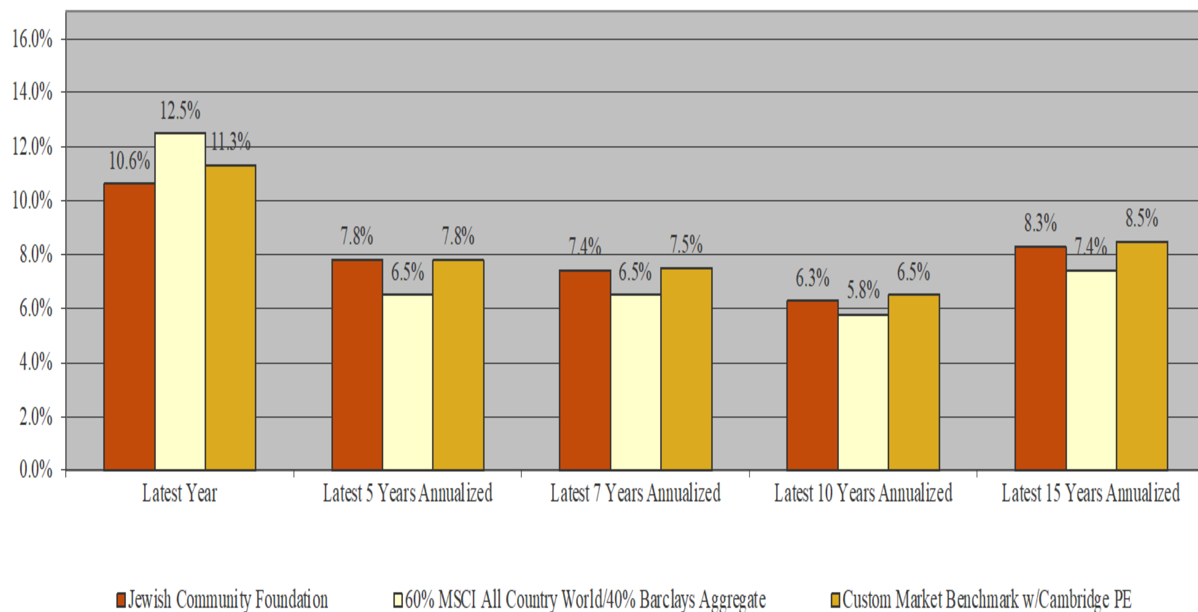
JEWISH COMMUNITY FOUNDATION OF GREATER HARTFORD

Quarterly Investment Update
As of June 30, 2024

As of June 2024, the pooled investment portfolio has generated strong absolute returns over the latest 5, 7 and 15 years with outcomes that significantly exceed the 60/40 index blend that approximates the volatility of the Foundation portfolio. It has generally matched the Custom Market Benchmark due to the Pool's diversification away from the Magnificent 7. The Foundation's portfolio by virtue of its stronger diversification is less risky and our expectation is that it will again produce returns that exceed both benchmarks.

Aggregated Investment Performance



Managed Portfolio Investment Performance

Periods ended June 30, 2024								
					Annualized			
	3 mon	FYTD	CYTD	1 year	3 year	5 year	10 year	15 year
Jewish Community Foundation Total Managed Portfolio	**0.4%**	**10.6%**	**4.9%**	**10.6%**	**1.7%**	**7.8%**	**6.3%**	**8.3%**
Overall Market Benchmark with Cambridge PE [1]	0.7%	11.3%	5.5%	11.3%	2.6%	7.8%	6.5%	8.5%
60% MSCI AC World/40% Bloomberg U.S. Aggregate [2]	1.7%	12.5%	6.4%	12.5%	2.1%	6.5%	5.8%	7.4%
Standard & Poor's 500 Composite Stock Index [3]	4.3%	24.6%	15.3%	24.6%	10.0%	15.0%	12.9%	14.8%
Bloomberg U.S. Aggregate Index [4]	0.1%	2.6%	-0.7%	2.6%	-3.0%	-0.2%	1.3%	2.5%

Investment Performance Objectives

The **long-term** performance objective for the Foundation's pooled investment portfolio is to earn a rate of return that is at least equal to the rate of inflation plus the spending rate. In other words, the Foundation invests its assets to maximize grantmaking to address current needs, while protecting long-term purchasing power for grantmaking in perpetuity. This is best achieved through a balanced approach that is sensitive to market opportunities and volatility over long time frames.

The total portfolio is based on a strategic asset allocation, benchmarked using suitable market indices to represent each asset class. On June 30, 2024, total assets in the Pool were approximately $171 million across 29 investment managers. The allocation among asset classes was as follows:

[1] *Overall Market Benchmark*: This benchmark is composed of: 9% Bloomberg U.S. Aggregate; 26% Standard & Poor's 500; 8% Russell MidCap; 8% Russell 2000; 10% Morgan Stanley Capital International (MSCI) AC World, 19% MSCI EAFE; 5% Morgan Stanley Emerging Market Equities (MSCI EME); 4% FTSE World Government Bond Index; 5% Bloomberg Commodity Index; 3% Bloomberg U.S. Treasury Inflation Protection Securities; and 3% 90-day Treasury Bills.

[2] *Overall Market Benchmark with Cambridge PE:* In May 2023, the Foundation's Investment Committee added a second policy benchmark option that is identical to the original benchmark except for the use of the Cambridge Private Equity index in place of the S&P 500 for private equity. This benchmark is composed of: 9% Bloomberg U.S. Aggregate; 15% Standard & Poor's 500; 11% Cambridge all PE; 8% Russell MidCap; 8% Russell 2000; 10% Morgan Stanley Capital International (MSCI) AC World, 19% MSCI EAFE; 5% Morgan Stanley Emerging Market Equities (MSCI EME); 4% FTSE World Government Bond Index; 5% Bloomberg Commodity Index; 3% Bloomberg U.S. Treasury Inflation Protection Securities; and 3% 90-day Treasury Bills.

[3] *60% MSCI AC World/ 40% Bloomberg U.S. Aggregate Bond Index*: A benchmark comprised of 60% of the Morgan Stanley All Country World index which includes equities from the United States, developed and emerging markets from around the world. And, this benchmark is 40% invested in Bloomberg US Aggregate Bond Index, a measure of primarily US dollar denominated, investment grade fixed income securities. The Foundation's equity holdings are diversified across the geographies covered by the MSCI index. The Foundation's equity holdings are diversified across the geographies covered by the MSCI index.

[4] *S&P 500:* A market capitalization-weighted price-only index comprised of 500 widely held common stocks listed on the New York Stock Exchange and NASDQ. It is used as a benchmark to measure the overall performance of the U.S. stock market.

[5] *Bloomberg U.S. Aggregate Index*: An unmanaged market value-weighted index comprised of U.S. investment grade, fixed rate bond market securities, including U.S. Government bonds, corporate bonds (minimum grade Baa), mortgage pass-through securities, commercial mortgage-backed securities and asset-backed securities that are publicly offered for sale in the United States. Effective November 3, 2008, the Lehman Brothers Aggregate Bond Index rebranded Barclays Capital Aggregate Bond Index. There have been no changes to the calculation or definition of the index data.

Overview from the Foundation's Investment Consultant:

The first half of 2024 brought more of the same, as price and earnings momentum continue to drive gains for a small number of dominant businesses that vastly exceed those of virtually everything else across the broader market.

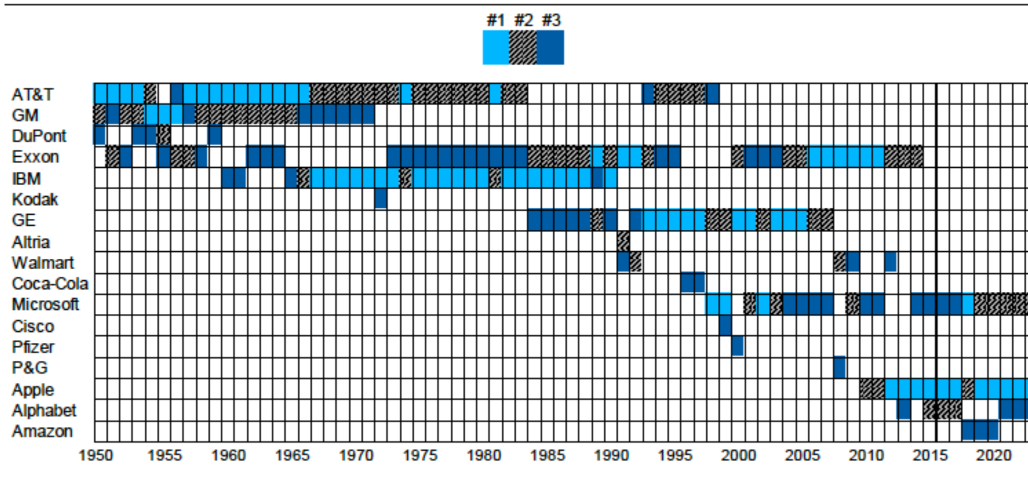
Delta Between Specified Index and S&P 500	-------------------------As of June 30, 2024----------------------- Calendar Year To Date	Latest Year	Latest 3 Years
Russell 2000 (U.S. Small Cap)	-13.6%	-14.5%	-12.6%
MSCI EAFE (Non-U.S. Developed Markets)	-10.0%	-13.1%	-7.1%
MSCI EM (Non-U.S. Emerging Markets)	-7.8%	-12.1%	-15.1%
Russell 1000 Value (U.S. Large Value)	-8.7%	-11.5%	-4.5%
Russell 2000 Value (U.S. Small Value)	-16.1%	-14.5%	-12.6%
Russell 2000 Growth (U.S. Small Growth)	-10.9%	-15.5%	-14.9%
Russell 1000 Growth (U.S. Large Growth)	5.4%	8.9%	1.3%

The red font highlights the many instances when the S&P 500 generated double-digit out-performance. Note that the figures in the three-year column are per year; when considered next to core indices that are increasingly and unusually concentrated, the idea that diversification provides a free lunch seems antiquated today, to put it mildly.

Where we are in terms of the cycle's remaining duration and the degree to which it can become even more pronounced is anyone's guess. What we do know is that times like these present investors with a set of difficult choices—choices that tend to have unusually large implications for future returns.

This can lead to unfortunate decisions as a cycle's duration leads to ever-increasing pressure to conform and own more of the current favorites. Notably, while the popularity of many of the S&P 500's largest names is easily justified, it appears to us that various, rather obvious risks are being ignored. Furthermore, little to no weight is being placed on the lessons of history as it relates to the dominant businesses of other eras, nor on the degree to which such names are compelling compared to the thousands of other choices available.

Stocks with the Largest Market Capitalizations in the U.S., 1950-2023



Source: FactSet and Counterpoint Global.
Note: Market capitalizations reflect calendar year-end; Some of these companies have varied their names over time; GM=General Motors; P&G=Procter & Gamble; Exxon=ExxonMobil; IBM=International Business Machines; GE=General Electric; Altria was previously known as Philip Morris.

Instead, many investors are focused on both the outsized weighting and return contribution of these leading names[1], having in essence moved relative risk to the front of the line rather than maintaining focus on the absolute returns needed to support one's long-term objectives. The idea that a trade-off exists is either outright rejected or simply ignored, as the concept appears to have no near-term value. Yet, this is the question we must all carefully consider; one's views and actions from here could be of monumental importance. Fortunately, history does provide some guidance.

1) While the world and capital markets are always changing, human nature is largely a constant. As such, markets can be relied upon to set prices too optimistically for certain stocks around a good story, or too pessimistically when complexity arrives. In our view, today's markets are particularly susceptible to this issue.

2) Valuation inevitably matters but can lie dormant for long periods. However, it can be relied upon to re-emerge unexpectedly to quickly introduce significant price changes. In other words, ignoring valuation seems harmless until it's not, and it can exact a considerable and permanent toll when its time arrives for the unprepared.

But even though the above is difficult to refute, does it matter if the success dependent upon them requires a seemingly inhuman capacity for discipline and patience? In a word, yes, as the nature of investing for a sustainable long-term return demands it.

Despite the challenges of the last few years, we remain resolutely confident in the value of diversification and the importance of retaining talented, differentiated investors. The current tale of two markets has created an

[1] The S&P 500's top ten names contributed 77% of its return for the first half of 2024.

almost unbelievable opportunity set of mispriced businesses of all shapes and sizes. As we assess the business cases alongside the valuations, it almost seems too good to be true. (Of course, in some instances the outcomes will be just that, but this will not be the case for all of them.)

While not enjoyable, we're glad to be here, as we can't help but look at capitalization-weighted index valuations and wonder how such an investment could possibly support the Foundation's return objectives. If history is any guide, it won't, falling woefully short of the 10-15%+ returns of the many other securities that could be held instead.

Ultimately, pretending that some investment choices do not involve a trade-off is a mistake that far too many appear to be making. A stronger approach is built from a more realistic foundation combined with a sure and steady evolution of one's thinking.

--Michael Miller, Chief Investment Officer, Crewcial Partners (JCF's Investment Consultant)