



ELCA Foundation
Evangelical Lutheran Church in America

MINISTRY GROWTH FUND – FIRST QUARTER 2022 SUMMARY

During the first quarter, the Ministry Growth Fund returned -5.05% net. The Modified Target benchmark returned -3.17% on the quarter.

The Ministry Growth Fund performed better than the broad equity and fixed-income indices during Q1 2022 but trailed the Modified Target benchmark return on the quarter. The Ministry Growth Fund's stronger absolute performance came from the Hedge Funds (-3.80%) and Private Infrastructure (+1.49%) as both public stock and bond markets struggled. However, Private Infrastructure lagged the public infrastructure benchmark during the quarter, which resulted in underperformance of the Ministry Growth Fund to the Modified Target Benchmark. Non-U.S. Equities, U.S. Equities and Investment Grade Bonds were the more challenged areas during Q1 2022.

MARKET SNAPSHOT

The S&P 500 declined 4.6% in Q1 2022, though it recorded a gain of 11.03% in Q4 2021. U.S. equities outperformed both international developed and emerging market equities in Q1 2022. The market faced a backdrop of growing concerns surrounding continued inflation, perception that the Fed was taking more aggressive action on interest rates to curtail inflation, and geopolitical concerns over the Ukraine invasion.

The S&P 500 sectors finished the first quarter showing mixed results, with Energy, Utilities and Staples outperforming and returning 39.0%, 4.8% and -1.0% compared to Q4 2021, with returns of 7.9%, 13% and 13.3% respectively. Laggards included Technology, Discretionary, and Communication Services, coming in at -8.4%, -9.0% and -11.9% respectively. Other major U.S. indices were down for the quarter: The Dow Jones Industrial Average lost 4.1%, and the NASDAQ Composite lost 9.0%.

U.S. equities outperformed International in the first quarter of 2022. The MSCI EAFE Index (a benchmark for international developed markets) lost 5.8%. In the first quarter, the MSCI Emerging Markets Index fell 6.9%. The MSCI Europe Index lost 7.2% for U.S.-currency investors, while the MSCI Japan fell 6.7%.

The Bloomberg U.S. Aggregate Bond Index, a general measure of the bond market, declined 5.9%, the worst performance of the index since 1981. The yield on the 10-year U.S. Treasury note closed Q1 2022 near 2.3%. The shortest end of the curve concluded Q1 2022 with the yield on three-month Treasury bills at 0.5%, up from the close of Q4 2021.

Riskier parts of the bond market, such as U.S. high-yield debt, had losses in the first quarter. The Bloomberg High Yield Index, a measure of lower-rated corporate bonds, lost 4.8%. Bloomberg Long Government/Credit ended the quarter at -11.0% after a 2.15% gain in Q4 2021.

EQUITY

U.S.

After a strong 2021, U.S. equity markets retreated in the first quarter of 2022. The Russell 3000 Index fell by 5.28%, largely driven by weak January returns. The U.S. equity component of the Ministry Growth Fund returned -5.62%, trailing the benchmark by 0.34%. Not holding Berkshire Hathaway was the primary driver of underperformance. Berkshire had a strong quarter, returning over 18%, but is included on the list of names ineligible for purchase due to ELCA social criteria screens. A slight underweight to Energy, the index's best performing sector, also detracted as energy prices surged in response to Russia's invasion of Ukraine.

Non-U.S.

Non-U.S. equity markets fell as well, returning -5.60% in the first quarter. Ministry Growth Fund's non-U. S. equity component posted a difficult quarter, with a return of -7.96%, trailing the benchmark by over 2%. As was the case in 2021, investment managers with a growth-oriented style of investing continued to significantly trail the benchmark. For the quarter, Energy, Materials and Financials – three sectors more commonly associated with value stocks – posted the strongest returns, while Technology and Consumer Discretionary stocks lagged significantly. Components with more exposure to value or core and defensive names generally performed well but were not able to completely offset difficulty in the growth space.



The non-U.S. component also held a small position, well under 1%, in Russian stocks going into 2022. In response to Russia's invasion of Ukraine, global sanctions placed on the Russian financial system led to these securities being written down to a value of essentially zero. These positions remain in the portfolio as foreign entities are prohibited from transacting in Russian securities.

FIXED INCOME

Investment Grade

In Q1 2022, Ministry Growth Fund's fixed-income portfolio returned -6.03%, underperforming the Bloomberg Barclays U.S. Aggregate bond benchmark return of -5.93% (-0.10% relative). As of March 31, the portfolio's option-adjusted duration was 6.72 years, about the same level as the benchmark. The portfolio's credit quality was Aa2/AA-, compared to Aa2/A-1+ for the benchmark. The portfolio is underweight Treasuries and overweight Mortgages and Corporates. The portfolio outyields the index by roughly 31 basis points.

Treasury yields rose significantly across the entire curve during the quarter and inverted in certain areas; the two-year rose 155 basis points to yield 2.28%, and the 30-year increased 54 basis points to yield 2.44%. Investment grade corporate yields increased to 3.60%; 10-year Treasury yields rose to 2.32%, and the MBS segment yields rose to 2.99%. Portfolio-level credit spreads were 58 basis points (OAS) on March 31, compared to the benchmark at 37 basis points.

During the quarter, the Federal Reserve Open Market Committee (FOMC) increased the Fed Funds target range from 0.00–0.25% to 0.25–0.50%. They expect to begin reducing Treasury and agency debt at a future meeting.

High-Yield

High-yield bonds outperformed relative to investment-grade fixed income in Q1 2022. Portico's high-yield portfolio outperformed the benchmark, returning -4.42% versus -4.85% for the benchmark (0.43% relative). The High-Yield Bond allocation has returned -0.69% for the trailing 12-month period, compared to the benchmark return of -0.89% (0.20% relative). The portfolio is overweight B credits and underweight BB-rated issues. Portfolio option-adjusted duration and spread duration are generally in line with the index.

T. Rowe Price outperformed by 0.89%, PGIM by 0.03% and Loomis Sayles by 0.33% for the quarter.

Inflation-Indexed

Inflation-indexed bonds outperformed nominal Treasuries in Q1 2022. The portfolio returned -1.26% and the benchmark returned -1.74% (0.49% relative). The portfolio is managed using a near full-replication approach.

GLOBAL REAL ESTATE SECURITIES

Ministry Growth Fund's global real estate securities component returned -4.59% in Q1 2022, compared to the custom benchmark return of -3.46%. U.S. REITs returned -3.71% whereas Global ex-U.S. REITs returned -3.16% for the quarter (benchmark returns). Global Real Estate Securities returned 19.55% in the trailing 12 months.

The U.S. REIT portfolio is actively managed by a single investment manager, whose portfolio underperformed the benchmark (-1.57%) on a relative basis in Q1 2022. For the quarter, the largest positive contributors to relative performance were security selection and allocation within Data Center names. Security selection within Office and Specialty were the largest detractors to performance. Overall, security selection detracted roughly 115 basis points from the quarterly relative performance, while sector allocation detracted 42 basis points.

The Global ex-U.S. REIT portfolio is passively managed by a single manager, and this portfolio showed relative returns of -0.31% for the quarter.

ALTERNATIVE INVESTMENTS

Hedge Funds

The hedge funds portfolio returned -3.80% (net) in Q1 2022. The hedge funds portfolio outperformed both equity and bond markets during the quarter; however, overall return was negative, primarily due to the equity market directional allocation. This allocation was down 15.77% (21.5% allocation) and contributed -3.59% to overall performance.

Market Neutral and Relative Value allocations were generally positive on the quarter, gaining 1.3% and 3.3% respectively. Credit strategies were slightly negative on the quarter.

Private Infrastructure

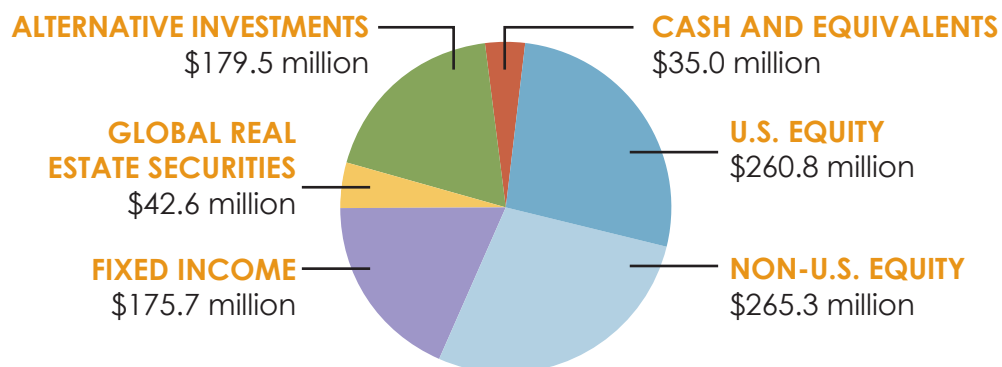
The private infrastructure allocation gained 1.49% for the quarter. The cash yield on the portfolio is approximately 9.1% year-to-date.

Private Markets

The private markets allocation continued to see gains in the quarter. The since-inception return of the underlying portfolio is 25.14% IRR and 1.34x TVPI multiple as of the last reported date of 9/30/21 (gross of fund fees and expenses).



As of March 31, 2022, Ministry Growth Fund Net Assets totaled \$966.6 million* and Ministry Growth Fund Investments totaled \$958.9 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, 2022

		Q1 (%)	YTD (%)	1 YR (%)	3 YRS (%)	5 YRS (%)	7 YRS (%)	10 YRS (%)	SINCE INCEPTION	INCEPTION DATE
TOTAL MINISTRY GROWTH FUND¹		-5.05	-5.05	3.24	9.43	7.91	6.52	7.53	5.08	07/01/99
Modified Target Benchmark ²		-3.17	-3.17	6.52	10.58	9.05	7.73	8.41	6.10	
EQUITIES	Social Purpose US Equity Portfolio³	-5.62	-5.62	11.97	18.62	15.18	12.57	14.02	7.42	07/01/99
	Portico US Equity Benchmark ⁴	-5.28	-5.28	11.92	18.24	15.40	13.37	14.28	7.72	
	Social Purpose Non-US Equity Portfolio	-7.96	-7.96	-6.75	7.64	6.83	5.81	6.36	6.51	04/01/04
	Portico Non-US Equity Benchmark ⁵	-5.60	-5.60	-1.27	7.87	6.92	5.46	5.80	6.04	
FIXED-INCOME	Social Purpose Investment Grade Bond Portfolio³	-6.03	-6.03	-4.56	1.56	2.08	1.84	2.30	4.45	07/01/99
	Portico Investment Grade Benchmark ⁶	-5.93	-5.93	-4.16	1.76	2.23	1.98	2.38	4.58	
	Inflation Indexed Bond Portfolio	-1.26	-1.26	4.40	5.75	4.11	3.41	2.52	3.18	06/01/11
	Portico Inflation Indexed Benchmark ⁷	-1.74	-1.74	3.78	5.52	3.93	3.27	2.43	3.10	
	Social Purpose High Yield Bond Portfolio	-4.42	-4.42	-0.65	3.73	4.07	4.34	5.01	6.53	07/01/03
Portico High Yield Benchmark ⁸	-4.85	-4.85	-0.89	3.68	4.14	4.35	5.05	6.59		
REAL ESTATE	Global Real Estate Securities Portfolio	-4.59	-4.59	19.55	9.15	8.57	6.52	8.24	8.53	03/01/04
	Portico Real Estate Securities Benchmark ⁹	-3.46	-3.46	17.81	6.42	6.79	5.21	7.59	7.77	
ALTERNATIVE INVESTMENTS	Hedge Funds	-3.80	-3.80	1.74	4.37	-	-	-	3.48	08/01/17
	HFRX Global Hedge Fund Index	-1.35	-1.35	0.95	4.96	2.90	1.83	2.12	2.71	
	Private Infrastructure Fund¹⁰	1.49	1.49	3.70	6.83	-	-	-	6.24	10/01/17
	S&P Global Infrastructure Index	7.70	7.70	18.37	7.64	7.28	6.34	8.54	6.97	
	Private Markets Fund¹¹	0.00	0.00	29.87	15.16	-	-	-	14.09	09/01/17
Cambridge Private Equity Index	5.75	5.75	31.82	22.27	18.90	16.13	15.91	19.76		

- 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 investor-reporting portfolio benchmark changed from the Static Benchmark, comprising the MSCI All Country World Index (65%) and the Bloomberg Barclays U.S. Aggregate Bond Index (35%), to the Modified Target Benchmark on Jan. 1, 2021. The strategic asset allocation (SAA) target calls for 10% to be allocated to private markets. However, this target allocation is anticipated to be funded over a period of approximately five years. The Modified Target Benchmark was created to mimic the risk profile of the SAA target by re-weighting the underlying Target Benchmark index weights relative to the current allocation to private markets. The Target Benchmark comprises indices for Russell 3000 (25%), MSCI ACWI xU.S. IMI (29%), Bloomberg Barclays U.S. Aggregate Bond (8.0%), Bloomberg Barclays U.S. High Yield Ba/B 1% Issuer Cap (5%), Bloomberg Barclays U.S. 1-10 Year Inflation Linked (5%), Dow Jones U.S. Select Real Estate Securities (2.4%), Dow Jones Global xU.S. 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%).
- 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. In 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 invested 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.