

INVESTMENT EXECUTIVE SUMMARY

McCoy College of Business Foundation

Through December 31, 2024

	Market Value	Actual (%)	Target (%)	+ / -	Quarter	1 Yr.	3 Yr.*	5 Yr.*	7 Yr.*
Equity	47,314,811	61.9%	65%	-3.1%	0.0	18.0	4.9	10.6	9.1
Fixed Income	19,323,821	25.3%	25%	0.3%	-1.7	4.1	0.2	1.4	2.0
Real Assets/Real Return	7,984,778	10.5%	10%	0.5%	-4.5	3.7	0.0	4.4	--
Cash	1,772,662	2.3%	0%	2.3%	1.1	5.0	4.1	2.5	2.5
Total Fund w/o Student Investment	76,396,073	--	--	--	-0.8	13.1	3.4	7.6	6.7
Student Investment Equity	1,054,819	62.8%	75%	-12.2%	-1.1	16.2	6.1	10.7	9.7
Student Investment Fixed	624,941	37.2%	25%	12.2%	-3.7	-0.2	-2.6	-0.2	0.6
Total Investment Fund	78,075,833				-0.8	13.1	3.4	7.6	6.8

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

Market Summary in Q4 2024:

- Global equity markets fell in the fourth quarter, though not enough to fully offset strong gains over the course of the year. The Federal Reserve ('Fed') cut rates in December but signaled a wait-and-see approach to 2025 and decreased the number of expected cuts. Stimulus announcements in China led to a sharp rally in Chinese equities earlier in the year, but the realities of depressed animal spirits, the ailing property sector, a potential deflationary cycle, and movement of manufacturing out of China dampens the outlook. Market sentiment was mixed as the "Trump Trade" took effect. Expected de-regulations, especially for the energy sector, tax cuts and business-friendly policies in general could help spur economic activity in the US. However, potential tariffs and immigration restrictions could dampen growth and increase inflation and thus put a floor on interest rates. Equity markets diverged as investors digested both potential tailwinds and headwinds with US equities posting moderate gains over the quarter while non-US and emerging markets that would be on the receiving end of tariffs fell sharply.
- Short Treasury bond yields fell during the quarter as the Fed cut rates by a cumulative 50 bps over the quarter. Markets priced in stickier inflation and fewer rate cuts for 2025, which led to curve steepening. The 2-year Treasury yield rose by ~59 bps from 3.66% to 4.25% during Q4, while the 30-year Treasury yield rose by ~64 bps from 4.14% to 4.78%. Credit spreads declined slightly during quarter.
- The Bloomberg US Aggregate Bond Index returned -3.1% in Q4 as rising yields created a headwind for fixed income, partially offset by tightening spreads. The MSCI ACWI returned -1.0%. As a result, a traditional 60/40* portfolio returned -1.8%.
- A resilient and potentially faster growing US economy, a tentative recovery in Europe and a stimulus announcement in China continued to support our expectation of a moderation in growth, but general resilience and no major recession for the coming year.
- In US inflation increased in the fourth quarter of 2024. Headline CPI was 2.7% year-over-year through November, while core CPI remained at 3.3%, in line with expectations. Markets are expecting inflation to decline more slowly than previously priced in. Labor markets have shown tentative signs of softening but remain at historically tight levels. The potential for immigration restrictions over the coming years could rekindle wage growth, while at the same time, tariffs could lead to higher product prices. Stronger growth because of a more business-friendly incoming administration could add further to inflationary pressures. The Federal Reserve turned more cautious over the quarter and signaled the potential for fewer rate cuts next year than previously expected, which explains much of the negative returns over the quarter, especially in December.
- The Bank of Japan and Bank of England held rates steady, while the European Central Bank cut rates twice over the quarter, saying the risk now lies in stifling growth rather than reigniting inflation. The Bank of Canada, one of the more aggressive rate-cutting banks among the G7 countries also cut twice but signaled the potential for fewer cuts in 2025 with inflation now projected to remain at target.
- Israel signed a ceasefire with Hezbollah in late November and Syrian rebels toppled the Assad regime. Tensions in Gaza and the Middle East remain high, which was reflected in rising oil prices over the quarter. While the decisive outcome of the US elections reduced political uncertainty, large economies in Europe face new elections early in the year after the governments of Germany and France fell.

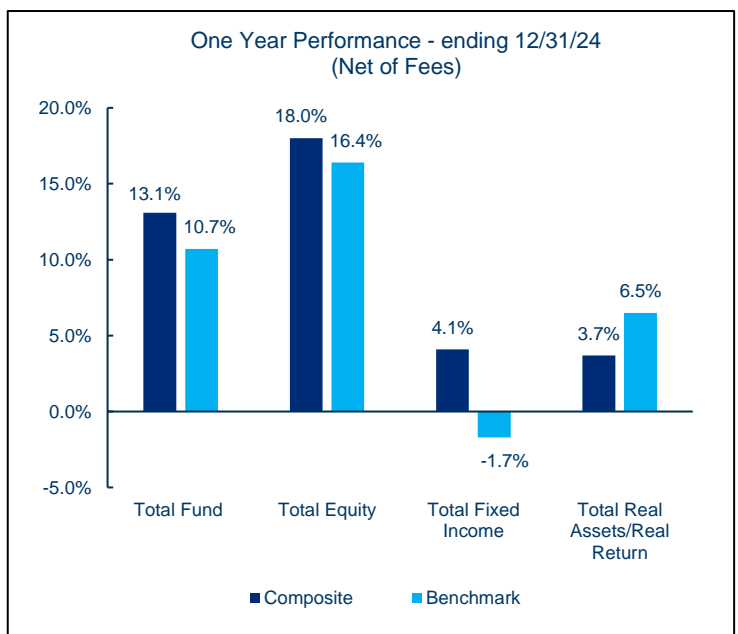
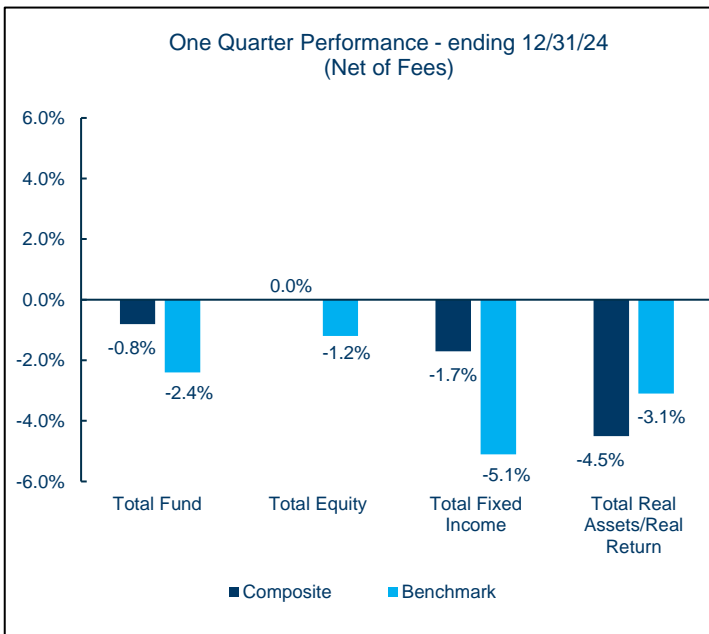
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Portfolio Update:

- The Total Equity Composite was flat over the quarter, outperforming the Blended Equity Index by 120 basis points. Domestic equities led performance higher during the quarter, while non-US struggled.
- The Total Fixed Income Composite (-1.7%) outperformed its benchmark by 340 bps during the quarter, as global/unconstrained manager BlackRock and fixed core manager Doubleline outperformed their benchmarks by 440 and 60 basis points, respectively.
- The Total Real Assets/Real Return Composite (-4.5%) was negative on an absolute basis and underperformed its benchmark by -140 bps. The composite's exposure to long duration bonds, REITs, and MLPs, were the main detractors 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>