



## **University of Wisconsin System Trust Funds**



### **Quarterly Investment Review September 30, 2023**

## UW System Trust Funds: Overview and Investment Summary

Quarter Ended September 30, 2023

### **Investment Objective**

To achieve, net of administrative and investment expenses, reasonable, attainable and sustainable returns over and above the rate of inflation. SWIB seeks to achieve this objective through the use of passive, externally-managed, public markets funds.

### **Market Values as of September 30, 2023**

Total Public Market Assets <sup>1</sup>	\$453,939,427
Total Legacy Private Market Assets <sup>1</sup>	\$70,308,345
Other Cash and Accruals <sup>2</sup>	\$235,592
<b>Total UW System Long Term Fund<sup>1</sup></b>	<b>\$524,483,364</b>
<b>Income Cash Fund (State Investment Fund 'SIF')<sup>3</sup></b>	<b>\$35,203,000</b>

*1 Market values are calculated net of external management fees.*

*2 Other Cash and Accruals include custody & middle office fees, SWIB internal management fees, fund-level STIF cash, STIF interest and other pass through fees that either accrue until paid or are pre-paid. Balances vary intra-month and can cross into new quarters.*

*3 Data is sourced from the Quarter End Pool Sheets provided by the DOA and represents the monies available in UW Funds 161 and 162 (STAR account(s) 51100 and 51200).*

### **Performance for Quarter Ended September 30, 2023**

	Jul-23	Aug-23	Sep-23	3 Months
UW System Long Term Fund (Gross of Fees)	2.02%	-1.82%	-2.71%	-2.56%
UW System Long Term Fund (Net of All Fees) <sup>4</sup>	2.01%	-1.83%	-2.72%	-2.58%
UW Fund Custom Benchmark	2.02%	-1.85%	-2.74%	-2.61%

*4 Returns are calculated net of external management fees.*

### **Contributions/Withdrawals for Quarter Ended September 30, 2023**

UW System Long Term Fund - Public Markets <sup>5</sup>	(\$1,467,622)
UW System Long Term Fund - Private Markets <sup>6</sup>	(\$1,992,181)
UW System Long Term Fund Contributions for Fees	\$366,065
UW System Long Term Fund Fees Expensed <sup>7</sup>	(\$132,982)

*5 Amount represents the net of new contributions and withdrawals by UWS, including endowment spending distributions, assessment of UWS internal fees, as well as reallocations among the public and private market portfolios.*

*6 Distributions from StepStone and other private market underlying funds are net of external investment management fees paid.*

*7 Fees expensed can include external and internal management fees, custody & middle office fees, and other pass through fees accrued and paid from both the public and private market accounts.*

## **Performance and Market Discussion**

For the quarter ended September 30th, the UW investment portfolio returned -2.56%, performing in-line with its benchmark.

The U.S. equity market initially rallied over the quarter, supported by a falling inflation rate and resilient economic data. The Federal Reserve (Fed) raised its policy rate by 25 basis points, bringing the fed funds rate to 5.25%-5.50%. However, uncertainty about whether the Fed has reached the endpoint for rate-hiking cycle has dampened the market sentiment.

## **Equity Performance**

The U.S. broad-market Russell 3000 Index increased -3.25% in the quarter.

The U.S. equity market initially rallied over the quarter, supported by a falling inflation rate and resilient economic data. The Federal Reserve (Fed) raised its policy rate by 25 basis points, bringing the fed funds rate to 5.25%-5.50%. However, uncertainty about whether the Fed has reached the endpoint for rate-hiking cycle has dampened the market sentiment.

A slight inflation hike in August 2023 weighed down on market performance over the second part of Q3. However, the Federal Reserve (Fed) kept rates unchanged during their September meeting, signaling a hawkish pause that raised concerns about high rates persisting for a longer period and a possibility of another rate hike later this year - driven by increasing oil prices pushing the inflation rate higher.

The MSCI World ex-U.S. (Net) Index returned -4.10% during the third quarter of 2023.

Global growth and inflation concerns took center stage in shaping sentiment across developed markets. Developed European equities fell over the quarter amid worries about the potential impact of further rate hikes on economic growth.

The cooling inflation rate in Europe raised optimism that the rate hike cycle was nearing its endpoint. The European Central Bank (ECB) raised interest in both July and September, signaling a pause ahead, as the current level was deemed sufficient to guide inflation back to its target. However, the Bank of England (BoE) maintained rates unchanged in September but indicated a longer period of elevated rates.

In Japan, equity markets rallied on the back of rising rates and robust earnings results. The weakened Yen, coupled with strong domestic demand, heightened investor sentiment, and supported market performance throughout the quarter. The Bank of Japan (BOJ) announced policy adjustments that supported a gradual increase in Japanese government bond yields.

From a sector perspective, Energy (11.77%), Financials (0.85%), and Real Estate (-0.95%) were among the best performers. While Information Technology (-10.63%) Utilities (-8.71%), and Consumer Discretionary (-8.25%) were among the worst performers.

**Fixed Income Performance**

The Bloomberg US Government Credit Index posted a return of -3.00% and the Bloomberg Intermediate US Government Credit Index posted a return of -0.83% during the third quarter. In September, the Federal Open Market Committee (FOMC) decided to keep rates unchanged with the target range at 5.25-5.50%. The Survey of Economic Projections (SEP) revealed an upgraded growth outlook and maintained the possibility of one more hike this year. The dot-plot in the SEP was hawkish, with the Fed anticipating cuts of only 50 basis points (bps) next year, compared to the previous projection of 100 bps. This is also less dovish than the market expectation of ~80 bps. The SEP medians indicated a committee more convinced of a soft-landing narrative. The Fed raised its growth forecast for the year to 2.1%, reflecting solid recent data. Decisions will be made on a meeting-by-meeting basis. As a result, US Treasury yields surged and the curve steepened, with the 10-year rate reaching its highest level since 2007 at 4.55% and the 30-year rate reaching 4.67%, driven by market expectations of higher rates for a longer period and elevated supply.

On the data front, August US Headline CPI popped came out at 0.63% MoM and 3.7% YoY, its largest sequential gain since June 2022. Core CPI came in at 0.28% MoM and 4.4% YoY. More than half of the Headline figure was driven up by a pick-up energy price (5.6%), while food posted more modest gains (0.2% MoM). US Core PCE inflation was also trimmed to 3.7% by year-end. GDP was unchanged at 2.1% for the second quarter, slightly higher than first quarter which was 2.0% annualized. Consumers were more cautious in their spending with Consumer spending, which accounts for about 70% of the US economy, revised lower to a 0.8% annualized rate, down from 1.7% in the previous estimate. Labor markets demonstrated some signs of cooling in September as evidenced by JOLTS data which exhibited a decline in both job openings and the quits rate. Concurrently, Non-Farm Payrolls registered below 200,000 for the third month in a row while the participation rate moved higher.

Oil prices have surged above \$90 per barrel, apart from the long-standing environmental challenges that drive oil prices high, several factors have contributed to this price jump. Supply constraints from OPEC+ and other producers, demand recovery from China and other major consumers, who are ramping up their oil consumption as they emerge from the pandemic and prepare for the Golden Week holiday. Additionally, sanctions, conflicts, or instability in some oil-producing regions such as Libya, Iran, Nigeria, and Venezuela have further impacted the price.

Corporate spreads remained relatively resilient despite several factors that exerted negative pressure on equities, including higher yields, negative consumer headlines, and rising energy prices. Despite the cooling inflation and labor market data, yields have continued to move higher driven by a pickup in term premium, improving economic growth projections and the Fed's indication that it is unlikely to pivot even if growth slows. Outside of economic news, Investors faced negative headlines surrounding a potential government shutdown, UAW labor strike and significantly higher oil prices driven by OPEC supply cuts. Against this backdrop, the Bloomberg US Investment Grade Credit Index widened by 3bps in September, to 112bps, resulting in a monthly excess return of 3bps. Primary market issuance for September was about \$141.9bn, including \$114.5bn in corporates and \$27.4bn in non-corporates. With rates persistently climbing higher, we continue to see a lack of issuance in the back end of the curve with year-over-year long end issuance down nearly 13%.

## **Inflation Sensitive Performance**

In Q3, breakeven levels in the US increased. Over the quarter, 10-year nominal rates increased ~72 bps while real rates rose ~62bps. These movements drove a ~10bps increase in 10-year inflation expectations. Starting off the quarter, July's FOMC meeting resumed rate hikes following June's skip resulting in the target range being set to 5.25% - 5.5%, the highest Fed Funds level in over 22 years. The resilience of the U.S labor market continued over the quarter, with the unemployment rate remaining low at 3.6% while nonfarm payrolls recorded ~209k jobs added to the US economy. CPI printed at 0.17% MoM, with core CPI printing 0.16% MoM and 4.65% YoY. The inflation prints reflect a moderating inflation as the effects of higher rates start to slow the economy. The CPI deceleration is attributed to contractions in core goods and downshift in shelter inflation. Most markedly, we saw a decrease in used car prices which fell to 1.3% MoM. The third week of August concluded with the annual Economic Policy Symposium held in Jackson Hole, offering valuable insights into forthcoming macroeconomic focal points. Towards the end of the month, there was a significant contraction in job openings, registering at ~8827k MoM, reflecting a substantial decrease of approximately ~755k decrease from July. Moreover, there has been a notable decline in general consumer sentiment, with consumer confidence metrics falling well below the anticipated level of approximately 106.1 points MoM. This suggests a substantial and widespread reduction in consumer moods.

In the final month of the quarter, Fed chair Jerome Powell, announced that the Fed would hold rates steady, keeping the Fed Funds rate between ~5.25% and 5.50%. The meeting maintained the stance that a soft landing is a primary objective for the FOMC. However, Chair Powell highlighted that forecasts remain highly uncertain. The overall resilience in the U.S economy encourages rates to remain higher for longer. Powell concluded the FOMC meeting by keeping the door open for a potential hike in the upcoming months if economic data necessitates it. In tail end of the quarter, jobless claims fell notably below expectations at ~201k WoW compared to ~220k the week prior. The labor market is further supported in the dip in continuing claims which fell from ~1688k WoW to ~1662k WoW. Consumer confidence dipped at the end of the quarter. This modest reduction in consumer expenditures could serve as an early indicator suggesting the potential for deteriorating business conditions in the upcoming months.

Q3 2023: Global REITs\* lost -5.6% in Q3 after adding +0.5% in Q2 2023. Global REITs\* underperformed both the FTSE Developed Index and MSCI World Index in Q1, which returned -3.3% and -3.4%, respectively. As of 9/30/2023, global REITs\* had a dividend yield of 4.57%, compared to 2.08% for the FTSE Developed Index and 2.06% for the MSCI World Index.

US REITs\*\* also lost in Q3 dropping -7.1%, compared to the S&P 500 Index and Russell 1000 Index which dropped -3.3% and -3.2%, respectively. As of 9/30/2023 US REITs\*\* had a trailing 12-month dividend yield of 4.49% which was more than double the trailing 12-month dividend yields of the S&P 500 Index and Russell 1000 Index, which were 1.68% and 1.57%, respectively.

REIT industries all struggled in Q3 with Office REITs fairsing the best only declining -0.5% while Infrastructure REITs dropped -5.5% for the worst performing slot. Rising bonds yields in Developed Markets have created headwinds for Global REITs with major central banks leading markets to expect interest rates to remain higher for longer<sup>1</sup>. Looking at the YTD period, Data Center REITs are up +16.4% as AI and crypto remain in focus in the markets, while Infrastructure REITs have continued their trend downwards dropping -24.6% in 2023.

**Asset Allocation**

Public Markets allocations ended the quarter with 60.1% in equities, versus a target of 57.0%; 18.7% in fixed income versus a target of 20%; and 21.2% in inflation sensitive assets versus a target of 23.0%.

## UW System Trust Funds: Market Overview

Quarter Ended September 30, 2023

Economic Indicators	Quarter Ending	YTD	1 Year	3 Year	5 Year	10 Year
US CPI - U All Urban Consumers Index	0.88%	3.70%	3.70%	5.75%	4.04%	2.77%

*\* All returns and growth rates greater than 1 year are annualized.*

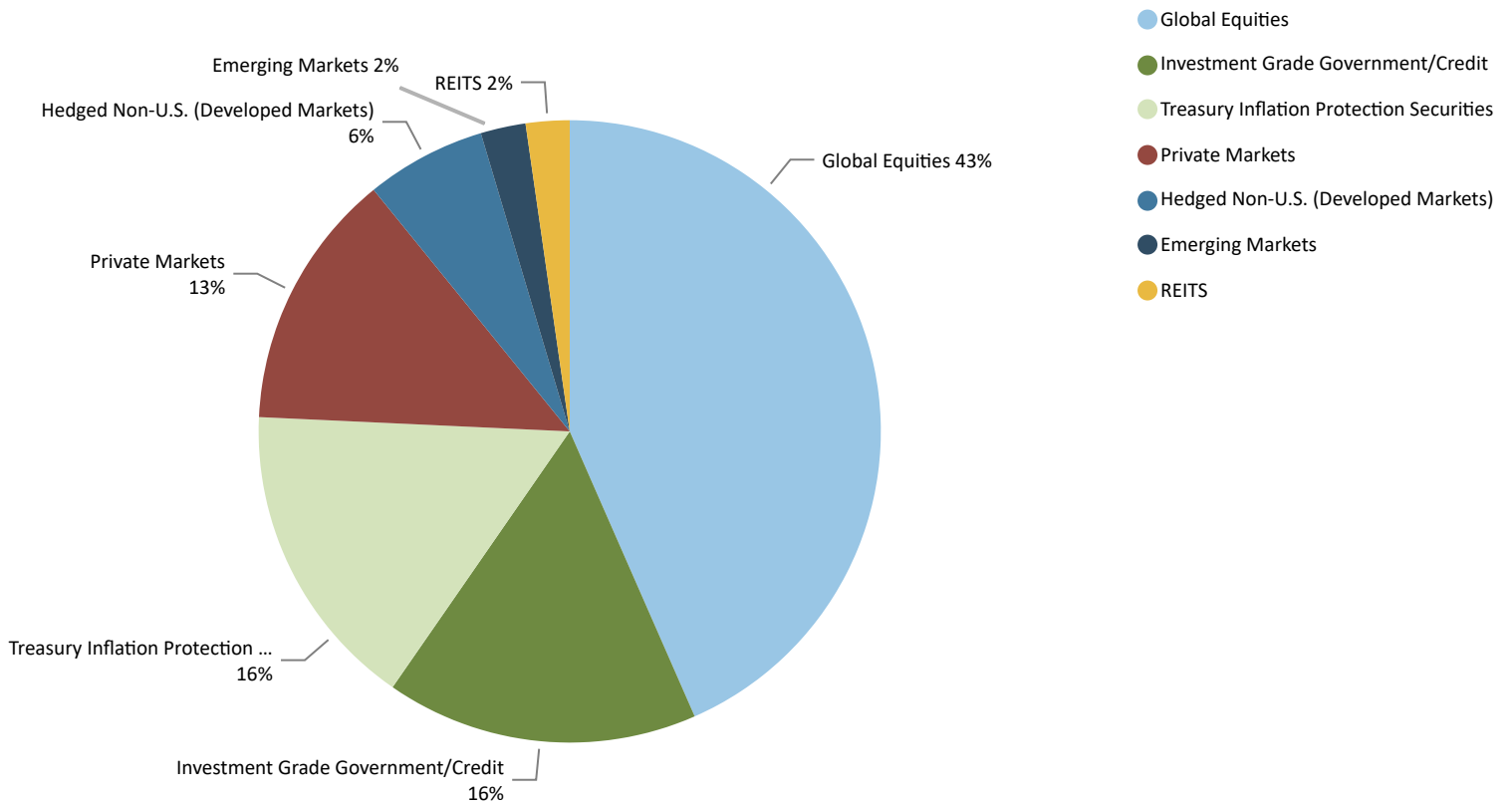
Market Indicators	Quarter Ending	YTD	1 Year	3 Year	5 Year	10 Year
U.S. Large Cap Stocks (S&P 500 Index)	-3.27%	13.07%	21.62%	10.15%	9.92%	11.91%
U.S. Small Cap Stocks (Russell 2000 Index)	-5.13%	2.54%	8.93%	7.16%	2.40%	6.65%
U.S. Broad Market Stocks (Russell 3000 Index)	-3.25%	12.39%	20.46%	9.38%	9.14%	11.28%
International Stocks (MSCI World ex US Index)	-4.10%	6.73%	24.00%	6.07%	3.44%	3.84%
International Stocks - Local Currency (MSCI World ex US Index)	-1.35%	9.90%	19.13%	10.66%	5.69%	6.74%
Emerging Markets Stocks (MSCI EM Net Index)	-2.93%	1.82%	11.70%	-1.73%	0.55%	2.07%
Global Stocks (MSCI ACWI Net Index)	-3.40%	9.39%	20.16%	6.88%	6.09%	7.39%
Government/Credit (Bloomberg Barclays Capital Gov/Credit)	-3.00%	-0.85%	0.93%	-5.32%	0.41%	1.31%
U.S. TIPS (Bloomberg Barclays U.S. TIPS Index)	-2.60%	-0.78%	1.25%	-1.98%	2.12%	1.74%
Real Estate (FTSE EPRA/NAREIT Developed Net Index)	-5.84%	-4.88%	1.64%	0.59%	-1.24%	2.04%

*\* All returns and growth rates greater than 1 year are annualized.*

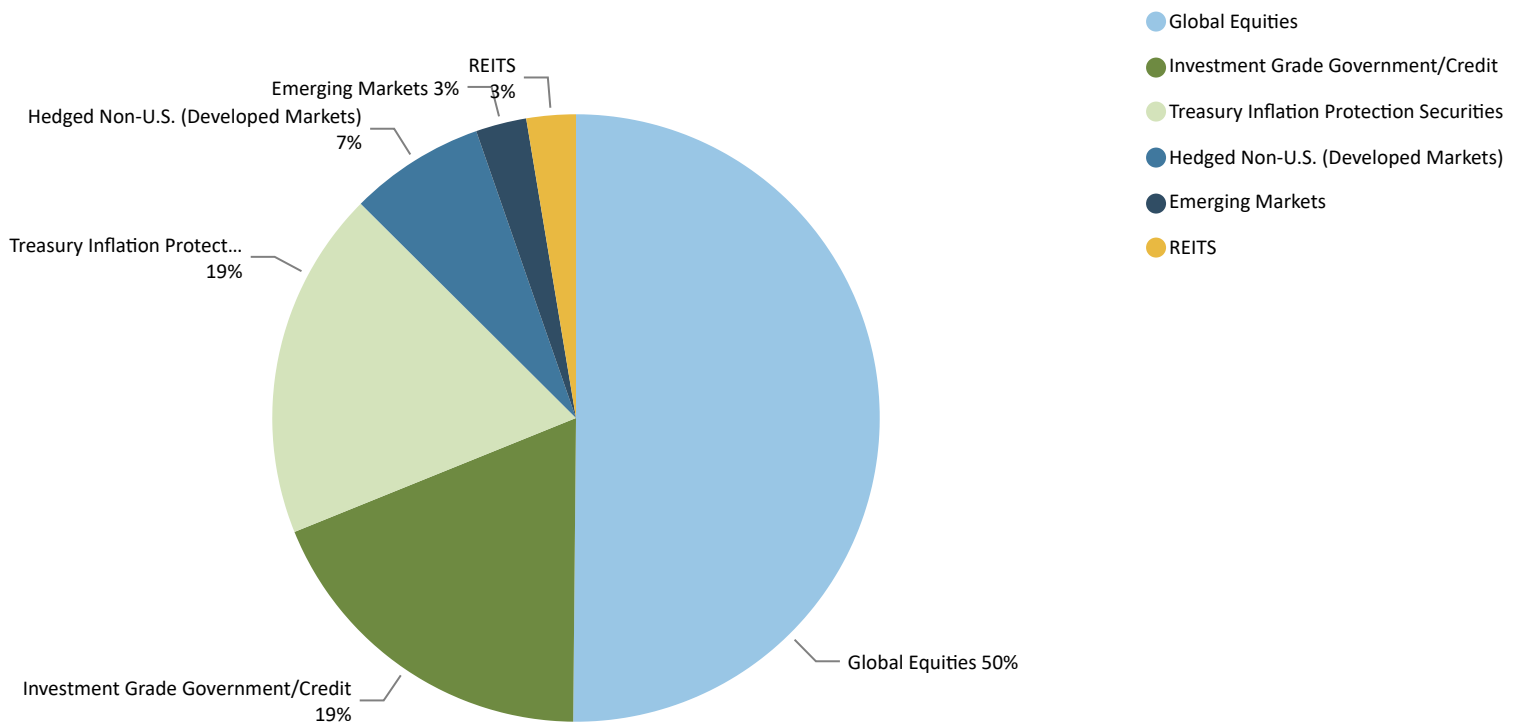
## UW System Trust Funds: Asset Allocation

Quarter Ended September 30, 2023

### UW System Long Term Fund



### UW System Long Term Fund - Public Markets Only



\* Asset Class Allocation percentages are derived using the Net of Fee market value. Sum of asset class market values may not equal total level Net of Fee market value due to the exclusion of fund level other cash and accruals. Excluded amount is immaterial.



## UW System Trust Funds: Actual Versus Target Asset Allocation

Quarter Ended September 30, 2023

Asset Class/Strategy	Current Allocation (\$)	Current Allocation (%)	Target Allocation (%)	Min./Max. Guidelines
<b>Total Public Markets</b>	<b>\$453,939,427</b>	<b>100.0%</b>	<b>100.0%</b>	
<b>Public Equities</b> <sup>1</sup>	<b>\$272,638,226</b>	<b>60.1%</b>	<b>57.0%</b>	<b>51-63%</b>
<b>Global Equities</b>	<b>\$227,640,649</b>	<b>50.1%</b>	<b>48.0%</b>	<b>44-52%</b>
<b>Hedged Non-U.S. Equities (Developed Markets)</b>	<b>\$32,728,696</b>	<b>7.2%</b>	<b>6.0%</b>	<b>5-7%</b>
<b>Emerging Markets Equities</b>	<b>\$12,268,881</b>	<b>2.7%</b>	<b>3.0%</b>	<b>2-4%</b>
<b>Fixed Income</b>	<b>\$85,032,800</b>	<b>18.7%</b>	<b>20.0%</b>	<b>18-22%</b>
<b>Investment Grade Government/Credit</b>	<b>\$85,032,800</b>	<b>18.7%</b>	<b>20.0%</b>	<b>18-22%</b>
<b>Inflation Sensitive</b>	<b>\$96,268,401</b>	<b>21.2%</b>	<b>23.0%</b>	<b>20-26%</b>
<b>TIPS (Treasury Inflation Protection Securities)</b>	<b>\$84,352,990</b>	<b>18.6%</b>	<b>20.0%</b>	<b>18-22%</b>
<b>REITS (Real Estate Investment Trusts)</b>	<b>\$11,915,411</b>	<b>2.6%</b>	<b>3.0%</b>	<b>2-4%</b>
<b>Private Markets</b> <sup>2</sup>	<b>\$70,308,345</b>			
Terrace Holdings II	\$70,308,345			
<b>Other Cash and Accruals</b> <sup>3</sup>	<b>\$235,592</b>			
<b>Long Term Fund Total Assets</b> <sup>4</sup>	<b>\$524,483,364</b>	-----	-----	-----

<sup>1</sup> There is a statutory limitation of 85% maximum exposure to public equities. (§36.29)

<sup>2</sup> Private Markets is not included in the target allocation. The Terrace Holdings II Fund comprises private equity funds of J.P. Morgan, Adams Street Partners, and a TRG Forestry Fund.

<sup>3</sup> Other Cash and Accruals include custody & middle office fees, SWIB internal management fees, fund-level STIF cash, STIF interest and other pass through fees that either accrue until paid or are pre-paid. Balances vary intra-month and can cross into new quarters.

<sup>4</sup> Market values are calculated net of external management fees.

### Rebalancing Policy:

The asset allocation of fund investments shall be reviewed at the end of each quarter. Quarterly net capital flows to/from the UW System shall be utilized to rebalance toward the target allocations. If the allocation by asset class falls outside the rebalance range following quarterly cash flows, assets will be systematically rebalanced back to the target allocation as soon as practicable and in any event prior to the next quarterly net capital flows. Only the Public Markets allocations will be included in any rebalancing. The legacy Private Markets investments will receive additional inflows based only upon past commitments. No new commitments will be made to private markets. Eventually the legacy Private Markets investments will self-liquidate as distributions are made from existing funds without any new commitments.

### Guidelines

Current SWIB Guidelines for UW can be found at <https://www.swib.state.wi.us/statutes-guidelines> under Board of Trustees State Investment Fund & Separately Managed Funds Investment Guidelines.

## UW System Trust Funds: Investment Performance Analysis

Quarter Ended September 30, 2023



Performance results for the UW System Long Term Fund are shown below, both graphically and in table format.

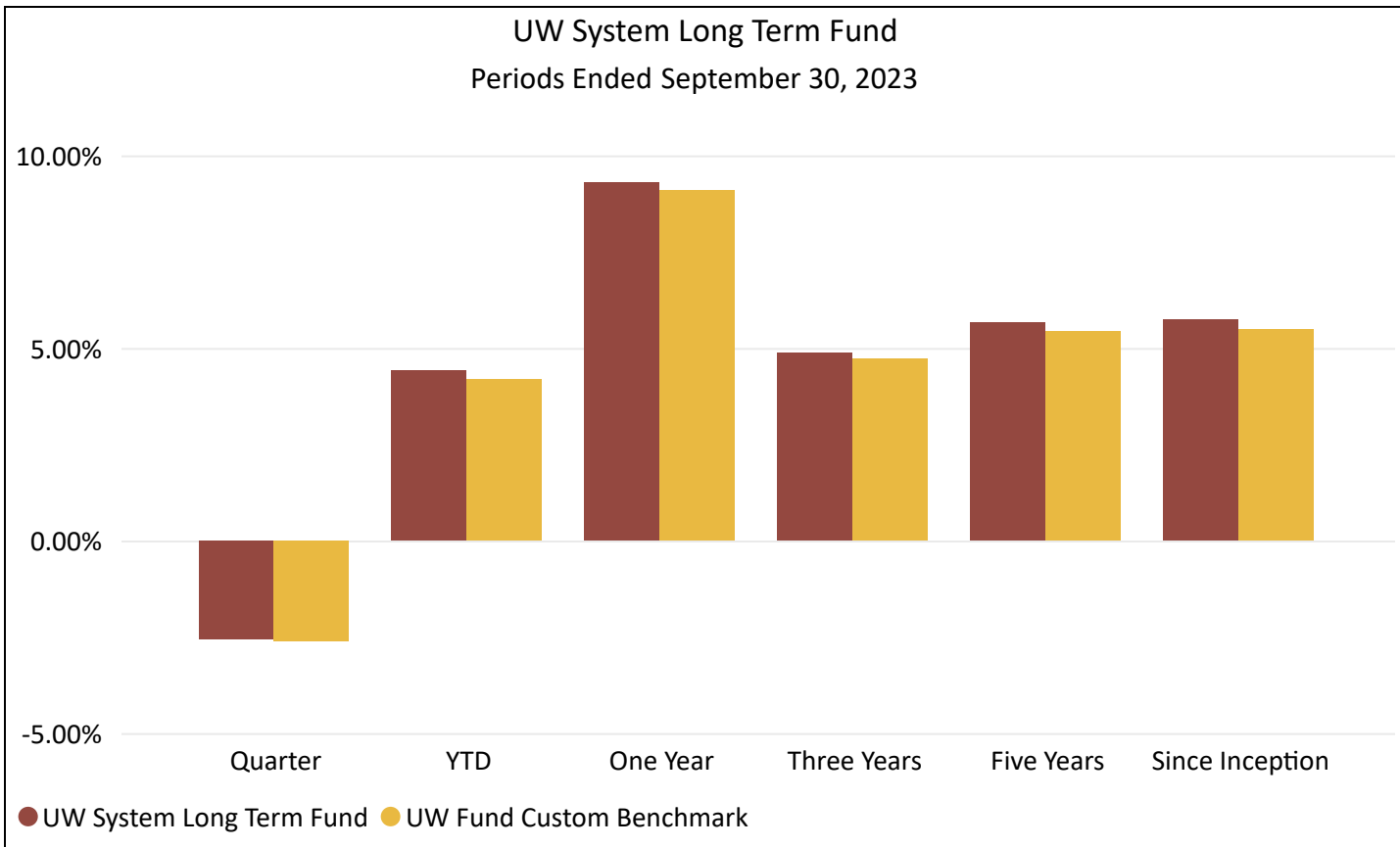
Fund and Benchmark Performance Data	Quarter Ending	Year to Date	One Year	Three Years	Five Years	Since Inception
UW System Long Term Fund	-2.56%	4.40%	9.28%	4.86%	5.66%	5.73%
UW Fund Custom Benchmark	-2.61%	4.19%	9.09%	4.70%	5.43%	5.48%
CPI + Spending Rate <sup>3</sup>	1.87%	6.79%	7.83%	9.96%	8.19%	8.03%
Income Cash Fund (SIF) <sup>4</sup>	1.33%	3.73%	4.67%	1.80%	1.74%	1.76%

*1 The UW System Long Term Fund's return is a gross of fees return. Inception date is 4/1/2018.*

*2 The "UW Fund Custom Benchmark" is asset weighted using the UW Public Equity Benchmark, the Bloomberg U.S. Gov't/Credit Index, the Inflation Sensitive Benchmark, and the net Terrace Holdings II returns. The Bloomberg U.S. Gov't/Credit Index, and the Bloomberg Barclays U.S. TIPS Index are gross returns. All other benchmark components are net returns (net of fees or tax withholdings on dividends). The Private Markets Benchmark change has been approved by both the Investment and Benchmark Committees.*

*3 The annual spending rate is 4.0% and the change in CPI is used as the inflation indicator.*

*4 Relevant to the extent recipients have allocated a portion of their funds to the Income Cash Fund (SIF). The Income Cash Fund (SIF) is used for receiving spending distributions from the Long Term Fund. UW investment account holders may also allocate a portion of their expendable principal to this fund.*



## UW System Trust Funds: Fund and Benchmark Performance Data by Asset Class

Quarter Ended September 30, 2023

Asset Class/Strategy	Quarter	YTD	One Year	Three Years	Since Inception
<b>UW System Long Term Fund</b>					
Gross of Fees	-2.56%	4.40%	9.28%	4.86%	5.73%
Net of Fees	-2.56%	4.38%	9.26%	4.84%	5.69%
Net of All Fees	-2.58%	4.33%	9.19%	4.78%	5.63%
<b>UW Fund Custom Benchmark<sup>1</sup></b>	<b>-2.61%</b>	<b>4.19%</b>	<b>9.09%</b>	<b>4.70%</b>	<b>5.48%</b>
<b>Public Equities</b>					
Gross of Fees	-2.98%	9.69%	20.54%	7.42%	6.51%
Net of Fees	-2.99%	9.67%	20.51%	7.39%	6.49%
<b>UW Public Equity Benchmark<sup>2</sup></b>	<b>-3.06%</b>	<b>9.44%</b>	<b>20.23%</b>	<b>7.15%</b>	<b>6.28%</b>
<b>Blackrock MSCI ACWI Index Fund B<sup>3</sup></b>					
Gross of Fees	-3.33%	9.66%	20.56%	7.20%	6.77%
Net of Fees	-3.33%	9.64%	20.53%	7.18%	6.75%
<b>MSCI ACWI IM Net Index</b>	<b>-3.40%</b>	<b>9.39%</b>	<b>20.16%</b>	<b>6.88%</b>	<b>6.40%</b>
<b>Blackrock EAFE Currency Hedged Equity Index Fund B<sup>3</sup></b>					
Gross of Fees	-0.58%	13.13%	24.07%	13.08%	8.47%
Net of Fees	-0.58%	13.09%	24.03%	13.03%	8.43%
<b>MSCI EAFE Net 100% USD Hedged Index</b>	<b>-0.54%</b>	<b>13.16%</b>	<b>24.15%</b>	<b>12.99%</b>	<b>8.40%</b>
<b>Blackrock Emerging Markets Free Fund B<sup>3</sup></b>					
Gross of Fees	-2.84%	1.83%	11.66%	-1.90%	-1.33%
Net of Fees	-2.87%	1.76%	11.56%	-1.97%	-1.39%
<b>MSCI Emerging Markets Net Dividend Index</b>	<b>-2.93%</b>	<b>1.82%</b>	<b>11.70%</b>	<b>-1.73%</b>	<b>-1.20%</b>
<b>Fixed Income</b>					
<b>Blackrock Government/Credit Bond Index Fund B<sup>3</sup></b>					
Gross of Fees	-2.99%	-0.58%	1.06%	-5.21%	0.46%
Net of Fees	-2.99%	-0.59%	1.04%	-5.23%	0.44%
<b>Bloomberg Barclays U.S. Government/Credit Bond Index</b>	<b>-3.00%</b>	<b>-0.85%</b>	<b>0.93%</b>	<b>-5.32%</b>	<b>0.32%</b>
<b>Inflation Sensitive</b>					
Gross of Fees	-2.93%	-0.94%	1.60%	-1.38%	2.05%
Net of Fees	-2.94%	-0.96%	1.58%	-1.40%	2.03%
<b>Inflation Sensitive Benchmark<sup>4</sup></b>	<b>-3.01%</b>	<b>-1.23%</b>	<b>1.40%</b>	<b>-1.52%</b>	<b>1.79%</b>
<b>Blackrock U.S. Treasury Inflation Protected Securities Fund B<sup>3</sup></b>					
Gross of Fees	-2.54%	-0.47%	1.42%	-1.86%	2.10%
Net of Fees	-2.55%	-0.48%	1.40%	-1.88%	2.08%
<b>Bloomberg Barclays U.S. TIPS Index, Series L</b>	<b>-2.60%</b>	<b>-0.78%</b>	<b>1.25%</b>	<b>-1.98%</b>	<b>1.92%</b>
<b>Blackrock Developed Real Estate Index Fund B<sup>3</sup></b>					
Gross of Fees	-5.61%	-4.15%	2.73%	1.45%	0.54%
Net of Fees	-5.63%	-4.20%	2.65%	1.37%	0.46%
<b>FTSE EPRA/NAREIT Developed Net Index</b>	<b>-5.84%</b>	<b>-4.88%</b>	<b>1.64%</b>	<b>0.59%</b>	<b>-0.28%</b>
<b>Private Markets</b>					
<b>Terrace Holdings II<sup>5</sup></b>					
Gross of Fees	0.26%	-0.49%	-4.90%	15.58%	12.50%
Net of Fees	0.26%	-0.49%	-4.90%	15.56%	12.38%
<b>UW Private Equity Benchmark<sup>6</sup></b>	<b>0.26%</b>	<b>-0.49%</b>	<b>-4.90%</b>	<b>15.56%</b>	<b>12.38%</b>

\* Net of Fee Returns are net of accrued external manager fees (e.g. BlackRock fees). Net of All Returns are net of SWIB internal and external investment management fees, custody & middle office fees, and other pass through fees accrued and paid. Returns are gross of internal UW fees. All Funds have an inception date of 04/01/2018.

1 The "UW Fund Custom Benchmark" is asset weighted using the UW Public Equity Benchmark, the Bloomberg U.S. Gov't/Credit Index, the Inflation Sensitive Benchmark, and the net Terrace Holdings II returns. The Bloomberg U.S. Gov't/Credit Index, and the Bloomberg Barclays U.S. TIPS Index are gross returns. All other benchmark components are net returns (net of fees or tax withholdings on dividends).

2 The "UW Public Equity Benchmark" is comprised of 84% MSCI ACW IM Net Index, 11% MSCI EAFE Net 100% USD Hedged Index, and 5% MSCI Emerging Markets Net Index.

3 Effective 3Q 2021, the valuation frequency for Blackrock mutual funds has been modified from monthly to daily. To correct for the impact of large cash flows, the performance was restated from April 2020 to July 2021 and the revised numbers are included in the 9/30/2021 performance. Note that no impact to performance occurred at the mandate level.

4 The "Inflation Sensitive Benchmark" is comprised of 87% Bloomberg Barclays U.S. TIPS Index, Series L and 13% FTSE EPRA/NAREIT Developed Net Index.

5 The Private Markets valuation update occurs on a lag. The portfolio's performance is updated when SWIB receives an updated quarterly statement, which may not occur in every quarter. The net of fees and net of all returns are net of StepStone manager fees.

6 The "Private Equity Benchmark" is comprised of the net of fees return of Terrace Holdings II, a Private Equity fund of funds being administered by StepStone.

## **APPENDIX**

## Developed Real Estate Index Fund B

A common trust fund maintained by BlackRock Institutional Trust Company, N.A. ("BTC") for investment of fiduciary client assets held by BTC in its capacity as trustee

### Investment objective and strategy

The Developed Real Estate Index Fund B (the "Fund") is an index fund that seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of a particular index. The Fund invests in US and non-US equity securities whose total return will approximate as closely as practicable the capitalization weighted total return net of dividend withholding taxes of the Benchmark listed herein. The investment universe consists of publicly traded real estate equity securities of issuers whose principal business is the ownership and operation of real estate as defined by the Benchmark listed herein.

### Performance

Total return % as of 09/30/2023 (return percentages are annualized as of period end)

	Q3*	YTD*	1 Year*	3 Year	5 Year	Since Inception
Fund return %	-5.62	-4.16	2.71	1.43	-0.50	1.69
Benchmark return %	-5.84	-4.88	1.64	0.59	-1.24	0.94
<b>Difference</b>	<b>0.22</b>	<b>0.72</b>	<b>1.07</b>	<b>0.84</b>	<b>0.74</b>	<b>0.75</b>

#### Performance disclosure:

The Fund's net asset value does not include an accrual for the investment management fee but does include an accrual for fund level administrative costs and, if applicable, certain third party acquired fund fees and expenses. If the Fund's net asset value did include an accrual for the investment management fee, the Fund's returns would be lower. **Past performance is not necessarily an indicator of future performance.**

\* Period returns for less than one year are cumulative

### Investment details (as of 09/30/2023)

<b>Benchmark</b>	FTSE EPRA/NAREIT Developed Index
<b>Total fund assets</b>	\$0.32 billion
<b>Fund inception date</b>	11/18/2014

### Characteristics (as of 09/30/2023)

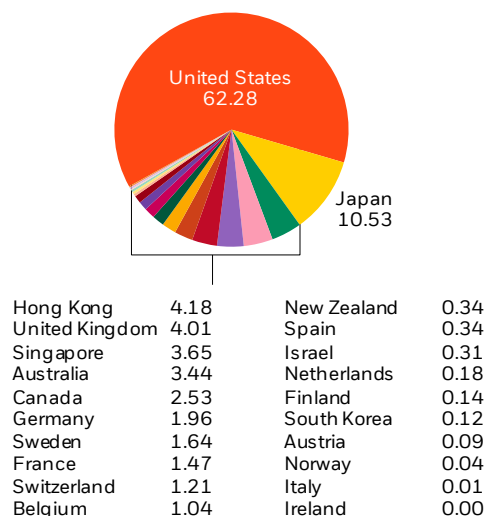
	Fund	Benchmark
Number of securities	344	369
Dividend yield	4.40	4.39

### Top 10 holdings (as of 09/30/2023)

	Country	Fund (% assets)
Prologis REIT Inc	United States	7.27
Equinix REIT Inc	United States	4.75
Public Storage REIT	United States	2.89
Welltower Inc	United States	2.85
Digital Realty Trust REIT Inc	United States	2.53
Simon Property Group REIT Inc	United States	2.45
Realty Income REIT Corp	United States	2.37
Vici Pptys Inc	United States	2.05
Extra Space Storage REIT Inc	United States	1.78
AvalonBay Communities REIT Inc	United States	1.70

Portfolio holdings are subject to change and are not intended as a recommendation of individual securities.

### Country allocation (% as of 09/30/2023)



Sources: BlackRock, FTSE International Ltd

Data is used for analytical purposes only. Index data may differ to those published by the Index due to calculation methods. Breakdowns may not sum to 100% due to rounding, exclusion of cash, STIF and other statistically immaterial factors.

### Important Notes

The Developed Real Estate Index Fund B is not in any way connected to or sponsored, endorsed, sold or promoted by the London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"), European Public Real Estate Association ("EPRA"), or National Association of Real Estate Investments Trusts ("NAREIT") (together, the "Licensor Parties"). The Licensor Parties do not accept any liability whatsoever to any person arising out of the use of Developed Real Estate Index Fund B or the underlying data.

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The Fund is also subject to other key risks, as described in the Fund's Collective Investment Fund Profile. Some or all of those risks may adversely affect the value of units in the Fund, yield, total return and the Fund's ability to meet its investment objective. See the Collective Investment Fund Profile for additional information.

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This material is intended for Canadian permitted clients only.

It is not possible to directly invest in an unmanaged index.

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BES-0161

# MSCI EAFE Currency Hedged Equity Index Fund B

A common trust fund maintained by BlackRock Institutional Trust Company, N.A. ("BTC") for investment of fiduciary client assets held by BTC in its capacity as trustee

## Investment objective and strategy

The MSCI EAFE Currency Hedged Equity Index Fund B (the "Fund") is an index fund that seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of a particular index. The Fund invests primarily in international equity securities whose total return will approximate as closely as practicable the cap weighted total return of the markets in certain countries for equity securities outside the US, while seeking to eliminate variations based solely on the value of the currencies in the Fund as compared to the US dollar. The primary criterion for selection of investments in the Fund is the Benchmark listed herein.

## Performance

Total return % as of 09/30/2023 (return percentages are annualized as of period end)

	Q3*	YTD*	1 Year*	3 Year	5 Year	Since Inception
Fund return %	-0.58	13.11	24.04	13.02	7.81	9.50
Benchmark return %	-0.54	13.16	24.15	12.99	7.81	9.49
<b>Difference</b>	<b>-0.04</b>	<b>-0.05</b>	<b>-0.11</b>	<b>0.03</b>	<b>0.00</b>	<b>0.01</b>

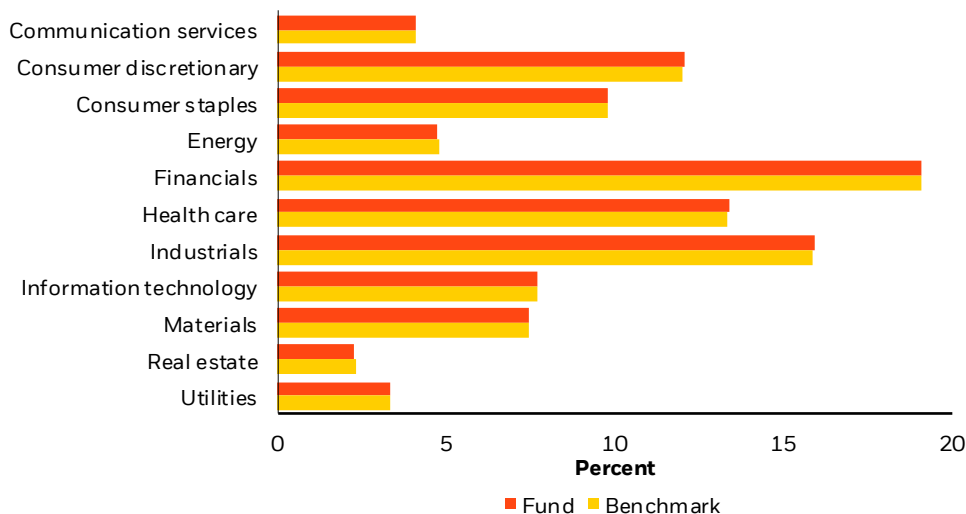
### Performance disclosure:

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\* Period returns for less than one year are cumulative

## Sector allocation

% of Fund or Benchmark as of 09/30/2023



Sources: BlackRock, MSCI Inc.

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## Investment details (as of 09/30/2023)

<b>Benchmark</b>	MSCI EAFE 100% Hedged to USD Net Dividend Return Index
<b>Total fund assets</b>	\$0.12 billion
<b>Fund inception date</b>	04/30/2016

## Characteristics (as of 09/30/2023)

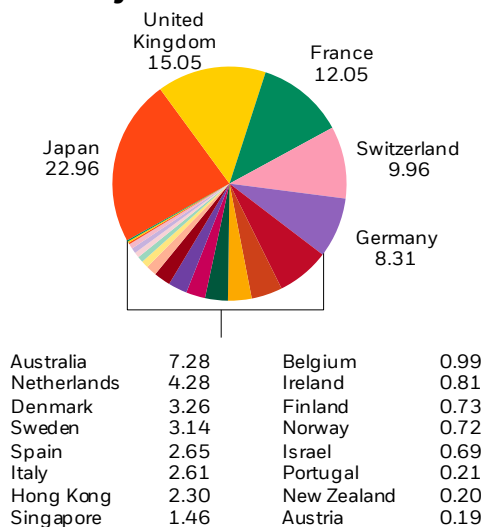
	Fund	Benchmark
Number of securities	795	796
Dividend yield	3.27	3.27

## Top 10 holdings (as of 09/30/2023)

	Country	Fund (% assets)
Nestle SA	Switzerland	2.06
Novo Nordisk Class B	Denmark	2.02
ASML Holding NV	Netherlands	1.62
Shell PLC	United Kingdom	1.44
Novartis AG	Switzerland	1.43
AstraZeneca PLC	United Kingdom	1.42
LVMH	France	1.42
Roche Holding Par AG	Switzerland	1.31
Toyota Motor Corp	Japan	1.29
HSBC Holdings PLC	United Kingdom	1.05

Portfolio holdings are subject to change and are not intended as a recommendation of individual securities.

## Country allocation (% as of 09/30/2023)



### Important Notes

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## MSCI Emerging Markets Free Fund B

A common trust fund maintained by BlackRock Institutional Trust Company, N.A. ("BTC") for investment of fiduciary client assets held by BTC in its capacity as trustee

### Investment objective and strategy

The MSCI Emerging Markets Free Fund B (the "Fund") is an index fund that seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of a particular index. The Fund invests primarily in international equity securities of issuers in emerging markets, with the objective of providing returns which approximate as closely as practicable the capitalization weighted total rates of return of the markets in certain countries for equity securities traded outside of the United States. The primary criterion for selection of investments in the Fund shall be the Benchmark listed herein.

### Performance

Total Return % as of 09/30/2023 (return percentages are annualized as of period end)

	Q3*	YTD*	1 Year*	3 Year	5 Year	10 Year
Fund return %	-2.85	1.82	11.65	-1.91	0.38	1.95
Benchmark return %	-2.93	1.82	11.70	-1.73	0.55	2.07
<b>Difference</b>	<b>0.08</b>	<b>0.00</b>	<b>-0.05</b>	<b>-0.18</b>	<b>-0.17</b>	<b>-0.12</b>

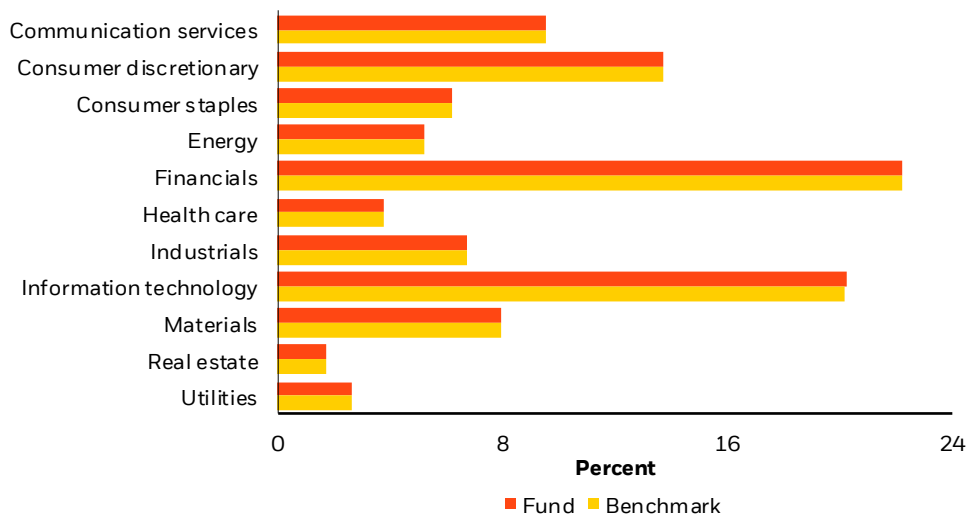
#### Performance disclosure:

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\* Period returns for less than one year are cumulative

### Sector allocation

% of Fund or Benchmark as of 09/30/2023



Sources: BlackRock, MSCI Inc.

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### Investment details (as of 09/30/2023)

<b>Benchmark</b>	MSCI Emerging Markets Net Dividend Return Index
<b>Total fund assets</b>	\$2.76 billion
<b>Fund inception date</b>	07/31/2000

### Characteristics (as of 09/30/2023)

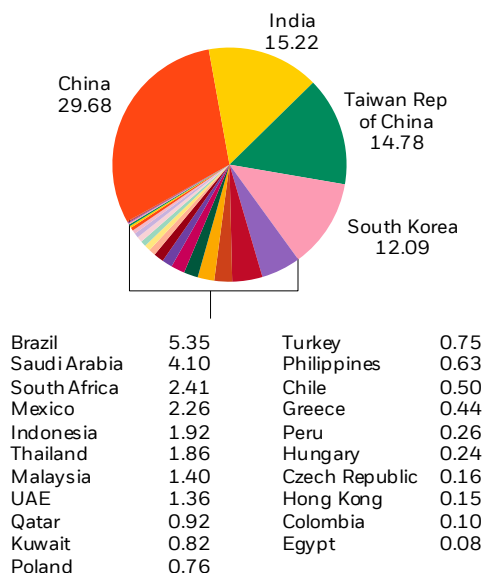
	Fund	Benchmark
Number of securities	1,449	1,437
Dividend yield	3.13	3.13

### Top 10 holdings (as of 09/30/2023)

	Country	Fund (% assets)
Taiwan Semiconductor Manufacturing	Taiwan Rep of China	6.14
Tencent Holdings Ltd	China	4.02
Samsung Electronics Ltd	South Korea	3.69
Alibaba Group Holding Ltd	China	2.75
Reliance Industries Ltd	India	1.32
Meituan	China	1.14
ICICI Bank Ltd	India	0.91
PDD Holdings ADS Inc	China	0.90
Infosys Ltd	India	0.88
China Construction Bank Corp H	China	0.83

Portfolio holdings are subject to change and are not intended as a recommendation of individual securities.

### Country allocation (% as of 09/30/2023)



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## MSCI ACWI IMI Index Fund B

A common trust fund maintained by BlackRock Institutional Trust Company, N.A. ("BTC") for investment of fiduciary client assets held by BTC in its capacity as trustee

### Investment objective and strategy

The MSCI ACWI IMI Index Fund B (the "Fund") is an index fund that seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of a particular index. The Fund invests primarily in U.S. and non-U.S. equity securities with the objective of approximating as closely as practicable the capitalization weighted rates of return of the markets in certain countries for publicly traded equity securities. The primary criterion for selection of investments in the Fund shall be the Benchmark listed herein.

### Performance

Total Return % as of 09/30/2023 (return percentages are annualized as of period end)

	Q3*	YTD*	1 Year*	3 Year	5 Year	10 Year
Fund return %	-3.33	9.63	20.52	7.16	6.40	7.72
Benchmark return %	-3.40	9.39	20.16	6.88	6.09	7.39
<b>Difference</b>	<b>0.07</b>	<b>0.24</b>	<b>0.36</b>	<b>0.28</b>	<b>0.31</b>	<b>0.33</b>

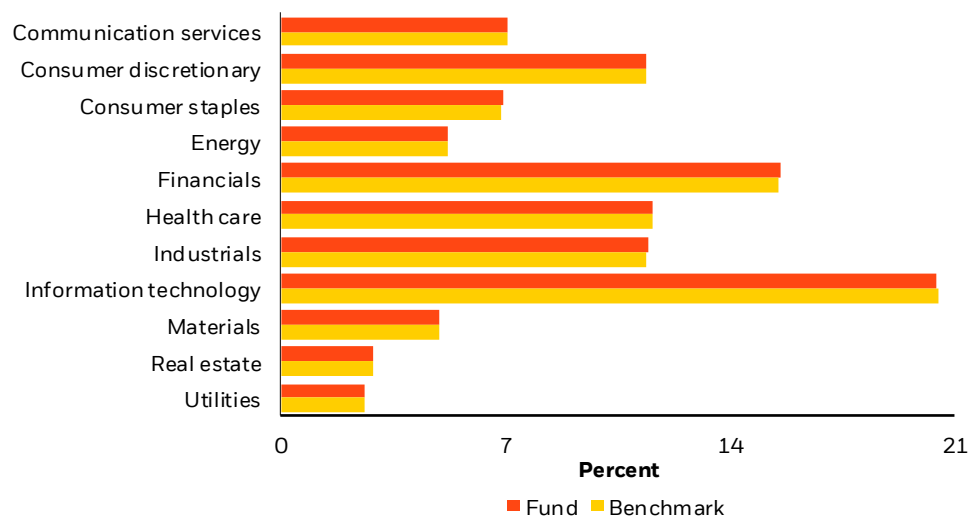
#### Performance disclosure:

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\* Period returns for less than one year are cumulative

### Sector allocation

% of Fund or Benchmark as of 09/30/2023



Sources: BlackRock, MSCI Inc.

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### Investment details (as of 09/30/2023)

<b>Benchmark</b>	MSCI ACWI IMI Net Dividend Return Index
<b>Total fund assets</b>	\$3.74 billion
<b>Fund inception date</b>	03/23/2010

### Characteristics (as of 09/30/2023)

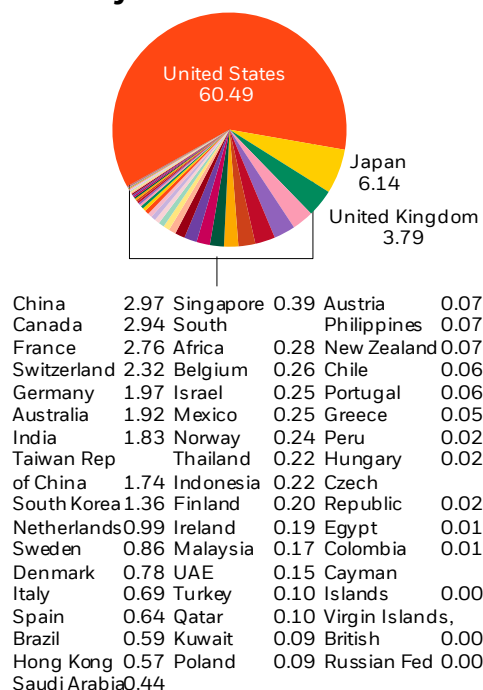
	Fund	Benchmark
Number of securities	9,285	9,219
Dividend yield	2.17	2.16

### Top 10 holdings (as of 09/30/2023)

	Country	Fund (% assets)
Apple Inc	United States	3.91
Microsoft Corp	United States	3.24
Amazon Com Inc	United States	1.70
Nvidia Corp	United States	1.56
Alphabet Inc Class A	United States	1.13
Tesla Inc	United States	1.04
Alphabet Inc Class C	United States	1.01
Meta Platforms Inc Class A	United States	0.96
Exxon Mobil Corp	United States	0.69
UnitedHealth Group Inc	United States	0.68

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### Country allocation (% as of 09/30/2023)



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BES-0161

## Government/Credit Bond Index Fund B

A common trust fund maintained by BlackRock Institutional Trust Company, N.A. ("BTC") for investment of fiduciary client assets held by BTC in its capacity as trustee

### Investment objective and strategy

The Government/Credit Bond Index Fund B (the "Fund") is an index fund that seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of a particular index. The Fund shall be invested and reinvested primarily in a portfolio of debt securities with the objective of closely approximating the total rate of return of the Benchmark listed herein.

### Performance

Total return % as of 09/30/2023 (Return percentages are annualized as of period end. Returns for periods less than one year are cumulative)

	Month*	Q3*	YTD*	1 Year*	3 Year	5 Year	10 Year
Fund return %	-2.35	-3.00	-0.61	1.02	-5.24	0.50	1.42
Benchmark return %	-2.34	-3.00	-0.85	0.93	-5.32	0.41	1.31
<b>Difference</b>	<b>-0.01</b>	<b>0.00</b>	<b>0.24</b>	<b>0.09</b>	<b>0.08</b>	<b>0.09</b>	<b>0.11</b>

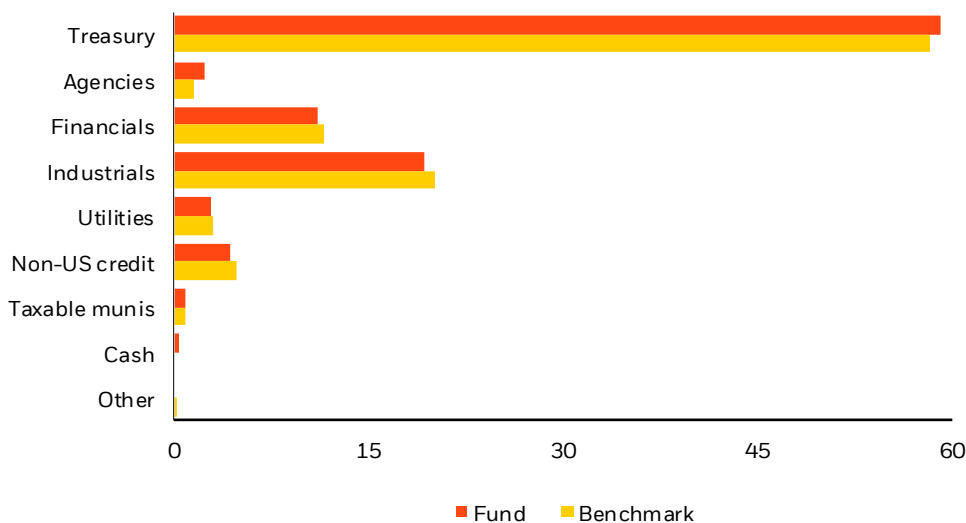
#### Performance disclosure:

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### Sector allocation

% of Fund or Benchmark as of 09/30/2023



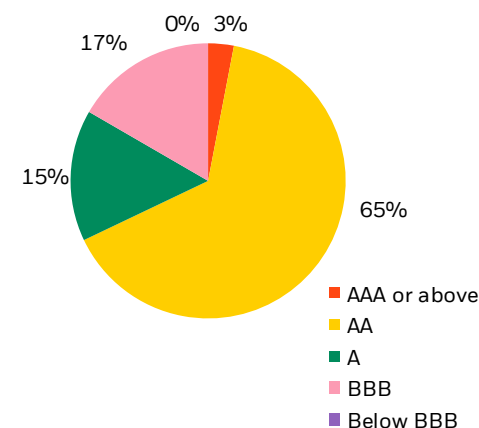
### Investment details (as of 09/30/2023)

<b>Benchmark</b>	Bloomberg U.S. Government/Credit Bond Index
<b>Total fund assets</b>	\$0.33 billion
<b>Fund inception date</b>	03/31/1991

### Characteristics (as of 09/30/2023)

	Fund	Benchmark
Number of securities	7,508	9,246
Market value (B)	\$0.33	\$17,646.47
Coupon (%)	2.99	2.99
Yield to maturity (YTM) (%)	5.28	5.30
Weighted avg life (yrs)	11.76	8.64
Effective duration (yrs)	8.05	6.11
Spread duration (yrs)	2.71	2.79
Option adjusted spread (bps)	42	43
Convexity (yrs)	1.27	0.79

### Quality breakdown (as of 09/30/2023)



The credit quality of a particular security or group of securities may be based upon a rating from a nationally recognized statistical rating organization or, if unrated by a ratings organization, assigned an internal rating by BlackRock, neither of which ensures the stability or safety of an overall portfolio.

Sources: BlackRock, Bloomberg Finance L.P.

Data is used for analytical purposes only. Index data may differ to those published by the Index due to calculation methods. Breakdowns may not sum to 100% due to rounding, exclusion of cash, STIF and other statistically immaterial factors.

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FIRate-0088

# U.S. Treasury Inflation Protected Securities Fund B

A common trust fund maintained by BlackRock Institutional Trust Company, N.A. ("BTC") for investment of fiduciary client assets held by BTC in its capacity as trustee

## Investment objective and strategy

The U.S. Treasury Inflation Protected Securities Fund B (the "Fund") is an index fund that seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of a particular index. The Fund shall be invested and reinvested primarily in a portfolio of debt securities with the objective of closely approximating the total rate of return for all outstanding U.S. Treasury Inflation Protected Securities with a maturity of one year or greater, as defined by the Benchmark listed herein.

## Performance

Total return % as of 09/30/2023 (Return percentages are annualized as of period end. Returns for periods less than one year are cumulative.)

	Month*	Q3*	YTD*	1 Year*	3 Year	5 Year	10 Year
Fund return %	-1.83	-2.56	-0.52	1.35	-1.92	2.21	1.87
Benchmark return %	-1.85	-2.60	-0.78	1.25	-1.98	2.12	1.74
<b>Difference</b>	<b>0.02</b>	<b>0.04</b>	<b>0.26</b>	<b>0.10</b>	<b>0.06</b>	<b>0.09</b>	<b>0.13</b>

### Performance disclosure:

The Fund's net asset value does not include an accrual for the investment management fee but does include an accrual for fund level administrative costs and, if applicable, certain third party acquired fund fees and expenses. If the Fund's net asset value did include an accrual for the investment management fee, the Fund's returns would be lower. **Past performance is not necessarily an indicator of future performance.**

\* Period returns for less than one year are cumulative

## Investment details (as of 09/30/2023)

<b>Benchmark</b>	Bloomberg U.S. Treasury Inflation Protected Securities (TIPS) Index (Series-L)
<b>Total fund assets</b>	\$4.02 billion
<b>Fund inception date</b>	03/05/2002

## Characteristics (as of 09/30/2023)

	Fund	Benchmark
Number of securities	48	48
Market value (B)	\$4.02	\$1,221.81
Coupon (%)	0.75	0.75
Yield to maturity (YTM) (%)	4.73	4.73
Weighted avg life (yrs)	7.06	7.06
Effective duration (yrs)	6.48	6.48
Convexity (yrs)	0.83	0.83

Sources: BlackRock, Bloomberg Finance L.P.

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