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1 TEACHERS' RETIREMENT SYSTEM OF THE CITY OF NEW YORK

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INVESTMENT MEETING

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Thursday, January 8, 2026

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10:06 a.m.

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Teachers' Retirement System of NYC

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55 Water Street, 16th Floor

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New York, New York 10041

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William Montague

Digital Reporter

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Notary Commission No. 01MO0009174

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APPEARANCES

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THOMAS BROWN, CHAIR

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THAD MCTIGUE

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KEVIN LIU, OFFICE OF THE MAYOR

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MARK LEVINE, OFFICE OF THE COMPTROLLER

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CHRISTINA MCGRATH, TEACHER MEMBER

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VICTORIA LEE, TEACHER MEMBER

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ANTHONY GIORDANO, REPRESENTING CHAIR GREGORY FAULKNER

9

JOHN DORSA

10

LAMONT TARBOX

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AMY SLATTERY

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Also Present:

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LIZ SANCHEZ

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KATE VISCONTI

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DAVID LEVINE, COUNSEL, VIA ZOOM

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NADIA FAZHULINA, MOPI, VIA ZOOM

18

MAREK TYSZKIEWICZ, CHIEF ACTUARY, VIA ZOOM

19

GREGORY DOOL, VIA ZOOM

20

SARAJ RUNDELL, VIA ZOOM

21

SHAQUANA DEVISSIERE, VIA ZOOM

22

ADAM WALTERS, TRS, VIA ZOOM

23

ANDREW ROPER, TRS, VIA ZOOM

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ANDREW ROSEN, TRS, VIA ZOOM

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DAVE KATZMAN, TRS, VIA ZOOM

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1 ISAAC GLOVINSKY, TRS, VIA ZOOM
2 PERRY WHITELEY, TRS, VIA ZOOM
3 JUSTINE JAUME, TRS, VIA ZOOM
4 KOMIL ATAEV, TRS, VIA ZOOM
5 LOREN PERRY, TRS, VIA ZOOM
6 SHAWUEANA DEVISSIERE, TRS, VIA ZOOM
7 PRISCILLA BAILEY, TRS, VIA ZOOM
8 SUN YU, REPORTER FOR FINANCIAL TIMES
9 VALERIE RED-HORSE MOHL, BAM
10 DONALD DE ROSA, BAM
11 JOHN ADLER, BAM
12 CHRIS PAK, BAM
13 JOE IRONHAWK LITTLE, BAM
14 DANIEL HAAS, BAM
15 MORAIMA PARES, BAM
16 MITCH FIELDING, BAM
17 JOHN MERSEBURG, BAM
18 ROBERT FENG, BAM
19 NOZA ZHUMANOVA, BAM
20 TINA SUO, BAM
21 JENNIFER GAO, BAM
22 WILFREDO SUAREZ, BAM, VIA ZOOM
23 KAREN BARCLAY, BAM, VIA ZOOM
24 KIM BOSTON, BAM, VIA ZOOM
25 JOHN AHN, BAM, VIA ZOOM

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1 PETYA NIKOLOVA, BAM, VIA ZOOM
2 ERIC OTERO, BAM, VIA ZOOM
3 JESSICA JANUSZ, GOLDMAN SACHS
4 MICHAEL FULVIO, GOLDMAN SACHS
5 ROY APPLEMAN, GOLDMAN SACHS
6 GINA TARANTINO, GOLDMAN SACHS, VIA ZOOM
7 MAGGIE DEFILLIPPO, CROSS OCEAN ESS V
8 GRAHAM GOLDSMITH, CROSS OCEAN ESS V
9 CAITLIN CONDON, CROSS OCEAN ESS V, VIA ZOOM
10 SEAN BARBER, HAMILTON LANE, VIA ZOOM
11 DEV SUBHAS, STEP STONE, VIA ZOOM
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1 (The proceedings commenced at 10:06 a.m.)
2 MR. MCTIGUE: Good morning, Mr. Chair and

3 Board Members.

4 CHAIR BROWN: Good morning, Thad.

5 MR. MCTIGUE: Today is January 8th, 2026.

6 Welcome to the investment meeting of the Teachers'
7 Retirement Board. I will call the roll. Kevin Liu?

8 MR. LIU: With pending reappointment,
9 representing Mayor Mamdani.

10 MR. MCTIGUE: Thomas Brown.

11 CHAIR BROWN: Good morning, Thad. Present.

12 MR. MCTIGUE: Anthony Giordano?

13 MR. GIORDANO: Tony Giordano, representing
14 Chair Gregory Faulkner.

15 MR. MCTIGUE: Comptroller Mark Levine?

16 COMPTROLLER LEVINE: Do I say I'm representing
17 the Comptroller's Office, or -- but I am present.

18 Thank you.

19 MR. MCTIGUE: Victoria Lee?

20 MS. LEE: Good morning, present.

21 MR. MCTIGUE: Christina McGrath.

22 MS. MCGRATH: Good morning, here, present.

23 MR. MCTIGUE: Mr. Chair, we have a quorum.

24 CHAIR BROWN: Great. Good morning. First of
25 all, before we start, I'd like to wish everybody a

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1 happy new year, a healthy one, full of good things,
2 happiness, and you all should have a good year. Thank
3 you.

4 And first investment meeting of the new year.
5 We have a new administration and we have a new
6 comptroller of New York City. So welcome, Mark Levine
7 and your team.

8 COMPTROLLER LEVINE: Thank you, Tom. Thank
9 you.

10 CHAIR BROWN: And would you like to --

11 COMPTROLLER LEVINE: Sure, just very briefly.

12 CHAIR BROWN: -- say a few words? You're
13 going to do it in Spanish?

14 COMPTROLLER LEVINE: Whatever language you
15 choose.

16 CHAIR BROWN: Okay.

17 COMPTROLLER LEVINE: I think --

18 CHAIR BROWN: That's --

19 COMPTROLLER LEVINE: -- protocol might require
20 this be in English.

21 CHAIR BROWN: Okay. Thank you.

22 COMPTROLLER LEVINE: I'm very excited to be at
23 my first TRS meeting in my new capacity. Hope to come
24 as often as I can. It's hard with the schedule, but I
25 wanted to make a point of being here as we start out

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1 the new year.

2 It's been a joy getting to know the three
3 elected trustees in recent months. And I have to say
4 I'm pretty inspired by how seriously you take these

5 roles and by the level of expertise you've developed.
6 So for any TRS members who are watching from home, you
7 all should sleep well at night knowing you have three
8 people fighting for you and your assets.

9 And I'm --

10 CHAIR BROWN: Thank you.

11 COMPTROLLER LEVINE: -- very much looking
12 forward to working with all of you. Comptroller's
13 Office has many, many, many functions. There's almost
14 no aspect of financial operations and city government
15 that my office doesn't touch, from issuing the debt to
16 managing the cash to approving contracts.

17 But without a doubt, nothing is more important
18 than my role as serving as a steward of the city
19 pensions and ensuring that we maximize risk adjusted
20 returns for the people who have served our city and
21 spent their careers working for us and now deserve to
22 have a safe and secure retirement. I take this very,
23 very seriously.

24 And so working with you to achieve that goal
25 is my top priority. I'm lucky that I have a wonderful

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1 team to help do that. I think many of you have met,
2 but I want to reintroduce our brand new Trustee, Amy
3 Slattery, who is right here.

4 CHAIR BROWN: Amy.

5 COMPTROLLER LEVINE: It was rare for someone
6 in this position actually an accountant, so quite
7 qualified, and has been a very close professional
8 partner for me for more years than ever that we -- we
9 would like to admit, I have to say, but you're going to
10 love working with Amy.

11 It was a -- it was a close call, but we did
12 decide to keep on the great John Dorsa, who is here.

13 CHAIR BROWN: Jonathan [phonetic].

14 COMPTROLLER LEVINE: So is going to continue
15 to be a vital member of our team and I know a great
16 partner for all of you.

17 And this is your first meeting with our acting
18 chief investment officer, Monte Tarbox, who could not
19 have a more extensive resume that he's bringing to
20 this. And in his first week of the job, total returns
21 are already up 200 basis points. Very excited for --
22 for your work. Seriously.

23 CHAIR BROWN: Keep it going.

24 COMPTROLLER LEVINE: He's off to a great
25 start. We also have a search underway for a permanent

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1 CIO. Now, that's a more involved process. That's a
2 national search. We've contracted with a -- a major
3 search firm to do that.

4 So we'll keep you posted on that. But in the
5 meantime, I feel really good about having Monte at the
6 helm.

7 CHAIR BROWN: Thank you.

8 COMPTROLLER LEVINE: So I think that's it.

9 If -- if I'm able to, I'll say another couple of words
10 when we're in executive session. But again, thank you.
11 Couldn't be more excited to be here.

12 CHAIR BROWN: Thank you. Welcome. Thank you.
13 And welcome everyone on Mark's team. A pleasure. So
14 we will continue with the public agenda and start with
15 the passport funds for November Passport Funds Flash
16 Report. And Goldman Sachs, I think Amanda is going to
17 be taking that.

18 MS. JANUSZ: Yeah. Thanks, Tom.

19 CHAIR BROWN: Thank you. Welcome.

20 MS. JANUSZ: So, okay. I'm going to step us
21 back to November to start. Our most recent final
22 results for the passport funds as of the end of
23 November. And if you think back to November, the first
24 part of the month, first half of the month, really, was
25 colored by the continuation of -- of what -- what ended

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1 up being a 43 day government shutdown.

2 So not surprisingly, we see pretty muted
3 results, especially across US equity markets, which
4 really was similar to what we saw across the year, with
5 non-US equity markets outpacing US equity markets.
6 Particularly, emerging markets had a very strong year.

7 We also, in November, had a bit of fluctuation
8 in market consensus around what the expectations were
9 going to be for the fed rate cut or not in -- in the
10 month of December that impacted some of the market
11 performance. And as part of the government shutdown,
12 also had delays in some of the typical data releases.

13 So all of that led to what ended up being a
14 pretty underwhelming month in terms of returns. You
15 can see for the diversified equity fund for the month,
16 total return of ten basis points. And really, the --
17 the range of returns across your funds for November
18 ranging anywhere from at the high, 50 basis points for
19 the balanced fund, and on the low end, down 1 percent
20 for the sustainable equity fund.

21 Looking out on the year-to-date column,
22 though, through the end of November, very strong
23 returns. Most of the -- the variable funds in double
24 digit territory, year-to-date through November, with
25 the diversified equity fund up close to 17-and-a-half

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1 percent.

2 Underperforming its benchmark in that
3 year-to-date period, in part because it has been a very
4 challenging environment for your active managers, both
5 in the US and international equity spaces. So a bit of
6 a drag there.

7 And -- and the best performer for the
8 year-to-date period down at the bottom of the slide

9 there being your international equity index, which so
10 far through November was up 28 percent. Any questions
11 on November results?

12 CHAIR BROWN: Any questions for Amanda? Thank
13 you. Why don't we move on to the preliminary December
14 benchmark performance.

15 MS. JANUSZ: Switch this here. So switching
16 gears to December, we don't yet have official passport
17 fund market performance for December, but we just
18 wanted to share benchmark results through the end of
19 the year.

20 And so we did ultimately end up seeing the Fed
21 make a rate cut of 25 basis points in their December
22 meeting. It wasn't consensus. There definitely was
23 some -- some dissent there in making that decision. So
24 we still are seeing some questions around, you know,
25 what inflation looks like, what we're seeing in terms

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1 of labor market, but they did go through with that cut,
2 which was their third cut of the year.

3 On the equity market side, I think the -- the
4 biggest highlight in terms of where we land at the end
5 of the year is the flip flop we saw year-over-year
6 between US equity markets and non-US. Certainly, in
7 2023 and 2024, very much dominated by US equities,
8 particularly US large-caps.

9 And here in the month of December and also the
10 year -- full year 2025, international equities
11 outperforming US and particularly emerging markets.
12 Emerging markets have been a little bit of a laggard
13 the last couple of years.

14 I think the last year we saw a real dominant
15 year like this for EM was probably looking back to
16 2017. So definitely the -- the standout for the year
17 in terms of -- of market results.

18 CHAIR BROWN: Thank you, Amanda. Any
19 questions --

20 MS. JANUSZ: All right.

21 CHAIR BROWN: -- for Amanda?

22 MS. JANUSZ: So we do have -- you want --

23 MR. FULVIO: Yeah.

24 MS. JANUSZ: -- to set up --

25 MR. FULVIO: Do you want to -- any questions?

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1 We'll go --

2 CHAIR BROWN: And do we --

3 MR. FULVIO: -- to the next topic.

4 CHAIR BROWN: -- have any questions for Mike
5 or Amanda? Okay. Then we can go on to Roy's report.

6 MR. FULVIO: We'll switch from the -- the
7 backward looking to the forward looking. And it's my
8 pleasure to introduce our colleague from the Goldman
9 Sachs Multi-Asset Solutions team, Roy Appelman, who's
10 moving to the podium now.

11 Roy is -- some of you might remember Roy from
12 a -- a couple of years back when we did the last review
13 of the strategic asset allocation for the pension.

14 CHAIR BROWN: Uh-huh.

15 MR. FULVIO: He's our head of research and was
16 also very involved in that process and collaborating
17 closely with the CIO and -- and the BAM team at the
18 time, and also came at least once to present to the
19 Board --

20 CHAIR BROWN: Sure.

21 MR. FULVIO: -- previously. So delighted to
22 have Roy here today. He's going to share the outlook
23 for our team within Goldman Sachs as we look forward
24 into 2026, talk about what we're seeing in markets.
25 Feel free to ask Roy any questions you have.

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1 The other aspect of this is, this is a timely
2 conversation as well to reintroduce Roy as we begin
3 thinking about the next review and -- and starting to
4 kick off the strategic asset allocation review as we
5 look forward. So Roy will also be involved in that
6 process again. So --

7 CHAIR BROWN: Great. Thank you. Welcome
8 back --

9 MR. FULVIO: Thanks, Roy.

10 CHAIR BROWN: -- to TRS, Roy.

11 MR. APPELMAN: Thank you. Thank you --

12 CHAIR BROWN: Pleasure.

13 MR. APPELMAN: -- very much, everyone.

14 CHAIR BROWN: Thank you.

15 MR. APPELMAN: And so thank you for the
16 opportunity to share our outlook with you. And the
17 good news is that as we enter 2026, from a macro
18 perspective, things look reasonably constructive and US
19 led, but actually also more breadth in terms -- on a
20 global basis in terms of growth outlook for 2026.

21 In the US, we think this is driven by several
22 factors. The first is, of course, the continuous
23 importance of AI capex, which at this point is large
24 and significant on a macro perspective.

25 The second is a shift in Q1 of this year to a

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1 more accommodative fiscal policy on a centralized basis
2 from the US government. The third is a shift also in
3 monetary policy, which as people probably remember,
4 shifted to be looser and more accommodative in
5 September of last year.

6 Finally, what was also important to note, the
7 tariff uncertainty, which was a very significant driver
8 of volatility in 2025, now seems to be a bit behind us.
9 The other thing to note is that what we are seeing now
10 is a more synchronized global growth picture overall,
11 probably best illustrated by the shift in Germany
12 towards more significant fiscal spending that is

13 expected to start flowing this year, but actually not
14 limited there to that country at -- at all.

15 In fact, we're seeing more accommodative
16 stance in Japan, we're seeing stabilization in China,
17 and generally speaking, a shift to a more constructive
18 growth outlook. Now, of course, the market already is
19 pricing a fair amount of that in, and therefore, risks
20 remain.

21 The risks that we are seeing still center on
22 the labor markets. They have mitigated, mostly through
23 the passage of time. So far, we seem to have gone
24 through the peak points of uncertainty while US labor
25 markets have remained resilient.

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1 Far from stellar, very muted job creation, but
2 also not enough to trigger a negative feedback loop
3 into the overall economy. In addition to that, of
4 course, as everybody knows, things are not cheap out
5 there.

6 The markets are pricing in at a rosy outlook.
7 But from our perspective, this is a headwind, perhaps
8 to total return, should limit the amount of upside,
9 maybe amplify risks on the downside if we do get a
10 crisis, but it is not a reason to underweight risk
11 assets.

12 So if we move on to Page 4, I wanted to flag a
13 couple of things that have really changed over the last
14 several months, which I do think matters. The first is
15 where we stand within the overall tariff pictures. The
16 reality is the tariffs were a significant source of
17 uncertainty in 2025.

18 The draw down of April of last year is still
19 very much front and center in our minds. But at this
20 point, it does seem like things have stabilized. If we
21 look at how much tariffs are being collected relative
22 to the overall target, at this point, we are quite
23 close to the final numbers, which means that, at least
24 from a collection perspective, most of this is behind
25 us.

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1 In addition, when we look at the price of
2 imported goods, we have seen increased pass through to
3 inflation. Of course, nobody likes higher inflation,
4 but the fact that this is passed through with
5 relatively muted impact to overall economic activity
6 does suggest that much of this uncertainty is behind
7 us.

8 And then finally, the overall sentiment around
9 tariffs seems to have shifted to a similar situation
10 where we saw a lot of escalation in tariff negotiations
11 to ones where more resolutions and more deals appear to
12 be in the offing, and therefore, again, removing this
13 source of uncertainty.

14 Now, of course, no one can ever know where --

15 what will happen next year. Things could change, but
16 at least for now, this seems to be a more favorable
17 trajectory overall.

18 So if we move on to the next page, I do want
19 to touch a little bit more deeply on the two -- sorry.
20 Are there any questions before I move on?

21 CHAIR BROWN: Any questions? Great.

22 MR. APPELMAN: Okay. So I do want to touch a
23 little bit on the two main risks that we see right now
24 in the markets. The first one is the US labor market.
25 This has been front and center for at least six months

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1 at this point, as job creation has been rather weak.

2 We also saw some signs in Q3, early Q4 of last
3 year to a potential further deterioration. But at
4 least for now, we do seem to be stabilizing at the
5 current levels. So not a lot of hiring, but also not a
6 lot of firing.

7 And if anything, most recent labor market data
8 such as initial claims that came in this morning, were
9 actually quite strong. Now, given that the labor
10 markets are a little bit backward looking, and we are
11 looking at a more favorable outlook from a policy
12 perspective and an AI capex deployment perspective, we
13 do think it is at this point, reasonable to assume that
14 labor markets stabilize and perhaps even start to
15 improve.

16 However, given the level of job creation at
17 this point, there is absolutely fragility there and is
18 an area that we think is still the primary risk to the
19 US economy. But at this point, it is just a risk, and
20 we think the probability of it breaking declines as
21 time passes. And therefore, from our perspective, it
22 is not likely to happen.

23 The other core risk that is out there are
24 valuations, particularly in the AI space. Anybody who
25 reads the paper, I'm sure, has read a lot about this.

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1 I do want to flag a few things. Things are not cheap.
2 That is absolutely correct. They're not cheap
3 everywhere. It's not just in the AI space.

4 But from our perspective, this magnitude of
5 valuations probably presents a headwind to long-term
6 returns. It does tend to amplify downside if we do get
7 a crisis, but it is actually quite a weak signal for
8 near term performance of equity markets, particularly
9 one where you are seeing a reasonably constructive
10 outlook to earnings growth, which is what we saw last
11 year and at this point, also what we expect to see this
12 year.

13 So from our perspective, again, this is a
14 risk. It is something to monitor and perhaps modify
15 your reaction function if we do get a crisis, but at
16 this point, not an obvious downside in the short-term

17 to markets.

18 So if we move on to Page 7, where does that
19 leave us in terms of the outlook for risk assets? So
20 starting with equities and credit, we're modestly
21 constructive on equities.

22 In the kind of environment that we're
23 forecasting on a macro perspective, that is one that
24 tends to be supportive of equities. It doesn't
25 necessarily mean that we're going to get the same

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1 double digit returns that we've gotten in each one of
2 the last three years. But as long as growth holds, as
3 long as earnings continue to be resilient, equities
4 tend to do well.

5 In addition to that, we do see some upside in
6 equities beyond the AI space and on a global basis,
7 essentially more diversification, more broadening of
8 the rally, the tailwind in equity markets overall. We
9 do have to emphasize that we think equities are a
10 better way to take risk at this point than credit.

11 Not because we think credit necessarily
12 underperforms on an absolute basis, but on a relative
13 basis in an environment where things are expensive, any
14 potential upside will accrue much more to equities than
15 it will to credit. And if one of our risks, for
16 example, the labor market, materializes, the convexity
17 in credit is probably going to be felt a little bit
18 more.

19 I will touch a little bit more on private
20 markets a little later on. We do see some weakness in
21 the kind of more leverage space in private markets, but
22 again, not enough for this to be considered systemic on
23 a macro perspective overall.

24 So moving on to rates and effects. We want to
25 emphasize that in our view, the only area where

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1 valuation is not expensive is actually rates. However,
2 we think rates are fairly priced. Real yields are at
3 levels that are consistent with historical compensation
4 for inflation risks overall.

5 Of course, debt sustainability in developed
6 markets is a concern, but not one that is near term.
7 That is more of a long-term issue. In the near term,
8 that really is the only place where on traditional
9 valuation models, things are not expensive.

10 However, we do think things are fair. We
11 don't see an obvious opportunity there, but we do think
12 that rates remain an interesting asset class,
13 particularly as a diversification for the type of
14 recessions that would be more problematic in the
15 future, one that are led by concerns around growth and
16 trigger an overall flight to quality.

17 We are seeing, we have seen already and
18 continue to see a normalization in the interest rate

19 markets from the pre-2020 environment we have been in.
20 We have generally viewed most of this correction as
21 healthy with the curve slope returning to more normal
22 levels, real yields returning to more normal levels.
23 But at this point, we think we're there, and further
24 increase in slopes in some markets, particularly in
25 Japan, could be viewed as a little bit more

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1 problematic.

2 In terms of effects, the dollar, we do believe
3 is a bit overvalued. Generally speaking, as rate
4 differentials across the -- the main developed markets
5 continues to compress, we do think the dollar should
6 depreciate modestly.

7 But from our perspective, this -- our view is
8 that this is priced into markets. It is a potential
9 modest depreciation. We don't necessarily see a real
10 source of problem.

11 So with that in mind, before I move on to
12 private markets, I wanted to see if people have any
13 questions regarding our outlook on public markets.

14 CHAIR BROWN: Any questions for Roy?

15 MR. APPELMAN: Okay.

16 CHAIR BROWN: Thank you.

17 MR. APPELMAN: So moving on to private
18 markets. Private markets are definitely interesting in
19 terms of what we are seeing. If you look at the chart
20 on the left, in terms of deals that have already been
21 executed that are in the ground, you can see in the
22 chart on the left two interesting things.

23 The first is the light blue bars, which is the
24 current valuation of deals on the balance sheets of
25 various funds. The second, the dark blue bar are the

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1 valuations in which deals have been monetized recently.
2 The small sliver of red is essentially the difference
3 between the two.

4 Now, what you can see is that this has
5 compressed over the following years, but unfortunately,
6 just things have just gotten a bit more expensive. The
7 second is that, generally speaking, things have exited
8 at slightly below the valuations in which they were
9 carried.

10 Now, this is not necessarily a significant
11 problem, but given that we do think there has been a
12 high quality bias in deals that have been exited as
13 opposed to the deals that are still on fund's balance
14 sheet, we do view this as a little bit of a headwind on
15 a forward looking basis in terms of expected returns
16 for private equity type assets in terms of deals that
17 have been executed.

18 The second chart here on the right shows our
19 assessment of how new deals are being priced. What you
20 can see here is -- are two things. The first, in the

21 chart here on the bar on the left, what we have plotted
22 out is the historical range of realized EBITDA growth
23 in excess of GDP that has been realized in the private
24 equity space.

25 Now, that -- next to it, on the right, we've
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1 plotted what is our current view of what EBITDA growth
2 would need to realize in order to achieve the
3 historical return of private assets. The reason we
4 think that this forward looking EBITDA growth needs to
5 be a bit higher than it has been historically, is
6 because things are expensive from a valuation
7 perspective, and therefore, it is difficult to count on
8 any improvement in valuation as a tailwind to return.

9 The second is that rates are higher, and
10 therefore leverage is a bit more expensive. That means
11 that in order to achieve the historical return of
12 private equity, you need a roughly 10 to 15 percent
13 range of EBITDA growth.

14 This is a bit higher than has been achievable,
15 not impossible at all, but it does suggest that
16 relative to history, there are a little bit of
17 headwinds out there. And then also frankly,
18 differentiation in manager quality and manager outcome
19 will be more significant.

20 The -- if I move on to the private credit.

21 MS. RED-HORSE MOHL: Can I ask a question
22 question --

23 MR. APPELMAN: Of course.

24 MS. RED-HORSE MOHL: -- on private equity? Is
25 that a general market chart or is that based on

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1 teachers holdings?

2 MR. APPELMAN: This is a general industry wide
3 market chart.

4 On Page 10, if we move on to private credit,
5 as I flagged earlier, there are a little bit more
6 issues out there in some of the more highly levered
7 situations, particularly in private markets.

8 If you look here at the chart on the left, I
9 want to flag a few things. Generally speaking, you can
10 bucket the deals in private credit and direct lending
11 into three categories.

12 The first category is -- we've actually
13 labeled as dark blue. Arguably, we should have flipped
14 the colors, is the category where, at this point,
15 interest coverage ratios are below one. That means
16 that cash flow is not supportive of paying on its own
17 the interest expense on those deals.

18 The second are the set of deals which, when
19 they come to refinance, may have trouble refinancing
20 the full amount of debt and may need an equity
21 injection. Those are the type of deals where perhaps
22 the interest coverage ratios are above one, but maybe

23 not high enough to provide enough of an equity cushion
24 when it comes to refinance ideals.

25 Now, from when we look at this, what we can
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1 see is that roughly 15 percent of the market is in that
2 first category of a decent amount of trouble. But
3 that's 15 percent of the number in terms of number of
4 issuers, and most of those issuers are smaller.

5 So from our perspective, also frankly, this
6 does not have to get resolved in a year. This tends to
7 be resolved over a multiyear period, say about three
8 years.

9 So when you look at that and what that implies
10 for defaults, generally speaking, this is a little bit
11 above average, but not necessarily quite that bad. And
12 it is consistent with the fact that we have seen
13 default rates actually in the leveraged loan market
14 start to come down.

15 So from our perspective, if we look at the
16 private credit markets, there's definitely still a
17 period of adjustment. You are seeing more of a
18 bifurcation where there is this significant cohort of
19 more distressed companies, ones that are not just
20 suffering from a higher interest environment, but also
21 from a deterioration in fundamentals. That cohort is
22 significant and -- but it is not one that is large
23 enough in our mind to create a systemic issue.

24 Now, I know I'm running out of time, so I will
25 flag just one thing more on Page 11, which is real

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1 estate. Real estate has been an asset class that has
2 been out of favor for some time ever since 2020.

3 We do want to mention that, at least in our
4 view, this is an asset class where value is now
5 starting to be created. We don't know necessarily that
6 this is a 2026 theme. It maybe a little bit beyond
7 that. But what we are seeing in the real estate side
8 are a few things.

9 First of all, is that supply and demand are
10 coming much more into alignment. The supply side is
11 generally more muted at this point, and completions, as
12 you can see on the chart on the left, are expected to
13 decline in the coming years.

14 The second thing is that cost of constructions
15 have increased, which means that real estate assets, if
16 valued on as replacement basis, it may face some
17 tailwind. And then the final point that I wanted to
18 mention is that this has been an asset class where
19 relatively muted amount of capital flows has moved in
20 over the last five years, and therefore, as a result,
21 there is just less capital chasing opportunities.

22 So from our perspective, this is not imminent,
23 but this is an asset class where we are starting to see
24 a little bit more value building in overall. So with

25 that, I have concluded my prepared remarks. Of course,
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1 happy to take more questions or hand it back to the
2 Board.

3 CHAIR BROWN: Thank you, Roy. Anthony has a
4 question?

5 MR. GIORDANO: Yeah, excellent presentation.
6 I'm concerned because I've been -- my little zero
7 EBITDA company gets about 20 calls a day offering me
8 100 to \$1 million just based on nothing. And it's a
9 lot of behavior reminiscent of -- of pre-GFC mortgage
10 crisis, right? You know, with no income, no job,
11 mortgages.

12 And I'm seeing a lot -- and -- and -- but your
13 numbers, saying, well, it's a bigger portion that might
14 be in distress. I think that a lot of these -- the --
15 the newest bottom of the -- bottom of the industry
16 loans are not coming in as distressed.

17 They're -- they're the -- the collateral is
18 being utilized for the third or fourth or fifth time,
19 maybe, by some -- and -- and we know that's happening
20 already. So I'm really fearful of -- of what's going
21 to -- what's happening to my favorite asset class at
22 this point.

23 So I guess the general question I have for you
24 is: If you're building me a multi-strat from -- from
25 ground -- from as of today, what are you looking at?

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1 What are you -- what's -- what's your breakdown?

2 MR. APPELMAN: Breakdown for private credit?

3 MR. GIORDANO: No, in general, overall, as,
4 you know, given that we might -- we -- we see -- we're
5 going to have to have a -- a special moment in private
6 equity to get where we want to be, right? Private
7 credit might be having distress. Our -- our savior has
8 been, you know, equities, passive equities.

9 What do -- what do you look at? If you're
10 looking at us today and saying, where would -- where
11 would you put something today?

12 MR. APPELMAN: Yeah. So -- and that's of
13 course, there's -- there's a lot I can do with that.
14 So I'll try and be a little bit more consistent. So
15 first of all, I will flag, in private assets, we're not
16 advocating for a special moment.

17 We think there are some headwinds, but we
18 think these headwinds also have a multiyear period to
19 work through. They don't necessarily mean a crisis.
20 They can mean returns that are a bit below what we had
21 on a historical basis. I would also flag that a lot of
22 these companies, for example, on the private credit
23 side, they don't necessarily have to default.

24 Some of these will be recapitalized, some of
25 the debt will be swapped to equities. So there are

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1 multiple ways in which this can play out.

2 MR. GIORDANO: Seems like the big strategy is
3 capitalizing our own assets, too, right?

4 MR. APPELMAN: In a -- a little bit, a little
5 bit. Now, in terms of an overall outlook for a
6 multi-asset portfolio, generally speaking, we still
7 think this is an environment that is modestly favorable
8 for risk assets.

9 As I said, the good news is the macro
10 environment is relatively constructive at this point.
11 As long as that environment remains constructive, you
12 know, risk assets tend to do okay.

13 We may not -- we're probably looking at
14 returns that are not as high as we've seen in the last
15 decade, but the last decade has been an unusually high
16 return environment for risk assets, definitely on a
17 risk adjustment basis. So what does that mean? It
18 does mean that we favor dynamically, a little bit more
19 equities over rates.

20 We are looking a little bit to diversify into
21 the broadening theme as opposed to just pure equity
22 beta. Some of that is risk management. We like AI.
23 We think AI has an upward potential, but the markets,
24 our investment portfolio is concentrated in AI, almost
25 everybody's is.

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1 So can you find opportunities that are still
2 risk asset favorable, that are not as sensitive to the
3 AI theme, not because you're bearish about it, but just
4 because you want a little bit more resiliency, okay?

5 CHAIR BROWN: Thank you.

6 MR. GIORDANO: I'm set for life.

7 CHAIR BROWN: Thank you.

8 MR. APPELMAN: Thank you.

9 CHAIR BROWN: Now, we move on to the public
10 agenda pension fund performance update by Dan Haas.
11 Thank you, Dan. How are you?

12 MR. HAAS: Great. How are you?

13 CHAIR BROWN: Good. Happy New Year.

14 MR. HAAS: Happy New Year.

15 CHAIR BROWN: Thanks.

16 MR. HAAS: We all set? Good morning,
17 everyone. Thanks for having me. I -- I have to say, I
18 kind of feel like a comedian coming on the stage right
19 after Jerry Seinfeld. That was really well done. Roy
20 just took off but I think you'll hear some of the
21 themes that he raised in his macro perspective, we're
22 going to be underlining a little bit here.

23 And really what I'm here to talk about today
24 is a continuation of some of the things that we talked
25 about last month. You know, we're in a period where

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1 we're seeing mixed signals from the economic data, and
2 that's sort of muddling the path forward for

3 policymakers, right?

4 There's a -- there's an inherent conflict
5 that -- that makes it a little bit tougher to well,
6 just position, you know, for -- effectively for the
7 future. You know, if you think about it, the S&P is
8 bouncing off of its all-time high. All the markets
9 are. It reached its most recent, you know, two days
10 ago, and it was barely newsworthy.

11 Credit spreads are -- are near their all-time
12 lows. And that's -- that's an accommodative, you know,
13 it suggests that cash is flowing freely into risk
14 assets and investors are not demanding a super premium.
15 We'll get into that a little bit later.

16 But meanwhile, we still have inflation running
17 stubbornly above the -- the Fed's 2 percent ideal
18 target. And -- and as Amanda mentioned, the -- the
19 unemployment is still a bit stagnant. So it's, you
20 know, the job creation isn't quite as robust as we'd
21 like it to be.

22 So if we jump into the slides. I've got a
23 couple of familiar slides for you again today, but just
24 to sort of underline and give you the updates from what
25 we talked about last time.

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1 If we focus on the top left, GDP prints, you
2 see that we finally received the rest of the third
3 quarter numbers. And that you see that -- that the US
4 is showing some pretty consistent growth relative to
5 its developed peers. So for instance, we look a little
6 bit more like China in the 4 percent range than we do
7 UK, Japan, and Germany, which were a little bit --
8 showing a little -- little less robust growth in the
9 fourth quarter.

10 We expect the fourth quarter for -- for the
11 United States come in a bit lower. The Atlanta Fed
12 GDPNow suggests that we have a 2.7 percent print for --
13 for the quarter ending in December. And other sources
14 show it a little bit below, you know, somewhere closer
15 to 2 percent actually. This will be what they call
16 their -- their Blue Chip peer group.

17 Next update, we're going to get that on
18 January 22nd. So we'll see how that -- we'll see how
19 that prints that. Moving over to the top right.
20 Again, Roy mentioned that job creation wasn't as robust
21 as we had hoped.

22 November numbers are -- are updated since we
23 last spoke. Unemployment crept up by two basis -- or
24 two-tenths of a percent to 4.6 percent. And the labor
25 participation rate has also ticked up a little bit.

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1 You may recall that -- that in December, we
2 also took a look at the labor participation rate for
3 prime age workers, those aged 25 to 54, which is
4 showing a little bit higher. That -- that came in at

5 83.8 percent. And again, that could -- that could be
6 suggestive of either labor conditions tightening in
7 that market because those are very near their all-time
8 highs, or it could be an indicator of dry powder among
9 the non-prime age workers.

10 If we move over to -- let's go to the bottom
11 left. So inflation, again, estimates for November have
12 us, again, kind of mid-pack among our developed peers.
13 We're still a bit higher than the 2 percent target as I
14 mentioned, but not significantly.

15 And then we're going to see December values on
16 January 13th. We expect those to come in at about 2.7
17 percent again.

18 And then finally on the bottom right, these
19 are just currency rates. And again, you know, the past
20 we kind of riff off of the -- the trends here.

21 What's interesting about this, though, is if
22 you focus on the one-year numbers, the -- the, you
23 know, the -- the relatively high positive numbers, that
24 suggests that's -- that's unusual. And that suggests
25 that in the first six months of the year, the dollar

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1 depreciated relative to all these currencies, you know,
2 with -- with the exception of Japan.

3 The Japanese yen was -- was fairly stable, but
4 that's a really nice tailwind for the international
5 investments. And we'll see that a little bit later as
6 when we -- when we start looking at performance.

7 All right, moving to the next slide. So
8 again, this -- this deck is really kind of focusing in
9 on -- on key rates. The -- the survey of official
10 rates for the US and the few other major central banks
11 on the top right there.

12 So as we expected, and Amanda mentioned, you
13 know, the Fed voted in December to cut its target rate
14 to three-and-three-quarters percent by 25 basis points.
15 That continues to decline.

16 We've been seeing since September of -- of
17 2024, when rates were at their recent highs of -- of
18 five-and-a-half percent, you can see there. So we're
19 in the midst of a rate cutting cycle.

20 We sort of talked about the -- the unique
21 dynamics playing out in the federal open market
22 community this year, the -- the Fed Board of Governors'
23 success rates. Just -- just keep in mind as we move
24 forward, Chairman Powell's term ends in May.

25 There's not a real clarity on who's going to

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1 succeed him. There's a few -- there's a few favorites,
2 but, you know, in this environment it's really tough to
3 kind of handicap that.

4 And then we also talked a little bit last time
5 about the dot Platts, the -- the dispersion among
6 estimates, forward estimates of where rates will be by

7 members of the open market committee. And now,
8 compared to historically, they're about twice the
9 spread.

10 It's about twice as wide as it used to be. So
11 there's a little more dispersion among estimates on
12 where they think rates will be a year or two years or
13 three years away.

14 Next Fed meeting is on January 28th. And
15 again, I think during that meeting, there's going -- no
16 one's really expecting any rate changes. It's going to
17 be sort of a -- a data driven wait and see kind of
18 messaging from that -- from that meeting.

19 If we look at the next line there, the -- the
20 Bank of England, they're in the midst of a rate cutting
21 cycle as well. They cut their rates back on the 18th
22 of December. Policy rates aren't too far from ours. I
23 think market's are pressing on another 25 basis point
24 cut sometime in 2026.

25 And then next line down, ECB, are likely on

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1 hold. You notice that their range on their cycle, they
2 topped out at 4 percent there. They cut pretty --
3 pretty significantly in one year down to 2 percent.

4 And so that was from, we'll say, June 2024 to
5 June 2025. And consensus says they're going to be
6 holding at 2 percent for the foreseeable future.

7 Japan actually, again Mark and Diane
8 [phonetic] talked a little bit about that last month as
9 well. They're actually in a rate hiking cycle. Again,
10 they had the structural low inflation or disinflation
11 environment, low growth environment, that's beginning
12 to normalize.

13 So they're -- they're starting to see some
14 inflation now. They're able to raise rates and
15 normalize their economy a bit.

16 Where are we here? Why don't we move down to
17 the bottom left, the -- the yield chart there. And
18 again, I don't want to beat you over the head with this
19 stuff, but the -- the takeaways here, again, if we
20 focus on the red line there, that is the yield curve as
21 of a few days ago.

22 And the -- what you'll note there is that
23 first, it's positively sloping, and second, that it's
24 off the bottom of the chart. Meaning that we have some
25 carry, right? They're -- we're -- we're receiving

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1 compensation for investing in fixed income securities.

2 And then the positive slope is actually a very
3 good sign just because it's -- it's what's known as a
4 normal curve, right? Term premium is back. It's a
5 sign that investors in markets aren't expecting, you
6 know -- are expecting to receive more for investing
7 longer out.

8 It's supportive of growth, and it's an

9 indicator that short-term rates are not overly
10 restrictive. So good news there. If we contrasted
11 that with the gray line, which represents the curve
12 from -- from five years ago in 2021, you know, you can
13 see that it largely parallels that, but it's simply
14 shifted upward by 3 percent on average, you know, so
15 it's sort of a parallel shift from there.

16 Those other two lines are intermediate was --
17 is the -- a year ago and three years ago. What you see
18 there are really kind of Fed actions playing out.

19 I don't -- I don't think we need to get into
20 it right now, but a lot of technical factors were
21 driving the short-term rates much higher than the
22 longer term rates, causing an inversion of the yield
23 curve. We talked about a little bit last month.

24 Those, you know, that was three years ago, the
25 blue line. When you move into the last year, you see

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1 that sort of normalizing and then the -- and you see
2 the trends are continuing into the red. So again, good
3 news for -- for markets. A nice -- a nice indicator.

4 If we move over to the top right. So again,
5 not much to talk about here. The corporate spreads,
6 again, that's the amount extra you would expect to be
7 compensated for investing in US corporate debt,
8 investment grade, and high-yield debt of US
9 corporations.

10 The -- the takeaway here is that the spreads,
11 the amount of extra compensation you expect, are very
12 near their -- their long-term lows. Again, good news
13 and a tailwind for the economy.

14 It's a signal that investors are comfortable
15 taking credit risk, and they're expecting stable
16 economic conditions ahead. So again, a great indicator
17 for market dynamics.

18 And then as we look down towards the bottom
19 right, I have a note here not to beat you over the head
20 with -- with more curve dynamics. But I will note that
21 on that first section there, if you look at the current
22 yield, the two-year and ten-year spread at 71 basis
23 points.

24 Again, not much changed from last month, but
25 it just -- I want to underline that, you know, the --

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1 the optimal or the normal range for that is 50 to 100
2 basis points. So we're right in that range. And --
3 and again, if you're using this as an indicator as you
4 look forward, it's -- it's a good sign.

5 And then finally, you have mortgages, you
6 know, they're -- they're down a percent in the past
7 year to about six-and-a-quarter percent. It's
8 positive. It's a -- it's a positive development for
9 the housing market. They're still about a percent
10 higher than their long run average over the last 30

11 years, but it's still, you know, at least moving in the
12 right direction.

13 And then finally, a bit of a contra-indicator
14 with gold, you notice that that's up almost 70 percent
15 since last year. And again, generally, that's a --
16 that's an indicator of flight-to-quality.

17 People are looking, you know -- are -- are
18 anticipating market uncertainty. So they're investing
19 in this what they -- what they perceive to be a fairly
20 stable and -- and resilient asset.

21 I'm happy to take any questions you may have.
22 That kind of concludes what I was prepared to talk
23 about.

24 CHAIR BROWN: Thank you, Dan.

25 MR. HAAS: Yeah.

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1 CHAIR BROWN: Any questions for Dan? Okay.

2 MR. HAAS: Great. Thank you.

3 CHAIR BROWN: Thank you, Dan. I think that
4 brings us to the -- think that brings us to the
5 conclusion of our public session. Do you have any
6 questions before we entertain a motion to go into
7 executive session? Great. And do I hear a motion to
8 go into executive session?

9 UNIDENTIFIED FEMALE 1: So moved.

10 MR. GIORDANO: Moved.

11 CHAIR BROWN: It's been moved. Is there a
12 second?

13 MR. LIU: Second.

14 CHAIR BROWN: And it's been second. Thank
15 you, Kevin. Will all those in favor of going into
16 executive session, please say aye.

17 (Ayes were heard.)

18 CHAIR BROWN: Opposed say nay. Abstentions.
19 Great. We're now in executive session.

20 (Exit Public Session; enter Executive Session.)

21 (Exit Executive Session; enter Public Session.)

22 CHAIR BROWN: And Liz, as always, you'll tell
23 us when we can proceed. Great. Thank you. We're now
24 back in public session.

25 Welcome everybody. And we will now have a --

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1 MS. SANCHEZ: You're good to go, Tom.

2 CHAIR BROWN: What was that?

3 MS. SANCHEZ: You're good to go.

4 CHAIR BROWN: Now -- now I'm good to go.

5 MS. SANCHEZ: Yeah.

6 UNIDENTIFIED MALE 10: Yes.

7 CHAIR BROWN: Okay. Welcome everybody. We're
8 now back in public session.

9 And we will have a readout from Priscilla

10 Bailey. Hi, Priscilla.

11 MS. BAILEY: Hello, how are you again?

12 CHAIR BROWN: Good. Thank you.

13 MS. BAILEY: Thank you, Mr. Chair. In the
14 executive session of the passport fund, there were two
15 manager updates, and this was followed with an update
16 on the contracting of service provider. In the
17 executive session of the pension fund, there was an
18 update on preliminary performance.

19 There was a presentation on the 2026 annual
20 plans for economically target -- targeted investments.
21 Consensus was reached.

22 There was an update on the manager alert
23 ranking systems for public market strategies in the
24 third quarter of 2025. This was followed with an
25 alternative credit presentation. Consensus was

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1 reached.

2 The Board heard presentations on 2026 annual
3 plans for alternative credit and private equity.
4 Consensus was reached on these two asset classes.

5 Details to be made available at the
6 appropriate time. Thank you all.

7 CHAIR BROWN: Thank you, Priscilla. I think
8 that brings us to a -- the conclusion of our public
9 session. And as always, I thank Will, our recorder,
10 and -- and Adrian, our TRS tech, and also behind the
11 scenes, Liz. Thank you for what -- for everything that
12 you do.

13 And is there a motion to adjourn?

14 MR. GIORDANO: So moved.

15 MS. MCGRATH: So moved.

16 CHAIR BROWN: It's been moved. Is there a
17 second?

18 MS. MCGRATH: Second.

19 CHAIR BROWN: Any questions, comments? All
20 those in favor of adjourning, please say aye.

21 (Ayes were heard.)

22 CHAIR BROWN: Opposed say nay. Thank you. We
23 are adjourned. Thank you, everybody. Happy New Year.
24 (The meeting concluded at 1:08 p.m.)

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CERTIFICATE OF REPORTER

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I further certify that I am not related to
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IN WITNESS THEREOF, I have hereunto set my
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William Montague, Digital Reporter
Notary Commission No. 01MO0009174
Expiration Date: June 7, 2027

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