



Agenda Item No. (4)

To: OPEB Retirement Investment Trust Board
Meeting of October 22, 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 October 22, 2026.

Fiscal Impact

There is no fiscal impact associated with this informational report.

Attachment

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Golden Gate Bridge, Highway and Transportation District

More Political Risks and the Markets

October 22, 2026

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Portfolio Manager

A Division of U.S. Bancorp Asset Management, Inc.

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Factors to Consider for 6-12 Months

Monetary Policy (Global):



- The Federal Reserve held rates steady at Chair Warsh's first meeting and removed forward guidance while shifting its focus to price stability. The June "dot plot" shifted more hawkish.
- Global central banks diverged, with ECB and BoJ hiking on persistent inflation while others remain on hold.

Economic Growth (Global):



- Global growth prospects improved following easing Middle East tensions, easing a key overhang on global supply chains and energy prices.
- AI-related productivity boost and easing tariff pressures are expected to mitigate downside risks to global growth amid geopolitical uncertainty and signs of softer consumer demand.

Inflation (U.S.):



- Headline inflation remains above target but may be at or near its peak as falling oil prices provide a disinflationary impulse.
- While long-run inflation expectations remain anchored, the Fed remains focused on the passthrough of higher energy prices into core inflation.

Financial Conditions (U.S.):



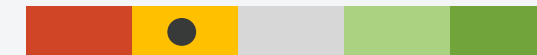
- Equity and fixed-income markets largely looked through the Middle East conflict, remaining focused on fundamentals and earnings strength.
- Recent capital raises amidst strong corporate fundamentals along with credit spreads near historical highs reflect steady financial conditions.

Consumer Spending (U.S.):



- Consumer spending remained resilient amidst high energy prices, supported by higher-income households while affordability pressures persist for lower-income consumers.
- Real wages have turned modestly negative as inflation outpaces nominal wage gains, eroding purchasing power. Savings rate at multi-year lows.

Labor Markets (U.S.):



- Recent payroll gains exceeding expectations and the unemployment rate holding steady. Falling labor force participation a concern.
- Hiring breadth remains narrow, concentrated in healthcare and social assistance.
- The "low-hire, low-fire" dynamic persists, with labor demand stable but hiring activity subdued.

Corporate Fundamentals:



- Earnings growth expectations continued to improve for 2026 and 2027 across global equities with double digit growth expected across U.S. and international equity benchmarks.
- In the U.S., AI related capex spend, M&A, tax changes and rising profit margins are positives.

Valuations:



- Valuations across U.S. equities and credit markets reflect resilient growth, strong earnings growth and profit margins.
- Equity markets recovered strongly in Q1 leading to valuations higher than averages.

Political/Policy Risks:



- Conflict with Iran and the ongoing geopolitical uncertainty remain center stage even as MoU is signed to resolve the U.S.-Iran conflict.
- Tariff-related uncertainty and upcoming mid-term elections in the U.S. also warrant attention.

● Current outlook ○ Outlook one quarter ago

Stance Unfavorable to
Risk Assets

Negative

Slightly
Negative

Neutral

Slightly
Positive

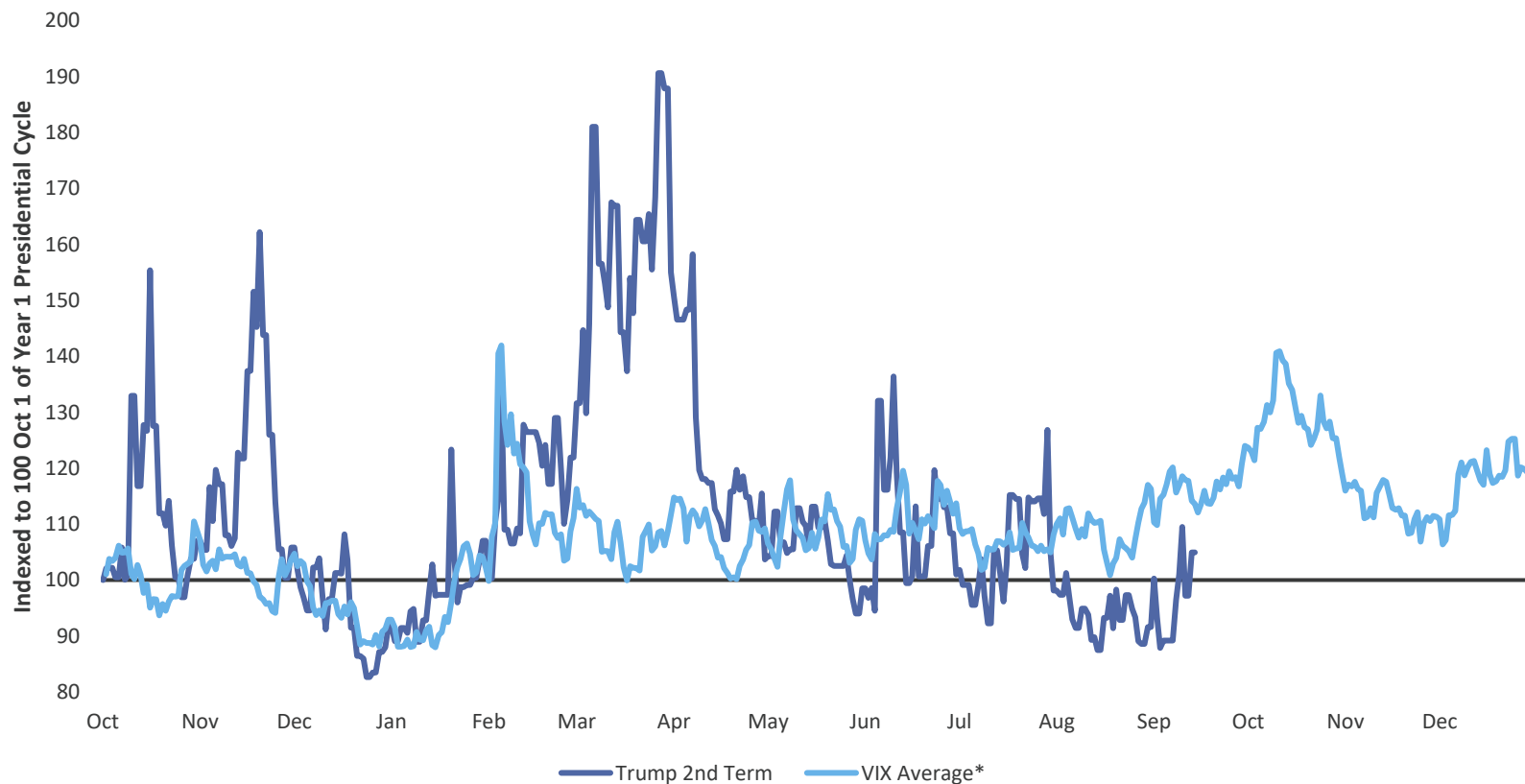
Positive

Stance Favorable to
Risk Assets

Statements and opinions expressed about the next 6-12 months were developed based on our independent research with information obtained from Bloomberg and FactSet. The views expressed within this material constitute the perspective and judgment of PFM Asset Management at the time of distribution (6/30/2026) and are subject to change. Information is obtained from sources generally believed to be reliable and available to the public; however, PFM Asset Management cannot guarantee its accuracy, completeness, or suitability.

Volatility in Mid-term Election Years

**Average VIX from October of Year 1 to End of Year 2
of Presidential Cycle**
(1992-2026)

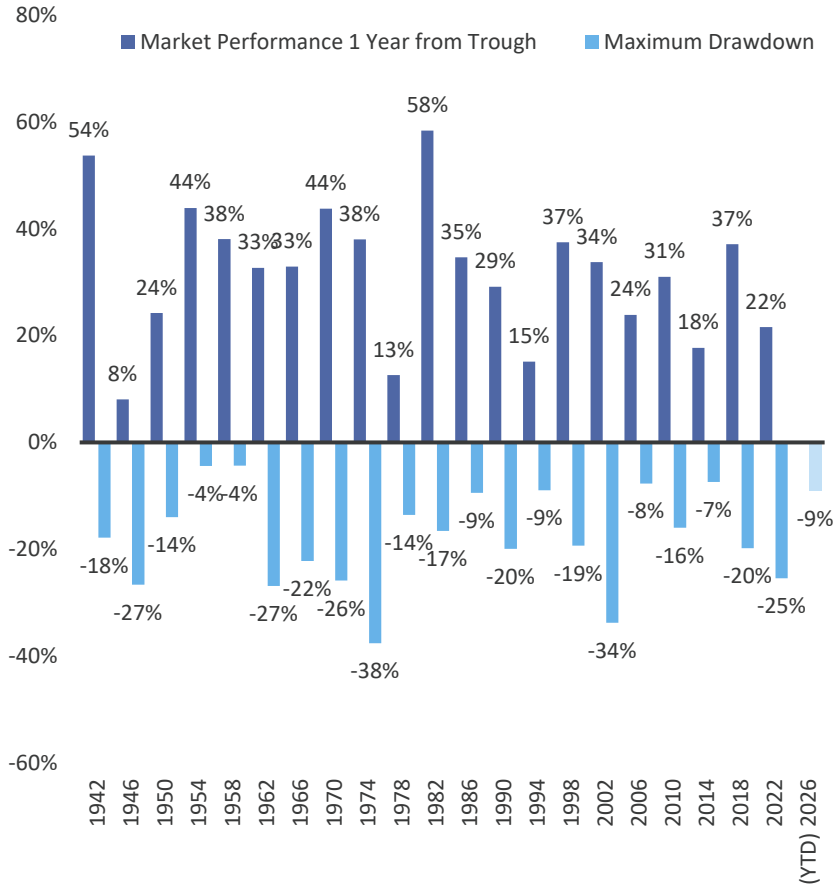


Source: FactSet, as of 9/15/2026

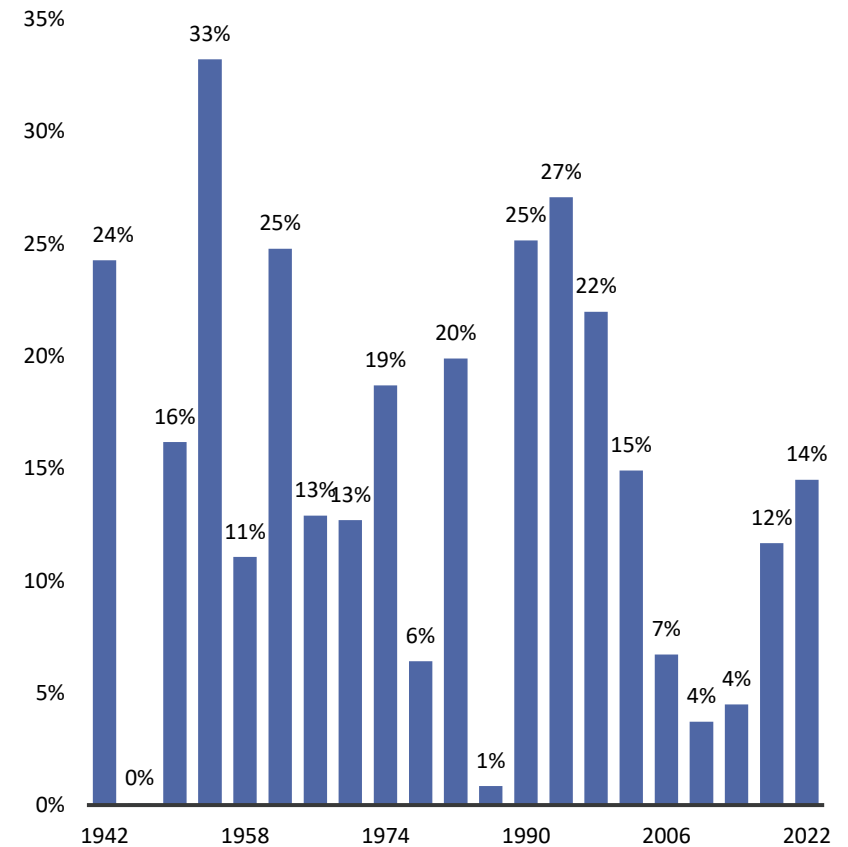
*Average of VIX from Oct 1993, 1997, 2001, 2005, 2009, 2013, 2017, 2021 through Dec 31 of the following year

Post-Midterm Market Recovery

Market Movements During Years of Midterm Elections

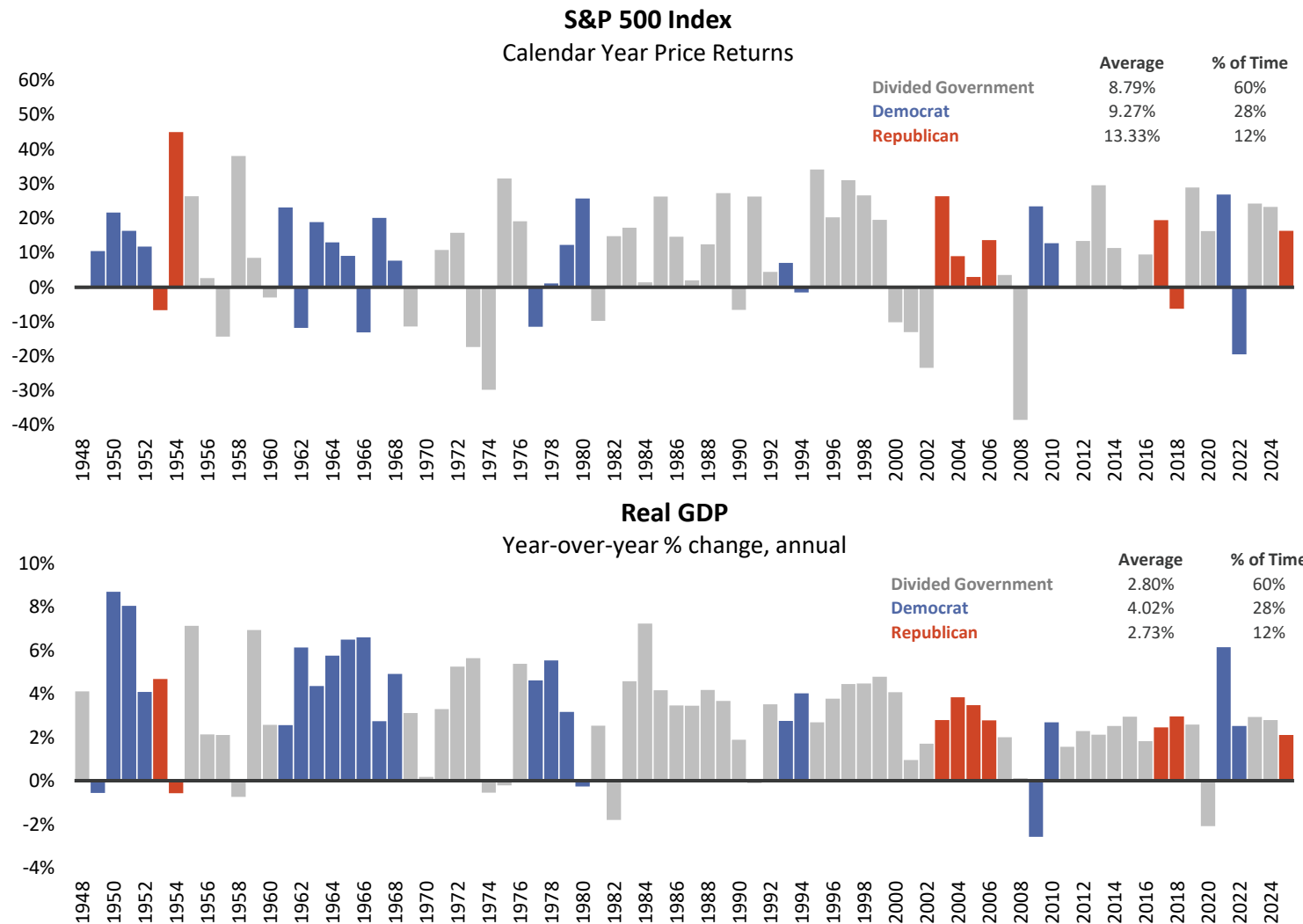


S&P 500 Price Return 12 Mo. Period Following Midterm Election



Source: FactSet, as of 9/15/2026

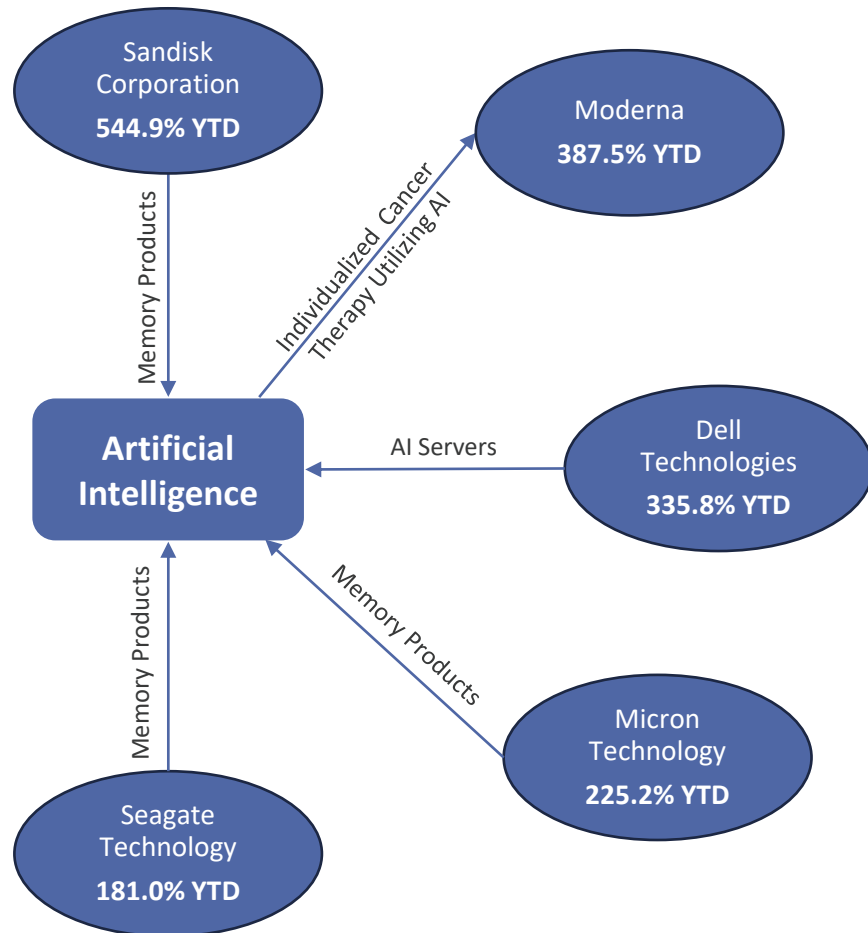
Market and Economic Performance By Political Party



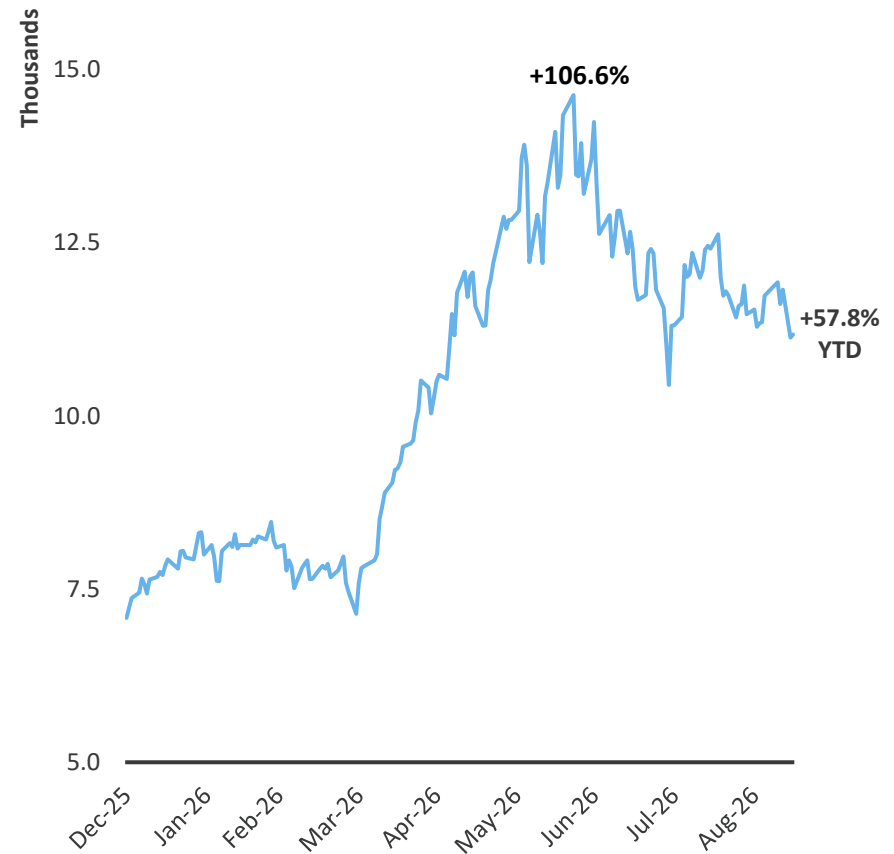
Source: FactSet, History, Art & Archives, U.S. House of Representatives, "Party Government Since 1857," <https://history.house.gov/Institution/Presidents-Coinciding/Party-Government/>, as of 9/15/2026.

AI Continues To Drive Returns

Top 5 Performers in S&P 500



PHLX Semiconductor Index Closing Price

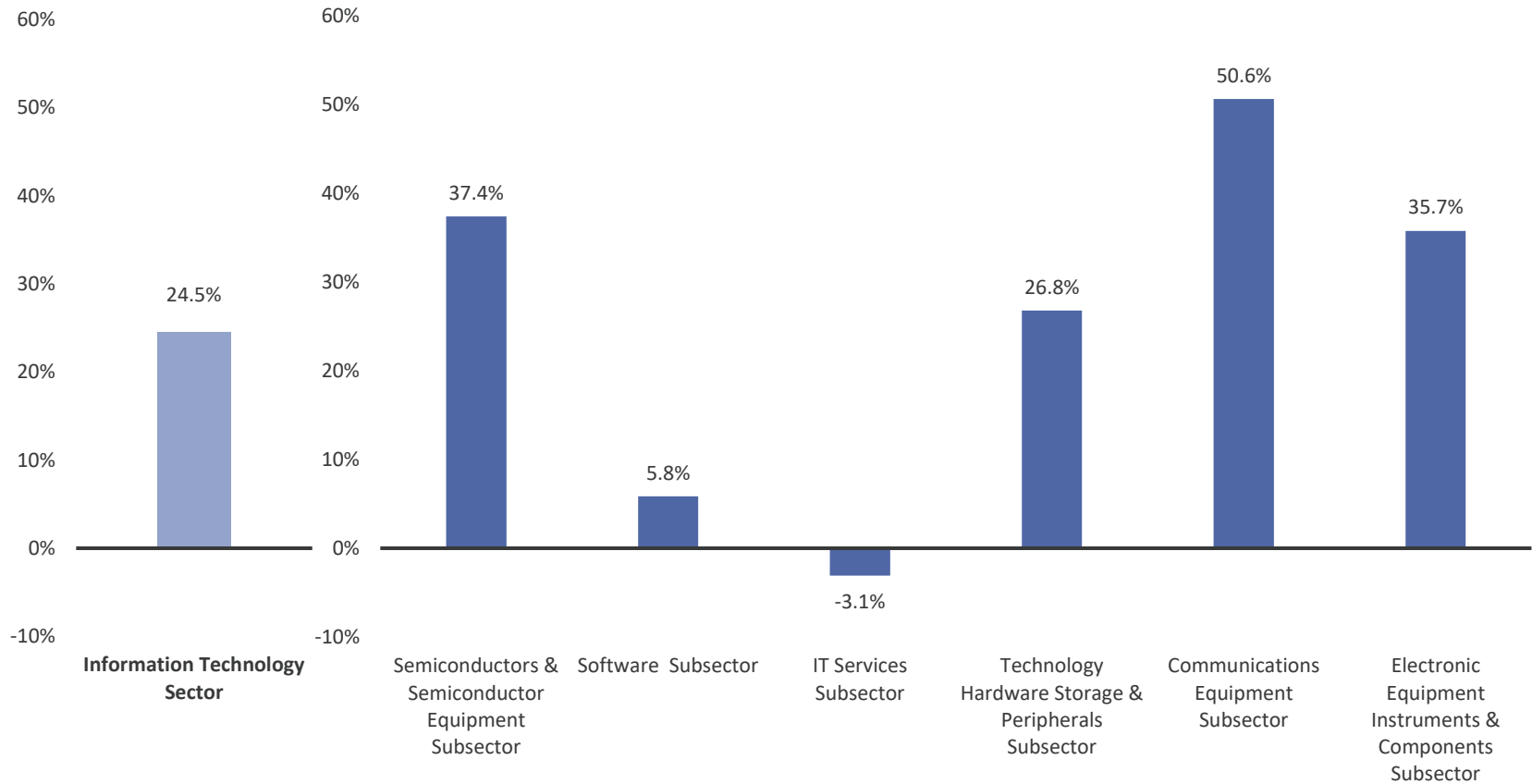


Sources: FactSet (Left), Nasdaq (Right), as of 9/16/2026.

Tech Subsector Level Performance

Performance across Russell 3000 IT sector points to additional beneficiaries of the AI trade outside semiconductors

Year to Date Return



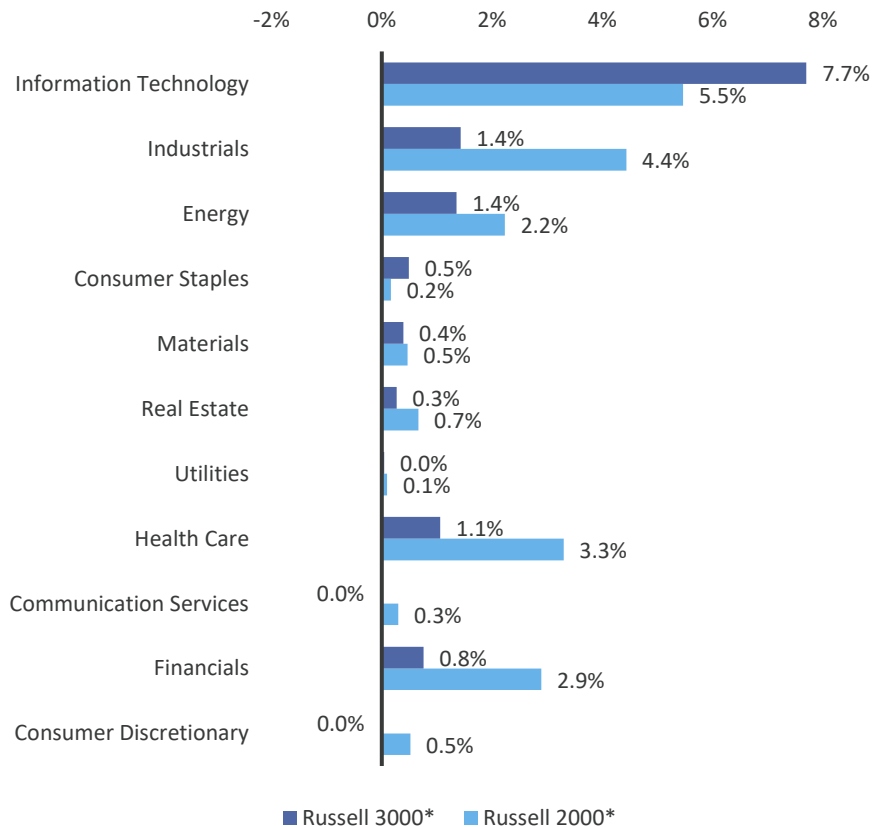
Source: FactSet as of 8/31/2026.

*based on iShares Russell 3000 ETF and iShares Russell 2000 ETF

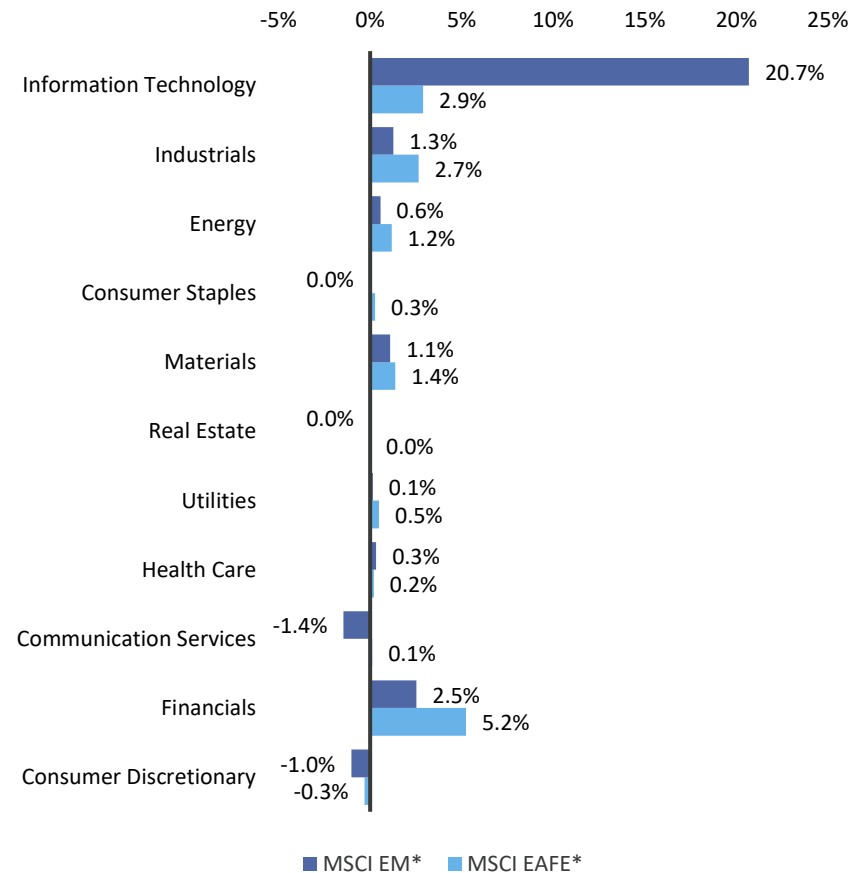
Sector Contributions to Equities

The information technology sector drove returns year to date

YTD: Sector Contribution



YTD: Sector Contribution



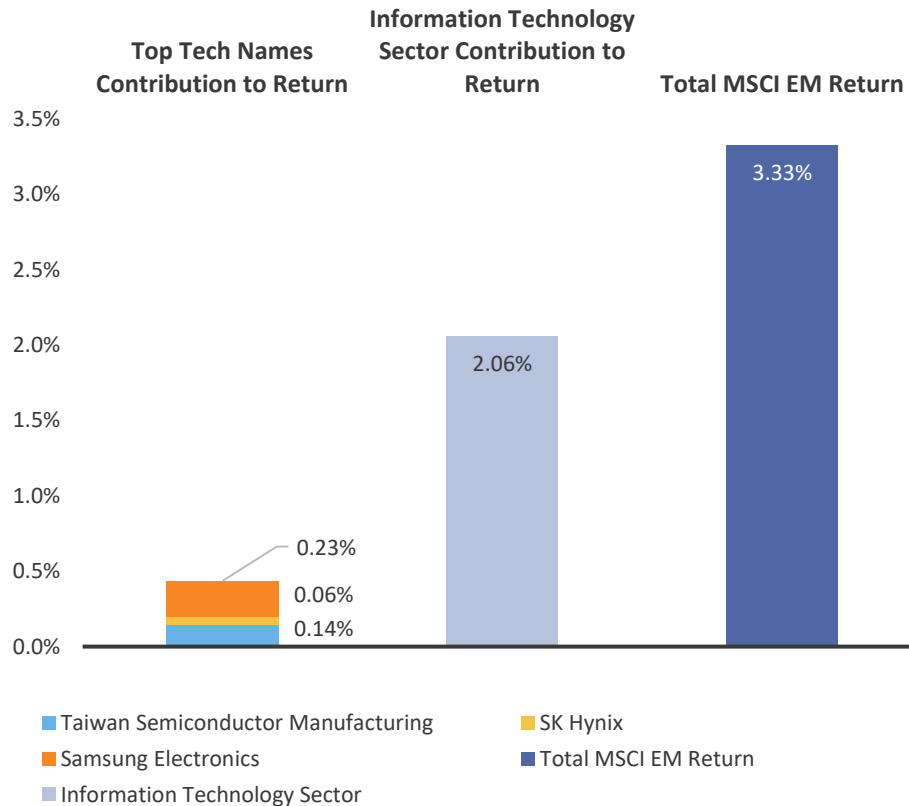
Source: FactSet as of 8/31/2026.

*Russell proxied by iShares Russell 3000 ETF and iShares Russell 2000 ETF, EM proxied by iShares MSCI EM ETF USD, EAFE proxied by iShares MSCI EAFE ETF USD

Concentration in Emerging Markets

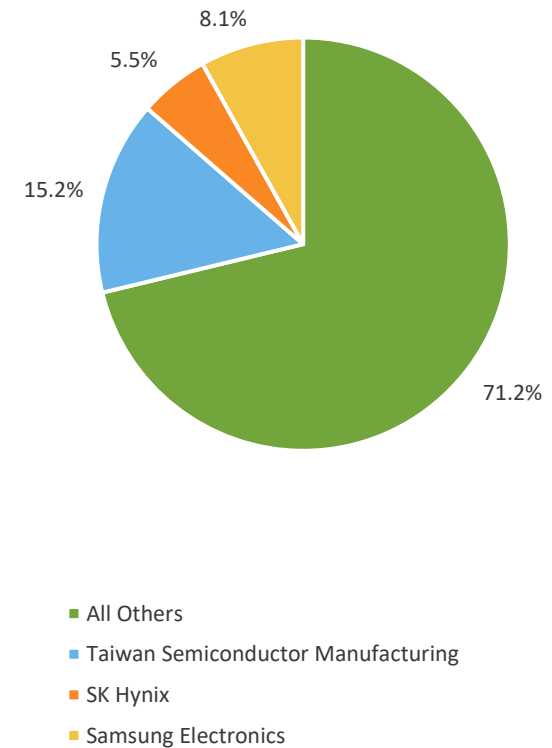
While the Tech Sector drove returns in August the performance broadened outside top names

MTD: Contribution to EM Index



Weight in EM Index

As of August 31, 2026



Source: FactSet, as of 8/31/2026.

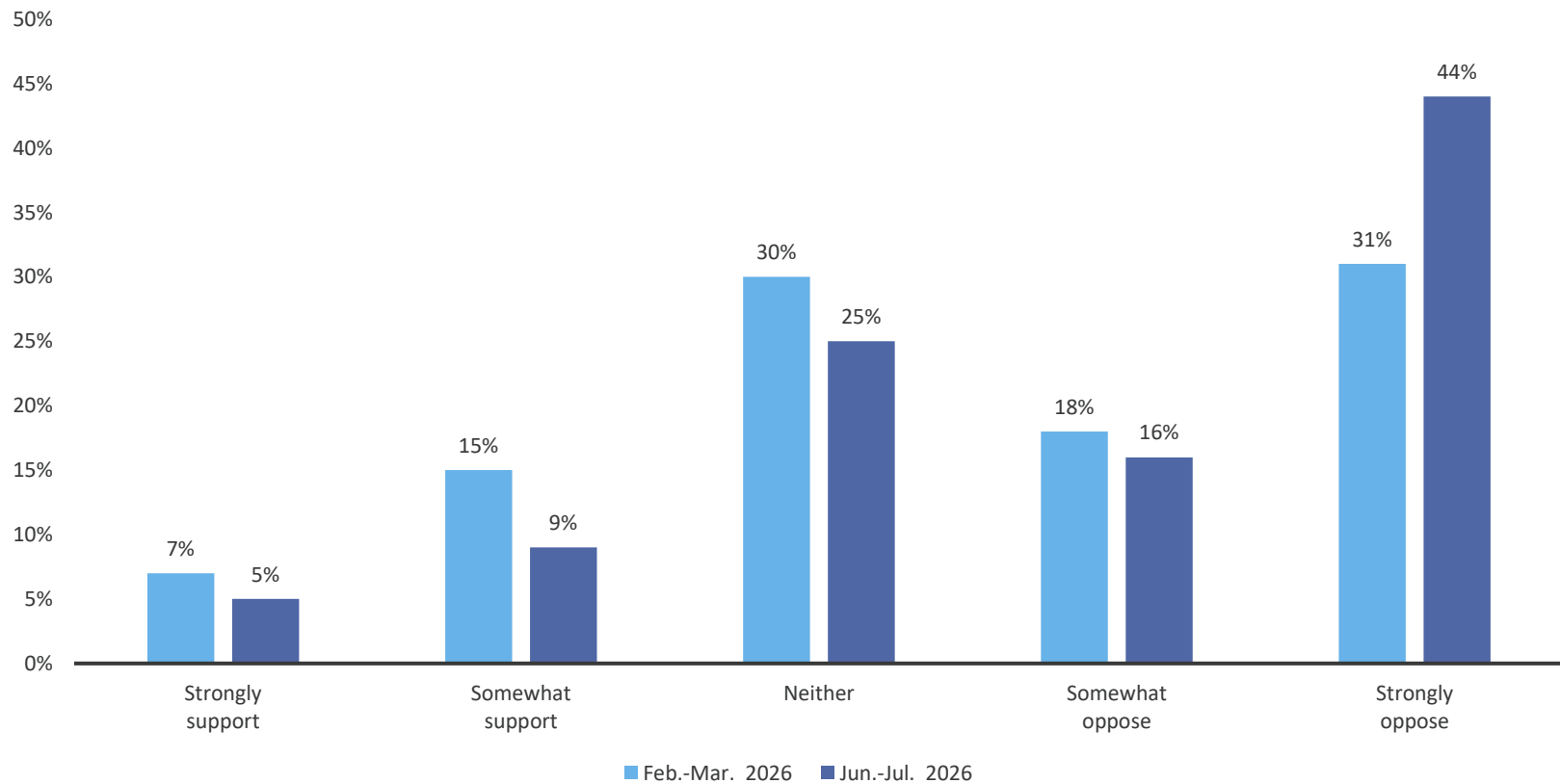
EM Index proxied by iShares MSCI EM ETF USD

*Combines Samsung Electronics Co., Ltd. And Samsung Electronics Co Ltd Pfd Non-Voting Shares

Anti-Data Center

3 in 5 U.S. adults (61%) now oppose the construction of new data centers in their area

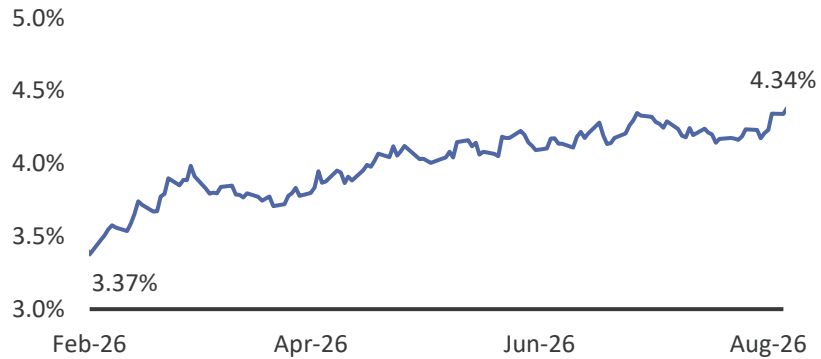
Surveyed Support for Construction of New Data Centers



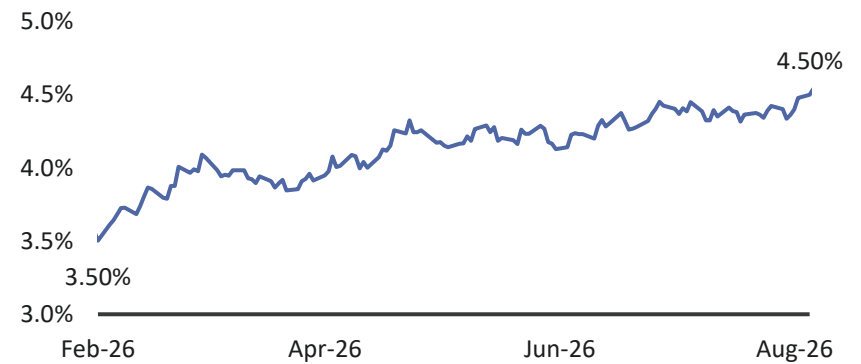
U.S. Treasury Yields

Yields increased since the beginning of the Iran War

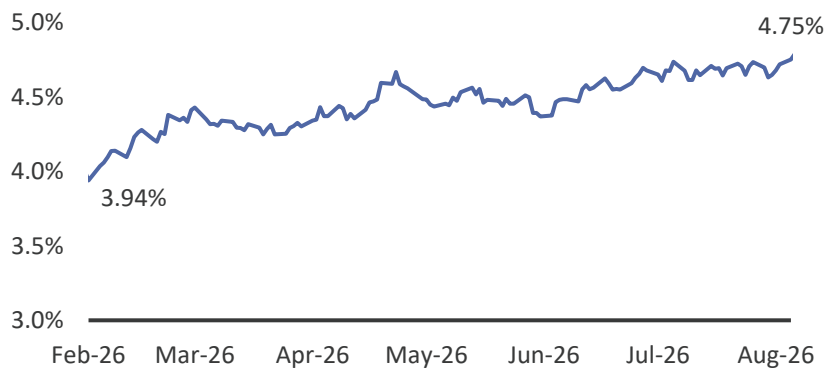
2-Year



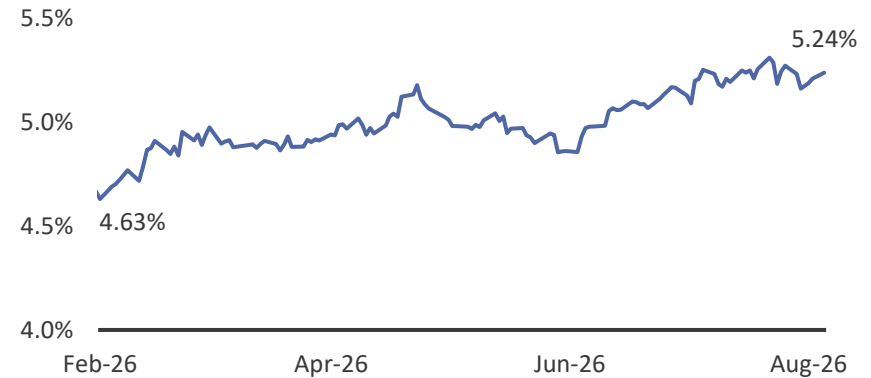
5-Year



10-Year



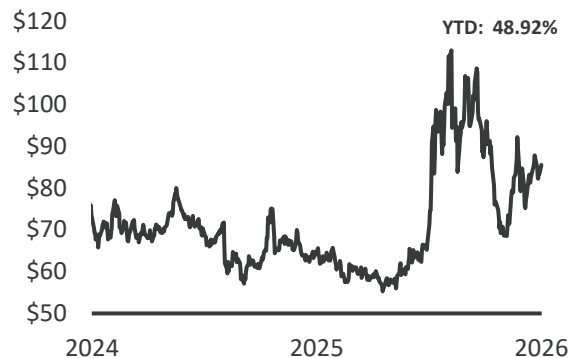
30-Year



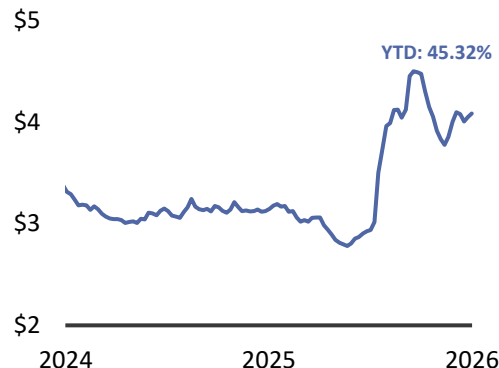
Source: Bloomberg Finance L.P., FactSet, as of 8/31/2026.

Energy Prices

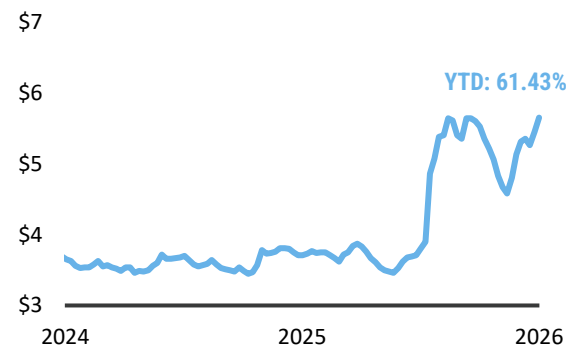
WTI Crude Oil (per barrel)



Retail Gasoline (per gallon)



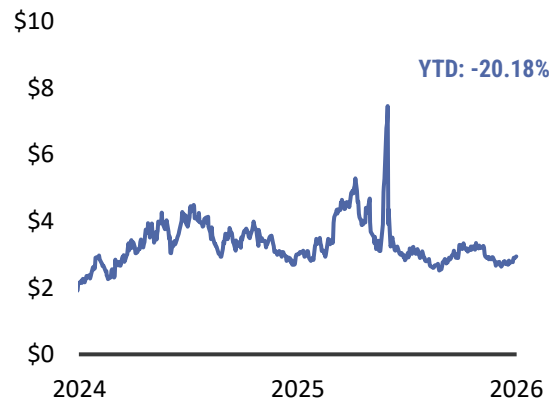
Average Retail Price US Diesel



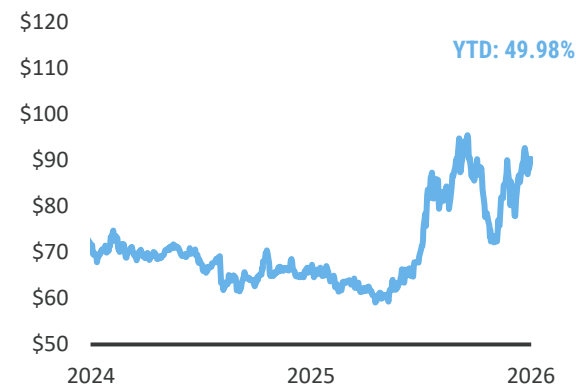
Heating Oil (per gallon)



Natural Gas (per MMBtu)



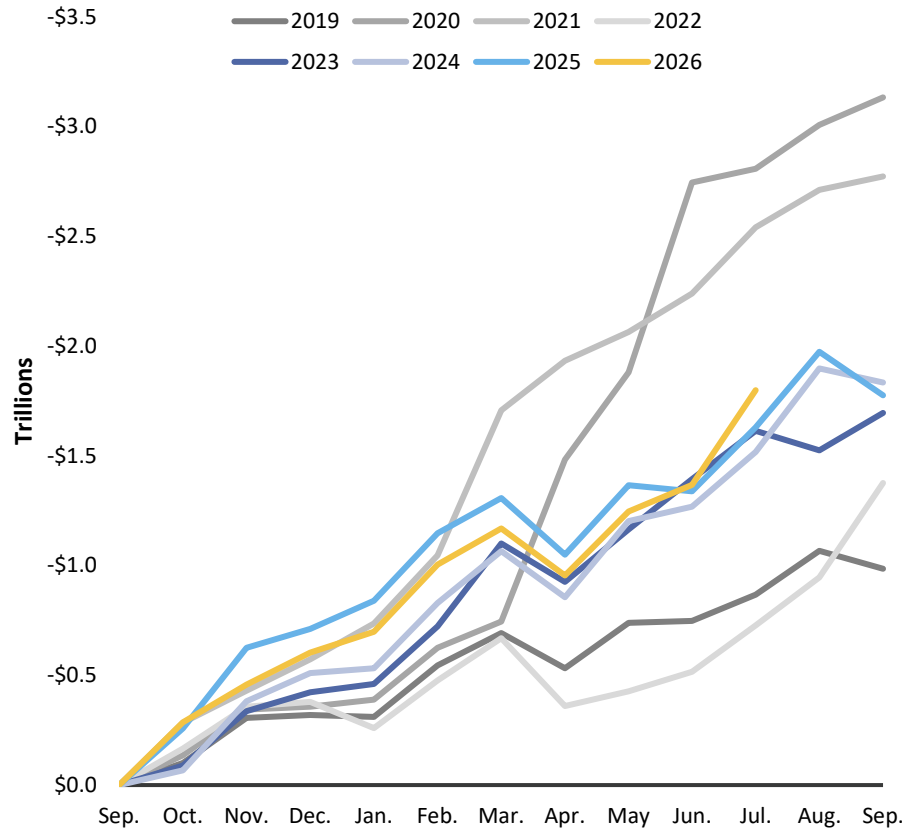
BRENT Crude Oil (per barrel)



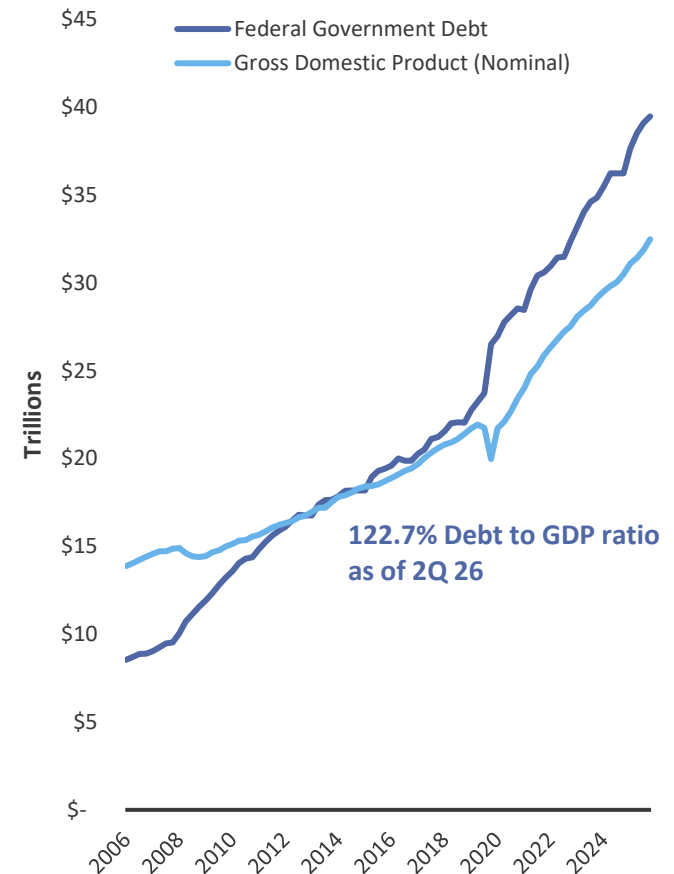
Source: Bloomberg Finance L.P.. Retail Gasoline and Diesel, as of August 24, 2026. All others as of August 31, 2026.
Note: MMBtu: Metric Million British Thermal Unit

U.S. Federal Budget Deficit

Federal Budget Deficit Fiscal Year to Date



Public Debt and GDP



Source: Bloomberg Finance L.P., FactSet, as of July 2026.

Disclosures

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