The Monthly Pension Review: March 2025

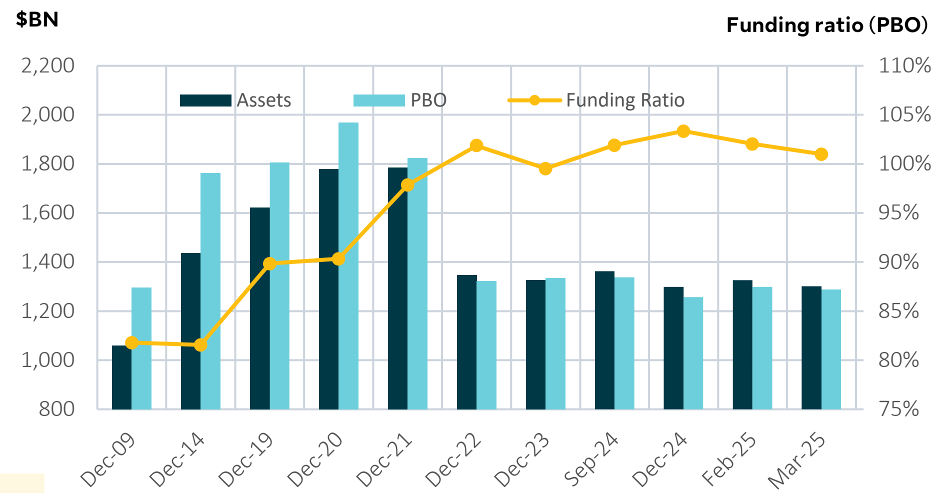
President Trump's tariff plans increased uncertainty in the market, leading to significant losses in U.S. stock indexes.

March Market Summary

- **Funded status fell by 1.02% in March** – Assets returned -3.3% while liabilities returned -0.9%.[1]
- **The S&P 500 Index fell by 5.8%** – Continued uncertainty over economic growth and tariffs led to a fall in the stock market.
- **The Long Credit Index yield rose by 0.15%** – Long Treasury yields also rose by 0.1% for the month.

Market Watch	Dec-23	Dec-24	Feb-25	Mar-25
Funded Status (1)	99.5%	**103.4%**	102.0%	101.0%
FTSE Discount Rate	4.76%	**5.44%**	5.22%	5.34%
Long Credit Yield (2)	5.22%	**5.81%**	5.58%	5.73%
US 30Y TSY Yield	4.03%	**4.78%**	4.49%	4.57%
S&P 500	4,770	5,882	**5,955**	5,612

Milliman Pension Funding Index (March 2025)[1]



LONG CREDIT SLEEVES CAN BE AN IMPORTANT PART OF PENSION PLAN PORTFOLIOS

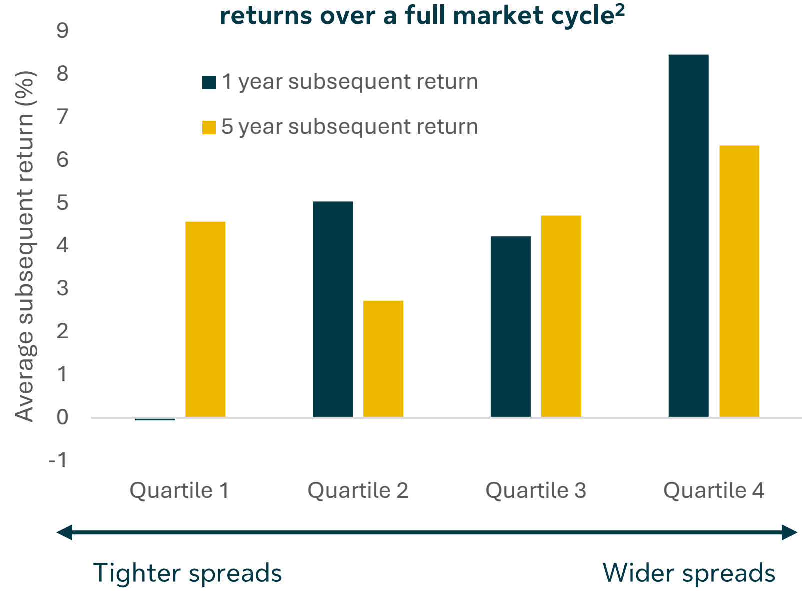
- Long credit tends to correlate strongly with pension plan accounting liabilities, whose discount rates are typically based on high-quality corporate bond yields.
- The asset class can also provide a favorable hedge for the duration and cash flow profile of plans with long-dated liabilities.
- Investors often express concern about credit exposure in tight-spread environments. However, historical data show that spreads are a poor predictor of future returns over a full market cycle.

There are many ways managers can add value in the long credit space across market environments.

- A common misconception among investors is that a long-duration portfolio must mean a long-term holding period for the underlying assets.
- For longer-duration portfolios, price return tends to dominate income return. In such portfolios, the benefits of additional yield in lower quality issues can be wiped out by small spread movements.
- Therefore, moving down in quality, or liquidity, to chase extra yield or spread in the long end of the curve is not always a winning strategy.
- Instead, managers tend to see more consistent success in outperforming long-duration benchmarks from exploiting pricing relationships between individual names, capitalizing on spread tightening and actively capturing those returns.
- This approach may lead to a higher information ratio through a portfolio that expresses many smaller active positions rather than a few large macro bets.

For clients like pension plans with a liability-driven investment (LDI) focus, or those that utilize a multi-manager arrangement, this approach can provide a diversified source of alpha against both liabilities and other managers.

Tight spreads do not equal lower subsequent total returns over a full market cycle[2]



Although a positive correlation between spread levels and subsequent returns can be observed over forward one-year returns, the relationship is weaker with forward five-year returns.

[1] Data from reference Bloomberg indices. Funded status is in reference to Pension Funding Index of the top 100 U.S. corporate pension plans sourced from Milliman, except for most recent month which is estimated based the return for representative pension plan asset allocation and prior month's liabilities adjusted for duration and change in discount rate. FTSE Discount Rate source: FTSE. Long credit, US 30Y TSY yield, S&P 500 Index value source: Bloomberg.

[2] Bloomberg US Corporate Index was used to obtain yield and spread information, using monthly data from 9/30/2002 through 3/31/2025. Return for periods greater than one year are annualized.

Disclosures

Nothing in this paper should (i) be construed to cause any of the operations under SLC Management to be an investment advice fiduciary under the U.S. Employee Retirement Income Security Act of 1974, as amended, the U.S. Internal Revenue Code of 1986, as amended, or similar law, (ii) be considered individualized investment advice to plan assets based on the particular needs of a plan or (iii) serve as a primary basis for investment decisions with respect to plan assets.

The information may present materials or statements which reflect expectations or forecasts of future events. Such forward-looking statements are speculative in nature and may be subject to risks, uncertainties and assumptions and actual results which could differ significantly from the statements. As such, do not place undue reliance upon such forward-looking statements. All opinions and commentary are subject to change without notice and are provided in good faith without legal responsibility.

Certain information contained herein has been obtained from published and non-published sources prepared by other parties, which in certain cases has not been updated through the date hereof. While such information is believed to be reliable for the purpose used herein, SLC does not assume any responsibility for the accuracy or completeness of such information and such information has not been independently verified by SLC.

Market chart indices:

- AAA Non-Agency CMBS and A Corporate source: Index data from Bloomberg.

SLC Management is the brand name for the institutional asset management business of Sun Life Financial Inc. ("Sun Life") under which Sun Life Capital Management (U.S.) LLC in the United States, and Sun Life Capital Management (Canada) Inc. in Canada operate.

Sun Life Capital Management (Canada) Inc. is a Canadian registered portfolio manager, investment fund manager, exempt market dealer and, in Ontario, a commodity trading manager.

Sun Life Capital Management (U.S.) LLC is registered with the U.S. Securities and Exchange Commission as an investment adviser and is also a Commodity Trading Advisor and Commodity Pool Operator registered with the Commodity Futures Trading Commission under the Commodity Exchange Act and Members of the National Futures Association. In the U.S., securities are offered by Sun Life Institutional Distributors (U.S.) LLC, an SEC registered broker-dealer and a member of the Financial Industry Regulatory Authority ("FINRA").

BentallGreenOak, InfraRedCapital Partners (InfraRed), Crescent Capital Group LP (Crescent) and Advisors Asset Management (AAM) are also part of SLC Management.

Bentall Green Oak is a global real estate investment management advisor and a provider of real estate services. In the U.S., real estate mandates are offered by BentallGreenOak (U.S.) Limited Partnership, who is registered with the SEC as an investment adviser. In Canada, real estate mandates are offered by BentallGreenOak (Canada) Limited Partnership, BGO Capital (Canada) Inc. or Sun Life Capital Management (Canada) Inc. BGO Capital (Canada) Inc. is a Canadian registered portfolio manager and exempt market dealer and is registered as an investment fund manager in British Columbia, Ontario and Quebec.

InfraRed Capital Partners is an international investment manager focused on infrastructure. Operating worldwide, InfraRed manages equity capital in multiple private and listed funds, primarily for institutional investors across the globe. InfraRed Capital Partners Ltd. is authorized and regulated in the U.K. by the Financial Conduct Authority.

Sun Life Capital Management (Canada) Inc. is a Canadian registered portfolio manager, investment fund manager, exempt market dealer and, in Ontario, a commodity trading manager, and is the manager of the SLC Management Private Fixed Income Plus Fund, SLC Management Long Term Private Fixed Income Plus Fund, SLC Management Short Term Private Fixed Income Fund and the SLC Management Canadian Commercial Mortgage Fund.

Crescent Capital Group LP is a global alternative credit investment manager registered with the U.S. Securities and Exchange Commission as an investment adviser. Crescent is a leading investor in mezzanine debt, middle market direct lending in the U.S. and Europe, high-yield bonds and broadly syndicated loans.

AAM is an independent U.S. retail distribution firm that provides a range of solutions and products to financial advisors at wirehouses, registered investment advisors and independent broker-dealers.

Disclosures

Your purpose is our purpose

For institutional use only. Investing involves risk including the risk of loss of principal. The information provided does not constitute investment advice and should not be relied on as such. It should not be considered a solicitation to buy or sell a security. It does not take into account the investor's particular investment objectives, strategies, tax status or investment horizon. You should consult with your tax and financial advisor. All material has been obtained from sources believed to be reliable. There is no representation of warranty as to the accuracy of the information and SLC Management shall have no liability for decisions based on such information. The whole or any part of this work may not be reproduced, copied or transmitted or any of its concepts disclosed to third parties without SLC Management's express written consent.