Texas PSF Corporation

Board Meeting Recap
August 21, 2025

SUMMARY

- The Texas PSF Corporation Board of Directors met Thursday, August 21, 2025, in person and by videoconference at the Innovation Tower Building (1300 Red River St., Suite 700, Austin).
- A recorded webcast of this and previous archived meetings can be viewed at: https://www.youtube.com/watch?v=7BnORbKgVqU

NEXT BOARD MEETING

- The next regular board meeting is set for December 4, 2025. The meeting location and agenda will be posted to the Texas PSF Corporation website in advance. www.texaspsf.org/meetings

MEETING HIGHLIGHTS

REPORT FROM THE CEO

CEO/CIO Bob Borden provided updates on the Corporation's Strategic Plan, including progress across the following goals:

Optimize Asset Allocation: Mr. Borden noted that staff had incorporated oil/gas royalty exposure from PSF lands managed by the GLO into the Fund's risk modeling. Staff also completed analysis confirming that the FY2026 ASF 5(a) distribution meets the Constitutional "10-year test."

Improve Portfolio Implementation: Mr. Borden touted cost savings realized through public equity/hedge funds consolidation and foreign exchange ($1M and $4.5M in annual savings, respectively). Two billion has been deployed in Active Beta equity strategies. Forty investment deals worth $6.3B have been made in 2025, nearly half with Texas managers.

Personnel: Mr. Borden introduced Lane Arnold, Texas PSF's new General Counsel, and Needhi Vasavada, the new Chief Operating Officer. He applauded the successful completion of the Corporation's largest internship program, which showcased the talents of 14 interns over the summer.

Communications, Governance and Internal Controls: Mr. Borden highlighted expanded stakeholder outreach efforts, including a monthly board newsletter, described extensive and ongoing work on the board ethics policy and governance manual, and announced two internal audits on investment fees & expenses and performance pay plan process.

Performance: Mr. Borden discussed the Fund's 1-year performance of **8.1%** (as of June 2025), compared to a composite benchmark of 7.8%, yielding excess return of **0.3%**. The 3-year excess return also remains positive at **0.9%**. Performance against PSF peers has sharply improved over the last 2 years, moving from bottom quartile to the **65th percentile** this year.

REPORT OF THE INVESTMENT CONSULTANT

NEPC's Rhett Humphries provided a market outlook, noting the Fed is facing pressure to cut interest rates and warned of ongoing market volatility. He advised that the Fund have safe-haven fixed-income exposure and liquidity, but stated that global equity now offered compelling alpha opportunities.

(Report of the Investment Consultant, Continued)

Mr. Humphries noted that the concentration within the S&P 500 Index of the "Magnificent 7" companies warrants the type of portfolio rebalancing Texas PSF staff has been engaged in. Lastly, he provided analysis on yield spreads across various instruments and terms, marking this area for closer analysis as the Fund revisits its asset allocation in the next 3-5 months.

UPDATE ON PRIVATE EQUITY

Erin Wedepohl, VP of Private Equity, gave an update on the Private Equity (PE) asset class. She noted that the advantages of PE are in its ability to capture illiquidity premiums through access to companies not listed on public exchanges.

Ms. Wedepohl noted that PE 1- and 3-year returns have been depressed - both for the Fund and wider industry. However, PE is a long-term asset class and should be judged as such, and over the 5- to 10-year period the Fund's PE portfolio has outperformed its benchmark by 200-400 basis points. This places PSF PE in the top quartile among its peers.

Looking forward, Ms. Wedepohl noted that, despite recent negative coverage on PE, industry trends suggest better priced PE opportunities for the PSF. The Fund is significantly underweight in PE compared to its peer endowments -- 20% target compared to a peer median of 31% -- and the timing to move closer to peer allocation appears favorable.

DISCUSSION ON ETHICS POLICY

The board discussed substantive changes to its Ethics Policy, and voted to adopt the revised policy, effective immediately.

PERSONNEL MATTERS REGARDING CEO

The board adopted the recommendation of the Budget & Compensation committee on the CEO's compensation.

COMMITTEE REPORTS

The Budget & Compensation, Strategic Planning & Policy and Audit & Ethics committees reported to the full board on their committee discussions and current work. Director Wright noted that his commitee conducted a quarterly review of the Corporation's current and FY2026 budget and received an update on compensation for Texas PSF staff.