TIFF 35TH
INVESTMENT MANAGEMENT
35TH ANNIVERSARY

1st Quarter 2024 CIO Commentary

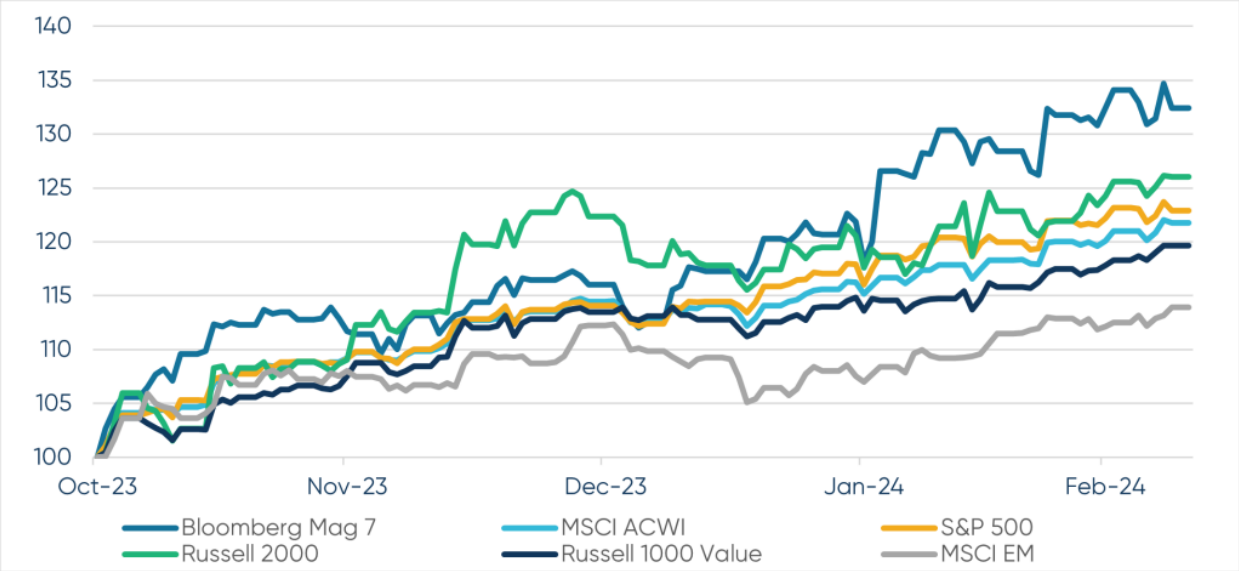
Let the Good Times Roll

Executive Summary

The past five months have been great. The Mag 7[1] continue to lead the way, gaining 36% over that spell! Stocks globally have returned 24%, only slightly behind the S&P 500, up 26%. Even small cap stocks, shown as the Russell 2000, and value stocks (Russell 1000 Value) are up 29% and 24%, respectively, since October of last year.

Select Equity Indices: Cumulative Returns

(October 31, 2023 to March 29, 2024)[2]



Source: Bloomberg.

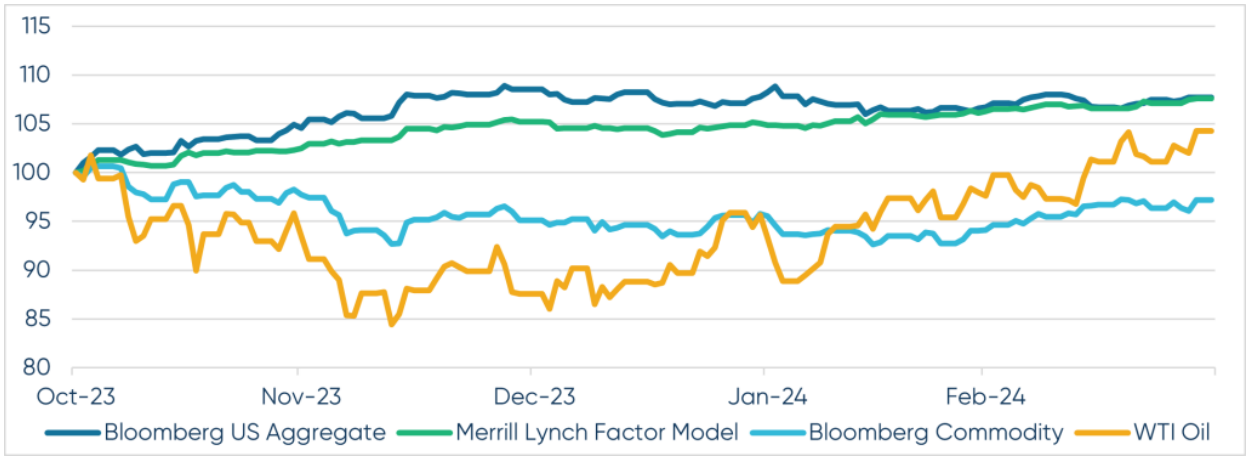
Only emerging markets are “lagging” – with a gain of 15%. This, of course, is due to policies that China continues to implement, constraining their returns to -2%. As a recently reformed, formerly overweight Chinese equities investor, we are disappointed to see China’s leadership continue to pursue these unproductive policies. Until China adopts a more market-friendly

approach, it is unlikely that their stock markets will see significant recovery. We feel nervous saying that, because, if their policies do change, today's valuations suggest a substantial upward move is possible. We remain at market weight to Chinese equities. This is a good reminder that valuations alone are not a reason to buy or sell a stock, though they do provide insight into potential future performance.

In traditional diversifiers markets, the Bloomberg US Aggregate and Merrill hedge funds indices are making some progress, returning 8% and 8%, respectively, in the past five months. Commodities, as seen in the Bloomberg Commodities Index and WTI oil, have returned -3% and 4%, respectively, in the same period.

Select Diversifier Indices: Cumulative Returns

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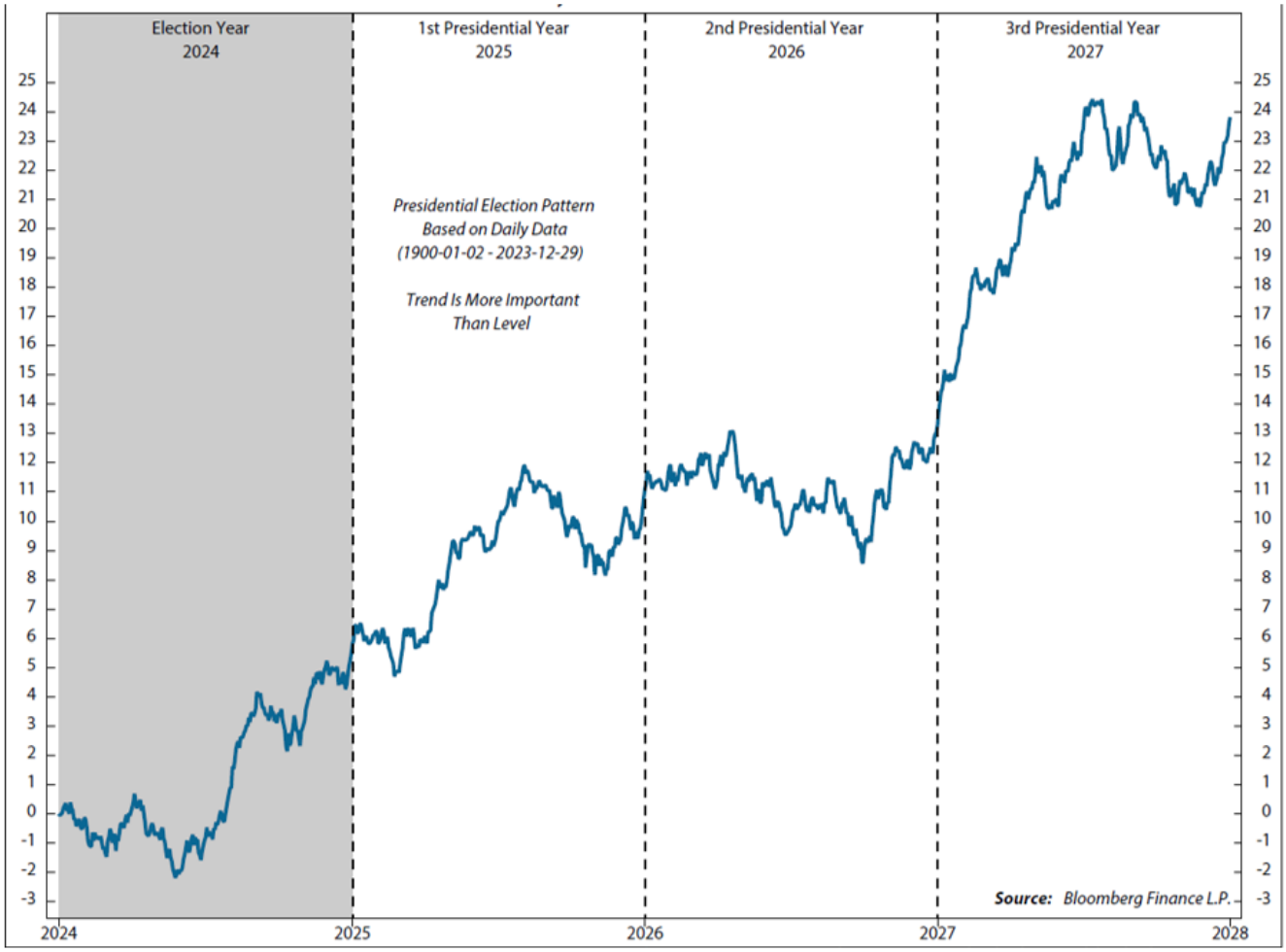
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Stocks, bonds, and hedge funds are up, as gas has seen a modest increase and other raw materials have had a modest decrease. The past five months have been great overall.

The most likely explanation for these good returns is that the economy and earnings have remained stronger than expected and inflation has remained quiescent, boosting investor confidence. Quarterly real GDP was 4.9% in Q3 2023 and 3.2% in Q4 2023, and the Atlanta Fed GDPNow Tracker is expecting 2.5% GDP growth in Q1 2024.[4] These solid reports have helped sustain job gains at a rate of 225k per month for the past year.[5] Recovering supply chains have allowed the Consumer Price Index to decline from 5.0% in March 2023 to 3.2% year over year. Despite continued debate among investors on whether the Fed has achieved its target, the Fed's efforts to curb inflation have enabled the economy and employment to thrive and the stock market to reach new highs. The market environment has exceeded most investors' expectations. Typically, a normal election year suggests a more modest start to the year, but a healthy finish:

Market Expectations During a Presidential Cycle

(2024 to 2028)[6]



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Fingers crossed this dynamic continues, with the market returns in the back half of this election year exceeding the already strong start to 2024.

Where to From Here?

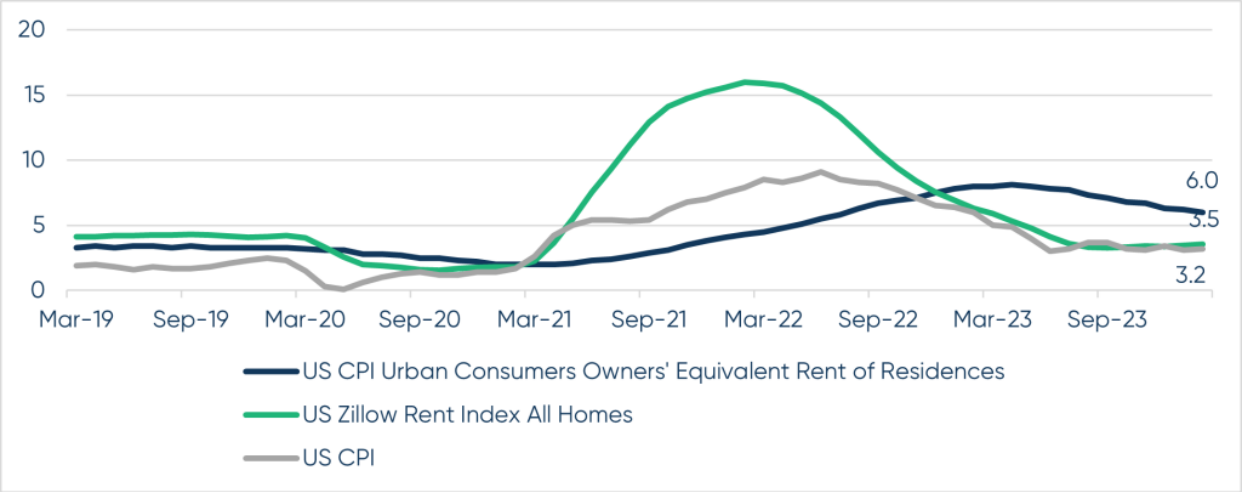
We have been hearing about companies expecting sales, profits, and employment to grow stronger still in 2024. Meanwhile, margins are expected to expand on declining input costs and more modest wage gains, which have been around 4%. Aren't one company's input costs another company's revenue?

The bull case continues as shelter inflation – mostly owners' equivalent rent, which accounts for about 36% of the CPI calculation – is expected to fall from 6.0% in February 2024 toward

the real-time Zillow Rent Index rate of 3.5%.[7]

US CPI Urban Consumers Owners'
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(March 2019 to February 2024)[8]



Sources: Bloomberg, Bureau of Labor Statistics. All data is year over year. Zillow data is smoothed seasonally adjusted.

Translating this projection into overall CPI: If 36% of the CPI falls from 6.0% to 3.5% and other factors hold steady, the CPI will fall from 3.2% to 2.2% – very near the Fed's inflation target. If this were to happen, we could anticipate stock markets to continue pushing higher and rates to fall somewhat further.

Meanwhile, as noted earlier, positive performance is beginning to broaden out within the stock market. Typically, the best stock market advances are those that carry the most stocks along as they hit new highs. Narrower stock markets – like the one we experienced last year, when only a few names accounted for much of the performance – can mask structural challenges. When most names are making new highs, it suggests a very positive fundamental backdrop. This year's markets suggest a much more positive environment in the US and globally. Some stock market pundits even believe that stocks could "melt up," rallying like it's 1999. Others are more negative, as we discuss below.

What Can Go Wrong?

There are two major conflicts raging in the world. Russia's war with Ukraine has moved into its third year, and the Israel-Hamas War is in month six. Each of these conflicts has the potential to escalate into a wider geographic conflict that would have much greater impact

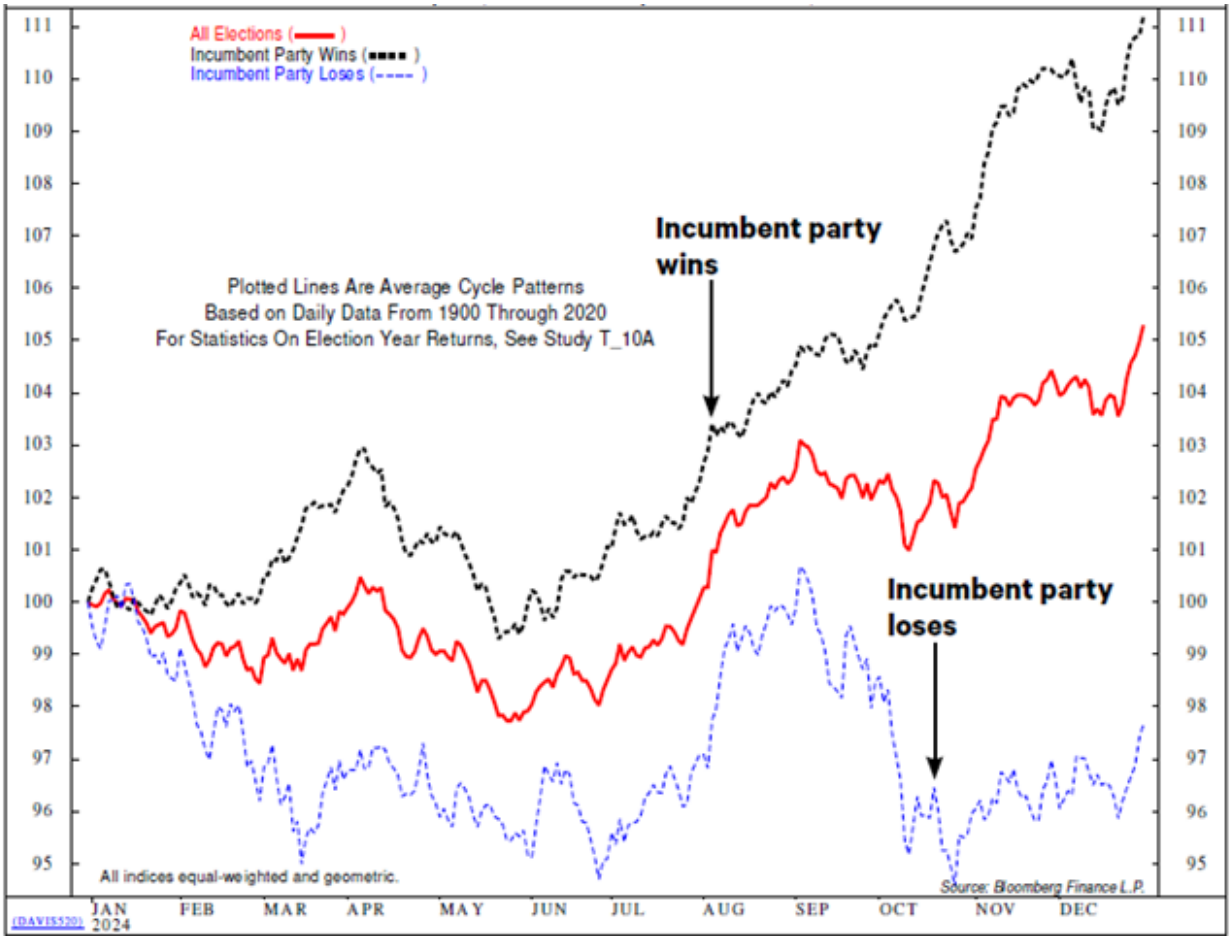
on the global economy. Despite the duration of the Ukraine war, the prices of commodities from Russia and Ukraine have not spiked, nor has the price of energy sourced in the Middle East and Russia, though shipping costs and time through the Red Sea have been impacted. The US is fortunate to be able to feed and provide sufficient energy for its population, insulating us from the immediate risks facing most other regions, especially those near the conflicts or those heavily dependent on the commodities these regions supply. Putting aside for the purposes of this investment letter the human tragedies propagated by these wars, from a pure economic perspective, the risk to the US appears lower than for many other regions.

Globally, geopolitical risks seem to be rising. More people will vote in 2024 than ever before, as approximately 64 countries and the EU will hold elections that represent the voices of 49% of the global population. Citizens of Brazil, Russia, South Africa, India, Korea, Taiwan, Indonesia, Iran, Turkey, Germany, Italy, Spain, the UK, Australia, Canada, and the US, among others, will all vote for their leaders in 2024. In every election cycle, we hear "This is the year that your vote matters more than ever before"; somewhere in the world that will likely be true in 2024. It will be interesting to see how voters approach elections in 2024. Will they vote for left- or right-leaning candidates, for established or newer faces, for more aggressive or passive approaches, or for more fiscally conservative or progressive policies? The combinations and permutations of qualifications are many and make these global elections important indicators of the direction geopolitics might take in coming years.

Here in the US, we are now about eight months from our elections. Few Americans seem excited to vote *for* either major party's presidential candidate, though many seem excited to vote *against* one or the other. This will be the oldest pair of candidates ever on the ticket. Both are current or past presidents and are generally well known by the electorate. It is hard to imagine that anything we learn between now and the election will be enlightening in a positive way. We are expecting a very expensive, mudslinging contest from now through election day – with an absence of the uplifting sort of election speeches we have heard in the past. The best-case scenario is a calm election where one candidate wins convincingly over the other and neither side can claim that any sort of unfair practices swayed the outcome. Worse still would be some sort of violence that occasionally occurs in less-developed countries, but typically not in the US. Once we get past this election, it is likely that markets will breathe a sigh of relief, which suggests gains may follow.

Expected Market Behavior by Election Outcome

(January to December 2024)[9]



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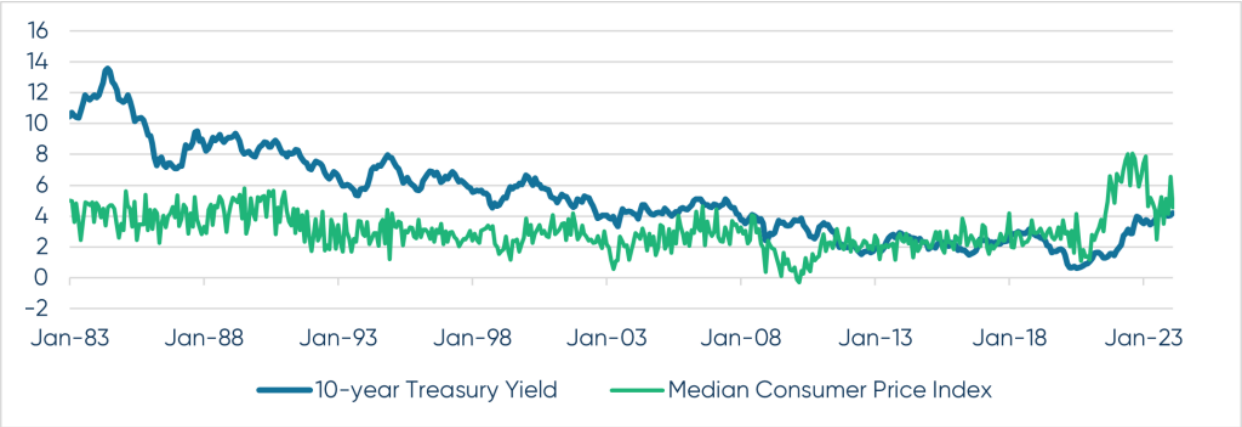
Potentially more important than the above factors will be the question of inflation. Inflation seems to be coming down, with supply chains normalizing. We continue to believe that the last 1% to 2% decline to target will be the most difficult to achieve. If, for any reason, inflation does *not* get back to target, then the markets will have to adjust to a new reality, with likely negative consequences. Although inflation at 3% versus 2% may not seem like a big difference, that one extra point of inflation means the value of the US Dollar will fall by 26% in a decade and by 52% in 25 years, versus "only" falling 18% in 10 years and 39% in 25 years in a scenario where inflation is at 2%. Stated in reverse, the value of the USD will be 29% greater in 25 years with 2% inflation than with 3% inflation. Also, after having declared a 2% target for decades, the Fed would take a hit to its credibility by accepting 3% inflation, with unknown destabilizing effects on investor psyche, US debt-issuance costs, and markets.

This is important to markets. Prior to the easy money policies in place from the Great Financial Crisis until recently, the 10-year Treasury yield averaged 126 basis points *more* than inflation. Since then, it has averaged 77 basis points *less* than inflation.[10] If we move back into a higher 3% inflation regime with a larger risk premium built into bond yields, we could see longer-term rates remain above 4%, rather than move down toward 3% or lower. This higher rate – and therefore, higher cost of capital – would slow borrowing and economic

growth in the economy, likely resulting in lower long-term stock-price multiples (and prices). This decline likely wouldn't happen all at once but could prove a headwind to markets for a few years as investors come to realize that 2% inflation will not return.

US 10-Year Treasury Yield Versus CPI

(January 1983 to February 2023)[11]



Source: Federal Reserve Bank of St. Louis.

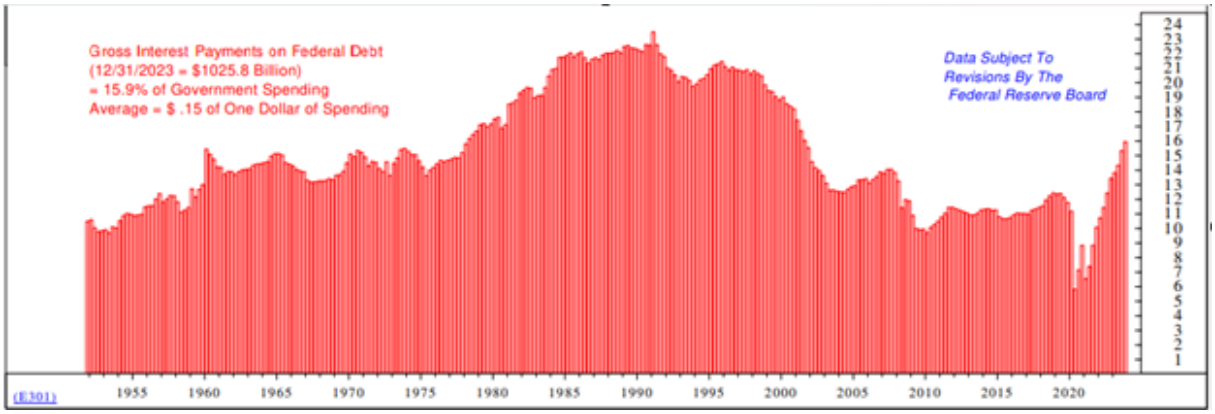
Unfortunately, higher rates also mean higher interest expense for the US government. We've written about the deficit before, but always suggested it was an insidious problem to be dealt with in the future. Unfortunately, the future is rapidly approaching. A recent Schwab piece suggests that Medicare and Social Security benefits will be reduced starting in 2031 and 2033, if not reformed soon. It is hard to imagine deficits declining because either Biden or Trump propose spending less after the election. This "future" is now seven and nine years away, respectively. Sometime soon, we need rational people to sit down and craft a reasonable and fair solution to this problem. Any cure will most certainly require some combination of an extension of the age of benefit eligibility; an increase in the tax levied along the way, in increments and to higher income levels than now; and possibly means testing. Although it is unfair to take benefits away from those that rely on them, it is equally unfair to pass the entire burden onto future generations. It will be a difficult balancing act, but one we must soon confront. (This may be what record high prices for "stores of value" gold and bitcoin are signaling.)

The slow-moving nature of our deficit challenge suggests it is unlikely to disrupt markets in a surprising or volatile fashion, but rather in a more subtle way. Higher interest expense will either increase the budget deficit further or crowd out discretionary spending, including education, infrastructure, and defense; these could all be cut if we do not get our fiscal house in order. It seems clear at this juncture that Modern Monetary Theory has seen its best days and will return to the back bench for at least another few cycles.

Today, US government debt is increasing by $1 trillion about every 100 days.[12] *Yes, you read that right*. A simple – but hopefully unlikely – thought experiment might be to imagine that the deficit adds $7 trillion to our $34.5 trillion debt in the next two years. Then ask yourself, "What if our average interest rate hits 5%?" Spending more than $2 trillion on interest expense is the near equivalent of 39% of the US government's total tax revenue. In 2023, total discretionary spending by the US government was about 27% of spending, or $1.7 trillion, and interest expense was another $1.0 trillion.[13] If interest expense rises another $1.0 trillion, where will the money come from?

Gross Interest Payments on Federal Debt

(1951 to 2023)[14]



Sources: Ned Davis Research, Inc., Department of Commerce.

Addressing this challenge won't be simple, but the rewards will be substantial. Any progress could provide a strong positive catalyst for better markets. Electing leaders who inspire unity and collaboration among Americans is key to overcoming our greatest obstacles. Identifying a leader capable of rallying the nation to confront and tackle this issue head-on won't be easy, but it's imperative we don't wait too long before the problem becomes intractable. The time is ripe for a new American hero to emerge and galvanize the country into action on this critical issue.

Until we see signs of progress, however, we are likely to remain somewhat cautious on fixed income as we believe the purchasing power of future dollars received may be less than investors currently anticipate. If this view becomes more widespread it could cause rates to rise and bond prices to fall. Paradoxically, it might help equity prices as the relative value of stocks would likely hold up better than that of bonds.

Other Market Considerations

For now, markets should continue to benefit from the solid backdrop of a strong economy and jobs growth coupled with declining inflation. However, if inflation stops falling or even returns, markets could reverse. Inflation reports are one of the most obvious items we are monitoring. A pivot higher on inflation would cause us to become more cautious: This would likely push the Fed to raise short rates, which would hurt US and global markets. Conversely, if the Fed were to cut rates with inflation stuck above 3%, it could signal that the Fed sees economic challenges ahead. We would also be concerned that any potential market rally could be jeopardized by inflation reignited by looser economic conditions; this could ultimately put us back into the environment described above. A decline in corporate earnings would be concerning, especially if Nvidia reports a slowdown in its business or more broadly in the Artificial Intelligence (AI) sector. Further, if new government regulations on AI are perceived as burdensome, leading stocks – particularly those in the Mag 7 and their associated ecosystems – could decline, potentially dragging down overall market performance. Any sort of unrest ahead of elections or a rise in geopolitical concerns that causes commodity or energy price hikes could hurt markets. More positively, a change in policy direction from Chinese leadership could improve the Chinese *and* global economies.

Although we left many potentially market moving events off the short list above, you can see that most of our concerns today still revolve around inflation. If we can successfully conquer this issue, our collective financial futures will be brighter. Once we pierce the fog of fall elections, we expect markets can continue to grind higher. Strong leadership in much-needed deficit-reduction efforts would also be helpful. How we handle this challenge may be the next big issue for America.

What We’re up to in Our Portfolios

We’re optimistic about the potential progress for our country and markets over the rest of 2024. The past five months may have pulled forward some of this year’s returns, but a strong fundamental backdrop coupled with declining inflation would be a continuing tailwind – if we can avoid some of the challenges mentioned above. Within our portfolios, we have maintained our allocations, with 65% in equities, 20% in diversifiers, and 15% in fixed income. We slightly extended our bond duration in the first quarter from 4.25 years to 4.5 years, versus the Bloomberg US Aggregate duration of approximately 6.25 years. We have only modest over- and underweights in geographic regions and sectors. The relatively positive fundamental backdrop we see is balanced by above-average valuations in many markets, especially the US. Our belief that equity markets generally move up and to the right keeps us mindful of being less than 65% exposed to the highest-returning liquid asset class in

the world. This discipline has been beneficial over the past year, when many thought valuations were too high and reduced equity exposure. We also continue to believe that private markets offer attractive and idiosyncratic exposure not available in the public markets and, where appropriate, can augment long-term returns further. Similarly, we continue to believe that our well-diversified and less-correlated hedge fund portfolios should: a) provide some downside protection if equity markets pull back; and b) generate better returns than fixed income under most scenarios. Our manager relative performance has been better in the past 12 months than it was in the prior year. If we could find an excellent partner in Japan, we would replace our passive exposure there but otherwise we are happy with our roster.

As always, we very much appreciate the opportunity to help manage your capital and to help you achieve your organization's goals. We are here to assist you in any way possible, so please reach out and let us know how we can help.

Your TIFF Investment Team

Footnotes

[1] Apple, Amazon, Alphabet, Meta, Microsoft, Nvidia, and Tesla.

[2] Source: Bloomberg.

[3] Source: Bloomberg.

[4] Source: Federal Reserve Bank of Atlanta.

[5] Source: Bureau of Labor Statistics.

[6] Sources: Ned Davis Research, Inc., Bloomberg.

[7] Sources: Bloomberg, Bureau of Labor Statistics.

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[9] Sources: Ned Davis Research, Inc., Bloomberg.

[10] Source: Gavekal Research.

[11] Source: Federal Reserve Bank of St. Louis.

[12] Source: Bank of America research.

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Past performance is no guarantee of future results and the opinions presented

cannot be viewed as an indicator of future performance. There is no guarantee that any particular asset allocation or mix of strategies will meet your investment objectives.

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TIFF Investment Management

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April 2, 2024

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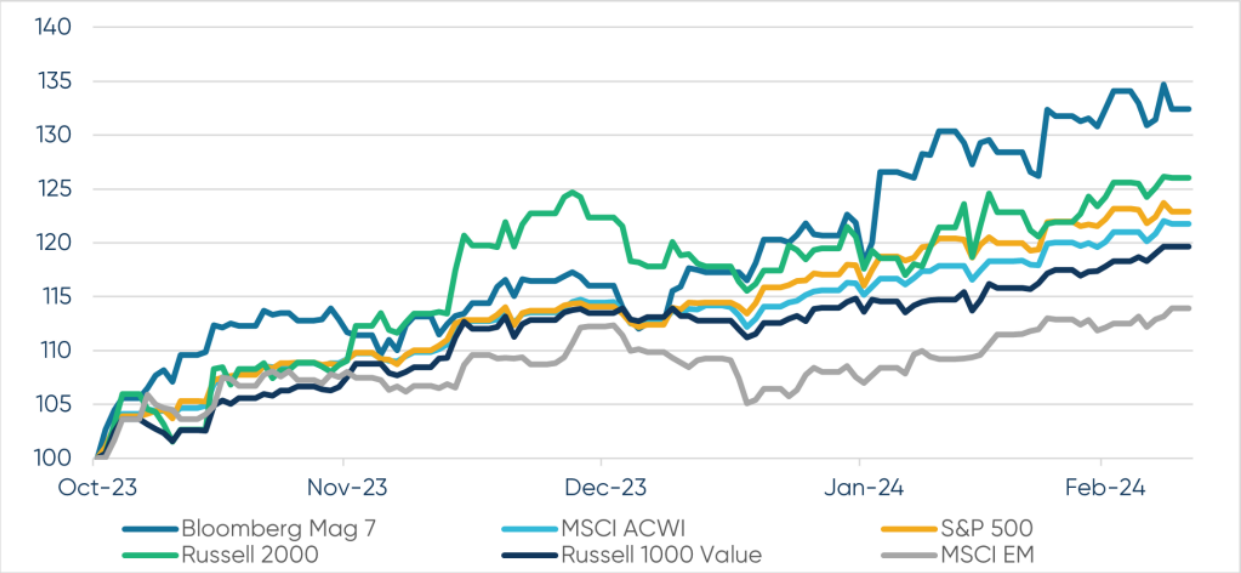
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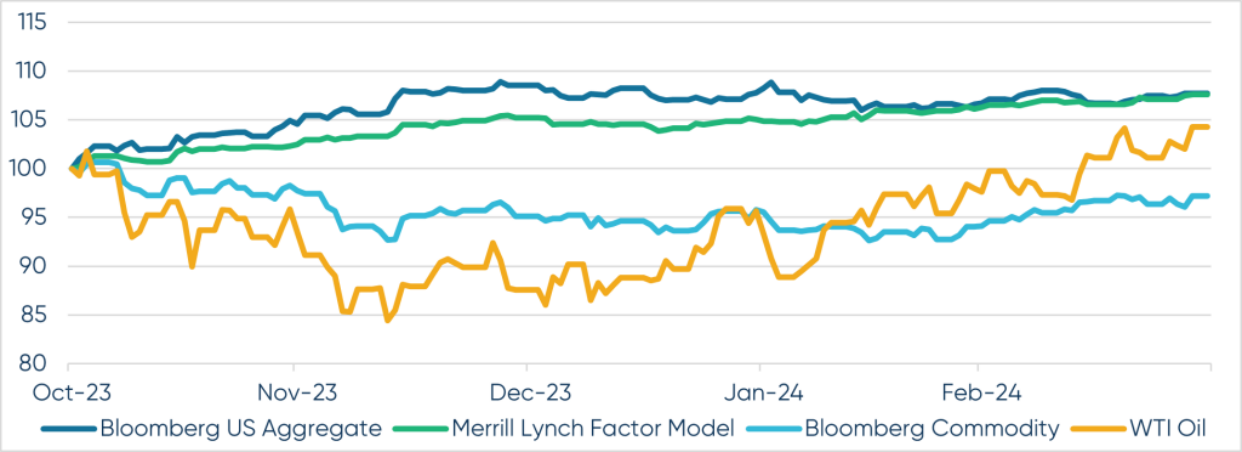
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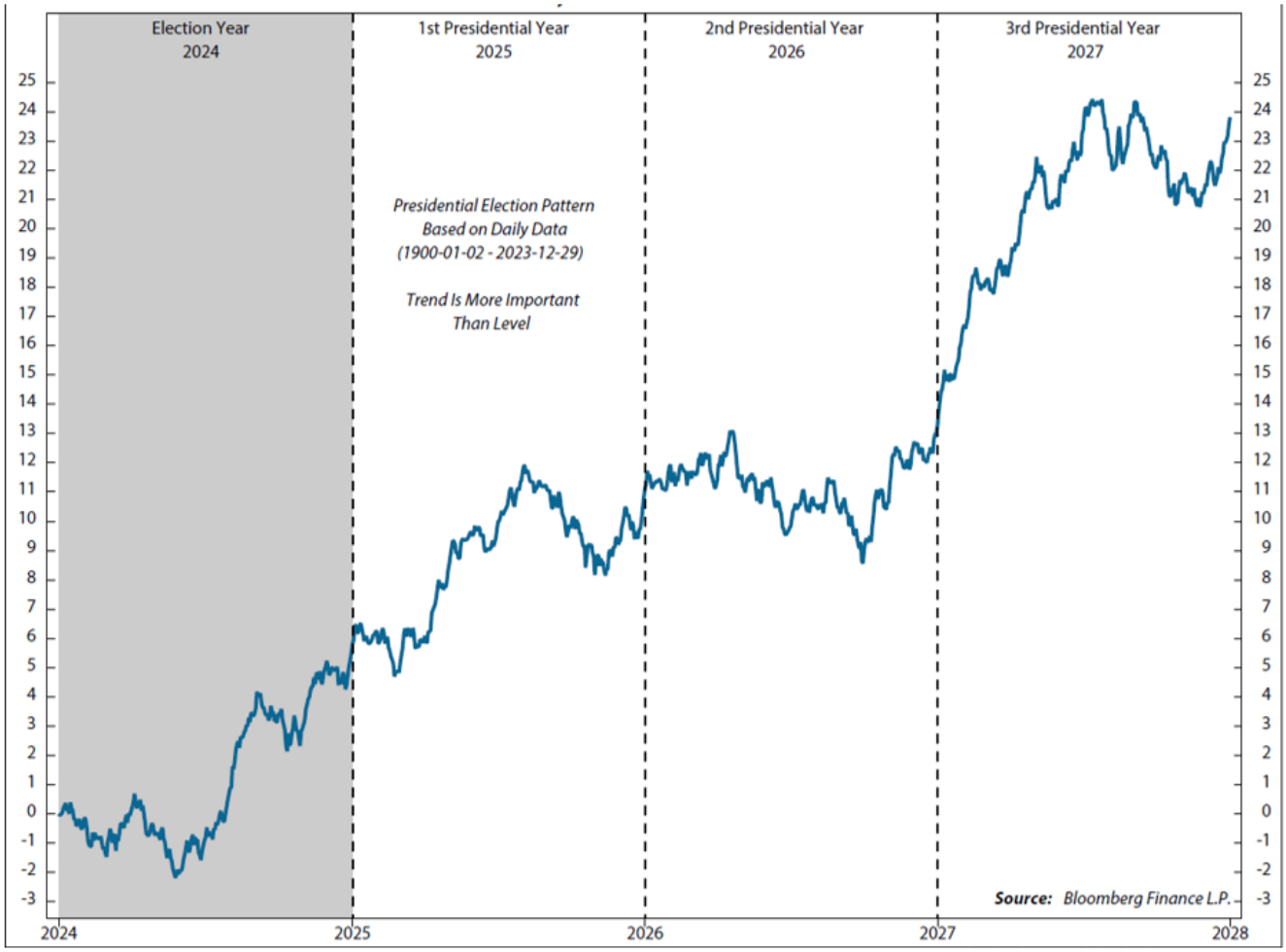
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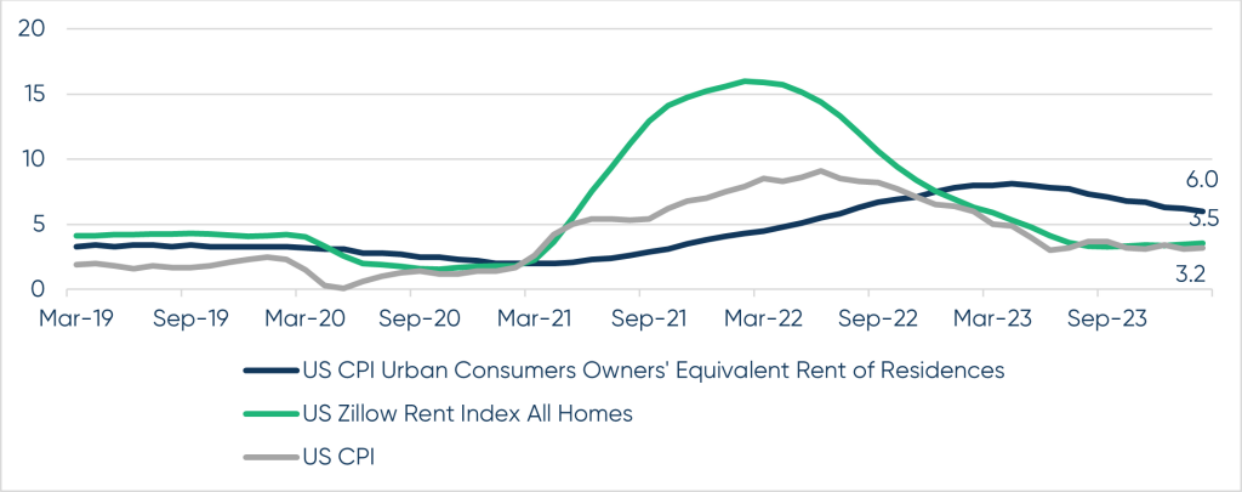
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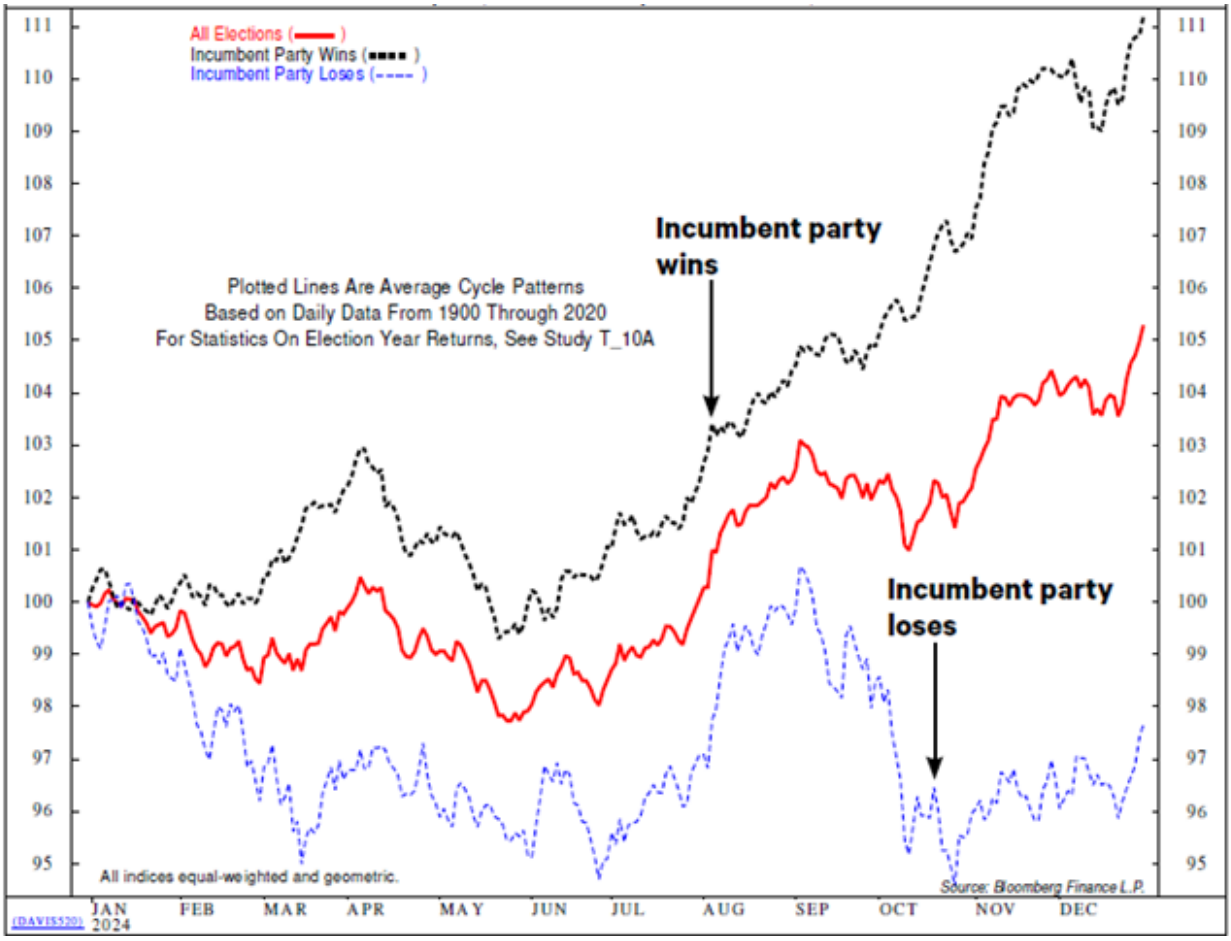
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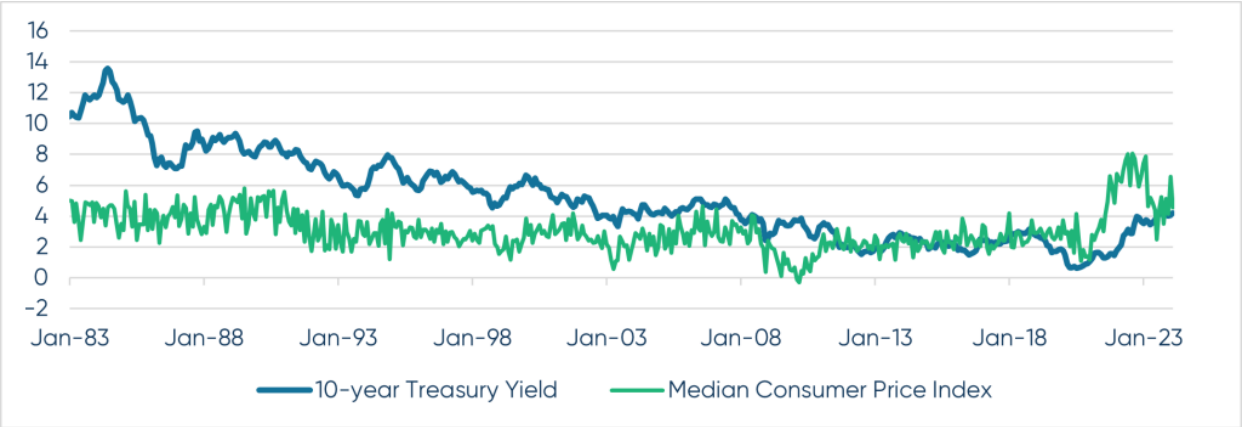
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growth in the economy, likely resulting in lower long-term stock-price multiples (and prices). This decline likely wouldn't happen all at once but could prove a headwind to markets for a few years as investors come to realize that 2% inflation will not return.

US 10-Year Treasury Yield Versus CPI

(January 1983 to February 2023)[11]



Source: Federal Reserve Bank of St. Louis.

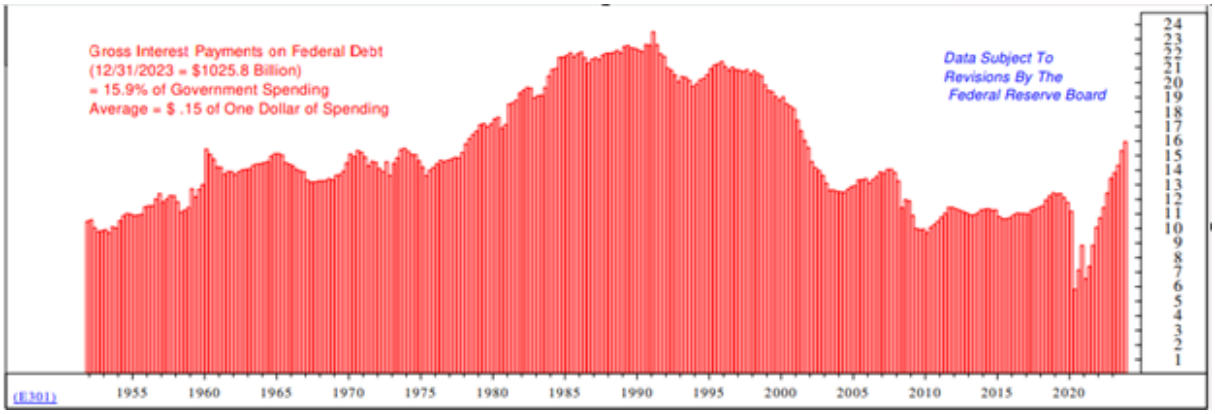
Unfortunately, higher rates also mean higher interest expense for the US government. We've written about the deficit before, but always suggested it was an insidious problem to be dealt with in the future. Unfortunately, the future is rapidly approaching. A recent Schwab piece suggests that Medicare and Social Security benefits will be reduced starting in 2031 and 2033, if not reformed soon. It is hard to imagine deficits declining because either Biden or Trump propose spending less after the election. This "future" is now seven and nine years away, respectively. Sometime soon, we need rational people to sit down and craft a reasonable and fair solution to this problem. Any cure will most certainly require some combination of an extension of the age of benefit eligibility; an increase in the tax levied along the way, in increments and to higher income levels than now; and possibly means testing. Although it is unfair to take benefits away from those that rely on them, it is equally unfair to pass the entire burden onto future generations. It will be a difficult balancing act, but one we must soon confront. (This may be what record high prices for "stores of value" gold and bitcoin are signaling.)

The slow-moving nature of our deficit challenge suggests it is unlikely to disrupt markets in a surprising or volatile fashion, but rather in a more subtle way. Higher interest expense will either increase the budget deficit further or crowd out discretionary spending, including education, infrastructure, and defense; these could all be cut if we do not get our fiscal house in order. It seems clear at this juncture that Modern Monetary Theory has seen its best days and will return to the back bench for at least another few cycles.

Today, US government debt is increasing by $1 trillion about every 100 days.[12] *Yes, you read that right*. A simple – but hopefully unlikely – thought experiment might be to imagine that the deficit adds $7 trillion to our $34.5 trillion debt in the next two years. Then ask yourself, "What if our average interest rate hits 5%?" Spending more than $2 trillion on interest expense is the near equivalent of 39% of the US government's total tax revenue. In 2023, total discretionary spending by the US government was about 27% of spending, or $1.7 trillion, and interest expense was another $1.0 trillion.[13] If interest expense rises another $1.0 trillion, where will the money come from?

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Sources: Ned Davis Research, Inc., Department of Commerce.

Addressing this challenge won't be simple, but the rewards will be substantial. Any progress could provide a strong positive catalyst for better markets. Electing leaders who inspire unity and collaboration among Americans is key to overcoming our greatest obstacles. Identifying a leader capable of rallying the nation to confront and tackle this issue head-on won't be easy, but it's imperative we don't wait too long before the problem becomes intractable. The time is ripe for a new American hero to emerge and galvanize the country into action on this critical issue.

Until we see signs of progress, however, we are likely to remain somewhat cautious on fixed income as we believe the purchasing power of future dollars received may be less than investors currently anticipate. If this view becomes more widespread it could cause rates to rise and bond prices to fall. Paradoxically, it might help equity prices as the relative value of stocks would likely hold up better than that of bonds.

Other Market Considerations

For now, markets should continue to benefit from the solid backdrop of a strong economy and jobs growth coupled with declining inflation. However, if inflation stops falling or even returns, markets could reverse. Inflation reports are one of the most obvious items we are monitoring. A pivot higher on inflation would cause us to become more cautious: This would likely push the Fed to raise short rates, which would hurt US and global markets. Conversely, if the Fed were to cut rates with inflation stuck above 3%, it could signal that the Fed sees economic challenges ahead. We would also be concerned that any potential market rally could be jeopardized by inflation reignited by looser economic conditions; this could ultimately put us back into the environment described above. A decline in corporate earnings would be concerning, especially if Nvidia reports a slowdown in its business or more broadly in the Artificial Intelligence (AI) sector. Further, if new government regulations on AI are perceived as burdensome, leading stocks – particularly those in the Mag 7 and their associated ecosystems – could decline, potentially dragging down overall market performance. Any sort of unrest ahead of elections or a rise in geopolitical concerns that causes commodity or energy price hikes could hurt markets. More positively, a change in policy direction from Chinese leadership could improve the Chinese *and* global economies.

Although we left many potentially market moving events off the short list above, you can see that most of our concerns today still revolve around inflation. If we can successfully conquer this issue, our collective financial futures will be brighter. Once we pierce the fog of fall elections, we expect markets can continue to grind higher. Strong leadership in much-needed deficit-reduction efforts would also be helpful. How we handle this challenge may be the next big issue for America.

What We’re up to in Our Portfolios

We’re optimistic about the potential progress for our country and markets over the rest of 2024. The past five months may have pulled forward some of this year’s returns, but a strong fundamental backdrop coupled with declining inflation would be a continuing tailwind – if we can avoid some of the challenges mentioned above. Within our portfolios, we have maintained our allocations, with 65% in equities, 20% in diversifiers, and 15% in fixed income. We slightly extended our bond duration in the first quarter from 4.25 years to 4.5 years, versus the Bloomberg US Aggregate duration of approximately 6.25 years. We have only modest over- and underweights in geographic regions and sectors. The relatively positive fundamental backdrop we see is balanced by above-average valuations in many markets, especially the US. Our belief that equity markets generally move up and to the right keeps us mindful of being less than 65% exposed to the highest-returning liquid asset class in

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As always, we very much appreciate the opportunity to help manage your capital and to help you achieve your organization's goals. We are here to assist you in any way possible, so please reach out and let us know how we can help.

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[2] Source: Bloomberg.

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TIFF Investment Management

TIFF 35TH
INVESTMENT MANAGEMENT
35TH ANNIVERSARY

April 2, 2024

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TIFF 35TH
INVESTMENT MANAGEMENT
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1st Quarter 2024 CIO Commentary

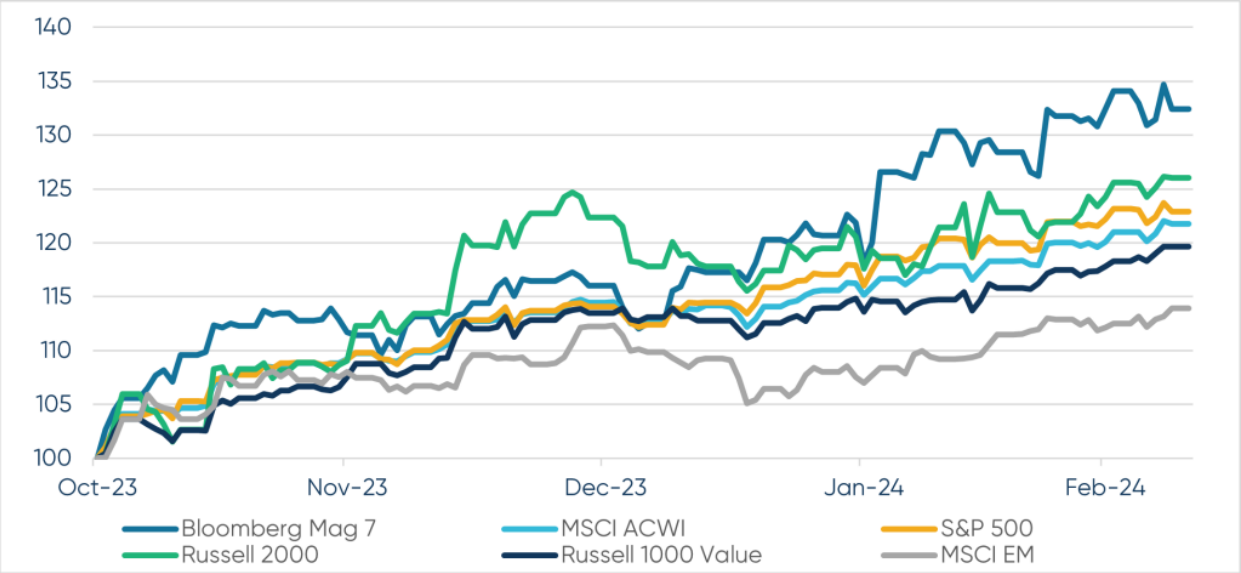
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Executive Summary

The past five months have been great. The Mag 7[1] continue to lead the way, gaining 36% over that spell! Stocks globally have returned 24%, only slightly behind the S&P 500, up 26%. Even small cap stocks, shown as the Russell 2000, and value stocks (Russell 1000 Value) are up 29% and 24%, respectively, since October of last year.

Select Equity Indices: Cumulative Returns

(October 31, 2023 to March 29, 2024)[2]



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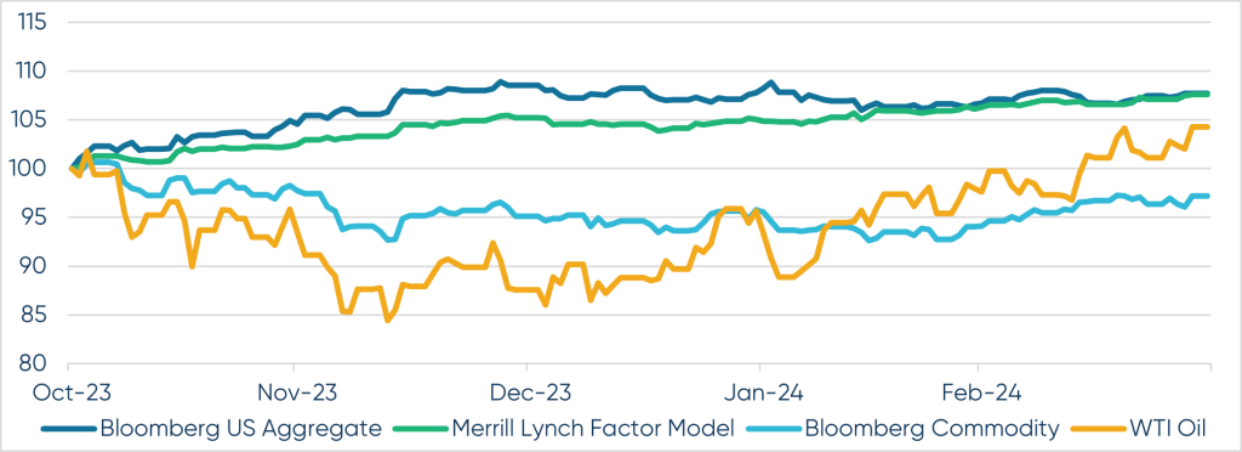
Only emerging markets are “lagging” – with a gain of 15%. This, of course, is due to policies that China continues to implement, constraining their returns to -2%. As a recently reformed, formerly overweight Chinese equities investor, we are disappointed to see China’s leadership continue to pursue these unproductive policies. Until China adopts a more market-friendly approach, it is unlikely that their stock markets will see significant recovery. We feel nervous saying that, because, if their policies do change, today’s valuations suggest a substantial upward move is possible. We remain at market weight to Chinese equities. This is a good reminder that valuations alone are not a reason to buy or sell a stock, though they do provide insight into potential future performance.

In traditional diversifiers markets, the Bloomberg US Aggregate and Merrill hedge funds indices are making some progress, returning 8% and 8%, respectively, in the past five

months. Commodities, as seen in the Bloomberg Commodities Index and WTI oil, have returned -3% and 4%, respectively, in the same period.

Select Diversifier Indices: Cumulative Returns

(October 31, 2023 to March 29, 2024)[3]



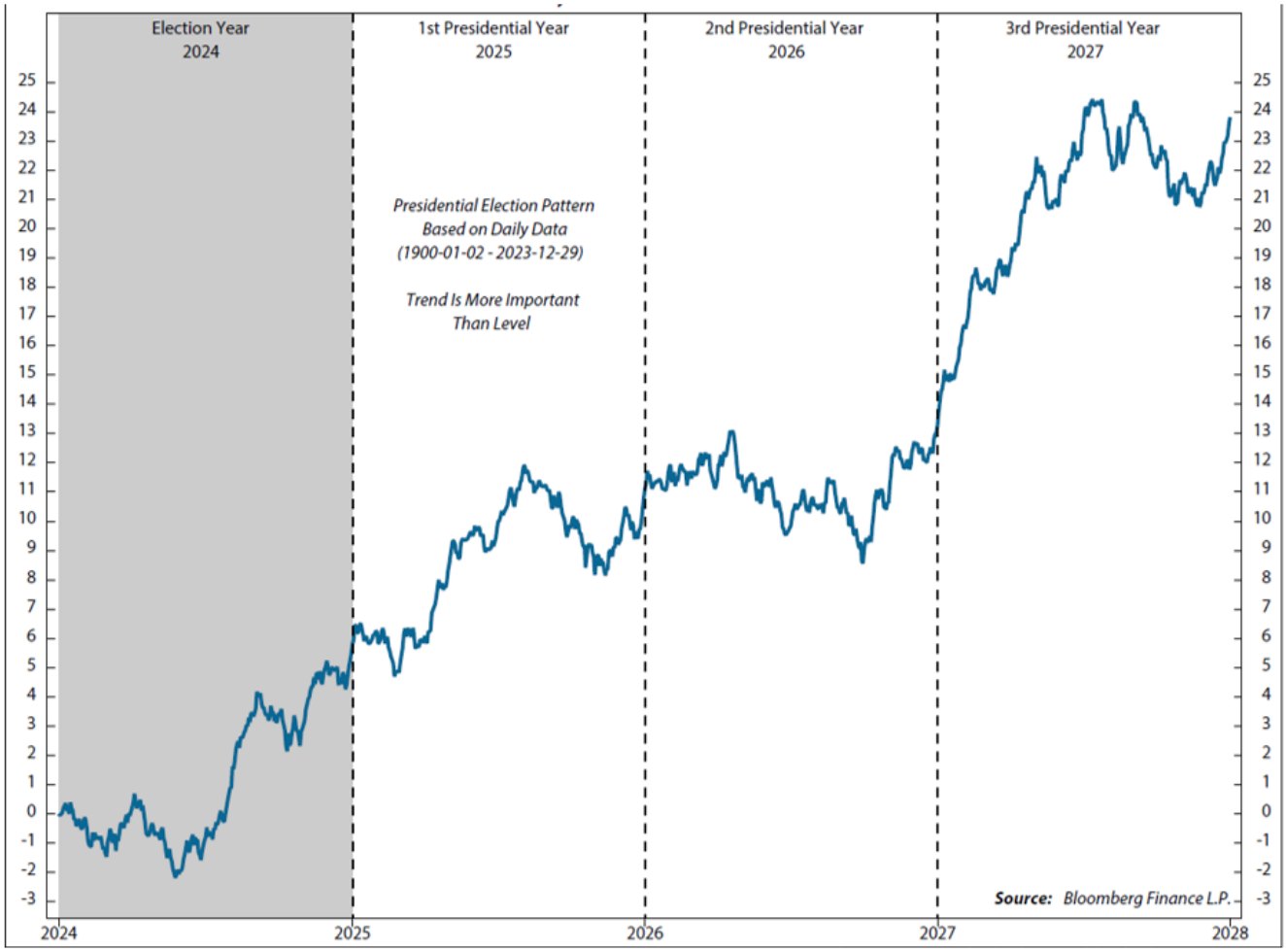
Source: Bloomberg.

Stocks, bonds, and hedge funds are up, as gas has seen a modest increase and other raw materials have had a modest decrease. The past five months have been great overall.

The most likely explanation for these good returns is that the economy and earnings have remained stronger than expected and inflation has remained quiescent, boosting investor confidence. Quarterly real GDP was 4.9% in Q3 2023 and 3.2% in Q4 2023, and the Atlanta Fed GDPNow Tracker is expecting 2.5% GDP growth in Q1 2024.[4] These solid reports have helped sustain job gains at a rate of 225k per month for the past year.[5] Recovering supply chains have allowed the Consumer Price Index to decline from 5.0% in March 2023 to 3.2% year over year. Despite continued debate among investors on whether the Fed has achieved its target, the Fed's efforts to curb inflation have enabled the economy and employment to thrive and the stock market to reach new highs. The market environment has exceeded most investors' expectations. Typically, a normal election year suggests a more modest start to the year, but a healthy finish:

Market Expectations During a Presidential Cycle

(2024 to 2028)[6]



Sources: Ned Davis Research, Inc., Bloomberg.

Fingers crossed this dynamic continues, with the market returns in the back half of this election year exceeding the already strong start to 2024.

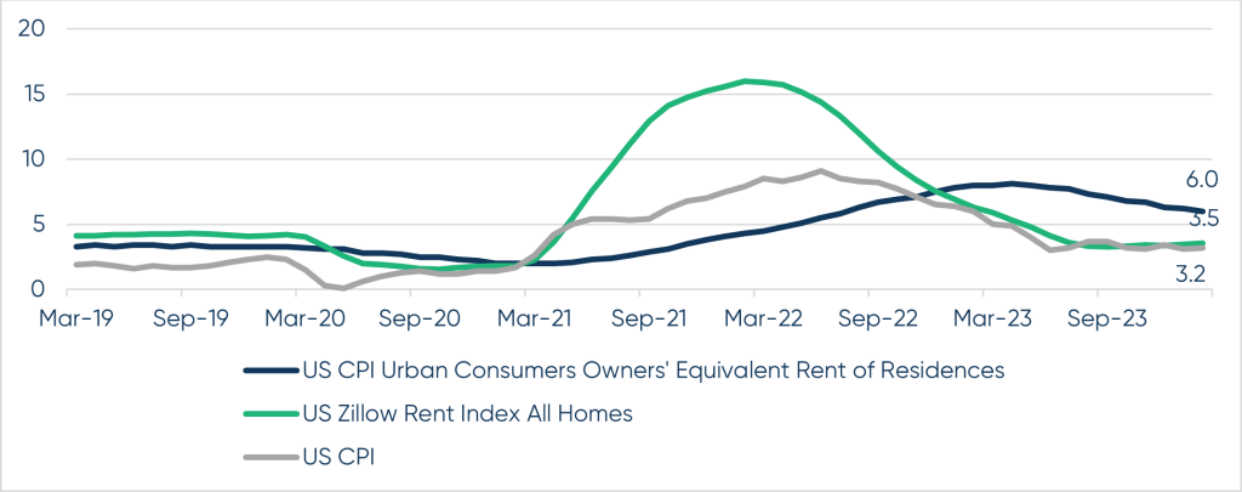
Where to From Here?

We have been hearing about companies expecting sales, profits, and employment to grow stronger still in 2024. Meanwhile, margins are expected to expand on declining input costs and more modest wage gains, which have been around 4%. Aren't one company's input costs another company's revenue?

The bull case continues as shelter inflation – mostly owners' equivalent rent, which accounts for about 36% of the CPI calculation – is expected to fall from 6.0% in February 2024 toward the real-time Zillow Rent Index rate of 3.5%.[7]

US CPI Urban Consumers Owners'
Equivalent Rent Versus US Zillow Rent Index All Homes

(March 2019 to February 2024)[8]



Sources: Bloomberg, Bureau of Labor Statistics. All data is year over year. Zillow data is smoothed seasonally adjusted.

Translating this projection into overall CPI: If 36% of the CPI falls from 6.0% to 3.5% and other factors hold steady, the CPI will fall from 3.2% to 2.2% – very near the Fed's inflation target. If this were to happen, we could anticipate stock markets to continue pushing higher and rates to fall somewhat further.

Meanwhile, as noted earlier, positive performance is beginning to broaden out within the stock market. Typically, the best stock market advances are those that carry the most stocks along as they hit new highs. Narrower stock markets – like the one we experienced last year, when only a few names accounted for much of the performance – can mask structural challenges. When most names are making new highs, it suggests a very positive fundamental backdrop. This year's markets suggest a much more positive environment in the US and globally. Some stock market pundits even believe that stocks could "melt up," rallying like it's 1999. Others are more negative, as we discuss below.

What Can Go Wrong?

There are two major conflicts raging in the world. Russia's war with Ukraine has moved into its third year, and the Israel-Hamas War is in month six. Each of these conflicts has the potential to escalate into a wider geographic conflict that would have much greater impact on the global economy. Despite the duration of the Ukraine war, the prices of commodities from Russia and Ukraine have not spiked, nor has the price of energy sourced in the Middle East and Russia, though shipping costs and time through the Red Sea have been impacted. The US is fortunate to be able to feed and provide sufficient energy for its population,

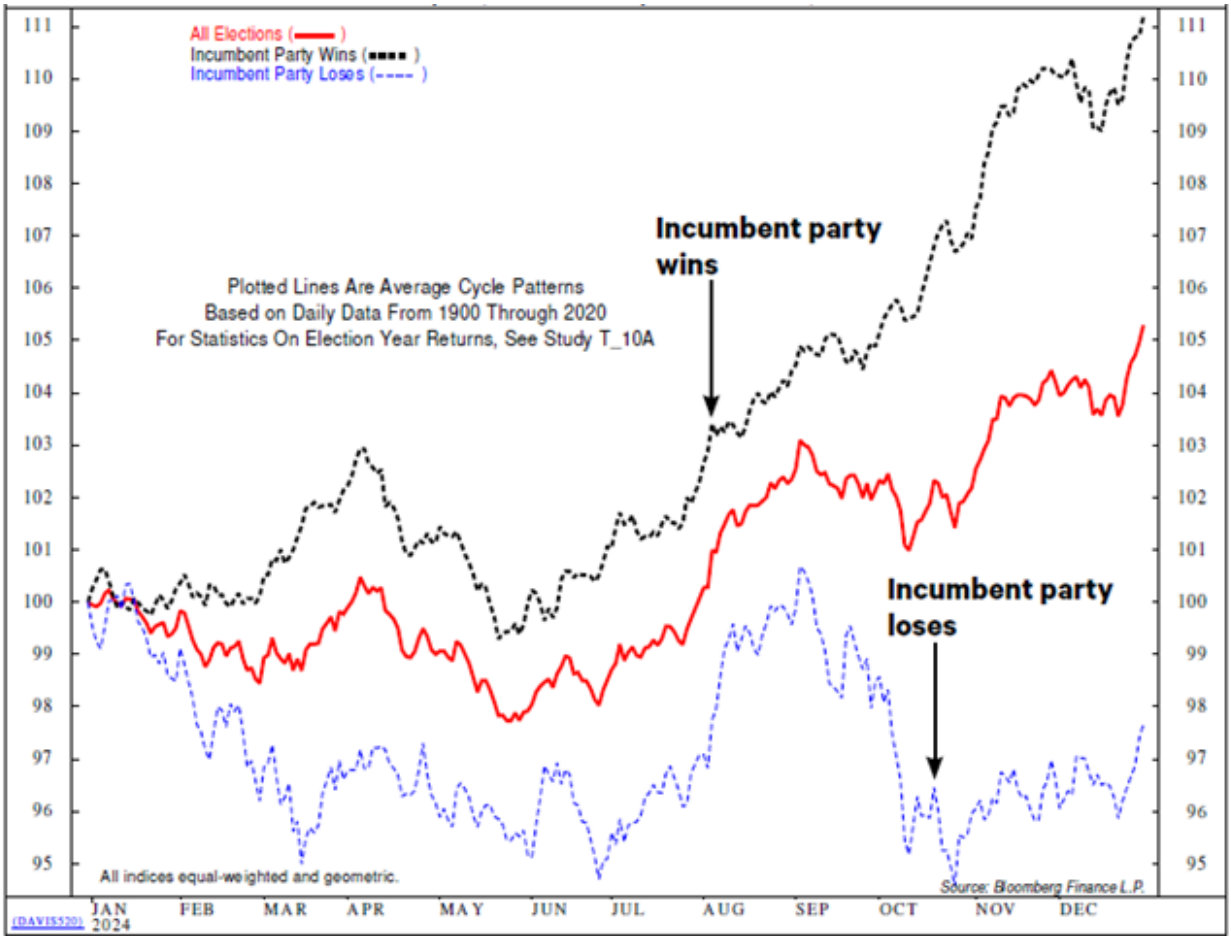
insulating us from the immediate risks facing most other regions, especially those near the conflicts or those heavily dependent on the commodities these regions supply. Putting aside for the purposes of this investment letter the human tragedies propagated by these wars, from a pure economic perspective, the risk to the US appears lower than for many other regions.

Globally, geopolitical risks seem to be rising. More people will vote in 2024 than ever before, as approximately 64 countries and the EU will hold elections that represent the voices of 49% of the global population. Citizens of Brazil, Russia, South Africa, India, Korea, Taiwan, Indonesia, Iran, Turkey, Germany, Italy, Spain, the UK, Australia, Canada, and the US, among others, will all vote for their leaders in 2024. In every election cycle, we hear "This is the year that your vote matters more than ever before"; somewhere in the world that will likely be true in 2024. It will be interesting to see how voters approach elections in 2024. Will they vote for left- or right-leaning candidates, for established or newer faces, for more aggressive or passive approaches, or for more fiscally conservative or progressive policies? The combinations and permutations of qualifications are many and make these global elections important indicators of the direction geopolitics might take in coming years.

Here in the US, we are now about eight months from our elections. Few Americans seem excited to vote *for* either major party's presidential candidate, though many seem excited to vote *against* one or the other. This will be the oldest pair of candidates ever on the ticket. Both are current or past presidents and are generally well known by the electorate. It is hard to imagine that anything we learn between now and the election will be enlightening in a positive way. We are expecting a very expensive, mudslinging contest from now through election day – with an absence of the uplifting sort of election speeches we have heard in the past. The best-case scenario is a calm election where one candidate wins convincingly over the other and neither side can claim that any sort of unfair practices swayed the outcome. Worse still would be some sort of violence that occasionally occurs in less-developed countries, but typically not in the US. Once we get past this election, it is likely that markets will breathe a sigh of relief, which suggests gains may follow.

Expected Market Behavior by Election Outcome

(January to December 2024)[9]



Sources: Ned Davis Research, Inc., Bloomberg.

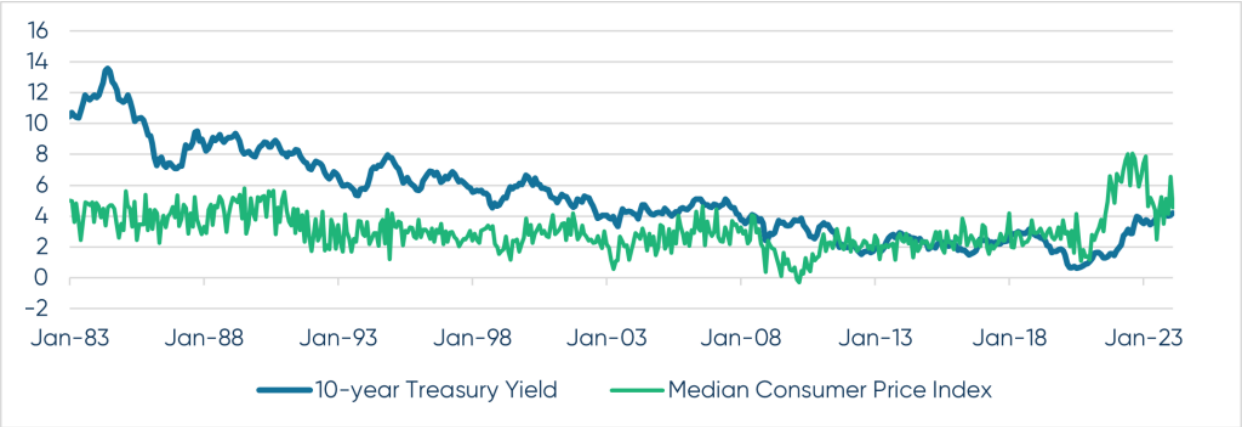
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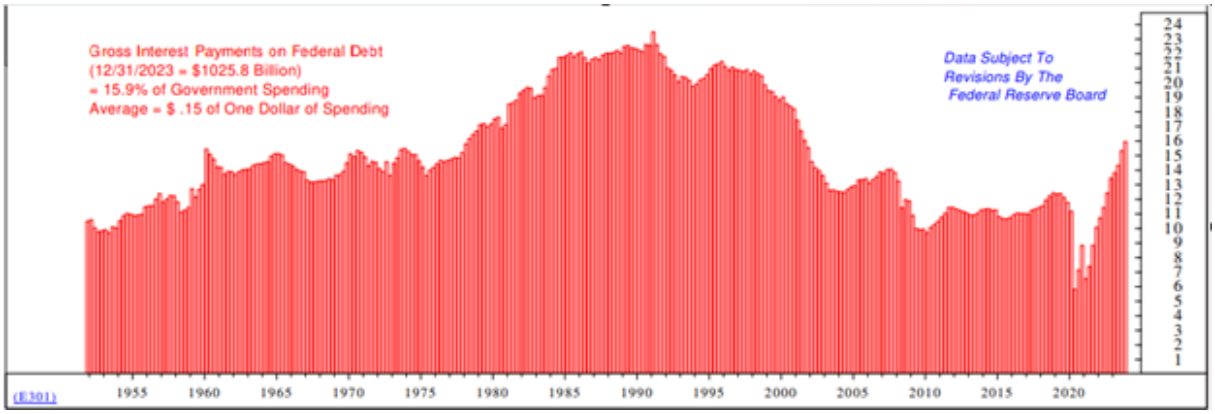
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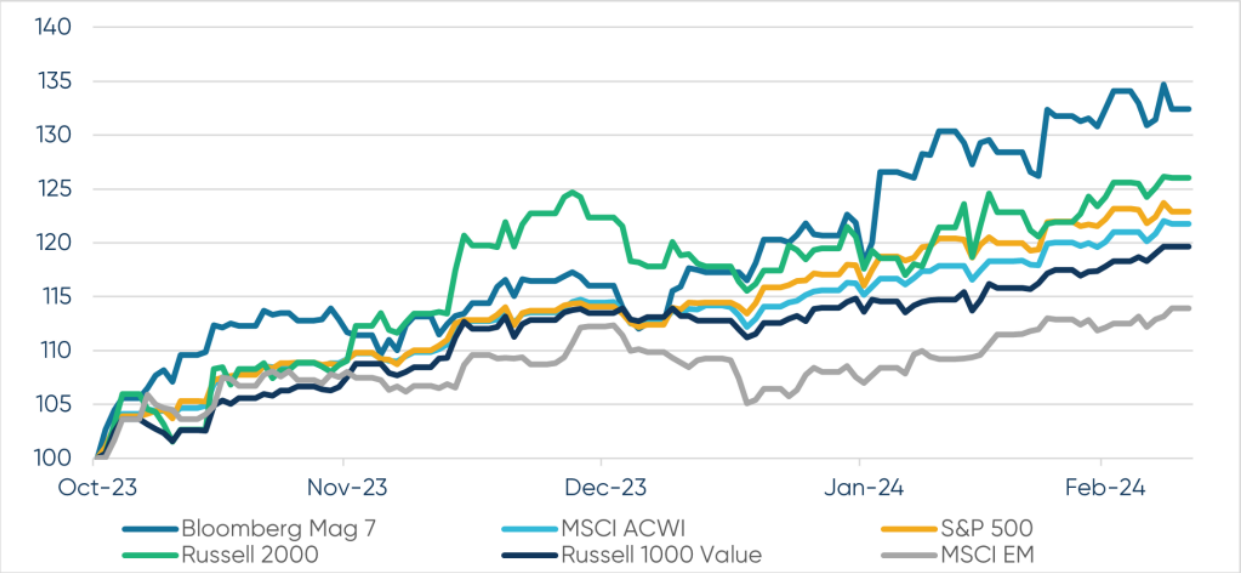
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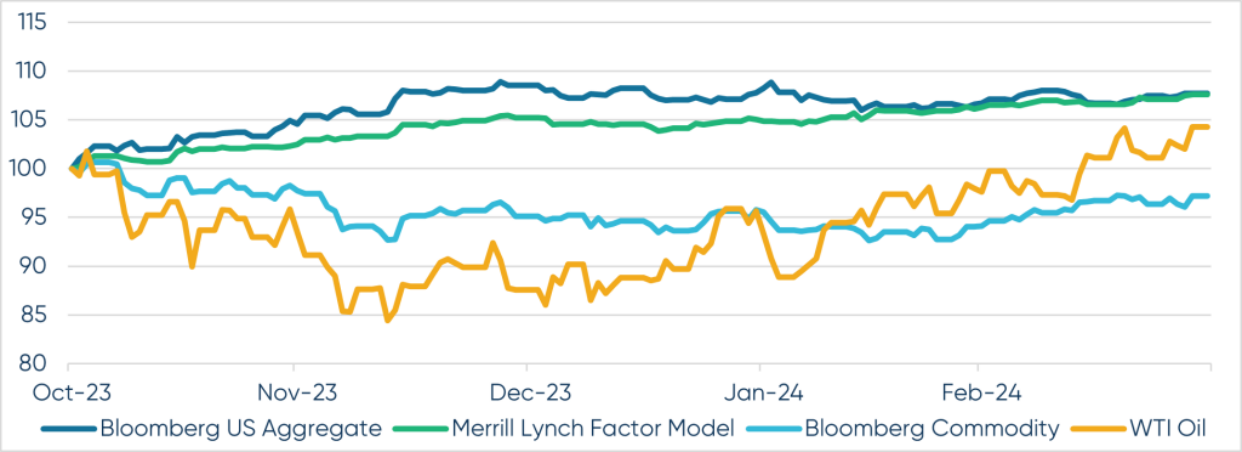
Only emerging markets are “lagging” – with a gain of 15%. This, of course, is due to policies that China continues to implement, constraining their returns to -2%. As a recently reformed, formerly overweight Chinese equities investor, we are disappointed to see China’s leadership continue to pursue these unproductive policies. Until China adopts a more market-friendly approach, it is unlikely that their stock markets will see significant recovery. We feel nervous saying that, because, if their policies do change, today’s valuations suggest a substantial upward move is possible. We remain at market weight to Chinese equities. This is a good reminder that valuations alone are not a reason to buy or sell a stock, though they do provide insight into potential future performance.

In traditional diversifiers markets, the Bloomberg US Aggregate and Merrill hedge funds indices are making some progress, returning 8% and 8%, respectively, in the past five

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Select Diversifier Indices: Cumulative Returns

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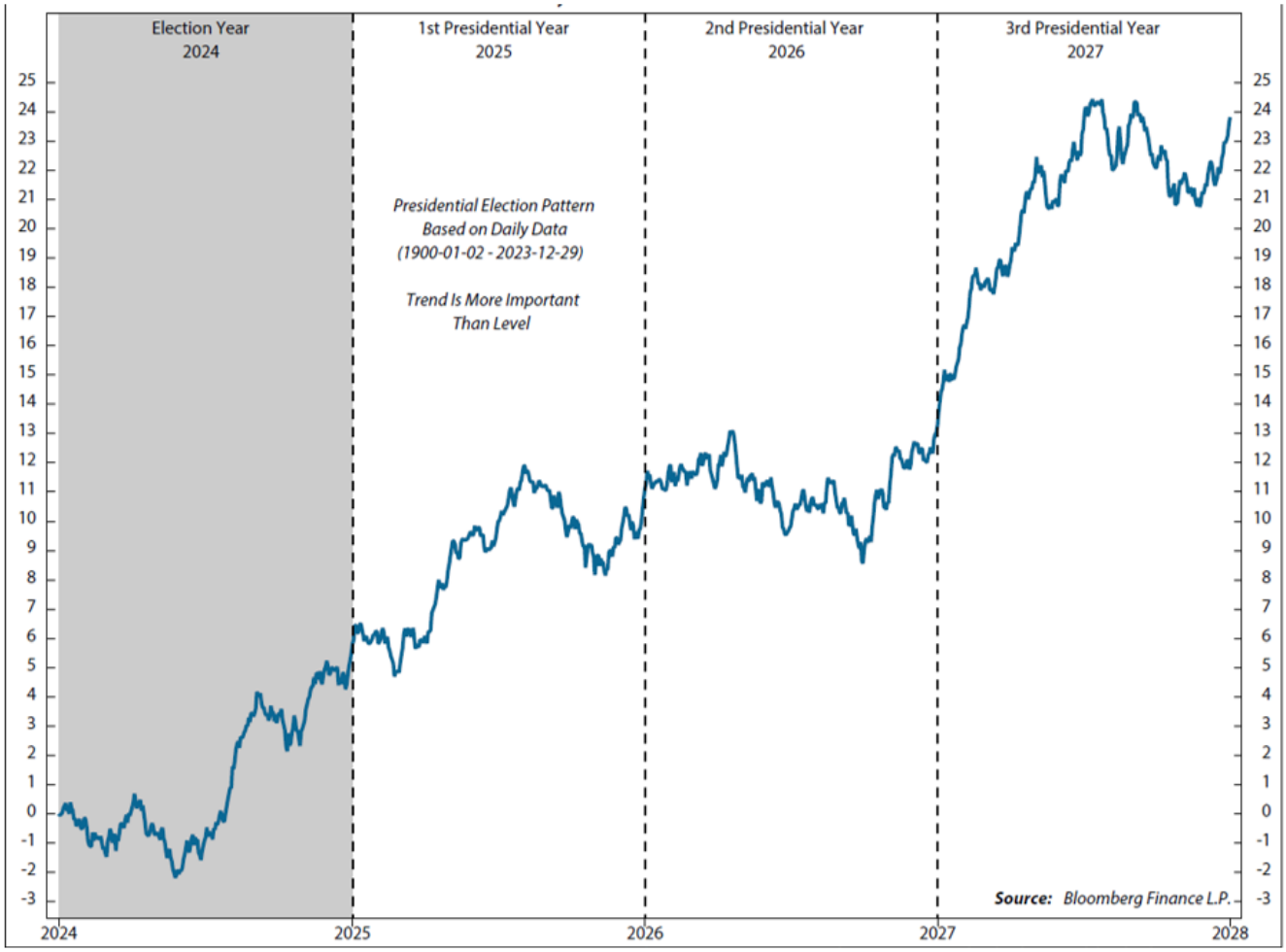
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Stocks, bonds, and hedge funds are up, as gas has seen a modest increase and other raw materials have had a modest decrease. The past five months have been great overall.

The most likely explanation for these good returns is that the economy and earnings have remained stronger than expected and inflation has remained quiescent, boosting investor confidence. Quarterly real GDP was 4.9% in Q3 2023 and 3.2% in Q4 2023, and the Atlanta Fed GDPNow Tracker is expecting 2.5% GDP growth in Q1 2024.[4] These solid reports have helped sustain job gains at a rate of 225k per month for the past year.[5] Recovering supply chains have allowed the Consumer Price Index to decline from 5.0% in March 2023 to 3.2% year over year. Despite continued debate among investors on whether the Fed has achieved its target, the Fed's efforts to curb inflation have enabled the economy and employment to thrive and the stock market to reach new highs. The market environment has exceeded most investors' expectations. Typically, a normal election year suggests a more modest start to the year, but a healthy finish:

Market Expectations During a Presidential Cycle

(2024 to 2028)[6]



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Fingers crossed this dynamic continues, with the market returns in the back half of this election year exceeding the already strong start to 2024.

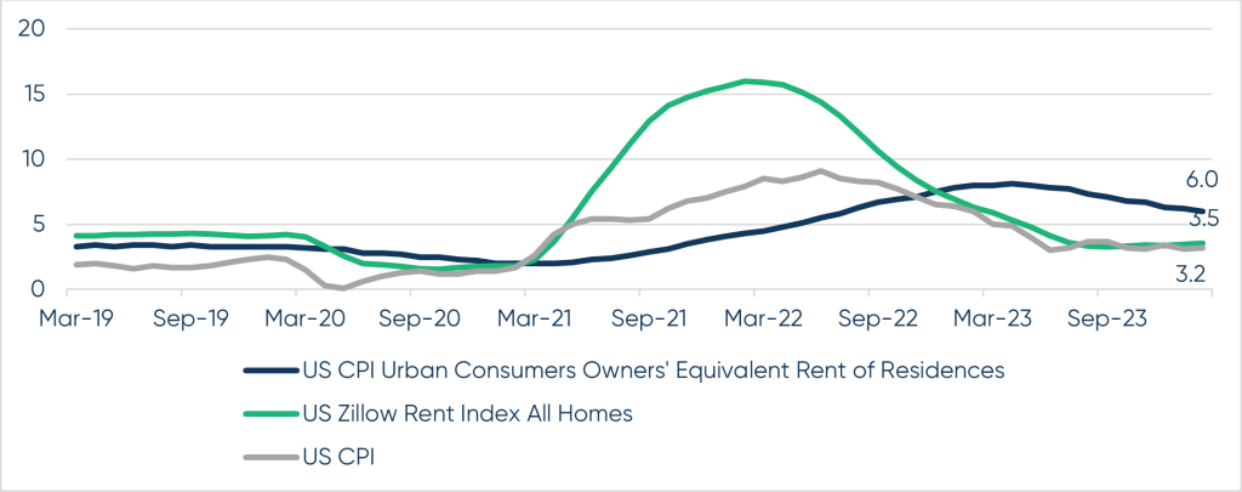
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The bull case continues as shelter inflation – mostly owners' equivalent rent, which accounts for about 36% of the CPI calculation – is expected to fall from 6.0% in February 2024 toward the real-time Zillow Rent Index rate of 3.5%.[7]

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Translating this projection into overall CPI: If 36% of the CPI falls from 6.0% to 3.5% and other factors hold steady, the CPI will fall from 3.2% to 2.2% – very near the Fed's inflation target. If this were to happen, we could anticipate stock markets to continue pushing higher and rates to fall somewhat further.

Meanwhile, as noted earlier, positive performance is beginning to broaden out within the stock market. Typically, the best stock market advances are those that carry the most stocks along as they hit new highs. Narrower stock markets – like the one we experienced last year, when only a few names accounted for much of the performance – can mask structural challenges. When most names are making new highs, it suggests a very positive fundamental backdrop. This year's markets suggest a much more positive environment in the US and globally. Some stock market pundits even believe that stocks could "melt up," rallying like it's 1999. Others are more negative, as we discuss below.

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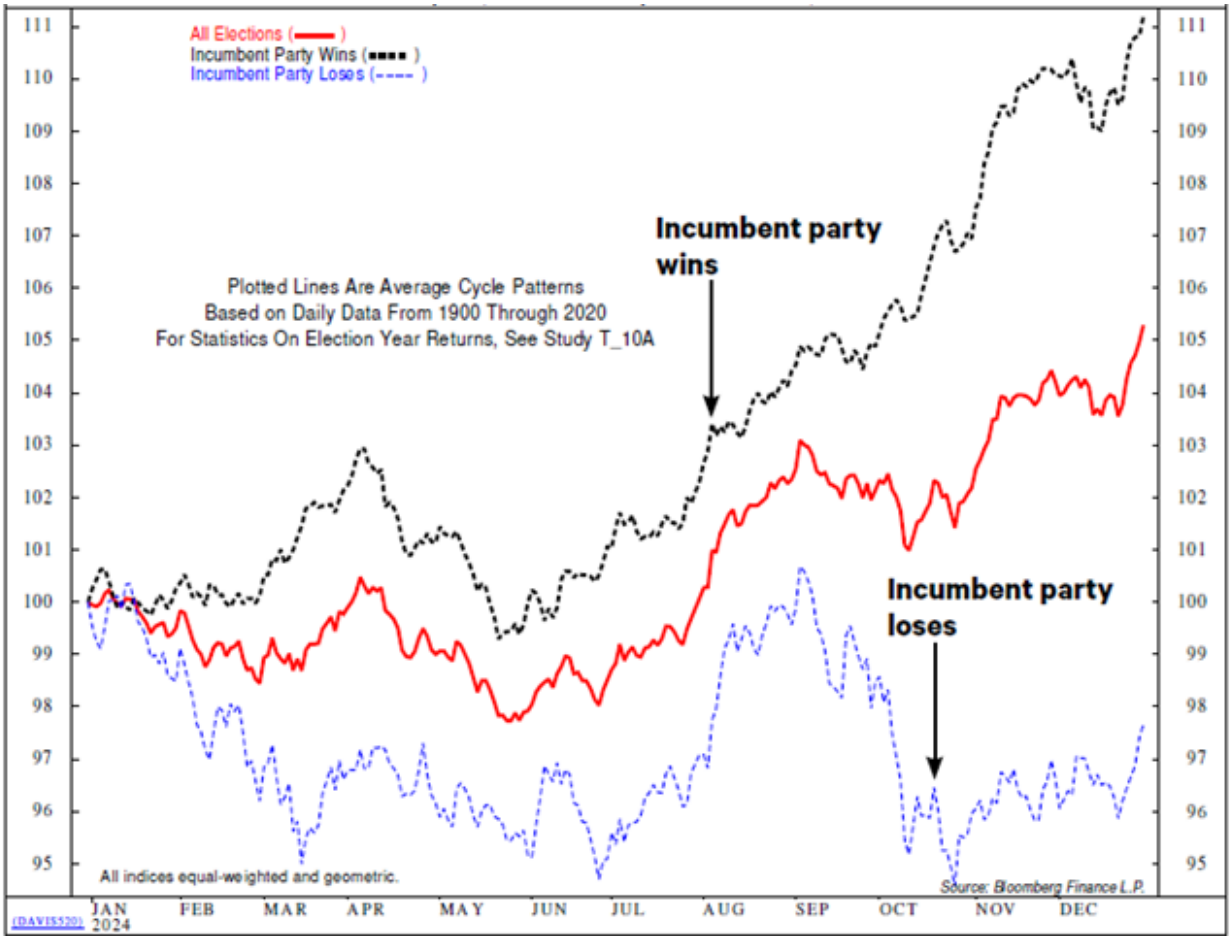
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Globally, geopolitical risks seem to be rising. More people will vote in 2024 than ever before, as approximately 64 countries and the EU will hold elections that represent the voices of 49% of the global population. Citizens of Brazil, Russia, South Africa, India, Korea, Taiwan, Indonesia, Iran, Turkey, Germany, Italy, Spain, the UK, Australia, Canada, and the US, among others, will all vote for their leaders in 2024. In every election cycle, we hear "This is the year that your vote matters more than ever before"; somewhere in the world that will likely be true in 2024. It will be interesting to see how voters approach elections in 2024. Will they vote for left- or right-leaning candidates, for established or newer faces, for more aggressive or passive approaches, or for more fiscally conservative or progressive policies? The combinations and permutations of qualifications are many and make these global elections important indicators of the direction geopolitics might take in coming years.

Here in the US, we are now about eight months from our elections. Few Americans seem excited to vote *for* either major party's presidential candidate, though many seem excited to vote *against* one or the other. This will be the oldest pair of candidates ever on the ticket. Both are current or past presidents and are generally well known by the electorate. It is hard to imagine that anything we learn between now and the election will be enlightening in a positive way. We are expecting a very expensive, mudslinging contest from now through election day – with an absence of the uplifting sort of election speeches we have heard in the past. The best-case scenario is a calm election where one candidate wins convincingly over the other and neither side can claim that any sort of unfair practices swayed the outcome. Worse still would be some sort of violence that occasionally occurs in less-developed countries, but typically not in the US. Once we get past this election, it is likely that markets will breathe a sigh of relief, which suggests gains may follow.

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(January to December 2024)[9]



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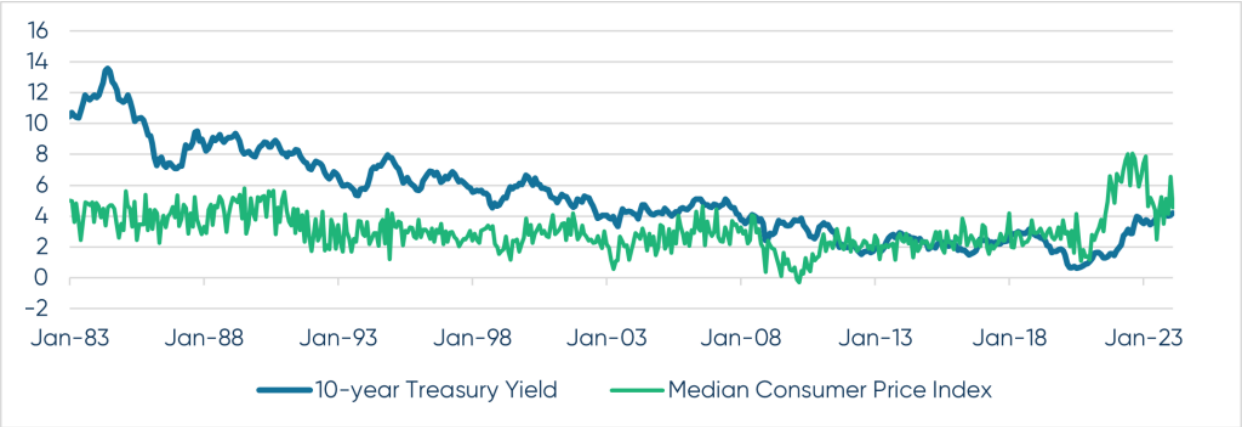
Potentially more important than the above factors will be the question of inflation. Inflation seems to be coming down, with supply chains normalizing. We continue to believe that the last 1% to 2% decline to target will be the most difficult to achieve. If, for any reason, inflation does *not* get back to target, then the markets will have to adjust to a new reality, with likely negative consequences. Although inflation at 3% versus 2% may not seem like a big difference, that one extra point of inflation means the value of the US Dollar will fall by 26% in a decade and by 52% in 25 years, versus "only" falling 18% in 10 years and 39% in 25 years in a scenario where inflation is at 2%. Stated in reverse, the value of the USD will be 29% greater in 25 years with 2% inflation than with 3% inflation. Also, after having declared a 2% target for decades, the Fed would take a hit to its credibility by accepting 3% inflation, with unknown destabilizing effects on investor psyche, US debt-issuance costs, and markets.

This is important to markets. Prior to the easy money policies in place from the Great Financial Crisis until recently, the 10-year Treasury yield averaged 126 basis points *more* than inflation. Since then, it has averaged 77 basis points *less* than inflation.[10] If we move back into a higher 3% inflation regime with a larger risk premium built into bond yields, we could see longer-term rates remain above 4%, rather than move down toward 3% or lower. This higher rate – and therefore, higher cost of capital – would slow borrowing and economic

growth in the economy, likely resulting in lower long-term stock-price multiples (and prices). This decline likely wouldn't happen all at once but could prove a headwind to markets for a few years as investors come to realize that 2% inflation will not return.

US 10-Year Treasury Yield Versus CPI

(January 1983 to February 2023)[11]



Source: Federal Reserve Bank of St. Louis.

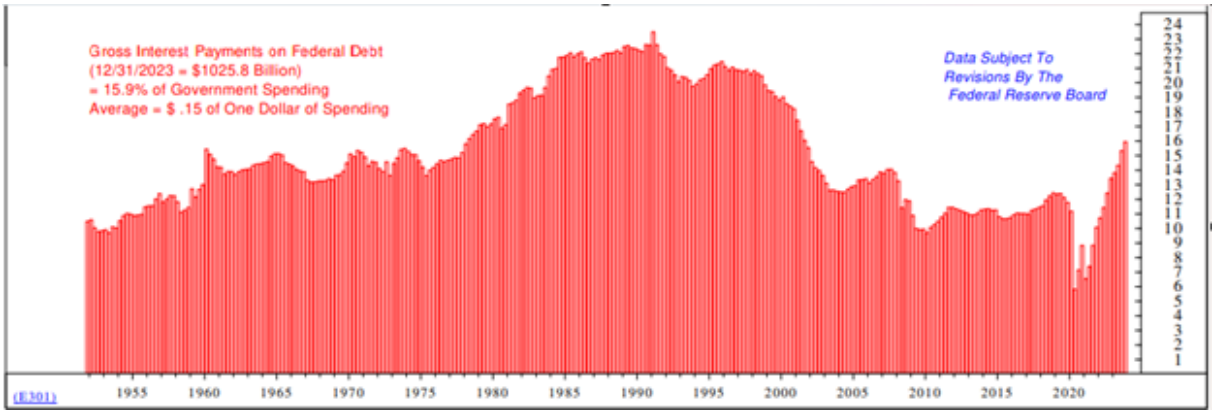
Unfortunately, higher rates also mean higher interest expense for the US government. We've written about the deficit before, but always suggested it was an insidious problem to be dealt with in the future. Unfortunately, the future is rapidly approaching. A recent Schwab piece suggests that Medicare and Social Security benefits will be reduced starting in 2031 and 2033, if not reformed soon. It is hard to imagine deficits declining because either Biden or Trump propose spending less after the election. This "future" is now seven and nine years away, respectively. Sometime soon, we need rational people to sit down and craft a reasonable and fair solution to this problem. Any cure will most certainly require some combination of an extension of the age of benefit eligibility; an increase in the tax levied along the way, in increments and to higher income levels than now; and possibly means testing. Although it is unfair to take benefits away from those that rely on them, it is equally unfair to pass the entire burden onto future generations. It will be a difficult balancing act, but one we must soon confront. (This may be what record high prices for "stores of value" gold and bitcoin are signaling.)

The slow-moving nature of our deficit challenge suggests it is unlikely to disrupt markets in a surprising or volatile fashion, but rather in a more subtle way. Higher interest expense will either increase the budget deficit further or crowd out discretionary spending, including education, infrastructure, and defense; these could all be cut if we do not get our fiscal house in order. It seems clear at this juncture that Modern Monetary Theory has seen its best days and will return to the back bench for at least another few cycles.

Today, US government debt is increasing by $1 trillion about every 100 days.[12] *Yes, you read that right*. A simple – but hopefully unlikely – thought experiment might be to imagine that the deficit adds $7 trillion to our $34.5 trillion debt in the next two years. Then ask yourself, "What if our average interest rate hits 5%?" Spending more than $2 trillion on interest expense is the near equivalent of 39% of the US government's total tax revenue. In 2023, total discretionary spending by the US government was about 27% of spending, or $1.7 trillion, and interest expense was another $1.0 trillion.[13] If interest expense rises another $1.0 trillion, where will the money come from?

Gross Interest Payments on Federal Debt

(1951 to 2023)[14]



Sources: Ned Davis Research, Inc., Department of Commerce.

Addressing this challenge won't be simple, but the rewards will be substantial. Any progress could provide a strong positive catalyst for better markets. Electing leaders who inspire unity and collaboration among Americans is key to overcoming our greatest obstacles. Identifying a leader capable of rallying the nation to confront and tackle this issue head-on won't be easy, but it's imperative we don't wait too long before the problem becomes intractable. The time is ripe for a new American hero to emerge and galvanize the country into action on this critical issue.

Until we see signs of progress, however, we are likely to remain somewhat cautious on fixed income as we believe the purchasing power of future dollars received may be less than investors currently anticipate. If this view becomes more widespread it could cause rates to rise and bond prices to fall. Paradoxically, it might help equity prices as the relative value of stocks would likely hold up better than that of bonds.

Other Market Considerations

For now, markets should continue to benefit from the solid backdrop of a strong economy and jobs growth coupled with declining inflation. However, if inflation stops falling or even returns, markets could reverse. Inflation reports are one of the most obvious items we are monitoring. A pivot higher on inflation would cause us to become more cautious: This would likely push the Fed to raise short rates, which would hurt US and global markets. Conversely, if the Fed were to cut rates with inflation stuck above 3%, it could signal that the Fed sees economic challenges ahead. We would also be concerned that any potential market rally could be jeopardized by inflation reignited by looser economic conditions; this could ultimately put us back into the environment described above. A decline in corporate earnings would be concerning, especially if Nvidia reports a slowdown in its business or more broadly in the Artificial Intelligence (AI) sector. Further, if new government regulations on AI are perceived as burdensome, leading stocks – particularly those in the Mag 7 and their associated ecosystems – could decline, potentially dragging down overall market performance. Any sort of unrest ahead of elections or a rise in geopolitical concerns that causes commodity or energy price hikes could hurt markets. More positively, a change in policy direction from Chinese leadership could improve the Chinese *and* global economies.

Although we left many potentially market moving events off the short list above, you can see that most of our concerns today still revolve around inflation. If we can successfully conquer this issue, our collective financial futures will be brighter. Once we pierce the fog of fall elections, we expect markets can continue to grind higher. Strong leadership in much-needed deficit-reduction efforts would also be helpful. How we handle this challenge may be the next big issue for America.

What We’re up to in Our Portfolios

We’re optimistic about the potential progress for our country and markets over the rest of 2024. The past five months may have pulled forward some of this year’s returns, but a strong fundamental backdrop coupled with declining inflation would be a continuing tailwind – if we can avoid some of the challenges mentioned above. Within our portfolios, we have maintained our allocations, with 65% in equities, 20% in diversifiers, and 15% in fixed income. We slightly extended our bond duration in the first quarter from 4.25 years to 4.5 years, versus the Bloomberg US Aggregate duration of approximately 6.25 years. We have only modest over- and underweights in geographic regions and sectors. The relatively positive fundamental backdrop we see is balanced by above-average valuations in many markets, especially the US. Our belief that equity markets generally move up and to the right keeps us mindful of being less than 65% exposed to the highest-returning liquid asset class in

the world. This discipline has been beneficial over the past year, when many thought valuations were too high and reduced equity exposure. We also continue to believe that private markets offer attractive and idiosyncratic exposure not available in the public markets and, where appropriate, can augment long-term returns further. Similarly, we continue to believe that our well-diversified and less-correlated hedge fund portfolios should: a) provide some downside protection if equity markets pull back; and b) generate better returns than fixed income under most scenarios. Our manager relative performance has been better in the past 12 months than it was in the prior year. If we could find an excellent partner in Japan, we would replace our passive exposure there but otherwise we are happy with our roster.

As always, we very much appreciate the opportunity to help manage your capital and to help you achieve your organization's goals. We are here to assist you in any way possible, so please reach out and let us know how we can help.

Your TIFF Investment Team

Footnotes

[1] Apple, Amazon, Alphabet, Meta, Microsoft, Nvidia, and Tesla.

[2] Source: Bloomberg.

[3] Source: Bloomberg.

[4] Source: Federal Reserve Bank of Atlanta.

[5] Source: Bureau of Labor Statistics.

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[10] Source: Gavekal Research.

[11] Source: Federal Reserve Bank of St. Louis.

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Past performance is no guarantee of future results and the opinions presented

cannot be viewed as an indicator of future performance. There is no guarantee that any particular asset allocation or mix of strategies will meet your investment objectives.

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TIFF Investment Management

TIFF 35TH
INVESTMENT MANAGEMENT
35TH ANNIVERSARY

April 2, 2024

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1st Quarter 2024 CIO Commentary

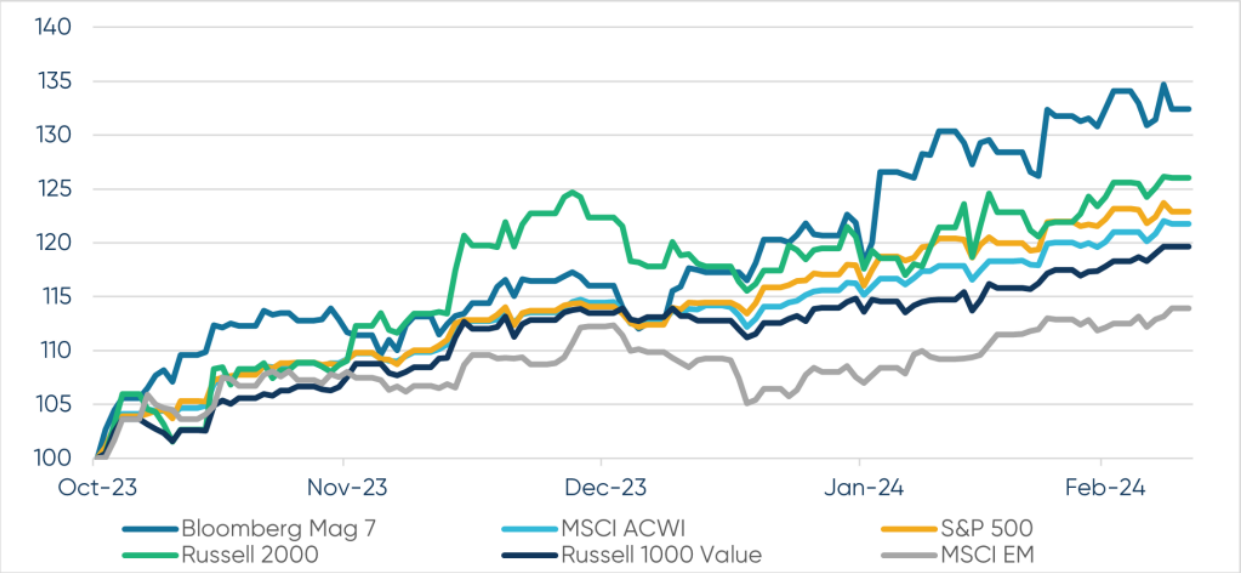
Let the Good Times Roll

Executive Summary

The past five months have been great. The Mag 7[1] continue to lead the way, gaining 36% over that spell! Stocks globally have returned 24%, only slightly behind the S&P 500, up 26%. Even small cap stocks, shown as the Russell 2000, and value stocks (Russell 1000 Value) are up 29% and 24%, respectively, since October of last year.

Select Equity Indices: Cumulative Returns

(October 31, 2023 to March 29, 2024)[2]



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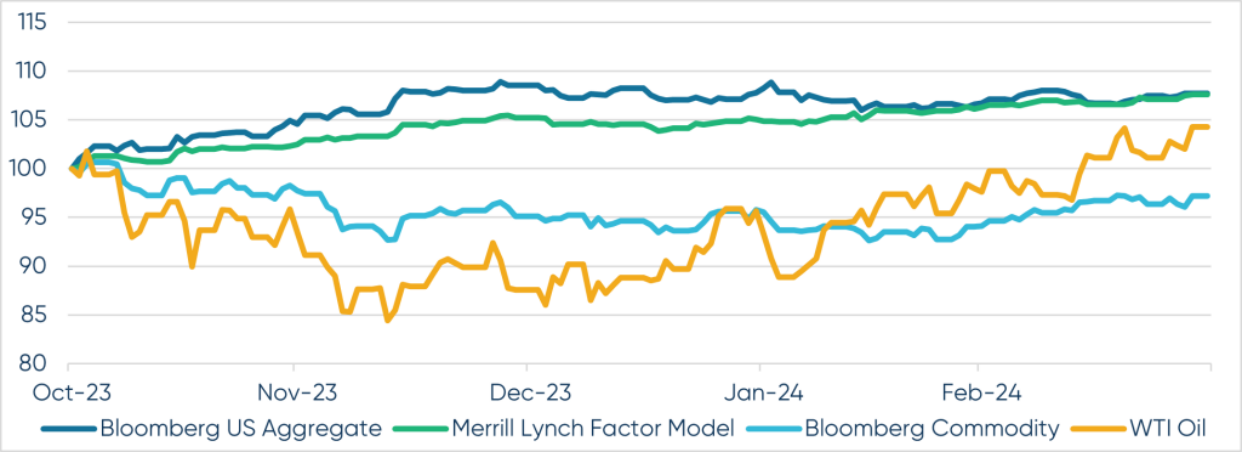
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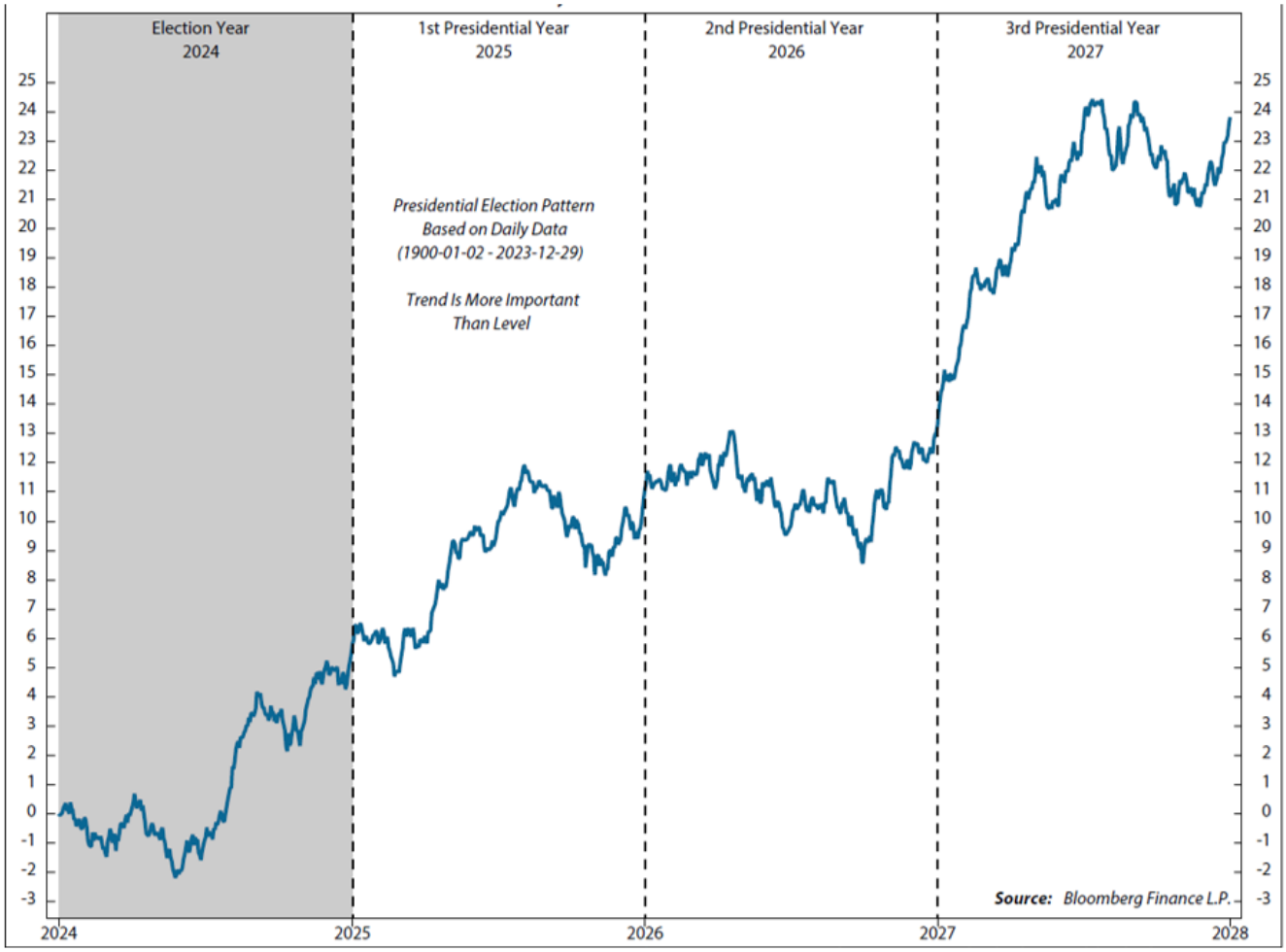
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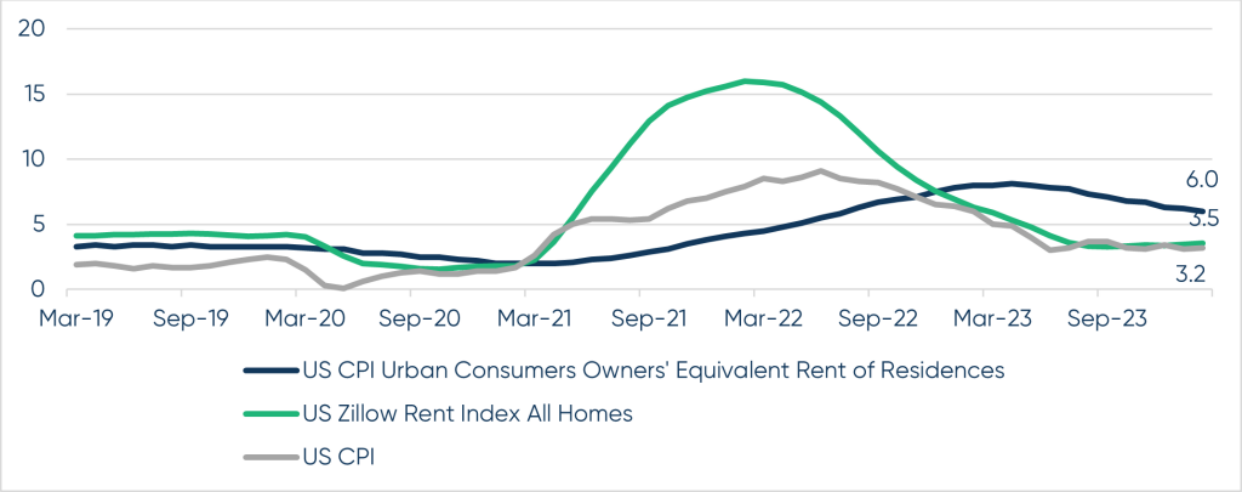
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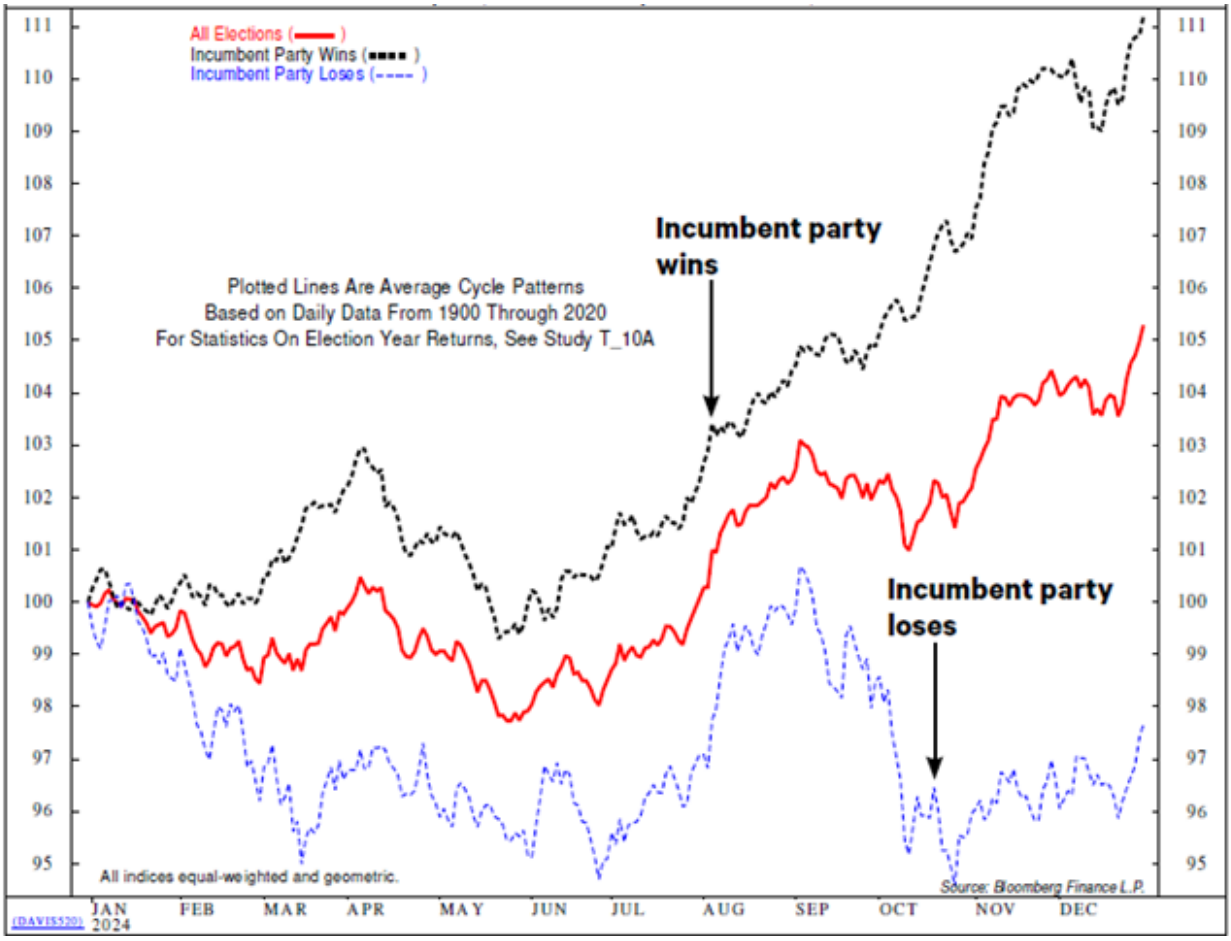
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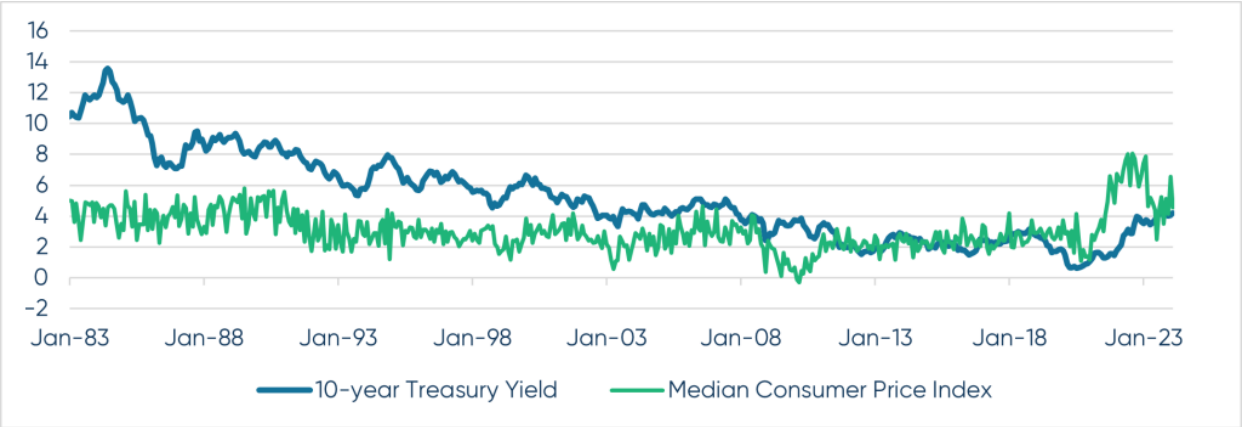
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Source: Federal Reserve Bank of St. Louis.

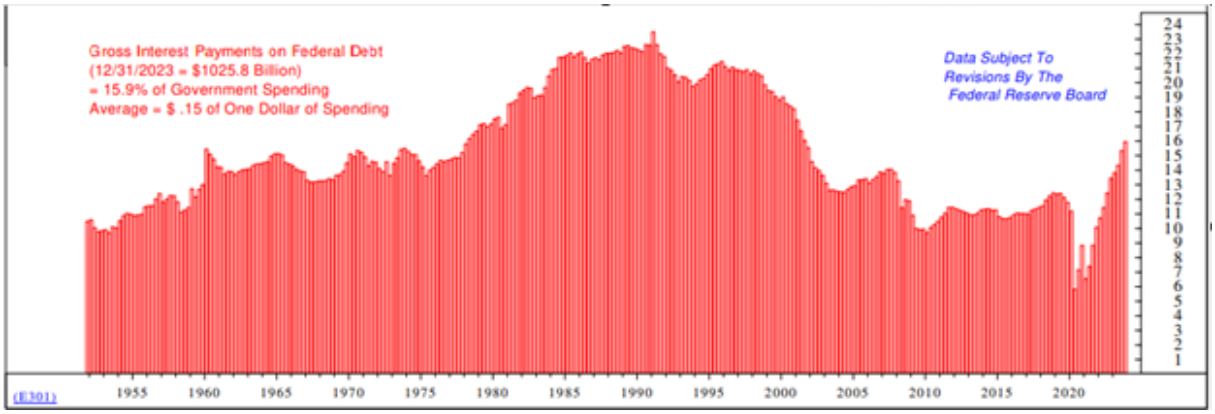
Unfortunately, higher rates also mean higher interest expense for the US government. We've written about the deficit before, but always suggested it was an insidious problem to be dealt with in the future. Unfortunately, the future is rapidly approaching. A recent Schwab piece suggests that Medicare and Social Security benefits will be reduced starting in 2031 and 2033, if not reformed soon. It is hard to imagine deficits declining because either Biden or Trump propose spending less after the election. This "future" is now seven and nine years away, respectively. Sometime soon, we need rational people to sit down and craft a reasonable and fair solution to this problem. Any cure will most certainly require some combination of an extension of the age of benefit eligibility; an increase in the tax levied along the way, in increments and to higher income levels than now; and possibly means testing. Although it is unfair to take benefits away from those that rely on them, it is equally unfair to pass the entire burden onto future generations. It will be a difficult balancing act, but one we must soon confront. (This may be what record high prices for "stores of value" gold and bitcoin are signaling.)

The slow-moving nature of our deficit challenge suggests it is unlikely to disrupt markets in a surprising or volatile fashion, but rather in a more subtle way. Higher interest expense will either increase the budget deficit further or crowd out discretionary spending, including education, infrastructure, and defense; these could all be cut if we do not get our fiscal house in order. It seems clear at this juncture that Modern Monetary Theory has seen its best days and will return to the back bench for at least another few cycles.

Today, US government debt is increasing by $1 trillion about every 100 days.[12] *Yes, you read that right*. A simple – but hopefully unlikely – thought experiment might be to imagine that the deficit adds $7 trillion to our $34.5 trillion debt in the next two years. Then ask yourself, "What if our average interest rate hits 5%?" Spending more than $2 trillion on interest expense is the near equivalent of 39% of the US government's total tax revenue. In 2023, total discretionary spending by the US government was about 27% of spending, or $1.7 trillion, and interest expense was another $1.0 trillion.[13] If interest expense rises another $1.0 trillion, where will the money come from?

Gross Interest Payments on Federal Debt

(1951 to 2023)[14]



Sources: Ned Davis Research, Inc., Department of Commerce.

Addressing this challenge won't be simple, but the rewards will be substantial. Any progress could provide a strong positive catalyst for better markets. Electing leaders who inspire unity and collaboration among Americans is key to overcoming our greatest obstacles. Identifying a leader capable of rallying the nation to confront and tackle this issue head-on won't be easy, but it's imperative we don't wait too long before the problem becomes intractable. The time is ripe for a new American hero to emerge and galvanize the country into action on this critical issue.

Until we see signs of progress, however, we are likely to remain somewhat cautious on fixed income as we believe the purchasing power of future dollars received may be less than investors currently anticipate. If this view becomes more widespread it could cause rates to rise and bond prices to fall. Paradoxically, it might help equity prices as the relative value of stocks would likely hold up better than that of bonds.

Other Market Considerations

For now, markets should continue to benefit from the solid backdrop of a strong economy and jobs growth coupled with declining inflation. However, if inflation stops falling or even returns, markets could reverse. Inflation reports are one of the most obvious items we are monitoring. A pivot higher on inflation would cause us to become more cautious: This would likely push the Fed to raise short rates, which would hurt US and global markets. Conversely, if the Fed were to cut rates with inflation stuck above 3%, it could signal that the Fed sees economic challenges ahead. We would also be concerned that any potential market rally could be jeopardized by inflation reignited by looser economic conditions; this could ultimately put us back into the environment described above. A decline in corporate earnings would be concerning, especially if Nvidia reports a slowdown in its business or more broadly in the Artificial Intelligence (AI) sector. Further, if new government regulations on AI are perceived as burdensome, leading stocks – particularly those in the Mag 7 and their associated ecosystems – could decline, potentially dragging down overall market performance. Any sort of unrest ahead of elections or a rise in geopolitical concerns that causes commodity or energy price hikes could hurt markets. More positively, a change in policy direction from Chinese leadership could improve the Chinese *and* global economies.

Although we left many potentially market moving events off the short list above, you can see that most of our concerns today still revolve around inflation. If we can successfully conquer this issue, our collective financial futures will be brighter. Once we pierce the fog of fall elections, we expect markets can continue to grind higher. Strong leadership in much-needed deficit-reduction efforts would also be helpful. How we handle this challenge may be the next big issue for America.

What We’re up to in Our Portfolios

We’re optimistic about the potential progress for our country and markets over the rest of 2024. The past five months may have pulled forward some of this year’s returns, but a strong fundamental backdrop coupled with declining inflation would be a continuing tailwind – if we can avoid some of the challenges mentioned above. Within our portfolios, we have maintained our allocations, with 65% in equities, 20% in diversifiers, and 15% in fixed income. We slightly extended our bond duration in the first quarter from 4.25 years to 4.5 years, versus the Bloomberg US Aggregate duration of approximately 6.25 years. We have only modest over- and underweights in geographic regions and sectors. The relatively positive fundamental backdrop we see is balanced by above-average valuations in many markets, especially the US. Our belief that equity markets generally move up and to the right keeps us mindful of being less than 65% exposed to the highest-returning liquid asset class in

the world. This discipline has been beneficial over the past year, when many thought valuations were too high and reduced equity exposure. We also continue to believe that private markets offer attractive and idiosyncratic exposure not available in the public markets and, where appropriate, can augment long-term returns further. Similarly, we continue to believe that our well-diversified and less-correlated hedge fund portfolios should: a) provide some downside protection if equity markets pull back; and b) generate better returns than fixed income under most scenarios. Our manager relative performance has been better in the past 12 months than it was in the prior year. If we could find an excellent partner in Japan, we would replace our passive exposure there but otherwise we are happy with our roster.

As always, we very much appreciate the opportunity to help manage your capital and to help you achieve your organization's goals. We are here to assist you in any way possible, so please reach out and let us know how we can help.

Your TIFF Investment Team

Footnotes

[1] Apple, Amazon, Alphabet, Meta, Microsoft, Nvidia, and Tesla.

[2] Source: Bloomberg.

[3] Source: Bloomberg.

[4] Source: Federal Reserve Bank of Atlanta.

[5] Source: Bureau of Labor Statistics.

[6] Sources: Ned Davis Research, Inc., Bloomberg.

[7] Sources: Bloomberg, Bureau of Labor Statistics.

[8] Sources: Bloomberg, Bureau of Labor Statistics. All data is year over year. Zillow data is smoothed seasonally adjusted.

[9] Sources: Ned Davis Research, Inc., Bloomberg.

[10] Source: Gavekal Research.

[11] Source: Federal Reserve Bank of St. Louis.

[12] Source: Bank of America research.

[13] Sources: Ned Davis Research, Inc., Department of Commerce.

[14] Sources: Ned Davis Research, Inc., Department of Commerce.

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TIFF Investment Management

TIFF 35TH
INVESTMENT MANAGEMENT
35TH ANNIVERSARY

April 2, 2024

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