

INVESTMENT EXECUTIVE SUMMARY

McCoy College of Business Foundation

Through September 30, 2024

	Market Value	Actual (%)	Target (%)	+ / -	Quarter	1 Yr.	3 Yr.*	5 Yr.*	7 Yr.*
Equity	50,941,690	66.2%	65%	1.2%	6.9	31.3	6.9	12.5	10.0
Fixed Income	18,481,150	24.0%	25%	-1.0%	4.5	11.9	0.7	1.8	2.3
Real Assets/Real Return	7,344,040	9.5%	10%	-0.5%	6.7	16.0	2.9	6.2	--
Cash	165,499	0.2%	0%	0.2%	1.2	5.2	3.7	2.4	--
Total Fund w/o Student Investment	76,932,379	--	--	--	6.3	24.7	5.0	9.0	7.5
Student Investment Equity	1,067,016	62.2%	75%	-12.8%	4.8	29.4	9.2	12.4	10.7
Student Investment Fixed	648,770	37.8%	25%	12.8%	4.6	9.7	-1.3	0.5	1.1
Total Investment Fund	78,648,165				6.3	24.6	5.0	9.0	7.5

All performance is net of (after) investment manager fees *annualized for periods longer than one year

Market Summary in Q3 2024:

- Global equity markets had a solid third quarter. The rate cutting cycle is now in full motion with the Federal Reserve ('Fed') joining other major central banks that started cutting rates earlier in the year, the notable exception being Japan. Stimulus announcements in China led to a sharp rally in Chinese equities, after disappointing performance over the past few years. Markets were upbeat amid improving inflation readings, solid corporate profits, and a generally strong economy despite instances of weaker economic data over the quarter. This led to elevated volatility at times, especially in early August when carry trade unwinding following the Bank of Japan's surprisingly hawkish rhetoric coincided with general negative sentiment due to disappointing economic data releases. September also had a volatile start. With inflation now seen as largely under control, investors have shifted their focus to growth and trying to ascertain whether the hoped for soft landing will be achieved. The quarter ended on an optimistic note as evidence mounted that the economy remains resilient, while inflation keeps falling back to target.
- Treasury yields fell during the quarter as the Fed cut short-dated rates by 50 bps in September. Markets priced in further rate cuts for later this year and next. The 2-year Treasury yield fell by ~105 bps from 4.71% to 3.66% during Q3, while the 30-year Treasury yield fell by ~37 bps from 4.51% to 4.14%. Credit spreads declined during this risk-on quarter.
- The Bloomberg US Aggregate Bond Index returned 5.2% in Q3 as falling yields and declining spreads were a tailwind for fixed income, while the MSCI ACWI returned 6.6%. As a result, a traditional 60/40* portfolio returned 6.0%.
- A resilient US economy, a tentative recovery in Europe and a stimulus announcement in China continued to support our expectation of a moderate slowdown.
- In the third quarter of 2024, US inflation decreased, with the headline CPI at 2.4% year-over-year and core CPI at 3.3%, slightly above expectations, but still on a downward trend. Further declines in inflation are anticipated as price pressures ease. The labor market showed signs of softening, with a temporary increase in the unemployment rate, but returned to June levels by the end of September due to strong non-farm payrolls and wage growth. Overall, while the job market remains robust, indicators like the declining quits and job openings rates suggest a cooling trend.
- Geopolitical events abounded this quarter. The conflict in the Middle-East escalated further as Israel's military campaign against the terrorist group Hezbollah led to an incursion into Lebanon and Iran launched its second missile attack on Israel for the year. While oil prices reacted sharply to the events that occurred late in the quarter, they were still down meaningfully for the quarter as whole.

*60% MSCI ACWI, 40% Bloomberg US Aggregate

Portfolio Update:

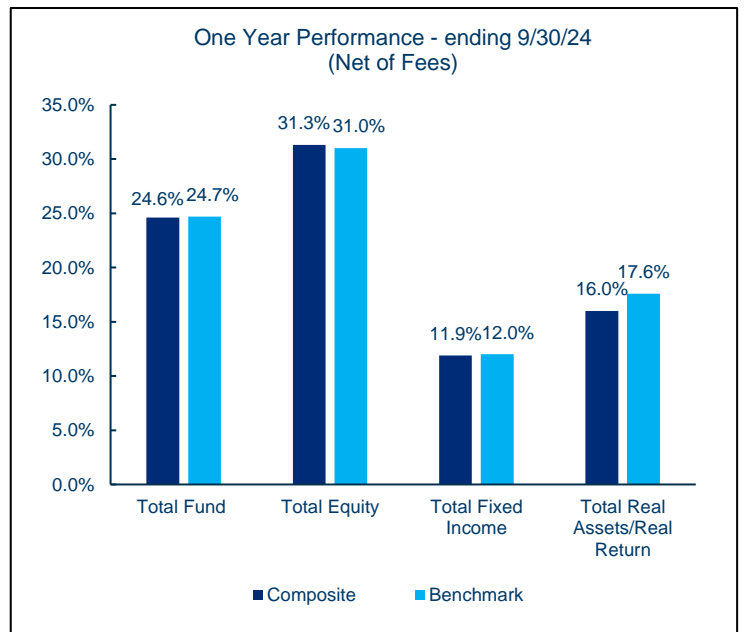
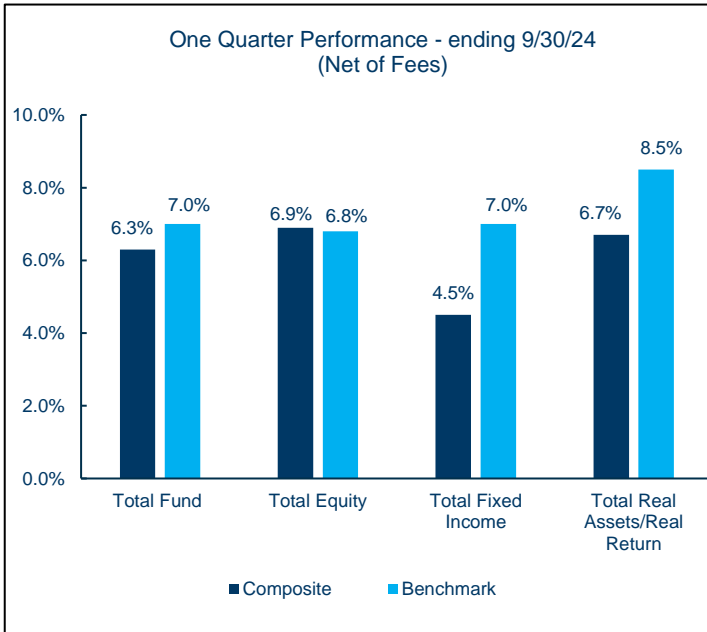
- The Total Equity Composite (+6.9%) was positive on an absolute basis, outperforming the Blended Equity Index by 10 basis points. WCM outperformed significantly relative to its benchmark, boosting the performance for Global Equities, which in turn helped enhancing the equity composite return during the quarter.

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- The Total Fixed Income Composite (+4.5%) underperformed its benchmark by -250 bps during the quarter, as global/unconstrained manager BlackRock underperformed its benchmark significantly by -270 basis points.
- The Total Real Assets/Real Return Composite (+6.7%) was positive on an absolute basis but underperformed its benchmark by -180 bps. Principal DRA performed poorly relative to its benchmark during the quarter.



Investment Philosophy & Process

Purpose:

The purpose of the Investment portfolio is to provide for the Foundation's operating needs and to fund the Foundation's mission-related programs and activities both today and into the future.

The Foundation's objective is to grow the market value of assets net of inflation, administrative, and investment expenses, over a full market cycle without undue exposure to risk.

The Fund possesses a long-term time horizon, with primary objective to provide long-term growth of capital and liquidity. Secondary objectives are to provide a mix of growth and income and preservation of capital.

The Foundation and Investment Committee are governed by the Investment Policy Statement, reviewed at least annually by the Committee and Board. The Investment Policy Statement is a comprehensive document which incorporates best practices and outlines investment objectives, investment guidelines, and risk policy, as well as outlining responsibilities of the Board, Investment Committee, Staff, Investment Managers, and Consultants.

Mercer serves as investment consultant for the McCoy College of Business Foundation. For more information please visit their website <https://www.mercer.com>