



ELCA Foundation

MINISTRY GROWTH FUND – FOURTH QUARTER SUMMARY

The Ministry Growth Fund generated strong absolute and relative performance for the fourth quarter, with net returns of 7.7%, versus the Target Benchmark's return of 7.4%, and closed 2023 with calendar year returns of 14.3% versus a target benchmark of 13.6%. Positive contributors to the year include significant exposure to risk-oriented assets, such as global equities and high-yield fixed income, dynamic asset allocation decisions to overweight U.S. equities for the year and underweight real estate through the third quarter, and strong performance from a portion of the actively managed non-U.S. equity pool and the Private Infrastructure Fund.

MARKET SNAPSHOT

In many ways, 2023 appeared the polar opposite of 2022. The traditional 60/40 portfolio of stocks/bonds declined double digits in 2022, yet this same portfolio mix increased double digits in 2023.

Following the tumultuous market environment of 2022, in which the Federal Reserve's (Fed) quest to restore price stability sent ripples throughout the financial markets, 2023 brought a reversal of fortune, with a looming Fed policy pivot coming closer into focus. After peaking at an annual rate of 9.1% in June 2022, headline consumer price index (CPI) inflation has cooled to a 3.3% pace through December 2023, serving as a downward force on inflation's advance.

Further supporting this growing sentiment for a less restrictive Fed posture was the seemingly goldilocks economic backdrop, marked by a disinflationary bias, solid economic growth, a stable labor market, a recent drop in interest rates, and an "everything rally" of robust performance across asset classes during the year.

The converging forces resulted in 2023 being a good year for investors, with the fourth quarter especially strong. Interest-rate-sensitive real estate rebounded after a challenging year, returning mid-double digits during the fourth quarter. Equities, particularly U.S. equities, continued its strong performance. After appearing on the verge of posting an unprecedented third consecutive calendar year decline, core bonds rallied during the fourth quarter.

GLOBAL EQUITY

U.S.

The U.S. equity component of the Ministry Growth Fund returned 12.4% for the quarter versus the Russell 3000 index's 12.1%, bringing its 2023 contribution to 26.9% ahead of the index by 0.90%.

The Ministry Growth Fund's U.S. equity is designed to align closely with the index; however, there are some deviations due to the ELCA Corporate Social Responsibility (CSR) screens. For the year, screening out defensive companies like Raytheon, Lockheed, and Northrup contributed significantly to the portfolio's outperformance.

Non-U.S.

International markets underperformed the U.S. but still delivered strong positive returns for the quarter and year. During the last two months of the year, the dollar declined against the euro, pound, and yen, which contributed materially to international equity returns in dollar terms. Developed markets outperformed emerging markets as China continued to lag.

The Non-U.S. equity component of the Ministry Growth Fund likewise has a strong quarter and year, returning 10.4% versus the MSCI All Country World ex-US IMI benchmark's returns of 9.8%, and contributing to a calendar year return of 17.7%, outpacing the benchmark's returns of 15.6%.

For the year, the non-U.S. portfolio outperformed by 2.1%. Both stock selection and sector selection had positive impacts, primarily within the consumer discretionary, industrials, and communication services sectors. Country exposures had a slightly negative effect due to an underweight in India and overweight in Ireland, but this only lightly offset the portfolio's gains over the benchmark.



FIXED INCOME

As interest rates fell considerably during the quarter, bonds rallied, anticipating rate cuts.

Investment Grade

The Ministry Growth Fund's investment grade portfolio returned 7.1% for the quarter, slightly ahead of the Bloomberg U.S. Aggregate Bond Index benchmark return of 6.8%. Year-to-date return reversed from its negative stance at the end of the third quarter and closed at a positive 6.1% vs. a benchmark return of 5.5%. The fund's increased exposure to credit and security selection within Financials and Industrials contributed to its 0.6% outperformance.

High-Yield

As rates fell during the quarter, risk appetites rose. High-yield corporate spreads, already tight by historical standards, tightened to below 3.5 percentage points. This increase in demand resulted in high-yield returns, slightly lower than investment-grade corporate returns.

The high-yield portfolio for the Ministry Growth Fund returned 6.8% during Q4 2023 and 12.4% YTD, versus benchmark returns of 7.2% and 12.5% respectively. This slight underperformance versus the benchmark was driven primarily by security selection, notably within cable/satellite names (DISH).

Inflation-Indexed

The inflation-indexed bond portfolio return was 3.9% for the quarter, bringing its year-to-date performance to 4.5%. The portfolio is managed using a nearly full-replication approach, which results in a negligible deviation from the benchmark.

GLOBAL REAL ESTATE SECURITIES

During the fourth quarter, REIT markets benefited from falling interest rates and hopes of future Fed interest rate cuts amid weakening inflation data. Formerly out-of-favor sectors like regional malls, cell towers, and offices led the way during the quarter. U.S. REITs modestly outpaced international REITs.

The Ministry Growth Fund's global real estate securities component returned 15.5% for the quarter and 10.2% for the year, trailing the custom benchmark return of 15.9%. And 11.1%, respectively. The pool's underperformance was driven by an underweight to offices, an overweight to residential, and a weaker selection in self-storage.

ALTERNATIVE INVESTMENTS

Hedge Funds

The hedge fund portfolio returned 3.9% on a net basis for the fourth quarter versus the HFRX Global Hedge Fund Index return of 1.7%. Calendar year net return is 10.5% versus the benchmark's 3.1%. Long/short equity was the most material driver of performance, with gains primarily by directional, market-neutral, Asian sub-strategies, and healthcare-specialist sub-strategies. Global macro strategies generated flat performance, as losses from short positions in U.S. equities and developed market rates were offset by select managers positioned long front-end rates, long technology equities, and European curve steepening biases.

Private Infrastructure

Given their valuation process, private funds provide performance updates on a lag. As such, the most recent available performance is through the third quarter. The private infrastructure allocation returned 0.8% for the quarter versus the S&P Global Infrastructure Index return of -7.3% for the same period.

The strategy continues to generate a strong cash yield and lower volatility relative to other asset classes, such as global equities and bonds, given the essential nature of the services provided.

Private Markets

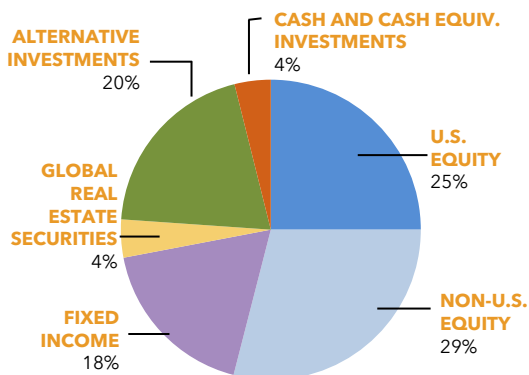
Given their valuation process, private funds provide performance updates on a lag. As such, the most recent available performance is through the third quarter. Since inception, the private markets allocation of the Ministry Growth Fund has returned a net internal rate of return (IRR) of 12.1% and a net total value to a paid-in multiple of 1.3x (as of 9/30/23).

Recent performance has been flat (-0.1% for the third quarter) and continues to be impacted by lagged write-downs in NAVs after the 2022 downturn.

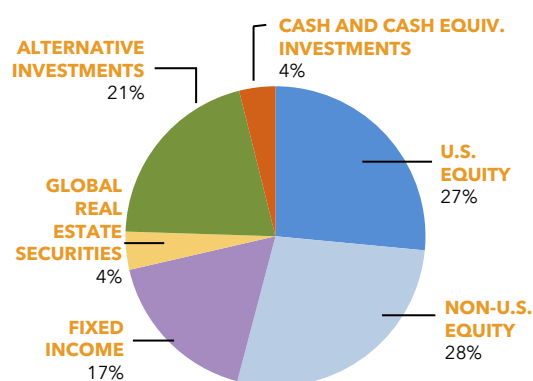


As of December 31, 2023, the Ministry Growth Fund market value totaled \$1.0 billion.*

TARGET ASSET ALLOCATION



CURRENT ASSET ALLOCATION**



* Market value includes investments, deposits between monthly valuation dates, operating cash, and liabilities. **Totals may not equal 100% due to rounding. The pie charts represent the Ministry Growth Fund investment assets only.

MINISTRY GROWTH FUND INVESTMENT PORTFOLIO PERFORMANCE (%) AS OF December 31, 2023

	Q4 2023	2023 YTD	1 YR (%)	3 YRS (%)	5 YRS (%)	7 YRS (%)	10 YRS (%)	SINCE INCEPTION	INCEPTION DATE	
MINISTRY GROWTH FUND¹	7.7	14.3	14.3	3.4	8.2	6.8	5.8	4.9	07/01/1999	
Target Benchmark ²	7.4	13.6	13.6	4.1	8.8	7.7	6.8	5.8		
EQUITY	Social Purpose U.S. Equity Portfolio³	12.4	26.9	26.9	8.8	15.5	12.7	11.1	7.2	07/01/1999
	Portico US Equity Benchmark ⁴	12.1	26.0	26.0	8.5	15.2	12.8	11.5	7.5	
	Social Purpose Non-U.S. Equity Portfolio	10.4	17.7	17.7	0.2	7.4	6.6	4.4	6.1	04/01/2004
	Portico Non-US Equity Benchmark ⁵	9.8	15.6	15.6	1.5	7.2	6.4	4.0	5.6	
FIXED INCOME	Social Purpose Investment Grade Bond Portfolio³	7.1	6.1	6.1	-3.2	1.2	1.3	1.9	4.0	07/01/1999
	Portico Fixed Income Benchmark ⁶	6.8	5.5	5.5	-3.2	1.2	1.4	1.9	4.1	
	Inflation Indexed Bond Portfolio	3.9	4.5	4.5	0.8	3.6	2.8	2.7	2.6	06/01/2011
	Portico Inflation Index Benchmark ⁷	3.9	4.4	4.4	0.7	3.5	2.7	2.6	2.5	
	Social Purpose High Yield Portfolio	6.8	12.4	12.4	1.5	4.6	3.9	4.0	6.2	07/01/2003
Portico High Yield Benchmark ⁸	7.2	12.5	12.5	1.8	4.8	4.1	4.2	6.3		
REAL ESTATE	Global Real Estate Securities Portfolio	15.5	10.2	10.2	3.3	5.3	4.2	5.3	7.0	03/01/2004
	Portico Real Estate Benchmark ⁹	15.9	11.1	11.1	3.0	3.6	2.9	4.6	6.3	
ALTERNATIVE INVESTMENTS	Hedge Funds	3.9	10.5	10.5	2.9	5.0	-	4.0	08/01/2017	
	HFRX Global Hedge Fund Index	1.7	3.1	3.1	0.7	3.5	-	2.0		
	Private Infrastructure Fund¹⁰	0.8	14.3	14.3	6.3	6.3	-	-	6.1	10/01/2017
	S&P Global Infrastructure Benchmark ¹¹	-7.3	-3.7	-3.7	4.6	5.7	-	-	3.7	
	Private Markets Fund¹²	-0.1	4.6	4.6	13.4	11.4	-	-	11.9	07/01/2017
Cambridge Private Equity Index	0.3	6.8	6.8	17.0	14.3	-	-	15.3		

- The ELCA Endowment Fund Pooled Trust's ELCA Endowment Fund "A" was renamed the Ministry Growth Fund, effective November 1, 2021. Total Ministry Growth Fund returns are net of investment-manager and custodian fees and expenses, as well as the Foundation's administrative fee of 60 basis points (0.60%). Prior to July 2017, the total fee was 100 basis points (1.00%). Refer to the Disclosure Statement for total fees and expenses. Returns for the subasset classes are net of investment manager and custodian fees and expenses as reported by the investment managers.
- The Target Benchmark is composed of: Russell 3000 (25%), MSCI ACWI xUSA IMI (29%), Bloomberg Barclays U.S. Aggregate (8%), Bloomberg U.S. High Yield Ba/B 1% Issuer Cap (5%), Bloomberg U.S. 1-10 Yr Inflation Linked (5%), DJ U.S. Select Real Estate Securities (2.4%), DJ Gib xUSA Select Real Estate Securities (1.6%), HFRX Global Hedge Funds (5%), S&P Global Infrastructure (5%), Cambridge U.S. Private Equity (10%), and FTSE 90 Day T-Bill (4%) indices. The benchmark is rebalanced on a monthly basis. Target Benchmark allocation is static and based on the SAA as of September 2019. From July 2017 to September 2019, the Target Benchmark was composed of: Russell 3000 index (27%), MSCI ACWI xUSA IMI index (30%), Portico Fixed Income Benchmark (8.5%), Portico High Yield Benchmark (8.5%), FTSE Portico Inflation Linked index (5%), Portico Real Estate Benchmark (5%), HFRX Global Hedge Funds index (3%), S&P Global Infrastructure index (3%), and Cambridge Private Equity index (10%). Historical benchmark returns prior to July 2017 have been provided by Portico Benefit Services.
- The Ministry Growth Fund moved from separately managed accounts to the SP Investment Grade Fixed Income Pool as of November 2007 and to the SP U.S. Equity Pools as of December 2007. On July 1, 2019, the Ministry Growth Fund moved the U.S. equity allocation to the SP U.S. Stock Index Pool.
- The U.S. equity benchmark changed from the Dow Jones Total Stock Market Index to the Russell 3000 in October 2011.
- The Non-U.S. Equity pool has been benchmarked to the MSCI All-Country World xU.S. IMI since July 1, 2012; prior to that, the benchmark was the standard MSCI All-Country World xU.S. Index.
- The Investment Grade Fixed Income Benchmark changed from the old Custom FTSE Index (40% Mortgage, 30% Credit, 25% Treasury/Government, 5% Asset-Backed) to the new Custom Bond Benchmark (40% Collateralized, 35% Credit, 25% Treasury/Government) in October 2011. In November 2020 fixed-income benchmarks switched from FTSE to Bloomberg. On April 1, 2021, this benchmark switched to 100% the Bloomberg U.S. Aggregate Bond Index.
- In June 2011, Inflation Indexed Bonds were added as a component of the Ministry Growth Fund's asset allocation. The Inflation Index benchmark changed from the FTSE Inflation Linked Securities Index to the FTSE U.S. 1-10 Year Inflation Linked Securities Index as of Dec. 1, 2014. In November 2020 it changed to the Bloomberg Barclays - U.S. TIPS 1-10 Year Index.
- The high-yield benchmark changed from the FTSE High Yield Cash-Pay Capped Index to the FTSE BB/B Cash-Pay Capped Index as of Sept. 1, 2012. In November 2020 it changed to the Bloomberg Barclays - U.S. HY Ba/B 1% Issuer Cap Index.
- Late in 2008, the Real Estate Securities benchmark transitioned from 100% to 60% Wilshire U.S. Real Estate Securities Index, adding 40% Wilshire Ex-U.S. Real Estate Securities Index. In April 2013, the Custom Global Real Estate Securities benchmark transitioned to 60% Dow Jones U.S. Real Estate Securities Index and 40% Dow Jones Global Ex-U.S. Real Estate Securities Index with net dividends.
- Private Infrastructure returns are reported on a quarter lag.
- Starting in 2023, The S&P Global Infrastructure Benchmark went from the Hedged S&P Global Infrastructure Index to the unhedged S&P Global Infrastructure Index.
- Private Markets returns reported on the performance table are on a time-weighted basis and on a quarter lag, except for fourth-quarter returns that are on a two-quarter lag. The commentary section may, in addition, reference the Private Markets portfolio's internal rate of return (IRR) and/or multiples such as total value versus paid-in capital (TVPI).



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ELCA Foundation regional gift planners are located throughout the country and are ready to assist you.



AT A GLANCE

ELCA Endowment Fund Pooled Trust – Ministry Growth Fund

was established to allow for the collective long-term investment of funds belonging to the Evangelical Lutheran Church in America (ELCA), its congregations, synods, seminaries and other eligible affiliated entities. The ELCA promotes investment in the Endowment Fund Pooled Trust through the ELCA Foundation.

The Ministry Growth Fund is administered by the Endowment Fund of the ELCA dba ELCA Foundation.

SOCIAL PURPOSE INVESTING

The Ministry Growth Fund's assets are selected, where feasible, in accordance with criteria of social responsibility that are consistent with the values and programs of the ELCA. In addition, the Ministry Growth Fund seeks positive social investments that provide a proactive way to receive a return while directing capital to underserved markets, such as community development and renewable energy.

ABOUT THE MINISTRY GROWTH FUND

You should carefully consider the target asset allocations, investment objectives, risks, charges and expenses of any fund before investing in it. The Ministry Growth Fund is subject to risk. Past performance cannot be used to predict future performance. The Ministry Growth Fund investments are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Fund assets are invested in multiple sectors of the market. Some sectors, as well as the fund, may perform below expectations and lose money over short or extended periods.

The investment managers and/or the investments the Ministry Growth Fund directly invests in are not subject to registration, regulation or reporting under the Investment Company Act of 1940, the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Advisers Act of 1940 or state securities laws. Members, therefore, will not be afforded the protections of the provisions of those laws and related regulations.