

#### THE ECONOMIC CLIMATE

Real GDP grew at a 0.4% rate year-over-year in the first quarter (+6.4% quarterly annualized rate) as the U.S. recovery continued at a quicker-than-expected pace. It appears that GDP will fully recover in Q2. The U.S. unemployment rate has been slow to rebound, despite a full recovery in economic activity. This might suggest that government spending has had an outsized impact and raises risks around a stimulus “hangover” when spending programs end. Economies around the world continued to recover as life began moving back to normal. This description does not apply to all economies, as Brazil, Japan, and much of Africa and Southeast Asia still grapple with effects of COVID and new variants of the virus

#### MARKET PORTFOLIO IMPACTS

Credit spreads grew even tighter during Q2, driven by investor demand and improvements in economic fundamentals. High yield spreads tightened to 2.68%—a new cycle low. Investment grade tightened 11 basis points to end the quarter at 0.80%. Inflation surprised on the upside in Q2, adding to investor fears. U.S. core CPI rose 4.5% year-over-year, while headline came in at 5.4%. The jump in prices has been concentrated in a few areas, including energy (+24.5% YoY) and used car & truck prices (+45.2% YoY).

#### THE INVESTMENT CLIMATE

The Biden Administration’s Infrastructure Plan continues to be up in the air in terms of size and composition. As of mid-July, Democrat legislators had reached an agreement for \$4.1 trillion in spending, comprised of \$3.5 trillion in “human infrastructure” and \$600 billion towards “traditional infrastructure” It is unclear whether this proposal will gain sufficient support from Democrats. It seems that investors have put the 2020 pandemic-induced recession behind them. Implied volatility, realized market volatility, and the risks reflected in asset prices are very low. This data suggests that investors perceive a strong economy, a healthy business environment, and very few threats on the horizon.

#### FISCAL YEAR TO DATE PERFORMANCE

With respect to the fiscal year, the Endowment portfolio experienced a 25.4% gain in the period ending June 2021. During the period, Equities and Fixed Income posted positive returns and outperformed their benchmarks.

Investment Pools	Three months ended 6/30/2021	Year to Date	Fiscal Year to Date	One (1) Year Return	Three (3) Year Return	Five (5) Year Return
<b>Cash Equivalent</b> 100% Cash Equivalents	0.0	0.1	0.2	0.2	1.2	1.0
<b>Global Constrained Income &amp; Growth</b> 25% Equity, 65% Fixed Income, 5% Real Estate, 5% Alternative Investments	3.6	4.2	14.6	14.6	8.1	6.7
<b>Global Constrained Balanced</b> 45% Equity, 40% Fixed Income, 10% Real Estate, 5% Alternative Investments	5.0	7.3	23.9	23.9	10.2	9.1
<b>Global Growth &amp; Income</b> 60% Equity, 25% Fixed Income, 10% Real Estate, 5% Alternative Investments	5.6	9.2	30.0	30.0	11.2	10.4
<b>Endowment</b>	4.6	7.9	25.4	25.4	9.8	10.0
<b>Market Benchmarks</b>						
<i>Cash - 90-Day Treasury Bills</i>	0.0	0.0	0.1	0.1	1.2	1.1
<i>Bonds - Bloomberg Barclays US Aggregate</i>	1.8	-1.6	-0.3	-0.3	5.3	3.0
<i>International Stocks - MSCI ACWI ex U.S. Gross</i>	5.5	9.2	35.7	35.7	9.4	11.1
<i>Domestic Stocks - S&amp;P 500</i>	8.5	15.3	40.8	40.8	18.7	17.6
<b>Blended Benchmark - Endowment<sup>1</sup></b>	5.0	7.6	23.8	23.8	10.5	10.2

**GLOBAL CONSTRAINED INCOME & GROWTH**

Designed for donors or nonprofits with medium-term objectives (3-5 years). While moderately conservative, this pool will have a risk of loss. A moderate portion may be invested in capital appreciation oriented investments. The income allocation may include an allocation to fixed income instruments. The pool will not include an allocation to illiquid alternative investments.



The Global Constrained Income & Growth Pool returned 3.6% during the quarter and was up 14.6% over the past year. Domestic Equity gained 8.8% and International Equity was up 3.5% over the quarter. Total Equities account for 27.4% of the portfolio, domestic equity outperformed its benchmark, while international equity underperformed its benchmark over the period. The Pool's Fixed Income securities, which comprises 66.9% of its total assets, saw a gain of 2.1% for the quarter and outperformed its benchmark. The 5.1% allocation to REITs was up 11.6% and underperformed its benchmark.

**GLOBAL CONSTRAINED BALANCED**

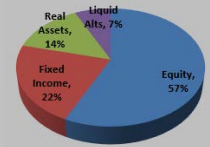
Designed for donors or nonprofits with longer-term objectives (7+ years) and spending rates of less than 4% of assets per year. A portion may be invested in capital appreciation-oriented investments. The income allocation may include an allocation to fixed income instruments. The pool will not include an allocation to illiquid alternative investments.



The Global Constrained Balanced pool returned 5.0% during the quarter and was up 23.9% over the past year. Domestic Equity gained 8.8% and International Equity was up 4.0% over the quarter. Total Equities account for 49.3% of the portfolio, domestic equity outperformed its benchmark and international equity underperformed its benchmark over the period. The Pool's Fixed Income securities, which comprises 39.8% of its total assets, saw a gain of 2.1% for the quarter and outperformed its benchmark. The 10.2% allocation to REITs was up 11.6% and underperformed its benchmark.

**GLOBAL GROWTH & INCOME**

Designed for donors or nonprofits with long-term objectives (10+ years) yet with liquidity requirements and with spending objectives of approximately 4% of assets per year. A large portion may be invested in capital appreciation-oriented investments. The income allocation may include an allocation to fixed income instruments. The pool will not include an allocation to illiquid alternative investments.



The Global Growth & Income pool returned 5.6% during the quarter and was up 30.0% over the past year. Domestic Equity gained 8.6% and International Equity was up 3.4% over the quarter. Total Equities account for 63.5% of the portfolio, domestic equity outperformed its benchmark and international equity underperformed its benchmark over the period. The Pool's Fixed Income securities, which comprises 25.9% of its total assets, saw a gain of 2.1% for the quarter and outperformed its benchmark. The 10.2% allocation to REITs was up 11.6% underperforming its benchmark.

**ENDOWMENT POOL**

Designed for donors or nonprofits with endowment-like objectives (20+ years), willing to accept moderate illiquidity and with spending objectives of approximately 4% of assets per year. A large portion may be invested in capital appreciation-oriented investments. The income allocation may include an allocation to fixed income instruments. The pool may include an allocation to illiquid alternative investments. The management of this pool will be consistent with endowment best practices.



The Endowment pool increased 4.6% during the quarter. For the trailing one year the Endowment was up 25.4%. Domestic Equity gained 8.6% and International Equity was up 3.9% over the quarter. Total Equities account for 59.1% of the portfolio, Domestic Equity outperformed its benchmark and International Equity underperformed its benchmark. The Pool's Fixed Income securities, which comprises 21.7% of its total assets, saw a gain of 2.1% for the quarter and outperformed its benchmark. Real Estate returned 3.0% over the quarter.

1. 30% Russell 3000, 26% MSCI ACWI ex US, 22% Bloomberg Barclays US Aggregate, 10% FTSE NAREIT All, 5% Bloomberg Commodity Index, 7% HFRI Fund of Funds Composite Index.

**Notes:** The above are the historical returns for each of the five investment pools. **Investment performance of individual funds may vary from the total pool return due to the timing of contributions and grants. Historical returns are not a predictor of future returns. The returns above are net of fees paid to investment managers. This fee represents the plans' blended expense ratio and is between 50 and 60 basis points annually. The fee for our investment consultant, Verus, is not reflected in the returns.**

**Underlying Investment Managers**

*Domestic Equity:* Vanguard FTSE Social Index, Vanguard Extended Market ETF

*International Equity:* Causeway International Value, EuroPacific Growth, DFA International Small Cap, Calvert Emerging Markets Equity

*Fixed Income:* Dodge & Cox Income, Met West Total Return, Vanguard Inflation Protected Securities

*Alternative Investments:* AQR Style Premia Fund

*Real Assets:* TownSquare Real Estate, Penn Square, UBS Trumbull, TA Realty Fund, Invesco Real Estate, Vanguard REIT Index

Note: Performance for Penn Square Global Real Estate II and Town Square Real Estate Alpha Fund I is lagged by one quarter.