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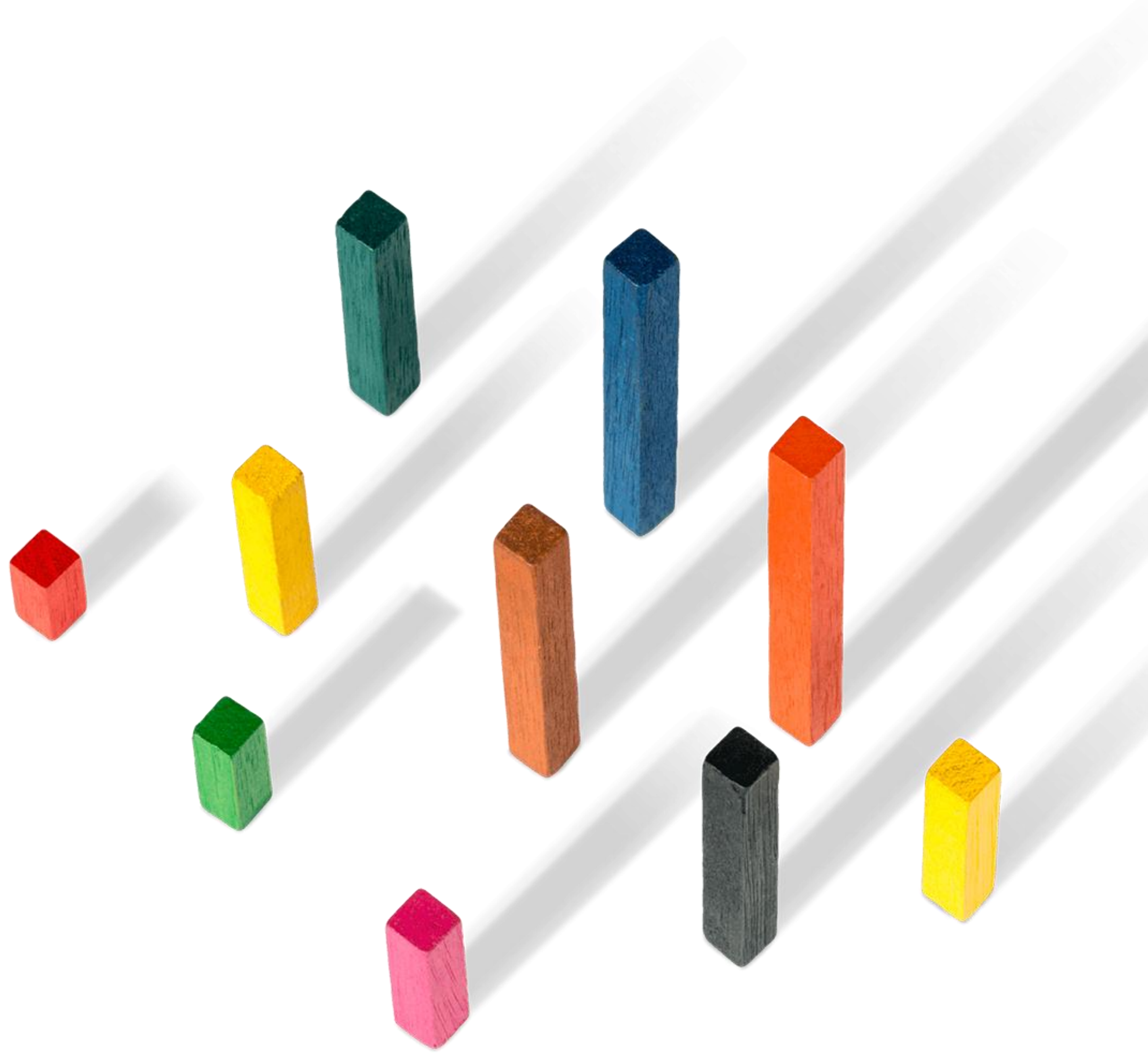
Foundation For The Carolinas

Fund Holder Webinar



November 7, 2024

Travis Pruit, CFA
Partner, Portland

Timothy Westrich, CFA
Principal, Saint Louis

welcome to brighter

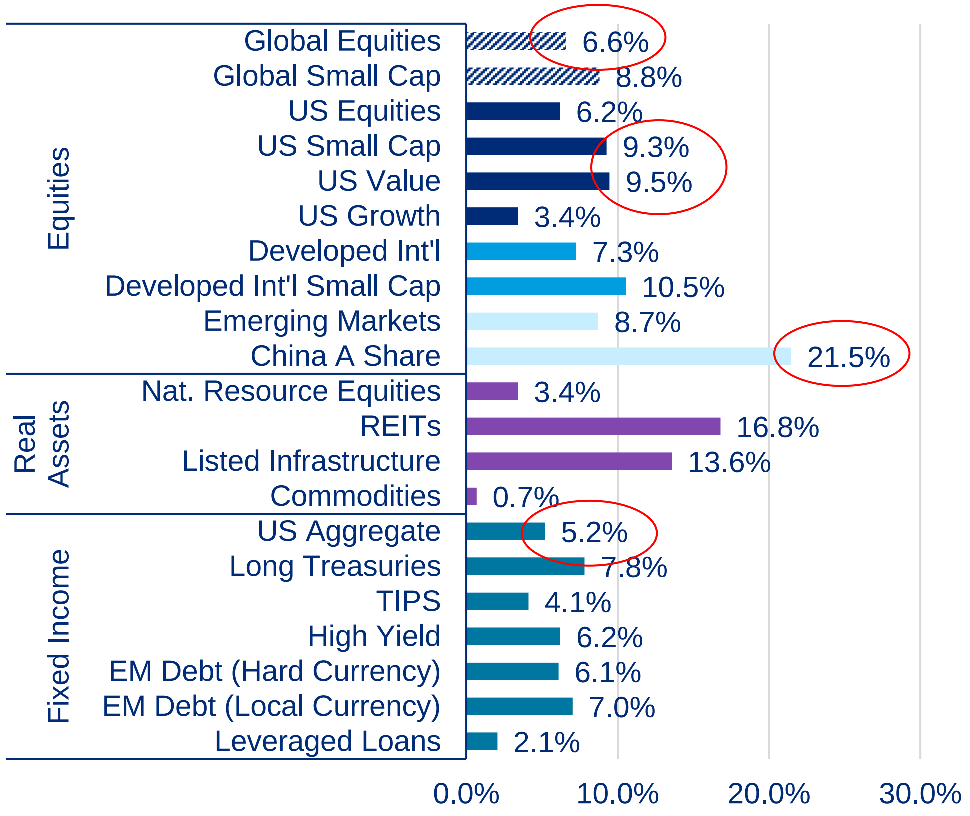
Agenda

- Market overview
- Topic of Interest: Thinking about US and Non-US equity allocations
- Review of Standard Pools performance
- Questions

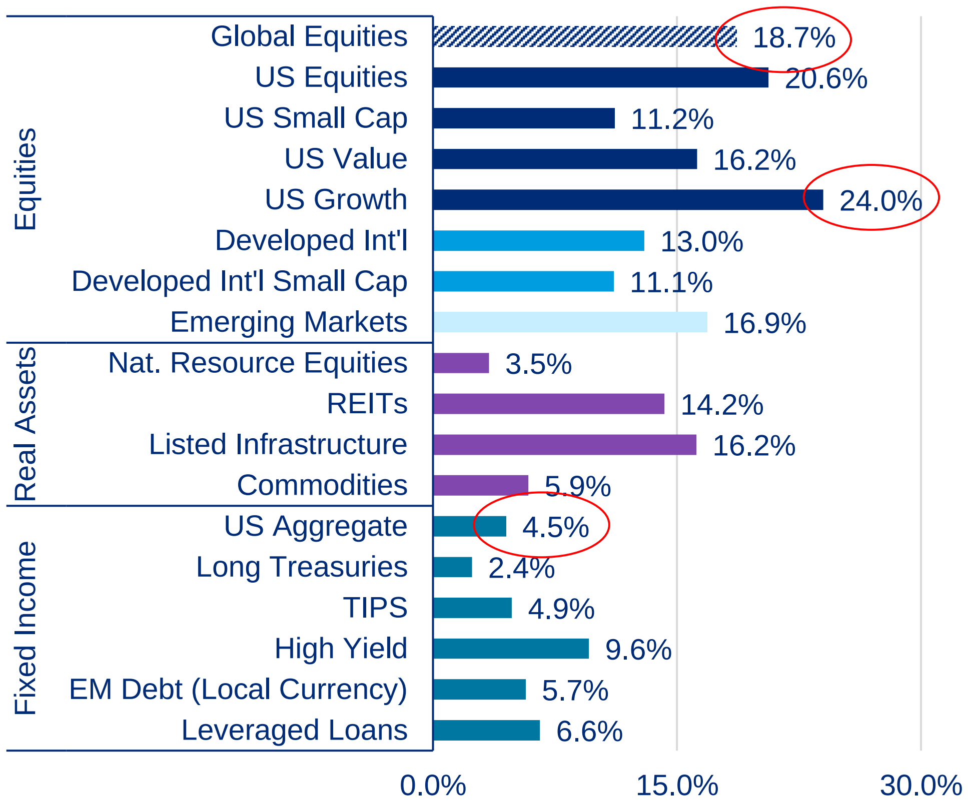
Total returns of major asset classes

Strong stock and bond performance amid falling yields

Third Quarter 2024 Return
June 30, 2024 – September 30, 2024



Year to Date Return
December 31, 2023 – September 30, 2024



Source: Standard & Poor's, Russell, MSCI Barra, NAREIT, Bloomberg. Returns refer to the following index performance, MSCI All Country World Index (Global Equities), MSCI All Country World Small Cap (Global Small Cap), Russell 3000 (US Equities), Russell 2000 (US Small Cap), Russell 3000 Value (US Value), Russell 3000 Growth (US Growth), MSCI EAFE (Developed International), MSCI EAFE Small Cap (Developed Int'l Small Cap), MSCI Emerging Markets (Emerging Markets), MSCI China A Onshore (China A Share), S&P Global Natural Resources (Natural Resource Equities), FTSE EPRA/NAREIT United States (REITs), FTSE Global Core Infrastructure (Listed Infrastructure), Bloomberg US Aggregate (US Aggregate), Bloomberg US Treasury Long (Long Treasuries), Bloomberg High Yield (High Yield), S&P/LSTA Leveraged Loans (Leveraged Loans). Past performance is no guarantee of future results.

Thinking about US vs Non-US equity allocations

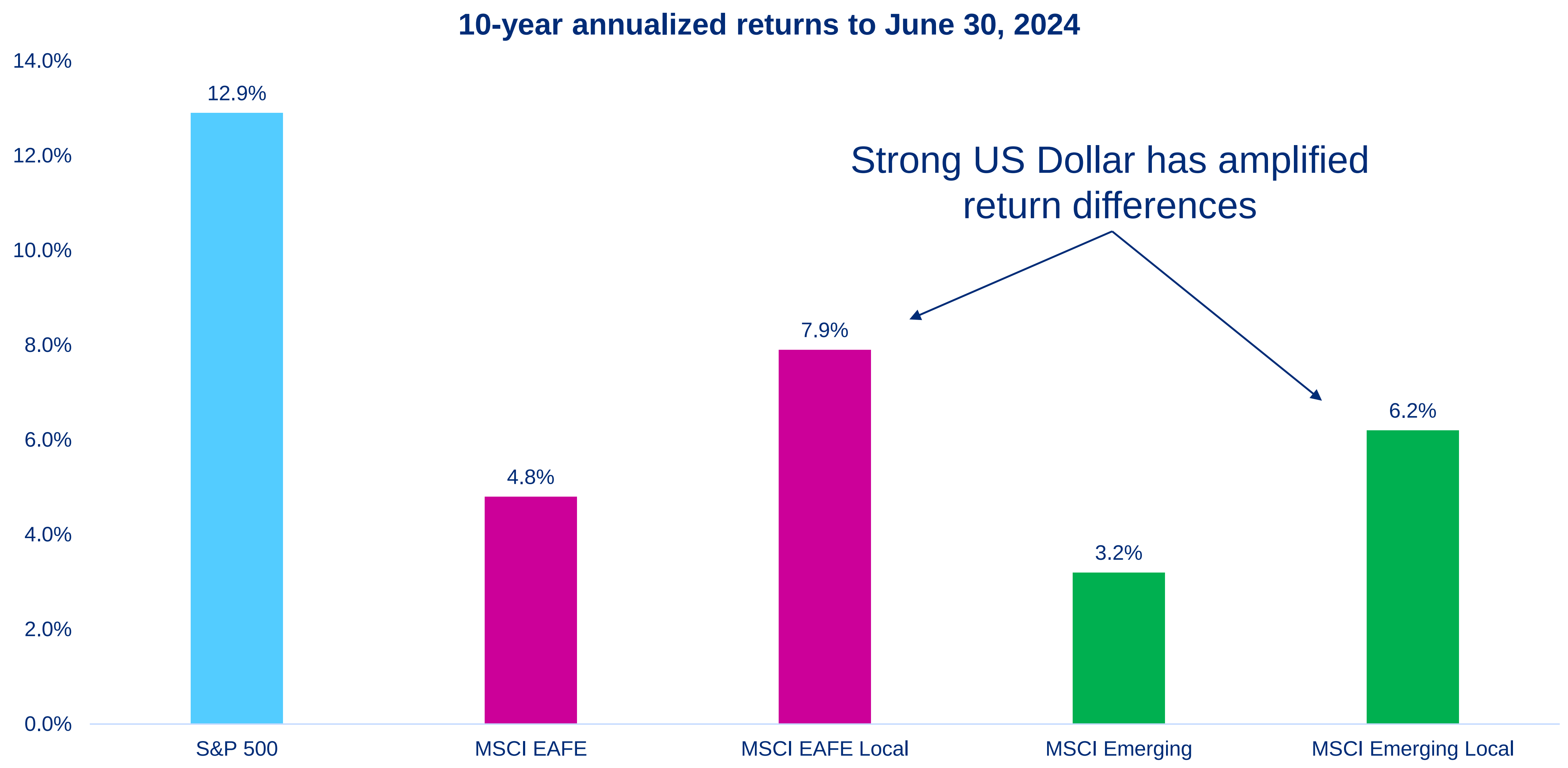
Topic of Interest

Performance

1

Regional returns

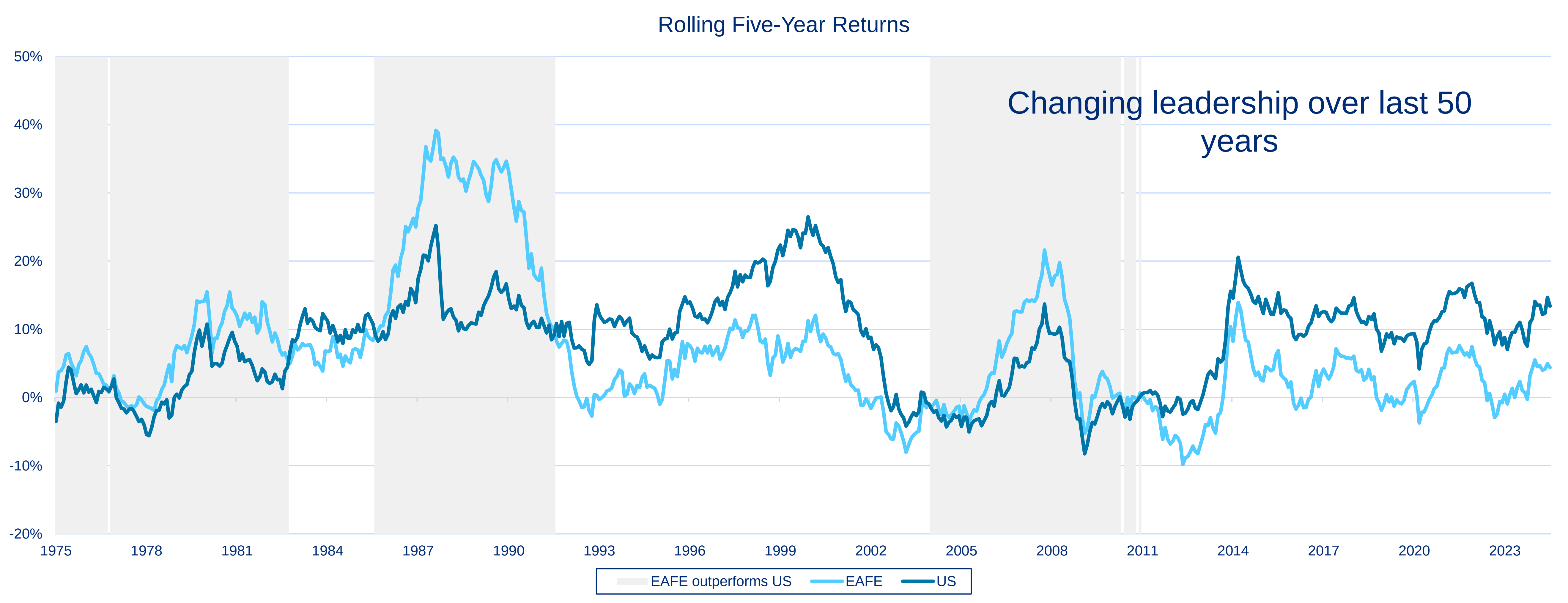
During the past ten years, the US has significantly outperformed non-US markets



Source: Refinitiv as of June 30, 2024

Rolling Five-Year Returns

Performance of US and International markets varies over time



Source: Mercer, Datastream as of June 30, 2024

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Annualized returns by decade

Performance trends often shift dramatically over decades

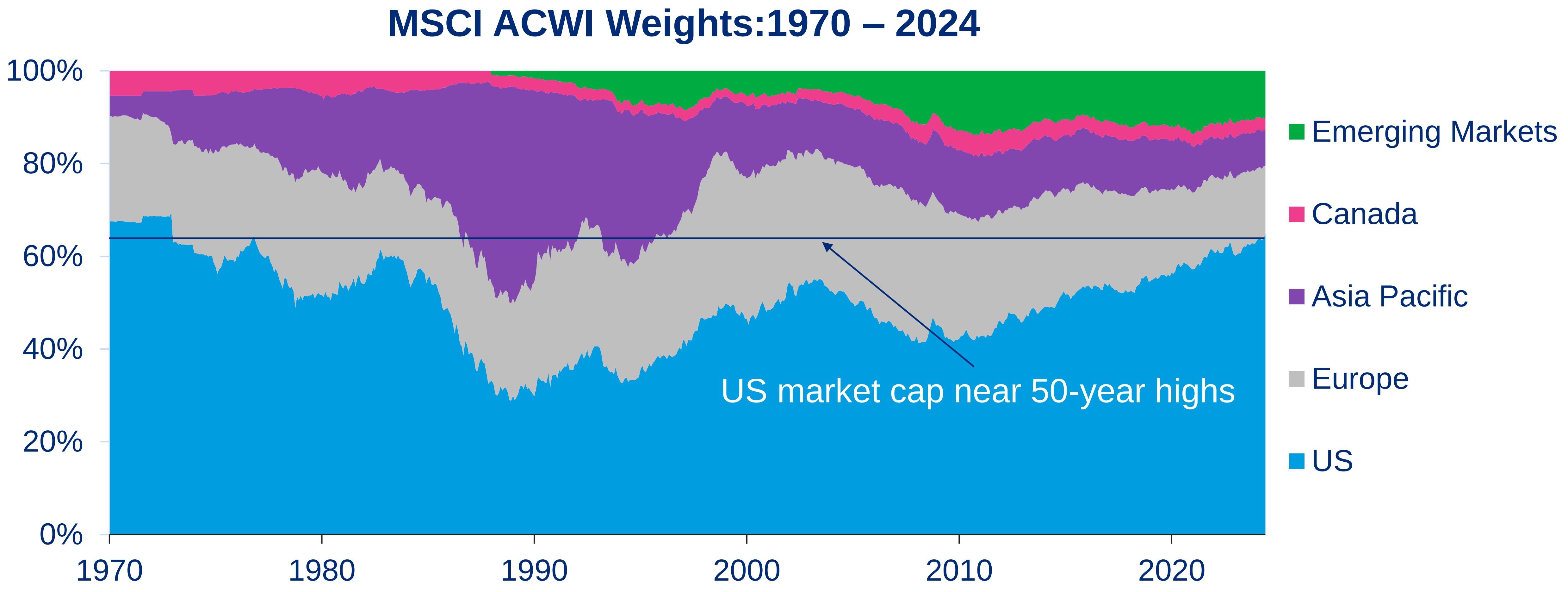
Historically, diversifying globally has provided opportunity for expanded return

1970s	1980s	1990s	2000s	2010s	2020s (to date)
Asia Pacific 20.8%	Asia Pacific 32.1%	Emerging mkts 28.4%	Emerging mkts 11.4%	US 10.4%	Canada 12.1%
Europe 7.5%	Europe 18.5%	US 18.6%	Canada 9.1%	Emerging mkts 6.7%	US 11.5%
Canada 4.5%	US 13.9%	Europe 16.8%	US 0.3%	Asia Pacific 4.8%	Emerging mkts 4.4%
US 1.2%	Canada 12.1%	Canada 10.5%	Europe 0.1%	Canada 3.6%	Europe 1.5%
		Asia Pacific 2.9%	Asia Pacific -0.1%	Europe 3.2%	Asia Pacific -1.3%

Source: Refinitiv as of June 30, 2024

World equity market capitalization

Strong performance has pushed the US market capitalization to 65% of the global equity universe



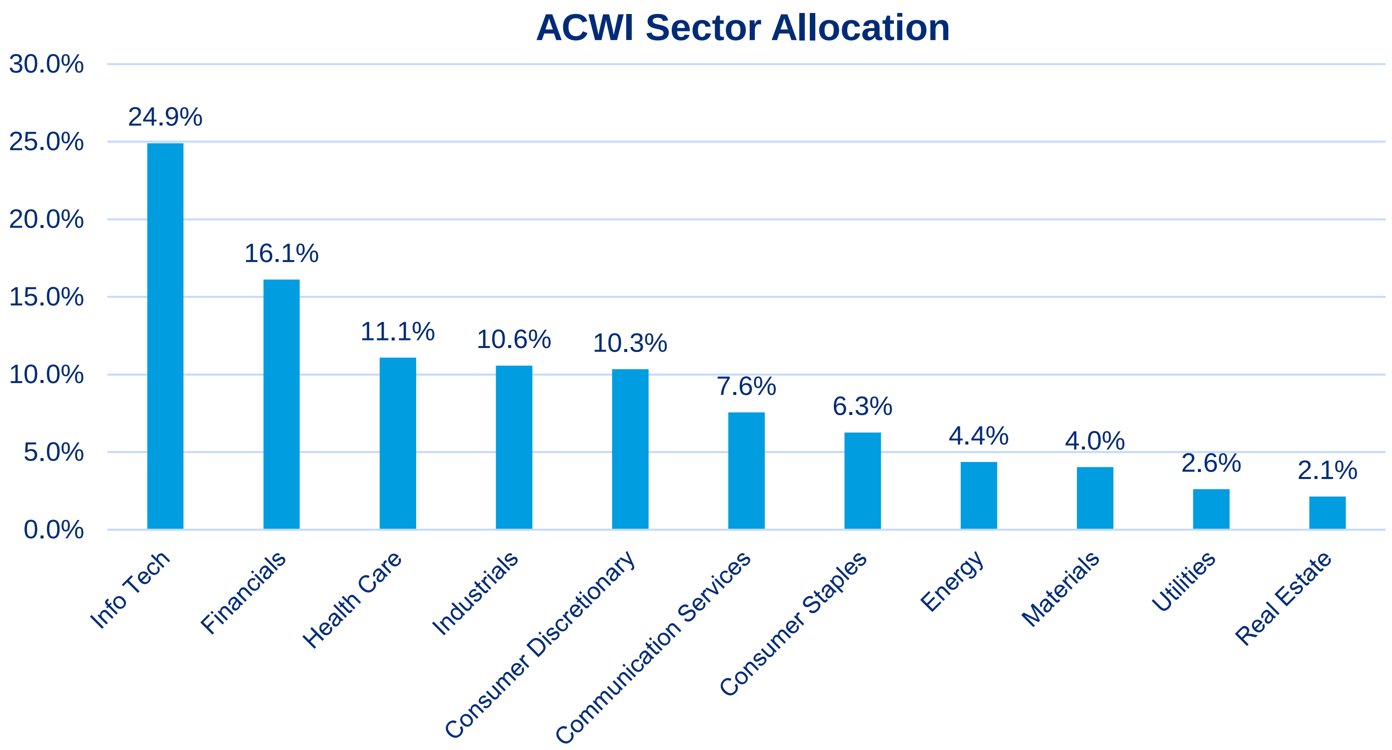
Source: Refinitiv as of June 30, 2024

MSCI All Country World Index

The global equity universe is already dominated by US tech companies

Even with a global view, US stocks remain dominant

	ACWI	ACWI IMI
US	64.50%	63.30%
EAFE	25.25%	25.90%
EM	10.25%	10.80%



Company	Country	ACWI Index Weight (%)	Sector
Apple	US	4.35	Info Tech
Microsoft	US	3.94	Info Tech
Nvidia	US	3.91	Info Tech
Amazon	US	2.34	Cons Disc
Meta	US	1.39	Comm Srvs
Alphabet A	US	1.35	Comm Srvs
Alphabet C	US	1.18	Comm Srvs
Broadcom	US	0.94	Info Tech
Taiwan Semiconductor	Taiwan	0.94	Info Tech
Tesla	US	0.89	Cons Disc
Total		21.23	

Source: Refinitiv as of June 30, 2024

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The World's Top Ten Largest Companies by Market Cap

Each decade has seen different countries and companies dominating market cap

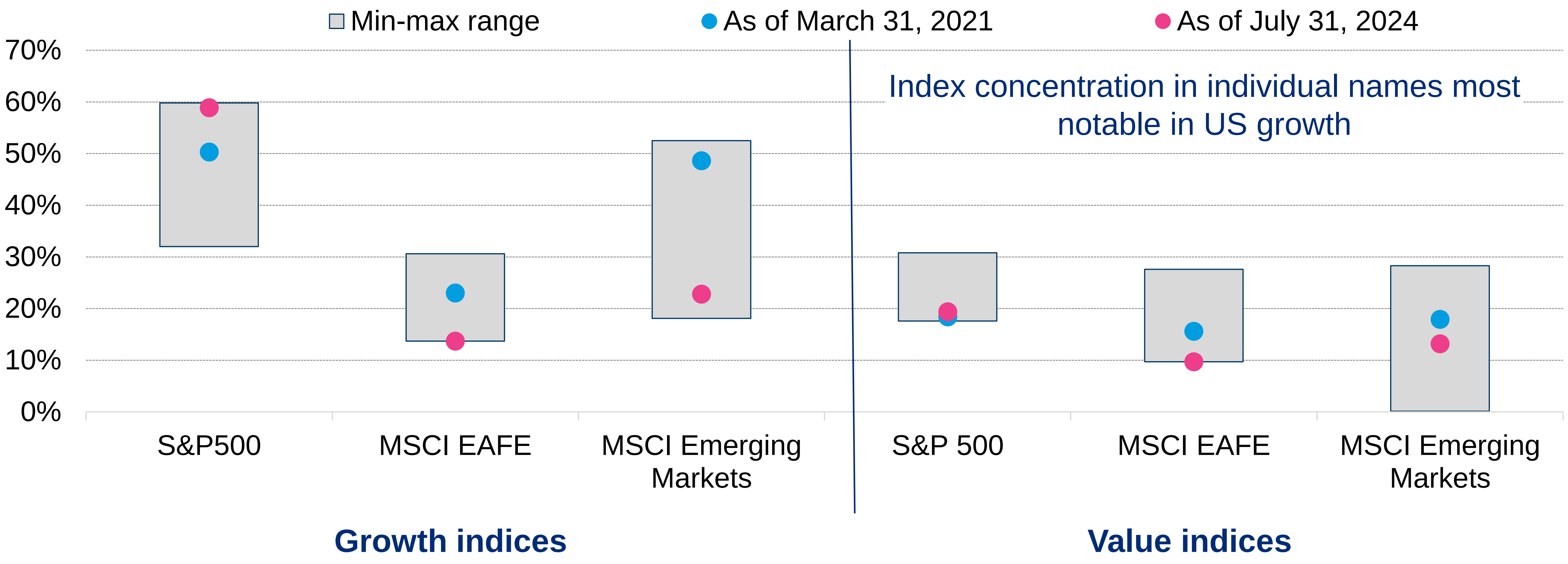
What will the next decade's leadership look like?

The World's Top Ten Largest Companies by Market Capitalization (ex Aramco)				
1980: Peak Oil	1990: Japan will take over world	2000: TMT bubble	2010: China will take over world	2021: Only tech can deliver growth
Malthusian Bull	Ricardian Bull	Schumpeterian Bull	Malthusian/Ricardian Bull	Schumpeterian Bull
IBM	*NTT*	*Microsoft*	*Exxon Mobil*	*Apple (US$ 2.43tr)*
AT&T	*Bank of Tokyo-Mitsubishi*	General Electric	*PetroChina*	*Microsoft (US$2.25tr)*
Exxon	*Industrial Bank of Japan*	*NTT DoCoMo*	Apple Inc.	*Alphabet/Google (US$1.88tr)*
Standard Oil	*Sumitomo Mitsui Banking*	*Cisco Systems*	*BHP Billiton*	*Amazon (US$ 1.73tr)*
Schlumberger	*Toyota Motors*	Wal-Mart	Microsoft	*Meta/Facebook (US$ 975bn)*
Shell	*Fuji Bank*	*Intel*	*ICBC*	*Tesla (US$745bn)*
Mobil	*Dai ilchi Kangyo Bank*	*NTT*	*Petrobras*	*Berkshire Hathaway (630bn)*
Atlantic Richfield	IBM	*Exxon Mobil*	*China Construction Bank*	*TSMC (US$602bn)*
General Electric	*UFJ Bank*	*Lucent Technologies*	*Royal Dutch Shell*	*Tencent Holdings (570bn)*
Eastman Kodak	Exxon	*Deutsche Telekom*	Nestlé	*Nvidia (562bn)*

Source: Gavekal

Global equity market concentration

Concentration in Top 10 Stocks – the US equity market is highly concentrated, particularly in growth



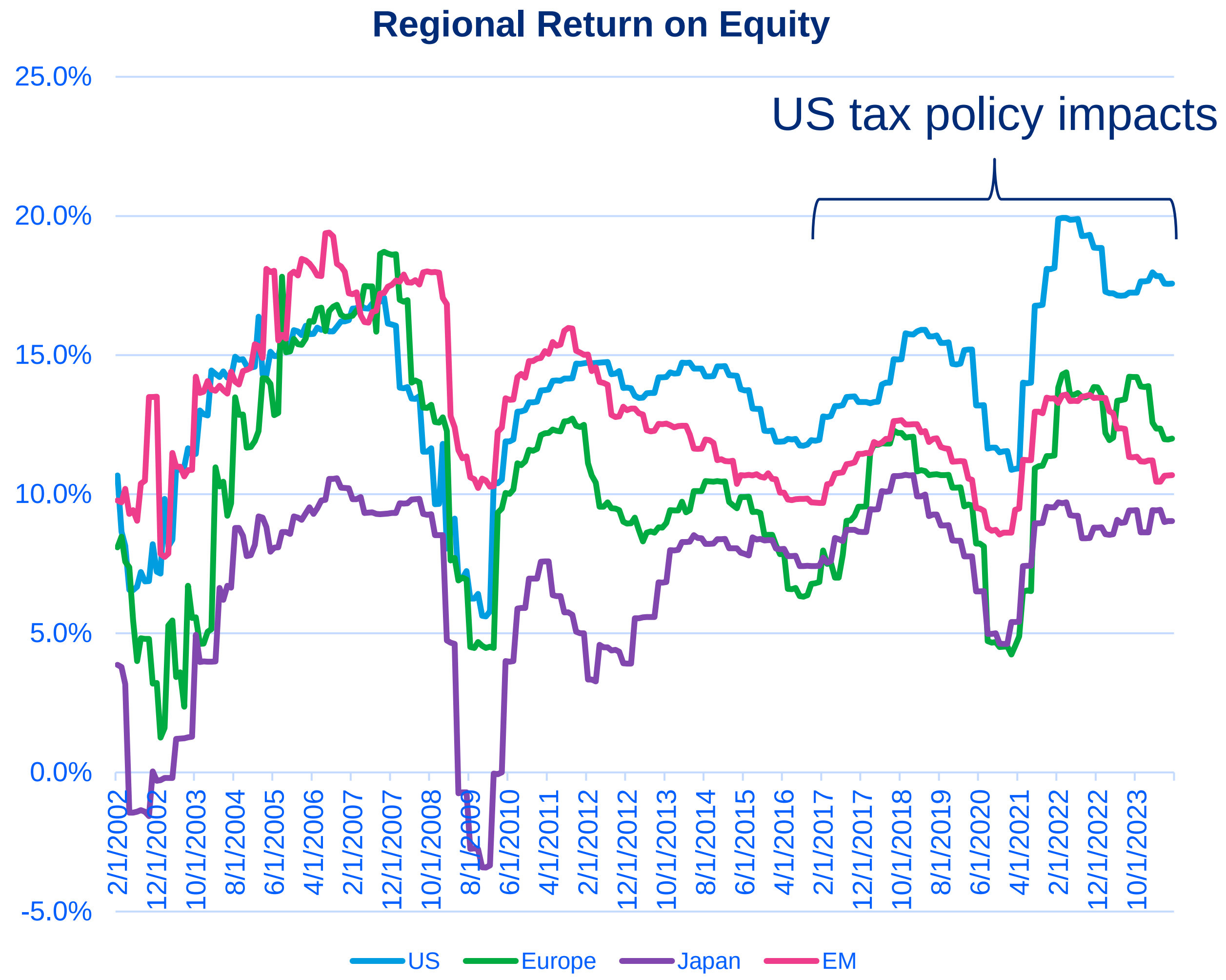
Source: Ranges - Brandes Institute; S&P Global (March 31, 2000 – July 31, 2024); Current – Bloomberg, MSCI.

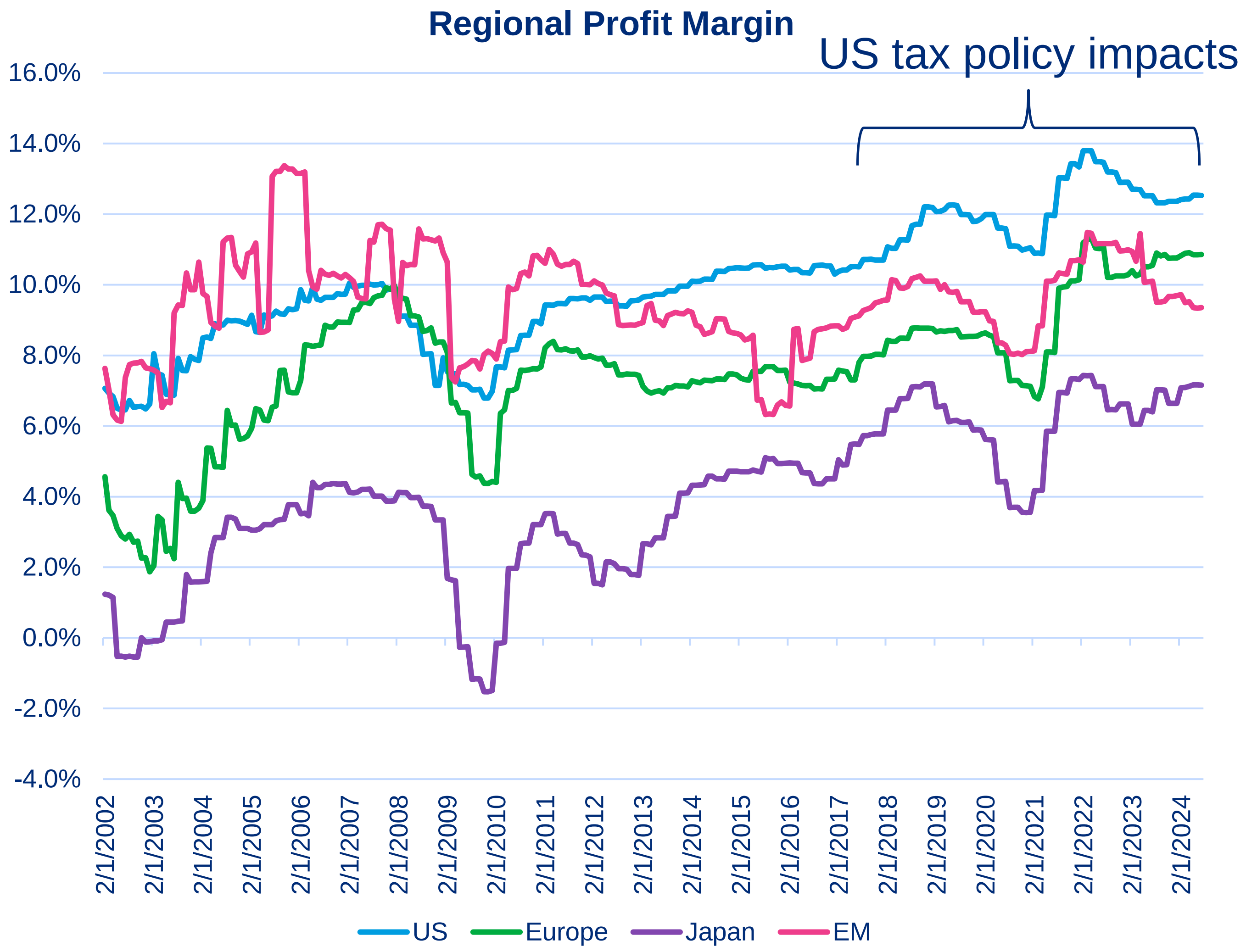
Fundamentals

2

Profitability by region

The US has demonstrated superior profitability to other regions, especially since 2012





Source: Bloomberg of June 30, 2024

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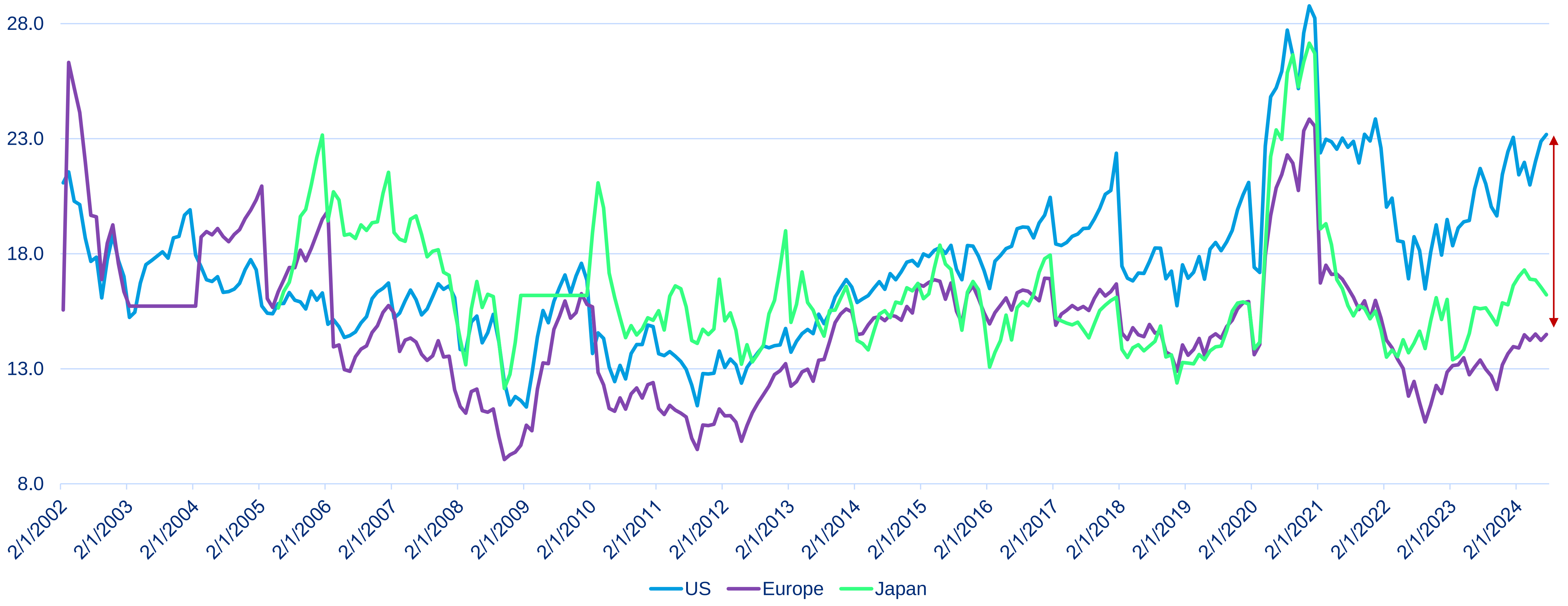
Valuations among developed markets

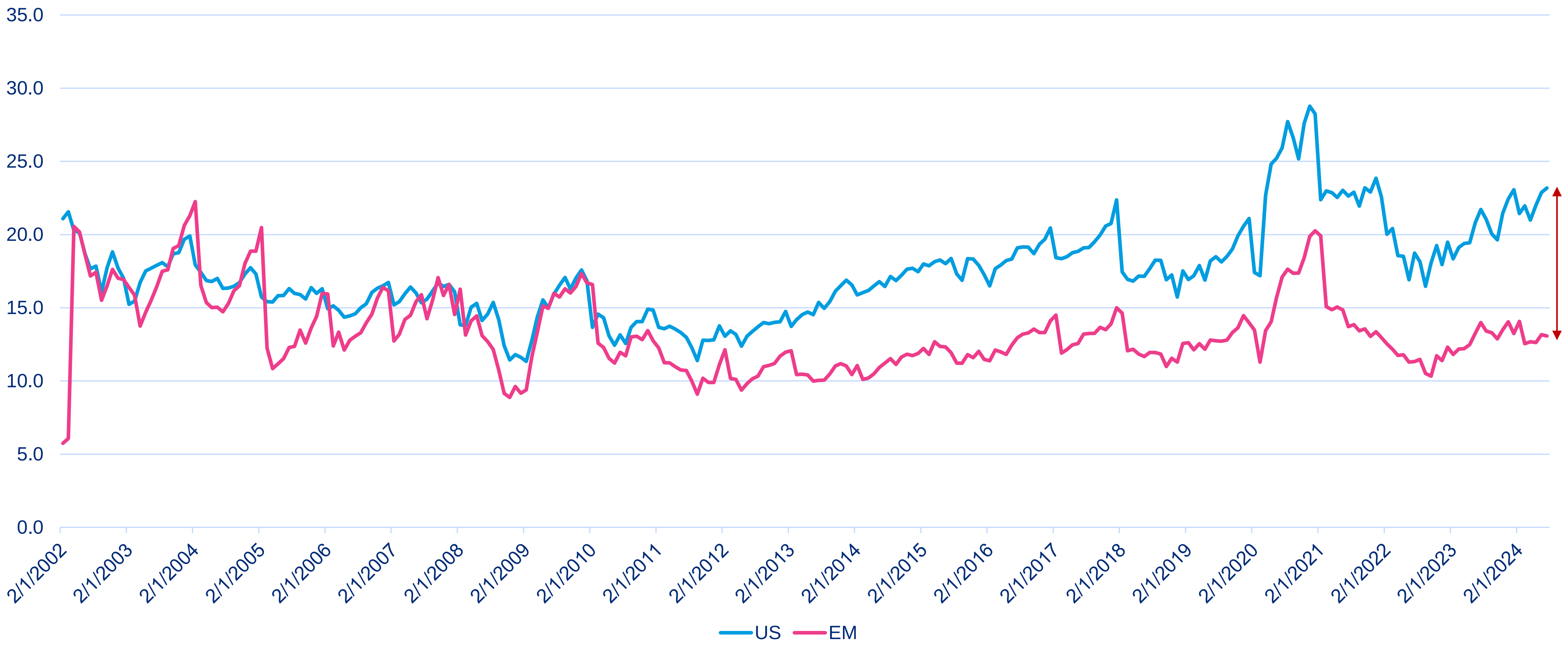
The US has traded at a premium to the developed markets for more than ten years, but the gap is especially wide today



Source: Forward P/E, Bloomberg as of June 30, 2024

Valuations of US and Emerging Markets

The US typically trades at a premium to EM; the premium today is very large



Source: Forward P/E, Bloomberg as of June 30, 2024

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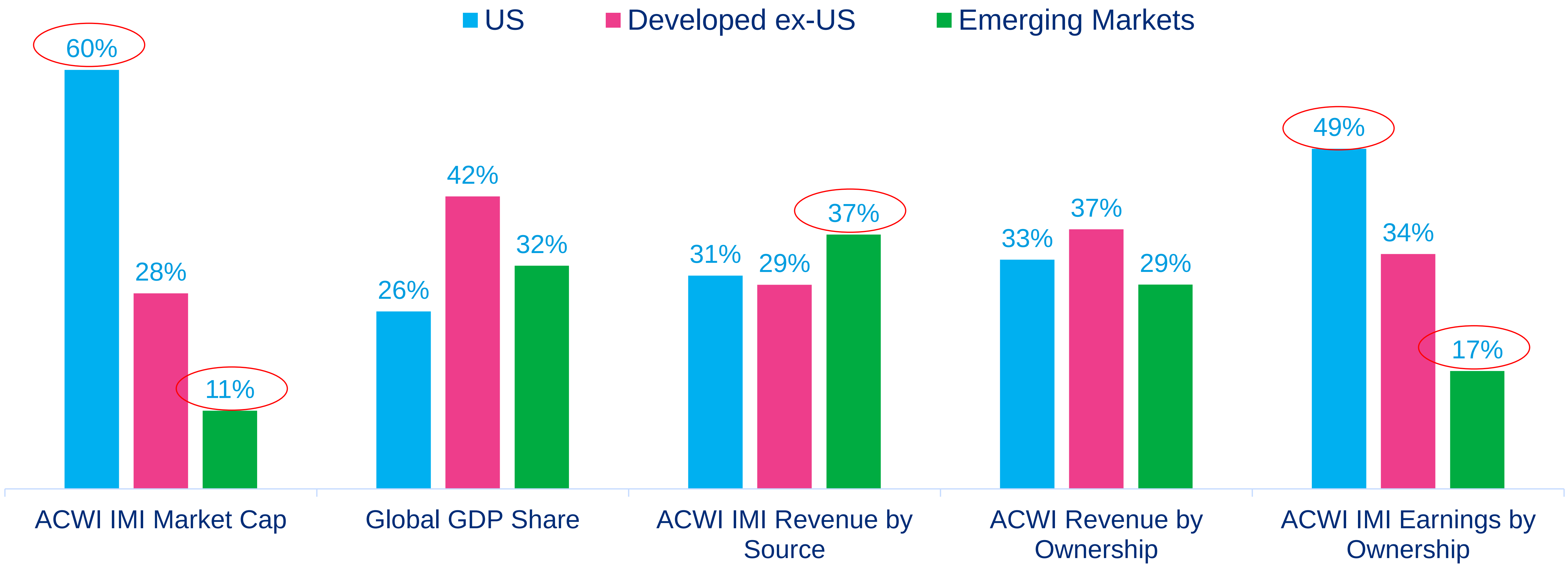
Global markets

Market capitalization, GDP, revenue and earnings: US market cap weight exceeds fundamentals



Source: IMF: World Economic Outlook (April 2024), current prices (imf.org) for GDP data, MSCI and Mercer calculations for all other data as of June 30, 2024. Revenue by source calculates which regions generated revenue for ACWI companies. Revenue by ownership calculates the percentage of ACWI revenue attributable to countries in that region while earnings by ownership calculates the earnings attributable to companies in that region. For example, ACWI companies generate 31% of their revenues in the US. US companies earned 33% of ACWI's revenues and 49% of ACWI's earnings.

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Conclusions

US Equity markets have delivered tremendous performance over the past decade. With hindsight, the best performance and lowest volatility over the last 10 years would have come from a very undiversified portfolio of 100% US (growth) stocks.

Historically, market diversification has provided opportunity for expanded returns.

While the US is currently well positioned fundamentally, these strong fundamentals are reflected in market prices.

High expectations make it unlikely that US equities can deliver on the last decade's combination of higher returns and low volatility.

An equity portfolio that captures the benefits of diversification through a balance between strong potential US markets and reasonably valued non-US markets is likely to be effective in capturing equity returns without undue volatility.

Mercer recommends that clients adopt a market neutral strategic policy based on market cap region weights.

Review of Standard Pool Performance

Investment Performance Highlights (Preliminary)

September 30, 2024

Long-term interest rates fell in Q3 as the Fed cut rates and markets priced in rate cuts through 2024 and into 2025. Bond portfolios performed well across maturities.

In a market dominated by Fed expectations, passive led the way this quarter. Investors, emboldened by the prospects of lower rates, focused on rate-sensitive and lower quality companies.

Calendar year-to-date returns for the three long-term public market pools are substantially similar.

Diversified Long-term Growth reflects the impact of less public market exposure, building toward a mature private capital portfolio differentiated from public markets.

Shorter-term/ Conservative

Long-term/ Growth

Preliminary Returns

	Q3	**YTD**	**2023**	**2022**
Liquid Reserves	1.3%	3.9%	5.2%	1.7%
90 Day T-Bill	*1.4%*	*4.0%*	*5.0%*	*1.5%*
Low Duration Fixed Income	2.8%	4.2%	4.7%	-3.4%
ICE BAML 1-3 Yr. Govt / Corp	*3.0%*	*4.4%*	*4.6%*	*-3.8%*
Income & Growth	5.2%	9.8%	11.4%	-13.1%
Target Weighted Index	*5.4%*	*9.7%*	*11.9%*	*-12.7%*
Passive Long-Term Growth	6.4%	13.5%	16.2%	-15.6%
Target Weighted Index	*6.4%*	*13.6%*	*16.3%*	*-15.5%*
Active Long-Term Growth	6.0%	13.5%	15.5%	-15.3%
Target Weighted Index	*6.4%*	*13.9%*	*16.9%*	*-15.8%*
ESG Long-Term Growth	5.9%	13.2%	17.7%	-18.8%
Target Weighted Index	*6.4%*	*14.5%*	*17.4%*	*-15.8%*
Diversified Long-Term Growth	4.8%	10.4%	10.9%	-10.9%
Target Weighted Index	*4.8%*	*10.7%*	*12.2%*	*-11.0%*

Questions?

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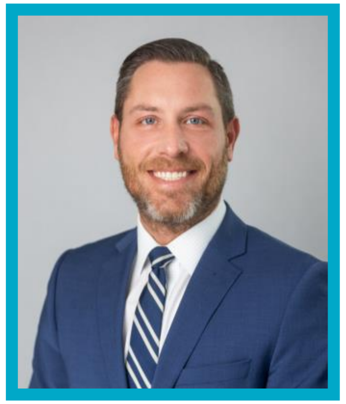

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