

Ring in A New Year of Thanks

2020 – Welcome to a new year and a new decade ahead! Last year our investment committee set two significant goals, including: a) increasing written communications about our portfolios, and b) enhancing the diversity of investing options available to donors and local non-profits alike. With this fourth quarterly *Investment Committee Notes* alongside four well-designed strategies managed by Cornerstone Advisors, including the new Blue Marble and OICF Index funds, we hope you will agree that these goals have been achieved.

As we ring in the new decade on the heels of an exceptional year in financial markets, we give thanks to the Foundation's many supporters for also setting a record year in giving right here on Orcas Island. Because of you, OICF continues to facilitate grants to many critical community programs, making a meaningful difference in your neighbor's lives. As always, do not hesitate to contact us with any questions whatsoever regarding OICF or this note.

Markets & The Economy

The United States and China agreed upon the first phase of a broader trade pact, partially alleviating an issue that has periodically caused market volatility for more than a year and has contributed to a global slowdown in trade and manufacturing. Combined with supportive monetary stimulus from the U.S. Federal Reserve Bank and their foreign counterparts, global stocks added to their robust 2019 returns during the fourth quarter. For the year, global stocks (as measured by the MSCI All-Country World Index) returned 26.6%, the largest calendar year return in a decade. Looking forward, earnings growth is anticipated to pick up in 2020, driven by a rebound in the sectors most positively impacted by renewed trade (Industrials, Materials and Energy).

Low levels of inflation and supportive Central Banks also propelled bonds to strong returns in 2019. The Bloomberg Barclays U.S. Aggregate Bond Index was up 8.7% for the year, the largest calendar year return since 2002. As we enter 2020, the upcoming U.S. elections will take center stage in media coverage; however, markets will likely be more focused on U.S./China relations, supportive monetary stimulus and the anticipated positive flow-through effects to corporate earnings.

Portfolio Overview (Approximate Funds; Annual Return as of December 31, 2019 Net of Fees)

Mid- to Long-Term Fund (\$13.4 million; +14.3%) – Most of OICF's corpus is invested in this diversified global strategic approach featuring a blend of active, passive and private investment funds.

Short-Term Fund (\$949.2 thousand; +2.66%) – OICF holds two short-term accounts invested in a short-term bond fund managed by PIMCO, currently yielding between 2.5-3.0% annually.

Blue Marble Fund (\$366.6 thousand; +18.9%) – A lower cost strategy comprised of ETFs and Mutual Funds focused on companies with best practices among environmental, social and governance attributes. This more recent portfolio option incepted during the second-half of 2018 features a 60% stock, 40% fixed-income allocation.

OICF Index Fund (\$85.5 thousand; +3.6% 10/31/19 to 12/31/19) – Launched just last fall, OICF now offers this low internal-fund cost option for those who espouse the 'John C. Bogle' (founder of Vanguard) indexing approach to investing, characterized again by a 60% stock, 40% bond and other diversified asset allocation.

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