FOUNDATION FOR THE CAROLINAS

FFTC 60 YEARS 1958 2018

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Dear Friends:

2017 was a year of synchronized global growth, strong equity markets and low volatility. Strong earnings growth and accommodative monetary policy by central bankers continues to propel both U.S. and non-U.S. markets. The technology sector has been leading other sectors of the global economy. For the S&P 500, this sector was up 39% for the year and up 51% in non-U.S. markets. Led by technology stocks, growth stocks significantly outperformed value stocks in 2017.

Unlike recent years, international equity markets outperformed the U.S. equity market in 2017. Improving GDP growth, accommodative monetary policy and a weaker U.S. dollar helped drive MSCI EAFE and EM returns of 25% and 37.3%, respectively.

Major market indices for the fourth quarter and full year 2017:

Market Index	**QTR**	**2017**
S&P 500	6.6%	21.8%
MSCI EAFE	4.2%	25.0%
MSCI Emerging Markets	7.4%	37.3%
Bloomberg Barclays U.S. Aggregate Bond	0.4%	3.5%
Bloomberg Commodity Index	4.7%	1.7%

A typical endowment with FFTC returned 3.5% during the fourth quarter and 14.9% for the full year. Our endowment portfolio is a growth-oriented portfolio and targets 70% of its asset allocation to growth assets. As such, our results for the quarter and year reflect the strong performance of the equity markets in 2017.

The global economy appears to have entered a sustainable, coordinated upswing that is expected to continue in 2018. This economic strength should lead to continued growth in corporate profits, which should be supportive to equity markets. Higher equity market valuations in the U.S. may limit their upside in 2018, while emerging markets remain attractive and are expected to outperform developed equity markets.

The main risk to both economies and markets is monetary policy. The U.S. Federal Reserve is expected to continue raising short-term interest rates, while other central banks will remain cautious, allowing their economic recoveries to continue. If the U.S. Federal Reserve raises rates too aggressively, this could undermine equity and bond market performance in 2018.

Our approach to investing is based on building well-diversified portfolios for the long run and dynamically managing asset allocation as market conditions change. This means accepting some level of volatility in the short run but keeping downside risk at an acceptable level.

Sincerely,

Greg Beuris

Greg Beuris, CFA & CPA
Vice President and Director – Investment Reporting