

Annual Investment Meeting Economics to Impact

COMMUNITY FIRST
FOUNDATION

Tuesday, March 7, 2023
8 - 11 a.m.

CAPITAL MARKETS SUMMARY

2022 RECAP

- 2022 was a challenging year for both the stock and the bond markets as the Fed moved aggressively to raise interest rates from 0% to 4.25% by the end of the year in order to combat high inflation.
 - US Equity markets touched a low of -25.8%, before rallying at the close of the year to finish down 18%. The repricing in equities was particularly detrimental from many of the mega cap growth stocks, such as Google and Amazon which both experienced declines of 40%+.
 - The US Aggregate Bond market declined 13% as yields rose.

2023 OUTLOOK

- Inflation seems to have peaked, however we do not see a sharp decline for the full year due to higher wage costs impacting the service sector. Inflation is likely to remain greater than 3% this year.
- We see the Fed continuing with another 2 rounds of rate hikes, pausing at 5% and holding at that level for 2023.
- These Fed moves essentially just serve to remove some of the excess that was placed into the market during 2020 and 2021.
- Corporate earnings expectations would appear to be rosier, given what we anticipate as pressure to profit margins. Where most of Wall Street is anticipating earnings to be flat or down less than 5%, we anticipate a more disappointing decline of 10% or more.
- The outlook for the bond market improves, however, as we will likely see the end of the Fed tightening cycle in 2023 and corporate debt service coverage remaining at high levels.

EQUITIES

- Continue to remain cautious in general given potential earnings pressures into 2023.
- Expect volatile rangebound trading of plus/minus 5% to 10%.
- Favor cash flow strategies and companies / industries which can generate organic cash flow.

FIXED INCOME

- With spreads widening and long-term rates reflecting a more reasonable terminal value, bonds are a decent relative portfolio hedge.
- Cash flow opportunities exist with Investment Grade corporates showing greater than average debt service coverage.

PORTFOLIO HIGHLIGHTS

PERFORMANCE

- Long-term trailing portfolio return outpacing benchmark, despite the challenging year of 2022.
- Since inception, the portfolio has compounded capital at 6.5% annualized, ahead of the benchmark .
- Since inception the short term pool has annualized 4.2%, also ahead of the benchmark.

COST EFFICIENCY

- Annual investment management costs of 0.29%.

POSITIONING HIGHLIGHTS

EQUITY

- Tactical underweight to global equities with an emphasis on active management.
- While short-term estimates for equities are flat, we still see relative value opportunities within selective segments of the equity markets that should bode well for active managers.

FIXED INCOME

- Tactical overweight to investment grade fixed income.
- Front end investment grade offers attractive risk/reward with decent carry, amid improving credit quality and interest coverage.

Multi-Period Performance Analysis



	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception Jan 2010
Long-Term Portfolio	5.52	-8.39	3.35	3.32	5.89	6.51
Long-Term Benchmark	5.33	-7.88	3.00	3.75	5.37	5.85

Multi-Period Performance Analysis



	YTD	1 Year 3 Years	5 Years	10 Years	Since Inception Jan 2010
Long-Term Portfolio	5.52	-8.39	3.35	3.32	5.89	6.51
Long-Term Benchmark	5.33	-7.88	3.00	3.75	5.37	5.85



Contact Philanthropic Services at Philanthropy@CommunityFirstFoundation.org or 720.898.5900.

5855 Wadsworth Bypass, Unit A
 Arvada, CO 80003
CommunityFirstFoundation.org
 720.898.5900