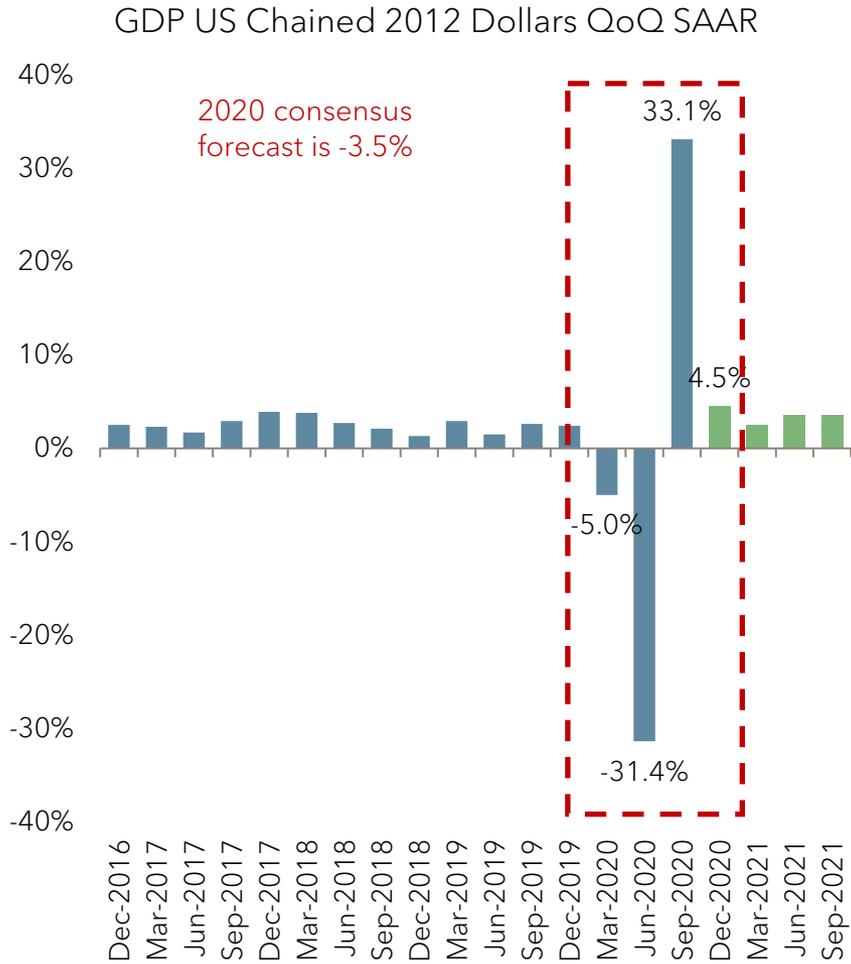


Source: Morgan Stanley's North America Biotechnology Research. Data as of 12/07/2020.

Economic Outlook

Swift Recovery After 2nd Quarter Recession

Economic growth likely back on historic trend by mid-2021 and largely back to trend by 2022. Growth likely to return to long-term potential of 1-2% thereafter.



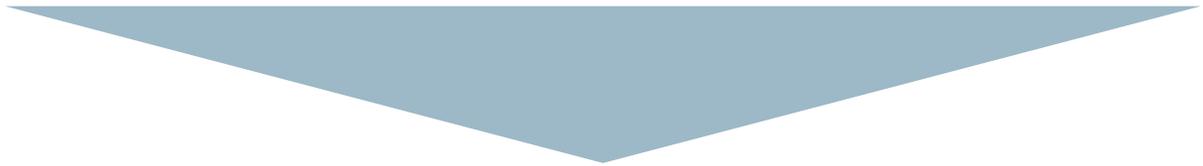
Source: Bloomberg, Congressional Budget Office. Data as of 12/11/2020. *Red dots represents forecasted results, not actual results. Forecasts are a combination of official sources aggregated by Bloomberg. Growth rate assumed to be 1.8% long term. Estimates include official sources such as the Federal Reserve and European Central Bank and unofficial sources such as banks and research providers.

Aging Demographics

- 1) Developed world facing increasing share of inactive population
- 2) Lowering consumption intensive phase of population lifecycle
- 3) Outright population decline in some countries

Increased Leverage

- 1) Government, corporate, and household sectors increasing borrowing exacerbated by COVID-19 crisis
- 2) Higher interest burden may limit growth opportunities
- 3) Heightened sensitivity to increased interest rates



Potential growth rates across developed world <2%¹

Subdued inflation pressure

As a result, Fed now pursuing inflation of 2% over full cycle and incorporating regional inequality in reaction function²

Source: IMF World Economic Outlook October 2020, U.S. Federal Reserve, Bloomberg, Jordan Park analysis. Data as of 12/31/2020.

¹IMF projects G7 real gross domestic product growth of 1.5% in 2025.

²From the Federal Reserve's Statement on Longer-Run Goals, updated August 27, 2020, "In order to anchor longer-term inflation expectations at this level, the Committee seeks to achieve inflation that averages 2 percent over time, and therefore judges that, following periods when inflation has been running persistently below 2 percent, appropriate monetary policy will likely aim to achieve inflation moderately above 2 percent for some time."

Additionally, From Chair Powell's speech August 27, 2020, "since January 2012, the median estimate of potential growth from FOMC participants has fallen from 2.5 percent to 1.8 percent. Some slowing in growth relative to earlier decades was to be expected, reflecting slowing population growth and the aging of the population."



Jargon: Targeting symmetrical inflation around 2% over a business cycle

Translation: Inflation is likely to average above 2% for an extended period before the Fed considers tightening measures



Jargon: Employment is a broad-based and inclusive goal

Translation: Regional employment/inflation could run higher than the national average before the Fed considers tightening measures



Jargon: May use Yield Curve Control (YCC) if interest rates rise beyond their tolerance

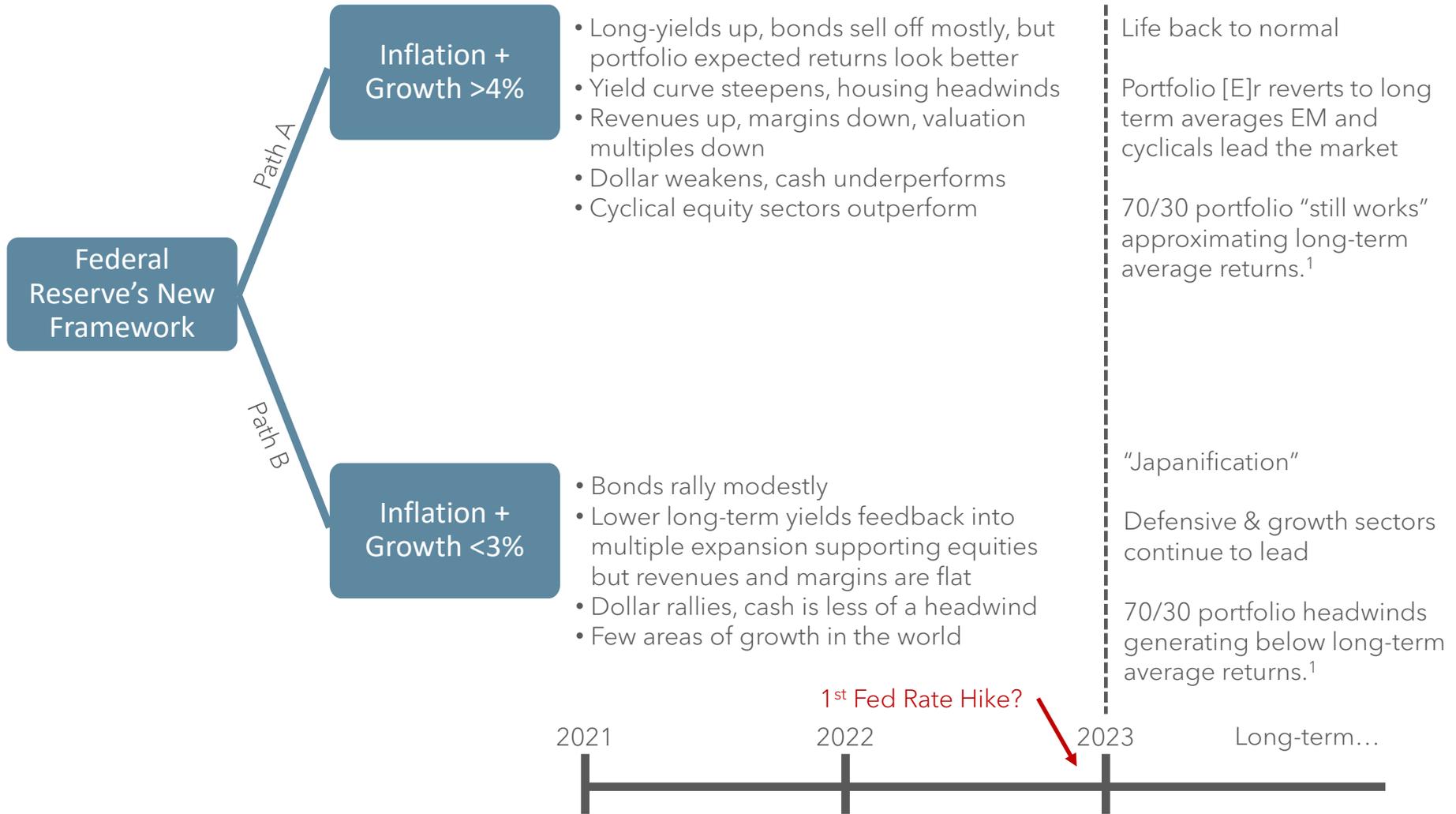
Translation: The Fed may change their bond-buying program to target price versus quantity of buying to help stimulate activity

The Fed is no longer inflation fighters but inflation and labor market supporters. These changes reflect a substantial departure from past policies which we think are underappreciated.

Source: the Federal Reserve's Statement on Longer-Run Goals, updated August 27, 2020, "In order to anchor longer-term inflation expectations at this level, the Committee seeks to achieve inflation that averages 2 percent over time, and therefore judges that, following periods when inflation has been running persistently below 2 percent, appropriate monetary policy will likely aim to achieve inflation moderately above 2 percent for some time."

Additionally, From Chair Powell's speech August 27, 2020, "With regard to the employment side of our mandate, our revised statement emphasizes that maximum employment is a broad-based and inclusive goal. This change reflects our appreciation for the benefits of a strong labor market, particularly for many in low- and moderate-income communities."

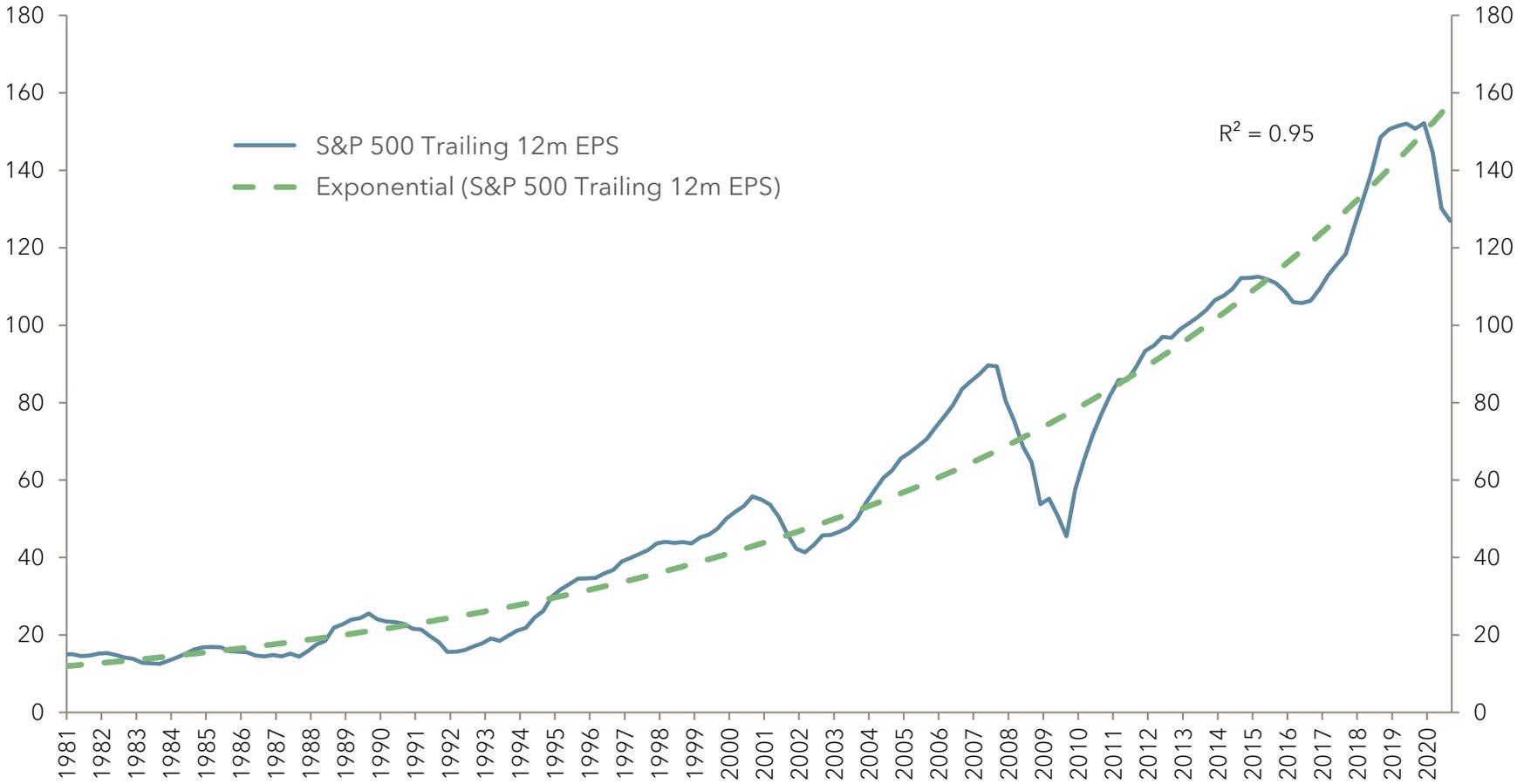
Potential Outcomes Of The Fed's New Policy



¹The 70/30 portfolio noted here is comprised of 70% MSCI ACWI and 30% Bbg Muni 1-10 Year Index. The 70/30 portfolio described returned about 7.0% annualized from September 1993 to December 2020. Data source is Bloomberg, as of 12/31/2020. **Past performance is not a guarantee of future performance.** Financial index returns are provided for illustrative purposes only and do not represent the returns of any client portfolio or strategy managed by Jordan Park. The performance of the index assumes reinvestment of dividends but does not reflect the impact of fees, applicable taxes or trading costs which, unlike the index, may reduce the returns of a managed portfolio. Investors cannot invest in an index.

Long-Term EPS Trend Is Clear

S&P 500 Trailing 12m EPS

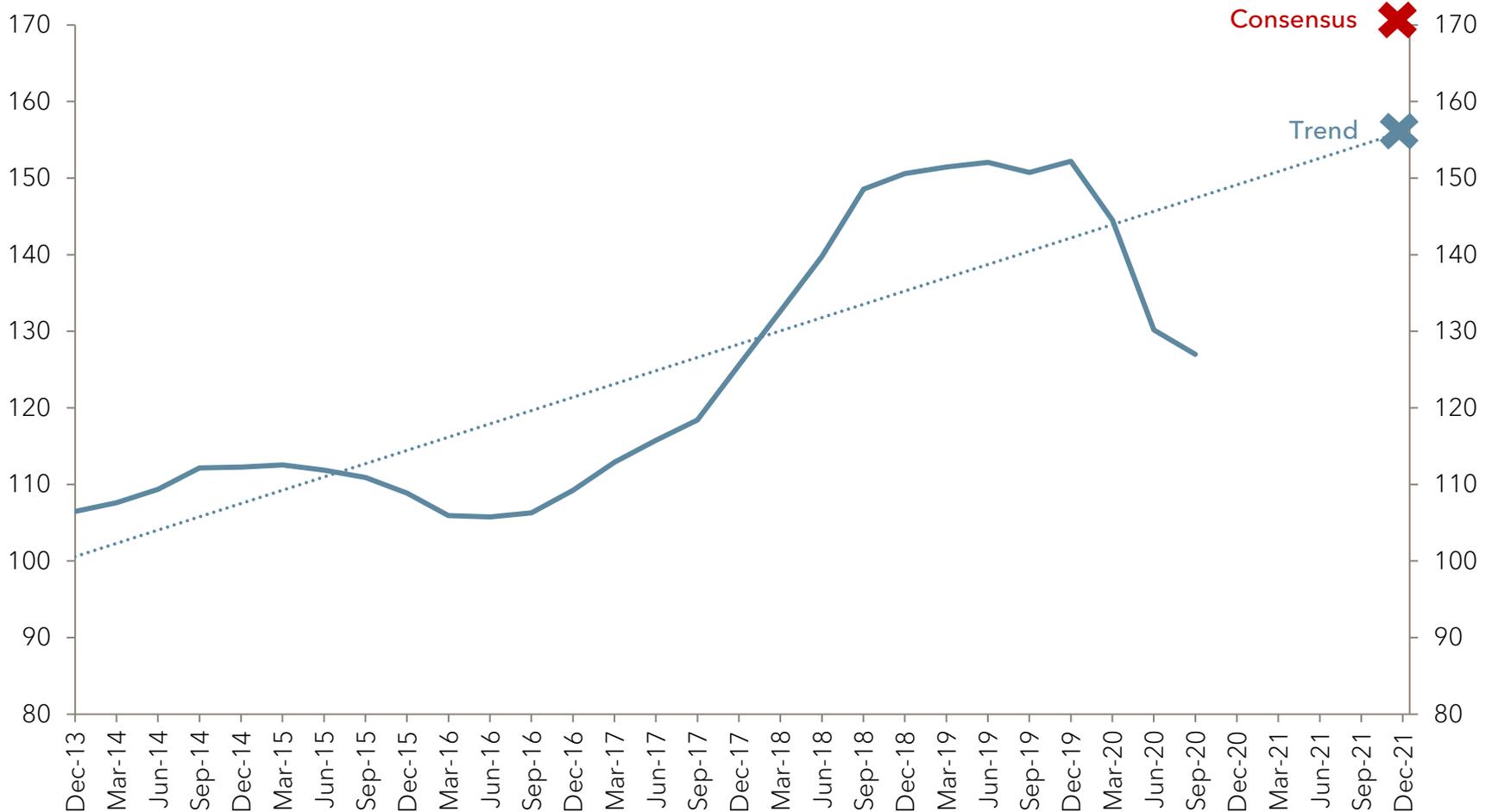


Source: Bloomberg. Data as of 12/31/2020.

Near-Term Trend Implies ~\$155 For 2021 Earnings/Share

We think there is merit in long-term trend reversion (not mean reversion).
Consensus is more bullish w/ 2021 EPS around \$170 per share.

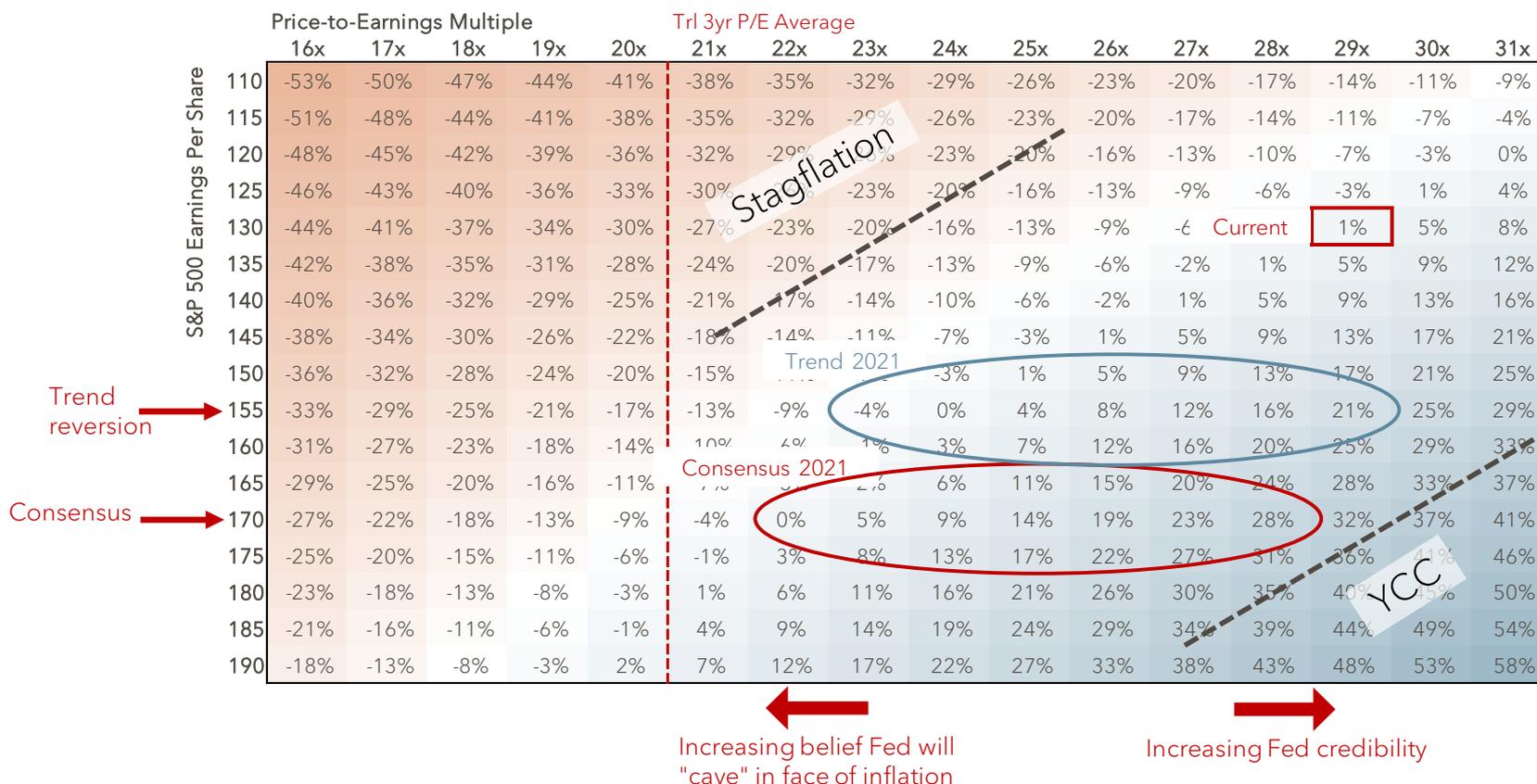
S&P 500 Trailing 12m EPS



Source: Bloomberg. Data as of 12/31/20. A consensus estimate is a figure based on the combined estimates of analysts covering a public company. Generally, analysts give a consensus for a company's earnings per share (EPS) and revenue; these figures are most often made for the quarter, fiscal year, and next fiscal year. The size of the company and the number of analysts covering it will dictate the size of the pool from which the estimate is derived.

Backdrop Remains Constructive For Equities

- A "reasonable" estimate implies U.S. equities may have an above average year.
- Market Expects 1.2% 10-Yr Treasury Yield by end of 4Q 2021. the 21x times trailing three-year average was realized when 10-yr yield was 2.0%.
- If the Fed engages in YCC, it could boost multiples.
- In a typical recovery, growth and inflation expectations rise, pushing interest rates up and multiples down. Multiples may remain elevated this time if the market considers YCC a possibility.



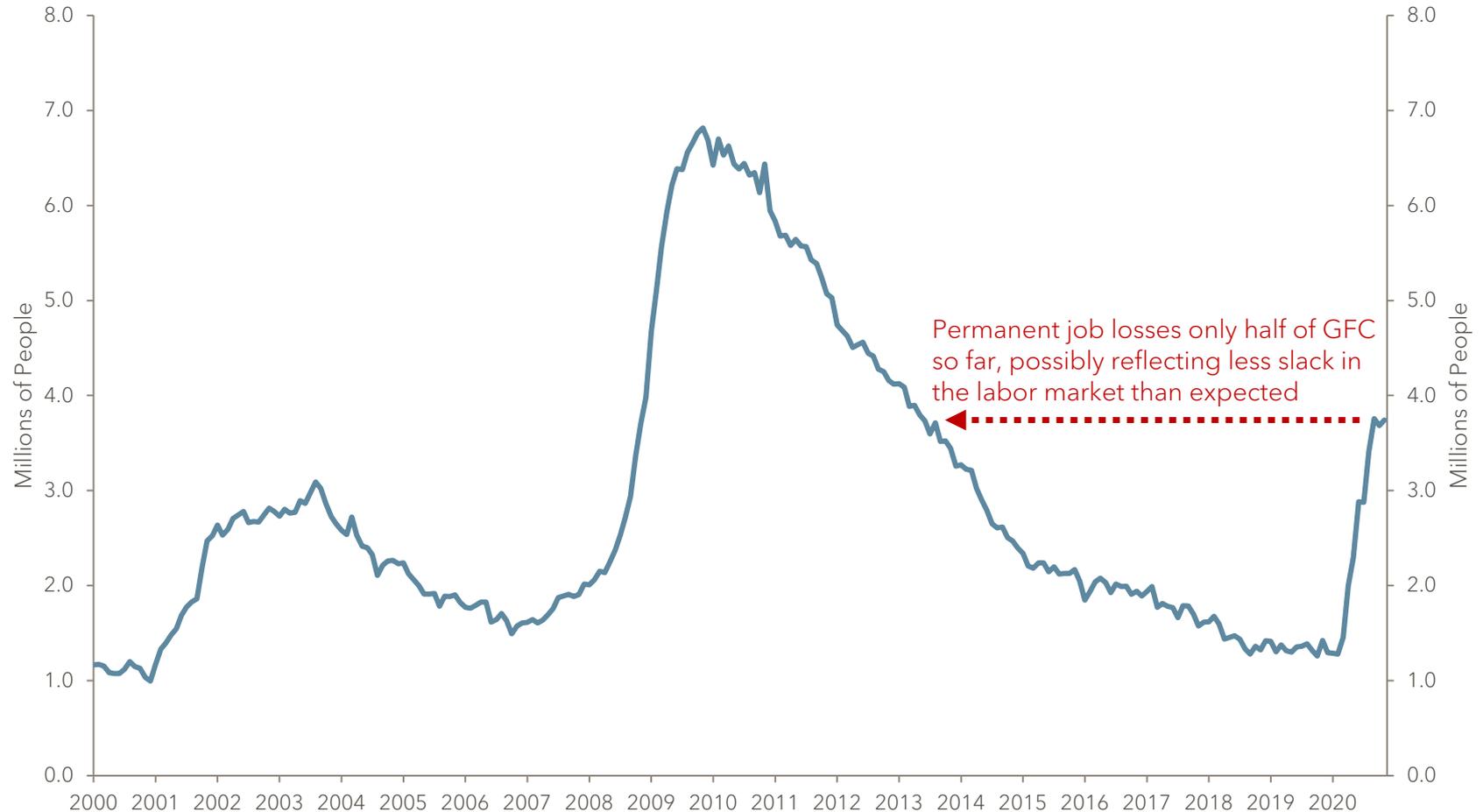
Source: Bloomberg. Data as of 12/31/2020. A consensus estimate is a figure based on the combined estimates of analysts covering a public company. Generally, analysts give a consensus for a company's earnings per share (EPS) and revenue; these figures are most often made for the quarter, fiscal year, and next fiscal year. The size of the company and the number of analysts covering it will dictate the size of the pool from which the estimate is derived.

Near-Term Catalysts

Employers Appear Optimistic

Despite a peak unemployment considerably higher than the Global Financial Crisis (GFC), permanent job losses reflect a better outlook.

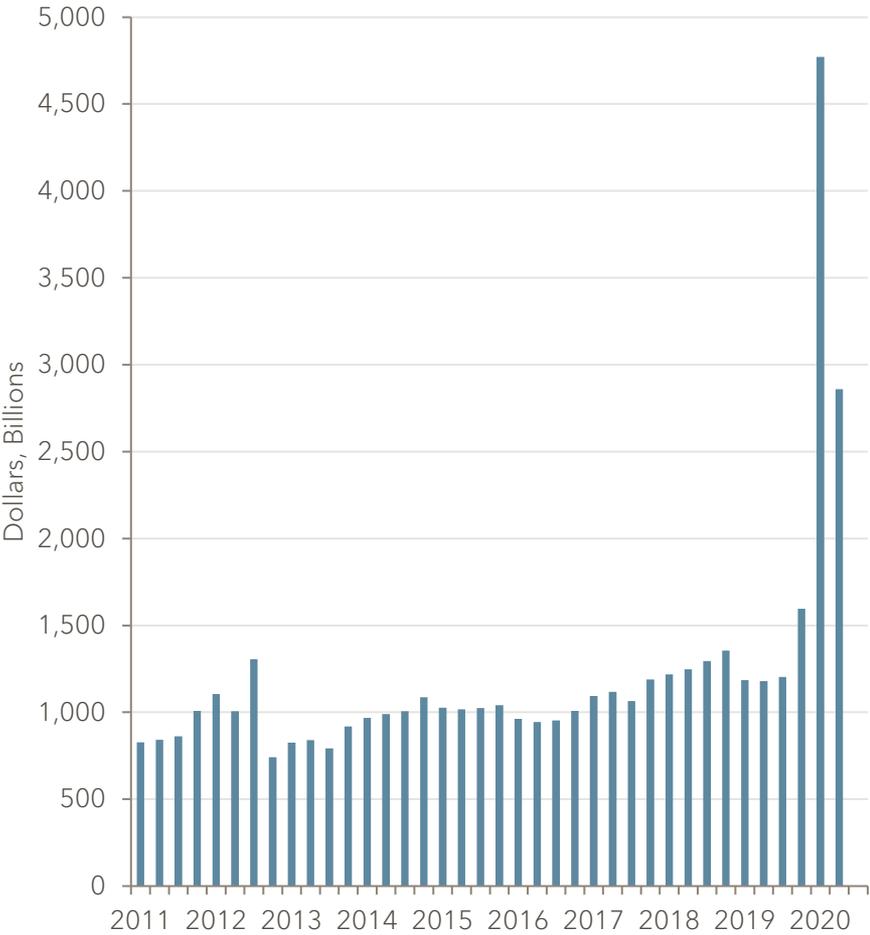
US Unemployment Permanent Job Losers SA



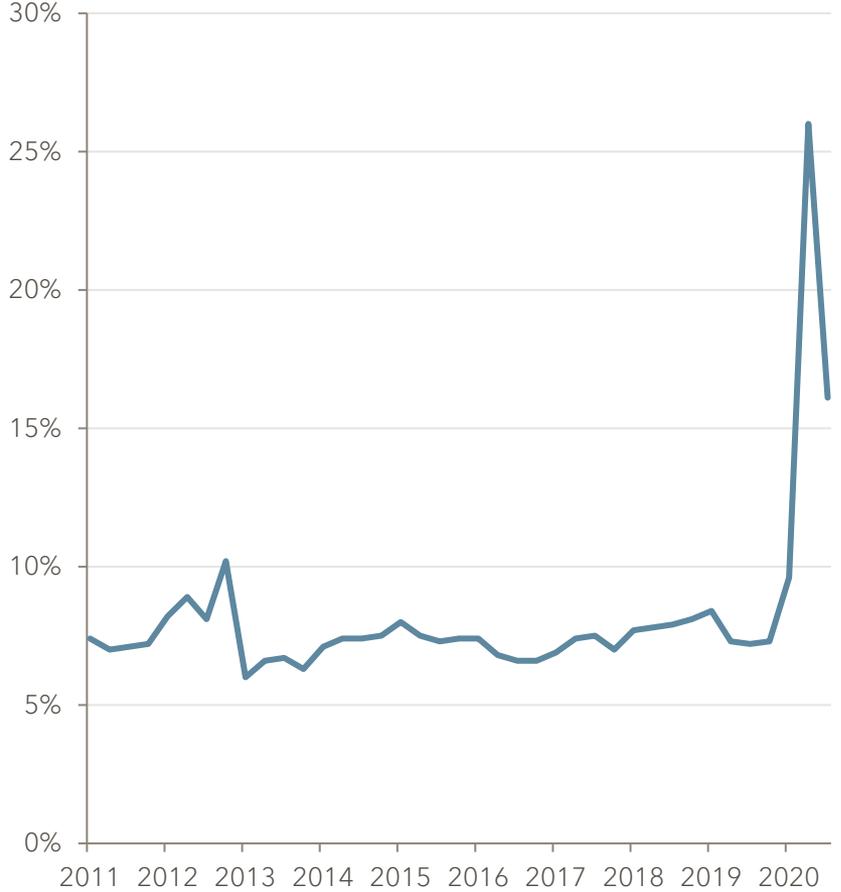
Headline Household Savings Numbers Look Good

An enormous stock of savings has accumulated since the onset of the crisis, on the scale of trillions of dollars.

US Personal Savings SA, Quarterly



US Personal Saving as a % of Disposable Personal Income

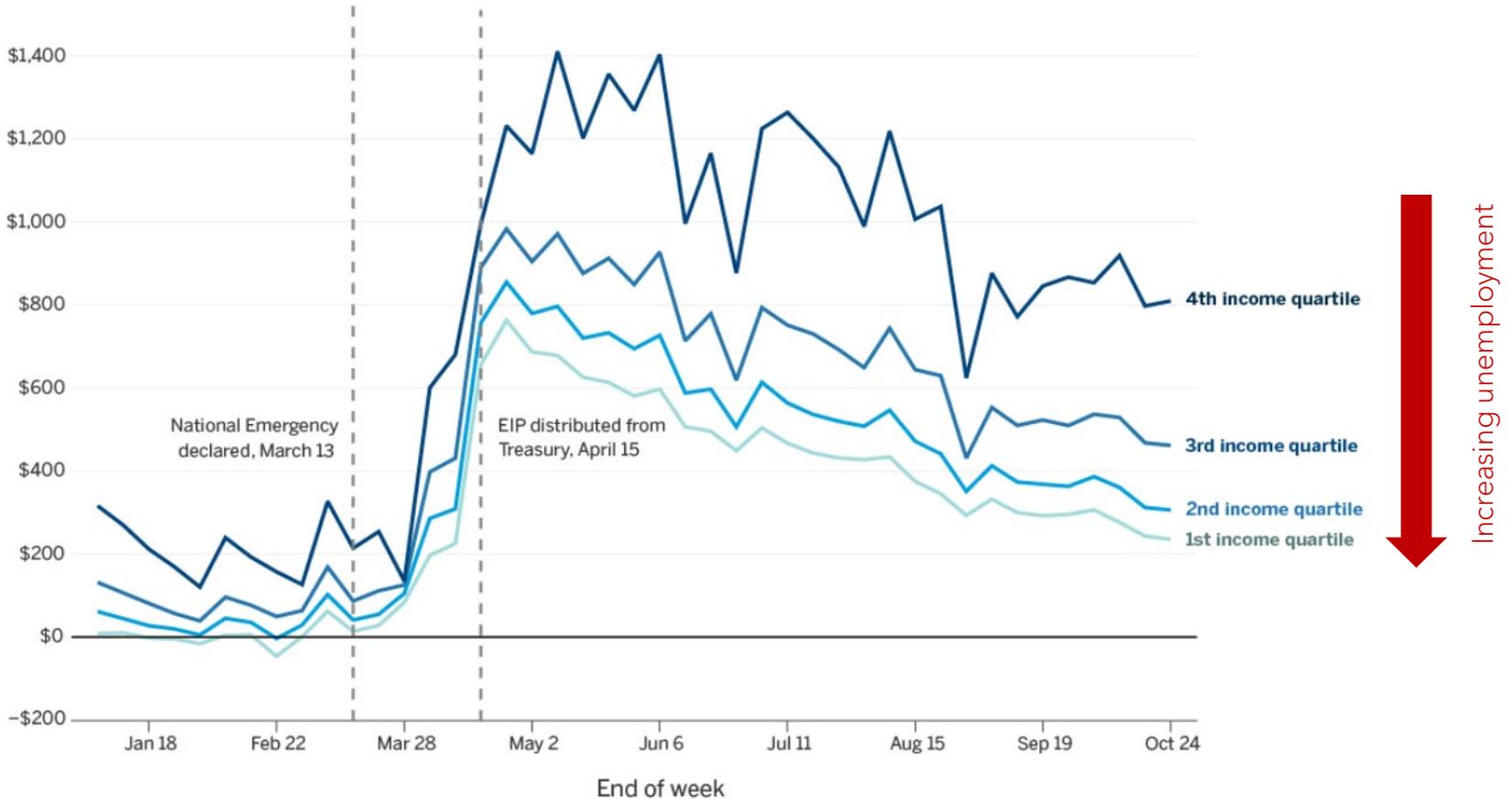


Source: Bureau of Economic Analysis, Federal Reserve Bank of St. Louis, Bloomberg. Data as of 12/18/2020.

Stimulus Arriving "Just In Time"

The value of fiscal stimulus is that it deploys capital to people in lower income quartiles who have a 100% propensity to consume.

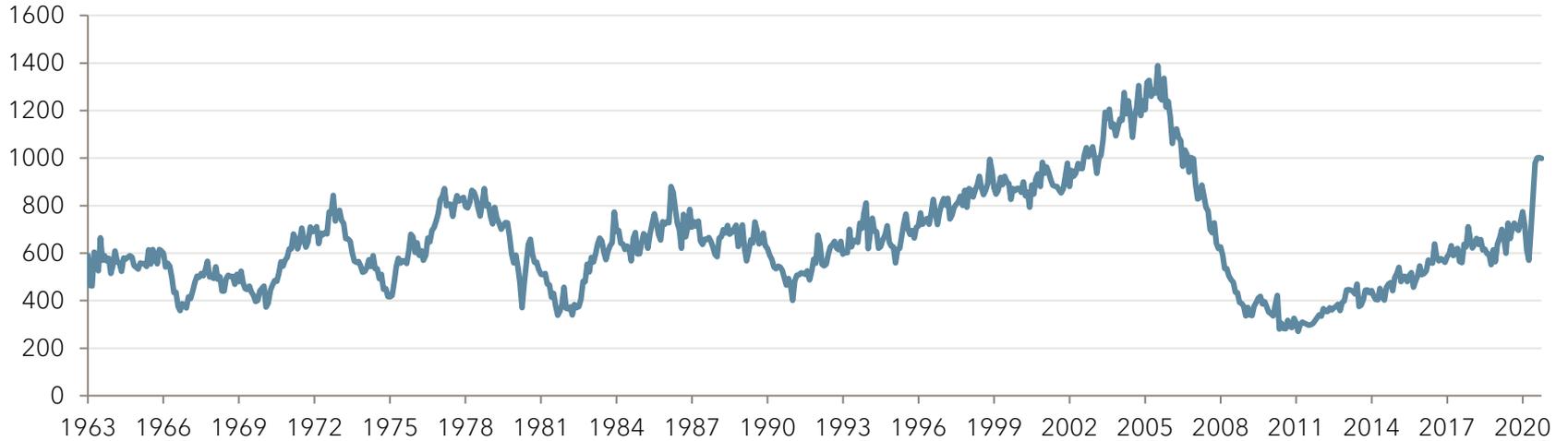
Year-over-year dollar change of median household checking account balances by income quartile



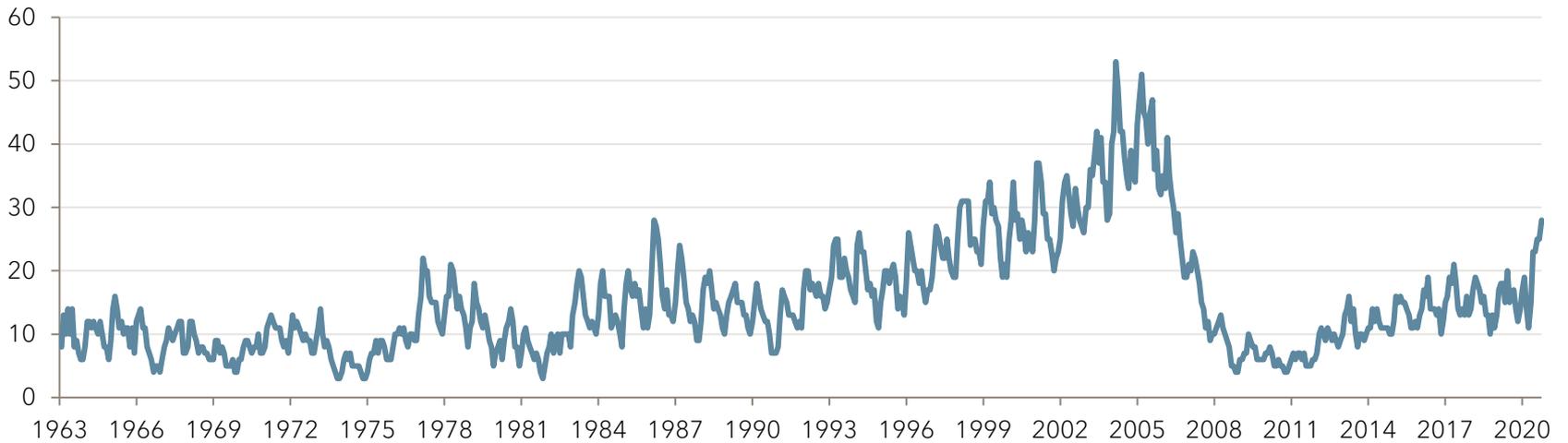
Source JPMorgan Chase Institute. Data as of 12/20/2020. This chart shows year-over-year change in median checking account balances by income quartile. JPMorgan Chase Institute assigns households into income quartiles based on their total labor income from 2019. Households in quartile 1 earned between \$12,000 and \$30,367 in labor income; quartile 2 households earned \$30,268 to \$44,905; quartile 3 households earned \$44,906 to \$68,795; and quartile 4 households earned more than \$68,795.

Millennials Finally Buying Houses

US New One Family Houses Sold Annual Total SAAR



US New One Family Houses Sold Not Started

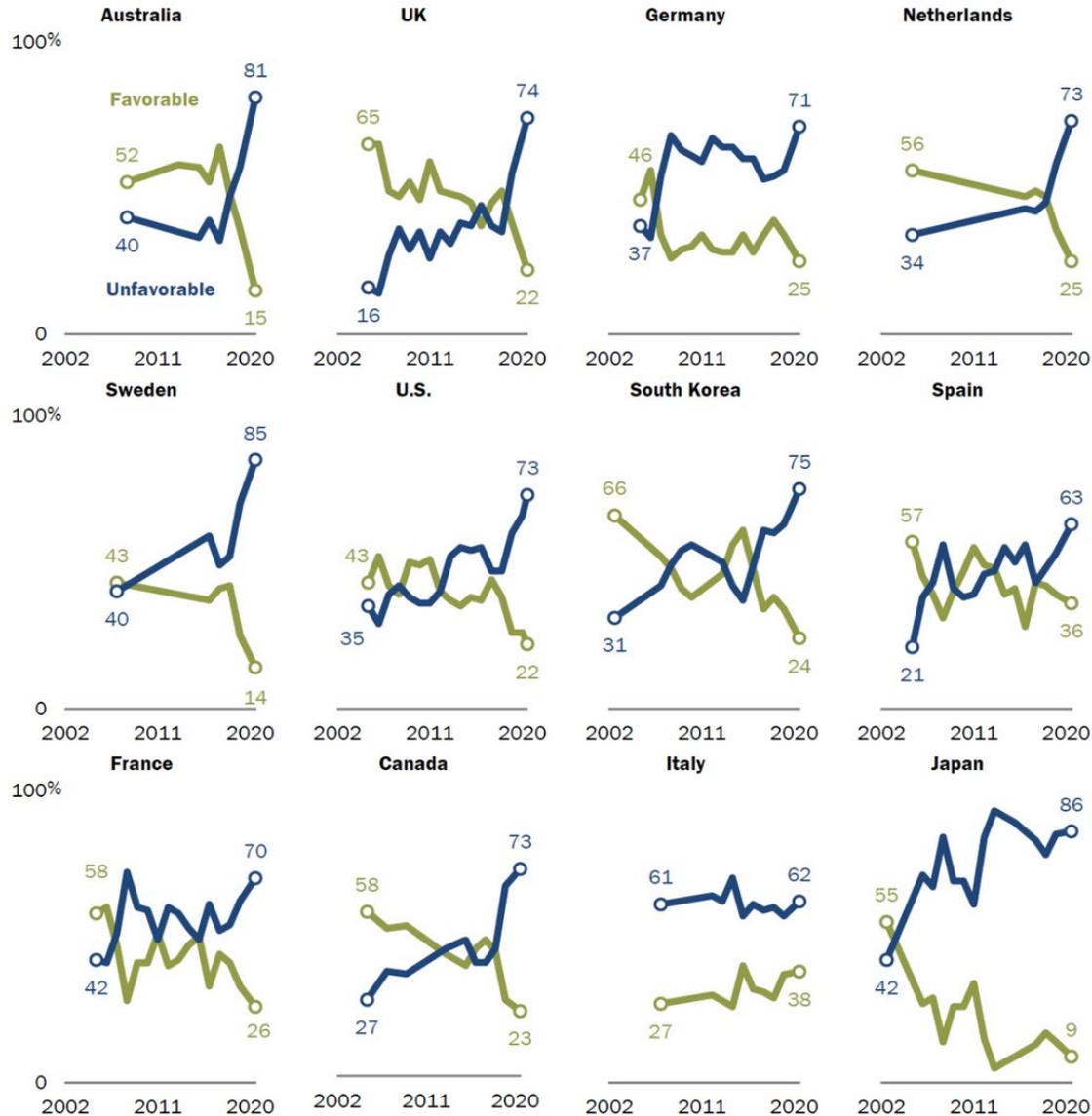


We expect to see continued action through executive order. Likely to see focus on human rights, environmental management, and international cooperation - all areas where executive branch can influence outcomes.

- Ran on a centrist platform which likely means fewer policy “experiments.”
- Orthodox cabinet:
 - **Treasury:** Janet Yellen. Keynesian, ex Federal Reserve Chair, good cooperation expected between Federal Reserve and Treasury because of this.
 - **State:** Antony Blinken. The longtime Biden confidant served as No. 2 at the State Department and as deputy national security adviser in Obama's administration.
 - **National Economic Council:** Brian Deese. BlackRock executive with traditional perspective.

Policies related to:	Potential Action:
Income Distribution	<ul style="list-style-type: none"> • Increase income taxes • Increase/add transfers • Automatic/indexed minimum wage increases • Increase taxes on unearned income
Wealth Distribution	<ul style="list-style-type: none"> • Increase inheritance taxes • Eliminate step-ups at death • Reduce charitable “outs” • Increase corporate taxes • Add wealth taxes
Social Safety Net	<ul style="list-style-type: none"> • Move from “insurance” to redistribution • Green regulations for banking and financial sector • Pension reform (defined benefit and defined contribution) • Increase basic protections such as food stamps

Negative Sentiment Towards China A Global Phenomenon



Source: Pew Research Center, Global Attitudes Survey 2020, Q8b. Data as of 10/06/2020. Belgium and Denmark not surveyed prior to 2020. In Italy, 2020 data from telephone surveys; prior data from face-to-face surveys. Those who did not answer are not shown. "Unfavorable Views of China Reach Historic Highs In Many Countries"

- Private assets
- Real assets
- Credit strategies and credit allocation in lower-risk portfolios
- Internationalization of portfolios
- Cyclical equity sectors
- Dollar strength/weakness

Growing Our Impact

Mary Quilici Aumack

CHIEF EXECUTIVE OFFICER



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Types of Funds



Institutional and Purpose-Specific Endowments

- Parishes, schools, agencies
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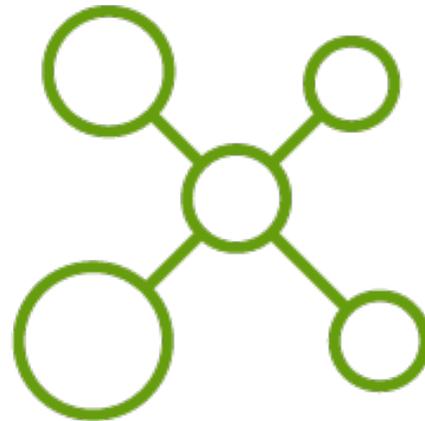
Family Philanthropy Funds

- Donor Advised Funds
- Family Endowments & Funds

We GROW Impact



Investments



Connections/Funds



Grant Making

Impact of our Investments

- Not just screening out the “bad stuff”
- Investing in change
- Participating in a change making investment community
- Providing tangible benefit to donors



A close-up photograph of a person's hands, wearing blue denim jeans, holding a collection of coins (pennies, nickels, and dimes) and a small, torn piece of white paper with the handwritten text "MAKE A CHANGE" in black marker. The background is slightly blurred, showing green foliage.

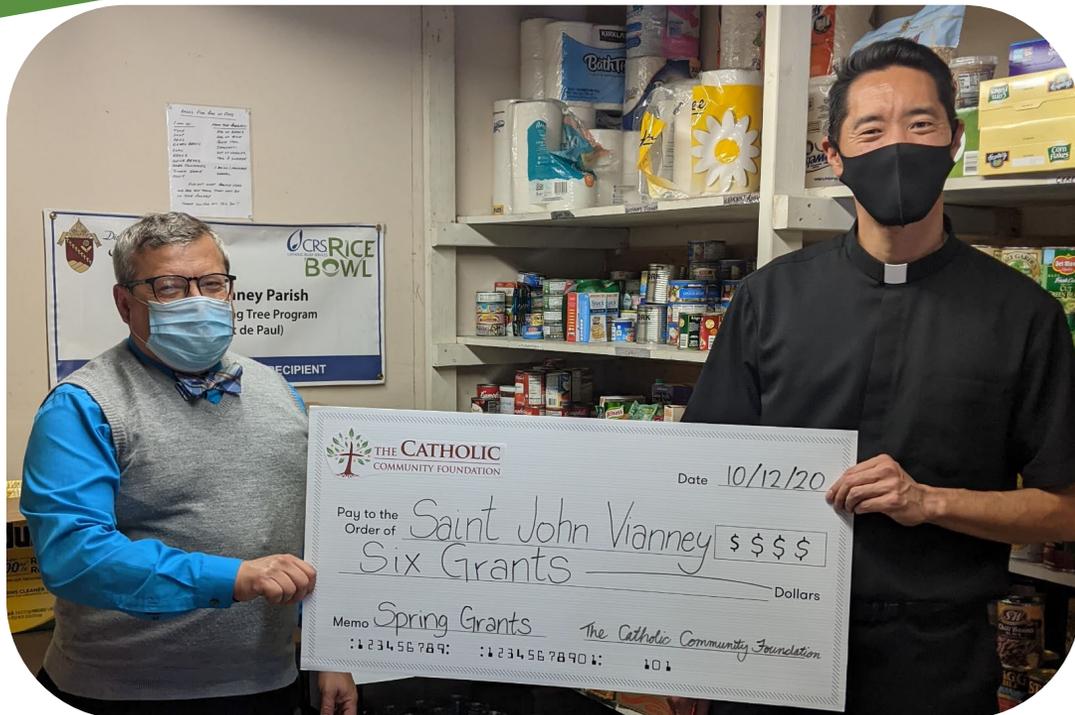
- Connecting donors to effective programs

- New funds for institutions and purposes

- Collaboration between grantmakers

Impact of our Connections

Our Ultimate Impact – Grant Making



Response in Times of Great Need



Strengthening Services

Thank you for Joining Us!

Questions? Want a copy of today's slides?

Visit www.catholiccf.org/2021-investment-briefing



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