

Spring 2018

Dear Friends:

After beginning the new year with a continuation of the positive momentum experienced in 2017, global equity markets took a decisive turn in February, which resulted in their steepest decline in more than two years. While economic data and earnings growth remain strong, uncertainty over the impact of trade tariffs, geopolitical turmoil and the removal of accommodative monetary policy contributed to a market decline during the quarter.

Global equity markets were down 1% during the quarter, mostly driven by developed economies, while emerging markets were up 1.4%. The U.S. dollar fell to its lowest level in three years, helping returns to U.S. investors holding non-U.S. stocks.

Below is a summary of the major market indices for the first quarter of 2018:

Market Index	QTR
S&P 500	-0.8%
MSCI EAFE	-1.5%
MSCI Emerging Markets	1.4%
Bloomberg Barclays U.S. Aggregate Bond	-1.5%
Bloomberg Commodity Index	-0.4%

A typical endowment with Foundation For The Carolinas returned 0.4% for the quarter compared to its benchmark return of -0.2%. Our favorable results were primarily driven by strong performance from our growth-oriented domestic equity and emerging market equity managers. Also contributing to the favorable relative performance were our fixed income managers.

Despite the volatile first quarter, the outlook for 2018 remains positive, and the synchronized global growth story from 2017 remains intact. Economic growth is expected to be 3% for the U.S. and 4% for the global economy. Leading economic indicators remain strong, and central banks are expected to unwind their monetary stimulus in a very measured and cautious manner.

At Foundation For The Carolinas, one objective when developing our strategic asset allocation for an endowment is to build portfolios that can withstand volatile markets similar to what we experienced this quarter. By diversifying across multiple asset classes and selectively using active managers who have demonstrated a track record of producing excess returns, we think our portfolios are well positioned to navigate what appears to be a period of greater market volatility.

Sincerely,



Greg Beuris, Vice President and Director – Investment Reporting

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