FOUNDATION FOR THE CAROLINAS

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Winter 2019

Dear Friends:

Volatility returned to the global equity markets in 2018, with significant market drawdowns in February, October and December. As represented by the Russell 3000, U.S. stocks were down 14.3% for the quarter and down 5.2% for the year. Non-U.S. markets, as represented by MSCI ACWI ex U.S., were also down 11.5% for the quarter and down 14.2% for the year.

Throughout the year, investors were faced with economic and political news that negatively affected their appetite for risk. Economic factors included tightening monetary policy, trade tensions with China and concerns over slowing global growth. Political risks remained elevated due to the uncertainty over Brexit, protests in France and the threat of and subsequent government shutdown in the U.S. over border security.

Below is a summary of major market indices for the fourth quarter and full-year 2018:

Market Index	**4QTR**	**2018**
MSCI ACWI	-12.7%	-9.4%
Russell 3000	-14.3%	-5.2%
MSCI EAFE	-12.5%	-13.8%
MSCI Emerging Markets	-7.5%	-14.6%
Bloomberg Barclays U.S. Aggregate Bond	1.6%	0.0%

A typical endowment with Foundation For The Carolinas was down 7.4% for the quarter and down 4.5% for 2018 versus benchmark returns which were down 8.0% and 5.0%, respectively. The negative returns for the quarter and year reflect the performance of the major market indices shown above.

In October 2018, the International Monetary Fund lowered its forecast for global growth to 3.7% for both 2019 and 2020, citing trade measures implemented, tighter financial conditions and geopolitical tensions. In January 2019, it lowered the forecasts even further to 3.5% for 2019 and 3.6% for 2020, due in part to carry over from last year and weakening sentiment in the global financial markets. These same issues are expected to keep markets volatile in 2019. While the downside risks to global growth have increased, we do not anticipate a global recession in 2019.

Our investment philosophy recognizes the long-term nature of endowments and that an equity-oriented strategy will best help you achieve your investment objectives. While this strategy does come with the risk of short-term volatility, having a long-term investment horizon enables an investment portfolio to recover from periods like these.

Sincerely,

Greg Beuris

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