# 4Q 2025 PERFORMANCE REPORT

**MARCH 25, 2026**

Samuel Austin, Partner
Emily Moran, CFA, CAIA, Senior Consultant

# TOTAL FUND PERFORMANCE SUMMARY – NET RETURNS AS OF DECEMBER 31, 2025

## COMPARED TO TRUST FUND BENCHMARK

| | Market Value ($) | 1 Yr (%) | 5 Yrs (%) |
|---|---|---|---|
| **Total Fund, Net of Fees** | **48,646,681,920** | **13.29** | **8.13** |
| Trust Fund Benchmark | | 12.22 | 6.12 |
| Over/Under | | 1.07 | 2.01 |

- **For the one-year period ended December 31, 2025, the Trust Fund returned 13.29%, exceeding the Trust Fund Benchmark by 1.07%.**
  - Global Equity, Private Equity, Credit, Tactical Opportunities, and Real Assets exceeded their respective benchmarks, while Cash trailed.
- **For the five-year period ended December 31, 2025, the Trust Fund returned 8.13%, exceeding the Trust Fund Benchmark by 2.01%.**
  - Private Equity, Credit, Tactical Opportunities, Real Assets, and Cash exceeded their respective benchmarks, while Global Equity trailed.

# TOTAL FUND PERFORMANCE SUMMARY – NET RETURNS AS OF DECEMBER 31, 2025

## COMPARED TO OTHER PUBLIC PENSION PLANS GREATER THAN $10 BILLION IN ASSETS

| | 1 Yr (%) | Quartile Rank | 5 Yrs (%) | Quartile Rank |
|---|---|---|---|---|
| **Total Fund, Net of Fees** | **13.29** | **3rd** | **8.13** | **2nd** |
| Trust Fund Benchmark | 12.22 | 3rd | 6.12 | 4th |
| *InvMetrics Public DB > $10 Billion Median* | *13.38* | | *7.75* | |

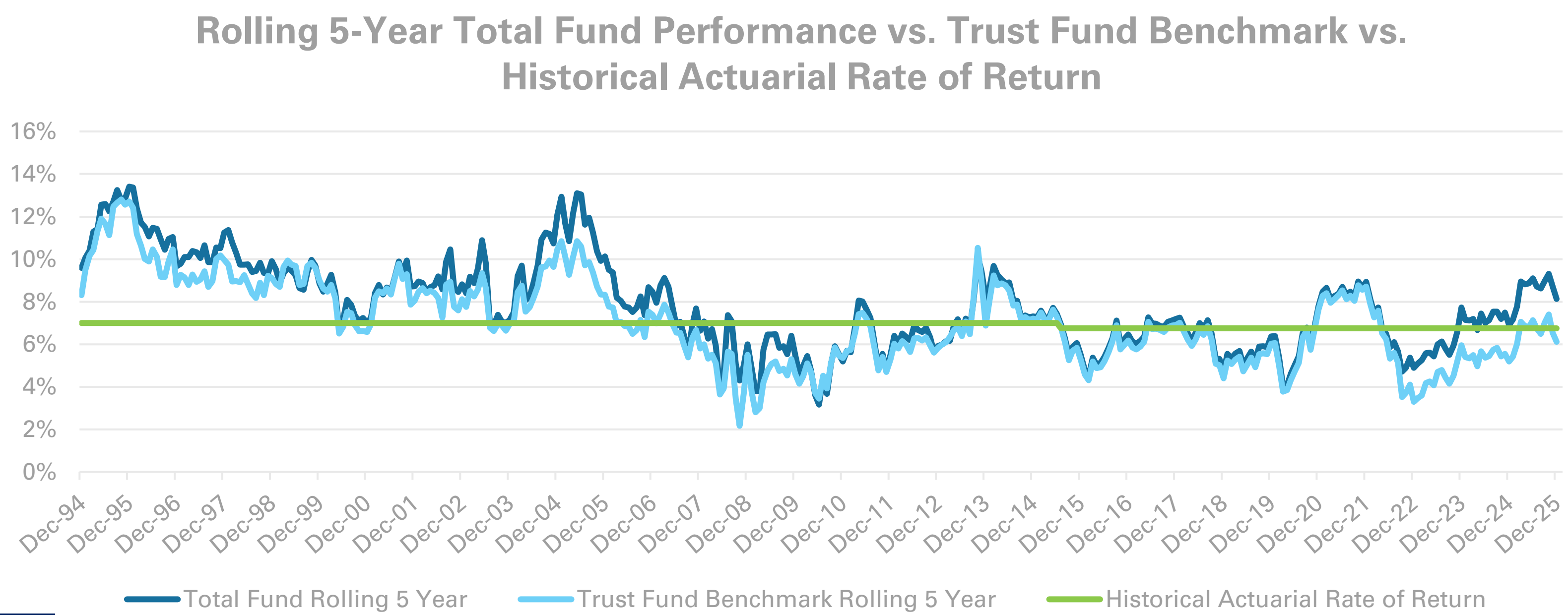
- **For the one-year period ended December 31, 2025, the Trust Fund returned 13.29% and ranked in the third quartile among other Public Defined Benefit Plans greater than $10 billion in assets.**

- **For the five-year period ended December 31, 2025, the Trust Fund returned 8.13% and ranked in the second quartile among other Public Defined Benefit Plans greater than $10 billion in assets.**

# TOTAL FUND PERFORMANCE AS OF DECEMBER 31, 2025

## VERSUS TRUST FUND BENCHMARK AND ASSUMED RATE OF RETURN

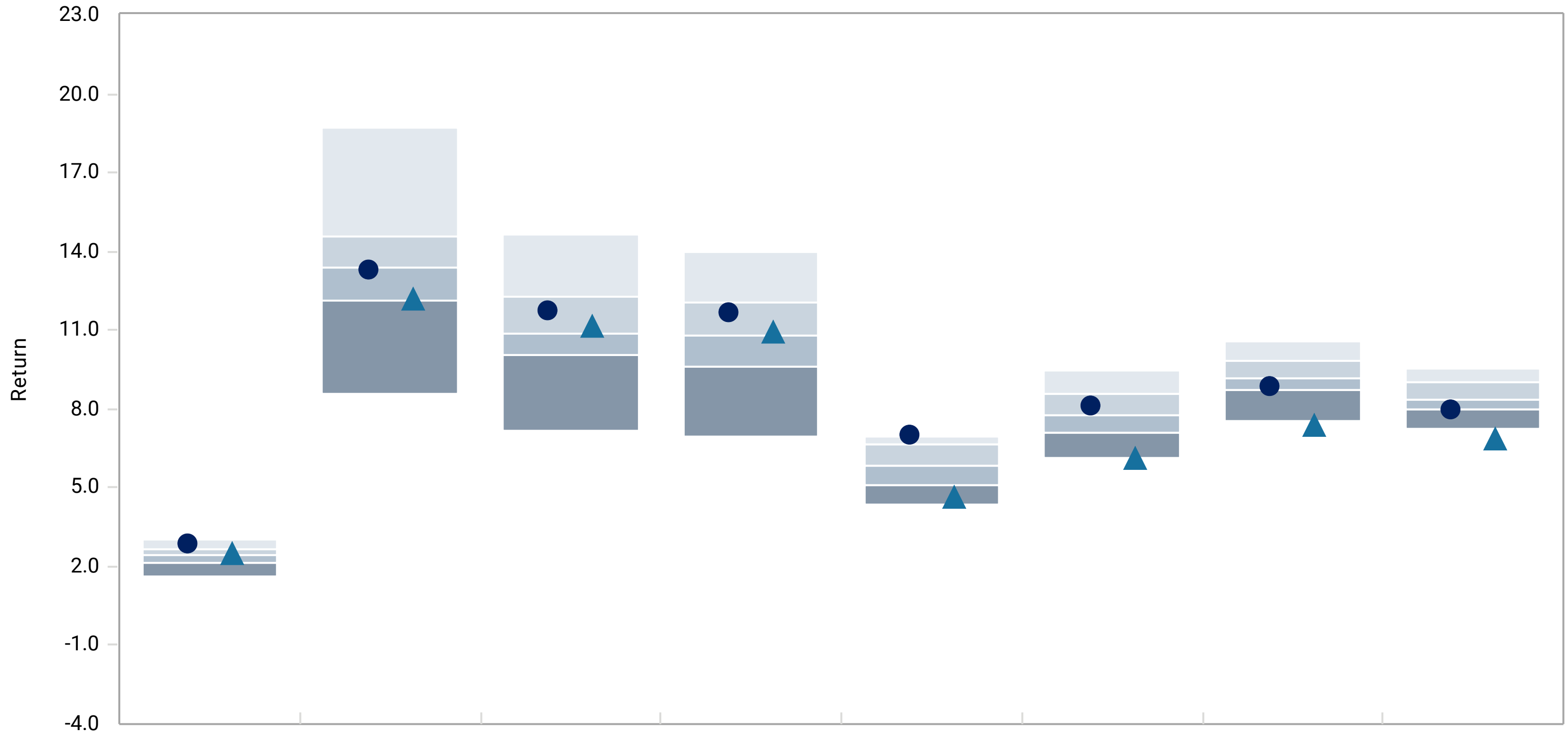
- **The Trust Fund performance expectation is to exceed the Trust Fund Benchmark over rolling five-year periods.**
- **In the five-year period ended December 31, 2025, the Trust Fund's net return of 8.13% outperformed the Trust Fund Benchmark by 2.01%. It also exceeded the Board's Assumed Long-Term Rate of Return of 6.75%.**



Texas Municipal Retirement System

# RETURN SUMMARY VS. PEER UNIVERSE AS OF DECEMBER 31, 2025

Total Fund vs. InvMetrics Public DB > $10 Billion

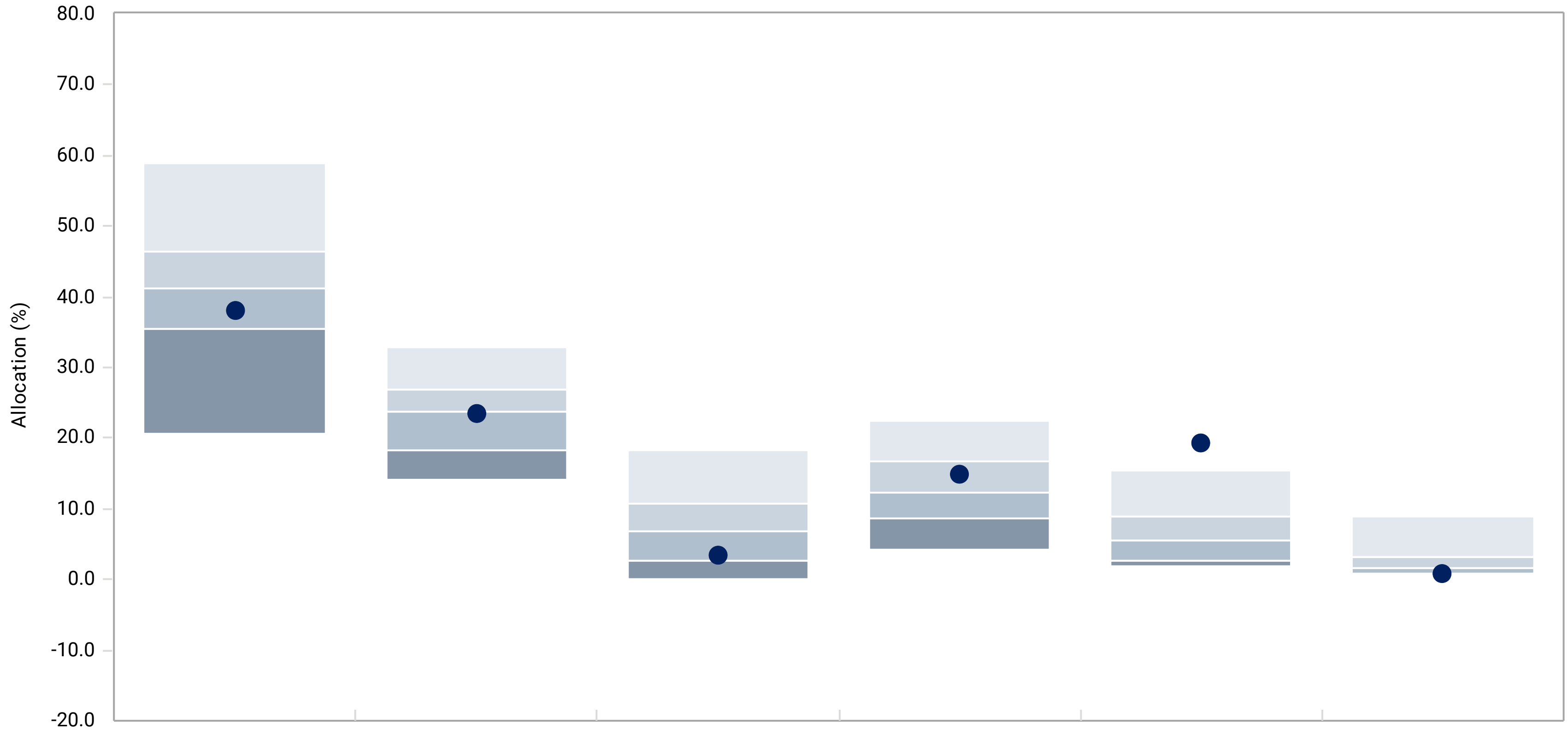



| | 3 Mo | 1 Year | 2 Years | 3 Years | 4 Years | 5 Years | 7 Years | 10 Years |
|---|---|---|---|---|---|---|---|---|
| ● Total Fund | 2.89 (12) | 13.29 (56) | 11.79 (34) | 11.65 (30) | 6.99 (5) | 8.13 (38) | 8.87 (67) | 7.97 (72) |
| ▲ *Trust Fund Benchmark* | *2.47 (48)* | *12.22 (74)* | *11.14 (41)* | *10.98 (49)* | *4.65 (89)* | *6.12 (96)* | *7.41 (97)* | *6.87 (97)* |
| | | | | | | | | |
| 5th Percentile | 3.03 | 18.73 | 14.62 | 14.00 | 6.92 | 9.44 | 10.58 | 9.56 |
| 1st Quartile | 2.64 | 14.57 | 12.28 | 12.02 | 6.63 | 8.57 | 9.81 | 9.01 |
| Median | 2.44 | 13.38 | 10.85 | 10.80 | 5.85 | 7.75 | 9.13 | 8.37 |
| 3rd Quartile | 2.17 | 12.15 | 10.04 | 9.63 | 5.06 | 7.13 | 8.74 | 7.97 |
| 95th Percentile | 1.60 | 8.59 | 7.15 | 6.93 | 4.39 | 6.13 | 7.55 | 7.24 |
| | | | | | | | | |
| Population | 28 | 28 | 28 | 28 | 26 | 25 | 22 | 22 |

Texas Municipal Retirement System

# ALLOCATIONS VS. PEER UNIVERSE AS OF DECEMBER 31, 2025

Total Fund Allocation vs. InvMetrics Public DB > $10 Billion




| | Total Equity | Total Fixed Income | Hedge Funds | Private Equity | Real Assets/Commod | Cash & Equivalents |
|---|---|---|---|---|---|---|
| ● Total Fund | 38.0 (71) | 23.4 (52) | 3.5 (69) | 14.9 (34) | 19.4 (1) | 0.7 (84) |
| 5th Percentile | 58.8 | 33.0 | 18.4 | 22.4 | 15.5 | 8.9 |
| 1st Quartile | 46.3 | 26.9 | 10.7 | 16.6 | 9.0 | 3.2 |
| Median | 41.1 | 23.7 | 6.7 | 12.3 | 5.4 | 1.6 |
| 3rd Quartile | 35.5 | 18.4 | 2.7 | 8.5 | 2.7 | 0.8 |
| 95th Percentile | 20.6 | 14.2 | 0.0 | 4.2 | 1.8 | 0.5 |
| Population | 32 | 32 | 20 | 31 | 24 | 30 |

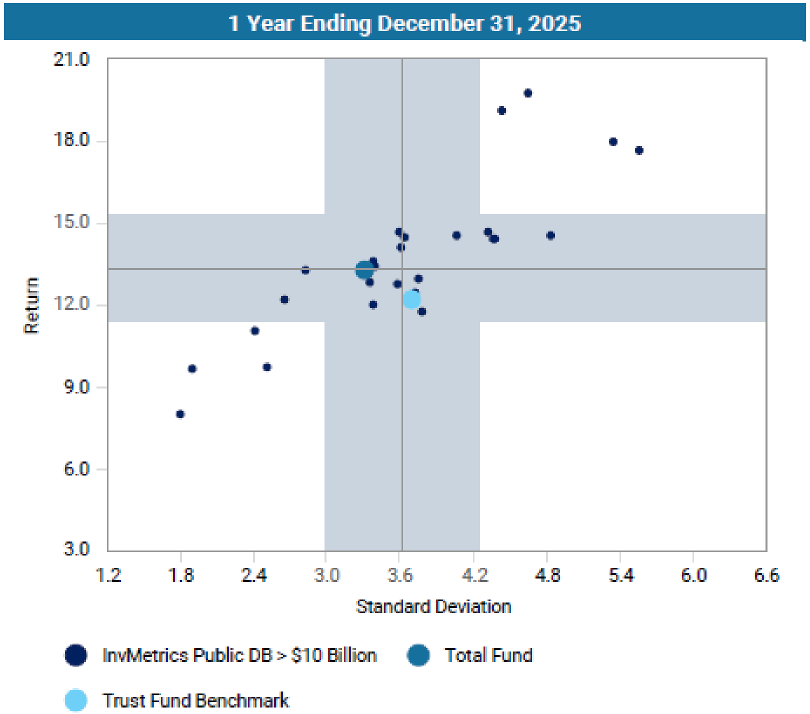
# ASSET ALLOCATION COMPLIANCE AS OF DECEMBER 31, 2025

## ACTUAL ASSET ALLOCATION VS. INVESTMENT POLICY ALLOCATION

| | Current ($) | Current (%) | Policy (%) | Differences* (%) | Policy Range (%) | Within Range |
|---|---|---|---|---|---|---|
| Global Equity | 18,503,696,174 | 38.0 | 35.0 | 3.0 | 25.0 - 45.0 | Yes |
| Private Equity | 7,265,452,113 | 14.9 | 20.0 | -5.1 | 10.0 - 25.0 | Yes |
| Credit | 11,369,305,566 | 23.4 | 21.0 | 2.4 | 16.0 - 26.0 | Yes |
| Tactical Opportunities | 1,707,010,112 | 3.5 | 6.0 | -2.5 | 0.0 - 11.0 | Yes |
| Real Assets | 9,456,466,379 | 19.4 | 18.0 | 1.4 | 13.0 - 23.0 | Yes |
| Cash Composite | 344,261,598 | 0.7 | 0.0 | 0.7 | | |
| Total Fund | 48,646,681,920 | 100.0 | 100.0 | 0.0 | | |

- **Actual asset class allocations are in compliance with Investment Policy ranges as of December 31, 2025.**

# TOTAL FUND RISK VS. NET RETURN: ONE YEAR AS OF DECEMBER 31, 2025

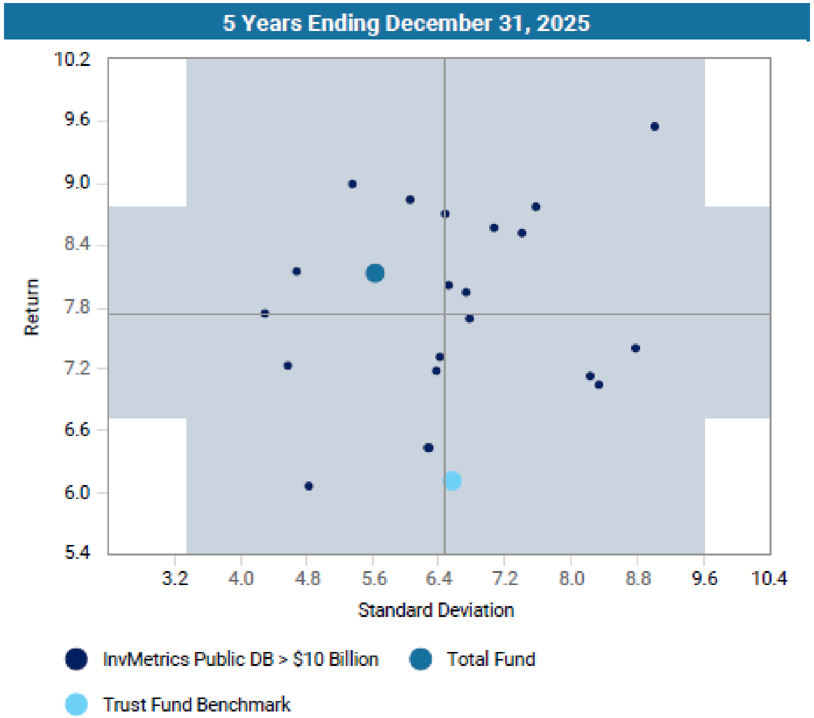



**The Trust Fund generated a third quartile net investment return with one of the lower risk levels, as measured by standard deviation, among other Public Defined Benefit Plans with more than $10 billion in assets for the 1-year period ended December 31, 2025.**

| 1 Year Ending December 31, 2025 | Risk | Quartile Rank | Return | Quartile Rank | Sharpe Ratio | Quartile Rank |
|---|---|---|---|---|---|---|
| **Total Fund** | **3.30** | **1st** | **13.29** | **3rd** | **2.59** | **2nd** |
| Trust Fund Benchmark | 3.70 | 3rd | 12.22 | 3rd | 2.06 | 4th |
| *InvMetrics Public DB > $10 Billion Median* | *3.62* | | *13.38* | | *2.40* | |

– The Standard Deviation interquartile range is defined as the lowest Standard Deviation measuring in the first quartile.
– InvMetrics Public DB > $10B Median includes 28 observations.

# TOTAL FUND RISK VS. NET RETURN: FIVE YEARS AS OF DECEMBER 31, 2025

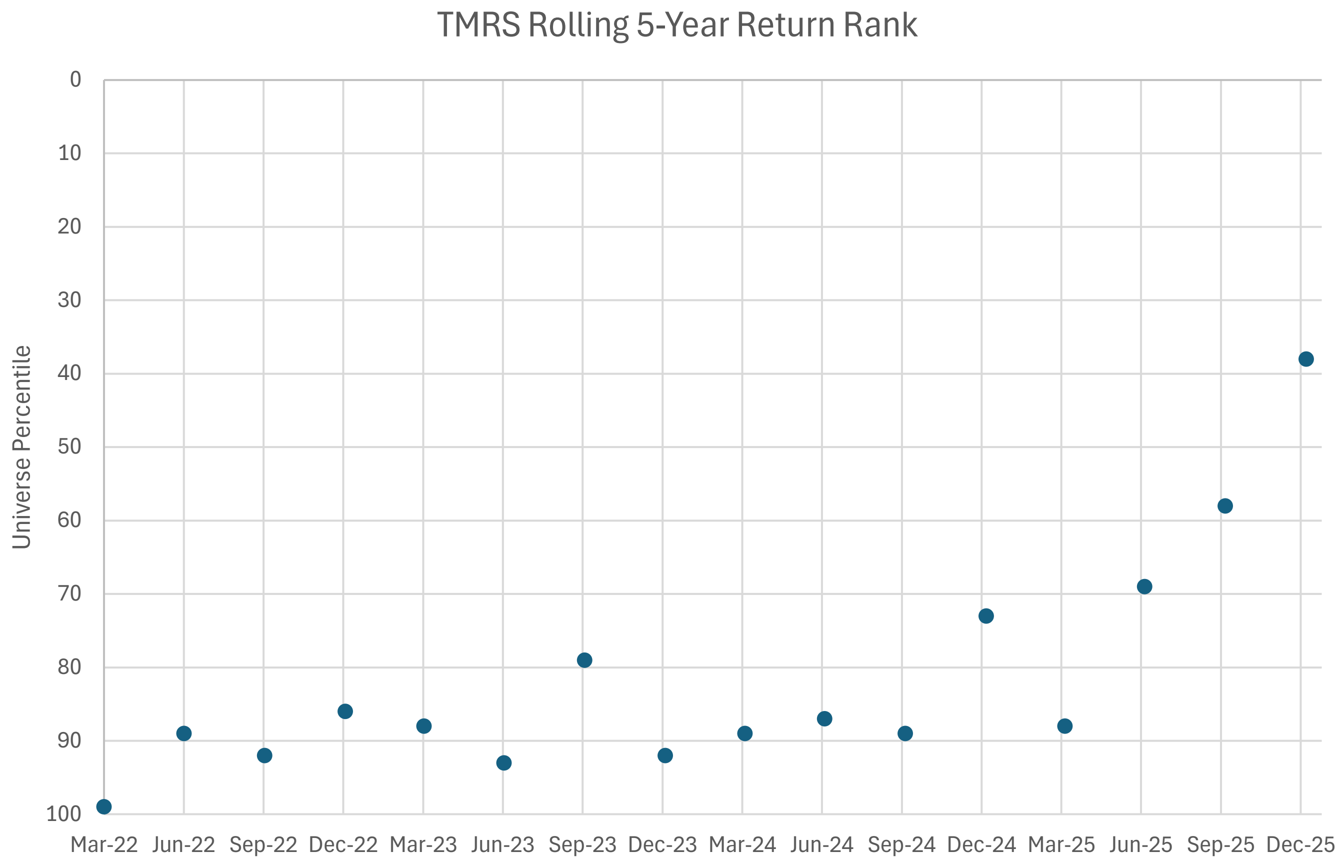



**The Trust Fund generated a second quartile net investment return with one of the lower risk levels, as measured by standard deviation, among other Public Defined Benefit Plans with more than $10 billion in assets for the 5-year period ended December 31, 2025.**

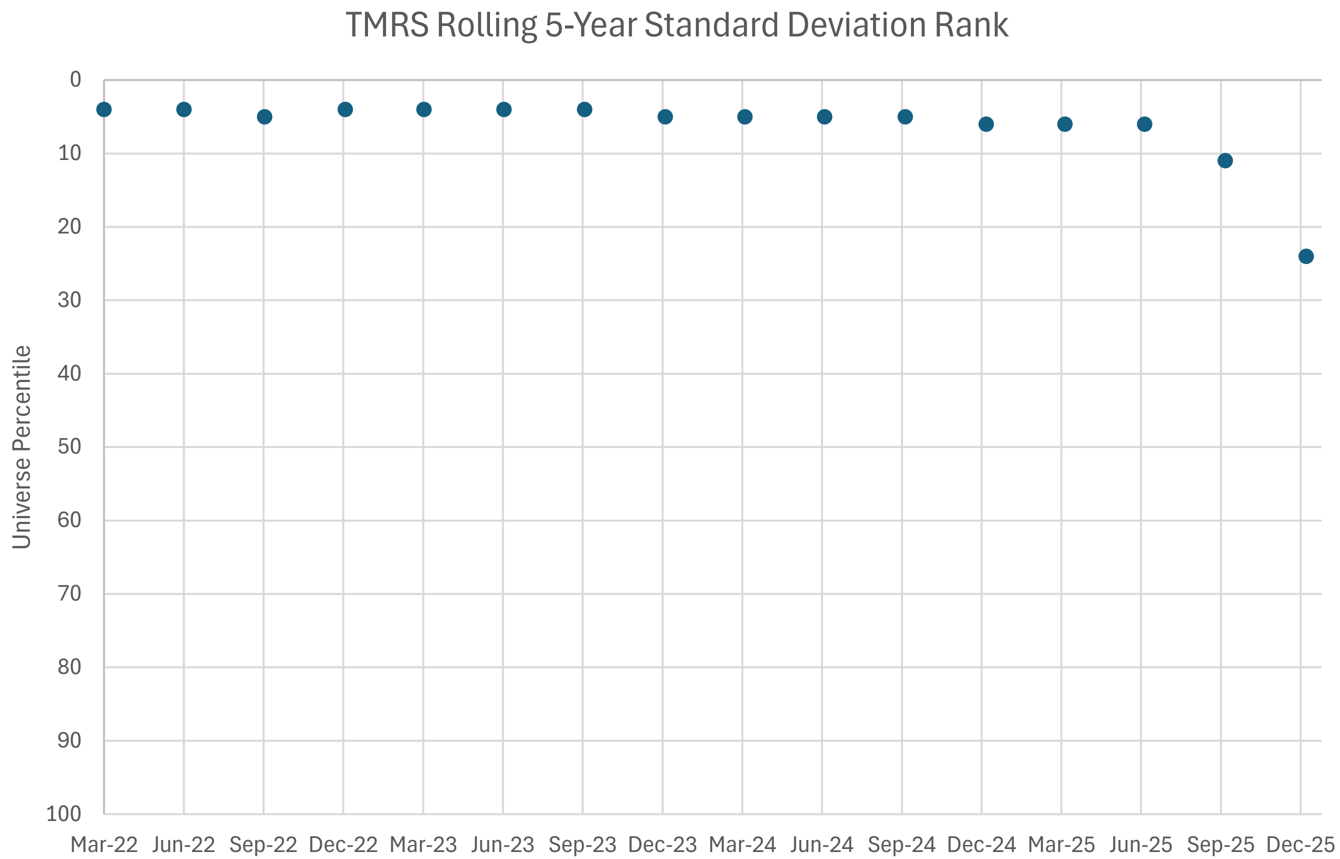
| 5 Year Ending December 31, 2025 | Risk | Quartile Rank | Return | Quartile Rank | Sharpe Ratio | Quartile Rank |
|---|---|---|---|---|---|---|
| **Total Fund** | **5.64** | **1st** | **8.13** | **2nd** | **0.87** | **2nd** |
| Trust Fund Benchmark | 6.55 | 3rd | 6.12 | 4th | 0.47 | 4th |
| *InvMetrics Public DB > $10 Billion Median* | *6.47* | | *7.75* | | *0.73* | |

– The Standard Deviation interquartile range is defined as the lowest Standard Deviation measuring in the first quartile.
– InvMetrics Public DB > $10B Median includes 25 observations.

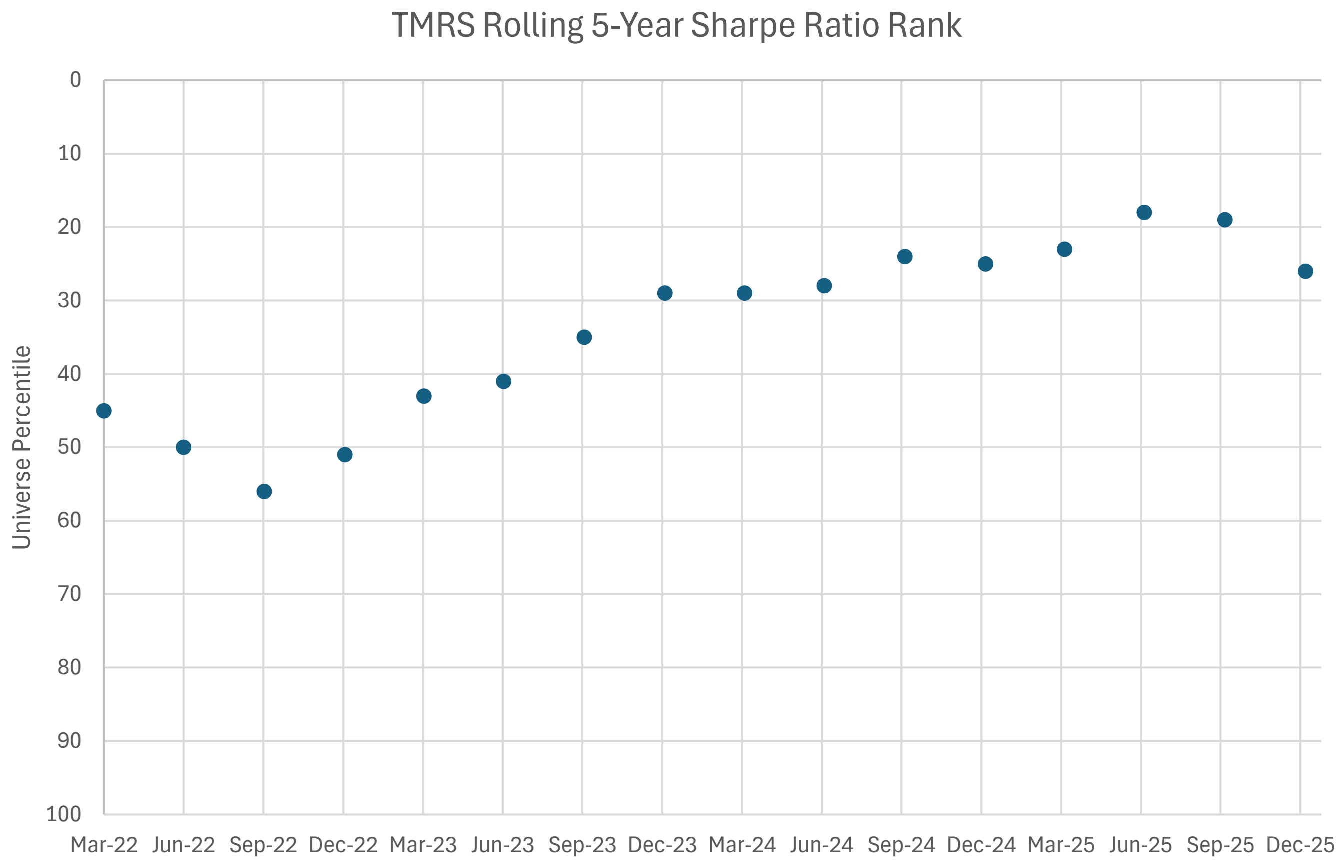
# TOTAL FUND ROLLING 5-YR RETURN RANKINGS AS OF DECEMBER 31, 2025



# TOTAL FUND ROLLING 5-YR STANDARD DEVIATION RANKINGS AS OF DECEMBER 31, 2025



# TOTAL FUND ROLLING 5-YR SHARPE RATIO RANKINGS AS OF DECEMBER 31, 2025



# PERFORMANCE DETAIL AS OF DECEMBER 31, 2025

| | Allocation | | Performance (%) | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Market Value ($) | % of Portfolio | 3 Mo (%) | 1 Yr (%) | 3 Yrs (%) | 5 Yrs (%) | 7 Yrs (%) | 10 Yrs (%) | Inception (%) | Inception Date |
| **Total Fund (Peer Comparison*)** | **48,646,681,920** | **100.0** | **2.89 (12)** | **13.29 (56)** | **11.65 (30)** | **8.13 (38)** | **8.87 (67)** | **7.97 (72)** | **8.37** | **Jan-89** |
| *Trust Fund Benchmark* | | | *2.47* | *12.22* | *10.98* | *6.12* | *7.41* | *6.87* | *7.65* | |
| Over/Under | | | 0.41 | 1.07 | 0.67 | 2.01 | 1.46 | 1.09 | 0.71 | |
| **Global Equity** | **18,503,696,174** | **38.0** | **3.92** | **22.60** | **20.35** | **10.69** | **13.35** | **11.33** | **7.62** | **Jan-08** |
| *Total Equity Index* | | | *3.60* | *21.77* | *19.88* | *10.69* | *13.60* | *11.58* | *7.71* | |
| Over/Under | | | 0.32 | 0.84 | 0.47 | -0.01 | -0.25 | -0.25 | -0.09 | |
| **Private Equity** | **7,265,452,113** | **14.9** | **4.20** | **11.89** | **8.59** | **15.60** | **15.61** | **14.68** | **14.55** | **Dec-15** |
| *Private Equity Index* | | | *2.81* | *10.00* | *12.49* | *8.15* | *10.37* | *12.95* | *12.84* | |
| Over/Under | | | 1.39 | 1.89 | -3.90 | 7.45 | 5.23 | 1.72 | 1.71 | |
| **Credit** | **11,369,305,566** | **23.4** | **1.46** | **7.43** | **8.25** | **4.62** | **5.32** | **4.79** | **7.15** | **Jan-89** |
| *Credit Custom Blend* | | | *1.48* | *6.68* | *6.32* | *1.71* | *3.03* | *3.04* | *6.22* | |
| Over/Under | | | -0.02 | 0.75 | 1.92 | 2.92 | 2.29 | 1.75 | 0.92 | |
| **Tactical Opportunities** | **1,707,010,112** | **3.5** | **4.56** | **11.34** | **10.74** | **7.32** | **7.21** | **6.35** | **5.86** | **Jul-14** |
| *Tactical Opportunities Custom Blend* | | | *3.64* | *8.95* | *7.13* | *6.19* | *6.29* | *4.85* | *4.37* | |
| Over/Under | | | 0.92 | 2.39 | 3.62 | 1.13 | 0.91 | 1.50 | 1.49 | |
| **Real Assets** | **9,456,466,379** | **19.4** | **1.66** | **6.56** | **3.25** | **8.12** | **7.25** | **8.17** | **9.02** | **Nov-11** |
| *Real Assets Custom Blend* | | | *1.08* | *5.17* | *-0.48* | *4.69* | *4.51* | *5.70* | *7.91* | |
| Over/Under | | | 0.58 | 1.38 | 3.73 | 3.43 | 2.74 | 2.47 | 1.11 | |
| **Cash Composite** | **344,261,598** | **0.7** | **0.96** | **4.23** | **5.15** | **3.42** | **2.82** | **2.27** | **1.43** | **Jun-08** |
| *FTSE 1 Month US T-Bill index* | | | *1.02* | *4.35* | *4.95* | *3.25* | *2.70* | *2.17* | *1.29* | |
| Over/Under | | | -0.06 | -0.12 | 0.20 | 0.17 | 0.12 | 0.10 | 0.14 | |

* Peer comparison is expressed as a percentile. The lower the number, the better (e.g.,"1" is the top percentile).

# COMPOSITE BENCHMARK DEFINITIONS AS OF DECEMBER 31, 2025

The Trust Fund Benchmark represents the Actual Allocation Benchmark through 12/31/2023; the Strategic Target Allocation weights through 12/31/2024; actual asset class weights as of 1/1/2025.

Strategic Target Allocation 1/1/2024-12/31/2024
- 35.0% Total Equity Benchmark
- 6.0% Core Fixed Income Benchmark
- 6.0% Non-Core Fixed Income Benchmark
- 5.0% Hedge Funds Benchmark
- 13.0% Private Equity Benchmark
- 12.0% Real Estate Benchmark
- 6.0% Infrastructure Benchmark
- 4.0% Other Private Markets Benchmark
- 13.0% Private Debt Benchmark

The Actual Allocation Benchmark was calculated monthly using the beginning of the month asset class weights applied to each corresponding benchmark return.

Asset Class Composite Benchmarks:

The Total Equity Benchmark is calculated monthly and consists of 50% Russell 3000 Index and 50% MSCI EAFE Index (USD) (Net) through 07/31/2010; a blend of the Russell 3000 Index, MSCI ACW Ex US IM Index (USD) (Net) and MSCI EAFE Index (USD) (Net) at beginning of month investment weights through 11/30/2012; and a blend of the Russell 3000 Index and MSCI ACW Ex US IM Index (USD) (Net) at beginning of the month weights through 12/31/2018; and MSCI ACW IM Index (USD) (Net) through 12/31/2024; and MSCI ACWI IMI ex-China ex-Hong Kong (Net) thereafter.

The Private Equity Benchmark is set equal to the Composite return through 6/30/2021; the MSCI ACW IM Index (USD) (Net), one quarter lag through 12/31/2023; the Cambridge US PE and Venture Capital, one quarter lag through 12/31/2024; and the Cambridge Global PE and Venture Capital, one quarter lag thereafter.

The Tactical Opportunities Benchmark is calculated monthly and consists of the HFRI FOF: Dvf'd Index (1 Mo Lag) through 6/30/2021, and HFRI Asset Weighted Composite Index (1 Mo Lag) thereafter.

The Credit Benchmark consists of 40% ICE BofA 1-3YR A-BBB US Corporate Index and 60% CS Leverage Loans Index +100bps.

The Real Assets Benchmark consists of 50% Cambridge Infrastructure and 50% NCREIF NFI-ODCE (Net).

# MARKET ENVIRONMENT

# 2025 CAPITAL MARKETS OVERVIEW

**The U.S. economy remained steady in the face of heightened policy uncertainty** as AI-related spending and a resilient consumer supported economic growth

**Labor market dynamics and tariff-related inflation uncertainties delayed rate cuts relative to expectations** forcing investors to recalibrate pricing for monetary policy

**Despite weak sentiment, risk asset returns were robust** with the mega-cap names in the U.S. able to deliver on lofty revenue and earnings growth expectations

**Non-U.S. equity markets outperformed** as investor flows shifted overseas while U.S. Dollar weakness supported returns

**2025 was a favorable environment for real assets** amid resilient global economic growth and heightened geopolitical uncertainty that supported prices

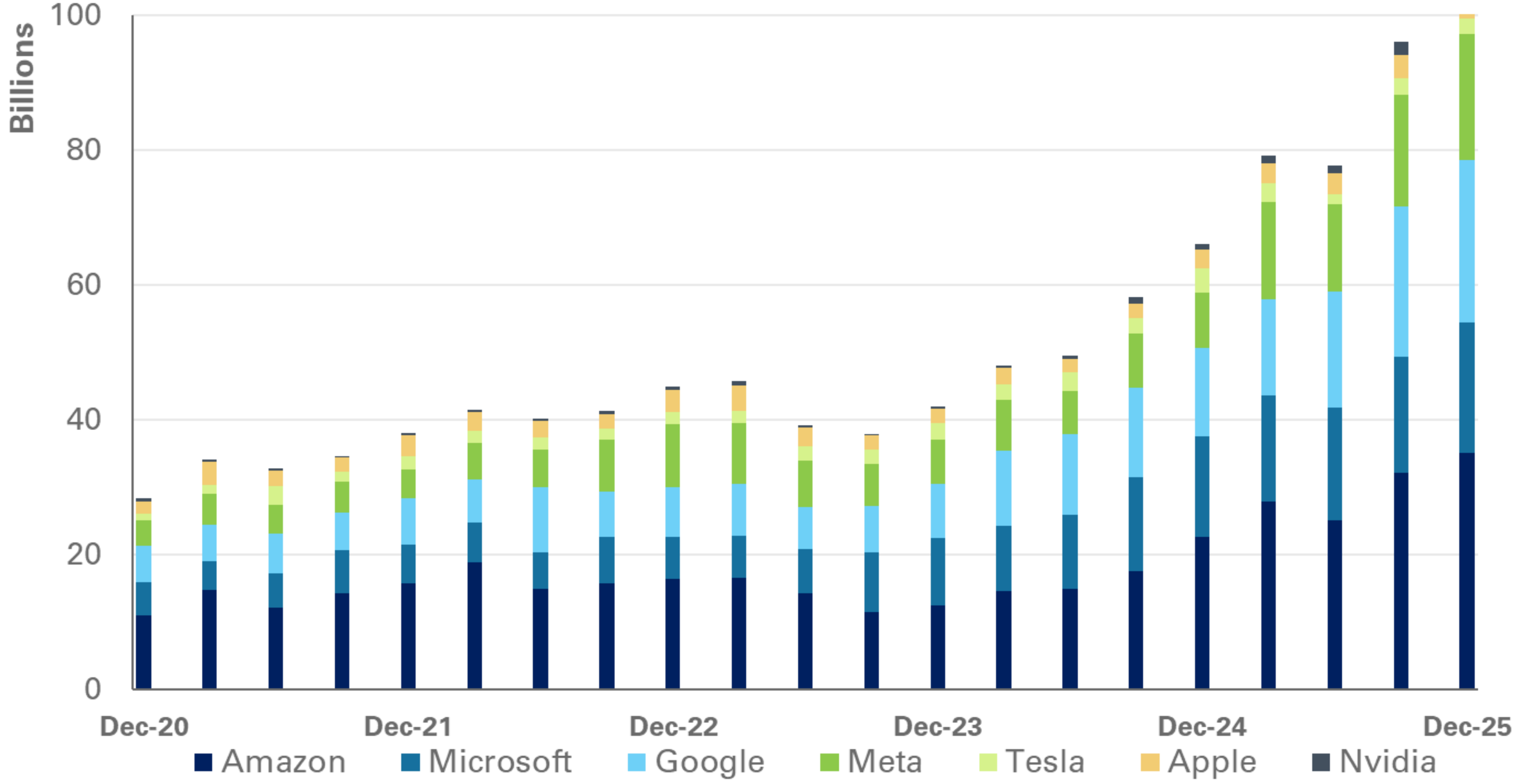
# 2025 DIDN'T FOLLOW A LINEAR STORY LINE

| | Q1 | Q2 | Q3 | Q4 |
|---|---|---|---|---|
| HEADLINES | DeepSeek news temporarily disrupted the AI narrative in the U.S.<br>S&P falls into correction territory on trade policy concerns | Liberation Day tariff announcements roil markets: S&P posts worst week since March 2020 as VIX spikes above 60, while 10Y Treasury yield adds 46 bps | One Big Beautiful Bill passes, reigniting concerns over debt levels<br>The U.S. publishes its first negative monthly jobs report since 2020 | Nvidia reaches $5 trillion market capitalization<br>The U.S. government shuts down for 43 days – the longest closure in history |
| **S&P 500 Total Return:** | **-4.3%** | **+10.9%** | **+8.1%** | **+2.7%** |
| **10Y Treasury Yield Range:** | 4.15%-4.79% | 4.01%-4.58% | 4.02%-4.48% | 3.95%-4.18% |
| **End of 2025 Fed Funds Estimate Range:** | 3.7%-4.0% | 3.4%-3.9% | 3.7%-4.0% | 3.75 |

Note: Q4 data as of December 31, 2025. Fed Funds estimate range calculated using end of month Fed Funds futures estimates.
Sources: S&P, FactSet, NEPC

# A.I. CAPEX RAMPED UP MEANINGFULLY IN 2025

## TOTAL QUARTERLY CAPITAL EXPENDITURES




Source: FactSet

# ANNUAL ASSET CLASS PERFORMANCE

| 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| S&P 500 1.4% | U.S. High Yield 17.1% | MSCI EM 37.3% | U.S. Treasury 0.9% | S&P 500 31.5% | S&P 500 18.4% | S&P 500 28.7% | Commodities 16.1% | S&P 500 26.3% | S&P 500 25.0% | MSCI EM 33.6% |
| EMD (Hard) 1.2% | S&P 500 12.0% | MSCI EAFE 25.0% | U.S. Agg 0.0% | MSCI ACWI 26.6% | MSCI EM 18.3% | Commodities 27.1% | U.S. High Yield -11.2% | MSCI ACWI 22.2% | MSCI ACWI 17.5% | MSCI EAFE 31.2% |
| U.S. Treasury 0.8% | Commodities 11.8% | MSCI ACWI 24.0% | U.S. TIPS -1.3% | MSCI EAFE 22.0% | MSCI ACWI 16.3% | MSCI ACWI 18.5% | EMD (Local) -11.7% | MSCI EAFE 18.2% | U.S. High Yield 8.2% | MSCI ACWI 22.3% |
| U.S. Agg 0.5% | MSCI EM 11.2% | S&P 500 21.8% | U.S. High Yield -2.1% | MSCI EM 18.4% | U.S. TIPS 11.0% | MSCI EAFE 11.3% | U.S. TIPS -11.8% | U.S. High Yield 13.4% | MSCI EM 7.5% | EMD (Local) 19.3% |
| U.S. Credit -0.8% | EMD (Hard) 10.2% | EMD (Local) 15.2% | U.S. Credit -2.1% | EMD (Hard) 15.0% | U.S. Credit 9.4% | U.S. TIPS 6.0% | U.S. Treasury -12.5% | EMD (Local) 12.7% | EMD (Hard) 6.5% | S&P 500 17.9% |
| MSCI EAFE -0.8% | EMD (Local) 9.9% | EMD (Hard) 10.3% | EMD (Hard) -4.3% | U.S. High Yield 14.3% | U.S. Treasury 8.0% | U.S. High Yield 5.3% | U.S. Agg -13.0% | EMD (Hard) 11.1% | Commodities 5.4% | Commodities 15.8% |
| U.S. TIPS -1.4% | MSCI ACWI 7.9% | U.S. High Yield 7.5% | S&P 500 -4.4% | U.S. Credit 13.8% | MSCI EAFE 7.8% | U.S. Credit -1.1% | MSCI EAFE -14.5% | MSCI EM 9.8% | MSCI EAFE 3.8% | EMD (Hard) 14.3% |
| MSCI ACWI -2.4% | U.S. Credit 5.6% | U.S. Credit 6.2% | EMD (Local) -6.2% | EMD (Local) 13.5% | U.S. Agg 7.5% | U.S. Agg -1.5% | U.S. Credit -15.3% | U.S. Credit 8.2% | U.S. Credit 2.0% | U.S. High Yield 8.6% |
| U.S. High Yield -4.5% | U.S. TIPS 4.7% | U.S. Agg 3.5% | MSCI ACWI -9.4% | U.S. Agg 8.7% | U.S. High Yield 7.1% | EMD (Hard) -1.8% | EMD (Hard) -17.8% | U.S. Agg 5.5% | U.S. TIPS 1.8% | U.S. Credit 7.8% |
| MSCI EM -14.9% | U.S. Agg 2.6% | U.S. TIPS 3.0% | Commodities -11.2% | U.S. TIPS 8.4% | EMD (Hard) 5.3% | U.S. Treasury -2.3% | S&P 500 -18.1% | U.S. Treasury 4.1% | U.S. Agg 1.3% | U.S. Agg 7.3% |
| EMD (Local) -14.9% | U.S. Treasury 1.0% | U.S. Treasury 2.3% | MSCI EAFE -13.8% | Commodities 7.7% | EMD (Local) 2.7% | MSCI EM -2.5% | MSCI ACWI -18.4% | U.S. TIPS 3.9% | U.S. Treasury 0.6% | U.S. TIPS 7.0% |
| Commodities -24.7% | MSCI EAFE 1.0% | Commodities 1.7% | MSCI EM -14.6% | U.S. Treasury 6.9% | Commodities -3.1% | EMD (Local) -8.7% | MSCI EM -20.1% | Commodities -7.9% | EMD (Local) -2.4% | U.S. Treasury 6.3% |

Sources: S&P, MSCI, Bloomberg, JPM, FactSet