

# HOUSTON JEWISH COMMUNITY FOUNDATION

DECEMBER 2017

Market Value	Investment Pool	QTD	YTD	1 Year	3 Years	5 Years	Since Inception*
\$91,841,455	<b>HJCF Index Growth Composite**</b>	<b>3.70%</b>	<b>14.21%</b>	<b>14.21%</b>	<b>5.01%</b>	<b>5.76%</b>	<b>12.01%</b>
	<i>Index Growth Benchmark</i>	3.75%	14.74%	14.74%	6.70%	7.93%	12.12%
\$16,008,500	<b>HJCF Growth Composite**</b>	<b>3.35%</b>	<b>15.77%</b>	<b>15.77%</b>	<b>N/A</b>	<b>N/A</b>	<b>16.19%</b>
	<i>Growth Benchmark</i>	3.71%	15.66%	15.66%	N/A	N/A	14.61%
\$835,979	<b>HJCF Aggressive Growth Composite**</b>	<b>3.98%</b>	<b>17.51%</b>	<b>17.51%</b>	<b>N/A</b>	<b>N/A</b>	<b>19.12%</b>
	<i>Aggressive Growth Benchmark</i>	4.46%	18.05%	18.05%	N/A	N/A	17.78%
\$550,156	<b>HJCF Low Volatility Composite**</b>	<b>1.04%</b>	<b>3.90%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>4.78%</b>
	<i>Low Volatility Benchmark</i>	1.88%	7.66%	N/A	N/A	N/A	7.12%

## KEY OBSERVATIONS (UPDATED QUARTERLY)

- It was a great year to be an investor in 2017, with global markets rallying significantly through year-end!
- **Fixed Income** – While investor concerns again centered on the potential for rising rates—and the negative implications for bond returns—all major fixed income categories produced positive returns for the year. Despite the Fed raising short-term interest rates three times in 2017, Core US Bonds still posted a modest +3.5% return thanks to a flat intermediate-term interest rate environment. TIPS (Treasury Inflation Protection Securities) also posted a modest return of +3.0% for the year as inflation remained largely subdued relative to expectations. Non-traditional bonds, including high yield bonds (+7.5%), foreign bonds (+10.5%), and emerging market bonds (+15.2%) were the big winners for the year in fixed income as lower-quality corporate bonds rallied and the US dollar weakened relative to a basket of foreign and emerging market currencies.
- **Equities** – Global equities posted their best returns since 2013, as synchronized global growth, robust global earnings, and U.S. corporate tax reform lifted markets. Large- and Small-Cap US Equities continued to perform well, rallying +21.8% and +14.6%, respectively, for the year. However, in a reversal from prior years, non-U.S. equities significantly outperformed U.S. equities as International Equities (MSCI EAFE) and Emerging Market Equities (MSCI EM) posted sharp gains of +25.6% and +37.8%, respectively.
- **Real Assets** – U.S. REITs posted modest returns (+5.2%) for the year, consistent with a benign interest rate environment, Commodities jumped +4.7% in the fourth quarter, resulting in a positive return for the asset class of +1.7% for the full year. MLPs rebounded nearly 5% in December alone, but still finished down -6.5% for 2017.
- **Indexed Growth Pool:** Passive allocations continued to post solid returns for both the quarter and the year in 2017.
- **Growth Pool:** As a group, active managers added good value for the portfolio, particularly in more inefficient markets such as fixed income, global equities and MLPs.
- **Aggressive Growth Pool:** A healthier equity allocation continued to be fruitful in 2017, while active managers again added value to the overall allocation in a meaningful way. New cash additions were a modest, but temporary, drag on relative performance for the year.
- **Low Volatility Pool:** Low volatility strategies continue to generate sub-par returns in an environment where financial markets have been virtually straight up. Any hedges held in a portfolio were generally detrimental as equity markets moved dramatically to the upside.

## KEY OVER/UNDER WEIGHTS

- Active pools maintain a slight overweight to International and Emerging Market equities and a slight underweight to US equities relative to a global equity index.
- Asset allocations for each pool will be revisited at the next HJCF Investment Committee meeting.

\*07/01/16 Inception for Indexed Growth Pool; 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.