California COMMUNITY Foundation

Endowment Pool
December 31, 2024

INVESTMENTS

Total Pool Assets

$1.158 billion (Endowment Pool), $2.38 billion (total foundation assets) as of December 31, 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

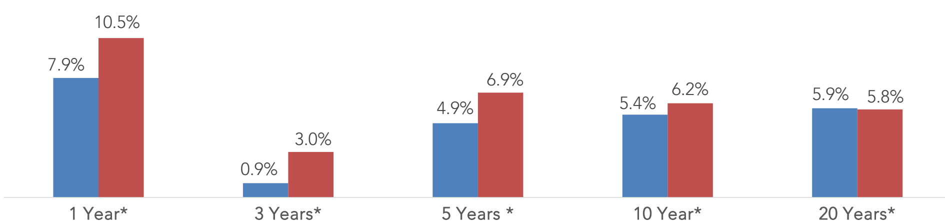
Hall Capital Partners

Performance & Asset Allocation

Performance for December 2024 was -1.8% (2,5)

Performance for the three months ended December 31, 2024 was -0.26%

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



Asset Class		% of Port	Long-Term Target Range (4)
Cash & Equivalent (3)	$4	0.4%	0 - 5%
Fixed Income	$148	12.8%	10 -20%
Public Equities	$552	47.5%	40 - 60%
Alternative Assets	$120	10.4%	10 - 25%
Hybrid Investments	$26	2.2%	0 - 10%
Private Investments	$194	16.8%	10 - 20%
Real Assets	$114	9.9%	5 - 10%
Total Endowment Assets	**$1,158**	**100.0%**	

* Represents Annualized Returns.

Q4 + 2024 MARKET COMMENTARY

Following a strong 2023, strategists predicted a 50% probability of recession and more modest equity returns for 2024. However, markets defied these expectations, with the S&P 500 achieving its highest 2-year performance since 1997. This impressive run was fueled by robust earnings growth resulting from the US economy's soft landing, strong consumer spending and ongoing AI innovation and related investments.

The market was driven by US mega cap stocks for the second straight year as the S&P 500 equal weighted underperformed the S&P 500 by roughly 12%. The equal weighted index has only underperformed by double digits three times since the index was created in 1971 and two of those are 2023 and 2024 (a remarkably tough set up for active management). US and global indices remain the most concentrated they have been in over 40 years with ~27% of the S&P 500 comprised of just six technology stocks. While these few stocks have driven the performance of indices for 2024, we continue to build portfolios from the bottom up, with globally diverse drivers of return. Lower starting valuations may benefit segments and geographies that have been out-of-favor in recent years.

Fed signaling and the US election significantly influenced market performance in 2024. As the year ended, attention shifted to Trump's stated policy agenda—particularly tariffs, tax cuts, and the budget deficit—and their potential impacts on inflation. Uncertainty in these areas, combined with continued economic strength, led to notable fluctuations in US Treasuries, with the 10-year yield ending the year at 4.6%.

Given political clarity following the 2024 election season, heightened dry powder, and the more favorable interest rate environment, we anticipate that 2025 will support a resurgence in private equity deal-making, particularly across more 'traditional' investment types (such as LBOs). Activity and performance in private markets (private equity and real estate) was muted over the year, especially relative to the strong year for public assets

EP COMMENTARY

Excluding private investments, the portfolio was up 9.1% YTD. The total Endowment portfolio was up an estimated 8.0% through Q4 2024, which includes private investment marks that report on a lag and are held at zero for the latest quarter.

For Q4, performance for the EP was exactly in-line with its benchmark (-0.8%). However, for the entire year 2024, performance lags the blended benchmark return. 2024 has seen consistent themes in terms of EP performance. All asset classes have performed better or in-line with expectations and relative benchmarks with the exception of public equities.

Hedge funds have performed well, earning 9.1%, taking advantage of still attractive base yields within the credit space. Long/short equity managers also performed well in a year that saw a wide dispersion between in stocks. We view this return as a strong absolute return for investment strategies that provide diversification and downside protection in the portfolio.

In fixed income, the EP benefitted from a shorter duration stance than the benchmark, returning to 2.7% versus 2.3%.

As for public equities, the second half of 2024 saw the EP equity portfolio outperform its benchmark (MSCI ACWI) by 100 basis points. However, the first half of the year was challenging given the market environment. The dynamic of mega-cap technology stocks (e.g. NVIDIA where the EP does not have equivalent exposure) driving overall equity markets was a powerful theme that results in relative underperformance for the EP for 2024.

Looking forward, 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. Historical data suggests that mega-cap and large-cap outperformance versus smaller cap stocks *and* US outperformance versus other geographies is cyclical.

We have made good progress this year in rebalancing the portfolio towards the EP's long-term targets. First, we have been slowly investing more dollars in private equity and are excited about the private commitments, which are still relatively early in terms of duration. As stated above, private investments report on a lag and are therefore held at a 0% return for Q4'24, muting overall performance relative to strongly positive public markets in 2024. As we receive full Q4 reporting from managers, we expect returns for the overall EP to increase in the margin. Longer term, we believe this exposure will drive higher returns for the EP.

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 1.16% excluding fund manager incentive fees.