
VACo/VML Pooled OPEB Trust ***Portfolio Review***

September 21, 2022



2018 2019 2020 2021

We are proud to announce that ACG has again been named a Greenwich Associates Quality Leader – recognized as one of the top consultants in the industry.

Methodology and Disclosure: Between July and October 2021, Coalition Greenwich (previously known as Greenwich Associates), conducted in-person and phone interviews and online surveys with 811 professionals at 661 of the largest tax-exempt funds in the United States, including corporate and union funds, public funds, endowments and foundations, insurance general accounts, and healthcare organizations, with either pension or investment pool assets greater than \$150 million. Study participants were asked to provide quantitative and qualitative evaluations of their asset managers and investment consultants, including qualitative assessments of those firms soliciting their business and detailed information on important market trends. ACG is one of four firms recognized in the mid-size investment consultant category. The ratings may not be representative of any one client's experience with ACG; rather they are representative of those clients that chose to participate in the survey. The results are not indicative of ACG's future performance. ACG does not pay to have its clients participate in the study.

Executive Summary – VACo/VML OPEB Trust

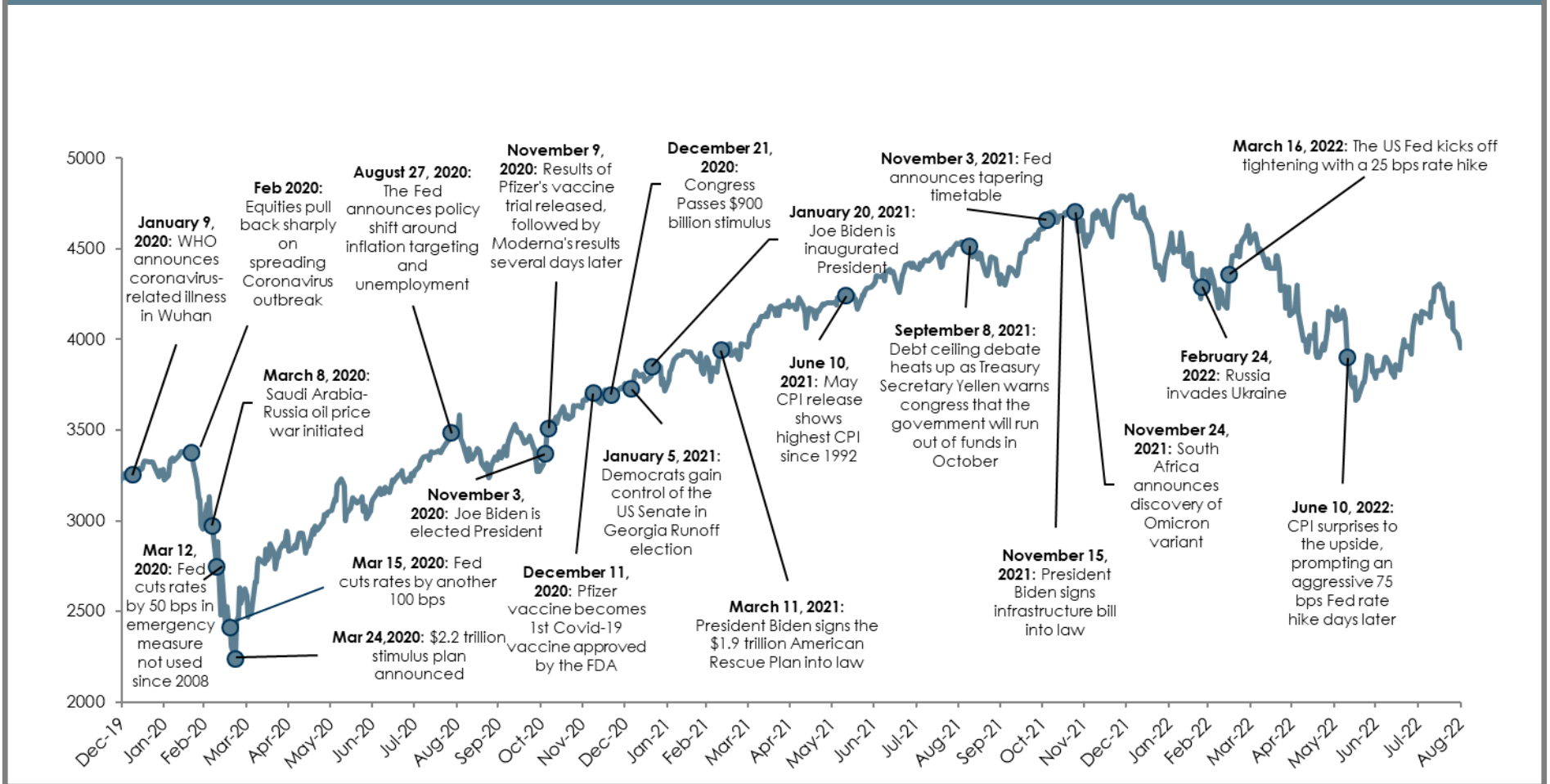
- Market Overview
- Portfolio Structure & Performance Review
- OPEB Trust Investment Activity

Market Outlook

- **The market rally cooled in August** as investors recalibrated Fed tightening expectations following hawkish comments from Fed officials
- **Economic growth has slowed** and consumer sentiment remains weak
- US GDP declined at a 0.6% annualized rate in Q2 after a 1.6% fall in Q1, **but a recession has not yet officially been declared**
- **Fed funds rate could surpass 3.75% by year-end** and the yield curve remains inverted
- Despite high headline inflation, **certain components of CPI** (energy, used cars, air fares, etc.) **have started to roll over**
- **Labor market remains tight** as households (particularly early retirees) draw on last few years of stimulus and investment savings
- Recent declines in equities and reduced stimulus could bring **more people back into the labor force and lead to a moderation in wages**
- Higher interest rates and lower stock prices have generally led to **improved valuations and future return potential**
- **Maintaining portfolio diversification** across asset classes and disciplined rebalancing remains key to achieving long-term investment goals

Market Performance

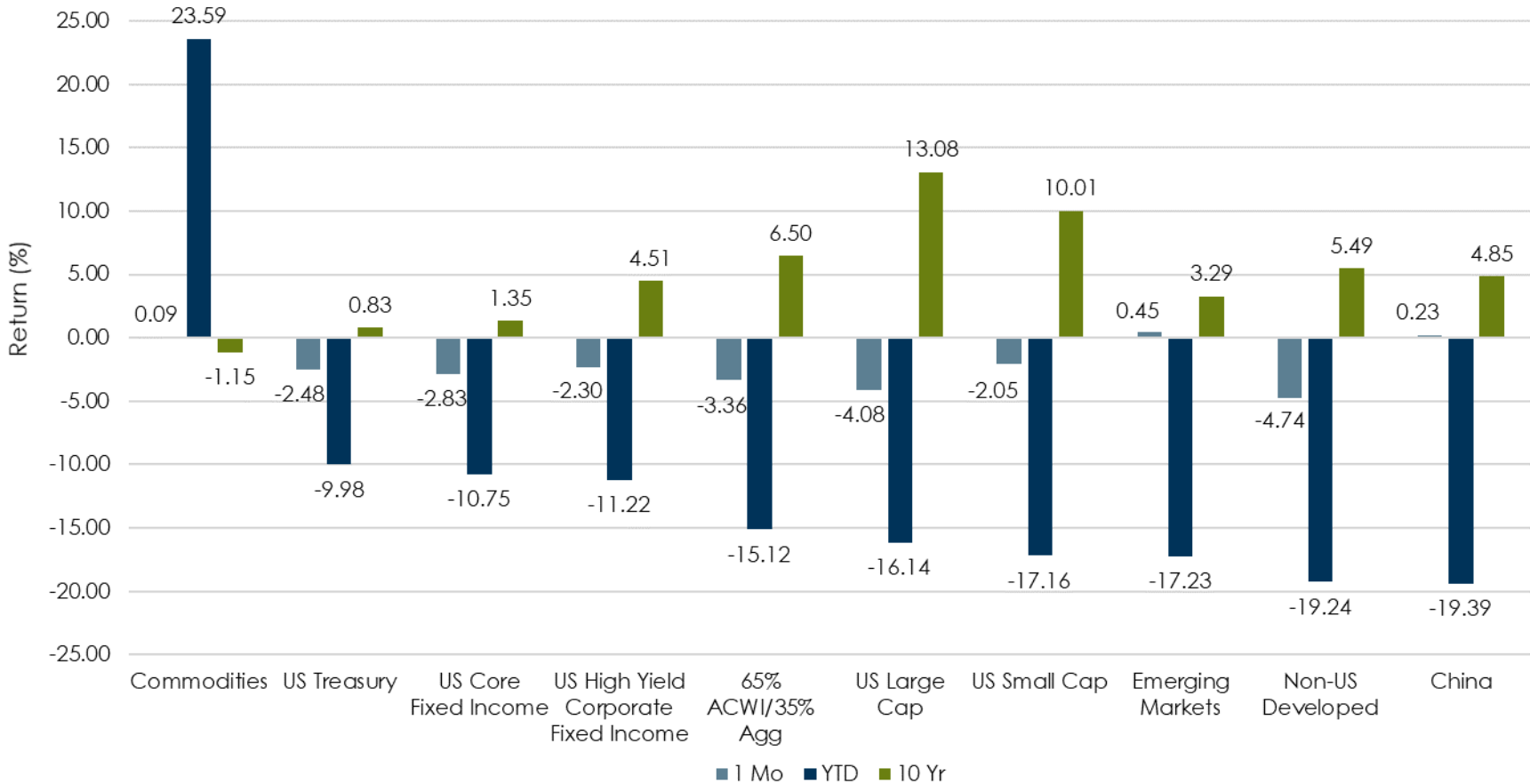
Equity Rally Cooled in August After Hawkish Comments From Fed Officials



Source: ACG Research, Bloomberg (as of August 31, 2022)

Market Performance

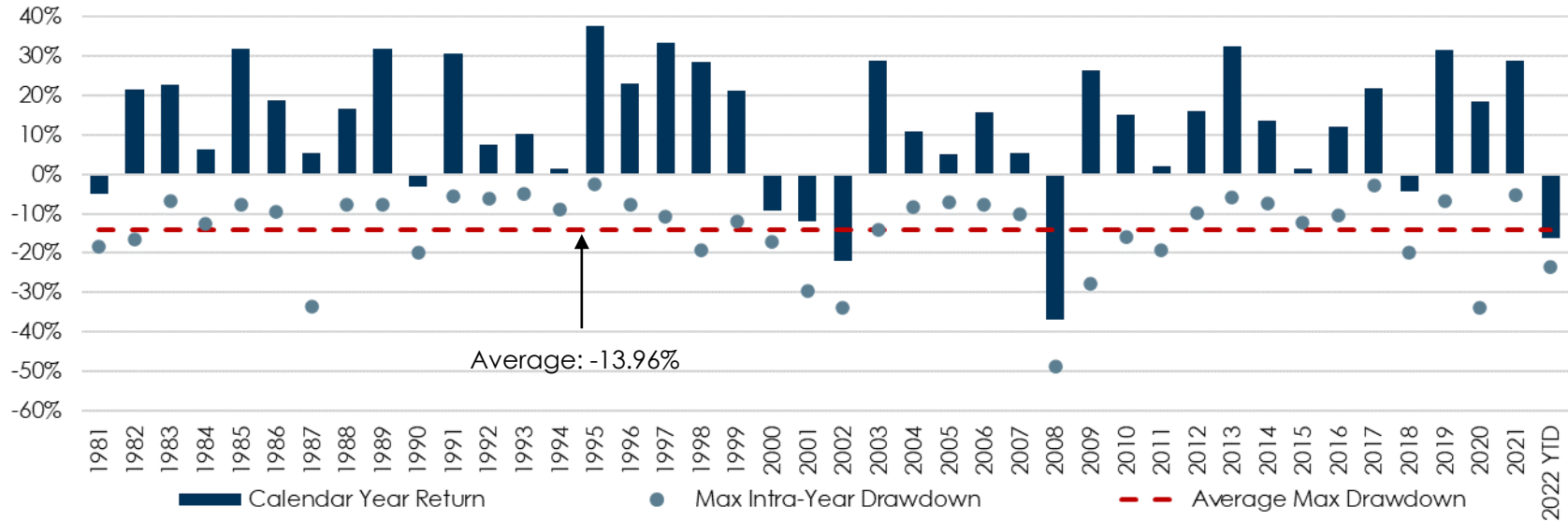
Recent Sell-Off has Been Broad-Based, but Equities Have Still Dominated Over the Last 10 Years



Source: ACG Research, Morningstar (as of August 31, 2022). The following indices used as proxy for asset classes: Russell 2000, Bloomberg Commodity, S&P 500, MSCI EAFE, MSCI Emerging Markets, MSCI China, Bloomberg US Corporate High Yield, Bloomberg US Aggregate, Bloomberg US Treasury

Market Performance

Market Drawdowns are Common, and the Recovery is Often Significant



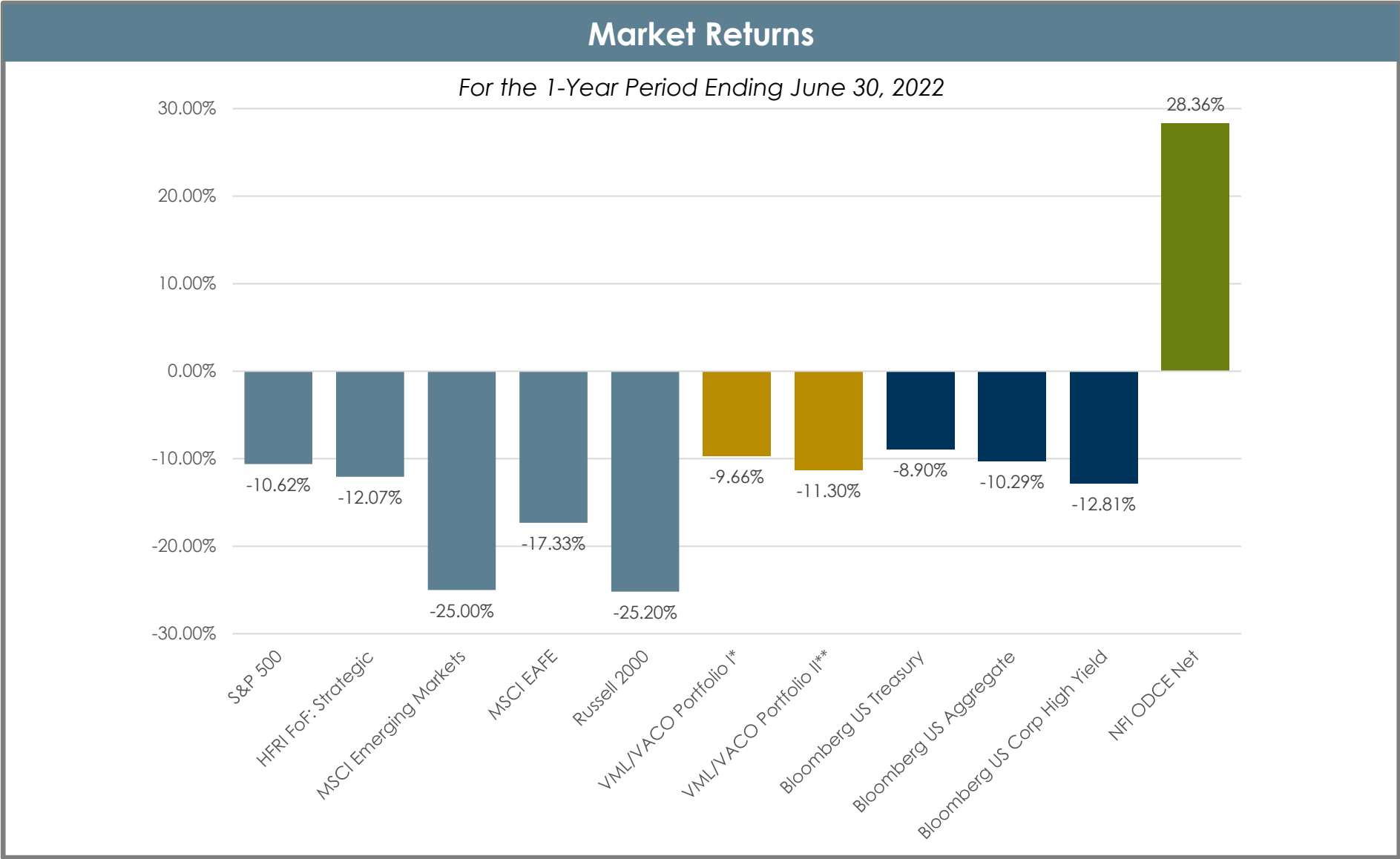
Largest S&P 500 Drawdowns Since 1980 and Next Year's Return (Using Monthly Return Data)

| S&P 500 Drawdown (%) | Length | Recovery | Peak | Valley | 12-Month Forward Return (%) |
|----------------------|--------|----------|--------|--------|-----------------------------|
| -50.95 | 16 | 37 | Oct-07 | Feb-09 | 53.62 |
| -44.73 | 25 | 49 | Aug-00 | Sep-02 | 24.40 |
| -29.58 | 3 | 18 | Aug-87 | Nov-87 | 23.33 |
| -19.96 | 6 | N/A | Dec-21 | Jun-22 | ??? |
| -19.60 | 3 | 4 | Dec-19 | Mar-20 | 56.35 |
| -16.50 | 20 | 3 | Nov-80 | Jul-82 | 59.26 |
| -16.26 | 5 | 12 | Apr-11 | Sep-11 | 30.20 |
| -15.37 | 2 | 3 | Jun-98 | Aug-98 | 39.82 |
| -14.69 | 5 | 4 | May-90 | Oct-90 | 33.50 |

Current Period →

Source: ACG Research, Bloomberg

Market Overview



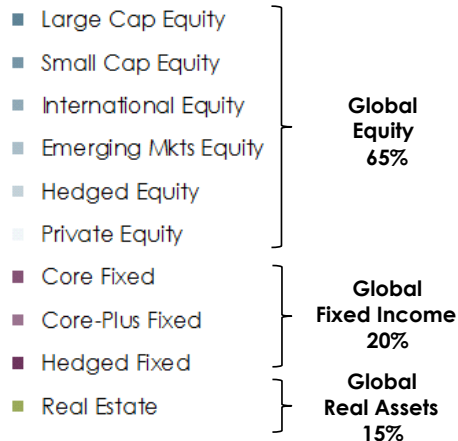
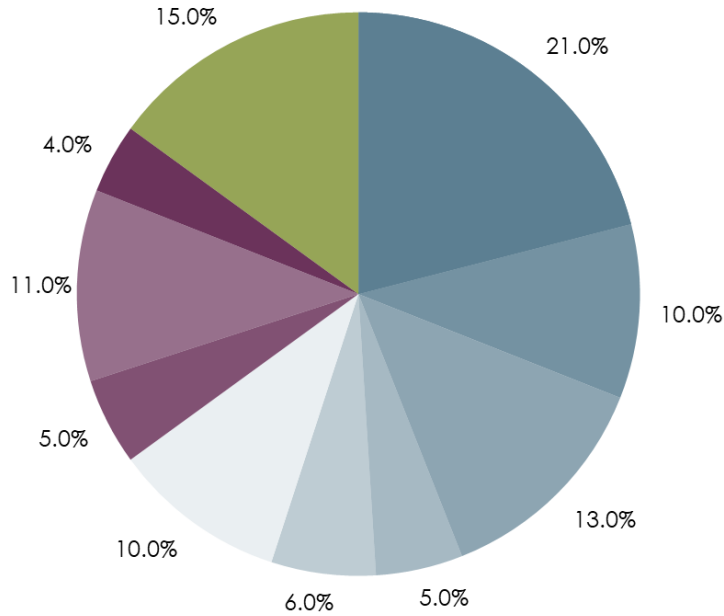
*Portfolio I's broad asset allocation targets are as follows: 65% Equity, 20% Fixed Income and 15% Real Assets.

**As of June 30, 2022, Portfolio II's broad asset allocation targets were as follows: 40% Equity, 55% Fixed Income and 5% Real Assets. Effective July 1, 2022, Portfolio II's broad asset allocation targets are as follows: 40% Equity, 50% Fixed Income and 10% Real Assets.

Asset Allocation

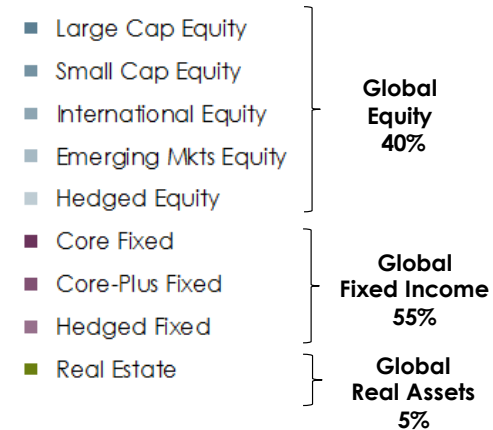
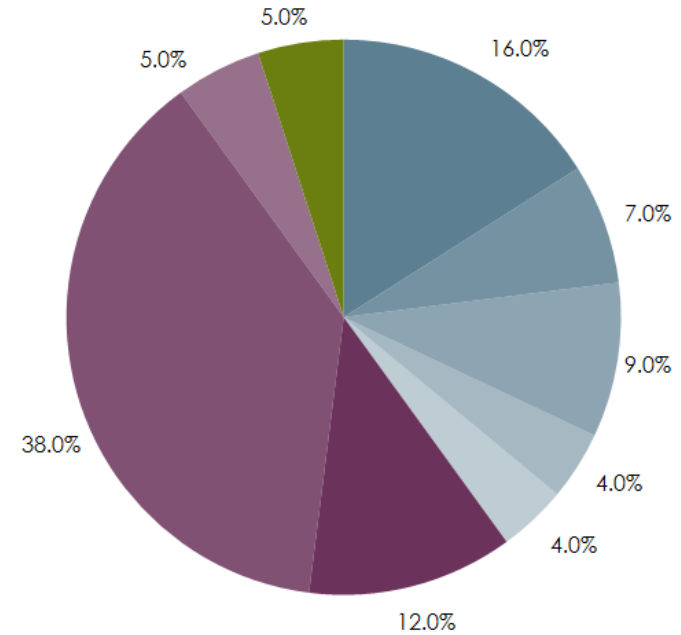
Portfolio I Asset Allocation Targets

For the Period of June 30, 2022



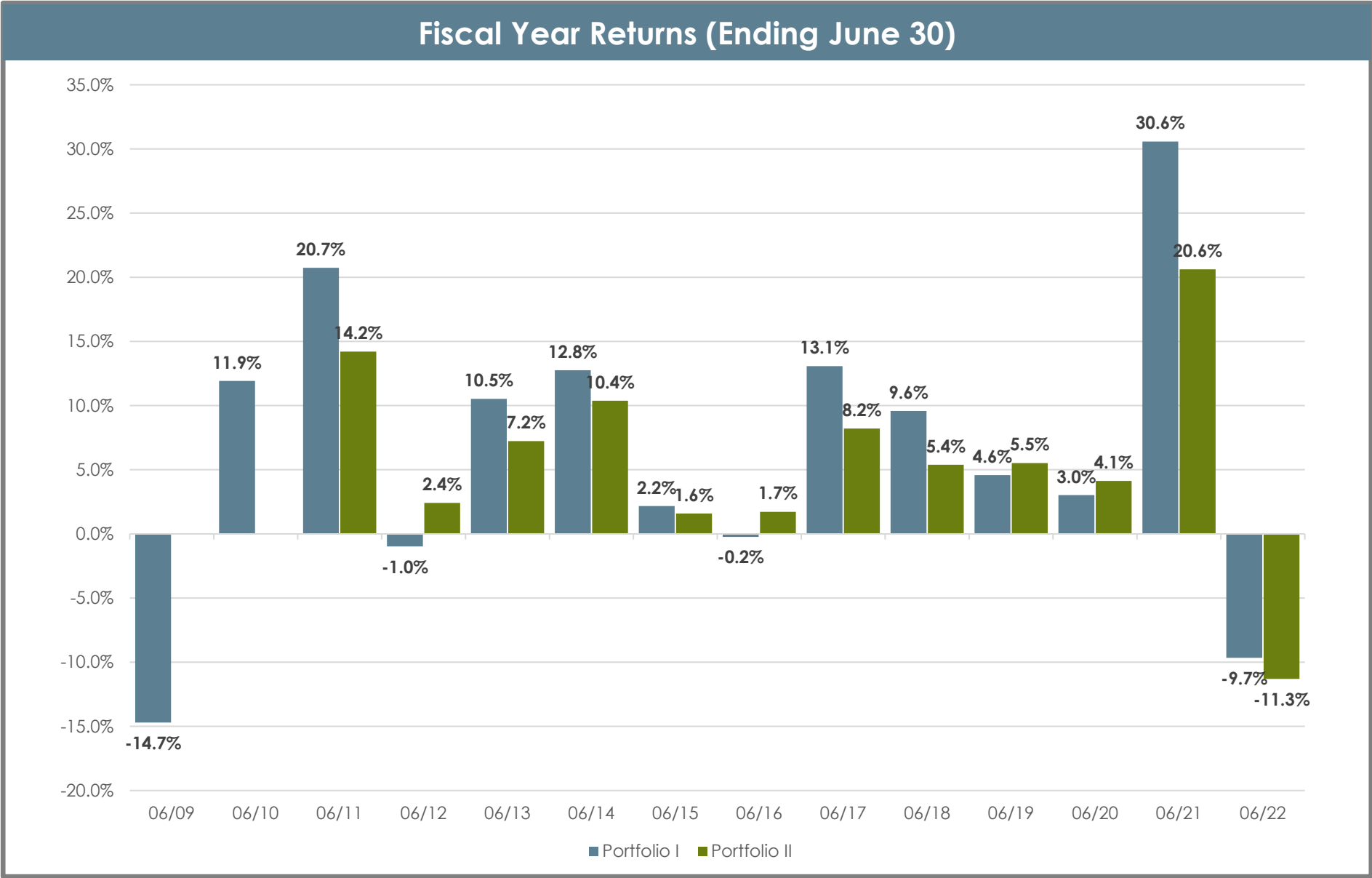
Portfolio II Asset Allocation Targets

For the Period of June 30, 2022*



*As of June 30, 2022, Portfolio II's broad asset allocation targets were as follows: 40% Equity, 55% Fixed Income and 5% Real Assets. Effective July 1, 2022, Portfolio II's broad asset allocation targets are as follows: 40% Equity, 50% Fixed Income and 10% Real Assets.

Portfolio I & II – Fiscal Year Returns



Portfolio I & II – Performance & Ranks as of June 30, 2022

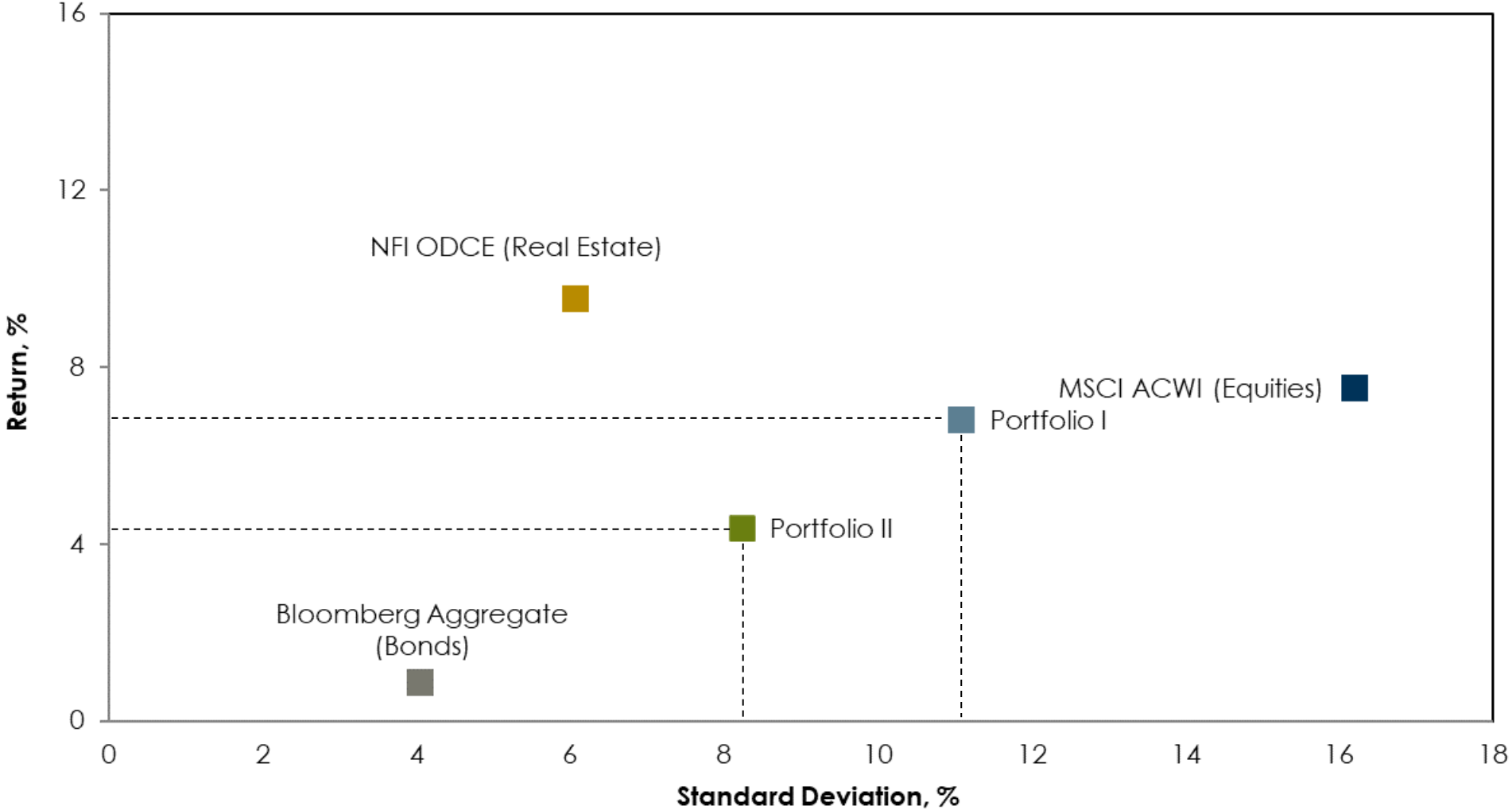
| | 1 Year | 3 Years | 5 Years | 10 Years |
|------------------------------|--------|---------|---------|----------|
| Portfolio I Return (Net) | -9.66% | 6.71% | 6.85% | 7.18% |
| Portfolio I Benchmark | -9.69% | 5.49% | 6.13% | 6.92% |
| Peer Group Rank ¹ | 18 | 8 | 14 | 50 |

| | 1 Year | 3 Years | 5 Years | 10 Years |
|------------------------------|---------|---------|---------|----------|
| Portfolio II Return (Net) | -11.30% | 3.67% | 4.38% | 5.07% |
| Portfolio II Benchmark | -10.96% | 2.64% | 3.82% | 4.67% |
| Peer Group Rank ² | 66 | 36 | 40 | 55 |

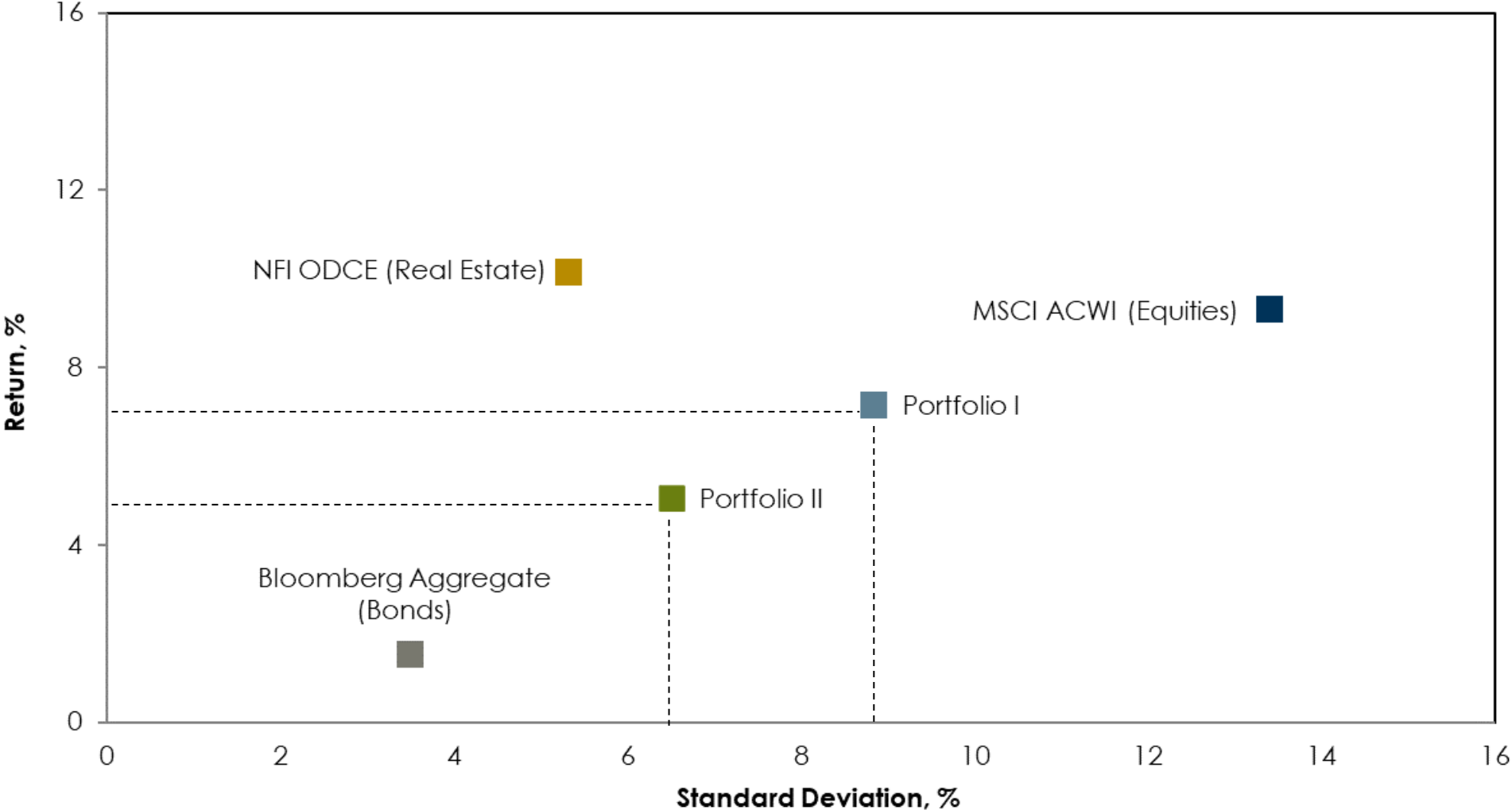
¹ The rankings represent the portfolio's returns versus the IM TF Between 55 – 70% Equity Net peer universe. The rankings are on a scale of 1 to 100 with 1 being the best.

² The rankings represent the portfolio's returns versus the IM TF Below 40% Equity Net peer universe. The rankings are on a scale of 1 to 100 with 1 being the best.

Risk vs. Return for the 5 Years Ending June 30, 2022



Risk vs. Return for the 10 Years Ending June 30, 2022



Portfolio I: Trailing 3-Year Investment Activity

| Manager * | Addition | Termination | Quantitative Decision | Qualitative Decision |
|--|----------|-------------|-----------------------|----------------------|
| Angelo Gordon Realty Value Fund XI (07/22) | X | | | |
| Blackstone Real Estate Partners X (05/22) | X | | | |
| Warburg Pincus Global Growth 14 (05/22) | X | | | |
| FirstMark Opportunity Fund IV (04/22) | X | | | |
| FirstMark VI (04/22) | X | | | |
| Francisco Partners Agility III (02/22) | X | | | |
| Francisco Partners VII (02/22) | X | | | |
| Jade Equity Investors II (02/22) | X | | | |
| Green Equity Investors IX (02/22) | X | | | |
| Morgan Creek Digital Fund III (09/21) | X | | | |
| Greenspring Global Partners X (02/21) | X | | | |
| CarVal Credit Value Fund V (06/20) | X | | | |
| Francisco Partners Agility II (03/20) | X | | | |
| Francisco Partners VI (03/20) | X | | | |
| Gresham TAP Fund (02/20) | | X | X | X |
| FirstMark Opportunity Fund III (02/20) | X | | | |
| FirstMark V (02/20) | X | | | |
| Jade Equity Investors (10/19) | X | | | |
| Green Equity Investors VIII (10/19) | X | | | |

*Date in parentheses represents the month of the investment manager addition/termination.

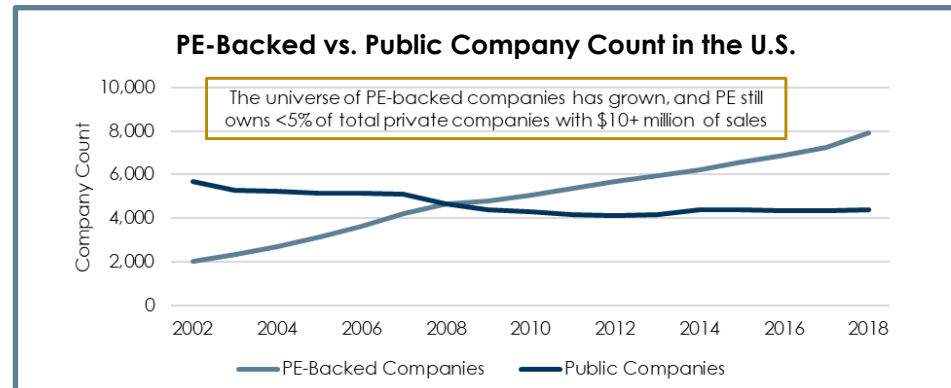
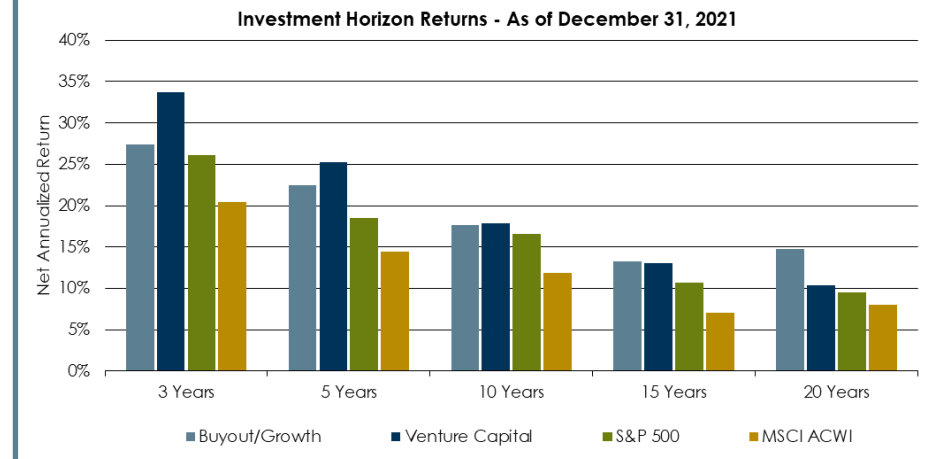
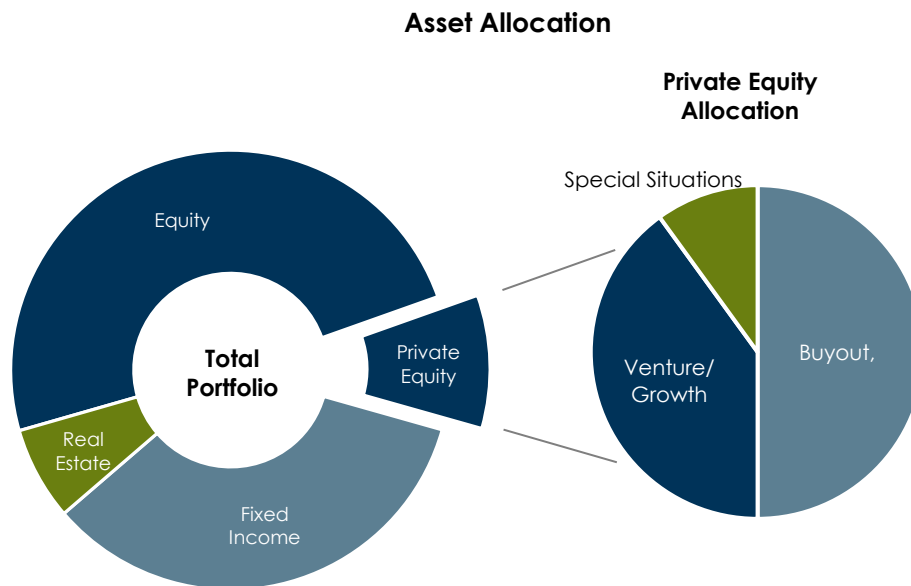
■ Denotes a private equity or opportunistic real estate commitment

Private Equity Portfolio Implementation

Private Equity: Return-enhancing alternative to public equity

Case for Private Equity

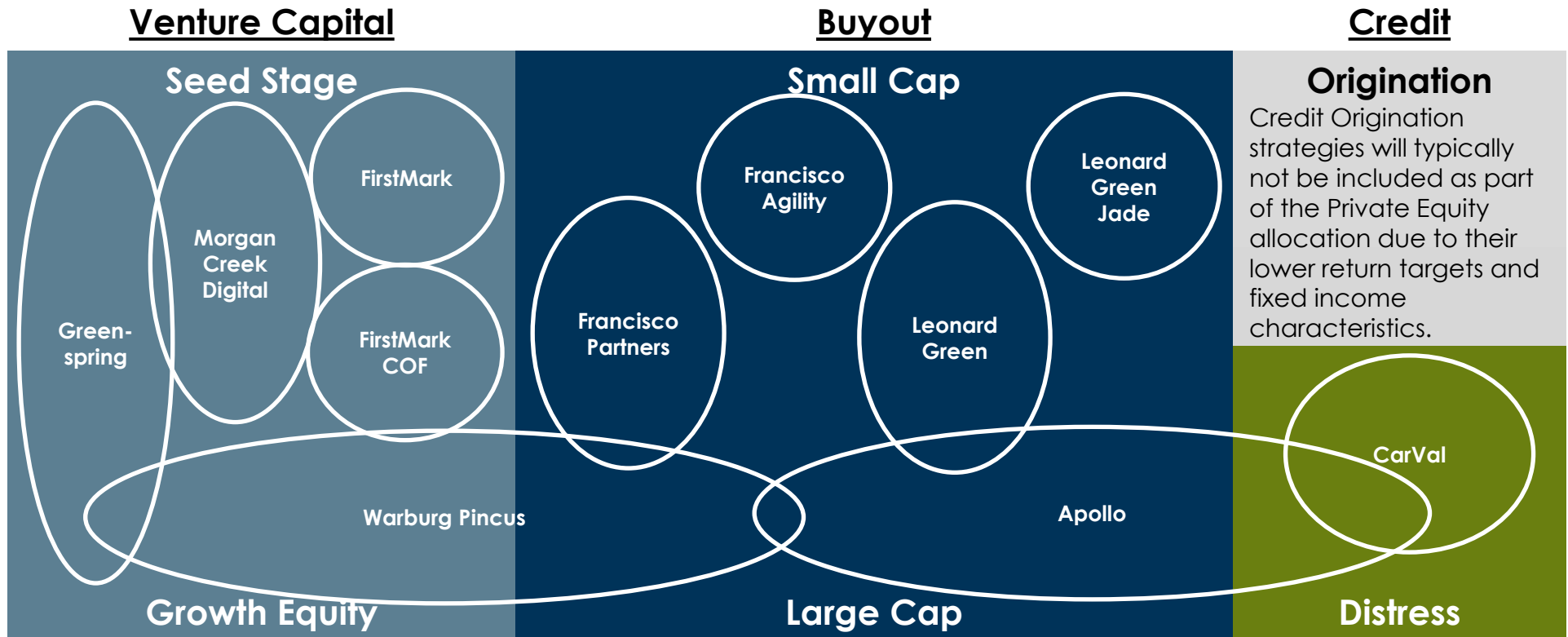
- Consistent outperformance vs. public equity
- Broad company diversification; low penetration vs. opportunity set
- Return dispersion creates alpha opportunity via manager selection



| Opportunity Set | Buyout | Venture/Growth | Special Situations |
|---------------------------------------|------------------------------|---------------------------------|--------------------|
| Implementation | Multiple Managers | Multiple Managers | Multiple Managers |
| Target Company Profile | Mature with steady cash flow | Earlier stage with rapid growth | Distressed |
| Target Net Return | 12% to 15% | 15%+ | 10% to 15% |
| Average Holding Period | 4 to 6 years | 5 to 8 years | <4 years |
| Portfolio Allocation (Port I) | 4% - 6% | 3% - 5% | 0% - 1% |
| Portfolio Allocation (Port II) | N/A | N/A | N/A |

Sources: PitchBook, World Bank, NAICS Association, ACG Research. Notes: Target Net Returns are based on PitchBook historical median returns and ACG experience.

Private Equity Portfolio Construction



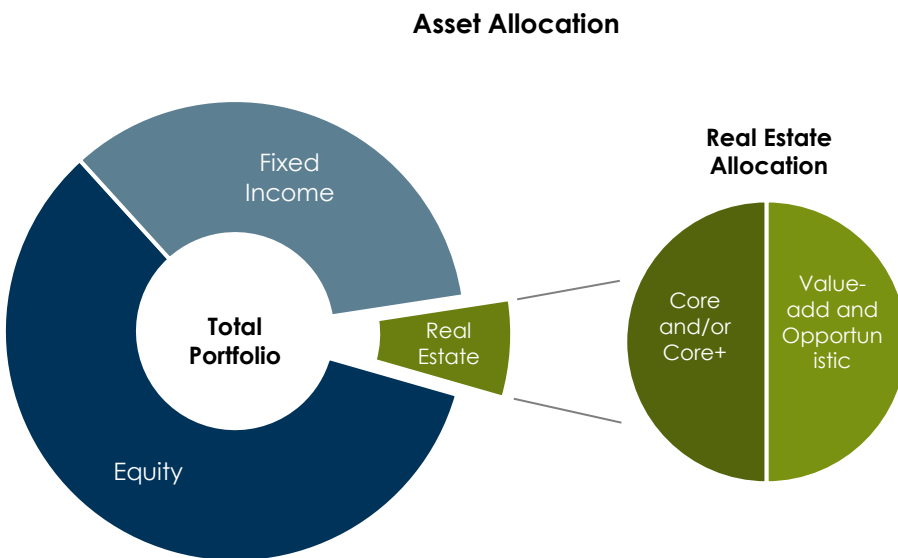
- Portfolio I's **first private equity commitment** was made in **December 2015**.
- One important way to **manage risk** is through **manager and strategy diversification**.
- The portfolio is built to **minimize administrative complexity** without **sacrificing diversification and return opportunity**.

Real Estate Portfolio Implementation

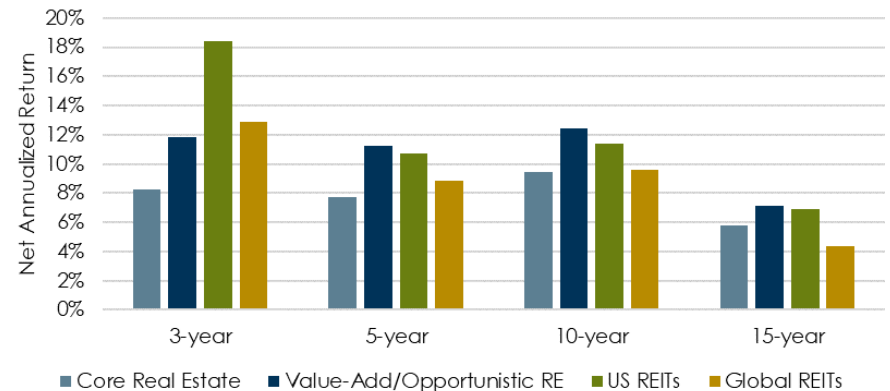
Real Estate: Diversifying asset class with attractive return profile and inflation hedge characteristics

Case for Real Estate

- Attractive return profile comprised of income and appreciation
- Low correlation to equities and fixed income reduces portfolio volatility
- Inflation hedge characteristics help protect value when prices rise



Investment Horizon Returns - As of December 31, 2021



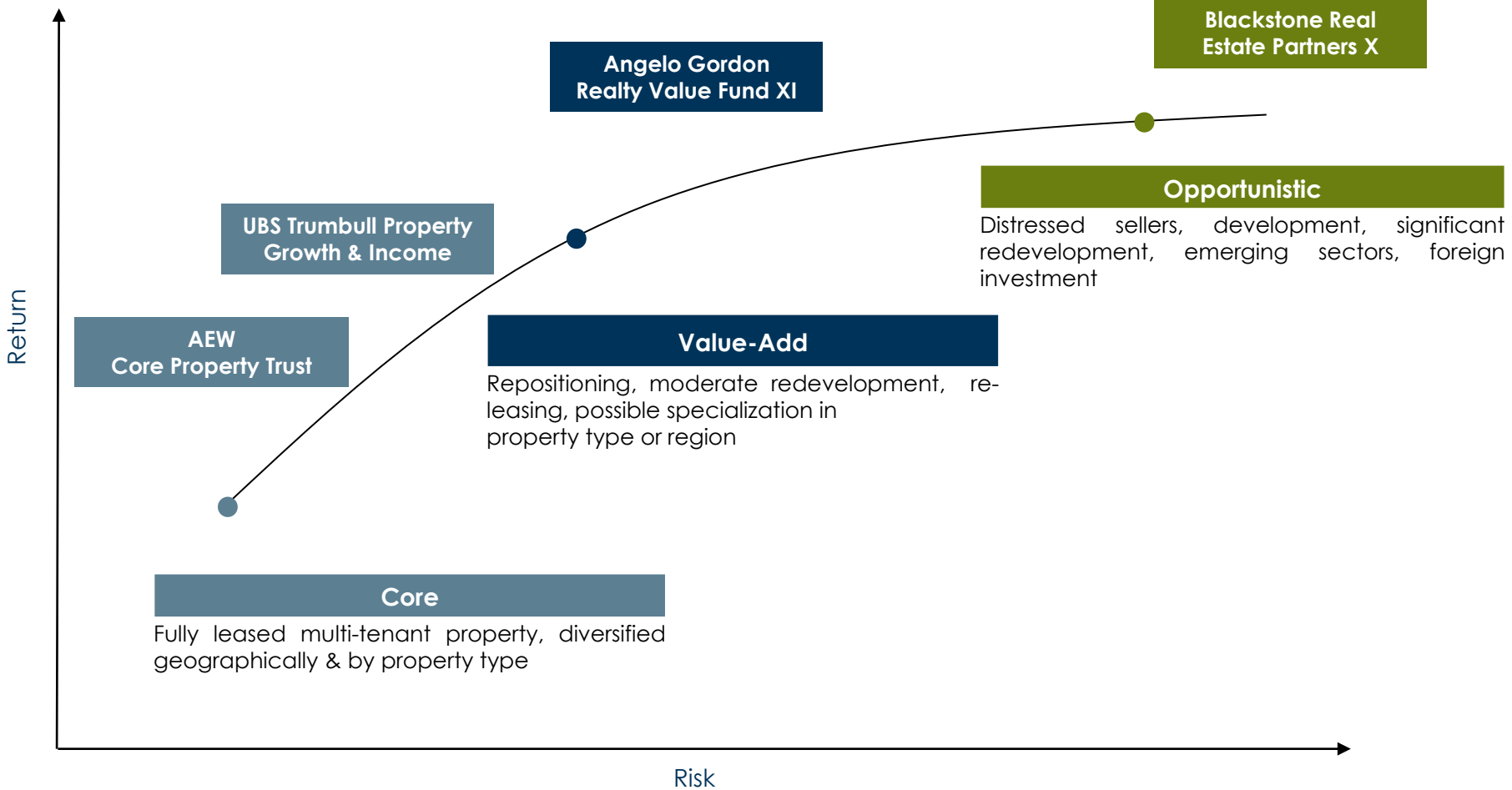
Real Estate 15-Year Correlation To:

| | FTSE NAREIT U.S. | NFI ODCE |
|------------------------|------------------|----------|
| S&P 500 | 0.77 | 0.14 |
| Russell 2000 | 0.76 | 0.09 |
| MSCI ACWI | 0.73 | 0.08 |
| Blmb. Barc. Agg | 0.00 | -0.20 |

| Opportunity Set | Core/Core + | Value-Add/Opportunistic |
|---------------------------------------|-------------|---|
| Implementation | AEW & UBS | Blackstone & Angelo Gordon (future commitments TBD) |
| Target Net Return | 6% - 11% | 8% - 12%+ |
| Liquidity Profile | Semi-Liquid | Illiquid |
| Portfolio Allocation (Port I) | 10% | 5% |
| Portfolio Allocation (Port II) | 5%* | N/A |

*Effective July 1, 2022, Portfolio II's Core Real Estate target increased from 5% to 10%.

Risk and Return by Real Estate Strategy



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