

ELCA ENDOWMENT FUND POOLED TRUST – FUND A

SECOND QUARTER 2021 REPORT



ELCA Foundation
Evangelical Lutheran Church in America

FUND A – SECOND QUARTER 2021 SUMMARY

During the second quarter, Fund A returned 5.3% net. The Modified Target benchmark returned 5.5% on the quarter.

Fund A performed slightly behind of the Modified Target benchmark return but enjoyed robust absolute returns. Fund A's global equity and real estate allocations delivered both strong absolute and relative returns. From an absolute return standpoint, the equity allocations all enjoyed gains on the back of the market recovery. Fund A's hedge fund and private markets allocation delivered above benchmark performance. The private infrastructure allocation lagged the public benchmark on the quarter.

MARKET SNAPSHOT

Awaiting finalized Q2 2021 data, the Bureau of Economic Analysis estimated that real Gross Domestic Product increased at an annualized rate of 6.4% in that quarter, in comparison to 4.3% in Q4 2020. With Global GDP output having already fully recovered, the U.S. economy returned back to pre-COVID levels in Q2 2021. With the faster rollout of the vaccine, fiscal stimulus bleeding into Q2 2021, and continued engagement in COVID-19 sensitive economic sectors, continued support for strong consumption and investment will likely move through the second half of 2021.

The 11 sectors of the S&P 500 showed mixed results and moderate returns across the board for the second quarter. Real Estate was the top performer, gaining 13.1% in Q2 2021, after returning 9.0% in Q1 2021. Technology followed suit coming in at a strong 11.6% gain, after a Q1 2021 return at 2.0%. Energy saw the greatest flux, returning 11.3% in Q2 2021 after a large 30.9% gain in Q1 2021. Second quarter laggards included Industrials, Consumer Staples, and Utilities, coming in at 4.5%, 3.8%, -0.4%, respectively.

The S&P 500 Index rallied 8.6% for the quarter. U.S. equities outperformed International in Q2 2021. The MSCI EAFE Index (a benchmark for international developed markets) advanced 5.4% for U.S. currency investors. In the second quarter, the MSCI Emerging Markets Index gained 5.1% for U.S. currency investors. The MSCI Europe Index advanced 7.7% for U.S. currency investors, while the MSCI Japan underperformed, falling 0.33%. Emerging economy equity market indices saw muted returns in the second quarter. The MSCI BRIC (Brazil, Russia, India and China) Index rose 5.5% in U.S. dollar terms, while the MSCI EM Asia Index rose 3.8%.

The Bloomberg Barclays U.S. Aggregate Bond Index, a general measure of the bond market, rose 1.8%, after

falling 3.4% last quarter. The yield on the 10-year U.S. Treasury note increased notably in Q1 2021, breaching 1.7%, and came down slightly in Q2 2021 to close the quarter at 1.5%. The shortest end of the curve concluded Q2 2021 with the yield on three-month Treasury bills at 0.04%, up from the close of Q1 2021.

Riskier parts of the bond market, such as U.S. high-yield debt, had strong gains in the second quarter, buoyed by the market's risk-on sentiment. The Bloomberg Barclays High Yield Index, a measure of lower-rated corporate bonds, gained 2.74%. Bloomberg Barclays Long Government/Credit ended the quarter at 6.4% after a 10.4% decline in Q1 2021. Riskier parts of the bond market, such as U.S. high-yield debt, gained the most in the fourth quarter, buoyed by the market's risk-on sentiment. The Bloomberg Barclays High Yield Index, a measure of lower-rated corporate bonds, rallied at 6.45%.

EQUITY

U.S.

Fund A's U.S. equity component modestly outperformed in the second quarter, outpacing the benchmark by 0.12%. Not holding certain Tobacco, Aerospace and Defense, and Energy names (excluded from the portfolio due to the ELCA's social criteria screens) drove the outperformance. Absolute returns remain strong, and the portfolio has tracked the benchmark performance on a year-to-date basis.

Non-U.S.

Conversely, the non-U.S. equity component of Fund A lagged the benchmark by 1.07% during the quarter. The portfolio experienced strong stock selection in small cap stocks, but it was not enough to offset poor stock selection among large- and mid-cap names. The resurgence in cheaper value stocks took a breather in the second quarter as growth stocks reclaimed dominance.



FIXED INCOME

Investment Grade

In Q2 2021, Fund A's investment grade fixed-income portfolio returned 1.8%, underperforming the custom bond benchmark return of 1.82% (-0.02% relative). As of June 30, the portfolio's option adjusted duration was 6.54 years, about the same level as the benchmark. The portfolio's credit quality was Aa2/AA-, compared to Aa1/AA- for the benchmark. In March, we transitioned assets from the passively managed portfolio to fund two new actively managed portfolios. The two new portfolios were fully transitioned in April, and official performance measurement started in April 2021.

Treasury yields rose across the front end of the curve during the quarter and the curve flattened, with yields rising most in the belly of the curve: the two-year rose 9 bps to yield 0.25%, and the 30-year fell 0.35% to 2.06%. Corporate credit spreads tightened during the quarter as the overall yield environment moved slightly lower, to a yield of 2.04%; Treasury yields rose to 1.74%; and the Collateralized segment yields fell to 1.82%.

High-Yield

High-yield bonds outperformed relative to investment-grade fixed-income in Q2 2021, as credit spreads continued to tighten in the quarter. Fund A's high-yield portfolio underperformed the benchmark, returning 2.39% versus 2.49% for the benchmark (-0.10% relative). The High-Yield Bond allocation returned 13.76% for the trailing 12-month period, compared to the benchmark return of 13.52% (0.24% relative).

Inflation-Indexed

Inflation-indexed bonds outperformed nominal Treasuries in Q2 2021. The portfolio and benchmark returned 2.40% and 2.30%, respectively. The portfolio is managed using a full-replication approach.

GLOBAL REAL ESTATE SECURITIES

The Global Real Estate Securities allocation return was 10.75% in Q2 2021, ahead of the benchmark return of 10.04%. U.S. REITs returned 11.76%, while Global ex-U.S. REITs returned 7.42% for the quarter (benchmark returns). Global Real Estate Securities have returned 37.76% in the trailing 12 months.

The U.S. REIT portfolio is actively managed by a single investment manager, whose portfolio outperformed the benchmark (1.39%) on a relative basis in Q2 2021. For the quarter, the largest positive contributors to relative performance were security selection within the Diversified and Data Center sectors. Security selection within Regional Malls and allocation effects to Self-Storage names were the largest detractors to performance. Overall, security selection added roughly 110 bps to the quarterly relative performance, while sector allocation added 29 bps.

The Global ex-U.S. REIT portfolio is passively managed by a single manager, whose portfolio showed relative returns of -0.11% for the quarter.

ALTERNATIVE INVESTMENTS

Hedge Funds

The hedge fund portfolio returned 3.0% (net) in Q2 2021. The portfolio benefited from overweight exposure to the long/short equity strategy (3.87% return), which experienced gains in the quarter, largely driven by a small number of long/short equity hedge funds that experienced claw back of some of their losses that occurred during January's unprecedented short squeeze and subsequent deleveraging. The Credit strategy (3.43% return) performed well for the quarter as all managers within the strategy posted gains. The Relative Value strategy (0.61% return) was modestly positive in the quarter. The Quantitative strategy experienced positive performance driven by information technology, health care and consumer discretionary positions. The Multi-Strategy portion had positive performance as positions in the energy and consumer staples sectors saw modest gains in the quarter. The Macro strategy experienced gains during the quarter. Following a somewhat severe drawdown in Q1 2021, the Macro strategy generated gains in Q2 2021 led by equities, followed by rates, while FX was negative on the quarter. Within equities, the Macro strategy's cross-market relative-value trades playing for U.S. equity outperformance versus Europe and emerging markets drove positive performance throughout the quarter. Within rates, gains from the long U.S. rates theme were partially offset by the long front-end rates and curve steepeners in the U.K. rates complex. Both of the Macro strategy's key currency themes detracted during the quarter, specifically the short euro against the Japanese yen and the long U.S. dollar against a basket of EM currencies.

Private Infrastructure

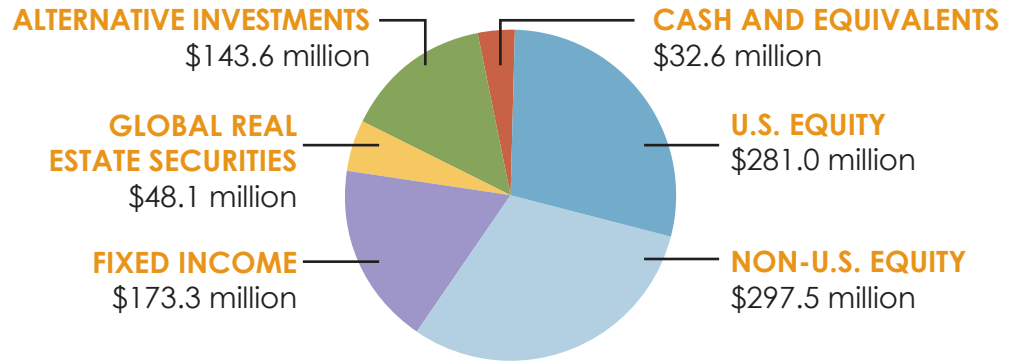
The private infrastructure allocation declined -0.36% on the quarter with a trailing 12-month yield of 8.5%. The private infrastructure fund that Fund A invests in continues to experience strong fundraising momentum, with approximately \$3.2B in new commitments and reinvested dividends in the quarter. The fund deployed over \$300M during Q1 2021, further diversifying the portfolio across sectors and geographies.

Private Markets

The private markets allocation continued to see gains in Q1 2021. The since inception return of the underlying portfolio is 22.11% IRR and 1.30x TVPI multiple as of March 31, 2021 (gross of fund fees and expenses). During Q1 2021 the private markets fund was quite active, contributing \$5.5M and receiving \$1.2M in distributions from underlying fund managers.



As of June 30, 2021, Fund A Net Assets totaled \$976.6 million* and Fund A Investments totaled \$976.1 million.**



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

FUND A INVESTMENT PORTFOLIO PERFORMANCE (%) AS OF JUNE 30, 2021

	Q2 (%)	YTD (%)	1 YR (%)	3 YRS (%)	5 YRS (%)	7 YRS (%)	10 YRS (%)	SINCE INCEPTION	INCEPTION DATE	
TOTAL FUND A¹	5.30	8.60	27.69	10.65	10.04	7.23	7.90	5.35	07/01/99	
Modified Target Benchmark ²	5.54	8.80	28.82	10.93	10.60	7.88	8.56	6.24		
EQUITIES	Social Purpose US Equity Portfolio³	8.36	15.13	44.18	18.87	17.63	13.30	14.41	7.52	07/01/99
	Portico US Equity Benchmark ⁴	8.24	15.11	44.16	18.73	17.88	13.95	14.70	7.83	
	Social Purpose Non-US Equity Portfolio	4.53	9.30	37.57	10.97	12.17	6.81	6.69	7.51	04/01/04
	Portico Non-US Equity Benchmark ⁵	5.60	9.58	37.18	9.42	11.20	5.56	5.68	6.72	
FIXED-INCOME	Social Purpose Investment Grade Bond Portfolio³	1.80	-1.39	0.43	5.39	3.14	3.29	3.45	4.91	07/01/99
	Portico Investment Grade Benchmark ⁶	1.82	-1.31	0.25	5.46	3.20	3.37	3.55	5.02	
	Inflation Indexed Bond Portfolio	2.40	2.42	6.69	5.83	3.74	2.95	3.17	3.22	06/01/11
	Portico Inflation Indexed Benchmark ⁷	2.30	2.36	6.66	5.75	3.65	2.90	3.13	3.19	
	Social Purpose High Yield Bond Portfolio	2.39	3.00	13.76	6.51	6.56	4.77	5.90	6.99	07/01/03
	Portico High Yield Benchmark ⁸	2.49	2.86	13.52	6.63	6.65	4.85	6.04	7.07	
REAL ESTATE	Global Real Estate Securities Portfolio	10.75	17.41	37.76	8.72	6.12	6.74	7.45	8.44	03/01/04
	Portico Real Estate Securities Benchmark ⁹	10.04	17.22	36.57	6.42	4.66	5.62	7.28	7.69	
ALTERNATIVE INVESTMENTS	Hedge Funds	3.00	0.42	11.80	4.25	-	-	-	4.49	08/01/17
	HFRX Global Hedge Fund Index	2.41	3.73	12.01	4.22	4.22	1.99	1.85	3.62	
	Private Infrastructure Fund¹⁰	-0.36	4.91	12.34	5.97	-	-	-	6.39	10/01/17
	S&P Global Infrastructure Index	2.12	4.99	22.22	4.69	5.28	3.26	5.27	3.17	
	Private Markets Fund¹¹	14.45	14.45	30.76	10.74	-	-	-	13.28	09/01/17
	Cambridge Private Equity Index	9.61	22.12	47.51	17.52	17.41	14.29	14.38	18.12	

- Total Endowment Fund A returns are net of investment-manager and custodian fees and expenses, including the 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 will be funded over a period of five years, so 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%).
- Endowment Fund A 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, Endowment Fund A 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 Fund A'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 – Fund A 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.

Fund A is administered by the Endowment Fund of the ELCA dba ELCA Foundation.

SOCIAL PURPOSE INVESTING

Fund A'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, Fund A 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 FUND A

You should carefully consider the target asset allocations, investment objectives, risks, charges and expenses of any fund before investing in it. Fund A is subject to risk. Past performance cannot be used to predict future performance. Fund A 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 Fund A 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.