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Investment Education Session

Community Foundation of Greater Des Moines
February 6, 2025

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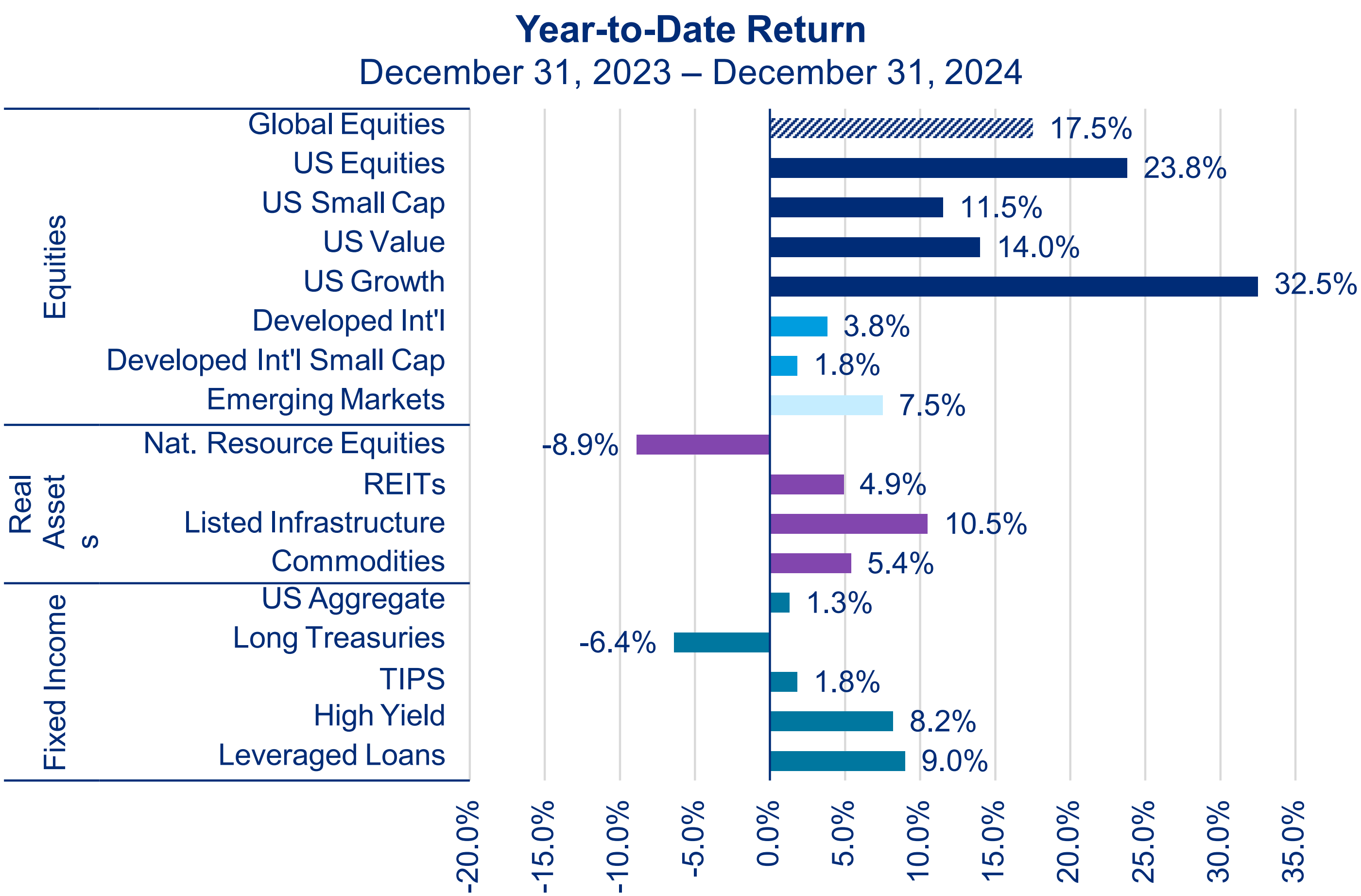
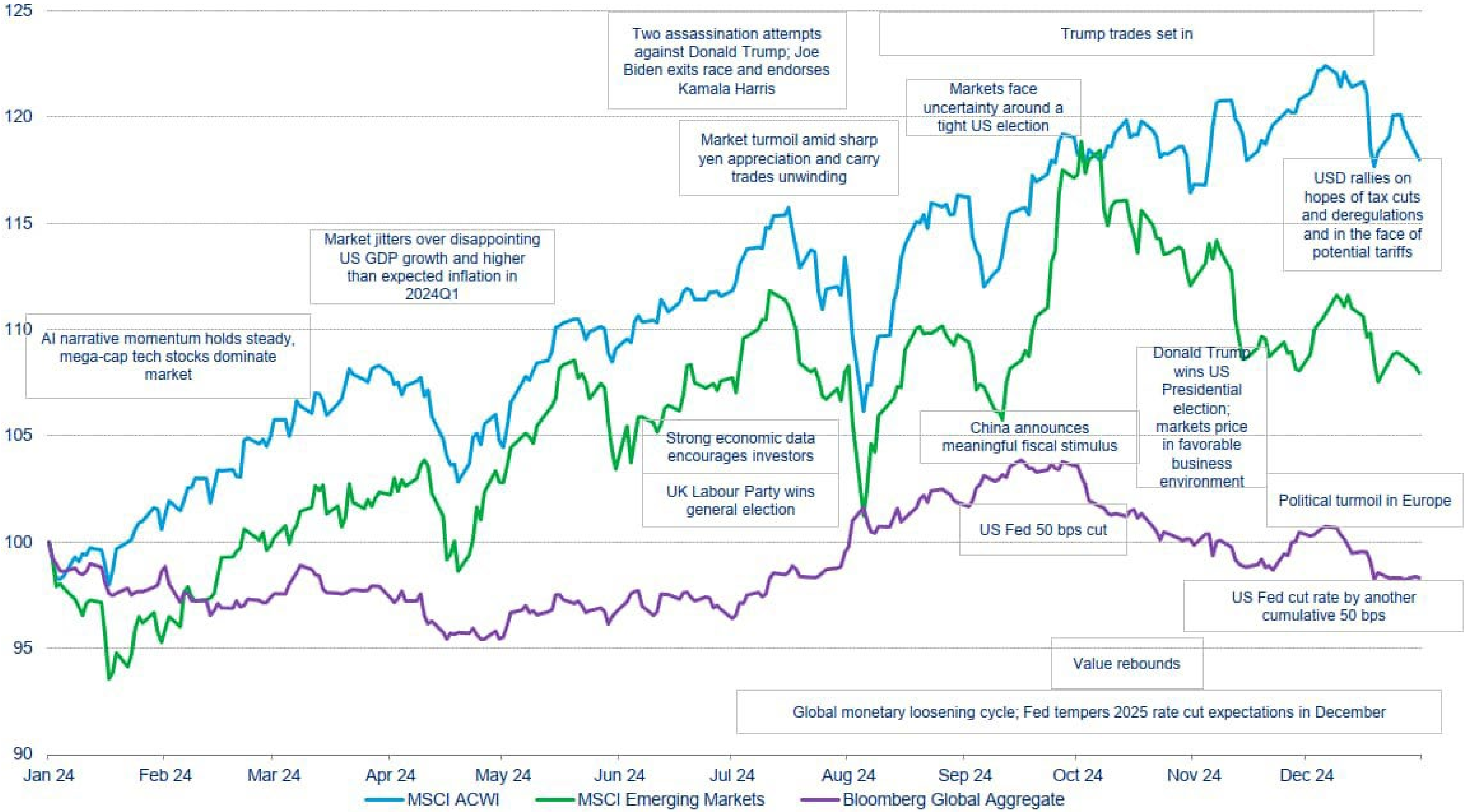
Total returns of major asset classes



Source: Standard & Poor's, Russell, MSCI Barra, NAREIT, Bloomberg. Returns refer to the following index performance, MSCI All Country World Index (Global Equities), MSCI All Country World Small Cap (Global Small Cap), Russell 3000 (US Equities), Russell 2000 (US Small Cap), Russell 3000 Value (US Value), Russell 3000 Growth (US Growth), MSCI EAFE (Developed International), MSCI EAFE Small Cap (Developed Int'l Small Cap), MSCI Emerging Markets (Emerging Markets), MSCI China A Onshore (China A Share), S&P Global Natural Resources (Natural Resource Equities), FTSE EPRA/NAREIT United States (REITs), FTSE Global Core Infrastructure (Listed Infrastructure), Bloomberg US Aggregate (US Aggregate), Bloomberg US Treasury Long (Long Treasuries), Bloomberg High Yield (High Yield), S&P/LSTA Leveraged Loans (Leveraged Loans). Past performance is no guarantee of future results.

2024 in review; Markets & major developments



Source: Refinitiv and Mercer Research; as of 12/31/24

All indices in USD. Total return indices for MSCI ACWI, S&P 500, MSCI EAFE, MSCI Emerging Markets and Bloomberg US Aggregate. Price returns for NASDAQ.

Note: For visual reasons, events might not exactly pinpoint to the day they actually happened.
We do not imply a direct causal relationship between market movements and every single event.

Mercer

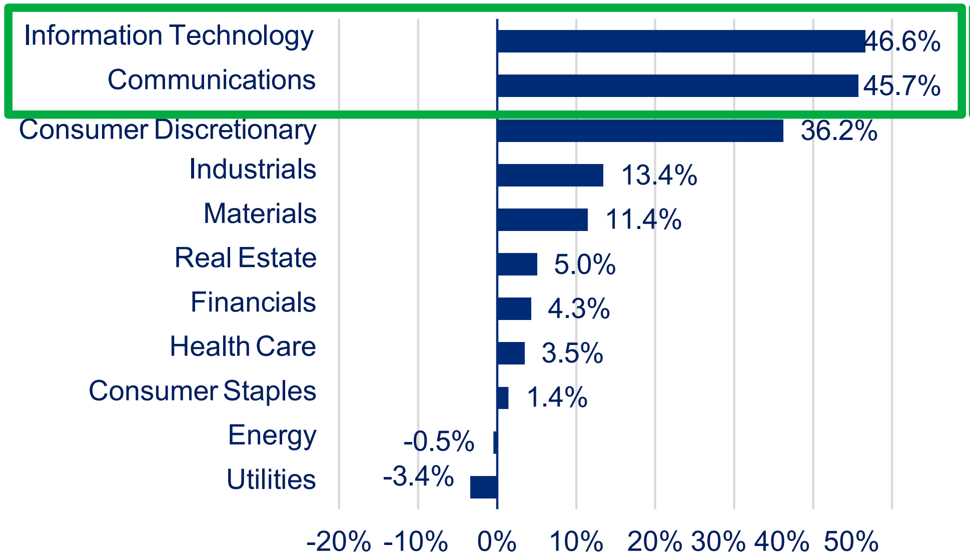
Large Tech Companies Continue to Outperform

US Equity Returns Once Again Dominated by "Magnificent 7" Companies

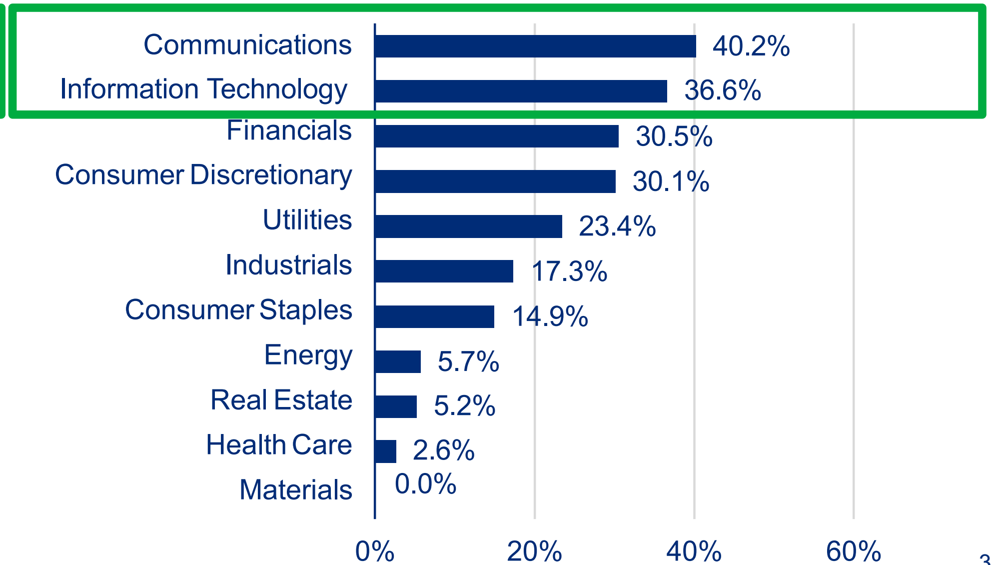
- **Following their extraordinary run in 2023, the S&P 500's "Magnificent 7" continued to lead the market in 2024.**
- **The Foundation's passive US large cap equity exposure was the main driver of portfolio performance, returning 25% in 2024.**

S&P 500 and Magnificent 7 Performance				
Returns	**2021**	**2022**	**2023**	**2024**
S&P 500	27%	-19%	24%	23%
S&P 500 ex-Mag 7	17%	-8%	8%	10%
Magnificent 7	40%	-40%	76%	48%
Share of returns**	33%	56%	63%	55%

US Equity Returns by Sector
December 31, 2022 – December 31, 2023



US Equity Returns by Sector
December 31, 2023 – December 31, 2024

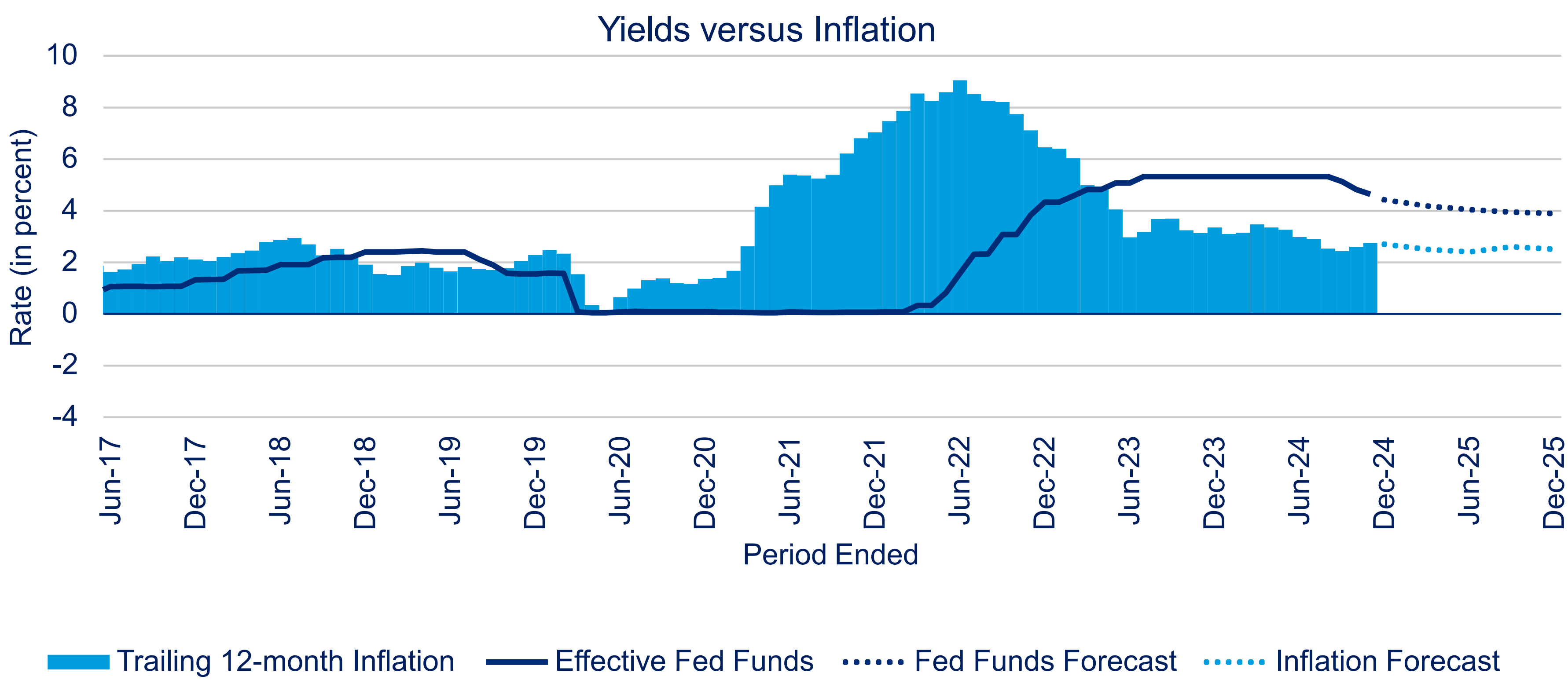


*Magnificent 7 includes: AAPL, AMZN, GOOG, GOOGL, META, MSFT, NVDA and TSLA.
**Share of returns represent how much each group contributed to the overall return.

Fed Began Normalizing Policy in September

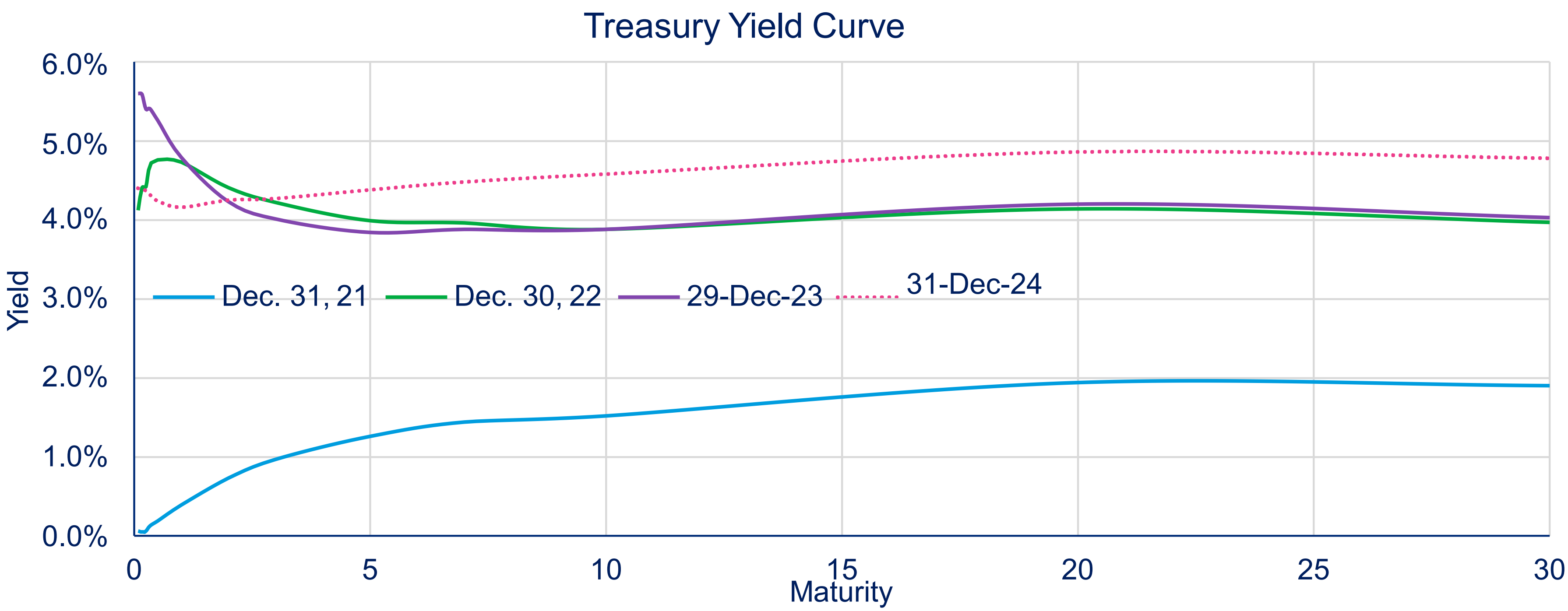
- **The Fed continues to emphasize inflation. Significant progress on lowering inflation has been made over the trailing 18 months, but progress has slowed as of late due to rising uncertainty in future expectations.**

- **The Fed started normalizing policy with a 50-basis point rate cut in September and additional 25-basis point rate cuts in November and December. The Fed will likely remain patient rather than rushing to normalize policy.**



Bonds produce strong yields

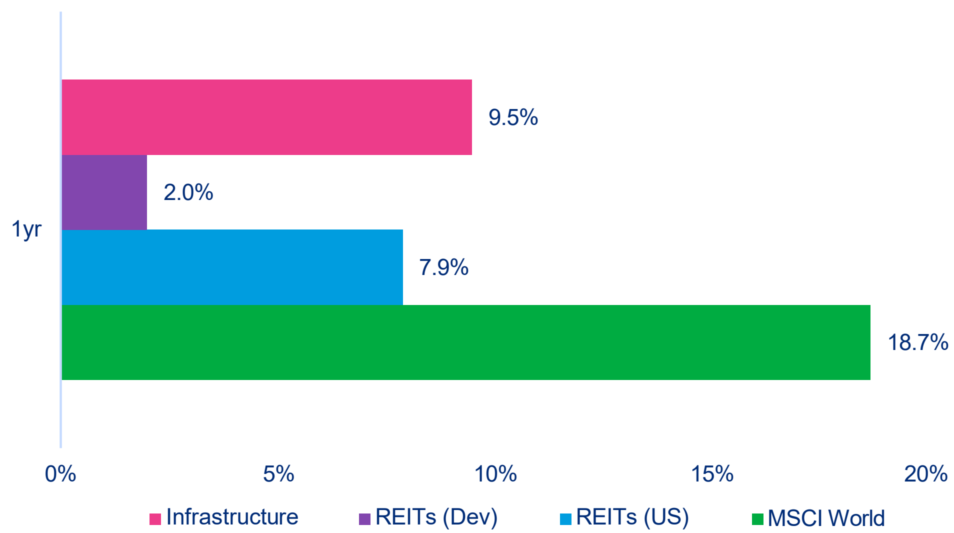
- **Rates continue to remain elevated in 2024.**
- **The yield curve steepened to close the year as the Fed's rate cuts caused short-term rates to fall, however long-term rates rose as inflation expectations remain stickier.**
- **All three of the Foundation's Portfolios have a dedicated and diversified fixed income allocation. The Moderate Growth Portfolio has the highest allocation to fixed income due to its more defensive nature.**



Alternative Investment Performance

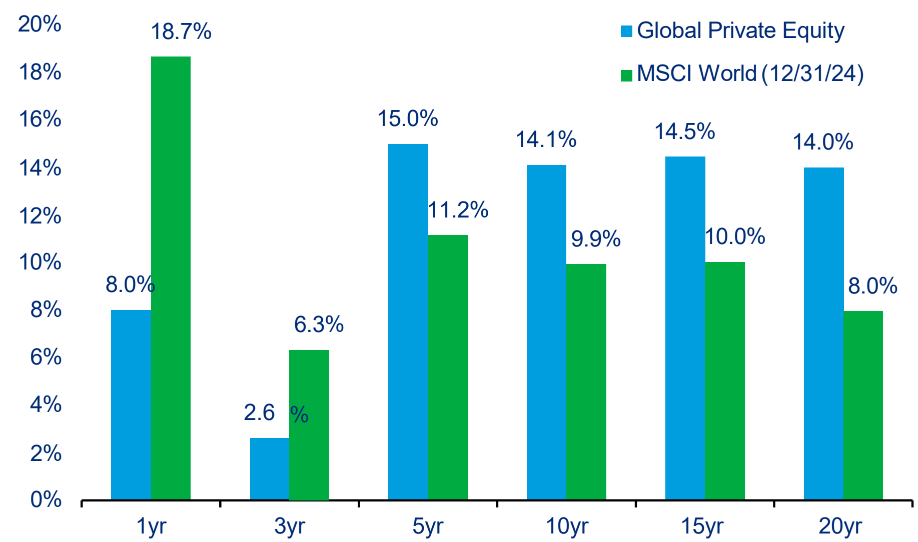
- **Private Equity struggled in 2024 but continues to outperform over the long-term**
- **Long Term Growth Portfolio is the only Foundation Portfolio with a dedicated allocation to private equity (10% target).**
- **The Long Term Growth Portfolio has outperformed the other two Foundation Portfolios over the long term partly due to its private equity allocation.**
- **The dedicated allocations to listed real assets were terminated from the Long-Term Growth and Indexed Growth Portfolios in favor of public equities.**

Real Assets vs. Global Public Equities



Source: Refinitiv; as of 12/31/2024.

Global Private Equity vs. Global Public Equities



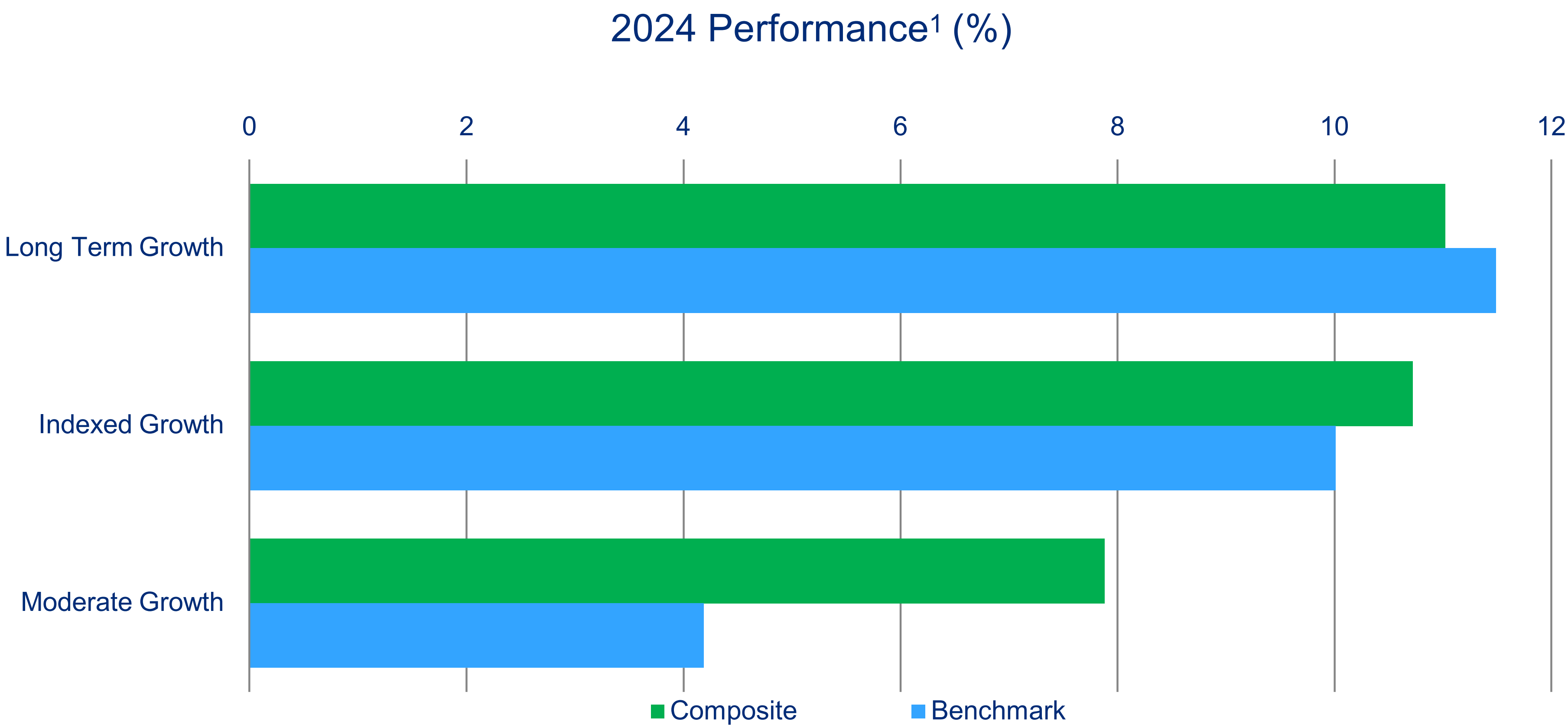
Source: Burgiss, Bloomberg; as of 09/30/24.

Objectives and Asset Allocation

1

Foundation Portfolios
2024 Performance

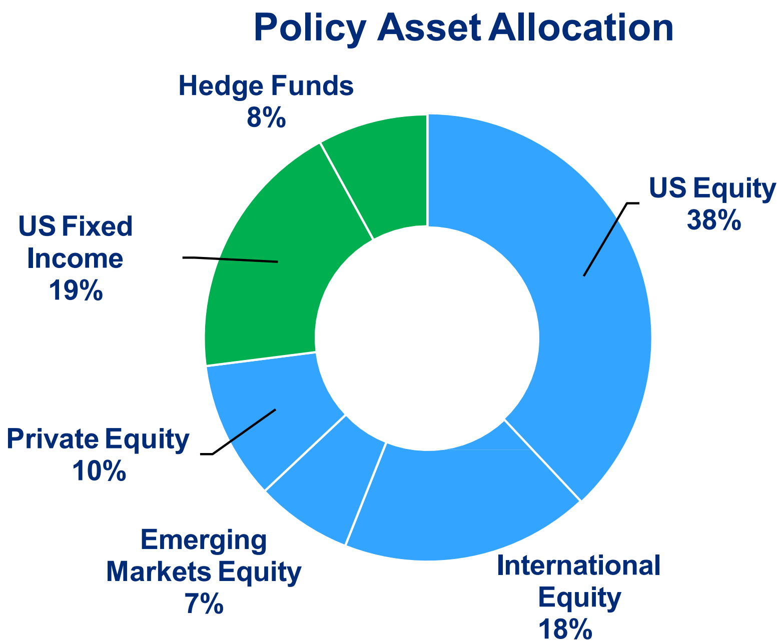
The Foundation Portfolios experienced strong absolute returns in 2024. “Riskier” Portfolios enjoyed solid performance over the last year as public equity markets posted strong gains.

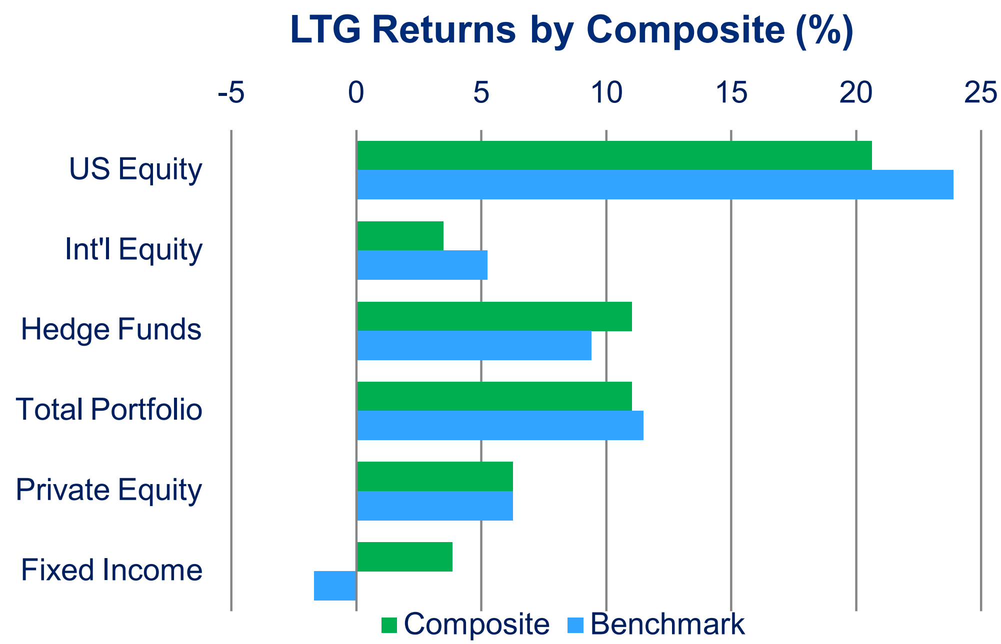


[1]All returns in presentation are net of fees, as of 12/31/2024, and annualized if greater than 1 year unless otherwise noted.

Long-Term Growth Portfolio - $423.7M

79% Growth / 21% Risk Reduction



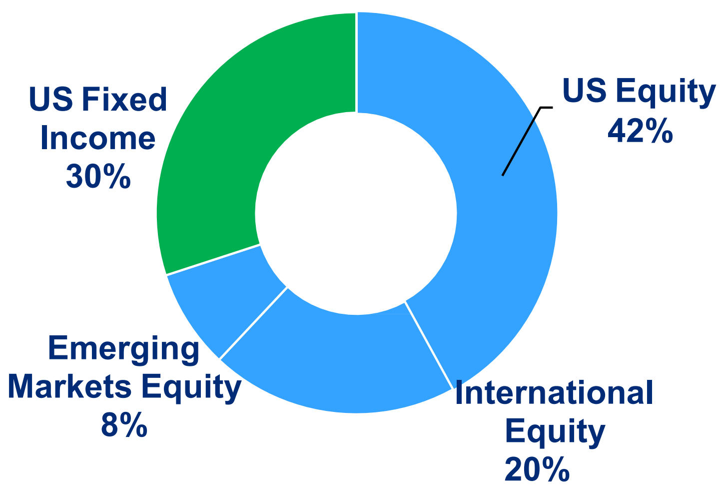


- **Objective:** Seeks maximum growth and controlled risk through a diversified portfolio of global stocks, bonds, and alternative investment strategies. Extended Investment timeline to benefit from long-term opportunities that can be realized from a patient strategy.
- **Estimated annual fee**: 0.82% (weighted, includes managers, custodian and consulting fees)
- **Trailing 1-year performance**: Long Term Growth 11.0% vs Policy 11.5%
- **10-year expected return**: 7.2% annualized
- **Standard deviation (1-year):** 15.1%
- **Lowest Likely return (1-year)**: -24.7%

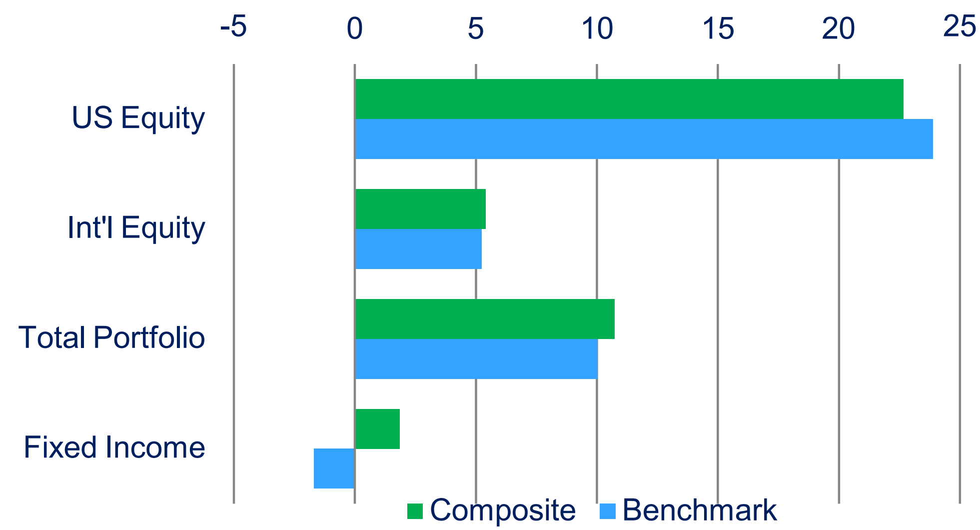
Indexed Growth Portfolio - $106.0M

74% Growth / 26% Risk Reduction

Policy Asset Allocation



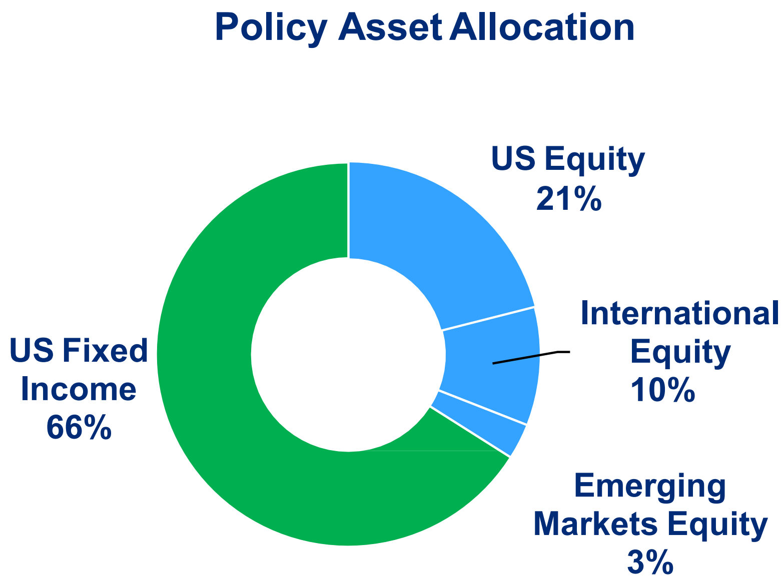
IGP Returns by Composite (%)

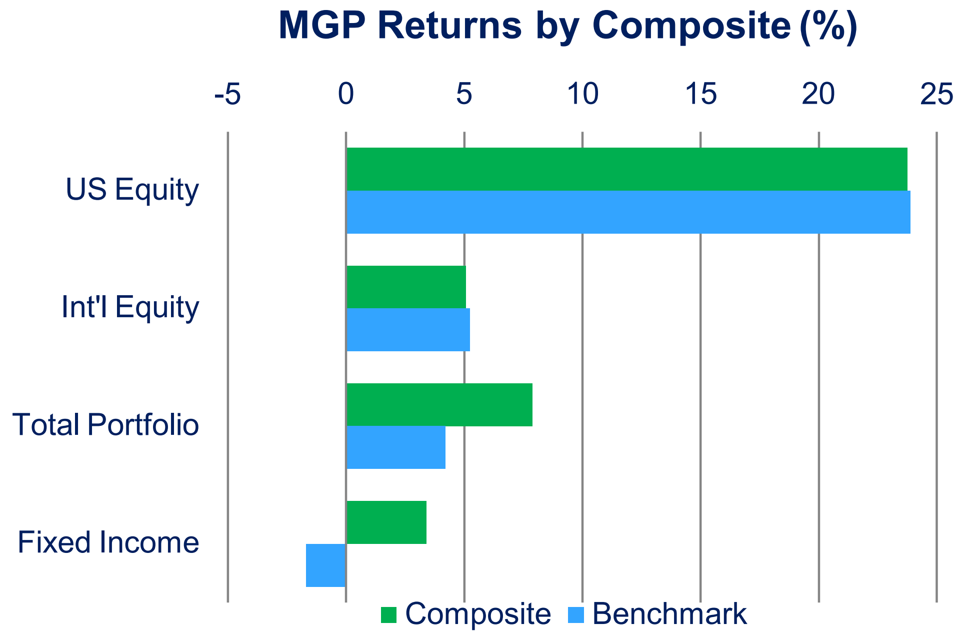


- **Objective:** Seeks maximum growth primarily through index funds and a diversified portfolio of global stocks, bonds, and liquid alternative investments. Extended Investment timeline to benefit from long-term opportunities that can only be realized from a patient investment strategy.
- **Estimated annual fee**: 0.08% (weighted, includes managers, custodian and consulting fees)
- **Trailing 1-year performance**: Indexed Growth 10.7% vs Policy 10.0%
- **10-year expected return**: 6.5% annualized
- **Standard deviation (1-year):** 13.9%
- **Lowest Likely return (1-year)**: -22.8%

Moderate Growth Portfolio - $25.9M

34% Growth / 66% Risk Reduction





- **Objective:** Designed for growth at a more moderate level of volatility. Timeline for assets that will remain invested for at least three years.
- **Estimated annual fee**: 0.23% (weighted, includes managers, custodian and consulting fees)
- **Trailing 1-year performance**: Moderate Growth 7.9% vs Policy 4.2%
- **10-year expected return**: 6.1% annualized
- **Standard deviation (1-year):** 8.1%
- **Lowest Likely return (1-year)**: -9.3%

2025 Investment Committee Focus and Market Outlook

2

Looking Forward in 2025

1. Continue to monitor overall equity exposures given the valuation differentials in the market

2. More Fed rate cuts in 2025?

3. Evaluate opportunities to enhance private markets programs
   - Continue commitments to private equity
   - Explore adding different private markets asset classes to enhance returns and diversification

2025 Global Outlook

Growth

Global economy remain resilient with recession risks low

US to slow but remain resilient.

China stimulus driven recovery. Japan to do well.

Inflation

Disinflation to continue at slower pace. Headline rates fell, core falling slowly.

Labour markets should continue to normalise along with wage growth

Central Banks

Rate cuts should continue and inflation moderates and growth slows. BoJ expected to tighten

EMs are also cutting interest rates however some idiosyncratic cases of hikes.

Risks

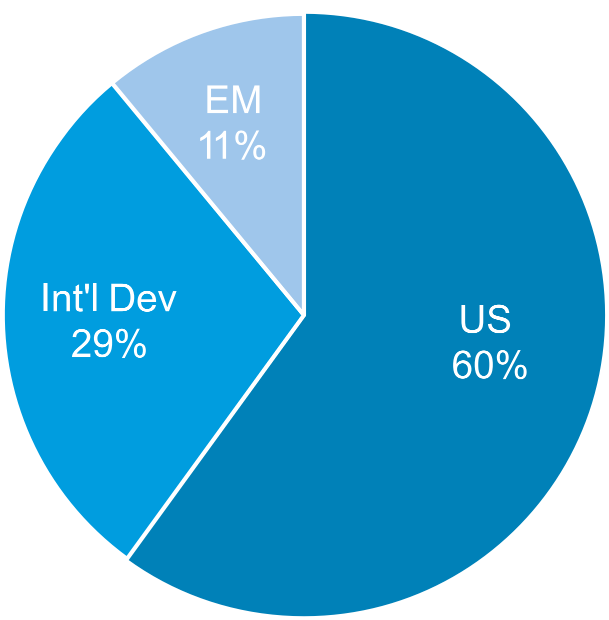
President-elect Trump increases upside and downside risks to growth and inflation

Geopolitics is likely to remain volatile which could lead to sharp moves

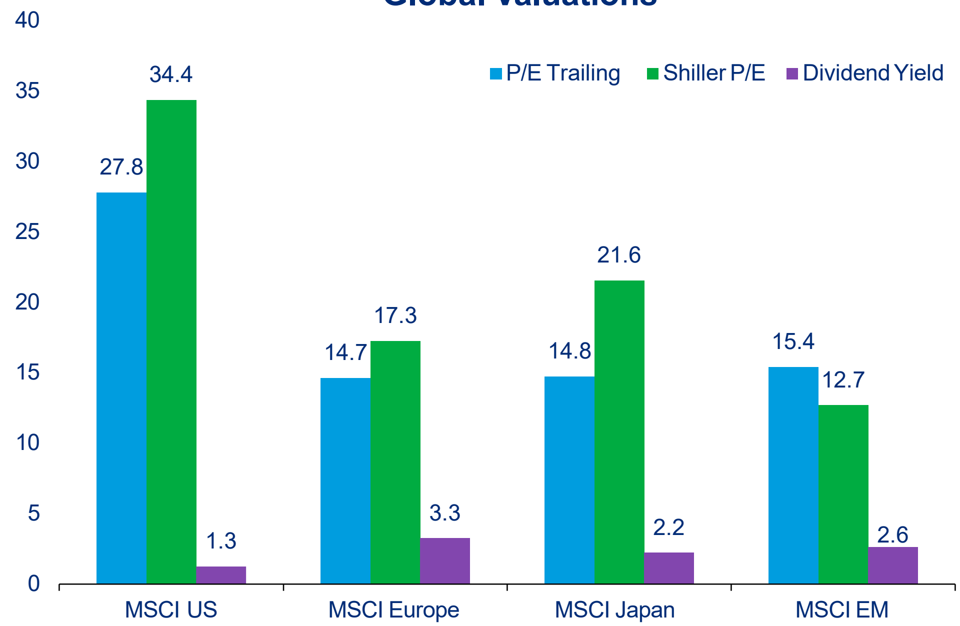
Equity Valuations

- **All three Foundation Portfolios have diversified public equity exposure. Mercer and the Foundation will continue to monitor these exposures given the large differential in valuations and market uncertainty.**

Long-Term Growth Geographic Distribution



Global Valuations

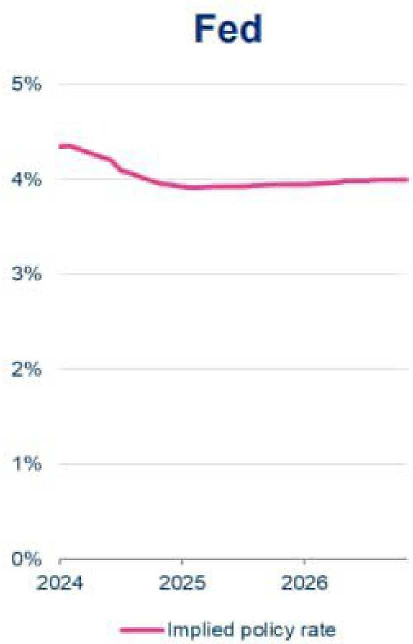


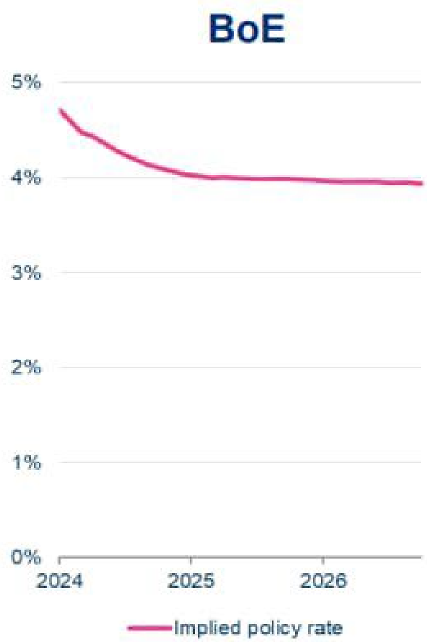
Source: Refinitv, Bloomberg; as of 12/31/24.

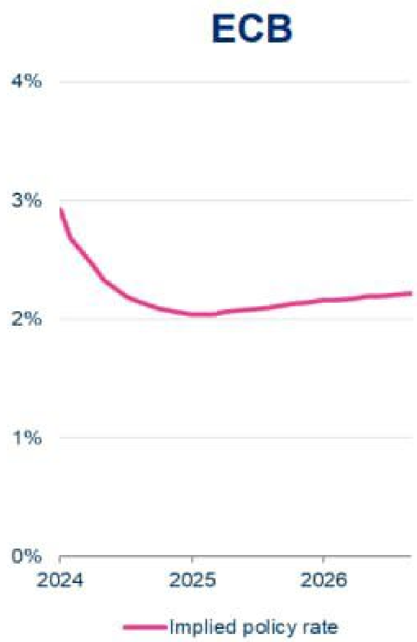
Central Bank Pricing

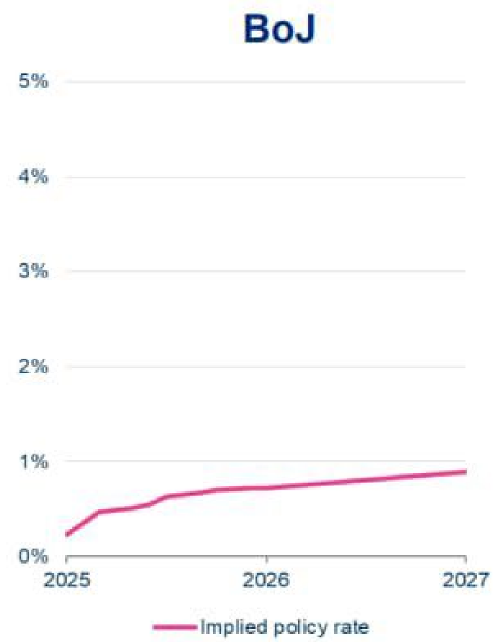
Markets anticipating 42 bps of easing from the Fed in 2025

- Markets are expecting inflation to fall more slowly that previously priced in.
- Additional rate cuts are anticipated in 2025 as the Fed continues to combat sticky inflation.







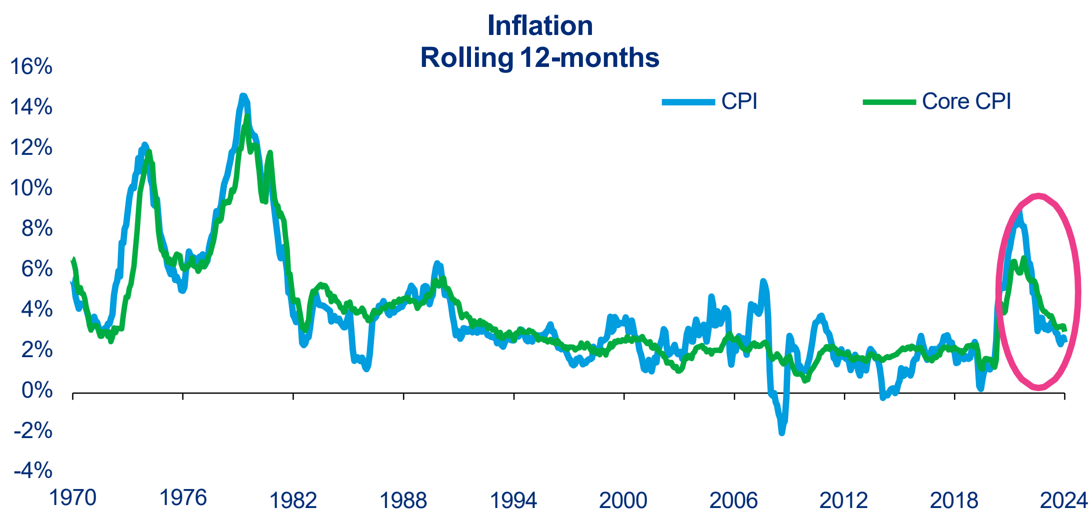


	Fed	BoE	ECB	BoJ
2025	-42 bps	-68 bps	-88 bps	+49 bps
2026	+2 bps	-6 bps	+12 bps	+0 bps
2027	+5 bps	-3 bps	+6 bps	+17 bps

Source: Goldman Sachs, Barclays. Data as of January 27, 2025.

Inflation Is Expected to Continue Downward Trend in 2025

- All three Foundation Portfolios have dedicated allocations to unconstrained fixed income manager PIMCO. The Long-Term Growth and Moderate Growth Portfolios have additional exposure to high yield manager, Bain.
- The unconstrained nature of these managers allow them to move across different sectors and duration as the fixed income market changes throughout the year.
- These managers also exhibit a lower duration compared to the Bloomberg Aggregate Index, which decreases the Portfolios overall interest rate risk. The Moderate Growth Portfolio has an additional dedicated allocation to short-duration fixed income which decreases the interest rate risk even more.



Source: Bloomberg; through to 12/31/24.

Portfolio Durations	
Long-Term Growth	5.16
Indexed Growth	5.74
Moderate Growth	5.11
Bloomberg US Agg	6.08

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What are Private Market Assets?

Appeal for investors' broader portfolios

- The Long-Term Growth Portfolio has a target allocation of 10% to private equity. Private equity provides access to investment opportunities that are not accessible in public markets and provides further diversification.
- The Long-Term Growth Portfolio's target was increased from 7% to 10% in 2024.
- In 2025, the Foundation will continue to build their private equity program by making commitments to new funds.

Greater Alpha Potential

Greater alpha potential through active management with highly rated managers persistently demonstrating significant value-add

Better Diversification of Return

Diversifies risk away from listed public market performance

Access Opportunities

Access to investment opportunities that are not accessible through public markets

Long-term Investment Horizon

Potentially capitalize on the illiquidity premium available to the providers of long-term capital

Appendix

3

Manager research at Mercer

Idea generation to pursue excess returns

Manager and strategy statistics

North America	Growth Markets	Europe	Pacific
109 *Research specialists*	**16** *Research specialists*	**70** *Research specialists*	**13** *Research Specialists*

Strategies covered **36,931**

Managers covered **6,840**

Strategies rated **11,548**

Strategies rated A **3,399**

ESG 1&2 strategies **2,135**

214 research professionals

Private markets	Fixed income	Equity	Diversifying alternatives	Real assets	Sustainable investments
64	23	32	33	32	3

Manager and Strategy Statistics as of December 31, 2023, includes sub-advised strategies.
Please see the Guide to Mercer's Investment Strategy Ratings https://www.mercer.com/content/dam/mercer/attachments/private/nurture-cycle/gl-2020-wealth-guide-to-mercers-investment-strategy-research-ratings-mercer.pdf.
Please see Mercer's Guide to ESG ratings https://www.mercer.com/our-thinking/mercer-esg-ratings.html
Investment Professionals exclude Financial Services and are FTE (not count of employees). Research Specialists exclude 6 central support/admin staff
Mercer cannot guarantee access to opportunities. Access is at the discretion of the investment manager.

Mercer Research Process

Gather data (MercerInsight™)
6,720 Managers
36,635 Strategies
11,595 Strategies are Rated
3,177 Strategies Rated A

Prioritize candidates
Review of MercerInsight™ entry
Previous Mercer research
Market intelligence
Performance and portfolio analysis

Worldwide due diligence
Idea generation
Portfolio construction
Implementation
Business management

Ratings
Ratings Review Committee
Highly rated candidates
(ongoing monitoring)

Candidates

Idea generation
How strong is the manager's ability to generate value-adding investment ideas?

Portfolio construction
How effectively are these investment ideas translated into weightings within portfolios?

Implementation
How much of the value-add is given back in the form of transaction costs and opportunity costs?

Business management
Well-managed investment firms are more likely to maintain and enhance the competitiveness of their investment strategies over time.

A Above average prospects of outperformance
B+ Above average prospects of outperformance but with some reservations
B Average prospects of outperformance
C Below average prospects of outperformance
N Not rated
R Early stage research / Research no longer maintained

*Manager and Strategy Statistics as of 30 June 2023, includes sub advised strategies.

Mercer Overview

Mercer clients join a community of like-minded organizations with access to extensive resources and networking opportunities

Extension of Staff

Dedicated operational support team to **alleviate the burden on staff**

Peer networking

Partner with **leading US community foundations** to complement your efforts

Fundholder assistance and engagement

Helping CFWNC **efficiently fulfill their fiduciary duties** overseeing assets and **increasing fundholder engagement**

Mission aligned support

At the forefront of values-alignment with **specialized capabilities**

Community foundations

$12.4B in AUA/AUM

66 Community foundations

Endowments and foundations

$82B in AUA

115 Advisory clients

95% client retention rate[2]

95% in favorable satisfaction scores[3]

Data provided for US clients as of June 30, 2024, unless noted otherwise.
1 Mercer cannot guarantee access to opportunities. Access is at the discretion of the investment manager.
2 Retention based on client counts from June 30, 2022 - June 30, 2023, excluding annuity purchases.
3 Client satisfaction based on Mercer's 2024 Client Satisfaction Survey. All responses are sourced from the Client Satisfaction Survey obtained on 5/8/2024. Responses provided in the testimonials were given by current clients. It is important to note that these clients did not receive any form of compensation for providing their testimonials. Additionally, Mercer has not identified any material conflicts of interest that would affect the clients' responses. The responses provided may not be representative or typical of all Mercer clients. If you have any further inquiries or require additional information, please do not hesitate to contact us. For a comprehensive list of questions & responses pertaining to this survey results, please reach out to Mercer Client Survey Inquiries.
Please see Important Notices for important information about Assets under Management (AUM) and Assets under Advisory (AUA).

Top considerations for E&F in 2025

Follow link
to access the paper

Broaden asset-class exposure

Many investors that have been equity-oriented have enjoyed years of strong returns, and today, there are two catalysts that point to the need for investors to review the portfolio diversification:

- US public equity market concentration
- Long-term expected returns for US public equity have come down materially

Options to Consider in 2025

- Refresh asset allocation studies to ensure expectations continue to align with organizational objectives.
- Broaden investments with strategies such as hedge funds and sub-investment grade fixed income to ensure diversification of return drivers.
- Assess the applicability of alternative investments within the portfolio.

Evaluate opportunities to enhance private market programs

Private market allocations continue to be a key aspect of E&F portfolios and a major driver of absolute returns moving forward. We see various structural and strategic opportunities for private equity portfolios in 2025 and beyond.

Options to Consider in 2025

- Develop a comprehensive liquidity-management framework to ensure an appropriate level of illiquid assets.
- Recast the net for opportunities in private markets as some high-quality managers that have been closed are re-opening to build new LP relationships.
- Align fund structure with liquidity needs, ensuring an adequate balance between strategies that have different life expectancies.

Optimize your governance budget

Having an effective governance model can be a driver of portfolio returns for E&F investors.

Strong governance can add 115 bps of additional returns over a 10-year period*.

Options to Consider in 2025

- Develop a governance budget to optimize the resources at your disposal and allow the Committee to focus on strategic priorities.
- Evaluate the allocation and division between internal and external resources.
- Maintain a long-term perspective by prioritizing long-term evaluations of performance to avoid reactions to short-term noise.

*Mercer, The Return on Governance, 2023

Address values-alignment objectives in your IPS

E&Fs are increasingly looking for better ways to align their investment portfolios with their mission and beliefs. **The tension between mission alignment and investor return is a critical long-term concern, particularly for organizations that have a stated focus on an equity lens, climate lens or sustainability.**

Options to Consider in 2025

- Understand the intersection of mission alignment vs. returns. Aligning mission and values is possible while maintaining strong financial returns.
- Set the strategic parameters of impact investing. Successful implementation of impact objectives requires thematic goals to be balanced with traditional metrics. Establishing “success” at the onset is important.
- Codify governance leadership. Boards should consider establishing clear investment beliefs and guidelines that reflect the organization’s values.

Supporting Mercer clients through relevant thought leadership

Peer and event resources

- **Regional Investment Summits**
  - Local events designed for E&F allocators to connect
  - Panel discussions on timely and relevant investment trends and topics
- **Global Endowment and Foundation Investment Survey**
  - Survey to understand organizations' concerns, recent investment allocations and plans for the future is the principal aim of this study

Intellectual capital resources

- **Quarterly Market Environment Report** — Broad overview across markets and asset classes
- **Capital Markets Outlook** — Updated quarterly
- **Capital Markets Webcast** — Open to all clients
- **Dynamic Asset Allocation Report** — Intermediate-term valuation-based signals
- **Specialized white papers** on investment and issues facing endowment and foundation entities

Human capital resources

- **Global professionals in each asset class**
- **Capital markets research team**
- **Senior E&F and Values-Aligned team members**

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Funds of private capital funds are not liquid and require investors to commit to funding capital calls over a period of several years; any default on a capital call may result in substantial penalties and/or legal action.

An investor could lose all or a substantial amount of his or her investment.

There may be restrictions on transferring interests in private capital funds. Funds of private capital funds' fees and expenses may offset private capital funds' profits.

Funds of private capital funds are not required to provide periodic pricing or valuation information to investors. Funds of private capital funds may involve complex tax structures and delays in distributing important tax information.

Funds of private capital funds are not subject to the same regulatory requirements as mutual funds.

Fund offering may only be made through a Private Placement Memorandum (PPM).

For the most recent approved ratings of an investment strategy, and a fuller explanation of their meanings, contact your Mercer representative.

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Returns for periods greater than one year are annualized. Returns are calculated net of investment management fees, unless noted as gross of fees.

Style analysis graph time periods may differ reflecting the length of performance history available.

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