



Agenda Item No. (4)

To: OPEB Retirement Investment Trust Board  
Meeting of March 26, 2026

From: Cody Smith, Director of Accounting  
Grant Martinez, Director of Budget and Financial Analysis  
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 March 26, 2026.

**Fiscal Impact**

There is no fiscal impact as this report is informational.

Attachment

THIS PAGE INTENTIONALLY LEFT BLANK

# Golden Gate Bridge, Highway and Transportation District

## Political Risks and the Markets

March 26, 2026

Andrew R. Brown, CFA

Portfolio Manager



# Agenda

**Backdrop**

**Framework**

**Geopolitical**

**Tariffs**

**Big Beautiful Bill**

# Factors to Consider for 6-12 Months

## Monetary Policy (Global):



- The Fed cut rates by 50 bps in Q4 but noted continuing challenges in achieving its dual mandate.
- Markets view policy risks as skewed towards additional easing, assuming a more dovish Chair takes office in mid-2026 as expected.
- Major central banks have an accommodative policy in place with the BOJ being the notable exception.

## Economic Growth (Global):



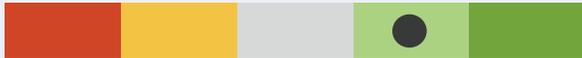
- Benefits from the tax and reconciliation bill and increases in anticipated AI capex are expected to support U.S. growth in 2026.
- The effects of U.S. government shutdown expected to be temporary and fully recouped in 1Q26.
- Strong consumer spending and steady trade dynamics continue to support global growth.

## Inflation (U.S.):



- While headline inflation moved lower in Q4, significant gaps in data collection due to the U.S. government shutdown likely biased the data lower, and warrants attention.
- Lower shelter inflation continues to support disinflation going forward although goods prices continue to experience tariff passthroughs.

## Financial Conditions (U.S.):



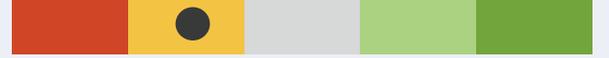
- Financial conditions eased as corporate earnings exceeded expectations and tariff concerns abated resulting in equities reaching new all-time highs and credit spreads tightening to historical lows.
- Financial conditions expected to remain tailwind as monetary policy eases but any fiscal uncertainty and geopolitical risks could reintroduce tighter financial conditions over the next 6-12 months.

## Consumer Spending (U.S.):



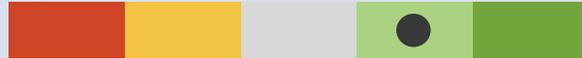
- Consumer activity remained resilient through the holiday shopping season, highlighting the disconnect between slowing sentiment and activity.
- Consumer spending is dominated by higher-income cohorts pointing to K-shaped economy.
- A significant correction in the equity market or a material slowdown in the labor market are the largest threats to consumer spending.

## Labor Markets (U.S.):



- Labor market conditions continued to cool with net new job creation close to zero. Initial jobless claims and layoff rates remain low, easing some concerns over labor weakness.
- The unemployment rate continued to tick higher, while job openings declined and the quits rate remains subdued, signaling reduced worker leverage even as real wage growth remains positive.

## Corporate Fundamentals:



- Earnings growth expectations are positive across global equities with double digit growth expected across U.S. and international equity benchmarks.
- In the U.S., M&A and capital spending pickup, tax changes and rate cuts are positives while any tariff related cost pressures need to be monitored.

## Valuations:



- U.S. equities and credit markets trade at valuations that are expensive relative to their history.
- Resilient growth, strong earnings growth and higher profit margins are supportive of the current valuations while inflation and AI related exuberance are not fully reflected in the current valuations.

## Political/Policy Risks:



- Some of the policy and trade related uncertainty was resolved in 2025.
- The possibility of another U.S. government shutdown, legal challenges to tariffs and ongoing geopolitical uncertainty are negatives.

● Current outlook    ○ Outlook one quarter ago

Stance Unfavorable to Risk Assets

Negative

Slightly Negative

Neutral

Slightly Positive

Positive

Stance Favorable to Risk Assets

Xyfyjr jsvx%esi%urstrs%ej}uwjxxji%fgtz%amj%ej}y%267% tsym% jw%aj{jduji%gdxj%ts%zwas%ijus%jsy%wjxfwm% nms%k%w% fyts%tgyfs%ji%wtr %3qtr%gjl%esi%K%h%j%y%&mj%|x%j}uwjxxji% nms%k% r%fyw%fgnt%sx%yz%j%mj%ujwujhy{j%esi%z%ilr%j%sy%t%k%UKR %x%j%r% fsfljr%j%sy%fy%mj%r%j%t%k%an%w%g%z%y%t%674864757: %esi%fw%z%g%h%t%&m%f%sl%j%3%k%w%r% fyts%t%g%y%f%s%j%w%t%r%t%z%w%j%x%a%j%sw%g%g%r%q%j%j%t%g%j% wj%q%g%j%esi%{f%u%f%g%j%t%&m%z%g%h%t%|j{j%w%UKR %x%j%r% fsfljr%j%sy%h%fs%st%y%z%f%w%sy%j%y%&h%h%z%h%-h%tr%u%j%y%j%x%t%w%z%y%g%y%-3

# January Notable Actions

- **January 3-** Venezuelan President and First lady captured by U.S. Forces.
- **January 7-** The President announced his desire to block defense company dividend and stock buybacks via Truth Social post and signed an Executive Order codifying policy.
- **January 8-** President Trump called for purchases of \$200 billion in mortgage bonds to push mortgage rates and monthly payments lower.
- **January 9-** President Trump announced a one-year 10% cap on credit card interest rates.
- **January 9-** President Trump told reporters that the U.S. “will acquire Greenland ‘whether they like it or not’.
- **January 11-** Fed Chair Jerome Powell said the DOJ served the Fed with grand jury subpoenas and threatened a criminal indictment related to previous testimony supplied by the Fed Chair.



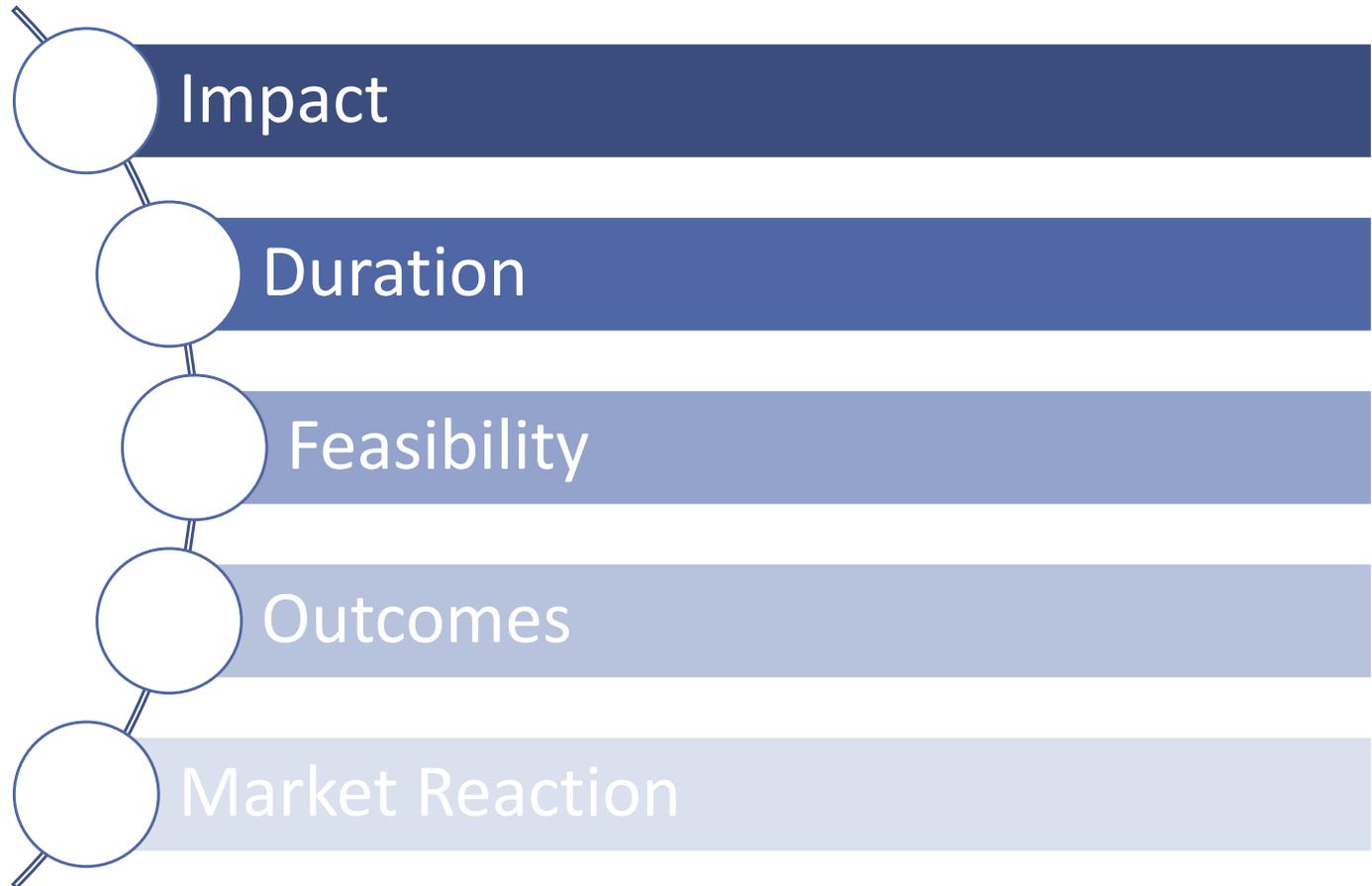
## **Feb Notable Actions**

**February 3- President Trump signs \$1.2 trillion government funding package.**

**February 20 – Supreme court strikes down the tariffs enacted under the International Emergency Economic Powers Act (IEEPA). President Trump signed an executive order to impose a new global tariff under the Trade Act of 1974**

**February 28 – The US and Israel launch attack on Iran, killing Iran's supreme leader along with other senior officials**

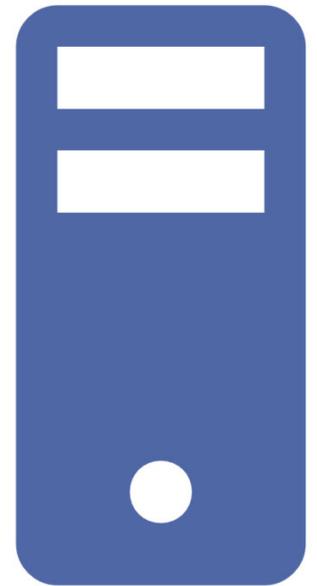
# Policy Framework



# Trump Presidency Noteworthy events

*CoPilot Prompt: “List the top ten policy initiatives or legislation, executive actions, and/or geopolitical actions initiated so far in the Trump 47 presidency.”*

- 
- **Geopolitics**
  - **Tariffs**
  - **One Big Beautiful Bill**



- Focus on the Western Hemisphere and territorial expansion (Venezuela, Greenland)
- Shows of strength (Iran, Venezuela)
- Unilateral focus
- Greater geopolitical tail risk
  - Policy and regulatory unpredictability



# Global Investment Themes



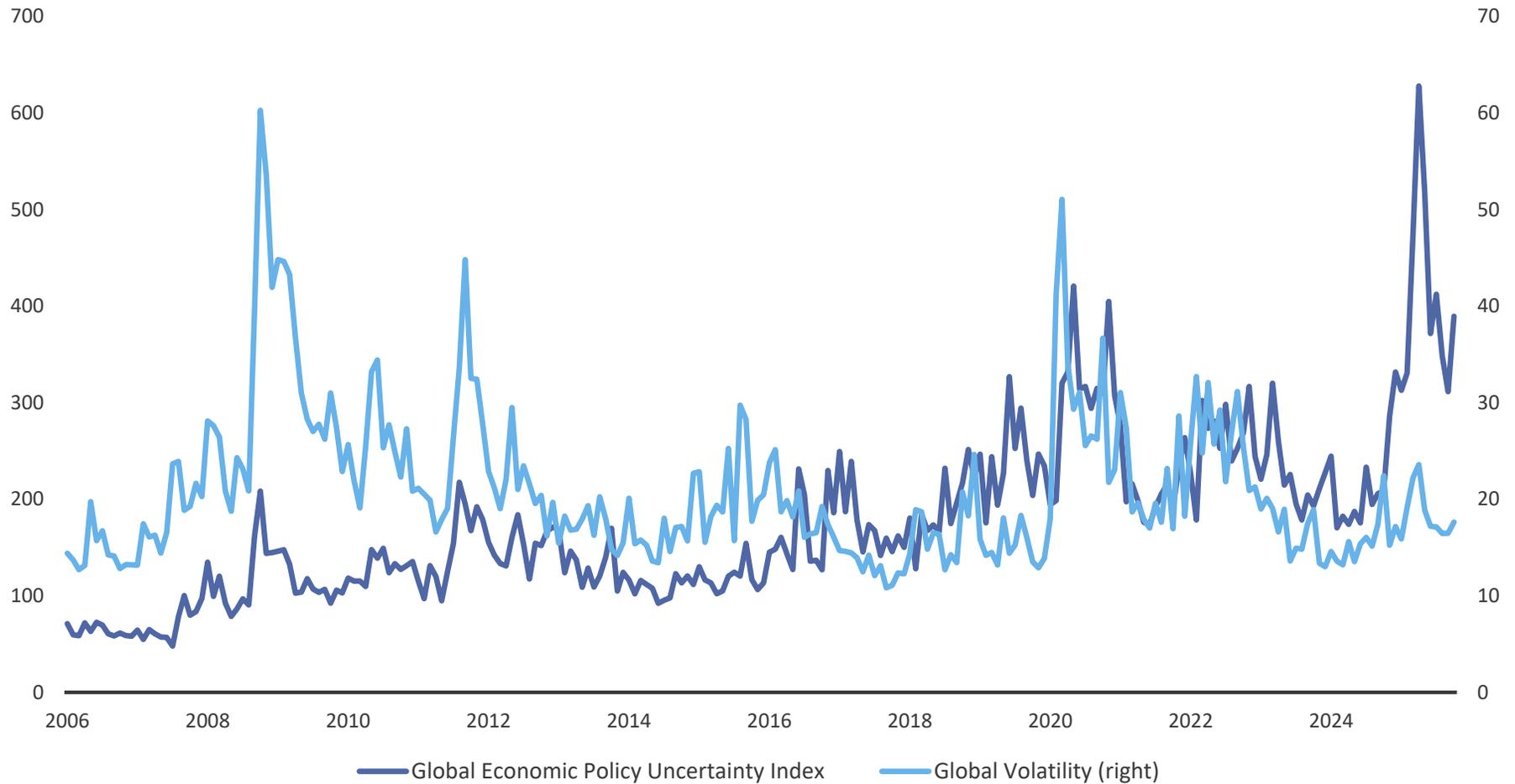
# US Intervention and Global Oil Prices

Crude Oil WTI  
NYM \$/bbl



# Global Uncertainty/Volatility

Global Uncertainty and Market Volatility  
12/31/2006-10/31/2025



## Tariff Implications



### Inflation

*Fed staff research<sup>1</sup> suggests each 10% increase in the effective tariff rate leads to a 0.8% increase in inflation*



### Economic Impact

*Fed staff research<sup>1</sup> suggests each 10% increase in the effective tariff rate leads to a 1.4% decrease in GDP*



### Tariff Revenues

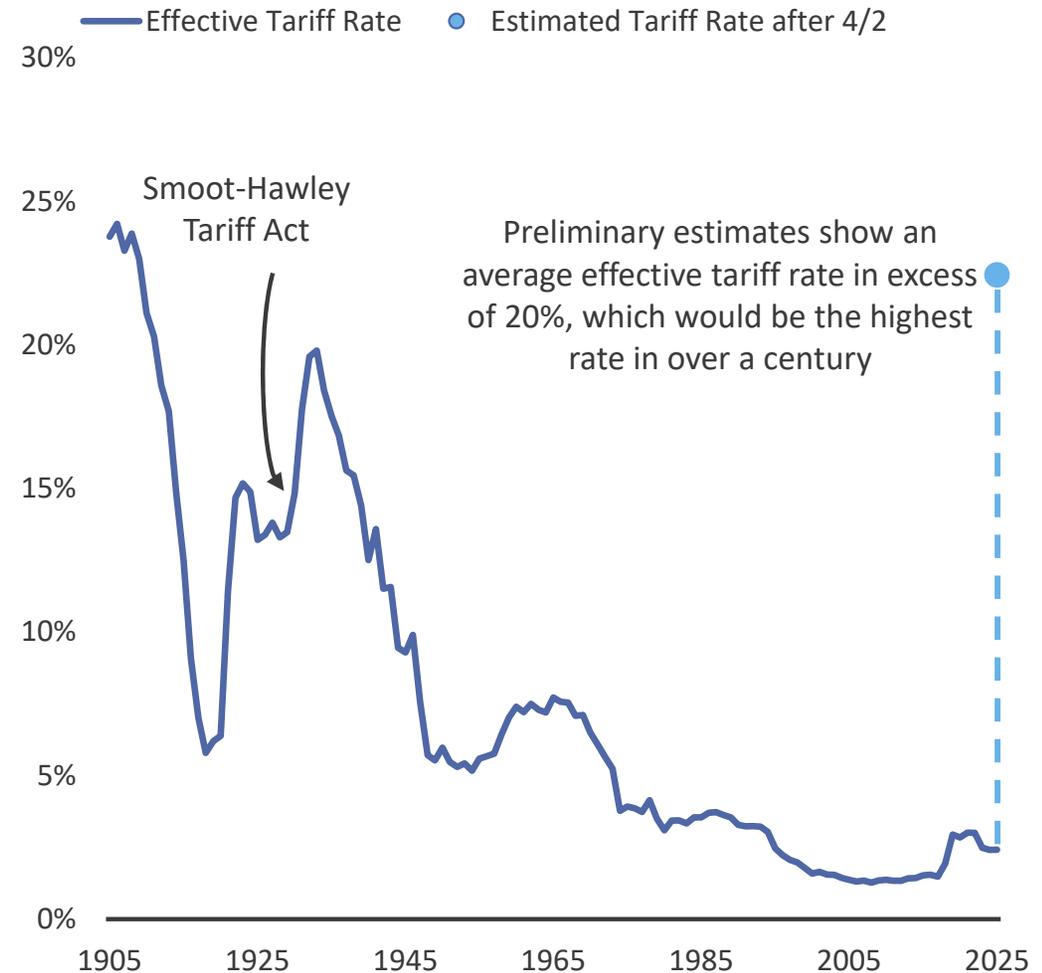
*Each \$100 billion of tariffs paid by the consumer is approximately equal to a 0.4% increase in income taxes*



### Consumer Spending

*Price increases and uncertainty could directly impact consumer confidence and spending habits*

## Effective Tariff Rate



# Tariffs

Trade statutes the Administration could invoke to replace the

Trade Statute	Description	Invoked
<u>Section 122</u> Trade Act of 1974	Tariffs up to 15% for up to 150 days. An extension requires congressional approval	Yes
<u>Section 338</u> Tariff Act of 1930	If a foreign country discriminates against US commerce, the president can impose duties up to 50%. Takes effect 30 days after proclamation	
<u>Section 301</u> Trade Act of 1974	The country level tariff authority. If an investigation by USTR finds that US rights under trade agreements are denied or violated, or if a foreign country's action is "unjustifiable and burdens or restricts United States commerce"	
<u>Section 232</u> Trade Expansion Act of 1962	This is the product level tariff authority based on national security grounds. If an investigation finds that an article being imported threatens to impair national security, then the administration can "adjust the imports of the article and its derivatives"	



# One Big Beautiful Bill

The *One Big Beautiful Bill* is a sweeping tax-and-spending reconciliation package enacted in July 2025 that permanently extends many of the 2017 tax cuts, introduces new household and business tax relief, boosts defense and border spending, and reduces funding for certain social programs. The bill is designed to stimulate near-term economic activity through tax cuts and fiscal support, while materially increasing federal deficits over time.

# One Big Beautiful Bill – Short-term Impacts

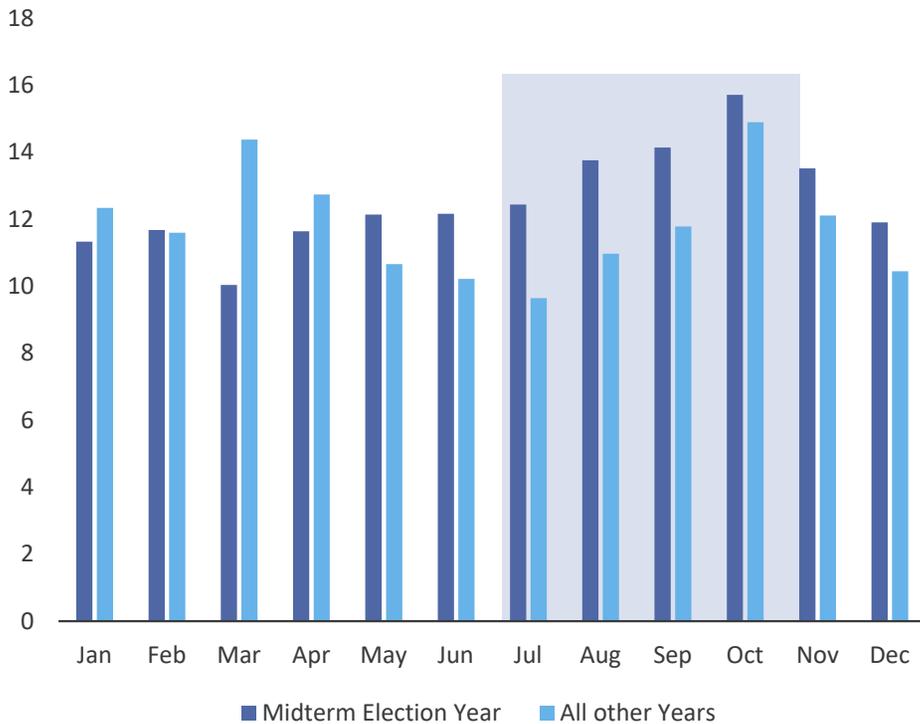
- Consumers aided by tax relief, supports consumption
  - Reduced tax uncertainty
- GDP lift from expensing of capex and R & D for corporations
- Growth rates relative to other nations
- Energy, Infrastructure, and defense spending should be aided
  - Defense outlays increase by \$150 billion over multiple years
  - Border support est. \$150 billion

# One Big Beautiful Bill – Long-term Impacts

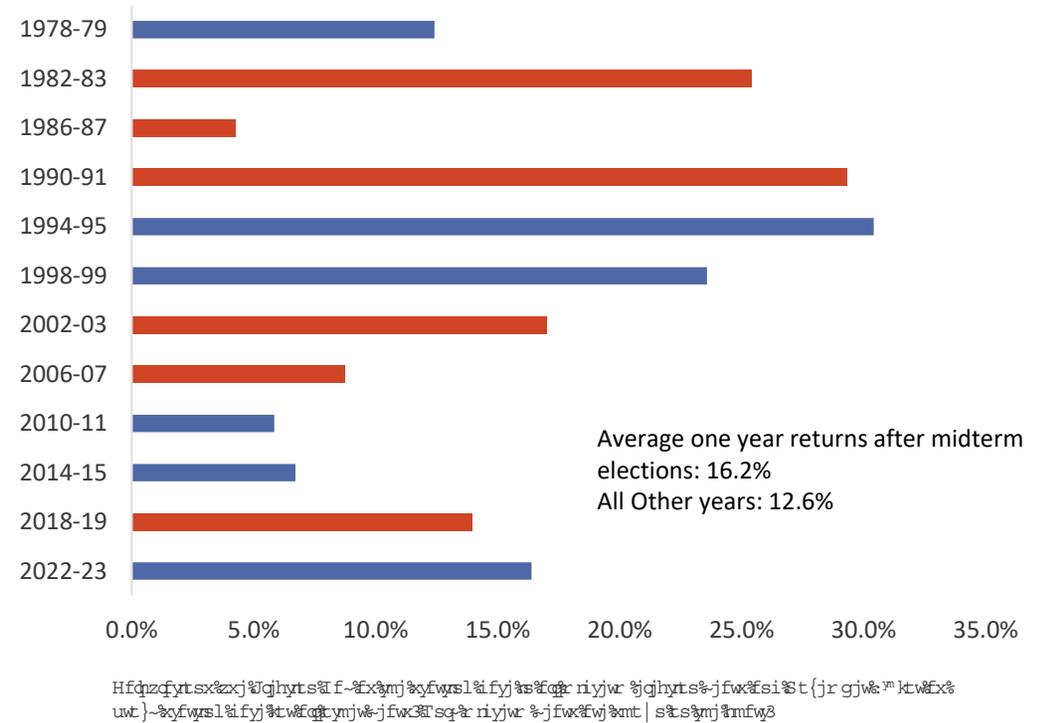
- Widening of the deficit. Increase in structure deficit, and possible crowding out of private investment.
  - Est. \$4-5 trillion reduction in Federal revenues over next 10-years
- Potential higher interest rates impacts fiscal flexibility
- Debt financed growth could impact inflationary pressures
- Reduced funding for healthcare and nutritional programs

# Midterm Elections and U.S Stocks

**Midterm Elections and Volatility**  
1/1/1977 – 12/31/2025



**S&P 500 Total Return One Year after Midterm Election**  
1977-2025



# Current Portfolio

## GOLDEN GATE BRIDGE - INVESTMENT ASSETS

Strategy: 6535

Account : MAC-GGB

Portfolio # 54573193

Securities Held As Of : 02/17/2026

Security Prices as of : 02/17/2026

Report Generated at 5:59:37PM on 2/18/2026

	Cusip	Ticker	Shares	Price	Market Value	Allocation
<b>Domestic Equity</b>						
COLUMBIA SMALL CAP GROWTH INST3	19765Y340	CSGYX	79,947.42	\$36.30	\$2,902,091.40	1.99%
SCHWAB US LARGE-CAP ETF	808524201	SCHX	1,930,919.00	\$26.93	\$51,999,648.67	35.71%
PIMCO RAE US SMALL-INST	72202L421	PMJIX	239,200.57	\$12.25	\$2,930,207.02	2.01%
Domestic Equity Total					\$57,831,947.09	39.72%
<b>International Equity</b>						
FIDELITY EMERGING MARKETS INDEX FUND	316146331	FPADX	407,171.79	\$15.21	\$6,193,082.86	4.25%
FIDELITY INTERNATIONAL INDEX FUND	315911727	FSPSX	187,304.77	\$65.87	\$12,337,765.40	8.47%
JANUS HNDRSN OVERSEAS	47103D835	JDINX	101,232.55	\$61.25	\$6,200,493.69	4.26%
GOLDMAN SACHS GQG PTNRS	38147N269	GSIYX	179,861.61	\$24.38	\$4,385,025.99	3.01%
MFS International Diversification Fund	552743544	MDIZX	278,281.89	\$29.70	\$8,264,972.24	5.68%
International Equity Total					\$37,381,340.18	25.67%
<b>Fixed Income</b>						
VOYA INTERMEDIATE BOND R6	92913L569	IIBZX	400,206.80	\$8.93	\$3,573,846.69	2.45%
ISHARES CORE U.S. AGGREGATE	464287226	AGG	109,470.00	\$101.00	\$11,056,470.00	7.59%
PRUDENTIAL TOTAL RETRN BND-Q	74440B884	PTRQX	523,197.65	\$12.30	\$6,435,331.14	4.42%
TIAA CREF CORE BOND FUND INSTL	87244W607	TIBDX	705,374.64	\$9.36	\$6,602,306.67	4.53%
Fixed Income Total					\$27,667,954.51	19.00%
<b>Cash Equivalent</b>						
FIRST AMERICAN GOVERNMENT OBLIGATION - Z	31846V567	FGZXX	553,220.69	\$1.00	\$553,220.69	0.38%
Cash Equivalent Total					\$553,220.69	0.38%
<b>Others</b>						
EQUUS INVESTMENT FUND X	EQUUS0140	AL113	213,419.00	\$100.00	\$213,419.00	0.15%
LEM MULTIFAMILY FUND V	LEMRE0223	AL329	811,040.13	\$100.00	\$811,040.13	0.56%
DOVER STREET X	DOVER0009	AL355	1,359,478.00	\$100.00	\$1,359,478.00	0.93%
GOLUB CAPITAL XII INT'L	GOLUB0071	AL365	2,529,000.00	\$100.00	\$2,529,000.00	1.74%
SVP SPECIAL SITUATIONS V	STRAT0001	AL377	2,480,007.01	\$100.00	\$2,480,007.01	1.70%
ATEL PRIVATE DEBT FUND II	ATEL00014	AL401	1,256,933.03	\$100.00	\$1,256,933.03	0.86%
NB SOF V	NBSOFV001	AL419	4,688,814.70	\$100.00	\$4,688,814.70	3.22%
HIGHVISTA VENTURE PARTNERS XIII OFFSHORE	ABRDOF006	AL457	2,869,470.00	\$100.00	\$2,869,470.00	1.97%
GOLUB CAPITAL XIV INT'L	GOLUB0092	AL469	1,766,808.00	\$100.00	\$1,766,808.00	1.21%
BLACKSTONE INC PRNRS F 2 L.P.	BKSTONE50	AL482	2,154,345.00	\$100.00	\$2,154,345.00	1.48%
NORTH HAVEN INFRA PRNRS IV	NORTH002	AL551	884,182.00	\$100.00	\$884,182.00	0.61%
BLUE VISTA REAL ESTATE PARTNERS VI, L.P.	BLUVRE002	AL578	1,160,577.36	\$100.00	\$1,160,577.36	0.80%
Other-Growth Total					\$22,174,074.23	15.23%

## GOLDEN GATE BRIDGE - LIQUIDITY ASSETS

Strategy: LIQUID

Account : MAC-GGB

Portfolio # 54573194

Securities Held As Of : 02/17/2026

Security Prices as of : 02/17/2026

Report Generated at 5:59:37PM on 2/18/2026

### Cash Equivalent

	Cusip	Ticker	Shares	Price	Market Value	Allocation
FIRST AMERICAN GOVERNMENT OBLIGATION - Z	31846V567	FGZXX	5,975,704.94	\$1.00	\$5,975,704.94	100.00%
Cash Equivalent Total					\$5,975,704.94	100.00%
<b>Portfolio Total</b>					<b>\$5,975,704.94</b>	<b>100.00%</b>