North Lee Community Foundation
and
Keokuk Area Community Foundation

2022 Annual Update

Pilot Grove Savings Bank
INVESTMENT SERVICES

2022 Market Themes

- Global Conflict in Ukraine (commodity volatility)
- Post Covid – Economic Reopening (spike in inflation followed by rising interest rates)
- Value vastly outperformed Growth (+21.6% in Large Cap Equities)
- Worst bond returns in 100 years (-17% at peak drawdown)
- Dollar appreciated ~20% (international underperforms)
- Real Estate – National Home Price Growth Index: +7%
- Positive correlations emerged between non-correlated assets

NLCF 2022 Summary (1/1/2022 – 12/31/2022)

- Total Portfolio Value as of 12/31/22: **$4,055,057**

- Total Change in Value: **(-$937,706) (-19.79%)**
  - Custom Blended Benchmark: -16.13%
  - Custom Blended Benchmark is comprised of 60% Russell 3000, 20% Bloomberg US Aggregate Bond, 10% DJ Credit Suisse Hedge Fund Index, 8% MSCI US REIT, 2% Bloomberg US Treasury Short 1-3 months

- Portfolio Income: **$122,694**
  - $12,262 – Capital Gains
  - $110,432 – Dividends and Interest Income (2.72% yield)

- Fees Paid: **$24,757**

- Current Investment Allocation:

Asset Allocation	Current Weight	Target Weight	Ranges
Cash Equivaltents	6.0%	2%	0-5%
Fixed Income	30.0%	20%	15-30%
Equities	54.4%	60%	46-70%
Real Assets	9.6%	8%	2-15%
Alternative Investments	0.0%	10%	0-20%

NLCF Portfolio Summary

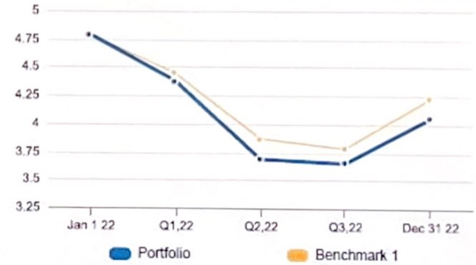
Portfolio Return

Period: 1/1/22-12/31/22

	SELECTED PERIOD ($)	LAST QTR ($)	YEAR TO DATE ($)	LAST YEAR ($)	SINCE START DATE ($) 11/18/19
Beginning Value	4,796,441	3,693,546	4,796,441	4,104,884	0
Net Contribution	196,323	87,621	196,323	27,588	3,703,574
Change in Value	-937,706	-123,946	-937,706	663,969	351,483
Ending Value	4,055,057	3,657,221	4,055,057	4,796,441	4,055,057
Return	-19.79%	-3.32%	-19.79%	16.23%	3.25%
Benchmark 1: North Lee Community Foundation Benchmark[61]					
	-16.13%	-4.64%	-16.13%	19.46%	5.15%

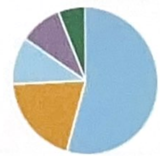
Period: 1/1/22-12/31/22

Portfolio Value (millions $) $4,055,057



Asset Type

As of: 12/31/22



ASSET TYPE	VALUE ($)	(%)
EQUITY	2,205,079	54.38
FIXED INCOME	796,368	19.64
PREFERRED STOCK	422,112	10.41
REAL ESTATE	387,796	9.56
CASH OR EQUIVALENTS	243,702	6.01
Total:	**$4,055,057**	**100%**

Asset Type

ASSET TYPE	SELECTED PERIOD (%)
EQUITY	-23.28
FIXED INCOME	-16.58
PREFERRED STOCK	-14.86
REAL ESTATE	-9.62

KACF 2022 Summary (2/1/2022 – 12/31/2022)

- Total Portfolio Value as of 12/31/22: **$868,731**

- Total Change in Value: **(-$106,637) (-12.76%)**
  - Custom Blended Benchmark: -11.06%
    - Custom Blended Benchmark is comprised of 60% Russell 3000, 20% Bloomberg US Aggregate Bond, 10% DJ Credit Suisse Hedge Fund Index, 8% MSCI US REIT, 2% Bloomberg US Treasury Short 1-3 months

- Portfolio Income: **$26,034**
  - $2,907 – Capital Gains
  - $23,127 – Dividends and Interest Income (2.36% yield) (2.83% Annualized)

- Fees Paid: **$4,719**

- Current Investment Allocation:

Asset Allocation	Current Weight	Target Weight	Ranges
Cash Equivaltents	1.8%	2%	0-5%
Fixed Income	31.1%	20%	15-30%
Equities	58.7%	60%	46-70%
Real Assets	8.4%	8%	2-15%
Alternative Investments	0.0%	10%	0-20%

KACF Portfolio Summary

Portfolio Return

Period: 2/1/22-12/31/22

	SELECTED PERIOD ($)	LAST QTR ($)	YEAR TO DATE ($)	LAST YEAR ($)	SINCE START DATE ($) 2/1/22
Beginning Value	0	664,640	0	–	0
Net Contribution	975,369	60,618	975,369	–	975,369
Change in Value	-106,637	-25,516	-106,637	0	-106,637
Ending Value	868,731	699,742	868,731	–	868,731
Return	-12.76%	-3.79%	-12.76%[6]	–[14]	-12.76%
Benchmark 1: North Lee Community Foundation Benchmark[61]	-11.06%	-4.89%	-11.06%[6]	–[14]	-11.06%

Portfolio Value (thousands $)

Period: 2/1/22-12/31/22

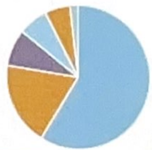
$868,731

Asset Type

ASSET TYPE	SELECTED PERIOD (%)
EQUITY	-14.31[6]
FIXED INCOME	-11.77[6]
REAL ESTATE	-2.89[6]
PREFERRED STOCK	-12.85[6]
BONDS	-1.42[6]

Asset Type

As of: 12/31/22



ASSET TYPE	VALUE ($)	(%)
EQUITY	509,958	58.70
FIXED INCOME	162,764	18.74
REAL ESTATE	72,642	8.36
PREFERRED STOCK	58,221	6.70
BONDS	49,291	5.67
OTHERS	15,855	1.83
Total:	$868,731	100%

Contributors / Detractors of Performance

Contributors:

- Energy
- US Real Estate

Detractors:

- Overweight Growth Stocks
- Preferred Securities
- General Interest Rate Volatility

Portfolio Adjustments

Reductions:

- Foreign Debt - Closed out (strengthening dollar)
- Alternative Debt – Swapped into other Fixed Income
- Real Estate – Trimmed positions

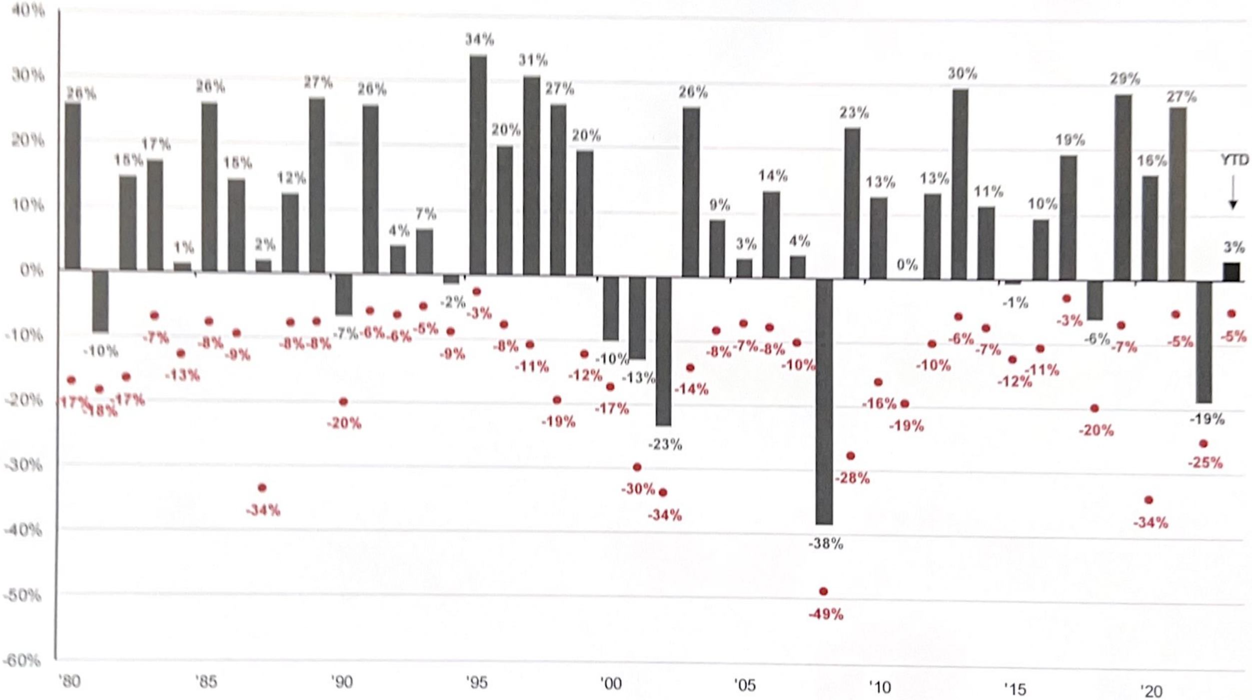
Additions:

- Added duration to core Fixed Income holdings
- Added Treasury debt
- Added to selective Fixed Income holdings – Preferred & Convertible debt

S&P 500 Returns

S&P intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.3%, annual returns were positive in 32 of 43 years

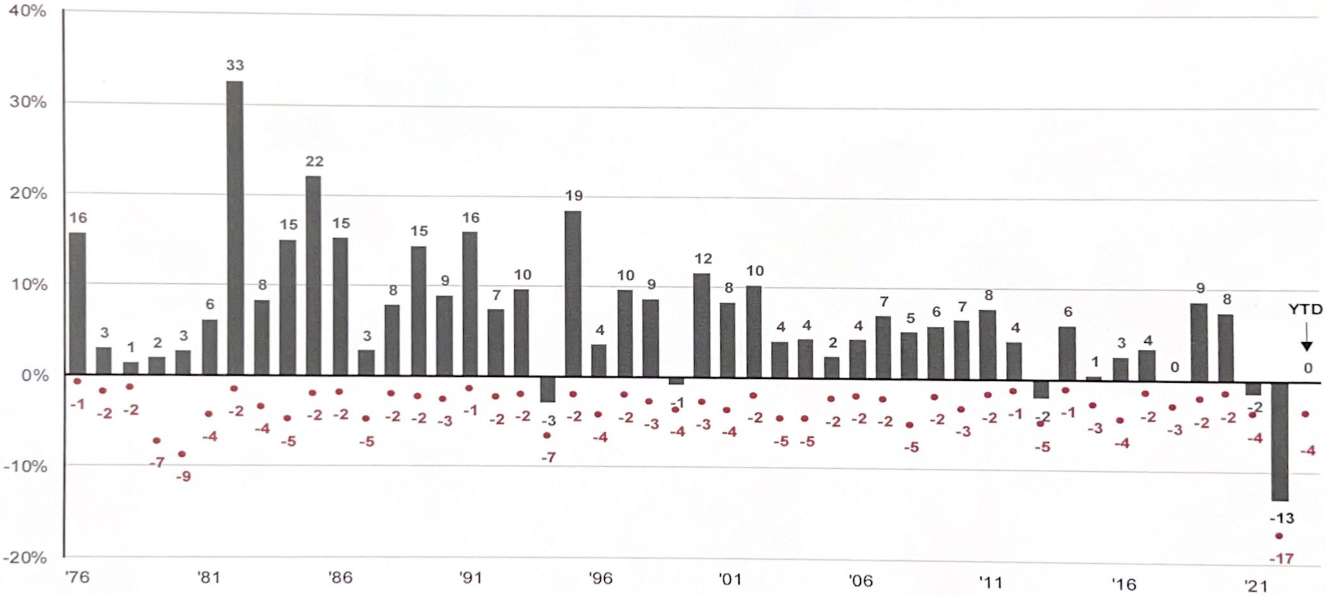


Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.
Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2022, over which time period the average annual return was 8.7%.
Guide to the Markets – U.S. Data are as of February 28, 2023.

Bloomberg U.S. Agg. annual returns and intra-year declines

Bloomberg U.S. Aggregate intra-year declines vs. calendar year returns

Despite average intra-year drops of 3.3%, annual returns positive in 42 of 47 years



Source: Bloomberg, FactSet, J.P. Morgan Asset Management.
Returns are based on total return. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1976 to 2022, over which time period the average annual return was 6.6%. Returns from 1976 to 1989 are calculated on a monthly basis; daily data are used afterwards.
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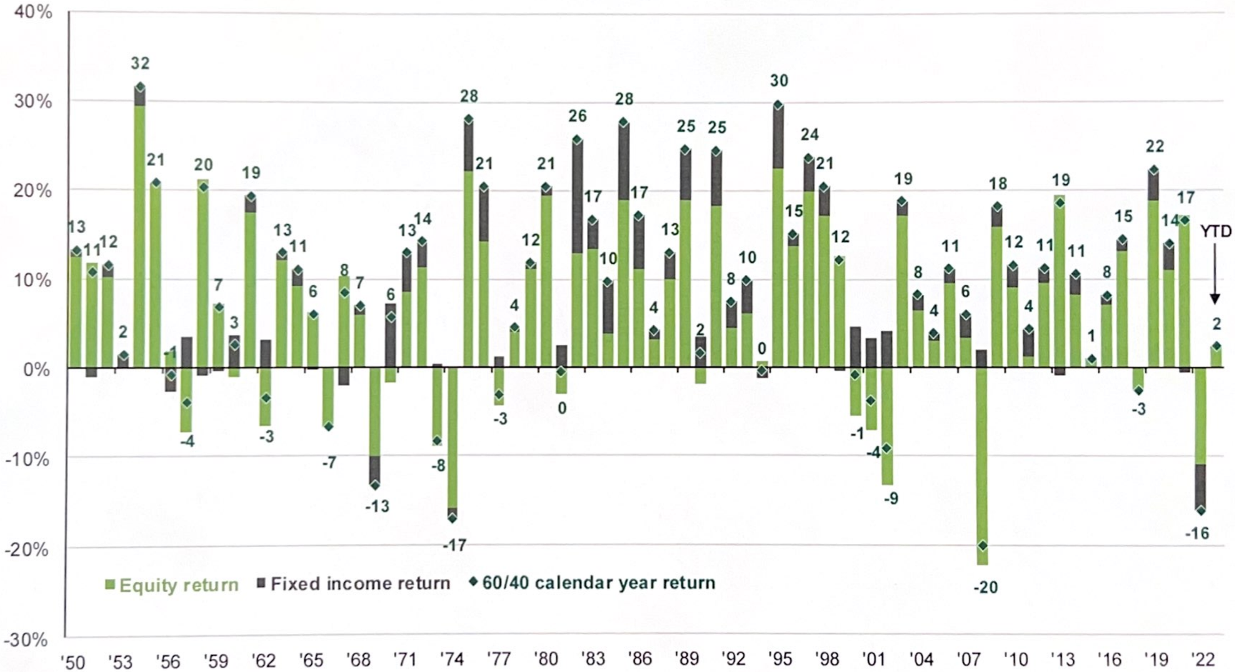
Historical 60/40 Portfolio Performance

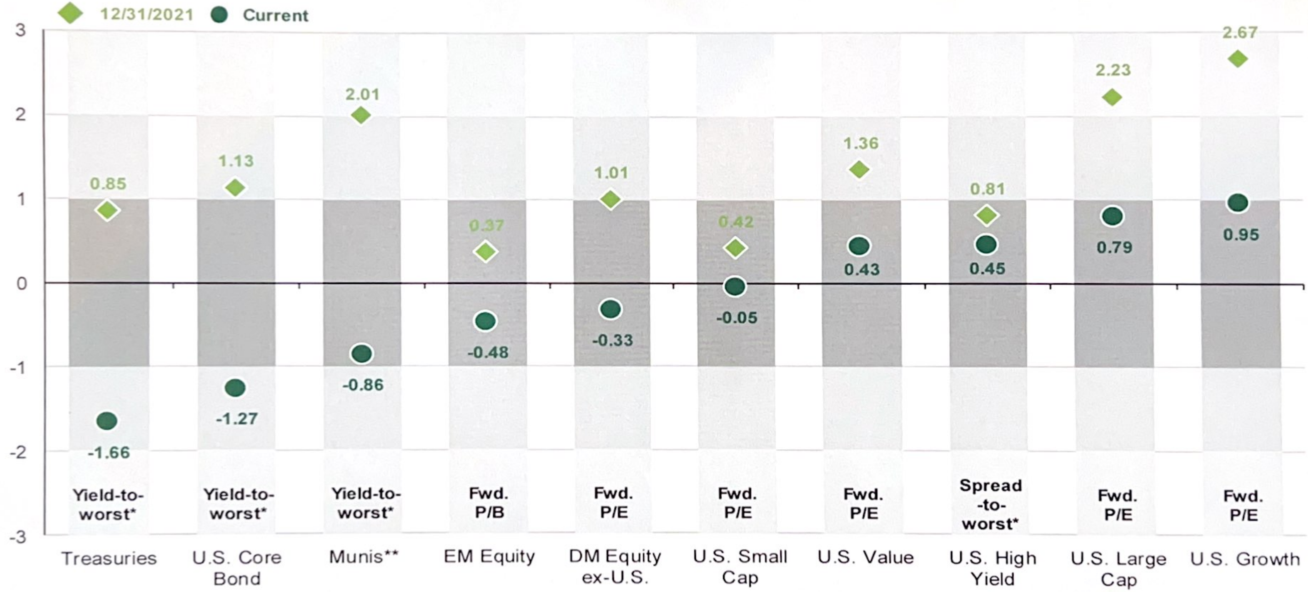
60/40 annual return decomposition
Total returns, 1950 – present



Source: FactSet, Standard & Poor's, Robert Shiller, Yale University, Bloomberg, Ibbotson/Strategas, J.P. Morgan Asset Management.
The 60/40 portfolio is 60% invested in S&P 500 Total Return Index and 40% invested in Bloomberg U.S. Aggregate Total Return Index. S&P 500 returns from 1950 – 1970 are estimated using the Shiller S&P Composite. U.S. fixed income total returns from 1950 – 1975 are estimated using data from Strategas/Ibbotson. The portfolio is rebalanced annually.
Guide to the Markets – U.S. Data are as of February 28, 2023.

Valuations Monitor

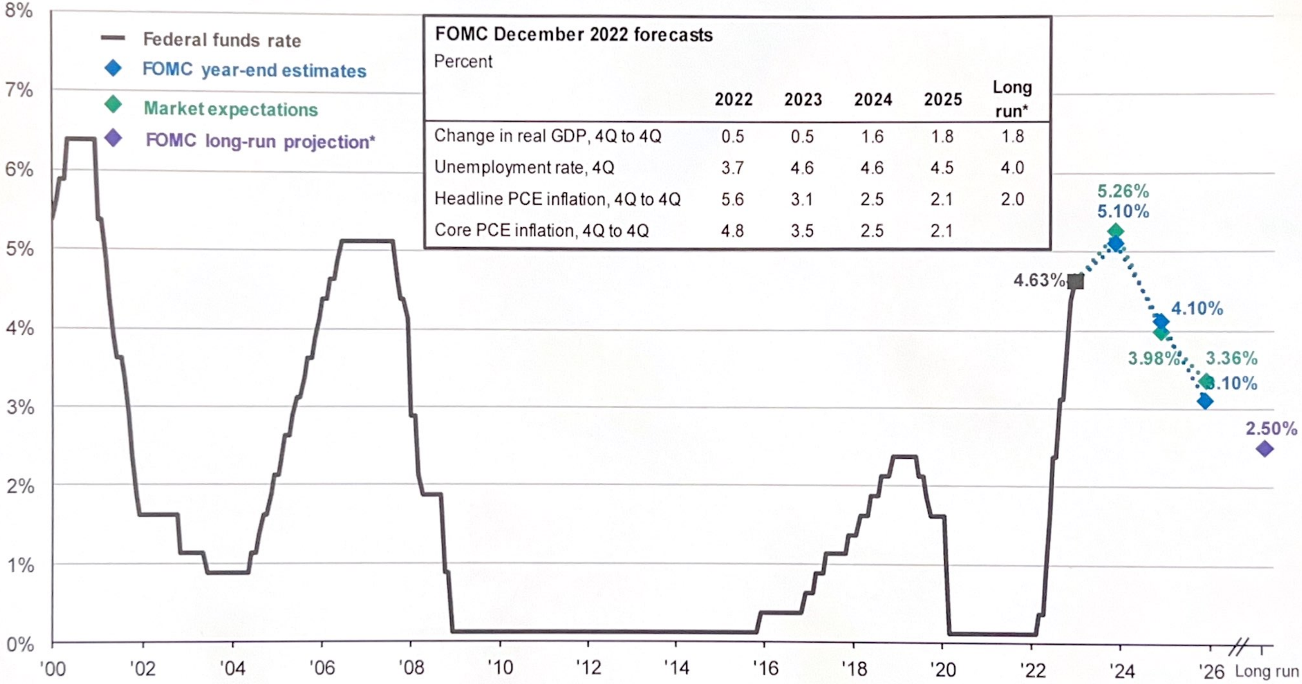
Asset class valuations
Z-scores based on 20-year average valuation measures



Source: Bloomberg, BLS, CME, FactSet, MSCI, Russell, Standard & Poor's, J.P. Morgan Asset Management.
U.S. Large Cap: S&P 500, U.S. Small Cap: Russell 2000, U.S. Mid Cap: Russell Midcap; EM Equity: MSCI EME, DM Equity: MSCI EAFE, U.S. Value: Russell 1000 Value, U.S. Growth: Russell 1000 Growth, U.S. High Yield: J.P. Morgan Domestic High Yield Index, U.S. Core Bond: Bloomberg US Aggregate, Treasuries: Bloomberg U.S. Aggregate Government – Treasury, Munis: Bloomberg Municipal Bond. *Yield-to-worst and spread-to-worst are inversely related to fixed income prices. **Munis yield-to-worst is based on the tax-equivalent yield-to-worst assuming a top-income tax bracket rate of 37% plus a Medicare tax rate of 3.8%.
Guide *to the Markets – U.S.* Data are as of February 28, 2023.

Fed Funds Rate Expectations

FOMC and market expectations for the federal funds rate



FOMC December 2022 forecasts

Percent

	2022	2023	2024	2025	Long run*
Change in real GDP, 4Q to 4Q	0.5	0.5	1.6	1.8	1.8
Unemployment rate, 4Q	3.7	4.6	4.6	4.5	4.0
Headline PCE inflation, 4Q to 4Q	5.6	3.1	2.5	2.1	2.0
Core PCE inflation, 4Q to 4Q	4.8	3.5	2.5	2.1	

Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management.
Market expectations are based off of the respective Federal Funds Futures contracts for December expiry. *Long-run projections are the rates of growth, unemployment and inflation to which a policymaker expects the economy to converge over the next five to six years in absence of further shocks and under appropriate monetary policy. Forecasts are not a reliable indicator of future performance. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated.
Guide to the Markets – U.S. Data are as of February 28, 2023.

Yield Curve

Source: FactSet, Federal Reserve, J.P. Morgan Asset Management.
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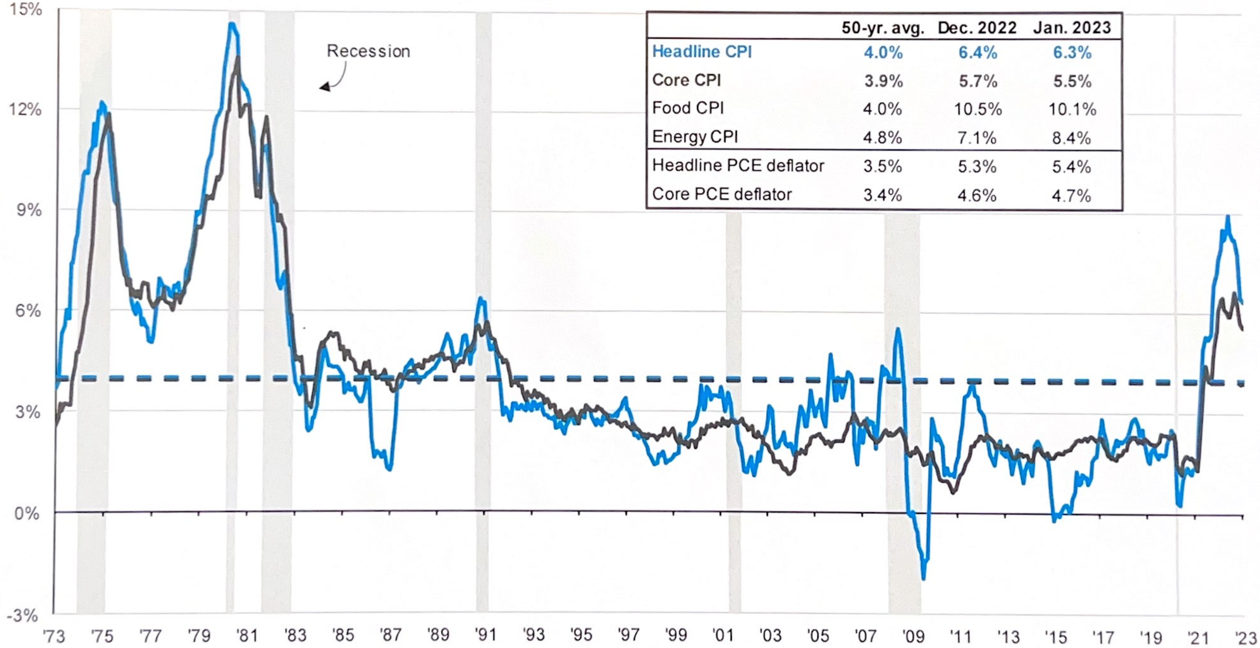
Inflation

CPI and core CPI

% change vs. prior year, seasonally adjusted



	50-yr. avg.	Dec. 2022	Jan. 2023
Headline CPI	4.0%	6.4%	6.3%
Core CPI	3.9%	5.7%	5.5%
Food CPI	4.0%	10.5%	10.1%
Energy CPI	4.8%	7.1%	8.4%
Headline PCE deflator	3.5%	5.3%	5.4%
Core PCE deflator	3.4%	4.6%	4.7%

Source: BLS, FactSet, J.P. Morgan Asset Management.
CPI used is CPI-U and values shown are % change vs. one year ago. Core CPI is defined as CPI excluding food and energy prices. The Personal Consumption Expenditure (PCE) deflator employs an evolving chain-weighted basket of consumer expenditures instead of the fixed-weight basket used in CPI calculations.
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2023 Outlook

- Economy
  - Continuing to slow, recession likely late 2023 or early 2024
- Inflation
  - Falling from current level of 6.4% to 2-3% by end of 2023
- Fed Funds Rate
  - Additional rate hikes coming until a midyear pause, followed by rate reductions late in 2023 or early 2024
- Equities
  - Expect markets to see-saw with inconsistent economic data. When a Fed pivots on rates, markets will begin to expand
- Fixed Income
  - A great setup year for fixed income to outperform – expect double digit returns

Portfolio Positioning

- Cash:
  - Maintain modest cash position, but look for opportunities to be fully invested
- Fixed Income:
  - Max allocation to Fixed Income – some of the best markets we've seen for decades
- Equities:
  - Keep a balance of both value and growth
  - Overweight Large Cap
- Real Estate:
  - Neutral
- Alternatives:
  - Continue to evaluate for accretive and diversifying strategies

Pilot Grove Savings Bank

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