

# INVESTMENT EXECUTIVE SUMMARY

McCoy College of Business Foundation

Through September 30, 2020

	Market Value	Actual (%)	Target (%)	+ / -	Quarter	1 Yr	3Yr*	5 Yr*	7 Yr*
<b>Equity</b>	29,746,193	61.4%	65.0%	-3.6%	7.1	8.9	5.5	9.3	7.8
<b>Fixed Income</b>	13,448,492	27.8%	25.0%	+2.8%	2.1	4.3	3.8	5.4	4.7
<b>Real Assets/Real Return</b>	4,132,835	8.5%	10.0%	-1.5%	3.6	-0.5	--	--	--
<b>Cash</b>	1,089,989	2.3%	0.0%	+2.3%	0.0	0.8	--	--	--
<b>Total Fund w/o Student Investment</b>	<b>48,417,509</b>	--	--	--	<b>5.2</b>	<b>6.4</b>	<b>4.7</b>	<b>7.8</b>	<b>6.5</b>
Student Investment Equity	901,675	79.2%	75.0%	+4.2%	7.5	11.5	8.1	9.8	8.9
Student Investment Fixed	237,002	20.8%	25.0%	-4.2%	0.9	7.4	4.2	6.3	4.8
<b>Total Investment Fund</b>	<b>49,556,185</b>				<b>5.2</b>	<b>6.5</b>	<b>4.7</b>	<b>7.8</b>	<b>6.6</b>

All performance is net of (after) investment manager fees \*annualized for periods longer than one year

## Market Summary in Q3 2020:

- The global economy continues to recover, but at a slower pace, as several sectors remain restricted. Monetary policy remains extremely accommodative, although fiscal policy is not as loose as it had been earlier in the year, particularly in the US with the expiration of the CARES Act. Global equities continued their rally during Q3, with the MSCI ACWI index gaining 8.1% for the quarter and reaching positive territory year-to-date. The S&P 500 returned 8.9% during the quarter, outperforming most other developed markets. Year-to-date, the S&P 500 has risen 5.6%.
- Within fixed income, the Bloomberg Barclays Aggregate returned 0.6% during Q3 with corporate bonds outperforming Treasuries. The yield curve saw very modest changes during the quarter, with 3-month yields falling by 6 bps, while 10- and 30-year yields rose by 3 bps and 5 bps, respectively. Investment-grade corporate bond spreads fell an average of 14 bps during the quarter to 1.4%, which is roughly 20 bps above the long-term median level. High yield bonds gained 4.6% during the quarter, as credit spreads fell by 108 bps to 5.2%, which remains above the long-term median level of 4.7%.
- REITs posted modest gains during Q3, but continue to lag the broader market given uncertainty surrounding COVID. Infrastructure stocks outperformed REITs, but also lagged the broader market. Despite an increase in commodity prices during the quarter, natural resource stocks and MLPs declined.

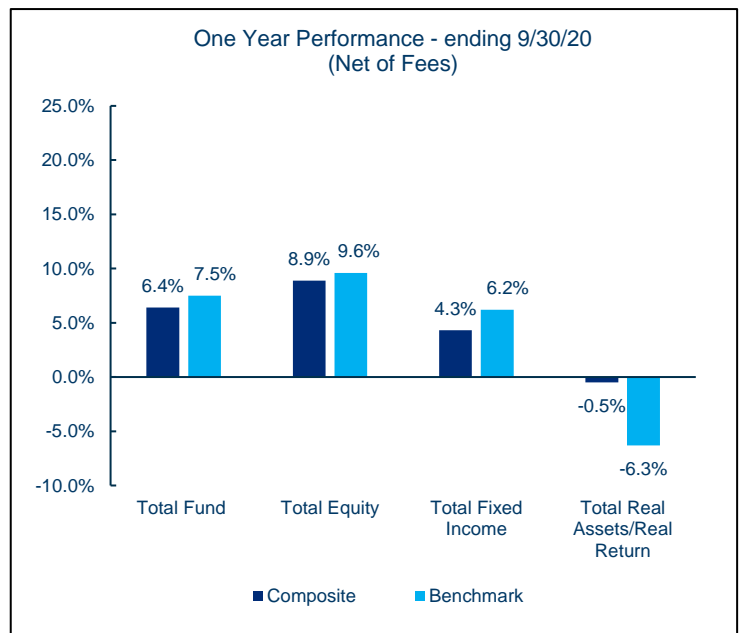
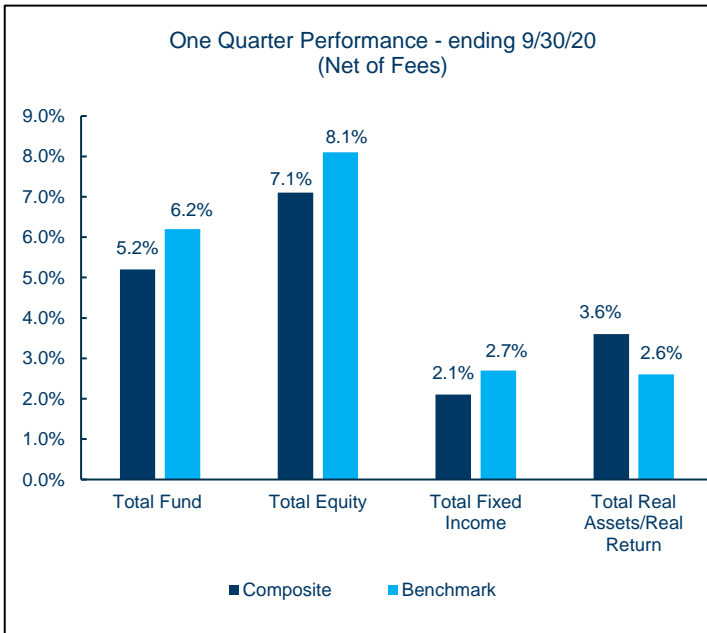
## Portfolio Update:

- The Total Equity Composite (+7.1%) posted strong absolute performance during the quarter, but lagged the Blended Equity Index by -100 bps. While volatility returned in September, large cap and growth bias equities led the risk-on environment. Within the composite, value and small cap equity exposure dragged on relative performance during the quarter.
- The Total Fixed Income Composite (+2.1%) had solid absolute performance during the quarter, but underperformed relatively by -60 bps. Both DoubleLine and BlackRock added value from a manager standpoint due to positions in corporate and lower quality securities, however trailed the global benchmark at the composite level.
- The Total Real Assets/Real Return Composite (+3.6%) posted solid performance during the quarter and outperformed the Blended Real Assets/Real Return Index by +100 bps. Principal DRA, drove relative outperformance as exposure to global natural resources, REITs, and infrastructure drove performance.

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## 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/>