

Investment Pools Performance & Commentary September 30, 2023

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THE ECONOMIC CLIMATE

Real GDP increased at a 2.9% pace from a year ago in Q3 (4.9% QoQ annualized rate). The large uptick was driven by consumption, which continues to show resiliency. A combination of pandemic related excess savings and a strong decade of household wealth expansion is likely providing a cushion against an economic slowdown. The unemployment rate increased slightly during the quarter from 3.6% to 3.8%, though this appears to be due to more workers rejoining the labor force and seeking employment (a positive rather than negative development). The total size of the U.S. workforce grew by 580,000 in Q3.

MARKET PORTFOLIO IMPACTS

The U.S. consumer has shown resiliency, with ongoing moderate spending activity. However, personal savings rates are nearly the lowest on record. We believe depressed savings activity without a commensurate surge in spending, and very poor sentiment, suggests high inflation is squeezing household budgets. The Cboe VIX implied volatility index remained below-average for most of the third quarter, before rising to 17.5 to end September. Market risk has been falling fairly consistently throughout the year, which may be at least partly attributed to the perception that certain risks, such as regional bank contagion and near-term recession, have eased.

THE INVESTMENT CLIMATE

The 10-year U.S. Treasury yield increased during the quarter to 4.58%—a level not seen since 2007—likely supported by higher for longer interest rate expectations. This led to a flattening of the yield curve. U.S. headline inflation ticked up from 3.1% to 3.7% year-over-year. Core CPI (ex-food & energy) continued to fall from 4.9% to 4.1%. Shelter costs jumped unexpectedly in September showing the largest rise since May, and along with rising energy prices have generated concerns of renewed inflation. A material weakening of the job market and U.S. economy will likely be needed to bring inflation down to a 2% level.

FISCAL YEAR TO DATE PERFORMANCE

With respect to the fiscal year, the Endowment portfolio experienced a -0.4% increase during the period ending September 2023. During the period most asset classes traded lower as the prospect of higher rates for longer became apparent.

Investment Pools	Three months ended 9/30/2023	Year to Date	Fiscal Year to Date	One (1) Year Return	Three (3) Year Return	Five (5) Year Return
Cash Equivalent 100% Cash Equivalents	1.3	3.6	1.3	4.5	1.7	1.7
Global Constrained Income & Growth 25% Equity, 65% Fixed Income, 5% Real Estate, 5% Alternative Investments	-3.8	2.6	-3.8	7.2	-0.7	2.0
Global Constrained Balanced 45% Equity, 40% Fixed Income, 10% Real Estate, 5% Alternative Investments	-4.5	4.6	-4.5	11.2	1.3	3.0
Global Growth & Income 60% Equity, 25% Fixed Income, 10% Real Estate, 5% Alternative Investments	-4.7	5.9	-4.7	13.8	2.6	3.5
Endowment	-4.0	4.6	-4.0	10.4	3.1	3.5
Market Benchmarks						
Cash - 90-Day Treasury Bills	1.3	3.6	1.3	4.5	1.7	1.7
Bonds - Bloomberg Barclays US Aggregate	-3.2	-1.2	-3.2	0.6	-5.2	0.1
International Stocks - MSCI ACWI ex U.S.	-3.8	5.3	-3.8	20.4	3.7	2.6
Domestic Stocks - S&P 500	-3.3	13.1	-3.3	21.6	10.2	9.9
Blended Benchmark - Endowment¹	-2.7	5.0	-2.7	11.5	4.3	4.9

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 -3.8% during the quarter and was up 7.2% over the past year. Domestic Equity was down -3.5% and International Equity was down -7.4% over the quarter. Total Equities account for 27.4% of the portfolio. Domestic Equities and International Equity underperformed their benchmarks. The Pool's Fixed Income securities, which comprise 67.5% of its total assets, posted -2.9% return for the quarter and underperformed its benchmark. The 5.0% allocation to REITs was down -8.8% and underperformed its benchmark.

GLOBAL CONSTRAINED BALANCED

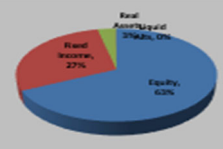
Designed for donors or nonprofits with longer-term objectives (7+ years) and spending rates of less than 4% of assets per year. A portion may be invested in capital appreciation-oriented investments. The income allocation may include an allocation to fixed income instruments. The pool will not include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



The Global Constrained Balanced pool returned -4.5% during the quarter and was up 11.2% over the past year. Domestic and International Equities were negative over the quarter posting -3.5% and -7.4% returns respectively. Total Equities account for 48.3% of the portfolio, Domestic Equities and International Equities underperformed their benchmarks. The Pool's Fixed Income securities, which comprises 41.6% of the total assets, posted a -2.9 % return for the quarter and underperformed its benchmark. The 9.1% allocation to REITs was down 8.8% and underperformed its benchmark.

GLOBAL GROWTH & INCOME

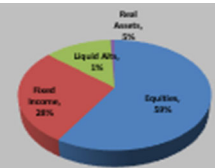
Designed for donors or nonprofits with long-term objectives (10+ years) yet with liquidity requirements an with spending objectives of approximately 4% of assets per year. A large portion may be invested in capital appreciation-oriented investments. The income allocation may include an allocation to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



The Global Growth & Income pool returned -4.7% during the quarter and was up 13.8% over the past year. Domestic Equities and International Equities posted -3.5% and -6.9% returns respectively over the quarter. Total Equities account for 63.3% of the portfolio. Domestic Equities and International Equities underperformed, posting -3.5% and -6.9% returns respectively. The Pool's Fixed Income securities, which comprises 27.0% of its total assets, posted a -2.8% return for the quarter and underperformed its benchmark. The 9.5% allocation to REITs was down 3.1% and underperformed 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 posted -4.0% during the quarter. For the trailing one year the Endowment was up 10.4%. Domestic Equities and International Equities were down 3.5% and 6.8% respectively over the quarter. Total Equities account for 58.7% of the portfolio, Domestic Equities and International underperform their benchmark. The Pool's Fixed Income securities, which comprises 27.7% of its total assets, post a -2.7% for the quarter and underperformed its benchmark. Real Estate returned -3.7% over the quarter and underperformed its benchmark.

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 at least one quarter.