Community Foundation for Southern Arizona

Investment Pools Performance & Commentary

June 30, 2026

THE ECONOMIC CLIMATE

U.S. real GDP growth in Q2 was weaker than expected at 1.5% QoQ annualized. The ongoing trade deficit acted as a significant drag on growth, although consumer spending and investment trends suggest core economic activity remains strong. The current trade deficit should arguably be viewed less poorly, as importation of AI-related hardware and equipment will likely help drive future business productivity. U.S. inflation jumped considerably during Q2 as the U.S.-Iran conflict led to a historically severe global oil supply shortage. Inflation spiked to 4.2% in May—more than double the Fed's 2% target—then fell sharply to 3.5% in June as a possible peace deal led oil prices back nearly to pre-crisis levels. However, inflation is not all about energy and the Strait of Hormuz, as massive AI investment has driven demand-pull inflation across a variety of materials and goods.

MARKET PORTFOLIO IMPACTS

Emerging markets outperformed, up +24.1%. The U.S. market generated +15.2%, while international developed equity lagged but still advanced a solid +10.8%. Q2 year-over-year S&P 500 earnings growth is expected to reach +23.3% (FactSet, as of July 2nd), and full-year 2026 corporate earnings are projected to grow a remarkable +24.1%. Small caps again outperformed large caps, extending a one-year run of +18.5% relative outperformance, though the asset class still lags meaningfully on a 3- and 5-year trailing basis. Growth led Value in Q2, even as Value retains a +9.8% edge over the past year. Sector effects drove much of the style dispersion, with Info Technology a standout in Q2 (+31.8%).

THE INVESTMENT CLIMATE

Risk assets performed well as expanding corporate earnings and tighter credit spreads lifted fixed income returns. Global equities returned +14.9% and U.S. high yield bonds gained +2.5%. Commodities notably lagged: oil fell on optimism around a U.S.–Iran peace deal, while gold retreated sharply after its remarkable 2025 rally, alongside declines in other metals. Market-priced volatility stayed subdued despite geopolitical risk. U.S. inflation pushed above 4%—double the Fed's target—leading markets to brace for future rate hikes rather than the cuts previously expected. The U.S. and Iran signed the Islamabad Memorandum, though hostilities reignited in early July. The VIX ended June at 16.5.

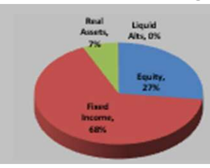
FISCAL YEAR TO DATE PERFORMANCE

With respect to the fiscal year, the Endowment portfolio returned 16.5% for the 4th quarter of FY 2026. Equity values rebounded rapidly pushing portfolio returns near double digits for the quarter.

Investment Pools	Three months ended 6/30/2026	Year to Date	Fiscal Year to Date	One (1) Year Return	Three (3) Year Return	Five (5) Year Return
Cash Equivalent 100% Cash Equivalents	*0.9*	*1.7*	*3.8*	*3.8*	*4.6*	*3.5*
Global Constrained Income & Growth 25% Equity, 65% Fixed Income, 5% Real Estate, 5% Alternative Investments	*5.4*	*4.4*	*9.9*	*9.9*	*8.8*	*3.4*
Global Constrained Balanced 45% Equity, 40% Fixed Income, 10% Real Estate, 5% Alternative Investments	*9.3*	*7.3*	*14.0*	*14.0*	*11.7*	*5.1*
Global Growth & Income 60% Equity, 25% Fixed Income, 10% Real Estate, 5% Alternative Investments	*11.8*	*9.2*	*17.4*	*17.4*	*14.0*	*6.4*
Endowment	*11.2*	*8.4*	*16.5*	*16.5*	*13.0*	*6.6*
Market Benchmarks						
Cash **-** *90-Day Treasury Bills*	*0.9*	*1.7*	*3.8*	*3.8*	*4.6*	*3.5*
Bonds - *Bloomberg Barclays US Aggregate*	*0.7*	*0.6*	*3.8*	*3.8*	*4.2*	*0.1*
International Stocks - *MSCI ACWI ex U.S.*	*14.5*	*13.7*	*27.7*	*27.7*	*18.8*	*8.8*
Domestic Stocks **-** *S&P 500*	*15.2*	*10.2*	*22.3*	*22.3*	*20.6*	*13.4*
Blended Benchmark - Endowment[1]	*9.7*	*8.1*	*16.7*	*16.7*	*13.2*	*7.5*

GLOBAL CONSTRAINED INCOME & GROWTH

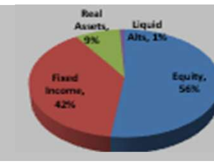
Designed for donors or nonprofits with medium-term objectives (3-5 years). While moderately conservative, this pool will have a risk of loss. A moderate portion may be invested in capital appreciation oriented investments. The income allocation may include an allocation to fixed income instruments. The pool will not include an allocation to illiquid alternative investments.



The Global Constrained Income & Growth Pool returned 5.4% during the quarter and was up 9.9% over the past year. Domestic Equity was up 18.1% and International Equity was up 15.7% over the quarter. Total Equities account for 26.5% of the portfolio. Domestic Equities and International Equity outperformed their respective benchmarks. The Pool's Fixed Income securities, which comprise 68.2% of its total assets, posted a 0.7% return for the quarter and matched its benchmark. The 5.1% allocation to REITs was up 10.0% and underperformed its benchmark.

GLOBAL CONSTRAINED BALANCED

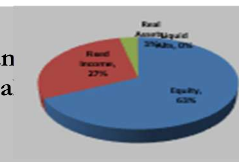
Designed for donors or nonprofits with longer-term objectives (7+ years) and spending rates of less than 4% of assets per year. A portion may be invested in capital appreciation-oriented investments. The income allocation may include an allocation to fixed income instruments. The pool will not include an allocation to illiquid alternative investments.



The Global Constrained Balanced pool returned 9.3% during the quarter and was up 14.0% over the past year. Domestic Equities and International equities were positive, posting a return of 17.9% and 15.8% respectively. Total Equities account for 48.1% of the portfolio. Both Domestic Equities and International Equities outperformed their respective benchmarks. The Pool's Fixed Income securities, which comprise 41.6% of the total assets, posted a 0.7% return for the quarter and matched its benchmark. The 10.0% allocation to REITs was up 10.0% and underperformed its benchmark.

GLOBAL GROWTH & INCOME

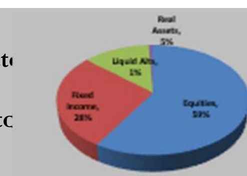
Designed for donors or nonprofits with long-term objectives (10+ years) yet with liquidity requirements an with spending objectives of approximately 4% of assets per year. A large portion may be invested in capita appreciation-oriented investments. The income allocation may include an allocation to fixed income instruments. The pool will not include an allocation to illiquid alternative investments.



The Global Growth & Income pool returned 11.8% during the quarter and was up 17.4% over the past year. Domestic Equities posted 18.1% and International Equities posted 15.2% returns respectively over the quarter. Total Equities account for 63.3% of the portfolio. Domestic Equities and International Equities outperformed their respective benchmarks. The Pool's Fixed Income securities, which comprise 26.5% of its total assets, posted a 0.7% return for the quarter and matched its benchmark. The 9.9% allocation to REITs was up 10.0% and underperformed its benchmark.

ENDOWMENT POOL

Designed for donors or nonprofits with endowment-like objectives (20+ years), willing to accept moderat illiquidity and with spending objectives of approximately 4% of assets per year. A large portion may be invested in capital appreciation-oriented investments. The income allocation may include an allocation tc fixed income instruments. The pool may include an allocation to illiquid alternative investments. The management of this pool will be consistent with endowment best practices.



The Endowment pool posted 11.2% during the quarter. For the trailing one year the Endowment was up 16.5%. Domestic Equities were up 17.6% while International Equities were up 15.7% over the quarter. Total Equities account for 67.1% of the portfolio, both Domestic Equities and International Equities outperformed their respective benchmarks. The Pool's Fixed Income securities, which comprise 23.7% of its total assets, posted a 0.8% for the quarter and slightly outperformed its benchmark. Real Estate returned 1.8% over the quarter and outperformed its benchmark.

1. *30% Russell 3000, 26% MSCI ACWI ex US, 22% Bloomberg Barclays US Aggregate, 10% FTSE NAREIT All, 5% Bloomberg Commodity Index, 7% HFRI Fund of Funds Composite Index.*

Notes: *The above are the historical returns for each of the five investment pools.* ***Investment performance of individual funds may vary from the total pool return due to the timing of contributions and grants. Historical returns are not a predictor of future returns. The returns above are net of fees paid to investment managers. This fee represents the plans' blended expense ratio and is between 50 and 60 basis points annually. The fee for our investment consultant, Cerity Partners, is not reflected in the returns.***

Underlying Investment Managers

Domestic Equity: Vanguard FTSE Social Index, Vanguard Extended Market ETF

International Equity: Causeway International Value, EuroPacific Growth, DFA International Small Cap, Calvert Emerging Markets Equity

Fixed Income: Dodge & Cox Income, Met West Total Return, Vanguard Inflation Protected Securities

Alternative Investments: AQR Style Premia Fund

Real Assets: Townsquare real Estate, Penn Square, UBS Trumbull, TA Realty Fund, Invesco Real Estate, Vanguard REIT Index

Note: Performance for Penn Square Global Real Estate II and Town Square Real Estate Alpha Fund I is lagged by at least one quarter.