CORPORATE & ESG POOLS FACTSHEET

December 31, 2024

Lancaster County Community Foundation was formed as a community trust in 1924. At that time, all gifts were required to be placed in trust. Those trusts were perpetual and still exist today, accounting for about one fifth of the assets of the Foundation. In 2005, the Lancaster County Community Foundation corporation became operational. As a nonprofit corporation, the Foundation became a more flexible and nimble organization that better serves its donors, beneficiaries and the community. The Foundation accepts gifts of all sizes and types- including donor advised funds, charitable gift annuities, and bequests from donors- helping Embolden Extraordinary Community in Lancaster, Forever.

INVESTMENT OBJECTIVE

The overall investment objective of the Investment Pools is growth while minimizing risk. As it is reflected in the strategic asset allocation, we expect equity investments will provide greater long-term returns than traditional fixed income investments, and that alternatives can provide additional diversification in the Corporate Pool while allowing the opportunity for income/return. The long-term return objective is to preserve the real value of the Pooled assets while supporting the spending policy of the Pools. The Investment Pools will be required to fund a long-term, inflation-adjusted annual spending policy of 5% in order to maintain the purchasing power of the principal over the long-term.

INVESTMENT STRATEGY

Corporate Pool

The Corporate Pool allocates capital across equities, fixed income and alternative asset classes while making use of both active and passive investment strategies. The equity allocation is broken down to have dedicated exposure across capitalization (large, mid, small), style (core, value, growth) and domicile (U.S., developed international, emerging markets). The fixed income allocation diversifies beyond core bonds to include core plus, strategic (or unconstrained) fixed income, high yield bonds and non-U.S. debt. Within alternative investments, the portfolio considers private equity, private debt, private real estate and hedge funds. The Pool recognizes the importance of maintaining a logical investment philosophy and utilizing a high conviction, disciplined and repeatable investment process to proactively manage risks and pursue opportunities.

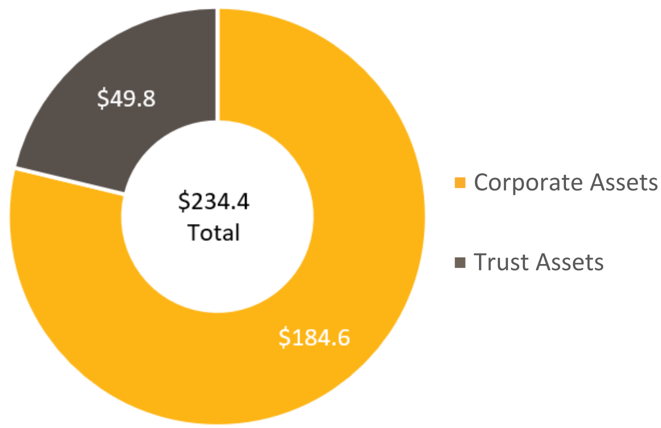
ESG Pool

The ESG Pool selects investments that exhibit a clear commitment to environmental, social, and governance (ESG) issues. The allocation is similar to our Corporate Pool, just without any alternative investments. This strategy is reflective of the current market environment to allow for long-term growth of the fund and grants to be made in perpetuity.

Additional Pools

- Direct Impact Investing
- Enhanced Cash Strategy

ASSETS UNDER MANAGEMENT[1,2]



ASSET ALLOCATION[2]

Asset Type	Corporate Pool	ESG Pool
Domestic Equity	45%	51%
International Equity	17%	19%
Real Estate	-	-
Private Equity	6%	-
Hedge Funds	8%	-
Fixed Income	23%	28%
Cash	1%	2%

INVESTMENT PERFORMANCE[2,3,4]

Investment Pool	Year-to-Date
Corporate	11.9%
ESG	12.2%

[1]in millions, unaudited.
[2]As of 12/31/2024.
[3]Corporate Pool performance does not include Private Equity.
[4]Net of fees.

ECONOMIC & MARKET REVIEW AND OUTLOOK

Throughout 2024, softer inflation and cooling economic data helped the markets have a generally robust year. 2024 was the second year in a row where the broad equity markets posted returns greater than 20% and the S&P 500 reached 57 new record highs. The narrow market leadership continued, with the "Magnificent 7" leading the way. Beyond the S&P 500, all major asset classes - even fixed income - posted positive returns for the year. The Fed cut rates by 100 bps during the second half of the year, ending the year-long pause in monetary policy action.

The US Equity rally continued during 2024 in which large-cap stocks led the way. Small- and mid- cap companies trailed large-cap stocks, as increased pressure from macroeconomic factors weighed on performance. Developed International equities trailed U.S. Equities as the divergence of central bank policies, slowing growth in Europe and Japan, and currency fluctuations impacted returns. Despite a slowdown in China, Emerging Markets showed better controlled inflation and growth prospects than developed international markets in 2024.

Fixed Income faced challenges throughout the year due to rising yields out the curve. The 10-year treasury yield increased from 3.88% to 4.57% by the end of the year. However, the short term yields came down about 100 bps in line with the Fed rate cuts, with the 3-month T-Bill ending the year at 4.32% compared to 5.35% at the start of 2024. The yield curve has also normalized after being inverted since July 2022. With the Federal Reserve easing monetary policy, credit spreads are expected to remain tight and long-term rates to remain range-bound.

The path for 2025 is highly dependent on fiscal policy and it's impact on the economy. While there has been significant uncertainty regarding tariffs and increased market volatility in the recent months, the underlying fundamentals of the market remain healthy, led by a positive earnings outlook for U.S. large-cap equity.

ESG POOL FAQs

What are the trends in ESG?

According to a recent Corporate Social Responsibility survey, there has been a growing interest in ESG investing. Four in ten organizations are already investing with an ESG lens and nearly as many are planning to do so. These organizations are likely to both proactively invest in companies that align with their values and avoid investing in companies that don't. Executives are optimistic about ESG investing and its potential to have a positive influence on corporate behavior.

Does ESG investing restrict investment returns?

When values are mapped to investment strategies, those strategies or approaches may have different return expectations. By removing securities from a portfolio through negative screening, or seeking to exclude companies that do not comply with a predetermined set of ESG criteria, there are potential tradeoffs in performance compared to investing in a more ESG-integrated portfolio, where we might not be constraining the investable universe as much.

Our ESG Pool consists of positive screening, where we are seeking to proactively identify companies that have more desirable ESG characteristics. This enables us access to a broader investment universe in order to meet our return objectives as well as our ESG objectives. Responsible Investing (RI) practices not only represent good stewardship towards the environment and society, but they also represent prudent strategies for achieving favorable long-term investment returns.

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