Quarterly Investment Report: January-March 2020

Financial Markets Review
The global economy experienced a massive cessation of activity in March as social distancing measures forced many businesses to close for an undetermined period of time. The global economy is almost certainly in a recession, although estimates for its magnitude and duration vary widely. The initial impact on the US labor market was dramatic, with 10 million initial jobless claims registered during the last two weeks of March alone. This trend continued in the first few weeks of April and total initial jobless claims climbed to more than 26 million over the five-week period. The speed and magnitude of the fiscal and monetary responses by the US government and Federal Reserve, respectively, have been extraordinary in an attempt to minimize the damage and prepare the economy to rebound once the virus has been contained.

Global equities experienced steep declines in the first quarter, with the MSCI All-Country World Index falling 21.4% driven by the uncertainty surrounding COVID-19. The S&P 500 Index declined 19.6% but outperformed most other markets. International developed and emerging market stocks fell 22.8% and 23.6%, respectively, as a stronger dollar hurt US investors. Growth stocks outperformed value across the size spectrum and small-cap stocks underperformed large-caps. Technology stocks held up relatively well as did defensive sectors such as consumer staples, utilities and healthcare. The energy sector was hit particularly hard driven by reduced demand due to COVID-19 combined with an oil price war between Saudi Arabia and Russia. The price of oil plummeted 66.5% during the quarter.

Fixed income markets, as represented by the Bloomberg Barclays US Aggregate Index, returned +3.1% as strong gains for Treasuries more than offset losses in corporate credit. The yield curve shifted downward as 3-month yields fell 144 basis points to 0.11% while the 10-year yield fell 122 basis points to 0.70%. For the quarter, investment-grade credit declined 3.1% while high yield bonds fell 12.7% as credit spreads rose sharply.

Investment Pool Commentary
ACF takes a long-term view of capital markets. Together, the ACF Investment Committee, investment staff, and investment consultant determine the strategic asset class allocations for each pool based on long-term return and risk expectations for the various asset classes. Within these risk expectations, we understand that an equity market decline of greater than 30% from peak occurs, on average, about once every 10 to 15 years. The timing and extent of these bear markets is not predictable so we maintain our long-term strategic focus during all market environments.

However, within that framework, we do make adjustments to rebalance the portfolios, as appropriate, when large swings occur. We maintain regular communication with all relevant parties, including our underlying investment managers, and we will be monitoring the market environment for any long-term opportunities that may arise from the dislocation.
The **Long Term Diversified Pool (LTD)** returned -14.4% for the quarter, ahead of its strategic benchmark and in line with its public markets benchmark. The LTD Pool’s strategic allocations to private equity, private debt, and diversifying strategies proved beneficial amid the market dislocation. Strategic tilts in favor of small-cap stocks and the value factor negatively affected the LTD Pool’s performance as those segments of the market were hit hardest by the March selloff. The LTD Pool slightly underperformed its benchmarks for the 5- and 10-year primary evaluation periods.

During the quarter, the **Long Term Aggressive Growth Pool (LTAG)** returned -18.0%, moderately ahead of its benchmark. Relative to its benchmark, the LTAG Pool benefited from an underweight to small-cap stocks. As expected in this environment, the LTAG Pool underperformed the other pools due to its heavy emphasis on public equity markets.

The **Socially Responsible Pool (SRI)** returned -14.2% during the quarter, matching its benchmark. The SRI Pool benefited from strong relative performance by its international equity manager, Boston Common, while fixed income manager Calvert significantly lagged its benchmark.

The **Intermediate Pool (INT)** returned -10.1% for the quarter, slightly outperforming its benchmark driven by a small overweight to large-cap stocks and a slightly elevated average cash position during the quarter.

For questions or additional information, please contact your relationship manager or [click here to visit our website](#).
Long Term Diversified Pool
Established December 1990

Net Returns - As of March 31, 2020

The Strategic Policy Benchmark represents the weighted average return of the underlying asset class benchmarks using the pool’s strategic asset allocation through time. The Public Markets Benchmark represents 70% MSCI All Country World Index (ACWI) / 30% Bloomberg Barclays Aggregate Bond Index.

Per industry standard, investment pool returns are reported net of underlying investment manager fees. Returns do not incorporate other pool expenses including custody, consulting, and legal fees, or ACF’s investment oversight fee. Actual returns for individual fund-holders may vary from the pool(s) in which they are invested due to the timing of contributions and grants/distributions.
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The Strategic Policy Benchmark represents the weighted average return of the underlying asset class benchmarks using the pool’s strategic asset allocation through time.
Socially Responsible Pool
Established September 2011

Net Returns - As of March 31, 2020

The Strategic Policy Benchmark represents the weighted average return of the underlying asset class benchmarks using the pool’s strategic asset allocation through time.

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Intermediate Pool
Established December 2005

Net Returns - As of March 31, 2020

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