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COMPTROLLER GLENN HEGAR, CHAIRMAN

COMPTROLLER'S INVESTMENT ADVISORY BOARD

Endowment Portfolio Review

Q3 2024

Meeting Date: January 29, 2025

Presented by Anca Ion, CIO

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Executive Summary

As of September 30, 2024

In the third quarter of 2024, the Endowment returned +2.9%, bringing the trailing one-year performance to +12.3%. For the quarter, Global Public Equity, Alternative Fixed Income, and Global Fixed Income were the leading performance contributors. Over the one-year period, Global Public Equity, Hedged Equity, and Alternative Fixed Income were the largest contributors in the portfolio. The broader portfolio marginally outperformed its benchmark for the quarter as Alternative Fixed Income, Real Estate, and Global Public Equity delivered the best relative performance, though this was slightly offset by relative underperformance in the Private Equity and Private Debt portfolios. For the one-year period, the broader portfolio continued to lead its benchmark, driven by stronger relative performance from the Hedged Equity, Real Estate, and Alternative Fixed Income portfolios.

The Global Public Equity (+7.0%) and Hedged Equity (+2.8%) portfolios generated positive absolute performance for the quarter (vs benchmark returns of +6.8% and +3.3%, respectively). For Global Public Equity, positive performance was attributable to the portfolio's passive total world stock, MSCI ACWI IMI Index, and S&P 500 Index exposures, with added contribution from a small-cap activist strategy. For Hedged Equity during the quarter, the top contributors to performance were the US growth, US cyclicals, and global hedge funds. There was only one detractor for the quarter across both portfolios which was a large-cap pan-Asia strategy. There were no new allocations made during the quarter in the Endowment's public equity portfolios.

The Alternative Fixed Income portfolio returned +4.4% for the quarter, which represented continued outperformance compared to its primary benchmark (+1.6%). This portfolio captured positive returns from nearly all of the portfolio's existing strategies, led by a global macro strategy, a relative value strategy, and a multi-strategy credit hedge fund. Laggards for the quarter were an event-driven strategy and an Asian credit strategy, both of which are exiting the portfolio. For the one-year period, this portfolio (+11.4%) also led its benchmark (+7.1%), driven largely by an active credit strategy and global macro strategy. There were no new allocations made during the quarter in the Endowment's Alternative Fixed Income portfolio, though we trimmed from an emerging markets strategy that's being deemphasized in the portfolio.

The Global Fixed Income portfolio returned +5.0% for the quarter, marginally underperforming its primary benchmark (+5.2%). The portfolio benefitted from positive absolute return from the portfolio's cash position as well as strong absolute performance from the passive bond exposures for the quarter. Over the one-year period, the portfolio returned +11.3%, which slightly lagged the benchmark return of +12.1%. Passive line items (US Aggregate Swaps and US Treasury ETFs) over the one-year horizon worked against the portfolio on a benchmark-relative basis, more than offsetting positive contribution from an active credit strategy. There were no new allocations made in the Global Fixed Income portfolio during the quarter.

The Private Debt portfolio returned +0.9% for the quarter, lagging the portfolio's blended benchmark (+1.8%). Over the one-year period, the portfolio returned +7.3%, which also underperformed the benchmark (+7.7%). The Distressed Debt portion of the portfolio delivered a +0.5% return for the quarter, bringing the one-year performance to +5.9%. Allocations to distressed/special situations strategies in the US and Europe led performance in this portfolio for the quarter. The Performing Debt portion of the portfolio delivered a +1.2% return for the quarter, bringing the one-year performance to +8.7%. Performance leaders in this sub-portfolio included an energy lending strategy, a diversified direct lending strategy, and an Asia lending strategy, among others. There were no new allocations made during the quarter in the Private Debt portfolio.

The Real Estate portfolio returned +0.1% in a relatively uneventful quarter, although the portfolio led its benchmark return of -0.5%. The Enhanced portfolio faced headwinds during the quarter (-0.4%), performing in line with its sub-category benchmark (-0.4%), while Stable Value (+0.4%) outperformed on a relative basis (-0.7%). Benchmark-relative outperformance can be attributed to strong outcomes with a single-family rental strategy and an open-ended industrial strategy. The top detractors for the quarter included a commercial real estate debt strategy and a global distressed real estate strategy. There were no new allocations made in the Real Estate portfolio during the quarter.

The Private Equity portfolio returned +0.1% for the quarter, lagging the benchmark (+1.1%). Over the one-year period, the portfolio returned +2.0%, which also underperformed the benchmark (+4.4%). The Buyout Private Equity portfolio delivered a +1.7% return for the quarter, bringing the one-year performance to +2.8%. In Buyout, positive outcomes from energy and middle market buyout strategies in the US outweighed markdowns in a secondary strategy and a diversified US strategy. The Venture Capital portfolio generated a -1.2% return for the quarter, bringing the one-year performance to +1.3%. Positive contributors included an investment in India, a defense industry co-investment, and a technology venture strategy, though that performance was counterbalanced by drawdowns from two strategies in biotech and a real estate co-investment. Two new investments were made during the quarter in the Buyout portfolio, one was with a diversified middle market buyout strategy, and the other was a direct investment in an infrastructure consulting business.

Inflation and interest rates remained main focuses for global investors during 3Q24, especially in the lead-up to the presidential election. Both candidates' proposed economic agendas were regarded as potentially contributing to additional inflationary pressures. Equity markets were materially positive during the quarter, and the US economy continued to impress, though jobs market softness opened the door for the Federal Reserve's first rate cut this cycle in mid-September. As of the time of this writing, geopolitical risks are still firmly atop the list of potential global macro concerns as tensions in Israel, the Middle East, and China remain high. In the face of such uncertainty, we remain focused on long-term strategic asset allocation and diversification across quality investment managers.

For the quarter, the top performing portfolios were Global Public Equity (+7.0), Global Fixed Income (+5.0), and Alternative Fixed Income (+4.4). For the trailing one-year period, the top performing portfolios were Global Public Equity (+28.7%), Hedged Equity (+26.3%), and Alternative Fixed Income (+11.4%).

- Total Portfolio Performance: Q3 = 2.9% 1yr = 12.3%
- Benchmark: Q3 = 2.8% 1yr = 10.5%

Asset Allocation Summary[1]

As of September 30, 2024

Asset Class	Strategy	Number of Funds[2,3]	Number of Managers[2,3]	Current Market Value	Weight	Long-Term Target	Policy Range
Fixed Income		**72**	**45**	**$1,489,412,698**	**29.6%**	**34.0%**	**20-50%**
	Global Fixed Income (ex-cash)	4	3	464,758,031	9.2%	9.0%	
	Alternative Fixed Income	14	14	587,548,284	11.7%	15.0%	
	Private Debt	54	30	437,106,383	8.7%	10.0%	
Equity		**135**	**58**	**$2,473,357,218**	**49.2%**	**50.0%**	**35-65%**
	Global Public Equity	7	7	971,922,071	19.3%	20.0%	
	Hedged Equity	8	7	662,826,730	13.2%	15.0%	
	Private Equity	120	46	838,608,417	16.7%	15.0%	
Real Assets		**69**	**28**	**$739,170,543**	**14.7%**	**15.0%**	**5-25%**
	Stable Value Real Estate	22	12	414,598,514	8.2%	7.5%	
	Enhanced Real Estate	47	18	324,572,029	6.5%	7.5%	
Strategic All Asset & Overlays		**11**	**11**	**$265,118,654**	**5.3%**	**0.0%**	**0-15%**
	All Asset Strategies	4	4	44,191,772	0.9%	0.0%	
	Overlays	7	7	220,926,882	4.4%	0.0%	
Subtotal (ex-Offset, ex-Cash)		**287**	**130**	**$4,967,059,113**	**98.8%**	**99.0%**	
	Cash	2	2	429,991,426	8.6%	1.0%	
	Overlay Offset	-	-	-368,184,933	-7.3%	0.0%	
Total Portfolio		**289**	**129**	**$5,028,865,606**	**100.0%**	**100.0%**	

[1] Derivative exposures are reported at notional value in the global equity and global fixed portfolios. This requires an equal-sized offset, which is reported as a negative market value.

[2] Does not include funds in wind down or redemption.

[3] Manager count for aggregates are less than sum of components due to managers with multiple strategy allocations.

Fixed Income Summary

As of September 30, 2024

Strategy	Market Value	Portfolio Weight	Standard Deviation[1]	Sharpe Ratio[1]	% Positive Months[1]	US Universal		HFRI Conservative		MSCI ACWI IMI	
						Beta[1]	Correlation[1]	Beta[1]	Correlation[1]	Beta[1]	Correlation[1]
Global Fixed Income (ex-cash)	**$464,758,031**	**9.2%**	**7.1%**	**-0.6**	**47.2%**	**0.9**	**1.0**	**1.6**	**0.4**	**0.3**	**0.8**
Global Fixed Managers	272,036,770	5.4%	6.3%	0.2	58.3%	0.6	0.7	2.4	0.7	0.3	0.8
Global Fixed Derivatives	192,721,260	3.8%	7.6%	-0.7	41.7%	1.0	1.0	1.5	0.4	0.3	0.8
US Universal			*7.5%*	*-0.6*	*44.4%*	-	-	*1.7*	*0.4*	*0.4*	*0.8*
Alternative Fixed Income	**$587,548,284**	**11.7%**	**5.8%**	**0.8**	**75.0%**	**-0.1**	**-0.2**	**1.4**	**0.5**	**0.0**	**0.1**
Event Driven	225,843,097	4.5%	6.8%	-0.1	66.7%	0.4	0.5	2.9	0.8	0.3	0.6
HFRI Event Driven (Total) Index			*6.3%*	*0.2*	*58.3%*	*0.5*	*0.7*	*2.8*	*0.9*	*0.3*	*0.8*
Relative Value	264,096,865	5.3%	12.6%	0.9	83.3%	-0.3	-0.2	0.9	0.1	0.1	0.1
HFRI Relative Value (Total) Index			*2.6%*	*0.3*	*80.6%*	*0.2*	*0.6*	*1.2*	*0.9*	*0.1*	*0.8*
Tactical Trading	97,330,912	1.9%	10.4%	0.7	63.9%	-0.8	-0.6	-0.3	-0.1	-0.3	-0.6
HFRI Macro (Total) Index			*5.3%*	*0.1*	*58.3%*	*-0.3*	*-0.5*	*1.0*	*0.4*	*0.0*	*-0.1*
Fund of Funds	277,410	0.0%	-	-	-	-	-	-	-	-	-
HFRI FoF: Conservative			*1.9%*	*0.1*	*75.0%*	*0.1*	*0.4*	-	-	*0.1*	*0.7*
Private Debt	**$437,106,383**	**8.7%**	-	-	-	-	-	-	-	-	-
Cash + Overlay Offset	**$61,806,493**	**1.2%**	-	-	-	-	-	-	-	-	-
Cash (Physical)	429,991,426	8.6%	-	-	-	-	-	-	-	-	-
Overlay Offset	-368,184,933	-7.3%	-	-	-	-	-	-	-	-	-
Total Fixed Income	**$1,551,219,191**	**30.8%**	**3.3%**	**0.7**	**75.0%**	**0.3**	**0.6**	**1.1**	**0.6**	**0.1**	**0.6**

[1] Trailing 36 months.

Private Debt Detail

As of September 30, 2024

Strategy	Number of Current Fund Commitments	Portfolio Weight	Commitments	Unfunded Commitments	Total Contributions[1]	Distributions	Remaining Value[2]	Total Value
Performing	23	4.7%	$595,848,475	$170,183,990	$570,079,968	$455,015,946	$237,318,845	$692,334,791
Distressed	31	4.0%	659,653,921	154,364,553	611,132,988	597,688,666	199,787,538	797,476,204
Total Private Debt	**54**	**8.7%**	**$1,255,502,397**	**$324,548,544**	**$1,181,212,956**	**$1,052,704,612**	**$437,106,383**	**$1,489,810,995**

[1] Total Contributions include fees and expenses that may not reduce or lower unfunded commitment.

[2] Remaining Value is equal to the last actual reported capital account value plus subsequent capital calls less subsequent distributions through the indicated date, with no valuation changes.

Strategy	Distributed/Paid In (DPI)	Total Value/Paid In (TVPI)	1 Year IRR	ITD IRR	Time Weighted Returns		
					1 Year	3 Year	5 Year
Performing	0.80	1.21	8.4%	8.6%	8.7%	7.7%	8.3%
Distressed	0.98	1.30	7.0%	7.6%	5.9%	8.0%	7.7%
Total Private Debt	**0.89**	**1.26**	**7.7%**	**7.9%**	**7.3%**	**7.9%**	**8.0%**
Private Debt Blend					*7.7%*	*8.9%*	*10.8%*

Equity Summary

As of September 30, 2024

Strategy	Market Value	Portfolio Weight	Standard Deviation[1]	Sharpe Ratio[1]	% Positive Months[1]	MSCI ACWI IMI		HFRI Strategic	
						Beta[1]	Correlation[1]	Beta[1]	Correlation[1]
Global Equity	$971,922,071	19.3%	16.0%	0.1	55.6%	0.9	1.0	2.0	0.9
Global Equity Managers	786,805,609	15.6%	16.9%	-0.1	52.8%	0.8	0.8	1.9	0.8
Global Equity Derivatives	185,116,462	3.7%	16.6%	0.3	61.1%	1.0	1.0	2.0	0.9
MSCI ACWI IMI			*16.7%*	*0.2*	*61.1%*	-	-	*2.0*	*0.9*
Hedged Equity	$662,826,730	13.2%	9.7%	0.2	58.3%	0.5	0.8	1.3	0.9
HFRI FoF: Strategic			*7.0%*	*-0.3*	*58.3%*	*0.4*	*0.9*	-	-
Private Equity	$838,608,417	16.7%	-	-	-	-	-	-	-
Total Equity	**$2,473,357,218**	**49.2%**	**7.3%**	**0.1**	**58.3%**	**0.4**	**0.9**	**1.0**	**0.9**

[1] Trailing 36 months.

Private Equity Detail

As of September 30, 2024

Strategy	Number of Current Fund Commitments	Portfolio Weight	Commitments	Unfunded Commitments	Total Contributions[1]	Distributions	Remaining Value[2]	Total Value
Buyout	70	7.4%	$838,878,767	$165,785,450	$746,557,207	$793,666,396	$370,715,156	$1,164,381,552
Venture Capital	50	9.3%	602,499,167	137,546,693	472,399,492	259,277,766	467,893,261	727,171,026
Total Private Equity	**120**	**16.7%**	**$1,441,377,935**	**$303,332,143**	**$1,218,956,699**	**$1,052,944,162**	**$838,608,417**	**$1,891,552,578**

[1] Total Contributions include fees and expenses that may not reduce or lower unfunded commitment.

[2] Adjusted Reported Value is equal to the last actual reported capital account value plus subsequent capital calls less subsequent distributions through the indicated date, with no valuation changes.

Strategy	Distributed/Paid In (DPI)	Total Value/Paid In (TVPI)	1 Year IRR	ITD IRR	Time Weighted Returns		
					1 Year	3 Year	5 Year
Buyout	1.06	1.56	2.8%	10.2%	2.8%	5.8%	11.7%
Venture	0.55	1.54	1.0%	9.2%	1.3%	-1.4%	14.7%
Total Private Equity	**0.86**	**1.55**	**1.8%**	**9.8%**	**2.0%**	**1.9%**	**12.4%**
Private Equity Blend					*4.4%*	*3.1%*	*12.5%*

Real Estate Detail

As of September 30, 2024

Strategy	Number of Current Fund Commitments	Portfolio Weight	Commitments	Unfunded Commitments	Total Contributions[1]	Distributions	Remaining Value[2]	Total Value
Stable Value	22	8.2%	$725,212,545	$86,863,759	$855,173,041	$801,666,916	$414,598,514	$1,216,265,430
Enhanced Return	47	6.5%	719,201,808	123,115,904	662,872,371	500,376,050	324,572,029	824,948,079
Total Real Estate	**69**	**14.7%**	**$1,444,414,352**	**$209,979,662**	**$1,518,045,412**	**$1,302,042,966**	**$739,170,543**	**$2,041,213,509**

[1] Total Contributions include fees and expenses that may not reduce or lower unfunded commitment.

[2] Remaining Value is equal to the last actual reported capital account value plus subsequent capital calls less subsequent distributions through the indicated date, with no valuation changes.

Strategy	Distributed/Paid In (DPI)	Total Value/Paid In (TVPI)	1 Year IRR	ITD IRR	Time Weighted Returns		
					1 Year	3 Year	5 Year
Stable Value	0.94	1.42	2.4%	9.1%	2.3%	7.0%	9.5%
Stable Value RE Blend					*-10.0%*	*1.0%*	*2.3%*
Enhanced Return	0.75	1.24	-5.2%	6.0%	-5.5%	3.7%	4.5%
Enhanced RE Blend					*-4.2%*	*4.1%*	*5.6%*
Total Real Estate	**0.86**	**1.34**	**-0.9%**	**7.7%**	**-1.0%**	**5.6%**	**7.6%**
Real Estate Blend					*-7.6%*	*2.4%*	*3.6%*

Strategic All Asset & Overlays

As of September 30, 2024

Strategy	Market Value	Portfolio Weight	Standard Deviation[1]	Sharpe Ratio[1]	% Positive Months[1]	Total Policy Benchmark	
						Beta[1]	Correlation[1]
All Asset Strategies	$44,191,772	0.9%	7.4%	0.9	50.0%	-0.2	-0.1
Overlays	$220,926,882	4.4%	4.1%	0.6	77.8%	0.3	0.4
Strategic All Asset & Overlays	**$265,118,654**	**5.3%**	**3.8%**	**0.8**	**80.6%**	**0.2**	**0.3**
TTSTC Blended Endowment			*5.1%*	*0.1*	*58.3%*	-	-

[1] Trailing 36 months.

TTSTC Performance Table

As of September 30, 2024

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2002	-0.8%	-0.1%	1.9%	-1.8%	-0.5%	-4.5%	-4.7%	0.7%	-6.0%	3.7%	4.0%	-2.8%	**-10.9%**
2003	-1.6%	-0.9%	0.4%	5.9%	4.8%	1.3%	1.4%	2.1%	0.3%	4.4%	1.6%	3.6%	**25.8%**
2004	2.0%	1.4%	0.1%	-2.4%	0.8%	2.1%	-2.8%	0.6%	2.2%	1.6%	4.1%	2.9%	**13.1%**
2005	-1.7%	2.0%	-1.6%	-2.1%	2.9%	1.3%	3.2%	0.2%	1.2%	-1.9%	2.8%	1.4%	**7.8%**
2006	3.8%	0.0%	1.8%	1.5%	-2.5%	-0.2%	0.2%	1.8%	1.2%	2.8%	2.2%	1.3%	**14.7%**
2007	1.2%	-0.1%	1.4%	3.0%	2.7%	-0.7%	-1.7%	0.3%	3.0%	2.0%	-3.2%	-0.2%	**7.7%**
2008	-4.2%	-0.5%	-1.1%	2.3%	1.3%	-3.4%	-1.2%	-0.8%	-6.6%	-9.6%	-2.9%	0.6%	**-23.8%**
2009	-2.0%	-3.6%	1.9%	3.2%	3.1%	0.6%	4.0%	1.3%	2.5%	0.1%	2.2%	1.1%	**15.0%**
2010	-1.0%	1.0%	2.6%	1.0%	-3.9%	-1.1%	3.4%	-0.7%	4.1%	2.1%	-0.4%	3.0%	**10.3%**
2011	0.7%	1.6%	0.6%	2.2%	-0.5%	-1.1%	0.1%	-2.2%	-4.4%	3.1%	-0.8%	-0.5%	**-1.6%**
2012	2.3%	2.0%	0.0%	0.2%	-2.8%	1.1%	1.3%	1.6%	1.4%	0.1%	0.9%	0.9%	**9.3%**
2013	2.1%	0.2%	1.1%	1.0%	0.1%	-2.1%	1.9%	0.0%	1.8%	1.9%	0.8%	0.6%	**9.8%**
2014	-0.1%	2.5%	0.2%	0.6%	1.3%	1.1%	-0.3%	0.9%	-1.5%	0.0%	1.0%	-0.8%	**4.9%**
2015	0.2%	2.1%	-0.2%	1.4%	0.4%	-1.1%	0.1%	-2.1%	-1.7%	1.7%	-0.3%	-1.0%	**-0.6%**
2016	-1.7%	-0.5%	1.9%	1.2%	0.6%	0.1%	1.7%	0.7%	0.7%	0.6%	0.8%	1.2%	**7.5%**
2017	1.5%	1.1%	0.8%	1.0%	1.0%	0.1%	1.3%	0.7%	0.8%	1.3%	0.7%	0.7%	**11.5%**
2018	1.9%	-0.9%	-0.1%	0.8%	0.3%	0.2%	1.3%	0.3%	0.2%	-1.7%	0.1%	-1.5%	**0.8%**
2019	2.4%	1.1%	1.2%	1.5%	-1.0%	1.9%	0.7%	-0.8%	0.4%	2.1%	0.8%	1.2%	**11.9%**
2020	0.0%	-2.7%	-7.3%	1.1%	2.0%	1.3%	2.9%	1.9%	-0.1%	0.8%	5.0%	3.2%	**7.8%**
2021	0.8%	2.5%	1.2%	3.5%	2.0%	0.8%	1.2%	1.7%	0.9%	2.7%	0.1%	1.0%	**20.1%**
2022	-0.7%	0.2%	1.5%	-0.5%	-0.3%	-1.9%	1.4%	-1.0%	-2.3%	0.0%	2.2%	-0.3%	**-1.7%**
2023	1.7%	-0.7%	-0.5%	0.0%	0.0%	1.3%	0.9%	-0.3%	-1.0%	-0.8%	2.8%	2.1%	**5.6%**
2024	0.7%	1.7%	1.2%	-1.0%	1.4%	0.6%	1.2%	0.7%	0.9%				**7.8%**

TEXAS TRUST

TEXAS TREASURY SAFEKEEPING TRUST COMPANY

COMPTROLLER GLENN HEGAR, CHAIRMAN

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