

Regions Investment Management

State of Alabama Treasurer's Office

Prepaid Affordable College Tuition (PACT) Program

As of September 30, 2021

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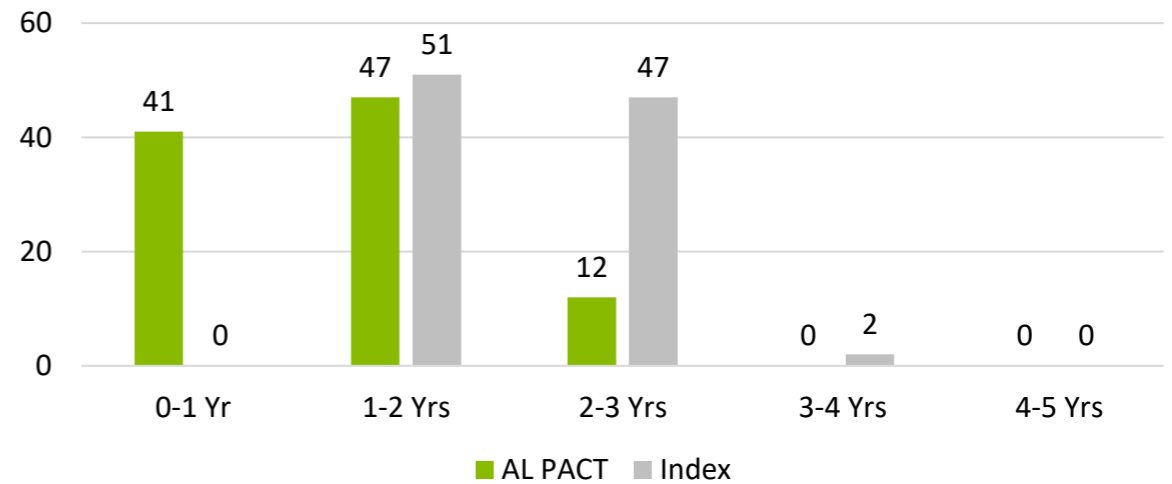
State of Alabama Treasurer's Office – PACT Program

Fixed Income Portfolio Characteristics as of 09.30.2021

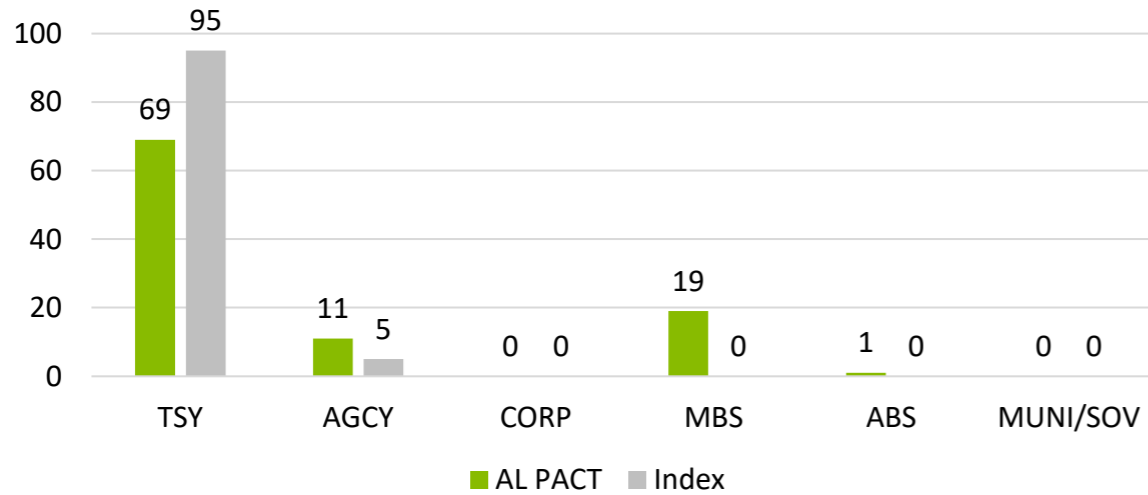
Portfolio Characteristics

	AL PACT	Index
Yield to Maturity	0.18%	0.30%
Average Coupon	1.18%	1.22%
Effective Duration	1.11 years	1.96 years
Average Life	1.29 years	2.00 years
Average Quality	Aaa	Aaa

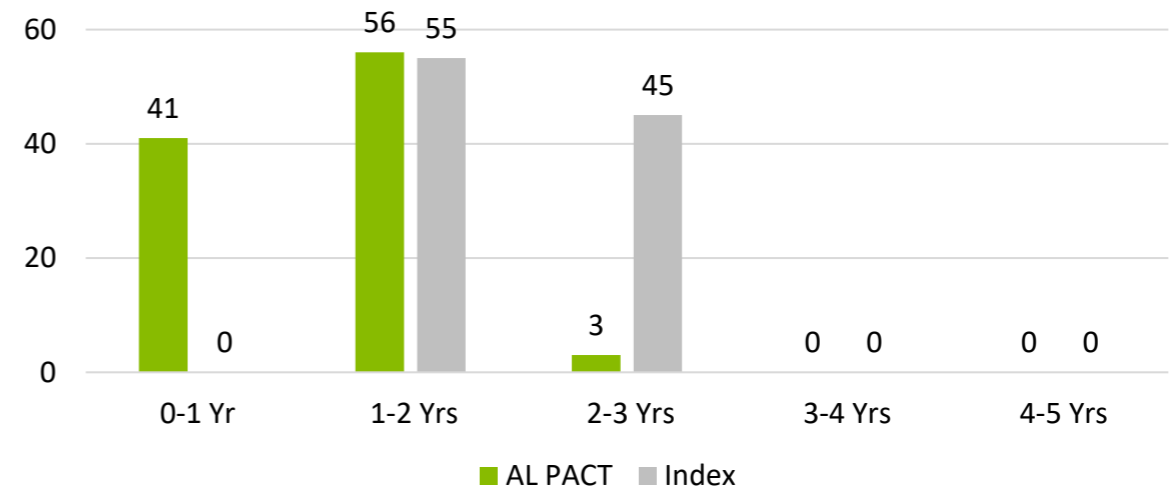
Maturity vs. Index



Sector vs. Index



Duration vs. Index



*** Market Value for Fixed Income Portfolio: \$17.5 million ***

Index: Bloomberg Barclays 1-3 Year US Govt Index

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State of Alabama Treasurer's Office – PACT Program

Performance as of 09.30.2021

	Qtr	YTD	1-Yr	3 Years *	5 Years *	Inception *
Consolidated Portfolio	0.00%	0.00%	0.00%	2.32%	1.73%	1.82%
Money Market Fund	0.01%	0.02%	0.02%	1.00%	1.08%	0.98%
Fixed Income Portfolio	0.11%	0.19%	0.24%	2.81%	2.02%	2.04%
1-3 YR Govt Only	0.07%	-0.02%	0.03%	2.66%	1.65%	1.66%
<i>Excess Return</i>	<i>0.04%</i>	<i>0.21%</i>	<i>0.21%</i>	<i>0.15%</i>	<i>0.37%</i>	<i>0.38%</i>

*** Market Values: Consolidated: \$86.3 mm / Money Market: \$68.8 mm / Fixed Income: \$17.5 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. Neither 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."

State of Alabama Treasurer's Office – PACT Program

Allocation Detail as of 09.30.2021

INVESTMENT RETURN SUMMARY - QUARTER ENDING SEPTEMBER 30, 2021

Name	Current Quarter Total Return	Prior Quarter Market Value	Net Cashflow	Investment Return	Current Quarter Market Value *
Fixed Income	0.11%	\$9,204,324	\$8,229,862	(\$5,664)	\$17,428,522
Money Market Mutual Fund	0.01%	77,048,146	-8,229,862	-4,554	\$68,813,730
Demand Deposit	0.00%	253,522	78,658	0	\$332,180
Total Portfolio	0.00%	\$86,505,992	\$78,658	(\$10,218)	\$86,574,432

* The total market value of the Alabama PACT Composite portfolio does not include the cash balance of \$3,729,439.66 that was in the Treasury Account on September 30, 2021.

MANAGER ALLOCATION SUMMARY - QUARTER ENDING SEPTEMBER 30, 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%
\$9,204,324	11%	Fixed Income	(STFX)	\$0	\$17,428,522	20%
\$77,048,146	89%	Money Market Mutual Fund	(CASH)	\$0	\$68,813,730	79%
\$253,522	0%	Demand Deposit	(CASH)	\$0	\$332,180	0%
\$86,505,992	100%		(TOTL)	\$0	\$86,574,432	100%

* The total market value of the Alabama PACT Composite portfolio does not include the cash balance of \$3,729,439.66 that was in the Treasury Account on September 30, 2021.

Market Updates

- Market Returns
- Economic Update
- Fixed Income Markets

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Market Returns


	YTD As of 9/30/21	Trailing 3 Months 9/30/21	2020	2019	2018	2017	2016	2015
Equities								
S&P 500 Index (Large Cap Stocks)	15.92%	0.58%	18.40%	31.49%	-4.38%	21.83%	11.96%	1.38%
<i>S&P 500 (Large Cap Growth)</i>	16.44%	1.87%	33.47%	31.13%	-0.01%	27.44%	6.89%	5.52%
<i>S&P 500 (Large Cap Value)</i>	15.31%	-0.85%	1.36%	31.93%	-8.95%	15.36%	17.40%	-3.13%
Russell 2500 Index (Small to Mid Cap Stocks)	13.83%	-2.68%	19.99%	27.77%	-10.00%	16.81%	17.59%	-2.90%
<i>Russell Mid Cap TR USD</i>	15.17%	-0.93%	17.10%	30.54%	-9.06%	18.52%	13.80%	-2.44%
<i>Russell 2000 Index (Small Cap Stocks)</i>	12.41%	-4.36%	19.96%	25.52%	-11.01%	14.65%	21.31%	-4.41%
MSCI ACWI Ex-US (Foreign Stocks, Net Return)	5.90%	-2.99%	10.65%	21.51%	-14.20%	27.19%	4.50%	-5.66%
<i>MSCI EAFE Index (Foreign Stocks, Net Return)</i>	8.35%	-0.45%	7.82%	22.01%	-13.79%	25.03%	1.00%	-0.81%
<i>MSCI EM (Foreign Stocks, Net Return)</i>	-1.25%	-8.09%	18.31%	18.42%	-14.58%	37.28%	11.19%	-14.92%
Fixed Income								
Barclays US Agg Bond TR USD	-1.55%	0.05%	7.51%	8.72%	0.01%	3.54%	2.65%	0.55%
Barclays Global Agg Ex USD TR	-5.94%	-1.59%	10.11%	5.09%	-2.15%	10.51%	1.49%	-6.02%
S&P National AMT-Free Municipal Bond Index	0.34%	-0.44%	4.95%	7.42%	1.01%	5.09%	0.36%	3.26%
Barclays High Yield Corp TR USD	4.53%	0.89%	7.11%	14.32%	-2.08%	7.50%	17.13%	-4.47%
Barclays US Treasury US TIPS	3.51%	1.75%	10.99%	8.43%	-1.26%	3.01%	4.68%	-1.44%
FTSE Treasury Bill 3 Month (Money Market)	0.03%	0.01%	0.58%	2.25%	1.86%	0.86%	0.33%	0.05%
Diversified Strategies								
HFRX Global Hedge Index	3.58%	-0.14%	6.81%	8.62%	-6.72%	5.98%	2.50%	-3.64%

Source: Morningstar

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Economy

Overview & Outlook

Economy		<p><u>Risks:</u></p> <ul style="list-style-type: none"> 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 Delta variant of the COVID-19 virus poses near-term downside risks. 	<p><u>Opportunities:</u></p> <ul style="list-style-type: none"> 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.
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Dog Days Of Summer Bring Pronounced Slowdown In Pace Of Economic Activity

Supply Chain Issues Biting Into Consumer Spending, Will Weigh on Q3 Growth

- The BEA's second estimate shows real GDP grew at an annualized rate of 6.6 percent in Q2, little changed from the initial estimate of 6.5 percent. Consumer spending and business investment were the main drivers of Q2 growth. Pre-tax corporate profits, as measured in the GDP data, rose by 9.2 percent in Q1 after growth of 5.1 percent in Q1.¹
- Sales of new motor vehicles fell sharply in August; the annualized monthly sales rate of 13.051 million units was, with the exception of the early phases of the pandemic in 2020, the slowest monthly sales rate in a decade.¹ The decline in sales, however, is much more of a supply side story than a demand side story. Inventories of finished goods have been drawn down sharply, and limited supplies are weighing on sales of motor vehicles and other consumer durable goods. This will act as a significant drag on Q3 growth in consumer spending.
- Rising COVID case counts led consumers to dial down spending on services in August, particularly travel, tourism, dining out, entertainment, and recreation. This drag appears to have carried into September, which will also hold down Q3 growth in consumer spending.
- The ISM's August surveys of the manufacturing and services sectors tell the same story as in the prior several months. Both broad sectors continue to enjoy broad based expansions, but firms in each sector continue to struggle to keep pace with demand. Growth in new orders remains robust, but shortages of inputs, shipping delays, and labor supply constraints are limiting output and leading to increased backlogs of unfilled orders. At the same time, input price pressures remain intense.²

August Employment Report Affirms Slowdown In Economic Activity

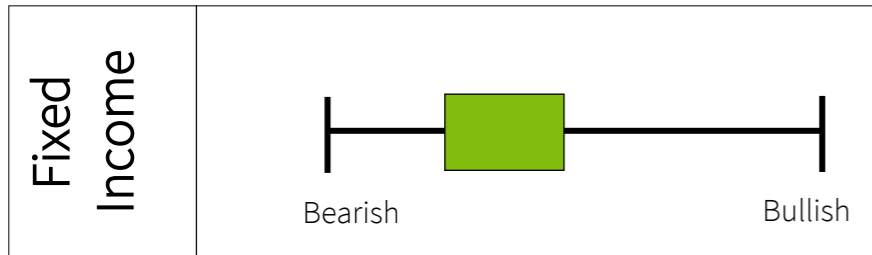
- Total nonfarm employment rose by 235,000 jobs in August, falling well short of expectations. At the same time, however, prior estimates of job growth in June and July were revised up by a net 134,000 jobs for the two-month period. This is the second straight month in which the net upward revision for the prior two-month period was over 100,000 jobs.³
- The favorable revisions, however, make the slowdown in hiring in August that much more pronounced. Even allowing for what is typically a high degree of noise in the initial estimate of August job growth in any given year, it is clear that the pace of hiring slowed sharply this August.
- The not seasonally adjusted data show significant declines in payrolls in leisure and hospitality services, retail trade, and services to buildings.³ These are all areas which would be vulnerable to COVID-related pullbacks in activity.
- The labor market remains characterized by a significant supply/demand imbalance, with over ten million open jobs waiting to be filled as labor force participation remains well below pre-pandemic norms. One consequence is continued rapid wage growth, with average hourly earnings rising by 0.6 percent in August, leaving them up 4.3 percent year-on-year.³
- It is against a backdrop of a slowdown in economic activity, including the labor market, lingering supply chain and logistics bottlenecks, and elevated inflation that the FOMC convenes on September 21-22. The Committee will release revised economic and financial projections, including an updated "dot plot." It is a toss-up as to whether plans for tapering the Fed's monthly asset purchases will be announced at the September FOMC meeting.

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

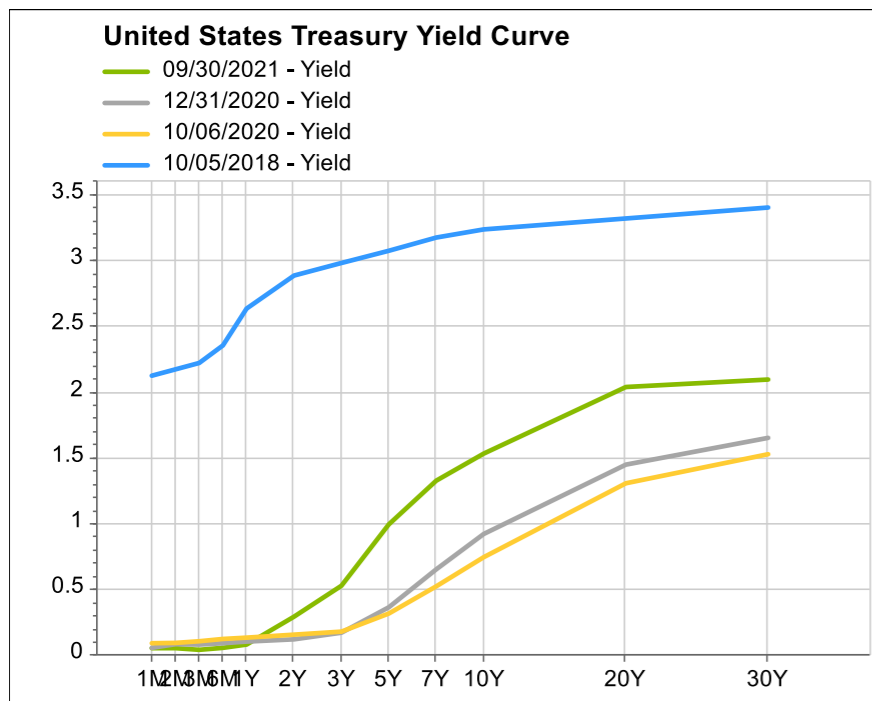
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Fixed Income

Overview & Outlook



Yields as of September 30, 2021	
US Treasuries	
3-month	0.05%
2-year	0.30%
5-year	0.98%
10-year	1.52%
30-year	2.08%



Summary View: Underweight

- The remainder of 2021 could be challenging for investors in long-term U.S. Treasuries as we expect economic growth expectations to stabilize as the Delta COVID-19 wave peaks, inflation expectations appear anchored and aren't totally driven by transitory factors, while the FOMC is expected to begin tapering bond purchases prior to year-end, or perhaps in early 2022. These variables support higher long-term yields, in our view.
- A peak of the spread of the Delta wave of COVID-19 in Europe in early August could lead to rising inflation expectations in the Eurozone and force German bund yields higher, pulling U.S. yields along.
- The Federal Open Market Committee (FOMC) continues to purchase Treasuries and mortgage-backed securities (MBS) at a \$120B per month clip, generating demand for Treasuries and putting downward pressure on long-term yields., We have pulled forward our timeline for tapering and expect the Fed to begin reducing bond purchases in late 2021 instead of early 2022. However, a weak August Payrolls report leads us to be less convicted in that view as FOMC doves may not feel they have the necessary 'cover' to vote in favor of such a move without having more data. If not September, tapering could be announced in November.
- While we remain constructive on emerging markets from a fixed income perspective, EM bonds tend to be longer duration assets, are sensitive to movements in long-term U.S. Treasury yields, and 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 expected inflation, investors increase allocations to riskier segments of the fixed income market, and/or shift allocations out of bonds and into 'stocks that look like bonds,' taking on heightened volatility and risking larger potential drawdowns.

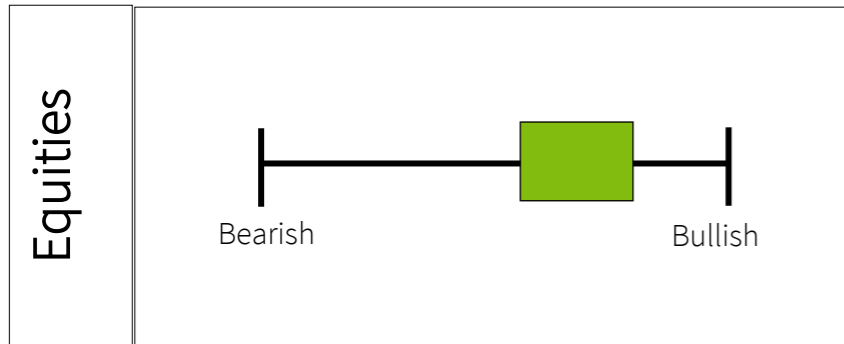
	YTD 9/30/2021	2020	2019	2018	2017	2016
Total Return						
Barclays US Agg Bond TR USD	-1.55%	7.51%	8.72%	0.01%	3.54%	2.65%
Barclays High Yield Corp TR USD	4.53%	7.11%	14.32%	-2.08%	7.50%	17.13%
Barclays Global Agg Ex USD TR	-5.94%	10.11%	5.09%	-2.15%	10.51%	1.49%
Barclays US Treasury US TIPS	3.51%	10.99%	8.43%	-1.26%	3.01%	4.68%
FTSE Treasury Bill 3 Month (Money Market)	0.03%	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



S&P 500 Statistics as of September 30, 2021	
Fundamentals	
2020 Earnings	\$137
2021 Earnings Estimates	\$200
Forward P/E	21.6x
Dividend Yield	1.32%
Technicals	
% of Stocks Above 200ma	65%
VIX (CBOE Volatility Index)	23.14



Summary View: Overweight

- Diversified supply chains, pricing power, and fortress balance sheets make domestic large-cap stocks appealing, and this cohort would also be a relative beneficiary of the global economic recovery and a weakening U.S. dollar.
- While tight credit spreads remain supportive of small and mid-cap U.S. stocks, higher interest rates and rising costs tied to commodities, logistics, and wages could weigh on profitability for some time to come. 'Beta,' or market exposure to SMid proved beneficial post-election, but we expect security selection to be a bigger driver of returns and investor experience when allocating to smaller capitalization stocks going forward.
- 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 gradually come to an end and tourism picks up, investors underweight Europe seeking relative value may be 'forced' to add exposure.
- U.S. dollar strength and higher energy prices will act as headwinds for growth in developing economies, on balance, but we remain comfortable with a neutral allocation to emerging market equities relative to our strategic target.
- Recent actions taken by the Chinese government to tighten rules for Chinese companies seeking to list on overseas exchanges, and a regulatory crackdown taking place there, could weigh not only on supply, but also investor demand for Chinese stocks/ADRs as regulatory and political uncertainty will likely remain high for some time to come.

Risks: Changes to the corporate or capital gains tax rate occurs; Interest rates rise sharply due to some combination of faster economic growth, rising inflation expectations, and/or tightening monetary policy (tapering of bond purchases), boosting Treasury yields, providing a viable alternative for yield seeking investors outside of stocks.

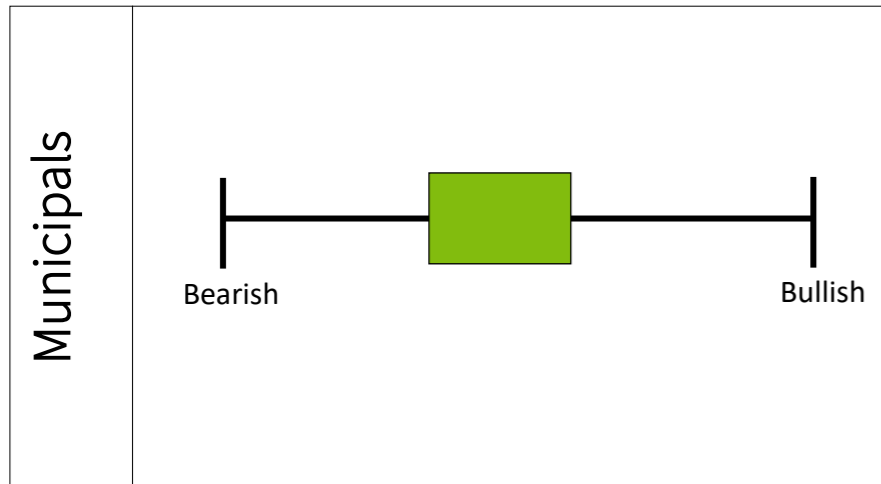
	YTD 9/30/2021	2020	2019	2018	2017	2016
Total Return						
S&P 500 Index (Large Cap)	15.92%	18.40%	31.49%	-4.38%	21.83%	11.96%
S&P 500 (Large Cap Growth)	16.44%	33.47%	31.13%	-0.01%	27.44%	6.89%
S&P 500 (Large Cap Value)	15.31%	1.36%	31.93%	-8.95%	15.36%	17.40%
Russell 2500 Index (Small to Mid Cap)	13.83%	19.99%	27.77%	-10.00%	16.81%	17.59%
Russell Mid Cap Index (Mid Cap)	15.17%	17.1%	30.54%	-9.06%	18.52%	13.80%
Russell 2000 Index (Small Cap)	12.41%	19.96%	25.52%	-11.01%	14.65%	21.31%
MSCI World Ex-US (Foreign Stocks, Net Return)	5.90%	10.65%	21.51%	-14.09%	24.21%	2.75%
MSCI EAFE Index (Foreign Stocks, Net Return)	8.35%	7.82%	22.01%	-13.79%	25.03%	1.00%
MSCI EM (Foreign Stocks, Net Return)	-1.25%	18.31%	18.42%	-14.58%	37.28%	11.19%

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

Please see important disclosure at the end of this presentation

Fixed Income - Municipal

Overview & Outlook



Summary View: Neutral

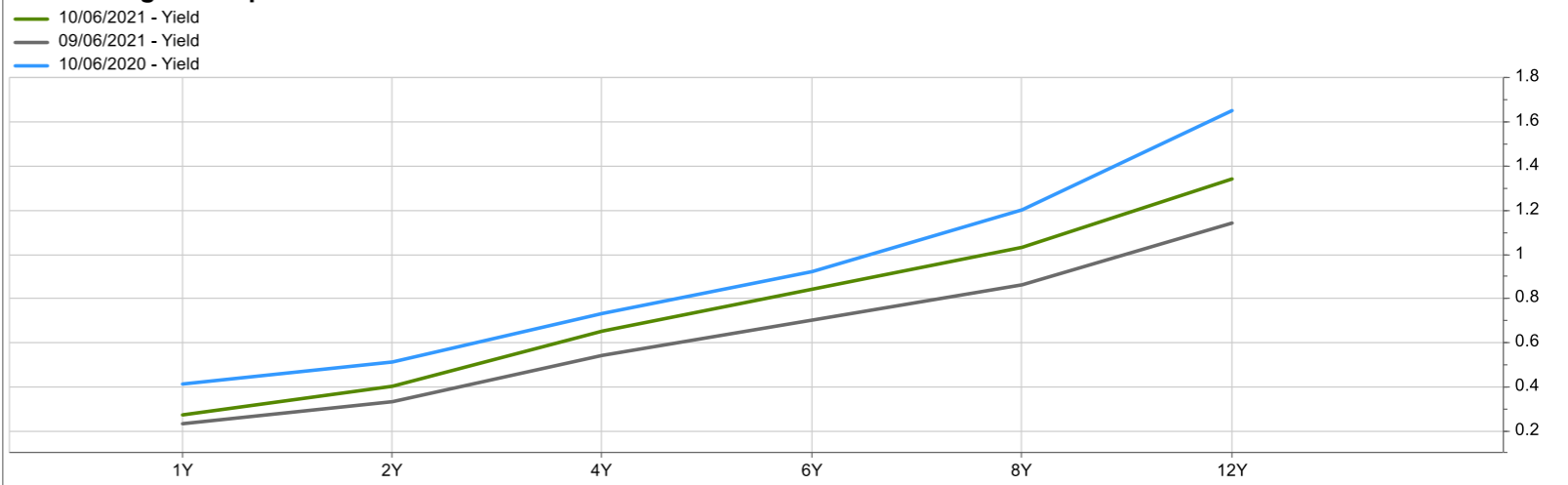
- The positive technical and fundamental environment in the municipal market continues as demand has consistently outpaced supply in 2021. Valuations have tightened well below long-term averages and at these levels further spread compression is limited at best. Investors should likely temper return expectations going forward as current tax-equivalent yields seem to be pricing in higher taxes.
- High yield municipal spreads have tightened beyond pre-crisis levels, but these securities offer better interest rate protection than investment grade municipals.

Risks: The most impactful concerns in our book are related to increased supply from seasonally strong issuance coupled with elevated interest rate volatility that could impact demand and weaken the market backdrop. If prices were to decline, retail investors may be prompted to shorten duration or generate cash, causing the municipal curve to steepen.

Yields as of September 30, 2021	
US Muni Yields	
1-year	0.16%
5-year	0.52%
10-year	1.12%
30-year	1.67%
S&P National AMT-Free Municipal Bond Index	1.02%
Barclays Muni 5 Year	0.65%

Yields as of September 30, 2021	
US Treasuries	
3-month	0.05%
2-year	0.30%
5-year	0.98%
10-year	1.52%
30-year	2.08%

Bloomberg Municipal Bond



	YTD 9/30/2021	2020	2019	2018	2017	2016
Total Return						
S&P National AMT-Free Muni	0.34%	4.95%	7.42%	1.01%	5.09%	0.36%
Barclays Municipal	0.79%	5.21%	7.54%	1.28%	5.45%	0.25%
Barclays High Yield Muni	4.53%	4.89%	10.68%	4.76%	9.69%	2.99%

Source: Prepared by Regions Asset Management using data from Morningstar, Bloomberg, and FactSet. 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. Neither 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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