

MAKENA MARKET PERSPECTIVE

MAKENA ENDOWMENT PORTFOLIO

Q1 2026
PERIOD ENDING
MARCH 31, 2026

Dear Makena Investors,

We are pleased to share our first quarter Makena Market Perspective. In this letter, we reflect on the accelerating pace of change across markets, the expanding dispersion between winners and losers, and the continued case for an investment approach grounded in the Endowment Model.

At Makena, we believe that the quality of your investment framework matters most precisely when markets are hardest to navigate. This quarter was another reminder of that. Against a backdrop of geopolitical volatility and sharp equity market moves, the Endowment Model's foundational attributes — sound asset allocation, private market access, and cycle-tested risk management — proved their value once again.

Below we share our perspective on the market environment and why we believe the current moment is one that rewards the approach we have built over the last 20 years.

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The Market Environment: Accelerating Change and Expanding Dispersion

We believe that we are in a sustained period of above-average market volatility anchored in high starting valuations, elevated public market index concentration, and a complex macroeconomic and policy backdrop.

Meanwhile, AI continues to reshape markets. AI-driven capital expenditure from hyperscalers has increased eightfold over five years, fundamentally overhauling what were once among the most asset-light business models in history — and remarkably, funded largely from operating cash flow rather than debt. Incremental revenue from frontier labs like Anthropic and OpenAI are expected to surpass \$100 billion this year alone, outstripping the revenue added by the entire publicly traded software universe and driving signs of tangible ROI from the AI capex boom. An unprecedented surge in electricity demand — driven by AI, data centers, industrial reshoring, and broad electrification — is remaking a once stagnant power industry into one of the most dynamic growth frontiers. We have graduated from a mantra of "Software is Eating the World" to "AI is Eating Software," launching an intense debate about one of the historically highest quality business models. Companies are redefining revenue scaling norms with examples of startups achieving \$100 million in ARR within a year of launch becoming commonplace.

The earnings picture supports optimism, but valuations keep that optimism appropriately measured. The S&P 500 forward multiples are elevated relative to history, and the equity risk premium remains compressed. Furthermore, shorter news cycles and accelerating technology adoption have compressed the time between disruption and market reaction. A newly named grouping of stocks called the "Parabolic Seven" in hardware and semiconductor industries exemplifies this phenomenon, having collectively returned 250% in 2026 on the back of paradigm-shifting demand for their products.

This exemplifies the current investment environment: powerful secular technological disruption amidst a backdrop of amplified geopolitical volatility. The implication for investors is twofold. First, the signal-to-noise ratio has deteriorated, making strategic anchoring increasingly valuable. Second, the dispersion between winners and losers is at or near record levels. Realized single-stock dispersion in the S&P 500 today ranks in the 99th percentile of the last decade — an environment where active management earns its keep. We hold the view that passive indexes are likely to deliver more modest returns over the coming decade versus the prior one. For a portfolio like ours, this

dictates a premium on alpha-generation capabilities — manager selection, security selection, and private market access.

The Endowment Model in an Age of Disruption

The world is moving faster, and the complexity of the investing environment reflects its pace. We believe this is an environment built for the Endowment Model's distinct architecture. Three attributes are particularly relevant:

Asset Allocation as a Strategic North Star. Sound asset allocation with disciplined diversification is most valuable precisely when the signal-to-noise ratio is challenged. When narratives shift violently, a portfolio anchored in a long-term asset allocation framework provides stability that enables prudent action without panic-driven reaction.

Positioned to Benefit from Disruptive Innovation. Dispersion is transforming every asset class. That creates an environment where active management has significant opportunity from identifying winners and losers, with venture capital having the most outsized potential for compelling returns. Furthermore, with enterprise value now accruing more substantially in private markets, it is accessible to investors who have the relationships, the conviction, and the long-term horizon to effectively capitalize in those asset classes.

Robust Risk Management Foundation. Cycle-tested processes have genuine value in a period of frequent, sharp dislocations. Our disciplined rebalancing during periods of significant market volatility has contributed meaningfully to returns. This is not market timing; it is the disciplined implementation of long-term asset allocation guardrails. Combined with tools such as a tail hedging program and actively managed liquidity, integrated risk management is core to our approach. It enables us to maintain a consistent asset allocation while retaining the flexibility to capitalize on market dislocations.

A Note on Our 20th Anniversary

We would be remiss in sharing a perspective from our 20th anniversary year without pausing to acknowledge this milestone. Makena was founded on a premise that remains true today: long-term, diversified, private asset-focused investing generates multi-generational returns, reinforced by an aligned team with a singular investment process. The statistics that sit behind the 20-year milestone are gratifying: 100+ emerging managers backed across asset classes, 150+ direct investments executed, and 220 team members brought into the organization since inception — the definition of a long-term proprietary sourcing network. We are a firm that is majority-owned and fully controlled by the people who work within it. And a partnership of 240+ clients that spans sovereign institutions, family offices, university endowments, and foundations.

What we are most proud of is that we enter the next 20 years in a stronger competitive position than we have ever been. The investment team shares deep collective experience, is better resourced, and is more directly connected to the underlying assets. Our technology infrastructure, built upon trusted providers and infused with AI tools across the organization, has materially compressed the time from data to decision. And our investment results — particularly the emerging momentum in the areas we have rebuilt and reinforced — give us genuine confidence that the next chapter will be as meaningful as the last.

We are grateful for your continued confidence and partnership, and we remain deeply aligned with you in the singular objective of long-term compounding.

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

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