

Fall 2020

Dear Friends:

Global equity markets continued their rally in the third quarter, largely affected by easing restrictions and a resumption of economic activity. The Federal Reserve adopted a new framework for its inflation targeting policy, which will likely keep interest rates low for the foreseeable future. Looking forward, the pace of recovery is likely to slow down and will depend on when vaccinations are widely available.

Global equity markets were up 8.1% during the quarter, as measured by the MSCI ACWI index. The S&P 500 was up 8.9%, continuing the strong rally that started early in the second quarter, and Non-U.S. markets, as represented by the MSCI ACWI ex U.S., were up 6.3%. Emerging Markets were up 9.6% as we saw China, Korea and Taiwan – which account for more than two-thirds of the index – show signs of having the pandemic under control.

For the quarter, consumer discretionary and materials were the best performing sectors in the S&P 500, up 15% and 13.3% respectively. Year-to-date, large-cap growth stocks are up 24.3% compared to a 11.6% decline in large-cap value stocks. U.S. Treasury markets were little changed in the quarter, with the 10-year and 30-year yields ending the quarter at .69% and 1.46%, respectively.

Below is a summary of the major market indices for the third quarter and YTD 2020:

Market Index	QTR	YTD
S&P 500	8.9%	5.6%
MSCI EAFE	4.8%	-7.1%
MSCI Emerging Markets	9.6%	-1.2%
Bloomberg Barclays U.S. Aggregate Bond	0.6%	6.8%
Bloomberg Commodity Index	9.1%	-12.1%

Consistent with global equity market returns, a typical endowment with Foundation For The Carolinas returned 6.0% for the quarter, slightly below its benchmark return of 6.1%. This follows double-digit returns in the second quarter and brings the year-to-date return to 0.4%, compared to its year-to-date benchmark return of 1.7%.

Beginning in June, changes were made to the U.S. equity portion of the portfolio, which reduced our exposure to value and small-cap stocks, both of which have recently underperformed when compared with growth and large-cap stocks. Since making these changes, our endowment portfolio has returned 9.3% compared to its benchmark return of 8.8%.

We hope you find our more frequent reporting and investment webinars helpful. Our next investment webinar is scheduled for Dec. 17. You can register at www.fftc.org/december_investment_webinar.

Sincerely,



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