



# QUARTERLY INVESTMENT REPORT

December 2025



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"Forgive yourself for not knowing earlier what only time could teach."  
– Maya Angelou

### MERS' Portfolio Characteristics

- Disciplined asset allocation
- Globally diversified
- May lag in periods of extended bull markets
- Valuation focused investors
- Focus on risk-adjusted returns
- Public and Private Markets run counter-cyclical

### MERS' Office of Investments Goals

- Maintain adequate liquidity
- Exceed the actuarial rate assumption on a long-term basis
- Minimize costs
- Exceed the Policy Benchmark on a long-term basis

## Portfolio Performance

	QTD	YTD	1 Year	2 Year	3 Year	5 Year	7 Year	10 Year
MERS Total Portfolio (Net of Fees)	2.48	15.45	15.45	11.52	11.55	7.26	9.05	8.28
<i>Policy Benchmark <sup>(1)</sup></i>	2.49	16.49	16.49	13.84	14.74	7.00	10.03	8.65
Excess Return (Net of Fees)	-0.01	-1.04	-1.04	-2.32	-3.19	0.26	-0.98	-0.37

	QTD	YTD	1 Year	2 Year	3 Year	5 Year	7 Year	10 Year
MERS Public Markets (Net of Fees)	2.81	17.83	17.83	13.60	13.88	7.02	-	-
<i>Policy Benchmark</i>	2.49	16.49	16.49	13.84	14.74	7.00	-	-
Excess Return (Net of Fees)	0.32	1.34	1.34	-0.24	-0.86	0.02	-	-

	QTD	YTD	1 Year	2 Year	3 Year	5 Year	7 Year	10 Year
MERS Private Markets (Net of Fees)	1.45	8.19	8.19	5.39	5.01	8.31	-	-
<i>Policy Benchmark</i>	2.49	16.49	16.49	13.84	14.74	7.00	-	-
Excess Return (Net of Fees)	-1.04	-8.30	-8.30	-8.45	-9.73	1.31	-	-

## Portfolio Performance Review

MERS' Total Market portfolio returned 2.48% (net) for the fourth quarter, underperforming the Policy Benchmark by 1 bp. The Global Equity portfolio returned 3.42%, outperforming the Global Equity Policy Blend by 20 bps due to strong performance from the International and Emerging Market Equity portfolios. The U.S. Equity portfolio outperformed the MSCI USA IMI Index (net) benchmark by 37 bps due to strong performance from the small cap portfolio. The Emerging Market Equity portfolio outperformed its benchmark by 26 bps. Outperformance came from an overweight to small cap equities and strong active management returns (+495 bps) within the small cap equity portfolio. The International Equity portfolio underperformed its benchmark by 110 bps with underperformance coming from an overweight to small cap equities and weak performance from Japanese equities. The portfolio also benefitted from the Liquid Natural Resources strategy which delivered an 11.70% return, driven by strong performance in precious metals. The Global Fixed Income portfolio returned 1.22% during the quarter, slightly underperforming the Global Fixed Income Policy Blend by 18 bps. The Private Markets portfolio delivered a return of 1.45%, with Real Assets returning 1.96%, Private Equity returning 0.08%, and Diversifying Strategies returning 3.20%. MERS' Defined Benefit (DB) portfolio assets are \$14.62 billion, and MERS' total assets are \$19.66 billion.

## Economic and Market Summary

Investors navigated a complex environment during the fourth quarter, marked by a 43-day U.S. government shutdown that delayed key economic data releases and contributed to periods of heightened volatility. With limited visibility into underlying economic strength, markets experienced uneven movements. Investors remained heavily focused on the AI theme, though attention increasingly shifted toward identifying companies best positioned to convert demand into near-term profitability. Despite concerns around elevated valuations, U.S. equity indices reached new highs. The Federal Reserve cut interest rates by 0.50% during the quarter but signaled a pause, suggesting fewer rate cuts than previously expected in 2026. The MSCI All Country World Investable Market Index (net) returned 3.22% in the fourth quarter, ending the year up 22.06%. While U.S. markets failed to deliver a traditional "Santa Claus" rally in December, they still closed the year strongly. The S&P 500 gained 2.65% during the quarter and 17.86% for the year, while the Nasdaq 100 rose 2.47% during the quarter and 21.02% for the year. International equities broadly outperformed U.S. markets in 2025. The MSCI Europe Index (net) rose 6.20% in the fourth quarter and 35.41% for the year. Asian markets were also strong, with the MSCI Pacific Index (net) up 2.16% for the quarter and 23.30% for the year. Emerging markets, driven by Korea, China, and Taiwan, also posted strong returns with the MSCI Emerging Markets Index (net) returning 4.73% for the quarter and 33.57% for the year. After several challenging years driven by rising interest rates, bond markets posted impressive gains, led by emerging market debt which was up 14.30%. Gold and silver reached new highs while the U.S. dollar declined over 8.00% during the year. While economic data generally remains constructive, labor market dynamics bear watching as announced layoffs increase. Divergences across sectors and regions create a mixed outlook and highlight the importance of diversification.

<sup>1</sup> The Policy Benchmark consists of: 60% MSCI ACWI IMI (net), 30% Bloomberg U.S. Aggregate, 5% Bloomberg U.S. High Yield, and 5% J.P. Morgan EMBI Global Diversified

## Risks and Trends

### Economic Risks

- Monetary policy mistakes | Elevated Inflation
- Tariffs and trade wars
- Higher interest rates/refinancing costs
- Policy uncertainty
- Corporate/government debt levels
- Supply-chain disruptions

### Medium-Term Trends (3-5 years):

- Rise of populism
- Protectionism | In-sourcing
- Investment industry consolidation
- Rise of passive investing
- Amplification of country and regional investment risks
- Rising energy demand

### Long-Term Trends (7+ years):

- Aging populations | Workforce competition
- Rising taxes | Entitlement costs
- Aging infrastructure
- Impact from Artificial Intelligence (AI)
- Deglobalization | Competition for resources
- Geopolitical instability

## Projects and Initiatives

- VBA model and risk management enhancements
- Emerging Market Debt Local Currency Research
- Structured credit/CLO equity allocation
- Developed ex. U.S. equity management
- Emerging market equity research

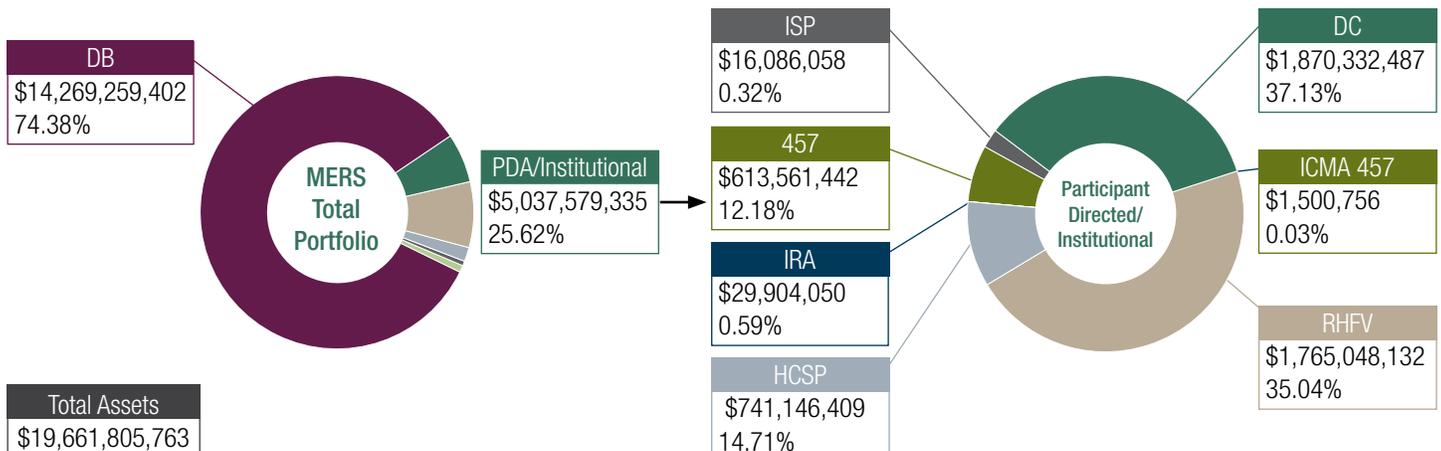
## Chart of the Quarter: Periodic Table of Asset Class Returns

2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Small Cap Equity 21.31%	Emerging Market Equity 37.28%	Cash Equivalent 1.87%	Large Cap Equity 31.49%	Small Cap Equity 19.96%	Large Cap Equity 28.71%	Cash Equivalent 1.46%	Large Cap Equity 26.29%	Large Cap Equity 25.02%	Emerging Market Equity 33.57%
High Yield 17.13%	Developed ex-U.S. Equity 24.21%	U.S. Fixed Income 0.01%	Small Cap Equity 25.52%	Large Cap Equity 18.40%	Real Estate 26.09%	High Yield -11.19%	Developed ex-U.S. Equity 17.94%	Small Cap Equity 11.54%	Developed ex-U.S. Equity 31.85%
Large Cap Equity 11.96%	Large Cap Equity 21.83%	High Yield -2.08%	Developed ex-U.S. Equity 22.49%	Emerging Market Equity 18.31%	Small Cap Equity 14.82%	U.S. Fixed Income -13.01%	Small Cap Equity 16.93%	High Yield 8.19%	Large Cap Equity 17.88%
Emerging Market Equity 11.19%	Small Cap Equity 14.65%	Global ex-U.S. Fixed -2.15%	Real Estate 21.91%	Global ex-U.S. Fixed 10.11%	Developed ex-U.S. Equity 12.62%	Developed ex-U.S. Equity -14.29%	High Yield 13.44%	Emerging Market Equity 7.50%	Small Cap Equity 12.81%
Real Estate 4.06%	Global ex-U.S. Fixed 10.51%	Large Cap Equity -4.38%	Emerging Market Equity 18.44%	Developed ex-U.S. Equity 7.59%	High Yield 5.28%	Large Cap Equity -18.11%	Emerging Market Equity 9.83%	Cash Equivalent 5.25%	Real Estate 9.58%
Developed ex-U.S. Equity 2.75%	Real Estate 10.36%	Real Estate -5.63%	High Yield 14.32%	U.S. Fixed Income 7.51%	Cash Equivalent 0.05%	Global ex-U.S. Fixed -18.70%	Real Estate 9.67%	Developed ex-U.S. Equity 4.70%	Global ex-U.S. Fixed 8.85%
U.S. Fixed Income 2.65%	High Yield 7.50%	Small Cap Equity -11.01%	U.S. Fixed Income 8.72%	High Yield 7.11%	U.S. Fixed Income -1.54%	Emerging Market Equity -20.09%	Global ex-U.S. Fixed 5.72%	U.S. Fixed Income 1.25%	High Yield 8.62%
Global ex-U.S. Fixed 1.49%	U.S. Fixed Income 3.54%	Developed ex-U.S. Fixed -14.09%	Global ex-U.S. Fixed 5.09%	Cash Equivalent 0.67%	Emerging Market Equity -2.54%	Small Cap Equity -20.44%	U.S. Fixed Income 5.53%	Real Estate 0.94%	U.S. Fixed Income 7.30%
Cash Equivalent 0.33%	Cash Equivalent 0.86%	Emerging Market Equity -14.57%	Cash Equivalent 2.28%	Real Estate -9.04%	Global ex-U.S. Fixed -7.05%	Real Estate -25.10%	Cash Equivalent 5.01%	Global ex-U.S. Fixed -4.22%	Cash Equivalent 4.18%

Chart Source: Callan

The chart illustrates the persistent rotation in market leadership over the last 10 years, reinforcing the importance of diversification across asset classes as no single asset class consistently outperforms. Periods of market stress such as 2018 and 2022 highlight wide dispersion in returns, with fixed income and cash generally providing relative stability during risk-off environments. Recovery phases tend to reward risk assets more broadly with equity leadership shifting among U.S., international, and emerging markets depending on economic growth, monetary policy, and currency dynamics. In 2025, emerging market equities led performance, driven by AI-related demand and semiconductor leadership in Korea and Taiwan. International developed equity markets benefited from attractive valuations and currency appreciation. Overall, the chart underscores the cyclical nature of markets, the importance of global exposure, and the value of maintaining diversified portfolios across asset classes.

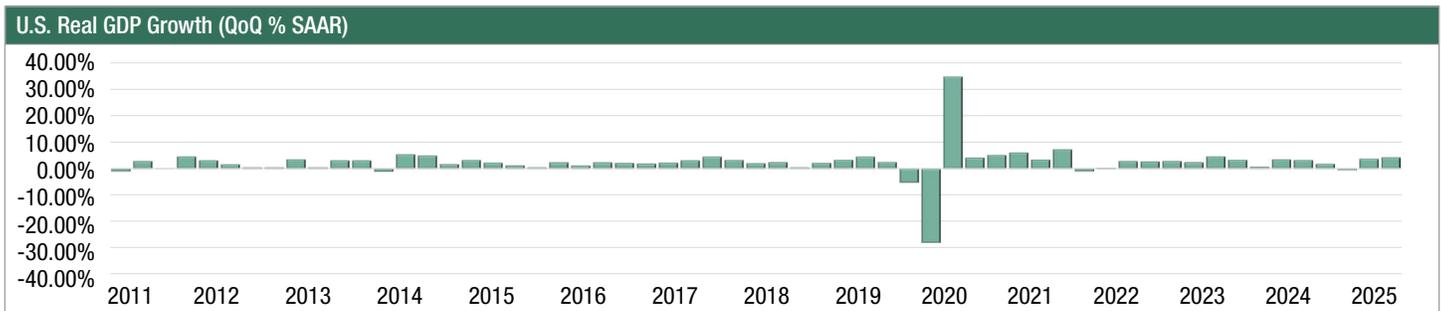
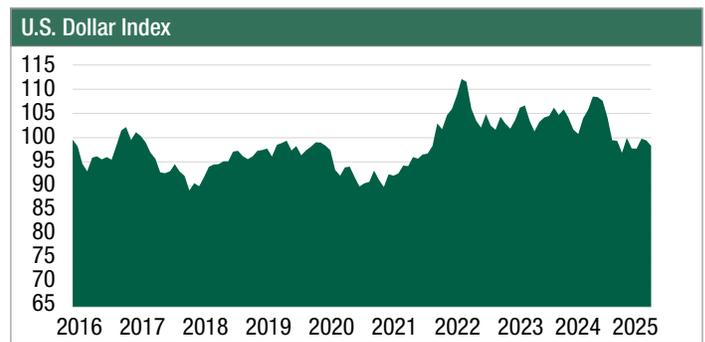
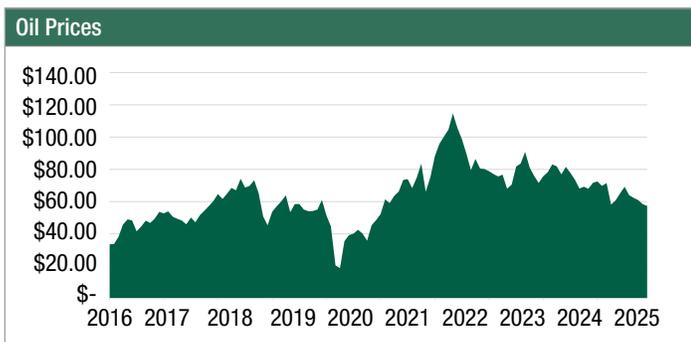
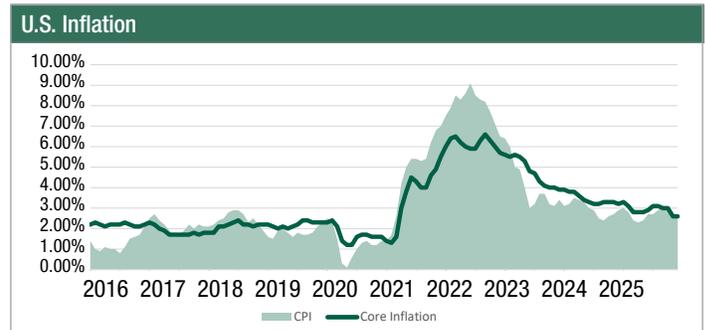
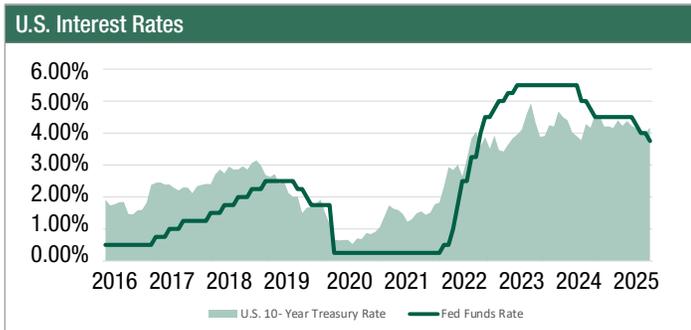
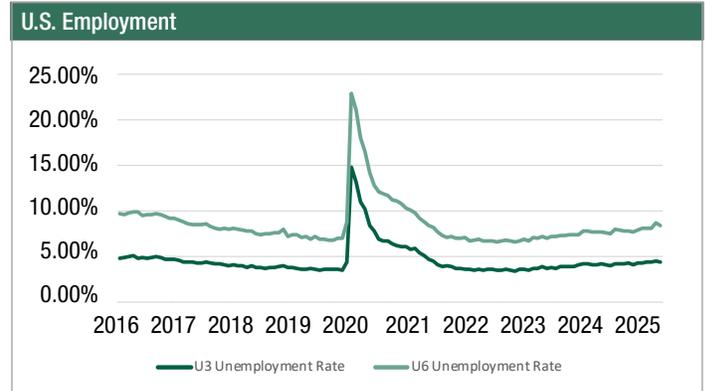
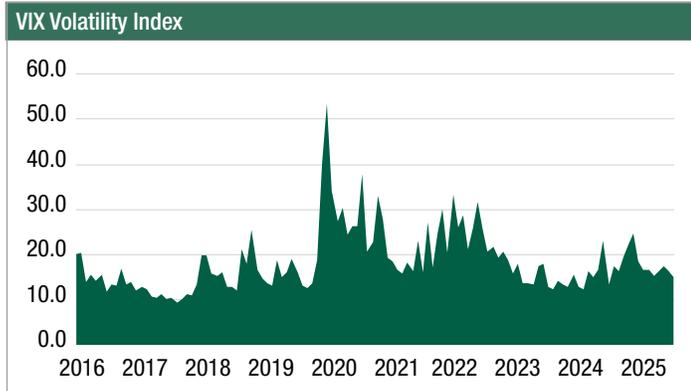
## Assets by Program



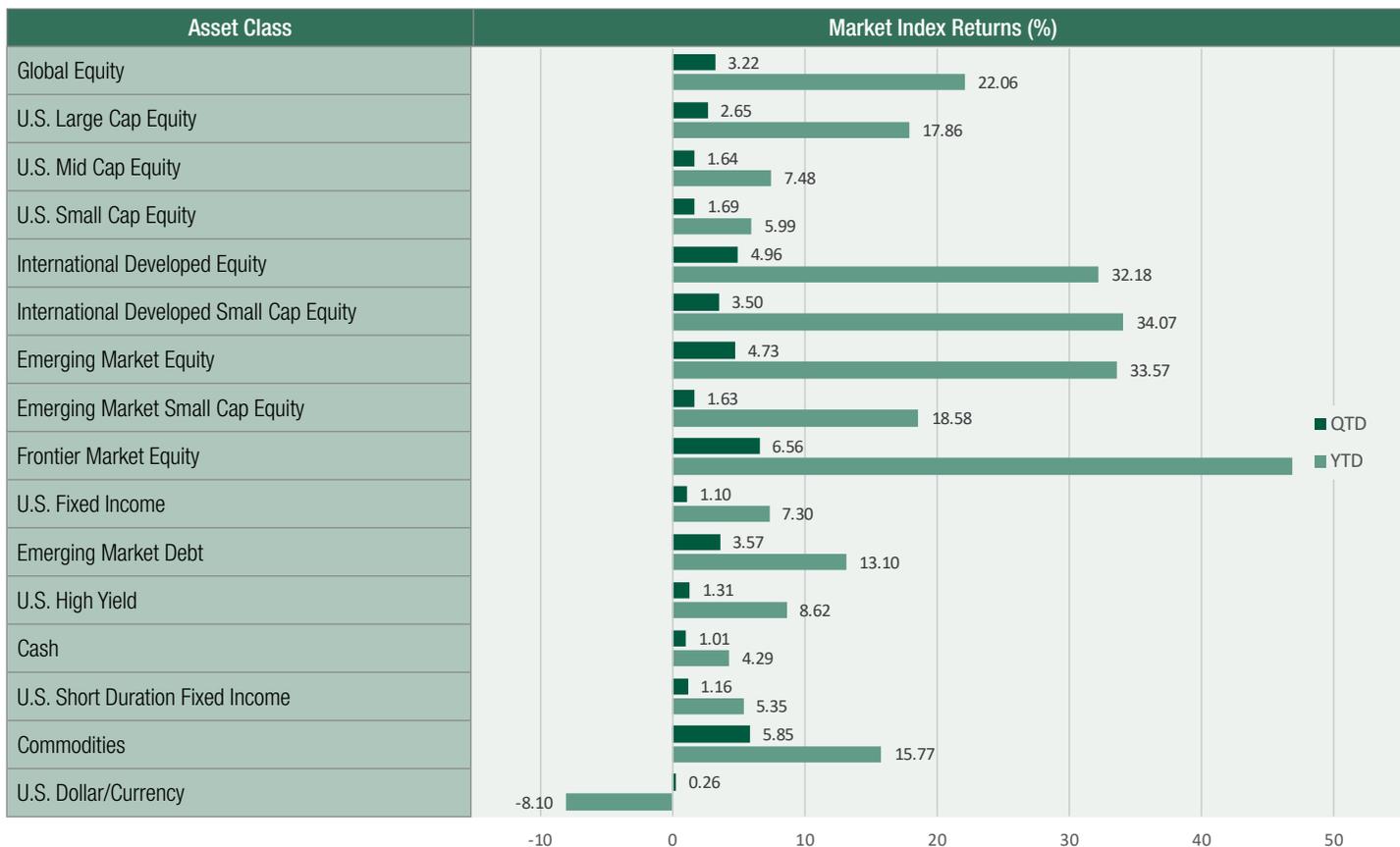
Market Indicators	Current	Prior Quarter
10 Year Treasury Yield	4.17%	4.15%
Fed Funds Rate	4.25%	4.25%
Crude Oil	\$57.4 /barrel	\$62.4 /barrel
Gold	\$4,319.4 /oz.	\$3,859.0 /oz.
30 Year Fixed Mortgage Rates	6.25%	6.36%
U.S. Investment Grade Credit Spread	0.78%	0.74%
U.S. High Yield Credit Spread	2.66%	2.67%
U.S. Leading Economic Indicators	-3.70%	-3.30%

Economic Releases	Current	Prior Quarter
ISM Manufacturing	47.90	49.10
ISM Non-Manufacturing	54.40	50.00
U of M Consumer Sentiment	52.90	55.10
U.S. Real GDP*	2.30%	2.10%
Eurozone Real GDP*	1.40%	1.60%
UK GDP*	1.30%	1.40%
Japan GDP*	0.60%	2.00%
China GDP*	4.80%	5.20%

\* All GDP data is lagged 1 quarter

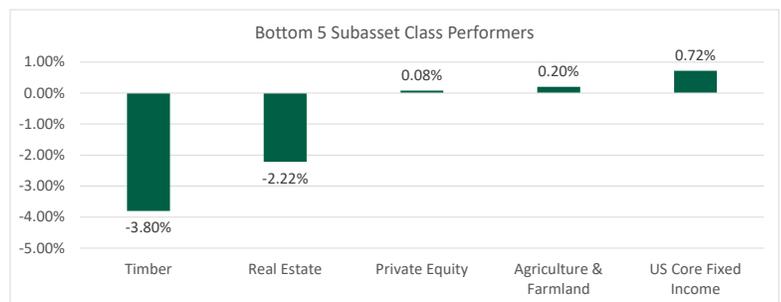
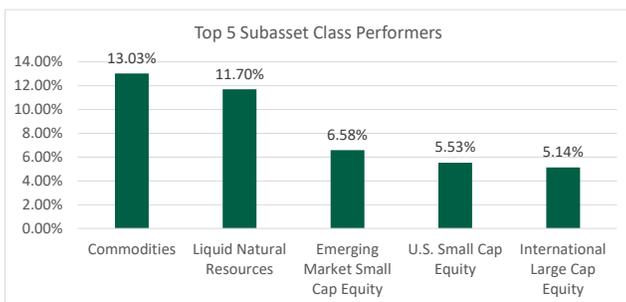
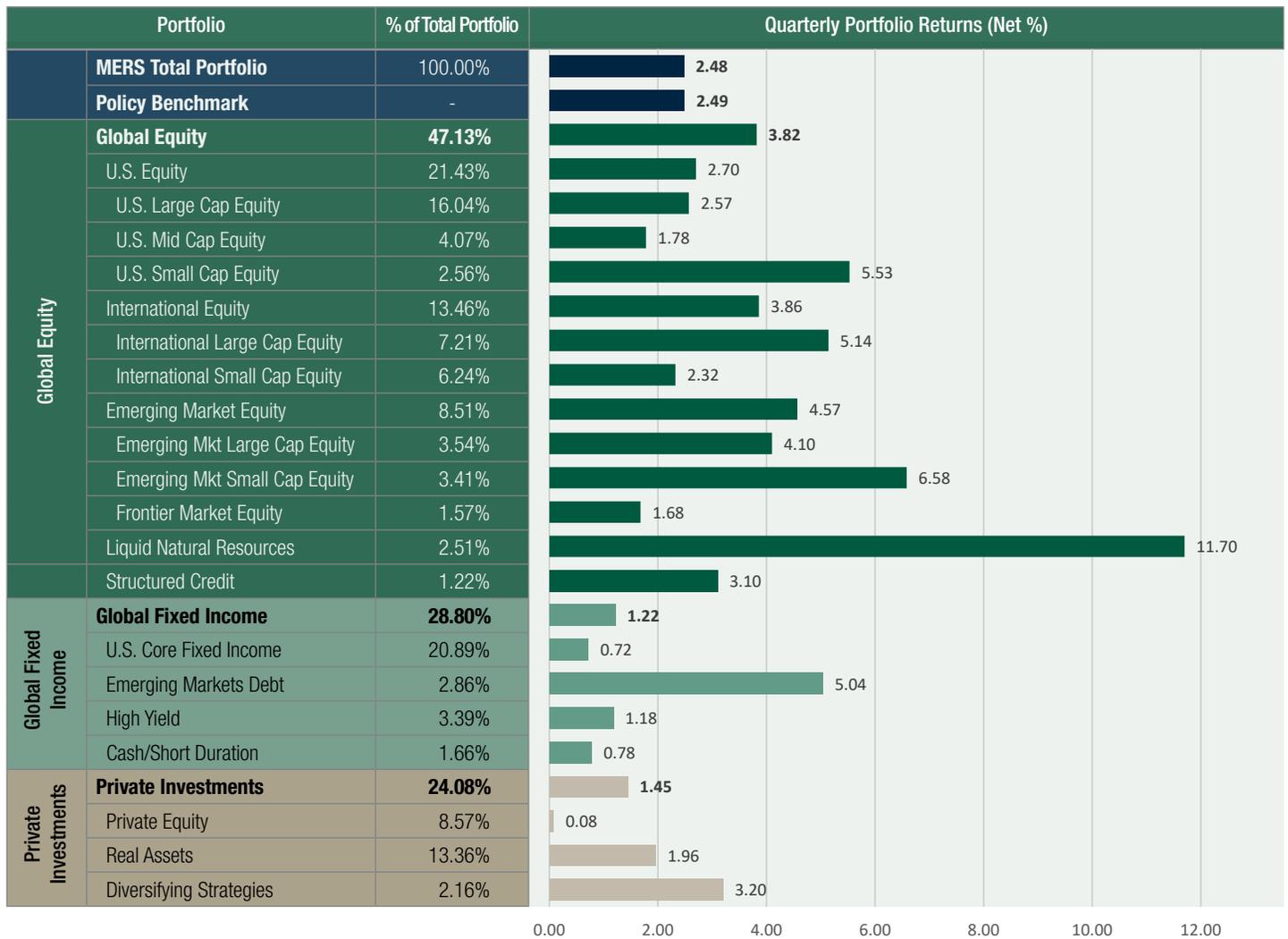


## Market Performance Review



## Market Index Returns

Market Index	Asset Class	QTD	YTD	1 Year	3 Year	5 Year	7 Year	10 Year
MSCI ACWI IMI (net)	Global Equity	3.22	22.06	22.06	19.98	10.75	13.64	11.45
S&P 500	US Large Cap Equity	2.65	17.86	17.86	22.98	14.40	17.27	14.81
S&P 400	US Mid Cap Equity	1.64	7.48	7.48	12.53	9.08	12.02	10.69
S&P 600	US Small Cap Equity	1.69	5.99	5.99	10.11	7.25	9.91	9.75
MSCI World ex USA IMI (net)	International Developed Equity	4.96	32.18	32.18	17.39	9.03	10.81	8.47
MSCI World ex USA Small Cap (net)	International Developed Small Cap Equity	3.50	34.07	34.07	15.77	6.49	9.91	8.05
MSCI Emerging Markets (net)	Emerging Market Equity	4.73	33.57	33.57	16.40	4.20	8.06	8.42
MSCI Emerging Markets Small Cap (net)	Emerging Market Small Cap Equity	1.63	18.58	18.58	15.47	8.43	10.36	8.31
MSCI Frontier Markets (net)	Frontier Market Equity	6.56	46.86	46.86	21.51	9.61	9.55	7.92
Bloomberg U.S. Aggregate	US Fixed Income	1.10	7.30	7.30	4.66	-0.36	1.99	2.01
JPMorgan EMBI Global Diversified	Emerging Market Debt	3.57	13.10	13.10	10.33	1.61	3.72	3.99
Bloomberg US Corporate High Yield	US High Yield	1.31	8.62	8.62	10.06	4.51	6.23	6.53
Bloomberg US Treasury Bills 1-3 Months	Cash	1.01	4.29	4.29	4.92	3.24	2.70	2.18
Bloomberg 1-3 Year Gov/Credit	US Short Duration Fixed Income	1.16	5.35	5.35	4.77	1.97	2.46	2.09
Bloomberg Commodity Index	Commodities	5.85	15.77	15.77	3.96	10.64	8.14	5.73
Bloomberg Dollar Spot Index	US Dollar/Currency	0.26	-8.10	-8.10	-1.16	1.44	0.09	-0.24

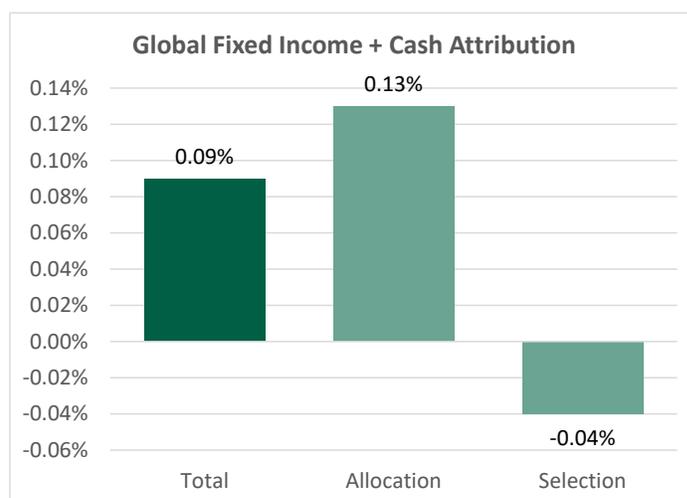
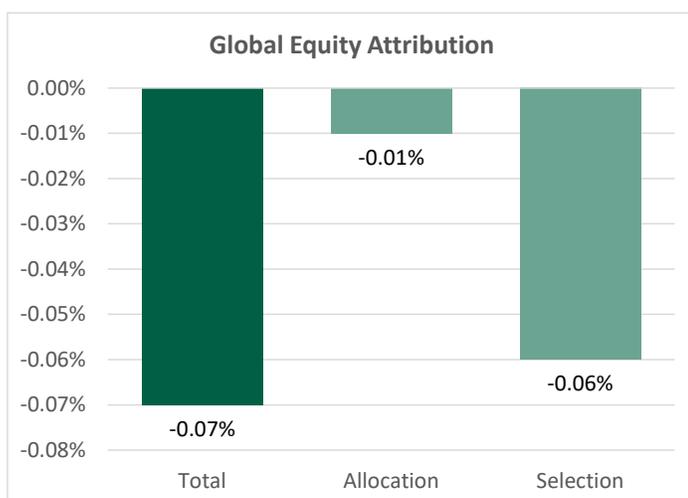
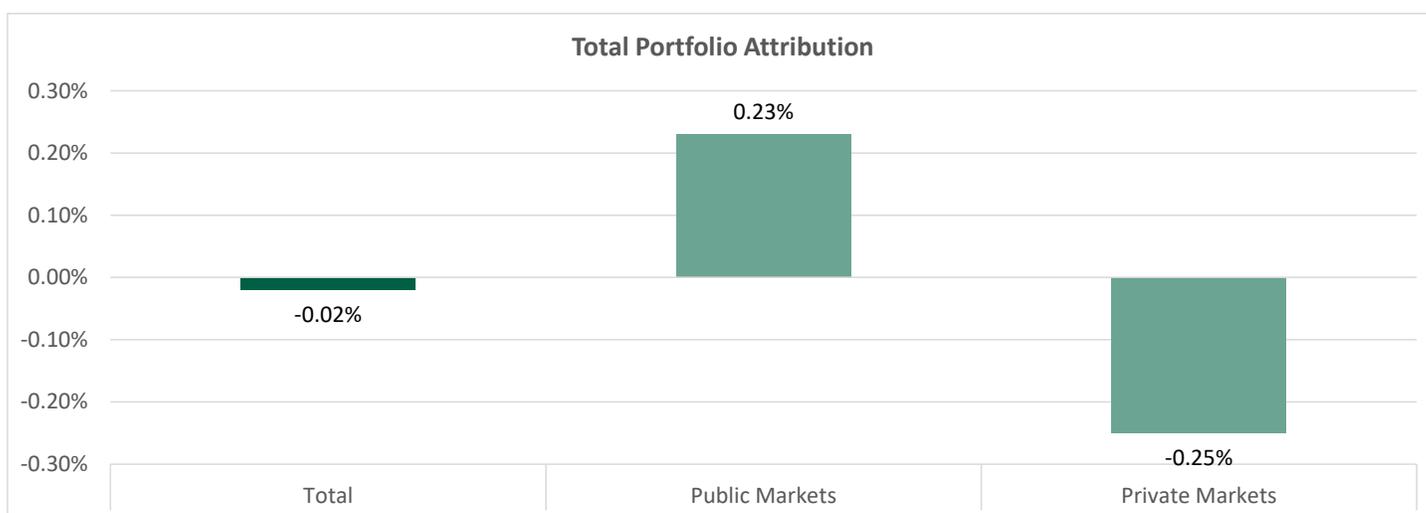


# QUARTERLY PORTFOLIO ATTRIBUTION SUMMARY

2025  
DECEMBER

	Avg Weight			Return (Net)			Attribution Totals		
	Portfolio	Benchmark	Difference	Portfolio	Benchmark	Difference	Allocation	Selection	Total
<b>Total Plan</b>	<b>100.00%</b>	<b>100.00%</b>	<b>0.00%</b>	<b>2.49%</b>	<b>2.51%</b>	<b>-0.02%</b>	<b>0.12%</b>	<b>-0.14%</b>	<b>-0.02%</b>
<b>Public Markets</b>	<b>75.84%</b>	<b>100.00%</b>	<b>-24.16%</b>	<b>2.82%</b>	<b>2.51%</b>	<b>0.31%</b>	<b>0.12%</b>	<b>0.12%</b>	<b>0.23%</b>
<b>Global Equity</b>	<b>44.15%</b>	<b>60.00%</b>	<b>-15.85%</b>	<b>3.37%</b>	<b>3.25%</b>	<b>0.12%</b>	<b>-0.01%</b>	<b>-0.06%</b>	<b>-0.07%</b>
U.S. Equity	22.26%	37.61%	-15.35%	2.59%	2.33%	0.26%	0.03%	0.06%	0.08%
International Equity	13.32%	15.98%	-2.66%	3.92%	4.96%	-1.04%	-0.07%	-0.14%	-0.21%
Emerging Market Equity	8.58%	6.41%	2.17%	4.56%	4.31%	0.25%	0.03%	0.02%	0.05%
Real Return and Opportunistic	3.55%	0.00%	3.55%	8.67%	2.51%	6.16%	0.00%	0.22%	0.22%
<b>Global Fixed Income</b>	<b>27.59%</b>	<b>40.00%</b>	<b>-12.41%</b>	<b>1.22%</b>	<b>1.40%</b>	<b>-0.18%</b>	<b>0.13%</b>	<b>-0.04%</b>	<b>0.09%</b>
U.S. Core Fixed Income	21.30%	30.00%	-8.70%	0.71%	1.10%	-0.39%	0.13%	-0.08%	0.04%
Emerging Markets Debt	2.88%	5.00%	-2.12%	5.03%	3.29%	1.74%	-0.02%	0.05%	0.03%
U.S. High Yield	3.41%	5.00%	-1.59%	1.17%	1.31%	-0.14%	0.02%	-0.01%	0.02%
<b>Cash</b>	<b>0.55%</b>	<b>0.00%</b>	<b>0.55%</b>	<b>2.36%</b>	<b>2.51%</b>	<b>-0.15%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Private Investments</b>	<b>24.16%</b>	<b>0.00%</b>	<b>24.16%</b>	<b>1.45%</b>	<b>2.51%</b>	<b>-1.06%</b>	<b>0.00%</b>	<b>-0.25%</b>	<b>-0.25%</b>

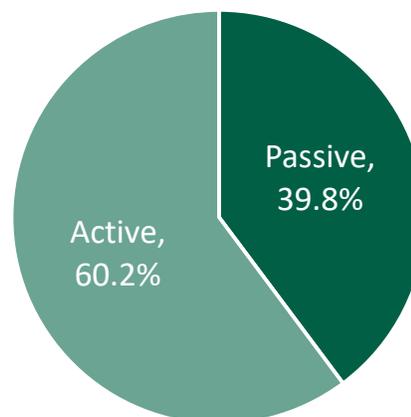
- Outperformance was driven by the Public Markets portfolio (+23 bps) and the Global Fixed Income portfolio (+9 bps).
- The RR and Opportunistic portfolio added value (+22 bps).
- Selection within U.S. Core Fixed Income added value (+13 bps).
- Selection within Emerging Market Equity detracted value (-14 bps).
- Private Investments portfolio detracted value (-25 bps).



Asset Class	Market Value	% of Fund	Base Allocation	Over/Under Weight	Minimum Allocation	Maximum Allocation
Global Equity <sup>(1)</sup>	\$7,754,663,713	47.13%	60.00%	-12.87%	30.00%	70.00%
Global Fixed Income	\$4,739,420,045	28.80%	20.00%	8.80%	10.00%	60.00%
Private Investments	\$3,963,688,093	24.08%	20.00%	4.08%	No Minimum	30.00%
<b>Total</b>	<b>\$16,457,771,851</b>	<b>100.00%</b>	<b>100.00%</b>			

## MERS Public Markets

Asset Class	MERS Public Markets <sup>(2)</sup>	Policy Benchmark <sup>(3)</sup>	Over/Under Weight
U.S. Equity	28.21%	37.99%	-9.78%
International Equity	17.73%	15.34%	2.39%
Emerging Market Equity	11.21%	6.67%	4.54%
U.S. Treasury	23.94%	13.20%	10.74%
U.S. Securitized	0.00%	8.14%	-8.14%
U.S. Investment Grade	3.19%	8.66%	-5.47%
U.S. High Yield	4.46%	5.00%	-0.54%
Emerging Market Debt	3.78%	5.00%	-1.22%
Real Return and Opportunistic	4.89%	0.00%	4.89%
Cash/Short Duration	2.30%	0.00%	2.30%



## Asset Class Valuation Summary

Asset Class	Overvalued	Neutral	Undervalued
U.S. Equity	◆		
Europe Equity		◆	
Pacific Equity			◆
Emerging Market Equity			◆
U.S. Treasury		◆	
U.S. Investment Grade		◆	
U.S. High Yield		◆	
Emerging Market Debt		◆	

**U.S. Equity:** Valuations remain stretched mainly because of U.S. large cap stocks. Mid and small cap equity valuations are more attractive on a relative basis.

**Europe Equity:** Valuations are near fair value as Europe is expected to experience slower earnings growth. The Euro appears modestly undervalued, and the region may benefit from accelerated earnings growth as a result of fiscal stimulus.

**Pacific Equity:** Valuations are below fair value. Pacific earnings, led by Japan, are currently below trend, which is expected to drive higher returns in the future as earnings recover. The Yen is meaningfully undervalued and expected to appreciate in the medium term.

**Emerging Market Equity:** Valuations are depressed, led by China. Recovery from current below-trend earnings and strong trend earnings growth is expected to provide positive support going forward.

**U.S. Treasury:** Treasuries bonds are somewhat richly priced relative to recent history after several interest rate cuts from the Federal Reserve.

**U.S. Investment Grade:** Historically low spreads and credit quality deterioration make the asset class broadly unattractive.

**U.S. High Yield:** U.S. high yield credit is overvalued due to spreads that are well below historical averages.

**Emerging Market Debt:** EM hard currency debt is unattractive due to historically low spreads relative to U.S. Treasuries.

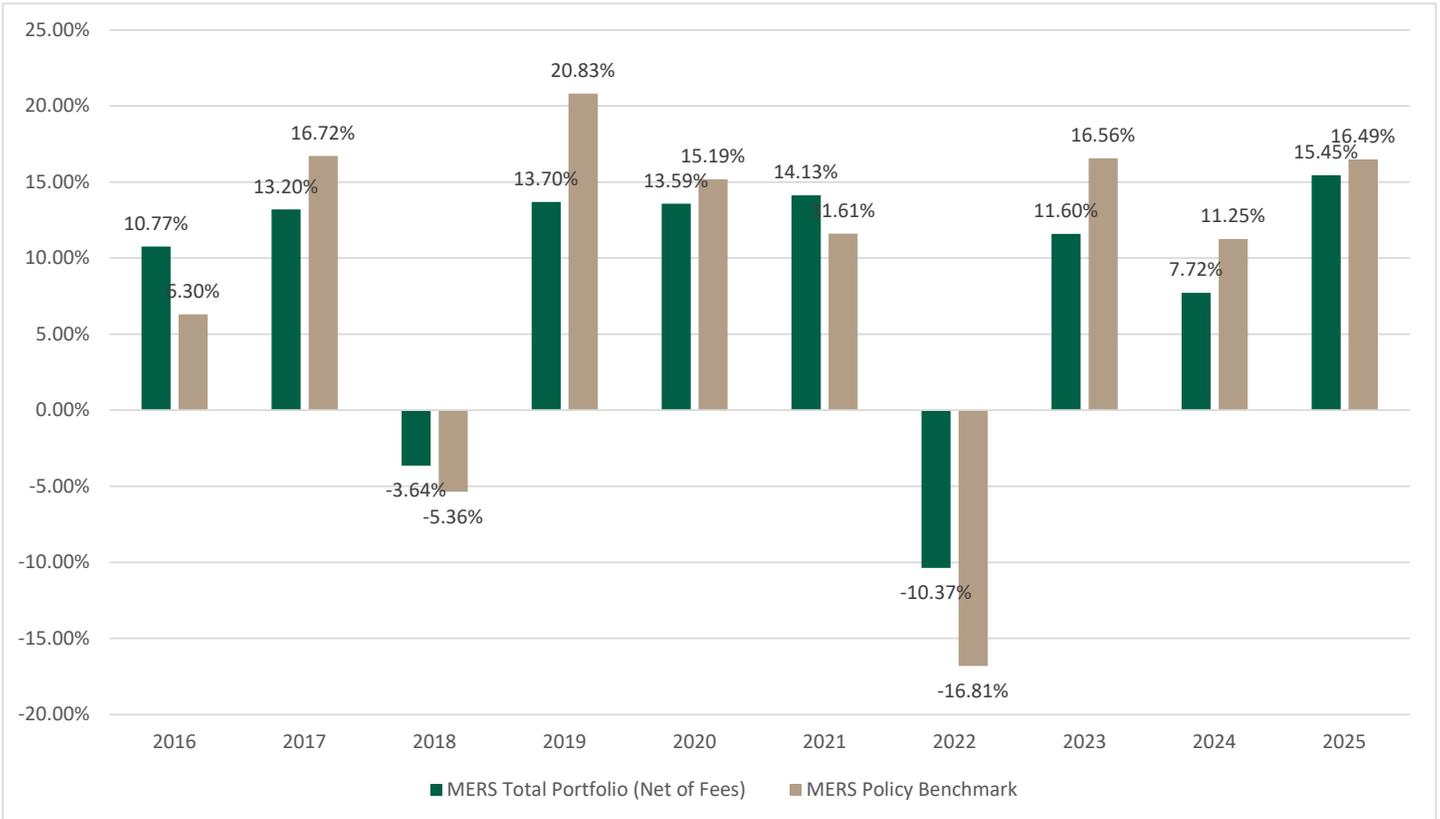
<sup>1</sup> Includes Real Return and Opportunistic

<sup>2</sup> MERS' Public Markets are made up of the Global Equity and Global Fixed Income Asset Classes

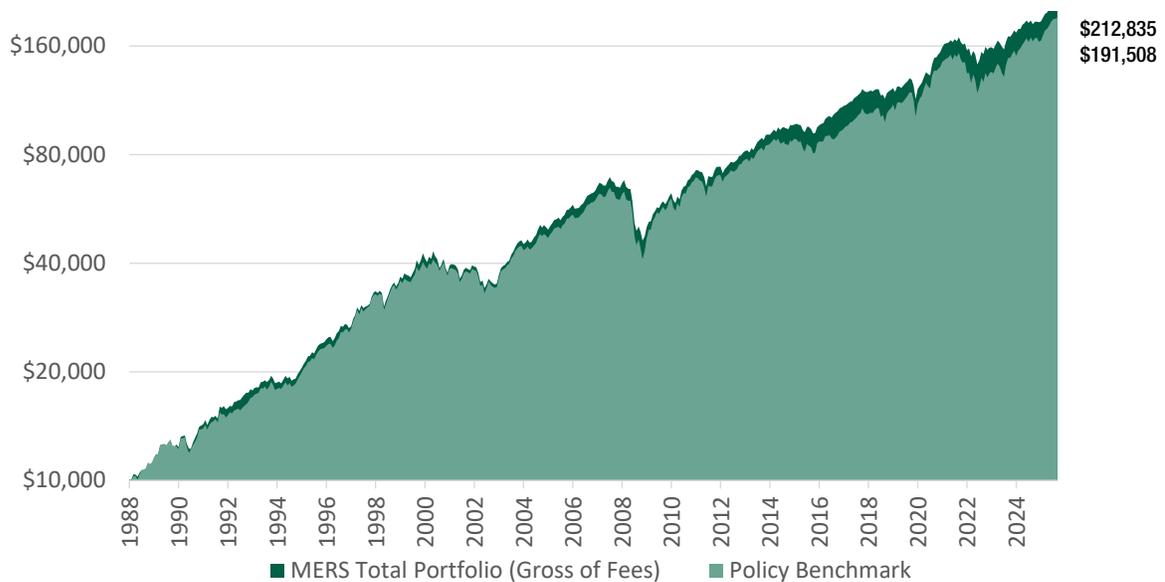
<sup>3</sup> 60% MSCI ACWI IMI (net), 30% Bloomberg U.S. Aggregate, 5% Bloomberg U.S. High Yield, and 5% J.P. Morgan EMBI Global Diversified

	QTD	YTD	1 Year	3 Year	5 Year	7 Year	10 Year
MERS Total Portfolio (Gross of Fees)	2.51	15.72	15.72	11.86	7.51	9.27	8.50
MERS Total Portfolio (Net of Fees)	2.48	15.45	15.45	11.55	7.26	9.05	8.28
<i>Policy Benchmark</i>	2.49	16.49	16.49	14.74	7.00	10.03	8.65
<b>Excess Return (Net of Fees)</b>	<b>-0.01</b>	<b>-1.04</b>	<b>-1.04</b>	<b>-3.19</b>	<b>0.26</b>	<b>-0.98</b>	<b>-0.37</b>

## Calendar Year Performance – Last 10 Years

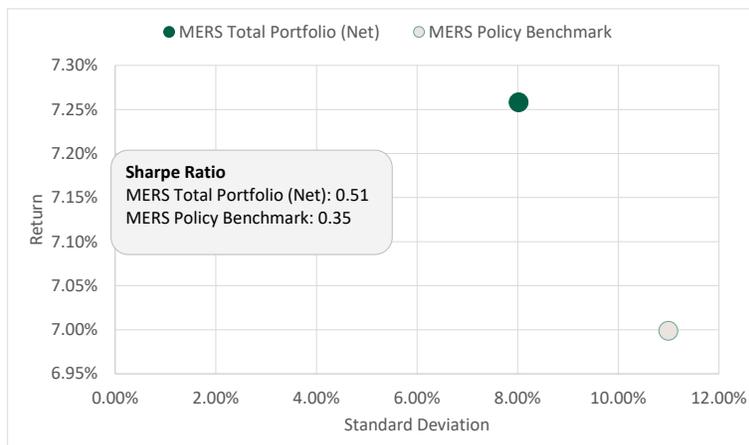


## Growth of \$10,000 Comparison



## 5-Year

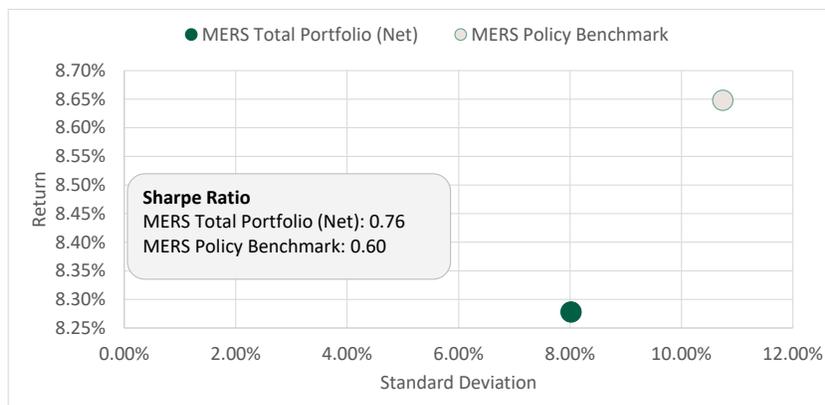
	Return	Standard Deviation	Downside Risk	Beta	R-Squared	Tracking Error
MERS Total Portfolio (Net)	7.26%	8.02%	5.46%	0.71	93.94	3.78%
MERS Policy Benchmark	7.00%	10.99%	7.66%	1.00	100.00	



	# of Months		Average Return		Up Capture	Down Capture
	Up	Down	Up	Down		
MERS Total Portfolio (Net)	41	19	1.89%	-2.15%	76.30	69.57
MERS Policy Benchmark	40	20	2.46%	-3.07%		

## 10-Year

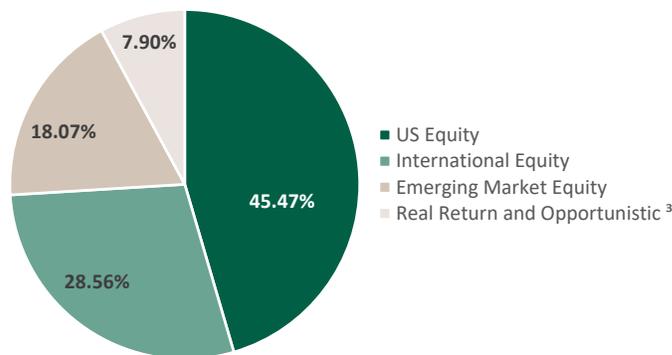
	Return	Standard Deviation	Downside Risk	Beta	R-Squared	Tracking Error
MERS Total Portfolio (Net)	8.28%	8.01%	5.30%	0.72	93.44	3.63%
MERS Policy Benchmark	8.65%	10.74%	7.22%	1.00	100.00	



	# of Months		Average Return		Up Capture	Down Capture
	Up	Down	Up	Down		
MERS Total Portfolio (Net)	85	35	1.82%	-2.05%	76.20	69.03
MERS Policy Benchmark	83	37	2.33%	-2.83%		

Market Value	\$7,754,663,713
Assets – % of Portfolio	47.13%

Sub Asset Class	Market Value
U.S. Equity	\$3,526,150,701
International Equity	\$2,214,874,864
Emerging Market Equity	\$1,401,222,370
Real Return and Opportunistic	\$612,415,778
<b>Total</b>	<b>\$7,754,663,713</b>



## Performance (Net)

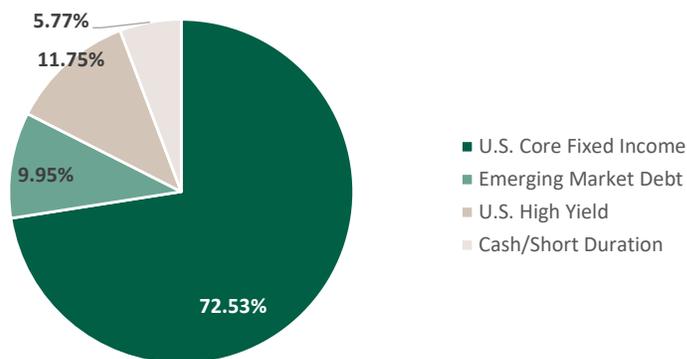
	Market Value	% OF PLAN	QTD	YTD	1 Year	3 Year	5 Year	7 Year	10 Year
<b>Global Equity</b>	<b>\$7,754,663,713</b>	<b>47.13</b>	<b>3.82</b>	<b>24.54</b>	<b>24.54</b>	<b>18.12</b>	<b>10.26</b>	<b>11.98</b>	<b>10.48</b>
<i>Global Equity Policy Blend<sup>(1)</sup></i>			3.22	22.06	22.06	20.88	11.65	14.74	12.37
<i>MSCI ACWI IMI (net)</i>			3.22	22.06	22.06	19.98	10.75	13.64	11.45
<b>U.S. Equity</b>	<b>\$3,526,150,701</b>	<b>21.43</b>	<b>2.70</b>	<b>15.46</b>	<b>15.46</b>	<b>19.21</b>	<b>12.85</b>		
<i>MSCI USA IMI (net)</i>			2.33	16.81	16.81	21.87	12.82		
<b>U.S. Large Cap Equity</b>	<b>\$2,436,272,812</b>	<b>14.80</b>	<b>2.57</b>	<b>17.69</b>	<b>17.69</b>	<b>22.46</b>	<b>14.54</b>	<b>16.86</b>	<b>14.64</b>
<i>S&amp;P 500</i>			2.66	17.88	17.88	23.01	14.42	17.29	14.82
<b>U.S. Mid Cap Equity</b>	<b>\$669,128,446</b>	<b>4.07</b>	<b>1.78</b>	<b>8.35</b>	<b>8.35</b>	<b>12.49</b>	<b>9.04</b>	<b>11.96</b>	<b>10.00</b>
<i>S&amp;P 400</i>			1.64	7.50	7.50	12.56	9.12	12.06	10.72
<b>U.S. Small Cap Equity</b>	<b>\$420,675,549</b>	<b>2.56</b>	<b>5.53</b>	<b>13.75</b>	<b>13.75</b>	<b>13.23</b>	<b>9.88</b>	<b>11.55</b>	<b>10.70</b>
<i>MSCI USA Small Cap IMI (net)</i>			2.38	11.63	11.63	13.65	7.59	11.64	10.42
<b>International Equity</b>	<b>\$2,214,874,864</b>	<b>13.46</b>	<b>3.86</b>	<b>29.63</b>	<b>29.63</b>	<b>17.13</b>	<b>8.31</b>		
<i>MSCI World ex USA IMI (net)</i>			4.96	32.18	32.18	17.39	9.03		
<b>International Large Cap Equity</b>	<b>\$1,187,274,091</b>	<b>7.21</b>	<b>5.14</b>	<b>27.73</b>	<b>27.73</b>	<b>16.34</b>	<b>7.65</b>	<b>9.43</b>	<b>7.07</b>
<i>MSCI World ex USA (net)</i>			5.20	31.85	31.85	17.64	9.46	10.96	8.55
<b>International Small Cap Equity</b>	<b>\$1,027,600,772</b>	<b>6.24</b>	<b>2.32</b>	<b>33.16</b>	<b>33.16</b>	<b>18.55</b>	<b>9.57</b>	<b>11.97</b>	<b>10.31</b>
<i>MSCI World ex USA Small Cap (net)</i>			3.50	34.07	34.07	15.77	6.49	9.91	8.05
<b>Emerging Market Equity</b>	<b>\$1,401,222,370</b>	<b>8.51</b>	<b>4.57</b>	<b>30.46</b>	<b>30.46</b>	<b>18.07</b>	<b>7.13</b>	<b>9.52</b>	<b>8.82</b>
<i>MSCI Emerging Markets IMI (net)</i>			4.31	31.38	31.38	16.25	4.66	8.32	8.37
<b>Emerging Market Large Cap Equity</b>	<b>\$582,132,482</b>	<b>3.54</b>	<b>4.10</b>	<b>32.50</b>	<b>32.50</b>	<b>16.15</b>	<b>3.42</b>	<b>7.55</b>	<b>7.81</b>
<i>MSCI Emerging Markets (net)</i>			4.73	33.57	33.57	16.40	4.20	8.06	8.42
<b>Emerging Market Small Cap Equity</b>	<b>\$561,180,762</b>	<b>3.41</b>	<b>6.58</b>	<b>31.23</b>	<b>31.23</b>	<b>19.78</b>	<b>11.74</b>	<b>13.89</b>	<b>11.59</b>
<i>MSCI Emerging Markets Small Cap (net)</i>			1.63	18.58	18.58	15.47	8.43	10.36	8.31
<b>Frontier Market Equity</b>	<b>\$257,909,127</b>	<b>1.57</b>	<b>1.68</b>	<b>24.41</b>	<b>24.41</b>	<b>19.32</b>	<b>10.82</b>	<b>8.93</b>	<b>8.11</b>
<i>MSCI Emerging Markets Small Cap (net)</i>			1.63	18.58	18.58	15.47	8.43	10.36	8.31
<b>Real Return and Opportunistic</b>	<b>\$612,415,778</b>		<b>8.75</b>	<b>47.50</b>	<b>47.50</b>	<b>22.51</b>	17.66		
<i>Policy Benchmark</i>			2.49	16.49	16.49	14.74	7.00		
<b>Liquid Natural Resources</b>	<b>\$412,412,859</b>	<b>2.51</b>	<b>11.70</b>	<b>49.53</b>	<b>49.53</b>	<b>16.77</b>	<b>15.69</b>		
<i>Policy Benchmark<sup>(2)</sup></i>			2.49	16.49	16.49	14.74	7.00		
<b>Structured Credit</b>	<b>\$200,002,919</b>	<b>1.22</b>	<b>3.10</b>	<b>48.02</b>	<b>48.02</b>				
<i>Policy Benchmark</i>			2.49	16.49	16.49				

<sup>1</sup> 100% MSCI ACWI IMI (net)

<sup>2</sup> 60% MSCI ACWI IMI (net), 30% Bloomberg U.S. Aggregate, 5% Bloomberg U.S. High Yield, and 5% J.P. Morgan EMBI Global Diversified

Market Value	\$4,739,420,045
Assets – % of Portfolio	28.80%

Sub Asset Class	Market Value
U.S. Core Fixed Income	\$3,437,412,517
Emerging Market Debt	\$471,389,441
U.S. High Yield	\$557,098,079
Cash/Short Duration	\$273,520,008
<b>Total</b>	<b>\$4,739,420,045</b>



## Performance (Net)

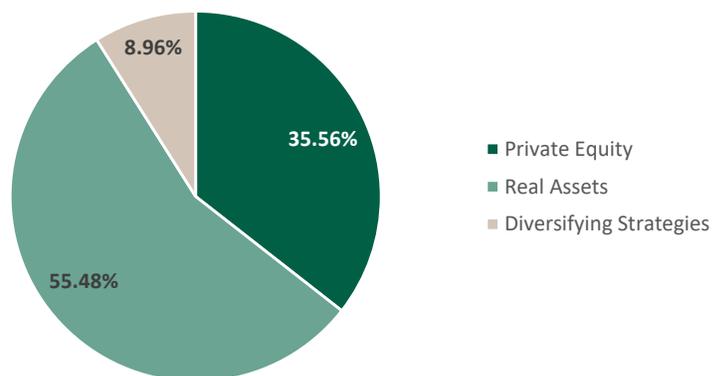
	Market Value	% OF PLAN	QTD	YTD	1 Year	3 Year	5 Year	7 Year	10 Year
<b>Global Fixed Income ex Cash</b>	<b>\$4,465,900,037</b>	<b>27.14</b>	<b>1.22</b>	<b>8.17</b>	<b>8.17</b>	<b>6.33</b>	<b>0.64</b>	<b>3.62</b>	<b>3.70</b>
<i>Global Fixed Income Policy Blend <sup>1</sup></i>			1.40	8.33	8.33	4.47	-1.17	1.36	1.64
<i>Bloomberg U.S. Aggregate Bond Index</i>			1.10	7.30	7.30	4.66	-0.36	1.99	2.01
<b>U.S. Core Fixed Income</b>	<b>\$3,437,412,517</b>	<b>20.89</b>	<b>0.72</b>	<b>6.49</b>	<b>6.49</b>	<b>4.20</b>	<b>-0.19</b>	<b>1.88</b>	<b>1.90</b>
<i>Bloomberg U.S. Aggregate Bond Index</i>			1.10	7.30	7.30	4.66	-0.36	1.99	2.01
<b>Emerging Market Debt</b>	<b>\$471,389,441</b>	<b>2.86</b>	<b>5.04</b>	<b>18.12</b>	<b>18.12</b>	<b>12.81</b>	<b>2.95</b>	<b>5.26</b>	<b>5.83</b>
<i>J.P. Morgan EMBI Global Diversified</i>			3.29	14.30	14.30	10.60	1.78	4.07	4.40
<b>U.S. High Yield</b>	<b>\$557,098,079</b>	<b>3.39</b>	<b>1.18</b>	<b>8.33</b>	<b>8.33</b>	<b>9.02</b>	<b>3.80</b>		
<i>Bloomberg U.S. Corporate High Yield</i>			1.31	8.62	8.62	10.06	4.51		
<b>Cash/Short Duration <sup>2</sup></b>	<b>\$273,520,008</b>	<b>1.66</b>	<b>0.78</b>	<b>3.60</b>	<b>3.60</b>	<b>6.33</b>	<b>10.93</b>	<b>8.44</b>	<b>6.21</b>
<i>91 Day Treasury Bill</i>			0.98	4.21	4.21	4.84	3.19	2.70	2.19

<sup>1</sup> 75% Bloomberg U.S. Aggregate, 12.5% Bloomberg U.S. High Yield, and 12.5% J.P. Morgan EMBI Global Diversified

<sup>2</sup> Cash/Short Duration market value reflects collateral for futures positions

Market Value	\$3,963,688,093
Assets – % of Portfolio	24.08%

Sub Asset Class	Market Value
Private Equity	\$1,409,642,131
Real Assets	\$2,198,837,929
Diversifying Strategies	\$355,090,189
Currency Hedge	\$117,844
<b>Total</b>	<b>\$3,963,688,093</b>



## Performance (Net)

	Market Value	% OF PLAN	QTD	YTD	1 Year	3 Year	5 Year	7 Year	10 Year
<b>Private Investments</b>	<b>\$3,963,688,093</b>	<b>24.08</b>	<b>1.45</b>	<b>8.19</b>	<b>8.19</b>	<b>5.01</b>	<b>8.31</b>		
<i>Public Markets</i>			2.81	17.83	17.83	13.88	7.02		
<i>Policy Benchmark<sup>1</sup></i>			2.49	16.49	16.49	14.74	7.00		
<b>Private Equity</b>	<b>\$1,409,642,131</b>	<b>8.57</b>	<b>0.08</b>	<b>9.61</b>	<b>9.61</b>	<b>4.15</b>	<b>13.14</b>	<b>13.83</b>	<b>12.85</b>
<i>Private Equity Blend<sup>2</sup></i>			2.54	21.54	21.54	14.39	5.97	9.98	8.69
<b>Real Assets</b>	<b>\$2,198,837,929</b>	<b>13.36</b>	<b>1.96</b>	<b>7.84</b>	<b>7.84</b>	<b>2.33</b>	<b>5.10</b>	<b>7.14</b>	<b>7.39</b>
<i>Real Assets Blend<sup>3</sup></i>			0.51	5.68	5.68	5.97	7.47	7.88	6.12
<b>Diversified Real Assets</b>	<b>\$1,762,401,503</b>	<b>10.71</b>	<b>3.00</b>	<b>10.48</b>	<b>10.48</b>	<b>3.51</b>	<b>4.98</b>	<b>7.19</b>	
<i>Real Assets Blend</i>			0.51	5.68	5.68	5.97	7.47	7.88	
<b>Real Estate</b>	<b>\$436,436,426</b>	<b>2.65</b>	<b>-2.22</b>	<b>-3.74</b>	<b>-3.74</b>	<b>-3.20</b>	<b>5.23</b>	<b>4.72</b>	<b>7.15</b>
<i>Real Estate Blend<sup>4</sup></i>			0.91	3.79	3.79	-3.45	3.40	5.07	5.00
<b>Timber</b>	<b>\$33,006,169</b>	<b>0.20</b>	<b>-3.80</b>	<b>-3.66</b>	<b>-3.66</b>	<b>-0.39</b>	<b>3.26</b>	<b>3.56</b>	<b>6.43</b>
<i>S&amp;P Global Timber &amp; Forestry Index Net</i>			-0.69	-3.83	-3.83	1.60	-0.28	5.08	5.87
<b>Infrastructure</b>	<b>\$428,982,709</b>	<b>2.61</b>	<b>2.28</b>	<b>24.49</b>	<b>24.49</b>	<b>20.29</b>	<b>20.76</b>	<b>16.36</b>	<b>12.65</b>
<i>Private Infrastructure Blend<sup>5</sup></i>			0.54	12.14	12.14	7.06	3.19	5.23	4.24
<b>Commodities</b>	<b>\$382,409,404</b>	<b>2.32</b>	<b>13.03</b>	<b>47.64</b>	<b>47.64</b>	<b>26.27</b>	<b>10.97</b>	<b>13.93</b>	<b>13.01</b>
<i>Bloomberg Commodity Index Total Return</i>			5.85	15.77	15.77	3.96	10.64	8.14	5.73
<b>Agriculture &amp; Farmland</b>	<b>\$87,593,880</b>	<b>0.53</b>	<b>0.20</b>	<b>16.52</b>	<b>16.52</b>	<b>-9.18</b>	<b>-2.24</b>	<b>3.97</b>	<b>5.05</b>
<i>S&amp;P Global Agribusiness Equity Index TR</i>			0.26	15.57	15.57	2.41	6.36	8.87	7.61
<b>Diversifying Strategies</b>	<b>\$355,090,189</b>	<b>2.16</b>	<b>3.20</b>	<b>10.91</b>	<b>10.91</b>	<b>14.36</b>	<b>11.29</b>	<b>9.40</b>	<b>7.92</b>
<i>Diversifying Strategies Blend<sup>6</sup></i>			1.46	12.41	12.41	9.88	3.16	6.03	4.96

<sup>1</sup> 60% MSCI ACWI IMI (net), 30% Bloomberg U.S. Aggregate, 5% Bloomberg U.S. High Yield, and 5% J.P. Morgan EMBI Global Diversified

<sup>2</sup> 50% Russell 2000, 50% MSCI EAFE Small Cap (net)

<sup>3</sup> 100% CPI + 3%

<sup>4</sup> 100% NCREIF ODCE Value Weighted

<sup>5</sup> 50% DJ Brookfield Global Infrastructure Index, 50% Bloomberg Barclays Global Inflation-Linked

<sup>6</sup> 25% Russell 3000, 10% MSCI ACWI ex U.S. IMI (net), 45% Bloomberg Barclays U.S. Aggregate, 20% Bloomberg Barclays Global Aggregate ex U.S.

## PDA Funds

Program	Assets	Participants	Average Account Size	Weighted Average Fee	Default Option
DC/Hybrid Plan	\$1,870,332,487	43,566	\$42,931	0.39%	Retirement Strategies
HCSP	\$741,146,409	48,439	\$15,301	0.38%	Retirement Strategies
457 Program	\$615,062,198	15,782	\$38,972	0.39%	Retirement Strategies
MERS IRA	\$29,904,050	2,941	\$10,168	0.39%	Retirement Strategies
<b>TOTAL</b>	<b>\$3,256,445,145</b>	<b>110,728</b>	<b>\$29,409</b>		

## Institutional Funds

Program	Assets	Municipalities	Average Account Size	Weighted Average Fee
RHFV	\$1,765,048,132	315	\$5,603,327	0.58%
ISP	\$16,086,058	2	\$8,043,029	0.58%
<b>TOTAL</b>	<b>\$1,781,134,190</b>	<b>317</b>	<b>\$5,618,720</b>	

## Investment Allocations

	PDA	Institutional Funds	Total
LifePath Funds	\$2,572,849,896		\$2,572,849,896
Total Market Fund	\$54,239,730	\$1,779,603,203	\$1,833,842,933
Asset Specific Funds	\$597,668,065	\$1,102,304	\$598,770,369
Self-directed Brokerage	\$19,313,571		\$19,313,571
Loan Fund	\$14,489,941		\$14,489,941
<b>TOTAL</b>	<b>\$3,258,561,203</b>	<b>\$1,780,705,508</b>	<b>\$5,039,266,711</b>

### Program Highlights

- Transitioning Recordkeeper to Empower
- Simplifying Investment Menu at transition, including:
  - Removing five investment options
  - Adding Vanguard Money Market Fund and Empower HRA Guaranteed Protection Fund (HCSP only)

### Fiduciary Calendar:

- IPS Review (Q1 2026)
- Fact Sheet Review (Q3 2026)
- SDBA Review (2027)
- Investment Line-up Review (2027)

## Retirement Strategies for PDA Accounts

LifePath Target Date Funds	Assets	Expense Ratio	1 Year	3 Year	5 Year	10 Year
LifePath Retirement	\$499,184,664	0.39%	12.08	9.89	3.92	5.89
LifePath 2030	\$310,255,184	0.39%	13.84	12.18	5.75	7.84
LifePath 2035	\$348,053,221	0.39%	15.64	14.05	7.07	8.90
LifePath 2040	\$330,885,838	0.39%	17.25	15.83	8.30	9.85
LifePath 2045	\$311,709,168	0.39%	18.85	17.52	9.43	10.67
LifePath 2050	\$280,093,308	0.39%	20.51	18.87	10.28	11.19
LifePath 2055	\$239,961,283	0.39%	21.34	19.47	10.62	11.37
LifePath 2060	\$172,365,209	0.39%	21.48	19.53	10.65	11.38
LifePath 2065	\$74,397,232	0.39%	21.46	19.52	10.63	
LifePath 2070	\$5,944,789	0.39%	21.46			
<b>TOTAL</b>	<b>\$2,566,905,107</b>					

## Funds to Build Your Own Portfolio

MERS Portfolio Options	Assets	Expense Ratio	1 Year	3 Year	5 Year	10 Year
<b>MERS Total Market Portfolio</b>	<b>\$1,831,726,875</b>	<b>0.70%</b>	<b>15.10</b>	<b>11.23</b>	<b>6.94</b>	<b>7.90</b>
<i>MERS Policy Benchmark</i>			16.49	14.74	7.00	8.65
<b>Large Cap Stock Index Fund</b>	<b>\$323,738,247</b>	<b>0.34%</b>	<b>17.47</b>	<b>22.54</b>	<b>14.03</b>	<b>14.40</b>
<i>S&amp;P 500 Index</i>			17.88	23.01	14.42	14.82
<b>Mid Cap Stock Index</b>	<b>\$52,964,036</b>	<b>0.35%</b>	<b>7.20</b>	<b>12.22</b>	<b>8.77</b>	<b>10.43</b>
<i>S&amp;P 400 Index</i>			7.50	12.56	9.12	10.72
<b>Small Cap Stock Index</b>	<b>\$29,893,682</b>	<b>0.35%</b>	<b>5.82</b>	<b>9.75</b>	<b>6.91</b>	<b>9.67</b>
<i>S&amp;P 600 Index</i>			6.02	10.17	7.31	9.81
<b>International Stock Index</b>	<b>\$29,284,078</b>	<b>0.37%</b>	<b>31.24</b>	<b>17.40</b>	<b>8.72</b>	<b>7.86</b>
<i>MSCI EAFE Net Dividend Index</i>			31.22	17.22	8.92	8.18
<b>Emerging Market Stock</b>	<b>\$9,887,604</b>	<b>0.40%</b>	<b>33.53</b>	<b>17.45</b>	<b>4.80</b>	<b>7.77</b>
<i>Blended Benchmark</i>			8.15	-5.05	2.22	2.69
<b>Real Estate Stock</b>	<b>\$6,878,857</b>	<b>0.37%</b>	<b>3.26</b>	<b>8.23</b>	<b>6.35</b>	<b>5.31</b>
<i>Dow Jones U.S. Select REIT Index</i>			10.51	3.70	2.97	5.90
<b>Bond Index</b>	<b>\$33,442,353</b>	<b>0.35%</b>	<b>6.95</b>	<b>4.37</b>	<b>-0.68</b>	<b>1.75</b>
<i>Bloomberg U.S. Aggregate Bond Index</i>			1.70	-2.46	0.36	1.54
<b>High Yield Bond</b>	<b>\$10,032,665</b>	<b>0.38%</b>	<b>7.72</b>	<b>9.86</b>	<b>4.02</b>	<b>5.47</b>
<i>Bloomberg U.S. High Yield Net Return Index</i>			10.97	1.75	3.62	3.76
<b>Short-Term Income</b>	<b>\$23,080,740</b>	<b>0.38%</b>	<b>5.36</b>	<b>4.77</b>	<b>2.20</b>	<b>1.98</b>
<i>Bloomberg U.S. Treasury: 1-3 Year</i>			5.17	4.50	1.75	1.83
<b>Stable Value</b>	<b>\$60,031,298</b>	<b>0.63%</b>	<b>4.15</b>	<b>3.56</b>	<b>2.79</b>	<b>2.42</b>
<i>ICE BofA US 3 Month Treasury Bill Index G001</i>			4.21	4.84	3.19	2.19
<b>TOTAL</b>	<b>\$2,410,960,437</b>					

# APPENDIX

## Investment Decision Making Roles and Responsibilities

### MERS BOARD

- Is the System's fiduciary;
- Appoints public members with investment expertise to serve on the Investment Committee;
- Appoints one Board member for two years to observe Investment Committee meetings (observer does not have voting privileges);
- Monitors activity of the Investment Committee;
- Approves investment governance documents (Investment Guidelines, Defined Benefit Portfolio Investment Policy Statement, and Participant Directed Accounts & Institutional Funds Investment Policy Statement);
- Sets the Portfolio's asset class allocation ranges;
- Establishes the long-term actuarial investment return assumption; and
- Approves the System's Policy Benchmark.

### INVESTMENT COMMITTEE

- Contains three voting Board members, including two public members with investment expertise;
- Includes CEO and CIO (both non-voting members);
- Serves as the Board's investment policy development arm;
- Monitors investment management activity and policy recommendations developed by the Office;
- Approves investment recommendations and terminations above PRC discretionary size limits;
- Provides advice on investment activities including: industry best practices, fiduciary duties, and Portfolio risk expectations of the Board; and
- Monitors Portfolio risk, asset allocation and investment performance.

### PORTFOLIO REVIEW COMMITTEE

- The Office's decision-making body chaired by the CIO and consisting of Office staff;
- Voting members are appointed by the CIO;
- Reports decisions and provides recommendations to the Investment Committee;
- Determines and implements the Portfolio's asset allocation within Board-approved allocation ranges;
- Approves and implements investments up to discretionary size limits provided in this Policy; and
- Develops and maintains PRC operating guidelines.

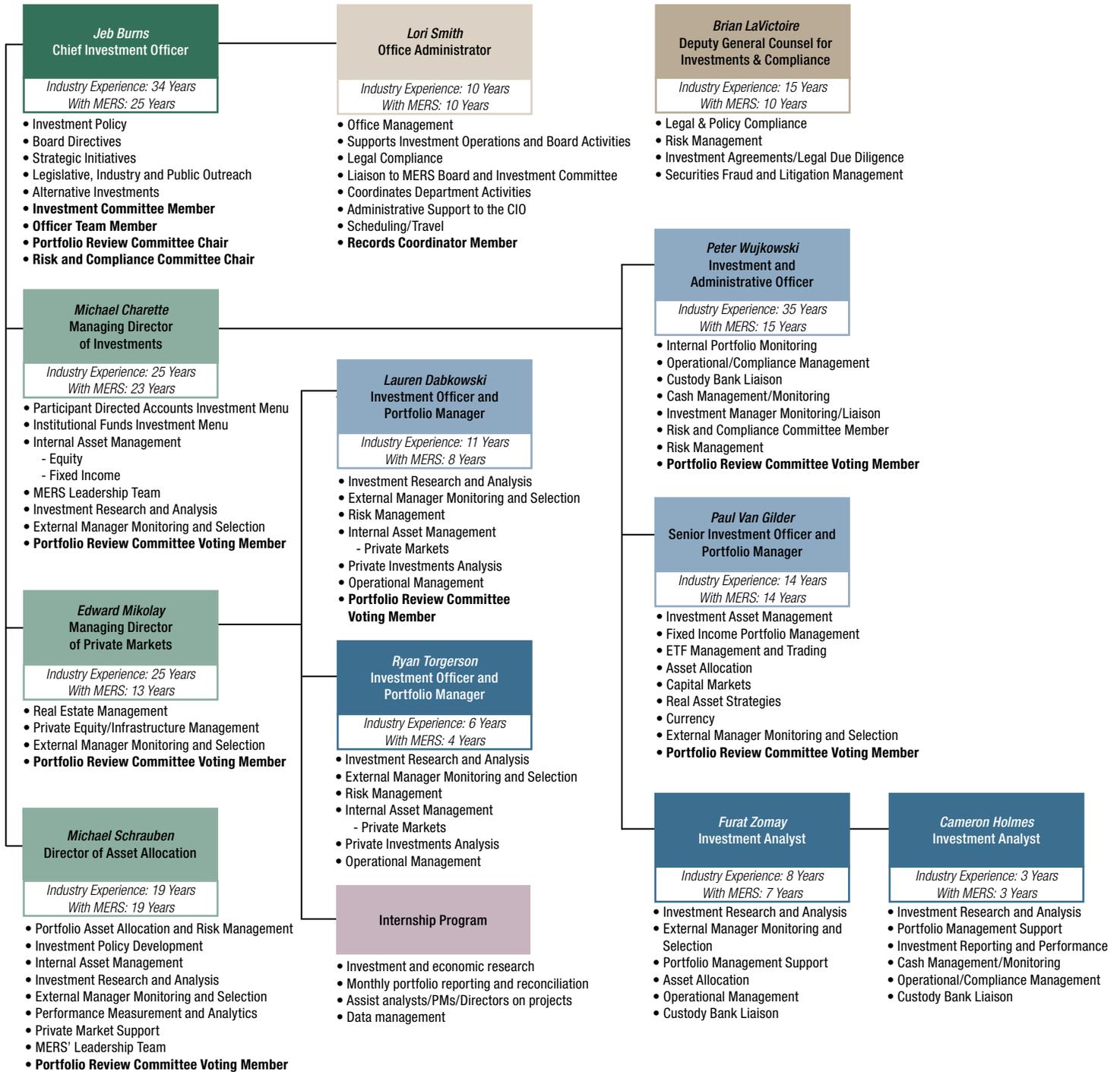
### OFFICE OF INVESTMENTS

- Carries out all investment activity on behalf of MERS, including policy documentation for Board approval;
- Hires/terminates investment consultants, vendors, and the custodial bank with CEO approval;
- Provides a quarterly report on the Portfolio's investment activities, allocation and performance;
- Reports any material changes within the Portfolio to the Investment Committee and the Board;
- Internally manages a portion of the Portfolio across both Public and Private Markets;
- Monitors performance and determines courses of action for external investment managers;
- Monitors compliance with all statutory, regulatory and policy limitations; Trade execution, settlement, and daily cash movements as needed; and
- Conducts its affairs in a manner that reflects the highest standards of ethical conduct and complies with the CFA Institute Code of Ethics and Standards of Professional Conduct (Appendix).

### MERS' INVESTMENT COMPLIANCE TEAM

- Provides investment and compliance within the Office in coordination with MERS' broader compliance program;
- Addresses operational, market, and regulatory issues that may materially impact portfolio performance or put MERS at risk of regulatory sanctions; and
- Promotes cross-office collaboration regarding risk identification, prevention and solutions.

## Organizational Chart



## Guiding Principles

- Collaborative team environment
- Robust collegial debate and cognitive diversity is critical
- Progressive and willing to deviate from conventional wisdom
- Commitment to continuous improvement and efficiency gains
- Relentless pursuit of fiduciary excellence

*This publication is designed to provide descriptive information only. Investors should research all possible investment choices. Please make independent investment decisions carefully and seek the assistance of independent experts where appropriate. We recommend investors define their goals, risk tolerance, time horizon, and investment objectives to determine whether this fund is appropriate for you.*

*Investors should read the fund summary sheets and carefully consider the investment objective, risks, and fees of the fund before investing. The fund summary sheets may be found on the MERS website at [mersofmich.com](http://mersofmich.com). To request the fund summary sheets, please contact the MERS Service Center at 800.767.6377.*

*This publication contains a summary description of MERS benefits, policies or procedures. MERS has made every effort to ensure that the information provided is accurate and up to date as of 3/4/2026. If this publication conflicts with the relevant provisions of the Plan Document, the Plan Document Controls. MERS, as a governmental plan, is exempted by state and federal law from registration with the SEC. However, it employs registered investment advisors to manage the trust fund in compliance with Michigan Public Employee Retirement System Investment Act. Past performance is not a guarantee of future returns. Please make independent investment decisions carefully and seek the assistance of independent experts when appropriate.*

