

Reaching Current Funding Goals During COVID-19 “How Planned Gifts Can Help”

Prepared for: ABACC



Cornerstone Management Inc.



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Higher Education:

- COVID-19 Containment Measures have been challenging for all higher education models, but in many ways Christian Higher Education has an edge:
 - A standard “in person” model
 - A focus on spiritual engagement
 - A missional donor base

The Environment:

- Real Estate Boom
 - RE Prices have been rising quickly around the country
- Equity Rally
 - Various stocks have experienced significant rallies resulting in significant unrealized capital gains
- Tax Law Change
 - RMD/QCD back on in 2021
 - Possible additional tax law changes
- COVID-19
 - Donor's see the need

Leveraging your existing “assets” during COVID:

- Many higher Ed institutions have some exposure to non- cash gifts
- Many higher Ed institutions have an endowment
- Many higher Ed institutions have a planned gift/deferred gift team
- All higher Ed institutions have a finance department!

Leveraging your existing “assets” during COVID:

- Non-Cash Gifts:
 - QCD is back
 - Equity price appreciation
 - Real estate opportunities
 - Commodity/Precious metals price boom
 - Crypto-Currency

Leveraging your existing “assets” during COVID:

- Leveraging the Endowment:
 - Spending Policy Checkin
 - Strategic Asset Allocation
 - Cash Drag
 - Alts & Liquidity

Leveraging your existing “assets” during COVID:

- Leveraging the deferred/planned gift – major donor team:
 - Making the “ask”– Selling in a not for profit context
 - Looking for opportunity
 - Tax Law Change
 - Asset Appreciation
 - Interest Rate/Yield structure
 - Creative Options with Finance
 - PIF
 - Annuity (Severance)
 - CLAT
 - DAF

Leveraging your existing “assets” during COVID:

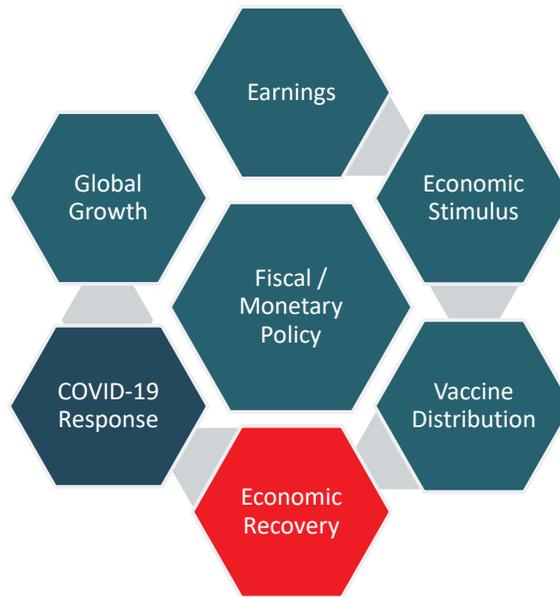
- Leveraging the Finance Department:

- Enhanced Cash
- Credit Line Opportunity
- Pledged Asset Accounts
- Creative options with planned gift team

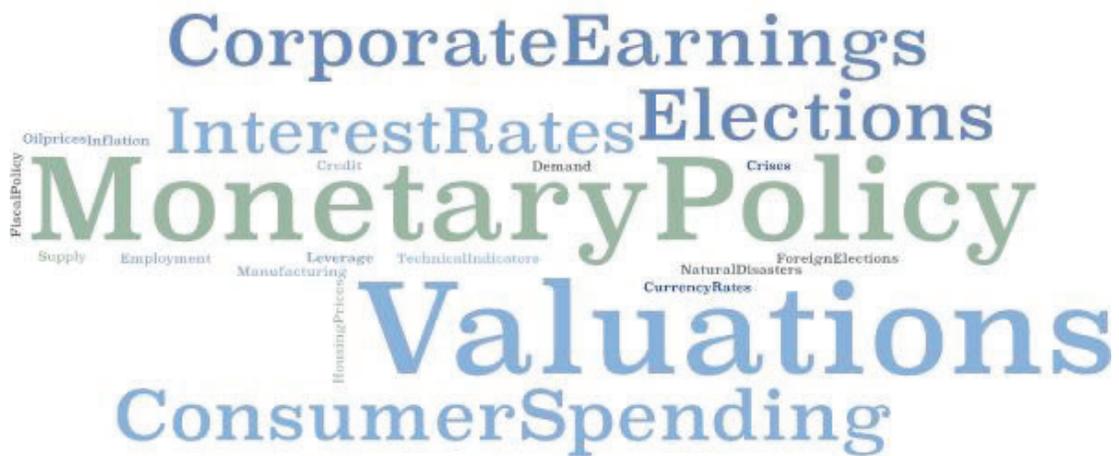
Q4 2020 Market Update

State of the Markets											
As of 12-31-2020											
Major Category	Specific Category	Previous Month	Q4 2020	Q3 2020	Q2 2020	Q1 2020	YTD	3 Years	5 Years	10 Years	10 Year Volatility
Global Financial Markets	Global Stocks	4.6%	14.7%	8.1%	19.2%	-21.4%	16.3%	10.1%	12.3%	9.1%	14.1%
	Global Bonds	1.3%	3.3%	2.7%	3.3%	-0.3%	9.2%	4.9%	4.8%	2.8%	4.4%
Commodities	Commodities	5.0%	10.2%	9.1%	5.1%	-23.4%	-3.1%	-2.5%	1.0%	-6.5%	13.7%
	Oil (WTI)	6.3%	16.1%	1.7%	-17.5%	-66.8%	-67.7%	-30.1%	-17.8%	-20.1%	39.0%
Currency (USD)	Gold	6.7%	0.4%	6.7%	9.9%	5.4%	24.2%	13.4%	12.2%	3.0%	16.3%
	US Dollar Index	-2.1%	-4.2%	-3.6%	-1.7%	2.8%	-6.7%	-0.8%	-1.8%	1.3%	6.6%
U.S. Stocks	U.S. Large Stocks	3.8%	12.2%	8.9%	20.5%	-19.6%	18.4%	14.2%	15.2%	13.9%	13.6%
	U.S. Small Stocks	8.7%	31.4%	4.9%	25.4%	-30.6%	20.0%	10.3%	13.3%	11.2%	18.9%
	U.S. REITs	2.5%	8.2%	1.2%	13.3%	-23.4%	-5.1%	5.4%	6.7%	9.3%	15.6%
	U.S. Growth Stocks	4.9%	12.4%	12.9%	28.0%	-14.9%	38.3%	22.5%	20.7%	16.9%	14.5%
International Stocks	U.S. Value Stocks	4.1%	17.2%	5.4%	14.6%	-27.3%	2.9%	5.9%	9.7%	10.4%	14.7%
	Developed Markets	4.7%	16.1%	4.8%	14.9%	-22.8%	7.8%	4.3%	7.5%	5.5%	15.1%
Bonds	Emerging Markets	7.4%	19.7%	9.6%	18.1%	-23.6%	18.3%	6.2%	12.8%	3.6%	17.8%
	U.S. Bonds	0.1%	0.7%	0.6%	2.9%	3.2%	7.5%	5.3%	4.4%	3.8%	2.9%
Key Levels	INTL Bonds	2.2%	5.1%	4.1%	3.4%	-2.7%	10.1%	4.2%	4.9%	2.0%	6.4%
	U.S. Gov't Bonds	-0.2%	-0.8%	0.2%	0.6%	8.2%	8.0%	5.2%	3.8%	3.3%	3.6%
	U.S. MBS	0.2%	0.2%	0.1%	0.7%	2.8%	3.9%	3.7%	3.1%	3.0%	2.1%
	U.S. Investment Grade Corporates	0.4%	3.1%	1.5%	9.0%	-3.6%	9.9%	7.1%	6.7%	5.6%	5.1%
	U.S. High Yield Corporates	1.9%	6.5%	4.6%	10.2%	-12.7%	7.1%	6.2%	8.6%	6.8%	7.1%
	EM Debt	1.8%	5.5%	2.3%	11.2%	-11.8%	5.9%	4.9%	6.8%	6.0%	7.8%
Current Yields & Spreads (bps)		12/31/2020	9/30/2020	6/30/2020	3/31/2020	2/19/2020	12/31/2019	12/31/2018	12/31/2017		
	3M T-bill	0.09	0.10	0.16	0.11	1.58	1.55	2.45	1.39		
	1 Yr T-bill	0.10	0.12	0.16	0.17	1.46	1.59	2.63	1.76		
	2 Yr T-bill	0.13	0.13	0.16	0.23	1.39	1.58	2.48	1.89		
	5 Yr T-bill	0.36	0.28	0.29	0.37	1.37	1.69	2.51	2.20		
	10 Yr Bond	0.93	0.69	0.66	0.70	1.52	1.92	2.69	2.40		
	30 Yr Bond	1.65	1.64	1.41	1.35	1.97	2.39	3.02	2.74		
	WTI (Oil)	\$49	\$39	\$40	\$21	\$54	\$61	\$46	\$60		
	Gold (Spot Price)	\$1,893	\$1,887	\$1,798	\$1,591	\$1,622	\$1,520	\$1,284	\$1,305		
Current Yields & Spreads (bps)		YTM	Spreads (OAS)	Effective Duration							
	TED Spread	n/a	15	n/a							
	U.S. Agency MBS	1.2%	38	2.37							
	U.S. Investment Grade Corporates	1.8%	98	8.86							
	U.S. High Yield Corporates	5.0%	393	3.68							
EM Debt	3.6%	287	6.71								

2021 Key Issues / Trends



Many Factors Impact Investment Markets & Security Prices



Economic Outlook – 5 Factors

Rating Date: Jan. 20, 2020

5 Factors	Comments	Positive/ Neutral/ Negative	Tren d
Monetary Policy	<ul style="list-style-type: none"> Fed cut rates to 0.00-0.25% Fed Balance Sheet expansion in full force (\$4T and counting) Fed forward guidance to not raise rates for foreseeable future. Using “Inflation targeting” and full employment as guide 	POSITIVE	●
Fiscal Policy	<ul style="list-style-type: none"> European Union, U.K., Australia, China, & Japan Fiscal Stimulus Packages U.S. → ~5-6T in Stimulus (\$2.3TCARES Act, \$900B Consolidated Appropriations Act Proposed, 1.9T Additional Proposed stimulus with New Administration) Treasury Secretary Yellen (Dovish) 	POSITIVE	●
Global Macro Environment	<ul style="list-style-type: none"> 2020 Global Recession → IMF projections -4.3% global GDP growth Pandemic → Containment Response & Vaccine Distribution Fear-Based Demand Scarring Recovery under way, but pace is slowing 	NEUTRAL	●
Valuations	<ul style="list-style-type: none"> Valuations stretched in Stocks and Bonds 2020 YOY U.S. earnings growth negative, but better than expected 2021 YOY U.S. earning guidance extremely positive 	NEGATIVE	●
Investor Sentiment	<ul style="list-style-type: none"> Overall consumer confidence shifting back and forth Short-term signals blinking yellow 	NEUTRAL	●



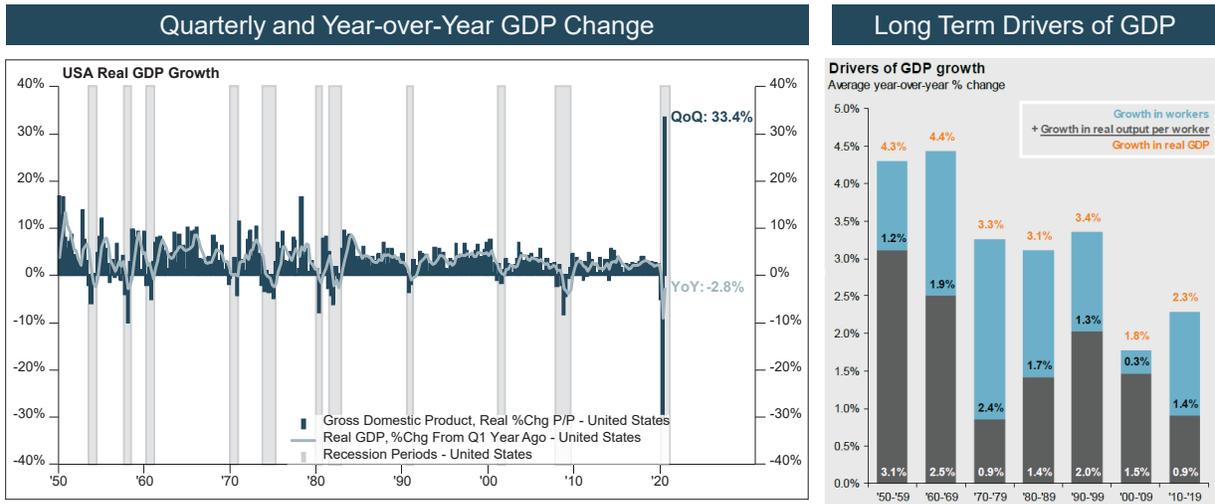
U.S. Economic Estimates Dashboard

	CY '18	CY '19	Q1 '20	Q2 '20	Q3 '20	Q4 '20	CY '20	Q1 '21	Q2 '21	Q3 '21	CY '21
National Accounts											
Real GDP (%q/q, SAAR)	-3.0	2.2	-5.0	-31.4	33.4	4.6	-3.5	2.5	4.0	4.9	4.0
Real GDP (%y/y)	3.0	2.2	0.3	-9.0	-2.8	-2.6	-3.5	-0.7	10.2	4.5	4.0
Household Consumption (Real, %y/y)	2.7	2.4	0.2	-10.2	-2.8	-	-3.8	-	-	-	4.7
Government Consumption (Real, %y/y)	1.8	2.3	2.7	1.5	0.3	-	1.1	-	-	-	0.3
Gross Private Domestic Investment, Residential (Real, %y/y)	-0.6	-1.7	6.6	-4.0	7.2	-	5.6	-	-	-	10.6
Gross Private Domestic Investment, Non-Residential (Real, %y/y)	6.9	2.9	-1.3	-8.9	-4.5	-	-4.2	-	-	-	5.1
Trade Balance (Bil. Chained USD)	-877.7	-917.6	-788.0	-775.1	-1,019.0	-1,083.4	-916.4	-1,091.7	-1,100.0	-1,093.7	-1,058.3
Imports (Real, %q/q, SAAR)	4.1	1.1	-15.0	-54.1	93.1	13.5	-10.0	4.3	5.5	6.1	9.2
Exports (Real, %q/q, SAAR)	3.0	-0.1	-9.5	-64.4	59.6	9.7	-13.5	5.0	4.7	5.1	4.3
GDP Price Index (%q/q, SAAR)	2.4	1.8	1.4	-1.8	3.5	1.3	1.2	1.4	2.3	1.9	1.9
Inflation											
CPI (%q/q, SAAR)	2.4	1.8	1.2	-3.5	5.2	2.2	1.3	1.5	1.6	2.1	1.9
Core CPI (%q/q, SAAR)	2.1	2.2	2.0	-1.6	4.4	1.8	1.7	1.8	1.6	2.1	1.8
PPI (%y/y)	2.9	1.7	1.1	-1.1	-0.0	0.7	0.2	-	-	-	2.1
Other Indicators											
Current Account (Bil. USD)	-449.7	-480.2	-111.5	-161.4	-178.5	-	-624.5	-	-	-	-636.4
% of GDP	-2.2	-2.2	-2.1	-3.3	-3.4	-3.7	-2.8	-3.8	-3.7	-3.8	-2.6
Industrial Production (%q/q, SAAR)	3.9	0.9	-6.8	-42.6	42.5	8.4	-6.8	3.9	4.0	4.4	4.4
Unemployment Rate (%)	3.9	3.7	3.8	13.0	8.8	6.7	8.1	6.6	6.3	5.8	5.9
Budget Balance (Bil. USD, FY)	-779.0	-984.4	-	-	-	-	-3,131.9	-	-	-	-3,071.5
Government Debt (% of GDP)	105.7	107.1	-	-	-	-	128.4	-	-	-	132.3
% of GDP	-3.8	-4.6	-	-	-	-	-14.9	-	-	-	-10.0
Housing Starts (Thous.)	1,248.3	1,295.3	1,484.3	1,079.0	1,432.3	-	1,380.0	-	-	-	1,454.0
Interest Rates											
Federal Funds Target Rate	2.50	1.75	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
3 Month Treasury Bill	2.45	1.55	0.11	0.16	0.10	0.09	0.09	0.10	0.10	0.15	0.10
3 Month Interbank Rate	2.81	1.91	1.45	0.30	0.23	0.24	0.24	0.25	0.25	0.26	0.25
2 Year Government Bond Yield	2.48	1.58	0.23	0.16	0.13	0.13	0.13	0.15	0.20	0.20	0.25
5 Year Government Bond Yield	2.51	1.69	0.37	0.29	0.28	0.36	0.36	0.47	0.55	0.65	0.72
10 Year Government Bond Yield	2.69	1.92	0.70	0.66	0.69	0.93	0.93	1.00	1.20	1.20	1.25
30 Year Government Bond Yield	3.02	2.39	1.35	1.41	1.46	1.65	1.65	1.75	1.90	1.95	2.00

Source: FactSet



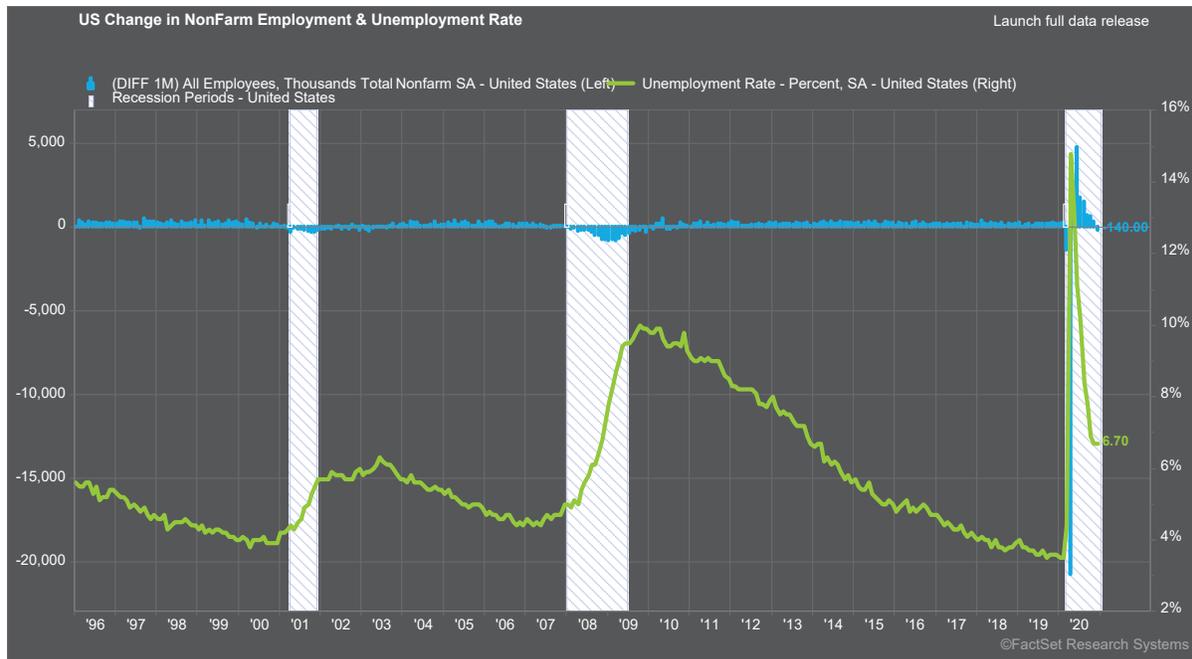
U.S. Economic Growth (GDP)



Source: FactSet, JP Morgan Asset Management



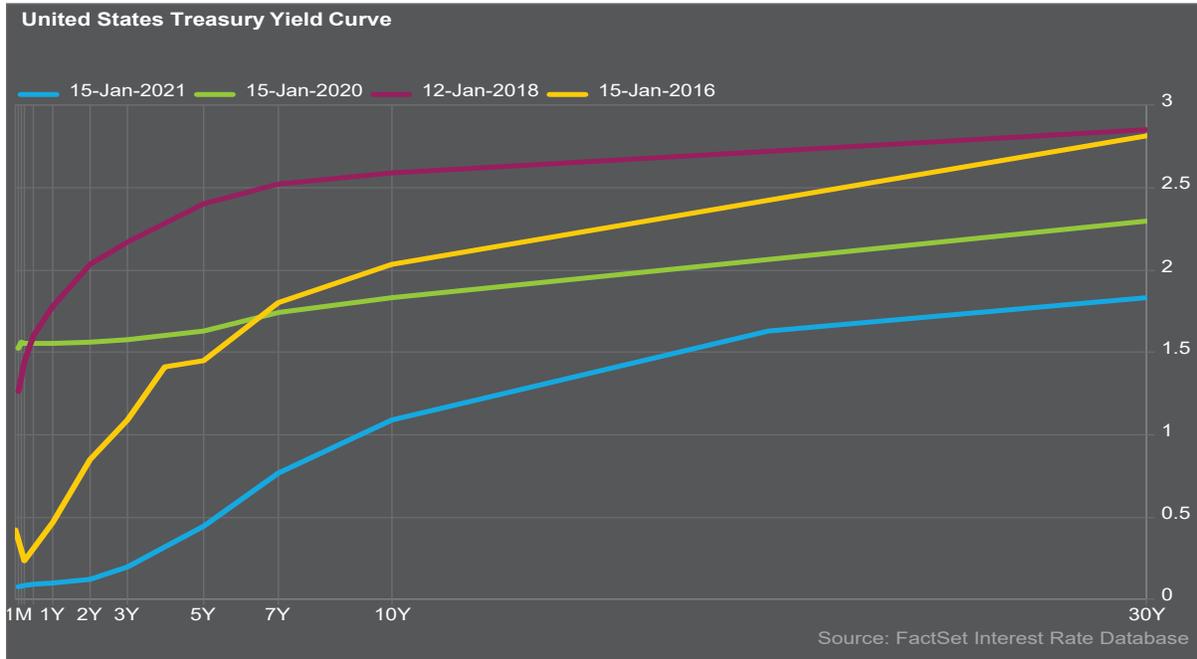
U.S. Labor Market – Unemployment Rate



Source: FactSet



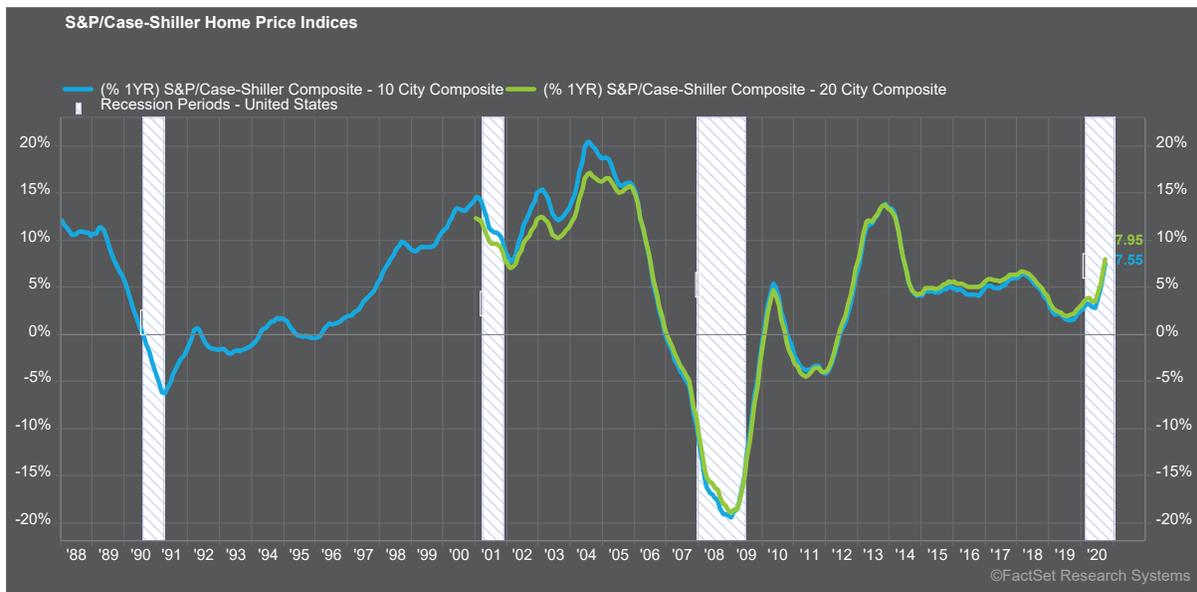
U.S. Yield Curve – 0 to 1.8%



Source: FactSet



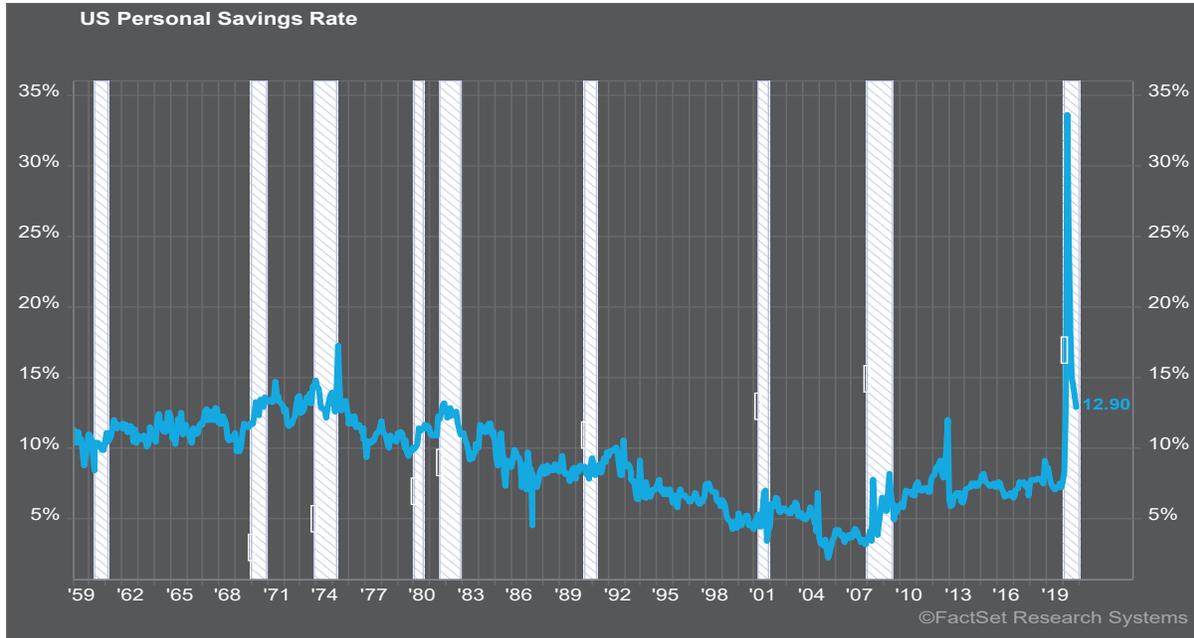
Consumer - Largest Asset U.S. Home Prices



Source: FactSet



Consumer - U.S. Personal Savings Rate Spike



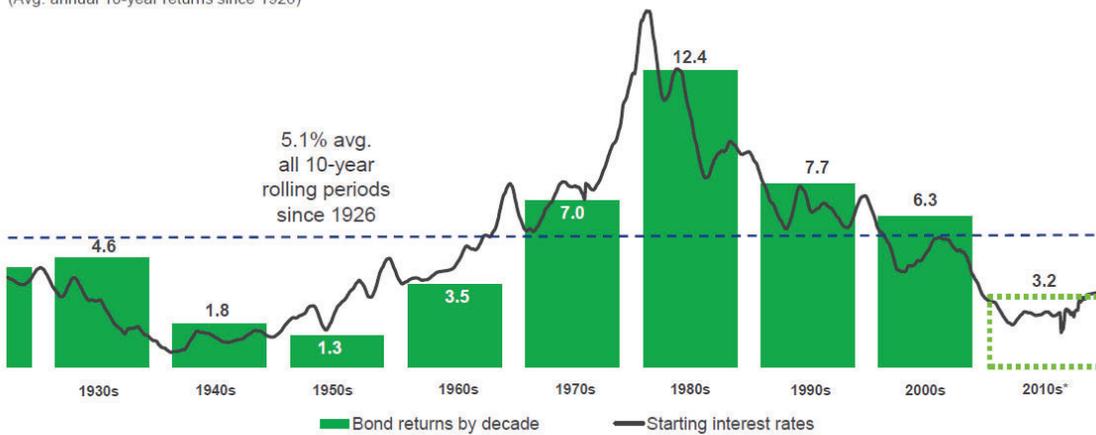
Source: FactSet



Level Setting Expectations: Not Stocks but Bonds

US bond returns follow interest rates

(Avg. annual 10-year returns since 1926)

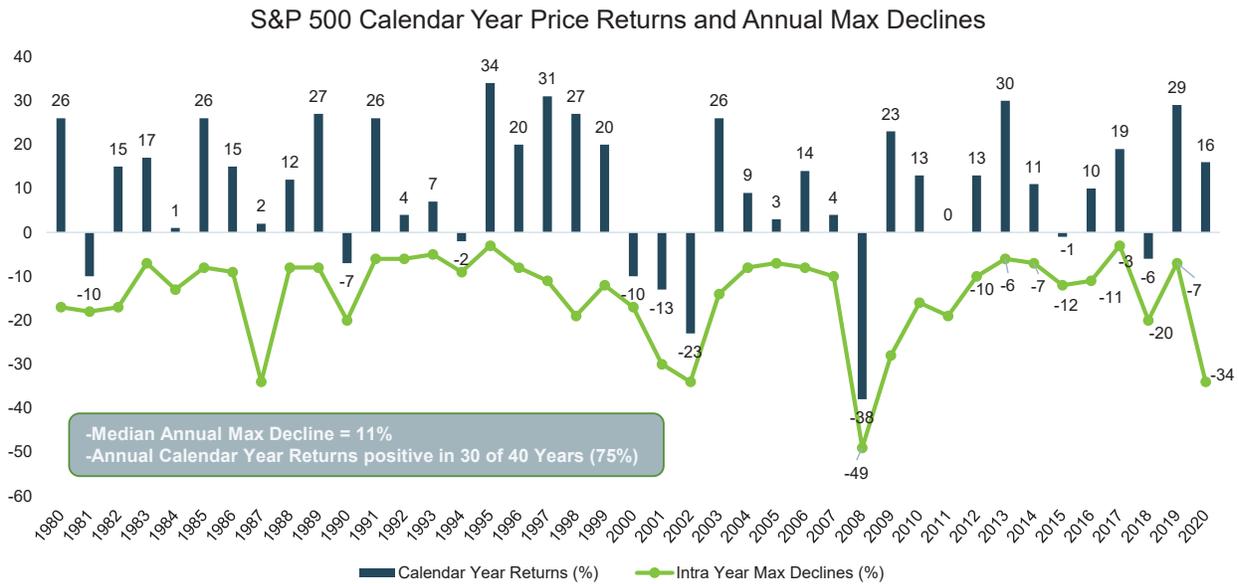


Source: Morningstar/US Treasury as of 12/31/18. Past performance does not guarantee or indicate future results. *Represents return decade to date as of 12/31/2018. Core Bond Index=BBgBarc US Agg Bond Index. Returns before 1979 core Bonds reflects the IA SBBi US IT Govt Index, Returns after 1979 represent by BBgBarc US Agg Bond Index. Past performance is not a guarantee or prediction of future results. It is not possible to invest in an index.

Source: BlackRock



3. Will the Market Decline 10%? Anytime...



Source: JPMorgan Asset Management



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- This material is provided for informational purposes only
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