

Presented to:

MERIDIAN TOWNSHIP

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Review for December 31, 2022

Presented by:

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Taking Stock of the Markets

Investment Strategy

January 2023

After one of the worst performing years for the multi-asset class universe, we approach 2023 with caution, but also with a plan of action for each asset class.

Equities

Growth outlook remains dependent on the path of earnings in 2023



- The fundamental outlook for equities remains dependent on positive earnings growth in the face of ongoing macroeconomic headwinds that still include elevated inflation and restrictive monetary policy.
- Heading into 2023 investors should take note that it is extremely rare for global equities to have back-to-back years of negative returns. In the last fifty years it happened to the MSCI World Index in the early 2000s and in the mid 1970s.

Fixed Income

Volatility impacted by global macroeconomic uncertainties



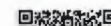
- Interest rate volatility remains elevated as the Federal Reserve (Fed) and other global central banks are committed to monetary policy action that is dependent on falling inflation data.
- Given the highest interest rates in 15 years, we believe fixed income is beginning to look attractive with opportunity even in cash allocations, as yields climbed above 4% and are likely headed higher.

Alternatives

Broad opportunity set for long-term investors



- Alternative investments offer different types of risk and return, correlation and liquidity profiles for differentiated alpha, risk-adjusted performance, and dampen volatility.
- The long-term opportunity continues to be supported by technological innovation and an increasing number of private companies across the broad asset class.



The Good, the Bad and the Ugly...

A Quick Tour Around the Globe

The "Good"

- End of China COVID-19 restrictions
- U.S. Labor market strength
- Healthy U.S. consumer balance sheets
- ↓ Low absolute global equity valuations

The "Bad"

- Persistently high inflation
- Longer for longer monetary policy
- Inverted yield curve signaling recession
- Deteriorating Leading Economic Indicators
- ↑ Profit margin pressures
- Deteriorating earnings revisions
- Low U.S. consumer/business confidence
- Real estate under pressure
- Commodity supply/demand imbalances
- Elevated market volatility
- Semiconductor shortages persisting

The "Ugly"

- Russia-Ukraine war
- Global deficits/debt levels
- De-globalization trends building
- U.S.-China power struggle

Higher ↑
Lower ↓
Ordered by importance / potential for biggest market impact

→ Denotes change in description or new additions relative to the prior version
→ Denotes positive change relative to the prior version
→ Denotes negative change relative to the prior version





Business Cycle

- Assesses the business cycle and how positioning impacts asset class, sector and industry performance.
- Puts valuations into context.



Valuations

- Identifies opportunities while maintaining a long-term view.
- Determines how assets are valued relative to history/other assets.



Technical

- Uncover what price trends tell us about near-term market behavior.
- Supports shorter-term execution.

Business Cycle: Slowdown concerns building

- Leading economic indicators are weakening across the globe as headwinds from last year — inflation, restrictive monetary policy, and the Russia-Ukraine war — remain unresolved.
- A key catalyst for the path forward continues to be clear evidence that inflation is falling, which can allow global central banks to pause aggressive rate hikes.

Valuations: Earnings are the story in 2023

- We believe some stocks could see a further pullback as earnings weaken and thus not all “low” valuations should be considered cheap at this point in the cycle.
- Valuations are relative; quality companies with strong balance sheets, consistent earnings growth, and free cash flow generation may warrant higher multiples.

Technical: Searching for momentum in either direction

- After a “Santa rally” failed to materialize in December, the S&P 500® is essentially unchanged from late October in a directionless market.
- Volatility in both equities and fixed income remains well above historical averages, thus we caution investors against attempting to anticipate a change in Fed policy.

Business Cycle Outlook

Leading Indicators Suggest the Slowing Expansion Phase of the Cycle

We believe cyclical movements of the business cycle drive markets, which impacts asset allocation decisions. *History does not repeat, but often rhymes*, which is why the past is not always a reliable indicator of what lies ahead.



Leading indicators start pointing to a slowdown

- The Conference Board Leading Economic Indicator Index fell 1.4% on a rolling six-month basis in November, suggesting leading indicators are showing early signs of contracting economic activity.
- Weakness for the month was driven by a slowdown in building permits, as the housing market begins to slow.
- An important leading indicators that remains robust is labor market data, however it continues to challenge efforts to curb inflationary pressures.

The path forward

- Given this backdrop, we believe the business cycle remains in a slowing expansion with a high probability that it falls into contraction later this year.

Conference Board Leading Economic Indicators (*prior month*)

Interest Rate Spread	Worsening	Manufacturing Avg. Hours	Worsening
Consumer Durables	Improving	Unemployment Claims	Improving
Core Durable Goods	Worsening	Consumer Expectations	Worsening
ISM Index of New Orders	Improving	Leading Credit Index	Improving
Building Permits	Worsening	S&P 500®	Worsening



The path forward is highly dependent on rate hike expectations

- Looking out to the future Federal Open Market Committee (FOMC) meetings, investors already anticipate the Fed may raise its policy rate by 50 basis points (bps) in 2023, but anything higher than that and the situation repeats where markets negatively react to a higher terminal rate.
- On the flipside, if those expectations fall over the next few months, the terminal rate also declines, which becomes a strong catalyst for equity multiple expansion.

Markets Recalibrate for Smaller Rate Hikes in Early 2023



The market expects a 'pause' after March

- Last year began with expectations the Fed would raise its policy rate by 50-75 bps throughout the entire year, not at individual meetings!
- As the Fed has been data dependent on inflation, it has kept markets guessing about the path forward for monetary policy, causing significant volatility. Markets already anticipate the Fed will pause rate hikes after the March meeting. Additional action could create further volatility across the multi-asset class universe.

Rate Hike Expectations have been Too Optimistic

FOMC Meeting Month	Probability of a Hike Went above 100%	FOMC Meeting Date	S&P 500 Return Thru that FOMC Meeting
Jul 22	3/16/2022	7/27/2022	-7.2%
Sep 22	3/17/2022	9/21/2022	-13.4%
Nov 22	5/26/2022	11/02/2022	-6.7%
Dec 22	9/8/2022	12/14/2022	+0.2%
Feb 23	10/13/2022	2/01/2023	+5.0%*

*As of 12/31/2022

The Case for Cash

Cash Has Not Been an Investment Option for 15 years!

Life before the financial crisis included cash

- In the 15 years before the 2008 financial crisis, the federal funds rate had an average yield of 4.1%. For perspective, it traded in a range of 0.00-0.25% at the start of 2022.
- In prior business cycles, cash was typically used as an investment option alongside other fixed income strategies given its zero duration risk with a compelling yield.

Cash Used to Offer Compelling Yields!



From “TINA” to “TARA”

- Since the Fed introduced its Zero Interest Rate Policy in 2008, cash has yielded essentially zero percent, making it the least attractive asset allocation given low upside potential.
- However, with the Fed’s terminal rate now up to 4.50%, the mantra of “TINA” (“There Is No Alternative” to equity investments), is evolving into “TARA” (There Are Reasonable Alternatives).
- We do not expect cash yields to stay near these levels for a very long time; however, as the Fed’s long-term inflation target of 2% suggests, the federal funds rate may return to that level in the coming years.

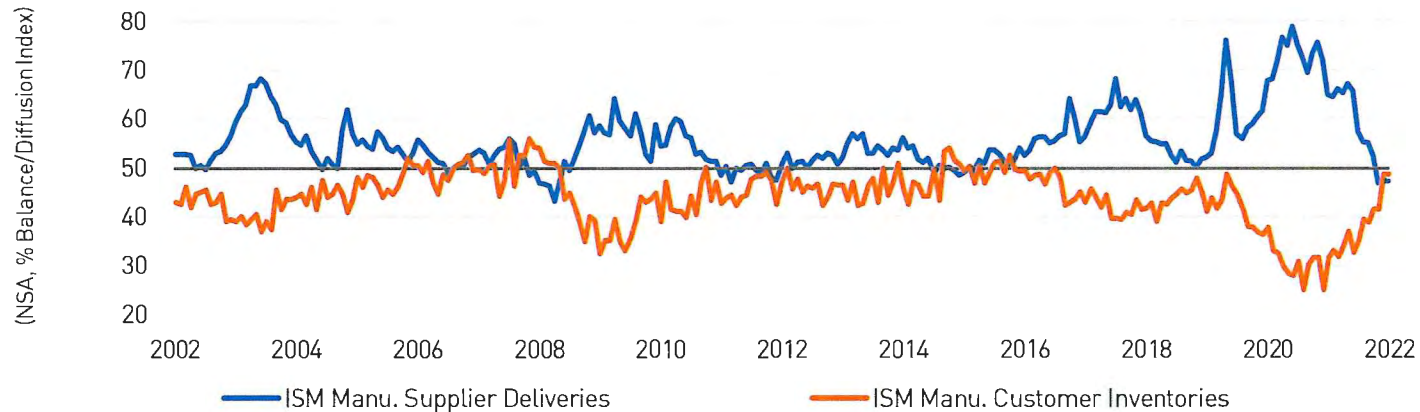
And is Getting Back to Those Levels Due to Fed Rate Hikes



Deliveries vs. inventory levels are moderating

- Global supply chains were severely disrupted from the pandemic even after two years. It has taken considerably longer than expected for global trade to normalize, creating higher prices due to supply/demand imbalance.
- As the labor market continues to recover, we believe it will be the positive catalyst to ease supply disruption, which should further act to lower the pricing pressures that numerous industries face.

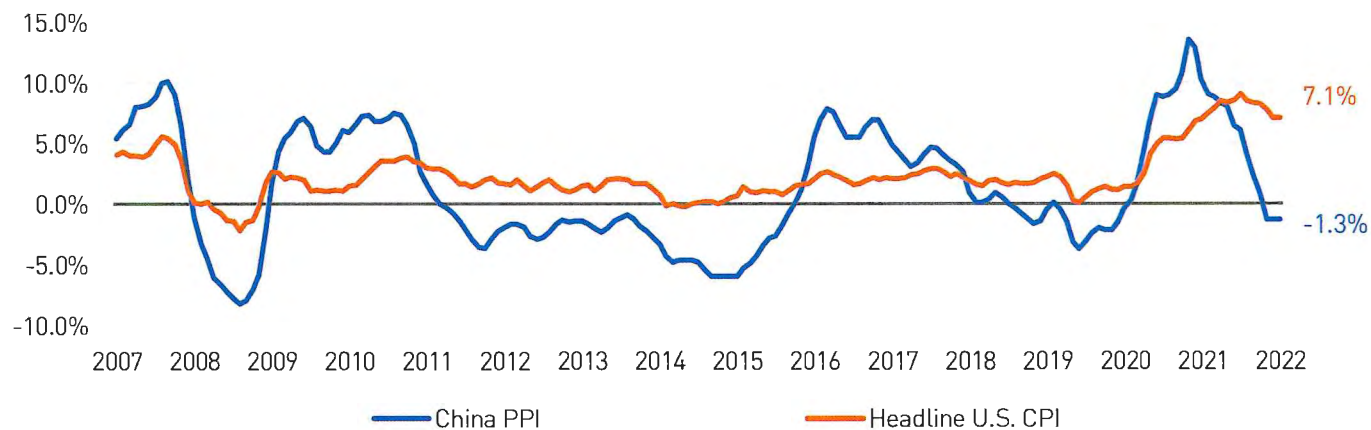
Institute for Supply Management Manufacturing Deliveries versus Inventories



China PPI influences U.S. CPI

- China's producer price index (PPI) is improving relative to the highs of last year; however, COVID-19 risks remain as China is continuing to implement regional lockdown policies.
- Should China PPI continue its downward trend, we believe it will have a positive effect in lowering U.S. CPI from elevated levels in the coming months.

China PPI and U.S. CPI



Business Cycle Summary

The Slowing Expansion Phase Sees Activity Slowing but Still Growing

United States

Growth remains positive but weakening

- Economic growth, as measured by GDP, rose decidedly positive in the third quarter of 2022, reversing two quarters of negative growth. In our view, the pace at which growth decelerates from here is highly dependent on the health of the global consumer amidst continued high inflation.
- Financial conditions have tightened to their highest level in almost 15 years, in contrast to 2021 when financial conditions were the easiest on record. From an investor lens, the concern is the Fed will maintain an aggressive tightening policy and result in a recession.

Developed International

Macroeconomic headwinds remain a concern

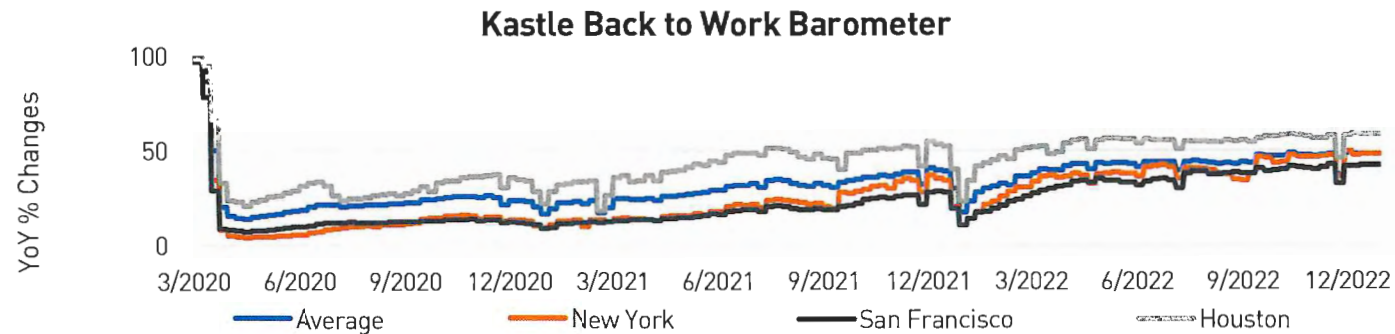
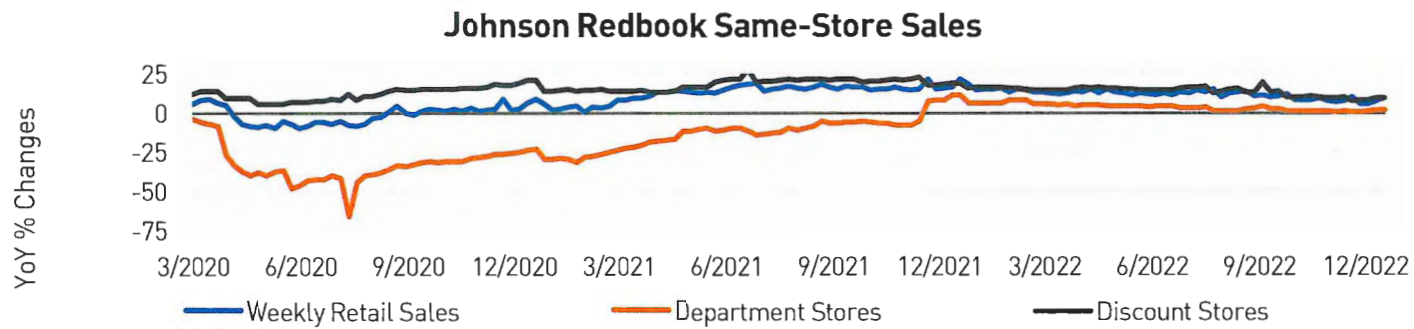
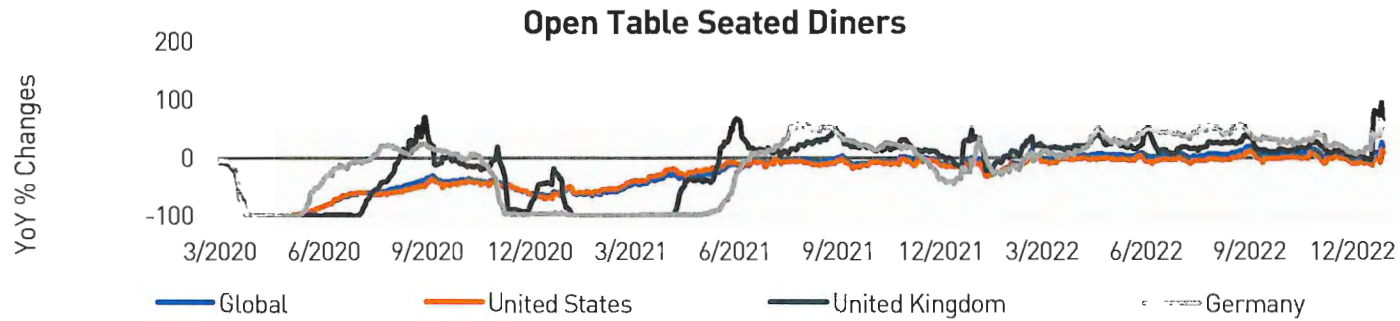
- We remain cautious about the asset class as the Eurozone continues to face a variety of challenges to economic and earnings growth, given ongoing macro risks.
- Global central bank policies remain hawkish, with the exception of the Bank of Japan. The European Central Bank continues to aggressively raise interest rates due to elevated inflation, while the Bank of England faces some difficult choices between controlling inflation and stifling growth.

Emerging Markets (EM)

Regulatory risks offset fundamental strength

- Our long-term fundamental outlook for EM remains the strongest across the asset class universe and underpins our high-conviction view of the asset class.
- Regulatory risk remain a concern for EM investors, but China's pivot away from its Zero-COVID policy, and strong underlying growth fundamentals, and the continued evolution of the EM index toward higher-growth sectors should be supportive over the long term.

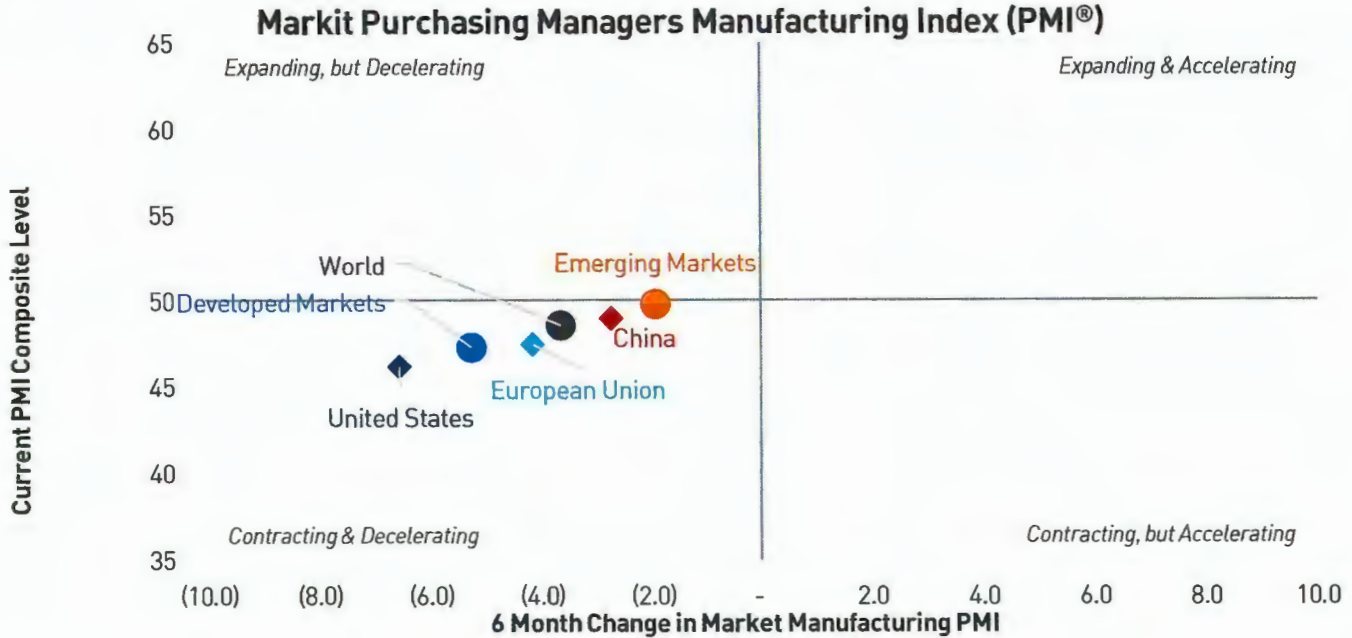
After tracking high-frequency consumer data responding to the pandemic, it is equally helpful to observe the reaction to the highest inflation in 40 years. In our view, consumer activity remains resilient yet is beginning to show signs of moderating.



Global Manufacturing Activity

Global Manufacturing Contracts Under Higher Prices and Macro Uncertainty

Most global economies are decelerating as elevated inflation and central banks' tightening policies weighs on economic activity.



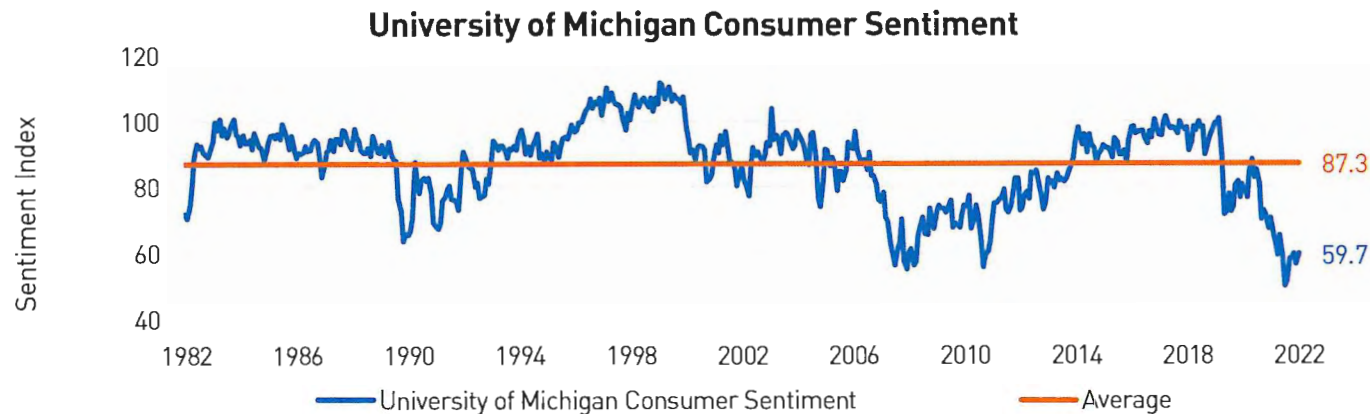
Global PMI Manufacturing Index Summary

	12/22	11/22	10/22	9/22	8/22	7/22	6/22	5/22	4/22	3/22	2/22	1/22
World	48.6	48.8	49.4	49.8	50.3	51.1	52.2	52.3	52.3	52.9	53.7	53.2
Developed Markets	47.3	47.8	48.8	50.1	50.2	51.2	52.5	55.0	56.3	56.5	56.6	56.4
U.S.	46.2	47.7	50.4	52.0	51.5	52.2	52.7	57.0	59.2	58.8	57.3	55.5
U.K.	45.3	46.5	46.2	48.4	47.3	52.1	52.8	54.6	55.8	55.2	58.0	57.3
E.U.	47.5	46.7	46.1	48.1	49.1	49.3	51.6	54.2	55.3	56.3	57.9	58.5
Germany	47.1	46.2	45.1	47.8	49.1	49.3	52.0	54.8	54.6	56.9	58.4	59.8
France	49.2	48.3	47.2	47.7	50.6	49.5	51.4	54.6	55.7	54.7	57.2	55.5
Spain	46.4	45.7	46.7	49.0	49.9	48.7	52.6	53.8	53.3	54.2	56.9	56.2
Italy	48.5	48.4	46.5	48.3	48.0	48.5	50.9	51.9	54.5	55.8	58.3	58.3
Japan	48.8	49.0	50.7	50.8	51.5	52.1	52.7	53.3	53.5	54.1	52.7	55.4
Emerging Markets	49.8	49.7	49.8	49.4	50.2	50.8	51.7	49.5	48.1	49.2	50.9	50.0
China	49.0	49.4	49.2	48.1	49.5	50.4	51.7	48.1	46.0	48.1	50.4	49.1
Taiwan	44.6	41.6	41.5	42.2	42.7	44.6	49.8	50.0	51.7	54.1	54.3	55.1
S Korea	48.2	49.0	48.2	47.3	47.6	49.8	51.3	51.8	52.1	51.2	53.8	52.8
Vietnam	46.4	47.4	50.6	52.5	52.7	51.2	54.0	54.7	51.7	51.7	54.3	53.7
India	57.8	55.7	55.3	55.1	56.2	56.4	53.9	54.6	54.7	54.0	54.9	54.0
Brazil	44.2	44.3	50.8	51.1	51.9	54.0	54.1	54.2	51.8	52.3	49.6	47.8

As of 12/31/2022. Source: Bloomberg L.P., Markit PMI: Purchasing Manager Indexes survey senior executives at private sector companies to help measure the overall health of an economy. An index reading above 50 suggests economic activity is expansionary and below 50 suggests contractionary economic activity.

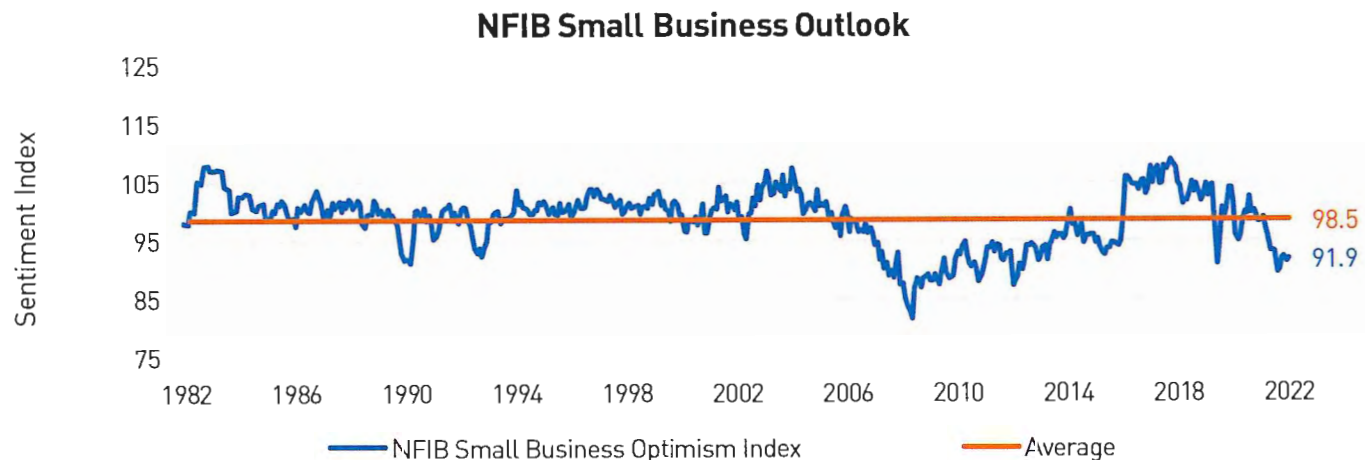
University of Michigan Consumer Sentiment

- Consumer sentiment surveys are important due to their long-term correlation with equity prices. Therefore, it was notable that despite the stock market rally for much of 2021, consumer sentiment diverged sharply and even fell below the lows of March 2020.
- The number one issue in sentiment surveys is elevated inflation; Fed officials are very concerned rising prices may become a structural belief, hence the urgency to aggressively raise interest rates to bring down inflationary pressures.



National Federation of Independent Business (NFIB) Small Business Outlook

- Considering small businesses make up the majority of firms in the United States, sentiment is an important gauge that serves as an indicator for other components such as capital expenditure plans, as well as hiring and wage growth expectations.
- Business sentiment surveys are comparable to consumer sentiment counterparts as lingering supply chain bottlenecks, elevated material costs and fallout from the Russia-Ukraine conflict weigh on optimism.



Equity Market Themes and Outlook

Heightened Market Volatility Driven by a
Number of Macro Headwinds

Outlook

*Growth outlook
remains positive,
but moderating*

- Earnings growth remains positive in spite of rising inflation and interest rates across the globe. After only a modest decline in 2022, strong downward pressure on margins is expected in 2023.
- Key determinants for the path forward continue to be the pandemic and monetary policy, as we expect these issues to dictate the trajectory of inflation, supply chain normalization and earnings growth.

Market Cap

*Small- and mid-cap
overweight*

- Favorable aspects of small- and mid-cap companies include the U.S.-centric revenue exposure relative to large cap.
- Valuations for smaller-capitalization stocks have fallen below long-term averages, despite the earnings growth outlook remaining robust relative to large cap.

Style

*Neutral style bias in
an uncertain
backdrop*

- When growth becomes scarce, market leadership is generally expected to shift toward companies expected to grow faster than the overall market.
- At the same time, in an inflationary regime, exposure to value is attractive given the industries that typically benefit from rising prices, therefore we recommend staying neutral on a style basis.

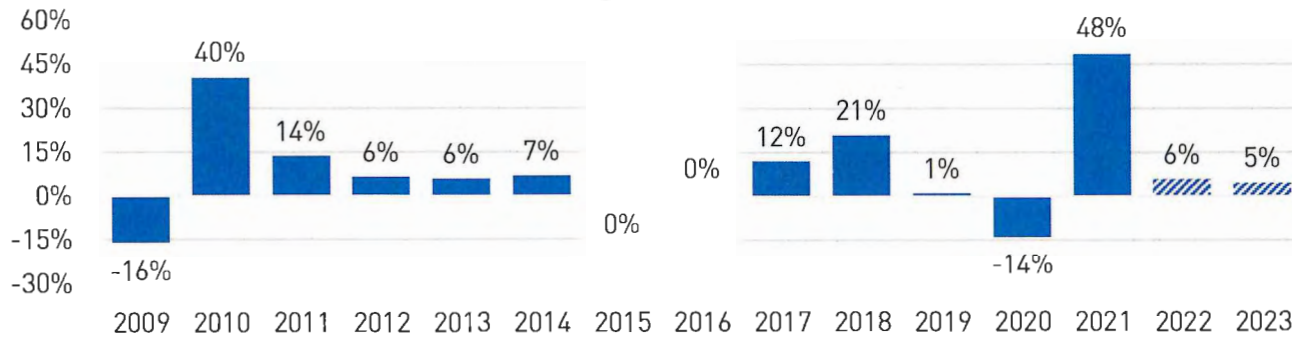
Geography

*U.S. overweight,
emerging market
tilt*

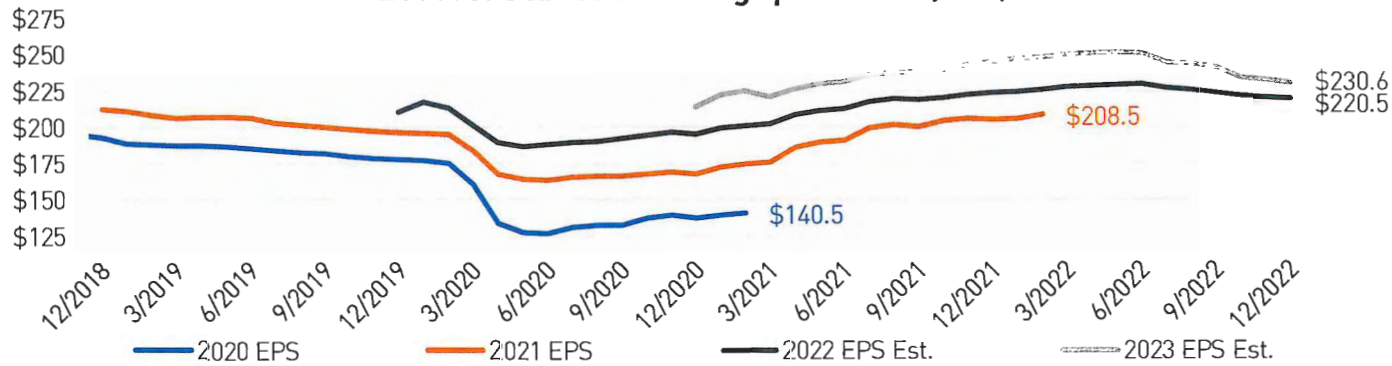
- The consistency and leadership of U.S. markets over the long term continues to support a favorable view relative to other areas of the globe. This is not a “domestic bias” but the view that fundamentals remain strongest in the United States.
- Structural characteristics such as the reserve currency status of the U.S. dollar, breadth and liquidity of capital markets and strength of the U.S. consumer remain long-term tailwinds to maintain our positive view on the United States relative to other areas.

Consensus expects earnings growth to remain firmly positive throughout 2023, however we expect revisions will continue to move lower and possibly turn negative as elevated inflation and slowing global growth weigh on corporate profits.

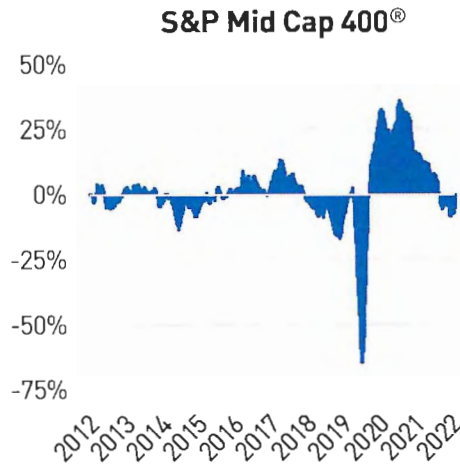
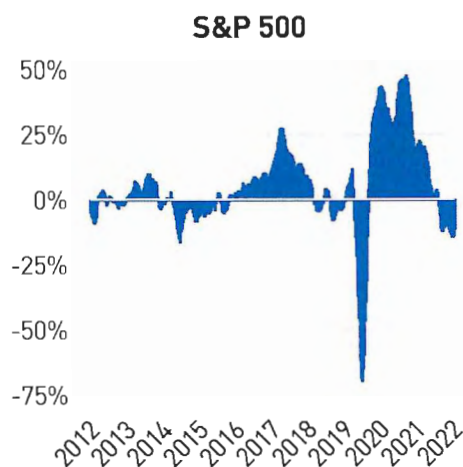
S&P 500® Annual Earnings Growth (YoY)



Level of S&P 500 Earnings per Share (EPS)



Net EPS Revisions*



S&P 500 Valuations

Valuation Scenario Analysis and Equity Risk Premium

As earnings estimates fall so should valuations

- Consensus still expects positive earnings growth in 2023, however in the event of a mild or deep recession, downside scenarios indicate material downside.
- It is helpful for investors to see a number of scenarios of what it would take for equity markets to climb higher or pull back without being considered under- or overvalued.

Implied S&P 500 Price Level using Earnings per Share and Forward Price-to-Earnings (P/E) Ratio

NTM EPS	Hypothetical Scenario	Price to Earnings (P/E NTM)				
		14.7x	15.7x	16.7x	17.7x	18.7x
\$173	25% downside	2,534	2,707	2,880	3,053	3,225
\$208	10% downside	3,041	3,248	3,456	3,663	3,871
\$231	NTM Consensus estimate	3,378	3,609	3,840	4,070	4,301
\$254	10% upside	3,716	3,970	4,223	4,477	4,731
\$288	25% upside	4,223	4,511	4,799	5,088	5,376

Valuation analysis across asset classes

- In our view, valuations are relative not only to a security or asset class's own history, but compared to other asset classes as well. One method that easily illustrates this comparison is the "Fed Model" which compares the earnings yield of the S&P 500 versus the 10-year Treasury yield.
- With interest rates rising, the equity risk premium, which is the additional return investors expect to earn for owning stocks over government bonds, continues to decline, yet it is still positive, suggesting equities continue to look favorable relative to bonds.

Relative Valuations Through the "Fed Model" Lens



Core Fixed Income

Neutral duration, unconstrained approach

- Treasury yields have seen substantial increases across the curve, contributing to further curve inversion. We believe that elevated inflation, a tight labor market and slowing growth will keep the Fed on its tightening campaign into 2023.
- The credit cycle remains in a strong position, supported by vastly improved fundamentals compared to the prior cycle, but we continue to closely monitor market liquidity as volatility puts additional stress on funding markets.

U.S. High Yield

Fundamentals remain healthy at this stage in the cycle

- Credit spreads remain highly volatile in part due to the significant price swings in the Treasury market in 2022, however refinancing risks remain low over the next twelve months due to more companies having taken advantage of low rates in 2020-2021.
- High yield has a higher exposure to commodity-linked sectors than equity markets, thus the trend in balance sheet improvements should continue.

Leveraged Loans

Senior secured debt compared to bonds

- Leveraged loans performed exceptionally well in 2022 relative to other areas of fixed income given their low duration characteristics and adjusting coupon rates took advantage of rising rates.
- While we recommend leveraged loan allocations in well-diversified portfolios, we expect that performance leadership to cool off as capital markets activity slows.

Emerging Markets (EM) Debt

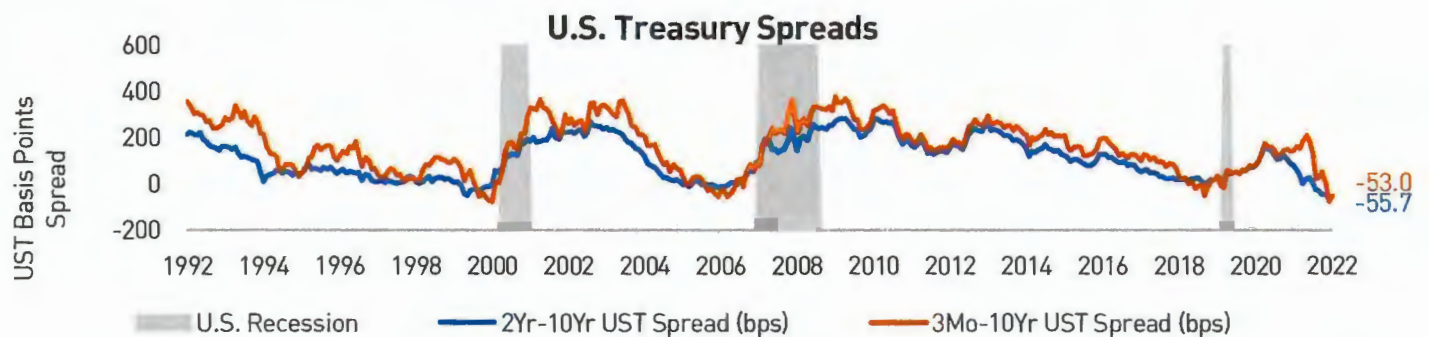
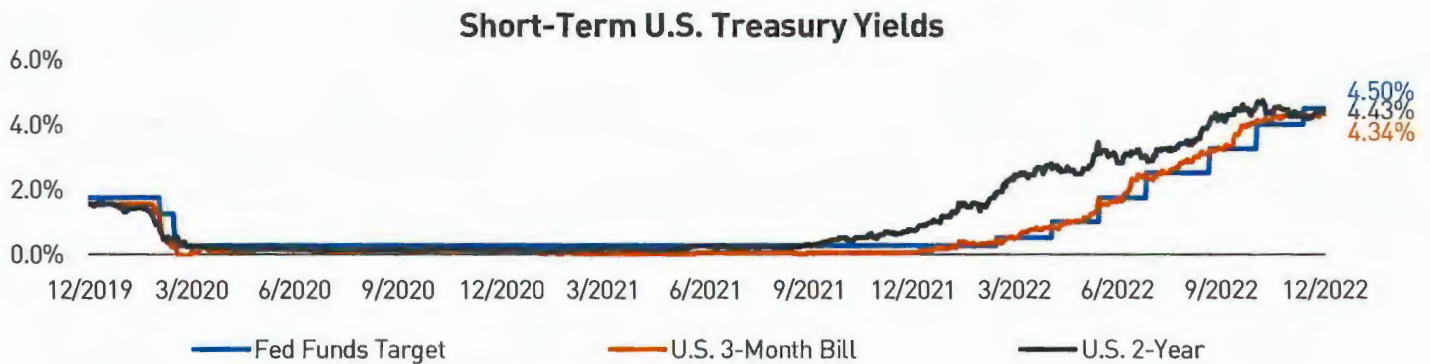
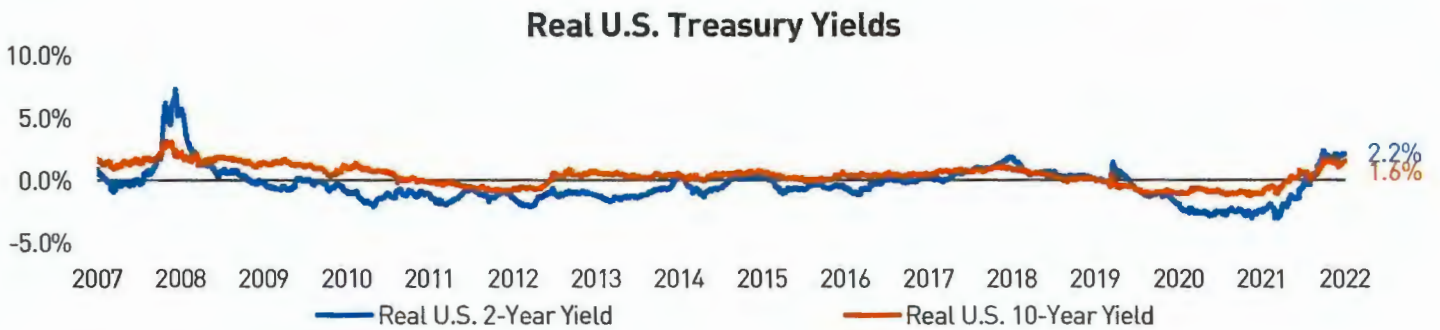
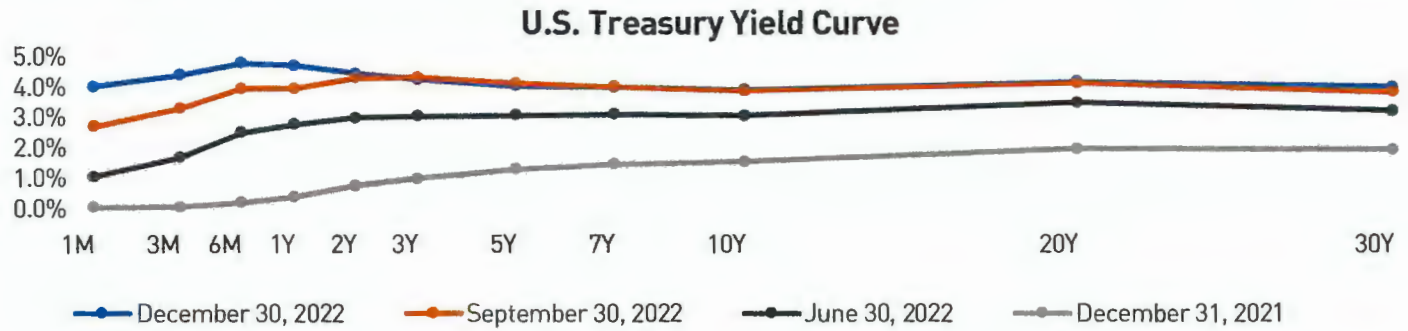
Valuations remain rich in spite of macroeconomic headwinds

- EM debt offers an attractive yield pickup relative to the developed world, especially on an inflation-adjusted basis. Despite China's recent repeal of COVID-19 restrictions, we are cautious in the short term as valuations remain rich despite geopolitical conflicts and ongoing supply chain disruptions.
- While U.S. dollar-denominated EM debt supports net-export countries, macroeconomic headwinds have become a material headwind in the near-term.

Interest Rates

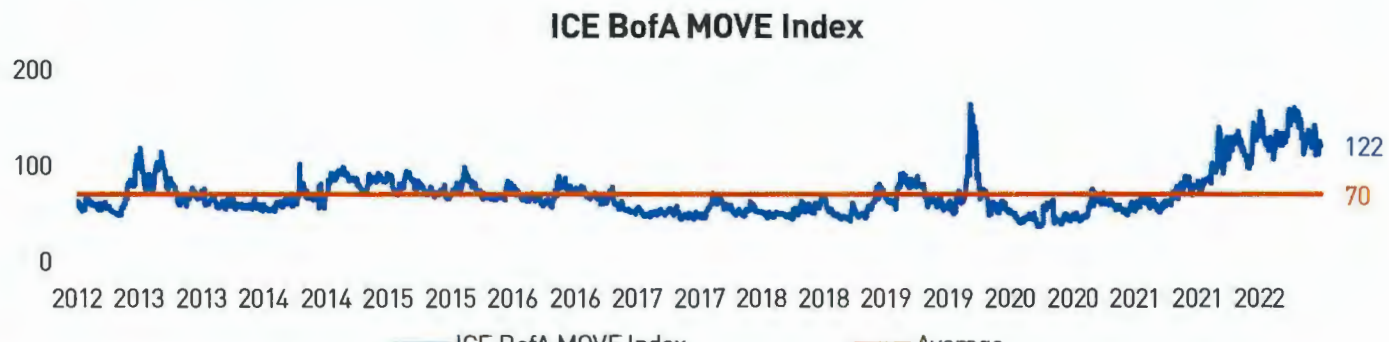
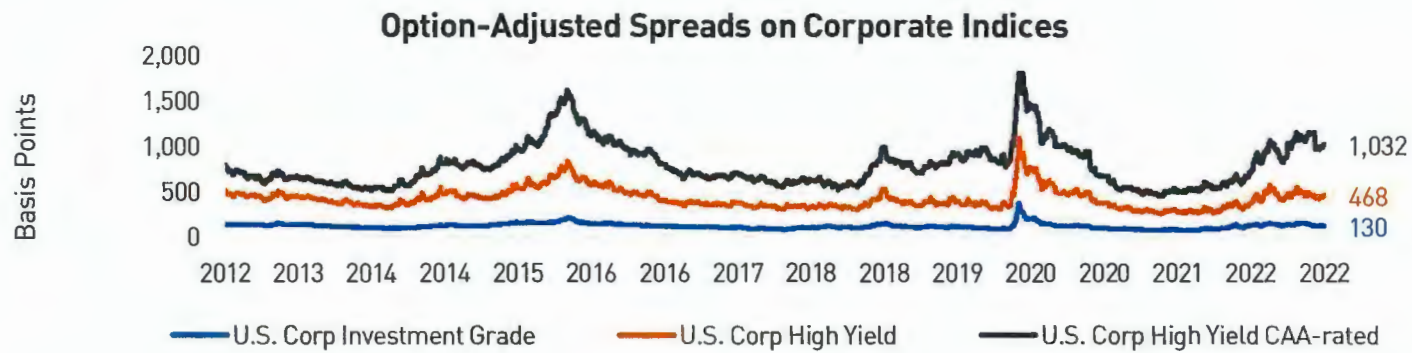
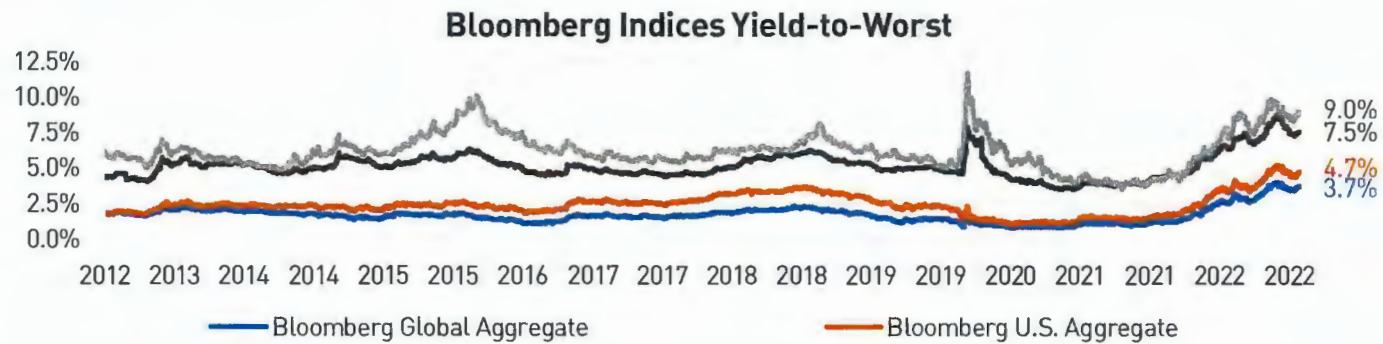
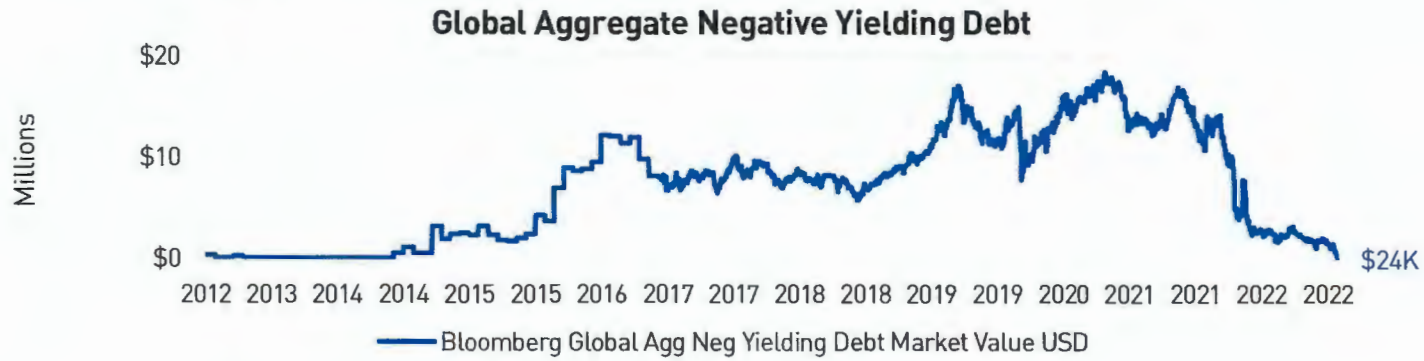
Rapid Rises in Rates Have Led to Major Yield Curve Inversions

All key maturities on the U.S. Treasury (UST) yield curve rose as markets reacted to Fed projections of a higher terminal rate, slower growth and economic “pain” despite signs of easing inflation. Nearly all yield curves are inverted.



As of 12/31/2022. Source: Bloomberg L.P.

Higher nominal and real yields along with cheapening valuations provide opportunities for increased income potential and price appreciation.



Methodology & Key Assumptions

Results in this report incorporate PNC's Capital Market Assumptions (CMA) for calendar year 2023. These assumptions represent PNC Bank's 10-year projections of risk and return for the respective asset classes. These estimates are updated on an annual basis (generally at the beginning of each year) and take into account economic fundamentals, long-term historical trends, as well as other relevant factors.

Methodology

CMA returns reflect combining market-implied equilibrium returns with PNC's subjective views using a technique known as Black-Litterman¹. Black Litterman Methodology blends subjective and market-implied views using a Bayesian approach that takes account of cross-asset-class relationships to help determine an internally consistent set of final estimates. In general, the expected return on every asset class is adjusted so that it is as consistent as possible with both the market-implied equilibrium and our subjective views, even if we do not express a specific subjective view on that asset class. This methodology is an imperfect model of market behavior. Among the simplifications is the assumption that asset returns are adequately summarized by constant means, variances, and correlations. Empirical evidence generally indicates that these statistics are not sufficient to fully characterize asset returns.

The projected returns for hedge funds, private debt, private equity, and private real estate (property) include premiums for the fact that these classes are, in varying degrees, illiquid. The mean returns shown should be interpreted as arithmetic average returns. They are not compounded rates of return. The difference between these two concepts is approximately equal to one-half the asset's volatility squared.

Key Assumptions

Risk-Free Rate — At the time we performed our 2023 CMA analysis (August 25, 2022), the yield on the 10-year UST was approximately 3.00%, which we used as a nominal approximation for the risk-free rate. For reference, the 2022 analysis used a risk-free rate of 1.50%, reflecting substantially lower interest rates from just a year prior.

Inflation — PNC Economics assumes the Fed will achieve its inflation targets over the longer term, as measured by the Personal Consumption Expenditure Price Index (PCE)², which converges to 2.0%, and the Consumer Price Index (CPI)³, which converges to 2.25%.

In our CMA analysis, we also use 2.25% per year for CPI over the forecast period, consistent with, but slightly higher than, the Fed's long-run target level of 2%. While CPI is currently at the highest level in 40 years, over the next 10 years we believe levels will normalize to 2.25%. For developed international markets, we use an inflation assumption of 1.75%, consistent with last year's analysis. Unlike the Fed's inflation target of 2%, the Eurozone has an inflation target of just under 2%. Additionally, Japan has undershot its 2% inflation target for most of the last 30 years. For emerging markets (EMs), we use 3.5%, again consistent with last year's analysis.

¹ The Black-Litterman methodology was introduced by Fischer Black and Robert Litterman of Goldman Sachs in 1990. It avoids problems inherent in some other methods by incorporating market-implied equilibrium returns consistent with the risk structure of the asset classes. The model works by blending subjective and market-implied views using a Bayesian approach that takes account of cross-asset-class relationships to help determine an internally consistent set of final estimates. In general, the expected return on every asset class is adjusted so that it is as consistent as possible with both the market-implied equilibrium and our subjective views, even if we do not express a specific subjective view on that asset class.

² The PCE measure is the component statistic for consumption in GDP collected by the U.S. Bureau of Economic Analysis. It consists of the actual and imputed expenditures of households and includes data pertaining to durable and nondurable goods and services.

³ The CPI measures changes in the price level of a weighted average market basket of consumer goods and services purchased by households. It is usually calculated and reported by the Bureau of Economic Analysis and Statistics of a country on a monthly and annual basis.

Capital Market Projections have been furnished for illustrative purposes only and are not intended as investment advice. Past performance is not indicative of future returns. Source: PNC

U.S. Dollar — We have assumed the Fed's nominal Trade-Weighted U.S. Dollar Index⁴ remains flat over the forecast horizon. PNC Economics believes the dollar has the potential to modestly depreciate, at a rate of 0.1–0.3% per year, over the long run against developed market currencies, simply because U.S. inflation averages higher than that of both the Eurozone and Japan. However, given the significant interest rate differentials across the globe, we expect the dollar to largely maintain its current position of relative strength against most other major currencies over the forecast horizon.

Currency Impacts — International equities generally entail currency exposure, which potentially adds volatility for U.S. investors. However, compensation for this additional risk may not be adequate or reliable, and international equities have not historically offered consistent purchasing power protection. Over the short term, when the dollar is strengthening, U.S. equities and fixed income investments tend to outperform their international counterparts. Conversely, when the dollar is weakening, international investments tend to outperform. This is all from the perspective of a U.S.-based investor (defined as an investor whose local currency is the U.S. dollar, whether an individual or institution).

In an international equity portfolio with exposure to a basket of currencies, some will likely have positive returns in local currency terms, while others will be negative. In theory, this counterbalancing effect should result in currency exposures netting themselves out over time. In addition, currency returns are largely uncorrelated (or at least not strongly positively correlated) and, as such, tend to help diversify equity portfolios. Furthermore, there is ample empirical evidence — cited by the CFA Institute among others — suggesting the standard deviation (i.e., volatility) of currency prices is only about half the standard deviation of stock prices. This suggests to us that an unhedged currency exposure may help reduce the volatility of an international equity portfolio over time. As currencies also tend to revert to a theoretical fair value/mean over time, currency related volatility risk tends to fall, becoming a less critical component of equity risk. Thus, over the long term, our preference is to be unhedged.

Cash and Cash Equivalents — We use the three-month Treasury bill (T-bill) as our proxy for cash, despite it being subject to inflation and interest rate risk. Although T-bills typically do not generate positive real returns (i.e., inflation adjusted), they do offer liquidity, safety of principal and exemption from state and local taxes. T-bills tend to carry higher yields than what are available in cash accounts, such as money market funds or deposit accounts, but are comparable on a risk-adjusted basis. Our expected return and volatility assumptions for the three-month T-bill are 3.00% and 0.49%, respectively, for the 2023 CMAs.

Volatility — Our volatility assumptions are primarily driven by a historical blend of both turbulent and quiet market periods, defined as moves of 20% or more. We examine the number of turbulent and quiet phases as defined by Windham Portfolio Advisors to determine the most appropriate blend. Based on our analysis of historical market volatility over the past 20-plus years, we use a blend of 60% quiet periods, 40% turbulent periods to derive our assumed asset class volatilities. We have consistently implemented this methodology since 2017.

While 2022 delivered above-average volatility across several asset classes — albeit far lower than the records set in 2020 — we do not believe the same degree of price swings is sustainable over an extended time horizon. Therefore, the volatility backdrop is not significant enough, in our view, to shift our split between quiet and turbulent periods, given we are forecasting a 10-year horizon. We will revisit this stance annually and would look to make an adjustment should persistently heightened volatility become the “new normal,” as opposed to our current assumption of some mean reversion.

Capital Market Assumptions: 10-Year Forecast

2023-2032



Asset Class	Index	Projected	
		Annual Return	Annual Volatility ⁵
U.S. EQUITY			
US Large Cap – Growth	S&P 500 Growth	6.80%	15.45%
US Large Cap – Core	S&P 500	7.15%	15.35%
US Large Cap – Value	S&P 500 Value	7.50%	16.05%
US Mid Cap – Growth	S&P Mid Cap 400 Growth	8.00%	19.10%
US Mid Cap – Core	S&P Mid Cap 400	8.40%	18.60%
US Mid Cap – Value	S&P Mid Cap 400 Value	8.80%	18.85%
US Small Cap – Growth	Russell 2000 Growth	8.90%	21.00%
US Small Cap – Core	Russell 2000	8.85%	20.75%
US Small Cap – Value	Russell 2000 Value	8.85%	20.95%
Real Estate Investment Trusts	MSCI USA IMI Real Estate	7.80%	23.00%
INTERNATIONAL EQUITY			
Int'l Large/Mid – Growth	MSCI World ex USA Growth	7.60%	18.15%
Int'l Large/Mid – Core	MSCI World ex USA	8.00%	19.05%
Int'l Large/Mid – Value	MSCI World ex USA Value	8.30%	19.85%
Int'l Small – Growth	MSCI World ex USA Small Cap Growth	8.70%	20.25%
Int'l Small – Core	MSCI World ex USA Small Cap	8.70%	20.50%
Int'l Small – Value	MSCI World ex USA Small Cap Value	8.80%	20.70%
Emerging Markets	MSCI Emerging Markets	10.00%	26.25%
FIXED INCOME			
Municipal Short-Term	Bloomberg Municipal Bond (1-3 Yr)	3.30%	1.55%
Municipal	Bloomberg Municipal Bond	3.70%	5.10%
Core Short-Term	Bloomberg US Aggregate (1-3 Yr)	3.40%	2.50%
Core	Bloomberg US Aggregate	3.70%	4.15%
Taxable Intermediate	Bloomberg Gov't/Corporate Intermediate	3.70%	5.45%
Taxable Long	Bloomberg Gov't/Corporate Long	4.20%	9.40%
U.S. Leveraged Loans	Morningstar LSTA U.S. Leveraged Loan	4.90%	9.05%
U.S. High Yield	Bloomberg U.S. Corporate High Yield	6.20%	12.20%
Int'l Developed Markets	Bloomberg Global Aggregate Ex-US	5.70%	9.40%
Emerging Markets	Bloomberg Emerging Markets USD Aggregate	6.20%	10.80%
Inflation-Linked Bonds	Bloomberg US Treasury TIPS	4.50%	7.35%
ALTERNATIVES			
Private Equity	Cambridge US Private Equity ⁶	10.65%	23.75%
Private Debt	Bloomberg US Agg Credit Corp HY (Caa) ⁶	7.60%	16.95%
Private Real Estate	NCREIF Property ⁶	7.35%	18.40%
Timber	NCREIF Timber ⁶	3.50%	12.15%
Infrastructure	S&P Global Infrastructure Index	9.30%	12.80%
Commodities	Bloomberg Commodity Index	8.35%	18.45%
Master Ltd Partnerships	Alerian MLP	6.30%	18.95%
Hedge Funds	HFRI Fund of Funds Composite Index	4.80%	7.55%

⁵ The volatilities for each asset class shown in this table represent our projections for annual volatilities. In performing the underlying analysis, we used historical monthly volatilities (as opposed to daily or weekly) spanning the last 20+ years as a key input.

⁶ The Private Equity, Private Debt, Private Real Estate and Timber indices have been de-smoothed and the resulting index returns generally tracks the return patterns of the original index, but with greater volatility.

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Investment Policy Statement

This Investment Policy Statement covers the Meridian Twp Emp Pension Portfolio, which is comprised of the following account(s):

MERIDIAN TWP EMP PENSION

20-75-067-4489678

I. Purpose

The purposes of this Investment Policy Statement (IPS) are (i) to document our understanding of the investment goals and guidelines for the portfolio, including the investment objective, risk tolerance, investment restrictions and asset allocation ranges, and (ii) to establish a basis upon which to evaluate the attainment of portfolio objectives.

II. Investor Profile

A. Investment Time Horizon:

The period of time during which the assets will be invested is expected to be 20 years.

B. Portfolio Risk Tolerance:

Investment theory and historical capital market return data suggest that, over long periods of time, there is a relationship between the level of risk assumed and the level of return that can be expected in a portfolio, although there can be no guarantee of returns. In general, higher risk (e.g. return volatility) is associated with higher return. Given this relationship between risk and return, a fundamental step in determining the investment policy is the determination of an appropriate risk tolerance profile. There are a number of factors that influence the risk profile for a portfolio, including: sustainability of income, liquidity, return objectives, time horizon and investment experience. Based on your and PNC's understanding of the relevant situation, you agree that the portfolio risk tolerance is best described as: Investments may fluctuate and suffer occasional losses, so that overall returns will keep pace with inflation.

C. Investment Objectives:

The overall investment objective for this portfolio is Growth.

III. Restrictions and Limitations

No restrictions exist for this portfolio.

IV. Strategic Asset Allocation

Asset Class	Proposed Allocation (%)	Minimum (%)	Maximum (%)
Equity	65.00	55.0	75.0
Equity - US Equity	48.00		
Equity - International Equity	13.00		
Equity - REITs	4.00		
Fixed Income	32.00	22.0	42.0
Fixed Income - US Investment Grade	32.00		
Cash	3.00	0.0	13.0
Cash	3.00		
Total	100.00		

V. Strategic Considerations

The Strategic Asset Allocation represents a customized investment framework with baseline allocation percentages for each major asset class. The allocation has been developed using both quantitative and qualitative input, data and processes and reflects your preferences. The assets of this portfolio shall be diversified among various classes of investments, unless PNC is directed otherwise.

The PNC baseline Strategic Asset Allocation is a long-term strategic asset allocation that considers equity, fixed income, alternative assets and cash according to your risk profile. PNC may make tactical changes from time to time in these baseline Strategic Asset Allocation Strategies. In addition, your account may vary from the baseline allocation due to changes in the value of assets in the account, market conditions and account specific events, such as instructions from you.

VI. Investment Authority

PNC's investment authority for the accounts in the portfolio is defined as follows:

Account Name	Account Number	Investment Authority
MERIDIAN TWP EMP PENSION	20-75-067-4489678	Full/Sole Discretion

VII. Performance Measurement

The portfolio's performance will be measured in accordance with industry standards and against appropriate benchmarks.

VIII. Additional Comments

No Additional Comments

IX. Signator's Role

As financial circumstances, goals, investment objectives and preferences change, it is important that you communicate those changes to us so that appropriate adjustments can be made in the portfolio.

The undersigned agree(s) that this Investment Policy Statement (IPS) applies to all of the accounts that constitute the Portfolio in the aggregate. PNC may manage each account to its own investment objective as long as all accounts in the aggregate comply with this IPS.

Each of PNC and the Signator is signing this IPS in the capacity defined by the governing instrument for each account listed in this IPS. This IPS is subject to the terms and conditions, including the standard of care and limitations of liability, of the documents, which constitute the governing instruments for the applicable account(s). This IPS has been accepted and approved by:

Date

PNC BANK, NATIONAL ASSOCIATION

By : _____
DAVID A REID, V.P., Investment Advisor

Date :

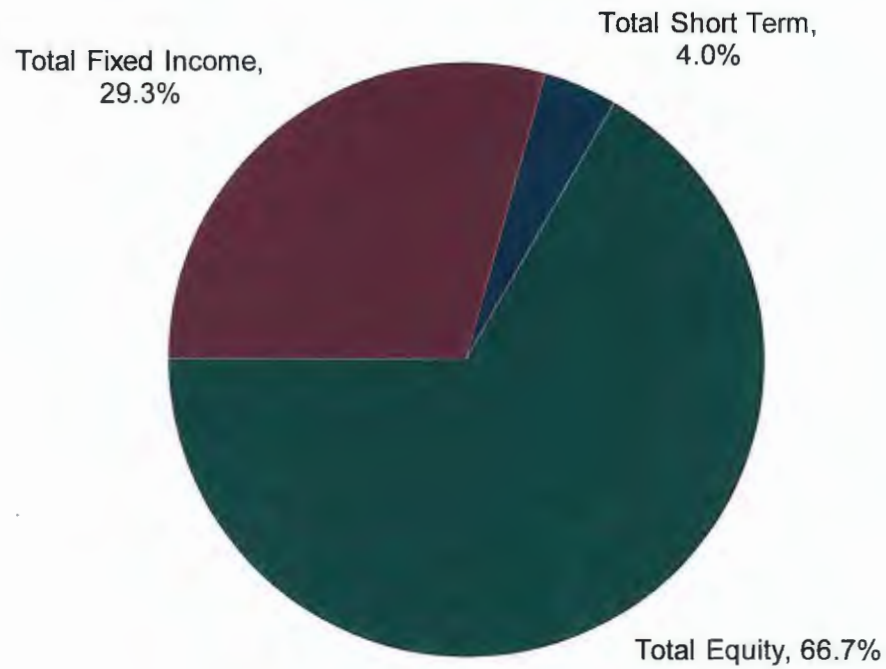
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Investments: Not FDIC Insured. No Bank Guarantee. May Lose Value.

Portfolio Review

As of December 31, 2022



Description	Market Value (\$)	Portfolio Allocation	Policy Target	Policy Range
■ Total Equity	2,748,484	66.7%	65%	40-75%
<i>Large Cap Equity</i>	1,343,892	32.6%		
<i>Mid Cap Equity</i>	594,808	14.4%		
<i>Small Cap Equity</i>	207,072	5.0%		
<i>Total International</i>	475,214	11.5%		
<i>Other Equity</i>	127,499	3.1%		
■ Total Fixed Income	1,207,800	29.3%	32%	20-50%
■ Total Short Term	164,314	4.0%	3%	0-20%
Total Portfolio	4,120,598	100.0%	100.0%	

Portfolio Holdings

MERIDIAN TOWNSHIP

As of December 31, 2022

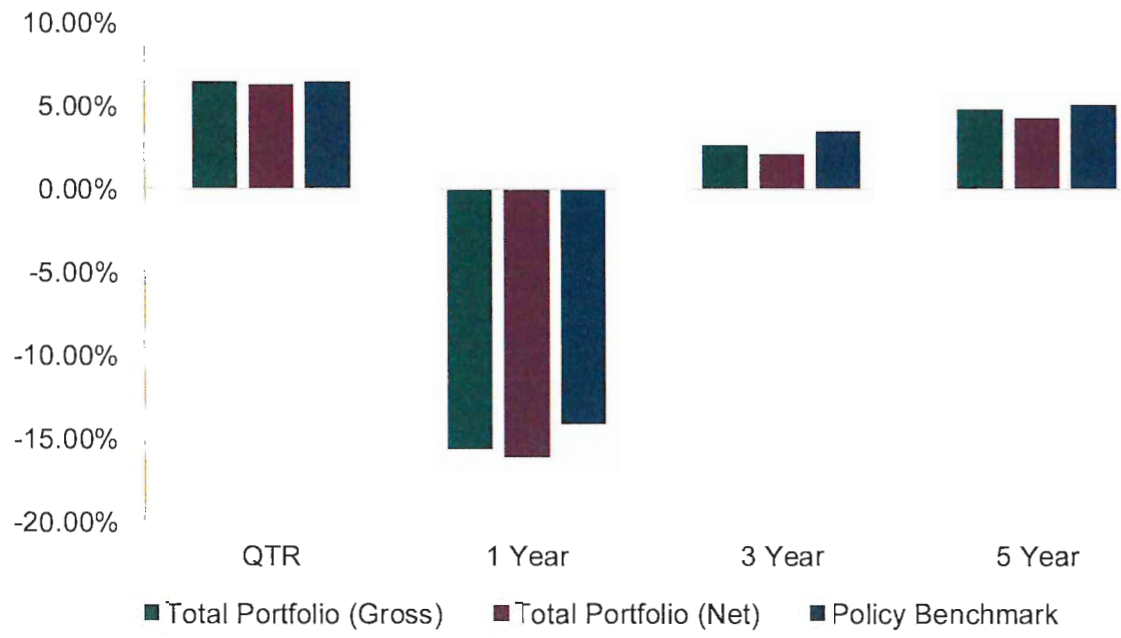
Description	Ticker	Units	Market Value (\$)	% of Market Value
Large Cap Core				
Fidelity 500 Index Fd-Ai	FXAIX	10,095	1,343,892	32.6%
Mid Cap Core				
iShares Core S&P Mid-Cap ETF	IJH	2,459	594,808	14.4%
Small Cap Core				
iShares Core S&P Small Cap ETF	IJR	2,188	207,072	5.0%
Total International				
Federated International Equity Fund Cl Is Fd #717	PEIRX	22,586	475,214	11.5%
Other Equity				
Fidelity Real Estate ETF	FREL	5,139	127,499	3.1%
Total Equity			2,748,484	66.7%

As of December 31, 2022

Description	Ticker	Units	Market Value (\$)	% of Market Value
Fixed Income Taxable				
Baird Intermediate Bd Fund Inst	BIMIX	45,389	457,524	11.1%
Pacific Funds Floating Rate Income	PLFRX	31,657	289,975	7.0%
Western Asset Intermediate Bond Fund Class I	WABSX	48,606	460,301	11.2%
Total Fixed Income			1,207,800	29.3%
Short Term				
Cash & Equivalent	-	164,314	164,314	4.0%
Total Short Term			164,314	4.0%
Total Portfolio			4,120,598	100.0%

Investment Performance

As of December 31, 2022



Description	QTR	1 Year	3 Year	5 Year
Total Portfolio (Gross)	6.52%	-15.63%	2.67%	4.81%
Total Portfolio (Net)	6.37%	-16.11%	2.11%	4.30%
<i>Total Portfolio Benchmark*</i>	6.52%	-14.09%	3.54%	5.14%
Total Equity	9.35%	-18.87%	4.22%	6.45%
Total Fixed Income	1.90%	-9.21%	-1.40%	0.60%

*30.76% S&P 500 TR, 13.95% Russell Midcap, 5.02% Russell 2000, 12.97% MSCI ACWI Ex US Net, 4.08% NAREIT ALL Equity Reits, 28.76% Bloomberg Barclays US Aggregate, 3.52% S&P/LSTA US Leveraged Loan, .95% FTSE 90 T-Bill

Total Portfolio (Gross) shows performance gross of advisory fees and separately managed account (SMA) fees. Total Portfolio (Net) shows

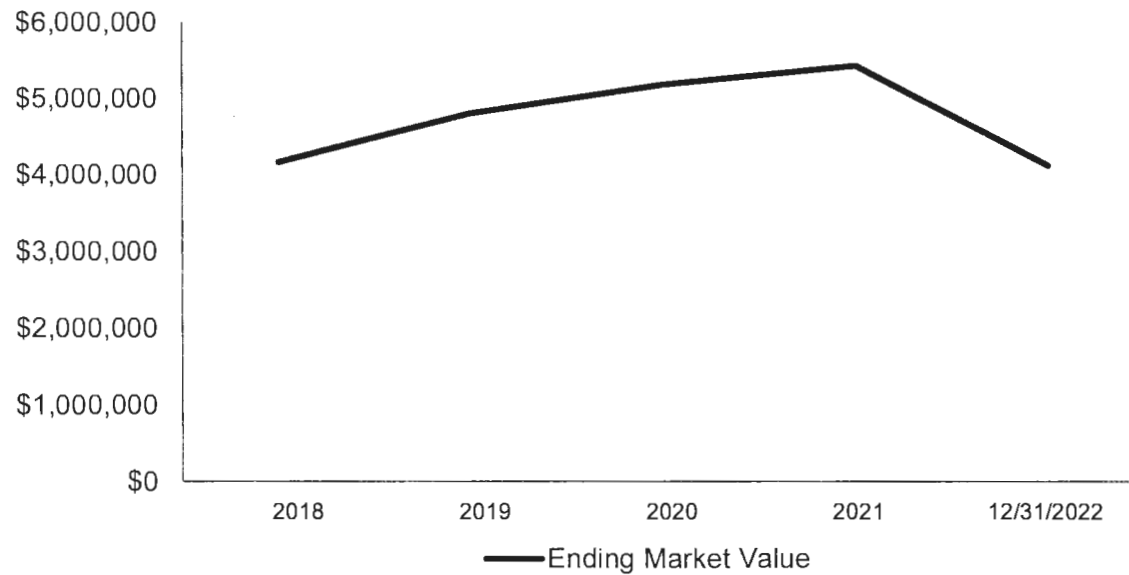
Manager Performance

MERIDIAN TOWNSHIP

As of December 31, 2022

Description	QTR	YTD	1 Year	3 Year	5 Year
Large Cap Core	7.56%	-18.13%	-18.13%	7.65%	8.88%
Fidelity 500 Index Fd-Ai	7.56%	-18.13%	-18.13%	N/A	N/A
<i>S&P 500 TR</i>	7.56%	-18.11%	-18.11%	N/A	N/A
Mid Cap Core	10.84%	-13.61%	-13.61%	5.46%	N/A
iShares Core S&P Mid-Cap ETF	10.84%	-13.61%	-13.61%	N/A	N/A
<i>Russell Mid Cap TR</i>	9.18%	-17.32%	-17.32%	N/A	N/A
Small Cap Core	9.04%	-16.48%	-16.48%	N/A	N/A
iShares Core S&P Small Cap ETF	9.04%	-16.48%	-16.48%	N/A	N/A
<i>Russell 2000 TR</i>	6.20%	-20.40%	-20.40%	N/A	N/A
Total International	14.12%	-22.37%	-22.37%	0.73%	1.85%
Federated International Equity Fund Cl Is Fd #71	14.12%	-22.37%	-22.37%	0.73%	1.85%
<i>MSCI ACWI Ex US Net</i>	14.28%	-16.00%	-16.00%	0.07%	0.88%
Other Equity	4.19%	-26.16%	-26.16%	-4.51%	-0.32%
Fidelity Real Estate ETF	4.19%	-26.16%	-26.16%	N/A	N/A
<i>NAREIT ALL Equity Reits</i>	4.14%	-24.95%	-24.95%	N/A	N/A
Fixed Taxable	1.90%	-9.21%	-9.21%	-1.40%	0.60%
Baird Intermediate Bd Fund Inst	1.64%	N/A	N/A	N/A	N/A
<i>Bloomberg Barclays Int Govt/Cr</i>	1.54%	N/A	N/A	N/A	N/A
Western Asset Intermediate Bond Fund Class I	1.68%	-11.16%	-11.16%	-2.17%	0.28%
<i>Bloomberg Barclays Int Govt/Cr</i>	1.54%	-8.24%	-8.24%	-1.26%	0.73%
Pacific Funds Floating Rate Income	2.78%	-0.85%	-0.85%	1.76%	N/A
<i>S&P/LSTA US Leveraged Loan</i>	2.74%	-0.60%	-0.60%	2.55%	N/A
Total Short Term	0.86%	2.49%	2.49%	0.96%	1.27%
Cash & Equivalent	0.86%	2.49%	2.49%	0.96%	1.27%
<i>FTSE 90 T-Bill</i>	0.87%	1.50%	1.50%	0.71%	1.25%

Performance is shown gross of advisory fees and separately managed account (SMA) fees. The effect of advisory fees on the portfolio could be material. If these fees were reflected, returns would be lower. Indices are unmanaged, are not available for direct investment, and are not subject to management fees, transaction costs or other types of expenses that an account may incur. Past performance is not guarantee of future results.



Description	2018	2019	2020	2021	12/31/2022
Beginning Market Value	\$4,507,008	\$4,155,185	\$4,802,375	\$5,182,268	\$5,427,354
Net Contributions/Withdrawals	(\$136,706)	(\$267,322)	(\$243,285)	(\$367,887)	(\$481,252)
Income Received	\$86,029	\$94,693	\$70,648	\$81,090	\$91,421
Gain/Loss	(\$301,146)	\$819,820	\$552,529	\$531,883	(\$916,925)
Ending Market Value	\$4,155,185	\$4,802,375	\$5,182,268	\$5,427,354	\$4,120,598
Total Return	-4.76%	22.73%	14.20%	12.32%	-15.63%

*See Appendix - Policy Benchmark Composition, for description of Benchmarks.

***Thank you* for your
business.**

**How can we better serve
your needs?**

Appendix

PNC Institutional Asset Management invests in technology to help institutional investors. Our I-Hub solution includes:

ONLINE ACCOUNT ACCESS	REPORTING CAPABILITIES
<ul style="list-style-type: none"> • Access from any device • Customized access for each user • Dedicated technical support • Messaging capabilities • Document retrieval for statements, investment policy statement, fee invoices and more. 	<ul style="list-style-type: none"> • Customizable reporting of key account information • Benefit payment inquiry access and reporting • Paperless statements for authorized persons
OPERATIONAL CAPABILITIES	SECURITY FEATURES
<ul style="list-style-type: none"> • Ability to initiate and manage cash processing • Ability to initiate and manage benefit payments • Ability to process mutual fund, equity, and fixed income trades 	<ul style="list-style-type: none"> • Unique login credential with strict password parameters • Each login requires additional one-time passcode be sent to email, phone (voice) or text • Customizable approval flows for your organization
DECEMBER 2022 SYSTEM ENHANCEMENTS	
<ul style="list-style-type: none"> • Requirement for One-Time Passcode (OTP) with each login to assist with preventing fraud. Expanded options to receive the OTP include voice call or text message. • Allowing a current authorized person to utilize I-Hub to request a new authorized signer be added. The new Authorized Signers form is executed within I-Hub using e-Sign. • Messaging enhancement to include the Investment Advisor in addition to the existing options of the Institutional Trust Officer and I-Hub Support. 	

If you have questions, or would like an I-Hub demo, please reach out to your Institutional Trust Officer or contact

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