



Agenda Item No. (4)

To: OPEB Retirement Investment Trust Board
Meeting of October 23, 2025

From: Alice Ng, Director of Fiscal Resources
Jennifer H. Mennucci, Auditor-Controller

Subject: **OPEB RETIREMENT INVESTMENT TRUST BOARD EDUCATION**

Recommendation

This report is for informational purposes and requires no action.

Summary

The enclosed educational material will be discussed in more detail by PFM Asset Management, ("PFMAM"), Trust Administrator and Investment Advisor, at the OPEB Retirement Investment Trust Board meeting of October 23, 2025.

Fiscal Impact

There is no fiscal impact as this report is informational

Attachment

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Golden Gate Bridge, Highway and Transportation District

Economic and Portfolio update

October 23, 2025

Presented by:

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Agenda

Economic market moving events

International equity review

Blue Vista Real Estate Partners

Economic update

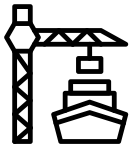


Investors Navigate Complex Landscape



Budget Legislation

The Congressional Budget Office anticipates the reconciliation bill could increase U.S. deficit by \$3.3trn over a 10-year period



Tariffs

Ongoing and emerging reciprocal/sectoral tariff negotiations prolong economic uncertainty



Geopolitical Tensions

While the recent ceasefire has eased immediate concerns, future flare-ups may pressure inflation through higher oil prices

Impacts of Reconciliation Bill

Congressional Budget Office (CBO)

Select Sectors FY 2025 - FY 2034



TCJA & Tax Cuts

Increase deficit by **\$4.6 trillion**



Armed Services

Increase deficit by **\$149 billion**



Homeland Security

Increase deficit by **\$129 billion**



Medicare & Medicaid

Decrease deficit by **\$1.1 trillion**



Agriculture, Nutrition, and Forestry

Decrease deficit by **\$120 billion**

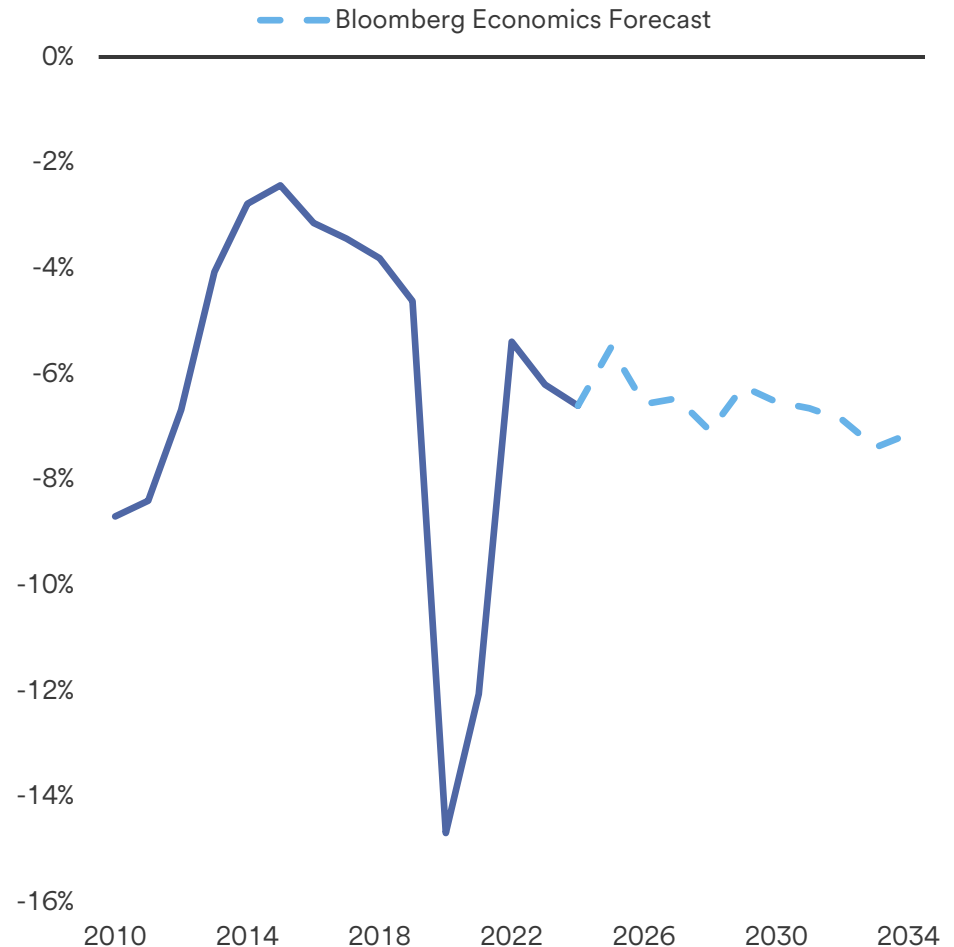


Other Spending Cuts

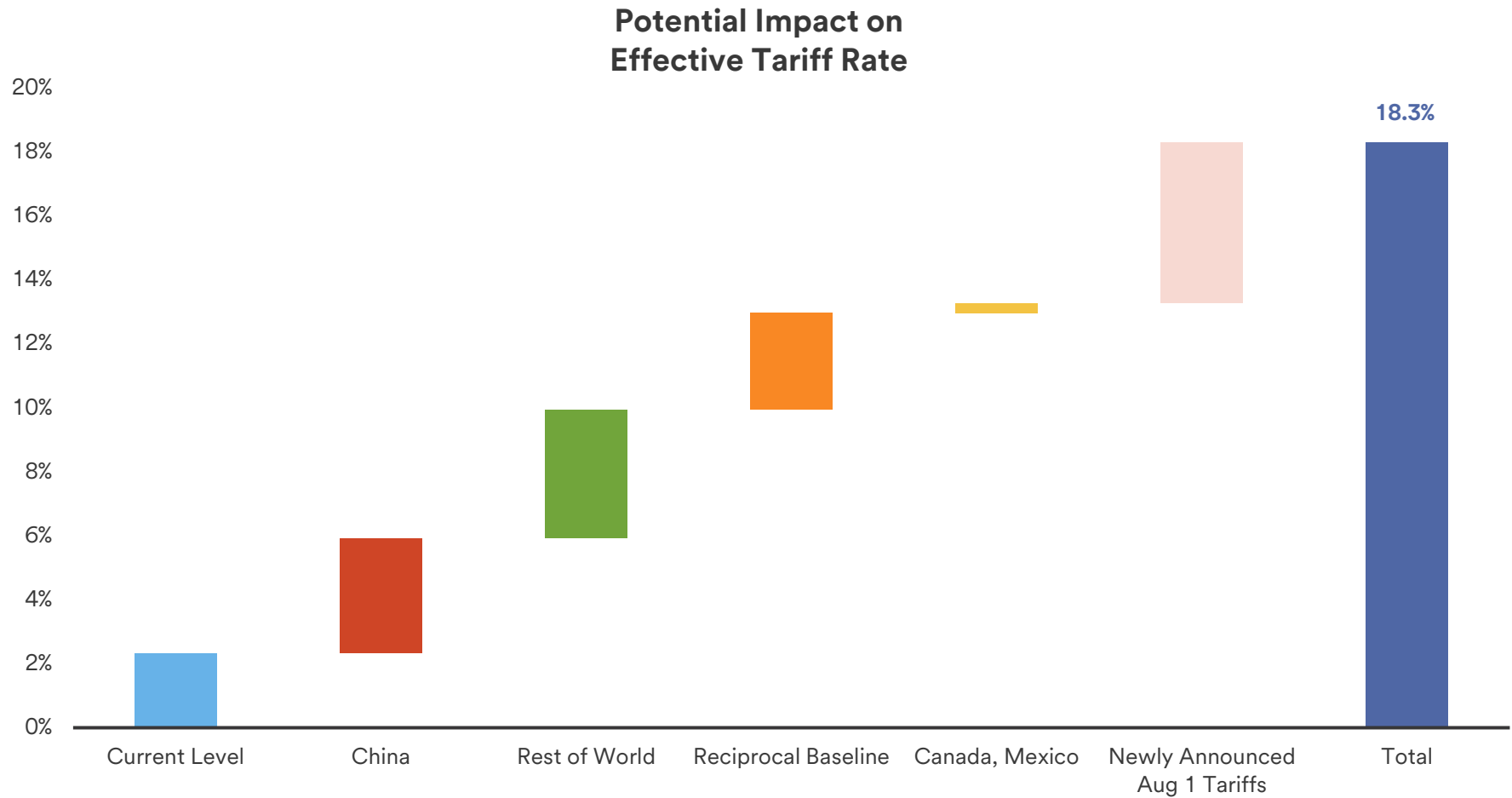
Decrease deficit by **\$371 billion**

Total Deficit Impact: \$3.3 trillion Increase

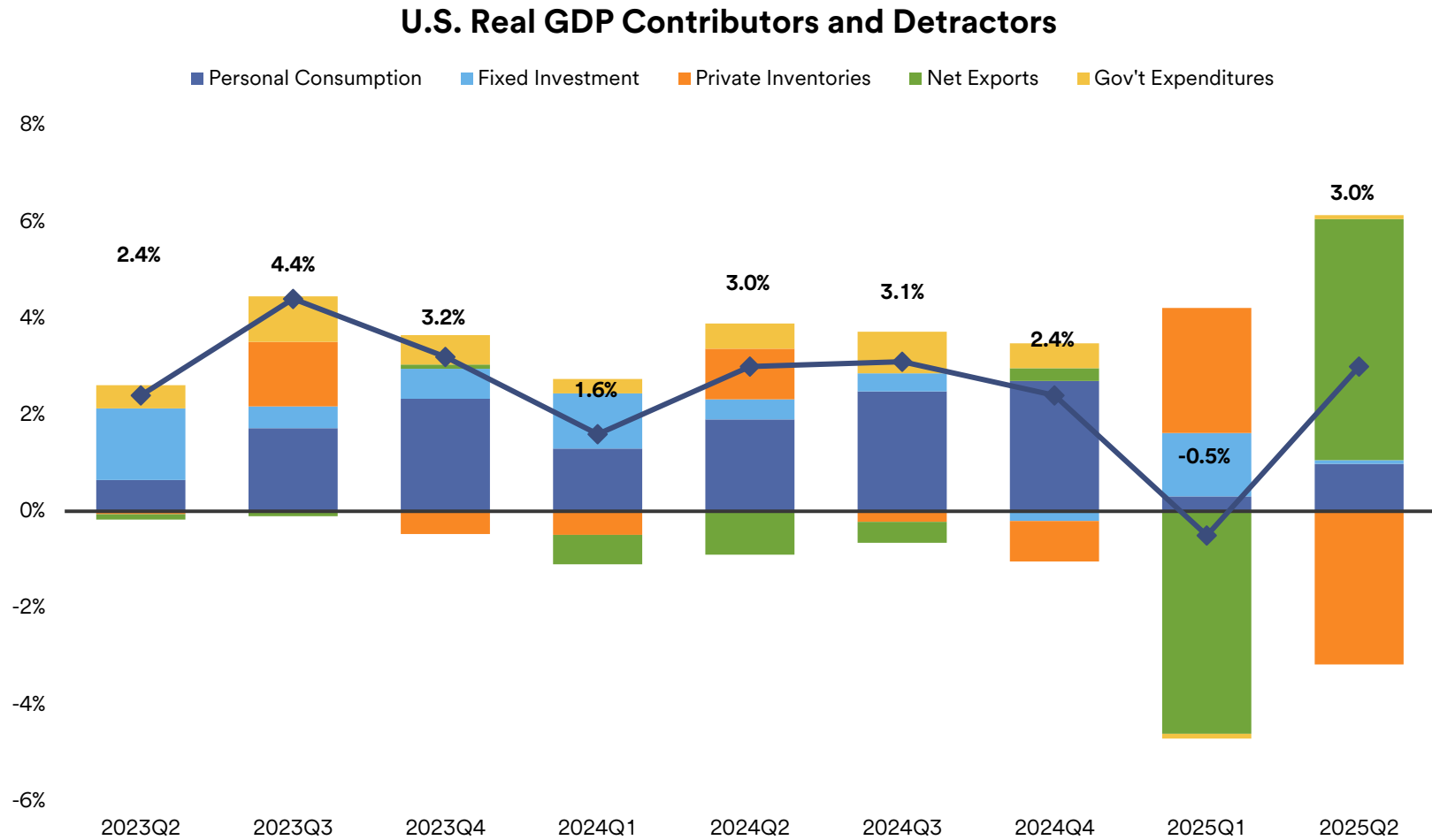
U.S. Deficit to GDP



Announced Tariffs Drive Effective Rate Higher



U.S. Real GDP Contributors and Detractors



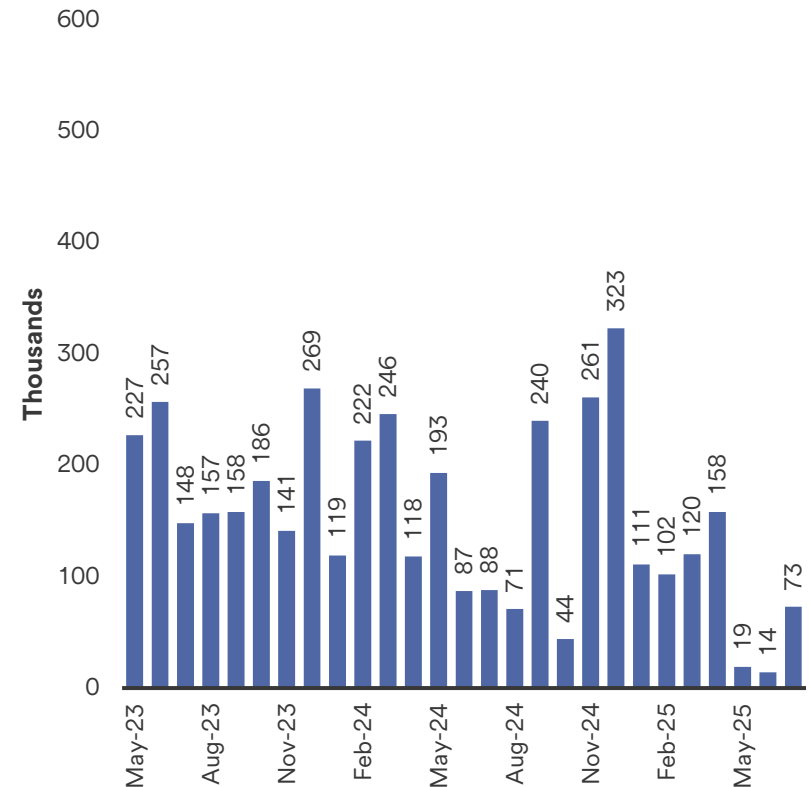
Source: Bloomberg Finance L.P., Bureau of Economic Analysis, as of July 2025.

Labor Market: Job Openings and Changes to Nonfarm Payrolls

Job Openings vs. Unemployed Workers

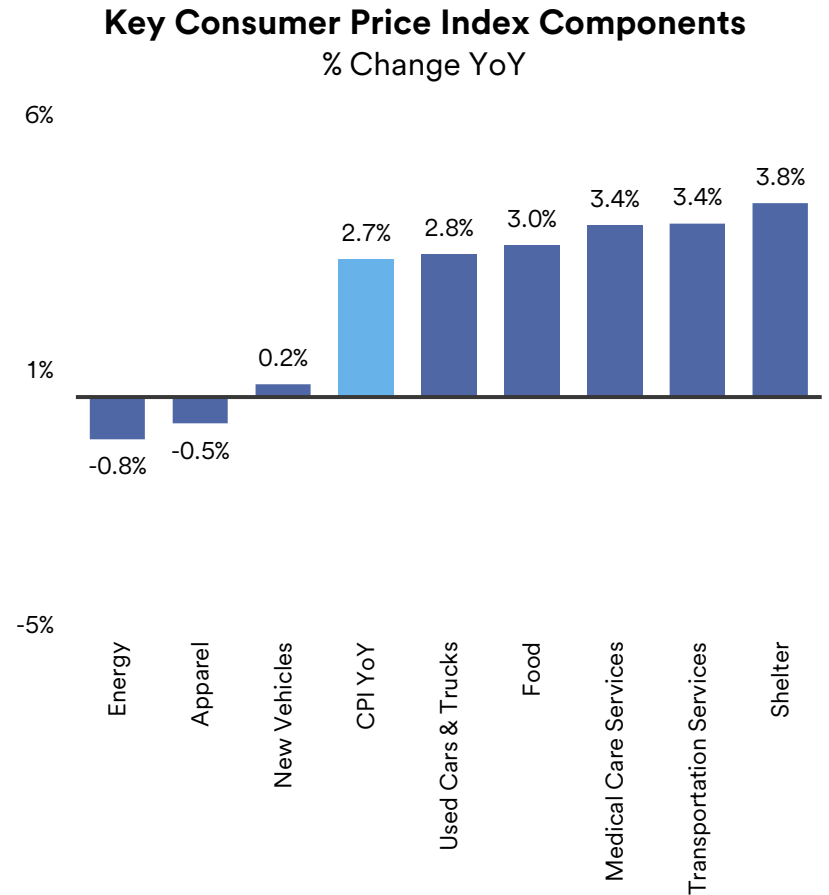
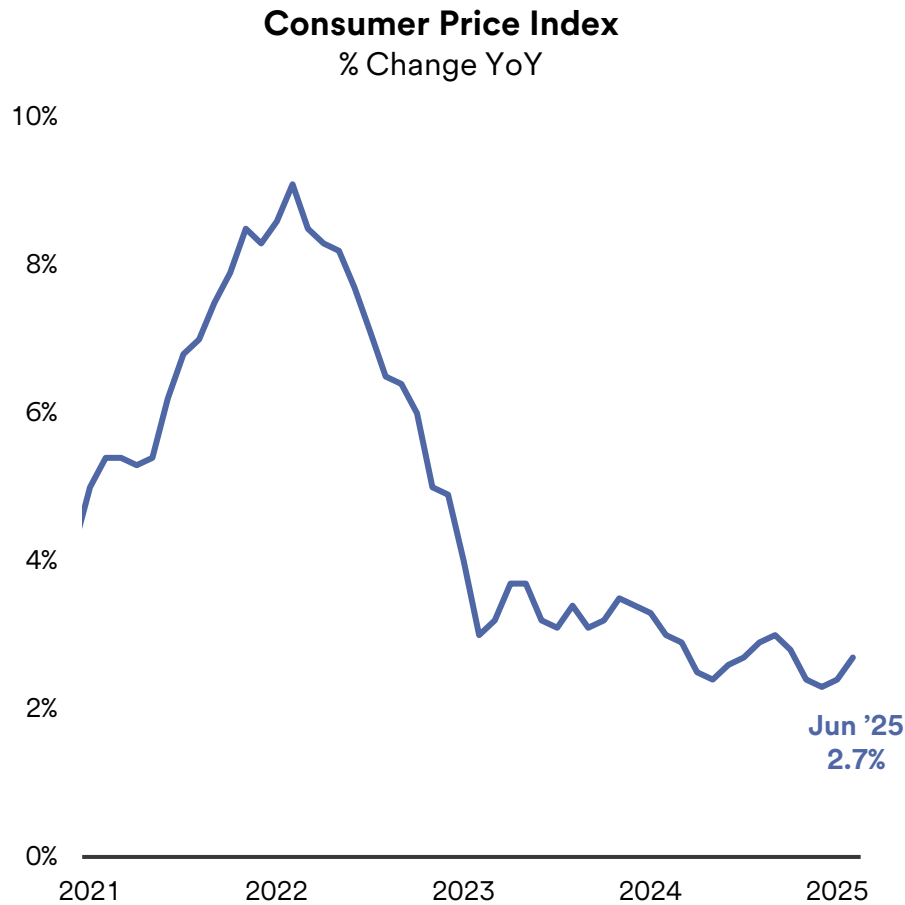


Monthly Change In Nonfarm Payrolls



Source: Bureau of Labor Statistics and Bloomberg Finance L.P. Monthly change in nonfarm payrolls and unemployed workers as of July 2025. Job openings as of June 2025. Data is seasonally adjusted.

Consumer Price Index



Source: Bloomberg Finance L.P., as of June 2025.

Factors to Consider for 6-12 Months

Monetary Policy (Global):



- The Fed continued to hold the rates unchanged through the second quarter amid healthy labor markets and tariff-induced inflation concerns. Latest dot plot points to two rate cuts before year end.
- While inflation continues to cool globally, tariffs add to future inflation pressures and complicate the outlook.

Economic Growth (Global):



- U.S. GDP is expected to grow at a slower pace for rest of the year but uncertainty over economic growth outcomes remains elevated even as higher tariff rates have been paused.
- Escalating trade and geopolitical tensions create the potential for slower global growth while fiscal stimulus within Eurozone a positive for growth.

Inflation (U.S.):



- Progress has been made towards the Fed's 2% inflation target over recent months. However, future price pressures from tariffs are expected in coming months.
- Fed Chair Powell said that he expects tariffs to impact inflation and that the size, duration, and time of tariff effects are highly uncertain.

Financial Conditions (U.S.):



- Even after the recent bout of volatility, risk and credit conditions still point to the stability of financial conditions.
- The evolving fiscal landscape and persistent uncertainty may lead to tightening financial conditions over the next 6-12 months especially if inflation and growth concerns take hold.

Consumer Spending (U.S.):



- Sentiment has remained subdued as consumers continue to expect higher prices and weaker labor market conditions. Tax extension support is a positive while higher prices are a negative.
- A material deterioration of labor market conditions remains the biggest risk factor to consumer spending.

Labor Markets (U.S.):



- The labor market remains healthy, but signs of labor market cooling have begun to show on the margin particularly through initial and continuing jobless claims.
- With hiring and quits rates low, any acceleration in layoffs may result in job seekers remaining unemployed for longer.

Corporate Fundamentals:



- Earnings growth expectations are positive across global equities, but expectations within U.S. have seen a pullback over the course of this year.
- In the U.S., any deregulation initiatives are positives while tariff/cost pressure impact on both earnings growth expectations and profit margins needs attention.

Valuations:



- U.S. equities and credit markets sold off due to reciprocal tariffs in April but have recovered most of the losses over the quarter, bringing them back into expensive valuations relative to history.
- We believe that economic and policy risks are not fully reflected in the current valuations.

Political/Policy Risks:



- Geopolitical conflict in the Middle East and other regions remains a source of concern.
- Deglobalization and global trade and tariff policy risks continue to create market uncertainty and strained relationships with major trading partners for the U.S.

● Current outlook ○ Outlook one quarter ago

Stance Unfavorable
to Risk Assets

Negative

Slightly
Negative

Neutral

Slightly
Positive

Positive

Stance Favorable
to Risk Assets

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International Equity Review



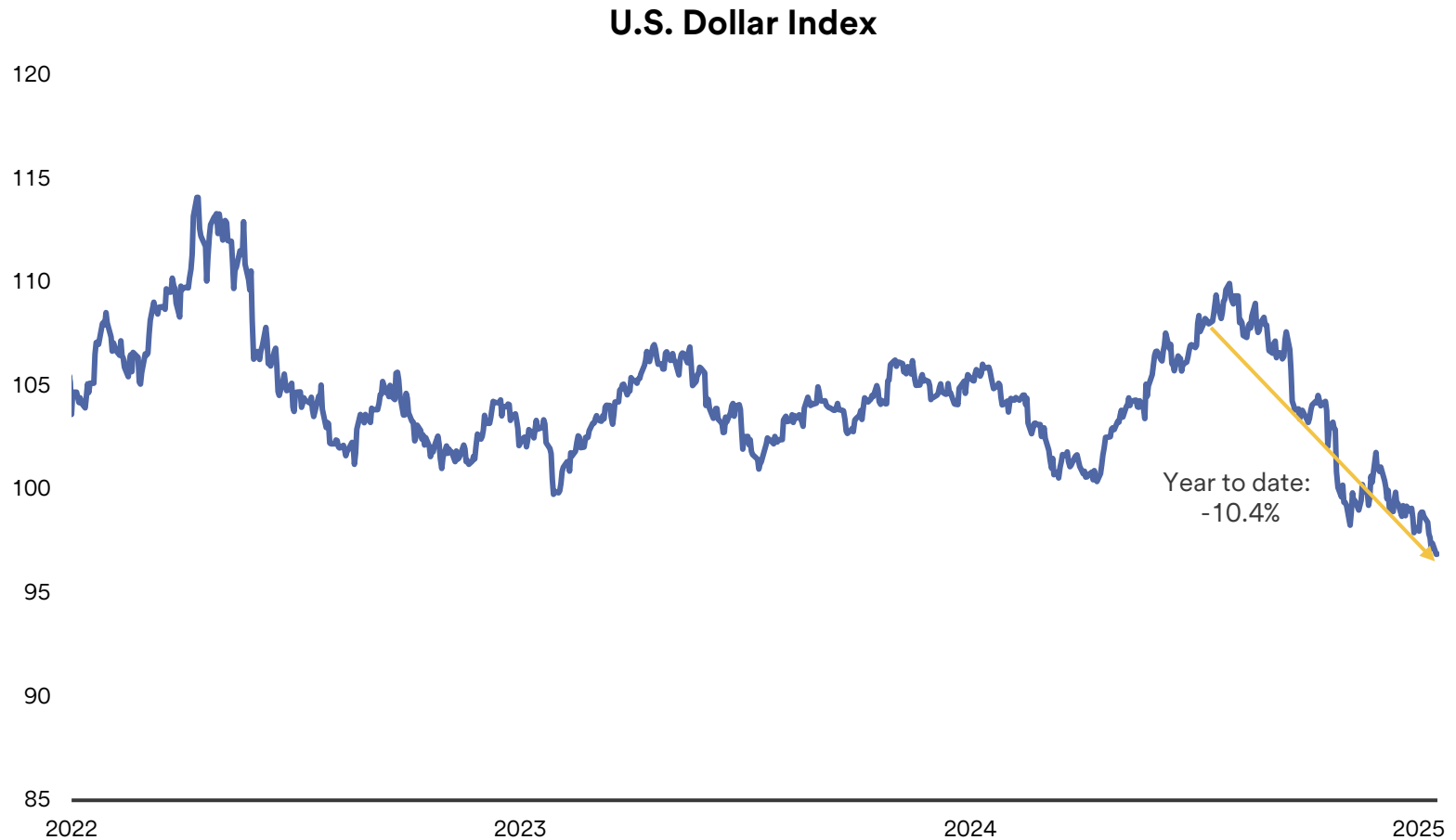
Major Equity and Fixed Income Market Indices

Market Indices as of 6/30/2025

Domestic Equity	MTD	QTD	YTD	1 Year	3 Years	5 Years
S&P 500	5.09%	10.94%	6.20%	15.10%	19.65%	16.58%
Russell 3000	5.08%	10.99%	5.75%	15.23%	19.03%	15.91%
Russell 2000	5.44%	8.50%	-1.79%	7.65%	9.97%	10.00%
Russell 1000	5.06%	11.11%	6.12%	15.60%	19.53%	16.25%
International Equity	MTD	QTD	YTD	1 Year	3 Years	5 Years
MSCI ACWI ex US (net)	3.39%	12.03%	17.90%	17.65%	13.95%	10.09%
MSCI EAFE (net)	2.20%	12.03%	19.45%	17.65%	15.92%	11.12%
MSCI Emerging Markets (net)	6.01%	11.99%	15.27%	15.22%	9.68%	6.78%
Fixed Income	MTD	QTD	YTD	1 Year	3 Years	5 Years
Bloomberg Aggregate	1.54%	1.21%	4.02%	6.05%	2.54%	-0.72%
Bloomberg Global Agg	1.89%	4.52%	7.27%	8.87%	2.74%	-1.15%
High Yield Fixed Income	MTD	QTD	YTD	1 Year	3 Years	5 Years
ICE BoFA HY Index	1.86%	3.57%	4.55%	10.24%	9.82%	5.99%
Alternatives	MTD	QTD	YTD	1 Year	3 Years	5 Years
MSCI US REIT Index	-0.61%	-1.14%	-0.09%	8.88%	5.39%	8.60%
MSCI World Core Infrastructure	1.29%	5.45%	13.44%	21.29%	6.76%	8.06%
Bloomberg Commodity Index Total Return	2.41%	-3.08%	5.53%	5.74%	0.13%	12.64%

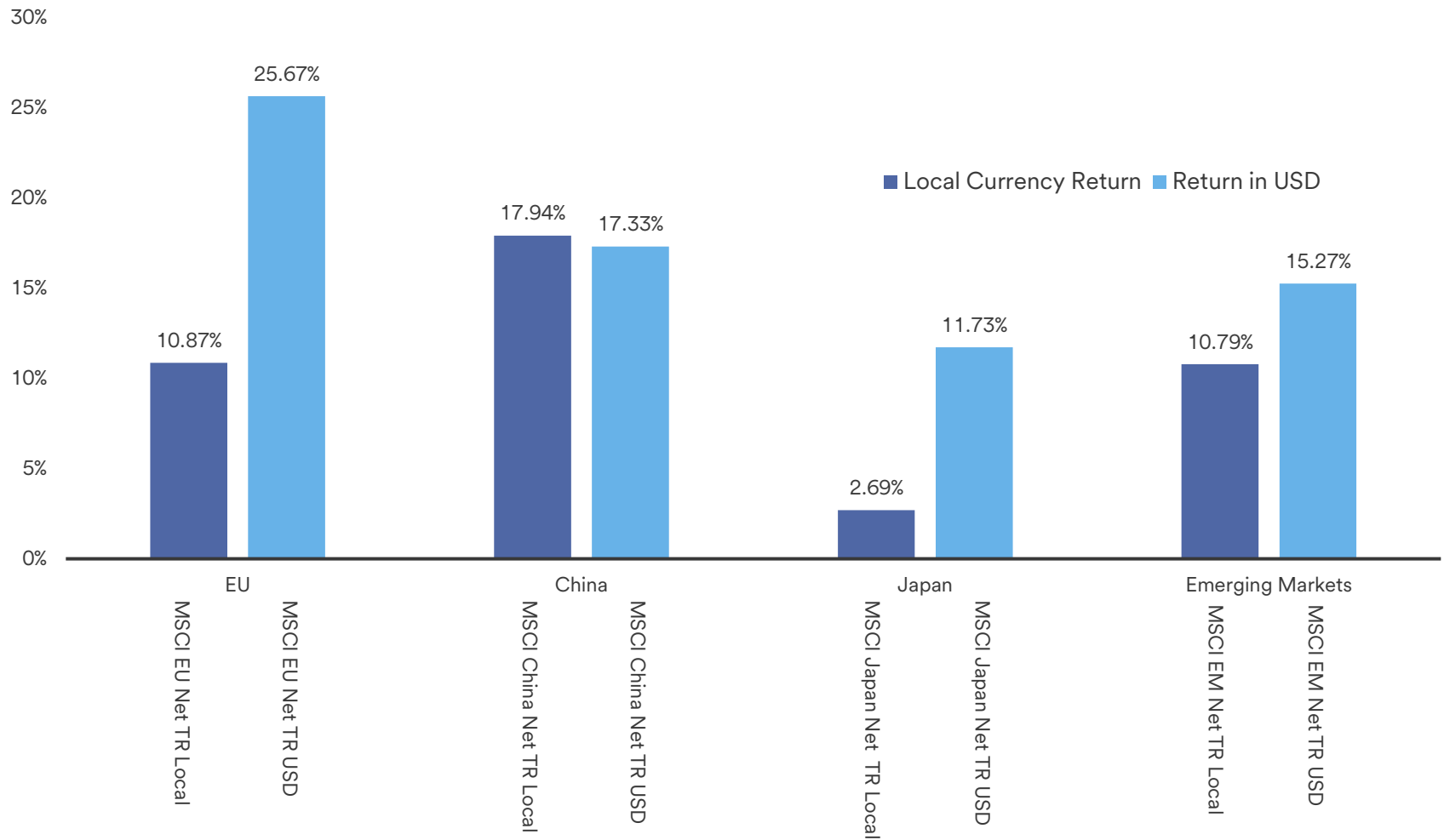
Source: Factset, as of 6/30/2025. It is not possible to invest directly in an index. The index returns shown do not represent the results of actual trading of investor assets. Net total return is calculated by MSCI using the companies' country of incorporation and maximum withholding tax rate applicable to institutional investors to determine the relevant dividend withholding. Net return comprises of price returns and net dividends, which incorporate impact of taxes on dividends.

U.S. Dollar Index



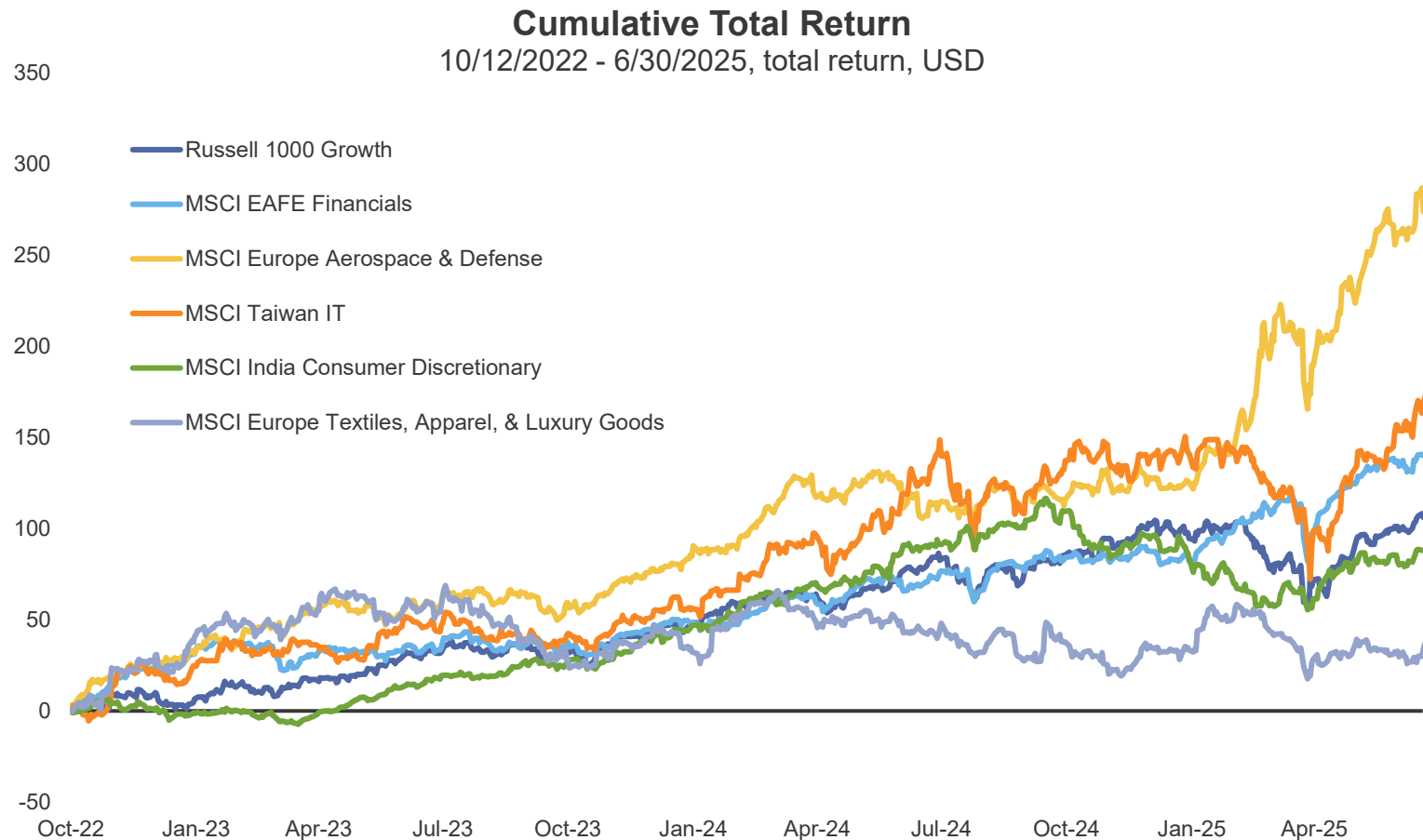
Source: Bloomberg Finance L.P., as of 6/30/2025.

Currency and International Equity Returns



Source: Bloomberg Finance L.P., as of 6/30/2025

Global Investment Themes



Source: Bloomberg Finance L.P., & Factset, as of 6/30/2025

Blue Vista Real Estate Partners VI ("BVREP VI")

Golden Gate Bridge and Transportation District

October 23, 2025

Andrew R. Brown, CFA



Private Real Estate Overview

Private Real Estate

- Investors invest directly with the manager or through an intermediary; not traded on an exchange
- Portfolios of real estate properties or loans may be diversified by property type and geography
- Illiquid or semi-liquid
- Investors subscribe and redeem at net asset value

Advantages

- Inflation hedging
- Lower correlation with equities
- Lower volatility compared to REITs
- Ability to diversify among geographic regions and sectors of real estate
- Varying levels of risk and return (e.g., value add, opportunistic, etc.)

Disadvantages

- Illiquid or less liquid than REITs
- Smoothed volatility due to less frequent valuations
- Less transparency compared to REITs
- Higher fees relative to REITs

Source: CFA Institute Research Foundation, CAIA Association, Cambridge Associates, Preqin.

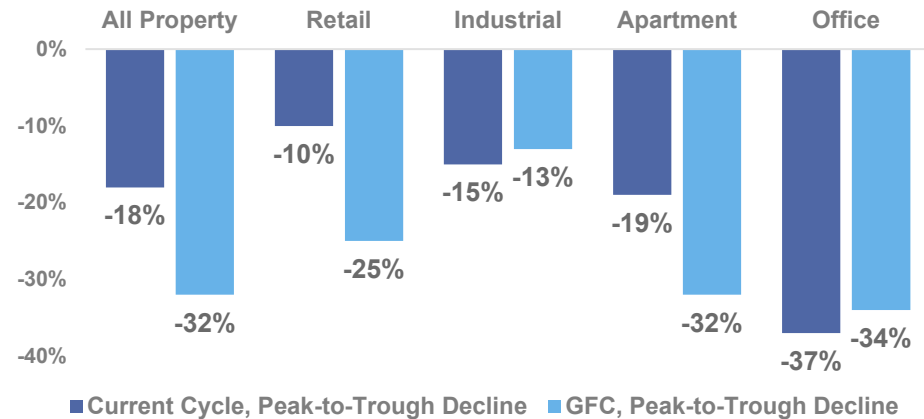
Current Environment & Why Real Estate Now?

► Current Real Estate Environment:

- High interest rates & debt levels
- Corrections in valuations & cap rate expansion
- Frozen transaction markets & lack of debt availability

Peak-to-Trough Value Change¹

Value losses expected to be less severe than GFC; although, with wider sector dispersion

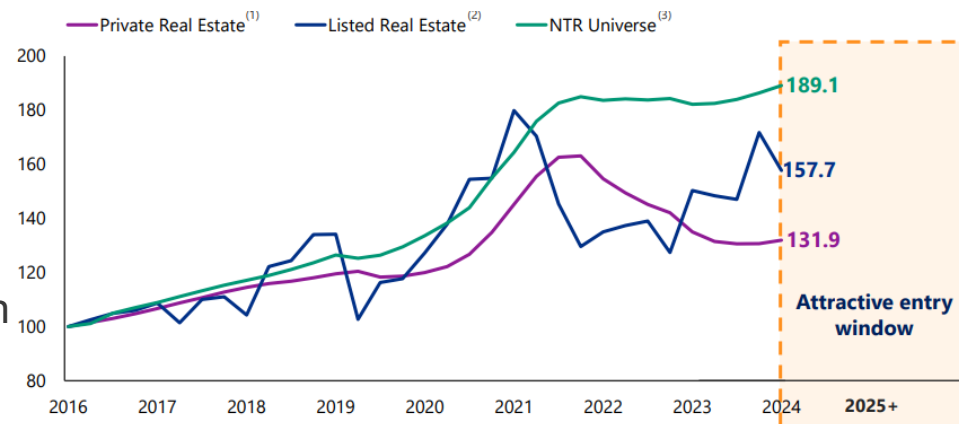


► Why Now:

- Peaking interest rates
- Dislocation across sectors
- Skilled active manager can identify pockets of opportunity in a dislocated market environment
- A timely way to be opportunistic within a “satellite” allocation

Current Real Estate Market Values²

Private real estate values are declining, creating an attractive investment opportunity



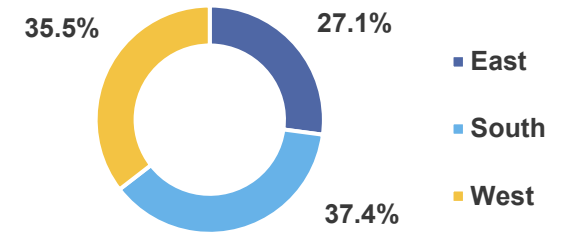
Source: (1) Expected Peak-to-Trough Decline chart PGIM Real Estate – Americas 2024 Real Estate Outlook, Greenstreet Commercial Property Price Index July 2025 (2) Cohen & Steers Real Estate Opportunities Fund January 2025, Morningstar, NCREIF, Greenstreet, Data as of December 31, 2024.

Investment Characteristics – Blue Vista Real Estate Partners VI

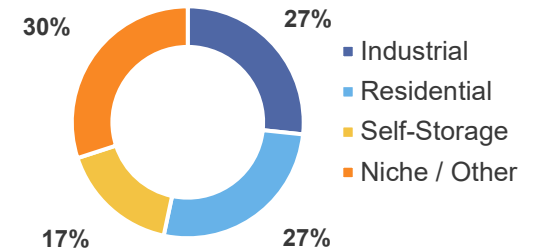
Fund Specifics – Blue Vista Real Estate Partners VI

Vintage	2022
Target Fundraise	\$750 million (\$1.0 billion hard cap)
Investment Period	4 years
Reinvestment Period	Yes, until the termination of the investment period
Term	9 years
Leverage – Fund Level	None beyond subscription line of credit
Leverage – Asset Level	60% - 65% LTV across portfolio; max 75% during the investment period, and up to 70% thereafter
Target Return	13% - 15% net IRR
# of Underlying Assets / Deals	60 - 75 investments
Position Size	\$2 - \$15 million expected range; 10% max exposure to any single property
Market – High Level	Middle market ¹
Market – Detailed	\$10 - \$75 million in total capitalized value
Geography	Primarily US; up to 10% max exposure to investments outside of the US.
Typical Deal Structure	Joint venture partnerships, with majority equity
Property Type	Diversified; Primarily (70%) Industrial, Residential, Self-Storage; 30% to niche sectors; 40% max exposure to any single property type
Entry Stage	Primarily acquisition; 40% max development exposure
Currency Exposure	USD
Expected Max NAV as % of Commitment	100% ²
Expected Over- / Undercommitment Strategy	0% overcommitment ²

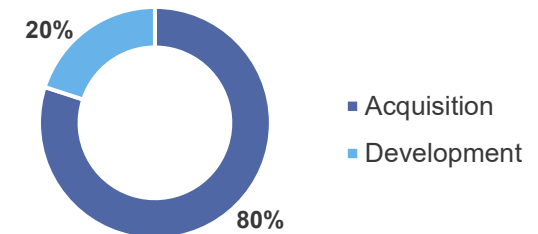
Geography (Primarily US)



Property Type (Expected)



Entry Stage (Expected)



Source: Blue Vista Real Estate Partners VI marketing deck and private placement memorandum.

1. Middle market defined as investments requiring \$3 - \$25 million in total equity capital (between \$10 - \$75 million in total capitalized value)

2. Based on cash flow information provided by Blue Vista Capital Management upon request.

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(*) Performance information is gross of fees and reflects sleeve level information (not specific to this client/investor). It is provided by sub-advisers of the First American Multi-Manager Equity Fund, First American Multi-Manager International Equity Fund and First American Multi-Manager Fixed-Income Fund.

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