



Board Report 21-08

Date: February 16, 2021
To: Board of Deferred Compensation Administration
From: Staff
Subject: Stable Value Fund Request for Proposal – Provider Selection

Board of Deferred Compensation Administration

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Recommendation:

That the Board of Deferred Compensation Administration (Board) review summary information regarding stable value fund management proposals from providers Galliard Capital Management and Invesco and (a) make a final contract award; (b) instruct staff to negotiate and draft a contract in consultation with Board counsel; and (c) authorize the Board Chairperson to execute said contract on behalf of the Board, subject to agreement between the City and the provider as to all applicable terms and conditions and all necessary approvals.

Discussion:

A. Background

The DCP Stable Value Fund (DCP SVF) is an investment option offered within the DCP investment menu that seeks to protect investor principal while obtaining a higher rate of return than other conservative investment alternatives (such as money market or savings accounts). As of December 31st, 2020, assets in the DCP SVF option totaled \$1.40 billion (including allocations within the 5 DCP Profile Funds), or approximately 17.1% of total DCP assets. The incumbent DCP SVF manager is Galliard Capital Management (“Galliard”). Contract No. C-127342 with Galliard will expire on December 31, 2021.

The Board approved release of a Request for Proposal (RFP) for SVF Management Services on **March 31, 2020**. The RFP was issued on **July 20, 2020**, with a response due date of **August 27, 2020**. The RFP produced 14 responses. The RFP provided that the DCP investments consultant, Mercer Investments LLC (“Mercer”), prepare a report analyzing the responses across the various evaluation categories as delineated within the RFP Proposal Questionnaire and that its analysis and findings be reviewed and evaluated in collaboration with the DCP staff and the Investments Committee (Committee).

The Committee met on **October 30, 2020** to consider the analysis and review prepared by Mercer. Mercer noted that the City received an exceptionally strong and diverse range of proposals, with all of the firms being established and competent SVF providers, but with distinguishing characteristics identified in certain evaluation criteria. As a result of that meeting, staff and Mercer further summarized the contents of the report incorporating feedback from the Committee and presented to the Board a banded ranking of proposals classifying them in tiers as shown in Board Report 20-44 at the Board's **December 15, 2020** meeting.

At its meeting on **January 19, 2021**, the Board exercised its option to hear oral presentations of the two highest-ranked proposers, Galliard and Invesco. Following those presentations, staff and Mercer were asked to report back with responses to certain questions from the Board which arose during the meeting as well as to present summary information of the proposals from Galliard and Invesco (**Attachment A**).

B. Discussion

Mercer's report provides side-by-side comparisons of both firms in the following areas:

- Team depth
- Use of multiple stable value managers
- Proposed portfolio structure
- Underlying manager composition and style
- Proposed wrap providers
- Potential transition plan and costs
- Fees

Best and Final Fee Proposal – Staff confirmed with the City Attorney that Section 6.1 of the RFP, “Pre-Award Negotiations,” provides for the City to solicit best and final fee proposals prior to contract award. As discussed in Mercer's report, Galliard revised its proposed annual asset-based fee from 0.271% to 0.2620%. Invesco revised its proposed annual asset-based fee from 0.253% to 0.2338%. The differential between the two providers is 0.0282%.

Selecting Multiple Providers – Mercer's report also addresses considerations for contracting with multiple providers. Splitting the assets between the two providers could result in higher investment management fees based on the scaling of fees by the proposers and because each provider would have fewer assets under management. Further, as discussed in Mercer's report, selecting multiple providers would present certain challenges for the DCP. If multiple stable value products were established as discrete, separate offerings within the DCP, participants would need to contend with equity wash restrictions applying to their ability to move funds between the providers (equity wash restrictions prevent participants from moving money directly from stable value offerings to “competing” interest-bearing investment menu offerings; funds must first move to equities and remain there for a minimum of 90 days before being eligible to be moved into the competing option). Alternatively, if multiple stable value providers were

combined into a single DCP stable value fund offering, it would likely impose more administrative obligations for the City in terms of contracting, addressing wrap provider requirements (including but not limited to those requirements relating to equity wash restrictions), and monitoring diversification of the underlying providers (in the event that both firms use, to some extent, identical sub-advisors).

Following its review of summary information regarding stable value fund management proposals from providers Galliard and Invesco, and assuming the Board is prepared to take action, it is recommended that the Board (a) make a final contract award; (b) instruct staff to negotiate and draft a contract in consultation with Board counsel; and (c) authorize the Board Chairperson to execute said contract on behalf of the Board, subject to agreement between the City and the provider as to all applicable terms and conditions and all necessary approvals.

Submitted by: 
Steven Montagna, Chief Personnel Analyst



City of Los Angeles Deferred Compensation Plan Stable Value RFP Response Finalist Analysis

February 16, 2021

Executive Summary

- The City of Los Angeles issued an RFP on July 20, 2020 seeking proposals from qualified stable value managers to manage the DCP Stable Value Fund, and responses were submitted by August 27, 2020.
- At the October 30, 2020 meeting, the Investments Committee reviewed Mercer's summary evaluation of the RFP responses and selected four candidates as finalists: Galliard, Invesco, PIMCO, and Vanguard.
- Following the Investments Committee meeting, staff and Mercer further summarized the contents of the report incorporating feedback from the Committee and created a banded ranking of proposals classifying them in tiers as shown in Board Report 20-44. This was reviewed at the December 15, 2020 Board meeting, at which point, two finalists, Galliard and Invesco (listed in alphabetical order throughout this report) were selected for finalist presentations.
- On January 19, 2021, Galliard and Invesco presented their stable value solutions, after which the Board requested follow-up analysis along the following dimensions:
 - Team depth
 - Use of multiple stable value managers
 - Proposed portfolio structure
 - Underlying manager composition and style
 - Proposed wrap providers
 - Potential transition plan and costs
 - Fees – specifically Best and Final Offers which have been solicited
- Details on these items are presented in the following pages.

Executive Summary, cont'd

- Separately, the Board inquired about whether there would be benefits in using two stable value managers. We have explored this issue in two ways, 1) employing 2 standalone Stable Value funds in the line-up and 2) having two underlying Stable Value managers within the City's single DCP Stable Value Fund.
- **Approach 1: 2 standalone Stable Value funds:** Maintaining two standalone stable value options is not advisable since it would present a confusing decision to participants and introduce competing fund restrictions regarding movement between the funds. It would also reduce the scale of assets the Fund would have, which may cause fees to be higher.
- **Approach 2: DCP Stable Value Fund with 2 underlying Stable Value managers:** This approach presents several challenges including:
 - Portfolio wrap negotiations may be more complex
 - Two managers would have less in assets under management, and may charge higher fees
 - Both managers may wish to use common subadvisors, reducing diversification benefits
 - Added complexity in striking the NAV
 - Two contracts to be negotiated.
- **For these reasons, Mercer recommends maintaining a single stable value manager approach given the DCP's specific circumstances.**

Executive Summary, cont'd

- **Manager Updates**

Galliard - Galliard Stable Value Update – December 15, 2020 :

In recent weeks, various news outlets including Bloomberg have reported that Wells Fargo & Company (WFC) is exploring the sale of its asset management business, Wells Fargo Asset Management (WFAM). Galliard is a wholly owned subsidiary of WFAM. Galliard's senior leadership has informed Mercer that neither WFC nor WFAM has mentioned anything regarding a potential sale of Galliard. While Mercer is unable to comment or speculate on a future transaction, we will stay apprised of any developments. As facts become available, we will evaluate the situation and update our views on Galliard's stable value business and our ratings.

In recent years, we have observed a series of negative headlines surrounding the parent company. Hence, if WFAM is sold and depending upon the buyer, a change in the parent could be a positive for Galliard in the long-term. Given the broader parent-level uncertainty and its potential to negatively influence Galliard's stable value business, we are maintaining our (W)atch designation on Galliard's stable value strategies for the time being. The (W)atch designation was initially assigned in April 2019 due to multiple retirements among Galliard's founding partners and other members of the senior leadership team. Since that time, we believe the firm's leadership transition has been smooth. The team, investment process, and performance results have all exhibited stability since the senior leadership transition took place.

Galliard's stable value business is holding up well in light of the news from 2019 and headlines related to its parent company. Galliard remains one of the largest providers in the stable value industry and the firm continues to get favorable wrap terms and pricing. We anticipate continued pressure on Galliard's stable value business but believe the firm's investment, wrap, and operations teams supporting the stable value business remain solid.

Executive Summary, cont'd

- **Manager Updates**

Invesco - Trian Fund Management's 10% Stake in Invesco and Janus Henderson – October 9, 2020 :

On October 1, 2020, The Wall Street Journal reported that activist hedge fund Trian Fund Management (Trian) amassed a stake of ~10% in Invesco. Under pressure from Trian, Invesco said it would expand its board of directors with three new members including Trian's co-founders Nelson Peltz and Ed Garden.

This latest headline development comes shortly after Invesco's acquisition of OppenheimerFunds, Inc, (OFI) in 2019. We believe this reintroduces a level of uncertainty surrounding Invesco's business. While it is too early to conclude the impact this has on Invesco, Trian is a hedge fund known for pushing consolidations within the asset management industry, spin-offs, and/or merger & acquisitions as part of its playbook to generate value for stakeholders. Trian has been active in pursuing opportunities, as seen by its most recent stake in Legg Mason (LM) before LM was purchased by Franklin Templeton. Mercer's research team has placed a (W)atch designation on all of Invesco's rated strategies.

Team Depth and Market Presence

Galliard

Firm Background:

Galliard Capital Management (Galliard) is a wholly owned subsidiary of Wells Fargo & Company (Wells), one of the nation's largest financial services companies. Galliard specializes in stable value management and has managed stable value assets since 1985. The firm was founded as an independent subsidiary in 1995 and is located in Minneapolis, Minnesota. Galliard remains independent from an investment decision-making and personnel management perspective, but as a wholly-owned subsidiary of Wells, relies on the parent company for various back-office functions such as compliance, finance, technology, and legal.

Investment Team (20 investment professionals):

Galliard manages their portfolios with a team approach. According to Galliard, all members of the investment team have shared responsibility for all strategies. Ajay Mirza, who has been with Galliard since 1995, serves as chairman of the investment committee and is responsible for asset selection and strategy formulation for the firm's portfolios. Nick Gage, with Galliard since 2008, manages contract negotiations with wrap providers. Matt Robertson, Brandon Kanz and Andrea Johnson also serve as portfolio managers on the stable value team.

Proposed City of LA Team (20 years of average experience)

	Role	Years of Investment	
		Experience	Years at Galliard
Ajay Mirza	Portfolio Management & Strategy	26	25
Andrea Johnson	Portfolio Management & Strategy	18	15
Brandon Kanz	Portfolio Management & Strategy	18	15
Matt Robertson	Portfolio Management & Strategy	18	15
Jaime Morgan	Relationship Manager	22	1
Jeff Hay	Relationship Manager	15	9
Mike Norman	Client Team	27	24
Paula Novick	Client Team	24	16
Nick Gage	Client Team	19	12
Christina Burton	Client Team	15	11

Firm Background:

Invesco was originally incorporated in 1935; however, Invesco in its modern form was created by the 1997 combination of two asset management businesses: Invesco and AIM, both of which had been founded in the 1970s. The firm is listed on the New York Stock Exchange, and employees retain approximately 10% of the ownership of the firm. In 2010, Invesco completed its purchase of Morgan Stanley Investment Management's retail asset management business, including Van Kampen Investments. In 2019, Invesco completed its acquisition of OFI Global Asset Management (OFIGAM) with OFIGAM's parent company, MassMutual, becoming Invesco's largest shareholder. On October 1, 2020, activist hedge fund Trian Fund Management amassed an approximately 10% stake of Invesco.

Investment Team (78 investment professionals):

George Baumann is responsible for developing objectives and guidelines, monitoring the investment of assets in accordance with agreed upon objectives and guidelines, and reporting portfolio progress. Chris Utz provides investment support to Invesco's existing stable value relationships, and assists Invesco's sales team with consultant meetings and new business opportunities. Portfolio managers are responsible for portfolio construction including daily liquidity management, rebalancing the stable value portfolio to the target building block allocation, oversight of external sub-advisors and interaction with wrap providers. The stable value product is team managed and led by Jennifer Gilmore. Gilmore has been a portfolio manager since 2002 and is responsible for stable value separate accounts ranging from \$70 million to \$5.5 billion, as well as the Invesco Stable Value Trust. There are also 7 senior client portfolio managers and 15 account management, operations and wrap administration personnel dedicated to the stable value product.

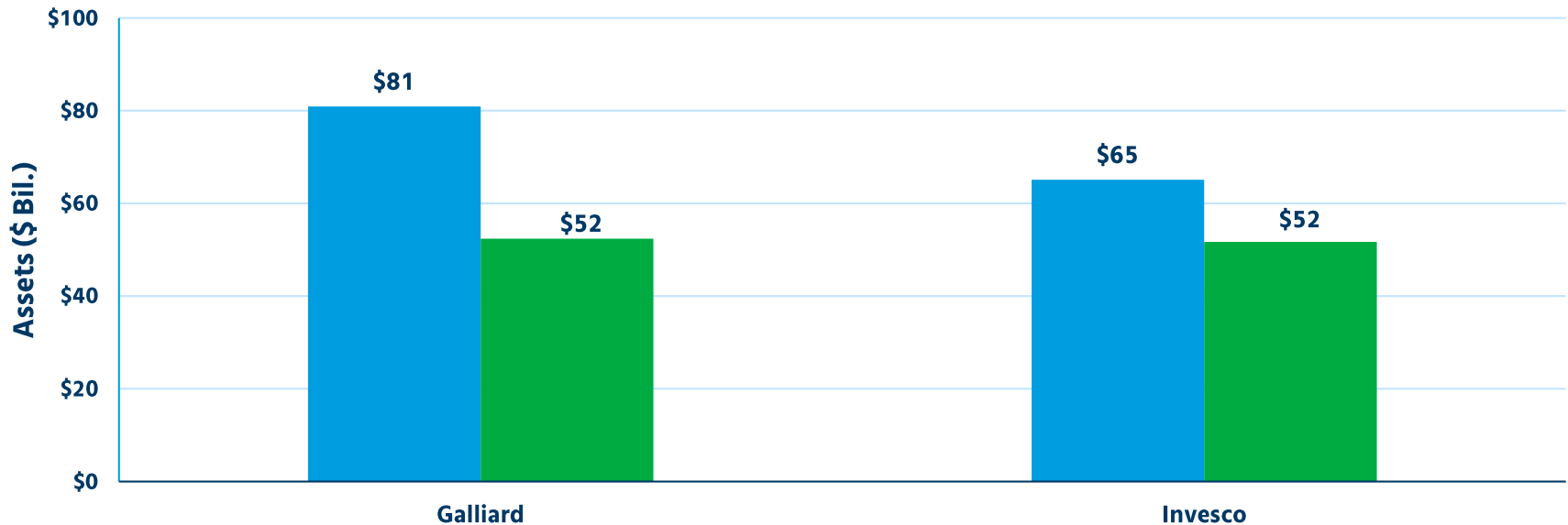
Proposed City of LA Team (19 years of average experience)

	Role	Years of Investment	
		Experience	Years at Invesco
Jennifer Gilmore	Portfolio Management & Strategy	22	22
Ling Chiu	Portfolio Management & Strategy	27	28
Matt Kline	Portfolio Management & Strategy	14	2
Tara Wurdock	Portfolio Management & Strategy	19	19
Brad Hobson	Manager Oversight	12	3
Jeff Deetsch	Manager Oversight	22	19
Keith Ragland	Manager Oversight	10	15
Delia Roges	Relationship Manager	27	10
Jessica Cole	Contracts	18	7
Odeh Stevens	Legal	22	7
Andrea Cunigan	Compliance	14	11

Scale of Stable Value Practice

- Galliard (incumbent) and Invesco are market leaders in terms of overall stable value assets under management. Generally, higher assets enable a manager to commit more resources to its stable value practice and conceivably exert more influence in wrap and other service provider negotiations.

Stable Value Assets*



* Data as of 6/30/2020.

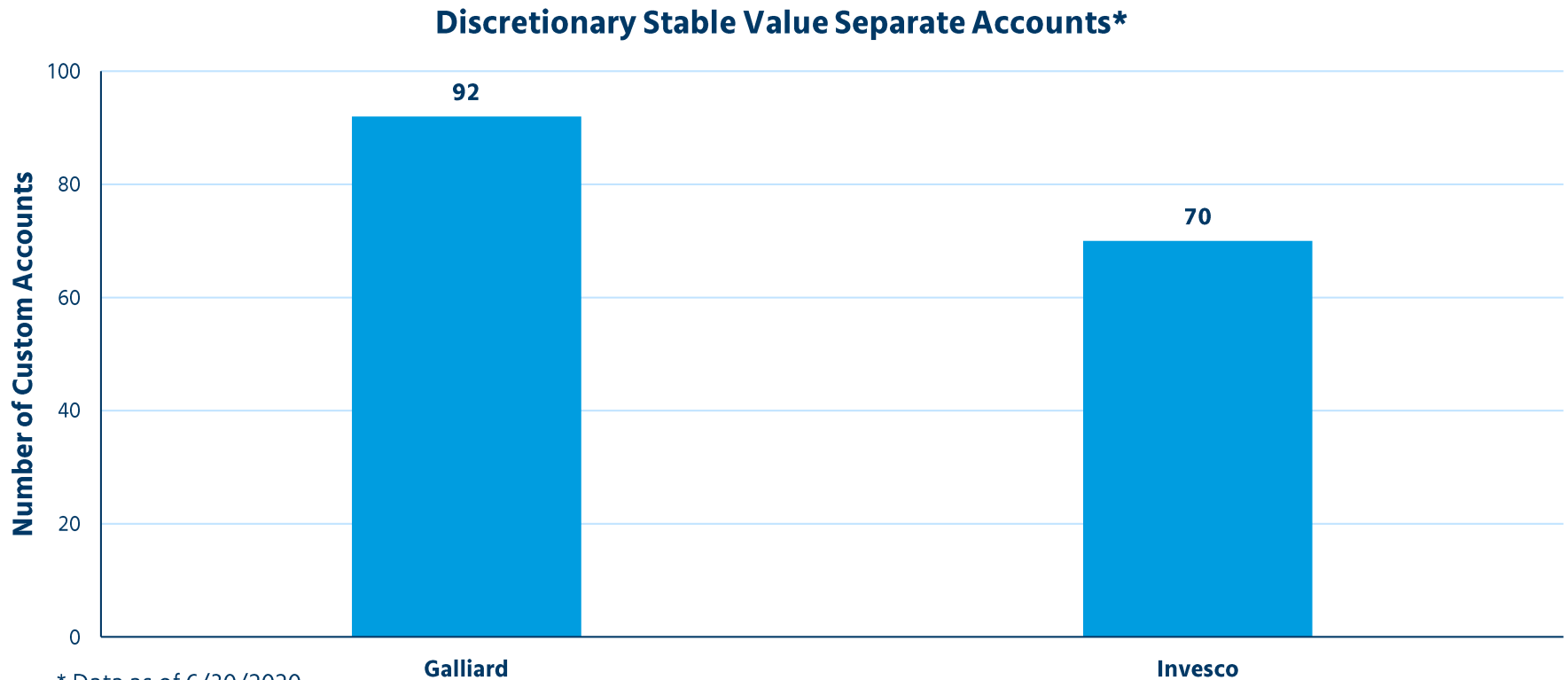


■ Stable Value Assets

■ Separate Account Stable Value Assets

Stable Value Separate Accounts

- Our belief is that Stable Value separate account management takes a specialized skill-set
- Together, Galliard and Invesco manage approximately 44% of the separate accounts in context of all separate accounts managed by all the original 14 candidates combined, making them distinctive.



Proposed Portfolio Structure

Process/Philosophy

Galliard Process/Philosophy:

Galliard's stable value portfolios are managed with a conservative approach, by maintaining high quality and broad diversification through a disciplined value investing process with an emphasis on risk control. As one of the most conservative investment options in a plan's investment line up, Galliard's primary emphasis in managing stable value portfolios is safety of principal. Investment strategies are designed and implemented with this primary objective in mind. Maintaining appropriate liquidity is also a key investment objective, as portfolio liquidity must be sufficient to accommodate participant needs and to provide plan sponsor flexibility. To this extent, Galliard seeks income generation with the goal of actively managing risk while emphasizing downside risk protection and low tracking error.

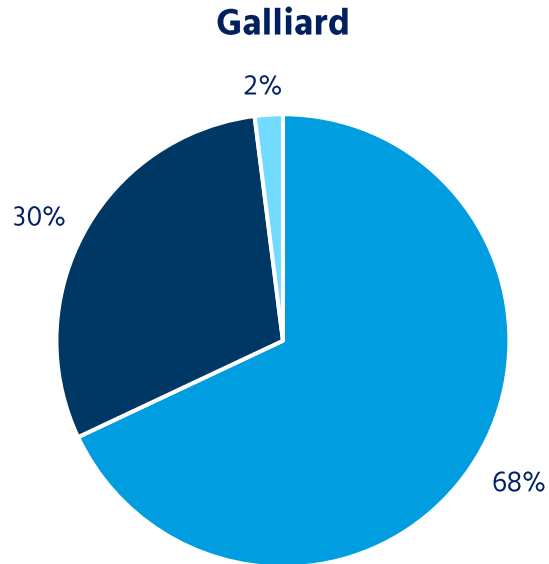
Invesco Process/Philosophy:

Invesco believes the keys to achieving principal preservation are diversification and portfolio quality. The strategy uses a customized 'component' approach for portfolio construction, with the underlying fixed income assets allocated to short, intermediate and core investment component strategies. In addition to healthy allocations to US Treasury and other US government-backed securities, Invesco's short, intermediate, and core duration components each emphasize high quality, securitized spread sectors including AAA-rated ABS, MBS and CMBS where bonds are backed by specified pools of collateral, as well as investment grade corporate bonds. This focus on high quality and diversification, at both the market and book value levels of the strategy, is in keeping with the primary objective of principal preservation.

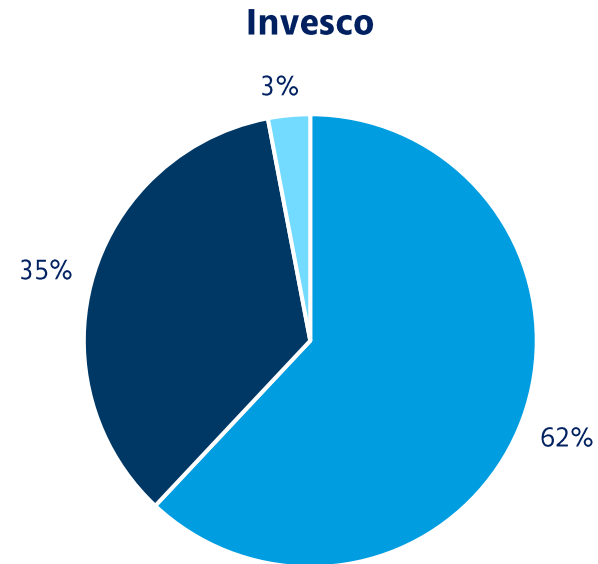
Summary of Investment Approach and Process

Internal vs External Management

Both managers propose managing a majority of the portfolio internally, with Galliard modestly higher at 68% and Invesco at 62%.



■ Internal ■ External ■ Liquidity

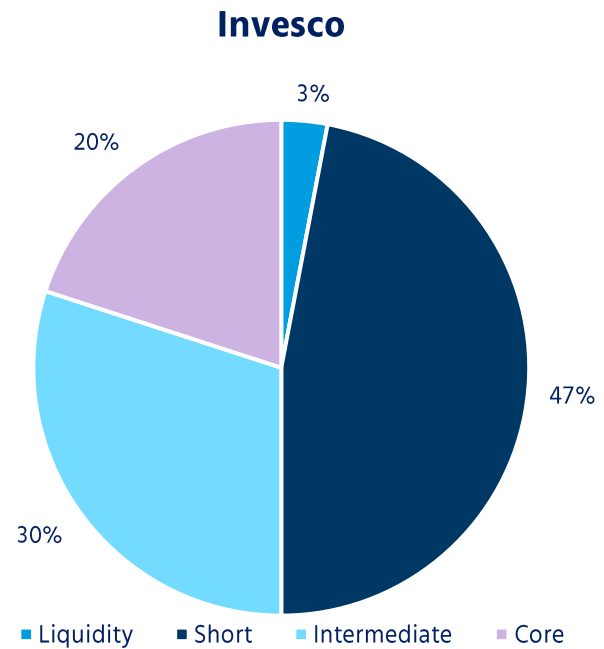
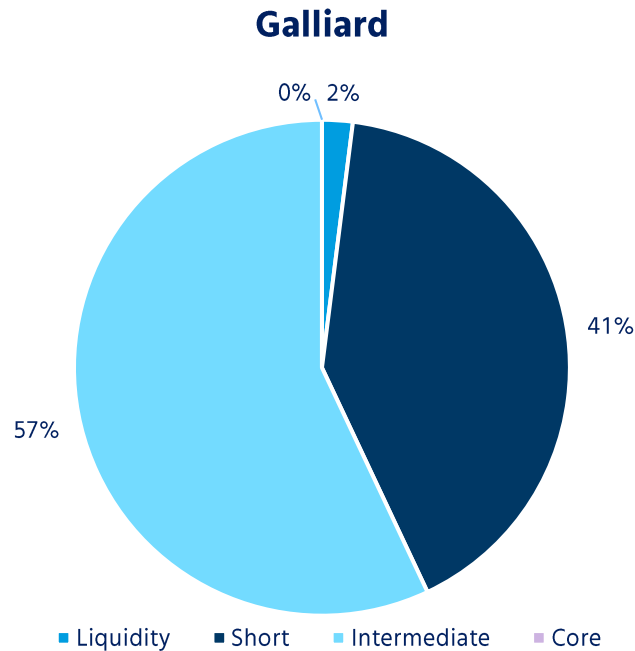


■ Internal ■ External ■ Liquidity

Data as of 6/30/2020.

Summary of Proposed Portfolio Allocations

Management Objective Breakdown



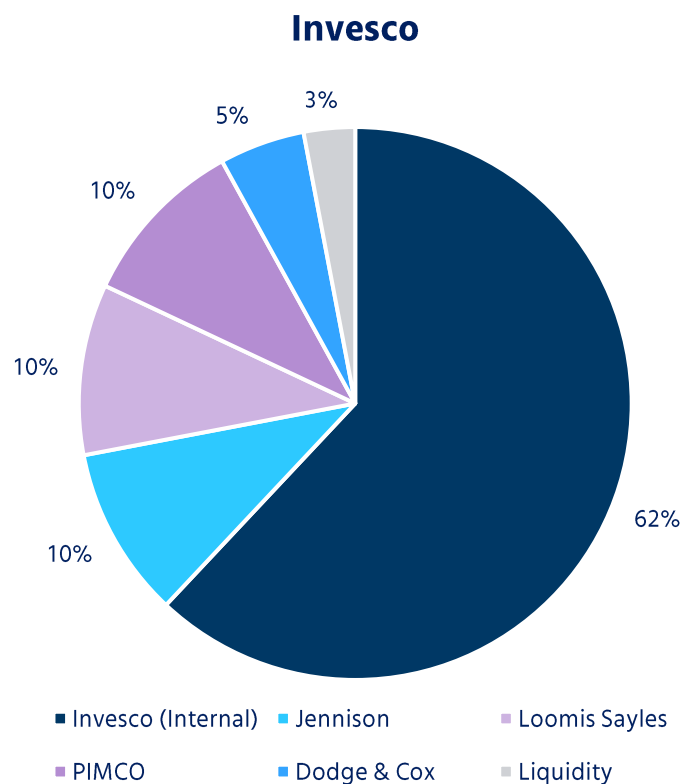
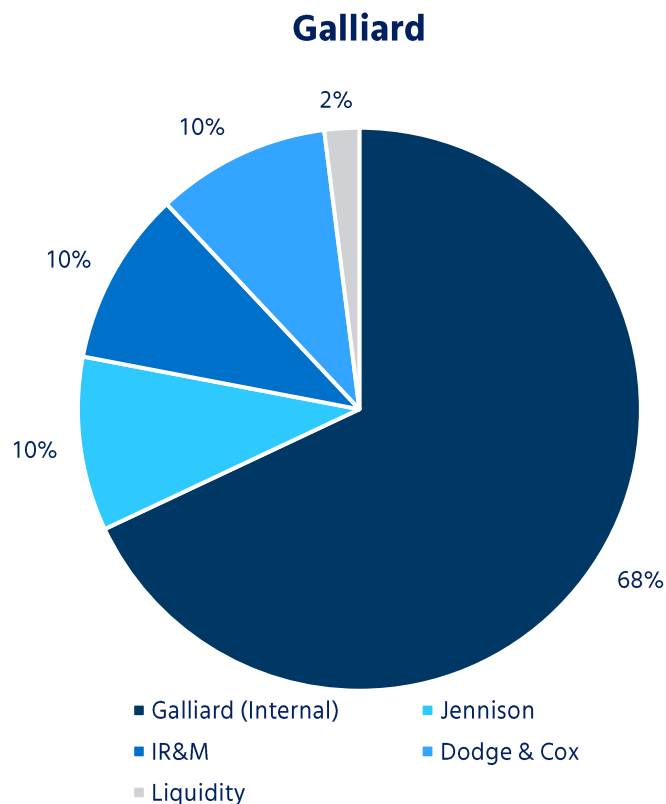
Primary difference between the 2 proposed constructions is Invesco's use of a "Core" allocation, which has a slightly longer duration than an intermediate benchmark. This in turns causes Invesco's projected duration to be modestly greater (2.92 years for Invesco vs 2.84 years for Galliard).*

*Proposed duration numbers for both respondents were as of 6/30/2020.

Proposed Manager Allocations

Manager Breakdown

- Invesco proposes 4 external managers versus the 3 proposed by Galliard.
- Both anticipate using Jennison and Dodge & Cox in their proposed portfolios.



Underlying Strategies

Galliard

Style	Manager	Investment Strategy Type	Vehicle
Cash	BlackRock (2%)	Short-term Investment Fund	Collective Fund
Short	Galliard (41%)	Short Government-Credit	Collective Fund
Intermediate	Galliard (10%)	Intermediate Government-Credit	Collective Fund
Intermediate	Galliard (17%)	Intermediate Aggregate	Collective Fund
Intermediate	IR+M (10%)	Intermediate Government-Credit	Collective Fund
Intermediate	Jennison (10%)	Intermediate Government-Credit	Collective Fund
Intermediate	Dodge & Cox (10%)	Intermediate Aggregate	Collective Fund

Invesco

Style	Manager	Investment Strategy Type	Vehicle
Cash	STIF Manager (3%)	Short-term Investment Fund	Collective Fund
Short	Invesco (47%)	Short Duration	Collective Fund
Intermediate	Invesco (10%)	Intermediate Investment Grade	Collective Fund
Intermediate	Jennison (10%)	Intermediate Investment Grade	Collective Fund
Intermediate	Loomis Sayles (5%)	Intermediate Investment Grade	Collective Fund
Intermediate	PIMCO (5%)	Intermediate Investment Grade	Collective Fund
Core	Invesco (5%)	Core Investment Grade	Collective Fund
Core	Loomis Sayles (5%)	Core Investment Grade	Collective Fund
Core	PIMCO (5%)	Core Investment Grade	Collective Fund
Core	Dodge & Cox (5%)	Core Investment Grade	Collective Fund

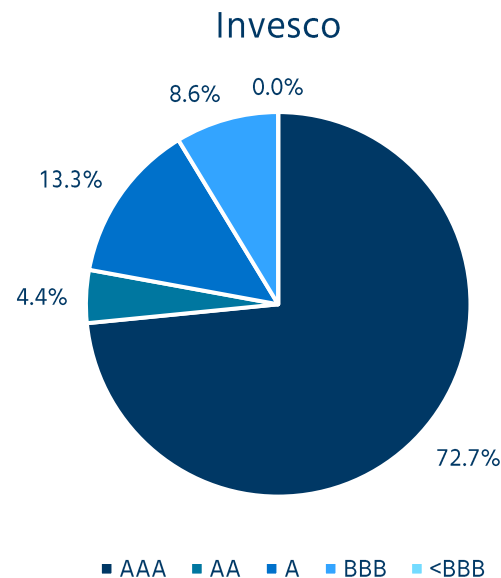
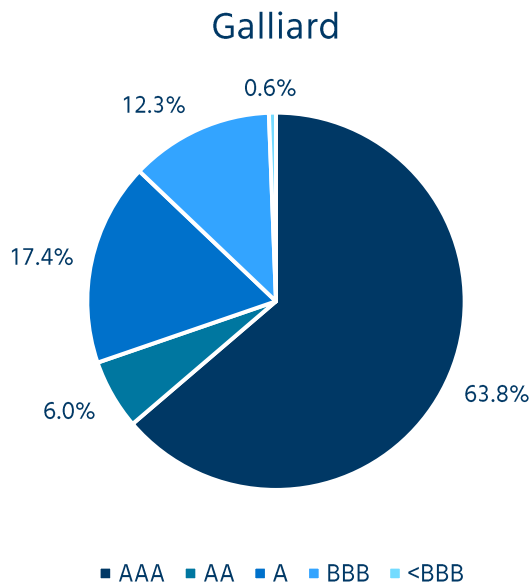
Sector Allocation of Underlying Bond Portfolio

Sector	Galliard	Invesco
ABS	11.3	16.9
US Agency	0.1	0.6
Cash	6.8	1.0
CMBS	4.6	7.0
CMO	1.0	1.8
Investment Grade Credit/Corporate	30.3	26.4
Non-Investment Grade Credit/Corporate	0.4	
Traditional GICs		
Synthetic GICS		
High Yield Credit		
MBS	18.3	21.6
Muni (Taxable)	5.0	
RMBS		
Short-Term		
Stable Value Pooled Fund		
US Treasury	17.0	24.5
Other (Non U.S. Govt./Agency Securities)		0.1
Govt Related (U.S. and Foreign)	5.3	
Total	100.0	100.0

Data as of 6/30/2020.

Overall Bond Portfolio Quality

Manager Breakdown



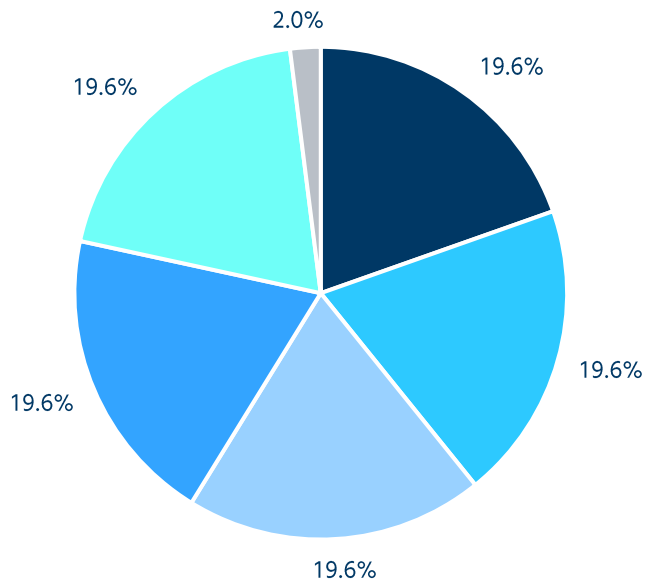
Projected Portfolio Characteristics*

	Yield to Maturity (Gross Yield)	Net Crediting Rate	Duration
Galliard	0.99%	2.31%	2.84 years
Invesco	1.03%	2.36%	2.92 years

Primary difference between the 2 proposed constructions is Galliard's slight allocation to below investment grade. Invesco uses a larger allocation to AAA.

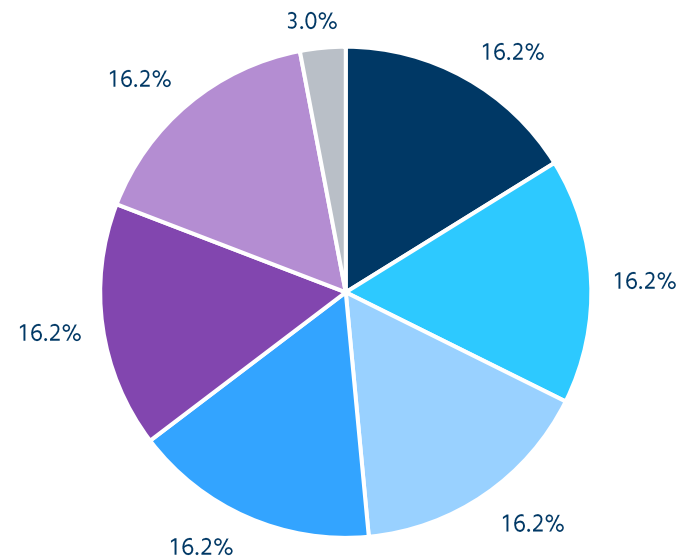
Wrap Provider Diversity and Quality

Galliard



- Pacific Life, AA-
- Prudential, AA-
- Transamerica, A+
- MetLife, AA-
- Unwrapped Cash/STIF
- Voya, A+

Invesco



- Pacific Life, AA-
- Prudential, AA-
- Transamerica, AA-
- Lincoln, AA-
- Met Tower Life, AA-
- Unwrapped Cash/STIF
- Voya, A+

Wrap Provider quality represents S&P rating

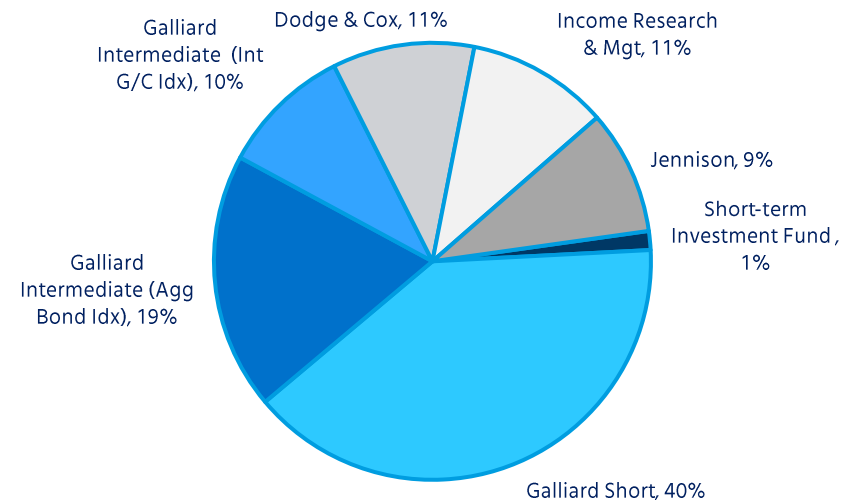


Portfolio Transition, Reporting and Administrative

Potential Transition Considerations

- The Board requested information on potential transition details if the decision is made to change stable value providers.
- Current portfolio is invested entirely in collective investment trusts (CITs), 4 internally managed and 3 externally managed (Dodge & Cox, Income Research & Mgt, and Jennison). All of these could be redeemed in cash easily with reasonable notice, though an “in-kind”* transition approach may be considered for some of the portfolio.
 - Internally managed Galliard CITs are highly liquid and would be liquidated in cash.
 - 2 of the external managers (Jennison and Dodge & Cox) are proposed by Invesco. Consideration could be given to in-kind transfers for some of these holdings.
- CIT transaction costs (both selling the existing portfolio and buying the new one) would be borne at the fund level. It is estimated that total transaction costs in normal conditions would be below 0.10% or 10 basis points based on “bid/ask” spreads, though this is highly dependent on market conditions.

City of LA DCP Stable Value Fund (as of 12/31/20)



*“In-kind” transfer of securities is a redemption met with a “slice” of the overall portfolio instead of cash. The benefit of in-kind transitioning is the avoidance of transaction costs assuming the same securities will be held in the future portfolio.

Fees

Fees

Best and Final Offers from both candidates were presented based on the Board's request.

- Initial Galliard all-in fees were 0.271% and improved to 0.2620%
 - Galliard is offering a reduction in the management fee based on the following schedule, versus the original flat management fee of 0.0675%:
 - 0.06% on the 1st \$1.5 billion
 - 0.05% on the next \$500 million
 - Negotiable on the balance
- Initial Invesco all-in fees were 0.253% and improved to 0.2338%.
 - Invesco Management expense assumes \$1.3B in assets, and an expense schedule of:
 - 0.15% on the 1st \$100 million
 - 0.10% on the next \$100 million
 - 0.05% on the next \$400 million
 - 0.03% on the balance

Minimum Invesco management expense of 0.05%. Should assets under management exceed \$1.35 billion, Invesco management expense will transition to a flat fee of 0.05% on all assets under management.

	Internal Investment Mgmt. Fee	External Subadvisor Investment Mgmt. Fee	Investment Contract (Wrap) Fees	Other Fees	Estimated Total Fee	Estimated Fee * based on 12/31/20 assets (\$)
Galliard	0.0600%	0.0110%	0.1540%	0.0370%	0.2620%	\$3,677,677
Invesco	0.0500%	0.0346%	0.1455%	0.0038%	0.2238%	\$3,141,466
Median					0.3600%**	

*As of 12/31/20 there was \$1,403,693,526 in the DCP Stable Value Fund and the current total fee was 0.2690%.

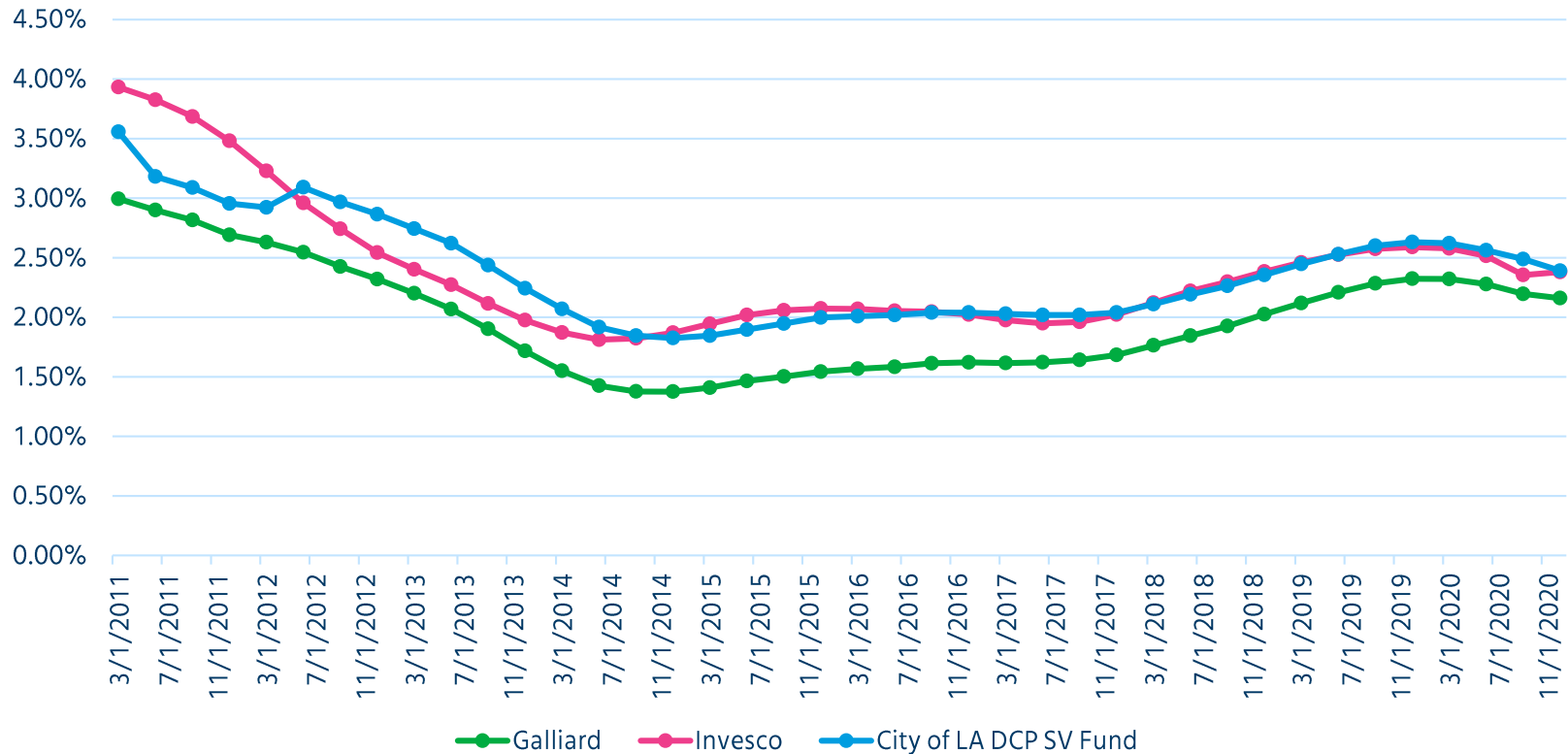
**Median expense ratio for Stable Value Funds with assets >\$500 million per Mercer 3Q20 Stable Value Survey.

Investment Performance

Investment Performance as of 12/31/2020

Rolling 1-Year Net of Fee Book Value Performance

Key point: The City of LA DCP SV Fund has been competitive compared to both Galliard's and Invesco's composite returns.



Note: City of LA DCP Stable Value Fund displayed above to show DCP experience versus Galliard's and Invesco's composite performance.

Investment Performance

Cumulative Fund Performance (net) as of Dec 31, 2020

	3 mths (%)		CYTD (12 mths) (%)		1 yr (%)		3 yrs (%pa)		5 yrs (%pa)		10 yrs (%pa)	
Galliard – Composite	0.52	(14)	2.13	(25)	2.13	(25)	2.16	(33)	1.96	(36)	1.94	(40)
Invesco	0.63	(1)	2.44	(1)	2.44	(1)	2.47	(1)	2.29	(1)	2.34	(1)
City of LA DCP SV Fund	0.56	(10)	2.38	(9)	2.38	(9)	2.46	(1)	2.29	(1)	2.33	(1)
3-Yr CM + 50	0.17	(100)	0.93	(100)	0.93	(100)	2.19	(32)	2.03	(33)	1.63	(64)
Median	0.42		1.91		1.91		2.03		1.85		1.81	

Note: City of LA DCP Stable Value Fund displayed above to show DCP experience versus Galliard’s and Invesco’s composite performance.

Appendix

Investment Approach and Process

Historical Duration

Key point: Invesco’s duration has been slightly longer than Galliard’s duration due to its “Core” allocation, which has a slightly longer duration than an intermediate benchmark.

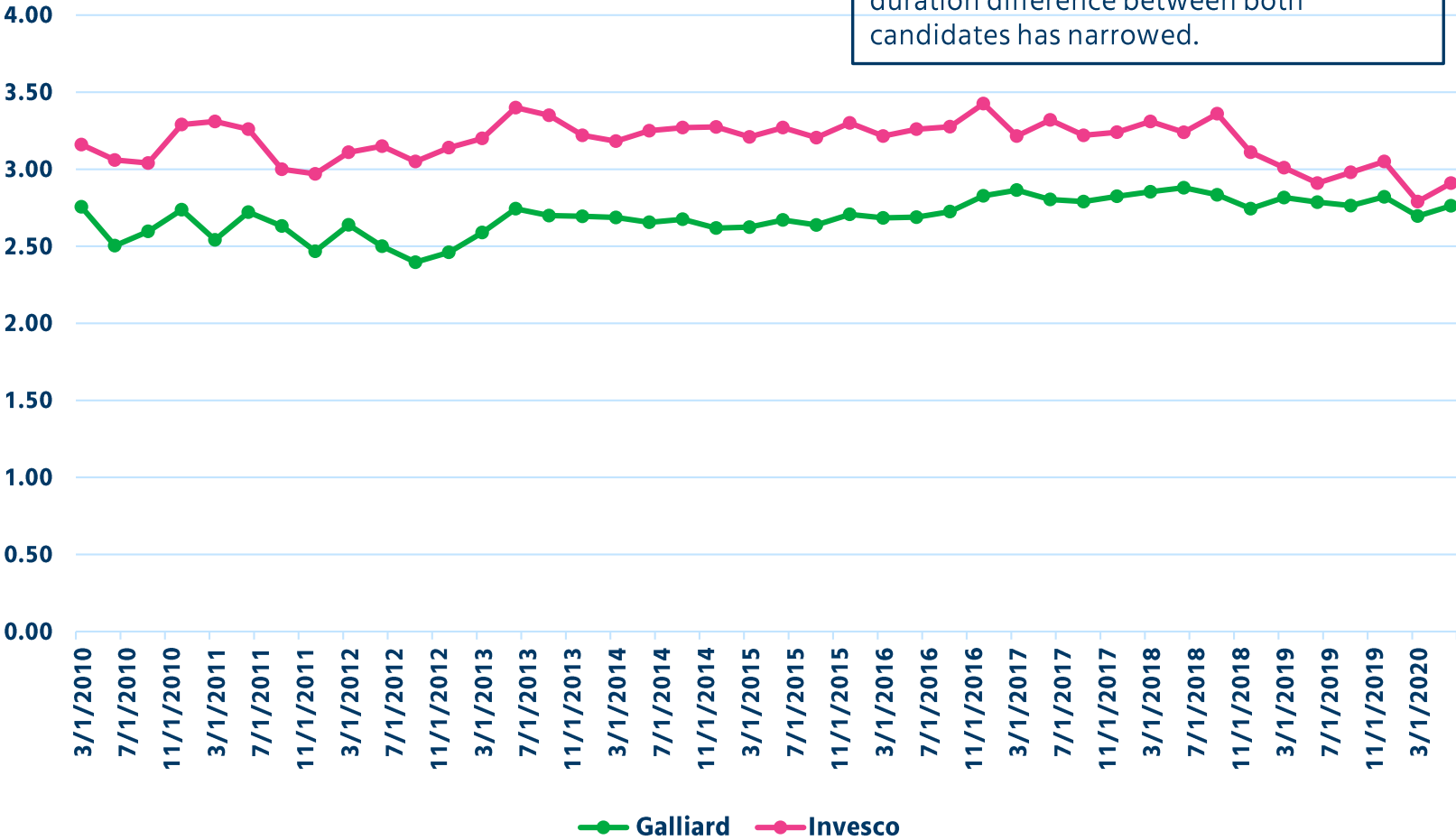
Galliard	2.8	2.5	2.6	2.7	2.5	2.7	2.6	2.5	2.6	2.5	2.4	2.5	2.6	2.7	2.7	2.7	2.7	2.7	2.7	2.6	2.6	2.7	2.6	2.7	2.7	2.7	2.7	2.8	2.9	2.8	2.8	2.8	2.9	2.9	2.8	2.7	2.8	2.8	2.8				
Invesco	3.2	3.1	3.0	3.3	3.3	3.3	3.0	3.0	3.1	3.2	3.1	3.1	3.2	3.4	3.4	3.2	3.2	3.3	3.3	3.3	3.2	3.3	3.2	3.3	3.2	3.3	3.2	3.4	3.2	3.3	3.2	3.2	3.3	3.2	3.4	3.1	3.0	2.9	3.0	3.1	2.8	2.9	2.9
	3/31/2010	6/30/2010	9/30/2010	12/31/2010	3/31/2011	6/30/2011	9/30/2011	12/31/2011	3/31/2012	6/30/2012	9/30/2012	12/31/2012	3/31/2013	6/30/2013	9/30/2013	12/31/2013	3/31/2014	6/30/2014	9/30/2014	12/31/2014	3/31/2015	6/30/2015	9/30/2015	12/31/2015	3/31/2016	6/30/2016	9/30/2016	12/31/2016	3/31/2017	6/30/2017	9/30/2017	12/31/2017	3/31/2018	6/30/2018	9/30/2018	12/31/2018	3/31/2019	6/30/2019	9/30/2019	12/31/2019	3/31/2020	6/30/2020	9/30/2020



Investment Approach and Process

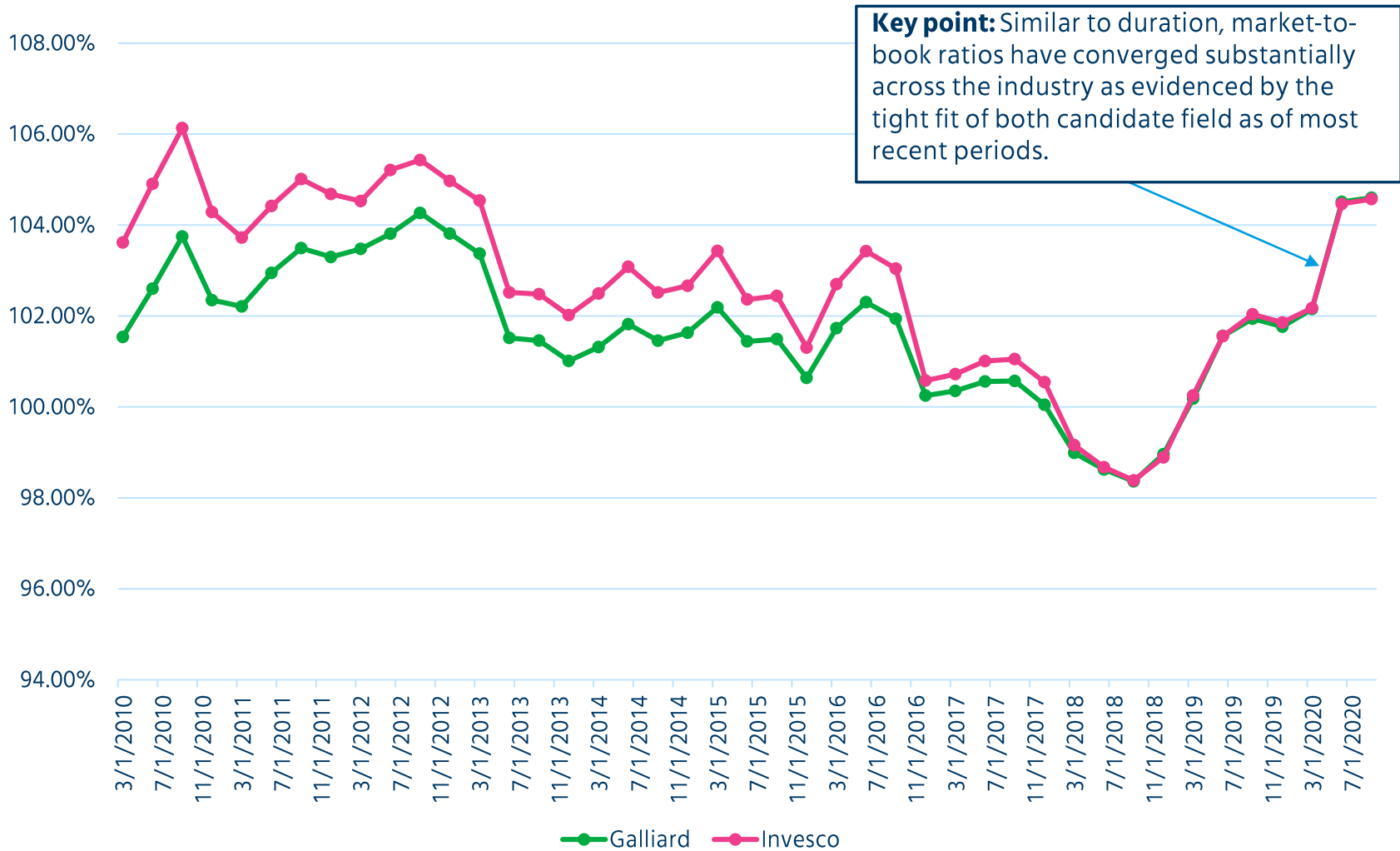
Historical Duration

Key point: Over the recent periods, the duration difference between both candidates has narrowed.



Investment Approach and Process

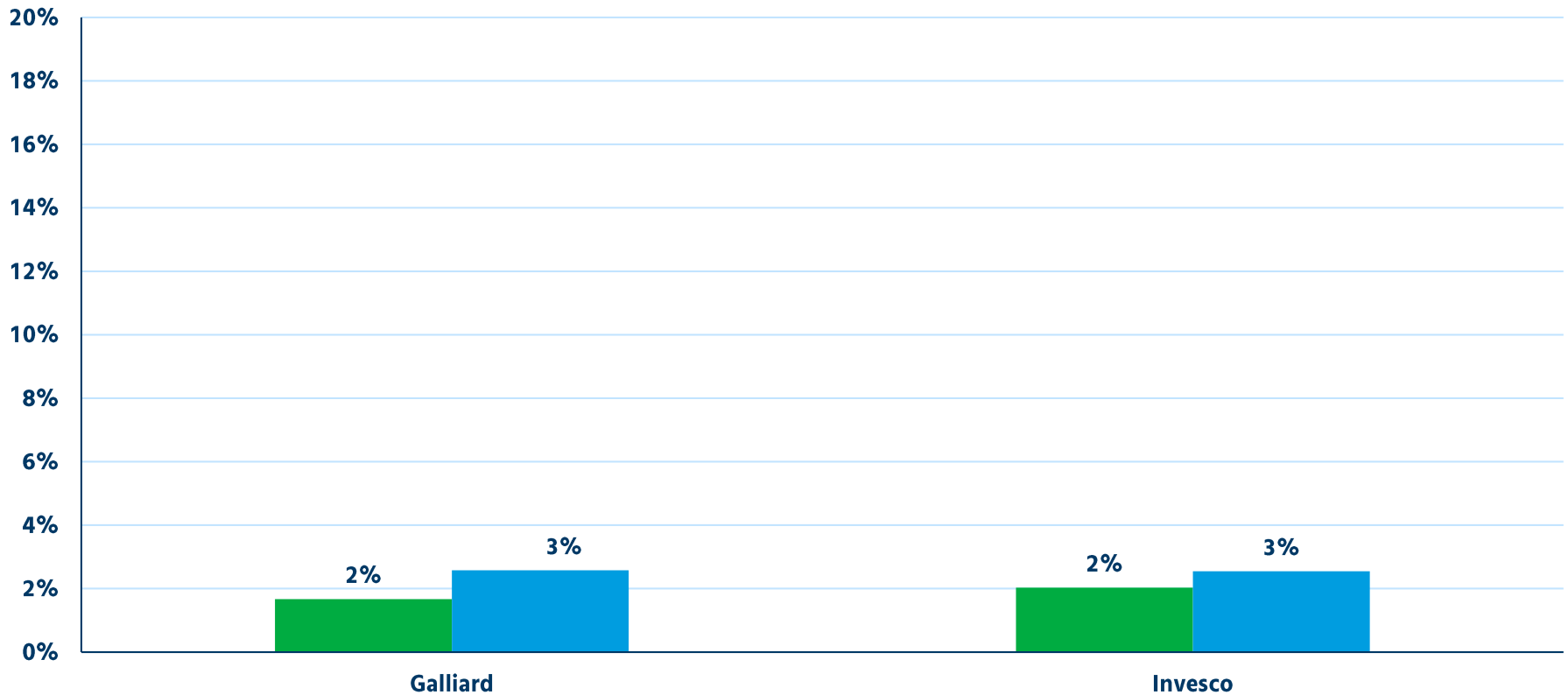
Market to Book Value



DCP SV Asset Impact on Manager's SV Business

- For the two finalists, the DCP's stable value assets would represent less than 5% of either their overall stable value assets or separate account assets.
- DCP Policy has been to target less than 20% of strategy AUM at time of hire.

DCP's SV Assets as a Portion of Manager's Stable Value Assets*



■ DCP's SV Assets as % of Manager's Total SV Assets

■ DCP's SV Assets as % of Manager's Total Separate Account Assets

* Data as of 6/30/2020.

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