

IN THE CHANCERY COURT OF JACKSON COUNTY, MISSISSIPPI

IN RE: Lay, et al. v. Singing River Health System, et al.; Cause No. 2015-0060

REPORT BY SPECIAL FIDUCIARY TRACI M. CHRISTIAN

Pursuant to the appointment of Traci M. Christian as Special Fiduciary of the Singing River Health System Employees' Retirement Plan and Trust (the "Plan"), the Court has requested a monthly report. The Special Fiduciary brings to the Court's attention the following items for the month of September, 2024.

Plan Investments

Attached for the Court's review is a report showing asset positions and activity for the month ending August 31.

Of note this month:

- We had another strong month of returns. Both stocks and bonds appreciated for the month as corporate earnings reports mostly came in better than expected and interest rates declined on expectations of the upcoming Federal Reserve rate cut.
- We trimmed a couple of the higher beta asset classes as the market moved back to near all-time highs.
- We liquidated the Invesco Opp Developing Markets mutual fund and repositioned into the DFA Emerging Markets Core Equity Fund.
 - The Invesco fund's performance has continued to struggle over the last few quarters along with negative fund flows.
 - The DFA fund has performed better and has a significantly lower expense ratio.

Also attached for the Court's review is an Outlook report prepared by the Plan's investment advisor.

The Plan's investments continue to perform reasonably well keeping pace with current market conditions. Subsequent reports will keep the Court apprised as to the investment performance in coming months. **As of August 31, the market value of the Trust is \$97.312 million.**

The Special Fiduciary with the advice of the Plan's independent investment advisor continues to monitor this allocation and make changes within the Investment Policy Statement targets.

Updated - Financial Audit of the Fund

An audit for the year ended September 30, 2023 is underway and will be completed by the audit firm of Williams Keepers. Our auditors will also be completing the audit for the year ending September 30, 2024 at the same time this year.

By combining the two years' audits, we will have the 2024 results sooner as well as save on fees with the added efficiency.

Hearing Scheduled for November 25, 2024

The Special Fiduciary will appear in person at the hearing scheduled for November 25th at 10:30am. Brian Perrot, the Plan's investment advisor with FCI Advisors is also planning to attend in person.

Notice of the hearing has been posted to Plan's website.

Administration

All Plan benefits due and vendor invoices to date have been authorized for payment.

This concludes the report for the 23rd day of September, 2024.

Respectfully submitted,



TRACI MILLER CHRISTIAN

Singing River Health System Employees' Pension Plan Trust

One Month Ended

Mark to Market Accounting Summary

August 31, 2024

Investment (\$000's)	Beginning Market Value	Net Additions/ Withdrawals	Interest/ Dividends/Fees	Gains/ Losses	Ending Market Value
Total	98,051	(2,127)	71	1,317	97,312
Money Market in Distribution Account	3,455	(1,838)	11	-	1,628
Money Market in Mutual Fund Account	257	556	-	-	813
FCI Advisors Fixed Income	12,766	(0)	41	185	12,992
Vanguard High Yield Corp Adm Fund	1,043	11	-	4	1,058
Coho Partners	0	-	0	-	0
FCI Advisors Value Equity	5,789	(0)	14	101	5,903
Schwab S&P 500 Index Fund	13,187	-	-	320	13,507
FCI Advisors Select Growth Equity	6,101	(45)	3	111	6,170
Fidelity Mid Cap Index	11,033	-	-	225	11,258
Westfield Capital	3,000	(0)	1	22	3,023
Vanguard Real Estate Index	1,681	(255)	-	76	1,501
Fidelity Total International Index	9,286	-	-	235	9,521
DFA International Small Cap Value	859	-	-	10	869
Fidelity Emerging Markets Index Prem	3,570	-	-	30	3,599
DFA US Small Cap I	3,228	(494)	-	(53)	2,681
Invesco Opp Developing Markets	2,286	(2,310)	-	25	-
DFA Emerging Markets Core Equity I	-	2,250	-	28	2,278
Gramercy Distressed Opportunities Fund II ¹	1,183	-	-	-	1,183
Elliott International Ltd. ¹	7,001	-	-	-	7,001
Invesco US Income ²	4,636	-	-	-	4,636
Eastern Timberland Opportunities II ²	4,424	-	-	-	4,424
Eastern Timberland Opportunities III ²	3,266	-	-	-	3,266

¹Valuation date: 08/31/2024 using estimated monthly investment performance²Valuation date: 06/30/2024 asset prices quarterly

Withdrawals represent "Employee Benefit Payments" and Additions represent hospital contributions.

Fees represent investment management fees.

Beginning market value may vary from previous month ending market values due to adjustments made during current month.

All values are preliminary.

ECONOMIC OUTLOOK

Summary

In mid-August, at the Jackson Hole Economic Symposium hosted by the Federal Reserve Bank of Kansas City, Fed Chairman Jerome Powell said that “the time has come for policy to adjust.” His speech laid the groundwork for (at least) a 25 basis point (bp) rate cut at the next Federal Reserve’s Open Market Committee (FOMC) meeting on September 17-18. It also marked a clear shift in the Fed’s thought process moving forward, as he stated “confidence has grown that inflation is on a sustainable path back to 2%,” and “we (the Fed) do not seek, or welcome, further cooling in labor market conditions.” This is important to note because the Fed has a dual mandate: stable prices and full employment. Up until now it had been willing to endure some “pain” in the labor market at the cost of taming inflation.

Unfortunately, due to the nature of this rate-hiking cycle, nearly any conversation regarding the economy ultimately reverts to a conversation about future Fed policy. This is because many investors speculate on the Fed’s reaction to upcoming data in order to position their portfolios in advance of any potential market-moving changes. However, we’ve seen market participants can often get ahead of themselves, such as earlier this year when they had seven rate cuts priced into markets by year-end and then only three months later they reversed course to suggest one cut by year-end. As of the end of August, market participants are pricing in nearly 10 rate cuts by year-end 2025 even though the first has yet to occur.

The Federal Funds rate plays an important role in economic growth, which is why it’s closely followed by market participants. Figuring out its future path is akin to completing a jigsaw puzzle where the pieces are constantly changing

shape. We see that the labor market has weakened, which we pointed out as a cause for concern in our last monthly update, though other areas of the economy remain solid. Retail sales for July beat estimates by 0.6%, and durable goods orders jumped nearly 10% higher. At this point, our view is that it may be premature to project that the economy needs 2.5% of rate cuts (10 times 25bps cuts) over the next 15 months given the most recent GDP data showed 3% growth and inflation is still 1% above the Fed’s target.

Positives

Second quarter GDP was revised higher by 0.2% (to 3.0%)

CPI inflation dipped below 3% (2.9%) for the first time since 3/31/2021

National Federation of Independent Business (NFIB) Small Business Optimism Index has reached its highest level in 18 months (93.7)

Negatives

Non-farm payrolls for August missed by 109k jobs including revisions

Job openings decreased by more than expected (7673k vs 8100k est.)

ISM manufacturing remained in contractionary territory for the fifth straight month

EQUITY OUTLOOK

Summary

The month of August continued a string of eventful months for equity market investors. The month opened with the unwinding of the Japanese yen carry trade, a process by which speculative investors borrow in lower-yielding, yen-denominated securities and invest those proceeds in higher-yielding investments elsewhere. A surprise hike in the Japanese overnight rate spooked investors and reverberated into other capital markets. Stock markets fell abruptly in the first week of August but quickly rebounded as fears subsided. By the end of the month, the S&P 500 Index ended up higher by 2.4%.

The prevailing themes driving equity markets continue to revolve around balancing risk and opportunity around a generally slowing economy, a shifting Fed policy and the potential gains in productivity due to technological advancements. Investors' attempts to assess and weigh these considerations has resulted in a somewhat listless equity market in recent weeks.

Historically there has been seasonal weakness in equity markets this time of year. September has been the weakest month for the S&P 500 over time and has experienced a negative return in each of the last four years. The uncertain economic and political conditions may create additional pressures for stocks this fall.

Federal Reserve policy is clearly shifting to be more accommodative which should provide a tailwind for economic activity and equity markets over the coming months. Economic data has weakened but is still mostly positive. All of this sets up very well for long-term equity investors, even if there is some near-term volatility.

Positives

Softer inflation and economic data clear path for Fed rate cut in September

Artificial intelligence and related technology ushering in a new innovation revolution

Negatives

Geopolitical tensions remain elevated

Retailers have broadly acknowledged cautious consumer activity

Unknowns

Presidential and congressional election outcome

FIXED INCOME OUTLOOK

Summary

When the Fed concluded their Federal Reserve's Open Market Committee (FOMC) meeting on the last day of July, they issued a slightly hawkish statement with no reference to considering a September rate cut. In spite of Chairman Powell's cautionary tone, yields across the curve began to move lower and the futures market began to fully price-in three rate cuts by year's end. Just a few days later, the newly released payroll report vindicated the markets outlook and solidified the view that the first rate cut would arrive in September, if not sooner. The early August report revealed a softening labor market and led to further declines in Treasury yields. Supported by favorable inflation reports, bonds traded in a narrow, but lower range for the remainder of the month. By the time Fed Chairman Powell spoke at the conclusion of the Fed's Jackson Hole Economic Symposium on August 23, his message had completely reversed. Foreshadowing a September rate cut, he stated that "time has come to lower interest rates to support the labor market, which has cooled significantly." Investors are now debating whether a cut of 25 basis points (bps) or 50 bps is warranted in September. The futures market is expecting some combination totaling 100 bps of rate cuts over the three FOMC meetings remaining this year. For the month, the 2-year Treasury note declined by 34 bps to end at 3.92%. The 10-year dropped 13 bps to 3.90% and the 30-year ended at 4.20%, down 11 bps for the month.

Corporate issuance of new investment-grade debt remained at a high level in August with another \$107 billion brought to market. While it would seem logical to wait to borrow until the Fed actually begins cutting interest rates, corporations have been coming to market because yields have already declined and corporate credit spreads remain historically tight to their three-year average. If rates fall quicker than expected, it will likely be due to rapidly decelerating economic activity which would likely cause credit spreads to widen resulting in the same yield costs. Despite the heavy supply, credit spreads remain little changed for the month overall.

According to research performed by investment manager Lord Abbot, following the onset of the last seven rate-cut cycles, the Bloomberg U.S. Aggregate Bond Index delivered better average returns than the S&P 500 Index over the subsequent one, three, six, and 12-month periods. With history favoring bond investors, we still believe there are attractive returns ahead even though the market has moved substantially in advance of the first cut. We remain neutral on a duration policy and still favor a higher allocation to investment-grade corporate bonds for the incremental yield provided.

Positives

Labor market is showing signs of weakness

Inflation continues to trend towards 2% target

Fed Chairman has announced it is time for rate cuts

Negatives

Federal budget deficit and heavy Treasury debt issuance

The market may be anticipating a faster pace of rate cuts than actually happens

Yields have already moved sharply lower

Unknowns

Election uncertainties

Risk of a broader Middle East conflict. Russia/Ukraine war