

ENDOWMENT & FOUNDATION:

annual newsletter

YEAR IN REVIEW: FAREWELL 2020!

Early in 2020, we were warned of a virus spreading in China, but dismissed it as another regional problem like SARS, MERS, and the swine flu. As the novel coronavirus (later to be known as COVID-19) quickly spread across the globe, many countries began instituting mandatory lockdowns to prevent the virus from spreading too quickly, in hopes of providing some relief to the healthcare system. While many may dispute the success and necessity of the lockdowns, one thing is undebatable, our lives were changed dramatically. Bedrooms and kitchens became offices, parents became home school teachers, airports and hotels were empty, and retail and restaurants became ghost towns. The financial and psychological impact of these changes was (and still is) more significant than anything we've collectively experienced.

The Black Lives Matter movement also captured the attention of the nation, casting a long overdue spotlight on racial injustice in our society. While we still have a ways to go, recent progress is encouraging: the popularity of Juneteenth; election of the first Black (and female, and Indian) US Vice President, hiring practices changed at many companies, and many companies began reporting on and improving their diversity metrics. Other notable events in 2020 included record wildfires in California and Australia, murder hornets, and of course the US Presidential election. The US Presidential election was perhaps the most contentious and divisive election we will ever experience. It had record turnout in terms of votes cast, and is still being contested by (former) President Trump.

2020 wasn't the year any of us expected, or wanted. Though it's hard to see any positives, there were silver linings for some including more family time, more home cooked meals, fewer airports, and less time stuck in traffic. Even more encouraging was the fantastic work of the non-profit community, coming together in a time of need. Many endowments and foundations refocused their efforts and increased grant making to those impacted the most by the events of 2020. We salute you for all that you do, and look forward to a better year for all in 2021!

**MARCH 2021
ISSUE ONE**



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Ted Benedict
LaRoy Brantley
Sara Davis
Ghiané Jones
Aaron Lally
Mary Mustard
Aleem Naqvi
Casey Saterlee
Laura Wirick

MARKET COMMENTARY

After a steep decline in the first quarter as COVID-19 spread across the globe, markets rebounded meaningfully the rest of the year due to unprecedented amounts of monetary and fiscal stimulus. The global stock market finished the year up 16%, fueled by large cap growth stocks (primarily technology companies), many of which benefited from the lockdowns. Interest rates declined dramatically during the year due to the Federal Reserve lowering the Fed Funds rate and investors rotating into bonds (which pushes yields down) given lower inflation and growth expectations.

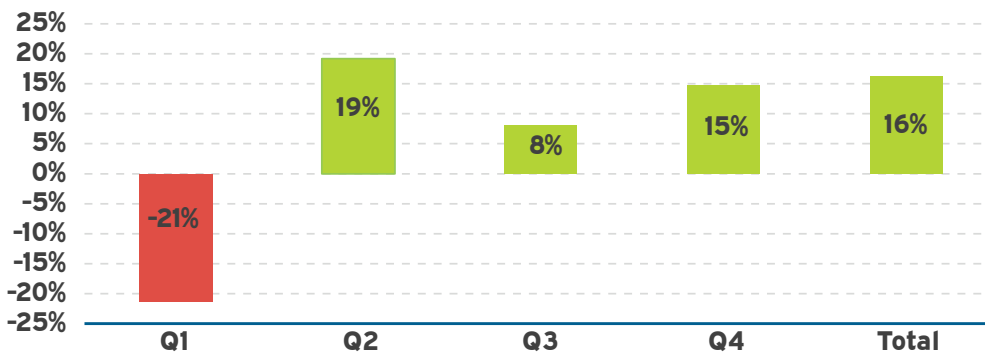


FIGURE 1
MSCI ACWI: 2020 RETURNS

Source: Bloomberg.

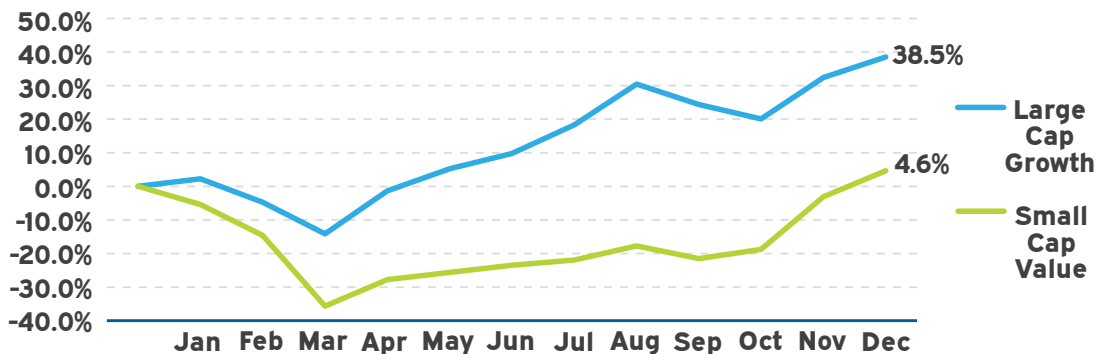


FIGURE 2
2020 CUMULATIVE PERFORMANCE

Source: Bloomberg.
Note: Large Cap Growth (Russell 1000 Growth Index) and Small Cap Value (Russell 2000 Value Index)

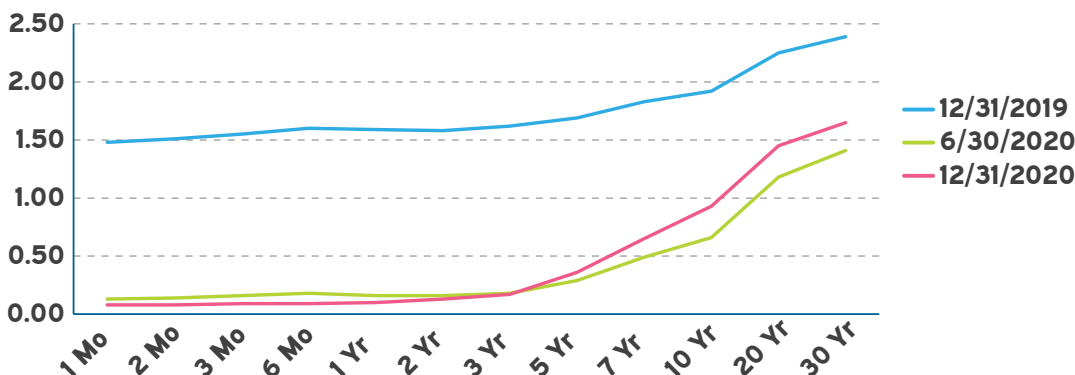


FIGURE 3
US TREASURY YIELD CURVE

Source: Bloomberg.

2020 NACUBO

TIAA STUDY OF ENDOWMENTS

NACUBO's recently released 2020 Study of Endowments provides a plethora of information, data, and insights into university endowments during fiscal year 2020. Driven by the decline in equity markets in the first quarter of 2020, the average endowment investment return for the full fiscal year was relatively modest at 1.8%, the lowest return since 2016. Despite weak investment returns, the average effective spending rate at private universities actually increased slightly during the fiscal year as university operating budgets were stressed. Smaller endowments may need to rethink their overreliance on public equities and fixed income assets, given high equity valuations and low interest rates.

TABLE 1
FISCAL YEAR ENDOWMENT RETURNS
Source: 2020 NACUBO-TIAA Study of Endowments

Year	Average %	Median %
2020	1.8	1.8
2019	2.3	5.1
2018	8.2	8.0
2017	12.2	12.5
2016	-1.9	-2.1
2015	2.4	2.2
2014	15.5	15.8
2013	11.7	11.7
2012	-0.3	-0.5
2011	19.2	19.8

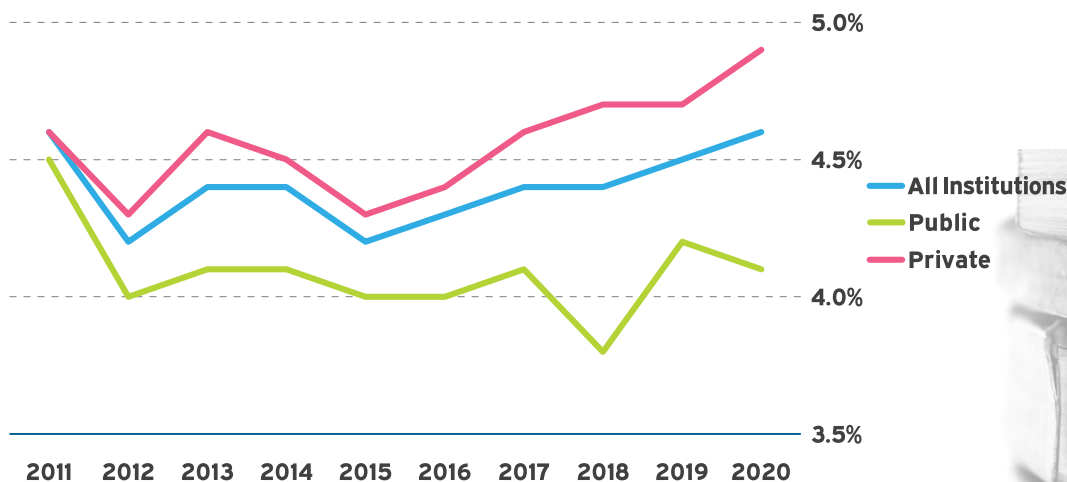


FIGURE 4
AVERAGE ANNUAL EFFECTIVE SPENDING RATE
Source: 2020 NACUBO-TIAA Study of Endowments

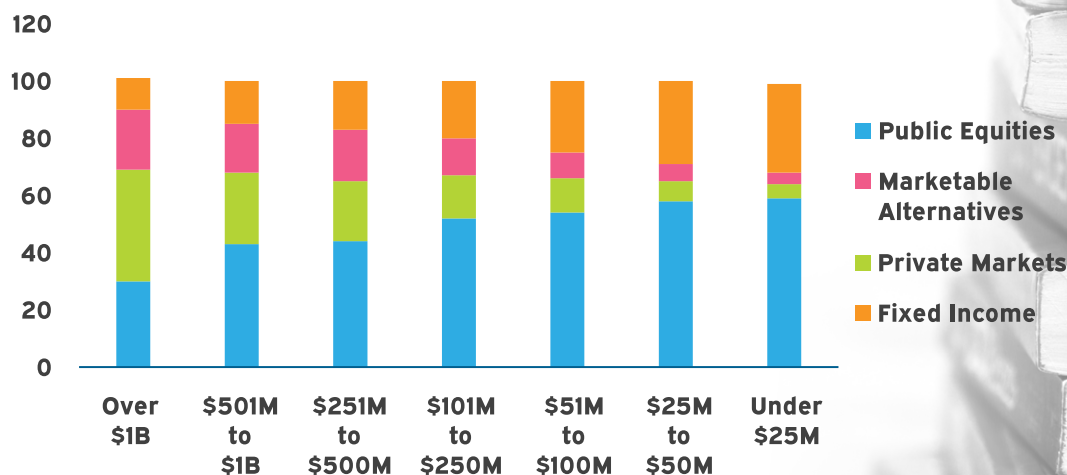


FIGURE 5
ASSET ALLOCATION BY ENDOWMENT SIZE
Source: 2020 NACUBO-TIAA Study of Endowments

SURVEY RESULTS

In December 2020, Meketa conducted its first annual survey of the Endowment and Foundation community. Despite the unprecedented environment, most respondents are sticking with their established spending rates to balance supporting those currently in need, and saving for the future. Most respondents continue to work remotely, and some have reported they may never go back to in person investment committee meetings. Lastly, the pandemic hasn't lowered the appetite for private market investments. For complete survey results, please visit our web site at <https://meketa.com/leadership/endowment-foundation-2020-annual-survey/>

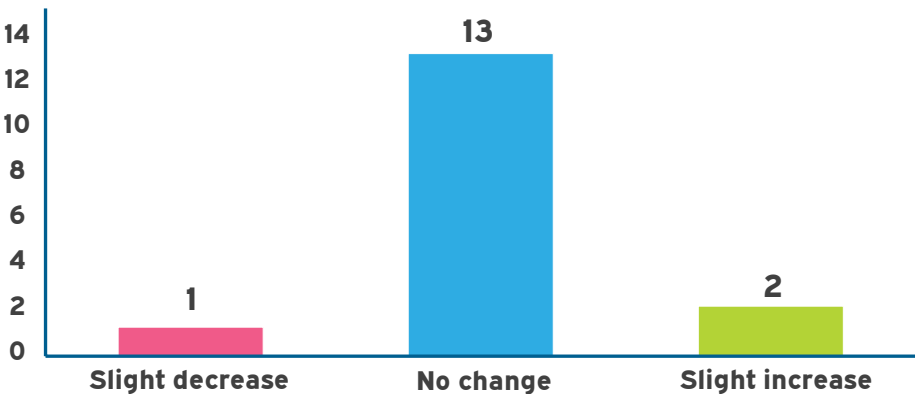


FIGURE 6
EXPECTED CHANGE IN SPENDING RATE DUE TO COVID-19
Source: Meketa Investment Group 2020 Survey.

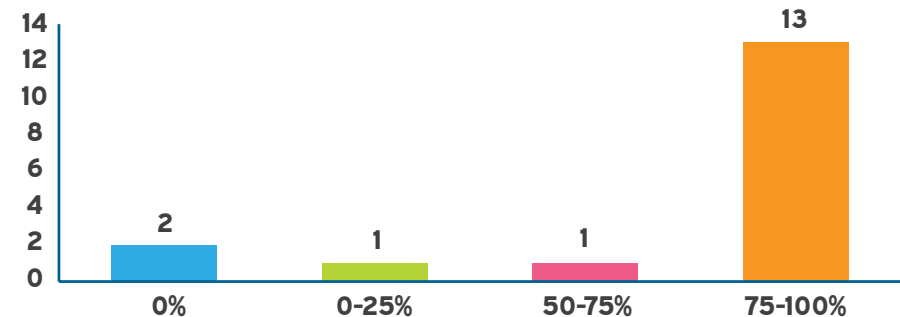


FIGURE 7
WHAT PERCENTAGE OF YOUR INVESTMENT STAFF IS STILL WORKING FROM HOME?
Source: Meketa Investment Group 2020 Survey.

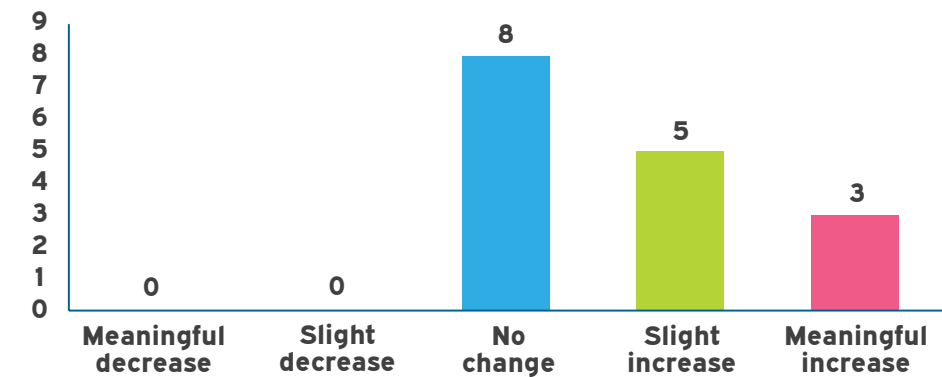


FIGURE 8
DO YOU PLAN TO INCREASE/DECREASE PRIVATE MARKET COMMITMENTS THIS YEAR/NEXT YEAR?
Source: Meketa Investment Group 2020 Survey.

CLIENT SPOTLIGHT

Santa Barbara Foundation

Founded in 1928, the Santa Barbara Foundation's mission is to mobilize collective wisdom and philanthropic capital to build empathetic, inclusive, and resilient communities. Working with other local non-profit organizations, business leaders, and government representatives, SBF seeks to identify the community's greatest needs, and works to effect change through partnerships and grant making. As one of the largest community foundations on the central coast, SBF has always remained relevant and responsive to the community's greatest needs. For 2019 – 2023, The Foundation's strategic priorities are lifting up our county's most vulnerable populations, supporting working families who are one paycheck away from becoming amongst the most vulnerable, and strengthening the social sector.

COVID-19 has made these issues even more urgent. In partnership with the Hutton Parker Foundation and the United Way of Santa Barbara County, SBF co-leads the COVID-19 Joint Response Effort for Santa Barbara County, a 36-member funders' collaborative that has collectively mobilized over \$23 million in funding to the community to date while providing timely resources and information to the community-at-large. In addition, the Foundation fulfilled their annual commitments in Community Grant Programs, building out the Collaboration for Social Impact, and so much more.

The Foundation could not exist without the support of donors and fund holders, whose assets are managed in various investment pools. The Foundation's investment pools have undergone significant changes since Meketa was hired as its investment consultant in 2017, including the addition of new asset classes to provide diversification, effective use of passive strategies to reduce fees, a renewed commitment to private markets for portfolio growth, and the introduction of the Socially Responsible Investment (SRI) Portfolio for donors seeking to invest with a more socially responsible lens.

In addition to the SRI portfolio, the Santa Barbara Foundation has also invested its other portfolios in a variety of socially responsible investments that include renewable power generation, impact focused venture capital, sustainability in the food chain, and strategies that support affordable housing and small business loans in the Santa Barbara region. We look forward to bringing additional investment opportunities that align with the Santa Barbara Foundation's values. To learn more about the Santa Barbara Foundation and their work to improve the quality of life in Santa Barbara County please visit SBFoundation.org



IMAGE 1

**DOWNTOWN SANTA BARBARA/
SANTA BARBARA COAST**



2020 certainly brought challenges to Meketa, but we are very pleased with the hard work and dedication of our employees. We quickly transitioned to a seamless remote working environment in March thanks to our operations and IT teams, allowing us to serve our clients effectively and efficiently. Despite uncertainty early in the year, we are thrilled that 10 new clients hired Meketa in 2020, and that we were able to add several new colleagues to help support future growth.

Over the years, Meketa has been committed to diversity and inclusion, evidenced by the consistent growth in the hiring, retention, and promotion of women and minorities. Since 2009, the percentage of Meketa investment professionals that are women or minorities has grown from 40% to 58%, while the percentage of shareholders has grown from 0% to 48%. We are very proud of this progress, but know that we as a company, and as a society, must do more. During 2020, we intensified our efforts in a number of ways including increased recruiting efforts at historically black colleges and diverse and women based organizations, developing a mentorship program emphasizing diversity and inclusion, reviewing internal committee composition for appropriate diversity, providing resources on race relations that all employees are encouraged to read, and requiring our vendors and business partners to share our values of diversity and inclusion.

We are also extremely proud of Meketa's dedication to the communities in which we live. Meketa regularly supports communities through paid volunteer time for employees in addition to financial support. Over the years, we have supported such organizations as Veterans Affairs of San Diego/Boston, Key Program (assisted troubled youth and their families), Rosie's Place (helping poor and homeless women), Rady Children's Hospital, Parenting with Intent, and Habitat for Humanity. Given the events that unfolded in 2020, we expanded our support through employee donations and company matching campaigns to Feeding America, the NAACP Legal Defense Fund, and Toys for Tots. We're proud to have had strong employee participation in these fundraising drives, and collected a total of \$38,000 for these three organizations.

IMAGE 2

**DONATIONS FOR BOSTON
MASSACHUSETTS BACKPACK DRIVE**



CONTACT US

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If you want to learn more, or access Meketa's library of white papers and economic research, please contact us or visit <https://meketa.com/thought-leadership/>.

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