CAPITAL MARKETS SUMMARY

2023 RECAP

- 2023 saw a strong rebound compared with 2022 in both equity and bond markets as the Fed pivoted from a hawkish to more dovish view regarding interest rates hikes through 2023 in its response to rising inflation.
- US Equity markets closed the year at 26.3%, a reversal of 2022's -18.1%. The rally was led mostly by the "Magnificent Seven" (Alphabet, Amazon, Apple, Meta Platforms, Microsoft, Nvidia, and Tesla) accounting for 60% of the S&P 500's return for 2023.
- The US Aggregate Bond market increased 5.5% as yields decreased.

2024 OUTLOOK

- As the Fed moves to continue the taming of inflation, it brings into question that forward earnings estimates are accurately discounting the most recent developments of a strong US dollar, rising oil prices, maturing US fiscal stimulus and an increasingly tapped-out US consumer. It is expected that Fed actions in 2024 may result in a "higher-for-longer" rate scenario.
- The mix of high and sticky inflation, existential risks associated with Russia/Ukraine and the European Central Bank's position that it has limited tools to help suggest that the odds of recession are over 50%. Recent softness in China, including macro uncertainty and deflationary pressures, along with growing opacity around policy direction, have caused concern for the country's growth path.
- While markets had aggressively priced the Fed's hawkish rhetoric, recent bank concerns have brought in pricing of rate cuts through early 2024.

EQUITIES

- Continue to remain cautious in general given potential earnings pressures into 2024.
- Expect volatile range-bound trading of plus/minus 5% to 10%.
- Favor cash flow strategies and companies/industries which can generate organic cash flow.

FIXED INCOME

- With spreads widening and long-term rates reflecting a more reasonable terminal value, bonds are a decent relative portfolio hedge.
- Cash flow opportunities exist with Investment Grade corporates showing greater than average debt service coverage.
PORTFOLIO HIGHLIGHTS

PERFORMANCE

• Long-term portfolio return trailed the benchmark in 2023 due to rebalancing away from growth equity amid valuation concerns.
• Since inception, the portfolio has compounded capital at 6.6% annualized, ahead of the benchmark at 6.1%.
• Since inception the short term pool has annualized 4.4%, also ahead of the benchmark at 2.9%.

COST EFFICIENCY

• Annual investment management costs of 0.29%.

POSITIONING HIGHLIGHTS

EQUITY

• Tactical underweight to global equities with an emphasis on active management.
• While short-term estimates for equities are flat, we still see relative value opportunities within selective segments of the equity markets that should bode well for active managers.

FIXED INCOME

• Tactical overweight to investment grade fixed income.
• Front end investment grade offers attractive risk/reward with decent carry, amid improving credit quality and interest coverage.
Performance as of 12/31/2023

Multi-Period Performance Analysis

![Graph showing performance analysis with bars for Short-Term Portfolio and Short-Term Benchmark.

1 Month | QTD | 2023 | 1 Year | 3 Years | 5 Years | 10 Years | Since Inception Jan 2010
---|---|---|---|---|---|---|---
Short-Term Portfolio | 1.97 | 4.14 | 7.82 | 7.8 | 4.4 | 4.4 | 2.9
Short-Term Benchmark | 1.89 | 4.32 | 8.16 | 8.16 | 3.71 | 2.73 | 2.93

Multi-Period Performance Analysis

![Graph showing performance analysis with bars for Long-Term Portfolio and Long-Term Benchmark.

1 Month | QTD | 2023 | 1 Year | 3 Years | 5 Years | 10 Years | Since Inception Jan 2010
---|---|---|---|---|---|---|---
Long-Term Portfolio | 4.28 | 8.68 | 12.88 | 12.88 | 5.16 | 6.58 | 6.58
Long-Term Benchmark | 4.07 | 8.42 | 14.03 | 14.03 | 5.33 | 6.06 | 6.06

Contact us at Hello@ColoradoGivesFoundation.org or 720.898.5900.

5855 Wadsworth Bypass, Unit A
Arvada, CO 80003
ColoradoGivesFoundation.org