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# University of Southern Indiana VEBA Trust and Unrestricted Assets

Investment Portfolio Review

Presented by Neil Heppler

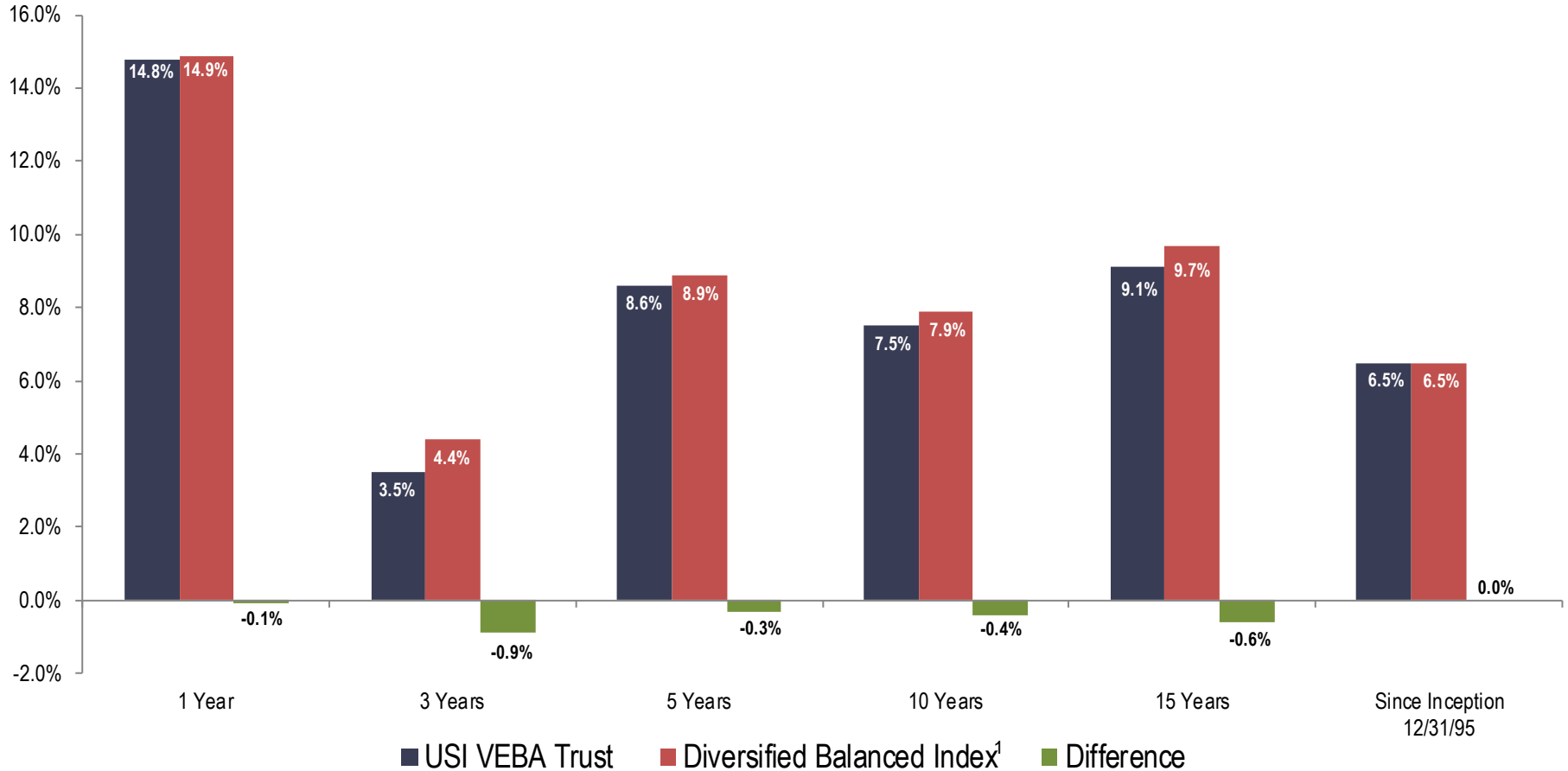
September 5, 2024

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**MARINER  
INSTITUTIONAL**

# VEBA Trust - Performance Summary

As of June 30, 2024\*



\*Returns are presented net of investment management fees. Returns for periods greater than 1-Year are annualized.

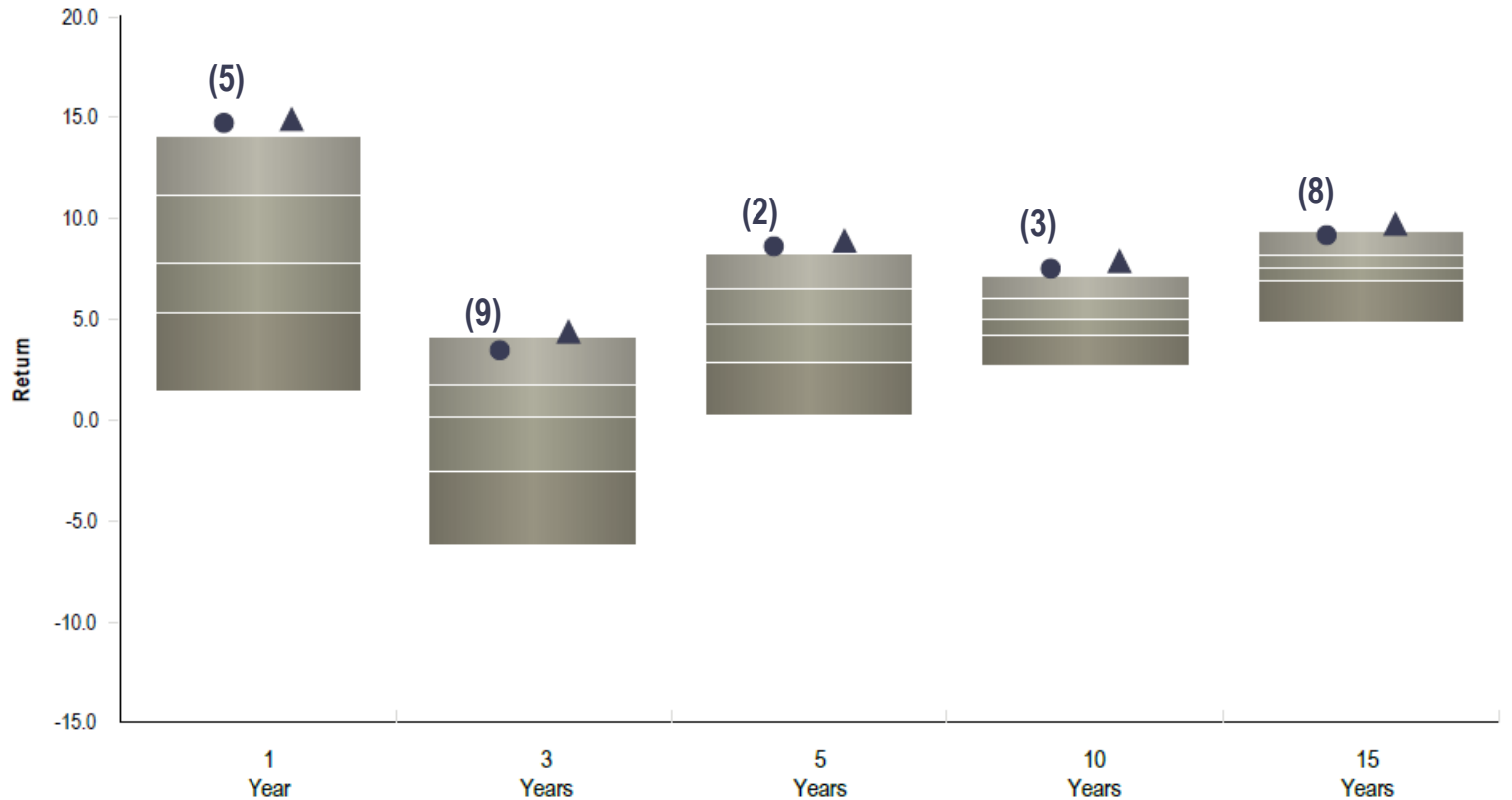
<sup>1</sup> The Diversified Balanced Index is comprised of 100% BC Intermediate Govt//Corp Index from 1/1/1996 through 12/31/2000 and 30% BC Intermediate Govt//Corp Index, 42% S&P 500 Stock Index, 18% MSCI EAFE Index, and 10% Russell 2000 Index from 1/1/2001 to 9/30/14. From September 30, 2014 to September 30, 2017, the Diversified Balanced Index is comprised of 30% Bloomberg Barclays Intermediate Govt//Corp Index, 40% S&P 500 Stock Index, 10% MSCI EAFE Index, 10% Russell Midcap Index and 10% Russell 2000 Index. From October 1, 2017 to December 31, 2017, the Diversified Balanced Index is comprised of 30% Bloomberg Barclays Intermediate Govt//Corp Index, 45% S&P 500 Stock Index, 13% MSCI EAFE Index, 6% Russell Midcap Index and 6% Russell 2000 Index. From January 1, 2018 to September 30, 2023, the Diversified Balanced Index is comprised of 30% Bloomberg Barclays Intermediate Govt//Corp Index, 45% S&P 500 Stock Index, 13% MSCI EAFE Index and 12% Russell 2000 Index. From September 30, 2023 to present the Diversified Balanced Index is comprised of 30% Bloomberg Barclays Intermediate Govt/Credit, 45% S&P 500 Index 13% MSCI ACWI ex US Index and 12% Russell 2000 Index.

# Peer Comparisons

Periods ending June 30, 2024

IM Corp DB < \$50mm Net  
Ending June 30, 2024

- Top Decile over 1-,
  - 3-, 5-, 10-, and 15-
- Year Trailing  
Periods



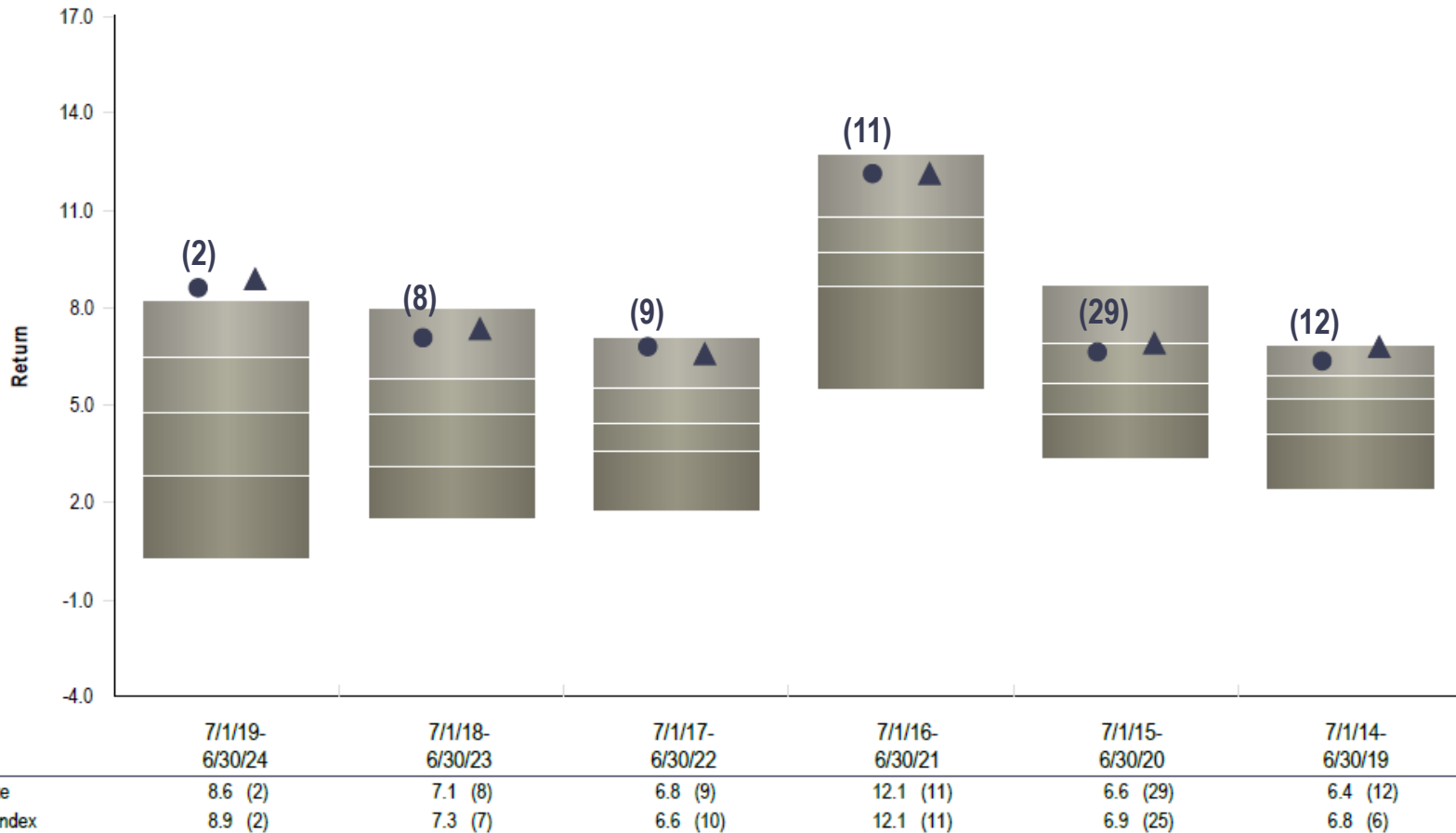
● VEBA Trust Composite  
▲ Diversified Balanced Index

# Rolling Five Year Peer Comparisons

Periods ending June 30, 2024

IM Corp DB < \$50mm Net  
Ending June 30, 2024

➤ Strong peer results have been consistent over time



# USI VEBA Trust - Asset Allocation

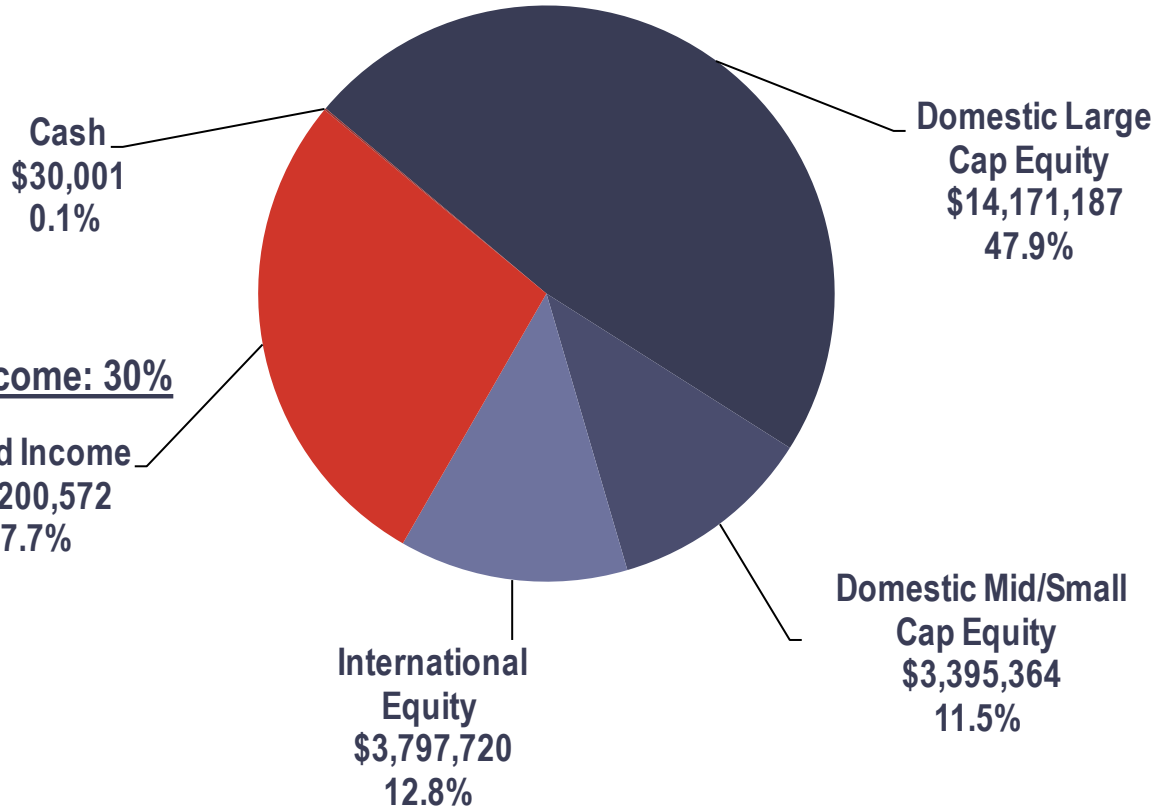
Assets as of 6/30/2024 = \$29,594,844

Target for Equities: 70%

Large-Cap: 45%

Small-Cap: 12%

International: 13%



Target for Fixed Income: 30%

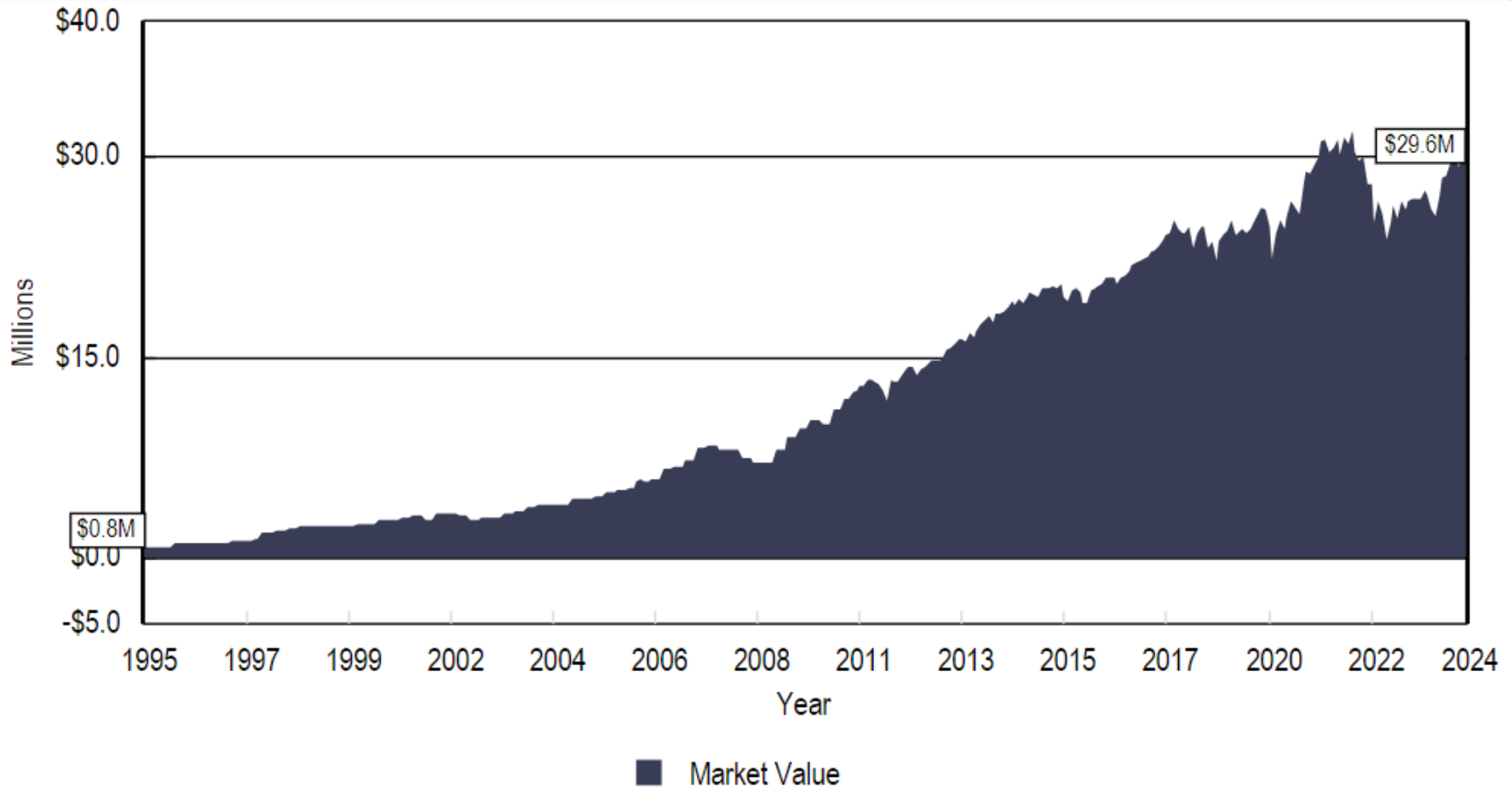
# USI VEBA Trust – Cash Flow Summary

## Summary of Cash Flows

	One Year	Three Years	Five Years	Inception 12/31/95
Beginning Market Value	\$26,896,604	\$30,412,789	\$24,344,711	\$806,117
Net Cash Flow	(\$1,280,299)	(\$3,617,458)	(\$6,066,357)	\$1,396,865
Net Investment Change	\$3,978,540	\$2,799,514	\$11,316,491	\$27,391,863
Ending Market Value	\$29,594,844	\$29,594,844	\$29,594,844	\$29,594,844

# USI VEBA Trust – Market Value History

Market Value History



# USI VEBA Trust – Manager Changes

## PORTFOLIO MANAGER CHANGES - Past Year

None

## MANAGERS ON WATCH LIST - CURRENT

**Ivy Small Cap Growth** – Longtime small-cap growth manager (2000) with good performance over many cycles. Poor last quarter of CY 2023 has caused 3 and 5-year performance to fall below passive benchmark and peers. First half of 2024 has had strong comeback, exceeding benchmark by over 4% and in the top quartile of peers.



# USI VEBA Trust – Investment Fees

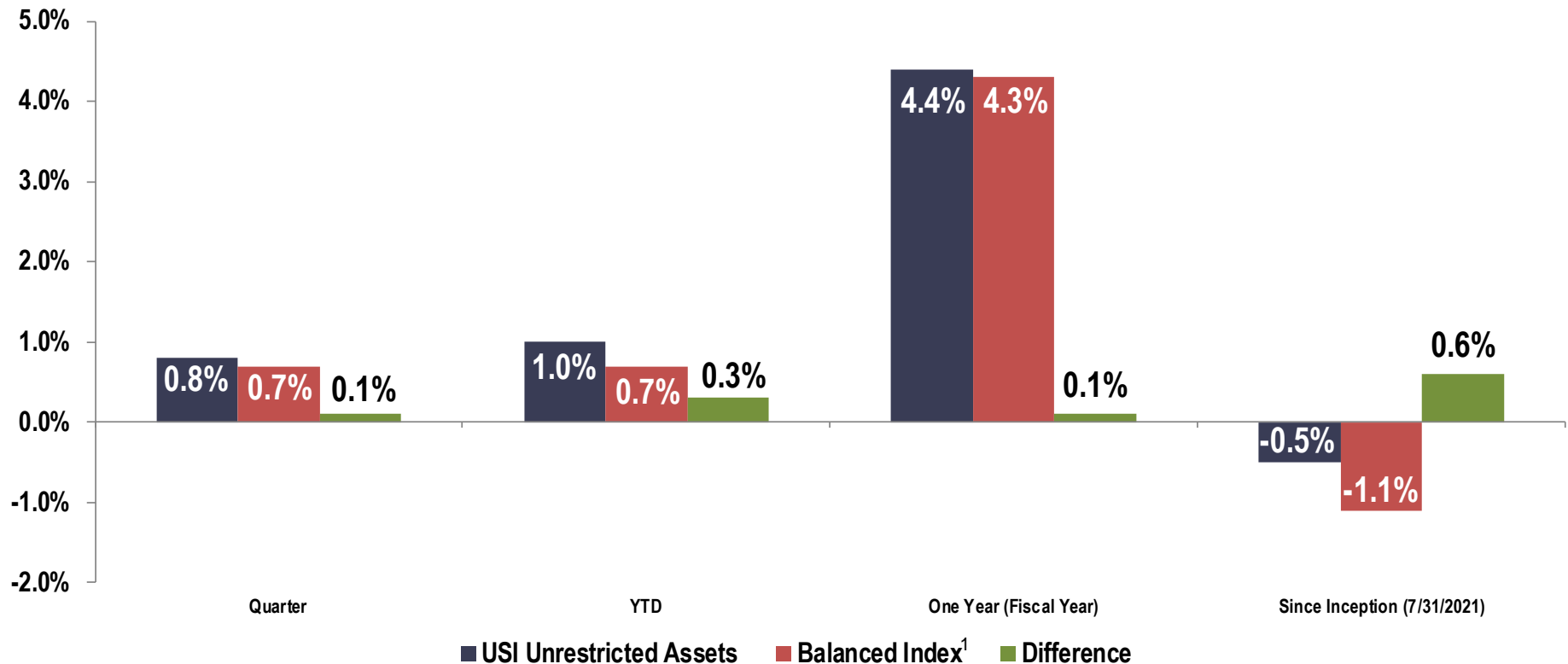
	Manager Fee	Asset Allocation (\$29.6 M)	Fee Percentage	Manager Fees (\$)
<u>Large Cap</u>				
Fifth Third Bank	0.32%	24.0%	0.077%	\$ 22,713
Fidelity Spartan 500 Index	0.02%	23.9%	0.004%	\$ 1,061
<u>Small Cap</u>				
Ivy Small Cap Growth	0.89%	5.4%	0.048%	\$ 14,321
Segall Bryant & Hamill	0.99%	6.0%	0.060%	\$ 17,684
<u>International</u>				
American Funds Europacific	0.47%	6.4%	0.030%	\$ 8,859
Hartford International	0.79%	6.5%	0.051%	\$ 15,112
<u>Fixed Income</u>				
Old National Bank	0.15%	17.8%	0.027%	\$ 7,911
Baird Intermediate	0.30%	9.9%	0.030%	\$ 8,780
<b>Total Manager Fees</b>			<b>0.33%</b>	<b>\$ 96,440</b>
<b>Fourth Street Consulting Fee</b>			<b>0.03%</b>	<b>\$ 10,000</b>
<b>Custodial Fees</b>			<b>0.10%</b>	<b>\$ 29,595</b>
<b><u>Total Fee</u></b>			<b><u>0.46%</u></b>	<b><u>\$ 136,035</u></b>

# USI VEBA Trust – Investment Policy

**NO RECOMMENDED CHANGES**

# Unrestricted Assets- Performance Summary

As of June 30, 2024\*



\*Returns are presented net of investment management fees. Returns for periods greater than 1-Year are annualized.

<sup>1</sup> Balanced Index is 80% Bloomberg Intermediate Gov/Credit and 20% BofA 1-3 Year Gov/Credit Index

# Unrestricted Assets - Asset Allocation

Assets as of 6/30/2024 = \$105,089,184

Target for Short Duration: 20%

Certificates of Deposit & Cash

**\$12,872,277**

**12.2%**

Government Bonds > 1 Year Duration

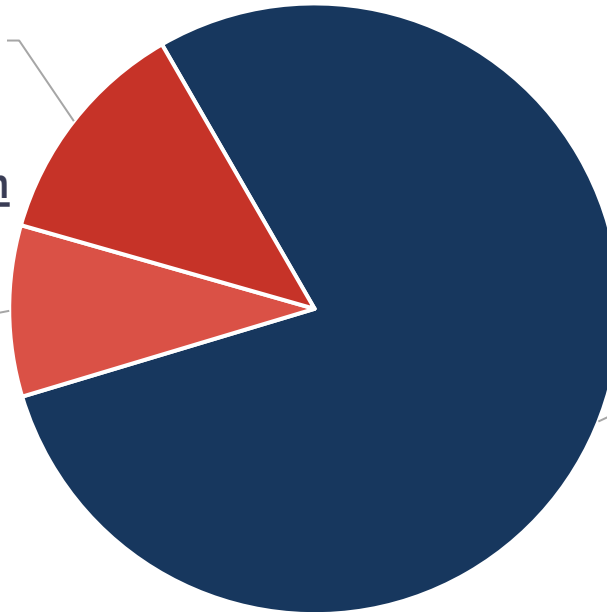
**\$9,524,396**

**9.1%**

Target for Intermediate: 80%

**\$82,692,512**

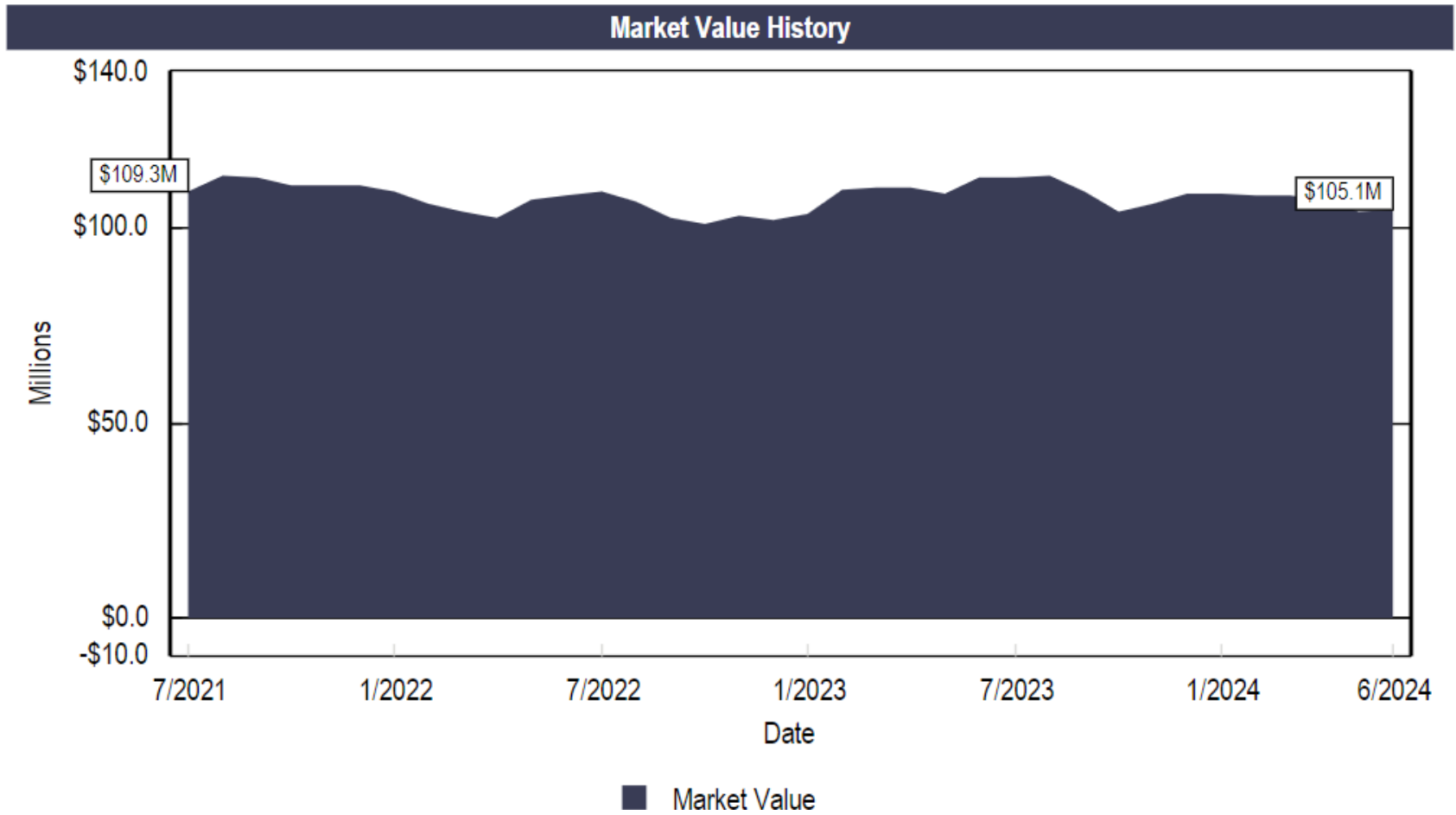
**78.7%**



# Unrestricted Assets – Cash Flow Summary

Summary of Cash Flows				
	QTR	Calendar YTD	One Year	Inception 7/31/21
Beginning Market Value	\$108,426,374	\$108,788,799	\$113,102,500	\$109,336,566
Contributions	\$768,170	\$768,170	\$768,170	\$26,602,153
Distributions	(\$4,945,214)	(\$5,460,060)	(\$13,323,883)	(\$29,168,094)
Net Cash Flows	(\$4,177,044)	(\$4,691,890)	(\$12,555,712)	(\$2,565,941)
Income	\$921,134	\$1,764,728	\$3,551,437	\$8,587,082
Net Investment Change	\$839,854	\$992,275	\$4,542,396	(\$1,681,441)
Fees	(\$49,802)	(\$99,451)	(\$197,809)	(\$535,922)
Ending Market Value	\$105,089,184	\$105,089,184	\$105,089,184	\$105,089,184

# Unrestricted Assets – Market Value History



# Unrestricted Assets – Manager Changes

## **PORTFOLIO MANAGER CHANGES - Past Year**

None

## **MANAGERS ON WATCH LIST - CURRENT**

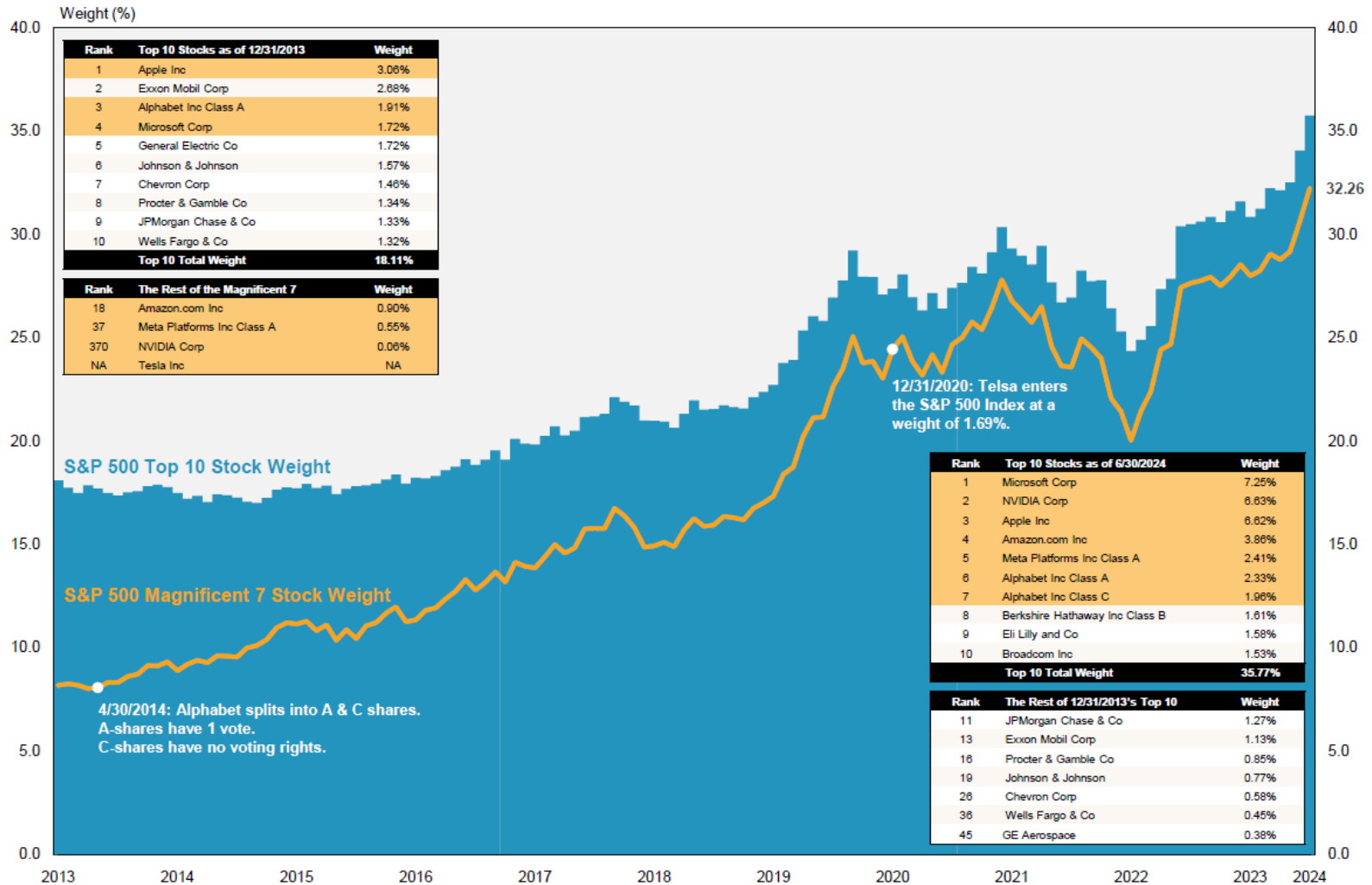
None

# Unrestricted Assets – Fee Analysis

	Manager Fee	Asset Allocation (\$82.7 M)	Fee Percentage	Manager Fees (\$)
<u>Intermediate Fixed Income</u>				
Fifth Third Bank	0.20%	11.9%	0.024%	\$ 19,604
Johnson Asset Mgmt.	0.20%	34.4%	0.069%	\$ 56,956
Longfellow Investment Mgmt.	0.25%	34.6%	0.087%	\$ 71,603
Old National Bank	0.20%	19.1%	0.038%	\$ 31,544
		<b>Total Manager Fees</b>	<b>0.22%</b>	<b>\$ 179,706</b>
		<b>Fourth Street Consulting Fee</b>	<b>0.05%</b>	<b>\$ 41,346</b>
		<b>Custodial Fees</b>	<b>0.03%</b>	<b>\$ 24,808</b>
		<b><u>Total Fee</u></b>	<b><u>0.30%</u></b>	<b><u>\$ 245,860</u></b>



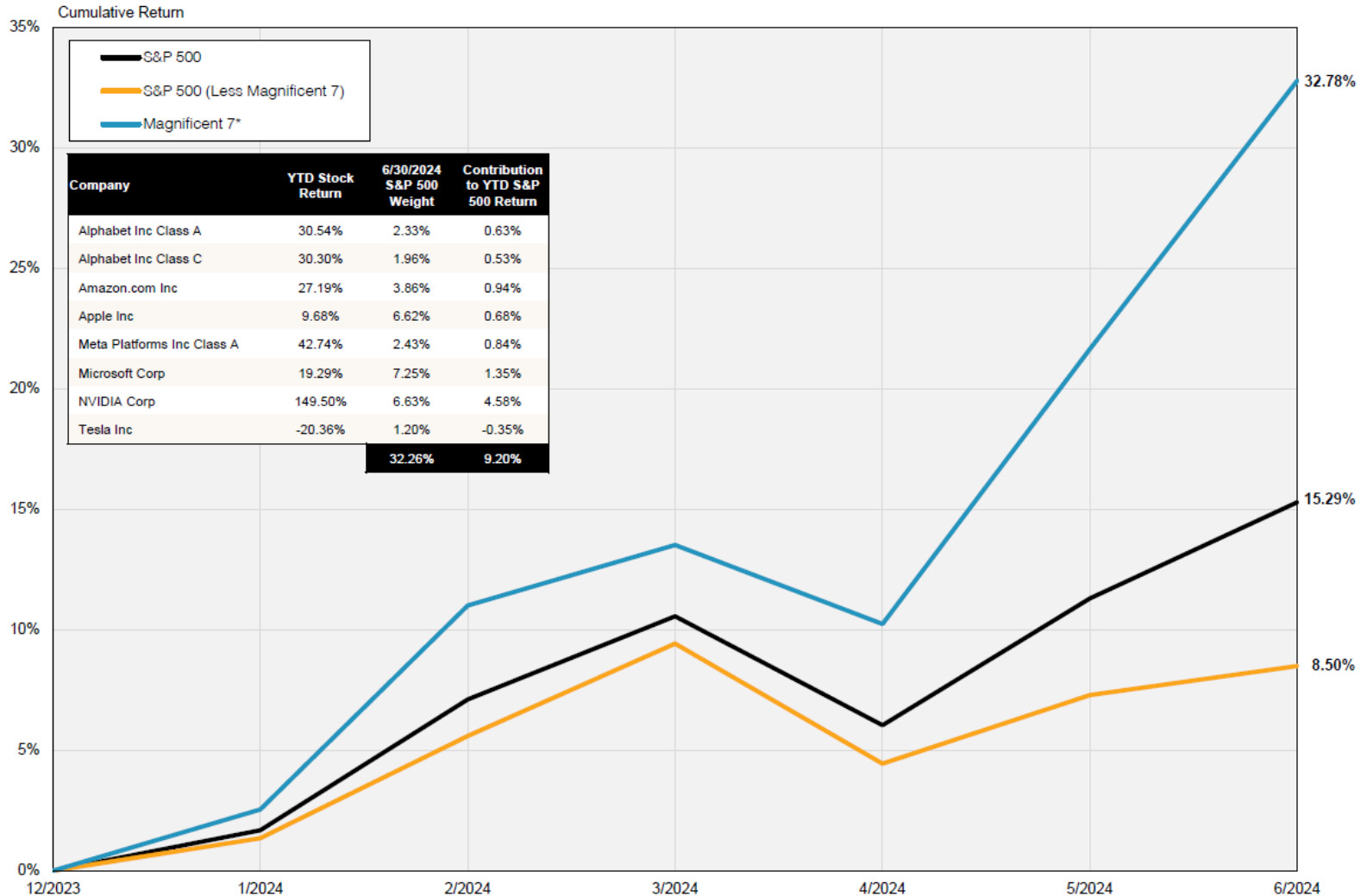
# Growing Importance of the S&P 500's Top Weighted Stocks



Source: Mariner Institutional, using data and information derived from Morningstar Direct.

# What's Driving the Performance of the S&P 500 Index?

## Magnificent 7 and the S&P 500 Index



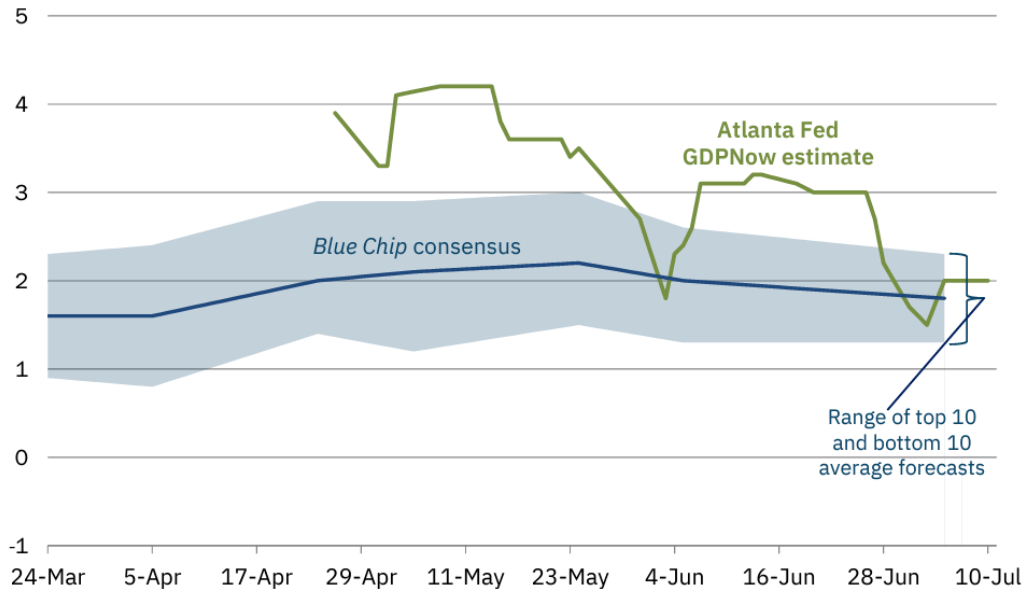
Source: Mariner Institutional, using data and information derived from Morningstar Direct.

# GDP Growth

## 2024 Q2 GDP Growth Accelerated

### Evolution of Atlanta Fed GDPNow real GDP estimate for 2024: Q2

Quarterly percent change (SAAR)



- Q1 GDP Growth +1.4%
- Q2 Growth +2.8% was much higher than forecast
- Economic growth trending at 3% for past four quarters

#### Date of forecast

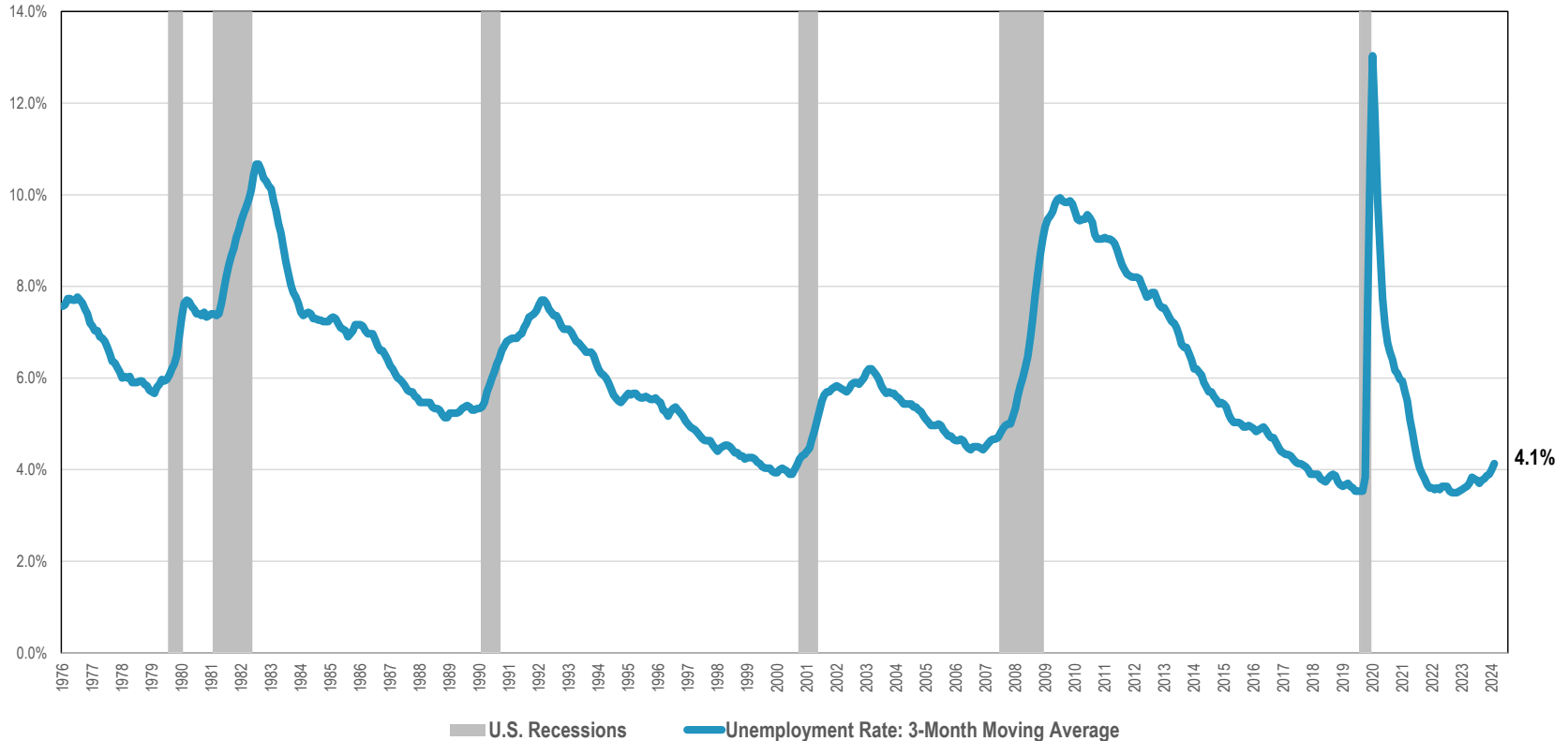
Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

Real GDP (%)	2Q23	3Q23	4Q23	1Q24	2Q24
Qtr/Qtr (saar)	2.1	4.9	3.4	1.4	2.8
Year/Year	2.4	2.9	3.1	2.9	3.1

# Unemployment Rate

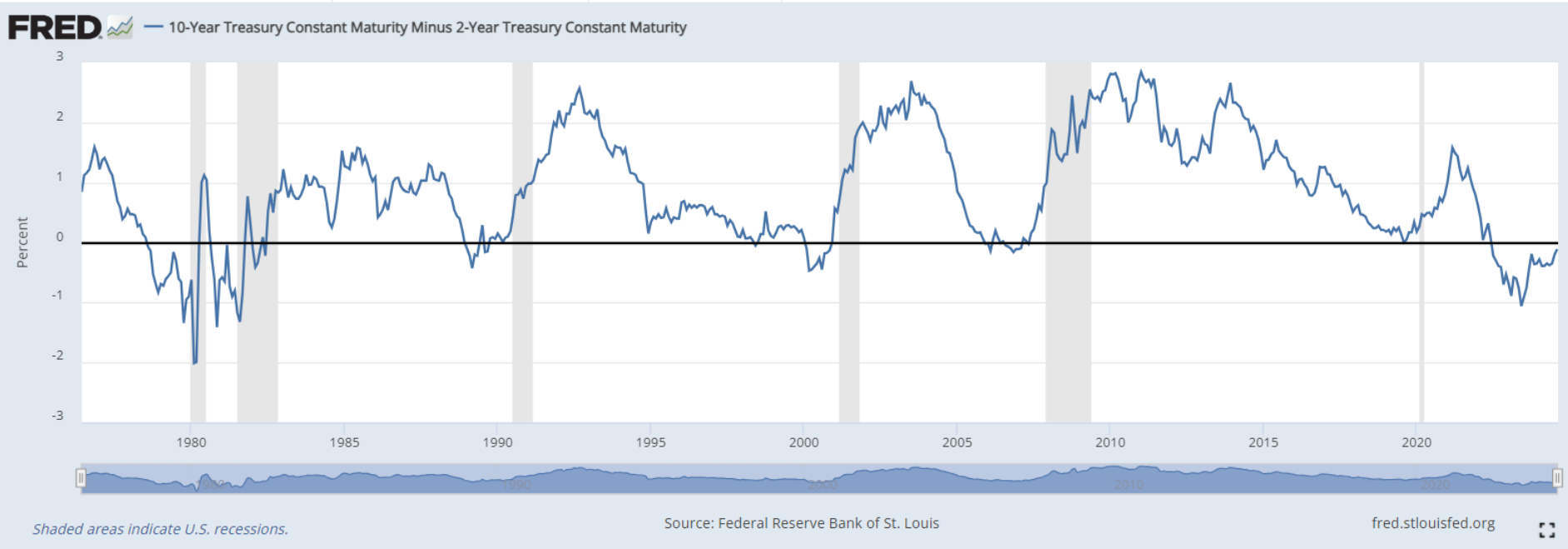
## Recession Indicator



- From World War II up until the Covid-19 pandemic, every time the three-month average of the unemployment rate has ticked higher by 0.3% a recession has followed.
- Low three-month average in this cycle was 3.5%.
- Current three-month average unemployment is 4.1%; July unemployment rate was 4.3%

# 2-Year / 10-Year Treasury Yield Spread

Recession Indicator

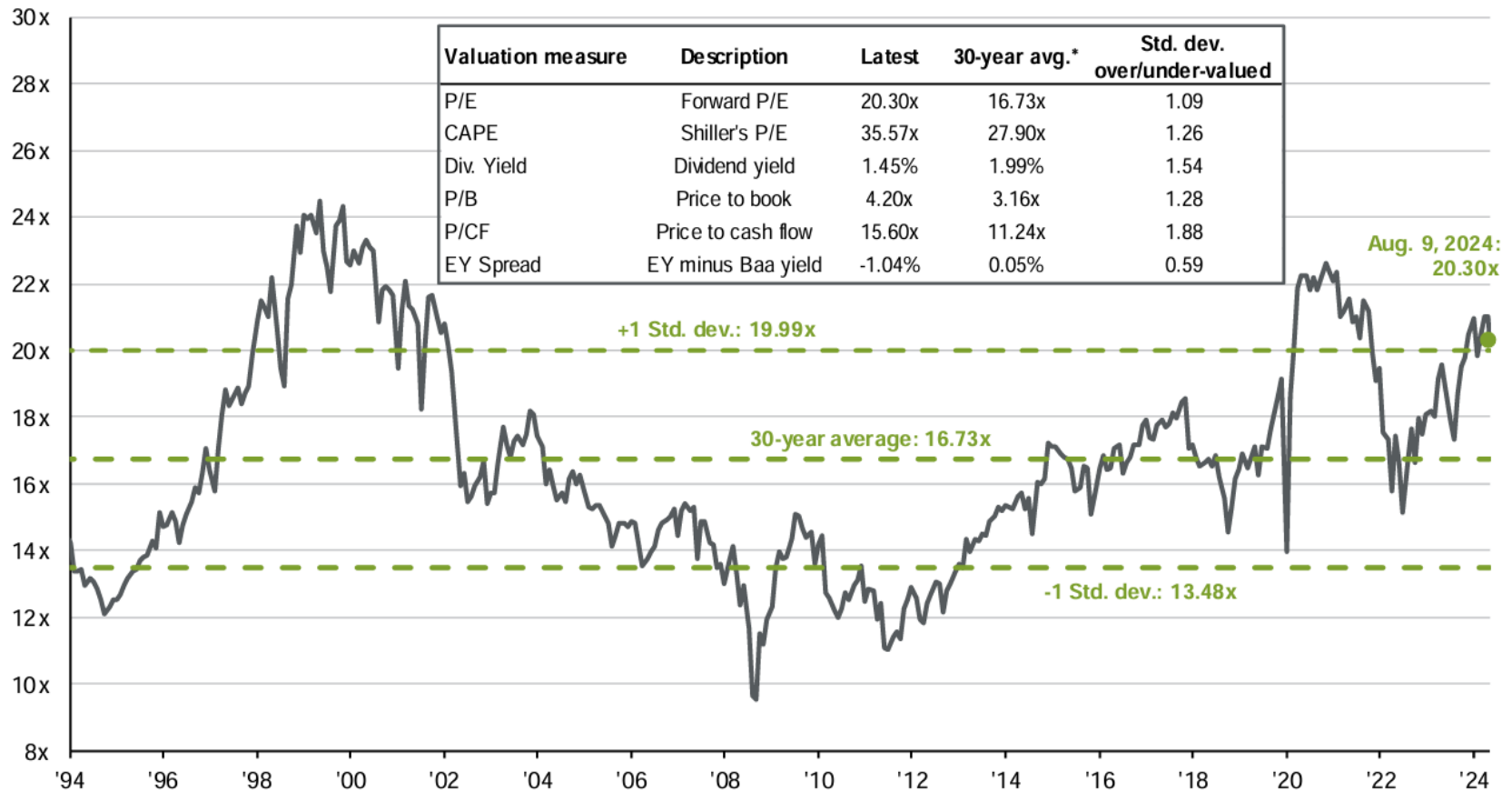


➤ **Current Spread is -11 bps (8/12/24)**

# S&P 500 Index Valuations

## Recession Indicator

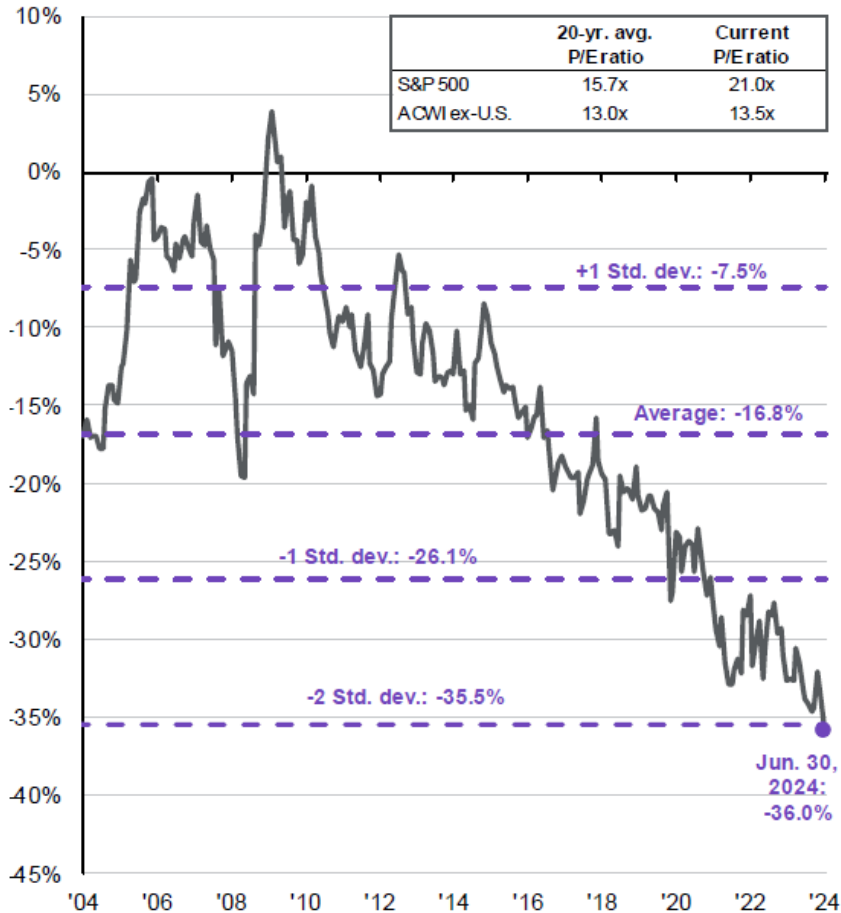
### S&P 500 Index: Forward P/E ratio



# International Equity Valuations

## International: Price-to-earnings discount vs. U.S.

MSCI All Country World ex-U.S. vs. S&P 500, next 12 months



## International: Difference in dividend yields vs. U.S.

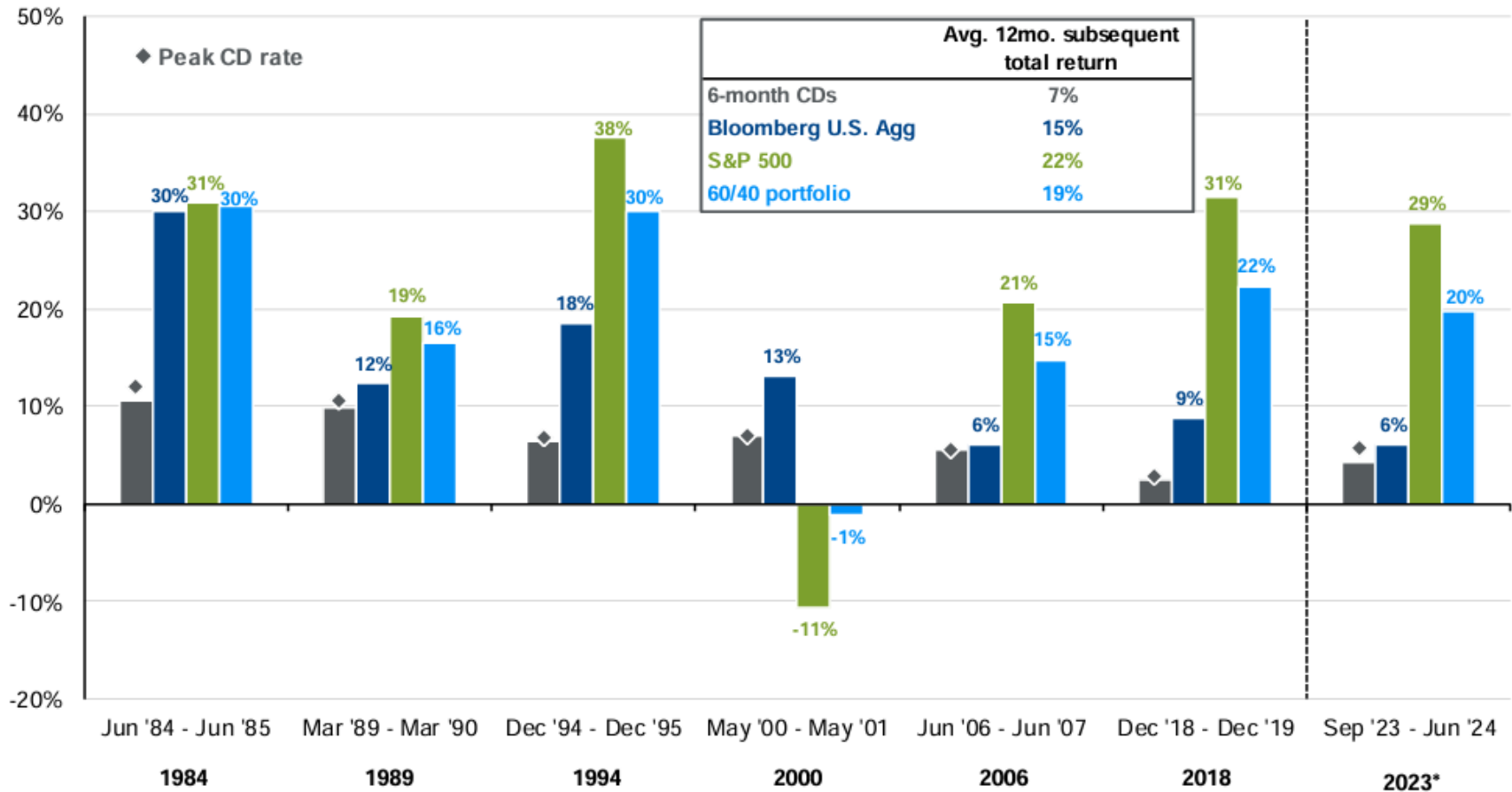
MSCI All Country World ex-U.S. minus S&P 500, next 12 months



# Subsequent Returns After Peak in CD Rates

## Investment opportunities outside of CDs

Peak 6-month certificate of deposit (CD) rate during previous rate hiking cycles and subsequent 12-month total returns



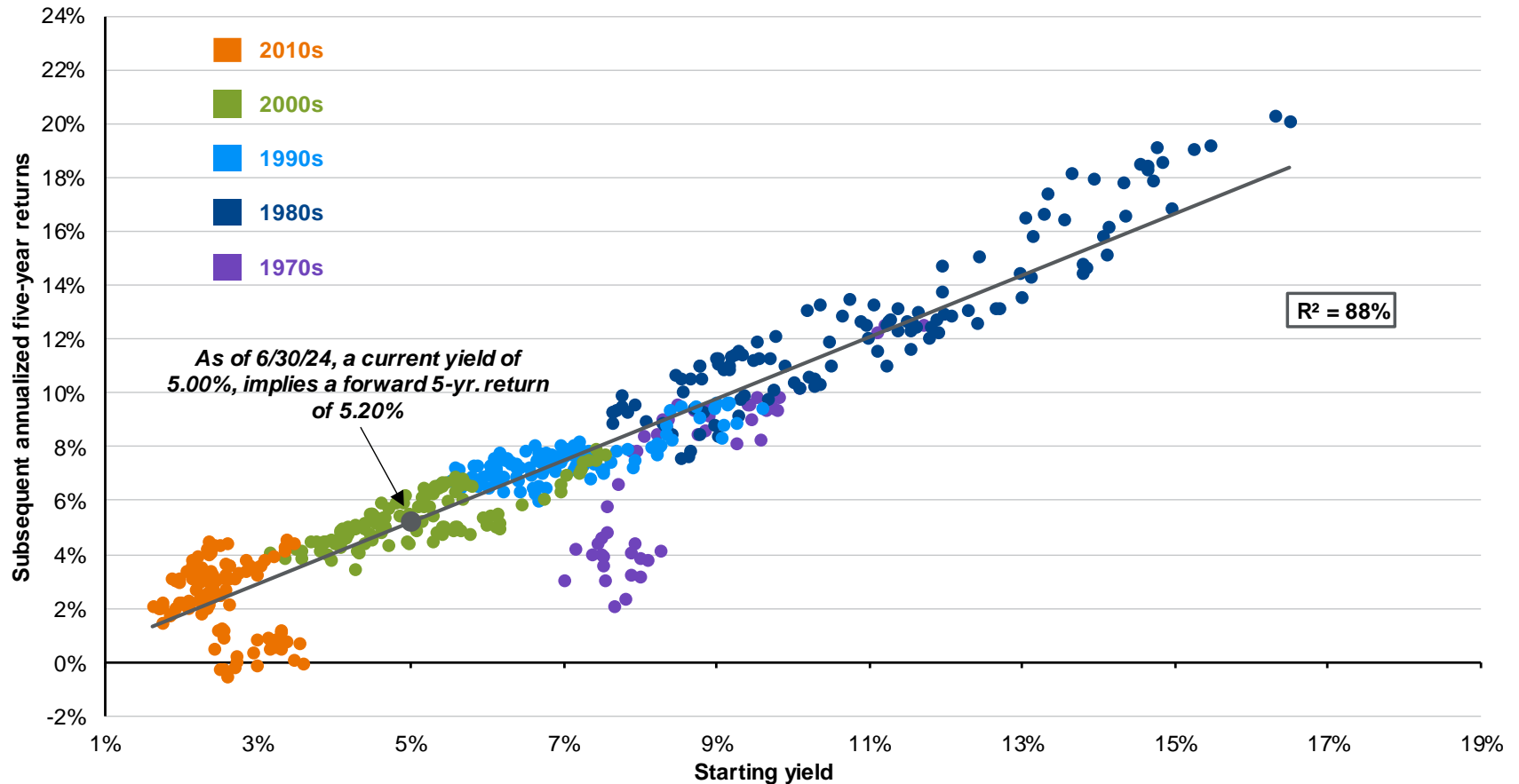
Source: J.P. Morgan, As of 6/30/24.



# Fixed Income Yields and Forward Returns

## Yield-to-worst and subsequent 5-year annualized returns

Bloomberg U.S. Aggregate Total Return Index



# Disclosures

## Statement of Disclosures and Disclaimer

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Thank You

