

# McKnight Brain Research Foundation

Period Ending June 30, 2024

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# Executive Summary

# Executive Summary

## Asset Allocation

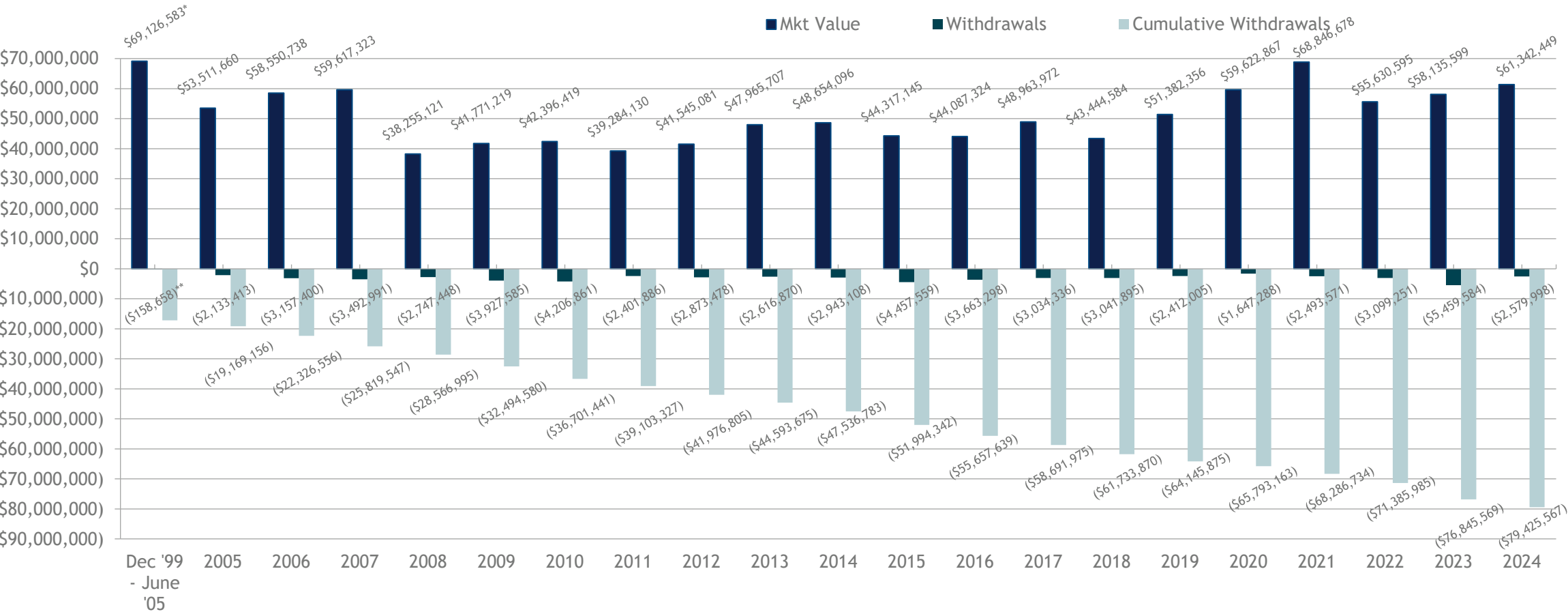
- The Foundation has a 69.0% target to public equity, a 6.0% target to fixed income (including cash) and a 25.0% target allocation to alternative assets (including a 8.0% allocation to private equity).
- As of June end, the public equity allocation was 72.3%, the allocation to fixed income (including cash) was 5.7% and the allocation to alternative investments was 22%.

## Portfolio Performance

- For the Year-to-Date Period Ending June 30, 2024 the total return for the portfolio was 10.46% versus 10.46% for the Investment Policy Statement Index.
- For the 1 Year Period Ending June 30, 2024 the total return for the portfolio was 17.37% versus 17.71% for the Investment Policy Statement Index.

# Investment Review

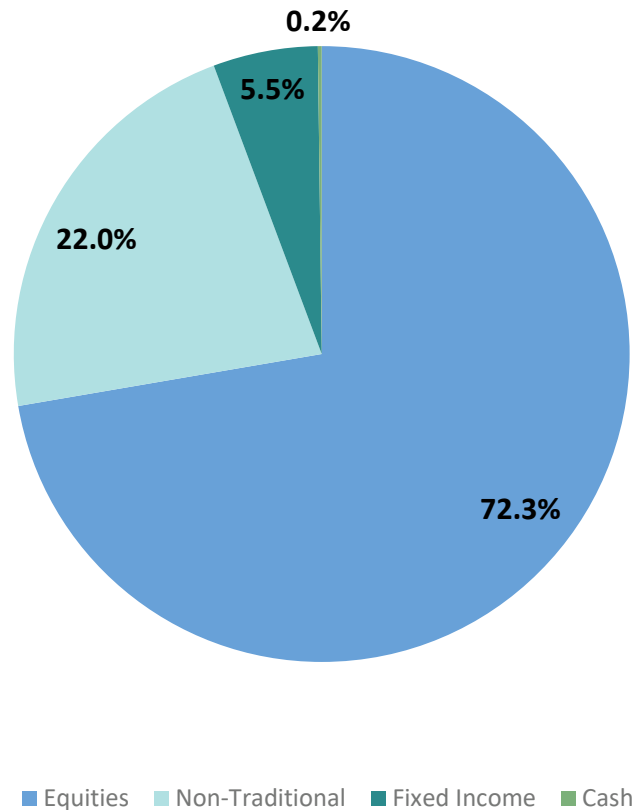
# Historical Market Values and Distributions



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

# Portfolio Composition

## McKnight Brain Research Foundation



Period Ending June 30, 2024							
Assets	Current Market Value	Current Allocation	Prior Allocation	Δ in Allocation	Target Allocation	Range	Variance from Target
<b>Total Portfolio</b>	<b>\$61,342,468</b>	<b>100.0%</b>	<b>100.0%</b>		<b>100.0%</b>		
<b>Total Equities</b>	<b>\$44,290,277</b>	<b>72.2%</b>	<b>72.0%</b>	<b>0.2%</b>	<b>69.0%</b>		<b>3.2%</b>
<b>Large Cap Equities</b>	<b>\$37,769,650</b>	<b>61.6%</b>	<b>60.9%</b>	<b>0.7%</b>	<b>58.0%</b>	30-60%	<b>3.6%</b>
Vanguard Value ETF	\$1,189,280	1.9%	2.9%	(0.9%)			
Vanguard Russell 1000 Growth Index I	\$3,938,762	6.4%	5.3%	1.1%			
Vanguard Institutional Index	\$32,641,608	53.2%	52.7%	0.5%			
<b>Mid Cap Equities</b>	<b>\$1,044,114</b>	<b>1.7%</b>	<b>1.8%</b>	<b>(0.1%)</b>	<b>3.0%</b>	0-14%	<b>-1.3%</b>
iShares Core S&P Mid-Cap ETF	\$1,044,114	1.7%	1.8%	(0.1%)			
<b>Smid Cap Equities</b>	<b>\$632,211</b>	<b>1.0%</b>	<b>1.1%</b>	<b>(0.1%)</b>	<b>0.0%</b>		
Eaton Vance Atlanta Capital SMID-Cap R6	\$632,211	1.0%	1.1%	(0.1%)			
<b>Small Cap Equities</b>	<b>\$1,692,711</b>	<b>2.8%</b>	<b>2.9%</b>	<b>(0.2%)</b>	<b>3.0%</b>	0-15%	<b>-0.2%</b>
iShares Russell 2000 ETF	\$1,692,711	2.8%	2.9%	(0.2%)			
<b>International Developed Equities</b>	<b>\$3,151,591</b>	<b>5.1%</b>	<b>5.2%</b>	<b>(0.1%)</b>	<b>5.0%</b>	5-15%	<b>0.1%</b>
Artisan International Value Instl	\$1,758,439	2.9%	2.9%	(0.0%)			
Vanguard International Growth Adm	\$1,393,152	2.3%	2.3%	(0.0%)			
<b>Total Fixed Income</b>	<b>\$3,348,356</b>	<b>5.5%</b>	<b>6.0%</b>	<b>(0.6%)</b>	<b>6.0%</b>	0-20%	<b>-0.5%</b>
Dodge & Cox Income	\$1,186,165	1.9%	2.1%	(0.2%)			
iShares Core US Aggregate Bond ETF	\$876,445	1.4%	1.6%	(0.2%)			
SPDR® Blmbg 1-3 Mth T-Bill ETF	\$1,285,746	2.1%	2.3%	(0.2%)			
<b>Total Non-Traditional</b>	<b>\$13,563,408</b>	<b>22.1%</b>	<b>21.6%</b>	<b>0.5%</b>	<b>25.0%</b>	10-30%	<b>-2.9%</b>
<b>Hedge</b>	<b>\$8,521,896</b>	<b>13.9%</b>	<b>13.6%</b>	<b>(0.3%)</b>	<b>17.0%</b>	10-30%	<b>-3.1%</b>
Lighthouse Global Long/Short	\$3,396,312	5.5%	5.4%	0.1%			
Lighthouse Diversified	\$2,923,857	4.8%	4.7%	0.1%			
Lighthouse Credit Opportunities	\$2,201,727	3.6%	3.6%	0.0%			
<b>Private Equity</b>	<b>\$5,041,512</b>	<b>8.2%</b>	<b>8.0%</b>	<b>0.2%</b>	<b>8.0%</b>	0-10%	<b>0.2%</b>
Svb Cap Strategic Investo	\$506,786	0.8%	0.7%	0.1%			
Hcp Private Equity Master	\$664,456	1.1%	1.1%	(0.0%)			
Spring Harbour 2013	\$281,707	0.5%	0.5%	(0.0%)			
HarbourVest 2015	\$323,958	0.5%	0.6%	(0.0%)			
HarbourVest 2016	\$370,366	0.6%	0.6%	0.0%			
HarbourVest 2017	\$446,124	0.7%	0.7%	0.0%			
HarbourVest 2018	\$518,452	0.8%	0.9%	(0.0%)			
HarbourVest 2019	\$498,459	0.8%	0.8%	0.0%			
HarbourVest 2021	\$340,049	0.6%	0.5%	0.0%			
HarbourVest 2020	\$460,747	0.8%	0.7%	0.0%			
HarbourVest 2022	\$230,641	0.4%	0.3%	0.0%			
HarbourVest 2023	\$84,536	0.1%	0.1%	0.0%			
Generation IM Sustain SLTNS	\$315,231	0.5%	0.5%	0.0%			
<b>Total Cash</b>	<b>\$140,426</b>	<b>0.2%</b>	<b>0.4%</b>	<b>(0.1%)</b>			

# Investment Performance

Period Ending June 30, 2024							
Assets	Quarter	YTD	1 Year	3 Years	5 Years	7 Years	10 Years
<b>Total Portfolio</b>	<b>3.38%</b>	<b>10.46%</b>	<b>17.37%</b>	<b>4.90%</b>	<b>11.11%</b>	<b>10.22%</b>	<b>9.03%</b>
2024 Efficient Frontier Target*	2.45%	10.46%	17.71%	6.05%	10.77%	9.96%	8.62%
Spending Policy Benchmark <sup>(1)</sup>	--	--	9.90%	9.70%	9.00%	8.80%	8.60%
65% Russell 3000 / 35% Barclays Agg	2.48%	8.81%	16.08%	4.40%	9.32%	9.28%	8.56%
<b>Total Equities</b>	<b>3.58%</b>	<b>13.11%</b>	<b>21.93%</b>	<b>5.64%</b>	<b>12.85%</b>	<b>11.84%</b>	<b>10.48%</b>
Domestic Equities	3.71%	13.67%	22.81%	6.33%	12.90%	12.53%	11.45%
International Equities – Developed	1.87%	6.24%	11.30%	0.87%	12.65%	9.82%	8.17%
<b>Total Fixed Income</b>	<b>0.68%</b>	<b>0.86%</b>	<b>4.30%</b>	<b>-2.40%</b>	<b>-0.15%</b>	<b>0.92%</b>	<b>1.26%</b>
<b>Total Non-Traditional</b>	<b>3.47%</b>	<b>5.02%</b>	<b>8.26%</b>	<b>6.78%</b>	<b>10.12%</b>	<b>8.90%</b>	<b>7.72%</b>
Private Equity (As of 3/31/2024)	1.50%	1.50%	1.60%	4.90%	13.10%	13.90%	15.10%

2024 Efficient Frontier Target consists of: 58% S&P 500 / 3% Russell MidCap / 3% Russell 2000 / 5% MSCI EAFE / 6% Bloomberg Barclays US Aggregate TR / 25% HFRI Fund of Funds Composite Index

\*Efficient Frontier Returns prior to July 1, 2023 correspond to previous efficient frontier targets.

(1) Average 1 Year BRDPI Inflation of 3.9% + 5% Distribution + 1% Expenses = 9.9%

(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 2.8% + 5% Distribution + 1% Expenses = 8.8%

(5) Average 10 Year BRDPI Inflation of 2.6% + 5% Distribution + 1% Expenses = 8.6%

BRDPI Inflation index last updated Jan 2024

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



# Manager Performance

Period Ending June 30, 2024							
Assets	Ticker Symbol	Allocation	Quarter	YTD	1 Year	3 Years	5 Years
<b>Large Cap Equity</b>		<b>61.6%</b>					
Vanguard Russell 1000 Growth Index I	VRGWX	6.4%	8.31%	20.65%	33.45%	11.23%	19.27%
<i>Russell 1000 Growth</i>			8.33%	20.70%	33.48%	11.28%	19.34%
Vanguard Institutional Index	VINIX	53.2%	4.28%	15.27%	24.51%	9.97%	15.01%
<i>S&amp;P 500</i>			4.28%	15.29%	24.56%	10.01%	15.05%
Vanguard Value ETF	VTV	1.9%	-0.93%	8.74%	15.85%	8.01%	10.49%
<i>CRSP US Large Cap Value</i>			-0.93%	8.73%	15.77%	8.00%	10.50%
<b>Mid Cap Equity</b>		<b>1.7%</b>					
iShares Core S&P Mid-Cap ETF	IJH	1.7%	-3.46%	6.15%	13.54%	4.44%	10.23%
<i>S&amp;P MidCap 400</i>			-3.45%	6.17%	13.57%	4.47%	10.27%
<b>Small Cap Equity</b>		<b>2.8%</b>					
iShares Russell 2000 ETF	IWM	2.8%	-3.30%	1.68%	9.91%	-2.68%	6.84%
<i>Russell 2000</i>			-3.28%	1.73%	10.06%	-2.58%	6.94%
<b>SMid Cap Equity</b>		<b>1.0%</b>					
Eaton Vance Atlanta Capital SMID-Cap R6	ERASX	1.0%	-2.98%	6.38%	15.53%	5.85%	9.94%
<i>Russell 2500</i>			-4.27%	2.35%	10.47%	-0.29%	8.31%

Source: Morningstar

# Manager Performance

Period Ending June 30, 2024							
Assets	Ticker Symbol	Allocation	Quarter	YTD	1 Year	3 Years	5 Years
<b>International Equity</b>		<b>5.1%</b>					
Vanguard International Growth Adm	VWILX	2.3%	2.36%	7.77%	9.02%	-7.21%	8.52%
MSCI ACWI ex US			0.96%	5.69%	11.62%	0.46%	5.55%
Artisan International Value Instl	APHKX	2.9%	1.50%	6.01%	13.71%	7.24%	10.90%
MSCI EAFE			-0.42%	5.34%	11.54%	2.89%	6.46%
<b>Fixed Income</b>		<b>5.5%</b>					
Dodge & Cox Income	DODIX	1.9%	0.51%	0.18%	4.54%	-1.40%	1.44%
iShares Core US Aggregate Bond ETF	AGG	1.4%	0.13%	-0.62%	2.61%	-3.02%	-0.26%
Bloomberg Barclays US Aggregate Bond			0.07%	-0.71%	2.63%	-3.02%	-0.23%
SPDR® Bloomberg 1-3 Month T-Bill ETF	BIL	2.1%	1.31%	2.62%	5.34%	2.96%	2.02%
Barclays Short Treasury 1-3 Month			1.34%	2.68%	5.49%	3.11%	2.17%
<b>Non-Traditional - Hedge</b>		<b>13.9%</b>					
Lighthouse Global Long/Short LTD		5.5%	2.41%	6.40%	8.31%	3.92%	7.48%
Standard Deviation			--	2.85%	2.83%	4.04%	6.31%
Lighthouse Credit Opportunities LTD		3.6%	2.06%	4.36%	12.41%	6.97%	9.07%
Standard Deviation			--	2.49%	3.02%	5.86%	10.97%
Lighthouse Diversified LTD		4.8%	2.06%	5.46%	9.63%	5.84%	5.75%
Standard Deviation			--	2.18%	2.01%	3.06%	9.45%
MSCI ACWI			2.87%	11.30%	19.38%	5.43%	10.76%
Standard Deviation			--	9.89%	14.29%	16.76%	17.43%
Bloomberg Barclays US Aggregate Bond			0.07%	-0.71%	2.63%	-3.02%	-0.23%
Standard Deviation			--	5.59%	7.88%	7.43%	6.23%

Source: Morningstar

# Private Equity Summary

Period Ending March 31, 2024											
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	\$7,500,000	\$5,106,781	\$3,671,799	\$5,037,944	\$8,709,743	\$2,393,219	71.90%	98.65%	170.55%	68.09%	15.07
Hall Capital	\$1,000,000	\$900,000	\$1,400,007	\$675,291	\$2,075,298	\$100,000	155.56%	75.03%	230.59%	90.00%	13.13
SpringHarbour 2013	\$500,000	\$432,500	\$698,246	\$274,256	\$972,502	\$67,500	161.44%	63.41%	224.86%	86.50%	16.64
SVB Capital	\$500,000	\$400,879	\$0	\$466,386	\$466,386	\$99,121	0.00%	116.34%	116.34%	80.18%	7.00
Generation Fund IV	\$1,000,000	\$347,000	\$0	\$315,231	\$315,231	\$653,000	0.00%	90.84%	90.84%	34.70%	-15.07
HarbourVest 2015	\$500,000	\$465,000	\$575,180	\$342,430	\$917,610	\$35,000	123.69%	73.64%	197.34%	93.00%	17.84
HarbourVest 2016	\$500,000	\$425,000	\$421,377	\$375,118	\$796,495	\$75,000	99.15%	88.26%	187.41%	85.00%	18.69
Harbourvest 2017	\$500,000	\$402,500	\$295,015	\$448,071	\$743,086	\$97,500	73.30%	111.32%	184.62%	80.50%	19.12
HarbourVest 2018	\$500,000	\$405,000	\$150,553	\$534,839	\$685,392	\$95,000	37.17%	132.06%	169.23%	81.00%	18.54
HarbourVest 2019	\$500,000	\$359,848	\$74,092	\$500,484	\$574,576	\$140,152	20.59%	139.08%	159.67%	71.97%	20.90
HarbourVest 2020	\$500,000	\$410,000	\$42,383	\$460,747	\$503,130	\$90,000	10.34%	112.38%	122.71%	82.00%	11.11
HarbourVest 2021	\$500,000	\$291,554	\$8,986	\$323,799	\$332,785	\$208,446	3.08%	111.06%	114.14%	58.31%	10.66
HarbourVest 2022	\$500,000	\$187,500	\$5,960	\$230,641	\$236,601	\$312,500	3.18%	123.01%	126.19%	37.50%	46.14
HarbourVest 2023	\$500,000	\$80,000	\$0	\$90,651	\$90,651	\$420,000	0.00%	113.31%	113.31%	16.00%	23.56
Period Ending June 30, 2024											
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	\$7,500,000	\$5,183,431	\$3,744,738			\$2,316,569	72.24%			69.11%	
Hall Capital	\$1,000,000	\$900,000	\$1,400,007			\$100,000	155.56%			90.00%	
SpringHarbour 2013	\$500,000	\$432,500	\$698,246			\$67,500	161.44%			86.50%	
SVB Capital	\$500,000	\$441,279	\$0			\$58,721	0.00%			88.26%	
Generation Fund IV	\$1,000,000	\$347,000	\$0			\$653,000	0.00%			34.70%	
HarbourVest 2015	\$500,000	\$465,000	\$598,735			\$35,000	128.76%			93.00%	
HarbourVest 2016	\$500,000	\$430,000	\$432,254			\$70,000	100.52%			86.00%	
Harbourvest 2017	\$500,000	\$410,000	\$304,462			\$90,000	74.26%			82.00%	
HarbourVest 2018	\$500,000	\$412,500	\$177,588			\$87,500	43.05%			82.50%	
HarbourVest 2019	\$500,000	\$359,848	\$76,117			\$140,152	21.15%			71.97%	
HarbourVest 2020	\$500,000	\$410,000	\$42,383			\$90,000	10.34%			82.00%	
HarbourVest 2021	\$500,000	\$307,804	\$8,986			\$192,196	2.92%			61.56%	
HarbourVest 2022	\$500,000	\$187,500	\$5,960			\$312,500	3.18%			37.50%	
HarbourVest 2023	\$500,000	\$80,000	\$0			\$420,000	0.00%			16.00%	

# Active Manager Peer Group Comparison

Period Ending June 30, 2024					
Assets	Ticker	Morningstar Category	Benchmark		
				3 Year	5 Year
SMID Cap Core					
Eaton Vance Atlanta Capital SMID	ERASX	SMID Cap Core	<i>Russell 2500 - Total Return</i>	20	37
<i>Russell 2500 - Total Return</i>		SMID Cap Core		98	73
Large Cap International Growth					
Vanguard International Growth	VWILX	International Large Cap Growth	<i>MSCI ACWI Ex USA Growth</i>	88	16
<i>MSCI ACWI Ex USA Growth</i>		International Large Cap Growth		54	61
Large Cap International Value					
Artisan International Value Instl	APHKX	International Large Cap Value	<i>MSCI ACWI Ex USA Value</i>	11	1
<i>MSCI ACWI Ex USA Value</i>		International Large Cap Value		54	75
Intermediate-Term Bond					
Dodge and Cox Income	DODIX	Intermediate-Term Bond	<i>Bloomberg Barclays US Aggregate</i>	11	8
<i>Bloomberg Barclays US Aggregate</i>		Intermediate-Term Bond		55	69

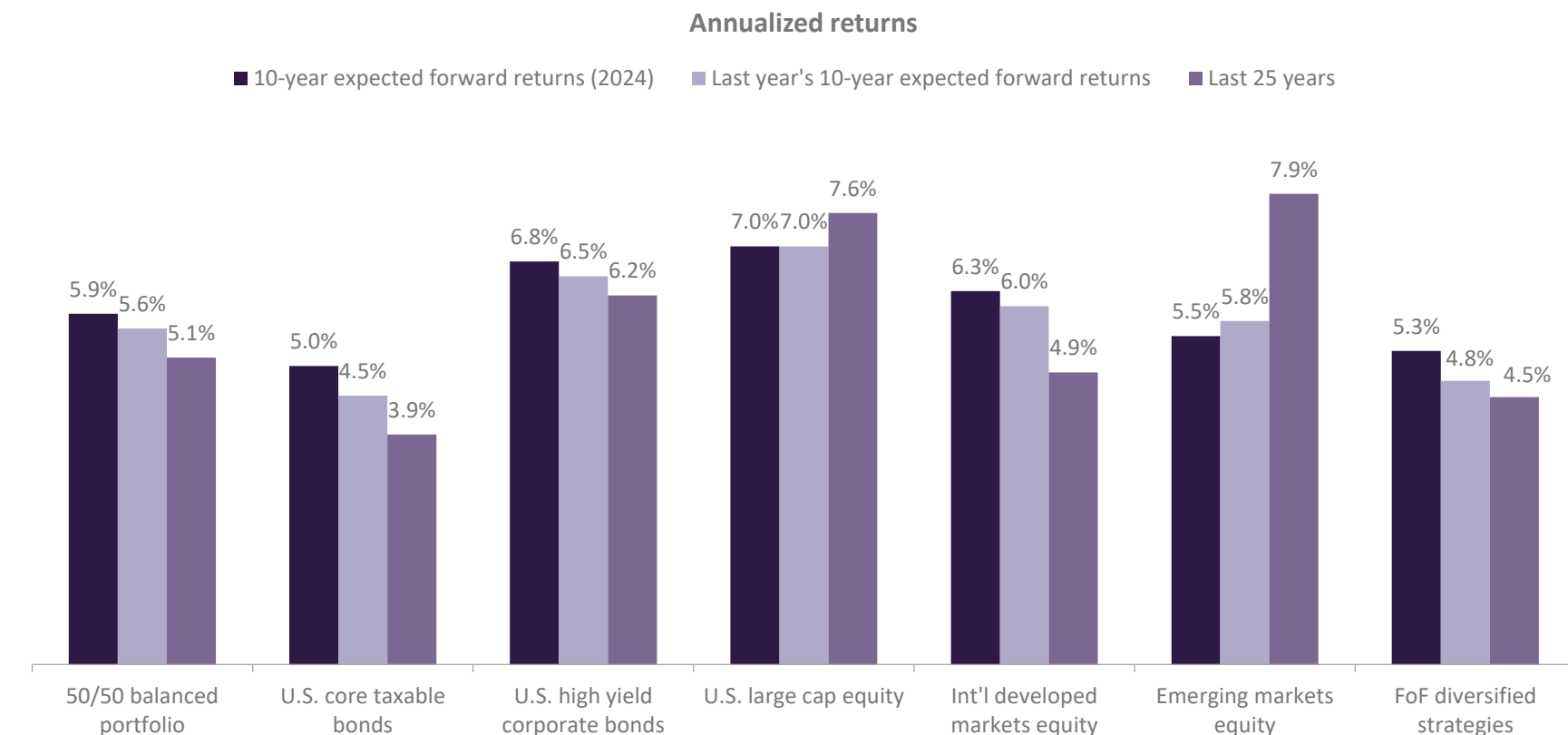
Source: Morningstar

# Quarter Attribution Analysis

Name		Benchmark	Weights %			Return(%)		Contribution%			Attribution Effect(%)			
			Actual	Policy	+/-	Portfolio	Benchmark	+/-	Portfolio	Benchmark	+/-	Broad Category Group Allocation	Manager Selection	Active Return
Large Cap Equity		S&P 500 TR USD	61.56	58.00	3.56	4.39	4.28	0.10	2.67	2.49	0.18	0.05	0.00	0.11
	Vanguard Institutional Index I	S&P 500 TR USD	53.20			4.28	4.28	-0.01	2.25	0.00	2.25		0.00	0.00
	Vanguard Russell 1000 Growth Index I	Russell 1000 Growth TR USD	6.42			8.31	8.33	-0.03	0.44	0.00	0.44		0.00	0.21
	Vanguard Value ETF	CRSP US Large Cap Value TR USD	1.94			-0.88	-0.93	0.05	-0.03	0.00	-0.03		0.00	-0.15
Mid Cap Equity		Russell Mid Cap TR USD	2.73	3.00	-0.27	-3.23	-3.35	0.11	-0.10	-0.10	0.00	0.01	0.02	0.01
	Eaton Vance Atlanta Capital SMID-Cap R6	Russell 2500 TR USD	1.03			-2.98	-4.27	1.29	-0.03	0.00	-0.03		0.01	0.00
	iShares Core S&P Mid-Cap ETF	S&P MidCap 400 TR	1.70			-3.39	-3.45	0.06	-0.06	0.00	-0.06		0.00	0.00
Small Cap Equity		Russell 2000 TR USD	2.76	3.00	-0.24	-3.25	-3.28	0.02	-0.10	-0.10	0.00	0.00	0.00	0.00
	iShares Russell 2000 ETF	Russell 2000 TR USD	2.76			-3.25	-3.28	0.02	-0.10	0.00	-0.10		0.00	0.00
International Equity		MSCI EAFE NR USD	5.14	5.00	0.14	1.88	-0.42	2.30	0.10	-0.02	0.12	-0.01	0.09	0.11
	Artisan International Value Instl	MSCI EAFE NR USD	2.87			1.50	-0.42	1.92	0.04	0.00	0.04		0.05	0.05
	Vanguard International Growth Adm	MSCI ACWI Ex USA NR USD	2.27			2.36	0.96	1.40	0.05	0.00	0.05		0.03	0.06
Non-Traditional		HFRI Fund of Funds Composite Index	22.12	25.00	-2.88	1.57	0.49	1.08	0.34	0.12	0.22	0.03	0.24	0.28
	HFRI Fund of Funds Composite Index	HFRI Fund of Funds Composite Index	8.22			0.49	0.49	0.00	0.04	0.12	-0.08		0.00	0.00
	Lighthouse Credit Opportunities LTD	HFRI Fund of Funds Composite Index	3.59			2.06	0.49	1.57	0.07	0.00	0.07		0.06	0.06
	Lighthouse Diversified LTD	HFRI Fund of Funds Composite Index	4.77			2.06	0.49	1.58	0.10	0.00	0.10		0.08	0.08
	Lighthouse Global Long/Short Fund LTD	HFRI Fund of Funds Composite Index	5.54			2.41	0.49	1.93	0.13	0.00	0.13		0.11	0.11
Fixed Income		Bloomberg US Agg Bond TR USD	5.46	6.00	-0.54	0.68	0.07	0.62	0.04	0.00	0.04	0.00	0.01	0.04
	Dodge & Cox Income I	Bloomberg US Agg Bond TR USD	1.93			0.51	0.07	0.44	0.01	0.00	0.01		0.01	0.01
	iShares Core US Aggregate Bond ETF	Bloomberg US Agg Bond TR USD	1.43			0.03	0.07	-0.04	0.00	0.00	0.00		0.00	0.00
	SPDR® Blmbg 1-3 Mth T-Bill ETF	Bloomberg US Treasury Bill 1-3 M TR USD	2.10			1.29	1.34	-0.05	0.03	0.00	0.03		0.00	0.03
Money Market		FTSE Treasury Bill 3 Mon USD	0.23	0.00	0.23	1.30			0.00	0.00	0.00	0.01	0.00	0.01
	Federated Hermes Treasury Obl Premier	FTSE Treasury Bill 3 Mon USD	0.23			1.30	1.37	-0.07	0.00	0.00	0.00		0.00	0.00
Total			100.00	100.00	0.00	2.96	2.40	0.56	2.96	2.40	0.56	0.10	0.35	0.56

# Efficient Frontier Analysis

# Expected returns are similar to last year's numbers



Data source: Truist IAG, Morningstar

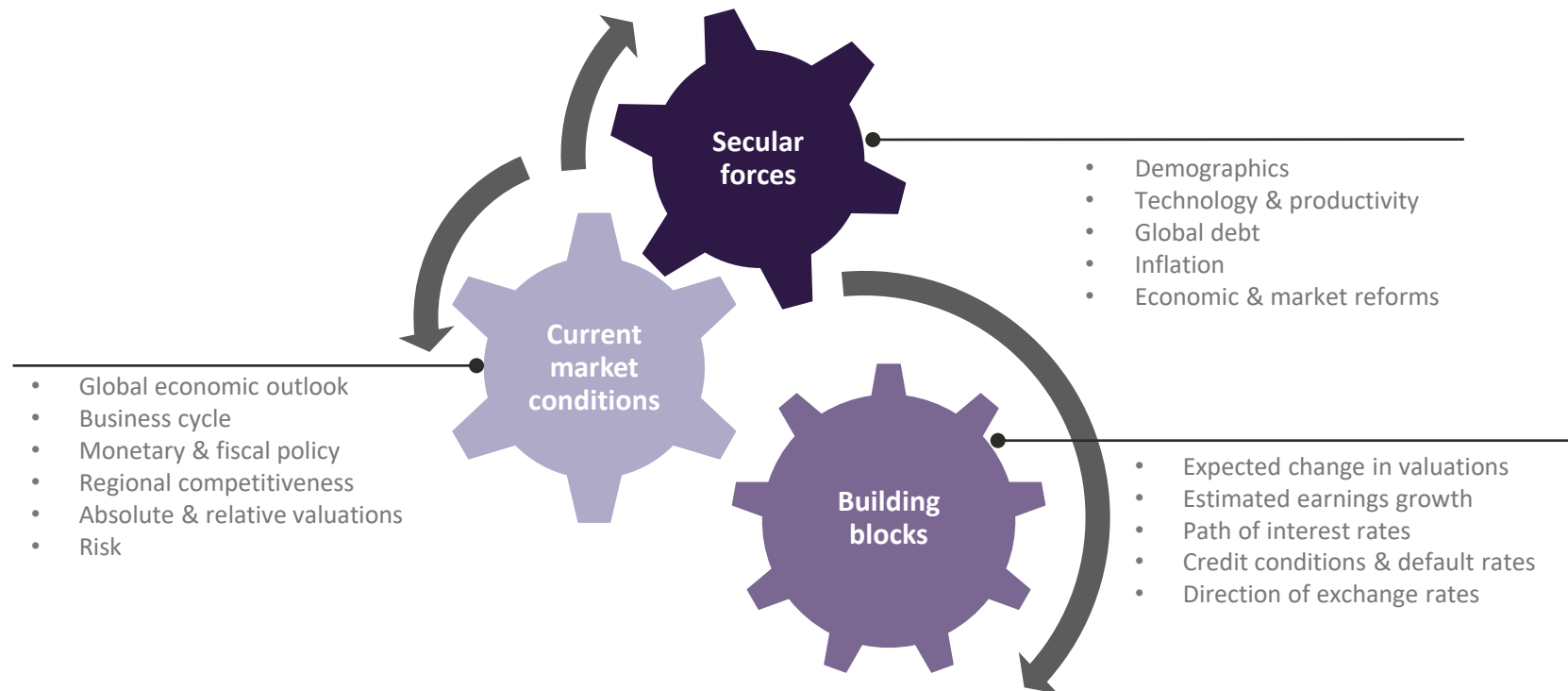
50/50 balanced Portfolio is a reference benchmark composed of a combination of Global Equity and U.S. Intermediate-Term Core Taxable Bonds. Expected returns reflect Truist's current average annual return assumptions (calculated using a geometric mean) over the next 10 years for each asset class as of December 2023, are not guaranteed and are subject to revision without notice. Historical returns are for the last 25 years ending December 2023. 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, Int'l Developed Markets Equity = MSCI EAFE Gross Index, Emerging Markets Equity = MSCI EM Gross 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 returns, risk, and correlations over a 10-year period.

Our process begins with determining the secular forces that 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 walk a fine line between focusing on inflation and supporting economic growth, resulting in a more normalized rate environment—i.e., higher rates for longer.



## Heavy sovereign debt loads

Elevated debt-to-GDP levels should eventually 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.



## Elevated geopolitical risks

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



## Higher productivity

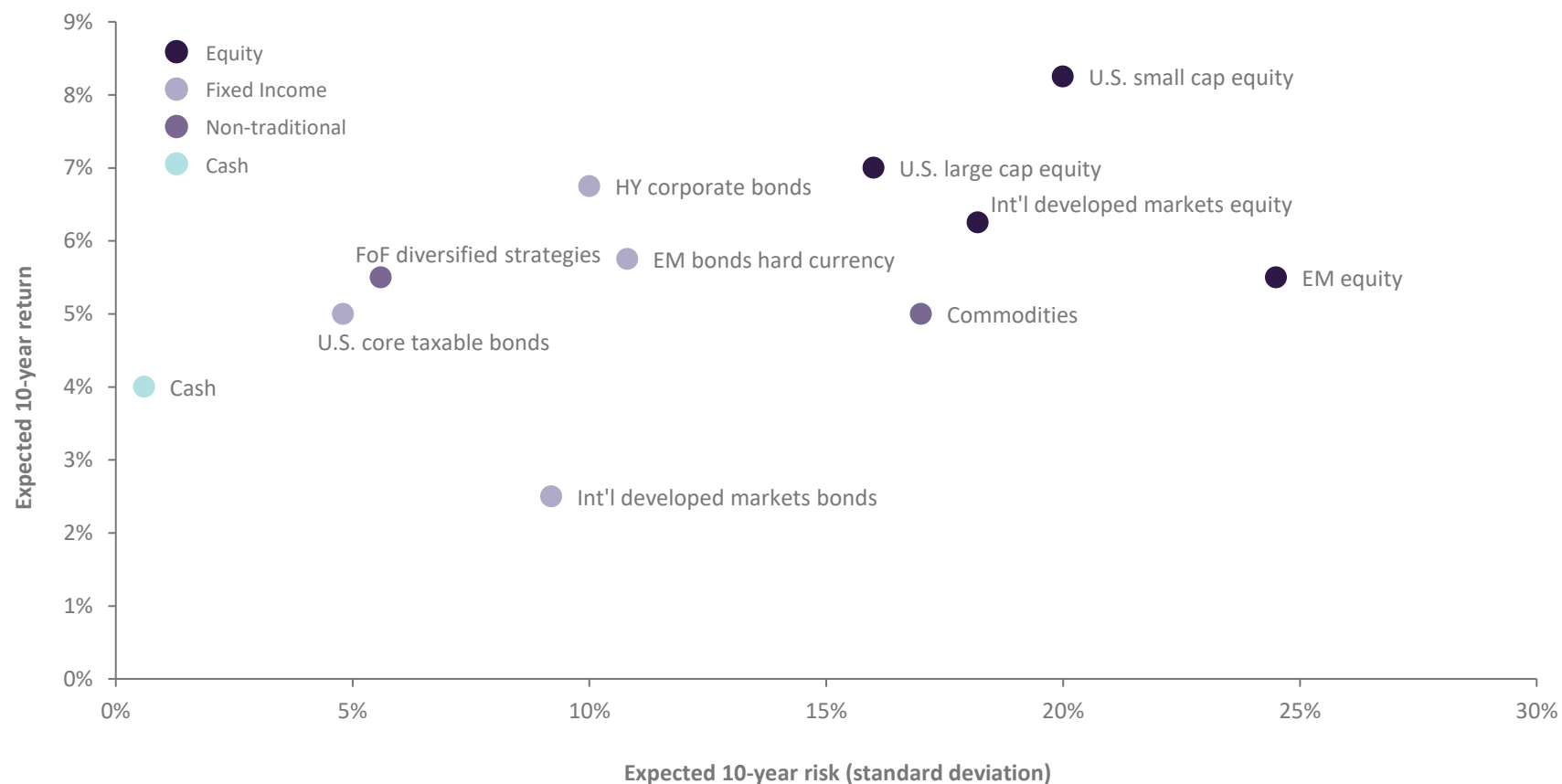
Innovation, such as in artificial intelligence (AI) and automation, should support stronger productivity growth in the future, especially given labor challenges.



## Government/regulatory initiatives

This includes climate change, while tempered to accommodate energy needs, and China's initiatives to address credit and property market excesses as well as "common prosperity" to deal with 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 = ICE BofA Global Government x U.S., EM Bonds = Bloomberg EM USD Sovereign, 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.

# 2024 capital market assumptions

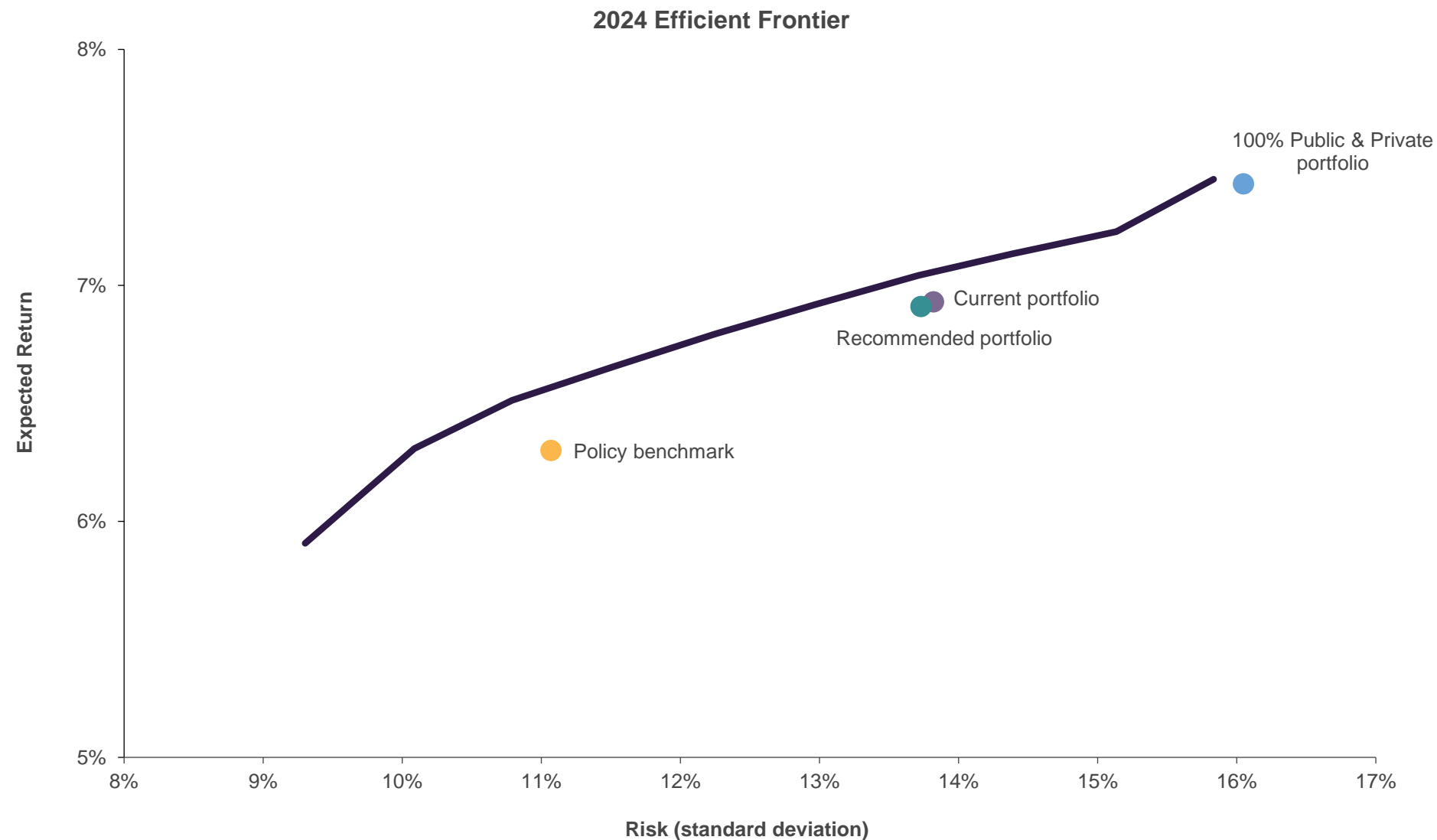
Asset Class	2024 Expected return (geometric)	2023 Expected return (geometric)	2024 Expected risk	2023 Expected risk	10-Year historical return	Long-term historical return	Long-term historical risk
<b>Equity</b>							
Global Equity	6.75	6.75	16.6	16.8	8.48	6.44	15.8
U.S. Large Cap Core Equity	7.00	7.00	16.0	16.0	12.03	7.56	15.4
U.S. Mid Cap Core Equity	7.75	7.75	19.0	19.0	9.28	9.69	18.0
U.S. Small Cap Core Equity	8.25	8.25	20.0	20.0	8.66	9.65	19.6
International Developed Markets Equity	6.25	6.00	18.2	18.2	4.78	4.89	16.7
International Developed Markets Small Cap Equity	7.00	7.00	19.5	19.5	5.20	7.78	18.3
Emerging Markets Equity	5.50	5.75	24.5	24.5	3.05	7.88	21.3
U.S. Real Estate Securities	6.75	6.00	19.0	19.0	7.95	9.47	20.4
<b>Fixed income</b>							
Intermediate-Term Municipal Bonds	3.50	3.25	4.5	4.0	2.58	3.66	3.9
U.S. Intermediate-Term Core Taxable Bonds	5.00	4.50	4.8	4.1	1.81	3.85	4.1
U.S. Government Bonds	4.75	4.00	4.8	4.5	1.27	3.40	4.4
U.S. TIPS	5.50	4.25	6.6	6.6	2.47	4.83	5.9
U.S. Mortgage-Backed Securities	4.25	3.75	4.4	3.5	1.38	3.69	3.6
U.S. Investment Grade Corporate Bonds	6.00	5.75	7.2	6.5	2.95	4.71	6.2
U.S. High Yield Corporate Bonds	6.75	6.50	10.0	10.3	4.52	6.18	9.1
International Developed Markets Bonds	2.50	1.50	9.2	9.2	-1.52	2.08	8.5
Emerging Market Bonds Hard Currency	5.75	6.00	10.8	10.8	2.96	7.83	9.5
<b>Non-traditional</b>							
Liquid Diversified Hedge	4.00	3.50	4.5	4.5	1.38	2.51	3.9
Liquid Hedged Equity	4.25	3.75	6.8	6.5	2.47	2.87	5.4
FoF Diversified Strategies	5.25	4.75	5.6	6.5	3.38	4.48	5.3
FoF Hedged Equity	5.50	5.00	8.5	9.0	3.22	4.66	7.6
Direct Diversified Strategies	6.00	5.50	7.0	7.5	4.53	6.30	6.6
Direct Hedged Equity	6.75	6.25	9.5	10.0	5.21	6.68	9.1
Commodity futures	5.00	5.00	17.0	17.5	-1.11	2.83	16.0
Gold Spot	3.00	3.00	18.0	18.5	5.59	8.19	16.4
<b>Private investments</b>							
Private Equity	9.75	9.75	20.0	20.0	16.88	13.70	16.6
Private Credit	7.75	--	13.0	--	8.59	9.15	13.3
<b>Reserves</b>	<b>4.00</b>	<b>3.00</b>	<b>0.60</b>	<b>0.60</b>	<b>1.25</b>	<b>1.90</b>	<b>0.58</b>
<b>Inflation</b>	<b>2.75</b>	<b>2.75</b>	<b>--</b>	<b>--</b>	<b>2.81</b>	<b>2.55</b>	<b>--</b>

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 December 2023, 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 December 2023 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. Private Equity statistics are as of June 2023. 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%). Past performance is not indicative of future results.

# Asset Allocation Analysis

		ANNUALIZED HISTORICAL RETURN (%) <sup>3</sup>	10-YR FWD EST RETURN (%) <sup>3</sup>	10-YR FWD EST STD DEV (%) <sup>3</sup>	10-YR FWD EST CORREL TO S&P 500 <sup>3</sup>	Portfolio Allocations & Statistics (%)					
						Policy Mix	McKnight Current Portfolio	2023 Efficient Frontier	2024 McKnight Recommended Portfolio	Public & Private Equity Portfolio	Highest Level of Return on Efficient Frontier
Asset Class: Equity	Equity Benchmark					65.0	72.3	69.0	72.0	85.0	80.0
U.S. Large Cap Core Equity	S&P 500	7.56	7.00	16.0	1.00	65.0	53.3	29.4	54.0	63.0	44.0
U.S. Multi Cap Cap Core Equity	S&P 1500	7.81	7.00	16.1	1.00						
U.S. Large Cap Growth Equity	S&P 500 Growth	7.54	7.00	16.2	0.96		6.4	14.5	4.0	5.0	
U.S. Large Cap Value Equity	S&P 500 Value	7.17	7.00	15.9	0.94		1.9	14.5	4.0	5.0	
U.S. Mid Cap Core Equity	S&P MidCap 400	9.69	7.75	19.0	0.92		1.7		2.5	3.0	14.0
U.S. Mid Cap Growth Equity	S&P MidCap 400 Growth	9.17	7.75	19.0	0.93			1.5			
U.S. Mid Cap Value Equity	S&P MidCap 400 Value	10.07	7.75	19.0	0.88			1.5			
U.S. Small and Mid Cap Core Equity	S&P 1000	9.68	8.00	19.2	0.91		1.0				
U.S. Small Cap Core Equity	S&P SmallCap 600	9.65	8.25	20.0	0.86		2.8		2.5	3.0	15.0
U.S. Small Cap Growth Equity	S&P SmallCap 600 Growth	9.40	8.25	20.0	0.87			1.3			
U.S. Small Cap Value Equity	S&P SmallCap 600 Value	9.49	8.25	20.5	0.83			1.3			
International Developed Markets Equity	MSCI EAFE GR USD	4.89	6.25	18.2	0.86		5.2	5.0	5.0	6.0	5.0
Emerging Markets Equity	MSCI EM GR USD	7.88	5.50	24.5	0.69						2.0
U.S. Real Estate Securities	DJ Equity All REIT	9.47	6.75	19.0	0.73						
Asset Class: Fixed Income	Fixed Income Benchmark					35.0	3.4	6.0	4.0		
U.S. Intermediate-Term Core Taxable Bonds	Bloomberg U.S. Aggregate Bond	3.85	5.00	4.8	0.30	35.0	3.4	6.0	4.0		
Asset Class: Non-Traditional	Non-Traditional Benchmark						22.1	25.0	22.0	15.0	20.0
FoF Diversified Strategies	HFRI FOF: Diversified Index	4.48	5.25	5.6	0.74		4.8	9.0	5.0		
FoF Hedged Equity	HFRI FOF: Strategic Index	4.71	5.50	8.5	0.81		5.5	5.0	5.5		
Distressed Debt	HFRI ED: Distressed/Restructuring Index	7.23	6.50	11.0	0.62		3.6	3.0	3.5		10.0
Private Equity	Cambridge Associates U.S. Private Equity	13.70	9.75	20.0	0.77		8.2	8.0	8.0	15.0	10.0
Asset Class: Reserves	Reserves Benchmark						2.2		2.0		
Reserves	ICE BofA U.S. 3M Trsy Bill	1.90	4.00	0.6	-0.08		2.2		2.0		
TOTALS						100.0	100.0	100.0	100.0	100.0	100.0
Expected Return (%) <sup>3</sup>						6.30	6.93	6.87	6.91	7.43	7.45
Expected Standard Deviation (%) <sup>3</sup>						11.07	13.82	13.24	13.73	16.05	15.83
Historical Return (%) <sup>3</sup>						6.42	7.47	7.32	7.42	8.43	8.63
Historical Standard Deviation (%) <sup>3</sup>						10.26	12.83	12.40	12.74	15.04	14.56
1-Yr Best Case Scenario (%) (Mean+2 Standard Deviations) <sup>4</sup>						28.4	34.6	33.4	34.4	39.5	39.1
1-Yr Worst Case Scenario (%) (Mean-3 Standard Deviations) <sup>4</sup>						-26.9	-34.5	-32.9	-34.3	-40.7	-40.1
Expected Sharpe Ratio (R <sub>F</sub> = 4.00%)						0.21	0.21	0.22	0.21	0.21	0.22
Historical Sharpe Ratio (R <sub>F</sub> = 1.90%)						0.44	0.43	0.44	0.43	0.43	0.46

# Efficient Frontier Analysis



# Important Disclosures

## Efficient Frontier Asset Allocation Table

Notes:

1. Data sources include: Truist IAG, Morningstar, HFR, MSCI, LSTA
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 December 31, 2023 (depending on the availability of data) and are calculated using a geometric mean. Private investment benchmark returns are through June 30, 2023. 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.
8. Private investments have a higher risk profile than other asset classes and are not suitable for all investors. These risks include a long-term investment horizon and rigid liquidity constraints. Generally, little public information exists for private and thinly traded companies, and there is a risk that investors may not be able to make a fully informed investment decision.
9. Sharpe ratio calculation assumes risk-free rate has a standard deviation of zero.

## **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**	3.9%
Distribution From Foundation	<u>5.0%</u>
Target Total Return	9.9%

\*\* Real inflation is Biomedical Research and Development Price Index ("BRDPI") published by the U.S. Bureau of Economic Analysis for **FY 2024** (the 12 months ended **12/31/2023**).

## APPENDIX B

### McKnight Brain Research Foundation Portfolio Guidelines

<u>Asset Class</u>	<u>2023</u> <u>Efficient</u> <u>Frontier</u>	<u>Range</u>	<u>Benchmark</u>	<u>Peer Group*</u>
Large Cap Equity	<del>58.0%</del> 58.4%	30% - 60%	S & P 500	Pure Large Cap Core
Mid Cap Equity	3.0%	2% - 14%	Russell Mid Cap	Mid Cap
Small Cap Equity	<del>3.0%</del> 2.6%	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	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>3.9%</u>
	9.9%

\*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 2024 (the 12 months ended 12/31/2023).**

## **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.

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\* 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, 2024

EQUITY ASSET CLASSES Total Return	2Q24	YTD	1 Yr
MSCI ACWI (Global Equity)	2.87	11.30	19.38
Large Cap - S&P 500	4.28	15.29	24.56
Large Cap Growth (R1000 Growth)	8.33	20.70	33.48
Large Cap Value (R1000 Value)	-2.17	6.62	13.06
Mid Cap (Russell MidCap)	-3.35	4.96	12.88
Small Cap (R2000)	-3.28	1.73	10.06
International Dev'd (MSCI EAFE)	-0.42	5.34	11.54
International Emerging Markets (MSCI EM)	5.00	7.49	12.55

FIXED INCOME ASSET CLASSES Total Return	2Q24	YTD	1 Yr
Core Fixed Income - BBg Aggregate	0.07	-0.71	2.63
US Government (BBg US Govt)	0.11	-0.83	1.61
Investment Grade Corporates (BofA US Corp)	0.12	0.04	5.04
High Yield Corporates (BofA US High Yield)	1.09	2.62	10.45
US Mortgage-Backed Secs (BBg US MBS)	0.07	-0.96	2.12
Non-US Fixed Income (BBg Global Aggregate)	-1.10	-3.16	0.93

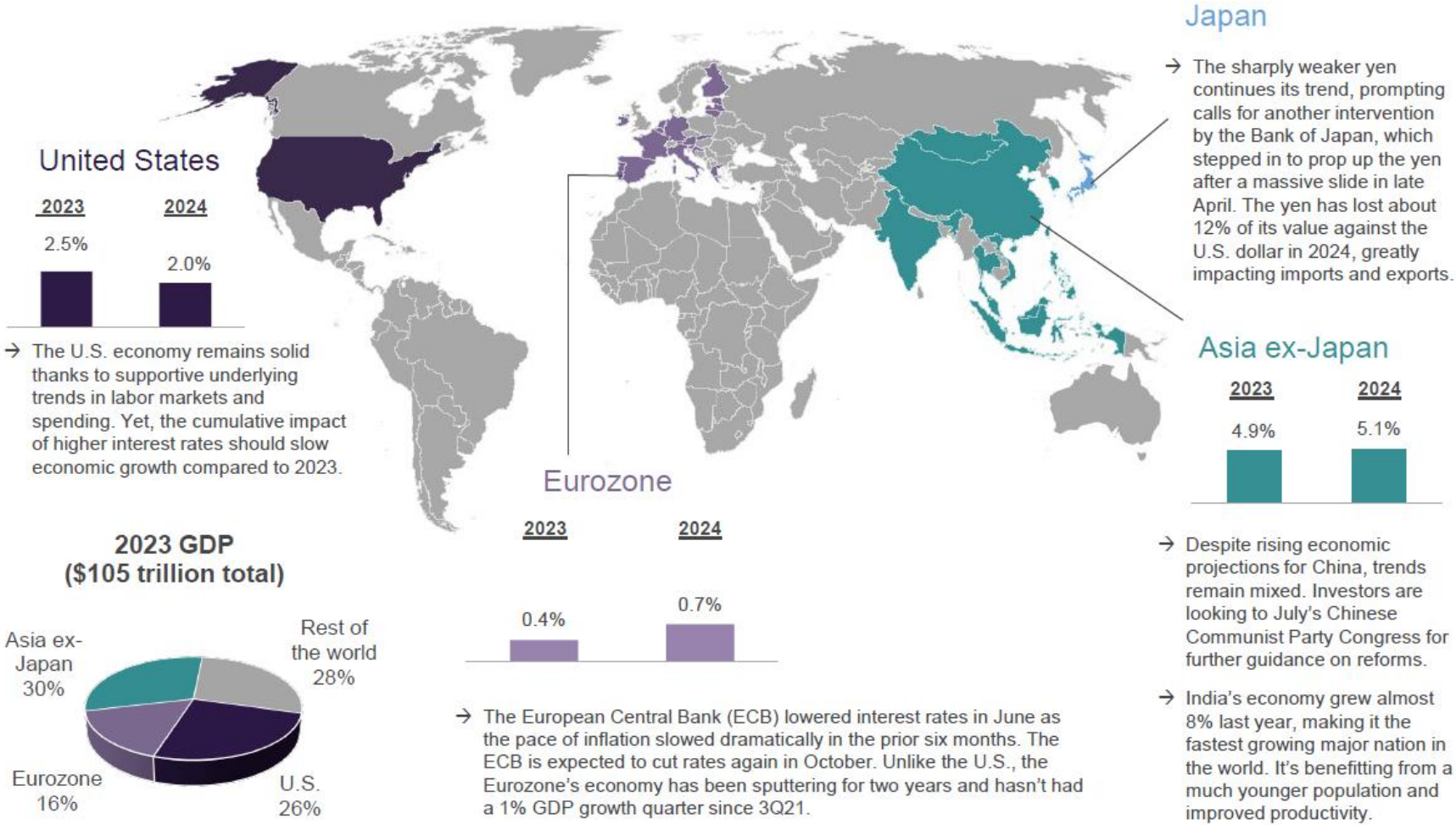
OTHER ASSET CLASSES Total Return	2Q24	YTD	1 Yr
REITs (FTSE Nareit All Equity REITs)	-0.90	-2.19	5.78
Commodities (BBg Commodity)	2.89	5.14	5.00
Gold (S&P GSCI Gold)	4.93	12.66	20.62

Rates (%)	6/30/24	3/31/24	12/31/23	9/30/23	6/30/23
Fed Funds Target	5.50	5.50	5.50	5.50	5.25
T-Bill, 3-Month	5.36	5.34	5.35	5.45	5.31
2-Year Treasury	4.72	4.62	4.25	5.03	4.87
5-Year Treasury	4.34	4.22	3.84	4.60	4.12
10-Year Treasury	4.37	4.20	3.87	4.57	3.81
30-Year Treasury	4.53	4.34	4.03	4.70	3.85
Bloomberg Aggregate (YTW)	5.00	4.85	4.53	5.39	4.81
Bloomberg Municipal Bond Blend 1-15 Year	3.49	3.19	2.88	4.05	3.23
ICE BofA US High Yield	7.85	7.68	7.65	8.90	8.56
Currencies	6/30/24	3/31/24	12/31/23	9/30/23	6/30/23
Euro (\$/€)	1.07	1.08	1.10	1.06	1.09
Yen (¥/\$)	160.86	151.35	140.98	149.23	144.54
Pound (\$/£)	1.26	1.26	1.27	1.22	1.27
Commodities	6/30/24	3/31/24	12/31/23	9/30/23	6/30/23
Crude Oil (WTI)	81.54	83.17	71.65	90.79	70.64
Gold	2,340	2,238	2,072	1,866	1,929
Volatility	6/30/24	3/31/24	12/31/23	9/30/23	6/30/23
CBOE VIX	12.44	13.01	12.45	17.52	13.59

U.S. style % total returns (S&P indexes)						
QTD				YTD		
Value	Core	Growth		Value	Core	Growth
-2.10	4.28	9.59	Large	5.79	15.29	23.56
-3.52	-3.45	-3.38	Mid	0.45	6.17	11.70
-4.85	-3.11	-1.40	Small	-4.72	-0.72	3.30



# Global growth outlook: resilient but below-trend

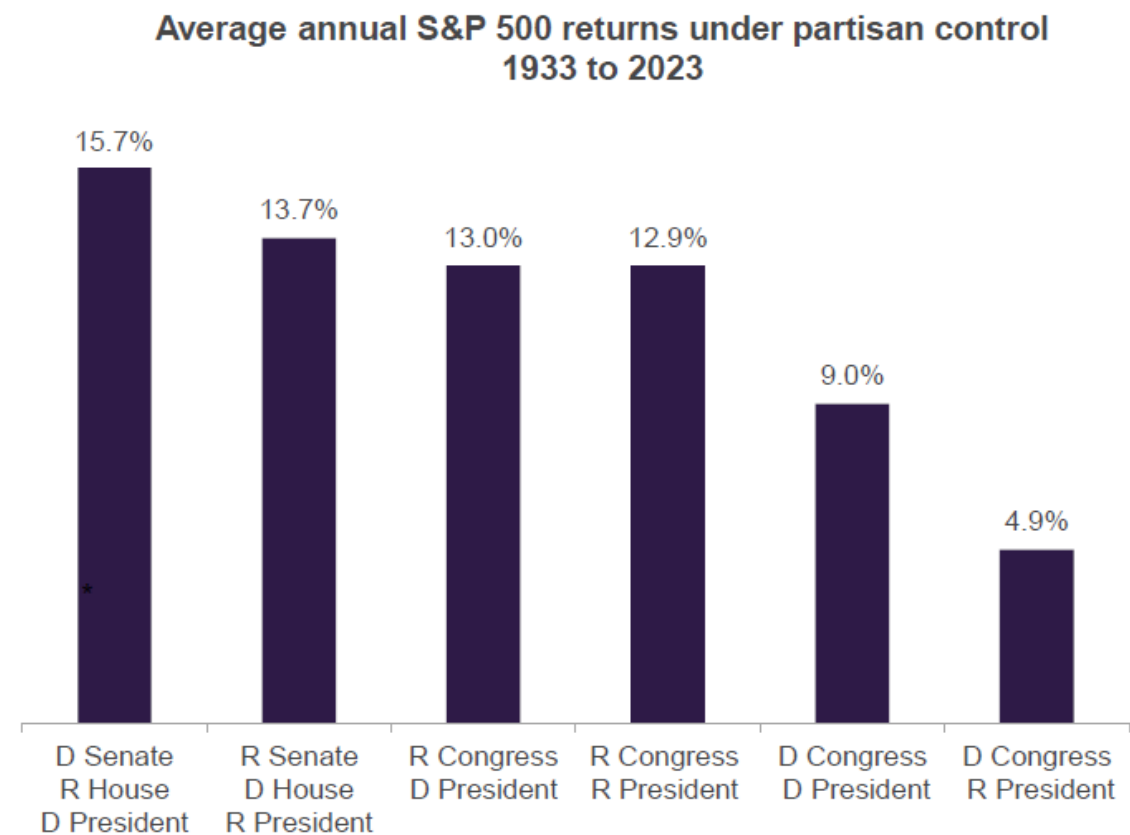


# Geopolitical dynamics to be shaped by elections in 2024

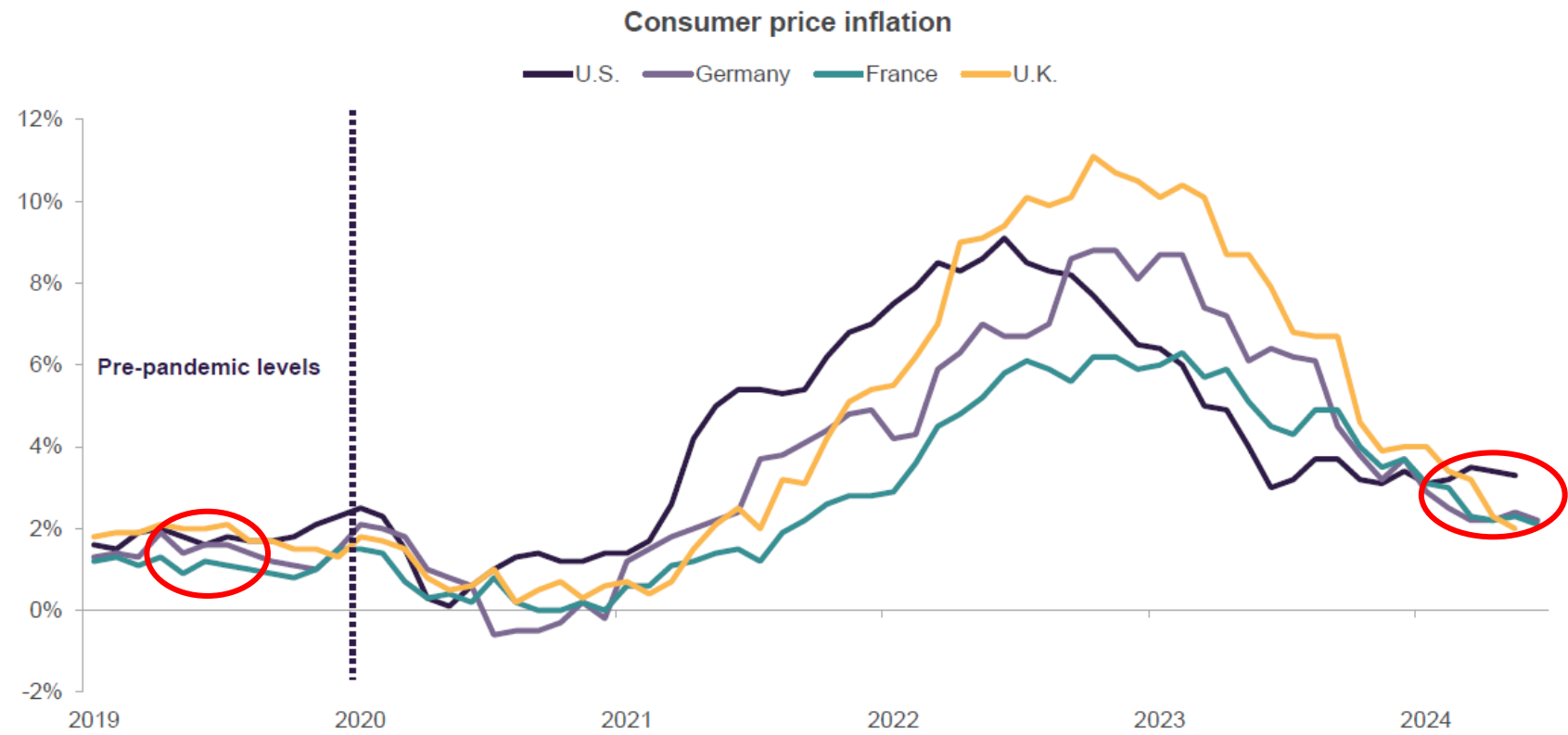
United States	Europe	United Kingdom	Mexico & India
<p><b>Political debates earlier than typical cycle:</b></p> <ul style="list-style-type: none"><li>• Vice presidential debate July 23 or Aug 13</li><li>• Presidential debate September 10</li></ul> <p><b>Shifting Congressional power</b></p> <p>The balance of power in Congress will likely shift as a record number of incumbents decided not to seek re-election in 2024 – 53 members of Congress, 8 U.S. Senators and 45 U.S. House members.</p>	<p><b>EU Parliamentary elections</b></p> <p>Far-right parties made significant gains, though mainstream parties held their majorities. Thus, European Commission President Ursula von der Leyen should get a second 5-year term.</p> <p><b>France</b></p> <p>President Macron called for snap parliamentary elections in early July with candidates from his coalition running in third place in recent polls.</p> <p><b>Germany</b></p> <p>Dismal results in EU parliamentary elections by Chancellor Olaf Scholz's ruling CDU/CSU alliance have dented his mandate and are struggling to pass a 2025 budget.</p>	<p><b>Snap parliamentary elections</b></p> <p>Current Prime Minister Rishi Sunak called for snap parliamentary elections in early July following heavy losses in regional elections.</p>	<p><b>Mexico general election</b></p> <p>Claudia Sheinbaum, the former mayor of Mexico City, won in a landslide as the first female president, while her governing coalition narrowly missed a supermajority.</p> <p><b>India parliamentary elections</b></p> <p>Prime Minister Modi's Bharatiya Janata Party (BJP) was stunned as it lost its majority, but Modi remained as PM thanks to a new coalition.</p>

# Market has done fine under a wide range of partisan control

**OUR TAKE:** Factors outside of Washington tend to have greater market impact. For this year, the ability of the Federal Reserve to engineer a soft landing and the path of inflation will have a greater impact on the market than the results of the 2024 election.

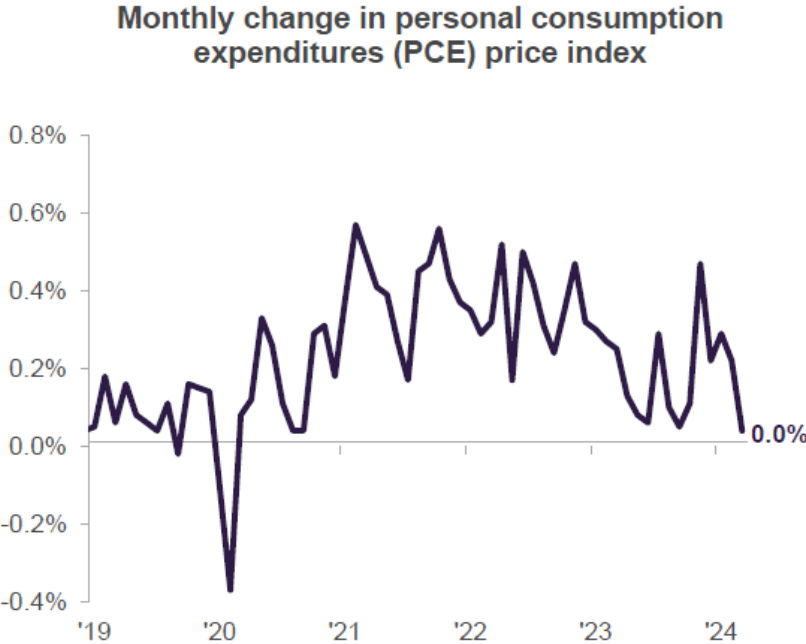
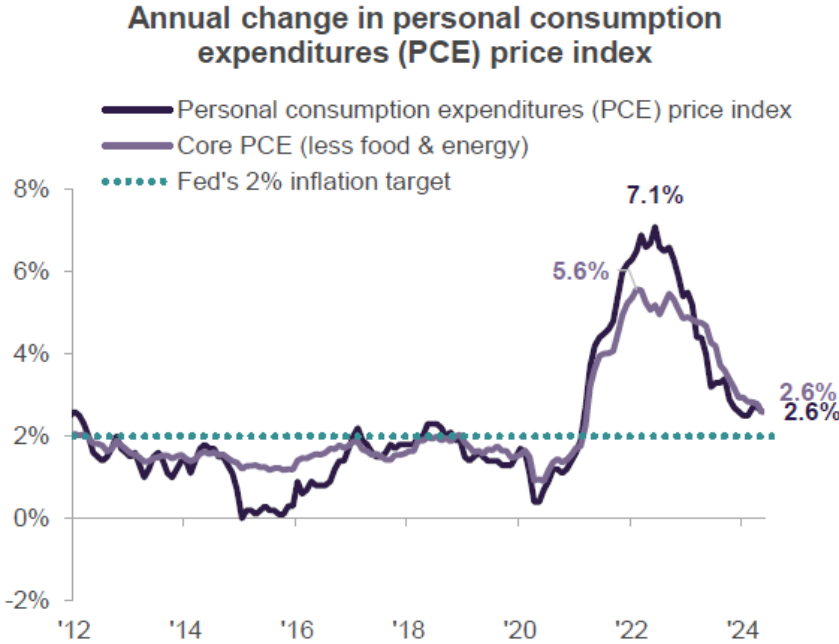


Global inflation has declined sharply though still above pre-pandemic levels



# Fed's preferred inflation gauge has cooled into Fed's 2024 expectation

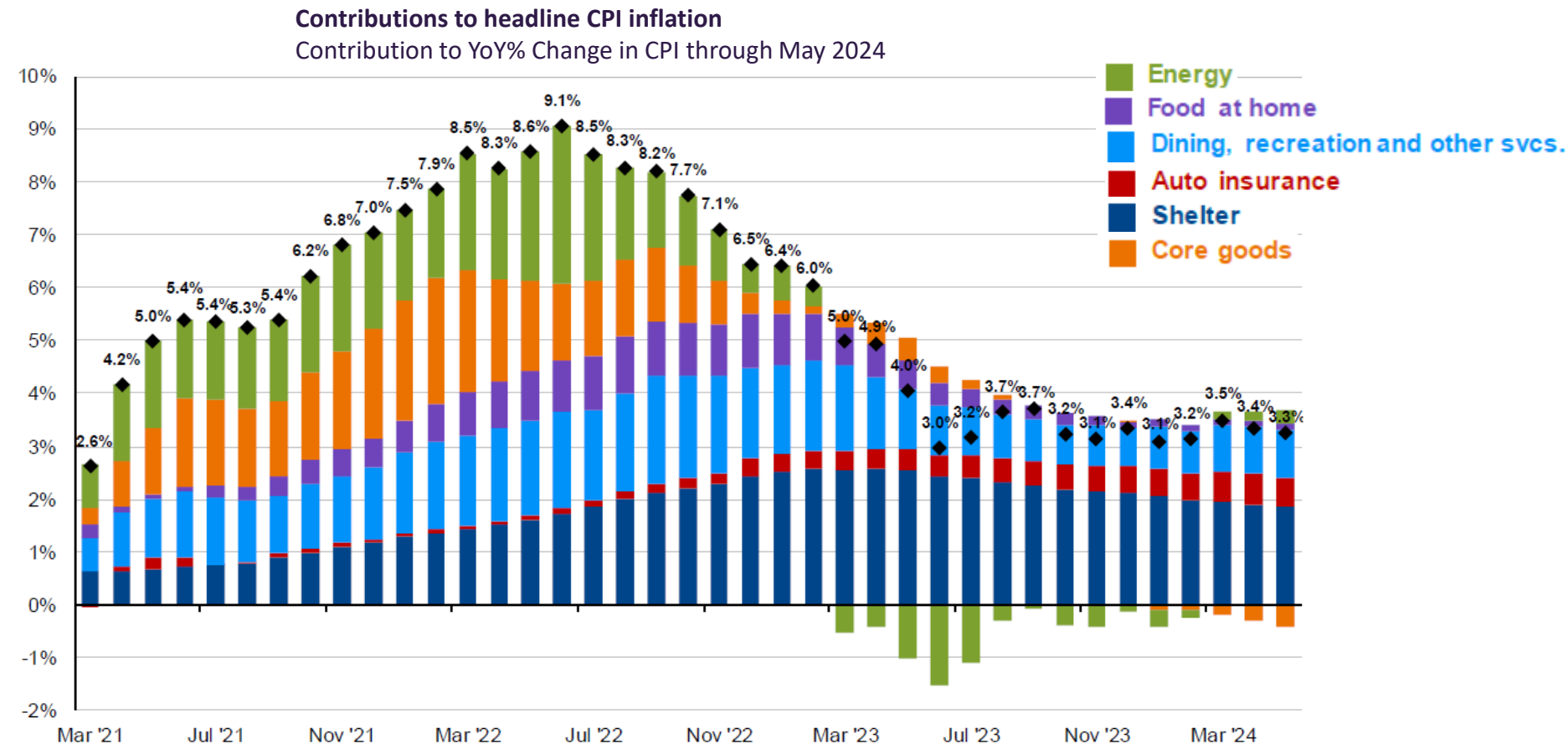
**OUR TAKE:** The PCE Deflator, the Fed's preferred inflation gauge, was flat in May, the coolest reading in six months. The PCE Deflator, at 2.6%, is precisely at the Fed's projections for 2024, marking its lowest reading since 2021 and substantially below its 7.1% peak in March 2022.





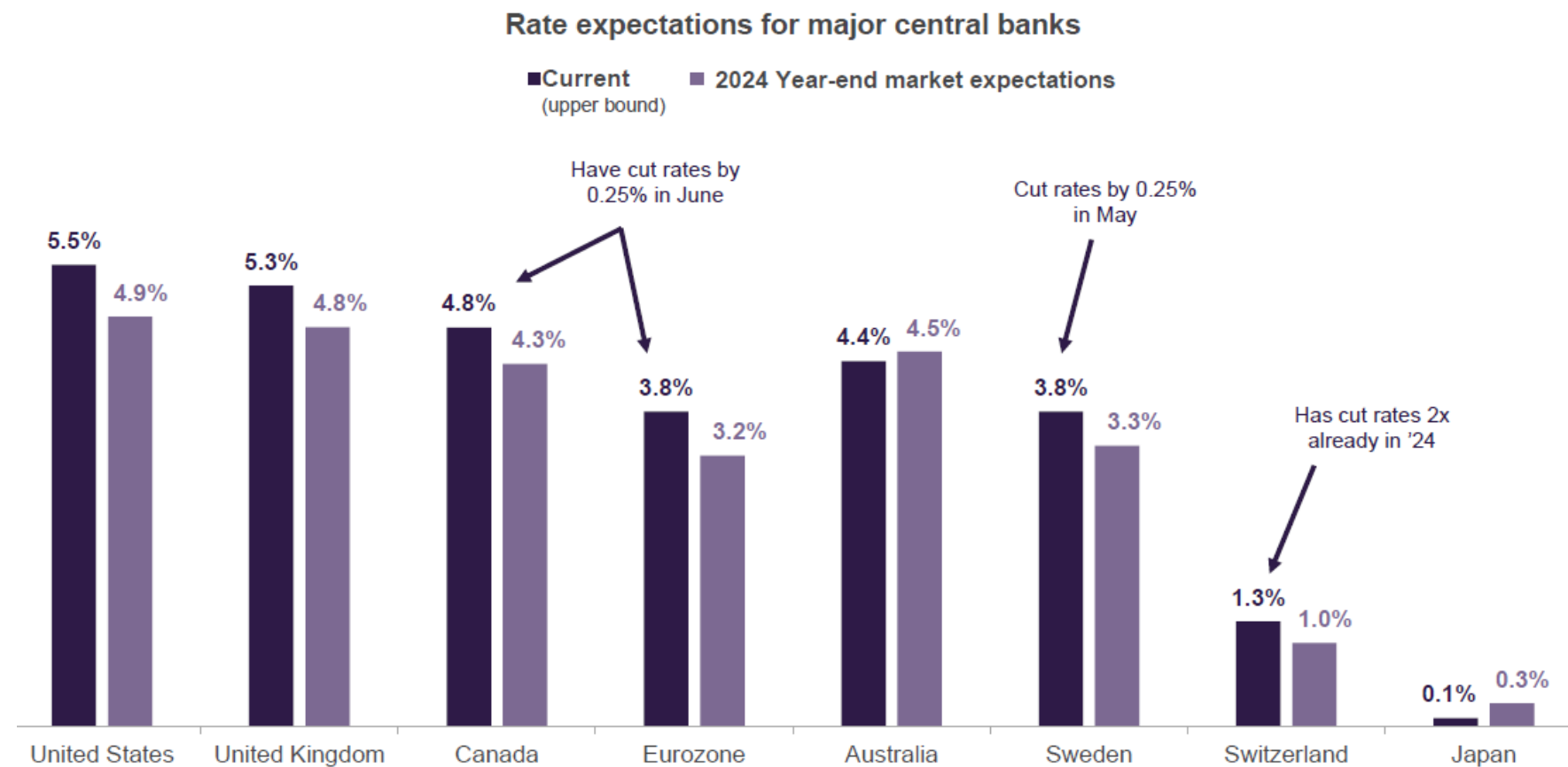
# Stickier inflation coming from Services sector

**OUR TAKE:** Service sector inflation, particularly from leisure, auto insurance, and shelter, is contributing to stickier CPI



Sources: Truist IAG, Bureau of Labor Statistics, FactSet, J.P. Morgan. "Shelter" includes owners' equivalent rent, rent of primary residence, and home insurance.

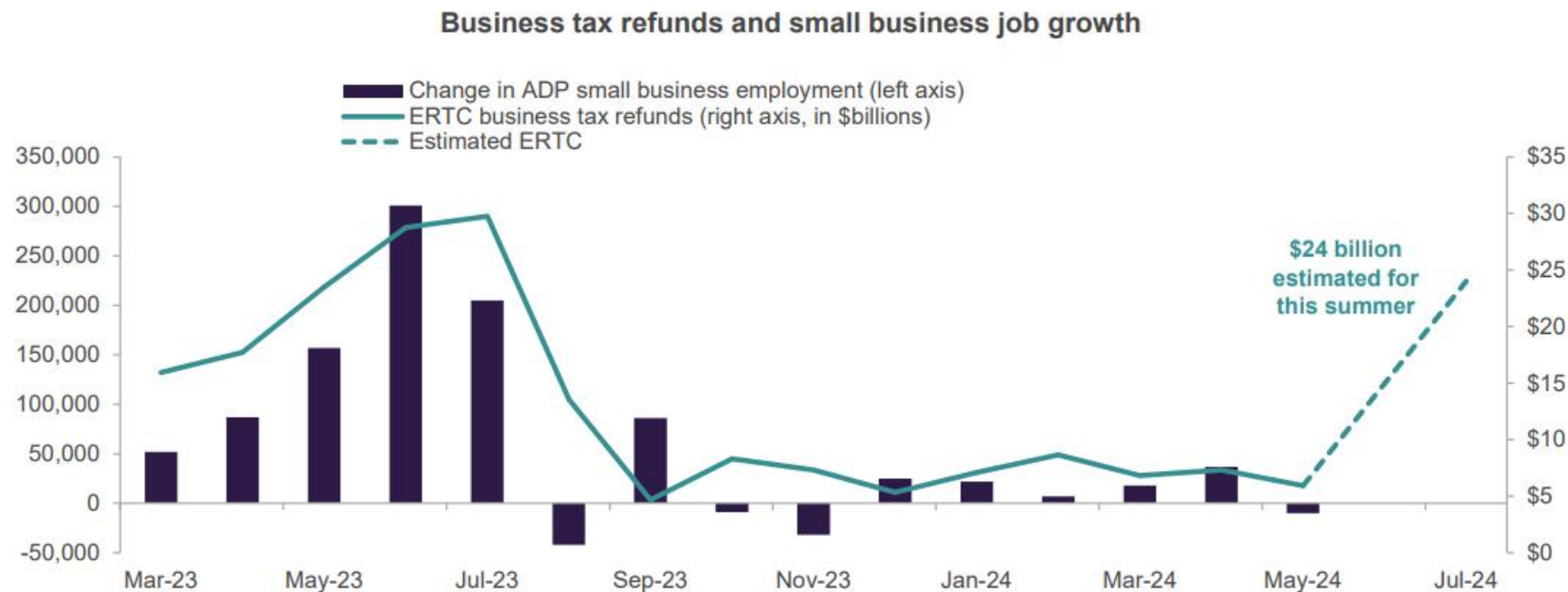
# Markets expect most major central banks to lower rates further this year



Sources: Truist IAG, Bloomberg. Current is primary policy rate; market expectations are based on market implied rates as of 6.26.24

# Fiscal policy that helped support small business jobs set to ramp up soon

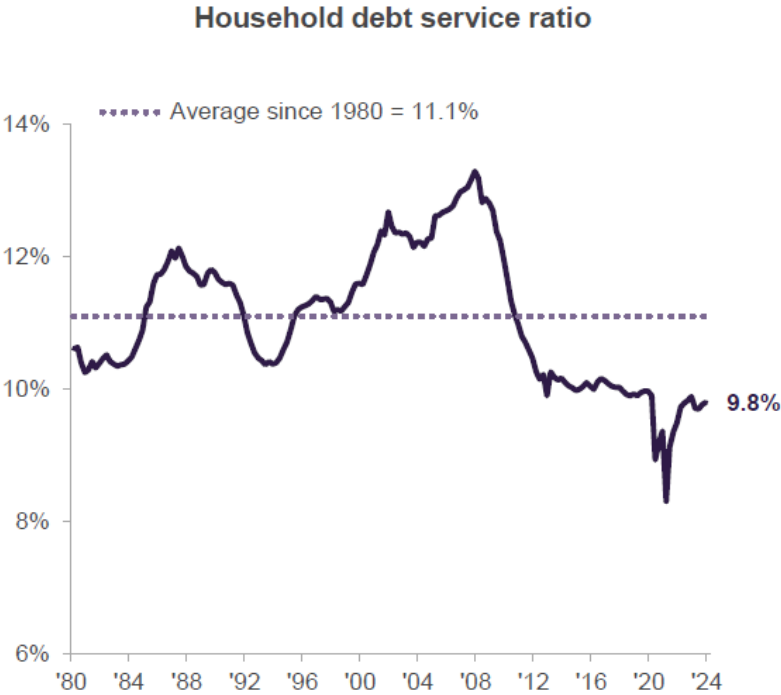
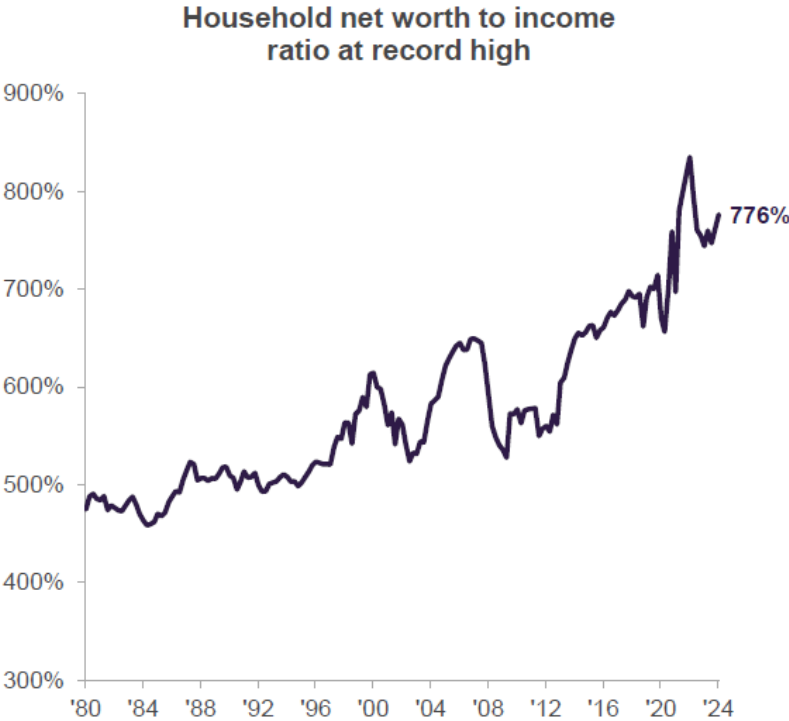
Business tax refunds for the Employee Retention Tax Credit (ERTC) – a COVID-era program designed for small businesses to keep employees on their payrolls – appear to have helped drive job growth. These tax credits are set to ramp higher this summer, potentially issuing \$24 billion to small businesses. The Internal Revenue Service (IRS) stated that 1.4 million applications were pending, with an estimated 67% approval rate.



Data source: Truist IAG, Strategas Research Partners; Strategas estimate for summer 2024.

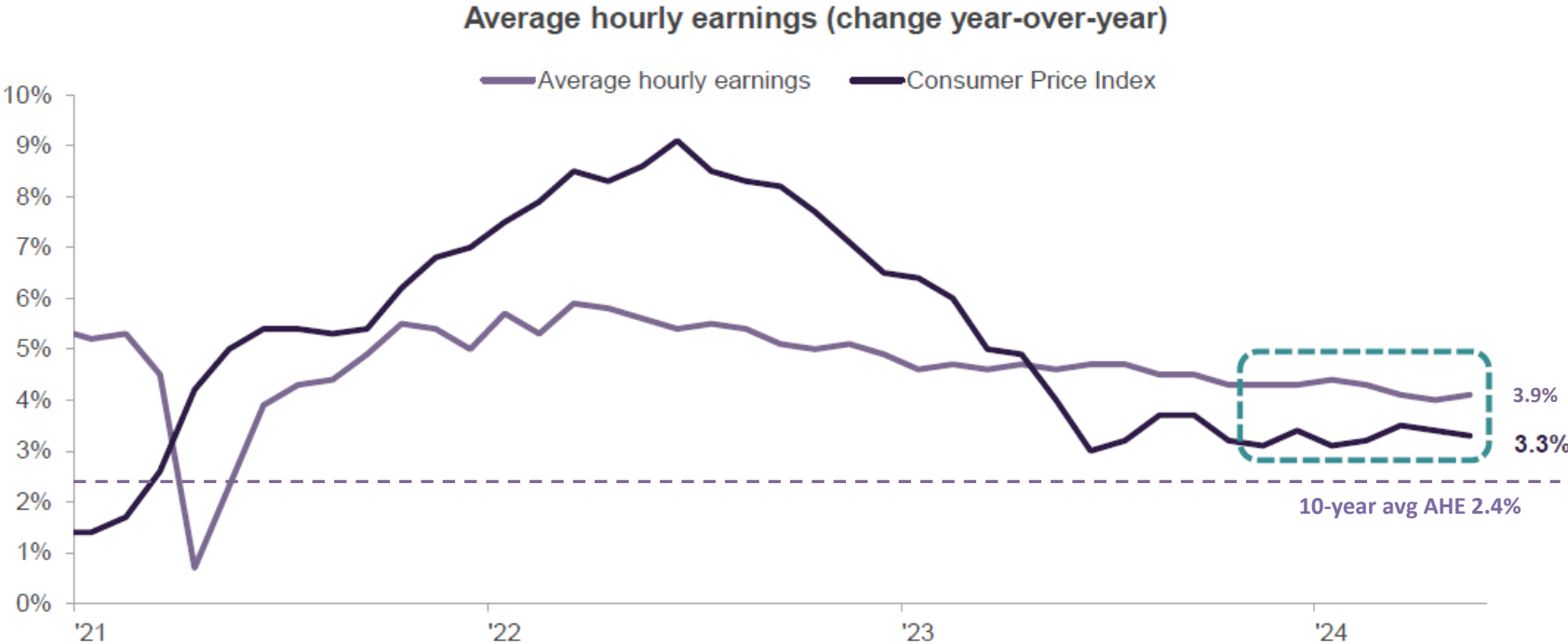
# The consumer – over 2/3<sup>rd</sup>s of the U.S. economy – still in generally good shape

**OUR TAKE:** Delinquencies have begun to normalize after being depressed during the pandemic period, yet nearly 97% of consumers remain current on their payments.



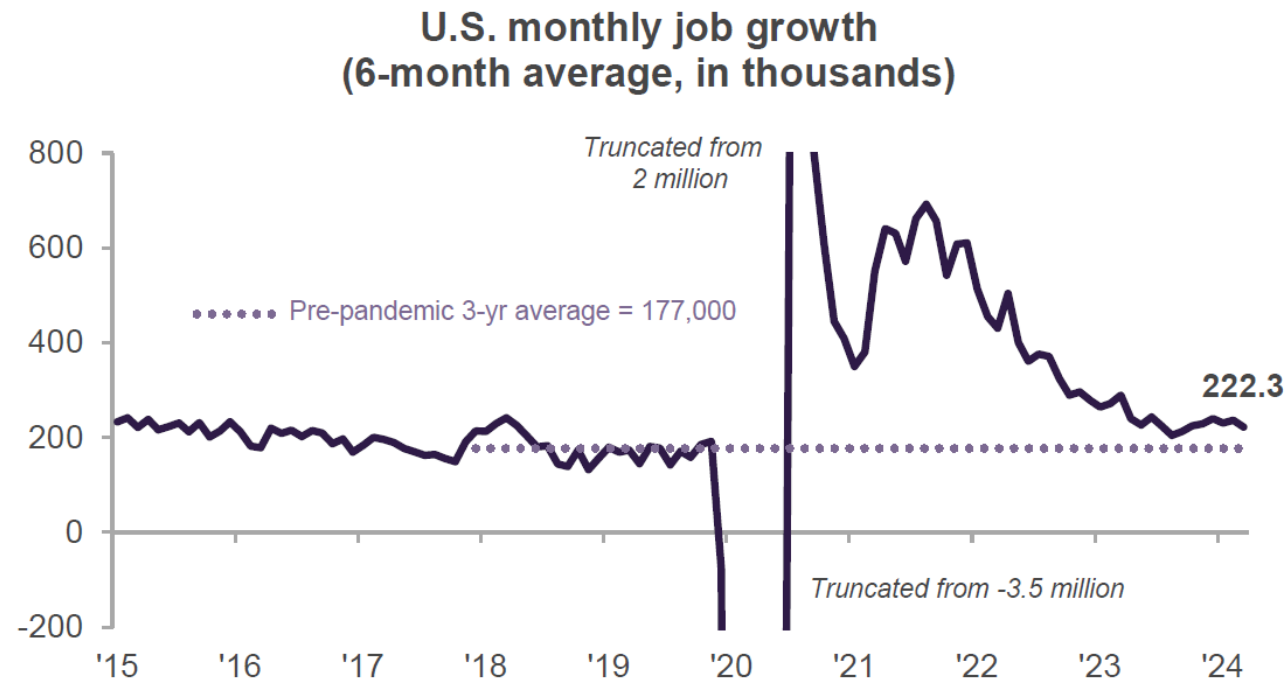
# Wages growing above inflation, helping consumers

**OUR TAKE:** Wage growth is running at 3.9%, well above the pre-pandemic average of 2.4%. Moderating inflation has helped consumers get some additional breathing room in their personal budgets



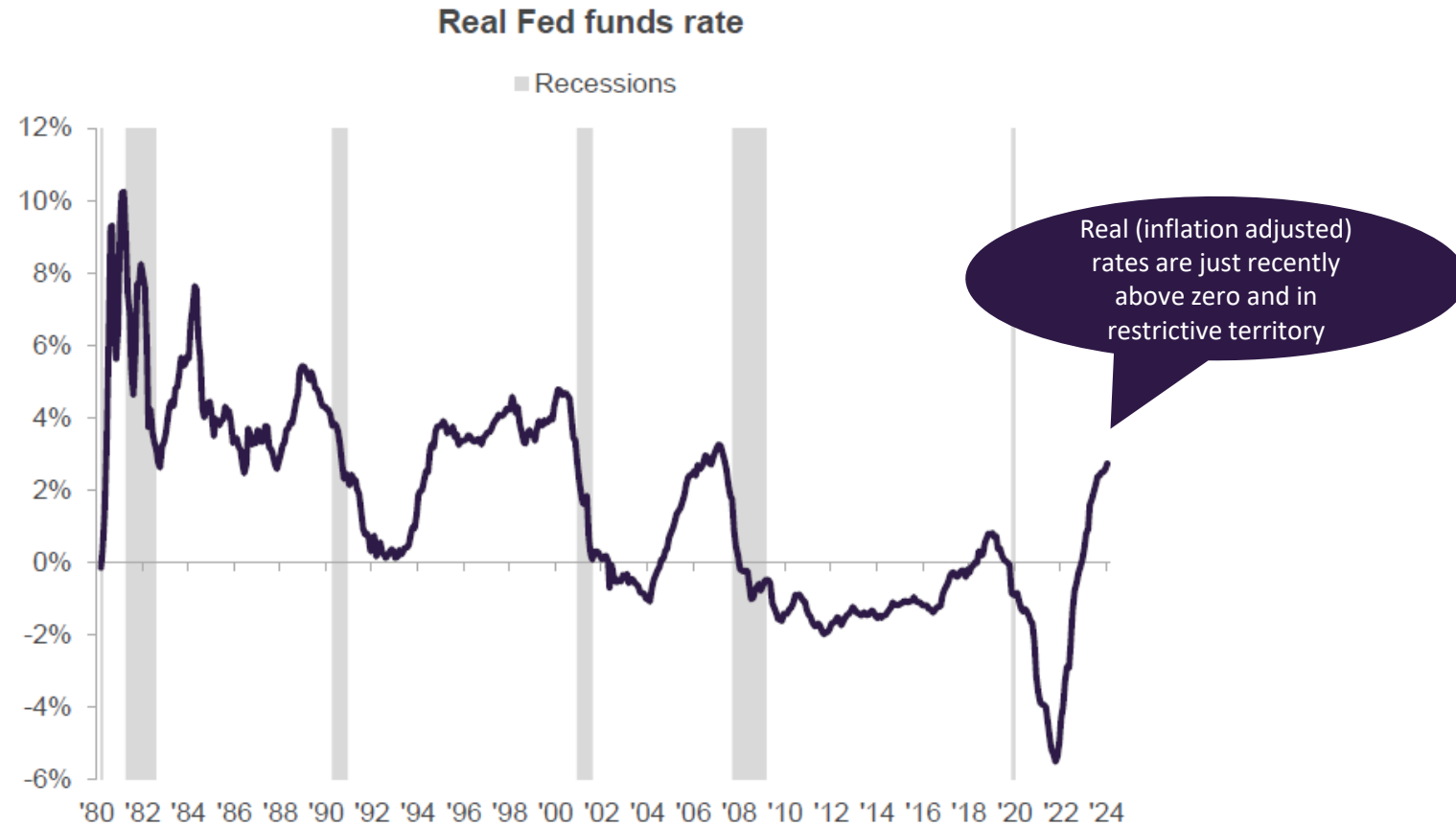
## Labor market is cooler, but certainly not weak

**OUR TAKE:** The labor market is resilient but cooling, which reflects similar trends in the broader economy. Yet, as the comparison below illustrates, it isn't weak in an historical context. For now, we see this cooling trend as normal.

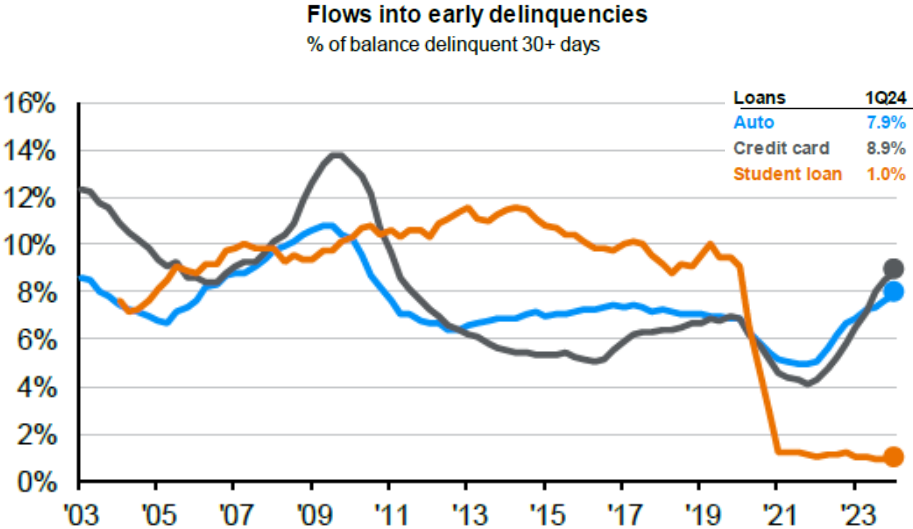
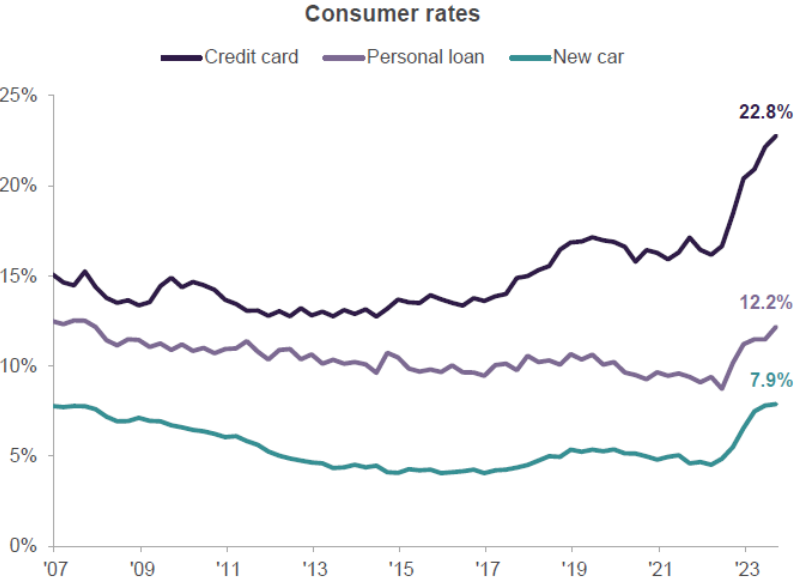


## The real Fed funds rate is now in restrictive territory as inflation eases

**OUR TAKE:** The real – or inflation-adjusted – Fed funds rate is at its highest level in almost 17 years. That said, it was at the lowest level in history during the pandemic and negative for a decade after 2008 creating perhaps the largest monetary stimulus episode in history.



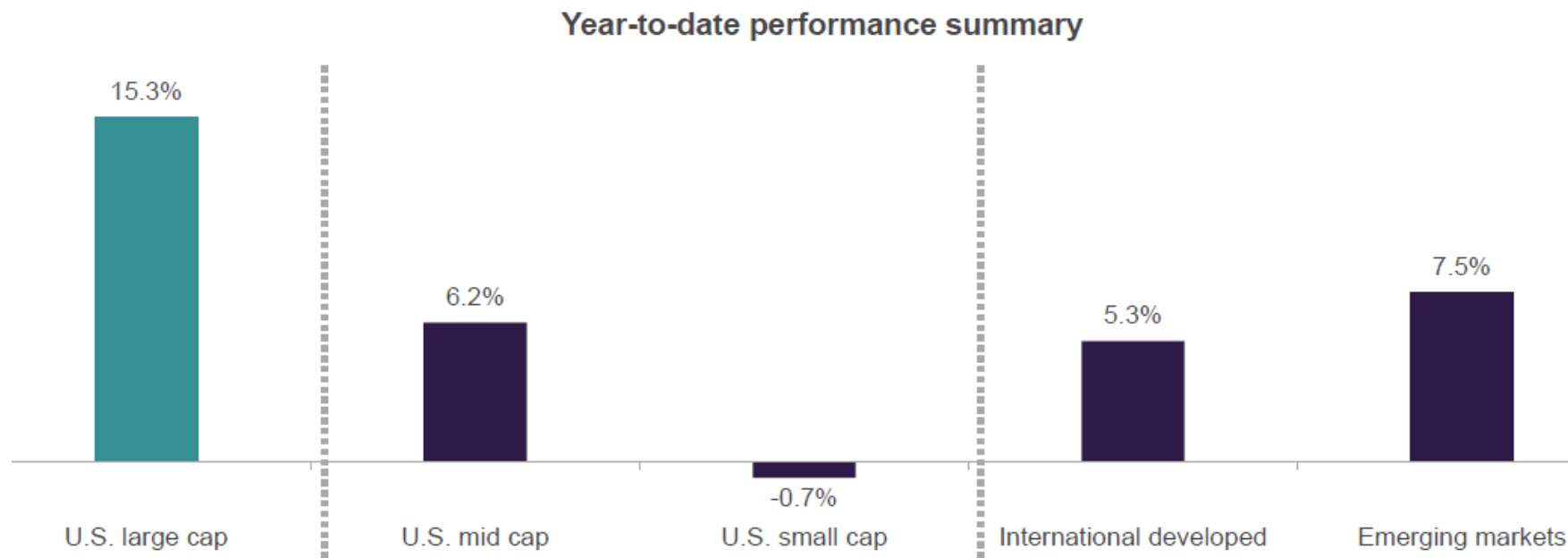
# Higher-for-longer interest rates are starting to have an impact





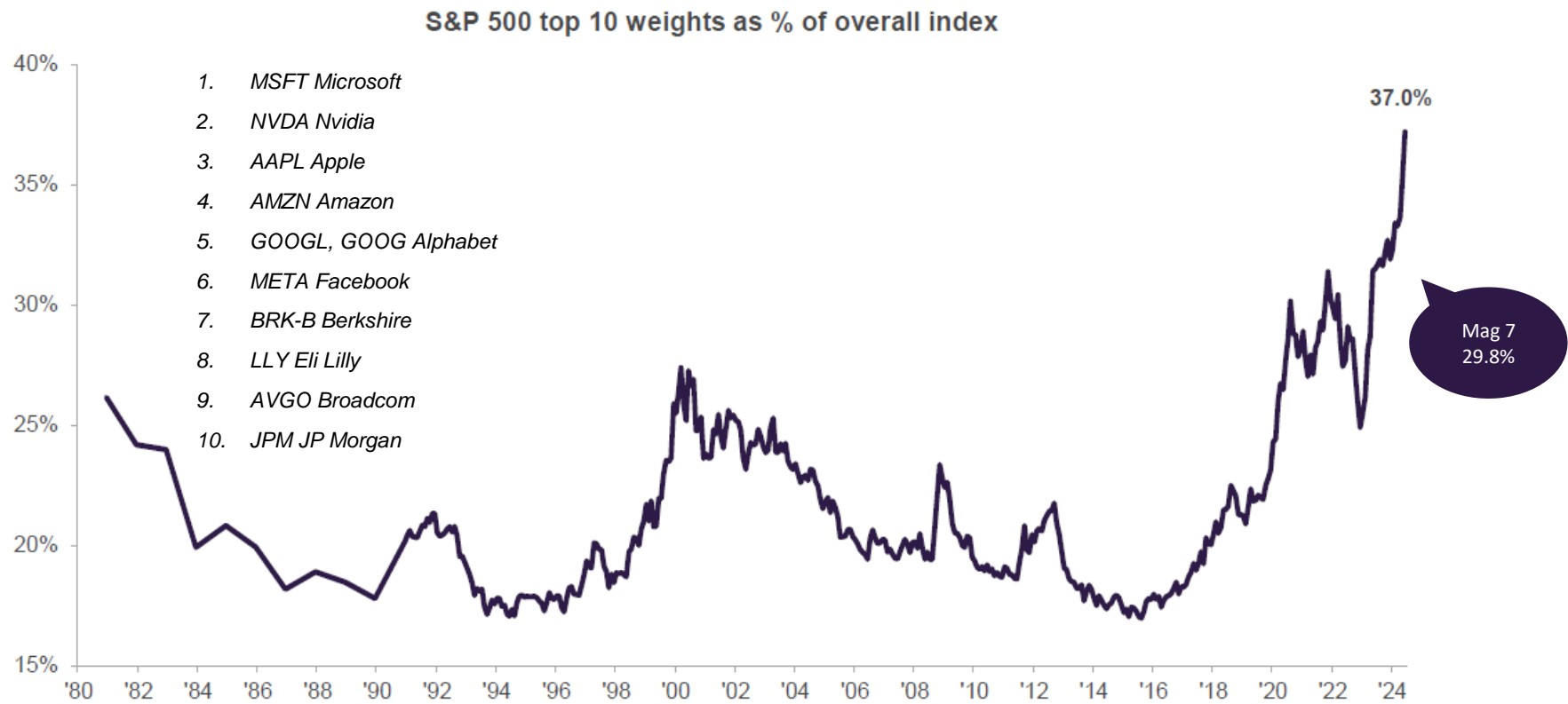
## Our tactical positioning within equities has generally been additive in 2024

**OUR TAKE:** Our preferences within equities have generally been a positive with our overweight to large cap U.S. equities relative to small and mid caps and international markets.



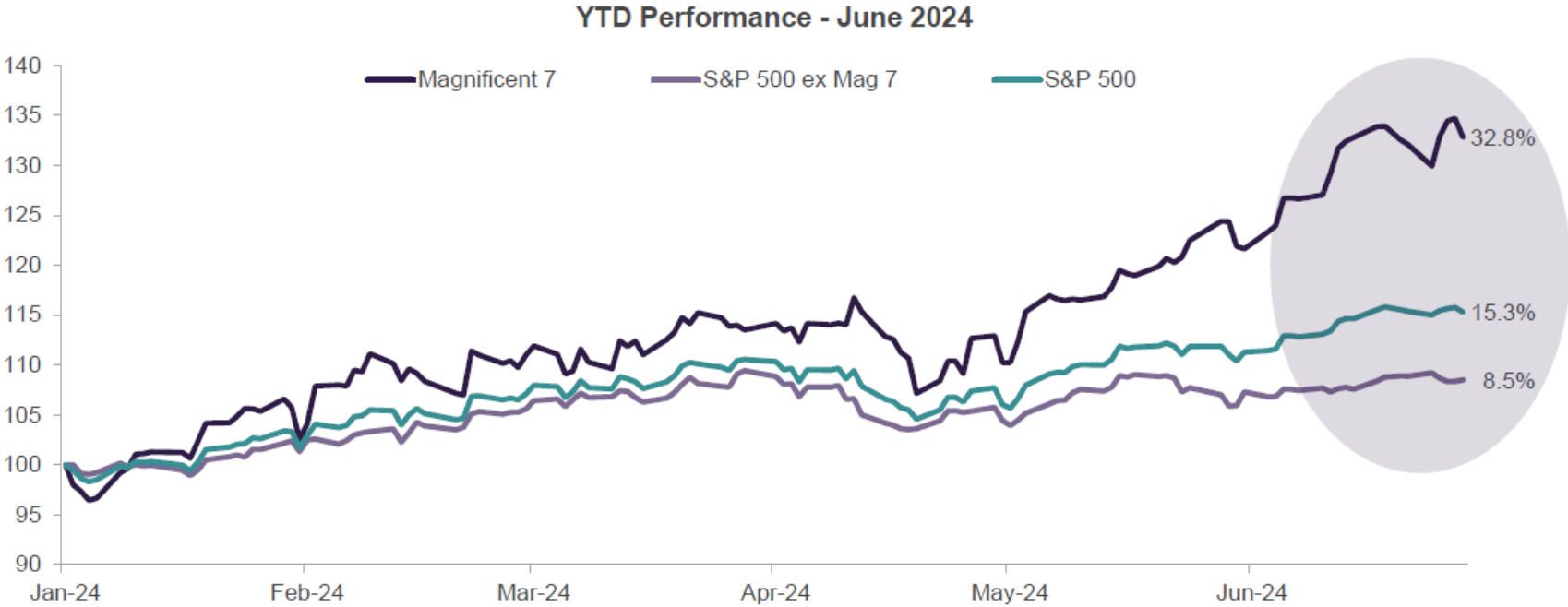
# Concentration within S&P 500 at record high level

**OUR TAKE:** The 10 largest stocks in S&P 500 have accounted for majority of market returns since 2023

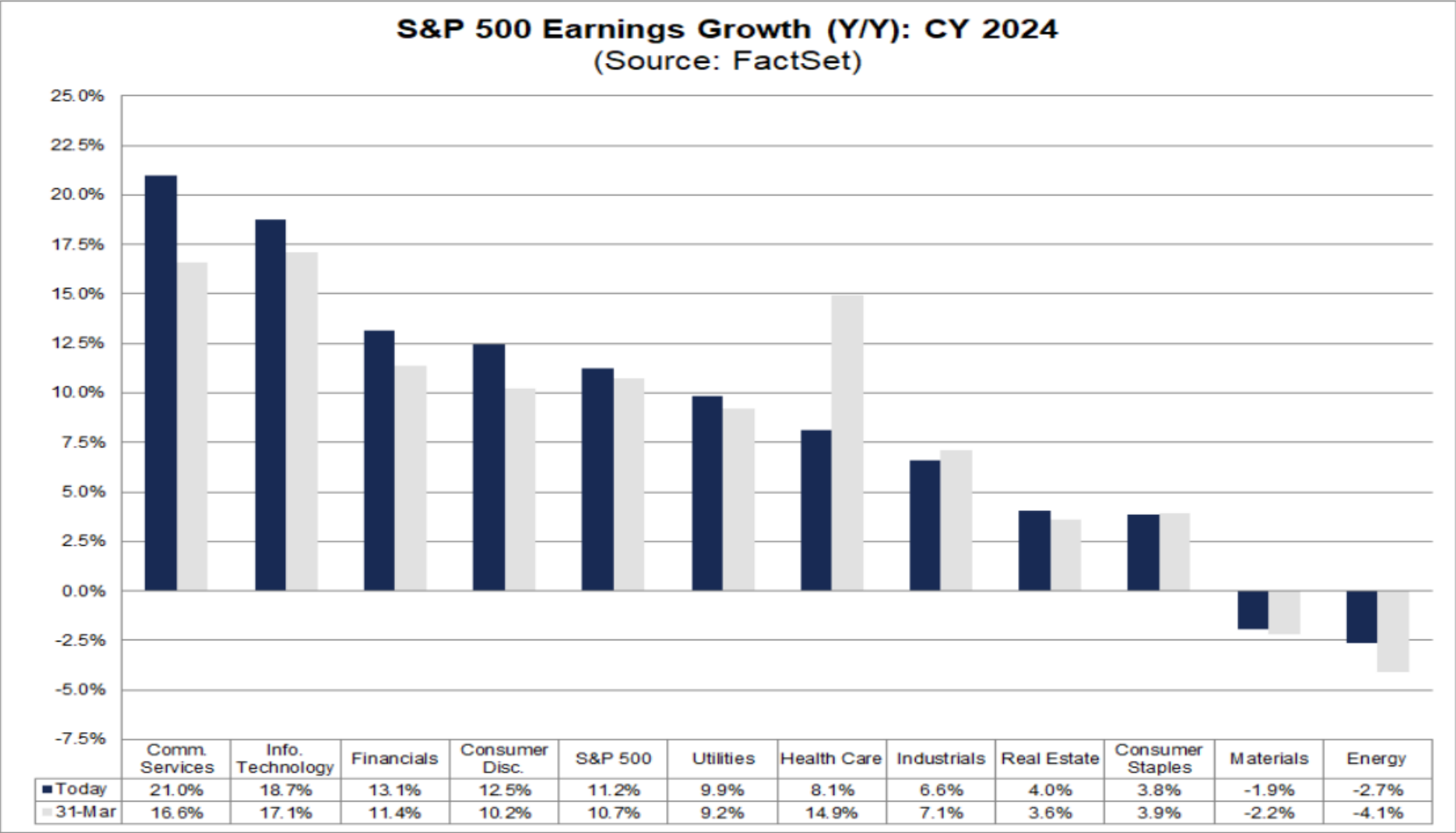


# Magnificent 7 growth stocks extend their YTD outperformance

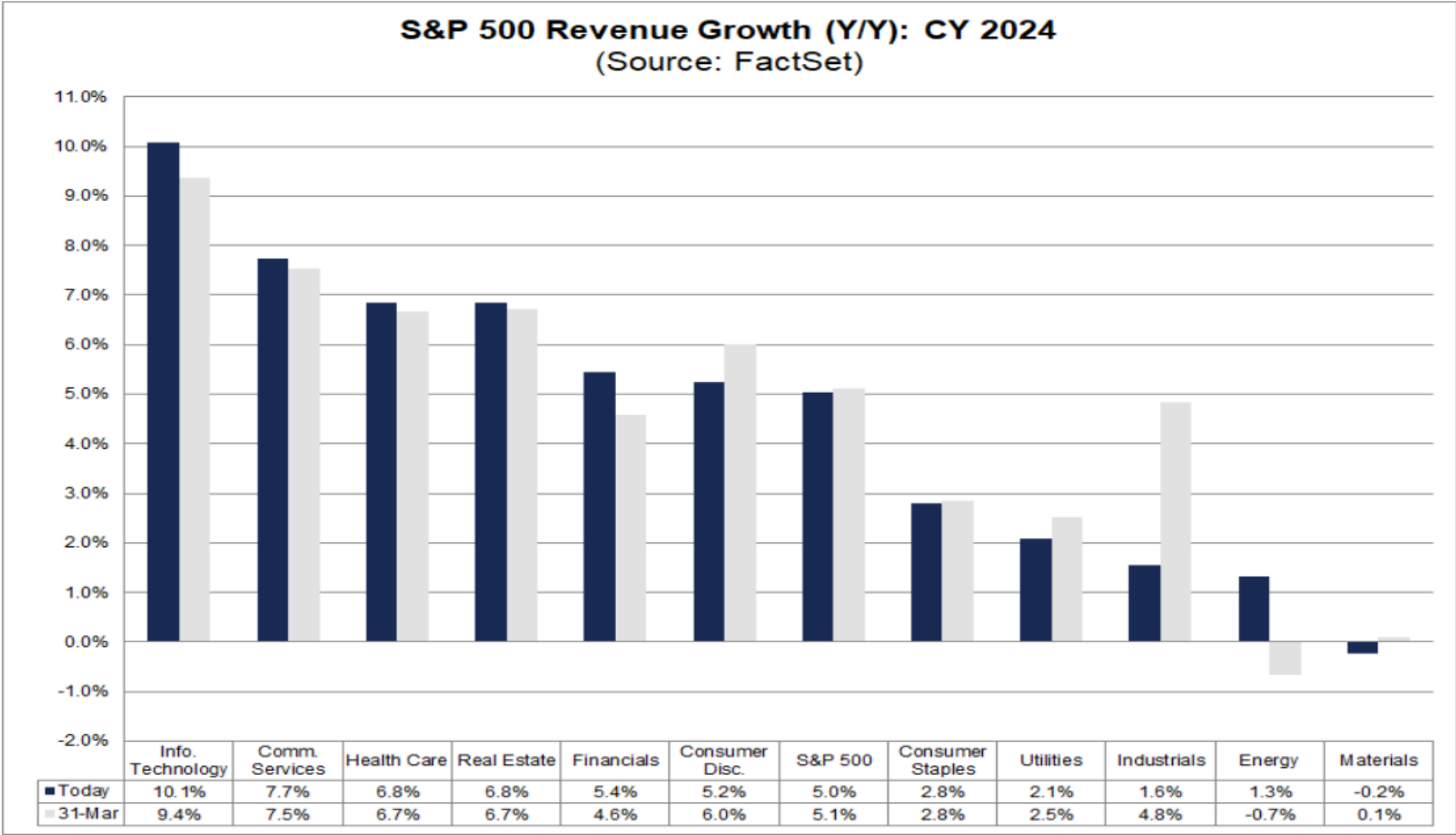
**OUR TAKE:** Mag 7 stocks' performance has accounted for 61% of the S&P 500's YTD gain, very similar to its 63% share of 2023's gain



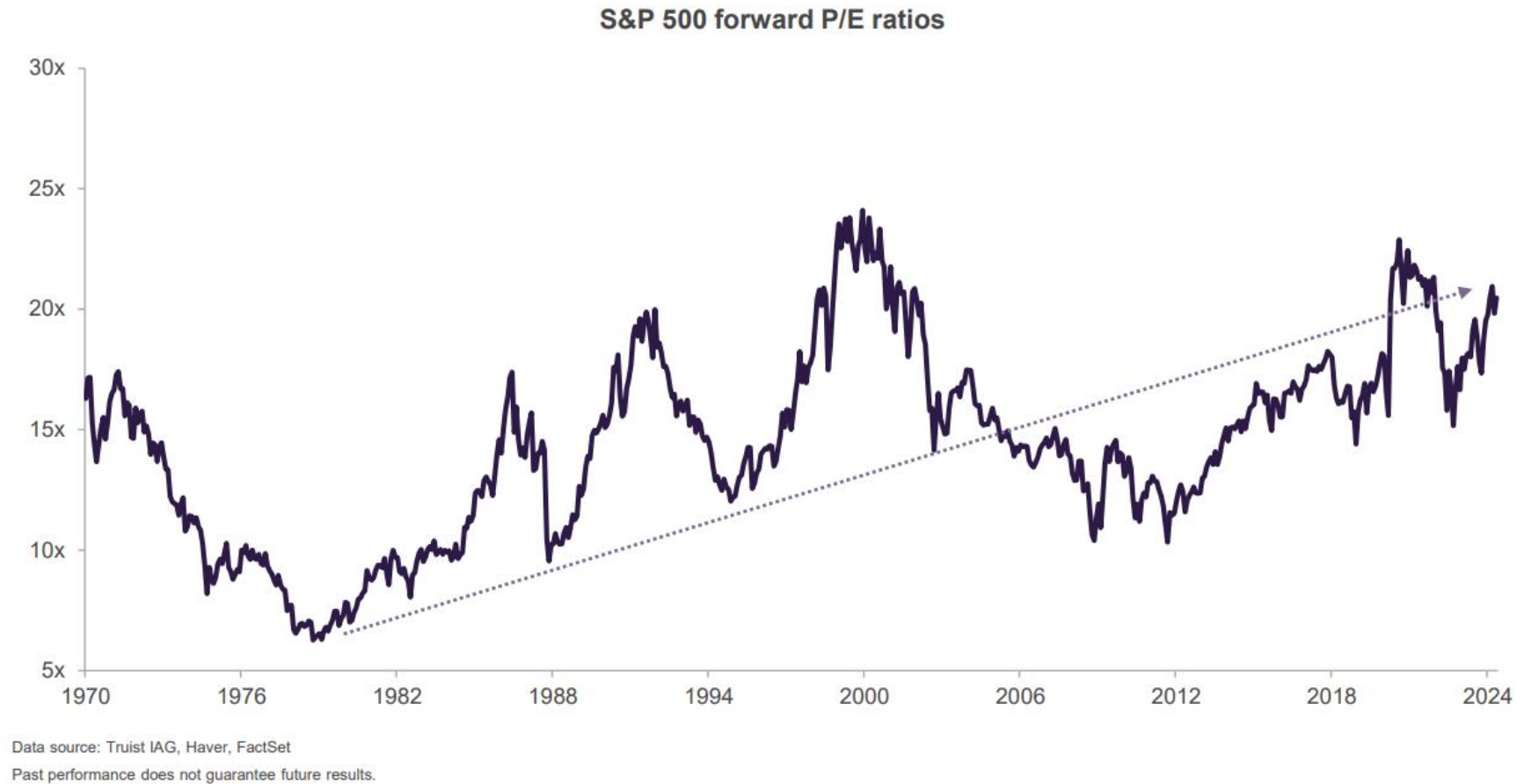
# Tech and Comm Services Sectors Have Highest Expected Earnings Growth



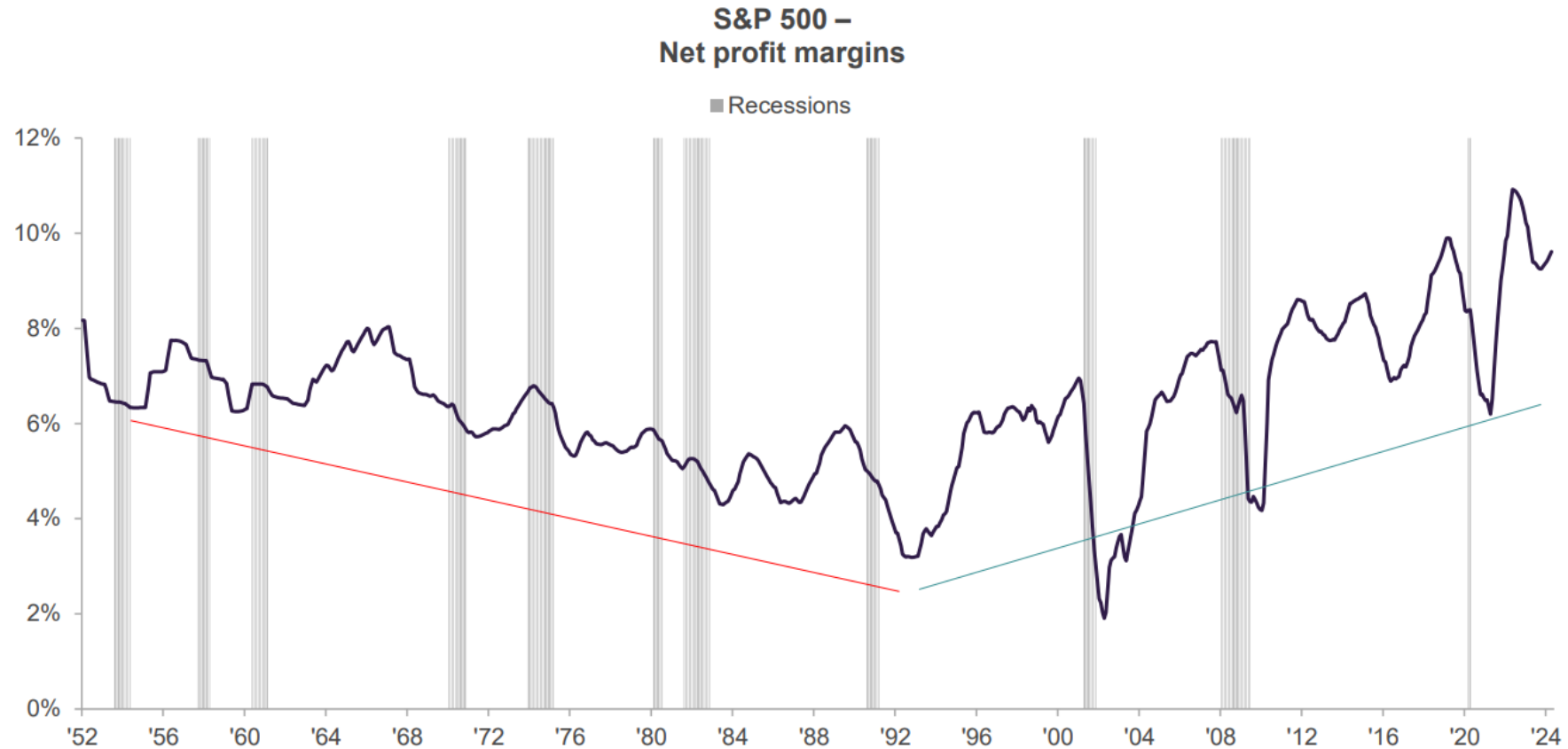
# Tech and Comm Services Sectors Have Highest Expected Revenue Growth



PE ratios for the S&P 500 have been trending upward since the 1980's reflecting lower interest rates and a higher concentration of technology stocks over this period



Net profit margins have also been trending higher since interest rates peaked in 1981 and technology improved productivity over the past 4 decades

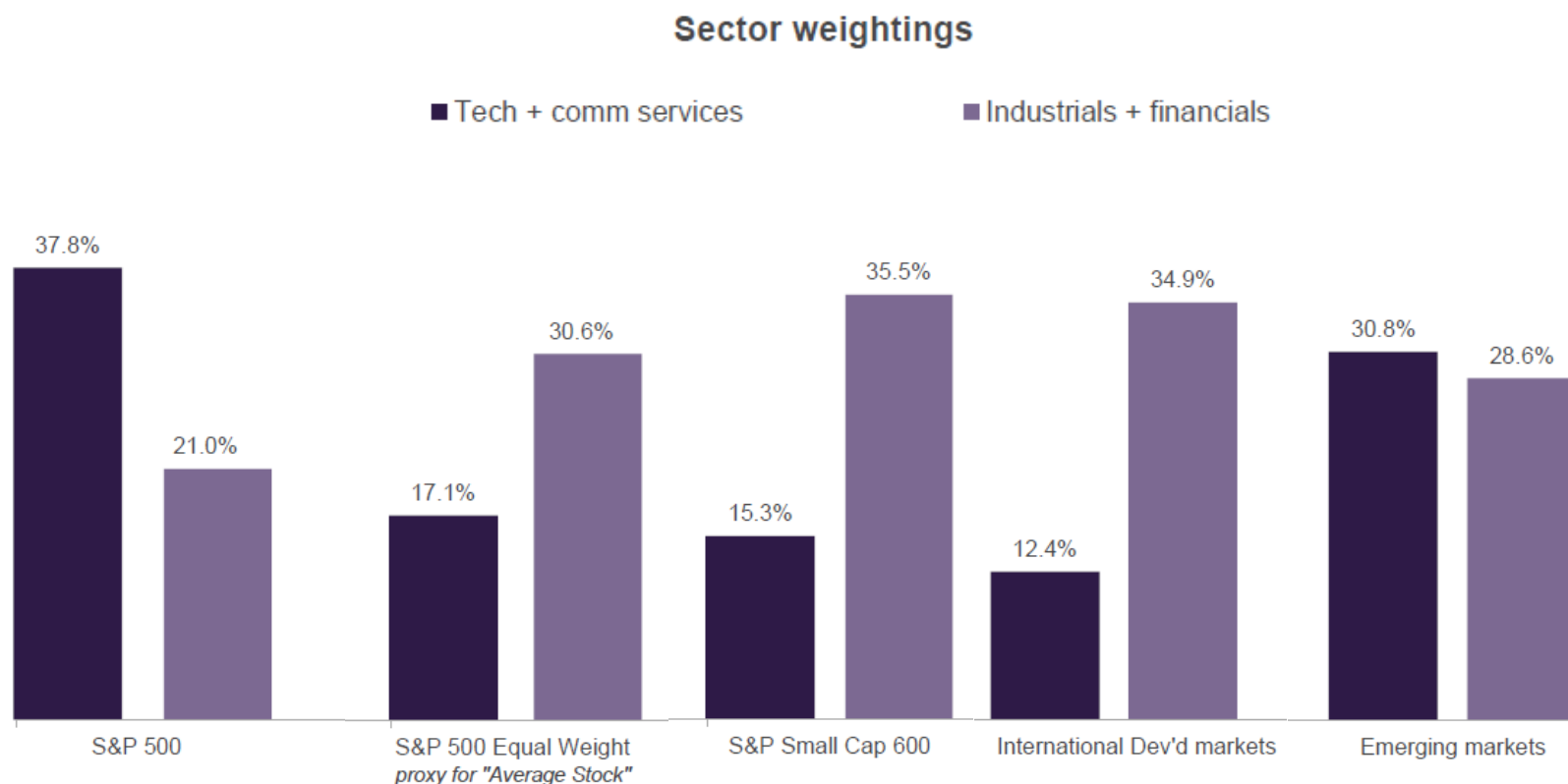


Data source: National Bureau of Economic Research, Corporate Reports, Empirical Research Partners Analysis, Truist IAG

<sup>1</sup>Based on adjusted net income measured as aggregates and data smoothed on a trailing six-month basis. Excludes financials and REITs.

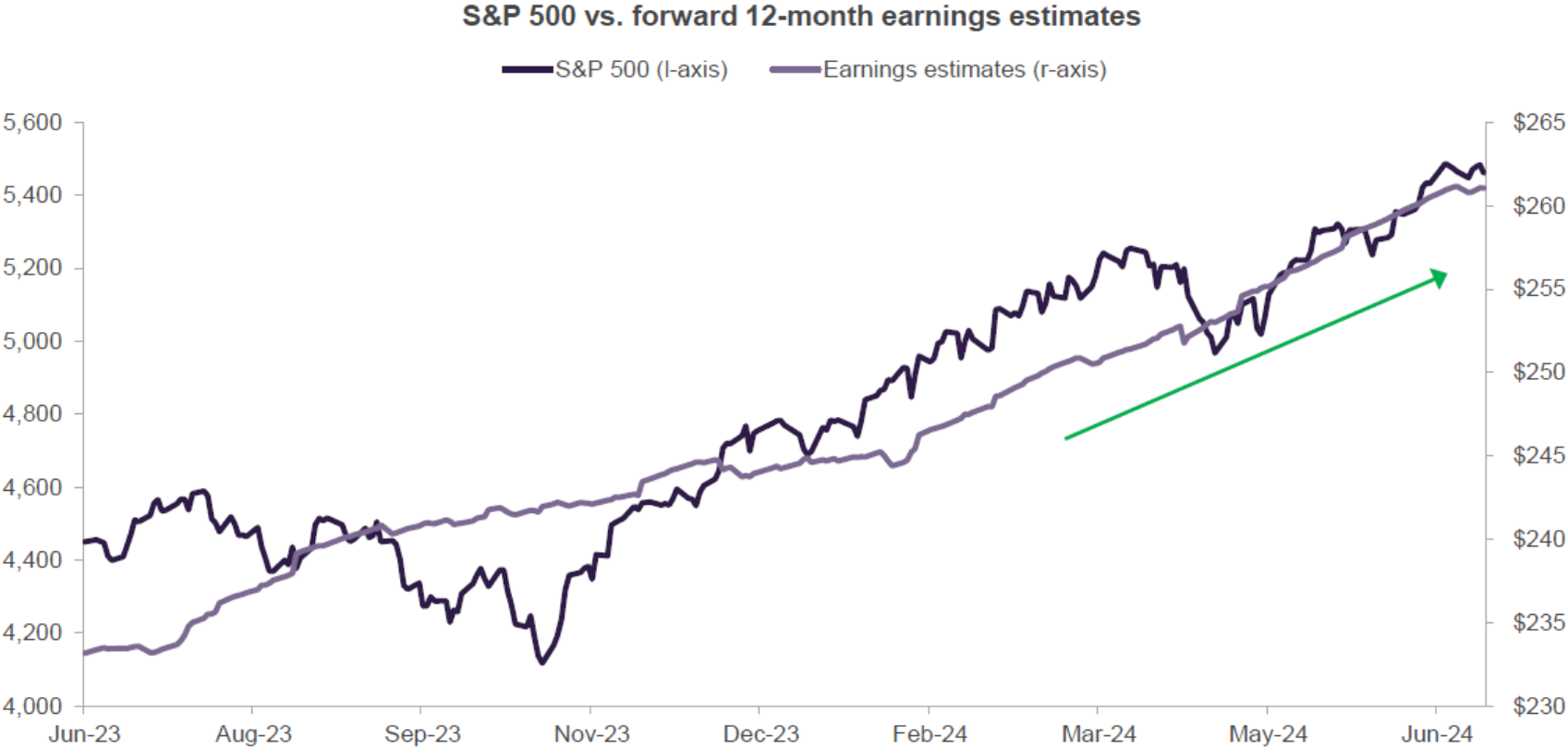
# Differences in tech-focused weights provide a key to performance divergences

**OUR TAKE:** The Technology/Communication Services sectors' outsized performance provides a key differential between S&P 500 returns and those of the "average stock" as proxied by the S&P Equal Weight, Small Caps, and International equities



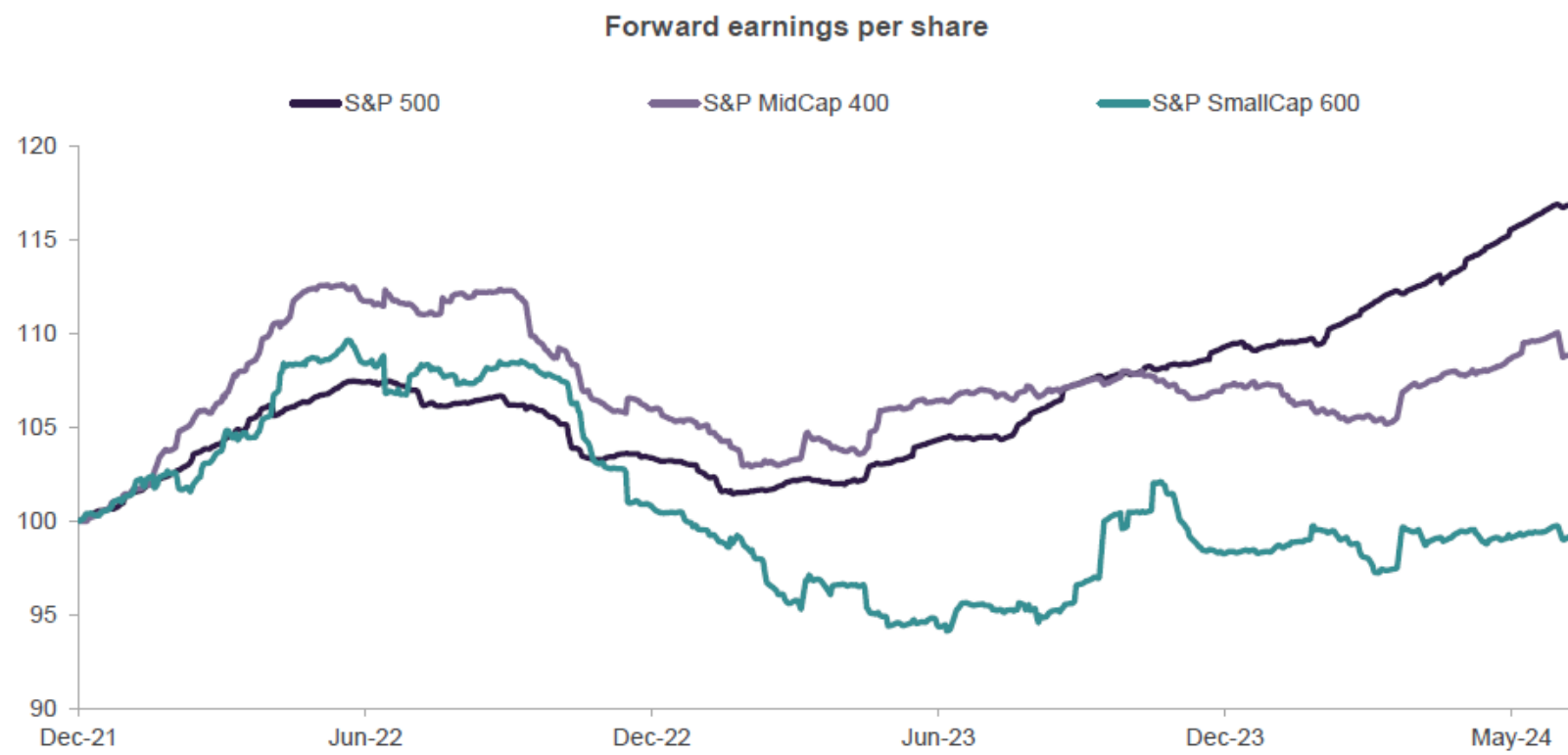


# Forward earnings estimates at a record for the S&P 500



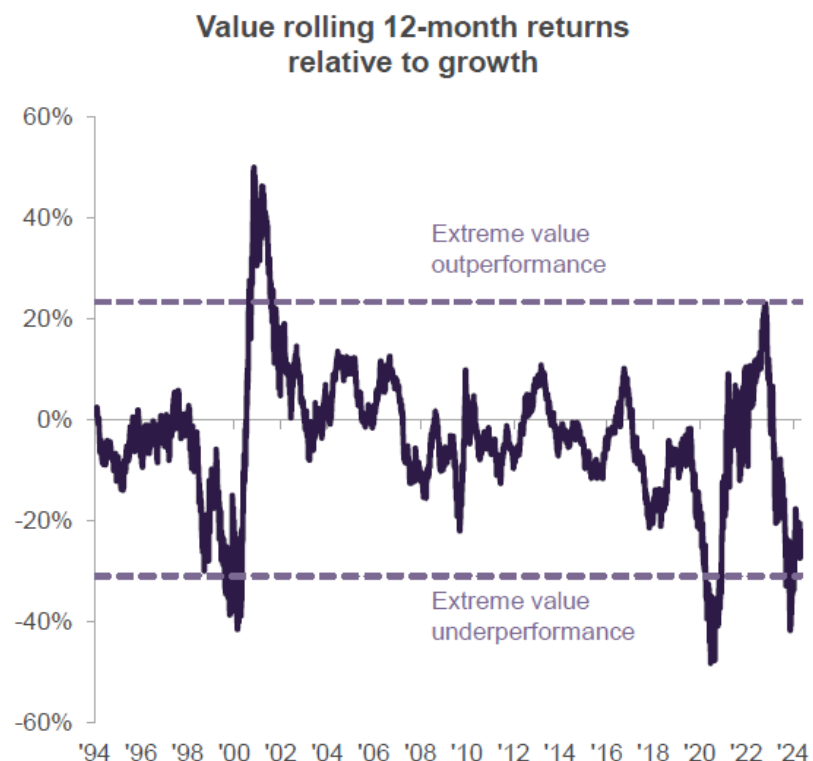
# Large cap earnings stronger than smaller cap peers

**OUR TAKE:** This trend supports our bias toward U.S. large cap equities and our expectation that larger companies can better navigate looming risks than their smaller counterparts.



# Value style underperformance at an extreme, earnings momentum weak

**OUR TAKE:** This trend supports our bias in having reduced our exposure to pure Value equities



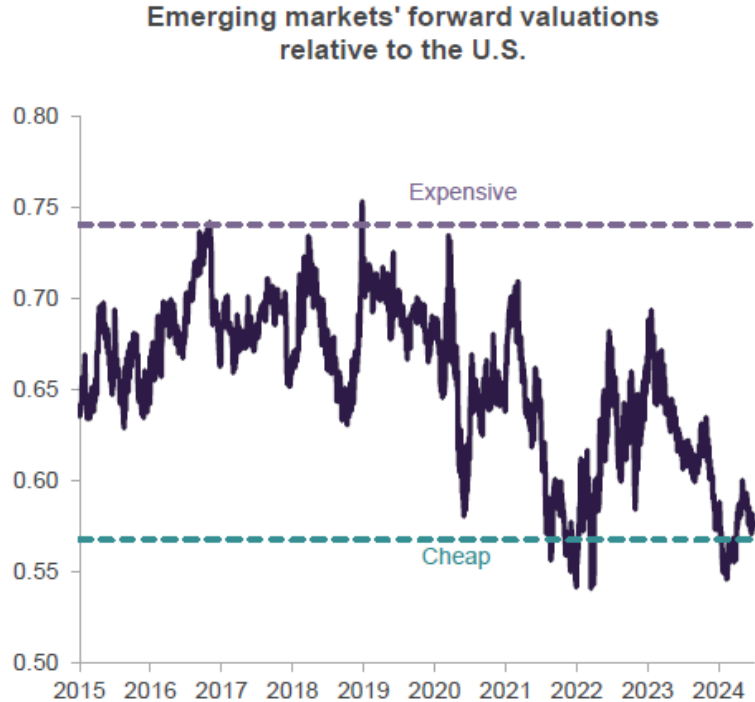
# Relative price and earnings still weak for international markets vs. U.S.

**OUR TAKE:** This trend supports our bias toward U.S. equities relative to International equities



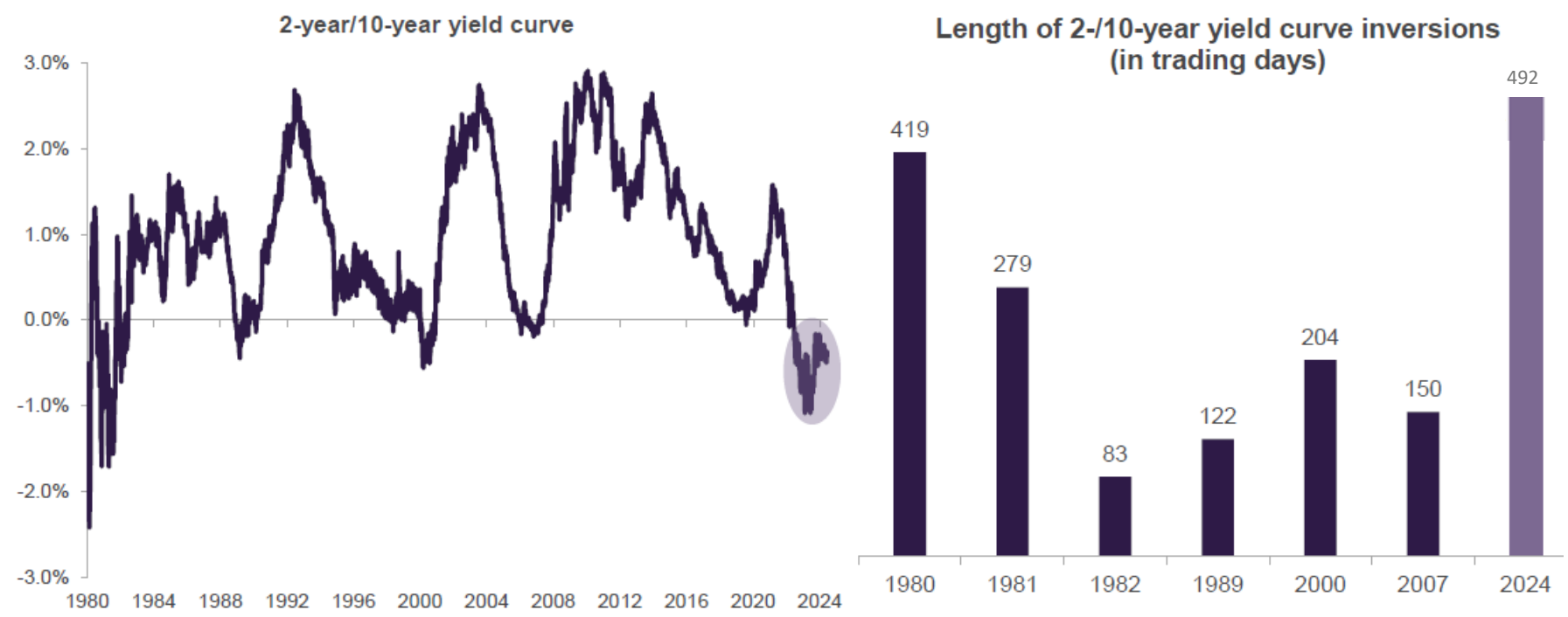
# Emerging markets' valuations and price trends remain near lows

**OUR TAKE:** This trend supports our bias toward U.S. equities relative to EM equities



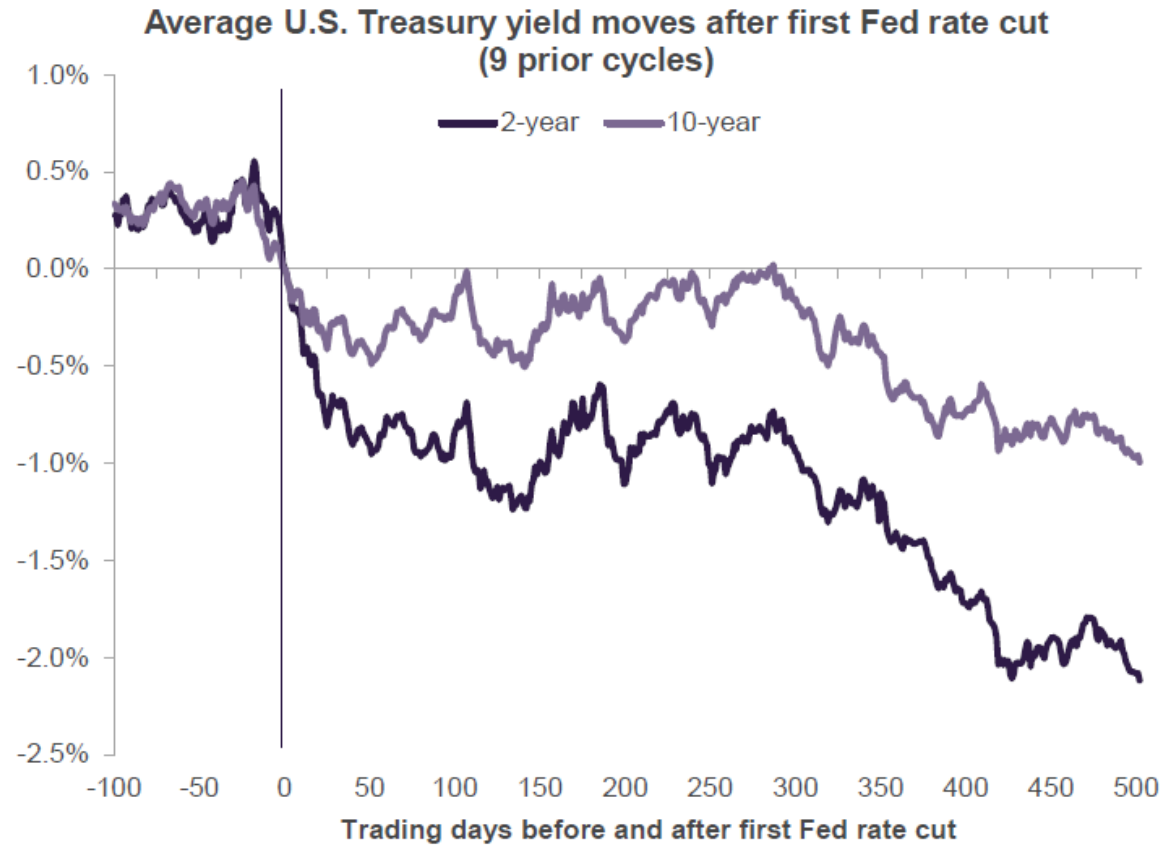
# Yield curve (2-/10-years) now the longest inversion on record

**OUR TAKE:** The yield curve has been inverted since July 2022, the longest on record. The Fed pause is sustaining the curve inversion. Later this year we expect curve steepening to resume as short yields fall in anticipation of easier Fed policy.



## Yields tend to fall and the yield curve steepens after first Fed rate cut

**OUR TAKE:** Longer term yields tend to decline much less than shorter term yields after the Fed starts cutting rates and this typically steepens the yield curve. With only 2 or fewer cuts now projected in 2024, shorter duration bonds and cash are outperforming.



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International investing entails greater risk, as well as greater potential rewards compared to U.S. investing. These risks include potential economic uncertainties of foreign countries and the risk of currency fluctuations. These risks are magnified in emerging market countries, since these countries may have relatively unstable governments and less established markets and economies. Diversification does not ensure against loss and does not assure a profit.

Investing in the bond market is subject to certain risks, including market, interest rate, issuer and inflation risk; investments may be worth more or less than the original cost when redeemed. The value of most bond strategies and fixed income securities are impacted by changes in interest rates. Bonds and bond strategies with longer durations tend to be more sensitive and more volatile than securities with shorter durations; bond prices generally fall as interest rates rise, and values rise when interest rates decline.

Investing in commodities is speculative and involves a high degree of risk and not suitable for all investors. You could lose all or a substantial portion of your investment.

Emerging Markets: Investing in the securities of such companies and countries involves certain considerations not usually associated with investing in developed countries, including unstable political and economic conditions, adverse geopolitical developments, price volatility, lack of liquidity, and fluctuations in currency exchange rates.

Asset Allocation does not assure a profit or protect against loss in declining financial markets. Past performance is not an indication of future results.

High Yield Fixed Income Investments, also known as junk bonds, are considered speculative, involve greater risk of default and tend to be more volatile than investment grade fixed income securities.

Investing in smaller companies involves greater risks not associated with investing in more established companies, such as business risk, significant stock price fluctuations, and illiquidity.

Hedge funds may involve a high degree of risk, engage in leveraging and other speculative investment practices that may increase the risk of investment loss, can be highly illiquid, are not required to provide periodic pricing or valuation information to investors, may involve complex tax structures and delays in distributing important tax information, are not subject to the same regulatory requirements as mutual funds, charge high fees which may offset any trading profits, and in many cases the underlying investments are not transparent and are known only to the investment manager.

Managed Futures and commodity investing involve a high degree of risk and are not suitable for all investors. Investors could lose a substantial amount of money in a very short period of time. The amount you may lose is potentially unlimited and can exceed the amount you originally deposit with your broker. This is because trading security futures is highly leveraged, with a relatively small amount of money controlling assets having a much greater value. Investors who are uncomfortable with this level of risk should not trade managed futures or commodities.

Real Estate Investments are subject to special risks, including interest rate and property value fluctuations, as well as risks related to general economic conditions. Because of their narrow focus, sector investments tend to be more volatile than investments that diversify across many sectors and companies.

The risk profile of private investments are higher than that of other asset classes and are not suitable for all investors. These risks include a long-term investment horizon and rigid liquidity restraints. Generally, little public information exists for private and thinly traded companies and there is a risk that investors may not be able to make a fully informed investment decision.

Mean reversion analysis is a mathematical concept that assumes an asset class's returns are temporary and will tend to move to the average over time. Mean reversion analysis involves identifying ranges for each component of return and then computing averages using analytical techniques. When recently observed returns are less than the average, the asset class's returns may be revised upward with the expectation that returns will rise. When recently observed returns are above the average, asset class's returns may be revised downward such that deviations from the average are expected to revert to the average.

Description of arithmetic and geometric mean: an arithmetic is the sum of a series of numbers divided by the count of that series of numbers while a geometric mean is used to calculate the average rate per period on investments that are compounded over multiple periods.



# Important Disclosures

Asset classes are represented by the following indexes. An investment cannot be made directly into an index.

Cash is represented by the ICE BofA U.S. Treasury Bill 3-Month Index which is a subset of the ICE BofA 0-1 Year U.S. Treasury Index including all securities with a remaining term to final maturity less than 3 months.

U.S. Intermediate-Term Core Taxable Bonds are represented by the Bloomberg U.S. Aggregate Bond Index which is the broadest measure of the taxable U.S. bond market, including most Treasury, agency, corporate, mortgage-backed, asset-backed, and international dollar-denominated issues, and maturities of one year or more.

U.S. Government Bonds are represented by the Bloomberg U.S. Government Index which is an unmanaged index comprised of all publicly issued, non-convertible domestic debt of the U.S. government or any agency thereof, or any quasi-federal corporation and of corporate debt guaranteed by the U.S. government.

U.S. TIPS are represented by the ICE BofA U.S. Treasury Inflation Linked Index which is an unmanaged index comprised of U.S. Treasury Inflation Protected Securities with at least \$1 billion in outstanding face value and a remaining term to final maturity of greater than one year.

U.S. Mortgage-Backed Securities are represented by the U.S. Mortgage-Backed Securities (MBS) Index which covers agency mortgage-backed pass-through securities (both fixed-rate and hybrid ARM) issued by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

U.S. Investment Grade Corporate Bonds are represented by the Bloomberg U.S. Corporate Investment Grade Index which is an unmanaged index consisting of publicly issued U.S. Corporate and specified foreign debentures and secured notes that are rated investment grade (Baa3/BBB- or higher) by at least two ratings agencies, have at least one year to final maturity and have at least \$250 million par amount outstanding.

U.S. Leveraged Loans are represented by the Credit Suisse Leveraged Loan Index which is a representative index of tradable, senior secured, U.S. dollar denominated non-investment-grade loans.

U.S. High Yield Corporate Bonds are represented by the ICE BofA U.S. High Yield Index which is an index that tracks U.S. dollar denominated debt below investment grade corporate debt publicly issued in the U.S. domestic market.

International Developed Markets Bonds are represented by the ICE BofA Global Government ex U.S. Index tracks the performance of publicly issued investment grade sovereign debt denominated in the issuer's own domestic currency excluding all securities denominated in U.S. dollars. In order to qualify for inclusion in the Index, a country (i) must be a member of the FX-G10 or Western Europe; (ii) must have an investment grade foreign currency long-term sovereign debt rating (based on an average of Moody's, S&P and Fitch); (iii) must have at \$50 billion (U.S.D equivalent) outstanding face value of Index qualifying debt (i.e., after imposing constituent level filters on amount outstanding, remaining term to maturity, etc.) to enter the Index; (iv) must have at least \$25 billion (U.S.D equivalent) in outstanding face value of Index qualifying debt in order to remain in the Index; (v) must be available to foreign investors; and (vi) must have at least one readily available, transparent price source for its securities.

Emerging Markets Bonds Hard Currency are represented by the Bloomberg EM USD Sovereign Index is a flagship hard currency Emerging Markets debt benchmark that includes USD-denominated debt from sovereign, quasi-sovereign, and corporate EM issuers.

Intermediate Term Municipal Bonds are represented by the Bloomberg Municipal Bond Blend 1-15 Year (1-17 Yr) is an unmanaged index of municipal bonds with a minimum credit rating of at least Baa, issued as part of a deal of at least \$50 million, that have a maturity value of at least \$5 million and a maturity range of 12 to 17 years.

High Yield Municipal Bonds are represented by the Bloomberg HY Municipal Bond Index which is an unmanaged index made up of bonds that are non-investment grade, unrated, or rated below with a remaining maturity of at least one year.

Global Equity is represented by the MSCI All World Country (ACWI) Index (gross) which is defined as a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI Index consists of 48 country indices comprising 24 developed markets countries and 24 emerging markets countries.

U.S. Large Cap Equity is represented by the S&P 500 Index which is an unmanaged index comprised of 500 widely-held securities considered to be representative of the stock market in general.

U.S. Mid Cap Core Equity is represented by the S&P MidCap 400 Index which measures the performance of mid-sized US companies, reflecting the distinctive risk and return characteristics of this market segment. It comprises stocks in the middle capitalization range, covering approximately 7% of the of US equity market.

U.S. Small Cap Core Equity is represented by the S&P SmallCap 600 Index which measures the performance of the small cap segment of US equity market. It consists of 600 domestic stocks chosen for market size, liquidity, and industry group representation and covers approximately 3% of the domestic equities market.

U.S. Real Estate Securities are represented by the FTSE Nareit All Equity REITs Index is a free-float adjusted, market capitalization-weighted index of U.S. equity REITs. Constituents of the index include all tax-qualified REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property.

International Developed Markets Equity is represented by the MSCI EAFE Index (gross) which is defined as a free float-adjusted market capitalization index that is designed to measure the equity market performance of the developed markets, excluding the U.S. and Canada.

Emerging Markets Equity is represented by the MSCI EM Index (gross) which is defined as a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets countries.

Int'l Developed Markets Small Cap Equity (gross) is represented by the MSCI Small Cap Index (gross) which is defined as a free float-adjusted market capitalization index that is designed to measure the small cap equity market performance of the developed markets, excluding the U.S. and Canada.

The MSCI U.S.A Index is designed to measure the performance of the large and mid cap segments of the U.S. market.

The MSCI ACWI ex U.S.A Index (gross) captures large and mid cap representation across Developed Markets (DM) countries (excluding the U.S.) and Emerging Markets (EM) countries. The index covers approximately 85% of the global equity opportunity set outside the U.S..

The MSCI China Index captures large and mid cap representation across China A shares, H shares, B shares, Red chips, P chips and foreign listings (e.g. ADRs).

# Important Disclosures

Commodities are represented by the Bloomberg Commodity Index which is a composition of futures contracts on physical commodities. It currently includes a diversified mix of commodities in five sectors including energy, agriculture, industrial metals, precious metals and livestock. The weightings of the commodities are calculated in accordance with rules that ensure that the relative proportion of each of the underlying individual commodities reflects its global economic significance and market liquidity.

Gold is represented by the S&P GSCI Gold Spot Index which tracks the spot price of gold.

The KR-CRB Spot Commodity Price Index: Raw Industrials is a sub-index which includes 13 markets including burlap, copper scrap, cotton, hides, lead scrap, print cloth, rosin, rubber, steel scrap, tallow, tin, wool tops and zinc.

The Thomson Reuters Continuous Commodity Index is an equal-weighted geometric average of commodity price levels relative to the base year average price.

U.S. Private Equity is represented by the Cambridge Associates U.S. Private Equity Index which is based on end-to-end calculation of performance data compiled from U.S. private equity funds (buyout, growth equity, private equity energy and mezzanine funds), including fully liquidated partnerships, formed between 1986 and 2013.

Venture Capital is represented by the Cambridge Associates LLC U.S. Venture Capital Index which is based on data compiled from U.S. venture capital funds (including early stage, late & expansion stage, and multi-stage funds), including fully liquidated partnerships.

Private Credit is represented by the Cambridge Associates U.S. Private Credit Index which is based on performance data compiled from U.S. distressed corporate credit and general credit opportunities.

Liquid Diversified Hedge is represented by the Wilshire Liquid Alternative Index which aims to deliver a precise, broad market measure for the performance of diversified liquid alternative investment strategies that are implemented in mutual fund structures.

Liquid Hedged Equity is represented by the Wilshire Liquid Alt Equity Hedge Index which measures the performance of the equity hedge strategy component of the Wilshire Liquid Alternative Index. It predominantly applies equity hedge investment strategies to investing in long and short equities. The index, when combined with the performance of the Wilshire Liquid Alternative Global Macro Index, Wilshire Liquid Alternative Relative Value Index, Wilshire Liquid Alternative Multi-Strategy Index, and Wilshire Liquid Alternative Event Driven Index comprise the Wilshire Liquid Alternative Index. The index weights derived from AUM with caps on weighting applied at the strategy level.

FoF Diversified Strategies are represented by the HFRI Fund of Funds Diversified Index which is defined as strategy exhibiting - investment in a variety of strategies among multiple managers; historical annual return and/or a standard deviation generally similar to the HFRI Fund of Fund Composite index; demonstrates generally close performance and returns distribution correlation to the HFRI Fund of Fund Composite Index. A fund in the HFRI FOF Diversified Index tends to show minimal loss in down markets while achieving superior returns in up markets.

FoF Hedged Equity is represented by the HFRI Fund of Funds Strategic Index which is defined as strategy seeking superior returns by primarily investing in funds that generally engage in more opportunistic strategies such as Emerging Markets, Sector specific, and Equity Hedge; exhibits a greater dispersion of returns and higher volatility compared to the HFRI Fund of Funds Composite Index. A fund in the HFRI FOF Strategic Index tends to outperform the HFRI Fund of Fund Composite Index in up markets and underperform the index in down markets.

Direct Diversified Strategies is represented by the HFRI Fund Weighted Composite Index which is a global, equal-weighted index of single-manager funds that report to HFR Database. Constituent funds report monthly net of all fees performance in US Dollar and have a minimum of \$50 Million under management or a twelve (12) month track record of active performance. The HFRI Fund Weighted Composite Index does not include Funds of Hedge Funds.

Direct Hedged Equity is represented by the HFRI Equity (Total) Hedge Index which includes investment managers who maintain positions both long and short in primarily equity and equity derivative securities. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques; strategies can be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure, leverage employed, holding period, concentrations of market capitalizations and valuation ranges of typical portfolios. EH managers would typically maintain at least 50% exposure to, and may in some cases be entirely invested in, equities, both long and short.

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