



ELCA Foundation

MINISTRY GROWTH FUND – FIRST QUARTER SUMMARY

During the first quarter, the Ministry Growth Fund returned 5.1% on a net basis, while the Target Benchmark returned 4.6% over the same period. The Fund's returns outperformed market returns, which were broadly positive in the first quarter of 2023 despite a volatile start to the quarter. The biggest contributor to the Ministry Growth Fund's returns for the quarter was the international equity allocation, which returned 8.5% in the first quarter vs. a benchmark return of 6.6%. Private infrastructure performance also contributed meaningfully to the portfolio's outperformance, returning 8.1% vs. a benchmark return of 3.9%. Strong active management drove both areas of outperformance. Additional detail on each component of the Fund is shown below.

MARKET SNAPSHOT

The annual NCAA Men's Division I Basketball Tournament, colloquially known as "March Madness," has once again come to an end. The nickname is the result of the unpredictable nature of the tournament, which boasts surprising outcomes nearly every year. This year's tournament was no exception, with several upsets and a 4-seed-ranked team being the highest ranked team in the final four. The markets also offered their own version of March Madness this year. They were relatively calm through February, working to digest the Federal Reserve's (Fed's) swift increase in interest rates, but March was a different story.

Most notably, the month saw stress in the banking system, as Silicon Valley Bank (SVB) declared bankruptcy, Credit Suisse and rival UBS were forced to merge, and First Republic Bank required a \$30 billion rescue package to stay afloat (and subsequent buyout by Chase). This rapid deterioration in the banking system led to an initial sharp sell-off in risk assets.

The month also witnessed a flight-to-quality rally, with core bonds returning 2.5% in March and gold up nearly 8% on the month. During the banking system turmoil, the ICE BofA MOVE Index, a measure of implied volatility on Treasuries, spiked to levels not seen since the global financial crisis of 2007 to 2009.

The turmoil had two key outcomes. On the one hand, investors showed enthusiasm that the Federal Reserve's efforts to fight inflation may successfully achieve a soft landing. On the other hand, concerns about the U.S. economy and specifically the banking industry, tempered some investors' confidence.

But the actions taken by the Federal Reserve during the quarter did not mirror market sentiment. The Federal Reserve Open Market Committee (FOMC) increased the Fed Funds target range from 4.25 – 4.50% to 4.75 – 5.00%. Additionally, the FOMC will continue to reduce Treasury securities, agency debt, and agency MBS on their balance sheet.

Despite these restrictive actions, bond returns were largely positive, and the quarter ended with most major asset categories generating positive returns. Equity market returns were positive 7.2% in the U.S. (as measured by the Russell 3000 Index) and 6.6% (as measured by the MSCI ACWI ex-U.S. IMI index). Bonds also ended the quarter in positive territory with a 3.0% return (as measured by the Bloomberg U.S. Aggregate index). Real assets, broadly speaking, eked out modestly positive gains, while diversifying strategies, as proxied by the HFRX Global Hedge Fund Index, reflected a flat performance on the quarter.

GLOBAL EQUITY

U.S.

The U.S. equity component of the Ministry Growth Fund gained 7.2% for the quarter, aligned with the Russell 3000 index. Sectors that declined the most during 2022, such as Information Technology and Communication Services, rebounded strongly, as expectations for less-aggressive monetary policy brought growth stocks back into favor. Distress within the Financial sector, particularly among regional banks, was a headwind and caused a large spike in volatility in early March.



Non-U.S.

The Non-U.S. equity component of the Ministry Growth Fund gained 8.5% in the quarter, outperforming the MSCI All Country World ex-US IMI benchmark by 196 basis points. All active investment managers provided positive absolute returns, driven by stock selection, particularly within the consumer discretionary and financials sectors. Country allocations also had a positive effect on relative performance, as the portfolio has an overweight to international developed.

FIXED INCOME

Investment Grade

In Q1 2023, the Ministry Growth Fund's investment grade portfolio returned 2.9%, closely aligned with the Bloomberg US Aggregate Bond Index benchmark return. The active managers outperformed, mainly due to security selection within financials, industrials, and agency MBS.

High-Yield

High-yield bonds outperformed relative to investment-grade fixed income in Q1 2023. The portfolio's high-yield portfolio returned 3.4%, here again, closely aligned with the portfolio benchmark. Security selection by the active managers detracted from relative returns, but was offset by sector allocation, particularly by an underweight position to telecom and an overweight position to construction.

Inflation-Indexed

Inflation-indexed bonds performed similarly to investment grade fixed income in Q1 2023. The portfolio returned 3.0%.

GLOBAL REAL ESTATE SECURITIES

The Ministry Growth Fund's global real estate securities component returned 1.3% in the first quarter of 2023, beating the custom benchmark return of 1.1%.

U.S. REITs, up 3.4%, drove performance for the quarter while international REITs fell 1.6%. Further, security selection within the data center sector was the primary driver of performance, but the portfolio also benefited from underweight allocations to office properties and

overweight allocations to industrials and self-storage. The portfolio continues to maintain overweight positions to residential real estate (Apartments, Single Family, and Mobile Homes) while underweighting Regional Malls and Office properties.

ALTERNATIVE INVESTMENTS

Hedge Funds

The hedge fund portfolio returned 1.8% on a net basis for the first quarter, vs. the HFRX Global Hedge Fund Index returns of 0.0%. Long/short equity and relative value strategies were the most material drivers of positive performance, both outpacing the benchmark. Gains in these strategies were driven by the correlation to equities, which performed well, and strong manager performance, respectively. Gains were lightly offset by losses within the macro strategy, which were driven in part by a bias towards U.S. curve steepening in an environment in which the yield curve remains inverted.

Private Infrastructure

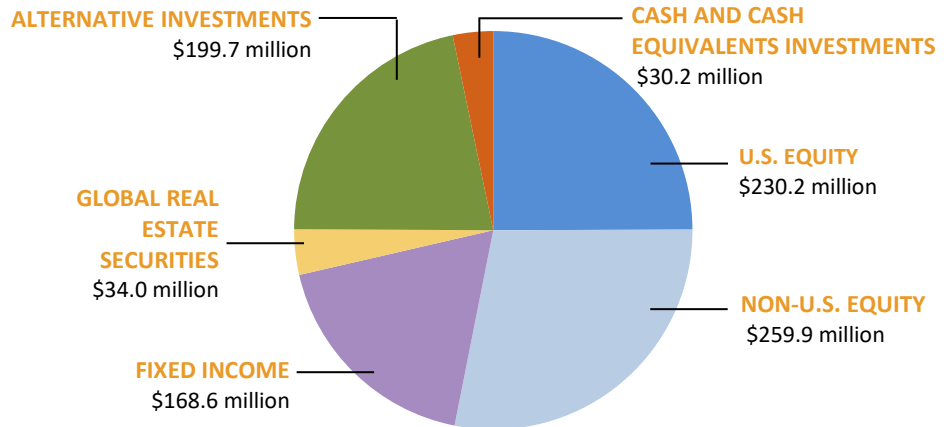
The private infrastructure allocation returned 8.1% for the quarter, versus the S&P Global Infrastructure Index (unhedged) return of 3.9% for the same period. The fund continues to generate a strong cash yield and lower volatility relative to other asset classes, such as global equities and bonds. Given this investment is unhedged, the Ministry Growth Fund's investment further benefited from the depreciation of the U.S. dollar throughout the quarter. The results also benefited from the signing of a sale of the ports services business at a valuation above carrying value.

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 (which is why time-weighted returns on the following table show 0.0%). Since inception, the private markets allocation of the Ministry Growth Fund has returned a net internal rate of return (IRR) of 15.5% and a net total value to paid-in multiple of 1.3x (as of 9/30/22). The primary driver of outperformance is the substantial write-up of a workplace safety, training, and compliance technology platform (the Health & Safety Institute).



As of March 31, 2023, Ministry Growth Fund Net Assets totaled \$928.4 million* and Ministry Growth Fund Investments totaled \$922.5 million.**



*Net Assets includes investments, deposits between monthly valuation dates, operating cash and liabilities. **Pie Chart represents Ministry Growth Fund Investment Assets only.

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

| | Q1 2023 | 2023 YTD | 1 YR (%) | 3 YRS (%) | 5 YRS (%) | 7 YRS (%) | 10 YRS (%) | SINCE INCEPTION | INCEPTION DATE | |
|---|---|------------|-------------|--------------|-------------|-------------|-------------|-----------------|-------------------|-------------------|
| MINISTRY GROWTH FUND¹ | 5.1 | 5.1 | -4.7 | 10.4 | 4.9 | 6.3 | 5.9 | 4.7 | 07/01/1999 | |
| Target Benchmark ² | 4.6 | 4.6 | -4.8 | 11.9 | 5.9 | 7.4 | 6.8 | 5.7 | | |
| EQUITY | Social Purpose U.S. Equity Portfolio³ | 7.2 | 7.2 | -8.6 | 18.5 | 10.5 | 11.7 | 11.4 | 6.7 | 07/01/1999 |
| | Portico US Equity Benchmark ⁴ | 7.2 | 7.2 | -8.6 | 18.5 | 10.5 | 12.0 | 11.7 | 7.0 | |
| | Social Purpose Non-U.S. Equity Portfolio | 8.5 | 8.5 | -4.8 | 11.6 | 2.2 | 6.0 | 4.9 | 5.9 | 04/01/2004 |
| | Portico Non-US Equity Benchmark ⁵ | 6.6 | 6.6 | -5.8 | 12.2 | 2.4 | 5.8 | 4.3 | 5.4 | |
| FIXED INCOME | Social Purpose Investment Grade Bond Portfolio³ | 2.9 | 2.9 | -4.9 | -2.5 | 0.8 | 0.9 | 1.3 | 4.0 | 07/01/1999 |
| | Portico Fixed Income Benchmark ⁶ | 3.0 | 3.0 | -4.8 | -2.5 | 1.0 | 1.0 | 1.5 | 4.2 | |
| | Inflation Indexed Bond Portfolio | 3.0 | 3.0 | -3.3 | 3.0 | 3.3 | 2.7 | 1.6 | 2.6 | 06/01/2011 |
| | Portico Inflation Index Benchmark ⁷ | 2.9 | 2.9 | -2.9 | 3.0 | 3.2 | 2.6 | 1.6 | 2.6 | |
| | Social Purpose High Yield Portfolio | 3.4 | 3.4 | -3.6 | 4.9 | 2.6 | 4.2 | 3.6 | 6.0 | 07/01/2003 |
| Portico High Yield Benchmark ⁸ | 3.4 | 3.4 | -2.6 | 5.2 | 2.9 | 4.5 | 3.6 | 6.1 | | |
| REAL ESTATE | Global Real Estate Securities Portfolio | 1.3 | 1.3 | -20.0 | 9.3 | 3.1 | 2.8 | 4.0 | 6.8 | 03/01/2004 |
| | Portico Real Estate Benchmark ⁹ | 1.1 | 1.1 | -20.8 | 8.1 | 1.6 | 1.4 | 3.3 | 6.0 | |
| ALTERNATIVE INVESTMENTS | Hedge Funds | 1.8 | 1.8 | -1.3 | 6.1 | 2.8 | - | - | 3.1 | 08/01/2017 |
| | HFRX Global Hedge Fund Index | 0.0 | 0.0 | -3.1 | 4.3 | 1.6 | - | - | 1.7 | |
| | Private Infrastructure Fund¹⁰ | 8.1 | 8.1 | 4.2 | 5.5 | 5.9 | - | - | 5.9 | 10/01/2017 |
| | S&P Global Infrastructure Index | 3.9 | 3.9 | 0.2 | 15.2 | 7.3 | - | - | 5.7 | |
| | Private Markets Fund¹¹ | 0.0 | 0.0 | 7.3 | 17.1 | 13.9 | - | - | 12.7 | 09/01/2017 |
| Cambridge Private Equity Index | 0.0 | 0.0 | 1.9 | 17.8 | 15.5 | - | - | 16.1 | | |

- The ELCA Endowment Fund Pooled Trust - Fund A's name was changed to 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 Capital U.S. Aggregate (8%), Bloomberg Barclays Capital U.S. High Yield Ba/B 1% Issuer Cap (5%), Bloomberg Barclays Capital U.S. 1-10 Yr Inflation Linked (5%), DJ U.S. Select Real Estate Securities (2.4%), DJ Glb xUSA Select Real Estate Securities (1.6%), HFRX Global Hedge Funds (5%), S&P Global Infrastructure (5%), Cambridge Private Equity (10%), and 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 Barclays 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.
- 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.