Quarterly Investment Report: July-September 2019

Financial Markets Review
Global equity markets were flat during the third quarter as easier monetary policy generally offset trade and growth concerns. The Fed cut interest rates by 0.50% combined in July and September, citing concerns over the global growth slowdown and below-target inflation. Manufacturing is in a mild recession across the globe. Service sector indicators are beginning to show some signs of weakness but remain relatively stable. The global economy is expected to stabilize toward long-term trend, although the risk of a global recession appears to be rising.

US equities continued to outperform as the S&P 500 returned +1.7% during the quarter while international developed market (MSCI EAFE) and emerging market equities (MSCI EM) declined -1.1% and -4.2%, respectively. A strong dollar, coupled with slowing global growth and trade concerns, has hurt returns for US investors in foreign markets.

Fixed income markets, as represented by the Bloomberg Barclays US Aggregate Index, returned +2.3% and is now up +10.3% over the past year. Interest rates declined in August as renewed trade tensions and weaker growth drove investors to price in further monetary easing. Credit spreads also narrowed modestly during the quarter.

Investment Pool Commentary
The Long Term Diversified Pool (LTD) returned +0.8% for the quarter ended September 30, 2019, and +10.0% year-to-date. The LTD Pool’s strategic allocations to private investments and diversifying strategies have dampened year-to-date performance relative to its benchmarks. Given its diversified structure, the LTD Pool will typically underperform its benchmarks when equity markets rise rapidly as we have seen in 2019. Over ACF’s long-term primary evaluation periods, the LTD Pool’s returns are in line with its benchmarks.

Since its establishment in April 2019, the Long Term Aggressive Growth Pool (LTAG) returned +0.5%, slightly ahead of its benchmark. The LTAG Pool has benefited from strong performance from its fixed income manager, Western Asset Management.

The Socially Responsible Pool (SRI) returned +0.8% during the quarter and +13.6% year-to-date. The SRI Pool trailed its benchmark year-to-date driven by underperformance from the Pool’s international equity manager, Boston Common.

The Intermediate Pool (INT) returned +0.8% for the quarter and +11.8% year-to-date. The INT Pool slightly lagged its benchmark year-to-date driven by underperformance from US small-cap and emerging markets equity manager, DFA.

The Short Term Pool (STP) returned +0.5% during the quarter and +1.7% year-to-date, in line with prevailing short term rates. As of September 30, 2019, the STP’s annualized yield was 1.93%.
Asset Allocation and Performance

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 BC 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 funds may vary from the pool(s) in which they are invested due to the timing of contributions and grants/distributions.
Long Term Aggressive Growth Pool *(Established April 2019)*

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Socially Responsible Pool (Established September 2011)

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**Intermediate Pool (Established December 2005)**

- U.S. Large-Cap Equity: 52%
- U.S. Small-Cap Equity: 3%
- Developed Intl. Equity: 18%
- EM Equity: 7%
- Fixed Income: 20%

**Performance Breakdown**

<table>
<thead>
<tr>
<th>Period</th>
<th>Intermediate Pool</th>
<th>Strategic Policy Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quarter</td>
<td>0.8% 0.9%</td>
<td></td>
</tr>
<tr>
<td>YTD</td>
<td>11.8% 12.3%</td>
<td>12% 12%</td>
</tr>
<tr>
<td>1 Year</td>
<td>4.5% 5.2%</td>
<td>5.6% 5.5%</td>
</tr>
<tr>
<td>5 Years</td>
<td>5.6% 5.5%</td>
<td>7.1% 7.1%</td>
</tr>
<tr>
<td>10 Years</td>
<td>7.1% 7.1%</td>
<td></td>
</tr>
<tr>
<td>Since Est.</td>
<td>6.1% 5.9%</td>
<td></td>
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</tbody>
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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.

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Short Term Pool *(Established May 2003)*

- 100% Money Market

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

For questions or additional information, please contact your relationship manager or [click here to visit our website](#).

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