2021 ENDOWMENT INVESTMENT ANNUAL REPORT






Hartford Foundation
FOR PUBLIC GIVING
Together for good.®

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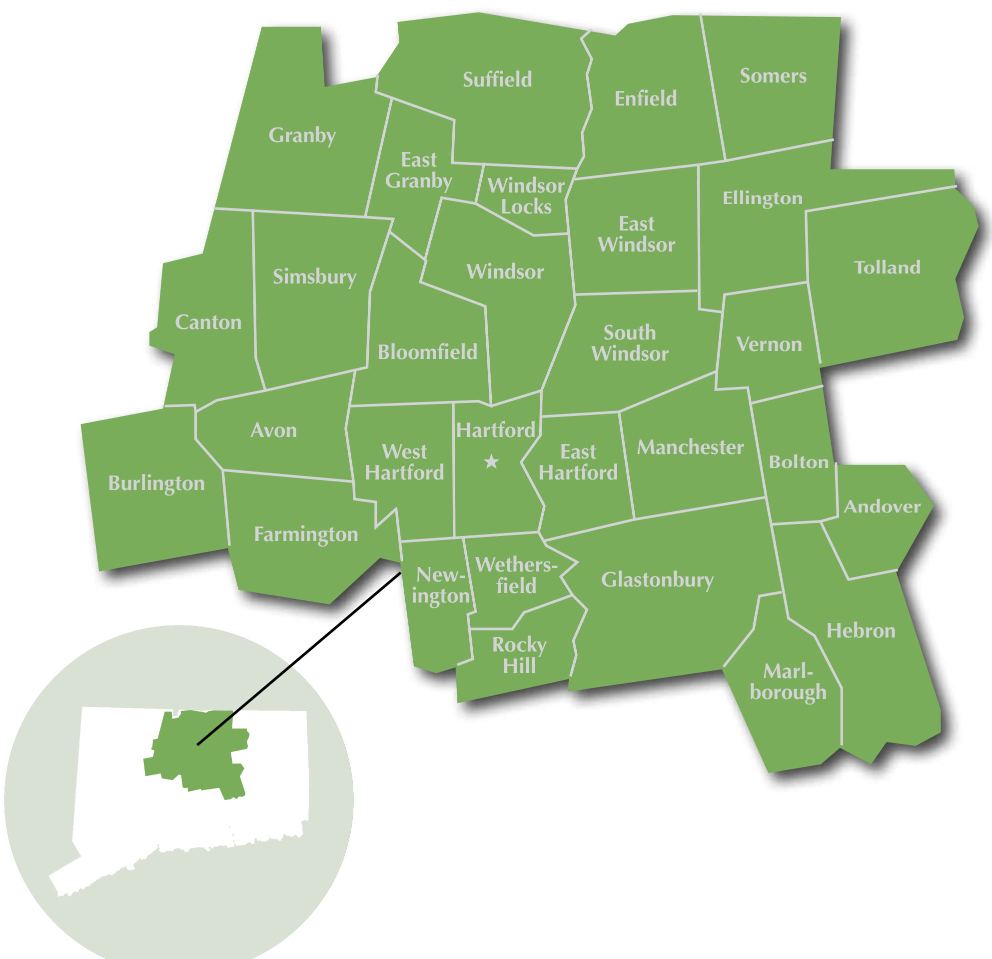


Jay Williams

David Roth

July 2022

Dear Friends,

It is our privilege to share the Hartford Foundation's 2021 endowment investment annual report. As a complement to the Foundation's annual report, this publication is intended to provide greater detail regarding the investment philosophy, process, and performance of the portfolios we steward on behalf of our generous donors and for the benefit of the Greater Hartford region.

The investment strategy of the Hartford Foundation aims to achieve long-term investment results that support the current spending needs of the Foundation while preserving the future spending power of the endowment. The portfolios are positioned to provide sufficient sources of cash to support current spending, the vast majority of which is comprised of our community grantmaking.

This report reviews investment results for the period ending December 31, 2021, during which our endowment portfolios posted strong positive returns. Despite completing another year living through a global pandemic, asset prices continued to rise, led by U.S. large companies. Interest rates remained low and within a narrow range, although the bond market posted its first calendar-year loss since 2013. Rising inflation was among the many noteworthy financial events of the year, as the Consumer Price Index's 7.0% advance reflects the highest inflation rate since the early 1980s. Nevertheless, markets generally took the complex climate that has emerged in stride, although signs of diminished confidence emerged near the end of the year.

In 2021, with recommendation from the Foundation's Investment Committee, the Board developed a formal diversity policy to help ensure that investment management firms which are majority-owned by qualified women and people of color are actively considered when seeking investment managers. The investment committee, acting on behalf of the Board, continues to partner with their longtime investment advisor Crewcial Partners to assist in managing the corporate portfolio. Michael Miller, Crewcial's Chief Investment Officer, leads the firm's relationship with the Foundation.

We thank you for your interest and confidence in the Hartford Foundation, and we continue to welcome your feedback on this publication and our efforts.

Sincerely,

Jay Williams
President and CEO
Hartford Foundation for Public Giving

David Roth
Board Member and Chair
Hartford Foundation for Public Giving
Investment Committee

Structure and Oversight of the Endowment Portfolios

Since the founding of the Hartford Foundation for Public Giving in 1925, nearly 1,464 funds have been established by donors to support non-profit organizations to improve the quality of life in Hartford and the 28 surrounding communities served by the Foundation. In accordance with donor wishes, these funds were either donated directly to the Hartford Foundation and overseen by our Board of Directors or given in trust form with oversight by the Trustee, as described below. For investment purposes, they are commingled with other donor funds established within the same legal entity (HFPG, Inc. or the Hartford Foundation Trust).

The Foundation's Board of Directors and Investment Committee oversee the management of the endowment. The Investment Committee is a standing committee of the Board of Directors that assists in fulfilling responsibilities related to the invested funds held by HFPG, Inc. Working closely with the Foundation's investment advisor and Foundation staff, the committee reviews and approves the investment policies and the proxy voting policy statement and provides direction for the investment of the donor funds entrusted to the Hartford Foundation.

HFPG, Inc. (The Corporate Portfolio)

Created in 1979 as a nonprofit corporation, HFPG, Inc. is the corporate affiliate of the Hartford Foundation. Northern Trust serves as the custodian of donor funds that are contributed to HFPG, Inc. and held in the Corporate Portfolio. Crewcial Partners LLC of New York, NY, serves as the Foundation's investment advisor. Funds established in HFPG, Inc. are commingled for investment purposes and are invested in a diversified manner with external professional investment managers selected by the Foundation's Investment Committee at the recommendation of Crewcial Partners. These managers are chosen based on their specialization in a given asset class after rigorous due diligence to measure key attributes of manager capability and firm stability. Manager performance is monitored regularly by Crewcial Partners, reported monthly, and formally reviewed with the Investment Committee and reported to the Foundation's Board of Directors on a quarterly basis. The vast majority of new donor funds created are received into HFPG, Inc.

Hartford Foundation Trust (The Trust Portfolio)

The Trust Portfolio consists of numerous trusts established by many donors with trustee banks since 1925, each governed by a Declaration of Trust. Today, Bank of America, N.A. acts as the Trustee of these component trusts, which are held in a common fund. Bank of America also serves as the custodian of the trusts held in the Trust portfolio. The Trustee has sole authority to invest in a diversified portfolio with external professional investment managers (which may include Bank of America, N.A. or its investment management affiliates, if any) chosen on a competitive basis. The other trustee bank is Key Bank. NEPC serves as investment consultant to the Trust.

Investment performance is monitored regularly by the Trustee and NEPC. It is reported monthly and formally reviewed quarterly by the Foundation's Investment Committee and reported to the Board of Directors.

The Foundation partnered with Hartford Public Schools for a Back to School backpack giveaway.

Investment Objective

In managing the endowment, we seek to preserve its future spending power to improve the quality of life for future generations of our region's residents, while also ensuring that cash is readily accessible from the portfolios to support current spending. To gauge our effectiveness toward this goal, we systematically compare the investment returns of the Corporate and Trust portfolios to an inflation-adjusted spending policy benchmark, the Consumer Price Index (CPI) + 5%, and maintain some holdings in government money market funds and high-quality fixed income to ensure ready access to liquidity. We further aim to control portfolio risk by limiting the potential for permanent capital loss to provide stability to the annual spending policy allocation and meet the Foundation's long-term investment return objective.

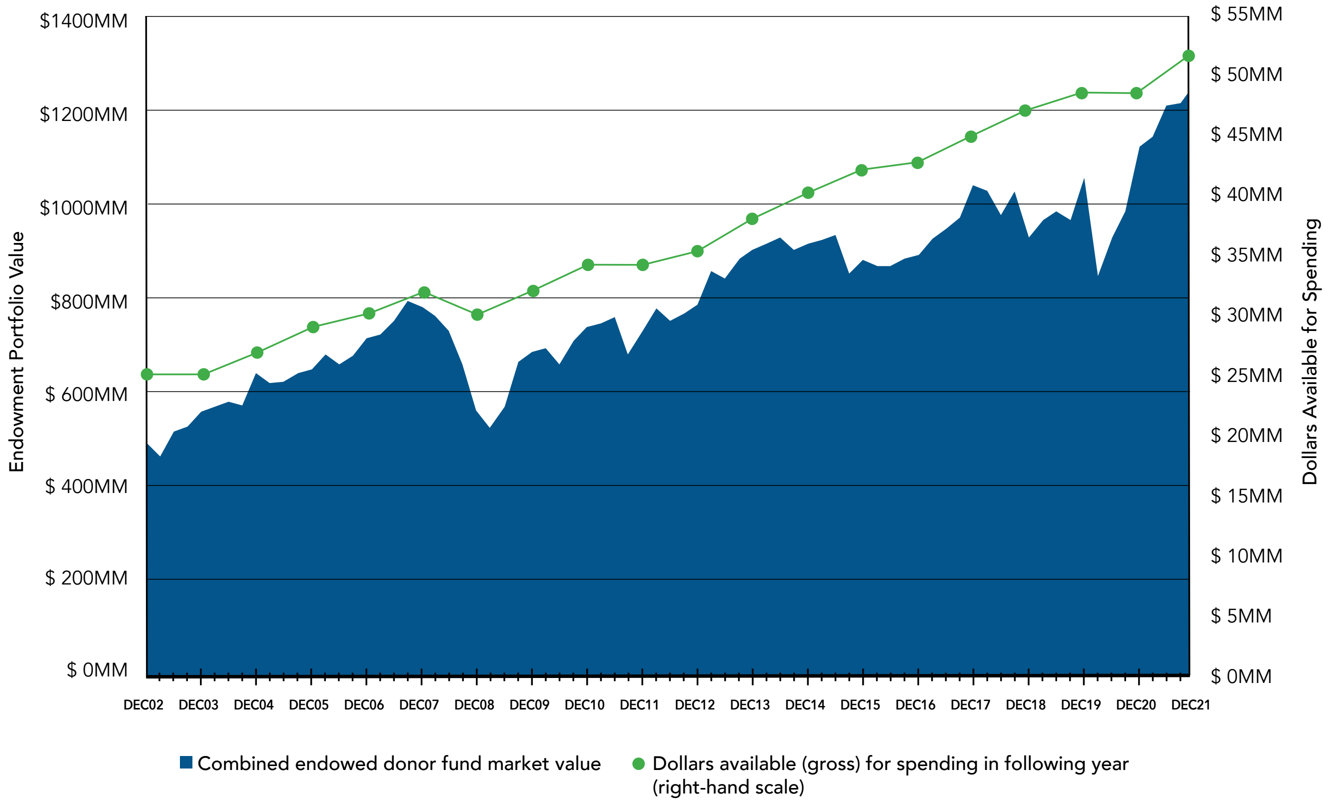
We invest current use funds which have been donated to the Foundation in government money market funds to preserve principal and insulate these contributions from short-term market declines.

Spending Policy

The Foundation's spending policy and investment strategy are designed to work together to provide a predictable stream of dollars for annual grantmaking to the region's non-profits while also prioritizing the preservation of the inflation-adjusted value of the funds in the endowment so that the impact of future grantmaking can be as effective as it is today.

Each year the Foundation's Board of Directors, in accordance with the Connecticut Uniform Prudent Management Institutional Funds Act, reviews the seven prudency factors that must be considered when appropriating funds from an endowment prior to establishing spending policy for the year. The current spending policy formula has been in effect since 2003 and is calculated as follows: 5% of a trailing twenty-quarter average of the market value of each fund, provided that the resulting value falls between 4.25% (the floor) and 5.75% (the cap) of the respective fund value as of the most recent calendar year-end. If the value is higher than the cap, the annual spending policy allocation from the fund during the year will be limited to 5.75% of the most recent calendar year-end fund value. If it is lower than the floor, the annual spending policy allocation from the fund will be raised to 4.25% of the most recent calendar year-end fund value. Fees charged by the Foundation to administer donor funds are deducted from this amount prior to making funds available for grants. The graph that follows illustrates the historical interaction between the value of all funds held in the Corporate and Trust portfolios combined and the spending policy allocation made available each year for grantmaking and administrative expenses. As shown, the spending policy formula has resulted in relatively stable and growing financial support to our region's non-profit organizations, in spite of the market volatility associated with the Great Financial Crisis and more-recent COVID-19 pandemic.

Annual Spending Policy Allocation relative to Total Market Value of Donor Funds held in the Endowment Portfolios



In 2021, the Hartford Foundation for Public Giving received $24.5 million in donations and awarded more than $45 million in grants.

Investment Policy, Strategy and Asset Allocation:

Investment Policy

Each year, the Hartford Foundation Investment Committee meets to step back from the shorter-term quarterly portfolio review process to conduct a strategic review of the Corporate and Trust portfolios. As part of that process, we review the investment policies and proxy voting policy statements which govern the Foundation's investment process. The Hartford Foundation investment policies address the portfolios' objectives and constraints and outline the roles and responsibilities of those engaged in the oversight, management, and safekeeping of the investments which support the Foundation's operations and grantmaking.

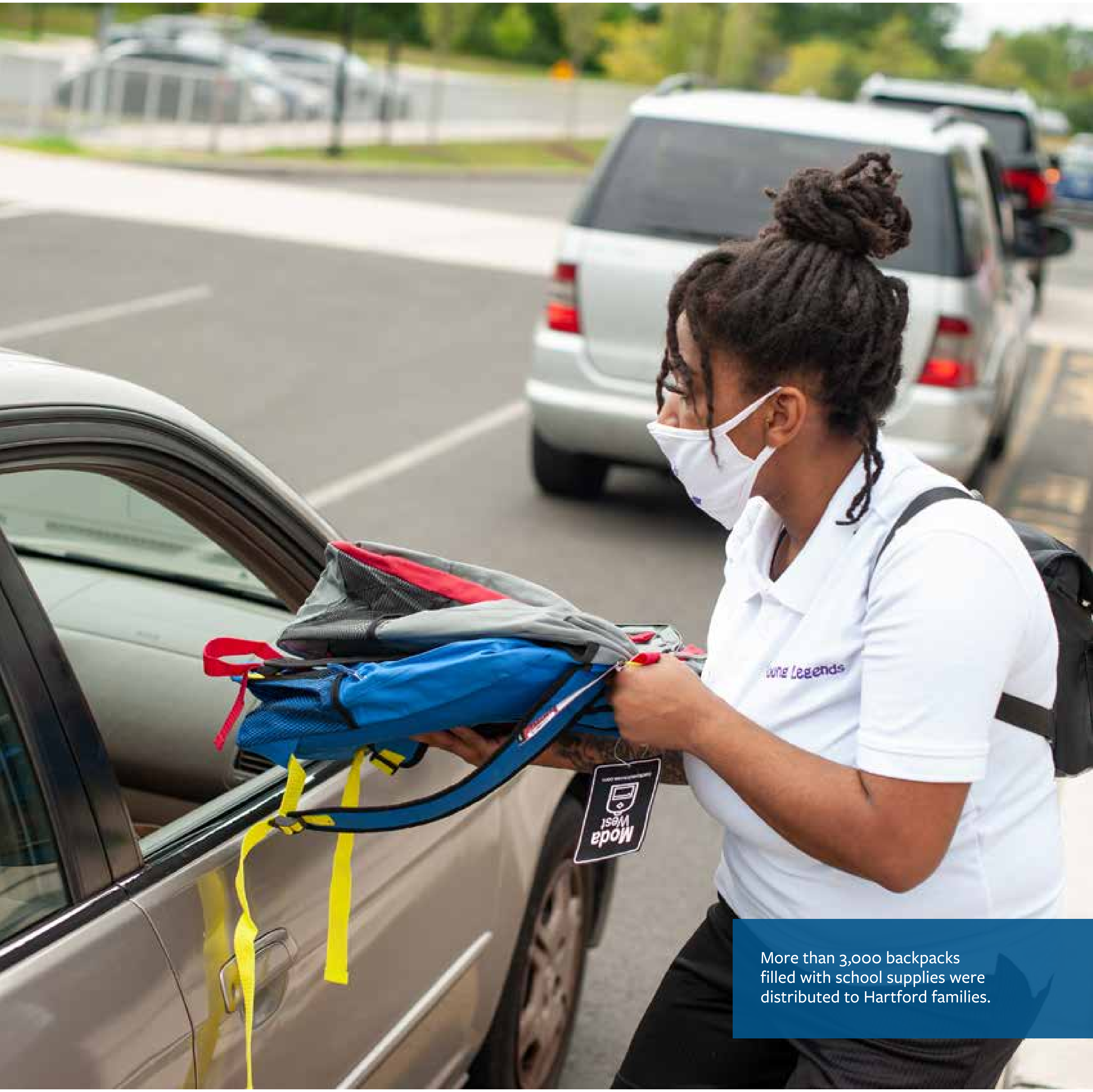
Investment Strategy

The Hartford Foundation for Public Giving's investment strategy is equity-oriented to seek substantial long-term real returns, broadly diversified to control for volatility amidst short-term market fluctuations and designed to provide cashflow in any market environment to support current year spending needs. Target asset allocations guide the investment process and are discussed below. Portfolio risk is controlled to minimize the risk of permanent capital loss, as such losses are particularly damaging to an investor's ability to achieve their long-term objective. Our process includes an annual review of the expected long-term returns available in the various segments of the capital markets and an assessment of the risks associated with those expected returns. Portfolio strategic asset allocation targets may be adjusted to maintain the appropriate return and risk balance within the portfolios. In order to pursue opportunities to better manage risk, the portfolios can tactically deviate from this strategic direction within a predetermined range.

The investment philosophy employed to achieve the Foundation's investment objectives has consistently emphasized active management, a long-term perspective, a focus on intrinsic value, and emphasis on expense control and liquidity management. This often entails a contrarian approach to investing.

The Foundation relies on the external investment management firms hired to manage Corporate and Trust portfolio assets to select the individual securities held in the portfolios. With the assistance of Crewcial Partners, Bank of America, and NEPC, we seek to retain firms that have specialized expertise in the particular asset class or sector for which they were hired. We place a high priority on retention of investment managers who are experienced, disciplined, research-driven, and follow a low-turnover, long-term investment approach. We expect that they will approach investment management with the mindset of a fiduciary and have a sophisticated process for engaging with corporate management on the environmental, social, and governance aspects of concern to shareholders. Maintaining a strong manager-client alignment is important to the Foundation, and as such, the investment management firms we retain tend to be majority-owned by one or more of their investment professionals and disciplined in managing firm assets under management to a target capacity. We strongly prefer that these professionals have a significant portion of their personal net worth invested in the same strategy.

Consistent with the Foundation's mission is an organizational commitment to grow opportunity for all. This extends to the Foundation's service providers, including the investment firms which provide investment management or advisory services related to the endowment which supports the activities of the Hartford Foundation. In 2021, with recommendation from the Foundation's



More than 3,000 backpacks filled with school supplies were distributed to Hartford families.

Our Greater Together Community Funds made dozens of grants to community organizations in their respective towns.

Investment Committee, the Board developed a formal diversity policy to ensure that investment management firms which are majority-owned by qualified women and people of color are actively considered when seeking investment managers.

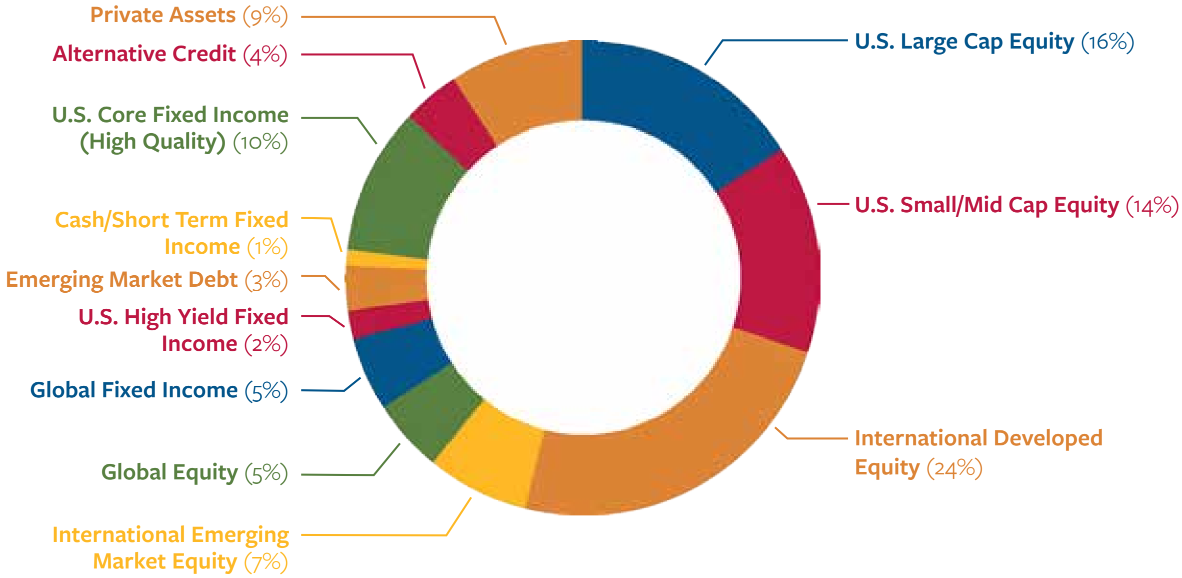
As of the end of 2021, a total of 54 investment management firms were retained to manage the Hartford Foundation endowment. These assets were invested in 63 investment strategies. Because of our careful selection process, the turnover of these external investment management firms tends to be low. Our intention when each firm is hired is to maintain a long-term relationship with the organization. When we do perceive the need to terminate our relationship with a firm, it is more often related to turnover among investment professionals or strategy drift, rather than short-to-medium term underperformance of their benchmark.

The discipline of portfolio rebalancing occurs as relative market valuations shift or when cash is contributed to or withdrawn from the portfolios. We do so in order to align the portfolio weightings with the policy targets in accordance with the investment policy. We also continuously look for opportunities to enhance portfolio returns, either through changes in asset allocation or identification of talented investment managers whose approaches are compatible with the Foundation's investment philosophy and approach.

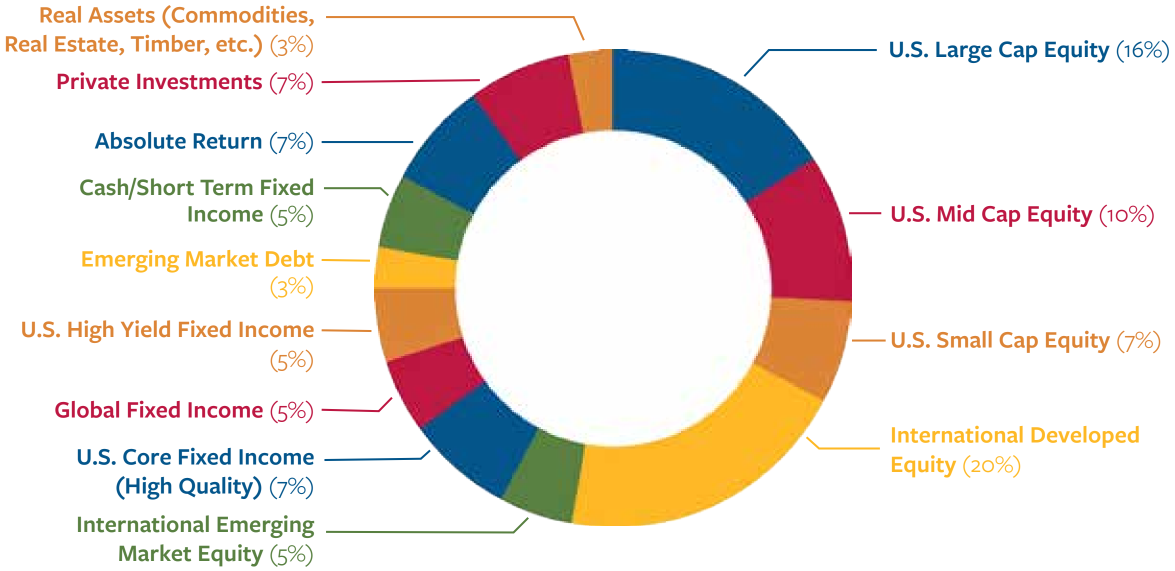
Asset Allocation

The target asset allocations for the Corporate and Trust portfolios are shown in the graphs below. The Trustee is responsible for the asset allocation of the Trust portfolio. The majority of the assets held in the Corporate and Trust portfolios are invested in a variety of equity-oriented strategies, including domestic and foreign public equities, real assets, private equity, and venture capital. Fixed income strategies that have a low correlation to our equity and credit investments provide diversification to the Foundation's portfolios. A small portion of each portfolio is held in government money market funds for liquidity purposes. Each of these asset classes is described below.

Corporate Portfolio Target Allocation (% of Portfolio)



Trust Portfolio Target Allocation (% of Portfolio)



Asset Classes

Equities broadly provide the Hartford Foundation for Public Giving portfolios with the potential for high long-term real returns and a modest stream of income from dividends. Equity investments also carry the potential for greater loss.

Domestic Equity provides the Hartford Foundation for Public Giving with returns from publicly traded companies domiciled in the United States. We invest in domestic equity through active and passive management approaches, with significantly greater emphasis on active management. Passive investments are managed in low-cost index funds.

The target allocation to domestic equity in the Corporate portfolio totals 30% with 16% in U.S. large capitalization equities and 14% in small to mid-capitalization equities. In the Trust portfolio, the target allocation is 33% with a breakdown of 16% in U.S. large capitalization equities, 10% in mid-capitalization equities, and 7% in small-capitalization equities.

International equity provides the Hartford Foundation for Public Giving with returns from publicly traded companies domiciled outside the U.S. in developed and emerging markets. The Foundation's international equity investments are primarily managed in active strategies, as many international equity markets are less efficient that those in the U.S. and provide significant opportunity for outperformance over long time periods to those professional investment managers who perform rigorous fundamental research to identify and invest in foreign companies which have the potential for significant outperformance.

The target allocation to international equity in the Corporate portfolio totals 31% and is further allocated to 24% in international developed market equities and 7% in emerging market equities. The target allocation to international equity in the Trust portfolio totals 25% and is further allocated to 20% in international developed market equities and 5% in emerging market equities.

Global equity provides the Hartford Foundation for Public Giving with returns from publicly traded companies domiciled both inside and outside the U.S. in developed and emerging markets. The Foundation's global equity investments are managed in active strategies that seek to generate significant outperformance over long time periods. The target allocation to global equity in the Corporate portfolio totals 5%.

Alternative Assets investments provide the Foundation with the opportunity to earn strong long-term investment returns from venture capital investments, growth equity, hedge fund, and leveraged buyouts, predominately in the U.S. Overall portfolio liquidity is managed to account for the fact that these investments require the contribution of capital when called and are not readily redeemable. The target allocation to Alternative Assets is 9% for the Corporate Portfolio and 14% for the Trust Portfolio.

Fixed Income serves a number of roles within the portfolios. First and foremost, high quality bonds are an integral part of a balanced investment strategy as they tend to react to economic and market events in a manner that differs from equities. The diversification provided by our fixed income allocation is important as it serves to mitigate total portfolio volatility which, in conjunction with the structure of the Foundation's spending policy, allows for a higher level of grant making stability.

The target allocation to fixed income in the Corporate portfolio totals 24% and is further allocated to 10% in U.S. core fixed income, 5% in global fixed income, 3% in emerging market debt, 2% in high yield, 4% in alternative credit and 1% in a government money market fund. The alternative credit category is less liquid and subject to greater economic sensitivity but has far higher prospective return than most other fixed income instruments.

In the Trust portfolio, the target allocation is 20% and is further allocated to 7% in U.S. core fixed income, 5% U.S. high yield fixed income, 5% global fixed income, and 3% emerging market debt.

Real Assets are investments held in the Trust portfolio which provide high current income, inflation protection, capital appreciation, and/or low correlation to equity markets. Real assets have an inherent physical worth and include real estate, natural resources, and infrastructure investments. In the Trust Portfolio, the target allocation is 3%.

The Foundation's teen art initiative, Art in Action, toured gallery spaces across the region.

Environmental, Social and Governance Considerations

In recent years, greater attention has been paid to the qualitative aspects of corporate management. Frameworks to measure Environmental, Social, and Governance effectiveness (aka ESG) have joined sustainable investing, socially responsible investing, mission-related investing, and screening in the investor lexicon. Through the collective efforts of Crewcial Partners, the Trustee, NEPC, and the investment committee, we have long sought to hire and retain professional investment managers who have been incorporating critical ESG inputs (which have always been available in some form) as an aspect of their fundamental research process to identify companies with sustainable competitive advantages.

The Hartford Foundation for Public Giving Proxy Voting Policy Statement guides these activities. It is reviewed by the Investment Committee and ratified by the Hartford Foundation Board each year. The formal process to document specific ESG-related actions over which the Hartford Foundation has direct influence is accomplished through the annual reporting of our separate account investment advisors' proxy voting activity. As fiduciaries, we expect the investment managers we hire to weigh the narrow considerations of management and/or the shareholder community against the broader concerns of all stakeholders represented in ESG, in order to best guide the company in the direction of long-term, sustainable value creation. Typically, this will take the form of encouraging management to develop an action plan to address identified ESG issues, if any, with appropriate targets and timetables for improvement and monitor their portfolio companies as appropriate for progress on ESG issues. To the extent a company fails to constructively address shareholder and stakeholder concerns, it runs the risk of becoming a "value trap" to be avoided.

We believe that long-term value will be enhanced if we continually encourage the investment managers we hire to discuss with the executives and directors of our portfolio companies ways to improve the governance, environmental and social oversight of the organizations they lead. As the Hartford Foundation alone owns a relatively small fraction of shares of the companies in which the endowment is invested, our interests are further protected from adverse impacts by collaboration with like-minded investment advisors.

2021 Investment Environment and Portfolio Performance

During the second calendar year living through a global pandemic, asset prices continued to rise in 2021, led by the S&P 500, which gained 28.7% for the year. Small-cap value stocks provided some competition, as the Russell 2000 Value Index advanced 28.3% while non-U.S. stocks continued to fall short as developed markets (MSCI EAFE) rose 11.3% while emerging markets (MSCI EM) fell 2.5%. Interest rates remained low and within a narrow range, although the Bloomberg Aggregate Index posted its first calendar-year loss (-1.5%) since 2013.

Rising inflation was among the many noteworthy financial events of the year, as the CPI's 7.0% advance reflects the highest inflation rate since the early 1980s. With the ten-year Treasury yield hovering at just over 1.5% as of December 31, even moderately higher sustained inflation now presents a meaningful risk for fixed income holdings.

Against this backdrop, during 2021 the Foundation's broadly diversified Corporate portfolio posted a net-of-fee investment gain of 12.1% while the Trust portfolio returned 14.7%. The performance of each portfolio is compared to a customized target asset allocation benchmark. This comparison enables us to judge the effectiveness of each of the Foundation's investment managers relative to the market benchmark which best reflects the asset class and investment style in which they specialize. During 2021, the Corporate portfolio out-performed its customized target benchmark by 3.4%, while the Trust outperformed its customized target benchmark by 1.1%.

The Foundation funded the "Bee the Change" mural at 224 Ecospace in Hartford.

Corporate portfolio returns benefited last year from value equity investments held in the U.S. along with very large venture capital gains across technology and healthcare. The emergence of a more complex geopolitical, economic, and monetary climate is only now beginning to be reflected in market prices. The Foundation's managers are very well suited for this climate due to their focus on the risks and opportunities that are relevant to each business they assess, their ability to estimate what is already reflected in the market price and their patience to see-through short-term challenges.

2021 brought large and generally realized gains from the Corporate portfolio's venture capital managers and serves as an apt reflection of the benefits of a long-term view. Many of these investments were made nearly a decade ago with the understanding that it would take many years for them to produce definitive success. The same strategy of planting seeds for future success can be found in many areas of the portfolio.

The Foundation's fixed income portfolio struggled in 2021 as rising interest rates reduced returns globally while non-dollar exposure further reduced returns from global managers. The strategy of diversifying globally and using credit instruments is in recognition of the importance of the balance that fixed income provides while also being cognizant of the risks that rising inflation

introduces to the bond market. The decision to add Alternative Credit to the portfolio reflects the ongoing work to enhance the risk/reward across the portfolio.

Since its inception in September of 1996, the Corporate portfolio has returned an average 7.7% per year, net of investment management fees. Over the same time period, the average net return for the Trust portfolio has been 7% per year. The return of the Corporate portfolio has exceeded the CPI+5% target of 7.5% per year since inception, while the Trust has lagged by .5%. The future performance of global equity markets is expected to have a significant influence on progress toward this goal.

At year-end 2021, approximately $1.2 billion were invested in the Corporate and Trust portfolios. The investment performance of the Foundation's broadly diversified endowment portfolios for periods ended December 31, 2021, is shown in the table below. For more recent performance data, please visit hfpg.org/investmentperformance. When reviewing this information, please keep in mind that past investment performance is not a guarantee of future results:

Annualized Investment Returns as of December 31, 2021 (*net* of investment management fees)

Portfolio	Value*	1-Year	3-Year	5-Year	10-Year	20-Year	Since Inception**
Corporate	$530MM	12.1%	13.2%	9.3%	8.8%	7.4%	7.7%
Trust	$688MM	14.7%	15.5%	11%	9.3%	7.3%	7%

**Rounded to nearest $1 million*
***September 30, 1996 inception date*

Investment-Related Fees

As indicated in the performance chart, investment returns are reported after fees charged by the Foundation's investment managers have been deducted. Nonetheless, as part of the Foundation's ongoing oversight of the endowment, fees paid to these managers, as well as to the custodians and consultants, are closely monitored.

Over the past decade, total annual investment management fees, including estimated incentive fees on the small allocations to private equity and venture capital and similar alternative investments, have approximated 0.75% to 0.85% of portfolio market value. Investment management fees on traditional equities and fixed income have been quite steady. The incentive fees on alternative investments have the potential to rise and fall significantly depending on the level of recent returns.

In addition to the aforementioned investment management fees, custody, consulting and in the case of donor funds held in the Trust portfolio, trust and administration fees, are monitored. Custody and consulting fees combined have approximated 0.1% in the Corporate portfolio. Trust, administration, custody, and consulting fees in the Trust portfolio have approximated 0.2% over the past decade.

INVESTMENT COMMITTEE

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David Marks
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Mark Hathaway, Managing Director and Trust Portfolio Manager, Bank of America

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To HFPG, Inc.: Michael Miller, Chief Investment Officer, Crewcial Partners LLC

INVESTMENT CONSULTANT

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* Member of Board of Directors
• Ex-officio






Hartford Foundation
FOR PUBLIC GIVING
Together for good.®

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