Annnual Investment Meeting

Wednesday, February 28, 2024

CAPITAL MARKETS SUMMARY

2023 RECAP

- 2023 saw a strong rebound compared with 2022 in both equity and bond markets as the Fed pivoted from a hawkish to more dovish view regarding interest rates hikes through 2023 in its response to rising inflation.
- US Equity markets closed the year at 26.3%, a reversal of 2022's -18.1%. The rally was led mostly by the "Magnificent Seven" (Alphabet, Amazon, Apple, Meta Platforms, Microsoft, Nvidia, and Tesla) accounting for 60% of the S&P 500's return for 2023.
- The US Aggregate Bond market increased 5.5% as yields decreased.

2024 OUTLOOK

- As the Fed moves to continue the taming of inflation, it brings into question that forward earnings estimates are accurately discounting the most recent developments of a strong US dollar, rising oil prices, maturing US fiscal stimulus and an increasingly tapped-out US consumer. It is expected that Fed actions in 2024 may result in a "higher-for-longer" rate scenario.
- The mix of high and sticky inflation, existential risks associated with Russia/Ukraine and the European Central Bank's position that it has limited tools to help suggest that the odds of recession are over 50%. Recent softness in China, including macro uncertainty and deflationary pressures, along with growing opacity around policy direction, have caused concern for the country's growth path.
- While markets had aggressively priced the Fed's hawkish rhetoric, recent bank concerns have brought in pricing of rate cuts through early 2024.

EQUITIES

- Continue to remain cautious in general given potential earnings pressures into 2024.
- Expect volatile range-bound trading of plus/minus 5% to 10%.
- Favor cash flow strategies and companies/industries which can generate organic cash flow.

FIXED INCOME

- With spreads widening and long-term rates reflecting a more reasonable terminal value, bonds are a decent relative portfolio hedge.
- Cash flow opportunities exist with Investment Grade corporates showing greater than average debt service coverage.

PORTFOLIO HIGHLIGHTS

PERFORMANCE

- Long-term portfolio return trailed the benchmark in 2023 due to rebalancing away from growth equity amid valuation concerns.
- Since inception, the portfolio has compounded capital at 6.6% annualized, ahead of the benchmark at 6.1%.
- Since inception the short term pool has annualized 4.4%, also ahead of the benchmark at 2.9%.

COST EFFICIENCY

- Annual investment management costs of 0.29%.

POSITIONING HIGHLIGHTS

EQUITY

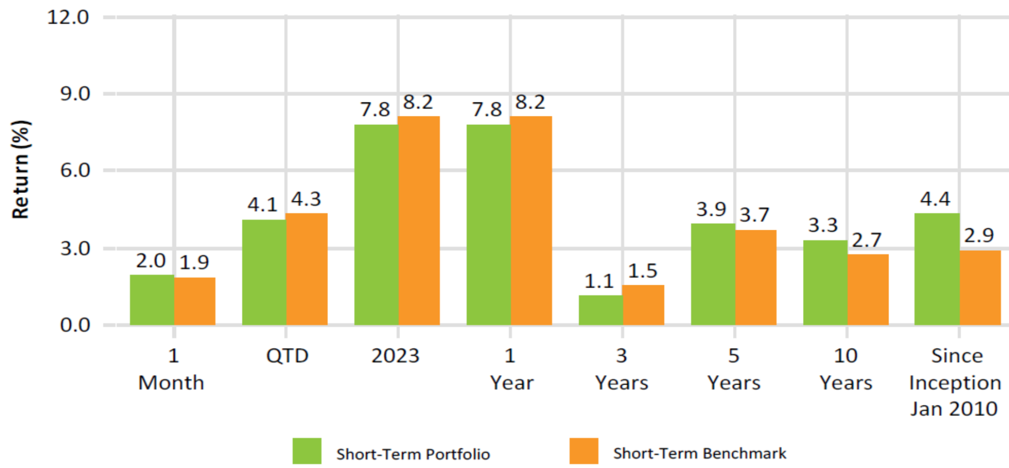
- Tactical underweight to global equities with an emphasis on active management.
- While short-term estimates for equities are flat, we still see relative value opportunities within selective segments of the equity markets that should bode well for active managers.

FIXED INCOME

- Tactical overweight to investment grade fixed income.
- Front end investment grade offers attractive risk/reward with decent carry, amid improving credit quality and interest coverage.

Performance as of 12/31/2023

Multi-Period Performance Analysis



	1 Month	QTD	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception Jan 2010
Short-Term Portfolio	**1.97**	**4.14**	**7.78**	**7.78**	**1.14**	**3.93**	**3.30**	**4.35**
Short-Term Benchmark	1.89	4.32	8.16	8.16	1.49	3.71	2.73	2.93

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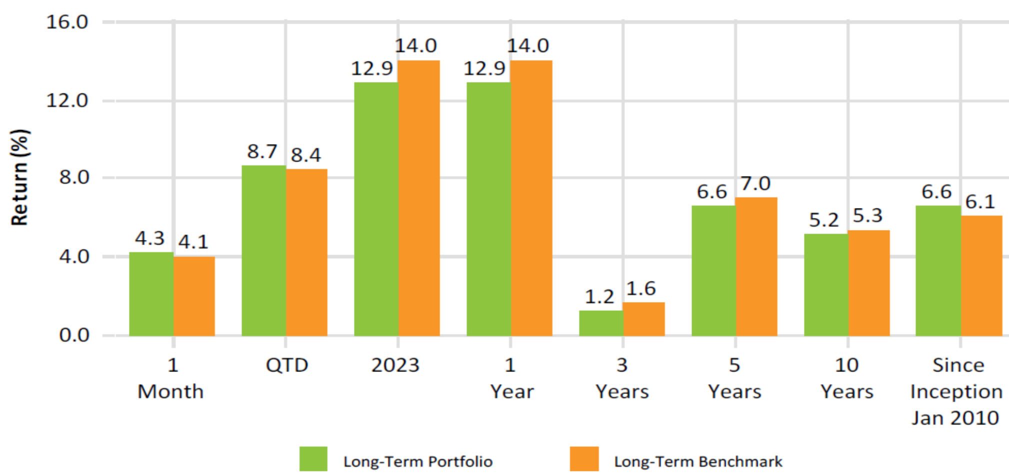

	1 Month	QTD	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception Jan 2010
Long-Term Portfolio	**4.28**	**8.68**	**12.88**	**12.88**	**1.20**	**6.58**	**5.16**	**6.58**
Long-Term Benchmark	4.07	8.42	14.03	14.03	1.61	7.05	5.33	6.06

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