FOUNDATION FOR THE CAROLINAS

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Dear Friends:

Global equity markets were up 0.5% for the second quarter after declining 1% during the first quarter. This resulted in a slightly negative return of 0.4% for the first half of 2018. Market volatility, which returned during the first quarter, continued into the second quarter as concerns over trade wars, geopolitical turmoil and early signs of slowing economic growth negatively impacted investor sentiment.

Since the financial recession of 2008, U.S. equity markets have outperformed non-U.S. markets in seven out of the last nine years, and it appears to be continuing in 2018. As represented by the Russell 3000, U.S. markets are up 3.2% year-to-date, while non-U.S. markets, as represented by MSCI ACWI ex U.S., are down 3.8%.

The performance differences between U.S. equity markets and non-U.S. markets is coinciding with differences in economic conditions. The U.S. economy continues to show solid growth, while non-U.S. economies are beginning to show signs of slower growth. Also contributing to the difference is a strong U.S. dollar and the potential effect of an escalating trade war on emerging market economies. Emerging Markets, as represented by MSCI Emerging Markets, were down 8% for the quarter.

Below is a summary of major market indices for the second quarter and YTD periods of 2018:

Market Index	**QTR**	**YTD**
MSCI ACWI	0.5%	-0.4%
Russell 3000	3.9%	3.2%
MSCI EAFE	-1.2%	-2.7%
MSCI Emerging Markets	-8.0%	-6.7%
Bloomberg Barclays U.S. Aggregate Bond	0.6%	-1.0%

A typical endowment with Foundation For The Carolinas returned .7% for the quarter and .9% YTD compared to the benchmark returns of 1.0% and .7%, respectively. Favorable YTD performance relative to the benchmark was driven by our domestic equity managers while the slight underperformance for the quarter was due to Non-U.S. equity managers.

The divergence in growth prospects across different economies, geopolitical uncertainty and escalating trade tensions will likely ensure that market volatility will continue for the foreseeable future. At FFTC, we believe a well-diversified portfolio constructed with a combination of actively and passively managed strategies helps to minimize downside risks in volatile markets.

As part of an effort to streamline and enhance our investment options for donors, we recently modified our investment pool offerings and expanded donor access to our Diversified Long-Term Growth investment pool. For more information on these changes, please visit our website: www.fftc.org/Investments.

Sincerely,

Greg Beuris

Greg Beuris, Vice President and Director – Investment Reporting