

## **Minutes of the August 14, 2025 Comptroller's Investment Advisory Board Meeting**

The Comptroller's Investment Advisory Board met on Thursday, August 14, 2025, at the LBJ State Office Building, 111 E. 17th Street, Room 113, Austin, Texas, 78701.

### **Board Members present:**

Laurie Dotter, Jim Hille, Katie Hubbard, Adolpho Telles, Sam Vinson and Ben Wall

**Board Members absent:** None

### **Comptroller of Public Accounts Staff Presiding and Present:**

Acting Comptroller Kelly Hancock and Associate Deputy Comptroller Tom Currah

### **Texas Treasury Safekeeping Trust Company (Trust Company) Executive Staff, Presenters & Facilitators:**

Mike Reissig, CEO; Anca Ion, CIO; Gena Minjares, CFO; Whitney Blanton, General Counsel; Spencer Brown, Deputy General Counsel; Brad Davis, Sr. Portfolio Manager; Jyoti Gupta, Sr. Portfolio Manager; Nicole Wang, Sr. Portfolio Manager; Emil Boehm, Sr. Portfolio Manager; Jake Price, Jr. Portfolio Manager; Steve Rohrich, Jr. Portfolio Manager; Matt Connolly, Sr. Portfolio Manager; Antonios Tavlarakis, Sr. Quantitative Analyst; and Nora Arredondo, Program Specialist.

### **Additional Participants:**

Roger Willis and Alex Nixon, Asset Consulting Group (ACG)

### **Call to Order**

Acting Comptroller Hancock declared that a quorum was present and called the meeting to order at 10:03 a.m.

### **Agenda Items:**

- 1. Approval of minutes from April 15, 2025, meeting. On a motion by Ms. Laurie Dotter and seconded by Ms. Katie Hubbard, the Board voted unanimously to approve the April 15, 2025, proposed meeting minutes as presented behind Tab 1.**

- 2. Chief Executive Officer Update (no handout)**

Mr. Mike Reissig presented a budget update noting that the fiscal year ends in two weeks and a more comprehensive budget update will be presented at the next meeting. He reported that the Trust Company had an opportunity to move into the new Bush State Office Building which entailed some unexpected additional capital overlays. The move should occur early 2026. Overall, the Trust Company budget was in line with expectations.

- 3. Legislative and Board Charter Update**

Mr. Whitney Blanton provided a brief legislative update (Tab 5), highlighting Senate Bill 2900, which focused on government efficiency. The bill eliminated certain Comptroller advisory boards and consolidated others, including repealing the TTSTC Investment Advisory Board that was never implemented. Key provisions from that board were transferred to the existing statute

(404.028), clarifying that the board serves in an advisory, not fiduciary, capacity and adding conflict of interest and training requirements. Additionally, a rule was established setting four-year terms for board members, with possible reappointment and removal for cause, and the board charter was updated to reflect these changes.

#### **4. CIO Update: Market Outlook and Portfolio Reviews**

Ms. Anca Ion provided an update on market conditions, portfolio performance, and key economic developments (Tab 2). She noted significant global market volatility since the beginning of the year but emphasized continued portfolio growth, aided by returns, income, and inflows—particularly in the Treasury Pool. She highlighted gold’s strong performance, underperformance of small-cap equities, and a volatile equity market reacting to changing interest rate expectations, tariff increases, and economic policy shifts. Despite a sharp market dip in April, equity markets have rebounded strongly, with the S&P up 9% year-to-date and some international markets performing even better. Key concerns discussed included high equity valuations, weakening earnings forecasts, inflation uncertainty, and the fiscal deficit. While inflation has come down, expectations remain elevated, especially with rising tariffs creating long-term risk. The yield curve has normalized, but long-term rates are climbing due to inflation and deficit fears. Ms. Ion also noted that recession expectations have dropped significantly, yet the risk of stagflation is rising. The team remains close to strategic allocations due to tight credit spreads, high valuations, and uncertainty, while also managing the complexity of five separate investment pools with differing needs and payout structures.

As of July, the organization manages \$113 billion in assets, with the Treasury Pool accounting for \$78 billion and generating an annual income of \$3 billion. The team is preparing for significant school-related outflows totaling approximately \$14 billion, adjusting portfolio duration accordingly. The Endowment, TUF, SWIFT, and TESTIF, have all seen asset growth, with most outperforming benchmarks, with the exception of the Endowment, which lagged due to underperformance in private equity and venture investments. Over a five-year horizon, most portfolios delivered strong alpha, contributing over \$2 billion in added income above benchmarks. TESTIF performed the best in the first quarter due to strong fixed income and public market positioning, while TUF and SWIFT also showed solid results across asset classes. Tariffs continue to be an important source of uncertainty. The team remains cautious given market overvaluation, maintaining zero leverage and sufficient liquidity to capitalize on future market sell-offs.

Mr. Matt Connolly discussed the liquidity and funding outflows within the Treasury Pool. He stated that the Treasury Pool currently holds just under \$80 billion, a 9.5% increase year-to-date, and is well-positioned to handle \$15 billion in projected outflows through a strategically laddered mix of overnight cash, Treasury Bills, and commercial paper. The pool is yielding just under 4.3%, outperforming the six-month T-bill by about 20 basis points, thanks to diversified investments in agency mortgages, AAA asset backed securities, and high-quality corporate bonds, generating over \$3 billion in annual income. While market conditions show tightening credit spreads and anticipated Fed rate cuts, the Pool continues to seek modest outperformance within its conservative investment mandate.

## **5. Capital Markets Overview and Investment Performance Review for Quarter Ending March 31, 2025 and Related Matters**

Mr. Roger Willis and Mr. Alex Nixon discussed the material behind Tab 3. Mr. Willis introduced key themes influencing their investment outlook. He emphasized a focus on separating short-term market “noise” from longer-term trends, such as persistent U.S. innovation, AI advancements, and asset tokenization, which could offset concerns like rising national debt and interest costs. Mr. Willis noted that markets have performed better than expected year-to-date, with strong returns, no recession yet, and positive real yields benefiting savers. Despite ongoing risks, he underscored the importance of adhering to investment policy, maintaining long-term discipline, and closely monitoring but not overreacting to macroeconomic developments like national debt and Treasury demand. ACG expects slow economic growth and will reposition where appropriate.

Mr. Nixon presented an overview of the long-term construction and performance expectations for the Endowment, TUF, SWIFT, and TESTIF portfolios, emphasizing the importance of building resilient portfolios aligned with each pool’s investment policy objectives. Using forward-looking return assumptions, he noted that TESTIF has the lowest expected return of approximately 4-4.5%, followed by SWIFT at approximately 6%, while both the Endowment and TUF are projected at 7–7.5% over the next decade. He confirmed that each portfolio is meeting or trending toward its long-term goals: TESTIF is outperforming cash but slightly lagging inflation; SWIFT is meeting both inflation-beating and liquidity needs; and both Endowment and TUF are achieving their objectives of beating inflation, covering distribution, and providing growth. He concluded by stressing the importance of evaluating performance over five- and ten-year periods, where the Endowment, for example, shows strong five-year returns near 10% and ten-year returns above 6.5%.

## **6. Endowment, TUF, SWIFT and TESTIF Portfolio Asset Class Updates and Related Matters**

Each portfolio manager was asked to review the information behind Tab 4 and the strategies they manage.

Mr. Brad Davis reported on the performance of fixed income portfolios, noting that the Endowment and TUF portfolios remain closely aligned with their US Treasury-based benchmark, while active management in SWIFT and TESTIF accounts are being carefully balanced against credit risk amid tight spreads. The TESTIF portfolio has grown significantly, adding \$6.4 billion over the past year, primarily from inflows, and continues to be the most actively managed. He also reviewed the \$3.5 billion hedge fund portfolio, highlighting diversification, upgrades to strategies, and year-to-date performance tracking well versus the cash + 3.5% annualized objective.

Mr. Jake Price reported that private credit portfolios delivered another positive quarter, with returns ranging from 1.3% to 4.3%, highlighted by strong performance in SWIFT and direct lending strategies. TESTIF posted a 2.5% gain in the first quarter and continues to expand with new strategies, while TUF showed early strong results from a European distressed investment. He noted some underperformance in legacy European positions and mining finance but emphasized

that portfolio ramp-ups are progressing and overall performance remains solid amid tight spreads and shifting macro conditions.

Ms. Jyoti Gupta presented an overview of equity markets. She reported that in the first quarter, developed markets outside the U.S. led with a 6.4% gain, while emerging markets were modestly positive and the U.S. market declined 4.3% due to a rotation from large-cap growth into value. Endowment and SWIFT equity portfolios slightly lagged benchmarks due to U.S. overweight, while TUF was in line and TESTIF outperformed with smaller U.S. exposure. Hedge fund portfolios underperformed in the first quarter, with the Endowment down 4.8% versus a -1.9% benchmark, largely due to technology, biotech, and small-cap strategies, while TUF was in line with its benchmark and SWIFT was down 3.6%. She noted that the second quarter has seen a reversal back to growth leadership, with further discussion to follow at the next meeting.

Mr. Emil Boehm reported that the buyout and foreclosure portfolio returned 3.1% for the quarter, outperforming the benchmark short-term but lagging over one-, three-, and five-year periods. Outperformance was attributed to strong results from a defense/government services manager and a middle market generalist, while detractors included new commitments and underperformance from a tech-focused manager with public holdings. He noted uneven capital commitments across vintages and mixed success with co-investments as key reasons for long-term underperformance. Discussion also covered market conditions, where macroeconomic uncertainty has slowed larger transactions, but opportunities remain in operationally focused managers and secondary transactions, with the team actively pursuing access to top-tier managers despite competition.

Ms. Nicole Wang provided an update on the venture capital portfolio, noting a 1.2% increase over the past year, with positive contributions from liquidity solutions and a defense co-investment, but underperformance from certain industrial, Texas-based VC, and legacy growth equity investments. She explained that the portfolio's underperformance relative to benchmarks is due to its younger vintage, the J-curve effect from accelerated investments, and volatility from 2020–2021 market peak investments, though new manager additions are showing promise. Ms. Ion added that performance trends are cyclical, highlighted current underweights relative to allocation targets and noted that future capital calls and the J-curve effect will continue to impact results.

Mr. Steve Rohrich reported on real assets, noting mixed results across portfolios: core real estate performance varied, opportunistic real estate generally outperformed benchmarks, infrastructure showed strong gains, and natural resources delivered robust returns, especially in oil, gas, and timber. He highlighted macroeconomic headwinds leading to higher industrial vacancies and muted rent growth, though transaction volumes remained strong and digital infrastructure continued to outperform. In the second quarter, the committee approved commitments to an energy-focused fund with Texas projects and a co-GP real estate manager, while continuing to explore data center opportunities and selective industrial value-add investments.

Mr. Antonios Tavlarakis reported that the portfolio's Value at Risk (VaR) is 3.98% compared to the policy VaR of 3.90%. He explained the variance is due to recent changes in the investment policy. He also noted that 2022 rate hikes were added to the scenario analysis. Ms. Ion noted that

overall risk levels are within policy, though TESTIF is slightly under the minimum due to higher cash holdings.

Ms. Ion highlighted strong performance across portfolios, noting the Endowment is benefitting from high public market exposure and manager outperformance. TESTIF returned 4% year-to-date through June, while SWIFT gained 3.8% over the same period. She emphasized that TUF and TESTIF are particularly strong, and recent private equity investments in the Endowment are beginning to show positive results.

**7. Next Meeting and Agenda Items**

Acting Comptroller Hancock noted that the next meeting is scheduled for October 15, 2025, and the Board will be contacted for confirmation.

No new agenda items discussed.

**8. Public Comment**

No public comments.

**Acting Comptroller Hancock adjourned the meeting at 11:35 a.m.**