

Fall 2017

Dear Friends:

Equity markets continued to show strong gains during the third quarter, with emerging markets leading U.S. and developed international equity markets. If developed and emerging international equity markets maintain their year-to-date results through year-end, they will represent the best calendar year returns for any public equity market in nearly 10 years. Solid earnings growth from both U.S. and international companies buoyed investor confidence and growing economies across the globe, and ongoing accommodative monetary policy continues to boost equity markets.

International developed equities also benefitted from stronger currencies. The MSCI EAFE index is up 11.2% in local currency terms but up 20.0% in USD terms. While the emerging markets have outpaced other equity markets so far this year, emerging market stocks trade at a 25% discount to developed market stocks.

Major market indices for the third quarter and year-to-date ending September 30:

Market Index	QTR	YTD
S&P 500	4.5%	14.2%
MSCI EAFE	5.4%	20.0%
MSCI Emerging Markets	7.9%	27.8%
Bloomberg Barclays U.S. Aggregate Bond	0.8%	3.1%
Bloomberg Commodity Index	2.5%	-2.9%

A typical endowment with FFTC returned 3.4% during the third quarter and 11.1% for the year-to-date period. Our results for the year-to-date were primarily driven by strong performance from domestic and international equity managers.

We expect the developed and emerging economies to continue exhibiting steady economic and job growth, thus keeping the probability of a slowdown in global economies low in the near term.

However, our 10-year outlook for capital market returns is for a lower return environment. U.S. public equities are expected to produce returns between 5% and 6%, while non-U.S. equities are expected to range between 5% and 9%. Fixed income is expected to return between 2% and 3%.

Our Investment Committee's approach to asset allocation is to construct well-diversified portfolios that will help our donors achieve their long-term investment goals with acceptable levels of risk. We appreciate the confidence you have placed in our stewardship over your charitable funds here at FFTC.

Sincerely,



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Vice President and Director – Investment Reporting

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