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Austin Community Foundation Year-End 2024  
Update & 2025 Outlook

February 2025



**Austin Community**

FOUNDATION

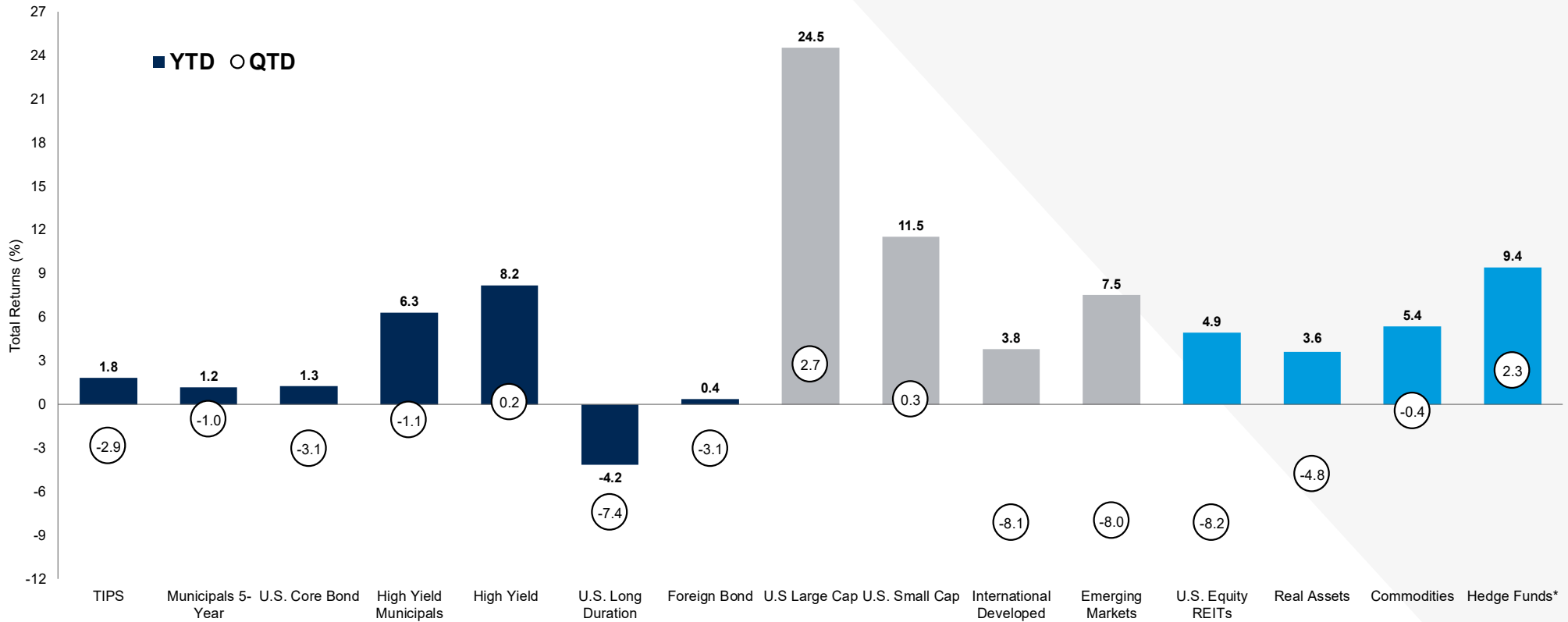


## Disclosure

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# 2024 Market Recap



Source: Morningstar Direct. As of December 31, 2024. \*Hedge fund returns as of November 30, 2024.

## Fixed Income (4Q 2024)

- Fixed income markets broadly struggled, even as the Federal Reserve cut its target rate by another 50 bps during the quarter. A resilient economy and concerns surrounding persistent inflation pushed interest rates higher.

+ High yield eked out a modest gain in the quarter and was a standout for the year. Spreads compressed modestly in the quarter as fundamentals remain solid and the asset class continues to have strong demand.

- Long duration assets struggled with the move higher in rates.

## Equity (4Q 2024)

+ U.S. equities ended the year with modest positive returns in the fourth quarter despite elevated volatility. Mega cap names concentrated at the top of the market continue to dominate the asset class.

- International developed markets took a large step back in the quarter amid signs of economic weakness, geopolitical uncertainty and concerns over potential tariffs by the upcoming administration in Washington.

- Emerging markets struggled as well in the face of potential tariffs from the U.S. and weaker currencies.

## Real Asset / Alternatives (4Q 2024)

- Rising interest rates were a large headwind for REITs in the fourth quarter.

- Rising energy prices were not enough to offset weakness in metals and agriculture and commodities were modestly negative in the quarter.

+ Hedge funds (reported as of November) had a strong two months to start the quarter. Heightened market volatility provided a boost to the space, offering favorable trading opportunities throughout the period.

See disclosures for list of indices representing each asset class. Past performance does not indicate future performance and there is a possibility of a loss. Indices cannot be invested in directly.



# Market Themes

## The Impact from Concentration

As market concentration has grown, so have the risks associated with it. If the top-10 stocks experience a flat return and the remainder of constituents achieve a more typical long-term return of 7%, the overall index would return less than 5%. The “law of large numbers” comes into play as the mega cap companies try to maintain growth metrics to support price and valuations but, if history rhymes, many may find it hard to sustain these levels in the future.

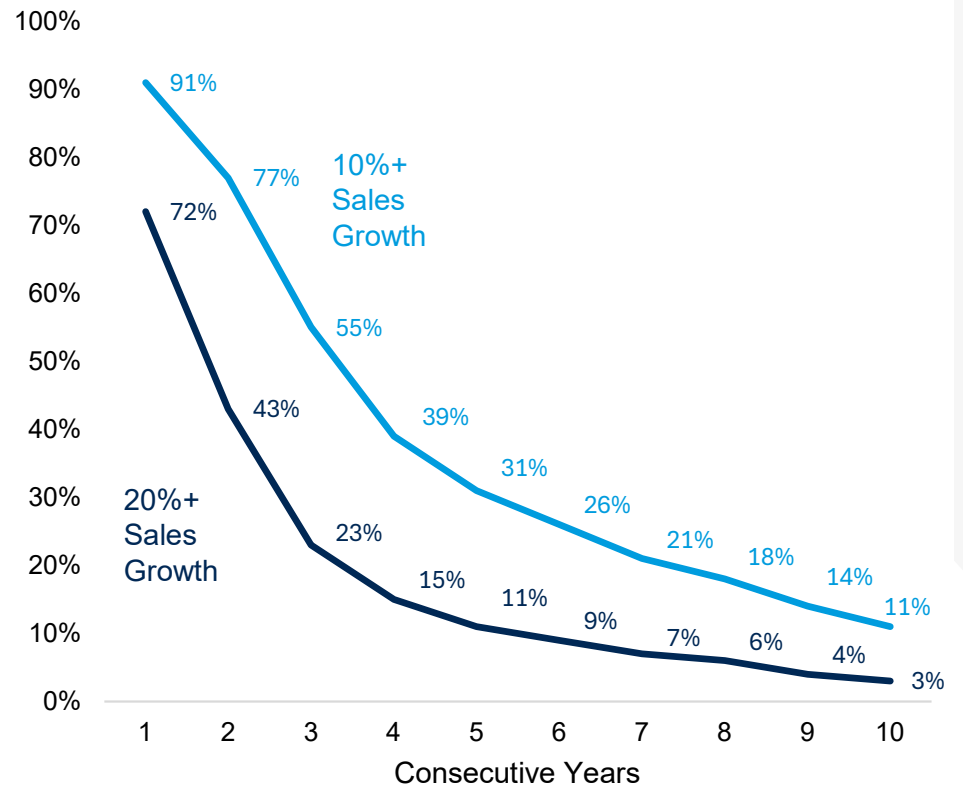
		Flat Top 10	Top 10	Top 5	Top 3
<b>Top X Return</b>		0%	-13%	-19%	-28%
<b>Remainder Return</b>		7%	7%	7%	7%
	<b>Weighted Return</b>	<b>4.5%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
Name	Weight (%)				
NVIDIA CORP	7.2%	0%	-13%	-19%	-28%
APPLE INC	6.7%	0%	-13%	-19%	-28%
MICROSOFT CORP	6.2%	0%	-13%	-19%	-28%
AMAZON COM INC	3.9%	0%	-13%	-19%	7%
META PLATFORMS INC CLASS A	2.5%	0%	-13%	-19%	7%
ALPHABET INC CLASS A	2.1%	0%	-13%	7%	7%
TESLA INC	1.8%	0%	-13%	7%	7%
ALPHABET INC CLASS C	1.7%	0%	-13%	7%	7%
BERKSHIRE HATHAWAY INC CLASS B	1.7%	0%	-13%	7%	7%
BROADCOM INC	1.6%	0%	-13%	7%	7%
JPMORGAN CHASE & CO	1.3%	7%	7%	7%	7%
ELI LILLY	1.3%	7%	7%	7%	7%
UNITEDHEALTH GROUP INC	1.1%	7%	7%	7%	7%
REMAINING CONSTITUENTS	60.9%	7%	7%	7%	7%

For illustrative purposes only. Source: FactSet as of October 31, 2024.

## Can the Party Keep Going?

Large-cap U.S. equities had another banner year as the S&P 500 returned over 25%. Valuation and concentration have increased within the index as the “Mag 7” accounted for over 50% of the Index’s return in 2024<sup>1</sup>. Historically it has been extremely difficult for companies to sustain high levels of growth for consecutive years and a reversion of these darling stocks may lead to higher volatility and offer opportunities in other areas of the market.

## Share of Individual S&P 500 Companies with Sustained High Sales Growth (1985-Present)



Sources: Goldman Sachs as of October 18, 2024.

1) Morningstar as of December 31, 2024.

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# Market Themes

## Stubborn Inflation and Potential for Reignition?

Substantial progress has been made on the inflation front, but levels remain stubbornly above the Fed's 2% target, now sitting at 2.7%<sup>1</sup>. Technological and productivity advancements help price stability, but a host of other factors are increasing the risks of inflation potentially reigniting. Shifting expectations away from an easing Fed or moderating inflation may impact price and volatility and warrants monitoring.

### Inflationary

- Deglobalization/ onshoring
- Political factors (e.g., potential tariffs, immigration policy, etc.)
- Growing deficits
- Money supply
- Decarbonization

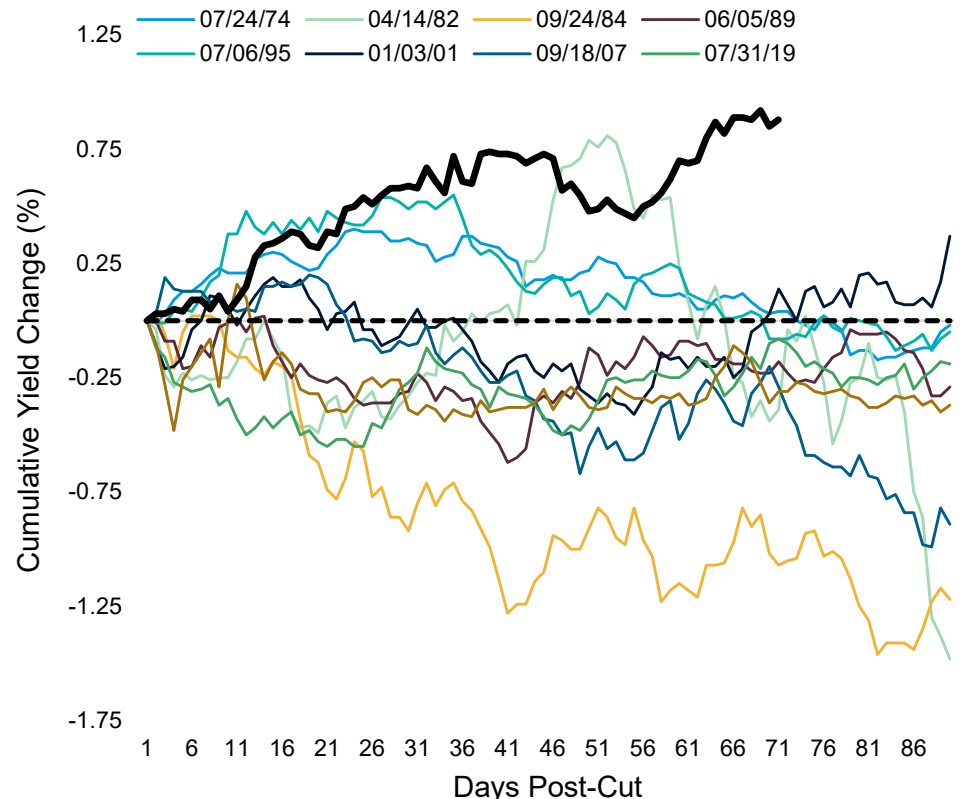
### Disinflationary

- Slowing population growth
- Technology
- AI productivity enhancement

## Rates Cut, Markets Split

After the Fed's first rate cut of the year, the 10-year U.S. Treasury yield soared by over 75 basis points—a rare event not seen since 1982. This unexpected reaction could indicate resistance from the bond market, fueled by increased concerns of more persistent inflation and uncertainty around the impact of potential policy changes regarding tariffs and immigration, high deficits, and deglobalization.

### Cumulative Change of 10-Year U.S. Treasury Yield 90 Trading Days After First Fed Cut



Source: FactSet. As of December 31, 2024.

1) FactSet, Bureau of Labor Statistics. As of November 30, 2024.



## Austin Community Foundation: Performance Review – Long-Term Active

Performance Ending 12/31/24 (Net of Fees)	Q4 2024	Calendar 2024	Last 3 Years	Last 5 Years	Last 7 Years
Long-Term Active Investment Pool	-1.8%	10.6%	2.8%	7.5%	6.9%
Long-Term Active Investment Pool Custom Benchmark	-1.8%	10.4%	2.7%	6.5%	6.3%

*Please reference the disclosures at the end of this presentation for additional information related to the material presented.*



# Austin Community Foundation: Portfolio Snapshot

## Long-Term Active

<i>Asset Classes</i>	<i>Total Current Allocation</i>	<i>Strategic Target Allocation</i>	<i>Over/Under Weight Strategic Target</i>
Cash	1.7%	2.0%	-0.3%
TIPS	1.0%	1.0%	0.0%
Broad Domestic Bonds	11.0%	11.0%	0.0%
Dynamic Bonds	4.1%	4.0%	0.1%
Global Bonds	1.0%	1.0%	0.0%
High Yield Bonds	1.0%	1.0%	0.0%
<i>Global Fixed Income &amp; Cash Total</i>	<i>19.8%</i>	<i>20.0%</i>	<i>-0.2%</i>
Large-Cap U.S. Equity	25.4%	22.0%	3.4%
Mid-Cap U.S. Equity	7.7%	7.0%	0.7%
Small-Cap U.S. Equity	4.5%	4.0%	0.5%
International Equity	14.9%	14.0%	0.9%
Emerging Markets Equity	6.2%	6.0%	0.2%
US REITs	3.0%	3.0%	0.0%
<i>Global Equities (Public) Total</i>	<i>61.8%</i>	<i>56.0%</i>	<i>5.8%</i>
Broad Real Assets	3.9%	4.0%	-0.1%
<i>Real Assets Total</i>	<i>3.9%</i>	<i>4.0%</i>	<i>-0.1%</i>
Direct Hedge Funds	10.6%	10.0%	0.6%
Private Debt*	0.3%	1.0%	-0.7%
Private Equity**	3.6%	9.0%	-5.4%
<i>Alternatives Total</i>	<i>14.5%</i>	<i>20.0%</i>	<i>-5.5%</i>
<b>Total Assets</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>

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## Austin Community Foundation: Performance Review – Long-Term Passive

<b>Performance Ending 12/31/24 (Net of Fees)</b>	<b>Q4 2024</b>	<b>Calendar 2024</b>	<b>Last 3 Years</b>	<b>Last 5 Years</b>	<b>Since Inception (2/1/17)</b>
Long-Term Passive Investment Pool	-2.2%	11.7%	2.6%	7.1%	7.9%
Long-Term Passive Investment Pool Custom Benchmark	-2.2%	12.2%	2.8%	7.0%	8.1%

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## Austin Community Foundation: Portfolio Snapshot Long-Term Passive

<i>Asset Classes</i>	<i>Total Current Allocation</i>	<i>Strategic Target Allocation</i>	<i>Over/Under Weight Strategic Target</i>
<b>Cash</b>	<b>2.7%</b>	<b>2.0%</b>	<b>0.7%</b>
<b>TIPS</b>	<b>1.0%</b>	<b>1.0%</b>	<b>0.0%</b>
<b>Broad Domestic Bonds</b>	<b>15.9%</b>	<b>16.0%</b>	<b>-0.1%</b>
<b>High Yield Bonds</b>	<b>1.0%</b>	<b>1.0%</b>	<b>0.0%</b>
<b><i>Global Fixed Income &amp; Cash Total</i></b>	<b><i>20.6%</i></b>	<b><i>20.0%</i></b>	<b><i>0.6%</i></b>
<b>Large-Cap U.S. Equity</b>	<b>30.8%</b>	<b>31.0%</b>	<b>-0.2%</b>
<b>Mid-Cap U.S. Equity</b>	<b>8.9%</b>	<b>9.0%</b>	<b>-0.1%</b>
<b>Small-Cap U.S. Equity</b>	<b>6.0%</b>	<b>6.0%</b>	<b>0.0%</b>
<b>Developed International Equity</b>	<b>19.8%</b>	<b>20.0%</b>	<b>-0.2%</b>
<b>Emerging Market Equity</b>	<b>8.8%</b>	<b>9.0%</b>	<b>-0.2%</b>
<b>US REITs</b>	<b>5.1%</b>	<b>5.0%</b>	<b>0.1%</b>
<b><i>Global Equities Total</i></b>	<b><i>79.4%</i></b>	<b><i>80.0%</i></b>	<b><i>-0.6%</i></b>
<b>Total Assets</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>

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## Austin Community Foundation: Performance Review – Mid-Term Active

<b>Performance Ending 12/31/24 (Net of Fees)</b>	<b>Q4 2024</b>	<b>Calendar 2024</b>	<b>Last 3 Years</b>	<b>Last 5 Years</b>	<b>Since Inception (9/1/18)</b>
Mid-Term Active Investment Pool	-2.5%	9.0%	2.4%	6.4%	6.6%
Mid-Term Active Investment Pool Custom Benchmark	-2.5%	9.2%	1.6%	5.4%	5.9%

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## Austin Community Foundation: Portfolio Snapshot Mid-Term Active

<i>Asset Classes</i>	<i>Total Current Allocation</i>	<i>Strategic Target Allocation</i>	<i>Over/Under Weight Strategic Target</i>
Cash	2.2%	2.0%	0.2%
TIPS	1.1%	1.0%	0.1%
Broad Domestic Bonds	24.9%	25.0%	-0.1%
Dynamic Bonds	8.1%	8.0%	0.1%
Global Bonds	1.9%	2.0%	-0.1%
High Yield Bonds	2.0%	2.0%	0.0%
<i>Global Fixed Income &amp; Cash Total</i>	<i>40.1%</i>	<i>40.0%</i>	<i>0.1%</i>
Large-Cap U.S. Equity	21.7%	21.0%	0.7%
Mid-Cap U.S. Equity	9.1%	7.0%	2.1%
Small-Cap U.S. Equity	2.1%	4.0%	-1.9%
Developed International Equity	12.5%	13.0%	-0.5%
Emerging Market Equity	5.8%	6.0%	-0.2%
Broad Real Assets	4.8%	5.0%	-0.2%
US REITs	3.8%	4.0%	-0.2%
<i>Global Equities Total</i>	<i>59.9%</i>	<i>60.0%</i>	<i>-0.1%</i>
<b>Total Assets</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>

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## Austin Community Foundation: Performance Review – Mid-Term Passive

<b>Performance Ending 12/31/24 (Net of Fees)</b>	<b>Q4 2024</b>	<b>Calendar 2024</b>	<b>Last 3 Years</b>	<b>Last 5 Years</b>	<b>Since Inception (1/1/17)</b>
Mid-Term Passive Investment Pool	-2.3%	9.6%	2.6%	6.2%	7.0%
Mid-Term Passive Investment Pool Custom Benchmark	-2.3%	9.5%	1.8%	5.5%	6.7%

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## Austin Community Foundation: Portfolio Snapshot Mid-Term Passive

<i>Asset Classes</i>	<i>Total Current Allocation</i>	<i>Strategic Target Allocation</i>	<i>Over/Under Weight Strategic Target</i>
<b>Cash</b>	<b>2.4%</b>	<b>2.0%</b>	<b>0.4%</b>
<b>TIPS</b>	<b>2.1%</b>	<b>2.0%</b>	<b>0.1%</b>
<b>Broad Domestic Bonds</b>	<b>32.8%</b>	<b>33.0%</b>	<b>-0.2%</b>
<b>High Yield Bonds</b>	<b>3.0%</b>	<b>3.0%</b>	<b>0.0%</b>
<b><i>Global Fixed Income &amp; Cash Total</i></b>	<b><i>40.4%</i></b>	<b><i>40.0%</i></b>	<b><i>0.4%</i></b>
<b>Large-Cap U.S. Equity</b>	<b>23.0%</b>	<b>23.0%</b>	<b>0.0%</b>
<b>Mid-Cap U.S. Equity</b>	<b>6.9%</b>	<b>7.0%</b>	<b>-0.1%</b>
<b>Small-Cap U.S. Equity</b>	<b>4.0%</b>	<b>4.0%</b>	<b>0.0%</b>
<b>Developed International Equity</b>	<b>14.8%</b>	<b>15.0%</b>	<b>-0.2%</b>
<b>Emerging Market Equity</b>	<b>6.9%</b>	<b>7.0%</b>	<b>-0.1%</b>
<b>US REITs</b>	<b>4.0%</b>	<b>4.0%</b>	<b>0.0%</b>
<b><i>Global Equities Total</i></b>	<b><i>59.6%</i></b>	<b><i>60.0%</i></b>	<b><i>-0.4%</i></b>
<b>Total Assets</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>

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Y / Y  
Change

# 2025 Allocation Updates

	Y / Y Change
Fixed Income	U.S. Bonds ▼
	TIPS ▲
	Dynamic Bonds ▲
	High Yield Bonds --
	Global Bonds ▼▼
	Muni Bond ▼
	Muni High Yield --
Global Equity	U.S. Large Cap ▼
	U.S. Mid/Small Cap --
	Int'l Developed Equity ▲
	Emerging Markets ▲
Real Assets & Alternatives	Real Estate ▼
	Broad Real Assets ▲
	Alternatives ▲

*Rising inflation risk leads us to increase our allocation to dynamic bonds and TIPS while eliminating global bonds*

*Modestly increased assets outside of U.S. equity to help mitigate concentration risk and skewed relative valuations.*

*Alternatives may offer a compelling opportunity to enhance portfolio resilience and adapt to the shifting landscape.*



# Overall Posture

## Not Time to Reach

- Few fat pitches
- Relative risk influenced by exogenous factors
- Absolute risk less attractive on full valuations

## Allocation Balance

- Confirm risk aligned with ability

## Inflation Repeat

- Fundamental factors pushing risk of inflation acceleration up
- Geopolitical and political factor uncertainty

## Portfolios

- Prioritize durable return
- Be mindful of inflation upside in allocations
- Lean on Alpha



# DISCLOSURES

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When referencing asset class returns or statistics, the following indices are used to represent those asset classes. Each index is unmanaged and investors can not actually invest directly into an index: Cash - Citigroup 90 Day T-Bill; TIPS - Barclays US Treasury TIPS; Aggregate Bond - Barclays US Aggregate Bond Index; High Yield - Barclays US Corporate High Yield; Foreign Bond - Barclays Global Aggregate Ex USD; Emerging Debt - JPMorgan GBI-EM Global Diversified Unhedged Index; Large Value - Russell 1000 Value; Large Blend - S&P 500; Large Growth - Russell 1000 Growth; Small Value - Russell 2000 Value; Small Blend - Russell 2000; Small Growth - Russell 2000 Growth; International - MSCI EAFE; Emerging Markets - MSCI EM; REITs - FTSE NAREIT Equity REITs; Commodities - Bloomberg Commodity Index; MLP - Alerian MLP; Hedge Funds - HFRI Fund of Funds Composite Index; Balanced - 5% Barclays US Treasury TIPS, 10% Barclays US Aggregate Bond Index, 4.5% Barclays Global Aggregate Ex USD, 4.5% Barclays Global Aggregate Ex USD (Hedged), 9% Barclays US Corporate High Yield, 2% JPMorgan GBI-EM Global Diversified Unhedged Index, 16% S&P 500, 5% Russell 2000, 12% MSCI EAFE, 7% MSCI EM, 5% FTSE NAREIT Equity REITs, 5% Bloomberg Commodity Index, 5% Alerian MLP, 10% HFRI Fund of Funds Composite Index