MEKETA INVESTMENT GROUP

Economic and Market Update

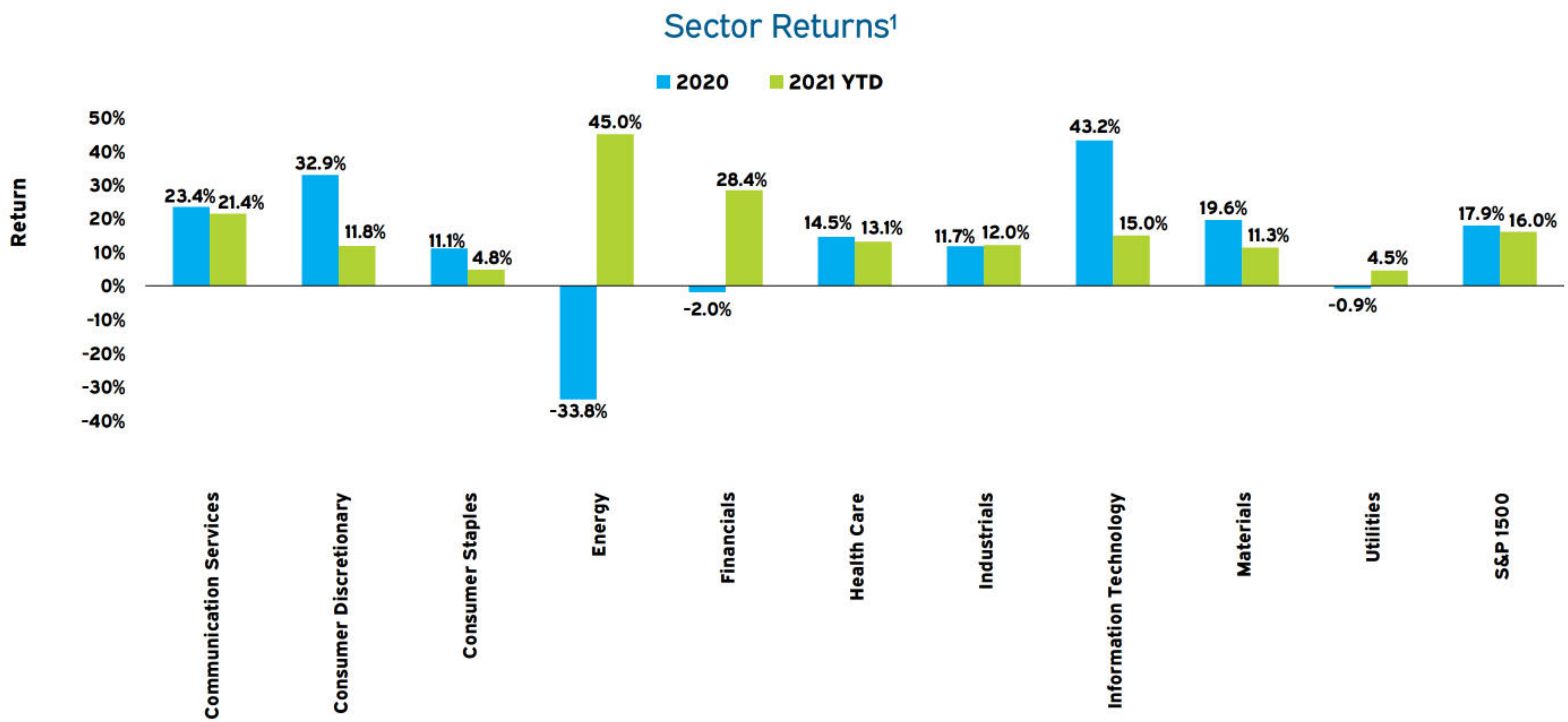
Data as of September 30, 2021

Market Returns[1]

Indices	September	QTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	-4.7%	0.6%	15.9%	30.0%	16.0%	16.9%	16.6%
MSCI EAFE	-2.9%	-0.5%	8.4%	25.7%	7.6%	8.8%	8.1%
MSCI Emerging Markets	-4.0%	-8.1%	-1.3%	18.2%	8.6%	9.2%	6.1%
MSCI China	-5.0%	-18.2%	-16.7%	-7.3%	6.0%	9.1%	8.7%
Bloomberg Barclays Aggregate	-0.9%	0.1%	-1.6%	-0.9%	5.4%	2.9%	3.0%
Bloomberg Barclays TIPS	-0.7%	1.8%	3.5%	5.2%	7.5%	4.3%	3.1%
Bloomberg Barclays High Yield	0.0%	0.9%	4.5%	11.3%	6.9%	6.5%	7.4%
10-year US Treasury	-1.8%	-0.1%	-4.2%	-6.1%	6.3%	1.9%	2.5%
30-year US Treasury	-3.3%	0.4%	-8.9%	-12.7%	9.8%	2.9%	4.1%

- Equity markets broadly declined in September posting one of their worst months since early 2020. Gridlock in Washington and continued supply chain issues weighed on US equities, while government intervention and growing concerns around the stability of real estate giant Evergrande, weighed on markets in China.
- In September, Treasuries also pulled back given persistent inflation and expectations for the Federal Reserve to start unwinding their quantitative easing program.

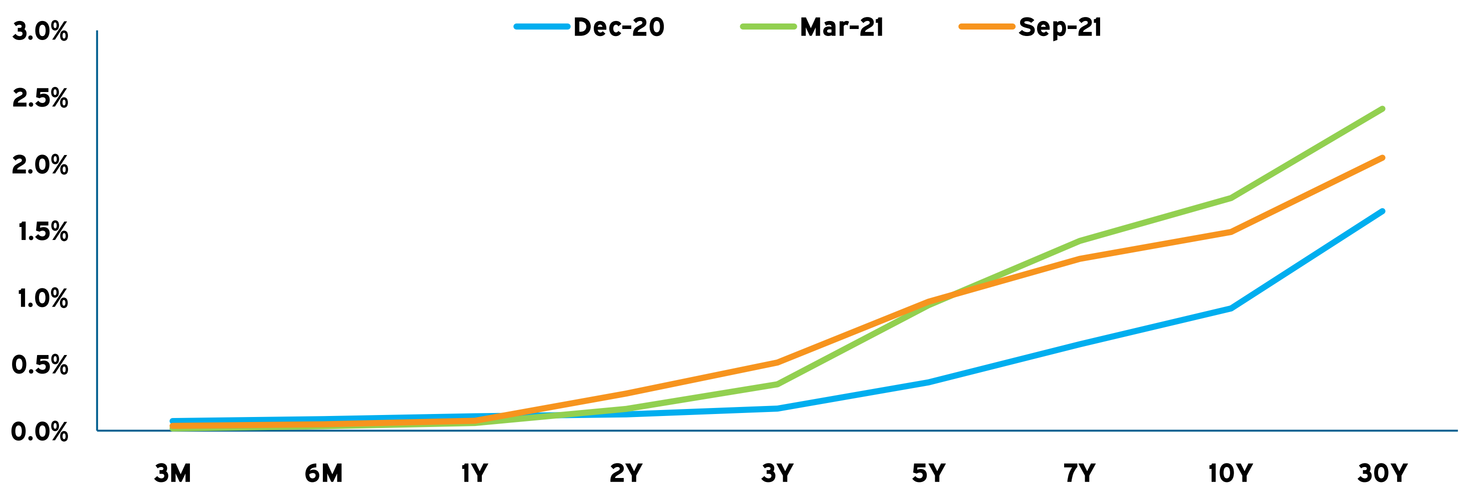
[1] Source: Investment Metrics and Bloomberg. Data is as of September 30, 2021.



- In a reversal of the trend from last year, cyclical sectors like energy and financials continue to lead the way on a year-to-date basis, followed by communication services.
- The energy sector recently extended its gains, helped by rising demand and supply constraints.

[1] Source: Bloomberg. Data is as of September 30, 2021.

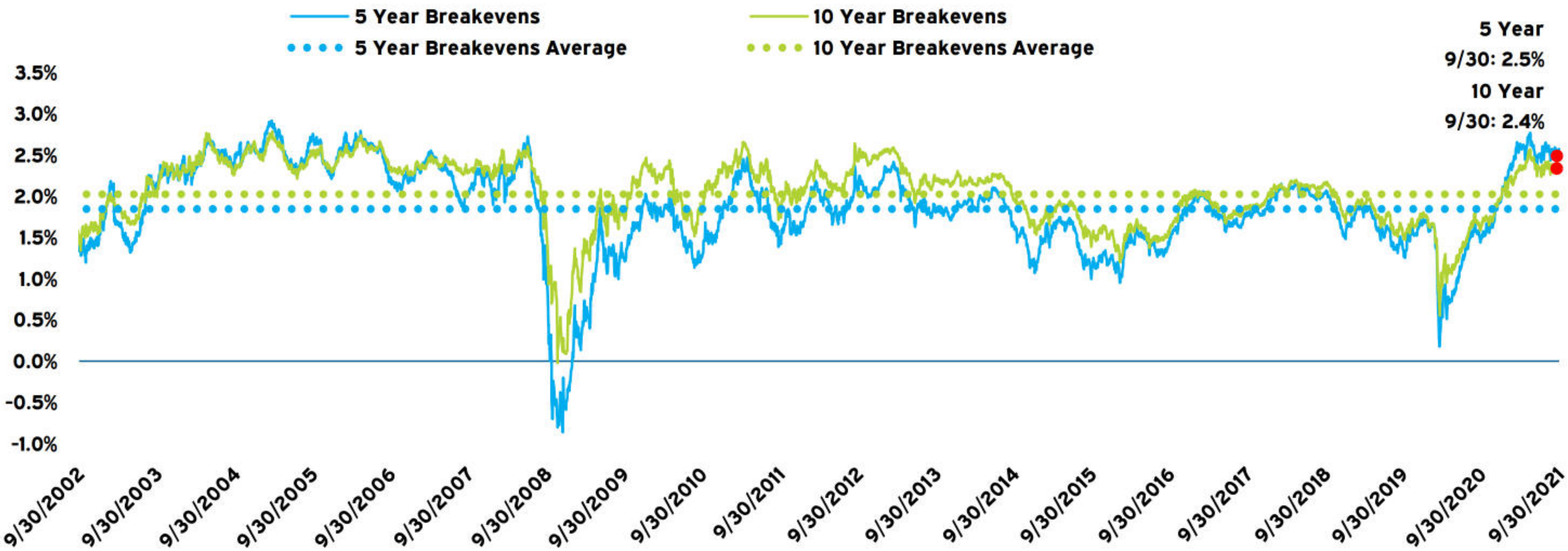
US Yield Curve[1]



- During the first half of 2021, the yield curve steepened, on higher growth and inflation expectations.
- While shorter-dated Treasury yields remained largely unchanged, rates in the 2-year to 5-year sector increased on the September FOMC signal that policy rates may need to be tightened more aggressively than previously anticipated. Longer-term rates rose slightly in September but remain below their recent peak in March 2021.
- The yield curve could continue its steepening if growth and inflation pressures build beyond current expectations. Alternatively, if the economy weakens, or if projected economic growth simply happens faster than expected, a flattening trend could continue.

[1] Source: Bloomberg. Data is as of September 30, 2021.

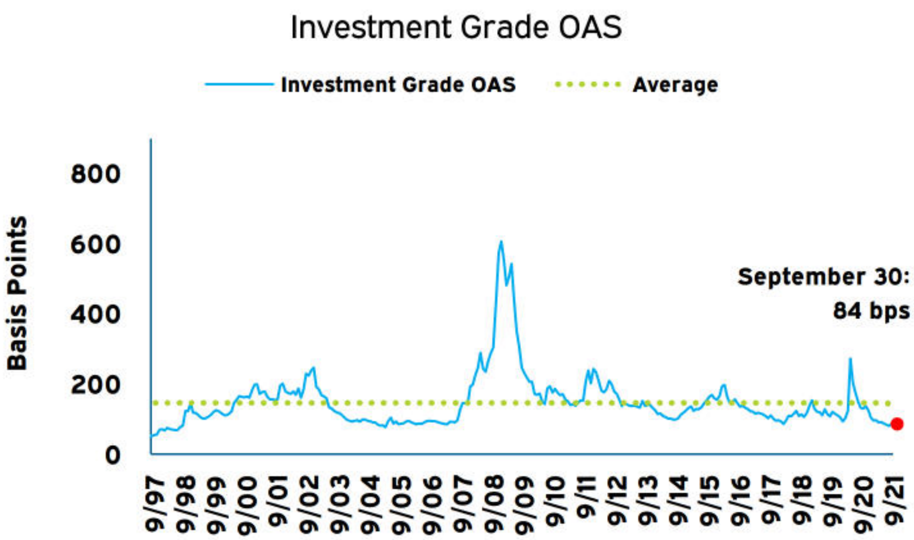
Breakeven Inflation[1]

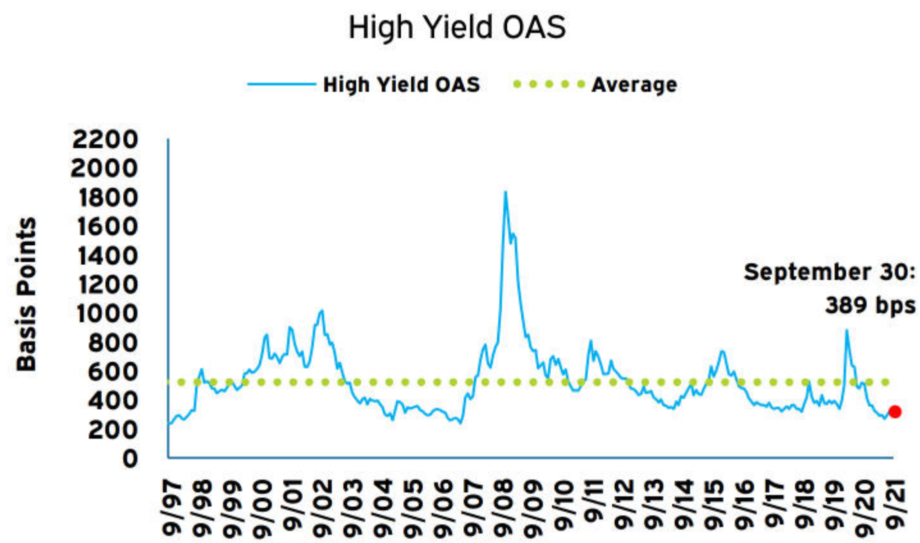


- Inflation expectations remain well above long-term averages, particularly in the short-term, with the economy reopening, supply chain issues persisting, and expected additional fiscal stimulus as key drivers.
- Looking ahead, the track of economic growth, the persistence of supply chain issues, and the unprecedented US fiscal response will be key issues. Additionally, changes to Fed policy focused on an average inflation target may play a role in the inflation market dynamics.

[1] Source: Bloomberg. Data is as of September 30, 2021.

Credit Spreads (High Yield & Investment Grade)[1]

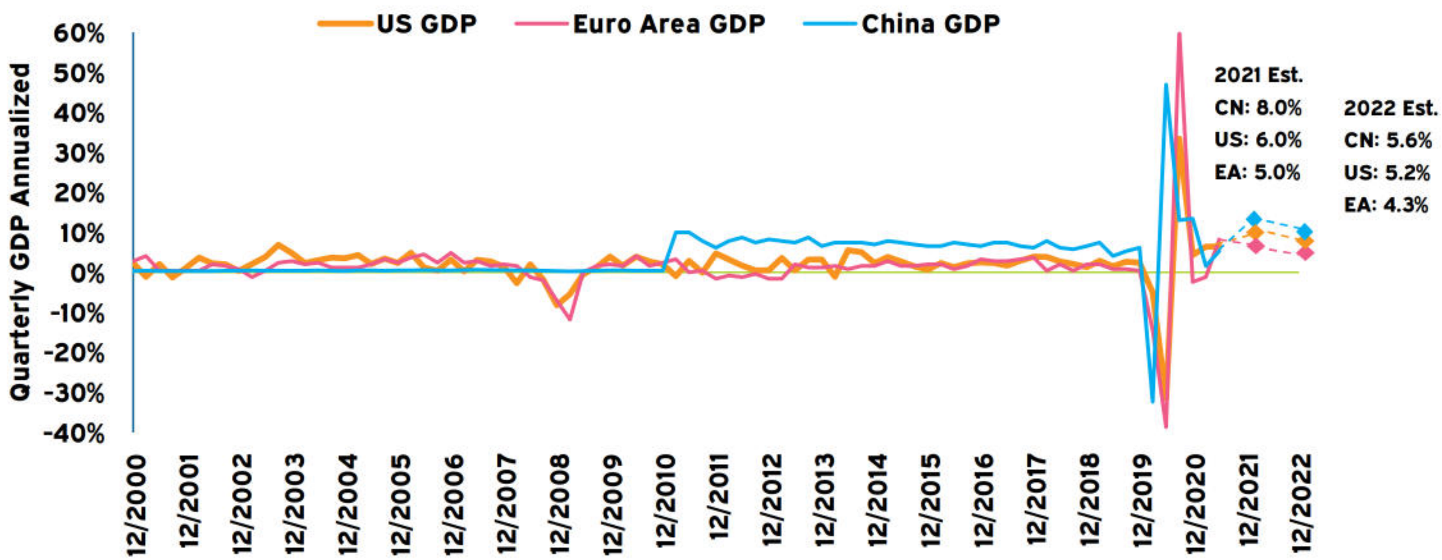




- Credit spreads (the spread above a comparable maturity Treasury) for investment-grade and high yield corporate debt remain historically narrow despite continued economic uncertainty.
- Policy support and the search for yield in a low-rate environment have been key drivers in the decline in US credit spreads to below long-term averages, particularly for high yield issuers.

[1] Source: Barclays Live. Data represents OAS and is as of September 30, 2021.

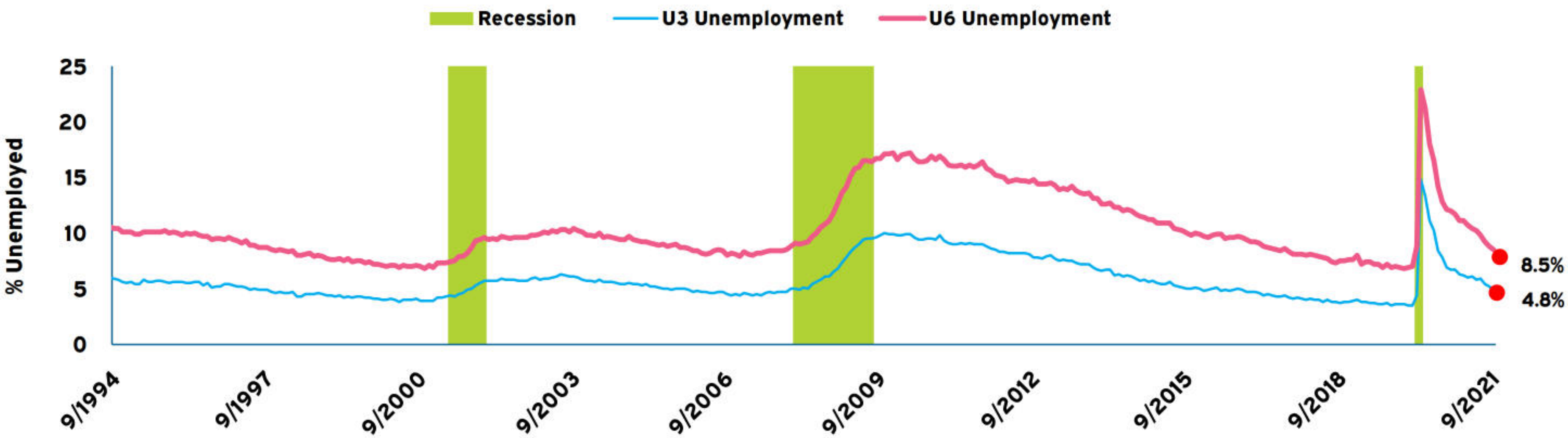
GDP Data Shows Projected Improvements in 2021[1]



- In late 2020 and early 2021, major economies grew at rates far above potential. These very high rates of growth are not expected to continue, with projections continuing to decline given supply disruptions, reopening trends moderating, and some countries continuing to struggle with the virus.
- The US is expected to grow faster than the euro area this year and next, with some growth pulled forward due to the relative success in distributing the vaccine and a substantially larger fiscal stimulus response to the pandemic.
- China is projected to grow at 8.0% in 2021 and 5.6% in 2022 both above the expected US growth rate. Questions remain though about the highly levered property market and government regulations.

[1] Source: Bloomberg, and IMF; Euro Area and China figures annualized by Meketa. Projections via October 2021 IMF World Economic Outlook and represent annual numbers.

US Unemployment[1]



- The unemployment rate (U3) continued its decline in September falling from 5.2% to 4.8%. It still remains above pre-pandemic levels though, but far below the pandemic peak.
- The broader measure of unemployment (U6) that includes discouraged and underemployed workers also continued to decline, but remains much higher at 8.5%. Also, the labor force participation rate remains quite low and is 1.7% below the 61.6% level of February 2020.
- Pandemic related concerns, childcare issues, and a mismatch of skills and available jobs have contributed to the continued labor market issues. The track of the unemployment rate from here will be a key consideration in the Federal Reserve's pace of reducing its policy support.

[1] Source: Bloomberg. Data is as of September 30, 2021. Bars represent recessions as observed by the National Bureau of Economic Research.

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