

INVESTMENT EXECUTIVE SUMMARY

McCoy College of Business Foundation

Through December 31, 2022

	Market Value	Actual (%)	Target (%)	+ / -	Quarter	1 Yr.	3 Yr.*	5 Yr.*	7 Yr.*
Equity	36,572,531	62.3%	65%	-2.7%	9.2	-19.9	4.7	5.0	8.1
Fixed Income	14,875,285	25.3%	25%	+0.3%	1.4	-9.8	-1.4	0.6	2.3
Real Assets/Real Return	5,910,151	10.1%	10%	+0.1%	7.4	-8.9	4.1	--	--
Cash	1,334,546	2.3%	0%	+2.3%	0.9	1.5	0.7	1.4	--
Total Fund w/o Student Investment	58,692,513	--	--	--	6.9	-16.1	3.0	3.7	6.4
Student Investment Equity	1,016,749	76.5%	75%	+1.5%	7.2	-14.6	6.0	6.5	8.5
Student Investment Fixed	312,584	23.5%	25%	-1.5%	0.6	-11.2	-1.6	0.1	2.6
Total Investment Fund	60,021,846				6.9	-16.1	3.1	3.7	6.4

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

Market Summary in Q4 2022:

- Global markets moved higher for most of the quarter as signs emerged that inflation may have peaked. However, some of the quarter's gains were given back in December as fears of an economic slowdown and further Federal Reserve tightening weakened sentiment.
- The drawdown in stocks and bonds last year appears to be a reasonable response to the Federal Reserve's ('Fed') tightening cycle and the resulting uncertainty for economic growth. The decline in equities can be explained by the rise in interest rates putting downward pressure on valuations. The outlook for inflation and its impact on Fed policy likely will remain the key driver of markets' direction in 2023.
- Encouragingly, inflationary pressures appear to be easing. A warmer than usual winter in Europe has eased energy supply and price concerns overseas. Energy prices in the US are also off of their peak levels, which should lead the headline inflation rate lower over time. The gradual easing of supply chain issues and weaker demand could also slow core inflation. Shelter inflation is also showing signs of a potential peak. One concern for the inflation outlook is the labor market which remains strong. Another concern is that the re-opening of China's economy could drive increased demand, particularly for commodities.
- US GDP grew in the third quarter after modest declines in the first half of the year. However, the tightening of financial conditions is only just beginning to be felt. The drag likely will intensify in 2023, increasing the risk of at least a mild recession.
- A mild recession that reduces inflation could prove supportive of both stock and bond markets. The prospect of the Fed halting rate increases and a fall in longer-term interest rates could more than offset the negative impact of weak earnings for equities in a mild recession. The biggest downside risk we see for balanced portfolios is if inflation remains sticky even as the economy slows. This could require a more forceful Fed response and a deeper recession. This likely would result in continued weakness in stocks and bonds.

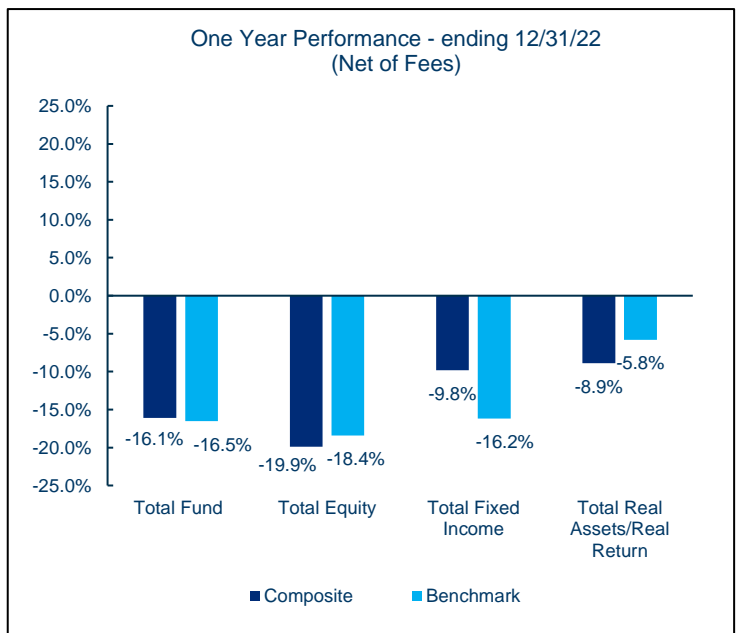
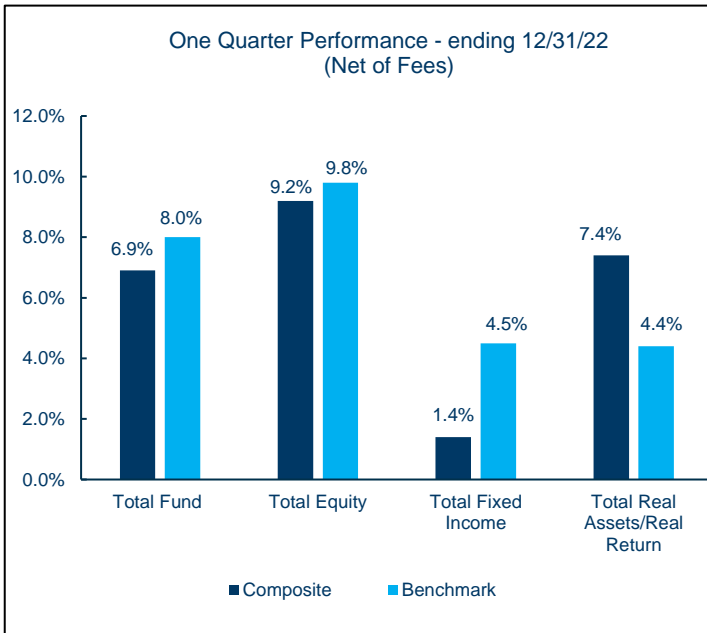
Portfolio Update:

- The Total Equity Composite (9.2%) underperformed the Blended Equity Index by -60 basis points. While equity markets moved higher for the quarter, the composite was held back by higher U.S. exposure, as non-U.S. regions drove much of the index performance.
- The Total Fixed Income Composite (1.4%) trailed its benchmark by -310 bps, as both Doubleline and BlackRock detracted due to the underweight in corporates as credit spreads fell during the fourth quarter.
- The Total Real Assets/Real Return Composite gained 7.4% during the quarter and outpaced the policy benchmark by +300 bps. Principal DRA's exposure to energy and natural resources helped returns, while PIMCO All Asset's positions to risk assets also contributed to outperformance.

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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>