

# Investment Review

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UNIVERSITY OF NEW MEXICO  
RETIREEWELFARE BENEFIT TRUST  
Investment Review  
Period Ended 06/30/2024

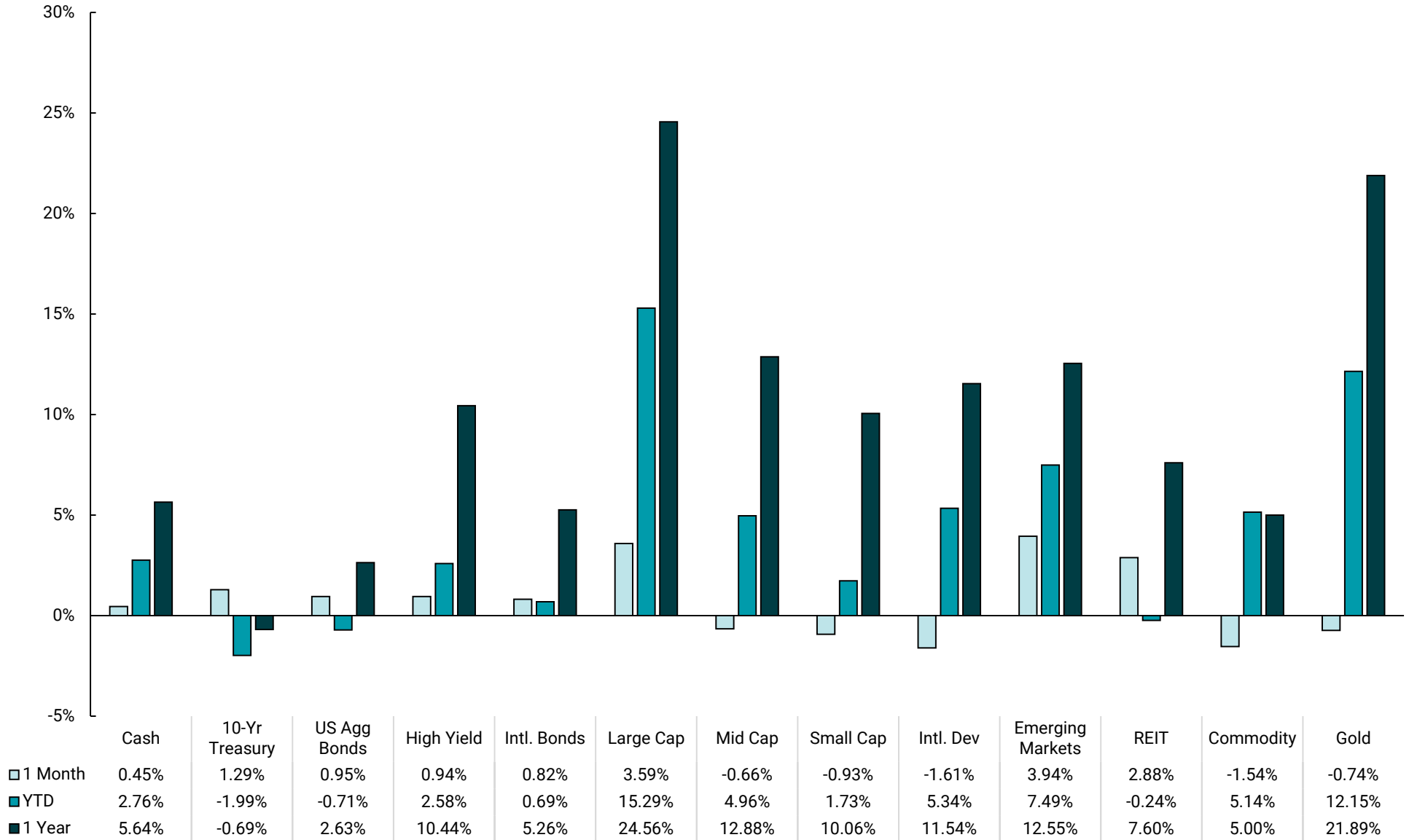


# Market insights

Third quarter 2024



# Market summary



Source: Morningstar. Data shown as of June 30, 2024.

# Key points

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1

Domestic growth remains positive but seems to be shifting lower. To date, employment remains strong, supporting the U.S. consumer.

2

Cyclical inflation rates have trended lower, with tailwinds from goods disinflation, while rent and wage inflation decline more slowly. This presents an ongoing headwind to achieving the Federal Reserve's inflation target of 2%.

3

We believe short-term rates have peaked for this cycle, yet the total number of rate cuts to come and when they will begin are still in question. The Fed is playing the long game on inflation.

4

Short-term treasury yields have risen since the beginning of the year as expectations for Fed easing have been pushed further out. The yield curve remains inverted, and we see areas of opportunity in longer-term bonds.

5

Stock market performance remains concentrated within large cap and the biggest members of the S&P 500. Earnings estimates for 2024 and 2025 support current valuations, but a broadening of performance would be a welcome development.

# Asset class quilt

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD	
13.69%	5.67%	21.31%	37.28%	3.17%	36.39%	38.49%	28.71%	-7.54%	42.68%	20.70%	Best Performing ↑ ↓ Worst Performing
13.45%	1.38%	17.34%	30.21%	0.01%	31.49%	19.96%	27.60%	-9.76%	26.29%	15.29%	
13.22%	1.36%	17.13%	25.03%	-1.51%	30.54%	18.40%	25.16%	-11.19%	18.24%	7.49%	
13.05%	0.55%	13.80%	21.83%	-2.08%	26.54%	18.31%	22.58%	-13.01%	17.23%	6.62%	
8.79%	-0.81%	11.96%	18.52%	-4.38%	25.52%	17.10%	14.82%	-14.45%	16.93%	5.34%	
5.97%	-2.44%	11.19%	14.65%	-8.27%	22.01%	7.82%	11.26%	-17.32%	13.44%	4.96%	
4.89%	-3.83%	7.08%	13.66%	-9.06%	18.44%	7.51%	5.28%	-18.11%	11.46%	2.58%	
2.45%	-4.41%	4.90%	7.50%	-11.01%	14.32%	7.11%	-1.40%	-20.09%	9.83%	1.73%	
-2.19%	-4.47%	2.65%	3.54%	-13.79%	8.72%	3.94%	-1.54%	-20.44%	8.32%	0.69%	
-4.90%	-14.92%	1.00%	2.48%	-14.58%	7.57%	2.80%	-2.54%	-29.14%	5.53%	-0.71%	

S&P 500
Large Cap Value
Large Cap Growth

Mid Cap Blend
Small Cap Blend
Foreign Bonds

Foreign Stocks
Emerging Markets
High Yield

Bonds
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Source: Morningstar. Data shown as of June 30, 2024.

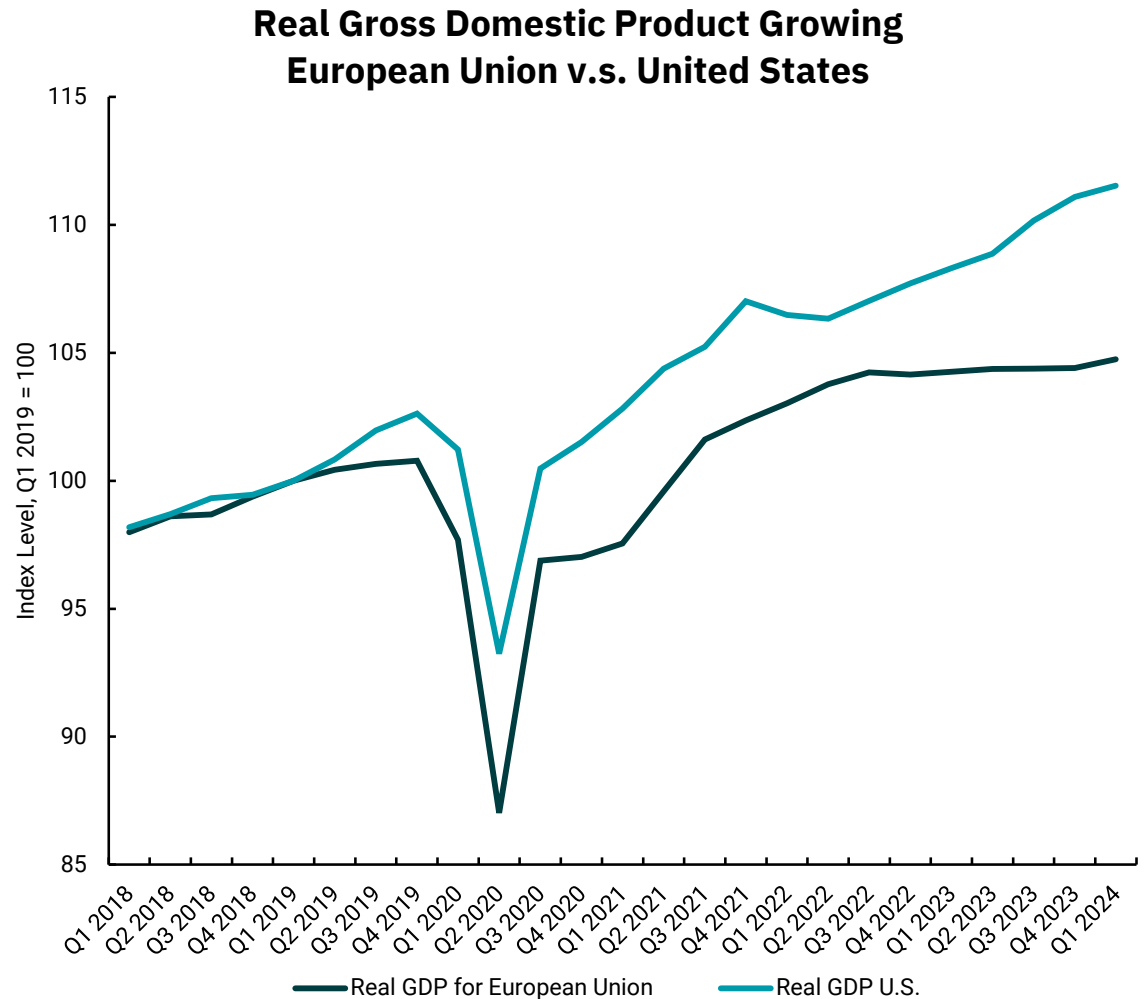
# Broad market overview

Returns (%)	1 Mo.	3 Mo.	YTD	1 Yr.	3 Yrs.	5 Yrs.	10 Yrs.
<b>Capital Markets</b>							
DJ Industrial Average TR USD	1.23	-1.27	4.79	16.02	6.42	10.32	11.30
NASDAQ 100 TR USD	6.27	8.05	17.47	30.77	11.50	21.76	18.92
Russell 3000 TR USD	3.10	3.22	13.56	23.13	8.05	14.14	12.15
S&P 500 TR USD	3.59	4.28	15.29	24.56	10.01	15.04	12.86
<b>Domestic Large Cap Equities</b>							
Russell 1000 TR USD	3.31	3.57	14.24	23.88	8.74	14.60	12.51
Russell 1000 Value TR USD	-0.94	-2.17	6.62	13.06	5.52	9.00	8.23
Russell 1000 Growth TR USD	6.74	8.33	20.70	33.48	11.28	19.34	16.33
<b>Domestic Mid Cap Equities</b>							
Russell Mid Cap TR USD	-0.66	-3.35	4.96	12.88	2.37	9.45	9.04
Russell Mid Cap Value TR USD	-1.60	-3.40	4.54	11.98	3.65	8.49	7.60
Russell Mid Cap Growth TR USD	1.67	-3.21	5.98	15.05	-0.08	9.92	10.51
<b>Domestic Small Cap Equities</b>							
Russell 2000 TR USD	-0.93	-3.28	1.73	10.06	-2.58	6.94	7.00
Russell 2000 Value TR USD	-1.69	-3.64	-0.85	10.90	-0.53	7.07	6.23
Russell 2000 Growth TR USD	-0.17	-2.92	4.44	9.14	-4.86	6.16	7.39
<b>International Equities</b>							
MSCI EAFE NR USD	-1.61	-0.42	5.34	11.54	2.89	6.46	4.33
MSCI EAFE Value NR USD	-2.78	0.01	4.49	13.75	5.55	6.06	3.01
MSCI EAFE Growth NR USD	-0.45	-0.75	6.23	9.39	0.08	6.46	5.42
MSCI ACWI Ex USA NR USD	-0.10	0.96	5.69	11.62	0.46	5.54	3.84
MSCI EM NR USD	3.94	5.00	7.49	12.55	-5.06	3.10	2.79
<b>Cash &amp; Fixed Income</b>							
FTSE Treasury Bill 3 Mon USD	0.45	1.37	2.76	5.64	3.17	2.22	1.53
Bloomberg US Agg Bond TR USD	0.95	0.07	-0.71	2.63	-3.02	-0.23	1.35
Bloomberg Gbl Agg Ex USD TR Hdg USD	0.82	0.11	0.69	5.26	-0.48	0.51	2.45
Bloomberg US Corporate High Yield TR USD	0.94	1.09	2.58	10.44	1.64	3.92	4.31
<b>Alternatives</b>							
MSCI US REIT GR USD	2.88	0.08	-0.24	7.60	0.20	3.89	5.83
Bloomberg Commodity TR USD	-1.54	2.89	5.14	5.00	5.65	7.24	-1.29

Source: Morningstar. Data shown as of June 30, 2024.

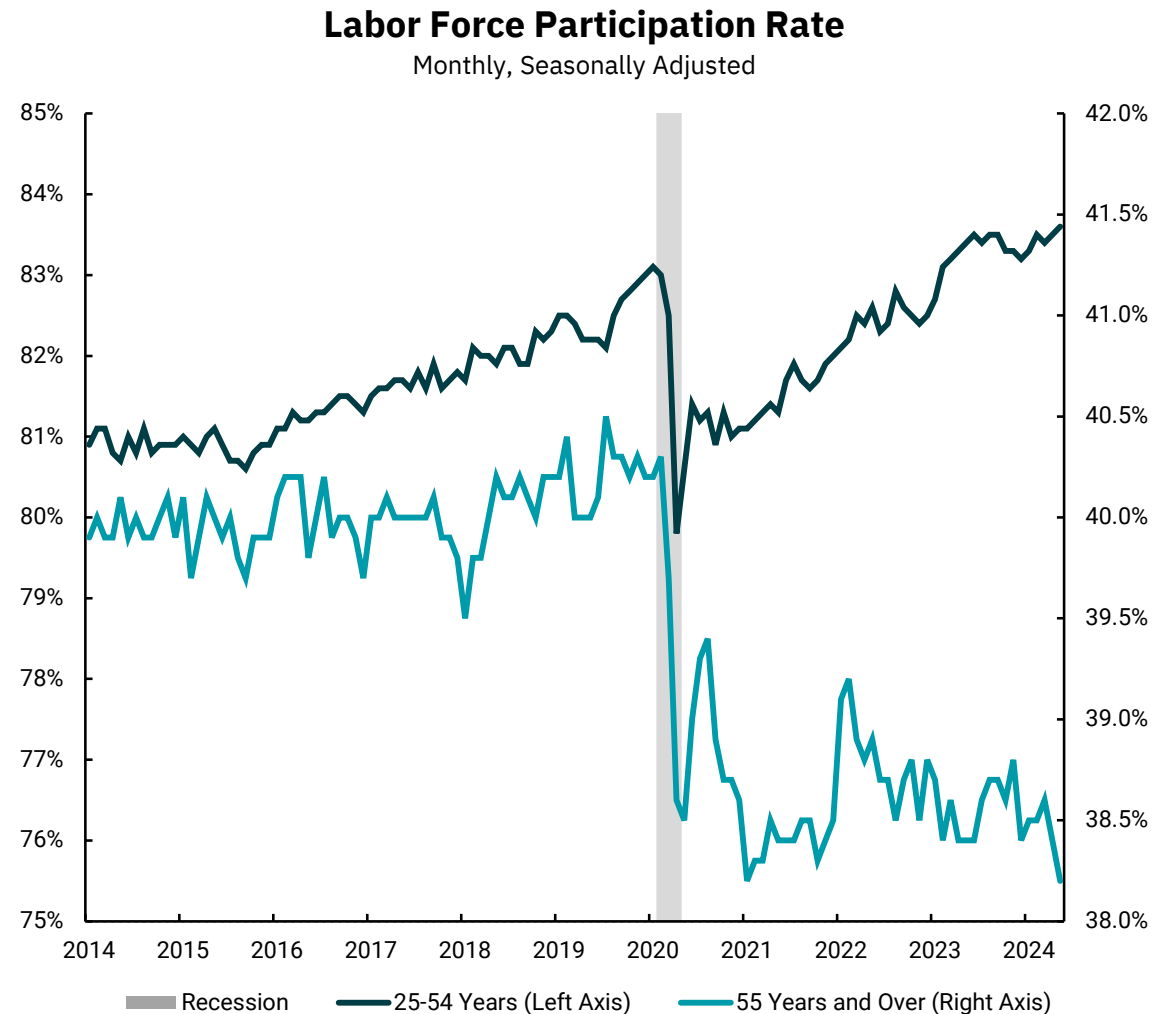
# Business – U.S. and European growth

- The divergence in growth profiles from different economic regions post-COVID has been pronounced.
- The European Union is the largest developed economy outside of the U.S.
- The U.S. has found its economic footing as the European Union remains largely flat.
- While there are significant differences between the U.S. and European economies, investors have been reminded just how dynamic the U.S. economic system is.



# Consumer – Labor force participation

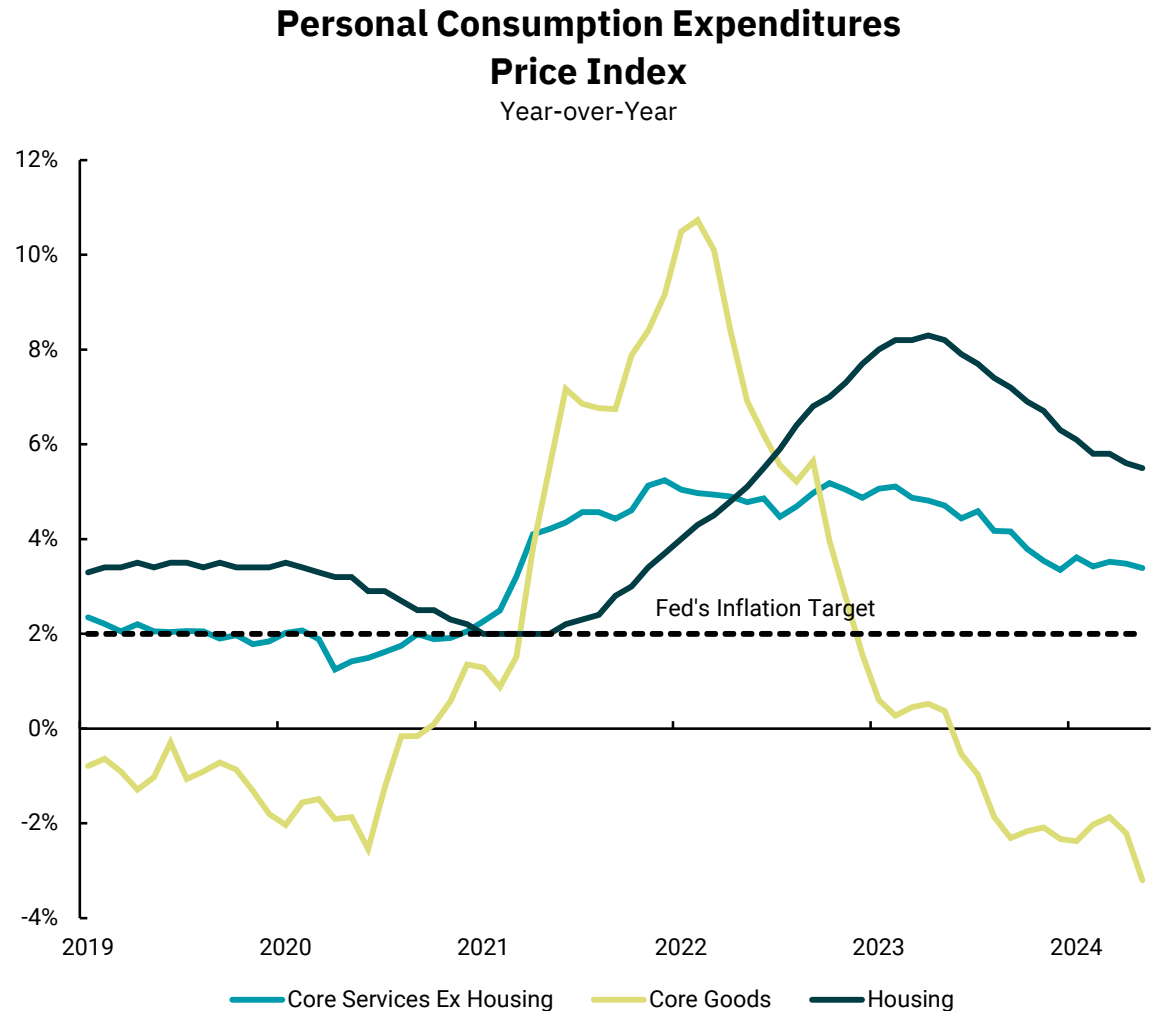
- Overall, the labor market is supportive of the U.S. consumer, with headline unemployment at or below 4% for the longest stretch since the 1960s.
- Prime-age labor force participation is back to and now above pre-pandemic levels.
- Labor force participation for those 55 and over remains significantly lower than pre-pandemic levels.
- The pandemic appears to have had the most impact on those near retirement.





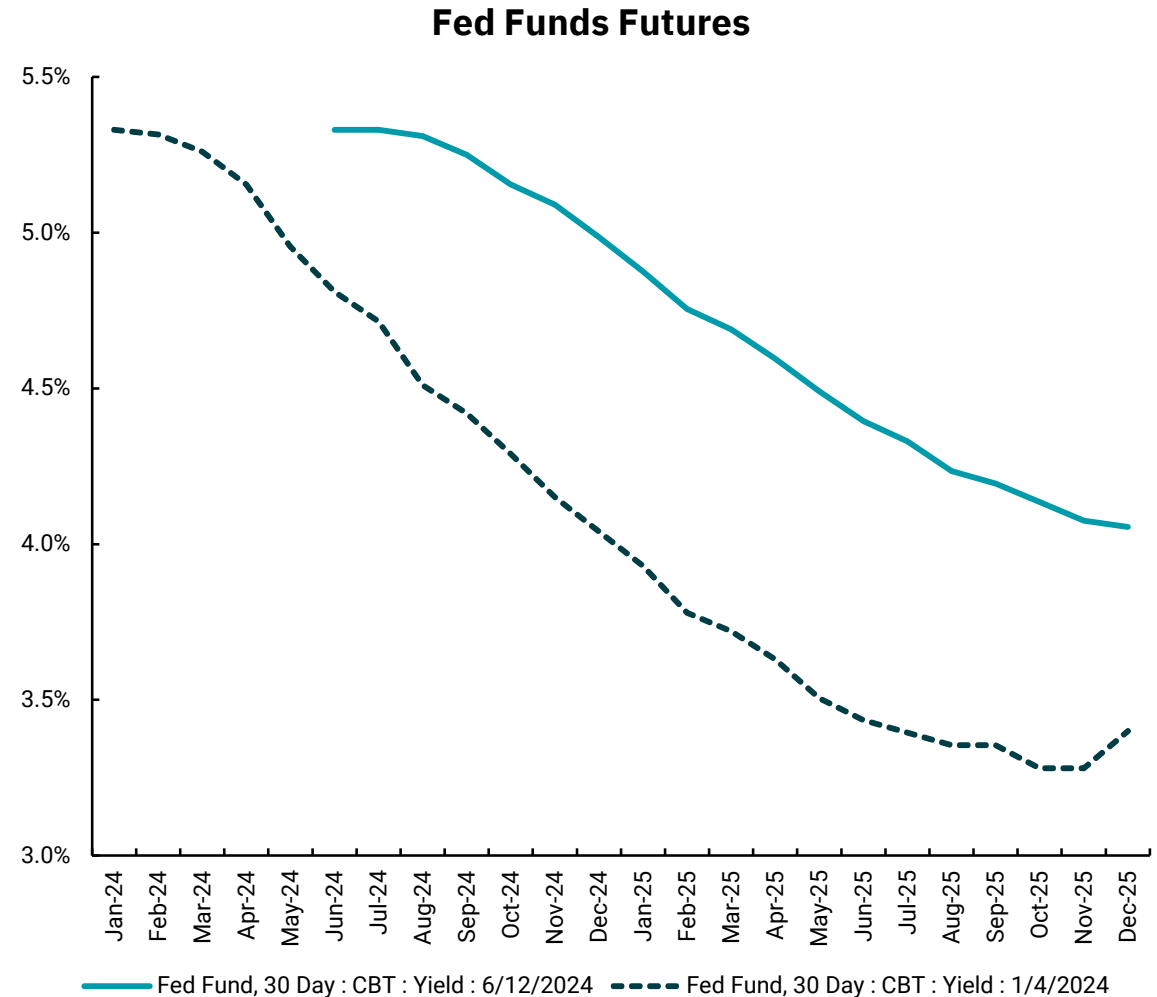
# Inflation remains elevated

- Inflation is moderating but is still above the Federal Reserve's 2% target.
- Core goods inflation is falling rapidly and approaching actual disinflation.
- Housing and rents are improving but remain well above the Fed's target.
- Core services excluding housing, an attempt to measure wages within the CPI data, have recently turned higher.



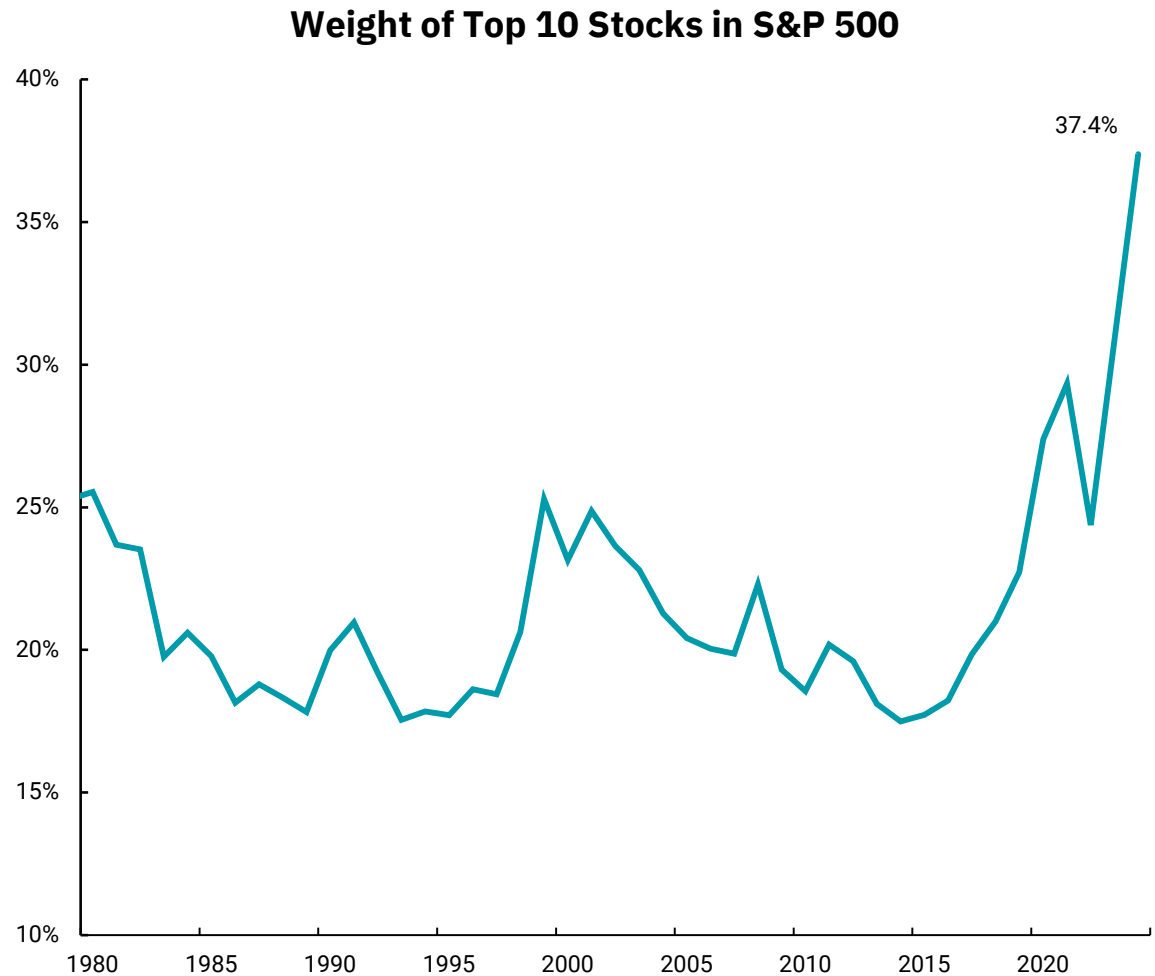
# Fed Funds Futures

- Coming into 2024, the market was expecting approximately six rate cuts from the Federal Reserve.
- With stickier-than-expected inflation data arriving in the spring, expectations have been pulled back.
- However, recent inflation readings have been encouraging, and markets are currently expecting one to two rate cuts in the back half of 2024.



# Industry concentration

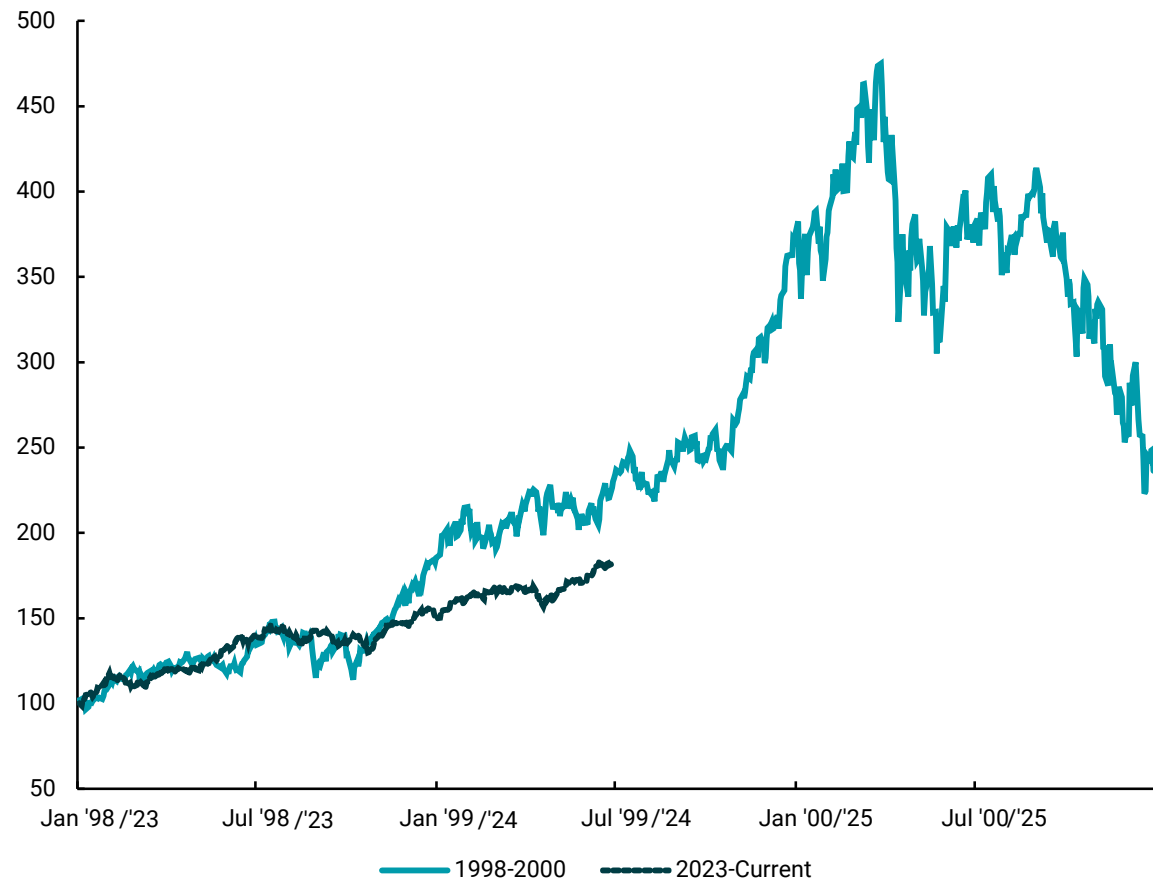
- S&P 500 index returns are largely driven by the highly weighted components of the index.
- Almost 70% of the S&P 500's return in 2023 was driven by just ten stocks.
- Although other areas of the equity markets have performed well in 2024, S&P 500 performance has remained relatively concentrated.



# AI bubble?

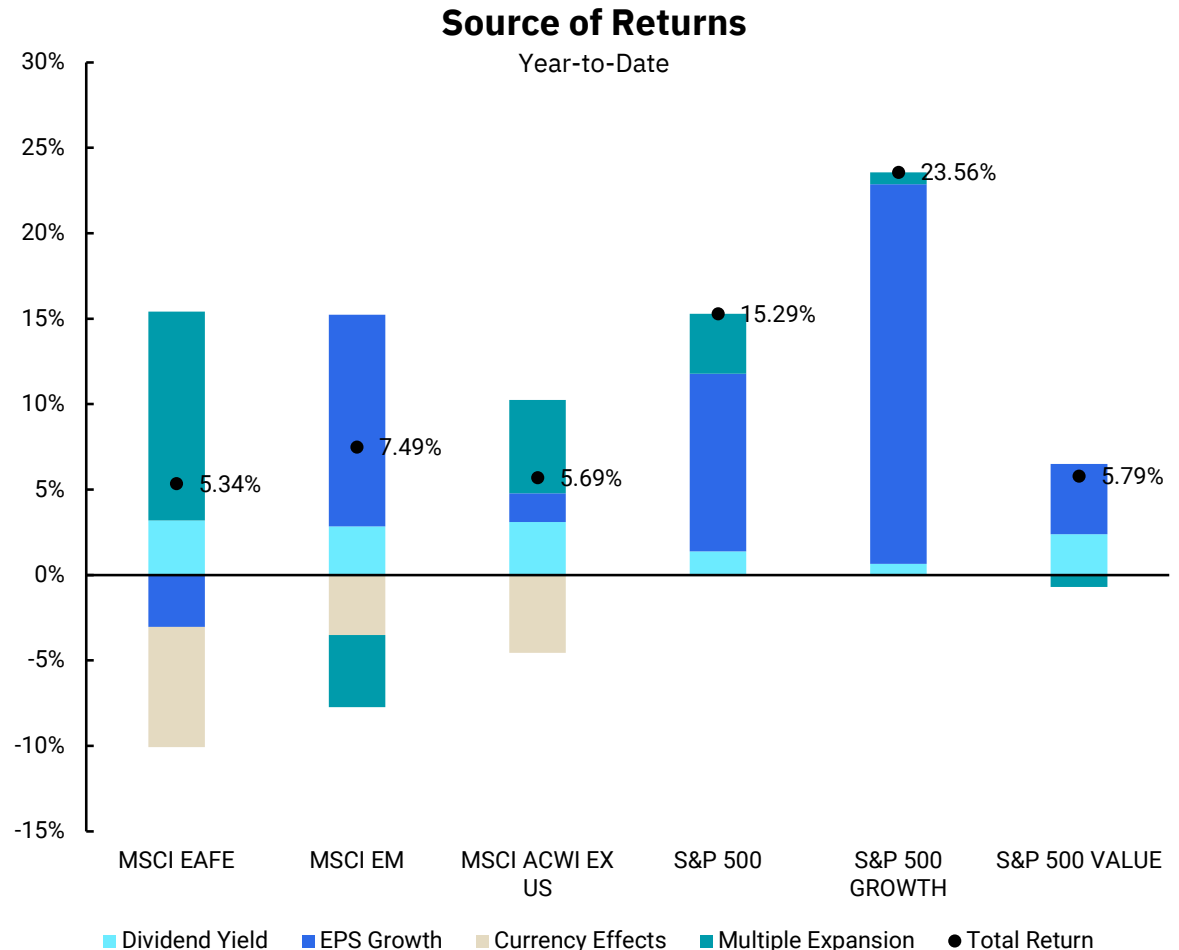
- Many market participants have proclaimed a bubble in the stocks of companies tied to artificial intelligence.
- However, comparing the performance of the Nasdaq 100 during the dot-com era to the current AI rally shows there may be significantly more room for improved performance attributable to AI.
- Moreover, much of the AI-related equity market performance has come from profitable companies, unlike many of the unprofitable surging stocks of the dot-com era.

**Nasdaq 100 Index  
1998-2000 vs. 2023-Current**



# Returns YTD driven primarily by earnings

- Unlike some past periods where increasing multiples drove equity market performance, most stock markets this year are seeing earnings growth as a primary driver of returns.
- S&P 500 growth leads the way in performance but has shown a decline in multiples as earnings growth has been faster than price increases.
- Overall market multiples are still extended, but not egregiously high and earnings estimates for the rest of 2024 and 2025 are up double digits.



Multiple Expansion = Total Return YTD - Dividends - Currency Effects - EPS Growth

Currency Effects = Index Return YTD - Currency Hedged Index Return YTD

EPS Growth = Sell-side consensus estimate for 2023 EPS

Dividend Yield = BEst. Div Yld

Source: Bloomberg. Data shown as of June 31, 2024.

# Base case outlook



## Economy

Economic growth remains resilient but is moderating from recent elevated levels. Recession odds have diminished but are not gone.

**Risks:** Higher unemployment and potential geopolitical events.



## Policy

We expect the Federal Reserve to lower rates next. Ongoing fiscal outlays will continue or even expand, supporting demand.

**Risk:** Persistent inflation keeps rates higher or unexpected difficulty financing the deficit



## Markets

Bond markets offer attractive yields but low credit spreads. Current equity valuations reflect solid earnings growth in 2024 and 2025.

**Risk:** Recession risk leads to earnings decline and widening credit spreads.



# Investment Policy

## Investment Policy Summary

### Investment Objective

The long-term objective of the Trust is to earn a return sufficient to preserve the purchasing power of the Trust to fund retirement benefits for contributing UNM employees.

### Benchmark(s)

Policy Benchmark	45% RUS 3000 / 30% MSCI ACWI EX US / 25% BC AGG
Primary Benchmark	45% RUS 3000 / 30% MSCI ACWI EX US / 25% BC AGG

### Additional Information

Liquidity Needs	No known short or long-term needs
Tax Exempt Status/Tax Information	-
Fiscal Year-End	06/30
Account Inception	09/04/2015
Investment Policy Statement (IPS) Effective Date	02/26/2024
Performance Inception Date	12/31/2015

### IPS Strategic Asset Allocation And Targets

Asset Class	Minimum	Maximum	Target
Fixed Income	0.0%	33.0%	25.0%
Equities	0.0%	98.0%	75.0%
Alternatives	0.0%	15.0%	0.0%

### Historical Benchmark Changes

#### Primary Benchmark

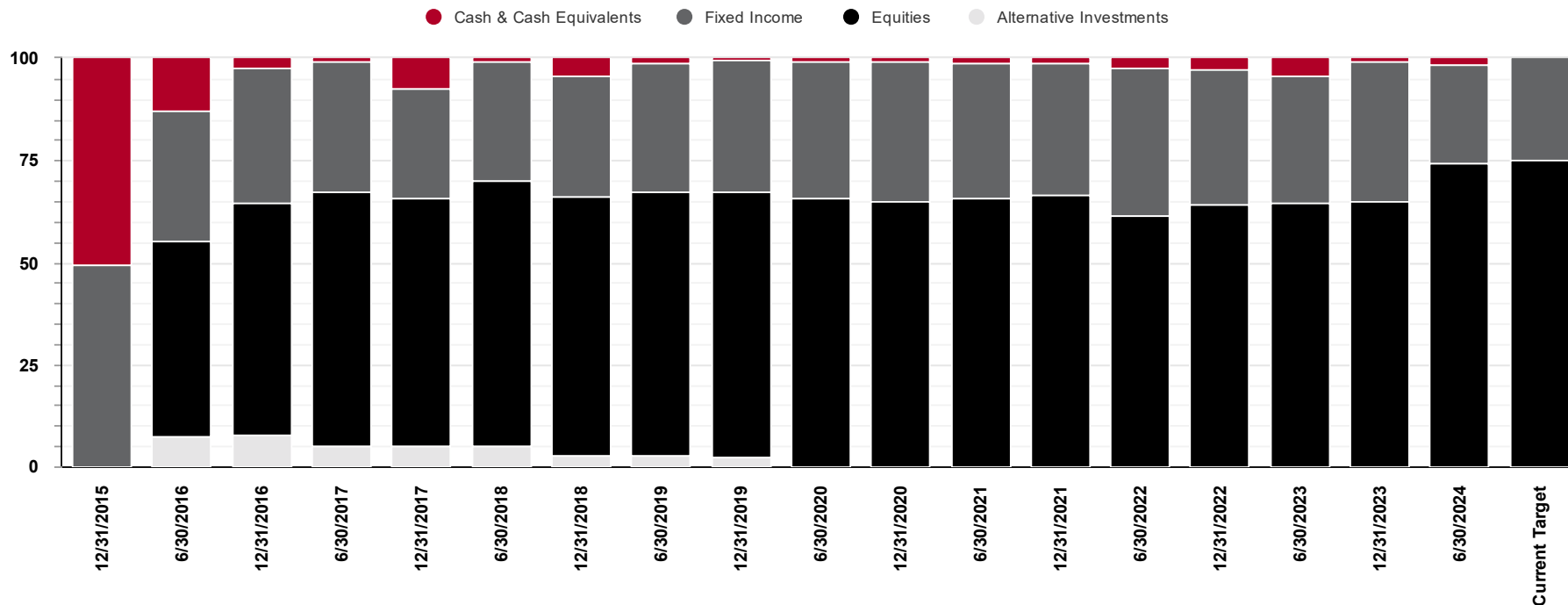
11/30/2022 - 02/26/2024	35% BC AGG / 15% MSCI EM, 15% MSCI EAFE, 35% RUS 3000
12/09/2021 - 11/30/2022	35% BC AGG / 15% MSCI EM, 15% MSCI EAFE, 35% RUS 3000

#### Policy Benchmark

11/30/2022 - 02/26/2024	35% BC AGG / 15% MSCI EM, 15% MSCI EAFE, 35% RUS 3000
12/09/2021 - 11/30/2022	35% BC AGG / 15% MSCI EM, 15% MSCI EAFE, 35% RUS 3000



Allocation Summary

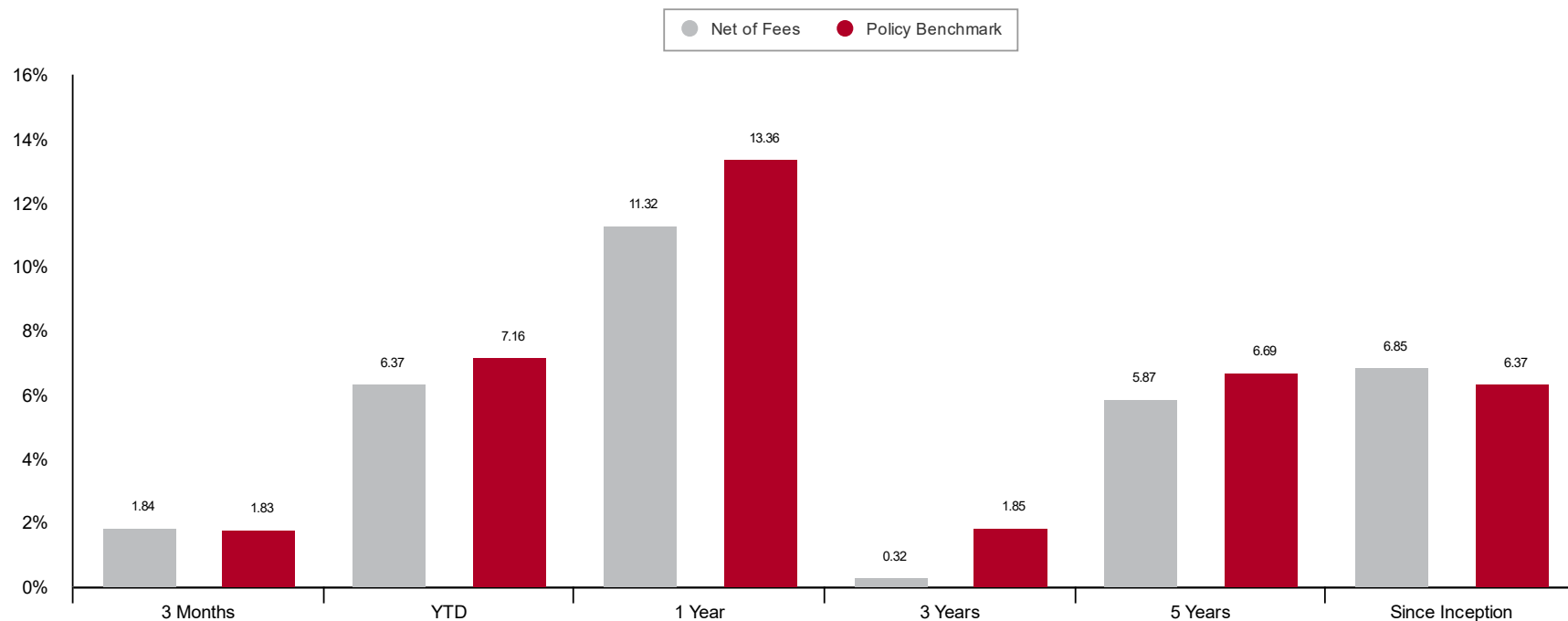


Class	Ending Market Value	Current Portfolio Allocation	Target Allocation	Difference (%)	Difference (\$)
Cash & Cash Equivalents	1,005,706	1.4%	-	1.4%	1,005,706
Fixed Income	17,423,485	24.1%	25.0%	-0.9%	-636,798
Equities	53,811,940	74.5%	75.0%	-0.5%	-368,908
<b>TOTAL PORTFOLIO</b>	<b>72,241,131</b>	<b>100%</b>	<b>100%</b>	<b>-</b>	<b>-</b>



# Performance Review

Portfolio Performance Summary



Account inception was September 04, 2015. Performance calculation began on December 31, 2015.  
Returns for time periods greater than 1 year are annualized.

Portfolio Summary	3 Months	YTD	1 Year	3 Years	5 Years	Since Inception
Beginning Value (\$)	69,969,437	66,003,132	61,106,833	59,291,997	36,630,412	12,410,699
Net Contributions and Withdrawals (\$)	937,733	1,905,710	3,797,015	10,813,245	20,076,598	37,536,621
Investment Gain/Loss (\$)	1,333,962	4,332,289	7,337,284	2,135,890	15,534,121	22,293,812
Ending Value (\$)	72,241,131	72,241,131	72,241,131	72,241,131	72,241,131	72,241,131
<b>Total Portfolio (Net of Fees) (%)</b>	<b>1.84%</b>	<b>6.37%</b>	<b>11.32%</b>	<b>0.32%</b>	<b>5.87%</b>	<b>6.85%</b>
Class Blended (Policy %)	1.83%	7.16%	13.36%	1.85%	6.69%	6.37%

**Performance by Asset Class**

Asset Class / Benchmark	Alloc %	Market Value	3 Months	YTD	1 Year	3 Years	5 Years	Inception
Cash Equivalent	1.4%	1,005,706	0.98%	1.82%	4.03%	2.66%	1.82%	1.49%
<i>N/A</i>	-	-	-	-	-	-	-	-
Fixed Income	24.1%	17,423,485	0.51%	0.18%	3.80%	-2.06%	0.97%	1.60%
<i>Bloomberg U.S. Aggregate</i>	25.0%	-	0.07%	-0.71%	2.63%	-3.02%	-0.23%	1.29%
Equities	74.5%	53,811,940	2.36%	9.44%	15.41%	1.60%	8.50%	10.91%
<i>MSCI All Country World ex US (30%) / Russell 3000® Index (45%)</i>	75.0%	-	2.42%	9.86%	17.56%	3.79%	9.84%	10.25%
<b>Total Portfolio (Net of fees)</b>	100.0%	72,241,131	1.84%	6.37%	11.32%	0.32%	5.87%	6.85%
<b>Class Blended</b>	100.0%	-	1.83%	7.16%	13.36%	1.85%	6.69%	6.37%

Returns for time periods greater than 1 year are annualized.

## Asset Detail Report

Asset Class	Security ID	Ticker	Security Name	Shares	\$ Market Value	% Current Yield	% Class	% Total
<b>Cash &amp; Cash Equivalents</b>								
			Cash & Cash Equivalents	1,005,706	1,005,706	5.23	100.0	1.39
<b>TOTAL Cash &amp; Cash Equivalents</b>					<b>\$1,005,706</b>	<b>5.23%</b>	<b>100.0%</b>	<b>1.39%</b>
<b>Fixed Income</b>								
<b>Core</b>								
	256210105	DODIX	DODGE & COX INCOME FD INCOME FUND I	1,407,390	17,423,485	4.20	100.0	24.12
<b>TOTAL Core</b>					<b>\$17,423,485</b>	<b>4.20%</b>	<b>100.0%</b>	<b>24.12%</b>
<b>TOTAL Fixed Income</b>					<b>\$17,423,485</b>	<b>4.20%</b>	<b>100.0%</b>	<b>24.12%</b>
<b>Equities</b>								
<b>Large Cap</b>								
	091936153	BKTSX	BLACKROCK FUNDS ISHS TTL US MK K	1,318,654	32,781,740	1.28	60.9	45.38
<b>TOTAL Large Cap</b>					<b>\$32,781,740</b>	<b>1.28%</b>	<b>60.9%</b>	<b>45.38%</b>
<b>International Developed</b>								
	316146315	FSGGX	FIDELITY GLBL EX US INDX-INST #2348	1,412,371	21,030,201	2.79	39.1	29.11
<b>TOTAL International Developed</b>					<b>\$21,030,201</b>	<b>2.79%</b>	<b>39.1%</b>	<b>29.11%</b>
<b>TOTAL Equities</b>					<b>\$53,811,940</b>	<b>1.87%</b>	<b>100.0%</b>	<b>74.49%</b>
<b>TOTAL</b>					<b>\$72,241,131</b>	<b>2.48%</b>	<b>100.0%</b>	<b>100.00%</b>
<b>TOTAL ASSETS</b>					<b>\$72,241,131</b>			

# Manager Due Diligence



Manager Watch List

No manager on watch

# Transaction Summary





## Activity Summary

## UNM RETIREE WELFARE BENEFIT TRUST PUSD

Reconciliation	Last 3 Months	Fiscal Year To Date
<b>Beginning Market Value</b>	<b>\$69,969,437</b>	<b>\$61,106,833</b>
Contributions	961,000	3,886,000
Withdrawals	-500	-500
Expenses	-22,767	-88,485
Non-Cash Activity	0	0
Investment Gain / Loss	1,333,962	7,337,284
<b>Ending Market Value</b>	<b>\$72,241,131</b>	<b>\$72,241,131</b>

As of: 03/31/2016 - 06/30/2024

### Reconciliation

Year	Time Period	Beginning Market Value <sup>1</sup>	Net Contributions & Withdrawals	Earnings	Ending Market Value <sup>1</sup>
<b>TOTALS</b>			<b>37,536,621</b>	<b>22,293,813</b>	
<b>2024</b>		<b>66,003,132</b>	<b>1,905,710</b>	<b>4,332,289</b>	<b>72,241,131</b>
	June	70,873,861	316,500	1,050,771	72,241,131
	May	67,988,089	320,000	2,565,772	70,873,861
	April	69,969,437	301,233	-2,282,581	67,988,089
	March	67,666,141	323,000	1,980,296	69,969,437
	February	65,817,660	339,000	1,509,481	67,666,141
	January	66,003,132	305,977	-491,449	65,817,660
<b>2023</b>		<b>54,284,774</b>	<b>3,754,779</b>	<b>7,963,579</b>	<b>66,003,132</b>
	Quarter 4	59,720,237	959,014	5,323,881	66,003,132
	Quarter 3	61,106,833	932,291	-2,318,887	59,720,237
	Quarter 2	58,497,629	943,414	1,665,790	61,106,833
	Quarter 1	54,284,774	920,061	3,292,795	58,497,629
<b>2022</b>		<b>60,574,558</b>	<b>4,175,893</b>	<b>-10,465,678</b>	<b>54,284,774</b>
	Quarter 4	49,653,879	968,944	3,661,951	54,284,774
	Quarter 3	51,901,053	927,283	-3,174,457	49,653,879
	Quarter 2	57,298,413	969,245	-6,366,606	51,901,053
	Quarter 1	60,574,558	1,310,422	-4,586,566	57,298,413
<b>2021</b>		<b>51,199,259</b>	<b>5,316,161</b>	<b>4,059,138</b>	<b>60,574,558</b>
	Quarter 4	58,583,831	647,809	1,342,917	60,574,558
	Quarter 3	59,291,997	329,052	-1,037,218	58,583,831
	Quarter 2	52,166,647	4,358,063	2,767,287	59,291,997
	Quarter 1	51,199,259	-18,764	986,152	52,166,647
<b>2020</b>		<b>41,563,940</b>	<b>2,439,194</b>	<b>7,196,124</b>	<b>51,199,259</b>
	Quarter 4	45,989,572	-17,961	5,227,647	51,199,259
	Quarter 3	43,194,069	295,605	2,499,898	45,989,572
	Quarter 2	35,649,433	2,177,893	5,366,744	43,194,069
	Quarter 1	41,563,940	-16,342	-5,898,165	35,649,433
<b>2019</b>		<b>30,298,085</b>	<b>4,669,792</b>	<b>6,596,063</b>	<b>41,563,940</b>
	Quarter 4	37,786,651	1,435,763	2,341,526	41,563,940
	Quarter 3	36,630,412	1,049,096	107,142	37,786,651
	Quarter 2	34,704,443	701,279	1,224,690	36,630,412
	Quarter 1	30,298,085	1,483,654	2,922,704	34,704,443
<b>2018</b>		<b>28,232,608</b>	<b>4,242,681</b>	<b>-2,177,204</b>	<b>30,298,085</b>
	Quarter 4	32,138,866	763,170	-2,603,950	30,298,085
	Quarter 3	30,023,327	1,491,540	623,999	32,138,866
	Quarter 2	29,386,795	770,872	-134,340	30,023,327
	Quarter 1	28,232,608	1,217,099	-62,912	29,386,795

<sup>1</sup>Market values include accrued income.

**Reconciliation**

Year	Time Period	Beginning Market Value <sup>1</sup>	Net Contributions & Withdrawals	Earnings	Ending Market Value <sup>1</sup>
<b>2017</b>		<b>19,097,989</b>	<b>5,492,375</b>	<b>3,642,245</b>	<b>28,232,608</b>
	Quarter 4	25,227,621	2,021,703	983,285	28,232,608
	Quarter 3	23,912,205	416,012	899,404	25,227,621
	Quarter 2	21,846,878	1,298,815	766,512	23,912,205
	Quarter 1	19,097,989	1,755,844	993,045	21,846,878
<b>2016</b>		<b>12,410,699</b>	<b>5,540,035</b>	<b>1,147,255</b>	<b>19,097,989</b>
	Quarter 4	18,285,337	844,838	-32,186	19,097,989
	Quarter 3	16,500,060	1,292,346	492,930	18,285,337
	Quarter 2	14,858,058	1,436,838	205,165	16,500,060
	Quarter 1	12,410,699	1,966,013	481,346	14,858,058

<sup>1</sup>Market values include accrued income.



# Definitions & Disclosures

**Definitions**

The following terminology may appear in this presentation.

**Allocation Effect:** Allocation Effect measures the influence that an over- or underweight allocation to a particular sector or asset class has on a portfolio's performance.

**Alpha:** Alpha is a measure of performance on a risk-adjusted basis, taking the volatility of a portfolio into consideration and comparing the risk-adjusted performance to a benchmark index. The excess return of the strategy relative to the return of the benchmark index is alpha. A positive alpha of 1.0 means the strategy has outperformed its benchmark by 1%, while a similar negative alpha would indicate an underperformance of 1%.

**Beta:** Beta measures the relationship between a portfolio and the market as a whole. Beta values can be positive or negative. An index has a beta of 1.0.

**Batting Average:** Batting average is a statistical metric used to measure a manager's ability to meet or beat an index. It is calculated by dividing the number of months in which the manager beats or matches the index return by the total number of months in the comparison period and multiplying that factor by 100. A higher batting average reflects greater skill of the manager.

**Capture Ratio:** The capture ratio is a statistical measure that compares the strategy's overall performance in up-markets versus its overall performance in down-markets, and is used to evaluate how much a manager participates on the upside compared to how well it protects on the downside.

**Days of Non-Compliance:** When monitoring compliance to investment guidelines over a period of time, the days of non-compliance are the total number of days during the time period when the portfolio was not in compliance with those guidelines.

**Downside Beta:** Measures an asset's or portfolio's association with the benchmark only in periods when the benchmark's return is negative.

**Downside Deviation:** Measures risk and price volatility of investments by focusing on returns that fall below the average period return. (Sortino Ratio denominator)

**Due Diligence Process:** The Due Diligence process uses a disciplined framework for manager oversight, consisting of quarterly quantitative performance reviews and ongoing qualitative monitoring as described in the Important Information section. A manager may be placed on Watch status if/when anything of material nature occurs or is determined to potentially impact the long-term relative performance of the strategy. Such events or changes would generally be characterized as any adverse deviations in the organization, investment process, or performance results of the managers.

**Investment Gain/Loss:** Investment Gain/Loss is defined as interest and dividend income, accrued income, foreign tax withholding refunds, realized gain/loss, and market appreciation and depreciation.

**Information Ratio:** Information Ratio is a risk-adjusted ratio of portfolio returns exceeding the returns of a benchmark index to the volatility of those excess returns. The information Ratio measures a portfolio manager's ability to generate excess returns relative to a benchmark, but also attempts to identify the consistency of the manager. The higher the ratio, the more consistent the manager's historical returns.

**Interaction Effect:** Interaction Effect is the portion of a portfolio's return that can be attributed to the interaction between the manager's selection decisions and allocation decisions.

**Issuer Concentration:** Issuer Concentration is monitored based on counterparties and industries by consolidating securities by issuer using the first six digits of the security's CUSIP. This information is then sorted by percentage of total market value.

**Market Value:** The market values shown in this report and used in calculating the returns in this report are calculated independently from our trust accounting system. Valuations are based on trade date full accrual methodologies which may differ from your chosen statement reporting method. Please refer to your BOKF Financial statement for your official account record. Discrepancies should be discussed with your advisor.

**Net of Fee Returns:** Net of fee returns reflect investment management fees that have either been calculated by BOKF or deducted from the market value of the portfolio.

**Parallel Shift Effect:** The Parallel Shift Effect is the portion of a portfolio's return that is attributable to a movement of the yield curve over the time period being evaluated.

**Performance Inception Date:** Performance inception date is the date that the all funds designated are fully invested in the chosen investment strategy.

**Policy Benchmark:** A Policy Benchmark is assigned to a portfolio if the client's Investment Policy Statement indicates the market index used to evaluate achievement of the investment objective. The blended benchmark represents the weighted average of the asset allocation targets defined in the investment policy statement. If no targets are defined, the midpoints of each asset class's minimum and maximum ranges will be used, with the total of the weights equaling 100%. Changes to benchmarks are made prospectively.

**Primary Benchmark:** The primary benchmark is made up of the target weightings assigned to asset class benchmarks of the investment policy statement, reflecting the investment strategy for the total portfolio. The primary benchmark reflects indices deemed by the investment manager to be most appropriate for the management strategy.

**R-Squared:** R-squared is a statistical measure that represents the percentage of a security's movements that can be explained by movements in a benchmark index. R-squared values range from 0 to 100, and a value of 100 means that all movements of a portfolio are completely explained by movements in the index.

**Definitions**

**Reshaping Effect:** The Reshaping Effect is the portion of a portfolio's return that is attributable to the change in the shape of the yield curve over the time period being evaluated.

**Rolldown Effect:** The Rolldown Effect is the portion of a portfolio's return that is attributable to the bonds' movement along the yield curve as the term-to-maturity decreases over time.

**Secondary Benchmark:** In some instances, a secondary benchmark may be assigned as an additional measurement using different indices.

**Security Level Returns:** Beginning date of security level historical performance is as-of the implementation of enhanced performance reporting.

**Selection Effect:** The Selection Effect is the portion of a portfolio's return that can be attributed to the manager's security, sector or asset class selection decisions within a particular sector.

**Standard Deviation:** Standard deviation is a measure of dispersion of returns. It is calculated by using the positive square root of the variance. The higher the standard deviation, the more risky the data set being measured.

**Sortino Ratio:** Sortino Ratio is a risk-adjusted ratio. It is a modification of the Sharpe ratio that differentiates harmful downside volatility from general volatility by taking into account the standard deviation of negative asset returns. The Sortino Ratio subtracts the risk-free rate of return from the portfolio's return and then divides that by the downside deviation. A large Sortino Ratio indicates the portfolio has historically had lower probability of large loss.

**Tracking Error:** Tracking error is a divergence between the price behavior of a portfolio and the price behavior of a benchmark. Tracking errors are reported as a positive number representing the standard deviation percentage difference. Tracking error for passive strategies should be minimal.

**Turnover Ratio:** Turnover Ratio is the percentage of an investment or mutual fund's holdings that have been replaced in a given year to measure the level of the fund's trading activity. The Turnover Ratio can vary depending on the type of investment style, objective, or strategy.

**Yield Effect:** The Yield Effect is the portion of a portfolio's return that is attributable to interest income and to price changes resulting from a decrease in term-to-maturity over the time period being evaluated.

As of: 06/30/2024

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Investment Policy Statement compliance monitoring is based on the best ability of BOKF to monitor the investments within the portfolio. Pooled investments, such as mutual funds, are monitored based on the designated objective of the fund. Furthermore, BOKF will utilize their interpretation of the guidelines to determine if a portfolio is in compliance with the Investment Policy Statement.

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