Texas PSF Corporation

Board Meeting Recap
February 19, 2026

SUMMARY

- The Texas PSF Corporation Board of Directors met Thursday, February 19, 2026, 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=TnrQVUQK_QY

NEXT BOARD MEETING

- The next regular board meeting is set for May 14, 2026. 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 investments, management and administration across the Corporation's six strategic goals.

Borden noted that equity returns in capital markets have surged over the last five years, driven by the S&P 500. A regression to the mean appears likely, which is driving the Corporation to lower future return expectations. However, the Fund also has benefited from these double-digit returns, contributing to the PSF outperforming its benchmark for every time period over the last ten years, which in turn has grown the asset base. Borden also noted that PSF performance remains in the top half of its peer universe of the largest endowments.

The Board discussed the Corporation's efforts to engage with the credit rating agencies in order to deepen understanding of and collaboration on Bond Guarantee Program (BGP) capacity, which has led to more sophisticated methodologies and increased assessments of the BGP's capacity.

REPORT OF THE INVESTMENT CONSULTANT - NEPC

Tim McCusker, President of NEPC, provided their market outlook for 2026. McCusker noted that while global equity markets are at an all-time high, there are few indications that we are experiencing a traditional "bubble." While AI-driven market concentration is a concern, prices are largely justified by record-high profit margins and real economic investment.

In the longer term, NEPC is concerned that surging U.S. deficits and debt will inhibit economic growth, and inflation remains an outlier risk. However, McCusker notes that Texas PSF has taken action to address these market dynamics, by equal-weighting its S&P position to manage equity concentration, raising its private credit target from 8% to 9.5%, and increasing illiquids exposure over the last 2 years.

UPDATES TO THE STRATEGIC ASSET ALLOCATION AND INVESTMENT POLICY STATEMENT (IPS)

Jared Stout, Deputy CIO, outlined proposed changes to the Fund's asset allocation. Stout noted that lower expected equity returns, lower inflation trends,

(IPS UPDATES, cont'd): and Federal Reserve interest rate uncertainty indicate broadly lower capital market returns.

The proposed strategic asset allocation changes are intended to de-risk the portfolio against this market outlook, including increasing Absolute Return and Private Debt allocations and decreasing Real Estate, among other smaller changes. The overall impact to minimize risk against market conditions that are projected to decrease to the Fund's expected return by approximately 70 basis points.

The Board discussed these asset allocation adjustments, along with proposed changes to four asset class benchmarks and clean-up revisions to the Investment Policy Statement.

The Board adopted the IPS revisions unanimously.

UPDATE ON ABSOLUTE RETURN & PUBLIC EQUITY

Stu Bohart provided an overview of the Absolute Return & Public Equity programs. Bohart reviewed the research and sustained outperformance of this asset class that supported the IPS recommendation to increase allocations to it. He highlighted the risk-centric, quantitative portfolio construction and operational moves like the elimination of Fund of Funds that have helped the programs outperform their benchmarks.

DISCUSSION ON COMMITTEE CHARTERS

The Board discussed the need for a committee to monitor the effectivenss and implementation of the strategic asset allocation on an ongoing basis. The Board will continue to discuss this matter over the next several meetings; in the meantime, Chair Maynard asked the Strategic Planning and Policy committee to assume this responsibility.

DISCUSSION ON BOARD SELF-ASSESSMENT

The board reviewed a proposed online survey for members to assess the performance of the Board and identify improvements, pursuant to the Board Governance Manual.

COMMITTEE REPORTS

The Budget & Compensation, Strategic Planning & Policy and Audit & Ethics committees reported to the full Board on their committee discussions and current work.