Regions Investment Management

State of Alabama Treasurer's Office

Prepaid Affordable College Tuition (PACT) Program

As of December31, 2024

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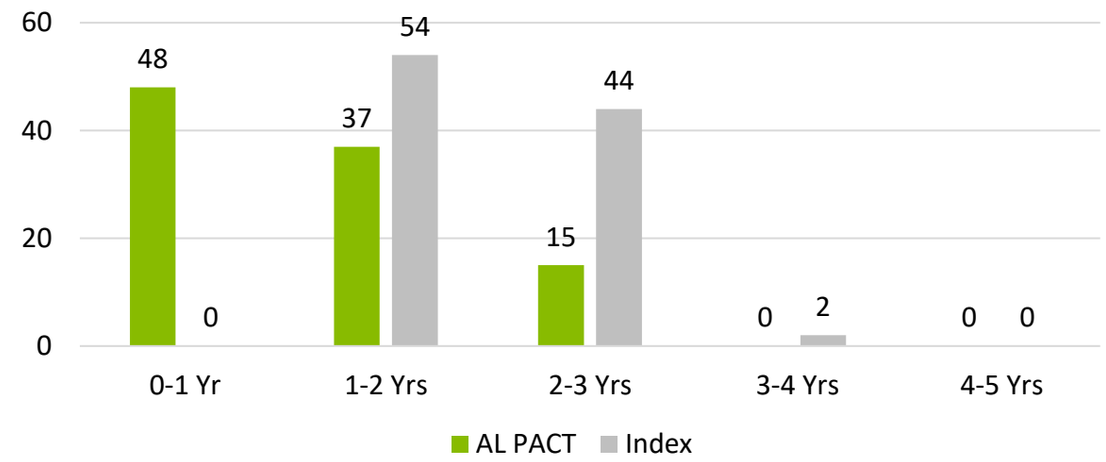
State of Alabama Treasurer's Office – PACT Program
Fixed Income Portfolio Characteristics as of 12.31.2024

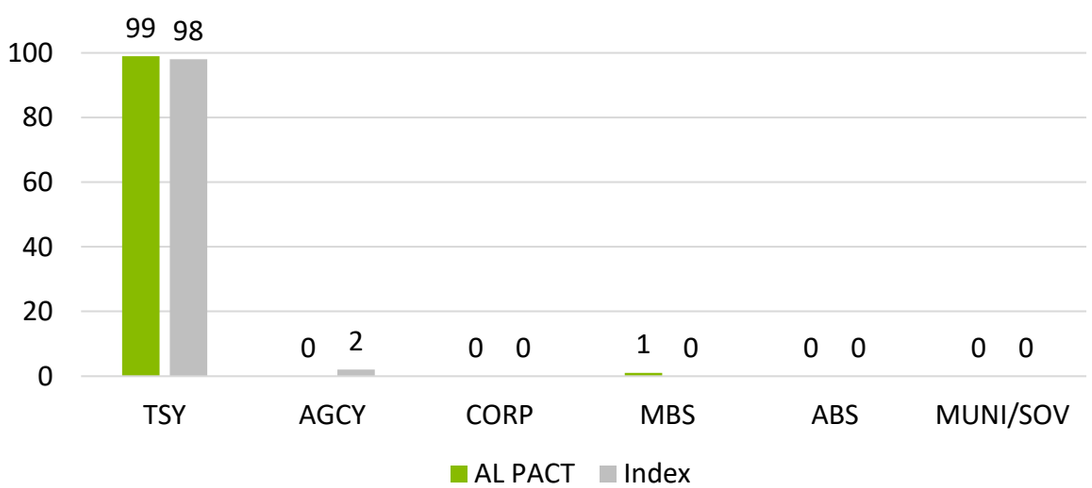
Portfolio Characteristics

	AL PACT	Index
Yield to Maturity	4.19%	4.26%
Average Coupon	3.13%	2.85%
Effective Duration	1.01 years	1.86 years
Average Life	1.10 years	1.96 years
Average Quality	Aa1	Aa1

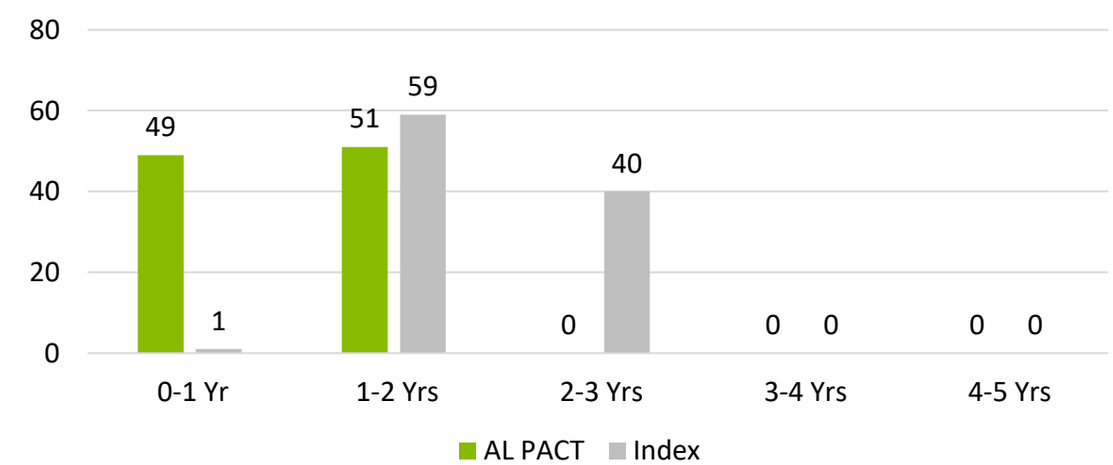
Maturity vs. Index



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 12.31.2024

	Qtr	YTD	1-Yr	3 Years *	5 Years *	7 Years *	Inception *
Consolidated Portfolio	**0.73%**	**4.98%**	**4.98%**	**3.21%**	**2.44%**	**2.45%**	**2.22%**
Money Market Fund	**1.17%**	**5.22%**	**5.22%**	**3.89%**	**2.39%**	**2.26%**	**1.91%**
Fixed Income Portfolio	**0.47%**	**4.83%**	**4.83%**	**2.44%**	**2.07%**	**2.28%**	**2.11%**
1-3 YR Govt Only	-0.09%	4.04%	4.04%	1.44%	1.37%	1.71%	1.48%
Excess Return	*0.56%*	*0.79%*	*0.79%*	*1.00%*	*0.70%*	*0.57%*	*0.63%*

*** Market Values: Consolidated: $194.0mm / Money Market: $75.9mm / Fixed Income: $118.1mm***

*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

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State of Alabama Treasurer's Office – PACT Program
Allocation Detail as of 12.31.2024

INVESTMENT RETURN SUMMARY - QUARTER ENDING DECEMBER 31, 2024

Name	Current Quarter Total Return	Prior Quarter Market Value	Net Cashflow	Adj. for Portion of Fixed Income Account Instructed to Hold in Money Market	Investment Return	Current Quarter Market Value *
Fixed Income	0.47%	$169,384,506	$0	$0	$1,325,098	$170,709,604
Money Market Mutual Fund	1.17%	$21,860,189	$0	$0	$293,426	$22,153,615
Demand Deposit	0.00%	$885,901	$35,379	$0	$0	$921,280
Total Portfolio	**0.73%**	**$192,130,596**	**$35,379**	**$0**	**$1,618,524**	**$193,784,499**

* The total market value of the Alabama PACT Composite portfolio does not include the cash balance of $5,397,736 that was in the Treasury Account on December 31, 2024.

MANAGER ALLOCATION SUMMARY - QUARTER ENDING DECEMBER 31, 2024

Prior Quarter Market Value	%	Fund Name	Style	Adj. for Portion of Fixed Income Account Instructed to Hold in Money Market	Current Quarter Market Value *	%
$169,384,506	88%	Fixed Income	(STFX)	0	170,709,604	88%
$21,860,189	11%	Ioney Market Mutual Fur	(CASH)	0	22,153,615	11%
$885,901	0%	Demand Deposit	(CASH)	0	921,280	0%
$192,130,596	**100%**		**(TOTL)**	**0**	**193,784,499**	**100%**

* The total market value of the Alabama PACT Composite portfolio does not include the cash balance of $5,397,736 that was in the Treasury Account on December 31, 2024.

Source: SEI

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Market Updates

- Market Returns
- Economic Update
- Asset Class Review

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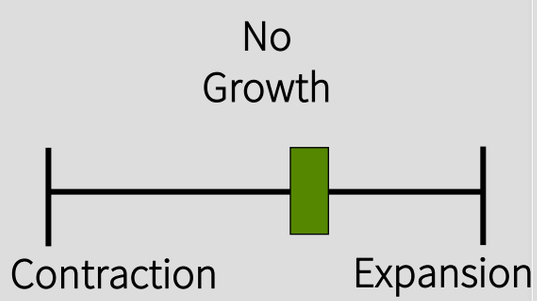
Economy: Overview & Outlook

Economy



Risks:

▪Renewed supply chain disruptions, growing pressure on corporate profit margins, a more pronounced deterioration in credit performance, and refinancing stresses in the commercial real estate and nonfinancial corporate sector pose downside risks to our baseline outlook.

Opportunities:

▪Still-strong household and business balance sheets, faster than anticipated deceleration in core inflation, a stronger response to lower mortgage interest rates, and stronger labor force participation and/or labor productivity growth pose upside risks to our baseline outlook.

Economy (Mostly) On Firm Footing As 2024 Draws To An End

▪The second estimate from the Bureau of Economic Analysis (BEA) shows real GDP grew at an annual rate of 2.8 percent in Q3 2024, matching the initial estimate initial print as some shuffling of the details left the headline print unchanged.[1] We look for Q4 growth to come in at an annual rate of around 2.5 percent and for full-year real GDP growth of 2.8 percent. Though our baseline forecast currently anticipates real GDP growth of 2.3 percent in 2025, that forecast will surely change as details of the incoming administration's fiscal, trade, regulatory, and immigration policies emerge in the weeks ahead.

▪Though the economy is generally on firm footing at the turn of the year, one clear outlier remains the manufacturing sector. While the data on industrial production show manufacturing output rose by 0.2 percent in November, that gain was entirely due to motor vehicle production as output in other industry groups was notably soft. Manufacturing output is down 1.0 percent year-on-year and has been down on this basis for the better part of the past two years.[2] That run coincides with the weakness shown in the ISM Manufacturing Index, which shows the manufacturing sector having been in contraction in twenty-four of the past twenty-five months.[3]

▪In contrast, the ISM Non-Manufacturing Index shows continued steady and broadly based expansion in the broad services sector and continued strong growth in new orders. One thing the ISM surveys of the manufacturing and services sectors do have in common is both show continued upward pressure on prices for non-labor inputs, one sign of stubborn inflation pressures in the broader economy.[3]

▪Those inflation pressures are apparent on the retail level, with the Consumer Price Index showing core inflation stuck at 3.3 percent over the past three months.[4] We cannot rule out core inflation accelerating in the months ahead.

Watching And Waiting . . .

▪Total nonfarm employment rose by 227,000 jobs in November, with private sector payrolls up by 194,000 jobs and public sector payrolls up by 33,000 jobs. The November data make up for some, but not all, of the distortions in the October data stemming from the Boeing strike and Hurricanes Helene and Milton. On average, nonfarm payrolls increased by 132,000 jobs per month over October and November, marking a further deceleration in the trend rate of job growth.[4]

▪Thus far, the slowing trend rate of job growth has been a function of the slowing rate at which firms are hiring workers rather than a faster pace of layoffs. One key, if often overlooked, offset for the slowing trend rate of hiring has been a rising trend rate of labor productivity growth over the past several quarters. As of Q3, the eight-quarter moving average of productivity growth, which we see as the most reliable gauge of the underlying trend rate, stood at 2.4 percent, almost double the trend rate in the years leading up to the pandemic.[4]

▪Whether or not the trend of improving labor productivity growth can be sustained will be a key question in 2025 and beyond. Rapid growth in foreign born labor has been a key driver of the faster growth in the labor supply seen over the past two-plus years, and to the extent that immigration reform leads to slower growth in the labor supply faster productivity growth would be a critical offset. The alternative would be upward pressure on wages and, in turn, prices of final goods and services.

▪While cutting the Fed funds rate by twenty-five basis points at their December meeting, the FOMC's updated dot plot implies only two additional cuts in 2025, down from the four cuts implied in the September dot plot. This is consistent with their updated economic projections showing inflation expected to be higher than in the September projections, coupled with the risks to their inflation forecast being seen as weighted to the upside. That reflects inflation proving to be more persistent and the perception that the mix of policy changes could, on net, be mildly inflationary.

Source: 1) Bureau of Economic Analysis (BEA); 2) Federal Reserve Board; 3) Institute for Supply Management (ISM); 4) Bureau of Labor Statistics (BLS) See important disclosure at the end of this presentation.

Market Returns

Equities	Trailing 3 Months 12/31/24	YTD As of 12/31/24	2023	2022	2021	2020	2019	2018
S&P 500 Index (Large Cap Stocks)	2.41%	25.02%	26.29%	-18.11%	28.71%	18.40%	31.49%	-4.38%
S&P 500 (Large Cap Growth)	6.01%	35.86%	30.03%	-29.41%	32.01%	33.47%	31.13%	-0.01%
S&P 500 (Large Cap Value)	-2.67%	12.29%	22.23%	-5.22%	24.90%	1.36%	31.93%	-8.95%
Russell 2000 Index (Small Cap Stocks)	0.33%	11.54%	16.93%	-20.44%	14.82%	19.96%	25.52%	-11.01%
Russell 2500 Index (Small to Mid Cap Stocks)	0.62%	12.00%	17.42%	-18.37%	18.18%	19.99%	27.77%	-10.00%
Russell Mid Cap TR USD	0.62%	15.34%	17.23%	-17.32%	22.58%	17.10%	30.54%	-9.06%
MSCI EAFE Index (Foreign Stocks)	-8.11%	3.82%	18.24%	-14.45%	11.26%	7.82%	22.01%	-13.79%
MSCI ACWI Ex-U.S. (Foreign Stocks)	-7.60%	5.53%	15.62%	-16.00%	7.82%	10.65%	21.51%	-14.20%
MSCI EM (Foreign Stocks)	-8.01%	7.50%	9.83%	-20.09%	-2.54%	18.31%	18.42%	-14.58%
Bloomberg U.S. Aggregate Bond	-3.06%	1.25%	5.53%	-13.01%	-1.54%	7.51%	8.72%	0.01%
ICE BofA 1-12 Year Municipal	-0.86%	1.37%	4.47%	-4.90%	0.59%	4.02%	5.64%	1.62%
ICE BofA U.S. 3-Month T-Bill	1.17%	5.25%	5.01%	1.46%	0.05%	0.67%	2.28%	1.87%
Bloomberg Global Aggregate Ex USD	-6.84%	-4.22%	5.72%	-18.70%	-7.05%	10.11%	5.09%	-2.15%
Bloomberg U.S. Corporate High Yield	0.17%	8.19%	13.45%	-11.19%	5.28%	7.11%	14.32%	-2.08%
Bloomberg U.S. TIPS	-2.88%	1.84%	3.90%	-11.85%	5.96%	10.99%	8.43%	-1.26%

Source: Bloomberg

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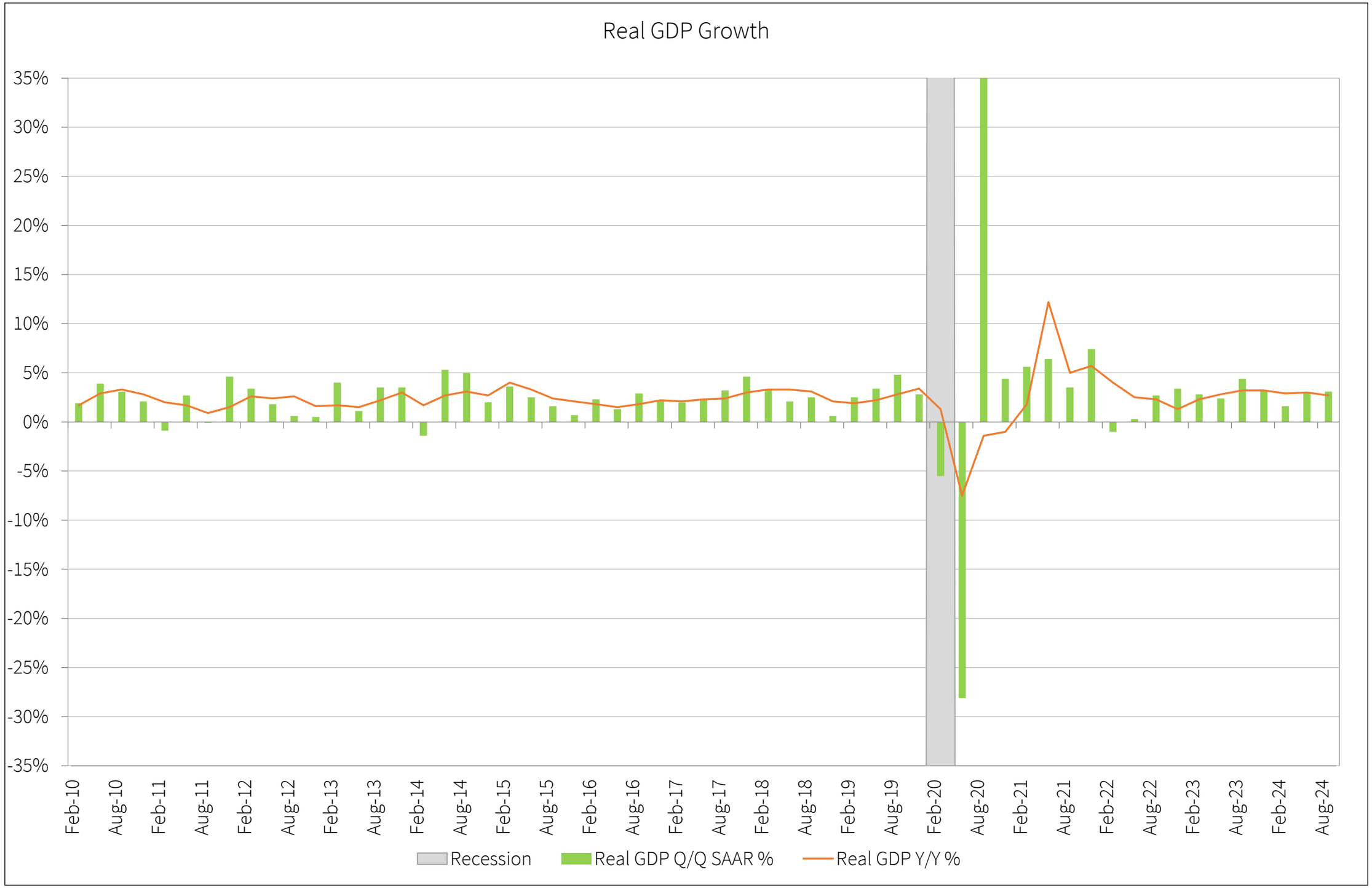
U.S. Real GDP Growth



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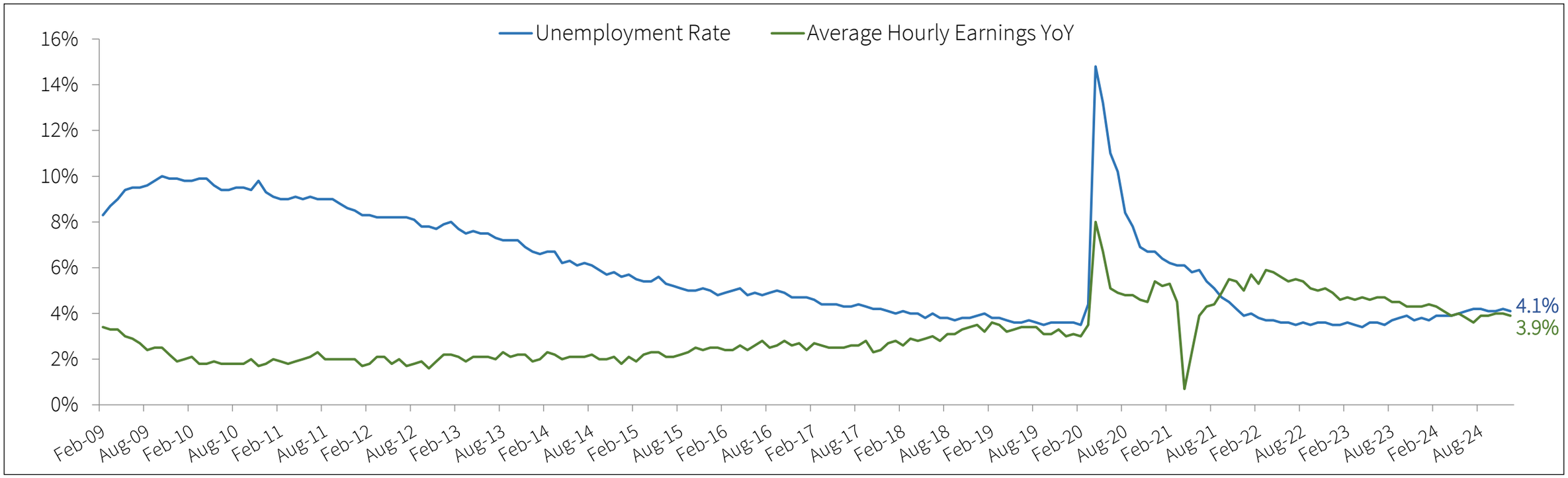
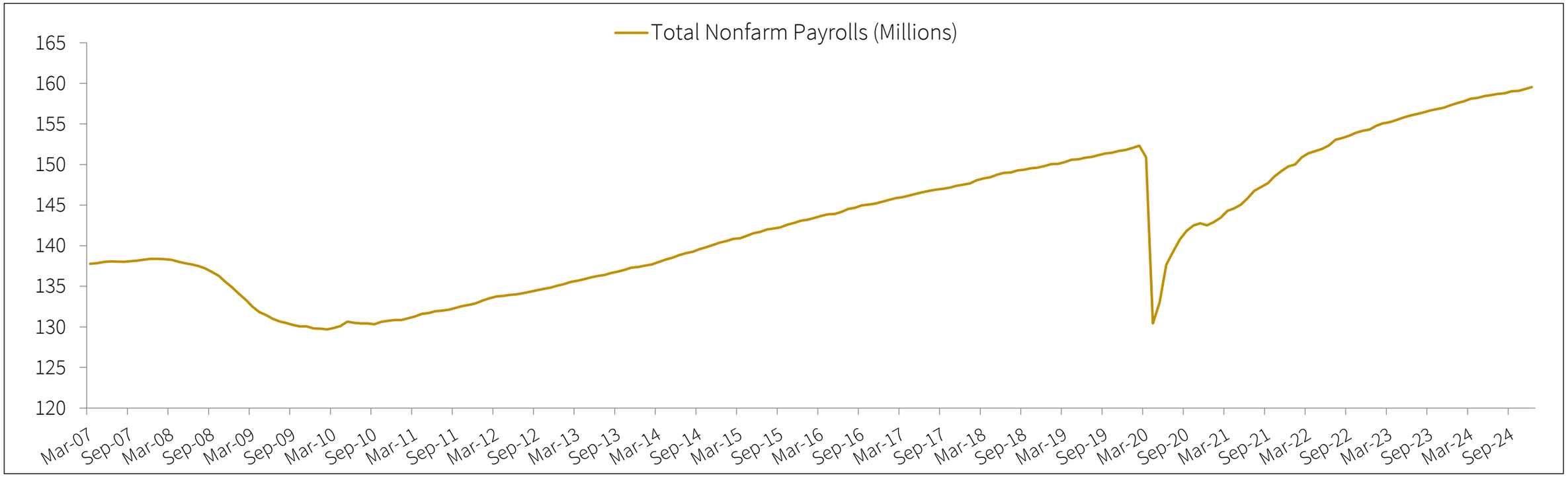
Payrolls, Unemployment, and Wages





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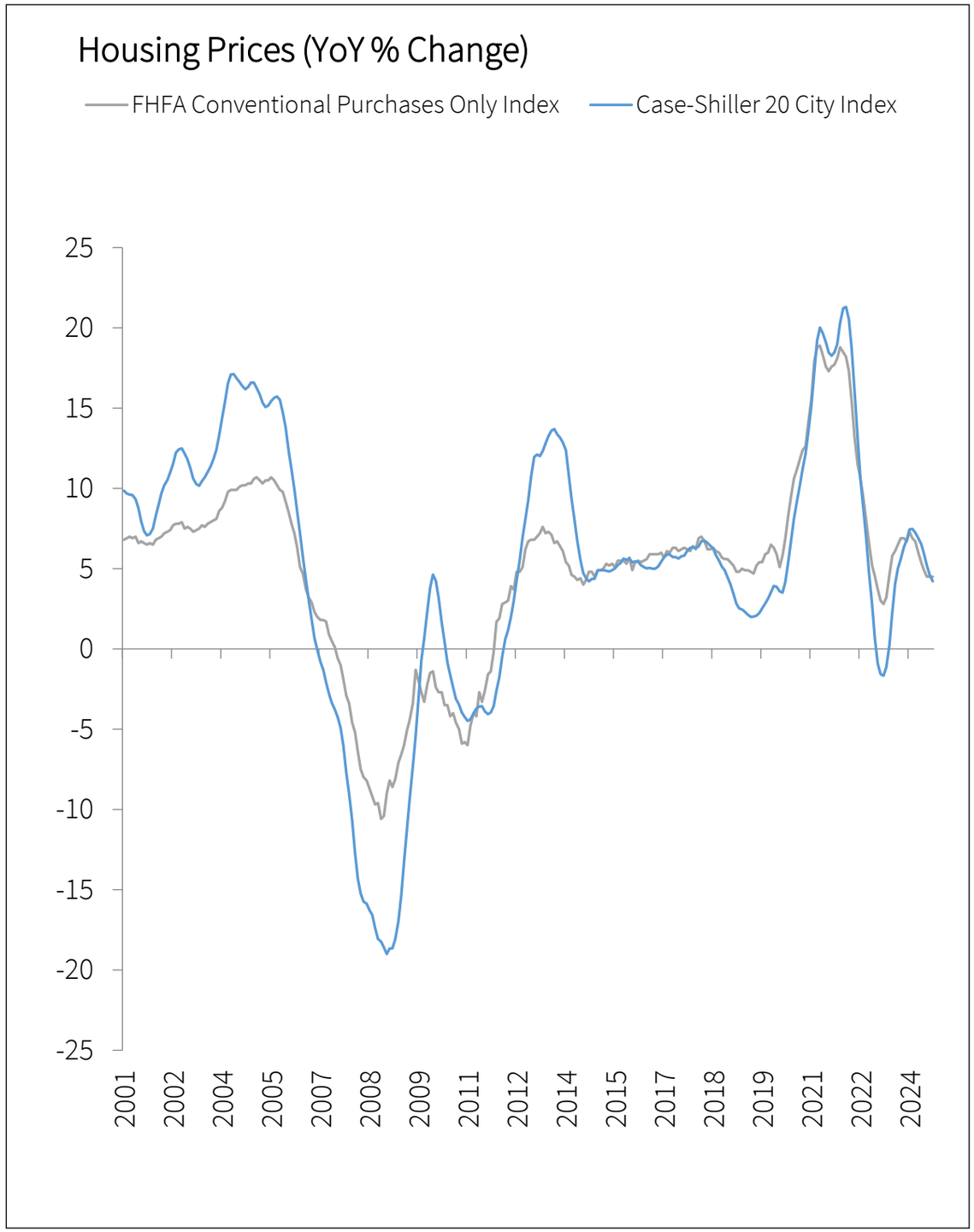
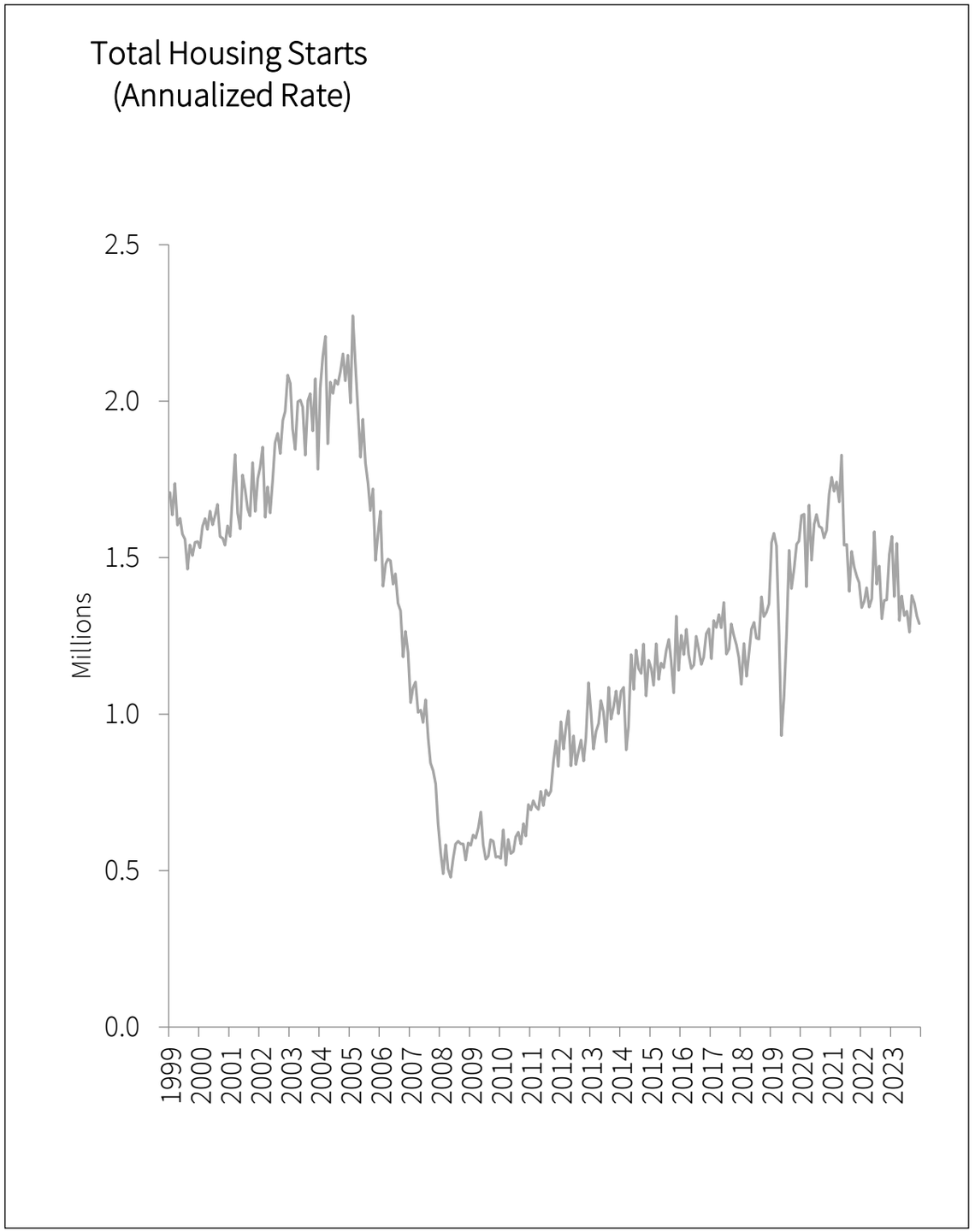
U.S. Housing





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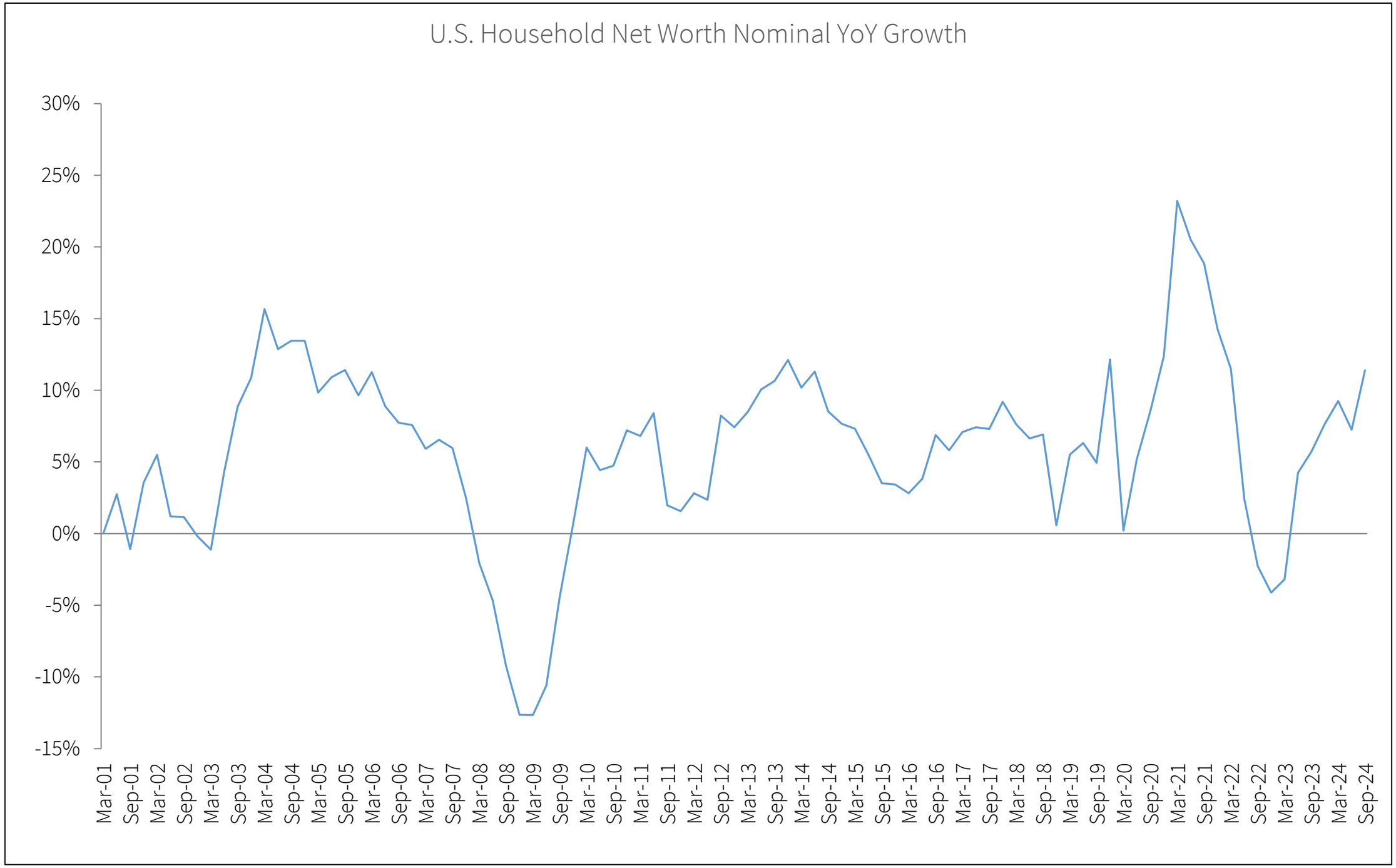
Household Net Worth



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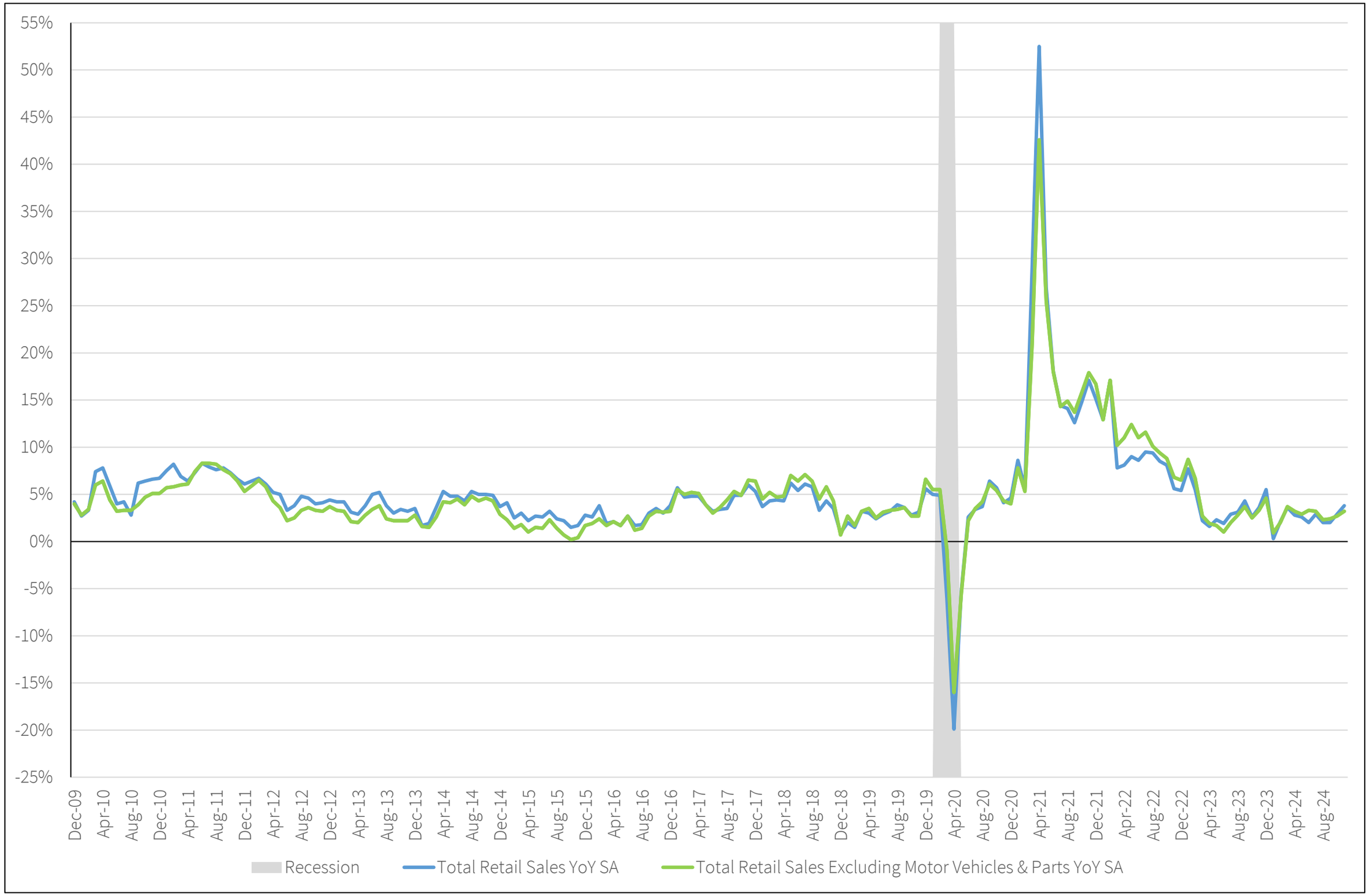
U.S. Retail Sales



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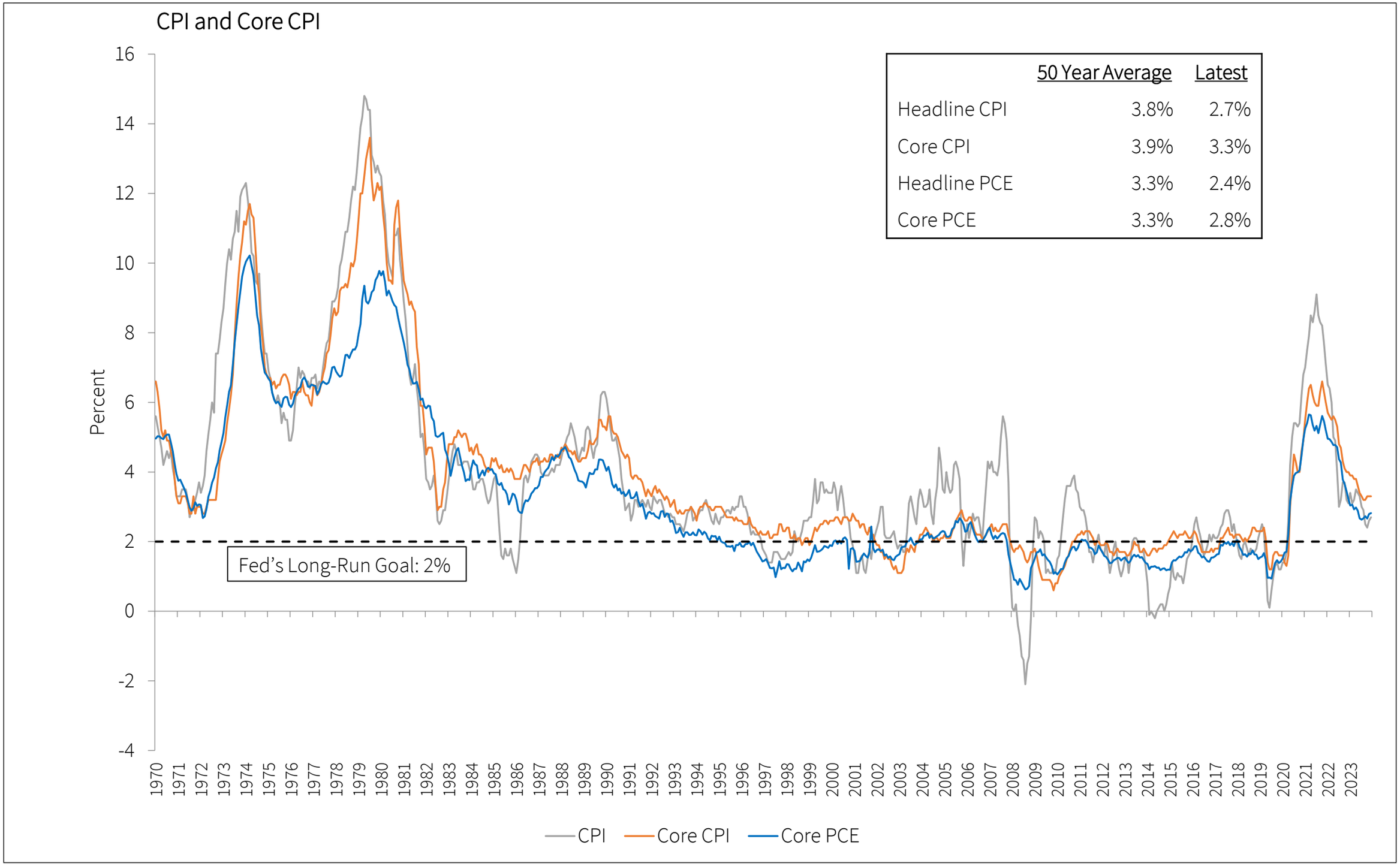
Inflation



	50 Year Average	Latest
Headline CPI	3.8%	2.7%
Core CPI	3.9%	3.3%
Headline PCE	3.3%	2.4%
Core PCE	3.3%	2.8%

Source: Bloomberg

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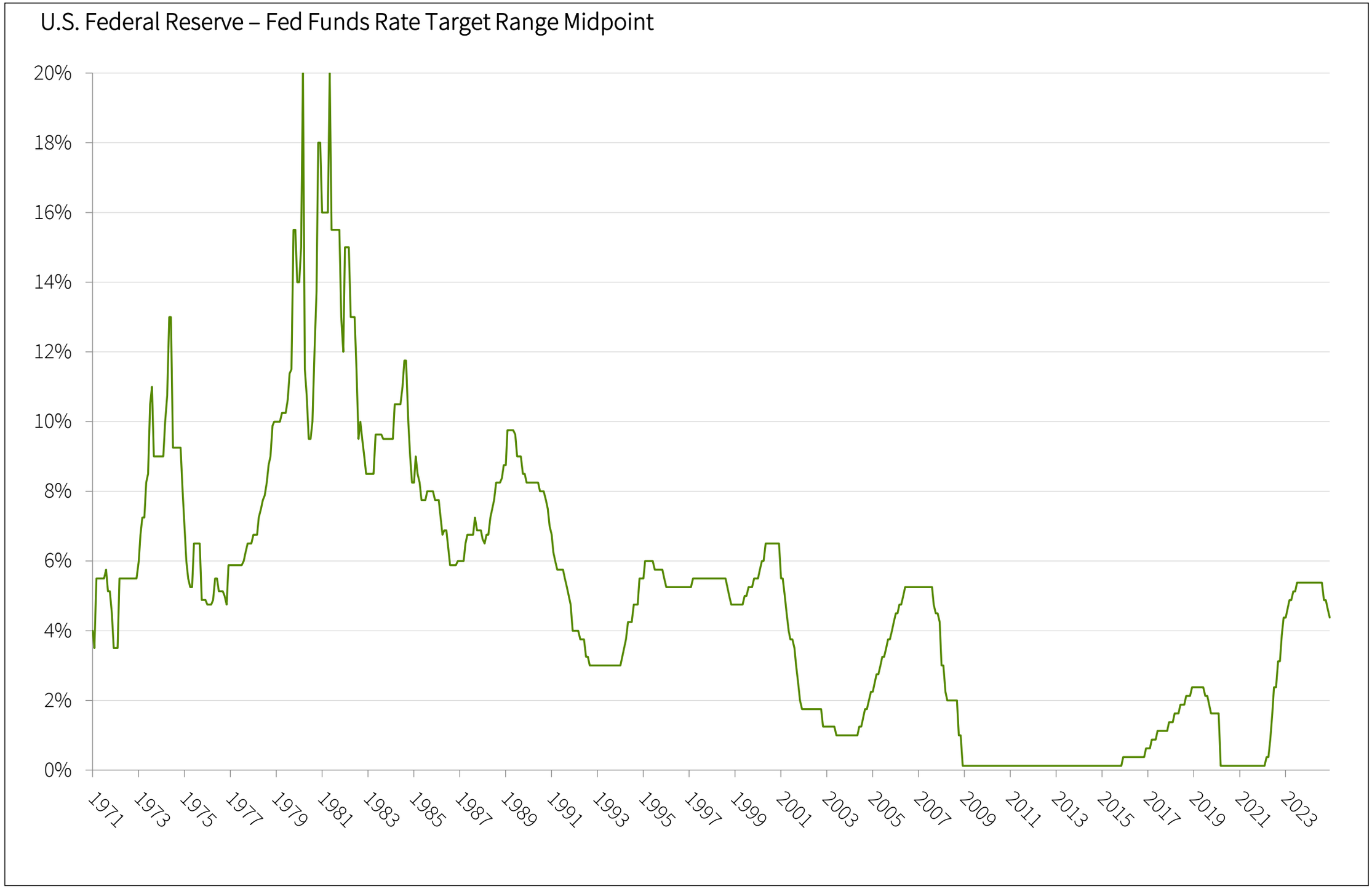
U.S. Fed Funds Rate



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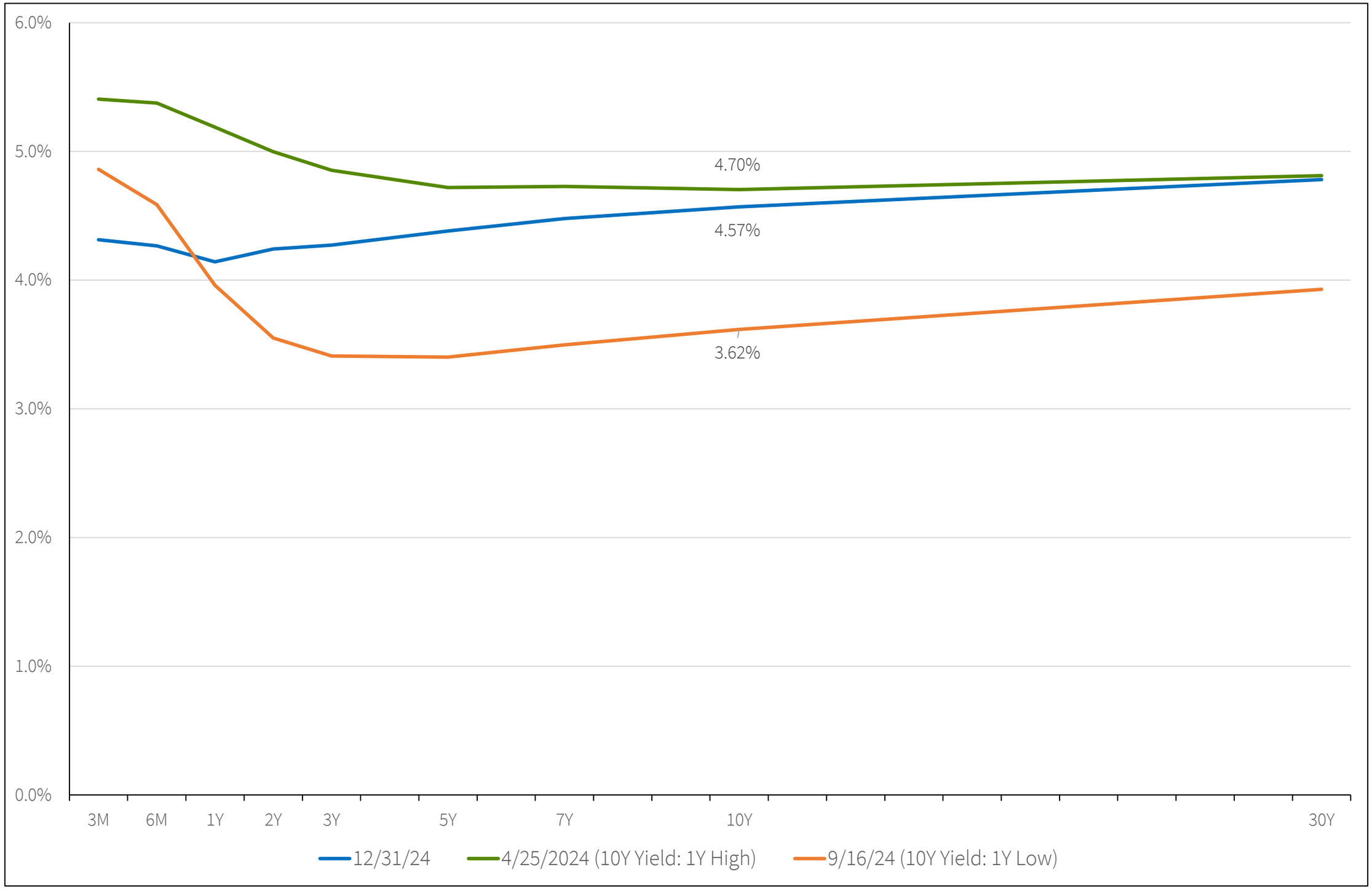
U.S. Treasury Yield Curve



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