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DiMEO SCHNEIDER  
& ASSOCIATES, L.L.C.

# Austin Community Foundation Investment Update Webinar Year-End 2020 & 2021 Outlook

February 2021

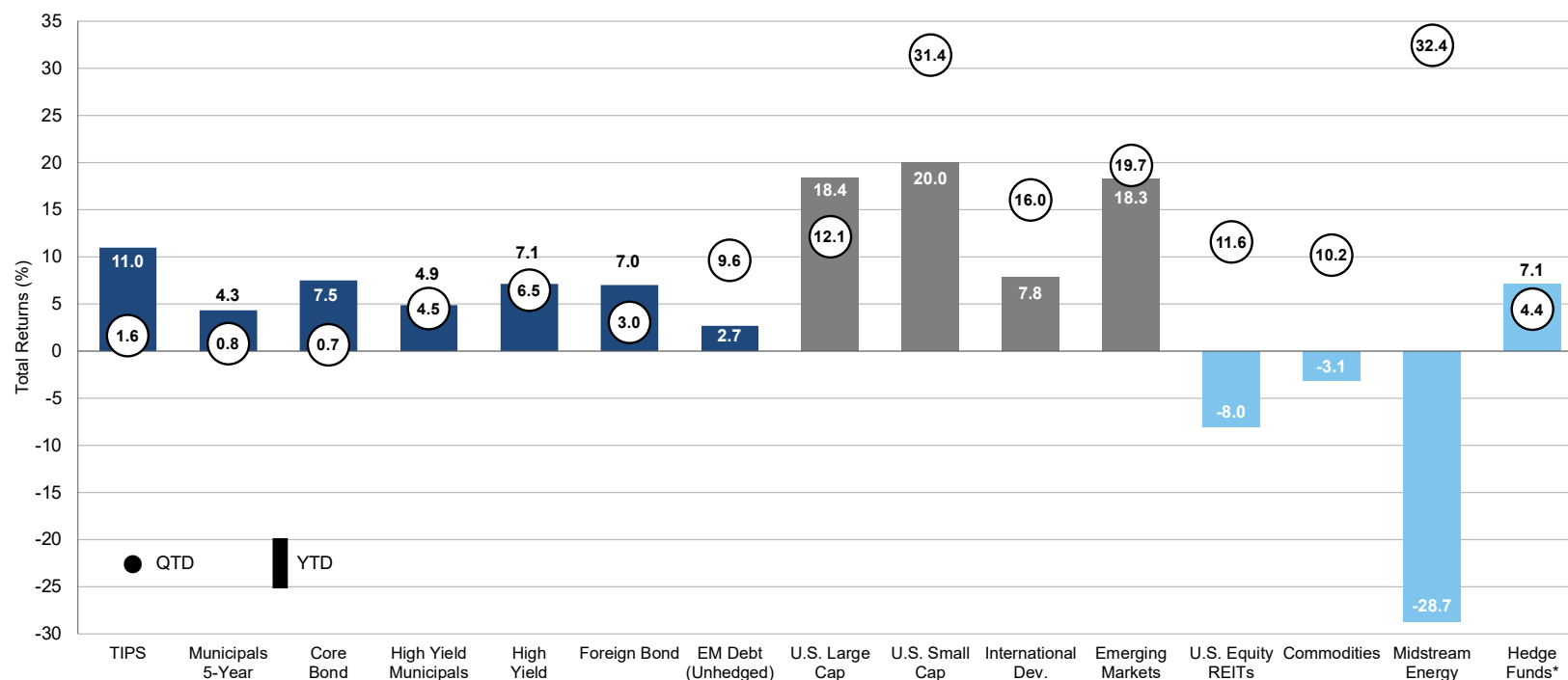


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500 West Madison Street, Suite 1700 | Chicago, IL 60661 | 312.853.1000



# THE RIP VAN WINKLE YEAR...



\*Hedge fund returns are lagged 1 month. Sources: Bloomberg, J.P. Morgan, Russell, MSCI, FTSE Russell, Alerian. Hedge Funds returns as of 11/30/20. All other returns as of 12/31/20.

## Fixed Income (4Q 2020)

- Rising intermediate and long-dated Treasury rates
- + Continued demand for bonds with higher yields benefitted spread sectors
- + Emerging markets benefitted from a weaker U.S. dollar

## Equities (4Q 2020)

- + Wide-scale vaccination efforts spurred optimism for synchronized global growth
- + Economically-sensitive stocks hardest hit by COVID-19 mitigation efforts led the rally, broadening market breadth
- + Dollar weakness helped international markets

## Real Assets / Alternatives (4Q 2020)

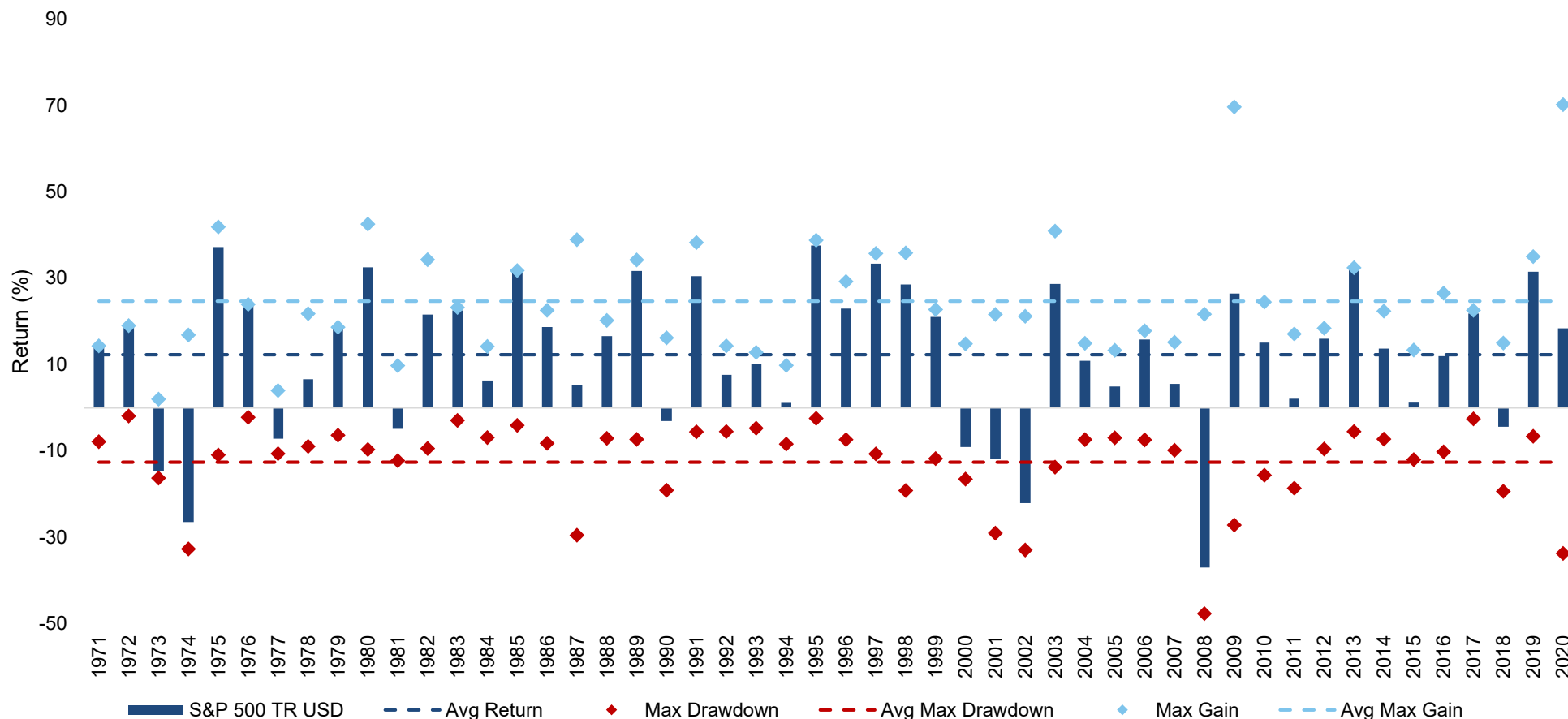
- + Rebound in retail, residential and healthcare REITs
- + Optimism for increased business activity in 2021 supported oil prices, which benefitted midstream energy

See disclosures for list of indices representing each asset class. Past performance does not indicate future performance and there is a possibility of a loss.



# ONE IN A HUNDRED, TWICE IN 10 YEARS...

## Annual Return and Max Drawdown/Gain of the S&P 500 Total Return Index (1971-2020)



- The S&P 500 has had an average calendar year total return of 12.3% and a median calendar year return of 15.4%
- The average max drawdown in a given calendar year was -12.6%, the average max gain was 24.7%
- The S&P 500 had a positive total return in 80% of the calendar years (39 of 49)

Past performance does not indicate future performance and there is a possibility of a loss.

Source: Morningstar Direct, FactSet. Data is from 1/1/1971 to 12/31/2020



# THE CASE FOR DIVERSIFICATION

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	10Yr (Ann)
Midstream Energy 35.6	Midstream Energy 13.9	Emerging Markets 18.2	U.S. Small Cap 38.8	U.S. Equity REITs 30.1	U.S. Equity REITs 3.2	U.S. Small Cap 21.3	Emerging Markets 37.3	High Yield Munis 4.8	U.S. Large Cap 31.5	U.S. Small Cap 20.0	U.S. Large Cap 13.9
U.S. Equity REITs 28.0	TIPS 13.6	High Yield Munis 18.1	U.S. Large Cap 32.4	High Yield Munis 13.8	Municipals 5-Year 2.4	Midstream Energy 18.3	International Dev. 25.0	Municipals 5-Year 1.7	U.S. Equity REITs 26.0	U.S. Large Cap 18.4	U.S. Small Cap 11.2
U.S. Small Cap 26.9	High Yield Munis 9.3	U.S. Equity REITs 18.1	Midstream Energy 27.6	U.S. Large Cap 13.7	High Yield Munis 1.8	High Yield 17.1	U.S. Large Cap 21.8	Foreign Bond 0.5	U.S. Small Cap 25.5	Emerging Markets 18.3	U.S. Equity REITs 8.3
Emerging Markets 18.9	U.S. Equity REITs 8.3	International Dev. 17.3	International Dev. 22.8	Core Bond 6.0	U.S. Large Cap 1.4	U.S. Large Cap 12.0	EM Debt (unhedged) 15.2	Core Bond 0.0	International Dev. 22.5	TIPS 11.0	High Yield Munis 6.9
Commodities 16.8	Core Bond 7.8	EM Debt (unhedged) 16.9	Balanced 12.2	Balanced 5.1	Core Bond 0.6	Commodities 11.7	U.S. Small Cap 14.6	TIPS -1.3	Emerging Markets 18.4	Balanced 8.8	High Yield 6.8
EM Debt (unhedged) 15.7	Municipals 5-Year 6.9	U.S. Small Cap 16.3	Hedge Funds 9.0	U.S. Small Cap 4.9	Hedge Funds -0.3	Emerging Markets 11.2	Balanced 13.6	High Yield -2.1	Balanced 17.5	International Dev. 7.8	Balanced 6.2
High Yield 15.1	High Yield 5.0	U.S. Large Cap 16.0	High Yield 7.4	Midstream Energy 4.8	International Dev. -0.8	EM Debt (unhedged) 9.9	High Yield Munis 9.7	Hedge Funds -4.0	High Yield 14.3	Core Bond 7.5	International Dev. 5.5
U.S. Large Cap 15.1	Foreign Bond 4.2	High Yield 15.8	U.S. Equity REITs 2.5	TIPS 3.6	TIPS -1.4	U.S. Equity REITs 8.5	Hedge Funds 7.8	U.S. Large Cap -4.4	EM Debt (unhedged) 13.5	Hedge Funds 7.1	TIPS 3.8
Balanced 13.0	U.S. Large Cap 2.1	Balanced 11.5	Municipals 5-Year 0.8	Hedge Funds 3.4	Foreign Bond -2.3	Balanced 7.6	High Yield 7.5	U.S. Equity REITs -4.6	High Yield Munis 10.7	High Yield 7.1	Core Bond 3.8
High Yield Munis 7.8	Balanced 0.9	TIPS 7.0	Foreign Bond -1.0	Municipals 5-Year 3.2	Balanced -3.3	TIPS 4.7	Foreign Bond 6.5	Balanced -5.8	Core Bond 8.7	Foreign Bond 7.0	Emerging Markets 3.6
International Dev. 7.8	EM Debt (unhedged) -1.8	Foreign Bond 5.3	Core Bond -2.0	Foreign Bond 2.9	U.S. Small Cap -4.4	Foreign Bond 3.2	U.S. Equity REITs 5.2	EM Debt (unhedged) -6.2	TIPS 8.4	High Yield Munis 4.9	Foreign Bond 3.2
Core Bond 6.5	U.S. Small Cap -4.2	Midstream Energy 4.8	Emerging Markets -2.6	High Yield 2.5	High Yield -4.5	High Yield Munis 3.0	Core Bond 3.5	U.S. Small Cap -11.0	Hedge Funds 7.8	Municipals 5-Year 4.3	Hedge Funds 3.0
TIPS 6.3	Hedge Funds -5.7	Hedge Funds 4.8	High Yield Munis -5.5	Emerging Markets -2.2	Emerging Markets -14.9	Core Bond 2.6	Municipals 5-Year 3.1	Commodities -11.2	Commodities 7.7	EM Debt (unhedged) 2.7	Municipals 5-Year 3.0
Hedge Funds 5.7	Commodities -13.3	Core Bond 4.2	TIPS -8.6	International Dev. -4.9	EM Debt (unhedged) -14.9	International Dev. 1.0	TIPS 3.0	Midstream Energy -12.4	Midstream Energy 6.6	Commodities -3.1	EM Debt (unhedged) 1.5
Foreign Bond 4.1	International Dev. -12.1	Municipals 5-Year 3.0	EM Debt (unhedged) -9.0	EM Debt (unhedged) -5.7	Commodities -24.7	Hedge Funds 0.5	Commodities 1.7	International Dev. -13.8	Foreign Bond 6.3	U.S. Equity REITs -8.0	Midstream Energy -2.3
Municipals 5-Year 3.4	Emerging Markets -18.4	Commodities -1.1	Commodities -9.5	Commodities -17.0	Midstream Energy -32.6	Municipals 5-Year -0.4	Midstream Energy -6.5	Emerging Markets -14.6	Municipals 5-Year 5.4	Midstream Energy -28.7	Commodities -6.5

Source: Bloomberg as of 12/31/20. See disclosures for list of indices representing each asset class. Past performance does not indicate future performance and there is a possibility of a loss.

## Austin Community Foundation: Performance Review – Long-Term Active

Performance Ending 12/31/20 (Net of Fees)	Q4 2020	Calendar 2020	Last 3 Years	Last 5 Years	Last 10 Years
Long-Term Active Investment Pool	13.09%	11.79%	7.58%	9.10%	6.34%
Long-Term Active Investment Pool Custom Benchmark	12.70%	10.68%	7.30%	9.15%	5.68%

*Please reference the disclosures at the end of this presentation for additional information related to the material presented.*



# Austin Community Foundation: Portfolio Snapshot

## Long-Term Active

<i>Asset Classes</i>	<i>Total Current Allocation</i>	<i>Strategic Target Allocation</i>	<i>Over/Under Weight Strategic Target</i>
Cash	0.4%	2.0%	-1.6%
TIPS	0.0%	0.0%	0.0%
Broad Domestic Bonds	12.6%	13.0%	-0.4%
Opportunistic Domestic Bonds (TALF)*	0.0%	1.0%	-1.0%
Foreign Bonds	0.0%	0.0%	0.0%
Emerging Market Bonds	1.8%	2.0%	-0.2%
High Yield Bonds	1.9%	1.0%	0.9%
<i>Global Fixed Income &amp; Cash Total</i>	<i>16.7%</i>	<i>19.0%</i>	<i>-2.3%</i>
Large-Cap U.S. Equity	22.5%	20.0%	2.5%
Mid-Cap U.S. Equity	5.3%	5.0%	0.3%
Small-Cap U.S. Equity	2.8%	3.0%	-0.2%
International Equity	17.7%	17.0%	0.7%
Emerging Markets Equity	11.2%	10.0%	1.2%
US REITs	3.8%	4.0%	-0.2%
<i>Global Equities (Public) Total</i>	<i>63.4%</i>	<i>59.0%</i>	<i>4.4%</i>
Midstream Energy	3.3%	6.0%	-2.7%
<i>Real Assets Total</i>	<i>3.3%</i>	<i>6.0%</i>	<i>-2.7%</i>
Direct Hedge Funds	9.9%	10.0%	-0.1%
Private Debt**	0.0%	1.0%	-1.0%
Private Equity FOF***	6.7%	5.0%	1.7%
<i>Alternatives Total</i>	<i>16.6%</i>	<i>16.0%</i>	<i>0.6%</i>
<b>Total Assets</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>

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## Austin Community Foundation: Performance Review – Long-Term Passive

Performance Ending 12/31/20 (Net of Fees)	Q4 2020	Calendar 2020	Last 3 Years	Last 5 Years	Since Inception (2/1/17)
Long-Term Passive Investment Pool	12.59%	12.32%	7.71%	N/A	10.16%
Long-Term Passive Investment Pool Custom Benchmark	13.30%	13.44%	8.60%	N/A	10.95%

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# Austin Community Foundation: Portfolio Snapshot

## Long-Term Passive

<i>Asset Classes</i>	<i>Total Current Allocation</i>	<i>Strategic Target Allocation</i>	<i>Over/Under Weight Strategic Target</i>
<b>Cash</b>	<b>2.4%</b>	<b>2.0%</b>	<b>0.4%</b>
<b>TIPS</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Broad Domestic Bonds</b>	<b>15.8%</b>	<b>16.0%</b>	<b>-0.2%</b>
<b>Foreign Bonds</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Emerging Market Bonds</b>	<b>1.0%</b>	<b>1.0%</b>	<b>0.0%</b>
<b>High Yield Bonds</b>	<b>1.0%</b>	<b>1.0%</b>	<b>0.0%</b>
<b><i>Global Fixed Income &amp; Cash Total</i></b>	<b><i>20.1%</i></b>	<b><i>20.0%</i></b>	<b><i>0.1%</i></b>
<b>Large-Cap U.S. Equity</b>	<b>28.0%</b>	<b>28.0%</b>	<b>0.0%</b>
<b>Mid-Cap U.S. Equity</b>	<b>7.9%</b>	<b>8.0%</b>	<b>-0.1%</b>
<b>Small-Cap U.S. Equity</b>	<b>4.0%</b>	<b>4.0%</b>	<b>0.0%</b>
<b>Developed International Equity</b>	<b>21.0%</b>	<b>21.0%</b>	<b>0.0%</b>
<b>Emerging Market Equity</b>	<b>14.1%</b>	<b>14.0%</b>	<b>0.1%</b>
<b>US REITs</b>	<b>4.9%</b>	<b>5.0%</b>	<b>-0.1%</b>
<b><i>Global Equities Total</i></b>	<b><i>79.9%</i></b>	<b><i>80.0%</i></b>	<b><i>-0.1%</i></b>
<b>Total Assets</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>

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## Austin Community Foundation: Performance Review – Mid-Term Active

Performance Ending 12/31/20 (Net of Fees)	Q4 2020	Calendar 2020	Last 3 Years	Last 5 Years	Since Inception (9/1/18)
Mid-Term Active Investment Pool	11.38%	13.21%	N/A	N/A	9.87%
Mid-Term Active Investment Pool Custom Benchmark	10.23%	12.21%	N/A	N/A	9.69%

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# Austin Community Foundation: Portfolio Snapshot

## Mid-Term Active

<i>Asset Classes</i>	<i>Total Current Allocation</i>	<i>Strategic Target Allocation</i>	<i>Over/ Under Weight Strategic Target</i>
Cash	1.6%	2.0%	-0.4%
TIPS	3.0%	3.0%	0.0%
Broad Domestic Bonds	29.2%	31.0%	-1.8%
Foreign Bonds	0.0%	0.0%	0.0%
Emerging Market Bonds	1.1%	1.0%	0.1%
High Yield Bonds	3.2%	3.0%	0.2%
<i>Global Fixed Income &amp; Cash Total</i>	<i>38.0%</i>	<i>40.0%</i>	<i>-2.0%</i>
Large-Cap U.S. Equity	18.7%	21.0%	-2.3%
Mid-Cap U.S. Equity	7.1%	6.0%	1.1%
Small-Cap U.S. Equity	3.8%	3.0%	0.8%
Developed International Equity	16.2%	16.0%	0.2%
Emerging Market Equity	11.8%	10.0%	1.8%
US REITs	4.4%	4.0%	0.4%
<i>Global Equities Total</i>	<i>62.0%</i>	<i>60.0%</i>	<i>2.0%</i>
<b>Total Assets</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>

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## Austin Community Foundation: Performance Review – Mid-Term Passive

Performance Ending 12/31/20 (Net of Fees)	Q4 2020	Calendar 2020	Last 3 Years	Last 5 Years	Since Inception (1/1/17)
Mid-Term Passive Investment Pool	10.15%	11.26%	7.37%	N/A	9.02%
Mid-Term Passive Investment Pool Custom Benchmark	10.23%	12.21%	8.01%	N/A	9.61%

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# Austin Community Foundation: Portfolio Snapshot

## Mid-Term Passive

<i>Asset Classes</i>	<i>Total Current Allocation</i>	<i>Strategic Target Allocation</i>	<i>Over/Under Weight Strategic Target</i>
Cash	3.0%	2.0%	1.0%
TIPS	2.8%	3.0%	-0.2%
Broad Domestic Bonds	28.4%	31.0%	-2.6%
Foreign Bonds	0.0%	0.0%	0.0%
Emerging Market Bonds	0.9%	1.0%	-0.1%
High Yield Bonds	2.8%	3.0%	-0.2%
<i>Global Fixed Income &amp; Cash Total</i>	<i>38.0%</i>	<i>40.0%</i>	<i>-2.0%</i>
Large-Cap U.S. Equity	21.0%	21.0%	0.0%
Mid-Cap U.S. Equity	6.4%	6.0%	0.4%
Small-Cap U.S. Equity	3.4%	3.0%	0.4%
Developed International Equity	16.6%	16.0%	0.6%
Emerging Market Equity	10.6%	10.0%	0.6%
US REITs	4.0%	4.0%	0.0%
<i>Global Equities Total</i>	<i>62.0%</i>	<i>60.0%</i>	<i>2.0%</i>
<b>Total Assets</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>

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# THE OUTLOOK FOR 2021 AND BEYOND

Asset Class	12/1/20 E(R)	4/1/20 E(R)	Since 4/1 Rebalance
Cash*	0.08%	0.05%	0.0%
TIPS	0.8%	0.9%	-0.1%
Muni Bond**	1.0%	2.7%	-1.7%
Muni High Yield**	6.7%	8.3%	-1.6%
US Bond	1.2%	1.6%	-0.4%
Dynamic Bonds***	1.7%		
Global Bonds	0.8%		
For. Dev. Bond	0.4%	0.4%	0.1%
HY Bond	3.4%	5.2%	-1.8%
EM Bond	1.7%	2.8%	-1.0%
Global Equity	6.8%	7.3%	-0.6%
US Equity (AC)	5.5%	5.8%	-0.3%
US Equity (LC)	5.4%	5.6%	-0.3%
US Equity (MC)	5.7%	6.0%	-0.3%
US Equity (SC)	5.8%	6.1%	-0.3%
Int'l Dev. Equity	7.0%	7.7%	-0.7%
EM Equity	8.5%	10.1%	-1.6%
Real Estate	5.3%	5.1%	0.2%
Broad Real Assets****	3.9%		
Midstream Energy	8.1%	13.5%	-5.4%
Commod. Fut.	2.3%	3.3%	-1.0%
HFoF Multi-Strat	5.4%	5.9%	-0.5%
Private Equity	8.5%	8.8%	-0.3%

\*3-month forecast

\*\*Tax equivalent yield based on highest marginal tax rate (37%)

\*\*\*33% Cash, 33% Corp HY, and 34% Global Bonds

\*\*\*\*25% TIPS, 15% Bank Loans, 30% Infrastructure, 15% REITs and 15% Commodities

## Our Investment Themes for 2021-2030

- Cash remains an expensive opportunity cost for investors.
- Given the reductions in forward looking returns for bonds across the globe, generating positive real returns will be challenging moving forward.
- Global stock market valuations rose in 2020 with prices expanding faster than earnings capacity.
- Real Assets remain an important diversifier as the events of 2020 have likely planted some seeds for rising future inflation.
- Midstream return assumptions are down materially as the asset class has appreciated dramatically off the COVID-induced (March) lows. We expect the asset class to remain volatile in 2021.

For additional information on forecast methodologies, please speak with your advisor. Please see Index Proxy Summary slide at the end of this presentation for summary of indexes used to represent each asset class. Past performance does not indicate future performance and there is a possibility of a loss.

# CLOSING THOUGHTS

- **2020 Ended On A High Note For Financial Markets**
  - Patience was rewarded for investors who stayed the course in the first half of 2020
    - ✓ Government intervention provided a backstop, vaccine developments provide optimism moving forward
    - ✓ Investors who thoughtfully rebalance and stick to their strategic plan are rewarded in the long term
  - Market expectations have continued to moderate
    - ✓ With stock valuations stretched, pace of economic recovery will come into focus
    - ✓ Zero interest rate policy (ZIRP) will challenge bond returns moving forward
- **Expect The Unexpected**
  - ✓ The mother of panic is surprise, so don't be surprised by volatility
  - ✓ Investing is a process, not an event – understand your long-term approach thoroughly and don't get distracted by the latest market event – i.e. GameStop, Bitcoin



# DISCLOSURES

All material and information is intended for DiMEO Schneider & Associates, L.L.C. business only. Any use or public dissemination outside firm business is prohibited. Information is obtained from a variety of sources which are believed though not guaranteed to be accurate. Any forecast represents median expectations and actual returns, volatilities and correlations will differ from forecasts. Past performance does not indicate future performance. This presentation does not represent a specific investment recommendation. Please consult with your advisor, attorney and accountant, as appropriate, regarding specific advice.

When referencing asset class returns or statistics, the following indices are used to represent those asset classes. Each index is unmanaged and investors can not actually invest directly into an index: Cash - Citigroup 90 Day T-Bill; TIPS - Barclays US Treasury TIPS; Aggregate Bond - Barclays US Aggregate Bond Index; High Yield - Barclays US Corporate High Yield; Foreign Bond - Barclays Global Aggregate Ex USD; Emerging Debt - JPMorgan GBI-EM Global Diversified Unhedged Index; Large Value - Russell 1000 Value; Large Blend - S&P 500; Large Growth - Russell 1000 Growth; Small Value - Russell 2000 Value; Small Blend - Russell 2000; Small Growth - Russell 2000 Growth; International - MSCI EAFE; Emerging Markets - MSCI EM; REITs - FTSE NAREIT Equity REITs; Commodities - Bloomberg Commodity Index; MLP - Alerian MLP; Hedge Funds - HFRI Fund of Funds Composite Index; Balanced - 5% Barclays US Treasury TIPS, 10% Barclays US Aggregate Bond Index, 4.5% Barclays Global Aggregate Ex USD, 4.5% Barclays Global Aggregate Ex USD (Hedged), 9% Barclays US Corporate High Yield, 2% JPMorgan GBI-EM Global Diversified Unhedged Index, 16% S&P 500, 5% Russell 2000, 12% MSCI EAFE, 7% MSCI EM, 5% FTSE NAREIT Equity REITs, 5% Bloomberg Commodity Index, 5% Alerian MLP, 10% HFRI Fund of Funds Composite Index