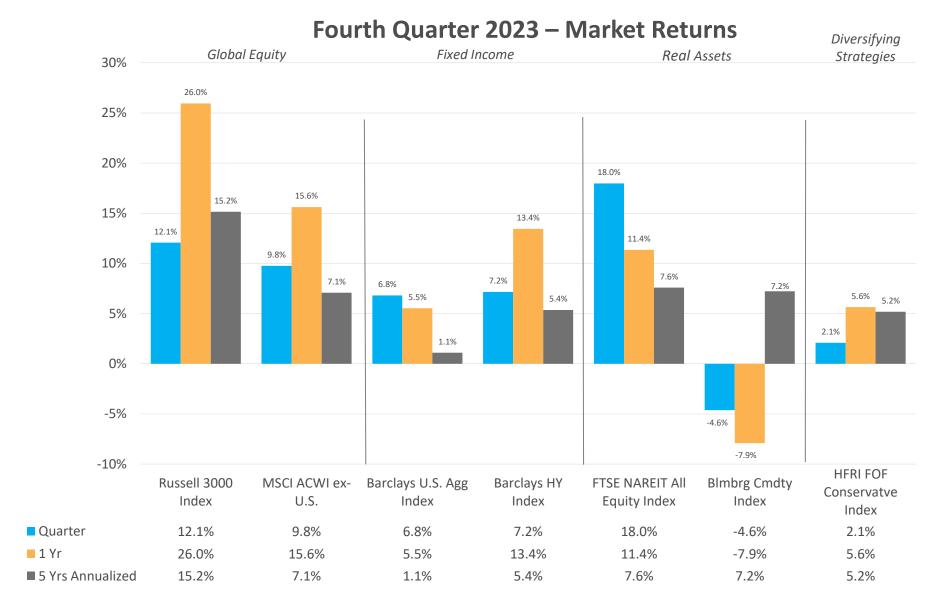
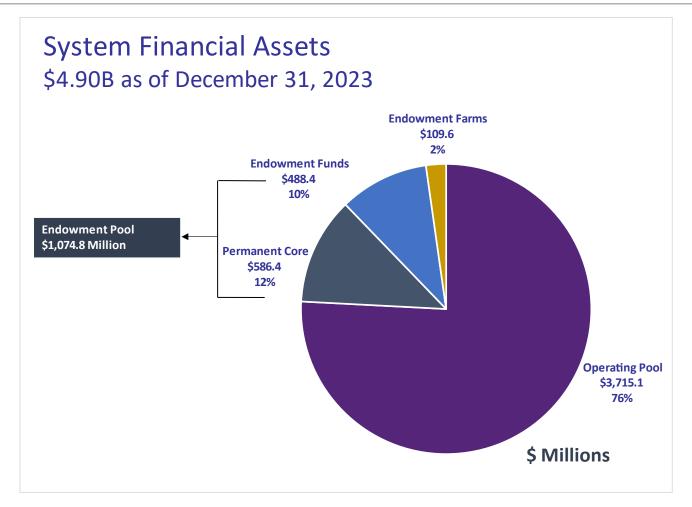


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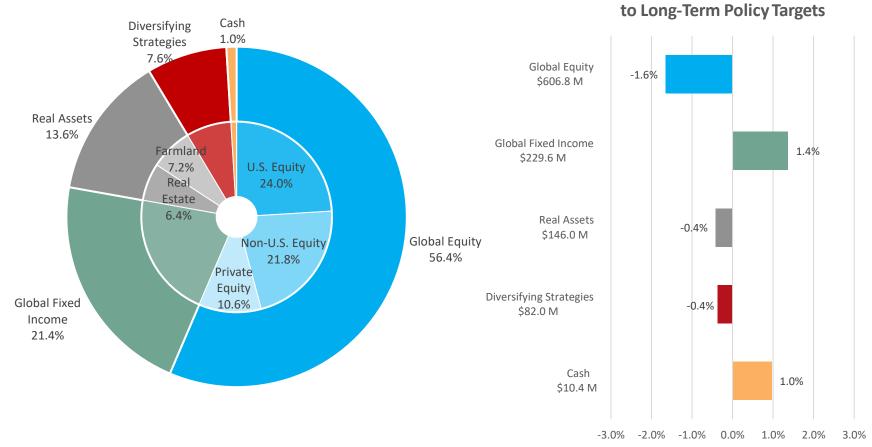
# University Operating and Endowment Funds: December 31, 2023



- The System's financial assets were valued at \$4.90 billion as of December 31, 2023.
- The Operating Pool was valued at \$3.72 billion (ex-Permanent Core). The permanent core investment (gray slice) is a long-term investment of operating cash in the Endowment Pool to enhance distributions to invested units.
- The combined Endowment Pool is valued at \$1.07 billion (gray and blue slices) and is discussed further on the following slides.

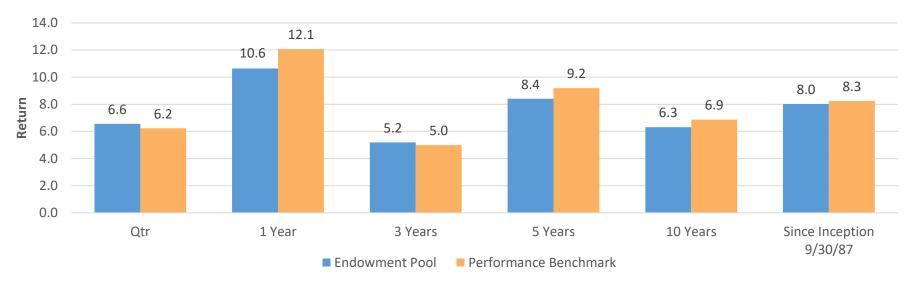
# ENDOWMENT POOL UPDATE: DECEMBER 31, 2023





**Over/Under Allocation** 

# **Total Pool: \$1.07 BILLION**



- Over the one-year period, the endowment returned 10.6%, underperforming the benchmark. Contributing to relative performance was real estate (-2.6%) and fixed Income (+7.9%), while private equity (-0.6%) and farmland (-0.8%) detracted from relative performance.
- Over the ten-year period, the endowment posted a 6.3% return, trailing the benchmark. Contributing to relative performance was fixed income (+2.6%) and private equity (+14.1%), while detracting from relative performance was U.S. equity (+10.7%) and diversifying strategies (-0.8%).

<b>Endowment Pool</b>	Quarter Ending
Market Value Change	December-2023
Beginning Market Value	\$1,005.7 M
Net Contributions	\$3.2 M
Gain/Loss	\$65.9 M
Ending Market Value	\$1,074.8 M

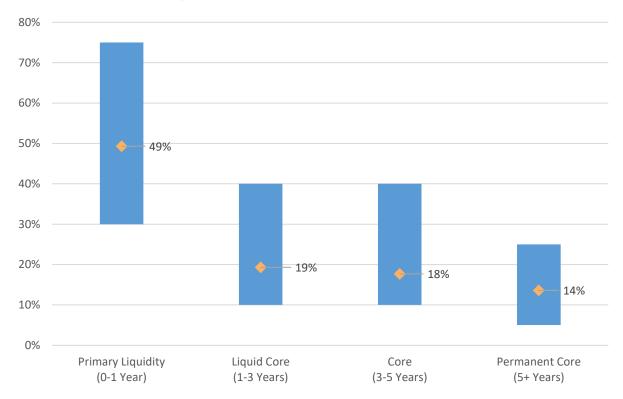
	Current Allocation (%)	Policy Allocation (%)	Quarter ending Dec-2023	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date	
Endowment Pool			6.6	10.6	5.2	8.4	6.3	8.0	Sep-87	
Performance Benchmark			6.2	12.1	5.0	9.2	6.9	8.3		
GLOBAL EQUITY	56.4	58.0	8.7	15.5	5.9	11.6	8.3	8.1	Sep-87	
Total U.S. Equity			12.1	24.4	8.8	14.8	10.7	9.7	Sep-87	
U.S. Equity Benchmark			12.1	26.0	8.5	15.1	11.4	10.0		
Total Non-U.S. Equity			9.6	14.8	1.2	7.0	3.9	5.3	Sep-93	
Non-U.S. Equity Benchmark			9.8	15.6	1.5	7.2	4.0	5.4		
Total Private Equity			0.0	-0.6	9.5	15.0	14.1	6.5	Jan-04	
Private Equity Benchmark			0.0	3.1	9.2	15.4	13.2	12.4		
GLOBAL FIXED INCOME <sup>1</sup>	21.4	20.0	6.0	7.9	-1.4	2.5	2.6	6.2	Sep-87	
Total Public Fixed Income			6.6	7.9	-2.2	1.9	2.3	6.1	Sep-87	
Bloomberg U.S. Aggregate			6.8	5.5	-3.3	1.1	1.8	5.6		
Total Private Fixed Income			0.0	8.7	17.0	15.9	-	16.5	Jan-18	
Bloomberg U.S. Corporate HY Index			7.2	13.4	2.0	5.4	-	4.0		
REAL ASSETS <sup>1</sup>	13.6	14.0	2.0	-0.9	11.4	8.6	6.0	9.7	Dec-06	
Total Real Estate			4.5	-2.6	4.5	3.8	7.4	7.4	Aug-13	
Real Estate Benchmark			-5.0	-12.7	4.1	3.4	7.3	7.3		
Total Farmland <sup>2</sup>			0.0	-0.8	19.4	14.3	6.2	9.8	Dec-06	
NCREIF Cornbelt Index			0.0	21.0	18.6	12.1	6.9	10.2		
DIVERSIFYING STRATEGIES <sup>1</sup>	7.6	8.0	1.4	5.7	5.4	-3.3	-0.8	-0.6	May-13	
Total Hedge Funds			1.5	5.8	5.1	-4.1	-1.3	-1.0	May-13	
Hedge Fund Index			2.1	5.6	5.3	7.6	4.8	5.0		
CASH	1.0	0.0	1.3	4.8	2.0	1.7	-	1.2		

<sup>&</sup>lt;sup>1</sup>Global Fixed Income, Real Assets and Diversifying Strategies include allocations and performance of private investments.

<sup>&</sup>lt;sup>2</sup>Farmland directly owned by the Endowment is valued annually on June 30.

OPERATING POOL UPDATE: DECEMBER 31, 2023

## **OPERATING POOL LIQUIDITY LAYERS**



- The asset allocation strategy for the Operating Pool consists of investing funds across four liquidity layers. Boardapproved ranges are depicted by the bars, while the diamonds represent the actual allocation.
- Funds expected to be used within one year are invested in the primary liquidity layer.
- Longer-time horizon investments, including core and permanent core, are expected to provide higher rates of return and will experience some variation in market value as capital market conditions change.
- The System's permanent core operating funds are invested in the System's Endowment Pool investment program.

Total sum of allocation may not equal 100% due to rounding.

## **TOTAL POOL: \$3.72 BILLION**



- Over the trailing one-year period, the Operating Pool returned 5.2%, outperforming the benchmark return.
  - All managers in the Operating Pool matched or outperformed their respective benchmarks over the period.
- Over the three-, five-, ten-year, and since inception periods, the Operating Pool outperformed the benchmark.
  - All of the Operating Pool's managers have either met or outperformed their respective benchmarks over these time periods.

Operating Pool	Quarter Ending				
Market Value Change	December-2023				
Beginning Market Value	\$3,720.4 M				
Net Contributions	(\$97.1 M)				
Gain/Loss	\$91.8 M				
Ending Market Value	\$3,715.1 M				

Note: The Total Pool's beginning and ending market values include bank balances in which the System earns credit to offset bank fees. The beginning market value + net contributions + net investment gains referenced in the table may not equal the ending market value due to rounding.



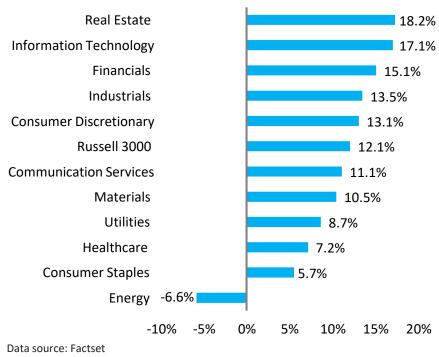
## 2014-2023 Annual Returns of Key Indices

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	5-year annual	10-year annual
Global REIT 15.0%	Large Cap 1.4%	Small Cap 21.3%	Emerging Markets 37.3%	Bonds 0.0%	Large Cap 31.5%	Small Cap 20.0%	MLPs 40.2%	MLPs 30.9%	MLPs 26.6%	Large Cap 15.7%	Large Cap 12.0%
Large Cap 13.7%	Bonds 0.5%	MLPs 18.3%	Int'l 25.0%	High Yield -2.1%	Small Cap 25.5%	Large Cap 18.4%	Large Cap 28.7%	Hedge Funds -5.2%	Large Cap 26.3%	MLPs 12.0%	Small Cap 7.2%
Bonds 6.0%	Hedge Funds -0.3%	High Yield 17.1%	Large Cap 21.8%	Hedge Funds -4.0%	Int'l 22.0%	Emerging Markets 18.3%	Global REIT 25.7%	High Yield -11.2%	Int'l 18.2%	Small Cap 10.0%	High Yield 4.6%
Small Cap 4.9%	Global REIT -0.8%	Large Cap 11.9%	Small Cap 14.6%	Large Cap -4.4%	Global REIT 21.9%	Hedge Funds 10.9%	Small Cap 14.8%	Bonds -13.0%	Small Cap 16.9%	Int'l 8.2%	Int'l 4.3%
MLPs 4.8%	Int'l -0.8%	Emerging Markets 11.2%	Global REIT 10.4%	Global REIT -5.6%	Emerging Markets 18.4%	Int'l 7.8%	Int'l 11.3%	Int'l -14.5%	High Yield 13.4%	High Yield 5.4%	Global REIT 3.9%
Hedge Funds 3.4%	Small Cap -4.4%	Global REIT 4.1%	Hedge Funds 7.8%	Small Cap -11.0%	High Yield 14.3%	Bonds 7.5%	Hedge Funds 6.0%	Large Cap -18.1%	Global REIT 10.4%	Hedge Funds 5.1%	Hedge Funds 3.3%
High Yield 2.5%	High Yield -4.5%	Bonds 2.6%	High Yield 7.5%	MLPs -12.4%	Bonds 8.7%	High Yield 7.1%	High yield 5.3%	Emerging Markets -20.1%	Emerging Markets 9.8%	Emerging Markets 3.7%	Emerging Markets 2.7%
Emerging Markets -2.2%	Emerging Markets -14.9%	Int'l 1.0%	Bonds 3.5%	Int'l -13.8%	Hedge Funds 8.4%	Global REIT -9.0%	Bonds -1.5%	Small Cap -20.4%	Hedge Funds 6.3%	Global REIT 3.3%	MLPs 1.9%
Int'l -4.9%	MLPs -32.6%	Hedge Funds 0.5%	MLPs -6.5%	Emerging Markets -14.6%	MLPs 6.6%	MLPs -28.7%	Emerging Markets -2.5%	Global REIT -25.0%	Bonds 5.5%	Bonds 1.1%	Bonds 1.8%

- Global equity markets finished the fourth quarter with a strong rally. The U.S. equity market was a top
  performer against the developed and emerging markets indices.
- Throughout 2023, the U.S. equity market was consistently impacted by top-down influences. Most significant
  was the expectation of a Fed pivot to a less hawkish monetary policy. In December, equities rallied in response
  to a more dovish tone from the Fed, which led the market to expect multiple interest rate cuts in 2024.
- The late-year rally benefited interest rate-sensitive sectors like real estate and information technology, which were up over 17% in the fourth quarter. While these sectors benefited most, the rally showed breadth relative to most of 2023, in which performance was driven heavily by the top-performing mega-cap stocks. Over the quarter, however, small caps outperformed large caps across both growth and value styles and more than doubled the performance of large cap during December's rally.

### LARGE CAP, MID CAP, AND SMALL CAP Russell 1000 Index Russell Mid Cap Index ■ Russell 2000 Index 30% 26.5% 20% 17.2%<sub>16.9%</sub> 15.5% 14.0% 12.8% 12.7% 12.0% 10.0% 10% 9.0% 5.9% 2.2% 0% Qtr 1 Yr 3 Yr 5 Yr Data source: Russell

## **RUSSELL 3000 SECTOR PERFORMANCE**

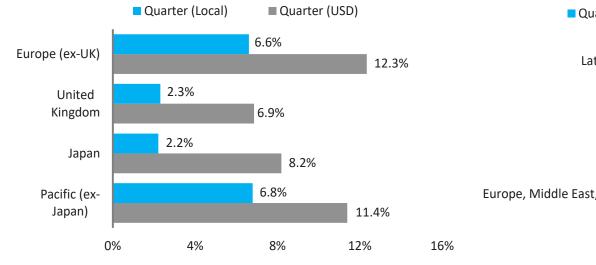


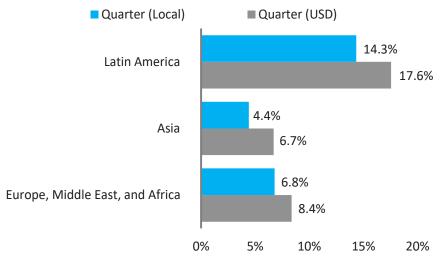
# Global Equity, Non-U.S.

- European equities finished the quarter higher. Like the U.S., real estate and information technology were the top-performing sectors. Economically sensitive sectors like industrials and materials performed well as annual inflation fell to 2.4%. The United Kingdom similarly benefited from falling inflation. The decline of the U.S. dollar against both the euro and the pound was particularly beneficial to U.S. investors, contributing materially to international equity returns in dollar terms.
- Japanese stocks produced positive returns but underperformed the MSCI EAFE Index. Even more dramatically than in Europe, U.S. dollar investors experienced a significant tailwind as the dollar weakened against the yen, almost quadrupling Japan's local currency return.
- Emerging market equity returns were positive but underperformed developed markets. Chinese equities were
  the primary cause of underperformance as weak economic conditions weighed on Chinese equities throughout
  2023. Taiwan, South Korea, and India were the strongest-performing markets in the fourth quarter. Technology
  and semiconductor stocks continued to appreciate as the theme of artificial intelligence remains a catalyst for
  outperformance.

## MSCI EAFE REGIONAL QUARTERLY RETURNS

# MSCI EM REGIONAL QUARTERLY RETURNS



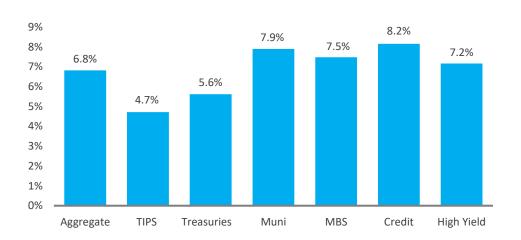


Data source: MSCI Barra

Data source: MSCI Barra

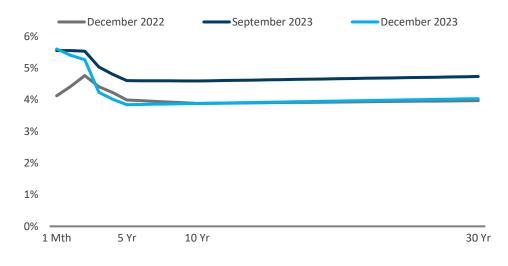
- The Federal Open Market Committee (FOMC) left policy rates unchanged during their December meeting.
   More importantly, the Fed officials signaled that further rate increases were unnecessary and multiple rate cuts were possible in 2024. The Federal Reserve will continue quantitative tightening, even as its balance sheet has already contracted by more than \$1 trillion.
- Interest rates fell considerably during the quarter, and bonds rallied in anticipation of rate cuts. The long and intermediate segments of the yield curve fell in tandem while securities maturing in less than a year remained in line with the federal funds rate.
- As rates fell, risk appetites rose. High yield corporate spreads, already tight by historical standards, tightened to below 3.5 percentage points. This is the tightest high yield spread since the beginning of the second quarter of 2022 and similar to pre-pandemic levels.

#### **BLOOMBERG U.S. FIXED INCOME INDEX RETURNS**



Data source: FactSet

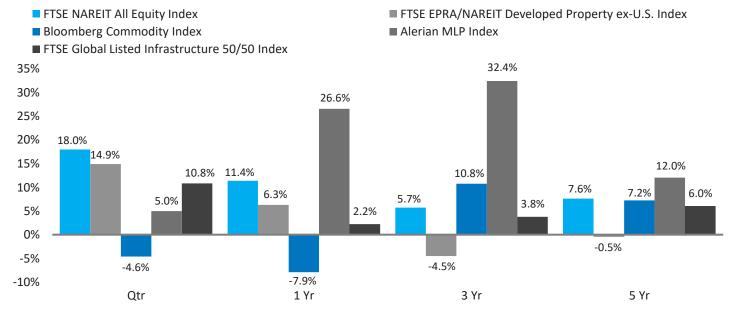
#### **U.S. TREASURY YIELD CURVE**



Data source: FactSet

- U.S. and global real estate investment trusts (REITs) rebounded strongly in December following Jerome Powell's announcement that the Fed will likely cut rates in 2024. Both global and U.S. REITs underperformed the broader equity markets in 2023 despite the strong outperformance against equities in the fourth quarter. The regional malls and infrastructure REIT sectors excelled in the fourth quarter, while data centers led 2023 performance.
- Global infrastructure also rallied in December after Powell's announcement. This area experienced poor performance in 2023 as the sector was viewed as less attractive relative to other yield-focused securities. Midstream was a standout sector, up more than 26% year-to-date as measured by the Alerian MLP Index.
- Despite Houthis attacks on cargo vessels in the Red Sea and increased geopolitical tension in the Middle East, global oil prices declined during the fourth quarter. U.S. crude oil production remained strong, driven by productivity gains and efficient operations, even as producers took rigs offline. Mergers and acquisitions activity also remained strong, with Occidental Petroleum acquiring Crown Rock for \$12 billion in December.

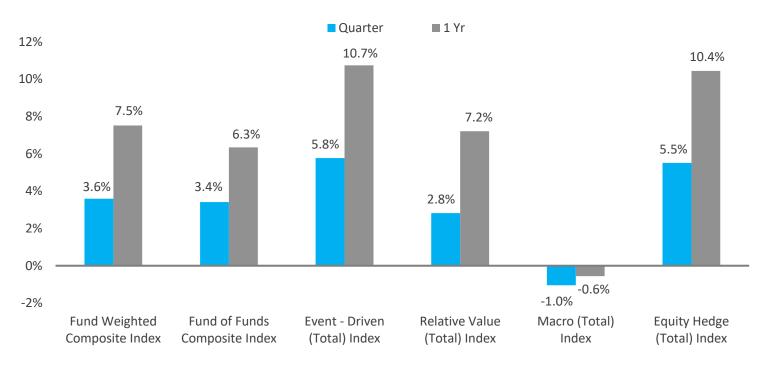
## PUBLIC REAL ASSETS – REAL ESTATE, COMMODITIES, MLPs, AND INFRASTRUCTURE



Data sources: NAREIT, FactSet, and Alerian

- Hedge funds, outside of global macro, produced strong gains across most strategies during the fourth quarter.
   Equity hedge and event-driven approaches were the best performers.
- Hedge fund strategies ended the year on a high note due to a combination of strong tailwinds, including falling
  inflation, improving mergers and acquisitions, and the general economic outlook for the upcoming year.
- Systematic trend-following strategies faced continued trend reversals across asset classes, most notably within currencies and commodities. Weakness in the U.S. dollar was a key contributor to losses within foreign exchange markets. Broadly, uncertainty triggered by dynamic economic data, including inflation and rate expectations, resulted in a lack of clarity for numerous assets.

#### HFRI INDICES PERFORMANCE RETURNS IN U.S. DOLLARS



Data source: HFRI



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**Large Cap** is represented by the S&P 500 Index which measures the performance of large capitalization U.S. stocks. The S&P 500 is a market-weighted index of 500 stocks that are traded on the NYSE, AMEX, and NASDAQ. www.standardandpoors.com

**Mid Cap** is represented by the Russell Mid Cap Index which measures performance of U.S. mid capitalization stocks. The Russell Mid Cap Index is a capitalization-weighted index of the 800 smallest companies in the Russell 1000 Index. The stocks are traded on the NYSE, AMEX, and NASDAQ. www.russell.com

**Small Cap** is represented by the Russell 2000 Index which measures the performance of U.S. small capitalization stocks. The Russell 2000 is a capitalization-weighted index of the 2,000 smallest stocks in the broad U.S. equity market, as defined by the Russell 3000 Index. These stocks are traded on the NYSE, AMEX, and NASDAQ. www.russell.com

**International** is represented by the MSCI EAFE Index which is a Morgan Stanley Capital International index that is designed to measure the performance of the developed stock markets of Europe, Australasia, and the Far East. www.mscibarra.com

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**Hedged Equity** is represented by the Hedge Fund Research, Inc. Fund Weighted Composite Index, an equal weighted index that includes over 2,000 constituent funds, both domestic and offshore with no Fund of Funds included in the index. www.hfri.com

**Bonds** are represented by the Barclays U.S. Aggregate Bond Index which includes U.S. government, corporate, and mortgage-backed securities with maturities up to 30 years. www.barclays.com

**High Yield** is represented by the Barclays U.S. Corporate High Yield Index. www.barclays.com

**Global REIT** is represented by the FTSE EPRA/NAREIT Developed Index which is designed to track the performance of listed real estate companies and REITS worldwide. www.ftse.com

MLPs are represented by the Alerian MLP Index. www.alerian.com

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