

FIDUCIARY UPDATE

Retirement plan fiduciaries should be mindful of recent regulatory guidance that may be relevant to their plans.



DOL ANNOUNCES CHANGES TO ESG RULE AND CRYPTO GUIDANCE

On May 28, 2025, the DOL announced it will craft a new rule for retirement plan fiduciaries who are considering environmental, social, and governance (ESG) factors when selecting investments.

- The DOL finalized the Prudence and Loyalty in Selecting Plan Investments and Exercising Shareholder Rights rule in 2022. This rule allows plan fiduciaries to consider ESG factors when making investment decisions.
- It took effect in January 2023 and will remain in effect until rescinded through the rulemaking process.

The same day, the DOL rescinded guidance that told plan fiduciaries to "exercise extreme care" before selecting cryptocurrency as an investment option in plan menus.

- This is part of the president's effort to promote access to alternative investments for retail investors.
- By rescinding the 2022 guidance, the DOL reaffirmed its neutral stance on cryptocurrency as a plan investment option.



IRS FORFEITURE GUIDANCE EXPIRING AT THE END OF THE 2025 PLAN YEAR

In 2023, the IRS clarified that forfeitures should be used no later than 12 months after the close of the plan year in which they are incurred.

However, there is an exception to this rule that expires at the end of the 2025 plan year. Sponsors with vesting schedules should prepare accordingly.

- Forfeitures incurred in plan years that began before January 1, 2024, will be treated as having been incurred in the first plan year that begins on or after January 1, 2024.
- Some plans have forfeitures that have accumulated, unused, for years. This is a one-time opportunity to prevent such forfeitures from becoming a plan failure, if they are utilized before the end of the 2025 plan year.
- Those whose plans have a vesting schedule (or had one in the past) should confirm with their recordkeeper that there is a plan in place for all pre-2025 plan-year forfeitures to be completely utilized by the end of the 2025 plan year.

HOW DIFFERENT FACTORS IMPACT FIDUCIARY INSURANCE COSTS

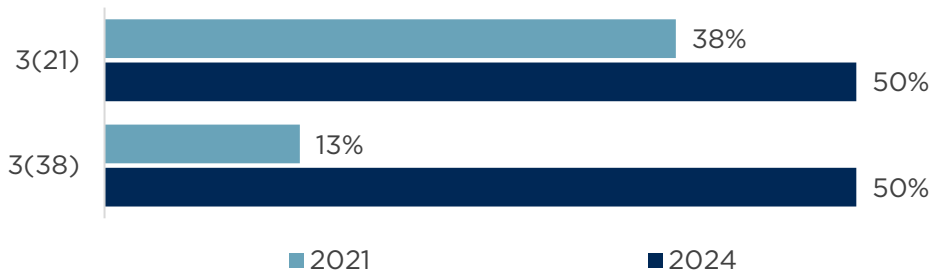
Fiduciary liability insurance is underwritten on a case-by-case basis. Its cost depends on individual plan factors, including share classes used, investments offered, and the type of investment advisor retained.

Below are key takeaways from a 2024 survey of 15 insurers on the factors affecting fiduciary liability insurance cost.

KEY FINDINGS

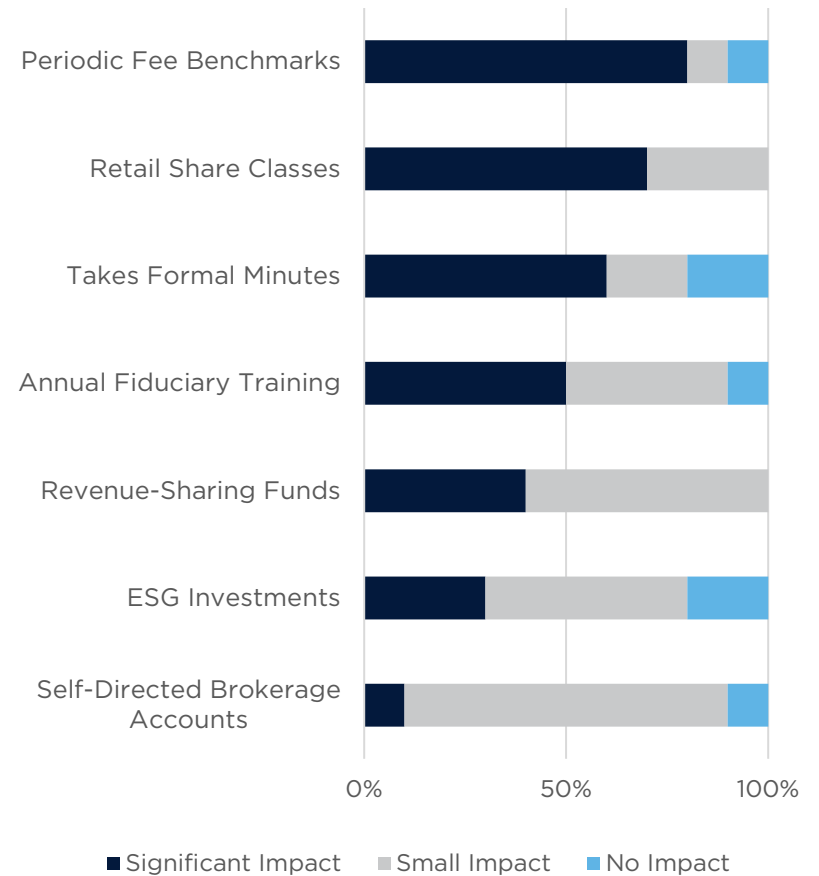
- One of the biggest drivers of pricing is whether the investment committee does periodic fee-benchmarking reviews.
- Using company stock in a retirement plan is considered a significant impact to costs, particularly for plans without an investment cap.
- Investments are another area of focus for insurers, as the use of either retail or revenue-sharing share classes could have significant pricing implications.
- ESG investments, managed accounts, and self-directed brokerage accounts play a smaller role in pricing.

Pricing Impact of Having a Fiduciary Investment Advisor








Source: "What Drives Fiduciary Liability?," Aon, April 2025

Pricing Impact on Fiduciary Liability Insurance



PRIVATE MARKETS FIND THEIR WAY INTO THE DC MARKETPLACE

Private market investments may add value for retirement plan participants. However, given their novelty and complexity, plan sponsors should proceed with caution.

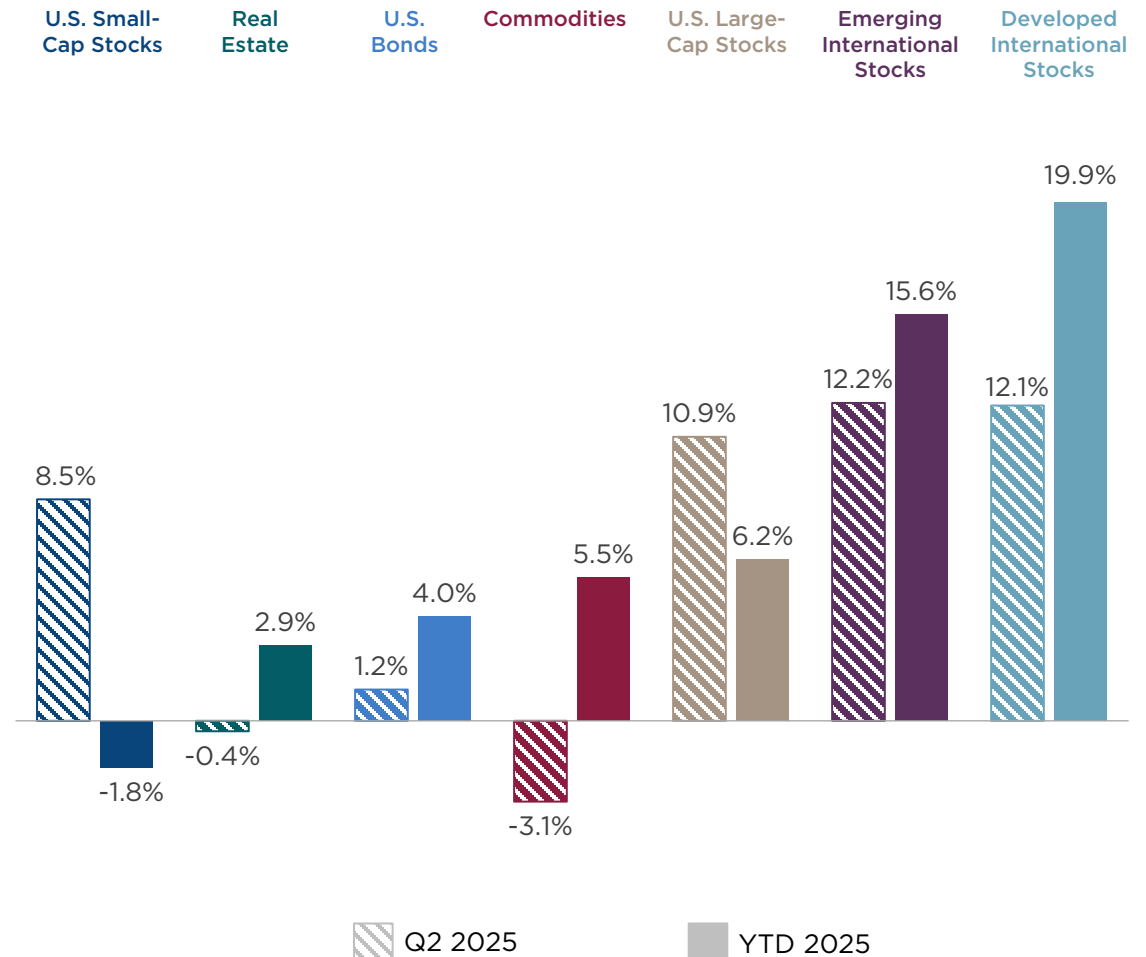
WHAT ARE PRIVATE MARKET INVESTMENTS?	HOW CAN PRIVATE MARKETS BE ACCESSED IN DC PLANS?	WHAT ARE THE CONSIDERATIONS?	
<p>Private market investments are those that are not traded on a public exchange or public stock market. This can include the following.</p> <ul style="list-style-type: none"> • Private equity: Investing in the equity of privately-held companies • Private debt: Debt financing negotiated and secured privately between a borrower and lender • Private real estate: The purchase of physical real estate as an investment <p>Historically, these investments have been available almost exclusively to high-net-worth individuals and large, professionally managed asset pools, such as pension plans.</p>	<p>Most can be accessed through evergreen funds within a collective investment trust (CIT). An <i>evergreen fund</i> is a private investment that is open ended, allowing for continuous investment and investor redemptions:</p> <p>Professionally managed portfolios that can access private market investments include:</p> <ul style="list-style-type: none"> • Managed accounts • Target-date or target-risk funds • Multi-asset portfolios <p>In June 2020, the DOL issued an information letter that permitted the inclusion of private equity in professionally managed portfolios.</p> <p>The DOL is expected to issue additional guidance in this area.</p>		<p>Investment Vehicle</p>
			<p>Valuation Process</p>
			<p>Investment Structure</p>
			<p>Liquidity Restrictions</p>
			<p>Fees Assessed</p>



MARKET RECOVERS IN VOLATILE QUARTER

A sharp selloff ushered in the second quarter as U.S. trade policies shook global markets. A gradual easing in tariff rhetoric and ongoing strength in economic data moderated investor fears, even as geopolitical tensions escalated. U.S. markets ended the quarter at all-time highs, while dollar weakness bolstered gains for a reinvigorated Europe.

- U.S. equities climbed with market leadership rotating back to the communication services and technology sectors after solid earnings.
- U.S. dollar depreciation was a tailwind for international stocks along with improving growth prospects and easing trade tensions.
- Fixed income assets added to their 2025 gains despite a volatile quarter and mounting concerns about the sustainability of U.S. federal debt levels.
- Weakened demand and oversupply concerns dragged on commodities and energy prices. Gold continues to be a safe-haven asset amid economic and geopolitical uncertainty.
- Real estate fell amid weakening investor sentiment and yield volatility.



Asset class returns are represented by the following indexes: Bloomberg U.S. Aggregate Bond Index (U.S. bonds), S&P 500 Index (U.S. large-cap stocks), Russell 2000® (U.S. small-cap stocks), MSCI EAFE Index (international developed market stocks), MSCI Emerging Market Index (emerging market stocks), Dow Jones U.S. Real Estate Index (real estate), and Bloomberg Commodity Index (commodities). Past performance is no guarantee of future results. Indexes are unmanaged, do not incur management fees, costs, and expenses, and cannot be invested in directly. Please refer to index definitions and other important disclosures provided at the end of this presentation.

DIGGING DEEPER: STOCKS AND BONDS

Equities

	Q2 2025	YTD 2025	Last 12 Months*
U.S. Stocks	10.9%	6.2%	15.2%
• Q2 Best Sector: Technology	23.7%	8.1%	15.1%
• Q2 Worst Sector: Energy	-8.6%	0.8%	-4.0%
Developed International Stocks	12.1%	19.9%	18.3%
Emerging Markets Stocks	12.2%	15.6%	16.0%

*Last 12 months: 6.30.2024 through 6.30.2025

Fixed Income

	6.30.25	3.31.25	6.30.24
1-Year U.S. Treasury Yield	3.96%	4.03%	5.09%
10-Year U.S. Treasury Yield	4.24%	4.23%	4.36%
	Q2 2025	YTD 2025	Last 12 Months*
10-Year U.S. Treasury Total Return	1.04%	5.08%	5.40%

*Last 12 months: 6.30.2024 through 6.30.2025

Equities - Relative Performance by Market Capitalization and Style

	Q2 2025			YTD 2025			Last 12 Months				
	Value	Blend	Growth	Value	Blend	Growth	Value	Blend	Growth		
Large	3.8%	10.9%	17.8%	Large	6.0%	6.2%	6.1%	Large	13.7%	15.2%	17.2%
Mid	5.3%	8.5%	18.2%	Mid	3.1%	4.8%	9.8%	Mid	11.5%	15.2%	26.5%
Small	5.0%	8.5%	12.0%	Small	-3.2%	-1.8%	-0.5%	Small	5.5%	7.7%	9.7%

Sources: Morningstar, U.S. Treasury. Asset class returns are represented by the following indexes: S&P 500 Index (U.S. stocks), MSCI EAFE Index (international developed market stocks), and MSCI Emerging Markets Index (emerging market stocks). Relative performance by market capitalization and style is based upon the Russell US Style Indexes except for large-cap blend, which is based upon the S&P 500 Index. Past performance is no guarantee of future results. Indexes are unmanaged, do not incur management fees, costs, and expenses, and cannot be invested in directly. Please refer to index definitions and other important disclosures provided at the end of this presentation.

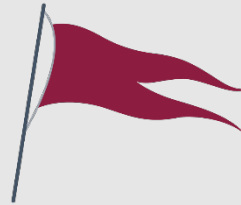
ECONOMIC OUTLOOK

Despite policy shifts, geopolitical tensions, and mounting concerns about long-term debt, the U.S. economy has been resilient. Consumers and corporations have demonstrated an ability to move forward with caution, even in the face of significant risk. However, a wide range of outcomes is still possible.

HEADWINDS

Awaiting Greater Clarity

- Policy uncertainty continues to threaten near-term economic activity.
- The Federal Reserve maintains a wait-and-see approach, following the data and monitoring fiscal policy impact before making changes.
- The housing market remains in limbo as an affordability gap keeps buyers on the sidelines. An uptick in supply could create disinflationary pressures or could lower home equity values.



Long-Term Detractors

- Soaring government debt is unsustainable, and fiscal solutions are unlikely in the near term. Economic stability relies on corporate and consumer balance sheets as we await productivity gains from artificial intelligence (AI).
- An aging population and fewer immigrants may reduce labor force participation, weighing on future economic growth.

TAILWINDS

Balance Sheet Strength

- Despite waning sentiment, consumer financial conditions remain solid, aided by a cooling yet stable labor market and moderating inflation. Recent tax reform may lead to higher confidence and spending.
- Corporate fundamentals have been resilient. Businesses seem to be digesting tariff impacts, maintaining profitability and adding shareholder value through stock buybacks. Regulatory uncertainty and tax reform could create a favorable backdrop for elevated buyback activity.



Long-Term Contributors

- AI adoption will fuel productivity and will be key to future economic growth.
- Improved access to exponential knowledge will drive more efficient solutions and advancements for businesses and governments.

Near-term fiscal and economic paths remain uncertain. Investors should focus on longer-term investment horizons. Prudence and diversification can help you stay prepared for a range of outcomes.

THE POWER OF COLLECTIVE KNOWLEDGE

Productivity comes from solving problems more efficiently. Efficiency comes from building on what we already know. As knowledge compounds, especially through AI, today’s challenges give rise to smarter solutions tomorrow.



COMPOUNDING KNOWLEDGE

The power of compounding comes from a constantly expanding base. Tomorrow’s progress stacks on today’s base, which includes all past growth.

Humanity begins every day with collective knowledge previously accumulated. In other words, knowledge compounds.

While knowledge grows individually, it expands even faster collectively, as communication improves. Sharing ideas helps people learn from each other. The internet’s greatest impact was making global knowledge more accessible.

EXPONENTIAL GROWTH

Over the past century, advances in communication have driven knowledge growth and productivity. The next wave will come from AI, which massively expands the number of problem-solvers.

AI gives people access to virtual problem-solvers equipped with all human knowledge—potentially unlocking faster, more powerful solutions.

Individual



Artificial Intelligence

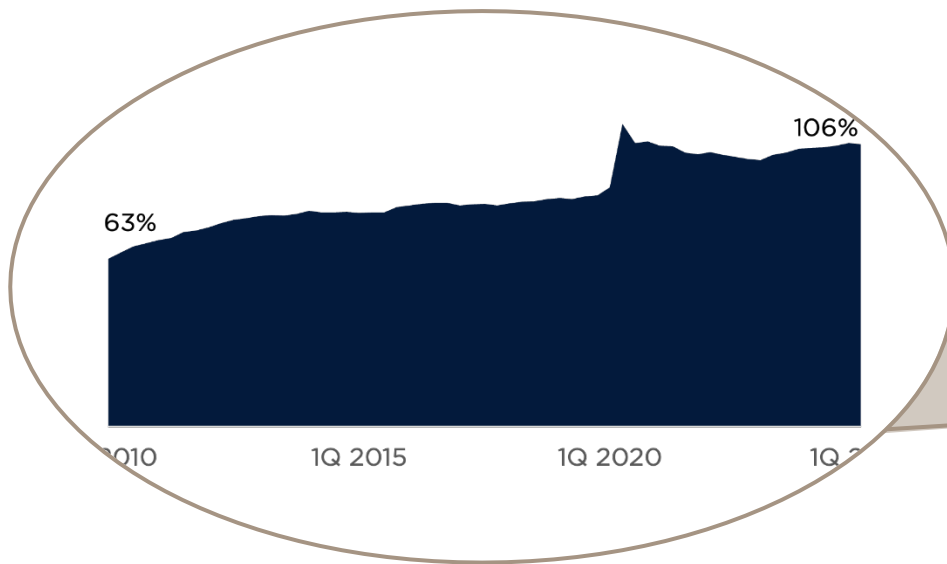


Charts are for illustrative purposes only.

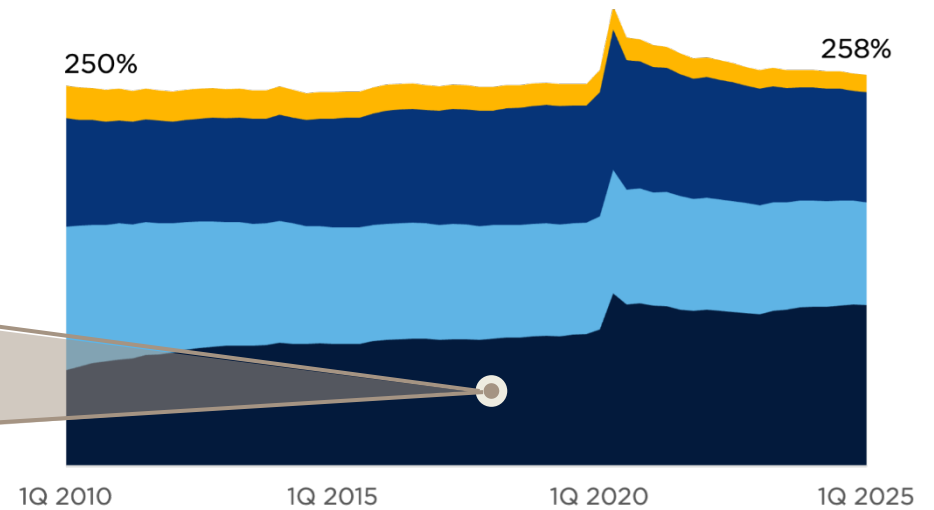
DEBT RISKS ECONOMIC SUCCESS

Government debt remains the largest single risk to long-term U.S. economic prosperity. Current deficit levels are unsustainable, but both potential solutions—raising taxes or cutting spending—have faced political pushback. Consequently, economic growth must drive a long-term fix. Fortunately, consumers and businesses have much stronger balance sheets than the federal government and may be able to support continued growth while the country awaits AI productivity gains.

Government Debt as a % of GDP



Total Debt as a % of GDP



Federal debt has risen steadily since 2010, currently equaling 106% of gross domestic product (GDP). The Congressional Budget Office estimates this ratio will continue rising over the next decade, with interest expense projected to grow twice as fast as revenue.

While the government continues to amass debt, companies and consumers have de-levered their balance sheets, holding the total-debt-to-GDP ratio fairly stable since 2010.

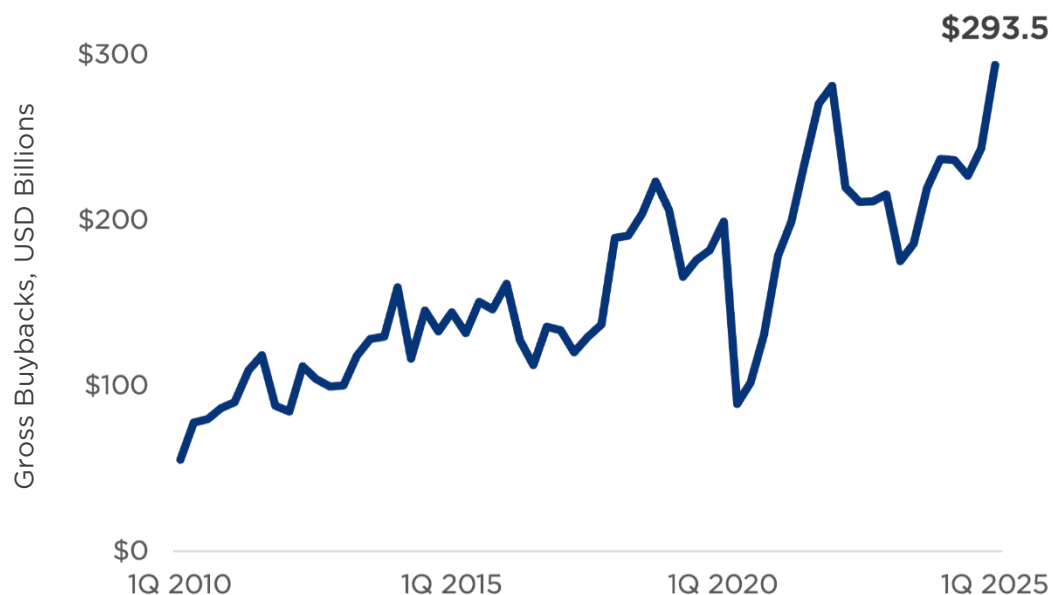
Headlines focus on debt, but the solution must come from GDP growth.

Sources: Federal Reserve; Congressional Budget Office; CAPTRUST research. Data as of March 2025.

BUYBACKS OVERTAKE DIVIDENDS

There are five things a company can do with cash flow from its operations: pay dividends, buy back stock, pay down debt; reinvest, or hold a cash reserve on its balance sheet. The optimal decision is unique to each company, but in aggregate, buybacks have overtaken dividends as the preferred method of delivering shareholder yield.

S&P 500 Quarterly Buybacks



S&P 500 Gross Buybacks by Sector (millions)

Sector	1Q 2025	Trailing 10 Years
Technology	\$80,164	\$2,112,310
Financials	\$59,419	\$1,394,649
Communications	\$45,515	\$710,396
Industrials	\$29,005	\$673,840
Health Care	\$26,129	\$806,203
Discretionary	\$18,200	\$789,736
Energy	\$16,508	\$311,156
Staples	\$11,385	\$373,939
Materials	\$5,378	\$155,325
Real Estate	\$952	\$23,285
Utilities	\$798	\$23,437
S&P 500	\$293,451	\$7,374,275

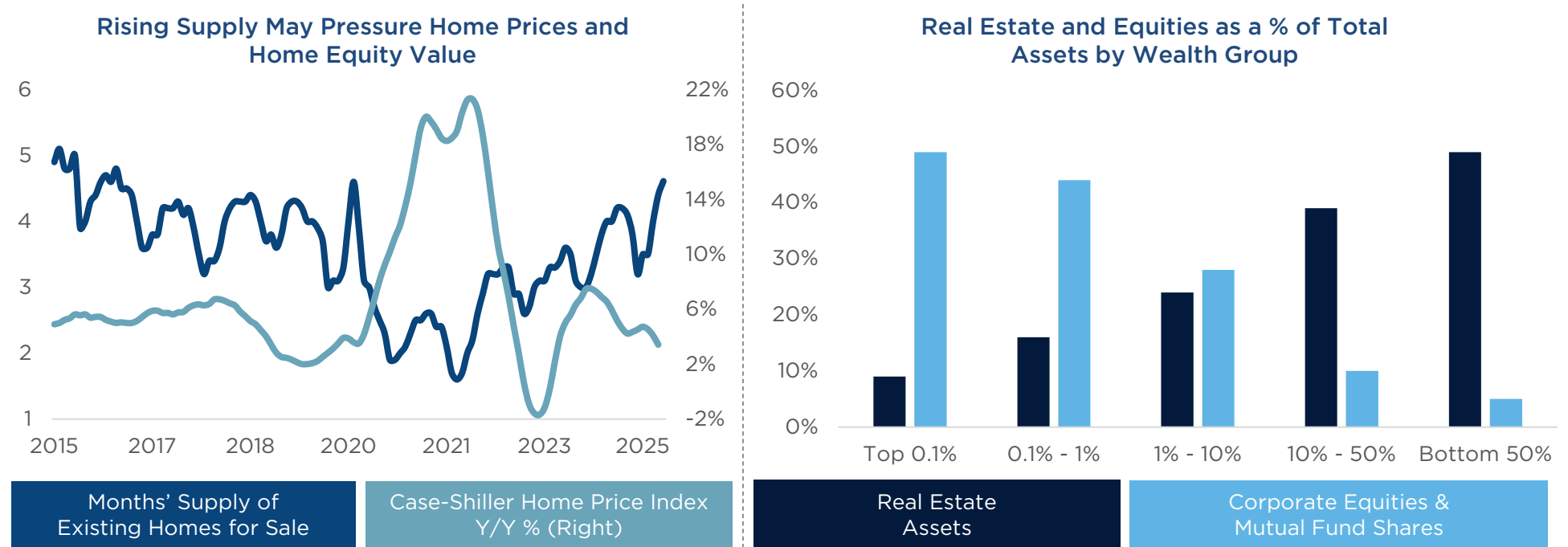
In the first quarter of 2025, S&P 500 companies paid \$164.1 billion in dividends while using \$293.5 billion of cash to buy back stock. This was an all-time high for repurchase activity, with the 20 largest companies making nearly half of the buybacks. While dividends give investors a one-time current income stream, stock buybacks can have more lasting value, since each remaining share represents larger ownership interest in future earnings.

Unless there is a significant change in buyback taxation, elevated policy uncertainty will likely support more buyback activity, providing a tailwind to certain segments of the equity market.

Sources: S&P Global; GuruFocus; CAPTRUST research

MORE INVENTORY MAY NOT SOLVE HOUSING WOES

Housing remains frozen in an otherwise stable economy. Would-be sellers feel locked in by extremely low existing mortgage rates. Would-be buyers feel locked out by soaring homeownership costs. However, the supply-demand imbalance that has plagued the market appears to be slowly shifting in some regions.



In May, the monthly supply of homes for sale reached levels last seen in mid-2016. With potential homebuyers remaining on the sidelines and inventory rising, the housing market will likely continue to experience disinflationary effects. The Case-Shiller Home Price Index has already slowed from prices increasing 7% year-over-year (Y/Y) in February 2024 to just 3% in April 2025. However, if a longer sales cycle ultimately leads to falling home prices, current owners and prospective buyers could lose confidence due to the negative wealth effect. A national housing crisis is highly unlikely. However, certain regions and population segments are vulnerable, particularly owners in the bottom 50% of U.S. wealth brackets, where real estate accounts for nearly 50% of household assets.

Sources: National Association of Realtors, S&P CoreLogic Case-Shiller U.S. National Home Price Index, FactSet, Strategas, CAPTRUST research