California COMMUNITY Foundation

Endowment Pool
June 30, 2024

INVESTMENTS

Total Pool Assets

$1.17 billion (Endowment Pool), $2.37 billion (total foundation assets) as of June 30, 2024.

Pool Objective

Prudent investment of funds to provide real growth of the assets over time while protecting the value of the assets from undue volatility or risk of loss. Managed on a total return basis (i.e., yield plus capital appreciation) while taking into account the level of liquidity required to meet withdrawals from the pool - mainly expenses and grants to external organizations. While the Investment Committee recognizes the importance of the preservation of capital, they also adhere to the principle that varying degrees of risk are generally rewarded with commensurate returns over full market cycles (5-10 years).

Outsource CIO

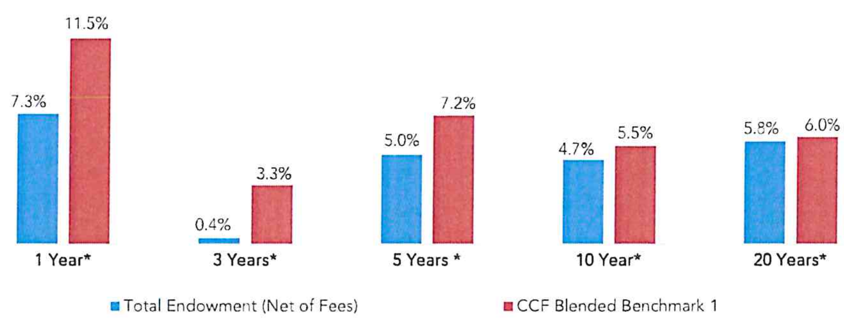
Hall Capital Partners

Performance & Asset Allocation

Performance for June 2024 was 0.5% (2,5)

Performance for the three months ended June 30, 2024 was 0.2%

CCF Total Endowment (net of fees) vs. Blended Benchmark (1)



Asset Class	Balance ($m)	% of Port	Long-Term Target Range (4)
Cash & Equivalent (3)	$1	0.1%	0 - 5%
Fixed Income	$131	11.2%	10 -20%
Public Equities	$552	47.4%	40 - 60%
Alternative Assets	$130	11.2%	10 - 25%
Hybrid Investments	$23	2.0%	0 - 10%
Private Investments	$178	15.2%	10 - 20%
Real Assets	$150	12.9%	5 - 10%
Total Endowment Assets	**$1,165**	**100.0%**	

MARKET COMMENTARY – Q2 2024

The main story of market performance remains consistent: Mega-cap tech stocks, particularly Nvidia, continue to drive index returns. Sustained outperformance by the largest companies in the index has made US and global indices the most concentrated in over 40 years. In the S&P 500, the top 10 companies account for 36% of the index, double the level of 10 years ago.

Amidst this backdrop, US (S&P 500: 4.3% QTD, 15.3% YTD) and global equities (MSCI ACWI: 2.9% QTD, 11.3% YTD) had another strong quarter. Four stocks (Nvidia, Microsoft, Amazon, and Meta) have accounted for ~51% of the S&P 500's YTD gain. The technology sector's strong overall performance continues to amplify the disparities between growth and value stocks, market-cap and equal-weighted indices, and US and international markets.

Though equity performance has been strong at the headline levels, small-cap stocks have only modestly increased (Russell 2000: 1.7% YTD) and software stock performance has been more challenged (Bessemer Emerging Cloud (BVP): -9.4% YTD). Outside the US, emerging markets (MSCI EM: 5.0% QTD, 7.5% YTD) had a strong quarter, driven by notable gains in China, India, and Taiwan, but these markets lag the US for 2024.

The expected path for interest rates has been volatile, with both the Fed and markets anticipating just one rate cut in 2024 (after expecting six cuts at the beginning of the year). This has contributed to elevated Treasury yields and weak fixed income and credit performance YTD.

The persistence of higher rates creates material dispersion among companies and a favorable opportunity set for active managers with deep underwriting and security selection capabilities (both in equity and credit).

EP COMMENTARY

Excluding private investments, the portfolio was up 3.3% YTD. The total Endowment portfolio was up an estimated 3.1% in through Q2 which includes private investment marks that report on a lag and are held at zero for Q2.

This performance is behind the EP's blended benchmark return of 5.9%. All asset classes have performed better or in-line with expectations and relative benchmarks with the exception of public equities. As noted above, the dynamic of mega-cap technology stocks (e.g. NVIDIA where the EP does not have equivalent exposure) driving overall equity markets continues to be a theme that results in relative underperformance for the EP.

27% of the S&P 500 is concentrated in just five technology stocks with similar risk factors. Amidst this increase in concentration, we continue to focus on building equity portfolios that are constructed based on the bottom-up fundamentals of companies, but have globally diverse drivers of return. We believe the EP equity portfolio is more balanced across sectors and market-cap than the index. This has certainly hurt in terms of relative performance over the short-term, with the EP equity portfolio returning 4% YTD versus 11.3% for the MSCI ACWI benchmark.

Looking forward, as valuations for these mega-cap stocks (and thus the index) grow to high levels, we maintain conviction that our actively managed equity portfolios can outperform global indices over the coming decade, and do so with more diversified drivers of return and therefore lower risk. The top five stocks in the MSCI ACWI are trading at a valuation of nearly twice the rest of the index, leaving the broader market looking more reasonable for active managers to benefit from.

We are excited about the private commitments we have made to date, which are still relatively early in terms of duration and are only beginning to contribute to performance. Most have "dry powder" to be invested at what we believe will prove to be attractive entry points. As stated above, private investments report on a lag and are therefore held at a 0% return for Q2'24, muting overall performance relative to strongly positive public markets in 2024. However, we believe this exposure will drive higher returns for the EP over the longer term.

* Represents Annualized Returns.

Footnotes:

1 – Total benchmark intended to roughly match CCF portfolio asset allocation with relevant constituent benchmarks. Current blended benchmark effective since 1/1/24.
Current blend: ML 3M T-Bills (3%), Barclays Agg. Bond Index (7.8%), Barclays 1-5Y Government-Credit Index (5.2%), MSCI ACWI (45%), Hedge Fund Blend (7.5% BofA ML High Yield, 3.75% ML 3-Month T-bills, 3.75% MSCI ACWI), Cambridge PE Index (9.8%), Cambridge VC Index (4.2%), Cambridge RE Index (7%), S&P Infrastructure Index (3%).
CPI+5%.
CCF benchmark blends 7/1/21 to 12/31/23 : ML Treasury 1-3 (2%), Barclays Agg. Bond Index (18%), MSCI ACWI (50%), Hedge Fund Blend (7.5% BofA ML High Yield, 3.75% ML 3-Month T- bills, 3.75% MSCI ACWI), Cambridge PE Index (3.5%), Cambridge VC Index (1.5%), Cambridge RE Index (7%), S&P Infrastructure Index (3%).
CCF benchmark blends prior to 7/1/21: Total Fund Benchmark is a combination of: 48% MSCI ACWI - 2% Cambridge PE Index 1-Qtr Lag / 14% HFR FOF / 5% ODCE - 5% S&P Global Large Mid NR - 4% S&P Global Infrastructure / 9% Barc Agg. - 3% Barc 1-5 Yr. Gov/Cr - 3% Barc 0-5 Yr. US Treasury TIPs / 2% Barc High Yield - 2% S&P/LSTA Leveraged Loan - 3% JP Morgan EMBI Global Diversified.

2 – Performance is preliminary and at times estimated pending final reporting from all investments. Managers often report on substantial lags, particularly private illiquid investments. In the instances where we do not have actual or estimated performance for a manager, we default to a 0% performance. Investment performance is presented net of investment expenses, including fund manager incentive fees

3 – Includes cash in transit to or from investments. For example, 2/28 cash could include money that is being sent to an investment on 3/1

4 – Current portfolio allocations may be outside of strategic ranges as it can take substantial time to adjust investments to meet range goals. This is particularly true for private illiquid investments that call capital into strategies over time and typically necessitate multi-year periods to gain exposure for appropriate vintage diversification

5 – Investment expense ratio approximates weighted-average 1.17% excluding fund manager incentive fees.