The possibility of a global recession created turmoil within the markets throughout the year. When the United States experienced two consecutive quarters of negative GDP growth, some people believed we were amid a recession, however, the positive GDP growth in Q3 and other economic data suggested that those claims may have been made too hasty. Backed by resilient, but slowing, consumer spending and historically low unemployment rates, inflation within the U.S. has been flat to down for the quarter but is still relatively high when looking at the year-over-year change of 8.2%. As such, the Federal Reserve has not changed its stance on quantitative tightening and plans to continue their interest rate hikes in an effort to tackle inflation. In doing so, there is a belief that the Fed’s actions may be the catalyst for a recession to occur in the U.S. An increasing number of companies are deploying a defensive strategy in preparation for such events. Layoffs are continuing to be announced, capital expenditure is slowing, real estate purchases have significantly decreased, and capital markets activity has been cut back. Overall, the economy has been resilient, but there are underlying cracks in the foundation signaling continued slow down. The overall sentiment surrounding a recession, at least in the U.S., seems to have further shifted to likely happening and is becoming more priced into the markets. In light of these changes, the broad U.S. stock market was down 4.9% which was derived from the S&P 500 Index. The U.S. small cap market was down 2.2% which is tracked by the Russell 2000 Index. The U.S. bond market was down 4.6% which is represented by the Bloomberg U.S. Aggregate Bond Index.

The countries within the European and Asian regions have been experiencing similar, amplified economic issues to those in the U.S. As the economies in these regions remain strained, the strength of the dollar continues to rise, and related headwinds will likely persist if not worsen. Inflation in the European areas was 9.9% year-over-year. This was mainly driven by increased costs of energy, food, alcohol and tobacco, and services. As the war continues between Russia and Ukraine it is unlikely that Europe will experience any near-term relief when it comes to energy prices. Asian countries are experiencing more moderate levels of elevated inflation at 5.5%, stemming mainly from increased food and fuel costs as they have also been impacted by the Russian-Ukraine conflict. Additionally, sanctions applied to some Asian countries have also been a factor in increased costs across all goods. In China, President Xi Jinping has won a third term to serve as China’s president. This has created more uncertainty surrounding the intermediate future of China and its economy due to Xi’s continued mission towards zero-COVID, his declaration to implement a ‘common prosperity’ program, and escalating tensions with Taiwan. If China takes extreme measures, it could create a domino effect for the surrounding countries, even globally. There are a lot of variables at play in both regions which have produced a nebulous outlook of what is to come. The non-U.S. developed markets were down 9.4% which was derived from the MSCI EAFE Index. The emerging markets were down 11.6% as tracked by the MSCI EM Index.

The current market environment has been hard for investors to navigate. For the first three quarters of this year, both stocks and bonds have yielded negative results. Traditionally, bonds have been used to help diversify portfolios and mitigate risks. It is not uncommon for a well-balanced portfolio to have an allocation of 60%-70% stocks and 30%-40% bonds. In the last 30 years, there have only been nine other quarters
in which stocks and bonds were both down, and only two calendar years where they remained down for
the entire year. This has made it difficult for all investors to protect capital; even the most conservative of
investors with a 100% allocation to bonds had nowhere to hide in what has shaped up to be an anomaly year
for markets thus far.

**Endowment**

The Endowment portfolio was down 3.5% for the third quarter, outpacing its policy index by 1.2%. Over the
year-to-date, one-year, three-year, five-year and seven-year periods, the Endowment has ranked within the
top quintile relative to its peer set of similarly sized Endowment and Foundations, and within the top quartile
over the 10-year period. Most asset classes were down again for the quarter, but overall fared better than
what was seen in the second quarter. The three best performing asset classes within the portfolio were
Hedge Funds, Real Estate and Private Credit returning 1.8%, 0.8% and 0.2%, respectively. The portfolio’s
exposure to those three asset classes aided in its outperformance and resulted in positive attribution. The
portfolio was overweight domestic equities and slightly underweight longer-duration fixed income which
also yielded positive attribution. Being well diversified has continued to benefit the portfolio’s performance.

**Non-Endowment**

The Long-Term portfolio was down 4.5% for the quarter, outpacing its policy index by 0.4%. Like the
Endowment portfolio, the Long-Term portfolio’s outperformance was driven by a diversified asset mix and
positive attributions deriving from hedge fund exposure and key overweighting of domestic equities over
international equities. The best performing asset class in the portfolio was Hedge Funds, which returned
1.7% for the quarter.

The Medium-Term portfolio was down 4.7% for the quarter and underperformed its policy index by 0.4%.
Bond prices have started to slightly rebound now that the bulk of the planned rate hikes have occurred, but
the asset class was still down for the quarter. The portfolio’s 65% fixed-income allocation is well poised to
benefit from a high interest rate environment and a broader conservative sentiment among investors. The
slight overweighting to domestic equities and short-term fixed income resulted in positive attribution.

The Intermediate-Term portfolio, which consists purely of bonds, was down 2.9% for the quarter and
outperformed its policy index by 0.4%. The portfolio’s 40% allocation to low-duration bonds supported its
outperformance.

The Short-Term portfolio was up for the quarter with a return of 0.5%. The performance has increased for
the last two quarters. As expected, the portfolio’s performance has been benefitting from higher short-term
interest rates and moving in correlation with those rates. As the Fed continues to combat inflation with its
tightening policy, we expect the portfolio’s performance to continue to move slightly higher.

The Sustainable Endowment and Non-Endowment portfolios were down for the quarter 6.5% and 6.4%,
respectively, compared to their policy index that was down 6.5% in the same period. Performance has
somewhat improved from the second quarter, but being fully divested of fossil fuels has significantly
affected the performance of these portfolios due to the fact that utilities and energy stocks have been two
of the best performing asset classes year-to-date; many of which contain fossil fuel exposure.