

Investment Pools Performance & Commentary September 30, 2024

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THE ECONOMIC CLIMATE

U.S. inflation (CPI) fell to 3.0% YoY in June, following two consecutive months of flat prices (0.0% in May and -0.1% in June). The report reflected a slowing in shelter costs, which have been a primary hurdle for inflation reaching the 2% Federal Reserve target. If the slowing of shelter prices persists, inflation could fall rather quickly. Core inflation (ex-Food & Energy) was 3.3% year-over-year in June. The U.S. labor market remains strong, but recently some cracks of weakness have appeared. Unemployment jumped unexpectedly to 4.1% in June—a level not seen since 2021. Jobless claims have also been rising. This negative data could prove to be a continuation of the trend towards a more balanced labor market, though it will be important to monitor conditions closely.

MARKET PORTFOLIO IMPACTS

Emerging market equities outperformed during Q2, up +5.0%, despite significant ongoing underperformance of China. U.S. equities were close behind (S&P 500 +4.3%), setting a new all-time-high price level. In contrast, international developed equities were flat. Small cap and value style investing underperformed. Small cap lagged large cap by -6.9% while value underperformed growth by -10.5%. The style premia performance gap was even wider over the past year, as small cap underperformed large cap by -13.8% and value underperformed growth by -20.4%.

THE INVESTMENT CLIMATE

The 10-year U.S. Treasury yield increased slightly from 4.20% to 4.36% during Q2, resulting in near-zero or negative performance for high quality fixed income of a longer duration profile. Default activity in loans and credit reached a one-year low at the end of Q2. However, the gap between bank loan and high yield default activity has increased to a 10-year high, with total volume of distressed or defaults comprised of loans (80%) to bonds (20%) on pace for a record high.

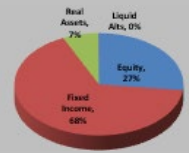
FISCAL YEAR TO DATE PERFORMANCE

With respect to the fiscal year, the Endowment portfolio experienced a 6.0% increase during the period ending September 2024. Broad asset class strength, from equities to fixed income, provided strong returns for the quarter.

Investment Pools	Three months ended 9/30/2024	Year to Date	Fiscal Year to Date	One (1) Year Return	Three (3) Year Return	Five (5) Year Return
Cash Equivalent 100% Cash Equivalents	1.2	2.9	1.2	3.3	1.6	1.3
Global Constrained Income & Growth 25% Equity, 65% Fixed Income, 5% Real Estate, 5% Alternative Investments	6.2	9.0	6.2	18.6	1.6	4.3
Global Constrained Balanced 45% Equity, 40% Fixed Income, 10% Real Estate, 5% Alternative Investments	6.9	12.0	6.9	23.5	3.0	6.4
Global Growth & Income 60% Equity, 25% Fixed Income, 10% Real Estate, 5% Alternative Investments	7.1	13.8	7.1	26.1	3.8	7.7
Endowment	6.0	12.2	5.9	22.2	3.7	7.4
Market Benchmarks						
Cash - 90-Day Treasury Bills	1.4	4.0	1.4	5.5	3.5	2.3
Bonds - Bloomberg Barclays US Aggregate	5.2	4.4	5.2	11.6	-1.4	0.3
International Stocks - MSCI ACWI ex U.S.	8.6	14.3	8.6	25.1	3.8	7.6
Domestic Stocks - S&P 500	5.9	22.1	5.9	36.4	11.9	16.0
Blended Benchmark - Endowment¹	5.4	11.5	5.4	20.1	4.9	8.0

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 6.2% during the quarter and was up 9.0% over the past year. Domestic Equity was up 5.7% and International Equity was up 7.4% over the quarter. Total Equities account for 27.9% of the portfolio. Domestic Equities and International Equity underperformed their benchmarks. The Pool's Fixed Income securities, which comprise 66.5% of its total assets, posted a 5.4% return for the quarter and outperformed its benchmark. The 5.5% allocation to REITs was up 16.0% and underperformed its benchmark.

GLOBAL CONSTRAINED BALANCED

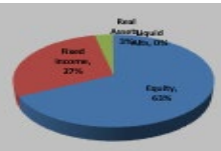
Designed for donors or nonprofits with longer-term objectives (7+ years) and spending rates of less than 4% of assets per year. A portion may be invested in capital appreciation-oriented investments. The income allocation may include an allocation to fixed income instruments. The pool will not include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



The Global Constrained Balanced pool returned 6.9% during the quarter and was up 12.0% over the past year. Domestic and International Equities were positive over the quarter posting 5.7% and 7.4% returns respectively. Total Equities account for 47.3% of the portfolio, Domestic Equities and International underperformed their benchmarks. The Pool's Fixed Income securities, which comprise 41.4% of the total assets, posted a 5.3% return for the quarter and outperformed its benchmark. The 11.0% allocation to REITs was up 16.0% and underperformed its benchmark.

GLOBAL GROWTH & INCOME

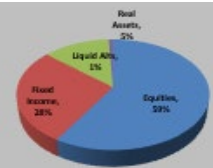
Designed for donors or nonprofits with long-term objectives (10+ years) yet with liquidity requirements an with spending objectives of approximately 4% of assets per year. A large portion may be invested in capital appreciation-oriented investments. The income allocation may include an allocation to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



The Global Growth & Income pool returned 7.1% during the quarter and was up 13.8% over the past year. Domestic Equities and International Equities posted 5.7% and 7.5% returns respectively over the quarter. Total Equities account for 63.3% of the portfolio. Domestic Equities and International Equities underperformed their benchmarks. The Pool's Fixed Income securities, which comprise 25.3% of its total assets, posted a 5.3% return for the quarter and outperformed its benchmark. The 11.1% allocation to REITs was up 16.0% 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 6.0% during the quarter. For the trailing one year the Endowment was up 12.2%. Domestic Equities and International Equities were up 5.7% and 7.6% respectively over the quarter. Total Equities account for 60.8% of the portfolio, Domestic Equities and International underperformed their benchmark. The Pool's Fixed Income securities, which comprise 24.8% of its total assets, posted a 5.3% for the quarter and outperformed its benchmark. Real Estate returned 5.5% over the quarter and outperformed 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.