

# HOUSTON JEWISH COMMUNITY FOUNDATION

SEPTEMBER 2020

Investment Pool	QTD	YTD	1 Year	3 Years	5 Years	Since Inception*
<b>HJCF Index Growth Composite**</b>	<b>5.48%</b>	<b>4.78%</b>	<b>10.63%</b>	<b>7.31%</b>	<b>7.93%</b>	<b>8.46%</b>
<i>Index Growth Benchmark</i>	5.04%	3.92%	9.39%	7.21%	8.16%	8.41%
<b>HJCF Growth Composite**</b>	<b>4.30%</b>	<b>-1.60%</b>	<b>3.28%</b>	<b>3.45%</b>	<b>N/A</b>	<b>6.42%</b>
<i>Growth Benchmark</i>	3.93%	-1.30%	3.41%	4.29%	N/A	6.53%
<b>HJCF Aggressive Growth Composite**</b>	<b>5.21%</b>	<b>-4.26%</b>	<b>1.89%</b>	<b>3.05%</b>	<b>N/A</b>	<b>6.73%</b>
<i>Aggressive Growth Benchmark</i>	4.96%	-3.17%	2.90%	4.03%	N/A	6.98%
<b>HJCF Conservative Balanced Composite**</b>	<b>1.24%</b>	<b>0.29%</b>	<b>2.00%</b>	<b>N/A</b>	<b>N/A</b>	<b>2.07%</b>
<i>Conservative Balanced Benchmark</i>	1.27%	0.78%	2.47%	N/A	N/A	2.50%
<b>HJCF Cash Management Composite**</b>	<b>0.00%</b>	<b>0.33%</b>	<b>0.69%</b>	<b>N/A</b>	<b>N/A</b>	<b>1.41%</b>
<i>Cash Management Benchmark</i>	0.03%	0.56%	1.02%	N/A	N/A	1.70%

## KEY OBSERVATIONS (UPDATED QUARTERLY)

- Global risk assets continued to recover during July and August on reopening optimism and ongoing improvement in business activity but U.S. dollar strength and higher volatility ended the risk asset rally in September. Despite a modest pullback, global equities ended the quarter in positive territory. Global bonds benefited from stable U.S. Treasury rates, while falling credit spreads led to positive returns across spread sectors, most notably U.S. High Yield. Treasury Inflation-Protected Securities ("TIPS") benefitted from higher inflation expectations. Real asset returns were mixed on the quarter. REITs benefitted from low interest rates but uncertainty in the economic outlook emerged in September and weighed on all-things energy including Midstream Energy.
- Fixed Income** – Similar to the second quarter, U.S. Treasury yields were rangebound and ended the quarter relatively flat. Spread tightening, particularly in riskier parts of the market. U.S. dollar weakness benefitted foreign bonds. Amid a backdrop of stable Treasury rates, a modest uptick in market-implied inflation expectations generated strong returns for Treasury Inflation-Protected Securities ("TIPS"). That said, inflation expectations remain well below the Fed's 2% target.
- Equities** – Inclusive of a modest pullback in September, global equities generated strong absolute return for the third quarter. The S&P 500 Index finished the quarter up 8.9 percent led by the Information Technology sector and outpaced the Russell 2000 Index, which returned 4.9 percent. U.S. dollar weakness in the quarter and economic recovery in China resulted in a 9.6 percent return in emerging market stocks (MSCI Emerging Market Index), while international developed stocks (MSCI EAFE Index) returned 4.8 percent. Strong third quarter performance pushed valuations higher, notably in the U.S. and emerging markets, which are now trading near pre-COVID levels.
- Real Assets** – Selling pressure and oil demand uncertainty weighed on Midstream Energy while rallies in gold, copper and natural gas boosted commodity returns. Low interest rates were broadly supportive of REITs which continued to yield more than 3 percent above 10-Year U.S. Treasury yields (FTSE NAREIT Equity REITs Index).

## KEY OVER/UNDER WEIGHTS

- Updated asset allocation targets were implemented during the third quarter (excluding Index Growth) as the Real Asset exposure was rightsized (specifically the pairing back of the Midstream Energy) in favor of U.S. & Emerging Market equities.

## PORTFOLIO CHANGES (3Q REVIEW)

- The incumbent Emerging Markets Value manager (Lazard Emerging Markets Equity) was transitioned to PIMCO RAE Emerging Markets Fund. A paired approach of both a dedicated value and dedicate growth manager remains unchanged for the space.

\*07/01/19 Inception for Conservative Balanced, 09/01/18 Inception for Cash Management, 07/01/16 Inception for Indexed Growth & 11/01/16 Inception for all other pools.

\*\*All returns and performance metrics are net of investment consultant fees & investment manager fees and do not include HJCF administrative fees or expenses