Location: Microsoft Teams

Date: Wednesday, February 9, 2022

Time: 10:30 am

- Joseph Peychaud, Chair
- Ralph Johnson
- Alejandra Guzman
- Maurice Sholas
- Harold Heller
- Latressia Matthews
- Kenneth Davis
- Mubashir Maqbool

Pension Committee Meeting Agenda

February 2022 Pension Link

+1 504-224-8698,,865962483# **United States, New Orleans**

Phone Conference ID: 865 962 483#

PUBLIC COMMENT WILL BE ACCEPTED VIA EMAIL TO BOARDRELATIONS@SWBNO.ORG . ALL PUBLIC COMMENTS MUST BE RECEIVED PRIOR TO 11:00 AM ON February 9, 2022. COMMENTS WILL BE READ VERBATIM INTO THE RECORD.

I. Roll Call

II. Presentation Item

a) Executive Summary of 2021 Market Performance and 2022 Outlook Report – Marquette Associates, Inc.

III. Action Item

a) Resolution (R-042-2022) to accept the Amended Sewerage & Water Board of New Orleans Employees' Pension Trust Fund Investment Policy Statement in accordance with (R-134-2021) which adopted the new Asset Allocation for the Employees' Retirement System of the Sewerage and Water Board of New Orleans

IV. Information Items

a) December 2021 Supplemental Performance Report – Marquette Associates, Inc.

b) Amended Sewerage & Water Board of New Orleans Employees' Pension Trust Fund Investment Policy Statement

V. Public Comment

Public comments received until 30 minutes after the presentation of the Agenda will be read into the record.

VI. Adjournment

This teleconference meeting is being held pursuant to and in accordance with the provisions of Section 4 of Proclamation Number JBE 2020-30, extended by Proclamation 7 JBE 2022, pursuant to Section 3 of Act 302 of 2020.

Marquette Associates

December 2021
Executive Summary

U.S. Economy

Commodities and equities led in 2021

2021 YTD*	2020	2019	2018	2017	2016	2015	2014	2013	2012	5yr	10yr
Commodities 40.4%	Broad U.S. Equities 20.9%	Large Cap 31.5%	Real Estate 6.7%	Emerging Markets 37.3%	Small Cap 21.3%	Real Estate 13.3%	Large Cap 13.7%	Small Cap 38.8%	Intl Small Cap 20.0%	Large Cap 18.5%	Large Cap 16.6%
Large Cap 28.7%	Small Cap 20.0%	Broad U.S. Equities 31.0%	Bank Loans 1.1%	Intl Small Cap 33.0%	High Yield 17.1%	Intl Small Cap 9.6%	Mid Cap 13.2%	Mid Cap 34.8%	Emerging Markets 18.2%	Broad U.S. Equities 18.0%	Broad U.S. Equities 16.3%
Broad U.S. Equities 25.7%	Large Cap 18.4%	Mid Cap 30.5%	Core Bond 0.0%	Broad Intl Equities 27.2%	Mid Cap 13.8%	Large Cap 1.4%	Broad U.S. Equities 12.6%	Broad U.S. Equities 33.6%	Intl Large Cap 17.3%	Mid Cap 15.1%	Mid Cap 14.9%
Mid Cap 22.6%	Emerging Markets 18.3%	Small Cap 25.5%	High Yield -2.1%	Intl Large Cap 25.0%	Broad U.S. Equities 12.7%	Core Bond 0.5%	Real Estate 11.8%	Large Cap 32.4%	Mid Cap 17.3%	Small Cap 12.0%	Small Cap 13.2%
Small Cap 14.8%	Mid Cap 17.1%	Intl Small Cap 25.0%	Hedge Funds -4.0%	Large Cap 21.8%	Large Cap 12.0%	Broad U.S. Equities 0.5%	Core Bond 6.0%	Intl Small Cap 29.3%	Broad Intl Equities 16.8%	Intl Small Cap 11.0%	Intl Small Cap 10.8%
Intl Large Cap 11.3%	Intl Small Cap 12.3%	Intl Large Cap 22.0%	Large Cap -4.4%	Broad U.S. Equities 21.1%	Commodities 11.4%	Hedge Funds -0.3%	Small Cap 4.9%	Intl Large Cap 22.8%	Broad U.S. Equities 16.4%	Emerging Markets 9.9%	Real Estate 9.0%
Real Estate 10.9%	Hedge Funds 10.9%	Broad Intl Equities 21.5%	Broad U.S. Equities -5.2%	Mid Cap 18.5%	Emerging Markets 11.2%	Bank Loans -0.4%	Hedge Funds 3.4%	Broad Intl Equities 15.3%	Small Cap 16.4%	Broad Intl Equities 9.6%	Intl Large Cap 8.0%
Intl Small Cap 10.1%	Broad Intl Equities 10.7%	Emerging Markets 18.4%	Mid Cap -9.1%	Small Cap 14.6%	Bank Loans 9.9%	Intl Large Cap -0.8%	High Yield 2.5%	Real Estate 11.0%	Large Cap 16.0%	Intl Large Cap 9.5%	Broad Intl Equities 7.3%
Hedge Funds 8.9%	Intl Large Cap 7.8%	Commodities 17.6%	Small Cap -11.0%	Hedge Funds 7.8%	Real Estate 8.0%	Mid Cap -2.4%	Bank Loans 2.1%	Hedge Funds 9.0%	High Yield 15.8%	Hedge Funds 7.0%	High Yield 6.8%
Broad Intl Equities 7.8%	Core Bond 7.5%	High Yield 14.3%	Intl Large Cap -13.8%	High Yield 7.5%	Broad Intl Equities 4.5%	Small Cap -4.4%	Emerging Markets -2.2%	High Yield 7.4%	Real Estate 10.5%	Real Estate 6.8%	Hedge Funds 5.6%
Bank Loans 5.4%	High Yield 7.1%	Core Bond 8.7%	Commodities -13.8%	Real Estate 7.0%	Core Bond 2.6%	High Yield -4.5%	Broad Intl Equities -3.9%	Bank Loans 6.2%	Bank Loans 9.4%	High Yield 6.3%	Emerging Markets 5.5%
High Yield 5.3%	Bank Loans 2.8%	Hedge Funds 8.4%	Broad Intl Equities -14.2%	Commodities 5.8%	Intl Small Cap 2.2%	Broad Intl Equities -5.7%	Intl Large Cap -4.9%	Commodities -1.2%	Hedge Funds 4.8%	Bank Loans 4.3%	Bank Loans 4.8%
Core Bond -1.5%	Real Estate 1.6%	Bank Loans 8.2%	Emerging Markets -14.6%	Bank Loans 4.2%	Intl Large Cap 1.0%	Emerging Markets -14.9%	Intl Small Cap -4.9%	Core Bond -2.0%	Core Bond 4.2%	Core Bond 3.6%	Core Bond 2.9%
Emerging Markets -2.5%	Commodities -23.7%	Real Estate 6.4%	Intl Small Cap -17.9%	Core Bond 3.5%	Hedge Funds 0.5%	Commodities -32.9%	Commodities -33.1%	Emerging Markets -2.6%	Commodities 0.1%	Commodities 2.8%	Commodities -5.5%

Source: Bloomberg as of December 31, 2021; hedge funds as of Nov. 30, 2021, real estate as of Sept. 30, 2021. Please see end of document for benchmark information.

Asset class outlook

		CHANGE	HEADWINDS		NEUTRAL	TAILWINDS	
U.S. Equities	Large-cap		□	□	■	□	□
	Mid-cap		□	□	■	□	□
	Small-cap		□	□	□	■	□
	Value		□	□	■	□	□
	Growth		□	■	□	□	□
Non-U.S. Equities	Developed large-cap		□	□	□	■	□
	Developed small-cap		□	□	□	■	□
	Emerging markets	▼	■	□	□	□	□
Fixed Income	Core bonds		□	□	■	□	□
	Bank loans	▲	□	□	■	□	□
	High yield		□	■	□	□	□
	EMD		□	□	□	■	□
Real Assets	Core real estate	▲	□	□	■	□	□
	Value-add real estate		□	□	□	■	□
	Infrastructure		□	□	□	■	□
Hedge Funds	Equity long/short		□	□	□	■	□
	Credit		□	■	□	□	□
	VRP		□	□	■	□	□
Private Equity	Buyout		□	□	□	■	□
	Venture Capital		□	□	□	■	□
Private Credit	Direct lending		□	□	□	□	■
	Distressed/opportunistic	▼	□	■	□	□	□

TAKEAWAYS

- **U.S.**: Tighter monetary policy and the potential for prolonged inflation could drive volatility higher for U.S. equity markets in 2022. A rise in interest rates could be particularly detrimental to growth-oriented equities. Small-cap value continues to present possible opportunities due to relatively attractive multiples and exposure to the financials sector. Future U.S. equity market returns will likely not keep pace with those of recent years.
- **Non-U.S.**: Central banks in developed countries are expected to start raising rates, joining several emerging market countries that started the hike cycle in 2021. A stronger U.S. dollar (due to inflation and higher rates) combined with unfavorable geopolitical events figure to weigh on EM performance in the short term. However, a rising rate environment may favor developed non-U.S. stocks. These markets feature more exposure to financials and other cyclicals that can benefit from higher interest rates.
- **Fixed Income**: Rates are low, spreads are tight, and the Fed is expected to hike rates during 2022. Bank loans' floating rate mechanism should help to preserve value as rates rise and inflation remains high. EMD has further runway for spread tightening and presents the most attractive valuation among fixed income sectors.
- **Real Assets**: Relative outperformance opportunities are expected to persist within industrial, multifamily, and select specialty sectors. Increasing inflationary concerns and a rising interest rate environment may exert downward pressure on valuations. Infrastructure is an effective vehicle to manage long-term liabilities and inflation.
- **Hedge Funds**: The opportunity in credit is limited given tight credit spreads. High valuations and the explosion of IPOs in 2021 should provide opportunities on the short side, and historically hedge funds have performed well during periods of rising interest rates and higher inflation
- **Private Equity:** Private equity remains an attractive asset class; particularly attractive are the small buy-out and early-stage venture sectors while we are cautious on late-stage venture. Risks to monitor: increasing competition for assets and the impact of macro risks on the asset class, including but not limited to rising rates, wage pressures, and inflation.
- **Private Credit**: Direct lending is an attractive asset class against the backdrop of increased inflation and a potential rising rate environment, given a majority of loans contain floating interest rates linked to LIBOR. Investors continue to benefit from a strong structure and yield premium relative to traditional fixed income in a yield-starved environment. Distressed and opportunistic investment opportunities are few and far between in the current market and do not exhibit strong risk and reward dynamics compared to direct lending.

For illustration only. These views apply to a 6- to 12-month horizon; arrows in Change column represent change in view since last quarter. This summary of individual asset class views shows relative direction and strength of conviction but is independent of portfolio construction considerations. These views should not be construed as a recommended portfolio or investment advice. Past performance does not imply future returns.

2022 Market Themes

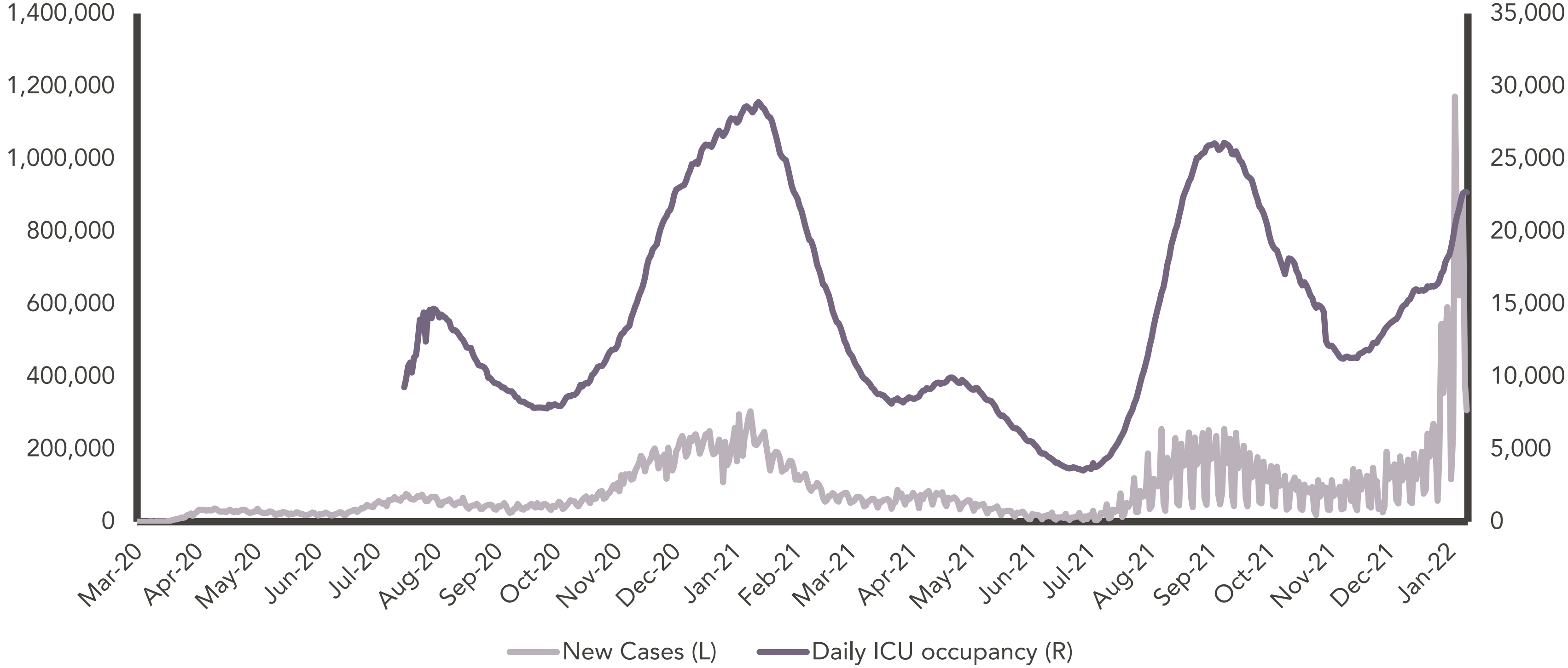
- **Inflation, inflation, inflation**: Inflation is expected to remain elevated through at least the first half of the year and will likely stay above the Fed's target of 2.5% until late 2023.
- **Interest rates will rise**: The Fed along with other central banks are expected to raise rates in 2022 but must balance controlling inflation without stifling growth as countries have not fully recovered from the pandemic.
- **Supply chain pressures should ease but labor shortages are still a concern**: As economies are expected to fully re-open by the second half of 2022, consumption dynamics will revert to pre-pandemic patterns and feature a renewed demand for services rather than goods, which will alleviate supply chain pressures. However, until the labor force participation rate normalizes, wage inflation remains a headwind for growth.
- **Limited opportunities in fixed income:** Low yields and tight credit spreads coupled with higher expected rates limit the upside potential of fixed income going into 2022.
- **Volatility expected to rise, earnings growth to slow**: Higher interest rates, divergent central bank policies, COVID overhang, labor shortages, wage pressures, and geopolitical risk will contribute to higher volatility and lower earnings growth in 2022.
- **Lower overall equity returns; reflation trade to resume?**: As rates rise and consumers revert to pre-pandemic consumption patterns, value stocks could benefit at the expense of growth stocks. Overall equity returns will be muted compared to the last two years.
- **Alternatives can mitigate inflation**: Hedge funds, real estate, infrastructure, and private markets have all shown to perform well during inflationary environments.

U.S. economy overview

- Omicron to peak in mid-to late-January, consistent with its pattern in other countries
- Fed expected to complete its taper by end of March, removing significant stimulus from the economy
- Inflation will persist through 2022, but expected to moderate in second half of the year
- Fed is currently projected to hike three times in 2022, with first hike expected in March; inflation and growth will impact the timing and magnitude of hikes
- Labor market shortages continue to push wages higher as participation rate is still below pre-pandemic levels
- Pent up-demand and savings from pandemic should fuel strong growth, particularly in the second half of the year
- Supply chain pressures should ease as consumption drifts back towards more services rather than goods

Again? COVID cases hit an(other) all-time high

The U.S. is experiencing an average of 700,000 new cases per day causing a spike in ICU occupancy*

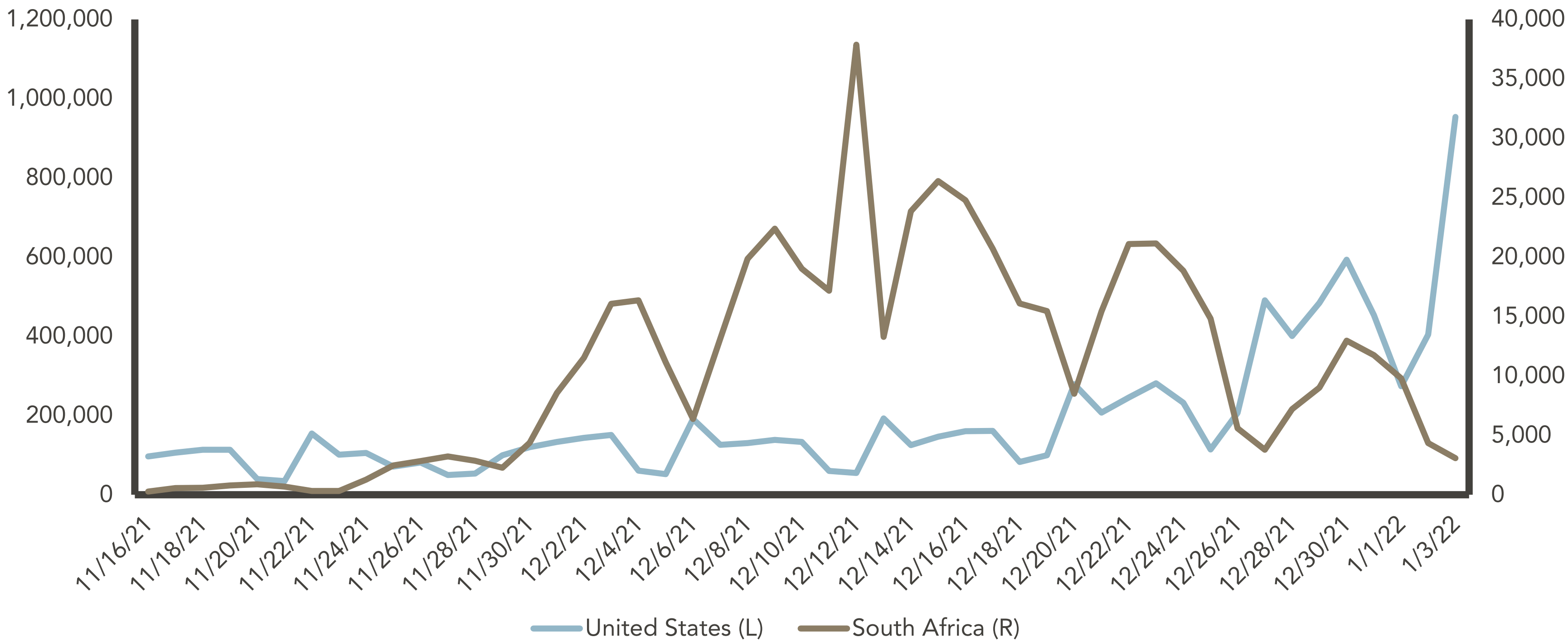


Sources: Marquette Research, Oxford University Our World In Data; latest available as of January 7, 2022. Note: ICU Data tracking began in July of 2020.

Omicron could peak soon in the U.S.

Omicron peaked in South Africa in the middle of December, close to one month after it emerged; if U.S. trend is similar Omicron will peak by the end of January

COVID cases in the U.S. vs. South Africa since emergence of Omicron



Source: Our World in Data; latest available as of January 9, 2022

Fixed Income

Fixed income: Rates expected to rise as Fed tapers and hikes

Elevated inflation and strong rebound from COVID will likely drive rates higher, but spreads expected to remain tight

		1 Mo (%)	3 Mo (%)	YTD (%)	1 Yr (%)	3 Yr (%)	5 Yr (%)	10 Yr (%)
Broad Market Indices	Blm Aggregate	-0.26	0.01	-1.54	-1.54	4.79	3.57	2.90
Intermediate Indices	Blm Int. Gov./Credit	-0.13	-0.57	-1.44	-1.44	3.86	2.91	2.38
Government Only Indices	Blm Long Gov.	-1.42	3.05	-4.57	-4.57	8.78	6.53	4.53
	Blm Int. Gov.	-0.26	-0.58	-1.69	-1.69	3.02	2.32	1.68
	Blm 1-3 Year Gov.	-0.21	-0.58	-0.60	-0.60	2.03	1.62	1.10
	Blm U.S. TIPS	0.32	2.36	5.96	5.96	8.44	5.34	3.09
Credit Indices	Blm U.S. Long Credit	-0.37	1.52	-1.18	-1.18	11.37	7.64	6.42
	Blm High Yield	1.87	0.71	5.28	5.28	8.83	6.30	6.83
	CS Leveraged Loan Index	0.63	0.71	5.40	5.40	5.43	4.32	4.83
Securitized Bond Indices	Blm MBS	-0.09	-0.37	-1.04	-1.04	3.01	2.50	2.28
	Blm ABS	-0.16	-0.57	-0.34	-0.34	2.87	2.39	2.04
	Blm CMBS	-0.16	-0.64	-1.16	-1.16	4.98	3.80	3.68
Non-U.S. Indices	Blm Global Aggregate Hedged	-0.41	0.04	-1.39	-1.39	4.06	3.39	3.49
	JPM EMBI Global Diversified	1.40	-0.44	-1.80	-1.80	5.94	4.65	5.28
	JPM GBI-EM Global Diversified	1.56	-2.53	-8.75	-8.75	2.07	2.82	0.74
Municipal Indices	Blm Municipal 5 Year	0.13	0.04	0.34	0.34	3.34	2.97	2.38
	Blm HY Municipal	0.26	1.16	7.77	7.77	7.75	7.53	6.72

Note: The local currency GBI index is hedged and denominated in U.S. dollars. Sources: Bloomberg, Credit Suisse, JPMorgan, as of December 31, 2021

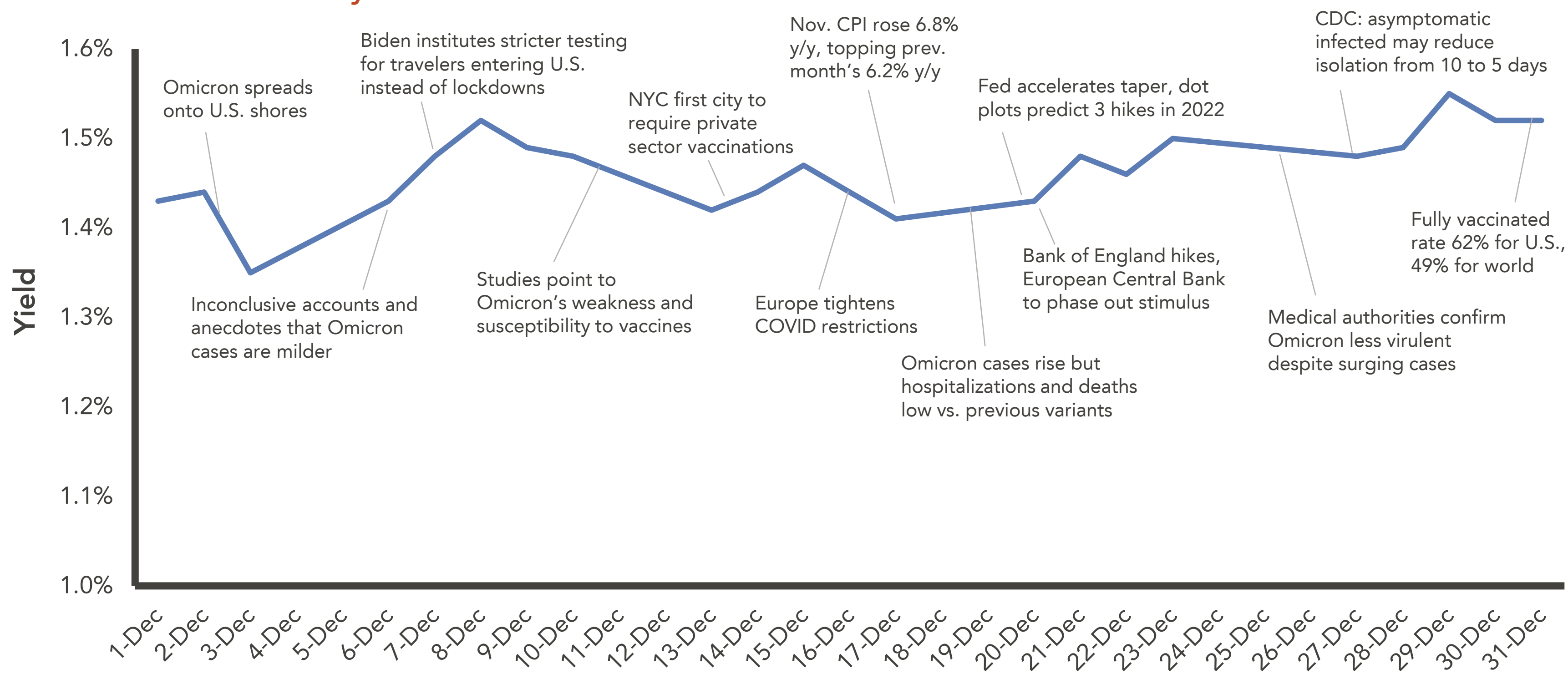
Themes for the year/quarter

- **Yield curve:** With the gradual reopening through 2021 – despite the Omicron surge at the tail end of the year - the yield curve generally rose across the board, with the 2-year rising from 0.13% to 0.73% through the year, the 10-year rising from 0.93% to 1.52% and the 30-year rising from 1.65% to 1.90%
- **Spreads:** Credit spreads also generally tightened through the year:
  - Agg's OAS tightened from 43bp to 36bp
  - CS Lev Loan 3yr discount margin from 486bp to 439bp
  - Bloomberg HY OAS from 359bp to 283bp
  - However, JPMorgan EMBI Global Diversified (hard currency sovereign EMD) spreads widened from 352bp to 369bp given the lagged vaccine access in the developing world
- **Vaccine proliferation:**
  - FDA authorizing Pfizer vaccine for children; Moderna announcing its vaccine is safe for children
  - GE and Union Pacific requiring vaccines; FDA authorizing Moderna and J&J boosters; Pfizer booster at 95.6% efficacy
- **Idiosyncratic shocks widened spreads:** But fears subsided, tightening spreads back in
  - Evergrande contagion fears resume from previous month but recede; sell-off surged in Chinese property developers as more are at elevated risk of default despite Evergrande paying overdue interest
  - Debt ceiling neared but deal was struck to lift ceiling
  - Tech sector sell-off with investors profit-taking
- **Strong earnings reports kept tightening pressure on spreads:**
  - 3Q earnings results largely strong, especially from large banks like BofA, Citi, and MS
  - Albertsons, J&J , Intel, Chipotle, and Mattel reported favorable 3Q earnings results
- **Omicron:**
  - Moderna and Pfizer have already mobilized to produce updated vaccines against Omicron, which would be expected to help tighten spreads further once more news of their progress is released
  - Concerns over Omicron surge quickly faded as the variant's low virulence tightened spreads and steepened the yield curve at the tail end of the quarter

December: 10-year yield rises, Omicron concern wanes

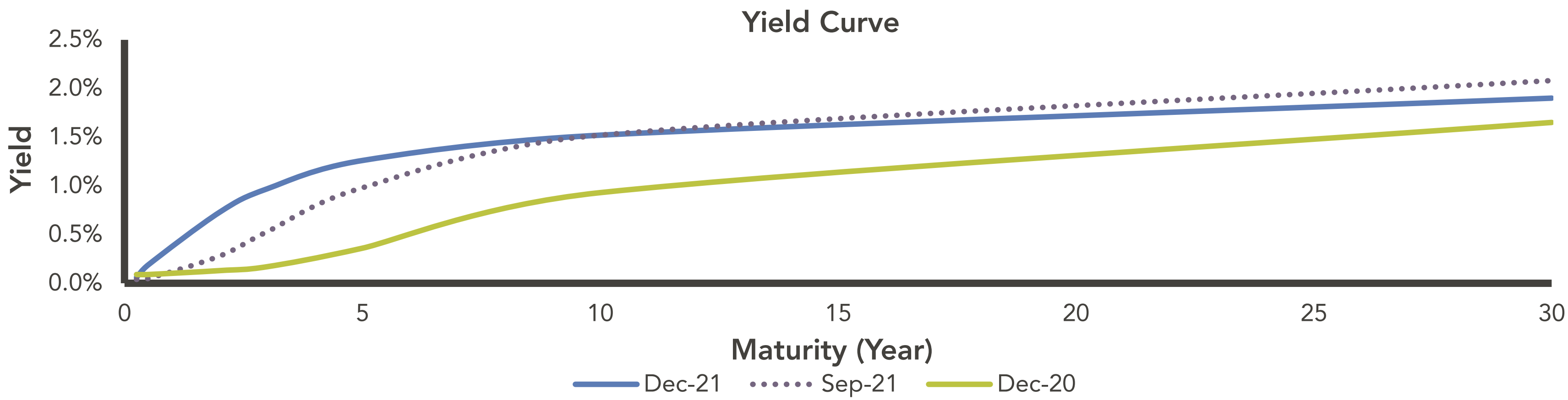
As medical authorities confirm the weakness and susceptibility of Omicron to vaccines, markets were risk-on despite a hawkish Fed

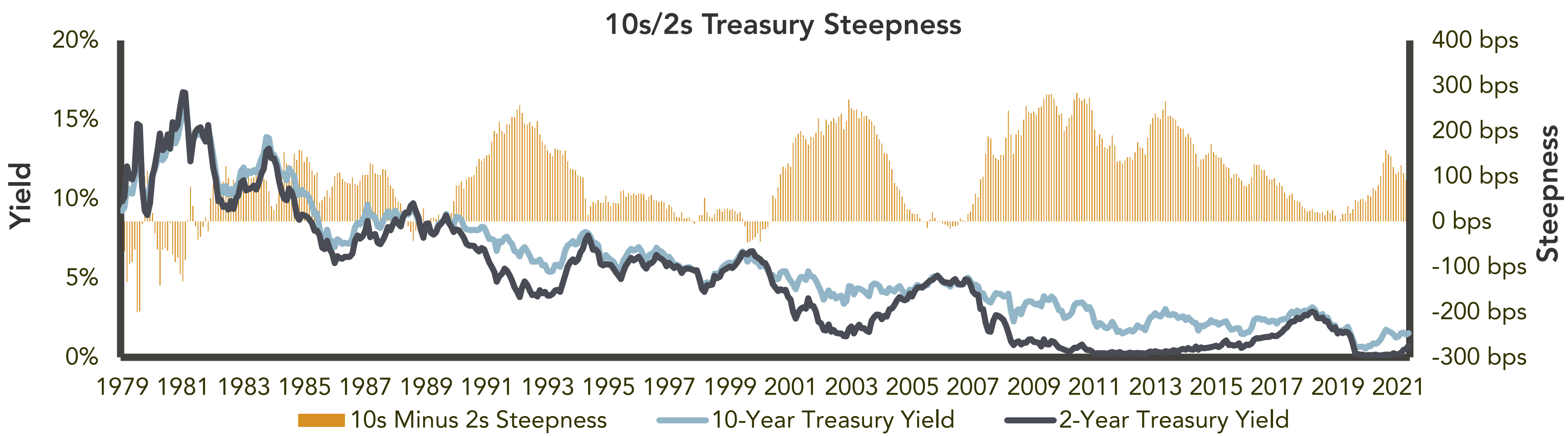
10-Year Treasury Yield



Sources: Marquette Research, Federal Reserve as of December 31, 2021

Expect more curve flattening as Fed removes stimulus





Source: Federal Reserve as of December 31, 2021

Risks and opportunities for fixed income

Opportunities

Still positive on credit
Spread sectors are favored over government bonds as vaccination rates in the U.S. and globally are not yet at herd immunity levels, thus providing further runway for spread-compression.

Fundamentals strong
While spreads are generally tight, fundamentals remain strong and default rates remain low--both are expected to remain favorable through 2022. Bank loans are attractive for their floating-rate feature given the expected rise in rates and stronger yield from lower-quality corporate credit.

Advocating shorter duration and lower-quality credit
A shorter duration stance to guard against rising rates as well as an overweight to corporate and securitized credit with an emphasis on higher-yielding, lower-quality tiers to generate stronger income could pay off in the current environment.

Emerging markets debt favored
Emerging markets debt is favored for the lagged vaccine access in developing countries and longer runway for spread-tightening to come.

Risks

Stimulus pullback
The dual dynamics of elevated inflation and strong growth in the global economy are expected to result in continued upward pressure for yields. With the Fed having begun and subsequently accelerated its tapering, we expect rate hikes before 2022 ends. Across the globe, many central banks have also started to pull back on stimulus.

Over-tapering, over-hiking
Key risks are over-tapering and/or over-hiking from the Fed, as well as either higher or lower than expected inflation that may cause inaccurate policy or market moves. We expect volatility to remain elevated.

Inflation breakevens
With the Delta and Omicron surges in 2021 keeping supply chains constrained, inflation expectations rose through 2021. Going into 2021, the 2-year inflation breakeven projected CPI to average 2.01% over the next two years; now, going into 2022, it projects an average of 3.22%. Going into 2021, the 5-year inflation breakeven projected CPI to average 1.97% over the next five years; now, going into 2022, it projects an average of 2.91%.The Fed has pivoted to an even more hawkish stance, focusing more on containing inflation than supporting the economy to reach maximum employment. It will accelerate the tapering of asset purchases going forward above and beyond the tapering that was initiated in November.

Takeaways: Rates expected to rise post-COVID

LOOKING BACK

- With the gradual reopening through 2021 - even with the Omicron surge at the tail end of the year - the yield curve generally rose across the board, with the 2-year rising from 0.13% to 0.73% through the year, the 10-year rising from 0.93% to 1.52% and the 30-year rising from 1.65% to 1.90%.
- Credit spreads also generally tightened through the year with the reopening despite the year-end Omicron surge. Idiosyncratic shocks widened spreads. But fears subsided, tightening spreads back in. Debt ceiling neared but deal was struck to lift ceiling. Strong earnings reports kept tightening pressure on spreads.
- Vaccine progress was very strong in 2021: FDA authorized Pfizer vaccine for children, Moderna announced its vaccine safe for children, GE and Union Pacific (among others) required vaccines, FDA authorized Moderna and J&J boosters, Pfizer booster at 95.6% efficacy. Moderna and Pfizer have already mobilized to produce updated vaccines against Omicron, which would be expected to help tighten spreads further once more news of their progress is released.

LOOKING AHEAD

- Spread sectors are favored over government bonds as the fully vaccinated rates in the U.S. and globally are not yet at herd immunity levels, thus providing more runway for spread-compression.
- While spreads are generally tight, fundamentals remain strong and default rates remain low--both are expected to remain favorable through 2022. Bank loans are favored for their floating-rate feature given the expected rise in rates and stronger yield from lower-quality corporate credit.
- A shorter duration stance to guard against rising rates as well as an overweight to corporate and securitized credit with an emphasis on higher-yielding, lower-quality tiers to generate stronger income could be attractive. Emerging markets debt is favored for the lagged vaccine access in developing countries and longer runway for spread-tightening to come.
- Key risks are over-tapering and/or over-hiking from the Fed, as well as either higher or lower than expected inflation that may cause inaccurate policy or market moves. We expect volatility to remain elevated.

U.S. Equities

U.S. stocks end 2021 on high note after strong December

U.S. equity markets performed extremely well in 2021, as the S&P 500 finished the year up 28.7%; mid- and small-cap core indices also posted double-digit returns during the year after a robust fourth quarter

	Month (%)	3-Month (%)	YTD (%)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)
Broad Market Indices							
Dow Jones	5.5	7.9	20.9	20.9	18.5	15.5	14.2
Wilshire 5000	3.9	9.6	26.7	26.7	26.1	18.1	16.4
Russell 3000	3.9	9.3	25.7	25.7	25.8	18.0	16.3
Large-Cap Market Indices							
S&P 500	4.5	11.0	28.7	28.7	26.1	18.5	16.6
Russell 1000	4.1	9.8	26.5	26.5	26.2	18.4	16.5
Russell 1000 Value	6.3	7.8	25.2	25.2	17.6	11.2	13.0
Russell 1000 Growth	2.1	11.6	27.6	27.6	34.1	25.3	19.8
Mid-Cap Market Indices							
Russell Mid-Cap	4.1	6.4	22.6	22.6	23.3	15.1	14.9
Russell Mid-Cap Value	6.3	8.5	28.3	28.3	19.6	11.2	13.4
Russell Mid-Cap Growth	0.4	2.8	12.7	12.7	27.5	19.8	16.6
Small-Cap Market Indices							
Russell 2000	2.2	2.1	14.8	14.8	20.0	12.0	13.2
Russell 2000 Value	4.1	4.4	28.3	28.3	18.0	9.1	12.0
Russell 2000 Growth	0.4	0.0	2.8	2.8	21.2	14.5	14.1

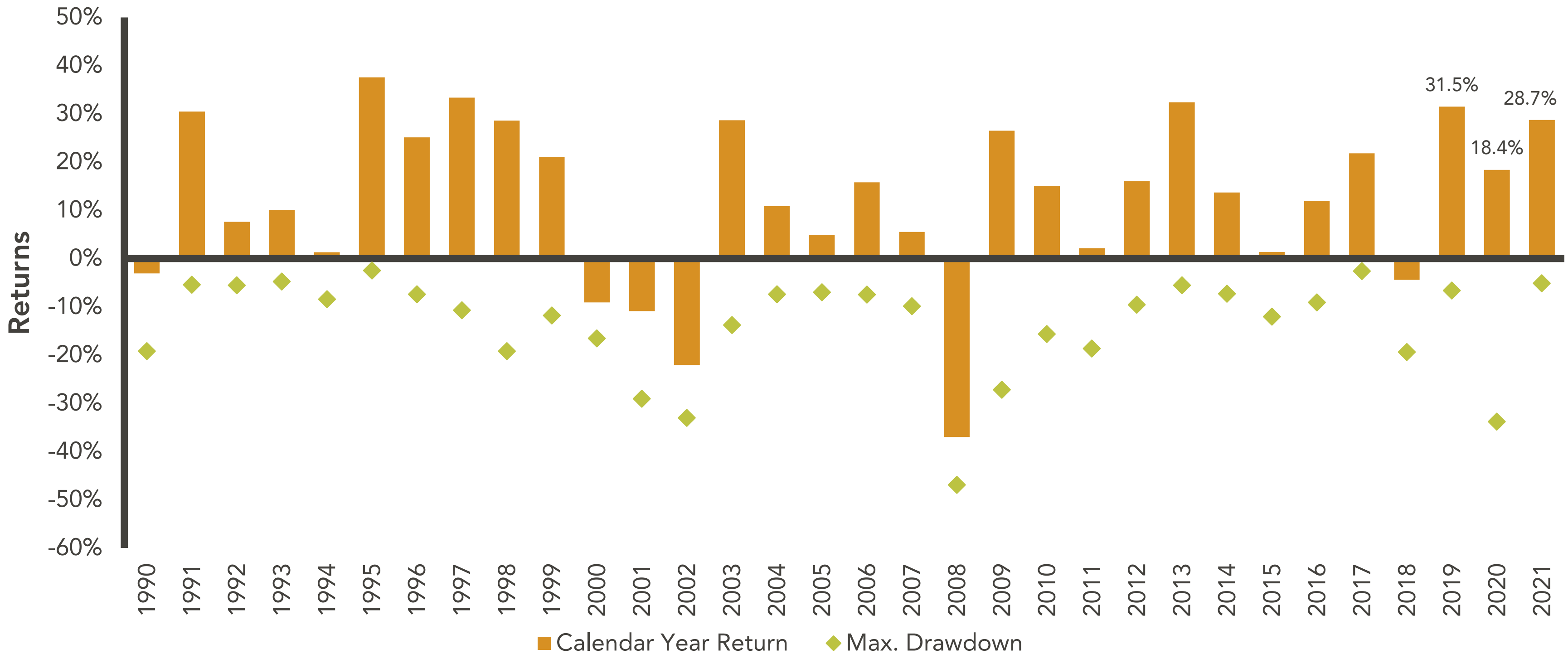
Source: Morningstar Direct as of December 31, 2021

Themes for the quarter

- December proved to be a strong month for U.S. equity markets, and most domestic stock indices finished the quarter having posted solid gains
  - Large-cap equities outperformed their smaller peers in both December and the fourth quarter, while style leadership depended on market capitalization segment; specifically, growth stocks led their value counterparts within the Large-cap space during the quarter, while the reverse was true in the Mid- and Small-cap areas of the market
  - After notching a return of 11.0% in the fourth quarter, the S&P 500 ended the year up 28.7%, making 2021 the fourth calendar year in the last five during which the index returned greater than 18.0%
- Most U.S. equity market valuations remain elevated across the size and style spectrums relative to historical norms, however some index multiples have experienced contraction due to strong earnings growth by many companies in those spaces in recent months; for the first time in the last several years, 2021 returns for U.S. equities were not driven by multiple expansion
- Despite a sharp increase near the beginning of December amid fears surrounding the Omicron variant of the COVID-19 virus, the VIX stabilized in the final weeks of 2021 and ended the year below its 20-year average

Strong returns, modest drawdowns for U.S. stocks in 2021

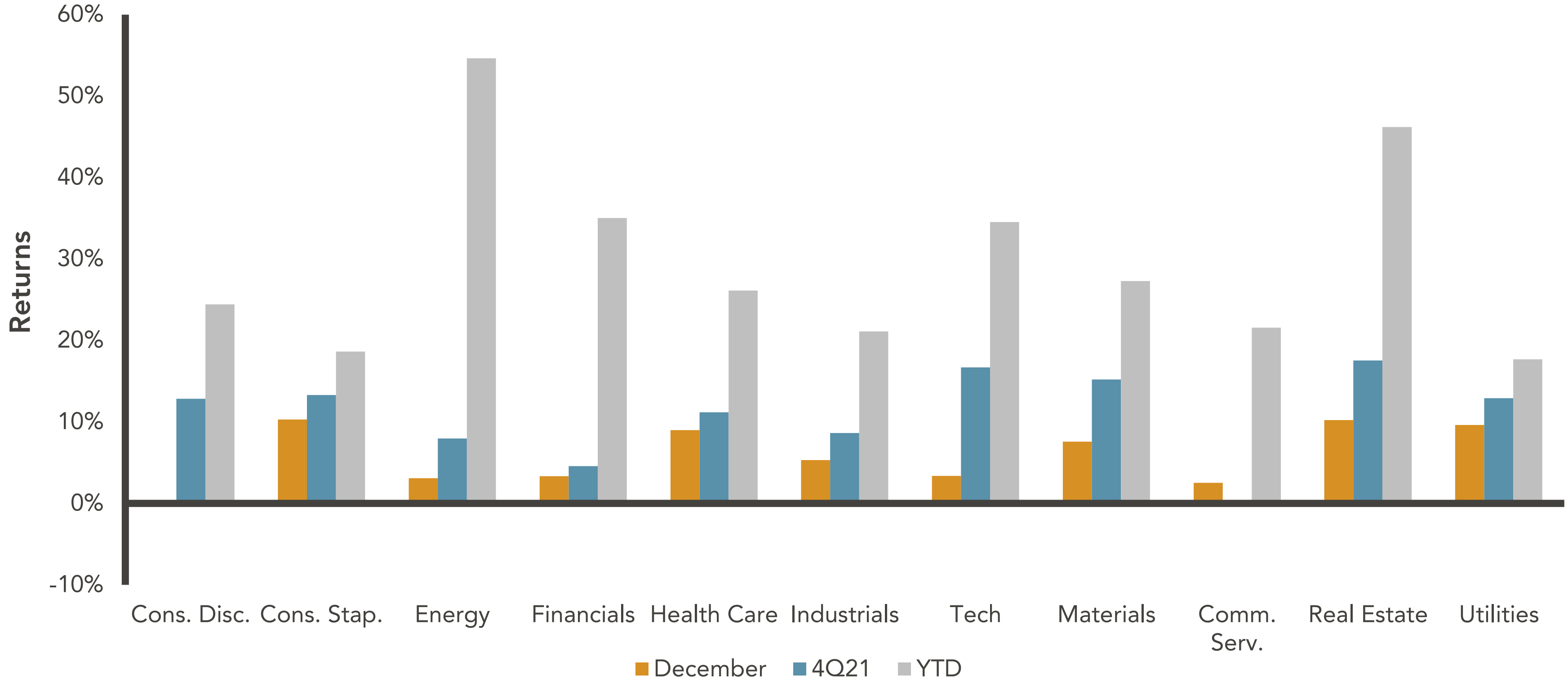
The S&P 500 exhibited a maximum drawdown of 5.1% during the year, meaning the index ended 2021 having gone roughly 18 months without a correction of 10% or greater



Source: Bloomberg as of December 31, 2021

All S&P 500 sectors post positive returns in 2021

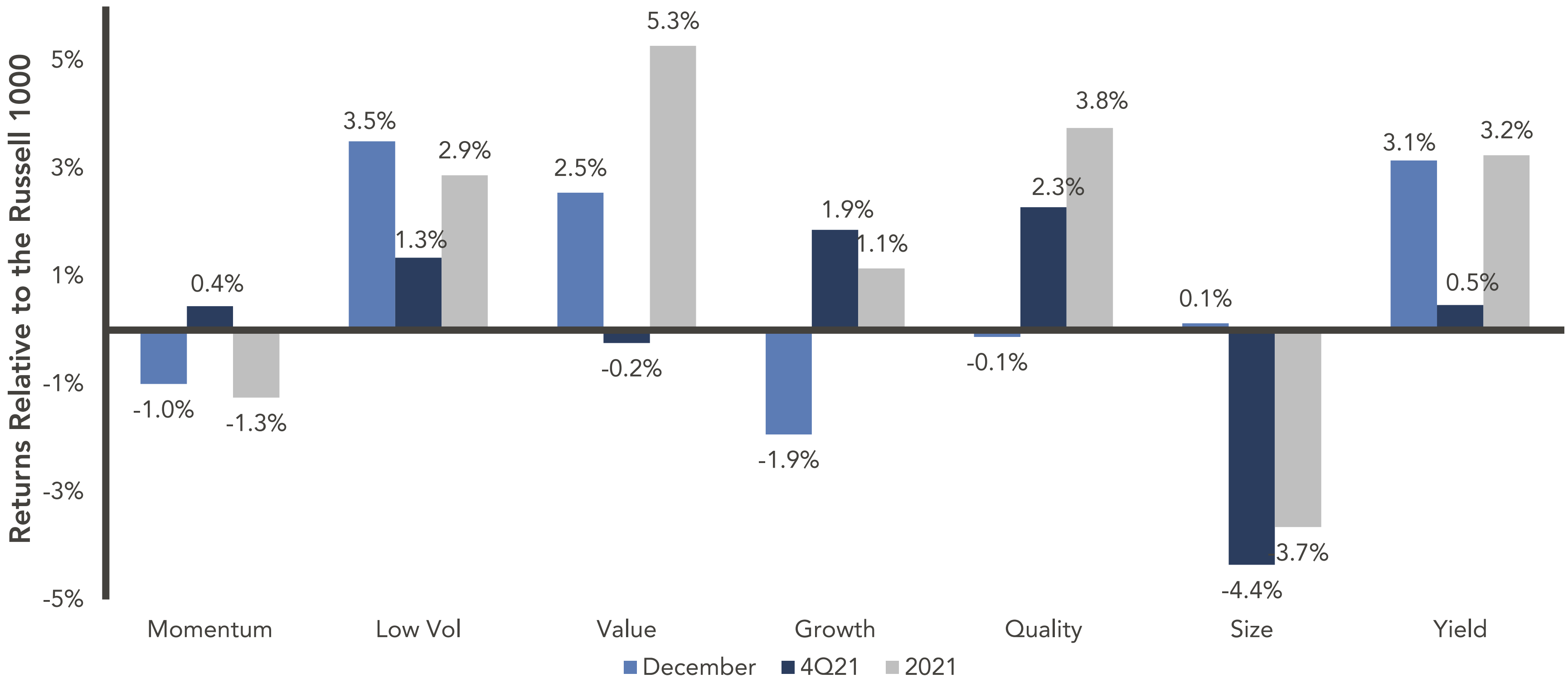
Energy, Real Estate, and Financials enjoyed a strong year, as each of these sectors notched returns in excess of 35.0% during 2021; Utilities was the worst-performing S&P 500 sector for the year, despite a gain of 17.7%



Source: Morningstar Direct as of December 31, 2021

Value and quality factors drive 2021 performance

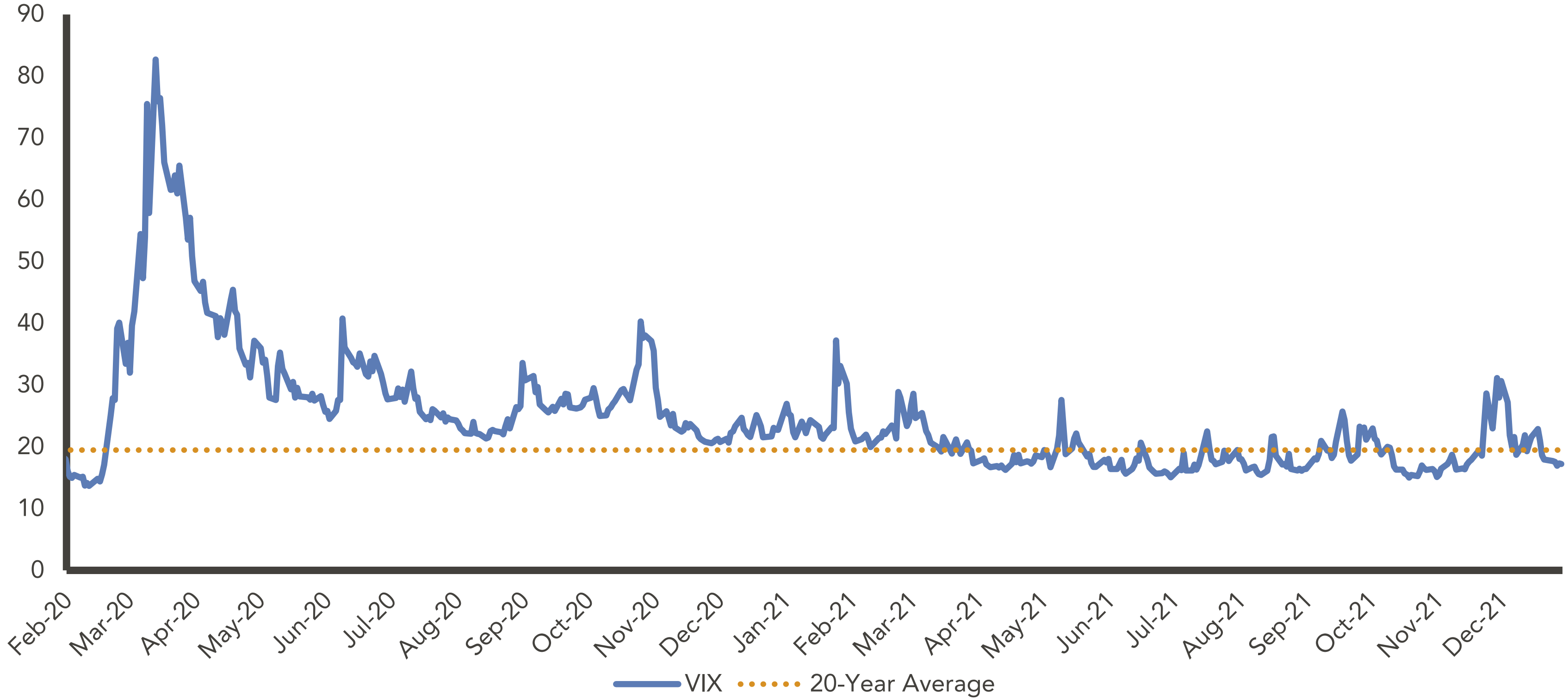
The size factor continued to struggle in the last quarter of the year, while the month of December saw value-oriented stocks add to their year-to-date leadership



Source: Bloomberg as of December 31, 2021

Market volatility ends the year below long-term average

Despite an uptick at the beginning of December amid fears concerning the Omicron variant, the VIX retreated in the last few months of the year and finished 2021 below its 20-year average



Source: Bloomberg as of December 31, 2021

Risks and opportunities in U.S. equities

Opportunities

U.S. equities still attractive relative to bonds
The 10-year Treasury yield did not rise materially during the fourth quarter, meaning stocks remain attractive when compared to fixed income securities; potential interest rate increases in the new year could lead to a decrease in the equity risk premium.

Economic growth, earnings likely to remain positive
Though growth is expected to be tempered in the coming year, many economists still expect the U.S. to post a GDP increase of 2–4%, which would be a respectable rate. This economic growth, combined with corporate earnings that surprised to the upside in the fourth quarter and will likely remain positive, would probably serve as a boon to equity prices.

Speculation, success of unprofitables may be waning
Unprofitable technology companies, which notched extreme gains in recent years, underwent significant repricing in 2021 despite strong performance from the tech sector overall. This may indicate that investors have renewed their appetite for fundamentally sound businesses, which could serve as a tailwind for active managers and more traditional sectors of the market.

Risks

Increasingly restrictive monetary policy likely in 2022
After a decade of historically easy money, future interest rate hikes and balance sheet tapering by the Federal Reserve could lead to volatility and hamper the near-term prospects of U.S. equities, particularly those stocks that are growth-oriented in nature.

Ongoing supply chain dislocations
Supply chain issues stemming from the ongoing COVID-19 pandemic will likely persist into the near future, which may serve to prolong the current inflationary period and disrupt equity market performance.

Domestic stock valuations remain lofty
Despite some compression in recent quarters due to strong earnings growth, multiples for many U.S. equity indices remain elevated relative to historical levels.

Potential mean reversion for U.S. equity returns
Simply put, performance for domestic stocks in the last several years has been well above the long-term average for the asset class. History suggests future returns may not keep pace with those of recent time.

Takeaways: Higher rates, lower earnings growth

LOOKING BACK

- 2021 proved to be yet another banner year for U.S. equity markets, with the S&P 500 and Russell 2000 indices posting returns of 28.7% and 14.8%, respectively, for the period
- Within the U.S. large-cap space, value-style equities began the year well in front of their growth-oriented counterparts, however this trend reversed as 2021 progressed; value leadership was more pronounced in the mid- and small-cap spaces in 2021
- Despite a few spikes due in part to fears surrounding the emergence of new strains of the COVID-19 virus, equity market volatility remained largely muted in 2021, and the VIX ended the year below its long-term average

LOOKING AHEAD

- Changes to the macroeconomic environment may have outsized impacts on U.S. equity markets in the coming months, as the Federal Reserve has indicated its intention to implement increasingly restrictive monetary policy for the first time in years (e.g., balance sheet tapering and rate hikes); growth-oriented equities are particularly likely to suffer from tighter Fed policy
- After a robust period, the S&P 500 is projected to experience a slow in its trajectory of corporate earnings in 2022 and beyond, though most sectors of the index are still expected to exhibit positive earnings growth in the next year
- Though strong earnings growth for many sectors of the market has led to some multiple compression in recent months, the valuations of most U.S. equity indices remain elevated relative to historical levels
- U.S. stocks remain attractive relative to fixed income securities due to a positive equity risk premium, though an increase in interest rates could lead to a narrower premium in 2021

Non-U.S. Equities

A positive 2021 for global equities, except EM

Developed markets outperform EM as China faced a challenging year, losing 21.7%

	Month (%)	3-Month (%)	YTD (%)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)
MSCI ACWI	4.0	6.7	18.5	18.5	20.4	14.4	11.9
MSCI ACWI ex. U.S.	4.1	1.8	7.8	7.8	13.2	9.6	7.3
MSCI EAFE	5.1	2.7	11.3	11.3	13.5	9.5	8.0
MSCI EAFE Local	4.3	3.9	18.7	18.7	13.4	8.4	10.1
MSCI Emerging Markets	1.9	-1.3	-2.5	-2.5	10.9	9.9	5.5
MSCI EM Local	1.5	-0.9	-0.2	-0.2	12	10.5	8.0
MSCI EAFE Small-Cap	4.4	0.1	10.1	10.1	15.6	11.0	10.8
MSCI EM Small-Cap	4.2	1.3	18.8	18.8	16.5	11.5	7.4
MSCI Frontier	1.5	0.7	19.7	19.7	12.7	9.6	7.3

Source: eVestment as of December 31, 2021

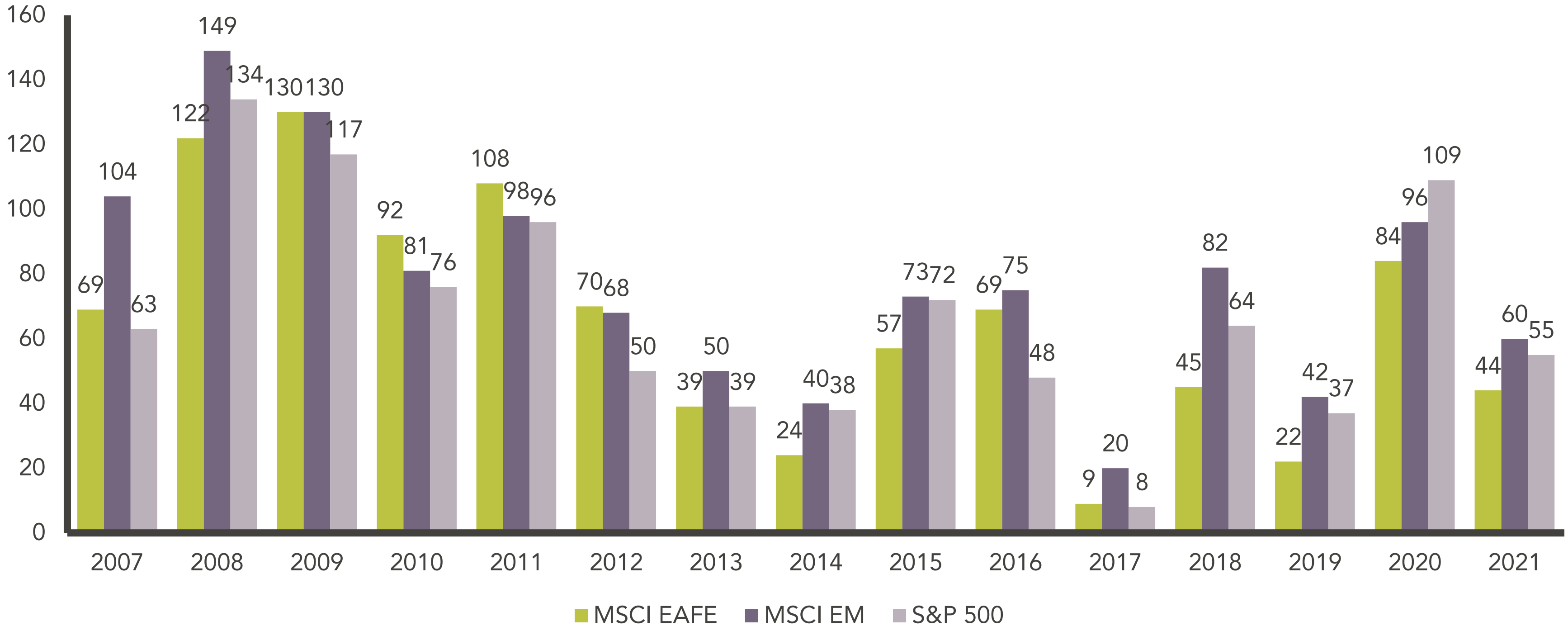
Themes for the quarter

- After a strong 2020, China lost 20.7% due largely to regulatory changes, default concerns, and a policy shift from all-out-growth to sustainable growth/common prosperity
- Non-U.S. developed markets outperformed emerging markets with positive earnings surprises and improved sentiment
- Within EM, the growth style came under pressure as China growth stocks sold off; style performance was more balanced in DM large-caps
- Energy was the strongest performing sector across global equities, boosting the value factor
- Global inflation accelerated through 2021

Global equities experienced less volatility in 2021

Emerging markets saw the most volatility amid China's changing regulatory landscape

Number of days with a 1% move or greater

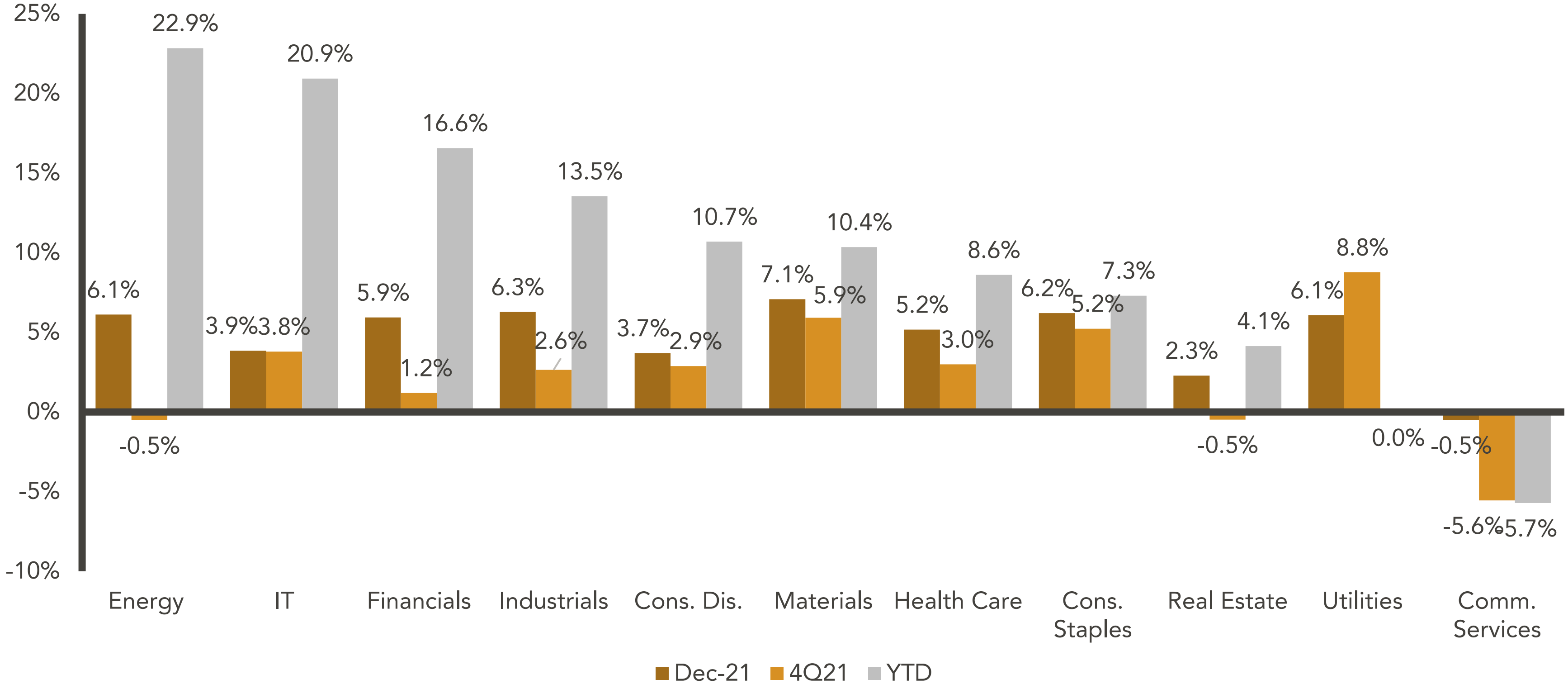


Source: Bloomberg as of December 31, 2021

MarquetteAssociates

MSCI EAFE: Cyclicals rebound from 2020 to lead

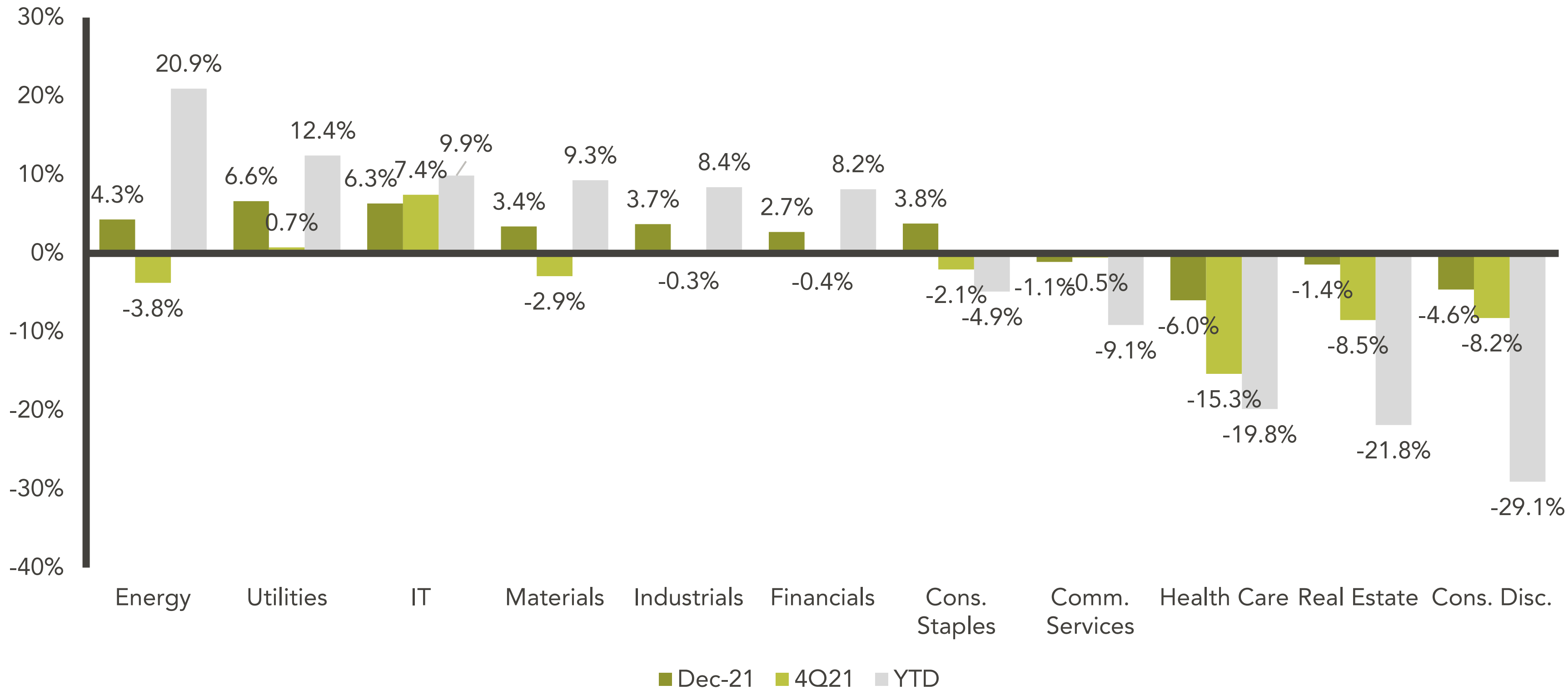
Energy, Financials, Industrials, and Materials produced double-digit returns



Source: Bloomberg as of December 31, 2021

MSCI EM: Cyclicals also rebound to lead in 2020

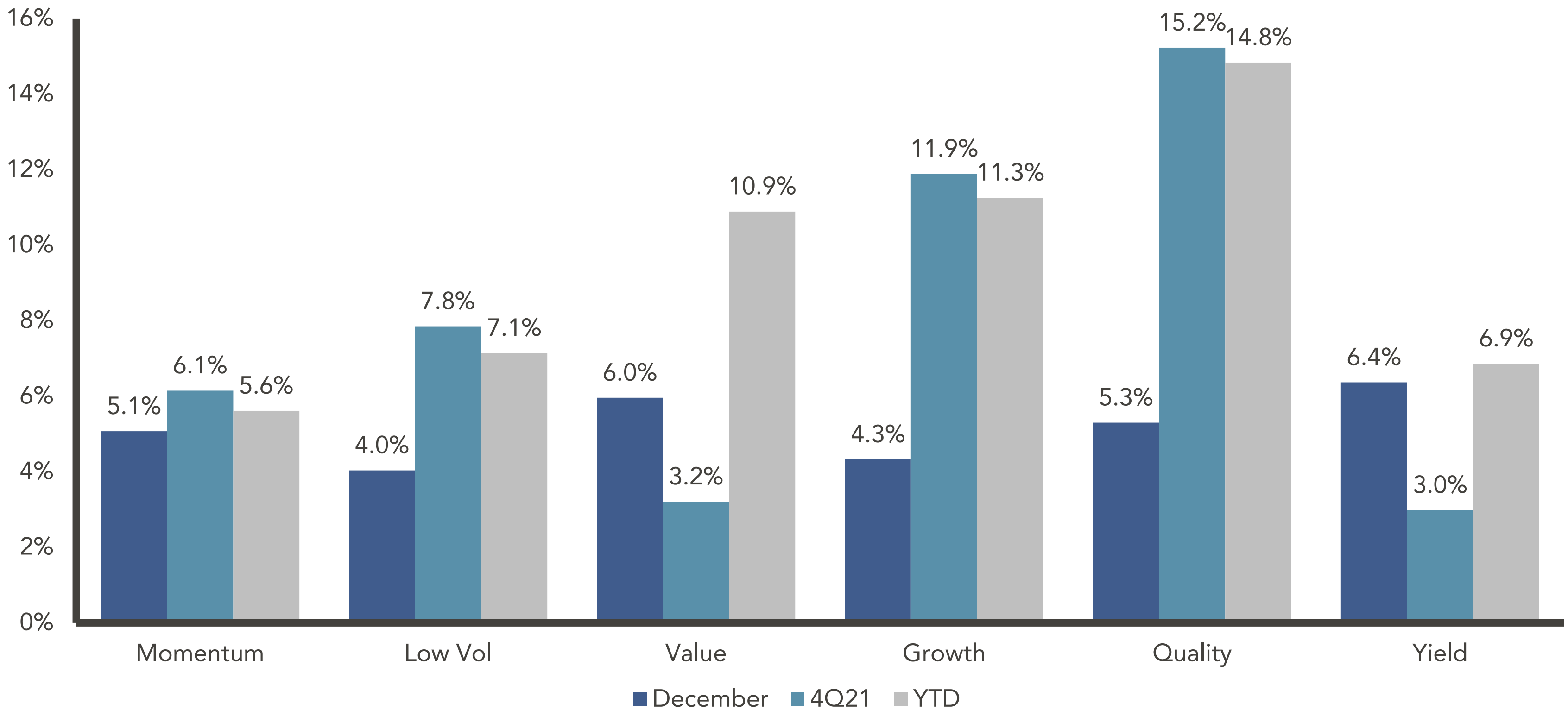
Consumer discretionary lost 29% in 2021 as Chinese stocks came under regulatory pressure



Source: Bloomberg as of December 31, 2021

MSCI EAFE factors: Quality leads in 2021

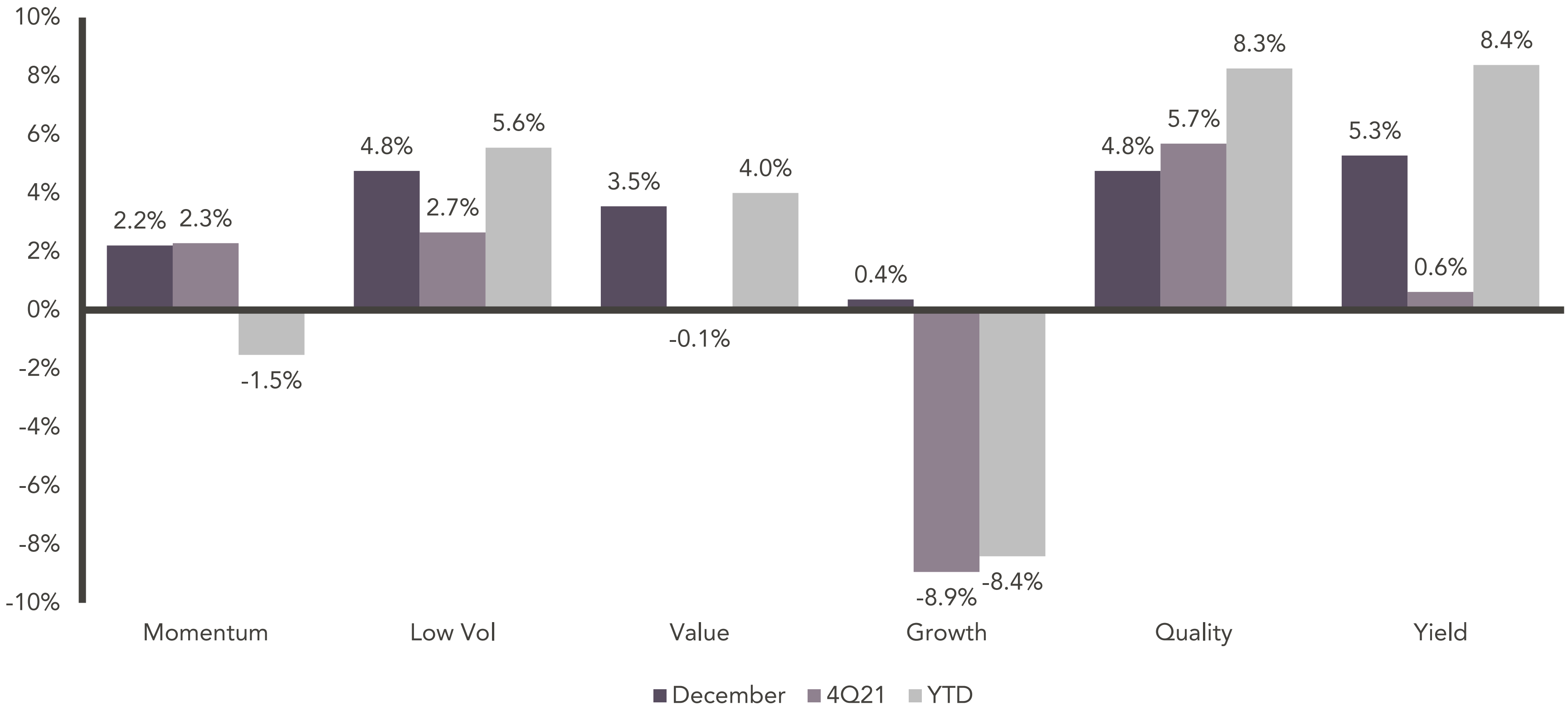
The value and growth delta was much smaller than years past



Source: eVestment as of December 31, 2021

MSCI Emerging Markets: Yield drives performance

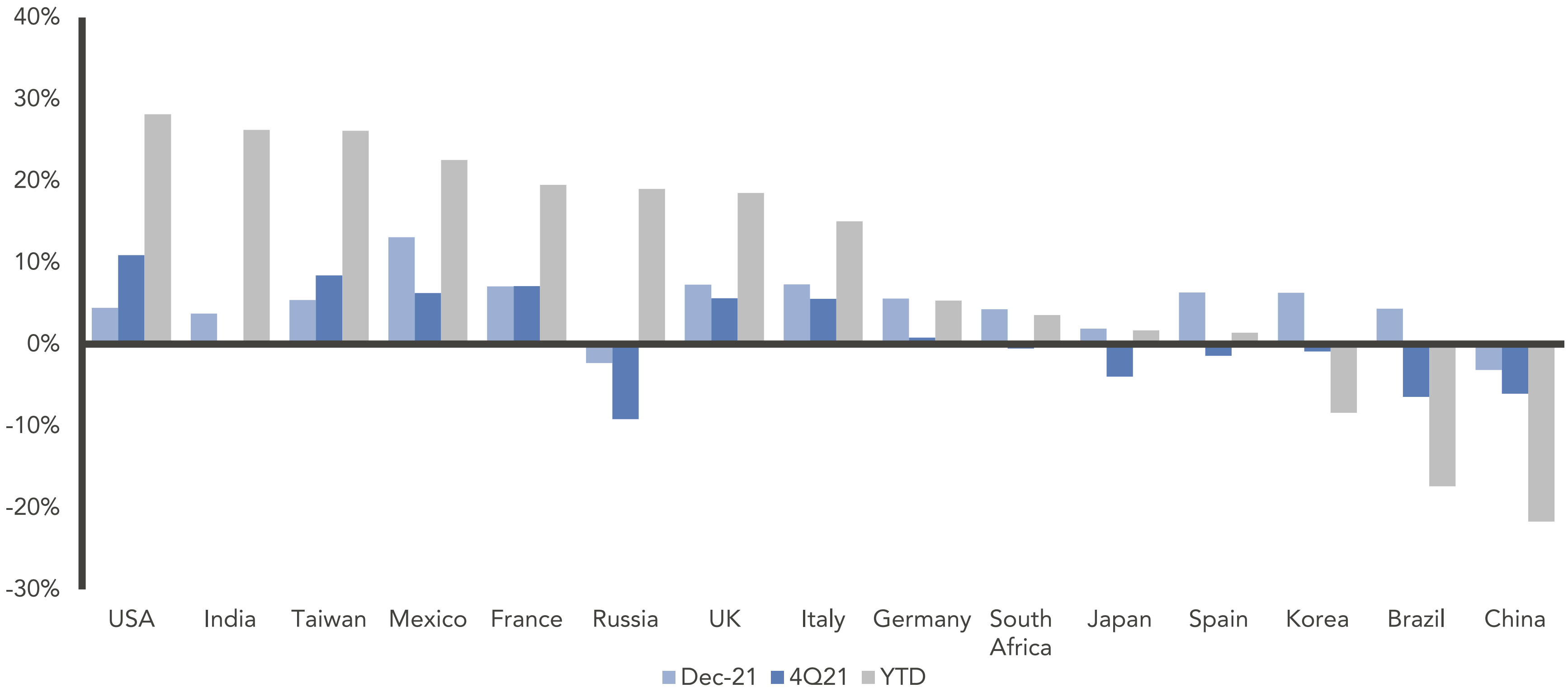
Value outperformed growth by 12.4% in 2021



Source: eVestment as of December 31, 2021

China struggled in 2021 amid drastic policy changes

Several other EM countries — India, Taiwan, Mexico — generated 20%+ returns



Source: Bloomberg as of December 31, 2021

Risks and opportunities for non-U.S. equities

Opportunities

Value may have further runway

As global central banks start and/or continue raising rates, value sectors may benefit relative to growth sectors. Additionally, the frothiness of growth stocks within the internet space force investors to look elsewhere for opportunities.

Non-U.S. developed markets are relatively attractive

The MSCI EAFE index has more exposure to cyclical sectors including financials. Historically, financials have benefitted from higher interest rates. Additionally, non-U.S. developed markets have seen improvement in profitability metrics.

China bounce back?

In a year when most global equities produced positive returns, China lost 21.7% in 2021. As investors adjust to the new policy environment, we think China may see a bounce back perhaps in the second half of 2022.

Risks

Higher interest rates and stronger USD

Higher interest rates and a strong USD serve as a headwind for emerging market equities. This asset class has a negative correlation with the movement of the dollar. We expect the early part of 2022 to present some road bumps for EM equities.

COVID-19

After two years, COVID-19 is still impacting our day-to-day lives as well as influencing market movements. The virus will likely continue its influence into at least the first half of 2022.

Geopolitical grappling

We see three key relationships to monitor in 2022. China - U.S., Russia - U.S./EU and China - Taiwan. Markets will likely be impacted by news that evolves from any of these three geopolitical relationships. These events are likely to influence emerging markets more than developed markets.

Summary: Rising rates, stronger USD, weaker EM in the short-term

LOOKING BACK

- China struggled in 2021 on regulatory changes, default concerns, and a policy shift
- Non-U.S. developed markets outperformed emerging markets on improving profitability metrics
- Value outperformed growth within EM as China growth stocks sold off
- Energy was the strongest performance sector across global equities, boosting the value factor
- Global inflation ticked up through 2021

LOOKING AHEAD

- Expect higher inflation, but higher inflation does not necessarily mean negative equity returns
- Developed markets will join emerging markets and begin the interest rate hike process
- Higher interest rates are likely to benefit the financial sector and other cyclical areas; this can serve as a tailwind for the MSCI EAFE Index as well as value stocks
- Higher inflation and higher interest rates will likely lead to a stronger U.S. dollar in the short-term, a headwind for emerging markets
- Negative news from geopolitical tensions are likely to have a larger impact on emerging markets equities compared to developed markets

Real Estate

Real estate expected to remain resilient

Despite the added uncertainty from the Omicron variant and other systemic risks, the outlook for commercial real estate remains positive amidst a growing economy

Indices	4Q21 (%)	YTD (%)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)
NPI	**6.2**	**17.7**	**17.7**	**8.4**	**7.8**	**9.3**
Income	1.1	4.2	4.2	4.3	4.4	4.9
Appreciation	5.1	13.1	13.1	3.9	3.2	4.3
NFI-ODCE	**8.0**	**22.2**	**22.2**	**9.2**	**8.7**	**10.5**
Income	1.0	4.0	4.0	4.0	5.1	4.6
Appreciation	7.0	17.6	17.6	5.0	4.5	5.7
FTSE NAREIT All Eq. REITs	**16.2**	**41.3**	**41.3**	**19.9**	**12.4**	**12.2**
Property Type						
NPI Apartment	6.8	19.9	19.9	8.8	7.7	9.0
NPI Office	1.7	6.1	6.1	4.7	5.4	7.6
NPI Industrial	13.3	43.3	43.3	22.0	18.6	15.6
NPI Retail	2.2	4.2	4.2	-0.6	1.2	6.6
NPI Hotel	4.6	5.5	5.5	-6.7	-1.7	3.5
Geographic Sectors						
NPI East	4.7	13.4	13.4	6.4	5.9	7.5
NPI Midwest	3.9	12.2	12.2	4.5	4.7	7.4
NPI South	7.0	19.8	19.8	9.0	8.1	9.8
NPI West	7.2	21.1	21.1	10.4	9.8	11.1

Source: NCREIF Performance data as of December 31, 2021

Omicron and macro risks offset by sector prospects

Opportunities

Available dry powder to fuel interest in real estate
As a wall of available capital continues to accumulate for investors, a low yield and inflationary environment reinforces the sustained need for portfolio allocations to real estate, given the stable nature of cash flows.

Industrial runway for growth has more capacity
Driven by e-commerce penetration, inventory needs, and supply chain modifications, healthy demand and limited supply are expected to accelerate industrial rent growth to record levels in the short run.

Work from home and Omicron should drive rentals
A limited stock of affordable homes for sale, strong wage growth, and foreseeable work from home dynamics should drive elevated demand and rental growth in most multifamily markets.

Alternative specialty sectors offer alpha options
Alternative property types project to be sources of excess alpha performance; not only should opportunistic funds see more flows, but core alternative assets will likely become a larger part of the NFI-ODCE.

Risks

Omicron may delay the return to normalcy across sectors
The Omicron variant remains a potential headwind to a rebounding economy and optimistic growth outlook, further delaying the return to a post-COVID normal.

Interest rate hikes a drag on property valuations
As the Fed decides whether to increase interest rates in the coming year, cap rates may follow suit, thereby exerting downward on appraisals and real estate valuations across property sectors.

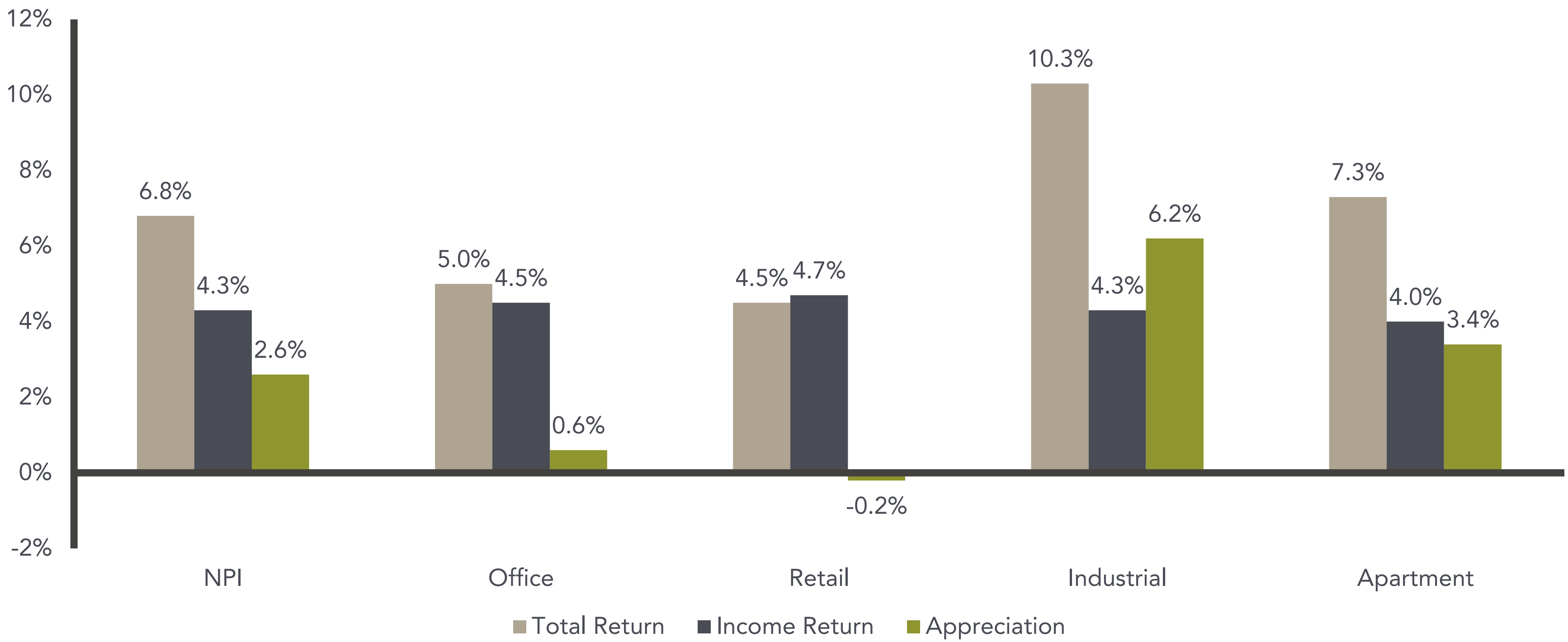
Inflation exerts undue pressure on income expectations
Given the ongoing fears of inflation, investors may start to wonder if real estate can be an effective hedge against both transitory and persistent inflation scenarios. This inflationary pressure will cause investors to favor asset exposures with shorter term leases or built-in rent escalators, such as industrial and multifamily.

Office outlook remains murky and unstable
The office sector could potentially endure a long-lasting impact from the Omicron case surge. Current remote work dynamics and incremental office supply are expected to exert additional upward pressure on vacancy rates.

Return expectations rising

Net operating income growth - rather than cap rate compression - is expected to be the main driver of return attribution across most core property sectors over the next five years

Expected annual returns by property type 2021-2025

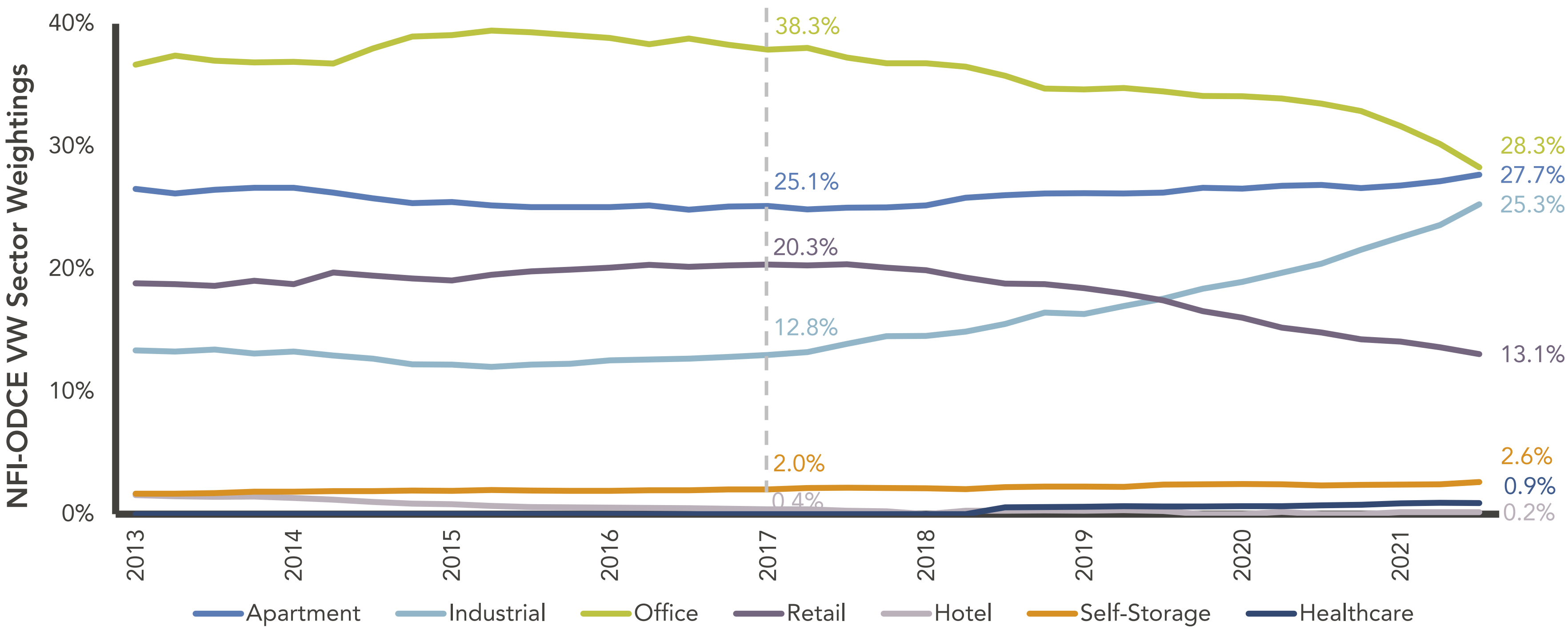


Sources: PREA Consensus Survey 2021 Q3, AEW

Alternative sectors primed to emerge

Evolving investment themes are likely to drive capital allocations to life sciences and self-storage over the next few years, as an offset to reduced office and retail exposures

ODCE Sector Allocations, 2013 – 2021



Sources: NCREIF, Clarion Partners Investment Research, Q3 2021

Takeaways: Omicron impact, inflationary concerns, office instability

LOOKING BACK

- Commercial real estate experienced a rebound in performance in both net operating income and appreciation, lending credence to the asset class's overall recovery across property sectors.
- Although investor sentiment in the backend of the year was weighed down by Omicron variant concerns, inflationary fears and debt ceiling worries, wage and job growth tailwinds continued to fuel optimism in real estate.
- Property bifurcation in performance and price recovery between in-favor and out of favor sectors continued this past year, but the spread differential is narrowing due to the emergence of amenitized, suburban offices and necessity, focused retail.
- An overall snapback in pent-up consumer demand has caused a ripple effect within the supply chain network, financially impacting suppliers, distributors, and retailers across property types.
- The global economic shutdown and work from home dynamics forced core real estate investors to gravitate towards overweight exposures in industrial and multifamily, as well as defensive underweights in retail and office.

LOOKING AHEAD

- A persistent, unfavorable shift in the Omicron case surge may derail the economic momentum achieved last year and negatively alter the demand for recovering property sectors, namely office and retail.
- Holding abundant reserves of "dry powder" in a landscape of evolving investment themes, institutional investors are expected to find themselves competing for alpha opportunities in alternative sectors and markets.
- The overall impact from the Omicron variant, trajectory of inflation, and potential increases in interest rates and capitalization rates are macroeconomic factors affecting real estate allocations in the near term.
- Industrial, multifamily, and select alternative sectors are well positioned for continued outperformance in 2022.
- Continued work from home uncertainty and lagging vaccination rates may prove to be an overall negative for office demand, but also provide an offsetting positive impact for apartment rentals.

Private Equity

Private equity outperformance

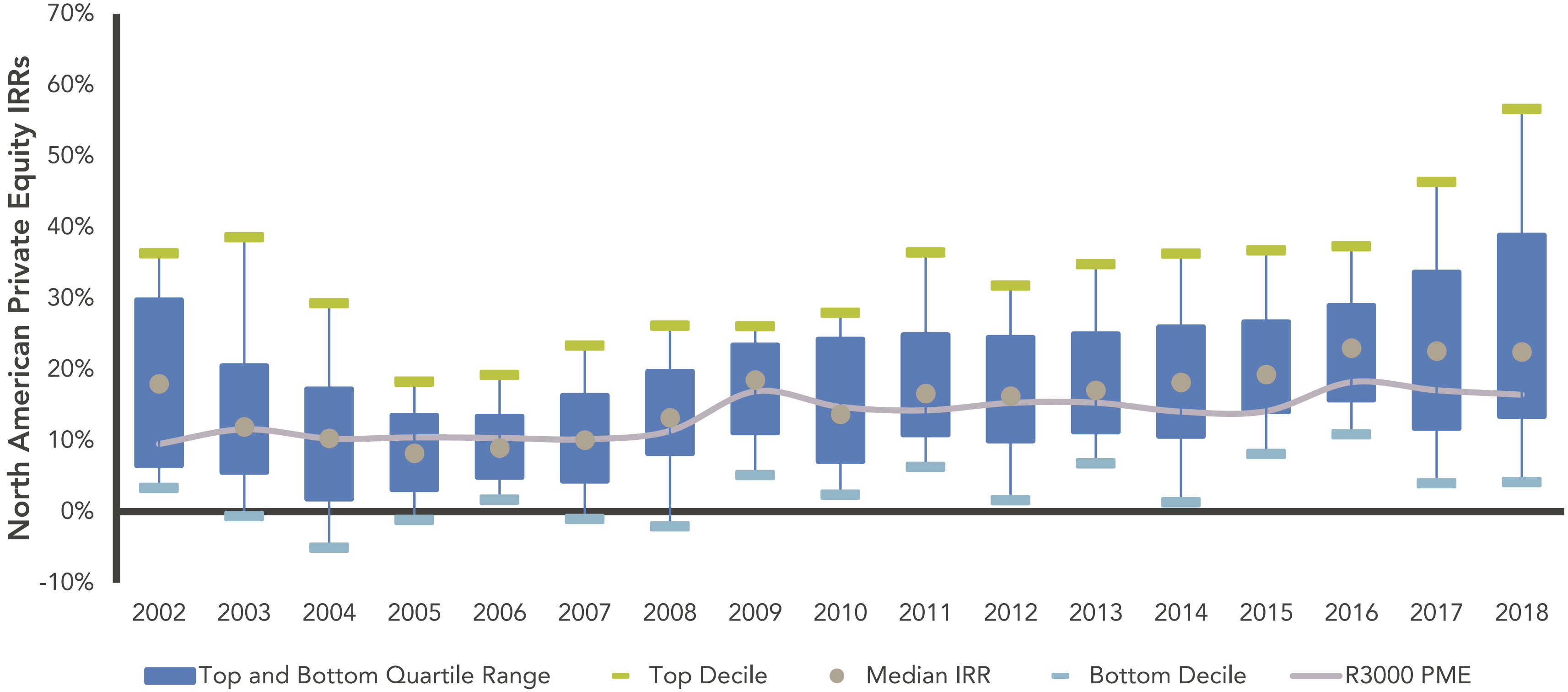
Performance across the private equity market continues to outpace public market indices with North America venture capital providing market leading returns

	2Q21 (%)	1 Yr (%)	3 Yr (%)	5 Yr (%)	10 Yr (%)	15 Yr (%)	20 Yr (%)
Global Private Equity	14.9	54.9	22.9	20.6	15.6	13.4	13.9
North America Private Equity	14.6	56.3	23.7	21.0	16.7	14.0	13.9
Europe Private Equity	17.1	57.5	24.5	22.2	13.7	11.8	14.0
Rest of World Private Equity	12.9	42.3	15.5	15.1	12.4	12.9	12.5
Global VC	17.2	65.5	29.0	22.2	16.2	12.7	9.0
North America VC	18.1	71.3	30.8	22.9	16.5	12.8	9.0
Europe VC	21.3	34.4	15.5	18.0	13.5	11.6	8.9
Rest of World VC	8.3	33.8	18.7	16.2	12.9	11.5	9.8
MSCI All Country World Index	7.5	39.9	15.1	15.2	10.5	8.2	7.9
S&P 500	8.6	40.8	18.7	17.7	14.8	10.7	8.6
Russell 3000	8.2	44.2	18.7	17.9	14.7	10.8	8.9
Russell 2000 Growth	3.9	51.4	15.9	18.8	13.5	10.9	9.0

Source: Pitchbook as of June 30, 2021

U.S. private equity vintage performance

Private equity has provided consistently strong performance over the last 2 decades with significant return potential provided by first quartile and top decile funds



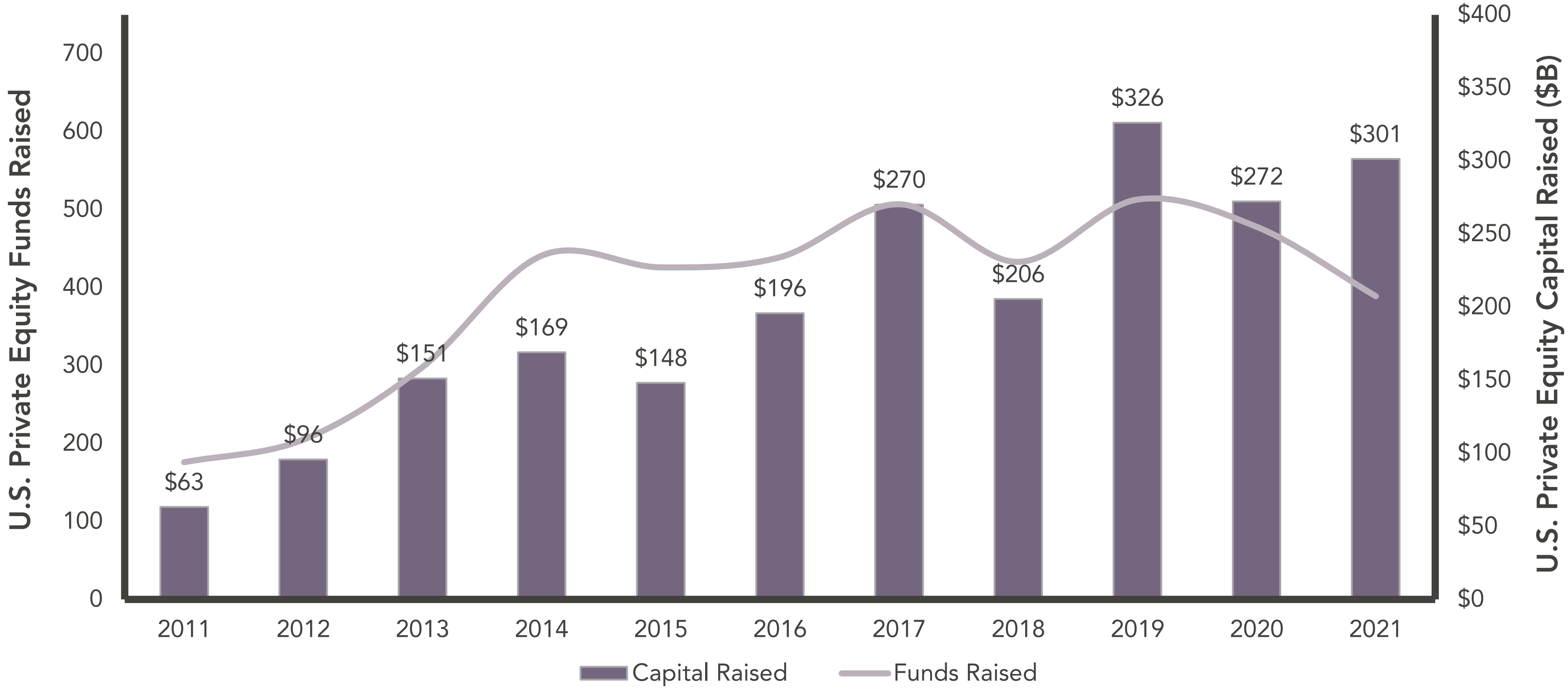
Source: Pitchbook as of June 30, 2021

Themes for the year and a look ahead

- Market expansion continues across the private equity and venture capital market as managers both raised and deployed capital at record pace in 2021, resulting in investors having to make commitment decisions with larger funds being raised and managers coming back to market quicker which appears poised to continue into 2022
- Venture capital continued to be the best performing area of the market as the space has broadened and matured into a sizeable asset class capable of accelerating innovation and supporting growth in multi-billion dollar companies
- Venture investors benefited from ~300 public listings in 2021 and the liquidity could continue in 2022 as the inventory of venture-backed companies remains very strong with ~700 companies valued over this past year's median IPO valuation ($630m) and ~120 valued over the average IPO valuation ($3.3 billion)
- 2022 is poised to set another fundraising record with many large buyout funds coming to market and investors continuing to spread commitments not only to private equity but across the venture capital, growth equity, and international markets
- Dry powder is likely to have dropped slightly in 2021 as deployment eclipsed fundraising across the market, but may build back up as managers look to reload with significant fundraises in 2022 and managers appear cautious with deployment due to elevated valuations, potential growth deceleration, rising interest rates, labor/supply issues, and tax concerns

Fundraising supported by strong investor demand

U.S. private equity fundraising rebounded in 2021 with fewer but larger funds being raised at an accelerating pace (average <3 years) as investors continue to have confidence in many of their proven and established managers



Source: Pitchbook as of December 31, 2021

Pressures build as the market expands

Opportunities

Portfolio construction allows for higher allocations

Investors continue to feel more confident increasing their private equity allocations as high-quality funds have grown larger with the ability to accept larger commitments and the expansion of the market providing investors a broader range of risk/return opportunities and shorter duration investments

Small buyouts remain attractive

Small buyouts continue to benefit from inefficiencies and growing demand from capital raised by larger funds creating a strong exit environment and multiple expansion

Early-stage venture remains attractive

With more late-stage capital being raised and deployed, venture-backed businesses continue to remain private for longer and expand the value generated for early-stage investors as more businesses become publicly listed

Risks

Rising interest rates, supply chain issues, and rising wage pressures provide reasons for caution

Valuations may compress and/or deployment may slow as these risks are evaluated and reduced leverage is utilized in transactions

Increasing competition for assets

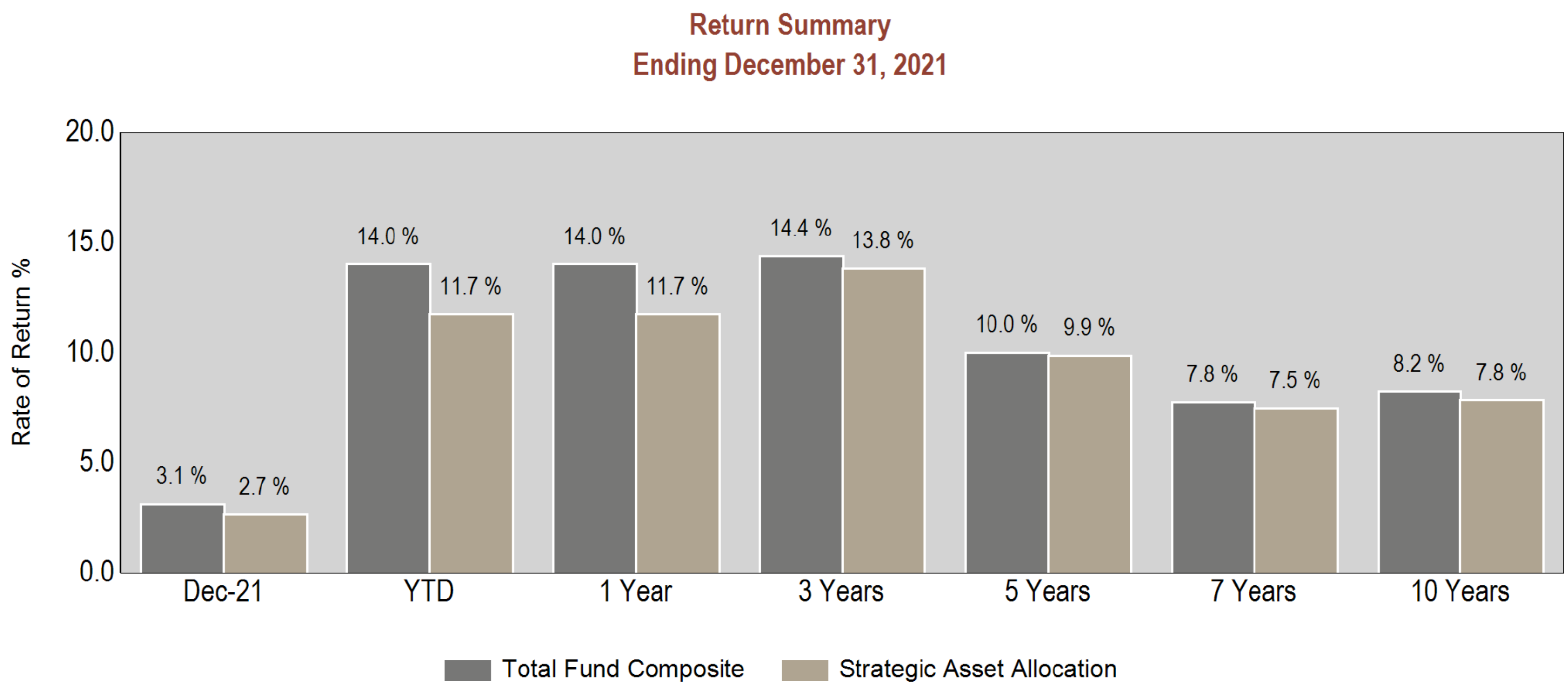
With a growing number of high-quality private equity firms and non-traditional investors competing for investments, we are likely to see increasing pressures to the overall business quality and net returns on capital deployed

Late-stage venture capital remains frothy

The late-stage venture capital market faces the most valuation pressures with many businesses requiring more capital to be raised or an increasing number of public listings

Portfolio Review

Return Summary (December 31, 2021)



- The Fixed Income and Real Estate composites added to the Plan.
- The Alternative Asset composite detracted from the benchmark.
- The Equity composite neither added to nor detracted from the benchmark.

* Composite performance is compared against its benchmark on a one-month basis ending December 31, 2021

Annualized Performance (Net of Fees)

Ending December 31, 2021

	1 Mo	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	7 Yrs	10 Yrs	Inception	Inception Date
Total Fund Composite	**3.1%**	**4.4%**	**14.0%**	**14.0%**	**14.4%**	**10.0%**	**7.8%**	**8.2%**	**7.2%**	**Jul-02**
Strategic Asset Allocation	*2.7%*	*4.3%*	*11.7%*	*11.7%*	*13.8%*	*9.9%*	*7.5%*	*7.8%*	*6.9%*	*Jul-02*
Fixed Income Composite	**0.0%**	**0.1%**	**0.0%**	**0.0%**	**6.4%**	**--**	**--**	**--**	**5.0%**	**Jan-18**
Fixed Income Balanced Index	*-0.3%*	*0.0%*	*-1.5%*	*-1.5%*	*5.0%*	*--*	*--*	*--*	*4.0%*	*Jan-18*
Equity Composite	**4.3%**	**5.9%**	**20.8%**	**20.8%**	**22.1%**	**17.0%**	**13.5%**	**14.3%**	**9.6%**	**Jun-06**
Equity Balanced Index	*4.3%*	*6.2%*	*19.7%*	*19.7%*	*22.7%*	*14.9%*	*12.9%*	*15.1%*	*10.3%*	*Jun-06*
Alternative Asset Composite	**0.1%**	**-0.5%**	**3.8%**	**3.8%**	**6.9%**	**4.5%**	**3.0%**	**4.2%**	**3.3%**	**May-07**
HFRI Fund of Funds Composite Index	*0.2%*	*0.3%*	*6.0%*	*6.0%*	*8.4%*	*5.7%*	*4.1%*	*4.5%*	*2.3%*	*May-07*
Real Estate Composite	**9.7%**	**15.0%**	**40.4%**	**40.4%**	**20.1%**	**11.3%**	**9.6%**	**11.6%**	**11.4%**	**Apr-10**
MSCI US REIT	*8.6%*	*16.0%*	*41.7%*	*41.7%*	*17.2%*	*9.5%*	*7.9%*	*10.0%*	*9.9%*	*Apr-10*

SWBNO Manager Contribution – YTD Performance

Top Performers	Absolute Performance	Benchmark Performance	Strategy
Fidelity (Pyramis Global Advisors)	+0.0%	-1.5%	Fixed Income
Earnest Partners	+12.0%	+7.8%	Equity

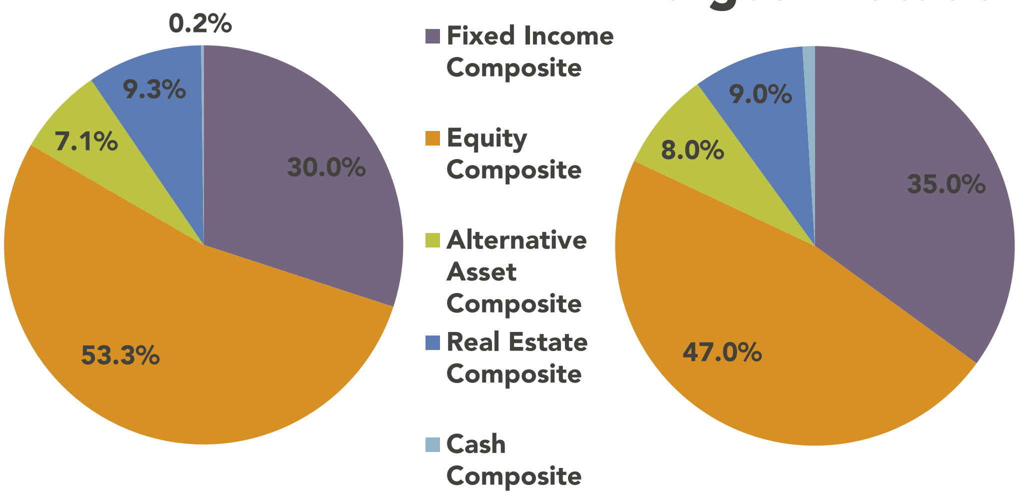
Bottom Performers	Absolute Performance	Benchmark Performance	Strategy
Prisma Capital Partners	+3.8%	+6.0%	Hedge Fund
NewSouth Capital	+24.6%	+27.8%	Equity

* Year-to-date performance as of December 31, 2021

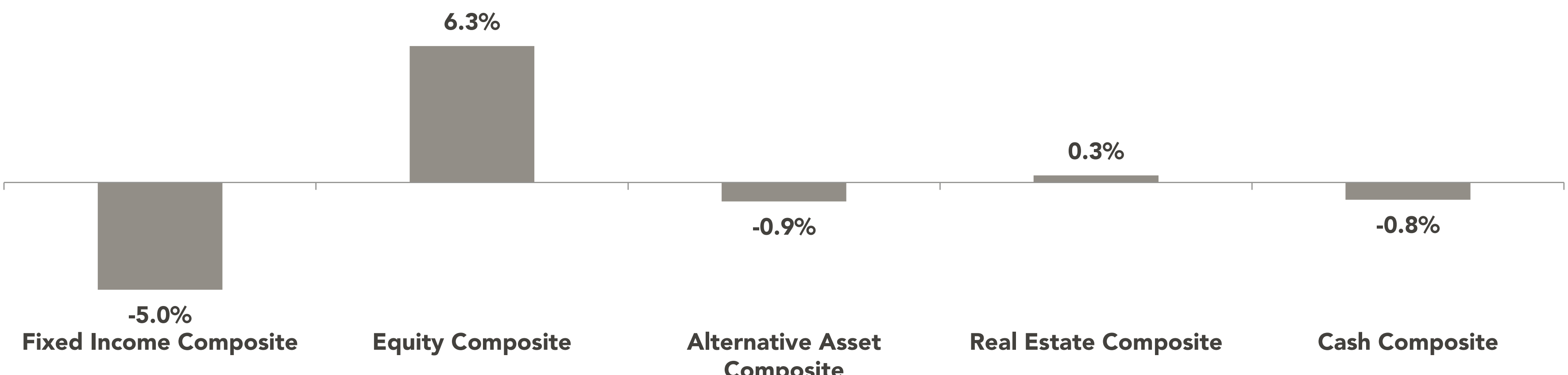
Current Asset Allocation vs. Target Allocation

Current Allocation

Target Allocation



	Current Allocation	Target Allocation
Fixed Income Composite	$79,111,472	$92,182,884
Equity Composite	$140,419,598	$123,788,444
Alternative Asset Composite	$18,746,786	$21,070,374
Real Estate Composite	$24,569,642	$23,704,170
Cash Composite	$532,171	$2,633,797



*Data ending December 31, 2021

Proposed Revisions to IPS

Approved Asset Allocation

Asset Class	Current	Portfolio E	
Broad Fixed Income	35.0%	25.0%	
91 Day T-Bills	1.0%	0.0%	
Total Fixed Income	36.0%	25.0%	▼
Broad U.S. Equity (All Cap Core)	27.0%	0.0%	
US Large-Cap Core	0.0%	25.0%	
US Mid-Cap Core	0.0%	4.0%	
US Small-Cap Core	0.0%	5.0%	
Total U.S. Equity	27.0%	34.0%	▲
Broad Non-US Equity	20.0%	0.0%	
Developed Large-Cap	0.0%	15.0%	
Non-US Small-Cap	0.0%	3.0%	
Emerging Market	0.0%	3.0%	
Total Non-U.S. Equity	20.0%	21.0%	▲
Hedge Fund - FOF	8.0%	0.0%	
Total Hedge Funds	8.0%	0.0%	▼
Real Estate - Core	0.0%	3.0%	
Public REITs	9.0%	0.0%	
Total Real Assets	9.0%	3.0%	▼
Global Infrastructure	0.0%	7.0%	
Private Equity - Fund of Funds	0.0%	10.0%	
Total Illiquid Assets	0.0%	17.0%	▲

	Current	Portfolio E
Avg. Annualized 10 Yr. Return	5.91%	7.01%
Avg. Annualized 10 Yr. Volatility	9.42%	11.61%

Fixed Income

- Align fixed income exposure with annual cash needs
- Review and consider opportunistic fixed income mandates to take advantage of market dislocations

Equities

- Global equity mix of 60% U.S. and 40% non-U.S. for better expected risk-adjusted returns
- Increase passive allocation in large cap core and add a U.S. small- and mid-cap allocation
- Establish allocation to non-U.S. small-cap
- Establish allocation to emerging markets

Hedge Funds

- Eliminate hedge funds due to structural headwinds that have resulted in disappointing annualized returns and high fees

Real Estate

- Eliminate Public REITs (an equity "proxy" for real estate)
- Add a core open ended private real estate strategy that focuses on yield and a lower correlation to traditional asset classes

Global Infrastructure

- Consider adding private global infrastructure to improve portfolio diversification and enhance returns to have an additional inflation protection component in the portfolio

Private Equity

- Consider private equity to high quality small buyout FOFs and lower-middle market direct exposure

Source: Marquette Associates Asset Allocation Study; as of March 31, 2021. Blue highlighting depicts new asset classes.

Summary of Proposed Revisions

Investment Policy Statement

- Executive Summary: Clarify permitted deviations from target allocation within target ranges
- Guidelines: Clarify permitted investments in alternative assets classes (ie. Real Estate, Global Infrastructure, Private Equity)
- Duties and Responsibilities:
  - Define the role and responsibility of the investment consultant
  - Clarify investment manager evaluation terminology (In-Compliance, Alert, On-Notice and Termination)
- Review of Investments: Define timing of investment manager review; investment managers are reviewed on a continual basis and issues are addressed immediately
- Performance Expectations: Clarify the evaluation of the Employees' Retirement Systems' goals and objectives

Purpose:

Empower our clients to meet their investment objectives

Vision
Be a trusted partner to our clients through effective investment programs

Mission
Provide independent and thoughtful investment guidance

Why Marquette?

- ✓ Our people
- ✓ Independent expertise
- ✓ Focused client service
- ✓ Careful research

Periodic table benchmarks

Core Bond	Barclays Aggregate
High Yield	Barclays High Yield
Bank Loans	CS Leverage Loan
Broad U.S. Equities	Russell 3000
Large Cap	S&P 500
Mid Cap	Russell Mid Cap
Small Cap	Russell 2000
Broad Intl Equities	ACWI ex-U.S.
Intl Large Cap	EAFE
Intl Small Cap	EAFE Small Cap
Emerging Markets	MSCI EM
Commodities	S&P GSCI
Hedge Funds	HFRI FoFs
Real Estate	NCREIF

Hedge Fund returns through 11/30/21

Real Estate returns through 9/30/21

Based on quarterly returns for real estate and monthly returns for the rest

Disclosure

Marquette Associates, Inc. (“Marquette”) has prepared this document for the exclusive use by the client or third party for which it was prepared. The information herein was obtained from various sources, including but not limited to third party investment managers, the client's custodian(s) accounting statements, commercially available databases, and other economic and financial market data sources.

The sources of information used in this document are believed to be reliable. Marquette has not independently verified all of the information in this document and its accuracy cannot be guaranteed. Marquette accepts no liability for any direct or consequential losses arising from its use. The information provided herein is as of the date appearing in this material only and is subject to change without prior notice. Thus, all such information is subject to independent verification and we urge clients to compare the information set forth in this statement with the statements you receive directly from the custodian in order to ensure accuracy of all account information. Past performance does not guarantee future results and investing involves risk of loss. No graph, chart, or formula can, in and of itself, be used to determine which securities or investments to buy or sell.

Forward-looking statements, including without limitation any statement or prediction about a future event contained in this presentation, are based on a variety of estimates and assumptions by Marquette, including, but not limited to, estimates of future operating results, the value of assets and market conditions. These estimates and assumptions, including the risk assessments and projections referenced, are inherently uncertain and are subject to numerous business, industry, market, regulatory, geopolitical, competitive, and financial risks that are outside of Marquette's control. There can be no assurance that the assumptions made in connection with any forward-looking statement will prove accurate, and actual results may differ materially.

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About Marquette Associates

Marquette was founded in 1986 with the sole objective of providing investment consulting at the highest caliber of service. Our expertise is grounded in our commitment to client service — our team aims to be a trusted partner and as fiduciaries, our clients’ interests and objectives are at the center of everything we do. Our approach brings together the real-world experience of our people and our dedication to creativity and critical thinking in order to empower our clients to meet their goals. For more information, please visit www.MarquetteAssociates.com.

R-042-2022

REQUEST FOR APPROVAL TO REVISE THE SEWERAGE & WATER BOARD OF NEW ORLEANS EMPLOYEES' PENSION TRUST FUND INVESTMENT POLICY STATEMENT

WHEREAS, the Board of Trustees of the Sewerage and Water Board of New Orleans ("Board"), is entrusted with the fiduciary responsibility to properly oversee the investment and management of the pension fund of the Employees' Retirement System of the Sewerage and Water Board of New Orleans ("Board Pension Plan") ; and

WHEREAS, the purpose of the Sewerage & Water Board of New Orleans (SWBNO) Employees' Pension Trust Fund Investment Policy Statement ("Investment Policy") is to guide the Board of Trustees in effectively supervising, monitoring and evaluating the investment of the SWBNO Employees' Retirement System assets; and

WHEREAS, the primary investment objective is to achieve full funding of the actuarial accrued liability so that such assets are preserved for providing benefits to participants and their beneficiaries and such long-term return without undue risk maximize the amounts available to provide such benefits; and

WHEREAS, Marquette Associates, Inc. ("Marquette') performed an assessment of the Board Pension Plan investments allocations in order to determine if the plan's current asset mix was projected to meet the 7% annualized rate of return over the next 10 years, as calculated by the Board Pension Plan's Actuary, in order to meet its future commitments; and

WHEREAS, on November 17, 2021, the Board passed Resolution (R-134-2021), and accepted Marquette's new asset allocation proposal of Portfolio E authorizing for the Investment Policy to be updated accordingly; and

WHEREAS, Marquette revised the Investment Policy to include the new asset allocation and target levels; and

NOW THEREFORE, BE IT RESOLVED, that the Investment Policy is approved as revised to incorporate the new asset allocation investment strategy.

I, GHASSAN KORBAN, Executive Director,
Sewerage and Water Board of New Orleans, do hereby
certify that the above and foregoing is a true and
correct copy of a Resolution adopted at the
Meeting of said Board of Trustees, duly called and held,
according to law, on February 16, 2022.

GHASSAN KORBAN, EXECUTIVE DIRECTOR
SEWERAGE AND WATER BOARD OF NEW ORLEANS

(Preliminary, Subject to Change)

Employees' Retirement System

The Sewerage & Water Board of New Orleans

Employees' Retirement System

Monthly Performance Report

December 31, 2021

Manager Status

Market Value: $263.4 Million and 100.0% of Fund

Investment Manager	Asset Class	Status	Reason
Fidelity (Pyramis Global Advisors)	Core Plus Fixed Income	In Compliance	---
Barrow, Hanley, Mewhinney, & Strauss	Large-Cap Value	In Compliance	---
iShares S&P 500 Growth ETF	Large-Cap Growth	In Compliance	---
NewSouth Capital	Smid-Cap Value	In Compliance	---
Earnest Partners	Non-U.S. Large-Cap Core	In Compliance	---
Prisma Capital Partners LP	Multi-Strat. Hedge FoF	In Compliance	---
Vanguard Real Estate ETF	U.S. REIT	In Compliance	---

Investment Manager Evaluation Terminology

The following terminology has been developed by Marquette Associates to facilitate efficient communication among the Investment Manager, Investment Consultant, and the Plan Sponsor. Each term signifies a particular status with the Fund and any conditions that may require improvement. In each case, communication is made only after consultation with the Trustees and/or the Investment Committee of the Plan.

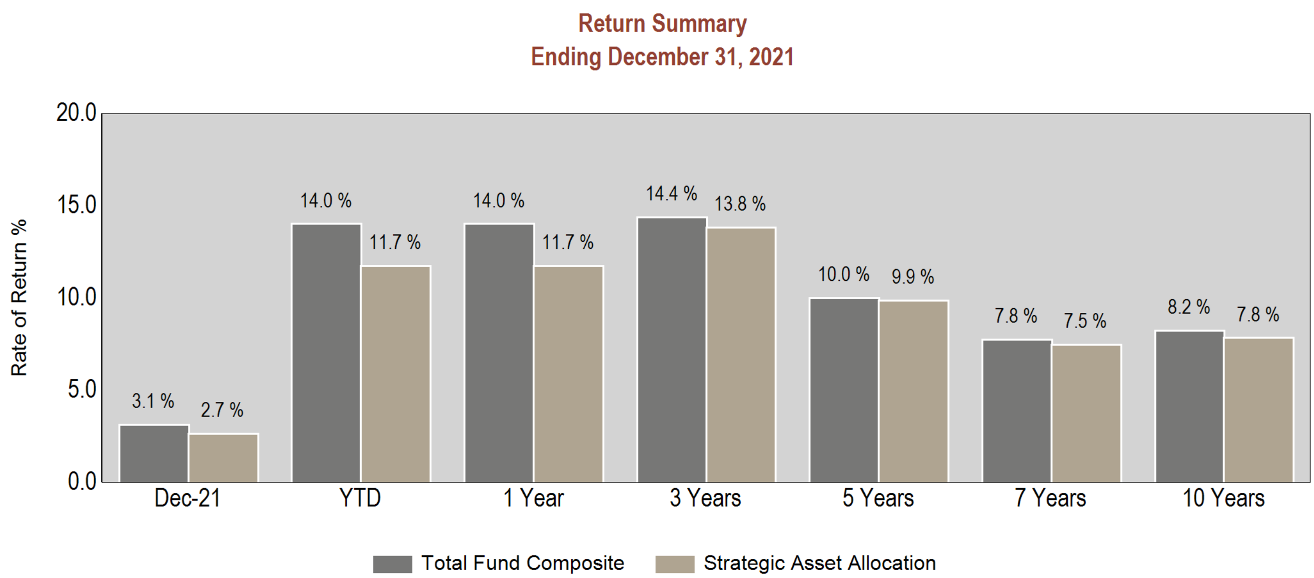
In Compliance – The investment manager states it is acting in accordance with the Investment Policy Guidelines.

Alert – The investment manager is notified of a problem in performance (usually related to a benchmark or volatility measure), a change in investment characteristics, an alteration in management style or key investment professionals, and/or any other irregularities.

On Notice – The investment manager is notified of continued concern with one or more Alert issues. Failure to improve upon stated issues within a specific time frame justifies termination.

Termination – The Trustees have decided to terminate the investment manager. The investment manager is notified and transition plans are in place.

Total Fund Composite



Return Summary - 1 Year

	Total Return
Total Fund Composite	14.0%
Fixed Income Composite	0.0%
Equity Composite	20.8%
Alternative Asset Composite	3.8%
Real Estate Composite	40.4%

Asset Allocation vs. Target

	Current	Current	Policy	Policy 2	Difference	%
Fixed Income	$79,111,472	30.0%	35.0%	25.0%	-$13,071,412	-5.0%
U.S. Equity	$82,612,480	31.4%	27.0%	34.0%	$11,499,969	4.4%
Non-U.S. Equity	$57,807,119	21.9%	20.0%	21.0%	$5,131,185	1.9%
Hedge Funds	$18,746,786	7.1%	8.0%	0.0%	-$2,323,588	-0.9%
Real Assets	$24,569,642	9.3%	9.0%	10.0%	$865,472	0.3%
Private Equity	--	--	0.0%	10.0%	$0	0.0%
Other	$532,171	0.2%	1.0%	0.0%	-$2,101,626	-0.8%
Total	**$263,379,669**	**100.0%**	**100.0%**	**100.0%**		

Summary of Cash Flows

	Last Month	Last Three Months	Year-To-Date	One Year
Beginning Market Value	$255,334,795	$255,519,007	$240,197,824	$240,197,824
Net Cash Flow	-$24,419	-$3,513,887	-$10,647,641	-$10,647,641
Net Investment Change	$8,069,294	$11,374,549	$33,829,487	$33,829,487
Ending Market Value	$263,379,669	$263,379,669	$263,379,669	$263,379,669

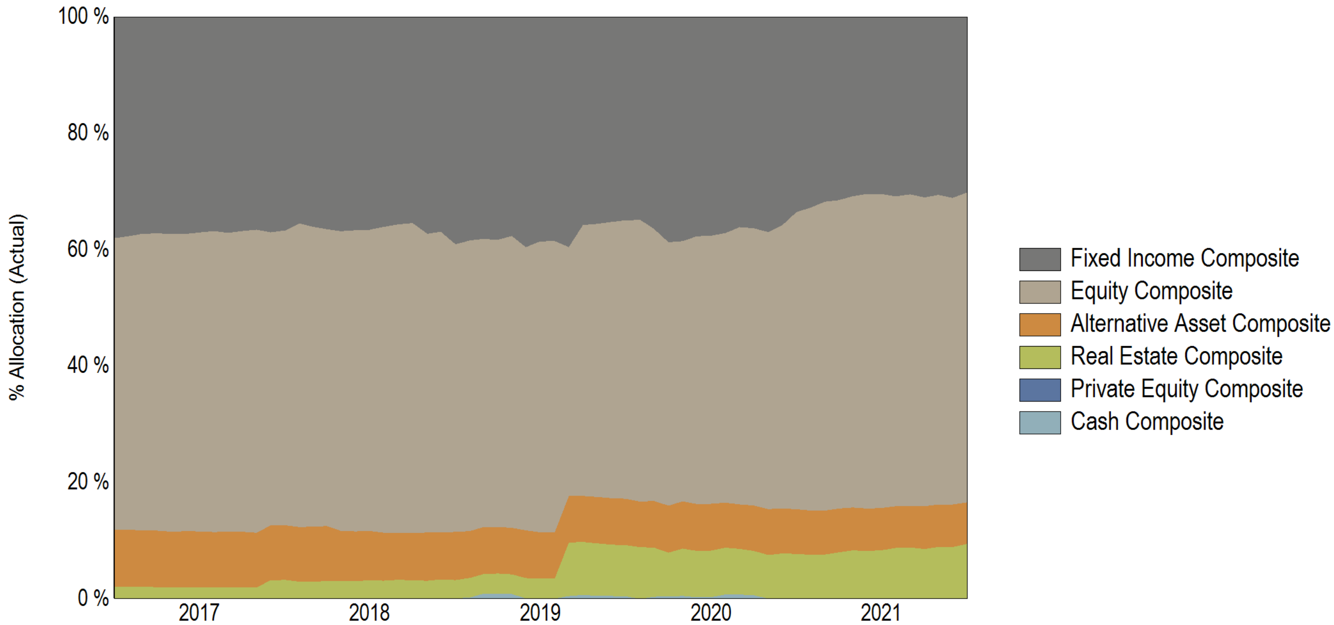
Total Fund Composite

Market Value: $263.4 Million and 100.0% of Fund

	Asset Class	Market Value ($)	3 Mo Net Cash Flows ($)	% of Portfolio	Policy %	Policy Difference ($)
		Ending December 31, 2021				
Total Fund Composite		**263,379,669**	**-3,513,887**	**100.0**	**100.0**	**0**
Fixed Income Composite		**79,111,472**	**-1,806**	**30.0**	**35.0**	**-13,071,412**
Fidelity (Pyramis Global Advisors)	Core Plus Fixed Income	79,070,765	0	30.0		
Equity Composite		**140,419,598**	**-3,282,513**	**53.3**	**47.0**	**16,631,154**
Barrow, Hanley, Mewhinney, & Strauss	Large-Cap Value	15,587,722	-25,409	5.9		
iShares S&P 500 Growth ETF	Large-Cap Growth	31,642,906	-3,258,504	12.0		
NewSouth Capital	Smid-Cap Value	35,381,851	1,400	13.4		
Earnest Partners	Non-U.S. Large-Cap Core	57,807,119	0	21.9		
Alternative Asset Composite		**18,746,786**	**-59,456**	**7.1**	**8.0**	**-2,323,588**
Prisma Capital Partners LP	Multi-Strat. Hedge FoF	18,727,735	-59,456	7.1		
Real Estate Composite		**24,569,642**	**-365,305**	**9.3**	**9.0**	**865,472**
Vanguard Real Estate ETF	U.S. REIT	24,569,642	-365,305	9.3		
Cash Composite		**532,171**	**195,194**	**0.2**	**1.0**	**-2,101,626**
Cash	Cash & Equivalents	532,171	195,194	0.2		

Market Value: $263.4 Million and 100.0% of Fund

Historic Asset Allocation

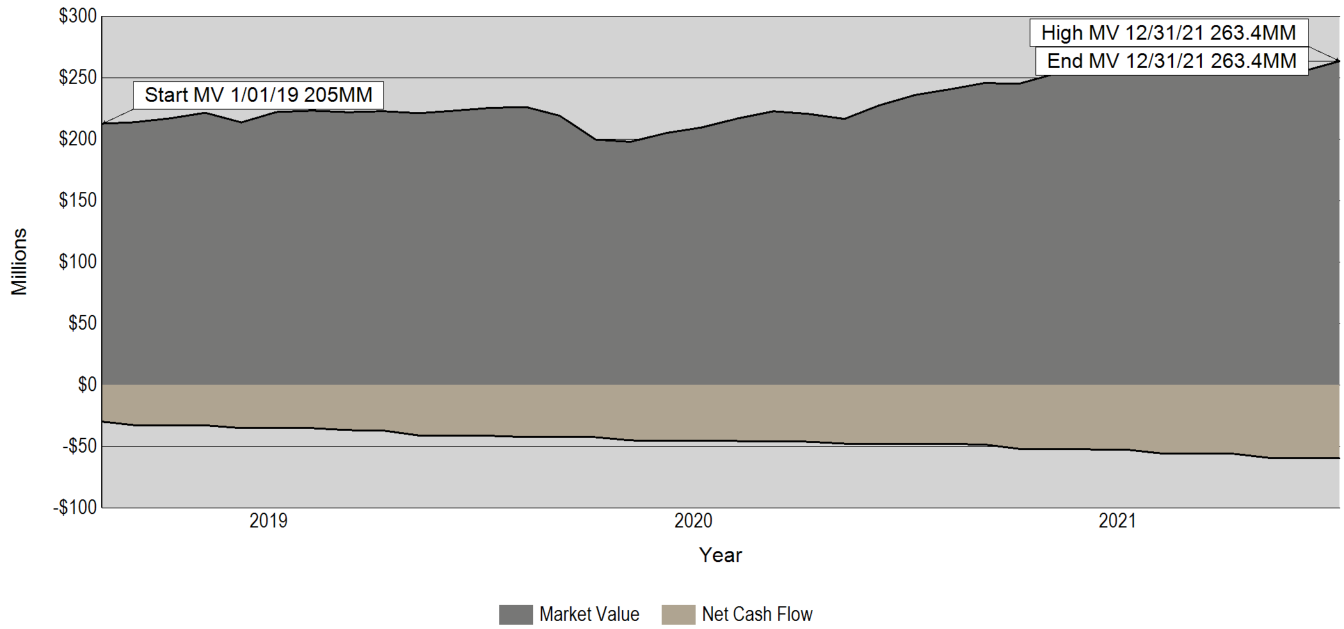


	Current	Policy	Difference	%
Fixed Income	$79,111,472	$92,182,884	-$13,071,412	-5.0%
U.S. Equity	$82,612,480	$71,112,511	$11,499,969	4.4%
Non-U.S. Equity	$57,807,119	$52,675,934	$5,131,185	1.9%
Hedge Funds	$18,746,786	$21,070,374	-$2,323,588	-0.9%
Real Assets	$24,569,642	$23,704,170	$865,472	0.3%
Private Equity	--	$0	$0	0.0%
Other	$532,171	$2,633,797	-$2,101,626	-0.8%
Total	**$263,379,669**	**$263,379,669**		

Total Fund Composite

Market Value History

Market Value: $263.4 Million and 100.0% of Fund



Summary of Cash Flows

	Last Month	Last Three Months	Year-To-Date	One Year
Beginning Market Value	$255,334,795	$255,519,007	$240,197,824	$240,197,824
Net Cash Flow	-$24,419	-$3,513,887	-$10,647,641	-$10,647,641
Net Investment Change	$8,069,294	$11,374,549	$33,829,487	$33,829,487
Ending Market Value	$263,379,669	$263,379,669	$263,379,669	$263,379,669

Total Fund Composite

Annualized Performance (Gross of Fees)

Market Value: $263.4 Million and 100.0% of Fund

Ending December 31, 2021

	1 Mo	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	7 Yrs	10 Yrs	Inception	Inception Date
Total Fund Composite	**3.2%**	**4.5%**	**14.6%**	**14.6%**	**14.8%**	**10.3%**	**8.0%**	**8.4%**	**7.3%**	**Jul-02**
Strategic Asset Allocation	*2.7%*	*4.3%*	*11.7%*	*11.7%*	*13.8%*	*9.9%*	*7.5%*	*7.8%*	*6.9%*	*Jul-02*
Fixed Income Composite	**0.0%**	**0.2%**	**0.3%**	**0.3%**	**6.6%**	**--**	**--**	**--**	**5.2%**	**Jan-18**
Fixed Income Balanced Index	*-0.3%*	*0.0%*	*-1.5%*	*-1.5%*	*5.0%*	*--*	*--*	*--*	*4.0%*	*Jan-18*
Equity Composite	**4.4%**	**6.1%**	**21.5%**	**21.5%**	**23.9%**	**16.4%**	**13.1%**	**14.1%**	**9.5%**	**Jun-06**
Equity Balanced Index	*4.3%*	*6.2%*	*19.7%*	*19.7%*	*22.7%*	*14.9%*	*12.9%*	*15.1%*	*10.3%*	*Jun-06*
Alternative Asset Composite	**0.2%**	**-0.2%**	**4.8%**	**4.8%**	**7.2%**	**4.7%**	**3.2%**	**4.3%**	**3.4%**	**May-07**
HFRI Fund of Funds Composite Index	*0.2%*	*0.3%*	*6.0%*	*6.0%*	*8.4%*	*5.7%*	*4.1%*	*4.5%*	*2.3%*	*May-07*
Real Estate Composite	**9.7%**	**15.0%**	**40.4%**	**40.4%**	**20.2%**	**11.4%**	**9.6%**	**11.6%**	**11.4%**	**Apr-10**
MSCI US REIT	*8.6%*	*16.0%*	*41.7%*	*41.7%*	*17.2%*	*9.5%*	*7.9%*	*10.0%*	*9.9%*	*Apr-10*

Please note: Returns through inception for the alternative asset composite were calculated and verified using information from the investment manager rather than the Plan's custodian.

Total Fund Composite

Calendar Performance (Gross of Fees)

Market Value: $263.4 Million and 100.0% of Fund

	Calendar Year										
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total Fund Composite	**14.6%**	**10.9%**	**19.1%**	**-3.3%**	**11.6%**	**6.4%**	**-1.7%**	**5.6%**	**11.0%**	**11.7%**	**3.5%**
Strategic Asset Allocation	*11.7%*	*11.0%*	*18.9%*	*-3.8%*	*12.8%*	*6.4%*	*-2.8%*	*4.2%*	*11.5%*	*10.5%*	*2.2%*
Fixed Income Composite	**0.3%**	**9.7%**	**10.2%**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
Fixed Income Balanced Index	*-1.5%*	*7.6%*	*9.3%*	*-0.3%*	*--*	*--*	*--*	*--*	*--*	*--*	*--*
Equity Composite	**21.5%**	**21.1%**	**29.2%**	**-5.6%**	**19.0%**	**11.0%**	**-0.3%**	**9.0%**	**23.8%**	**16.9%**	**0.0%**
Equity Balanced Index	*19.7%*	*20.0%*	*28.6%*	*-7.6%*	*17.3%*	*16.0%*	*0.5%*	*12.6%*	*33.6%*	*16.4%*	*1.0%*
Alternative Asset Composite	**4.8%**	**8.9%**	**8.0%**	**-4.6%**	**7.0%**	**-1.1%**	**0.0%**	**2.3%**	**11.0%**	**7.5%**	**-3.3%**
HFRI Fund of Funds Composite Index	*6.0%*	*10.9%*	*8.4%*	*-4.0%*	*7.8%*	*0.5%*	*-0.3%*	*3.4%*	*9.0%*	*4.8%*	*-5.7%*
Real Estate Composite	**40.4%**	**-4.4%**	**29.3%**	**-5.8%**	**4.7%**	**8.4%**	**2.6%**	**30.5%**	**2.4%**	**17.7%**	**8.3%**
MSCI US REIT	*41.7%*	*-8.7%*	*24.3%*	*-5.8%*	*3.7%*	*7.1%*	*1.3%*	*28.8%*	*1.3%*	*16.5%*	*7.5%*

Investment Manager

Annualized Performance (Gross of Fees)

Market Value: $263.4 Million and 100.0% of Fund

Ending December 31, 2021

	1 Mo	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	7 Yrs	10 Yrs	Inception	Inception Date
Total Fund Composite	**3.2%**	**4.5%**	**14.6%**	**14.6%**	**14.8%**	**10.3%**	**8.0%**	**8.4%**	**7.3%**	**Jul-02**
Strategic Asset Allocation	*2.7%*	*4.3%*	*11.7%*	*11.7%*	*13.8%*	*9.9%*	*7.5%*	*7.8%*	*6.9%*	*Jul-02*
Fixed Income Composite	**0.0%**	**0.2%**	**0.3%**	**0.3%**	**6.6%**	**--**	**--**	**--**	**5.2%**	**Jan-18**
Fixed Income Balanced Index	*-0.3%*	*0.0%*	*-1.5%*	*-1.5%*	*5.0%*	*--*	*--*	*--*	*4.0%*	*Jan-18*
Fidelity (Pyramis Global Advisors)	0.0%	0.2%	0.3%	0.3%	6.6%	4.8%	4.3%	4.3%	5.1%	Apr-07
Bloomberg US Aggregate TR	*-0.3%*	*0.0%*	*-1.5%*	*-1.5%*	*4.8%*	*3.6%*	*3.0%*	*2.9%*	*4.0%*	*Apr-07*
Equity Composite	**4.4%**	**6.1%**	**21.5%**	**21.5%**	**23.9%**	**16.4%**	**13.1%**	**14.1%**	**9.5%**	**Jun-06**
Equity Balanced Index	*4.3%*	*6.2%*	*19.7%*	*19.7%*	*22.7%*	*14.9%*	*12.9%*	*15.1%*	*10.3%*	*Jun-06*
Barrow, Hanley, Mewhinney, & Strauss	6.4%	7.9%	26.1%	26.1%	18.5%	12.8%	10.9%	13.5%	8.8%	Sep-06
Russell 1000 Value	*6.3%*	*7.8%*	*25.2%*	*25.2%*	*17.6%*	*11.2%*	*9.7%*	*13.0%*	*7.9%*	*Sep-06*
iShares S&P 500 Growth ETF	2.5%	13.3%	31.7%	31.7%	32.2%	24.0%	--	--	21.6%	Mar-16
S&P 500 Growth	*2.5%*	*13.4%*	*32.0%*	*32.0%*	*32.2%*	*24.1%*	*18.7%*	*19.2%*	*22.0%*	*Mar-16*
Russell 1000	*4.1%*	*9.8%*	*26.5%*	*26.5%*	*26.2%*	*18.4%*	*14.8%*	*16.5%*	*17.9%*	*Mar-16*
NewSouth Capital	5.5%	6.2%	25.8%	25.8%	21.1%	14.7%	11.8%	13.9%	13.7%	Aug-11
Russell 2500 Value	*5.2%*	*6.4%*	*27.8%*	*27.8%*	*18.3%*	*9.9%*	*9.6%*	*12.4%*	*12.3%*	*Aug-11*
Earnest Partners	4.3%	1.8%	12.9%	12.9%	16.6%	12.0%	8.3%	8.9%	8.8%	Jun-10
MSCI ACWI ex USA	*4.1%*	*1.8%*	*7.8%*	*7.8%*	*13.2%*	*9.6%*	*6.6%*	*7.3%*	*7.0%*	*Jun-10*
Alternative Asset Composite	**0.2%**	**-0.2%**	**4.8%**	**4.8%**	**7.2%**	**4.7%**	**3.2%**	**4.3%**	**3.4%**	**May-07**
HFRI Fund of Funds Composite Index	*0.2%*	*0.3%*	*6.0%*	*6.0%*	*8.4%*	*5.7%*	*4.1%*	*4.5%*	*2.3%*	*May-07*
Prisma Capital Partners LP	0.2%	-0.2%	4.4%	4.4%	7.1%	4.6%	3.1%	4.2%	3.4%	May-07
HFRI Fund of Funds Composite Index	*0.2%*	*0.3%*	*6.0%*	*6.0%*	*8.4%*	*5.7%*	*4.1%*	*4.5%*	*2.3%*	*May-07*
Real Estate Composite	**9.7%**	**15.0%**	**40.4%**	**40.4%**	**20.2%**	**11.4%**	**9.6%**	**11.6%**	**11.4%**	**Apr-10**
MSCI US REIT	*8.6%*	*16.0%*	*41.7%*	*41.7%*	*17.2%*	*9.5%*	*7.9%*	*10.0%*	*9.9%*	*Apr-10*
Vanguard Real Estate ETF	9.7%	15.0%	40.4%	40.4%	20.2%	11.4%	9.6%	11.6%	11.4%	Apr-10
MSCI US REIT	*8.6%*	*16.0%*	*41.7%*	*41.7%*	*17.2%*	*9.5%*	*7.9%*	*10.0%*	*9.9%*	*Apr-10*

Calendar Performance (Gross of Fees)

Market Value: $263.4 Million and 100.0% of Fund

Calendar Year

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total Fund Composite	**14.6%**	**10.9%**	**19.1%**	**-3.3%**	**11.6%**	**6.4%**	**-1.7%**	**5.6%**	**11.0%**	**11.7%**	**3.5%**
Strategic Asset Allocation	*11.7%*	*11.0%*	*18.9%*	*-3.8%*	*12.8%*	*6.4%*	*-2.8%*	*4.2%*	*11.5%*	*10.5%*	*2.2%*
Fixed Income Composite	**0.3%**	**9.7%**	**10.2%**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
Fixed Income Balanced Index	*-1.5%*	*7.6%*	*9.3%*	*-0.3%*	*--*	*--*	*--*	*--*	*--*	*--*	*--*
Fidelity (Pyramis Global Advisors)	0.3%	9.7%	10.2%	-0.3%	4.7%	5.6%	0.1%	6.2%	-0.7%	7.6%	7.8%
Bloomberg US Aggregate TR	*-1.5%*	*7.5%*	*8.7%*	*0.0%*	*3.5%*	*2.6%*	*0.6%*	*6.0%*	*-2.0%*	*4.2%*	*7.8%*
Equity Composite	**21.5%**	**21.1%**	**29.2%**	**-5.6%**	**19.0%**	**11.0%**	**-0.3%**	**9.0%**	**23.8%**	**16.9%**	**0.0%**
Equity Balanced Index	*19.7%*	*20.0%*	*28.6%*	*-7.6%*	*17.3%*	*16.0%*	*0.5%*	*12.6%*	*33.6%*	*16.4%*	*1.0%*
Barrow, Hanley, Mewhinney, & Strauss	26.1%	4.2%	26.8%	-4.6%	15.2%	14.2%	-1.3%	12.8%	32.4%	15.2%	2.6%
Russell 1000 Value	*25.2%*	*2.8%*	*26.5%*	*-8.3%*	*13.7%*	*17.3%*	*-3.8%*	*13.5%*	*32.5%*	*17.5%*	*0.4%*
iShares S&P 500 Growth ETF	31.7%	33.8%	31.1%	-0.1%	26.9%	--	--	--	--	--	--
S&P 500 Growth	*32.0%*	*33.5%*	*31.1%*	*0.0%*	*27.4%*	*6.9%*	*5.5%*	*14.9%*	*32.8%*	*14.6%*	*4.7%*
Russell 1000	*26.5%*	*21.0%*	*31.4%*	*-4.8%*	*21.7%*	*12.1%*	*0.9%*	*13.2%*	*33.1%*	*16.4%*	*1.5%*
NewSouth Capital	25.8%	8.9%	29.7%	-0.4%	12.2%	10.2%	-0.5%	12.2%	28.8%	16.8%	--
Russell 2500 Value	*27.8%*	*4.9%*	*23.6%*	*-12.4%*	*10.4%*	*25.2%*	*-5.5%*	*7.1%*	*33.3%*	*19.2%*	*-3.4%*
Earnest Partners	12.9%	13.9%	23.3%	-15.7%	31.6%	5.5%	-5.5%	-1.6%	13.5%	19.5%	-9.7%
MSCI ACWI ex USA	*7.8%*	*10.7%*	*21.5%*	*-14.2%*	*27.2%*	*4.5%*	*-5.7%*	*-3.9%*	*15.3%*	*16.8%*	*-13.7%*
Alternative Asset Composite	**4.8%**	**8.9%**	**8.0%**	**-4.6%**	**7.0%**	**-1.1%**	**0.0%**	**2.3%**	**11.0%**	**7.5%**	**-3.3%**
HFRI Fund of Funds Composite Index	*6.0%*	*10.9%*	*8.4%*	*-4.0%*	*7.8%*	*0.5%*	*-0.3%*	*3.4%*	*9.0%*	*4.8%*	*-5.7%*
Prisma Capital Partners LP	4.4%	8.9%	8.0%	-4.7%	7.0%	-1.1%	0.0%	2.3%	11.0%	7.5%	-3.3%
HFRI Fund of Funds Composite Index	*6.0%*	*10.9%*	*8.4%*	*-4.0%*	*7.8%*	*0.5%*	*-0.3%*	*3.4%*	*9.0%*	*4.8%*	*-5.7%*
Real Estate Composite	**40.4%**	**-4.4%**	**29.3%**	**-5.8%**	**4.7%**	**8.4%**	**2.6%**	**30.5%**	**2.4%**	**17.7%**	**8.3%**
MSCI US REIT	*41.7%*	*-8.7%*	*24.3%*	*-5.8%*	*3.7%*	*7.1%*	*1.3%*	*28.8%*	*1.3%*	*16.5%*	*7.5%*
Vanguard Real Estate ETF	40.4%	-4.4%	29.3%	-5.8%	4.7%	8.4%	2.6%	30.5%	2.4%	17.7%	8.3%
MSCI US REIT	*41.7%*	*-8.7%*	*24.3%*	*-5.8%*	*3.7%*	*7.1%*	*1.3%*	*28.8%*	*1.3%*	*16.5%*	*7.5%*

Annualized Performance (Net of Fees)

Market Value: $263.4 Million and 100.0% of Fund

Ending December 31, 2021

	1 Mo	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	7 Yrs	10 Yrs	Inception	Inception Date
Total Fund Composite	**3.1%**	**4.4%**	**14.0%**	**14.0%**	**14.4%**	**10.0%**	**7.8%**	**8.2%**	**7.2%**	**Jul-02**
Strategic Asset Allocation	*2.7%*	*4.3%*	*11.7%*	*11.7%*	*13.8%*	*9.9%*	*7.5%*	*7.8%*	*6.9%*	*Jul-02*
Fixed Income Composite	**0.0%**	**0.1%**	**0.0%**	**0.0%**	**6.4%**	**--**	**--**	**--**	**5.0%**	**Jan-18**
Fixed Income Balanced Index	*-0.3%*	*0.0%*	*-1.5%*	*-1.5%*	*5.0%*	*--*	*--*	*--*	*4.0%*	*Jan-18*
Equity Composite	**4.3%**	**5.9%**	**20.8%**	**20.8%**	**22.1%**	**17.0%**	**13.5%**	**14.3%**	**9.6%**	**Jun-06**
Equity Balanced Index	*4.3%*	*6.2%*	*19.7%*	*19.7%*	*22.7%*	*14.9%*	*12.9%*	*15.1%*	*10.3%*	*Jun-06*
Alternative Asset Composite	**0.1%**	**-0.5%**	**3.8%**	**3.8%**	**6.9%**	**4.5%**	**3.0%**	**4.2%**	**3.3%**	**May-07**
HFRI Fund of Funds Composite Index	*0.2%*	*0.3%*	*6.0%*	*6.0%*	*8.4%*	*5.7%*	*4.1%*	*4.5%*	*2.3%*	*May-07*
Real Estate Composite	**9.7%**	**15.0%**	**40.4%**	**40.4%**	**20.1%**	**11.3%**	**9.6%**	**11.6%**	**11.4%**	**Apr-10**
MSCI US REIT	*8.6%*	*16.0%*	*41.7%*	*41.7%*	*17.2%*	*9.5%*	*7.9%*	*10.0%*	*9.9%*	*Apr-10*

Total Fund Composite

Calendar Performance (Net of Fees)

Market Value: $263.4 Million and 100.0% of Fund

	Calendar Year										
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total Fund Composite	**14.0%**	**10.5%**	**18.8%**	**-3.6%**	**11.6%**	**6.4%**	**-1.7%**	**5.6%**	**11.0%**	**11.7%**	**3.5%**
Strategic Asset Allocation	*11.7%*	*11.0%*	*18.9%*	*-3.8%*	*12.8%*	*6.4%*	*-2.8%*	*4.2%*	*11.5%*	*10.5%*	*2.2%*
InvMetrics Public DB Net Rank	*33*	*81*	*60*	*30*	*95*	*78*	*78*	*47*	*85*	*53*	*6*
Fixed Income Composite	**0.0%**	**9.5%**	**10.0%**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
Fixed Income Balanced Index	*-1.5%*	*7.6%*	*9.3%*	*-0.3%*	*--*	*--*	*--*	*--*	*--*	*--*	*--*
InvMetrics Public DB US Fix Inc Net Rank	*9*	*15*	*9*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*
Equity Composite	**20.8%**	**21.1%**	**24.3%**	**1.2%**	**19.0%**	**11.0%**	**-0.3%**	**9.0%**	**23.8%**	**16.9%**	**0.0%**
Equity Balanced Index	*19.7%*	*20.0%*	*28.6%*	*-7.6%*	*17.3%*	*16.0%*	*0.5%*	*12.6%*	*33.6%*	*16.4%*	*1.0%*
InvMetrics Public DB Total Eq Net Rank	*42*	*7*	*96*	*1*	*97*	*7*	*16*	*19*	*88*	*44*	*13*
Alternative Asset Composite	**3.8%**	**8.9%**	**8.0%**	**-4.7%**	**7.0%**	**-1.1%**	**0.0%**	**2.3%**	**11.0%**	**7.5%**	**-3.3%**
HFRI Fund of Funds Composite Index	*6.0%*	*10.9%*	*8.4%*	*-4.0%*	*7.8%*	*0.5%*	*-0.3%*	*3.4%*	*9.0%*	*4.8%*	*-5.7%*
InvMetrics Public DB Hedge Funds Net Rank	*88*	*47*	*48*	*81*	*40*	*93*	*45*	*85*	*59*	*46*	*70*
Real Estate Composite	**40.4%**	**-4.4%**	**29.2%**	**-5.8%**	**4.7%**	**8.4%**	**2.6%**	**30.5%**	**2.4%**	**17.7%**	**8.3%**
MSCI US REIT	*41.7%*	*-8.7%*	*24.3%*	*-5.8%*	*3.7%*	*7.1%*	*1.3%*	*28.8%*	*1.3%*	*16.5%*	*7.5%*
InvMetrics Public DB Real Estate Pub Net Rank	*--*	*61*	*1*	*50*	*77*	*11*	*48*	*12*	*99*	*15*	*79*

Annualized Performance (Net of Fees)

Market Value: $263.4 Million and 100.0% of Fund

Ending December 31, 2021

	1 Mo	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	7 Yrs	10 Yrs	Inception	Inception Date
Total Fund Composite	**3.1%**	**4.4%**	**14.0%**	**14.0%**	**14.4%**	**10.0%**	**7.8%**	**8.2%**	**7.2%**	**Jul-02**
Strategic Asset Allocation	*2.7%*	*4.3%*	*11.7%*	*11.7%*	*13.8%*	*9.9%*	*7.5%*	*7.8%*	*6.9%*	*Jul-02*
Fixed Income Composite	**0.0%**	**0.1%**	**0.0%**	**0.0%**	**6.4%**	**--**	**--**	**--**	**5.0%**	**Jan-18**
Fixed Income Balanced Index	*-0.3%*	*0.0%*	*-1.5%*	*-1.5%*	*5.0%*	*--*	*--*	*--*	*4.0%*	*Jan-18*
Fidelity (Pyramis Global Advisors)	0.0%	0.1%	0.0%	0.0%	6.5%	4.8%	4.2%	4.3%	5.1%	Apr-07
Bloomberg US Aggregate TR	*-0.3%*	*0.0%*	*-1.5%*	*-1.5%*	*4.8%*	*3.6%*	*3.0%*	*2.9%*	*4.0%*	*Apr-07*
Equity Composite	**4.3%**	**5.9%**	**20.8%**	**20.8%**	**22.1%**	**17.0%**	**13.5%**	**14.3%**	**9.6%**	**Jun-06**
Equity Balanced Index	*4.3%*	*6.2%*	*19.7%*	*19.7%*	*22.7%*	*14.9%*	*12.9%*	*15.1%*	*10.3%*	*Jun-06*
Barrow, Hanley, Mewhinney, & Strauss	6.3%	7.7%	25.2%	25.2%	17.7%	12.1%	10.2%	12.8%	8.2%	Sep-06
Russell 1000 Value	*6.3%*	*7.8%*	*25.2%*	*25.2%*	*17.6%*	*11.2%*	*9.7%*	*13.0%*	*7.9%*	*Sep-06*
iShares S&P 500 Growth ETF	2.5%	13.3%	31.7%	31.7%	32.2%	24.0%	--	--	21.6%	Mar-16
S&P 500 Growth	*2.5%*	*13.4%*	*32.0%*	*32.0%*	*32.2%*	*24.1%*	*18.7%*	*19.2%*	*22.0%*	*Mar-16*
Russell 1000	*4.1%*	*9.8%*	*26.5%*	*26.5%*	*26.2%*	*18.4%*	*14.8%*	*16.5%*	*17.9%*	*Mar-16*
NewSouth Capital	5.4%	6.0%	24.6%	24.6%	20.0%	13.7%	10.7%	12.9%	12.7%	Aug-11
Russell 2500 Value	*5.2%*	*6.4%*	*27.8%*	*27.8%*	*18.3%*	*9.9%*	*9.6%*	*12.4%*	*12.3%*	*Aug-11*
Earnest Partners	4.2%	1.6%	12.0%	12.0%	15.6%	11.0%	7.4%	7.9%	7.9%	Jun-10
MSCI ACWI ex USA	*4.1%*	*1.8%*	*7.8%*	*7.8%*	*13.2%*	*9.6%*	*6.6%*	*7.3%*	*7.0%*	*Jun-10*
Alternative Asset Composite	**0.1%**	**-0.5%**	**3.8%**	**3.8%**	**6.9%**	**4.5%**	**3.0%**	**4.2%**	**3.3%**	**May-07**
HFRI Fund of Funds Composite Index	*0.2%*	*0.3%*	*6.0%*	*6.0%*	*8.4%*	*5.7%*	*4.1%*	*4.5%*	*2.3%*	*May-07*
Prisma Capital Partners LP	0.1%	-0.5%	3.8%	3.8%	6.9%	4.5%	3.0%	4.2%	3.3%	May-07
HFRI Fund of Funds Composite Index	*0.2%*	*0.3%*	*6.0%*	*6.0%*	*8.4%*	*5.7%*	*4.1%*	*4.5%*	*2.3%*	*May-07*
Real Estate Composite	**9.7%**	**15.0%**	**40.4%**	**40.4%**	**20.1%**	**11.3%**	**9.6%**	**11.6%**	**11.4%**	**Apr-10**
MSCI US REIT	*8.6%*	*16.0%*	*41.7%*	*41.7%*	*17.2%*	*9.5%*	*7.9%*	*10.0%*	*9.9%*	*Apr-10*
Vanguard Real Estate ETF	9.7%	15.0%	40.4%	40.4%	20.1%	11.3%	9.6%	11.6%	11.4%	Apr-10
MSCI US REIT	*8.6%*	*16.0%*	*41.7%*	*41.7%*	*17.2%*	*9.5%*	*7.9%*	*10.0%*	*9.9%*	*Apr-10*

Calendar Performance (Net of Fees)

Market Value: $263.4 Million and 100.0% of Fund

	Calendar Year										
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total Fund Composite	**14.0%**	**10.5%**	**18.8%**	**-3.6%**	**11.6%**	**6.4%**	**-1.7%**	**5.6%**	**11.0%**	**11.7%**	**3.5%**
Strategic Asset Allocation	*11.7%*	*11.0%*	*18.9%*	*-3.8%*	*12.8%*	*6.4%*	*-2.8%*	*4.2%*	*11.5%*	*10.5%*	*2.2%*
InvMetrics Public DB Net Rank	*33*	*81*	*60*	*30*	*95*	*78*	*78*	*47*	*85*	*53*	*6*
Fixed Income Composite	**0.0%**	**9.5%**	**10.0%**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
Fixed Income Balanced Index	*-1.5%*	*7.6%*	*9.3%*	*-0.3%*	*--*	*--*	*--*	*--*	*--*	*--*	*--*
InvMetrics Public DB US Fix Inc Net Rank	*9*	*15*	*9*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*
Fidelity (Pyramis Global Advisors)	0.0%	9.7%	10.2%	-0.3%	4.7%	5.6%	0.1%	6.2%	-0.7%	7.6%	7.8%
Bloomberg US Aggregate TR	*-1.5%*	*7.5%*	*8.7%*	*0.0%*	*3.5%*	*2.6%*	*0.5%*	*6.0%*	*-2.0%*	*4.2%*	*7.8%*
eV US Core Plus Fixed Inc Net Rank	*28*	*24*	*34*	*34*	*52*	*28*	*44*	*26*	*45*	*69*	*19*
Equity Composite	**20.8%**	**21.1%**	**24.3%**	**1.2%**	**19.0%**	**11.0%**	**-0.3%**	**9.0%**	**23.8%**	**16.9%**	**0.0%**
Equity Balanced Index	*19.7%*	*20.0%*	*28.6%*	*-7.6%*	*17.3%*	*16.0%*	*0.5%*	*12.6%*	*33.6%*	*16.4%*	*1.0%*
InvMetrics Public DB Total Eq Net Rank	*42*	*7*	*96*	*1*	*97*	*7*	*16*	*19*	*88*	*44*	*13*
Barrow, Hanley, Mewhinney, & Strauss	25.2%	3.4%	25.9%	-5.2%	14.5%	13.6%	-1.9%	12.1%	31.6%	14.5%	2.0%
Russell 1000 Value	*25.2%*	*2.8%*	*26.5%*	*-8.3%*	*13.7%*	*17.3%*	*-3.8%*	*13.5%*	*32.5%*	*17.5%*	*0.4%*
eV US Large Cap Value Equity Net Rank	*65*	*50*	*53*	*21*	*78*	*53*	*37*	*41*	*60*	*57*	*30*
iShares S&P 500 Growth ETF	31.7%	33.8%	31.0%	-0.1%	26.9%	--	--	--	--	--	--
S&P 500 Growth	*32.0%*	*33.5%*	*31.1%*	*0.0%*	*27.4%*	*6.9%*	*5.5%*	*14.9%*	*32.8%*	*14.6%*	*4.7%*
Russell 1000	*26.5%*	*21.0%*	*31.4%*	*-4.8%*	*21.7%*	*12.1%*	*0.9%*	*13.2%*	*33.1%*	*16.4%*	*1.5%*
Large Growth MStar MF Rank	*3*	*54*	*67*	*37*	*64*	*--*	*--*	*--*	*--*	*--*	*--*
NewSouth Capital	24.6%	8.0%	28.5%	-1.3%	11.2%	9.2%	-1.4%	11.1%	27.7%	15.8%	--
Russell 2500 Value	*27.8%*	*4.9%*	*23.6%*	*-12.4%*	*10.4%*	*25.2%*	*-5.5%*	*7.1%*	*33.3%*	*19.2%*	*-3.4%*
eV US Small-Mid Cap Value Equity Net Rank	*73*	*32*	*29*	*1*	*61*	*97*	*24*	*12*	*94*	*41*	*--*
Earnest Partners	12.0%	12.9%	22.2%	-16.4%	30.5%	4.6%	-6.3%	-2.5%	12.5%	18.5%	-10.5%
MSCI ACWI ex USA	*7.8%*	*10.7%*	*21.5%*	*-14.2%*	*27.2%*	*4.5%*	*-5.7%*	*-3.9%*	*15.3%*	*16.8%*	*-13.7%*
eV ACWI ex-US Large Cap Core Eq Net Rank	*25*	*49*	*56*	*61*	*21*	*15*	*86*	*28*	*97*	*39*	*7*

Calendar Performance (Net of Fees)

Market Value: $263.4 Million and 100.0% of Fund

	Calendar Year										
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Alternative Asset Composite	**3.8%**	**8.9%**	**8.0%**	**-4.7%**	**7.0%**	**-1.1%**	**0.0%**	**2.3%**	**11.0%**	**7.5%**	**-3.3%**
HFRI Fund of Funds Composite Index	*6.0%*	*10.9%*	*8.4%*	*-4.0%*	*7.8%*	*0.5%*	*-0.3%*	*3.4%*	*9.0%*	*4.8%*	*-5.7%*
InvMetrics Public DB Hedge Funds Net Rank	*88*	*47*	*48*	*81*	*40*	*93*	*45*	*85*	*59*	*46*	*70*
Prisma Capital Partners LP	3.8%	8.9%	8.0%	-4.7%	7.0%	-1.1%	0.0%	2.3%	11.0%	7.5%	-3.3%
HFRI Fund of Funds Composite Index	*6.0%*	*10.9%*	*8.4%*	*-4.0%*	*7.8%*	*0.5%*	*-0.3%*	*3.4%*	*9.0%*	*4.8%*	*-5.7%*
InvMetrics Public DB Hedge Funds Net Rank	*88*	*47*	*48*	*81*	*40*	*93*	*45*	*85*	*59*	*46*	*70*
Real Estate Composite	**40.4%**	**-4.4%**	**29.2%**	**-5.8%**	**4.7%**	**8.4%**	**2.6%**	**30.5%**	**2.4%**	**17.7%**	**8.3%**
MSCI US REIT	*41.7%*	*-8.7%*	*24.3%*	*-5.8%*	*3.7%*	*7.1%*	*1.3%*	*28.8%*	*1.3%*	*16.5%*	*7.5%*
InvMetrics Public DB Real Estate Pub Net Rank	*--*	*61*	*1*	*50*	*77*	*11*	*48*	*12*	*99*	*15*	*79*
Vanguard Real Estate ETF	40.4%	-4.4%	29.2%	-5.8%	4.7%	8.4%	2.6%	30.5%	2.4%	17.7%	8.3%
MSCI US REIT	*41.7%*	*-8.7%*	*24.3%*	*-5.8%*	*3.7%*	*7.1%*	*1.3%*	*28.8%*	*1.3%*	*16.5%*	*7.5%*
Real Estate MStar MF Rank	*72*	*55*	*37*	*48*	*61*	*19*	*67*	*36*	*36*	*38*	*54*

Market Value: $263.4 Million and 100.0% of Fund

Asset Class	Investment Manager	Fee Schedule	Expense Ratio & Estimated Annual Fee [1]	Industry Median [2]
Core Plus Fixed Income	Fidelity (Pyramis Global Advisors)	0.25% on the first $50 million 0.22% on the next $50 million 0.20% on the next $100 million 0.17% on the balance	0.24% $188,956	0.30%
Large-Cap Value	Barrow, Hanley, Mewhinney, & Strauss	0.75% on the first $10 million 0.50% on the next $15 million 0.25% on the next $175 million 0.20% on the next $600 million 0.15% on the next $200 million 0.125% on the balance	0.66% $102,939	0.60%
Large-Cap Growth	iShares S&P 500 Growth ETF	0.18% on the balance	0.18% $56,957	0.75%
Smid-Cap Value	NewSouth Capital	0.90% on the first $25 million 0.85% on the next $25 million	0.89% $313,246	0.88%
Non-U.S. Large-Cap Core	Earnest Partners	0.85% on the balance	0.85% $491,361	0.65%
Multi-Strat. Hedge FoF	Prisma Capital Partners LP	1.00% on the balance	1.00% $187,277	1.00%
U.S. REIT	Vanguard Real Estate ETF	0.12% on the balance	0.12% $29,484	1.19%
Total Investment Management Fees			**0.52%** **$1,370,219**	**0.66%**

[1] Expense Ratio & Estimated Annual Fee are Based on Market Value at Quarter End.
[2] Source: 2019 Marquette Associates Investment Management Fee Study.

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SEWERAGE & WATER BOARD
of NEW ORLEANS
EMPLOYEES' PENSION TRUST FUND
INVESTMENT POLICY STATEMENT

Original Draft Adopted - November 4, 2004

As Amended – February 16, 2022

TABLE OF CONTENTS

EXECUTIVE SUMMARY

Name of Plan: Employees' Retirement System of the Sewerage and Water Board of New Orleans ("the Plan")

Type of Plan: Defined Benefit Plan, IRS Qualified

Plan Sponsor: Sewerage and Water Board of New Orleans (SWBNO)

Time Horizon: Greater than 10 years (Long-Term)

Assumed ROR: 7.00% (Actuarial Assumption[1])

Strategic Allocation: 25% Total Fixed Income
34% Total U.S. Equity
21% Total Non-U.S. Equity
10% Total Real Assets
10% Total Private Equity

Asset Class	***Minimum***	***Target***	***Maximum***
Broad Fixed Income	*20%*	*25%*	*30%*
Total Fixed Income	***20%***	***25%***	***30%***
U.S. Large Cap Equity	*20%*	*25%*	*30%*
U.S. Mid Cap Equity	*0%*	*4%*	*9%*
U.S. Small Cap Equity	*0%*	*5%*	*1%*
Total U.S. Equity	***29%***	***34%***	***39%***
Non-U.S. Large-Cap Equity	*10%*	*15%*	*20%*
Non-U.S. Small-Cap Equity	*0%*	*3%*	*8%*
Emerging Market Equity	*0%*	*3%*	*8%*
Total Non-U.S. Equity	***16%***	***21%***	***26%***
Core Real Estate	*0%*	*3%*	*8%*
Global Infrastructure	*2%*	*7%*	*12%*
Total Real Assets	***5%***	***10%***	***15%***
Private Equity	*5%*	*10.0%*	*15%*
Total Private Equity	***5%***	***10%***	***15%***

The Investment Policy Statement (IPS) should be reviewed and updated at least annually. Any change to this policy should be communicated in writing on a timely basis to all parties of interest.

[1] Refer to January 1, 2020 Rudd & Wisdom, Inc. Actuarial Valuation.

STATEMENT OF PURPOSE

The purpose of this Investment Policy Statement (IPS) is to guide the Board of Trustees (the members of the Sewerage & Water Board and the elected employee members to the Board of Trustees) [Appendix A] in effectively supervising, monitoring and evaluating the investment of the SWBNO Employees' Retirement System assets. The Plan's investment program is defined in the various sections of the IPS by:

1. Stating in a written document the Board of Trustees' attitudes, expectations, objectives, and guidelines for the investment of all Plan assets.
2. Setting forth an investment structure for managing all Plan assets. This structure includes various asset classes, investment management styles, asset allocation, and acceptable ranges that, in total, are expected to produce a sufficient level of overall diversification and total investment return over the long-term.
3. Providing guidelines for each investment portfolio that when viewed in conjunction with each individual investment manager's contract, control the level of overall risk and liquidity assumed in that portfolio.
4. Providing policy concurrent rate-of-return and risk characteristics for various investment options utilized in developing asset allocation. [Appendix B].
5. Encouraging effective communications between the Board of Trustees, the investment consultant and retained investment managers.
6. Establishing formal criteria to monitor, evaluate, and compare the performance results achieved by the investment managers on a regular basis.
7. Complying with all fiduciary, prudence and due diligence requirements experienced investment professionals would utilize; and with all applicable laws, rules and regulations from various local, state, federal, and international political entities that may impact Plan assets.

This IPS has been formulated, based upon consideration by the Board of Trustees, of the financial implications of a wide range of policies, and describes the prudent investment process the Board of Trustees deems appropriate.

INTRODUCTION

This document establishes the Investment Policy Statement for the SWBNO Employees' Retirement System for the management of the assets held for the benefit of the participants and beneficiaries in the System. The Board of Trustees is responsible for managing the investment process of the Retirement System in a prudent manner with regard to preserving principal while providing reasonable returns.

The Board of Trustees has arrived at this IPS through careful study of the returns and risks associated with various investment strategies in relation to the current and projected liabilities of the Retirement System. This policy has been chosen as the most appropriate policy for achieving the financial objectives of the Retirement System which are described in the Objectives section of this document.

The Board of Trustees has adopted a long-term investment horizon such that the chances and duration of investment losses are carefully weighed against the long-term potential for appreciation of assets.

In addition to the policy defined herein, the management of the SWBNO Employees' Retirement System will be in strict compliance with all relevant and applicable legislation.

STATEMENT OF OBJECTIVES

The assets of the SWBNO Employees' Retirement System shall be invested in accordance with all relevant legislation. Specifically:

1. Investment shall be in accordance with the Louisiana Revised Statues, R.S. 11:3821.
2. Investments shall be made solely in the interest of the participants and beneficiaries of the pension plan and for the exclusive purpose of providing benefits to such participants and their beneficiaries and defraying the reasonable expenses of administering the plan.
3. The Board of Trustees and its investments advisors shall exercise the judgment and care under the circumstances then prevailing which an institutional investor of ordinary prudence, discretion and intelligence exercises in the management of large investments entrusted to it not in regard to speculation but in regard to the permanent disposition of funds considering probable safety of capital as well as probable income.

The primary investment objective shall be to achieve full funding of the actuarial accrued liability so that such assets are preserved for the providing of benefits to participants and their beneficiaries and such long-term return (either in the form of income or capital appreciation or both) may without undue risk maximize the amounts available to provide such benefits. These objectives have been established in conjunction with a comprehensive review of both the current and projected financial requirements and investment returns by asset class.

While there cannot be complete assurance that these objectives will be realized, it is believed that the likelihood of their realization is reasonably high based upon this Investment Policy and historical performance of the asset classes discussed herein. The objectives have been based on a five-year investment horizon, so that short-term fluctuation should be viewed secondary to long-term investment results.

Relative performance benchmarks for the System's investment managers are set forth in the Control Procedures section of this document.

This IPS has been arrived at upon consideration by the Board by a wide range of policies, and describes the prudent investment process the Board deems appropriate. This process includes seeking various asset classes and investment management styles that, in total, are expected to offer participants a sufficient level of overall diversification and total investment return over the long-term. The objectives are:

1. Have the ability to pay all benefit and expense obligations when due;
2. Achieve a fully funded status with regard to the Accumulated Benefit Obligation and 100% of the Projected Benefit Obligation;
3. Maintain the purchasing power of the current assets and all future contributions by producing positive real rates of return on Plan asset;
4. Maximize returns within reasonable and prudent levels of risk in order to minimize contribution;
5. Control costs of administering the plan and managing the investments.; and
6. Maintain flexibility in determining the future level of contributions

Keys to achieving objectives include maximizing investment returns within prudent levels of risk, while minimizing the Plan's reliance on contributions.

Time Horizon

The investment guidelines are based upon the Plan's investment time horizon of (>5) greater than five years. Interim fluctuations should be viewed with appropriate perspective. Similarly, the Plan's, strategic asset allocation is based on this long-term perspective. Short-term liquidity requirements are anticipated to be non-existent, or at least should be covered by the annual contribution.

Risk Tolerances

The Board recognizes the difficulty of achieving the Plan's investment objectives in light of the uncertainties and complexities of contemporary investment markets. The Board also recognizes some risk must be assumed to achieve the Plan's long-term investment objectives. In establishing the risk tolerances of the IPS, the ability to withstand short- and intermediate-term variability were considered. These factors were:

- The SWBNO Employees' Retirement System's strong financial condition enables the Board to adopt a long-term investment perspective, allowing for a less aggressive risk tolerance.
- Demographic characteristics of participants suggest an average risk tolerance due to the moderate to aging work force.

In summary, the SWBNO Employees' Retirement System's prospects for the future, current financial condition and several other factors suggest collectively the Plan can tolerate some interim fluctuations in market value and rates of return in order to achieve long-term objectives.

Performance Target

The desired investment objective is a long-term rate of return on assets that is at least 7.00%, as defined by current[2] actuarial assumptions. Annually, the Plan's overall total return, after deducting for advisory, investment management, and custodial fees, as well as total transaction costs; should perform above a customized index comprised of market indices weighted by the strategic asset allocation of the Plan.

[2] Refer to January 1, 2020 Rudd & Wisdom, Inc. Actuarial Valuation.

ASSET ALLOCATION POLICY

Targets and Ranges

It shall be the policy of the SWBNO Employees' Retirement System to invest in each style-based asset class ranging between a minimum and a maximum of total plan assets as indicated below:

Stated Ranges are as a Percent of Total Plan Assets

Asset Class	*Minimum*	*Target*	*Maximum*
Broad Fixed Income	*20%*	*25%*	*30%*
Total Fixed Income	***20%***	***25%***	***30%***
U.S. Large Cap Equity	*20%*	*25%*	*30%*
U.S. Mid Cap Equity	*0%*	*4.%*	*9%*
U.S. Small Cap Equity	*0%*	*5%*	*10%*
Total U.S. Equity	***29%***	***34%***	***39%***
Non-U.S. Large-Cap Equity	*10%*	*15%*	*20%*
Non-U.S. Small-Cap Equity	*0%*	*3%*	*8%*
Emerging Market Equity	*0%*	*3%*	*8%*
Total Non-U.S. Equity	***16%***	***21%***	***26%***
Core Real Estate	*0%*	*3%*	*8%*
Global Infrastructure	*2%*	*7%*	*12%*
Total Real Assets	***5%***	***10%***	***15%***
Private Equity	*5%*	*10%*	*15%*
Total Private Equity	***5%***	***10%***	***15%***

During the investment manager selection process, the Board of Trustees will communicate specific manager guidelines regarding capitalization and stylistic characteristics such that the total portfolio conforms to policy. It is expected that these guidelines will be strategic in nature and not change frequently.

Asset Class Guidelines

The Board of Trustees believes long-term investment performance, in large part, is primarily a function of the asset allocation. The Board of Trustees has reviewed the long-term performance characteristics of the broad asset classes, focusing on balancing the risks and rewards.

History suggests that while interest-generating investments, such as bond portfolios, have the advantage of relative stability of principal value; they provide little opportunity for real long- term capital growth due to their susceptibility to inflation. On the other hand, equity investments, such as common stocks, clearly have a significantly higher expected return but have the disadvantage of much greater year-by-year variability of return. From an investment decision-making point of view, this year-by-year variability may be worth accepting, provided the time horizon for the equity portion of the portfolio is sufficiently long (greater than five years).

Adherence to Policy

The Board of Trustees is guided by the philosophy that asset allocation is the most significant determinant of long-term investment return. The Retirement System asset allocation will be maintained as close to the target allocations as reasonably possible. Contributions to the Plan and withdrawals to pay benefits and expenses shall be allocated across portfolios to bring the asset mix as close to the target allocation as possible.

Rapid, substantive and unanticipated market shifts or changes in economic conditions may cause the asset mix to fall outside of the policy range. Any divergence caused by these factors should be of a short-term nature.

The Board of Trustees or its designee will review the Plan's allocation status at least quarterly. It is anticipated that active rebalancing will occur at least annually.

Cash Holdings

It shall be the policy of The Employees' Retirement System of The Sewerage & Water Board of New Orleans to be fully invested to the maximum extent possible. Any cash holdings in separate short-term accounts should be kept as small as possible.

However, the Board of Trustees may from time to time authorize the use of cash equivalent(s)[3] and or money market fund(s)[4] as interim investment vehicle(s) for assets being transitioned from one manager/product to another.

For equity and fixed income portfolios, cash and short-term instruments maturing in less than 360 days shall be restricted to a maximum of 5% of each portfolio except for brief periods or when building liquidity in anticipation of a large withdrawal.

Cash equivalent reserves shall consist of cash instruments having a quality rating by at least two rating agencies[5] of A-2, P-2, F-2, or higher.

Investment managers shall have discretion to invest up to 5% of assets under management in cash reserves when they deem it appropriate. However, the Investment Managers will be evaluated against their peers on the performance of the total funds under their direct management.

Non-Individual Securities

The Board of Trustees may authorize the use of non-individual securities such as indexed instruments[6] (interchangeably referred to as passive instruments), mutual funds, and other pooled (interchangeably referred to as commingled) investment vehicles.

Rebalancing

The percentage allocation to each asset class may vary as much as plus or minus 5% from the strategic allocation (policy) on a relative basis, depending upon market conditions.

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[3] Fixed Income instrument maturing in 360 days or less
[4] Very liquid mutual fund that invests solely in cash equivalents
[5] Standard & Poor's, Moody's and or Fitch
[6] Also commonly referred to index funds, exchange traded products or ETPs including ETFs, ETNs and UITs.

Board staff routinely administers withdrawal requests to facilitate expense and benefit payments on behalf of the Plan. To accomplish these funding objectives, available Plan cash-flows (i.e. interest and dividend income) will be supplemented by distributions taken from Plan managers on a basis consistent with the strategic asset allocation of the Plan.

If there are no cash flows or if cash flows are insufficient to reasonably maintain the Plan's strategic allocation in accordance with policy constraints, the need for rebalancing will be reviewed quarterly.

Upon review, for any period, if the Board of Trustees judges the organic cash flows of the Plan and the distribution methods described above to be insufficient to bring the Plan within acceptable strategic allocation ranges, the Board of Trustees shall decide whether to effect transactions to bring the strategic allocation within the defined threshold ranges.

GUIDELINES FOR INDIVIDUAL SECURITY HOLDINGS

	Equities	Fixed Income & Cash	Alternatives
Minimum Diversification Standards:			
Single Investment	(a) Maximum 6% *ϕ	(a) Maximum 10% *ϕ except U.S. Treasury Notes and Bonds	Not Applicable
	(b) Maximum of 5% of outstanding shares of any company		
Single Industry	(c) Maximum 25% *	(b) Maximum 25% *	
Single Sector	(d) Maximum of 2 times the appropriate style index	(c) Maximum of 2 times the appropriate style index. *	
Minimum Liquidity Standards	(a) Readily marketable securities of U.S corporations, foreign securities or ADRs	(a) Readily marketable U.S. Corporate and Government debt obligations, including mortgage pass-through, CMOs, convertible bonds and foreign securities.	Not Applicable
	(b) Traded on one or more domestic or international exchanges.	(b) Remaining outstanding principal value of the issue must be (and remain) at least $100 million unless Plan Trustees approve.	
Minimum Quality Standards	(a) At least 3 years of earnings history **	Minimum Quality Ratings: Cash & Equivalents – S&P A-2, Moody's P-2, Fitch F-2 S&P – BBB-** Moody's – Baa3**	Not Applicable

		Only Core Plus portfolio is allowed to buy and/or hold bonds rated below BBB-/Baa.	
	(b) Profitable (from continuing operations) in at least 3 of the last 5 years	BBB-/Baa3 bonds not to exceed 15% of portfolio*, † For Core Plus only, bonds rated below BBB-/Baa3 are not to exceed 15% of portfolio; non-rated bonds are not to exceed 1% of portfolio *	
Bond Maturities		(a) Minimum (single issue) maturity: None, but maturities under 12 months will be viewed as "cash" under this policy (b) Maximum remaining, term to maturity (single issue) at purchase: 30 years	Not Applicable

	Equities	Fixed Income & Cash	Alternatives
Foreign Securities	(a) Foreign securities to a maximum of 5%*	Foreign debt issues to a maximum of 5%*† Foreign debt issues to a maximum of 15% for Core Plus portfolio	Foreign debt issues to a maximum of 5%
Prohibited Categories	(a) Preferred stock (b) Lettered stock and other unregistered equity securities (c) Margin purchases (d) Short sales or warrants (e) Issuer related to the investment manager (f) Options, except as noted below (g) Commodity contracts, except stock index futures	(a) issuer related to the investment manager (b) Issues traded flat (not currently accruing interest) c) Debt obligations of either the Sewerage & Water Board of New Orleans or the City of New Orleans (d) Commodity contracts, except bond futures	Not Applicable
Portfolio Turnover (maximum expected in one	35%	35%	Not Applicable

quarter without prior consultation)			
Reports to the Pension Committee	At least quarterly	At least quarterly	At least quarterly
Written Reports to the Committee	Monthly	Monthly	Quarterly

* Percentages refer to the market value of any single investment manager's portfolio, not the total fund. Small and Mid Cap Manager(s) is allowed a maximum of 10% in a single position. Foreign securities limitations do not apply to International Equity Manager(s) or Core-Plus Bond Manager(s).
** Either as a stand-alone company or as a separately identifiable subsidiary, division or line of business. Does not apply to Core Plus (Global) Bond, Private Equity, Real Estate/REIT, or Absolute Return. Refer to individual manager guidelines.
ϕ Exception given for indexed or exchange-traded funds and notes (ETF's and ETN's).
†With the exception of Convertible Bonds and Core Bond Plus. Refer to individual manager guidelines.

DUTIES AND RESPONSIBILITIES

The Board of Trustees is responsible for overseeing the Retirement Systems' investments. This includes, but is not limited to, the selection of acceptable asset classes, allowable ranges of holdings between asset classes and individual investment managers as a percent of assets, the definition of acceptable securities within each asset class, investment performance expectations, and monitoring compliance with state investment regulations.
The Board of Trustees selects, retains and replaces investment managers and custodians, and controls the asset allocation within policy limits.

The Board of Trustees will communicate the policy and performance expectations to the Investment Managers. The Board of Trustees will also review investment performance regularly to assure the policy is being followed and progress is being made toward achieving the objectives.

Board of Trustees

As fiduciaries under the Plan, the primary responsibilities of the Board of Trustees are:

1. Prepare and maintain this investment policy statement;
2. Prudently diversify the Plan's assets to meet an agreed upon risk/return profile;
3. Prudently select both actively managed and indexed (passive) investment products;
4. Control and account for all investment, record keeping, and administrative expenses associated with the Plan;
5. Monitor and supervise all service vendors and investment options; and
6. Avoid prohibited transactions and conflicts of interest.

Investment Consultant

The Board of Trustees will retain a (one or more) third-party Investment Consultant, the primary responsibility of the Investment Consultant are:

1. Provide advice to the Board of Trustees to determine the most effective investment program and the allocation of assets among the various investment choices.
2. Measure investment performance results, evaluate the investment program, and advise the Board of Trustees as to the performance and continuing appropriateness of each investment manager.
3. Recommend modifications to the investment policies, objectives, guidelines, or management structure as appropriate.
4. Promptly inform the Board of Trustees or its representatives regarding significant matters pertaining to the investment of the Retirement Systems' assets.

Investment Managers

Distinguishable from the Board of Trustees and Investment Consultant, who are responsible for managing the investment process, investment managers are responsible for making investment decisions (security selection and price decisions). The Investment Managers shall be responsible for determining investment strategy and implementing security selection and the timing of purchases and sales within the policy guidelines set forth in this statement and as otherwise provided by the Board of Trustees. The specific duties and responsibilities of each investment manager are:

1. Manage the assets under their supervision in accordance with the guidelines and objectives outlined in their respective contracts, prospectus, or trust agreement.
2. Exercise full investment discretion with regards to buying, managing, and selling assets held in the portfolios.
3. If managing a separate account (as opposed to a mutual fund or a commingled account), seek approval from the Board of Trustees prior to purchasing and/or implementing the following securities and transactions, <u>unless otherwise stated in manager's contract with Board of Trustees</u>:
    - Letter stock and other unregistered securities; commodities or other commodity contracts; and short sales or margin transactions. Securities lending; pledging or hypothecating securities.
    - Investments in the equity securities of any company with a record of less than three years continuous operation, including the operation of any predecessor
    - Investments for the purpose of exercising control of management,
4. Vote promptly all proxies and related actions in a manner consistent with the long-term interest and objectives of the Plan as described in this IPS. Each investment manager shall keep detailed records of the voting of proxies and related actions and will comply with all applicable regulatory obligations.
5. Communicate with the Board of Trustees all significant changes pertaining to the fund it manages or the firm itself. Changes in ownership, organizational structure, financial condition, and professional staff are examples of changes to the firm in which the Board is interested.
6. Effect all transactions for the Plan subject to best price and execution. If a manager utilizes brokerage commission generated from Plan assets to effect soft-dollar transactions, records detailing all activity (brokerage and soft-dollar use) will be kept and communicated to the Board of Trustees on a monthly basis.
7. If applicable (i.e. for active equity managers), to direct its trading to designated commission recapture broker(s) at or near target level of 35% of total trades placed on behalf of Plan. Again, records detailing the level of participation will be kept and communicated to the Board of Trustees on a monthly basis.
8. Use the same care, skill, prudence, and due diligence under the circumstances then prevailing that experienced investment professionals, acting in a like capacity and fully familiar with such matters, would use in like activities for like retirement Plans with like aims in accordance and compliance with ERISA and all applicable laws, rules, and regulations.
9. If managing a separate account[7] (as opposed to an indexed product, mutual fund or commingled account), **<u>acknowledge co-fiduciary responsibility by signing and returning a copy of this IPS.</u>**

<u>Investment Manager Evaluation Terminology</u>

[7] Also referred to as SMA or separately managed account

The following terminology has been developed to facilitate efficient communication between the investment managers, investment consultant and the Board of Trustees. Each term signifies a particular status with the Plan and any conditions that may require improvement.

STATUS	***DESCRIPTION***
A. *"In Compliance"*	**The investment manager is acting in accordance with the Investment Policy Statement.**
B. *"Alert"*	**The investment manager is notified of a problem in performance (usually related to a benchmark or volatility measure), a change in investment characteristics, an alteration in management style or key investment professionals, and/or any other irregularities.**
C. *"On Notice"*	**The investment manager is notified of continued concern with one or more Alert issues. Failure to improve upon stated issues within a specific time frame justifies termination.**
D. *"Termination"*	**The Board of Trustees has decided to terminate the investment manager. The investment manager is notified and transition plans are in place.**

Custodian

Custodians are responsible for the safekeeping of the Plan's assets. The specific duties and responsibilities of the custodian are:

1. Maintain separate accounts by legal registration
2. Value the holdings
3. Collect all income and dividends owed to the Plan
4. Settle all transactions (buy-sell orders) initiated by the Investment Manager
5. Provide monthly reports that detail transactions, cash flows, securities held and their current value, and change in value of each security and the overall portfolio since the previous report.

INVESTMENT PRODUCT AND MANAGER SELECTION

The process for selecting both traditional and alternative investment managers will consist of the Investment Consultant's pre-search development of criterion which consider both quantitative and qualitative characteristics for the specific asset class. The Board of Trustees will adopt and diligently apply this criterion in its selection of traditional and alternative investment managers.

With exception given to passive investment strategies, for example Exchange-Traded Fund or Index Fund, as well as alternative investment strategies, for example Private Equity, Hedge Funds and Real Estate/REIT managers, the Board of Trustees will apply the following due diligence criteria in selecting each (active) equity and fixed income manager.

1. Regulatory oversight: Each investment manager should be a regulated bank, an insurance company, a mutual fund organization, or a registered investment advisor under the Investment Advisors Act of 1940.
2. Correlation to style or peer group: The product should be highly correlated to the asset class of the investment option. This is one of the most critical parts of the analysis, since most of the remaining due diligence involves comparisons of the manager to the appropriate peer group.
3. Performance relative to a peer group: The product's performance should be evaluated against the peer group's median manager return, for 1-, 3-, and 5-year annualized periods.
4. Performance relative to assumed risk: The product's risk-adjusted performance (standard deviation, alpha and/or Sharpe Ratio) should be evaluated against the peer group's median manager's risk-adjusted performance.
5. Minimum track record: The product's inception date should be greater than three years.
6. Assets under management: The product should have at least $75 million under management.
7. Holdings consistent with style: The screened product should have no more than 20% of the portfolio invested in "unrelated" asset class securities.
8. Stability of the organization: i.e. *Manager Tenure* - no material organizational or investment team changes in the past two years.
9. Investment management fee in-line, or below, industry average.

Volatility

Consistent with the desire for adequate diversification, the investment policy is based on the assumption that the volatility of the combined portfolios will be similar to that of the market opportunity available to institutional investors with similar return objectives.

The volatility of each investment managers' portfolio will be compared to the volatility of appropriate benchmark and peer groups. Above median volatility is acceptable only so long as performance is commensurately above median.

Liquidity

Based on current actuarial assumptions, it is expected that contributions will exceed benefit payments for the foreseeable future. Therefore, there is no need for Investment Managers to maintain liquid reserves for payment of pension benefits.

If benefit payments are projected to exceed contributions in some future period, the Board of Trustees or its designee will notify the investment managers well in advance of any withdrawal orders to allow them sufficient time to build up necessary liquid reserves. The managers will be expected to review the cash flow requirements with the Pension Committee at least annually.

Voting of Proxies

Voting of proxy ballots shall be for the exclusive benefits of the participants and beneficiaries of the Retirement System. Unless the Board of Trustees provides information on how to vote a proxy, the investment managers shall vote the proxies in accordance with its own policy for shareholder issues. Managers will communicate their proxy voting record to the Board of Trustees in writing every quarter and will provide a written summary of all proxies voted on an annual basis.

Execution of Security Trades

The Board of Trustees expects the purchase and sale of securities to be made in a manner designed to receive the combination of best price and execution. The Board of Trustees may implement a Directed Brokerage Program in the future. In June of 2001, the Board of Trustees implemented a Commission Recapture Program.

Securities Lending Guidelines

The Plan may engage in the lending of securities subject to the following guidelines:

1. Collateral on loans is set at 102% of the market value of the security plus accrued interest.
2. Collateral should be marked to market daily.
3. Securities of the System are not released until the custodian bank receives payment for the book entry withdrawal of the loaned security.
4. Eligible securities can include the lending of all U.S. Treasury and other government guaranteed securities, corporate securities, and common stock.

CONTROL PROCEDURES

Conflicts of Interest

The Investment Manager (and any persons acting on its behalf) who enters into a contract with the Plan must reasonably believe, immediately prior to entering into the contract, that the contract represents an arm's length arrangement between the parties and that the Board of Trustees, alone or together with the Board of Trustee's independent agents, understands the proposed method of compensation and its risks. In addition to the requirements of Form ADV, the Investment Manager shall disclose to the Board of Trustees, or to the Board of Trustee's independent agent, prior to entering into an advisory contract, all material information concerning the proposed advisory arrangement including the following:

1. The periods which will be used to measure investment performance throughout the contract and their significance in the computation of the investment manager's fee.
2. The nature of any benchmark which will be used as a comparative measure of investment performance, the significance of the benchmark, and the reason the Investment Manager believes the benchmark is appropriate.
3. How the securities will be valued and the extent to which the valuation will be determined independently where the Investment Manager's compensation is based in part on the unrealized appreciation of securities for which market quotations are not readily available.

Review of Liabilities

All major liability assumptions regarding number of participants, compensation, benefit levels, and actuarial assumptions will be subject to an annual review by the Board. This review will focus on an analysis of major differences between the Retirement System's assumptions and actual experience.

Review of Investment Policy Statement

The IPS will be reviewed annually and updated with pertinent or substantive changes as frequent as necessary.

Review of Investment Objectives

Investment performance will be reviewed annually to determine the continued feasibility of achieving the investment objectives and the appropriateness of the investment policy for achieving these objectives.

It is not expected that the investment policy will change frequently. In particular, short-term changes in the financial markets should not require an adjustment in the investment policy.

Review of Investments

The Board will review in addition to the total fund; each investment manager's performance at least quarterly with its Investment Consultant. The total fund will be measured against a composite benchmark of asset class proxies or benchmarks blended in the same percentages as the IPS asset allocation targets contained herein. Each active investment manager will be measured against an appropriate benchmark(s) as stated in their respective contract(s). Passive strategies will be measured against its appropriate benchmark.

Performance reviews will focus on:

1. Total Retirement System and investment manager compliance with the IPS guidelines and stated investment regulations.
2. Material changes in the investment manager organizations, such as in investment philosophy, personnel, acquisitions or losses of assets under management
3. Consistent long-term performance relative to style benchmark and industry style universe.
4. Portfolio's long-term risk/reward profile compared to style benchmark and industry style universe.
5. The appropriate benchmark will be stated in each investment manager's agreement.

Compliance

On an ongoing basis, the Board of Trustees and its Investment Consultant will review each investment manager's relative compliance with, and adherence to the principles, guidelines and benchmarks established in this IPS. Annually, each investment manager will be formally examined and graded individually. If, in the opinion of the Board of Trustees, there is concern for remedial action to be taken by the investment manager, it will be expressed and communicated by the Board of Trustees to the Investment Manager at that time.

The investment managers will be responsible for keeping the Board of Trustees advised of any material changes in personnel, investment philosophy and process, or other pertinent information potentially affecting performance of the investment manager. The investment managers will be responsible for reconciliation with Custodian Bank.

Performance Expectations

The Board of Trustees recognizes that real return objectives may not be meaningful during some time periods. In order to ensure that investment opportunities available over a specific time period are fairly evaluated, the Board of Trustees will use comparative performance statistics to evaluate investment results. Each investment manager (whether equity, fixed income or alternative manager) and the total Retirement System, will be expected to achieve minimum performance standards as follows:

1) Meet or exceed the Retirement Systems' actuarial assumption over time with a level of risk deemed appropriate by the Board of Trustees while maintaining liquidity sufficient to cover benefit payments and other obligations.

2) Outperform the risk-adjusted return, net-of-fees, of the policy benchmark corresponding to the target allocations outlined above. This objective should be met over a market cycle typically defined as a period of three to five years.

The Board of Trustees is keenly aware that ongoing review and analysis of the Plan's investment products and managers is just as important as the due diligence implemented during the selection process. The net performance of all investment managers will be monitored on an ongoing basis; and at the sole discretion of the Board of Trustees, corrective (Alert, On Notice, Termination), or progressive (In-Compliance) action may be taken if it is deemed appropriate at any time.

On a timely basis, but not less than quarterly, the Board of Trustees will meet to review whether or not individual active investment managers as well as passive strategies achieve and maintain the Board's performance expectations as outlined above; specifically:

- The manager's adherence to the Plan's investment guidelines
- Material changes in the manager's organization, investment philosophy, and/or personnel
- Any legal, SEC, and/or other regulatory agency proceedings affecting the manager.

While these performance standards should be achieved over a three to five-year period complete market cycle, the Board of Trustees will also monitor performance on an on-going basis.

The Investment Managers are requested to be aware at all times of the pension plan's actuarial assumption.

Probationary Period

Investment managers should be advised that the Board of Trustees intends to track interim progress toward multi-year (3 to 5-year) goals. However, if in the opinion of the Board of Trustees an investment manager's performance is deemed to be deficient, the Board of Trustees will inform the investment manager in writing that the firm has been placed on alert. The length of an investment manager's probation period will be determined by the Board of Trustees on a case-by-case basis. If the Board of Trustees' concerns are not sufficiently addressed during this probationary period, or if the investment manager is unable to remedy deficiencies in performance, this would constitute grounds for termination of the investment manager.

An Investment Manager may be removed from probation if, in the opinion of the Board of Trustees, the factors which caused the probationary review to have been eliminated, mitigated or otherwise appropriately and sufficiently addressed to the complete and total satisfaction of the Board of Trustees.

Specifically, a manager may be placed on alert and a thorough review and analysis of the investment manager may be conducted, when:

1. A manager performs below median for their peer group over 1, 3, and/or 5-year annualized period(s); or over any period deemed relevant by the Board of Trustees.

2. A manager's 1 to 3-year risk adjusted return (alpha and/or Sharpe) falls below the peer group's median risk adjusted return.

3. There is a change in the professionals managing the portfolio.

4. There is a significant loss in product's assets under management.

5. There is an indication the manager is deviating from stated style and agreed-upon benchmark.

6. There is an increase in the product's fees and expenses.

7. Any extraordinary event such as a substantive change in firm ownership occurs that may interfere with the manager's ability to fulfill their role in the future.

The Board of Trustees has determined it is in the best interest of the Plan's participants that performance objectives be established for each investment manager. Manager performance will be evaluated in terms of an appropriate benchmark (e.g. the S&P 500 stock index for domestic large cap equity manager) and the relevant peer group (e.g. the Morningstar[8] Large Blend category, universe or peer group for large cap domestic managers).

A manager evaluation may include the following steps:

1. A letter to the manager asking for an analysis/explanation of their performance (underperformance) for the period(s) under review.
2. An analysis of recent transactions, holdings, and portfolio characteristics to determine the cause for underperformance or to check for a change in style.
3. A meeting with the manager, which may be conducted on-site, to gain insight into organizational changes and any changes in strategy or discipline.

Benchmarks

Asset Class	Benchmark Index #1	Benchmark Index #2
Broad Fixed Income	Bloomberg US Aggregate Index	
U.S. Large-Cap Equity	Russell 1000 Index	S&P 500 Index
U.S. Mid-Cap Equity	Russell Mid Cap Index	S&P 400 Index
U.S. SMID Cap Equity	Russell 2500 Index	
U.S. Small Cap Equity	Russell 2000 Index	
Broad Non-U.S. Equity	MSCI ACWI ex USA Index	MSCI EAFE Index
Non-U.S. Small Cap Equity	MSCI ACWI ex-US Small-Cap	MSCI EAFE Small Cap Index
Emerging Market Equity	MSCI Emerging Markets Index	
Core Real Estate	NFI-ODCE Index	
Global Infrastructure	CPI + 4%	
Private Equity	Cambridge Associates All Private Equity Index	Pitchbook All Private Equity Index

Cause for Termination

[8] The Morningstar Category classifications bifurcates portfolios into peer groups based on their holdings. The categories help investors identify the top-performing funds, assess potential risk, and build well-diversified portfolios. Morningstar regularly reviews the category structure and the portfolios within each category to ensure that the system meets the needs of investors. Morningstar assigns categories to all types of portfolios, such as mutual funds, variable annuities, and separate accounts. Portfolios are placed in a given category based on their average holdings statistics over the past three years.

While the Board of Trustees intends to fairly evaluate investment managers over time; the Board reserves the right to terminate its relationship with a product sponsor or investment manager at any time without a probationary period if there is:

1. Failure to meet the Board of Trustees' communication and reporting requirements.
2. A significant change in the personnel managing the investment decisions of the Fund, or a change in the ownership of the Investment Manager that could be deemed to adversely impact the management of Fund assets.
3. A lack of confidence that the Investment Manager or organization can produce acceptable results in the future.
4. Unacceptable justification for poor performance results.
5. Lack of responsiveness to the Board of Trustees.
6. A change in asset allocation which may result in the termination of an Investment Manager for reasons other than for cause.
7. In the Board of Trustees' opinion, a change of Investment Manager would be beneficial to the Plan.

There is no implied contract for a fixed time period, or otherwise, between the SWBNO Employees' Retirement System and any of its Investment Managers, and the relationship between the parties may be terminated at any time for any reason with prior written notification.

Measuring Costs

The Board of Trustees will review, at least annually, all costs associated with the management of the Plan's investments including:

1. Fees and expense reimbursements of investment consultant
2. Fees and expense ratios of each active investment manager and passive strategies
3. Custody Fees: Encompassing the holding of the assets, the collection of income and disbursement of payments.
4. Trading Costs: Evaluating whether or not the manager is demonstrating attention to best execution efforts, commission recapture program targets[9], and other efficiencies in trading securities.

[9] Refer to Page 15; Item numbers 6 and 7 of this IPS for details

POLICY ADOPTION STATEMENT

This Investment Policy document is hereby adopted by the Board of Trustees of the Sewerage and Water Board of New Orleans on February 16, 2022.

Adopted by: **The Board of Trustees of Sewerage and Water Board of New Orleans**

___________________________________, Trustee

Mayor LaToya Cantrell - Board President

___________________________________, Trustee

Tamika Duplessis, PhD. - President Pro-Tem

___________________________________, Trustee

Joseph Peychaud - Pension Committee Chairman

___________________________________, Trustee

Christopher Bergeron – Pension Committee Member

Elected Employee Representative

___________________________________, Trustee

Latriessa Matthews– Pension Committee Member

Elected Employee Representative

___________________________________, Trustee

Harold Heller – Pension Committee Member

Elected Employee Representative

___________________________________, Trustee

Adam Kay – Pension Committee Member

Elected Employee Representative

___________________________________, Trustee

Jay H. Banks, Councilman District B – Pension Committee Member

___________________________________, Trustee

Robin Barnes

_____________________________________, Trustee

Alejandra Guzman – Pension Committee Member

_____________________________________, Trustee

Janet Howard

_____________________________________, Trustee

Ralph Johnson – Pension Committee Member

_____________________________________, Trustee

Lynes "Poco" Sloss

_____________________________________, Trustee

Maurice G. Sholas, M.D., Ph.D. – Pension Committee Member

CO-FIDUCIARY ACKNOWLEDGEMENT

The undersigned hereby acknowledges fiduciary capacity as defined by the Employee Retirement Investment Security Act (ERISA) of 1974.

The undersigned hereby acknowledges that it has read this Investment Policy Statement document and further will comply with the procedural and reporting requirements contained herein; and as amended by the Board of Trustees from time to time.

Acknowledged by:

Print Name:

Title:

Company:

APPENDIX A

Sewerage and Water Board of New Orleans Board Officers

Mayor LaToya Cantrell, President

Tamika Duplessis, PhD., President Pro-Tem

Sewerage and Water Board of New Orleans Board Members

Jay H. Banks, Councilman District B, Pension Committee Member

Robin Barnes

Alejandra Guzman, Pension Committee Member

Janet Howard

Ralph Johnson, Pension Committee Member

Joseph Peychaud, Pension Committee Chairman

Maurice G. Sholas, M.D., Ph.D., Pension Committee Member

Lynes R. "Poco" Sloss

Sewerage and Water Board of New Orleans Employee Trustees

Christopher Bergeron, Pension Committee Member

Harold Heller, Pension Committee Member

Adam Kay, Pension Committee Member

Latressa Matthews, Pension Committee Member

Sewerage and Water Board of New Orleans Management

Ghassan Korban, Executive Director

Christy Harowski, Chief of Staff

Edgar Grey Lewis, Chief Financial Officer

Yolanda Grinstead, Special Counsel

APPENDIX B

Capital Market Assumptions (as of September 2021)

Asset Class	Benchmark Index	Average 10 Year Annualized Return	Annualized Volatility
Broad Fixed Income	Bloomberg US Aggregate Index	1.9%	3.1%
U.S. Large-Cap Equity	Russell 1000 Index	7.3%	18.3%
U.S. Mid-Cap Equity	Russell Mid Cap Index	7.6%	19.2%
U.S. Small Cap Equity	Russell 2000 Index	8.2%	18.5%
Broad Non-U.S. Equity	MSCI ACWI ex USA Index	7.9%	23.9%
Non-U.S. Small Cap Equity	MSCI ACWI ex-US Small-Cap	8.0%	29.2%
Emerging Market Equity	MSCI Emerging Markets Index	8.0%	34.4%
Core Real Estate	NFI-ODCE Index	6.2%	5.2%
Global Infrastructure	CPI + 4%	7.1%	8.7%
Private Equity	Cambridge Associates All Private Equity Index	11.3%	12.7%

The results of the simulated capital market returns are shown. It is important to note that these values represent output from the software simulations, and not deterministic views of future capital market performance.

APPENDIX C

SUSTAINABLE INVESTMENTS PROGRAM

<u>Overview</u>

As of February 2021, the Board's contemplated *pilot* Sustainable Investments Program (SIP) is being designed as a "total fund" resource, with an initial minimum impact target (AUM) to be set by The Board upon the enacting of the program, and is anticipated to remain a pilot program in development for as many years as The Board agrees to. The Board, through the SIP, intends to strive to address both short, and long-term risks and opportunities that can positively impact the Plan's overall performance.

The Board intends to operate across all applicable Asset Classes to provide centralized leadership and strategy related to sustainable investment topics.

The Board will implement the pilot program through either a SIP *ESG Overlay Strategy* (i.e. a proportionally weighted asset allocation strategy) or a SIP *Targeted Mandate* (i.e. Large Cap Core), we intend to:

1. Review available research on emerging sustainable investment issues and opportunities, prioritizing topics with the highest potential financial value to the fund;

2. Support sustainable investment practices and environmental, social, and governance (ESG) factor integration into investment decision-making processes

3. Conduct engagements with external managers, and stakeholders, prioritizing resources toward topics with the highest potential financial value

Our members rely on our investments to sustainably deliver financial results to support their promised retirement and health benefits, not just for today, but for decades to come.

<u>Climate Change</u>

As an investor in the global economy, the scale and multi-faceted nature of climate change presents a systemic risk to our portfolio. Climate change impacts investors like us in two main ways:

- Physical impacts (e.g. wildfires, extreme weather, sea-level rise, and drought) can affect our fixed assets (e.g. real estate) and disrupt portfolio companies' supply chains and operations. Climate Change has acute and chronic physical impacts that can affect people's health, food security, migration, water supply, and other ecosystem services in ways that could bring heightened volatility to financial markets and harm economic growth.

- Transition risks, or shifts in policies, technologies, industries, and customers, due to changed climate norms or movement toward a lower-carbon economy can affect the financial success of existing business models and industries. Our portfolio companies' long-term success depends on the degree to which they can successfully navigate the transition.

Through our planned engagement efforts, we're working to minimize the absolute risk from climate change to the Plan's portfolio. Through our planned research and integration efforts we are working to understand the financial risks to our portfolio and prepare for the long-term changes that will accompany climate change.

Our Sustainable Investments Program should leverage the best available science and tools to inform investment decisions with key insights into the highest-value climate change-related risks and opportunities.

Environmental, Social & Governance Integration

The Plan Consultant is expected to support SWBNO staff and the Pension Committee by providing expertise and support for significant environmental, social & governance (ESG) risks and opportunities that can affect Plan investments.

The Plan Consultant will work with the Plan's external managers over all asset classes and the Board leadership to:

1. Assess and manage high-value ESG risks and opportunities alongside traditional factors in the investment process.

2. Review, pilot, procure, and/or create useful tools to facilitate integration of high-value ESG topics into investment processes.

3. Recognize profitable opportunities based on ESG characteristics and those considered most at risk from shifts toward more sustainable products and services.

4. Identify ways to generate positive social and environmental impact with strong financial returns. We call these "Why Wouldn't You?" or "If all things are equal" opportunities.

Sustainable Investment Practice Guidelines

Acknowledging sustainability issues can impact all areas of the portfolio, we will use, and continually refine resources and practices to help our external managers utilize sustainable investment considerations throughout the life cycle of the investments. This includes investment selection, and contracting and monitoring processes, which are subject to fiduciary principles.

The guidelines will integrate existing beliefs, principles, and policies related to ESG considerations, including our Pension & Investment Beliefs; and United Nations-supported Six Principles for Responsible Investment (www.unpri.org).

These guidelines are intended to evolve and adapt with industry best practices and as data and tools emerge and improve: See Appendix D.

APPENDIX D

SUSTAINABLE INVESTMENT PRACTICE GUIDELINES

- Global Equity Sustainable Investment Practice Guidelines (TBD)
- Global Fixed Income Sustainable Investment Practice Guidelines (TBD)
- Private Equity Sustainable Investment Practice Guidelines (TBD)
- Real Assets Sustainable Investment Practice Guidelines (TBD)

APPENDIX E

PRINCIPLES & BELIEFS

As of February 2021, the Board intends to develop a set of sustainable investment practice guidelines for each asset class that reflects the needs and objectives of the Plan.

The guidelines will integrate beliefs, principles, and policies related to ESG considerations, including SWBNO Pension & Investment Beliefs, and United Nations-supported Six Principles for Responsible Investment (www.unpri.org).

SWBNO Pension Beliefs

In February 2021, the SWBNO adopted a set of ten (10) *Pension Beliefs* that articulate the pension fund's views on public pension design, funding, and administration.

These beliefs offer SWBNO views on the importance of retirement security, defined benefit plans, fiduciary duty, and the need to ensure long-term pension sustainability.

1. A retirement system must meet the needs of members and employers to be successful.
2. Plan design should ensure that lifetime retirement benefits reflect each employee's years of service, age and earnings and are adequate for full-career employees.
3. Inadequate financial preparation for retirement is a growing national concern; therefore, all employees should have effective means to pursue retirement security.
4. A retirement plan should include a defined benefit component, have professionally managed funds with a long-term horizon, and incorporate pooled investments and pooled risks.
5. Funding policies should be applied in a fair, consistent manner, accommodate investment return fluctuations and support rate stability.
6. Pension benefits are deferred compensation and the responsibility for appropriate funding should be shared between employers and employees.
7. Retirement system decisions must give precedence to the fiduciary duty owed to members but should also consider the interests of other stakeholders.
8. Trustees, administrators and all other fiduciaries are accountable for their actions and must transparently perform their duties to the highest ethical standards.
9. Sound understanding and deployment of enterprise-wide risk management is essential to the ongoing success of a retirement system.
10. A retirement system should offer innovative and flexible financial education that meets the needs of members and employers.

SWBNO Investment Beliefs

In February 2021, the SWBNO adopted a set of ten (10) *Investment Beliefs* intended to provide a basis for strategic management of the investment portfolio, and to inform organizational priorities.

The Investment Beliefs are not a checklist to be applied to every decision. They are a guide for making decisions that often require balancing multiple, inter-related decision factors. They provide context for SWBNO actions, reflect SWBNO values, and acknowledge SWBNO responsibility to sustain its ability to pay benefits for generations.

Each Investment Belief also contains several sub-beliefs that are actionable statements that provide insight as to how the Investment Beliefs should be implemented.

1. **Liabilities must influence the asset structure.**

    - Ensuring the ability to pay promised benefits by maintaining an adequate funding status is the primary measure of success for SWBNO
    - SWBNO has a large and growing cash requirement and inflation sensitive liabilities; assets that generate cash and hedge inflation should be an important part of the SWBNO investment strategy
    - SWBNO cares about both the income and appreciation components of total return
    - Concentrations of illiquid assets must be managed to ensure sufficient availability of cash to meet obligations to beneficiaries

2. **A long-time investment horizon is a responsibility and an advantage.**

    - Long-time horizon requires that SWBNO:
        - Consider the impact of its actions on future generations of members and taxpayers
        - Encourage external managers to consider the long-term impact of their actions
        - Favor investment strategies that create long-term, sustainable value and recognize the critical importance of a strong and durable economy in the attainment of funding objectives
    - Long-time horizon enables SWBNO to:
        - Invest in certain illiquid assets, provided an appropriate premium is earned for illiquidity risk
        - Invest in opportunistic strategies, providing liquidity when the market is short of it
        - Take advantage of factors that materialize slowly such as demographic trends
        - Tolerate some volatility in asset values and returns, as long as sufficient liquidity is available

3. **SWBNO investment decisions may reflect wider stakeholder views, provided they are consistent with its fiduciary duty to members and beneficiaries.**

    - As a public agency, SWBNO has many stakeholders who express opinions on many issues, including investment strategy. SWBNO's preferred means of responding to issues raised by stakeholders is engagement

- SWBNO primary stakeholders are members/beneficiaries, employers, rate payers and Louisiana taxpayers as these stakeholders bear the economic consequences of SWBNO investment decisions
- In considering whether to engage on issues raised by stakeholders, SWBNO will use the following prioritization framework:

    - **Principles and Policy** - to what extent is the issue supported by SWBNO Investment Beliefs, adopted principles and or Investment Policy?
    - **Materiality** - does the issue have the potential for an impact on portfolio risk or return?
    - **Definition and Likelihood of Success** - is success likely, in that SWBNO action will influence an outcome which can be measured? Can we partner with others to achieve success or would someone else be more suited to carry the issue?
    - Capacity - does SWBNO have the expertise, resources, and standing to influence an outcome?

4. **Long-term value creation requires effective management of three forms of capital: financial, physical, and human.**

- Governance is the primary tool to align interests between SWBNO and managers of its capital, including consultants, custodians, and external managers
- Strong governance, along with effective management of environmental and human capital factors, increases in the likelihood that companies will perform over the long-term and manage risk effectively
- SWBNO may engage external managers on their governance and sustainability issues, including:

    - Governance practices, including but not limited to alignment of interests
    - Risk management practices
    - Human capital practices, including but not limited to fair labor practices, health and safety, responsible contracting and diversity & inclusion
    - Environmental practices, including but not limited to climate change and natural resource availability

5. **SWBNO must articulate its investment goals and performance measures and ensure clear accountability for their execution.**

- A key success measure for the SWBNO investment program is delivery of the long-term target return for the fund
- The long-term horizon of the fund poses challenges in aligning interests of the fund with staff and external managers
- Managers can be measured on returns relative to an appropriate benchmark, but manager performance should include additional objectives or key performance indicators to align external managers with the fund's long-term goals
- Each asset class should have explicit alignment of interest principles for its external managers

6. **Strategic asset allocation is the dominant determinant of portfolio risk and return.**

    - SWBNO strategic asset allocation process transforms the fund's required rate of return to the market exposures that staff will manage
    - SWBNO will aim to diversify its overall portfolio across distinct risk factors return drivers
    - SWBNO will seek to add value with disciplined, dynamic asset allocation processes, such as mean reversion. The processes must reflect SWBNO characteristics such as time horizon and size of assets
    - SWBNO will consider investment strategies if they have the potential to have a material impact on portfolio risk and return

7. **SWBNO will take risk only where we have a strong belief, we will be rewarded for it.**

    - An expectation of a return premium is required to take risk; SWBNO aims to maximize return for the risk taken
    - Markets are not perfectly efficient, but inefficiencies are difficult to exploit after costs
    - SWBNO will use index tracking strategies where we lack conviction or demonstrable evidence that we can add value through active management
    - SWBNO should measure its investment performance relative to reference portfolio of public, passively managed assets to ensure that active risk is being compensated at the Total Fund level over the long-term

8. Costs matter and need to be effectively managed.

- SWBNO will balance risk, return and cost when choosing and evaluating investment managers and investment strategies
- Transparency of the total costs to manage the SWBNO portfolio is required of SWBNO business partners and itself
- Performance fee arrangements and incentive compensation plans should align the interests of the fund, external managers and stakeholders
- SWBNO should seek to capture a larger share of economic returns by using our size to the extent possible, to maximize our negotiating leverage. We will also seek to reduce cost, risk, and complexity related to manager selection and oversight
- When deciding how to implement an investment strategy, SWBNO will implement in the most cost-effective manner including investing in low cost exchange traded products

9. Risk to SWBNO is multi-faceted and not fully captured through measures such as volatility or tracking error.

- SWBNO shall develop a broad set of investment and actuarial risk measures and clear processes for managing risk
- The path of returns matters, because highly volatile returns can have unexpected impacts on contribution rates and funding status
- As a long-term investor, SWBNO must consider risk factors, for example climate change and natural resource availability that emerge slowly over long time periods but could have a material impact on company or portfolio returns.

10. Strong processes and teamwork and deep resources are needed to achieve SWBNO goals and objectives.

- Diversity of talent (including a broad range of education, experience, perspectives, and skills) at all levels (board, staff, external managers, corporate boards) is important
- SWBNO must consider the government agency constraints under which it operates (e.g., compensation, civil service rules, contracting, transparency) when choosing its strategic asset allocation and investment strategies
- SWBNO will be best positioned for success if it:
    - Has strong governance
    - Operates with effective, clear processes
    - Focuses resources on highest value activities
    - Aligns interests through well designed compensation structures
    - Employs professionals who have intellectual rigor, deep domain knowledge, a broad range of experience, and a commitment to implement SWBNO Investment Beliefs

APPENDIX F

GLOSSARY OF TERMS

Absolute Return Strategies: Strategies that are developed by private investment firms that seek to generate high absolute returns taking active positions in a variety of markets employing different financial instruments.

Active Management: (also called *active investing*) refers to a portfolio management strategy wherein the manager makes specific investments with the goal of outperforming an investment benchmark index. Investors or mutual funds that do not aspire to create a return in excess of the market benchmark index will often invest in an index fund that replicates as closely as possible the investment weighting and returns of that index. This is called passive management. Active management is the opposite of passive management, because the manager of a passive management fund does *not* seek to outperform the benchmark index.

Accumulated Benefit Obligation: ABO is an approximate measure of the liability of a pension plan in the event of a termination at the date the calculation is performed.
Alpha: This statistic measures a portfolio's return in excess of the market return adjusted for risk. It is a measure, of the manager's contribution to performance with reference to security selection. A positive alpha indicates that a portfolio was positively rewarded for the residual risk, which was taken for that level of market exposure.

Asset Allocation: The process of determining the optimal allocation of a fund's portfolio among broad asset classes.

AROR: Annualized rate of return.

Basis Point: 100 bps (basis points) equals 1%.

Best Execution: This is formally defined as the difference between the strike price (the price at which a security is actually bought or sold) and the "fair market price", which involves calculating opportunity costs by examining the security price immediately after the trade is placed. Best execution occurs when the trade involves no lost opportunity cost, for example, when there is no increase in the price of a security shortly after it is sold.

Beta: A statistical measure of the volatility or sensitivity, of rates of return on a portfolio or security in comparison to a market index. The beta value measures the expected change in return per one percent change in the return on the market. Thus, a portfolio with a beta of 1.1 would move 10% more than the market.

Commingled Fund: This is a type of investment fund that is similar to a mutual fund in that investors purchase and redeem units that represent ownership in a pool of securities. Commingled funds usually are offered through a bank- administered plan allowing for broader and more efficient investing.

Commission Recapture: An agreement by which a plan Fiduciary earns credits based upon the amount of brokerage commissions paid. These credits can be used for services that will benefit the plan such as consulting services, custodian fees, or hardware and software expenses.

Convertible Bonds: Securities, usually bonds or preferred shares that can be converted into common stock.

Core Fixed Income - A fixed income approach that applies 90% or more of the securities available in the Lehman Brothers Aggregate Index. MBS issues should be the major component of the portfolio in a core product.

Core Fixed Plus: A debt investment with which the investor loans money to an entity (company or government) that borrows the funds for a defined period of time at a specified interest rate. This fixed-income style permits managers to add instruments with greater risk and greater potential return, such as high yield, global and emerging market debt, to their core portfolios of investment-grade bonds.

Correlation Coefficient: Correlation measures the degree to which two variables are associated with one another. Correlation is a commonly used tool for constructing a well-diversified portfolio. Traditionally, equities and fixed-income asset returns have not moved closely together. The asset returns are not strongly correlated. A balanced fund with equities and fixed-income assets represents a diversified portfolio that attempts to take advantage of the low Correlation between the two asset classes.

Defined Benefit Plan: A DB plan is a type of employee benefit plan in which employees know (through a formula) what they receive upon retirement or after a specified number of years of employment with an employer. The employer is obligated to contribute funds into the defined benefit plan based on an actuarially determined obligation that takes into consideration the age of the workforce, their length of service and the investment earnings that are projected to be achieved from the funds contributed.
Defined Benefit Plans are over funded if the present value of the future payment obligations to employees is less than the current value of the assets in the Plan. It is under funded if the obligations exceed the current value of these Plan assets.

Direct Investment: (1). Also referred to as **Direct Stock Plans** are offered by companies that allow you to purchase or sell stock directly through them without your having to engage an investment advisor or pay commissions to a broker. But you may have to pay a fee for using the plan's services. Some companies require that you already own stock in the company or are employed by the company before you may participate in their direct stock plans. You may be able to buy stock by investing a specific dollar amount rather than having to pay for an entire share. DSPs usually will not allow you to buy or sell your securities at a specific market price or at a specific time. Rather, the company will purchase or sell shares for the plan at established times — for example, on a daily, weekly, or monthly basis — and at an average market price. You can find when the company will buy and sell shares and how it determines the price by reading the company's disclosure documents. Depending on the plan, you may be able to have your shares transferred to your broker to have them sold, but the plan may charge you a fee to do so. (2.) Also refers to the prohibited process or transaction type as it relates to alternatives. For this purpose, Direct Investment is defined as an investment made directly by an investor with a private company as it relates to a Private Equity or Absolute Return transaction; without the benefit and discretion of a third-party investment manager or advisor.

Directed Brokerage: Circumstances in which a board of trustees or other fiduciary requests that the investment to a particular broker so that the commissions generated can be used for specific services or resources. See ***Soft Dollars***.

Dollar-Weighted Rate of Return: Method of performance measurement that calculates returns based on the cash flows of a security or portfolio. A dollar-weighted return applies a discounted cash flow approach to obtain the return for a period. The discount rate that equates the cash inflow at the end of the period plus any net cash flows within the period with the initial outflow is the dollar-weighted rate of return. This return also is referred to as the internal rate of return (IRR).

Economically Targeted Investment (ETI): Investments where the goal is to target a certain economic activity, sector, or area in order to produce corollary benefits in addition to the main objective of earning a competitive risk-adjusted rate of return.

Equal Weighted: In a portfolio setting, this is a composite of a manager's return for accounts managed that gives equal consideration to each portfolio's return without regard to size of the portfolio. Compare to ***Size-Weighted Return***. In index context, equal weighted means each stock is given equal consideration to the index return without regard to market capitalization. The Value Line Index is an example of an equal weighted index.

ERISA: Employee Retirement Income Security Act is a 1974 law governing the operation of most private pension and benefit plans. The law eased pension eligibility rules, set up the ***Pension Benefit Guaranty Corporation***, and established guidelines for the management of pension funds.

Fiduciary: Indicates the relationship of trust and confidence where one person (the Fiduciary) holds or controls property for the benefit of another person.

Any person who (1) exercises any discretionary authority or control over the management of a plan or the management or disposition of its assets, (2) renders investment advice for a fee or other compensation with respect to the funds or property of a plan, or has the authority to do so, or (3) has any discretionary authority or responsibility in the administration of a plan.

Foreign Direct Investment (**FDI**) is defined as a company from one country making a physical investment into building or factory in another country. Its definition can be extended to include investments made to acquire lasting interest in enterprises operating outside of the economy of the investor.

Fund-of-Funds: A fund-of-funds **(FoF)** is an investment fund that uses an investment strategy of holding a portfolio of other investment funds rather than investing directly in shares, bonds or other securities. This type of investing is often referred to as multi-manager investment.

There are different types of 'fund of funds', each investing in a different type of collective investment scheme (typically one type per FoF), eg. Mutual Fund FoF, Hedge Fund FoF, Private Equity FoF or Investment Trust FoF.

Geometric Return: A method of calculating returns which links portfolio results on a quarterly or monthly basis. This method is best illustrated by an example, and a comparison to Arithmetic Returns, which does not utilize a time link. Suppose a $100 portfolio returned +25% in the first quarter (ending value is $125) but lost 20% in the second quarter (ending value is $100). Over the two quarters the return was 0% - this is the geometric return. However, the arithmetic calculation would simply average the two returns: (+25%) (.5) + (-20%) (.5) +2.5%.

Global: This term commonly refers to all countries including the United States. Common benchmarks include the MSCI All Country World Index (ACWI).

Hedge Fund: A hedge fund is a private investment fund open to a limited range of investors that is permitted by regulators to undertake a wider range of activities than other investment funds and also pays a performance fee to its investment manager. Although each fund will have its own strategy which determines the type of investments and the methods of investment it undertakes, hedge funds as a class invest in a broad range of investments, from shares, debt and commodities to works of art.

As the name implies, hedge funds often seek to offset potential losses in the principal markets they invest in by hedging their investments using a variety of methods, most notably short selling. However, the term "hedge fund" has come to be applied to many funds that do not actually hedge their investments, and in particular to funds using short selling and other "hedging" methods to increase rather than reduce risk, with the expectation of increasing return.

Hedge Fund Fund-of-Funds: (HFOFs) An investment fund consisting of multiple hedge funds. HFOFs can be made up of several hedge funds with similar strategic focus or several hedge funds with varying or multiple strategies. The latter would be referred to as a multi-strategy HFOF.

International: This term commonly refers to all countries excluding the United States. Common benchmarks include the MSCI All Country World Index (ACWI) ex US and the MSCI EAFE Index.

Large Cap (LC) Enhanced Core: An investment seeking to provide a total return that exceeds that of typically the S&P 500 index. The fund normally invests at least 80% of net assets in common stocks that comprise the S&P 500 Index, convertible securities that are convertible into stocks included in that index, and derivatives whose returns are closely equivalent to the returns of the S&P 500 Index or its components. It generally holds fewer stocks than the index and may hold securities that are not in the index.

Large Cap Growth: Large-Cap Growth funds seek to invest in large companies with good growth prospects. According to Morningstar, large-cap funds invest in companies with market capitalizations of more than $11 billion. Other organizations may use different definitions. Large-cap funds typically are less volatile than mid-cap and small-cap funds because large companies are more established and more predictably successful than smaller companies. Large companies also are more likely to pay dividends. Growth funds often have high P/E ratios because managers are willing to pay a premium for stocks of fast-growing companies.

Large Cap Value: Large-Cap Value funds seek capital appreciation by investing primarily in large companies with market capitalizations of $5 billion or more. In selecting stocks, managers of value funds target companies that appear undervalued in terms of price-earnings ratios, price-to-book ratios or other such measures. Large-cap funds tend to be less volatile than those that invest in smaller companies.

Liquidity Risk: The risk that there will be insufficient cash to meet the fund's disbursement and expense requirements.

Market Capitalization: The market cap of a stock is its current price multiplied by the number of shares outstanding. It is the measure of a company's total value on a stock exchange.

Market Timing: A form of ***Active Management*** that moves funds between asset classes based on short-term expectations of movements in the capital markets. (Not recommended as a prudent process). It is very difficult to improve investment performance by attempting to forecast market peaks and troughs. A forecasting accuracy of at least 71% is required to outperform a buy and hold strategy.

Market-Weighted: Typically used in an index composite. The stocks in the index are weighted based on the total ***Market Capitalization*** of the issue. Thus, more consideration is given to the index's return for higher market capitalized issues than smaller market capitalized issues.

Money Markets: Financial markets in which financial assets with a maturity of less than one year are traded. Money market funds also. Refer to open-end mutual funds that invest in low-risk, highly liquid, short-term financial instruments and whose net asset value is kept stable at $1 per share. The average portfolio maturity is 30 to 60 days.

Passive Management: (also called **passive investing**) is a financial strategy in which a fund manager makes as few portfolio decisions as possible, in order to minimize transaction costs, including the incidence of capital gains tax. One popular method is to mimic the performance of an externally specified index—called an 'index funds'. Passive management is most common in the equity markets, where index funds track a stock market index, but it is becoming more common in other investment types, including bonds, commodities, and hedge funds.

Private Equity: Equity capital made available to companies or investors, but not quoted on a stock market. The funds raised through private equity can be used to develop new products and technologies, to expand working capital, to make acquisitions, or to strengthen a company's balance sheet.

Profit Sharing Plan: Retirement plan that receives contributions as a percentage of the company's profits.

Projected Benefit Obligation: PBO is a measure of a pension plan's liability at the calculation date assuming that the plan is ongoing and will not terminate in the foreseeable future.

Proxy Voting: A written authorization given by a shareholder to someone else to vote his or her shares at a stockholders annual or special meeting called to elect directors or for some other corporate purpose.

REIT (Real Estate Investment Trust): An investment fund whose objective is to hold real estate-related assets, either through mortgages, construction and development loans, or equity interests.

Responsible: Being appointed to look after something. Answerable to another person for something. Morally accountable for one's actions; capable of rational conduct. Deserving of credit (or blame) for something. Capable of fulfilling an obligation or duty; reliable, trustworthy, sensible. Of a practice or activity: carried out in a morally principled or ethical way.

Residual Risk: Residual risk is the unsystematic, firm-specific, or diversifiable risk of a security or portfolio. It is the portion of the total risk of a security or portfolio that is unique to the security or portfolio itself and is not related to the overall market. The residual risk in a portfolio can be decreased by including assets that do not have similar unique risk.
For example, a company that relies heavily on oil would have the unique risk associated with a sudden cut in the supply of oil. A company that supplies oil would benefit from a cut in another company's supply of oil. A combination of the two assets helps to cancel out the unique risk of the supply of oil. The level of residual risk in a portfolio is a reflection of the "bets" which the manager places in a particular asset class or sector. Diversification of a portfolio can reduce or eliminate the residual risk of a portfolio.

Risk-Adjusted Return: The return on an asset or portfolio, modified to explicitly account for the risk of the asset or portfolio.

Risk-Free Rate-of-Return (R_f): This rate is widely accepted as the return on a 90-day T-Bill. This is used as a proxy for no risk due to its US Government issuance and short-term maturity. The term is really a misnomer since nothing is free of risk. It is utilized since certain economic models require a "risk free" point of departure. See ***Sharpe Ratio***.

R-squared (R^2): Formally called the coefficient of determination, this measures the overall strength or "explanatory power" of a statistical relationship. In general, a higher R^2 means a stronger statistical relationship between the variables that have been estimated, and therefore more confidence in using the estimation for decision-making.

SWBNO: Sewerage and Water Board of New Orleans (Plan Sponsor)

Safe Harbor Rules: A series of guidelines which when in full compliance may limit a fiduciary's liabilities.

Sharpe Ratio: This statistic is a commonly used measure of risk-adjusted return. It is calculated by subtracting the ***Risk-free Return*** (usually the then current 3-Month T-Bill rate) from the portfolio return and dividing the resulting "excess return" by the portfolio's total risk level (standard deviation). The result is a measure of return gained per unit of total risk taken. The Sharpe ratio can be used to compare the relative performance of managers. If two managers have the same level of risk but different levels of excess return, the manager with the higher Sharpe ratio would be preferable. The Sharpe ratio is most helpful when comparing managers with both different returns and different levels of risk. In this case, the Sharpe ratio provides a per-unit measure of the two managers that enables a comparison.

Socially Targeted Investment: An investment that is undertaken based upon social, rather than purely financial, guidelines. See also ***Economically Targeted Investment***.

Soft-Dollars: The portion of a plan's commission expense incurred in the buying and selling of securities that is allocated through a ***Directed Brokerage*** arrangement for the purpose of acquiring goods or services for the benefit of the plan. In many soft dollar arrangements, the payment scheme is affected through a brokerage affiliate of the consultant. Broker-consultants servicing smaller plans receive commissions directly from the counseled account. Other soft dollar schemes are affected through brokerages that, while acting as the clearing/transfer agent, also serve as the conduit for the payment of fees between the primary parties to the directed fee arrangement.

Standard Deviation (Risk): A statistical measure of portfolio risk. It reflects the average deviation of the observations from their sample mean. Standard deviation is used as an estimate of risk since it measures how wide the range of returns typically is. The wider the typical range of returns, the higher the standard deviation of returns, and the higher the portfolio risk. If returns were normally distributed (i.e., has a bell-shaped curve distribution) then approximately 2/3 of the returns would occur within plus or minus one standard deviation from the sample mean.

Strategic Asset Allocation: Rebalancing back to the normal mix at specified time intervals (quarterly) or when established tolerance bands are violated (±5%).

Sustainable: Capable of being maintained or continued in the long term. Capable of being upheld or defended as valid, correct, or true.

Tactical Asset Allocation: The "first cousin" to ***Market Timing*** because it uses certain "indicators" to make adjustments in the proportions of portfolio invested in three asset classes - stocks, bonds, and cash.

Time Horizon: *The Plan* or portfolio's investment time horizon is defined as the point in time when disbursements in a given year exceed the sum of contributions and increase in assets as a result of investment performance. In other words, *the Plan's* time Horizon is the point in time when there is more money going out than there is coming in.

It can also be described as the primary variable in determining the allocation between equities and fixed income. An investment time horizon of less than five years is considered *short*, while five years or more is considered *long*.

Time-Weighted Rate of Return: Method of performance measurement that strips the effect of cash flows on investment performance by calculating sub period returns before and after a cash flow and averaging these sub period returns. Because dollars invested do not depend on the investment manager's choice, it is inappropriate to weight returns within a period by dollars.

Treasury Inflation Protected Securities (TIPS): A special type of Treasury note or bond that offers protection from inflation. As with other Treasuries, when you buy an inflation-indexed security you receive interest payments every six months and a payment of principal when the security matures. The difference is that the coupon payments and underlying principal are automatically increased to compensate for inflation by tracking the consumer price index (CPI).

Trading Costs: Behind investment management fees, trading accounts for the second highest cost of plan administration. Trading costs usually are usually quoted in cents per share. Median institutional trading costs range around 5 to 7 cents per share.

(U.S.) 90-Day T-Bill: The 90-Day or 3-Month T-Bill provides a measure of riskless return. The rate of return is the average interest rate available in the beginning of each month for a T-Bill maturing in 90 days.

(U.S.) Large Cap: Companies based in the United States referred to as domestic companies having market capitalizations between $10 billion and $200 billion.

(U.S.) Mid Cap: Companies based in the United States referred to as domestic companies having a market capitalization of between $2 billion and $10 billion.

(U.S.) SMID Cap: Companies based in the United States referred to as domestic companies having a market capitalization of between $300 million and $10 billion. A term commonly used to refer to an equity style of management which combines both Small Cap and Mid Cap disciplines. A term used to acknowledge both Small and Mid-Cap Stocks collectively.

(U.S.) Small Cap: The definition of (U.S.) small cap can vary throughout the investment industry, but generally a company based in the United States with a market capitalization between $300 million to $2 billion.

Variance: The Variance is a statistical measure that indicates the spread of values within a set of values. For example, the range of daily prices for a stock will have a variance over a time period that reflects the amount that the stock price varies from the average, or mean price of the stock over the time period. Variance is useful as a risk statistic because it gives an indication of how much the value of a portfolio might fluctuate up or down from the average value over a given time.

This glossary was compiled from various sources including the following:

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