

Discussion Materials

City of Allentown

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Morgan Stanley Vehicle Change

Background

- Morgan Stanley is seeking investor approval for a proposed restructuring of Morgan Stanley PRIME
 - The fund is currently structured as a REIT organized as an LLC, and the proposal would restructure the vehicle into a Limited Partnership
- From a governance perspective, the restructuring introduces a formal LP/GP structure, replacing the prior LLC structure
 - The General Partner will be overseen by a board that is substantively similar to the current board, with at least 75% independent directors
 - As a result, governance is expected to be broadly aligned with ODCE and core open-end peers

Fee changes

- The proposal also introduces a tiered management fee schedule, which would align PRIME with peer funds
 - If approved, the revised fee schedule would be:
 - 0.84% on the first \$200 million of aggregated NAV (84 bps is the current flat fee)
 - 0.74% on aggregated NAV between \$200 million and \$400 million
 - 0.64% on aggregated NAV above \$400 million
- In addition, the incentive fee cap would be reduced from 35 bps to 25 bps, which is favorable, given that the incentive fee has historically exceeded 25 bps about 75% of the time since inception

Recommendation

- We view restructuring change as generally positive
 - These changes improve alignment with market convention and enhance PRIME's competitive positioning, while leaving the investment strategy, liquidity terms, and return objectives unchanged
 - The reduction in the incentive fee cap is beneficial for all investors who may not reach the higher NAV breakpoints
- Our recommendation is to approve and provide consent for the proposed changes

Global Equity Review

U.S. equity returns

Three-year rolling annualized returns are elevated relative to recent history

▾ S&P 500 3-Year Annualized Trailing Return

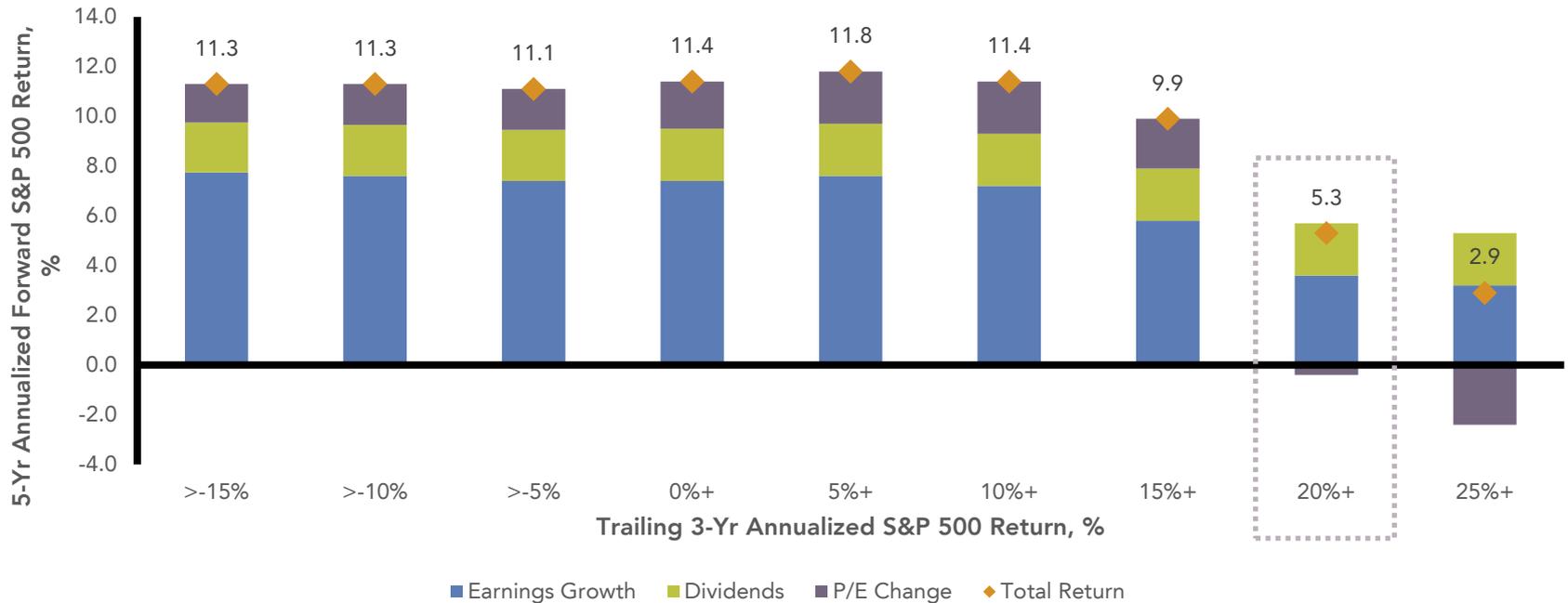


Source: Refinitiv

U.S. equity returns – trailing vs. subsequent

Strong S&P 500 returns typically precede lower future returns

▣ S&P 500 Trailing vs. Future Performance (1983-2025)

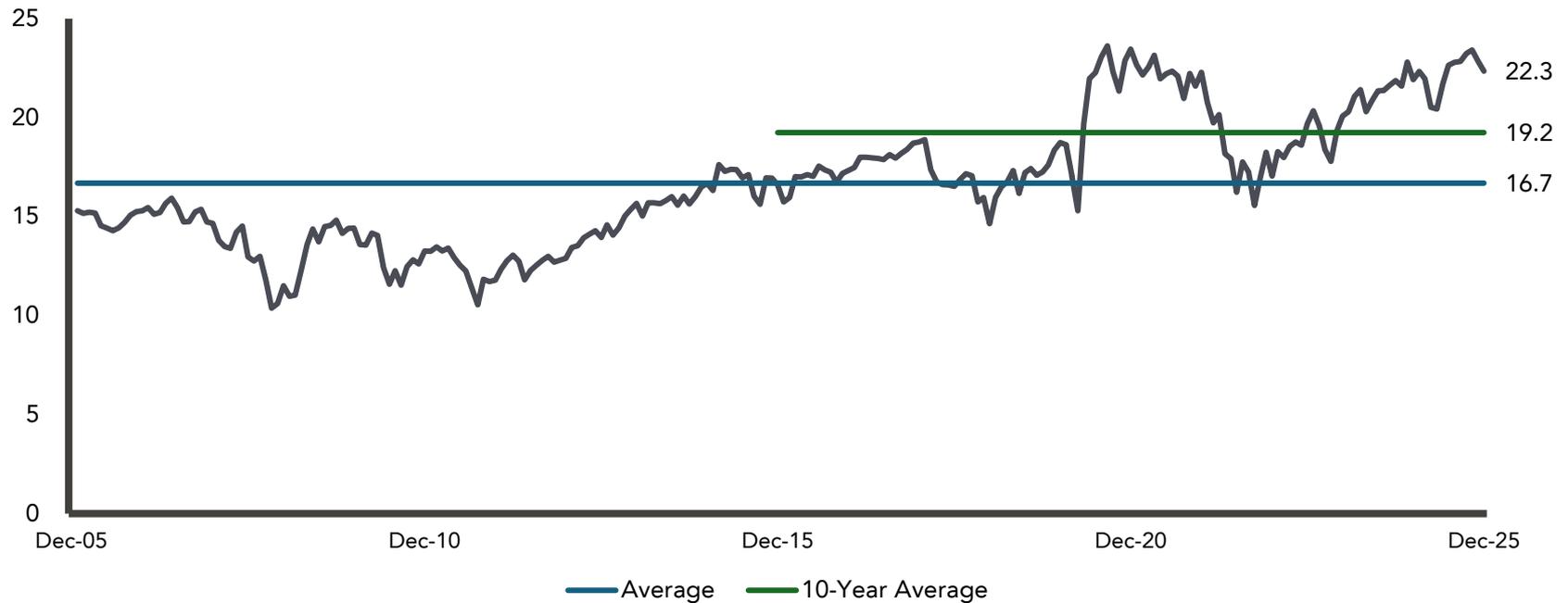


Source: KKR Global Macro & Asset Allocation Analysis

U.S. equity valuations

U.S. equity valuations are trading above recent averages

MSCI U.S. Index Forward P/E

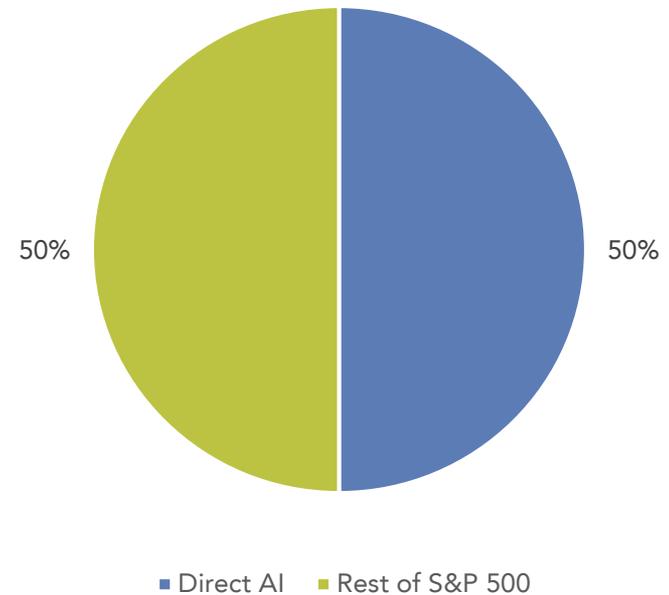
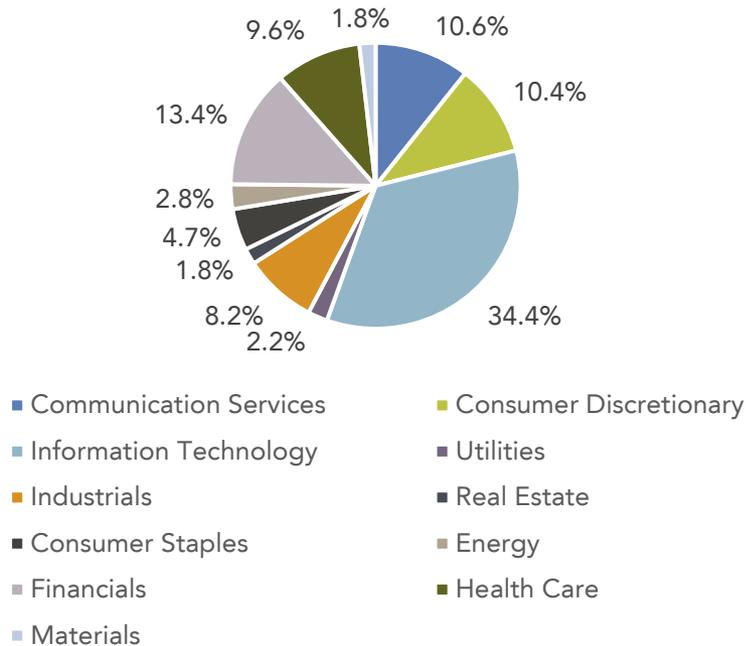


Source: KKR Global Macro & Asset Allocation Analysis

U.S. equity composition

The U.S. equity market is becoming increasingly concentrated

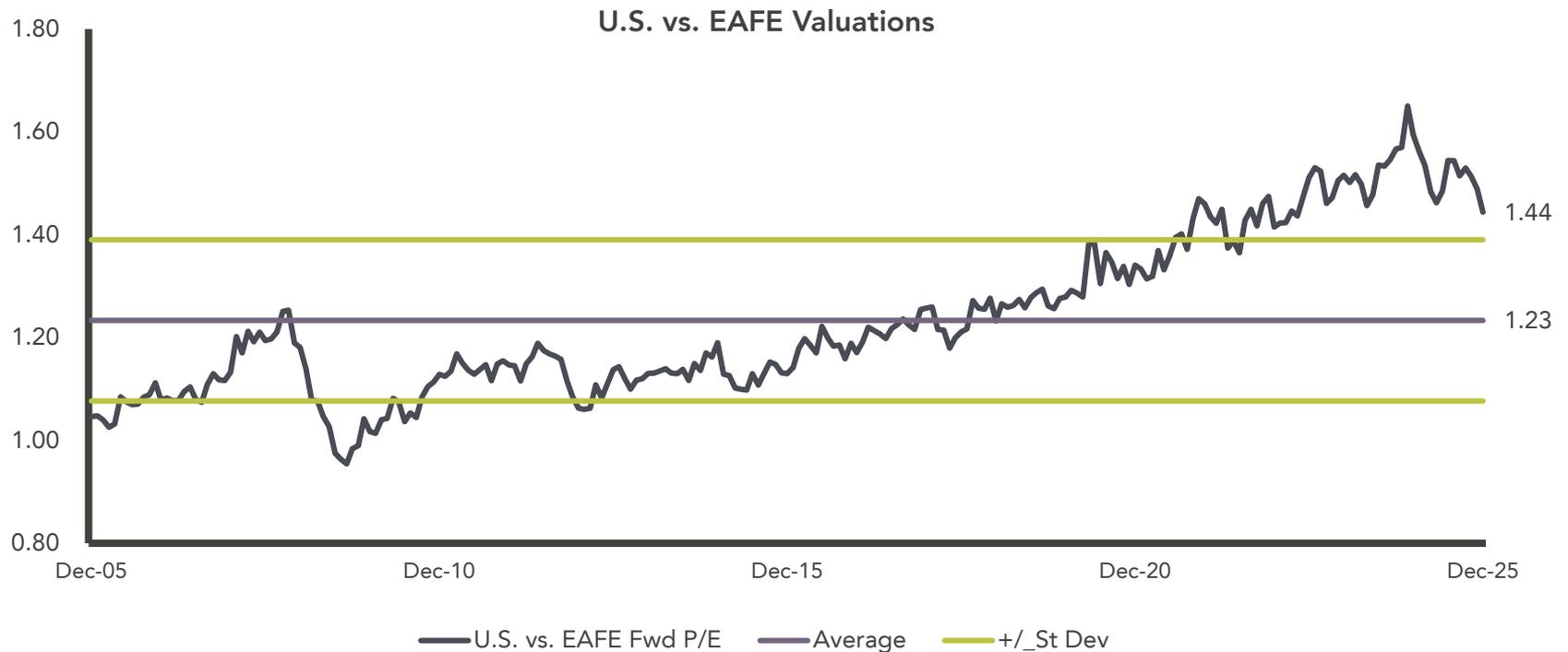
S&P 500 Breakdown



Source: JPMAM, Refinitiv

Relative equity market valuations

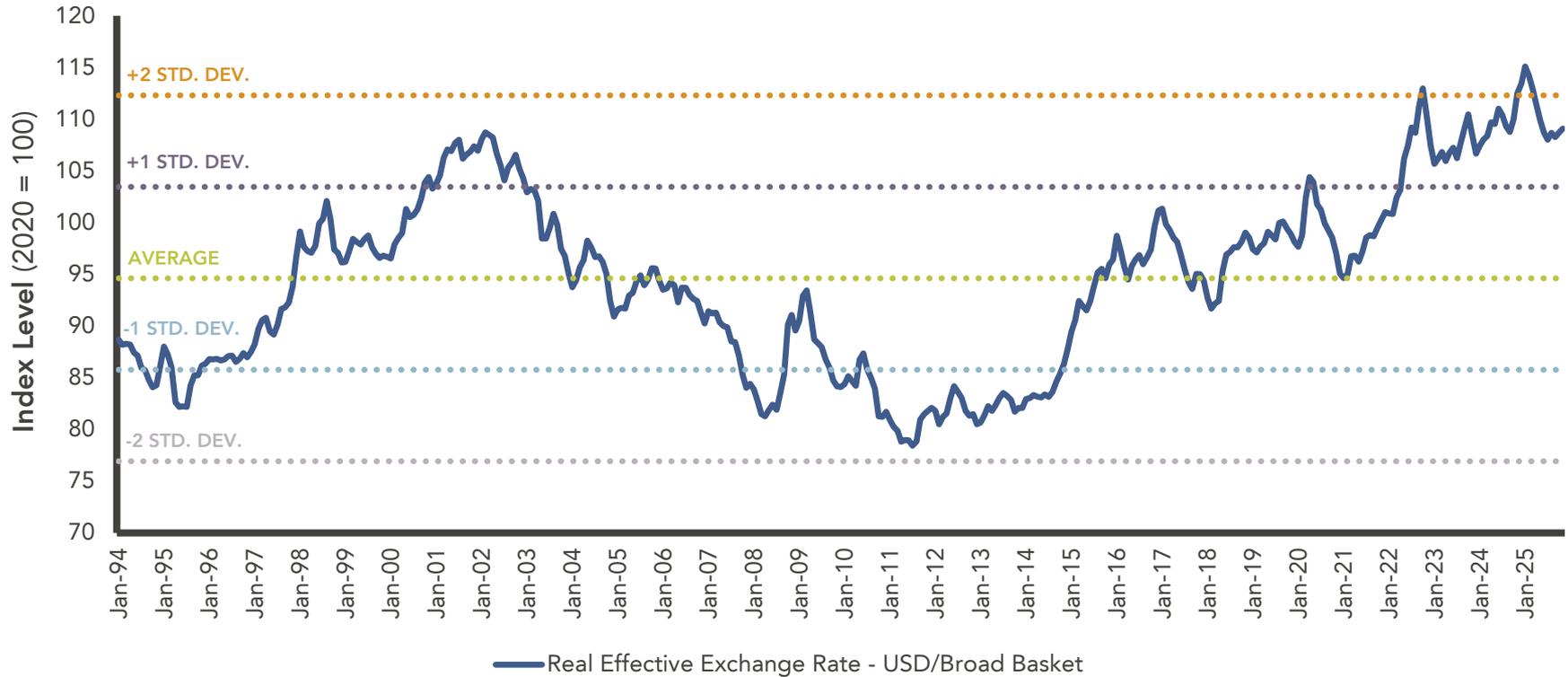
Non-U.S. equity markets remain cheap relative to U.S. despite 2025 outperformance



Source: Refinitiv

Real effective U.S. exchange rate

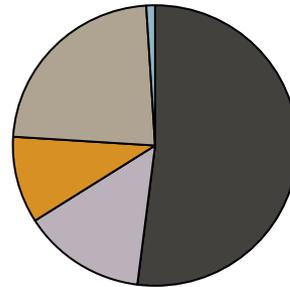
Despite a drop in 2025, the U.S. dollar is still valued at approximately 15% above its historical average vs. other currencies



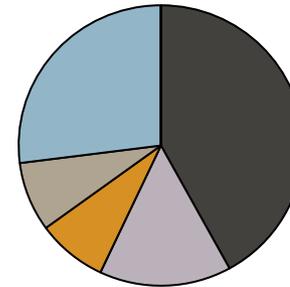
Source: Bank for International Settlements as of November 30, 2025, data compiled on January 6th, 2026

Asset allocation targets

Current



Example



■	U.S. Equities	52%	↓	47%
■	Non-U.S. Equities	14%	↑	19%
■	Real Estate	10%		10%
■	Fixed Income	23%		23%
■	Cash	1%		1%

	Current	Example
Avg. Annualized Net Return	6.9%	7.1%
Avg. Annualized Volatility	10.8%	11.0%
Avg. Net Return/Avg. Volatility	0.64	0.64

Source: Marquette Associates Asset Allocation Software – December 31, 2025.

Cash-Flow Update

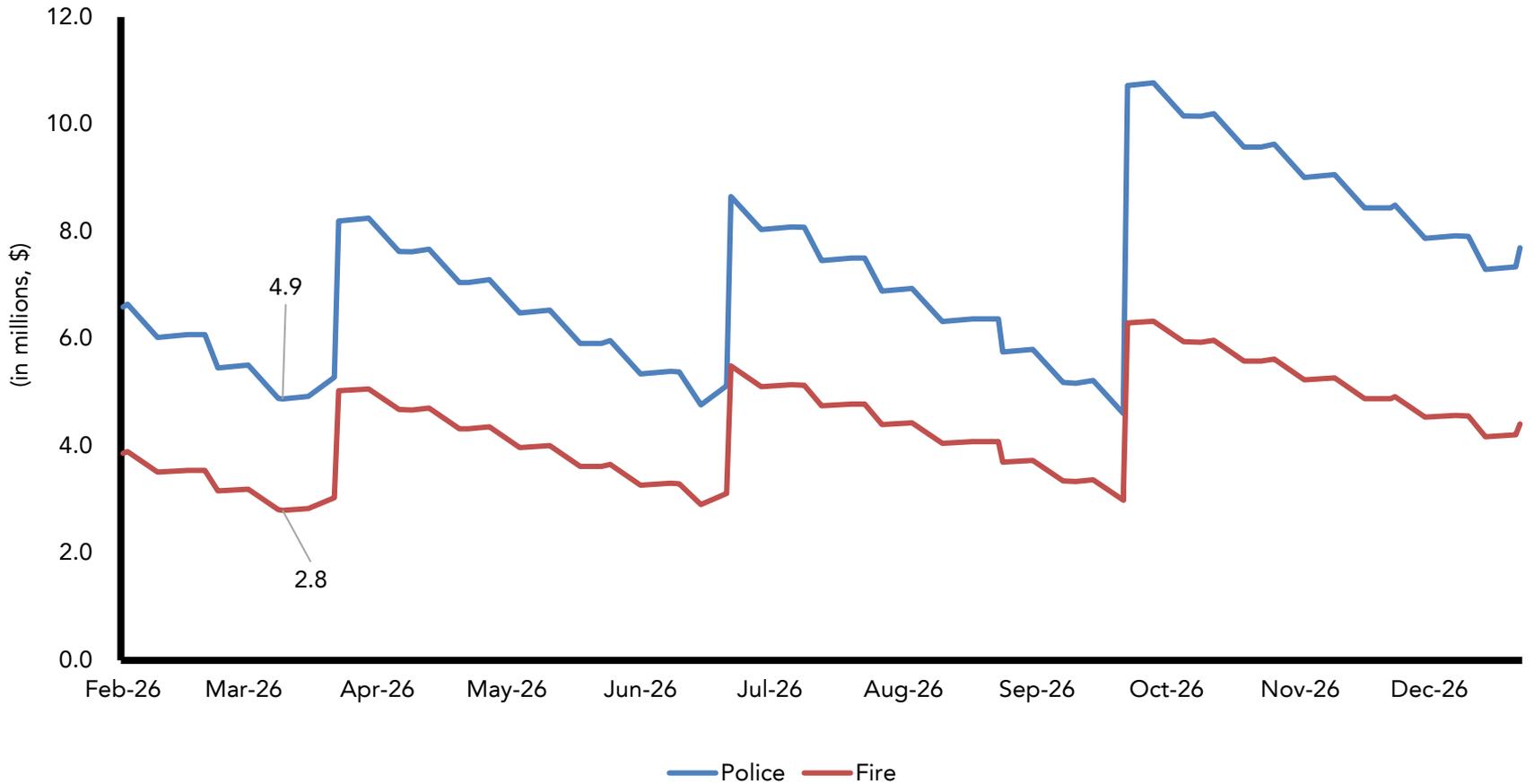
Cash-flow projection assumptions*

- Bi-weekly withdrawals
 - Police: \$618,846 in 2026
 - Fire: \$383,077 in 2026
 - Officers & Employees: \$44,231 in 2026
- Bi-weekly contributions
 - Police: \$50,000 in 2026
 - Fire: \$32,692 in 2026
 - Officers & Employees: \$0 in 2026
- Projected MMO payments**:
 - Police: \$9.53M in 2026
 - Fire: \$3.70M in 2026
 - Officers & Employees: \$140,000 in 2026
- Bond maturities
- Real estate dividends
- ETF dividends
- Fees

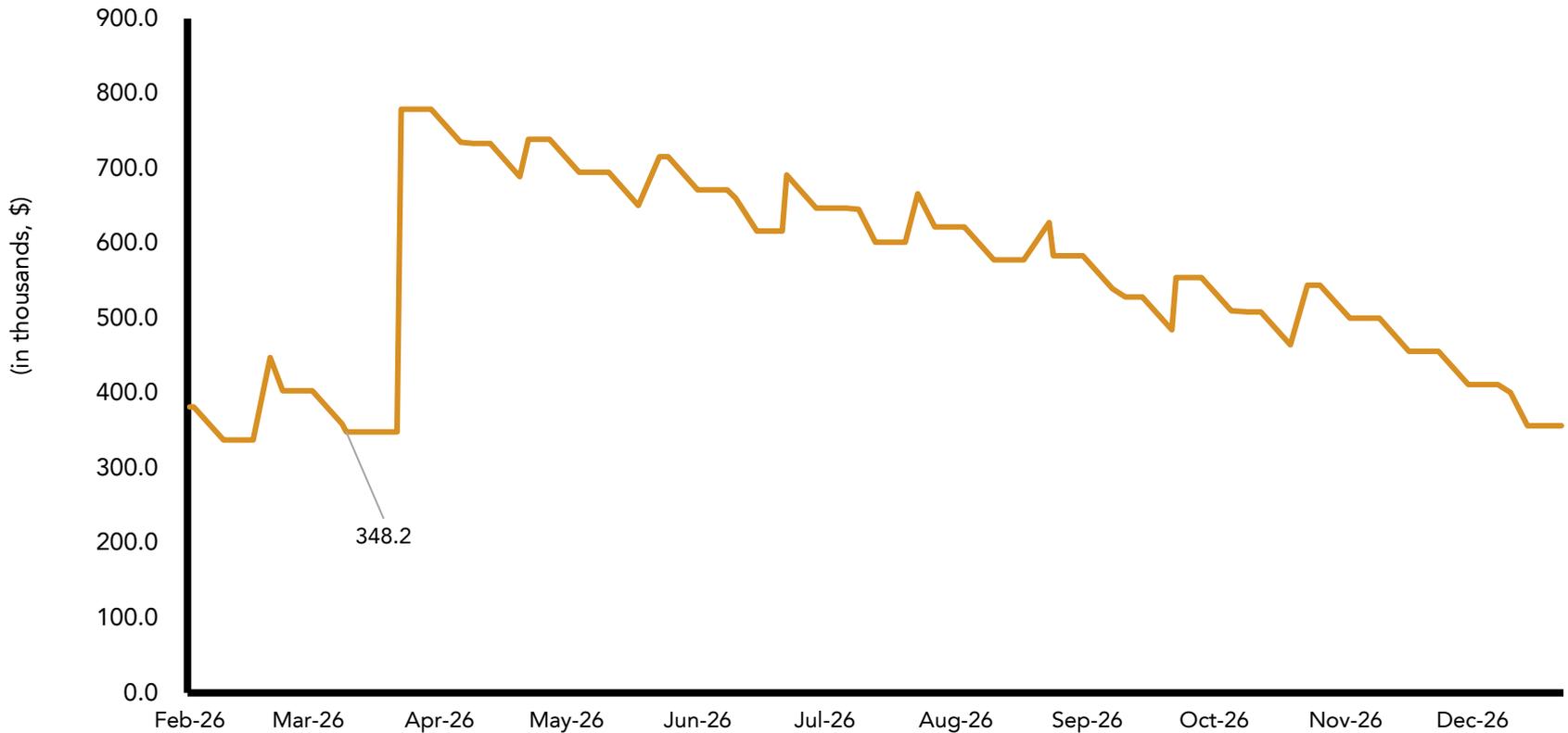
* Employee contribution, benefit payment and MMO estimates provided by Cheiron and based on the 1/1/25 valuation reports.

** Assumes MMO deposits are made in April and July, while Q3 and Q4 MMOs are deposited together at the end of September.

Police & Fire: Cash projections



Officers & Employees: Cash projections



Current yields

1. Money Market yield: 3.53%
2. Core fixed income current yield: 4.30%

Treasury Yield Curve

	1 Yr.	2 Yr.	3 Yr.	5 Yr.
11/10/25	3.68	3.58	3.57	3.72
02/11/26	3.48	3.52	3.58	3.75

Source: Refinitiv.

Fire projections

Year	Benefit Payments	Expenses	Employee Contributions	MMO	Net Cash Flow	Bond Maturities	Bond Maturities & Excess Cash**
2026*	8,810,000	90,000	785,000	3,700,000	(4,415,000)	5,400,000	5,400,000
2027	10,380,000	90,000	890,000	3,790,000	(5,790,000)	5,875,000	5,875,000
2028	10,670,000	90,000	930,000	4,040,000	(5,790,000)	4,650,000	5,790,000
2029	10,960,000	100,000	980,000	4,130,000	(5,950,000)	-	160,000
2030	11,300,000	100,000	1,020,000	3,340,000	(7,040,000)	-	-

* 2026 Benefit Payments, Employee Contributions, and MMO payments represent the estimated remaining balance for 2026.

** Excess cash defined as the projected upcoming trough in cash projections before the next meeting in May less \$1.5 million. Excess cash added to 2028 and 2029 maturities.

Fire rebalancing proposal

	TICKER	TOTAL ASSETS	ALLOCATIONS	REBALANCING	TOTAL ASSETS	ALLOCATIONS	TARGET
Firemen Pension Plan		164,695,475	100.0%	0	164,695,475	100.0%	100.0%
U.S. Equity							
Vanguard Equity Income Fund Admiral	VEIRX	10,489,892	6.4%	(600,000)	9,889,892	6.0%	6.0%
Vanguard Mid Cap Index	VMCIX	4,531,157	2.8%	0	4,531,157	2.8%	3.0%
Vanguard Total Stock Market Index	VITSX	42,850,951	26.0%	0	42,850,951	26.0%	41.0%
Vanguard Total Stock Market Index ETF	VTI	24,651,641	15.0%	0	24,651,641	15.0%	
Total U.S. Equity		82,523,641	50.1%	(600,000)	81,923,641	49.7%	50.0%
Global Equity							
Dodge & Cox Global	DODWX	7,096,985	4.3%	0	7,096,985	4.3%	4.0%
Total Global Equity		7,096,985	4.3%	0	7,096,985	4.3%	4.0%
Non-U.S. Equity							
American Funds Int'l Growth & Income	RIGGX	10,743,698	6.5%	(850,000)	9,893,698	6.0%	6.0%
MFS Int'l Intrinsic Value Equity	MINJX	10,579,635	6.4%	(700,000)	9,879,635	6.0%	6.0%
Total Non-U.S. Equity		21,323,333	12.9%	(1,550,000)	19,773,333	12.0%	12.0%
Real Estate							
Morgan Stanley PRIME Property Fund (as of 12/31)	-	14,364,122	8.7%	0	14,364,122	8.7%	10.0%
Total Real Estate		14,364,122	8.7%	0	14,364,122	8.7%	10.0%
U.S. Fixed Income							
Vanguard Total Bond Market Index Inst	VBPIX	14,553,241	8.8%	950,000	15,503,241	9.4%	9.0%
Baird Core Plus Bond Fund	BCOIX	4,840,077	2.9%	0	4,840,077	2.9%	3.0%
Sterling Capital - Short-Term Bonds	-	16,133,899	9.8%	1,200,000	17,333,899	10.5%	11.0%
Total U.S. Fixed Income		35,527,217	21.6%	2,150,000	37,677,217	22.9%	23.0%
Cash & Equivalents							
Federated Govt. Obligations MM Fund	GOIXX	3,860,175	2.3%	0	3,860,175	2.3%	1.0%
Total Cash & Equivalents		3,860,175	2.3%	0	3,860,175	2.3%	1.0%

Market Values as of February 10, 2026.

	Pre-Rebalancing Allocations				Post-Rebalancing Allocations		
	Portfolio	Target	Difference		Portfolio	Target	Difference
U.S. Equity	52.48%	52.0%	0.48%	U.S. Equity	52.11%	52.0%	0.11%
Non-U.S. Equity	14.89%	14.0%	0.89%	Non-U.S. Equity	13.95%	14.0%	-0.05%
Real Estate	8.72%	10.0%	-1.28%	Real Estate	8.72%	10.0%	-1.28%
Fixed Income	21.57%	23.0%	-1.43%	Fixed Income	22.88%	23.0%	-0.12%
Cash	2.34%	1.0%	1.34%	Cash	2.34%	1.0%	1.34%
Total	100.00%	100.0%	-	Total	100.00%	100.0%	-

Police projections

Year	Benefit Payments	Expenses	Employee Contributions	MMO	Net Cash Flow	Bond Maturities	Bond Maturities & Excess Cash**
2026*	14,233,000	140,000	1,200,000	9,530,000	(3,643,000)	4,250,000	4,250,000
2027	16,700,000	140,000	1,360,000	9,700,000	(5,780,000)	4,650,000	5,780,000
2028	17,410,000	150,000	1,420,000	10,510,000	(5,630,000)	5,680,000	5,680,000
2029	18,340,000	150,000	1,490,000	10,660,000	(6,340,000)	-	2,270,000
2030	18,950,000	160,000	1,550,000	8,590,000	(8,970,000)	-	-

* 2026 Benefit Payments, Employee Contributions, and MMO payments represent the estimated remaining balance for 2026.

** Excess cash defined as the projected upcoming trough in cash projections before the next meeting in May less \$1.5 million. Excess cash added to 2027 and 2029 maturities.

Police rebalancing proposal

	TICKER	TOTAL ASSETS	ALLOCATIONS	REBALANCING	TOTAL ASSETS	ALLOCATIONS	TARGET
Police Pension Plan		280,968,448	100.0%	0	280,968,448	100.0%	100.0%
U.S. Equity							
Vanguard Equity Income Fund Admiral	VEIRX	17,996,382	6.4%	(500,000)	17,496,382	6.2%	6.0%
Vanguard Mid Cap Index	VMCIX	7,691,337	2.7%	0	7,691,337	2.7%	3.0%
Vanguard Total Stock Market Index	VITSX	73,459,770	26.1%	0	73,459,770	26.1%	41.0%
Vanguard Total Stock Market Index ETF	VTI	41,267,565	14.7%	0	41,267,565	14.7%	
Total U.S. Equity		140,415,055	50.0%	(500,000)	139,915,055	49.8%	50.0%
Global Equity							
Dodge & Cox Global	DODWX	11,787,639	4.2%	0	11,787,639	4.2%	4.0%
Total Global Equity		11,787,639	4.2%	0	11,787,639	4.2%	4.0%
Non-U.S. Equity							
American Funds Int'l Growth & Income	RIGGX	18,325,416	6.5%	(1,400,000)	16,925,416	6.0%	6.0%
MFS Int'l Intrinsic Value Equity	MINJX	18,021,472	6.4%	(1,100,000)	16,921,472	6.0%	6.0%
Total Non-U.S. Equity		36,346,888	12.9%	(2,500,000)	33,846,888	12.0%	12.0%
Real Estate							
Morgan Stanley PRIME Property Fund (as of 12/31)	-	24,286,648	8.6%	0	24,286,648	8.6%	10.0%
Total Real Estate		24,286,648	8.6%	0	24,286,648	8.6%	10.0%
U.S. Fixed Income							
Vanguard Total Bond Market Index Inst	VBPIX	38,323,259	13.6%	1,800,000	40,123,259	14.3%	14.0%
Baird Core Plus Bond Fund	BCOIX	8,532,034	3.0%	0	8,532,034	3.0%	3.0%
Sterling Capital - Short-Term Bonds	-	14,682,859	5.2%	1,200,000	15,882,859	5.7%	6.0%
Total U.S. Fixed Income		61,538,151	21.9%	3,000,000	64,538,151	23.0%	23.0%
Cash & Equivalents							
Federated Govt. Obligations MM Fund	GOIXX	6,594,067	2.3%	0	6,594,067	2.3%	1.0%
Total Cash & Equivalents		6,594,067	2.3%	0	6,594,067	2.3%	1.0%

Market Values as of February 10, 2026.

	Pre-Rebalancing Allocations			Post-Rebalancing Allocations		
	Portfolio	Target	Difference	Portfolio	Target	Difference
U.S. Equity	52.28%	52.0%	0.28%	52.10%	52.0%	0.10%
Non-U.S. Equity	14.82%	14.0%	0.82%	13.93%	14.0%	-0.07%
Real Estate	8.64%	10.0%	-1.36%	8.64%	10.0%	-1.36%
Fixed Income	21.90%	23.0%	-1.10%	22.97%	23.0%	-0.03%
Cash	2.35%	1.0%	1.35%	2.35%	1.0%	1.35%
Total	100.00%	100.0%	-	100.00%	100.0%	-

O&E Projections

Year	Benefit Payments	Expenses	Employee Contributions	MMO	Net Cash Flow	Bond Maturities	Bond Maturities & Excess Cash**
2026*	1,017,000	10,000	0	140,000	(887,000)	940,000	940,000
2027	1,050,000	10,000	0	140,000	(920,000)	1,102,000	1,102,000
2028	950,000	10,000	0	140,000	(820,000)	815,000	820,000
2029	850,000	10,000	0	140,000	(720,000)	-	143,200
2030	760,000	10,000	0	90,000	(680,000)	-	-

* 2026 Benefit Payments, Employee Contributions, and MMO payments represent the estimated remaining balance for 2026.

** Excess cash defined as the projected upcoming trough in cash projections before the next meeting in May less \$1.5 million. Excess cash added to 2028 and 2029 maturities.

O&E rebalancing proposal

	<u>TICKER</u>	<u>TOTAL ASSETS</u>	<u>ALLOCATIONS</u>	<u>REBALANCING</u>	<u>TOTAL ASSETS</u>	<u>ALLOCATIONS</u>	<u>TARGET</u>
Officers & Employee Pension Plan		6,388,113	100.0%	0	6,388,113	100.0%	100.0%
U.S. Equity							
Vanguard Equity Income Fund Admiral	VEIRX	269,514	4.2%	(15,000)	254,514	4.0%	4.0%
Vanguard Mid Cap Index	VMCIX	141,609	2.2%	(15,000)	126,609	2.0%	2.0%
Vanguard Total Stock Market Index	VITSX	1,831,844	28.7%	(75,000)	1,756,844	27.5%	27.5%
Total U.S. Equity		2,242,967	35.1%	(105,000)	2,137,967	33.5%	33.5%
Global Equity							
Dodge & Cox Global	DODWX	205,858	3.2%	(15,000)	190,858	3.0%	3.0%
Total Global Equity		205,858	3.2%	(15,000)	190,858	3.0%	3.0%
Non-U.S. Equity							
American Funds Int'l Growth & Income	RIGGX	361,685	5.7%	(40,000)	321,685	5.0%	5.0%
MFS Int'l Intrinsic Value Equity	MINJX	322,751	5.1%	(35,000)	287,751	4.5%	4.5%
Total Non-U.S. Equity		684,436	10.7%	(75,000)	609,436	9.5%	9.5%
U.S. Fixed Income							
Sterling Capital - Short-Term Bonds	-	2,873,127	45.0%	240,000	3,113,127	48.7%	52.0%
Total U.S. Fixed Income		2,873,127	45.0%	240,000	3,113,127	48.7%	52.0%
Cash & Equivalents							
Federated Govt. Obligations MM Fund	GOIXX	381,726	6.0%	(45,000)	336,726	5.3%	2.0%
Total Cash & Equivalents		381,726	6.0%	(45,000)	336,726	5.3%	2.0%

Market Values as of February 10, 2026.

	Pre-Rebalancing Allocations			Post-Rebalancing Allocations		
	Portfolio	Target	Difference	Portfolio	Target	Difference
U.S. Equity	36.88%	35.0%	1.88%	35.11%	35.0%	0.11%
Non-U.S. Equity	12.16%	11.0%	1.16%	10.88%	11.0%	-0.12%
Fixed Income	44.98%	52.0%	-7.02%	48.73%	52.0%	-3.27%
Cash	5.98%	2.0%	3.98%	5.27%	2.0%	3.27%
Total	100.00%	100.0%	-	100.00%	100.0%	-



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