

Winter 2023

Dear Friends:

Global Equities went on a rollercoaster ride in 2023, which ended on a high note. The first half of the year saw a steady climb upwards that was interrupted in the fall as inflation appeared stubborn, and the Federal Reserve appeared adamant that rates would be higher for longer. In the last two months of the year, markets went parabolic and marched higher at a rapid pace. The 22% return for Global Equities in the year isn't all that rare in historical terms (2019, 2017 and 2013 were all higher), but the result is more surprising when assessing the economic backdrop heading into the year.

In October 2022, per Bloomberg Economics, the 12-month estimate of an economic downturn by October 2023 was 100%. The recession never came, unemployment stayed under 4%, and the number of monthly jobs being created continued to exceed expectations. What stayed true to recent themes was the continued strength of U.S. Equities relative to International and Emerging Markets as well as the prominence of Large (mega, really) Capitalization Equities eclipsing Small Capitalization Equities.

Fixed Income performance for the year was saved by the bell as Federal Reserve Chair Jerome Powell changed his tune on interest rates. In his latest press conference, he mentioned we could be at a peak in the tightening cycle, and it is now appropriate to begin talking about rate cuts. The asset class, measured by the Barclays Aggregate Index, was on pace for a third-straight year of negative returns, which has never happened before in history. In response to this new rhetoric, yields fell drastically, more than 100 bps on some parts of the curve, and the year-end returns ended up being quite strong.

Below is a summary of the major market indices for the fourth quarter and 2023:

<b>Market Index</b>	<b>QTD</b>	<b>2023</b>
S&P 500	11.7%	26.3%
MSCI EAFE	10.4%	18.2%
MSCI Emerging Markets	7.9%	9.8%
Bloomberg Barclays U.S. Aggregate Bond	6.8%	5.5%
S&P Global Commodity & Resources Index	-10.7%	-4.3%

A typical endowment with Foundation For The Carolinas was up 6% for the quarter and up 10.9% for the one-year period – compared to benchmark returns of 6.8% and 12.2%, respectively. U.S. equity performance continues to be driven by a very narrow group of large technology stocks in 2023, leading our more diversified portfolio to trail the benchmark.

Sincerely,



Natalie Wolf, CIMA®, Director of Investments

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