

Quarterly update for the fourth quarter of 2023 (October, November, December)

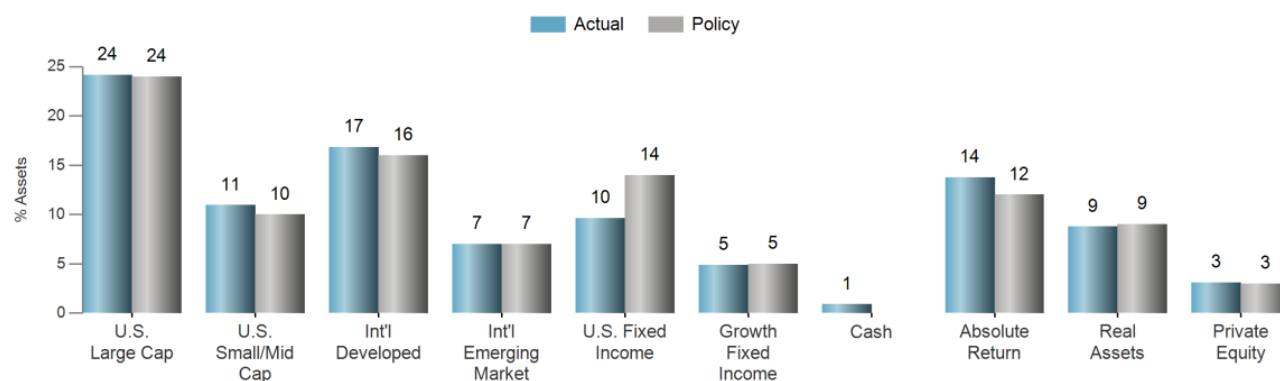
Annualized Performance

Portfolio	Market Value	1 Year (%)	3 Year (%)	5 Year (%)	Since Inception (%)	Inception Date
Catholic Foundation	151,378,492	14.4	3.3	8.5	6.1	Apr-13
<i>Growth</i>	<i>119,905,419</i>	<i>15.0</i>	<i>3.5</i>	<i>8.9</i>	<i>6.7</i>	<i>Jan-13</i>
<i>Moderate</i>	<i>27,121,428</i>	<i>13.1</i>	<i>2.8</i>	<i>7.3</i>	<i>5.4</i>	<i>Apr-13</i>
<i>Conservative</i>	<i>4,351,645</i>	<i>8.7</i>	<i>-</i>	<i>-</i>	<i>11.8</i>	<i>Sep-22</i>

Performance in the table above is net of investment fees.

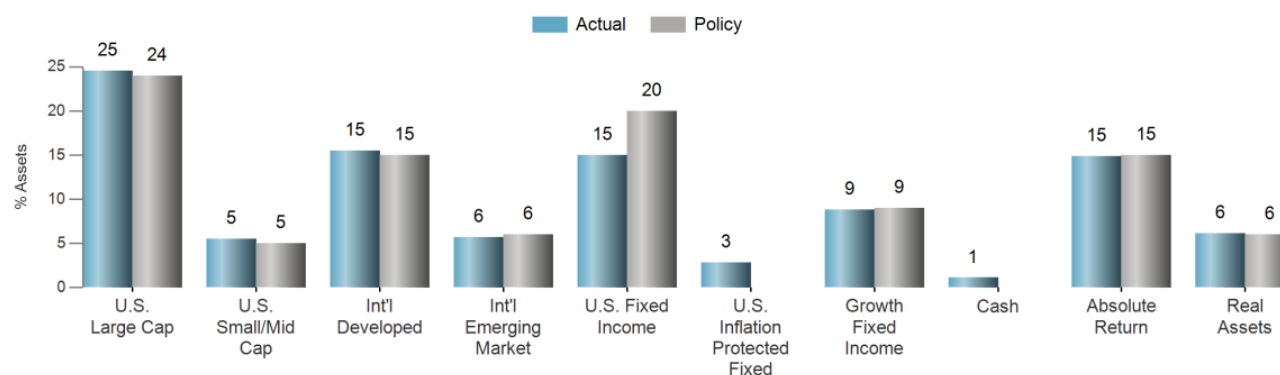
Growth Portfolio

Actual vs. Policy Asset Allocation as of 12/31/2023



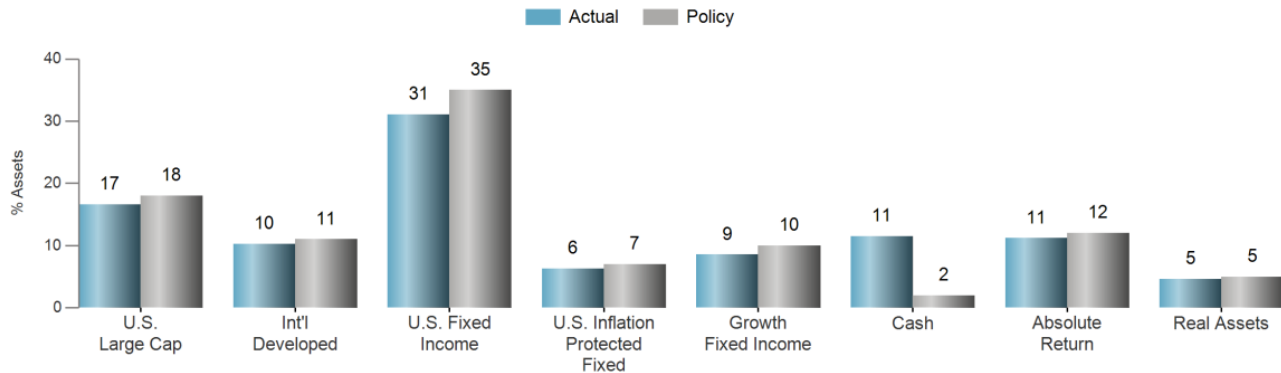
Moderate Allocation

Actual vs. Policy Asset Allocation as of 12/31/2023



Conservative

Actual vs. Policy Asset Allocation as of 12/31/2023



Percentages may not add to 100% due to rounding.

Market Recap

- Global equity markets performed strongly during the fourth quarter, largely driven by a sharp decrease in longer-term rates following the Fed's more dovish than expected statement in December. This led the market to price in significant rate cuts in 2024. Volatility remained subdued and declined during the quarter as asset classes rallied across the board.
- US economic growth proved remarkably resilient in 2023 and investors are now hoping that easier monetary policy will continue to serve as a tailwind in 2024, offsetting less expansionary fiscal policy and potentially lower consumer spending. We expect the US to avoid a hard landing, especially following the Fed's latest comments. Economic activity in the UK and Eurozone remained slow in Q4. China's economy continued to struggle and entered deflation in the fourth quarter but seemed to be touching its bottom with targeted stimulus measures to support the housing market.
- With rates ending the year in restrictive territory, central banks are now openly signaling an end to the hiking cycle. US inflation has fallen significantly. Headline CPI was 3.4% year-over-year through December, while core CPI came in at 3.9%, a two-year low. Inflation is expected to decline further as remaining inflationary components such as shelter roll over. Labor markets have shown signs of softening from tight levels, which should help inflation fall back to target. Markets have priced in several rate cuts in the US for the year, starting as early as March while the Federal Reserve's own rate projections indicate lower rates by the end of 2024. Other central banks, such as the European Central Bank and Bank of England, remain more cautious. The Bank of Japan, which had kept rates near all-time lows despite rising inflation, has entertained the possibility that it will not enter a hiking cycle.
- Our outlook for global equities has improved from a macro and policy standpoint but high US equity valuations remain a concern after strong quarterly returns. We believe the rally in Treasuries has brought yields out of the extremely attractive territory reached in September.

For the whole of 2023, US yields rose marginally. Geopolitical risks remained in the forefront as the Gaza and Ukraine conflicts continued and shipping in the Red Sea was temporarily disrupted in December due to missile attacks. While the initial market impacts have been limited, there is the risk of escalation with potential impacts on oil markets.

Outlook

- Over the coming months, stronger growth outside the US should lead to outperformance in equities as the global economy becomes less unbalanced. Further declines in inflation in developed economies should ease fears of extended high rates. A recovery in China, decent economic growth in emerging economies, and Japan should position for a global soft landing. While we do not anticipate a loosening in monetary policy in the near term, markets are implying US rate cuts in the second half of 2024. We are guarded on the outlook for inflation and believe downside risks remain. We continue to remain wary about equity valuations and corporate earnings forecasts, particularly given higher yields within defensive fixed income.

Public Equities

- We remain overweight equities. Return prospects are lower in the US, given rich valuations, elevated interest rates, and significant market concentration. Non-US equities provide reasonable valuations and solid return potential. Attractive valuations and the potential for monetary policy loosening drive our positive outlook for emerging markets. Emerging markets economic growth should be strong in 2024 driven by a rebound in China. While REITs recovered in Q4 2023, valuations are trading at a significant discount to private real estate and the broader equity market. Japan will likely continue to see strong earnings growth driven by higher nominal economic growth.

Sub-Investment Grade Fixed Income

- We favor emerging market debt over traditional U.S. high yield. We see frontier market debt and Asian high yield as providing differentiated return drivers and return enhancement. Investors that can allocate to relatively unconstrained strategies stand to benefit from opportunistic investing in these niche markets. We remain cautious regarding traditional high yield given relatively narrow credit spreads and rising default rates.

Defensive Fixed Income

- We remain neutral on defensive income. Ten-year Treasury yields fell from 4.6% to 3.9% in Q4, although remaining unchanged on the year. The decline in rates since October has returned them to a fair value range, although the market has now priced six rate cuts in 2024. The Fed's dot plot suggest only three cuts. Risks remain in credit as increased stress on corporate balance sheets could lead to spread widening.