

Spring 2019

Dear Friends:

Global equity markets rebounded during the first quarter of 2019 from the downturn experienced in the fourth quarter of 2018, resulting in one of the best quarters in a decade. The reversal was due to several factors that improved investor sentiment including the expectation of an eventual trade agreement with China, fiscal stimulus measures taken by China, and accommodative monetary policy expressed by the Federal Reserve and other central banks.

Global equity markets were up 12.2% during the quarter, with the U.S. equity markets outperforming non-U.S. markets. The S&P 500 was up 13.6%, while non-U.S. markets, as represented by the MSCI ACWI ex U.S., were 10.3%. For both markets, investors favored growth-oriented stocks. In particular, the technology sector led other market sectors by surging 20% in the U.S. and 18% in non-U.S. markets.

Below is a summary of the major market indices for the first quarter of 2019:

Market Index	QTR
S&P 500	13.6%
MSCI EAFE	10.0%
MSCI Emerging Markets	9.9%
Bloomberg Barclays U.S. Aggregate Bond	2.9%
Bloomberg Commodity Index	6.3%

A typical endowment with Foundation For The Carolinas returned 7.8% for the quarter compared to its benchmark return of 8.9%. Our first quarter results were lower than the benchmark return due mainly to the performance of low-volatility investment managers who will produce lower returns in a quickly rising market environment. However, when the market is less volatile or rapidly declining, these managers will typically outperform. This was true for our low-volatility managers in the fourth quarter of 2018. Partially offsetting the underperformance for the first quarter were our fixed income managers who outperformed their benchmarks.

The strong market returns for the first quarter essentially offset the losses experienced in the fourth quarter of 2018. Many donors will ask if we are considering changes to our asset allocation policy when markets become more volatile. Our view remains that it's important to take a long-term view of the markets and remain "appropriately" invested in growth assets so that you participate in market upswings like we experienced this quarter.

Finally, I am pleased to announce we will host our first "Quarter in Review" webinar, presented by our investment advisor, Mercer Investments LLC, on Thursday, May 23 from 1-1:45 p.m. Please register www.ffc.org/UpcomingEvents by May 16.

Sincerely,



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