

McKnight Brain Research Foundation

Period Ending June 30, 2023

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Executive Summary

Executive Summary

Asset Allocation

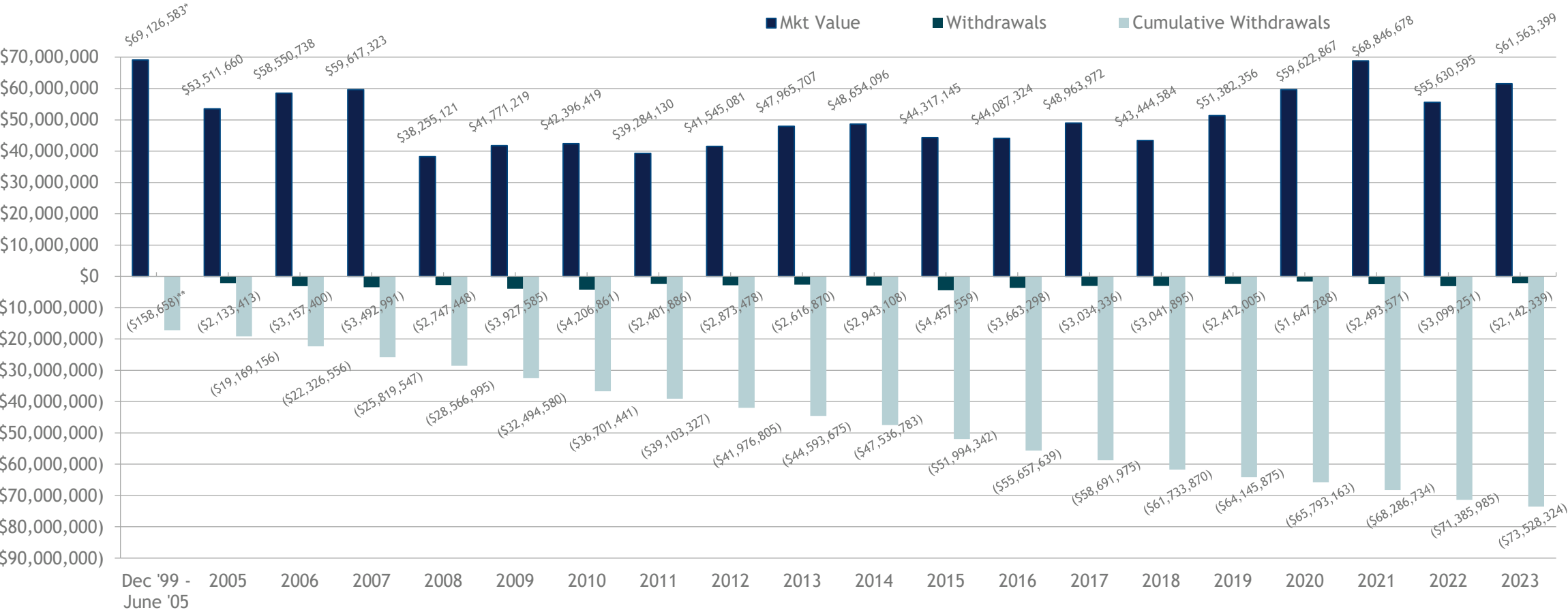
- The Foundation has a 74.0% target to public equity, a 6.0% target to fixed income (including cash) and a 20.0% target allocation to alternative assets (including a 8.0% allocation to private equity).
- As of Quarter end, the public equity allocation was 68.4%, the allocation to fixed income (including cash) was 6.4% and the allocation to alternative investments was 25.2%.

Portfolio Performance

- For the Quarter period ending June 30, 2023 the total return for the portfolio was 10.62% versus 5.99% for the Investment Policy Statement Index.
- For the 1 Year period ending June 30, 2023 the total return for the portfolio was 16.72% versus 14.39% for the Investment Policy Statement Index.

Investment Review

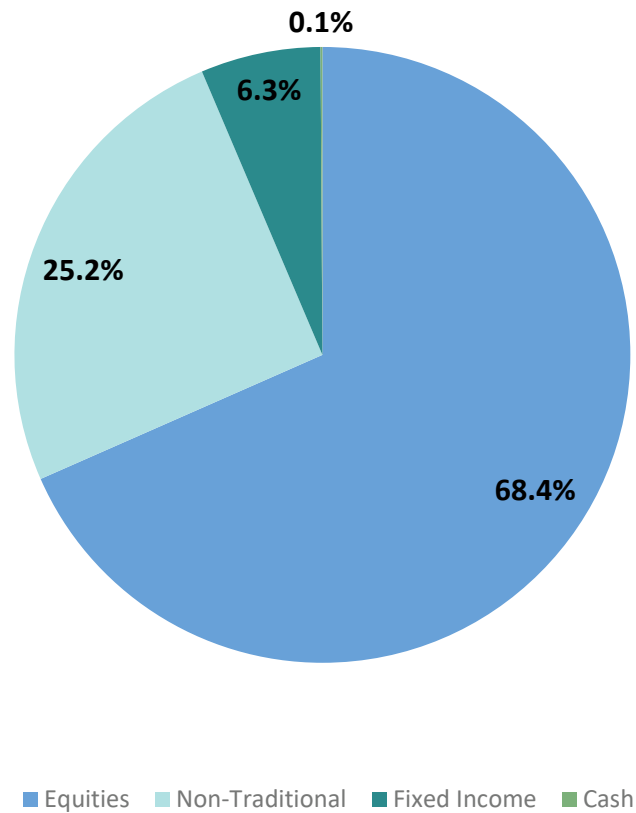
Historical Market Values and Distributions



Source: First Rate Advisor
* As of December 1999
** From December 2004 - June 2005

Portfolio Composition

McKnight Brain Research Foundation



Period Ending June 30, 2023							
Assets	Current Market Value	Current Allocation	Prior Allocation	Δ in Allocation	Target Allocation	Range	Variance from Target
Total Portfolio	\$61,563,399	100.0%	100.0%		100.0%		
Total Equities	\$42,081,652	68.4%	68.8%	(0.4%)	74.0%		-5.6%
Large Cap Equities	\$32,848,187	53.4%	55.3%	(1.9%)	57.0%	30-60%	-3.6%
Hartford Dvnd & Grwth-F	\$4,464,731	7.3%	7.6%	(0.4%)			
Vanguard Value ETF	\$7,492,649	12.2%	13.2%	(1.0%)			
Vanguard Russell 1000 Growth Index I	\$2,898,179	4.7%	4.6%	0.1%			
Vanguard Institutional Index	\$17,992,629	29.2%	29.9%	(0.7%)			
Mid Cap Equities	\$2,069,876	3.4%	0.9%	2.5%	5.0%	5-14%	-1.6%
iShares Core S&P Mid-Cap ETF	\$2,069,876	3.4%	0.0%	3.4%			
Vanguard Mid-Cap Value ETF	\$0	0.0%	0.9%	(0.9%)			
Smid Cap Equities	\$1,094,225	1.8%	1.9%	(0.1%)	0.0%		
Eaton Vance Atlanta Capital SMID-Cap R6	\$1,094,225	1.8%	1.9%	(0.1%)			
Small Cap Equities	\$2,950,923	4.8%	5.2%	(0.4%)	7.0%	0-15%	-2.2%
iShares Russell 2000 ETF	\$1,322,126	2.1%	2.3%	(0.1%)			
iShares S&P Small-Cap 600 Value ETF	\$1,628,797	2.6%	2.9%	(0.3%)			
International Developed Equities	\$3,118,441	5.1%	5.5%	(0.4%)	5.0%	5-15%	0.1%
Artisan International Value Instl	\$2,416,011	3.9%	4.2%	(0.3%)			
Vanguard International Growth Adm	\$702,430	1.1%	1.3%	(0.1%)			
Total Fixed Income	\$3,888,725	6.3%	9.8%	(3.5%)	6.0%	0-20%	0.3%
Dodge & Cox Income	\$1,283,219	2.1%	2.3%	(0.2%)			
iShares Core US Aggregate Bond ETF	\$1,150,619	1.9%	2.1%	(0.2%)			
SPDR® Blmbg 1-3 Mth T-Bill ETF	\$1,454,888	2.4%	5.3%	(3.0%)			
Total Non-Traditional	\$15,528,263	25.2%	21.3%	3.9%	20.0%	10-30%	5.2%
Hedge	\$11,175,000	18.2%	13.9%	4.3%	12.0%	10-30%	6.2%
Lighthouse Global Long/Short	\$3,121,870	5.1%	5.4%	(0.4%)			
Lighthouse Diversified	\$6,085,507	9.9%	4.7%	5.2%			
Lighthouse Credit Opportunities	\$1,967,624	3.2%	3.5%	(0.3%)			
Private Equity	\$4,353,263	7.1%	7.5%	(0.4%)	8.0%	0-10%	-0.9%
Svb Cap Strategic Investo	\$380,622	0.6%	0.7%	(0.1%)			
Hcp Private Equity Master	\$718,351	1.2%	1.3%	(0.2%)			
Spring Harbour 2013	\$331,909	0.5%	0.6%	(0.1%)			
HarbourVest 2015	\$367,698	0.6%	0.7%	(0.1%)			
HarbourVest 2016	\$383,920	0.6%	0.7%	(0.1%)			
HarbourVest 2017	\$417,853	0.7%	0.7%	(0.0%)			
HarbourVest 2018	\$532,903	0.9%	0.9%	(0.0%)			
HarbourVest 2019	\$446,276	0.7%	0.7%	(0.0%)			
HarbourVest 2021	\$218,989	0.4%	0.1%	0.3%			
HarbourVest 2020	\$404,048	0.7%	0.7%	(0.0%)			
HarbourVest 2022	\$80,750	0.1%	0.3%	(0.2%)			
Generation IM Sustain LTNS	\$69,944	0.1%	0.2%	(0.1%)			
Total Cash	\$64,759	0.1%	0.1%	0.0%			

Investment Performance

Period Ending June 30, 2023							
Assets	Quarter	YTD	1 Year	3 Years	5 Years	7 Years	10 Years
Total Portfolio	10.62%	15.02%	16.72%	12.98%	9.86%	10.94%	9.94%
2023 Efficient Frontier Target ⁽¹⁾	5.99%	11.81%	14.39%	11.18%	8.44%	9.40%	8.67%
Spending Policy Benchmark	--	--	10.10%	9.70%	9.00%	8.90%	8.60%
65% Russell 3000 / 35% Barclays Agg	5.16%	11.24%	11.99%	7.64%	7.67%	8.52%	8.55%
Total Equities	6.68%	11.99%	15.46%	11.88%	9.67%	11.69%	10.73%
Domestic Equities	6.96%	11.80%	15.69%	12.06%	9.86%	12.26%	11.70%
International Equities – Developed	3.30%	14.36%	20.67%	11.43%	10.58%	11.43%	8.78%
Total Fixed Income	0.43%	2.51%	2.06%	-3.10%	0.44%	0.94%	1.41%
Total Non-Traditional	27.82%	29.87%	26.93%	23.42%	14.26%	12.70%	10.83%
Private Equity (As of 12/31/2022)	--		-10.22%	17.31%	16.09%	16.16%	17.26%

2023 Efficient Frontier Target consists of: 57% S&P 500 / 5% Russell MidCap / 7% Russell 2000 / 5% MSCI EAFE / 6% Bloomberg Barclays US Aggregate TR / 20% HFRI Fund of Funds Composite Index
 *Efficient Frontier Returns prior to July 1, 2022 correspond to previous efficient frontier targets.

- (1) Average 1 Year BRDPI Inflation of 4.1% + 5% Distribution + 1% Expenses = 10.1%
 - (2) Average 3 Year BRDPI Inflation of 3.7% + 5% Distribution + 1% Expenses = 9.7%
 - (3) Average 5 Year BRDPI Inflation of 3.0% + 5% Distribution + 1% Expenses = 9.0%
 - (4) Average 7 Year BRDPI Inflation of 2.9% + 5% Distribution + 1% Expenses = 8.9%
 - (5) Average 10 Year BRDPI Inflation of 2.6% + 5% Distribution + 1% Expenses = 8.6%
- BRDPI Inflation index last updated Feb 2023

Source: First Rate Advisor and Morningstar. Returns greater than one year are annualized

Manager Performance

Period Ending June 30, 2023							
Assets	Ticker Symbol	Allocation	Quarter	YTD	1 Year	3 Years	5 Years
Large Cap Equity		53.4%					
Vanguard Russell 1000 Growth Index I	VRGWX	4.7%	12.79%	28.97%	27.03%	13.66%	15.06%
<i>Russell 1000 Growth</i>			12.81%	29.02%	27.11%	13.73%	15.14%
Vanguard Institutional Index	VINIX	29.2%	8.73%	16.87%	19.55%	14.57%	12.28%
<i>S&P 500</i>			8.74%	16.89%	19.59%	14.60%	12.31%
Vanguard Value ETF	VTV	12.2%	3.57%	2.55%	10.86%	15.39%	9.34%
<i>CRSP US Large Cap Value</i>			3.57%	2.53%	10.86%	15.42%	9.36%
Hartford Dividend and Growth F	HDGFX	7.3%	5.56%	6.40%	10.67%	15.66%	11.03%
<i>Russell 1000 Value</i>			4.07%	5.12%	11.54%	14.30%	8.11%
Mid Cap Equity		3.4%					
iShares Core S&P Mid-Cap ETF	IJH	3.4%	4.84%	8.84%	17.61%	15.40%	7.73%
<i>S&P MidCap 400</i>			4.85%	8.84%	17.61%	15.44%	7.79%
Small Cap Equity		4.7%					
iShares S&P Small-Cap 600 Value ETF	IJS	2.6%	1.92%	4.95%	8.63%	18.10%	4.73%
<i>S&P 600 Value</i>			1.95%	5.06%	8.88%	18.43%	4.96%
iShares Russell 2000 ETF	IWM	2.1%	5.15%	8.05%	12.27%	10.71%	4.13%
<i>Russell 2000</i>			5.21%	8.09%	12.31%	10.82%	4.21%
Smid Cap Equity		1.8%					
Eaton Vance Atlanta Capital SMID-Cap R6	ERASX	1.8%	4.02%	5.04%	14.01%	13.66%	9.67%
<i>Russell 2500</i>			5.22%	8.79%	13.58%	12.29%	6.55%

Source: Morningstar

Manager Performance

Period Ending June 30, 2023							
Assets	Ticker Symbol	Allocation	Quarter	YTD	1 Year	3 Years	5 Years
International Equity		5.1%					
Vanguard International Growth Adm	VWILX	1.1%	0.88%	13.50%	14.83%	3.49%	6.57%
MSCI ACWI ex US			2.44%	9.47%	12.72%	7.22%	3.52%
Artisan International Value Instl	APHKX	3.9%	4.02%	14.62%	22.96%	16.98%	8.65%
MSCI EAFE			2.95%	11.67%	18.77%	8.93%	4.39%
Fixed Income		6.4%					
Dodge & Cox Income	DODIX	2.1%	0.08%	3.21%	1.83%	-1.76%	2.02%
iShares Core US Aggregate Bond ETF	AGG	1.9%	-0.85%	2.26%	-0.93%	-3.97%	0.74%
Bloomberg Barclays US Aggregate Bond			-0.84%	2.09%	-0.94%	-3.96%	0.77%
SPDR® Blmbg 1-3 Month T-Bill ETF	BIL	2.4%	1.18%	2.25%	3.56%	1.17%	1.39%
Barclays Short Treasury 1-3 Month			1.23%	2.34%	3.73%	1.31%	1.54%
Non-Traditional - Hedge		18.2%					
Lighthouse Global Long/Short LTD		5.1%	1.81%	2.26%	5.02%	7.07%	5.57%
Standard Deviation			--	--	3.16%	6.96%	5.81%
Lighthouse Credit Opportunities LTD		3.2%	0.44%	1.07%	6.73%	15.10%	4.71%
Standard Deviation			--	--	3.96%	9.11%	8.41%
Lighthouse Diversified LTD		9.9%	1.50%	0.88%	3.77%	10.60%	4.60%
Standard Deviation			--	--	3.03%	5.22%	7.03%
MSCI ACWI			6.18%	13.93%	16.53%	10.99%	8.75%
Standard Deviation			--	--	19.47%	17.27%	14.50%
Bloomberg Barclays US Aggregate Bond			-0.84%	2.09%	-0.94%	-3.96%	1.52%
Standard Deviation			--	--	8.88%	6.17%	4.30%

Source: Morningstar

Private Equity Summary

Period Ending December 31, 2022											
Account	Commit.	Cumulative Takedown	Cumulative Distributions	Value (RV)	Total Value (RV + Dist)	Unfunded Commit	DPI (dist /takedowns)	RVPI (RV/takedowns)	TVPI (TV / takedown)	Takedown (takedowns/commit)	IRR
Private Equity	\$6,000,000	\$4,102,477	\$3,276,815	\$4,209,179	\$7,485,994	\$1,897,523	79.87%	102.60%	182.47%	68.37%	16.85
Hall Capital 2011	\$1,000,000	\$900,000	\$1,325,007	\$748,351	\$2,073,358	\$100,000	147.22%	83.15%	230.37%	90.00%	13.77
SpringHarbour 2013	\$500,000	\$432,500	\$588,355	\$393,448	\$981,803	\$67,500	136.04%	90.97%	227.01%	86.50%	17.79
HarbourVest 2015	\$500,000	\$457,500	\$536,122	\$377,864	\$913,986	\$42,500	117.19%	82.59%	199.78%	91.50%	19.86
HarbourVest 2016	\$500,000	\$385,000	\$352,648	\$383,920	\$736,568	\$115,000	91.60%	99.72%	191.32%	77.00%	21.04
HarbourVest 2017	\$500,000	\$362,500	\$246,406	\$412,825	\$659,231	\$137,500	67.97%	113.88%	181.86%	72.50%	21.65
HarbourVest 2018	\$500,000	\$390,000	\$130,531	\$523,233	\$653,764	\$110,000	33.47%	134.16%	167.63%	78.00%	25.72
HarbourVest 2019	\$500,000	\$309,848	\$59,099	\$429,299	\$488,398	\$190,152	19.07%	138.55%	157.63%	61.97%	31.04
HarbourVest 2020	\$500,000	\$340,000	\$35,701	\$383,230	\$418,931	\$160,000	10.50%	112.71%	123.22%	68.00%	23.71
HarbourVest 2021	\$500,000	\$172,500	\$2,946	\$182,739	\$185,685	\$327,500	1.71%	105.94%	107.64%	34.50%	9.45
HarbourVest 2022	\$500,000	\$15,000	\$0	\$20,750	\$20,750	\$485,000	0.00%	138.33%	138.33%	3.00%	149.74
SVB Capital	\$500,000	\$337,629	\$0	\$353,520	\$353,520	\$162,371	0.00%	104.71%	104.71%	67.53%	9.19

Period Ending June 30, 2023											
Account	Commit.	Cumulative Takedown	Cumulative Distributions	Value (RV)	Total Value (RV + Dist)	Unfunded Commit	DPI (dist /takedowns)	RVPI (RV/takedowns)	TVPI (TV / takedown)	Takedown (takedowns / commit)	IRR
Private Equity	\$7,000,000	\$4,398,581	\$3,450,622	--	--	\$2,601,419	78.45%	--	--	62.84%	--
Hall Capital 2011	\$1,000,000	\$900,000	\$1,355,007	--	--	\$100,000	150.56%	--	--	90.00%	--
SpringHarbour 2013	\$500,000	\$432,500	\$649,894	--	--	\$67,500	150.26%	--	--	86.50%	--
HarbourVest 2015	\$500,000	\$465,000	\$553,788	--	--	\$35,000	119.09%	--	--	93.00%	--
HarbourVest 2016	\$500,000	\$425,000	\$392,648	--	--	\$75,000	92.39%	--	--	85.00%	--
HarbourVest 2017	\$500,000	\$362,500	\$250,224	--	--	\$137,500	69.03%	--	--	72.50%	--
HarbourVest 2018	\$500,000	\$400,000	\$133,806	--	--	\$100,000	33.45%	--	--	80.00%	--
HarbourVest 2019	\$500,000	\$332,348	\$64,622	--	--	\$167,652	19.44%	--	--	66.47%	--
HarbourVest 2020	\$500,000	\$367,500	\$42,383	--	--	\$132,500	11.53%	--	--	73.50%	--
HarbourVest 2021	\$500,000	\$177,804	\$8,250	--	--	\$322,196	4.64%	--	--	35.56%	--
HarbourVest 2022	\$500,000	\$75,000	\$0	--	--	\$425,000	0.00%	--	--	15.00%	--
SVB Capital	\$500,000	\$360,929	\$0	--	--	\$139,071	0.00%	--	--	72.19%	--
Generation Fund IV	\$1,000,000	\$100,000	\$0	--	--	\$900,000	0.00%	--	--	10.00%	--

Total Value = Residual Value + Distributions
 Distributed to Paid in (DPI) = Distributions / Takedowns
 Residual Value to Paid in (RVPI) = Residual Value / Takedowns
 Total Value to Paid in (TVPI) = Total Value / Takedowns
 % Funded = Takedowns / Commitment

Active Manager Peer Group Comparison

Period Ending June 30, 2023					
Assets	Ticker	Morningstar Category	Benchmark		
				3 Year	5 Year
Large Cap Value					
Hartford Dividend and Growth	HDGFX	Large Cap Value	<i>Russell 1000 Value - Total Return</i>	33	6
<i>Russell 1000 Value - Total Return</i>		Large Cap Value		55	50
SMID Cap Core					
Eaton Vance Atlanta Capital SMID	ERASX	SMID Cap Core	<i>Russell 2500 - Total Return</i>	58	6
<i>Russell 2500 - Total Return</i>		SMID Cap Core		73	42
Large Cap International Growth					
Vanguard International Growth	VWILX	International Large Cap Growth	<i>MSCI ACWI Ex USA Growth</i>	67	17
<i>MSCI ACWI Ex USA Growth</i>		International Large Cap Growth		60	54
Large Cap International Value					
Artisan International Value Instl	APHKX	International Large Cap Value	<i>MSCI ACWI Ex USA Value</i>	1	1
<i>MSCI ACWI Ex USA Value</i>		International Large Cap Value		53	76
Intermediate-Term Bond					
Dodge and Cox Income	DODIX	Intermediate-Term Bond	<i>Bloomberg Barclays US Aggregate</i>	9	8
<i>Bloomberg Barclays US Aggregate</i>		Intermediate-Term Bond		80	56

Source: Morningstar

Attribution Analysis

Period Ending June 30, 2023										
Assets	Benchmark	Weights (%)		Asset Quarterly Returns			Weight vs. Target	Allocation	Style Allocation	Selection
		Target	Active ⁽¹⁾	Index	Style Index ⁽³⁾	Portfolio				
Large Cap Equities	S&P 500 Index	57.0	55.2	8.7	7.1	7.3	(1.80)	-0.05	-0.87	-0.75
Vanguard Russell 1000 Growth	Russell 1000 Growth Index		4.4	12.8		12.8			0.18	0.00
Vanguard Institutional Index	S&P 500 Index		29.5	8.7		8.7			0.00	0.00
Vanguard Value	CRSP US Large Value Index		13.6	3.6		3.6			-0.69	0.00
Hartford Dividend and Growth	Russell 1000 Value Index		7.7	4.1		5.6			-0.35	0.12
Mid Cap Equities	Russell MidCap Index	5.0	2.9	4.8	3.6	3.9	(2.10)	0.02	-0.03	-0.03
Vanguard Mid Cap Value	CRSP US Mid Value Index		0.9	3.8		3.8			-0.01	0.00
Eaton Vance Atlanta Capital SMID	Russell 2500 Index		2.0	5.2		4.0			0.01	-0.02
Small Cap Equities	Russell 2000 Index	7.0	5.2	5.2	3.4	3.4	(1.80)	0.01	-0.10	-0.10
iShares Russell 2000	Russell 2000 Index		2.3	5.2		5.2			0.00	0.00
iShares S&P 600 Value	S&P 600 Value		2.9	1.9		1.9			-0.10	0.00
International Equities	MSCI EAFE	5.0	5.3	3.0	2.9	3.3	0.30	-0.01	-0.01	0.02
Artisan International Value	MSCI EAFE		4.1	3.0		4.0			0.00	0.04
Vanguard International Growth Adm	MSCI ACWI ex US		1.2	2.4		0.9			-0.01	-0.02
Non-Traditional	HFRF FoF Composite	20.0	21.3	1.5	2.3	1.3	1.30	-0.06	0.17	-0.03
Lighthouse Global Long/Short	HFRX Equity Hedge		5.4	2.2		1.8			0.04	-0.02
Lighthouse Credit Opportunities	HFRF Distressed Restructuring Index		3.5	1.3		0.4			-0.01	-0.03
Lighthouse Diversified	HFRF FoF Diversified		4.7	1.8		1.5			0.01	-0.01
Hall Capital			1.3							
Spring Harbour			0.7							
HarbourVest 2015			0.7							
HarbourVest 2016			0.7							
HarbourVest 2017			0.7							
HarbourVest 2018			0.9							
HarbourVest 2019			0.8							
HarbourVest 2020			0.7							
HarbourVest 2021			0.3							
HarbourVest 2022			0.1							
Generation IM Fund IV			0.1							
SVB Capital			0.7							
Fixed Income (including cash)	Barclays Aggregate	6.0	10.1	-0.8	0.2	0.5	4.10	-0.28	0.11	0.13
Dodge & Cox Income	Barclays Aggregate		2.5	-0.8		0.1			0.00	0.02
iShares Core US Aggregate	Barclays Aggregate		2.3	-0.8		-0.8			0.00	0.00
SPDR 1-3 Month T-Bill	Barclays 1-3 Month T-Bills		5.0	1.2		1.2			0.10	0.00
Cash Equivalent	91 Day T-Bill		0.3	1.2		1.0			0.01	0.00
Period End Static Return⁽⁴⁾		100.0	100.0	6.0		4.8 ⁽²⁾		-0.36	-0.73	-0.76
Total Return⁽⁵⁾				6.0		10.6				

Notes:

(1) Portfolio active weights are an average allocation over the time period

(2) Portfolio return is estimated using a weighted average and does not take into account the timing of cash flows; therefore, it may not exactly match the actual return

(3) The Style Index is the portfolio's fund weight x benchmark style index within each asset class

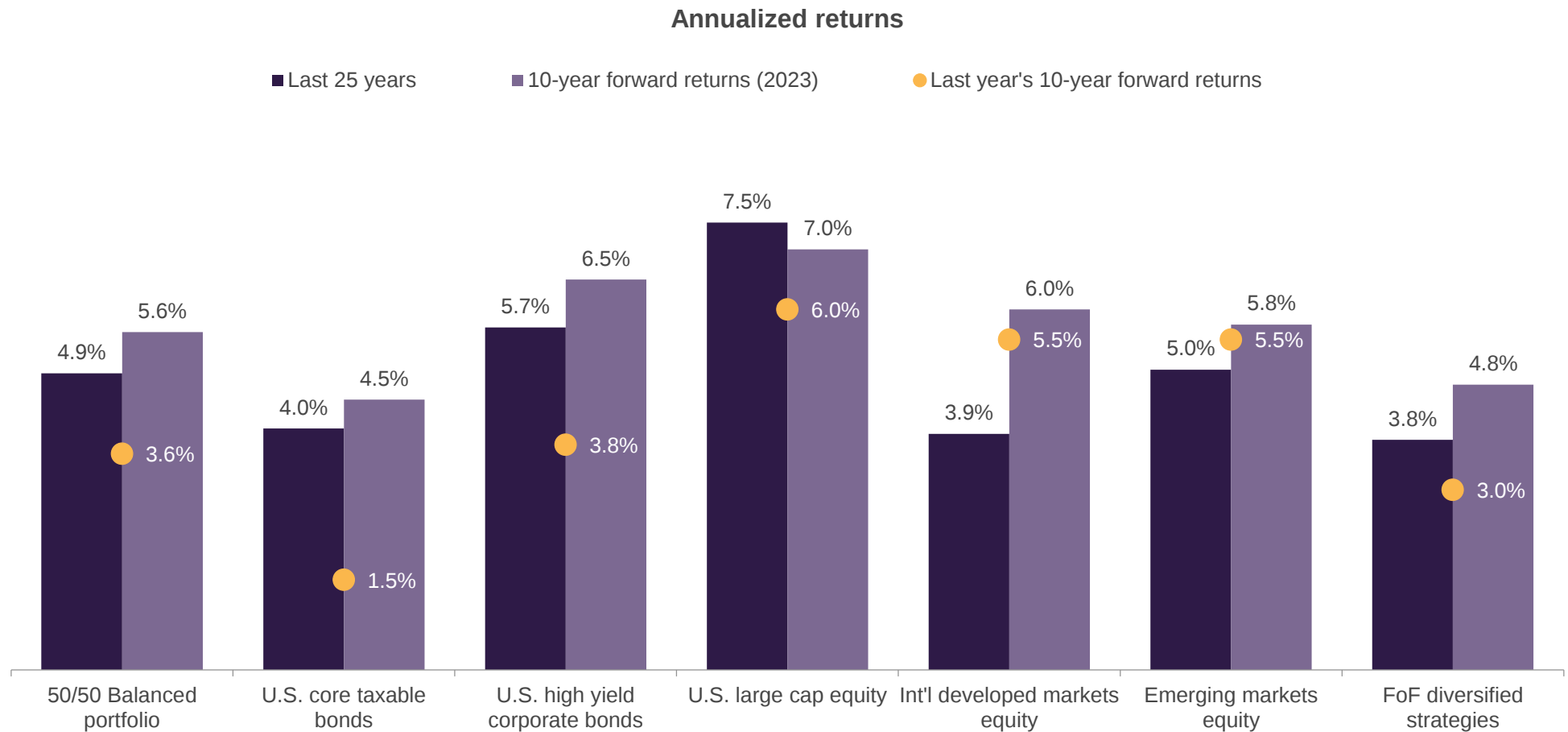
(4) Index and Portfolio Period End Return is calculated based on an average of beginning and ending quarter weightings and does not take into account flows

(5) Index Total Return is Target Policy Return; Portfolio Return is GIPS compliant return for the period

(6) International Policy Index = 70% MSCI EAFE, 30% MSCI Emerging Markets

Efficient Frontier Analysis

Returns are up across the board



Data source: Truist IAG, Morningstar

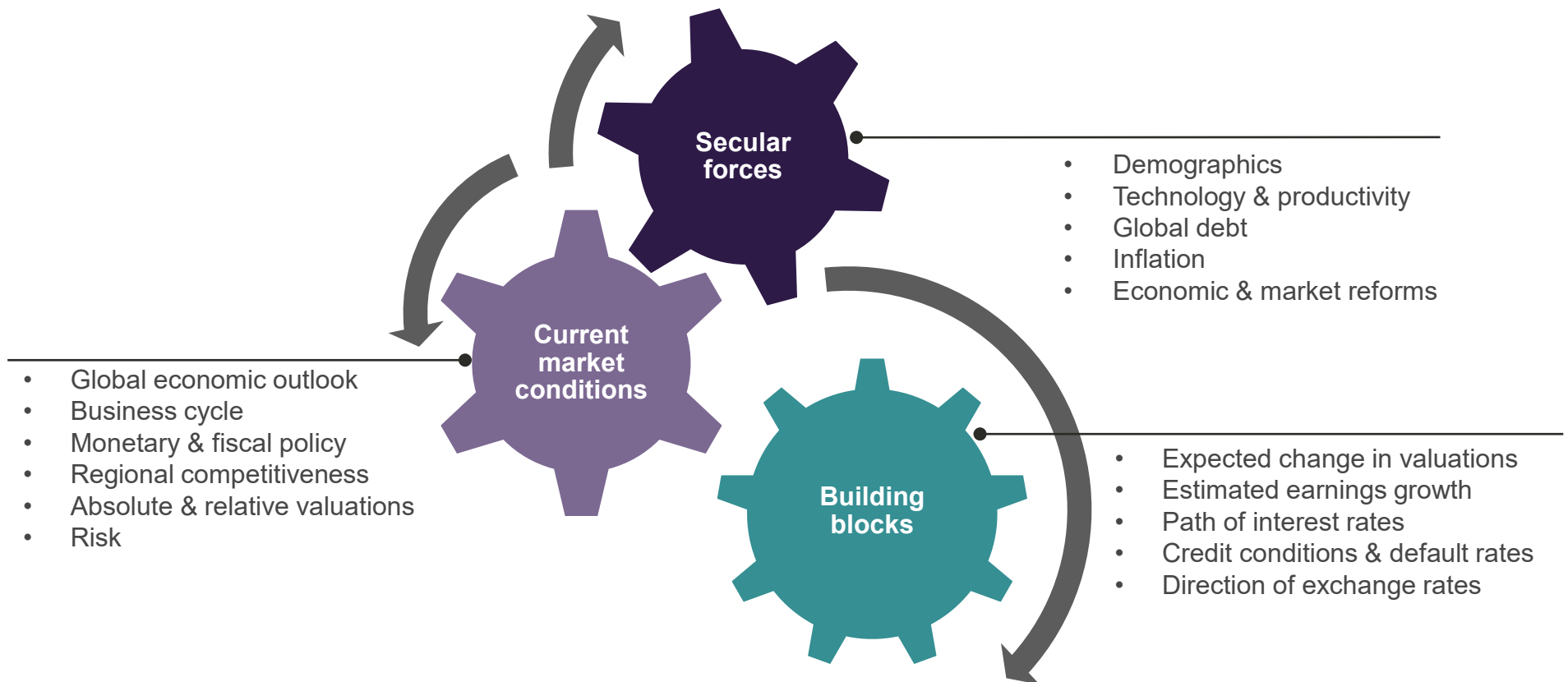
50/50 Balanced Portfolio is a combination of Global Equity and U.S. Intermediate-Term Core Taxable Bonds. Expected returns reflect Truist's current average annual return assumptions (calculated using a geometric mean) over the next 10 years for each asset class as of November 2022, are not guaranteed and are subject to revision without notice. Historical returns are for the last 25 years ending September 30, 2022. Asset classes are represented by the following indexes: U.S. Intermediate-Term Core Taxable Bonds = Bloomberg U.S. Aggregate Bond Index, U.S. High Yield Corporate Bonds = ICE BofA U.S. High Yield Index, U.S. Large Cap Core Equity = S&P 500 Index, Int'l Developed Markets Equity = MSCI EAFE Index, Emerging Markets Equity = MSCI EM Index, Diversified Strategies – HFRI FOF: Diversified Index. Data sources: Morningstar, Hedge Fund Research, Inc., MSCI, S&P.

Past performance is not indicative of future results. Please see disclosures for additional information.

Capital market assumptions process

Capital market assumptions provide an estimate of asset class return, risk, and correlation over a 10-year period.

Our process begins with determining which secular forces will shape the global economic environment. We then analyze current market conditions and use a building block approach to forecast investment returns.



Long-term themes



Vigilant central banks

Central banks have shifted their focus from supporting economic growth to fighting inflation, which will lead to shorter business cycles.



Heavy sovereign debt loads

Elevated debt-to-GDP levels should lead to constraints on fiscal policy even as demographic trends create stress, impacting social spending.



Aging demographics

All major economies' populations are aging – this tends to be correlated with lower real growth and should help offset higher inflation over the longer term.



Rising geopolitical risks

The ongoing strategic competition between the U.S. and China will likely continue. Additionally, more fragile economies across the globe create an environment where conflict is a higher risk.



Higher productivity

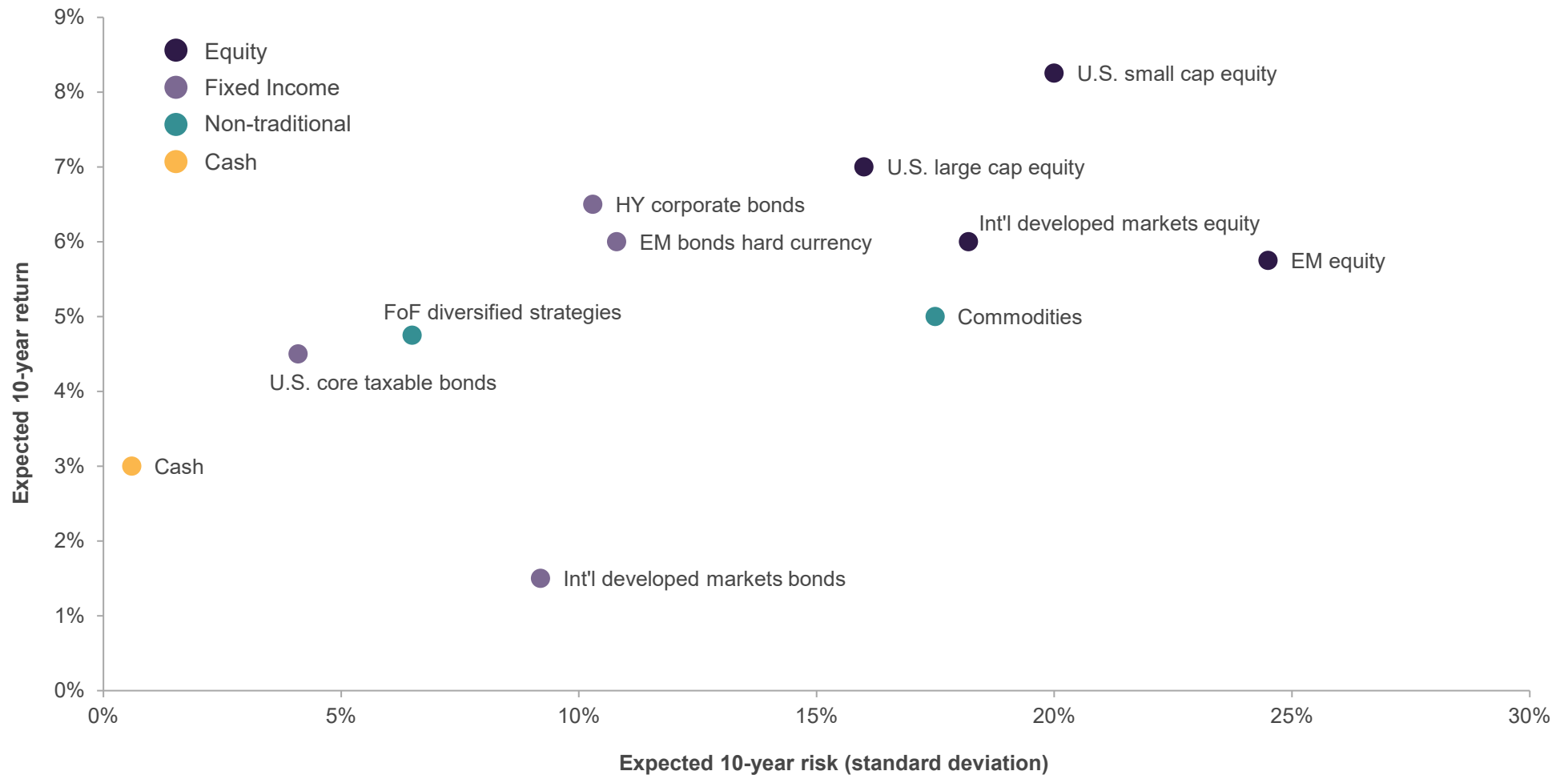
Innovation, such as in artificial intelligence and automation, should support stronger productivity growth in the future, especially given labor challenges.



Government/regulatory initiatives

This includes climate change, while tempered to accommodate energy needs, and China's "common prosperity" push to address the wide dispersion in wealth.

10-year expected annualized return and risk



Data source: Truist IAG. Asset classes are represented by the following indices: Cash = ICE BofA U.S. Treasury 3-Month Bill, U.S. Bonds = Bloomberg U.S. Aggregate Bond, Int'l Bonds = BofA Global Government x U.S., EM Bonds = JPM EMBI Global Diversified, U.S. Equities = S&P 500, Int'l Equities = MSCI EAFE, EM Equities = MSCI Emerging Markets, Commodities = Bloomberg Commodity Index, Diversified Strategies = HFRI FOF: Diversified Index. Investing in commodities is speculative, involves a high degree of risk and is not suitable for all clients. You could lose all or a substantial portion of your investment.

2023 capital market assumptions

Asset Class	2023 Expected return (geometric)	2022 Expected return (geometric)	2023 Expected risk	2022 Expected risk	10-Year historical return	Long-term historical return	Long-term historical risk
Equity							
Global Equity	6.75	5.75	16.8	16.3	7.84	5.86	15.9
U.S. Large Cap Core Equity	7.00	6.00	16.0	15.2	11.70	7.45	15.6
U.S. Mid Cap Core Equity	7.75	6.75	19.0	18.0	10.04	9.38	18.3
U.S. Small Cap Core Equity	8.25	7.50	20.0	19.0	10.09	8.43	19.7
International Developed Markets Equity	6.00	5.50	18.2	17.5	4.15	3.93	16.7
International Developed Markets Small Cap Equity	7.00	6.25	19.5	18.5	5.66	6.89	18.3
Emerging Markets Equity	5.75	5.50	24.5	24.0	1.42	5.00	22.6
U.S. Real Estate Securities	6.00	4.50	19.0	18.0	7.01	8.19	20.1
Fixed income							
Intermediate-Term Municipal Bonds	3.25	1.25	4.0	3.5	1.64	3.45	3.7
U.S. Intermediate-Term Core Taxable Bonds	4.50	1.50	4.1	3.4	0.89	4.02	3.7
U.S. Government Bonds	4.00	1.00	4.5	3.9	0.53	3.73	4.2
U.S. TIPS	4.25	1.00	6.6	6.4	0.98	4.81	5.8
U.S. Mortgage-Backed Securities	3.75	1.25	3.5	2.5	0.51	3.77	3.0
U.S. Investment Grade Corporate Bonds	5.75	2.25	6.5	6.0	1.70	4.68	5.8
U.S. High Yield Corporate Bonds	6.50	3.75	10.3	9.0	3.87	5.70	9.1
International Developed Markets Bonds	1.50	0.50	9.2	8.4	-3.27	2.11	8.3
Emerging Market Bonds Hard Currency	6.00	3.50	10.8	9.0	1.08	6.20	10.8
Non-traditional							
Liquid Diversified Hedge	3.50	2.00	4.5	4.0	1.25	2.38	3.9
Liquid Hedged Equity	3.75	2.50	6.5	6.0	1.93	2.43	5.3
FoF Diversified Strategies	4.75	3.00	6.5	6.0	3.63	3.83	5.7
FoF Hedged Equity	5.00	3.50	9.0	8.5	3.26	3.68	8.0
Direct Diversified Strategies	5.50	3.75	7.5	7.0	4.56	5.93	6.9
Direct Hedged Equity	6.25	4.75	10.0	9.5	5.28	6.73	9.3
Commodities	5.00	2.75	17.5	17.0	-2.14	1.47	16.2
Gold Spot	3.00	3.50	18.5	18.0	-0.59	6.62	16.3
Private investments							
Private Equity	9.75	8.75	20.0	19.0	17.92	14.81	17.1
Reserves	3.00	0.75	0.60	0.40	0.68	1.92	0.6
Inflation	2.75	2.25	1.50	1.40	2.40	2.40	1.3

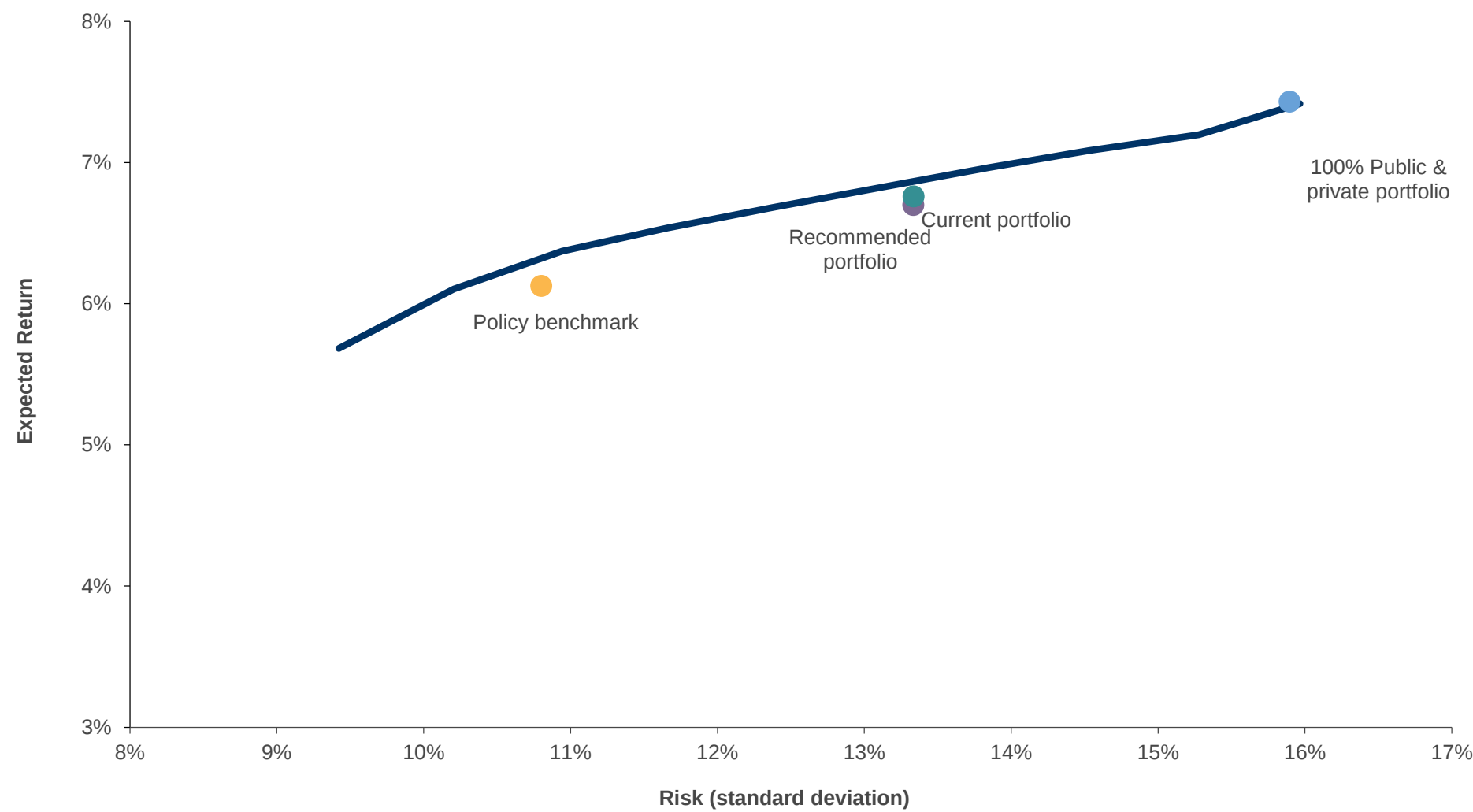
Data source: Truist IAG, Morningstar, HFR, Cambridge Associates, MSCI. Expected returns and standard deviations are forward-looking assumptions over the next 10 years as of November 2022, are subject to revision and not guaranteed. Estimated returns are derived from a combination of fundamental research incorporating business cycle analysis and long-term secular themes along with quantitative methods. Forward standard deviations (annualized) are derived from a review of 10- and 25-year historical data and may be adjusted according to our research and professional judgment. Historical return and risk statistics are as of September 2022 with long-term numbers based on the last 25 years (depending on the availability of data). Select historical risk statistics are adjusted for serial correlation for a more appropriate comparison with expected risk. *Using new Cambridge Associates U.S. Private Equity Index instead of the legacy index. Also, Private Equity statistics are as of June 2022. Expected Risk and Long-Term Historical Risk are measured by standard deviation. Standard deviation is a measure of volatility. It reflects the degree of variability surrounding the outcome of an investment decision; the higher the standard deviation, the greater the risk. For example, investing in Emerging Markets Equity (Expected Risk 24.5%) carries more risk than investing in U.S. Large Cap Core Equity (Expected Risk 16.0%).



Asset Allocation Analysis

		ANNUALIZED HISTORICAL RETURN (%) ³	10-YR FWD EST RETURN (%) ³	10-YR FWD EST STD DEV (%) ³	10-YR FWD EST CORREL TO S&P 500 ³	Portfolio Allocations & Statistics (%)						
						Policy Mix	McKnight Current Portfolio	2022 Efficient Frontier	2023 McKnight Recommend ed Portfolio	Public & Private Equity Portfolio	Highest Level of Return on Efficient Frontier	
Asset Class: Equity	Equity Benchmark					65.0	68.4	65.0	69.0	85.0	80.0	
U.S. Large Cap Core Equity	S&P 500	7.45	7.00	16.0	1.00	65.0	29.2	20.4	29.4	36.2	44.0	
U.S. Multi Cap Cap Core Equity	S&P 1500	7.62	7.00	16.1	1.00		65.0					
U.S. Large Cap Growth Equity	S&P 500 Growth	8.01	7.00	16.2	0.96			4.7	17.5	14.5	17.9	
U.S. Large Cap Value Equity	S&P 500 Value	6.45	7.00	15.9	0.94			19.5	17.5	14.5	17.9	
U.S. Mid Cap Core Equity	S&P MidCap 400	9.38	7.75	19.0	0.93			3.4				14.0
U.S. Mid Cap Growth Equity	S&P MidCap 400 Growth	9.23	7.75	19.0	0.94					1.5	1.5	1.8
U.S. Mid Cap Value Equity	S&P MidCap 400 Value	9.34	7.75	19.0	0.88					1.5	1.5	1.8
U.S. Small and Mid Cap Core Equity	S&P 1000	9.12	8.00	19.2	0.91			1.8				
U.S. Small Cap Core Equity	S&P SmallCap 600	8.43	8.25	20.0	0.86			2.1				15.0
U.S. Small Cap Growth Equity	S&P SmallCap 600 Growth	8.24	8.25	20.0	0.88					1.3	1.3	1.6
U.S. Small Cap Value Equity	S&P SmallCap 600 Value	8.21	8.25	20.5	0.82			2.6	1.3	1.3	1.3	1.6
International Developed Markets Equity	MSCI EAFE GR USD	3.93	6.00	18.2	0.89			5.1	4.0	5.0	6.2	5.0
Emerging Markets Equity	MSCI EM GR USD	5.00	5.75	24.5	0.73							2.0
U.S. Real Estate Securities	DJ Equity All REIT	8.19	6.00	19.0	0.77							
Asset Class: Fixed Income	Fixed Income Benchmark					35.0		4.0	6.0	6.0		
U.S. Intermediate-Term Core Taxable Bonds	Bloomberg U.S. Aggregate Bond	4.02	4.50	4.1	0.18	35.0	4.0	6.0	6.0			
Asset Class: Non-Traditional	Non-Traditional Benchmark						25.2	20.0	25.0	15.0	20.0	
FoF Diversified Strategies	HFRI FOF: Diversified Index	3.86	4.75	6.5	0.79		9.9	6.0	9.0			
FoF Hedged Equity	HFRI FOF: Strategic Index	3.70	5.00	9.0	0.84		5.1	6.0	5.0			
Distressed Debt	HFRI ED: Distressed/Restructuring Index	6.76	6.25	11.0	0.64		3.2		3.0		10.0	
Private Equity	Cambridge Associates U.S. Private Equity	14.81	9.75	20.0	0.78		7.0	8.0	8.0	15.0	10.0	
Asset Class: Reserves	Reserves Benchmark						2.4	9.0				
Reserves	ICE BofA U.S. 3M Trsy Bill	1.92	3.00	0.6	-0.16		2.4	9.0				
TOTALS						100.0	100.0	100.0	100.0	100.0	100.0	
Expected Return (%) ³						6.13	6.70	6.47	6.75	7.42	7.42	
Expected Standard Deviation (%) ³						10.80	13.33	12.37	13.38	15.95	15.97	
Historical Return (%) ³						6.36	6.91	6.75	7.14	8.35	8.31	
Historical Standard Deviation (%) ³						10.29	12.48	11.79	12.59	15.28	14.75	
1-Yr Best Case Scenario (%) (Mean+2 Standard Deviations) ⁴						27.7	33.4	31.2	33.5	39.3	39.4	
1-Yr Worst Case Scenario (%) (Mean-3 Standard Deviations) ⁴						-26.3	-33.3	-30.6	-33.4	-40.4	-40.5	
Expected Sharpe Ratio (R _F = 3.00%)						0.29	0.28	0.28	0.28	0.28	0.28	
Historical Sharpe Ratio (R _F = 1.92%)						0.43	0.40	0.41	0.41	0.42	0.43	

Efficient Frontier Analysis



Disclosures

1. Data sources include: Truist IAG, Morningstar, HFR, Cambridge Associates.
2. Estimated returns, standard deviations and correlations are forward-looking assumptions over the next 10 years, are subject to revision, and are not guaranteed. Estimated returns are derived from a combination of fundamental research incorporating business cycle analysis and long-term secular themes along with quantitative methods and mean-reversion analysis. Standard deviations (annualized) are derived from a review of 10- and 25-year historical data and may be adjusted according to our research and professional judgment. Estimated correlations reflect our forward thinking on market conditions and asset class relationships and are derived, in part, by reviewing rolling 10-year correlations and adjusting according to our research and professional judgement; we believe this approach reflects a reasonable estimate of asset class relationships.
3. Historical returns are based on the last 25 years ending September 30, 2022 (depending on the availability of data) and are calculated using a geometric mean. Private equity returns are through June 30, 2022. Historical standard deviations are as of the same time period. However, select historical risk statistics are adjusted for serial correlation for a more appropriate comparison with expected risk. Representative benchmarks assume a static mix over both the historical and the forward time period.
4. Best and worst case scenarios are calculated from probabilities based on a normal return distribution; however, actual results may be better or worse than shown.
5. Strategic portfolios rely heavily on mean-variance optimization which assumes normally-distributed returns.
6. Tactical portfolios rely heavily on short-term opportunities which are not embedded in our capital market assumptions; comparing forward estimated returns may be less relevant.
7. Hedge fund investing involves substantial risks and may not be suitable for all clients. Hedge funds are intended for sophisticated investors who can bear the economic risks involved. Hedge funds may engage in leveraging and speculative investment practices that may increase the risk of investment loss, can be illiquid, and are not required to provide periodic pricing or valuation information to investors. Hedge funds may involve complex tax structures, have delays in distributing tax information, are not subject to the same regulatory requirements as mutual funds and often charge higher fees.

McKnight Brain Research Foundation **Amended and Restated Investment Policy**

The McKnight Brain Research Foundation (the “MBRF”)

The MBRF is a Florida trust that, for federal income tax purposes, is an exempt organization (IRC § 501(c)(3)), and classified as a private foundation (IRC § 509(a)). The only tax paid by the MBRF is the annual IRC § 4940 excise tax of 2% (or 1%) of investment income. All of the MBRF assets were contributed by Mrs. Evelyn F. McKnight and no additional contributions are expected. At the present time, it is anticipated that the MBRF will make grants to carry out its charitable purpose. The specific purpose for which the MBRF was established is “to provide support for medical research of the brain to accomplish alleviation of memory loss of the aging”. The MBRF expects to exist in perpetuity. The only required distribution is the 5% of fair market value IRC § 4942 annual distribution.

Governance

The MBRF is a Florida charitable trust. The MBRF is governed by eight Trustees. There are seven individual Trustees and one Corporate Trustee.

Introduction

This policy presents the investment process of the MBRF. The Trustees have prepared this policy in consultation with its investment consultants and legal counsel. For purposes of investing assets, the Trustees have looked to the Corporate Trustee as its investment consultant and any references herein to investment counsel are references to the Corporate Trustee.

Prudent Investor Rule

The Trustees have adopted this Investment Policy to evidence compliance with the Florida Prudent Investor rule. §§518.10-14 FLA.STATS. The Investment Policy will be interpreted and implemented consistent with the prudent investor rule. The Trustees have delegated certain investment function to the Corporate Trustee as allowed by and in accordance with the requirements of §518.112 FLA.STATS.

Investment Goals

The investment goal is to provide a long term real total rate of return that will increase the purchasing power of MBRF assets net of expenses and distributions. In order to achieve its investment goal, the MBRF will adopt a strategic asset allocation that will achieve its long term return goal with acceptable volatility.

Long Term Investor

The MBRF will exist in perpetuity. As such, it is a long term investor who seeks a high rate of return consistent with reasonable volatility. The MBRF understands that volatility can be reduced by allocating assets among asset classes, among investment styles and strategies within asset classes. The MBRF will adopt strategic targets for each asset class and will, from time to time, rebalance between asset classes, investment styles and strategies to maintain its strategic targets.

Target Rate of Return

The Trustees will adopt a target rate of return that incorporates the MBRF investment goals and spending policy. It is recognized that the target rate of return, investment goals and volatility are interrelated and must be viewed as such. It is also recognized the investment horizon of the MBRF is long term (perpetuity) and the target rate of return will reflect that long term view. The target rate of return will change from time to time and is set forth on Appendix A.

Spending Policy

The MBRF will adopt a spending policy that balances a realistic achievable rate of return, expenses, and its investment goals. Appendix A is the current spending policy adopted by the MBRF. The spending policy will be reviewed annually at a minimum.

Income, Appreciation and Gains

The Trustees recognize that the MBRF pays only a 2% excise tax on investment income and, therefore, the investments are not tax sensitive. Its distributions are not limited by income and, therefore, the Trustees will ignore income and principal analysis when implementing its investment goals and implementing its spending policy.

Cash Flow

Because it will exist in perpetuity, its only cash flow needs will be to cover expenses (and tax) and the annual IRC § 4942 5% of fair market value distribution. It is recognized that additional spending can be controlled and that the MBRF from time to time may distribute more than the minimum required by tax laws.

Performance/Style Measurement

The Trustees have adopted a market driven benchmark for each asset class and management style. For the portfolio as a whole, the Trustees will adopt a benchmark that consists of a suitable passive index for each asset class weighted in accordance with the strategic asset allocation. The Trustees will also adopt appropriate peer group data to measure the performance of each managed portfolio and passive investment. The Trustees expect performance of each managed portfolio to be in the top one-third of the peer group data base for that particular management style or strategy. The peer group data base is set out in Exhibit B. The Trustees will evaluate ongoing investment performance over a three to five year period, anticipating it will not make changes on the basis of short term (less than two years) results. However, the

Trustees recognize there are factors, including, but not limited to, changes in personnel, that would require immediate attention and action.

Performance should be measured in a manner consistent with the standards of the CFA Society.

The performance measurement will include an analysis of managers adherence to the investment styles set forth in Exhibit B.

The Foundation recognizes enhanced performance results from asset allocation, as well as selection of particular managers and passive investments. Therefore, the Foundation will compare portfolio returns and the benchmark portfolio, as well as compare individual manager returns and the designated index, as shown on Exhibit B.

Investment Preference

The Foundation prefers, but does not require, that managers avoid investment in companies whose primary or significant (greater than 30% of gross revenue) businesses are the growing, cultivation, manufacture, or distribution of tobacco or tobacco products. This shall not apply to investments in indexed or mutual funds.

Security Voting

The Corporate Trustee will vote on securities when a vote is requested. The Trustees will receive an annual report of voting decisions.

Specific Functions of the Board of Trustees

1. Establish investment objectives for the portfolio.
2. Establish and review its spending policy.
3. Set strategic asset allocation for the Trust.
4. Establish and continue to update the investment policy.
5. Establish, monitor and update the investment process.
6. Review investment performance in accordance with its performance measurement policy.
7. Review at least quarterly investment activity to insure compliance with the investment policy and adherence to investment style.

8. Terminate managers and passive investments in accordance with this investment policy.

Specific Functions of the Corporate Trustee

1. The Corporate Trustee shall review regularly all investments of the MBRF.
2. The Corporate Trustee shall recommend to the Board of Trustees such investment and investment related policies, including strategic asset allocations, as it deems appropriate, and as may be requested.
3. The Corporate Trustee shall make periodic investment performance reports (no less than quarterly) to the Board of Trustees.
4. The Corporate Trustee shall implement the investment policy, including selecting and terminating managers and passive investments in accordance with this investment policy.
5. The Corporate Trustee may, in its discretion, "tilt" the strategic asset allocation within the applicable range, as set forth in Exhibit B.

Asset Allocation

1. To achieve its investment objective, the Foundation's assets shall be allocated among various asset classes, including, but not limited to, equity, cash/cash equivalents, fixed income and alternative investments/hedge funds. The current strategic asset allocation adopted by the Board is contained in Appendix B. The strategic asset allocation and asset classes will change periodically based upon monitoring and objective analysis of changes in the economy.
2. The Foundation investments will be allocated among asset classes and diversified within asset classes. Within each asset class, securities, for example, will be allocated further by economic sector, industry, quality and size. The purpose of allocation and diversification is to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on performance of the total fund. As a result, the unsystematic risk (volatility associated with diversification risk) level associated with the portfolio should be significantly reduced.

3. In any asset class, no more than 5% at investment cost or 10% at market may be held in the securities of a single issuer.
4. Allocation by investment style is also an important step in reducing the risk (volatility) of the Foundation's portfolio. Investment styles within equity asset classes are defined in Appendix C.

Custodian

The Corporate Trustee will be the custodian for the MBRF. The Corporate Trustee shall recommend to the Board appropriate policies and procedures for custodianship and access to securities held by the Foundation as it may deem appropriate.

Soft Dollars

The Corporate Trustee will annually review the "soft dollar" policy and activity of each actively managed portfolio and report the findings to the Trustees. Each active manager is expected to enter into equity transactions on a best execution basis. The Trustees may designate certain brokers by which commissions may be recaptured or provide for the payment of services rendered to the MBRF.

Guidelines for Corrective Action

Corrective action will be taken during the review of active management. The following are instances where immediate corrective action, or termination of active management, may be in order:

- Organizational and/or personnel changes in the active manager. Failure to notify the MBRF of such changes is grounds for immediate termination.
- Violation of terms of any investment management agreement between the Trustees and an active manager.
- Change by an active manager in the management style for which the manager was selected. The MBRF, through the Corporate Trustee, will closely track the investments of each active manager to insure adherence to management style for which the active manager was retained.

Corrective action ordinarily will be taken by all of the Trustees. If, in an emergency, it is not feasible to contact one or more of the Individual Trustees, action may be taken by the Corporate Trustee acting alone.

Rebalancing Procedure

Should the range for a particular management style be violated by reason of gains, losses, changes in an active management, or any other reason, the Trustees will meet or conference to

decide whether to rebalance the assets to the target class and style allocation policies. In addition, the Trustees shall review the actual allocations at each quarterly meeting in order to insure conformity with the adopted strategic allocation. The assets will not be automatically rebalanced on any set schedule.

APPENDIX A

Spending Policy of McKnight Brain Research Foundation

Expenses as Permitted	1.0%
Allowance For Inflation**	4.1%
Distribution From Foundation	<u>5.0%</u>
Target Total Return	10.1%

** Real inflation is Biomedical Research and Development Price Index ("BRDPI") published by the U.S. Bureau of Economic Analysis for **FY 2023** (the 12 months ended **12/31/2022**).

APPENDIX B

McKnight Brain Research Foundation Portfolio Guidelines

<u>Asset Class</u>	<u>2022 2023</u> <u>Efficient</u> <u>Frontier</u>	<u>Range</u>	<u>Benchmark</u>	<u>Peer Group*</u>
Large Cap Equity	57.0% 58.0%	30% - 60%	S & P 500	Pure Large Cap Core
Mid Cap Equity	5.0% 3.0%	32% 14%	Russell Mid Cap	Mid Cap
Small Cap Equity	7.0% 3.0%	0% - 15%	Russell 2000	Broad Small Cap
International Developed	5.0%	5%-15%	MSCI - EAFE	Broad Int'l Equity
International Developed – Small Cap	0.0%		MSCI – EAFE (small cap)	Int'l Small Cap
International Emerging	0.0%	2%-10%	MSCI – Emerging Mkts	
Hedge Funds	12.0% 17.0%	10%-30%	HFR Fund of Funds Index	
Commodities	0%	0-5 %	Dow Jones UBS Commodity Index	
Real Estate – U.S.	0%	0% - 10%	NAREIT Equity	
Real Estate – Non U.S.	0%	0% - 10%	DJW Global ex-U.S. Real Estate	
Private Equity	8.0%	0% - 10%	Cambridge Associates U.S. Private Equity	
Fixed Income	6.0%	0% - 20%	Barclays Agg Index	
Cash	0%			
	100%			

Static Benchmark #1

Russell 3000 Index	65%
Barclays U.S. Aggregate Index	<u>35%</u>
	100%

Spending Policy Benchmark

Distribution	5.0%
Expenses	1.0%
Inflation**	<u>4.1%</u>
	10.1%

*Universes for peer group comparison – recommended by SunTrust and adopted by Trustees on 7/12/00. SunTrust advises there are no Alt/Hedge Fund, Real Estate or International Fixed Income Peer Groups.

**Real inflation is Biomedical Research and Development Price Index ("BRDPI") published by the U.S. Bureau of Economic Analysis for FY ~~2022~~ 2023 (the 12 months ended 12/31/2020).

APPENDIX C

Market Capitalization – Market value of a corporation calculated by multiplying the number of shares outstanding by the current market price. The classification* of the capitalization ranges is as follows:

- * Large Capitalization Classification – Market cap of \$10 billion and greater
- * Mid Capitalization Classification – Market cap of \$2 billion to \$10 billion
- * Small Capitalization Classification – Market cap of \$50 million to \$2 billion

International Equity – International equity investments are permitted in listed equity securities traded on developed non U.S. markets. Developed markets are defined as those included in the Morgan Stanley Capital International, Inc. Europe Asia Far East (MSCI EAFE) Index plus Canada. American depository receipts (ADRs) traded on major U.S. markets are considered to be domestic securities.

Growth Equity Style – Investment in companies that are expected to have above average prospects for long term growth and earnings and profitability.

Value Equity Style – Investment in companies believed to be undervalued or possessing lower than average price/earnings ratios, based on their potential for capital appreciation.

Core Equity Style – Investment in companies whose characteristics are similar to that of the broader market as represented by the Standard's & Poor's 500 Index, with the objective of adding value over and above the Index, typically from sector or issue selection. The core portfolio exhibits similar risk characteristics to the broader market as measured by low residual risk with Beta and R-squared values close to 1.00.

Alternative Investments/Hedge Funds – Hedge funds are strategies utilized by professional money managers or group of managers that permit the management of a private, unregistered investment pool of capital and/or securities, and investments in a variety of investment techniques normally prohibited in other types of funds. Hedge funds are typically skill-based investment strategies attempting to provide “absolute” return based on the specialized strategy of the trader or manager and offer diversification and reduce systematic risk due to a low correlation to traditional asset classes. The following are some of the hedge fund strategies utilized by managers:

Direct Hedge - Hedging one asset, such as common stock, with another asset that has similar price movements and trades similarly. Example: using call options to hedge a common stock position.

Cross Hedge - Hedging an investment with an unlike instrument. Example: Buying stocks and hedging the position with Treasury futures.

Static Hedge - Hedging out every dollar of a portfolio in an effort to eliminate risk.

* From Morningstar Analytical Services, Inc.

Dynamic Hedge - Changing the amount of puts in a position over time as the market changes.

Market Neutral - As a long/short strategy, equal amounts of capital are invested long and short in an attempt to neutralize market risk. The goal is to purchase undervalued securities and short overvalued securities.

Market Timing - Anticipates market movements and allocates assets by switching between stocks, bonds and cash as the market and economic outlook change.

Short Selling - Identifying overvalued securities and "shorting" or selling these stocks. This involves borrowing the stocks to sell them, in the hope of buying them back later at a lower price.

Growth Fund - Investing in growth stocks with the basic goal of capital appreciation. This may include hedging by short selling or using options.

Distressed Securities - Investing in securities of a company in bankruptcy or facing it. These securities are purchased inexpensively and with the hope that they will appreciate as the company emerges from bankruptcy.

Sector Funds - Concentrated investments in various sectors. May involve long and short investments and options.

Emerging Markets - Investing in securities of companies in emerging or developing countries. This could involve purchasing government or corporate debt and/or equity.

Global Fund - Investing in shifts in global economies. Derivatives may be used to speculate on interest rate and currency movements. These funds search for and exploit opportunistic investment possibilities wherever they may arise.

Opportunistic - Using a variety of strategies as opportunities arise. Several strategies could be used simultaneously.

Economic Overview

Performance summary as of June 30, 2023

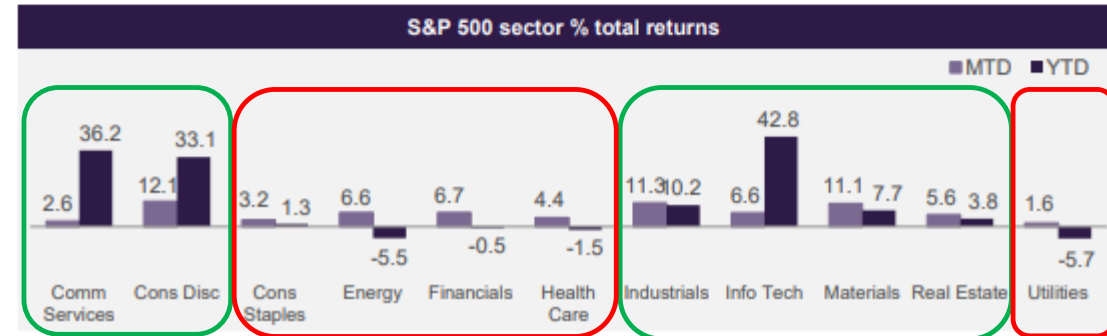
Truist Advisory Services, Inc.

US growth and tech stocks continued to lead in Q2 as AI exuberance extended the rally

Index % Total Return	MTD	QTD	YTD	1 Yr
MSCI ACWI (net)	5.81	6.18	13.93	16.53
S&P 500	6.61	8.74	16.89	19.59
MSCI EAFE (net)	4.55	2.95	11.67	18.77
MSCI Emerging Markets (net)	3.80	0.90	4.89	1.75
Dow Jones Industrials	4.68	3.97	4.94	14.23
Bloomberg Commodity Index	4.04	-2.56	-7.79	-9.61
Bloomberg Aggregate	-0.36	-0.84	2.09	-0.94
ICE BofA US High Yield	1.63	1.63	5.41	8.87
Bloomberg Municipal Bond Blend 1-15 Year	0.75	-0.41	1.85	2.78
ICE BofA Global Government xUS (USD Unhedged)	-0.08	-3.31	-0.47	-3.96
ICE BofA Global Government xUS (USD Hedged)	0.12	0.28	3.47	-0.43

Rates (%)	6/30/23	3/31/23	12/31/22	9/30/22	6/30/22
Fed Funds Target	5.25	5.00	4.50	3.25	1.75
Libor, 3-Month	5.53	5.19	4.76	3.75	2.28
T-Bill, 3-Month	5.31	4.75	4.41	3.23	1.64
2-Year Treasury	4.87	4.06	4.41	4.20	2.93
5-Year Treasury	4.12	3.60	4.00	4.03	3.00
10-Year Treasury	3.81	3.49	3.87	3.79	2.97
30-Year Treasury	3.85	3.68	3.96	3.76	3.12
Bloomberg Aggregate (YTW)	4.81	4.40	4.68	4.75	3.72
Bloomberg Municipal Bond Blend 1-15 Year	3.23	2.87	3.18	3.73	2.82
ICE BofA US High Yield	8.56	8.50	8.95	9.58	8.93
Currencies	6/30/23	3/31/23	12/31/22	9/30/22	6/30/22
Euro (\$/€)	1.09	1.09	1.07	0.98	1.05
Yen (¥/\$)	144.54	133.09	131.95	144.75	135.86
Pound (\$/£)	1.27	1.24	1.20	1.12	1.21
Commodities	6/30/23	3/31/23	12/31/22	9/30/22	6/30/22
Crude Oil (WTI)	70.64	75.67	80.26	79.49	105.76
Gold	1,929	1,986	1,826	1,672	1,807
Volatility	6/30/23	3/31/23	12/31/22	9/30/22	6/30/22
CBOE VIX	13.59	18.70	21.67	31.62	28.71

U.S. style % total returns (S&P indexes)					
Month			YTD		
Value	Core	Growth	Value	Core	Growth
6.88	6.61	6.38	12.15	16.89	21.25
9.63	9.16	8.71	7.16	8.84	10.44
8.52	8.23	7.95	5.06	6.03	7.02
Large					
Mid					
Small					



Sources: Truist IAG, FactSet

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2023 Outlook

Three keys to 2023

2022 was one of the most challenging years in history for capital markets. We see three keys for 2023:



Remain *defensive*

Recession risk is elevated, and equity and credit valuations are unappealing. Overweight fixed income relative to equities.



Remain *tactical*

We expect volatile markets that will provide investment opportunities.



Remain *open-minded*

We find ourselves in an unprecedented post-pandemic backdrop. The historical playbook may be challenged, and a wide range of potential outcomes persists.



Upside Catalysts

Economy avoids recession and inflation declines quickly

Earnings hold up better than expected

Improvement in China's economy boosts global economy

Progress on Russia/Ukraine war

PE multiple expansion may continue to support the market



Downside risks

Deeper and longer recession

Valuations overshoot to the downside

Inflation stays sticky; Fed raises rates higher than expected

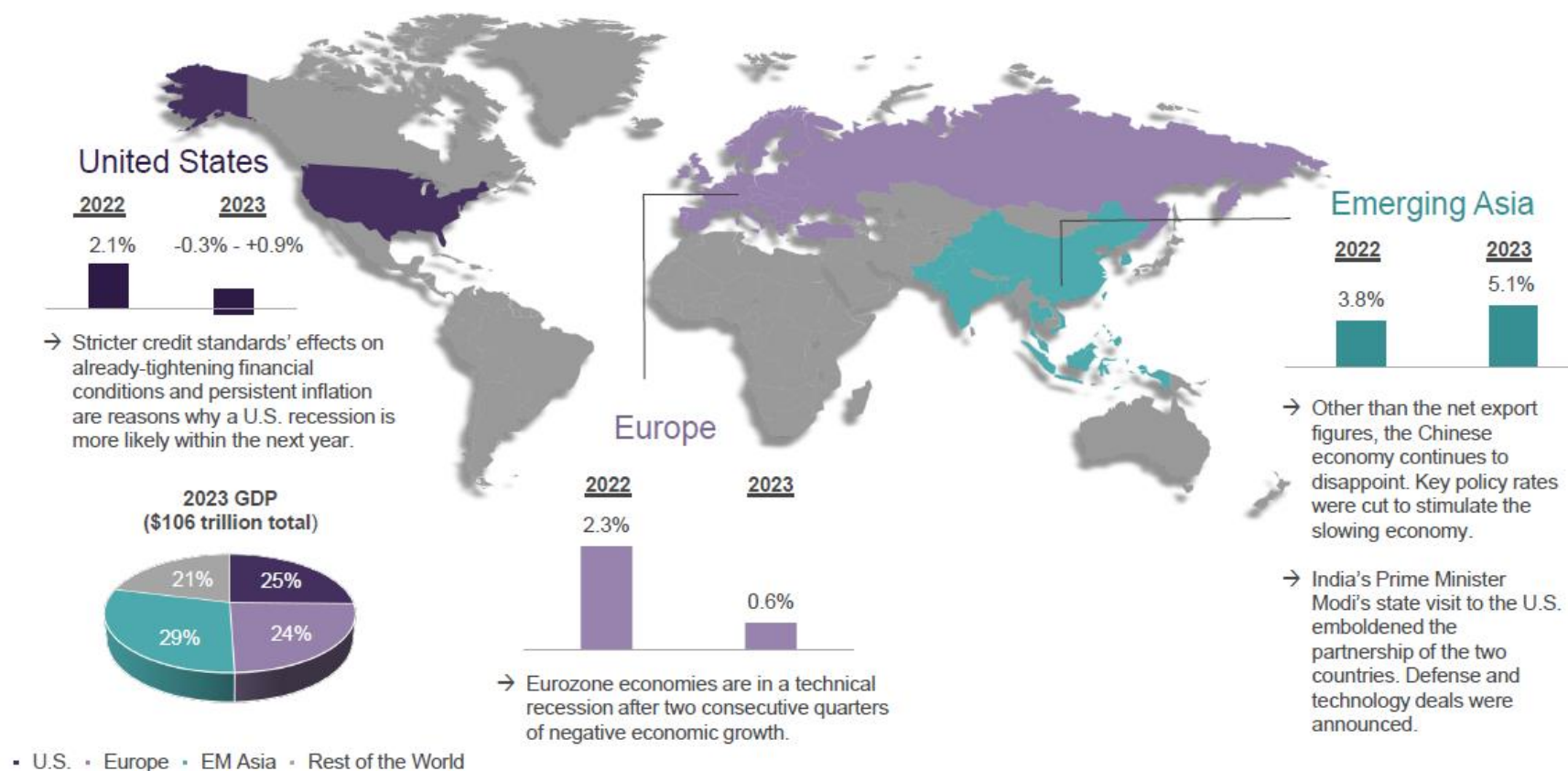
Earnings weaker than expected

Banking turmoil spreads

Geopolitical risks escalate

Bullish sentiment and recent AI euphoria increase pullback risk

Global growth – resilience YTD to be met with sub-par growth in 2nd half

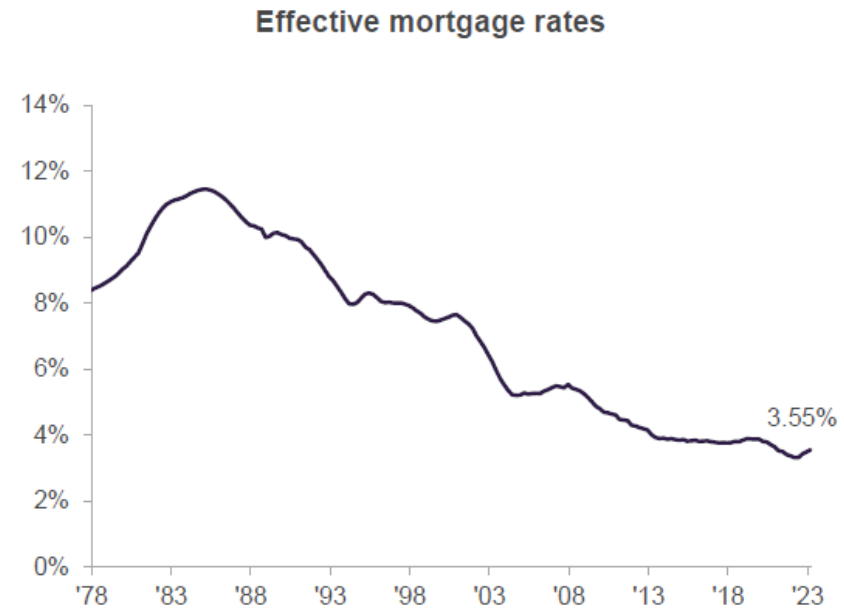
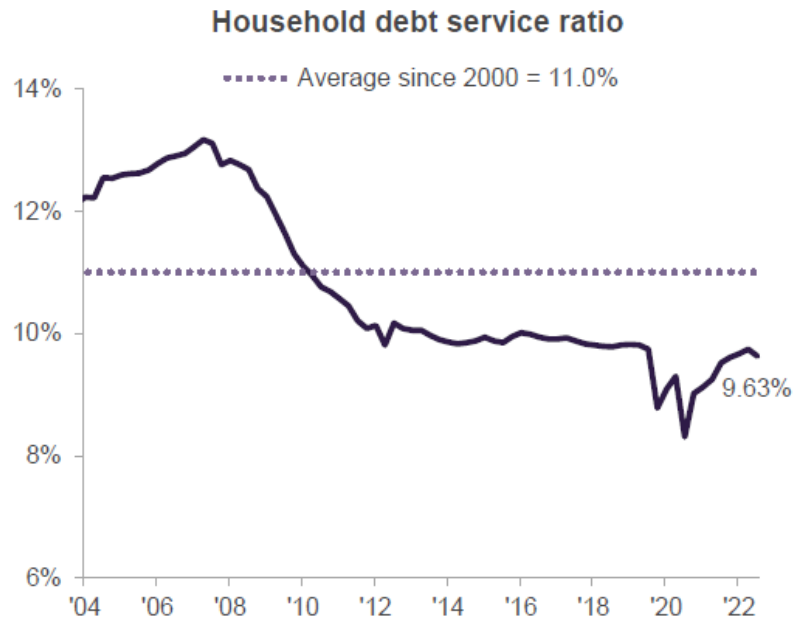


Sources: Truist IAG. Global macro estimates from International Monetary Fund (IMF), regional growth estimates from Bloomberg

U.S. Consumers better positioned than past economic slowdowns, **but** ...

Unlike prior cycles, the household debt service ratio (debt payments relative to after-tax income) remains well below the average of 11% since 2000.

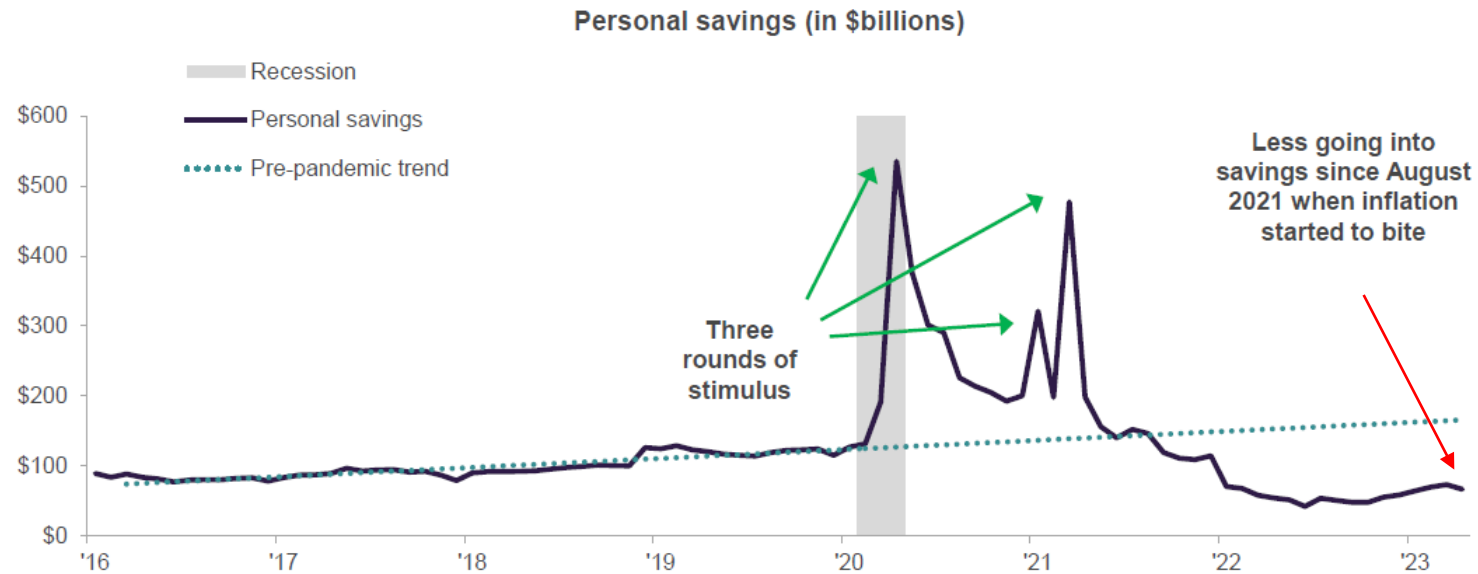
Two decades of sub-6% mortgage rates appear to be helping consumers to be less interest rate sensitive, as evidenced by firm sales of homes and autos.



Sources: Truist IAG, Haver, Federal Reserve Board. Quarterly data through 1Q2023

... **but** ... the U.S. consumer has been burning through savings

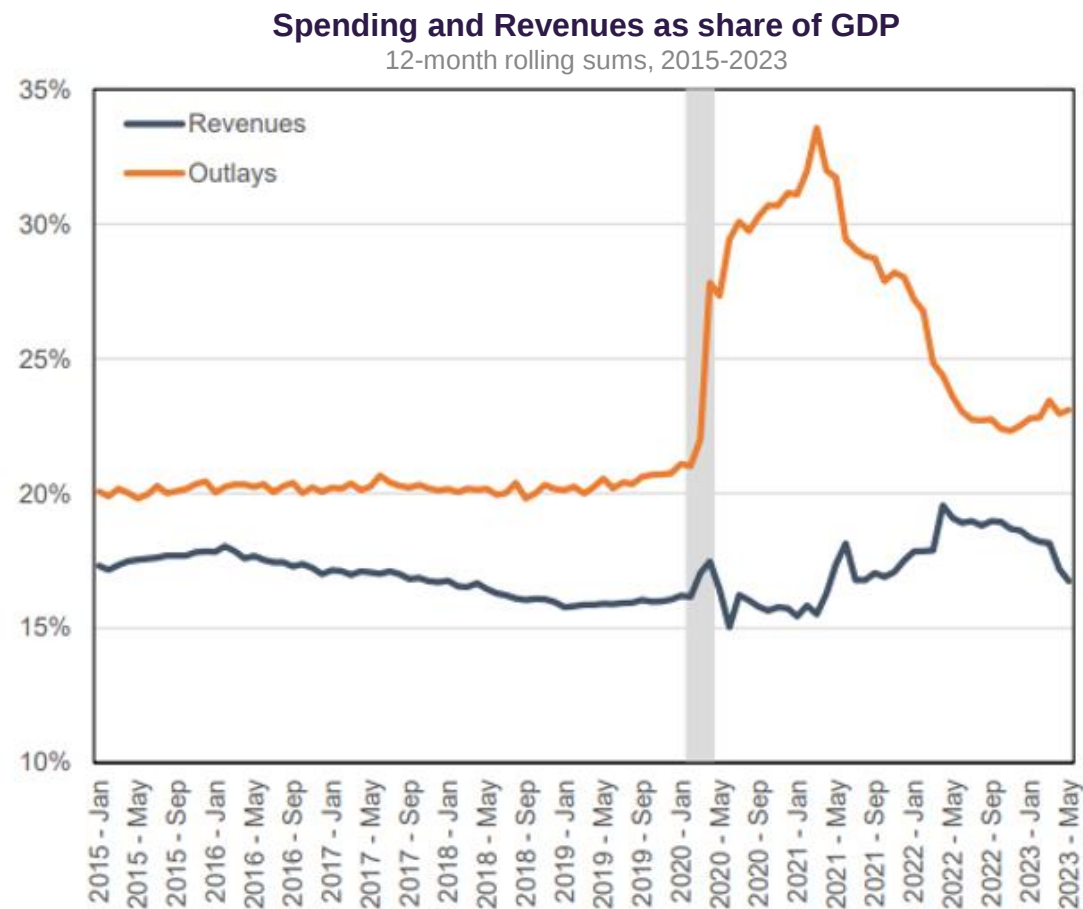
OUR TAKE: As pandemic stimulus fades, consumer savings is being drawn down below pre-pandemic levels, putting stress on further consumer spending which represents nearly 70% of the economy. In addition, the resumption of student loan payments in September could add an average monthly payment of \$400 to 17% of the population.



Sources: Truist IAG, J.P. Morgan, Bureau of Economic Analysis, Bloomberg. Monthly data through April 2023. Pre-pandemic: 48-month trend from March 2016 through February 2020.

U.S. Fiscal spending support still above pre-pandemic levels at 23% of GDP

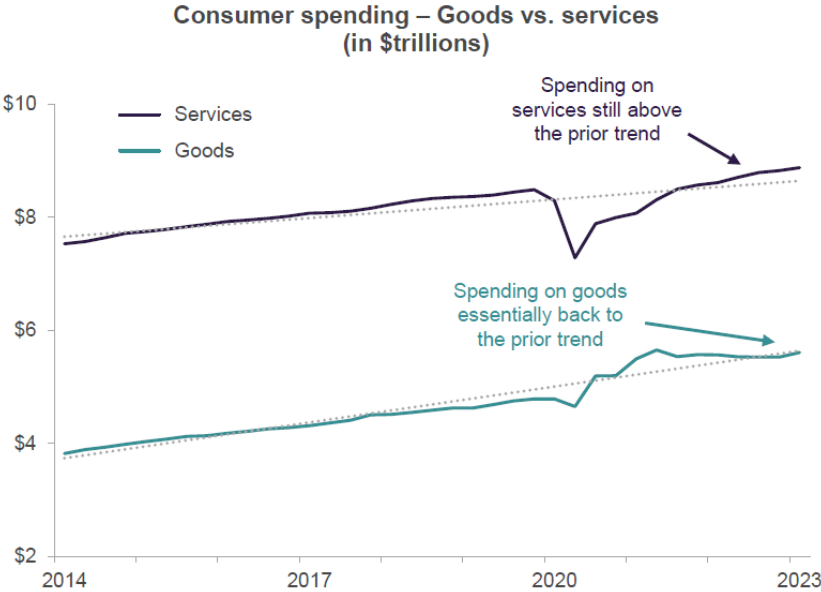
OUR TAKE: Federal support still serving as an important component of economic resiliency to-date, though becoming less-so as the deficit grows.



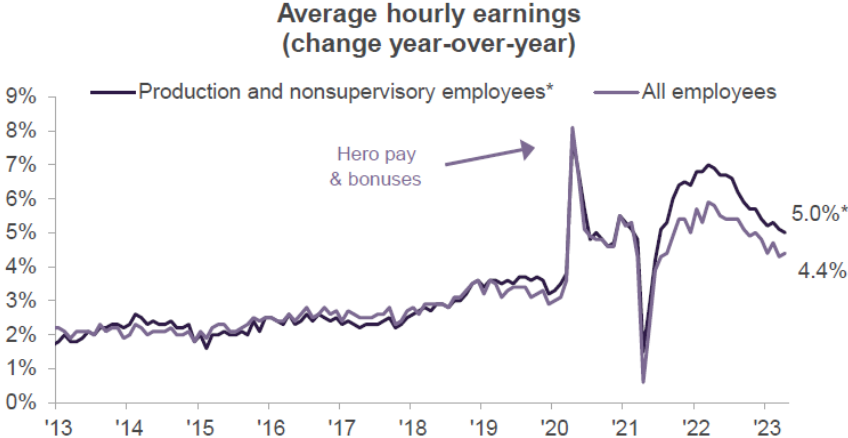
Sources: Piper Sandler, U.S. Treasury, Standard & Poor's. Spending excludes \$400 billion present value cost of student debt cancellation.

Spending on Services has contributed to stickier inflation

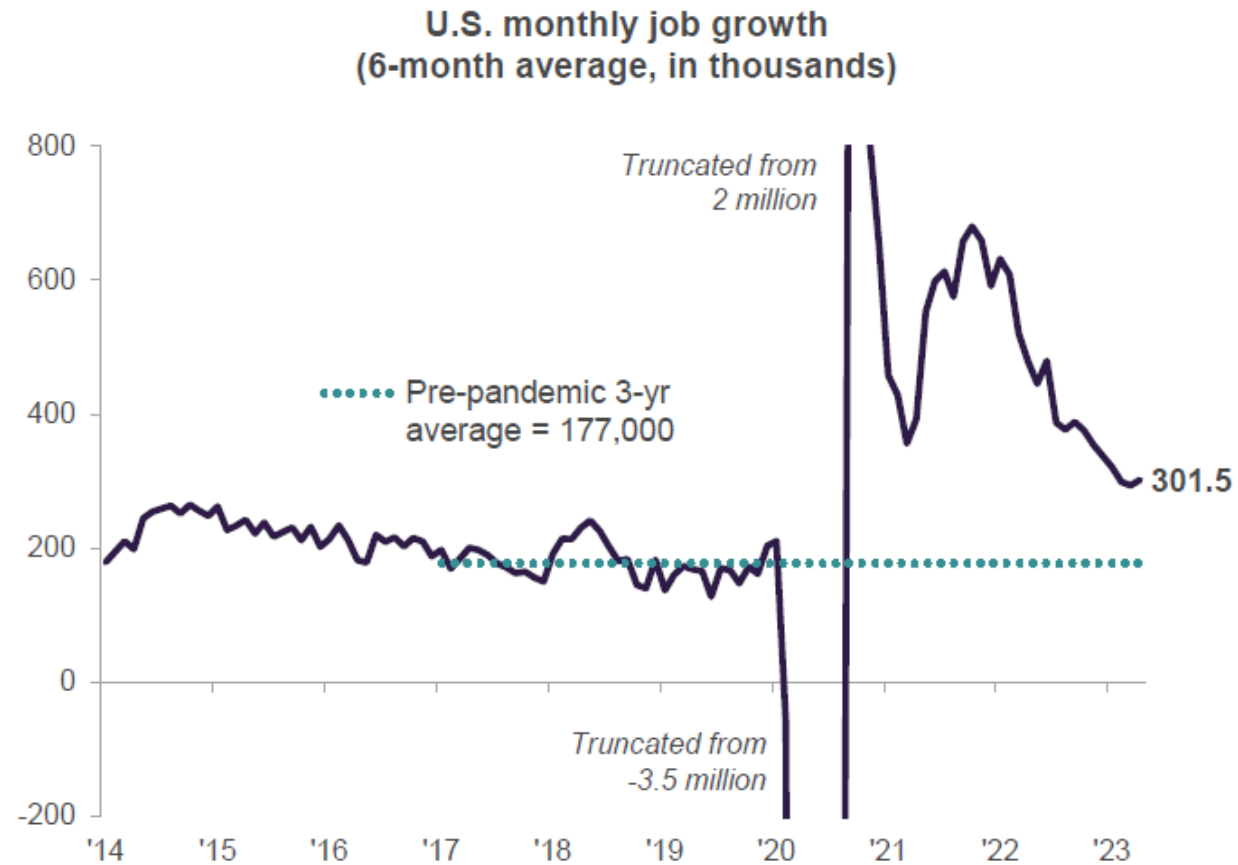
OUR TAKE: Spending has shifted away from Goods toward Services where labor market conditions and wage pressures are firm. This is likely contributing to elevated core inflation.



Sources: Truist IAG, Bureau of Economic Analysis, Bureau of Labor Statistics. Real inflation-adjusted consumer spending through 1Q2023



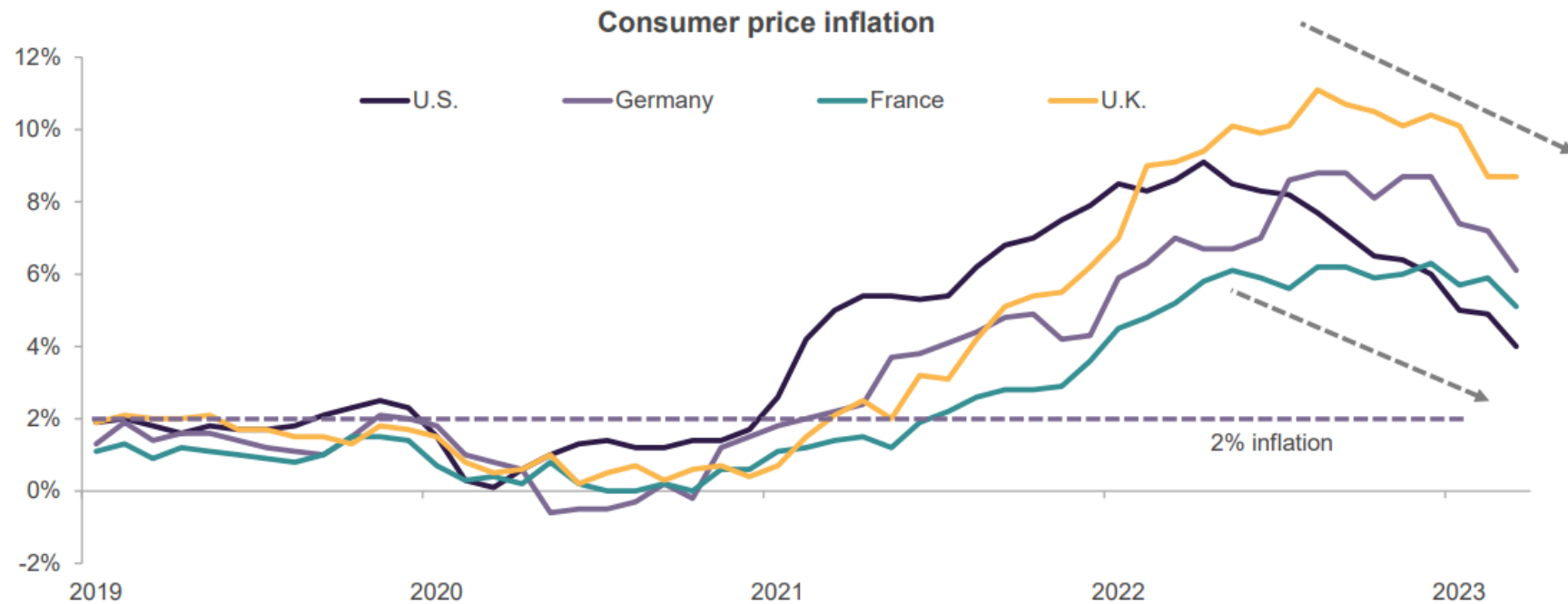
U.S. employment still relatively strong, keeping further rate hikes in play



Sources: Truist IAG, Bureau of Labor Statistics. Monthly data through June 2023.

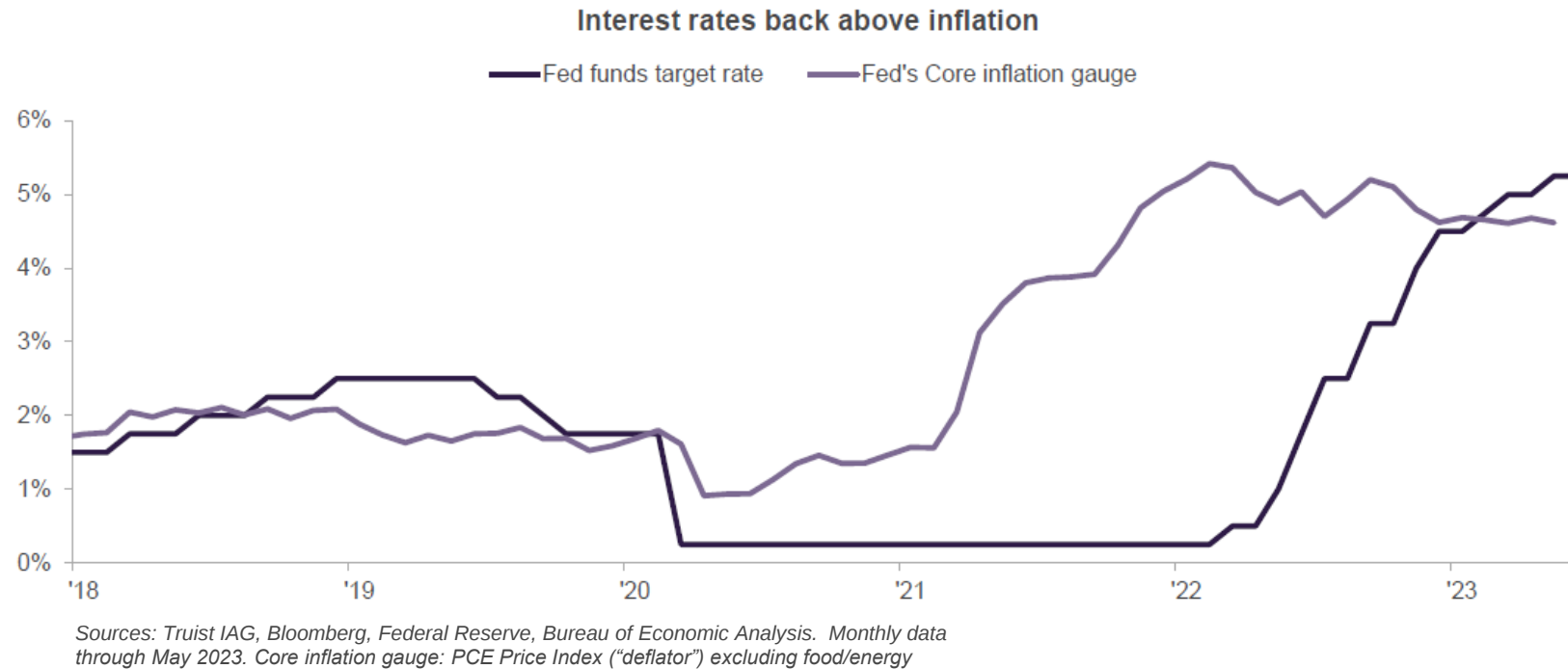
Consumer inflation heading lower with the U.S. leading global peers

Headline consumer prices are heading lower, with the U.S. leading global peers. With base effects, U.S. headline consumer inflation is expected to come down closer to the 3% level over coming months.



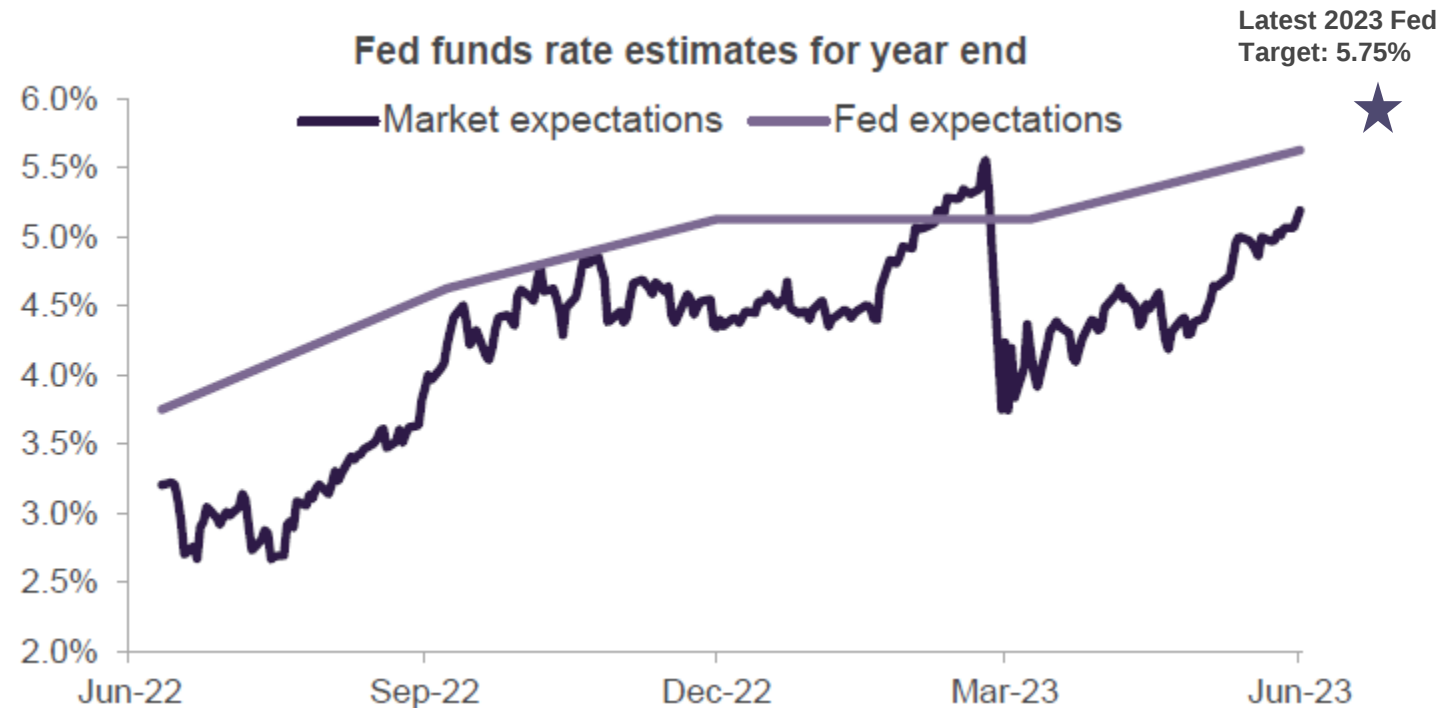
Data source: Truist IAG, Bloomberg. Data as of May 2023.

Fed likely has more work to do to satisfy their inflation-fight



Market not expecting as many additional rate hikes as Fed is projecting

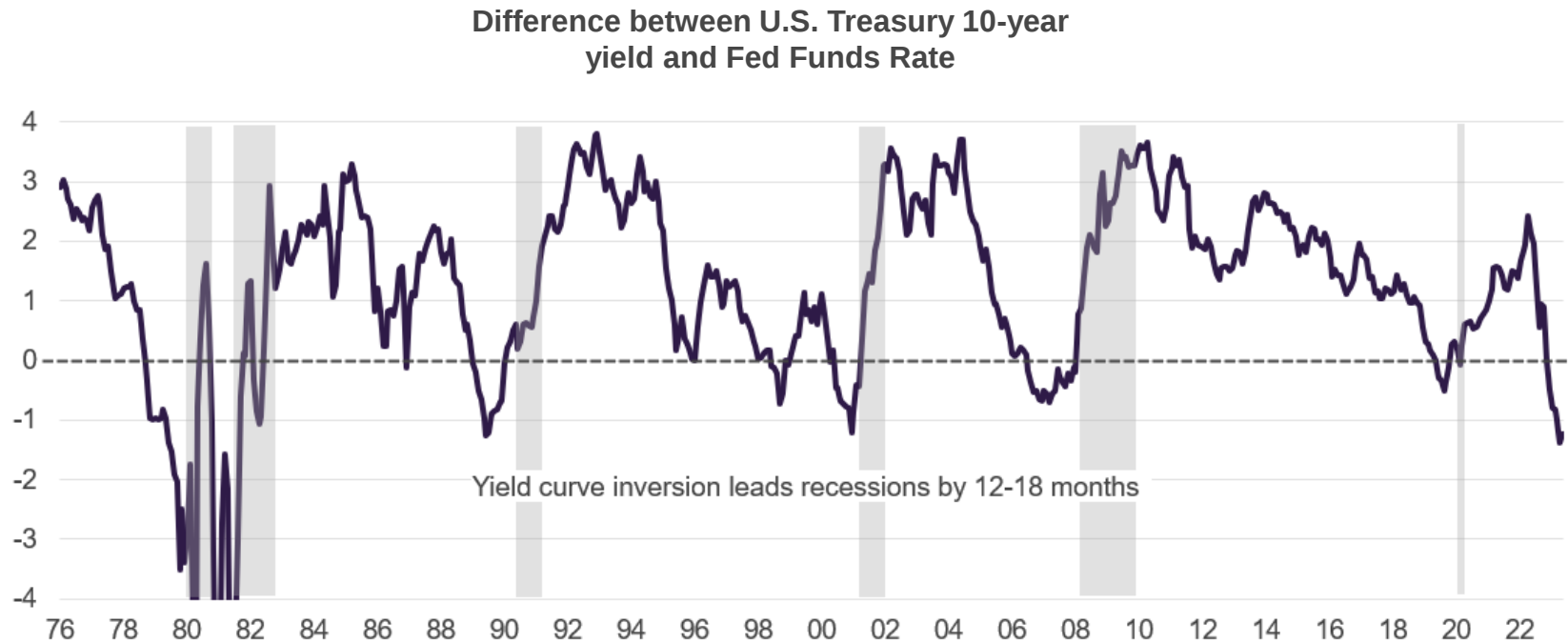
OUR TAKE: Fed funds futures suggest the Fed is on the cusp of completing its rate hike campaign, though the Fed's projections indicate at least two more hikes in 2023.



Sources: Truist IAG, Bloomberg, Federal Reserve Board. Market expectations = Fed funds futures;
Fed expectations = Federal Reserve Summary of Economic Projections as of 6.14.23

Lagged effects of higher rates likely to weigh on U.S. economic growth

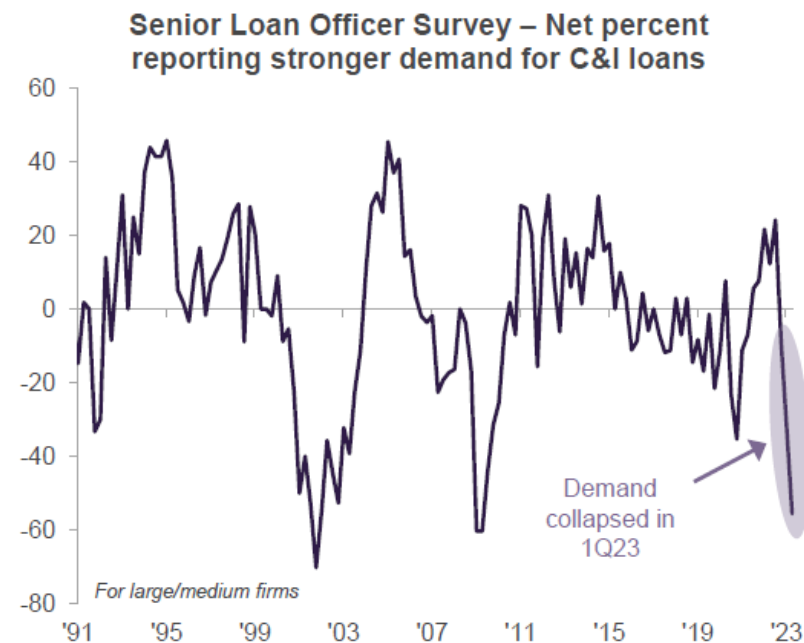
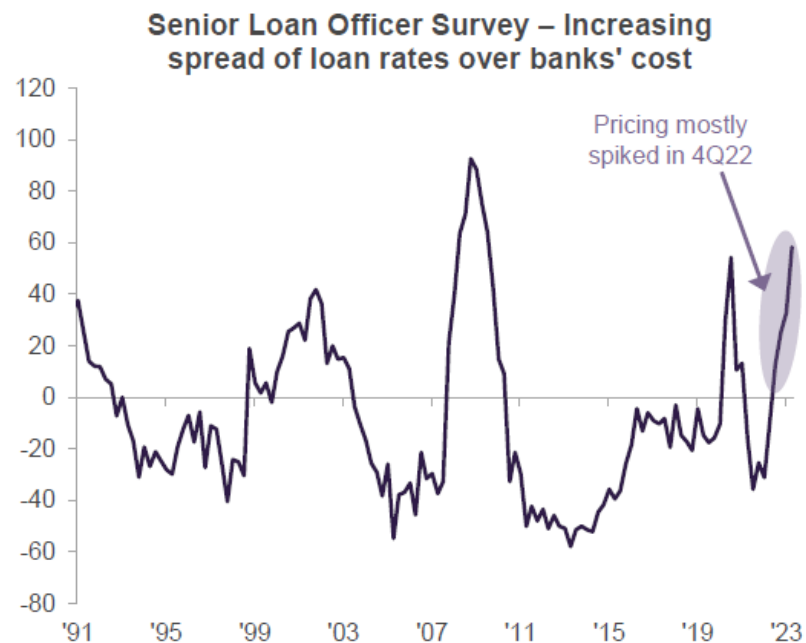
OUR TAKE: *The inverted yield curve suggests that although a recession may be delayed it may not be avoided.*



Sources: Moody's Analytics, Truist IAG, Federal Reserve Board

Tighter credit conditions: as loan pricing has spiked, demand has collapsed

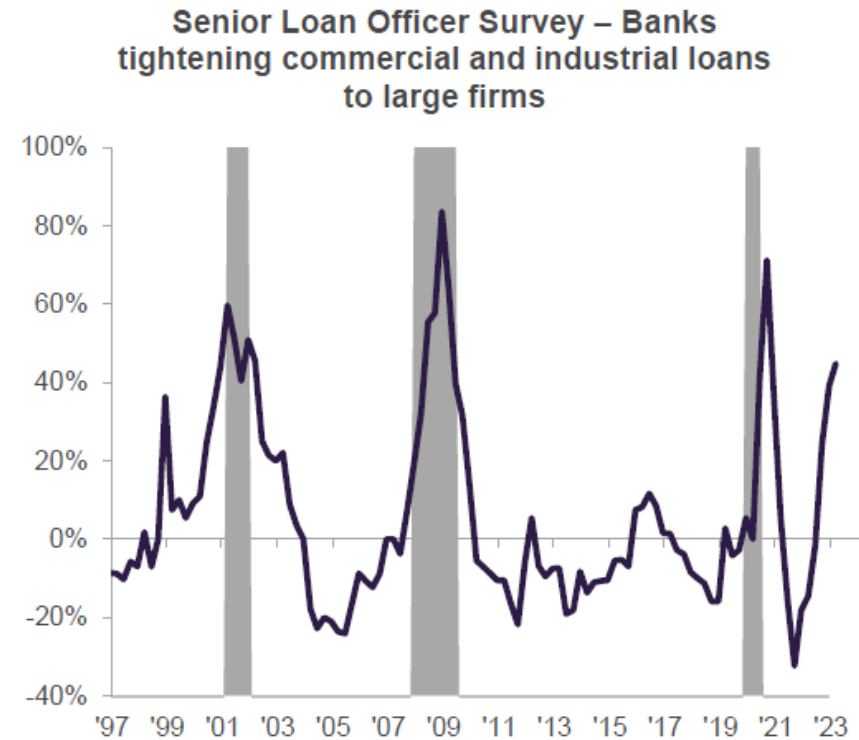
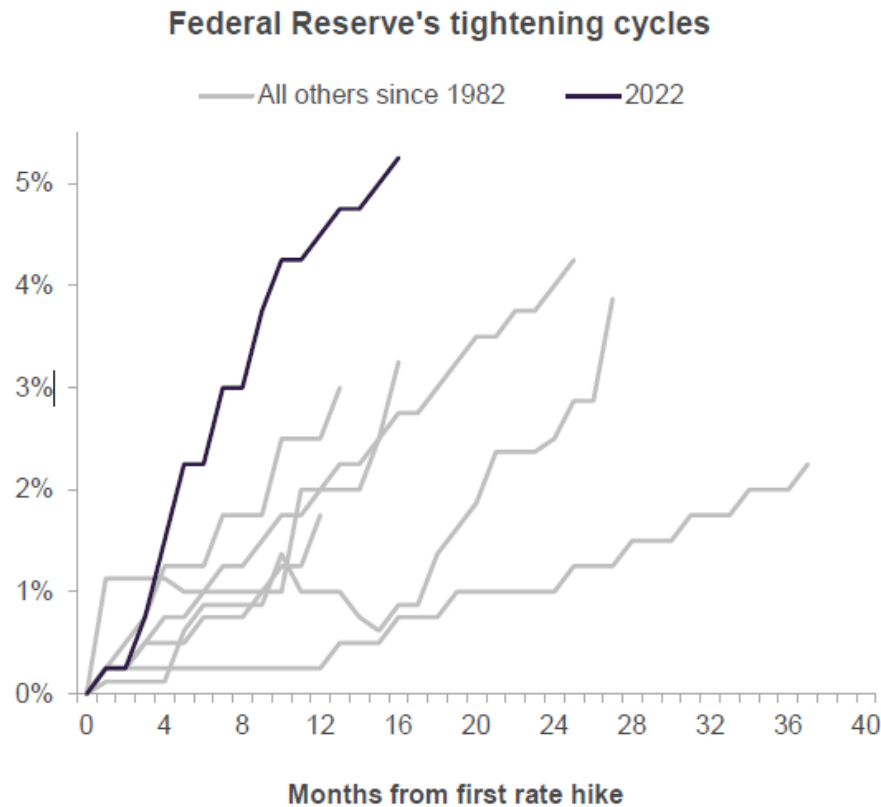
OUR TAKE: Banks are increasing commercial and industrial loan interest rates significantly. This is causing demand for C&I loans to collapse—approaching the weakest demand level since the Great Financial Crisis.



Sources: Truist IAG, Bloomberg, Federal Reserve Board, Quarterly data through 1Q2023

Aggressive Fed rate hikes *plus* tighter credit to weigh on economy

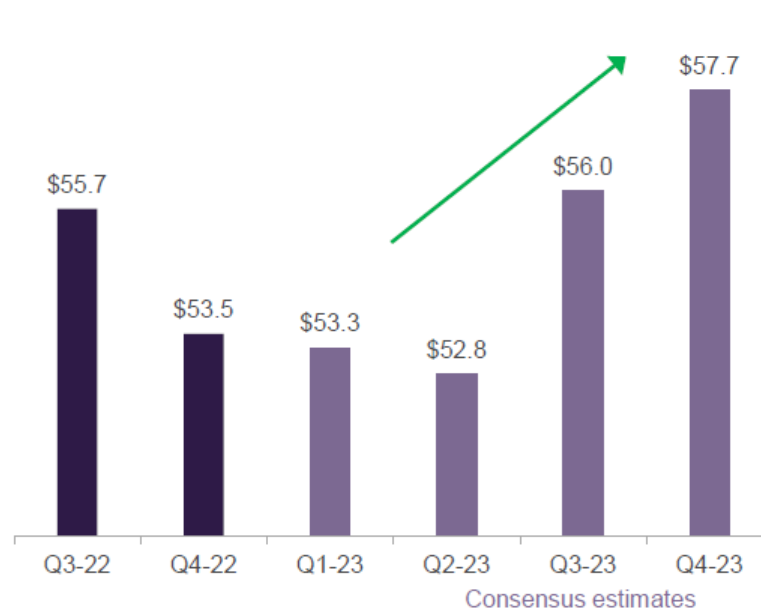
OUR TAKE: Monetary policy acts with a lag as tightening credit conditions weigh upon the economy, so tighter policy will continue to affect the economy through 2023 and into 2024.



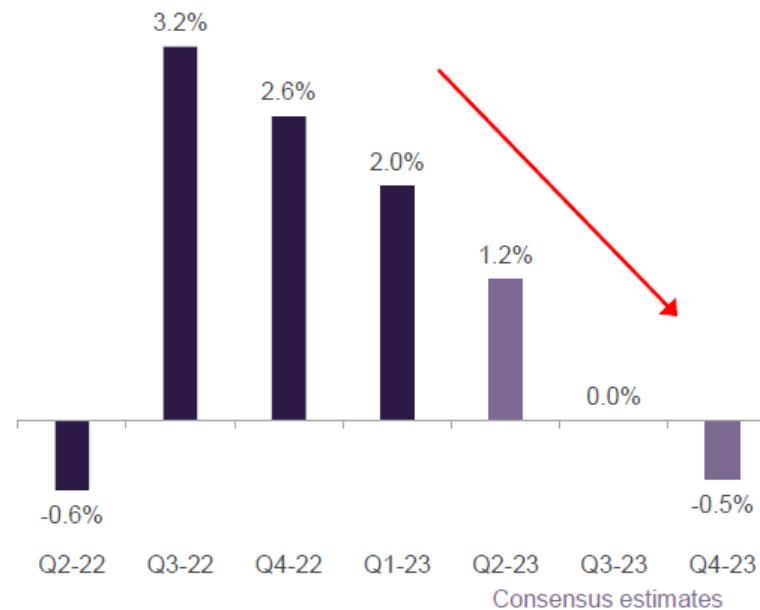
Crosscurrents – Divergence between outlook for earnings vs. economy

OUR TAKE: Consensus earnings estimates are expected to reach a record in 2H23 while, at the same time, a significant economic slowdown is projected in 2H23.

S&P 500 actual and estimated quarterly earnings



U.S. real GDP (quarter-over-quarter SAAR) actual and consensus estimates



Sources: Truist IAG, FactSet. Bloomberg consensus GDP estimates as of 7/1/2023.

S&P 500 rally since last October's low is based entirely upon PE expansion

OUR TAKE: YTD the S&P 500 has already "baked-in" the assumption that earnings will rise to new records in 2023.



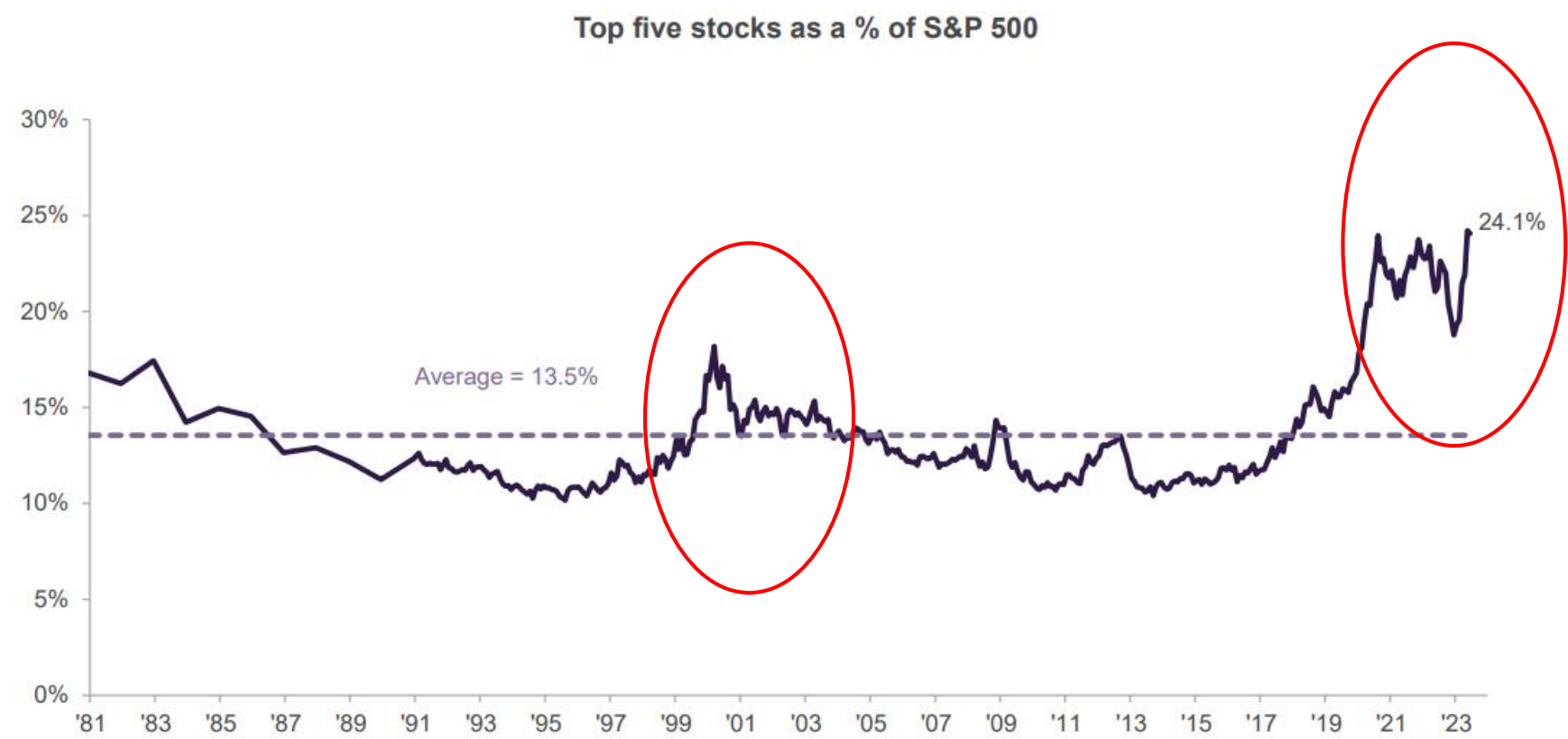
Source: Piper Sandler Portfolio Strategy

SPX Index (S&P 500 INDEX) YTD Performance Daily 10OCT2022-13JUN2023

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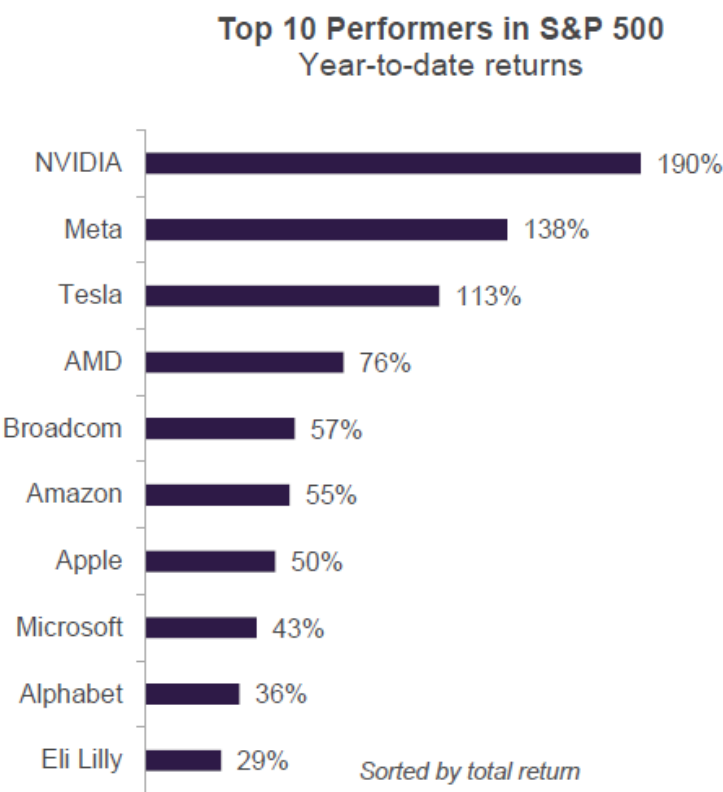
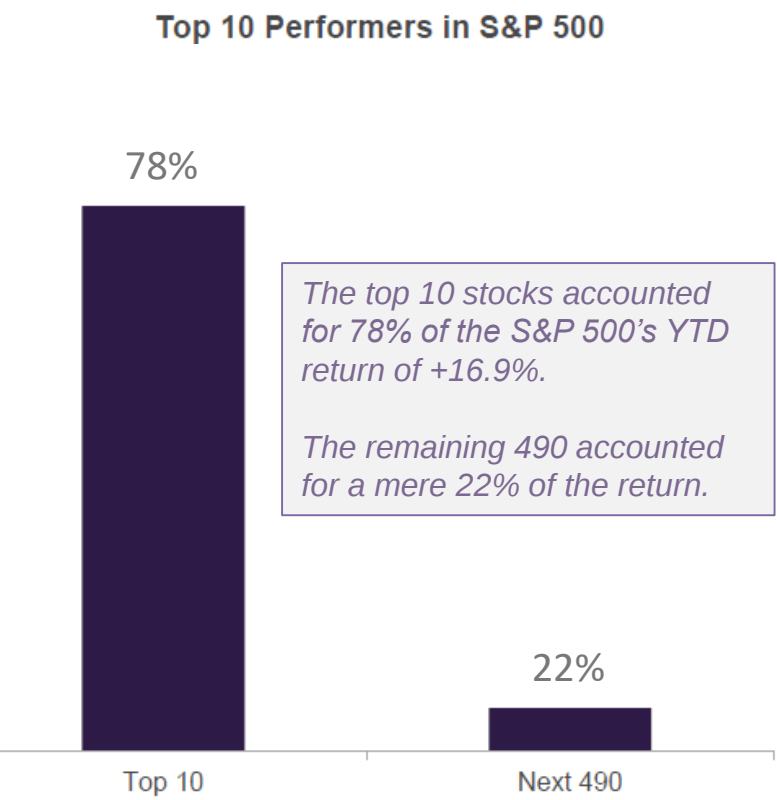
The S&P 500's top five stocks reflect concentration risk



Data source: Truist IAG, Strategas, Morningstar
Past performance does not guarantee future results.

Narrow market breadth –S&P 500 gains driven by mega cap growth stocks

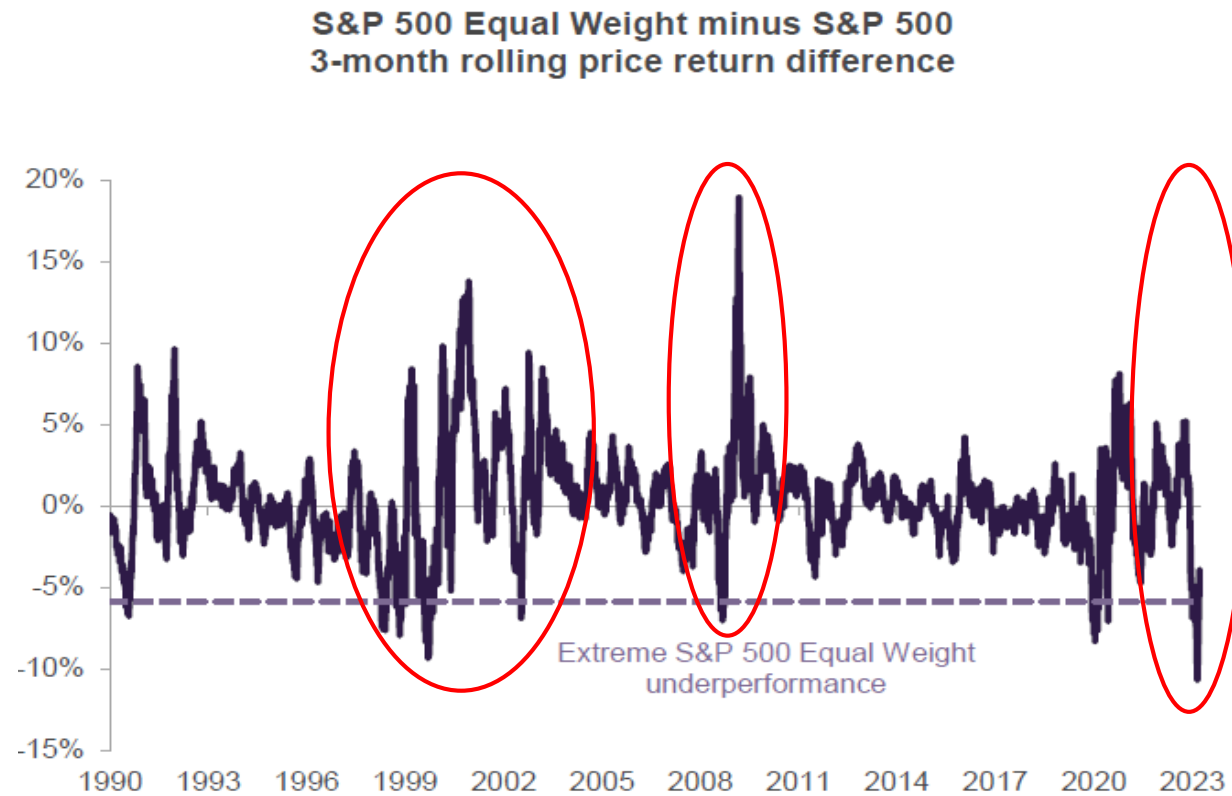
OUR TAKE: *Extremely narrow breadth is an anomaly that historically has not persisted for long periods.*



Sources: Truist IAG, Morningstar. Performance is total return. Past performance does not guarantee future results.

Narrow market breadth – extreme underperformance for “average stock”

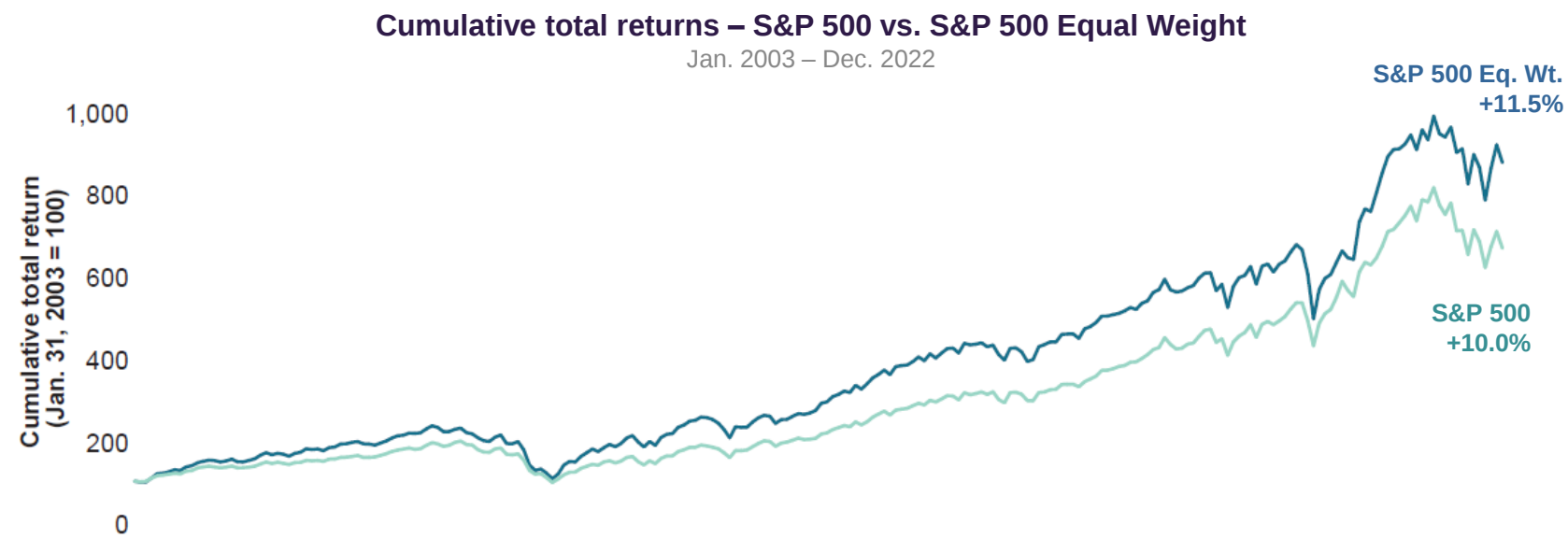
OUR TAKE: The S&P 500 YTD gains have been driven by a handful of mega cap growth stocks, while the average stock – as measured by the S&P 500 Equal Weight index – is in “extreme underperformance” territory.



Sources: Truist IAG, FactSet. Past performance does not guarantee future results.

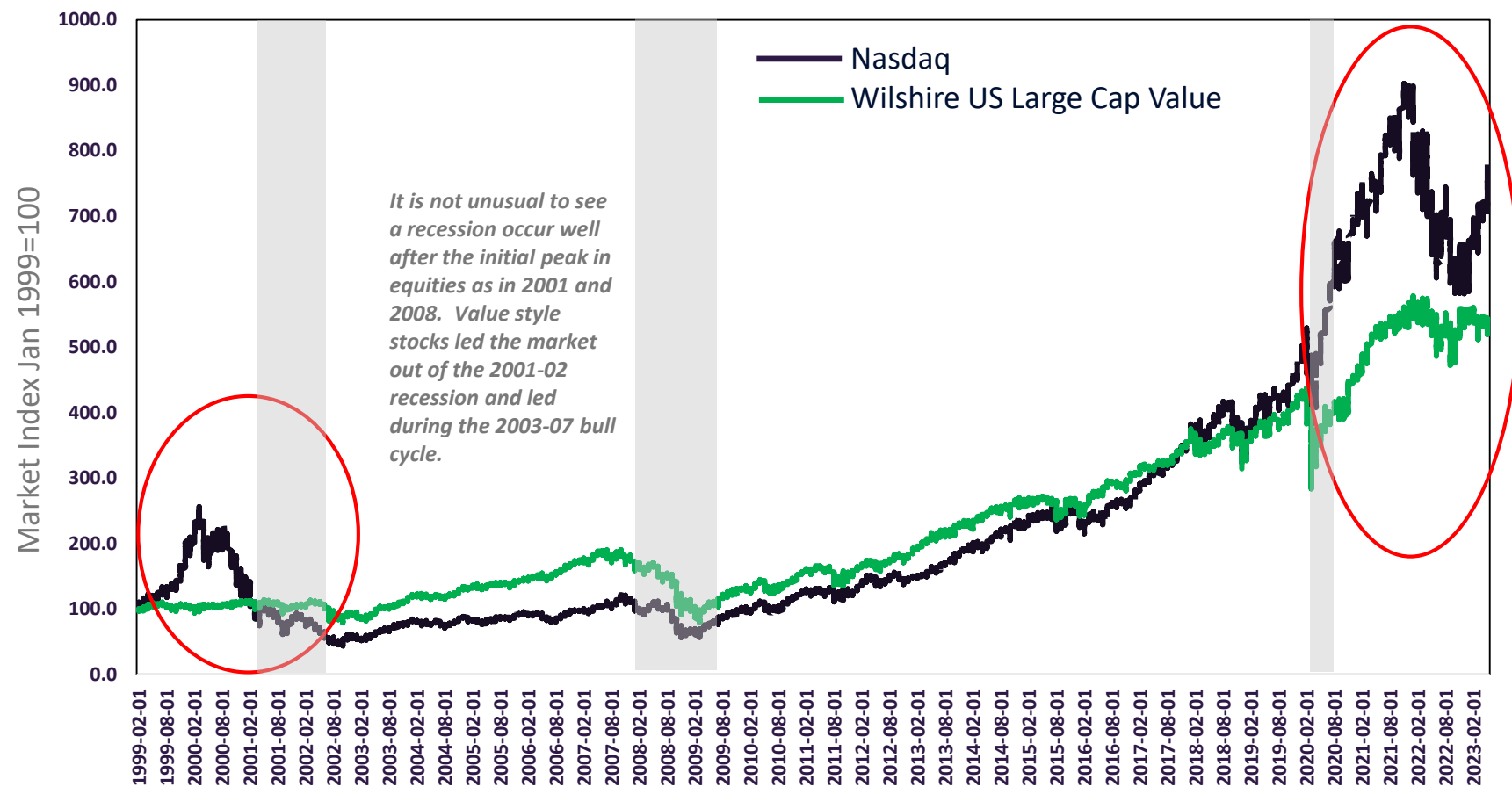
Current extremely narrow market breadth – historically rare

OUR TAKE: The S&P 500 Equal Weight index, which serves as a proxy for the “average” stock’s performance, has historically outperformed the standard S&P 500 Market Cap-Weighted index by an annualized return difference of 150 basis points over the past 20 years. Underperformance of the Equal-Weighted S&P 500 historically has not persisted for long periods.



Source: S&P Dow Jones Indices. Past performance does not guarantee future results.

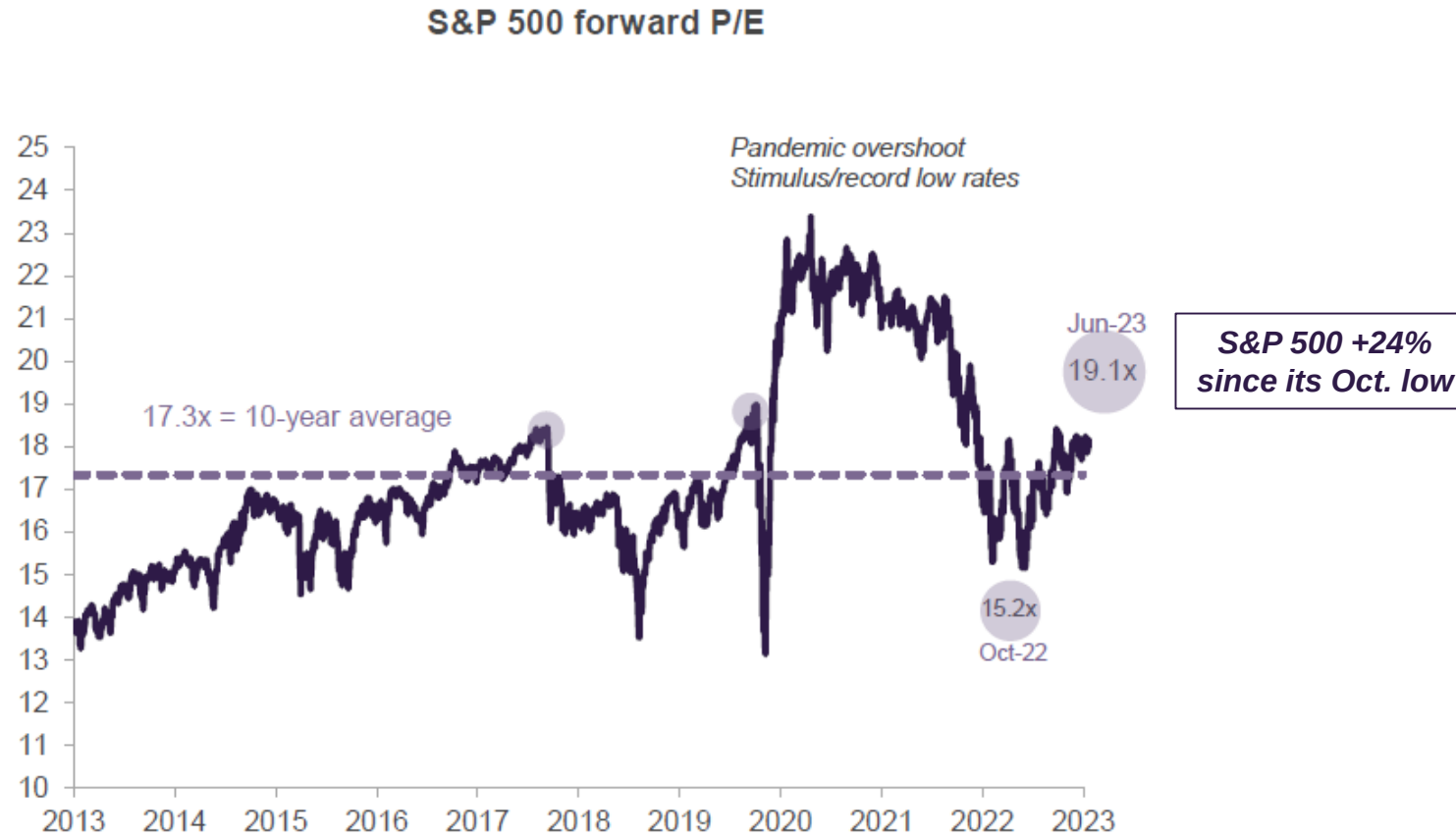
Outperformance of growth and tech stocks over defensive value style equities is at an extreme not seen since the 1990's tech/dotcom bubble



Shaded areas indicate U.S. recessions, each stock index begins 01-01-1999=100, source: Federal Reserve Economic Data service
Past performance does not guarantee future results.

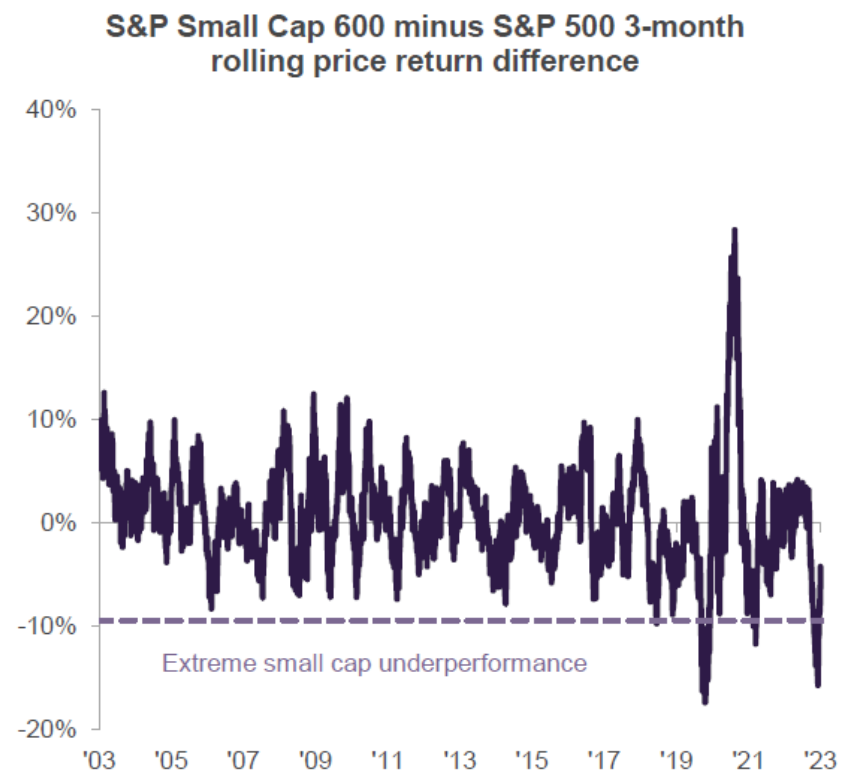
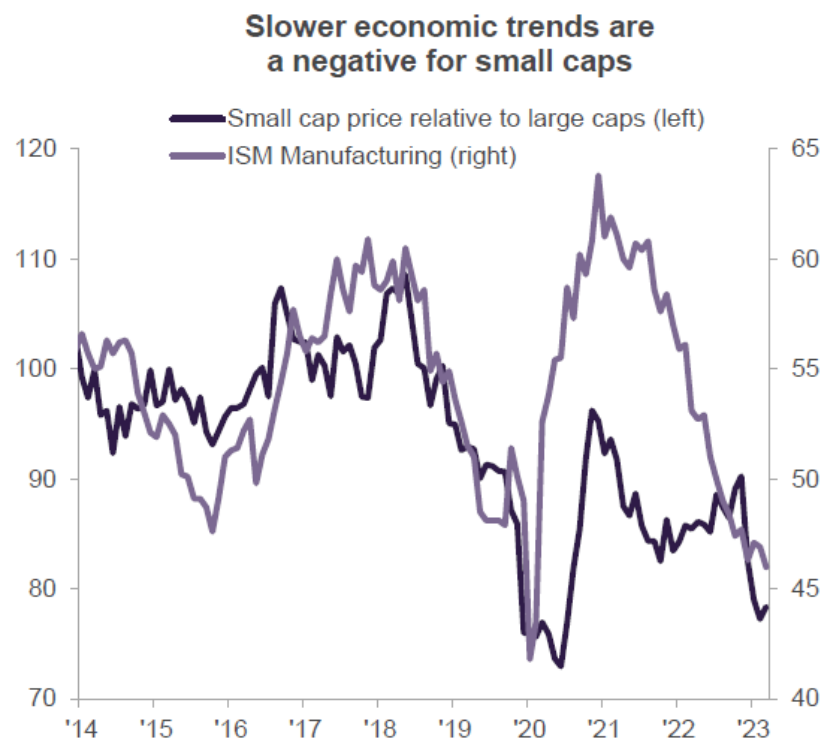
Limited market upside with valuations elevated historically

OUR TAKE: The market seems to be pricing in unrealistic earnings expectations as if interest rates and fiscal stimulus will soon return to the levels seen during the pandemic period of 2020-21.



Small caps – macro environment still a headwind

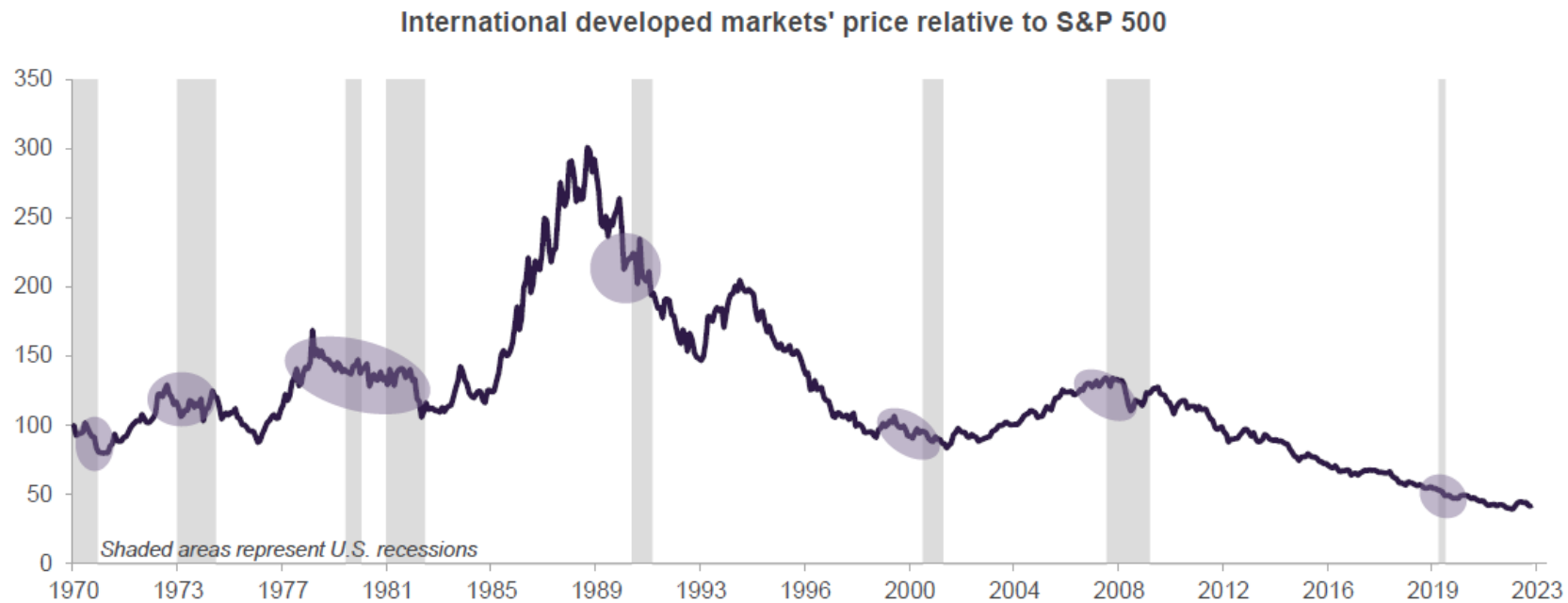
OUR TAKE: Even though small cap valuations are becoming more attractive, slowing economic growth is likely to be more of a headwind for small and mid cap companies.



Sources: Truist IAG, FactSet. Small Caps = S&P SmallCap 600, Large Caps = S&P 500. Past performance does not guarantee future results.

International markets tend to underperform the U.S. during slowdowns

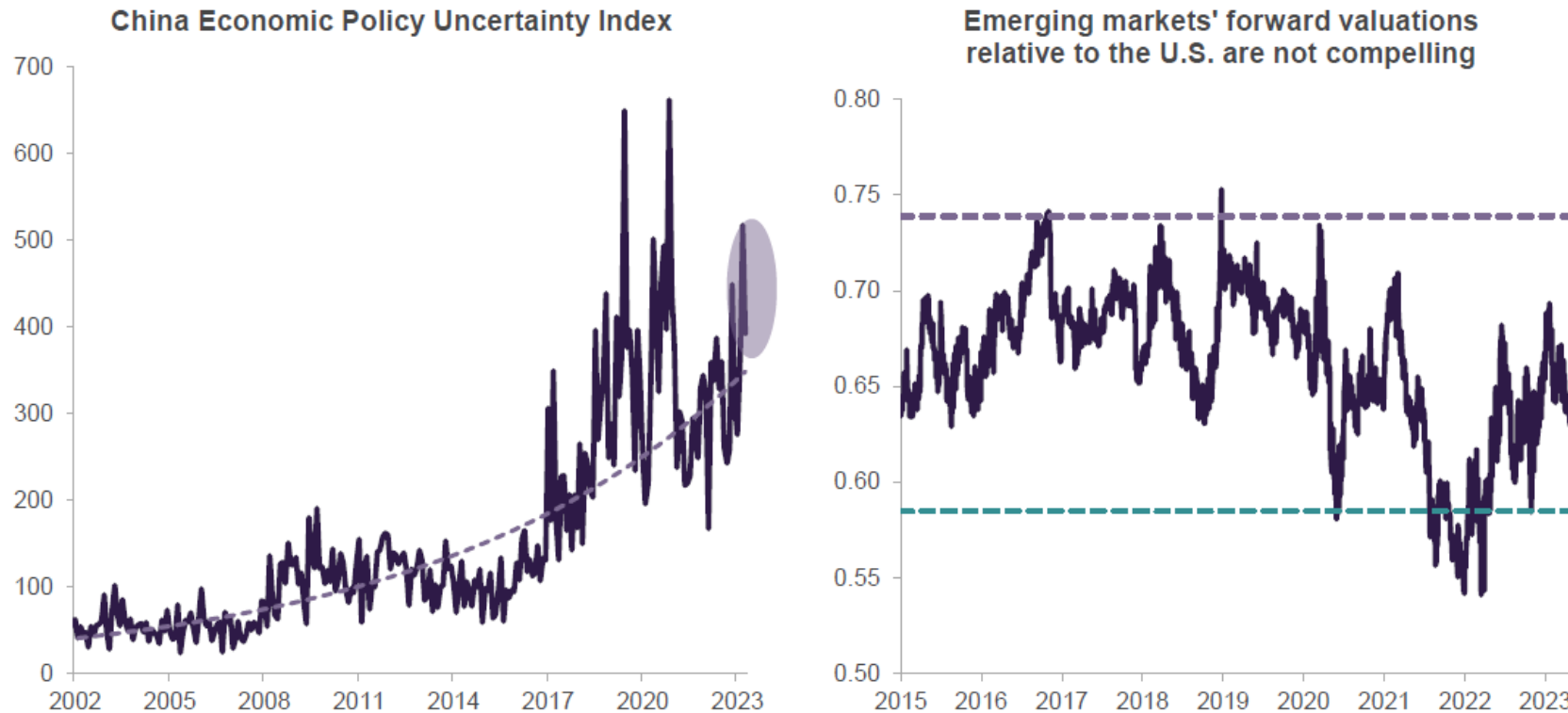
OUR TAKE: Historically, the U.S. tends to outperform during periods of global slowdown. With the Eurozone now technically in recession, we have concerns around Europe's ability to withstand significant rate hikes underway by the ECB to fight stubbornly high inflation.



Sources: Truist IAG, Haver, FactSet, MSCI EAFE

China economic uncertainty remains high; EM valuations are not compelling

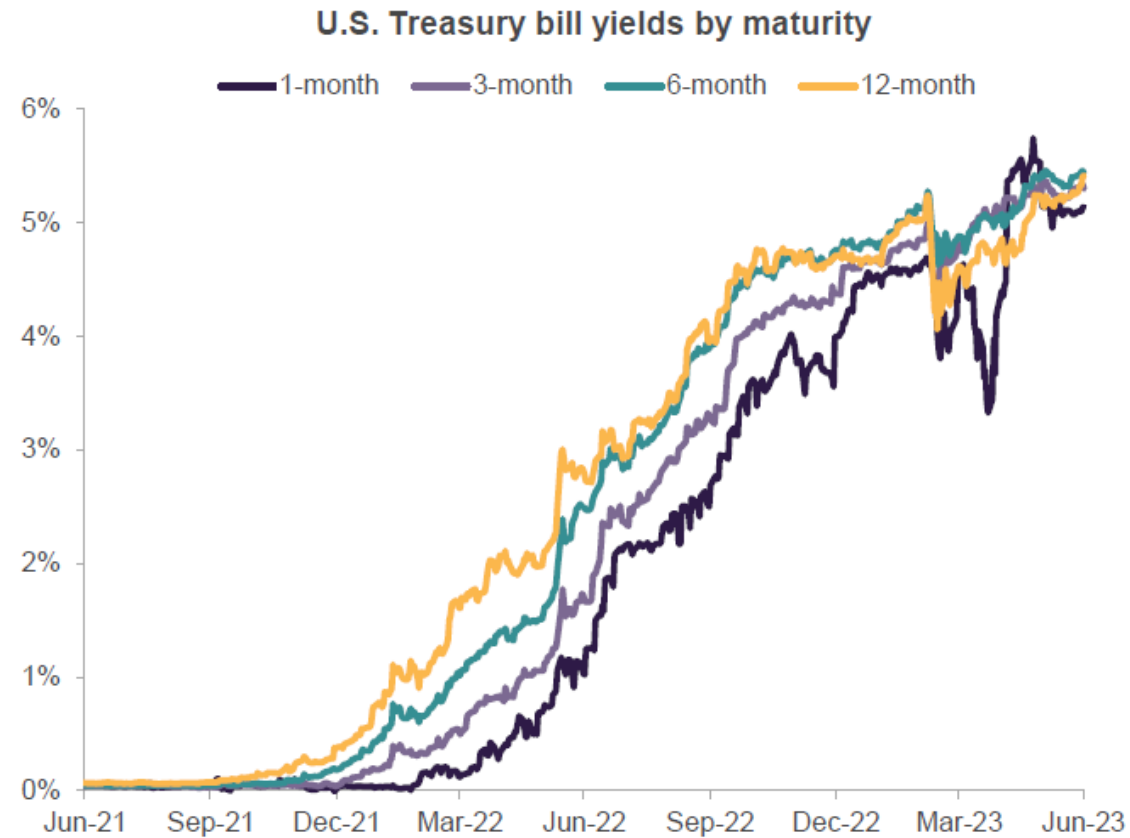
OUR TAKE: The China “re-opening trade” is fading as the Chinese economy continues to be weighed down by debt troubles, geopolitical tensions and global supply chain diversification away from China.



Sources: Truist IAG, Bloomberg, FactSet, MSCI-EM, MSCI USA. China Economic Policy Uncertainty Index from Baker, Bloom, Davis. Past performance does not guarantee future results.

U.S. Treasury Bills are compelling as the ultimate “*risk free*” asset

OUR TAKE: Yields on U.S. Treasury Bills are at their highest levels since 2001. YTD T-bills are outperforming the US Aggregate Bond Index with far less risk as Central Banks continue to hike rates.



Sources: Truist IAG, Bloomberg. Past performance does not guarantee future results.

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