Regions Investment Management

State of Alabama Treasurer's Office

Prepaid Affordable College Tuition (PACT) Program

As of December 31, 2021

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Bond Portfolio Review

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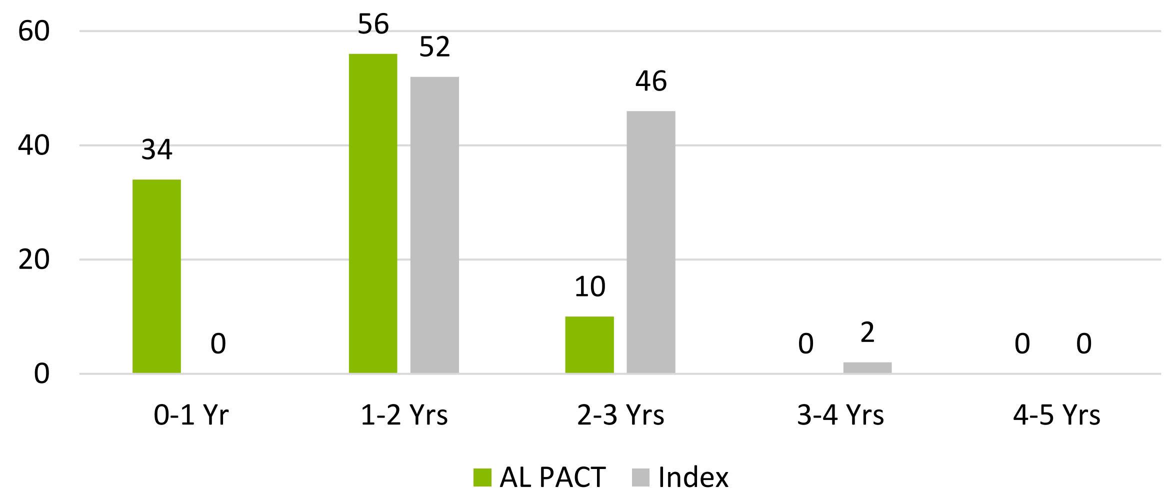
State of Alabama Treasurer's Office – PACT Program
Fixed Income Portfolio Characteristics as of 12.31.2021

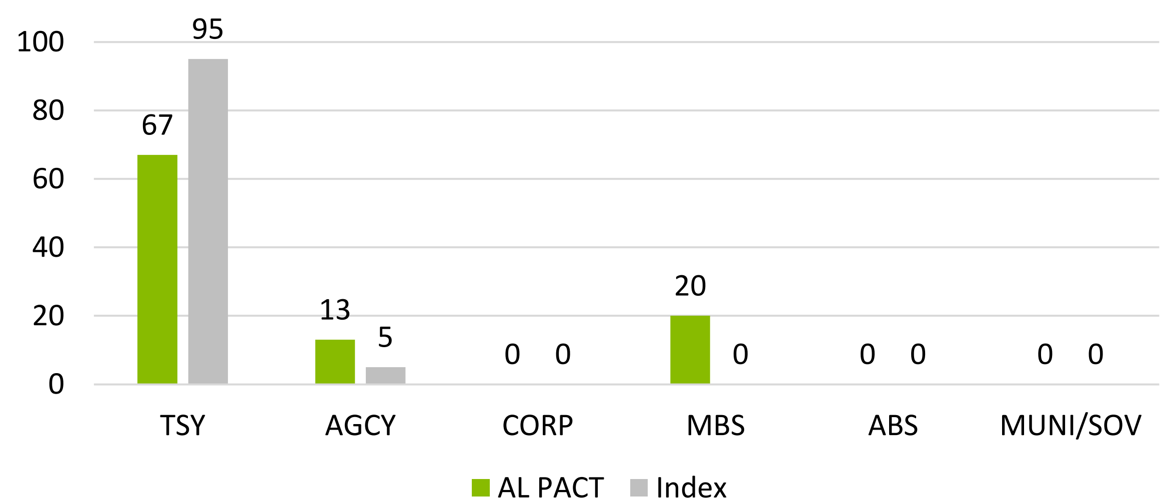
Portfolio Characteristics

	AL PACT	Index
Yield to Maturity	0.43%	0.72%
Average Coupon	1.25%	1.22%
Effective Duration	1.08 years	1.95 years
Average Life	1.20 years	1.99 years
Average Quality	Aaa	Aaa

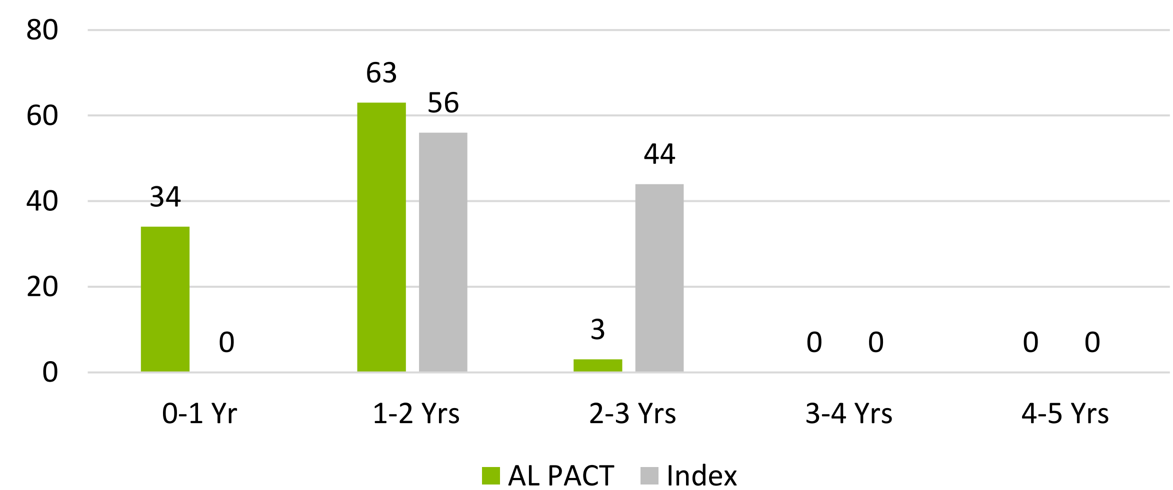
Maturity vs. Index



Sector vs. Index



Duration vs. Index



Index: Bloomberg Barclays 1-3 Year US Govt Index

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State of Alabama Treasurer's Office – PACT Program
Performance as of 12.31.2021

	Qtr	YTD	1-Yr	3 Years *	5 Years *	Inception *
Consolidated Portfolio	**-0.09%**	**-0.08%**	**-0.08%**	**2.00%**	**1.78%**	**1.73%**

Money Market Fund	**0.01%**	**0.03%**	**0.03%**	**0.82%**	**1.06%**	**0.94%**

Fixed Income Portfolio	**-0.33%**	**-0.15%**	**-0.15%**	**2.37%**	**2.03%**	**1.95%**
1-3 YR Govt Only	-0.58%	-0.60%	-0.60%	2.03%	1.62%	1.49%
Excess Return	*0.25%*	*0.45%*	*0.45%*	*0.34%*	*0.41%*	*0.46%*

*** Market Values: Consolidated: $71.2 mm / Money Market: $56.2 mm / Fixed Income: $15.0 mm***

*Returns are net of fees. Past performance does not guarantee future returns. *Figures for periods greater than one year are annualized; Inception Date: 12/31/2015*

Index: Bloomberg Barclays 1-3 Year US Govt Index

Source: SEI for client returns & Bloomberg Barclays Capital for index returns; Bloomberg Index Services Limited. BLOOMBERG® is a trademark and service mark of Bloomberg Finance L.P. and its affiliates (collectively "Bloomberg"). BARCLAYS® is a trademark and service mark of Barclays Bank Plc (collectively with its affiliates, "Barclays"), used under license. Bloomberg or Bloomberg's licensors, including Barclays, own all proprietary rights in the Bloomberg Barclays Indices. N either Bloomberg nor Barclays approves or endorses this material, or guarantees the accuracy or completeness of any information herein, or makes any warranty, express or implied, as to the results to be obtained therefrom and, to the maximum extent allowed by law, neither shall have any liability or responsibility for injury or damages arising in connection therewith."

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Allocation Detail as of 12.31.2021

INVESTMENT RETURN SUMMARY - QUARTER ENDING DECEMBER 31, 2021

Name	Current Quarter Total Return	Prior Quarter Market Value	Net Cashflow	Investment Return	Current Quarter Market Value *
Fixed Income	-0.33%	$17,428,522	($2,369,147)	($74,219)	$14,985,156
Money Market Mutual Fund	0.00%	68,813,730	-12,630,853	-4,761	$56,178,116
Demand Deposit	0.00%	332,180	214,342	0	$546,523
Total Portfolio	-0.09%	**$86,574,432**	**($14,785,658)**	**($78,980)**	**$71,709,795**

* The total market value of the Alabama PACT Composite portfolio does not include the cash balance of $12,128,736.19 that was in the Treasury Account on December 31, 2021.

MANAGER ALLOCATION SUMMARY - QUARTER ENDING DECEMBER 31, 2021

Prior Quarter Market Value	%	Fund Name	Style	Adj. for Portion of Fixed Income Account Instructed to Hold in Money Market	Current Quarter Market Value *	%
$0	0%	Residual	(CASH)	0	0	0%
$17,428,522	20%	Fixed Income	(STFX)	0	14,985,156	21%
$68,813,730	79%	Money Market Mutual Fund	(CASH)	0	56,178,116	78%
$332,180	0%	Demand Deposit	(CASH)	0	546,523	1%
$86,574,432	**100%**		**(TOTL)**	**$0**	**71,709,795**	**100%**

* The total market value of the Alabama PACT Composite portfolio does not include the cash balance of $12,128,736.19 that was in the Treasury Account on December 31, 2021.

Source: SEI

Internal Use

Market Updates

- Market Returns
- Economic Update
- Fixed Income Markets

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Market Returns

Equities	YTD As of 12/31/21	Trailing 3 Months 12/31/21	2020	2019	2018	2017	2016	2015
S&P 500 Index (Large Cap Stocks)	28.71%	11.03%	18.40%	31.49%	-4.38%	21.83%	11.96%	1.38%
S&P 500 (Large Cap Growth)	32.01%	13.37%	33.47%	31.13%	-0.01%	27.44%	6.89%	5.52%
S&P 500 (Large Cap Value)	24.90%	8.31%	1.36%	31.93%	-8.95%	15.36%	17.40%	-3.13%
Russell 2500 Index (Small to Mid Cap Stocks)	18.18%	3.82%	19.99%	27.77%	-10.00%	16.81%	17.59%	-2.90%
Russell Mid Cap TR USD	22.58%	6.44%	17.10%	30.54%	-9.06%	18.52%	13.80%	-2.44%
Russell 2000 Index (Small Cap Stocks)	14.82%	2.14%	19.96%	25.52%	-11.01%	14.65%	21.31%	-4.41%
MSCI ACWI Ex-US (Foreign Stocks, Net Return)	7.82%	1.82%	10.65%	21.51%	-14.20%	27.19%	4.50%	-5.66%
MSCI EAFE Index (Foreign Stocks, Net Return)	11.26%	2.69%	7.82%	22.01%	-13.79%	25.03%	1.00%	-0.81%
MSCI EM (Foreign Stocks, Net Return)	-2.54%	-1.31%	18.31%	18.42%	-14.58%	37.28%	11.19%	-14.92%
Fixed Income								
Barclays US Agg Bond TR USD	-1.54%	0.01%	7.51%	8.72%	0.01%	3.54%	2.65%	0.55%
Barclays Global Agg Ex USD TR	-7.05%	-1.18%	10.11%	5.09%	-2.15%	10.51%	1.49%	-6.02%
S&P National AMT-Free Municipal Bond Index	1.02%	0.67%	4.95%	7.42%	1.01%	5.09%	0.36%	3.26%
Barclays High Yield Corp TR USD	5.28%	0.71%	7.11%	14.32%	-2.08%	7.50%	17.13%	-4.47%
Barclays US Treasury US TIPS	5.96%	2.36%	10.99%	8.43%	-1.26%	3.01%	4.68%	-1.44%
FTSE Treasury Bill 3 Month (Money Market)	0.05%	0.01%	0.58%	2.25%	1.86%	0.86%	0.33%	0.05%
Diversified Strategies								
HFRX Global Hedge Index	3.65%	0.07%	6.81%	8.62%	-6.72%	5.98%	2.50%	-3.64%

Source: Morningstar

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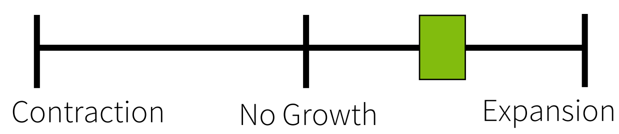
Economy

Overview & Outlook

Economy



Risks:

▪Input shortages and labor supply constraints are weighing on the supply side of the economy as business and household demand remains robust. This injects downside risks into the growth outlook while adding to the degree of inflation pressures. The COVID-19 could continue to disrupt economic activity over the winter months.

Opportunities:

▪Further reopening of the economy, considerable levels of cash on household and corporate balance sheets, and highly accommodative monetary and fiscal policy will all be supportive of growth through year-end 2021.

Job Growth Picks Up, But Labor Supply Still No Match For Demand

▪The BEA's initial estimate shows real GDP grew at an annualized rate of 2.0 percent in Q3, well below the six percent-plus growth rate seen over the first half of 2021. Real private domestic demand, or, combined spending in the household and business sectors, grew at just a 1.0 percent rate.[1]

▪Total nonfarm employment rose by 531,000 jobs in October. At the same time, earlier estimates of job growth in August and September were revised up by a net 235,000 jobs for the two-month period, making this the fourth consecutive month in which the upward revision to prior estimates of job growth over the prior two-month period topped 100,000 jobs. The unemployment rate fell to 4.6 percent, but the labor force participation rate was flat and there remain over three million fewer people in the labor force than was the case prior to the pandemic, at a time when there are over ten million open, unfilled jobs.[2]

▪The ISM's October surveys of the manufacturing and services sectors tell the same story as in the prior several months. Both broad sectors continue to expand, but supply chain, shipping, and labor supply constraints are leaving firms in each sector struggling to keep pace with demand. At the same time, input price pressures remain intense.[3]

▪The Consumer Price Index (CPI) shows inflation running at 6.2 percent as of October, the fastest rate since November 1990, with core inflation running at 4.6 percent.[2] What concern those who continue to dismiss inflation as "transitory" is that inflation pressures have broadened, and the broader based inflation pressures are, the more likely they are to be sustained. We expect inflation to remain well above the FOMC's 2.0 percent target rate through 2022.

An All-Too-Early Look At 2022

▪As the end of 2021 is approaching, we're starting to see 2022 forecasts for the economy and the markets. While we think it too soon to be making detailed forecasts for 2022 and beyond, we nonetheless think it useful to lay out the main questions that will shape the path of real GDP over the next several quarters.

- Will supply ever catch up with demand?
- When will labor supply constraints begin to ease?
- In the absence of further fiscal transfers, what can we expect for consumer spending?
- Will higher prices and higher mortgage rates choke off housing market activity?
- Will business investment remain strong and, if so, what will be the drivers?
- What has driven energy prices higher, and will higher prices lead to greater investment in the energy sector?
- When will inflation subside, and what are the risks should inflation remain elevated?
- What factors will the FOMC focus on as they deliberate the path of the Fed funds rate?

▪That isn't meant as an exhaustive list, but it is broad enough to touch on almost all aspects of the economy. Based on what we see, at least at present, as the most likely answer to each question posed above, our November baseline forecast calls for real GDP growth of 5.5 percent for full-year 2021, 4.6 percent for 2022, and 3.1 percent for 2023. There is obviously considerable uncertainty around each of the questions posed above, and in turn around any forecast being made at present. Still, keep these questions in mind as you process these forecasts, ours included.

Source: 1) Bureau of Economic Analysis (BEA); 2) Bureau of Labor Statistics (BLS); 3) Institute for Supply Management (ISM)

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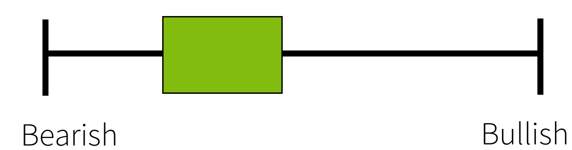
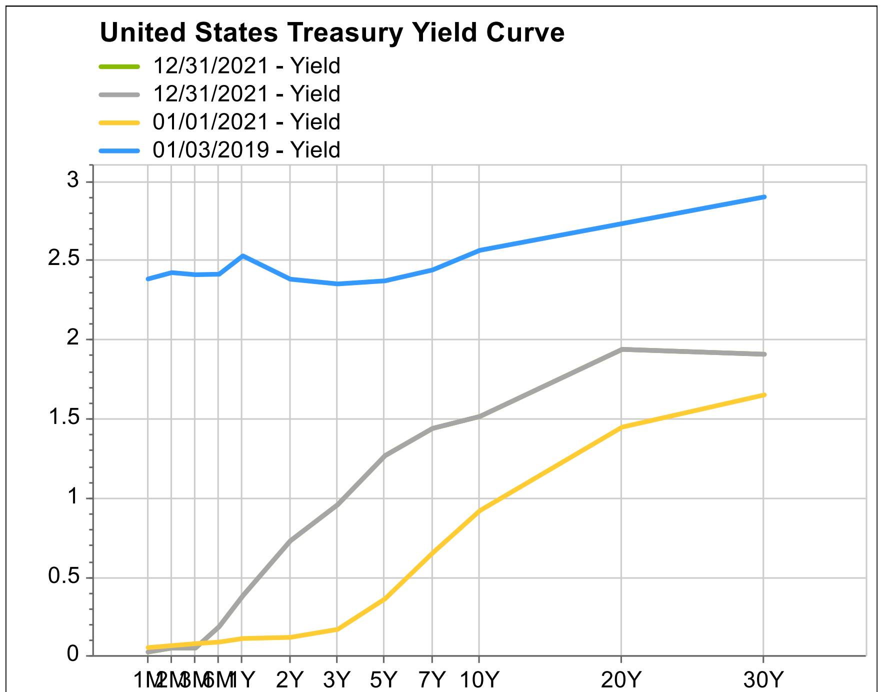
Fixed Income
Overview & Outlook

Fixed Income



Yields as of December 31, 2021	
US Treasuries	
3-month	0.06%
2-year	0.74%
5-year	1.26%
10-year	1.51%
30-year	1.91%



Summary View: Underweight

- After a challenging 2021, we expect more of the same for core investment-grade fixed income exposure in the coming year as a sustained economic recovery and persistent inflationary pressures spur the Federal Open Market Committee (FOMC) to hike short-term interest rates. We expect at least two quarter-point hikes to the fed funds rate in the coming year, with the first potentially coming in the 1st or 2nd quarter.
- The FOMC announced the tapering of bond purchases by $15B per month starting in November and doubled that amount to $30B per month starting in January, with tapering now expected to be completed by March. Tapering isn't tightening monetary policy, a distinction FOMC Chair Jerome Powell has made clear, but hikes to the fed funds rate are now expected by mid-year as bond investors continue to fear that the Fed is behind the curve when it comes to fighting inflation. This backdrop is a tenuous one and could lead to heightened volatility in interest rates.
- Yields on U.S. Treasuries and European sovereign debt have moved sharply higher to begin 2022, and while we expect more of the same throughout the balance of this year for Treasury yields, we expect the European Central Bank (ECB) to remain accommodative which could keep a lid on long-term sovereign yields in Europe.
- We remain constructive on emerging market debt, but these bonds tend to be longer duration assets and are sensitive to movements in long-term U.S. Treasury yields. Exposure must be right-sized due to heightened volatility and larger potential drawdowns when outflows occur.

Risks: Facing the prospect of falling short of required hurdle rates or inflation, investors increase allocations to riskier pockets of the fixed income market, taking on excess volatility and risking larger potential drawdowns.

Total Return	YTD 12/31/2021	2020	2019	2018	2017	2016
Barclays US Agg Bond TR USD	-1.54%	7.51%	8.72%	0.01%	3.54%	2.65%
Barclays High Yield Corp TR USD	5.28%	7.11%	14.32%	-2.08%	7.50%	17.13%
Barclays Global Agg Ex USD TR	-7.05%	10.11%	5.09%	-2.15%	10.51%	1.49%
Barclays US Treasury US TIPS	5.96%	10.99%	8.43%	-1.26%	3.01%	4.68%
FTSE Treasury Bill 3 Month (Money Market)	0.05%	0.58%	2.25%	1.86%	0.86%	0.33%

Source: Prepared by Regions Asset Management using data from Morningstar and FactSet.

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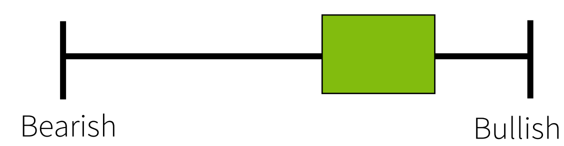
Equities

Overview & Outlook

Equities



S&P 500 Statistics as of December 31, 2021	
Fundamentals	
2021 Earnings	$201
2022 Earnings Estimates	$228
Forward P/E	21.05x
Dividend Yield	1.21%
Technicals	
% of Stocks Above 200ma	73%
VIX (CBOE Volatility Index)	17.22

Summary View: Overweight

- Diversified supply chains, pricing power, and fortress balance sheets make domestic large-cap stocks appealing, broadly speaking, and this cohort of stocks should benefit if investors pivot toward 'quality' and away from highly levered, less profitable companies over coming quarters.
- Tight credit spreads should remain supportive of small and mid-cap U.S. stocks, although rising interest rates and higher costs tied to commodities, logistics, and wages could weigh on profitability well into '22.
- International developed market stocks (MSCI EAFE) are attractively valued, and fiscal stimulus leads us to a more constructive stance on Europe, specifically. As economic shutdowns to curtail the spread of COVID-19 end and Europe's economy recovers, investors seeking relative value and income may look abroad for opportunities.
- Emerging markets may be in for another challenging year as rising food and energy prices have already forced the hand of central bankers to hike short-term interest rates, moves that will likely serve to decrease economic growth. We remain neutral on emerging market equities, but security selection will be crucial as performance dispersion at the country level could be quite high.
- Chinese stocks were a drag on MSCI EM index performance in '21 as a regulatory crackdown clouded the outlook for technology companies based there. Chinese stocks could fare better in '22, but a zero tolerance COVID-19 policy could lead to continued fits and starts for China's economy and create bottlenecks in the global supply chain as well.

Risks: Interest rates rise sharply due to a combination of faster economic growth, rising inflation expectations, and/or tightening monetary policy (tapering of bond purchases); higher yields make Treasuries a viable alternative for yield.

Total Return	YTD 12/31/2021	2020	2019	2018	2017	2016
S&P 500 Index (Large Cap)	28.71%	18.40%	31.49%	-4.38%	21.83%	11.96%
S&P 500 (Large Cap Growth)	32.01%	33.47%	31.13%	-0.01%	27.44%	6.89%
S&P 500 (Large Cap Value)	24.90%	1.36%	31.93%	-8.95%	15.36%	17.40%
Russell 2500 Index (Small to Mid Cap)	18.18%	19.99%	27.77%	-10.00%	16.81%	17.59%
Russell Mid Cap Index (Mid Cap)	22.58%	17.1%	30.54%	-9.06%	18.52%	13.80%
Russell 2000 Index (Small Cap)	14.82%	19.96%	25.52%	-11.01%	14.65%	21.31%
MSCI World Ex-US (Foreign Stocks, Net Return)	7.82%	10.65%	21.51%	-14.09%	24.21%	2.75%
MSCI EAFE Index (Foreign Stocks, Net Return)	11.26%	7.82%	22.01%	-13.79%	25.03%	1.00%
MSCI EM (Foreign Stocks, Net Return)	-2.54%	18.31%	18.42%	-14.58%	37.28%	11.19%

Source: Prepared by Regions Asset Management using data from Morningstar and FactSet.

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