

Minnesota State Board of Investment Non-Retirement Bond Fund

FUND OBJECTIVE

Over the most recent five-year period, the actual portfolio shall have a realized active risk level relative to the benchmark not to exceed 1.5 where active risk is the annualized standard deviation of the Manager's excess returns relative to the benchmark. A portfolio information ratio of 0.50 or greater over the most recent five-year period, where the information ratio is the annualized excess return over the benchmark, net of fees and expenses, divided by the annualized standard deviation of excess return over the benchmark.

INVESTMENT STRATEGY

The Core Fixed Income Strategy is an actively managed, multi-sector, investment grade fixed income strategy that emphasizes relative-value based sector allocation, research-based security selection, and modest duration and yield curve positioning.

KEY FACTS

Inception Date	01 December 2017
Market Value	\$2,080,349,589.95
Benchmark	Bloomberg U.S. Aggregate Bond Index
Avg Annual Investment Management Fee as of 12.31.25	0.09%

PORTFOLIO MANAGEMENT

Gregory Peters, Co-Chief Investment Officer and Co-Head
 Richard Piccirillo, Co-Head
 Robert Tipp, Co-Head
 Matthew Angelucci, Portfolio Manager
 Tyler Thorn, Portfolio Manager

Portfolio

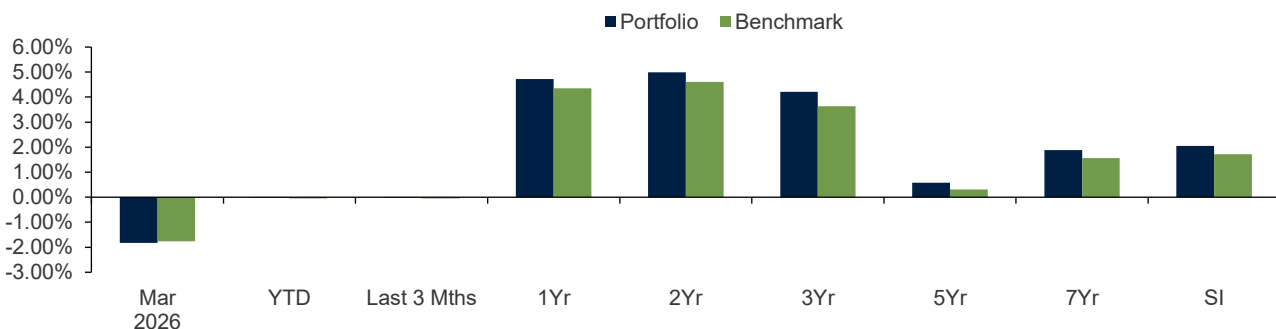
The portfolio outperformed the benchmark by 4 bps (net) during Q1 through a culmination of industry/issue selection and sector allocation. An overweight in investment grade corporates and non-agency commercial mortgage backed securities were major drivers of outperformance, with positioning in Energy issuers such as Energy Transfer LP and Marathon Petroleum Corp. boosting results. Excess returns from duration and curve positioning were flat.

Market

Markets through March 2026 shifted from late-2025 risk optimism toward a more volatile and selective environment, with rising dispersion across assets as investors balanced attractive carry against concerns around commodity price effects of the Iran conflict, elevated Treasury supply, the sustainability of AI-related investment, and broader fiscal dynamics. Inflation continued to trend lower, with headline CPI moderating into the mid-2% range, reinforcing the disinflation narrative; however, uneven underlying price pressures and rising commodity prices kept markets sensitive to inflation surprises and policy signals.

Geopolitical risks increased during the quarter with the escalation of hostilities involving Iran, adding a risk premium—particularly to energy markets—and periodically driving risk-off sentiment, even as broader economic impacts remained contained. The Federal Reserve held the policy rate steady at 3.50–3.75%, emphasizing patience and data dependency, while global central banks maintained a cautious stance amid uneven growth and unknown duration of commodity price shocks, contributing to a broader normalization in returns and elevated market volatility.

Portfolio Performance Net Returns



	Mar 2026 %	YTD %	Last 3 Months %	1 Year %	2 Year %	3 Year %	5 Year %	7 Year %	Since Inception %
Net	-1.82	0.00	0.00	4.72	5.00	4.21	0.58	1.89	2.05
Benchmark	-1.76	-0.05	-0.05	4.35	4.61	3.63	0.31	1.56	1.72
Increment (Net)	-0.06	+0.04	+0.04	+0.37	+0.38	+0.58	+0.27	+0.33	+0.33

MNSBICORE

Benchmark: Bloomberg U.S. Aggregate Bond Index

For historical benchmark details please see Important Information page.

The Since Inception performance is measured as of: 12/01/2017. Performance reported in USD

Refer to Portfolio Summary glossary for definitions

Portfolio Characteristics

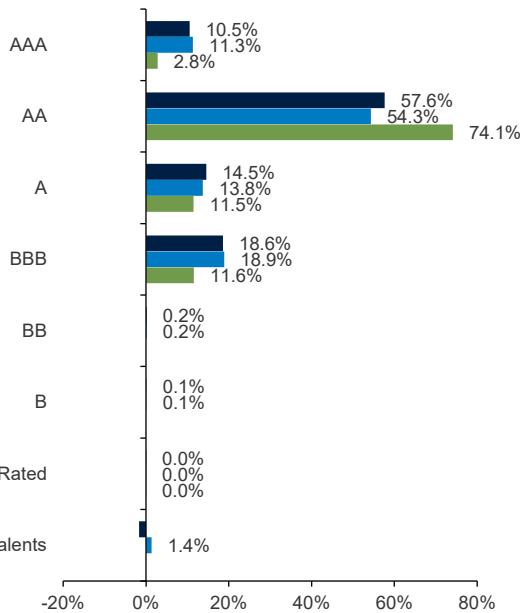
	Portfolio	Benchmark
NAV ('000)	2,080,350	
Effective Duration (yrs)	5.81	5.78
Effective Convexity	0.39	0.42
Effective Yield (%)	4.80	4.58
Weighted Average Life (yrs)	8.13	8.07
Option Adjusted Spread (bps)	48	28
Average Coupon (%)	3.71	3.69
Average Quality (Moody's)	Aa3	Aa2
Average Quality (S+P)	AA-	AA
Average Quality (Fitch)	AA	AA
Number of Holdings	833	14086

Top 10 Issuers by Portfolio Weight

Issuer	Portfolio (%)
UNITED STATES OF AMERICA	31.44
FEDERAL NATIONAL MORTGAGE ASSOCIATION	13.55
FEDERAL HOME LOAN MORTGAGE CORPORATION	8.11
SANTANDER AUTO	1.84
MORGAN STANLEY	1.63
UNIFORM MBS	1.26
JPMORGAN CHASE & CO	1.25
CITIGROUP INC	0.99
BANK OF AMERICA CORP	0.94
WELLS FARGO & COMPANY	0.83

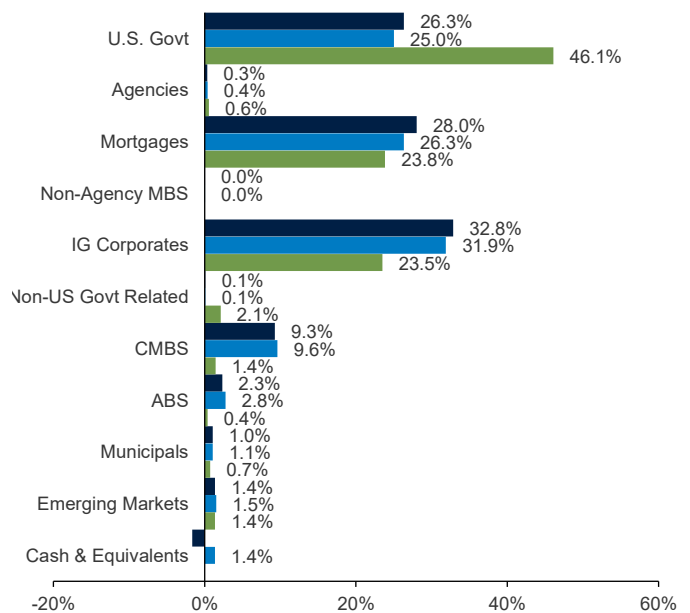
Quality Allocation

■ Portfolio: - 3/31/2026 ■ Portfolio: - 12/31/2025 ■ Benchmark - 3/31/2026



Sector Allocation

■ Portfolio - 3/31/2026 ■ Portfolio - 12/31/2025 ■ Benchmark - 3/31/2026



Maturity	Portfolio (%)
Under 1	3.14
1-3	16.44
3-5	19.64
5-7	12.75
7-10	29.01
10-15	4.22
15-20	5.67
20-25	4.57
25+	4.57
Total	100.00

MNSBICORE
Benchmark: Bloomberg U.S. Aggregate Bond Index
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Core Fixed Income

Glossary of Terms

- **Average Coupon:** The sum of the par weighted average coupon rates for each of the securities in the portfolio
- **Average Quality:** The sum of the weighted average quality ratings for each of the securities in the portfolio. The rating of a fixed income security is the investment quality as determined by a Nationally Recognized Statistical Rating Organization (e.g. Moody's, S&P, and Fitch). These rating agencies rate securities on the basis of risk and the issuer's ability to make interest payments
- **Beta Coefficient:** A measure of a security's volatility relative to the overall market. Represents the susceptibility of a portfolio's return to movements in the market as a whole. A beta of one implies that the security moves with the market, a beta greater than one implies a security is more volatile than the market, and a beta less than one implies that the security will be less volatile than the market
- **Current Yield:** The annual rate of return on a fixed income security or portfolio. It is calculated as the annual coupon rate divided by the current market price
- **Effective Convexity:** Refers to the nonlinear relationship between the value of a fixed income instrument and its yield. During large shifts in yields, the price of a bond with no embedded options will increase or decrease greater than that predicted by duration, due to the convex nature of the yield curve. Convexity approximates this curvature of the price-to-yield relationship and is added to the calculation to better estimate the price change (similar to effective duration, effective convexity assumes cash flows change due to yield curve movements)
- **Effective Duration (option adjusted duration):** Effective duration also measures sensitivity of a bond's price to a change in interest rates but takes into consideration the change in a bond's cash flows due to embedded options. It requires the use of a complex model for pricing bonds that adjusts the price of the bond to reflect changes in the value of the bond's "embedded options" based on the probability that the option will be exercised due to interest rate movements
- **Effective Yield:** Unlike current yield, effective yield assumes compounded reinvestment of the coupon payment using the coupon rate
- **Information Ratio:** A measure of risk-adjusted performance. It measures a portfolio manager's ability to produce excess returns relative to its tracking error. The higher information ratio the greater the risk-adjusted return
- **Key Rate Duration:** Key Rate Durations (KRDs) measure an asset's or portfolio's price sensitivity to independent shifts along the yield curve at selected "key" points. KRDs are computed by decreasing and increasing each individual key spot rate by some number of basis points (e.g., ± 50 bps or ± 100 bps) and re-computing the security's price given that shift, holding all other spot rates along the term structure constant
- **Modified Duration:** The approximate percentage change in price for a hundred basis point change in yield assuming that cash flows are fixed as rates change
- **Option Adjusted Spread:** Option-Adjusted Spread (OAS) is the average spread of a security, quoted in basis points, over the entire Treasury curve after factoring out the value of embedded options. Often used as an indicator of the relative value of a security
- **Sharpe Ratio:** A measure of risk-adjusted performance relative to the risk-free rate. The Sharpe ratio is calculated by subtracting the risk-free rate from the rate of return for the portfolio, and dividing the result by the standard deviation of the portfolio returns. A higher Sharpe ratio indicates better historical risk-adjusted performance
- **Spread Duration:** Measures the security's sensitivity to changes in yield spreads. Yield spreads are the incremental yield over comparable Treasuries securities that a security is currently delivering. The calculation is identical to that for effective duration except that the security's effective spread is adjusted up and down rather than interest rates
- **Standard Deviation:** A statistical measurement of dispersion measuring volatility of portfolio (security) returns. A larger standard deviation represents a more volatile investment
- **Tracking Error (ex-ante):** Measures the expected variation of the portfolio's return versus its benchmark due to active positioning
- **Tracking Error (ex-post):** Measures the amount the portfolio's performance varies from that of its benchmark. It is the standard deviation of the portfolio's excess return versus its benchmark
- **Weighted Average Life:** Denotes the weighted average time in years to receipt of principal. For bonds with bullet maturities, the WAL is the years to maturity. For amortizing bonds, the WAL is principal weighted by time and will give an average time to receipt of a one dollar of principal. For mortgage products the average life is computed assuming base case prepayments. For callable bonds, the average life provided is the "average life to worst". The WAL is often used to determine which Treasury yield will be the benchmark for pricing the security
- **Yield to Maturity:** The rate that discounts future cash flows to the current market price, bonds IRR (Internal Rate of Return)
- **Yield to Worst:** Provides lowest yield possible for a security given the current price, taking into account both call dates and maturity

Footnotes

Performance

Past performance is not a guarantee or a reliable indicator of future results. Portfolio returns are calculated using internal market value. Benchmark returns are calculated from an internal attribution model, therefore, may differ slightly from published returns. Net returns are based on an estimated fee rate and net of management fees only.

Quality Allocation

This methodology will rate a security the highest rating of the ratings agencies (Moody's, S&P, and Fitch). If only one rating agency rates a security, then that one rating will be used.

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Tracking Error (TE) is one possible measurement of the dispersion of a portfolio's returns from its stated benchmark; it is the standard deviation of such excess returns. TE figures are representations of statistical expectations falling within "normal" distributions of return patterns. Normal statistical distributions of returns suggests that approximately two thirds of the time the annual gross returns of the accounts will lie in a range equal to the benchmark return plus or minus the TE if the market behaves in a manner suggested by historical returns. Targeted TE therefore applies statistical probabilities (and the language of uncertainty) and so cannot be predictive of actual results. In addition, past tracking error is not indicative of future TE and there can be no assurance that the TE actually reflected in your accounts will be at levels either specified in the investment objectives or suggested by our forecasts.

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