Calendar Year 2020 Marketables Investor Letter

December 31, 2020

Dear Makena Investors,

We are introducing a new semi-annual Marketables Investor Letter, which you should expect going forward about one month after year-end and after mid-year. We hope this additional communication will help provide more immediate insights and a better understanding of the more liquid strategies.

Marketables Year in Review

2020 was a year unlike any other. The COVID-19 health crisis impacted billions of people across the globe. We do not want to diminish the real human toll this crisis has taken, but in this discussion, we focus on the investment implications of the pandemic and the actions we took during the year.

On the heels of a strong 2019, public markets continued their rise to start 2020, hitting new highs in early February despite the growing number of COVID-19 cases occurring in China. Market consensus that the virus impact would be limited proved to be short-lived as it spread to Italy and ultimately the entire world. Fear became the dominant headline as markets declined peak-to-trough by 34% through March with some of the most impacted sectors like airlines shedding 67%. Lockdowns became the norm, global travel all but halted and reliance on technology in both commerce and communication became essential. What followed was an equally ferocious comeback in capital markets with equities rebounding 70% by the end of the year, fueled by record fiscal and monetary support. The U.S. presidential election took place leading to a changing of the guard with President Biden. We concluded the year with the approval and rollout of multiple COVID-19 vaccines, a significant scientific achievement. Global stocks ended the year up 16.3%, certainly a remarkable result by any measure.

> *"People overestimate what can be done in one year, and underestimate what can be done in ten." – Bill Gates*

We find this quote valuable for investors who are navigating difficult periods like 2020. Most investors worry far more about the short term – the limitations, challenges, and overconfidence in predictions – than appreciating the long term – the possibilities, opportunities, and power in ingenuity. One of our six core investment principles is to focus on the long term, a competitive advantage that extends to our investment managers' strategies. We do not claim to have a crystal ball – quite the contrary. During the extreme market dislocation in the first quarter, we maintained our investment process discipline, trying to avoid the short-termism and panic flooding the market. We leveraged our managers who had portfolios of high-quality companies with durable competitive advantages – companies with high gross margins, exceptional profitability and low leverage – which allowed them to play offense while others were playing defense. During the dislocation, we witnessed consistent and widespread buying by our managers as cash on hand was invested and net exposures rose meaningfully, ultimately leading to an unprecedented level of "pounding the table" calls from our managers. We responded by allocating to some of our highest conviction managers, favoring high-quality opportunities in technology, secular winners, and companies with fortress balance sheets as we were not sure of the depth and duration of the challenges caused by the pandemic. We intentionally spread our investment across strategies. While we had confidence in our investment process and trust in our managers, we had not expected the market to respond so quickly and to rise to new heights by the end of the year. During the last few quarters as the market rebounded, we stayed true to our investment decision by methodically and deliberately harvesting profits across asset classes to maintain our overall risk posture.

Returning to Gates' quote, I believe it epitomizes the investment environment in 2020. It characterizes the initial misunderstanding of the magnitude of technological acceleration during the crisis period, which we covered in last

May's annual meeting and in last fall's semi-annual letter. It underscores the focus on the bureaucratic impediments and scientific challenges to developing a vaccine that turned out to be developed ahead of even the most optimistic of timelines. And it is personified by experts attempting to outduel each other for headlines with supreme (over)confidence offering the most extreme predictions of U.S. GDP declines. Whether it was these many Armageddonists[1] or other prognosticators, the crisis period was dominated by a heavy focus on the near term, failing to appreciate the opportunity that was afforded the thoughtful long-term investor. While each crisis is different, our approach of focusing on the long-term and partnering with exceptional investment managers will remain steadfast.

Investment Topic Highlight: Public Equity – Driving Long-Term Returns through Active Management

The secular growth of passive asset management strategies continued through 2020, with estimates of passive strategies accounting for more than half of U.S. equity investments with $5.7T in assets, overtaking assets in active strategies over a year ago[2]. Investors will recall we spoke about the debate between passive and active management at our annual meeting in 2017, underscoring our strengthened commitment to active management in public equity in the form of concentrating assets around fewer high conviction managers. We reiterated this strategy over a year ago emphasizing that a concentrated portfolio of managers investing in a select portfolio of high-quality companies leads to the best opportunity for attractive long-term returns. Importantly, our Public Equity portfolio today is as concentrated as it has been in years. This concentration underscores our belief and commitment to active management in public equity. Furthermore, we favor managers who conduct rigorous fundamental research and invest in a concentrated number of companies on which they are experts; with this approach, our managers' deeply vetted ideas represent meaningful capital for us. Finally, our shared long-term investment horizon enables differentiated insights on those companies which are likely not priced into current market valuations. We also find that hybrid managers further enhance these competitive advantages with the ability to opportunistically invest in both the public and private markets.

Our strategy results in an aggregate portfolio that, while concentrated at the manager level, is diversified yet quite differentiated at the underlying company level. Best described as a private equity approach to public markets, the trade-off with this approach is that we give up some liquidity to align with the long-term nature of the strategies – a calculated choice for which we believe we will be well compensated over time. In fact, over the last decade, a period in which passive investments have hoovered fund flows and active managers have consistently been questioned, we have been satisfied with the results of our approach. The compounding impact of this alpha during this ten-year period leads to cumulative results that are very attractive for the long-term investor[3].

Conclusion

We like to conclude by thanking our investors for their continued support and wishing everyone a healthy 2021. We look forward to a successful rollout of the vaccine that might help us see you in person soon. Our ability to think long-term is rooted squarely in the strength of our investors and their institutions, and we are very grateful for the trust you have placed in us.

Sincerely,
Jackson Garton on behalf of the Partners of Makena Capital

---

[1] Michael Cembalest, JP Morgan. "The Armageddonists, Revisited." https://privatebank.jpmorgan.com/gl/en/insights/investing/eotm/the-armageddonists-revisited

[2] https://www.institutionalinvestor.com/article/b1q8qzj06khp7c/Active-Managers-Kept-Losing-Out-to-Passive-Even-After-Markets-Crashed

%

DISCLOSURES

Makena Capital Management, LLC ("Makena") prepared this document solely for the person to whom it has been given for informational and discussion purposes only. This document and the information contained herein are strictly confidential and may not be reproduced, distributed or communicated, in whole or in part, to any third party without the express approval of Makena. Makena reserves the right at any time to amend or change the contents of this presentation without notice to you.

Under no circumstances should the information presented be considered an offer to sell, or a solicitation to buy, any security referred to in this document. Such offer or solicitation may only be made pursuant to the current offering documents for the Makena Fund (the "Fund" or "Funds") which may only be provided to accredited investors and qualified purchasers as defined under the Securities Act of 1933 and the Investment Company Act of 1940. This document should be read in conjunction with, and is qualified in its entirety by, information contained in the Funds' offering documents.

Makena believes that the research used in this presentation is based on accurate sources (including but not limited to economic and market data from various government and private sources and reputable external databases), but we have not independently verified those sources, and we therefore do not guarantee their accuracy. The opinions, projections, and estimates contained herein reflect the views of Makena only and should not be construed as absolute statements and are subject to change without notice to you.

Certain statements in this presentation may constitute forward-looking statements that should not be relied upon as representations of the future performance of any Makena Fund. The past performance of any Makena Fund is not necessarily indicative of future results. The projected performance results presented in this document, if any, are hypothetical and for informational and illustrative purposes only and should not be construed as a guarantee of actual or future performance results of any Makena Fund. Actual performance results may vary significantly from projected performance results due to many factors, including, but not limited to, new issue eligibility, different liquidity terms, timing of investment and other factors.

Certain performance numbers in this presentation may be unaudited, preliminary and based on estimates. Final reported and audited performance numbers may vary considerably from these estimates. Estimated gross and net performance numbers could change materially as final performance figures and underlying investment costs and fees are determined and allocated. Unless otherwise noted, performance is shown net of underlying manager fees and net of the standard Makena fees per the applicable limited partnership agreement, including any incentive fees earned or estimated that a "day one" investor would pay. Asset class performance is shown net of underlying manager fees but gross of Makena fees. Please refer to the offering documents of the Makena funds for complete information regarding fees and expenses. Past performance is not indicative of future results.

Comparison of the performance of any Makena Fund to a benchmark or benchmarks is for illustrative purposes only and the performance of the Makena Funds may differ materially from the performance of the benchmarks due to diversification, asset allocation, volatility or other factors.

If MSCI data is presented be aware that MSCI has not approved, reviewed or produced this report, makes no express or implied warranties or representations and is not liable whatsoever for any data in the report. You may not redistribute the MSCI data or use it as a basis for other indices or investment products.