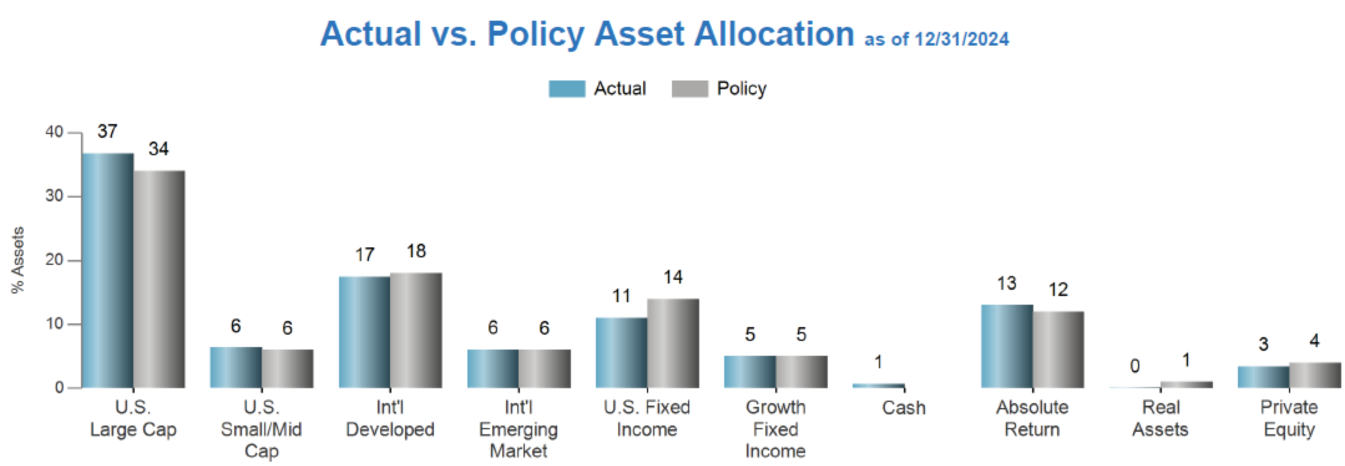
Quarterly update for the fourth quarter of 2024.

## Annualized Performance

| Portfolio | Market Value | 1 Month (%) | YTD (%) | 1 Year (%) | 3 Year (%) | 5 Year (%) | Since Inception (%) | Inception Date |
|---|---|---|---|---|---|---|---|---|
| **Catholic Foundation** | **165,059,898** | **-2.1** | **10.8** | **10.8** | **2.7** | **7.1** | **6.5** | **Apr-13** |
| *Growth* | *133,661,689* | *-2.1* | *11.4* | *11.4* | *3.0* | *7.4* | *7.1* | *Jan-13* |
| *Moderate* | *24,620,918* | *-2.0* | *10.0* | *10.0* | *2.6* | *6.3* | *5.8* | *Apr-13* |
| *Conservative* | *6,767,291* | *-2.3* | *4.6* | *4.6* | - | - | *8.5* | *Sep-22* |
| *Preservation* | *10,000* | - | - | - | - | - | - | *Dec-24* |

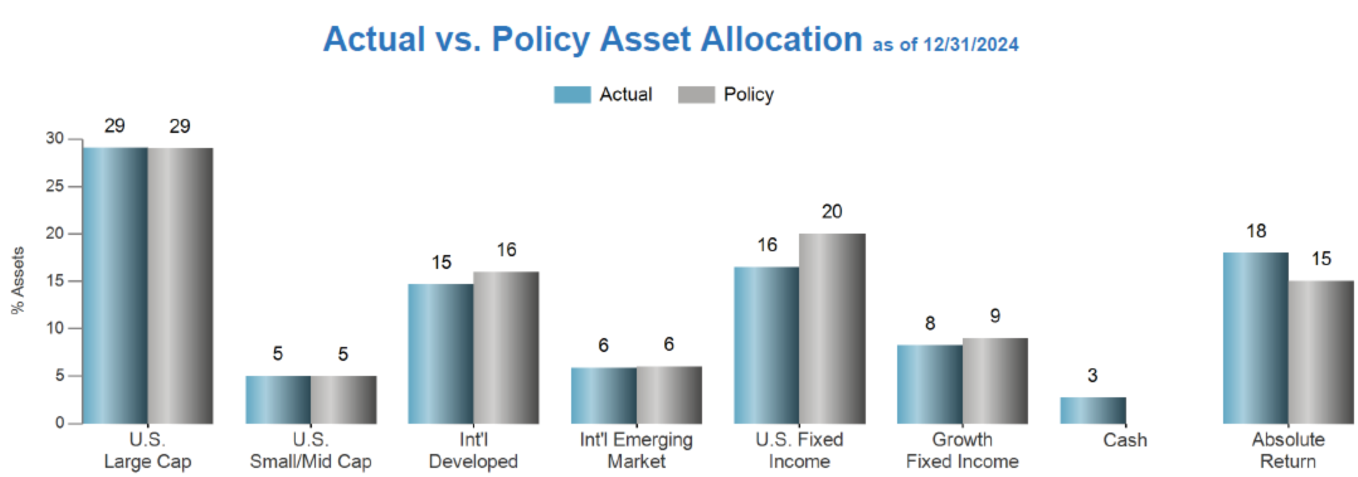
Performance in the table above is net of investment fees.

## Growth Portfolio (Endowments, including endowed Donor-Advised Funds)




*Percentages may not add to 100% due to rounding.*

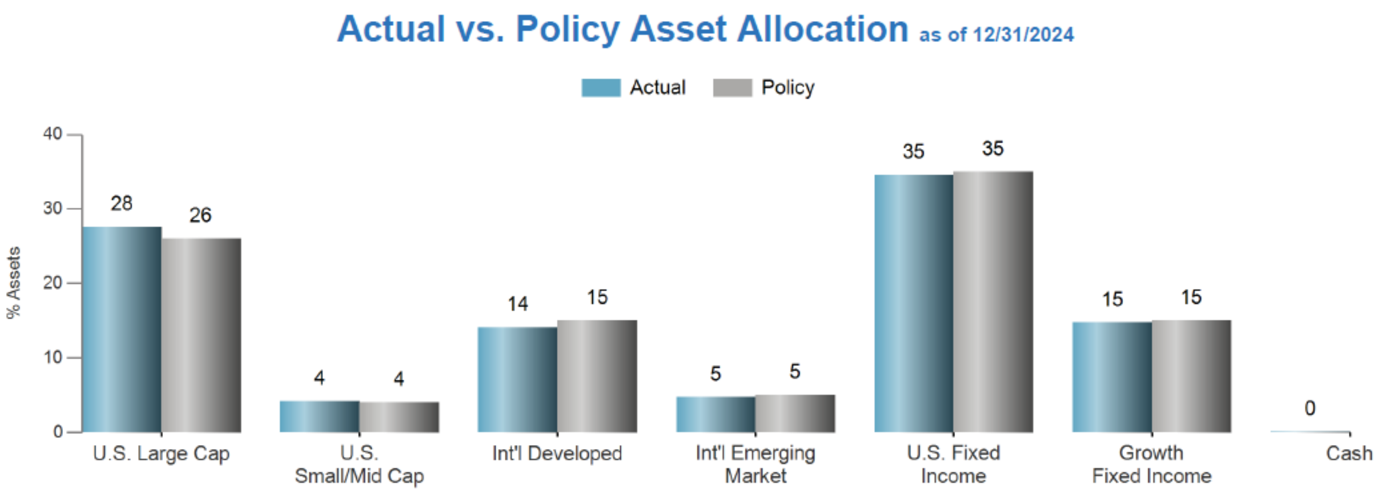
## Moderate Allocation (Trusts and Medium-Term Donor-Advised Funds)




*Percentages may not add to 100% due to rounding.*

*The strategic asset allocation change, effective June 30th, 2024, was approved by the Catholic Foundation in the Archdiocese of Dubuque Investment Committee in May 2024.

**<u>Conservative (Trusts and Shorter-Term Donor-Advised Funds)</u>**

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## <u>Market Recap</u>

- Global equity markets fell in the fourth quarter, though not enough to fully offset strong gains over the course of the year. The Federal Reserve ('Fed') cut rates in December but signaled a wait-and-see approach to 2025 and decreased the number of expected cuts. Stimulus announcements in China led to a sharp rally in Chinese equities earlier in the year, but the realities of depressed animal spirits, the ailing property sector, a potential deflationary cycle, and movement of manufacturing out of China dampens the outlook. Market sentiment was mixed as the "Trump Trade" took effect. Expected de-regulations, especially for the energy sector, tax cuts and business-friendly policies in general could help spur economic activity in the US. However, potential tariffs and immigration restrictions could dampen growth and increase inflation and thus put a floor on interest rates. Equity markets diverged as investors digested both potential tailwinds and headwinds with US equities posting moderate gains over the quarter while non-US and emerging markets that would be on the receiving end of tariffs fell sharply.

- Short Treasury bond yields fell during the quarter as the Fed cut rates by a cumulative 50 bps over the quarter. Markets priced in stickier inflation and fewer rate cuts for 2025, which led to curve steepening. The 2-year Treasury yield rose by ~59 bps from 3.66% to 4.25% during Q4, while the 30-year Treasury yield rose by ~64 bps from 4.14% to 4.78%. Credit spreads declined slightly during quarter.

- The Bloomberg US Aggregate Bond Index returned -3.1% in Q4 as rising yields created a headwind for fixed income, partially offset by tightening spreads. The MSCI ACWI returned -1.0%. As a result, a traditional 60/40* portfolio returned -1.8%.

## Outlook

- Our dynamic asset allocation view is overweight growth fixed income and defensive fixed income, neutral equities and underweight cash and cash-like assets. We are currently a lower level of risk than normal, in part because of the uncertainty around the size and impact of the tariffs. In Q4, we felt the downside risks in equities had grown in the run-up to the US election, which led us to neutralize our equity overweight. We retain high conviction in the growth fixed income sector where we continue to expect to see healthy returns for frontier market debt where an idiosyncratic returns profile leaves it shielded from global headwinds. Asian high-yield valuations still look attractive versus global high yield. We are now overweight long-dated UK gilts (30+ years) within defensive fixed income. We retain our yen overweight but have reduced our conviction given the BoJ's inaction over the quarter. We are now overweight the US dollar as we are cognizant of the possibility of President-elect Trump effecting a full-scale trade war.

**Public Equities**

- We are neutral equities versus cash. The fundamental picture for equities is supportive. Ongoing economic growth, positive earnings growth, enthusiasm around AI and deregulation by Trump should be positive for equities. However, we are cautious of lofty equity valuations and corporate earnings forecasts. Additionally, the headwinds to equities in the event of a full-blown trade war could sour investor sentiment. Furthermore, there are signs of froth in some markets, and this creates downside risks.

**Sub-Investment Grade Fixed Income**

- Within our portfolios, our active risk from dynamic asset allocation is low and we take much of this risk in the growth fixed income sleeve. We are overweight frontier market debt, which had a strong 2024, delivering over 14%. There have been no major defaults and some economies such as Argentina's, which appeared on the brink of default, have improved notably. Hard currency yields have narrowed sharply over the last two years and are no longer very cheap. Local currency debt, over 50% of the opportunity set, remains very attractively priced. Some frontier and emerging market countries may find themselves benefitting from a US trade war as products are rerouted through them.

**Core Fixed Income**

- We hold a neutral view on global government bonds but have some stronger views on regional government bonds. We exited our underweight position in December, given the latest run-up in global yields following hawkish comments from the Fed and firmer-than-expected growth and inflation readings. We think current US yields are at broadly fair levels. For context, nominal US 10-year bond yields rose close to 80bps through Q4, a move the magnitude of which we haven't seen since late 2022, when the Fed was aggressively hiking interest rates. As mentioned earlier, we do have stronger views on regional nominal government bond yields.