GEM

# GROWTH FUND

## Q2 2024 INVESTOR LETTER

### Performance – Preliminary Q2 2024

We project that the Growth Fund (GF) returned +1.8% in the second quarter and +14.6% for the trailing twelve months (net of all fees and expenses), inclusive of GEM's Q2 projection for the contribution from private investments of +1.25%.[1] Given the recent strength of public markets, the fund is behind the MSCI All Country World Index over shorter time horizons. Since its inception on January 1, 2020, the fund is projected to be roughly in line with its benchmark with far less volatility. Those figures are summarized in the table below.

| Preliminary 6/30/2024 Performance | 2Q24 | 1 Year | 3 Year | Since Inc.* | Since Inc. Std. Dev.* |
|---|---|---|---|---|---|
| Growth Fund (est.) | 0.5% | 13.2% | 3.9% | 9.5% | 11.7% |
| **Projected Growth Fund [1]** | **1.8%** | **14.6%** | **4.4%** | **9.8%** | **11.7%** |
| MSCI ACWI | 2.9% | 19.4% | 5.4% | 9.9% | 18.1% |
| *Difference vs MSCI ACWI* | *-1.1%* | *-4.8%* | *-1.1%* | *-0.1%* | *-6.4%* |
| Growth Fund (gross, est.)[2] | 0.6% | 13.9% | 4.5% | 10.2% | 11.7% |

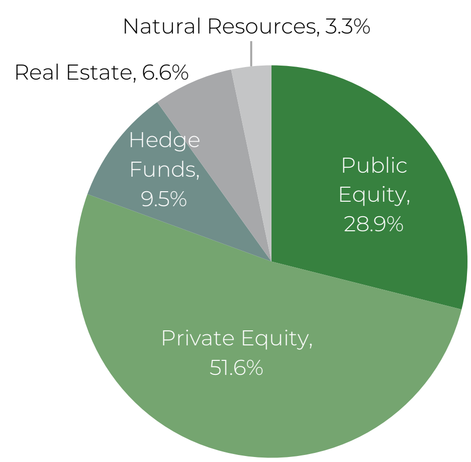
** Growth Fund inception January 1, 2020.*

The GF's short-term results reflect strong execution by our managers across asset classes. The GF's up-capture relative to the global equity benchmark of 75% in an environment of soaring equity returns, a historically narrow equity market, and without undue exposure to the most conspicuous area of investor frenzy (i.e., AI and AI-adjacencies), is—in our opinion—an excellent outcome.[3]

### Portfolio Drivers[4]

- Public Equity and Hedge Fund portfolios delivered strong absolute results over the last twelve months that were in excess of benchmarks.
- Buyout markups and exits continued to drive Private Equity returns, while up-rounds among select VC positions led to contributions for the first time since mid-2022.
- Private Real Estate and Private Natural Resources weighed on returns amid generalized weakness in the operating environment consistent with what we'd expect given the macro backdrop.

### Asset Allocation[5]




[1] Projected performance figures incorporate GEM's Private Projection for the final month of the most recently completed quarter. GEM's Private Projection is a hypothetical, projected return based on the priced portion of GEM's portfolio and an estimated value for the unpriced private investments in the portfolio. Please see Projected Performance in the Important Notes for more detail. Past performance is not indicative of future results. Policy Portfolio and benchmarks defined in Important Notes.

[2] Estimated "gross" performance figures noted herein are net of underlying manager and/or investment level fees and expenses and gross of GEM advisory fees and fund expenses.

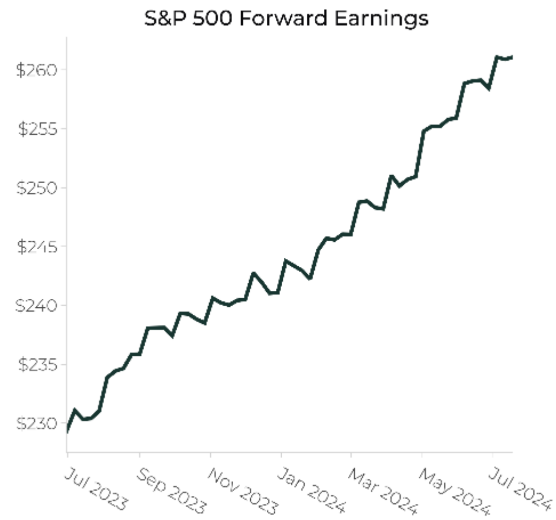
[3] Up-capture defined in the Important Notes.

[4] Public asset class performance commentary is for the 1-year period ended 6/30/2024; private asset class performance commentary is for the 1-year period ended 3/31/2024.

[5] As of 7/1/2024. Growth Fund Public Equity includes cash. When applicable, negative cash equals portfolio-level leverage, as defined in Important Notes.

## THE BEAT GOES ON

Growth in the US has surprised to the upside this year, with real GDP running at 2-3% and nominal at 5-6%. That robustness has flowed directly into equity markets. Earnings from the S&P 500 have powered index returns upward, and forward earnings expectations have followed suit: up 13% from $230 per share a year ago to $261 now.



*Source: Bloomberg as of 7/19/24.*

The question from here is whether expectations have outrun potential. One commentator noted that "growth [is] not strong enough to meet the expectations embedded in stocks, but [is] too strong for bonds to get the easing cycle they need."[6] Another said that the recent stagflationary ISM readings, with headline PMI below 50 (signaling contraction) but prices paid above 50 (signaling inflation) was the "base case macroeconomic scenario."[7]

It's always hard to say. After two years of yield curve inversion there are finally some signs of a slowdown in the labor market and in pockets of discretionary spending. But in this confounding cycle, wringing fact from fiction and cyclical from structural, what reverts from what persists is the difference. For now, the music plays on.

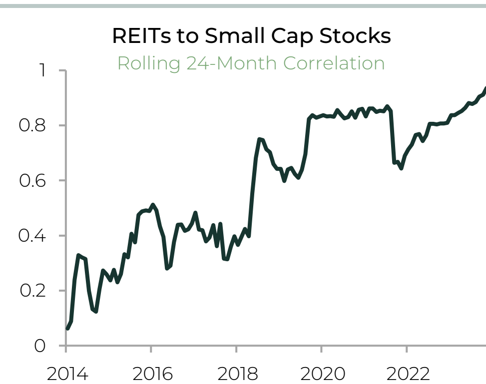
### Growth

Global equities, as measured by the MSCI ACWI, rose 2.9% in Q2 and 19.4% for the trailing twelve months. Equities were the only Policy factor ahead of the Policy return during that period. A handful of the largest US companies drove the S&P 500 up 24.6% even while the average stock in the index rose just 11.8%. MSCI Japan rose 26% during the year in Yen terms, but only 13% in Dollar terms as the Yen weakened to its lowest level since 1986. MSCI China had its first positive quarter in the last five, up 7.1%, finishing the year down 1.5%.

Credit, as measured by the Bloomberg US High Yield Index, rose 1.1% in Q2 and 10.4% for the trailing twelve months. Credit spreads finally widened by a hair to 3.1% but are still tighter than the 3.9% one year ago. Although stories of distress and bankruptcy are becoming more prevalent, none of it has flowed into market pricing—on credits themselves or their default swaps.

### Inflation

Commodities, as measured by the Bloomberg Commodity Index, rose 2.9% in Q2 and 5.0% for the past twelve months. Volatility across segments persisted. Industrial metals fell sharply in Q2 on nickel overproduction in Indonesia, for example, while coffee bean prices are up on supply disruptions in Vietnam and Brazil. Precious metals, led by gold, continued to push toward all-time highs in nominal terms.



*Source: Bloomberg as of 6/30/24.*

REITs, as measured by the MSCI US REIT Index, rose 0.1% in Q2 and 7.6% over the last twelve months. REITs have behaved more like small cap stocks of late due in part to their leverage profile.

[6] Bob Elliot (@BobEUnlimited), Twitter, July 1, 2024.

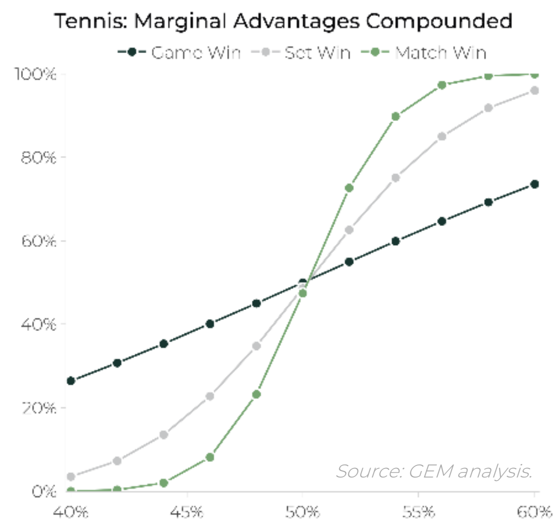
[7] Ben Hunt, Epsilon Theory.

## Income

Treasuries were flat for the quarter and up 1.5% over the past year. TIPS rose 0.8% during the quarter and 2.7% for the past year. Government debt loads get more egregious by the day, foreign central banks continue to repatriate capital, and the expected tariff policy of the next US administration are all pressuring yields up. As the Fed inches closer toward rate cuts by the fall, we anticipate long-awaited disinversion and curve steepening.

## GAMES, SETS, AND LONG-TERM MATCHES

Tennis legend Roger Federer gave a brilliant commencement address this year at Dartmouth College. Among his bits of wisdom on pursuing excellence and the proper forehand grip, he professed that one of his primary strengths was the ability to move on from the last point—good or bad—to the next with complete focus. Tennis matches are long with lots of individual points, each one a tiny and unpredictable step along the way toward winning or losing. In his illustrious career, Federer won only 54% of his points, but turned that marginal advantage into an 80% success rate in his matches. How can that be? It's because his edge over the competition compounded over the roughly 150 points in the average match, washing away most of the vagaries of luck. Consider it this way: If you had a coin weighted 54% toward heads, the probability of flipping more heads than tails over five tosses would be only marginally higher than 54%. But the probability of flipping more heads than tails over five *hundred* tosses would be close to 100%. Sufficient time and iteration turn even the smallest probabilistic advantages into nearly certain outcomes. Years ago, an MIT paper written for the Applied Mathematics Department proved (in painstaking detail) the same about tennis. According to the professors, winning 54% of your points should result in winning 60% of your games, 76% of your sets, and 91% of your matches. (Yes, based on the math, Federer seems to have underperformed.)




Many money managers use (and overuse) baseball analogies—"waiting for pitches," "there are no called strikes," etc. But tennis may be a more apt sporting comparison for long-term investing's highly competitive, iterative nature. In baseball, after all, you have time to recover. After a strikeout, you sit down in the dugout to let your teammates have a turn. And later, when you take the field, you can hope opposing hitters hit it to someone else (at least that was my Little League strategy). But in tennis, there is nowhere to hide. You are exposed, completely, and the pressure of the next point is always right on top of you. You must turn the page. "That's the sign of a champion," Sir Roger told the graduates.

June 30th marks the fiscal year end for many institutions that purport to pursue an "endowment style" of investing. There are variations on that theme, of course, but those institutions generally emphasize diversified active management across traditional and alternative asset classes, typically through access-constrained third-party managers. For the past year, we have reason to believe those institutions, and especially the largest with the most sophisticated private portfolios, have likely been thumped by simple capitalization-weighted indexes. That will surely draw cackles from the detractors and skeptics of the "endowment style."

There are lots of reasons endowments have lost over the last several years. We won't re-hash those now. But the subtle point Federer conveyed was that if you have an edge, however small, iterate and iterate and iterate. In other words, play lots of points over a long period of time, and resist the urge to change what you're doing. Losing three points in a row (which you'll do 10% of the time), or two sets in a row (which you'll do 6% of the time), isn't cause to scrap your approach and try something different. Stick to your process, ignore the noise, and give yourself a chance to be a champion.

The narrow advantages that any of us hope to gain over the market are never obvious over a point, a game, or a set. But our job is to cultivate those advantages, honestly assess them, and then rely on our process to see them revealed over time. There are no certainties in investing over the short term, except that people will overreact to it. For our clients—the trustees of schools, the overseers of multi-generational family wealth or foundations, the directors of hospital systems—the goal 50 years from now will be the same as the goal today: disciplined, effective stewardship. Small as our, or anyone else's, advantages may be, we believe our approach—balanced, diversified, diligently executed—is well suited to the task. Thank you for your partnership.

## ASSET CLASSES[8, 9]

**Public Equity** (estimated)

| Preliminary 6/30/2024 Performance | 2Q24 | 1 Year | 3 Year | 5 Year | 10 Year |
|---|---|---|---|---|---|
| **Public Equity** (net, gross) | **1.4%** | **21.8%** | **-1.7%** | **6.7%** | **6.6%** |
| MSCI ACWI | 2.9% | 19.4% | 5.4% | 10.8% | 8.4% |
| *Difference* | *-1.5%* | *+2.4%* | *-7.1%* | *-4.1%* | *-1.8%* |
| Public Equity (net, net) | 1.2% | 20.8% | -2.4% | 5.8% | 5.8% |

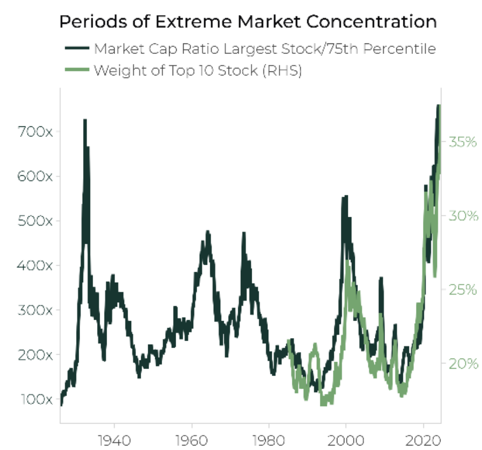
The GF's Public Equity portfolio rose 1.4% in Q2 and 21.8% over the trailing twelve months.[10] Over that period, the portfolio outperformed the primary benchmark, the MSCI All Country World Index (ACWI), by 2.4%. We're pleased with those results. Over the last two years, we've outperformed the ACWI in six of the eight quarters, and by a cumulative 5.7% net, gross (3.4% net, net). That's primarily attributable to the stock picking of our managers, but also to rebalancing discipline and the aggressive implementation of our risk management framework.

It's been a strange equity market backdrop, with rapidly rising concentration of the largest stocks producing some unprecedented consequences. We asked last quarter if markets were finally broadening, and so far, the answer is a resounding "no." There's hardly anything we can add to the commentary, but here are some fun facts:

- The 10 largest S&P 500 companies contributed ~77% of the index return in the first six months of 2024, with the "Magnificent 7" (Apple, Microsoft, Nvidia, Amazon, Google, Meta, and Tesla) responsible for ~60% of the returns.
- Only one quarter of S&P 500 constituent stocks have outperformed the index in 2024, which is the lowest share on record.
- Small cap stocks posted the worst first half versus large cap in history. Three of the five worst periods for small versus large in history have been since 2020.[11]

And some Nvidia-specific ones: [12]

- Four years ago, Nvidia barely cracked the top 50 largest companies in the world. Today, it's bigger than the GDP of all but seven countries, is 6x the market cap of Walmart, larger than the entire French stock market, the entire US oil and gas industry, and 2x the assessed value of every building in NYC combined.
- Nvidia added ~$2T of market cap this year, twice the value Warren Buffett has created in his 60 years at the helm of Berkshire Hathaway.
- Last one: Nvidia shareholders have now enjoyed the best 20-year annualized returns (+33.4%) of any individual stock in history ever, going back to 1925. Hopefully someone other than CEO Jensen Huang held the stock for the whole period—but with nine drawdowns over 50% and two over 80% along the way, we suspect few did.

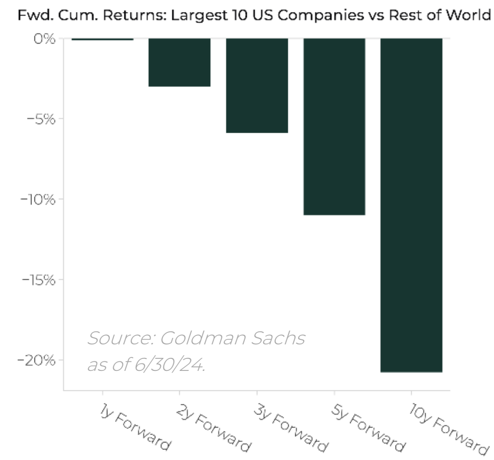



*Source: Goldman Sachs as of 6/30/24.*

[8] Please see the note regarding Asset Class and Investment Performance in the Important Notes. Exposures are as of first day of subsequent quarter.
[9] A full list of top contributors and detractors is available upon request.
[10] Performance is net of manager fees and expenses, gross of GEM's oversight fee and fund expenses.
[11] Bloomberg and GEM analysis.
[12] Bloomberg and GEM analysis.

Maybe AI fervor persists, but is that a reasonable bet? Nvidia, for one, has 70%+ gross profit margins, they are a bottleneck on their largest customers' capex strategies, they can't produce enough product to meet demand, their chips consume more power than Luxembourg, and competition is moving rapidly and aggressively in a sector that's been prone to boom and bust cycles.

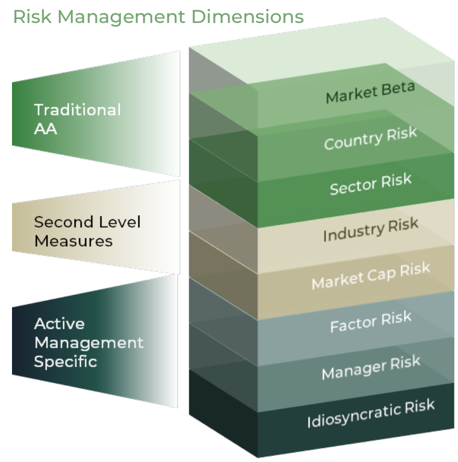
Of course, there's more to the story than Nvidia. But the oddity today is that our roughly 300-stock Public Equity portfolio (the aggregate of our managers' holdings) is now more diversified than our global equity benchmark. The top ten holdings in the ACWI represent a weight of 23%, whereas the top ten in the GF portfolio are 20%. Normally, the premise of active management is to swap systematic risk for a combination of systematic and idiosyncratic risk, with the goal of getting paid on both. But the index offers its own systematic and idiosyncratic risk now, so the answer to whether the swap is a sensible one will depend on our individual stocks and those in the index. History is conclusive that backing the largest companies in the world is typically a poor proposition over any reasonable horizon (see chart at right). But we will see.




Despite a view recently parroted by the Wall Street Journal that, "if you don't own Nvidia, you're toast," recent alpha generation in our Public Equity portfolio has been robust and broad-based across the manager roster. RV Capital, representing 0.9% of the GF, was a key contributor, generating 10.8% net, gross (10.6% net, net) during Q2 and 47.1% net, gross (46.2% net, net) for the past year. RV has positions across many sectors and geographies—the firm's owner-operator Rob Vinall will go wherever sustainable competitive advantages and high returns on invested capital exist—but many of the firm's tech positions like website development platform Wix.com have stormed back after a weak 2022, the share price doubling over the last twelve months. Similarly, Dublin-based Blacksheep, representing 0.9% of the GF, benefited from a range of positions, but most conspicuously listed software aggregator Lumine Group, and its parent company Constellation Software. Blacksheep rose 3.8% net, gross (3.6% net, net) during Q2 and 38.9% net, gross (38.0% net, net) for the year.

Of the few detractors, Punch Card (0.8% of the GF) rose 11.5% net, gross (10.6% net, net) for the year but fell 6.1% net, gross (-6.3% net, net) during Q2 on weakness in Winnebago Industries, which Punch Card first bought during Covid. TCI (0.9% of GF) also detracted, returning "only" 17.5% net, gross (16.6% net, net) for the year with winners like GE offset by wireless telecom infrastructure company Cellnex Telecom.

As we've discussed, we've also enhanced the risk management within the portfolio for the express purpose of ensuring that stock selection is the driving force behind our benchmark outperformance. Although we've emphasized tracking error as the primary variable, tracking error itself is the aggregation of portfolio variance arising from many layers: styles, sectors, geographies, factors, individual positions, etc. It's difficult to know which of those will matter, in which strata or substrata volatility will rear its head, so you have to manage all of those attributes simultaneously, in a continuous game of portfolio Jenga. You want more US exposure but less tech? You want more in Asia ex-China but less in semiconductors or other hardware? Underweight growth-oriented healthcare but need to hedge some successful biotech positions? Pull on one exposure thread and you inevitably change the complexion of the portfolio in other ways too, so the exercise requires excellent data and reporting, plus consistent vigilance.




We are humble enough to know that surprises always lurk, and that sound risk management is a cultural exercise rather than an entirely quantitative one. But so far, we are getting what we hoped for. The second quarter, for example, was a painful one given our underweight to the Magnificent 7 and our underweight to Nvidia in particular, which was up almost 13% in June alone. But even that resulted in only 1.5% underperformance for the quarter, blunted in part by what we call overlays, which are market neutral hedges and other positions we put on targeting specific holes or areas of conspicuous over- or underweight in the portfolio. For the full year, managers and overlays both contributed to performance, which we wouldn't expect in the fullness of time—the correlation over the longer term between manager excess returns and our overlays has been (and likely should be) negative. We're more focused on the fact that the overlays have served to help reduce realized tracking error. Manager changes and enhancements to the portfolio have done a lot to bring overall risk levels in line with our objectives, but the overlays continue to help.

We are also continuing efforts to upgrade the alpha potential of the manager roster:

EFFISSIMO
CAPITAL MANAGEMENT

Closing the book on our Japanese activism research, we added Effisimo to the portfolio to complement 3D, which we wrote about last quarter. Effisimo was founded in 2006 by Takashi Kousaka and Yoichiro Imai and manages roughly $6 billion today. They target small- and mid-cap companies trading at significant discounts, often to book value, with what we believe to be a clear path to earning 7%+ returns on equity durably. They hold a highly concentrated portfolio—the largest position is ~43% of NAV—and they have an impressive track record on the back of engaged operational activism. Effisimo owns K Line today, the third largest Japanese shipping company. At the time of their investment, K Line was trading at a discount (0.56x price/book value) due to the market consensus that the industry had not generated value in the past 50 years, and K Line was notoriously viewed as a value destroyer. Indeed, the company had a history of purchasing trophy assets like golf courses and poorly timing investment decisions during peaks of the shipping cycle. Effissimo owns just under half of the business and was able to improve K Line's corporate governance by voting in a majority-independent board and appointing an Effissimo analyst to that board. With better corporate governance in place, K line plans to return 50% of cash flow to shareholders and invest the other 50% in capex across their core business area.

We also backed Switzerland-based Andreas Lechner. We were initially introduced to Lechner in 2015 through an existing GEM manager and were instantly impressed with his rigor and framework. At the time, he was not interested in managing third-party capital, instead continuing to deploy his personal wealth, which he's done successfully for many years. Since 2000 through January 2024, Andreas's personal account has compounded at 17.0% per annum versus 6.3% for the MSCI World. His strategy is to invest globally in public companies with high returns on capital, a strong competitive moat, and an industry structure he understands. He'll often study a company for years before making a purchase, requiring a deep understanding of the business operating environment and an extremely high degree of confidence around its durability. We will serve as Andreas's initial anchor investor via a separate account after years of relationship building.

### Hedge Funds (estimated)

| Preliminary 6/30/2024 Performance | 2Q24 | 1 Year | 3 Year | 5 Year | 10 Year |
|---|---|---|---|---|---|
| **Hedge Funds** (net, gross) | **0.9%** | **16.3%** | **2.3%** | **6.9%** | **6.8%** |
| Credit Suisse Hedge Fund Index | 1.5% | 11.0% | 5.3% | 6.2% | 4.3% |
| *Difference* | *-0.6%* | *+5.3%* | *-3.0%* | *+0.7%* | *+2.6%* |
| Hedge Funds (net, net) | 0.8% | 15.4% | 1.5% | 6.0% | 6.0% |

The GF's Hedge Fund portfolio returned +0.9% in Q2 and +16.3% for the trailing twelve months.[13] The portfolio outperformed the Credit Suisse Hedge Fund Index by +5.3% over the past year. Given our Hedge Fund portfolio's ~50% beta, the portfolio generated approximately four percentage points of alpha for the year.

Pan Asia-focused long/short firm Keyrock, representing 0.8% of the GF, was the biggest contributor, earning 32.9% net, gross (32.1% net, net) during the year driven primarily by long positions in listed Japanese private equity firm Integral Corp. and Korea-based Coupang. New York-based 683 Capital, 0.7% of GF, also generated strong gains on the long side, up 23.6% net, gross (22.8% net, net) for the year on good results from robotics company Ocado Group and Hyundai.

Harspring (1.0% of GF), which seeks to find value in misunderstood or overlooked pockets of corporate complexity, detracted during the year, earning 1.9% net, gross (1.1% net, net) on weakness in media company IAC and other long positions. China-focused Teng Yue (0.5% of GF) also detracted, returning 9.9% net, gross (9.1% net, net). Big winners like Tencent Music and PDD boosted returns, while video entertainment service iQIYI lost value.

RUSH ISLAND MANAGEMENT

Broadening our long/short exposure, we invested with Rush Island during the quarter. Although technically Rush Island is a hedge fund, practically, it serves the role for GEM of providing real estate exposure and, we hope, expected alpha. The firm was founded in 2018 by Steve Millham and Raleigh Nuckols as a dedicated REIT-focused hedge fund, and the two ran a similar strategy previously within Farallon. Our investment was the outcome of a review of the active REIT opportunity set, triggered by a full redemption from our longstanding REIT manager, V3. The team observed two things about the market: 1) Most active REIT managers hug the benchmark, limiting their capacity for meaningful alpha net of fees, and 2) burgeoning dispersion among REITs would render a long/short strategy a more attractive expression of public real estate exposure, despite the market's limited opportunity set. The firm has had strong performance since inception—outperforming the MSCI REIT Index by 5.5% annually with ~50% net exposure.

[13] Performance is net of manager fees and expenses, gross of GEM's oversight fee and fund expenses.

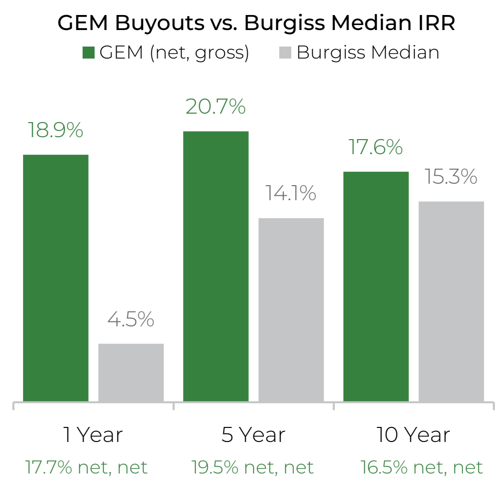
### Private Equity

| Final 3/31/2024 Performance | 1 Year | 3 Year | 5 Year | 10 Year |
|---|---|---|---|---|
| **Private Equity** (net, gross) | **11.3%** | **11.8%** | **17.3%** | **15.9%** |
| MSCI ACWI | 23.2% | 7.0% | 10.9% | 8.7% |
| *Difference* | *-11.9%* | *+4.9%* | *+6.4%* | *+7.3%* |
| Private Equity (net, net) | 10.3% | 11.0% | 16.4% | 15.0% |

The GF's Private Equity portfolio returned 11.3% for the twelve months ended March 31, 2024.[14] We continue to be pleased with the long-run results—both the absolute level of returns and the relative returns versus both liquid benchmarks (global stocks) and the private equity fund universe (Burgiss Universe).[15] As a reminder, comparisons to the liquid benchmark are highly volatile over any given year, but over the long-term reflect the incremental compensation for illiquidity. Comparisons to the private benchmark reflect manager selection skill within our private equity opportunity set. Due to our selection process and access advantages in both buyouts and venture capital, we believe our Private Equity portfolio is well positioned to deliver portfolio returns in excess of the median fund.

#### *Buyouts*

As of March 31, buyouts are ahead of the Burgiss universe over one, five, and ten years, as shown at right.




The themes one quarter to the next have changed very little: the small buyout portfolio continues to drive strong returns, from both markups and exits. Kingswood Capital, representing 3.1% of the GF, recently exited its largest investment, grocery chain Save Mart. The investment earned 9.8x in just under two years—with a net return of 8.3x to GEM clients—and is the largest dollar distribution from a single company in GEM's history. The Kingswood team's emphasis on complex situations limits competition on entry, affording opportunities to combine a low purchase price with asset coverage or other downside protection. They executed that playbook extremely effectively with Save Mart, buying at 3.6x EBITDA, monetizing real estate assets, upgrading talent to drive operational improvements, and positioning the company for a sale.

Software-focused Diversis (0.9% of GF) was a primary detractor for the period (-15.4% net, gross | -16.3% net, net) due to write downs in a sales lead generation company SalesRabbit on slower revenue growth. That's not an idiosyncratic development: We've observed across software markets that much of today's IT spend is flowing toward AI and cybersecurity, which is weighing on other segments. We remain optimistic on Diversis' ability to navigate the shift: They have significant operational expertise on staff to drive value across their portfolio.

The "death of private equity" continues, to us, to be grossly exaggerated. Liquidity is still a problem industry-wide: Private equity exits in the US generated $141.4 billion over the first six months of the year, behind the pace of 2023's $300 billion which was the slowest year since 2012. In 2023, funds paid out

[14] Performance is net of manager fees and expenses, gross of GEM's oversight fee and fund expenses.
[15] Please see Burgiss and the definition of IRR in the Important Notes.
[16] Please see disclosure regarding Asset Class net/gross reporting in Important Notes. Past performance is not indicative of future results. Benchmarks defined in Important Notes. Returns are not guaranteed.

11.2% of net asset values, which was the lowest figure since 2008 and less than half of the 25% median over the last twenty-five years.[17] But what's true of the whole is not necessarily true for all its parts. Our managers continue to exit businesses, and we continue to make commitments to high-conviction relationships.

We re-upped with Kingswood in their Fund III. On the back of the Save Mart transaction the fundraise was dramatically oversubscribed, but we've been engaged with Alex Wolf and the Kingswood team since 2017 when we backed them on a deal-by-deal basis through our independent sponsor program. We liked what we saw across three pre-fund deals, anchored the firm's Fund I and Fund II, and Kingswood has been a 95th percentile performer for GEM.

We also participated in the third fund of buyout firm Sunridge. Sunridge is an operationally oriented firm investing in niche agribusinesses in the lower middle market. GEM participated in both Fund I and Fund II because we believe the team has the expertise and network to source compelling off-the-run opportunities. The sector has attractive macro tailwinds—e.g., population growth, sustainable production trends, supply scarcity, and increase in food spend per capita—but also suffers from volatile input costs, low margins, and the occasional exogenous downside risk—e.g., bad weather, pests, etc. That combination can reduce sector competition and enable high-quality teams to pay lower entry prices for sound businesses (they've averaged entry multiples of ~6x EBITDA for their first six platforms). The strategy for Fund III is to acquire four-to-six additional food and agribusiness companies in North America and Western Europe, with a focus on value-added food manufacturing and distribution.

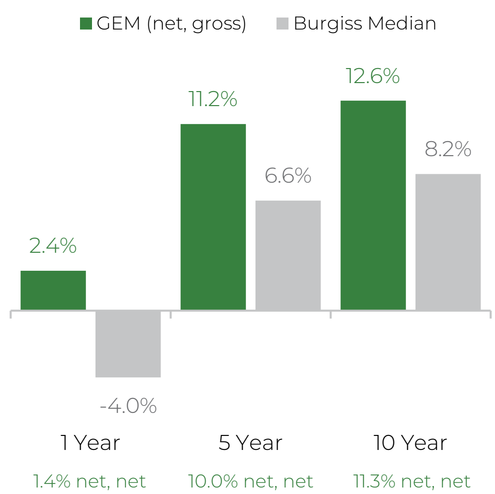
During the quarter, we also completed four additional independent sponsor transactions alongside approved sponsors, and the pipeline in that segment of the portfolio remains rich. Increasingly, highly sophisticated institutions with their own investment teams are coming to us for support in accessing this attractive part of the lower middle market that requires deep sourcing, structuring, and underwriting expertise.

### *Venture Capital*

As of March 31, our venture portfolio is ahead of the Burgiss universe over one, five, and ten years, as shown at right.

We wrote about Vy Capital and their SpaceX investment last quarter, so we won't revisit that optimistic assessment, except to say the company is marked at 7x Vy's initial investment with further upside. Venture, we've seen often, is a challenging portfolio management exercise because when a position works it can grow quite large. These are good problems, of course, but SpaceX has become a large look-through position at roughly 2.4% of the GF and is significantly larger than our other largest venture positions. We expect Vy to raise a continuation vehicle later in 2024 that may enable us to take some liquidity and resize the position.

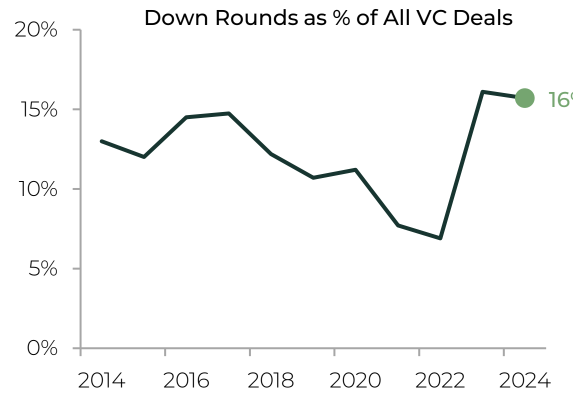
**GEM VC vs. Burgiss Median IRR**




[17] Grant's Interest Rate Observer, March 29, 2024.

Early stage-focused Zeev Ventures makes concentrated investments within funds to high conviction companies. His Fund VIII position in cloud warehouse company, Firebolt, detracted during the period—one year ago, the combined Firebolt exposure across all Zeev funds was marked at a net return of 2x, and today is marked at net 1x.

Although flat or down rounds as a proportion of all VC deals are at the highest level in ten years,[18] the largest companies with strong growth—SpaceX, Stripe, Bytedance, Anduril, etc.—continue to see valuation uplift. Younger companies that last raised funds in the period of frothy valuations are still trying to grow into those valuations. But competition in chips, smaller and more efficient large language models to rival OpenAI, plus a full stack of AI tools and applications, are all leading, slowly, to increases in funding activity, much of it centered in the early stage.



*Source: Pitchbook. 2024 is partial year, through 6/30/2024.*

We're finally beginning to see write ups (and even exits) in noteworthy pockets. K2VC, a China-based early-stage manager, exited ProfoundBio, a pharma company developing novel therapeutics for cancer patients. As noted above, SpaceX is likely to move toward liquidity, with segments of that business poised to IPO in the coming year or two. And in VC—as in buyouts—we are continuing to see incredible demand for our managers. We wrote about this in regard to Y Combinator last quarter, and this quarter it was Index Ventures.

Index was founded in 1996 by David Rimer, Giuseppe Zocco, and Neil Rimer, originally to invest in innovative technology companies in Europe. The firm has expanded globally, and has three primary offices now in London, New York, and San Francisco, establishing itself as a leading venture brand across geographies. The firm specializes in four key verticals: fintech, consumer / gaming, enterprise, and AI / data infrastructure, with big winners over time in Datadog, Figma, and Robinhood.[19]

Index has also exhibited strong discipline, deploying capital at a reasonable pace and shrinking fund sizes for this raise, which increases our conviction that they're appropriately scaled for the opportunity set. To intentionally constrain fund sizes, Index elected not to admit any new LPs during this fundraise, so GEM's relationship with the firm alongside other leading institutions has become even more prized.

We committed to Aditum Bio's third fund. Aditum's strategy is to acquire early-stage biotech assets and fund their development through Phase I and II trials for either sale, out-licensing, or IPO. The firm focuses on large pharma's orphaned drug portfolios and either reboots clinical work or adapts the targets. Their largest win to date is a GLP-1 company, Versanis, which they sold to Eli Lilly for $1.9 billion for a 9.8x return to Aditum—7.2x net return to GEM investors—in three years, setting their first fund to be one of the best performers of its vintage. The firm's head, Joe Jimenez, was formerly the CEO of Novartis and understands go-to-market needs and holes in large pharma drug portfolios.

We also committed to Paradigm's Fund II. Paradigm is a research-driven crypto investment firm founded in 2018 by Fred Ehrsam (a Coinbase co-founder) to invest in emerging cryptoasset opportunities. Paradigm's technical expertise is a key differentiator, and they represent the premier brand in the ecosystem. Relevant to the thesis is that we don't need to be especially bullish on the

[18] Pitchbook.

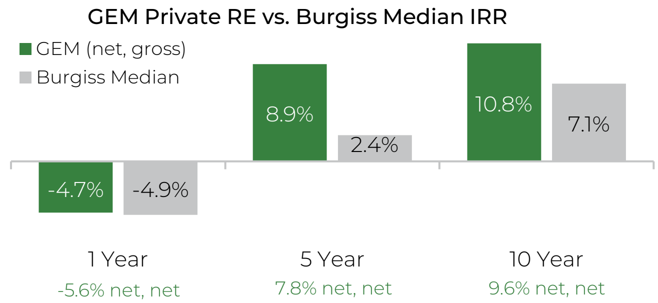
[19] Named companies are examples of past Index Ventures investments with strong returns made prior to GEM investment with the manager.

crypto segment to view this as a compelling diversifier within the venture capital portfolio. We believe that the economics of crypto investments are compelling: significant ownership stakes, a lack of dilution over time, and a robust technical stack—from infrastructure, developer tools, and user-facing protocols—make for a broad opportunity set and upside for potential outcomes. We have roughly 1% of the GF in crypto and related blockchain technologies and believe a small investment in Paradigm will enhance the overall complexion of the portfolio.

### Real Estate

| Final 3/31/2024 Performance | 1 Year | 3 Year | 5 Year | 10 Year |
|---|---|---|---|---|
| **Private Real Estate** (net, gross) | **-3.7%** | **13.0%** | **9.7%** | **10.7%** |
| MSCI REITs | 10.4% | 4.0% | 4.1% | 6.5% |
| *Difference* | *-14.1%* | *+9.0%* | *+5.5%* | *+4.2%* |
| Private Real Estate (net, net) | -4.5% | 12.2% | 8.8% | 9.9% |

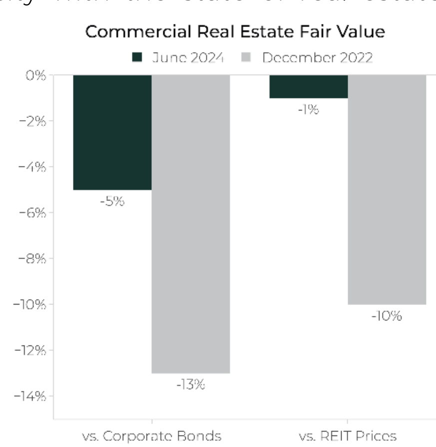
The GF's Private Real Estate portfolio softened through Q1 as private marks trended down toward public, returning -3.7% over the past year, against the MSCI REIT benchmark return of 10.4%.[20] Relative to the Burgiss Universe, our Private Real Estate portfolio has outperformed over the last one, five, and ten years, as shown at right.




Noble Investment Group, representing 0.6% of the GF, acquires select service and extended stay hotels. They target hotels in cities with less cyclical demand—those with large universities, hospitals, or government presence. Several special situation co-investments alongside Noble have performed well, earning net IRRs in excess of 18% and contributing to overall results on strong occupancy and average room rates.

Life sciences office developer IQHQ, representing 0.3% of GF, has detracted recently (-39.7% net, gross | -38.9% net, net). Their development project in central San Diego, one of the regional hubs for their strategy, has been slower to lease than expected resulting in a mark down. Other properties, namely their crown jewel overlooking Boston's historic Fenway Park, have continued to perform well.

Both contributors and detractors reveal a purposeful asynchronicity with the state of real estate markets *in general*. Most of the drawdowns in real estate markets have come from headwinds like excess leverage, higher funding costs (multi-family), and demand destruction (office). Though we're not immune to supply growth in our preferred sectors weighing on cash flow growth, our portfolio results have mostly been attributable to manager execution. That's comforting. In general, Green Street implies that private real estate is still a little pricey relative to public REITs and corporate bonds, so we would continue to expect some pricing compression, but we believe our emphasis on datacenters, affordable housing, wireless, pockets of industrial, and execution by specialized teams, should support return potential.



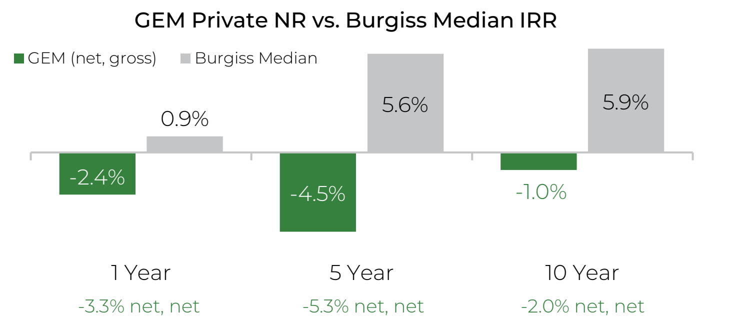

*Source: Green Street.*

[20] Performance is net of manager fees and expenses, gross of GEM's oversight fee and fund expenses.

## Natural Resources

| Final 3/31/2024 Performance | 1 Year | 3 Year | 5 Year | 10 Year |
|---|---|---|---|---|
| Private Natural Resources (net, gross) | -1.3% | 7.7% | -4.1% | -1.1% |
| Bloomberg Commodity Index | -0.6% | 9.1% | 6.4% | -1.6% |
| *Difference* | *-0.8%* | *-1.4%* | *-10.5%* | *+0.4%* |
| Private Natural Resources (net, net) | -2.2% | 6.9% | -4.9% | -1.9% |

The GF's Natural Resources portfolio returned -1.3% for the one-year period through Q1, against the Bloomberg Commodity Index benchmark return of -0.6%.[21] Relative to the Burgiss Universe, our Private Natural Resources portfolio has underperformed over the last one, five, and ten years, as shown at right.




The Energy and Minerals Group, representing 1.0% of GF, continues to be a primary contributor (1.3% net, gross | 0.3% net, net). The firm focuses on acquiring and developing high-quality energy and minerals assets that can generate significant long-term value through robust operational improvements, strategic growth initiatives, and prudent financial management. The firm's investment in Utica Dry Gas JV, a natural gas pipeline gathering and related equipment company in the eastern Ohio region, has driven returns of late.

Mining manager Greenstone, 0.3% of GF, continues to detract from results (-13.2% net, gross | -14.1% net, net). The firm wrote down a position in Omico, a copper mining project in Namibia, on the back of lower copper prices and higher-than-expected project operating costs. The decline in copper prices also impacted their public holding, Marimaca Copper, which is down 7% over the last year. The management team remains confident in the long-term value of the stock and plans to initiate buys to signal value to the market.

The entire commodity and resources segment has been a mixed bag over the last several years. Whether agriculture or industrial metals or energy, an investment within the commodity space is always a tug of war between the world's need for more resources and our ability to do more with less. Price is the intersection of those two inevitabilities. We're of the view that the need for more, in pockets, will outpace, and so continue to be bullish on segments of commodity markets.

[21] Performance is net of manager fees and expenses, gross of GEM's oversight fee and fund expenses.

## FIRM DETAIL

As of July 1, GEM's total assets under management totaled $11.8 billion, up ~5% over this time last year.[22] That is comprised of $10.3 billion of OCIO AUM, and $1.5 billion of alternatives-specific AUM.

We have, as of July 1, 37 OCIO relationships. That figured was unchanged through the second quarter.[23]

Employee count grew by one on a net basis during the quarter, while the number of investment professionals reached 28. That is a jump from last quarter, reflecting a shift in our counting methodology. We took the step over the second quarter to formally combine what had been called our Client Strategy Team and our Investment Team, into a single investment team comprised of a Client Portfolio Management Group and an Investment Research Group. The former supports the portfolio construction process in efforts to meet individual client objectives along dimensions of risk, return, liquidity and mission-alignment, while the latter continues to focus on sourcing and underwriting talented managers. The integration clarifies formal accountability for each client's experience in the hands of trained investors and enables more targeted implementation of customized investment programs.

*Upcoming Events*

| | |
|---|---|
| GEM Roadshow<br>Save the Date! | **The GEM team will be on the road this fall, coming to four key cities across the US**<br>▪ **New York City** — Thursday, October 10<br>▪ **Seattle** — Wednesday, October 23<br>▪ **San Francisco** — Wednesday, November 13<br>▪ **St. Louis** — Tuesday, November 19<br><br>Each event will be an opportunity to hear from senior members of GEM's Investment and Leadership teams, gain insights from external speakers, and network with the GEM team and your peers. Save the Dates have been sent via email, and formal registration details will follow late summer. |
| 2024 Quarterly Investor Calls | **November 12**<br>GEM's quarterly update to investors will be held on the above Tuesday from 2-3pm ET on Zoom. |

Note: Listed communication and engagement items are not comprehensive and are subject to change.

[22] Total firm AUM includes all GEM assets under management; excludes assets under advisement and other related entities.

[23] Total firm AUM includes all GEM assets under management; excludes assets under advisement and other related entities. OCIO Client Relationships excludes clients with alternatives-specific mandates, GEM employees, and investors who do not require full investor service. Please see definition of Alternatives Mandate in Important Notes.

# IMPORTANT NOTES

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GEM is an investment adviser registered with the U.S. Securities and Exchange Commission ("SEC"). Registration does not imply a certain level of skill or training. More information about GEM's investment advisory services can be found in its Form ADV Part 2, which is available upon request.

For the information of investors in the United States of America: None of the interests in the funds have been or will be registered under the U.S. Securities Act of 1933, as amended (the "1933 Act") or the securities laws of any U.S. state. Such interests may only be offered or sold directly or indirectly in the United States to any U.S. person in reliance on exemptions from the 1933 Act and such laws. In addition, the funds have not been and will not be registered as an investment company under the U.S. Investment Company Act of 1940, as amended.

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- Totals may not sum due to rounding.
- Total Growth Fund performance figures, unless otherwise noted, are net of all GEM fees and fund expenses and any Special Allocation or other performance-based compensation received by GEM or its affiliates in prior years. Individual investor performance will vary based upon date of admission and such investor's applicable percentage used to calculate the management fee and/or Special Allocation, as set forth in more detail in the Confidential Offering Memorandum of the applicable fund(s). Returns reflect reinvestment of dividends and distributions. Figures are subject to revision until the independent audit(s) of the applicable fund(s) are complete.
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- Performance for periods of longer than one year is annualized unless otherwise noted.
- All exposures are as of first day of subsequent quarter to incorporate beginning of quarter flows, if applicable.
- GEM reserves the right to modify its current investment strategies, exposures and techniques based on changing market dynamics or client needs.
- Market-related data included in charts and graphs is sourced from various public, private and internal sources including, but not exclusively: Bloomberg and similar market data sources, central banks, government and international economic data bureaus, private index providers, bond rating agencies, industry trade groups and subscription services. The third-party sources of information used in this report are believed to be reliable. GEM has not independently verified all of the information and its accuracy cannot be guaranteed.
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- Burgiss Private Equity and Private Real Assets represent Burgiss Manager Universe performance metrics for select vintage years to align with GEM's portfolio as well as vintage years prior to GEM's inception in 2007 for historical presentations. The Burgiss Manager Universe provides coverage of research-quality performance and behavioral data on private capital funds and their holdings. The underlying dataset is sourced exclusively from limited partners and includes complete transactional history of thousands of funds. GEM is unable to access, and therefore cannot independently verify, the underlying data.
- References to specific securities and case studies are for illustrative and discussion purposes only and do not constitute investment recommendations.
- Because of confidentiality restrictions, we are unable to disclose certain manager names.
- Statements regarding forward-looking returns, market events, future events or other similar statements constitute only subjective views, are based upon GEM's current long-term capital market assumptions, expectations and beliefs, should not be relied on as fact, are subject to change due to a variety of factors including fluctuating market conditions, and involve inherent risks and uncertainties, both general and specific, many of which cannot be predicted or quantified and are beyond GEM's control. Future evidence and actual results could differ materially from those set forth in, contemplated by, or underlying these statements. In light of these risks and uncertainties, there can be no assurance that these statements are not or will prove to be accurate or complete in any way.
- Unless otherwise stated, forecasted or expected returns are presented net of GEM's management fees and include the reinvestment of all income. Past performance is no guarantee of future results and no assurance can be given that any structure described herein would yield favorable investment results or that investment objectives will be achieved or that the investor will receive a return of all or part of its investment. Actual performance results will vary.
- Projected performance: Projected performance figures incorporate GEM's Private Projection for the final month of the most recently completed quarter. The Private Projection is GEM's current expectation for such portion of the portfolio that is not yet "Priced," which is generally the private portfolio. GEM bases its expectation on (i) a quantitative assessment of historical investment performance of such asset, and (ii) adjustments to valuations reflecting material changes and activity of individual assets, using information available as of the date of this report. In this process, GEM typically (a) considers any preliminary estimates provided by underlying managers or sponsors, (b) uses publicly available pricing information relating to assets in the private portfolio, (c) factors in any commentary or material valuation movements that have been communicated by underlying managers or sponsors, and (d) assesses historical returns to determine GEM's confidence in the accuracy of any preliminary marks. GEM's Private Projection is a hypothetical or projected return determined by GEM based on actual portfolio holdings, but estimating values for the "unpriced" portion of the portfolio. Actual returns will be determined when final marks are available and will vary, perhaps materially (either positively or negatively)

## BENCHMARKS, ABBREVIATIONS, & DEFINITIONS

### BENCHMARKS

MSCI ACWI: MSCI All Country World Index

*All benchmarks are unmanaged, assume reinvestment of proceeds and do not reflect the deduction of management fees, incentive fees and other expenses.*

### ABBREVIATIONS

EF: Endowment Fund
EP: Endowment Pool
GF: Growth Fund
Green EF: Green Fund or Green Endowment Fund
NAV: Net Asset Value
OF: Offshore Fund
SI: since inception

### DEFINITIONS

Alternatives Mandate: GEM clients are considered to have an alternatives mandate if the investment strategy we employ on their behalf is primarily invested in alternative assets; this includes the GEM Growth Fund, Access Funds, bespoke advisory funds, and GEM Capital Partners.

Attribution measures GEM's 'value added' contribution to portfolio performance relative to the Policy Portfolio, which does not include any fees or expenses. Asset allocation effect measures the impact of the decision to allocate assets differently from the Policy Portfolio. Investment selection effect measures the relative performance between GEM's investments and the relevant asset class benchmark. Either of these effects may be positive or negative. This metric is calculated using GEM's total portfolio return net of transaction costs and underlying manager expenses, but, unless otherwise noted, gross of GEM advisory fees and fund expenses in order to provide the recipient with the actual contribution to total gross portfolio performance.

Direct Investments: GEM investments transacted in the open and/or over-the-counter markets and in private enterprises.

Endowment Fund:  GEM Endowment Fund, LP (formerly known as Global Endowment Fund II, LP)

Endowment Pool: Prior to January 1, 2017, the Endowment Pool included the Growth Fund, the Endowment Fund and the Offshore Fund. From January 1, 2017, through December 31, 2019, the Endowment Pool included the Growth Fund and the Endowment Fund. As of January 1, 2020, the Endowment Pool is comprised solely of the Endowment Fund.

Endowment Strategy: T Through December 31, 2019, the Endowment Strategy included the Growth Fund, the Endowment Fund, the Offshore Fund, and certain series of Global Endowment Targeted Strategy Fund, LP (excluding series that do not adhere to GEM's Investment Policy Statements). From January 1, 2020 through December 31, 2021, the Endowment Strategy was comprised of the Endowment Fund, the Offshore Fund, and certain series of Global Endowment Targeted Strategy Fund, LP (excluding series that do not adhere to GEM's Investment Policy Statements). As of January 1, 2023, the Endowment Strategy is comprised of the Endowment Fund, the Offshore Fund, the Green Endowment Fund, the Impact Endowment Fund, and certain series of Global Endowment Targeted Strategy Fund, LP (excluding series that do not adhere to GEM's Investment Policy Statements).

Green Fund or Green Endowment Fund: GEM Green Endowment Fund, LP.

Growth Fund:  GEM Growth Fund, LP (formerly known as Global Endowment Fund I, LP)

Historical volatility/standard deviation: annualized monthly standard deviation, calculated as sum of the square of the difference between monthly actual returns and average monthly return, multiplied by the square root of 12.

Impact Endowment Fund: GEM Impact Endowment Fund, LP.

IRR, or internal rate of return, may be provided for a particular asset class or other subset of investments within the GEM EP.  IRR's are based upon valuations as of the date referenced and assume liquidation of the portfolio at fair market values on the date referenced. The figures do not reflect, and would therefore be reduced by, the GEM management fees, performance fees and certain expenses in respect of the relevant investments. There can be no assurances that current fair market value is a true representation of actual market value, nor can there be any assurances that the implied IRR will not be materially different from the actual IRR that may be achieved. There can be no assurances that unrealized value included in the fair market values will be realized at the time the investment is liquidated. Investments which are currently reflecting unrealized gain may realize a loss when actually liquidated.

Offshore Fund:  GEM Endowment Fund Offshore, Ltd. (formerly known as Global Endowment Fund III, Ltd.)

Up Capture / Down Capture ratio shows whether a given fund has outperformed--gained more or lost less than--a broad market benchmark during periods of market strength and weakness, and if so, by how much.

## GROWTH FUND ASSET CLASS LONG-TERM TARGET RANGES

| ASSET CLASS | RANGE |
|---|---|
| Public Equity | 20-60% |
| Hedge Funds | 0-20% |
| Private Equity | 30-70% |
| Private Real Estate | 0-15% |
| Private Natural Resources | 0-15% |
| Passive Equity | 0-30% |
| Cash | -20-10% |

## GROWTH FUND ASSET CLASS REPORTING BENCHMARKS

| ASSET CLASS | BENCHMARK |
|---|---|
| Equity | MSCI ACWI |
| Hedge Funds | Credit Suisse Hedge Fund Index |
| Private Real Estate | MSCI REIT Index |
| Private Natural Resources | Bloomberg Commodity Index |
| Overlays / Portfolio Hedges | 3 Month SOFR |

Any indices and other financial benchmarks are provided for illustrative purposes only, are unmanaged, reflect reinvestment of income and dividends and do not reflect the impact of management fees, incentive fees and other expenses. Comparisons to indices/benchmarks have limitations because indices/benchmarks have volatility and other material characteristics that may differ from the relevant GEM fund. Any index/benchmark information contained herein is not meant to imply that these are the only relevant indices/benchmarks and is not intended to imply that the portfolio of the relevant GEM fund was similar to the index/benchmark either in composition or element of risk. There is no guarantee that the relevant GEM fund, or any subset thereof, will meet or exceed any applicable index/benchmark. Although the index and benchmark information presented herein has been obtained from sources believed to be reliable, GEM does not guarantee its accuracy, completeness or fairness. In addition, the composition of each of these indices/benchmarks is not under GEM's control and may change over time in the discretion of the respective provider of such index/benchmark, which may affect the results of the performance comparisons.

GEM reserves the right to modify its current investment strategies and techniques based on changing market dynamics or client needs.