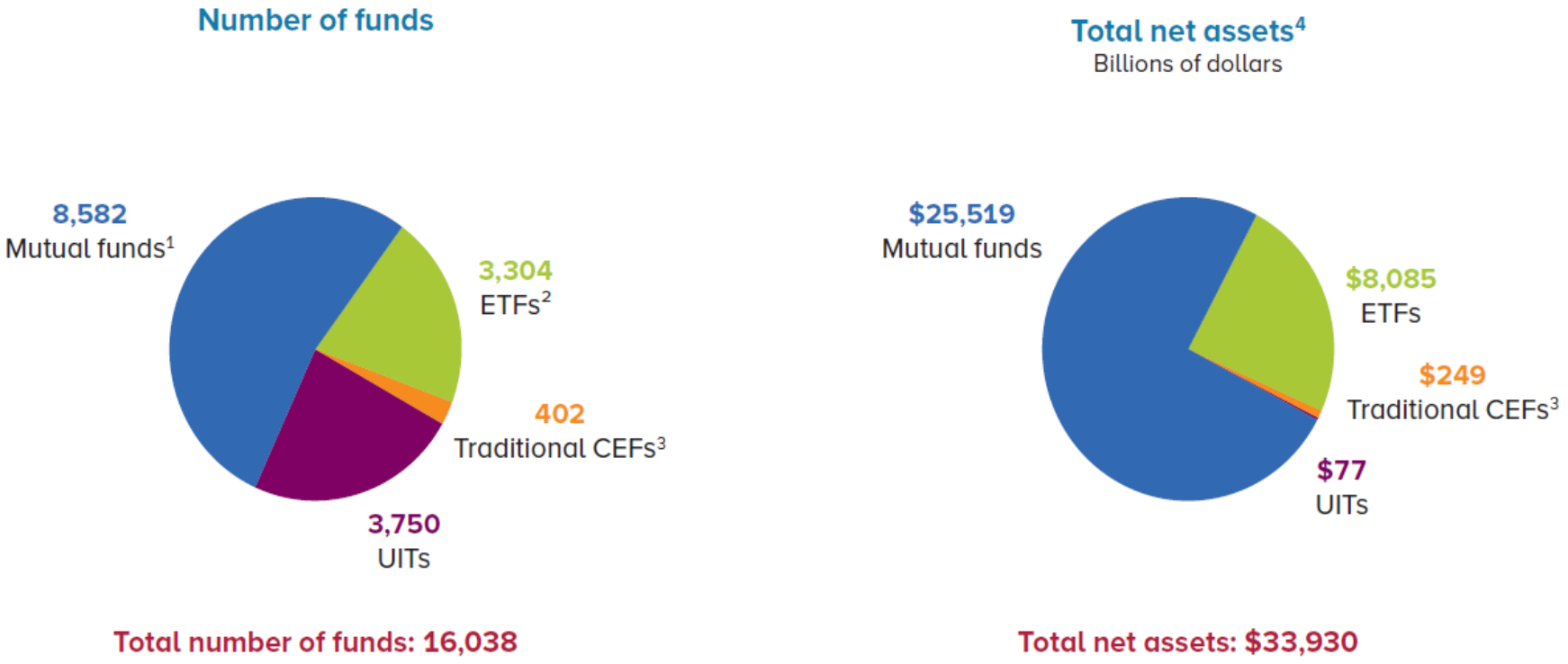
ASSET CLASS ACCESS & FUNDING EVOLUTION

Mutual Fund/ETF Markets

FIGURE 2.1

Most Investment Company Total Net Assets Are in Mutual Funds

Year-end 2023



[1] Mutual fund data for number of funds include mutual funds that invest primarily in other mutual funds.

[2] ETF data for number of funds include ETFs that invest primarily in other ETFs.

[3] CEF data include only traditional CEFs. CEF data for total net assets include preferred share classes.

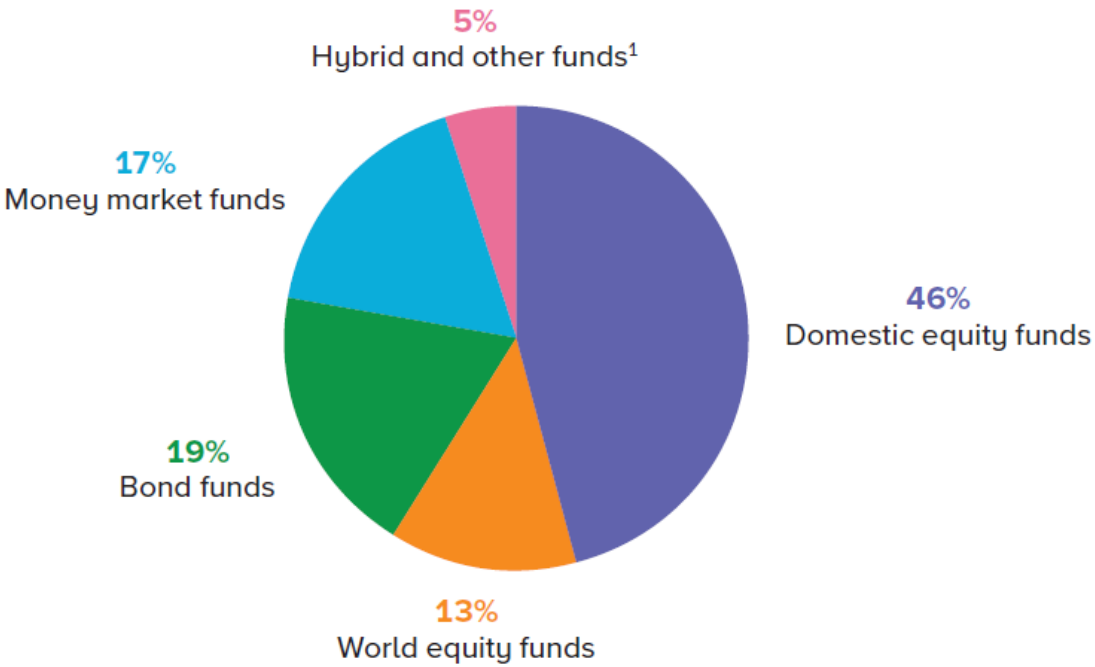
[4] Total investment company assets include mutual fund holdings of CEFs and ETFs.

Source: Investment Company Institute (2024 Fact Book)

FIGURE 2.2

The Majority of Investment Company Total Net Assets Were in Equity Funds

Percentage of total net assets, year-end 2023



Investment company total net assets:[2] $33.9 trillion

[1] The *other funds* category includes ETFs—both registered and not registered under the Investment Company Act of 1940—that invest primarily in commodities, currencies, and futures.

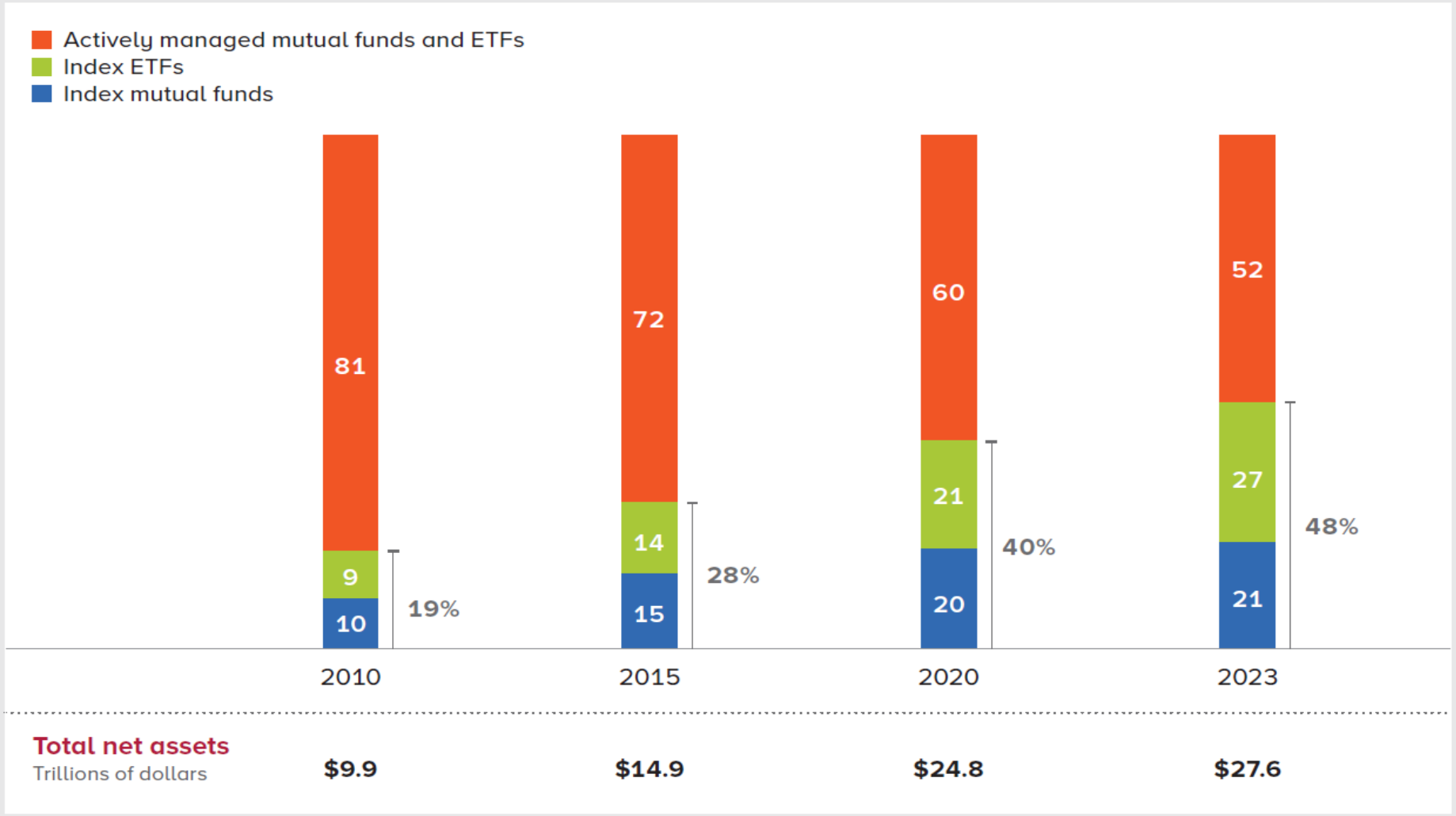
[2] Total investment company assets include mutual fund holdings of CEFs and ETFs. CEF data include only traditional CEFs. CEF data for total net assets include preferred share classes.

Source: Investment Company Institute (2024 Fact Book)

FIGURE 2.5

Index Funds Have Grown as a Share of the Fund Market

Percentage of long-term total net assets, year-end



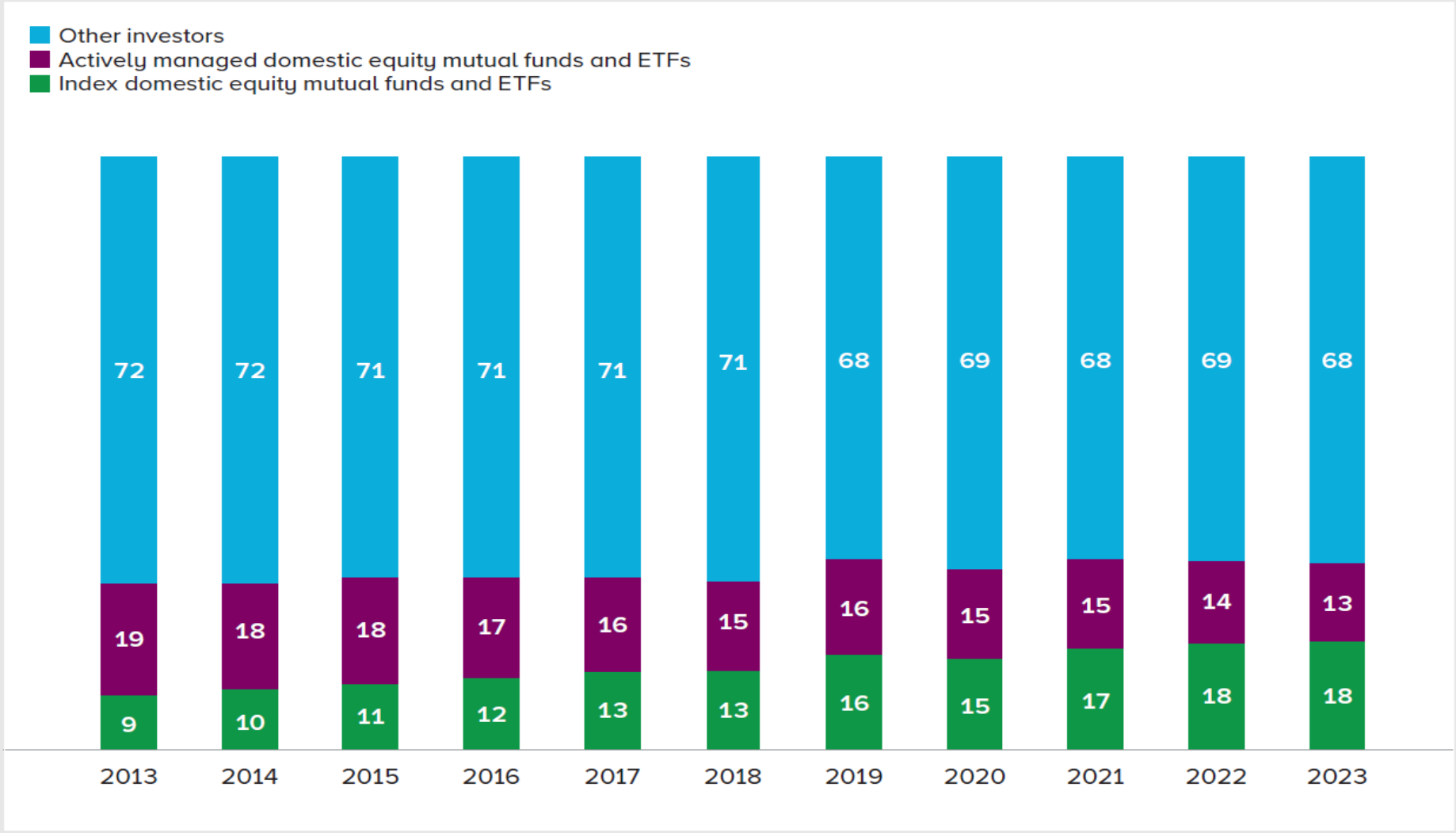
Note: Data exclude money market funds. Data for ETFs exclude non–1940 Act ETFs.

Source: Investment Company Institute (2024 Fact Book)

FIGURE 2.6

Index Domestic Equity Fund Share of US Stock Market Is Small

Percentage of US stock market capitalization, year-end



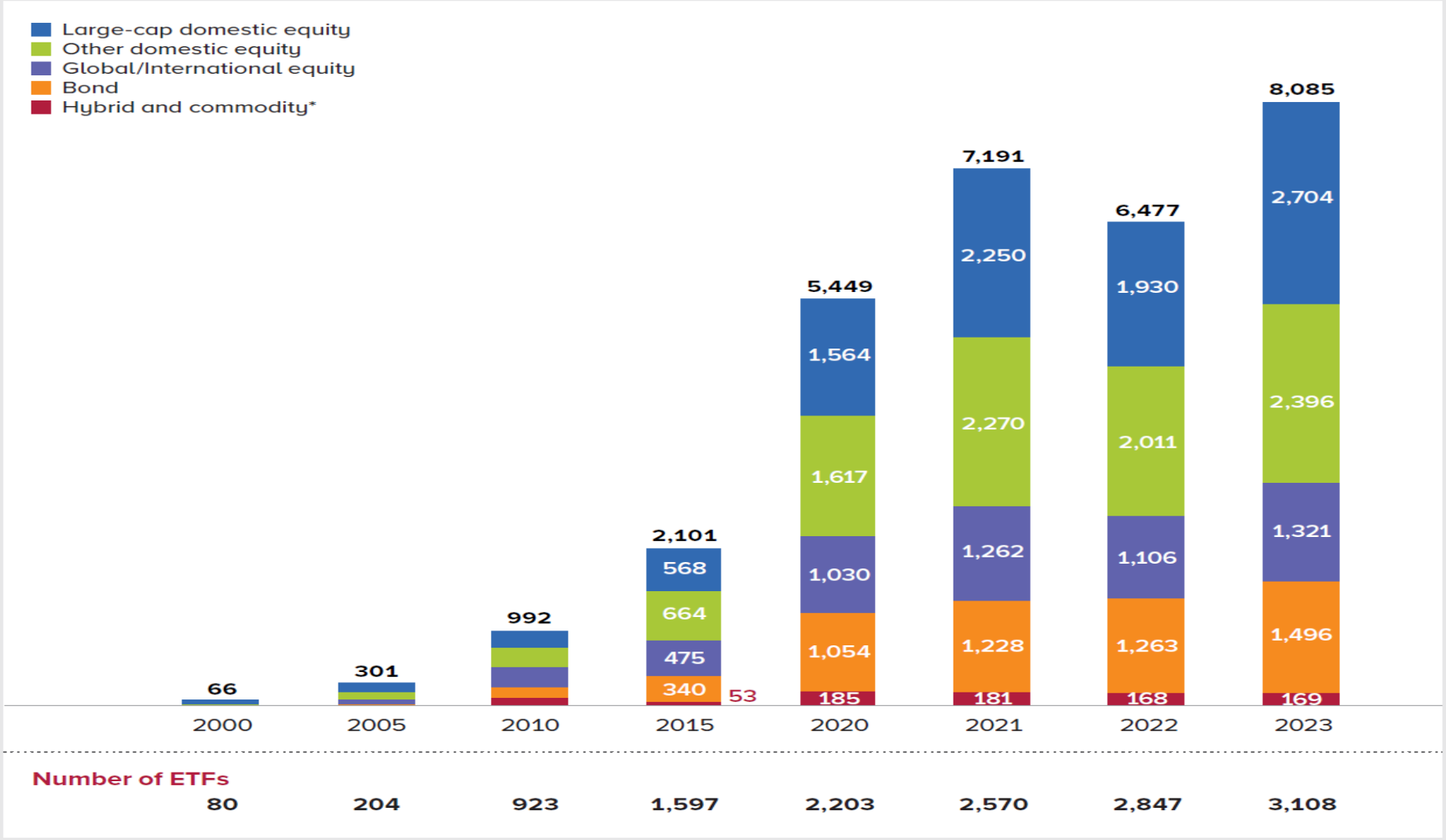
Sources: Investment Company Institute and World Federation of Exchanges

Source: Investment Company Institute (2024 Fact Book)

FIGURE 4.1

Total Net Assets and Number of ETFs Rose in 2023

Billions of dollars, year-end



* Commodity ETFs include funds—both registered and not registered under the Investment Company Act of 1940—that invest primarily in commodities, currencies, and futures.

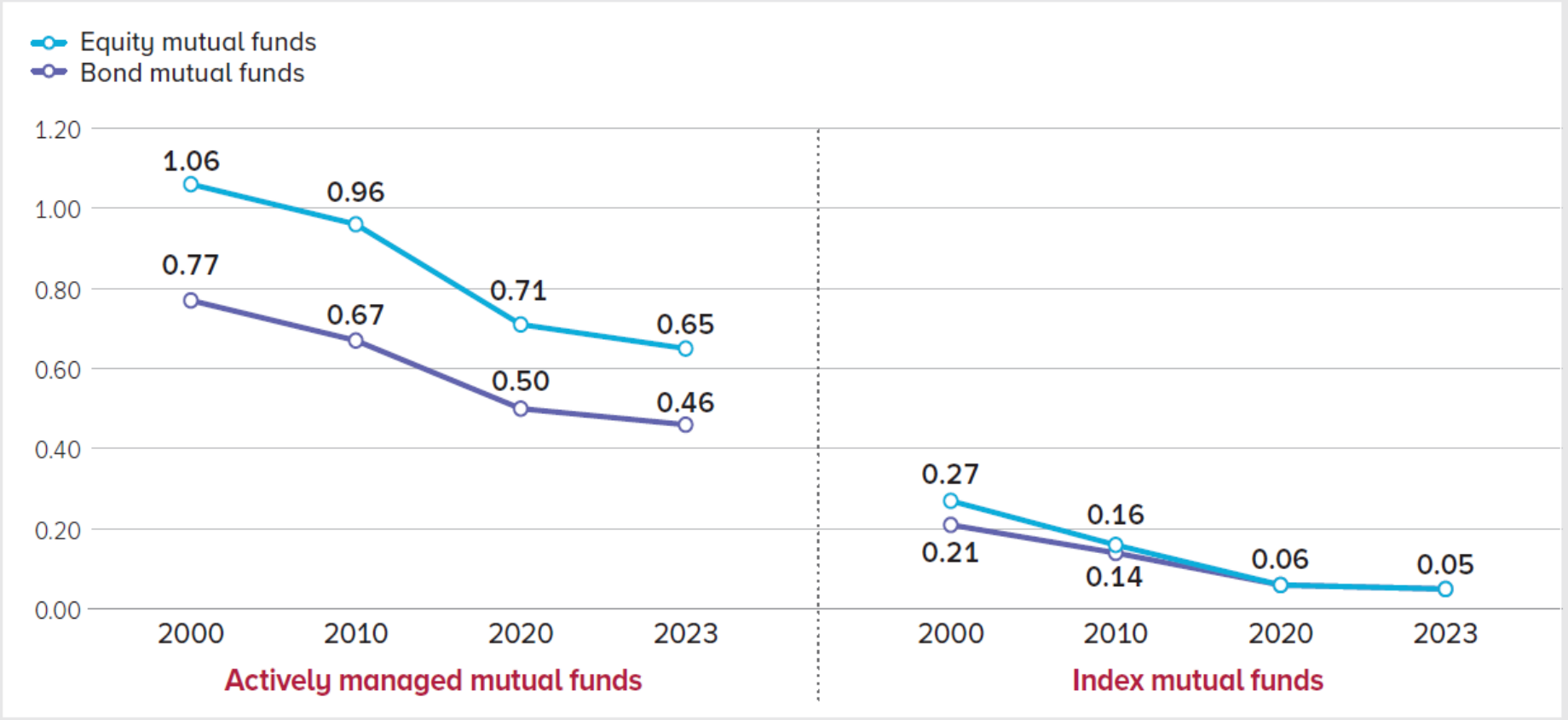
Note: The first bond, hybrid, and commodity ETFs were opened in 2002, 2007, and 2004, respectively.

Source: Investment Company Institute (2024 Fact Book)

FIGURE 6.4

Average Expense Ratios of Actively Managed and Index Mutual Funds Have Fallen

Percent



Note: Expense ratios are measured as asset-weighted averages. Data exclude mutual funds available as investment choices in variable annuities.

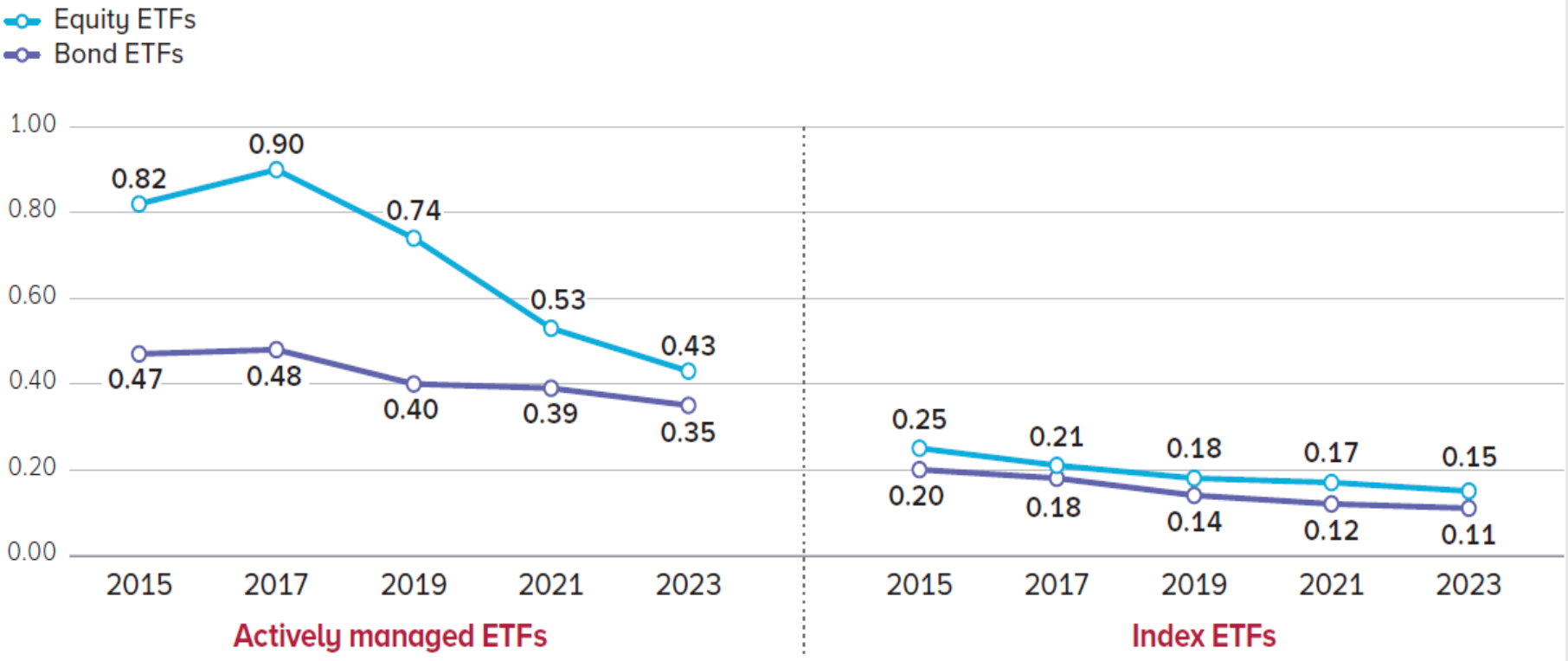
Sources: Investment Company Institute, Lipper, and Morningstar. See *ICI Research Perspective*, "Trends in the Expenses and Fees of Funds, 2023."

Source: Investment Company Institute (2024 Fact Book)

FIGURE 6.5

Average Expense Ratios of Actively Managed and Index ETFs Have Fallen

Percent



Note: Expense ratios are measured as asset-weighted averages. Data exclude ETFs not registered under the Investment Company Act of 1940.

Sources: Investment Company Institute, Lipper, and Morningstar. See *ICI Research Perspective*, "Trends in the Expenses and Fees of Funds, 2023."

Source: Investment Company Institute (2024 Fact Book)

Adding a Kick beyond Risk Assets

Hedge Funds

Direct Lending

Private Equity

Venture Capital

Infrastructure

Real Assets

Cryptocurrency

Gold

Commodities

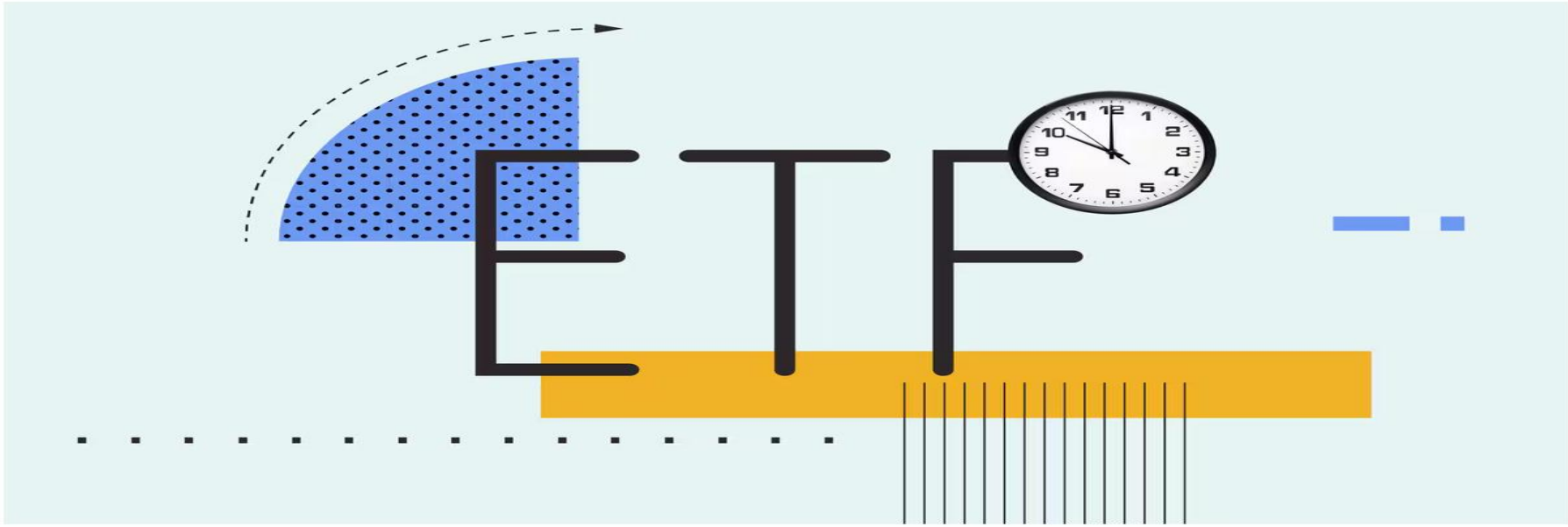
All the above with AI overlays…

A Groundbreaking New ETF Arrives

The SEC clears State Street and Apollo's private-credit exchange-traded fund for launch.

Brian Moriarty • Feb 27, 2025

Share



Regulators allowed State Street and Apollo's groundbreaking private-credit exchange-traded fund Wednesday. The SPDR SSGA Apollo IG Public & Private Credit ETF will trade under the ticker PRIV and charge 0.70%.

Initially filed back in September 2024, the proposal attempts to offer private-credit exposure through an ETF. That raised several concerns and questions, such as how the ETF would address the illiquidity and valuation of those private-credit holdings.

The ETF plans to overcome those concerns through a contractual agreement with Apollo, which will supply private-credit assets for the fund to buy and provide it with bids, or prices, on those same assets. Apollo has further agreed to purchase those investments from the fund up to an undefined daily limit. In other words, Apollo is selling these instruments to the fund and promising to buy them back at the request of State Street.

Beware of Economic Indicators

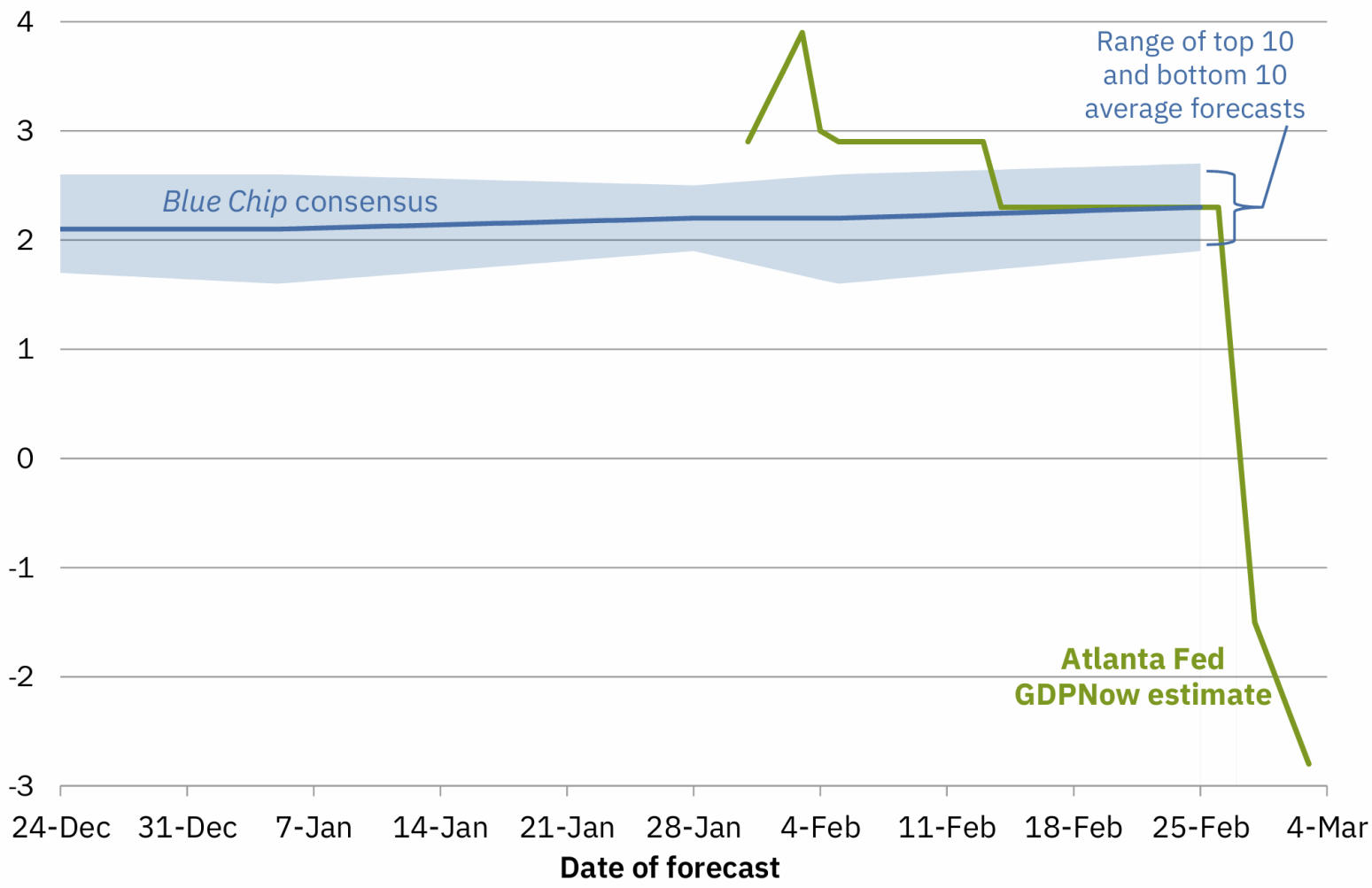
Most Abused Economic Indicators

GDP

1. **Headline GDP growth without context**: Media often reports GDP figures without acknowledging seasonal adjustments, revisions, or components. A headline might trumpet "Economy grows 3.2%!" without mentioning this includes inventory buildups that may reverse in future quarters.
2. **Conflating GDP with prosperity**: GDP measures economic activity but not economic well-being. It counts both productive activities and remedial spending (like disaster cleanup) as positive contributions, leading to misleading conclusions about prosperity.
3. **Focusing on short-term fluctuations**: Quarterly GDP receives outsized attention despite being subject to significant revisions. Initial estimates can be off by several percentage points, yet market-moving decisions are made on preliminary data.
4. **Ignoring distribution**: GDP says nothing about how economic gains are distributed. An economy can show strong GDP growth while most citizens experience stagnant or declining real incomes.
5. **Missing quality improvements**: GDP struggles to account for qualitative improvements in products and services, particularly in technology, leading to potential understatement of actual economic progress.

GDP Estimate – Q1/2025

Evolution of Atlanta Fed GDPNow real GDP estimate for 2025: Q1
Quarterly percent change (SAAR)



Sources: *Blue Chip Economic Indicators* and *Blue Chip Financial Forecasts*
Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the *Blue Chip* survey.

Most Abused Economic Indicators

Inflation

1. **Cherry-picking between CPI and PCE**: Media outlets and investment firms selectively cite either the Consumer Price Index (CPI) or Personal Consumption Expenditures (PCE) deflator depending on which supports their narrative. The CPI typically runs higher than PCE, making it a favorite when suggesting inflationary pressures.

2. **Headline vs. Core inflation confusion**: Headlines frequently focus on overall inflation numbers that include volatile food and energy prices, while economists and central banks emphasize "core" inflation. This discrepancy creates public confusion and is often exploited in market commentary.

3. **Ignoring substitution effects and quality improvements**: Traditional inflation measures struggle to account for consumers switching to cheaper alternatives or quality improvements in products. This leads to potential overstatement of inflation's impact on living standards.

4. **Short-term noise vs. long-term trends**: Monthly inflation figures receive outsized attention despite significant statistical noise. Media reports frequently dramatize single-month changes that may quickly reverse.

5. **Regional variations**: National inflation figures mask significant regional differences in price pressures, yet are presented as uniformly applicable across the country.

6. **Ignoring demographic impacts**: Inflation affects different demographic groups very differently. Retirees, renters, or parents of college students experience different inflation rates than the "average" consumer, yet the generalized number is presented as universally relevant.

7. **Using inflation to justify investment claims**: Investment firms frequently use selective inflation data to promote particular asset classes (like gold, TIPS, or real estate) without acknowledging the historical complexity of inflation's impact on investment returns.

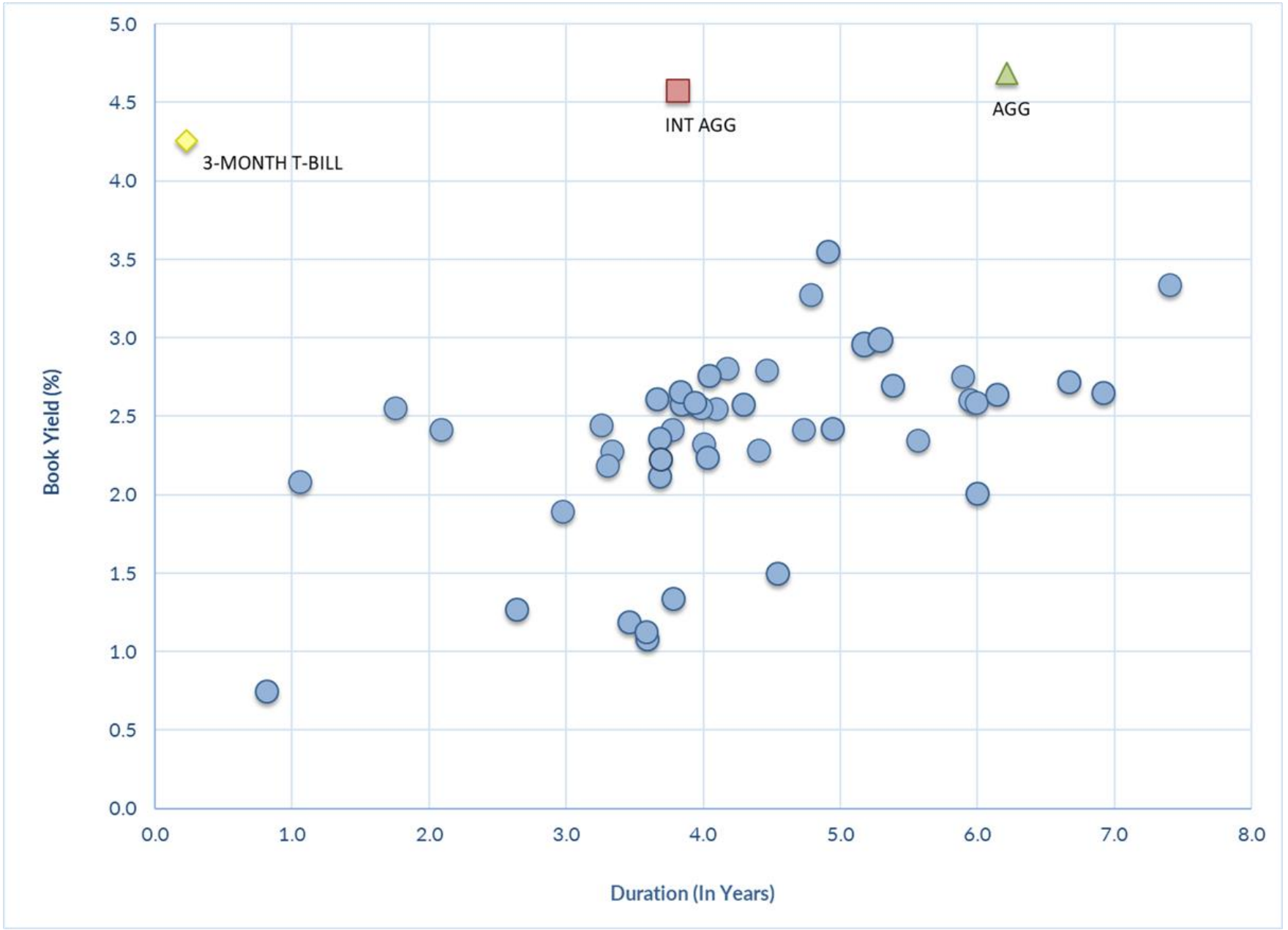
Most Abused Economic Indicators

Employment

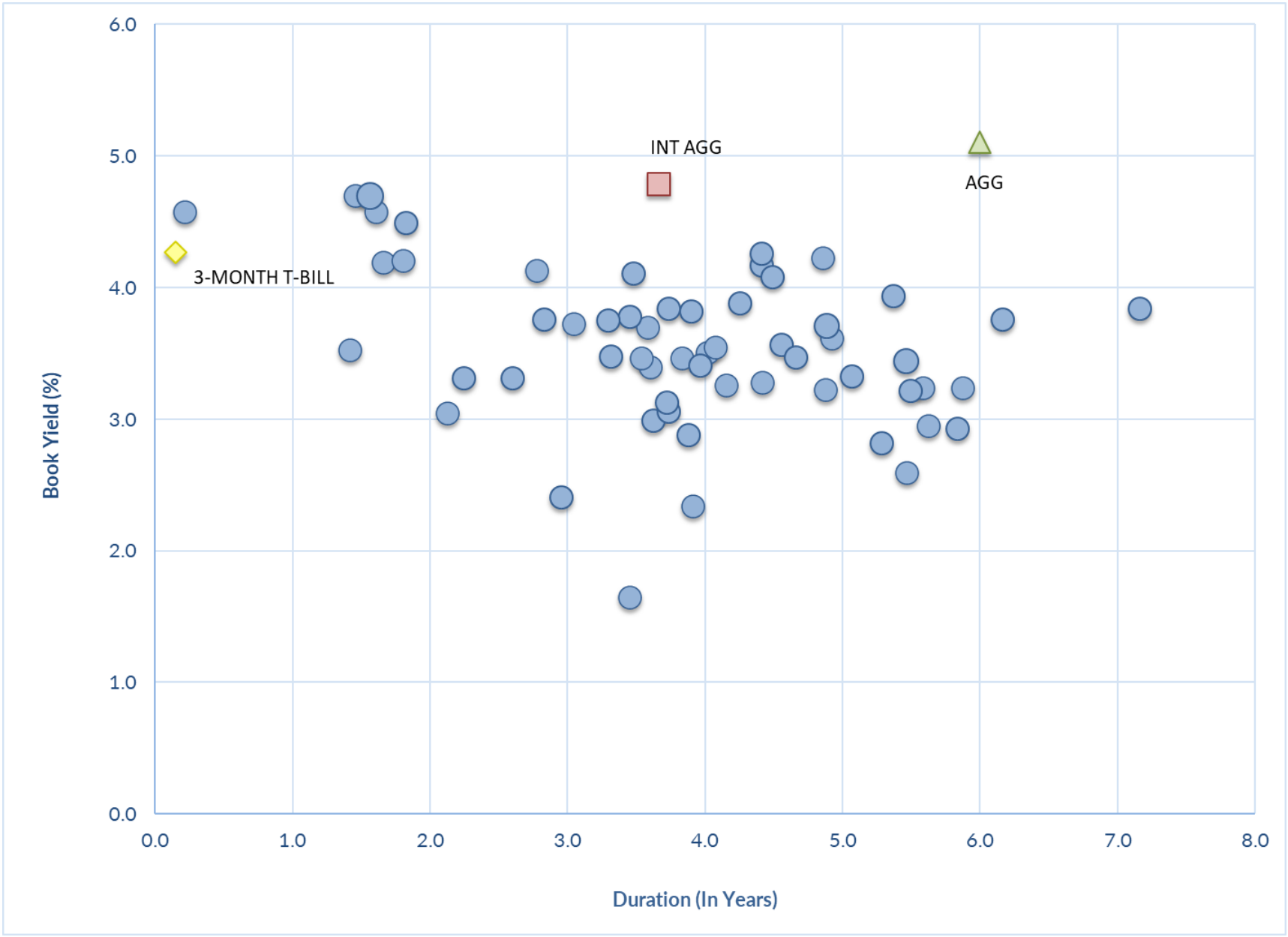
1. **Headline unemployment rate (U-3) without context**: Media often cites only the headline unemployment rate (U-3) without acknowledging its limitations. This measure excludes discouraged workers who've stopped looking for jobs and part-time workers who want full-time employment.
2. **Ignoring broader unemployment measures**: The more comprehensive U-6 unemployment rate, which includes underemployed and marginally attached workers, often tells a significantly different story but receives far less attention.
3. **Neglecting labor force participation**: Employment reports frequently highlight job creation without addressing changes in the labor force participation rate. A declining unemployment rate may actually reflect people leaving the workforce rather than finding jobs.
4. **Seasonal adjustment distortions**: Employment data undergoes significant seasonal adjustments that can obscure underlying trends. These adjustments are particularly problematic around holidays, school calendars, and weather events.
5. **Job quality vs. quantity**: Monthly job numbers focus on quantity without addressing quality. Adding 100,000 low-wage, part-time positions is reported identically to adding 100,000 full-time jobs with benefits.
6. **Overemphasis on monthly volatility**: Monthly employment reports can swing significantly due to sampling errors, weather effects, and temporary factors, yet these volatile figures drive major market movements.
7. **Revision blindness**: Initial employment reports are frequently revised substantially in subsequent months, but these revisions receive minimal coverage compared to the initial headlines.
8. **Geographic discrepancies**: National employment figures mask significant regional variations, creating misleading perceptions about local economic conditions.
9. **Sector-specific trends**: Broad employment numbers hide important sector-specific trends that might signal structural changes in the economy.

SAA RISK POOL INVESTMENT PEER GROUP

Fixed Income: Book Yield & Duration (YE-2022)



Fixed Income: Book Yield & Duration (YE-2024)

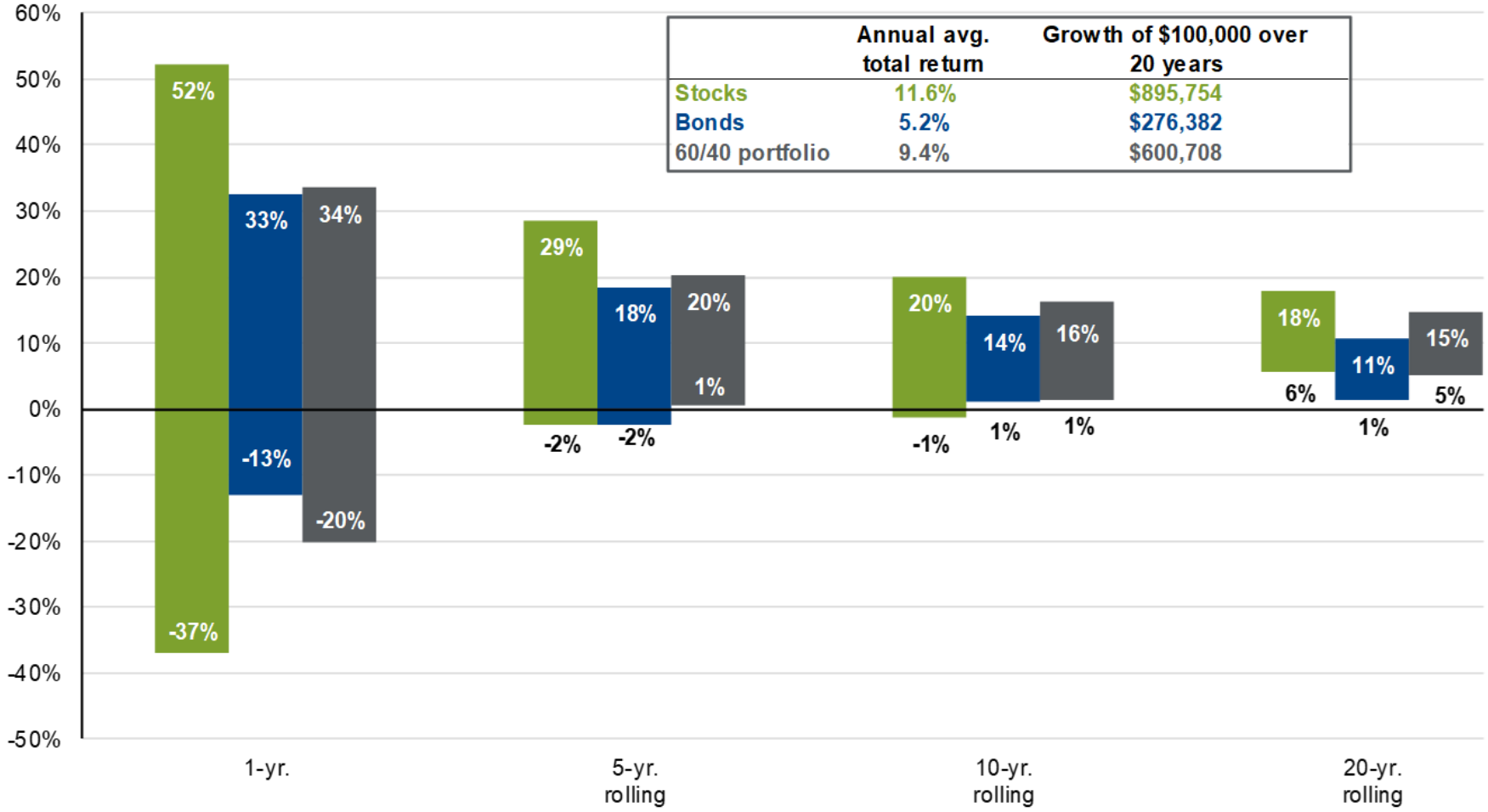


SAA Risk Pool Peer Group

- Fixed Income Book Yield
- Fixed Income Allocation
- Fixed Income Performance (1YR, 3YR, and 5YR)
- Risk Asset Allocation
- Risk Asset Performance (1YR, 3YR, and 5YR)
- Leverage Ratios
- Fixed Income Manager Fees

Time, diversification and the volatility of returns

Range of stock, bond and blended total returns
Annual total returns, 1950–2024



Source: Bloomberg, FactSet, Federal Reserve, Standard & Poor's, Strategas/Ibbotson, J.P. Morgan Asset Management. Returns shown are based on calendar year returns from 1950 to 2024. Bonds represent Strategas/Ibbotson for periods prior to 1976 and the Bloomberg Aggregate thereafter. Growth of $100,000 is based on annual average total returns from 1950 to 2024. *Guide to the Markets – U.S.* Data are as of January 31, 2025.