

# INVESTMENT EXECUTIVE SUMMARY

McCoy College of Business Foundation

Through June 30, 2025

	Market Value	Actual (%)	Target (%)	+ / -	Quarter	1 Yr.	3 Yr.*	5 Yr.*	7 Yr.*
<b>Equity</b>	54,206,270	65.3%	65%	0.3%	12.1	18.4	17.7	14.4	10.5
<b>Fixed Income</b>	19,789,585	23.8%	25%	-1.2%	1.8	7.5	4.6	1.9	2.6
<b>Real Assets/Real Return</b>	7,789,787	9.4%	10%	-0.6%	3.6	9.0	5.4	7.6	--
<b>Cash</b>	1,265,188	1.5%	0%	1.5%	1.0	4.5	4.8	2.9	2.7
<b>Total Fund w/o Student Investment</b>	<b>83,050,830</b>	--	--	--	<b>8.5</b>	<b>14.6</b>	<b>13.0</b>	<b>10.4</b>	<b>7.8</b>
Student Investment Equity	1,195,918	65.0%	75%	-10.0%	13.1	17.5	17.8	14.2	11.5
Student Investment Fixed	644,206	35.0%	25%	10.0%	0.8	3.9	1.4	-0.9	1.3
<b>Total Investment Fund</b>	<b>84,890,954</b>				<b>8.5</b>	<b>14.6</b>	<b>13.0</b>	<b>10.4</b>	<b>7.8</b>

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

## Market Summary in Q2 2025:

- Global equity markets rose in the second quarter, led by surging US stocks, and even stronger performance for international equities boosted by a weak US dollar. A major equity drawdown early in the quarter was fully recovered as recession risks receded and volatility returned to all-time lows. The Federal Reserve ('Fed') continued their cautious approach, but the dot plot still indicated expectations of two 25 bps cuts this year. Growth equities surged ahead of value on the back of easing trade tensions. Consumer sentiment bounced back slightly in June as trade tensions eased; US/Israeli airstrikes on Iran defused a precarious situation in the Middle East; and focus shifted to tax cuts and deregulation from the One Big Beautiful Bill.
- Bond markets were volatile over the quarter. Moody's joined S&P and Fitch in downgrading the rating of US debt from AAA status. The subsequent auction of 20-year bonds sold at a yield over 5%, the highest since November 2023. Congress passed President Trump's Big, Beautiful Bill, which frontloads growth-enhancing tax cuts partly offset by deferred spending cuts. The Congressional Budget Office projects that the bill will increase the primary deficit by about \$3 trillion over the coming 10 years. However, bonds shrugged off deficit concerns with the 10-year US yield unchanged for the quarter and bonds posting moderately positive returns except for the longest durations.
- The 2-year Treasury yield fell by ~17 bps from 3.89% to 3.72% during Q2, while the 10-year Treasury yield remained mostly flat at 4.24%. Credit spreads tightened during this risk-on quarter. Gold rose, while conflicts in the Middle East caused temporary volatility in oil prices even though oil finished the quarter lower.
- The Bloomberg US Aggregate Bond Index returned 1.2% in Q2 as falling yields created a tailwind for fixed income. Tightening spreads helped credit. The MSCI ACWI returned 11.5%. As a result, a traditional 60/40\* portfolio was up 7.4%.
- We saw a turbulent start into the quarter with Liberation Day tariff announcements leading to market turmoil. Tariffs were subsequently deferred, which lifted investors' spirits and led to a recovery rally and a couple trade deals were struck. The end of the quarter saw a "12-Day War" between Israel and Iran. US forces participated in targeted strikes against key nuclear sites. The quarter ended with President Trump's Big Beautiful Bill being passed.
- The US economy showed signs of softening but remained resilient. GDP fell -0.2% in Q1, with the bulk of the contribution from outsize imports ahead of tariffs. The European economy was mixed as well but generally slowed from Q1 levels as inventories were high from Q1 exports.
- US headline inflation rose 2.4% year-over-year in May, below expectations with the feared impact of tariffs not materializing so far. Unemployment remained at 4.2% as nonfarm payrolls and new job openings indicated a moderately softening labor market.
- In a split vote, the Bank of England held rates steady, along with the Fed, BoC, BoJ, and PBOC. The ECB and Swiss National Bank both cut rates. The Swiss Franc faced deflationary pressure in the wake of a weakening dollar; with rates now set to zero, the Swiss Bank did not rule out negative rates.
- Growth and inflation estimates were revised sharply earlier in the quarter with some forecasters calling for a recession or even a period of stagflation. Positive developments over the quarter led to the consensus outlook becoming more optimistic again.

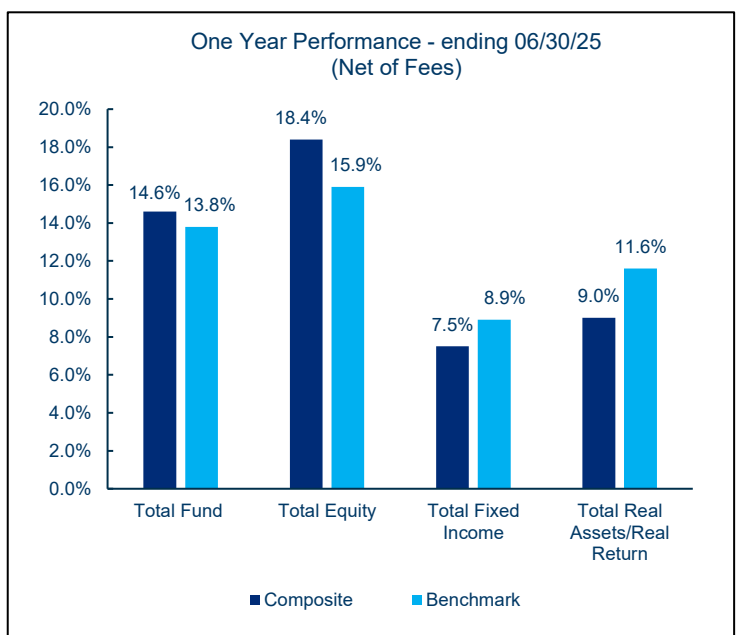
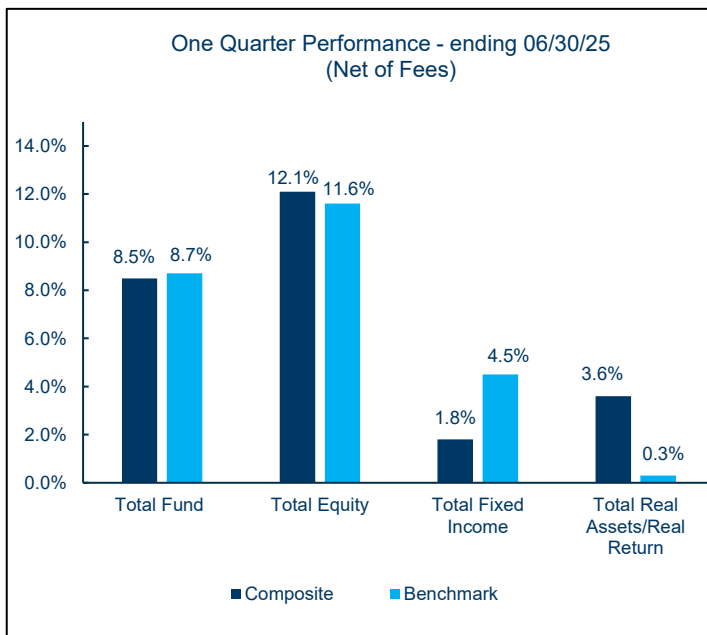
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Through June 30, 2025

## Portfolio Update:

- The Total Equity Composite (+12.1) outperformed its benchmark by 50 bps during the quarter. The composite was led higher by US Large Cap, Global Growth, and Emerging Markets.
- The Total Fixed Income Composite (+1.8%) underperformed its benchmark by -270 bps during the quarter, as Doubleline and BlackRock had a difficult time keeping up with the global fixed income benchmark, where foreign bonds performed well.
- The Total Real Assets/Real Return Composite (+3.6%) was positive on an absolute basis and outperformed its benchmark by 330 bps during the quarter. Principal did well due to real estate and infrastructure exposure, while PIMCO was positive given the rebound in risk assets.



## 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>