PENSION RESERVE TRUST

FIDEICOMISO DE RESERVA DE PENSIONES

Working to Preserve Pension Benefits

Quarterly Report of the Pension Reserve Trust

February 2025

Agenda

- **Steps Since Our Last Meeting**
- **Investments**
  - **Investment Performance**
  - **Investment Policy & Planned Investments**
- **Financial Report**
- **Operations & Expenses**
- **Next Steps**

- The guidelines amendments were approved by the court. Amended deed of trust was executed.
- Executed two investment manager agreements.
    - Income Research and Management (IR+M)
        - Investment Grade Corporate Credit
    - State Street Global Advisors (SsGA)
        - Multi-Asset
- Began investing actively with new managers.

Investments

- Invest conservatively, consistent with funding needs.
- Diversify investments & types of investments.
- Keep investment expenses low.
- Rely as appropriate on professional investment advice.
- Investment values fluctuate month to month & year to year – Aim for getting the necessary returns over the next three decades.

Our investment policy remains conservative

Asset Class	Current* %	Policy %
Low Risk Bonds	56%	55%
Bonds with More Risk	10%	10%
Stocks & Other Equities	24%	25%
Other Diversified Investments	10%	10%

"Low Risk Bonds:" US Treasuries, US federal agency debt, discount notes, money market funds and similar instruments, investment grade corporate bonds, cash equivalents

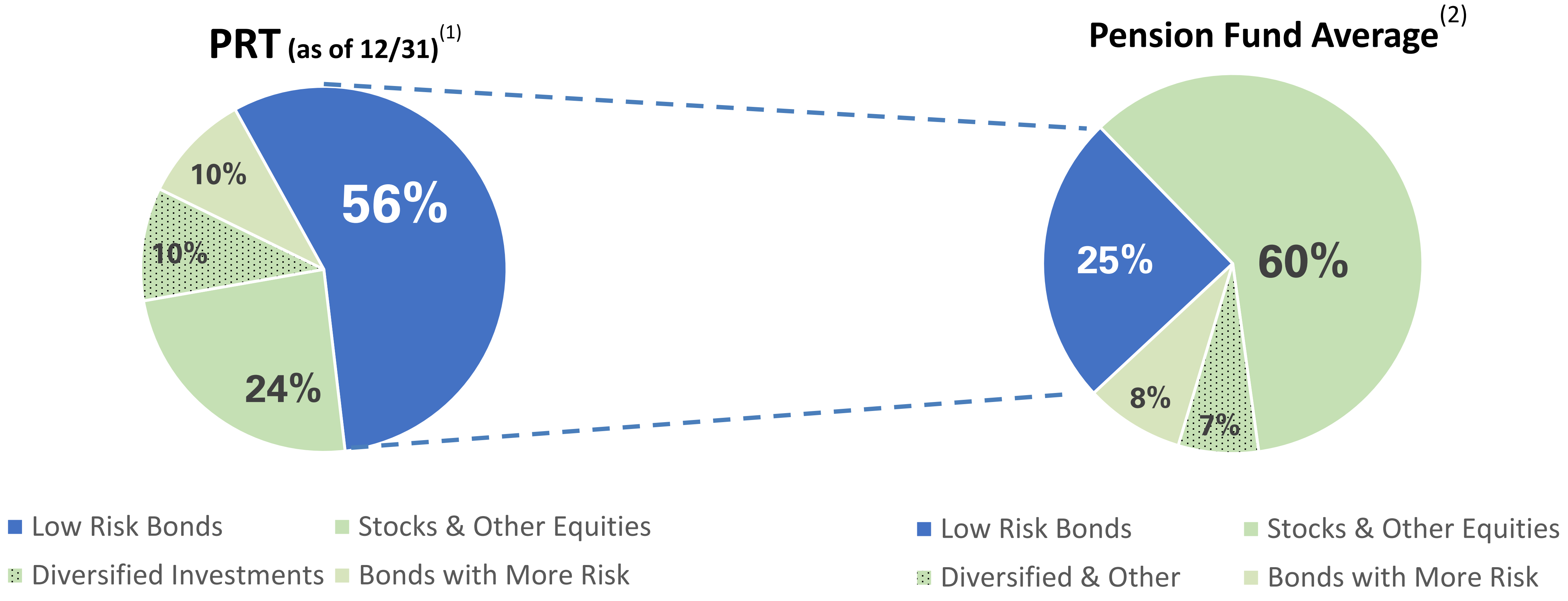
"Bonds with More Risk:" Global fixed income, below investment grade corporate bonds, and private credit

"Stocks & Other Equity:" Principally public market stocks

"Other Diversified Investments:" Includes real estate, tactical asset allocation strategies, etc. with different risks than stocks

** "Current" are values as of December 31, 2024, before the annual contribution was re-invested.*

PRT remains more conservatively invested than pension funds.

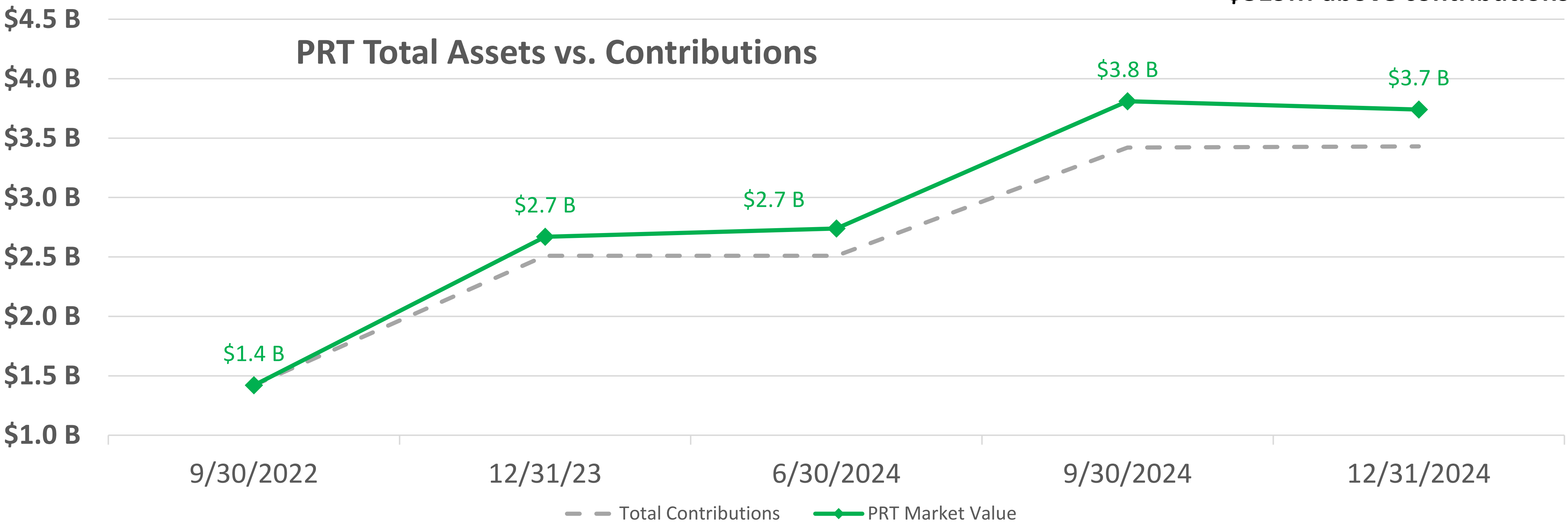


(1) Assets reported before reallocation to plans.

(2) InvestMetrics Public DB Universe as of December 31, 2024; 2023 NCPERS Public Fund Annual Survey

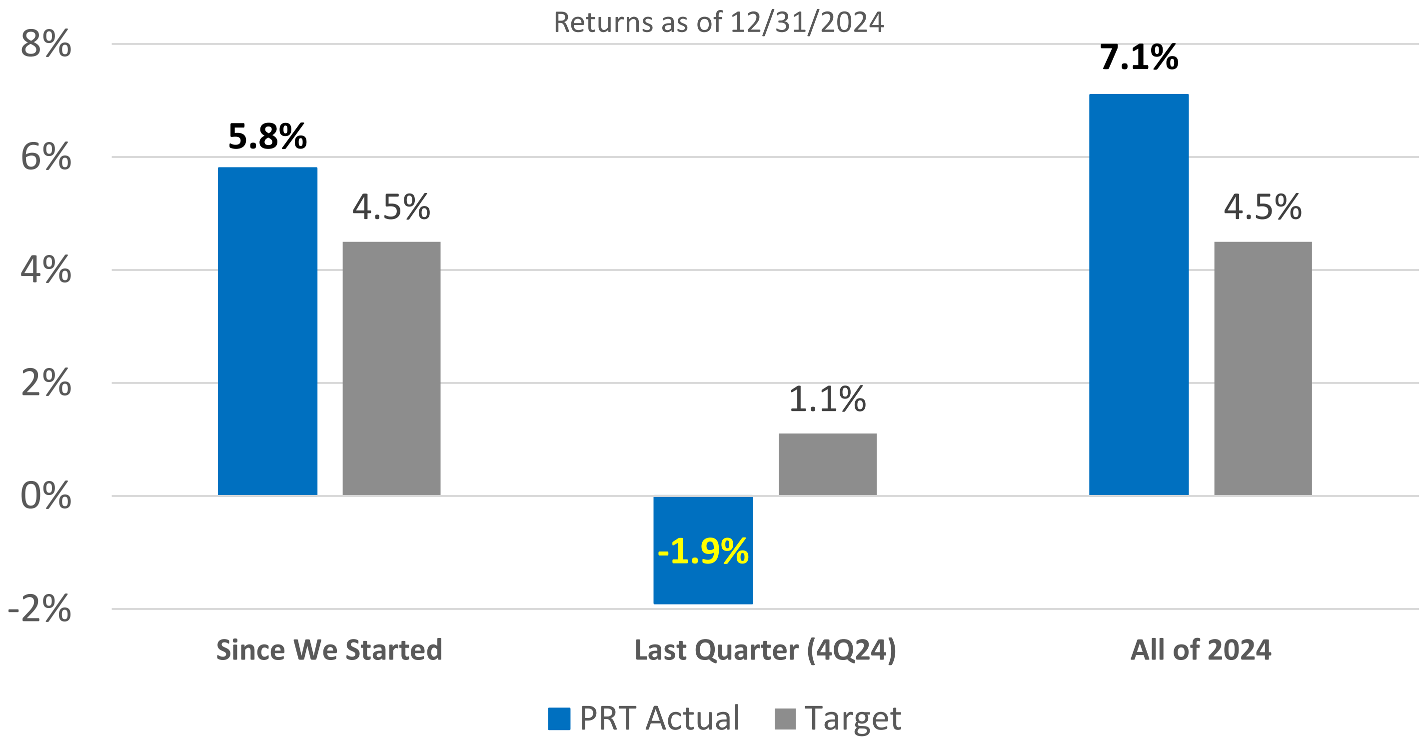
PRT total investment returns surpassed $300M

$319M above contributions*



Includes: income, realized and unrealized gains*

Even though last quarter was negative.
PRT earnings remain well above our 4.5% target.



What caused last quarter's results?

	4Q24	All of 2024
High quality bonds fell	-3.1%	+1.6%
Equity markets outside the US fell*	-7.9%	+3.1%
Diversified real assets fell	-4.6%	+8.2%

Note: all the returns shown are for benchmarks. PRT assets generally did better.

- *Data for developed markets. Emerging markets showed similar pattern.*
- *FTSE Developed All Cap ex-US Index*

Operations & Budget

FY 2025 – 2nd Quarter - Budget v. Actual Results

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Expenses	Annual Budget	YTD Expenses [1]	% of budget spent YTD
Administrative and Operating Expenses[2]	1,545,000	729,967	47%
Investment Expenses[3]	13,150,000	2,719,603	21%
Start-Up Expenses	200,000	96,695	48%
Total Expenses[1]	**14,895,000**	**3,546,265**	**24%**

For more detailed information regarding these expenses, please refer to the Appendix B.

(1) Unaudited.
(2) Subject to budget cap in accordance with Section 7.4 of the Guidelines.
(3) Reflect ongoing implementation of the Investment Policy

As of December 31, 2024 [1]

PRT's expense ratio remains far lower than other funds

AUM v. Annualized Expenses	YTD Expenses [1]	% of AUM v. Ann'l Expenses
Assets under Management ("AUM")		$3,739,155,319
Administrative & Operating Expenses	$729,967	0.039%
Investment Expenses	2,719,603	0.145%
Ongoing Expenses	**$3,449,570**	**0.185%**
Start-Up Expenses	96,695	NA

[1] Unaudited.

As of December 31, 2024 [1]

Next Steps

A **Investments**	• Execute remaining Investment Manager Agreement. • Issue RFP for the Asset & Withdrawal Modeling Study.
B **Operations**	• Complete transition for shared services.
C **Governance & Accountability**	• Preparing Annual Report for FY24.

For further information contact:

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Appendix A
Investment Detail

Pension Reserve Trust

December 31, 2024

COMPOSITE PEFORMANCE DETAIL

	Allocation			Performance (%)					
	Market Value ($)	% of Portfolio	Policy (%)	3 Mo (%)	FYTD (%)	1 Yr (%)	2 Yrs (%)	Inception (%)	Inception Date
Total Composite	3,739,155,319	100.0	100.0	-1.9	3.6	7.1	6.1	5.8	Oct-22
Policy Index				*-2.1*	*3.6*	*6.8*	*5.7*	*5.4*	
4.5% Target				*1.1*	*2.2*	*4.5*	*4.5*	*4.5*	
Public Equity	904,040,577	24.2	25.0	-0.9	6.0	16.6		[illegible]	Aug-23
MSCI AC World IMI Index (Net)				*-1.2*	*5.5*	*16.4*		*14.0*	
High Quality Fixed Income	2,068,229,324	55.3	55.0	-3.1	1.8	1.6		3.5	Aug-23
Blmbg. U.S. Aggregate Index				*-3.1*	*2.0*	*1.3*		*3.3*	
Return Seeking Fixed Income	373,995,484	10.0	10.0	-1.4	4.1	5.3		7.3	Aug-23
Credit Custom BM				*-0.9*	*3.8*	*5.3*		*7.6*	
Diversification	361,054,948	9.7	10.0	-2.1	5.3	11.4		9.9	Aug-23
Diversification Custom BM				*-3.0*	*4.4*	*10.1*		*8.8*	
Cash	31,834,985	0.9	0.0	1.3	2.5	5.3	5.3	5.1	Oct-22
90 Day U.S. Treasury Bill				*1.2*	*2.6*	*5.3*	*5.1*	*4.9*	

Source: NEPC
YTD = Calendar Year

Period ending December 31, 2024 (net of fees)

PENSION RESERVE TRUST
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Pension Reserve Trust

December 31, 2024

TOTAL FUND PERFORMANCE DETAIL

	Allocation			Performance (%)					
	Market Value ($)	% of Portfolio	Policy (%)	3 Mo (%)	FYTD (%)	1 Yr (%)	2 Yrs (%)	Inception (%)	Inception Date
Total Composite	**3,739,155,319**	**100.0**	**100.0**	**-1.9**	**3.6**	**7.1**	**6.1**	**5.8**	**Oct-22**
Policy Index				*-2.1*	*3.6*	*6.8*	*5.7*	*5.4*	
4.5% Target				*1.1*	*2.2*	*4.5*	*4.5*	*4.5*	
Public Equity	**904,040,577**	**24.2**	**25.0**	**-0.9**	**6.0**	**16.6**		**13.7**	**Aug-23**
Vanguard S&P 500 ETF	354,164,662	9.5		2.4	8.4	25.0		20.9	Aug-23
S&P 500 Index				*2.4*	*8.4*	*25.0*		*20.9*	
Vanguard Value ETF	128,865,404	3.4		-2.5	6.7	15.9		13.4	Aug-23
CRSP U.S. Large Cap Value TR Index				*-2.5*	*6.7*	*16.0*		*13.3*	
Vanguard Extended Market ETF	89,488,369	2.4		4.7	13.2	16.9		15.6	Aug-23
S&P Completion Index				*4.7*	*13.2*	*16.9*		*15.4*	
Vanguard FTSE Developed Markets ETF	109,589,142	2.9		-8.1	-1.5	3.2		4.1	Aug-23
FTSE Developed All Cap ex-US Index (Net)				*-7.9*	*-1.0*	*3.1*		*4.1*	
State Street Hedged Intl Dev Eq Idx K	112,424,633	3.0		-0.3	1.2	13.7		12.0	Aug-23
MSCI EAFE Index (Hedged) (Net)				*0.1*	*1.6*	*14.1*		*12.4*	
Vanguard FTSE Emerging Markets ETF	109,508,367	2.9		-5.8	3.4	10.6		6.0	Aug-23
FTSE EM All Cap China A Inclusion Net Tax (US RIC)				*-6.4*	*3.6*	*11.6*		*7.5*	
Public Debt	**2,442,224,808**	**65.3**	**65.0**	**-2.8**	**2.2**	**2.2**		**4.1**	**Aug-23**
High Quality Fixed Income	**2,068,229,324**	**55.3**	**55.0**	**-3.1**	**1.8**	**1.6**		**3.5**	**Aug-23**
Treasuries	**964,513,873**	**25.8**		**-4.6**	**0.4**	**-0.5**		**1.5**	**Aug-23**
Vanguard Short-Term Treasury ETF	111,335,284	3.0		0.0	2.8	4.0		4.9	Aug-23
Blmbg. U.S. Treasury: 1-3 Year				*-0.1*	*2.8*	*4.0*		*4.9*	
Vanguard Long-Term Treasury ETF	335,524,505	9.0		-8.8	-1.7	-6.3		-3.7	Aug-23
Blmbg. U.S. Treasury: Long				*-8.6*	*-1.5*	*-6.4*		*-3.5*	
Vanguard Intermediate-Term Trs	320,378,312	8.6		-2.8	1.8	1.4		3.1	Aug-23
Bloomberg U.S. Treasury 3-10 Year Index				*-2.9*	*1.7*	*1.3*		*3.1*	
Schwab US TIPS ETF	197,275,773	5.3		-2.9	1.2	1.9		2.6	Aug-23
Blmbg. U.S. TIPS				*-2.9*	*1.1*	*1.8*		*2.6*	
Corporate Bonds	**1,103,715,451**	**29.5**		**-1.6**	**3.2**	**4.1**		**5.9**	**Aug-23**
Vanguard Short-Term Corporate Bond ETF	301,570,512	8.1		-0.4	3.4	4.9		6.1	Aug-23
Bloomberg US Corporate 1-5 Years				*-0.4*	*3.3*	*4.9*		*6.1*	
Vanguard Interm-Term Corp Bd ETF	305,741,768	8.2		-2.7	3.1	3.2		5.7	Aug-23
Blmbg. U.S. Credit Corp 5-10 Year Index				*-2.7*	*3.0*	*3.2*		*5.9*	
IR&M Intermediate Credit Fund	496,403,171	13.3							Jan-25
Blmbg. U.S. Intermediate Credit									

Source: NEPC
YTD = Calendar Year

Period ending December 31, 2024 (net of fees) (Cont.)

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TOTAL FUND PERFORMANCE DETAIL

	Allocation			Performance (%)					
	Market Value ($)	% of Portfolio	Policy (%)	3 Mo (%)	FYTD (%)	1 Yr (%)	2 Yrs (%)	Inception (%)	Inception Date
Return Seeking Fixed Income	**373,995,484**	**10.0**	**10.0**	**-1.4**	**4.1**	**5.3**		**7.3**	**Aug-23**
Vanguard Total Corporate Bond ETF	185,907,798	5.0		-3.1	2.7	2.2		4.8	Aug-23
Bloomberg US Corporate				*-3.0*	*2.6*	*2.1*		*4.9*	
iShares Broad USD High Yield Corp Bd ETF	94,304,653	2.5		0.0	5.5	8.5		10.2	Aug-23
ICE BofA US High Yield Master II Constrained				*0.2*	*5.4*	*8.2*		*10.3*	
iShares 0-5 Year High Yield Corp Bd ETF	93,783,033	2.5		0.5	5.2	8.2		9.2	Aug-23
ICE BofA 0-5 Year U.S. High Yield Constrained				*0.8*	*5.7*	*8.6*		*10.0*	
Diversification	**361,054,948**	**9.7**	**10.0**	**-2.1**	**5.3**	**11.4**		**9.9**	**Aug-23**
Public Real Assets	**181,212,219**	**4.8**		**-4.6**	**4.3**	**8.2**		**6.5**	**Aug-23**
SPDR S&P Global Natural Resources ETF	34,485,670	0.9		-11.3	-8.4	-8.2		-6.3	Aug-23
S&P Global Natural Resources Sector Index (Net)				*-11.9*	*-8.9*	*-8.9*		*-6.7*	
iShares Global Infrastructure ETF	36,128,972	1.0		-2.4	10.9	14.8		10.5	Aug-23
S&P Global Infrastructure (Net)				*-2.6*	*10.2*	*14.0*		*10.1*	
IShares Global REIT ETF	35,476,151	0.9		-8.7	5.8	2.6		4.8	Aug-23
FTSE EPRA/NAREIT Global REITs Index				*-8.9*	*5.8*	*2.8*		*5.2*	
SPDR Gold MiniShares	37,928,265	1.0		-0.3	12.8	27.1		22.5	Aug-23
LBMA Gold Price (USD; PM)				*-0.8*	*11.9*	*25.5*		*21.9*	
Aberdeen Bloomberg All Commodity Strategy K-1 Free ETF	37,193,161	1.0		-0.1	0.4	5.5		-0.9	Aug-23
Bloomberg Commodity Index Total Return				*-0.4*	*0.2*	*5.4*		*-0.7*	
Multi-Asset	**179,842,730**	**4.8**		**0.4**	**6.2**	**14.6**		**13.4**	**Aug-23**
Vanguard Balanced Index Fund	179,842,730	4.8		0.4	6.2	14.6		13.4	Aug-23
60% CRSP US Total Market Index 40% Bloomberg U.S. Aggregate Float Adjusted				*0.4*	*6.2*	*14.4*		*13.2*	
Cash	**31,834,985**	**0.9**	**0.0**	**1.3**	**2.5**	**5.3**	**5.3**	**5.1**	**Oct-22**
90 Day U.S. Treasury Bill				*1.2*	*2.6*	*5.3*	*5.1*	*4.9*	
Northern Trust Money Market Treasury NTPXX	31,834,985	0.9		1.3	2.5	5.6		6.1	May-23

Source: NEPC
YTD = Calendar Year

Pension Reserve Trust
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Appendix B

Budget & Expense Detail

Administrative and Operating Expenses

As of December 31, 2024 (1)

Administrative and Operating Expenses	Annual Budget	YTD Expenses (1)	% of Budget
Management & Staff	892,000	387,359	43%
Trustees	278,000	142,129	51%
Legal Counsel	85,000	13,320	16%
Accounting and Audit	85,000	75,288	89%
Other Professionals	25,000	16,614	66%
Ordinary Business (General)	85,000	56,220	66%
Travel and other reimbursable expenses	60,000	39,037	65%
Emergency and Contingency Reserve	35,000	-	0%
Total Administrative and Operating Expenses(1)	**1,545,000**	**729,967**	**47%**

(1) Unaudited.

Annual Recurring Investment Related Expenses

As of December 31, 2024 [1]

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Investment Expenses	Annual Budget	YTD Expenses [1]	% of Budget
Investment Staff	80,000	-	0%
Custodian	250,000	74,688	30%
Insurance Policies (D&O, Cyber, etc.)	150,000	57,915	39%
Legal, Regulatory & Compliance (Investment)	450,000	53,494	12%
Other	20,000	-	0%
Equipment, Software and Licenses (Investment)	100,000	-	0%
Asset Withdrawal Model (AWM) study	250,000	-	0%
Investment consultant annual fee	1,350,000	623,214	46%
Investment management fees	10,500,000	1,910,292	18%
Total Investment Related Expenses [1]	**13,150,000**	**2,719,603**	**21%**

[1] Unaudited.

Non-Recurring Start-Up Expenses

As of December 31, 2024 [1]

Start-Up Expenses	Annual Budget	YTD Expenses[1]	% of Budget
Recruitment consultant	-	-	0%
IT/website set-up	10,000	-	0%
Legal Counsel	100,000	96,695	97%
Office Configuration	25,000	-	0%
Furniture and Electronic Equipment	65,000	-	0%
Total Start-Up Expenses[1]	**200,000**	**96,695**	**48%**

[1] Unaudited.

Important Notices & Disclaimers

- *This presentation is being provided for the information and use of the Act 106 Board and the Pension Benefits Council.* ***It is not investment advice or legal advice.***
- *The objective of the Pension Reserve Trust is, if possible, to provide funds to the Government adequate to meet pension obligations by prudently investing its funds over the next several decades. The investment decisions of the Trust are made with that objective while minimizing unnecessary risks. However,* ***all investments carry some level of risk. Their performance in the future can and will differ from their past performance and the Trust's asset values will fluctuate from quarter to quarter and year to year.*** *Diversification and other asset allocation techniques do not ensure profit or protect against losses.*
- *The PRT and Board make investment decisions to implement the particular requirements of the Plan of Adjustment, the Deed of Trust, and the Guidelines.* ***This presentation and the Trust's investment decisions should <u>not</u> be relied on in any way by any other party for any other purpose, particularly*** *(but not only)* ***decisions about investment of pension funds and of individual retirement plans.*** *Every person should make their own analysis based on their own goals with independent financial professionals before making any investment.*
- *The views presented here represent the good faith views of the Pension Reserve Trust as of the publication date and are subject to change at any time. The presentation does not contain all the analysis and data examined by the Board in coming to its views.*
- *Some of the information presented here has been obtained from external sources including the FOMB, the Commonwealth Government, consultants, vendors, etc.. While the Board has exercised reasonable professional care in preparing this content, we cannot guarantee the accuracy of all source information. Any financial information is unaudited.*