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Austin Community Foundation Year-End 2025 Update & 2026 Outlook

February 2026



Austin Community

FOUNDATION

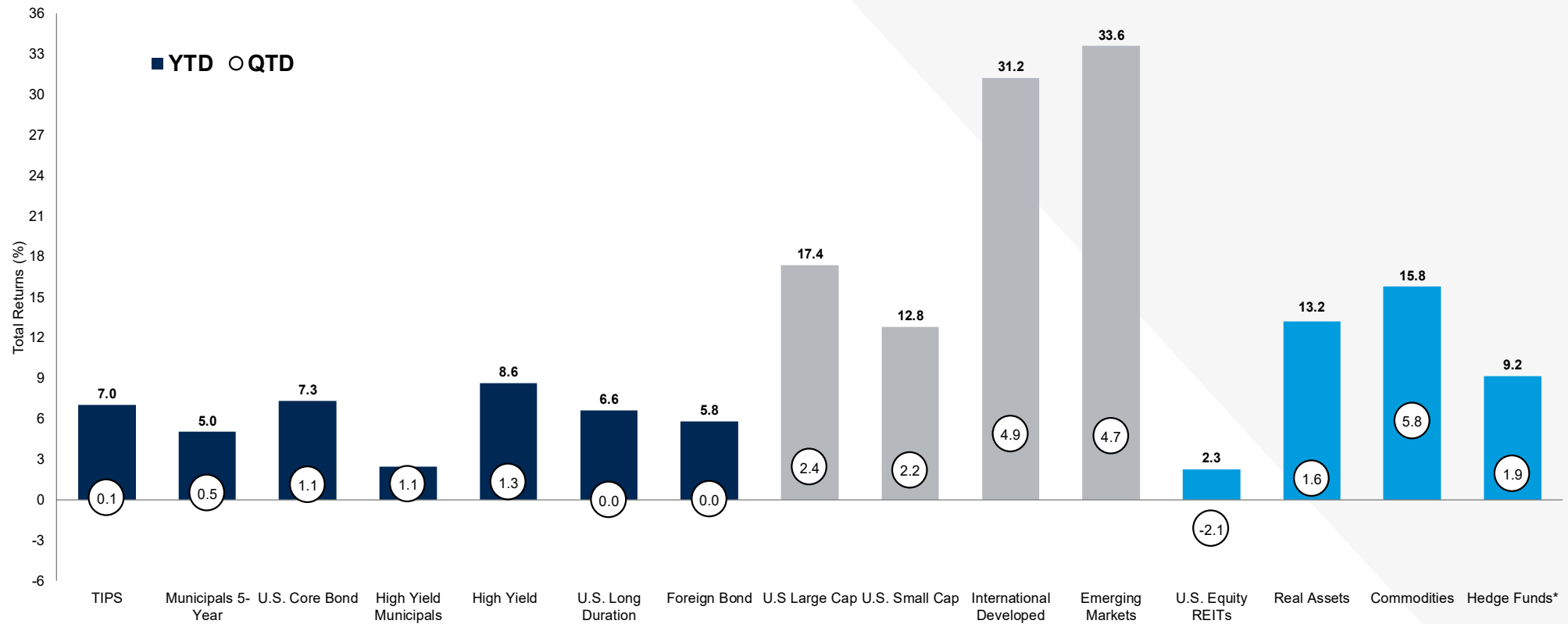


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2025 Market Recap



Source: Morningstar Direct. As of December 31, 2025. *Hedge fund returns as of November 30, 2025.

Fixed Income (4Q 2025)

- + Interest rates were volatile during the quarter as the Federal Reserve cut interest rates twice even as inflation remained sticky. Core bonds delivered a positive return during the period.
- + The corporate bond market, particularly high yield, produced a positive return in the quarter and strong gains for the year. All-in yields remain attractive and corporate fundamentals remain supportive of the asset class.
- +/- Favorable economic data pushed longer dated yields higher in the quarter. Long duration bonds were flat.

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Equity (4Q 2025)

- + Favorable earnings, a Fed rate cut, and positive economic data helped support equity markets during the quarter. Large cap modestly edged out small cap as the outlook for further rate cuts in 2026 diminished.
- + Non-U.S. markets outpaced domestic and developed edged out emerging. Europe experienced favorable returns as the outlook for economic growth improved and corporate earnings were favorable.
- + Emerging markets rounded out a banner year with a strong quarter. AI-related strength in select semiconductor companies were among top contributors.

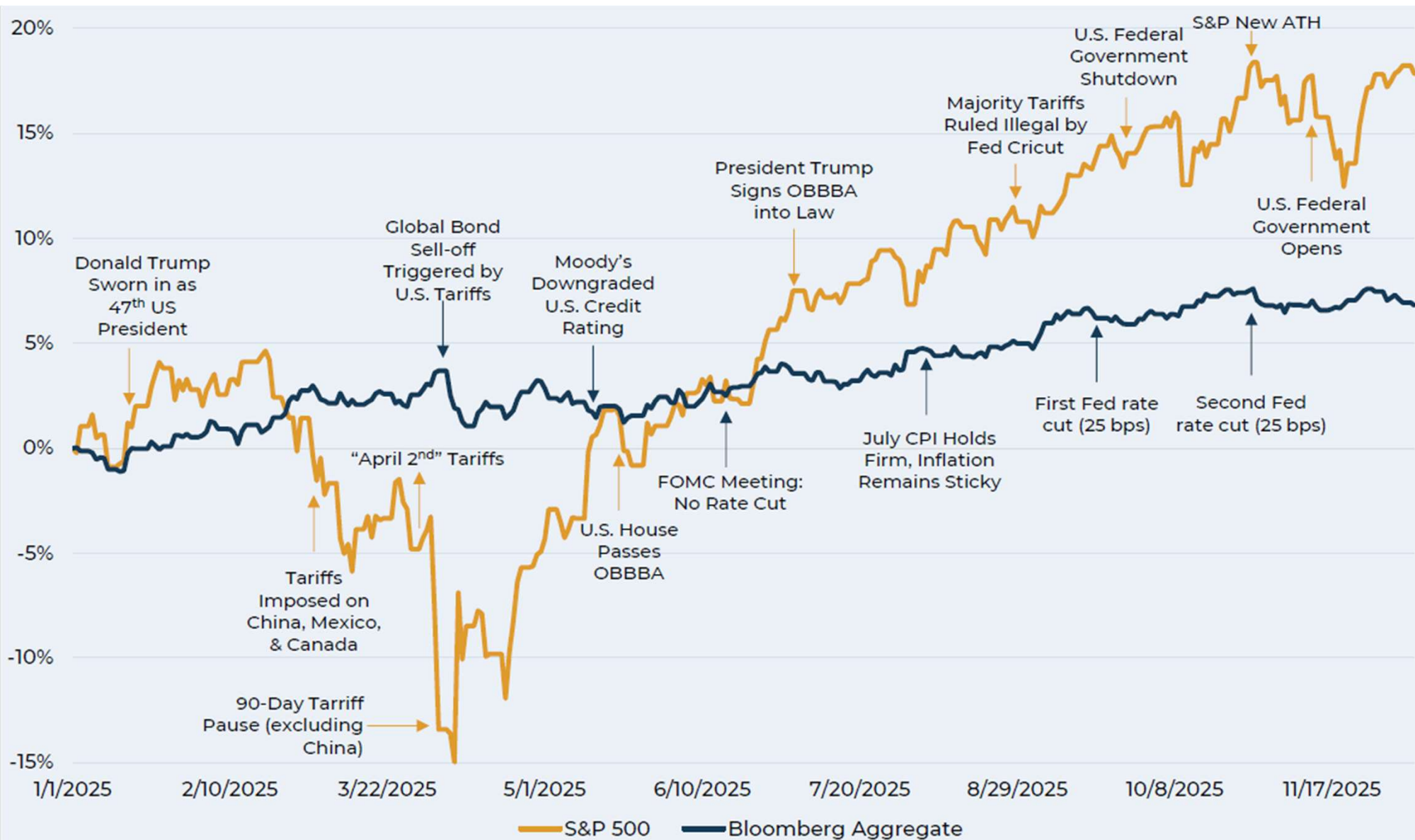
See disclosures for list of indices representing each asset class. Past performance does not indicate future performance and there is a possibility of a loss. Indices cannot be invested in directly. Please refer to Material Risk disclosure for important information associated with market volatility.

Real Asset / Alternatives (4Q 2025)

- Equity REITs struggled during the quarter despite strength in the broader equity market. The interest rate sensitive asset class was negatively impacted from rising long-term rates.
- + Commodities were positive overall but experienced mixed underlying returns as precious metals closed out a strong year while energy-related commodities declined.
- + Hedge funds were modestly positive for the period ending in November and have outpaced fixed income markets so far in 2025.



Markets Year in Review: 2025





Setting the Stage for 2026

Opportunities Ahead

- + Rate Cuts Provide Tailwinds
- + AI & Productivity Gains Materialize
- + Tariff Revenue Supports Fiscal Spending
- + Attractive Global Valuations
- + Improving Corporate Earnings

Risks to Watch

- Policy & Trade Uncertainty
- Geopolitical Flashpoints
- Valuation Concentration
- Debt Overhang
- Inflation Persistence

ClearBridge US Recession Risk Indicators

		November 30, 2025	September 30, 2025
Consumer	Housing Permits	—	●
	Job Sentiment	✗	✗
	Jobless Claims	↑	↑
	Retail Sales	—	↑
	Wage Growth	—	↑
Business Activity	Commodities	↑	↑
	ISM New Orders	●	●
	Profit Margins	—	●
	Truck Shipments	↑	↑
Financial	Credit Spreads	↑	↑
	Money Supply	↑	↑
	Yield Curve	●	●
Overall Signal		↑	↑



Market Performance in 2025 Was Driven By Earnings

Despite the narrative that market valuations have become increasingly stretched, EPS growth in 2026 largely kept pace with prices. The P/E multiple on the S&P 500 is set to end the year within 1 point of where it began.

S&P 500 P/E Ratio: Jan - Dec

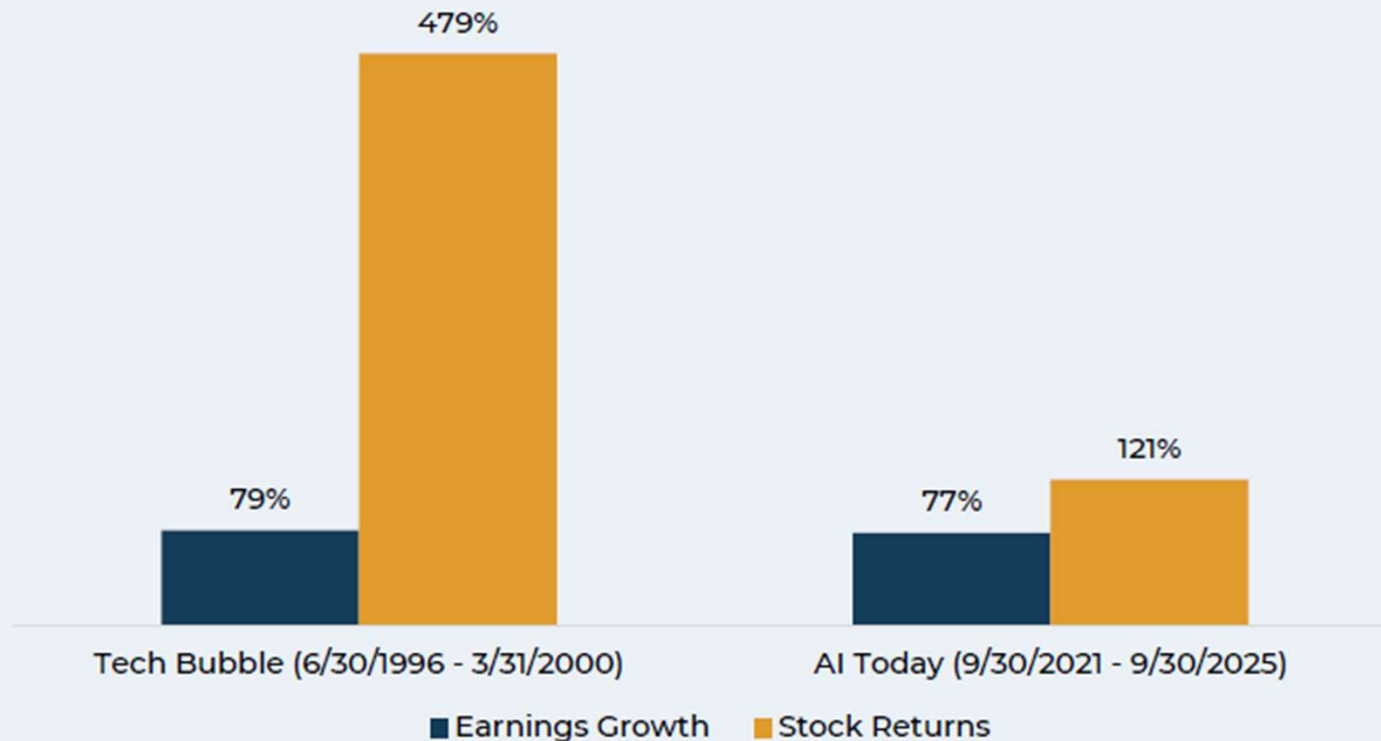




One More Tech Bubble Comp...

An important distinction between today's AI rally and the dot-com bubble is earnings growth. In the current market, earnings have largely kept pace with stock market gains. This was not true in the late 90's.

Cumulative Earnings Growth & Performance: S&P 500 Technology Index





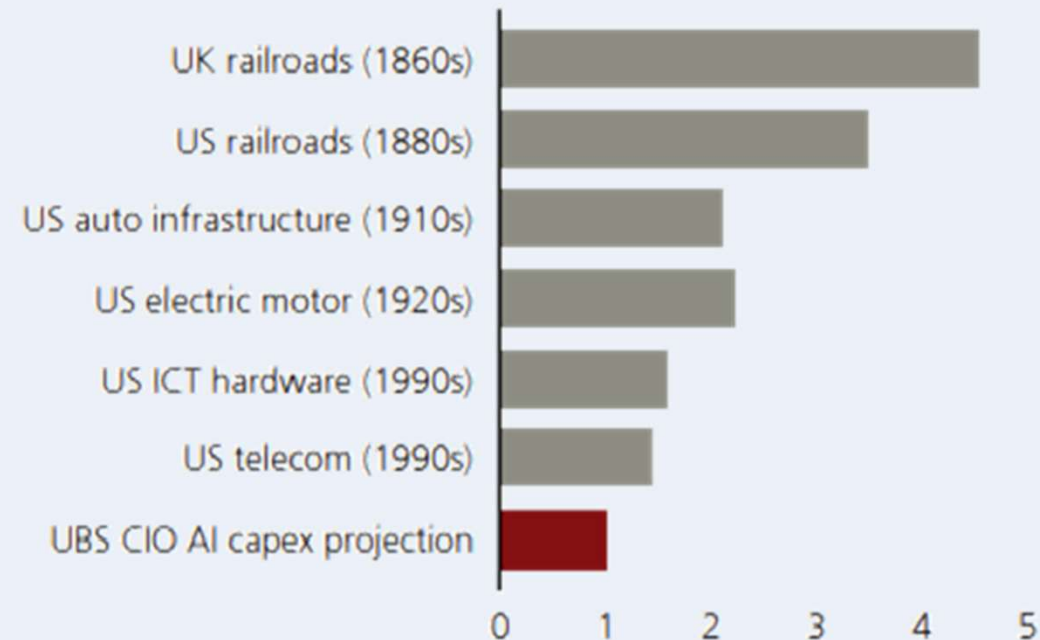
We Remain in the Early Innings of the AI Investment Cycle

The major hyperscalers are expected to further increase capex in 2026, prompting some concern over the magnitude of spending. However, previous capex cycles that were tied to technological advancements peaked at 3-5% of GDP, whereas current AI spending is only around 1%.

Capital Expenditures of Major Hyperscalers

	2025e	2026e	Est YoY Growth
Microsoft	78,124	95,991	22.9%
Amazon	117,542	127,551	8.5%
Alphabet	82,398	92,904	12.8%
Meta	29,228	39,365	34.7%
Oracle	68,362	96,972	41.9%
TOTAL	375,654	452,783	20.5%

Total Capital Expenditures as % of GDP





Mid-Term Years Historically Posed Challenges for Equities

Mid-term election years bring elevated policy uncertainty. With this backdrop, equity markets have historically underperformed in mid-term years. It is important to note though that markets have tended to perform well once the results have been finalized.

Quarterly Returns for S&P 500 by Presidential Cycle (1950 - 2023)





Austin Community Foundation: Performance Review – Long-Term Active

Performance Ending 12/31/25 (Net of Fees)	Q4 2025	Calendar 2025	Last 3 Years	Last 5 Years	Last 7 Years
Long-Term Active Investment Pool	2.0%	13.9%	12.9%	7.6%	10.0%
Long-Term Active Investment Pool Custom Benchmark	2.3%	15.3%	13.1%	7.4%	9.4%

Please reference the disclosures at the end of this presentation for additional information related to the material presented.



Austin Community Foundation: Portfolio Snapshot

Long-Term Active

<i>Asset Classes</i>	<i>Total Current Allocation</i>	<i>Strategic Target Allocation</i>	<i>Over/ Under Weight Strategic Target</i>
Cash	1.2%	1.0%	0.2%
TIPS	1.0%	1.0%	0.0%
Broad Domestic Bonds	14.4%	15.0%	-0.6%
Dynamic Bonds	5.8%	6.0%	-0.2%
High Yield Bonds	1.9%	2.0%	-0.1%
<i>Global Fixed Income & Cash Total</i>	<i>24.3%</i>	<i>25.0%</i>	<i>-0.7%</i>
Large-Cap U.S. Equity	23.1%	22.0%	1.1%
Mid-Cap U.S. Equity	6.5%	6.5%	0.0%
Small-Cap U.S. Equity	4.2%	4.5%	-0.3%
International Equity	14.7%	14.0%	0.7%
Emerging Markets Equity	6.2%	6.0%	0.2%
US REITs	1.8%	2.0%	-0.2%
<i>Global Equities (Public) Total</i>	<i>56.5%</i>	<i>55.0%</i>	<i>1.5%</i>
Broad Real Assets	4.9%	5.0%	-0.1%
<i>Real Assets Total</i>	<i>4.9%</i>	<i>5.0%</i>	<i>-0.1%</i>
Direct Hedge Funds	10.4%	10.0%	0.4%
Private Debt*	0.2%	1.0%	-0.8%
Private Equity**	3.4%	4.0%	-0.6%
<i>Alternatives Total</i>	<i>14.0%</i>	<i>15.0%</i>	<i>-1.0%</i>
Total Assets	99.7%	100.0%	-0.3%

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Austin Community Foundation: Performance Review – Long-Term Passive

Performance Ending 12/31/25 (Net of Fees)	Q4 2025	Calendar 2025	Last 3 Years	Last 5 Years	Since Inception (2/1/17)
Long-Term Passive Investment Pool	1.9%	16.3%	14.5%	7.8%	8.8%
Long-Term Passive Investment Pool Custom Benchmark	2.4%	17.3%	15.1%	7.7%	9.1%

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Austin Community Foundation: Portfolio Snapshot

Long-Term Passive

<i>Asset Classes</i>	<i>Total Current Allocation</i>	<i>Strategic Target Allocation</i>	<i>Over/Under Weight Strategic Target</i>
Cash	3.2%	1.0%	2.2%
TIPS	2.0%	2.0%	0.0%
Broad Domestic Bonds	19.7%	20.0%	-0.3%
High Yield Bonds	1.8%	2.0%	-0.2%
<i>Global Fixed Income & Cash Total</i>	<i>26.7%</i>	<i>25.0%</i>	<i>1.7%</i>
Large-Cap U.S. Equity	28.8%	29.5%	-0.7%
Mid-Cap U.S. Equity	8.6%	9.0%	-0.4%
Small-Cap U.S. Equity	6.0%	6.0%	0.0%
Developed International Equity	17.7%	18.0%	-0.3%
Emerging Market Equity	7.9%	8.0%	-0.1%
US REITs	4.4%	4.5%	-0.1%
<i>Global Equities Total</i>	<i>73.3%</i>	<i>75.0%</i>	<i>-1.7%</i>
Total Assets	100.0%	100.0%	0.0%

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Austin Community Foundation: Performance Review – Mid-Term Active

Performance Ending 12/31/25 (Net of Fees)	Q4 2025	Calendar 2025	Last 3 Years	Last 5 Years	Since Inception (9/1/18)
Mid-Term Active Investment Pool	1.8%	13.7%	12.6%	6.5%	7.6%
Mid-Term Active Investment Pool Custom Benchmark	2.1%	15.1%	12.5%	6.0%	7.1%

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Austin Community Foundation: Portfolio Snapshot

Mid-Term Active

<i>Asset Classes</i>	<i>Total Current Allocation</i>	<i>Strategic Target Allocation</i>	<i>Over/ Under Weight Strategic Target</i>
Cash	7.7%	1.0%	6.7%
TIPS	1.7%	2.0%	-0.3%
Broad Domestic Bonds	21.3%	24.5%	-3.2%
Dynamic Bonds	8.8%	10.0%	-1.2%
High Yield Bonds	2.3%	2.5%	-0.2%
<i>Global Fixed Income & Cash Total</i>	<i>41.9%</i>	<i>40.0%</i>	<i>1.9%</i>
Large-Cap U.S. Equity	21.5%	22.0%	-0.5%
Mid-Cap U.S. Equity	6.3%	6.5%	-0.2%
Small-Cap U.S. Equity	3.7%	4.0%	-0.3%
Developed International Equity	14.0%	13.5%	0.5%
Emerging Market Equity	5.6%	6.0%	-0.4%
Broad Real Assets	4.9%	5.5%	-0.6%
US REITs	2.2%	2.5%	-0.3%
<i>Global Equities Total</i>	<i>58.1%</i>	<i>60.0%</i>	<i>-1.9%</i>
Total Assets	100.0%	100.0%	0.0%

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Austin Community Foundation: Performance Review – Mid-Term Passive

Performance Ending 12/31/25 (Net of Fees)	Q4 2025	Calendar 2025	Last 3 Years	Last 5 Years	Since Inception (1/1/17)
Mid-Term Passive Investment Pool	1.8%	14.7%	12.8%	6.8%	7.8%
Mid-Term Passive Investment Pool Custom Benchmark	2.1%	15.2%	13.0%	6.1%	7.6%

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Austin Community Foundation: Portfolio Snapshot Mid-Term Passive

<i>Asset Classes</i>	<i>Total Current Allocation</i>	<i>Strategic Target Allocation</i>	<i>Over/Under Weight Strategic Target</i>
Cash	2.0%	1.0%	1.0%
TIPS	2.8%	3.0%	-0.2%
Broad Domestic Bonds	32.4%	33.0%	-0.6%
High Yield Bonds	2.9%	3.0%	-0.1%
<i>Global Fixed Income & Cash Total</i>	<i>40.2%</i>	<i>40.0%</i>	<i>0.2%</i>
Large-Cap U.S. Equity	23.4%	23.5%	-0.1%
Mid-Cap U.S. Equity	6.8%	7.0%	-0.2%
Small-Cap U.S. Equity	5.0%	5.0%	0.0%
Developed International Equity	14.8%	14.5%	0.3%
Emerging Market Equity	6.0%	6.0%	0.0%
US REITs	3.8%	4.0%	-0.2%
<i>Global Equities Total</i>	<i>59.8%</i>	<i>60.0%</i>	<i>-0.2%</i>
Total Assets	100.0%	100.0%	0.0%

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2026 Allocation Updates

10-Year Market Forecasts

2026

2025

Y / Y
Change

Fixed Income

U.S. Bonds	4.3%	4.7%	-0.4%
TIPS	4.0%	4.4%	-0.4%
Dynamic Bonds ¹	4.6%	4.9%	-0.3%
High Yield Bonds	6.0%	6.4%	-0.4%
Muni Bond ²	4.6%	5.0%	-0.4%
Muni High Yield ²	8.9%	8.6%	0.3%

Global Equity

U.S. All Cap	5.2%	5.6%	-0.4%
Intl Developed Equity	7.7%	7.3%	0.4%
Emerging Markets	8.5%	8.4%	0.1%

Real Assets & Alternatives

Real Estate	6.3%	6.0%	0.3%
Broad Real Assets ³	6.4%	6.6%	-0.3%
Marketable Alts	7.0%	7.3%	-0.3%
Private Equity	8.2%	8.6%	-0.4%



Overall Posture

Not Time to Reach

- Few fat pitches
- Relative risk influenced by exogenous factors
- Absolute risk less attractive on full valuations

Portfolios

- Maintain overweight to non-US Equity and small caps
- Prioritize intermediate investment grade fixed income over high yield or long bonds

Alternatives

- Marketable alternatives may present an opportunity to capture upside potential without taking on full market risk
- Long-term programmatic allocations to private market continue to offer opportunity

AI Playbook

- Start with the facts
- Thoughtful offense through the AI flywheel
- Defense means maintaining discipline.



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When referencing asset class returns or statistics, the following indices are used to represent those asset classes. Each index is unmanaged and investors can not actually invest directly into an index: Cash - Citigroup 90 Day T-Bill; TIPS - Barclays US Treasury TIPS; Aggregate Bond - Barclays US Aggregate Bond Index; High Yield - Barclays US Corporate High Yield; Foreign Bond - Barclays Global Aggregate Ex USD; Emerging Debt - JPMorgan GBI-EM Global Diversified Unhedged Index; Large Value - Russell 1000 Value; Large Blend - S&P 500; Large Growth - Russell 1000 Growth; Small Value - Russell 2000 Value; Small Blend - Russell 2000; Small Growth - Russell 2000 Growth; International - MSCI EAFE; Emerging Markets - MSCI EM; REITs - FTSE NAREIT Equity REITs; Commodities - Bloomberg Commodity Index; MLP - Alerian MLP; Hedge Funds - HFRI Fund of Funds Composite Index; Balanced - 5% Barclays US Treasury TIPS, 10% Barclays US Aggregate Bond Index, 4.5% Barclays Global Aggregate Ex USD, 4.5% Barclays Global Aggregate Ex USD (Hedged), 9% Barclays US Corporate High Yield, 2% JPMorgan GBI-EM Global Diversified Unhedged Index, 16% S&P 500, 5% Russell 2000, 12% MSCI EAFE, 7% MSCI EM, 5% FTSE NAREIT Equity REITs, 5% Bloomberg Commodity Index, 5% Alerian MLP, 10% HFRI Fund of Funds Composite Index