FOUNDATION FOR THE CAROLINAS

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Dear Friends:

At first glance, the markets appear to have continued the momentum from a fed-induced rally to end 2023 with a strong first quarter that saw double digit performance from the S&P 500. However, under the hood, there are some important dichotomies between the drivers of performance to start the new year and what happened to close last year.

The rally at the end of last year was propelled by dovish comments from Federal Reserve Chair Jerome Powell describing a peak in this rate cycle and openly discussing projections for multiple rate cuts in 2024. To start 2024, we have seen technology and growth continue to lead, but we have also seen the Magnificent Seven lose some steam as Apple & Tesla both produced negative returns in the first three months of the year. The dispersion between Growth and Value was more than 30% in 2023 (42.7% vs. 11.5%), but Energy was the top performing sector in the first quarter, and Value only lags Growth by 2.5%.

The economy continues to show incredible resilience and strength at a time when many expected the above 5% Federal Funds rate would start to weight on results. The economy gained an average of 276,000 jobs per month in Q1 2024 and the unemployment rate remains near 50-year lows at 3.8%. The culprit for the rapid increase in rates over the last two years, inflation, is still stubbornly above the 2% target. Market participants are less confident in the multiple rate cuts and the soft landing than they were to start the year, which is reflected in the 10-year yield climbing from 3.8% to 4.2% at the end of March.

The broadening out of the market to start the year has been friendly to our portfolios and is a welcome sight for diversified investors. The expectations for interest rate policy in 2024 have adjusted substantially in a few short months, which may create additional volatility into the summer.

Below is a summary of the major market indices for the first quarter of 2024 and 2023:

Market Index	QTD 2024	2023
S&P 500	10.6%	26.3%
MSCI EAFE	5.8%	18.2%
MSCI Emerging Markets	2.4%	9.8%
Bloomberg Barclays U.S. Aggregate Bond	-0.8%	5.5%
Blomberg Commodity Index	2.2%	-7.9%

A typical endowment with Foundation For The Carolinas was up 4.7% for the quarter and up 12.0% for the one-year period – compared to benchmark returns of 4.4% and 12.4%, respectively.

Sincerely,

Natalie Wolf

Natalie Wolf, CIMA®, Director of Investments