



ELCA Foundation

## MINISTRY GROWTH FUND – SECOND QUARTER SUMMARY

The Ministry Growth Fund implemented a new strategic asset allocation on April 1, 2024. The strategy slightly increased the portfolio's exposure to global equities, decreased the exposure to fixed income and public real estate, and increased the exposure to private markets. Further, the strategy adjusted the balance between U.S. and non-U.S. equities, bringing these allocations in line with the broader global equity capital markets from a prior overweight to non-U.S. equities.

The timing of all changes, coupled with strong market activity within global equities, provided a tailwind for the Ministry Growth Fund's performance which contributed 1.9% on a net basis, compared to the target-weighted benchmark return of 1.8% over the same period. Top contributors to performance were U.S. equities and private markets, although most asset classes generated positive returns. Year-to-date performance is strong, at 6.4% vs. the benchmark's 6.1%.

## MARKET SNAPSHOT

The recent trend of concentration in stock market returns reached staggering new heights in the second quarter, with Nvidia, Microsoft, and Apple accounting for roughly 20% of the S&P 500 index and increasing to a combined market capitalization of \$9.7 trillion through quarter-end. For perspective, that is roughly one third of the U.S. gross domestic product!

Given the increased concentration in the index of these top companies, investors can expect that the index performance will be heavily influenced by how well they do going forward, with several of them dependent on how the artificial intelligence productivity story evolves.

International equities lagged domestic, as the consumer discretionary sector largely contributed to the relative underperformance. While still less than domestic, UK-based equities reached record highs in May as defense stocks continue to outperform.

Performance across the bond market appeared somewhat muted for the quarter, as total returns spanning investment grade credit and the broader core bond universe were essentially flat, while below investment-grade credit (e.g., high-yield bank loans) earned low single-digit returns. The Federal Open Market Committee (FOMC) pushed back on aggressive rate cut expectations and maintained that rates could remain higher for longer if economic data remains strong and inflation remains sticky.

Spreads on high yield bonds, which reflect the premium paid for riskier bonds vs. U.S. treasuries, remained tight during the second quarter given the "higher-for-longer" expectations on interest rates.

Performance among the major real assets sectors appeared mixed for the second quarter, with modestly negative returns witnessed across the real estate investment trust (REIT) and global listed infrastructure sectors, while energy-related infrastructure assets saw solid gains. Meanwhile diversifying strategies returns were relatively muted, with the HFRX Global Hedge Fund Index generating a quarterly return of 0.4%.

## GLOBAL EQUITY

### U.S.

The U.S. equity component of the Ministry Growth Fund returned 3.0% for the quarter versus the Russell 3000 index's 3.2%. Similar to last quarter, large-cap stocks outperformed small-cap stocks, and growth did better than value. Technology was once again the strongest sector, with large-cap tech driving returns in a momentum-led market. Year to date, the portfolio has generated 13.5% returns.

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 quarter, screening out certain companies within industrials and energy detracted from performance.



## GLOBAL EQUITIES

### Non-U.S.

International markets underperformed the U.S. but still delivered positive returns. The portfolio non-U.S. equities returned 1.3% for the quarter, outperforming the benchmark at 1.1%. Emerging markets outperformed developed markets, and large cap outperformed small cap.

The relative outperformance of the Ministry Growth Fund's non-U.S. component compared to the benchmark was driven primarily by sector allocations (underweighting consumer staples, materials, and real estate), whereas country allocations detracted (overweight Argentina and underweight India and Taiwan).

## FIXED INCOME

### Investment Grade

The Ministry Growth Fund's investment grade portfolio returned 0.3% for the quarter, slightly ahead of the Bloomberg U.S. Aggregate Bond Index benchmark return of 0.1%. The outperformance was driven both by an underweight to treasuries in favor of mortgages and asset back securities and by strong security selection within the actively managed portion of this pool.

### High-Yield

The high-yield portfolio for the Ministry Growth Fund returned 1.3% during the quarter, slightly ahead of the benchmark returns of 1.2% due to active management, specifically security selection within cable and bank loans. The portfolio option-adjusted duration is generally in line with the index.

### Inflation-Indexed

The inflation-indexed bond portfolio return was -0.5% for the quarter. The portfolio is managed using a nearly full-replication approach, which typically results in a negligible deviation from the benchmark. However, the holding was reduced to 0% to align with a revised strategic asset allocation effective April 1, 2024. While inflation-indexed performance was negatively impacted as part of that process, it did not affect overall performance.

## GLOBAL REAL ESTATE SECURITIES

The Ministry Growth Fund's global real estate securities component returned -1.9% in the second quarter, ahead of the custom benchmark return of -2.8%. U.S. real estate securities fared better than international during the quarter but both segments produced negative returns. Within U.S., overweights to healthcare and telecom REITs and strong selection contributed to relative outperformance.

In June, the real estate component transitioned from 60% active U.S., 40% passive international to an integrated active global strategy, which focuses on high quality owner/operators but will now be able to capitalize on differentiated insights on international sectors and securities.

## ALTERNATIVE INVESTMENTS

### Hedge Funds

The hedge fund portfolio returned 1.7% on a net basis for the second quarter, compared to the HFRX Global Hedge Fund Index return of 0.4%. Long/short equity continues to be the most material driver of performance, given its higher correlation to equities. The credit strategy also contributed meaningfully to positive returns. Relative value and multi-strategies were slightly additive, whereas quant and macro strategies were slightly subtractive. The net effect was a strong second quarter for the hedge fund portfolio, bringing the YTD returns to 7.0%, compared to a benchmark of 2.9%.

### Private Infrastructure

Given their valuation process, private funds provide performance updates on a lag. As such, the most recent available performance is through the first quarter. The private infrastructure allocation returned 1.3% for the quarter versus the S&P Global Infrastructure Index return of 1.4% for the same period.

The Ministry Growth Fund's private infrastructure fund has experienced some volatility in the past year primarily due to unhedged foreign exchange movements, but it has significantly outperformed the benchmark on a trailing one-year period, returning 9.9% vs. benchmark returns of 4.3% primarily due to the essential services (heat, water, electric, etc.) owned by the strategy continuing to broadly perform in line with expectations.

### Private Markets

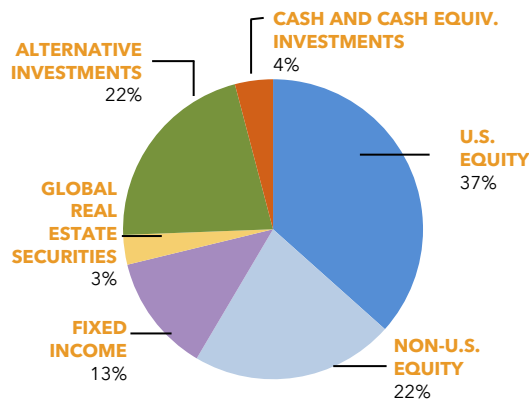
Given their valuation process, private funds provide performance updates on a lag. As such, the most recent available performance is through the first quarter. Performance for the Ministry Growth Fund's private markets portfolio was positive, generating 2.9% vs. a benchmark of 3.0%. Secondaries, which refer to the buying and selling of existing private equity investments from one investor to another, drove much of the fund's performance.

Despite the positive absolute performance, in the current environment, private market performance lags public equity performance, given the strength of mega-cap companies. Since inception, the Ministry Growth Fund's private markets allocation has returned a net internal rate of return (IRR)<sup>2</sup> of 11.3% and a net total value to a paid-in multiple<sup>3</sup> of 1.3x (as of 3/31/24).

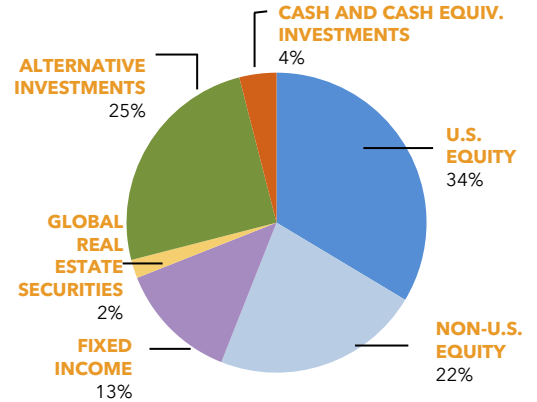


As of June 30, 2024, the Ministry Growth Fund market value totaled \$1.1 billion.<sup>4</sup>

### CURRENT ASSET ALLOCATION



### TARGET ASSET ALLOCATION



### MINISTRY GROWTH FUND INVESTMENT PORTFOLIO PERFORMANCE (%) As of June 30, 2024

	Q2 2024	2024 YTD	1 YR (%)	3 YRS (%)	5 YRS (%)	7 YRS (%)	10 YRS (%)	SINCE INCEPTION	INCEPTION DATE	
<b>MINISTRY GROWTH FUND<sup>1</sup></b>	<b>1.9</b>	<b>6.4</b>	<b>12.0</b>	<b>2.6</b>	<b>7.0</b>	<b>6.6</b>	<b>5.8</b>	<b>5.0</b>	<b>07/01/1999</b>	
Target-Weighted Benchmark <sup>5</sup>	1.8	6.1	11.4	2.6	6.9	6.9	6.1	5.3		
<b>EQUITY</b>	<b>Social Purpose U.S. Equity Portfolio<sup>6</sup></b>	<b>3.0</b>	<b>13.5</b>	<b>23.8</b>	<b>8.3</b>	<b>14.4</b>	<b>13.4</b>	<b>11.8</b>	<b>7.6</b>	<b>07/01/1999</b>
	Portico US Equity Benchmark <sup>7</sup>	3.2	13.6	23.1	8.1	14.1	13.5	12.1	7.9	
	<b>Social Purpose Non-U.S. Equity Portfolio</b>	<b>1.3</b>	<b>6.3</b>	<b>12.1</b>	<b>-0.7</b>	<b>5.8</b>	<b>5.3</b>	<b>4.5</b>	<b>6.2</b>	<b>04/01/2004</b>
	Portico Non-US Equity Benchmark <sup>8</sup>	1.1	5.3	11.6	0.2	5.6	5.1	3.9	5.7	
<b>FIXED INCOME</b>	<b>Social Purpose Investment Grade Bond Portfolio<sup>6</sup></b>	<b>0.3</b>	<b>-0.4</b>	<b>3.4</b>	<b>-2.9</b>	<b>-0.1</b>	<b>0.9</b>	<b>1.4</b>	<b>3.9</b>	<b>07/01/1999</b>
	Portico Fixed Income Benchmark <sup>9</sup>	0.1	-0.7	2.6	-3.0	-0.2	0.9	1.4	4.0	
	<b>Inflation Indexed Bond Portfolio</b>	<b>-0.5</b>	<b>-0.3</b>	<b>2.6</b>	<b>-0.1</b>	<b>2.5</b>	<b>2.7</b>	<b>2.0</b>	<b>2.5</b>	<b>06/01/2011</b>
	Portico Inflation Index Benchmark <sup>10</sup>	1.1	1.4	4.3	0.4	2.7	2.8	2.1	2.5	
	<b>Social Purpose High Yield Portfolio</b>	<b>1.3</b>	<b>2.6</b>	<b>10.0</b>	<b>1.4</b>	<b>3.2</b>	<b>3.6</b>	<b>3.7</b>	<b>6.2</b>	<b>07/01/2003</b>
	Portico High Yield Benchmark <sup>11</sup>	1.2	2.5	10.0	1.6	3.4	3.9	3.9	6.3	
<b>REAL ESTATE</b>	<b>Global Real Estate Securities Portfolio</b>	<b>-1.9</b>	<b>-3.9</b>	<b>4.5</b>	<b>0.7</b>	<b>2.1</b>	<b>3.7</b>	<b>4.5</b>	<b>6.8</b>	<b>03/01/2004</b>
	Portico Real Estate Benchmark <sup>12</sup>	-2.8	-4.5	4.6	0.3	0.6	2.5	3.8	6.1	
<b>ALTERNATIVE INVESTMENTS</b>	<b>Hedge Funds</b>	<b>1.7</b>	<b>7.0</b>	<b>13.2</b>	<b>5.2</b>	<b>5.8</b>	<b>-</b>	<b>-</b>	<b>4.8</b>	<b>08/01/2017</b>
	HFRX Global Hedge Fund Index	0.4	2.9	5.4	0.4	3.2	-	-	2.2	
	<b>Private Infrastructure Fund<sup>13</sup></b>	<b>1.3</b>	<b>6.8</b>	<b>9.9</b>	<b>7.0</b>	<b>7.2</b>	<b>-</b>	<b>-</b>	<b>6.6</b>	<b>10/01/2017</b>
	S&P Global Infrastructure Benchmark <sup>14</sup>	1.4	12.4	4.3	6.6	4.4	-	-	5.2	
	<b>Private Markets Fund<sup>15</sup></b>	<b>2.9</b>	<b>2.9</b>	<b>4.6</b>	<b>9.4</b>	<b>11.6</b>	<b>-</b>	<b>-</b>	<b>11.4</b>	<b>07/01/2017</b>
	Cambridge Private Equity Index	3.0	3.0	6.4	10.3	14.4	-	-	14.6	
<b>CASH &amp; EQUIV.</b>	<b>Money Market Fund</b>	<b>1.3</b>	<b>2.5</b>	<b>5.4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5.1</b>	<b>02/01/2023</b>	
	FTSE 3-month T-Bill Index	1.4	2.8	5.6	-	-	-	5.4		

Please see the following page for all footnotes.



## FOOTNOTES

1. 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.
2. The Internal Rate of Return (IRR) is the yearly interest rate at which the money the Ministry Growth Fund's private markets allocation has invested would break even, considering the returns the allocation expects to receive over time.
3. The Paid-In Multiple compares the total value generated by an investment, including distributions and remaining value, to the amount initially invested capital. The higher the multiple, the better.
4. Market value includes investments, deposits between monthly valuation dates, operating cash, and liabilities.
5. The target-weighted benchmark is composed of: Russell 3000 (33.6%), MSCI ACWI xUSA IMI (22.4%), Bloomberg U.S. Aggregate (8%), Bloomberg U.S. High Yield Ba/B 1% Issuer Cap (5%), FTSE EPRA Nareit Developed Index (2%), HFRX Global Hedge Funds (5%), S&P Global Infrastructure (5%), Cambridge U.S. Private Equity (15%), and the FTSE 90 Day T-Bill (4%) indices. target-weighted benchmark allocation is static and based on the strategic asset allocation approved by the ELCA Foundation Board of Trustees effective as of April 1, 2024. From October 1, 2019 through to March 31, 2024, the target-weighted benchmark was 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 Glb 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. From July 1, 2017 to September 30, 2019, the target-weighted 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 target-weighted benchmark also includes the 60 basis points administrative fee to ensure a direct comparison of investment performance to the MGF. Prior to July 1, 2017, the ELCA Foundation's administrative fee was an all-inclusive 100 basis points (1.00%), covering both investment management and administrative fees and expenses. For this earlier period, the administrative fee was estimated at 70 basis points and was deducted from the target-weighted benchmark.

6. 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.
7. The U.S. equity benchmark changed from the Dow Jones Total Stock Market Index to the Russell 3000 in October 2011.
8. 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.
9. 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.
10. 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.
11. 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.
12. 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. Starting June 1, 2024, the Real Estate Securities benchmark transitioned to 100% FTSE EPRA Nareit Developed index (net).
13. Private Infrastructure returns are reported on a quarter lag.
14. 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.
15. 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).



ELCA Foundation

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## 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.



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