ARIZONA COMMUNITY FOUNDATION

Quarterly Investment Report: April-June 2020

Financial Markets Review

Global GDP growth experienced an unprecedented collapse during the second quarter as many sectors of the economy came to a standstill amid widespread lockdowns in April and May. US GDP, which previously had never fallen by more than 10% annualized in a single quarter, plummeted an astounding 32.9%. The economy showed signs of recovery as lockdowns were relaxed but significant economic issues remain. Equity market sentiment diverged sharply from economic conditions during the quarter. Global equity markets rapidly recovered much of their first quarter losses and liquidity conditions improved considerably. The current recovery is encouraging, although it started from a very low base. Uncertainty remains over the strength of the recovery, especially considering the rapid rise in new COVID-19 infections since June.

The MSCI All-Country World Index advanced 19.2% during the quarter, leaving it down 6.3% year-to-date. The S&P 500 Index returned 20.5%, down just 3.1% year-to-date. Market leadership has remained narrow in 2020 with mega-cap technology stocks continuing to dominate. In aggregate, the five largest companies in the S&P 500 (Apple, Microsoft, Alphabet, Amazon and Facebook) returned 25% in the first half of 2020 while the other 495 companies declined 9%, in aggregate. Growth companies have been resilient in this recession due to strong balance sheets and concentration in economic sectors that have been less severely impacted by the lockdowns. Conversely, value stocks and small-cap stocks, which have struggled, tend to have weaker balance sheets and greater economic sensitivity. International developed equities also rebounded in the quarter, rising 14.9% while emerging market stocks returned 18.1%.

Fixed income markets, as represented by the Bloomberg Barclays US Aggregate Index, returned 2.9% for the quarter as markets stabilized and spreads compressed considerably from their first quarter highs. Corporate credit rebounded sharply with the Bloomberg Barclays US Credit and US Corporate High Yield indices returning 8.2% and 10.2%, respectively.

Investment Pool Commentary

The **Long Term Diversified Pool (LTD)** returned 9.5% for the second quarter but lagged both of its benchmarks. Underperformance was driven by the LTD Pool's strategic allocations to private equity, private debt, and diversifying strategies. Private equity and private debt funds are valued on a quarterly basis and returns for those asset classes are reported on a one-quarter lag. Therefore, the March 31 values for private equity and private debt, which reflect the poor first quarter financial market environment, were utilized to calculate the LTD Pool's second quarter returns while the benchmark returns reflect the strong public market rebound seen during the second quarter. The relative immaturity of the Pool's current private equity portfolio and the "J-curve" pattern of private equity returns have further dampened relative performance. The LTD Pool trailed its benchmarks for the 5- and 10-year primary evaluation periods.

During the quarter, the **Long Term Aggressive Growth Pool (LTAG)** returned 17.1%, outperforming its benchmark. Relative to its benchmark, the LTAG Pool benefited from strong performance from WAMCO, the Pool's fixed income manager. In a reversal from the prior quarter, the LTAG Pool outperformed the other pools given its significant focus on public equity markets.

The **Socially Responsible Pool (SRI)** returned 15.9% during the quarter, well ahead of its benchmark. The SRI Pool benefited from strong performance from Boston Common and Calvert, the Pool's international equity manager and fixed income managers, respectively.

The **Intermediate Pool (INT)** returned 11.3% for the quarter, slightly outperforming its benchmark driven by strong performance from WAMCO, the Pool's active fixed income manager.

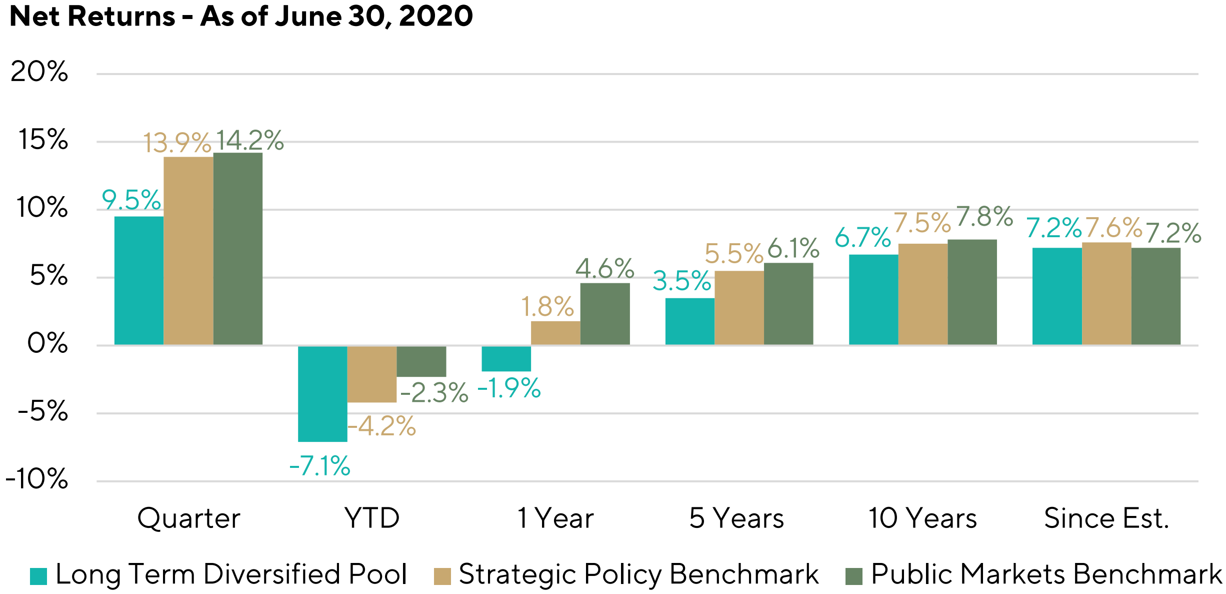
The **Short Term Pool (ST)** returned 0.1% for the quarter, in line with the return of the 90-Day US Treasury Bill. As of June 30, 2020, the ST Pool's annualized yield was 0.15%.

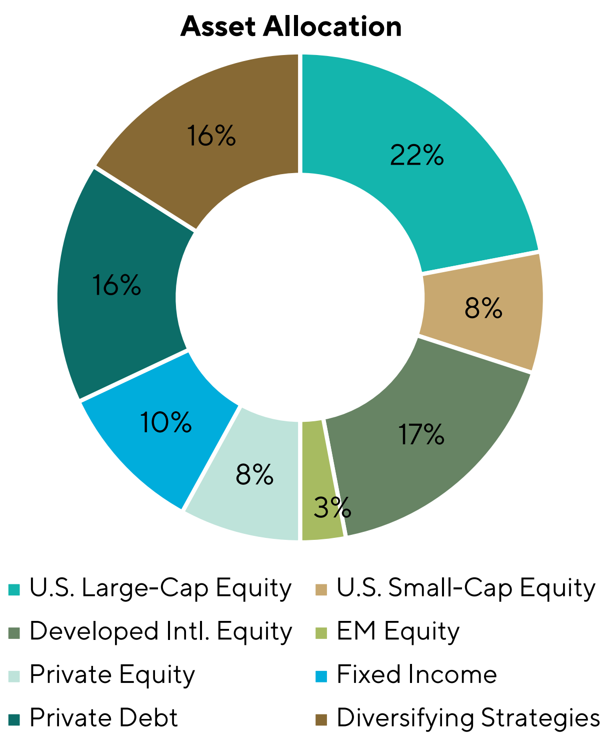
For questions or additional information, please contact your relationship manager or click here to visit our website.

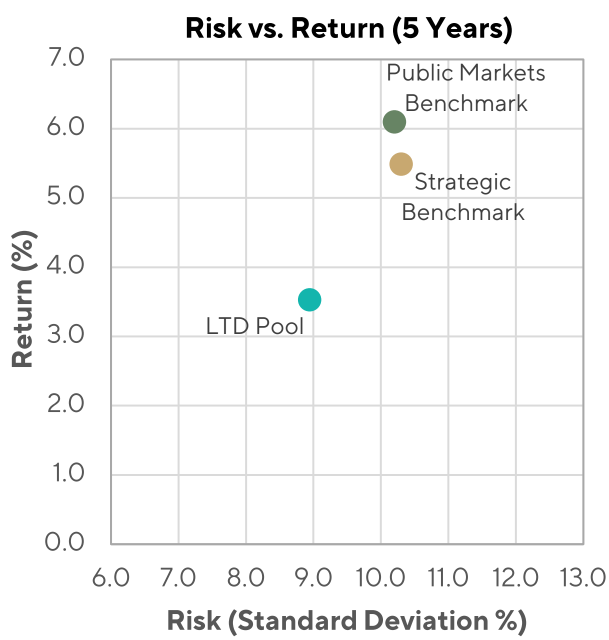
Per industry standard, investment pool returns are reported net of underlying investment manager fees. Returns do not incorporate other pool expenses including custody, consulting, and legal fees, or ACF's investment oversight fee. Actual returns for individual funds may vary from the pool(s) in which they are invested due to the timing of contributions and grants/distributions.

Long Term Diversified Pool

Established December 1990







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.

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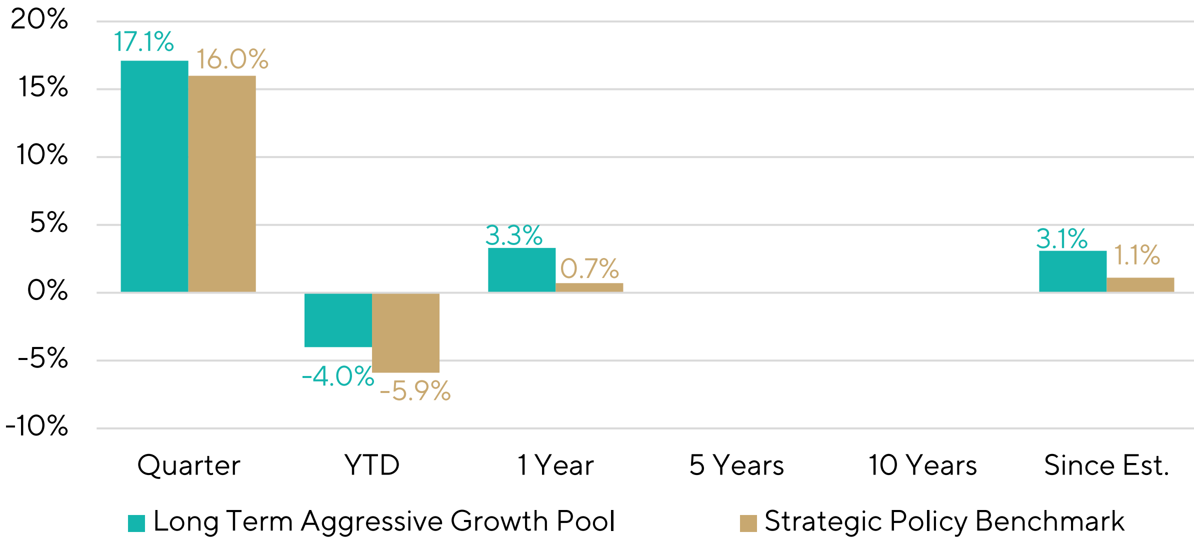
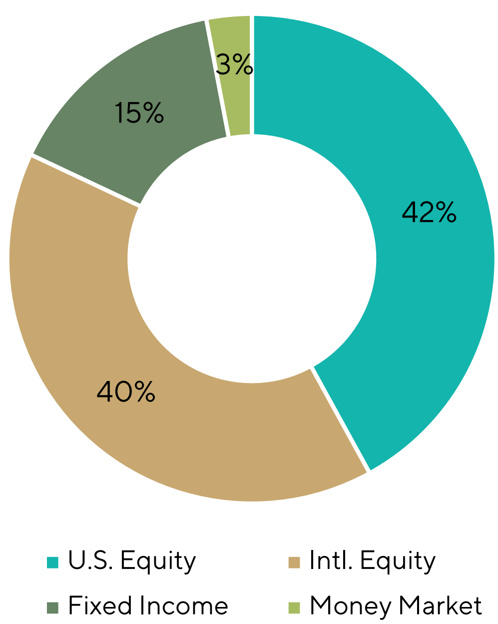
Long Term Aggressive Growth Pool

Established April 2019

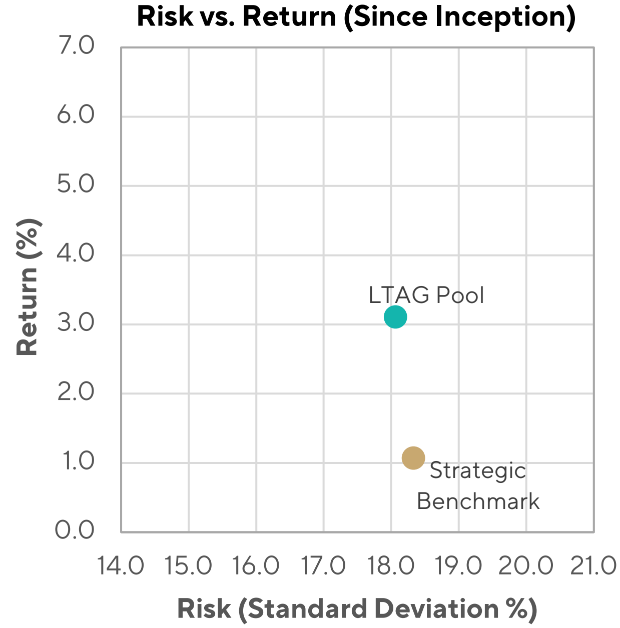
Net Returns - As of June 30, 2020



Asset Allocation



Risk vs. Return (Since Inception)



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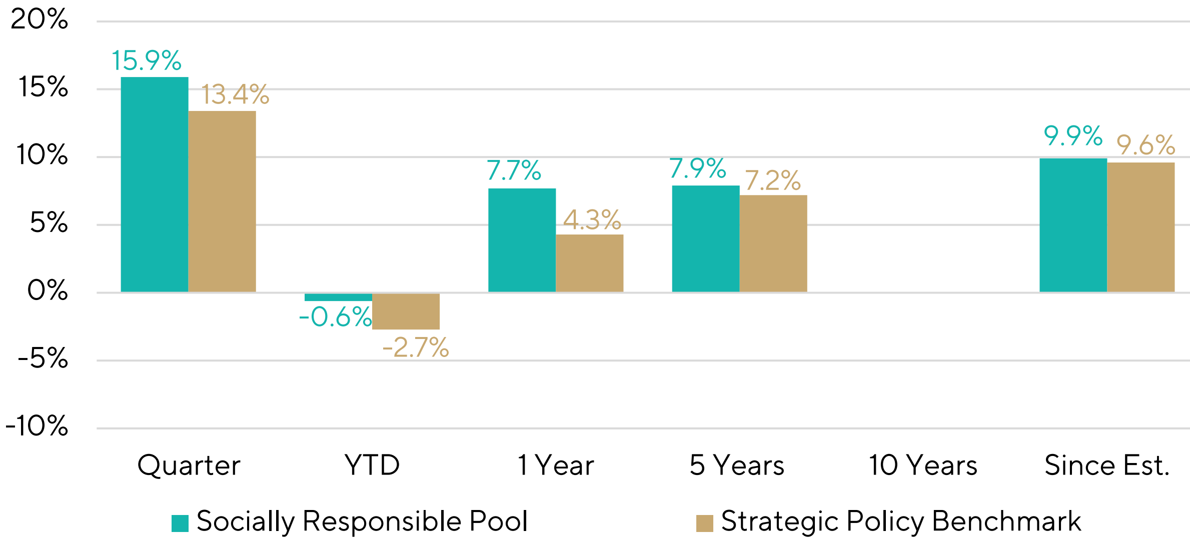
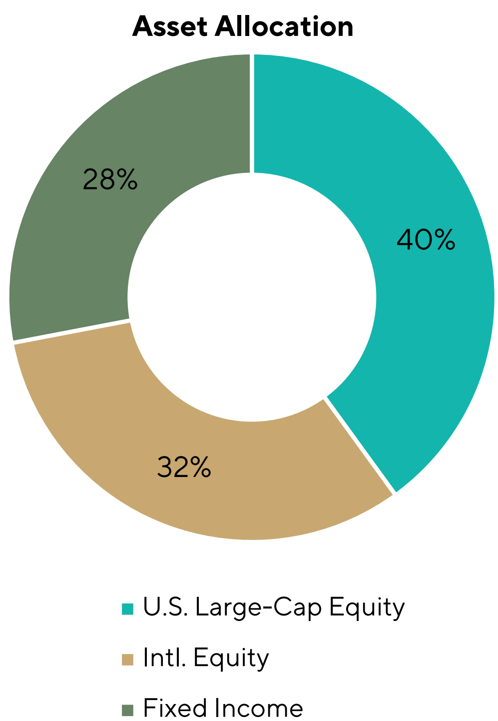
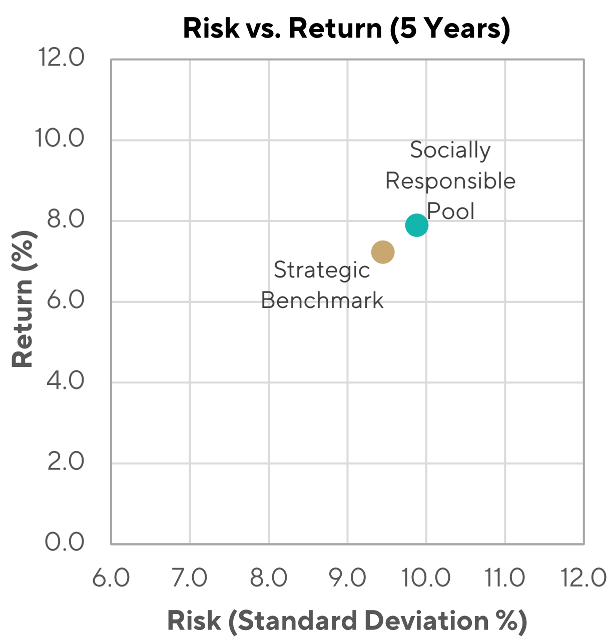
Socially Responsible Pool

Established September 2011

Net Returns - As of June 30, 2020







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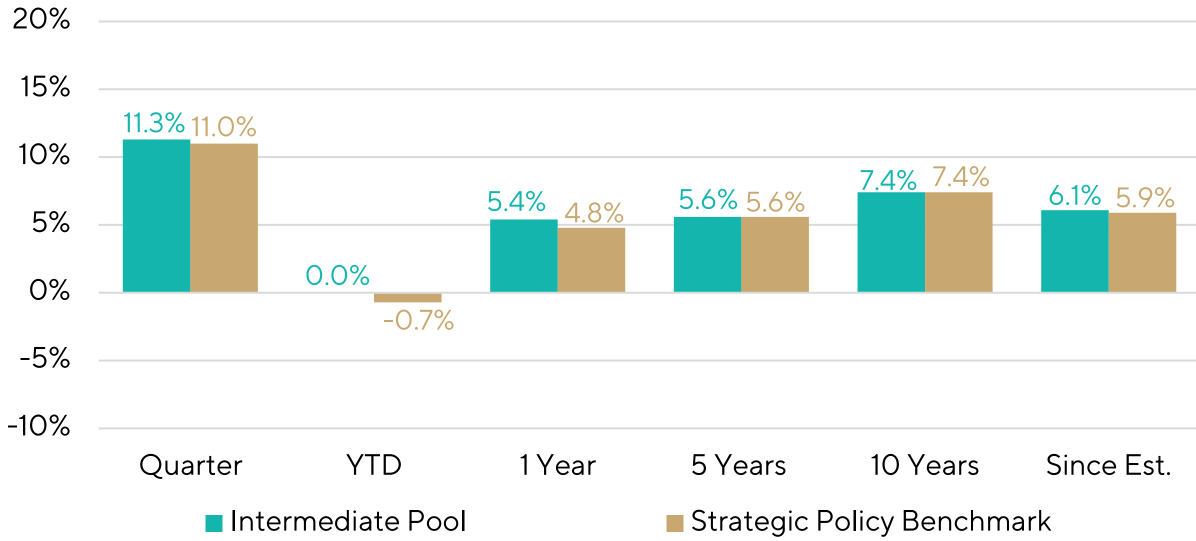
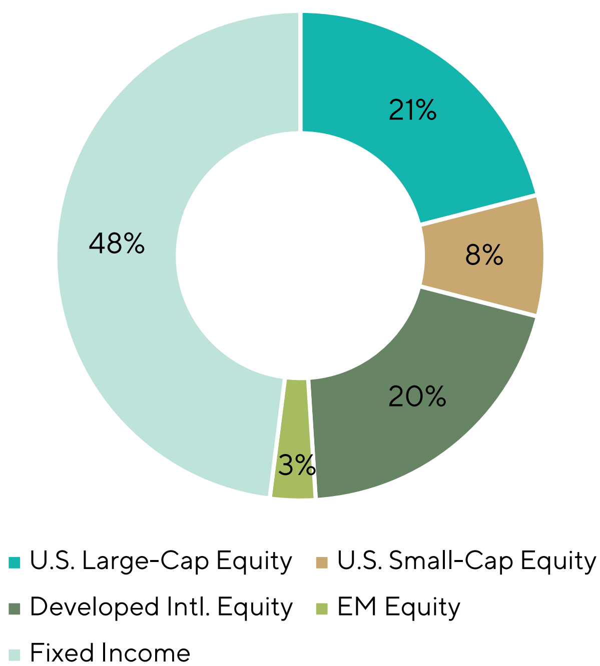
Intermediate Pool

Established December 2005

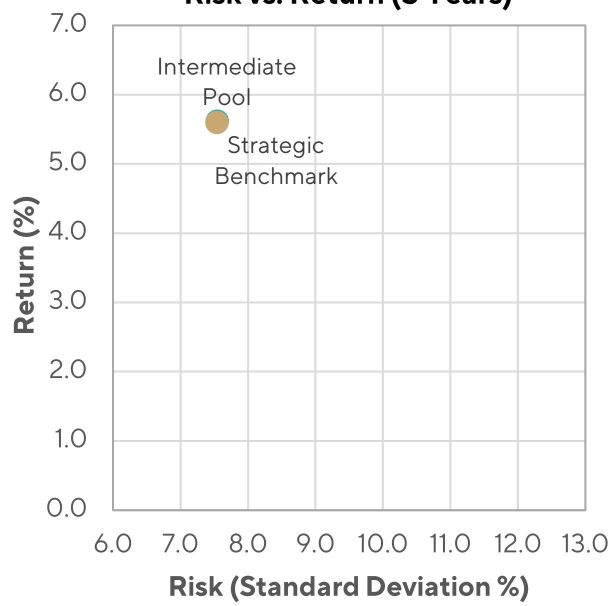
Net Returns - As of June 30, 2020



Asset Allocation



Risk vs. Return (5 Years)



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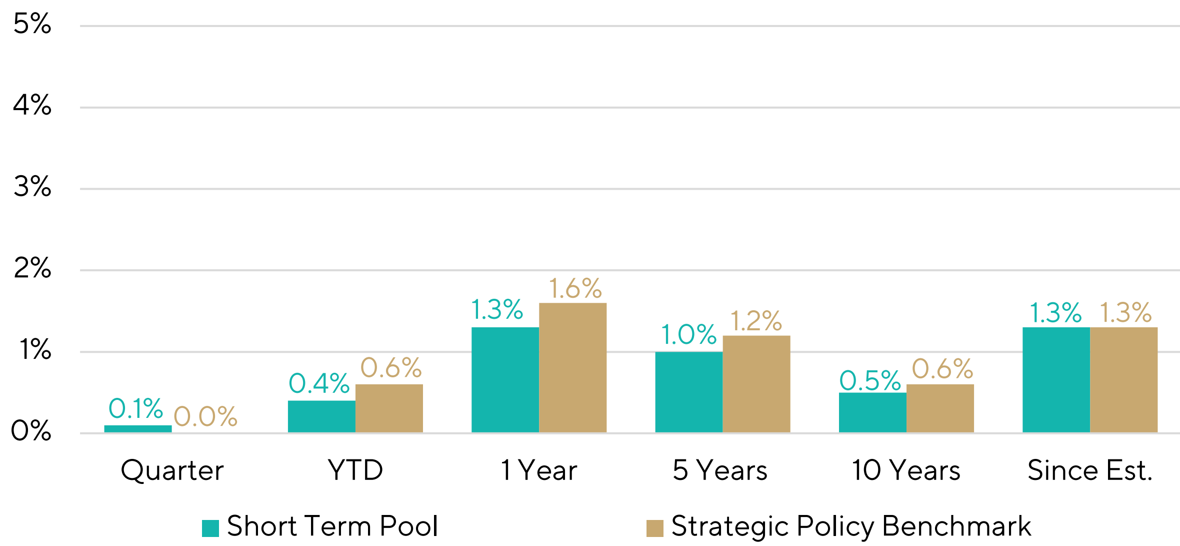
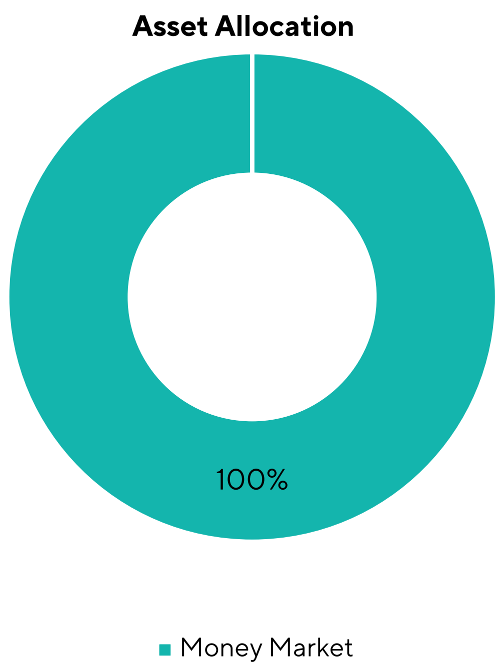
Short Term Pool

Established May 2003

Net Returns - As of June 30, 2020





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