

Public Funds Report: December 2024 Observations

For over 30 years, RVK has published a semiannual *Public Funds Report*, summarizing survey data from public pension plans (“public funds”) across the US. The public funds included in our reports range in size from less than \$500 million to over \$250 billion, providing a comprehensive view of the public funds landscape. Our most recent report is as of December 31, 2024, and includes data from over 65 public funds.

We have identified a few notable observations from our most recent *Public Funds Report*.

Before we begin, it should be noted that short-term performance for any investment portfolio is not indicative of long-term success or failure. Additionally, relative performance evaluations versus peer groups, particularly over shorter time periods, can often be misleading no matter how peers are identified. The most important marker of a successful investment program is relative to its unique long-term investment objectives. We generally caution against the pitfalls associated with placing too much emphasis on short-term performance results, and we recommend clients maintain a long-term focus when evaluating investment performance—both on an absolute and relative basis.

- 1. The gradual, incremental shift from public equity to alternative assets continues.** Average asset class exposures across public equity, public fixed income, and alternatives continue to hold steady, relative to where they were at the end of 2023. However, on a 5-year and longer-period basis, the data implies a continuation of a gradual, incremental shift from public equity to alternative assets. From the end of 2019 to the end of 2024, the average public equity allocation has decreased from 49% to 47%, while the alternatives allocation has increased from 24% to 27%. The average public fixed income allocation has remained relatively unchanged.

Figure 1: Historical Average Asset Allocation

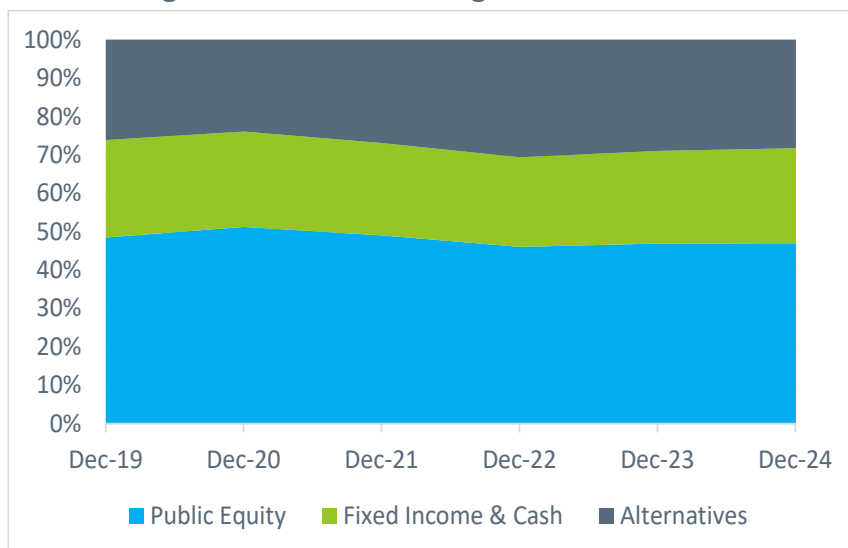


Chart uses annual periodicity.

Source: RVK *Public Funds Report*. A compilation of data provided to RVK, Inc. by public funds throughout the US. Core Funds Universe, excluding Permanent Funds.

2. **Private credit and private equity allocations continue to grow.** At the end of 2019, private credit comprised 4% of the average alternatives portfolio. By the end of 2024, the average allocation has more than doubled to 9%. Private equity also continues to see steady growth, increasing from 31% to 38% within alternatives portfolios over the same period. The average hedge fund allocation has continued to gradually decline, while the reduction in the average real estate allocation has been more recent (and potentially a reflection of recent market performance than intentional allocation shifts).

Figure 2: Historical Average Alternatives Allocation

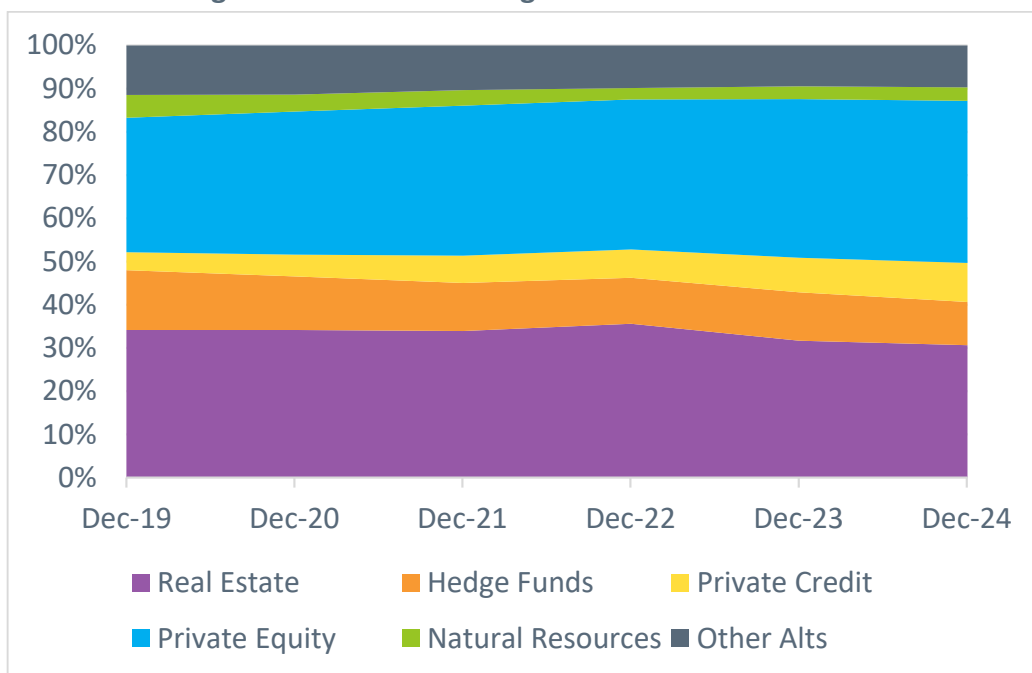


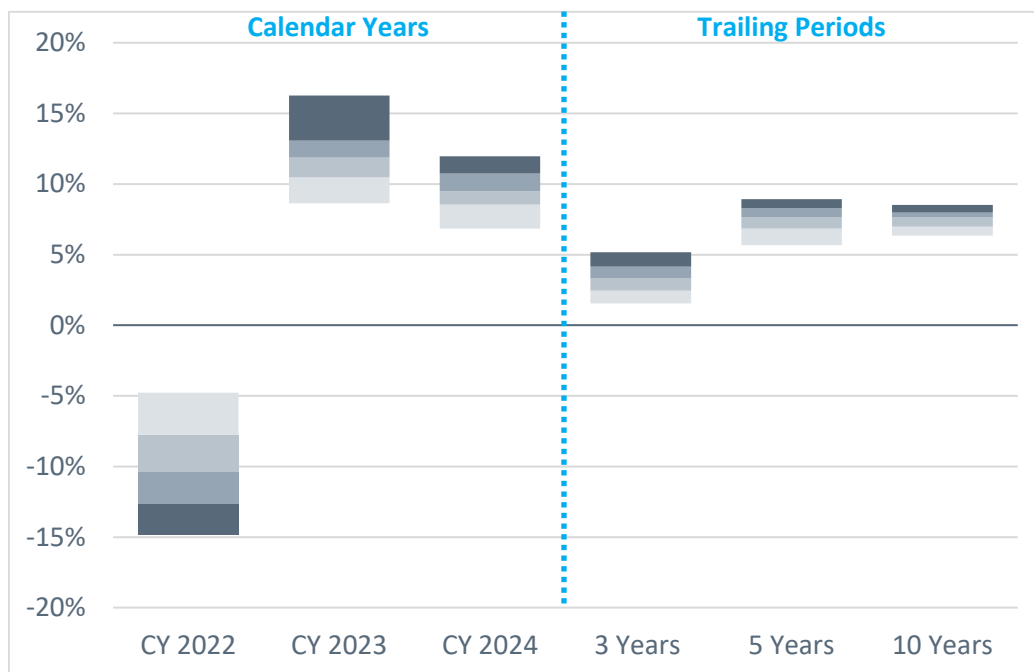
Chart uses annual periodicity.

3. **The spread between 5th and 95th percentile returns normalized in 2024, after wide margins in 2022 and 2023.** The spread in 1-year returns in 2022 and 2023 were quite wide, as extreme market conditions magnified returns of funds with wider asset allocation differences than the peer average. Although 2024 followed 2023 with another strong, positive year for public fund returns, the spread between the 5th and 95th percentile returns was markedly tighter than in 2023 and 2022 as market volatility and correlations normalized.

As shown in the chart on the following page, these performance differences across peers in any single year tend to smooth out as longer time periods and various market environments are incorporated.

Source: RVK Public Funds Report. A compilation of data provided to RVK, Inc. by public funds throughout the US. Core Funds Universe, excluding Permanent Funds.

Figure 3: Public Funds Performance as of December 31, 2024



Performance provided to RVK, Inc. is gross of fees, with the exception of five funds which submit net of fees returns. Performance is calculated using quarterly performance data and is annualized for periods greater than one year. Quartile distributions represent the 5th to 95th percentiles.

4. Longer-term performance relative to the median Assumed Rate of Return (ARoR) remains positive.

Despite the median peer performing below the median ARoR of 6.9% over the trailing 3-year period, the median peer continues to outperform over both the trailing 5- and 10-year periods. As mentioned previously, being aware of short-term performance results can be helpful within the overall context of evaluating longer-term trends, but should not be the primary focus or evaluation metric for long-term investors.

Source: *RVK Public Funds Report*. A compilation of data provided to RVK, Inc. by public funds throughout the US. Core Funds Universe, excluding Permanent Funds.

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About RVK

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