



**Community Foundation  
For Palm Beach and Martin Counties**

2022 Investment Summary and Highlights

## Morgan Stanley OCIO

Since 1992, we have delivered **tailored** investment solutions, grounded on a **disciplined** process, leveraging the full resources of Morgan Stanley



### RELATIONSHIP MANAGEMENT

*Streamlined client interface*



### PORTFOLIO MANAGEMENT & IMPLEMENTATION

*Tailor portfolios to client objectives*



### RIGOROUS RISK MANAGEMENT & FIDUCIARY OVERSIGHT

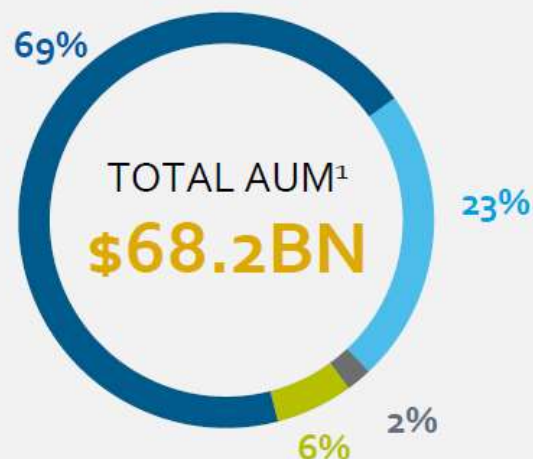
*Monitor and rebalance portfolios*

### The OCIO Team



- 35+ dedicated professionals
- 20+ combined CFA®, CAIA®, CMT® and FRM® designations

- Organized by specialization, with dedicated resources for each aspect of client service
- Investment management expertise, with a proven track record and proven, repeatable process



#### ■ TAFT HARTLEY, GOVERNMENT ENTITIES, DEFINED BENEFIT AND DEFINED CONTRIBUTION PLANS

AUM (\$MM) ——— \$47,080

#### ■ NON-PROFITS

AUM (\$MM) ——— \$15,910

#### ■ UHNW INDIVIDUALS & SINGLE FAMILY OFFICES

AUM (\$MM) ——— \$4,050

#### ■ NON-US INVESTORS

AUM (\$MM) ——— \$1,170

# Morgan Stanley OCIO

## Fiduciary (clients)



Clients and fiduciaries most commonly using an OCIO are:

- Pensions
- Non-Profit Organizations
- Family Offices & UHNW Clients
- Corporations

## Advisor / Consultant



- **Based locally** to provide ongoing support and client service
- **Supported globally** by dedicated portfolio managers and investment professionals
- **Delivers the firm's best thinking** and a full range of innovative strategies and services by partnering with OCIO

## Outsourced Chief Investment Office (OCIO)



- **Established, holistic process** grounded in risk management and an extensive open-architecture platform
- **Experienced team** with dedicated resources for each aspect of client service
- **Successful track record** with 20+ year historical client performance track record<sup>1</sup>

## The Investment Process

We utilize an **institutional, multi-factor approach** to building tailored portfolios.



CLIENT  
DISCOVERY



ASSET  
ALLOCATION



PORTFOLIO  
CONSTRUCTION



MONITORING  
AND REVIEW

All with a RISK MANAGEMENT APPROACH

# Morgan Stanley OCIO

## Key Distinctions and Benefits

### INDEPENDENCE & OBJECTIVITY

- Open-architecture platform free of conflicts of interest
- Advice independent from incentives or bias
- Holistic investment process captures the Firm's best thinking



### TALENT & INTELLECTUAL CAPITAL

- Most favored ideas from the Global Investment Committee, and other strategists and analysts
- Extensive manager due diligence to identify highest quality products
- Access to exclusive offerings and emerging talent



### GOVERNANCE & TRANSPARENCY

- Dedicated investment committee to oversee, approve and enhance portfolio management
- Fiduciary responsibility to act solely in the client's best interest
- Dual-layered risk management framework and day-to-day oversight



### COMPETITIVE PRICING

- Trading at zero cents per share and no additional custody fees<sup>1</sup>
- Purchasing power in obtaining access and negotiating manager fees
- Simple, transparent fee structures that seek to avoid hidden costs

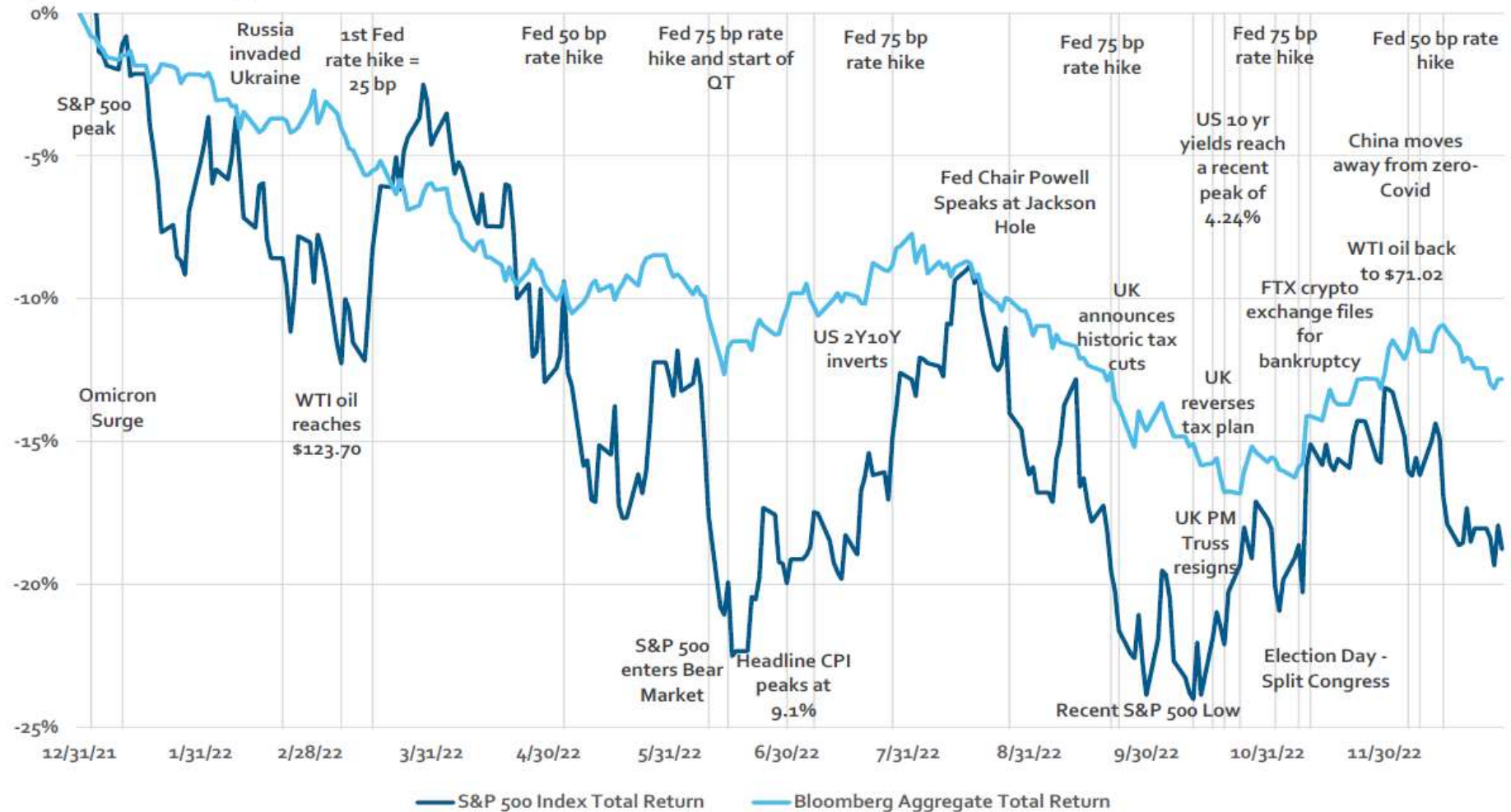




# 2022 Year in Review

## S&P 500 and Bloomberg Aggregate Total Returns and Calendar Events

Daily data as of December 31, 2022



# 2022 in Review: Asset Class Annual Returns

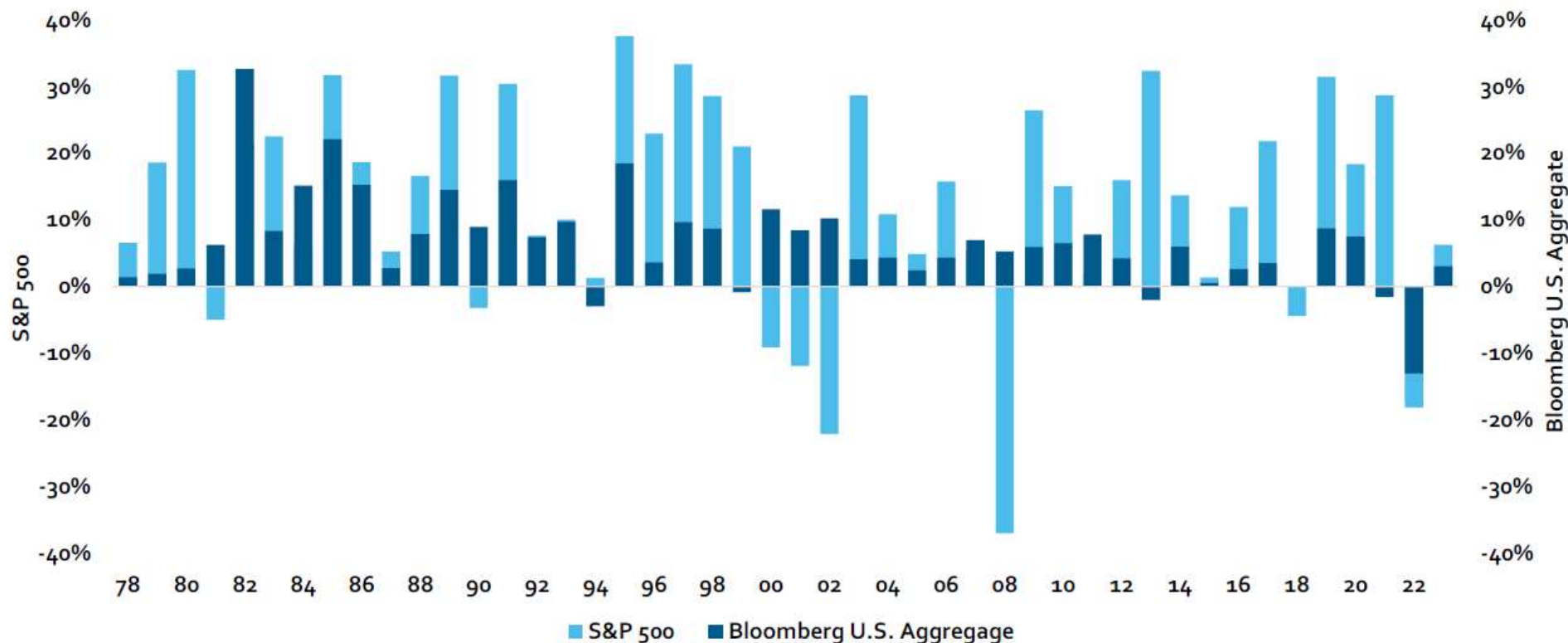
YTD return through December 30, 2022 ; Managed Futures as of November 30, 2022

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	(12/12-12/22) Ann. CAGR	10 yrs Ann. Volatility
REITs 30.2%	US Equities 32.4%	REITs 14.5%	US Equities 1.4%	MLPs 18.3%	EM Equities 37.8%	US Debt 0.0%	US Equities 31.5%	EM Equities 18.8%	MLPs 39.9%	MLPs 30.5%	US Equities 12.7%	MLPs 23.1%
High Yield 19.6%	MLPs 27.6%	US Equities 13.7%	EMD 1.2%	High Yield 14.3%	DM Int'l Equities 25.7%	DM Int'l Debt -0.2%	REITs 23.3%	US Equities 18.4%	US Equities 28.7%	Managed Futures 14.6%	DM Int'l Equities 5.3%	EM Equities 16.9%
EM Equities 18.6%	DM Int'l Equities 23.4%	Managed Futures 12.3%	US Debt 0.5%	US Equities 11.9%	US Equities 21.8%	Inflation-Linked -1.3%	DM Int'l Equities 22.8%	Inflation-Linked 11.0%	Commod. 27.1%	Commod. 13.8%	Diversified Portfolio 4.2%	Commod. 14.9%
DM Int'l Equities 18.0%	Hedged Strategies 11.1%	EMD 7.4%	DM Int'l Equities -0.3%	EM Equities 11.8%	REITs 15.1%	High Yield -4.1%	EM Equities 18.8%	Diversified Portfolio 9.8%	REITs 23.2%	Hedged Strategies -3.2%	Managed Futures 3.7%	REITs 13.4%
EMD 17.4%	Diversified Portfolio 9.4%	US Debt 6.0%	REITs -0.4%	Commod. 11.4%	Diversified Portfolio 12.7%	EMD -4.3%	Diversified Portfolio 16.4%	DM Int'l Debt 9.4%	Hedged Strategies 12.1%	Inflation-Linked -11.8%	REITs 3.5%	DM Int'l Equities 13.3%
US Equities 16.0%	High Yield 7.3%	MLPs 4.8%	Managed Futures -0.9%	EMD 10.2%	High Yield 10.4%	US Equities -4.4%	EMD 15.0%	DM Int'l Equities 8.4%	DM Int'l Equities 11.9%	High Yield -12.7%	Hedged Strategies 3.3%	US Equities 12.2%
Diversified Portfolio 9.7%	REITs 2.1%	Diversified Portfolio 4.3%	Inflation-Linked -1.4%	Diversified Portfolio 5.0%	EMD 10.3%	Managed Futures -4.6%	High Yield 12.6%	US Debt 7.5%	Managed Futures 10.0%	Diversified Portfolio -12.9%	High Yield 3.0%	EMD 7.9%
Inflation-Linked 7.0%	Managed Futures 0.7%	Inflation-Linked 3.6%	Diversified Portfolio -1.5%	Inflation-Linked 4.7%	Hedged Strategies 10.0%	Diversified Portfolio -4.9%	Hedged Strategies 10.7%	High Yield 7.0%	Diversified Portfolio 9.6%	US Debt -13.0%	MLPs 2.1%	High Yield 7.8%
Hedged Strategies 4.8%	US Debt -2.0%	Hedged Strategies 1.4%	Hedged Strategies -2.3%	REITs 4.6%	DM Int'l Debt 6.7%	REITs -5.3%	US Debt 8.7%	EMD 5.3%	Inflation-Linked 6.0%	DM Int'l Equities -13.9%	EM Equities 1.8%	Hedged Strategies 7.0%
MLPs 4.8%	EM Equities -2.3%	High Yield 0.0%	High Yield -2.7%	US Debt 2.6%	US Debt 3.5%	Hedged Strategies -9.4%	Inflation-Linked 8.4%	Managed Futures 5.0%	High Yield 1.0%	EMD -17.8%	EMD 1.6%	Diversified Portfolio 6.4%
US Debt 4.2%	DM Int'l Debt -4.7%	DM Int'l Debt -0.7%	DM Int'l Debt -2.9%	DM Int'l Debt 1.8%	Inflation-Linked 3.0%	MLPs -12.4%	Managed Futures 6.7%	Hedged Strategies 4.6%	US Debt -1.5%	US Equities -18.1%	Inflation-Linked 1.1%	Managed Futures 6.0%
DM Int'l Debt 0.9%	EMD -5.3%	EM Equities -2.0%	EM Equities -14.6%	DM Int'l Equities 1.6%	Commod. 0.7%	Commod. -13.0%	MLPs 6.6%	Commod. -3.5%	EMD -1.8%	DM Int'l Debt -18.5%	US Debt 1.0%	Inflation-Linked 5.7%
Commod. -1.1%	Inflation-Linked -8.6%	DM Int'l Equities -4.3%	Commod. -24.7%	Hedged Strategies 0.1%	Managed Futures -0.8%	DM Int'l Equities -13.3%	Commod. 5.4%	REITs -9.3%	EM Equities -2.3%	EM Equities -19.9%	DM Int'l Debt -1.4%	DM Int'l Debt 5.2%
Managed Futures -1.8%	Commod. -9.6%	Commod. -17.0%	MLPs -32.6%	Managed Futures -4.4%	MLPs -6.5%	EM Equities -14.3%	DM Int'l Debt 5.3%	MLPs -28.8%	DM Int'l Debt -7.3%	REITs -23.4%	Commod. -2.1%	US Debt 3.7%

**Note:** All returns are expressed in total returns in U.S. Dollars. Additional asset class indices' returns can be found on page 4. Past performance is not a guarantee of future results. The indexes are unmanaged. An investor cannot invest directly in an index. The indices are shown for illustrative purposes only and do not represent the performance of any specific investment. Data are as of December 31, 2021

**Source:** Cambridge Associates LLC, Russell Investments, Hedge Fund Research, Barclays Trading Group, Morgan Stanley Research, MSCI Barra, FactSet, and the Morgan Stanley Global Wealth Management Asset Allocation Group.

## Bloomberg US Aggregate vs. S&P 500 Total Returns Since 1978



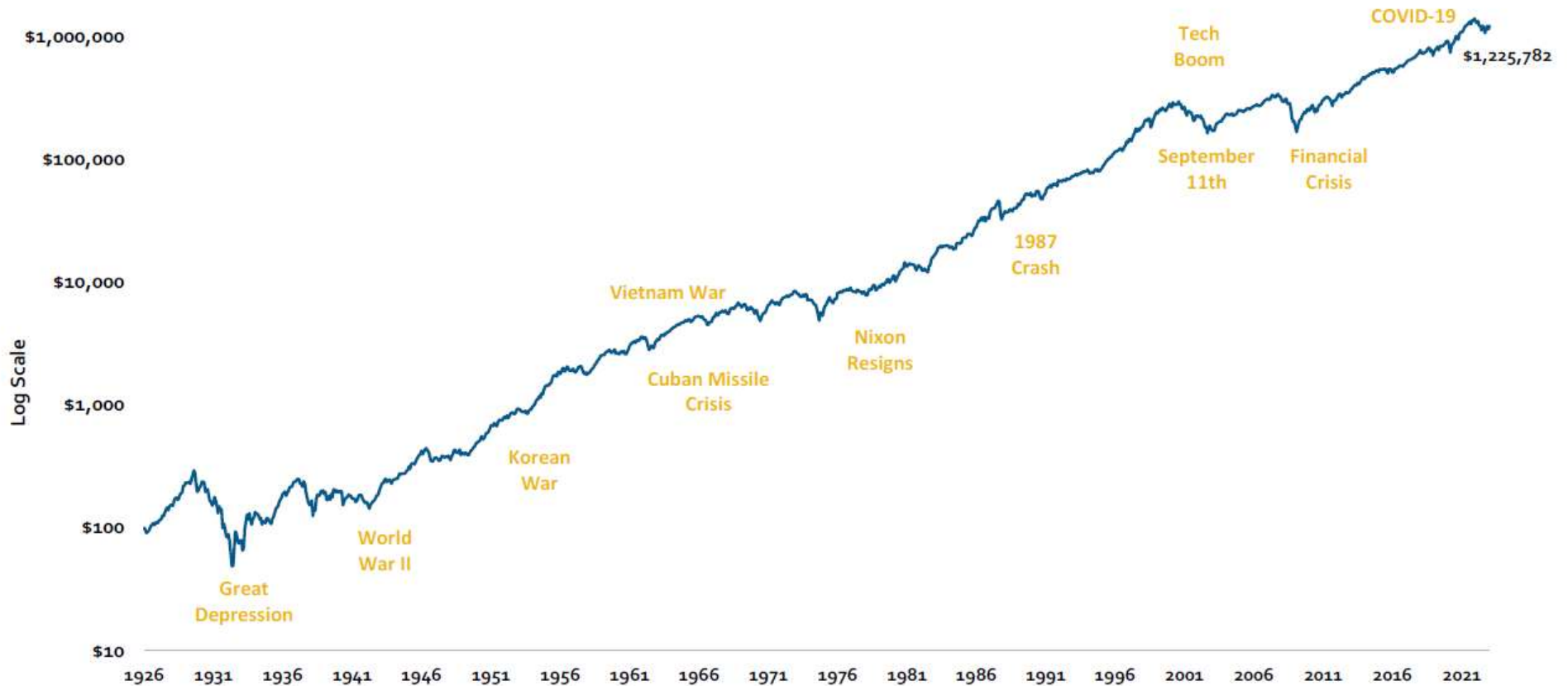
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**Source:** Cambridge Associates LLC, Russell Investments, Hedge Fund Research, Barclays Trading Group, Morgan Stanley Research, MSCI Barra, FactSet, and the Morgan Stanley Global Wealth Management Asset Allocation Group.

## Over the Long Term, S&P 500 Has Grown Despite Negative Events

S&P 500: Growth of \$100

Monthly data: January 31, 1926 – January 31, 2023

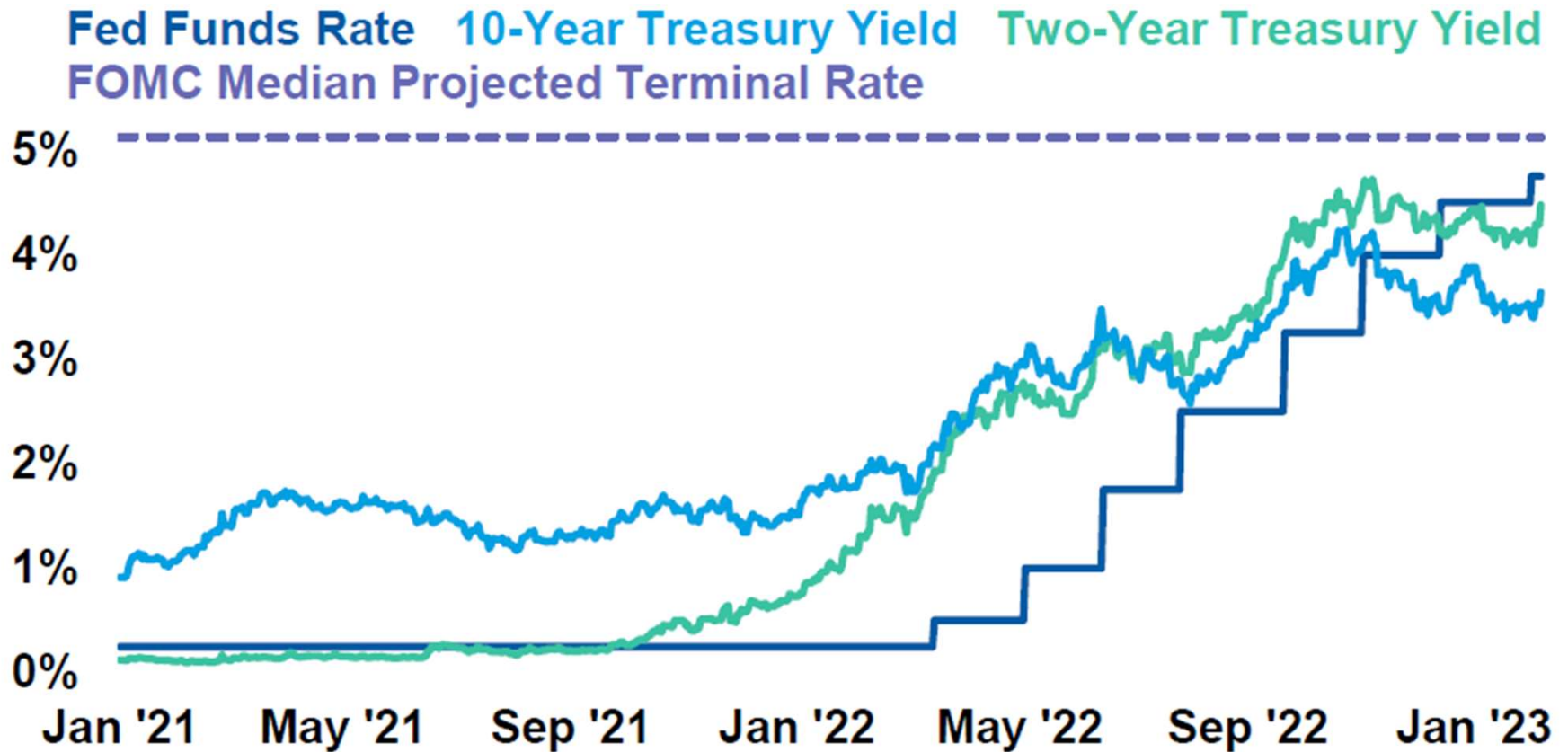


**Note:** All returns are expressed in total returns in U.S. Dollars. Additional asset class indices' returns can be found on page 4. Past performance is not a guarantee of future results. The indexes are unmanaged. An investor cannot invest directly in an index. The indices are shown for illustrative purposes only and do not represent the performance of any specific investment. Data are as of December 31, 2021.

**Source:** Cambridge Associates LLC, Russell Investments, Hedge Fund Research, Barclays Trading Group, Morgan Stanley Research, MSCI Barra, FactSet, and the Morgan Stanley Global Wealth Management Asset Allocation Group.



## Bonds Appear to Be Pricing the “Signaled” Fed Path



Source: Morgan Stanley Wealth Management GIC, Bloomberg as of February 6, 2023

## For 2023 the Controversy is Uncertainty

### Consensus = “Goldilocks”

- Growth: Soft Landing
- Inflation: Less than 3%
- Fed: Pause at 4.75% and Cut by 50 bps
- Corporate Earnings: Flat to Down Less Than 5%

### Morgan Stanley & Co. + GIC View

- Growth: A Close Call
- Inflation: Greater Than 3%
- Fed: Pause at 5% and Hold For All of 2023
- Corporate Earnings: Down Greater Than 10%

### Equity Risk Premiums Should Be Higher Than Long-Term Average

Source: Morgan Stanley Wealth Management GIC, Morgan Stanley & Co. Research. Equity risk premium is the excess return that an individual stock or the overall stock market provides over a risk-free rate. The risk-free rate represents the interest an investor would expect from an absolutely risk-free investment over a specified period of time.

## Global Growth Forecasts: Real GDP

Data as of February 13, 2023 (y/y % change)

	Quarterly												Annual		
	2022E				2023E				2024E				2022E	2023E	2024E
Real GDP	1Q	2Q	3Q	4QE	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
Global	4.4	3.2	3.1	1.8	1.9	3.2	2.5	2.9	2.9	3.1	3.0	2.9	3.1	2.6	2.9
G10	4.3	2.9	2.2	1.4	1.3	0.9	0.6	0.4	0.7	1.0	1.3	1.5	2.7	0.8	1.1
US	3.7	1.8	1.9	1.0	1.6	1.7	1.0	0.4	0.5	0.8	1.1	1.4	2.1	1.2	0.9
Euro Area	5.5	4.3	2.3	1.9	1.1	0.3	0.2	0.3	0.8	1.1	1.3	1.4	3.5	0.5	1.1
Japan	0.6	1.7	1.8	1.5	1.8	0.5	1.4	1.1	1.2	1.8	1.7	1.9	1.1	1.2	1.6
UK	10.7	4.0	1.9	0.4	-0.9	-1.5	-1.1	-1.0	-0.1	0.8	1.1	1.3	4.1	-1.2	0.8
EM	4.4	3.5	3.7	2.2	2.3	4.9	4.0	4.7	4.4	4.5	4.2	3.9	3.3	4.0	4.2
China	4.8	0.4	3.9	2.9	3.2	7.6	5.3	6.6	6.0	5.4	4.8	4.4	3.0	5.7	5.1
India	4.1	13.5	6.3	4.4	4.7	7.0	6.8	6.4	5.0	6.9	7.0	6.7	6.8	6.2	6.4
Brazil	2.4	3.7	3.6	2.4	1.4	1.6	1.5	1.3	1.2	1.1	1.1	1.3	3.0	1.4	1.2
Russia	3.5	-4.1	-3.7	-5.4	-5.2	1.0	0.7	0.7	1.5	1.6	1.5	1.3	-2.7	-0.6	1.5

Source: IMF, Morgan Stanley & Co. Research Note: Global and regional aggregates for GDP growth are GDP-weighted averages, using PPP weights.

## Global Inflation Forecasts: Headline CPI

As of February 13, 2023, y/y % Change

	Quarterly												Annual		
	2022 E				2023 E				2024 E				2022E	2023E	2024E
	1Q	2Q	3Q	4QE	1QE	2QE	3QE	4QE	1QE	2QE	3QE	4QE			
Headline CPI															
Global*	6.4	8.3	8.7	8.2	6.5	5.0	4.6	4.4	4.3	4.0	3.8	3.7	7.9	5.1	3.9
G10	6.3	7.7	8.1	7.9	6.3	4.7	3.5	2.6	2.3	2.2	2.3	2.2	7.5	4.2	2.3
US	8.0	8.6	8.3	7.1	5.6	3.7	2.7	2.5	2.3	2.2	2.3	2.3	8.0	3.6	2.3
Euro Area	6.1	8.0	9.3	10.0	7.8	6.3	4.7	2.9	2.4	2.3	2.6	2.5	8.4	5.5	2.4
Japan	0.9	2.4	2.7	3.3	1.4	1.1	0.9	0.7	1.4	1.8	1.7	1.4	2.3	1.0	1.6
UK	6.2	9.2	10.0	10.8	10.0	7.7	5.9	3.7	2.9	1.6	1.9	1.7	9.0	6.7	2.0
EM*	6.5	8.8	9.2	8.4	6.7	5.2	5.4	5.7	5.7	5.3	4.8	4.8	8.2	5.7	5.1
China	1.1	2.2	2.7	1.8	1.7	1.4	1.7	2.4	2.6	2.3	2.0	2.2	2.0	1.8	2.3
India	6.3	7.3	7.0	6.1	5.7	4.7	5.6	5.7	5.6	5.3	4.6	4.5	6.7	5.4	5.0
Brazil	10.7	11.9	8.7	6.1	5.3	3.9	5.2	5.6	5.2	4.5	4.4	4.1	9.3	5.0	4.6
Russia	11.5	16.9	14.4	12.2	8.8	3.5	5.6	6.4	6.1	5.0	4.5	4.3	13.8	6.1	5.0

Source: IMF, Morgan Stanley & Co. Research. (1) Seasonally adjusted annual rate. Headline CPI measures inflation that is not adjusted for food and energy prices. CPI numbers are period averages. \*Note: Global and regional aggregates are GDP-weighted averages, using PPP weights. CPI numbers are period averages. Japan headline inflation includes VAT and free education impact. \*Global, EM, and LatAm aggregates exclude Argentina.



# Morgan Stanley & Co. US Equity Strategy S&P 500 Outlook

As of February 10, 2023

	Current Price 02/10/23	MS Dec. '23 Price Target	MS Dec. '23 Price Target % to Current	Current P/E	MS Dec. '23 P/E Target	Current Price / Dec 2024 Earnings	MS Top Down EPS Estimates			Bottom Up Consensus EPS Estimates		
							2022	2023	2024	2022	2023	2024
Bear Growth	4090	3500	-14%	19.8x	15.3x	17.8x	214 3%	180 -16%	230 28%	220 6%	224 2%	249 11%
Base Growth	4090	3900	-5%	19.8x	16.1x	17x	219 5%	195 -11%	241 24%	220 6%	224 2%	249 11%
Bull Growth	4090	4200	3%	19.8x	16.7x	16.2x	224 8%	215 -4%	253 18%	220 6%	224 2%	249 11%

Bear	Base	Bull
The December 2023 bear case of 3,500 considers a 15.3x P/E on 2024E EPS of \$230 and assumes a severe earnings recession in 2023 (EPS growth contracts by 16% and margins contract 200-225bps). The S&P 500 could discount earnings risk to ~3,000 in 1H2023 before reaccelerating.	The December 2023 base case provides a target of 3,900 for the S&P 500. This scenario takes a 16.1x P/E on 2024E EPS of \$241 and considers an earnings recession with 11% contraction in EPS growth. Nominal top-line growth slows to low single digits and margins contract ~150bps. The S&P 500 price could reach 3000-3300 in 1Q23.	The December 2023 bull case of 4,200 is based on a 16.7x P/E and 2024E EPS of \$253. The growth rebound is less significant than in the base and bear cases. Nominal top-line growth slows down to a positive mid-single-digit pace while margins compress ~100bps. The S&P 500 could retest 3,500 in the first quarter.

N/A = not available  
Source: FactSet, Bloomberg, Morgan Stanley & Co. Research

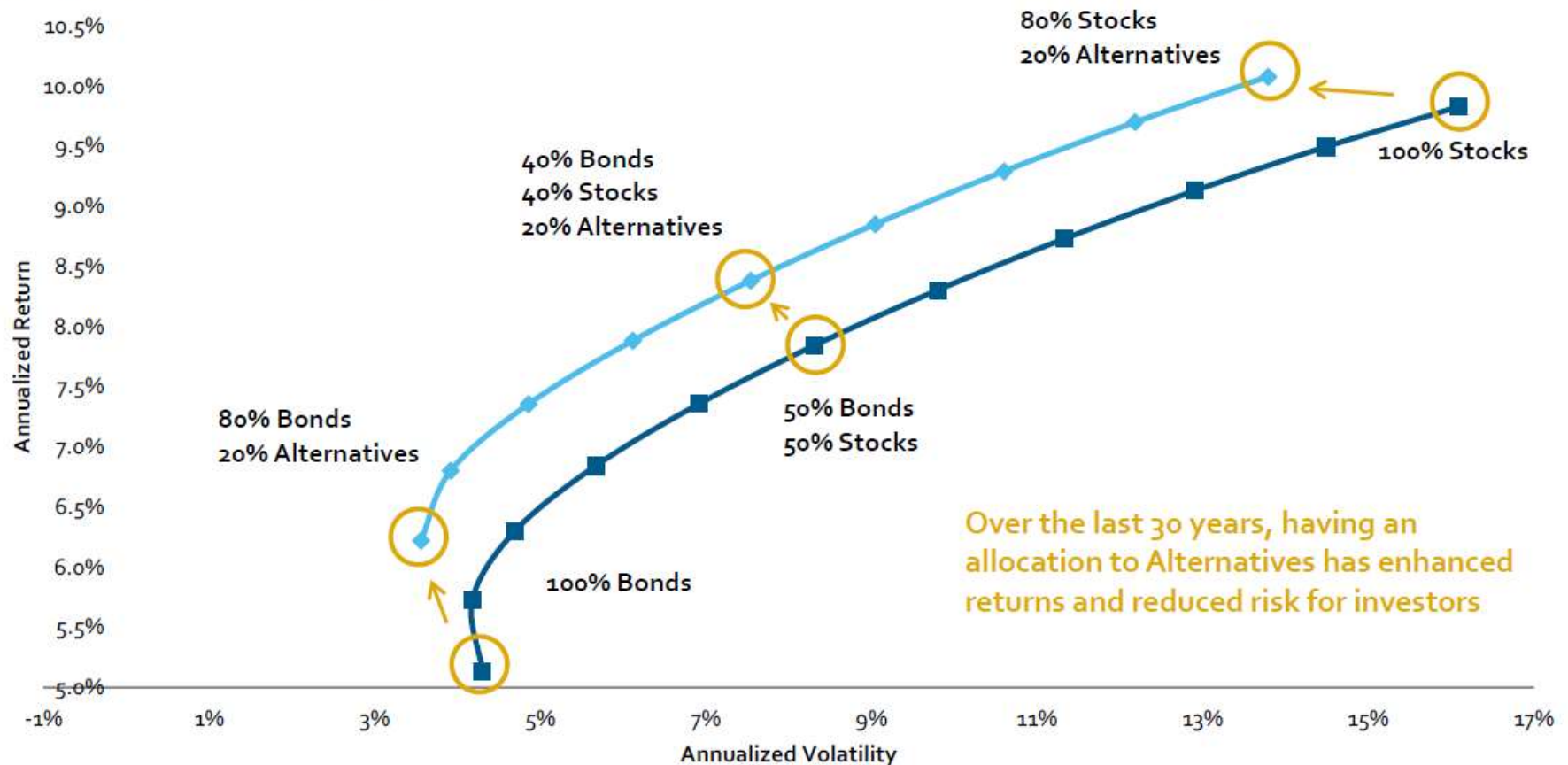
## Capital Markets Overview

- **Broad Market Selloff in 2022**
  - For the first time in 150 years, both U.S. stocks and long-term bonds were both down by more than 10%
    - S&P 500 down over 18% for the year
    - Barclays Aggregate Index down 13%.
    - Energy and Utilities were the only positive sectors in 2022
  - Commodities and Energy MLPs were the Only Asset Classes with positive returns in 2022
  - Tighter Financial Conditions will mean continued volatile markets in 2023
  - Inflation, slow earnings growth and possible recession could negatively affect asset prices
- **Federal Reserve Positioning**
  - Persistent inflation prompted the Fed to raise rates 7 times in 2022, from 0.25% to 4.50% at year end
  - Fed has indicated it will maintain higher interest rate posture for a long as it takes to contain inflation
- **Quality and Defensive positioning protect capital and perform best through tightening cycle**

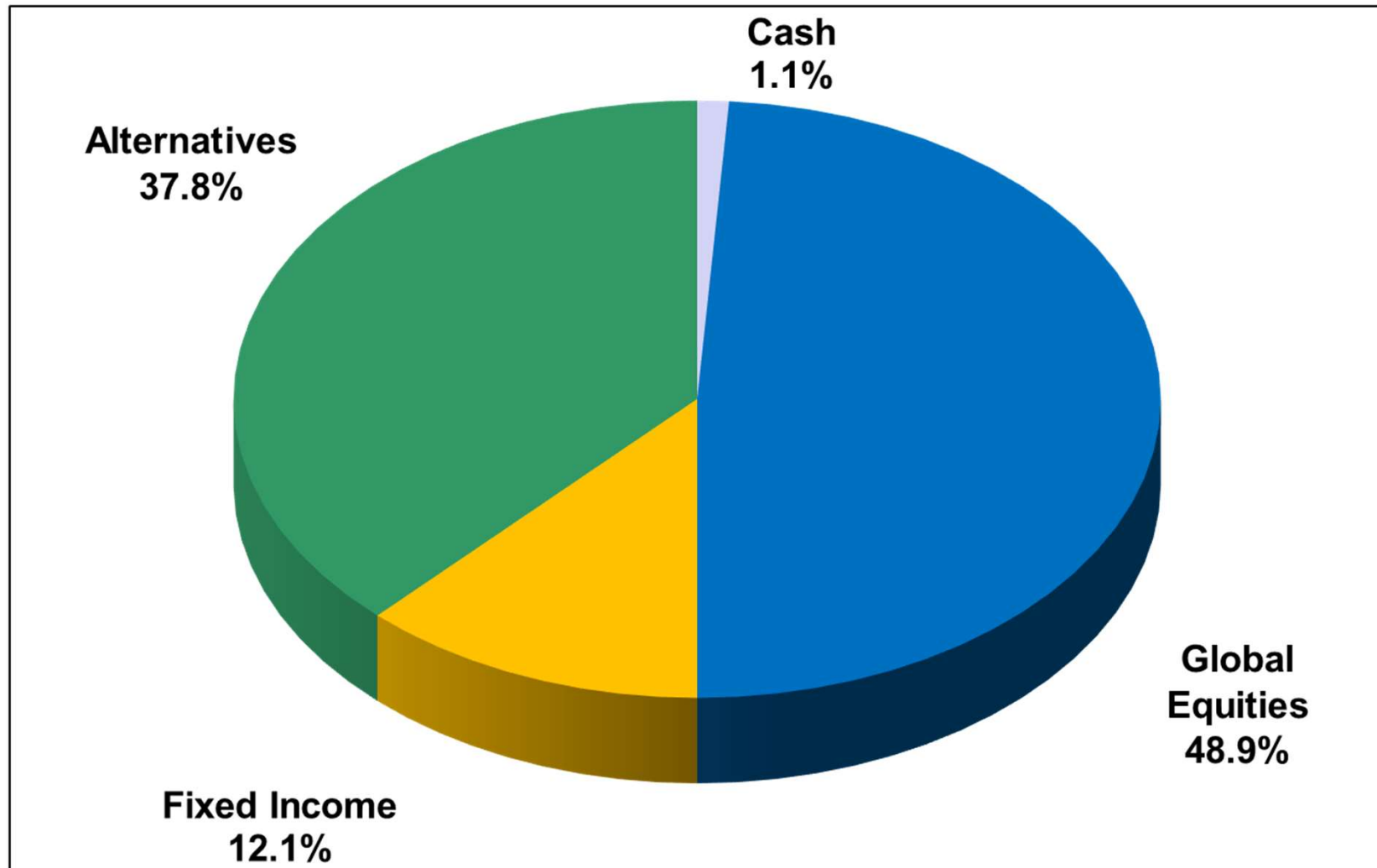
## Alternatives Exposure to a Portfolio May Reduce Volatility and Potentially Increase Returns

### Risk and Return Trade-Off With and Without Alternatives

Data as of January 1, 1990, to December 30, 2022

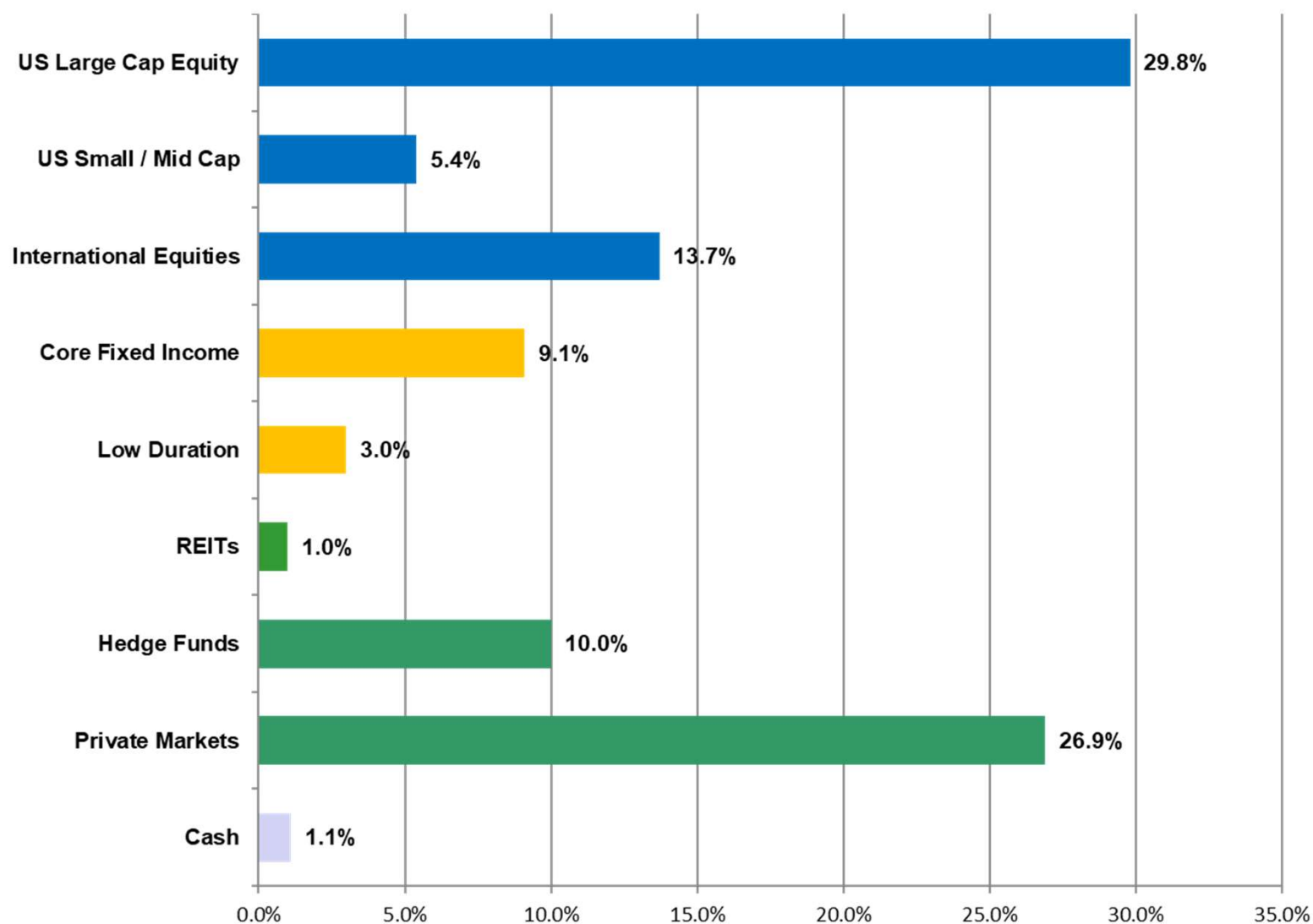


## CFPB Long Term Pool Asset Allocation As of December 31, 2022

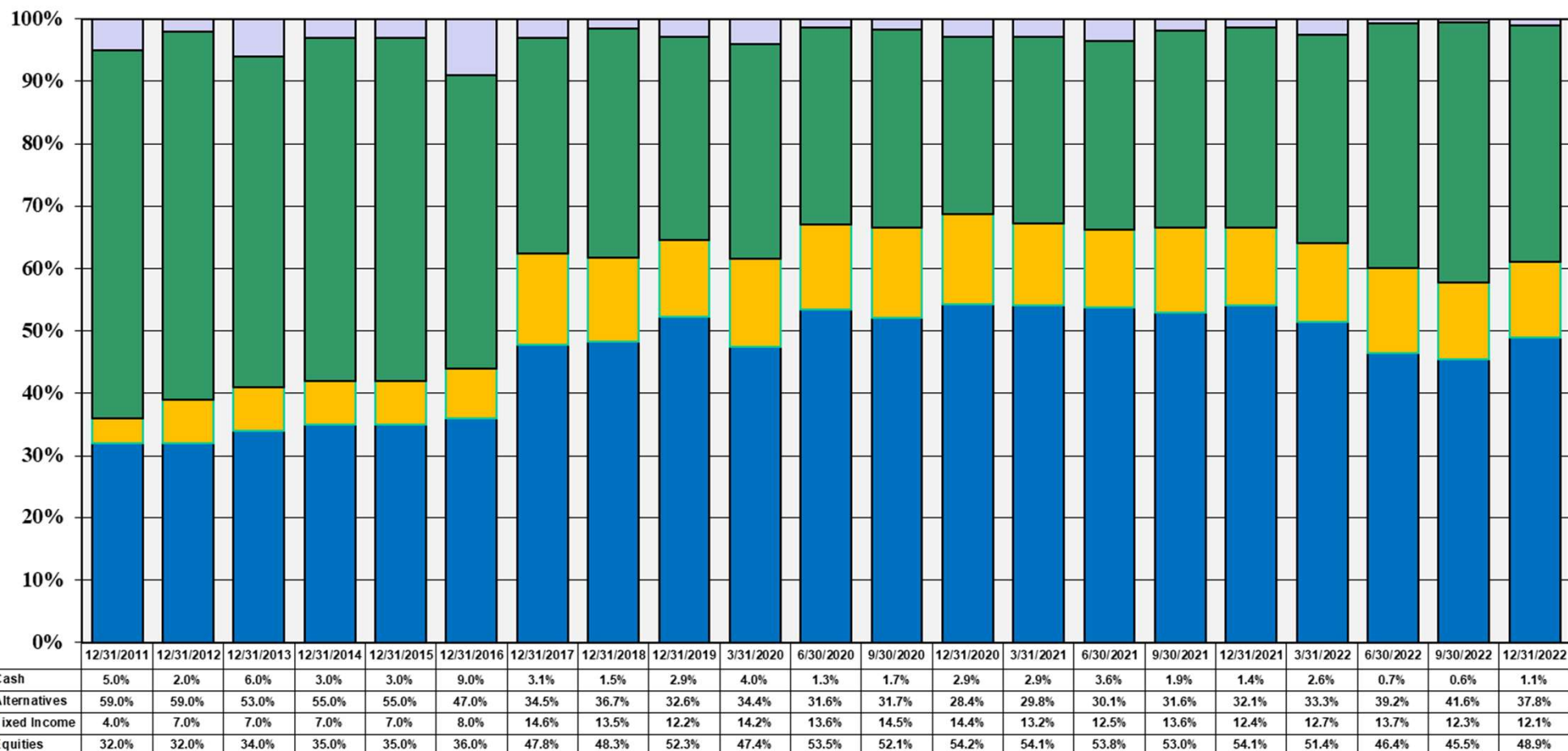




## CFPB Long Term Pool Style Allocation As of December 31, 2022



## CFPB Changes in Asset Allocation Over Time



\*\* All historical data prior to 7/1/2017 is supplied by prior custodian and consultant. Morgan Stanley does not guaranty the completeness or accuracy of this data.