Community Foundation Alliance
2025 Investment Review

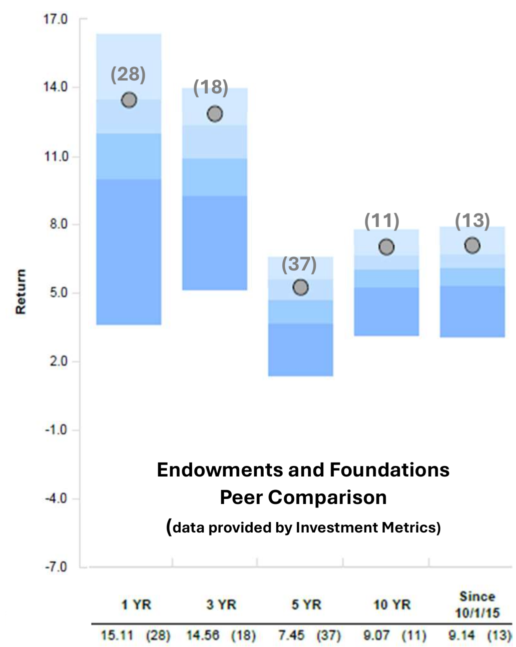
Calendar year 2025 was another strong, "risk-on" year for global investors, characterized by broad-based asset class gains and resilient corporate profitability despite significant geopolitical, trade, and policy headwinds. The S&P 500 achieved a 17.9% total return, marking its third consecutive year of double-digit gains, driven heavily by artificial intelligence (AI) capital expenditures and corporate earnings growth. Despite the strong year, performance during the year was volatile. The Trump administration announced higher than expected tariff rates on April 2, sending equity markets reeling lower by 20% in a matter of days. However, since the tariff lows in April the S&P 500 Index surged more than 40% to finish the year up 18%. The "Magnificent 7" and broader AI-related technology sectors continued to drive market performance, accounting for over 50% of the S&P 500's gains in 2025.

Another defining feature of the year was the resurgence of international markets, which outperformed U.S. equities for the first time since 2017. The MSCI All Country World ex US Index gained 32.4% in 2025 as the declining U.S. dollar (down 9%) and increased overseas defense spending fueled returns. The Federal Reserve initiated a rate-cutting cycle in the fall, cutting rates by 0.75% to a 3.5%–3.75% range by year-end, providing a tailwind for both equities and fixed income. The U.S. economy displayed surprising strength (4.3% annualized GDP growth in Q3), while legislative action (the "One Big Beautiful Bill Act") spurred investment despite a 43-day government shutdown. Bonds experienced a solid year of recovery, with the Bloomberg US Aggregate Bond Index returning 7.3%, its best annual performance since 2020.

Against this market backdrop, the Community Foundation Alliance's investment portfolio gained +15.1% in 2025, after gaining +11.5% the year prior. Annualized net-of-investment fee returns for the Alliance and its passive Policy benchmark for periods ending December 31, 2025 are shown below.

Investment Returns (%)	1 YR	3 YR	5 YR	7 YR	10 YR	Since 10/1/15
Community Foundation Alliance	15.11 (28)	14.56 (18)	7.45 (37)	10.63 (10)	9.07 (11)	9.14 (13)
Policy Benchmark	16.47	15.25	8.20	10.76	9.18	9.30

While financial markets have been strong, passive market benchmarks have proven difficult to exceed in recent years due to their concentration in a select group of large technology companies, However, the Alliance's investment results relative to other similarly sized endowment and foundation peers ($50-250M) continues to be quite strong. See chart to the right. The numbers in parentheses indicate the Alliance's peer ranking against other endowments and foundations ("1" being the best and "100" being the worst). In 2025, the Alliance ranked in the 28th percentile and ranks near the top decile for the trailing ten-year period. The 'Since 10/15/15' period indicates when Mariner Institutional began working with the Alliance.



Financial markets enter 2026 with cautious optimism, expecting continued, albeit moderating, earnings growth and further potential interest rate cuts. Earnings are expected to grow in the low-double digits, while two twenty-five basis points cuts are anticipated in 2026. Market expectations have a bias to lower rates, particularly since a new Federal Reserve Chairman selected by President Trump will be installed in May. President Trump has waged a public feud with the current Fed Chairman Jerome Powell and has called for the Fed to have a substantially lower Federal Funds rate.

While economic growth appears to be solid in 2026, investors are navigating higher valuations on the U.S. stock market, with the S&P 500 forward P/E ratio at 22 times earnings. The market has only assigned this rich of a valuation on stocks a handful of times and historically trades closer to 17 times forward earnings. Current valuations leave little margin for error and stocks appear priced to perfection.

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