STATE OF RHODE ISLAND

2020 CAPITAL MKT. ASSUMPTIONS

January, 2020

Will Forde, CFA, CAIA, Senior Consultant

Doug Moseley, Partner

Kevin Leonard, Partner

2020 ASSET CLASS OVERVIEW

2019 was a year of robust returns across most asset classes

Investors were rewarded with lucrative returns as global equities and bonds rallied

Falling global yields were a powerful tailwind

Fixed income benefitted as prices rose with falling yields

The discounting of future cash flows with lower rates, supports higher equity valuations

The economic backdrop weakened globally, but remains net positive

Accommodative monetary policy in the developed world was a positive for risk assets

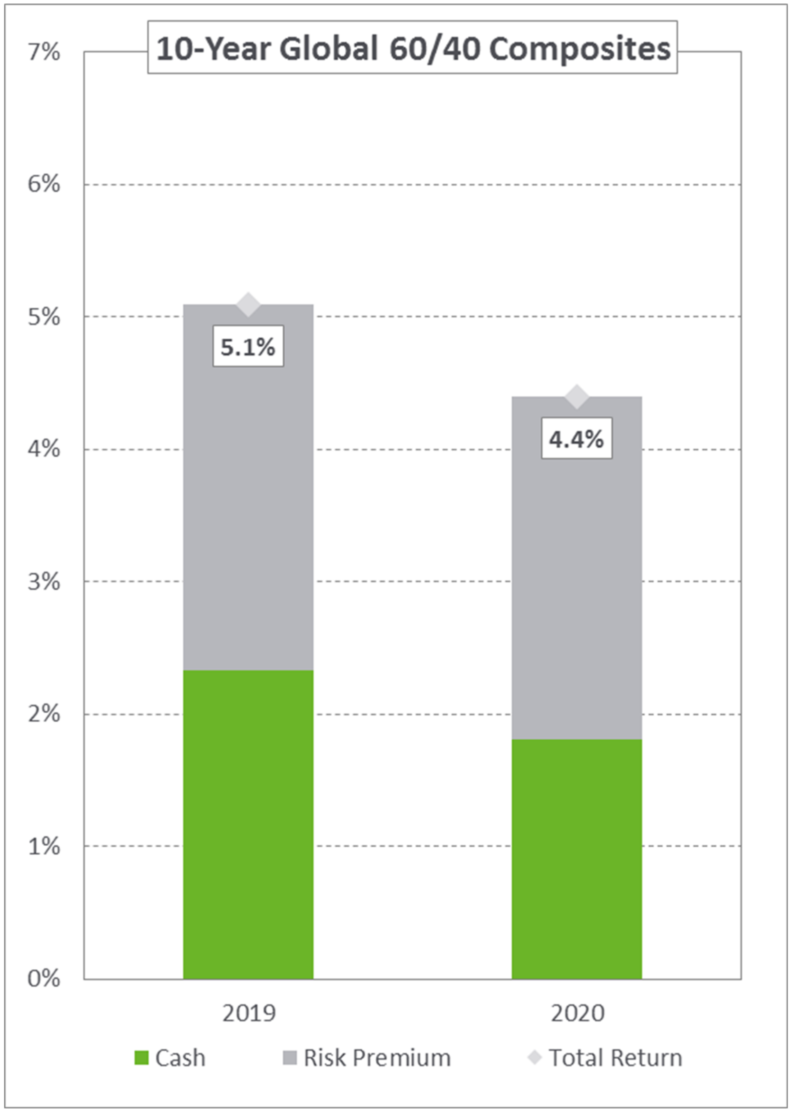
Market-based inflation expectations have declined considerably and reflect a lower expected inflation path over the long-term

The “lower for longer” period has extended out a decade due to central bank intervention

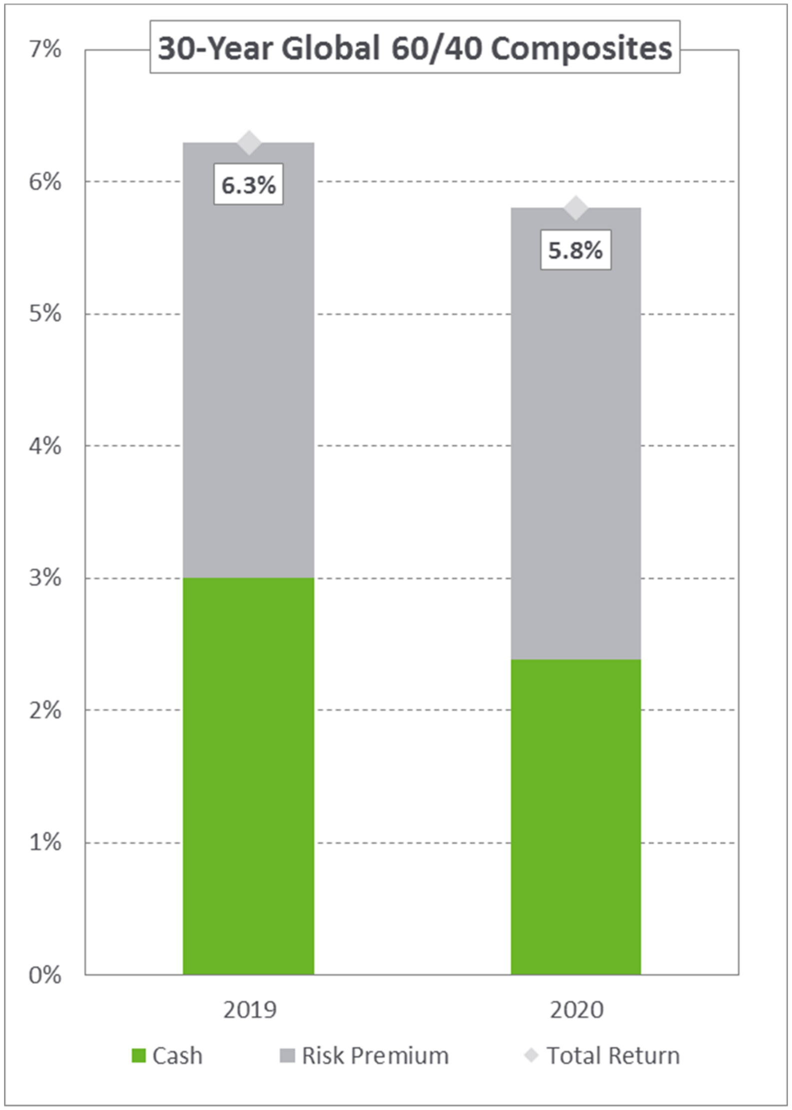
The combination of falling interest rates, robust returns in the prior year, and lower growth and inflation expectations generate declining return expectations for nearly all asset classes

These significant market movements resulted in a secular decline in NEPC’s outlook – impacting both the 10-year and 30-year assumptions

THE IMPACT OF LOWER CASH RATES

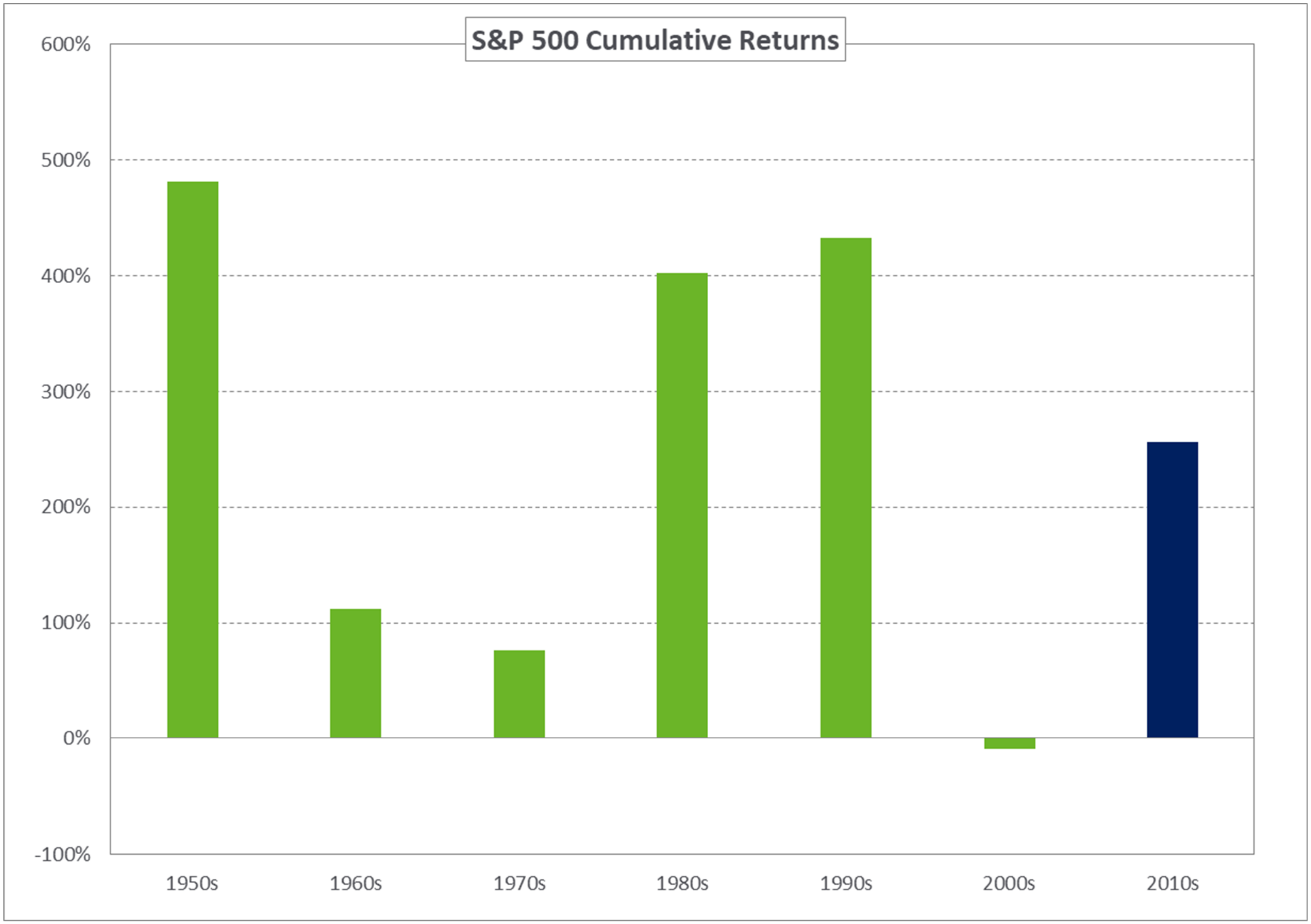


Source: NEPC



Source: NEPC

WHAT WILL THE 20'S BRING?



Source: S&P, FactSet

CORE GEOMETRIC RETURN ASSUMPTIONS

	Asset Class	10-Year Return	30-Year Return	Volatility
	Cash	1.8%	2.4%	1.00%
	US Inflation	2.3%	2.5%	-
Equity	Large Cap Equities	5.0%	6.7%	16.50%
	International Equities (Unhedged)	6.0%	7.0%	20.50%
	Emerging International Equities	9.0%	9.2%	28.00%
	*Global Equity**	6.2%	7.5%	17.79%
	*Private Equity**	*9.4%*	*10.7%*	*24.58%*
Fixed Income	Treasuries	1.9%	2.7%	5.50%
	*Core Bonds**	*2.5%*	*3.4%*	*6.01%*
	TIPS	2.2%	2.7%	6.50%
	High Yield Bonds	4.1%	5.6%	12.50%
	*Private Debt**	*6.7%*	*7.8%*	*11.54%*
Real Assets	Commodities	4.0%	4.8%	19.00%
	REITs	5.4%	6.5%	20.00%
	Core Real Estate	5.2%	6.0%	13.00%
	Private Real Assets: Infrastructure/Land	5.9%	6.7%	12.00%
Multi-Asset	*US 60/40**	*4.3%*	5.7%	*10.37%*
	*Global 60/40**	*4.4%*	5.8%	*11.53%*
	*Hedge Funds**	*5.0%*	5.9%	*8.18%*

*Calculated as a blend of other asset classes

SIC STRATEGIC ASSET ALLOCATION

		Current Target	Current Allocation	Individual Asset Classes: Expected Return (10 year)	Individual Asset Classes: Expected Risk
Growth	US Equities	12.7%	16.4%	5.09%	17.20%
	Int'l Equities	7.6%	8.2%	6.02%	20.50%
	Emerging Int'l Equities	4.7%	5.1%	9.00%	28.00%
	Global Equity	15%	16%	6.21%	17.79%
	Global Equity	**40%**	**45%**	**6.15%**	**19.32%**
	Private Equity	11.3%	7.5%	9.37%	24.58%
	Non-Core Real Estate	2.3%	1.8%	6.42%	19.50%
	Opp. Private Credit	1.5%	0.7%	7.56%	14.00%
	Private Growth	**15%**	**10%**	**8.74%**	**22.76%**
	TOTAL GROWTH	**55%**	**55%**	**6.86%**	**20.26%**
Income	Equity Options	2.0%	0.0%	4.21%	11.00%
	Liquid Credit	2.8%	3.6%	4.46%	10.75%
	EMD (Blended)	2.0%	0.0%	4.76%	13.00%
	HY Infrastructure	1%	1%	5.20%	11.98%
	REITs	1%	1%	5.42%	20.00%
	Private Credit	3.2%	2.0%	6.72%	11.54%
	TOTAL INCOME	**12%**	**8%**	**5.21%**	**12.25%**
Stability	Long Treasuries	5%	4%	1.68%	12.00%
	Systematic Trend	5%	4%	5.04%	9.50%
	CPC	**10%**	**8%**	**3.36%**	**10.75%**
	Core Real Estate	3.6%	4.2%	5.21%	13.00%
	Private Infrastructure	2.4%	2.0%	5.91%	12.00%
	TIPS	2%	1%	2.19%	6.50%
	Commodities	0%	0%	3.96%	19.00%
	Inflation Protection	**8%**	**8%**	**4.67%**	**11.08%**
	Core Bonds	0%	11%	2.51%	6.01%
	IG Corp Credit (Core Bonds)	3.25%	0.00%	3.36%	7.50%
	Securitized Credit (Core Bonds)	3.25%	0.00%	2.48%	7.00%
	Absolute Return	6.5%	6.6%	5.02%	8.18%
	Strategic Cash	2%	3%	1.81%	1.00%
	Volatility Protection	**15%**	**21%**	**3.68%**	**6.82%**
	TOTAL STABILITY	**33%**	**36%**	**3.82%**	**9.04%**
Other	Short-Term Cash	0.0%	0.3%	2.10%	1.00%
	Russell Overlay	0.0%	0.2%	2.10%	1.00%
	TOTAL CASH	**0.0%**	**0.5%**	**0.0%**	**0.0%**

2020 Assumptions	Current Target	Current Allocation
Expected Return 10 yrs	**6.16%**	**5.82%**
Expected Return 30 yrs	**7.24%**	**6.90%**
Standard Dev	**12.37%**	**11.78%**
Sharpe Ratio (10 years)	**0.35**	**0.34**

*Current allocation is as of 11.30.2019

KEY MARKET THEMES OVERVIEW

Key Market Themes are factors that define global markets and can be expected to both evolve and remain relevant without a clear timeline of conclusion. At times, themes may be challenged or disrupted and generate market volatility. The conclusion of a theme likely alters both market dynamics and our market outlook. Our intent is for clients to be aware of these themes and understand their implications for asset allocation and portfolio implementation.

NEPC currently has four Key Market Themes:

Late Cycle Dynamics	Permanent Interventions	China Transitions	Globalization Backlash

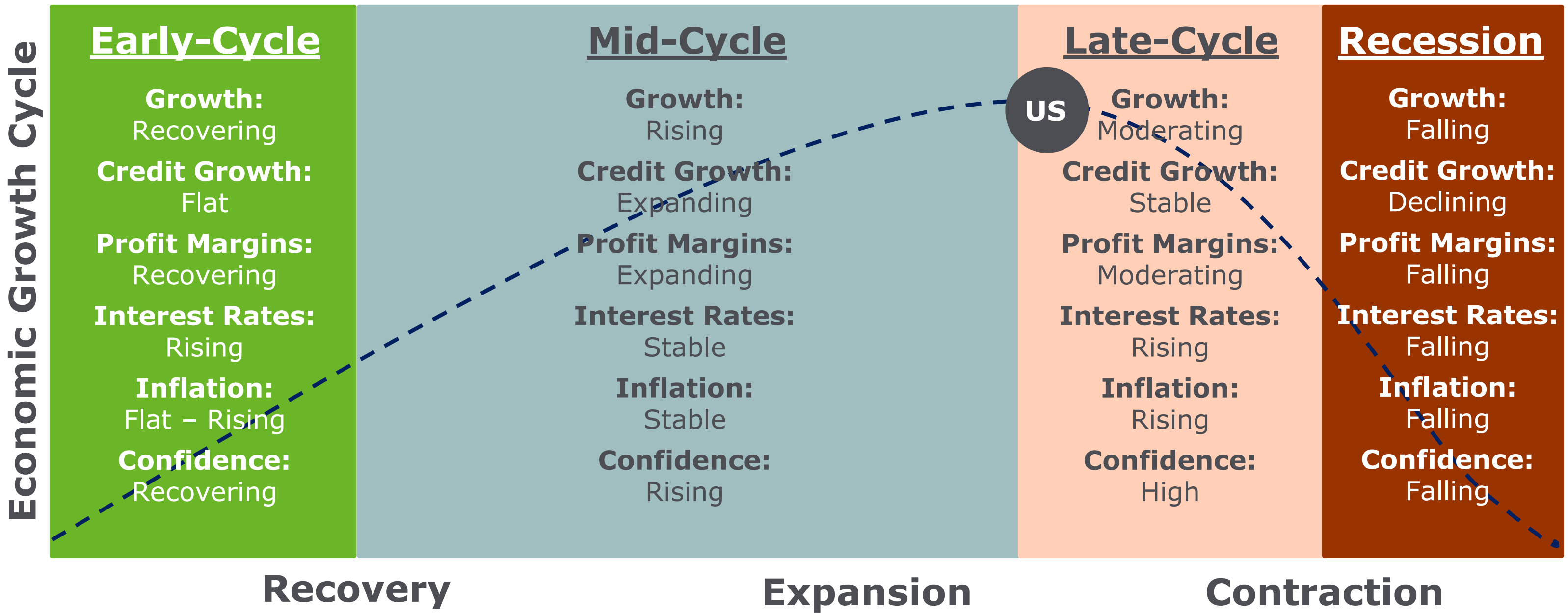
DEFINING THE THEME

The US economy is in the late stage of the economic cycle as evidenced by classic late-cycle indicators including a tight labor market, a flat yield curve, and strong investment returns

Late cycle does not mean end of cycle; equity markets can offer strong returns and abandoning a long-term target allocation early may detract from long-term results

Despite the trend, there is minimal evidence in economic/financial indicators to suggest that a US recession is imminent

Given typically heightened volatility, rebalancing plays an important role during the late cycle – affording investors the opportunity to maintain risk, liquidity, and diversification targets, while also capturing improved pricing opportunities



DEFINING THE THEME

The developed world is undergoing a regime shift defined by central bank market interventions and permanent fiscal support from governments

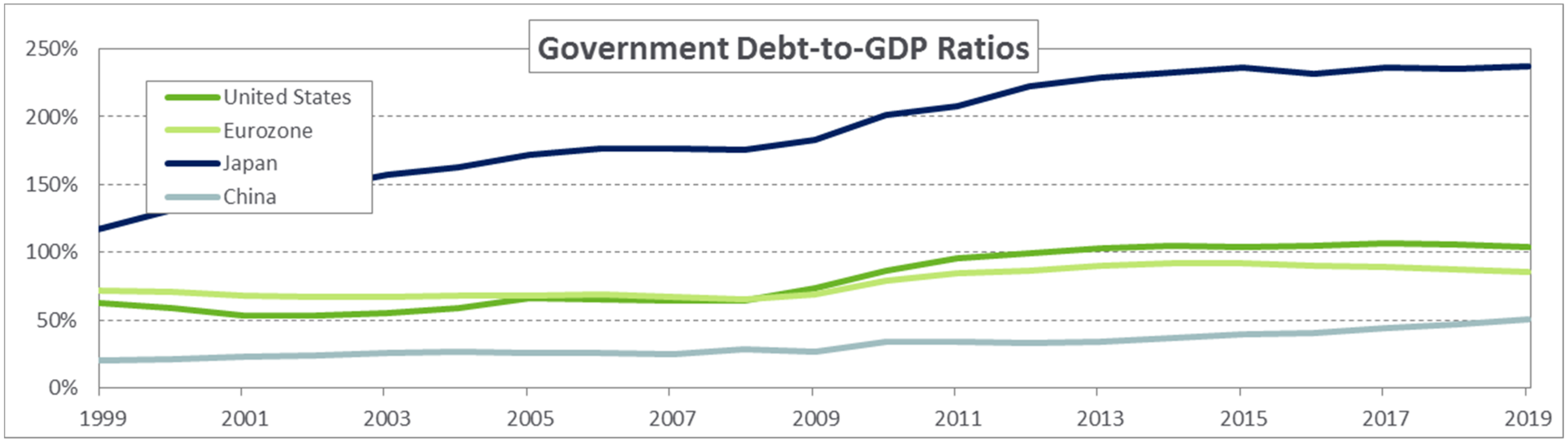
The dynamics of muted inflation pressures and below-average trend growth rates motivate a combined monetary and political response to address deflationary pressures and society's desire for higher economic growth rates

We believe central banks across the globe will continue to expand balance sheet assets to sustain an environment of excess liquidity

Low to negative interest rates and a fragile economic environment force central banks to continue to grow balance sheets and liquify the global financial system

Weak economic growth trends in the developed world underpin political tensions, which we believe will motivate significant fiscal debt expansion

Japan was at the forefront of this theme, raising debt-to-GDP levels to nearly 250% to confront a demographically-driven growth and inflation crisis and highlights a path for the US and Europe to address their unique long-term growth and inflation concerns



Source: FactSet, IMF

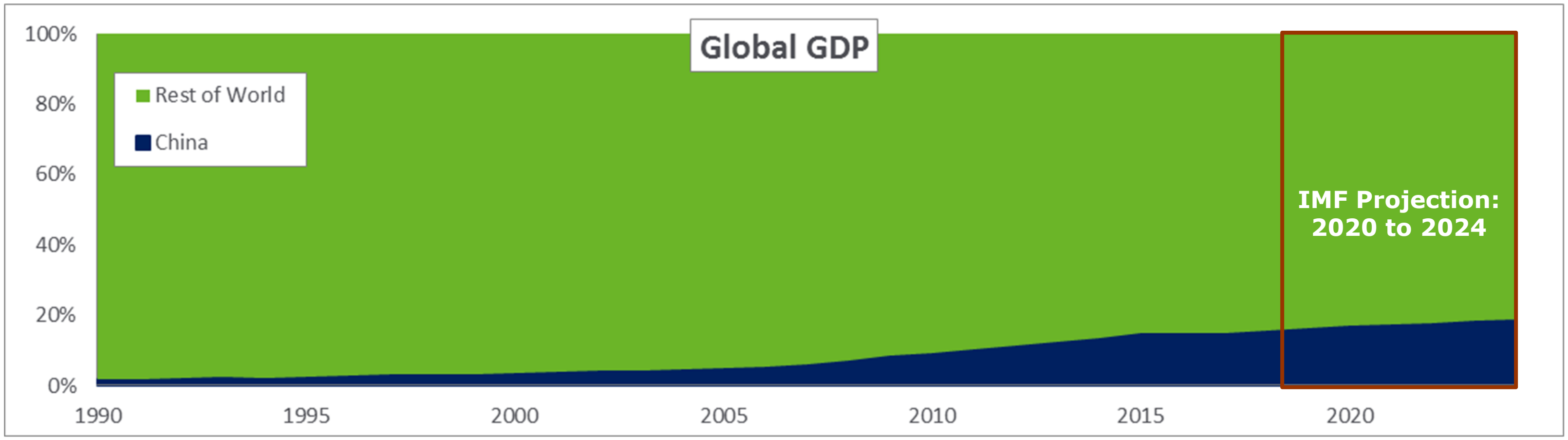
DEFINING THE THEME

China is undergoing a multi-faceted evolution as the economy transitions to a services and consumption-based model, while China's role on the global stage shifts to reflect its ascending geopolitical power

Domestically, China's socioeconomic profile is changing with rising income levels, increasing urbanization, but also challenging demographics. The country is leveraging this transition to continue its economic liberalization, but fixed investment and credit growth are required to support the "old" economy and maintain employment levels

In addition to economic liberalization, barriers to enter China's capital markets are being relaxed and the ability of foreign investors to access local markets has broadly expanded. Index providers are likely to continue to increase China's weight in global equity and fixed income indices, which is a better reflection of China's position in the world economy

China is the global growth engine and any disruption to these significant transitions will be transmitted globally due to the country's expanding role in the world economy



Source: IMF

DEFINING THE THEME

Stagnant wage growth and growing wealth inequality are fueling political discontent across the developed and emerging world

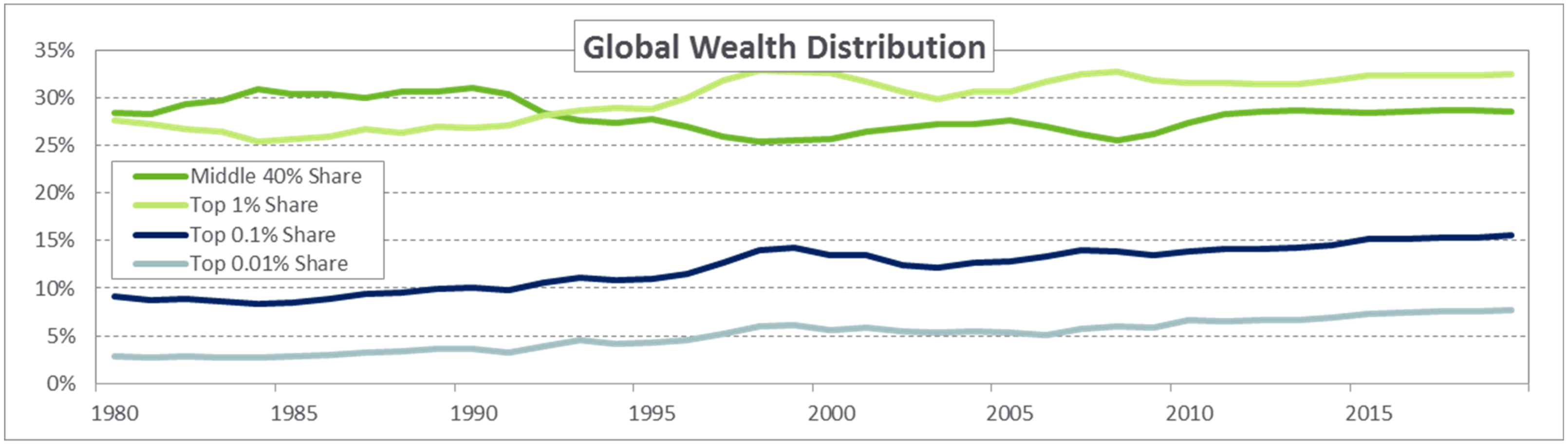
Populist movements across the world are shifting away from the political and economic orthodoxy of the last 50 years

Globalization is viewed with suspicion by a growing percentage of voters, shifting multiple countries to more nationalist policies

Fatigue over globalization is changing political platforms and increasing trade tensions. A reevaluation of established multilateral relationships likely increases geopolitical risks

The growth of populist movements, on the "left" and "right", destabilizes the political order and materializes as Globalization Backlash

An anti-establishment political bias and a drift from political orthodoxy heighten tail-risks in global markets, specifically currency markets, as voting patterns become more volatile with a wider range of outcomes associated with foreign policy, trade policy, and tax rates



Source: World Inequality Lab

APPENDIX

NEPC, LLC

2020 VS. 2019 EXPECTED RISK & RETURN

		Current Target	Current Allocation
Growth	US Equities	12.7%	16.4%
	Int'l Equities	7.6%	8.2%
	Emerging Int'l Equities	4.7%	5.1%
	Global Equity	15%	16%
	Global Equity	**40%**	**45%**
	Private Equity	11.3%	7.5%
	Non-Core Real Estate	2.3%	1.8%
	Opp. Private Credit	1.5%	0.7%
	Private Growth	**15%**	**10%**
	TOTAL GROWTH	**55%**	**55%**
Income	Equity Options	2.0%	0.0%
	Liquid Credit	2.8%	3.6%
	EMD (Blended)	2.0%	0.0%
	HY Infrastructure	1%	1%
	REITs	1%	1%
	Private Credit	3.2%	2.0%
	TOTAL INCOME	**12%**	**8%**
Stability	Long Treasuries	5%	4%
	Systematic Trend	5%	4%
	CPC	**10%**	**8%**
	Core Real Estate	3.6%	4.2%
	Private Infrastructure	2.4%	2.0%
	TIPS	2%	1%
	Commodities	0%	0%
	Inflation Protection	**8%**	**8%**
	Core Bonds	0%	11%
	IG Corp Credit (Core Bonds)	3.25%	0.00%
	Securitized Credit (Core Bonds)	3.25%	0.00%
	Absolute Return	6.5%	6.6%
	Strategic Cash	2%	3%
	Volatility Protection	**15%**	**21%**
	TOTAL STABILITY	**33%**	**36%**
Other	Short-Term Cash	0.0%	0.3%
	Russell Overlay	0.0%	0.2%
	TOTAL CASH	**0.0%**	**0.5%**

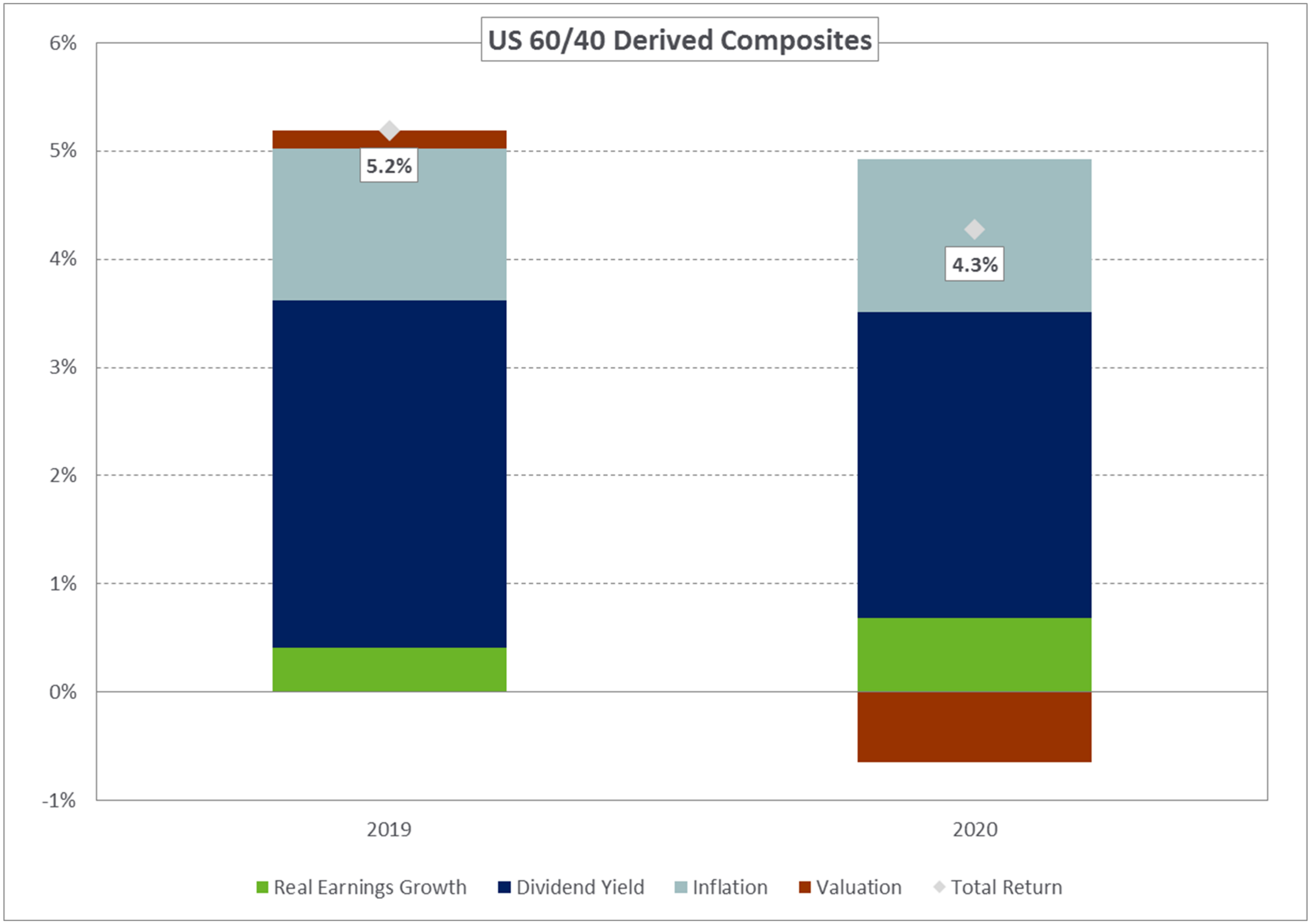
	2020 Assumptions	
	Current Target	**Current Allocation**
Expected Return 10 yrs	**6.16%**	**5.82%**
Expected Return 30 yrs	**7.24%**	**6.90%**
Standard Dev	**12.37%**	**11.78%**
Sharpe Ratio (10 years)	**0.35**	**0.34**
Expected Return 30 yrs Global 60/40	**5.80%**	

	2019 Assumptions
	2019 Target
Expected Return 5-7 yrs	**6.70%**
Expected Return 30 yrs	**7.81%**
Standard Dev	**11.90%**
Sharpe Ratio (5-7 years)	**0.35**
Expected Return 30 yrs Global 60/40	**6.30%**

*Current allocation is as of 11.30.2019

NEPC

US 60/40 BUILDING BLOCKS



Source: NEPC

EQUITY: ASSUMPTIONS

Equity Building Blocks	
Illiquidity Premium	The additional return expected for investments carrying liquidity risk
Valuation	An input representing P/E multiple contraction or expansion relative to long-term trend
Inflation	Represents market-specific inflation derived from index country revenue contribution and region-specific forecasted inflation
Real Earnings Growth	Reflects market-specific real growth for each equity asset class as a weighted-average derived from index country revenue contribution and forecasted GDP growth
Dividend Yield	Informed by current income distributed to shareholders with adjustments made to reflect market conditions and trends

Asset Class	2020 10-Year Return	2019 10-Year Return
US Large Cap	5.0%	6.2%
US Small/Mid-Cap	5.5%	6.4%
US Micro Cap	7.0%	7.1%
International (Unhedged)	6.0%	7.3%
International Small Cap	6.4%	7.6%
Emerging Markets	9.0%	9.2%
Emerging Markets Small Cap	9.2%	9.6%
China Equity	8.8%	7.9%
Hedge Funds – Long/Short	4.8%	5.7%
Global Equity	*6.2%*	*7.3%*
Private Equity	*9.4%*	*10.1%*

Source: NEPC
2019 return number reflects NEPC's implied 10-year assumption

FIXED INCOME: ASSUMPTIONS

Fixed Income Building Blocks	
Illiquidity Premium	The additional return expected for investments carrying liquidity risk
Government Rates Price Change	The valuation change resulting from a change in the current yield curve to forecasted rates
Credit Deterioration	The average loss for credit securities associated with an expected default cycle and recovery rates
Spread Price Change	The valuation change resulting from a change in credit spreads over the duration of the investment and highly sensitive to economic cycles
Credit Spread	Additional yield premium provided by securities with credit risk
Government Rates	The yield attributed to sovereign bonds that do not have credit risk associated with their valuation

Asset Class	2020 10-Year Return	2019 10-Year Return
TIPS	2.2%	3.2%
Treasuries	1.9%	2.5%
Investment-Grade Corporate Credit	3.4%	4.4%
MBS	2.5%	2.8%
High-Yield Bonds	4.1%	5.5%
Bank Loans	4.8%	5.5%
EMD (External)	4.1%	5.3%
EMD (Local Currency)	5.4%	6.8%
Non-US Bonds (Unhedged)	0.2%	0.9%
Municipal Bonds (1-10 Year)	1.9%	3.0%
High-Yield Municipal Bonds	3.2%	3.7%
Hedge Funds – Credit	4.8%	5.9%
Core Bonds	*2.5%*	*3.2%*
Private Debt	*6.7%*	*7.6%*

Source: NEPC
2019 return number reflects NEPC's implied 10-year assumption

REAL ASSETS: ASSUMPTIONS

Real Assets Building Blocks	
Illiquidity Premium	The additional return expected for investments carrying liquidity risk
Valuation	The expected change in price of the underlying asset reverting to a long-term real average or terminal value assumption
Inflation	Incorporates the inflation paths as defined by TIPS breakeven expectations and NEPC expected inflation assumptions
Growth	Reflects market-specific growth for each equity asset class as a weighted-average derived from index country revenue contribution and forecasted GDP growth
Real Income	Represents the inflation-adjusted income produced by the underlying tangible or physical asset

Asset Class	2020 10-Year Return	2019 10-Year Return
Commodities	4.0%	4.4%
Midstream Energy	7.4%	8.5%
REITs	5.4%	6.9%
Public Infrastructure	5.3%	-
Public Resource Equity	7.3%	-
Core Real Estate	5.2%	6.0%
Non-Core Real Estate	6.4%	7.0%
Private RE Debt	5.0%	5.8%
Private Real Assets: Energy/ Metals	9.1%	9.7%
Private Real Assets: Infra/Land	5.9%	6.4%

Source: NEPC
2019 return number reflects NEPC's implied 10-year assumption

2020 CAPITAL MARKET FORECASTS

Asset Class	10-Year	30-Year	Volatility
Inflation	2.3%	2.5%	-
Cash	1.8%	2.4%	1.00%
US Leverage Cost	2.1%	2.7%	1.00%
Non-US Cash	0.4%	2.1%	1.00%
Large Cap Equities	5.0%	6.7%	16.50%
Small/Mid Cap Equities	5.5%	7.2%	20.00%
Int'l Equities (Unhedged)	6.0%	7.0%	20.50%
Int'l Equities (Hedged)	6.2%	7.2%	17.50%
Int'l Sm Cap Equities (Unhedged)	6.4%	7.5%	22.00%
Emerging Int'l Equities	9.0%	9.2%	28.00%
Emerging Int'l Sm Cap Equities	9.2%	9.2%	31.00%
Hedge Funds - Long/Short	4.8%	5.7%	11.50%
PE Buyout	7.4%	9.0%	18.50%
PE Growth	9.0%	10.4%	30.50%
PE Venture	10.6%	11.5%	45.00%
PE Secondary	6.9%	8.5%	21.00%
PE Non-US	10.7%	11.1%	33.00%
China Equity	8.8%	9.1%	29.50%
US Microcap Equity	7.0%	8.2%	25.00%

2020 CAPITAL MARKET FORECASTS

Asset Class	10-Year	30-Year	Volatility
TIPS	2.2%	2.7%	6.50%
Treasuries	1.9%	2.7%	5.50%
IG Corp Credit	3.4%	4.4%	7.50%
MBS	2.5%	3.4%	7.00%
High-Yield Bonds	4.1%	5.6%	12.50%
Bank Loans	4.8%	5.2%	9.00%
EMD (External)	4.1%	5.0%	13.00%
EMD (Local Currency)	5.4%	5.3%	13.00%
Non-US Bonds (Unhedged)	0.2%	2.1%	10.00%
Non-US Bonds (Hedged)	0.3%	2.3%	4.50%
Short TIPS (1-5 yr)	2.2%	2.8%	3.50%
Short Treasuries (1-3 yr)	2.1%	2.7%	2.50%
Short Credit (1-3 yr)	2.9%	3.6%	3.50%
Short HY (1-3 yr)	3.4%	4.1%	8.50%
Municipal Bonds	1.9%	2.6%	7.00%
Municipal Bonds (1-10 Year)	1.9%	2.6%	5.50%
High-Yield Municipal Bonds	3.2%	5.0%	12.00%
Hedge Funds - Credit	4.8%	5.9%	9.00%
PD Credit Opportunities	6.3%	7.5%	14.00%

2020 CAPITAL MARKET FORECASTS

Asset Class	10-Year	30-Year	Volatility
PD Distressed	7.6%	8.3%	14.00%
PD Direct Lending	6.3%	7.5%	11.00%
Long Treasuries	1.7%	2.7%	12.00%
Long TIPS	2.2%	2.7%	10.00%
Long Credit	3.4%	4.6%	12.00%
20+ YR STRIPS	1.4%	2.5%	21.00%
Corp - AAA	2.7%	3.6%	7.00%
Corp - AA	2.7%	3.6%	6.50%
Corp - A	3.0%	4.0%	7.50%
Corp - BBB	3.7%	4.6%	8.50%
Corp - BB	4.6%	6.2%	10.50%
Corp - B	4.4%	5.7%	12.50%
Corp - CCC/Below	0.7%	0.8%	20.00%
IG ABS/CMBS	2.8%	3.7%	9.00%
IG CLO	2.9%	3.5%	7.50%
HY Securitized	4.2%	5.6%	11.00%
HY CLO	5.3%	5.8%	11.00%
Taxable Muni Debt	2.8%	4.3%	8.00%
US 10 yr Treasuries	1.9%	2.9%	7.50%

2020 CAPITAL MARKET FORECASTS

Asset Class	10-Year	30-Year	Volatility
Non-US 10-Year Sovereign (Hedged)	0.4%	2.6%	5.50%
Commodities	4.0%	4.8%	19.00%
Midstream Energy	7.4%	7.1%	18.50%
REITs	5.4%	6.5%	20.00%
Public Infrastructure	5.3%	6.1%	18.50%
Public Resource Equity	7.3%	7.4%	22.00%
Core Real Estate	5.2%	6.0%	13.00%
Non-Core Real Estate	6.4%	7.4%	19.50%
Private RE Debt	5.0%	5.7%	11.00%
Private Real Assets - Energy/Metals	9.1%	9.0%	32.00%
Private Real Assets - Infra/Land	5.9%	6.7%	12.00%
Hedge Funds - Macro	5.0%	5.4%	9.50%
*Global Equity**	6.2%	7.5%	17.79%
*Private Equity**	*9.4%*	*10.7%*	*24.58%*
*Core Bonds**	*2.5%*	*3.4%*	*6.01%*
*Private Debt**	*6.7%*	*7.8%*	*11.54%*
*Long Govt/Credit**	*2.8%*	*3.9%*	*11.25%*
*Hedge Funds**	*5.0%*	*5.9%*	*8.18%*

*Assumptions are derived from the underlying equity, credit, and real assets building blocks

FORECAST TIME HORIZON ADJUSTMENT

NEPC has adopted a 10-year return horizon and shifted from a 5-7 year outlook for capital market assumptions

The 5-7 year time horizon was intended to correspond to the approximate length of the market cycle; recent structural changes in the economic environment signal longer cycles

Themes and valuation shifts are likely to play out over a more extended time frame

This adjustment allows clients to more easily reconcile forecasts from multiple sources

The 10-year horizon is representative of a long-term strategic view and should not be conflated with shorter-term market views

Forecasts are influenced by the path of key inputs such as growth, rates, and inflation, as well as terminal values of valuations, spreads, and profit margins

This change in methodology introduces nuances relative to prior years:

The change in assumptions over time should be muted as convergence toward a terminal value is incorporated over a longer time frame

For 2020, 10-year forecasts would be slightly higher than a 5-7 year forecast as capital markets are assumed to normalize over time

The decline in 2020 capital market expectations is predominantly driven by changes from the 2019 market environment rather than longer time horizon

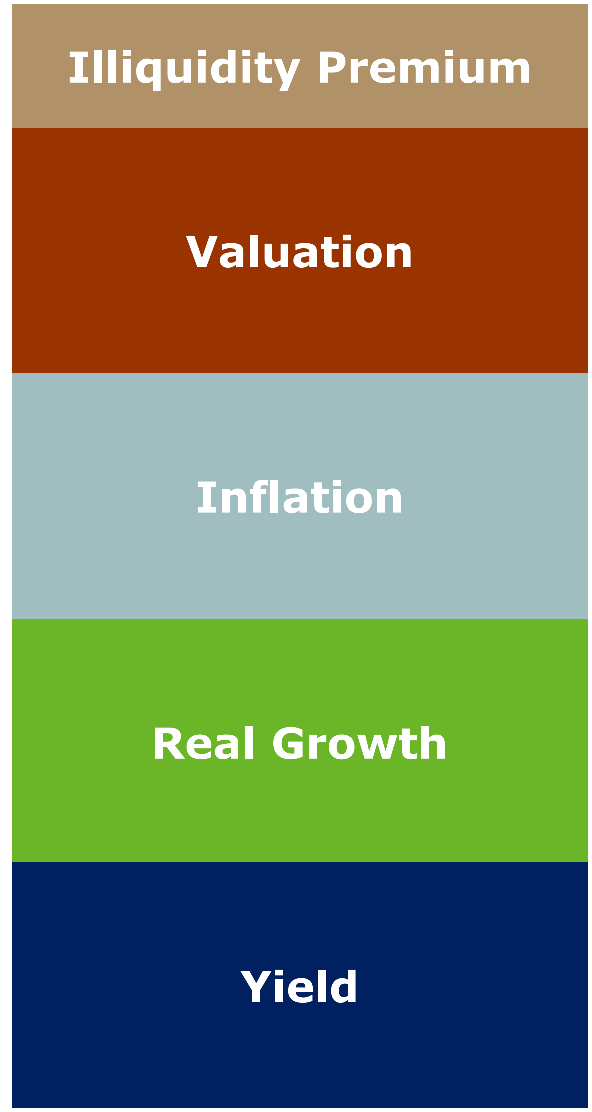
BUILDING BLOCKS METHODOLOGY

Forward-looking asset class models incorporate current and forecasted market and economic data to inform expected returns

Quantitative inputs combined with a conversion to long-term terminal values drive the 10-year outlook

Asset components are aggregated to capture core drivers of return across asset classes – forming the foundation of our building blocks framework

Building block components will differ for equity, fixed income, and real assets



US CASH EXPECTATIONS

Cash is a foundation for all asset classes

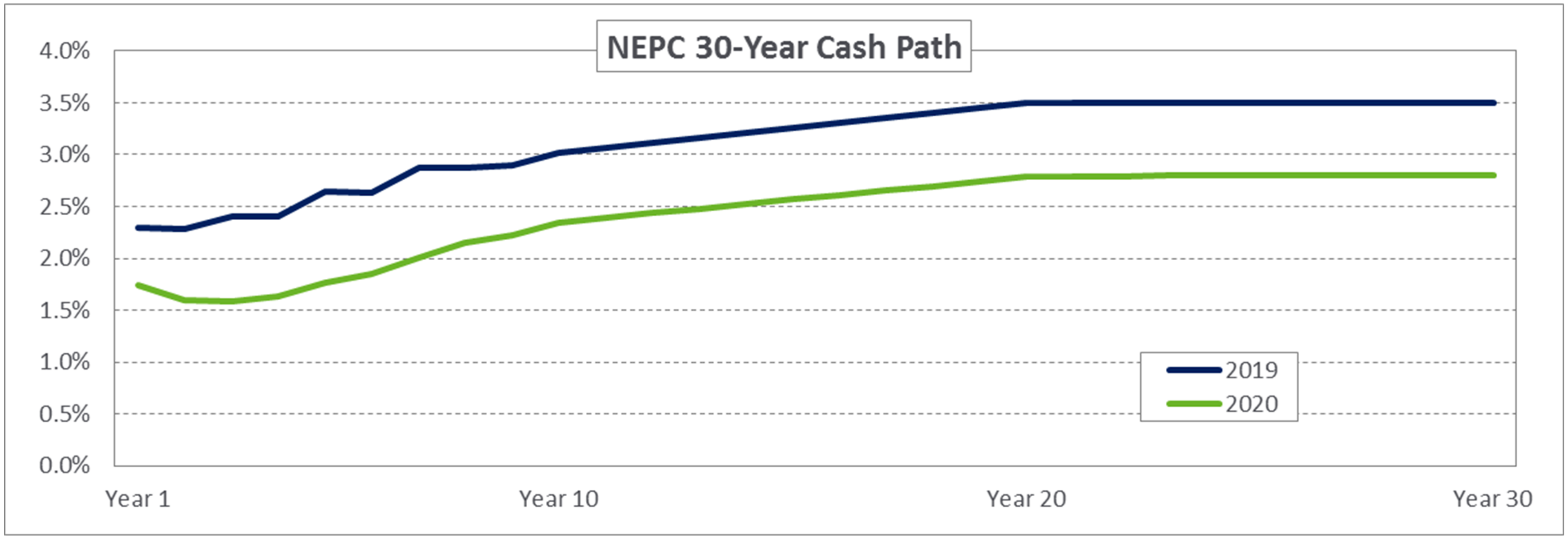
The assumption flows through as a direct building block component and as a relative value adjustment (cash + risk premia) in long-term return projections

Long-term cash assumption is a result of forecasted inflation plus a real interest rate path

US nominal rates are at a historically low point for NEPC's forecasts

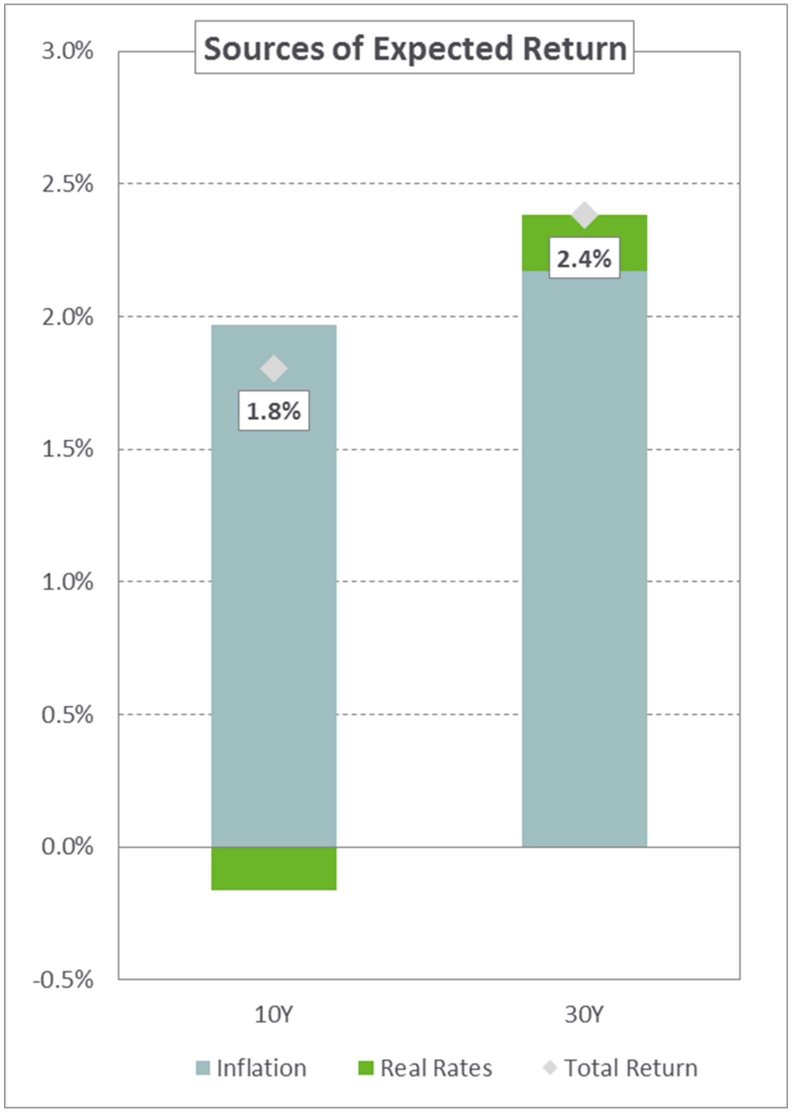
This level reflects recent rate cuts by the Federal Reserve and muted inflation pressures

Market expectations for a relatively flat curve and negligible inflation expectations create a low and flat expected path for cash



Source: Bloomberg, FactSet, NEPC

MACRO FOCUS: CASH



Source: NEPC

Rate cuts by the Fed and gravity of low global rates across developed world have depressed real yields across the curve

Rates outlook is lower for longer with little policy normalization priced into long-term yields

Market interest rate pricing in US (and across the world) reflects an expectation that key monetary authorities will keep rates low

- Reflects flexibility due to limited inflation pressure
- Acknowledges policymaker caution of having enough available firepower to navigate a downturn

US INTEREST RATE EXPECTATIONS

Real yields moved materially lower relative to last year with Fed rate cuts

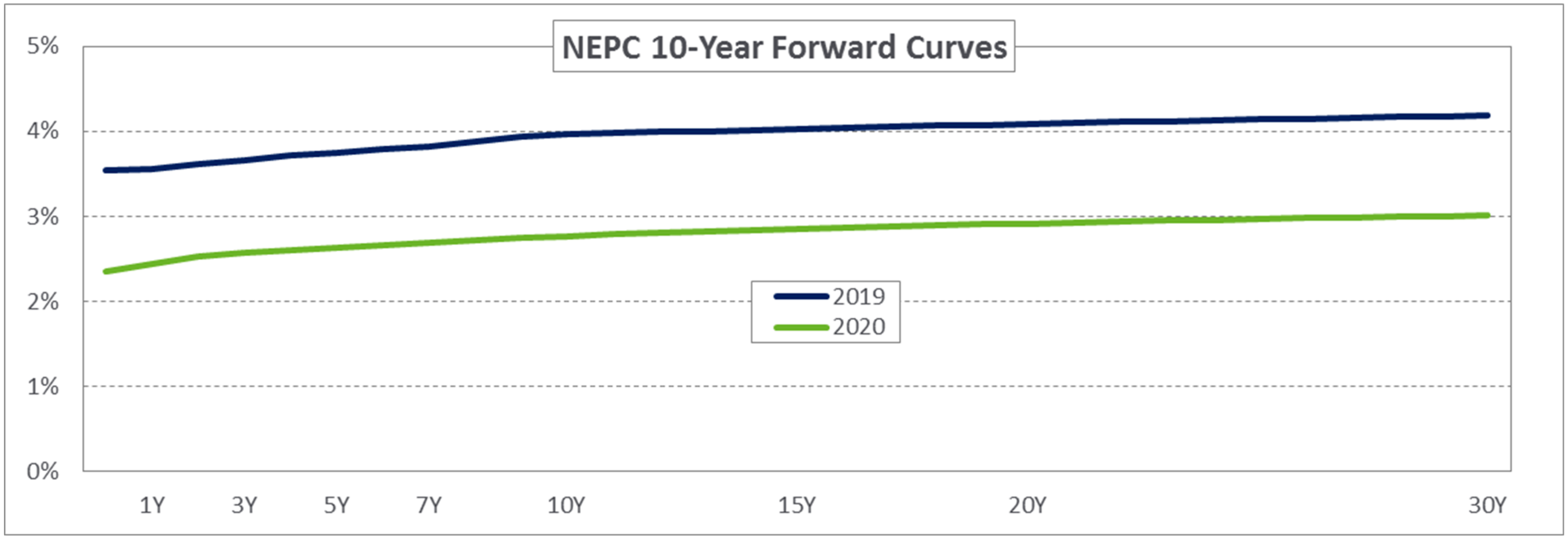
The real yield curve shifted down about 60 bps across the curve and continued to flatten over the past year

Slumping real yields reflect lower growth expectations

Long-term yields have been revised down considerably from last year

Low real rates depress the return outlook for risk assets over the long-term

Fed's shift to a prolonged easing environment and lower inflation expectations have suppressed yield forecasts



Source: FactSet, NEPC

GLOBAL INTEREST RATE EXPECTATIONS

Government bond yields remain low across much of the world

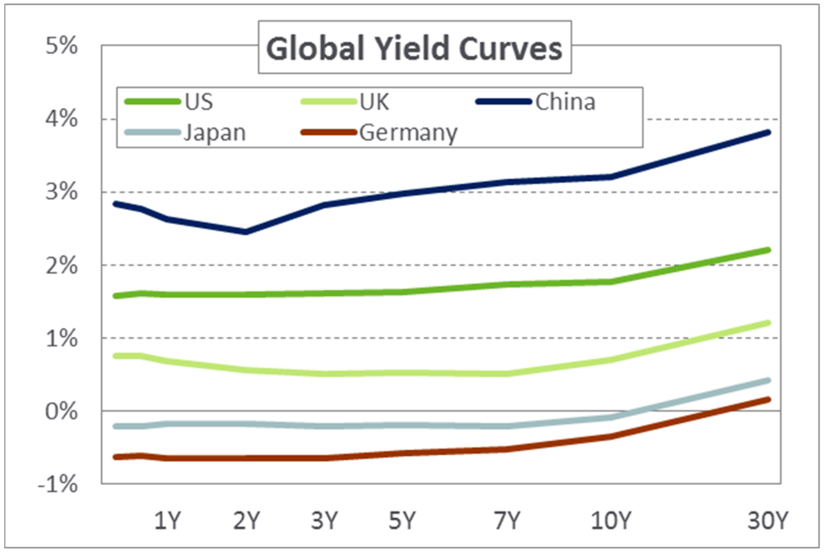
Several developed country yield curves outside the US are in negative territory with weak growth, continued monetary stimulus and muted inflation

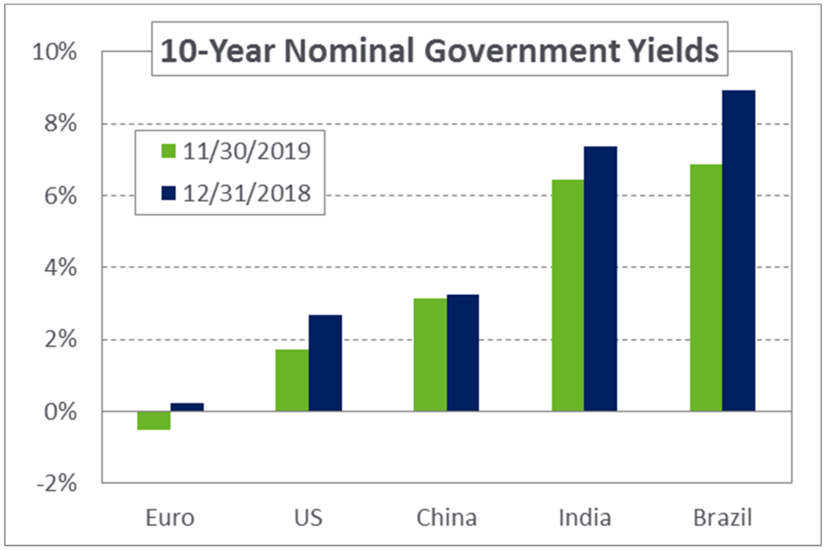
The US curve remains low, but positive

The outlook for non-US developed fixed income is poor given negative real and nominal yields

Emerging market local interest rates are attractive relative to negative real yields in much of the developed world

While real rates have declined, positive real rates provide a cushion for EM central banks to cut interest rates and ease monetary conditions as needed





Source: (Top) FactSet, NEPC
Source: (Bottom) FactSet, NEPC

INFLATION OVERVIEW

Inflation is an integral component of our asset allocation assumptions

Represents an essential building block for developing asset class returns

Inflation building blocks are model-driven and informed by multiple sources for both the US and global asset classes

Includes forecasts from international organizations (e.g. IMF), local consumer and producer price indices, break-even inflation expectations, and global interest rate curves

NEPC's US inflation expectation has declined relative to last year

This decline reflects market data including US CPI and IMF forecasts

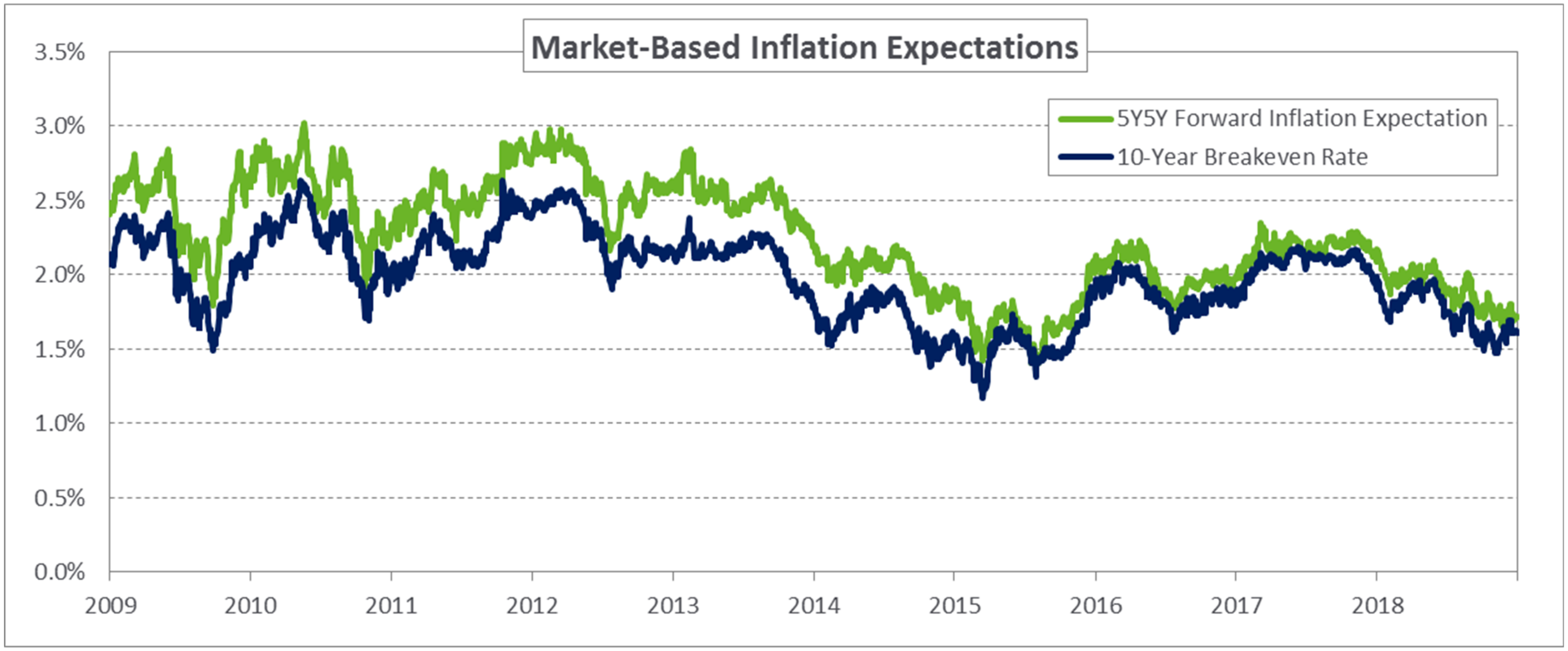
Market-based inflation expectations reflect little to no inflation pressure

Inflation break-evens (difference between Treasury and TIPS yields) suggest inflation will be near current levels for the next twenty years

NEPC return assumptions incorporate higher inflation expectations than break-evens, but are in line with IMF forecasts and well below long-term averages

Region	10-Year Inflation Assumption	30-Year Inflation Assumption
United States	2.3%	2.5%

US INFLATION



Source: FactSet, NEPC

US inflation has slowly trended higher, but has yet to accelerate despite resilient economic growth and a tight labor market

Underlying inflation has risen with modest wage increases amidst strong employment

Market-based inflation expectations have declined considerably

Suppressed energy prices have minimized overall inflation price pressures

Energy is historically the most volatile component of CPI and a sustained decline in prices can cause inflation to remain muted

PRIVATE MARKETS METHODOLOGY

Private market assumptions are constructed using betas to public market assumptions with an added illiquidity premia based on historical returns analysis relative to appropriate public market equivalents

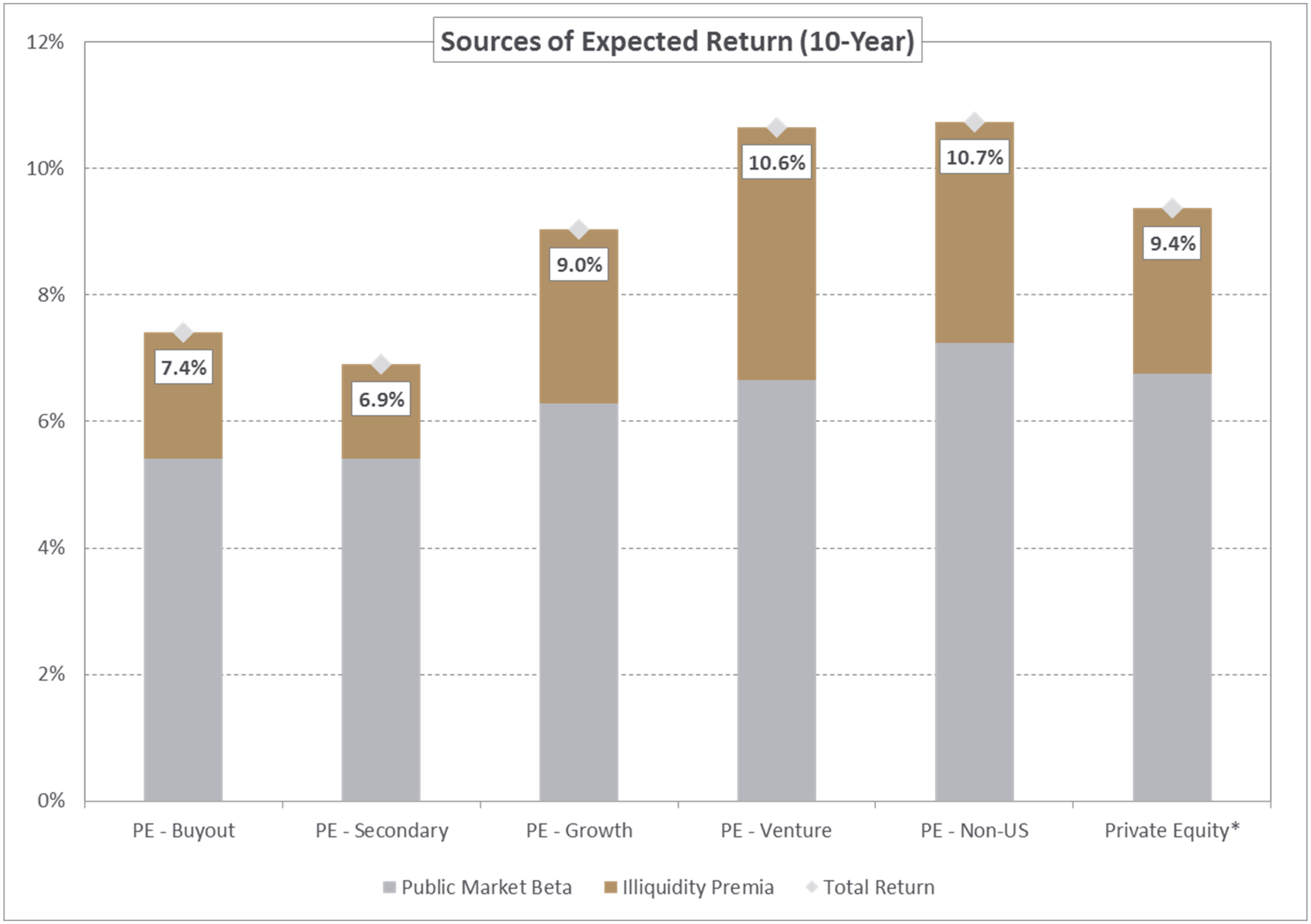
Private Equity – Buyout: 25% US Large Cap, 75% US Small/Mid Cap
Private Equity – Secondary: 25% US Large Cap, 75% US Small/Mid Cap
Private Equity – Growth: 50% US Small/Mid Cap, 50% US Microcap
Private Equity – Venture: 25% US Small/Mid Cap, 75% US Microcap
Private Equity – Non-US: 70% International Small Cap, 30% Emerging Small Cap
PE Composite: 34% Buyout, 34% Growth, 15 % Non-US, 8.5% Secondary, 8.5% Venture

Private Debt – Direct Lending: 100% Bank Loans
Private Debt – Distressed: 20% US Small/Mid Cap, 60% US High Yield, 20% Bank Loans
Private Debt – Credit Opportunities: 24% US SMID Cap, 33% US High Yield, 33% Bank Loans
Private Debt Composite: 50% Direct Lending, 25% Credit Opportunities, 25% Distressed

Private Real Assets – Energy: 30% Comm., 35% Midstream, 35% Public Resource Equity
Private Real Assets - Infra/Land: 30% Commodities, 70% Public Infrastructure
Private Real Estate Debt: 50% CMBS, 50% Core Real Estate

Changes to private market return assumptions will reflect changes to the underlying public market assumption and the illiquidity premia

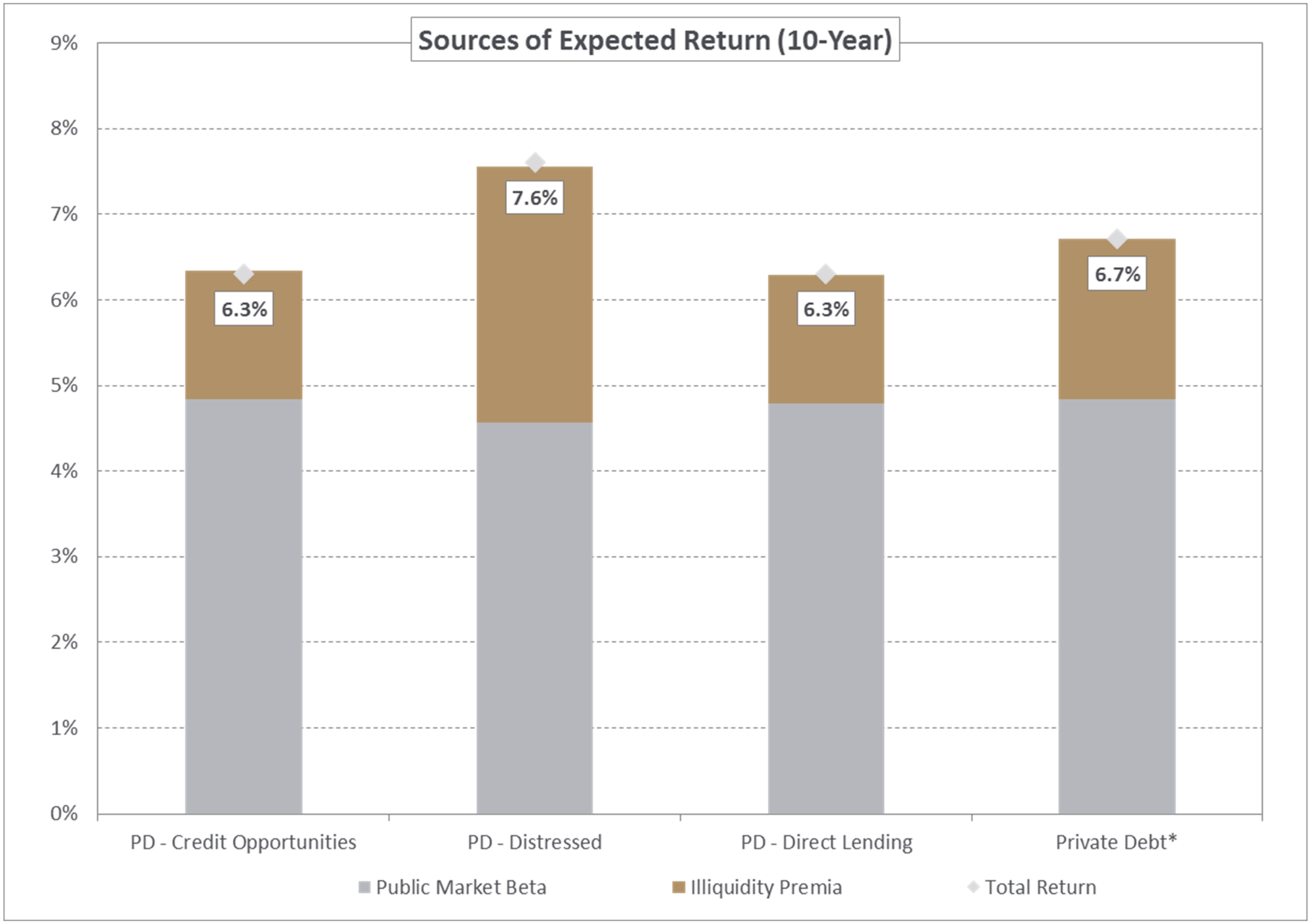
PRIVATE EQUITY BUILDING BLOCKS



Source: NEPC

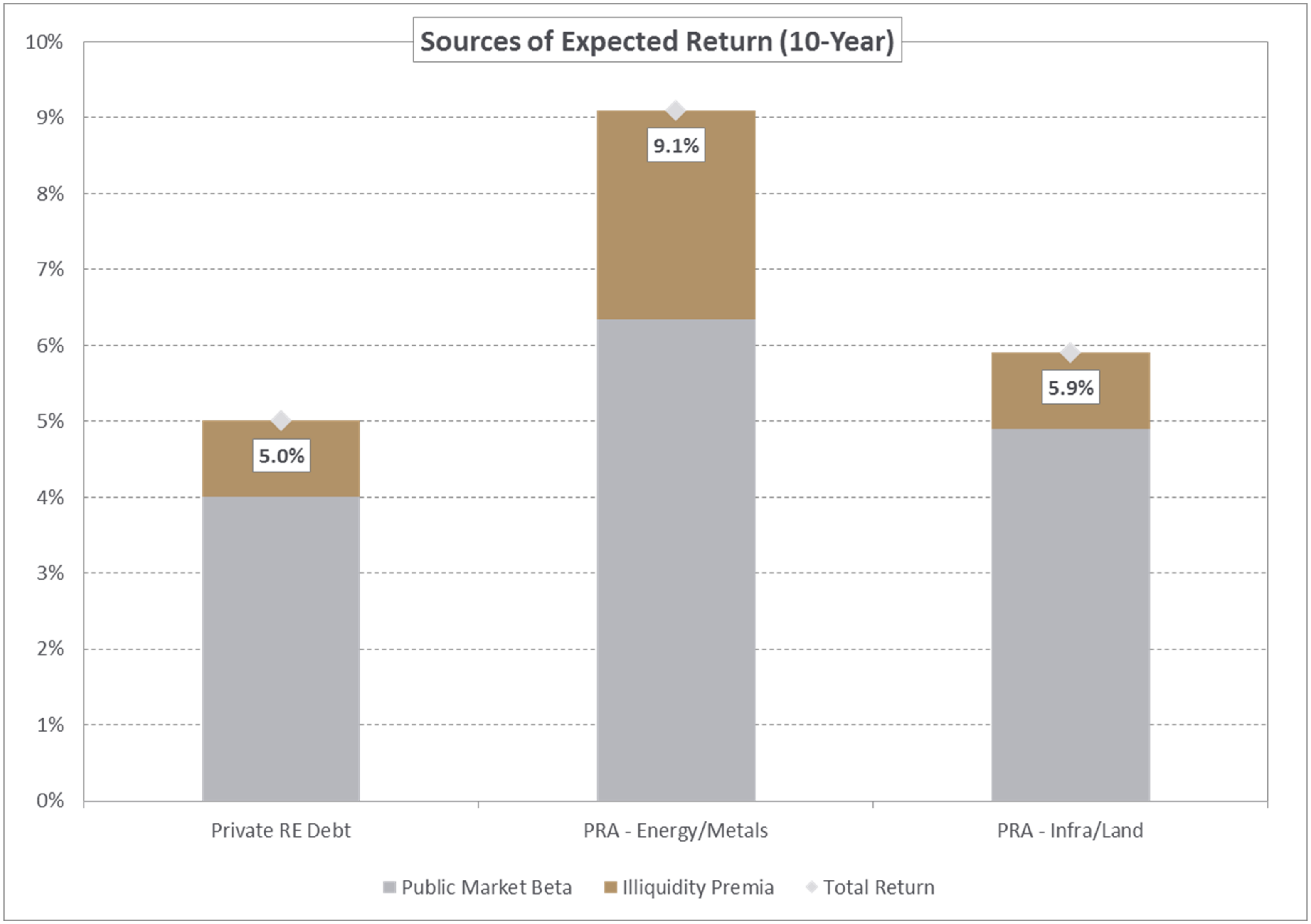
*Private Equity is a derived composite of 34% US Buyout, 34% US Growth, 8.5% US Secondary, 8.5% US Venture, 15% Non-US PE

PRIVATE DEBT BUILDING BLOCKS



Source: NEPC
*Private Debt is a derived composite of 25% Mezzanine, 25% Distressed, 50% Direct Lending

PRIVATE REAL ASSETS BUILDING BLOCKS



Source: NEPC