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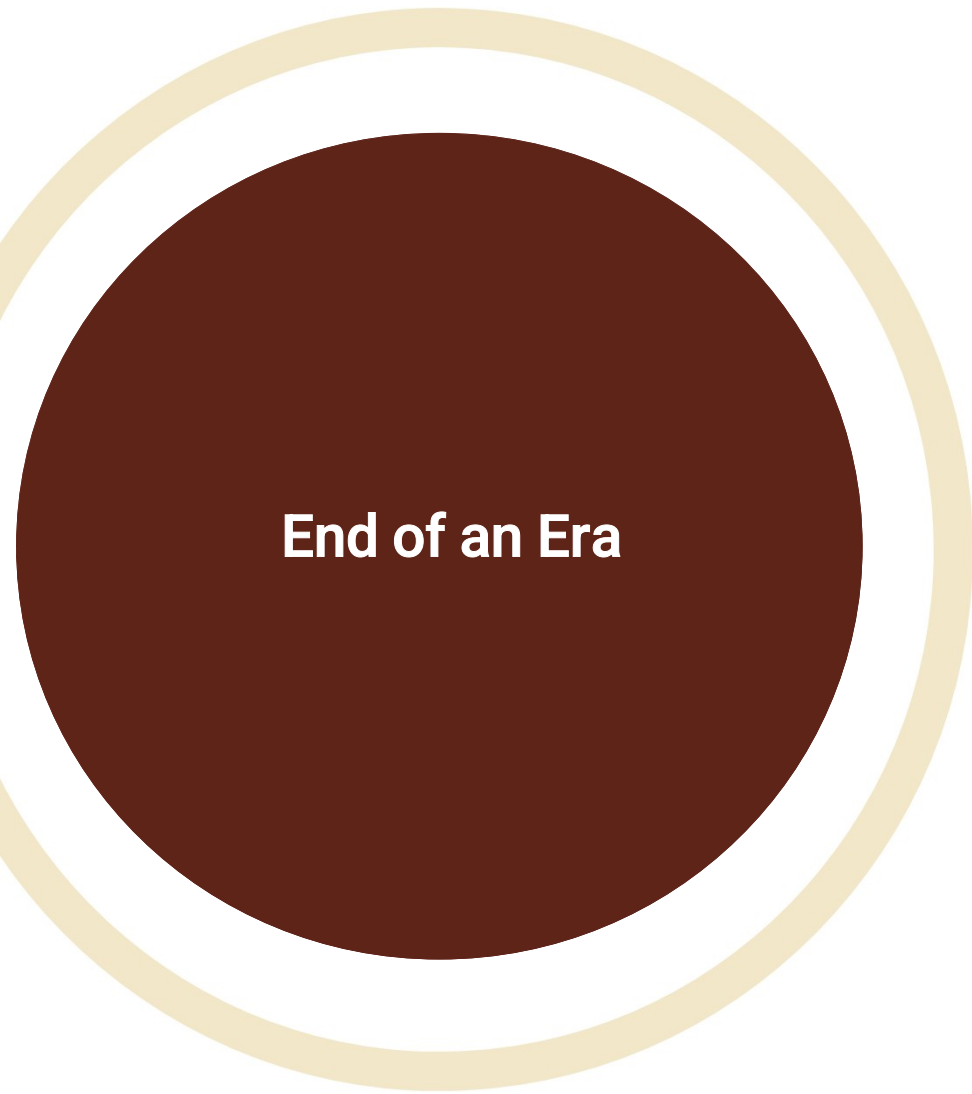
A New Investment Era

Gina Sanchez
Chief Executive Officer

September 18, 2026

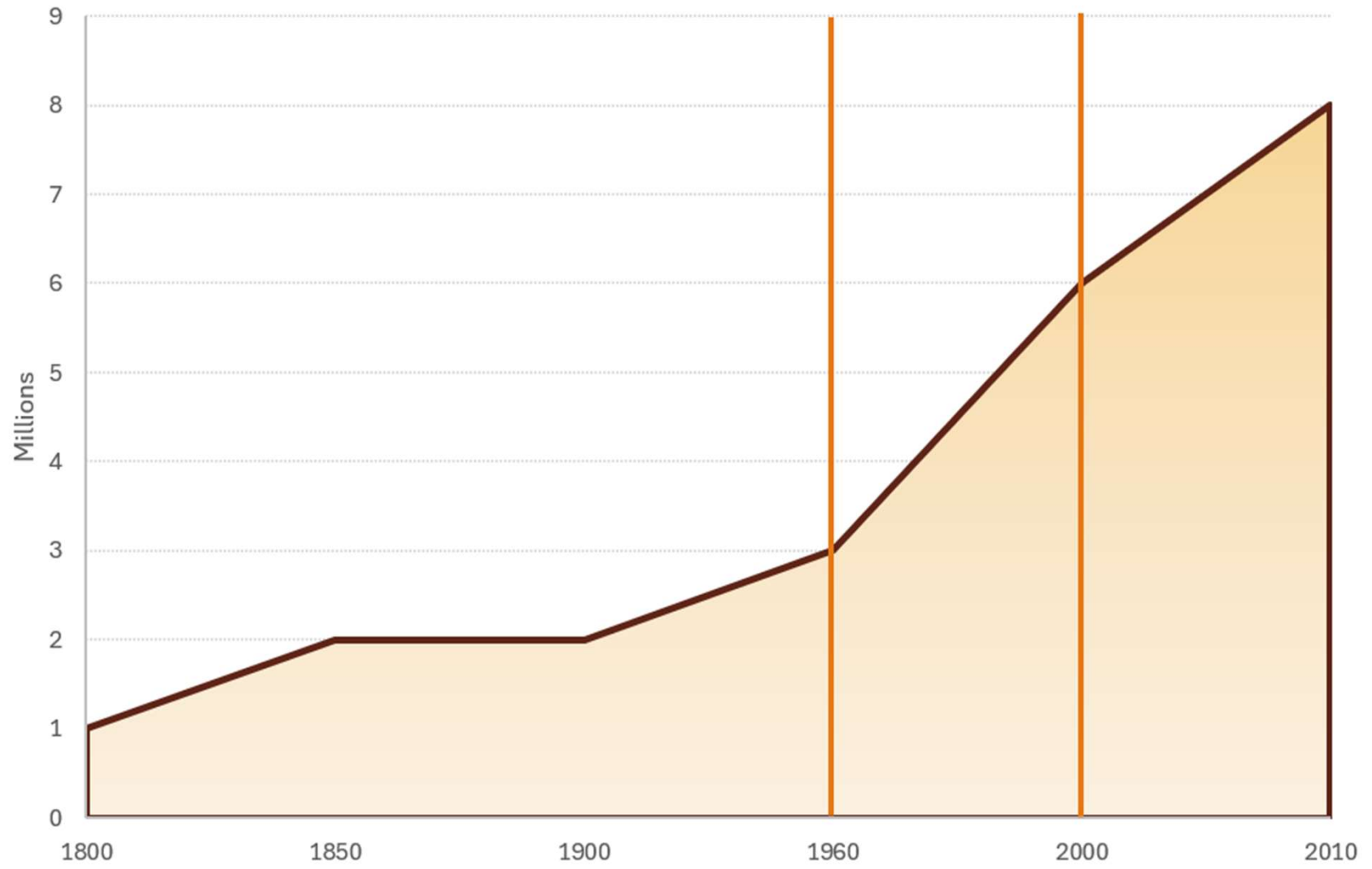
A New Investment Era

- The End of an Era
- Capital Markets Outlook
- Macro Considerations
 - Global Fragmentation
 - The Role of AI
 - Demographic and Debt Challenges
- Risk Scenarios



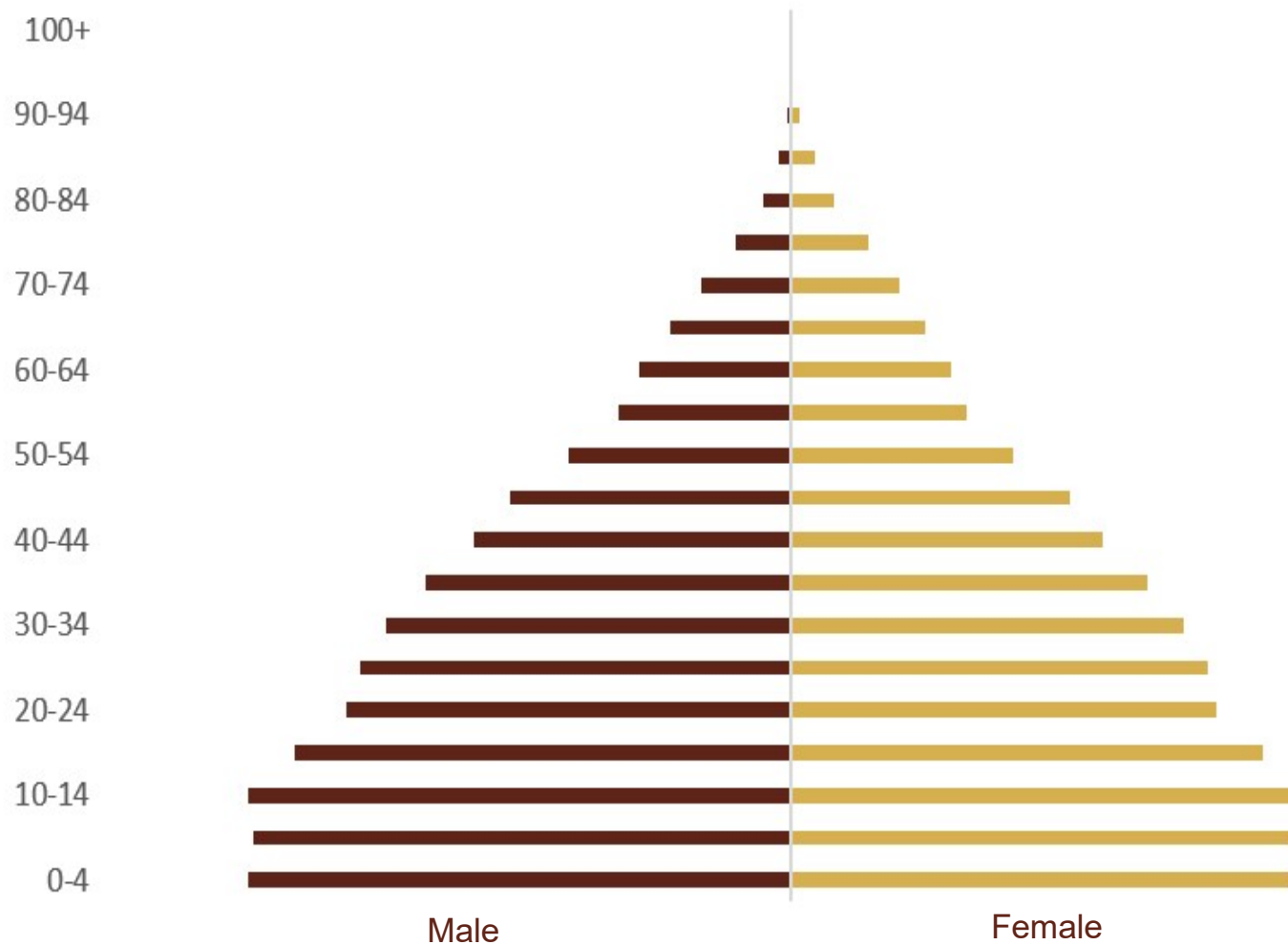
End of an Era

Fast Population Growth



Source: *UN World Population Growth Prospects, 2024 revision*

2000 Population Pyramid



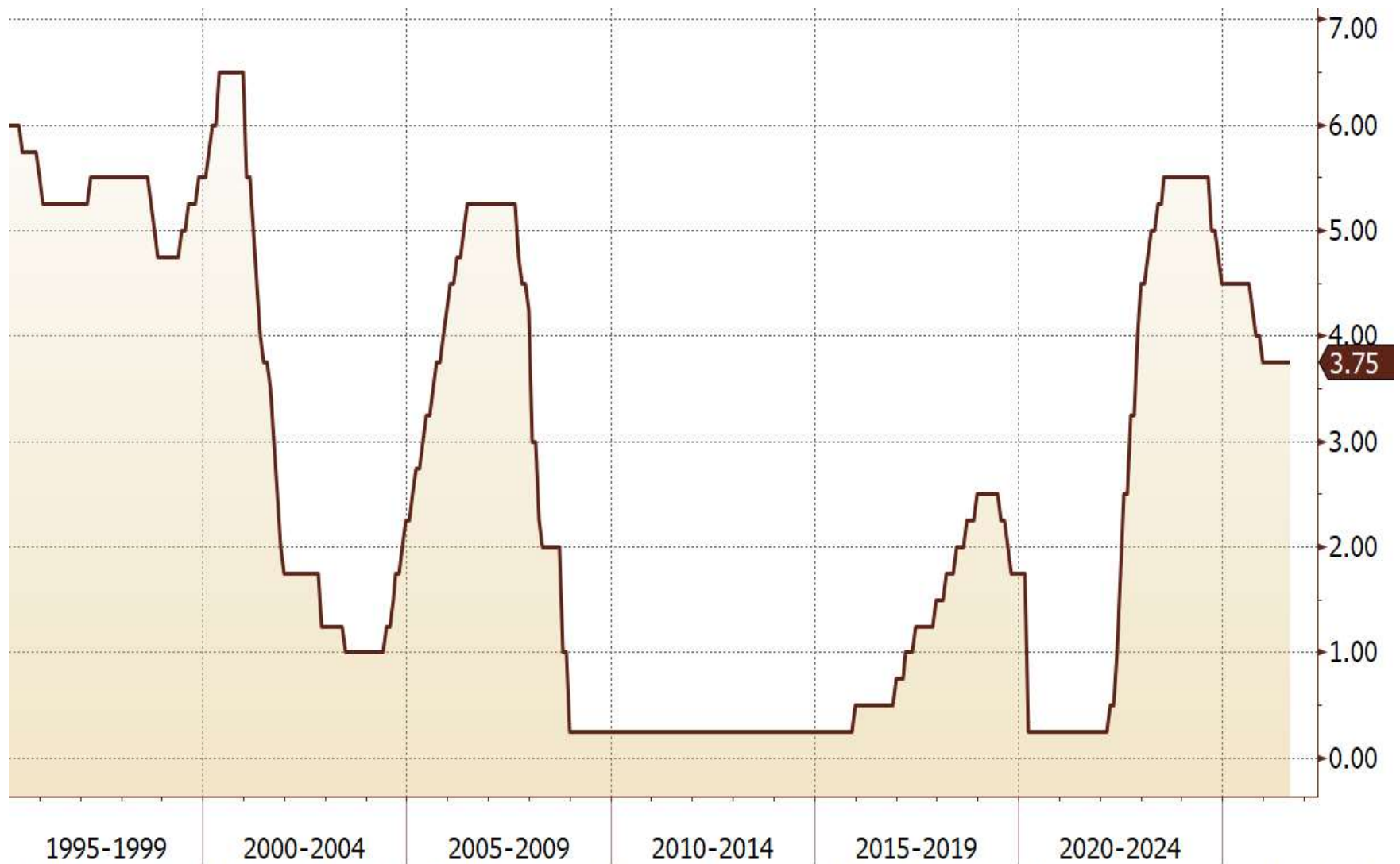
Source: *UN World Population Growth Prospects, 2024 revision*

Globalization's Disinflationary Effect



Source: Bloomberg

Fed Funds Target Rate



FDTR Index (Federal Funds Target Rate - Upper Bound) Fed Funds Target Monthly 17MAR1995-16AUG2026

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16-Aug-2026 14:05:20

Source: Bloomberg

US 10 Year Interest Rates



Source: Bloomberg

Investment Credit Spreads



LUACOS Index (Bloomberg US Agg Corporate Avg OAS) Corporate Spread Daily 31DEC2009-14AUG2026

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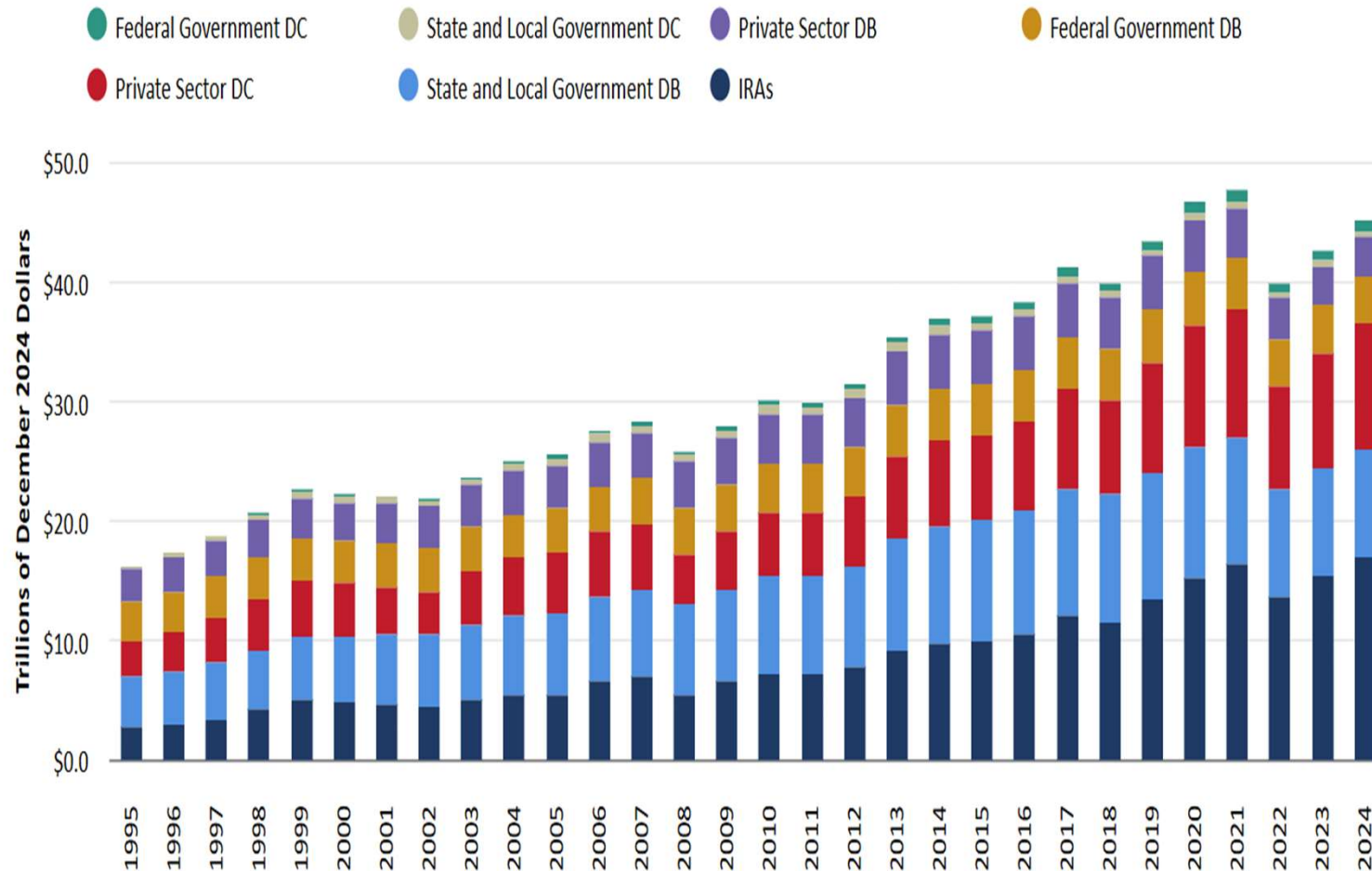
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Source: Bloomberg

Large Cap Equity Price/Equity Multiples



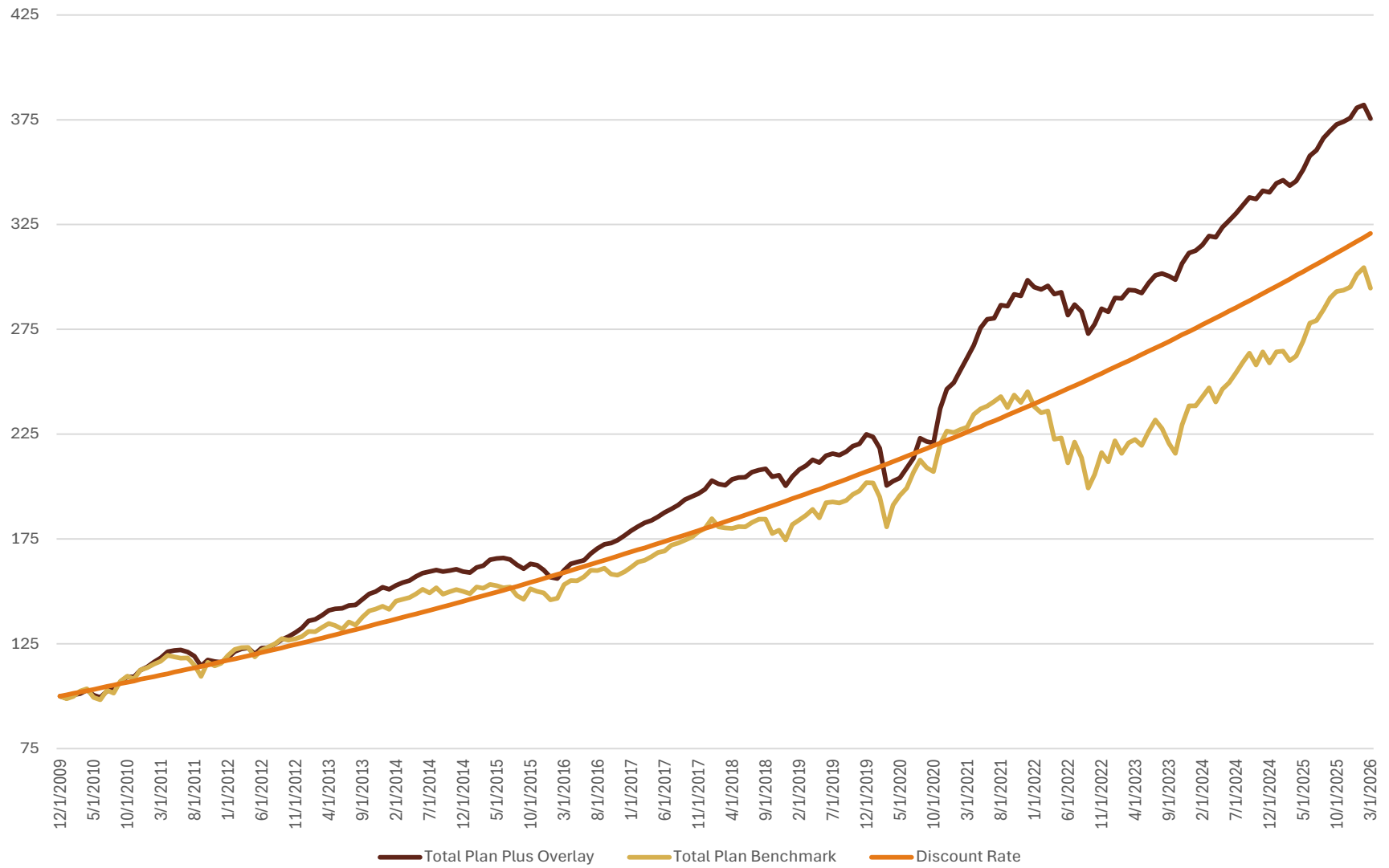
Retirement Asset Tailwinds



Source: Figure constructed by CRS from Board of Governors of the Federal Reserve System, *Financial Accounts of the United States*, <https://www.federalreserve.gov/apps/foi/FOFTables.aspx>. See tables L.118.b, L.118.c, L.119.b, L.119.c, L.120.b, L.120.c, and L.229 of the January 9, 2026, release. Some data points might be revised in subsequent releases.

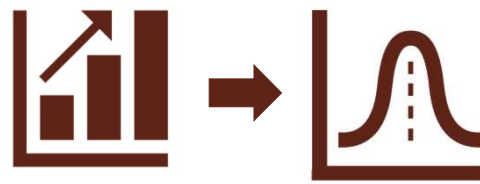
Notes: IRAs include employer-sponsored IRAs and state-administered IRA programs. Totals might not add due to rounding.

SBCERA Performance



Source: Caminos/State Street

Building SBCERA's Decision Tree



SBCERA Portfolio Returns

Filter: Is Core PCE Rising?

Yes

No



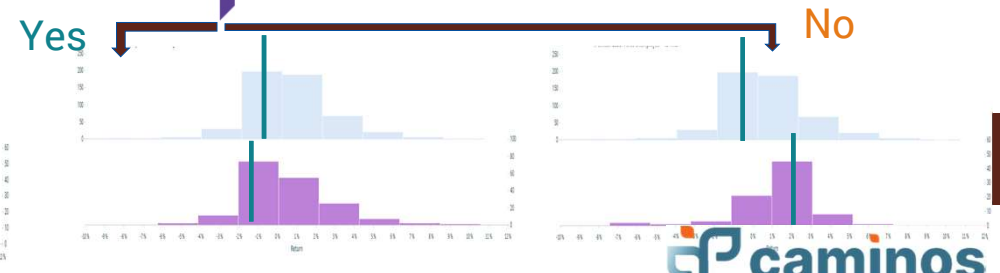
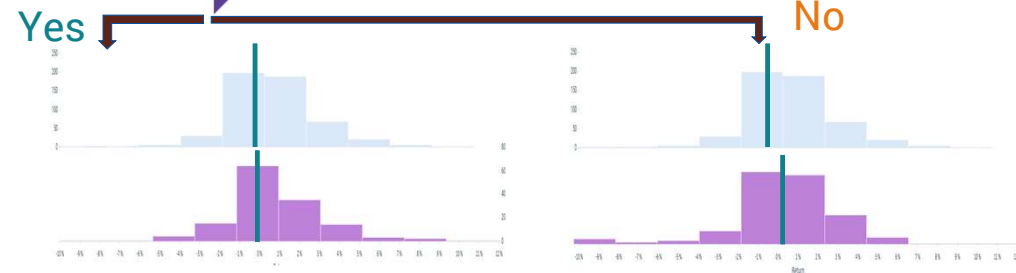
Filtered Portfolio Returns



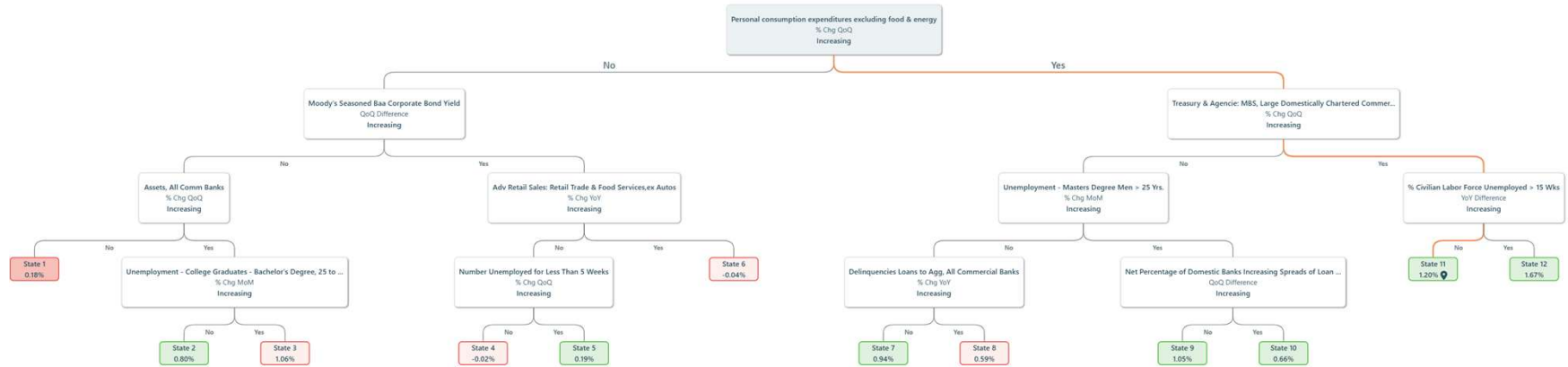
Filtered Portfolio Returns

Filter: Are Corporate Yields Rising?

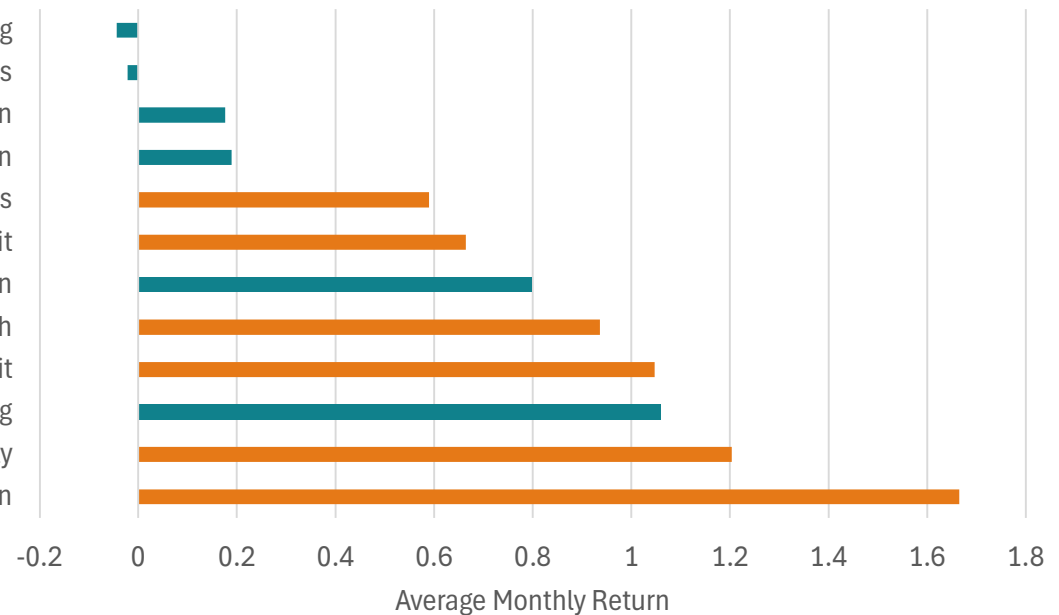
Filter: Are Banks MBS Holdings increasing?



SBCERA Performance By State

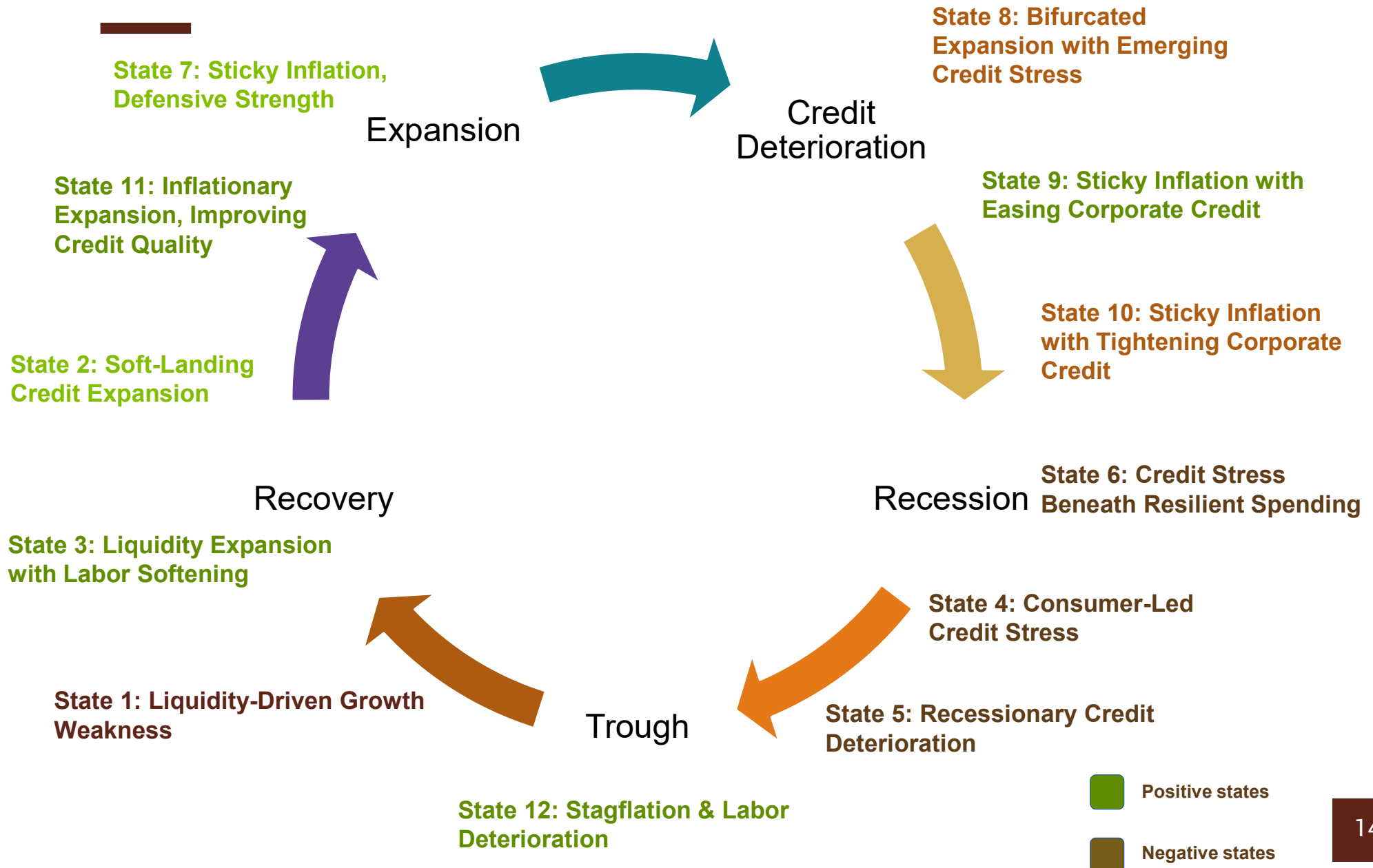


- State 6: Credit Stress Beneath Resilient Spending
- State 4: Consumer-Led Credit Stress
- State 1: Liquidity-Driven Growth Slowdown
- State 5: Recessionary Credit Deterioration
- State 8: Bifurcated Expansion with Emerging Credit Stress
- State 10: Sticky Inflation with Tightening Corporate Credit
- State 2: Soft-Landing Credit Expansion
- State 7: Sticky Inflation, Defensive Strength
- State 9: Sticky Inflation with Easing Corporate Credit
- State 3: Liquidity Expansion with Labor Softening
- State 11: Inflationary Expansion, Improving Credit Quality
- State 12: Stagflationary Labor Deterioration

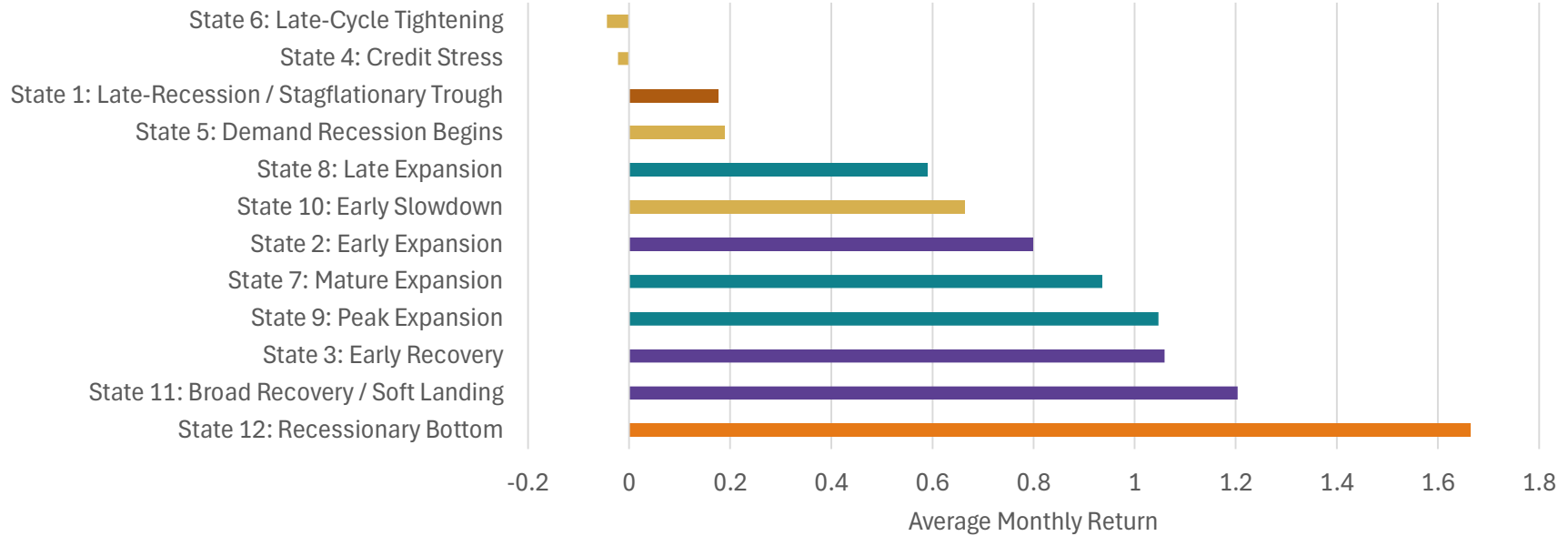
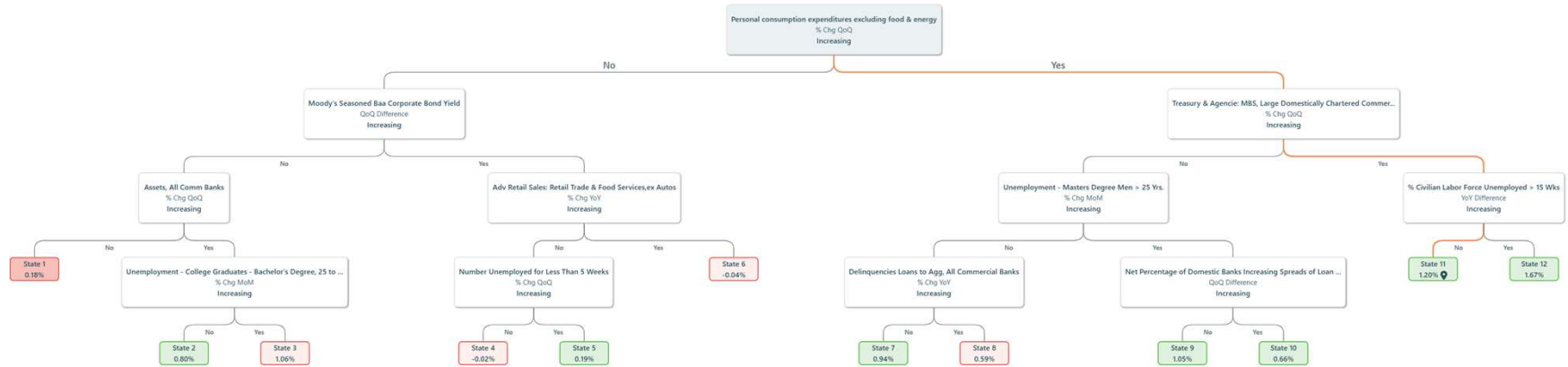


Source: Caminos

SBCERA's Economic Sensitivity



SBCERA Performance By Economic Cycle



Source: Caminos

SBCERA's Economic Sensitivity Summary

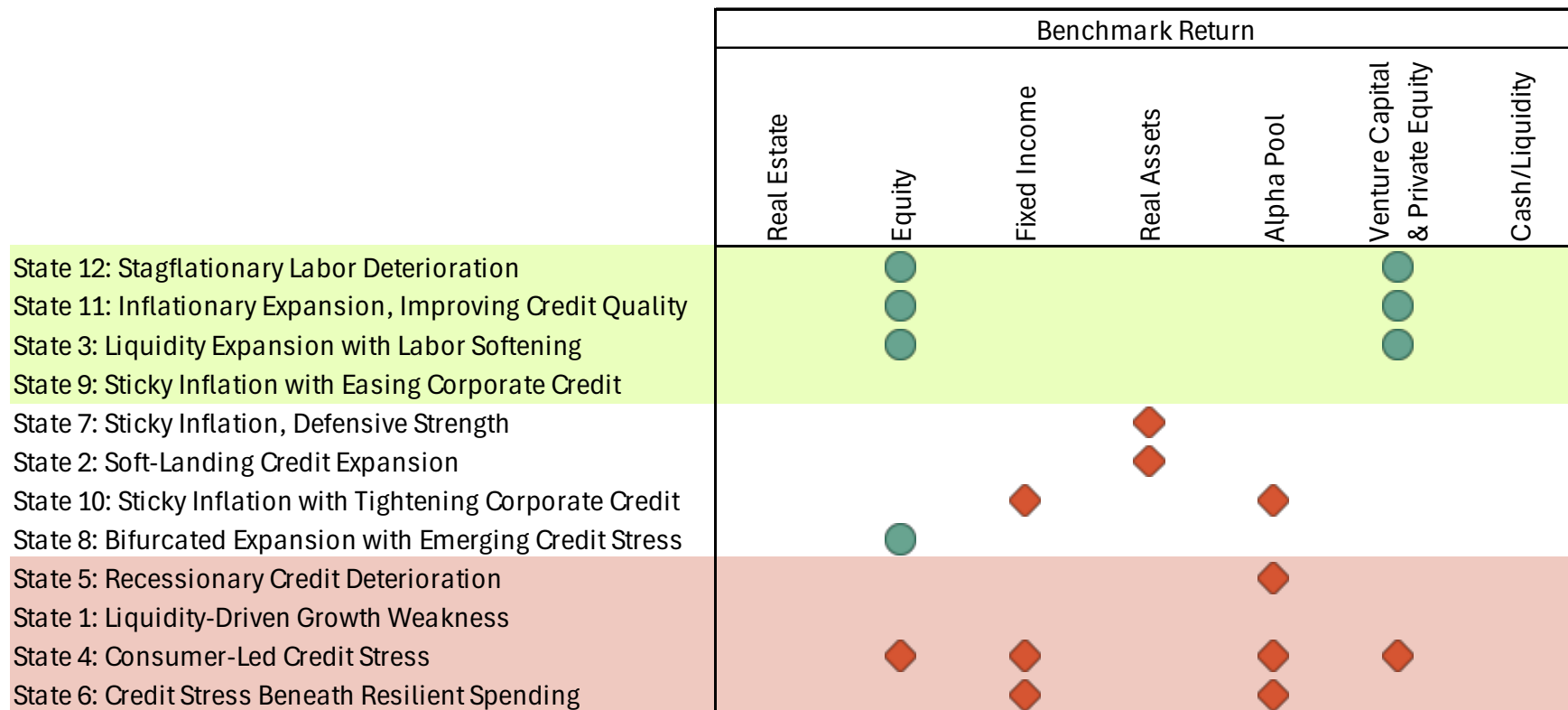
Positive

- ✓ Bank demand for fixed income
- ✓ Stable or improving credit
- ✓ Sticky inflation
- ✓ Carry-oriented environments
- ✓ Credit income

Negative

- × Credit spread widening
- × Corporate stress
- × Refinancing risk
- × Deteriorating credit markets

Benchmark Dependent on Equity



- Benchmark performance is highly pro-cyclical with equity driving most of the performance in portfolio upswings, making the benchmark challenging to beat.

Source: Caminos

Portfolio Diversifies Economic Participation

	Portfolio Return								
	Real Estate	Equity	Fixed Income	Real Assets	Alpha Pool	Venture Capital & Private Equity	Cash/Liquidity	Overlay Portfolio	Interest Rate Hedging
State 12: Stagflationary Labor Deterioration		●	●	●		●		●	◆
State 11: Inflationary Expansion, Improving Credit Quality		●				●		●	●
State 3: Liquidity Expansion with Labor Softening		●		●				●	◆
State 9: Sticky Inflation with Easing Corporate Credit				●		●		◆	◆
State 7: Sticky Inflation, Defensive Strength						●		◆	◆
State 2: Soft-Landing Credit Expansion								●	◆
State 10: Sticky Inflation with Tightening Corporate Credit								◆	●
State 8: Bifurcated Expansion with Emerging Credit Stress		●				●			◆
State 5: Recessionary Credit Deterioration									●
State 1: Liquidity-Driven Growth Weakness		●				●		●	◆
State 4: Consumer-Led Credit Stress		◆						◆	●
State 6: Credit Stress Beneath Resilient Spending			◆	◆				●	●

- SBCERA's portfolio's performance is driven by more than just equity in the upside.
- In addition, SBCERA's portfolio has downside protection build in that the benchmark design lacks.

Structural Lags in Equity Exposure Are Offset

	Allocation Effect							
	Real Estate	Equity	Fixed Income	Real Assets	Alpha Pool	Venture Capital & Private Equity	Cash/Liquidity	Overlay Portfolio
State 12: Stagflationary Labor Deterioration	●	◆		●	◆		◆	◆
State 11: Inflationary Expansion, Improving Credit Quality		◆			◆			
State 3: Liquidity Expansion with Labor Softening	●	◆		●	◆			◆
State 9: Sticky Inflation with Easing Corporate Credit								
State 7: Sticky Inflation, Defensive Strength		●		●				
State 2: Soft-Landing Credit Expansion		◆		●				
State 10: Sticky Inflation with Tightening Corporate Credit			●	◆				
State 8: Bifurcated Expansion with Emerging Credit Stress		◆	●		◆			
State 5: Recessionary Credit Deterioration								
State 1: Liquidity-Driven Growth Weakness								
State 4: Consumer-Led Credit Stress		●		◆	●			●
State 6: Credit Stress Beneath Resilient Spending								

- Because of the structural underweight to equity and hedging activity, the portfolio loses ground in the upside, but some of that ground is made up in real assets, real estate and fixed income.
- In the downsides, the structural underweight adds to performance.

Manager Selection Shines

State 12: Stagflationary Labor Deterioration
 State 11: Inflationary Expansion, Improving Credit Quality
 State 3: Liquidity Expansion with Labor Softening
 State 9: Sticky Inflation with Easing Corporate Credit
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 State 5: Recessionary Credit Deterioration
 State 1: Liquidity-Driven Growth Weakness
 State 4: Consumer-Led Credit Stress
 State 6: Credit Stress Beneath Resilient Spending

Selection Effect					
Real Estate	Equity	Fixed Income	Real Assets	Alpha Pool	Venture Capital & Private Equity
	◆	●			
◆	◆	◆	◆	◆	◆
	◆	●	●		●
	◆	●			◆
	●	●	●		●
	◆	●	◆		◆
	◆	◆	◆		◆
	●	●	◆		●
	◆	●	◆		

- Manager selection shines in fixed income and private credit.
- Historical exposure to equal weighted equity created a structural gap in performance that is still being felt in the portfolio lookback.

Looking Back: Key Observations

- Despite less equity exposure, the **SBCERA portfolio** participates meaningfully in the recovery and expansion of economic activity.
- **Strong manager selection of credit managers** shows with participation in the worst economic trough when credit is cheap. Disciplined managers keep powder dry for opportunities.
- The **benchmark's** performance is dominated by **equity**.
- **SBCERA's portfolio's** performance derives from **multiple sources**.
- **Structural underweight** to equities is **partially offset**.
- **Strong manager selection** shows through in **credit managers**.
- **Equity portfolio** is **still recovering** from a historical equal weighted approach.

**Capital Markets
Outlook**

Simulation: Key Observations

- Caminos simulation methodology differs from general Monte Carlo Simulation in that it introduces path dependence.
- Caminos Simulation methodology differs from building blocks approach in that it allows for risk premia to vary over the course of the time horizon, rather than to assume a fixed relationship.

SBCERA Capital Markets Assumptions

Asset Allocation Policy	Target Allocation	Caminos			
		2025	2026	Index	
		Long Term Return		Simulation	
Large Cap U.S. Equity	14.50%	5.3%	4.5%	6.60%	▲ 2.15%
Developed International Equity	7.00%	5.3%	4.5%	4.40%	■ -0.08%
Emerging Market Equity	6.00%	6.6%	4.5%	6.45%	▲ 1.93%
U.S. Core Fixed Income	2.00%	4.8%	4.9%	4.20%	▼ -0.74%
High Yield/Credit Strategies	13.00%	6.1%	6.3%	6.00%	▼ -0.34%
Emerging Market Debt	6.00%	4.8%	5.2%	4.50%	▼ -0.65%
International Credit	11.00%	7.1%	6.0%	4.80%	▼ -1.22%
Real Estate Core	2.50%	5.4%	5.3%	6.80%	▲ 1.53%
Absolute Return	7.00%	6.2%	6.1%	5.80%	▼ -0.27%
Real Assets	6.00%	5.7%	5.1%	6.00%	▲ 0.90%
Private Equity	18.00%	8.6%	8.1%	8.60%	▲ 0.54%
TOTAL				6.20%	6.20%

Source: SBCERA/NEPC/Caminos

SBCERA Portfolio Simulations

SBCERA	Caminos Portfolio Simulation	Caminos Index Simulation	
Total Equity Portfolio	6.50%	6.60%	 -0.10%
International Equity	7.10%	4.40%	 2.70%
Emerging Markets Equity	4.00%	6.45%	 -2.45%
Total Fixed Income Portfolio	5.20%	4.20%	 1.00%
High Yield Credit	8.90%	6.00%	 2.90%
Emerging Markets Debt	3.00%	4.50%	 -1.50%
International Credit	7.80%	4.80%	 3.00%
Total Real Estate Portfolio	5.10%	6.80%	 -1.70%
Alpha Pool Portfolio	5.80%	5.80%	 0.00%
Total Real Assets Portfolio	6.70%	6.00%	 0.70%
Total Private Equity Portfolio	10.50%	8.60%	 1.90%
Total Portfolio plus Overlay	7.40%	6.20%	 1.20%

Source: SBCERA/NEPC/Caminos

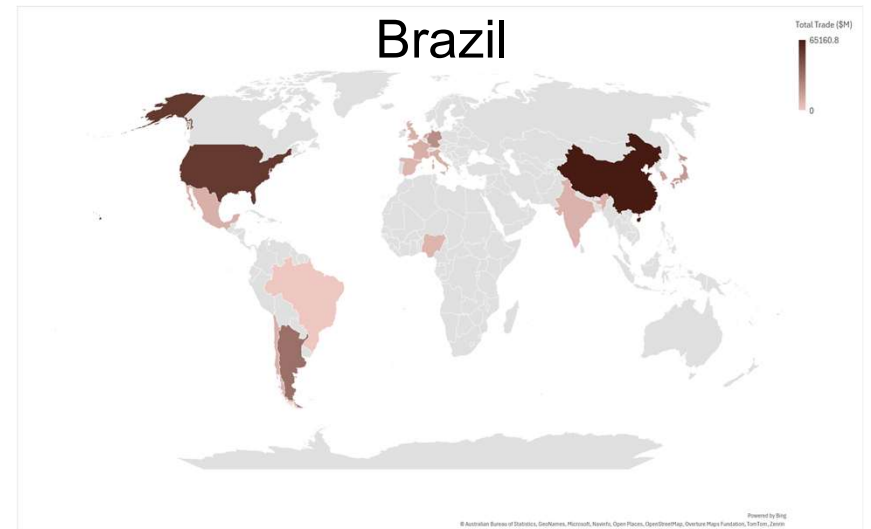
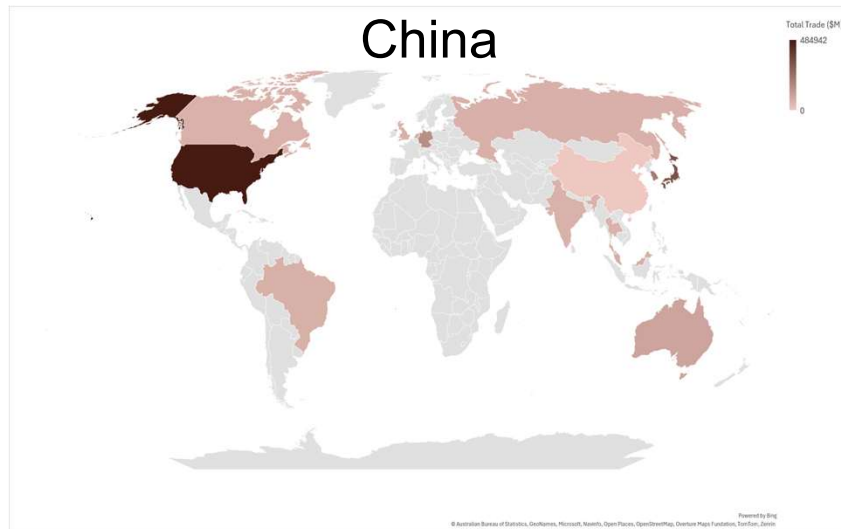
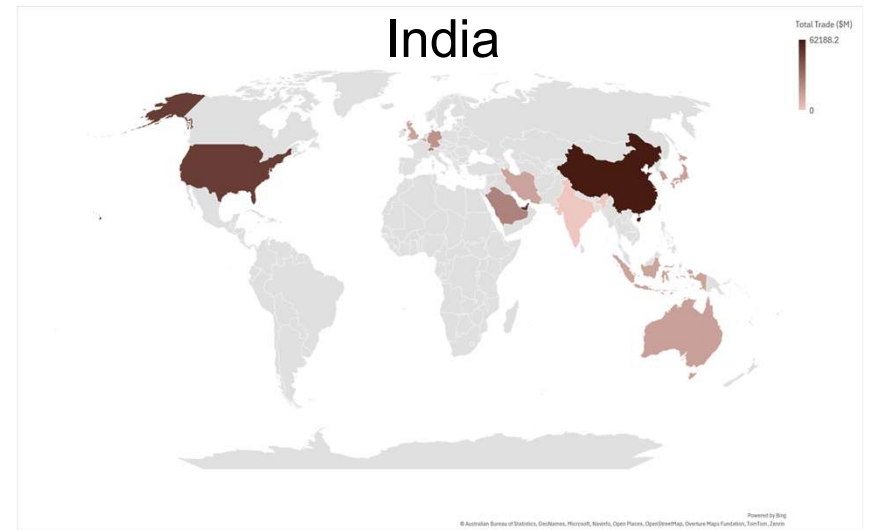
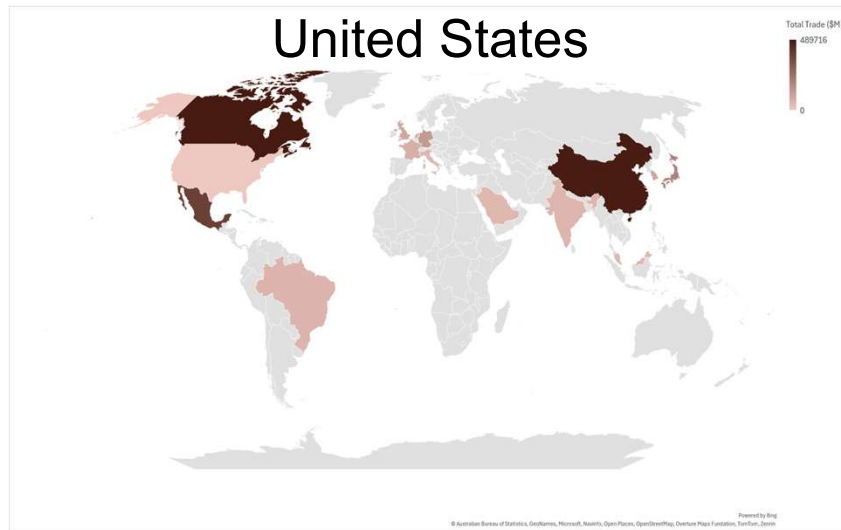
Simulation: Key Observations

- Caminos greatest positive deviations in expectations occur in US equities, International equities and core real estate.
- Caminos greatest negative deviations occur in Core Fixed Income.
- Caminos greatest expectations for SBCERA alpha are in the International Equity, International Credit, High Yield Equity and Private Credit portfolios
- While Caminos simulation of the total benchmark falls short of the required discount rate, the SBCERA portfolio clears that hurdle.



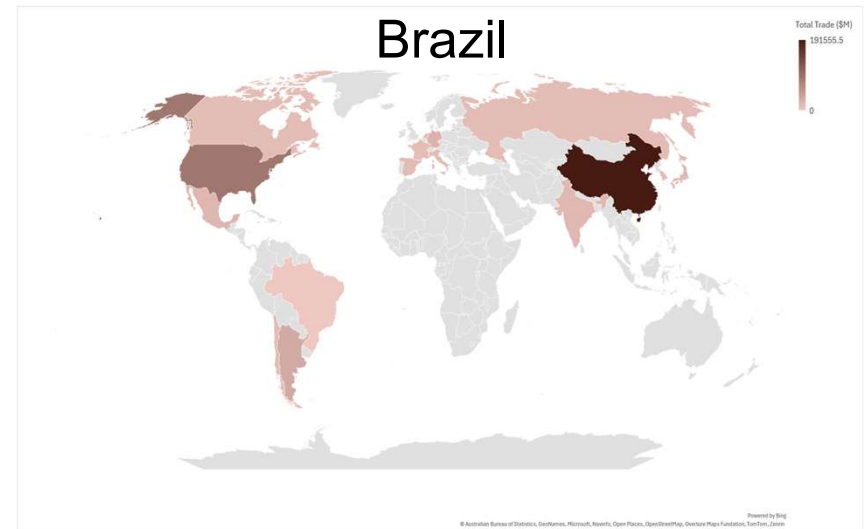
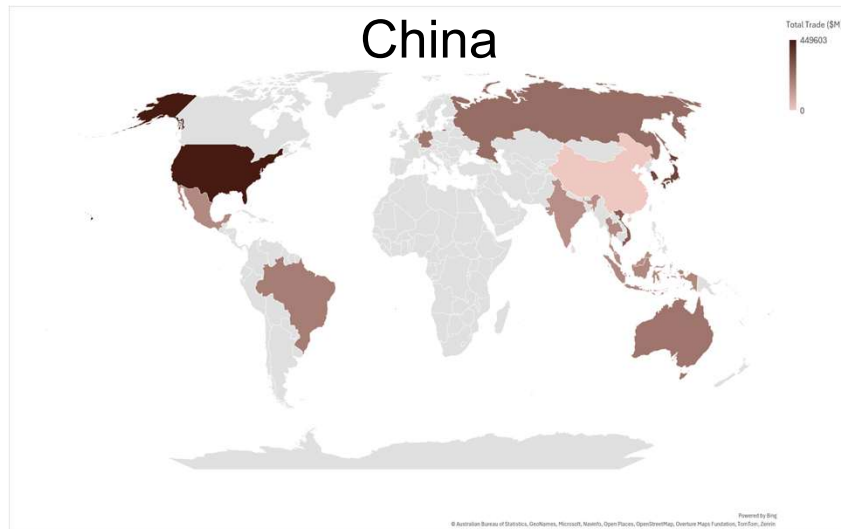
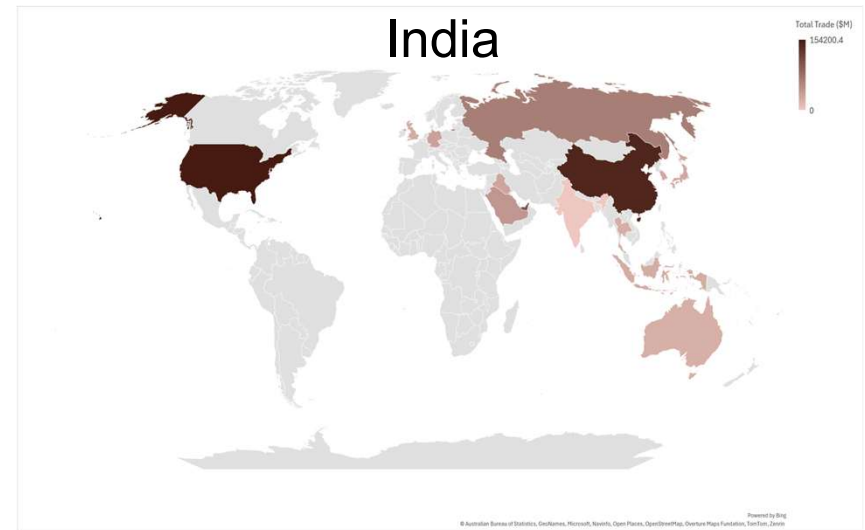
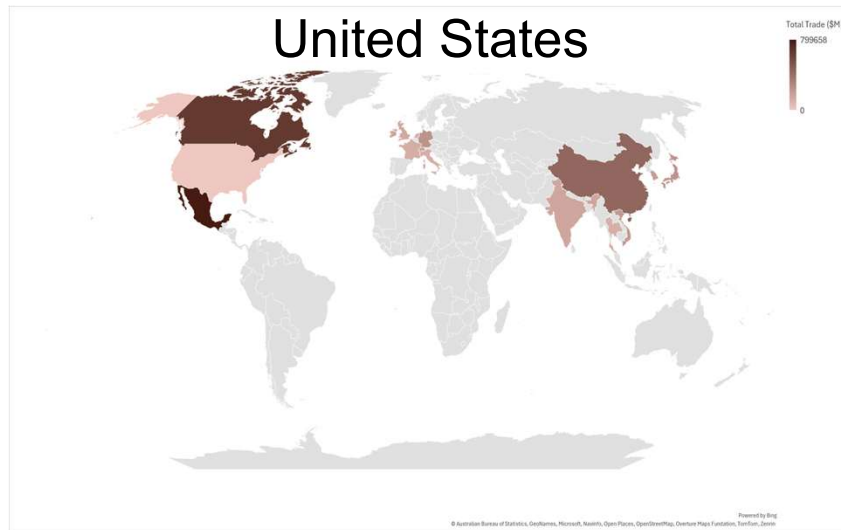
**Global
Fragmentation**

Total Trade - 2010



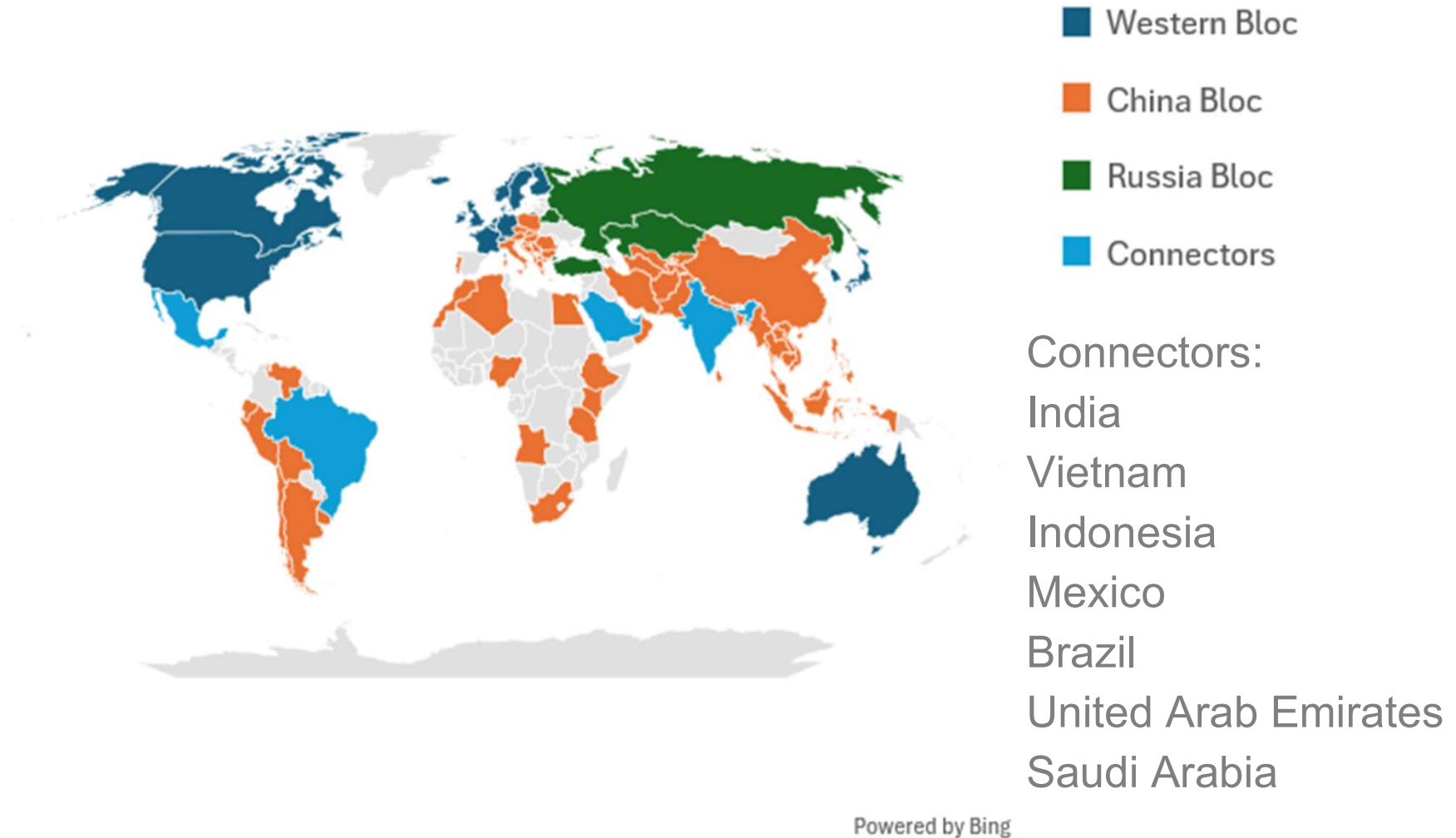
Source: IMF/World Bank/World Trade Organization

Total Trade – 2025

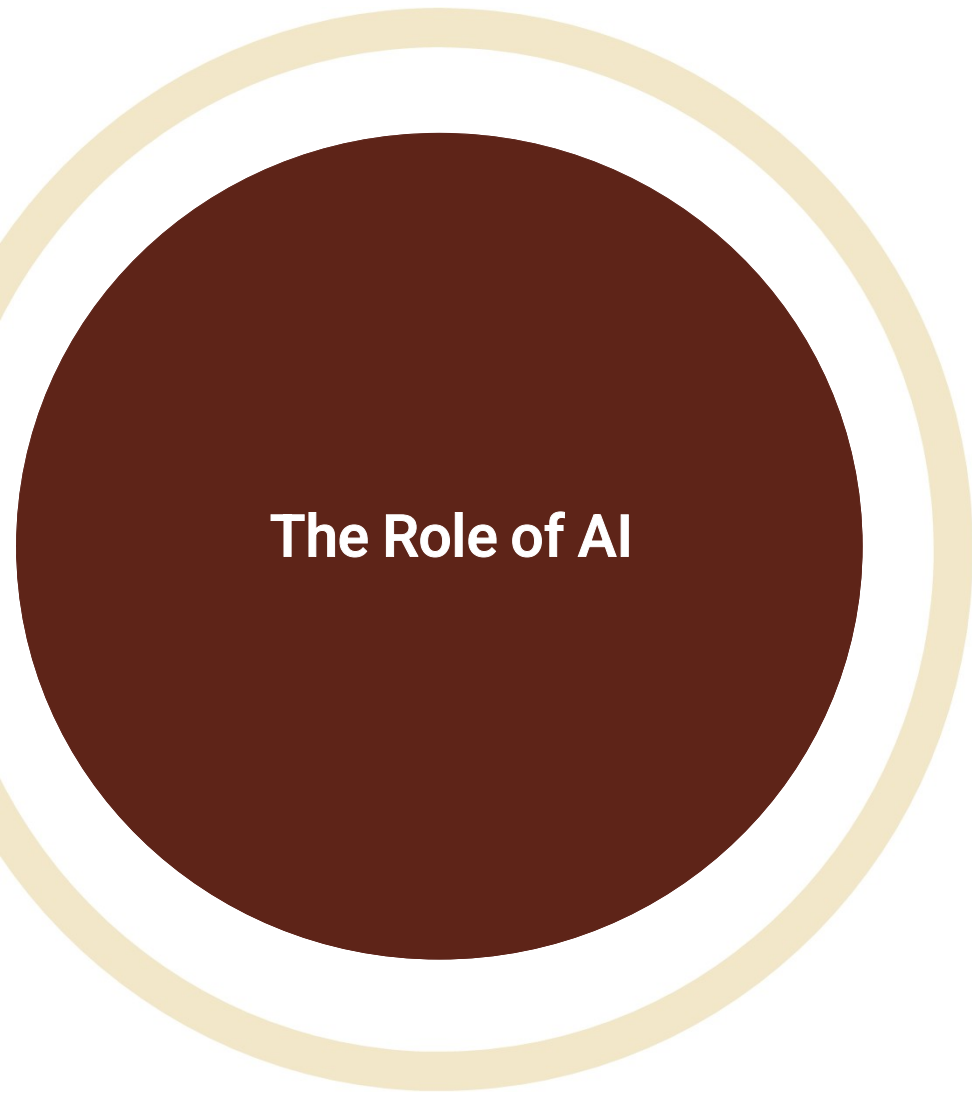


Source: IMF/World Bank/World Trade Organization

Economic Networks

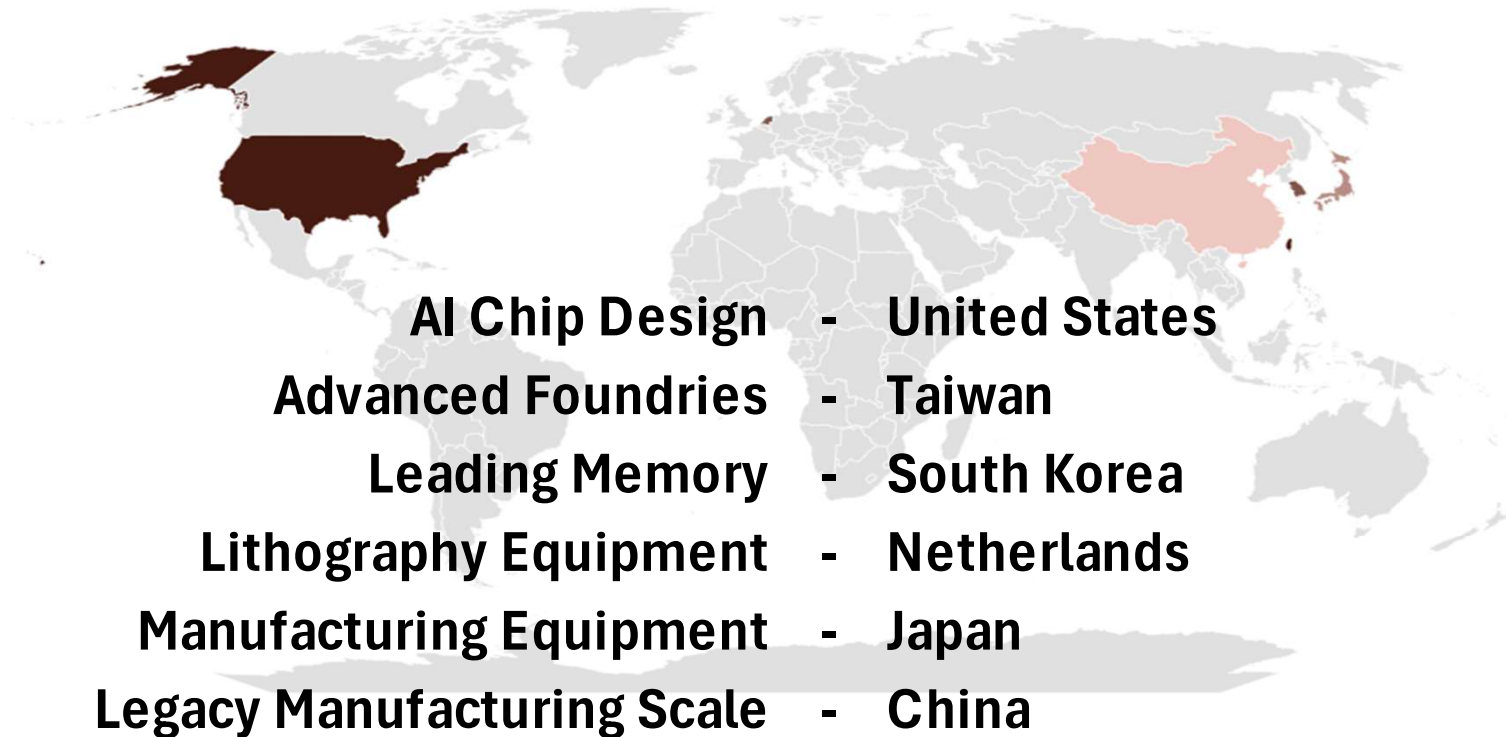


Source: IMF/World Bank/World Trade Organization



The Role of AI

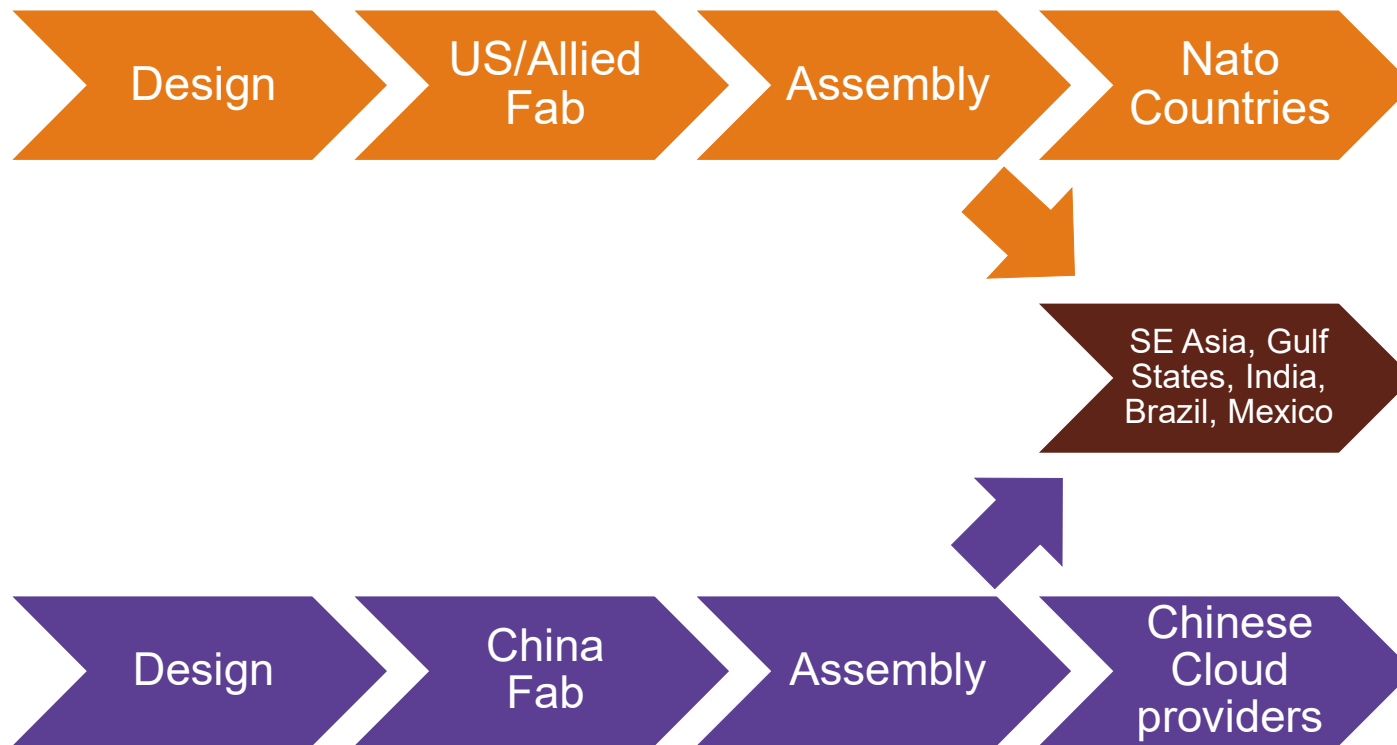
Highly Concentrated Supply Chain



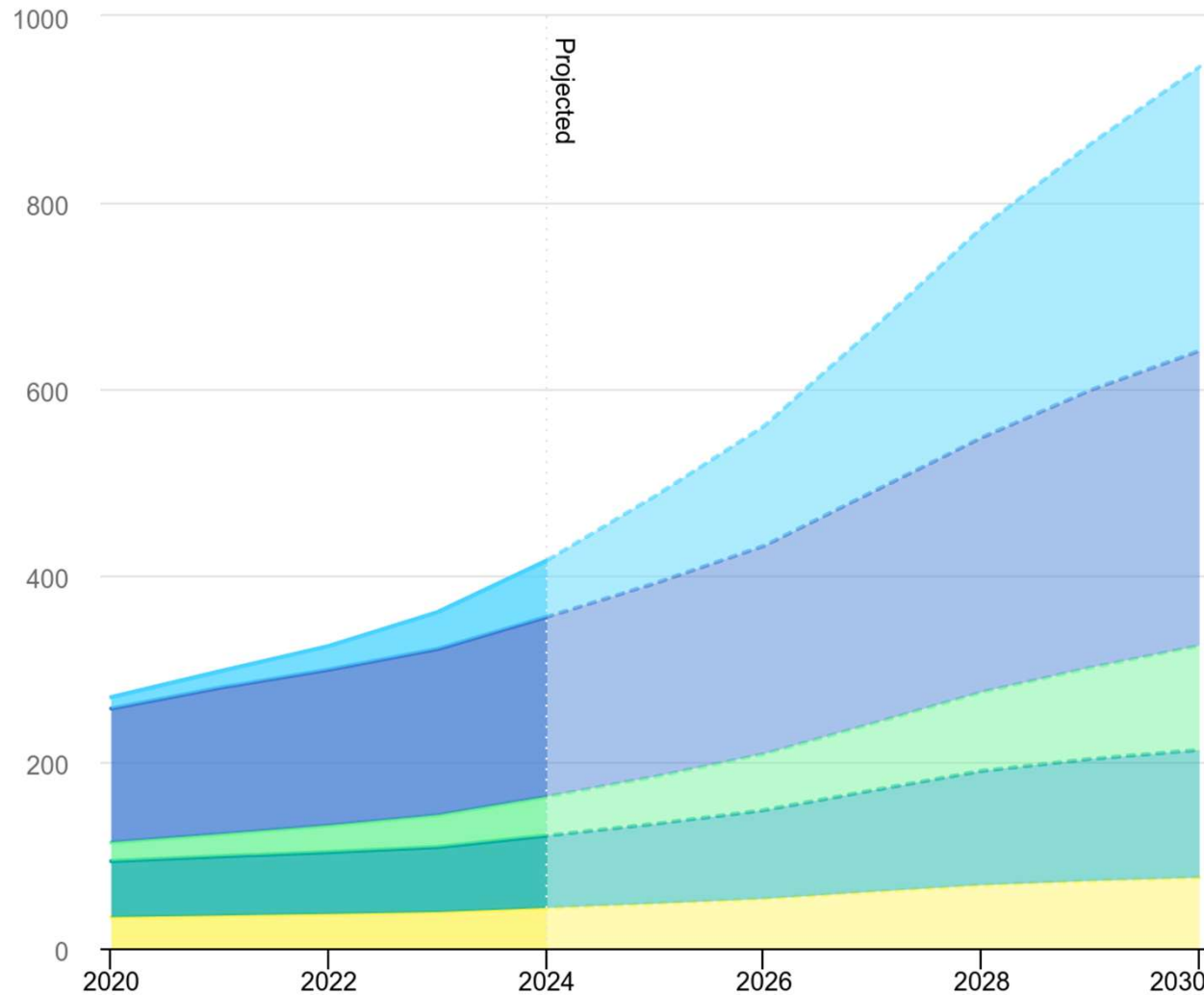
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Source: Gartner Group

AI Impact on the Semiconductor Supply Chain



IEA Forecast for Electricity Demand

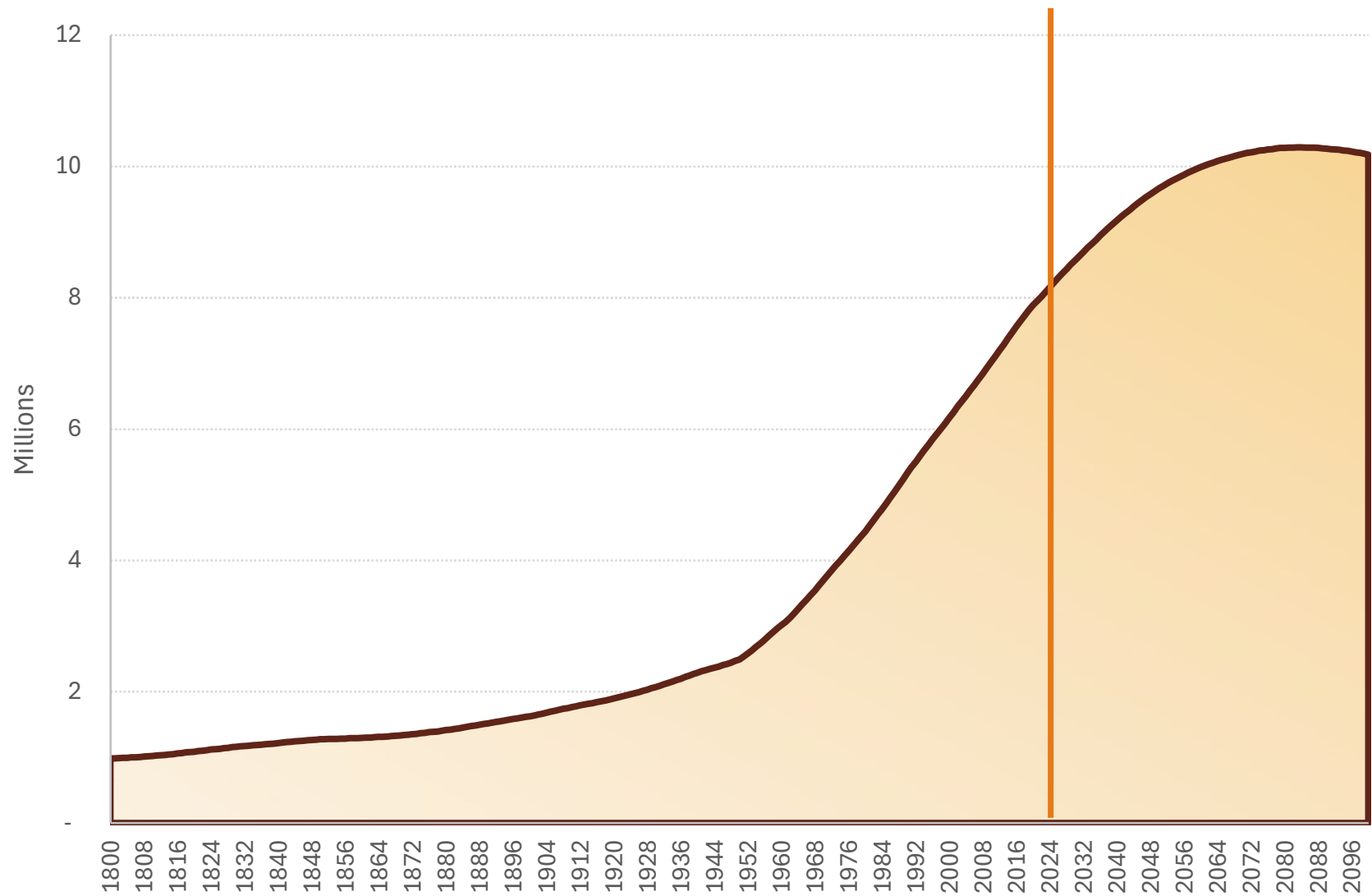


Source: International Energy Association

IEA (2025), Global data centre electricity consumption, by equipment, Base Case, 2020-2030, IEA, Paris <https://www.iea.org/data-and-statistics/charts/global-data-centre-electricity-consumption-by-equipment-base-case-2020-2030>, Licence: CC BY 4.0

**Demographic and
Debt Dynamics**

Population Growth is Slowing



Source: UN World Population Growth Prospects, 2024 revision

2100 Forecasted Population Pyramid



Source: *UN World Population Growth Prospects, 2024 revision*

Federal Debt as a % GDP

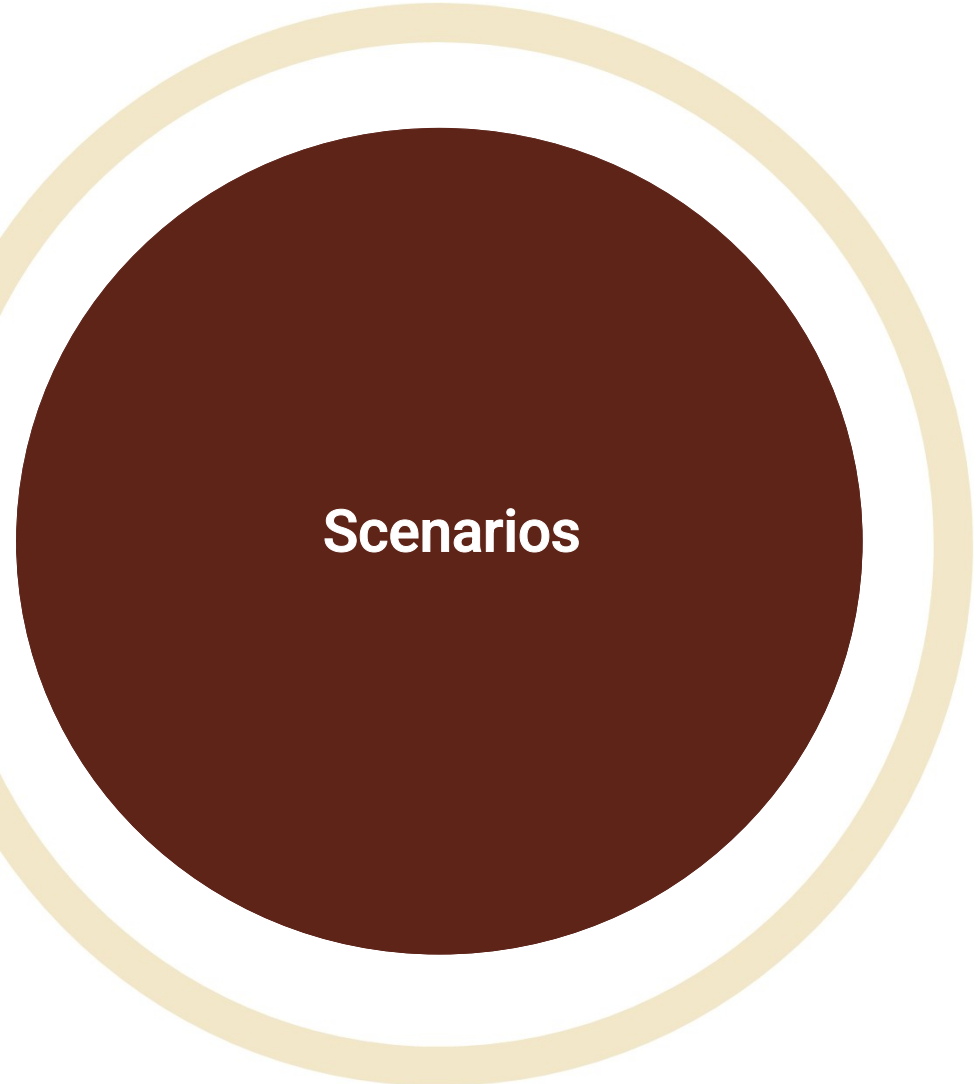


FDGATPD Index (Federal Debt Total Public Debt as Pct of GDP Quarterly Seasonally Adjusted) Federal Public Debt Daily 13OCT2015-09MAR2025

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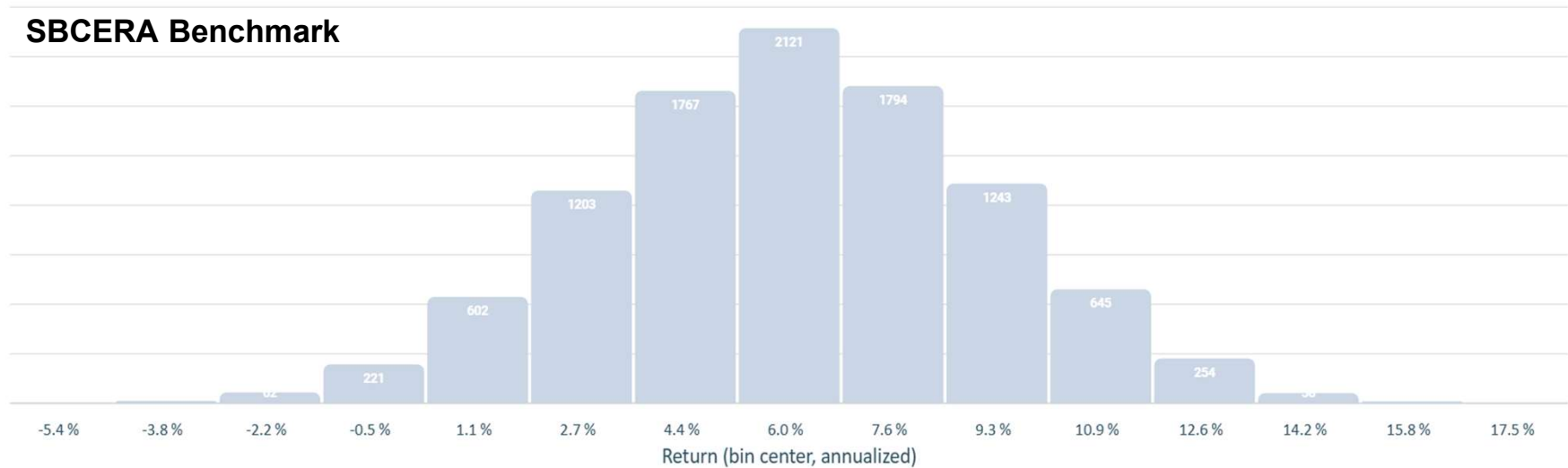
Source: Bloomberg



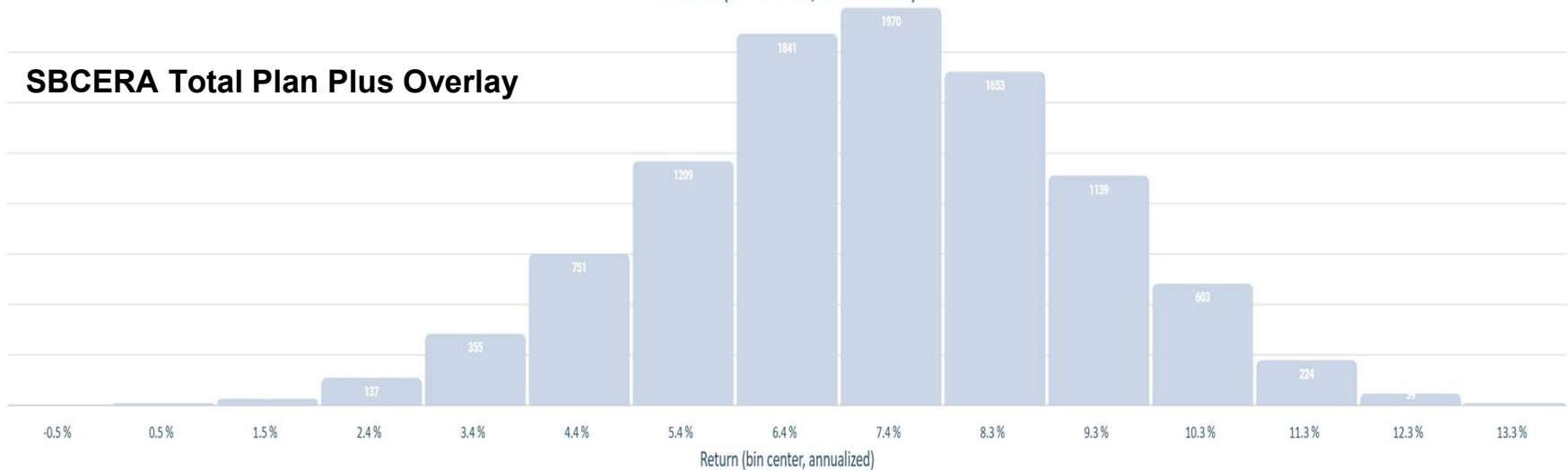
Scenarios

Portfolio Simulations

SBCERA Benchmark

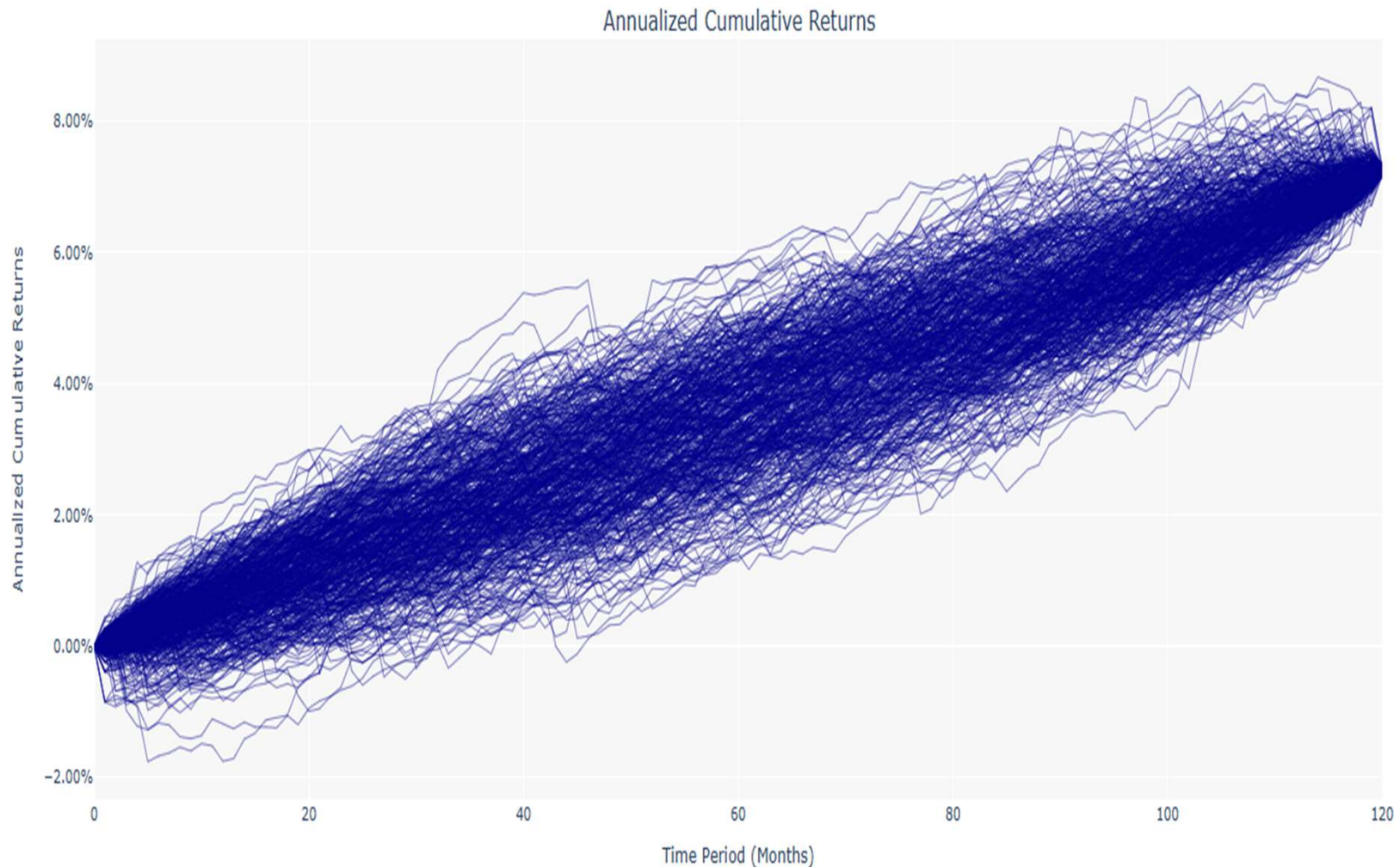


SBCERA Total Plan Plus Overlay



- Benchmark: 31% chance of success, 86% chance of a 10% drawdown
- SBCERA: 66% chance of success, 27% chance of a 10% drawdown

Paths to 7.25% Target

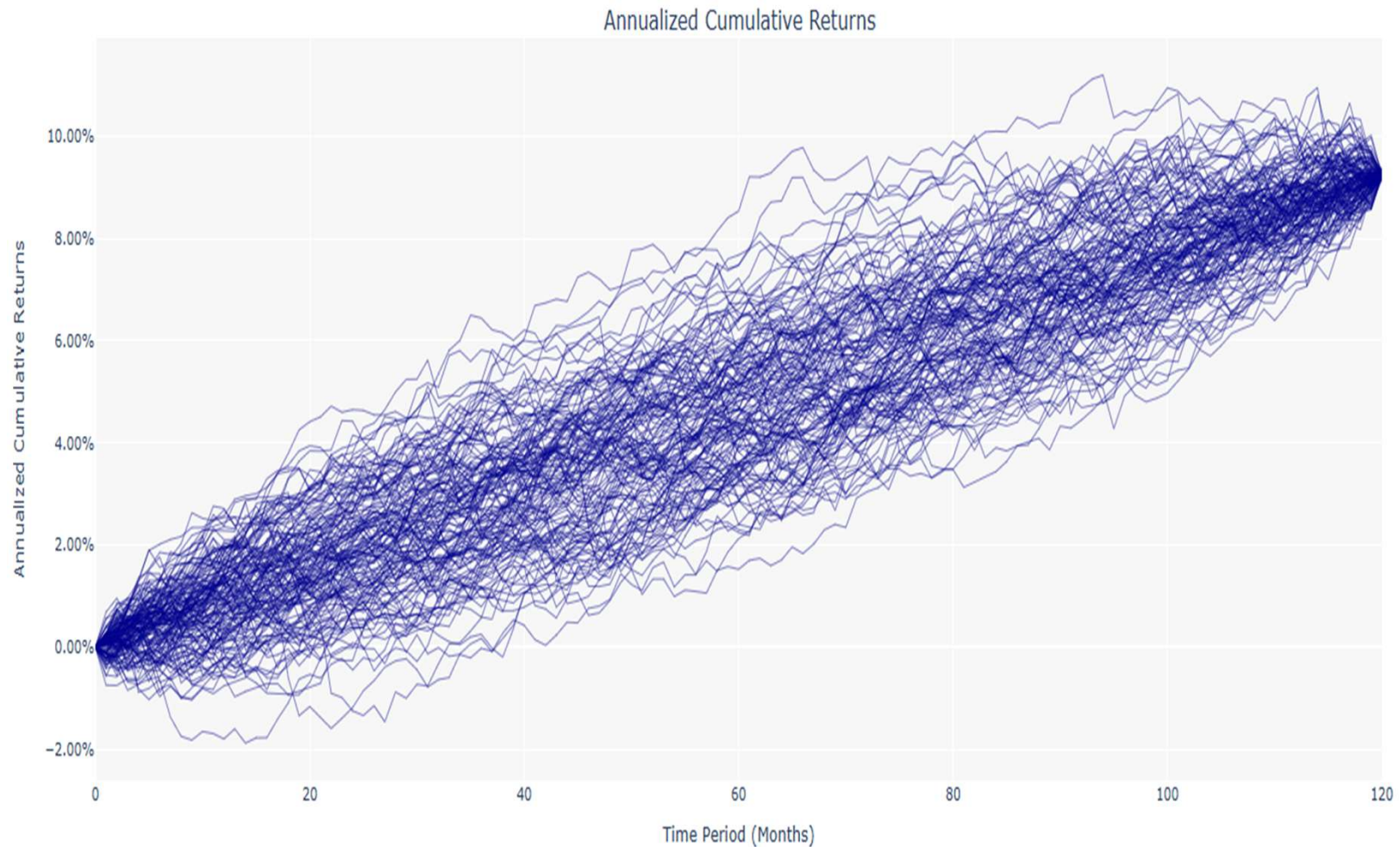


- Caminos simulates a 66.5% probability of surpassing 7.25%
- Simulated results rely on manager selection and portfolio construction

Base Scenario Assumptions

- Aging demographics act as a drag on economic growth.
 - Geographic fragmentation and AI infrastructure spending and automation competes with competing sovereign fiscal spending (healthcare, defense, indebtedness).
-
- ✓ Infrastructure
 - ✓ Private Debt
 - ✓ Connector Countries
 - × Developed Sovereign Debt

Paths to 9.00% Target



- Caminos simulates a **30% probability of achieving a 9.00%**
- The distribution of returns offers an outsized chance at outperformance.

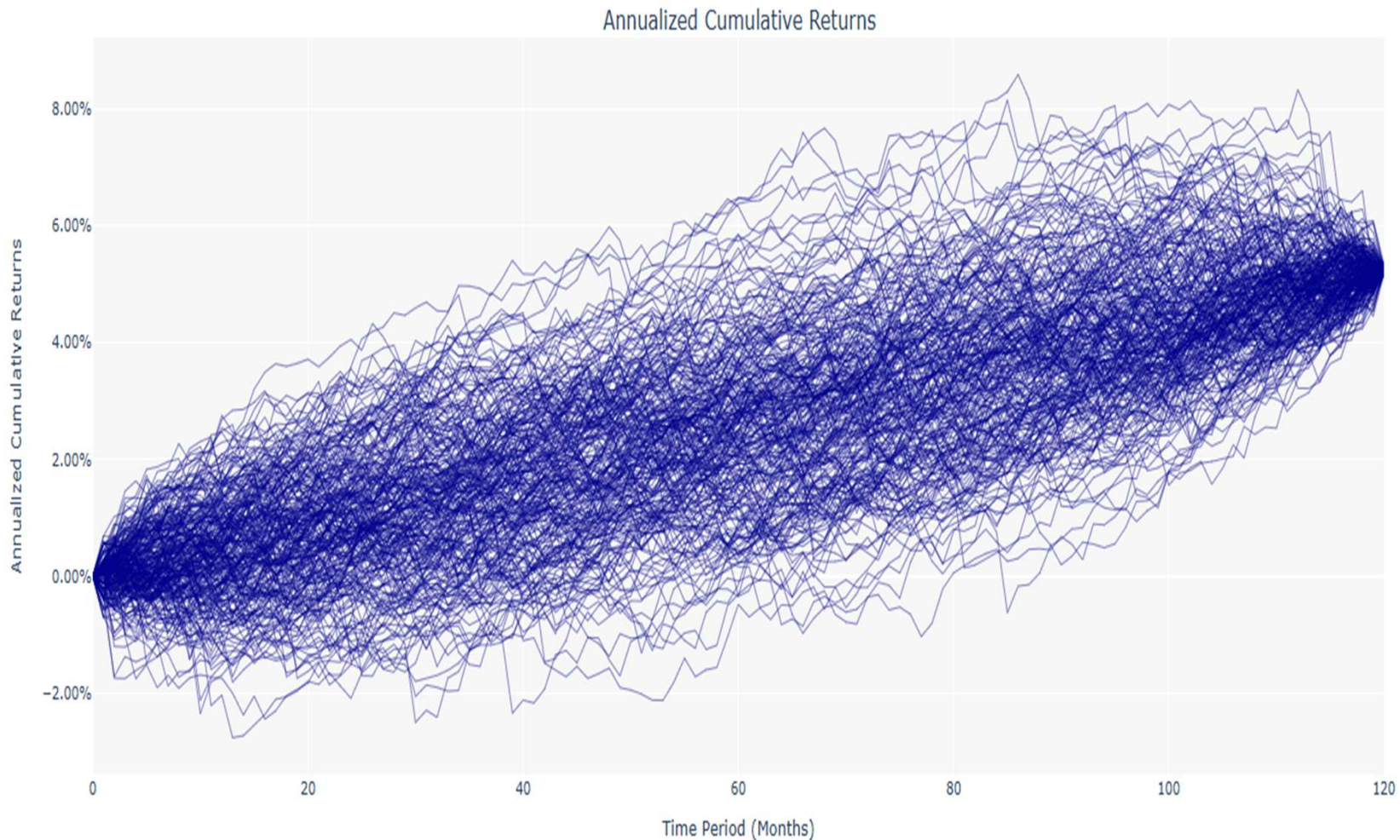
Upside Assumptions

- AI investment boom resembles past transformational infrastructure booms (railroads, electrification and internet).
- Productivity offsets economic drag from aging populations and excess infrastructure spending resulting from fragmentation.

✓Equity

✓Private Equity

Paths to 5.25% Target



- Caminos simulates a **93% probability of achieving 5.25%**
- The distribution of returns favors outperformance to underperformance.

Downside Assumptions

- AI investment boom fails to be transformational.
- Governments face multiple structural burdens simultaneously.
- ✓ Credit
 - × Developed Sovereign Debt

Simulation: Key Observations

- Shift away from equity as single source of return significantly reduces risk of 10% drawdown.
- Manager selection drives improved chances of success.
- Narrative differences that indicate a change in course towards a path below the required 7.25% include:
 - Failure to achieve productivity gains
 - Failure to reduce structural inflation
 - Pressure from fiscal burdens and rising interest rate term premia
 - Further fragmentation and trade isolation
- Narrative difference that indicates a change in course towards a path above the required 7.25% include:
 - Meaningful productivity gains
 - Controlled inflation

Appendix

Building SBCERA's Decision Tree



Personal consumption expenditures excluding food & energy
% Chg QoQ
Increasing

No

Yes



Moody's Seasoned Baa Corporate Bond Yield
QoQ Difference
Increasing

No

Yes



Comm. Bank MBS Balance Sheet Holdings
% Chg QoQ
Increasing

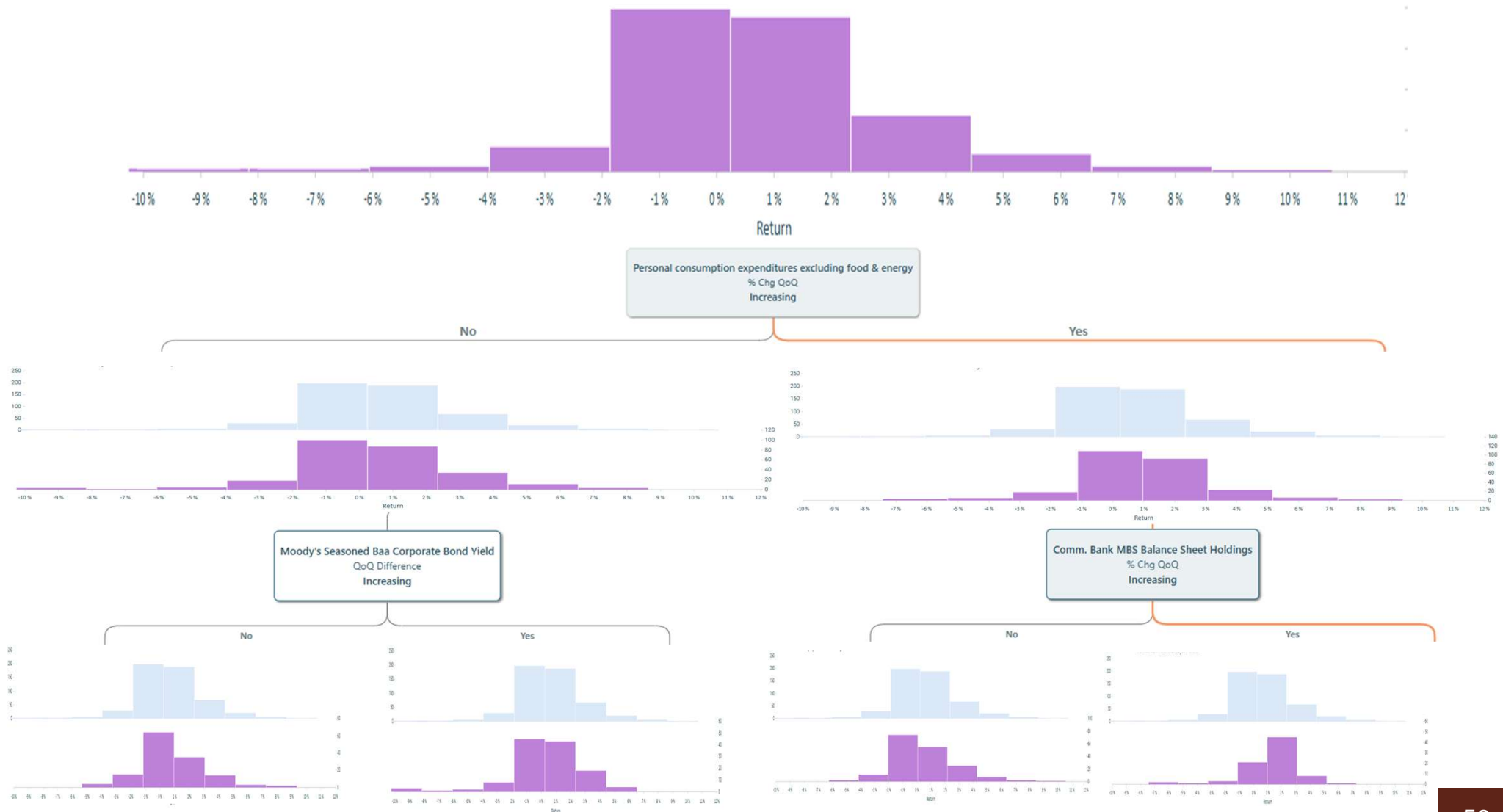
No

Yes



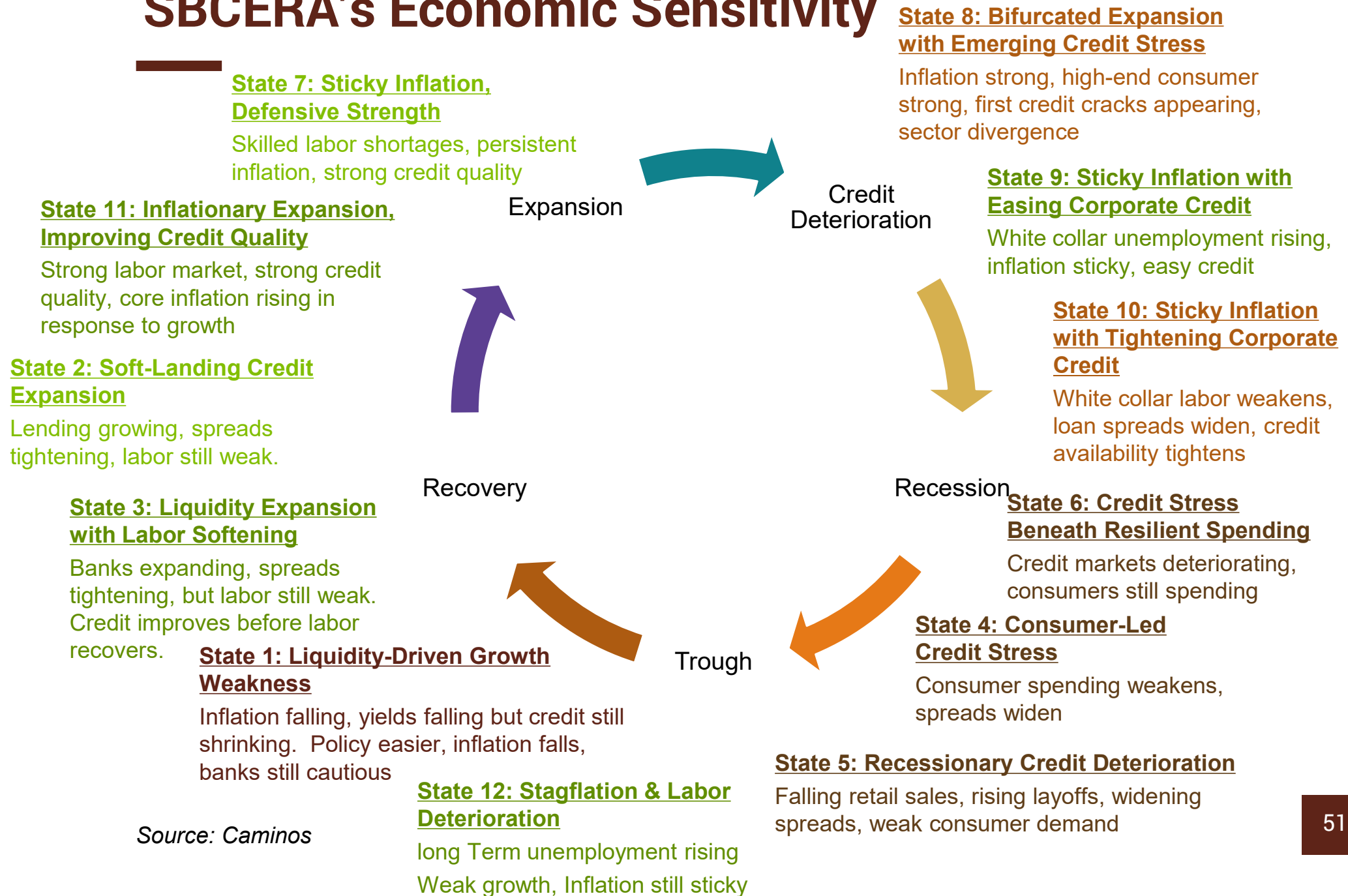
Source: Caminos/State Street

Differentiating Performance



Source: Caminos/State Street

SBCERA's Economic Sensitivity



Source: Caminos

SBCERA State Based Benchmark Performance

State 12: Sticky Inflation, Labor Slack
 State 11: Defensive Disinflation
 State 3: Defensive Rotation, Weak Demand
 State 9: Moderating Growth, Sticky Core Inflation
 State 7: Credit Tightening Cycle
 State 2: Quality Driven Stability
 State 10: Cost Pressure, Tight Credit
 State 8: Stagflation-Lite Credit
 State 5: Unemployment and Rate Pressure
 State 1: Disinflation, Tight Liquidity
 State 4: Deflationary Credit Crunch
 State 6: Stagflation Squeeze on Consumer Credit

Benchmark Return						
Real Estate	Equity	Fixed Income	Real Assets	Alpha Pool	Venture Capital & Private Equity	Cash/Liquidity
-0.03%	3.56%	1.42%	0.68%	0.94%	3.42%	0.20%
0.74%	1.91%	0.18%	0.91%	0.37%	2.38%	0.27%
0.42%	2.71%	0.59%	0.22%	0.75%	3.46%	0.10%
0.21%	0.19%	0.15%	0.83%	0.19%	0.52%	0.15%
0.60%	0.00%	0.27%	-0.17%	0.58%	0.59%	0.19%
0.65%	0.93%	0.33%	-1.82%	0.47%	0.89%	0.13%
-0.02%	0.29%	-0.06%	1.24%	-0.38%	0.00%	0.18%
0.42%	1.80%	0.44%	0.66%	0.27%	1.53%	0.18%
0.00%	0.95%	-0.01%	0.76%	-0.08%	1.14%	0.05%
0.65%	0.98%	0.26%	0.63%	0.45%	1.51%	0.14%
0.02%	-1.60%	-0.58%	0.31%	-0.41%	-1.36%	0.17%
0.14%	0.24%	-0.76%	0.30%	-0.59%	0.91%	0.13%

- The benchmark lives and dies by Equity and Private Equity/Credit performance.
- Fixed Income and Alpha Pool are generally correlated with Equity in these states and offer little diversification.
- Real Assets perform well when the total benchmark is doing very well and very poorly, but sag in the mediocre states.
- Real Estate generally contributes positively across all states on average.

Source: Caminos, State Street, Solovis

SBCERA State Based Portfolio Performance

State 12: Sticky Inflation, Labor Slack
 State 11: Defensive Disinflation
 State 3: Defensive Rotation, Weak Demand
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 State 7: Credit Tightening Cycle
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 State 4: Deflationary Credit Crunch
 State 6: Consumer Credit Stagflation

Portfolio Return								
Real Estate	Equity	Fixed Income	Real Assets	Alpha Pool	Venture Capital & Private Equity	Cash/Liquidity	Overlay Portfolio	Interest Rate Hedging
0.49%	2.44%	5.04%	2.07%	0.62%	0.95%	0.47%	5.33%	-4.99%
-0.04%	1.69%	0.64%	0.36%	0.53%	0.99%	0.25%	3.63%	1.76%
0.37%	2.42%	0.42%	2.08%	0.28%	0.82%	0.04%	7.44%	-3.97%
0.18%	0.74%	0.66%	1.19%	0.66%	1.80%	0.18%	-1.90%	-3.50%
0.74%	0.28%	0.42%	0.29%	-0.18%	1.22%	0.13%	-2.12%	-7.55%
0.37%	0.65%	0.63%	0.03%	0.68%	0.18%	-0.09%	2.62%	-3.25%
0.09%	0.71%	0.80%	0.47%	0.66%	0.92%	0.18%	-1.95%	2.79%
0.08%	1.06%	0.91%	0.91%	0.50%	1.09%	0.17%	0.52%	-1.36%
-0.01%	0.87%	0.11%	0.48%	0.13%	0.07%	0.06%	0.89%	4.49%
0.79%	1.13%	0.36%	0.64%	-0.41%	1.00%	-0.05%	1.55%	-1.09%
0.65%	-1.38%	0.44%	-0.37%	0.47%	0.12%	-0.05%	-3.49%	9.76%
0.81%	-0.28%	-0.64%	-1.06%	-0.39%	0.78%	-0.09%	1.23%	8.95%

- The Equity portfolio is less volatile but lag in the best states.
- The Fixed Income portfolio and private credit portfolios significantly outperform.
- The Real Assets portfolio is more correlated with equity/debt than the benchmark.
- The Real Estate portfolio lags in the best states and outperforms in the worst state.
- The Overlay and Interest Rate Hedging portfolios perform as expected across states with the Overlay performing in line with equity and interest rate hedging doing poorly in the portfolio best states and well in the portfolio worst states.

Source: Caminos, State Street, Solovis

SBCERA State Based Attribution - Allocation

State 12: Stagflationary Labor Deterioration
 State 11: Inflationary Expansion, Improving Credit Quality
 State 3: Liquidity Expansion with Labor Softening
 State 9: Sticky Inflation with Easing Corporate Credit
 State 7: Sticky Inflation, Defensive Strength
 State 2: Soft-Landing Credit Expansion
 State 10: Sticky Inflation with Tightening Corporate Credit
 State 8: Bifurcated Expansion with Emerging Credit Stress
 State 5: Recessionary Credit Deterioration
 State 1: Liquidity-Driven Growth Weakness
 State 4: Consumer-Led Credit Stress
 State 6: Credit Stress Beneath Resilient Spending

Allocation Effect							
Real Estate	Equity	Fixed Income	Real Assets	Alpha Pool	Venture Capital & Private Equity	Cash/Liquidity	Overlay Portfolio
0.03%	-0.17%	0.02%	0.10%	-0.10%	0.01%	-0.07%	-0.14%
0.00%	-0.09%	0.02%	0.02%	-0.07%	0.01%	-0.04%	-0.06%
0.03%	-0.12%	-0.02%	0.08%	-0.07%	0.01%	-0.03%	-0.09%
0.00%	0.02%	0.01%	-0.03%	0.01%	0.01%	-0.02%	-0.02%
-0.01%	0.07%	0.01%	0.04%	0.02%	0.02%	-0.01%	-0.02%
0.00%	-0.07%	0.00%	0.16%	-0.01%	0.00%	0.00%	-0.03%
0.01%	-0.02%	0.03%	-0.08%	-0.04%	0.00%	0.03%	0.00%
0.01%	-0.10%	0.05%	0.02%	-0.09%	0.00%	-0.02%	-0.05%
0.00%	-0.05%	0.02%	-0.01%	-0.05%	0.01%	-0.02%	-0.03%
0.00%	-0.01%	0.03%	0.02%	-0.03%	0.01%	0.00%	-0.04%
-0.03%	0.10%	-0.01%	-0.10%	0.06%	0.01%	0.03%	0.06%
0.00%	-0.01%	0.02%	-0.04%	-0.06%	-0.01%	0.00%	-0.01%

- Conservative positioning lags in best states: Underweight in equity, overweight to cash, overweight to alpha pool and overlay portfolio.
- But, is partially offset by positioning in real assets, real estate, high yield and private credit.
- Conservative positioning in equity, cash and alpha pool helps in certain challenging states without giving back in high yield, private credit.

Source: Caminos, State Street, Solovis

SBCERA State Based Attribution - Selection

State 12: Stagflationary Labor Deterioration
 State 11: Inflationary Expansion, Improving Credit Quality
 State 3: Liquidity Expansion with Labor Softening
 State 9: Sticky Inflation with Easing Corporate Credit
 State 7: Sticky Inflation, Defensive Strength
 State 2: Soft-Landing Credit Expansion
 State 10: Sticky Inflation with Tightening Corporate Credit
 State 8: Bifurcated Expansion with Emerging Credit Stress
 State 5: Recessionary Credit Deterioration
 State 1: Liquidity-Driven Growth Weakness
 State 4: Consumer-Led Credit Stress
 State 6: Credit Stress Beneath Resilient Spending

Selection Effect						
Real Estate	Equity	Fixed Income	Real Assets	Alpha Pool	Venture Capital & Private Equity	
0.03%	-0.32%	1.15%	0.03%	-0.04%	0.05%	
-0.06%	-0.03%	0.04%	-0.10%	-0.02%	-0.20%	
0.00%	-0.12%	-0.16%	0.06%	-0.06%	0.24%	
0.00%	-0.06%	0.11%	-0.01%	0.01%	-0.12%	
0.01%	0.08%	0.19%	0.05%	0.00%	0.09%	
-0.02%	-0.07%	-0.05%	0.24%	-0.02%	-0.26%	
0.01%	0.03%	0.12%	-0.07%	0.01%	-0.06%	
-0.02%	-0.19%	-0.08%	-0.02%	-0.02%	0.00%	
0.00%	0.03%	-0.05%	-0.06%	-0.02%	0.01%	
0.01%	0.12%	0.10%	-0.01%	-0.04%	0.07%	
0.05%	0.04%	0.32%	-0.10%	0.04%	-0.02%	
0.05%	-0.16%	0.20%	-0.12%	0.04%	0.05%	

- Equity manager selection lags across good and bad states.
- Private Credit lags in the good states, but partially makes up for it in the bad states.
- Real assets performs well in quality driven states, weak growth states and inflation states, but lags in disinflation.
- High Yield Fixed Income does very well in best states and worst states, but lags in the average states.
- Real Estate holds up in tight liquidity, rate pressure, credit crunch and stagflation environments, but lags in more constructive environments.

Source: Caminos, State Street, Solovis



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