



Agenda Item No. (5)

To: OPEB Retirement Investment Trust Board  
Meeting of March 21, 2024

From: Alice Ng, Director of Fiscal Resources  
Joseph M. Wire, Auditor-Controller

Subject: **RECEIVE THE OPEB TRUST'S INVESTMENT ADVISOR'S  
INVESTMENT PERFORMANCE REPORT FOR THE QUARTER ENDED  
DECEMBER 31, 2023**

### **Recommendation**

Staff recommends that the Trust Board adopt a motion to receive the Investment Advisor's Investment Performance Report for the quarter ended December 31, 2023.

The attached Investment Performance Report for the quarter ended December 31, 2023, will be discussed in more detail by PFM Asset Management, LLC ("PFMAM"), Trust Administrator and Investment Advisor, at the OPEB Retirement Investment Trust Board meeting of March 21, 2024.

Please note that on page 3.1 of the attached report is the Compliance Certificate which certifies that, as of December 31, 2023, the investment portfolio is in full compliance with the District's OPEB Trust Investment Policy and Trust Agreement.

### **Fiscal Impact**

There is no fiscal impact as this report is informational

Attachment

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Golden Gate Bridge, Highway and Transportation District  
Other Post Employment ("OPEB") Trust

## Investment Performance Review For the Quarter Ended December 31, 2023

Client Management Team

Jim Link, CEBS, Managing Director  
Andrew Brown, CFA, Sr. Investment Strategist/Portfolio Manager  
Tesh Gebremedhin, Director

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# **Financial Markets**

	QTD	YTD	1 Year	3 Years	5 Years	7 Years	10 Years
<b>DOMESTIC EQUITY</b>							
S&P 500	11.69%	26.29%	26.29%	10.00%	15.69%	13.42%	12.03%
Russell 3000 Index	12.07%	25.96%	25.96%	8.54%	15.16%	12.81%	11.48%
Russell 1000 Value Index	9.50%	11.46%	11.46%	8.86%	10.91%	8.32%	8.40%
Russell 1000 Index	11.96%	26.53%	26.53%	8.97%	15.52%	13.21%	11.80%
Russell 1000 Growth Index	14.16%	42.68%	42.68%	8.86%	19.50%	17.68%	14.86%
Russell Midcap Index	12.82%	17.23%	17.23%	5.92%	12.68%	10.07%	9.42%
Russell 2000 Value Index	15.26%	14.65%	14.65%	7.94%	10.00%	6.10%	6.76%
Russell 2000 Index	14.03%	16.93%	16.93%	2.22%	9.97%	7.33%	7.16%
Russell 2000 Growth Index	12.75%	18.66%	18.66%	-3.50%	9.22%	8.08%	7.16%
<b>INTERNATIONAL EQUITY</b>							
MSCI EAFE (Net)	10.42%	18.24%	18.24%	4.02%	8.16%	6.91%	4.28%
MSCI AC World Index (Net)	11.03%	22.20%	22.20%	5.75%	11.72%	10.05%	7.93%
MSCI AC World ex USA (Net)	9.75%	15.62%	15.62%	1.55%	7.08%	6.33%	3.83%
MSCI AC World ex USA Small Cap (Net)	10.12%	15.66%	15.66%	1.49%	7.89%	6.70%	4.88%
MSCI EM (Net)	7.86%	9.83%	9.83%	-5.08%	3.68%	4.98%	2.66%
<b>ALTERNATIVES</b>							
FTSE NAREIT Equity REIT Index	16.22%	13.73%	13.73%	7.21%	7.39%	5.28%	7.65%
FTSE EPRA/NAREIT Developed Index	15.59%	10.85%	10.85%	2.16%	3.80%	3.57%	4.52%
FTSE Global Core Infrastructure 50/50 Index (Net)	10.85%	2.21%	2.21%	3.76%	6.04%	6.21%	5.93%
Bloomberg Commodity Index Total Return	-4.63%	-7.91%	-7.91%	10.76%	7.23%	3.59%	-1.11%
<b>FIXED INCOME</b>							
Blmbg. U.S. Aggregate	6.82%	5.53%	5.53%	-3.31%	1.10%	1.29%	1.81%
Blmbg. U.S. Government/Credit	6.63%	5.72%	5.72%	-3.53%	1.41%	1.52%	1.97%
Blmbg. Intermed. U.S. Government/Credit	4.56%	5.24%	5.24%	-1.63%	1.59%	1.57%	1.72%
Blmbg. U.S. Treasury: 1-3 Year	2.56%	4.29%	4.29%	-0.10%	1.28%	1.20%	1.04%
Blmbg. U.S. Corp: High Yield	7.16%	13.45%	13.45%	1.98%	5.37%	4.57%	4.60%
ICE BofAML Global High Yield Constrained (USD)	7.61%	13.41%	13.41%	-0.08%	4.13%	3.86%	3.66%
Blmbg. Global Aggregate Ex USD	9.21%	5.72%	5.72%	-7.21%	-1.56%	1.97%	-0.79%
JPM EMBI Global Diversified	9.16%	11.09%	11.09%	-3.56%	1.67%	1.97%	3.22%
<b>CASH EQUIVALENT</b>							
90 Day U.S. Treasury Bill	1.37%	5.02%	5.02%	2.15%	1.88%	1.73%	1.24%

Source: Investment Metrics. Returns are expressed as percentages. Please refer to the last page of this document for important disclosures relating to this material.

**THE ECONOMY**

▶ In the third quarter, U.S. gross domestic product (GDP) grew at an annualized rate of 4.9%, marking the strongest growth since the fourth quarter of 2021, as resilient consumer spending drove the economy. This is above global growth estimates of 3.0%, which have been buoyed by emerging markets (EM) and developing economies.

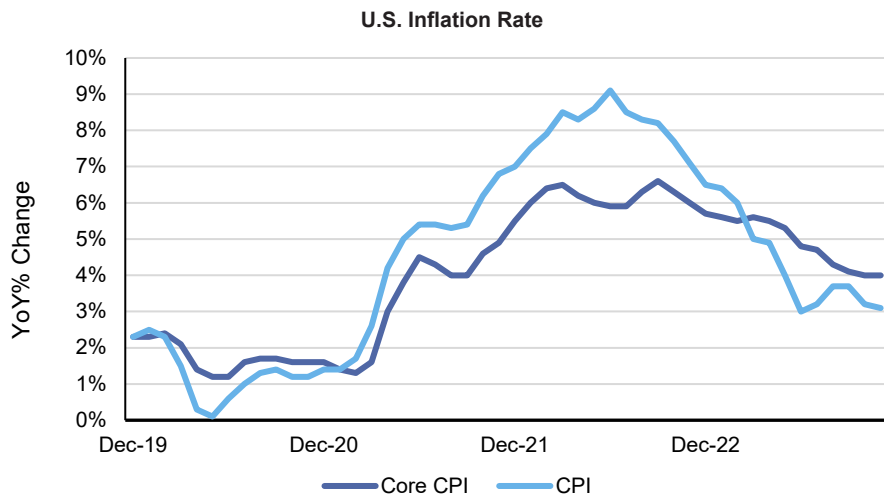
▶ The U.S. labor market remains strong, ending the quarter with 3.7% unemployment rate that is in line with September’s reading and a 62.5% participation rate, which is a slight decrease from last quarter. The number of job openings to unemployed ratio fell to 1.40, down from its high of 2.0 in 2022.

▶ Headline inflation (CPI) cooled over the quarter, with a year-over-year (YoY) rate of 3.1% in November, down from 3.7% at the end of the second quarter. These cooler readings came in large part from falling energy prices which dropped 5.4% in November, the less volatile core inflation reading (which excludes food and energy) still tells the same story of cooling over the quarter but shows a slightly higher level of inflation at 4.0% YoY.

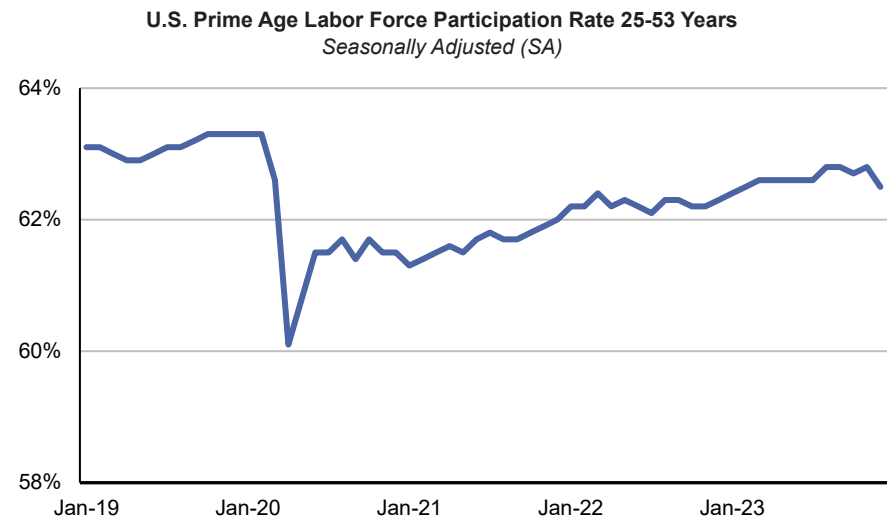
▶ Through the strong labor market and continued growth, consumer confidence saw relative improvement. The Michigan Consumer Sentiment survey ended the quarter at 69.7, up 8.4 year-to-date, though below the long-term average. Consumers savings and income standpoint remain strong, but debt levels and defaults are increasing.



Source: IMF. Dark blue bars indicate actual numbers; light blue bars indicate forecasted estimates.



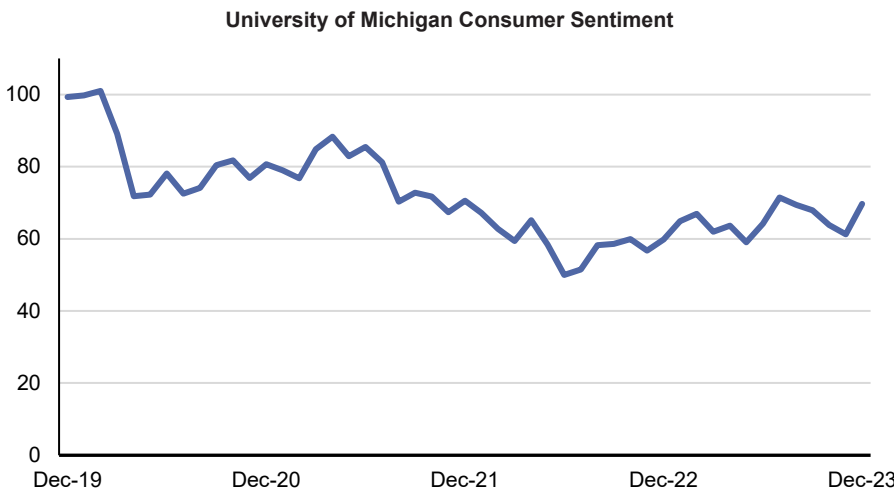
Source: Bureau of Labor Statistics.



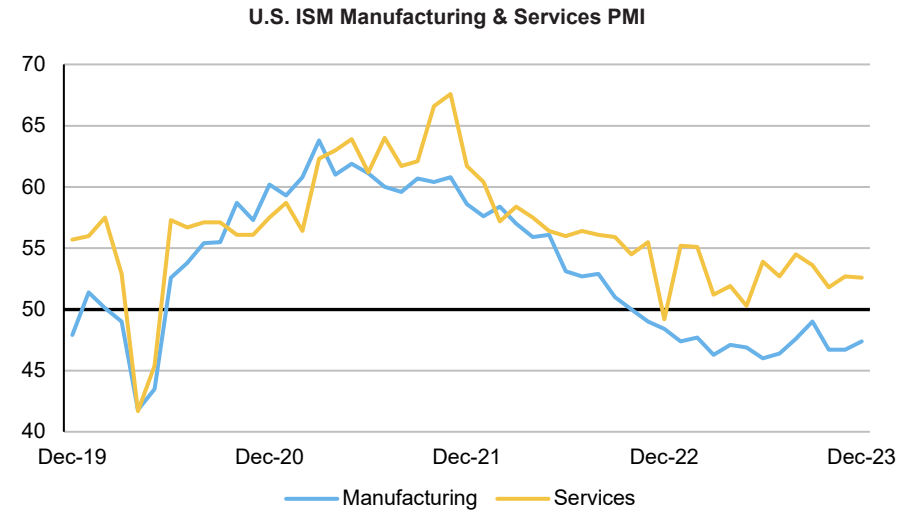
Source: Bureau of Labor Statistics.

**WHAT WE'RE WATCHING**

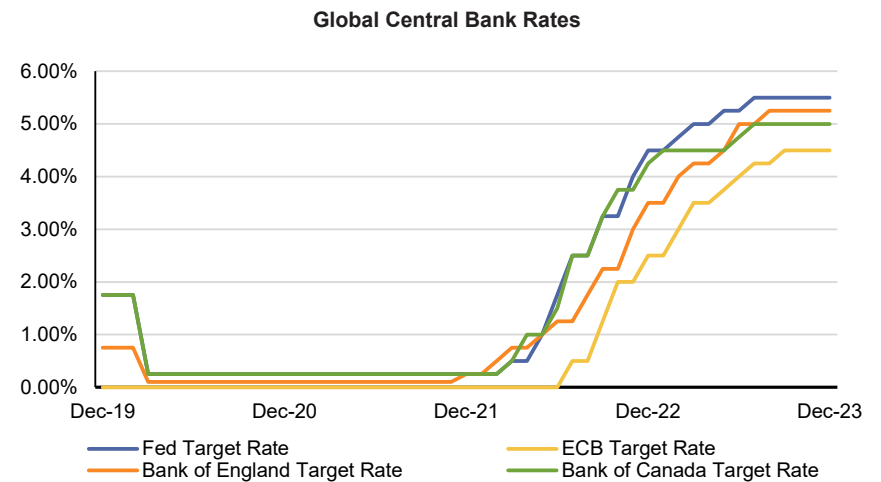
- ▶ After a total of four hikes this year, the final quarter closed out with the Federal Open Market Committee (FOMC) on pause with member expectations that the policy rate is at or near its peak. Looking forward, the median dot plot projection shows 75 basis points (bps) of cuts for 2024 as inflation and economic growth slow. Globally, most major central banks also held rates steady, with European Central Bank (ECB) and Bank of England (BOE) both pausing despite increasing pressure from poor economic growth.
- ▶ The U.S. saw manufacturing conditions worsen during the quarter as ISM U.S. Manufacturing fell to 47.4 in December, marking the fourteenth month of contractionary readings as producers saw diminishing demand for their goods, amid high borrowing costs and continued inflation. Services weakened slightly over the quarter but remain expansionary at 50.6.
- ▶ Globally, conditions varied. The HCOB Eurozone manufacturing PMI improved over the quarter but remained in sharply contractionary territory, at 44.4. The Eurozone services PMI continued to struggle, remaining flat at 48.8 for year end. Meanwhile, China's Caxin manufacturing PMI inched up over the quarter, with an expansionary reading of 50.8 after a dip into contractionary in October. China's services sectors saw a rebound over the quarter as the Caixin Service PMI rose to 52.9, marking the fastest expansion since July as new business grew solidly.



Source: Bloomberg.



Source: Bloomberg.



Source: Bloomberg.

**DOMESTIC EQUITY**

▶ The S&P 500 Index (S&P) posted an 11.69% return for the fourth quarter of 2023. As of December 31, 2023, the trailing 1-year return for the index was 26.29%.

▶ After being dominated by the Magnificent Seven for the first three quarters of the year, domestic equity markets saw a broadening of performance, as indicated by the S&P 500 Equal-Weighted index performing in line with the market capitalization-weighted index for the fourth quarter. Throughout the year, the equal-weighted index had significantly lagged the market capitalization-weighted index.

▶ Within S&P 500, the only GICS sector to post a negative return for the quarter was Energy (-6.99%). The next worst performers were Consumer Staples (5.54%) and Healthcare (6.41%). The sectors that led performance over the quarter were Real Estate (18.83%), Information Technology (17.17%) and Financials (13.98%).

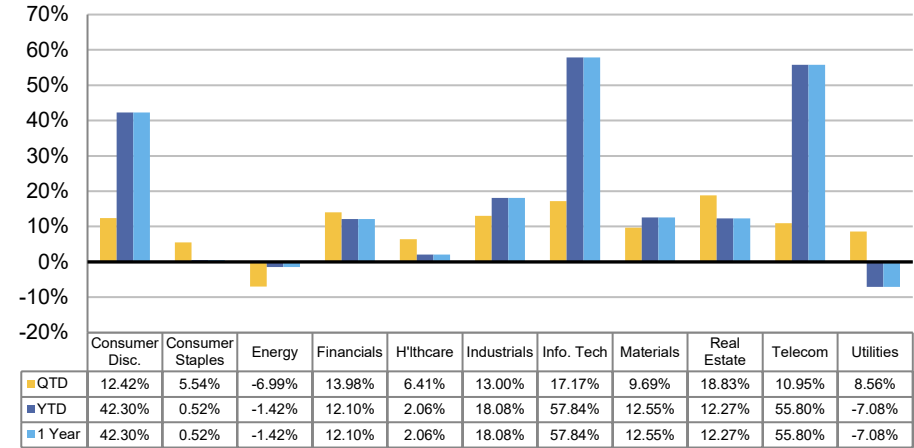
▶ Small-caps, as represented by the Russell 2000 Index, returned 14.03% during the quarter, outperforming mid- and large-caps. The Russell Midcap and Russell 1000 indices returned 12.82% and 11.96%, respectively.

▶ According to FactSet Earnings Insight (as of December 18, 2023), the expected YoY earnings growth rate for S&P 500 for calendar year 2023 is 0.6%, which is below the 10-year average of 8.4%.

▶ As of the end of the quarter, the S&P 500 P/E ratio was 23.85, above its 5-year average of 21.91. By comparison, the S&P 600, which represents small-cap stocks, had a P/E ratio of 16.0, below its 5-year average of 16.96.

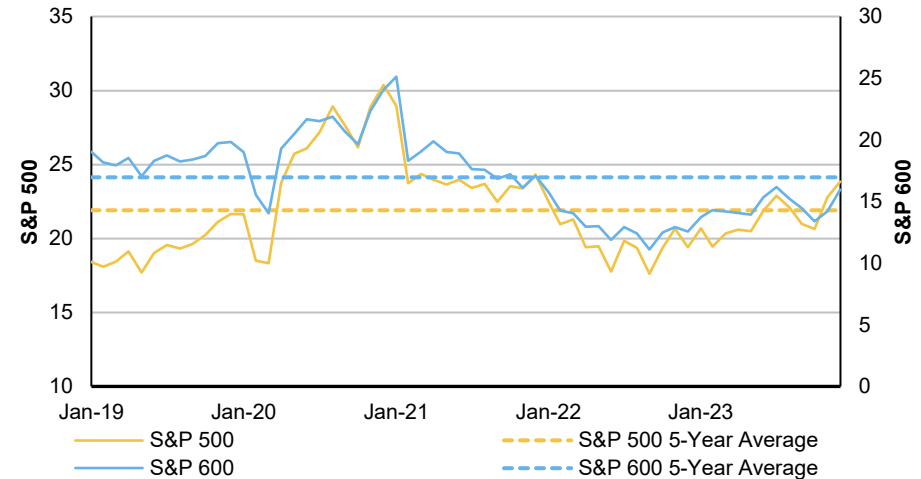
**S&P 500 Index Performance by Sector**

Periods Ended December 31, 2023



Source: Bloomberg.

**P/E Ratios of Major Stock Indices\***



Source: Bloomberg.

\*P/E ratios are calculated based on one-year forward estimates and adjusted to include only positive earnings results for consistency.

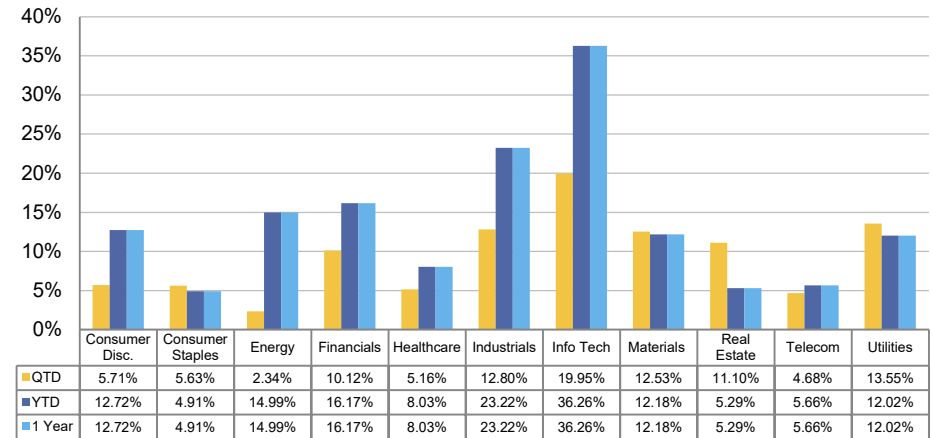


**NON-U.S. EQUITY**

- ▶ Markets outside of the United States, as measured by the MSCI ACWI ex-U.S. Index, underperformed their U.S. counterparts, returning 9.75% for the quarter.
- ▶ Developed ex-U.S. Markets, as represented by the MSCI EAFE Index, outperformed emerging markets (EM), represented by the MSCI Emerging Market Index, returning 10.42% versus 7.87% for the quarter.
- ▶ Stocks in the Eurozone fared better amid signs of falling inflation and increased manufacturing activity, leading to the outperformance of MSCI EMU (12.43%) versus the MSCI EAFE Index. The UK (6.48%) was the worst performer of the five largest-weighted countries in the index. The country continues to grapple with falling yet stubbornly high inflation.
- ▶ Within EM, MSCI Brazil outperformed the index. Brazilian equities soared 17.84% during the quarter as inflation slowed in line with expectations, inching toward the central bank’s target range. Conversely, MSCI China (-4.22%) lagged the index despite better retail sales and industrial production data.
- ▶ Value stocks underperformed growth stocks for the quarter as represented by the broad benchmark, a reversal of the trend observed during the first three quarters of the year. MSCI AC World ex-USA Value returned 8.43% while MSCI AC World ex-USA Growth returned 11.13%. Within EM, value continued to outperform growth returning 8.05% versus 7.72%.
- ▶ Small-caps, as represented by MSCI ACWI ex-U.S. Small Cap Index, outperformed within the international equity markets, returning 10.12% for the quarter.
- ▶ Non-U.S. equities valuations have moved closer to their long-term average across international equity markets. As of December 31, 2023, MSCI EM’s P/E stood at 13.67 versus a 5-year average of 13.21. MSCI EAFE ended the year with a P/E ratio of 14.25, slightly lower than its 5-year average of 15.92.

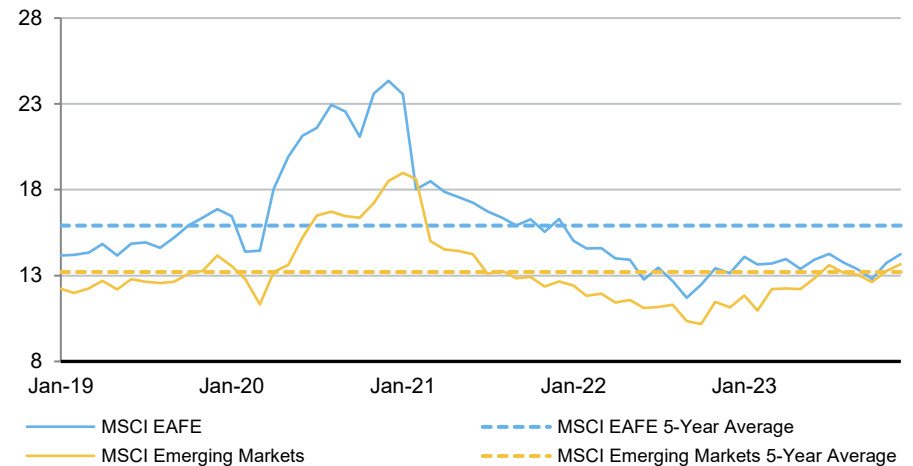
**MSCI ACWI ex-U.S. Sectors**

Periods Ended December 31, 2023



Source: Bloomberg.

**P/E Ratios of MSCI Equity Indices\***



Source: Bloomberg.

\*P/E ratios are calculated based on one-year forward estimates and adjusted to include only positive earnings results for consistency.

**FIXED INCOME**

▶ The U.S. bond market represented by the Bloomberg U.S. Aggregate Index (Aggregate) had sharp gains in the quarter, rising 6.82%. The calendar year return for the U.S. Aggregate Index is 5.53%.

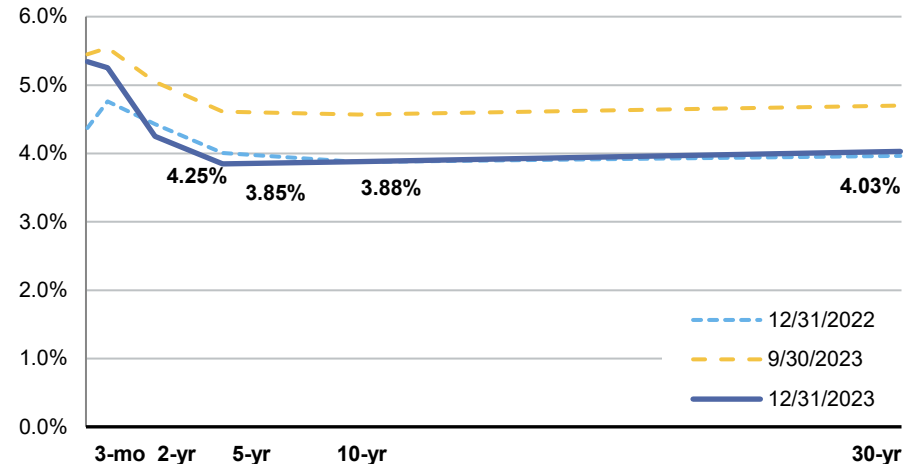
▶ The Bloomberg U.S. Treasury Index closed the quarter with a gain of 5.66%. During the period, the FOMC maintained interest rate levels and signaled several cuts for 2024. Long rates dropped anticipating a pivot on tightening. The curve remains inverted as the Fed Funds rate remains targeted at 5.5%. The 10-year declined about 69 bps in the quarter, ending at 3.88%, while the 2-year ended at 4.25%.

▶ Corporate credit had strong results for the quarter on the declining rates. The investment-grade (IG) Bloomberg U.S. Corporate (IG Corp) Index surged 8.50% higher while high yield bonds, as represented by the Bloomberg U.S. Corporate High Yield (HY) Index, posted a significant gain of 7.16%. Spreads declined across all quality buckets, but BBB-rated bonds outperformed the high yield space.

▶ The fixed-rate mortgage market, as measured by the Bloomberg U.S. Mortgage-Backed Securities (MBS) Index, gained 7.48%, aided by rates falling. On the commercial side, the Bloomberg U.S. Agency CMBS Index rose 5.60%.

▶ Emerging market USD sovereign bonds, as represented by the JP Morgan EMBI Global Diversified index, gained 9.16% led by some of the largest weighted countries.

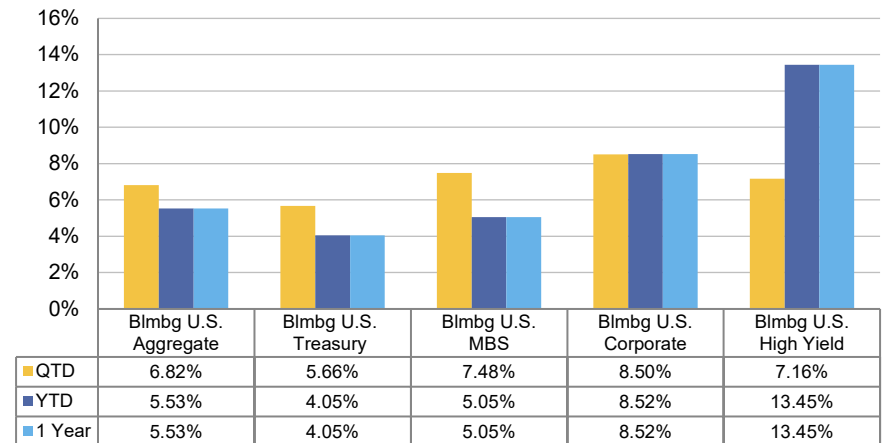
U.S. Treasury Yield Curve



Source: Bloomberg.

Returns for Fixed-Income Segments

Periods Ended December 31, 2023



Source: Bloomberg.

**ALTERNATIVES**

▶ REITs, as measured by the FTSE NAREIT Equity REITs Index, gained 16.22% in the fourth quarter of 2023, compared to a -7.13% return in the prior quarter. All major sectors posted gains during the quarter as market participants now expect falling interest rates in the near-term. The best performers were the Office and Self-Storage sectors, which posted returns of 23.54% and 23.51%, respectively. The worst performers during the quarter were the Apartments and Healthcare sectors, which posted returns of 8.89% and 10.47%, respectively.

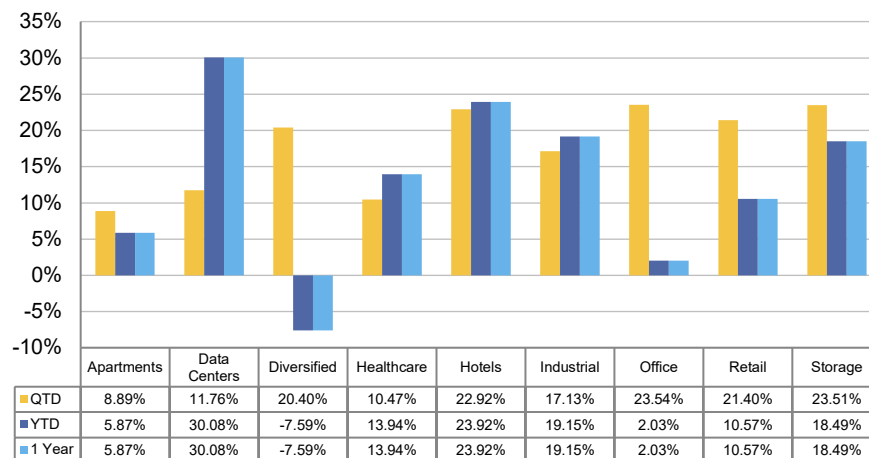
▶ Listed infrastructure, as measured by the FTSE Global Core Infrastructure 50/50 Index, gained 11.11% in the fourth quarter of 2023, compared to a -7.80% decrease in the prior quarter. Most major sectors had positive returns during the quarter as interest rates fell from their highs. The best performing industry groups were Telecom Towers and Specialized, which posted returns of 30.67% and 25.66%, respectively. The worst performing industry groups during the quarter were Cable & Satellite Communications and Alternative Carriers, which posted returns of -5.07% and 3.29%, respectively.

▶ Commodity futures, represented by the Bloomberg Commodity Total Return Index, fell 4.63% in the fourth quarter of 2023, compared to a 4.71% gain in the prior quarter. The U.S. Dollar Index (DXY) fell 4.56% during the same period. The price of gold increased 11.60% in Q4, due to expectations of falling yields and rising geopolitical tensions. Gold finished the quarter at \$2,062.98 per ounce, up from \$1,848.63 at the end of the previous quarter. The West Texas Intermediate (WTI) Crude Oil spot price fell 21.08% from \$90.79 to \$71.65 per barrel as the impacts of high supplies and falling demand outweighed potential price tailwinds arising from concerns in the Middle East.

▶ Private real estate, as measured by the NCREIF Property Index, fell -1.37% in the third quarter of 2023, resulting in a -8.40% return over the twelve-month period ended September 2023. This was the fourth consecutive quarter of negative returns for the index. Weak performance has been driven by property value declines across sectors; although, Office has seen the most significant decline. Hotel properties were again the top performers, with a total return of 1.86% in the third quarter, comprised of 2.12% in income return and -0.25% in appreciation return. Office properties were again the worst performers with total return of -3.67%, comprised of 1.30% in income return and -4.97% in appreciation return.

**FTSE NAREIT Sectors**

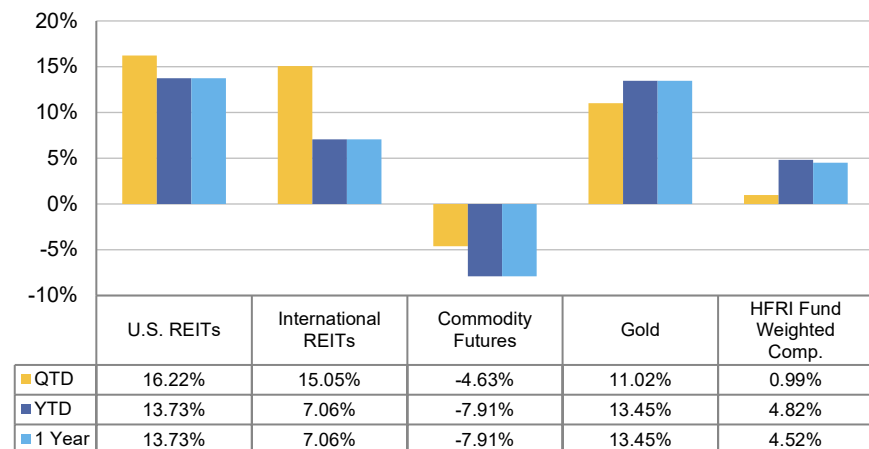
Periods Ended December 31, 2023



Source: Bloomberg.

**Returns for Liquid and Semi-Liquid Alternative Assets**

Periods Ended December 31, 2023



Sources: Bloomberg and Hedge Fund Research, Inc.

**ALTERNATIVES (continued)**

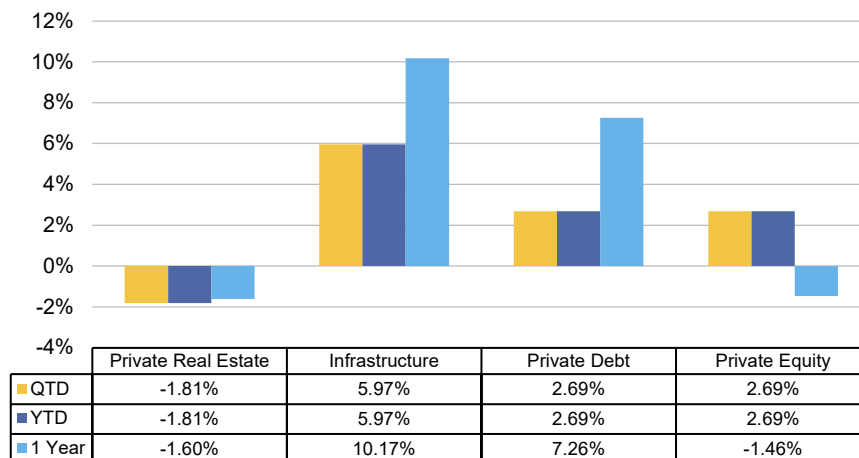
► In the third quarter of 2023, infrastructure funds raised \$10.25 billion. While this is up from the prior quarter, 2023 has seen a sharp decline in fundraising with fewer funds raising capital. Infrastructure dry powder has also fallen from previous years and stands at \$244.06 billion as of Q1 2023. The asset class has received attention from investors in recent years due to expectations that it could provide steady returns during periods of volatility, inflation, and recession. According to PitchBook, infrastructure funds posted a return of 5.97% in Q1 2023. The asset class has generated an annualized return of 10.53% for the 5 years ended Q1 2023.

► In the third quarter of 2023, private debt funds raised \$31.70 billion, down from the prior quarter. Private debt dry powder has fallen to \$449.00 billion as of Q1 2023; although, it remains above the long-term average. The asset class has performed well relative to public fixed income over the long-term and may see more opportunities emerge in the near-term as tightening lending standards continue to push banks out of the private lending space. According to Cliffwater Direct Lending Index, U.S. middle market loans, a proxy for private debt, posted a return of 3.17% in Q3 2023. The asset class has also generated an annualized return of 8.64% for the 5 years ended Q3 2023.

► In the third quarter of 2023, private capital fundraising was led by private equity funds, which closed on \$133.40 billion, up from the prior quarter. Global private equity dry powder, which accounts for the bulk of private capital dry powder, remains high at \$1.55 trillion as of Q1 2023. Recent private equity performance has weakened as a result of increasing cost of leverage, slowing deal flow, and macroeconomic uncertainty; however, longer term performance relative to public equities remains strong. According to Cambridge Associates, U.S. private equity posted a return of 2.76% in Q2 2023. The asset class has generated an annualized return of 17.77% for the 5 years ended Q2 2023.

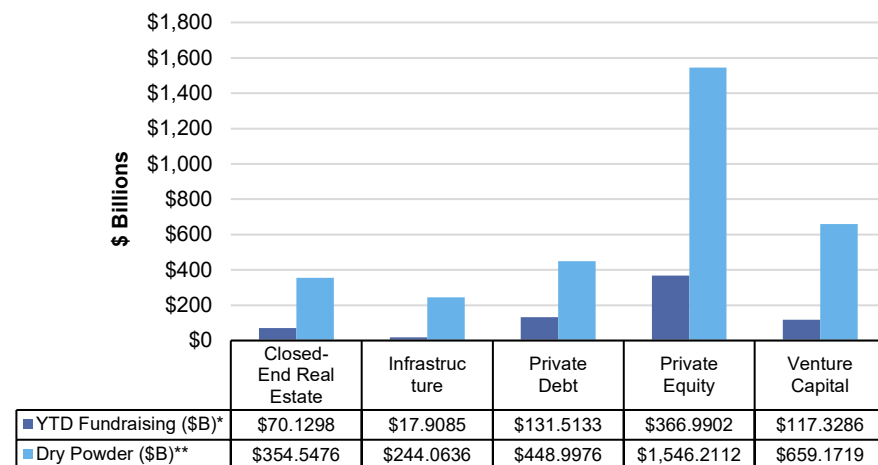
► Hedge fund returns were mostly positive quarter-to-date through November 2023 with the HFRI Fund Weighted Composite Index returning 0.99%. During the same period, the HFRI Macro (Total) Index returned -1.67%. The HFRI Equity Hedge (Total) Index and the HFRI Fund of Funds Index returned 1.82% and 1.15%, respectively.

**Returns for Private Capital Assets**



Source: NCREIF, PitchBook, Cliffwater, Cambridge Associates, manual inputs.  
As of March 31, 2023 - most recent period for which all performance data is available.

**Private Capital Fundraising & Dry Powder**



Sources: Pitchbook.

\* Total capital raised in 2023 as of September 30, 2023 - most recent period for which ALL fundraising data is available.

\*\* Cumulative dry powder as of most recent - March 31, 2022.

**Investment Strategy Overview**










Asset Class	Our Q1 2024 Investment Outlook	Comments
<b>U.S. Equities</b>		<ul style="list-style-type: none"> <li>Fed's guidance towards three rate cuts in 2024 and moderating inflation have led to recent rally in equities. Rising valuations are supported by improving earnings growth expectations and expectation of economic soft-landing. We expect a positive year for equities, as long as risks of recession remain low.</li> <li>Mid- and small-cap valuations are attractive and would be beneficiary of rate cuts as investor sentiment/earnings growth expectations improves.</li> </ul>
Large-Caps		
Mid-Caps		
Small-Caps		
<b>Non-U.S. Equities</b>		<ul style="list-style-type: none"> <li>International equities continue to trade at a discount to U.S. equities but slowing economic growth in Europe and China is a headwind.</li> <li>EM equities trade at attractive valuations relative to developed market equities. Negative investor sentiment and slower growth expectations continue to weigh on Chinese equities. We remain positive on emerging market equities outside of China.</li> <li>International small-caps provide exposure to local revenue streams and are trading at attractive valuations.</li> </ul>
Developed Markets		
Emerging Markets		
International Small-Caps		
<b>Fixed Income</b>		<ul style="list-style-type: none"> <li>The Fed's recent guidance points towards soft-landing scenario with three expected rate cuts in 2024. Yields at short-end of the curve look attractive even as long-term yields fell back from the recent highs. We expect a further fall in yields as inflation continues to moderate.</li> <li>Credit markets remain attractive due to strong corporate fundamentals. We continue to seek diversified credit exposure and are closely watching signs for any distress in the corporate credit space.</li> </ul>
Long-Duration, Interest Rate-Sensitive Sectors		
Credit-Sensitive Sectors		
<b>Alternatives</b>		<ul style="list-style-type: none"> <li>Higher interest rates and rising foreclosure for office buildings are headwinds for private real estate returns. Public REITs have recovered as interest rates have fallen from the recent highs. We expect this trend to continue.</li> <li>Private equity is facing headwinds from higher leverage costs and falling valuations. Debt strategies may benefit from banks' tighter lending standards, but risk is elevated as the economy continues to slow, which will likely lead to higher default rates.</li> <li>Commodities are being impacted by supply shocks in the near-term. Over the next year, we expect slowing global demand to offset price increases from supply shocks.</li> </ul>
Real Estate		
Private Equity		
Private Debt		
Commodities		

● Current outlook    ○ Outlook one quarter ago



The view expressed within this material constitute the perspective and judgment of PFM Asset Management LLC at the time of distribution (December 31, 2023) and are subject to change.

**Factors to Consider Over the Next 6-12 Months**

<p><b>Monetary Policy:</b></p>  <ul style="list-style-type: none"> <li>• The Fed's recent pivot towards rate cutting in 2024 points towards soft-landing scenario, which is favorable to risk assets. The path of rate cuts will determine performance of risk assets.</li> <li>• Globally, most major central banks have maintained a hawkish stance but are nearing the end of the rate hike cycle.</li> </ul>	<p><b>Economic Growth:</b></p>  <ul style="list-style-type: none"> <li>• U.S. economy is expected to avoid a recession in the near-term amidst continued strength within services activity, consumer spending, corporate balance sheets and labor markets.</li> <li>• Eurozone economic growth is slowing. Emerging economies outside of China are expected to grow.</li> </ul>	<p><b>Inflation:</b></p>  <ul style="list-style-type: none"> <li>• Inflation is continuing to moderate and we expect inflation data to be supportive of rate cuts in 2024.</li> <li>• Upside surprise driven by services inflation or due to rising crude oil prices on goods inflation will be negative and could lead to renewed aggressive monetary policy.</li> </ul>
<p><b>Financial Conditions:</b></p>  <ul style="list-style-type: none"> <li>• Fed pivot along with expectations of soft-landing in 2024 has led to loosening of financial conditions.</li> <li>• We continue to be focused on identifying pockets of stress within financial markets due to higher level of interest rates.</li> </ul>	<p><b>Consumer Spending (U.S.):</b></p>  <ul style="list-style-type: none"> <li>• With inflation moderating, consumer confidence has improved and retail sales have held up.</li> <li>• Moderating inflation, low unemployment rate and rising real personal income may keep consumer spending while student loan repayments is a headwind.</li> </ul>	<p><b>Labor Markets:</b></p>  <ul style="list-style-type: none"> <li>• Labor markets remain relatively strong but showing signs of softening as economy continues to slow.</li> <li>• Improving labor force participation bodes well for lower wage growth and inflation.</li> </ul>
<p><b>Corporate Fundamentals:</b></p>  <ul style="list-style-type: none"> <li>• Earnings growth expectations are improving while profit margins are stabilizing at pre-pandemic levels.</li> <li>• Falling interest rates from the recent highs along with continued but slower economic growth are tailwinds.</li> </ul>	<p><b>Valuations:</b></p>  <ul style="list-style-type: none"> <li>• International equities look attractive relative to historical valuations but continued economic uncertainty is leading to increased volatility.</li> <li>• Credit markets look attractive on the back of strong corporate fundamentals, but pockets of vulnerabilities could appear as rates remain high.</li> </ul>	<p><b>Political Risks:</b></p>  <ul style="list-style-type: none"> <li>• Geopolitical risks continue to remain elevated. Tensions between the U.S. and China, the war between Russia and Ukraine, the Israel and Hamas conflict, China's moves in South China Sea and Taiwan Strait further add to risks.</li> </ul>



Statements and opinions expressed about the next 6-12 months were developed based on our independent research with information obtained from Bloomberg. The views expressed within this material constitute the perspective and judgment of PFM Asset Management LLC at the time of distribution (December 31, 2023) and are subject to change. Information is obtained from sources generally believed to be reliable and available to the public; however, PFM Asset Management LLC cannot guarantee its accuracy, completeness, or suitability.

**OPEB Plan Performance Summary**

## Comparative Performance

	1 Quarter	Fiscal Year To Date	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception	Inception Date
<b>TOTAL FUND - Combined Assets</b>	<b>8.76</b>	<b>5.84</b>	<b>14.69</b>	<b>2.99</b>	<b>9.16</b>	<b>8.09</b>	<b>7.06</b>	<b>6.64</b>	<b>12/01/2007</b>
<i>Blended Benchmark</i>	<i>8.69</i>	<i>5.47</i>	<i>15.00</i>	<i>2.92</i>	<i>8.60</i>	<i>7.51</i>	<i>6.59</i>	<i>5.78</i>	<i>12/01/2007</i>

Returns are net of mutual fund fees.

Returns are expressed as percentages.

Blended Benchmark: See historical hybrid composition page for details.



## Asset Allocation &amp; Performance

	Allocation		Performance(%)										Exp Ratio
	Market Value (\$)	%	1 Quarter	Fiscal Year To Date	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception	Inception Date		
<b>TOTAL FUND - Investment Assets</b>	<b>121,641,830</b>	<b>100.00</b>	<b>8.80</b>	<b>5.76</b>	<b>14.60</b>	<b>3.07</b>	<b>9.23</b>	<b>8.11</b>	<b>7.09</b>	<b>6.63</b>	<b>12/01/2007</b>	<b>0.31</b>	
Blended Benchmark			8.69	5.47	15.00	2.92	8.60	7.51	6.59	5.78	12/01/2007	-	
<b>Domestic Equity</b>	<b>47,024,641</b>	<b>38.66</b>	<b>12.04</b>	<b>8.24</b>	<b>21.73</b>	<b>7.52</b>	<b>14.88</b>	<b>12.51</b>	<b>11.26</b>	<b>9.87</b>	<b>12/01/2007</b>	<b>0.05</b>	
<i>Russell 3000 Index</i>			12.07	8.43	25.96	8.54	15.16	12.81	11.48	9.58	12/01/2007	-	
Vanguard Total Stock Market ETF	44,707,667	36.75	12.16	8.48	26.02	8.45	15.07	12.77	11.44	19.49	04/01/2020	0.03	
<i>Russell 3000 Index</i>			12.07	8.43	25.96	8.54	15.16	12.81	11.48	19.56	04/01/2020	-	
Jensen Quality Growth Fund	2,316,974	1.90	9.68	5.56	16.91	8.43	14.36	13.82	12.22	11.94	04/01/2019	0.53	
<i>S&amp;P 500</i>			11.69	8.04	26.29	10.00	15.69	13.42	12.03	13.48	04/01/2019	-	
<b>International Equity</b>	<b>25,994,870</b>	<b>21.37</b>	<b>10.53</b>	<b>5.62</b>	<b>16.02</b>	<b>-1.85</b>	<b>7.06</b>	<b>6.66</b>	<b>4.45</b>	<b>2.78</b>	<b>12/01/2007</b>	<b>0.29</b>	
<i>MSCI AC World ex USA (Net)</i>			9.75	5.61	15.62	1.55	7.08	6.33	3.83	2.24	12/01/2007	-	
Vanguard Total International Stock ETF	14,103,175	11.59	9.97	5.56	15.56	1.81	7.39	6.55	4.12	12.43	04/01/2020	0.07	
<i>MSCI AC World ex USA (Net)</i>			9.75	5.61	15.62	1.55	7.08	6.33	3.83	11.65	04/01/2020	-	
J. O. Hambro International Select	1,828,373	1.50	10.61	4.03	18.12	-4.45	6.14	6.15	4.91	6.03	01/01/2016	0.98	
<i>MSCI AC World ex USA (Net)</i>			9.75	5.61	15.62	1.55	7.08	6.33	3.83	6.10	01/01/2016	-	
Harding Loevner International Equity	1,783,799	1.47	12.14	3.60	15.06	-0.14	8.46	7.67	5.51	6.74	07/01/2020	0.79	
<i>MSCI AC World ex USA (Net)</i>			9.75	5.61	15.62	1.55	7.08	6.33	3.83	7.83	07/01/2020	-	
Goldman Sachs GQG Ptnrs Intl Opportunities	1,972,380	1.62	12.53	10.57	22.15	6.90	12.54	12.17	N/A	9.97	09/01/2023	0.77	
<i>MSCI AC World ex USA (Net)</i>			9.75	5.61	15.62	1.55	7.08	6.33	3.83	6.29	09/01/2023	-	
Vanguard FTSE Developed Markets ETF	2,556,184	2.10	11.17	5.96	17.77	3.59	8.40	7.12	4.55	3.47	03/01/2022	0.05	
<i>MSCI EAFE (net)</i>			10.42	5.88	18.24	4.02	8.16	6.91	4.28	4.39	03/01/2022	-	
Vanguard FTSE All-World ex-US Small-Cap ETF	1,261,074	1.04	10.43	6.71	15.25	0.80	6.90	5.79	3.95	5.75	09/01/2023	0.07	
<i>MSCI AC World ex USA Small Cap (Net)</i>			10.12	8.25	15.66	1.49	7.89	6.70	4.88	5.97	09/01/2023	-	
Hartford Schrodgers Emerging Markets Equity	1,187,252	0.98	8.24	1.72	8.98	-6.91	4.09	5.53	N/A	0.05	03/01/2018	1.06	
<i>MSCI EM (net)</i>			7.86	4.71	9.83	-5.08	3.68	4.98	2.66	-0.16	03/01/2018	-	
iShares MSCI Emerging Markets ex China ETF	1,302,634	1.07	12.34	7.94	18.71	1.34	6.31	N/A	N/A	9.48	09/01/2023	0.25	
<i>MSCI EM (net)</i>			7.86	4.71	9.83	-5.08	3.68	4.98	2.66	5.04	09/01/2023	-	
<b>Fixed Income</b>	<b>33,886,522</b>	<b>27.86</b>	<b>6.96</b>	<b>4.18</b>	<b>7.07</b>	<b>-2.64</b>	<b>1.74</b>	<b>1.80</b>	<b>2.18</b>	<b>3.90</b>	<b>12/01/2007</b>	<b>0.29</b>	
<i>Blmbg. U.S. Aggregate</i>			6.82	3.37	5.53	-3.31	1.10	1.29	1.81	2.84	12/01/2007	-	
Baird Core Plus	8,948,143	7.36	7.12	4.20	6.89	-2.67	2.01	2.01	2.54	2.29	05/01/2014	0.30	
<i>Blmbg. U.S. Aggregate</i>			6.82	3.37	5.53	-3.31	1.10	1.29	1.81	1.59	05/01/2014	-	
DoubleLine Core Fixed Income	3,926,824	3.23	6.50	3.38	6.43	-2.55	1.08	1.43	2.14	0.86	09/01/2017	0.48	
PGIM Total Return Bond Fund	7,269,025	5.98	7.16	4.46	7.78	-3.20	1.73	2.09	2.66	1.39	09/01/2017	0.39	
<i>Blmbg. U.S. Aggregate</i>			6.82	3.37	5.53	-3.31	1.10	1.29	1.81	0.86	09/01/2017	-	
Voya Intermediate Bond	3,974,381	3.27	7.12	4.27	7.07	-3.10	1.62	1.80	2.42	-0.38	01/01/2020	0.30	
<i>Blmbg. U.S. Aggregate</i>			6.82	3.37	5.53	-3.31	1.10	1.29	1.81	-0.72	01/01/2020	-	
iShares Core US Aggregate Bond ETF	6,502,066	5.35	6.69	3.25	5.59	-3.36	1.06	1.25	1.77	2.26	02/01/2023	0.03	
<i>Blmbg. U.S. Aggregate</i>			6.82	3.37	5.53	-3.31	1.10	1.29	1.81	2.38	02/01/2023	-	

Returns are net of mutual fund fees and are expressed as percentages.

Asset class level returns may vary from individual underlying manager returns due to cash flows.

Blended Benchmark: See historical hybrid composition page for details.

## Asset Allocation &amp; Performance

	Allocation		Performance(%)										Exp Ratio
	Market Value (\$)	%	1 Quarter	Fiscal Year To Date	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception	Inception Date		
iShares Intermediate-Term Corporate Bond ETF	1,704,560	1.40	8.10	5.43	9.17	-2.64	2.96	2.53	2.56	0.57	10/01/2019	0.04	
<i>ICE BofA U.S. Corporate 5-10 Year Index</i>			8.06	5.41	8.83	-2.68	2.99	2.72	3.29	0.62	10/01/2019	-	
BBH Limited Duration	273	0.00	2.74	4.52	7.64	2.57	3.01	2.80	2.36	6.22	02/01/2023	0.27	
<i>Blmbg. U.S. Treasury: 1-3 Year</i>			2.56	3.28	4.29	-0.10	1.28	1.20	1.04	3.53	02/01/2023	-	
MainStay MacKay High Yield Corp Bond Fund	1,561,249	1.28	5.82	6.37	11.97	2.83	5.29	4.53	4.72	2.19	06/01/2021	0.57	
<i>ICE BofA High Yield Master II</i>			7.06	7.63	13.46	2.00	5.21	4.43	4.51	1.43	06/01/2021	-	
<b>Private Equity</b>	<b>5,065,824</b>	<b>4.16</b>	<b>0.00</b>	<b>0.73</b>	<b>7.26</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>19.83</b>	<b>10/01/2021</b>	<b>1.16</b>	
<i>CA US Private Equity Index**</i>			0.00	0.58	6.14	12.39	14.87	14.63	13.25	3.02	10/01/2021	-	
HarbourVest Partners - Dover Street X*	1,314,712	1.08	0.00	-1.63	2.66	24.04	N/A	N/A	N/A	38.70	11/01/2020	1.25	
<i>CA US Private Equity Index**</i>			0.00	0.58	6.14	12.39	14.87	14.63	13.25	15.84	11/01/2020	-	
NB Secondary Opportunities Fund V Offshore*	2,863,968	2.35	0.00	3.02	21.64	N/A	N/A	N/A	N/A	32.13	03/01/2022	1.25	
<i>CA US Private Equity Index**</i>			0.00	0.58	6.14	12.39	14.87	14.63	13.25	0.63	03/01/2022	-	
HighVista Venture Partners XIII Offshore*	887,144	0.73	0.00	-2.66	N/A	N/A	N/A	N/A	N/A	0.38	04/01/2023	0.75	
<i>CA US Private Equity Index**</i>			0.00	0.58	6.14	12.39	14.87	14.63	13.25	3.36	04/01/2023	-	
<b>Private Debt</b>	<b>6,964,428</b>	<b>5.73</b>	<b>0.00</b>	<b>3.20</b>	<b>9.34</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>8.41</b>	<b>10/01/2021</b>	<b>1.33</b>	
<i>Cliffwater Direct Lending Index**</i>			0.00	3.17	8.92	9.30	8.46	8.43	8.53	7.83	10/01/2021	-	
Golub Capital Partners Int'l XII*	2,529,000	2.08	0.00	3.54	9.62	N/A	N/A	N/A	N/A	10.00	02/01/2021	1.00	
<i>Cliffwater Direct Lending Index**</i>			0.00	3.17	8.92	9.30	8.46	8.43	8.53	9.58	02/01/2021	-	
Golub Capital Partners Int'l XIV*	1,800,000	1.48	0.00	3.46	N/A	N/A	N/A	N/A	N/A	6.76	04/01/2023	1.00	
<i>Cliffwater Direct Lending Index**</i>			0.00	3.17	8.92	9.30	8.46	8.43	8.53	6.06	04/01/2023	-	
Strategic Value Special Sits V Offshore*	1,271,073	1.04	0.00	3.80	12.96	N/A	N/A	N/A	N/A	8.17	06/01/2021	1.75	
<i>Cliffwater Direct Lending Index**</i>			0.00	3.17	8.92	9.30	8.46	8.43	8.53	9.52	06/01/2021	-	
ATEL Private Debt Partners II*	1,364,355	1.12	0.00	1.62	4.96	N/A	N/A	N/A	N/A	5.93	10/01/2021	2.00	
<i>Cliffwater Direct Lending Index**</i>			0.00	3.17	8.92	9.30	8.46	8.43	8.53	7.83	10/01/2021	-	
<b>Real Asset</b>	<b>1,750,482</b>	<b>1.44</b>	<b>0.00</b>	<b>-2.52</b>	<b>-4.58</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>2.19</b>	<b>10/01/2021</b>	<b>1.39</b>	
<i>NCREIF Fund Index-Open End Diversified Core Equity</i>			-4.83	-6.64	-12.02	4.92	4.25	5.30	7.29	0.92	10/01/2021	-	
Equus Fund X*	804,140	0.66	0.00	0.64	-1.35	8.74	10.55	10.48	N/A	10.76	04/01/2016	1.25	
<i>NCREIF Fund Index-Open End Diversified Core Equity</i>			-4.83	-6.64	-12.02	4.92	4.25	5.30	7.29	5.62	04/01/2016	-	
<i>NCREIF Property Index</i>			-3.02	-4.35	-7.94	4.57	4.33	5.04	6.80	5.29	04/01/2016	-	
LEM Multifamily Fund V*	946,342	0.78	0.00	-6.29	-8.51	10.24	N/A	N/A	N/A	11.39	04/01/2020	1.50	
<i>NCREIF Fund Index-Open End Diversified Core Equity</i>			-4.83	-6.64	-12.02	4.92	4.25	5.30	7.29	3.98	04/01/2020	-	
<i>NCREIF Property Index</i>			-3.02	-4.35	-7.94	4.57	4.33	5.04	6.80	3.88	04/01/2020	-	

Returns are net of mutual fund fees and are expressed as percentages.

Asset class level returns may vary from individual underlying manager returns due to cash flows.

Blended Benchmark: See historical hybrid composition page for details.

## Asset Allocation &amp; Performance

	Allocation		Performance(%)									Exp Ratio
	Market Value (\$)	%	1 Quarter	Fiscal Year To Date	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception	Inception Date	
<b>Cash Equivalent</b>												
First American Government Obligation	955,064	0.79	1.32	2.64	4.96	2.14	1.77	1.62	1.15	1.41	01/01/2004	0.18

\* At any point in time the valuation for private equity and other illiquid asset classes may be different from market prices due to an inherent lag effect in the industry. The reporting lag inherent in this process means that there can be a valuation lag of a quarter or, in some cases, even longer. For such illiquid asset classes shown herein, performance is calculated for the relevant period(s) using a roll-forward valuation approach whereby the last reported valuation is adjusted for cash flows to provide an initial estimated valuation, typically resulting in a zero return for the lagging period. Performance is adjusted and finalized when the updated valuation is reported. Returns are gross of management fees. The roll-forward valuation methodology described is consistent with guidance provided within the CFA Institute's Global Investment Performance Standards (GIPS). Performance is calculated using the Modified-Dietz time weighted methodology to maintain consistency with the other returns in this exhibit. For since inception IRR performance, please refer to the fund-specific overview page.

\*\*Performance information for Cambridge and Cliffwater indexes lag by 1 quarter. As a result, performance of zero used during those lagging periods.

Returns are net of mutual fund fees and are expressed as percentages.  
 Asset class level returns may vary from individual underlying manager returns due to cash flows.  
 Blended Benchmark: See historical hybrid composition page for details.

## Comparative Performance

	2023	2022	2021	2020	2019	2018	2017
<b>TOTAL FUND - Investment Assets</b>	<b>14.60</b>	<b>-15.92</b>	<b>13.64</b>	<b>17.29</b>	<b>21.07</b>	<b>-4.81</b>	<b>16.58</b>
<i>Blended Benchmark</i>	16.25	-16.02	11.59	14.56	20.95	-5.31	16.02
<b>Domestic Equity</b>	<b>21.73</b>	<b>-18.66</b>	<b>25.53</b>	<b>24.03</b>	<b>29.80</b>	<b>-5.48</b>	<b>20.67</b>
<i>Russell 3000 Index</i>	25.96	-19.21	25.66	20.89	31.02	-5.24	21.13
Vanguard Total Stock Market ETF	26.02	-19.50	25.72	20.95	30.80	-5.13	21.16
<i>Russell 3000 Index</i>	25.96	-19.21	25.66	20.89	31.02	-5.24	21.13
Jensen Quality Growth Fund	16.91	-16.34	30.33	18.62	29.34	2.44	23.56
<i>S&amp;P 500</i>	26.29	-18.11	28.71	18.40	31.49	-4.38	21.83
<b>International Equity</b>	<b>16.02</b>	<b>-23.92</b>	<b>7.14</b>	<b>22.66</b>	<b>21.27</b>	<b>-12.67</b>	<b>27.83</b>
<i>MSCI AC World ex USA (Net)</i>	15.62	-16.00	7.82	10.65	21.51	-14.20	27.19
Vanguard Total International Stock ETF	15.56	-15.99	8.69	11.32	21.58	-14.42	27.52
J. O. Hambro International Select	18.12	-32.38	9.21	29.71	19.04	-8.27	22.89
Harding Loevner International Equity	15.06	-20.23	8.51	20.33	25.23	-13.96	29.90
Goldman Sachs GQG Ptnrs Intl Opportunities	22.15	-11.10	12.49	15.77	27.64	-6.04	31.76
<i>MSCI AC World ex USA (Net)</i>	15.62	-16.00	7.82	10.65	21.51	-14.20	27.19
Vanguard FTSE All-World ex-US Small-Cap ETF	15.25	-21.22	12.81	11.95	21.73	-18.43	30.28
<i>MSCI AC World ex USA Small Cap (Net)</i>	15.66	-19.97	12.93	14.24	22.42	-18.20	31.65
Vanguard FTSE Developed Markets ETF	17.77	-15.35	11.49	10.29	22.08	-14.47	26.44
<i>MSCI EAFE (net)</i>	18.24	-14.45	11.26	7.82	22.01	-13.79	25.03
Hartford Schroders Emerging Markets Equity	8.98	-22.10	-4.97	23.80	22.36	-15.45	41.09
iShares MSCI Emerging Markets ex China ETF	18.71	-19.32	8.67	12.81	15.65	-12.73	N/A
<i>MSCI EM (net)</i>	9.83	-20.09	-2.54	18.31	18.42	-14.57	37.28
<b>Fixed Income</b>	<b>7.07</b>	<b>-12.98</b>	<b>-0.94</b>	<b>7.38</b>	<b>9.98</b>	<b>-0.62</b>	<b>4.59</b>
<i>Blmbg. U.S. Aggregate</i>	5.53	-13.01	-1.55	7.51	8.72	0.01	3.54
Baird Core Plus	6.89	-12.87	-1.02	8.80	10.11	-0.51	4.65
DoubleLine Core Fixed Income	6.43	-12.76	-0.34	5.60	7.99	-0.02	4.66
PGIM Total Return Bond Fund	7.78	-14.86	-1.15	8.10	11.14	-0.63	6.71
Voya Intermediate Bond	7.07	-14.16	-0.99	8.22	10.06	-0.25	4.84
iShares Core US Aggregate Bond ETF	5.59	-13.06	-1.67	7.42	8.68	-0.05	3.53
<i>Blmbg. U.S. Aggregate</i>	5.53	-13.01	-1.55	7.51	8.72	0.01	3.54
iShares Intermediate-Term Corporate Bond ETF	9.17	-14.06	-1.65	9.62	14.37	-0.52	3.50
<i>ICE BofA U.S. Corporate 5-10 Year Index</i>	8.83	-14.10	-1.40	9.95	14.31	-1.67	5.90
BBH Limited Duration	7.64	-0.92	1.18	3.01	4.34	2.07	2.51
<i>Blmbg. U.S. Treasury: 1-3 Year</i>	4.29	-3.82	-0.60	3.16	3.59	1.56	0.42

Returns are net of mutual fund fees and are expressed as percentages.

Asset class level returns may vary from individual underlying manager returns due to cash flows.

Blended Benchmark: See historical hybrid composition page for details.

## Comparative Performance

	2023	2022	2021	2020	2019	2018	2017
MainStay MacKay High Yield Corp Bond Fund	11.97	-7.81	5.35	5.28	13.03	-1.34	6.79
ICE BofA High Yield Master II	13.46	-11.22	5.36	6.17	14.41	-2.27	7.48
<b>Private Equity</b>	<b>7.26</b>	<b>14.08</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
HarbourVest Partners - Dover Street X*	2.66	6.88	73.94	N/A	N/A	N/A	N/A
NB Secondary Opportunities Fund V Offshore*	21.64	N/A	N/A	N/A	N/A	N/A	N/A
HighVista Venture Partners XIII Offshore*	N/A	N/A	N/A	N/A	N/A	N/A	N/A
CA US Private Equity Index**	6.14	-4.69	40.33	23.74	13.88	10.19	18.01
<b>Private Debt</b>	<b>9.34</b>	<b>7.34</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
Golub Capital Partners Int'l XII*	9.62	7.16	N/A	N/A	N/A	N/A	N/A
Golub Capital Partners Int'l XIV*	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Strategic Value Special Sits V Offshore*	12.96	8.45	N/A	N/A	N/A	N/A	N/A
ATEL Private Debt Partners II*	4.96	6.92	N/A	N/A	N/A	N/A	N/A
Cliffwater Direct Lending Index**	8.92	6.30	12.79	5.46	9.00	8.07	8.62
<b>Real Asset</b>	<b>-4.58</b>	<b>1.42</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
Equus Fund X*	-1.35	1.17	28.82	6.48	20.59	12.79	7.87
LEM Multifamily Fund V*	-8.51	-0.71	47.47	N/A	N/A	N/A	N/A
NCREIF Fund Index-Open End Diversified Core Equity	-12.02	7.47	22.17	1.19	5.34	8.35	7.62
NCREIF Property Index	-7.94	5.52	17.70	1.60	6.42	6.72	6.96

\* At any point in time the valuation for private equity and other illiquid asset classes may be different from market prices due to an inherent lag effect in the industry. The reporting lag inherent in this process means that there can be a valuation lag of a quarter or, in some cases, even longer. For such illiquid asset classes shown herein, performance is calculated for the relevant period(s) using a roll-forward valuation approach whereby the last reported valuation is adjusted for cash flows to provide an initial estimated valuation, typically resulting in a zero return for the lagging period. Performance is adjusted and finalized when the updated valuation is reported. Returns are gross of management fees. The roll-forward valuation methodology described is consistent with guidance provided within the CFA Institute's Global Investment Performance Standards (GIPS). Performance is calculated using the Modified-Dietz time weighted methodology to maintain consistency with the other returns in this exhibit. For since inception IRR performance, please refer to the fund-specific overview page.

\*\*Performance information for Cambridge and Cliffwater indexes lag by 1 quarter. As a result, performance of zero used during those lagging periods.

Returns are net of mutual fund fees and are expressed as percentages.

Asset class level returns may vary from individual underlying manager returns due to cash flows.

Blended Benchmark: See historical hybrid composition page for details.

## Account Reconciliation

QTR	Market Value As of 10/01/2023	Net Transfers	Contributions	Distributions	Return On Investment	Market Value As of 12/31/2023
TOTAL FUND - Investment Assets	112,262,386	-	-	(500,000)	9,879,444	121,641,830
TOTAL FUND - Liquidity Assets	2,212,796	-	500,000	(2,141,989)	16,552	587,359
<b>Combined OPEB Trust Assets</b>	<b>114,475,182</b>	<b>-</b>	<b>500,000</b>	<b>(2,641,989)</b>	<b>9,895,997</b>	<b>122,229,189</b>

YTD	Market Value As of 01/01/2023	Net Transfers	Contributions	Distributions	Return On Investment	Market Value As of 12/31/2023
TOTAL FUND - Investment Assets	108,499,243	(2,000,000)	-	(542,207)	15,684,794	121,641,830
TOTAL FUND - Liquidity Assets	571,698	2,000,000	8,802,133	(10,882,692)	96,220	587,359
<b>Combined OPEB Trust Assets</b>	<b>109,070,940</b>	<b>-</b>	<b>8,802,133</b>	<b>(11,424,899)</b>	<b>15,781,015</b>	<b>122,229,189</b>

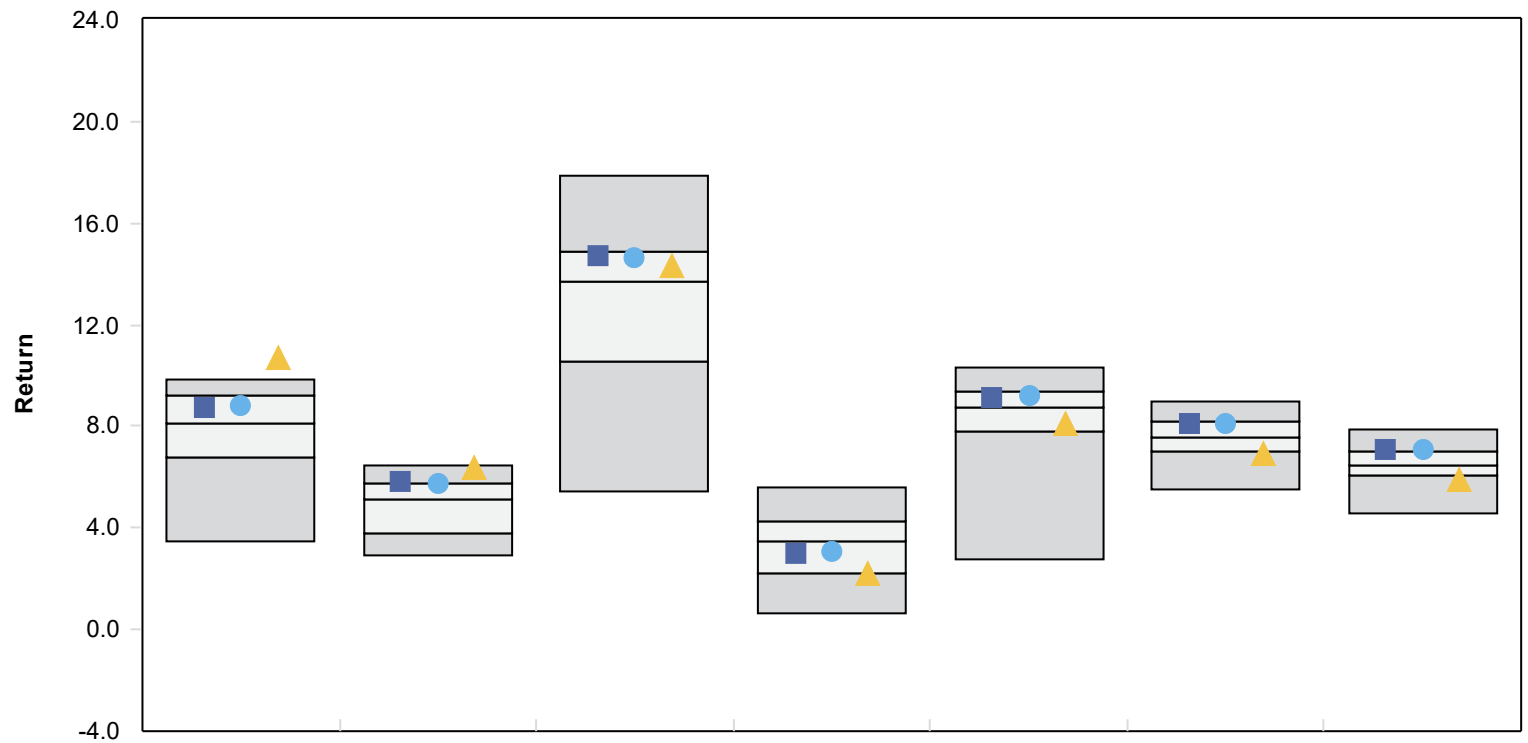
Fiscal YTD	Market Value As of 07/01/2023	Net Transfers	Contributions	Distributions	Return On Investment	Market Value As of 12/31/2023
TOTAL FUND - Investment Assets	115,498,236	-	-	(500,000)	6,643,593	121,641,830
TOTAL FUND - Liquidity Assets	786,253	-	4,665,676	(4,914,168)	49,598	587,359
<b>Combined OPEB Trust Assets</b>	<b>116,284,489</b>	<b>-</b>	<b>4,665,676</b>	<b>(5,414,168)</b>	<b>6,693,192</b>	<b>122,229,189</b>

1 Year	Market Value As of 01/01/2023	Net Transfers	Contributions	Distributions	Return On Investment	Market Value As of 12/31/2023
TOTAL FUND - Investment Assets	108,499,243	(2,000,000)	-	(542,207)	15,684,794	121,641,830
TOTAL FUND - Liquidity Assets	571,698	2,000,000	8,802,133	(10,882,692)	96,220	587,359
<b>Combined OPEB Trust Assets</b>	<b>109,070,940</b>	<b>-</b>	<b>8,802,133</b>	<b>(11,424,899)</b>	<b>15,781,015</b>	<b>122,229,189</b>

Advisor fees are reflected in the distributions figure but do not necessarily reflect fees that were billed for that period.  
Advisor fees for Qtr = \$32,985.01; Advisor fees for YTD = \$199,128.29; Advisor fees for 1 Yr = \$199,128.29.

Peer Group Analysis

All Public Plans > \$75M and < \$150M



	1 Quarter	Fiscal Year To Date	1 Year	3 Years	5 Years	7 Years	10 Years
■ TOTAL FUND - Combined Assets	8.76 (36)	5.84 (24)	14.69 (27)	2.99 (59)	9.16 (35)	8.09 (29)	7.06 (25)
● TOTAL FUND - Investment Assets	8.80 (32)	5.76 (25)	14.60 (28)	3.07 (58)	9.23 (28)	8.11 (28)	7.09 (24)
▲ CalPERS CERBT Fund	10.69 (1)	6.38 (8)	14.29 (36)	2.23 (76)	8.08 (71)	6.97 (76)	5.91 (80)
5th Percentile	9.88	6.47	17.86	5.60	10.31	8.98	7.85
1st Quartile	9.17	5.76	14.86	4.23	9.34	8.20	7.04
Median	8.15	5.09	13.68	3.46	8.71	7.58	6.50
3rd Quartile	6.81	3.80	10.53	2.25	7.77	6.98	6.05
95th Percentile	3.46	2.96	5.44	0.64	2.79	5.55	4.58
Population	47	45	44	40	40	38	35

Parentheses contain percentile rankings. Returns are expressed as percentages.  
 Calculation based on quarterly periodicity.  
 GGB returns are net of investment management fees but gross of advisor fees.  
 CalPERS CERBT returns are gross of fees -- performance information obtained from CalPERS' website.

**Golden Gate Bridge - Investment Assets**

**As of December 31, 2023**

**Peer Group Analysis**

All Public Plans > \$75M and < \$150M

	<b>1</b>	<b>2023</b>	<b>Fiscal Year</b>	<b>3</b>	<b>5</b>	<b>7</b>	<b>10</b>	<b>Since</b>								
	<b>Quarter</b>		<b>To Date</b>	<b>Years</b>	<b>Years</b>	<b>Years</b>	<b>Years</b>	<b>Inception</b>					<b>(12/1/07)</b>			
TOTAL FUND - Combined Assets	8.76	(36)	14.69	(27)	5.84	(24)	2.99	(59)	9.16	(35)	8.09	(29)	7.06	(25)	6.64	(16)
TOTAL FUND - Investment Assets	8.80	(32)	14.60	(28)	5.76	(25)	3.07	(58)	9.23	(28)	8.11	(28)	7.09	(24)	6.63	(16)
CalPERS CERBT Fund	10.69	(1)	14.29	(36)	6.38	(8)	2.23	(76)	8.08	(71)	6.97	(76)	5.91	(80)	N/A	
5th Percentile	9.88		17.86		6.47		5.60		10.31		8.98		7.85		6.99	
1st Quartile	9.17		14.86		5.76		4.23		9.34		8.20		7.04		6.46	
Median	8.15		13.68		5.09		3.46		8.71		7.58		6.50		6.09	
3rd Quartile	6.81		10.53		3.80		2.25		7.77		6.98		6.05		5.32	
95th Percentile	3.46		5.44		2.96		0.64		2.79		5.55		4.58		4.63	
Population	47.00		44.00		45.00		40.00		40.00		38.00		35.00		26.00	

Parentheses contain percentile rankings.

Returns are expressed as percentages.

Calculation based on quarterly periodicity.

GGB Returns are net of investment management fees but gross of advisor fees.

CalPERS CERBT returns are gross of fees -- performance information obtained from CalPERS' website.



## Historical Hybrid Composition - Blended Benchmark

Allocation Mandate	Weight (%)
<b>Oct-2022</b>	
Russell 3000 Index	38.9
MSCI AC World ex USA (Net)	21.3
Blmbg. U.S. Aggregate	30.3
CA US Private Equity Index	3.2
Cliffwater Direct Lending Index	3.2
NCREIF Fund Index-Open End Diversified Core Equity	3.2
<b>Oct-2021</b>	
Russell 3000 Index	40.1
MSCI AC World ex USA (Net)	22.0
Blmbg. U.S. Aggregate	32.0
CA US Private Equity Index	2.0
Cliffwater Direct Lending Index	2.0
NCREIF Fund Index-Open End Diversified Core Equity	2.0
<b>Apr-2014</b>	
Russell 3000 Index	42.0
MSCI AC World ex USA (Net)	23.0
Blmbg. U.S. Aggregate	35.0
<b>Jan-2011</b>	
Russell 3000 Index	36.0
MSCI AC World ex USA (Net)	23.0
FTSE NAREIT Equity REIT Index	6.0
Blmbg. U.S. Aggregate	35.0
<b>Sep-2008</b>	
Russell 3000 Index	36.0
MSCI EAFE (net)	23.0
FTSE NAREIT Equity REIT Index	6.0
Blmbg. U.S. Aggregate	35.0

Allocation Mandate	Weight (%)
<b>Dec-2007</b>	
Russell 3000 Index	42.0
MSCI EAFE (net)	19.0
FTSE NAREIT Equity REIT Index	6.0
Blmbg. U.S. Aggregate	33.0

**Compliance Certificate**

The investment portfolio is in compliance  
with the District OPEB Trust's Investment Policy and Trust Agreement

<b>Asset Class</b>	<b>Current Weight</b>	<b>Target</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Within Range?</b>
<b>GROWTH</b>					
Domestic Equity	38.7%	36.0%	26.0%	- 46.0%	Yes
International Equity	21.4%	19.0%	9.0%	- 29.0%	Yes
Other	0.0%	0.0%	0.0%	- 10.0%	Yes
<b>INCOME</b>					
Fixed Income	27.9%	25.0%	5.0%	- 45.0%	Yes
Other	0.0%	0.0%	0.0%	- 10.0%	Yes
<b>Alternatives</b>					
Private Equity	4.2%	6.7%	0.0%	- 10.0%	Yes
Private Debt	5.7%	6.7%	0.0%	- 10.0%	Yes
Real Assets	1.4%	6.6%	0.0%	- 10.0%	Yes
Cash	0.8%	0.0%	0.0%	- 20.0%	Yes

# **Investment Manager Review**

Domestic Equity vs. Russell 3000 Index

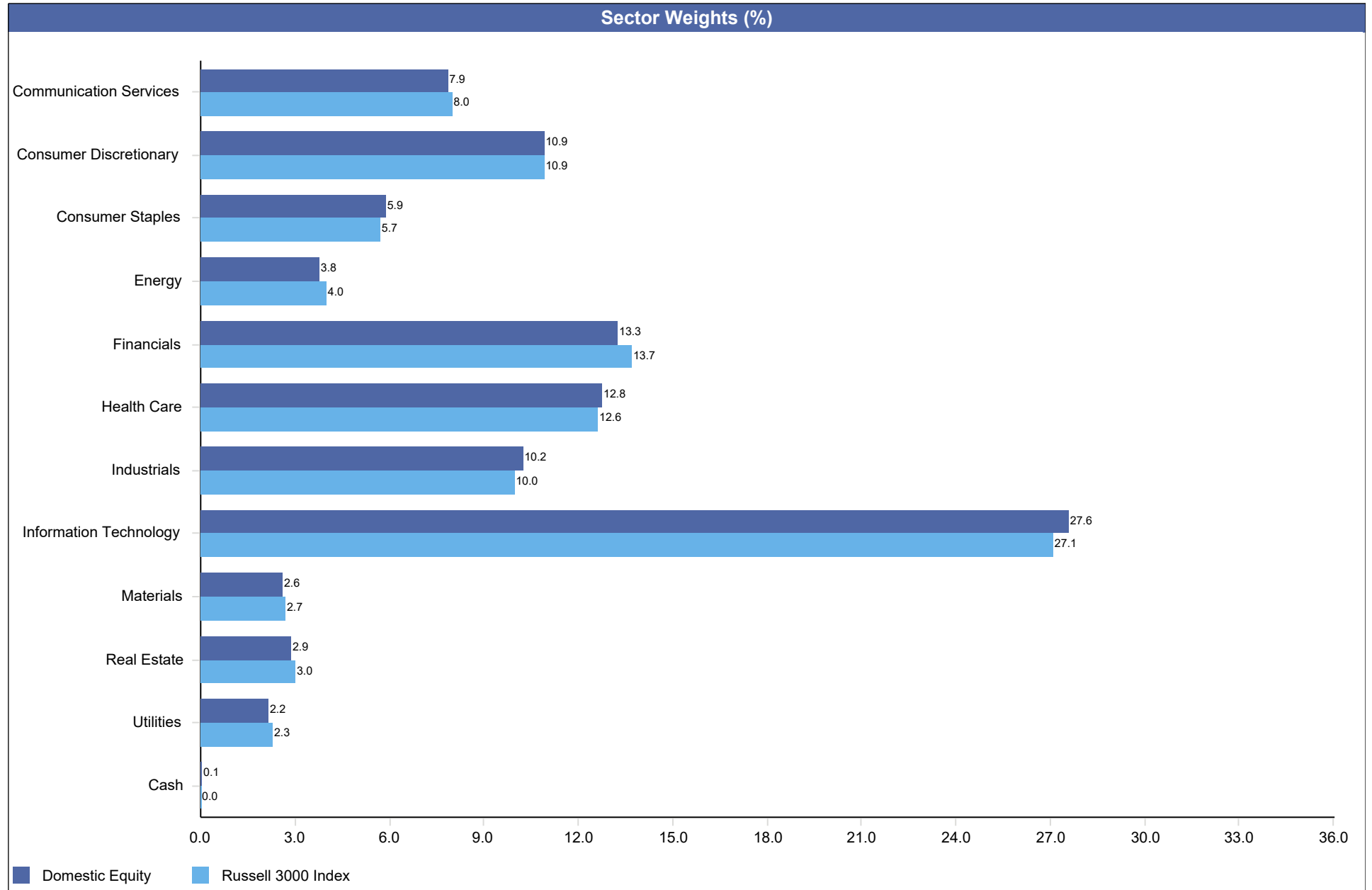
Portfolio Characteristics		
	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap (\$M)	620,159	618,101
Median Mkt. Cap (\$M)	1,119	2,175
Price/Earnings ratio	23.19	22.80
Price/Book ratio	4.27	4.14
5 Yr. EPS Growth Rate (%)	16.55	16.63
Current Yield (%)	1.47	1.47
Beta (5 Years, Monthly)	0.99	1.00
Number of Stocks	3,710	2,976

Top Ten Equity Holdings				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Apple Inc	6.12	6.12	0.00	12.60
Microsoft Corp	6.09	6.03	0.06	19.34
Amazon.com Inc	2.90	2.95	-0.05	19.52
NVIDIA Corporation	2.38	2.53	-0.15	13.86
Alphabet Inc	2.03	1.79	0.24	6.75
Meta Platforms Inc	1.61	1.69	-0.08	17.90
Alphabet Inc	1.41	1.52	-0.11	6.89
Tesla Inc	1.38	1.48	-0.10	-0.70
Berkshire Hathaway Inc	1.30	1.41	-0.11	1.82
UnitedHealth Group Incorporated	1.28	1.05	0.23	4.78
% of Portfolio	26.50	26.57	-0.07	

Ten Best Performers				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Direct Digital Holdings Inc	0.00	0.00	0.00	481.25
SilverSun Technologies Inc	0.00	0.00	0.00	421.65
Nkarta Inc	0.00	0.00	0.00	374.82
Shattuck Labs Inc	0.00	0.00	0.00	369.08
Myomo Inc	0.00	0.00	0.00	351.35
Altimmune Inc	0.00	0.00	0.00	332.69
Porch Group Inc	0.00	0.00	0.00	283.75
Tourmaline Bio Inc	0.00	0.00	0.00	245.99
Ekso Bionics Holdings Inc	0.00	0.00	0.00	241.06
Sera Prognostics Inc	0.00	0.00	0.00	221.50
% of Portfolio	0.00	0.00	0.00	

Ten Worst Performers				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Ventyx Biosciences Inc	0.00	0.00	0.00	-92.89
Enviva Inc	0.00	0.00	0.00	-86.67
Aclaris Therapeutics Inc	0.00	0.00	0.00	-84.67
Faraday Future Intelligent Electric Inc	0.00	0.00	0.00	-82.64
22nd Century Group Inc	0.00	0.00	0.00	-80.96
Reneo Pharmaceuticals Inc	0.00	0.00	0.00	-78.99
Sientra Inc	0.00	0.00	0.00	-78.06
Charge Enterprises Inc	0.00	0.00	0.00	-77.05
Cano Health Inc	0.00	0.00	0.00	-76.85
CareMax Inc	0.00	0.00	0.00	-76.50
% of Portfolio	0.00	0.00	0.00	

Domestic Equity vs. Russell 3000 Index



### ● Vanguard Total Stock Market Index

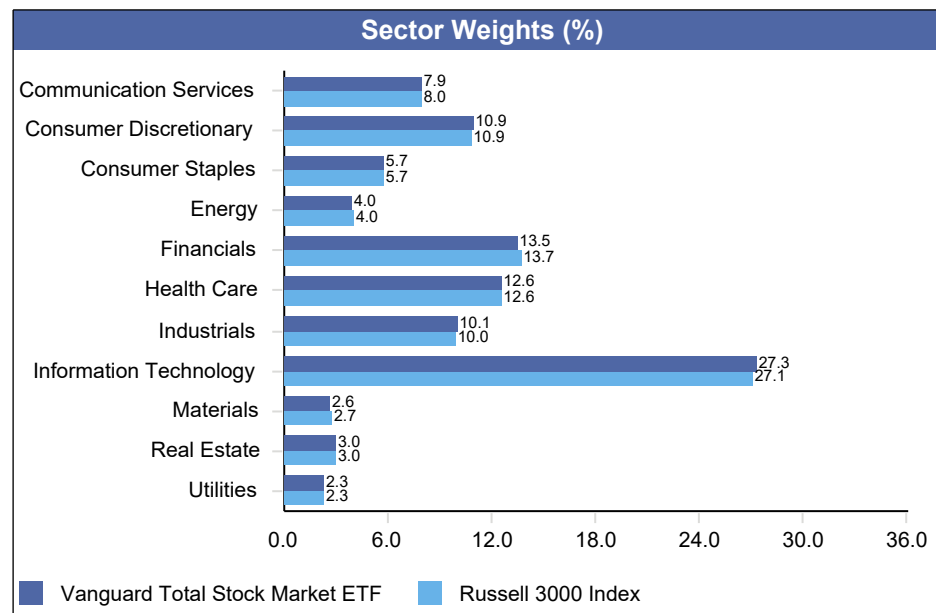
- **Management:** Gerard C. O'Reilly has managed the Fund since its inception in 1994. Walter Nejman has been co-portfolio manager for the fund since 2016. Michelle Louie was added as a co-portfolio manager in 2023. They have been in the investment management industry since 1992, 2008, and 2011, respectively.
- **Objective:** The Fund seeks to track the performance of a benchmark index that measures the investment return of the overall stock market.
- **Strategy:** The Fund employs a “passive management” – or indexing – investment approach designed to track the performance and characteristics of the CRSP US Total Market Index. These key characteristics include industry weightings and market capitalization, as well as certain financial measures, such as price/earnings ratio and dividend yield.

### ● Jensen Quality Growth Fund

- **Management:** The fund is managed by an investment committee comprised of Eric Shoenstein, Rob McIver, Allen Bond, Kurt Havnaer, Kevin Walkush, and Adam Calamar. All members of the investment committee have been working together for over 10 years.
- **Objective:** The Fund seeks outperformance relative to the S&P 500 through a concentrated, fundamental, bottom-up portfolio.
- **Strategy:** The team invests in companies that have strong competitive advantages, high quality balance sheets, and are trading at a discount to the team's assessment of fair value. The key characteristic within the strategy is the initial screen. The team screens for companies that are able to generate ROE of greater than 15% for each of the last 10 years.

Vanguard Total Stock Market ETF vs. Russell 3000 Index

Portfolio Characteristics		
	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap (\$M)	619,475	618,101
Median Mkt. Cap (\$M)	1,119	2,175
Price/Earnings ratio	22.89	22.80
Price/Book ratio	4.16	4.14
5 Yr. EPS Growth Rate (%)	16.58	16.63
Current Yield (%)	1.47	1.47
Number of Stocks	3,709	2,976



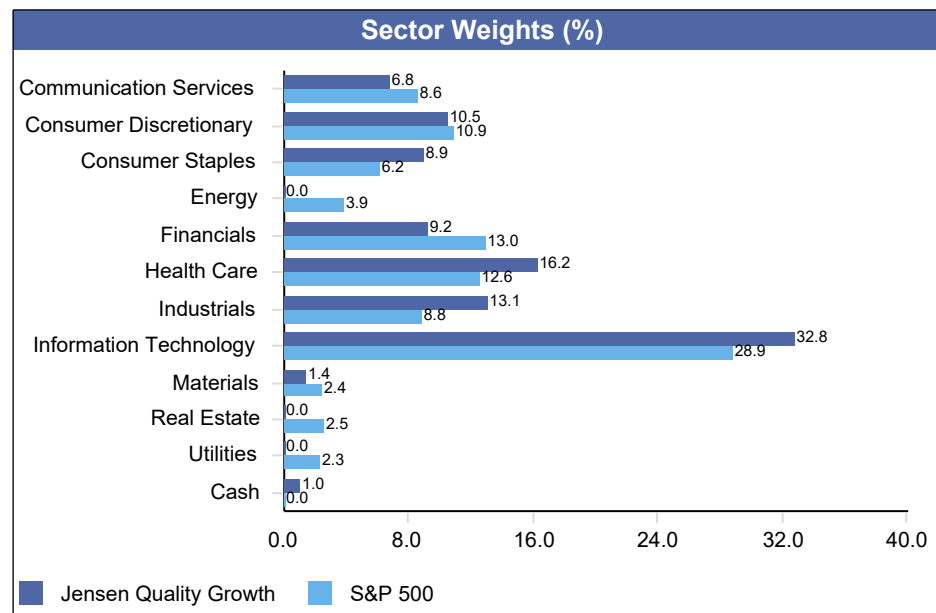
Top Ten Holdings				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Apple Inc	6.14	6.12	0.02	12.60
Microsoft Corp	6.03	6.03	0.00	19.34
Amazon.com Inc	3.05	2.95	0.10	19.52
NVIDIA Corporation	2.51	2.53	-0.02	13.86
Alphabet Inc	1.78	1.79	-0.01	6.75
Meta Platforms Inc	1.70	1.69	0.01	17.90
Alphabet Inc	1.48	1.52	-0.04	6.89
Tesla Inc	1.45	1.48	-0.03	-0.70
Berkshire Hathaway Inc	1.37	1.41	-0.04	1.82
Eli Lilly and Co	1.08	1.06	0.02	8.73
% of Portfolio	26.59	26.58	0.01	

Ten Best Performers				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Direct Digital Holdings Inc	0.00	0.00	0.00	481.25
SilverSun Technologies Inc	0.00	0.00	0.00	421.65
Nkarta Inc	0.00	0.00	0.00	374.82
Shattuck Labs Inc	0.00	0.00	0.00	369.08
Myomo Inc	0.00	0.00	0.00	351.35
Altimmune Inc	0.00	0.00	0.00	332.69
Porch Group Inc	0.00	0.00	0.00	283.75
Tourmaline Bio Inc	0.00	0.00	0.00	245.99
Ekso Bionics Holdings Inc	0.00	0.00	0.00	241.06
Sera Prognostics Inc	0.00	0.00	0.00	221.50
% of Portfolio	0.00	0.00	0.00	



Jensen Quality Growth vs. S&P 500

Portfolio Characteristics		
	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap (\$M)	633,353	714,085
Median Mkt. Cap (\$M)	143,852	33,545
Price/Earnings ratio	30.41	24.04
Price/Book ratio	8.74	4.44
5 Yr. EPS Growth Rate (%)	16.03	16.91
Current Yield (%)	1.51	1.50
Number of Stocks	27	503



Top Ten Holdings				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Microsoft Corp	7.16	6.98	0.18	19.34
Alphabet Inc	6.83	2.06	4.77	6.75
Accenture PLC	6.51	0.55	5.96	14.73
PepsiCo Inc	6.29	0.58	5.71	0.99
Apple Inc	5.78	7.03	-1.25	12.60
UnitedHealth Group Incorporated	5.67	1.22	4.45	4.78
Intuit Inc.	5.36	0.44	4.92	22.54
Stryker Corp	5.27	0.25	5.02	9.88
Marsh & McLennan Companies Inc	4.39	0.23	4.16	-0.07
NIKE Inc	4.05	0.33	3.72	13.91
% of Portfolio	57.31	19.67	37.64	

Ten Best Performers				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Equifax Inc.	2.75	0.08	2.67	35.25
KLA Corp	2.50	0.20	2.30	27.08
Moody's Corp.	1.30	0.15	1.15	23.79
Intuit Inc.	5.36	0.44	4.92	22.54
Microsoft Corp	7.16	6.98	0.18	19.34
Amphenol Corp	2.50	0.15	2.35	18.29
Waste Management Inc.	2.42	0.16	2.26	17.97
Ball Corporation	1.38	0.05	1.33	15.97
Home Depot Inc. (The)	2.83	0.87	1.96	15.46
Broadridge Financial Solutions Inc	2.82	0.06	2.76	15.39
% of Portfolio	31.02	9.14	21.88	

### ◆ Vanguard Total International Stock Index

- **Management:** The Fund is co-managed by Michael Perre and Christine Franquin. Mr. Perre has advised the Fund since 2008 and Ms. Franquin has advised the fund since 2017. They have been in the investment industry since 1990 and 2000, respectively.
- **Objective:** The Fund seeks to track the performance of a benchmark index that measures the investment return of stocks across all market capitalizations issued by companies domiciled in both emerging markets and developed markets outside the United States.
- **Strategy:** The Fund employs a “passive management” – or indexing – investment approach that seeks to track the investment performance of the FTSE Global All Cap ex U.S. Index, an unmanaged benchmark representing stocks from global developed and emerging markets, excluding the United States, across the market capitalization spectrum.

### ◆ J O Hambro International Select

- **Management:** The fund is co-managed by Christopher Lees and Nudgem Richyal. Both the senior fund managers joined the firm in 2008, having previously worked together at Baring Asset Management.
- **Objective:** The fund managers aim to exploit market anomalies via an investment process that combines both top-down and bottom-up research.
- **Strategy:** The fund managers target multiple sources of performance, looking for stocks, sectors, and countries with rising earnings estimates, rising or high and sustainable return on equity, appropriate valuation, and attractive mean reversion and momentum characteristics. They evaluate the correlation between each stock and its sector or country in order to avoid buying “good stocks in bad neighborhoods”. A ruthless sell discipline is employed, whereby a stock is immediately sold to zero weight when its fundamentals or technicals deteriorate, or when there is contagion from deteriorating fundamentals or technicals in a stock’s sector or country.

### ◆ Harding Loevner International Equity

- **Management:** The fund is co-managed by Ferrill Roll and Andrew West, each managing 50% of the portfolio. The two have been with Harding Loevner since 1996 and 2006, respectively. The portfolio managers are supported by a group of 31 global sector and region analysts.
- **Objective:** The fund managers seek outperformance relative to MSCI ACWI ex US by investing in high quality growing businesses that are trading at reasonable valuations.
- **Strategy:** The investment team pairs quantitative and qualitative analysis to create a portfolio comprised of four parts: competitive advantage, quality management, financial strength, and sustainable growth. The two portfolio managers rely heavily on the global analysts’ buy/hold/sell recommendation that is determined through deep fundamental analysis on companies.

### ◆ Goldman Sachs GQG Partners International Opportunities

- **Management:** The fund is managed by a team of three portfolio managers led by Rajiv Jain, GQG Partners' Chairman and Chief Investment Officer. Rajiv has been managing the fund since its inception in 2016. Brian Kersmanc, and Sudarshan Murthy have been co-portfolio managers since 2019 and 2022, respectively.
- **Objective:** The Fund seeks long-term capital appreciation.
- **Strategy:** The Fund seeks a focused portfolio of international companies that have sustainable long-term growth prospects at a reasonable price. The strategy employs a bottom-up fundamental process for identifying and investing in stocks with a high probability of compounding capital over the next five years. Each potential holding is rigorously evaluated through a fundamental approach based on the strength of the business, growth potential, revenue drivers, and valuations.

### ◆ Vanguard FTSE Developed Markets ETF

- **Management:** The Fund is co-managed by Michael Perre and Christine Franquin. Ms. Franquin has advised the Fund since 2013 and Mr. Perre has advised the fund since 2017. They have been in the investment industry since 2000 and 1990, respectively.
- **Objective:** The Fund seeks to track the performance of a benchmark index that measures the investment return of stocks issued by companies located in Canada and the major markets of Europe and the Pacific region.
- **Strategy:** The Fund employs a “passive management” – or indexing – investment approach that seeks to track the investment performance of the FTSE Developed All Cap ex US Index, a market-capitalization-weighted index made up of stocks of large-, mid-, and small-cap companies located in Canada and the major markets of Europe and the Pacific region.

### ◆ Vanguard FTSE All-World ex-US Small-Cap Index

- **Management:** The Fund is co-managed by Jeffrey D. Miller and Michael Perre. Mr. Miller has advised the fund since 2015, and Mr. Perre has advised the fund since 2016. They have worked in the investment management industry since 2007 and 1990, respectively.
- **Objective:** The fund seeks to track the performance of a benchmark index that measures the investment return of stocks of international small-cap companies.
- **Strategy:** The fund employs a “passive management”—or indexing—investment approach designed to track the performance of the FTSE Global Small Cap ex US Index. The index includes approximately 3,300 stocks of companies in more than 46 countries from both developed and emerging markets around the world. The fund invests in a broadly diversified sampling of stocks in the index that approximates the index's key risk factors and characteristics.

### ◆ Schroders Emerging Markets Equity

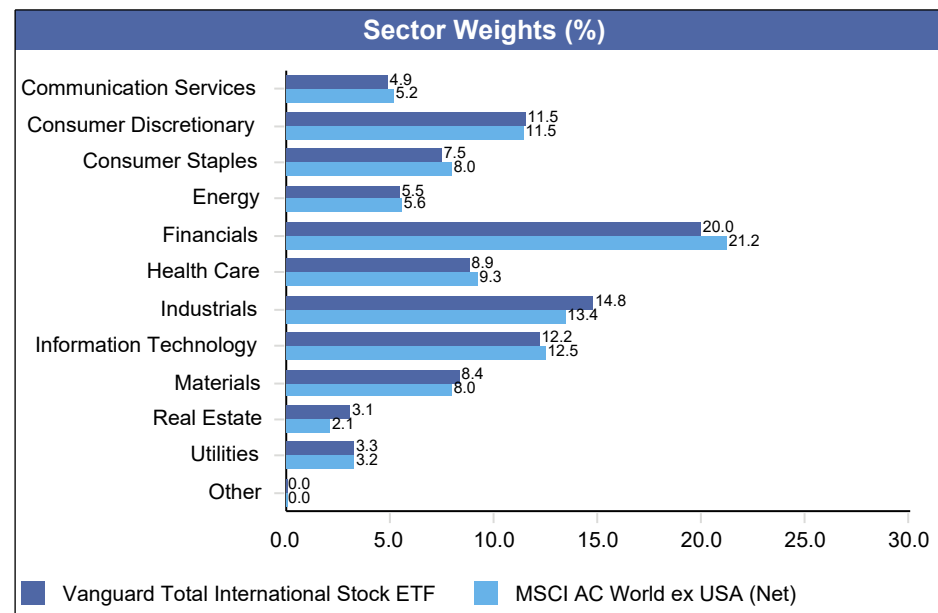
- **Management:** The fund is managed by a team of six portfolio managers led by Tom Wilson, Schroders' Head of Emerging Markets Equity. He has worked at Schroders since 2001 and has been involved with emerging markets equities at Schroders since 2004.
- **Objective:** The Fund seeks capital appreciation.
- **Strategy:** The Fund employs an actively managed approach that combines fundamental, bottom-up stock research with a quantitative country allocation process. Country rankings are prepared through evaluation of valuation, growth, currency, momentum, and interest rates. Stock level research targets a core universe of the most liquid stocks in the emerging markets universe, utilizing a relative value approach for stocks across the growth/value spectrum without any systematic style bias. Comprehensive risk controls are employed to keep factor exposures in check and constrain strategy-level tracking error to moderate levels.

### ◆ iShares MSCI Emerging Markets ex China

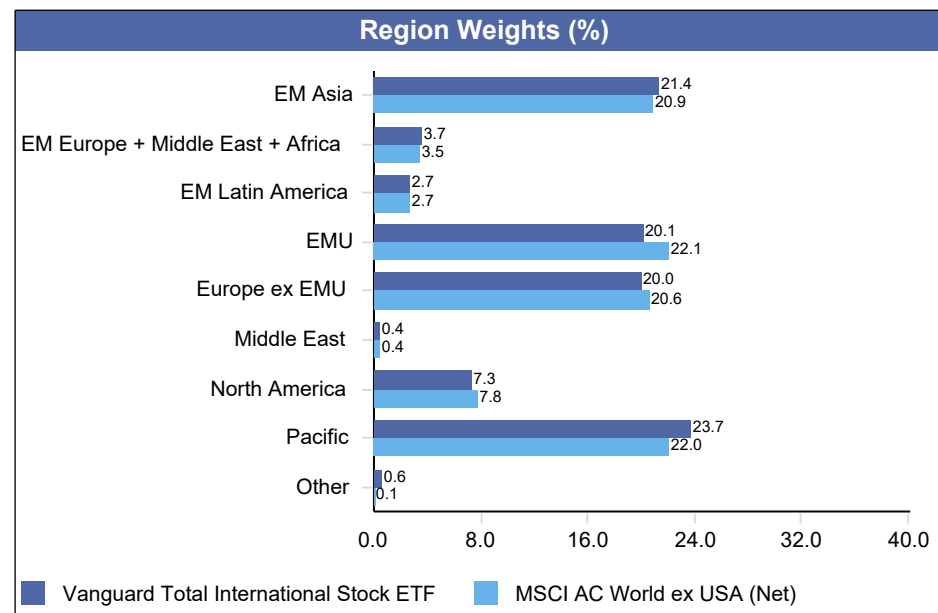
- **Management:** BlackRock Fund Advisors is the investment adviser for the Fund. The three portfolio managers responsible for the Fund include Jennifer Hsui, Greg Savage, and Paul Whitehead.
- **Objective:** The strategy seeks to track the performance of a benchmark index that measures the investment return of stocks of large- and mid-capitalization emerging markets equities, excluding China.
- **Strategy:** The strategy employs an index replication strategy designed to track the performance of the MSCI Emerging Markets ex China Index. The strategy uses a representative sampling approach. Representative sampling gives the Fund characteristics similar to the underlying index.

Vanguard Total International Stock ETF vs. MSCI AC World ex USA (Net)

Portfolio Characteristics		
	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap (\$M)	76,664	90,266
Median Mkt. Cap (\$M)	1,666	9,828
Price/Earnings ratio	13.50	13.62
Price/Book ratio	2.42	2.49
5 Yr. EPS Growth Rate (%)	10.25	10.40
Current Yield (%)	3.11	3.09
Number of Stocks	8,363	2,312

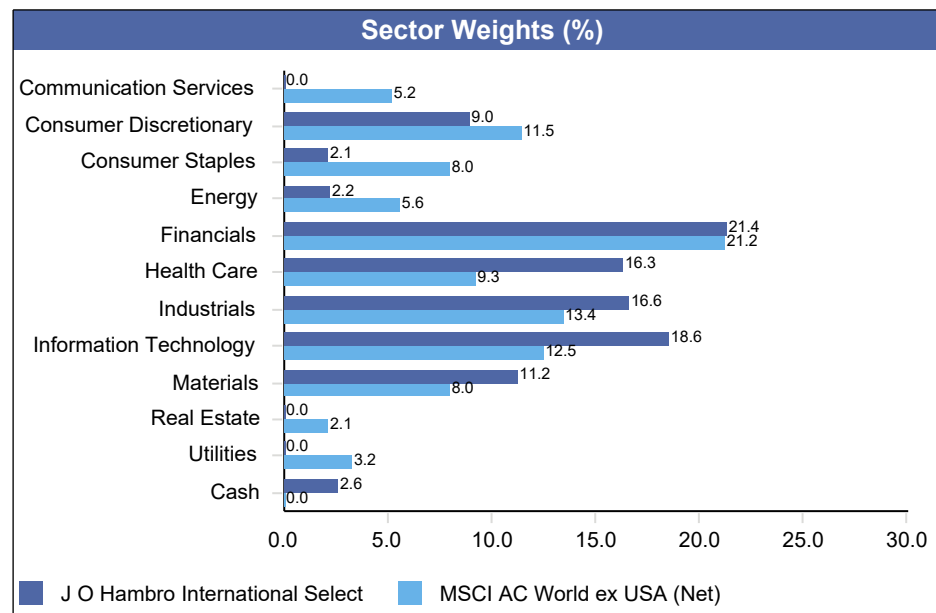


Top Ten Holdings				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Taiwan Semicon Manu Co	1.59	1.89	-0.30	19.87
Novo Nordisk A/S	1.11	1.34	-0.23	13.16
Nestle SA, Cham Und Vevey	1.06	1.23	-0.17	2.16
ASML Holding NV	1.02	1.21	-0.19	27.54
Samsung Electronics Co Ltd	0.99	1.16	-0.17	20.25
Tencent Holdings LTD	0.81	1.00	-0.19	-3.83
Toyota Motor Corp	0.75	0.77	-0.02	2.41
Shell Plc	0.74	0.86	-0.12	4.14
Novartis AG	0.72	0.82	-0.10	3.66
Roche Holding AG	0.69	0.81	-0.12	6.11
% of Portfolio	9.48	11.09	-1.61	

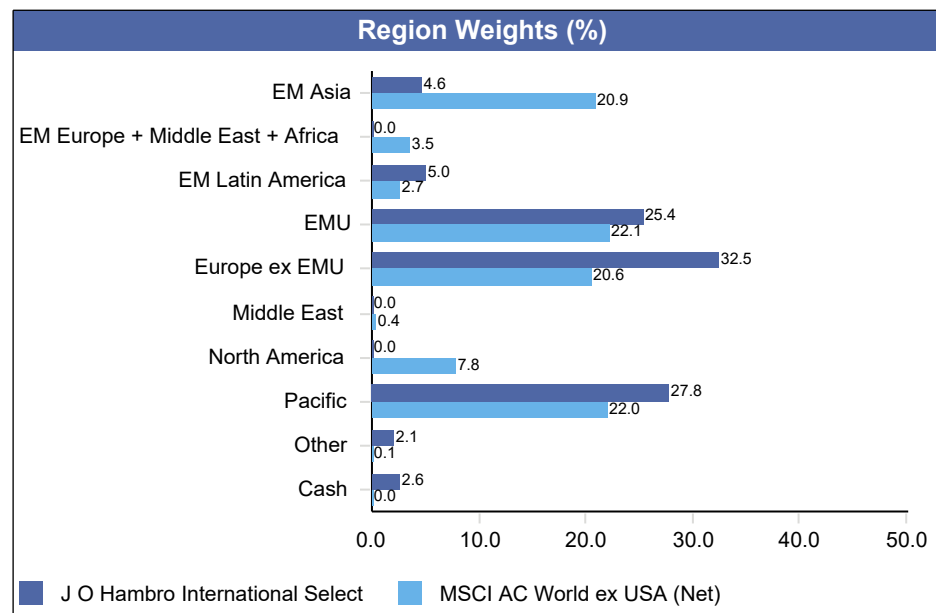


J O Hambro International Select vs. MSCI AC World ex USA (Net)

Portfolio Characteristics		
	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap (\$M)	68,774	90,266
Median Mkt. Cap (\$M)	45,356	9,828
Price/Earnings ratio	22.01	13.62
Price/Book ratio	3.55	2.49
5 Yr. EPS Growth Rate (%)	14.10	10.40
Current Yield (%)	2.14	3.09
Number of Stocks	43	2,312

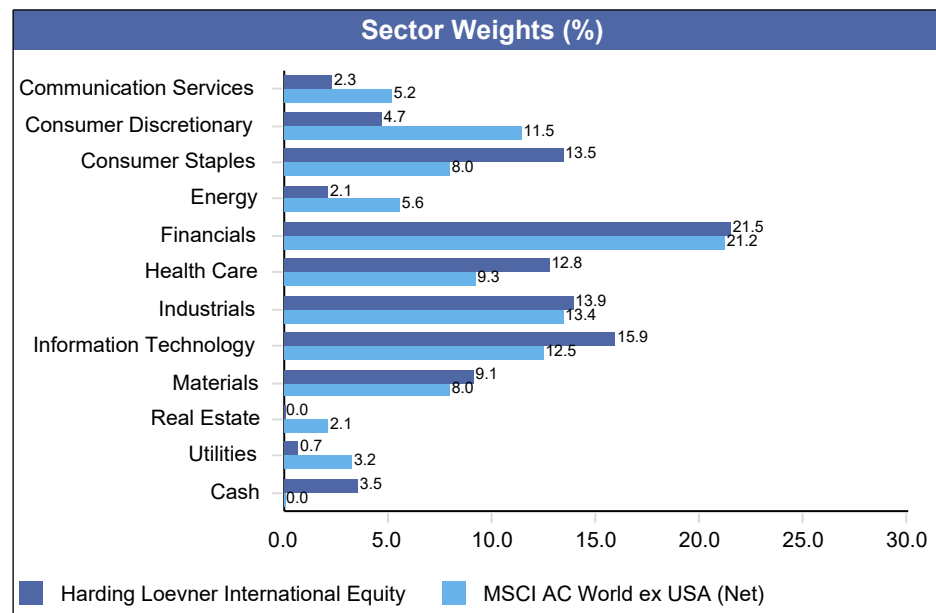


Top Ten Holdings				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Novo Nordisk A/S	2.64	1.34	1.30	13.16
CASH	2.58	0.00	2.58	N/A
Schneider Electric SA	2.55	0.43	2.12	20.82
DeutscheBoerse AG, Frankfurt Am M	2.55	0.16	2.39	18.87
B3 S.A.-Brasil Bolsa Balcao	2.55	0.07	2.48	21.99
Sandoz Group AG	2.49	0.05	2.44	N/A
Ferguson PLC	2.48	0.00	2.48	17.18
Globant SA	2.47	0.00	2.47	20.28
Japan Exchange Group Inc	2.45	0.04	2.41	13.82
Recruit Holdings Co Ltd	2.45	0.24	2.21	36.94
% of Portfolio	25.21	2.33	22.88	

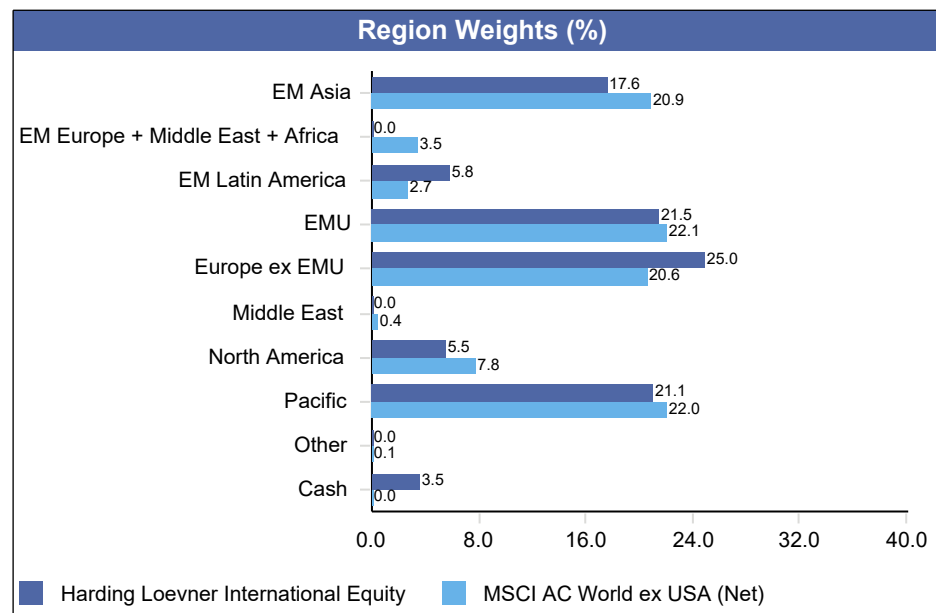


Harding Loevner International Equity vs. MSCI AC World ex USA (Net)

Portfolio Characteristics		
	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap (\$M)	104,573	90,266
Median Mkt. Cap (\$M)	41,632	9,828
Price/Earnings ratio	17.63	13.62
Price/Book ratio	2.63	2.49
5 Yr. EPS Growth Rate (%)	11.65	10.40
Current Yield (%)	2.51	3.09
Number of Stocks	59	2,312

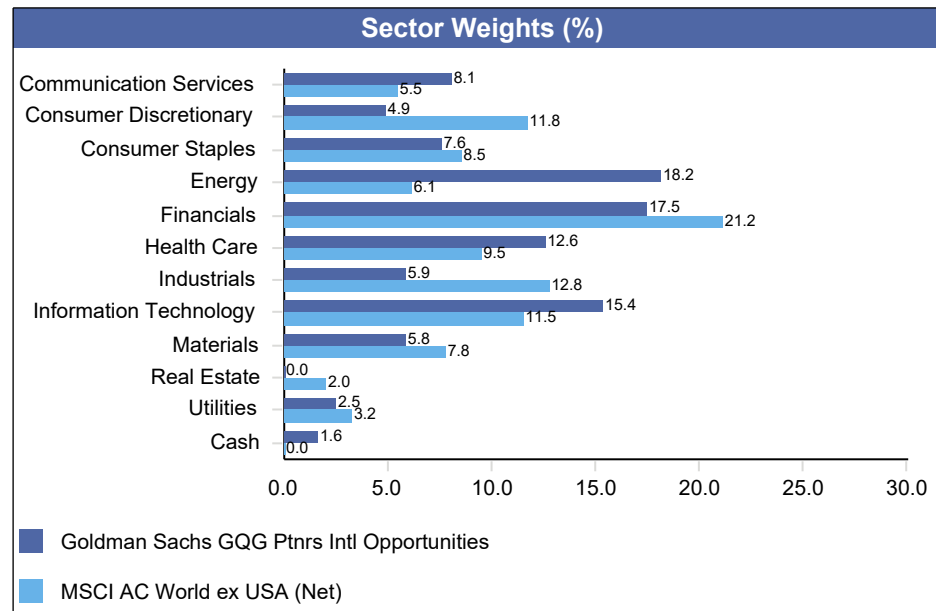


Top Ten Holdings				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Samsung Electronics Co Ltd	3.87	0.16	3.71	18.89
Chugai Pharmaceutical Co Ltd	3.55	0.10	3.45	23.19
Taiwan Semicon Manu Co ADR	3.54	1.89	1.65	20.23
CASH	3.51	0.00	3.51	N/A
Infineon Technologies AG	3.32	0.22	3.10	25.78
DBS Group Holdings Ltd	2.80	0.18	2.62	4.28
Fomento Economico Mexican SAB	2.76	0.10	2.66	20.45
Allianz SE	2.70	0.43	2.27	11.85
L'Oreal SA	2.69	0.48	2.21	19.58
Manulife Financial Corp	2.68	0.16	2.52	22.65
% of Portfolio	31.42	3.72	27.70	

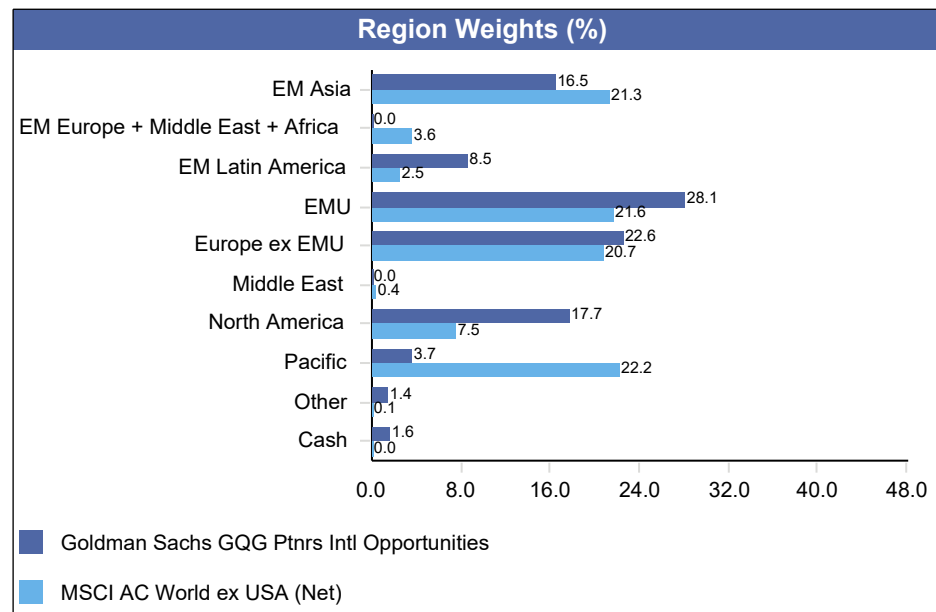


Goldman Sachs GQG Ptnrs Intl Opportunities vs. MSCI AC World ex USA (Net)

Portfolio Characteristics		
	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap (\$M)	214,314	80,581
Median Mkt. Cap (\$M)	62,393	8,459
Price/Earnings ratio	12.73	12.47
Price/Book ratio	3.45	2.41
5 Yr. EPS Growth Rate (%)	19.01	10.68
Current Yield (%)	4.14	3.37
Number of Stocks	63	2,322



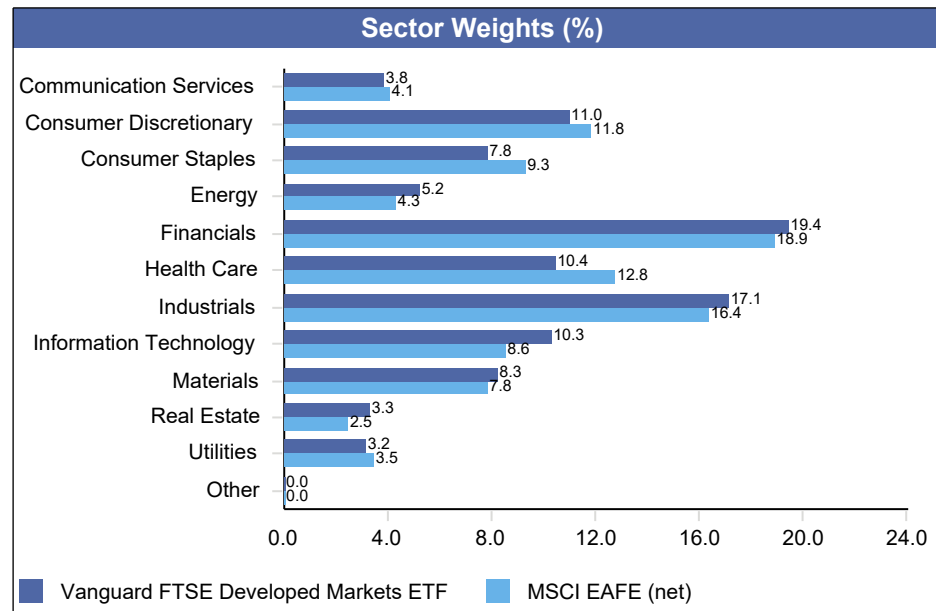
Top Ten Holdings				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Novo Nordisk A/S	7.31	1.42	5.89	19.24
TotalEnergies SE	6.04	0.68	5.36	10.95
Astrazeneca PLC	5.33	0.87	4.46	-13.02
NVIDIA Corporation	4.66	0.00	4.66	-12.72
Glencore Plc	4.05	0.25	3.80	-8.47
Petroleo Brasileiro S.A.- Petrobras	2.67	0.15	2.52	9.29
Petroleo Brasileiro S.A.- Petrobras	2.57	0.15	2.42	5.74
LVMH Moet Hennessy Louis Vui	2.44	0.89	1.55	-23.75
ASML Holding NV	2.43	1.09	1.34	-16.72
Icici Bank Ltd	2.26	0.26	2.00	-8.94
% of Portfolio	39.76	5.76	34.00	



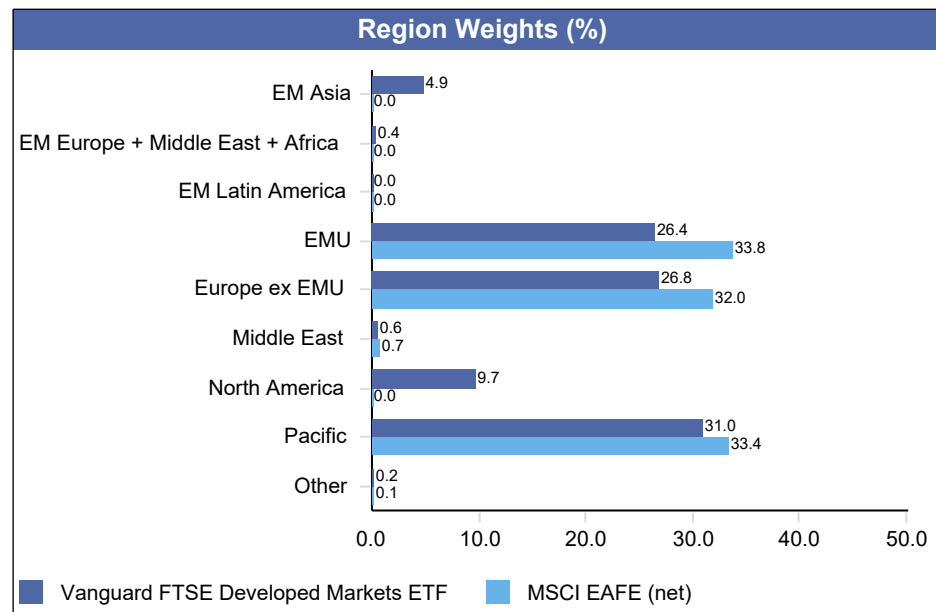


Vanguard FTSE Developed Markets ETF vs. MSCI EAFE (net)

Portfolio Characteristics		
	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap (\$M)	75,751	88,485
Median Mkt. Cap (\$M)	1,641	13,394
Price/Earnings ratio	13.61	13.67
Price/Book ratio	2.37	2.59
5 Yr. EPS Growth Rate (%)	9.12	9.86
Current Yield (%)	3.11	3.21
Beta (5 Years, Monthly)	1.04	1.00
Number of Stocks	4,010	783

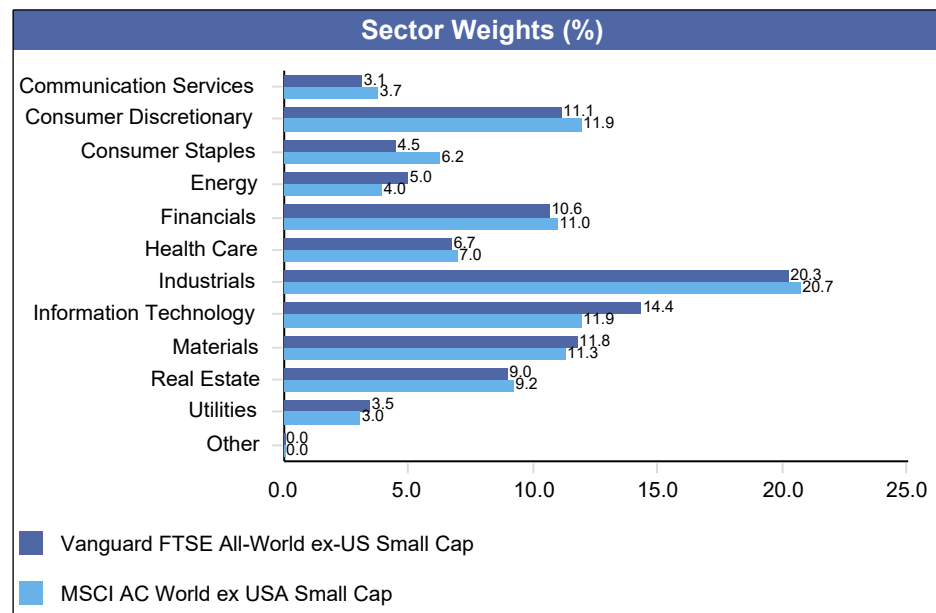


Top Ten Holdings				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Novo Nordisk A/S	1.48	2.09	-0.61	13.16
Nestle SA, Cham Und Vevey	1.42	1.91	-0.49	2.16
ASML Holding NV	1.36	1.88	-0.52	27.54
Samsung Electronics Co Ltd	1.32	0.00	1.32	20.25
Toyota Motor Corp	1.01	1.20	-0.19	2.41
Shell Plc	0.99	1.34	-0.35	4.14
Novartis AG	0.96	1.28	-0.32	3.66
Roche Holding AG	0.92	1.26	-0.34	6.11
LVMH Moet Hennessy Louis Vui	0.92	1.38	-0.46	7.68
Astrazeneca PLC	0.92	1.29	-0.37	-0.28
% of Portfolio	11.30	13.63	-2.33	

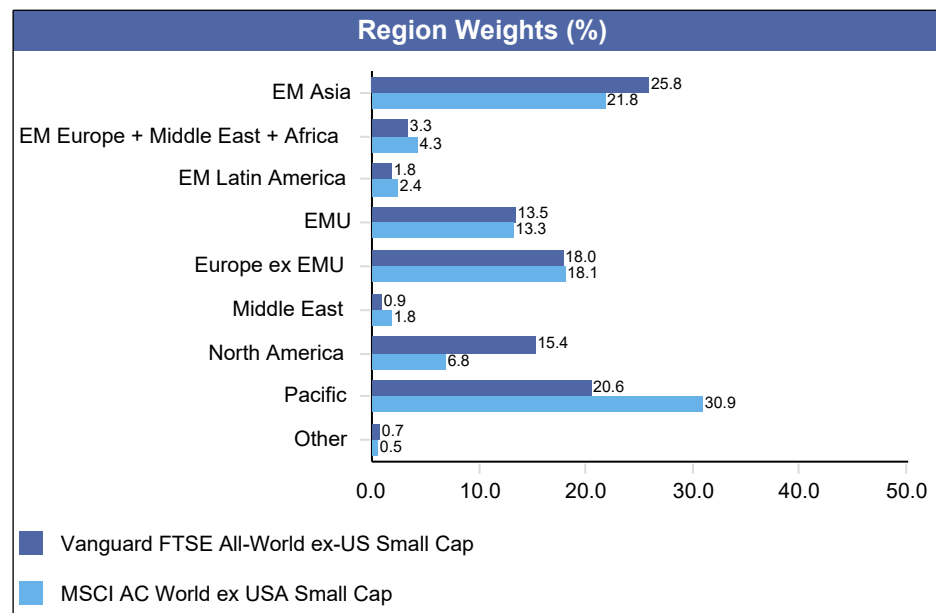


Vanguard FTSE All-World ex-US Small Cap vs. MSCI AC World ex USA Small Cap

Portfolio Characteristics		
	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap (\$M)	2,605	2,516
Median Mkt. Cap (\$M)	817	1,091
Price/Earnings ratio	14.15	13.61
Price/Book ratio	2.30	2.22
5 Yr. EPS Growth Rate (%)	10.73	9.60
Current Yield (%)	2.82	2.86
Beta (5 Years, Monthly)	0.36	1.00
Number of Stocks	4,532	4,372

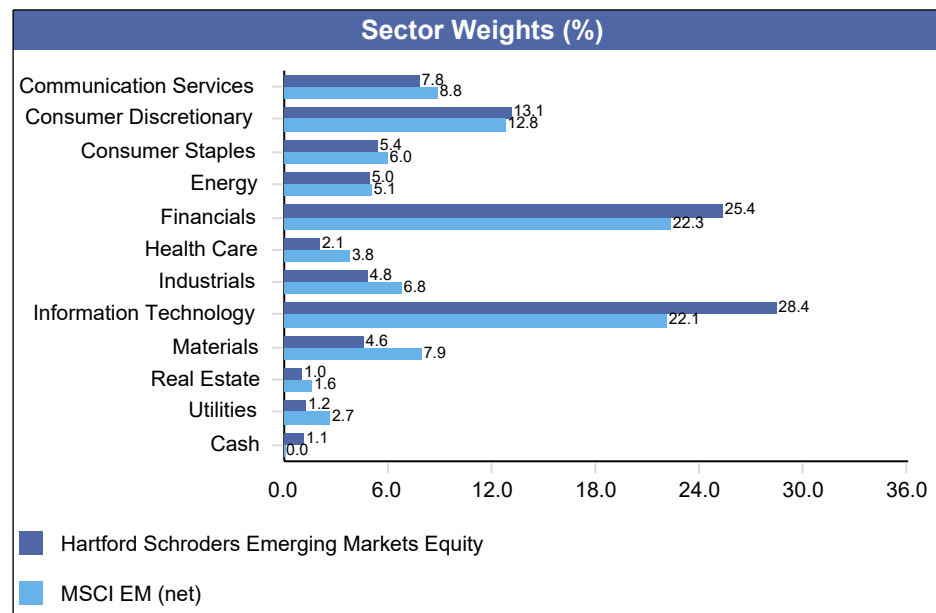


Top Ten Holdings				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Cameco Corp	0.66	0.00	0.66	8.91
WSP Global Inc	0.58	0.00	0.58	-0.45
RB Global Inc	0.43	0.00	0.43	7.37
Open Text Corp	0.40	0.00	0.40	20.53
TFI International Inc	0.39	0.00	0.39	6.25
Emera Inc	0.36	0.00	0.36	10.48
ARC Resources Ltd	0.32	0.00	0.32	-6.17
Stantec Inc	0.31	0.00	0.31	23.99
Kinross Gold Corp	0.26	0.00	0.26	33.53
Descartes Systems Group Inc (The)	0.25	0.00	0.25	14.51
% of Portfolio	3.96	0.00	3.96	

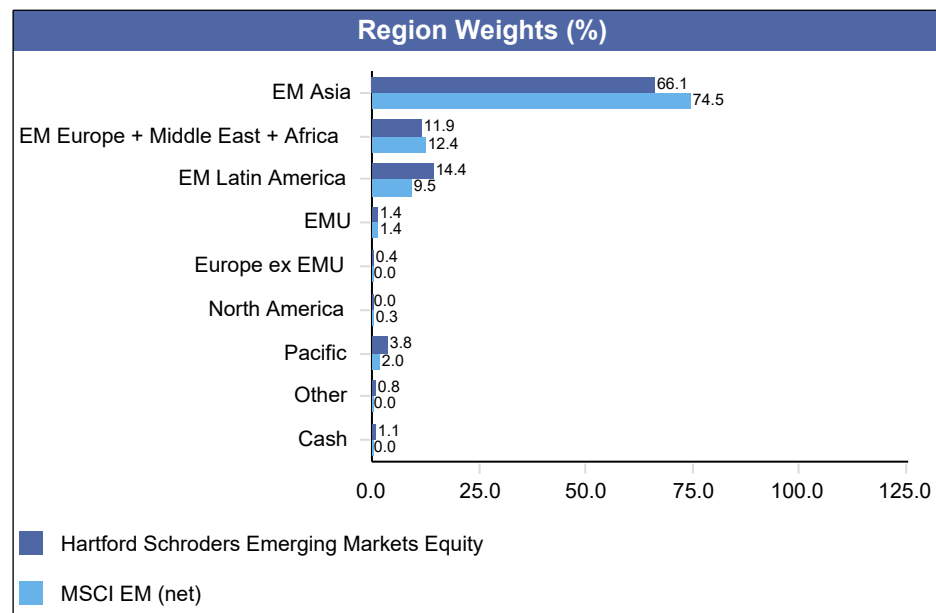


Hartford Schrodgers Emerging Markets Equity vs. MSCI EM (net)

Portfolio Characteristics		
	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap (\$M)	145,454	103,754
Median Mkt. Cap (\$M)	18,736	6,968
Price/Earnings ratio	13.51	12.92
Price/Book ratio	2.39	2.50
5 Yr. EPS Growth Rate (%)	15.78	12.28
Current Yield (%)	2.66	2.79
Number of Stocks	118	1,441

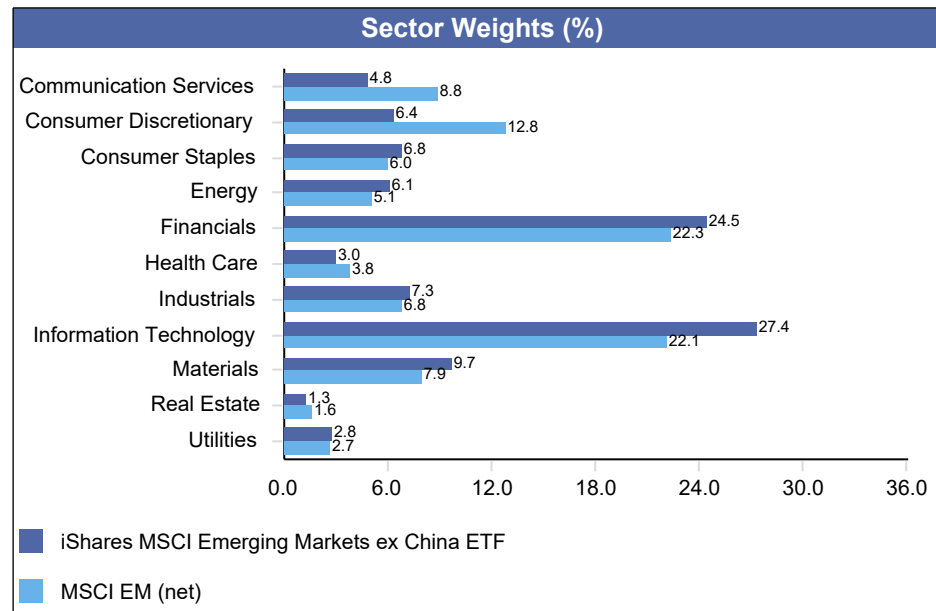


Top Ten Holdings				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Taiwan Semicon Manu Co	10.09	6.73	3.36	19.87
Samsung Electronics Co Ltd	6.75	4.12	2.63	20.25
Tencent Holdings LTD	4.51	3.55	0.96	-3.83
Alibaba Group Holding Ltd	2.86	2.23	0.63	-10.23
SK Hynix Inc	2.33	0.85	1.48	29.26
H D F C Bank Ltd	2.23	0.82	1.41	11.75
Axis Bank Ltd	2.08	0.43	1.65	6.11
Tata Consultancy Services Ltd	1.72	0.59	1.13	7.56
Itau Unibanco Holding SA	1.70	0.48	1.22	30.75
Icici Bank Ltd	1.68	0.88	0.80	4.48
% of Portfolio	35.95	20.68	15.27	

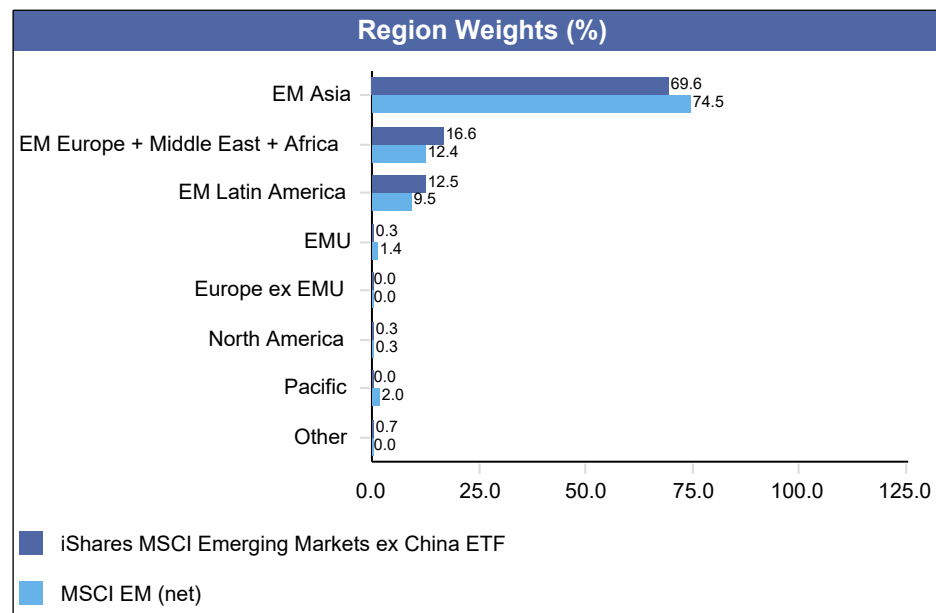


iShares MSCI Emerging Markets ex China ETF vs. MSCI EM (net)

Portfolio Characteristics		
	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap (\$M)	108,939	103,754
Median Mkt. Cap (\$M)	8,010	6,968
Price/Earnings ratio	14.45	12.92
Price/Book ratio	2.50	2.50
5 Yr. EPS Growth Rate (%)	12.39	12.28
Current Yield (%)	2.85	2.79
Number of Stocks	706	1,441



Top Ten Holdings				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Taiwan Semicon Manu Co	9.07	6.73	2.34	19.87
Samsung Electronics Co Ltd	5.52	4.12	1.40	20.25
Reliance Industries Ltd	1.80	1.34	0.46	10.00
Infosys Ltd	1.17	0.87	0.30	8.67
Icici Bank Ltd	1.16	0.88	0.28	4.48
SK Hynix Inc	1.14	0.85	0.29	29.26
H D F C Bank Ltd	1.10	0.82	0.28	11.75
Vale SA	1.02	0.77	0.25	21.37
Mediatek Incorporation	0.96	0.71	0.25	45.25
AI Rajhi Bank	0.86	0.64	0.22	28.14
% of Portfolio	23.80	17.73	6.07	



### ◆ Baird Core Plus

- **Management:** The Fund has been managed by a team of generalist portfolio managers including 4 since its inception in 2000. The most senior trio of the management team has been working together for over 30 years.
- **Objective:** The Fund seeks to maximize long-term total return and achieve an annual return that exceeds its benchmark.
- **Strategy:** The Fund normally invests at least 80% of assets in the following types of U.S. dollar-denominated debt securities: U.S. government, U.S. government agencies, asset-backed and mortgage-backed obligations of U.S. issuers and corporate debt of U.S. and foreign issuers. It invests primarily in investment-grade debt securities, but can invest up to 20% of net assets in non-investment grade securities.

### ◆ DoubleLine Core Fixed

- **Management:** Jeff Gundlach, CEO/CIO of DoubleLine Capital has been managing the Fund since 2010. Jeff Sherman, Deputy CIO, has co-managed the Fund since 2016.
- **Objective:** The Fund seeks to maximize current income and total return.
- **Strategy:** The Fund may invest in fixed income securities of any credit quality including up to a third of its net assets in junk bonds, bank loans and assignments rated below investment grade or unrated but determined by the Adviser to be of comparable quality, and credit default swaps of companies in the high yield universe. The Fund may also invest a portion of its net assets in fixed income instruments issued or guaranteed by companies, financial institutions and government entities in emerging market countries. The Fund may pursue its investment objective and obtain exposures to some or all of the asset classes described above by investing in other investment companies, including, ETFs and investment companies sponsored or managed by the Adviser and its affiliates. In managing the Fund's investments, under normal market conditions, the portfolio manager intends to seek to construct an investment portfolio with a weighted average effective duration of no less than two years and no more than eight years.

### ◆ PGIM Total Return

- **Management:** Senior portfolio managers Michael Collins (since 2009), Rich Piccirillo (2012) and Greg Peters (2014) lead the management of the Fund joined by Chief Investment Strategist Robert Tipp (2002) portfolio managers Tyler Thorn (2023) and Matt Angelucci (2023). Michael Collins to retire at end of 1q24. PGIM Fixed Income is the primary public fixed-income asset management unit of PGIM, a wholly-owned subsidiary of Prudential Financial, Inc.
- **Objective:** The Fund seeks total return by investing in a diversified portfolio of bonds from multiple fixed income sectors.
- **Strategy:** The Fund allocates assets among different debt securities, including (but not limited to) US Government securities, mortgage-related and asset-backed securities, corporate debt securities and foreign securities. The Fund may invest up to 30% of its investable assets in high risk, below investment-grade securities having a rating of not lower than CCC. The Fund may invest up to 30% of its investable assets in foreign debt securities. The Fund has the flexibility to allocate its investments across different sectors of the fixed-income securities markets at varying duration. Up to 25% may be expressed through various derivative strategies.

### ● **Voya Investment Management Co. LLC - Core Plus**

- **Management:** Matt Toms, CFA was the Global Chief Investment Officer at Voya but transitioned to CEO in January 2024. Eric Stein was named the CIO of Fixed Income. Others involved in management of this portfolio include Sean Banai, CFA (Head of Portfolio Management), Dave Goodson (Head of Securitized Fixed Income), Randy Parrish, CFA (Head of Public Credit) and Raj Jadav (Portfolio Manager).
- **Objective:** The strategy seeks to maximize total return through income and capital appreciation
- **Strategy:** The strategy may invest in fixed income securities of any credit quality including up to 20% of its net assets in junk bonds and assignments rated below investment grade or unrated but determined by the manager to be of comparable quality. Duration is managed within plus or minus 1.0 years to the Bloomberg U.S. Aggregate Index. Interest rate derivatives may be used for hedging purposes.

### ● **iShares Core U.S Aggregate Bond ETF**

- **Management:** James Mauro and Karen Uyehara (the “Portfolio Managers”) are primarily responsible for the day-to-day management of the Fund. Mr. Mauro and Ms. Uyehara have been co-managing the Fund since 2011 and 2021, respectively.
- **Objective:** The Fund seeks to track the investment results of the Bloomberg U.S. Aggregate Bond Index.
- **Strategy:** BlackRock Fund Advisors (“BFA”) uses a “passive” or indexing approach to try to achieve the Fund’s investment objective. Unlike many investment companies, the Fund does not try to “beat” the index it tracks and does not seek temporary defensive positions when markets decline or appear overvalued.

### ● **iShares Intermediate Corporate Bond**

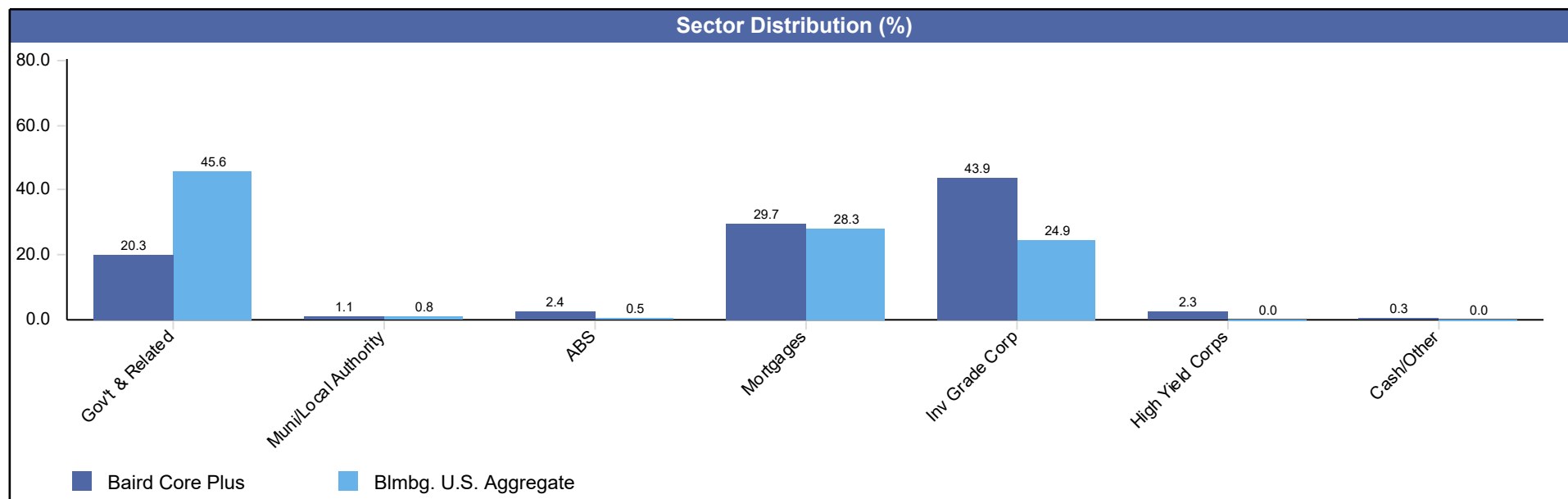
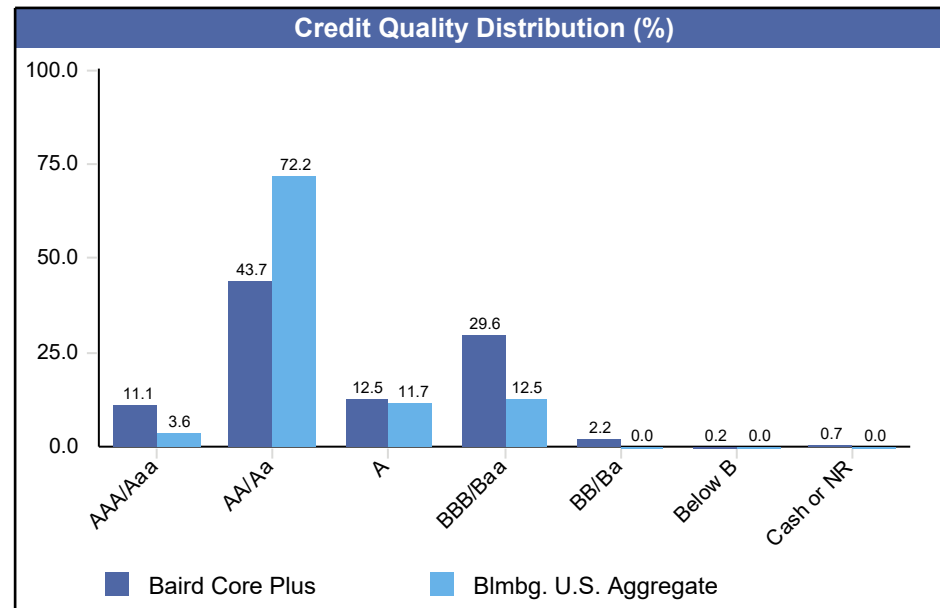
- **Management:** The Fund is managed by James Mauro and Karen Uyehara of BlackRock Fund Advisors
- **Objective:** The Fund seeks to replicate performance and characteristics of ICE BofAML 5-10 Yr Corporate Index
- **Strategy:** The Fund seeks to track the investment results of the ICE BofAML 5-10 Year US Corporate Index which measures the performance of investment-grade corporate bonds of both U.S. and non-U.S. issuers that are U.S. dollar denominated and publicly issued in the U.S. domestic market and have a remaining maturity of greater than or equal to five years and less than ten years

### ● **Mainstay MacKay Shields High Yield Corporate**

- **Management:** Andrew Susser is the lead portfolio manager (since 2013). He is supported by about a dozen analysts and traders.
- **Objective:** To outperform the high yield market over the long term through superior credit selection, while mitigating downside risks.
- **Strategy:** A bottom-up, value-oriented approach to investing in the high yield market. The team sets a minimum of 1.5x asset coverage on the universe of corporate bonds then breaks down the remainder into four risk groups with differing spread levels needed for potential inclusion. The result is a diversified portfolio that may include some exposure to loans or investment grade credits.

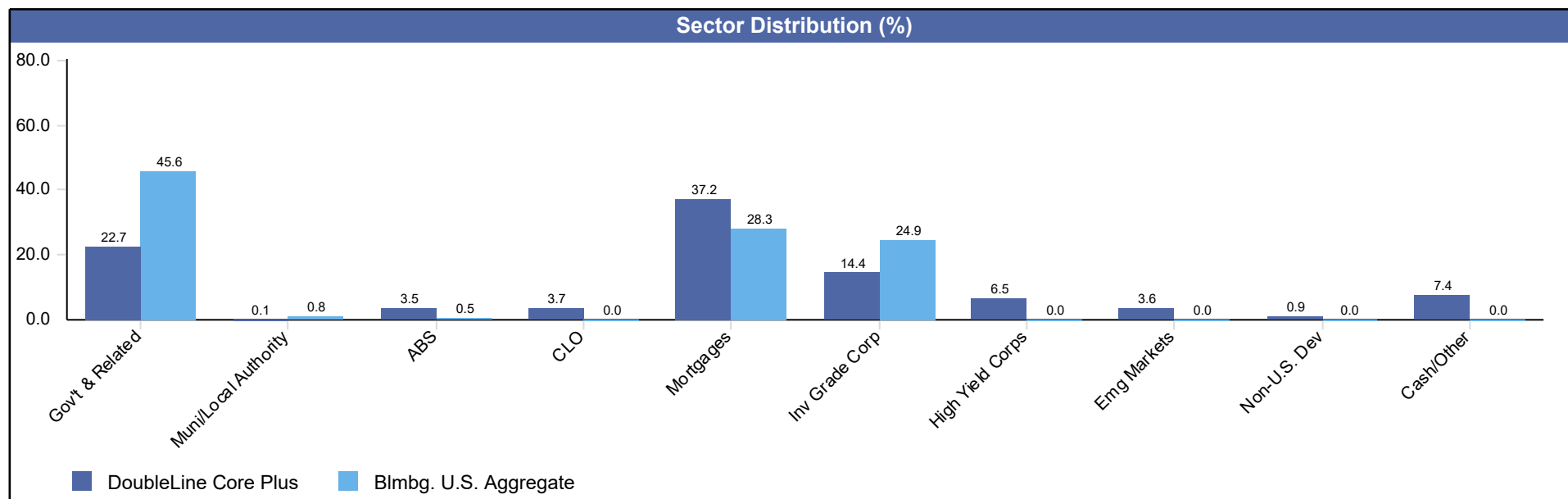
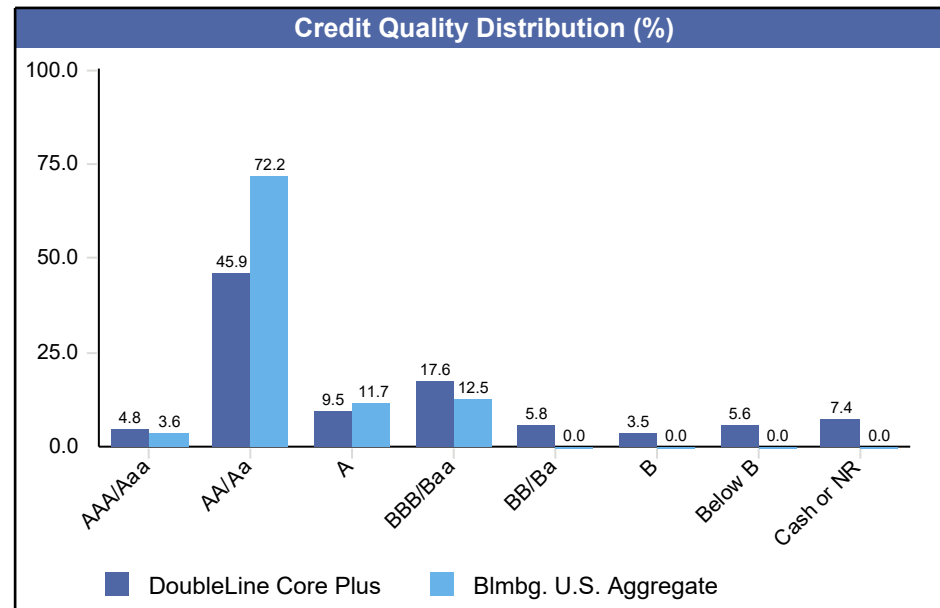
Baird Core Plus vs. Blmbg. U.S. Aggregate

Portfolio Characteristics		
	Portfolio	Benchmark
Effective Duration	6.00	6.24
Yield To Maturity (%)	5.03	4.53
Avg. Maturity	8.01	8.46
Avg. Quality	AA	AA
Coupon Rate (%)	3.62	3.09



DoubleLine Core Plus vs. Blmbg. U.S. Aggregate

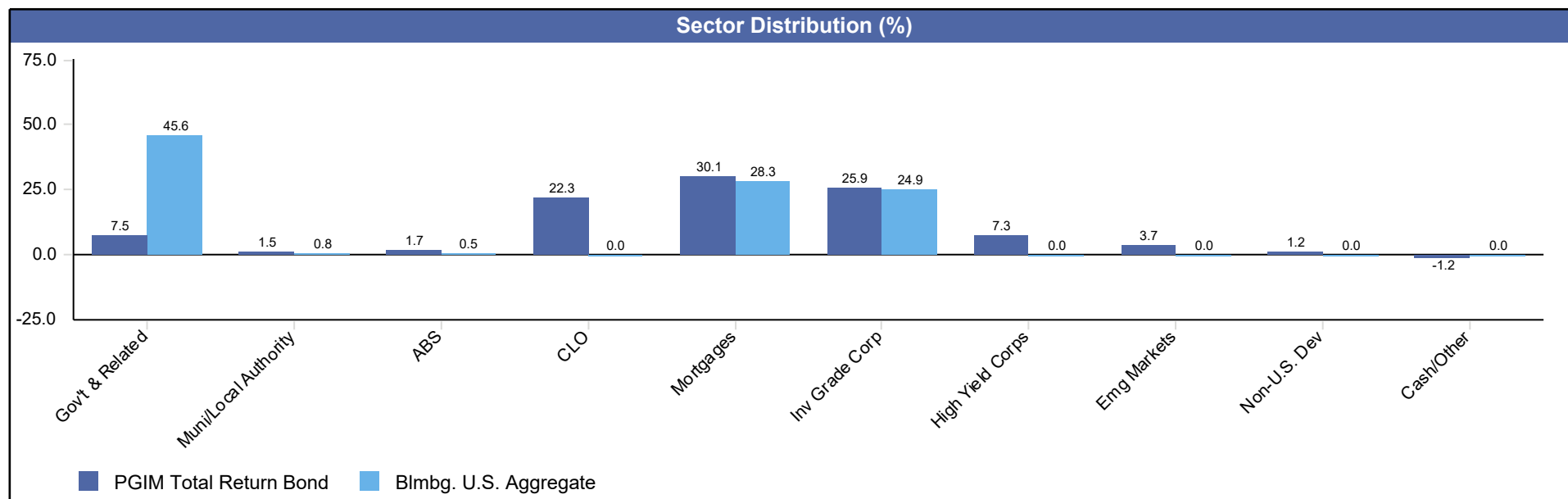
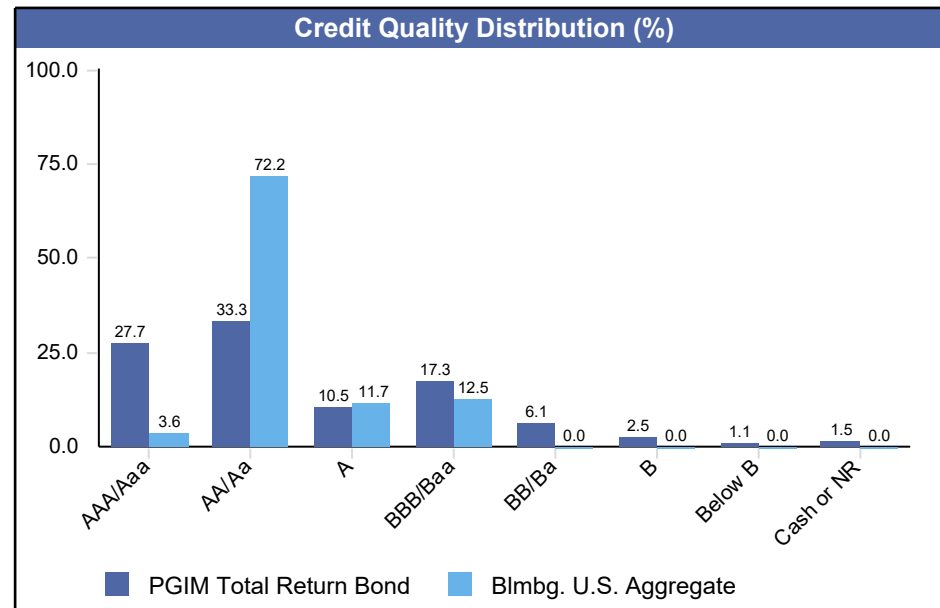
Portfolio Characteristics		
	Portfolio	Benchmark
Effective Duration	5.96	6.24
Yield To Maturity (%)	5.80	4.53
Avg. Maturity	7.75	8.46
Avg. Quality	A	AA
Coupon Rate (%)	4.60	3.09





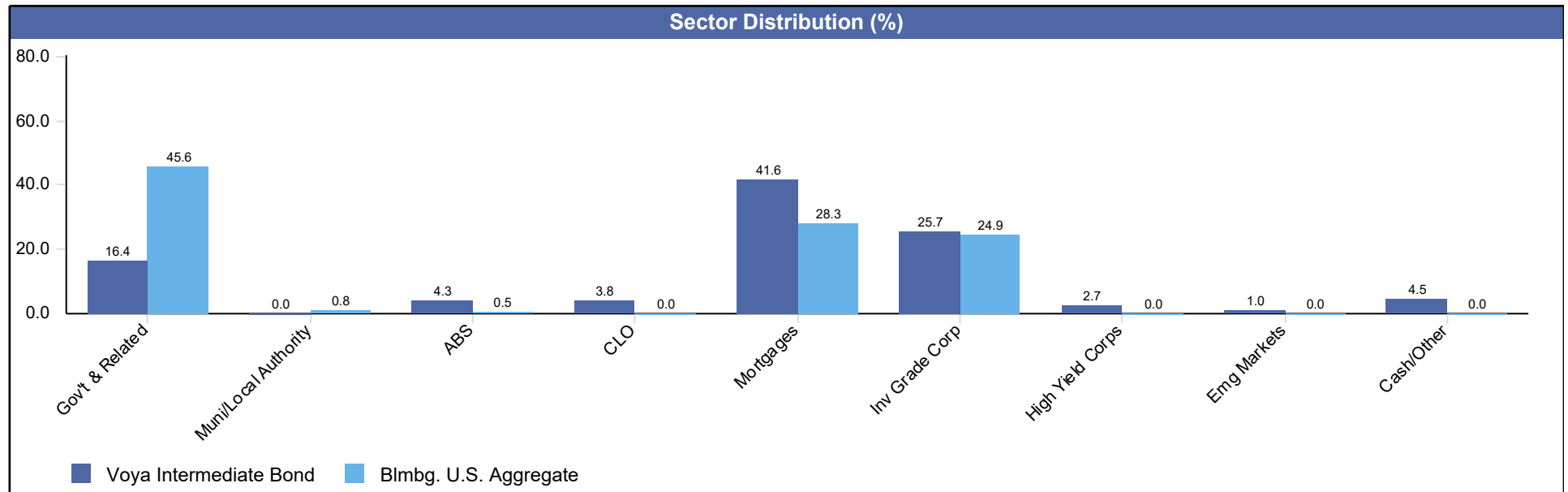
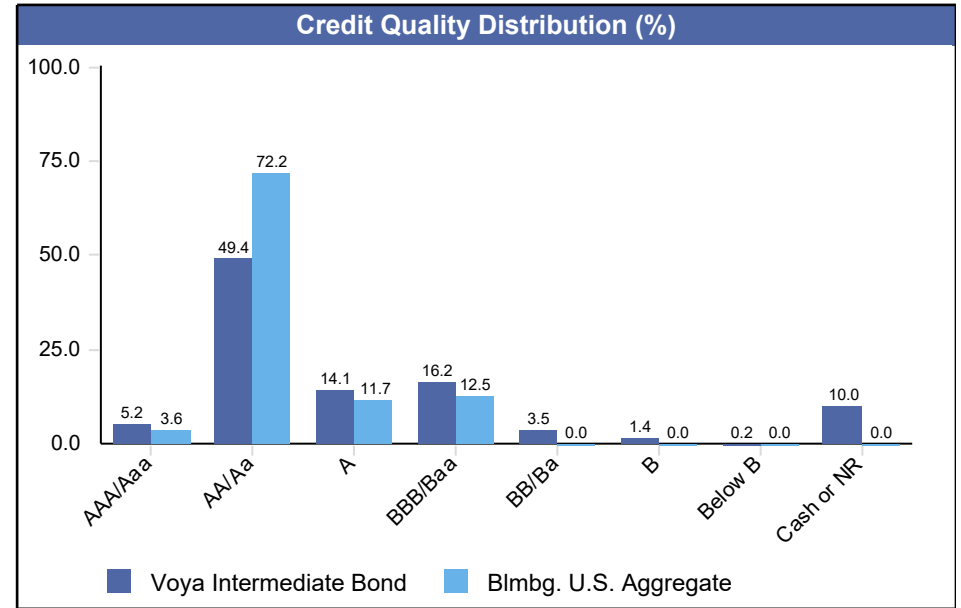
PGIM Total Return Bond vs. Blmbg. U.S. Aggregate

Portfolio Characteristics		
	Portfolio	Benchmark
Effective Duration	6.29	6.24
Yield To Maturity (%)	6.26	4.53
Avg. Maturity	8.31	8.46
Avg. Quality	A	AA
Coupon Rate (%)	4.36	3.09



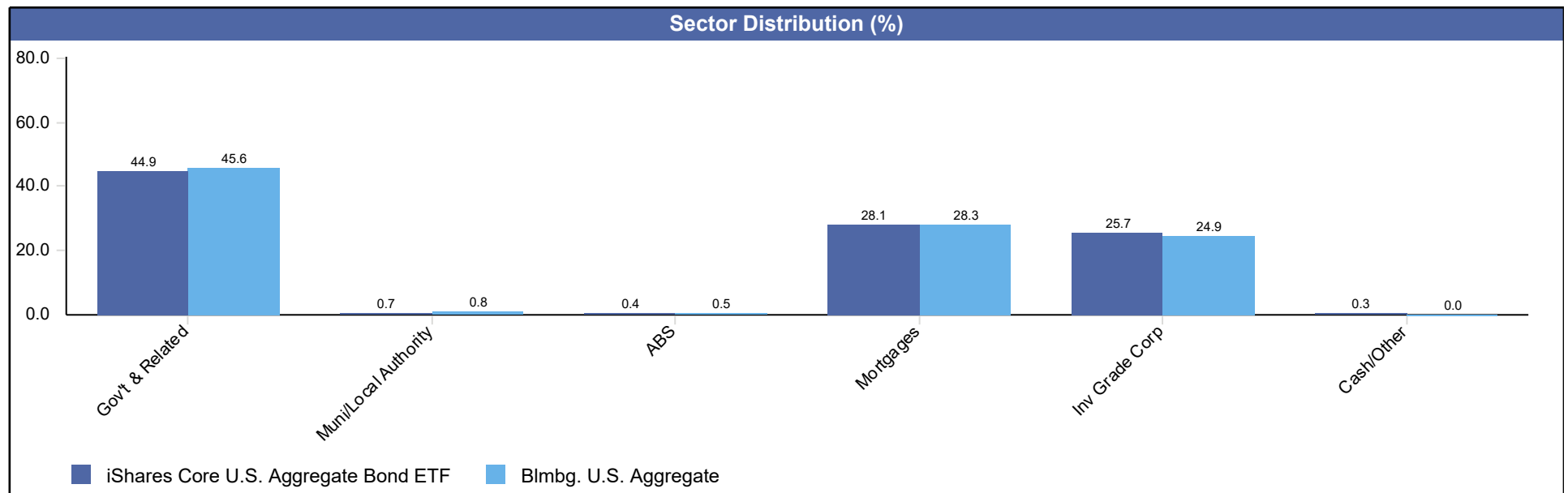
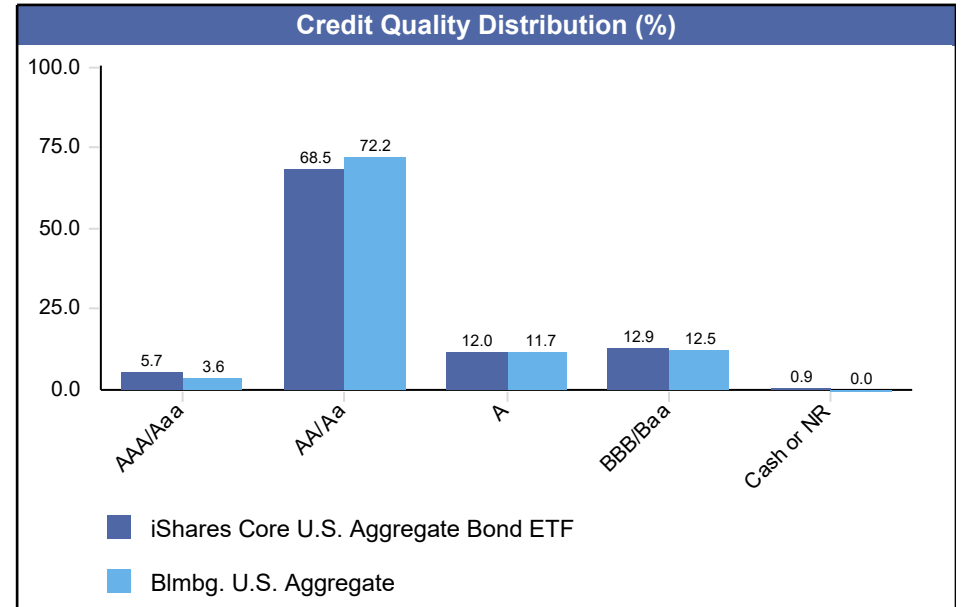
Voya Intermediate Bond vs. Blmbg. U.S. Aggregate

Portfolio Characteristics		
	Portfolio	Benchmark
Effective Duration	6.06	6.24
Yield To Maturity (%)	5.52	4.53
Avg. Maturity	8.18	8.46
Avg. Quality	A	AA
Coupon Rate (%)	3.97	3.09



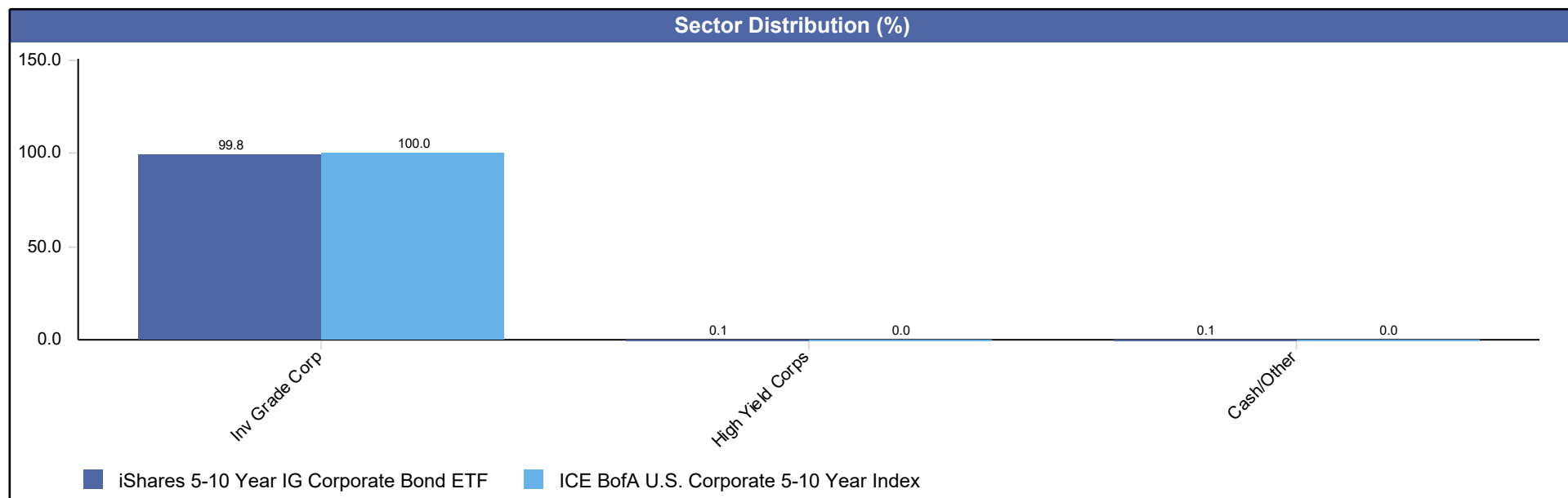
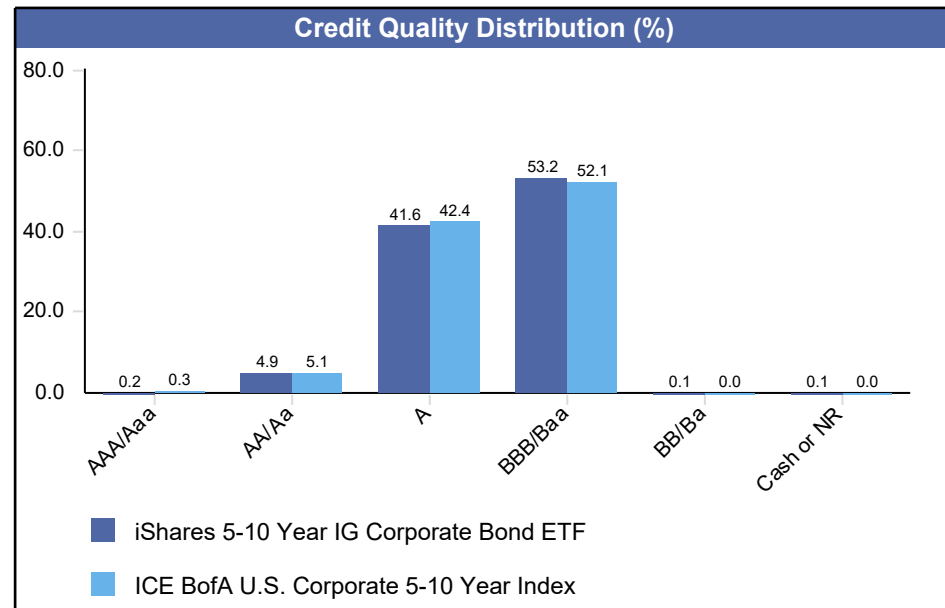
iShares Core U.S. Aggregate Bond ETF vs. Blmbg. U.S. Aggregate

Portfolio Characteristics		
	Portfolio	Benchmark
Effective Duration	6.21	6.24
Yield To Maturity (%)	4.52	4.53
Avg. Maturity	8.65	8.46
Avg. Quality	AA	AA
Coupon Rate (%)	3.15	3.09



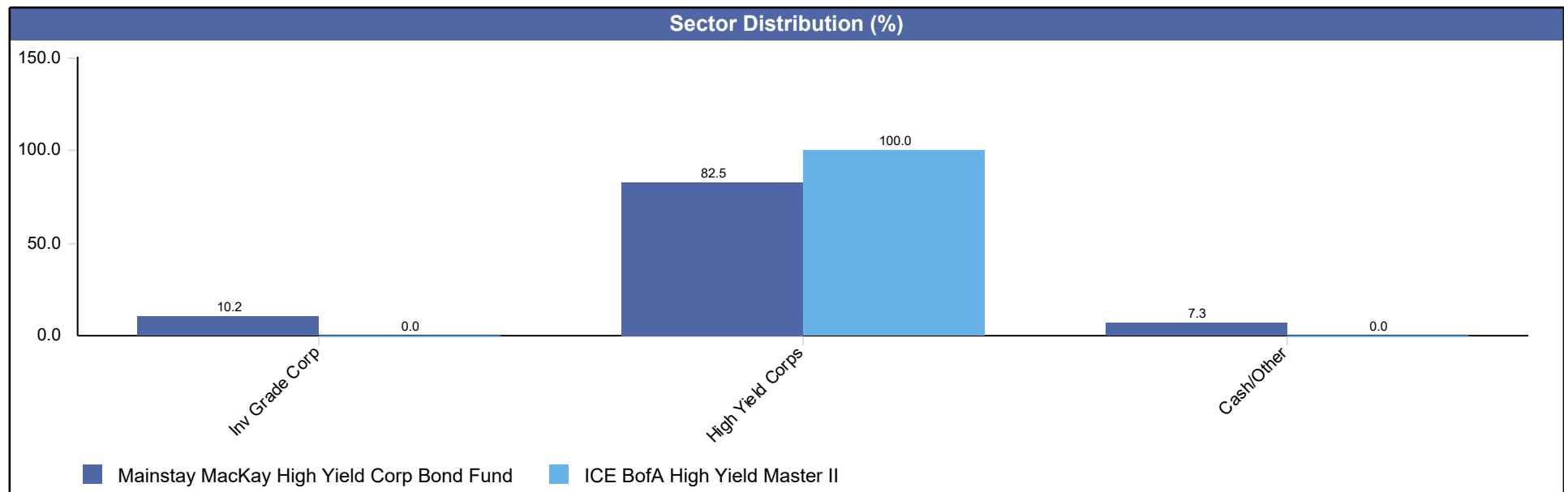
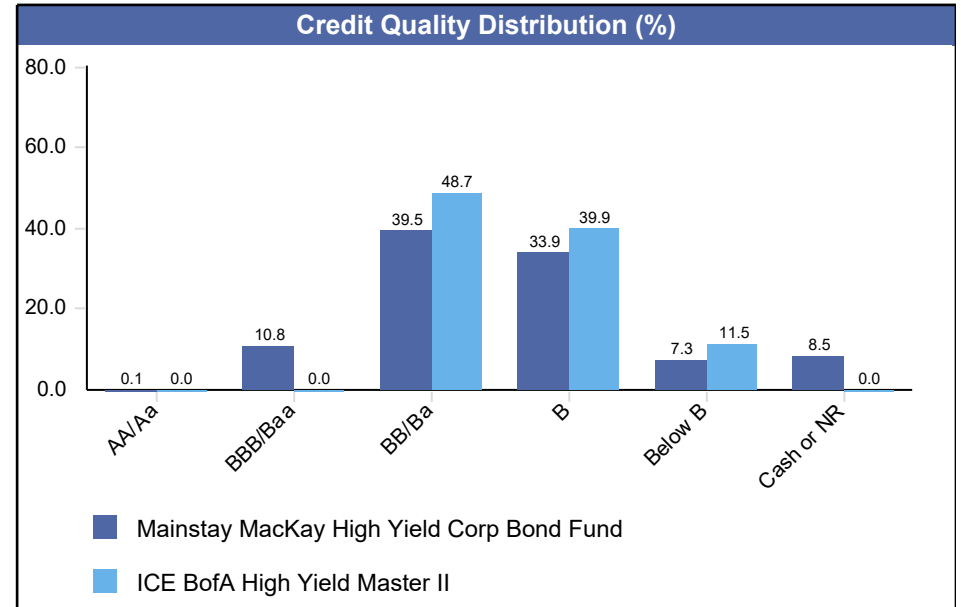
iShares 5-10 Year IG Corporate Bond ETF vs. ICE BofA U.S. Corporate 5-10 Year Index

Portfolio Characteristics		
	Portfolio	Benchmark
Effective Duration	6.08	6.01
Yield To Maturity (%)	5.10	5.12
Avg. Maturity	7.86	7.30
Avg. Quality	A	A
Coupon Rate (%)	3.91	4.08



Mainstay MacKay High Yield Corp Bond Fund vs. ICE BofA High Yield Master II

Portfolio Characteristics		
	Portfolio	Benchmark
Effective Duration	2.71	3.25
Yield To Maturity (%)	7.25	7.78
Avg. Maturity	4.35	4.81
Avg. Quality	BB	B
Coupon Rate (%)	6.00	6.10



#### ◆ HarbourVest Partners Dover Street X

- **Management:** HarbourVest Partners' Secondary Strategy Investment Committee has consisted of the same 4 individuals since 2015. David Atterbury, Managing Director, joined HarbourVest in 2004 and has over 25 years of industry experience. Jeffrey Keay, Managing Director, joined HarbourVest in 1999 and has over 23 years of industry experience. Michael Pugatch, Managing Director, has over 16 years with HarbourVest and over 18 years of industry experience. Gregory Stento, Managing Director, has over 21 years with HarbourVest and over 31 years of industry experience.
- **Objective:** The Fund's objective is to deliver attractive long-term performance, as well as strong interim performance, including early liquidity.
- **Strategy:** The Fund is expected to invest in mature private equity investments, including buyout, growth equity, venture capital and other private market assets, with an emphasis on complex secondary transactions. HarbourVest seeks to maintain a disciplined approach to pricing and construct a high quality portfolio of investments diversified by vintage year, stage, industry, and geography. The Fund's investment commitments are expected to be made over a typical private equity cycle of up to five years.

## Portfolio Characteristics

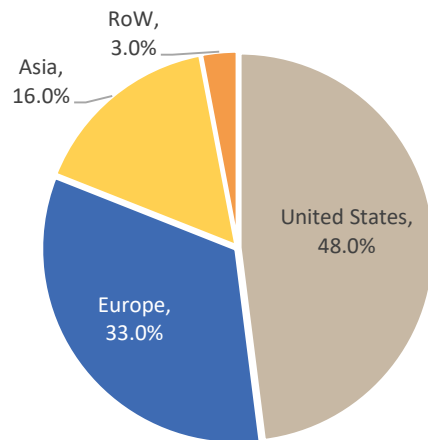
As of September 30, 2023

HarbourVest Partners Dover Street X

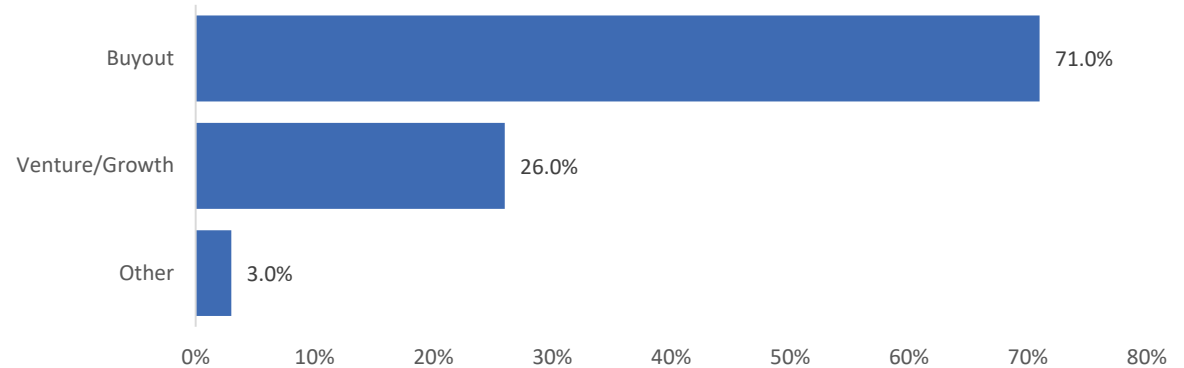
### Portfolio Characteristics

Vintage Year	2019
Fund Size (\$ millions)	\$6,943
Contributions (\$ millions)	\$4,685
Capital Called (%)	67.5%
Distributions (\$ millions)	\$1,826
Net Asset Value (\$ millions)	\$5,871
Active Positions	100+
Realized Positions	-
<i>Net IRR</i>	29.40%
<i>TVPI</i>	1.54
<i>DPI</i>	0.37
<i>RVPI</i>	1.17

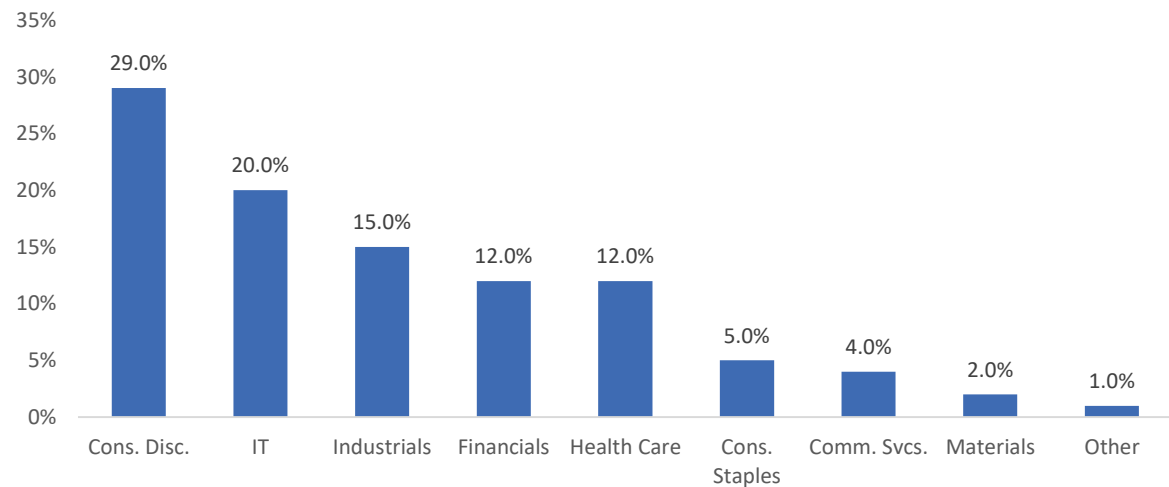
### Diversification by Region



### Diversification by Stage



### Diversification by Sector



### ◆ Neuberger Berman Secondary Opportunities Fund V

- **Management:** Neuberger Berman's Secondaries Investment Team is comprised of 18 dedicated private equity professionals and is led by the Team's 5 Principals: Brian Talbot, Tristram Perkins, Ethan Falkove, Ben Perl, and Peter Bock. Collectively, the Principals have more than 120 years of cumulative investing experience. The Founding Principals, Brian Talbot, Tristram Perkins, and Ethan Falkove, have worked together for more than 23 years and have a secondary investing track record dating back to 1991.
- **Objective:** The Fund is a global secondaries fund whose objective is to achieve superior risk-adjusted returns through the purchase of seasoned private equity investments at attractive valuations from investors desiring liquidity, including but not limited to, transactions that are sponsored or organized by the general partners or investment manager of an investment fund.
- **Strategy:** The Fund will pursue investments in both traditional secondary transactions as well as GP-led secondaries ("GP-led"). In GP-led transactions, the Fund will seek to partner with general partners of private investment vehicles and funds ("GPs") to provide structured liquidity options to limited partners ("LPs") in those funds. The Fund expects to invest primarily in U.S. and Western European leveraged buyout investments; however, it may invest globally and pursue investments in other private equity and illiquid investments. The Fund's investment approach is expected to provide investors with significant diversification across fund sponsor, underlying portfolio company, vintage year, investment strategy, geography, and industry. Fund investments can include credit related, energy, fund of funds, venture capital, infrastructure and real estate funds, as well as portfolios of direct investments, royalties and co-investments. The Team's primary focus will be on proprietary transactions which tend to be less than \$100 million; however, Fund V will opportunistically evaluate transactions of all sizes, ranging from smaller, single-fund interests to large portfolios of fund interests with purchase prices well in excess of \$100 million. Transactions of less than \$100 million are often less competitive than larger transactions and generally offer relatively more favorable pricing and higher return potential.



Private Equity Fund Overview - NB Secondary Opportunities Fund V Offshore

**Fund Information**

**Type of Fund:** Direct  
**Strategy Type:** Secondaries  
**Size of Fund:** 3,000,000,000.00  
**Inception:** 09/30/2020  
**Final Close:**

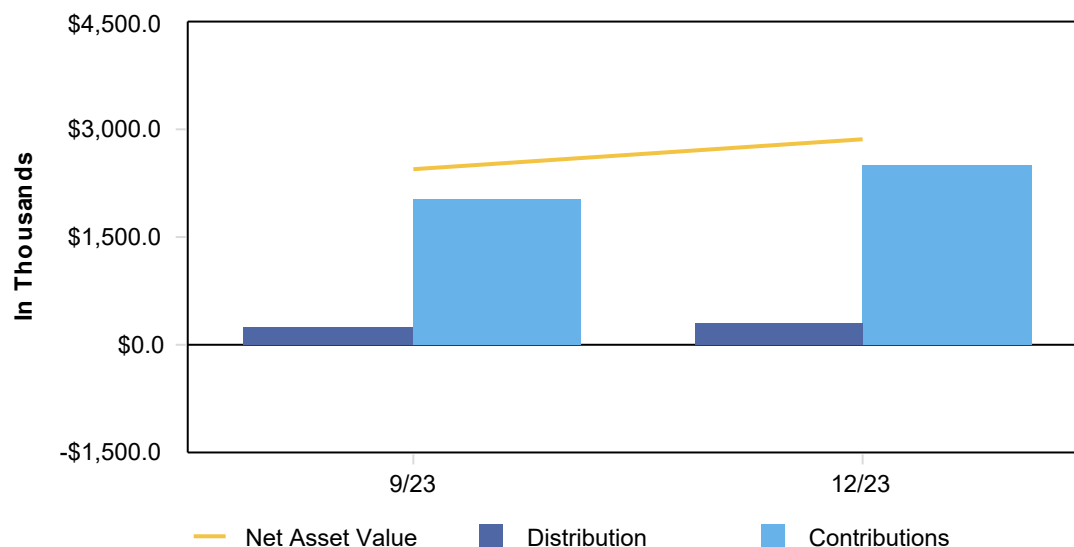
**Vintage Year:** 2021  
**Management Fee:** 0.7% estimated average annual management fee / 12.5% carry above preferred return  
**Preferred Return:** 8%  
**General Partner:** Neuberger Berman  
**Number of Funds:**

**Investment Strategy:** Neuberger Berman Secondary Opportunities Fund V, L.P. ("The Fund") is a global secondaries fund that seeks to achieve superior risk-adjusted returns through the purchase of seasoned private equity investments at attractive valuations from investors desiring liquidity. The Fund will pursue investments in both traditional secondary transactions as well as GP-led secondaries ("GP-led"). In GP-led transactions, the Fund will seek to partner with general partners of private investment vehicles and funds ("GPs") to provide structured liquidity options to limited partners ("LPs") in those funds. The Fund expects to invest primarily in U.S. and Western European leveraged buyout investments; however, it may invest globally and pursue investments in other private equity and illiquid investments. The Fund's investment approach is expected to provide investors with significant diversification across fund sponsor, underlying portfolio company, vintage year, investment strategy, geography, and industry. Fund investments can include credit related, energy, fund of funds, venture capital, infrastructure and real estate funds, as well as portfolios of direct investments, royalties and co-investments.

**Cash Flow Summary**

**Capital Committed:** \$7,000,000  
**Capital Contributed:** \$2,512,442  
**Remaining Capital Commitment:** \$4,487,558  
  
**Total Distributions:** \$314,888  
**Market Value:** \$2,863,968  
  
**Inception Date:** 03/01/2022  
**Inception IRR:** 23.26  
**TVPI:** 1.27

**Cash Flow Analysis**



### ◆ HighVista Venture Partners XIII

- **Management:** The HighVista Venture Partners team consists of six investment professionals. Voting members of the AVP Investment Committee include John Dickie, Peter Lawrence, Peter Mooradian, Kirsten Morin, and Scott Reed. Each member of the Committee has at least 18 years of industry experience. The team is supported by over 50 additional employees across private capital-focused investment, finance, legal, and operations departments.
- **Objective:** The Fund's objective is to provide qualified investors access to a strategically concentrated, global portfolio of venture capital funds that are expected to invest in leading technology companies of the current and upcoming innovation cycle.
- **Strategy:** The Fund will invest predominantly in venture capital funds targeting companies in the information technology, healthcare, and blockchain/crypto sectors. Primary commitments made by the Fund are anticipated to be focused within a group of leading franchise venture capital funds that have historically achieved top quartile returns. Additionally, the Fund will opportunistically pursue direct co-investments and secondary interests in funds as a means to enhance the return profile and help mitigate its j-curve. The Fund anticipates its approach to portfolio construction has the potential to achieve targeted diversification across sector, stage, and geography without diluting the opportunity for outperformance.

Private Equity Fund Overview - HighVista Venture Partners XIII Offshore

**Fund Information**

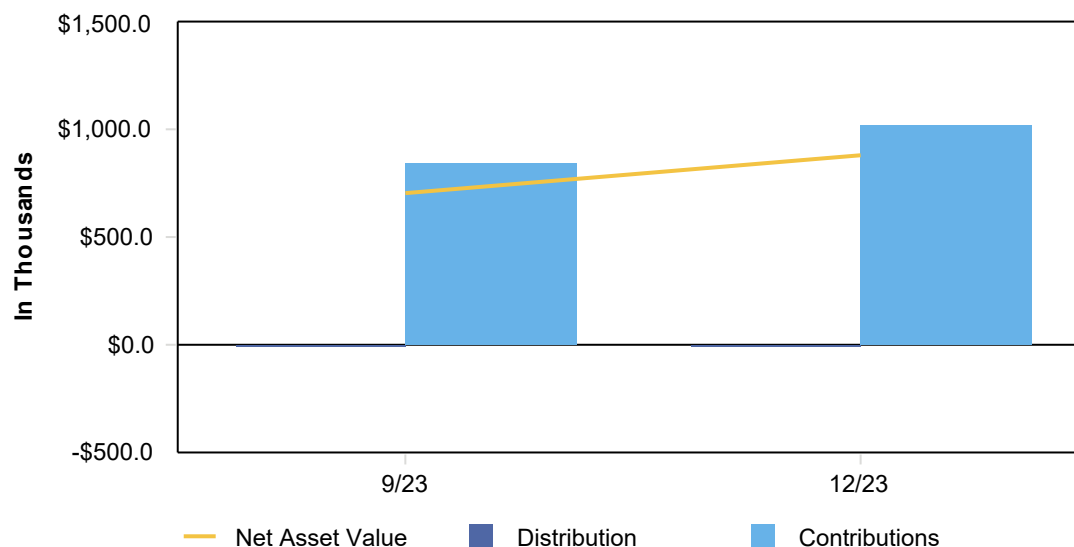
<b>Type of Fund:</b>	Fund Of Funds	<b>Vintage Year:</b>	2021
<b>Strategy Type:</b>	Venture Capital - Fund of Funds	<b>Management Fee:</b>	0.75% estimated effective average annual management fee; charged on committed capital
<b>Size of Fund:</b>	200,000,000	<b>Preferred Return:</b>	8.0%
<b>Inception:</b>	01/01/2021	<b>General Partner:</b>	Abrdn Venture Company XIII, LLC
<b>Final Close:</b>	January 2023	<b>Number of Funds:</b>	0

**Investment Strategy:** The Fund's objective is to provide qualified investors access to a strategically concentrated, global portfolio of venture capital funds that are expected to invest in leading technology companies of the current and upcoming innovation cycle. The Fund will invest predominantly in venture capital funds targeting companies in the information technology, healthcare, and blockchain/crypto sectors. Primary commitments made by the Fund are anticipated to be focused within a group of leading franchise venture capital funds that have historically achieved top quartile returns. Additionally, the Fund will opportunistically pursue direct co-investments and secondary interests in funds as a means to enhance the return profile and help mitigate its j-curve. The Fund anticipates its approach to portfolio construction has the potential to achieve targeted diversification across sector, stage, and geography without diluting the opportunity for outperformance.

**Cash Flow Summary**

<b>Capital Committed:</b>	\$3,000,000
<b>Capital Contributed:</b>	\$1,003,738
<b>Remaining Capital Commitment:</b>	\$1,996,262
<b>Total Distributions:</b>	-
<b>Market Value:</b>	\$887,144
<b>Inception Date:</b>	03/31/2023
<b>Inception IRR:</b>	-16.96
<b>TVPI:</b>	0.88

**Cash Flow Analysis**



**◆ Golub Capital Partners XII**

- **Management:** Golub Capital's Direct Lending Investment Committee consists of 8 individuals who have on average over 25 years of principal investing experience. Four members have served since 2004. Lawrence Golub, CEO has 37 years of principal investing experience and founded the firm in 1994. David Golub, President and Brother of Lawrence Golub, has 34 years of principal investing experience and joined Golub Capital in 2003. Andrew Steuerman, Vice Chair of Direct Lending & Late Stage Lending and Gregory Cashman, Senior Managing Director & Head of Direct Lending, have 31 and 29 years of principal investing experience, respectively. The newer members, Spyro Alexopoulos, Head of Originations, Marc Robinson, Co-Head of Underwriting, Robert Tuchscherer, Co-Head of Underwriting, and Jason Van Dussen, Co-Head of Capital Markets each have over 23 years of principal investing experience.
- **Objective:** The Fund seeks to achieve attractive risk-adjusted returns relative to more liquid fixed income alternatives, with emphasis on current income and preservation of capital.
- **Strategy:** The Fund seeks to achieve its objectives primarily by obtaining indirect leveraged exposure to: (i) U.S. middle market, senior secured, floating rate loans directly originated by Golub Capital Finance LLC ("GC Finance") or another affiliate of the Fund; and (ii) secondarily, broadly syndicated loans directly originated by GC Finance or another affiliate of the Fund or acquired from unaffiliated third parties (such middle market and broadly syndicated loans).

Private Equity Fund Overview - Golub Capital Partners Int'l XII

**Fund Information**

**Type of Fund:** Direct  
**Strategy Type:** Other

**Vintage Year:** 2018  
**Management Fee:** ~1.0% on fair value of assets. Actual calculation is 1.25% on middle market related assets and 0.50% on broadly syndicated loan related assets / 20% carry above preferred return

**Size of Fund:** 2,770,000,000.00  
**Inception:** 06/30/2018  
**Final Close:** 01/01/2021

**Preferred Return:** 8%  
**General Partner:** Golub Capital Partners  
**Number of Funds:**

**Investment Strategy:** Unique fund structure where each closed-end fund in the GCP series owns a pro-rata share of the Golub Capital Partners Ltmd. Holding Company. This provides retroactive vintage diversification as well as sector, geography, and risk diversification. Fund XII's \$2.77 billion will be commingled with the capital invested from Funds VIII through XI. Total AUM of the evergreen holding company is \$15 billion. Targets middle market loans defined by companies <\$100 EBITDA. 99% floating rate debt. 98% first-lien and unitrache loans, 2% second-lien and equity. The evergreen holding company includes around 440 investments.

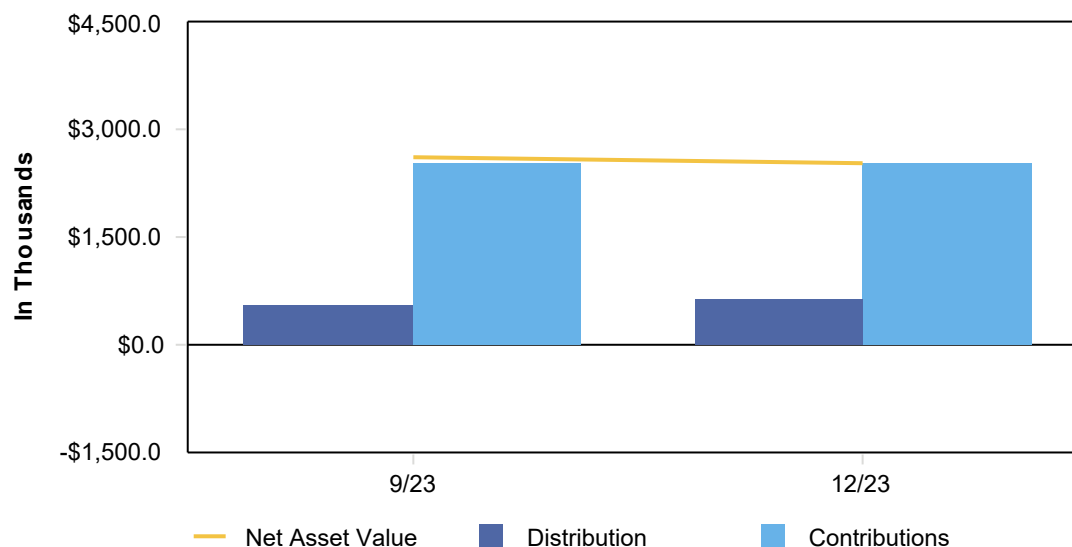
**Cash Flow Summary**

**Capital Committed:** \$2,810,000  
**Capital Contributed:** \$2,529,000  
**Remaining Capital Commitment:** \$281,000

**Total Distributions:** \$635,349  
**Market Value:** \$2,529,000

**Inception Date:** 01/05/2021  
**Inception IRR:** 9.61  
**TVPI:** 1.25

**Cash Flow Analysis**



**◆ Golub Capital Partners XIV**

- **Management:** Golub Capital's Direct Lending Investment Committee consists of 8 individuals who have on average over 25 years of principal investing experience. Four members have served since 2004. Lawrence Golub, CEO has 37 years of principal investing experience and founded the firm in 1994. David Golub, President and Brother of Lawrence Golub, has 34 years of principal investing experience and joined Golub Capital in 2003. Andrew Steuerman, Vice Chair of Direct Lending & Late Stage Lending and Gregory Cashman, Senior Managing Director & Head of Direct Lending, have 31 and 29 years of principal investing experience, respectively. The newer members, Spyro Alexopoulos, Head of Originations, Marc Robinson, Co-Head of Underwriting, Robert Tuchscherer, Co-Head of Underwriting, and Jason Van Dussen, Co-Head of Capital Markets each have over 23 years of principal investing experience.
- **Objective:** The Fund seeks to achieve attractive risk-adjusted returns relative to more liquid fixed income alternatives, with emphasis on current income and preservation of capital.
- **Strategy:** The Fund seeks to achieve its objectives primarily by obtaining indirect leveraged exposure to: (i) U.S. middle market, senior secured, floating rate loans directly originated by Golub Capital Finance LLC ("GC Finance") or another affiliate of the Fund; and (ii) secondarily, broadly syndicated loans directly originated by GC Finance or another affiliate of the Fund or acquired from unaffiliated third parties (such middle market and broadly syndicated loans).

Private Equity Fund Overview - Golub Capital Partners International XIV

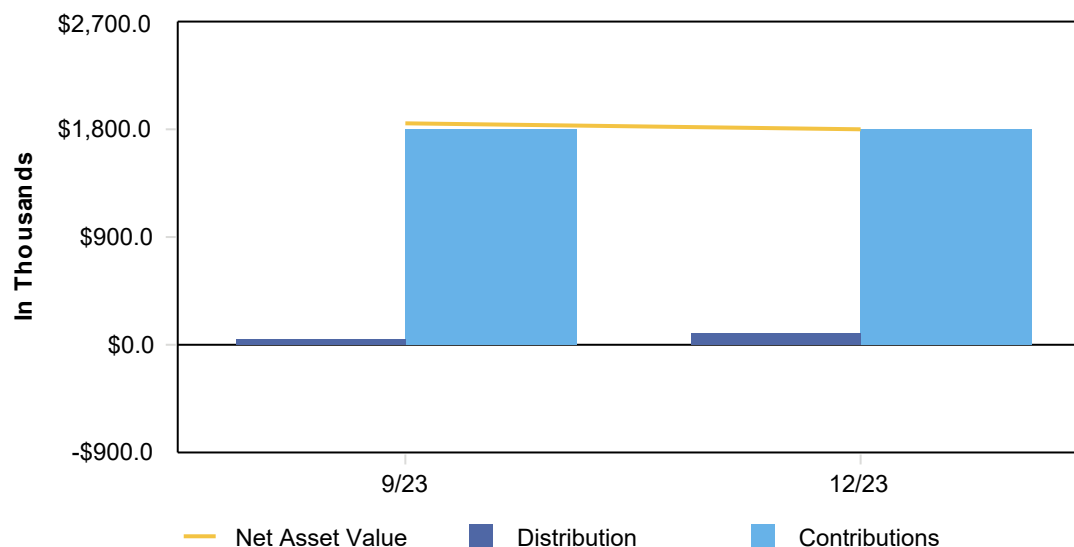
**Fund Information**

<b>Type of Fund:</b>	Direct	<b>Vintage Year:</b>	2021
<b>Strategy Type:</b>	Other	<b>Management Fee:</b>	~1.0% on fair value of assets. Actual calculation is 1.25% on middle market related assets and 0.50% on broadly syndicated loan related assets / 20% carry above preferred return
<b>Size of Fund:</b>	1,200,000,000.00	<b>Preferred Return:</b>	8%
<b>Inception:</b>	04/01/2021	<b>General Partner:</b>	Golub Capital Partners
<b>Final Close:</b>	04/01/2023	<b>Number of Funds:</b>	
<b>Investment Strategy:</b>	Unique fund structure where each closed-end fund in the GCP series owns a pro-rata share of the Golub Capital Partners Ltmd. Holding Company. This provides retroactive vintage diversification as well as sector, geography, and risk diversification. Fund XIV's anticipated \$3 billion will be commingled with the capital invested from Funds VIII through XII. Total AUM of the evergreen holding company is \$15 billion. Targets middle market loans defined by companies <\$100 EBITDA. 99% floating rate debt. 98% first-lien and unitrache loans, 2% second-lien and equity. The evergreen holding company includes around 440 investments.		

**Cash Flow Summary**

<b>Capital Committed:</b>	\$2,000,000
<b>Capital Contributed:</b>	\$1,800,000
<b>Remaining Capital Commitment:</b>	\$200,000
<b>Total Distributions:</b>	\$108,285
<b>Market Value:</b>	\$1,800,000
<b>Inception Date:</b>	04/03/2023
<b>Inception IRR:</b>	6.64
<b>TVPI:</b>	1.06

**Cash Flow Analysis**



### ◆ Strategic Value Partners Special Situations Fund V

- **Management:** The Strategic Value Partners (“SVP”) Investment Team consists of 5 senior members led by Victor Khosla. Mr. Khosla leads SVP and has invested in distressed companies for more than 30 years in North America, Asia, and Europe, where he was one of the pioneers in the mid-1990s. The 4 senior investment team members that work alongside Mr. Khosla include Kevin Lydon, Global Head of Sourcing, David Geenburg, Head of the US Deal Team, and John Brantl and HJ Woltery, Co-Heads of the European Deal Team. These 4 individuals have a long history of working together, with an average tenure of 14 years at SVP and an average of 23 years of distressed and turnaround investment experience.
- **Objective:** The Fund seeks to achieve superior risk-adjusted returns by making investments globally in a broad range of distressed, stressed, and undervalued financial and other assets.
- **Strategy:** The Fund seeks to achieve its objectives primarily by targeting senior debt of middle market corporations (\$500 million to \$1.5 billion total enterprise value). The Fund stays actively involved over the life of a transaction by exerting influence in the restructuring and operations of these situations. Focus sectors are usually asset-heavy, old-economy businesses with predictable cash flows and low technology risk (e.g., infrastructure, packaging). In particular, SVP seeks to limit exposure to sectors where the main driver of economic performance depends upon the price of an underlying commodity, such as the oil and gas, or metals and mining sectors.



Private Equity Fund Overview - Strategic Value Special Sits V Offshore

**Fund Information**

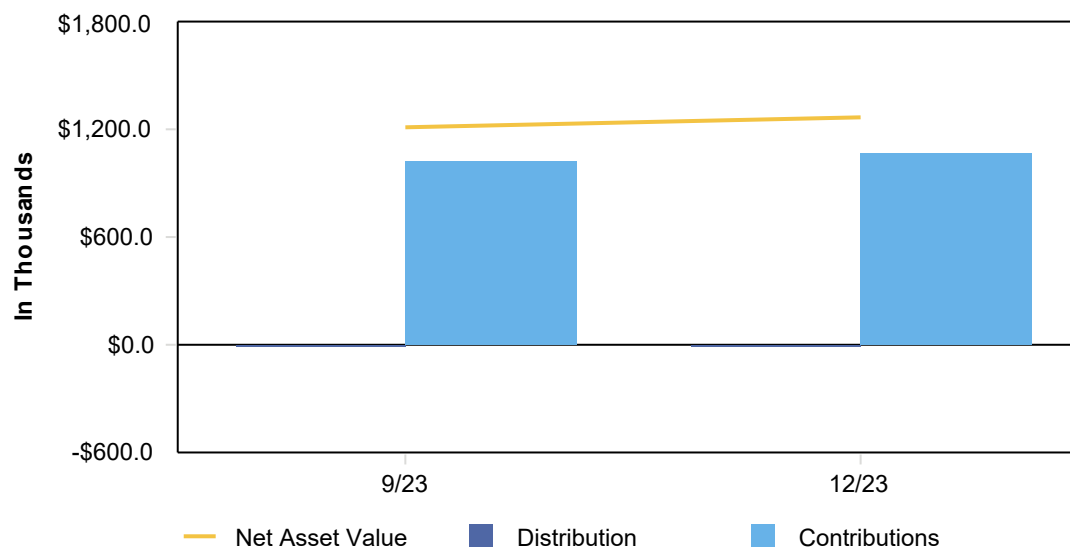
<b>Type of Fund:</b>	Direct	<b>Vintage Year:</b>	2021
<b>Strategy Type:</b>	Special Situations	<b>Management Fee:</b>	1.75% approximately / 20% carry above preferred return
<b>Size of Fund:</b>	-	<b>Preferred Return:</b>	8%
<b>Inception:</b>	05/01/2021	<b>General Partner:</b>	SVP Global
<b>Final Close:</b>	06/01/2021	<b>Number of Funds:</b>	

**Investment Strategy:** Special Situations Fund V is the latest all-weather distressed debt / special situations fund offered by SVP Global. The Fund’s objective is to generate capital appreciation through global fund investments in a range of distressed financial and other assets. Special Situations Fund V will seek opportunities in the middle market (\$500 million - \$1.5 billion total enterprise value). SVP Global has a long track record of successfully providing investors exposure to distressed investments while generating consistent returns throughout the business cycle. The Fund will invest approx. 50% in North America and 50% in Europe. The Fund will invest approx. 2/3 of the total value of the fund in the top 20 investments with likely over 100 individual investments over the life of the Fund. Fund V is expected to target seniority allocation like Fund IV with approx. 60% senior debt, 5% subordinated debt, and 35% equity. Fund V is targeting a mid-teens net IRR.

**Cash Flow Summary**

<b>Capital Committed:</b>	\$2,050,000
<b>Capital Contributed:</b>	\$1,075,986
<b>Remaining Capital Commitment:</b>	\$974,014
<b>Total Distributions:</b>	\$3,123
<b>Market Value:</b>	\$1,271,073
<b>Inception Date:</b>	05/13/2021
<b>Inception IRR:</b>	10.39
<b>TVPI:</b>	1.18

**Cash Flow Analysis**



## ● ATEL Private Debt Partners II

- **Management:** The Fund's portfolio investment decisions will be made by the ATEL Growth Capital Investment Committee, comprised of Deen Cash, Paritosh Choksi and Russell Wilder. Deen Cash is President and Chief Executive Officer of ATEL Capital Group. Paritosh Choksi is Chief Operating Officer of ATEL Capital Group. Russell Wilder is Chief Credit Officer of ATEL Growth Capital. Since 1999, the firm has provided senior secured financing to growth companies funded by top-tier investment firms and/or strategic investors through ATEL Growth Capital. Since that date, ATEL Growth Capital has funded or committed over \$350 million of debt financing to over 100 emerging growth companies and senior members of ATEL's Management Team have an average tenure of over 23 years with ATEL and an average of 35 years of industry experience.
- **Objective:** This Fund seeks to generate a high level of income from its underlying loans while also potentially generating capital appreciation from the incremental equity warrants that accompany some of the transactions.
- **Strategy:** The Fund's investment strategy is to provide senior secured debt financing primarily to emerging growth companies financed by top-tier investment firms and strategic corporate partners. The Fund will provide senior secured debt financing for acquisition of capital assets, inventory and other goods and services, and for general working capital secured by a first lien on the assets of the companies (at times including the Intellectual Property). The Fund will seek to acquire warrants and rights to purchase equity interests in the companies in conjunction with its transactions.

Private Equity Fund Overview - ATEL Private Debt Partners II

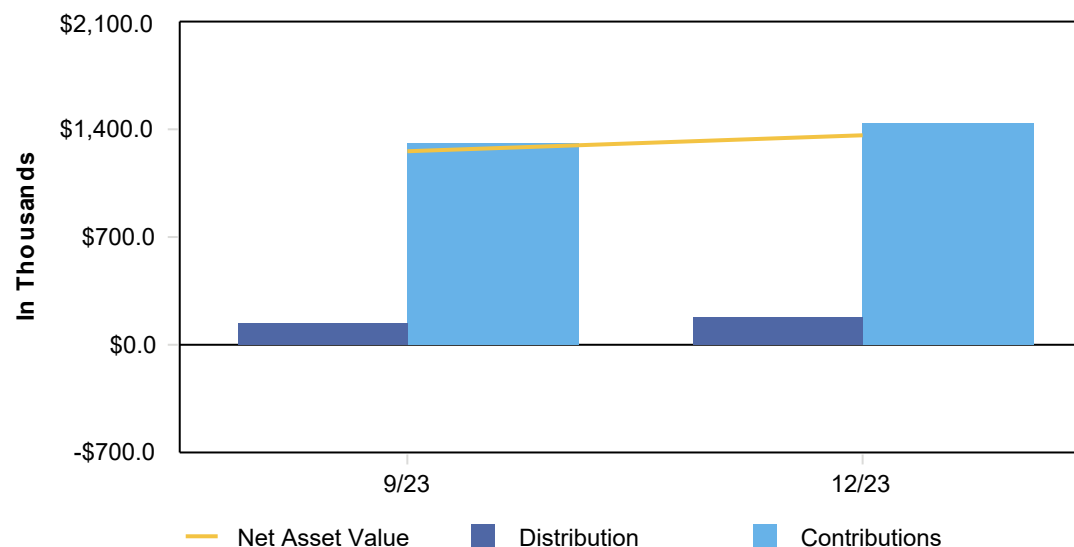
**Fund Information**

<b>Type of Fund:</b>	Direct	<b>Vintage Year:</b>	2019
<b>Strategy Type:</b>	Credit	<b>Management Fee:</b>	Undrawn capital: 1% on undrawn commitments (through drawdown period); Drawn capital: gross income allocation of 2% of total assets per year (paid quarterly)
<b>Size of Fund:</b>	200,000,000.00	<b>Preferred Return:</b>	20% over 8% hurdle
<b>Inception:</b>	07/01/2019	<b>General Partner:</b>	ATEL Capital Group
<b>Final Close:</b>	07/31/2020 (target)	<b>Number of Funds:</b>	
<b>Investment Strategy:</b>	This strategy invests in amortizing senior secured loans (typically 2-4 year maturity) of emerging growth companies. The focus is on venture debt backed companies, having already received several rounds of equity funding, in early to expansion stages of the PE cycle. Equity warrants are often included in the loan terms providing upside potential to returns. Industry exposure tends to include technology (including clean tech.) and life sciences.		

**Cash Flow Summary**

<b>Capital Committed:</b>	\$1,450,000
<b>Capital Contributed:</b>	\$1,450,000
<b>Remaining Capital Commitment:</b>	-
<b>Total Distributions:</b>	\$182,364
<b>Market Value:</b>	\$1,364,355
<b>Inception Date:</b>	09/21/2021
<b>Inception IRR:</b>	5.64
<b>TVPI:</b>	1.07

**Cash Flow Analysis**



### ◆ Equus Properties Fund X

- **Management:** Dan DiLella, President and CEO of Equus, has overseen all of Equus' institutional real estate funds. He has 40 years of real estate experience and has been with Equus for over 30 years.
- **Objective:** The Fund seeks to provide a high level of current income and capital appreciation by acquiring, improving, leasing and exiting privately-held, value-add real estate properties in the United States.
- **Strategy:** The Fund invests in privately held commercial real estate assets owned by distressed operators who are over-levered and unable to commit the capital needed for property improvements and leasing activity. Equus seeks properties with solid “bones” in submarkets with multiple economic drivers, primarily job and population growth. After acquisition, Equus quickly works to improve, reposition and re-lease the properties in a timely manner to generate positive cash flow as quickly as possible. Because Equus typically sources properties on an off-market basis and invests in value-add properties at a discount to their intrinsic value, the Fund typically realizes significant capital appreciation upon exit.

### ◆ LEM Multifamily Senior Equity Fund IV

- **Management:** LEM Capital was founded by current partners Ira Lubert, Jay Eisner, and Herb Miller in 2002. They average 30 years real estate investment experience. The firm is 100% owned by the partners.
- **Objective:** The Fund seeks to provide a high level of current income and capital appreciation by acquiring, improving, leasing and exiting privately-held, value-add multifamily real estate properties in the United States.
- **Strategy:** The Fund invests in privately held commercial multifamily real estate assets owned by distressed operators who are over-levered and unable to commit the capital needed for property improvements and leasing activity. LEM seeks properties with solid “bones” in submarkets with multiple economic drivers, primarily job and population growth. After acquisition, LEM quickly works to improve, reposition and re-lease the properties in a timely manner to generate positive cash flow as quickly as possible. Because LEM and their JV partners typically source properties on an off-market basis and invest in value-add properties at a discount to their intrinsic value, the Fund typically realizes significant capital appreciation upon exit.

Private Equity Fund Overview - Equus Investment Partnership X

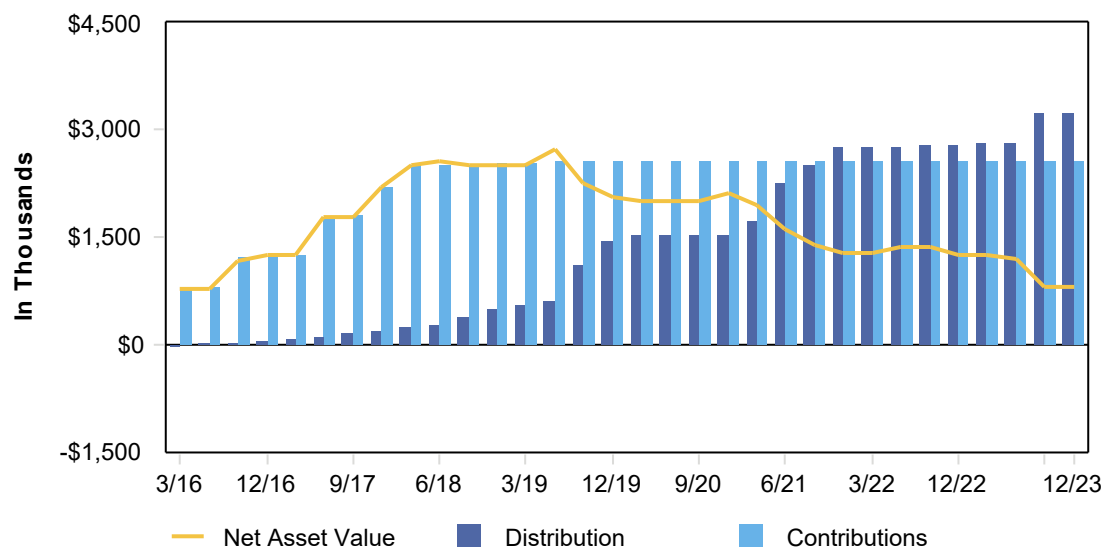
**Fund Information**

<b>Type of Fund:</b>	Direct	<b>Vintage Year:</b>	2016
<b>Strategy Type:</b>	Opportunistic Real Estate	<b>Management Fee:</b>	75 bps committed / 75 bps invested / 20% incentive over preferred return
<b>Size of Fund:</b>	300,000,000	<b>Preferred Return:</b>	8%
<b>Inception:</b>	03/31/2015	<b>General Partner:</b>	\$ 6.0 million
<b>Final Close:</b>	06/30/2016		
<b>Investment Strategy:</b>	Equus Capital Partners' Fund X seeks to acquire value-add properties across all major real estate segments throughout the U.S. They are a sole-acquiror that takes equity positions and does not partner with regional owner-operators through joint ventures that can be dilutive to equity upside profits. The fund aims to be fully diversified across all major property types and across all U.S. property markets. Equus runs a vertically integrated platform, from deal sourcing, through acquisition to portfolio management, property management, renovation, repositioning and exit. The fund includes moderate leverage on its acquisitions, with no debt recoured to the fund level.		

**Cash Flow Summary**

<b>Capital Committed:</b>	\$2,700,000
<b>Capital Contributed:</b>	\$2,575,439
<b>Remaining Capital Commitment:</b>	\$124,561
<b>Total Distributions:</b>	\$3,235,641
<b>Market Value:</b>	\$804,140
<b>Inception Date:</b>	03/30/2016
<b>Inception IRR:</b>	11.56
<b>TVPI:</b>	1.57

**Cash Flow Analysis**



Private Equity Fund Overview - LEM Multifamily Fund V

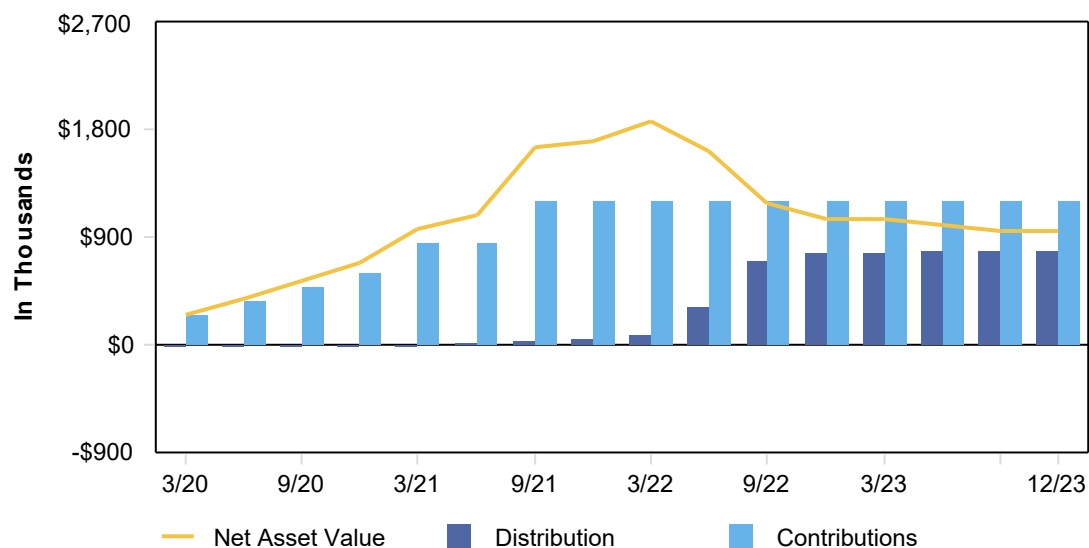
**Fund Information**

<b>Type of Fund:</b>	Direct	<b>Vintage Year:</b>	2018
<b>Strategy Type:</b>	Value-Add Real Estate	<b>Management Fee:</b>	150 bps committed management fee; 20% carry over the preferred return; 50/50 catch-up
<b>Size of Fund:</b>	400,000,000.00	<b>Preferred Return:</b>	8%
<b>Inception:</b>	07/01/2018	<b>General Partner:</b>	LEM Capital
<b>Investment Strategy:</b>	The fund targets cash flowing, Class B multifamily properties in high growth markets in the U.S. LEM focuses on cash flowing properties to provide yield and downside protection to investors. The fund focuses on older, Class B properties where dysfunctional ownership, a lack of prior capital investment, inferior property management, or other conditions provides opportunity and a means to create value at any point in the market cycle.		

**Cash Flow Summary**

<b>Capital Committed:</b>	\$1,200,000
<b>Capital Contributed:</b>	\$1,200,000
<b>Remaining Capital Commitment:</b>	-
<b>Total Distributions:</b>	\$788,135
<b>Market Value:</b>	\$946,342
<b>Inception Date:</b>	03/31/2020
<b>Inception IRR:</b>	16.77
<b>TVPI:</b>	1.45

**Cash Flow Analysis**



## IMPORTANT DISCLOSURES

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It is not possible to invest directly in an index. The index returns shown throughout this material do not represent the results of actual trading of investor assets. Third-party providers maintain the indices shown and calculate the index levels and performance shown or discussed. Index returns do not reflect payment of any sales charges or fees an investor would pay to purchase the securities they represent. The imposition of these fees and charges would cause investment performance to be lower than the performance shown.

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# Is a Recession in the Cards?

Special Report | February 2024



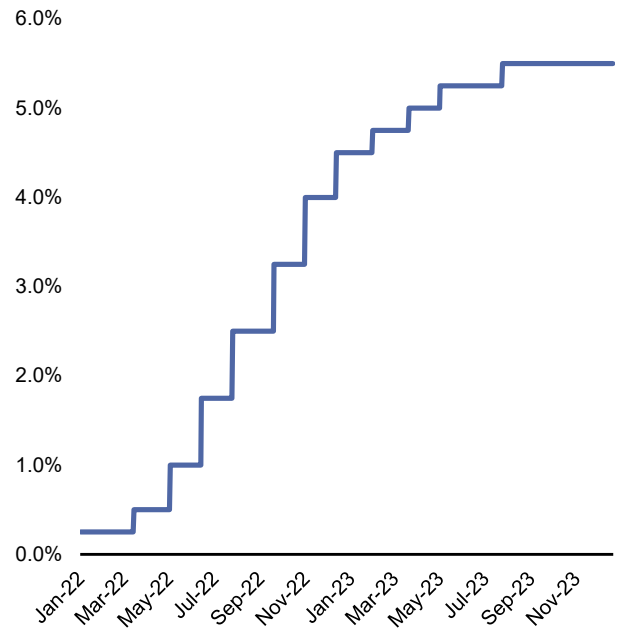
At PFM Asset Management, we consistently believed that despite the Federal Reserve (Fed) raising interest rates to bring inflation down to its 2% target, the U.S. economy had enough tailwinds to achieve a soft landing and avoid a recession. While this view was out of consensus for all of 2022 and most of 2023, recently, more economists have come around to our view. However, the risk of recession remains elevated. And, while our base case remains a soft landing, we explore the possibility of a recession in 2024 and if one occurred, whether it would be mild or a more severe economic downturn.

## The Case for a Soft Landing

Since the Fed started to raise interest rates to decrease inflation, most economists forecasted that the United States would fall into a recession (Exhibit 1). In addition to aggressively hiking rates, the Fed continued to withdraw liquidity from the system by allowing its balance sheet to shrink (Exhibit 2). While we recognized that the risk of recession was elevated, our base case was and remains that a soft landing is achievable. This outlook was based on our view that inflation would moderate and our perception of favorable tailwinds for the U.S. economy.

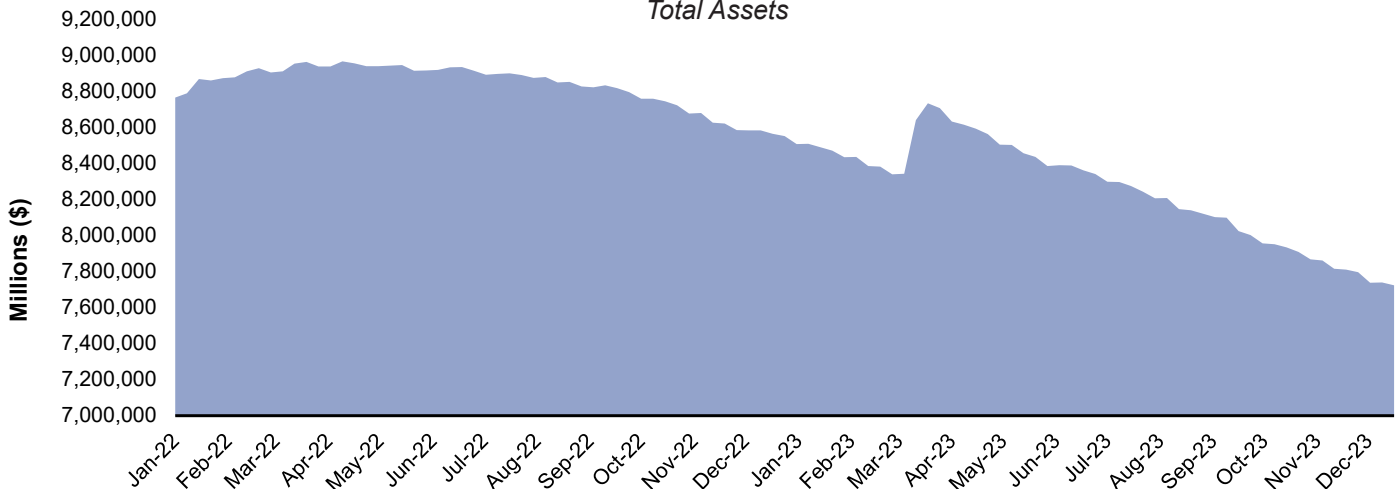
Our view that inflation would moderate was based on our assessment that the significant increase in inflation, which began in 2021, was driven by extraordinary fiscal and monetary policies following the onset of the global pandemic, combined with a severe strain on supply chains.

Exhibit 1: Federal Funds Rate



Source: Bloomberg.

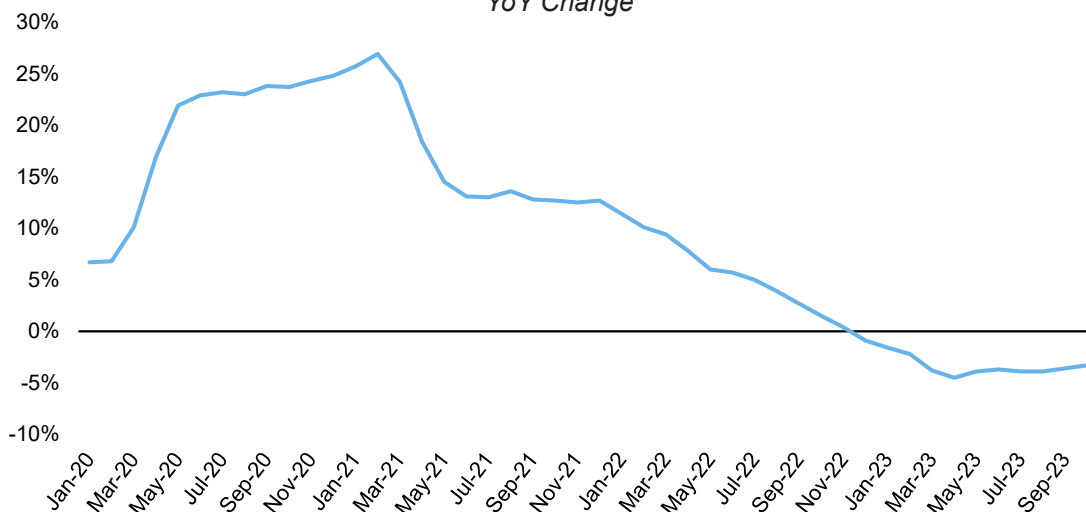
Exhibit 2: Fed's Balance Sheet  
Total Assets



Source: Bloomberg.



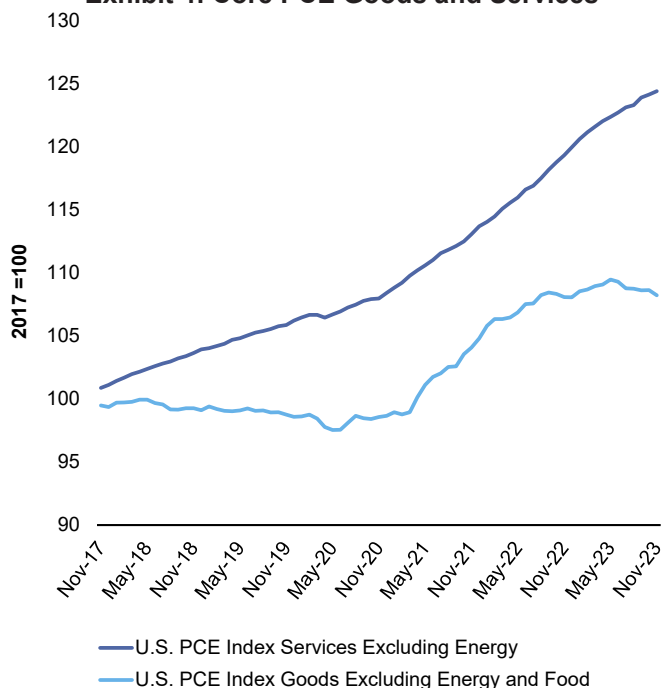
**Exhibit 3: M2 Money Supply YoY Change**



Source: Bloomberg.

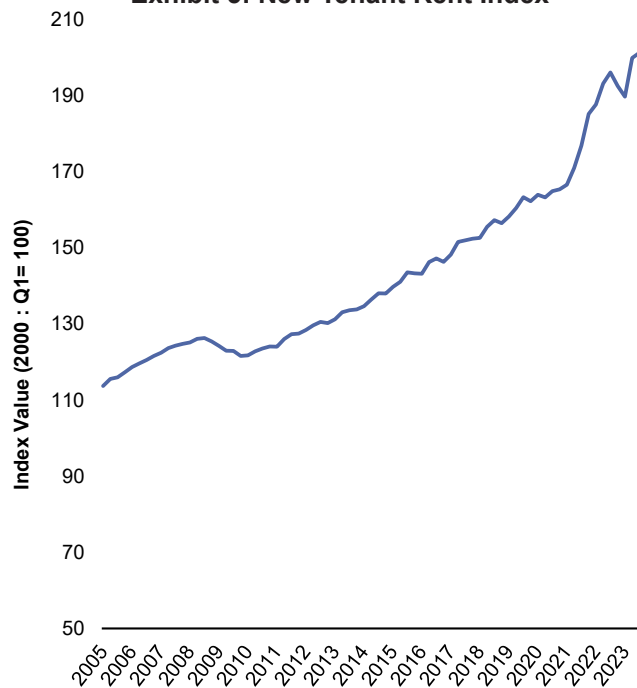
As a result of these policies, money supply increased significantly (Exhibit 3). Our analysis suggested that as money supply growth eased and supply chains slowly returned to historical levels, it will be conducive to goods inflation (Exhibit 4). At the same time, labor markets went through unprecedented change – the labor force participation rate fell to 60.1% in April 2020 compared to 63.3% in February 2020 as a result of the pandemic related pullback, and has recently recovered to 62.5%. This has put pressure on service-oriented sectors of the economy, leading to a higher ratio of job openings to the number of job seekers as well as higher wage growth. We are currently seeing a moderation in goods inflation and wage growth. Meanwhile, the shelter component of inflation continues to exert upward pressure on inflation due to the tight housing market, but we are seeing signs of rent pressure easing as well (Exhibit 5).

**Exhibit 4: Core PCE Goods and Services**



Source: Bloomberg.

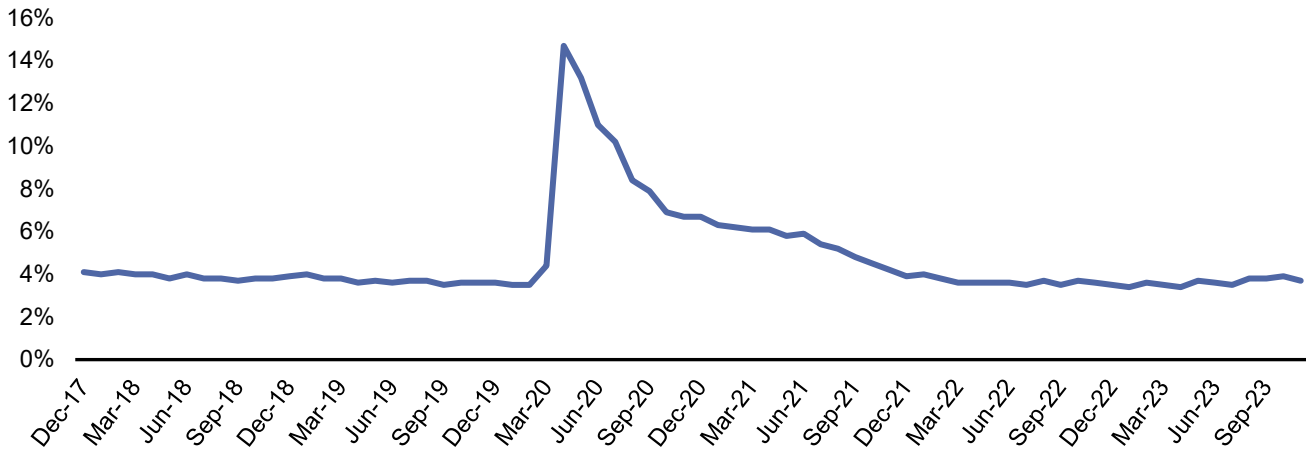
**Exhibit 5: New Tenant Rent Index**



Source: U.S. Bureau of Labor Statistics.

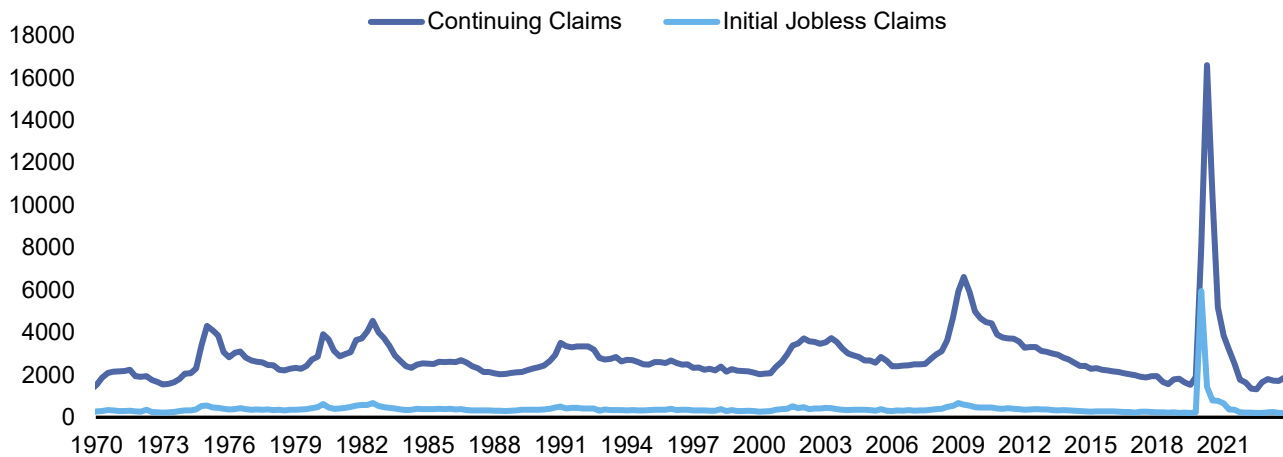
In addition to moderating inflation, our base case for a soft landing is supported by several favorable tailwinds for the U.S. economy. For example, the labor market remains healthy with a historically low unemployment rate. Weekly jobless claims and continuing claims also remain at historically low levels, and the U.S. economy has produced approximately 200,000 net new jobs per month over the past three months (Exhibits 6,7,8).

**Exhibit 6: Unemployment Rate**



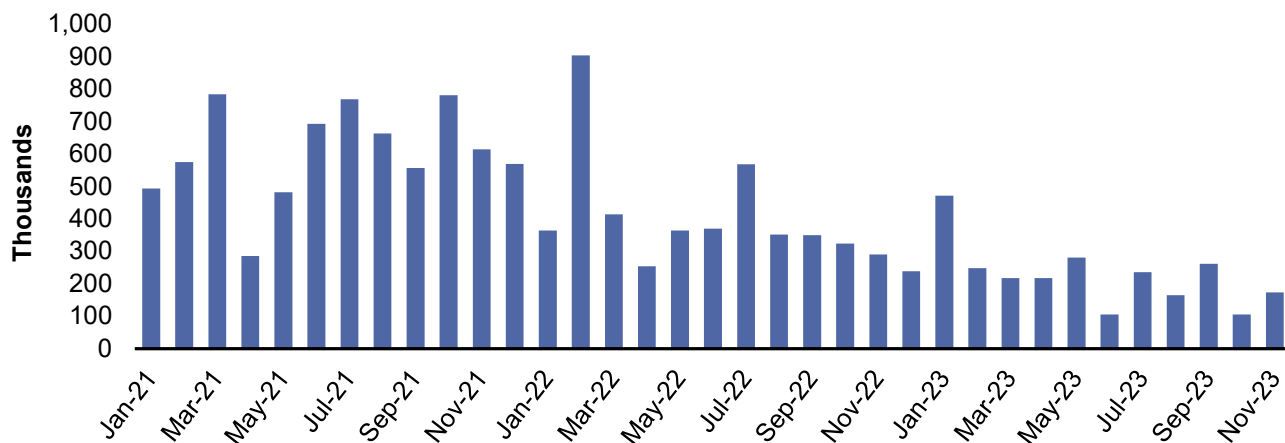
Source: Bloomberg.

**Exhibit 7: Jobless Claims**



Source: Bloomberg.

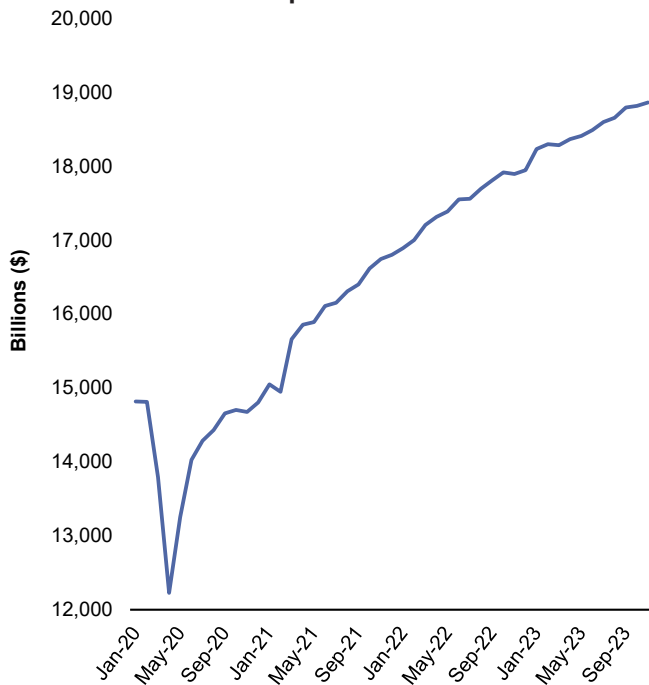
**Exhibit 8: Monthly Change in Non-Farm Payrolls**



Source: Bloomberg.

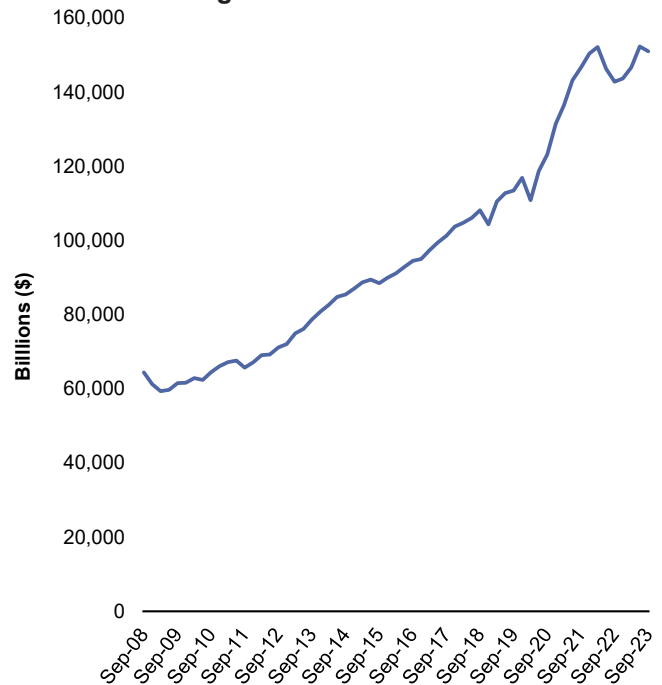
Given that consumer spending accounts for approximately 70% of economic activity, and given the strong labor market, we expect the consumer to keep spending and by extension, help the economy avoid a recession (Exhibit 9). It should also be noted that consumer spending is supported by a significant increase in household net worth since the onset of the pandemic (Exhibit 10).

**Exhibit 9: Personal Consumption Expenditures**



Source: Bloomberg.

**Exhibit 10: Households & Nonprofit Organizations Net Worth**



Source: Bloomberg.

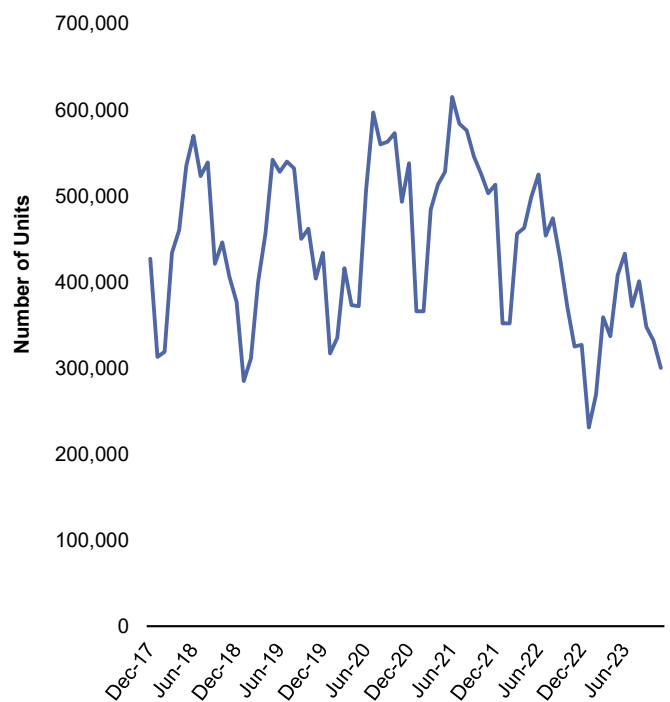
### Alternative Scenarios

Again, while our base case remains a soft landing, the risk of recession is elevated. Historically, the impact of higher interest rates negatively impacts the economy with a lag period of nine to 18 months.

Several indicators that have accurately predicted recessions in the past are raising a red flag, including the Treasury yield curve, which remains inverted, and the Leading Economic Index, which is negative on a year-over-year basis.

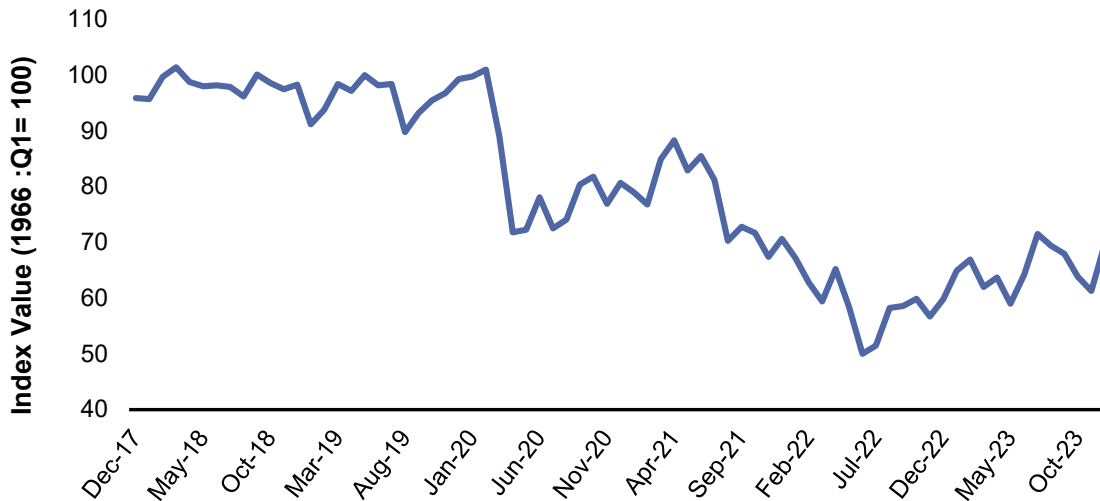
In addition to these economic indicators, there are other signs that the economy is losing momentum, and that the consumer is perhaps not in as strong of a financial position as one might expect. For example, the housing market is experiencing stress due to higher mortgage rates (Exhibit 11). Consumer confidence is also fragile due to significantly higher prices for basic necessities (Exhibit 12 on the next page).

**Exhibit 11: Existing Home Sales**



Source: National Association of Realtors.

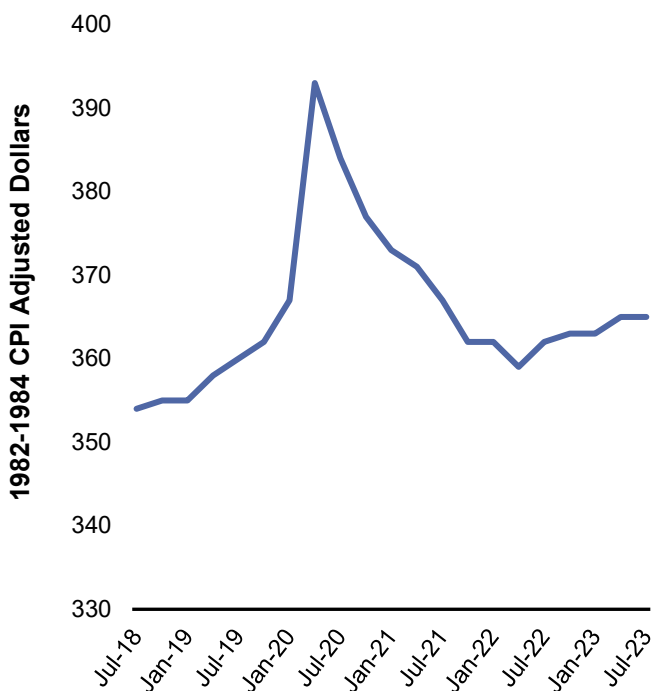
**Exhibit 12: University of Michigan Consumer Sentiment**



Source: Federal Reserve Economic Data.

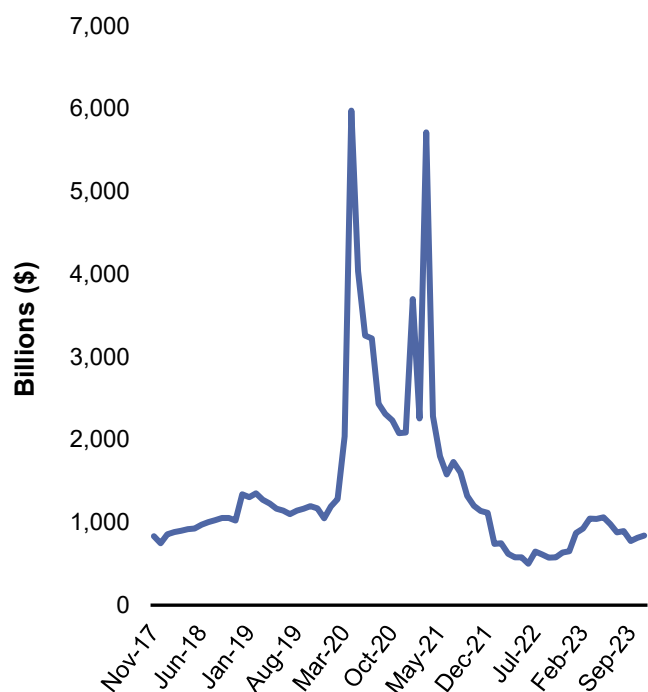
And, while wage growth has started to outpace inflation, consumers did suffer declining real weekly earnings over the past couple of years (Exhibit 13). Further, the so-called excess savings built up during the initial phase of the pandemic as the government provided financial support to some households, has been largely depleted (Exhibit 14).

**Exhibit 13: Median Weekly Real Earnings**



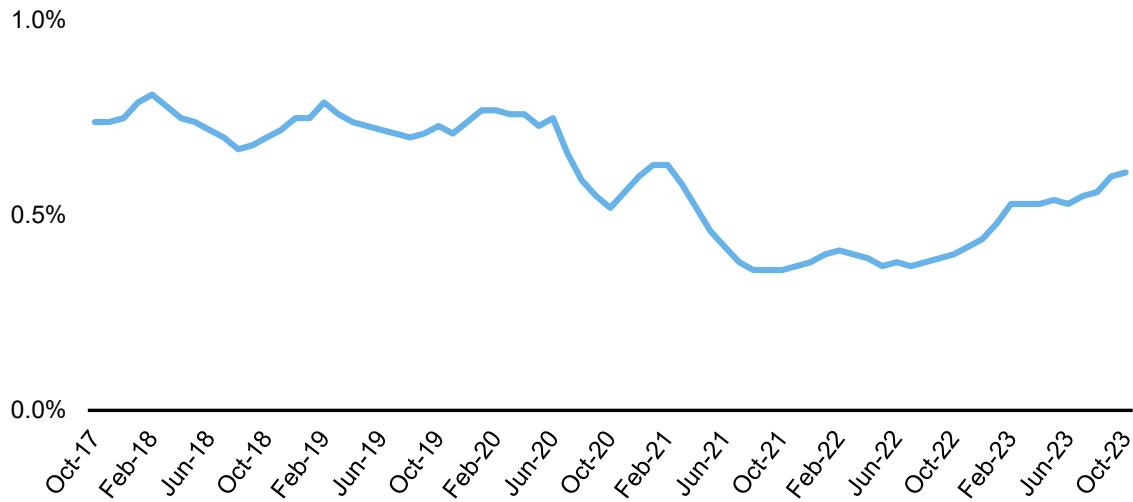
Source: Bloomberg.

**Exhibit 14: Value of Personal Savings**



Source: Bloomberg.

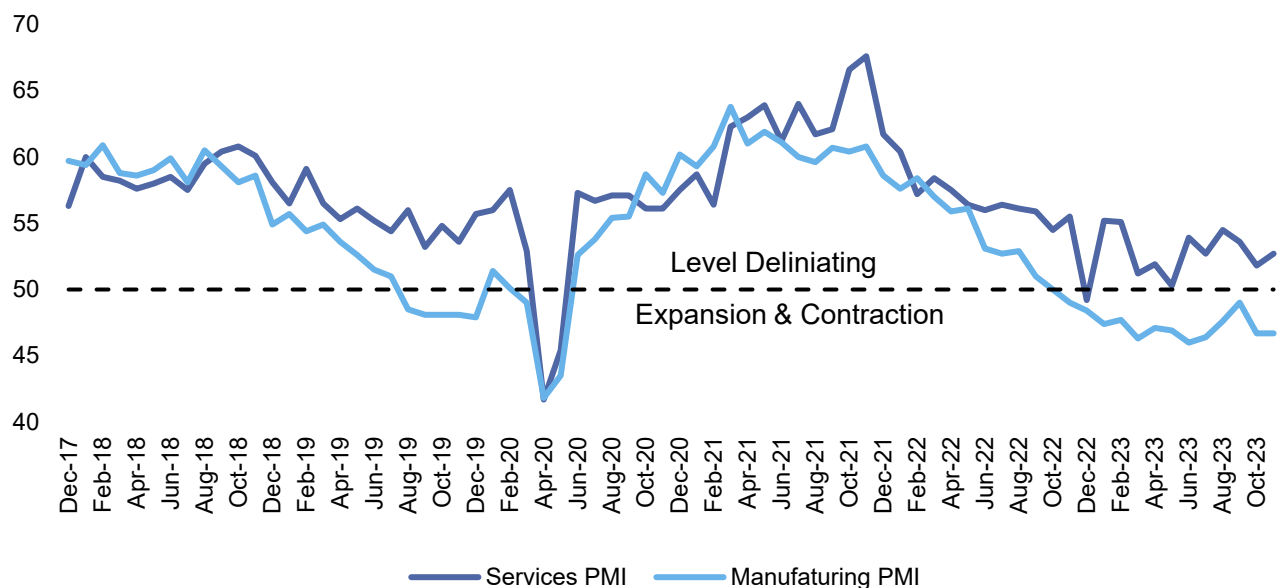
**Exhibit 15: Credit Card Delinquencies (90+ days)**



Source: Bloomberg.

It should also be noted that consumer delinquencies are starting to rise, suggesting that some consumers are financially stretched and fragile (Exhibit 15). Adding to this, consumers with student loans will need to start making monthly payments after a hiatus which began in early 2020. Surveys of business activities as represented by the Purchasing Managers Index (PMI) suggest that economic activities are also moderating, and that manufacturing activity is contracting (Exhibit 16).

**Exhibit 16: ISM Purchasing Managers Indices**



Source: Bloomberg.

Outside the U.S., the global economy is seeing a significant slowdown. The Eurozone is on the verge of stagnating and China continues to face headwinds which include elevated debt levels and a deflating real estate bubble. In addition, there are numerous geopolitical risks, including the war in Ukraine and the Middle East conflict.

As a result of the headwinds noted above, the U.S. economy could slip into a recession. However, should that happen, our expectation is that it would be a mild one. In the case of recession, the Fed would likely cut rates significantly since inflation has moderated and would likely end quantitative tightening (QT) and once again begin to expand its balance sheet.

Further supporting the case for a mild recession is that even if the unemployment rate rises, it is likely to remain low by historical standards given the starting point. Moreover, corporations are in a strong financial position with good profit levels and given that many refinanced their debt when rates were low. Finally, because 2024 is an election year, we suggest that the Biden Administration with Congress could provide some form of fiscal stimulus, or at least be dovish with regard to policy.

While the odds of a more significant downturn are lower, we do want to acknowledge that it is possible. One scenario leading to a deep recession would be an expansion of the Middle East conflict. Currently, we expect the conflict to remain fairly contained. However, there is a risk that it could expand to include non-state as well as state actors. If that were to occur, it is possible that the price of oil could rise to \$150 per barrel or more. Such an increase in oil price would not only drive the global economy into recession, but inflation would reverse and rise. Under such a scenario, the Fed would not be able to cut rates to support economic growth since it would need to keep rates high and may even need to raise rates further to fight inflation. Should this transpire, a significant recession would be a near certainty.

We may also experience a significant recession due to the misallocation of capital over the past number of years. Specifically, since the financial crisis (in 2007-2009), the Fed and other major central banks have been conducting significant monetary experimentation. Domestically, the Fed cut rates to 0% and kept them there for a prolonged period of time. Meanwhile, other central banks including the European Central Bank (ECB), cut rates into negative territory, which was nearly unheard of before 2007. These lower levels of interest rates have led to investments in projects with lower return thresholds. As interest rates have risen, sectors with higher embedded leverage are faced with renewing debt at higher interest rates. At the same time, companies are forced to have more capital discipline in light of higher borrowing costs. As a result, a normalization of monetary policy could lead to pain and losses across certain sectors. The real question is whether the pain could be contained or does it become systemic by impacting the banking sector. This is what happened during the financial crisis. Our expectation is that losses would likely remain contained, but this is not guaranteed.

## Focus on the Long Term

As Dr. Spock of Star Trek fame said, “live long and prosper.” This is advice worth taking. By focusing on the long term, investors are less likely to overreact to temporary movements in the economy and capital markets. The U.S. and global economy have seen many recessions, some of which were severe, and yet investors who stayed the course were richly rewarded. While we expect a soft landing and can present analysis supporting our outlook, the fact is that no one can guarantee that the economy will not fall into a recession in 2024.

The U.S. and global economy will also certainly experience recessions in the future. And, just as in the past, those recessions will eventually end, and the economy will grow once again. Similarly, the capital markets, which track asset prices, will ebb and flow. But over extended periods of time, it is likely that they will track higher.

Our expectation for U.S. equity returns over the intermediate term (defined as five years) is 7%. The data in our 2024 Capital Market Assumptions shows that some segments of the equity market, such as small-caps, are expected to achieve over 8% due to attractive valuations.<sup>1</sup> Bonds, which many had written off when rates were artificially low, are also expected to deliver fairly good returns over the intermediate term. Investment grade core bonds are expected to deliver a 6% total return, while high yield is expected to deliver equity like returns of 8%. Despite how the economy performs in 2024, by focusing on the long term, investors can indeed prosper.

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<sup>1</sup> PFMAM's 2024 Capital Market Assumptions available upon request.

**To learn more or discuss in greater detail, please contact your PFMAM relationship manager.**

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