Washington State Investment Board

July 14-16, 2026

Board Strategic Planning Meeting

Alderbrook Hotel
10 E. Alderbrook Drive, Union, WA
Call to order: July 14 at 1:00 pm
Adjourn: July 16 at 11:30 am

1. **Tuesday, July 14**
2. **Buffet Lunch (12:00-1:00)**
3. **Call to Order (1:00 pm)**
4. **Welcome and Announcements (1:00-1:15)**
   - A. Welcome and Announcements
   - B. Written Public Comment
5. **Strategic Plan Update (1:15-1:45)**
6. **Public Equity Annual Plan Update (1:45-2:15)**
   - A. Public Equity Annual Plan Update
7. **Executive Session - Private Markets Annual Plan Updates (2:15-3:45)**
   - A. Private Equity Annual Plan Update (2:15-2:45)
   - B. Tangible Assets Annual Plan Update (2:45-3:15)
   - C. Real Estate Annual Plan Update (3:15-3:45)
8. **Break (3:45-4:15)**
9. **Executive Session (4:15-5:30)**
   - A. Demystifying AI and Its Practical Applications
10. **Reception (6:00-6:45)**
11. **Buffet Dinner (6:45-8:15)**
12. **Wednesday, July 15**
13. **Buffet Breakfast (7:45-8:45)**

14. **Call to Order (9:00 am)**

15. **Education Session (9:00-9:30)**

    A. The Long View: Assessing CTF Performance Over Full Cycles

16. **Education Session (9:30-10:30)**

    A. The Great Delay: Impact on Public Equity Market of Companies Staying Private Longer

17. **Break (10:30-10:45)**

18. **Education Session (10:45-12:00)**

    A. Investment Volatility and Impacts to Pension Funding

19. **External Stakeholder Engagement (12:00-12:30)**

    A. External Stakeholder Engagement

20. **Buffet Lunch (12:30-1:15)**

21. **Climate Blueprint Update (1:15-1:45)**

    A. Climate Blueprint Update

22. **Diversity, Equity, and Inclusion (DEI) Blueprint Update (1:45-2:15)**

    A. DEI Blueprint Update

23. **Break (2:15-2:30)**

24. **Education Session (2:30-4:00)**

    A. Mid-Year Outlook for 2026: The Divergence Conundrum

25. **Break (4:00-4:10)**

26. **Education Session (4:10-4:45)**

    A. Commingled Trust Fund (CTF) Risk Analysis Historical Stress Events and Forward-Looking Risk Scenarios

27. **Executive Session (4:45-5:45)**

    A. Assessing Qualitative Risk in the WSIB Real Estate Portfolio

28. **Reception (6:00-6:45)**

29. **Buffet Dinner (6:45-7:15)**

30. **Education Session (7:15-8:15)**

A. Fireside Chat: Opportunities and Challenges in AI Technology and Infrastructure

31. **Thursday, July 16**

32. **Buffet Breakfast (7:45-8:45)**

33. **Call to Order (9:00 am)**

34. **Attorney General Update (9:00-9:10)**

35. **Executive Session (9:10-9:40)**

A. Succession Planning

36. **Board Governance (9:40-11:25)**

37. **Closing Remarks and Other Items (11:25 - 11:40)**

38. **Adjourn (11:40 am)**

WASHINGTON STATE INVESTMENT BOARD

BOARD MEETING MINUTES - JULY 14 - 16, 2026

The Washington State Investment Board (WSIB) met in open public session at Alderbrook Resort, 10 E. Alderbrook Dr., Union, WA, 98592.

Members Present: Yona Makowski, Chair
Representative Mia Gregerson
Ada Healey
Sara Ketelsen
Kathryn Leathers
Greg Markley
David Nierenberg
Treasurer Mike Pellicciotti
Mary Pugh
Heather Redman
Senator June Robinson
Joel Sacks
Tracy Stanley

Members Absent: George Zinn
Liz Lewis

Also Present: Allyson Tucker, Chief Executive Officer
Chris Hanak, Chief Investment Officer
Curt Gavigan, Chief Operating Officer
James Aber, Institutional Relations Director
Bobby Humes, Director of Human Resources
Phil Paroian, Senior Investment Officer – Public Equity
Fabrizio Natale, Senior Investment Officer – Private Equity
Dorota Czub, Senior Investment Officer – Tangible Assets
Steve Draper, Senior Investment Officer – Real Estate
Patience Mudangwe, Investment Officer – Public Equity
Ting Yang, Investment Officer – Private Equity
Sherrie Trecker, Head of Sustainability
Kristi Bromley, Assistant Senior Investment Officer – RMAA
DJ Deb, CEO – Francisco Partners
Brian Decker, Francisco Partners
Ezra Perlman, Francisco Partners
Andy Brown, Francisco Partners
Luke Masselink, OSA
Henry McVey, KKR
Adebayo Ogunlesi, Global Infrastructure Partners

Brad Smith, Microsoft
Scott Miller, Segal
Jessica Carter, Confidential Secretary
Dan Jensen, Attorney General's Office

CALL TO ORDER

Chair Makowski called the meeting to order at 1:00 pm. and took roll call; all Board members listed as present were able to participate fully in the meeting while in attendance.

WELCOME AND ANNOUNCEMENTS

Presenter: Allyson Tucker, CEO

Allyson Tucker welcomed Board members and attendees and provided an overview of the agenda. Jessica Carter shared housekeeping announcements and the overall logistics for the meeting.

WRITTEN PUBLIC COMMENT

Allyson Tucker reported that the Board received 10 written public comment submissions, which were provided to the Board before the start of the meeting.

STRATEGIC PLAN UPDATE

Presenter: Allyson Tucker, CEO
Curt Gavigan, Chief Operating Officer

Curt Gavigan began by providing the Board with an overview of the major components of the Strategic Plan, emphasizing mission and values, key risks, sustaining excellence, and the strategic analysis framework. He reviewed ongoing asset class initiatives, including partnership efforts with the Department of Retirement Systems on defined contribution and deferred compensation (DC) programs, and the continued implementation of private credit.

Discussion ensued about the target date fund glide path review, with a request for an education session at a future Public Markets Committee meeting.

Updates were shared on total portfolio work, including scenario and risk analysis and continued strategic asset allocation studies. Staff also highlighted delayed or on-hold projects and the importance of maintaining mission, values, and long-term thinking within governance.

Mr. Gavigan provided updates across Investments and Financial Services regarding portfolio verification procurement, succession planning, and remote work considerations for current and future employees. Context was offered regarding implications of out-of-state employment and taxes. He also highlighted the role of the internal audit team and its collaborative consultation approach.

Allyson Tucker addressed the Board and provided an update on artificial intelligence (AI)-related work , including learning sessions, industry outreach, and development of internal tools. Staff described efforts to understand peer approaches, build clean and standardized data sources, and advance model governance within the pension industry.

Mr. Gavigan continued with discussion of capacity and that staff development remains a priority, with a focus on resource needs, talent management, and additional support for supervisors. He shared progress on stakeholder outreach regarding the climate blueprint, updates to the asset stewardship program, enhanced communication work, improved messaging, outreach to legislators, digital accessibility, and updates to the agency's intranet. He concluded with updates on ongoing and planned education sessions, reflecting the broader focus on maintaining a skillful and informed Board.

PUBLIC EQUITY ANNUAL PLAN UPDATE

Presenter: Phil Paroian, Senior Investment Officer – Public Equity

Phil Paroian addressed the Board and provided an update of the Public Equity Annual Plan, noting that performance through March 31, 2026, aligned with expectations. He reviewed current market conditions, highlighted areas of uncertainty, and discussed how these factors may influence future risk. He also outlined progress on key initiatives, including the more flexible rolling open procurement process for active global and emerging market managers.

Discussion ensued regarding the balance between active and passive management, how the updated procurement approach supports sourcing new managers, and broader questions about market behavior, valuation trends, and responsible governance.

Mr. Paroian provided updates on upcoming education sessions and ongoing work on the target date glide path. He noted that the addition of private credit as a new asset class and the revised strategic asset allocation for the Commingled Trust Fund (CTF), which is included in the target date funds through the Total Allocation Portfolio, may affect the glide path's risk-return profile and reaffirmed the agency's long-standing risk philosophy.

Allyson Tucker offered clarification on target date funds and the evaluation of the DC menu. Further discussion addressed changing market conditions, risks to pension funds, and how AI may be influencing public equity markets. Mr. Paroian emphasized reliance on long-term discipline and the continued central role of passive management, with active strategies used selectively to add resilience.

EXECUTIVE SESSION

Chair Makowski announced that the Board would go into executive session to consider financial and commercial information relating to investments since public knowledge regarding the discussion would result in loss to the funds managed by the WSIB or would result in private loss to the providers of the information. The executive session was expected to last until approximately 3:55 p.m.

[The Board went into executive session at 2:24 p.m.]

A. PRIVATE EQUITY ANNUAL PLAN UPDATE

Presenter: Fabrizio Natale, Senior Investment Officer – Private Equity

B. TANGIBLE ASSETS ANNUAL PLAN UPDATE

Presenter: Dorota Czub, Senior Investment Officer – Tangible Assets

C. REAL ESTATE ANNUAL PLAN UPDATE

Presenter: Steve Draper, Senior Investment Officer – Real Estate

[The Board recessed at 3:39 p.m.]

[The Board reconvened in open session at 4:10 p.m.]

EXECUTIVE SESSION

Chair Makowski announced that the Board would go into executive session to consider financial and commercial information relating to investments since public knowledge regarding the discussion would result in loss to the funds managed by the WSIB or would result in private loss to the providers of the information. The executive session was expected to last until approximately 5:30 p.m.

[The Board went into executive session at 4:12 p.m.]

A. DEMYSTIFYING AI AND ITS PRACTICAL APPLICATIONS

Presenters: DJ Deb, Co-Founder and Chief Executive Officer - Francisco Partners
Brian Decker, Francisco Partners
Ezra Perlman, Francisco Partners
Andy Brown, Francisco Partners

[The Board extended the executive session by 15 minutes until 5:45 p.m.}

[The Board recessed at 5:45 p.m. until 9:00 a.m. on Wednesday July 15th]

WEDNESDAY, JULY 15, 2026

CALL TO ORDER

Presenter: Yona Makowski, Board Chair

Chair Makowski called the meeting back to order at 9:02 a.m., and back into open session.

THE LONG VIEW: ASSESSING CTF PERFORMANCE OVER FULL CYCLES

Presenter: Chris Hanak, Chief Investment Officer

Chris Hanak addressed the Board and presented on the CTF Performance Over Full Cycles. He began with a review of short-term and long-term CTF performance, noting that while short-term returns can vary significantly, the CTF has shown consistent long-term outperformance and remains above its benchmark over the 10-year period. He explained 1-year rolling returns across asset classes, the role of diversification, and how longer horizons provide clearer insight into performance.

Discussion ensued regarding the differences between CTF results and passive benchmarks, including median returns, ranges of outcomes, and how return differences translate into funded status and contribution rates.

Mr. Hanak highlighted that over the past 20 years the CTF generated approximately 125 basis points of excess annual return compared to the passive benchmark, totaling about $44 billion in additional growth. Discussion also covered how private assets affect reported volatility, how diversification reduces overall risk, and why the range of returns converges over longer evaluation periods.

He concluded that short-term performance is naturally volatile, but long-term evaluation provides the most meaningful assessment. The CTF's diversified, long-term approach continues to align with WSIB's investment beliefs and supports durable value creation.

Discussion ensued regarding the impact of changing the benchmark to that of peer funds. Staff noted the challenges of using a moving peer target and the value of existing CEM benchmarking.

THE GREAT DELAY: IMPACT ON PUBLIC EQUITY MARKET OF COMPANIES STAYING PRIVATE LONGER

Presenter: Patience Mudangwe, Investment Officer – Public Equity
Ting Yang, Investment Officer – Private Equity

Patience Mudangwe and Ting Yang addressed the Board and presented on the trend of companies staying private longer and delaying their entry into public markets via initial public offering (IPO). The Board received an overview of the IPO market, including the evolving role of IPOs in capital formation, liquidity, company growth, access to public markets, implications for public equity markets, the private equity perspective, and the increasing interconnectedness of public and private markets. Staff also reviewed trends in IPO activity across regions and sectors.

The discussion addressed the operational implications for the portfolio arising from changes in index constituents, including company exclusions from the index and index additions following an IPO.

The presentation addressed the changing path from private to public ownership including the role of venture capital and private equity sponsors, ownership and liquidity considerations, post-IPO lock-up periods, and the frequency with which WSIB portfolio companies transition to public markets.

Staff discussed, with examples, how value can be created in both private markets pre-IPO and public markets post-IPO. Discussion ensued regarding value creation within venture capital and private equity investments, the role of growth equity, and the concentration within large public companies.

The presentation also covered private market exit strategies, including IPOs, strategic acquisitions, sponsor-to-sponsor transactions, and secondary liquidity opportunities. Discussion ensued regarding the various exit strategies, factors influencing their use, and the role of market conditions in determining exit activity.

Staff concluded with a discussion of the increasing interconnectedness of public and private markets and the evolving investable universe, and how the WSIB benefits from deploying capital across the public and private equity market spectrum. [Board recessed at 10:15 a.m. and reconvened in open session at 10:30 a.m.]

INVESTMENT VOLATILITY AND IMPACTS TO PENSION FUNDING

Presenter: Luke Masselink, Senior Actuary

Luke Masselink addressed the Board and presented on investment volatility and its potential impacts on pension

funding, contribution rates, investment policy, and governance. The presentation reviewed pension funding metrics, including the combined funded ratio of 102 percent as of June 30, 2025, individual plan funded ratios, funding methodology, and that approximately 3 percent of the state general fund budget allocated to pension contributions in 2026.

Discussion ensued regarding pension cash flows and the relative sources of pension funding, including investment returns and employer and employee contributions, as well as comparisons with peer pension systems.

Mr. Masselink continued by reviewing investment volatility and the tools used to manage its effects, including asset smoothing, rate smoothing, and the 8-year smoothing period.

Discussion ensued regarding the impact of investment experience on funded ratios and contribution rates, the 7.25 percent investment assumption, and the biennial review of contribution rates and economic assumptions.

The presentation included a simulated Global Financial Crisis scenario and potential impacts on funded ratios, contribution rates, liquidity, and the state budget.

Discussion ensued regarding investment risk, market recovery, and the tradeoffs between more and less conservative investment allocations.

Mr. Masselink provided a national comparison of funded ratios and discussed factors beyond funded status that contribute to overall pension health. The funding structures and relative exposure of LEOFF 1, TERS 1, and PERS 1 were also reviewed.

[Ada Healey joined the meeting at 11:12 a.m.]

The presentation addressed asset allocation as a key Board investment decision and provided historical context regarding prior market conditions and asset allocation decisions.

Discussion ensued regarding the potential effects of a market correction on Washington State's economy, budget, and revenue structure, as well as liquidity considerations associated with private asset investments.

Discussion ensued regarding the balance between short-term funding and budget impacts and long-term investment objectives, including potential contribution rate impacts following a market downturn. Liquidity stress testing and market scenarios were also reviewed. Allyson Tucker provided historical context regarding investment assumptions and the system's discount rate relative to other public pension systems.

Discussion ensued regarding the key considerations summarized in the presentation.

EXTERNAL STAKEHOLDER ENGAGEMENT

Presenter: James Aber, Institutional Relations Director

James Aber addressed the Board regarding public engagement metrics, the issues-management process, and recent case studies. The presentation noted a significant increase in written and oral public comments over the past 3 years. Changes to the public comment process, including a 48-hour deadline for written comments and an increase in time allotted for oral comments, were reviewed.

Discussion ensued regarding the approach to issues raised by public commenters and concerns related to portfolio companies and investment partners. The process for gathering information, engaging with appropriate staff and investment partners, and escalating matters as appropriate was discussed. The Board also discussed the distinction between concerns involving specific portfolio companies and broader investment or policy issues.

Discussion ensued regarding the feedback loop between staff, the Board, and external stakeholders, including how updates on ongoing matters could be provided outside of full Board meetings. The Board discussed opportunities to provide information through committees, working groups, or other communication channels. An update regarding the hospice matter was requested, including information regarding communications with the general partner and limited partner advisory committee.

Mr. Aber continued with case studies on thermal coal exposure and low-carbon equity indices. Discussion ensued regarding the evaluation of thermal coal exposure from an investment risk perspective, the methodology used to assess exposure, and engagement with stakeholders regarding the approach. The Board also discussed research conducted on low-carbon equity indices, including their investment characteristics, historical performance, and ongoing monitoring.

Mr. Aber reviewed efforts to enhance transparency and public engagement, including the sustainability report and improvements to the WSIB website. Discussion ensued regarding continued opportunities to strengthen communication, transparency, responsiveness to public concerns, and the process for communicating how issues raised by stakeholders are addressed.

Discussion ensued regarding potential branding and communications efforts to more proactively communicate WSIB's role, results, and value. The Board discussed the potential use of an external branding agency, benchmarking against other public pension systems, and consideration of these efforts in the 2027 strategic planning process.

Discussion ensued regarding obtaining a list of individuals and organizations with whom staff have met, including the purpose and timing of those engagements. Staff agreed to follow up with the requested information.

[Board recessed at 12:09 p.m. and reconvened in open session at 1:00 p.m.]

CLIMATE BLUEPRINT UPDATE

Presenter: Sherrie Trecker, Head of Sustainability

Sherrie Trecker addressed the Board regarding the Annual Blueprint Update. The majority of established objectives have been completed, including environmental, social, and governance (ESG) training and onboarding for new investment staff, improved climate risk management practices, provision of ESG education resources, improved climate-related reporting aligned with the Task Force on Climate-related Financial Disclosures, and updates to climate risk reporting.

Discussion ensued about evolving mandatory climate disclosure requirements in the US and abroad and the potential challenges associated with obtaining reliable data, especially in private markets. Staff continues to seek to identify partners and strategies with expertise investing in renewable energy and other climate solutions. Discussion continued, highlighting the importance of interaction with partners and industry organizations as important tools to advance climate action and decarbonization.

Discussion ensued regarding the importance of continued focus on identifying climate solutions and energy transition

strategies that will generate sufficient investment returns, engagement with portfolio companies and partners, and the use of investor influence to encourage meaningful action. The importance of improving financially material ESG data within private equity was discussed, highlighting the benefits of the WSIB's involvement in the ESG Data Convergence Initiative (EDCI). The Board was particularly engaged on the impact that private equity ownership has on job creation within companies.

Discussion ensued about developing the next phase of priorities, with continued emphasis on physical climate risk, education, engagement, and accountability. The discussion emphasized the value of looking beyond short-term profitability to thinking about long-term sustainability and the WSIB's role in supporting the energy transition through investment, advocacy, and engagement.

DIVERSITY, EQUITY AND INCLUSION (DEI) BLUEPRINT UPDATE

Presenter: Bobby Humes, Human Resources Director

Bobby Humes addressed the Board and presented an update on the DEI Blueprint, including the framework, governance structure, objectives, and measures of success. The DEI Blueprint, introduced in 2022, was described as a roadmap for advancing WSIB's goals and as a framework complementary to the Climate Blueprint. The presentation also addressed changes in the legal and regulatory environment surrounding DEI programs and practices, including Federal Executive Order 14151.

Mr. Humes reviewed the working group established to assess the potential impacts and risks associated with the changing DEI environment. Discussion ensued regarding the DEI Committee's governance, membership, and structure, including the use of volunteer members, annual changes in committee co-leads, and the development of subcommittees. The Committee currently includes 39 members, representing approximately 32 percent of the organization.

Mr. Humes reviewed progress on the Blueprint's objectives, including planning, governance, learning, management, and engagement. The presentation also covered the DEI resource library, staff learning resources, diversity metrics, partner assessments, alignment of the DEI Committee Charter with WSIB values, and external engagement through industry initiatives.

Discussion ensued regarding examples of inclusion, belonging, and employee engagement at WSIB, as well as the role of the DEI Committee and broader organizational efforts in supporting these areas. The Board also discussed opportunities for continued learning and engagement with the DEI work while maintaining the Board's fiduciary responsibilities.

Mr. Humes addressed how DEI considerations are incorporated across investment partners and asset classes. Discussion ensued regarding engagement with external partners, sharing practices across the industry, and efforts to encourage greater diversity, equity, and inclusion within investment organizations and across the WSIB portfolio.

Steve Draper and Phil Paroian joined the discussion regarding DEI efforts across the real estate and public equity investment portfolios. Discussion ensued regarding organizational culture, team composition, diversity in investment decision-making, equity, inclusion, and engagement with investment partners. Examples of industry initiatives, partner engagement, and efforts to advance these practices across the portfolio were discussed.

Mr. Humes discussed the importance of formal assessment and ongoing measurement to inform future DEI efforts and define success. Discussion ensued regarding the continued evolution of the Blueprint, the importance of consistency and continuous improvement, and the role of learning and reflection in advancing the work.

The presentation concluded with a discussion of WSIB's external engagement, including participation in industry organizations, panels, and initiatives focused on DEI.

[The Board recessed at 2:02 p.m. and reconvened in open session at 2:20 p.m.]

MID-YEAR OUTLOOK FOR 2026: THE DIVERGENCE CONUNDRUM

Presenter: Henry McVey, Partner, Head of Global Macro and Asset Allocation and CIO of KKR's Balance Sheet

Henry McVey presented a mid-year economic outlook to the Board, discussing the impacts of several economic and societal shifts. He highlighted three areas of divergence which included low consumer sentiment versus equity market returns, the dependence on a small concentration of contributors to the U.S. growth domestic product (GDP) growth, and the larger deficits of governments versus the decrease in private sector leverage. The presentation provided context related to consumer sentiment and asset accumulation, examples of countries increasing debt loads, potential actions by the Federal Reserve (the Fed) and the impacts, and how technology capital expenditures are affecting economic growth. He discussed that the current levels of economic divergence and uncertainty are not unprecedented and noted the importance of investment discipline throughout volatility.

Discussion ensued regarding global instability and the effects on consumers, policies that could be utilized to have an impact on the wealth gap, what short-term and long-term actions the Fed can take within current market conditions, and strategies to increase worker's equity and support job retraining within the private sector.

The presentation provided an overview on how AI-related stocks and national security initiatives are driving growth, the role of central banks and the buildout of the technology sector, supply chain resiliency amid economic policy changes, and how the U.S.'s productivity can expand with AI. In addition, Mr. McVey addressed asset allocation trends noting private equity, real assets, and private credit as areas with the most attractive sources of potential return over the next five years. He noted that the WSIB's size, long-term focus, and liquidity are key benefits when determining the proper asset allocation.

Discussion ensued regarding areas of productivity booms and declines, market cycle volatility and the role of government bonds as a diversifier, KKR's initiatives with Ownership Works as an avenue to ease equity gaps, and the cost of AI relative to profitability.

The presentation concluded that AI and national security will continue to accelerate productivity booms throughout the economy and how the risk premium between private equity and public markets will reassert itself. However, many parts of the economy will continue to lag due to high rates, slow growth, and income disparities. Discussion ensued regarding how to think differently about traditional portfolio construction, the capital required for compelling mega investment themes, and how the U.S. and China are approaching the cost and source (open or closed) of AI.

[The Board recessed at 3:45 p.m. and reconvened in open session at 4:00 p.m.]

COMMINGLED TRUST FUND (CTF) RISK ANALYSIS: HISTORICAL STRESS EVENTS AND FORWARD-LOOKING RISK SCENARIO

Presenter: Kristi Bromley , Assistant Senior Investment Officer – RMAA

Kristi Bromley presented the CTF's risk management principles, including the importance of limiting large losses, a review of historical case studies from prior periods of market stress, and how the CTF is positioned related to current market concerns. The WSIB has a time tested approach to risk management, with long-term investing and diversification of the core components of its investment philosophy. The WSIB remains disciplined in its investment approach and dedicated to liquidity planning and management.

The presentation provided an overview of the three fundamental components of the CTF risk management framework which include retirement program-driven, investment-driven, and market-driven factors. In addition, the importance of liquidity management in market downturns and how diversification has successfully limited losses in major market downturns relative to the passive benchmark were addressed. Three case studies were presented to illustrate how the CTF performed during periods of market stress: dot-com era, the 2007-2009 Global Financial Crisis (GFC), and the COVID-19 era. Overall returns for the CTF, its asset classes, and the passive benchmark over each era were reviewed, highlighting asset class performance and the importance of diversification in limiting market losses.

The presentation also analyzed three scenarios to determine the potential performance impact on the CTF: conflict in the middle east, stagflation, and AI driven market correction. Each scenario was outlined to show anticipated market reactions and the percentage of potential losses. The presentation concluded with a summary of the lessons learned from the GFC and changes made regarding liquidity management. The structural changes highlighted that increased diversification and reduced risk included investment policy updates, development of the private equity model portfolio, restructuring real estate debt, and switching to separately managed accounts for active public equity managers. The Risk Management and Asset Allocation unit monitor liquidity daily and have the ability stress test cash flows over 1-to-2-year horizons in addition to worst-case modeling in the asset allocation process.

Discussion ensued regarding liquidity in market downturns, the WSIB's performance compared to other pension peers, and the liquidity of private equity and the impacts of distressed selling. Allyson Tucker explained that 2008 was the largest drawdown for the CTF, yet the WSIB remained in the top decile among its peers. The Board further discussed the availability of liquidity in the CTF and AI's impact of the U.S. dollar if there is a market correction.

EXECUTIVE SESSION

Chair Makowski announced that the Board would go into executive session to consider financial and commercial information relating to investments since public knowledge regarding the discussion would result in loss to the funds managed by the WSIB or would result in private loss to the providers of the information. The executive session was expected to last until approximately 5:40 p.m.

[The Board went into executive session at 4:40 p.m.]

A. ASSESSING QUALITATIVE RISK IN THE WSIB REAL ESTATE PORTFOLIO

Presenter: Steve Draper, Senior Investment Officer – Real Estate

[The Board recessed at 5:40 pm and reconvened in open session at 6:45 p.m.]

FIRESIDE CHAT: OPPORTUNITIES AND CHALLENGES IN AI TECHNOLOGY AND INFRASTRUCTURE

Presenter: Allyson Tucker, Chief Executive Officer

Brad Smith, President of Microsoft, and Bayo Ogunlesi, CEO of Global Infrastructure Partners, joined Allyson Tucker and the Board in a fireside chat regarding AI technology and the infrastructure supporting data storage. The discussion included the Microsoft data center in Quincy, Washington, and its contributions to local employment, community funding, and broader community enhancement. Discussion ensued regarding water usage, sound concerns, the future of data center development, and related cost considerations.

[The Board recessed at 8:15 p.m. until 9:00 a.m. on Thursday, July 16th]

THURSDAY, JULY 16, 2026

CALL TO ORDER

Presenter: Yona Makowski, Board Chair

Chair Makowski called the meeting to order at 9:00 a.m., and back into open session.

ATTORNEY GENERAL UPDATE

Presenter: Dan Jensen, Senior Assistant Attorney General

Dan Jensen addressed the Board and provided an overview of the Attorney General's Office, including its role in representing state agencies and smaller public entities. He reviewed the structure and responsibilities of the division, which includes 36 staff members, and the allocation of resources supporting the WSIB. Discussion ensued regarding legal support provided to the Board and WSIB, staffing, and succession planning for ongoing legal support.

EXECUTIVE SESSION

Chair Makowski announced the Board would go into executive session to review the performance of public employees. The executive session was expected to last until approximately 9:40 a.m.

[The Board went into executive session at 9:10 a.m.]

A. SUCCESSION PLANNING

Presenter: Allyson Tucker, Chief Executive Officer

[The Board extended the executive session by 15 minutes until 9:55 a.m.]

[The Board reconvened in open session at 9:53 a.m.]

BOARD GOVERNANCE

Presenter: David Nierenberg, Ad Hoc Governance Committee Chair
Scott Miller, Segal

Yona Makowski introduced the session and David Nierenberg provided background on the work Segal does with the WSIB.

Scott Miller addressed the Board regarding the governance work underway, including updates to the Board Chair Charter, Board Vice Chair Charter, and Board Member Charter. He reviewed the roles and responsibilities outlined in the charters, as well as succession planning and the process for incorporating Board and Committee feedback. The Ad Hoc Governance Committee (AHGC) Chair reviewed the next steps for final review of the governance documents and the Board self-assessment process.

Discussion ensued regarding Board governance, including the self-assessment process, Board education and orientation, Board engagement and use of time, communication and accountability, and opportunities to strengthen trust and collaboration among the Board, CEO, and staff.

Discussion ensued regarding conflict and disagreement resolution, including the development of a practical approach for addressing disagreements and supporting constructive Board dialogue.

The Board participated in breakout discussions regarding governance practices, self-assessment, and conflict resolution. Discussion ensued regarding opportunities to strengthen Board effectiveness, engagement, communication, and accountability.

OTHER ITEMS AND CLOSING REMARKS

Presenter: Yona Makowski, Board Chair
Allyson Tucker, Chief Executive Officer

Yona Makowski thanked the Board for their time, shared that she appreciated the experience, and thanked the staff for their support.

ADJOURNMENT

There was no further business to come before the Board, and the meeting adjourned at 11:10 a.m.

WRITTEN PUBLIC COMMENT



Written Public Comment has been received from the following:

- Donna Albert
- Theresa Curry Almuti
- David Bellefeuille-Rice
- Maureen Canny
- Barbara Carey
- Mary Lou Dickerson
- Kristin Edmark
- Peter Harris
- Melissa Priebe
- Amy Roe

Washington State Investment Board







2026 STRATEGIC PLAN UPDATE

JULY 14, 2026

Allyson Tucker, CFA, CAIA
Chief Executive Officer

Curt Gavigan
Chief Operating Officer

AGENDA



Strategic Context

- Vision, mission, and values
- Washington State Investment Board (WSIB) governing body
- Potential threats

Strategic Theme: Sustaining Excellence

Strategic Analysis Framework

- Value
- Capacity
- Support
- Skillful Board

Summary and Key Takeaways



VISION

As a leading institutional investor, we utilize diverse skillsets and perspectives to achieve investment and operational excellence with global and innovative approaches in service to our beneficiaries, state, communities, and one another.

MISSION

We invest the funds entrusted to us with integrity, care, and skill to maximize return over the long term at a prudent level of risk for the exclusive benefit of beneficiaries.



VALUES

- Integrity
- Patience
- Openness
- Belonging
- Excellence
- Service
- Innovation

WSIB GOVERNING BODY

- Independent Board comprised of 15 members
- 10 voting members
- 5 investment professionals
- Multiple appointment authorities

3 EX-OFFICIO MEMBERS

Mike Pellicciotti	Joel Sacks	Kathryn Leathers
State Treasurer	L&I Director	DRS Director

2 LEGISLATORS

June Robinson	Mia Gregerson
Senate Member	House of Representatives Member

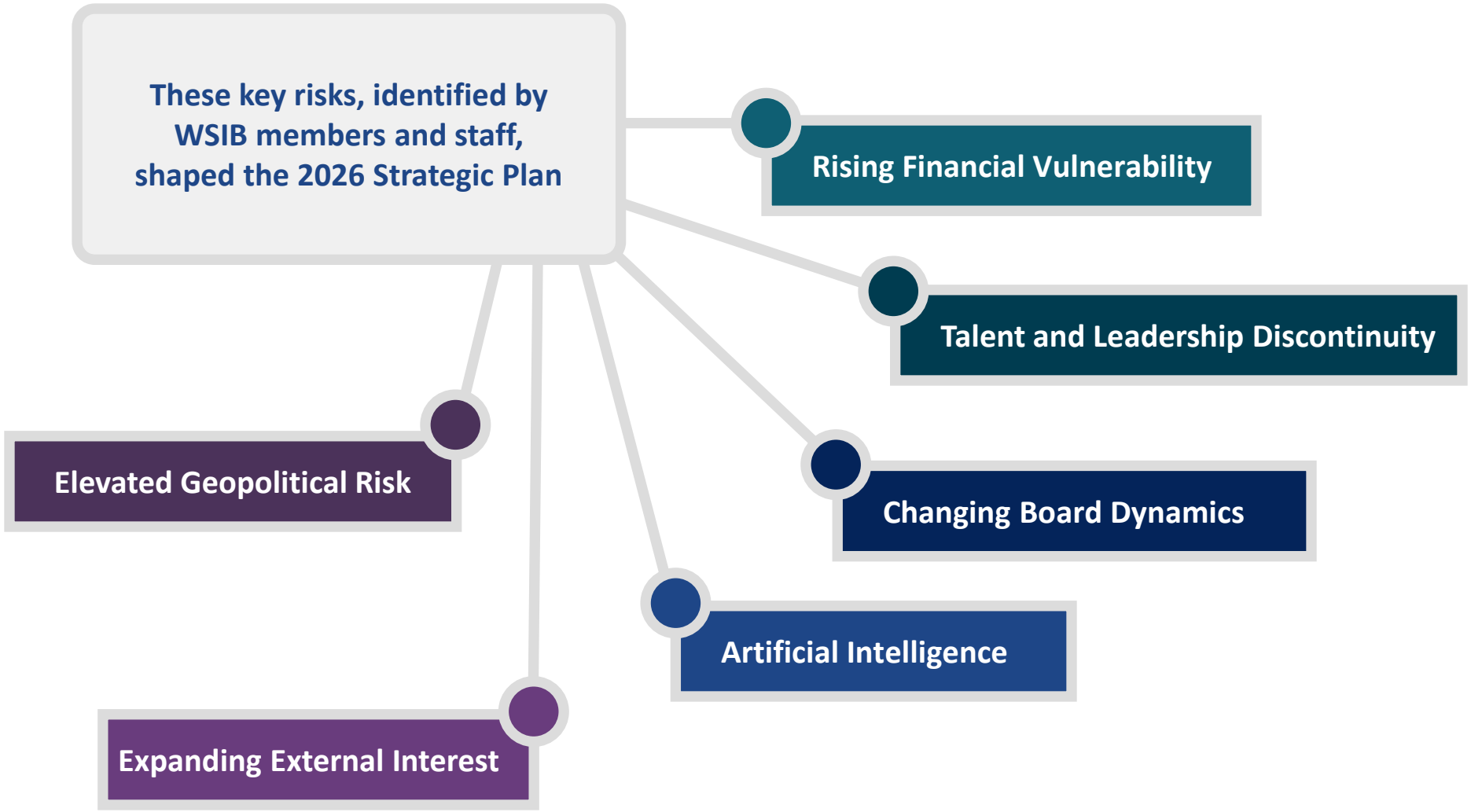
5 REPRESENTATIVES OF THE PUBLIC EMPLOYEE PENSION SYSTEMS

Yona Makowski	Sara Ketelsen	Greg Markley	Tracy Stanley	Liz Lewis
Chair State Pension System Retiree	Vice Chair TRS Member	LEOFF Member	PERS Member	SERS Member

5 NON-VOTING MEMBERS

David Nierenberg	Mary Pugh	Heather Redman	Ada Healey	George Zinn

STRATEGIC CONTEXT
POTENTIAL THREATS







STRATEGIC THEME
SUSTAINING EXCELLENCE

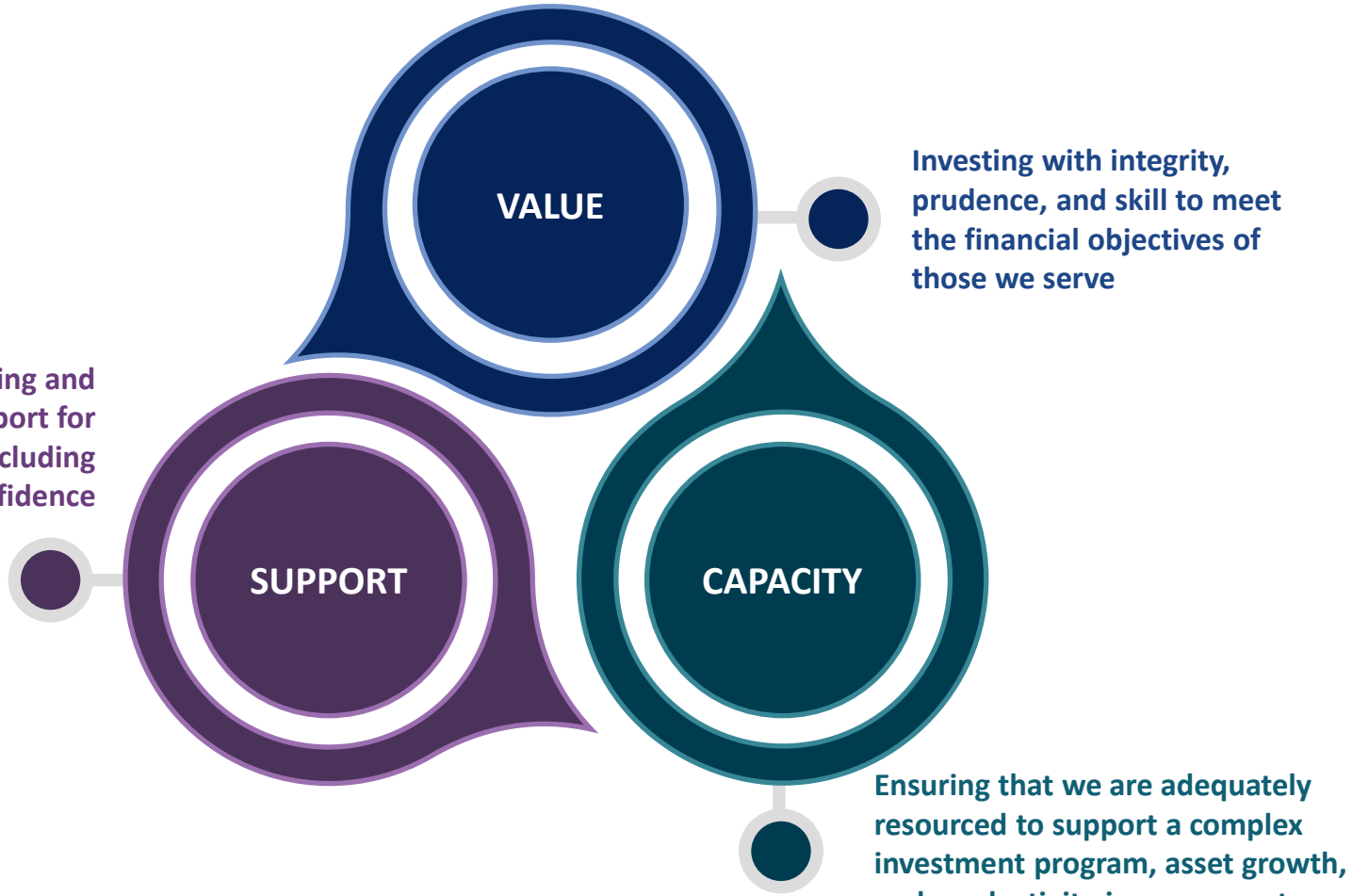
SUSTAINING EXCELLENCE

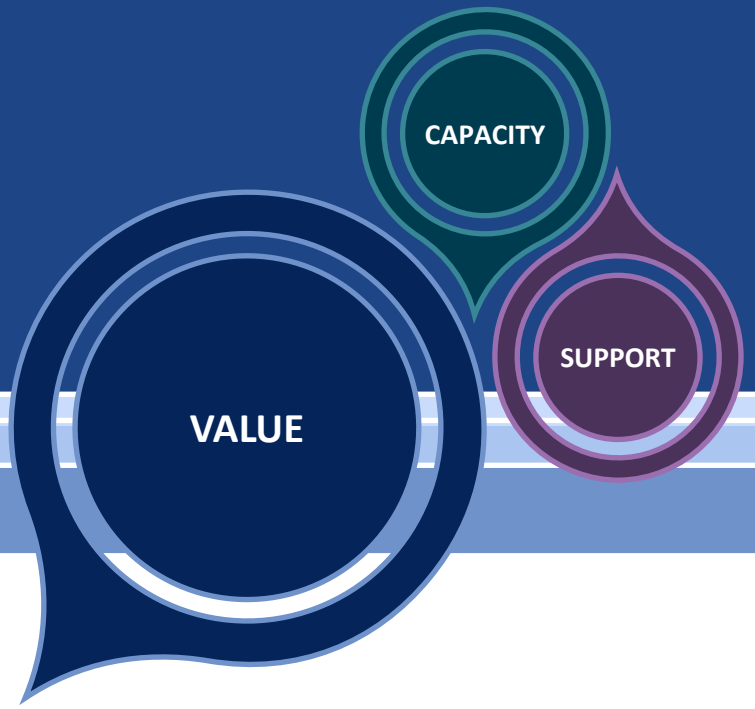


- We are experiencing many transitions, challenges, and increasing complexity
  - Aspects of the challenges we have been referring to as “transition risk” are likely to be with us for some time
  - External factors beyond the WSIB’s control are creating stressors to which we need to respond in order to maintain our culture and mission-focused work
  - Like other state agencies, the WSIB is a lean organization that is experiencing workload growth amid an uncertain external environment
- We have been focused on a variety of ways to support our employees in the post-pandemic world
  - There are no simple, short-term answers for building resiliency
- This plan is multi-pronged with targeted actions across the organization designed to meet the moment by:
  - Leaning into the WSIB’s mission, governance, and values which have been our platform for historical performance
  - Enhancing operational sustainability and external strategies to facilitate long-term success moving forward
- The WSIB’s hallmarks are prioritization, planning, and preparation
  - Process is prudence
  - Long-term thinking is essential

STRATEGIC ANALYSIS FRAMEWORK







VALUE

HOW THE WSIB WILL DELIVER AND SUSTAIN VALUE BY GENERATING EXCEPTIONAL LONG-TERM RESULTS

PEOPLE	PROCESS	PORTFOLIO
Attract and retain the skilled talent necessary to develop and implement goal-driven, diversified, long-term investment strategies.	Design and implement a strategic investment process to meet or exceed long-term investment objectives at appropriate levels of risk.	Identify investment strategies and managers that enable an investment portfolio to meet or exceed investment objectives at appropriate levels of risk.

Asset Class Initiatives

- Implement Real Estate, Public Equity, Private Equity, and Tangible Assets annual plans
- In partnership with Department of Retirement Systems:
  - Complete Defined Contribution/Deferred Compensation Program menu review
  - Complete Target Date Fund glide path review
- Implement Private Credit as a standalone asset class

On Track Underway/Ongoing On hold New initiative

Total Portfolio

- Perform scenario analysis and stress testing to identify new risks
- Explore Artificial Intelligence (AI) use cases in investment management
- Review risk system requirements for changes
- Advance Climate and Diversity, Equity, and Inclusion (DEI) Blueprints

On Track Underway/Ongoing On hold New initiative

Strategic Asset Allocation (SAA) Studies

- CTF SAA Policy implementation
- Long-Term Services and Support Trust Account
- Volunteer Firefighters' and Reserve Officers' Funds
- Washington State Opportunity Scholarship Funds
- Developmental Disabilities Endowment Trust Fund

On Track Underway/Ongoing On hold New initiative

Investment and Financial Services

- Complete portfolio verification vendor procurement
  - Depending on outcome of search, may need to implement a change in vendor
- Execute division-specific plans for succession planning and agency-wide workforce assessment
- Provide ongoing support for implementation of remote working options for staff
  - Research additional geographies, as needed
- One Washington (OneWA) implementation
  - Ongoing monitoring and staying up to speed on Office of Financial Management requests for training and feedback

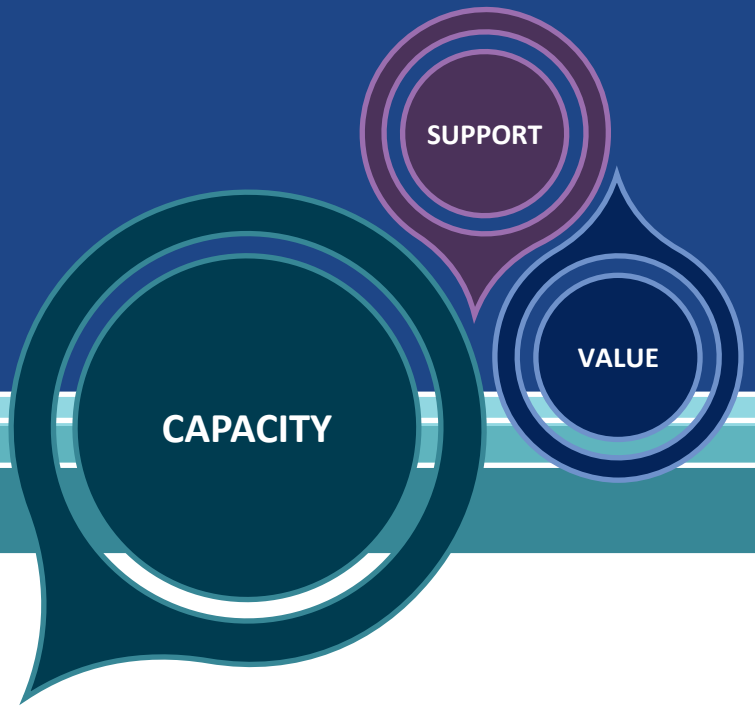
On Track | Underway/Ongoing | On hold | New initiative

Investment Operations

- Implement the Annual Internal Audit Plan
  - Provided assurances designed to add value and improve operations, and support WSIB governance
- Continue to evaluate Copilot and other AI tools for use within the agency
- Continue efforts to support staff awareness of public records management requirements and best practices around document handling
- Research and implement, as appropriate, Washington Administrative Code (WAC) rules updates
- Update travel unit processes for increased efficiency and improved emergency response documentation; enhance training and travel resources
- Provide change management support as needed; support large-scale, cross-agency projects with advisory support

AI Considerations at the WSIB

- Areas of focus
  - Governance
  - Peer and industry outreach
  - Partner due diligence
  - Internal and external AI tool exploration
  - State law and policy compliance



CAPACITY

ENSURING THAT WE ARE ADEQUATELY RESOURCED TO SUPPORT A COMPLEX INVESTMENT PROGRAM, ASSET GROWTH, AND PRODUCTIVITY IMPROVEMENTS

PEOPLE	PROCESS	TECHNOLOGY
Foster an open and inclusive environment with a firm commitment to professionalism and excellence. Celebrate curiosity and diligence, while providing opportunities for staff to leverage their skills to support the WSIB's mission.	Develop business operations that are scalable, adaptable, and cost-effective. Utilize best practices to minimize operational risk.	Embrace innovative technologies that enhance investment monitoring, portfolio risk analysis, and operations of the agency.

In 2025, we laid the groundwork for our multi-year effort to invest in capacity

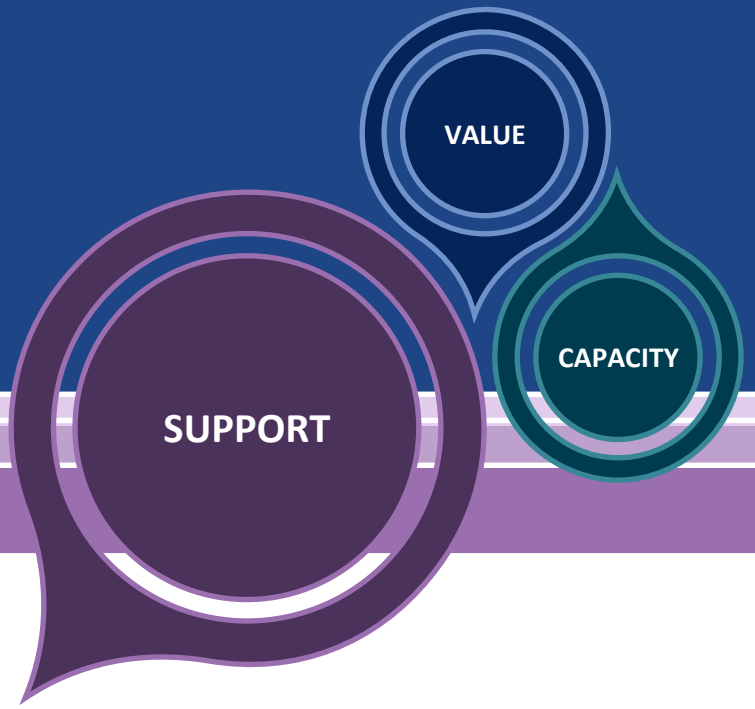
- **Onboarded 4 new Board members and 27 new staff members over the last 2 years; expanded the Executive team by 2 people last year; staff recruitment has been successful**
  - **Provided additional Board education and support**
  - **Increased engagement efforts to address burnout and encourage relationship-building**
  - **Created small working groups to identify areas of workload imbalances, bottlenecks, and constrained areas**
  - **Updated senior leadership role profiles with a focus on key success factors**
  - **Identified need to reinforce Individual Development Plans for alignment with expansion of career pathways**
  - **Increased knowledge sharing through weekly all-staff presentations, updated desk manuals and other documentation, provided additional temporary resources specifically to support areas with higher transition risk**

Building Organization Resiliency and Continuity

Building on the groundwork laid in 2025, the WSIB will:

- Research other pension funds to learn how others are approaching talent management and succession
- Refresh professional services pool for support in human resources projects, as required
- Continue developing ideas for change based on staff feedback and pension benchmarking
- Provide additional training and support for employees, with an emphasis on supervisor needs

On Track Underway/Ongoing On hold New initiative



SUPPORT

BUILDING AND MAINTAINING SUPPORT FOR OUR MISSION, INCLUDING PUBLIC CONFIDENCE

REPUTATION	INFORMATION	RELATIONSHIPS
Preserve, enhance, and shape the perception of WSIB as a successful steward of investment assets.	Provide an accessible and efficient flow of public information to keep stakeholders informed and connected to the WSIB.	Build and manage key relationships to offer a clear understanding of the WSIB's priorities and capabilities.

Advance the Climate Blueprint

- Complete and publish updated *Changing Energy Complex* paper
- Gather and analyze private equity emissions data, where available

Enhance and Strengthen the Agency's Asset Stewardship Program

- Increase asset class engagement strategies
- Research proxy voting guideline recommendations for executive compensation and board diversity
- Work with Glass Lewis to onboard the WSIB's custom proxy voting policies

On Track | Underway/Ongoing | On hold | New initiative

Bolster Communication Efforts

- Provide education sessions to stakeholders, legislators, and other participants
- Refine legislative and governmental engagement activities
- Selectively increase media presence
- Develop an enterprise-wide accessibility plan
- Refresh WSIB intranet and other internal shared virtual workspaces

On Track Underway/Ongoing On hold New initiative

SKILLFUL BOARD







SKILLFUL BOARD
2026 INITIATIVES

Board Education

- Macroeconomic outlook
- Climate transition update
- AI
- Equal-weighted indices
- Digital asset adoption and regulatory trends
- Changing geographic structures
- Global industrial policy trends and potential impacts
- Data center infrastructure global buildout
- Changing private equity landscape
- Active versus passive management
- Preparing for a market/economic downturn
- Board governance and fiduciary responsibilities

On Track | Underway/Ongoing | On hold | New initiative

Board Initiatives

Resulting from the work of the *Ad Hoc* Committee, anticipated initiatives include:

- **Drafting new Board member charter to clarify roles and responsibilities of individuals**
- **Providing a clear, comprehensive, and integrated governance manual for members**
- **Developing conflict resolution process**
- **Engaging in Board leadership coaching**

On Track Underway/Ongoing On hold New initiative

SUMMARY AND KEY TAKEAWAYS



Sustaining organizational excellence involves strategic initiatives across the organization

There is no short-term or simple way to reach this goal

This approach requires patience and discipline to:

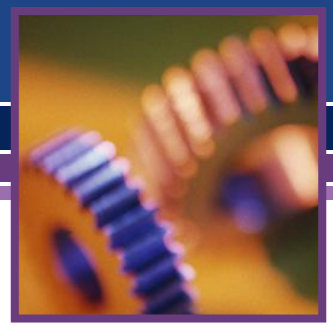
- **Carry out the WSIB's vision, mission, and values**
- **Keep focused on long-term thinking and success**
- **Maintain a culture that values good governance and prudent processes**

This update reflects progress towards strategic priorities and recognizes the longer-term nature of many of these efforts

Washington State Investment Board

PUBLIC EQUITY
2026 ANNUAL PLAN UPDATE







JULY 14, 2026

Phil Paroian

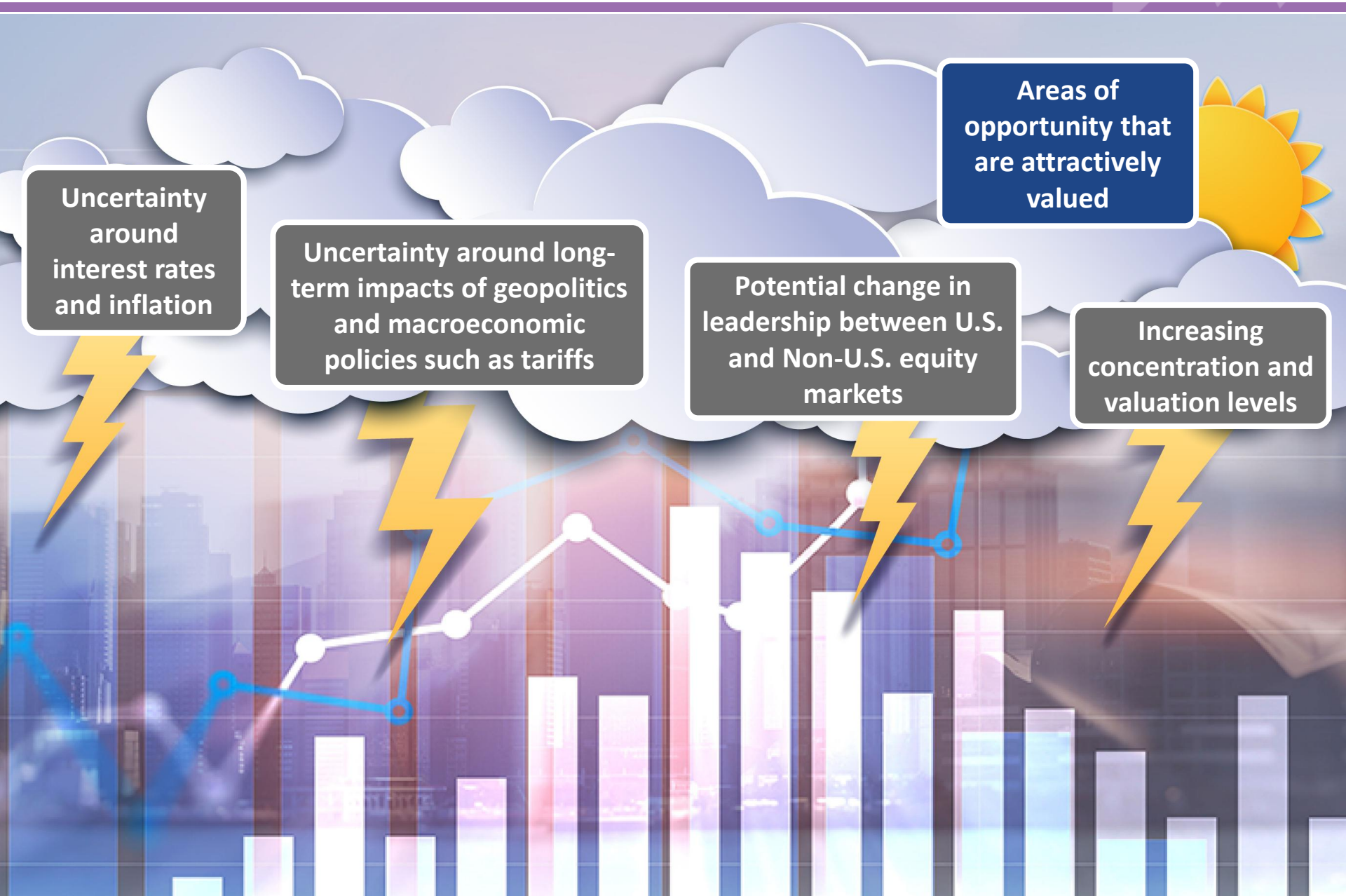
Senior Investment Officer – Public Equity

CTF PUBLIC EQUITY PERFORMANCE: CONSISTENTLY STRONG RETURNS OVER TIME

AS OF MARCH 31, 2026

	Market Value	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
CTF Public Equity	$51,548,815,474	-2.0%	20.0%	16.6%	9.5%	11.4%	9.1%
MSCI ACWI IMI with U.S. Gross (and a Historical Custom Blend)		-2.7%	20.9%	16.5%	9.3%	11.4%	8.9%
Difference		0.7%	-0.9%	0.1%	0.1%	0.0%	0.2%

MARKET ENVIRONMENT: UNCERTAINTY CREATES RISKS AND OPPORTUNITIES



2026 KEY INITIATIVES

STEADY PROGRESS ACROSS KEY INITIATIVES



Continuation of rolling open procurements for active global and emerging markets strategies in the Commingled Trust Fund (CTF)

- **Facilitates flexibility and the hiring of newer managers while maintaining strict due diligence standards**
  - **On track to complete 100-150 meetings with potential managers in 2026**
  - **Lifecycle active global equity strategy approved and funded in Q2 2026**
  - **Conducting final due diligence on an active emerging markets equity strategy**

Review the three active global investment contracts which are reaching the end of their initial contract period in 2026

Hire one additional team member in 2026

2026 KEY INITIATIVES

AN INTENTIONAL FOCUS ON BOARD EDUCATION



Each Public Markets Committee meeting in 2026 will include an educational session to provide insights on the market environment and current strategy

- Three have already been conducted by Washington State Investment Board (WSIB) staff
  - Equal-weighted indices (March)
  - Review of select equity market regimes and lessons learned (June)
  - Review of 30-year history of the WSIB using passive in U.S. equity (June)
  - Upcoming in July: The Great Delay – Impacts on public markets of companies staying private longer
- Two will be presented by the WSIB's public equity partners
  - Public Markets: Arrowstreet – Using AI (September)
  - Public Markets: TBD (December)

2026 KEY INITIATIVES

SUPPORTING FIRM-WIDE INITIATIVES



Partner with Risk Management and Asset Allocation (RMAA) to review the DC menu design and the TDF glide path asset allocation

Assist with asset allocation studies as needed; implement changes as required

- RMAA is conducting asset allocation studies for
  - Developmental Disabilities Endowment Trust Fund (DDETF)
  - Washington State Opportunity Scholarship (WSOS)
  - Volunteer Firefighters' and Reserve Officers' Relief and Pension Fund (VFFRO)
  - WA Cares

Contribute to firm-wide efforts resulting from the 2026 Strategic Plan

- Climate Blueprint, including updates to the energy transition research paper
- Diversity, Equity and Inclusion (DEI) Blueprint
- Public company engagement

APPENDIX



Select Investment Beliefs include:

- The mission of the Fund is to maximize returns at a prudent level of risk
- The time horizon for this mission is long term (i.e., 15+ years)
- Risk must be considered at the investment, asset class, and portfolio level
- Investment or asset class constraints and/or mandates will likely reduce investment returns
- The relative performance of asset classes and investment styles is generally subject to reversion to the mean, although timing such moves is challenging

Active management in an asset class is warranted if:

- The asset class, segment(s) of the asset class, or investment strategy is reasonably inefficient
- There exist managers or partners with skill, demonstrated performance, and sufficient capacity to meet the WSIB's needs
- The WSIB cost-effectively identifies and retains those skilled managers or partners

Washington State Investment Board

THE LONG VIEW:
ASSESSING CTF PERFORMANCE OVER FULL CYCLES







JULY 15, 2026

Chris Hanak

Chief Investment Officer

GUIDED BY OUR INVESTMENT BELIEFS



A broadly diversified portfolio is preferable to a liability-driven portfolio because it offers higher expected returns while also seeking benefit security over the long term

We construct portfolios with diversification across asset classes and within asset classes

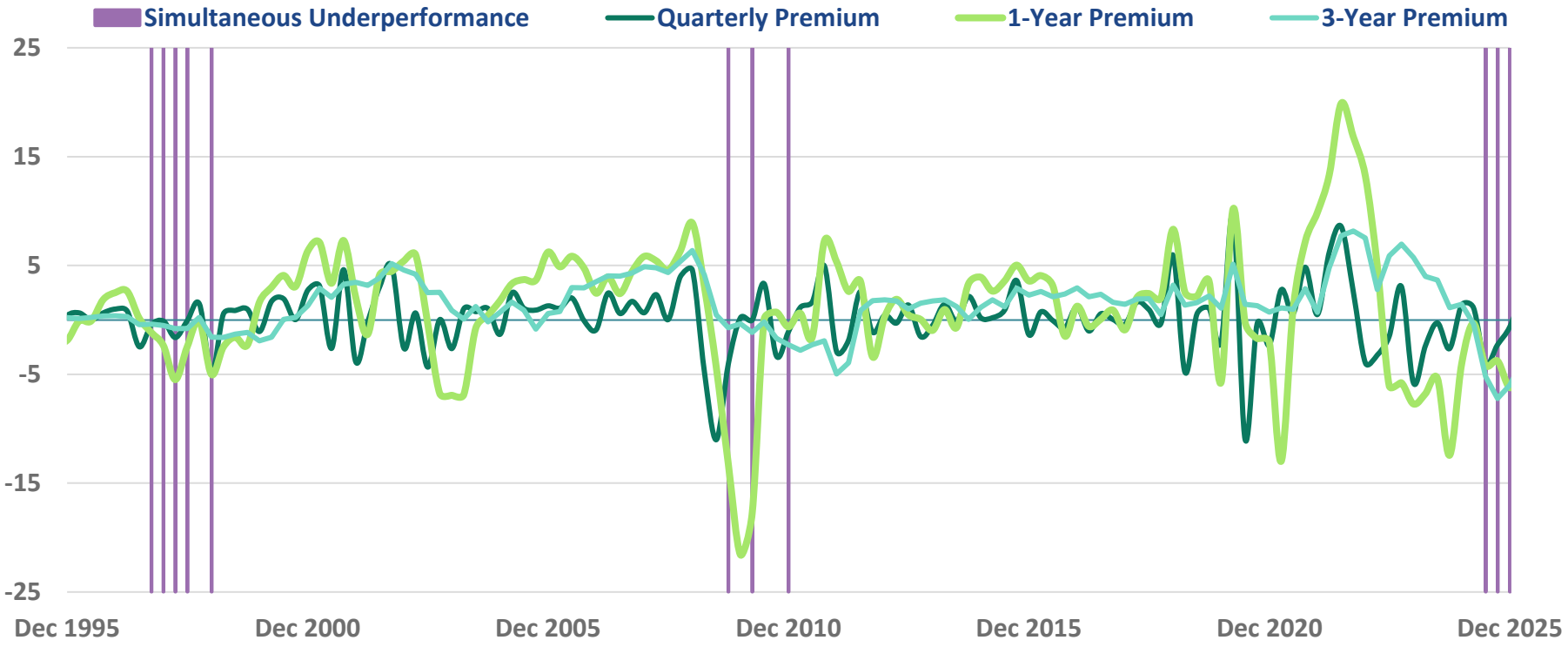
The relative performance of asset classes and investment styles is generally subject to reversion to the mean, although timing such moves is challenging

SHORT TERM RETURNS CAN BE HIGHLY VARIABLE

The Comingled Trust Fund (CTF) excess return over its passive benchmark[1] shifts between positive and negative over short-term periods

- **Since inception, however, the CTF has outperformed its passive benchmark in at least one of the quarterly, 1-year, or 3-year rolling return periods 92 percent of the time**

CTF Rolling Excess Return (Premium)

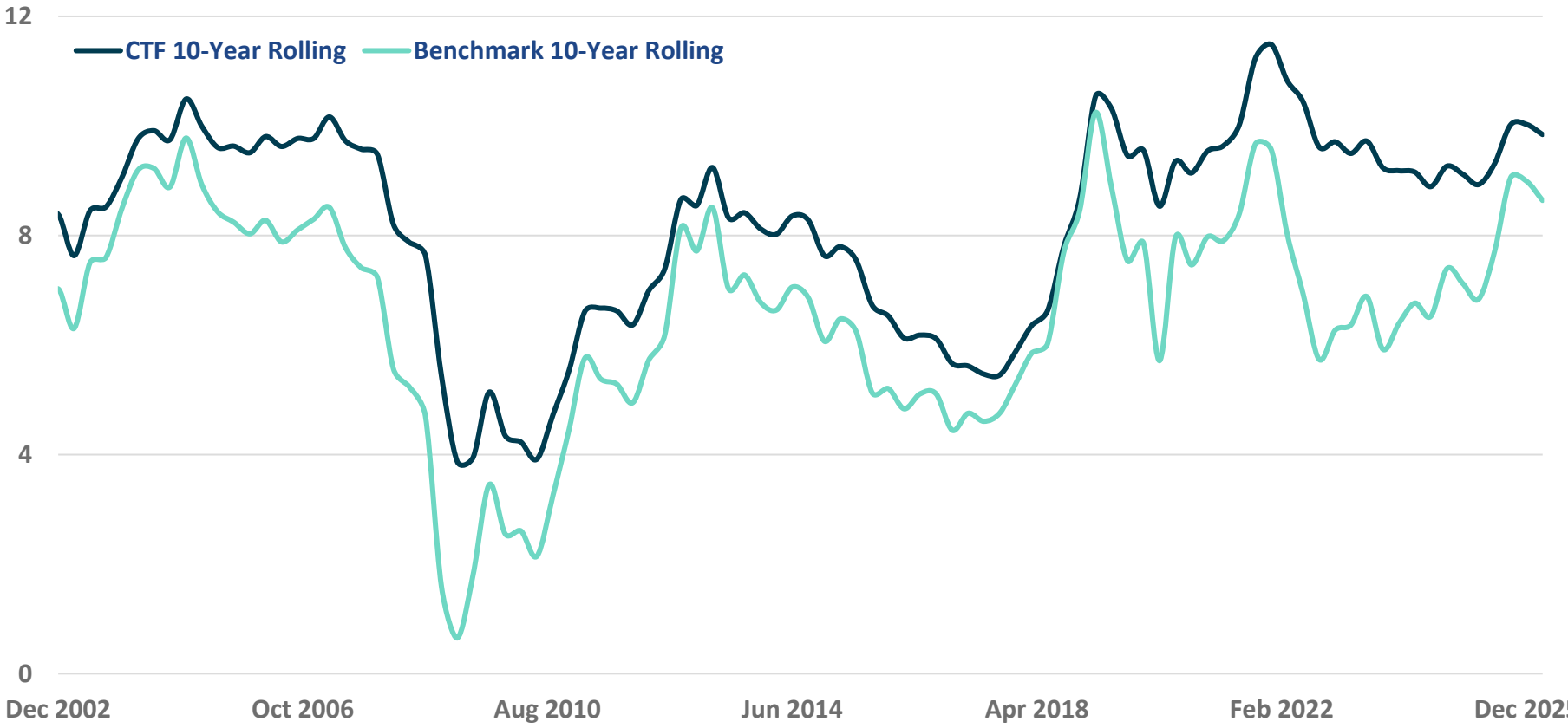


[1] CTF Passive Benchmark: 69 percent MSCI ACWI IMI w/ U.S. Gross and 31 percent Bloomberg Universal and a custom historical blend. Performance data is shown since fund inception in June 1992 as of March 2026.

THE CTF HAS EXPERIENCED CONSISTENT LONG-TERM OUTPERFORMANCE

Across all 10-year rolling return periods, the CTF has outperformed its passive benchmark 100 percent of the time

10-Year Rolling Return Relative to the Benchmark (Percent)



Performance data is shown quarterly 10-year returns since fund inception in June 1992 as of as of March 2026.

SHORT-TERM VARIABILITY HIGHLIGHTS THE VALUE OF DIVERSIFICATION

Over 1-year periods, relative performance across asset classes can vary meaningfully, as market leadership rotates and shorter-term outcomes are often influenced by cyclical factors

CTF 1-Year Rolling Asset Class Returns Heatmap

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
29.3%	0.9%	34.0%	18.4%	10.6%	16.6%	24.3%	15.5%	15.3%	10.0%	24.0%	15.3%	26.5%	18.0%	45.4%	27.4%	22.8%	16.2%	21.3%
24.2%	-0.4%	17.3%	14.8%	9.0%	15.8%	18.0%	14.9%	8.0%	9.2%	19.5%	8.1%	12.1%	14.3%	28.4%	9.4%	8.0%	11.3%	10.4%
10.0%	-15.3%	-5.3%	8.5%	7.0%	14.6%	13.9%	9.6%	-1.8%	8.3%	12.9%	5.2%	10.6%	10.1%	18.8%	-3.9%	7.3%	9.6%	8.4%
7.5%	-42.3%	-9.6%	2.4%	5.6%	7.9%	1.7%	5.0%	-2.0%	7.9%	8.6%	-0.6%	10.2%	6.1%	14.8%	-11.1%	6.9%	2.6%	6.7%
		-26.5%	2.3%	-6.5%	0.9%	-2.5%	4.8%	-3.8%	5.8%	6.1%	-8.3%	4.6%	1.8%	-1.7%	-17.5%	-0.6%	-1.5%	4.5%

- Private Equity
- Real Estate
- Public Equity
- Tangible Assets
- Fixed Income

All calendar years as of December 31.

ASSET CLASS RELATIVE PERFORMANCE BECOMES CLEARER OVER LONG TERM

Over 10-year periods, patterns tend to be more stable and reflective of longer-term fundamentals

- **That is why we stay diversified and avoid chasing recent winners or reacting to short-term reversals**

CTF 10-Year Rolling Asset Class Returns Heatmap

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
15.3%	14.7%	10.1%	8.9%	10.4%	12.5%	13.9%	13.1%	10.4%	9.0%	8.1%	11.5%	13.8%	13.7%	17.0%	15.0%	13.9%	13.3%	13.6%
15.2%	12.7%	9.2%	7.6%	8.9%	9.3%	9.6%	9.8%	8.5%	7.1%	6.1%	10.3%	11.4%	11.8%	13.5%	14.6%	13.0%	11.2%	11.8%
8.1%	5.6%	7.3%	7.1%	6.7%	8.2%	7.4%	6.4%	5.1%	5.1%	5.3%	6.8%	9.7%	9.6%	12.3%	8.5%	8.3%	9.4%	10.2%
6.5%	0.5%	1.0%	3.6%	4.3%	6.5%	5.6%	5.5%	5.0%	4.0%	5.0%	5.0%	4.3%	4.5%	5.0%	5.9%	6.5%	6.7%	7.8%
											3.3%	4.3%	4.3%	3.7%	1.7%	2.7%	2.5%	3.5%

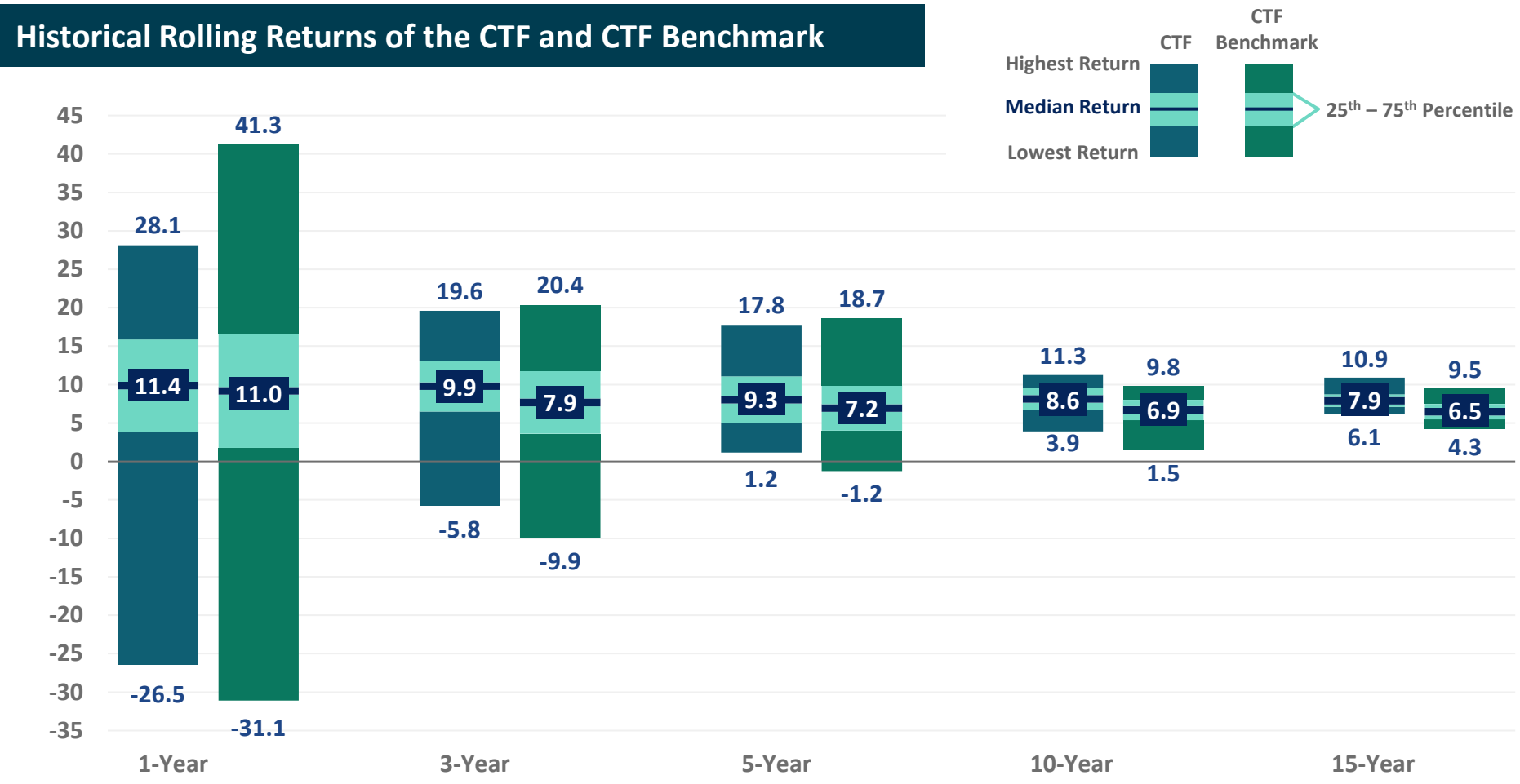
Private Equity
Real Estate
Public Equity
Tangible Assets
Fixed Income

All calendar years as of December 31.

CTF DELIVERED SUPERIOR MEDIAN RETURNS COMPARED TO ITS BENCHMARK

Over the entire history of the CTF, the median returns have outperformed the passive benchmark, with the dispersion of returns tightening as the time horizon increases

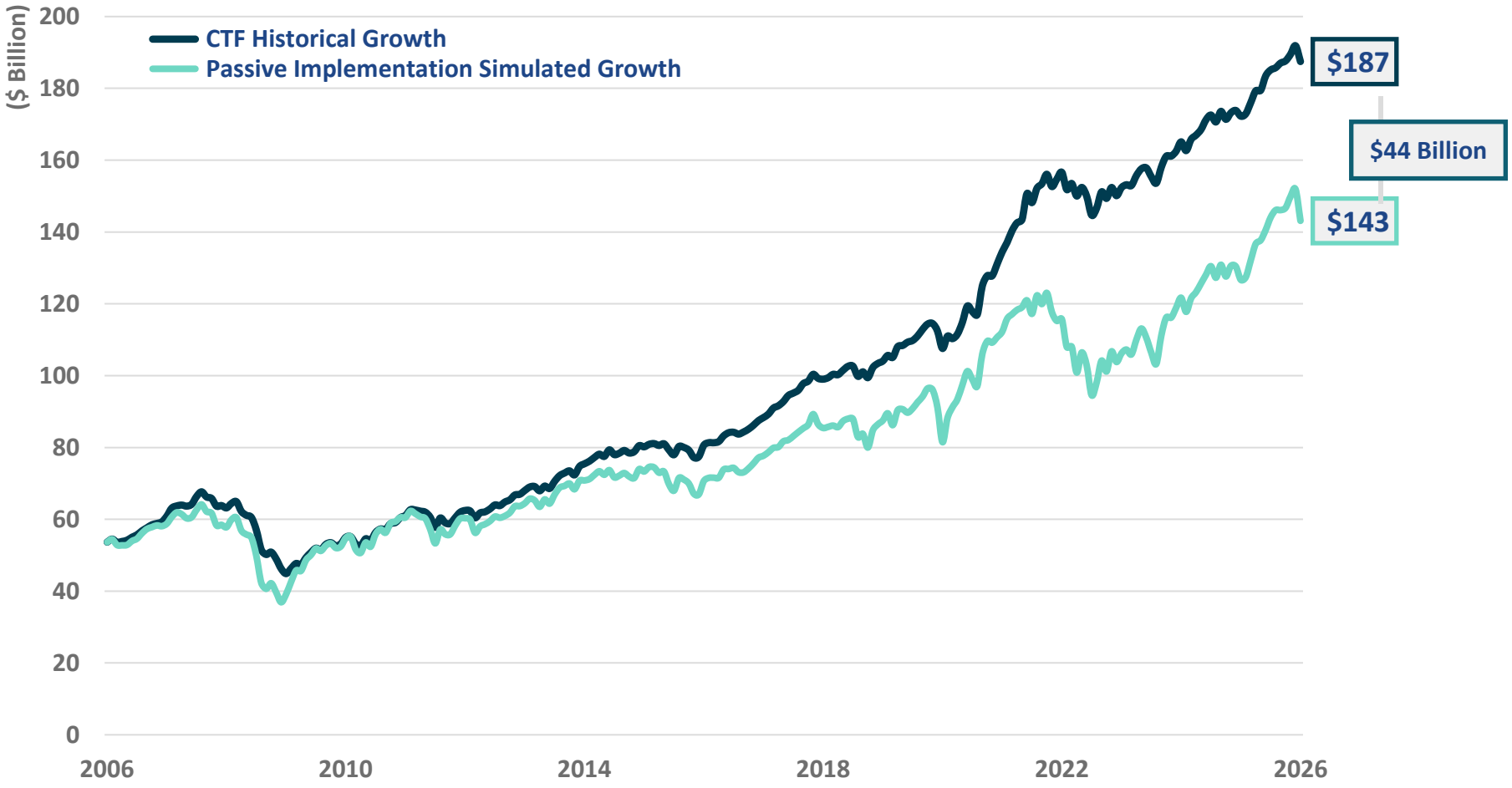
Historical Rolling Returns of the CTF and CTF Benchmark



Performance data is shown since fund inception in June 1992 as of March 2026.

$44 BILLION IN EXCESS RETURNS OVER THE PAST 20 YEARS

CTF Historical Growth vs. Simulated Passive Benchmark Growth



Passive Implementation Simulated Growth estimates the CTF monthly balance had the fund been invested in the passive benchmark for the 20 years ending March 2026. Staff calculation uses custodian monthly return and balance data, with estimated monthly net cash flows.

CONCLUDING THOUGHTS



- Over the short term, investment outcomes are highly variable
- Portfolio results are best evaluated over longer horizons on both an absolute and relative basis
- The WSIB's long-term approach supports durable value creation by
  - Avoiding short-term market timing
  - Emphasizing diversification
  - Evaluating asset classes over full cycles

Washington State Investment Board

THE GREAT DELAY: IMPACT ON PUBLIC EQUITY MARKET OF COMPANIES STAYING PRIVATE LONGER







JULY 2026

Patience Mudangwe
Investment Officer – Public Equity

Ting Yang
Investment Officer – Private Equity

AGENDA



- Initial Public Offering (IPO) overview
- Changes in the IPO environment
- Impact of changes to IPO environment on public equity markets
- Private markets perspective
- Public and private market interconnectedness
- Closing thoughts

KEY TAKEAWAYS

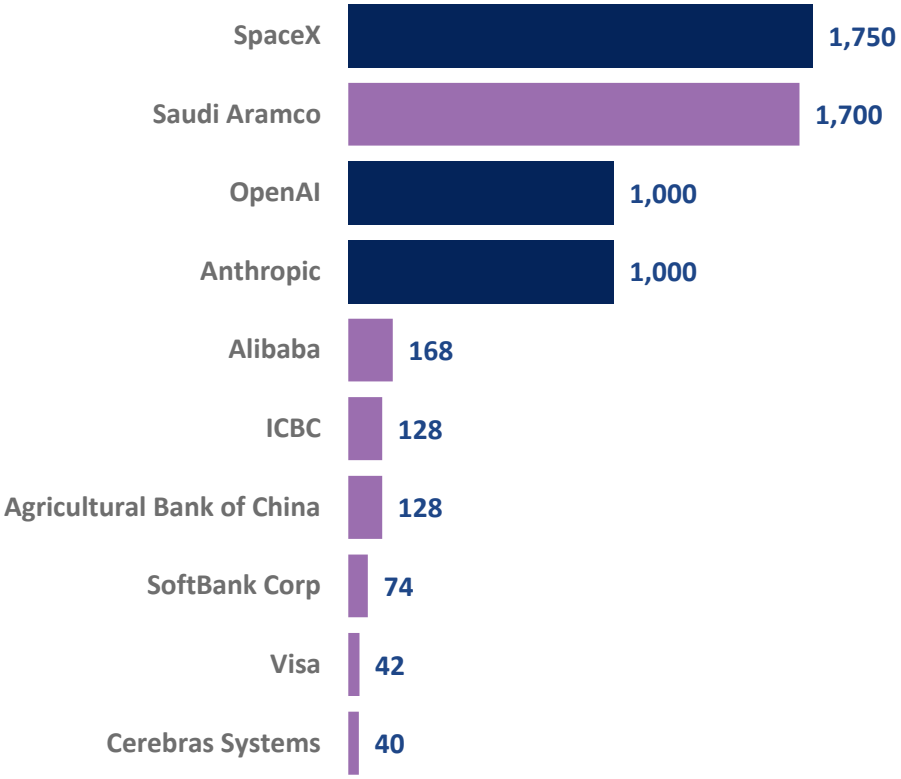


- Financing sources have evolved, allowing companies to stay private longer
- Public equity markets remain broad and large
- Public and private markets are increasingly interconnected, creating opportunities across the full capital spectrum

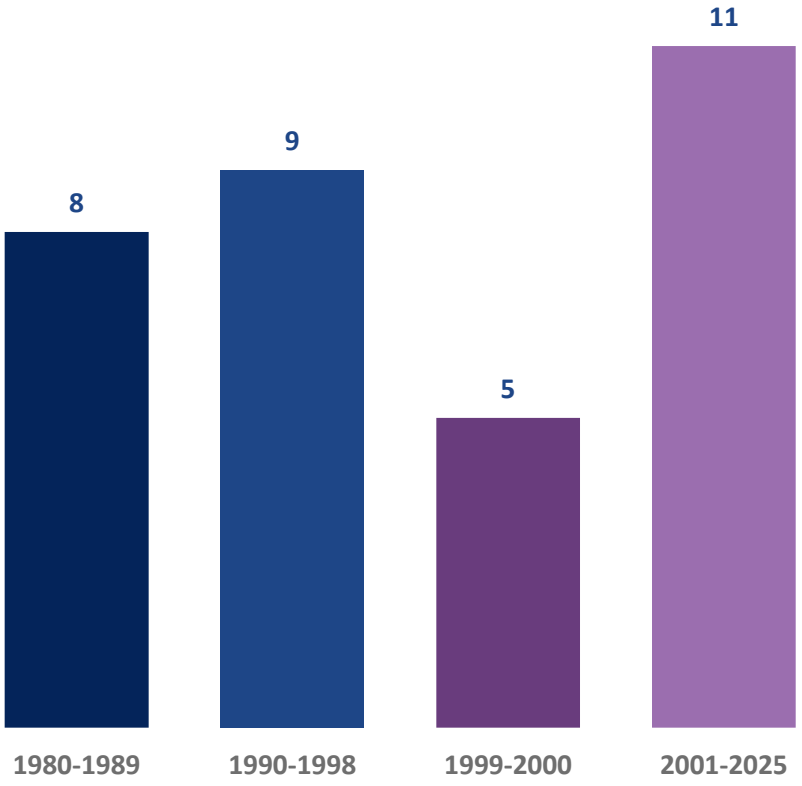
IPO AGE IS HIGHER IN RECENT COHORTS, BUT PERIOD-DEPENDENT

- **Investors are increasingly accessing mature, scaled businesses rather than early-stage growth companies, often at higher valuations than historical**

IPO Valuation (USD $ Billions)



Median Age at IPO

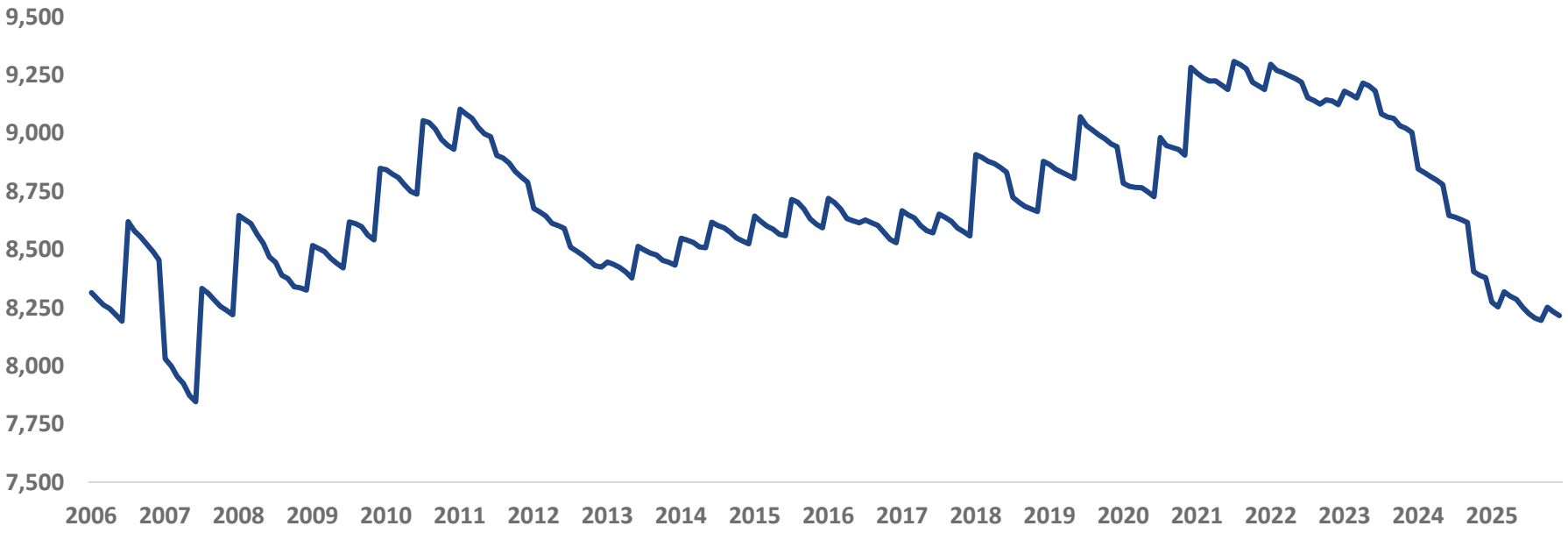


SpaceX went public on June 12, 2026, while Anthropic and OpenAI have filed. Source: Bloomberg, Jay R. Ritter, University of Florida.

IPO OVERVIEW: THE INVESTABLE UNIVERSE IS FLUID

- An initial public offering (IPO) marks a company's transition from private to public ownership, including a listing on a stock exchange
- The number of publicly traded companies increases and decreases over time
  - New companies are listed via IPO or spinouts
  - Publicly-held companies are sometimes delisted, merge, go bankrupt, or get privatized

Number of MSCI ACWI IMI Constituents Fluctuates

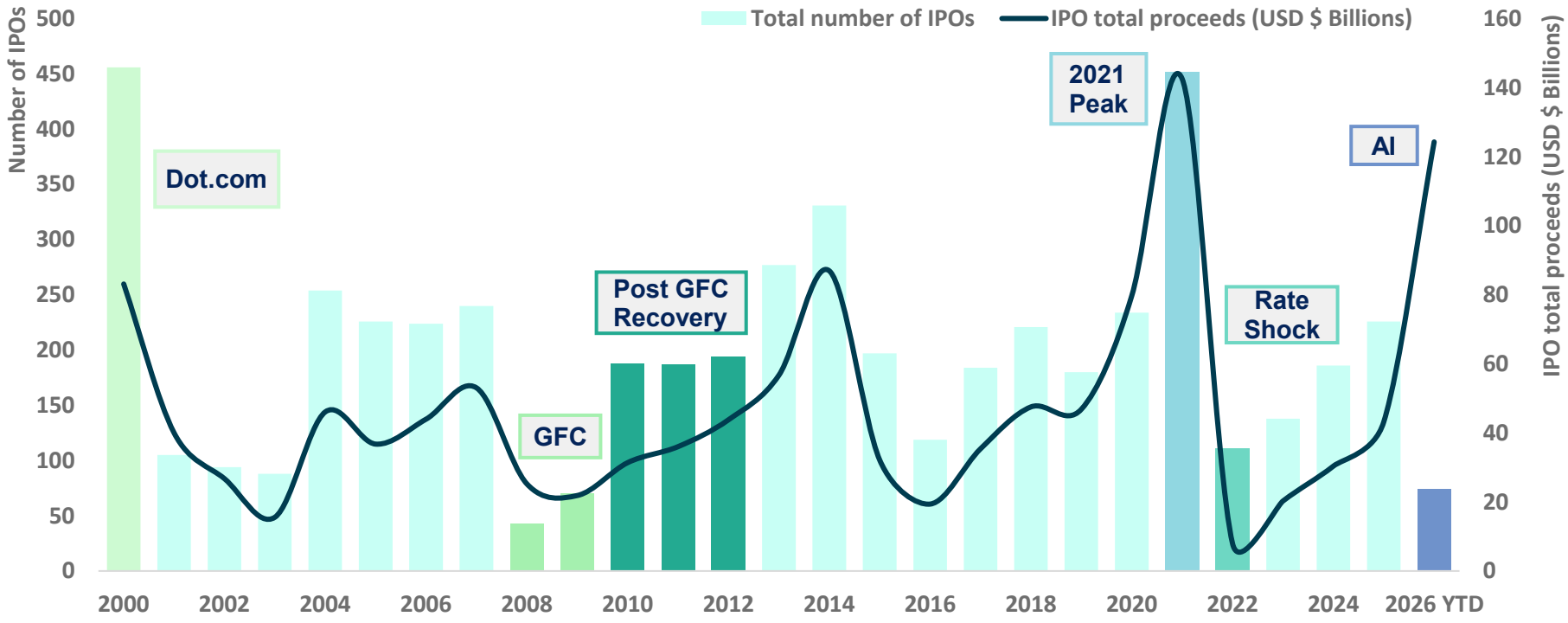


Source: MSCI.

IPO ACTIVITY IS CYCLICAL

- Over the past few years, geopolitical and economic uncertainty coupled with market volatility have contributed to dampened investor sentiment, creating a challenging backdrop for IPOs
- Historically, during periods of market turmoil, IPO windows are among the first capital market segments to close and among the last to reopen

Corporate Issuer IPO activity in U.S. Markets



Note: AI = Artificial Intelligence, GFC = Global Financial Crisis. Source: U.S. Securities and Exchange Commission, Bloomberg

THE FUNCTION OF IPOS HAS CHANGED

	TRADITIONAL ROLE OF IPOS	EVOLVING ROLE TODAY
Capital Formation	Primary purpose – raise capital for growth	Still relevant, but less important for many companies
Liquidity	A primary driver of IPOs	Companies are increasingly able to access liquidity in private markets
Public Currency	Enables M&A and equity-based compensation	Often pre-empted by deep private-market resources and financing
Stage of Company at IPO	Earlier-stage companies looking to build scale	Later-stage companies, often already scaled
Market Role	Entry point for growth and expansion	Transition point into public market ecosystem

WHY WOULD A COMPANY GO PUBLIC?

Going public unlocks capital, and amplifies visibility, credibility, and reach, but it comes with its own costs

	FEATURES OF PUBLIC EQUITY OWNERSHIP
Liquidity and Ownership	Enables liquidity and diversification, at the price of dispersed ownership and reduced insider control
Capital Access	Provides scalable access to capital, but with greater market sensitivity and funding visibility
Valuation and Transparency	Delivers continuous priced discovery, but requires full public disclosure and reduces proprietary privacy
Market Dynamics	Increases credibility and market presence, while introducing continuous scrutiny and short-term performance pressure

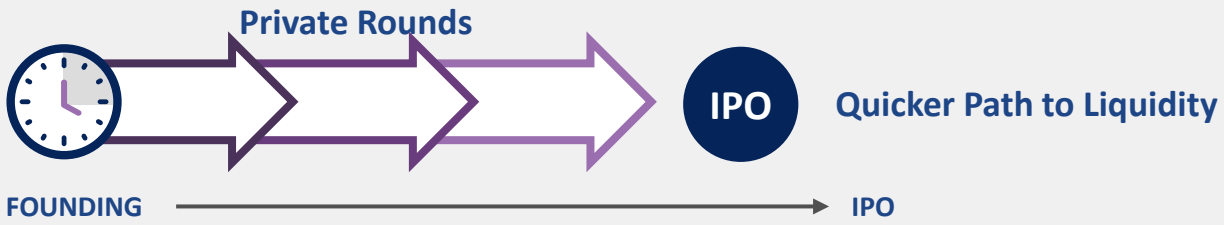
PRIVATE AND PUBLIC COMPANIES HAVE DIFFERENT GOVERNANCE REQUIREMENTS

	PRIVATE COMPANIES	PUBLIC COMPANIES
Decision-Making	Faster, more centralized governance	More formalized oversight and processes
Ownership and Engagement	Concentrated investor base with direct engagement and often with seats on a private board or direct management influence	Broader shareholder base with formal engagement processes and proxy voting at annual general meetings
Governance Structure	Flexible, often founder- or investor-led	Typically, more independent boards and formal committees
Transparency and Oversight	Limited disclosure requirements	Extensive disclosure and regulatory obligations

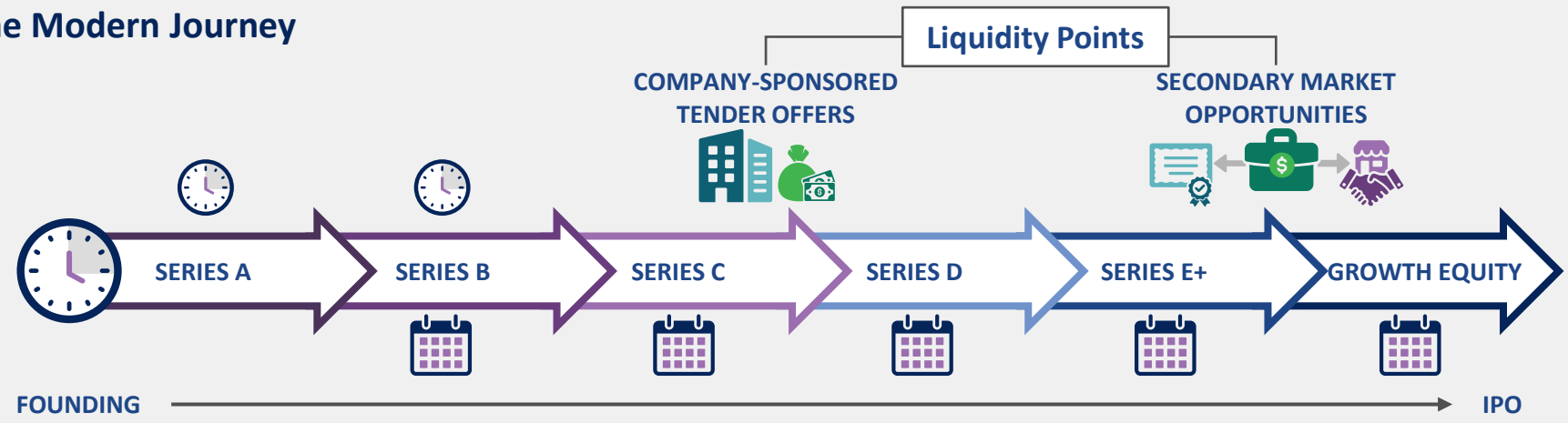
WHY DO COMPANIES REMAIN PRIVATE LONGER?

- Retain greater confidentiality, control, and strategic flexibility
- Avoid costly public-company reporting and governance
- Benefit from longer-term ownership and private capital availability until scale, readiness, valuation, and market timing are more favorable

The Traditional Journey



The Modern Journey



IPOS REMAIN RELEVANT FOR ACCESS TO LIQUIDITY AT SCALE

- **Though the private market has grown substantially, it is still a fraction of the liquidity available in the public markets**

Public Markets Remain Pivotal for Liquidity at Scale



Source: Wellington, Rosenblatt, McKinsey and Jefferies.

POST-IPO LIQUIDITY IS TYPICALLY REALIZED OVER TIME

- An IPO is often a transition to public ownership and price discovery, not immediate full liquidity
- Existing investors may sell some shares at IPO, but most liquidity is typically realized over time
- Pre-IPO investors often remain meaningful shareholders after listing, and sometimes retain board involvement, participating in post-IPO value creation as ownership transitions gradually

Illustrative Post-IPO Liquidity Timeline (Months)

IPO — Some existing shares may be sold at listing

~6 – 12 — Lock-up Period
- Most pre-IPO shares remain restricted from sale

6 – 18 — Post Lock-up Assessment / Initial Sell-Down
- Sell-down depends on governance status, stake size, and resale limitations

On-going Sell-down

12 – 24+

Reduced Governance Involvement
- Board seat stepped down
- Greater flexibility to sell through blocked trade, open-market sale, or in-kind distribution to limited partners

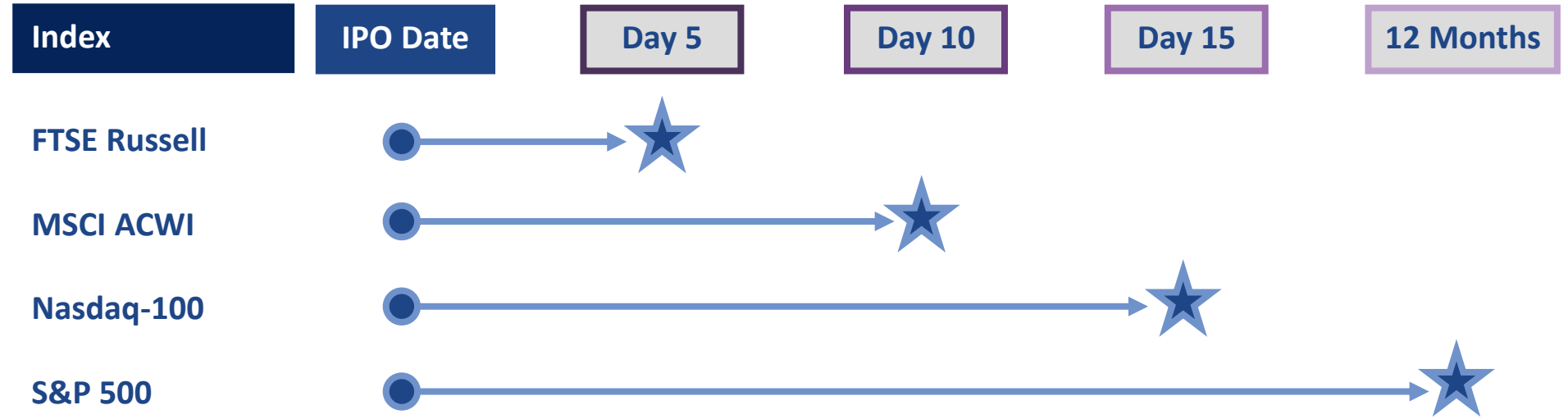
Significant Control Path
- Board seat retained
- Affiliate-style restrictions may apply
- Liquidity routes include gradual open-market sale, partial staged sell-downs over time

36+

THE POST MEGACAP-IPO WAITING PERIOD FOR INDEX INCLUSION HAS BEEN REDUCED

- Some index providers have changed their methodologies to accelerate the inclusion of new megacap public companies into major indices
- MSCI's methodology is focused on representing the investable market in near real time, which means it already accommodated large IPOs under existing rules

Timeline for Inclusion Into Index Post-IPO



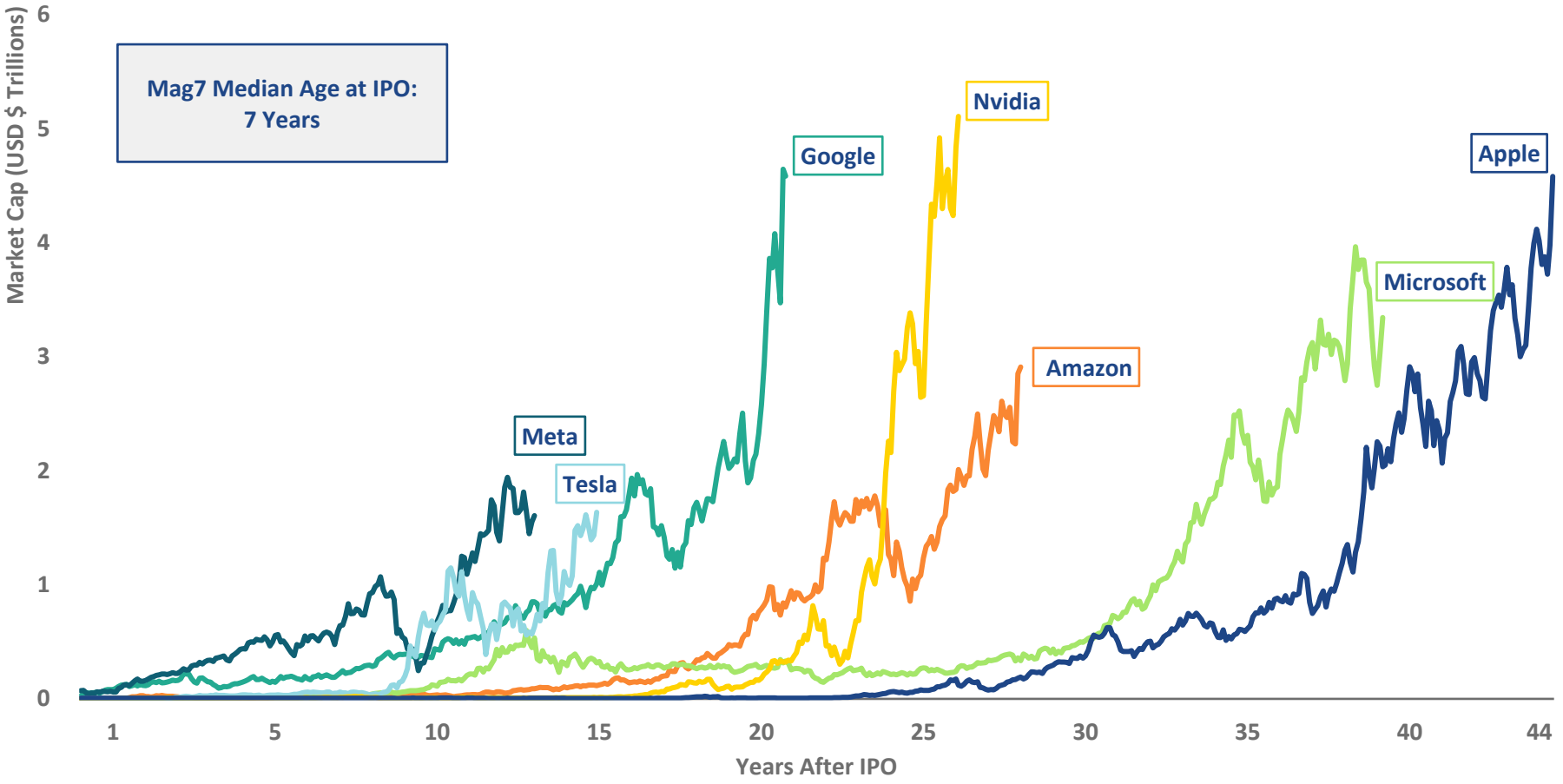
MANY MARKET LEADERS HAVE CREATED SIGNIFICANT VALUE BEFORE GOING PUBLIC

- Many category leaders reached multi-billion-dollar valuations and substantial scale before public investors had access

	VISA	SPACEX	airbnb	Uber
IPO Valuation	$42.5 B	$1.77 T	$47 B	$82 B
Age	50 Years	24 Years	12 Years	10 Years
Key Performance Indicator	1.58 billion credit card customers	+50% of global launch market share	5.6 million active listings in 220 countries	91 million monthly active users
Revenue	$5.2 B	$18.7 B	$3.4 B	$11.3 B

MAGNIFICENT 7 COMPANIES: SUPERCHARGED GROWTH TRAJECTORIES POST-IPO

- **The Magnificent 7 have delivered significant value creation since IPO, contributing to aggregate equity market gains**

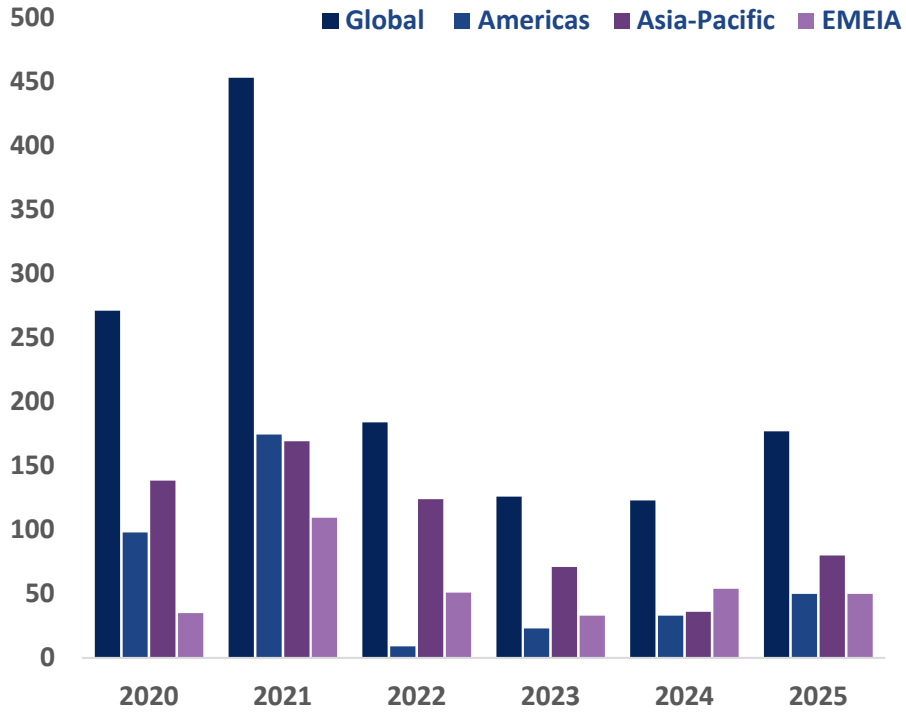


Source: Bloomberg, Data as of May 29,2026.

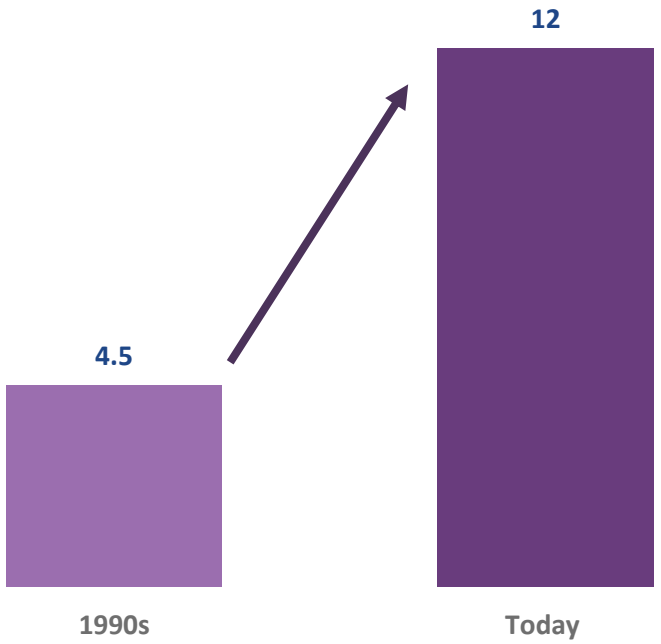
IPO TRENDS DIFFER ACROSS REGIONS AND SECTORS

- With deep capital markets, companies in the U.S. tend to stay private longer
- The shift to later-stage IPOs is most pronounced in technology-driven sectors
- Asia-Pacific has been the leading region by IPO count and proceeds over the last five years

Regional IPO Proceeds (USD $ Billions)



Tech Companies Average Age at IPO (Years)

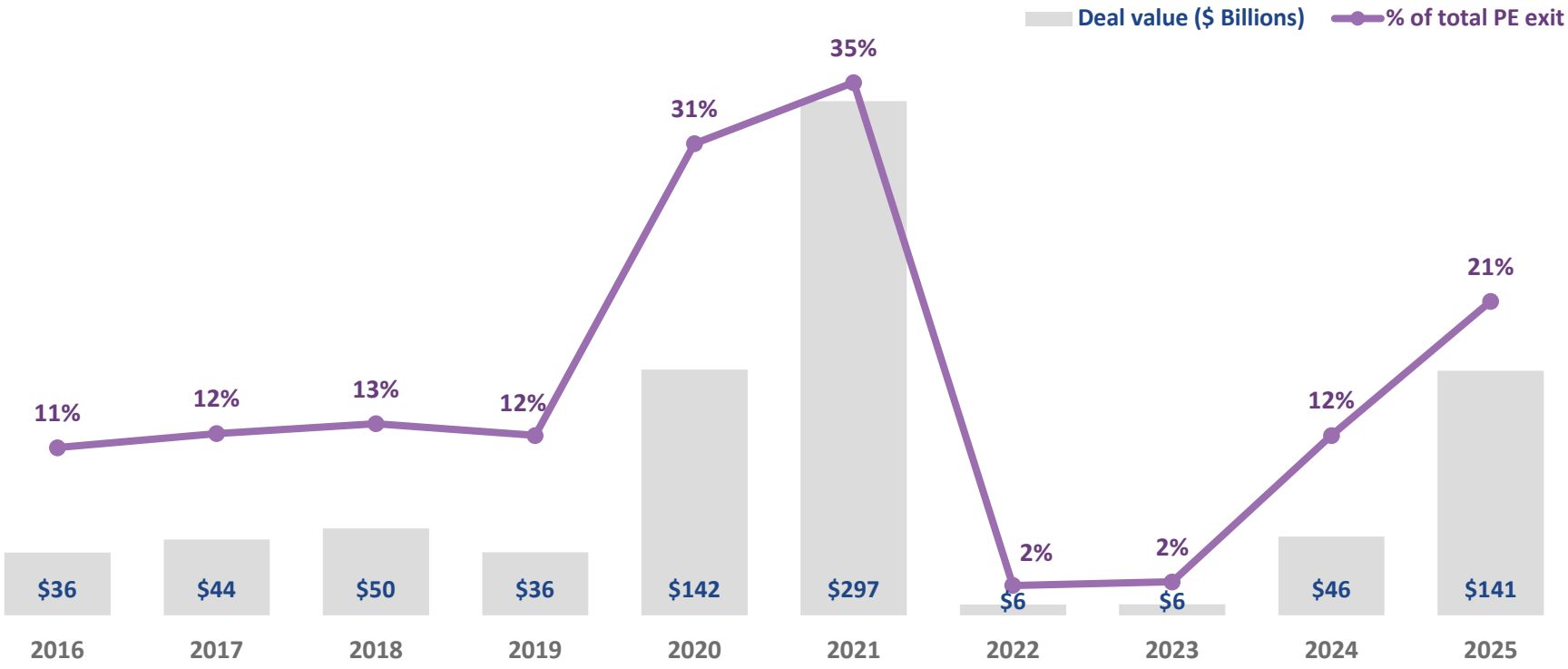


Source: EY Global IPO Reports. EMEIA – Europe, Middle East, India & Africa.

PRIVATE EQUITY: IPO ACTIVITY FLUCTUATES OVER TIME

- IPO competes with increasingly sophisticated private-market exit options such as strategic sales, sponsor-to-sponsor exits, and secondary liquidity/continuation vehicles
- IPOs are typically most attractive when valuation, company scale, and market conditions align; otherwise, sponsors often pursue faster or more certain exit routes

U.S. Private Equity (PE) Exits via IPO by Deal Value

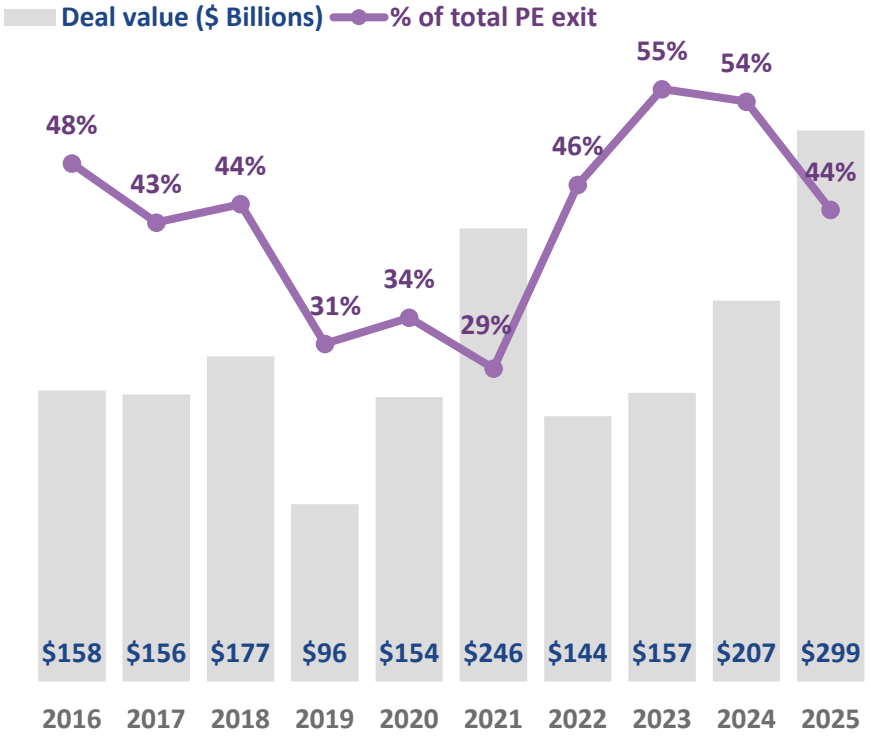


Source: PitchBook.

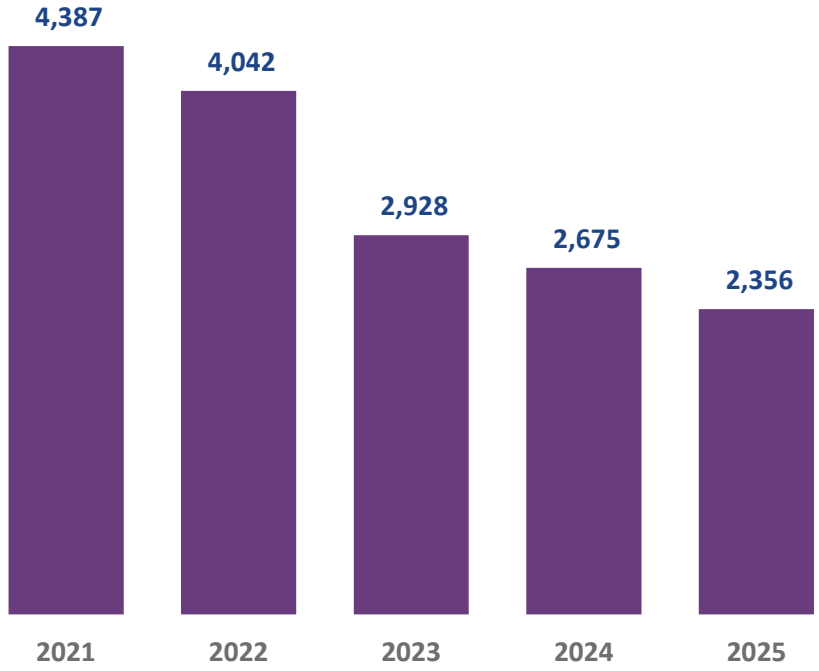
PUBLIC AND PRIVATE MARKETS ARE INCREASINGLY INTERCONNECTED

- Strategic mergers and acquisitions (M&A) remain an important exit route
- Public companies are increasingly capturing private innovation through M&A and direct investment, including through venture investment arms of large corporations
- In some sectors, especially tech/AI, strong private companies may reach scale without ever pursuing an IPO

U.S. Private Equity Exits via Corporate Acquisition



Number of Corporate Venture Funds-Backed Deals

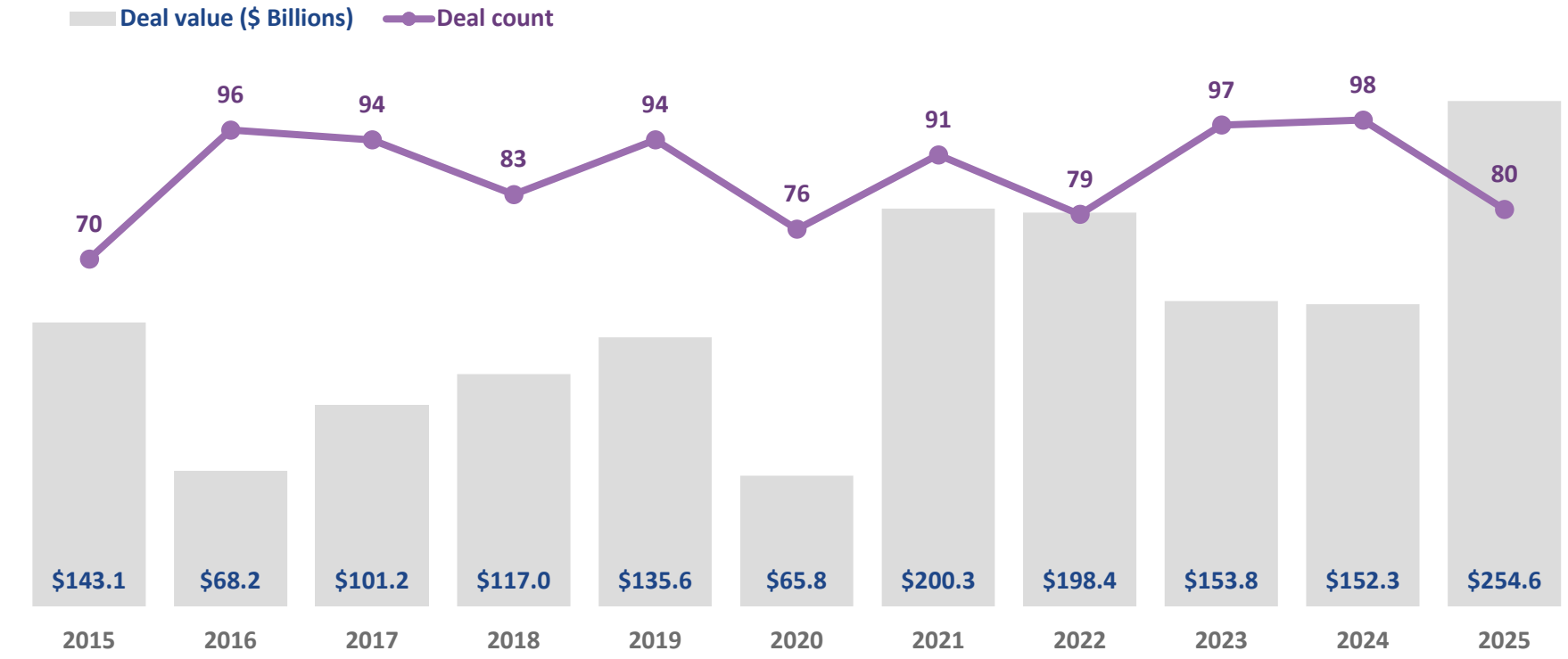


Source: PitchBook, Crunchbase, Startup Investment Cruncher, Bain & Company.

PUBLIC AND PRIVATE MARKETS ARE INCREASINGLY INTERCONNECTED (CONTINUED)

- Capital can move from public to private markets
  - Sponsors may pursue take-private transactions when valuations are compelling or when private ownership better supports strategic and operational change
- Corporate carve-outs and divestitures similarly reflect assets moving from public companies into private ownership

Global PE Take-Private Deal Activity



Source: PitchBook.

CONCLUDING THOUGHTS



As a long-term institutional investor, the Washington State Investment Board is well positioned to capture value creation across the growing convergence of public and private markets

The Commingled Trust Fund has benefited from its exposure to both private and public equity asset classes

The investible universe has evolved but the opportunity set remains large



Investment Volatility and Impacts to Pension Funding

Presentation to: Washington State Investment Board

Luke Masselink, Senior Actuary, EA, ASA, MAAA

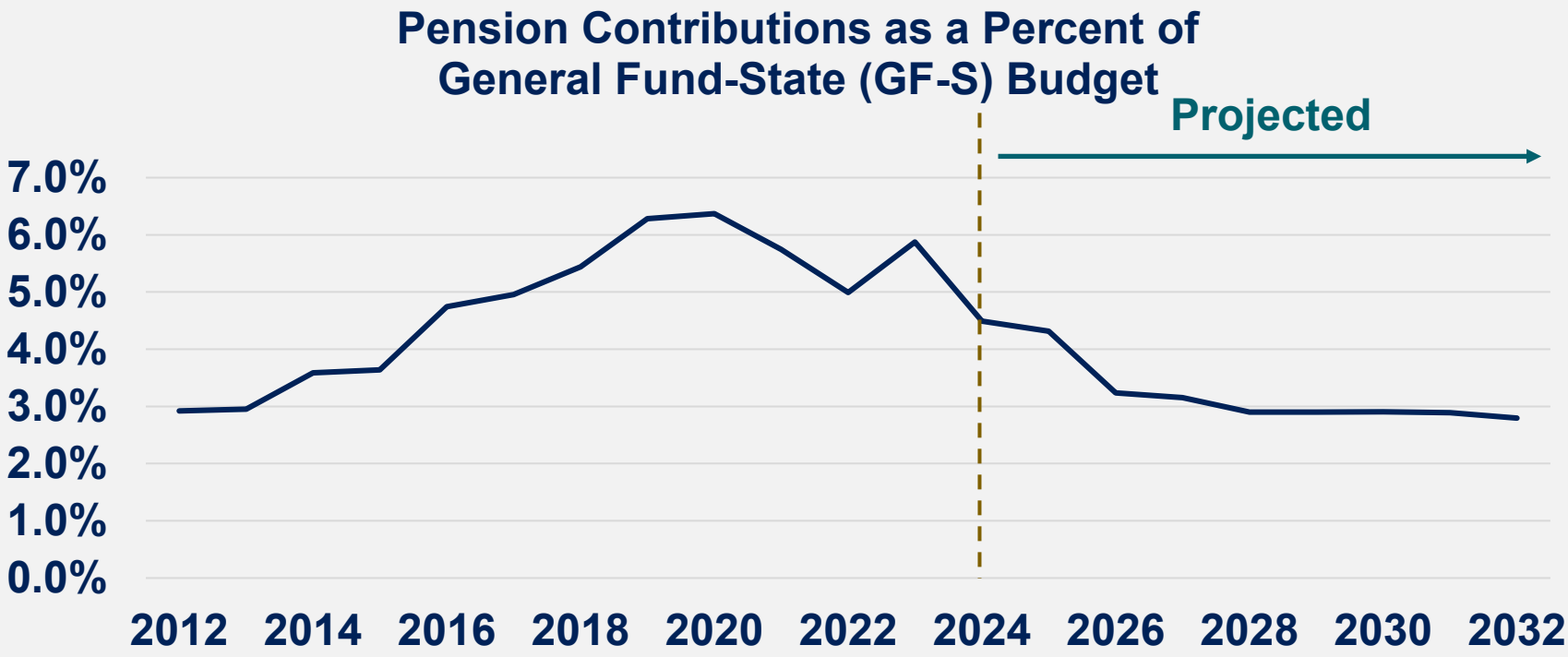
July 15, 2026

Purpose of Today's Presentation

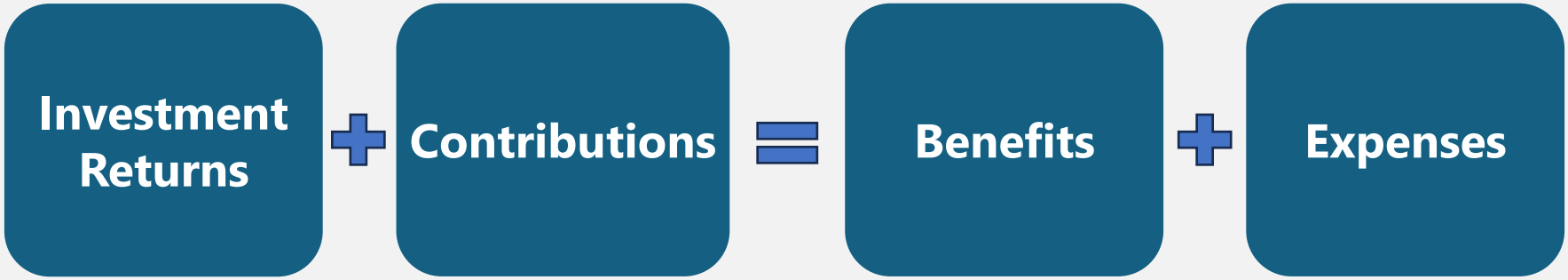
- Educational presentation.
- What is the status of the pension systems today and what are the sources of pension funding?
- What policies exist to help Washington pension systems manage investment volatility?
- How would pension funding be impacted from a market downturn or a change in the investment risk profile?

WA Pension System Financial Metrics

- As of June 30, 2025, combined funded ratio (FR) is 102%.
  - Open plans require on-going contributions even after reaching a 100% FR.

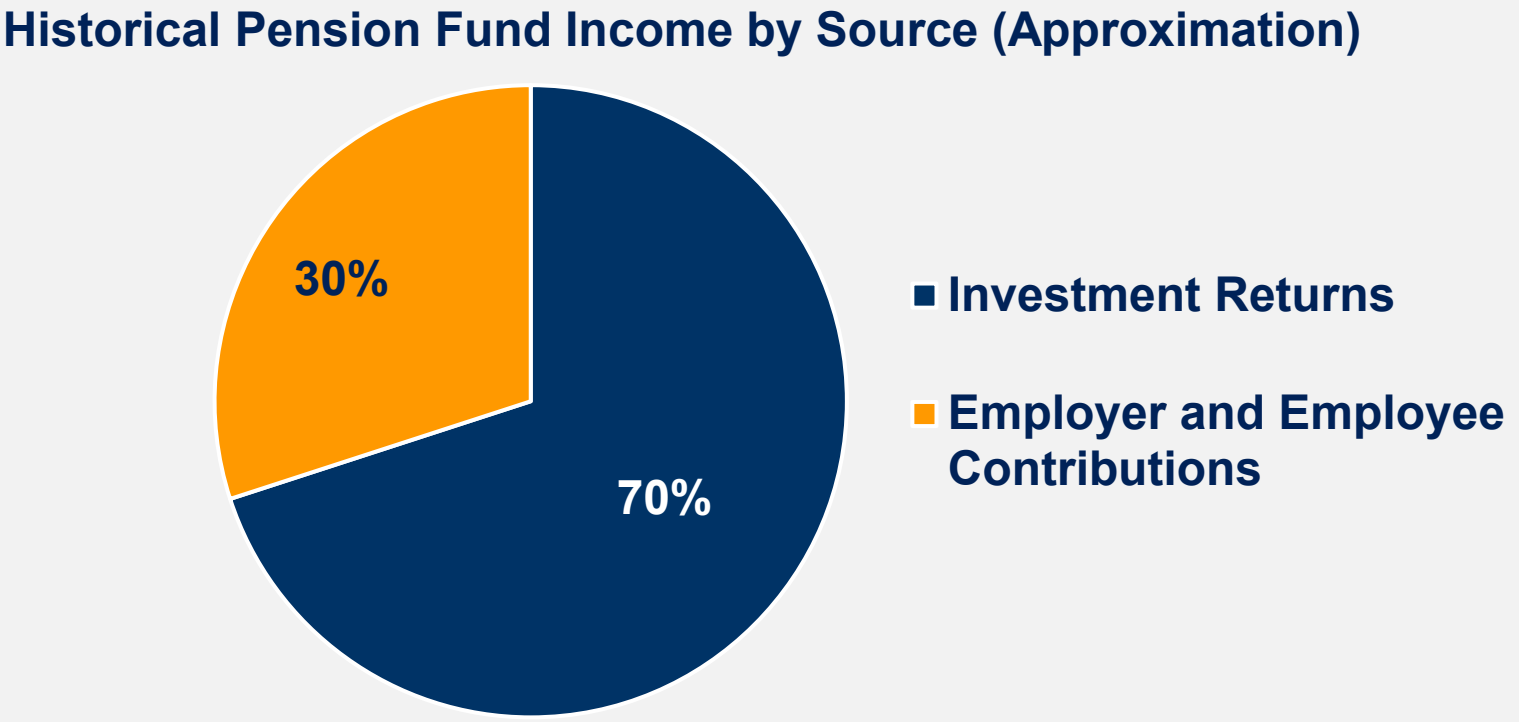


Pension Plan Funding



- Actuaries rely on assumptions to estimate expected costs, but actual experience will determine actual costs.
- Contributions come from employers (funded by taxpayers) and most plan members.

20 Years of Historical Funding



- Investment returns are projected to cover a larger percentage in the future due to strong funded ratios and declining contribution rates.



Investment Volatility Management Within Pension Systems

Investment Risk and Volatility

- Investment risk reduces anticipated costs but also increases expected volatility of investment returns.
- Higher volatility leads to less stable pension metrics.
- Pension systems have policies and practices to mitigate investment volatility.
  - Statutory funding policy.
  - Plan governance.

Volatility Management – Funding Policy

- Asset smoothing spreads out market volatility impacts.
  - Investment returns above or below assumed are incrementally recognized in Actuarial Value of Assets (AVA).
  - Period up to 8 years, AVA must remain within 30% of the market value of assets.
- Minimum contribution rates support budget stability.
  - Ensure plans receive adequate long-term funding, even during periods of significantly better-than-expected experience.

Volatility Management – Plan Governance

- Biennial rate setting cycle delays impact from volatility.
  - Contribution rates may not change until 2 to 3 years after event.
- Direct rate smoothing can phase-in increased costs.
  - Helps manage budgetary impacts.



Volatility Management in Practice

Impact from a Market Downturn

- To show how pension metrics respond, we have prepared a simplified scenario that repeats the market downturn from the Global Financial Crisis (GFC).
- Historical CTF Fiscal Year (FY) investment returns:
  - FY 2008 = -1.2%.
  - FY 2009 = -22.8%.
  - FY 2010 = 13.2%.
  - FY 2011 = 21.1%.
- For illustration purposes, the scenario on the next slide assumes a one-year return of -20% followed by the assumed annual return of 7.25%.

Market Downturn – Global Financial Crisis Scenario

Assumed FY 2027 Return = -20%		
Investment Loss ≈ $45 Billion	2027 Combined FR decrease of 3% 2029-31 GF-S Budget Increase of $200 Million (3.2% of GF-S budget to pensions)	2029 Combined FR decrease of 13% 2031-33 GF-S Budget Increase of $1 Billion (4.1% of GF-S budget to pensions)

The Pension Systems Weathered the GFC

- Existing pension funding policies to manage volatility supported that outcome.
  - Also supported by strong investment performance and commitment to adopting higher contribution rates.
- Even with current practices, budget volatility can be challenging to manage.
- Managing that risk through changes in the investment policy creates a tradeoff.

Investment Risk Tradeoff

- More Risk:
  - Higher expected returns.
  - Lower expected pension costs.
  - Greater expected volatility.
- Less Risk:
  - Lower expected returns.
  - Higher expected pension costs.
  - Less expected volatility.
- Final example illustrates how different risk profiles can affect pension outcomes.

Risk Profile Impacts Expected Costs

Current Law: 7.25% p.a.

- 2025 Combined Funded Ratio = 102%
- Approximately 3% of GF-S budget is spent on pensions

More Conservative Allocation: 6.25% p.a.

- Funded ratio decreases by 12%
- $1.8 billion increase in short-term GF-S biennial spend (5.3% of GF-S budget allocated to pensions)

Less Conservative Allocation: 8.25% p.a.

- Funded ratio increases by 12%
- $800 million decrease in short-term GF-S biennial spend (2% of GF-S budget allocated to pensions)

Takeaways

- Pension systems are in a strong financial position and continue to rely heavily on investment returns to pay future benefits.
- Program funding policy and plan governance help manage impacts from market volatility.
- Investment risk creates a tradeoff between affordability and stability.
- Lowering investment risk may decrease volatility but will increase expected costs.



Thank You

For questions, please contact
The Office of the State Actuary
State.actuary@leg.wa.gov
360-786-6140

Luke Masselink, Senior Actuary, EA, ASA, MAAA

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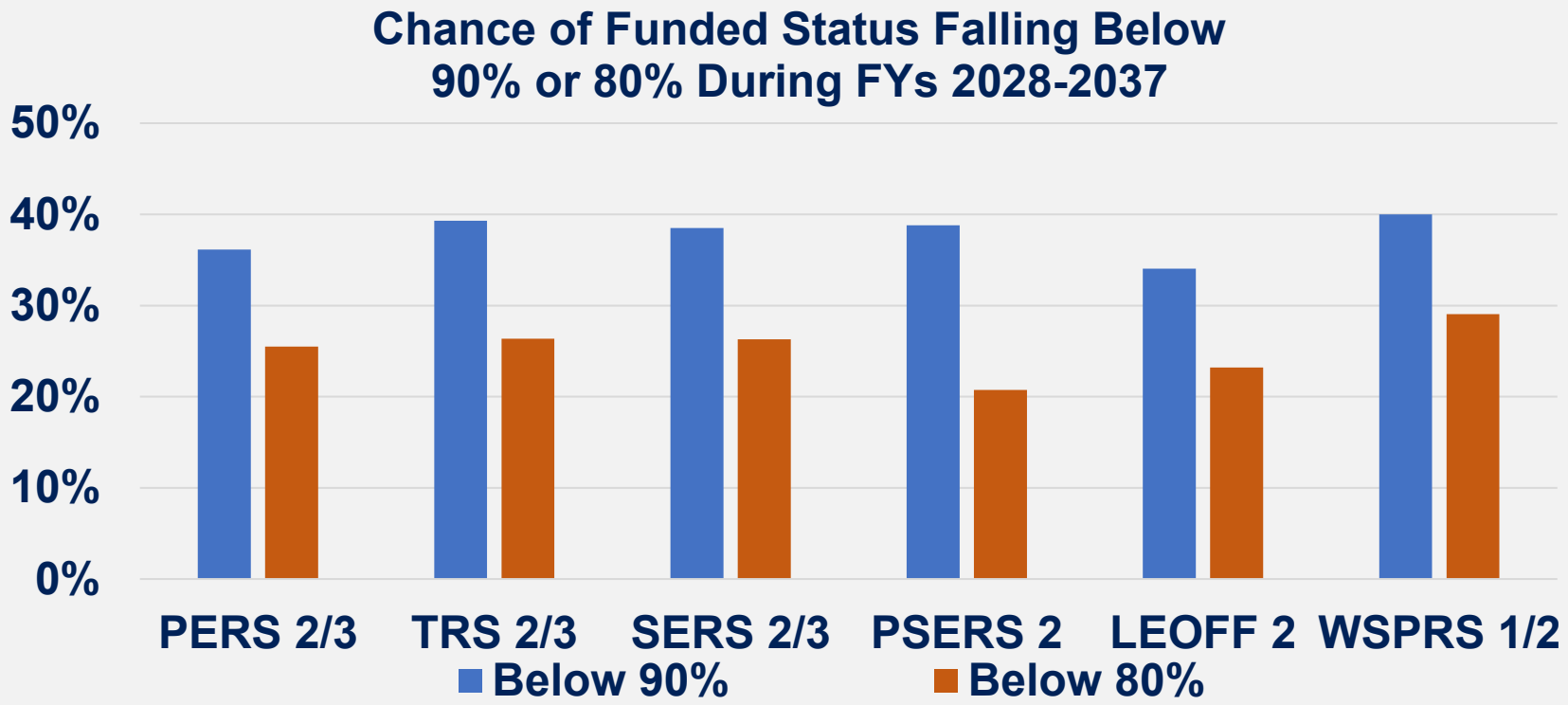


Appendix

OSA Resource Links

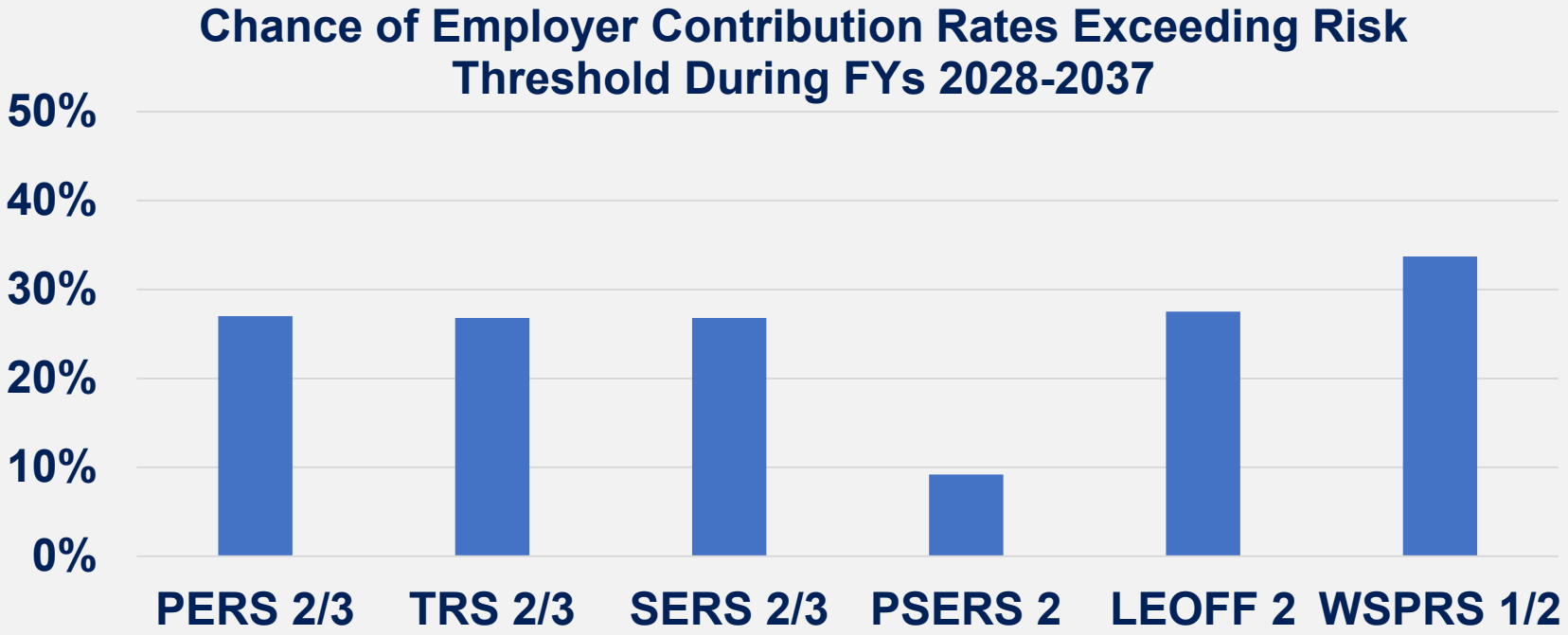
- *2025 Report on Financial Condition*.
  - Biennial report assessing pension system plan health.
- *Commentary on Risk*.
  - Educational webpage summarizing various risk metrics, including plan maturity measures and demographic risk.
- *Risk Assessment*.
  - Potential likelihood of adverse outcomes in the state pension systems from investment volatility.
  - We have included some analysis from our Risk Assessment (RA) in the appendix. Please refer to the RA for a full list of data, assumptions, and methods.

Risk Assessment – Funded Status



- Projected likelihood of open plan funded statuses falling below certain targets based on stochastic analysis of future investment returns.

Risk Assessment – Contribution Rates



	PERS 2/3	TRS 2/3	SERS 2/3	PSERS 2	LEOFF 2	WSPRS 1/2
Prescribed 25-27 Normal Cost Rates	5.38%	7.54%	6.87%	6.91%	8.53%	15.85%
Risk Threshold*	7.60%	9.20%	8.20%	9.50%	12.50%	18.80%**

**Risk Threshold represents 125% of the normal cost rate from the Entry Age Normal Cost Method. 100% of this rate is often viewed as the true cost of the plan, if all assumptions are realized.*

***WSPRS 1/2 employer rate threshold adjusted for the member rate maximum.*

Disclosures

- This presentation was prepared for the Washington State Investment Board to educate on how the pension systems react to investment volatility.
- We modified our 2024 Projections Model to prepare the illustrative analysis shared in this presentation.
- Luke Masselink, ASA, EA, MAAA served as the reviewing and responsible actuary for this presentation. He meets the Qualification Standards of the American Academy Actuaries to render the actuarial opinions contained herein and is available to offer extra advice and explanation as needed.

Washington State Investment Board







EXTERNAL STAKEHOLDER ENGAGEMENT

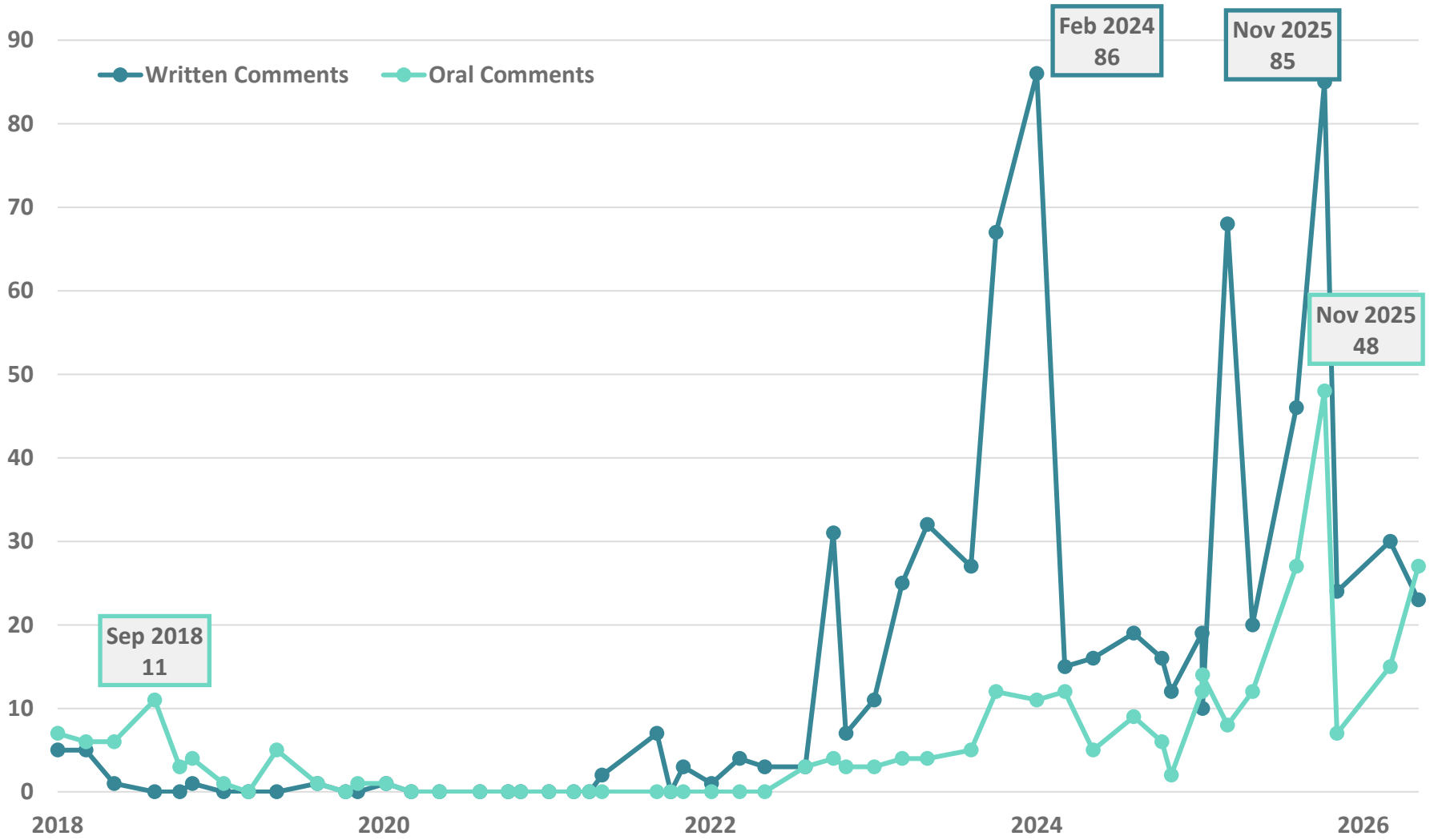
JULY 15, 2026

James Aber

Institutional Relations Director

THE LEVEL OF PUBLIC ENGAGEMENT CONTINUES TO RISE

Public Comment at Board Meetings (2018 – 2026)



A DELIBERATE APPROACH TO ISSUES MANAGEMENT

01



Institutional Relations (IR) Director discusses issue with external stakeholder

02



IR Director shares details with relevant staff

03



As appropriate, staff contacts relevant partners

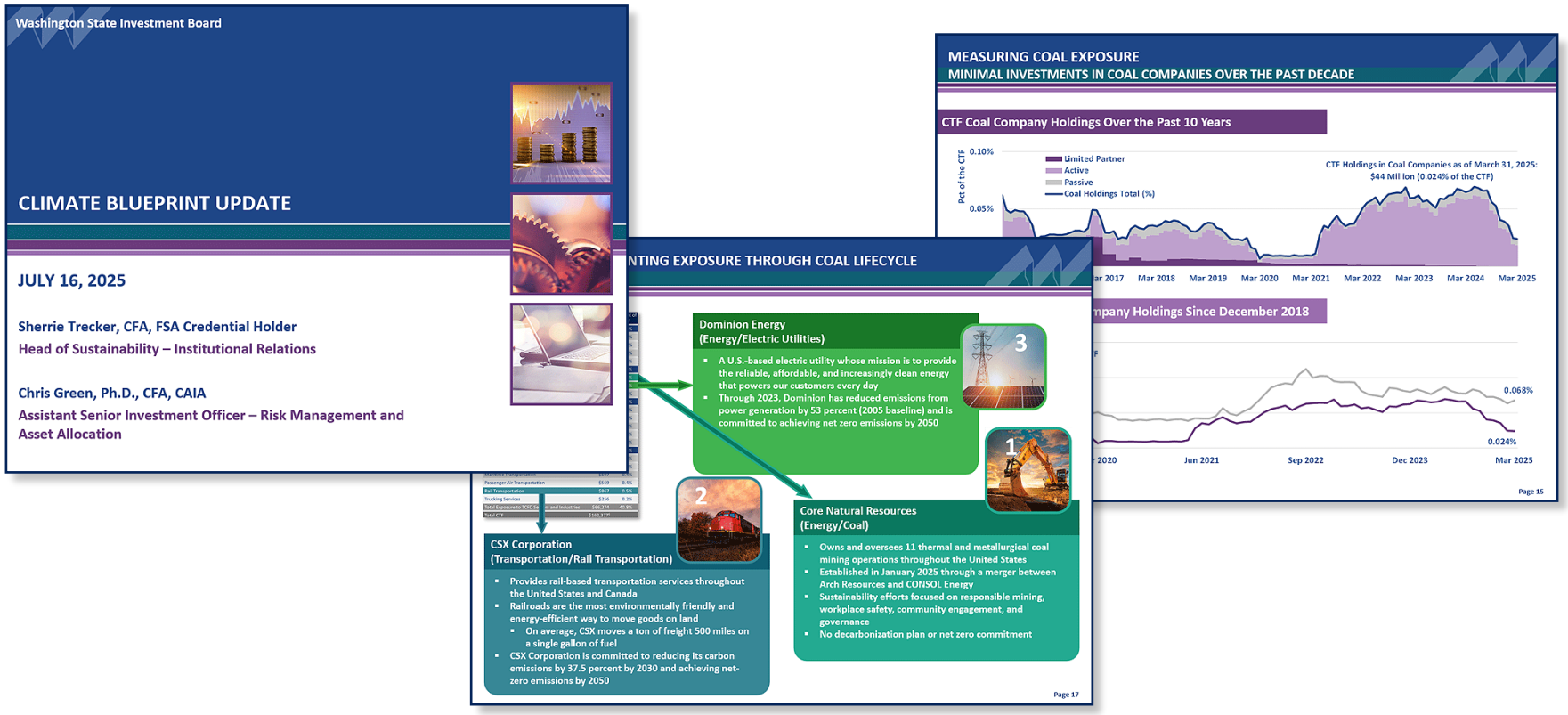
04



If warranted, issue is elevated to the Chief Executive Officer/Board

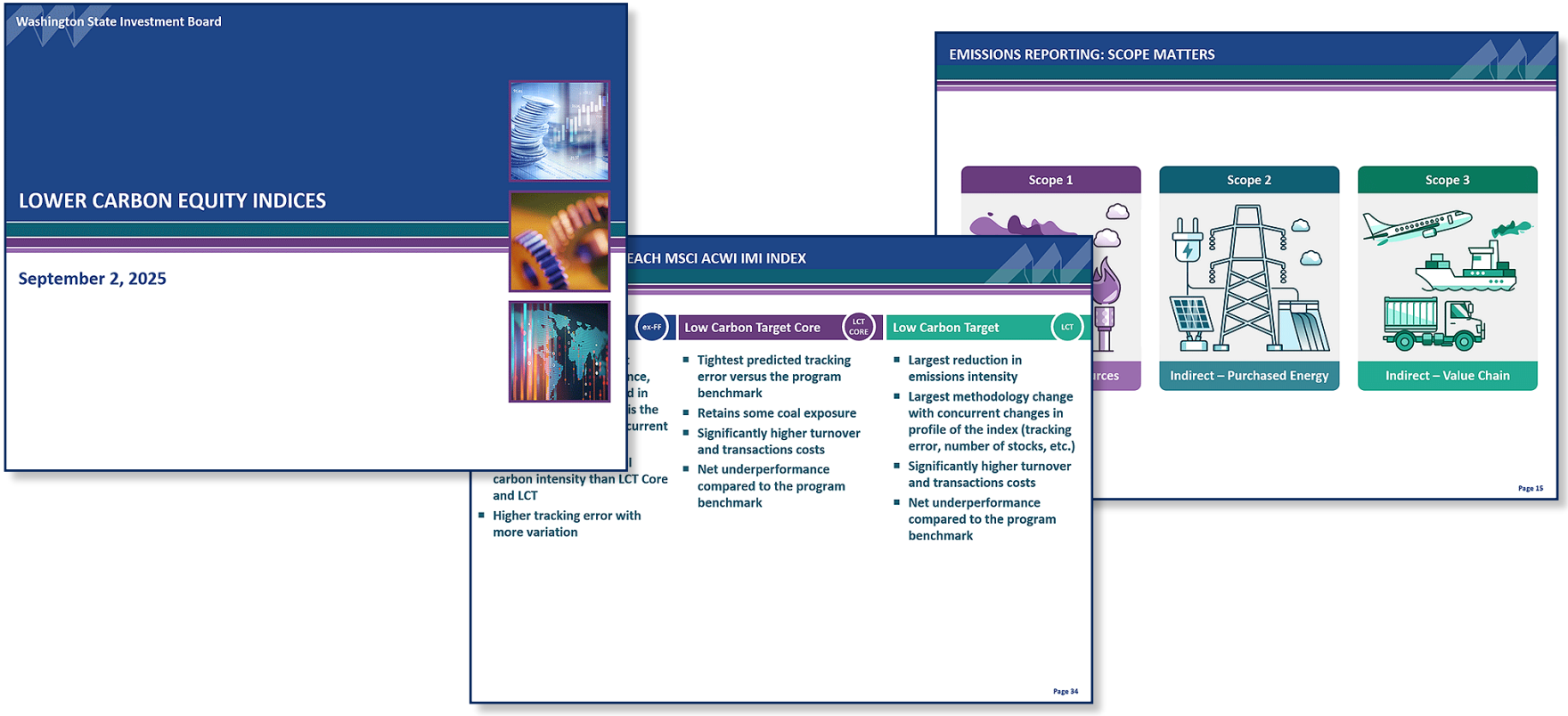
CASE STUDY: THERMAL COAL EXPOSURE

In response to stakeholder concerns about the Washington State Investment Board's (WSIB) exposure to thermal coal companies, staff conducted a Board education session on the Commingled Trust Fund's investments in the sector



CASE STUDY: LOW CARBON EQUITY INDICES

Based on a Board member request and external third-party research, staff conducted a study on the viability of investments in fossil-fuel-free and low-carbon equity indices



BUILDING TRUST THROUGH ENGAGEMENT AND TRANSPARENCY

- The WSIB expanded the time allotted for public comments at Board meetings
- The IR Director and Government and Public Affairs Director are taking more meetings with external stakeholders to better understand their concerns
- The WSIB developed a dedicated Sustainability web page with comprehensive resources and reports on the WSIB's approach to a wide range of issues that generate high levels of stakeholder interest



Washington State Investment Board







CLIMATE BLUEPRINT UPDATE

JULY 15, 2026

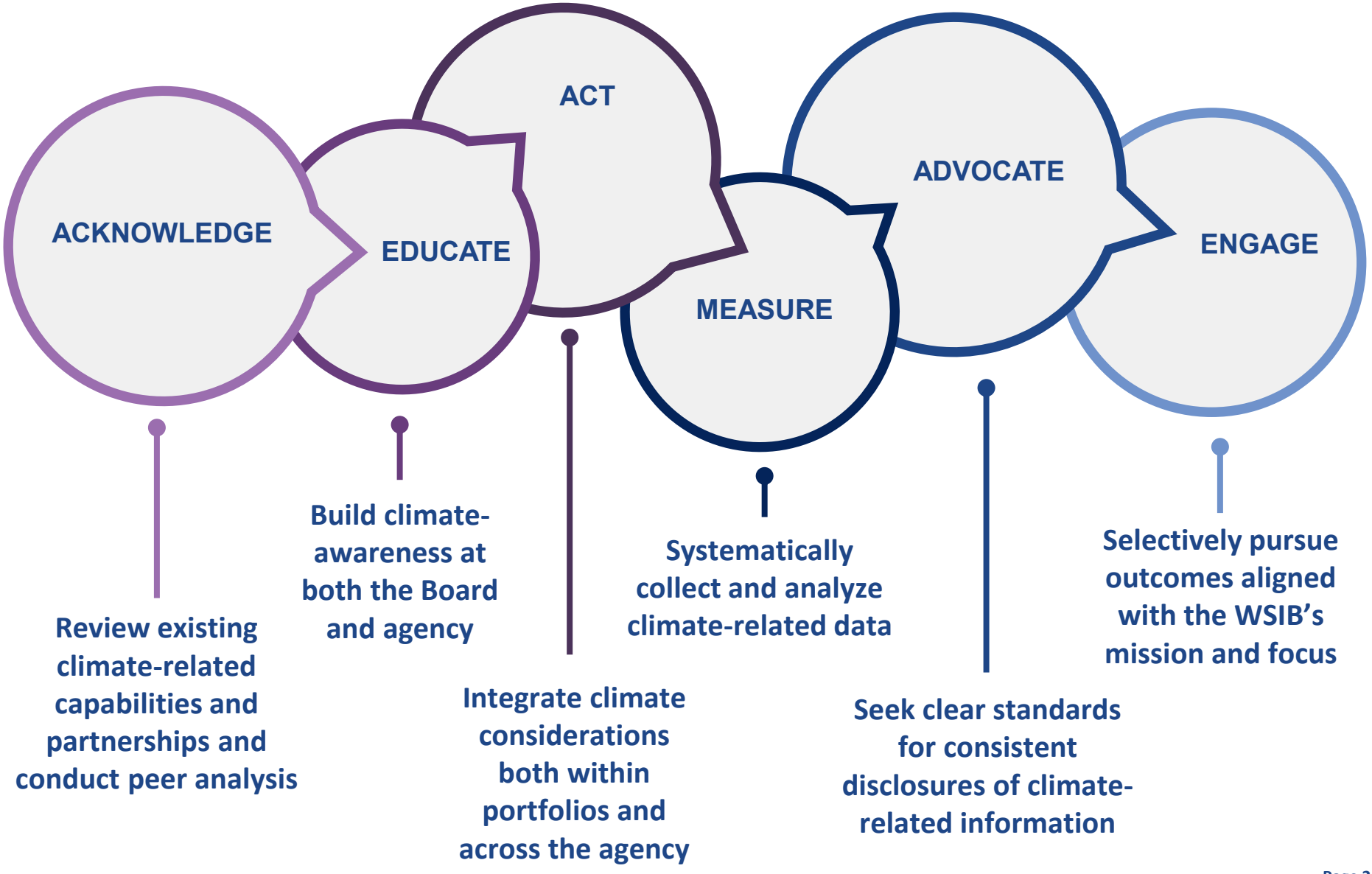
Sherrie Trecker, CFA, FSA Credential Holder
Head of Sustainability – Institutional Relations

AGENDA



- Climate Blueprint framework of the Washington State Investment Board (WSIB)
- Where we have been
- Where we are headed
- Concluding thoughts

THE INITIAL CLIMATE BLUEPRINT FRAMEWORK REMAINS RELEVANT TODAY



STEADY CLIMATE-RELATED ENHANCEMENTS TO OUR APPROACH

2022

- Established Climate Blueprint
- Developed Partner Environmental, Social, and Governance (ESG) Assessments

2023

- Board education sessions on peer approaches to sustainability and the evolution of shareholder resolutions
- Joined ESG Data Convergence Initiative
- Increased disclosure of climate risk-related metrics
- Launched ESG Curriculum series and ESG Learning Library
- Enhanced climate-related proxy voting policy and guidelines

2024

- Enhanced climate reporting framework in line with Task Force on Climate-Related Financial Disclosures
- Assessed availability of greenhouse gas emissions data across WSIB portfolios
- Board education session on emissions data reporting
- Researched total portfolio climate risk management solutions
- Added a consultant with climate scenario capabilities

STEADY CLIMATE-RELATED ENHANCEMENTS TO OUR APPROACH

2025

- Evaluated the inclusion of climate scenarios into Capital Market Assumptions
- Developed an onboarding process to train new investment staff on ESG integration to complement the ESG Curriculum
- Calculated WSIB's corporate fixed income carbon footprint
- Updated WSIB's *Changing Energy Complex* paper (published in April 2026)
- Board education on current state of decarbonization

2026

- Completed the energy transition research project and paper
- Finalized the ESG onboarding process for new investment staff
- Met with dozens of investment managers to discuss the energy transition and climate-themed strategies
- Began gathering private markets emissions where available (using the ESG Data Convergence Initiative database)
- Analyzed the physical hazards of climate change on our public equity portfolio, relative to peers
- Continued staff education on climate-related topics

PLANS FOR FUTURE WORK

Future

- Publicly advocate for disclosure of financially material climate-related risks and opportunities through letter writing and collaborative engagements with like-minded organizations
- Enhance public company engagement program with a focus on financially material climate-related risks and opportunities at systemically important U.S.-based companies
- Analyze private markets emissions where available
- Explore enhanced analysis related to physical climate risks both from a top-down and bottom-up perspective
- Dedicate more resources to identifying potential climate solution strategies within the Innovation Portfolio

CONCLUDING THOUGHTS



- The original purpose, goals, and objectives of the Climate Blueprint remain intact and relevant in 2026, despite significant shifts in the geopolitical environment and global economy, which are impacting the pace of global decarbonization
- We have made significant progress on the goals and objectives of the Climate Blueprint and supported increased levels of climate competence among investment staff across all asset classes
- In future years, staff will continue to focus on obtaining financially material, high quality climate-related data; educating investment staff and the Board on climate-related topics; and selectively engaging with partners, companies, and regulators in areas where the WSIB can wield the most influence

Washington State Investment Board







2026 DEI BLUEPRINT UPDATE

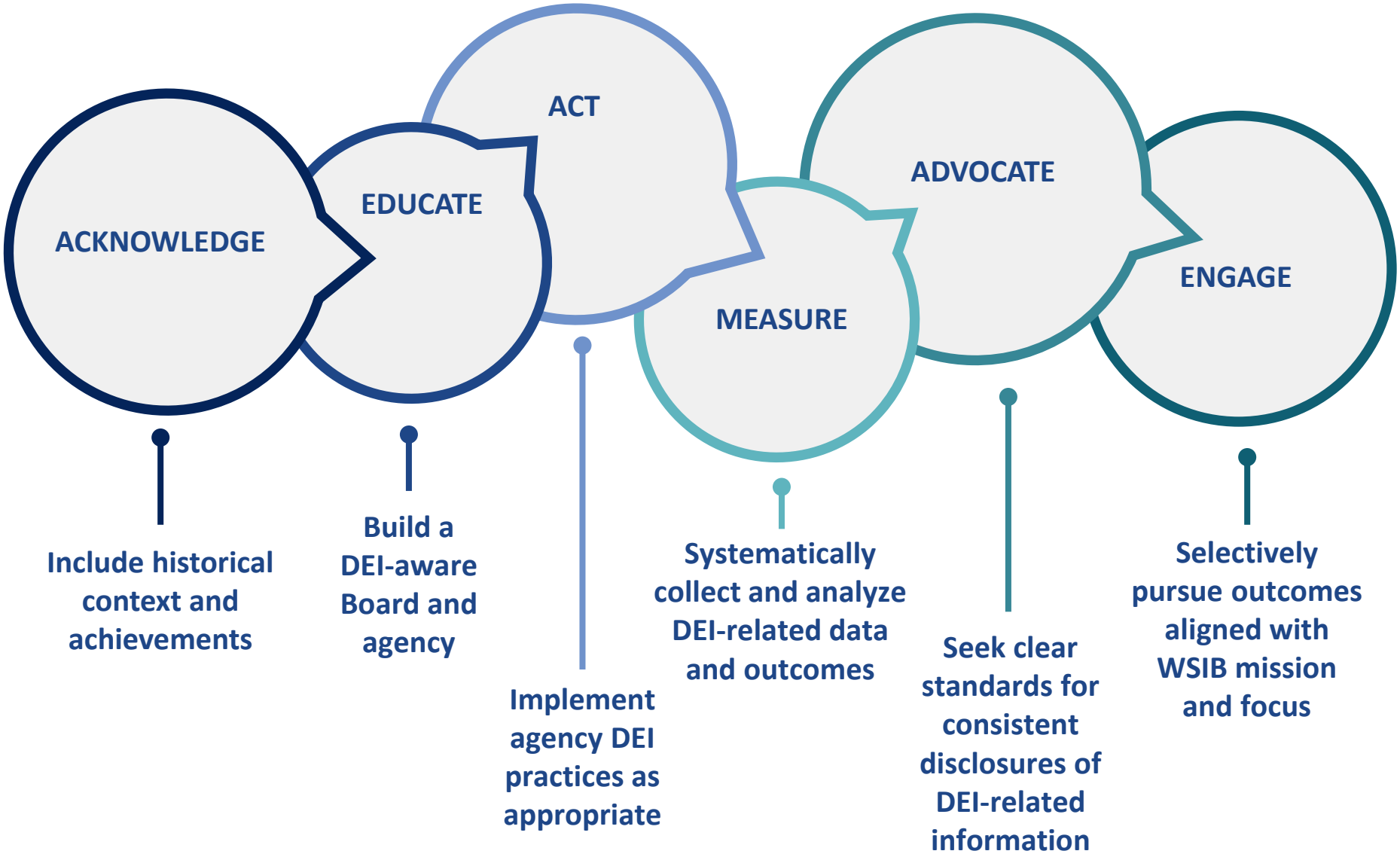
JULY 15, 2026

Bobby Humes, MSHR, HCC
Director of Human Resources

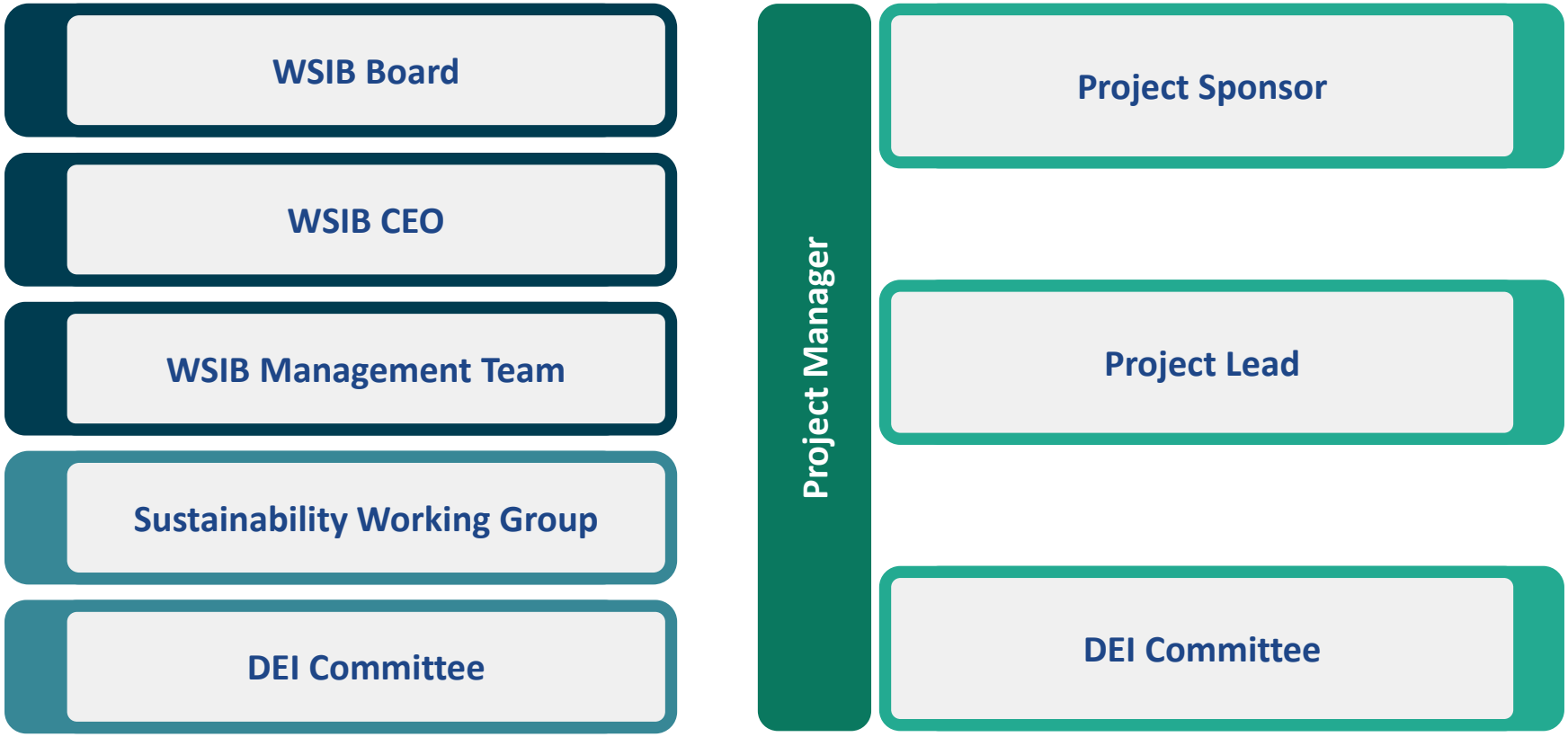
AGENDA

- Blueprint Framework Overview
- Governance and Accountability
- Objectives and Success Measures
- Milestones and Key Objectives

DEI BLUEPRINT FRAMEWORK



GOVERNANCE AND ACCOUNTABILITY



Decision Making Authority | Input and Representation | Project Accountability | Technical Project Support

OBJECTIVES AND SUCCESS MEASURES

Major DEI Blueprint Objectives

- Annual DEI Work Plans
- Peer Engagement
- DEI Early Learning Plans
- Proxy Voting and Engagement Practice Review
- Diversity Metrics Dashboard
- DEI Assessment
- Consistent Disclosure Requests

DEI JOURNEY | PAST, PRESENT, NEXT

Completed

- Curated a staff DEI resource library
- Revised the Sustainability Investment Belief and Proxy Voting Policy to include DEI considerations
- Developed and implemented a Partner ESG Assessment Framework
- Developed a Diversity Metrics Dashboard for the agency
- Updated DEI Committee Charter in alignment with WSIB values
- Head of Sustainability joined the Institutional Limited Partners Association (ILPA) Driving Inclusion in Alternatives Steering Committee
- Developed DEI early learning content, leveraging LinkedIn Learning platform

In Process

- Refresh DEI Blueprint
- Refine pulse survey process
- Develop an internal connection strategy focused on inclusion and belonging
- Refresh DEI training and development programs

DEI JOURNEY | PAST, PRESENT, NEXT

Ongoing

- Update proxy voting policies, and engagement and advocacy practices
- Set clear DEI goals, strategy, and relevant objectives with the Board, management, and staff
- Partner with respected outside parties to ensure the WSIB's DEI objectives are reasonable
- Monitor DEI best practices and regulatory developments
- Seek clear standards for consistent disclosure of DEI-related information

Not Started

- DEI Assessment and outcomes review
- Include DEI objectives in staff Individual Develop Plans (IDPs) and performance objectives for staff

WRAP UP



This DEI Blueprint is a strategic project and a roadmap; it is not a definitive end product:

- The DEI Blueprint created a governance structure setting staff direction and prioritization
  - DEI work is inherently personal and requires patience and understanding
  - Ongoing tension between differing perspectives should be anticipated and understood
    - The DEI Blueprint aims to be responsive, but not necessarily reactive, to these perspectives
- The DEI Blueprint seeks progress and consistency across agency, portfolio, and industry activities related to DEI
- Everyone has a role to play – engagement is the key to success

HENRY MCVEY

Partner, Head of Global Macro and Asset Allocation and CIO of KKR's Balance Sheet.
Global Macro and Asset Allocation

Henry H. McVey (New York) joined KKR in 2011 and is Head of the Global Macro and Asset Allocation (GMAA) team. Mr. McVey also serves as Chief Investment Officer for the firm's Balance Sheet and oversees Firmwide Market Risk and Derivatives & Liability Management. As part of his role, he also sits on KKR's Balance Sheet Committee. Prior to joining KKR, Mr. McVey was a managing director, lead portfolio manager and head of global macro and asset allocation at Morgan Stanley Investment Management (MSIM). Earlier in his career he was a portfolio manager at Fortress Investment Group and chief U.S. investment strategist for Morgan Stanley. While at Morgan Stanley, he was also a member of the asset allocation committee and was the top-ranked asset management and brokerage analyst by Institutional Investor for four consecutive years before becoming the firm's strategist in January 2004. Mr. McVey earned his B.A. from the University of Virginia and an M.B.A. from the Wharton School of the University of Pennsylvania. He is a long-time supporter of the TEAK Fellowship and currently sits on the organization's Emeritus Board after having served as Co-Head of the Board of Trustees. He also heads GMAA Gives Back within KKR, an organization set up to provide pro-bono macro and asset allocation assistance to small to medium size non-profits. Mr. McVey is a three-term board member of the University of Virginia Investment Management Company, a member of the national advisory board for the Jefferson Scholarship at the University of Virginia, and a former board member at St. Andrew's School in Delaware. In addition, he is a board member of the Center for Strategic and International Studies in Washington, D.C., member of the Pritzker Foundation Investment Committee and serves on the newly formed Bank of England's Market Participants Group (MPG). Since 2019, Mr. McVey also has served on the Financial Sector Advisory Council for the Federal Reserve Bank of Dallas (three term member).

KKR

Mid-Year Outlook for 2026: The Divergence Conundrum

JULY 2026

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Our Plan for Today

01 The Divergence Conundrum

02 KKR Macro Dashboard

03 Economic Forecasts

04 Key Themes

05 Asset Allocation

06 Conclusions

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SECTION ONE

The Divergence Conundrum

Setting the Stage: Today's Divergence Conundrum Is Likely to Get More Extreme

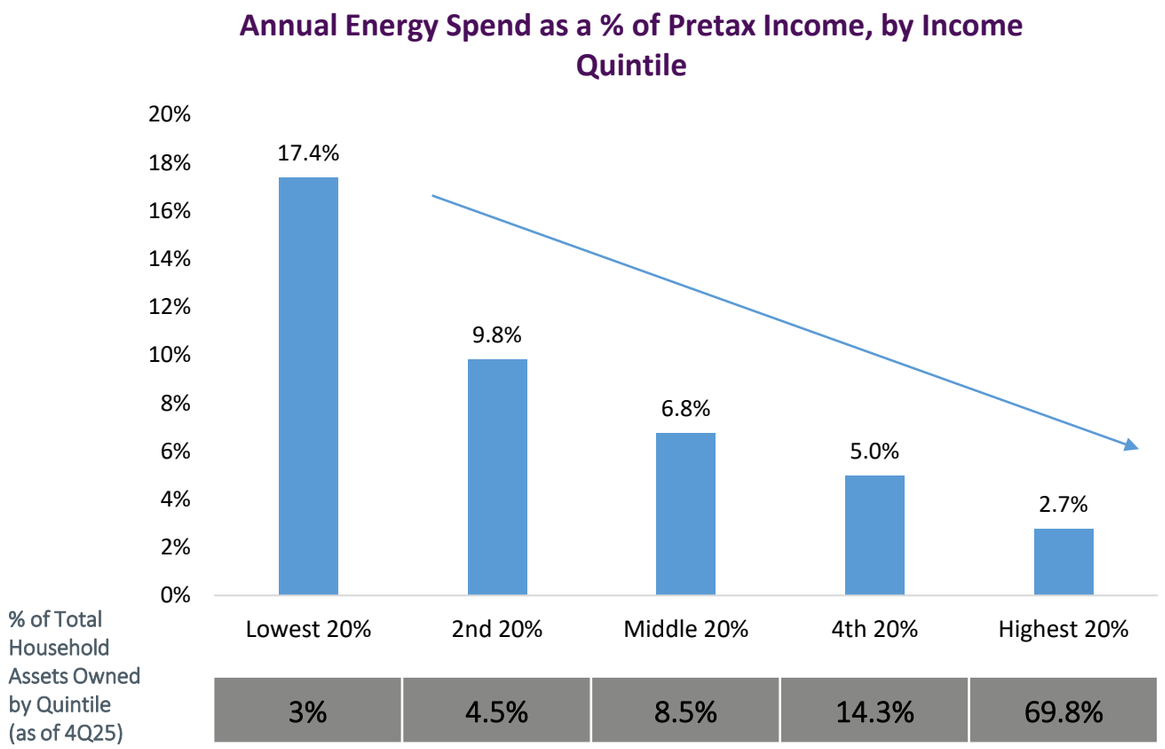
KKR's Divergence Conundrum Drivers

- Economic drivers become more concentrated in AI and National Security initiatives
- Critical minerals and oil supplies increasingly become chokepoints for economic leverage
- The productivity boom favors capital over labor and consumption
- Leverage concentrates in governments, not consumers

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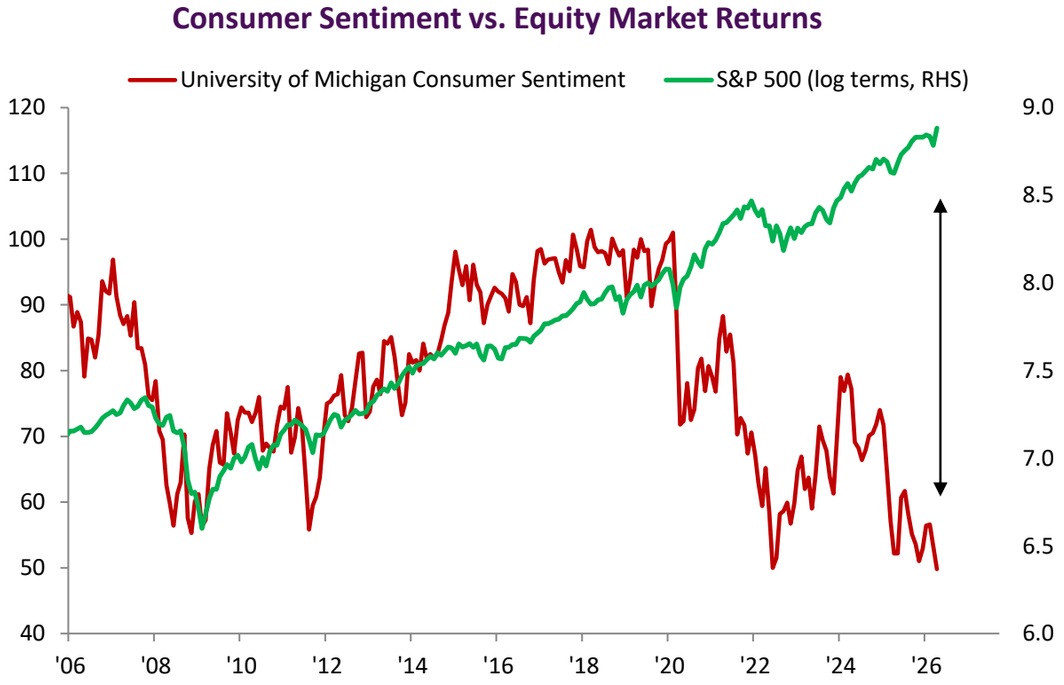
Divergence #1: Low-End Consumers Are Feeling the Pinch From the War; At the Same Time, Asset Holders Are Enjoying a Record Run in Stocks

Lower-Income Households Are Most Challenged by Higher Energy Prices and Own the Least Amount of Assets



Energy spend here includes gasoline, motor oil, electricity, fuel oil, and natural gas. Latest data as of March 10, 2026. Source: 2024 BLS Survey of Consumer Expenditures, Haver, KKR GMAA analysis.

The SPX Is Hitting an All-Time High, While Consumer Sentiment Is Hitting an All-Time Low



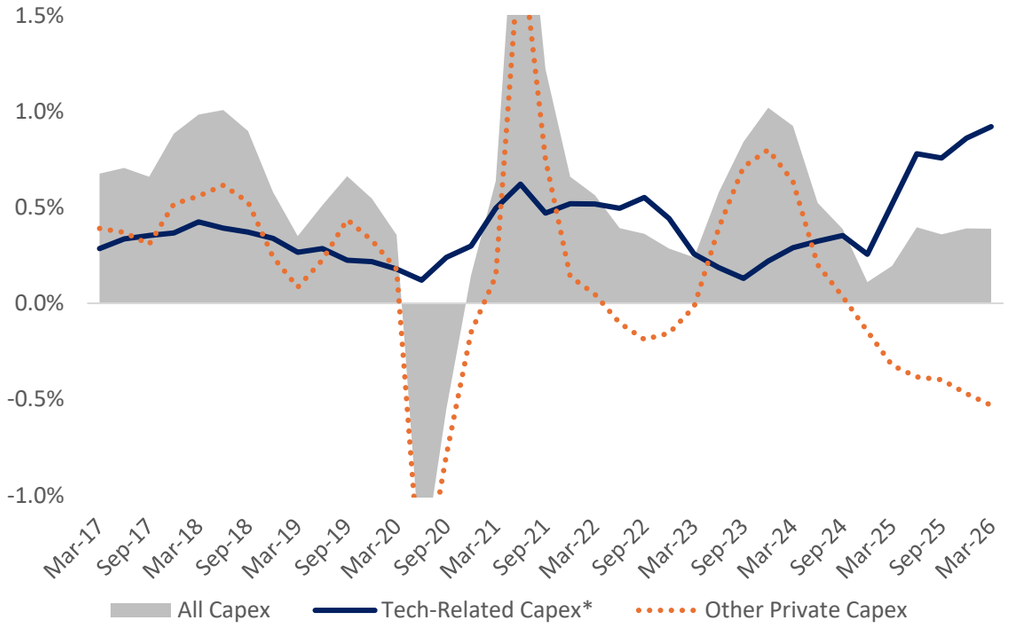
* Tech-related capex here includes Tech Equipment spending, Software IP spending, and Data Center Construction spending. Net imports of technology goods are deducted from technology capex. Data as at May 28, 2026. Source: U.S. Bureau of Economic Analysis, Haver Analytics.

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Divergence #2: The Economy Is Now Dependent on a Smaller, More Concentrated Group of Drivers for Incremental Growth

Tech Capex Has Surged in Recent Quarters

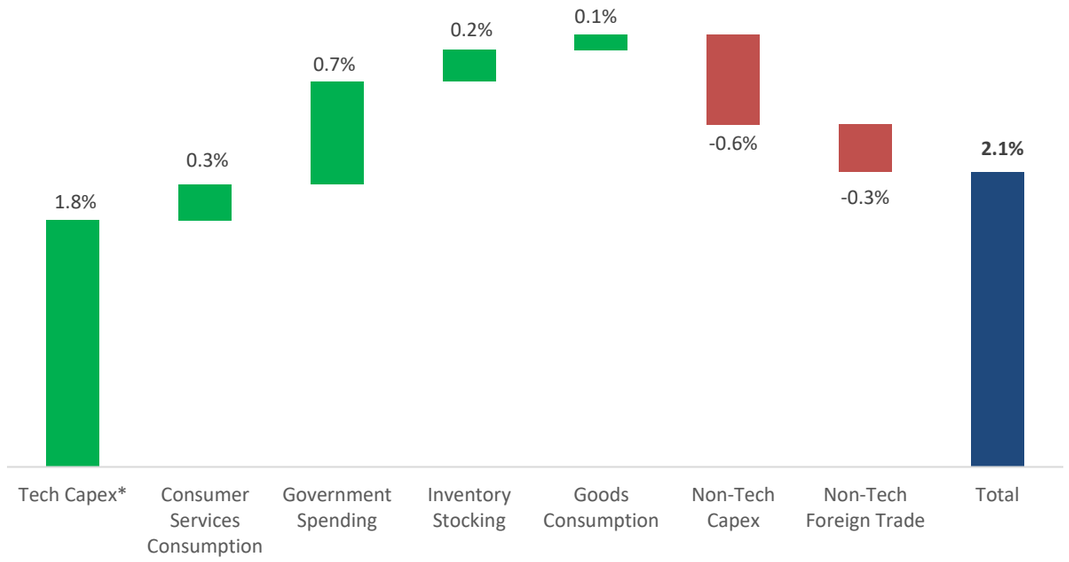
Capex Contribution to U.S. GDP Growth (LTM, %pts)



Data as of July 17, 2025. Source: Census Bureau, Goldman Sachs Global Investment Research. *Six survey moving average, surveys are generally biweekly. Tech-related capex here includes Tech Equipment spending, Software IP spending, and Data Center Construction spending. Net imports of technology goods are deducted from technology capex.

'Divergence Conundrum': Tech Capex Accounted for Nearly 100% of GDP Growth in the First Quarter. By Comparison, the 'Old Economy' of Goods Capex and Trade Contracted

Contributions to U.S. 1Q26 GDP (Q/Q SAAR, % Pts.)



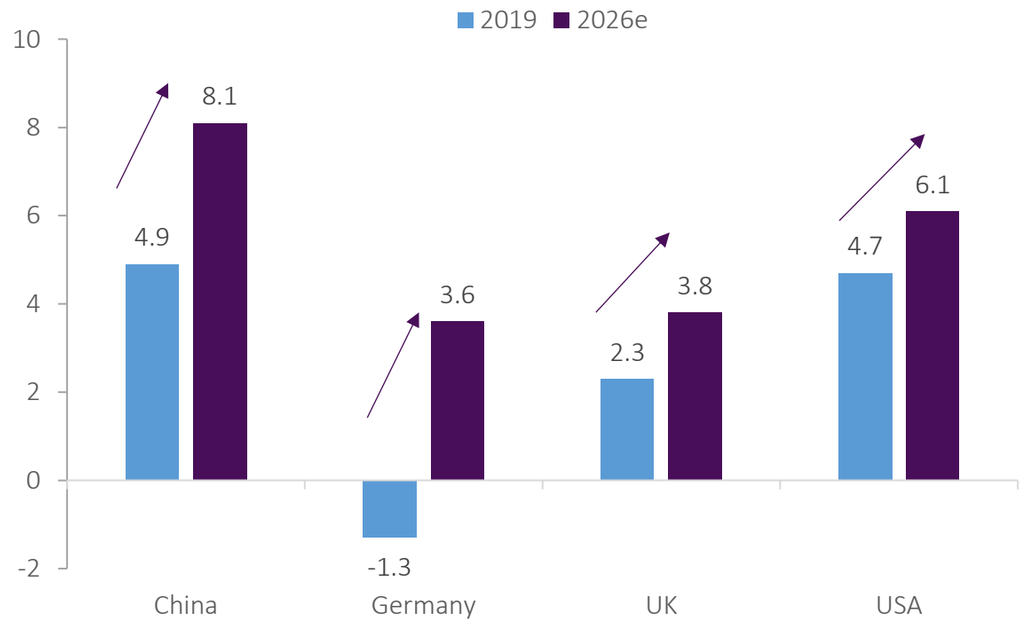
*Tech-related capex here includes Tech Equipment spending, Software IP spending, and Data Center Construction spending. Net imports of technology goods are deducted from technology capex. SAAR = seasonally adjusted annual rate. Data as at June 25, 2026. Source: U.S. Bureau of Economic Analysis, Haver Analytics.

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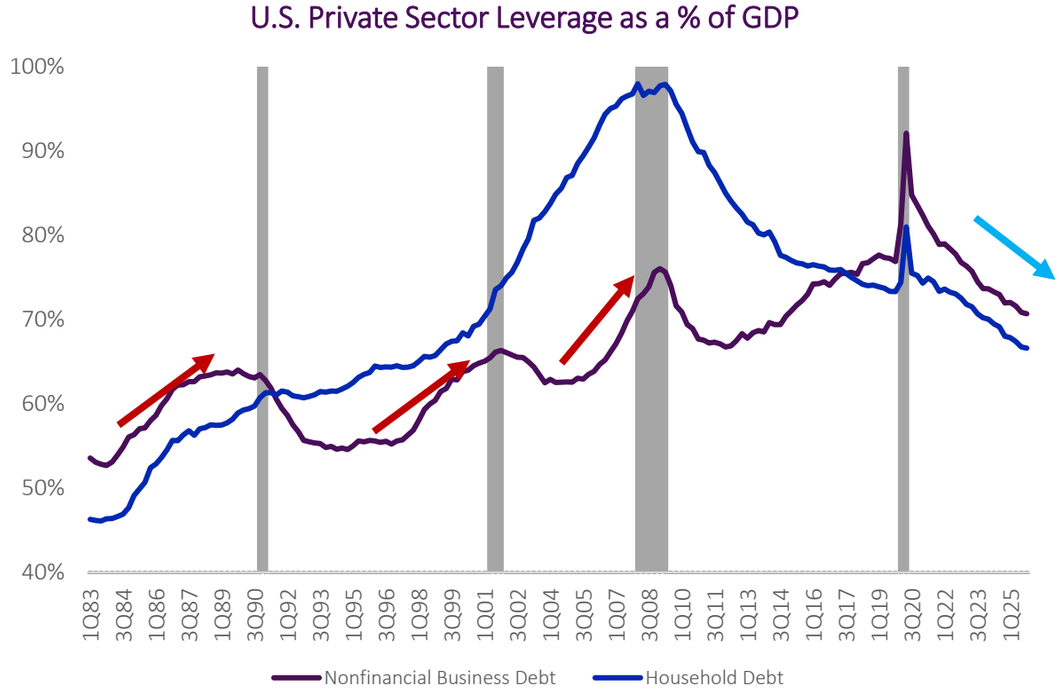
Divergence #3: Governments Are Levering Up at Historic Speed, While Consumers and Corporates Are Deleveraging at a Record Pace

Bigger Deficits Remain One of the Four Key Pillars of Our Regime Change Thesis



Data as at Machr 30, 2026. Source: Ministry of Finance of China, Bloomberg, KKR GMAA.

Also Important Is That Business and Consumer Leverage Levels Have Not Increased This Cycle, Which Helps Buffer Against an Outsized Default Cycle



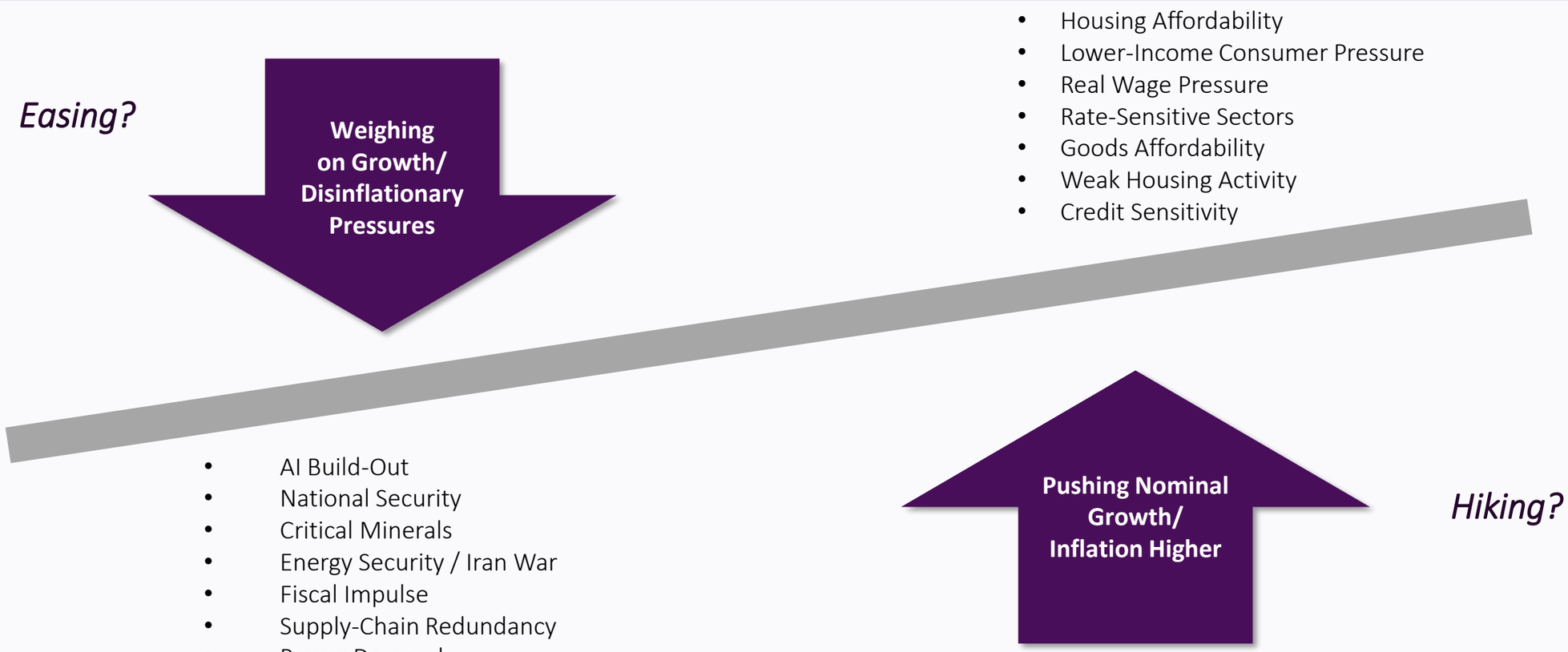
Gray shading denotes recessionary quarters. Data as at May 12, 2026. Source: U.S. Bureau of Economic Analysis, Haver Analytics, KKR Global Macro & Asset Allocation analysis.

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In Our *Divergence Conundrum* Framework, Should Monetary Authorities Raise or Lower Rates?

Today's Divergences Are Poised to Become More Extreme as the Cycle Continues. What Will Central Banks Do?

The Divergence Conundrum



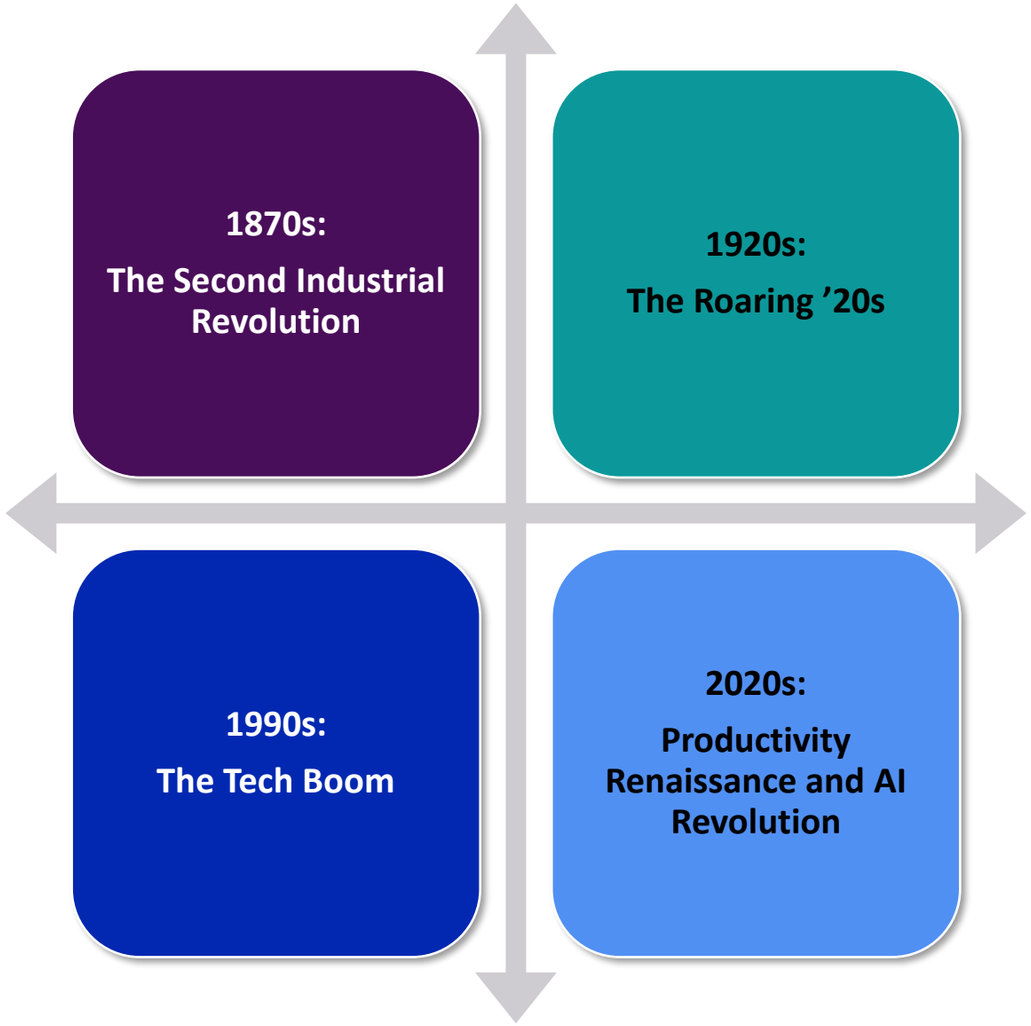
Data as at May 28, 2026. Source: KKR Global Macro & Asset Allocation analysis.

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This Divergence (and Uncertainty) Is Actually Not Unprecedented

What Changed: Electricity, steel, chemicals, railroads, telegraphy, modern capital markets, and new infrastructure bottlenecks

Investment Lesson: Infrastructure, network control, and access to scarce inputs became durable sources of economic and geopolitical power



What Changed: Mass production, electrification, autos, consumer finance, speculative market excess

Investment Lesson: Productivity booms can extend cycles, but leverage and speculative finance can turn innovation into instability

What Changed: Internet, software, globalization, supply-chain optimization, telecom buildout, and financial liberalization

Investment Lesson: Network effects and software created enormous value, but markets overpaid for narratives before cash flows matured

What Changed: AI, automation, digital infrastructure, regionalization, energy security, and supply chain fragmentation

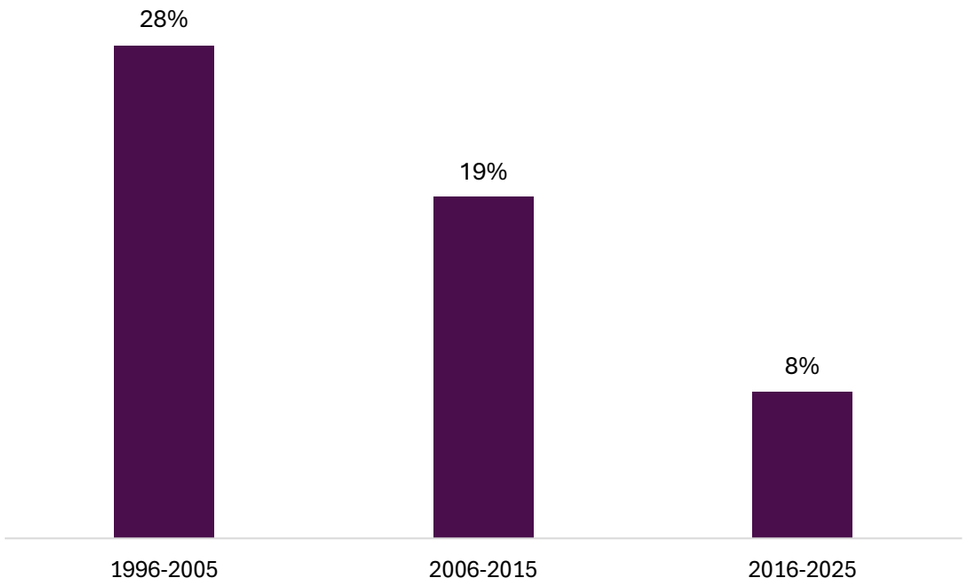
Investment Lesson: Deliver productivity capture, supply chain resilience, and ensure capital structure flexibility amidst an elongated period of rapid change

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When Markets Get Like This, Pacing and Position Sizing, Not Market Timing, Are the Time-Tested Ways to Offset Volatile Markets

Sound Portfolio Construction Has Allowed Our Loss Rates to Decline, Despite a Decade-Long Surge in Uncertainty

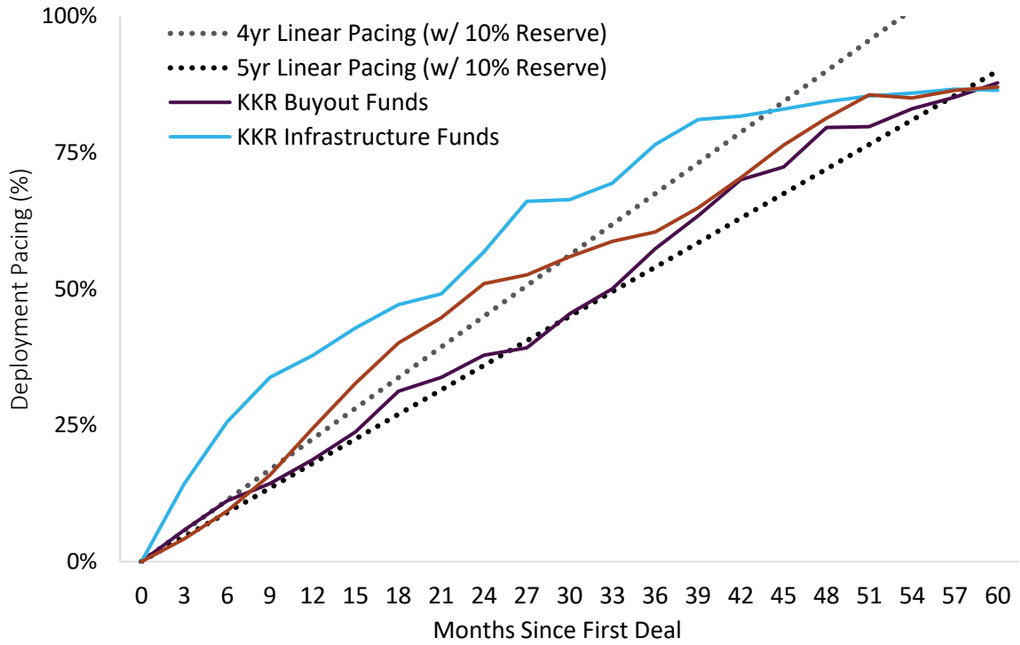
Global Private Equity Loss Ratio (% Loss Amount)



Data as at June 30, 2025. Impaired capital defined as gross local currency MOIC < 1.0x. Fund expenses, FX gain and loss, lines of credit and toeholds/public stakes are excluded. Global Private Equity includes KKR flagship buyout funds in North America, Europe and Asia Pacific. Source: KKR Portfolio Construction

We Are Not Trying to Market Time. Linear Deployment Wins the Day

Flagship Funds Deployment Pacing

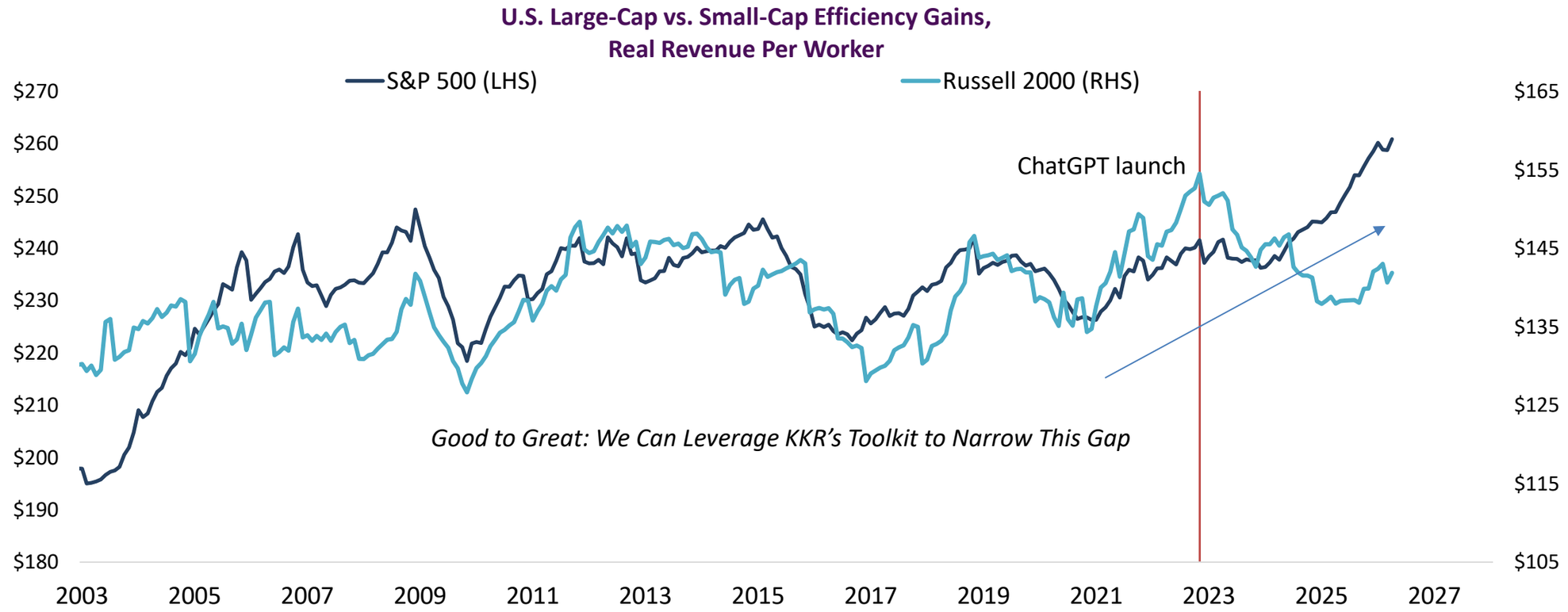


As of 03/31/2025. KKR average deployment weighted by fund size. Fund holdings including signed but not yet closed investments.

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Proprietary Origination, Operational Levers, a Global Footprint, and Experience Will Likely Define the Winners in Today's Divergence Conundrum

Productivity Is Booming for Some, Not All



Data as at April 30, 2026. Source: Wells Fargo Securities, FactSet, KKR Global Macro & Asset Allocation analysis.

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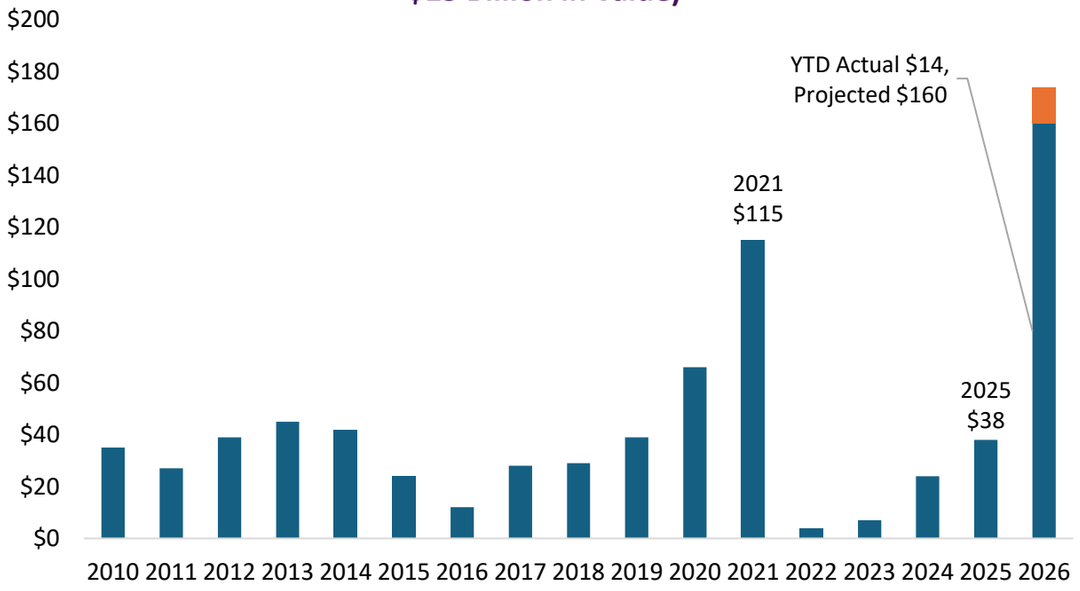
SECTION TWO

KKR Macro Dashboard: Now Middle of the Road

Point #1: Equity Markets Face a Less Favorable Supply/Demand Dynamic Than Earlier in the Cycle. We Still Feel Constructive On Credit Supply

The Massive IPOs Coming to Market in 2026 Will Have Implications for the Capital Supply Side of the Equation

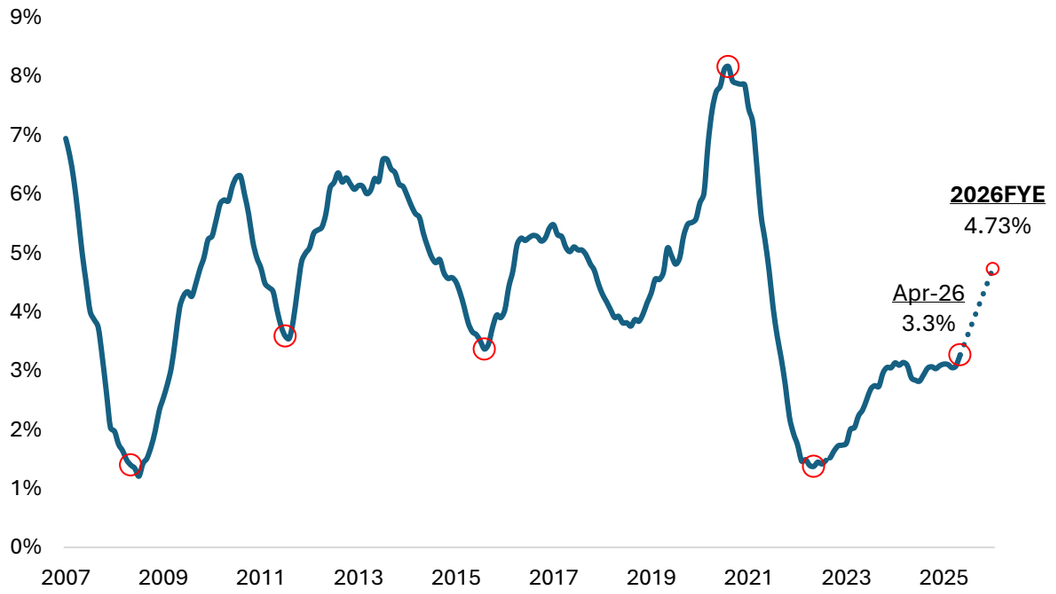
U.S. IPO Gross Proceeds, US$ Billions (U.S. Deals Greater Than $25 Billion in Value)



Done before SpaceX. Data as at May 15, 2026. Source: FactSet, Goldman Sachs Investment Research.

Even Amid the IPO Surge, Our Capital Markets Liquidity Indicator Is Trending Back to Normal, Not Overheated

Capital Markets Liquidity (TTM) as a % of GDP (IPO, HY Bond, Leveraged Loan Issuance)

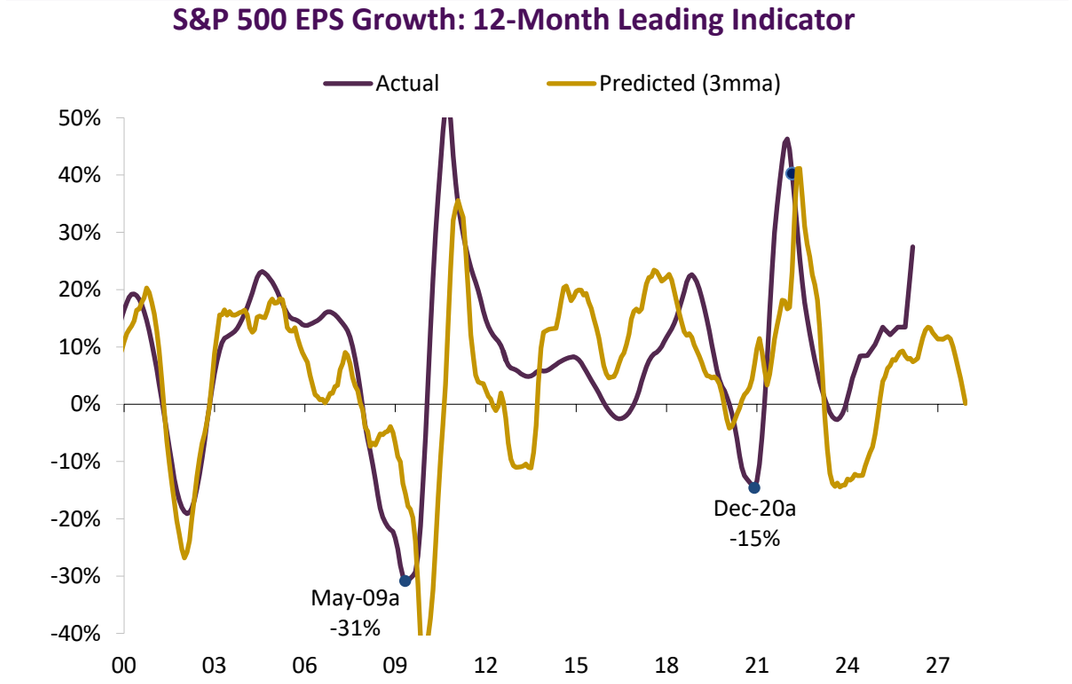


Data as at April 30, 2026. Source: Bloomberg.

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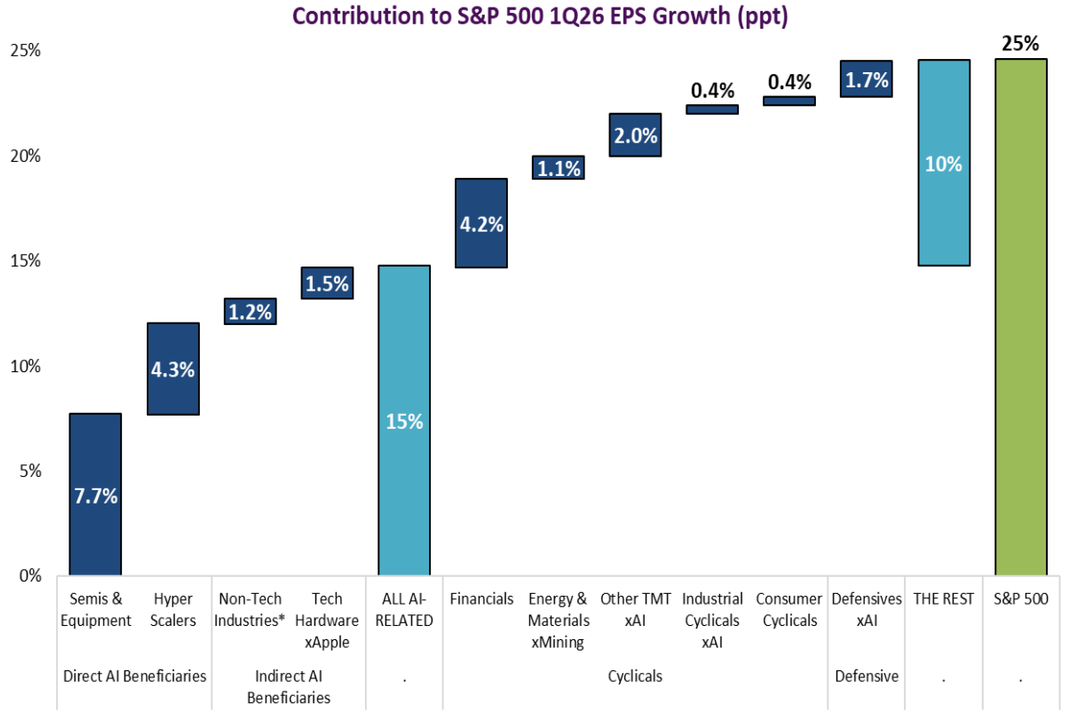
Point #2: The Earnings Story Is Strong (With Some Help From AI), But We Are Now Watching Late 2027

Our Proprietary 12-Month EPS Leading Indicator Has Historically Flagged Earnings Inflection Points Early



The Earnings Growth Leading Indicator (EGLI) is a statistical synthesis of seven important leading indicators to S&P 500 Earnings Per Share. Henry McVey and team developed the model in early 2006. a = Actual; p = model predicted. Source: KKR, Bloomberg.

AI-Related Stocks Drove Approximately 60% of the 1Q2026 EPS Growth; The Rest Accounted for 40%

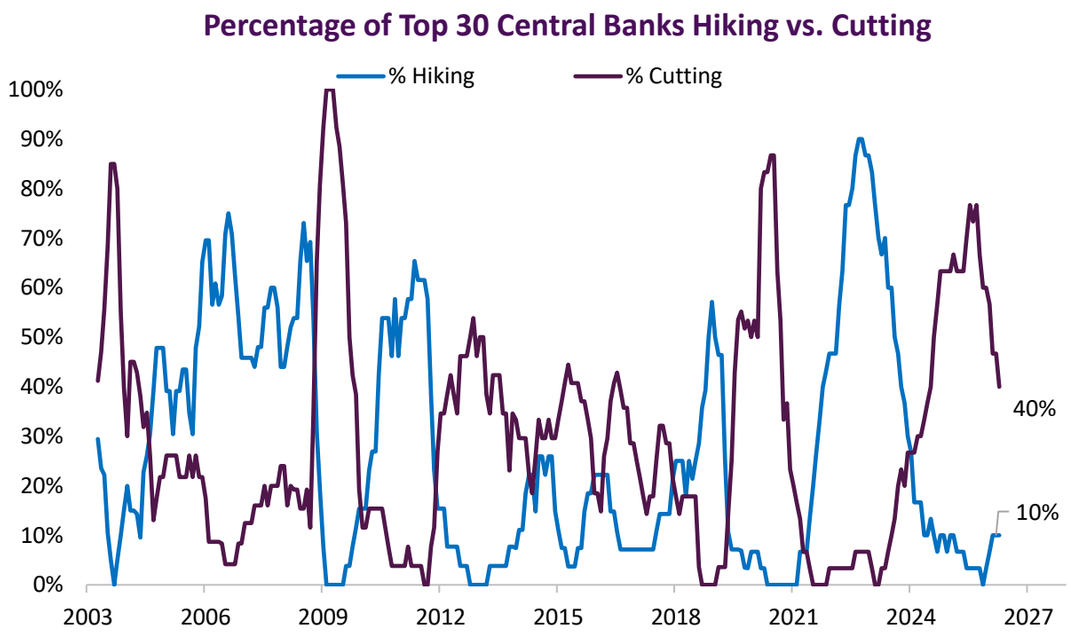


* metals & mining, electrical equipment, construction & engineering, data center REITs, electric utilities & power producers. Note: semis include NVDA, MU, AVGO and others; other TMT xAI includes AAPL, NFLX, TSLA, MA, V, and others. Source: KKR GMAA, DB Research, Bloomberg

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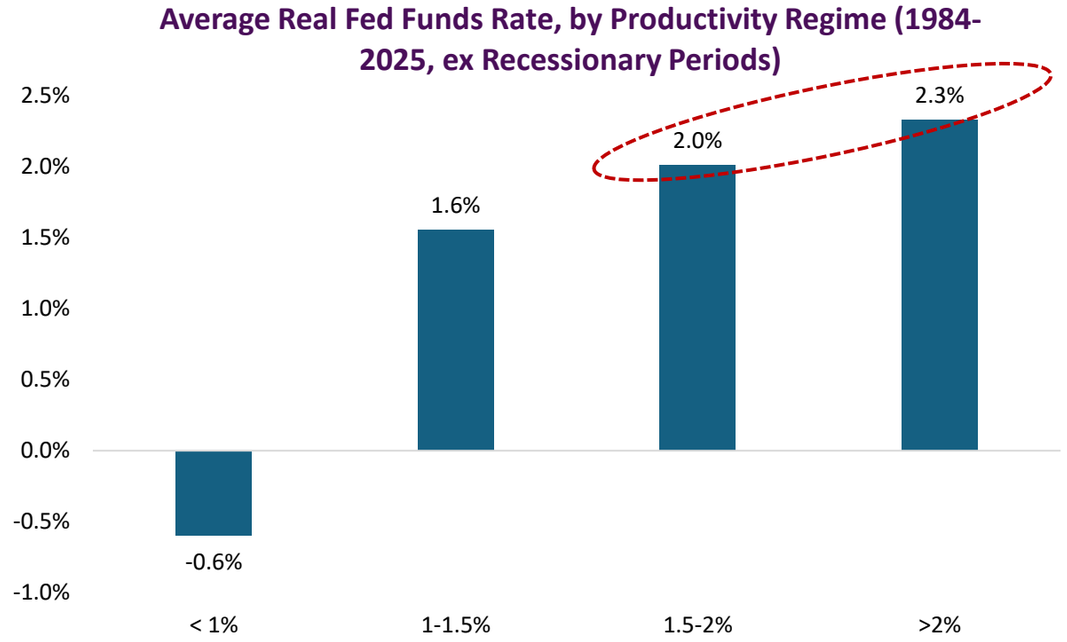
Point #3: Financial Conditions Are Becoming Less Accommodating

The Global Central Bank Impulse Is No Longer Towards Global Easing



Hiking/cutting rates defined as an increase in rates over the past three months. Data for central banks include U.S., the EZ, the UK, Australia, Philippines, Chile, Japan, Brazil, Canada, Thailand, Mexico, Colombia, Malaysia, Norway, Sweden, Peru, China, Indonesia, New Zealand, Korea, South Africa, India, Switzerland, Taiwan, Poland, Israel, Hungary, Czech Republic, Vietnam and Russia. Data as at April 24, 2026. Source: Bloomberg, KKR Global Macro & Asset Allocation analysis.

All Else Equal, Higher Productivity Growth During Expansions Is Associated With Higher Real Central Bank Rates

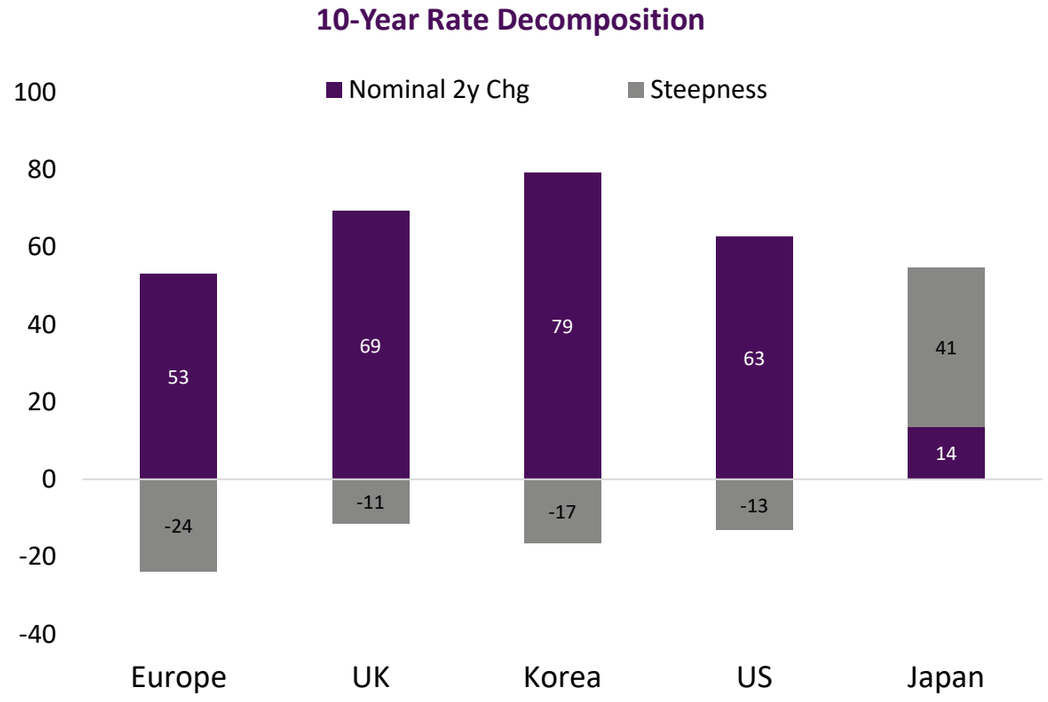


Excludes periods during the two years following recessions, as these are typically periods marked by "bad" productivity (i.e., elevated due to spikes in unemployment). Real central bank rate defined here as fed funds - Core CPI YoY and Productivity Regime defined as 3yr CAGR of nonfarm output per hour worked. Data as at January 26, 2026. Source: U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, Federal Reserve, Bloomberg, KKR Global Macro & Asset Allocation analysis.

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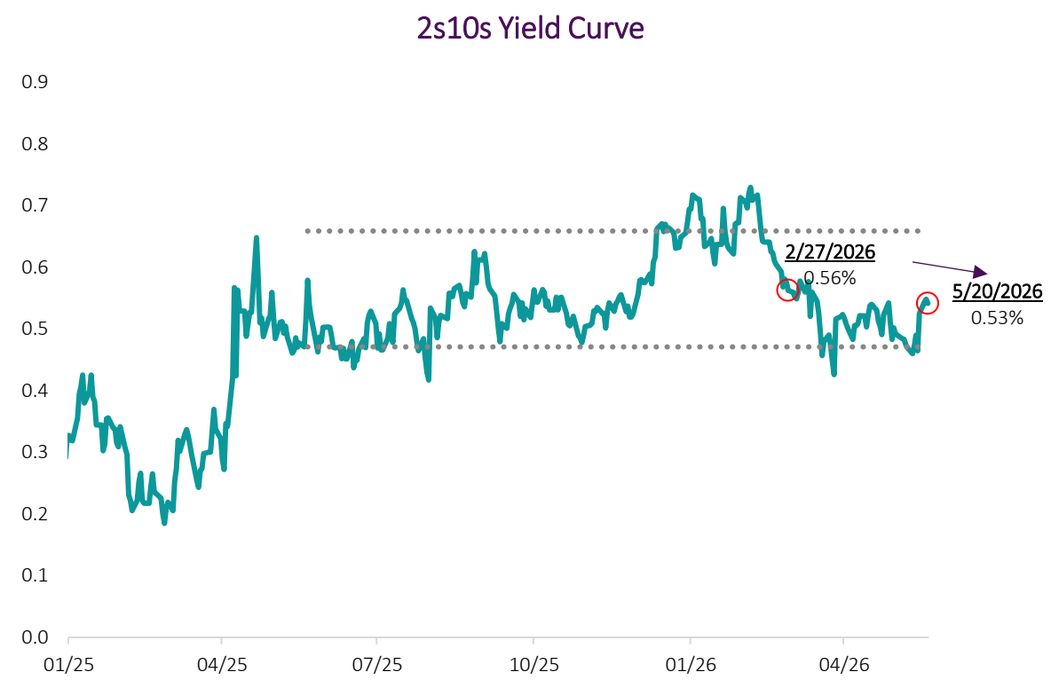
Point #4: We Continue to Argue for Higher Bond Yields, But Not a Total Unraveling of the Long-End. Also, Focus On What Is Driving Bond Yields Higher

Outside Japan, the Recent Rise in Global Yields Actually Has Been Driven Primarily by Higher Expected Policy Paths Rather Than Expanding Term Premium



Data as at May 31, 2026. Source: Bloomberg, KKR Global Macro & Asset Allocation analysis.

2s10s (Proxy for Term Premium) Has Actually Remained in a Tight Range, Despite War, Inflation, Deficits, and Job Growth



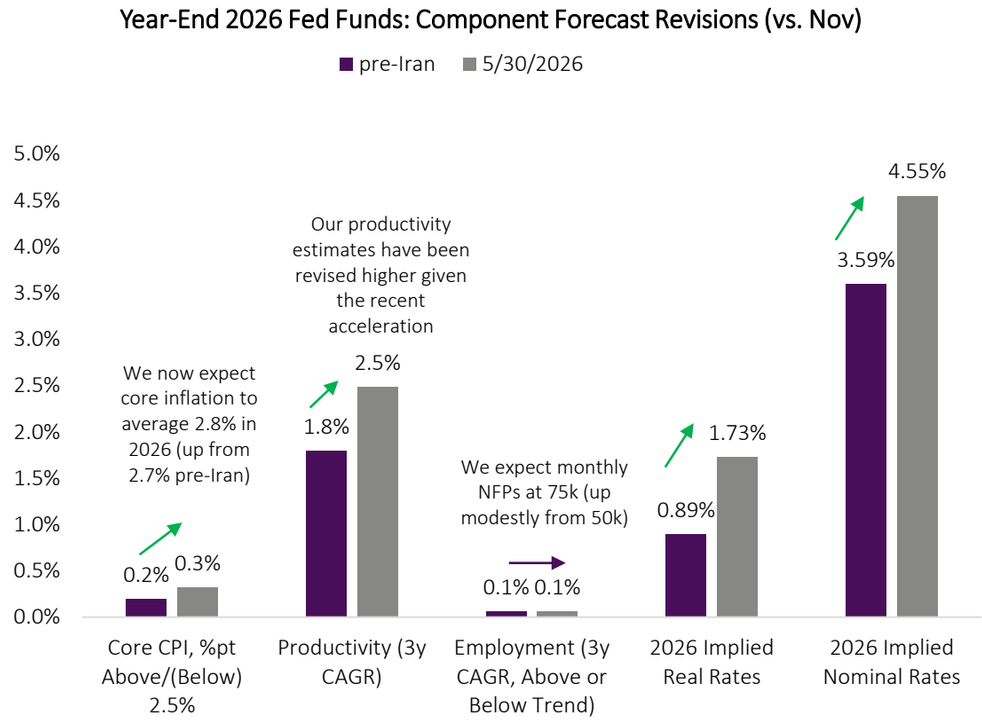
Data as at May 21, 2026. Source: Bloomberg, KKR Global Macro & Asset Allocation analysis.

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June FOMC: Not a Simple Baton Handoff

- **Not a simple baton handoff:** Warsh called what we view as a "constitutional convention" on the Fed's essential frameworks and work processes.
- ***Regime Change* is now central to the debate:** The Fed is focused on restoring confidence in price stability as inflation has run persistently above its 2% mandate for 5 years in a row.
- **Divergence Conundrum is gaining traction:** Housing looks restrictive, but Warsh said "it's tough to say that for anywhere else," underscoring the conflicting signals across the economy.
- **Market implication:** Higher rates are not just about energy inflation; they also reflect roaring productivity and rekindling jobs growth.

We See Upward Pressures on Interest Rates Coming Not Just From Energy Inflation, But Also from Roaring Productivity and Rekindling Jobs



Data as at May 30, 2026. Source: KKR Global Macro & Asset Allocation analysis.

Point #5: Valuations Still Argue for ‘High Grading’

On the Equity Side, the Premium for Moving Into High Quality Was As Low As 15%, But Back Up to ~22% Today

Relative Valuations: NTM P/E
(MSCI AC World Quality* Index vs MSCI AC World)



Quality defined as stocks with high ROE, stable earnings, and low leverage. Data as of May 26, 2026. Source: Bloomberg, MSCI, KKR Global Macro & Asset Allocation analysis.

With Relative Credit Spreads As Compressed As They Were in 2021, the Cost to ‘High Grade’ Is Quite Low

Relative Valuations: U.S. Credit Spreads
(BBB - AAA Corporates)



Data as of April 30, 2026. Source: Bloomberg, KKR Global Macro & Asset Allocation analysis.

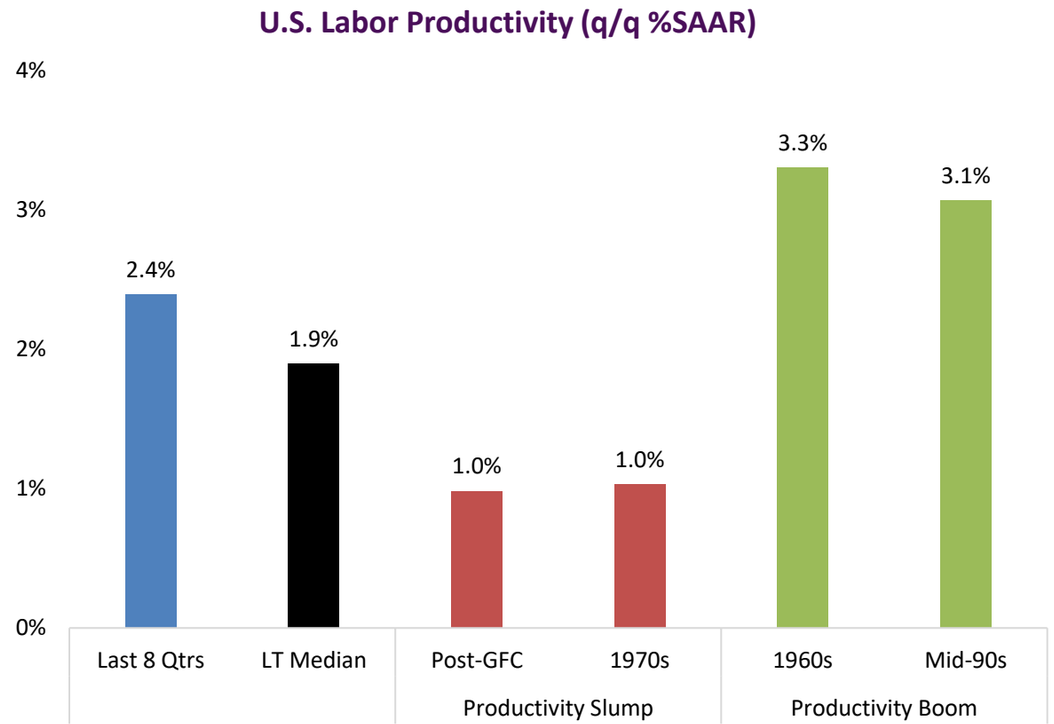
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SECTION THREE

Economic Forecasts

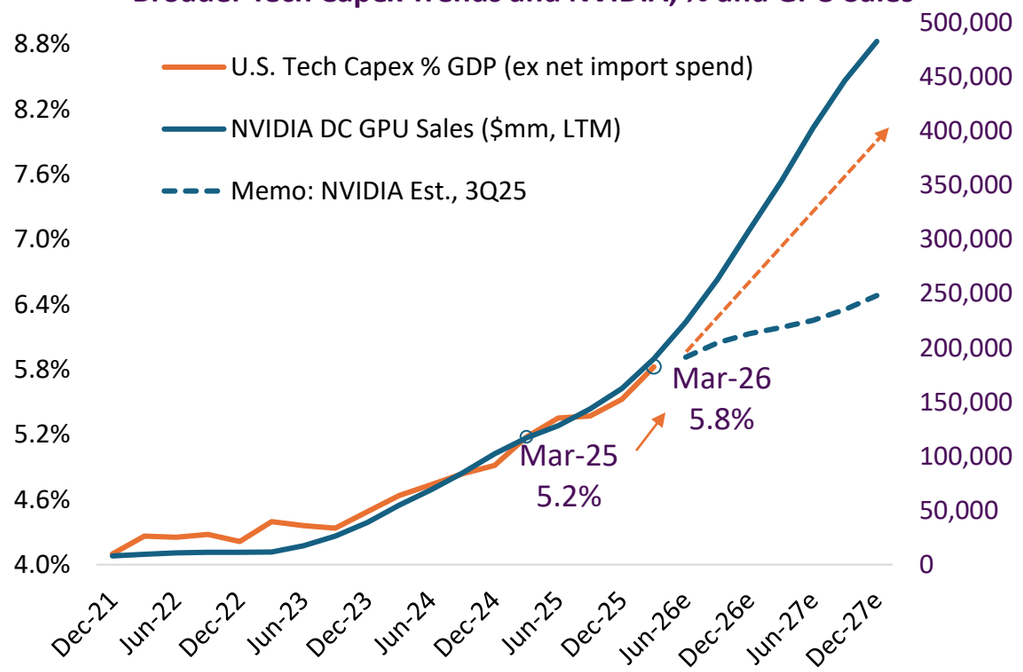
USA: Productivity Is America's Superpower, Which We Think Will Expand Further With AI

Stronger Productivity Is the 'Secret Sauce' to Extending This Business Cycle, But Also Requires a Lot of Capex



1960s and 90s-00s are the 'high' productivity growth (>3%) periods, referring to 1958-1968 and 1995-2005, respectively. 1970s and 2010s are the 'low' productivity growth (<1.5%) periods, referring to 1973-1979 and 2010-2019, respectively. Data as at September 30, 2025. Source: Federal Reserve Bank of San Francisco.

If Overall Tech Capex Remains Correlated With NVIDIA, You Ain't Seen Nothing Yet

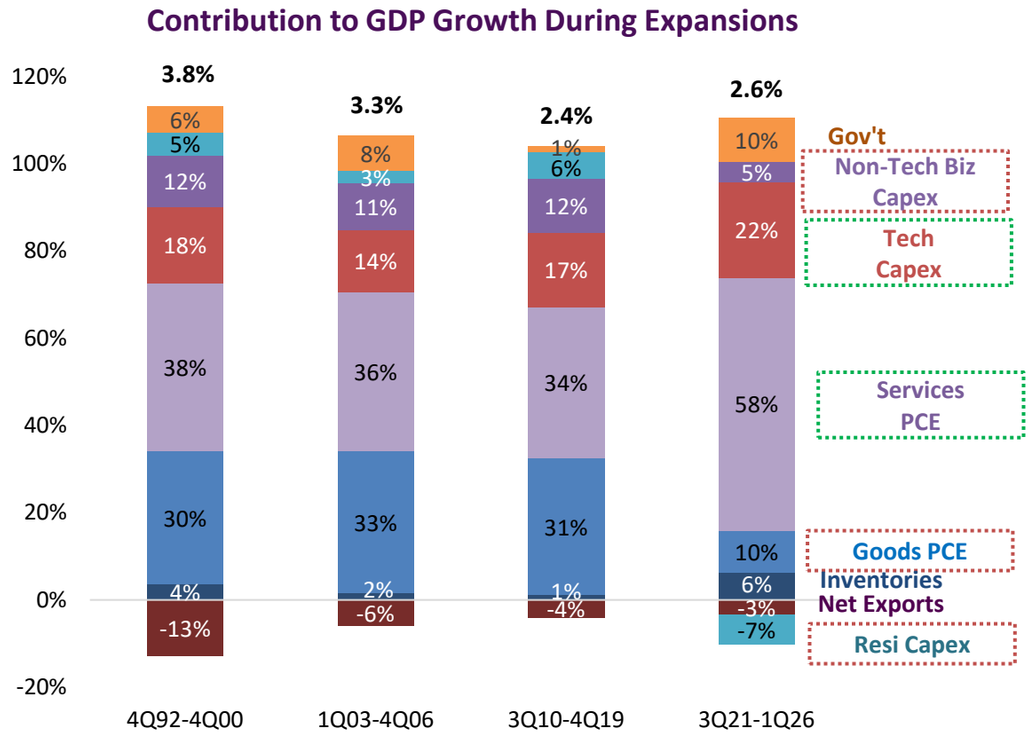


Data as at May 12, 2026. Source: Tech Capex per BEA; NVIDIA historic and forecast sales per Goldman Sachs Research Estimates.

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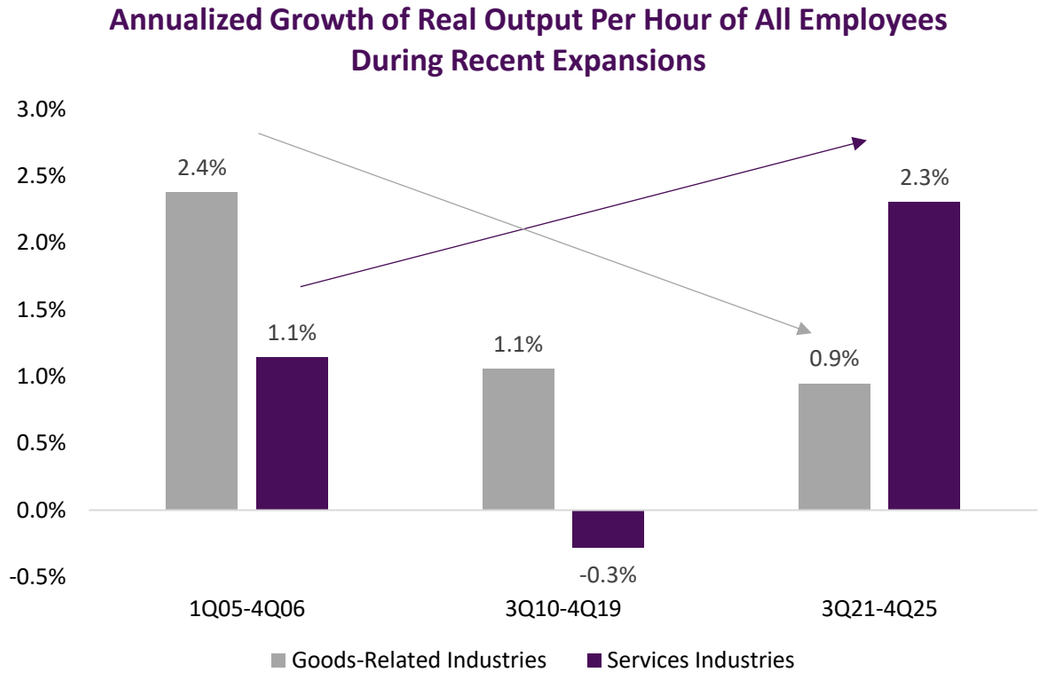
The Expansion Is Also Uniquely Grounded in Services, Which We Think Promotes Better Resilience to Traditional Macro Shocks

Services and Tech Capex Are Driving This Expansion to an Unusual Degree



Data as of May 2026. Source: KKR GMAA Analysis, Haver, BEA.

Services Are Experiencing a Boom Not Just in Consumption, But Also in Productivity

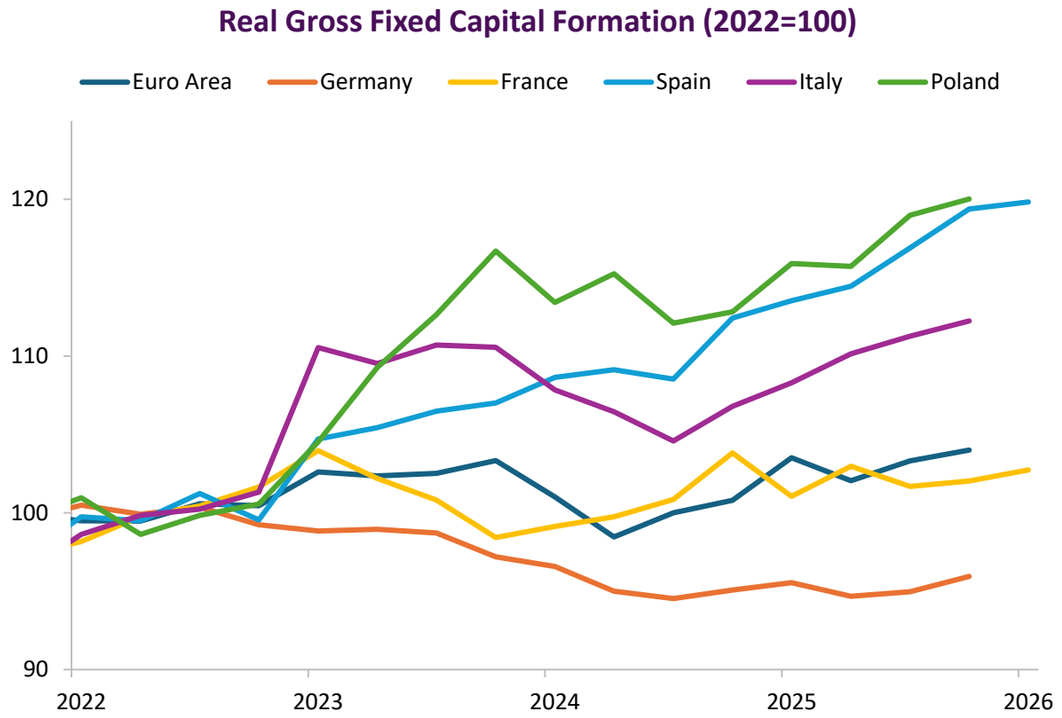


Note: Industries weighted by gross output. Goods-related industries: Mining, Utilities, Construction, Manufacturing, Wholesale Trade, Transportation & Warehousing. Services-related industries: Retail, Information, Finance & Insurance, RE Rental and Leasing, Professional & Business Services, Educational Services, Healthcare and Social Assistance, Arts & Entertainment, Accommodation and Food Services. Data as of May 11, 2026. Source: GMAA analysis, BEA, BLS, Haver.

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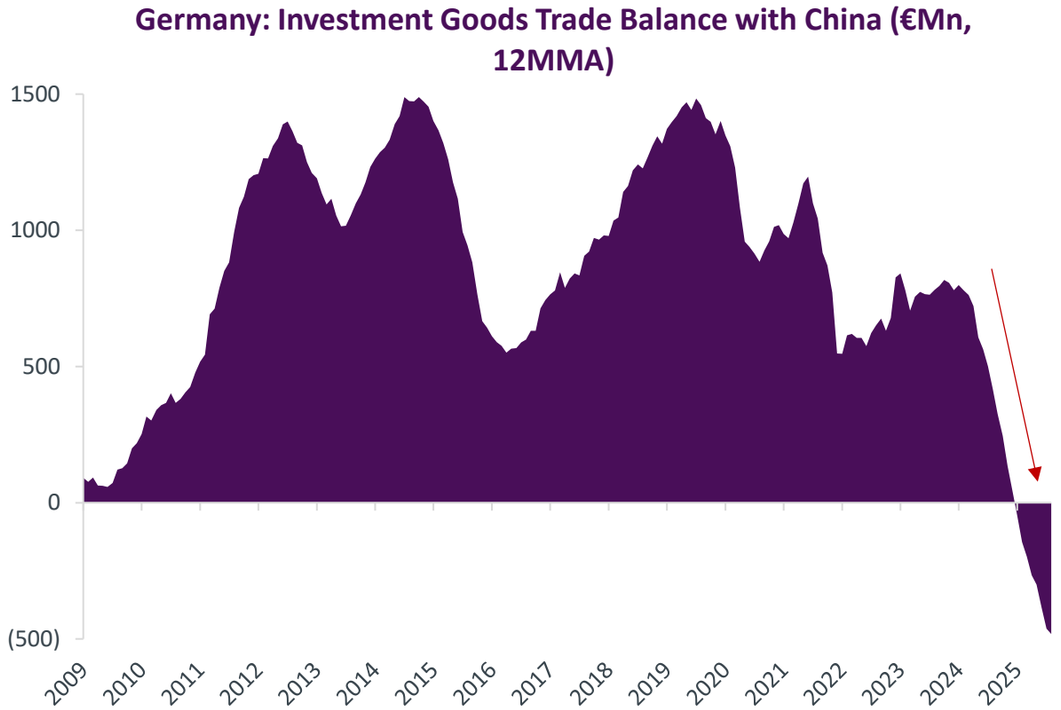
Europe Is Bifurcating, Not Collapsing

The Periphery Is an Important Reminder That European Macro Is Not Uniformly Weak



Data as at 1Q2026. Source: Eurostat, KKR Global Macro & Asset Allocation analysis.

China Is Undoubtedly Moving Up the Value Curve and Now Competes Directly With Germany

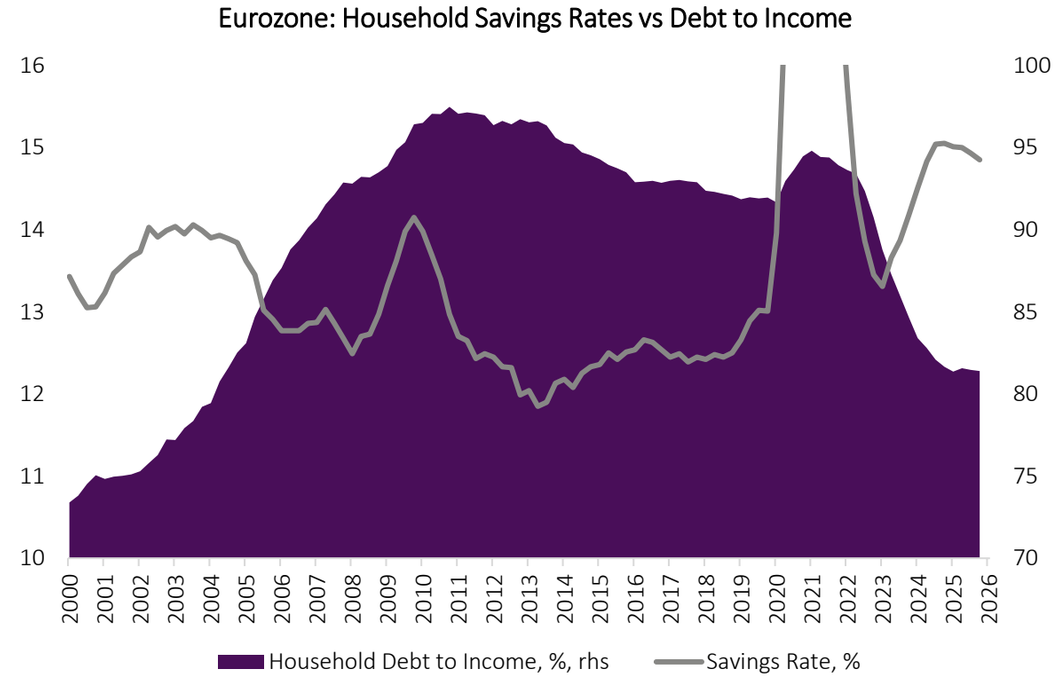


Data as of August 2025. Source: Statistisches Bundesamt

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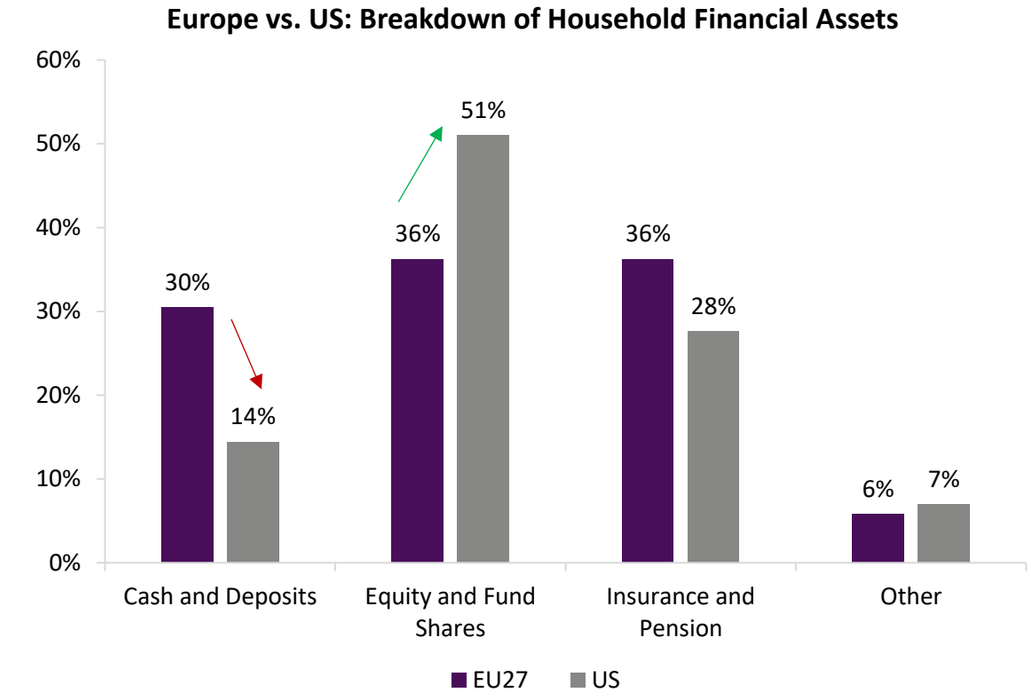
European Households Hold the Cash to Kickstart Growth and Markets

European Households Have Lots of Firepower to Deploy, Savings Rates Remain Higher Than Crisis Levels but Are Starting to Drop



Data as of Q4 25. Source: ECB, KKR Global Macro & Asset Allocation analysis.

Their Savings Had Also Been Concentrated in Unproductive Cash; A Savings and Investments Union Will Help Channel Capital More Effectively



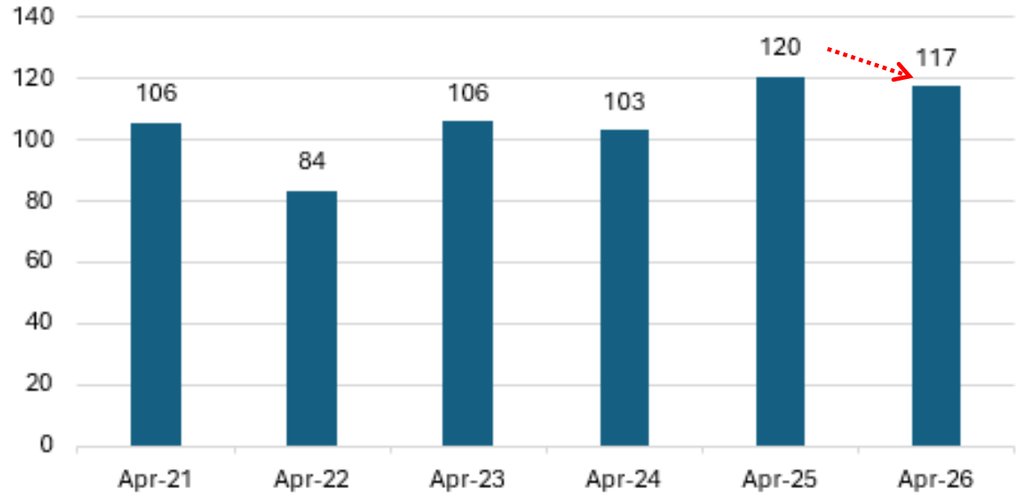
Data as at 2024. Source: Eurostat, BEA, KKR Global Macro & Asset Allocation analysis.

Classification: Limited

German Fiscal Stimulus Has Had a Slow Start Overall, But We Remain Optimistic

German Government Spending on Investment Is Actually Down From the Prior Year

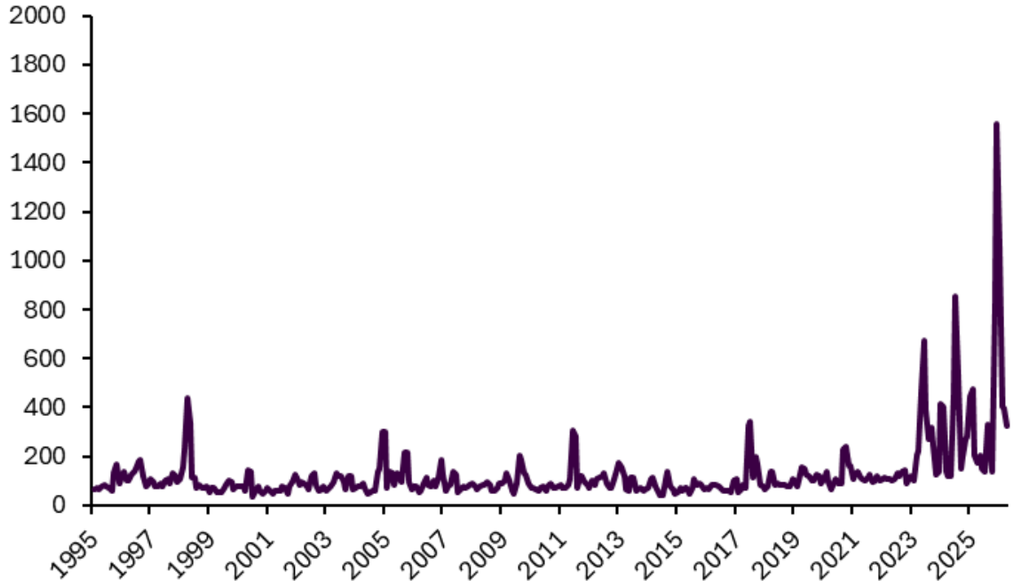
Germany: Trailing 12-Month Government Investment Spending Including Defense and infra, Euro Billions



Data as at May 27, 2026. Source: Haver, KKR Global Macro & Asset Allocation analysis.

However, If There Is Good News, It Is That the Defense Segment of Spending Is Actually Quite Solid

Germany: Domestic Manufacturing Orders Volume: Weapons & Ammunition (2MMA, Pre-2022 Average=100



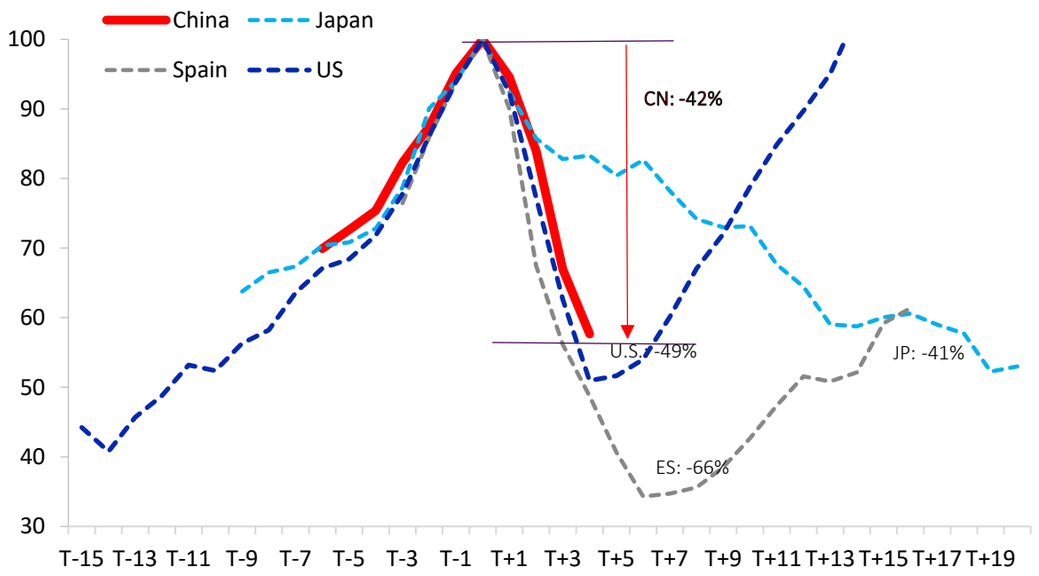
Data as at May 27, 2026. Source: Haver, KKR Global Macro & Asset Allocation analysis.

Classification: Limited

China’s Growth Engine Has Rotated Towards Digitalization, Green Tech, and Advanced Manufacturing. Property and Credit No Longer Drive the Economy

China's Correction Mirrors the U.S. and Spain in Depth, But Inventory Overhang Slows the Clearing

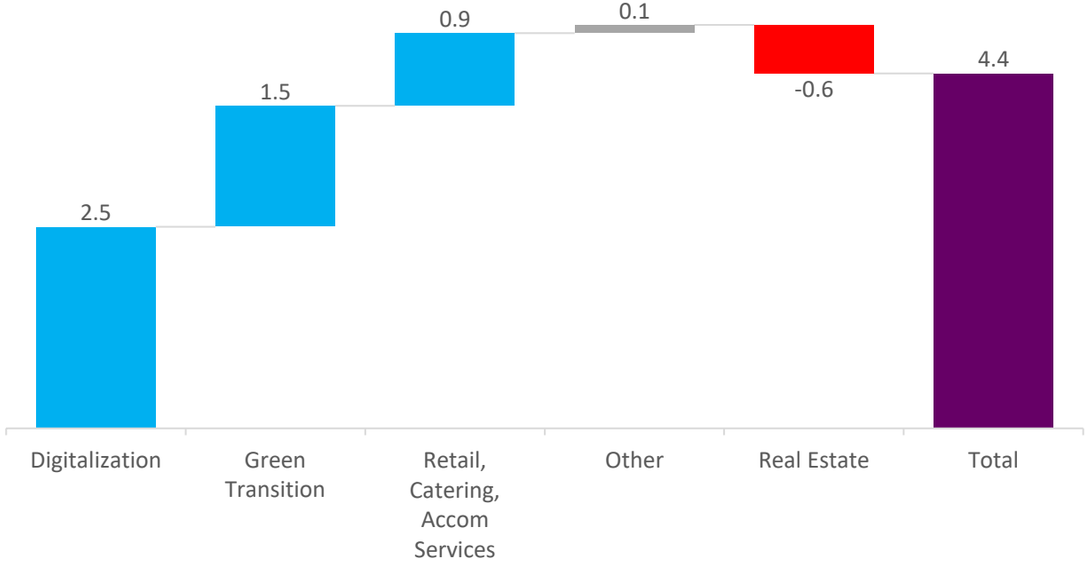
Housing Market Correction Index: China vs. U.S., Japan and Spain



The Housing Market Correction Index is the simple average of the correction index for housing prices, investment and starts. Year T is the peak of the housing bubble, which is 2021 for China. Data as at December 31, 2025. Source: Japan Ministry of Land, Infrastructure and Transport, China Bureau of National Statistics, Federal Housing Finance Agency, Census Bureau, Spanish Statistical Office, Haver Analytics, KKR Global Macro & Asset Allocation analysis.

The ‘New’ Chinese Economy Is Supply Driven in Key Strategic Areas. Demand, However, Remains Weak

China GDP Breakdown by Sector (2027)

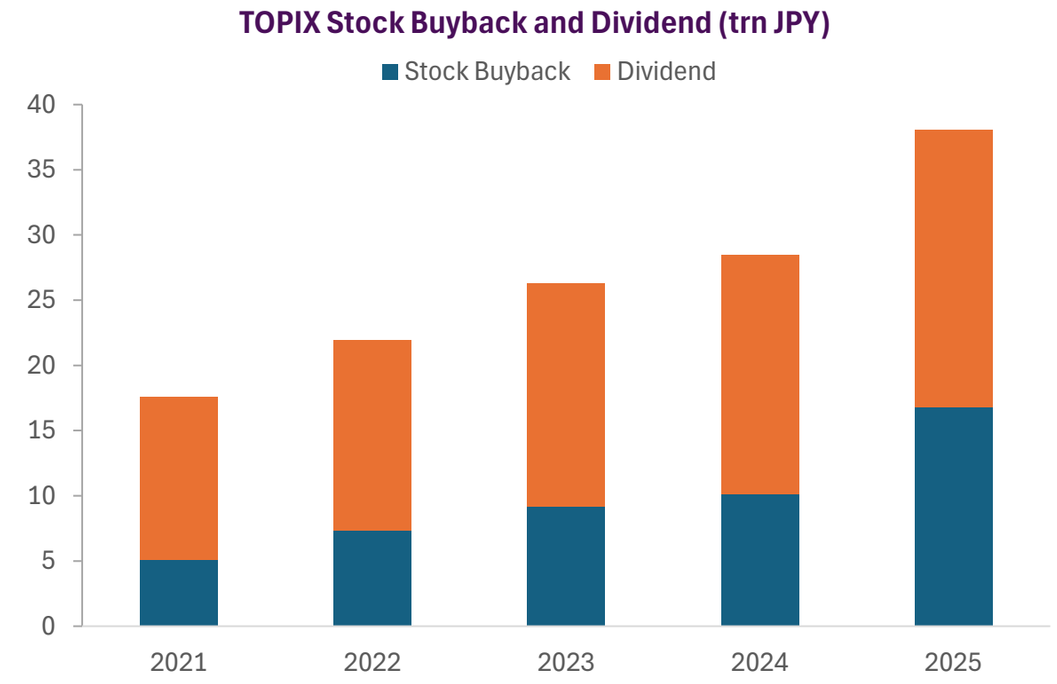


Digitalization is the aggregate of core digital and digital transformation. Core digital industries refer to industries that rely entirely on digital technologies, as well as provide technologies for the digitalization of other industries. Digital transformation refers to enhanced output and improved efficiency achieved by non-digital sectors through the adoption of digital technologies. Green economy includes clean energy, electrified transport, clean industry, etc. Data as at May 17, 2026. Source: CNBS, BNEF, CAICT, KKR Global Macro & Asset Allocation analysis.

Classification: Limited

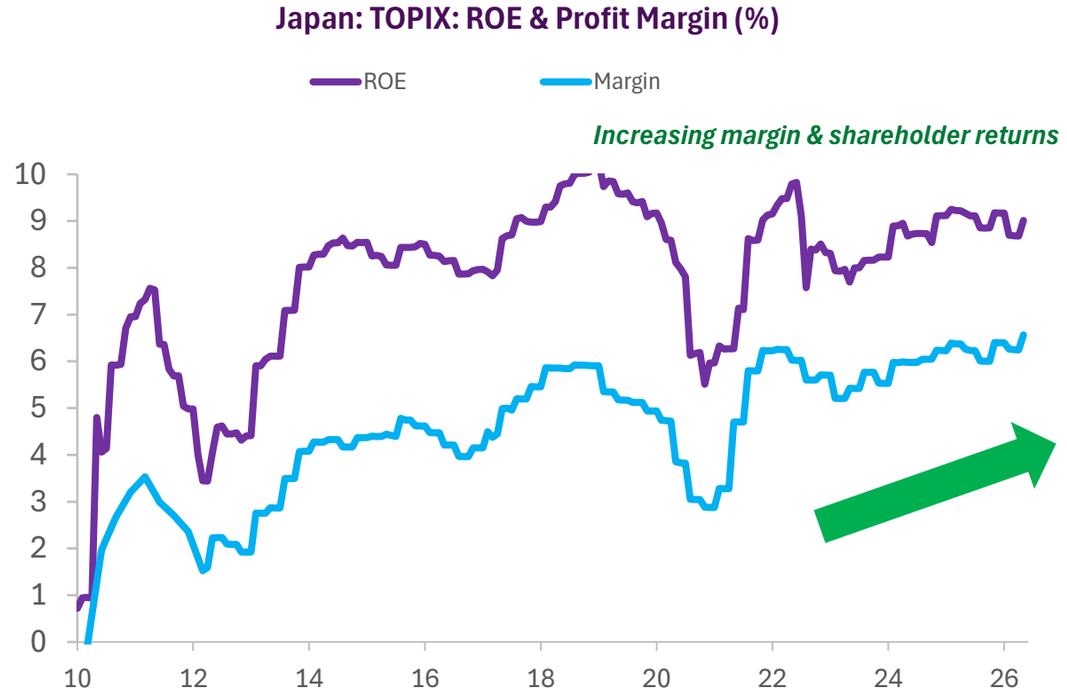
Japan: Strong Capital Management and Improving Profitability Dovetail Nicely With Corporate Carve-Outs and Shareholder Friendly Initiatives

Dividend Payments and Share Buybacks Have Surged Over the Past Two Years



Data as at December 31, 2025. Source: Bloomberg, KKR Global Macro & Asset Allocation analysis.

A Structural Profit Margin Story Is Emerging in Japan



Data as at June 30, 2026. Source: Japan Ministry of Health, Labor & Welfare, KKR Global Macro & Asset Allocation analysis.

Classification: Limited

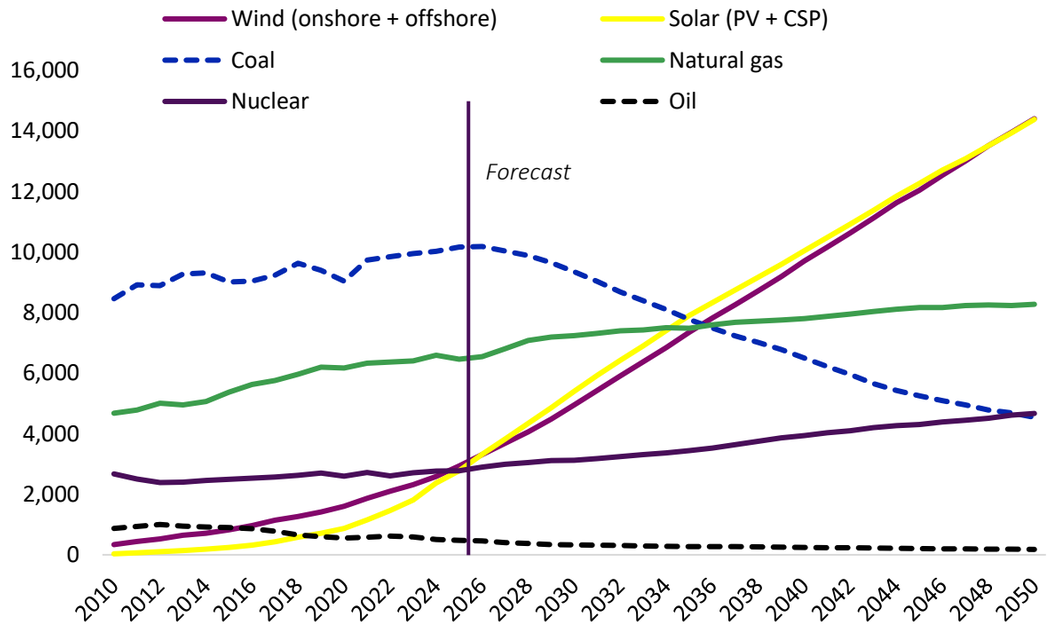
SECTION FOUR

Key Themes

#1: Security of Everything: Resiliency Needed Across Energy, Data, Transport, and Pharma as Security Around AI and Critical Minerals Gains in Importance

Energy Is Now a National Security Matter. We Think All Forms of Global Power Will Be Needed Over the Near to Medium Term

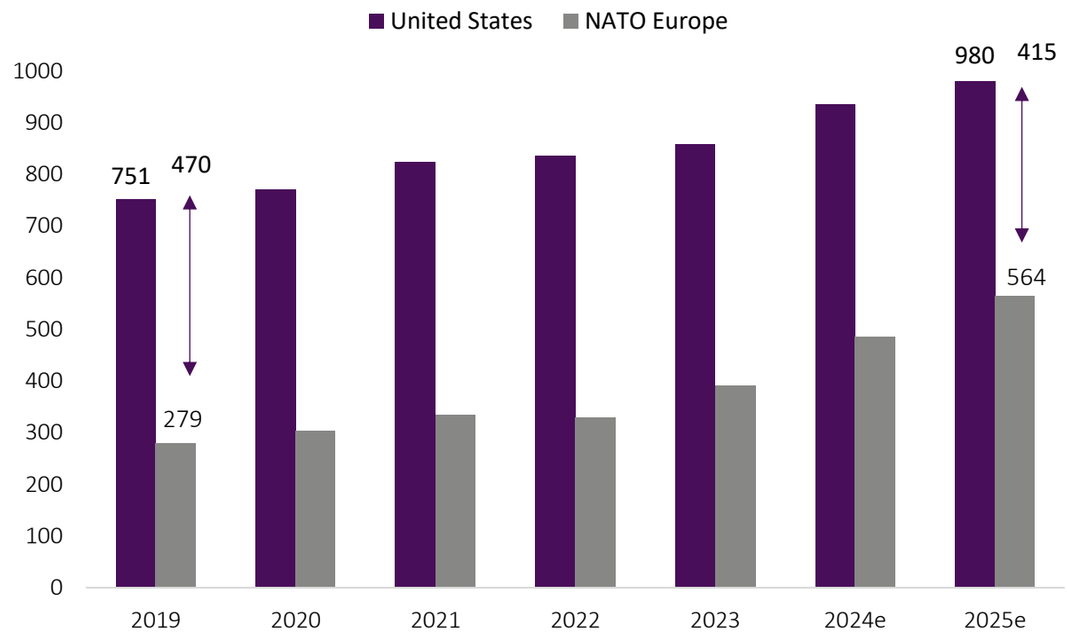
Global Power Penetration by Energy Source (Terawatt Hours)



Traditional fossil fuels represented by dotted lines. Data as at April 30, 2025. Source: S&P Global Commodity Insights.

Uncertainty in the Current Global Security Environment and Heightened Threats Have Prompted Major Investments in Defense Spending

Defense Spending, Europe vs. U.S., US$ Billions

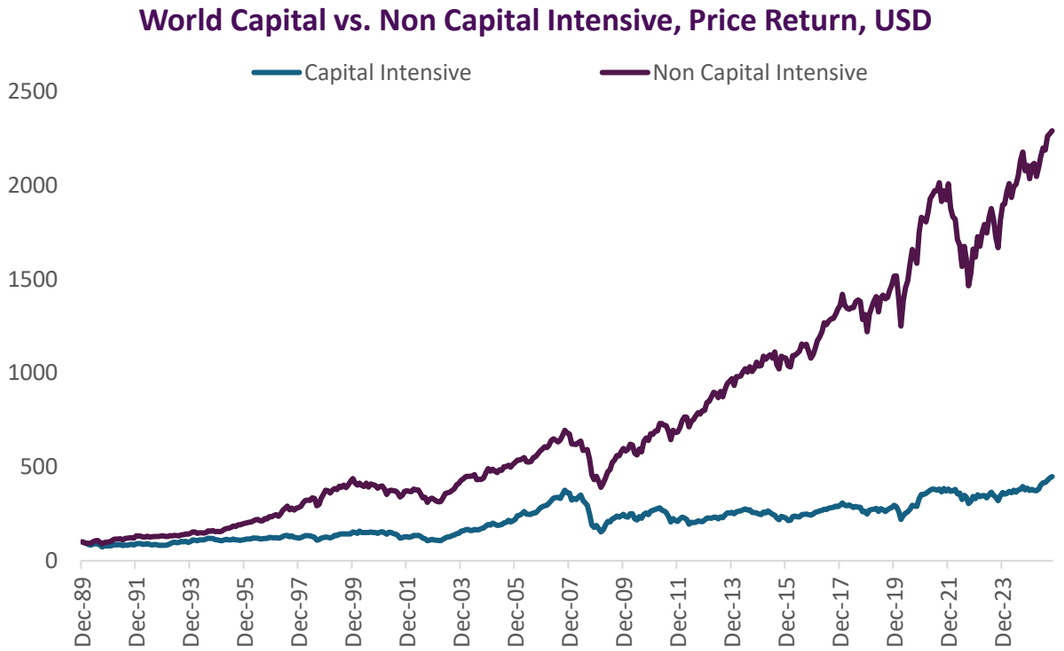


Data as at December 31, 2024. Source: NATO, KKR Global Macro & Asset Allocation analysis.

Classification: Limited

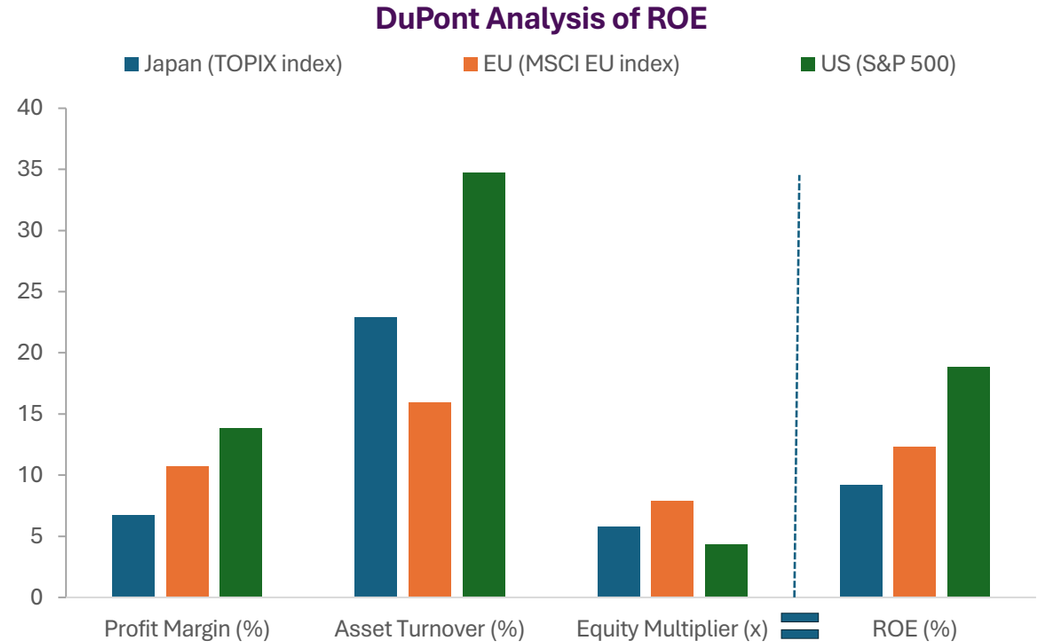
#2: Capital Heavy to Capital Light: Corporates Are Looking to Improve ROE and Valuations by Shedding Non-Strategic Subsidiaries

Non-Capital-Intensive Companies Continue to Lead. We Like Both the Equity Being Converted Towards Capital Light and the Financing of the Assets Being Sold



Capital intensity based on: Assets/Employee, Asset/Net Income, and Capex/Net Income. Data as at May 30, 2026. Source: Goldman Sachs.

Relatively Low Asset Turnover and Net Margins Need to Be Addressed for ROE Improvement in Japan

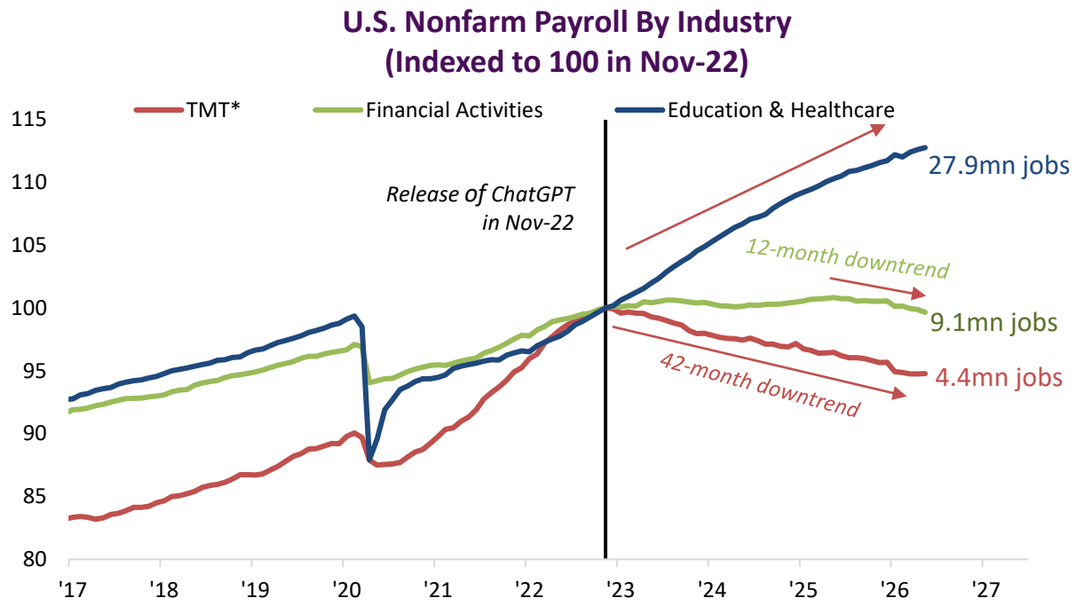


Each country uses the corresponding MSCI index. Data as at December 31, 2025. Source: Bloomberg, KKR Global Macro & Asset Allocation analysis.

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#3: Productivity/Worker Retraining: The Nature of Where and How We Work Will Require a Fresh Perspective

Healthcare/Education Are Still Driving 100% of Job Growth, While Tech and Financials Are Consistently Contracting



Data as at June 5, 2026. Source: Bloomberg, U.S. Bureau of Economic Analysis.

Government Labor Policies Help Workers Adapt to Digital Transformation, But Corporate Investment Is Paramount

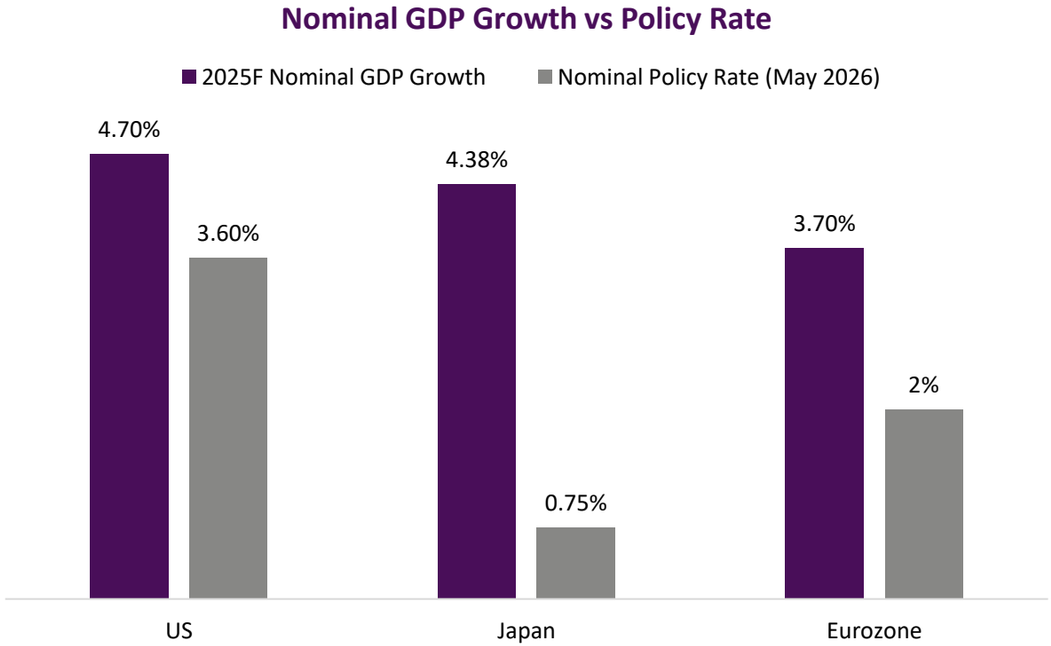


Data as at December 31, 2022. Source: OECD.

Classification: Limited

#4: Collateral-Based Cash Flows: The Need for Inflation Protection and Portfolio Resilience Remains Elevated

Nominal GDP Growth Has Been Clearly Outpacing Policy Rates



China policy rate is 1-year. Data as at May 31, 2026. Source: OECD, Bloomberg, Haver Analytics, KKR Global Macro & Asset Allocation analysis.

$3.7 Trillion Per Year of Investment in Economic Infrastructure Is Needed to 2035 to Keep Pace With Expected GDP Growth

Global Average Infrastructure Need, % of GDP and US$ Trillions

	% of Global GDP per Annum	US$ Trillions Spend in Aggregate, 2017-2035
Roads	1.0%	18.0
Rail	0.4%	7.9
Ports	0.1%	1.6
Airports	0.1%	2.1
Power	1.3%	20.2
Water	0.5%	9.1
Telecom	0.6%	10.4
Total	**4.1%**	**69.4**

Data as at May 15, 2026. Source: U.S. Bureau of Economic Analysis, Haver Analytics, KKR Global Macro & Asset Allocation.

Classification: Limited

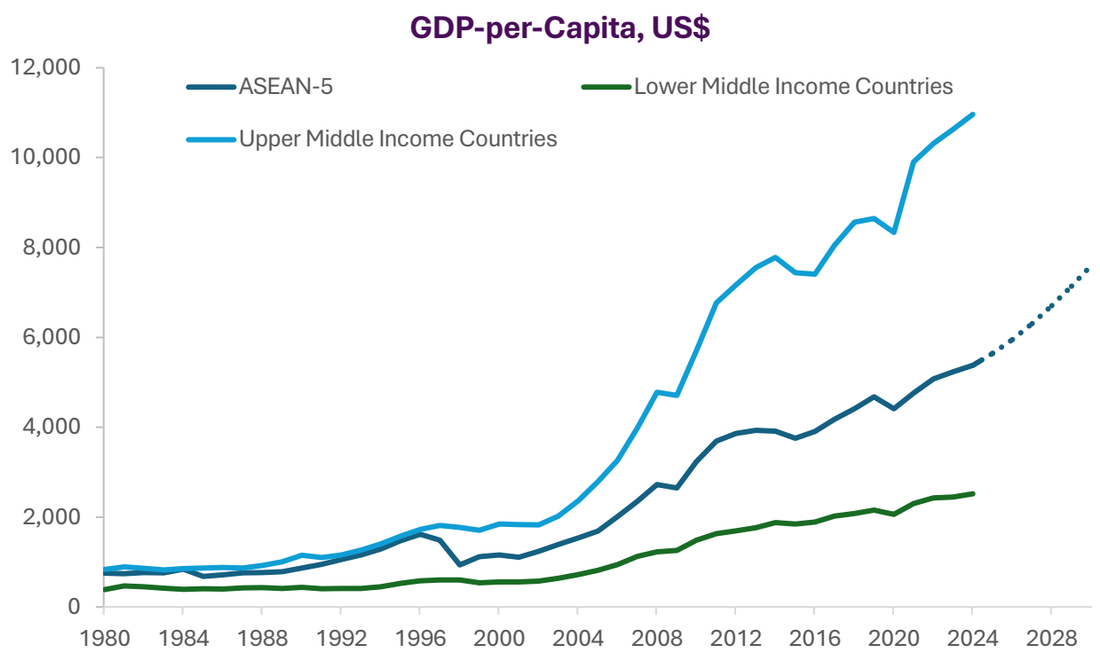
#5: Growth Momentum in Asia Will Be Fueled by Intra-Asia Trade and Consumption Upgrades

Asian Trade Is Becoming More Local as Consumption Grows and Supply Chains Diversify



Data as at December 31, 2025. Source: The Economist, Euromonitor, BCG, KKR Global Macro & Asset Allocation analysis.

Southeast Asian Countries Are On Track to Attain Upper Middle-Income Status by the End of the Decade



Data as at July 2, 2025. Source: IMF, United Nations, World Bank, KKR Global Macro & Asset Allocation analysis.

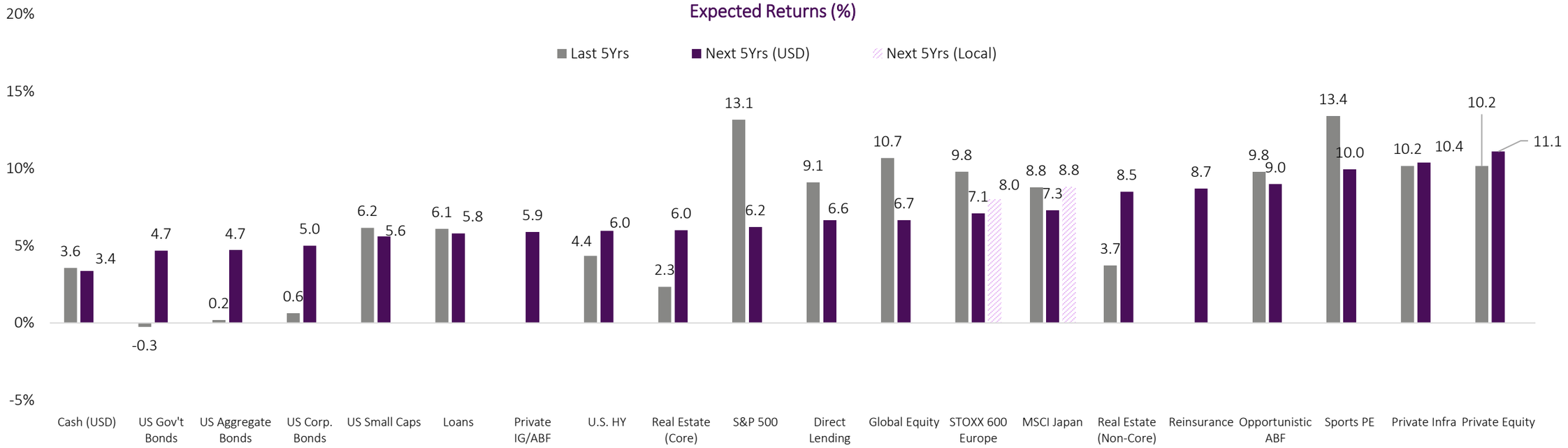
Classification: Limited

SECTION FIVE

Asset Allocation: Think Differently

Our Expected Returns Forecast Embeds a Higher Neutral Rate, Credit Normalization, a Weaker Dollar, and Ongoing Value in the Illiquidity Premium

Private Equity, Real Assets, and Private Credit Stand Out as Some of the Most Attractive Sources of Return Over the Next Five Years



Last 5 Year return from April 30, 2021 to April 30, 2026 for consistency across asset classes (Private markets as Q4 '25). Note: Capital markets assumptions are average across all quartiles annualized total returns. Forecasts represent five-year annualized total return expectations. For private asset classes (Private Credit, Private Infra, Private Real Estate, and Private Equity), returns are representative of the median manager return net of Fee/Carry. Source: Bloomberg, BofA, Burgiss, Cambridge, KKR Global Macro & Asset Allocation analysis. Compound Annual Growth Rate (CAGR) measures an investment's growth rate, assuming profits are reinvested at the end of each period. Private Real Estate modeled using the Cambridge Associates Real Estate Index. Private Infrastructure modeled using the Cambridge Associates Infrastructure Index. Private Equity modeled using the Cambridge Associates Private Equity Index. Private Credit modeled using the Cliffwater Direct Lending Index. No representation is made that the trends depicted or described above will continue. For Financial Advisor Use Only. Target returns are hypothetical in nature and are shown for illustrative, informational purposes only Past performance does not guarantee future results. Indexes are unmanaged. It is not possible to invest directly in an index. Model returns are hypothetical in nature and are shown for illustrative, informational purposes only. *Past performance does not guarantee future results.* For Financial Advisor Use Only.

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We Have a Lower S&P 500 Return Profile Because Periods of Strong S&P 500 Outperformance Typically Precede Lower Future Public Equity Returns

Given Outsized Trailing Returns and Lofty Embedded Growth Expectations, Future Returns Are Likely to Be More Muted. The Exception to Mediocre 5-Year Forward Returns Was the 1990s

S&P 500 Performance Regimes

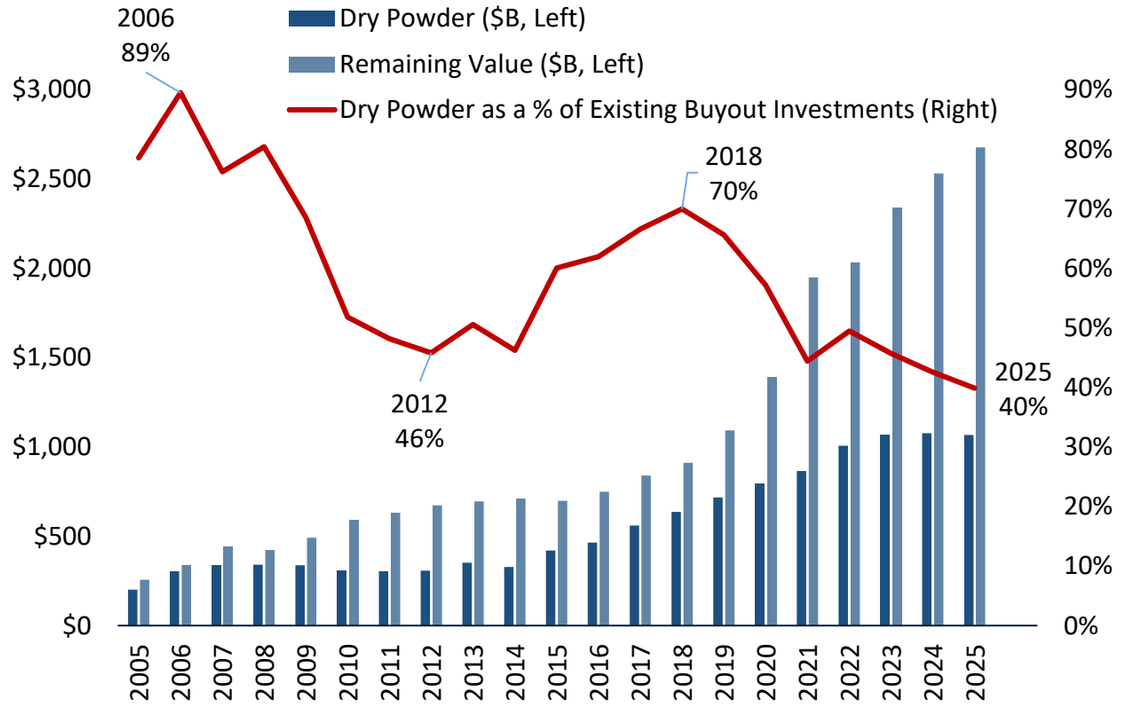
Trailing 3-Year (Annualized)	1-Year Forward				5-Year Forward (Annualized)			
	Earnings Growth	Dividends	P/E Repricing	Total Return	Earnings Growth	Dividends	P/E Repricing	Total Return
-15%	7.8%	2.4%	2.7%	13.0%	7.5%	2.3%	1.5%	11.4%
-10%	7.5%	2.4%	2.5%	12.5%	7.3%	2.4%	1.7%	11.3%
-5%	7.0%	2.4%	3.0%	12.4%	7.0%	2.4%	1.8%	11.1%
0%	6.8%	2.5%	3.5%	12.8%	6.9%	2.4%	2.1%	11.4%
5%	7.3%	2.5%	3.8%	13.6%	7.1%	2.4%	2.3%	11.8%
10%	7.3%	2.5%	3.9%	13.7%	6.7%	2.4%	2.2%	11.4%
15%	8.1%	2.6%	2.0%	12.7%	5.5%	2.5%	1.9%	9.9%
20% (This is where we are today)	7.0%	2.2%	3.8%	13.0%	3.6%	2.2%	-0.5%	5.3%
25%	11.0%	2.0%	-1.4%	11.6%	2.7%	2.0%	-1.8%	2.9%
Average (1981-2025)	7.8%	2.4%	2.7%	13.0%	7.5%	2.3%	1.5%	11.4%

Data as at November 24, 2025. Source: S&P, Bloomberg, KKR Global Macro & Asset Allocation analysis.

At the Same Time, Our Private Equity Inputs Are Now Suggesting Better Relative Performance versus Public Equities

The Outstanding Stock of Private Investments Relative to Dry Powder Suggest an Opportunity is Emerging

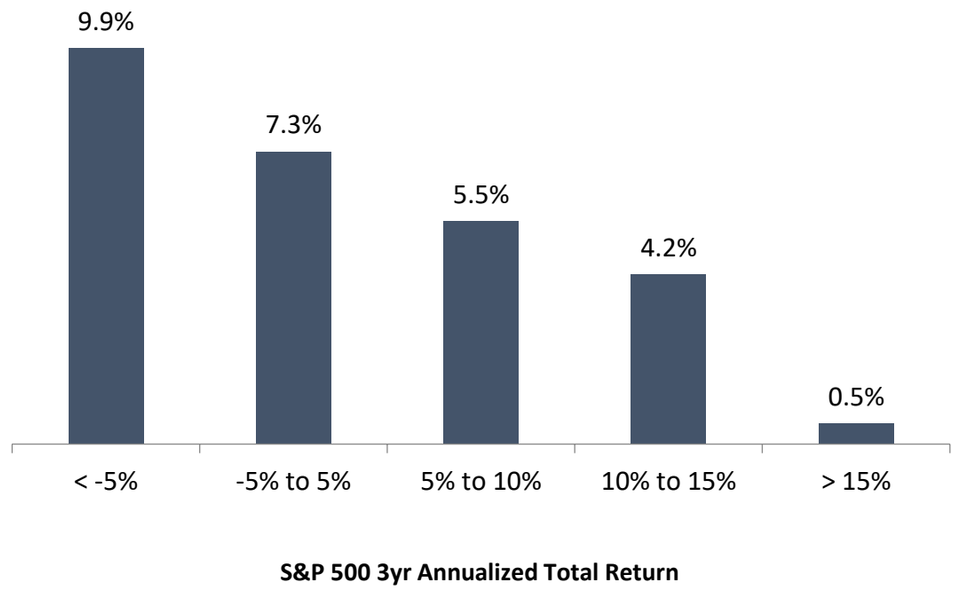
U.S. Buyout Dry Powder vs. Remaining Value of Existing Investments



Data as at 3Q25. Source: KKR GMAA, Pitchbook data.

Private Equity Tends to Outperform When Expected Returns Are Modest-to-Weak; Conversely, Private Equity Underperforms During Periods of Raging Bull Markets

Avg. 3yr Annualized Excess Total Return of U.S. Private Equity Relative to S&P 500 Across Public Market Return Regimes

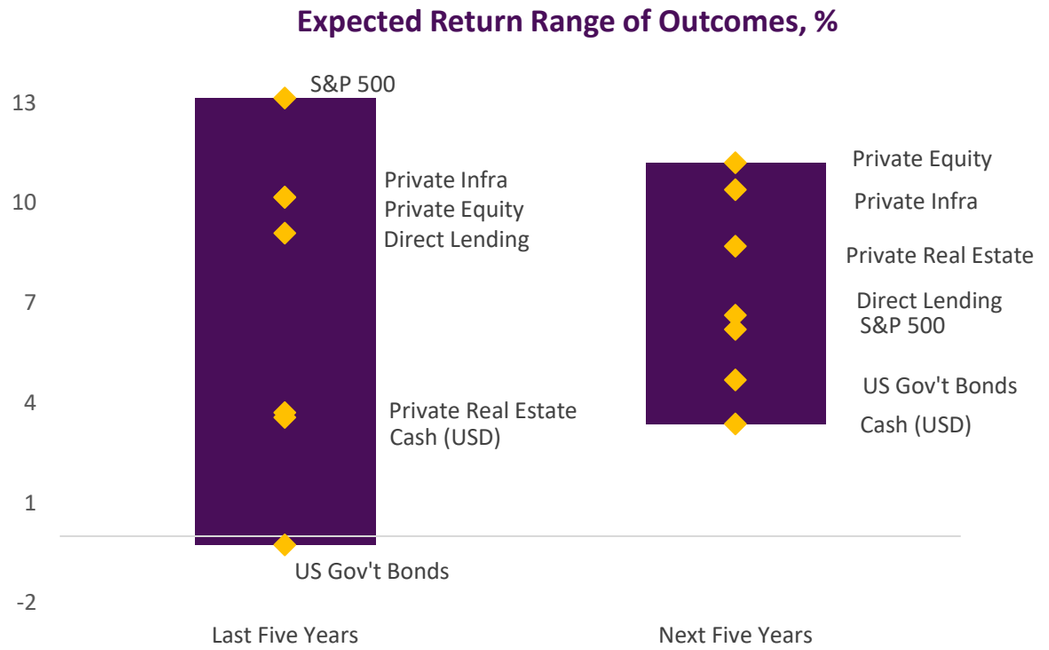


Source: KKR GMAA analysis, Cambridge Associates, S&P,
Latest available data as of December 31, 2025. Observation Period = 1Q86-2Q22. The Cambridge Associates LLC U.S. Private Equity Index® is an end-to-end calculation based on data compiled from 1,482 U.S. private equity funds (buyout, growth equity, private equity energy and mezzanine funds), including fully liquidated partnerships, formed between 1986 and 2022. Pooled end-to-end return, net of fees, expenses, and carried interest. Historic quarterly returns are updated in each year-end report to adjust for changes in the index sample.

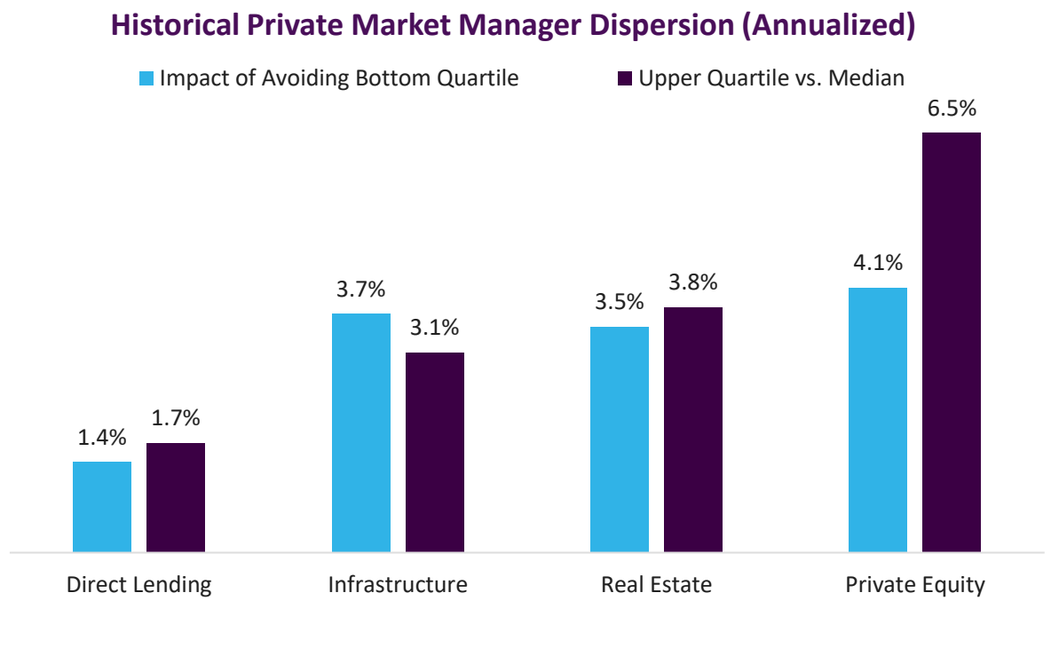
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Overall, Across Asset Classes, We See a Tighter Range of Outcomes, Which Means Manager Selection, Non-Correlation, and Upfront Yield Will Matter More

The Forward-Looking Expected Range of Outcomes Continues to Narrow, We Believe



The Forward-Looking Expected Range of Outcomes Continues to Narrow, We Believe

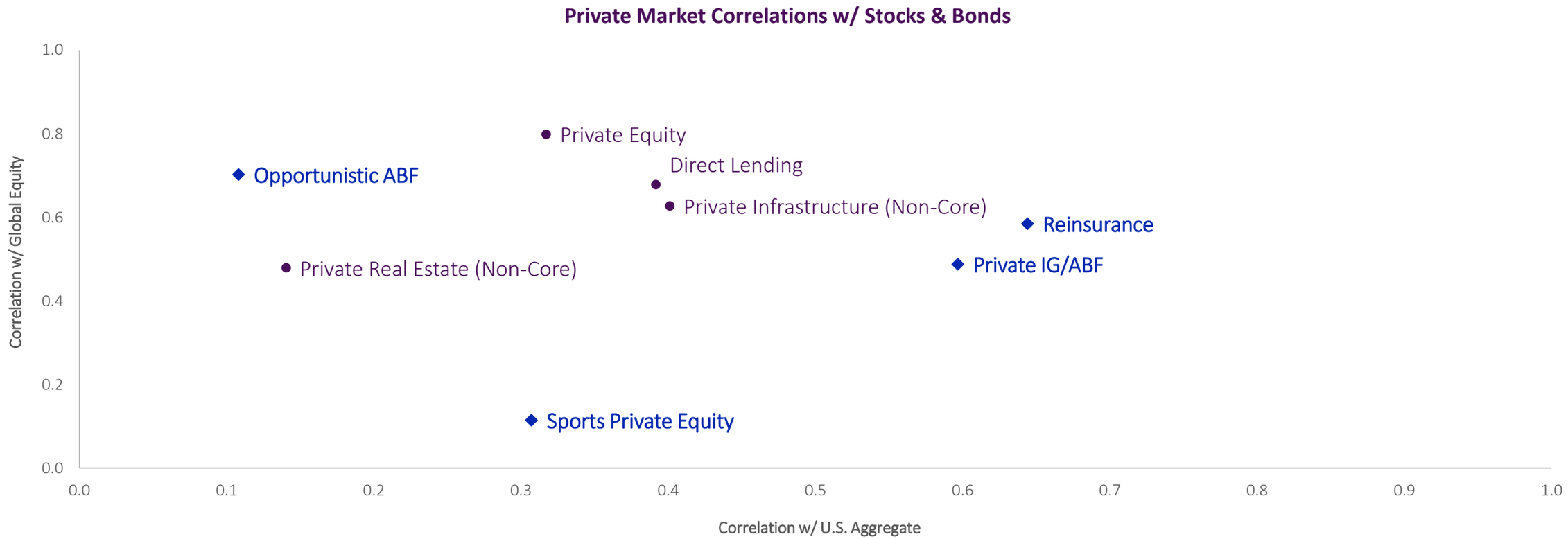


Last 5-Years return from April 30, 2021 to April 30, 2026 for consistency across asset classes. Private Markets as at 4Q25. Note: Capital markets assumptions are average across all quartiles annualized total returns. Forecasts represent five-year annualized total return expectations. For private asset classes (Private Credit, Private Infra, Private Real Estate, and Private Equity), returns are representative of the median manager return net of Fee/Carry. Source: Bloomberg, BofA, Burgiss, Cambridge, KKR Global Macro & Asset Allocation analysis. Compound Annual Growth Rate (CAGR) measures an investment's growth rate, assuming profits are reinvested at the end of each period. Private Real Estate modeled using the Cambridge Associates Real Estate Index. Private Infrastructure modeled using the Cambridge Associates Infrastructure Index. Private Equity modeled using the Cambridge Associates Private Equity Index. Private Credit modeled using the Cliffwater Direct Lending Index. No representation is made that the trends depicted or described above will continue. For Financial Advisor Use Only. Target returns are hypothetical in nature and are shown for illustrative, informational purposes only Past performance does not guarantee future results. Indexes are unmanaged. It is not possible to invest directly in an index. Model returns are hypothetical in nature and are shown for illustrative, informational purposes only. Past performance does not guarantee future results. For Financial Advisor Use Only.

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Of Late, KKR's Balance Sheet Has Leaned Further Into Areas That Can Deliver Strong Returns, Yield, and Low Correlation

The New Private Markets Asset Classes Introduced Are Diversifying Exposures That Can Help Investors Reduce Reliance On the Public Equity and Fixed Income Allocations That Still Dominate Many Portfolios



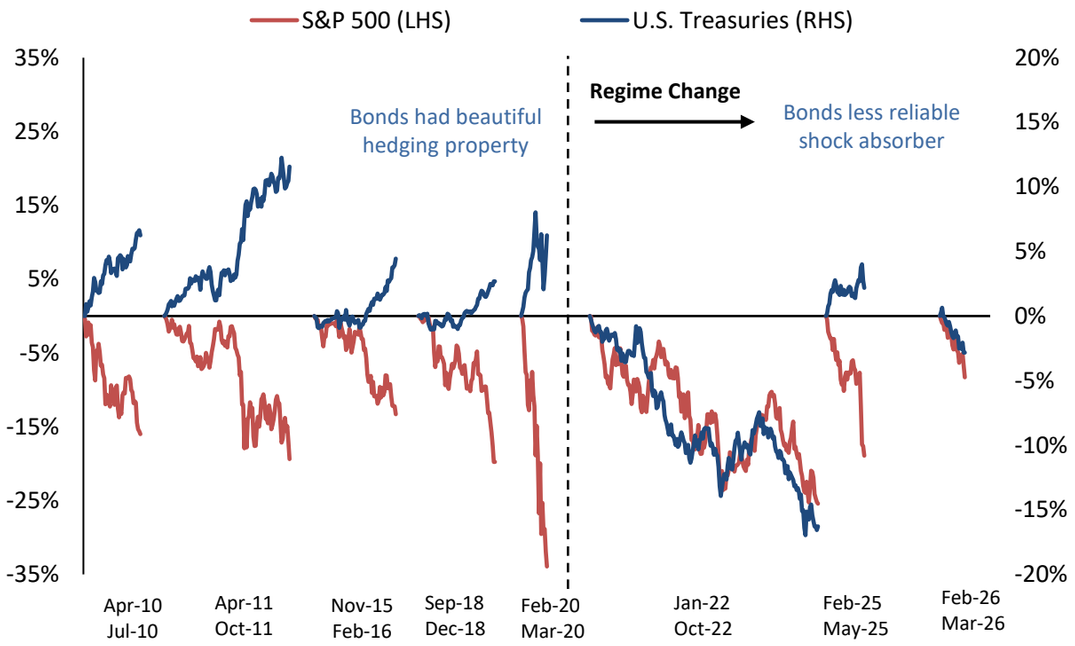
Data as of 4Q2025. Source: Burgiss, Cambridge Associates, NCREIF, Bloomberg, MSCI, JPM, University of Michigan Ross School of Business, KKR Global Macro & Asset Allocation analysis.

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Our Bottom Line: Think Differently About Traditional Portfolio Theory. This Time Is Indeed Different

Consistent With Our *Regime Change* Framework, Bonds Have Become Consistently Less Effective Shock Absorbers During Recent S&P 500 Corrections

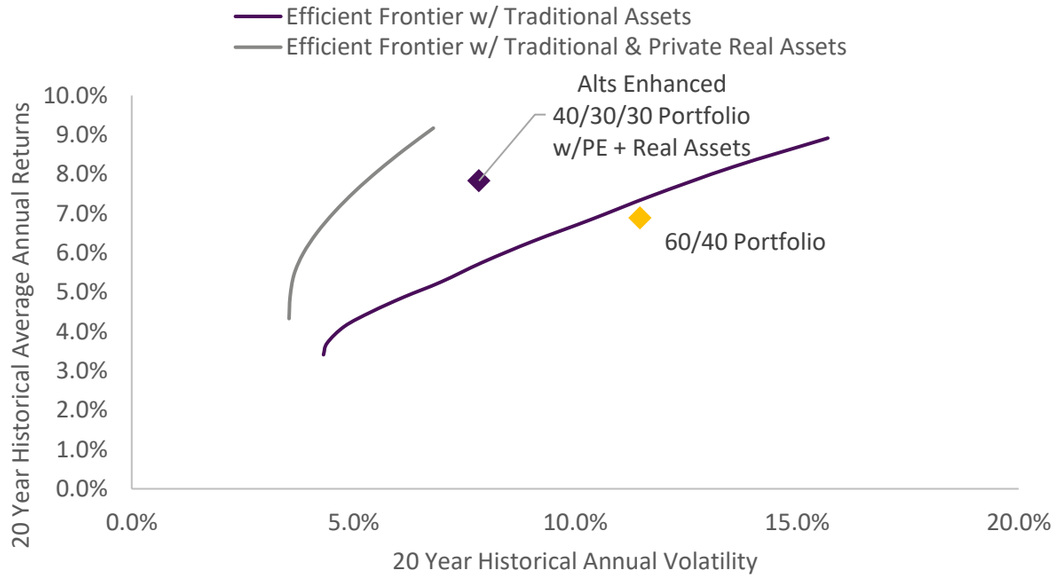
UST Performance During Prior S&P 500 Corrections



Data as at March 27, 2026. Source: Bloomberg, Haver, KKR Global Macro & Asset Allocation analysis.

Our Regime Change Thesis Suggests That Allocators Need to Think Differently About Asset Allocation

20 Year Average Annual Returns and Volatility of Real Assets and 60/40 Portfolios, %



Data as of Dec 2024. Correlation and volatility using 20 years of quarterly return since Dec 2004. Efficient Frontier w Traditional Assets running with Global Equity (MSCI World), Global Treasury (BBG Global Agg Treasury), US IG (BBG US Agg Index), US High Yield (BBG US Corp High Yield Index), US TIPS (S&P 10Y US Tips Index), Efficient Frontier w Private Assets include all the strategies mentioned and Private Infrastructure (Burgiss Private Global Infrastructure Index), Private Real Estate Equity (Burgiss Private Global Real Estate Index), Private Real Estate Debt (Giliberto-Levy L1 index). 60/40 portfolio is composed of 60% Global Equity and 40% mix of Global Treasury, US IG, and US High Yield. Alts Enhanced w/ PE 40/30/30 is composed of 60% of Global Equity, 30% mix of Global Treasury, US IG, US High Yield, 10% Private Equity, 10% Private Credit, 5% Private Infrastructure, and 5% Private Real Estate Equity. Source: Cambridge, Burgiss, Bloomberg, ICE, KKR Global Macro & Asset Allocation analysis.

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SECTION SIX

Conclusions

Conclusions

01 We are in a *Divergence Conundrum* for good reason: national security and AI. However, many traditional parts of the economy are lagging due to higher rates, declining growth, and income disparities

02 We expect the current productivity boom to accelerate, not slow, in the coming quarters. Our ‘Capex Over Consumption’ thesis should continue to thrive

03 There are several compelling mega investment themes that will likely require trillions of dollars in private capital to achieve their potential

04 In addition to investing acumen, the best tools to navigate this tricky period are proprietary origination, portfolio construction, and operational levers

05 Asset Allocation: Think differently. We are in a *Regime Change* where manager selection, non-correlation, and cash matter more than they have in several decades

The above reflects the current market views, opinions and expectations of the speaker and should not be viewed as a solicitation of any KKR sponsored product or investment.

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Washington State Investment Board

COMMINGLED TRUST FUND (CTF) RISK ANALYSIS: HISTORICAL STRESS EVENTS AND FORWARD-LOOKING RISK SCENARIOS







JULY 15, 2026

Risk Management and Asset Allocation (RMAA)

Kristi Bromley, Assistant Senior Investment Officer

AGENDA

- CTF Risk Management Principles
- The Importance of Limiting Large Losses
- Case Studies: the CTF During Historical Periods of Stress
- The CTF and Current Market Concerns
- How is the CTF positioned for a crisis now?
- Concluding Thoughts

A TIME-TESTED APPROACH TO RISK MANAGEMENT



Long-term investing and diversification are core components of the Washington State Investment Board's (WSIB) investment philosophy and long-term success

The CTF has successfully weathered crises in the past, reinforcing the importance of maintaining discipline and avoiding overreaction

Staff continuously monitors and evaluates risks to inform portfolio positioning and maintain appropriate risk management tools

GUIDED BY OUR RISK MANAGEMENT PRINCIPLES



The WSIB will

- Maintain a disciplined, long-term investment approach
- Build diversification across and within asset classes
- Exercise prudence through disciplined portfolio management
- Manage liquidity to meet beneficiary needs and capital calls
  - Utilizing strategic liquidity targets, annual planning, and liquidity management tools
- Continuously monitor liquidity, exposures, and portfolio positioning

The WSIB will not

- Overreact to short-term volatility or market headlines
- Engage in tactical asset allocation or attempt to time the markets
- Engage in forced selling during periods of depressed valuations
- Compromise long-term return objectives

CTF RISK MANAGEMENT APPROACH

FUNDAMENTAL RISK MANAGEMENT FRAMEWORK

Retirement Program-Driven

- The state's contributions are not determined by the WSIB; therefore, we appreciate that future contributions are uncertain, and we should incorporate this uncertainty into scenario analysis
- Focus on managing to the risk characteristics as defined by the nature of future cash flows
- Determining a prudent level of risk is not possible without acknowledging liabilities and related cash flows

Investment-Driven

- Manage risk by identifying active risk to determine if risk characteristics are in line with assumptions underlying the asset allocation
- Focus on comprehensive understanding of the total portfolio or "knowing what we own"
- Draw on existing risk management processes within asset classes for centralizing portfolio information into a periodic reporting package

Market-Driven

- Monitor changes in market environment that could alter our risk profile independent of any action on WSIB's part
- This framework supports monitoring of market data to draw insights about market risks and opportunities
- Market scenarios are modeled for discussion and insights from managers and partners are brought forward for discussion

THE IMPORTANCE OF LIMITING LARGE LOSSES

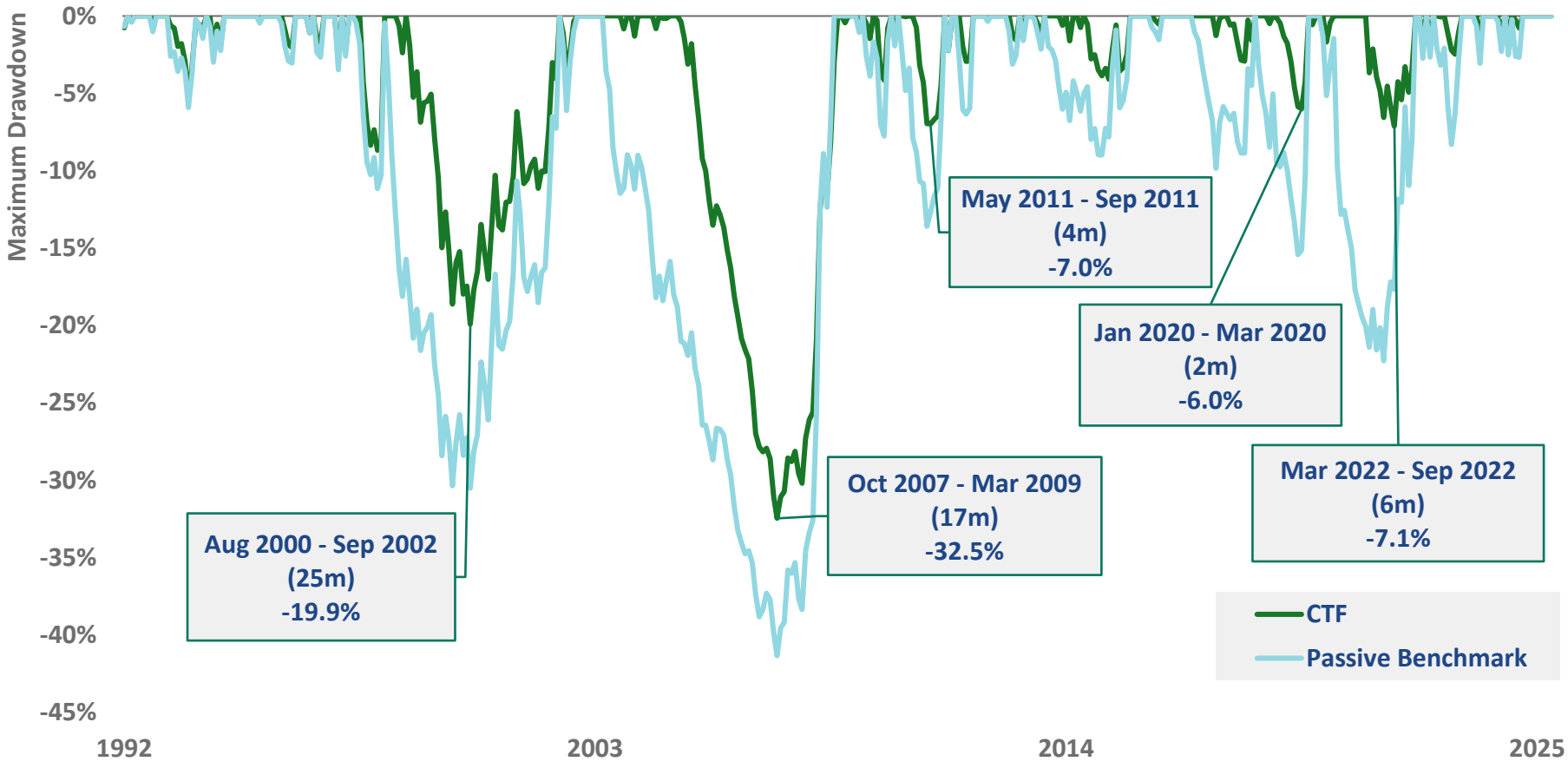
Large losses require ever larger gains to get back to break-even

Drop in Value	Gain Needed to Break-Even
-10%	+11%
-20%	+25%
-30%	+43%
-40%	+67%
-50%	+100%

Example math: starting with $100, a 20 percent loss reduces wealth to $80. To get back to $100 a gain of $20 is needed, which is now 20/80 = 25 percent of the wealth.

THE CTF HAS OUTPERFORMED IN MAJOR MARKET DOWNTURNS

The CTF's diversification across asset classes and the implementation of the asset classes have consistently limited losses relative to the passive benchmark



Source: CTF Passive Benchmark: 69% MSCI ACWI IMI w/ U.S. Gross and 31% Bloomberg Universal and a custom historical blend. Drawdown analysis is shown since fund inception in June 1992.

THE CTF DURING THE DOT-COM ERA

	Calendar Year Return						
Asset Class	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**
Cash	5.3%	5.1%	1.3%	4.1%	1.4%	0.9%	0.9%
Fixed Income	8.1%	-0.1%	10.6%	9.5%	9.6%	6.9%	5.1%
Private Equity	6.1%	24.3%	36.3%	-15.7%	-4.5%	3.7%	24.2%
Non-US Equity	9.3%	38.3%	-14.1%	-18.3%	-14.2%	39.2%	21.1%
U.S. Equity	23.1%	23.8%	-9.2%	-10.8%	-21.3%	31.8%	12.5%
Real Estate	5.4%	10.8%	14.0%	10.8%	11.1%	11.5%	13.5%
CTF	14.0%	18.5%	0.4%	-5.4%	-7.2%	19.2%	13.6%
Passive Benchmark	19.1%	16.8%	-5.9%	-7.5%	-12.6%	26.2%	11.9%

Maximum Drawdown: 19.9 percent (August 31, 2000–September 30, 2002)

THE CTF DURING THE 2007-2009 GLOBAL FINANCIAL CRISIS (GFC)

	Calendar Year Return						
Asset Class	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Cash	4.6%	5.4%	2.7%	0.4%	0.2%	0.1%	0.2%
Fixed Income	4.7%	7.5%	-0.4%	17.3%	8.5%	5.6%	7.9%
Innovation			-43.5%	34.2%	9.9%	-9.2%	14.8%
Private Equity	24.9%	29.3%	-15.3%	-9.6%	18.4%	9.0%	14.6%
Public Equity	21.4%	10.0%	-42.3%	34.0%	14.8%	-6.5%	16.6%
Real Estate	23.8%	24.2%	0.9%	-26.5%	2.4%	10.6%	15.8%
Tangible Assets				-5.3%	2.3%	7.0%	0.9%
CTF	17.9%	14.3%	-21.7%	6.8%	12.5%	2.3%	13.7%
Passive Benchmark	15.4%	8.4%	-30.6%	28.6%	13.2%	-3.0%	13.4%

Maximum Drawdown: 32.5 percent (October 31, 2007–March 31, 2009)

THE CTF DURING THE COVID-19 ERA

	Calendar Year Return							
Asset Class	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Cash	2.0%	2.4%	0.6%	0.1%	1.8%	5.3%	5.4%	4.5%
Fixed Income	-0.6%	10.2%	10.1%	-1.7%	-11.1%	7.3%	2.6%	8.4%
Innovation	-13.5%	10.6%	1.9%	32.6%	3.3%	8.5%	10.9%	5.7%
Private Equity	15.3%	10.6%	18.0%	45.4%	-3.9%	6.9%	9.6%	10.4%
Public Equity	-8.3%	26.5%	14.3%	18.8%	-17.5%	22.8%	16.2%	21.3%
Real Estate	8.1%	12.1%	6.1%	28.4%	27.4%	-0.6%	-1.5%	4.5%
Tangible Assets	5.2%	4.6%	1.8%	14.8%	9.4%	8.0%	11.3%	6.7%
CTF	1.6%	15.6%	12.4%	22.0%	-3.2%	9.2%	7.9%	11.5%
Passive Benchmark	-6.8%	21.3%	14.4%	12.2%	-16.4%	16.9%	12.0%	17.7%

Maximum Drawdown: 7.1 percent (March 31, 2022–September 30, 2022)

POTENTIAL IMPACT OF A CONFLICT IN THE MIDDLE EAST ON THE CTF



RMAA's standard slate of stress tests in the Board Risk Report includes a "Middle East Conflict" scenario intended to model how markets might respond to attacks on oil producers in the region

- Assume oil prices double, U.S. equity markets decrease by 10 percent; other market movements determined by historical correlations
- The CTF would be expected to lose about 6 percent in this scenario[1]

We can also look at actual CTF performance around related historical events

- March 2026 Iran Conflict: -2.1 percent for the month
- February 2022 Russian invasion of Ukraine: +1.4 percent for the month
  - +1.3 percent for subsequent year
- March 2003 Start of second Gulf War: +0.3 percent for the month
  - +25.5 percent for subsequent year

[1] Stress tests in this section were conducted using MSCI BarraOne

POTENTIAL IMPACT OF STAGFLATION ON THE CTF



Stagflation refers to periods of low ("stagnant") growth, high inflation, and high unemployment

- **Examples: 1970s and early 1980s in the U.S.; late 1960s and 1970s in the UK**

Scenario analysis conducted as part of the Capital Market Assumptions (CMAs) and strategic asset allocation (SAA) studies have shown that the returns for the CTF tend to be lower in stagflationary periods

- **Real estate, tangible assets, and private credit should offer some inflation protection**

Stress testing conducted by staff forecasts a 10-15 percent loss for the CTF in the early months of a stagflationary environment

- **To date 2022 is the closest to a stagflationary environment that the CTF has experienced; diversification helped limit the CTF's loss to 3.2 percent for the calendar year**

POTENTIAL IMPACT OF AN ARTIFICIAL INTELLIGENCE (AI)-DRIVEN MARKET CORRECTION ON THE CTF



It is prudent to be concerned about a potential market correction if investors pull back from AI-related investments

Staff will present an analysis on the CTF's exposure to AI, as well as associated risks and opportunities, later this year

A simple scenario around an AI-driven market correction could assume a 30 percent decline in U.S. stocks and use historical correlations to estimate the impacts on the rest of the CTF

- **CTF loses about 20 percent in staff's modeling**

HOW IS THE CTF POSITIONED FOR A CRISIS NOW?

LESSONS LEARNED DURING PREVIOUS CRISES HAVE MADE THE CTF MORE RESILIENT



Amended policies to allow greater use of liquid assets to meet cash flow needs, reducing the potential of distressed market sales

- About 6.5 percent of CTF assets are currently held in highly liquid Treasuries and cash

Structural improvements to the CTF and its assets classes since 2008 have increased diversification and reduced risk

- Introduction of the Private Equity model portfolio reduced concentration risk
- Restructured debt, increased emphasis on governance, and necessity property types lowered real estate's risk profile
- Transitioned public equity exposure to vehicles with lower redemption restriction risk
- Promotion of tangible assets to an asset class increased diversification
- Reduced the risk profile of securities lending program

RMAA has improved its liquidity modeling and monitoring since the GFC

- Daily: more robust liquidity monitoring and rebalancing process
- Medium-term: cash flow stress tests for a 1-2 year horizon as needed
- Long-term: SAA study includes liquidity analysis for informing the maximum target allocation to illiquid assets

CONCLUDING THOUGHTS: LONG-TERM HORIZON AND DIVERSIFICATION SUPPORT RESILIENCE



Key to the CTF's ability to manage through a downturn is the WSIB's approach to risk management

- **Diversification (across asset classes, strategies, managers, and funds)**
- **Long-term, prudent investment approach**
- **Emphasis on liquidity management**
- **Thoughtful manager selection and monitoring**
- **Ongoing monitoring, combined with appropriate risk management tools**