

STATE BOARD OF ADMINISTRATION OF FLORIDA

Economics Club of Florida

Lamar Taylor, Chief Investment Officer

June 2025

SBA OVERVIEW, VISION AND MISSION

The State Board of Administration (SBA) is Florida's principal independent Investment Management Organization. The SBA is responsible for investing the proceeds of the Florida Retirement System Pension Plan, administering the Florida Retirement System Investment Plan, Florida PRIME™, and Florida Hurricane Catastrophe Fund, and investing other mandates as directed to the SBA by the Florida Legislature.



1 OUR VISION

Our vision is to be the best public sector investment and administrative service provider while exemplifying the principles of trust, integrity and performance.



2 OUR MISSION

Our mission is to provide superior investment management and trust services by proactively and comprehensively managing risk and adhering to the highest ethical, fiduciary and professional standards.

SBA MANDATES

The SBA provides investment management services for the state of Florida and many local government entities throughout the state. With a history of generating excellent risk-adjusted investment returns, the SBA manages assets of more than 29 investment portfolios with more than \$260 billion in assets under management (unaudited as of March 2025) that include:

FLORIDA RETIREMENT SYSTEM (FRS) PENSION PLAN:

\$200.4 B

One of the nation's largest defined benefit (DB) plans, and approximately 80% of all SBA assets.

FLORIDA RETIREMENT SYSTEM (FRS) INVESTMENT PLAN:

\$18.4 B

One of the nation's largest defined contribution (DC) plans.

FLORIDA PRIME™:

\$31.4 B

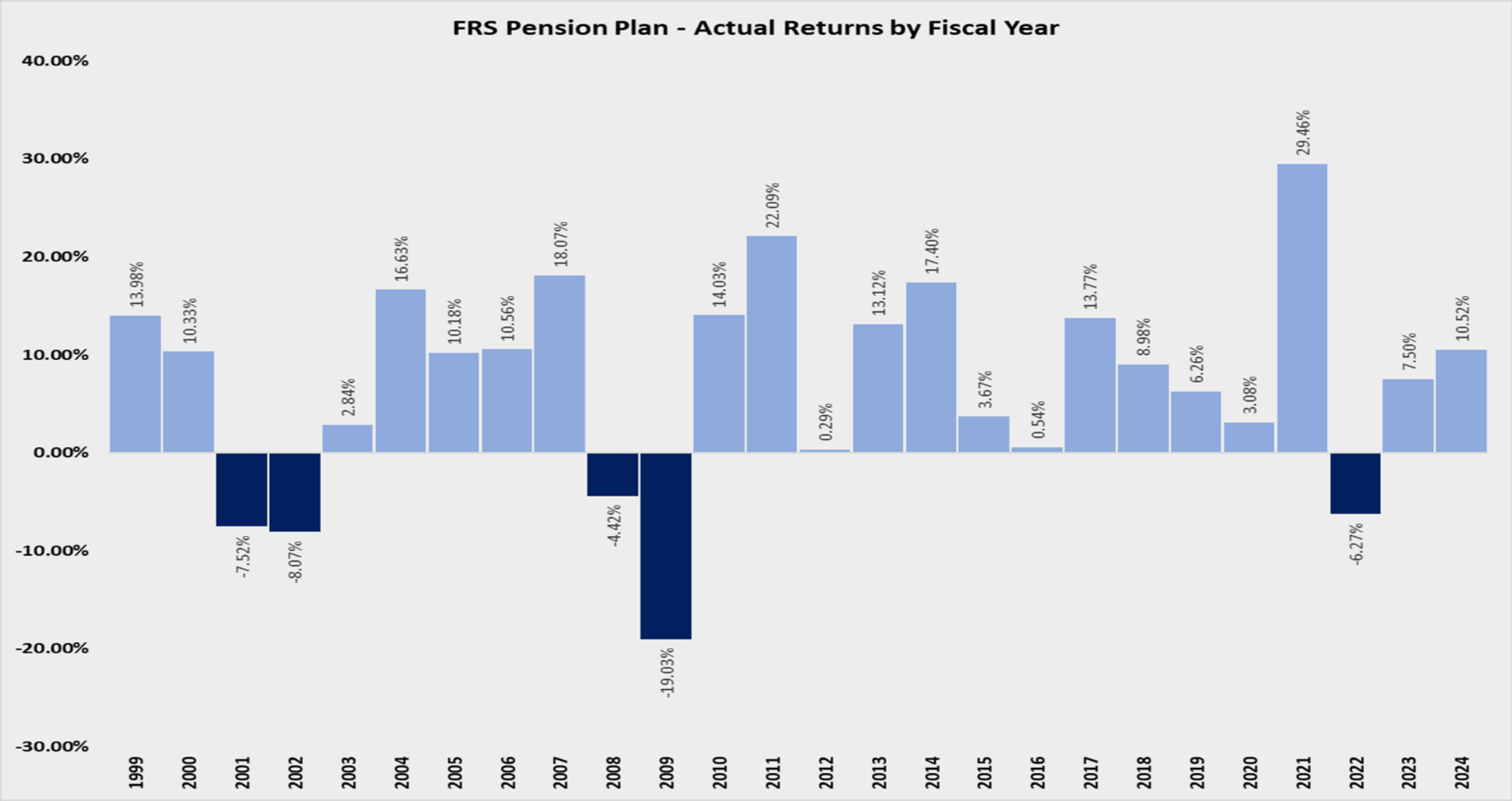
A fund for local governments, agencies, organizations, and schools across Florida to invest surplus assets aiming for safe, liquid, cost-effective investment exposure.

FLORIDA HURRICANE CATASTROPHE FUND AND FINANCE CORP.:

\$16.5 B

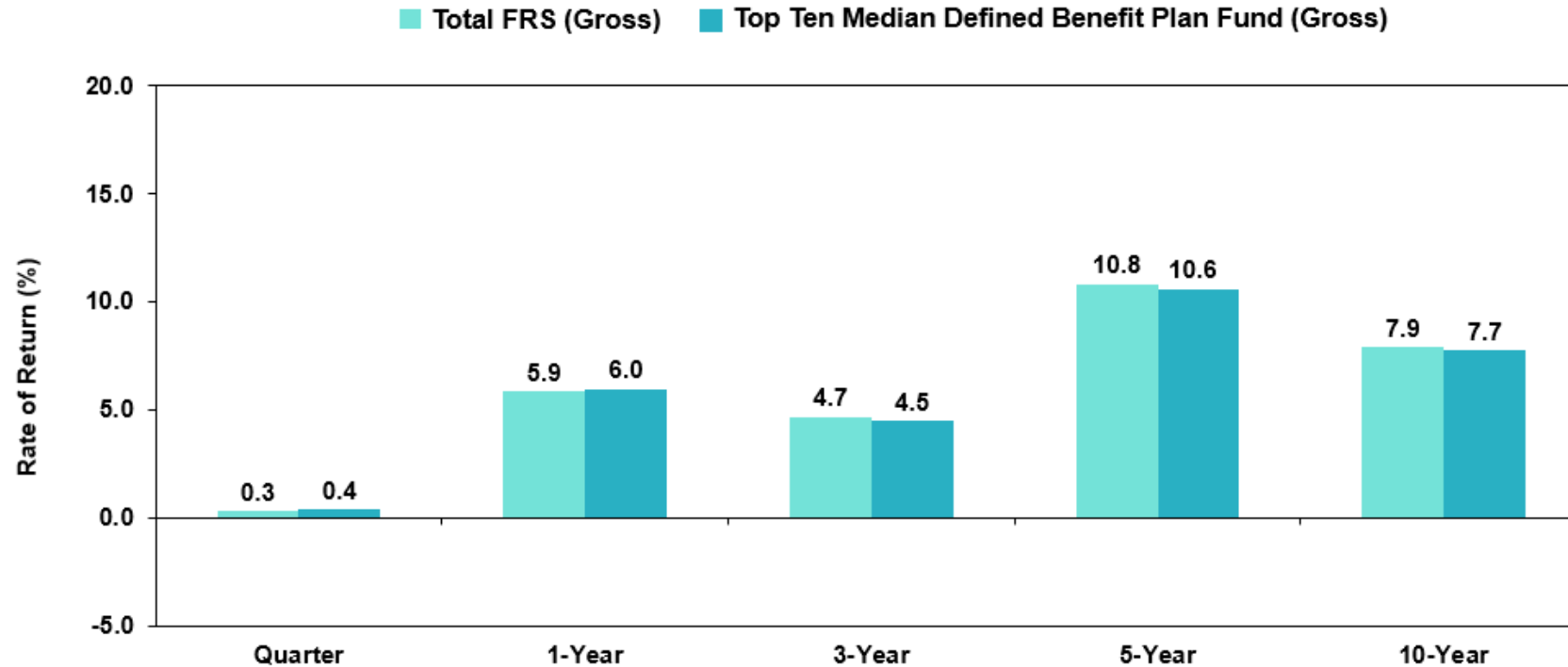
A tax-exempt trust fund created to reimburse residential property insurance for a portion of hurricane losses and advancing the interest in maintaining insurance capacity in the state.

PENSION PLAN PERFORMANCE 1999 - 2024



FRS Results Relative to TUCS Top Ten Defined Benefit Plans

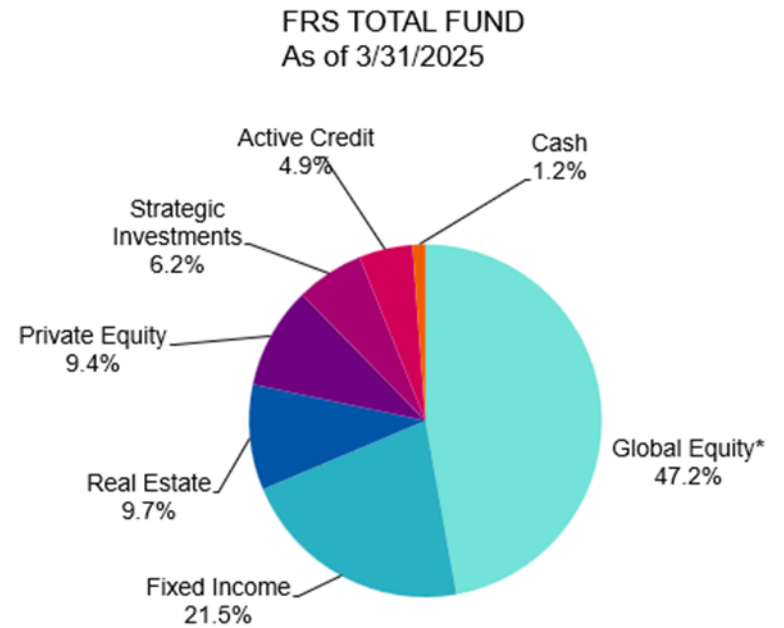
Periods Ending March 31, 2025



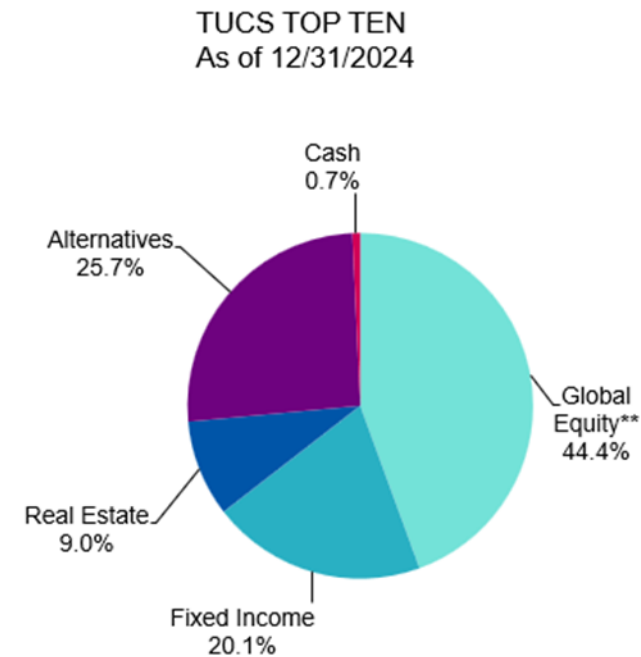
Note: The data set includes \$2,087 billion in total assets. The median fund size was \$172 billion, and the average fund size was \$209 billion.
Note: Due to rounding, percentage totals displayed may not sum perfectly.

Comparison of Asset Allocation (TUCS Top Ten)

FRS Pension Plan vs. Top Ten Defined Benefit Plans



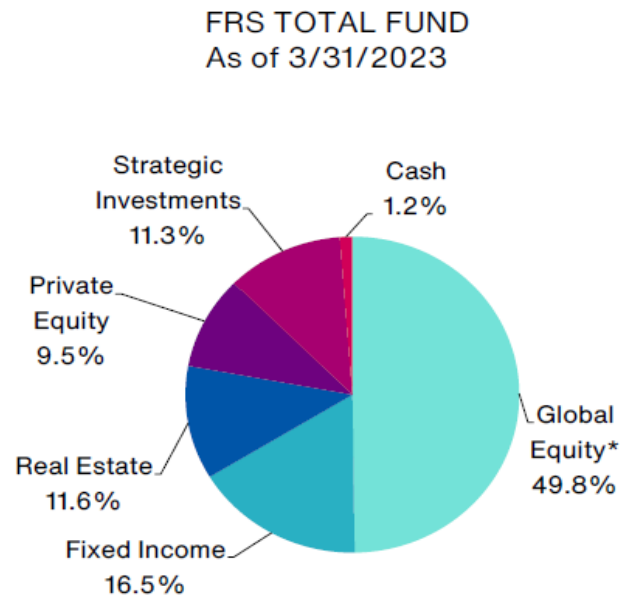
*Global Equity Allocation: 24.9% Domestic Equities; 15.1% Foreign Equities; 5.8% Global Equities; 0.6% Global Equity Cash; 0.8% Global Equity Liquidity Account. Percentages are of the Total FRS Fund.



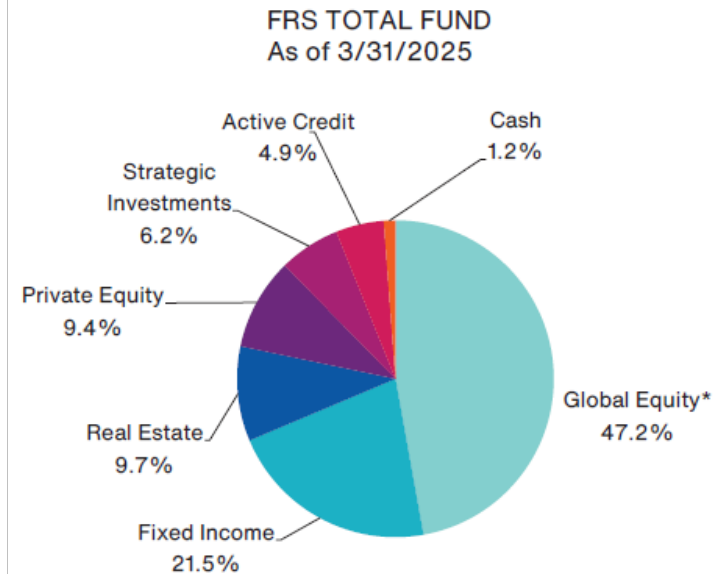
**Global Equity Allocation: 30.6% Domestic Equities; 13.8% Foreign Equities.

Comparison of Asset Allocation (SBA)

FRS Pension Plan vs. Top Ten Defined Benefit Plans



*Global Equity Allocation: 24.8% Domestic Equities; 17.4% Foreign Equities; 6.5% Global Equities; 1.1% Global Equity Liquidity Account. Percentages are of the Total FRS Fund.



*Global Equity Allocation: 24.9% Domestic Equities, 15.1% Foreign Equities; 5.8% Global Equities; 0.6% Global Equity Cash; 0.8% Global Equity Liquidity Account. Percentages are of the Total FRS Fund.

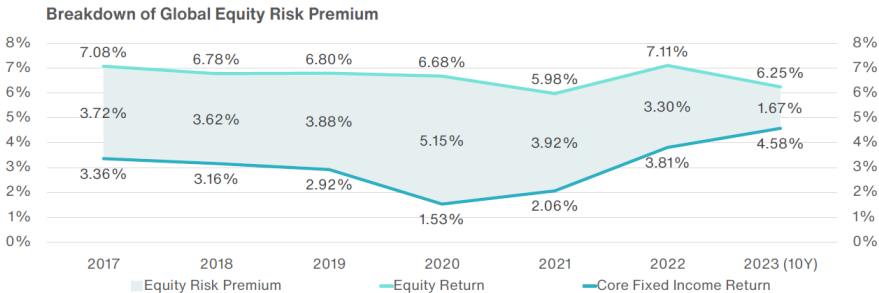
Basis for Changing Asset Allocation – Shrinking Risk Premium and Interest Rate Mean Reversion

Assumptions | Development

Breakdown of equity risk premium assumption

The decrease in the 2023 equity risk premium¹ was driven by the combination of increases in projected fixed income returns and decreasing projected equity returns

Below is a 7-year historical look at the breakdown of the global equity risk premium

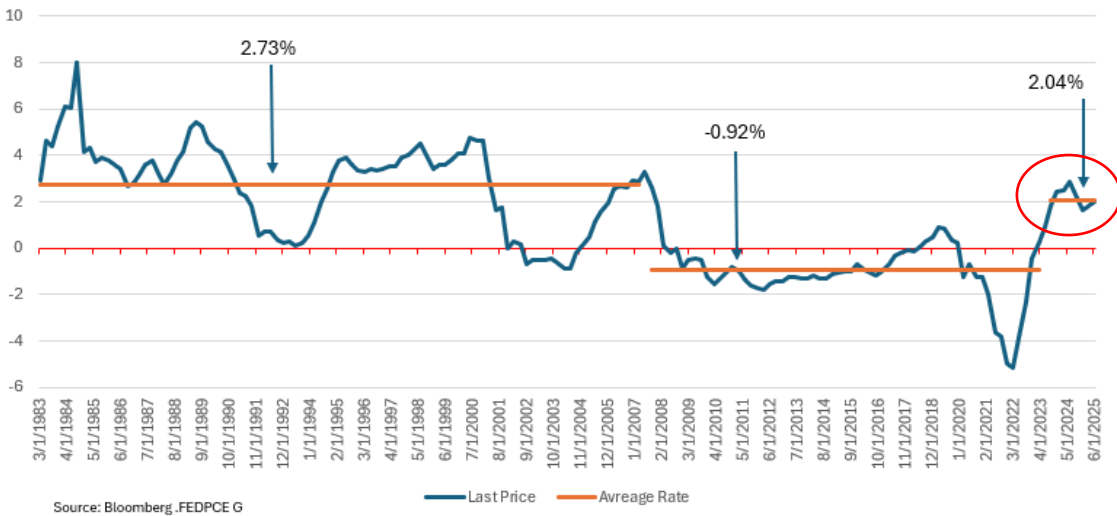


¹Equity Risk Premium is defined as the excess return earned over bonds that compensates investors for taking on higher risk; all returns are 15-year (Pre-2023) / 10-year (Post-2023) geometric average (compounded) expected returns

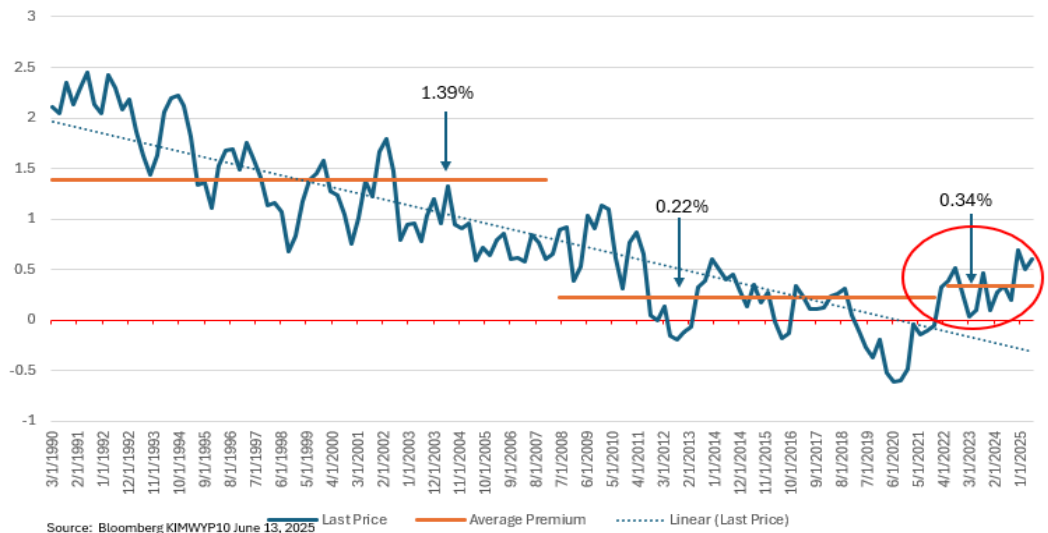
AON

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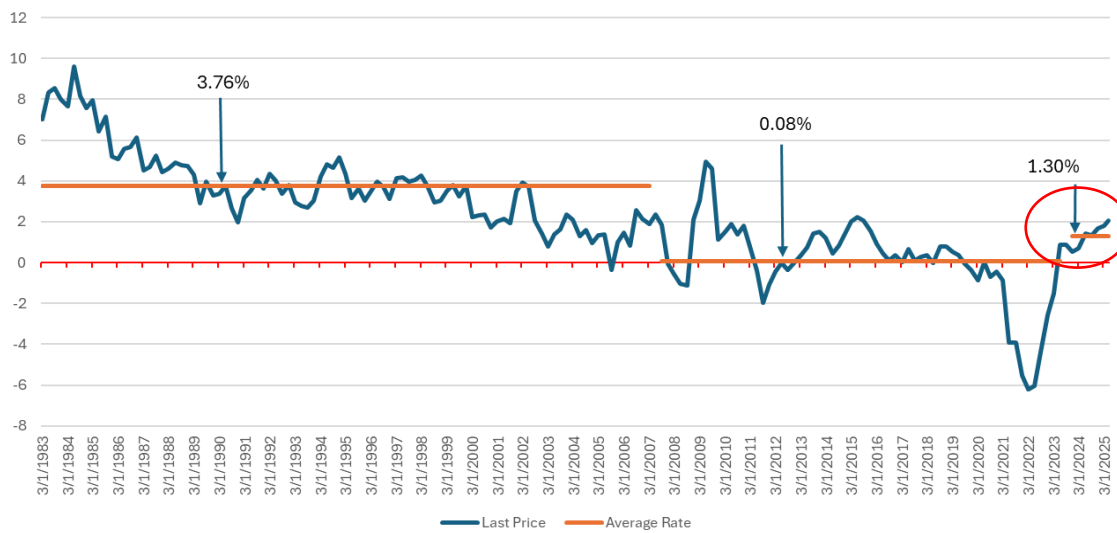
Real Fed Funds Rate (PCE)



10-Year US Treasury Term Premium



Real 10-Year Treasury

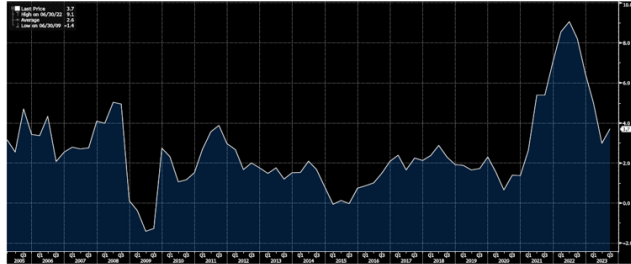


Basis for Changing Asset Allocation – Factors Driving Interest Rate Mean Reversion

The New Normal – Higher Inflation

CPI YOY Index (US CPI Urban Consumers YoY NSA)

Bloomberg



- From 1/1/2000 – 12/31/2008, Core CPI averaged 2.41%
- From 1/1/2009 – 12/31/2020, Core CPI Averaged 1.35%



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The New Normal – Tighter Labor

Labor Force Statistics from the Current Population Survey

Series Id: LNS11300000
Seasonally Adjusted
Series title: (Seas) Labor Force Participation Rate
Labor force status: Civilian labor force participation rate
Type of data: Percent or rate
Age: 16 years and over



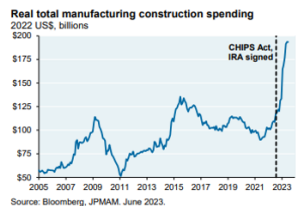
Post pandemic, labor participation rate has been slow to recover

Source: Bureau of Labor and Statistics

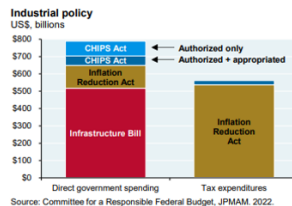
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The New Normal – Increased Federal Spending

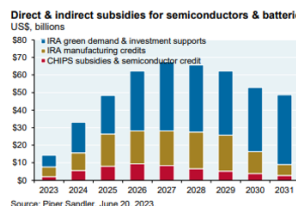
- US Inflation Reduction Act
 - \$400 billion in climate and energy transition spending
- US CHIPS and Science Act - \$280 Billion, includes
 - \$61 billion in direct incentives and tax credits to offset cost of fabrication plants
 - Tilted toward incentivizing local chip manufacture
- US Infrastructure Bill - \$ 1.2 Trillion, includes
 - \$65 billion internet access
 - \$110 billion road & bridges
 - \$90 billion public transit
 - \$42 billion airports and waterways



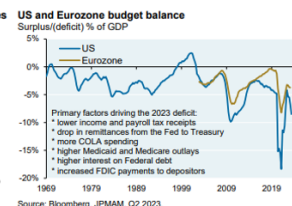
Source: Bloomberg, JPMAM, June 2023.



Source: Committee for a Responsible Federal Budget, JPMAM, 2022.



Source: Piper Sandler, June 20, 2023.



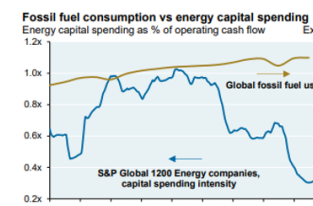
Source: Bloomberg, JPMAM, Q2 2023.



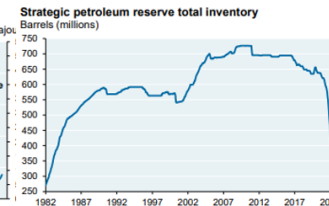
20

Source: Eye on the Market, Michael Cembalest, JP Morgan, August 2, 2023, available at [Eye on the Market | J.P. Morgan Asset Management \(jpmorgan.com\)](https://www.jpmorgan.com/eye-on-the-market)

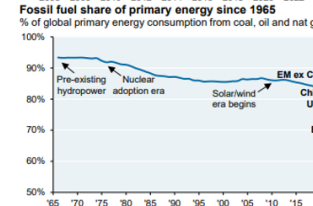
The New Normal – Underinvestment In Fossil Fuels



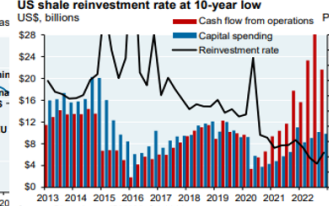
Source: BP Statistical Review of World Energy, JPMAM, 2022.



Source: Bloomberg, JPMAM, Q4 2022.



Source: BP Statistical Review of World Energy, JPMAM, 2022.



Source: Bloomberg, JPMAM, Q4 2022.



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Source: Top 2 charts, Eye on the Market, Michael Cembalest, JP Morgan, September 26, 2023 ; bottom 2 charts, Eye on the Market, Michael Cembalest, JP Morgan, 13th Annual Energy Paper, March 28, 2023, both available at [Eye on the Market | J.P. Morgan Asset Management \(jpmorgan.com\)](https://www.jpmorgan.com/eye-on-the-market)

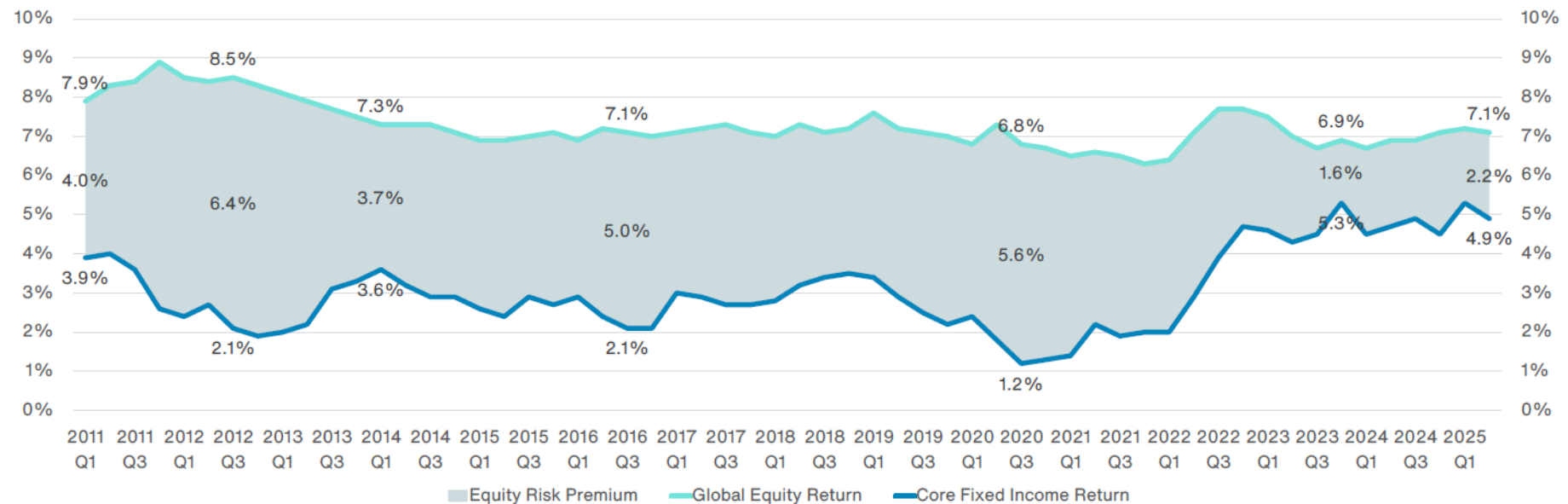
Equity Risk Premium Still Narrow

CMA-Based Equity Risk Premia – 10-Year CMAs

Equity risk premium has decreased in recent years due to higher interest rates, fixed income returns

Below is a quarter-over-quarter historical look at the breakdown of the global equity risk premium¹ (defined as global public equity less core fixed income) using Aon's 10-year CMAs

Breakdown of Global Equity Risk Premium (10Y CMAs)

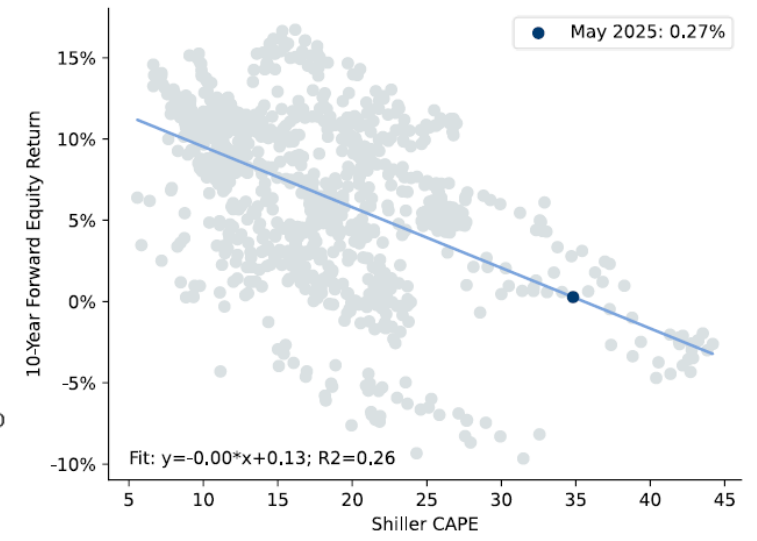
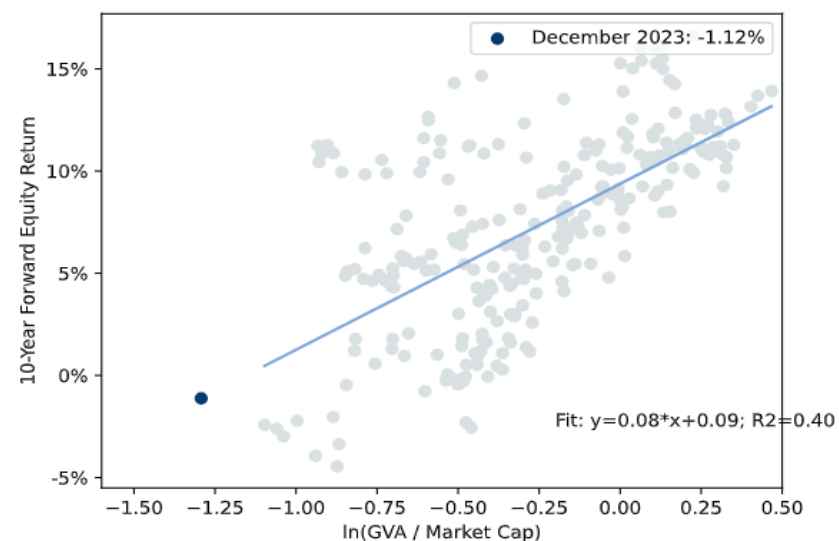


¹ Equity Risk Premium is defined as the excess return earned over bonds that compensates investors for taking on higher risk

The Environment in June 2025



- Yield curve has normalized but US Equity Prices are still expensive.
- The 2-year Treasury is at 3.95% and the 10-year Treasury is at 4.42%.
- Forward looking expected US equity returns are still very, very low.
- Credit spreads even lower than in December 2023 (HY @ 302 and IG @ 84).



US Equity Valuations Higher



Equities

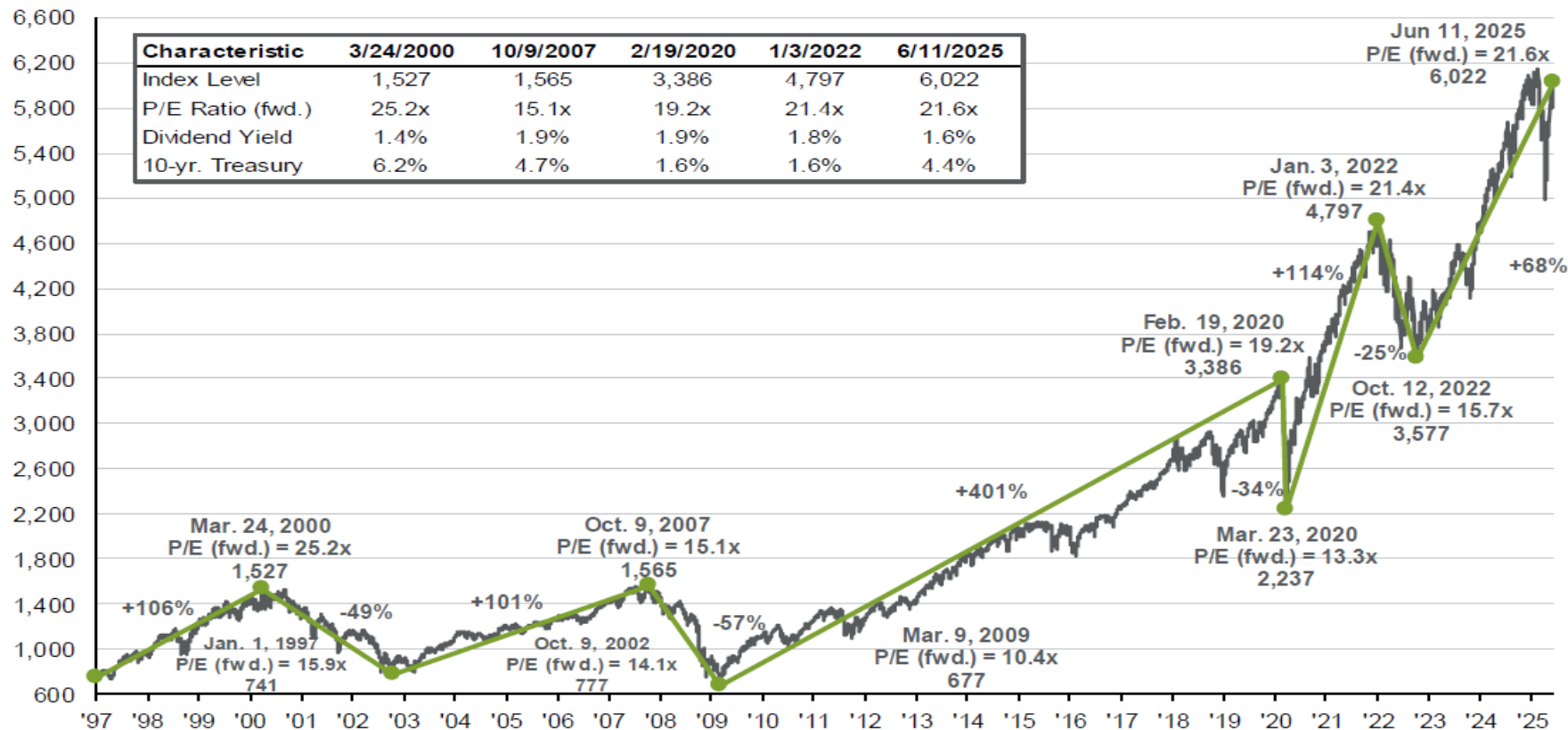
S&P 500 Index at inflection points

GTM

U.S.

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S&P 500 Price Index



Source: Compustat, FactSet, Federal Reserve, Refinitiv Datastream, Standard & Poor's, J.P. Morgan Asset Management.
 Dividend yield is calculated as consensus estimates of dividends for the next 12 months, divided by most recent price, as provided by Compustat.
 Forward price-to-earnings ratio is a bottom-up calculation based on IBES estimates and FactSet estimates since January 2022. Returns are cumulative and based on S&P 500 Index price movement only, and do not include the reinvestment of dividends. Past performance is not indicative of future returns.
 Guide to the Markets – U.S. Data are as of June 11, 2025.

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Being Exposed to Equities is Exposure to US Equities

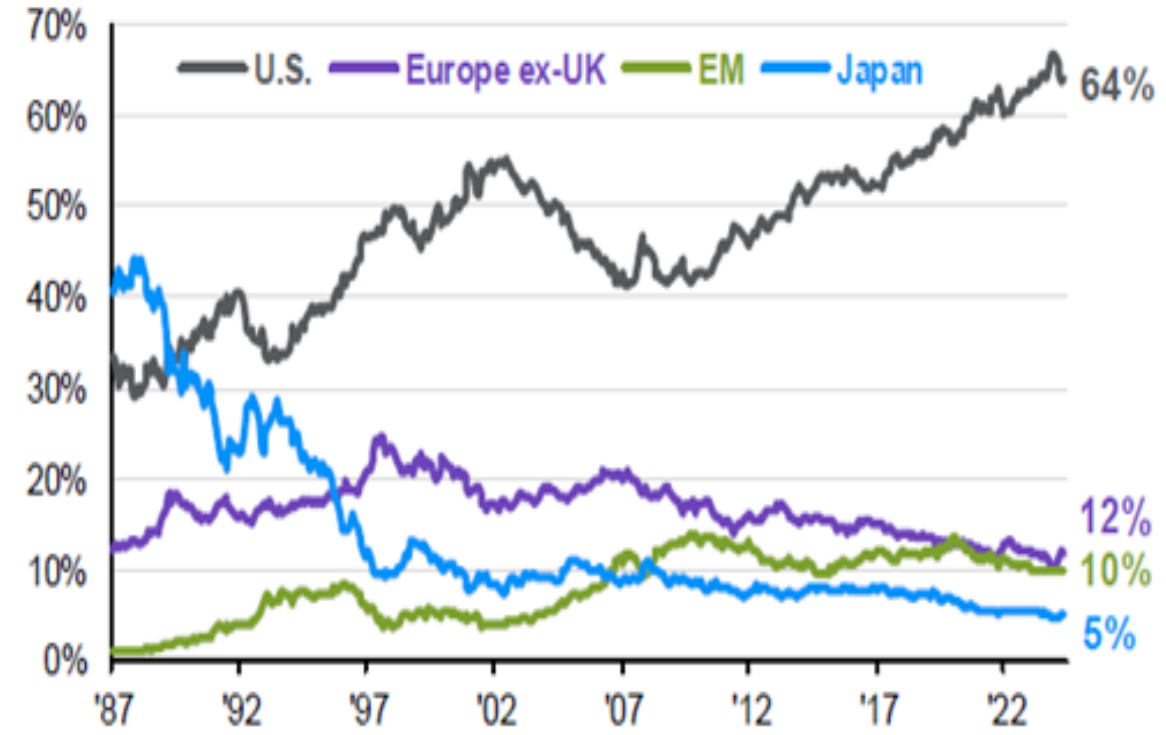
Global equity markets

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Returns	YTD 2025		2024		15-years	
	Local	USD	Local	USD	Ann.	Beta
Regions						
U.S. (S&P 500)	-	3.0	-	25.0	14.1	1.0
AC World ex-U.S.	9.2	17.0	13.2	6.1	6.8	1.0
EAFE	8.8	18.8	11.8	4.3	7.8	1.0
Eurozone	14.8	27.3	10.3	3.4	8.3	1.2
Emerging markets	10.3	13.9	13.7	8.1	4.4	1.0
Selected Countries						
Japan	0.4	8.9	21.2	8.7	7.0	0.7
United Kingdom	10.3	19.2	9.5	7.5	6.9	1.0
France	8.3	20.1	1.8	-4.6	8.6	1.2
Canada	8.3	13.9	23.0	12.7	6.7	1.1
Germany	20.1	33.2	18.4	11.0	8.8	1.3
China	19.6	19.0	19.8	19.7	3.9	0.9
Taiwan	-1.5	7.9	44.3	35.1	12.9	1.0
India	5.2	5.3	15.7	12.4	7.2	0.9
Brazil	13.7	24.8	-11.4	-29.5	-0.5	1.3

Share of global market capitalization

% weight in the MSCI All Country World Index, USD, monthly



Source: FactSet, MSCI, Standard & Poor's, J.P. Morgan Asset Management. (Left) All return values are MSCI Total Return Index (Gross) data. 15-year history based on USD returns. 15-year return and beta figures are calculated using a rolling 12-month period ending with the previous month-end. Beta is for monthly returns relative to the MSCI All Country World Index. Annualized volatility is calculated as the standard deviation of quarterly returns multiplied by the square root of four. Chart is for illustrative purposes only. Please see disclosure page for index definitions. Past performance is not a reliable indicator of current and future results. (Bottom right) Revenue exposure data are as of the previous quarter-end. Guide to the Markets – U.S. Data are as of June 11, 2025.

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US Equities Are Concentrated in Mag 7 and Wealthy Consumer Spending



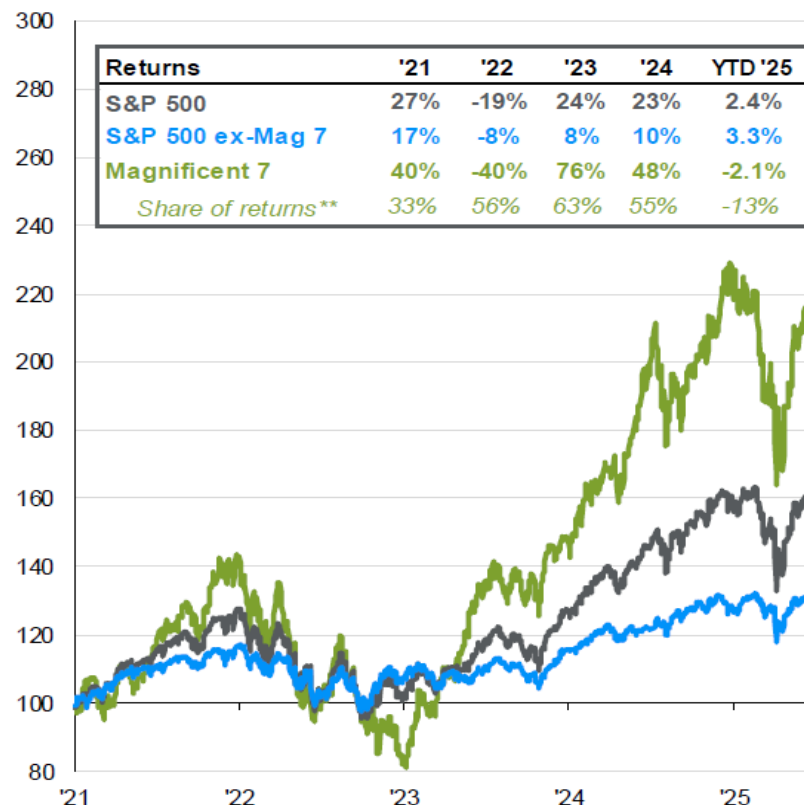
Equities

Magnificent 7 performance and earnings dynamics

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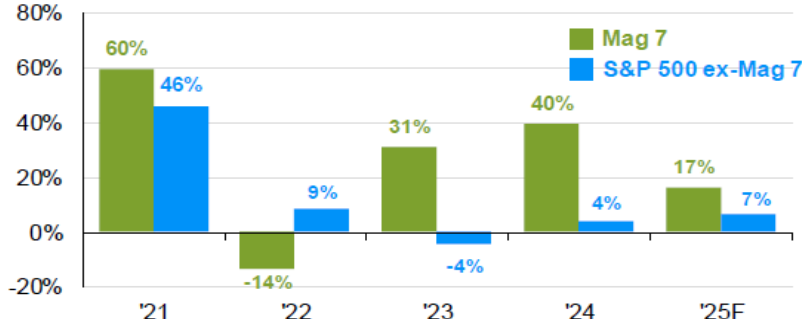
Performance of "Magnificent 7" stocks in S&P 500*

Indexed to 100 on 1/1/2021, price return



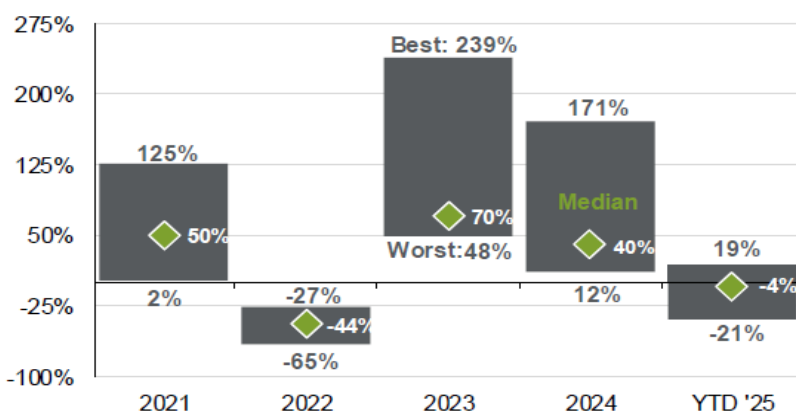
Earnings growth

Pro forma EPS, year-over-year



Magnificent 7 performance dispersion

Price returns, best, median and worst performing Mag 7 stock by year



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.

*Magnificent 7 includes AAPL, AMZN, GOOG, META, MSFT, NVDA and TSLA. Earnings estimates for 2025 are forecasts based on consensus analyst expectations. **Share of returns represent how much each group contributed to the overall return.

Guide to the Markets – U.S. Data are as of June 11, 2025.

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Index	Mag7	Others
S&P 500	32%	68%
Russell 1000	29%	71%
Russell 3000	28%	72%
MSCI AC World IMI	18%	82%

Exposure to Mag 7 is a Bet on AI



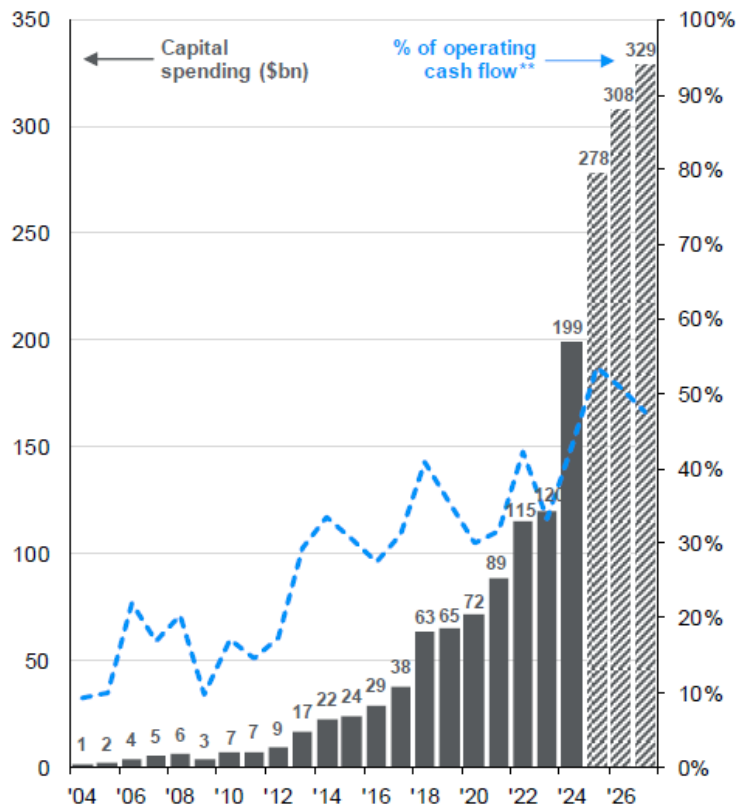
Tech-driven capital spending

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Economy

Capex from the major AI hyperscalers*

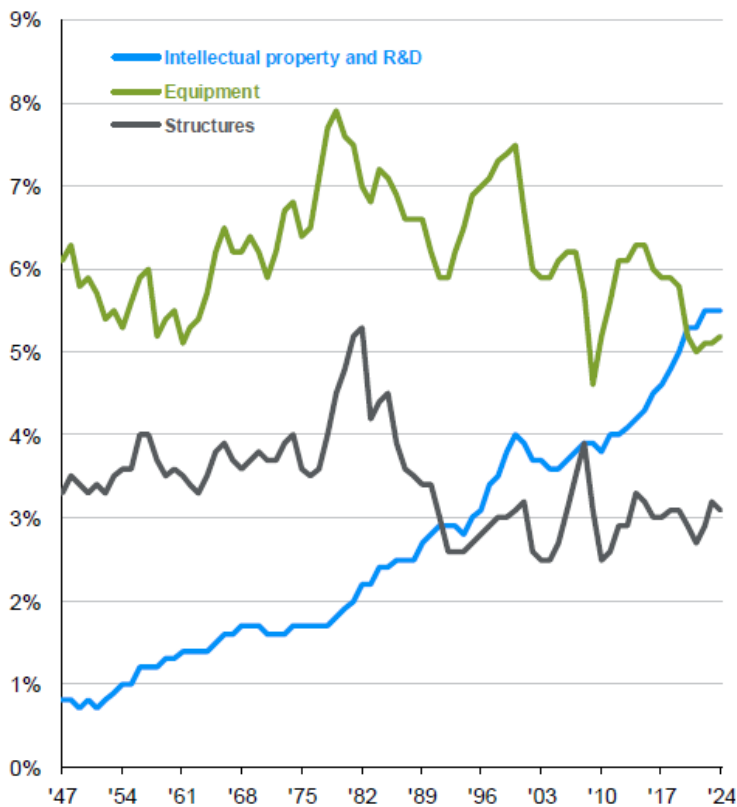
Alphabet, Amazon (AWS), Meta, Microsoft



Source: J.P. Morgan Asset Management; (Left) Bloomberg; (Right) BEA. Data for 2025, 2026 and 2027 reflect consensus estimates. Capex shown is company total, except for Amazon, which reflects an estimate for AWS spend (2004 to 2012 are J.P. Morgan Asset Management estimates and 2012 to current are Bloomberg consensus estimates). *Hyperscalers are the large cloud computing companies that own and operate data centers with horizontally linked servers that, along with cooling and data storage capabilities, enable them to house and operate AI workloads. **Reflects cash flow before capital expenditures in contrast to free cash flow, which subtracts out capital expenditures. Capital spending on the right reflects the components of nonresidential gross private fixed investment as a share of nominal GDP. Guide to the Markets – U.S. Data are as of June 11, 2025.

Capital spending components

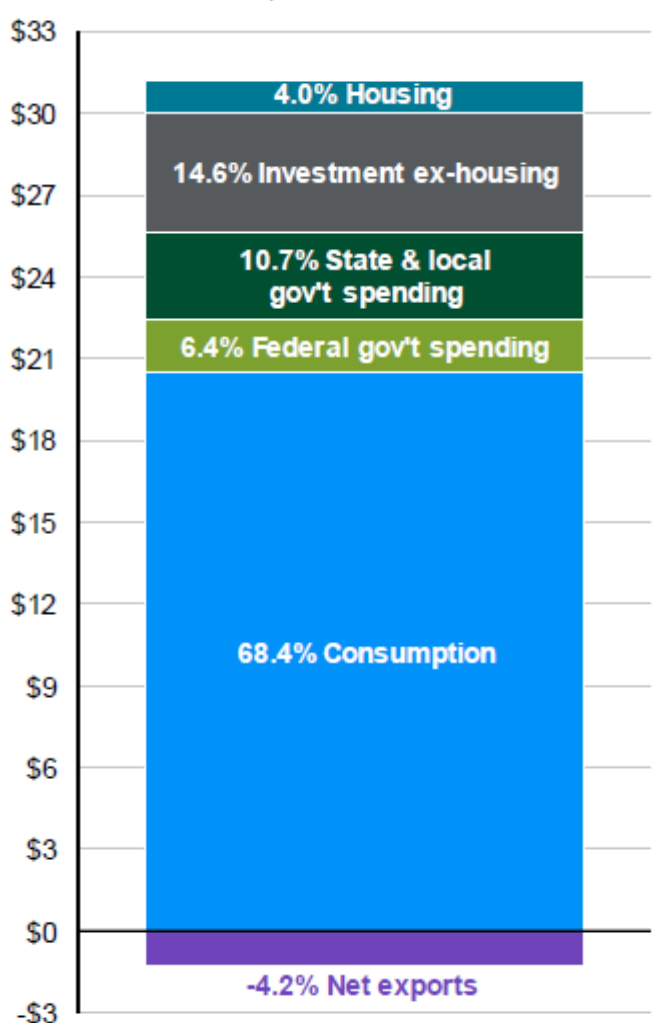
Components of capital spending as a percent of GDP, annual



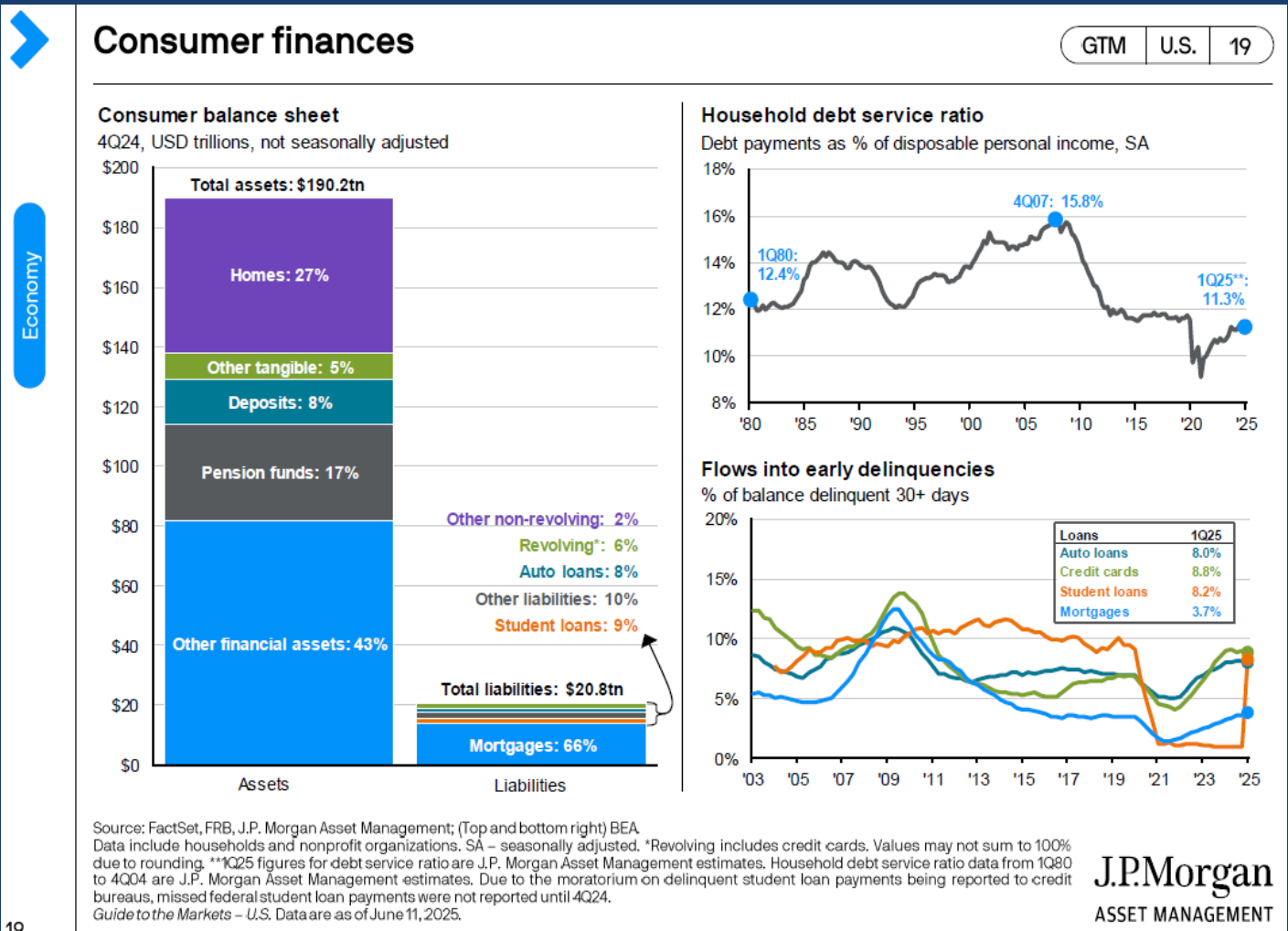
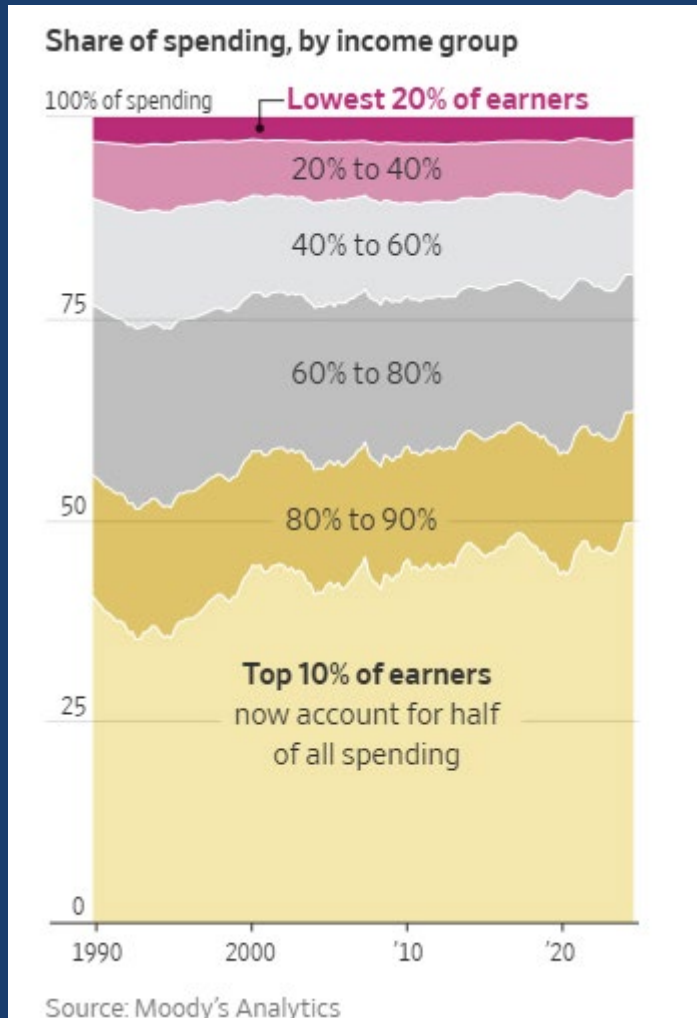
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Components of GDP

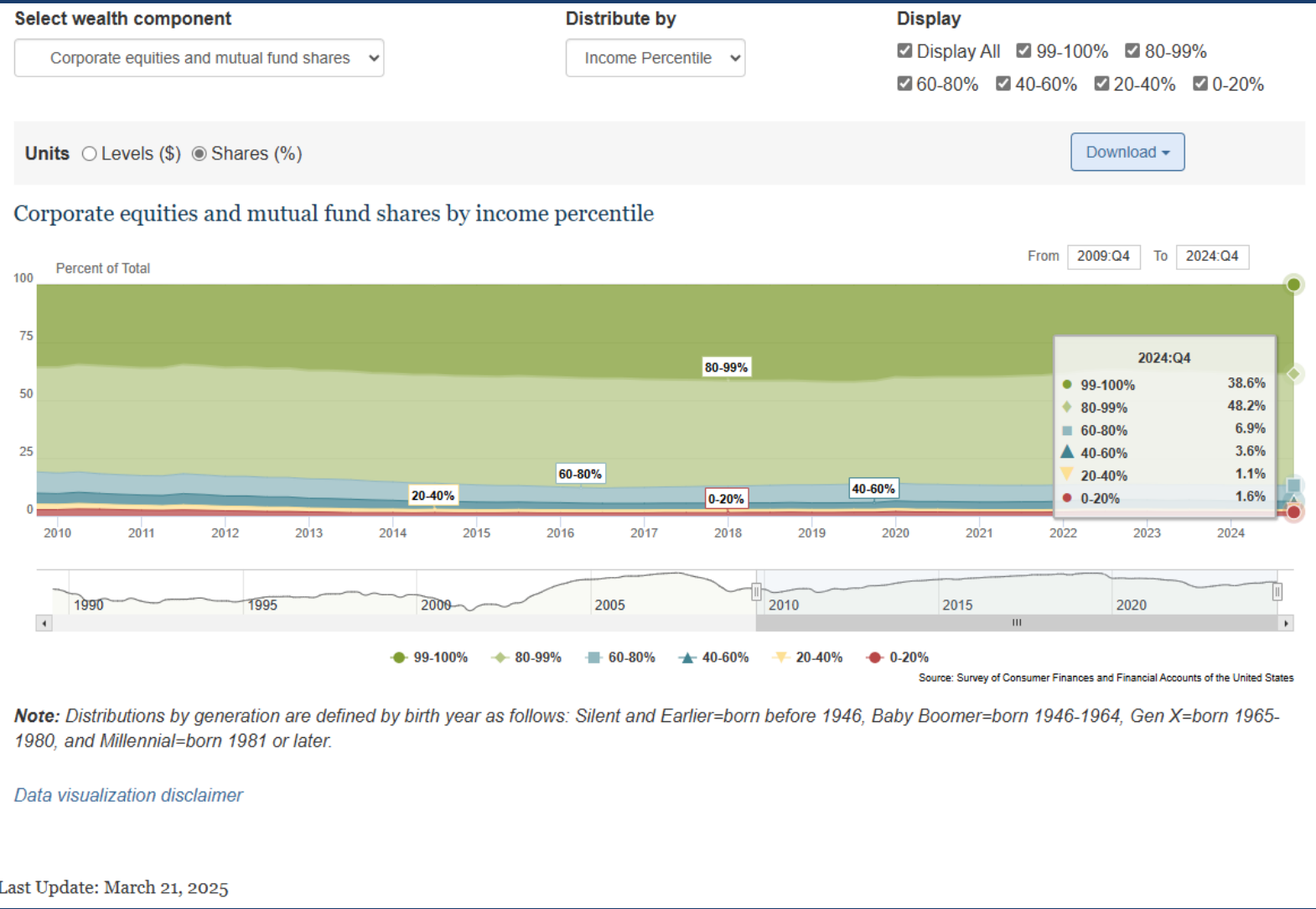
1Q25 nominal GDP, USD trillions



Exposure to US Equities is Exposure to Wealthy US Consumers



Top Income Earners And Shares of Corporate Equities



Corporate equities and mutual fund shares by income percentile

From 2009:Q4 To 2024:Q4

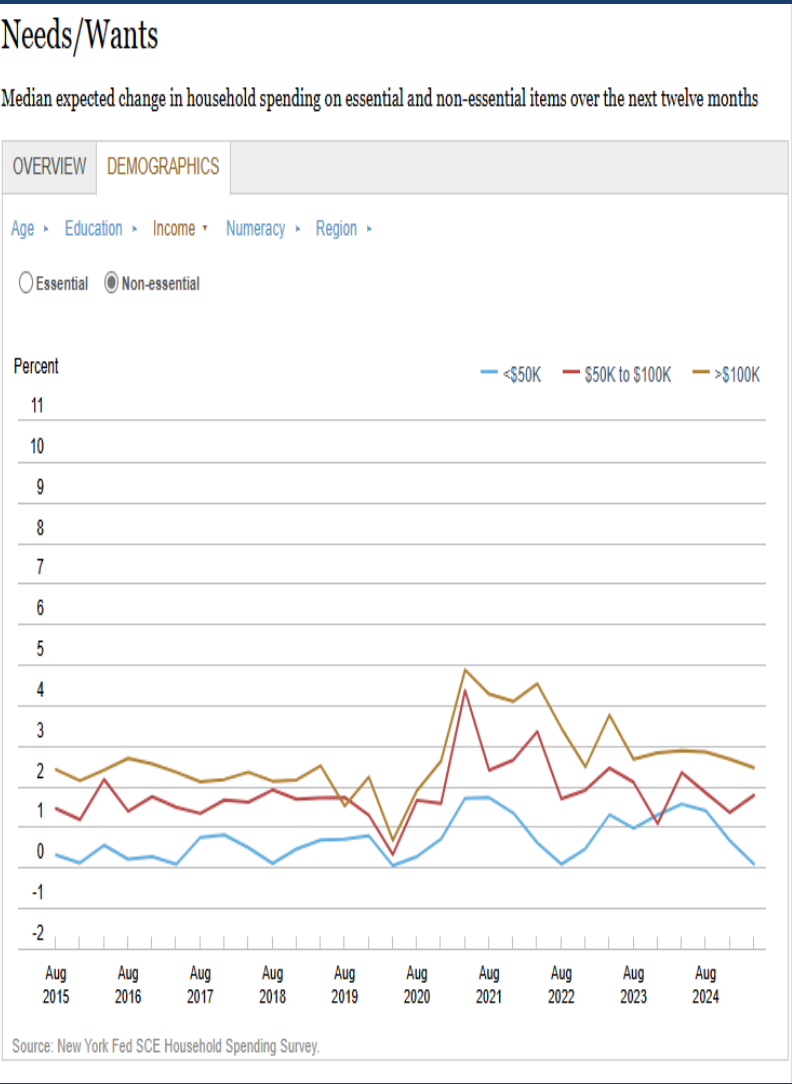
Percent of Total

Income Percentile	2024:Q4
99-100%	38.6%
80-99%	48.2%
60-80%	6.9%
40-60%	3.6%
20-40%	1.1%
0-20%	1.6%

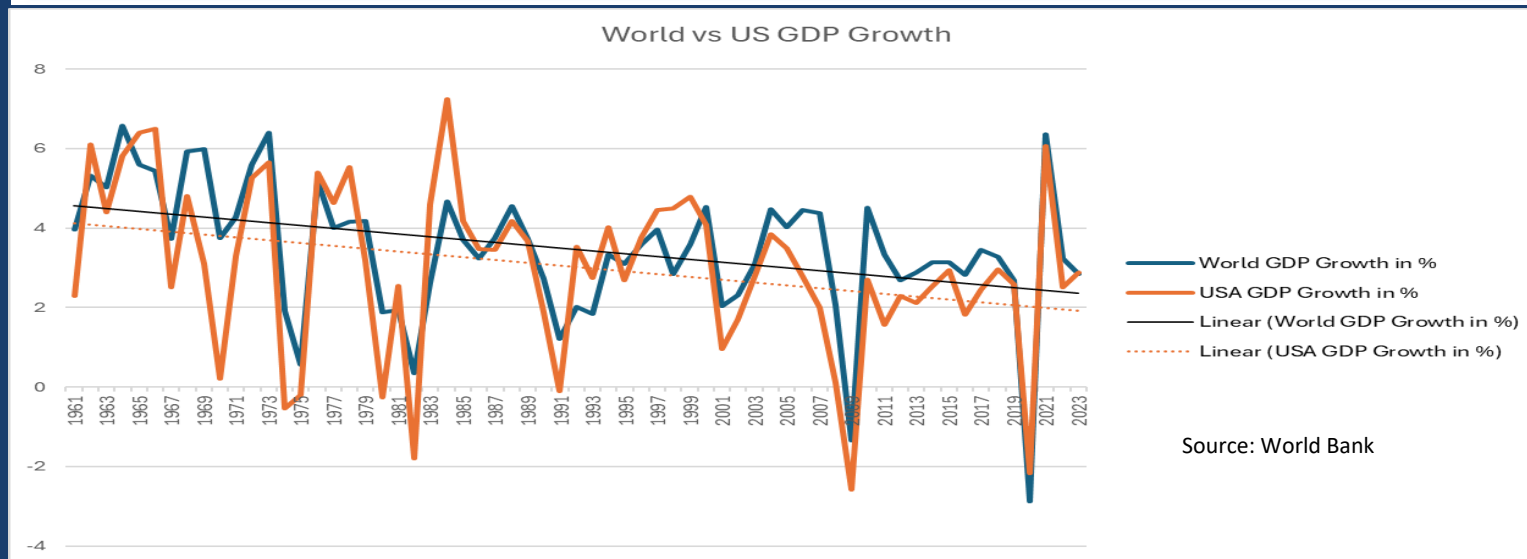
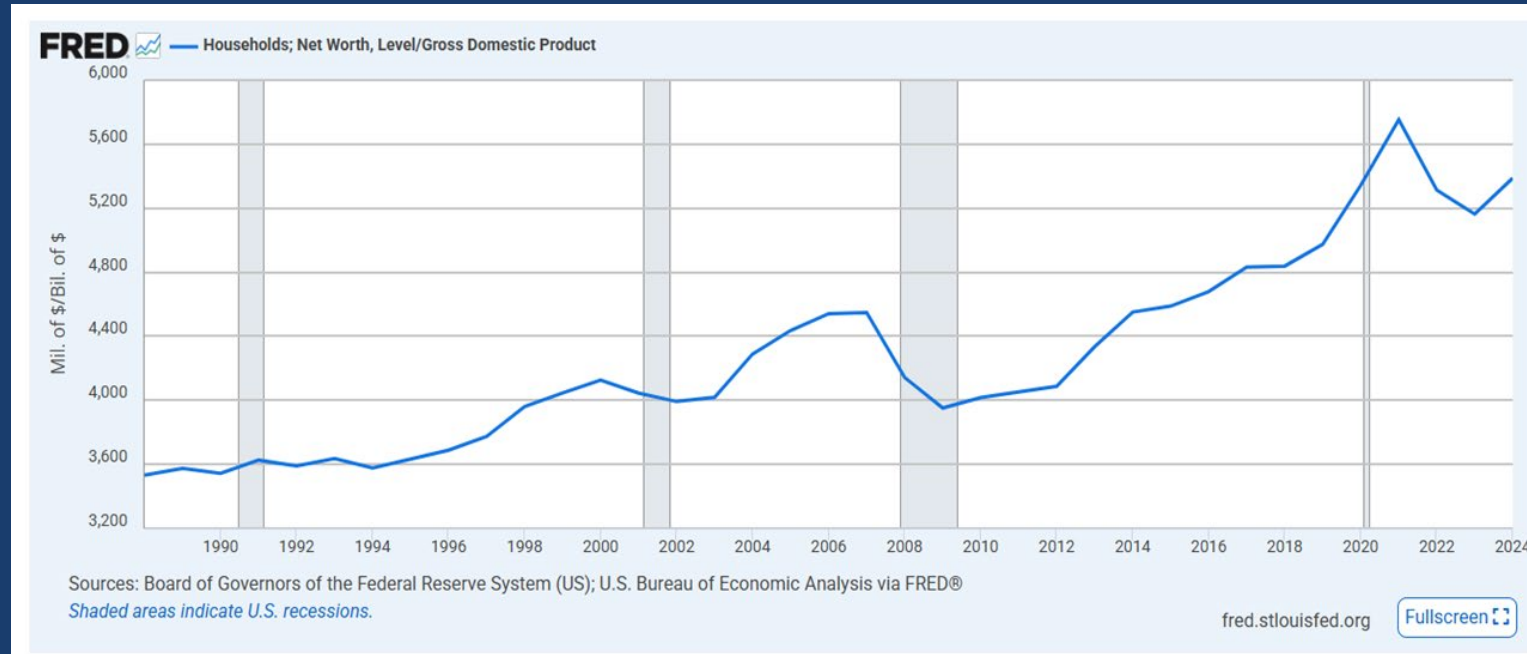
Note: Distributions by generation are defined by birth year as follows: Silent and Earlier=born before 1946, Baby Boomer=born 1946-1964, Gen X=born 1965-1980, and Millennial=born 1981 or later.

Data visualization disclaimer

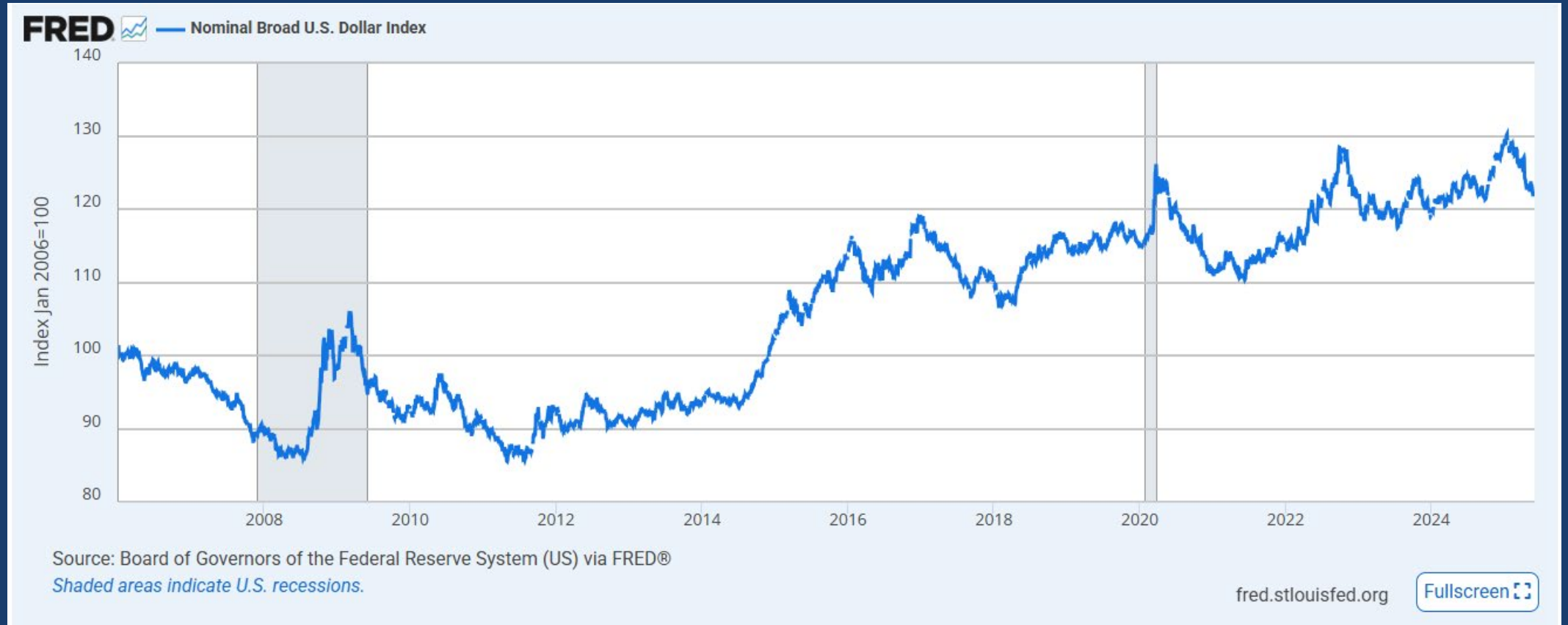
Last Update: March 21, 2025



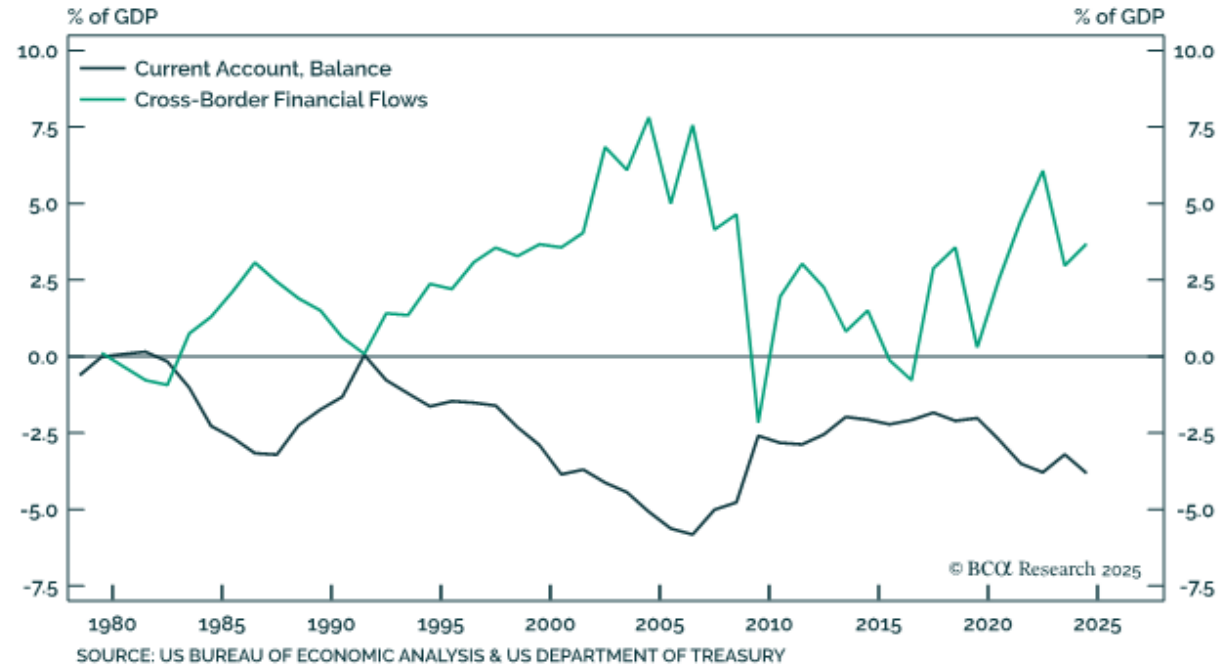
Increasing US Household Net Worth vs. Declining US GDP Growth



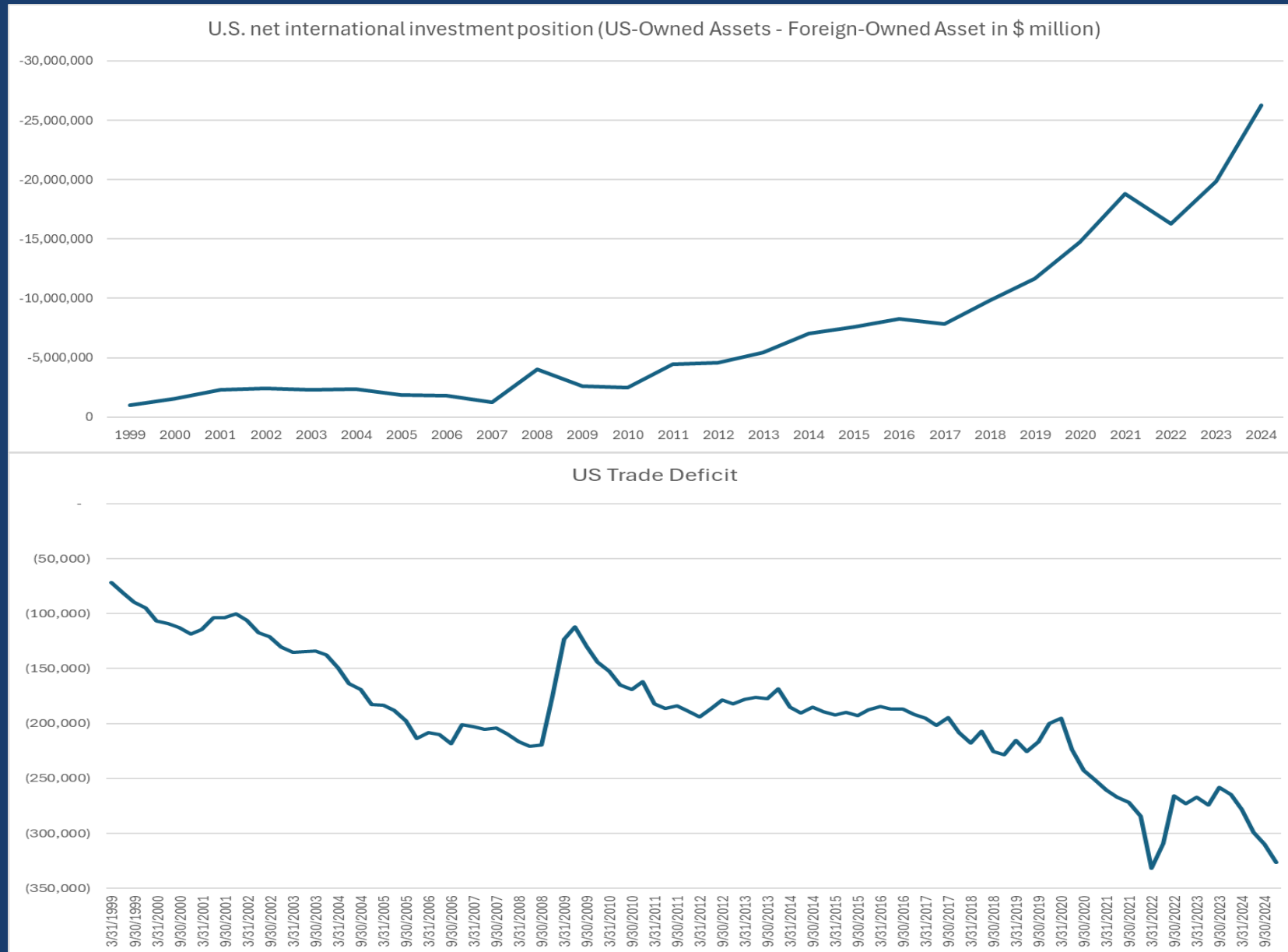
Dollar Appreciation



Current Account vs. Capital Account

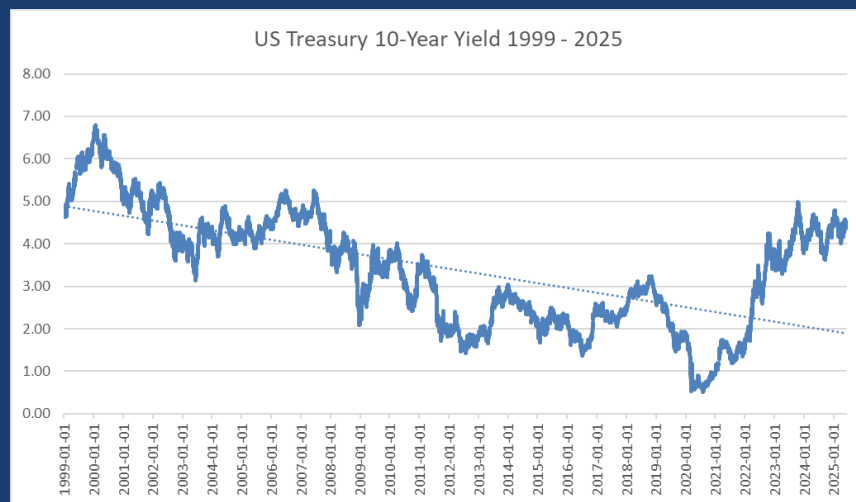
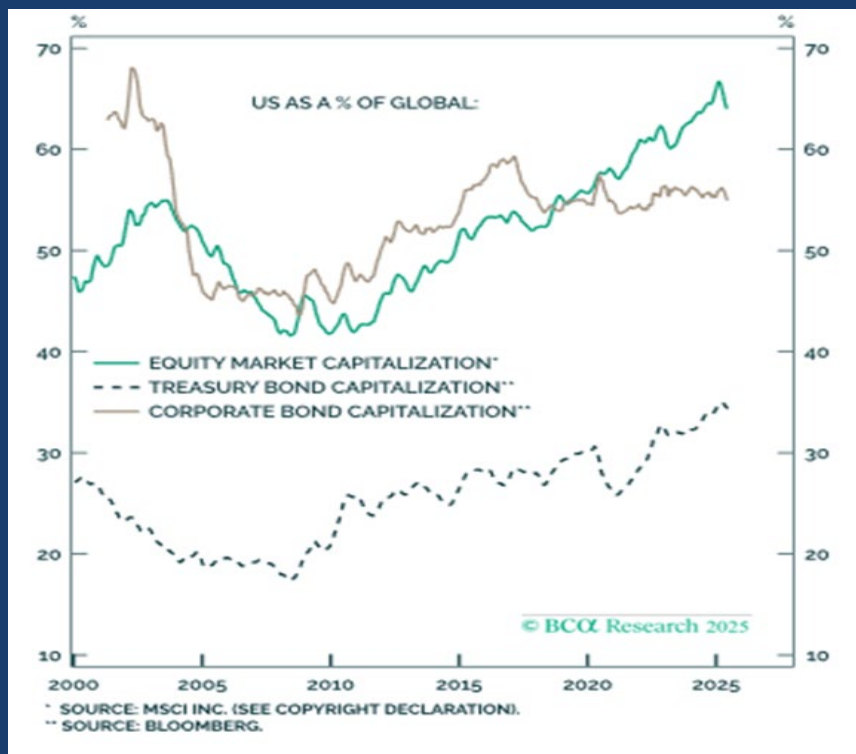


Current Account vs. Capital Account



Source: Bureau of Economic Analysis International Investment Position

US Capital Markets Have Benefited From Strong Dollar

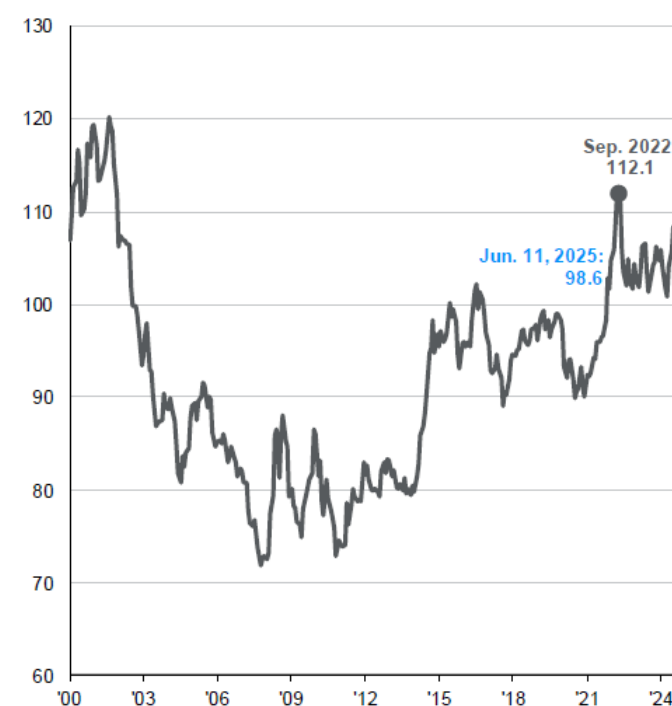


Economy

Dollar drivers

The U.S. dollar

U.S. Dollar Index



Source: FactSet, J.P. Morgan Asset Management; (Left) ICE; (Top right) BEA; (Bottom right) BIS.

Currencies in the DXY Index are: British pound, Canadian dollar, euro, Japanese yen, Swedish krona and Swiss franc. *Interest rate differential is the difference between the 10-year U.S. Treasury yield and a basket of the 10-year yields of each major trading partner (Australia, Canada, Eurozone, Japan, Sweden, Switzerland and UK). Weights in the basket are calculated using the 10-year average of total government bonds outstanding in each region.

Guide to the Markets – U.S. Data are as of June 11, 2025.

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The U.S. trade balance

Current account balance, % of GDP



Developed markets interest rate differentials

Difference between U.S. and international 10-year yields*



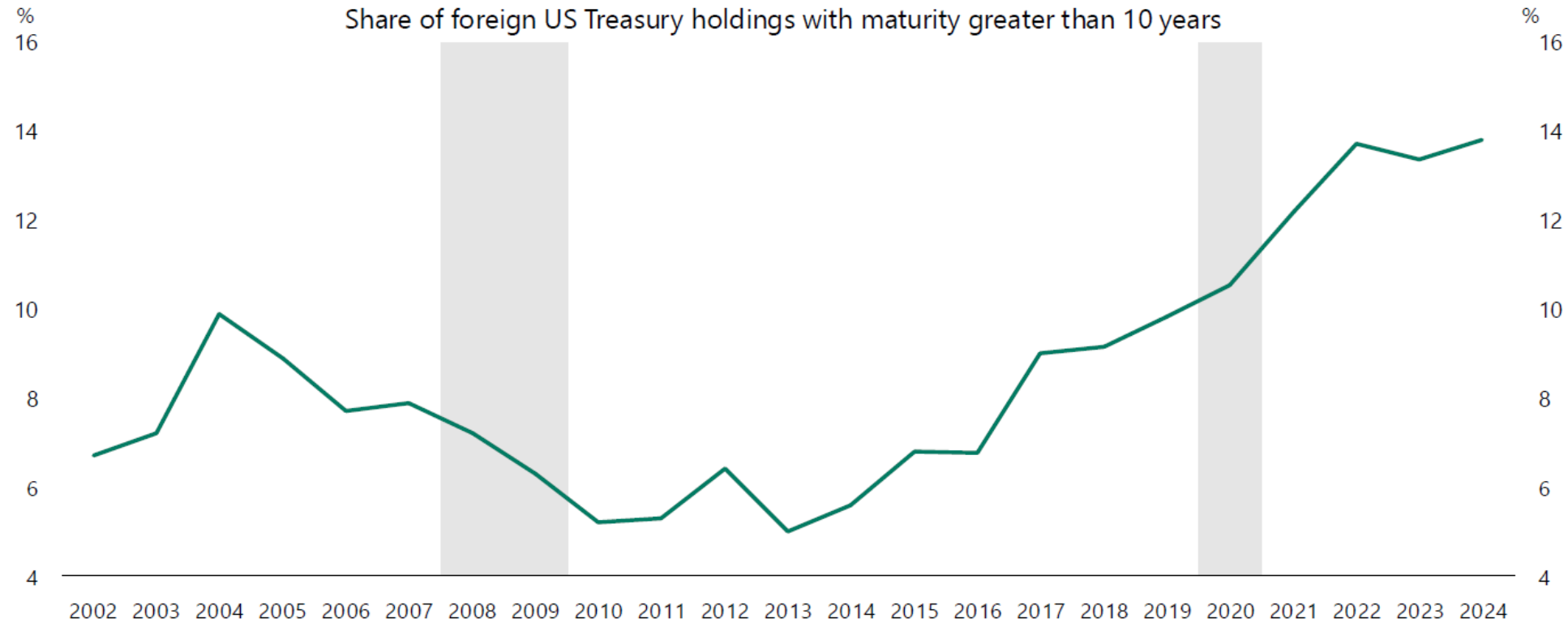
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Foreign Ownership of Long US Treasury Market

APOLLO

Foreigners have record-high exposure to duration in US Treasury markets

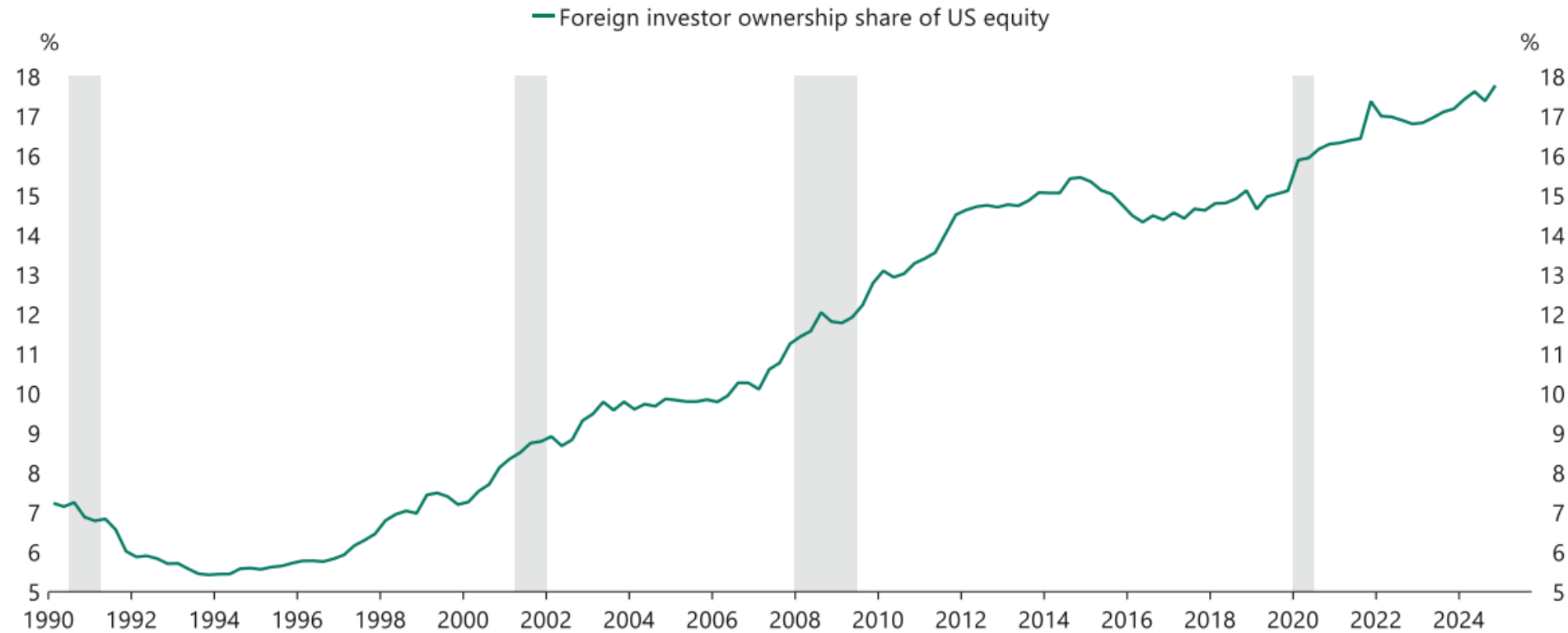


Sources: US Treasury, Haver Analytics, Apollo Chief Economist

Foreign Ownership of US Equity

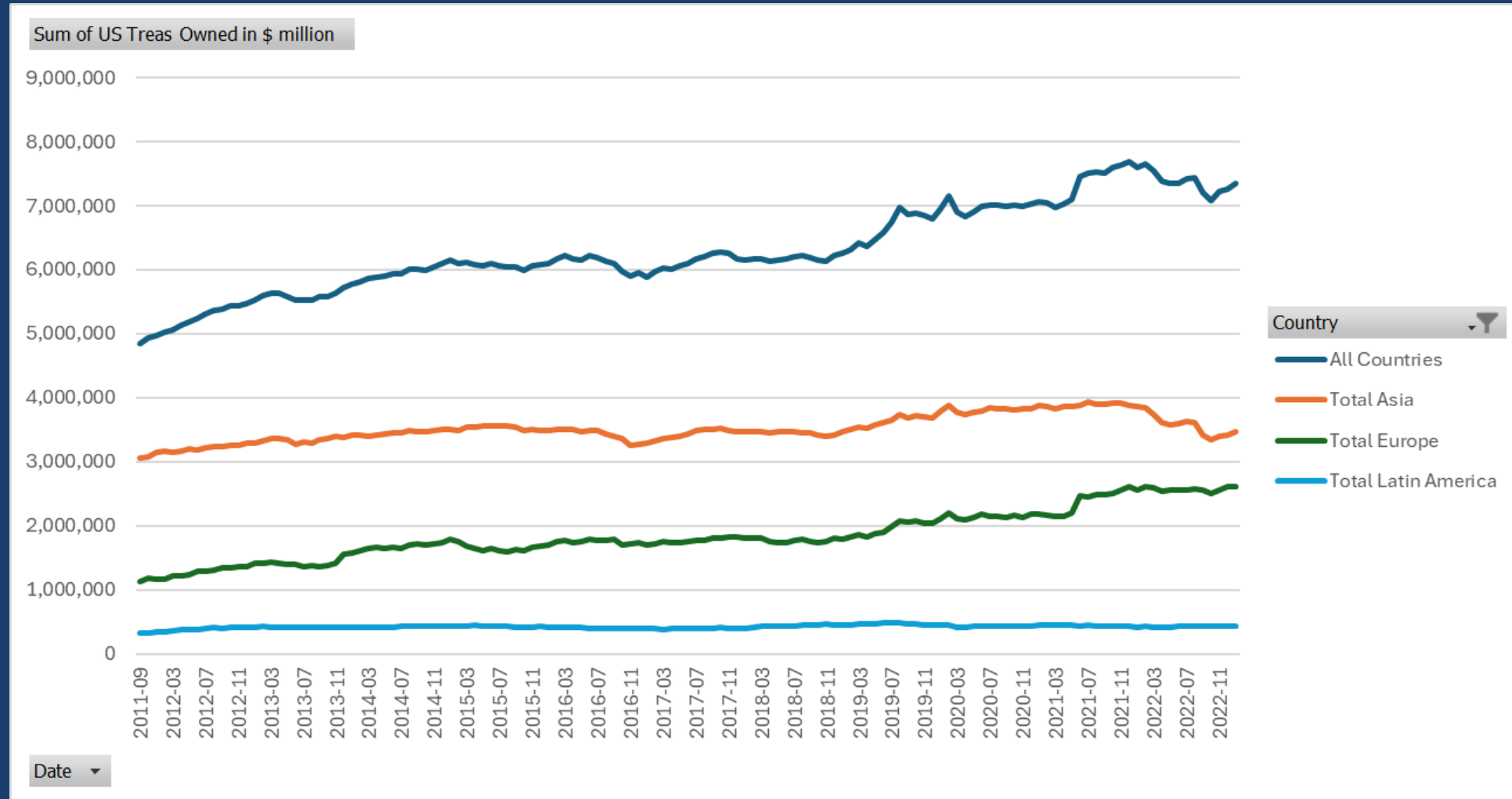
APOLLO

Record-high foreign ownership of the US stock market



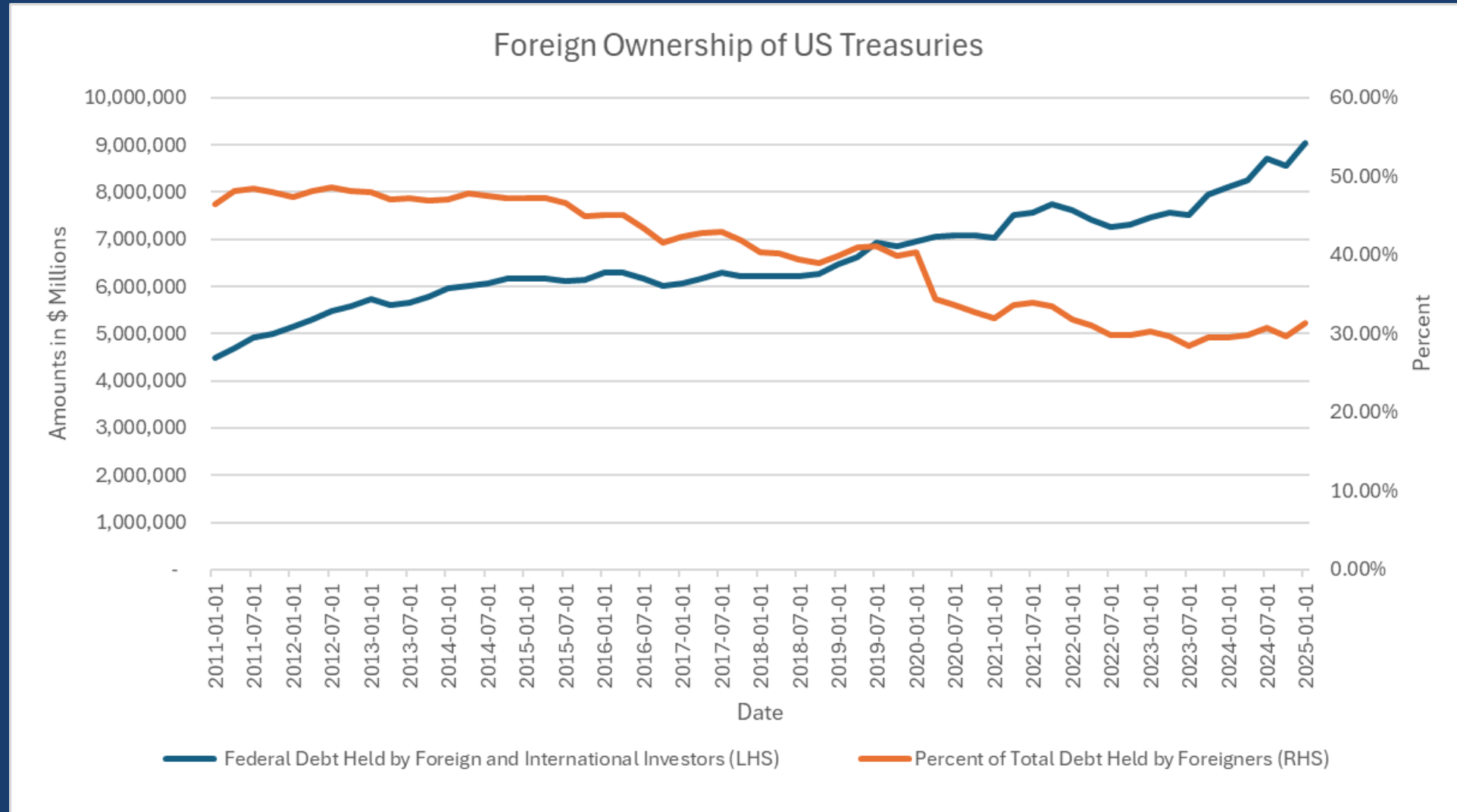
Sources: Federal Reserve, Macrobond, Apollo Chief Economist

Foreign Ownership of US Debt



Source: Bureau of Economic Analysis International Investment Position

Foreign Ownership of US Debt



Source: Federal Reserve Banks of St. Louis FRED

Q&A

Thank You
