

# INVESTMENT EXECUTIVE SUMMARY

McCoy College of Business Foundation

Through September 30, 2021

	Market Value	Actual (%)	Target (%)	+ / -	Quarter	1 Yr	3Yr*	5 Yr*	7 Yr*	10 Yr*
<b>Equity</b>	38,923,671	65.0%	65.0%	--	-0.2	35.7	13.0	14.1	11.1	13.1
<b>Fixed Income</b>	14,804,384	24.7%	25.0%	-0.3%	0.1	2.7	4.2	3.3	2.9	5.1
<b>Real Assets/Real Return</b>	5,959,049	10.0%	10.0%	--	0.4	24.9	--	--	--	--
<b>Cash</b>	176,096	0.3%	0.0%	+0.3%	0.0	0.1	1.4	--	--	--
<b>Total Fund w/o Student Investment</b>	<b>59,863,201</b>	--	--	--	<b>-0.1</b>	<b>25.0</b>	<b>9.8</b>	<b>10.6</b>	<b>8.3</b>	<b>10.7</b>
Student Investment Equity	1,139,329	81.1%	75.0%	+6.1%	-0.2	23.8	11.9	13.3	10.0	12.4
Student Investment Fixed	265,512	18.9%	25.0%	-6.1%	0.2	-0.6	4.6	4.7	4.0	4.1
<b>Total Investment Fund</b>	<b>61,268,041</b>				<b>-0.1</b>	<b>24.9</b>	<b>9.8</b>	<b>10.6</b>	<b>8.3</b>	<b>10.7</b>

Totals may not sum due to rounding. All performance is net of (after) investment manager fees \*annualized for periods longer than one year

## Market Summary in Q3 2021:

- The third quarter of 2021 started with optimism over re-openings but ended with global slowdown fears. Over the first half of the quarter, the US, UK and much of Europe relaxed restrictions, which helped drive risk-on sentiment. However, concerns over the delta variant prompted some economies, particularly in the Asia Pacific region, to re-impose restrictions, adding to existing supply chain pressures. Global equities posted modest declines in Q3, with the MSCI ACWI index falling 1.1% for the quarter, leaving it with an 11.1% gain year-to-date. The S&P 500 returned 0.6% during the quarter, outpacing most other regions. Emerging market equities fell 8.1% in Q3 and are down 1.2% year-to-date. China and Brazil drove most of the negative return for the quarter.
- The Fed made no changes to its monetary policy during the quarter, but suggested it was likely to begin tapering its bond buying program later this year. US inflation breakeven rates remained fairly stable during the quarter, with 10-year inflation breakeven rates rising from 2.32% to 2.37%, remaining near the Fed's target of 2% PCE. The Bloomberg Barclays Aggregate gained 0.1% during Q3 with Treasuries outperforming corporate bonds as credit spreads widened. The yield curve modestly steepened during the quarter, with 3-month yields falling 1 bp, while 10- and 30-year yields rose by 7 bps and 2 bps, respectively. Investment-grade corporate bond spreads rose an average of 4 bps during the quarter to 0.8%, which is roughly 30 bps below the long-term median level.
- REITs posted muted results during Q3, similar to broader equity markets. REITs have broadly benefited from re-openings this year, but could face challenges if there is upward pressure on interest rates. Commodities had a strong quarter, with energy commodities rising considerably due to lasting impacts from Hurricane Ida and supply/demand imbalances in Europe. Master Limited Partnerships (MLPs) and natural resource stocks posted modest losses during Q3, despite the rise in commodity prices. The Dow Jones Brookfield Global Infrastructure Index ended the quarter down -1.5%, inline with broader equity markets.

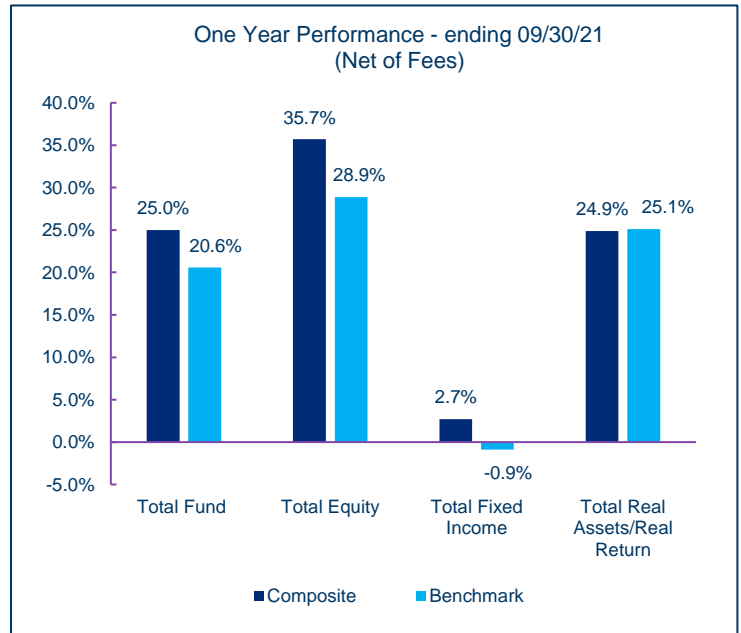
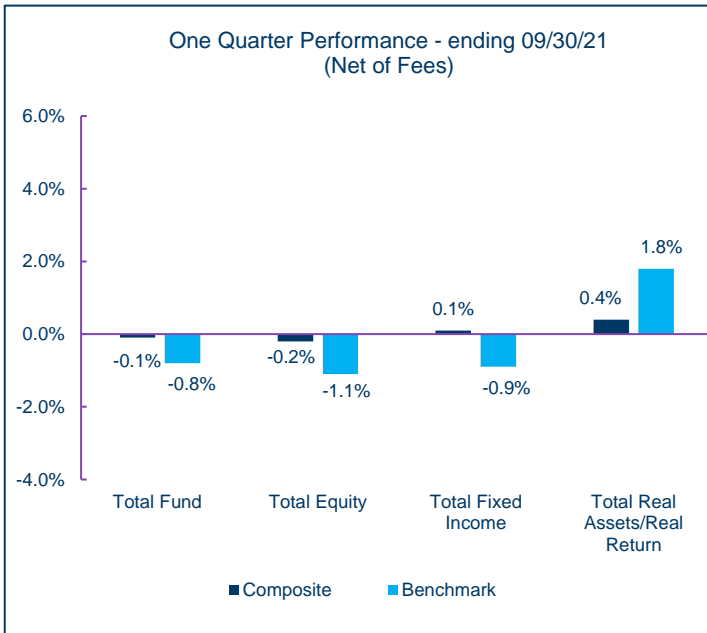
## Portfolio Update:

- The **Total Equity Composite** returned -0.2% during the quarter as fears of the delta variant, persistent inflation, and supply chain distributions weighed on investor sentiment. Global Equity managers, Causeway and WCM, both added value during the quarter which led to the composite outperforming. Emerging Market manager, RBC, performed in line with its benchmark but posted negative absolute performance as headlines from China held back returns.
- The **Total Fixed Income Composite** (+0.1%) outperformed its benchmark by +100 bps. The Fed's comments on potential tapering and inflation pressures caused interest rates to finish higher during the quarter, however, the shorter duration position of the fixed income managers allowed the composite to hold up relative to policy benchmark.
- The **Total Real Assets/Real Return Composite** gained +0.4% during the quarter, but trailed its benchmark by -140 bps. Principal DRA (+1.4%) helped boost composite-level performance, as the strategy took advantage of rising Commodity prices. PIMCO All Asset underperformed on an absolute and relative basis as its Emerging Market exposure detracted.

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Through September 30, 2021



## Investment Philosophy & Process

### Purpose:

The purpose of the Investment portfolio is to provide for the Foundation's operating needs and to fund the Foundation's mission-related programs and activities both today and into the future.

The Foundation's objective is to grow the market value of assets net of inflation, administrative, and investment expenses, over a full market cycle without undue exposure to risk.

The Fund possesses a long-term time horizon, with primary objective to provide long-term growth of capital and liquidity. Secondary objectives are to provide a mix of growth and income and preservation of capital.

The Foundation and Investment Committee are governed by the Investment Policy Statement, reviewed at least annually by the Committee and Board. The Investment Policy Statement is a comprehensive document which incorporates best practices and outlines investment objectives, investment guidelines, and risk policy, as well as outlining responsibilities of the Board, Investment Committee, Staff, Investment Managers, and Consultants.

Pavilion, a Mercer Practice serves as investment consultant for the McCoy College of Business Foundation. For more information please visit their website <https://www.pavilion-notforprofit.com/>