SEWERAGE & WATER BOARD OF NEW ORLEANS

PENSION COMMITTEE MEETING
WEDNESDAY, FEBRUARY 10, 2021
10:30 AM

February 2021 Pension Committee Link
+1 504-224-8698,,228624070#   United States, New Orleans
Phone Conference ID: 228 624 070#

PUBLIC COMMENT WILL BE ACCEPTED VIA EMAIL TO BOARDRELATIONS@SWBNO.ORG. ALL PUBLIC COMMENTS MUST BE RECEIVED PRIOR TO 11:00 AM ON February 10, 2021. COMMENTS WILL BE READ VERBATIM INTO THE RECORD.

Joseph Peychaud, Chair • Councilmember Jay H. Banks
Ralph Johnson• Alejandra Guzman • Dr. Maurice Sholas
• Adam Kay • Christopher Bergeron
• Latressia Matthews • Harold Heller

FINAL AGENDA

1. **ROLL CALL**

2. **PRESENTATION ITEM**

   - December 2020 Pension Fund Performance Review – Raymond James - Octave Francis, III
   - Investment Policy Statement Amendment – Raymond James - Octave Francis, III

3. **ACTION ITEM**

   - Resolution (R-033-2020) Recommendation of the Pension Investment Consultant Selection Committee to hire Marquette Associates as the Pension Investment Consultant effective January 1, 2021
   - Resolution (R-032-2021) Pension Investment Policy Statement Amendment – Inclusion of ESG Sustainable Investing

4. **PUBLIC COMMENT**

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

5. INFORMATION ITEMS

- Raymond James Capital Markets Review (CMR) - January 2021
- SWBNO December 31, 2020 (Q4) Comparative Performance Analysis Report
- ESG-White Paper - Raymond James
- ESG Future of Investing – CFA Institute
- ESG for State and local Pensions – Boston College Center for Retirement Research
- United Nations – Principles for Responsible Investment (UNPRI) Blueprint

6. EXECUTIVE SESSION

Disability Retirement Application: Pursuant to La. R.S. 42:17(A)(1), the Pension Committee of the Sewerage and Water Board of New Orleans will meet in Executive Session to discuss the Disability Retirement Application.

7. 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 2021, pursuant to Section 3 of Act 302 of 2020.

SEWERAGE & WATER BOARD of NEW ORLEANS

PENSION TRUST FUND

Pension Committee Meeting

February 10, 2021

FFC INVESTMENT ADVISORS

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Meeting Agenda 02/10/2021

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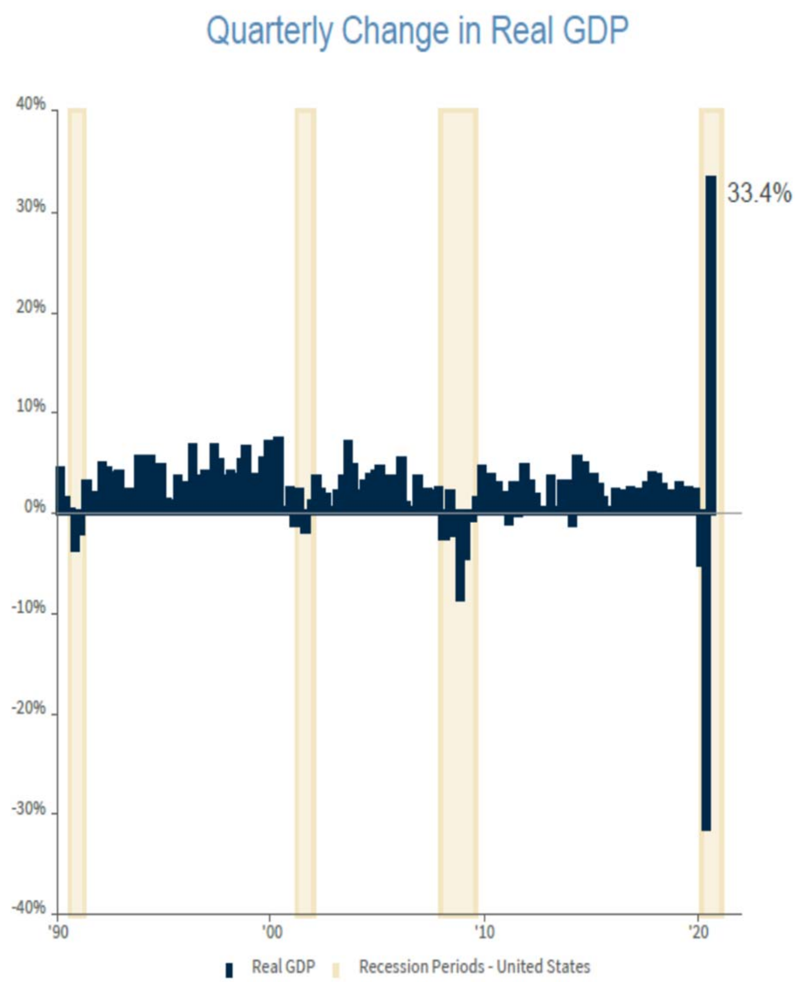
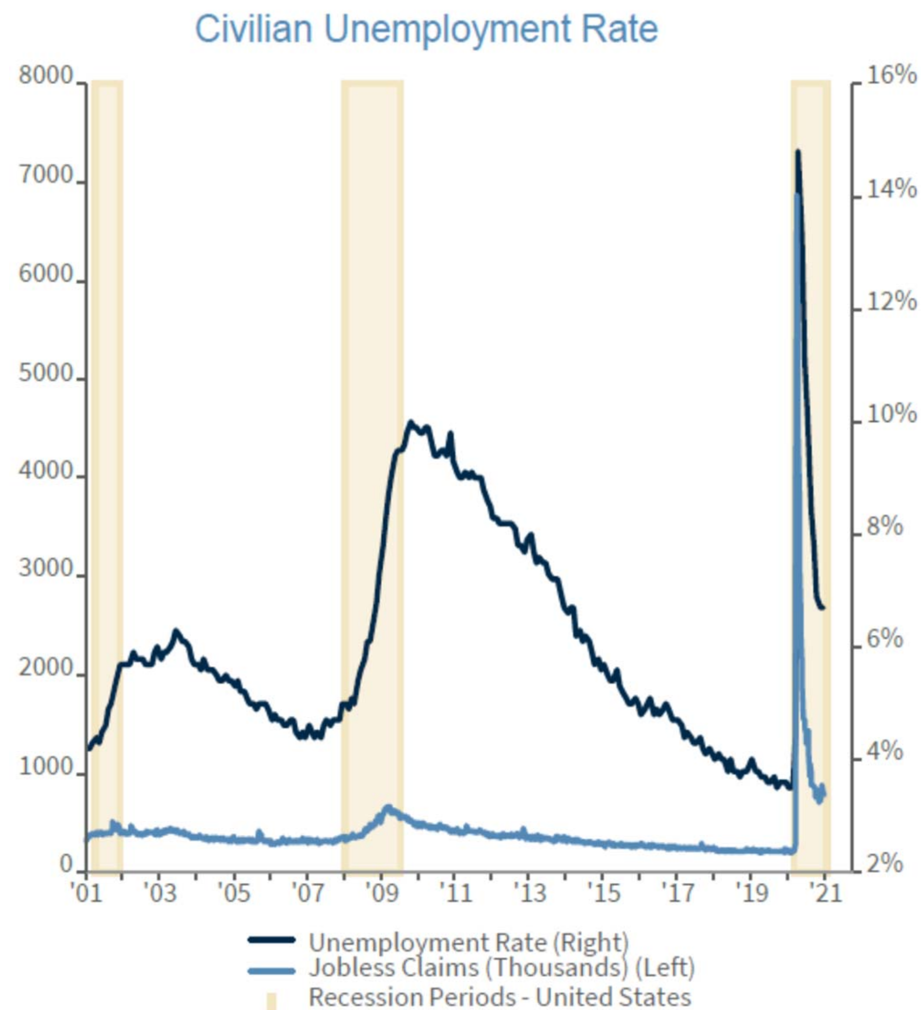
- Raymond James Capital Markets Review - January 2021 (*information item*) – *full report with disclosures*
- December 31, 2020 Plan Comparative Performance Analysis Report (*information item*) – *full report with disclosures*
- ESG – RJ White-Paper (*information item*)
- ESG – CFAI Future of Investing (*information item*)
- ESG for State and local Pensions – BC Center for Retirement Research (*information item*)
- The United Nations … A Blueprint for Responsible Investment (*information item*)
- SWBNO Employees' Pension Trust Fund Investment Policy Statement *draft* pilot "Sustainable Investing Program" language and other amendments. (*action item*)

CAPITAL MARKETS REVIEW

January 2021

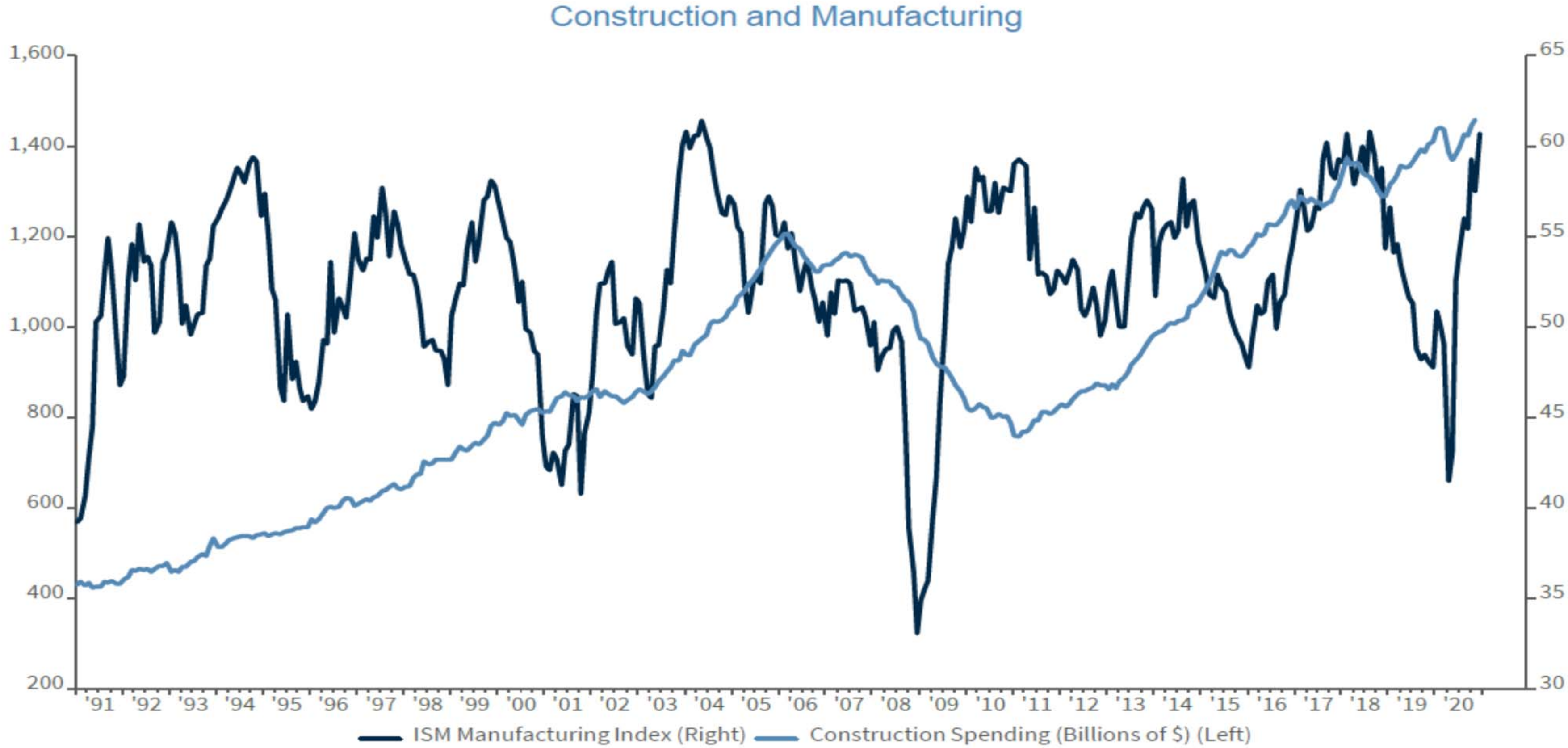


Source: FactSet, as of 12/31/2020



Source: FactSet, as of 1/8/2021

ECONOMIC REVIEW | MAJOR INDUSTRY CONTRIBUTIONS TO JOB GROWTH



Source: FactSet, as of 1/8/2021

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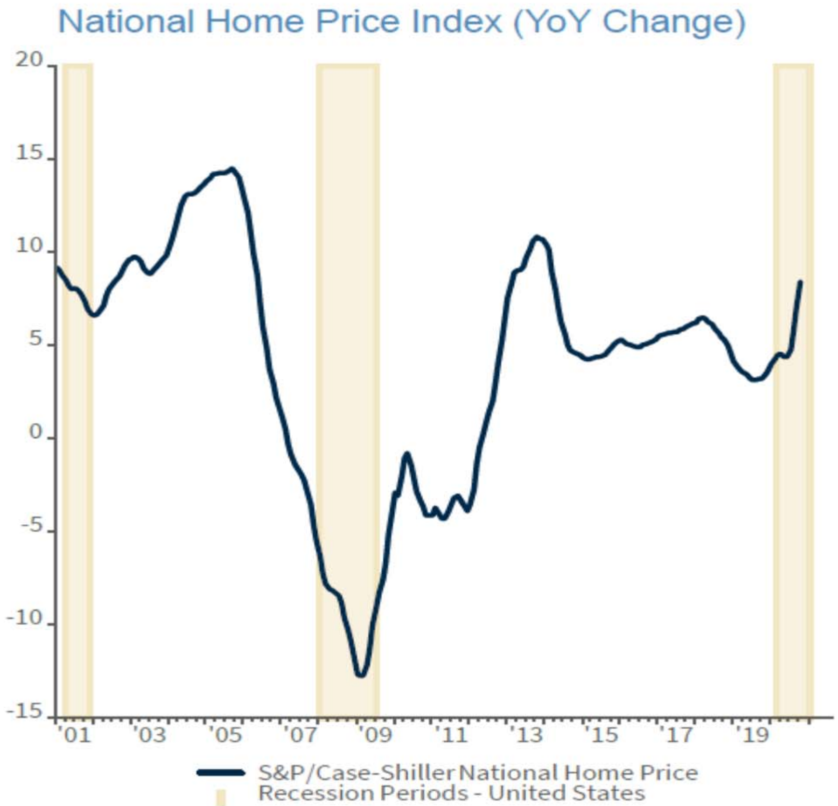
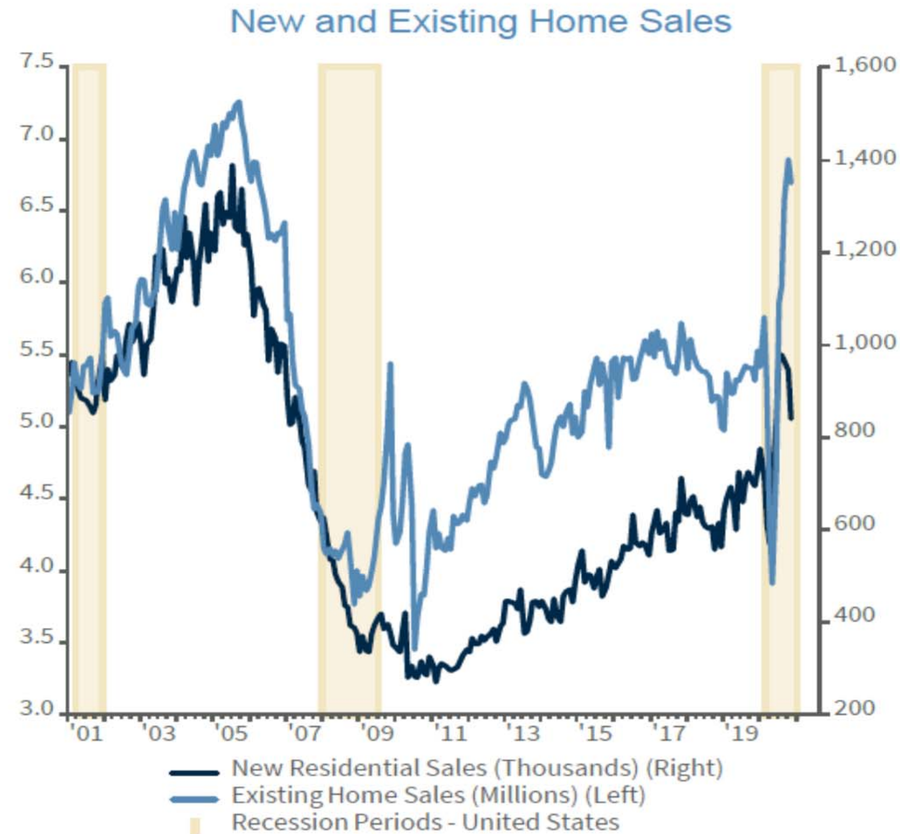
ECONOMIC REVIEW | HOUSING MARKET

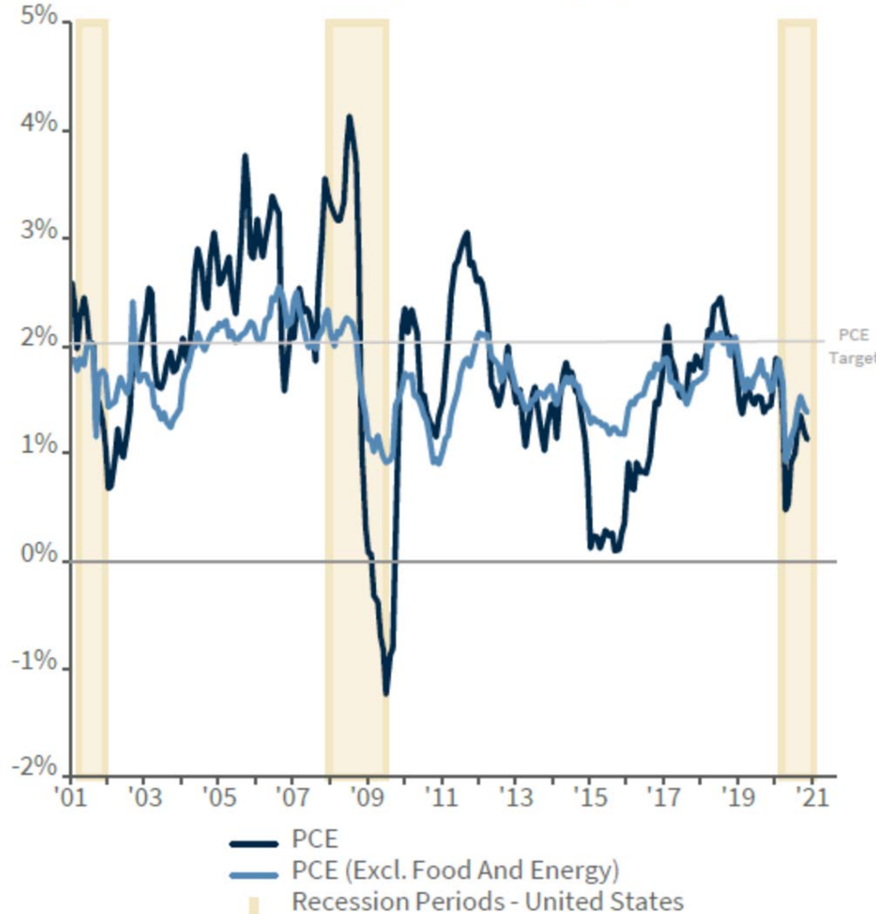


Source: FactSet, as of 1/8/2021



Source: FactSet, as of 1/8/2021

Personal Consumption Expenditures (PCE)
(YoY Change)



Source: FactSet, as of 1/8/2021

CAPITAL MARKETS | BROAD ASSET CLASS RETURNS

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Real Estate 40.4%	Fixed Income 7.8%	Non-US Equities 17.0%	US Equities 32.4%	Real Estate 14.3%	US Equities 1.4%	Real Estate 15.3%	Non-US Equities 24.8%	Cash & Cash Alternatives 1.8%	US Equities 31.5%	US Equities 18.4%
Commodities 16.7%	Blended Portfolio 2.3%	US Equities 16.0%	Non-US Equities 21.6%	US Equities 13.7%	Fixed Income 0.5%	US Equities 12.0%	US Equities 21.8%	Fixed Income 0.0%	Non-US Equities 23.2%	Blended Portfolio 12.5%
US Equities 15.1%	US Equities 2.1%	Blended Portfolio 11.4%	Blended Portfolio 17.0%	Blended Portfolio 8.0%	Blended Portfolio 0.5%	Commodities 11.4%	Blended Portfolio 15.0%	Blended Portfolio -4.0%	Blended Portfolio 21.1%	Non-US Equities 8.1%
Blended Portfolio 10.8%	Cash & Cash Alternatives 0.1%	Fixed Income 4.2%	Cash & Cash Alternatives 0.0%	Fixed Income 6.0%	Cash & Cash Alternatives 0.0%	Blended Portfolio 6.9%	Fixed Income 3.5%	US Equities -4.4%	Real Estate 19.5%	Fixed Income 7.5%
Non-US Equities 9.4%	Real Estate -2.2%	Real Estate 0.6%	Fixed Income -2.0%	Cash & Cash Alternatives 0.0%	Non-US Equities -2.6%	Non-US Equities 3.3%	Cash & Cash Alternatives 0.8%	Real Estate -7.6%	Fixed Income 8.7%	Cash & Cash Alternatives 0.5%
Fixed Income 6.5%	Non-US Equities -11.8%	Cash & Cash Alternatives 0.1%	Commodities -9.6%	Non-US Equities -3.9%	Real Estate -24.2%	Fixed Income 2.6%	Commodities 0.7%	Commodities -13.0%	Commodities 5.4%	Commodities -3.5%
Cash & Cash Alternatives 0.1%	Commodities -13.4%	Commodities -1.1%	Real Estate -25.8%	Commodities -17.0%	Commodities -24.7%	Cash & Cash Alternatives 0.3%	Real Estate -0.2%	Non-US Equities -13.6%	Cash & Cash Alternatives 2.2%	Real Estate -13.1%

Blended Portfolio Allocation: 45% US Equity / 15% Non-US Equity / 40% Fixed Income

As of: 12/31/2020

CAPITAL MARKETS | DOMESTIC EQUITY RETURNS

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Mid Growth 30.6%	Large Growth 4.7%	Mid Value 18.5%	Small Growth 42.7%	Large Growth 14.9%	Large Growth 5.5%	Small Value 31.3%	Large Growth 27.4%	Large Growth 0.0%	Large Value 31.9%	Large Growth 33.5%
Small Growth 28.0%	Small Growth 3.6%	Small Value 18.2%	Small Blend 41.3%	Large Blend 13.7%	Small Growth 2.8%	Small Blend 26.6%	Large Blend 21.8%	Small Growth -4.1%	Large Blend 31.5%	Mid Growth 22.8%
Mid Blend 26.6%	Large Blend 2.1%	Mid Blend 17.9%	Small Value 40.0%	Large Value 12.4%	Mid Growth 2.0%	Mid Value 26.5%	Mid Growth 19.9%	Large Blend -4.4%	Large Growth 31.1%	Small Growth 19.6%
Small Blend 26.3%	Small Blend 1.0%	Large Value 17.7%	Mid Value 34.3%	Mid Value 12.1%	Large Blend 1.4%	Small Growth 22.2%	Mid Blend 16.2%	Small Blend -8.5%	Mid Growth 26.3%	Large Blend 18.4%
Small Value 24.7%	Large Value -0.5%	Mid Growth 17.3%	Mid Blend 33.5%	Mid Blend 9.8%	Small Blend -2.0%	Mid Blend 20.7%	Large Value 15.4%	Large Value -9.0%	Mid Blend 26.2%	Mid Blend 13.7%
Mid Value 22.8%	Mid Growth -0.9%	Small Blend 16.3%	Mid Growth 32.8%	Mid Growth 7.6%	Mid Blend -2.2%	Large Value 17.4%	Small Growth 14.8%	Mid Growth -10.3%	Mid Value 26.1%	Small Blend 11.3%
Large Value 15.1%	Small Value -1.4%	Large Blend 16.0%	Large Growth 32.8%	Small Value 7.5%	Large Value -3.1%	Mid Growth 14.8%	Small Blend 13.2%	Mid Blend -11.1%	Small Value 24.5%	Mid Value 3.7%
Large Blend 15.1%	Mid Blend -1.7%	Large Growth 14.6%	Large Blend 32.4%	Small Blend 5.8%	Mid Value -6.7%	Large Blend 12.0%	Mid Value 12.3%	Mid Value -11.9%	Small Blend 22.8%	Small Value 2.5%
Large Growth 15.1%	Mid Value -2.4%	Small Growth 14.6%	Large Value 32.0%	Small Growth 3.9%	Small Value -6.7%	Large Growth 6.9%	Small Value 11.5%	Small Value -12.6%	Small Growth 21.1%	Large Value 1.4%

As of: 12/31/2020

CAPITAL MARKETS | FIXED INCOME RETURNS

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
High Yield 15.1%	Long-Term Bond 17.1%	Emerging Market Bond 17.9%	High Yield 7.4%	Long-Term Bond 16.4%	Municipal 3.3%	High Yield 17.1%	Long-Term Bond 12.2%	T-Bill 1.8%	Long-Term Bond 23.4%	Long-Term Bond 13.3%
Emerging Market Bond 12.8%	Municipal 10.7%	High Yield 15.8%	Agency 1.0%	Municipal 9.1%	Agency 1.8%	Long-Term Bond 10.2%	Emerging Market Bond 8.2%	Short-Term Bond 1.4%	High Yield 14.3%	Credit 9.4%
Long-Term Bond 10.7%	Treasury 9.8%	Long-Term Bond 12.7%	Short-Term Bond 0.3%	Credit 7.5%	MBS 1.5%	Emerging Market Bond 9.9%	Global Bond ex US 8.0%	Municipal 1.3%	Credit 13.8%	Global Bond ex US 8.9%
Credit 8.5%	Credit 8.4%	Credit 9.4%	T-Bill 0.0%	MBS 6.1%	Emerging Market Bond 1.3%	Credit 5.6%	High Yield 7.5%	Agency 1.1%	Emerging Market Bond 13.1%	Treasury 8.0%
Global Bond ex US 8.4%	Aggregate Bond 7.8%	Municipal 6.8%	US TIPS -0.9%	Aggregate Bond 6.0%	Treasury 0.8%	Aggregate Bond 2.6%	Credit 6.2%	MBS 1.0%	Aggregate Bond 8.7%	Aggregate Bond 7.5%
Aggregate Bond 6.5%	Emerging Market Bond 7.0%	Aggregate Bond 4.2%	MBS -1.5%	Treasury 5.1%	Aggregate Bond 0.5%	Agency 2.6%	Municipal 5.4%	Treasury 0.9%	Municipal 7.5%	High Yield 7.1%
Treasury 5.9%	MBS 6.3%	MBS 2.6%	Credit -2.0%	Emerging Market Bond 4.8%	Short-Term Bond 0.4%	US TIPS 2.5%	Aggregate Bond 3.5%	US TIPS 0.7%	Treasury 6.9%	Emerging Market Bond 6.5%
MBS 5.4%	Global Bond ex US 6.1%	Treasury 2.0%	Aggregate Bond -2.0%	High Yield 2.5%	T-Bill 0.0%	Global Bond ex US 2.2%	Agency 2.9%	Aggregate Bond 0.0%	MBS 6.4%	Municipal 5.2%
US TIPS 2.7%	High Yield 5.0%	US TIPS 1.7%	Municipal -2.6%	Agency 1.0%	US TIPS -0.4%	MBS 1.7%	MBS 2.5%	Global Bond ex US -0.3%	US TIPS 4.5%	MBS 3.9%
Municipal 2.4%	US TIPS 2.6%	Agency 1.0%	Treasury -2.7%	Short-Term Bond 0.7%	Credit -0.8%	Treasury 1.0%	Treasury 2.3%	High Yield -2.1%	Global Bond ex US 4.5%	US TIPS 3.8%
Short-Term Bond 2.4%	Short-Term Bond 1.5%	Short-Term Bond 0.3%	Emerging Market Bond -4.1%	T-Bill 0.0%	Global Bond ex US -3.6%	Short-Term Bond 0.6%	T-Bill 0.8%	Credit -2.1%	Short-Term Bond 3.3%	Short-Term Bond 3.1%
Agency 1.0%	Agency 1.0%	T-Bill 0.1%	Long-Term Bond -6.6%	US TIPS -1.4%	High Yield -4.5%	T-Bill 0.3%	US TIPS 0.4%	Emerging Market Bond -2.5%	T-Bill 2.2%	Agency 1.0%
T-Bill 0.1%	T-Bill 0.1%	Global Bond ex US -0.6%	Global Bond ex US -7.1%	Global Bond ex US -3.5%	Long-Term Bond -4.6%	Municipal 0.2%	Short-Term Bond 0.3%	Long-Term Bond -6.8%	Agency 1.0%	T-Bill 0.5%

As of: 12/31/2020

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CAPITAL MARKETS | INTERNATIONAL EQUITY RETURNS

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
EM Asia 19.4%	US Large Cap 2.1%	Pacific ex Japan 24.7%	US Large Cap 32.4%	US Large Cap 13.7%	Japan 9.9%	EM Eastern Europe 38.8%	EM Asia 43.3%	EM Eastern Europe -3.4%	EM Eastern Europe 31.0%	EM Asia 28.8%
Emerging Markets 19.2%	United Kingdom -2.5%	EM Asia 21.2%	Europe ex UK 28.7%	EM Asia 5.3%	US Large Cap 1.4%	EM Latin America 31.5%	Emerging Markets 37.8%	US Large Cap -4.4%	US Large Cap 25.7%	Emerging Markets 18.7%
Pacific ex Japan 17.1%	Developed Markets -11.7%	Europe ex UK 22.5%	Japan 27.3%	Pacific ex Japan -0.3%	Europe ex UK 0.1%	US Large Cap 12.0%	Europe ex UK 27.8%	EM Latin America -6.2%	EM Latin America 10.5%	US Large Cap 18.4%
EM Eastern Europe 16.3%	Pacific ex Japan -12.7%	EM Eastern Europe 18.7%	Developed Markets 23.3%	Emerging Markets -1.8%	Developed Markets -0.4%	Emerging Markets 11.6%	Pacific ex Japan 26.0%	Pacific ex Japan -10.2%	Europe ex UK 7.7%	Japan 14.9%
Japan 15.6%	Japan -14.2%	Emerging Markets 18.6%	United Kingdom 20.7%	Japan -3.7%	EM Eastern Europe -4.0%	Pacific ex Japan 8.0%	Developed Markets 25.6%	Japan -12.6%	Pacific ex Japan 6.4%	Europe ex UK 11.6%
US Large Cap 15.1%	Europe ex UK -14.5%	Developed Markets 17.9%	Pacific ex Japan 5.6%	Developed Markets -4.5%	United Kingdom -7.5%	EM Asia 6.5%	Japan 24.4%	Developed Markets -13.4%	Developed Markets 6.3%	Developed Markets 8.3%
EM Latin America 14.9%	EM Asia -17.2%	US Large Cap 16.0%	EM Asia 2.3%	United Kingdom -5.4%	Pacific ex Japan -8.4%	Japan 2.7%	EM Latin America 24.2%	United Kingdom -14.1%	Japan 5.0%	Pacific ex Japan 6.6%
United Kingdom 8.8%	Emerging Markets -18.2%	United Kingdom 15.3%	EM Eastern Europe 1.4%	Europe ex UK -5.8%	EM Asia -9.5%	Developed Markets 1.5%	United Kingdom 22.4%	Emerging Markets -14.2%	United Kingdom 4.1%	United Kingdom -10.4%
Developed Markets 8.2%	EM Latin America -19.1%	EM Latin America 8.9%	Emerging Markets -2.3%	EM Latin America -12.0%	Emerging Markets -14.6%	Europe ex UK 0.3%	US Large Cap 21.8%	Europe ex UK -14.4%	Emerging Markets 2.0%	EM Eastern Europe -11.3%
Europe ex UK 2.4%	EM Eastern Europe -21.3%	Japan 8.4%	EM Latin America -13.2%	EM Eastern Europe -37.1%	EM Latin America -30.8%	United Kingdom 0.0%	EM Eastern Europe 18.1%	EM Asia -15.2%	EM Asia 1.5%	EM Latin America -13.5%

As of: 12/31/2020

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Comparative Performance Analysis Report

Sewerage and Water Board of New Orleans ERS

December 31, 2020

Pension Committee

Q4 2020

Octave J. Francis III, CIMA®, AIF®
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Sewerage and Water Board of New Orleans ERS Total Composite

Sewerage and Water Board of New Orleans ERS Total Composite Performance

As of December 31, 2020

	Market Value ($)	% of Portfolio	1 Mo (%)	3 Mo (%)	YTD (%)	1 Yr (%)	2 Yrs (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Sewerage and Water Board of New Orleans ERS Total Composite	**235,195,264**	**100.00**	**4.98**	**9.18**	**10.02**	**10.02**	**13.68**	**7.69**	**8.22**	**6.37**	**7.05**	**6.39**	**Jul-02**
Strategic Asset Allocation			*2.95*	*9.39*	*10.98*	*10.98*	*14.89*	*8.30*	*8.80*	*6.41*	*6.88*	*6.26*	*Jul-02*
Equity Composite	**120,690,561**	**51.32**	**5.43**	**17.83**	**21.11**	**21.11**	**25.09**	**13.90**	**–**	**–**	**–**	**13.90**	**Jan-18**
Equity Balanced Index			*5.66*	*18.05*	*20.00*	*20.00*	*24.23*	*12.56*	*–*	*–*	*–*	*12.56*	*Jan-18*
Earnest Partners	47,501,189	20.20	18.14	13.61	9.01	9.01	12.01	1.61	7.47	3.93	–	7.02	Oct-11
MSCI ACWI ex USA			*5.41*	*17.01*	*10.65*	*10.65*	*15.96*	*4.88*	*8.93*	*4.82*	*–*	*7.44*	*Oct-11*
NewSouth Capital	29,399,931	12.50	3.96	19.61	9.21	9.21	19.12	12.10	11.61	9.80	–	13.47	Sep-11
Russell 2500 Value			*6.95*	*28.51*	*4.88*	*4.88*	*13.84*	*4.33*	*9.43*	*6.84*	*–*	*12.26*	*Sep-11*
iShares S&P 500 Growth ETF	28,796,128	12.24	4.00	10.75	33.82	33.82	32.46	20.57	–	–	–	19.22	Mar-16
Russell 1000 Growth			*4.60*	*11.39*	*38.49*	*38.49*	*37.44*	*22.99*	*–*	*–*	*–*	*23.27*	*Mar-16*
Barrow, Hanley, Mewhinney, & Strauss	14,992,740	6.37	4.35	19.61	5.10	5.10	15.92	8.51	12.30	9.83	10.63	7.52	Aug-06
Russell 1000 Value			*3.83*	*16.25*	*2.79*	*2.79*	*14.05*	*6.07*	*9.74*	*8.20*	*10.50*	*6.99*	*Aug-06*
Chicago Equity Partners - (Residual Asset)	573	0.00											
Fixed Income Composite	**78,893,182**	**33.54**	**0.75**	**2.41**	**9.65**	**9.65**	**9.92**	**6.40**	**–**	**–**	**–**	**6.40**	**Jan-18**
Fixed Income Balanced Index			*0.35*	*1.30*	*7.59*	*7.59*	*8.44*	*5.46*	*–*	*–*	*–*	*5.46*	*Jan-18*
Pyramis Global Advisors (Fidelity)	78,855,813	33.53	0.75	2.41	9.65	9.65	9.91	6.39	5.90	5.10	4.71	5.24	May-07
BBgBarc US Aggregate TR			*0.14*	*0.67*	*7.51*	*7.51*	*8.11*	*5.34*	*4.44*	*4.09*	*3.84*	*4.46*	*May-07*
Zazove Associates, LLC (Residual Asset)	37,369	0.02	-0.45	9.15	10.00	10.00	27.64	25.38	–	–	–	25.38	Jan-18
ICE BofA Convertibles Securities TR			*7.91*	*21.68*	*55.68*	*55.68*	*38.41*	*24.48*	*–*	*–*	*–*	*24.48*	*Jan-18*
Real Estate Composite	**18,271,046**	**7.77**	**2.71**	**9.31**	**-4.37**	**-4.37**	**11.20**	**5.22**	**–**	**–**	**–**	**5.22**	**Jan-18**
Real Estate Balanced Index			*3.16*	*11.16*	*-8.70*	*-8.70*	*6.54*	*2.25*	*–*	*–*	*–*	*2.25*	*Jan-18*
Vanguard Real Estate ETF	18,271,046	7.77	2.71	9.31	-4.37	-4.37	11.20	5.22	5.75	8.52	8.74	9.05	May-10
MSCI US REIT			*3.16*	*11.16*	*-8.70*	*-8.70*	*6.54*	*2.25*	*3.51*	*6.46*	*6.99*	*7.32*	*May-10*

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Sewerage and Water Board of New Orleans ERS Total Composite

Sewerage and Water Board of New Orleans ERS Total Composite Performance

As of December 31, 2020

	Market Value ($)	% of Portfolio	1 Mo (%)	3 Mo (%)	YTD (%)	1 Yr (%)	2 Yrs (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Alternatives Composite	**17,215,062**	**7.32**	**0.01**	**4.00**	**2.30**	**2.30**	**3.95**	**1.16**	**–**	**–**	**–**	**1.16**	**Jan-18**
Alternatives Balanced Index			*3.14*	*7.59*	*10.34*	*10.34*	*9.36*	*4.71*	–	–	–	*4.71*	*Jan-18*
Prisma Capital Partners LP	17,196,149	7.31	0.01	4.00	2.30	2.30	3.95	1.16	1.82	1.64	2.61	2.79	May-07
HFRI Fund of Funds Composite Index			*3.14*	*7.59*	*10.34*	*10.34*	*9.36*	*4.71*	*4.46*	*3.61*	*3.27*	*2.18*	*May-07*
Equitas Capital Advisors (Residual Asset)	18,912	0.01	0.01	-2.92	2.66	2.66	0.34	-0.38	–	–	–	-0.38	Jan-18
HFRI Fund of Funds Composite Index			*3.14*	*7.59*	*10.34*	*10.34*	*9.36*	*4.71*	–	–	–	*4.71*	*Jan-18*
Cash & Equivalents	**125,413**	**0.05**											
Cash Account	125,413	0.05											

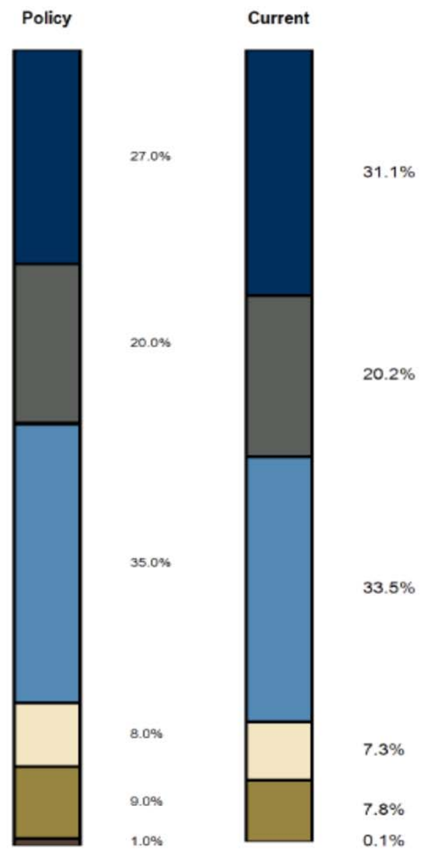
- Strategic Asset Allocation = 27% Russell 3000 / 20% MSCI ACWI ex USA / 35% BBgBarc US Universal TR / 8% HFRI Fund of Funds Composite Index / 9% MSCI US REIT / 1% FTSE T-Bill 1 Month TR
- Equity Balanced Index = Weighted Average of MSCI ACWI ex USA / Russell 2500 / S&P 500 Growth / Russell 1000 / Russell 1000 Value
- Fixed Income Balanced Index = Weighted Average of BBgBarc US Universal TR / ICE BofA All US Convertibles TR
- Real Estate Balanced Index = Weighted Average of MSCI US REIT
- Alternatives Balanced Index = Weighted Average of HFRI Fund of Funds Composite Index

-Performance for all accounts and composites reported gross of fees unless otherwise indicated. Reported activity, units, unit values, and the resulting performance for commingled fund managers including Earnest Partners, Barrow Hanley, Pyramis/Fidelity and Prisma Capital Partners have a 30 to 45 day period reporting lag with the custodian. Shown values, prices and performance can be reflective of 30-60 days prior.

Sewerage and Water Board of New Orleans ERS Total Composite

Sewerage and Water Board of New Orleans ERS Total Composite Allocation

As of December 31, 2020



Allocation vs. Targets and Policy

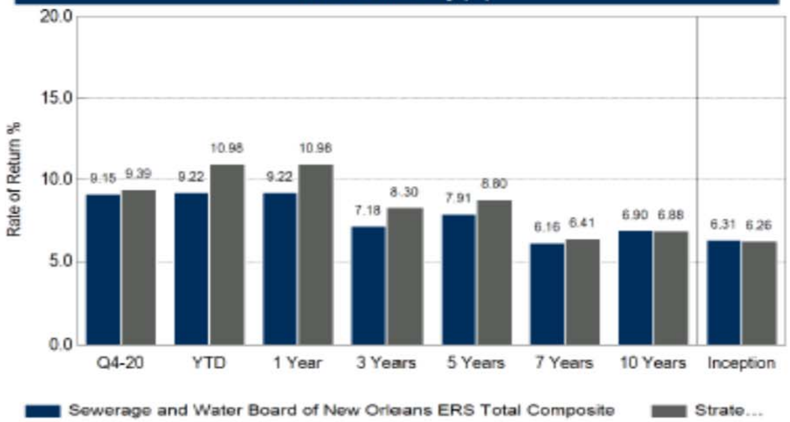
	Current Balance	Current Allocation	Target	Target Range	Difference	Within IPS Range?
US Equity	$73,189,372	31.1%	27.0%	15.0% - 35.0%	4.1%	Yes
NewSouth Capital	$29,399,931	12.5%	11.3%	10.1% - 12.4%	1.3%	No
iShares S&P 500 Growth ETF	$28,796,128	12.2%	9.3%	8.3% - 10.2%	3.0%	No
Barrow, Hanley, Mewhinney, & Strauss	$14,992,740	6.4%	6.5%	5.8% - 7.2%	-0.1%	Yes
Chicago Equity Partners - (Residual Asset)	$573	0.0%				
Non-US Equity	$47,501,189	20.2%	20.0%	15.0% - 30.0%	0.2%	Yes
Earnest Partners	$47,501,189	20.2%	20.0%	18.0% - 22.0%	0.2%	Yes
US Fixed Income	$78,893,182	33.5%	35.0%	25.0% - 50.0%	-1.5%	Yes
Pyramis Global Advisors (Fidelity)	$78,855,813	33.5%	34.0%	31.5% - 38.5%	-0.5%	Yes
Zazove Associates, LLC (Residual Asset)	$37,369	0.0%				
Alternatives	$17,215,062	7.3%	8.0%	5.0% - 12.0%	-0.7%	Yes
Prisma Capital Partners LP	$17,196,149	7.3%	8.0%	7.2% - 8.8%	-0.7%	Yes
Equitas Capital Advisors (Residual Asset)	$18,912	0.0%				
Real Estate	$18,271,046	7.8%	9.0%	5.0% - 12.0%	-1.2%	Yes
Vanguard Real Estate ETF	$18,271,046	7.8%	9.0%	8.1% - 9.9%	-1.2%	No
Cash	$125,413	0.1%	1.0%	0.0% - 1.0%	-0.9%	Yes
Cash Account	$125,413	0.1%	1.0%	0.0% - 1.0%	-0.9%	Yes
Total	**$235,195,264**	**100.0%**	**100.0%**			

Sewerage and Water Board of New Orleans ERS Total Composite

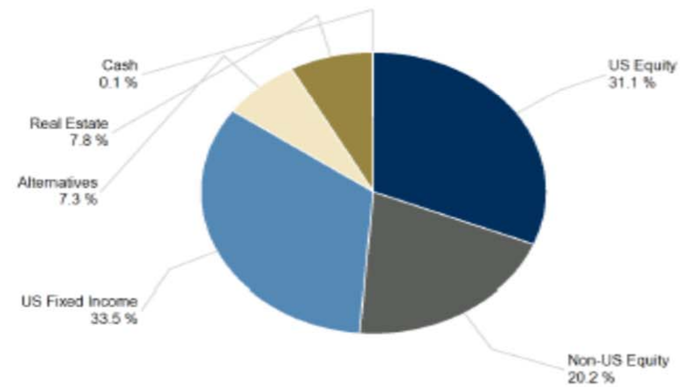
Sewerage and Water Board of New Orleans ERS Total Composite Performance

As of December 31, 2020

Return Summary (%)



Current Allocation



Summary of Cash Flows

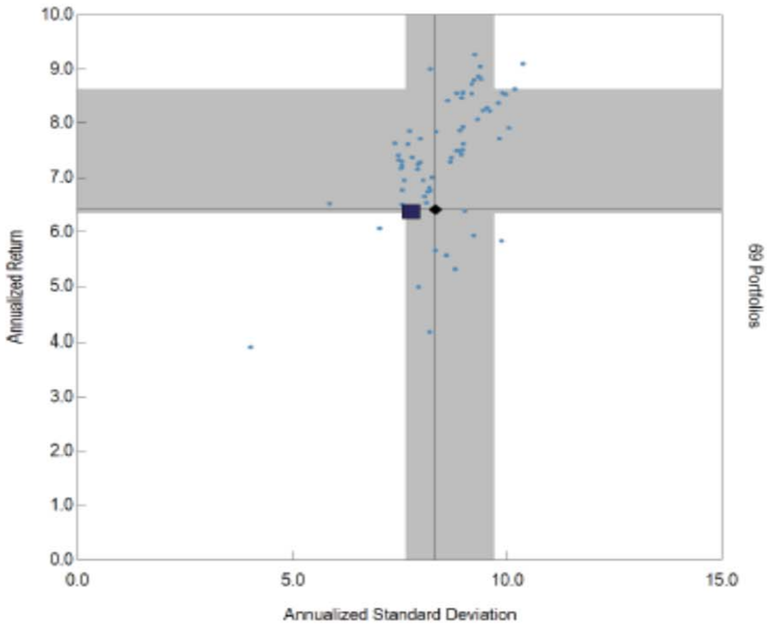
	Quarter-To-Date	Year-To-Date
Beginning Market Value	$220,546,849	$225,441,131
Contributions	$4,003,084	$26,750,974
Withdrawals	-$9,316,352	-$36,912,105
Net Cash Flow	-$5,313,268	-$10,161,131
Net Investment Change	$19,961,683	$19,915,263
Ending Market Value	**$235,195,264**	**$235,195,264**
Net Change	$14,648,415	$9,754,133

Sewerage and Water Board of New Orleans ERS Total Composite

Sewerage and Water Board of New Orleans ERS Total Composite Risk/Return

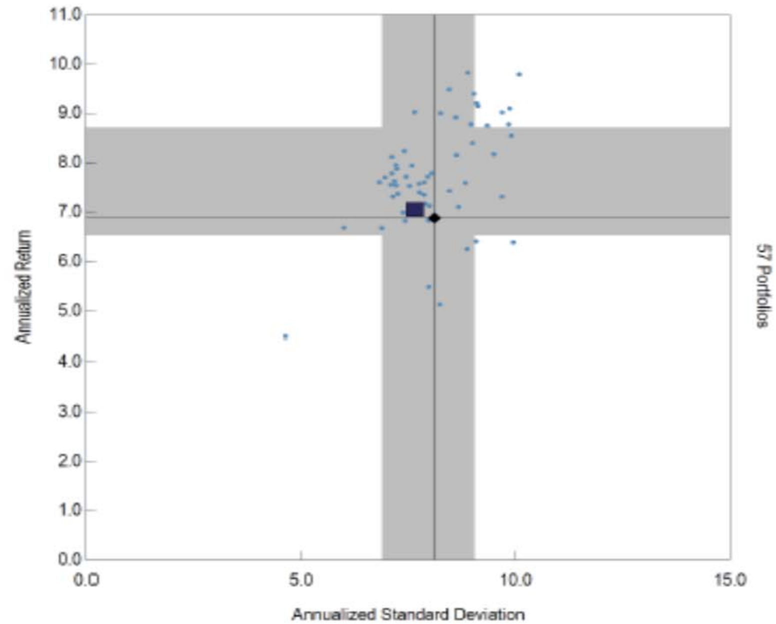
As of December 31, 2020

7 Year Risk/Return



- Sewerage and Water Board of New Orleans ERS Total Composite
- Strategic Asset Allocation
- 68% Confidence Interval
- InvMetrics Public DB $50mm-$250mm Net

10 Year Risk/Return



- Sewerage and Water Board of New Orleans ERS Total Composite
- Strategic Asset Allocation
- 68% Confidence Interval
- InvMetrics Public DB $50mm-$250mm Net

Sewerage and Water Board of New Orleans ERS Total Composite

Sewerage and Water Board of New Orleans ERS Total Composite Risk Statistics

As of December 31, 2020

7 Year Risk Statistics

	Annualized Return (%)	Annualized Standard Deviation	Annualized Alpha (%)	Beta	Tracking Error	Up Market Capture Ratio (%)	Down Market Capture Ratio (%)	Sharpe Ratio	Information Ratio
Sewerage and Water Board of New Orleans ERS Total Composite	6.37	7.75	0.84	0.86	3.14	91.98	92.89	0.71	-0.01
Strategic Asset Allocation	6.41	8.31	0.00	1.00	0.00	100.00	100.00	0.67	--
Earnest Partners	3.93	16.46	0.68	0.67	14.00	64.01	86.68	0.19	-0.06
MSCI ACWI ex USA	4.82	14.67	0.00	1.00	0.00	100.00	100.00	0.27	--
NewSouth Capital	9.80	17.01	4.05	0.84	6.95	81.20	85.03	0.53	0.43
Russell 2500 Value	6.84	18.82	0.00	1.00	0.00	100.00	100.00	0.32	--
Barrow, Hanley, Mewhinney, & Strauss	9.83	15.88	3.53	0.77	11.54	45.61	47.07	0.57	0.14
Russell 1000 Value	8.20	14.88	0.00	1.00	0.00	100.00	100.00	0.50	--
Chicago Equity Partners - (Residual Asset)	-9.13	36.31	-11.58	0.19	38.09	-2.77	68.19	-0.27	-0.58
Russell 1000	13.04	14.53	0.00	1.00	0.00	100.00	100.00	0.84	--
Pyramis Global Advisors (Fidelity)	5.10	3.49	1.13	0.97	1.89	118.47	97.39	1.22	0.54
BBgBarc US Aggregate TR	4.09	3.02	0.00	1.00	0.00	100.00	100.00	1.08	--
Vanguard Real Estate ETF	8.52	16.06	2.28	0.97	1.75	106.16	96.33	0.48	1.18
MSCI US REIT	6.46	16.54	0.00	1.00	0.00	100.00	100.00	0.34	--
Prisma Capital Partners LP	1.64	6.27	0.52	0.31	7.05	56.66	79.63	0.13	-0.28
HFRI Fund of Funds Composite Index	3.61	5.23	0.00	1.00	0.00	100.00	100.00	0.53	--
Cash Account	34.95	69.40	-13.78	58.35	69.34	11,927.44	--	0.49	0.49
FTSE T-Bill 3 Months TR	0.84	0.25	0.00	1.00	0.00	100.00	--	0.00	--

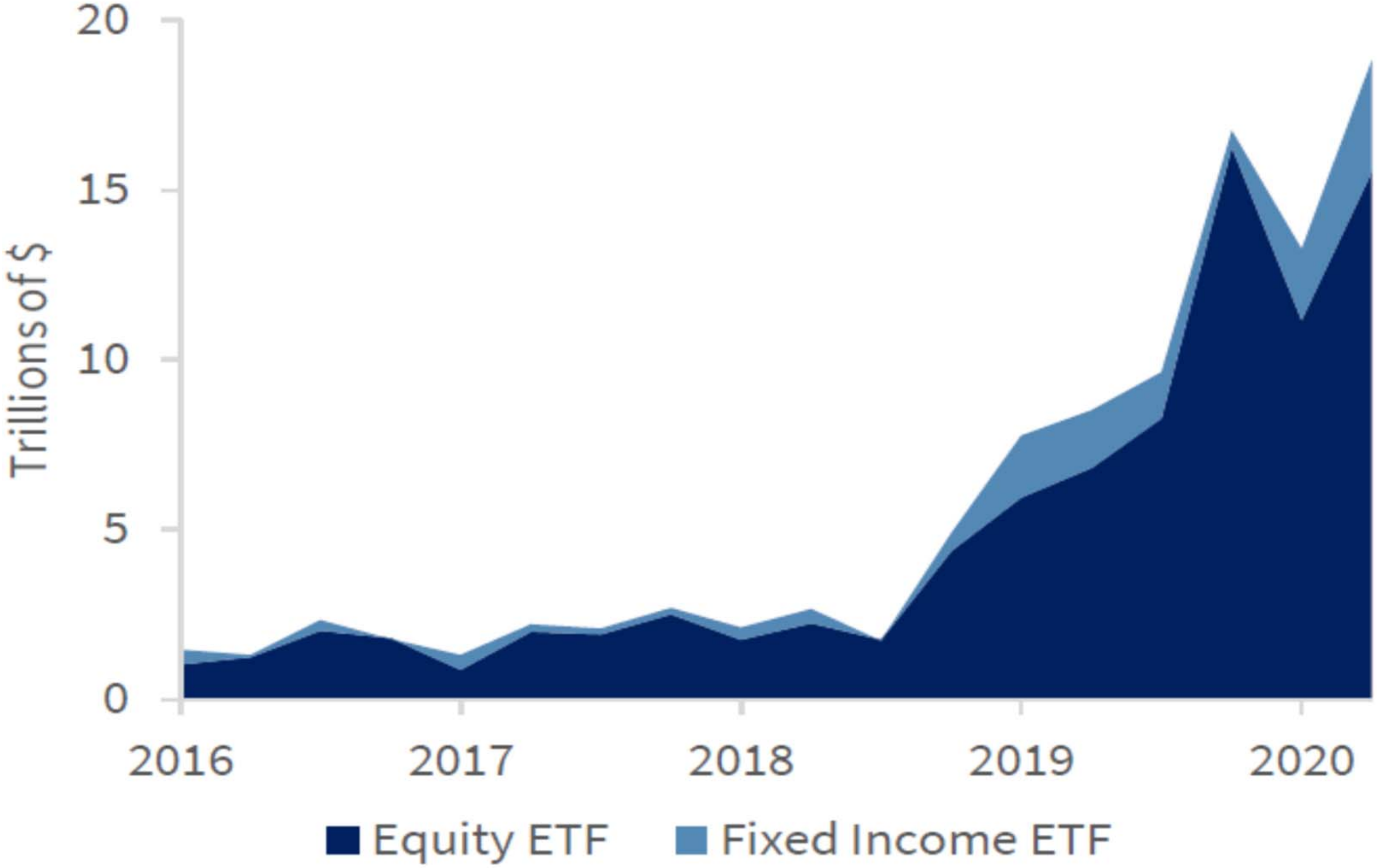

Green initiatives
Commitment
Integrity
Charity
Values
Honesty
Partnership
Collaboration
Sensitivity
Environmental
Social
Governance

ESG: The Intersection of Investing and Ideology

Profits with a Purpose

- Conscious capital allocation
- Ideological objectives
- Historical origins based in organized religion related to usury (i.e. Christianity and Islam)
- Progressed to divestiture of investments tied to "*sinful*" activities (i.e. slave trade, weapons, alcohol, tobacco and more)
- By the 20th Century this evolved to Socially Responsible Investing (SRI)
- SRI credited with ending apartheid in South Africa
- Fast forward to 2020 … also referred to as *Sustainable Investing* … commonly called *ESG Investing*
    - E = Environmental
    - S = Social
    - G = Governance
- As of 9/30/2020 there was nearly $19 trillion in value held in *Sustainable* exchange-traded funds.

Value of Assets Invested In Sustainable ETFs



Source: Bloomberg, as of 9/30/2020

SUSTAINABILITY RATINGS

A notable anecdotal example of sustainability rating disparity can be found in the comparison of Tesla, an electric car manufacturer, and General Motors (GM), which primarily manufactures traditional combustion engine vehicles. The Sustainalytics scores of each company can be found below.* Tesla is often regarded as a quintessential sustainable company, given that its overarching business model focuses on the aggressive reduction of carbon emissions through the production of electric vehicles. Yet, it still scores lower on its total ESG score than GM. More ironic still, both score lower than Exxon Mobil, one of the biggest producers of fossil fuels in the world. While Tesla logically holds the highest environmental score, the weighting of each of the governance and social scores results in Tesla holding the the lowest total score amongst all three companies.

	TESLA	GM	EXXON
E	**78.4**	9.5	55.6
S	2.7	73	**76.2**
G	8.1	**93.2**	41.1
TOTAL	24.3	60.8	**68.2**

Source: Bloomberg, as of 10/21/2020

A broad consensus has emerged amongst academics and industry professionals: sustainable investing may not sacrifice performance. On the contrary, preliminary evidence indicates that sustainable investing actually contributes to outperformance in respect to both alpha and beta.

As measured by the Bloomberg Barclays MSCI Corporate Investment Grade indices, the SRI index tracked its non-SRI index almost identically.

SRI vs Non-SRI Index: No Meaningful Difference

Source: FactSet, as of 10/21/2020

CFA Institute

ESG ISSUES IN INVESTING: INVESTORS DEBUNK THE MYTHS

This survey explains how investors view environmental, social, and governance (ESG) issues and data and the role ESG issues play in their investing process.

MYTH #1

Firms offer ESG products primarily for reputational reasons.

REALITY

The top reason investors consider ESG products is to adequately manage risk, and client demand is growing.

Why do you or why do you not take ESG issues into account in your investment decisions?

Top Reasons Why[1]

- **63%** To help manage investment risks
- **44%** Clients/investors demand it
- **38%** ESG performance is a proxy for management quality
- **37%** It's my fiduciary duty
- **37%** To help identify investment opportunities
- **30%** My firm derives reputational benefit

Top Reasons Why Not[2]

- **47%** Lack of demand from clients/ investors
- **35%** These issues are not material– no added value
- **21%** Lack of information/data
- **21%** Insufficient knowledge of how to consider these issues
- **15%** Inability to integrate ESG into my quantitative models

[1]Results are representative of the 73% who take ESG issues into account, n=967.

[2]Results are representative of the 27% who do not take ESG issues into account, n=358.

MYTH #2

ESG issues are mostly about environmental issues and climate change in particular.

REALITY

The top factor considered is board accountability, a governance issue.

Rate the following ESG issues in terms of importance to your investment analysis and decisions.[1]

Percentage selecting 4 or 5 on a 5-point scale

- **78%** Board accountability
- **62%** Human capital
- **61%** Executive compensation
- **54%** Environmental degradation
- **52%** Resource scarcity
- **50%** Demographic trends
- **47%** Supply chain
- **41%** Board diversity
- **40%** Climate change

MYTH #3

ESG implementation is primarily done through exclusionary screening.

REALITY

An integrated approach to ESG issues is now the most widely used method.

How do you take ESG issues into consideration in your investment analysis and decisions?[1]

- **57%** ESG integration in investment analysis and decision making
- **38%** Best-in-class investing and positive alignment
- **36%** Exclusionary screening
- **26%** Active ownership
- **23%** Thematic investing
- **21%** Impact investing
- **4%** Other

Use of ESG Data by Investors

How do you get ESG information and data?[1]

- **75%** Public information
- **66%** Third-party research
- **64%** Reports and statements from the company
- **50%** Direct engagement with the company
- **46%** Regulatory filings
- **4%** Other

Do you agree that public companies should be required to report at least annually on a cohesive set of sustainability indicators in accordance with the most up-to-date reporting framework?[1]

- **61%** of respondents agree
- A significantly higher percentage of respondents from APAC and EMEA agree, **84%** and **82%** respectively, compared with the Americas (**51%**)

Do you believe independent verification is necessary for ESG disclosures? If so, at what level?[1]

- **69%** of respondents think it is important that ESG disclosures be subject to independent verification
- Of these, **44%** believe that verification at a high level of assurance, similar to an audit, is necessary, whereas **46%** believe limited verification, or a lower level of assurance, is necessary

How much should be spent to obtain independent verification?

Of those in favor of independent verification:

- **26%** don't know
- **21%** say it should be <25% of this cost
- **18%** say it should be <50% of this cost
- **16%** say it should be <10% of this cost
- **10%** say it should be as much as the cost of the audit of financial statements
- **6%** say it should be <5% of this cost
- **3%** other

Survey Methodology

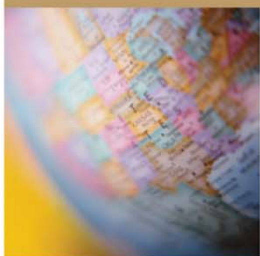
- **SAMPLE SIZE: 1,325** portfolio managers and research analysts (members of CFA Institute)
- **SURVEY TIME FRAME:** 26 May–5 June 2015
- **SURVEY RESPONSE RATE:** 3%
- **MARGIN OF ERROR:** ±2.7%

RESPONDENT PROFILE

- **REGION: 68%** from the Americas, **21%** from EMEA, **11%** from APAC
- **PRIMARY ASSET BASE: 41%** primarily deal with institutional clients, **31%** private, **16%** both, **12%** not applicable

For CFA Institute educational content on ESG issues in investing, please visit www.cfainstitute.org/ESG.

[1]Results are representative of the 73% who take ESG issues into account, n=967.



CENTER *for* RETIREMENT RESEARCH *at* BOSTON COLLEGE

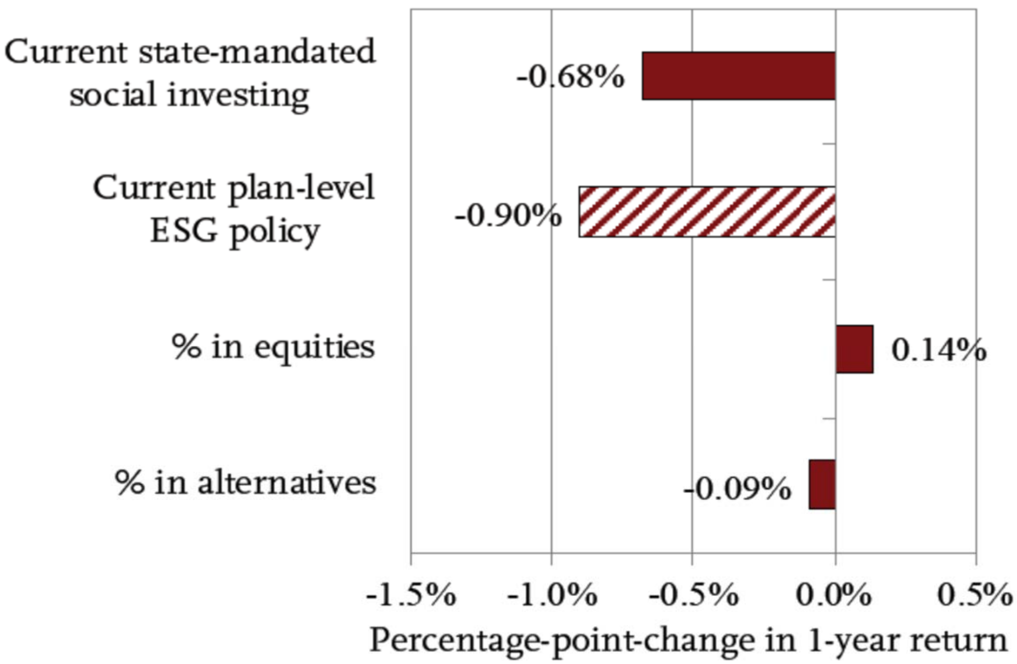
STATE AND LOCAL PENSION PLANS

NUMBER 74, OCTOBER 2020

ESG INVESTING AND PUBLIC PENSIONS: AN UPDATE

*By Jean-Pierre Aubry, Anqi Chen, Patrick M. Hubbard, and Alicia H. Munnell**

Figure 5. Fixed Effect Regression: Factors that Affect 1-Year Returns for 2001-2018



Note: Solid bars are statistically significant at the 5-percent level.
Source: Authors' calculations from the PPD (2001-2018).

Final Comments on Pension Fund Social Investing

The question of whether social investing should play a role in public pension investing goes beyond returns. Even assuming that divestment and ESG inclusion were effective mechanisms to stop terrorism and slow the rise in the earth's temperature and that state legislatures and pension fund boards are the right bodies to make foreign and climate policy, pension funds are not an appropriate vehicle for social investing.

Table 1. Average Net Returns of ESG Mutual Funds and Comparable Vanguard Mutual Funds, 2020

Asset class	Type	1-year	5-year	10-year	Expense ratio	Average AUM ($ billions)	Benchmark index
Bond – short	ESG	5.29%	3.63%	3.46%	0.90%	$1.1	Barclays US 1-5 Year Credit Index
	Vanguard	4.85	2.92	2.68	0.20	62.6	
Bond – long	ESG	10.98	6.34	4.54	0.76	0.2	Barclays US Long Credit
	Vanguard	16.77	9.18	8.11	0.22	20.2	
Equities large cap	ESG	6.75	8.13	11.58	1.04	2.1	S&P 500 Index
	Vanguard	7.47	10.69	13.95	0.04	533.6	
Equities mid cap	ESG	-1.56	5.21	10.12	0.92	1.3	Russell Midcap Value
	Vanguard	-0.20	6.99	12.47	0.05	106.9	
International	ESG	2.08	5.00	7.24	1.16	0.5	MSCI ACWI
	Vanguard	4.64	8.01	10.79	0.48	6.4	
Real estate	ESG	4.95	2.45	2.41	0.89	0.6	Barclays Securitized, MSCI US Real Estate
	Vanguard	-6.93	5.36	9.71	0.12	55.8	

Notes: Data as of July 31, 2020. Comparable funds are both from the same asset class and have the same benchmark index. Funds with less than 10 years of returns history are excluded. Returns are net of fees.
Source: Authors' calculations from The Forum for Sustainable and Responsible Investments (2020); Bloomberg's ESG Data Service (2020); and Vanguard Mutual Funds (2020).

Box: Evolution of DOL Guidance on ESG Investing, 1994-2015

Since the mid-1990s, the DOL has issued three *Interpretive Bulletins* on a fiduciary's ability to consider ESG factors under ERISA.

The 1994 *Bulletin* aimed to "correct the popular misconception" that ESG factors were incompatible with ERISA fiduciary requirements. The *Bulletin* reiterated that plan fiduciaries may not accept lower expected returns or greater risks in order to promote non-economic benefits; however, ESG goals can be considered as tie-breakers if investment alternatives present equal expected risks and returns.

In 2008, the DOL replaced the 1994 *Bulletin* with new guidance that the use of non-economic factors in selecting investments should be rare. Fiduciaries considering these non-economic factors must demonstrate their compliance with ERISA.

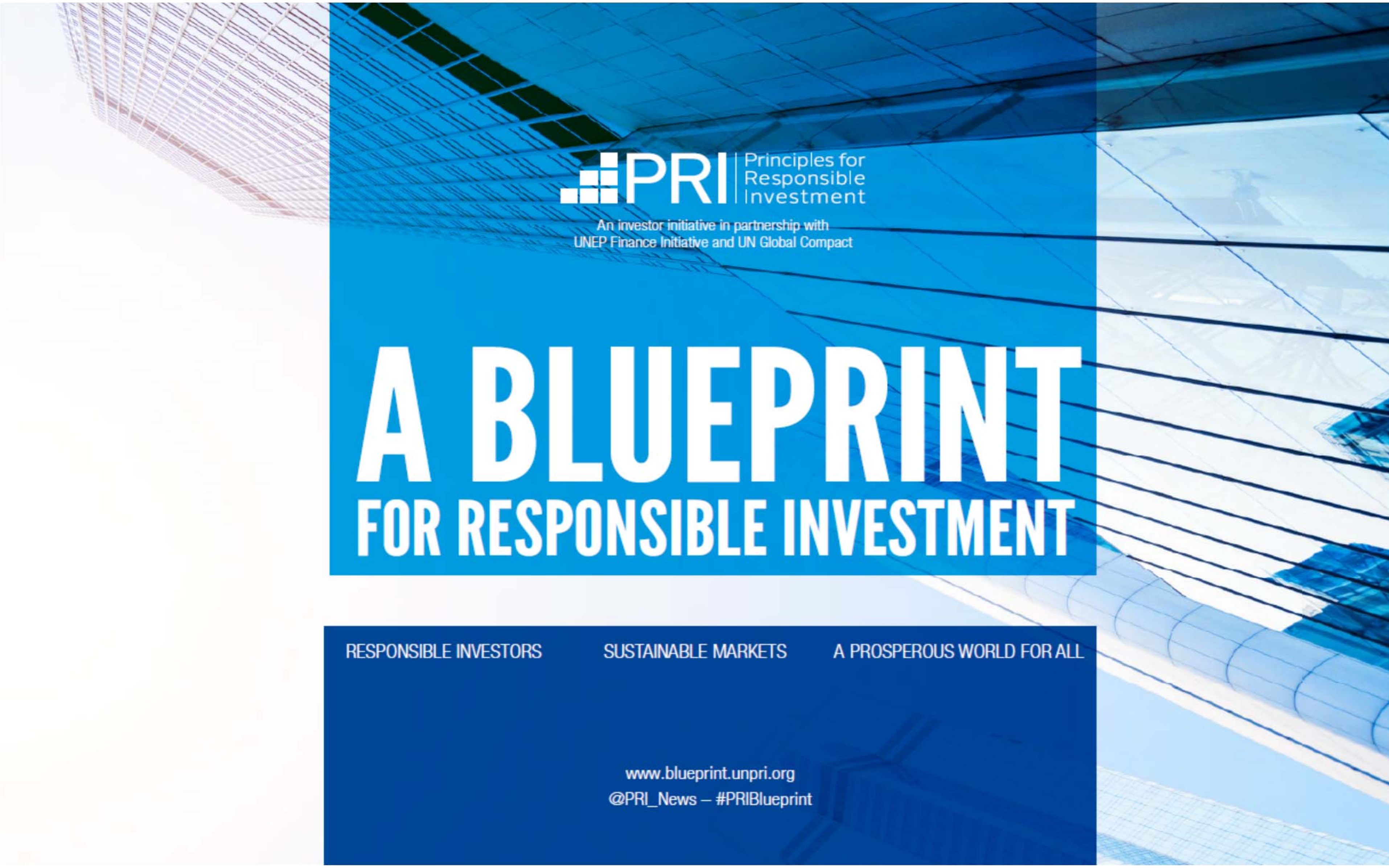
The 2015 *Bulletin* withdrew the language from the 2008 *Bulletin*, reinstating the 1994 *Bulletin* position. The 2015 *Bulletin* then went further to clarify that ESG factors may directly affect the economic returns of an investment and may be incorporated when assessing an investment.

The 2020 *Bulletin* rejected the notion that non-pecuniary factors can be considered as "tie-breakers," opining that tie-breaking situations rarely arise and adding special analysis and documentation requirements when fiduciaries claim to be choosing among "indistinguishable" investments.

Sources: U.S. Department of Labor (1994, 2008, 2015, and 2020).

Conclusion

The evolution of social investing from economically targeted investments and state-mandated divestments, where public plans clearly sacrificed return, to shareholder engagement and ESG investing, where the goal, at least, is to maintain market or better returns, is definitely a step forward. But both data and theory show that stock selection is not the way to reduce smoking or slow the rise in the earth's temperature. And focusing on social factors, at least for public pension plans, does not appear to be costless – plans earn less in returns and fail to capture beneficiaries' interests. Most importantly for public plans, the people who are making the decisions are not the ones who will bear the brunt of any miscalculations.


Principles for Responsible Investment
PRI
An investor initiative in partnership with
UNEP Finance Initiative and UN Global Compact
A BLUEPRINT
FOR RESPONSIBLE INVESTMENT
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UNITED NATIONS SUPPORTED PRINCIPLES FOR RESPONSIBLE INVESTMENT

Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.

Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.

Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.

Principle 5: We will work together to enhance our effectiveness in implementing the Principles.

Principle 6: We will each report on our activities and progress towards implementing the Principles.

SWBNO SUSTAINABLE INVESTMENTS PROGRAM

Draft Language

SWBNO Employees' Pension Trust Fund Investment Policy Statement *draft* "Sustainable Investing Program" language and other amendments.

RAYMOND JAMES®

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

Original Draft Adopted - November 4, 2004

As Amended – December 9, 2020

TABLE OF CONTENTS

EXECUTIVE SUMMARY

Name of Plan: SWBNO Employees' Pension Trust Fund ("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: 47.00% Global Equities / 36.00% Global Fixed Income / 17.00% Alternatives

Mandate	*Minimum*	*Target*	*Maximum*
GLOBAL EQUITY	***0.00***	***47.00***	***65.00***
U.S. Large Cap Equity	***16.47***	***18.30***	***20.13***
Large Cap Value	*3.87*	*4.30*	*4.73*
Large Cap Enhanced Core	*6.075*	*6.75*	*7.425*
Large Cap Growth	*6.525*	*7.25*	*7.975*
U.S. Small/Mid Cap Equity	***7.83***	***8.70***	***9.57***
SMID Cap Equity	*7.83*	*8.70*	*9.57*
Other Small or MID Cap Equity	*0.00*	*0.00*	*0.00*
Non-US Equity	***18.00***	***20.00***	***22.00***
International Developed Equity	*18.00*	*20.00*	*22.00*
International EM Equity	*0.00*	*0.00*	*0.00*
GLOBAL FIXED INCOME	***25.00***	***36.00***	***100***
Core- Plus (Global)	*31.50*	*35.00*	*38.50*
Core	*0.00*	*0.00*	*0.00*
Convertible Bond	*0.00*	*0.00*	*0.00*
High Yield Fixed	*0.00*	*0.00*	*0.00*
Cash & Equivalents	*0.00*	*1.00*	*5.00*
ALTERNATIVES	***0.00***	***17.00***	***21.00***
Commodities	*0.00*	*0.00*	*0.00*
HFOF-Absolute Return	*7.20*	*8.00*	*8.80*
Private Equity	*0.00*	*0.00*	*0.00*
Real Estate/REITs	*8.10*	*9.00*	*9.90*

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

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.

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 hired money managers.
6. Establishing formal criteria to monitor, evaluate, and compare the performance results achieved by the money 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, money 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

Mandate	*Minimum*	*Target*	*Maximum*
GLOBAL EQUITY	***0.00***	***47.00***	***65***
U.S. Large Cap Equity	*16.47*	***18.30***	*20.13*
Large Cap Value	*3.87*	*4.30*	*4.73*
Large Cap Enhanced Core	*6.075*	*6.75*	*7.425*
Large Cap Growth	*6.525*	*7.25*	*7.975*
U.S. Small/Mid Cap Equity	*7.83*	***8.70***	*9.57*
SMID Cap Equity	*7.83*	*8.70*	*9.57*
Other Small or MID Cap Equity	*0.00*	*0.00*	*0.00*
Non-US Stocks	*18.00*	***20.00***	*22.00*
International Developed Equity	*18.00*	*20.00*	*22.00*
International EM Equity	*0.00*	*0.00*	*0.00*
GLOBAL FIXED INCOME	***25.00***	***36.00***	***100***
Core-Plus (Global)	*31.50*	*35.00*	*38.50*
Core	*0.00*	*0.00*	*0.00*
Convertible Bond	*0.00*	*0.00*	*0.00*
High Yield Fixed	*0.00*	*0.00*	*0.00*
Cash & Equivalents	*0.00*	*1.00*	*2.00*
ALTERNATIVES	***0.00***	***17.00***	***21.00***
Commodities	*0.00*	*0.00*	*0.00*
HFOF- Absolute Return	*7.20*	*8.00*	*8.80*
Private Equity	*0.00*	*0.00*	*0.00*
Real Estate/REITs	*8.10*	*9.00*	*9.90*

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 asset class mix. The Board of Trustees has reviewed the long-term performance characteristics of the broad asset classes, focusing on balancing the risks and rewards.

History suggest, 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.

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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

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.

<u>Non-Individual Securities</u>

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.

<u>Rebalancing</u>

The percentage allocation to each asset class may vary as much as plus or minus 10% from the strategic allocation (policy) on a relative basis, depending upon market conditions.

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:			

[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.

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** Only Core Plus portfolio is allowed to buy and/or hold bonds rated below BBB-/Baa.	Not Applicable
	(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 5%

		Foreign debt issues to a maximum of 15% for Core Plus portfolio	
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	(a) Direct Investments
Portfolio Turnover (maximum expected in one quarter without prior consultation)	35%	35%	Not Applicable
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/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.

Pension Consultant

The Board of Trustees will retain a (one or more) third-party Consultant(s) or Investment Advisor(s) to assist the Board of Trustees in managing the overall investment process. The Consultant(s) and or Advisor(s) will be responsible for guiding the Board of Trustees through a disciplined and rigorous investment process to enable the Board of Trustees to meet the fiduciary responsibilities outlined herein.

Investment Managers

Distinguishable from the Board of Trustees and Pension 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, unless otherwise stated in manager's contract with Board of Trustees:

   - 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), **acknowledge co-fiduciary responsibility by signing and returning a copy of this IPS.**

Custodian

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

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 indexed strategy products, as well as alternative strategy managers will consist of the Consultant's pre-search development of criterion which consider both quantitative and qualitative characteristics for the specific class and style of indexed or alternative strategy. The Board of Trustees will adopt and diligently apply this criterion in its selection of each passive product or alternative strategy manager.

With exception given to indexed products, for example an iShares or SPDR S&P 500 ETF, as well as alternative strategy managers, for example Private Equity, Absolute Return/HFOFs and/or 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 an SEC registered investment adviser.
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 cumulative 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.

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 market indices 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 manager's fee.
2. The nature of any index which will be used as a comparative measure of investment performance, the significance of the index, and the reason the Investment Manager believes the index 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 active manager's and indexed product's performance at least quarterly with its Consultant. The total fund will be measured against a composite index 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). Each indexed product will be measured against its appropriate tracking index.

Market Indices

Available benchmarking opportunities for the capital markets include the Dow Jones 30 Industrial Average, S&P 500, Russell 1000 Indexes for large cap equities, the Russell 2000 Index for small cap equities, the MSCI ACWI Index for global equities, the MSCI ACWI ex-U.S. Index for international equities, the Barclays Aggregate Bond Index for investment grade fixed income securities, Venture Economics Index for Private Equity, HFRI Fund-of-Funds Index for Absolute Return and/or other comparable indices appropriate for monitoring individual portfolio investment strategies. Some of the other comparable indices include style indices such as the Russell 1000 Growth or Value Index for large cap growth or value, and the Russell 2000 Growth or Value Index for small cap growth or value.

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 manager organizations, such as in investment philosophy, personnel, acquisitions or losses of major accounts, etc.
3. Comparison of managers' results to a universe of funds using a similar investment style and similar asset classes.
4. Comparison of managers' results to style specific benchmarks established for each individual manager's portfolio. Where multiple asset classes are employed in a portfolio, a customized benchmark index may be developed to mirror the asset classes utilized by the manager.
5. The appropriate market index will be stated in each investment manager's contract.

Compliance

On an ongoing basis, the Board of Trustees and its 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 strategy, or other pertinent information potentially affecting performance of all managers. 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) Rank in the top forty percent (40%) of an appropriate style peer group of actively managed portfolios over rolling three-year periods.
2) Exceed an appropriate benchmark index, net of management fees over rolling three-year periods.

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 indexed products and investment managers will be monitored on an ongoing basis; and at the sole discretion of the Board of Trustees, corrective (probation, termination) or progressive (new hire, add funds) 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 indexed products 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 a shorter-term basis.

The Investment Managers are requested to be aware at all times of the pension plan's actuarial assumption of seven percent (7%) overall annual return.

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 probation (*Watch List*). 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 the *Watch List* 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 cumulative 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 decrease in the product's assets.

5. There is an indication the manager is deviating from his/her stated style and/or strategy.

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 market index (e.g. the S&P 500 stock index for large cap domestic 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.

Style Benchmarks

Style Based Asset Class	**Index/Benchmark**	**Morningstar Category**

[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.

Global Equity	***Russell 3000 Index***	
Large Cap Value	Russell 1000 Value Index	Large Value
LC Enhanced Core	Russell 1000 Index	Large Blend
Large Cap Growth	Russell 1000 Growth Index	Large Growth
Mid Cap Equity	Russell Mid Cap Index	Mid-Cap Blend
SMID Cap Equity	Russell 2500 Index	Mid-Cap Blend
Small Cap Equity	Russell 2000 Index	Small Blend
International Equity	MSCI ACWI-EX US Index	Foreign Large Blend
International EM Equity	MSCI Emerging Markets Index	Diversified EM
Global Fixed Income	***Bloomberg Barclays Aggregate Bond***	
U.S. Core	Bloomberg Barclays Aggregate Bond Index	Intermediate-Term Bond
High Yield	Bloomberg Barclays HY US Index	High Yield Bond
Core-Plus (Global) (constrained)	1) Bloomberg Barclays Universal Bond Index 2) Bloomberg Barclays Aggregate Bond Index	Multi-Sector Bond
Global TIPS	Bloomberg Barclays World Inflation Linked Bond Index	Inflation Protected Bond
Convertible Bonds	BofA ML Inv. Grade Convertible Bond Index	TBD
Alternative Investments	***Custom Blended Index***	
Multi-Strat/Multi-Manager HFOFs/Absolute Return	HFRI Fund-of-Funds Index	TBD
Domestic REITs International REITs	MSCI REIT FTSE/EPRA NAREIT ex US	Sector Real Estate
Commodities	S&P GSCI	Commodities Broad Basket
Private Equity	Cambridge Private Equity	TBD

Cause for Termination

While the Board of Trustees intends to fairly evaluate both indexed (passive) products and active 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 his 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 pension consultant
2. Fees and expense ratios of each active investment manager and passive investment product
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 December 19, 2018.

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

2018-2027
Capital Market Expectations

Asset Class	Index	Projected Return*	Projected Risk
Equities			
Broad Domestic Equity	Russell 3000	6.85%	18.25%
Large Cap	S&P 500	6.75%	17.40%
Small/Mid Cap	Russell 2500	7.00%	22.60%
Global ex-US Equity	MSCI ACWI ex USA	7.00%	21.00%
International Equity	MSCI World ex USA	6.75%	19.70%
Emerging Markets Equity	MSCI EM	7.00%	27.45%
Fixed Income			
Short Duration	BB Barclays 1-3 Yr G/C	2.60%	2.10%
Domestic Fixed	BB Barclays Aggregate	3.00%	3.75%
Long Duration	BB Barclays Long G/C	3.00%	10.95%
TIPS	BB Barclays TIPS	3.00%	5.25%
High Yield	BB Barclays High Yield	4.75%	10.35%
Non-US Fixed	BB Barclays Glbl Agg xUSD	1.40%	9.20%
Emerging Market Debt	EMBI Global Diversified	4.50%	9.60%
Other			
Real Estate	Callan Real Estate	5.75%	16.35%
Private Equity TR	Post Venture Capital	7.35%	32.90%
Hedge Funds	Callan Hedge FoF	5.05%	9.15%
Commodities	Bloomberg Commodity	2.65%	18.30%
Cash Equivalents	90-Day T-Bill	2.25%	0.90%
Inflation	CPI-U	2.25%	1.50%

* Geometric returns are derived from arithmetic returns and the associated risk (standard deviation).

The above table is an excerpt from the Callan Asset Liability Study; the study was developed and submitted by Callan & Associates in July 2018. The SWBNO Board commissioned, reviewed and adopted the above expectations or capital market assumptions together with associated asset allocation recommendations in September 2018, as part of a complete Plan asset liability and funding analysis.

Neither forecasts nor past performance are indicative of future results; therefore, there is no implied assurance of any individual asset class or proxy index as represented, realizing the referenced expected return or risk characteristics.

APPENDIX C

SUSTAINABLE INVESTMENTS PROGRAM

Overview

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.

Climate Change

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.**

    - <u>Long-time horizon requires that SWBNO</u>:
        - 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
    - <u>Long-time horizon enables SWBNO to</u>:
        - 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:

Eugene B. Burroughs, CFA, Investment Terminology (Revised Edition), International Foundation of Employee Benefit Plans, Inc., 1993;
John Downes, Jordan Elliot Goodman, Dictionary of Finance and Investment Terms (Third Edition), Barron's Educational Series, Inc.;
John W. Guy, How to Invest Someone Else's Money, Irwin Professional Publishing, Burr Ridge, Illinois;
Donald B. Trone, William R. Allbright, Philip R. Taylor, The Management of Investment Decisions, Irwin Professional Publishing, Burr Ridge, Illinois;
Donald B. Trone and William R. Allbright, Procedural Prudence for Fiduciaries, self- published, 1997;
Foundation for Fiduciary Studies, Auditor's Handbook, 2002-2003;
PSN Enterprise
Investment and Wealth Institute (formerly Investment Management Consultants Association or IMCA; and Morningstar Advisor

R – 032 – 2021

REQUEST FOR APPROVAL TO REVISE THE SEWERAGE & WATER BOARD OF NEW ORLEANS EMPLOYEES' RETIREMENT PLAN INVESTMENT POLICY STATEMENT

WHEREAS, the Board of Trustees is responsible for overseeing the Retirement Systems' investments and 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; and

WHEREAS, the purpose of the Sewerage & Water Board of New Orleans (SWBNO) Employees' Retirement Plan Investment Policy Statement 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 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 without undue risk maximize the amounts available to provide such benefits; and

WHEREAS, on June 24, 2020, the Retirement Pension Committee requested Raymond James conduct research into Environmental, Social; and Governance (ESG) sustainable investing practices for potential future implantation; and

WHEREAS, as a result of the research, Raymond James revised the current Investment Policy Statement to include Appendixes C and E, to allow for potential ESG investing while maintaining the primary investment objectives and investing beliefs; and

WHEREAS, Raymond James revised the current Investment Policy Statement to include Appendix D, to allow for the inclusion of future ESG investing guidelines by asset class within the pension fund; and

NOW, THEREFORE, BE IT FURTHER RESOLVED, that the Sewerage & Water Board of New Orleans Employees' Retirement Plan Investment Policy Statement is approved as revised to incorporate the new sustainable investment program and investment beliefs.

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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 Regular
Monthly Meeting of said Board, duly called and held,
according to law, on February 10, 2021.

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

R – 033 – 2021

AUTHORIZATION TO HIRE MARQUETTE ASSOCIATES, INC. TO PROVIDE PENSION INVESTMENT CONSULTING SERVICES

WHEREAS, on February 28, 2020 the Sewerage and Water Board of New Orleans ("SWBNO") issued a Request for Proposal ("RFP") to obtain pension investment consulting services to support the Employees' Retirement System and SWBNO activities associated therewith; and

WHEREAS, on March 31, 2020, eight (8) firms submitted proposals in response to the RFP; and

WHEREAS, and on August 10, 2020 through August 14, 2020, the SWBNO Selection Evaluation Committee interviewed all eight firms; and

WHEREAS, on August 18, 2020, the Selection Evaluation Committee held an open public meeting and evaluated and ranked the submitted proposals;

WHEREAS, as a result of the review and evaluation conducted Marquette Associates, Inc. ("Marquette") received the highest score and the Selection Evaluation Committee recommended Marquette be awarded the contract to perform pension investment consulting services for SWBNO; and

WHEREAS, the scope of services to be performed by Marquette includes pension consulting and management services including investment policy, asset allocation recommendations, investment manager recommendations, monthly performance reports, and other responsibilities as more fully described in the RFP and Marquette's proposal in response thereto, with a cost not to exceed $140,000.00 per year.

NOW, THEREFORE, BE IT FURTHER RESOLVED, that the Pension Committee recommends to the SWBNO Board of Trustees the selection of Marquette Associates, Inc. to provide pension consulting and management services for a two (2) year contract term, with three (3) one-year options, for the Sewerage and Water Board of New Orleans.

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 Regular
Monthly Meeting of said Board, duly called and held,
according to law, on February 10, 2021.

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

CAPITAL MARKETS REVIEW

January 2021

RAYMOND JAMES

REVIEWING THE QUARTER ENDED DECEMBER 31, 2020

SUMMARY

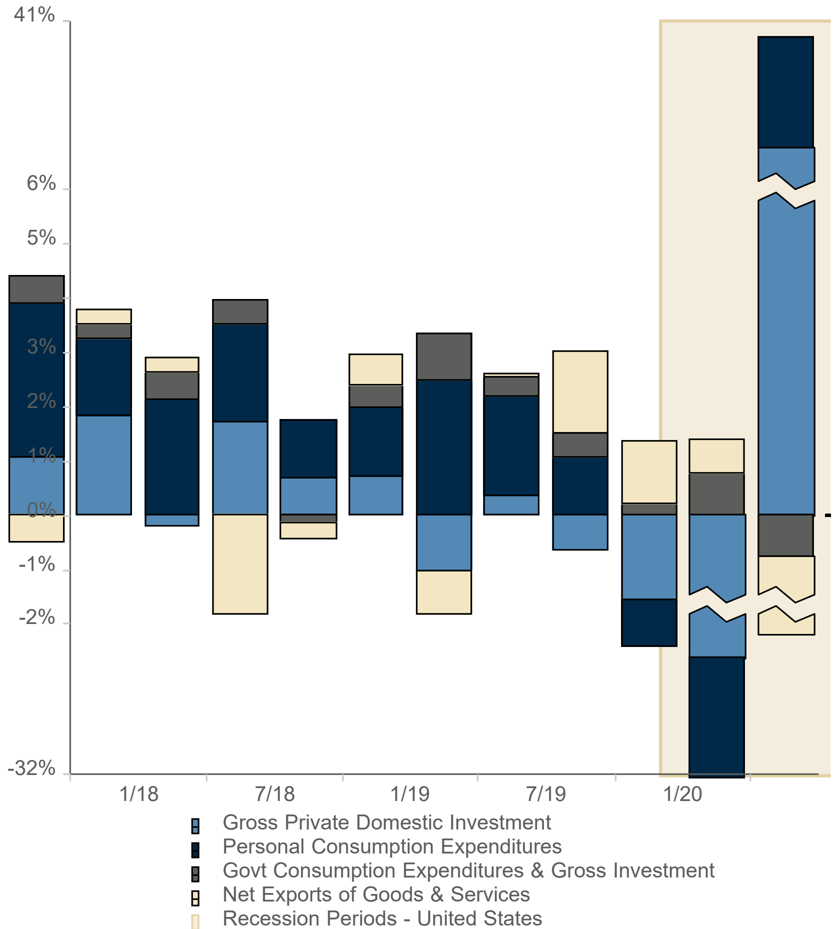
Economic Review

Capital Markets Review

Quarterly Topics

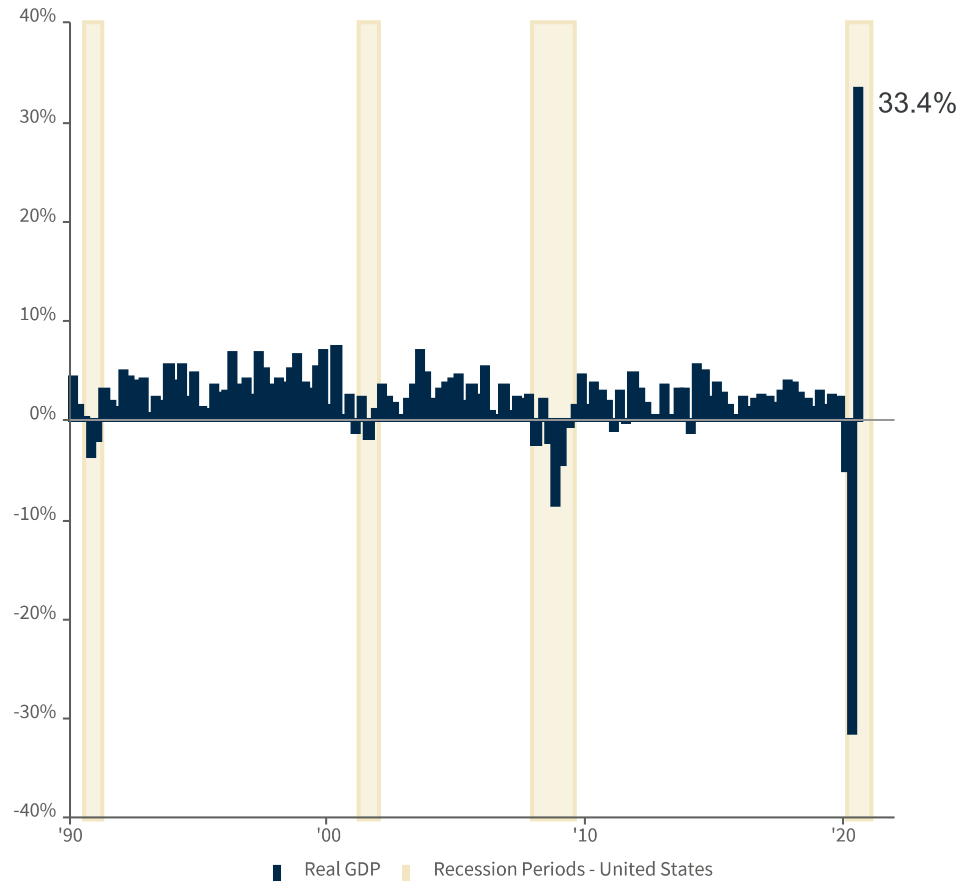
ECONOMIC REVIEW | GROSS DOMESTIC PRODUCT

Contribution to % Change in Real GDP



Source: FactSet, as of 12/31/2020

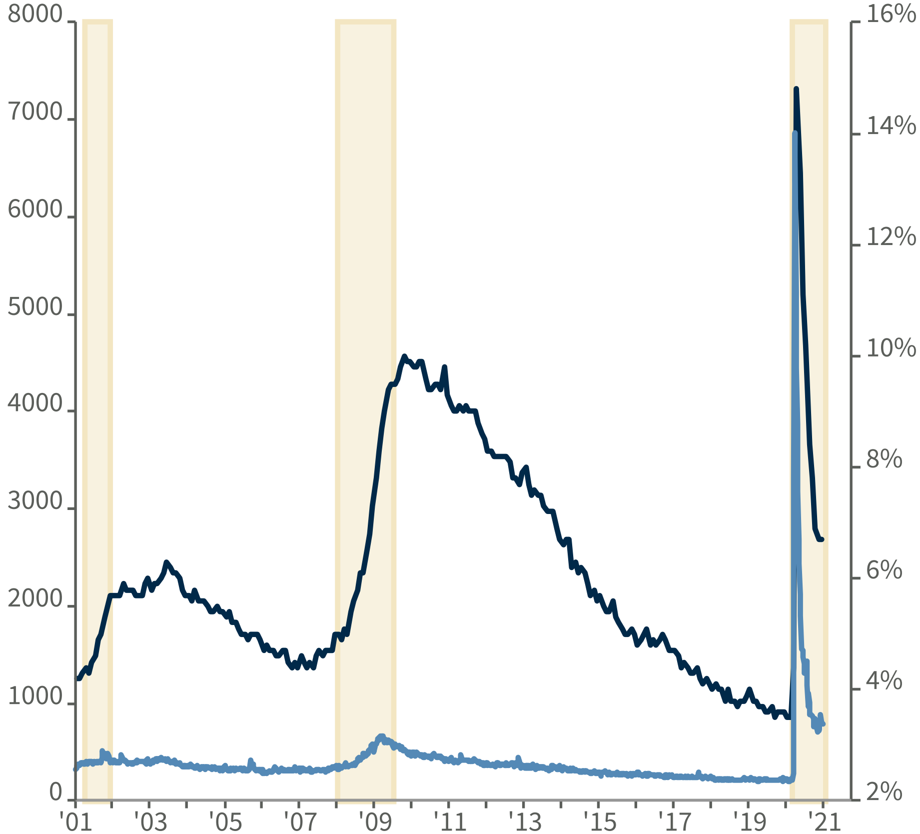
Quarterly Change in Real GDP



Source: FactSet, as of 12/31/2020

ECONOMIC REVIEW | EMPLOYMENT

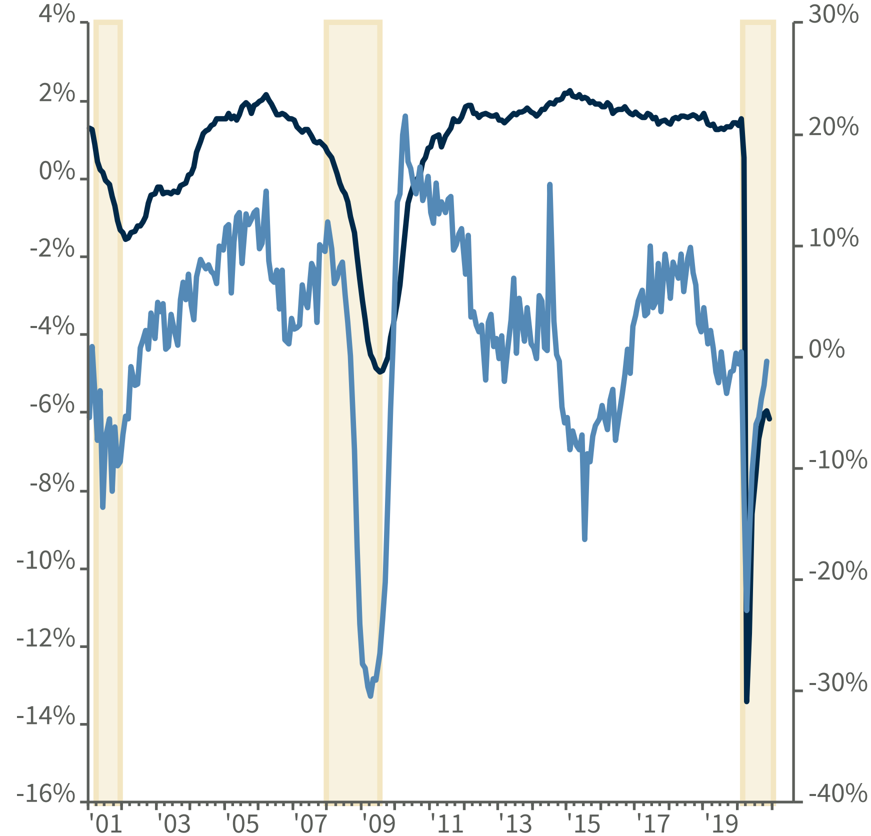
Civilian Unemployment Rate



Unemployment Rate (Right)
Jobless Claims (Thousands) (Left)
Recession Periods - United States

Source: FactSet, as of 1/8/2021

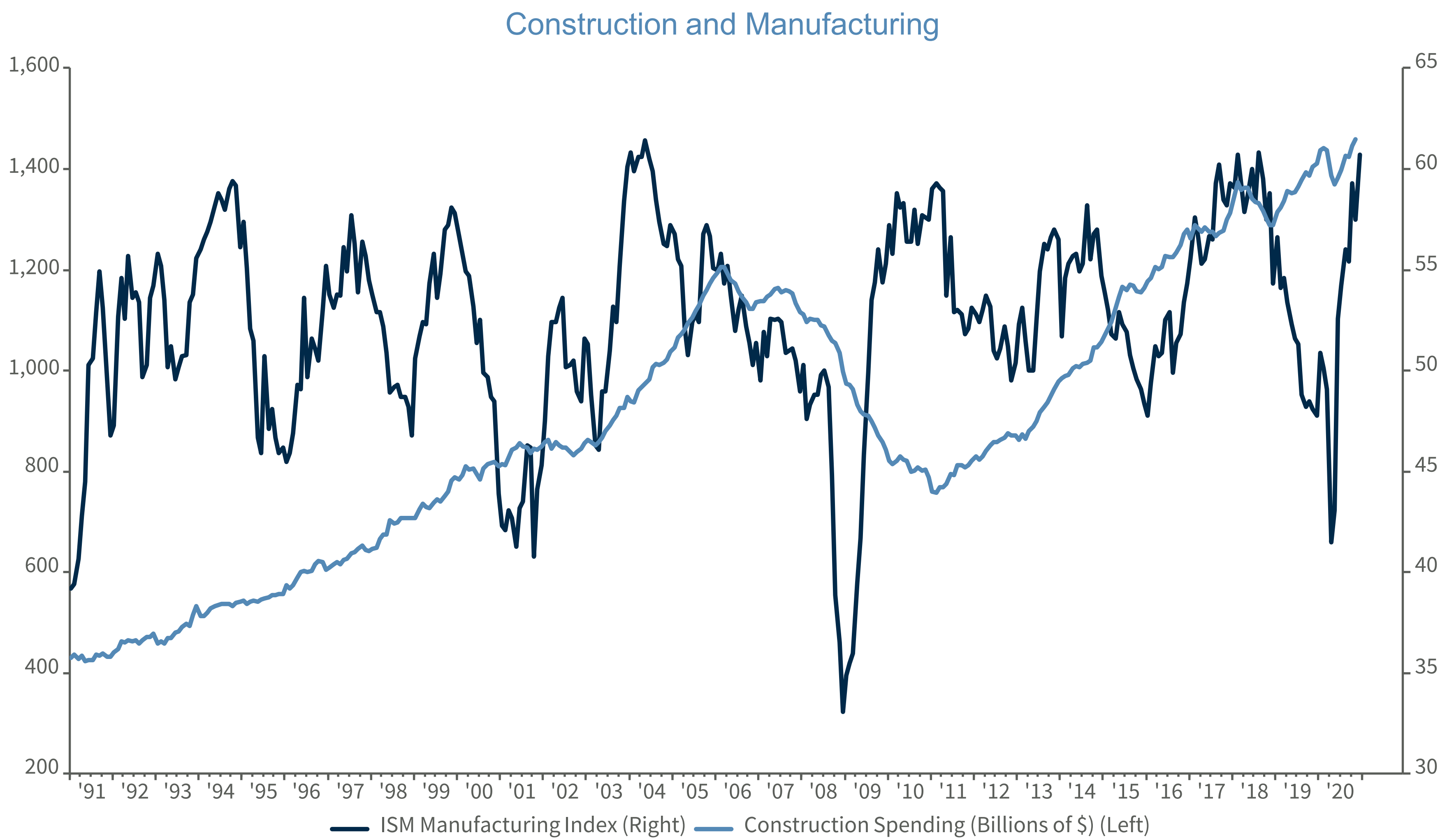
Non-Farm Payroll and Factory Orders



Non-farm Payroll YoY Change (Left)
Factory Orders YoY Change (Right)
Recession Periods - United States

Source: FactSet, as of 1/8/2021

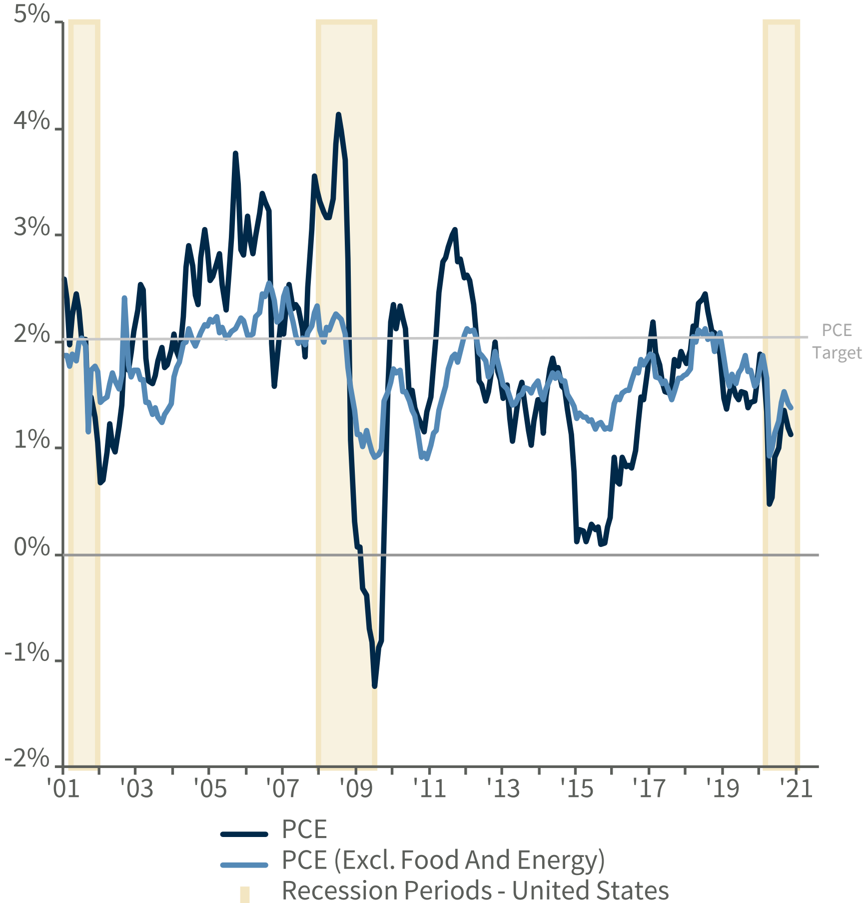
ECONOMIC REVIEW | MAJOR INDUSTRY CONTRIBUTIONS TO JOB GROWTH



Source: FactSet, as of 1/8/2021

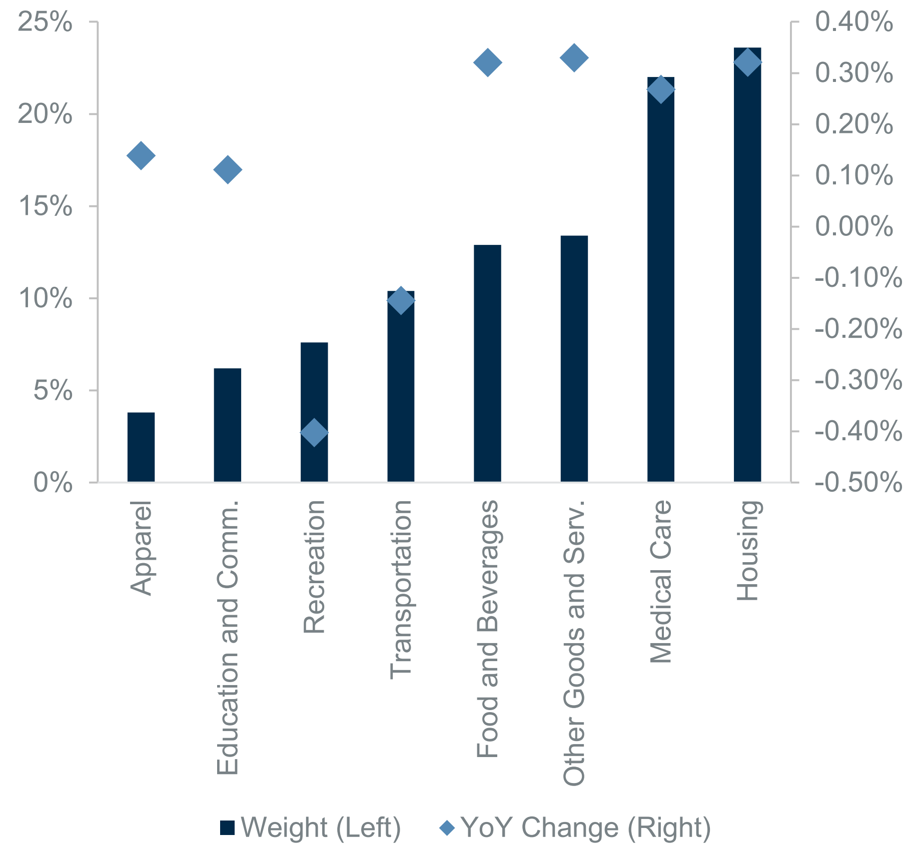
ECONOMIC REVIEW | INFLATION

Personal Consumption Expenditures (PCE) (YoY Change)



Source: FactSet, as of 1/8/2021

Components of PCE



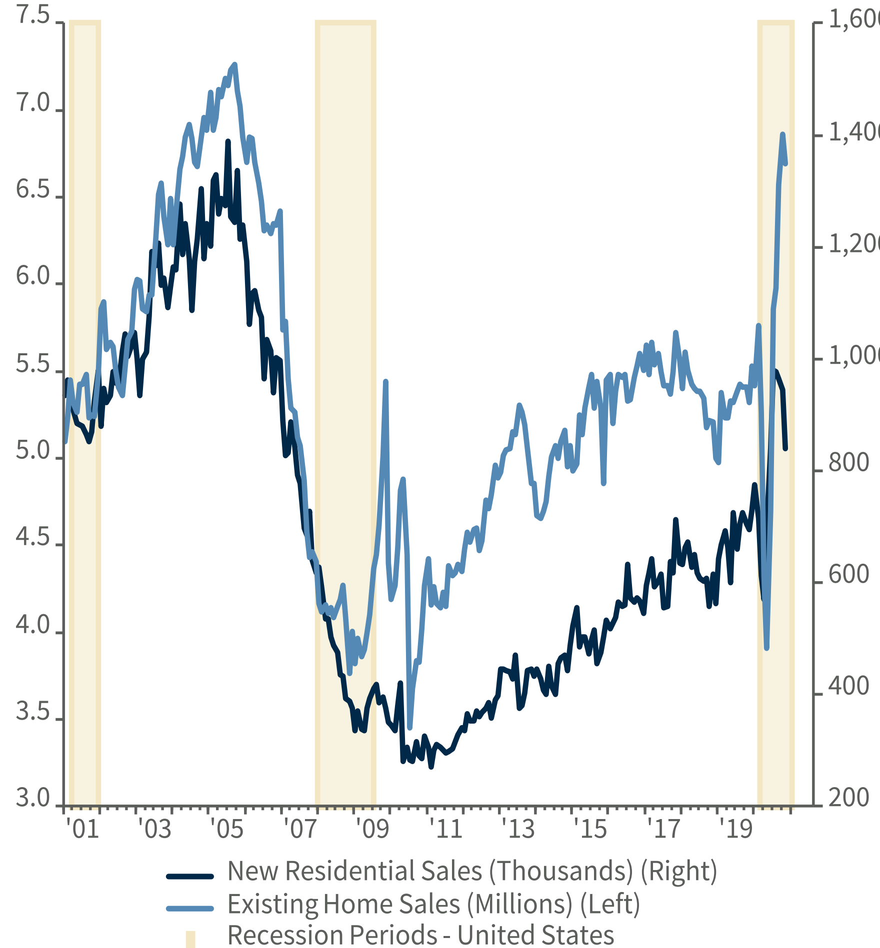
Source: FactSet, as of 1/8/2021

ECONOMIC REVIEW | HOUSING MARKET

National Home Price Index (YoY Change)

Source: FactSet, as of 1/8/2021

New and Existing Home Sales



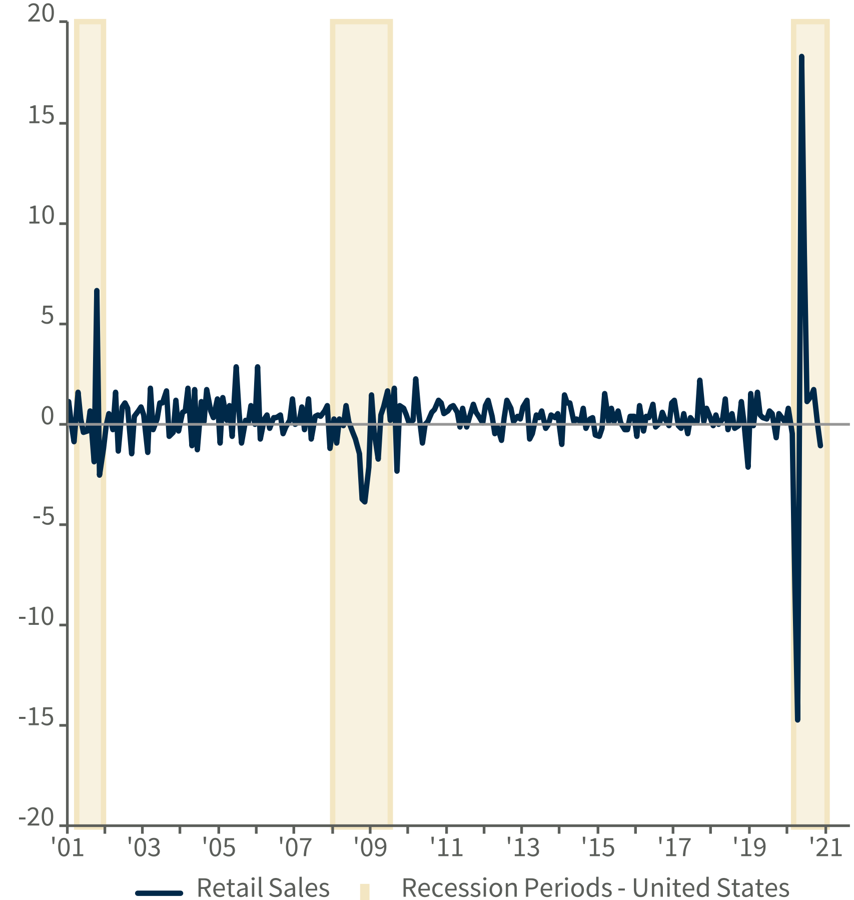
Source: FactSet, as of 1/8/2021

ECONOMIC REVIEW | CONSUMER CONFIDENCE

Consumer Confidence

Source: FactSet, as of 1/8/2021

Retail Sales



Source: FactSet, as of 1/8/2021

CAPITAL MARKETS | BROAD ASSET CLASS RETURNS

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Real Estate 40.4%	Fixed Income 7.8%	Non-US Equities 17.0%	US Equities 32.4%	Real Estate 14.3%	US Equities 1.4%	Real Estate 15.3%	Non-US Equities 24.8%	Cash & Cash Alternatives 1.8%	US Equities 31.5%	US Equities 18.4%
Commodities 16.7%	Blended Portfolio 2.3%	US Equities 16.0%	Non-US Equities 21.6%	US Equities 13.7%	Fixed Income 0.5%	US Equities 12.0%	US Equities 21.8%	Fixed Income 0.0%	Non-US Equities 23.2%	Blended Portfolio 12.5%
US Equities 15.1%	US Equities 2.1%	Blended Portfolio 11.4%	Blended Portfolio 17.0%	Blended Portfolio 8.0%	Blended Portfolio 0.5%	Commodities 11.4%	Blended Portfolio 15.0%	Blended Portfolio -4.0%	Blended Portfolio 21.1%	Non-US Equities 8.1%
Blended Portfolio 10.8%	Cash & Cash Alternatives 0.1%	Fixed Income 4.2%	Cash & Cash Alternatives 0.0%	Fixed Income 6.0%	Cash & Cash Alternatives 0.0%	Blended Portfolio 6.9%	Fixed Income 3.5%	US Equities -4.4%	Real Estate 19.5%	Fixed Income 7.5%
Non-US Equities 9.4%	Real Estate -2.2%	Real Estate 0.6%	Fixed Income -2.0%	Cash & Cash Alternatives 0.0%	Non-US Equities -2.6%	Non-US Equities 3.3%	Cash & Cash Alternatives 0.8%	Real Estate -7.6%	Fixed Income 8.7%	Cash & Cash Alternatives 0.5%
Fixed Income 6.5%	Non-US Equities -11.8%	Cash & Cash Alternatives 0.1%	Commodities -9.6%	Non-US Equities -3.9%	Real Estate -24.2%	Fixed Income 2.6%	Commodities 0.7%	Commodities -13.0%	Commodities 5.4%	Commodities -3.5%
Cash & Cash Alternatives 0.1%	Commodities -13.4%	Commodities -1.1%	Real Estate -25.8%	Commodities -17.0%	Commodities -24.7%	Cash & Cash Alternatives 0.3%	Real Estate -0.2%	Non-US Equities -13.6%	Cash & Cash Alternatives 2.2%	Real Estate -13.1%

Blended Portfolio Allocation: 45% US Equity / 15% Non-US Equity / 40% Fixed Income
As of: 12/31/2020

CAPITAL MARKETS | DOMESTIC EQUITY RETURNS

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Mid Growth 30.6%	Large Growth 4.7%	Mid Value 18.5%	Small Growth 42.7%	Large Growth 14.9%	Large Growth 5.5%	Small Value 31.3%	Large Growth 27.4%	Large Growth 0.0%	Large Value 31.9%	Large Growth 33.5%
Small Growth 28.0%	Small Growth 3.6%	Small Value 18.2%	Small Blend 41.3%	Large Blend 13.7%	Small Growth 2.8%	Small Blend 26.6%	Large Blend 21.8%	Small Growth -4.1%	Large Blend 31.5%	Mid Growth 22.8%
Mid Blend 26.6%	Large Blend 2.1%	Mid Blend 17.9%	Small Value 40.0%	Large Value 12.4%	Mid Growth 2.0%	Mid Value 26.5%	Mid Growth 19.9%	Large Blend -4.4%	Large Growth 31.1%	Small Growth 19.6%
Small Blend 26.3%	Small Blend 1.0%	Large Value 17.7%	Mid Value 34.3%	Mid Value 12.1%	Large Blend 1.4%	Small Growth 22.2%	Mid Blend 16.2%	Small Blend -8.5%	Mid Growth 26.3%	Large Blend 18.4%
Small Value 24.7%	Large Value -0.5%	Mid Growth 17.3%	Mid Blend 33.5%	Mid Blend 9.8%	Small Blend -2.0%	Mid Blend 20.7%	Large Value 15.4%	Large Value -9.0%	Mid Blend 26.2%	Mid Blend 13.7%
Mid Value 22.8%	Mid Growth -0.9%	Small Blend 16.3%	Mid Growth 32.8%	Mid Growth 7.6%	Mid Blend -2.2%	Large Value 17.4%	Small Growth 14.8%	Mid Growth -10.3%	Mid Value 26.1%	Small Blend 11.3%
Large Value 15.1%	Small Value -1.4%	Large Blend 16.0%	Large Growth 32.8%	Small Value 7.5%	Large Value -3.1%	Mid Growth 14.8%	Small Blend 13.2%	Mid Blend -11.1%	Small Value 24.5%	Mid Value 3.7%
Large Blend 15.1%	Mid Blend -1.7%	Large Growth 14.6%	Large Blend 32.4%	Small Blend 5.8%	Mid Value -6.7%	Large Blend 12.0%	Mid Value 12.3%	Mid Value -11.9%	Small Blend 22.8%	Small Value 2.5%
Large Growth 15.1%	Mid Value -2.4%	Small Growth 14.6%	Large Value 32.0%	Small Growth 3.9%	Small Value -6.7%	Large Growth 6.9%	Small Value 11.5%	Small Value -12.6%	Small Growth 21.1%	Large Value 1.4%

As of: 12/31/2020

CAPITAL MARKETS | FIXED INCOME RETURNS

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
High Yield 15.1%	Long-Term Bond 17.1%	Emerging Market Bond 17.9%	High Yield 7.4%	Long-Term Bond 16.4%	Municipal 3.3%	High Yield 17.1%	Long-Term Bond 12.2%	T-Bill 1.8%	Long-Term Bond 23.4%	Long-Term Bond 13.3%
Emerging Market Bond 12.8%	Municipal 10.7%	High Yield 15.8%	Agency 1.0%	Municipal 9.1%	Agency 1.8%	Long-Term Bond 10.2%	Emerging Market Bond 8.2%	Short-Term Bond 1.4%	High Yield 14.3%	Credit 9.4%
Long-Term Bond 10.7%	Treasury 9.8%	Long-Term Bond 12.7%	Short-Term Bond 0.3%	Credit 7.5%	MBS 1.5%	Emerging Market Bond 9.9%	Global Bond ex US 8.0%	Municipal 1.3%	Credit 13.8%	Global Bond ex US 8.9%
Credit 8.5%	Credit 8.4%	Credit 9.4%	T-Bill 0.0%	MBS 6.1%	Emerging Market Bond 1.3%	Credit 5.6%	High Yield 7.5%	Agency 1.1%	Emerging Market Bond 13.1%	Treasury 8.0%
Global Bond ex US 8.4%	Aggregate Bond 7.8%	Municipal 6.8%	US TIPS -0.9%	Aggregate Bond 6.0%	Treasury 0.8%	Aggregate Bond 2.6%	Credit 6.2%	MBS 1.0%	Aggregate Bond 8.7%	Aggregate Bond 7.5%
Aggregate Bond 6.5%	Emerging Market Bond 7.0%	Aggregate Bond 4.2%	MBS -1.5%	Treasury 5.1%	Aggregate Bond 0.5%	Agency 2.6%	Municipal 5.4%	Treasury 0.9%	Municipal 7.5%	High Yield 7.1%
Treasury 5.9%	MBS 6.3%	MBS 2.6%	Credit -2.0%	Emerging Market Bond 4.8%	Short-Term Bond 0.4%	US TIPS 2.5%	Aggregate Bond 3.5%	US TIPS 0.7%	Treasury 6.9%	Emerging Market Bond 6.5%
MBS 5.4%	Global Bond ex US 6.1%	Treasury 2.0%	Aggregate Bond -2.0%	High Yield 2.5%	T-Bill 0.0%	Global Bond ex US 2.2%	Agency 2.9%	Aggregate Bond 0.0%	MBS 6.4%	Municipal 5.2%
US TIPS 2.7%	High Yield 5.0%	US TIPS 1.7%	Municipal -2.6%	Agency 1.0%	US TIPS -0.4%	MBS 1.7%	MBS 2.5%	Global Bond ex US -0.3%	US TIPS 4.5%	MBS 3.9%
Municipal 2.4%	US TIPS 2.6%	Agency 1.0%	Treasury -2.7%	Short-Term Bond 0.7%	Credit -0.8%	Treasury 1.0%	Treasury 2.3%	High Yield -2.1%	Global Bond ex US 4.5%	US TIPS 3.8%
Short-Term Bond 2.4%	Short-Term Bond 1.5%	Short-Term Bond 0.3%	Emerging Market Bond -4.1%	T-Bill 0.0%	Global Bond ex US -3.6%	Short-Term Bond 0.6%	T-Bill 0.8%	Credit -2.1%	Short-Term Bond 3.3%	Short-Term Bond 3.1%
Agency 1.0%	Agency 1.0%	T-Bill 0.1%	Long-Term Bond -6.6%	US TIPS -1.4%	High Yield -4.5%	T-Bill 0.3%	US TIPS 0.4%	Emerging Market Bond -2.5%	T-Bill 2.2%	Agency 1.0%
T-Bill 0.1%	T-Bill 0.1%	Global Bond ex US -0.6%	Global Bond ex US -7.1%	Global Bond ex US -3.5%	Long-Term Bond -4.6%	Municipal 0.2%	Short-Term Bond 0.3%	Long-Term Bond -6.8%	Agency 1.0%	T-Bill 0.5%

As of: 12/31/2020

CAPITAL MARKETS | INTERNATIONAL EQUITY RETURNS

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
EM Asia 19.4%	US Large Cap 2.1%	Pacific ex Japan 24.7%	US Large Cap 32.4%	US Large Cap 13.7%	Japan 9.9%	EM Eastern Europe 38.8%	EM Asia 43.3%	EM Eastern Europe -3.4%	EM Eastern Europe 31.0%	EM Asia 28.8%
Emerging Markets 19.2%	United Kingdom -2.5%	EM Asia 21.2%	Europe ex UK 28.7%	EM Asia 5.3%	US Large Cap 1.4%	EM Latin America 31.5%	Emerging Markets 37.8%	US Large Cap -4.4%	US Large Cap 25.7%	Emerging Markets 18.7%
Pacific ex Japan 17.1%	Developed Markets -11.7%	Europe ex UK 22.5%	Japan 27.3%	Pacific ex Japan -0.3%	Europe ex UK 0.1%	US Large Cap 12.0%	Europe ex UK 27.8%	EM Latin America -6.2%	EM Latin America 10.5%	US Large Cap 18.4%
EM Eastern Europe 16.3%	Pacific ex Japan -12.7%	EM Eastern Europe 18.7%	Developed Markets 23.3%	Emerging Markets -1.8%	Developed Markets -0.4%	Emerging Markets 11.6%	Pacific ex Japan 26.0%	Pacific ex Japan -10.2%	Europe ex UK 7.7%	Japan 14.9%
Japan 15.6%	Japan -14.2%	Emerging Markets 18.6%	United Kingdom 20.7%	Japan -3.7%	EM Eastern Europe -4.0%	Pacific ex Japan 8.0%	Developed Markets 25.6%	Japan -12.6%	Pacific ex Japan 6.4%	Europe ex UK 11.6%
US Large Cap 15.1%	Europe ex UK -14.5%	Developed Markets 17.9%	Pacific ex Japan 5.6%	Developed Markets -4.5%	United Kingdom -7.5%	EM Asia 6.5%	Japan 24.4%	Developed Markets -13.4%	Developed Markets 6.3%	Developed Markets 8.3%
EM Latin America 14.9%	EM Asia -17.2%	US Large Cap 16.0%	EM Asia 2.3%	United Kingdom -5.4%	Pacific ex Japan -8.4%	Japan 2.7%	EM Latin America 24.2%	United Kingdom -14.1%	Japan 5.0%	Pacific ex Japan 6.6%
United Kingdom 8.8%	Emerging Markets -18.2%	United Kingdom 15.3%	EM Eastern Europe 1.4%	Europe ex UK -5.8%	EM Asia -9.5%	Developed Markets 1.5%	United Kingdom 22.4%	Emerging Markets -14.2%	United Kingdom 4.1%	United Kingdom -10.4%
Developed Markets 8.2%	EM Latin America -19.1%	EM Latin America 8.9%	Emerging Markets -2.3%	EM Latin America -12.0%	Emerging Markets -14.6%	Europe ex UK 0.3%	US Large Cap 21.8%	Europe ex UK -14.4%	Emerging Markets 2.0%	EM Eastern Europe -11.3%
Europe ex UK 2.4%	EM Eastern Europe -21.3%	Japan 8.4%	EM Latin America -13.2%	EM Eastern Europe -37.1%	EM Latin America -30.8%	United Kingdom 0.0%	EM Eastern Europe 18.1%	EM Asia -15.2%	EM Asia 1.5%	EM Latin America -13.5%

As of: 12/31/2020

CAPITAL MARKETS | S&P EQUITY SECTOR RETURNS

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Real Estate 32.3%	Utilities 20.0%	Financials 28.8%	Consumer Discretionary 43.1%	Real Estate 30.2%	Consumer Discretionary 10.1%	Energy 27.4%	Information Technology 38.8%	Health Care 6.5%	Information Technology 50.3%	Information Technology 43.9%
Consumer Discretionary 27.7%	Consumer Staples 14.0%	Consumer Discretionary 23.9%	Health Care 41.5%	Utilities 29.0%	Health Care 6.9%	Comm Services 23.5%	Materials 23.8%	Utilities 4.1%	Comm Services 32.7%	Consumer Discretionary 33.3%
Industrials 26.7%	Health Care 12.7%	Real Estate 19.7%	Industrials 40.7%	Health Care 25.3%	Consumer Staples 6.6%	Financials 22.8%	Consumer Discretionary 23.0%	Consumer Discretionary 0.8%	Financials 32.1%	Comm Services 23.6%
Materials 22.2%	Real Estate 11.4%	Comm Services 18.3%	Financials 35.6%	Information Technology 20.1%	Information Technology 5.9%	Industrials 18.9%	Financials 22.2%	Information Technology -0.3%	S&P 500 31.5%	Materials 20.7%
Energy 20.5%	Comm Services 6.3%	Health Care 17.9%	S&P 500 32.4%	Consumer Staples 16.0%	Real Estate 4.7%	Materials 16.7%	Health Care 22.1%	Real Estate -2.2%	Industrials 29.4%	S&P 500 18.4%
Comm Services 19.0%	Consumer Discretionary 6.1%	S&P 500 16.0%	Information Technology 28.4%	Financials 15.2%	Comm Services 3.4%	Utilities 16.3%	S&P 500 21.8%	S&P 500 -4.4%	Real Estate 29.0%	Health Care 13.4%
S&P 500 15.1%	Energy 4.7%	Industrials 15.3%	Consumer Staples 26.1%	S&P 500 13.7%	S&P 500 1.4%	Information Technology 13.8%	Industrials 21.0%	Consumer Staples -8.4%	Consumer Discretionary 27.9%	Industrials 11.1%
Consumer Staples 14.1%	Information Technology 2.4%	Materials 15.0%	Materials 25.6%	Industrials 9.8%	Financials -1.5%	S&P 500 12.0%	Consumer Staples 13.5%	Comm Services -12.5%	Consumer Staples 27.6%	Consumer Staples 10.7%
Financials 12.1%	S&P 500 2.1%	Information Technology 14.8%	Energy 25.1%	Consumer Discretionary 9.7%	Industrials -2.5%	Consumer Discretionary 6.0%	Utilities 12.1%	Financials -13.0%	Utilities 26.3%	Utilities 0.5%
Information Technology 10.2%	Industrials -0.6%	Consumer Staples 10.8%	Utilities 13.2%	Materials 6.9%	Utilities -4.8%	Consumer Staples 5.4%	Real Estate 10.8%	Industrials -13.3%	Materials 24.6%	Financials -1.7%
Utilities 5.5%	Materials -9.8%	Energy 4.6%	Comm Services 11.5%	Comm Services 3.0%	Materials -8.4%	Real Estate 3.4%	Energy -1.0%	Materials -14.7%	Health Care 20.8%	Real Estate -2.2%
Health Care 2.9%	Financials -17.1%	Utilities 1.3%	Real Estate 1.6%	Energy -7.8%	Energy -21.1%	Health Care -2.7%	Comm Services -1.3%	Energy -18.1%	Energy 11.8%	Energy -33.7%

As of: 12/31/2020

CAPITAL MARKETS | 2020 AND Q4 RETURNS

Broad Asset Class Total Returns

2020	Q4
US Equities 18.4%	Non-US Equities 15.9%
Blended Portfolio 12.5%	US Equities 12.1%
Non-US Equities 8.1%	Real Estate 12.0%
Fixed Income 7.5%	Commodities 10.2%
Cash & Cash Alternatives 0.5%	Blended Portfolio 8.1%
Commodities -3.5%	Fixed Income 0.7%
Real Estate -13.1%	Cash & Cash Alternatives 0.0%

Domestic Equity Total Returns

2020	Q4
Large Growth 33.5%	Small Value 33.0%
Mid Growth 22.8%	Small Blend 31.3%
Small Growth 19.6%	Small Growth 29.8%
Large Blend 18.4%	Mid Value 28.7%
Mid Blend 13.7%	Mid Blend 24.4%
Small Blend 11.3%	Mid Growth 21.0%
Mid Value 3.7%	Large Value 14.5%
Small Value 2.5%	Large Blend 12.1%
Large Value 1.4%	Large Growth 10.7%

S&P 500 Sectors Total Returns

2020	Q4
Information Technology 43.9%	Energy 27.8%
Consumer Discretionary 33.3%	Financials 23.2%
Comm Services 23.6%	Industrials 15.7%
Materials 20.7%	Materials 14.5%
S&P 500 18.4%	Comm Services 13.8%
Health Care 13.4%	S&P 500 12.1%
Industrials 11.1%	Information Technology 11.8%
Consumer Staples 10.7%	Consumer Discretionary 8.0%
Utilities 0.5%	Health Care 8.0%
Financials -1.7%	Utilities 6.5%
Real Estate -2.2%	Consumer Staples 6.4%
Energy -33.7%	Real Estate 4.9%

International Equity Total Returns

2020	Q4
EM Asia 28.8%	EM Latin America 34.9%
Emerging Markets 18.7%	EM Eastern Europe 22.3%
US Large Cap 18.4%	Pacific ex Japan 20.1%
Japan 14.9%	Emerging Markets 19.8%
Europe ex UK 11.6%	EM Asia 18.9%
Developed Markets 8.3%	United Kingdom 17.0%
Pacific ex Japan 6.6%	Developed Markets 16.1%
United Kingdom -10.4%	Europe ex UK 15.3%
EM Eastern Europe -11.3%	Japan 15.3%
EM Latin America -13.5%	US Large Cap 12.1%

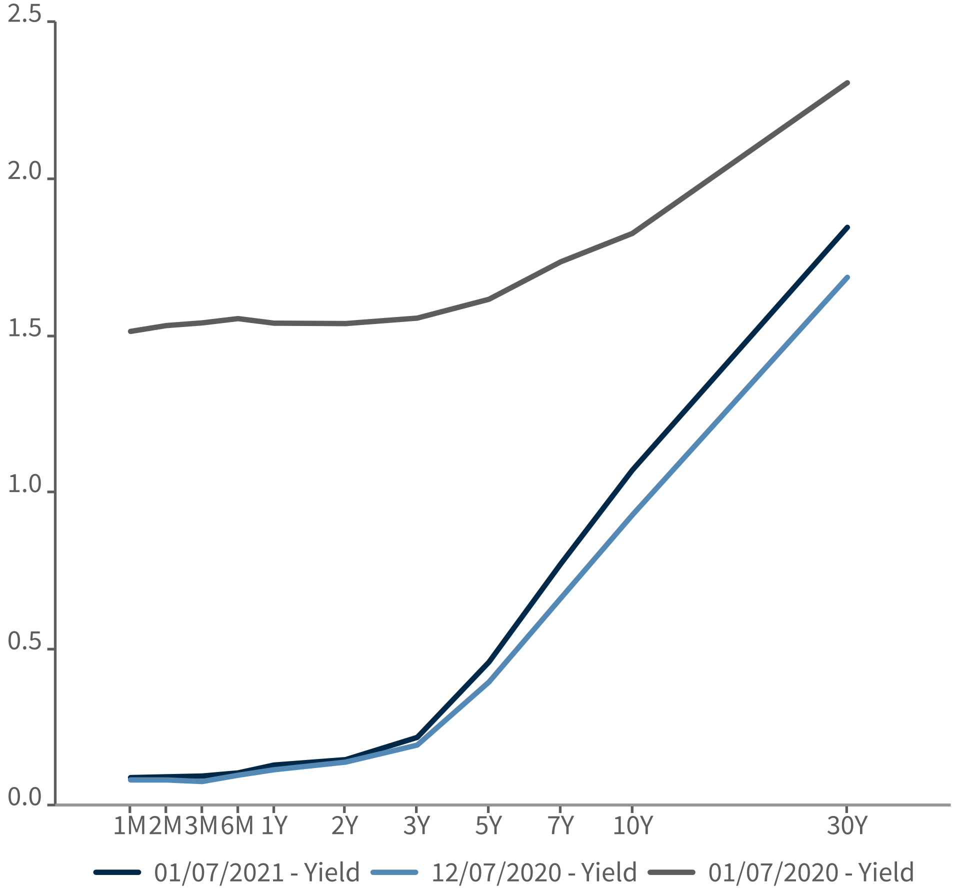
Fixed Income Total Returns

2020	Q4
Long-Term Bond 13.3%	High Yield 6.5%
Credit 9.4%	Long-Term Bond 4.9%
Global Bond ex US 8.9%	Emerging Market Bond 4.5%
Treasury 8.0%	Global Bond ex US 4.0%
Aggregate Bond 7.5%	Credit 2.8%
High Yield 7.1%	Municipal 1.8%
Emerging Market Bond 6.5%	US TIPS 1.2%
Municipal 5.2%	Agency 1.0%
MBS 3.9%	Aggregate Bond 0.7%
US TIPS 3.8%	MBS 0.2%
Short-Term Bond 3.1%	Short-Term Bond 0.0%
Agency 1.0%	T-Bill 0.0%
T-Bill 0.5%	Treasury -0.8%

As of: 12/31/2020

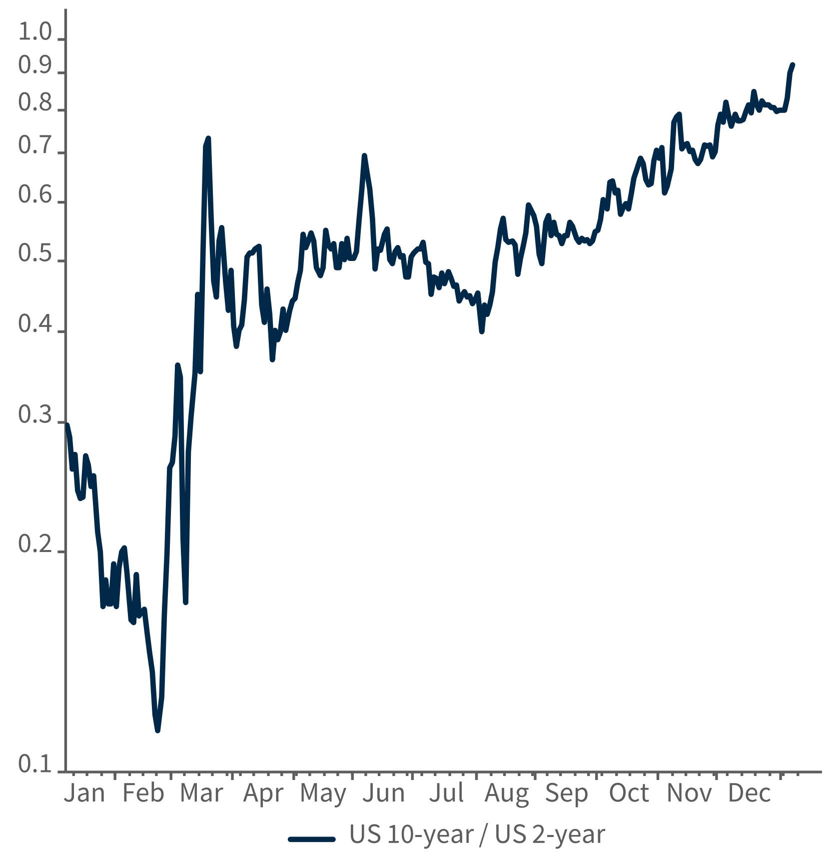
CAPITAL MARKETS | US TREASURYS

US Yield Curve



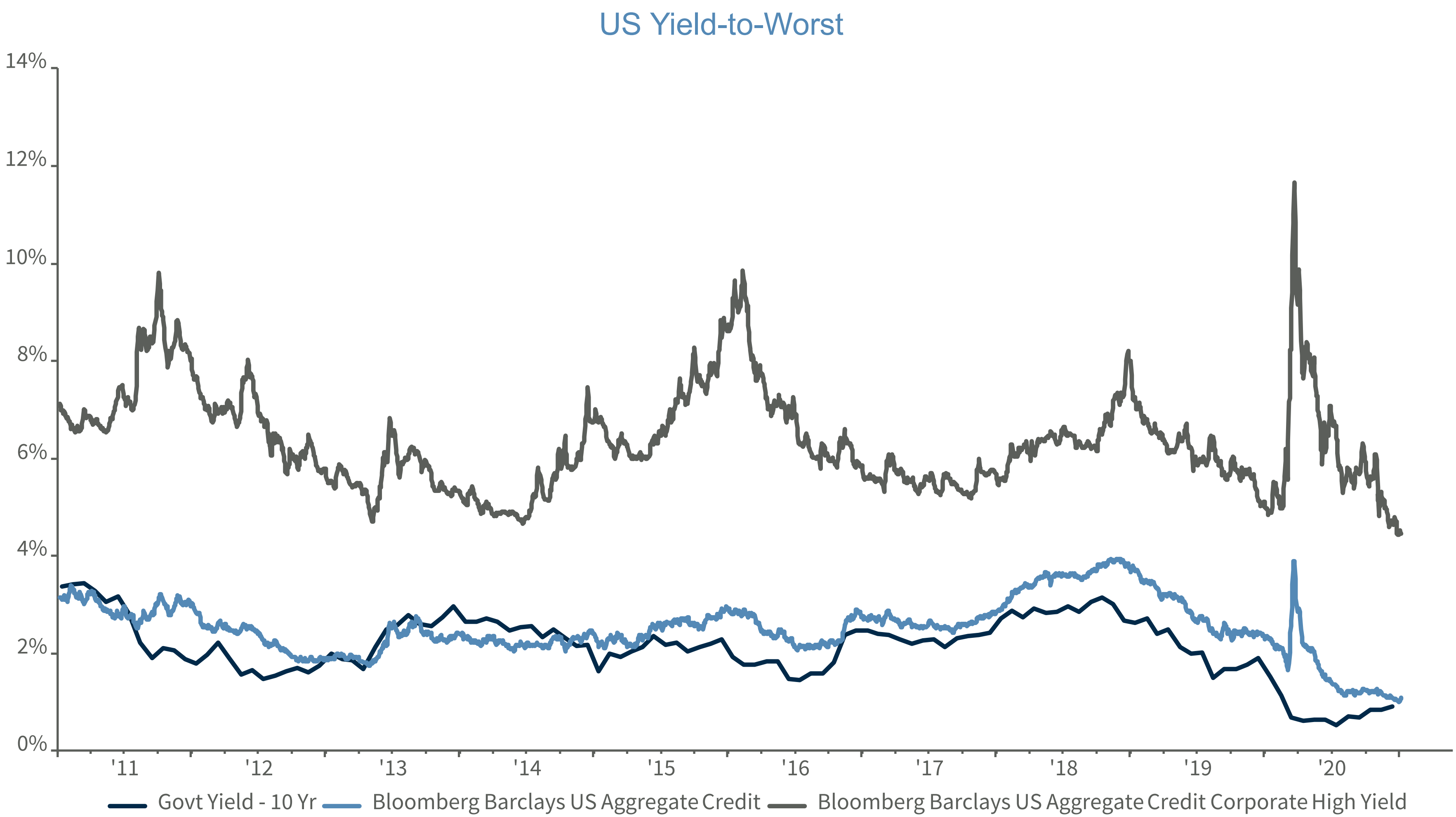
Source: FactSet, as of 1/8/2021

US 10-Year / US 2-Year Yield Curve



Source: FactSet, as of 1/8/2021

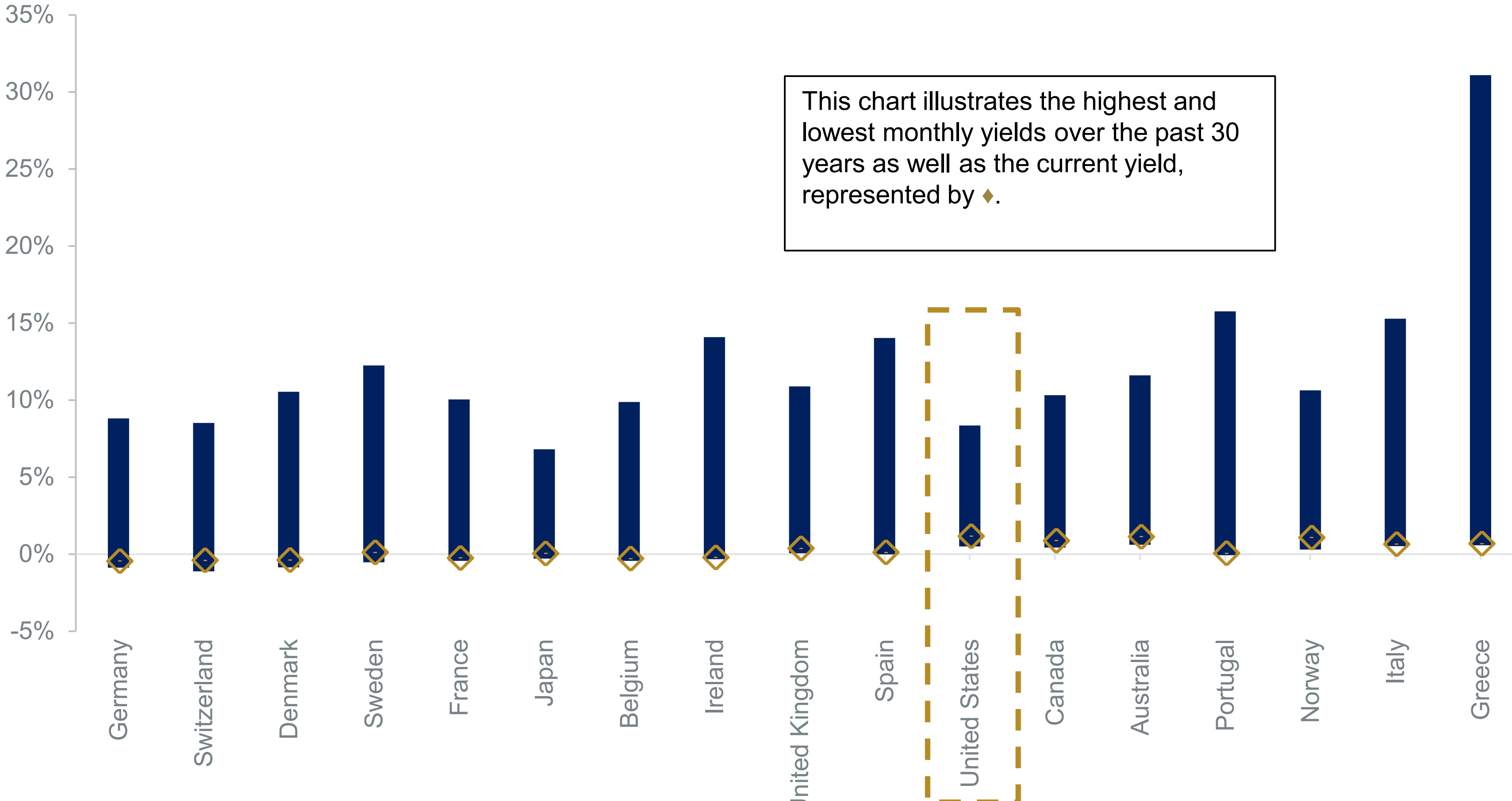
CAPITAL MARKETS | FIXED INCOME YIELDS



Source: FactSet, as of 1/8/2021

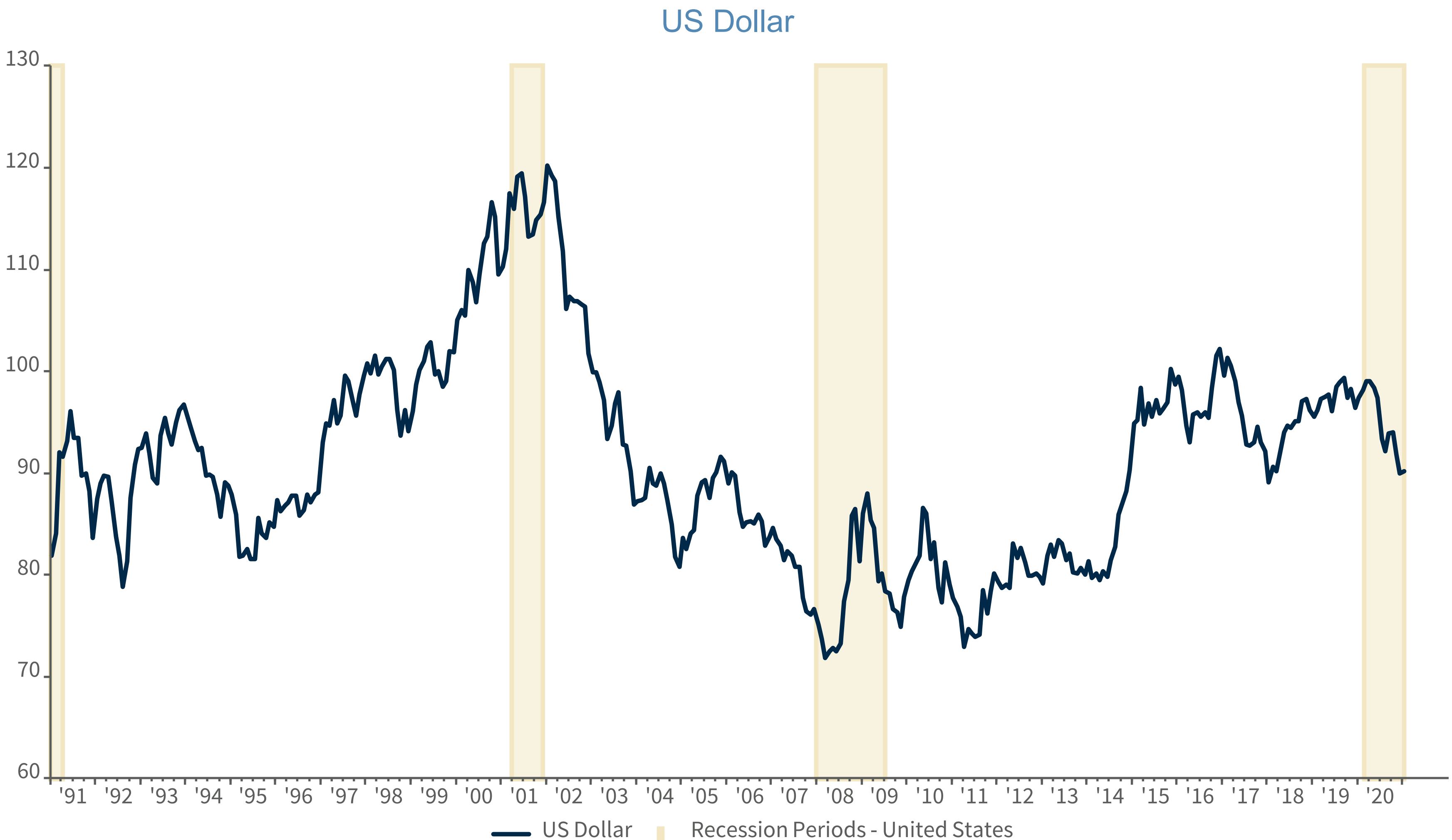
CAPITAL MARKETS | GLOBAL SOVEREIGN DEBT YIELDS

10-year Sovereign Debt Yields



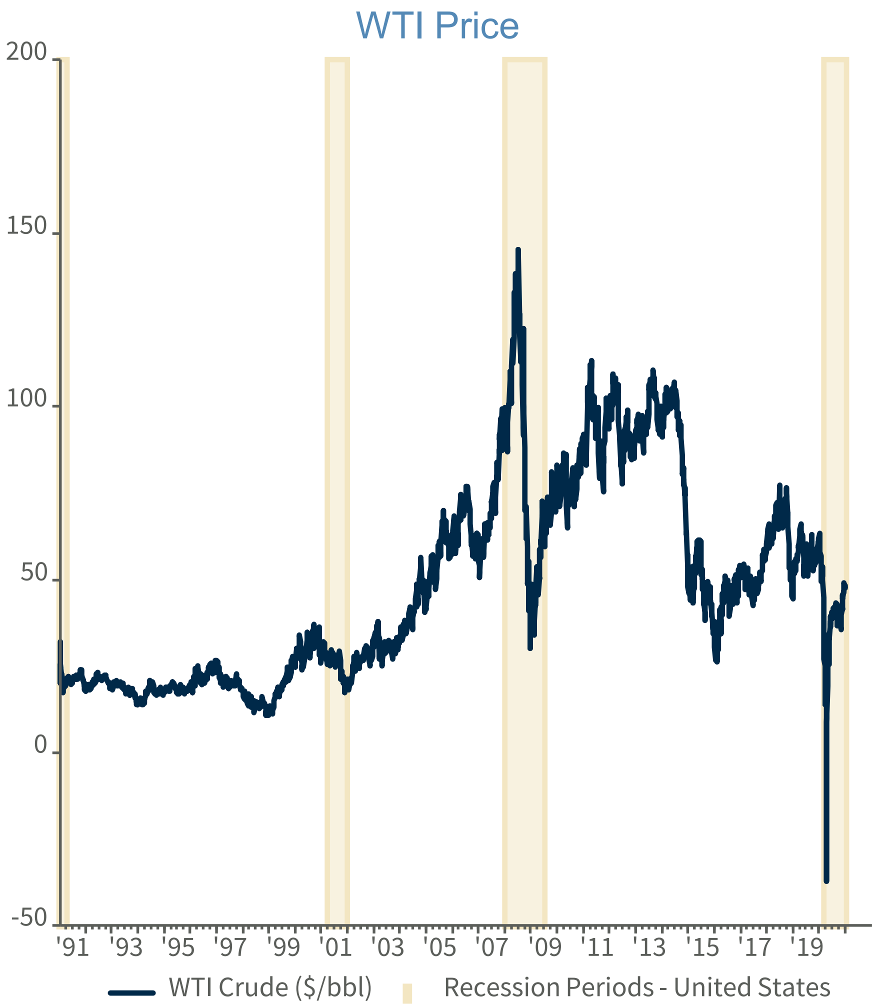
Source: FactSet, as of 12/31/2020

CAPITAL MARKETS | FOREIGN EXCHANGE RATES



Source: FactSet, as of 1/8/2021

CAPITAL MARKETS | COMMODITY PRICES

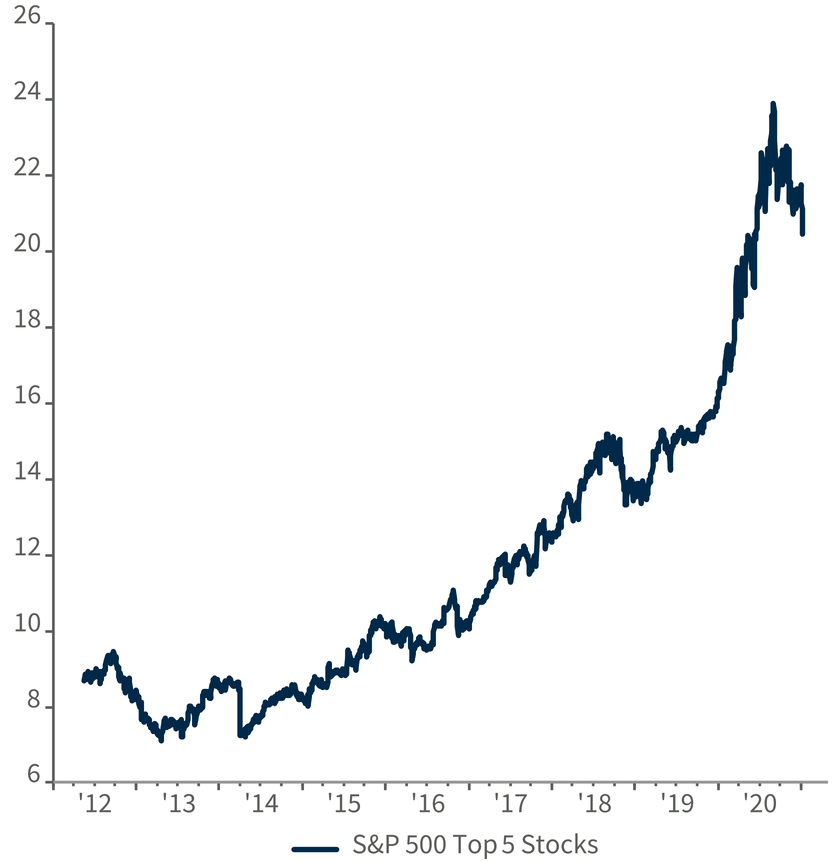


Source: FactSet, as of 1/8/2021

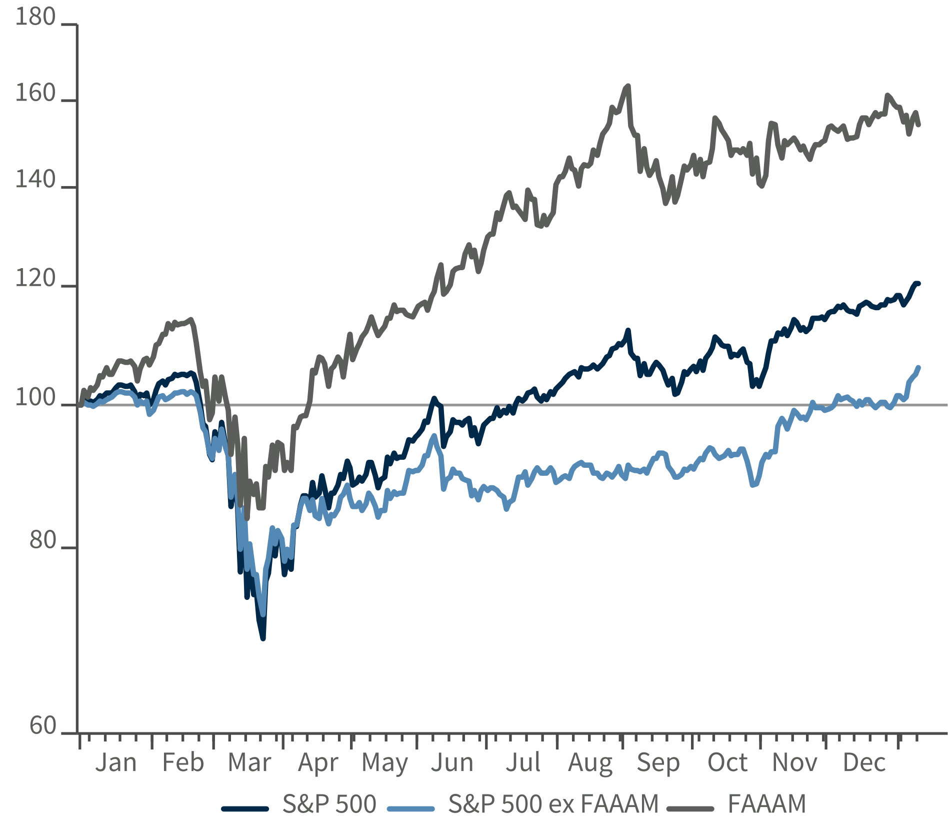
Source: FactSet, as of 1/8/2021

CAPITAL MARKETS | TOP 5 STOCKS WEIGHTING

S&P 500 Top 5 Stocks (FAAAM*) by Weighting



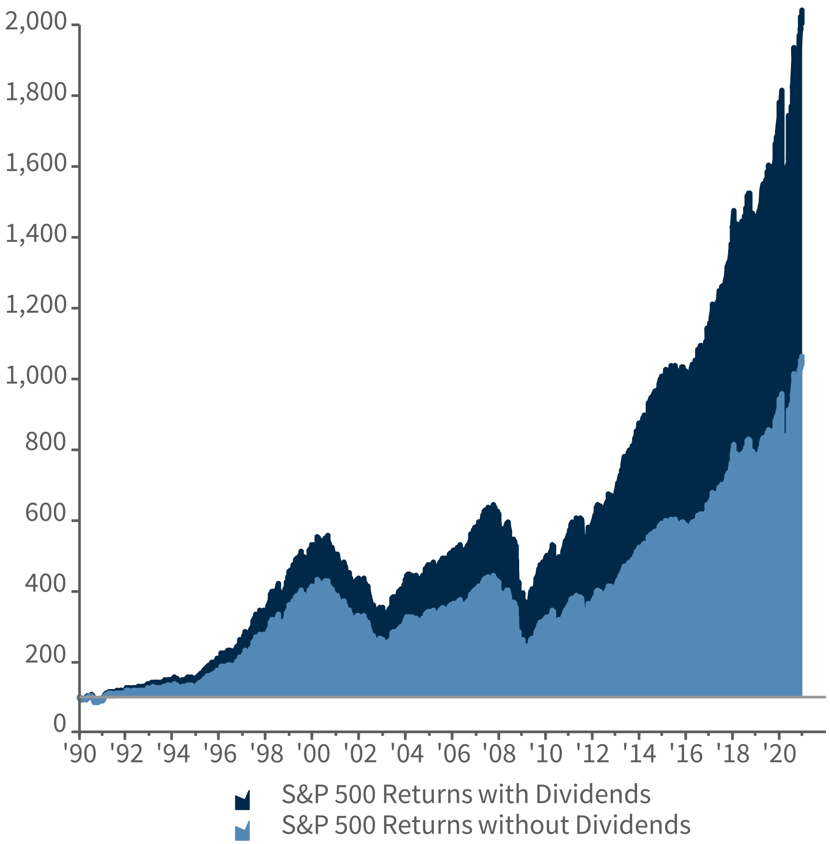
FAAAM* Contribution to S&P 500 Performance



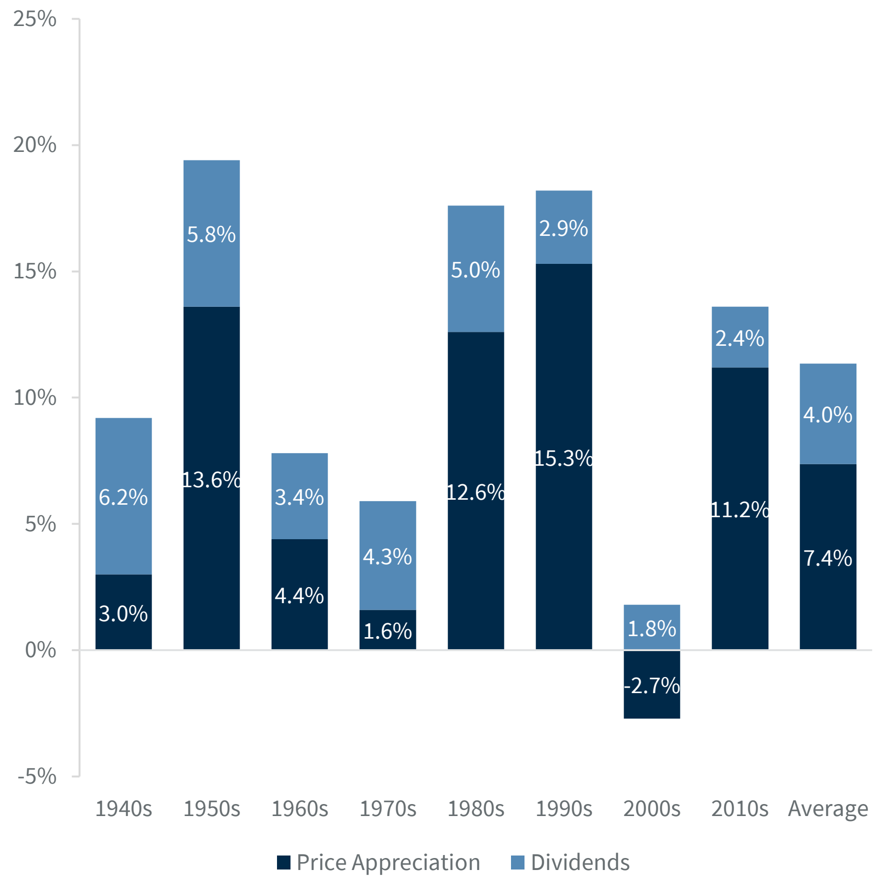
Source: FactSet, as of 1/8/2021, *FAAAM: Facebook, Apple, Alphabet, Amazon, Microsoft

CAPITAL MARKETS | PRICE AND TOTAL RETURN

Growth of $100



S&P 500 Price Appreciation and Dividends



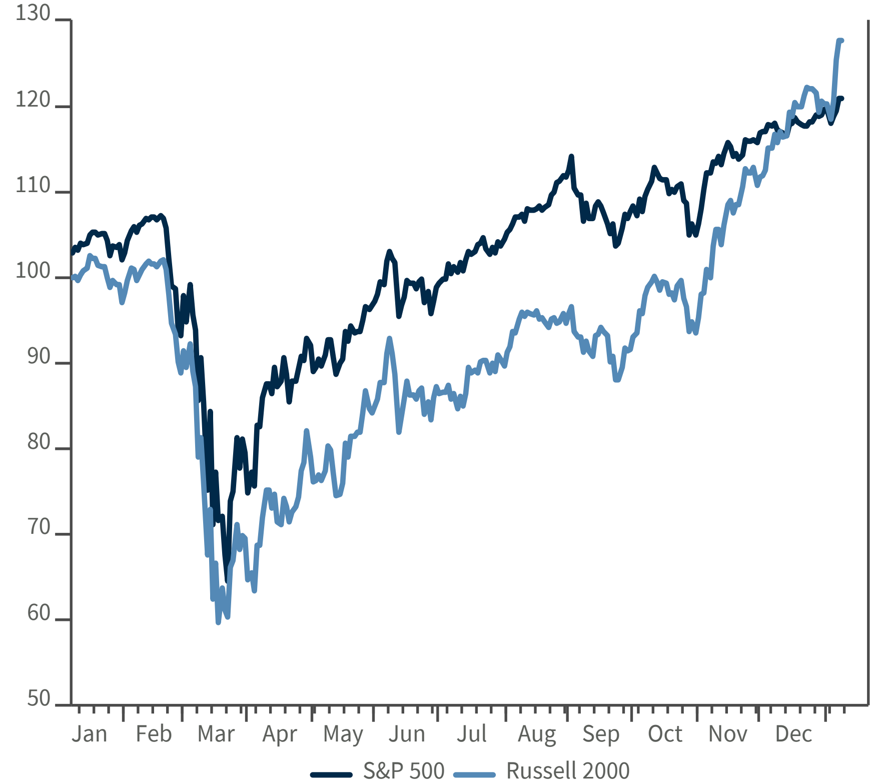
Source: FactSet, as of 1/8/2021

CAPITAL MARKETS | GROWTH VS VALUE

Growth Outperforming Value

Source: FactSet, as of 1/8/2021

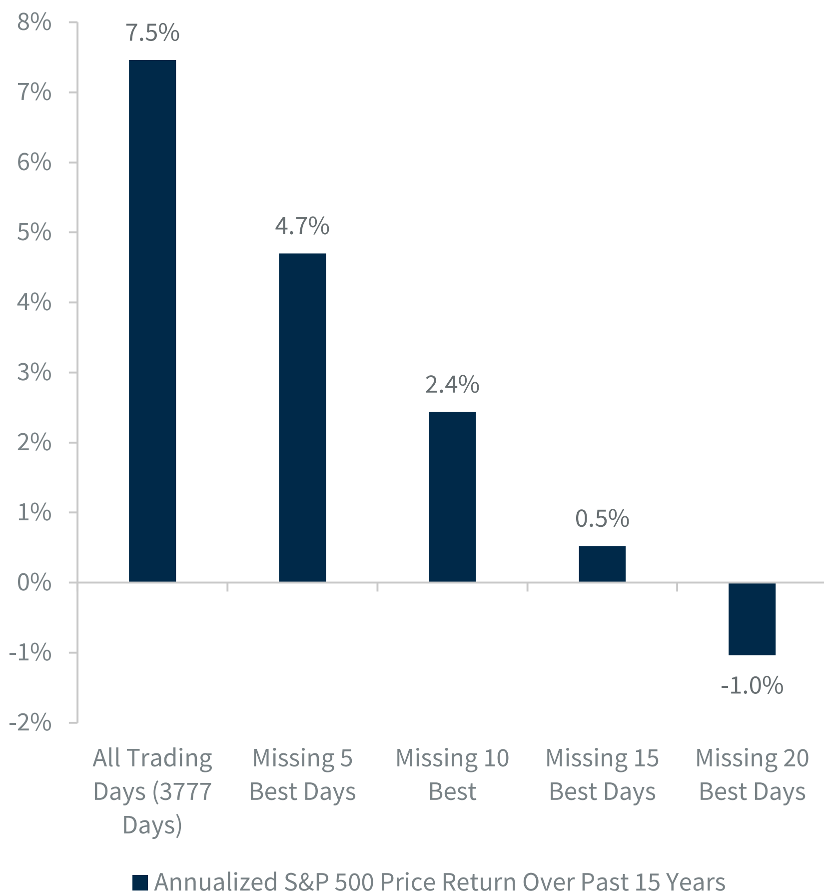
Large Cap Outperforming Small Cap



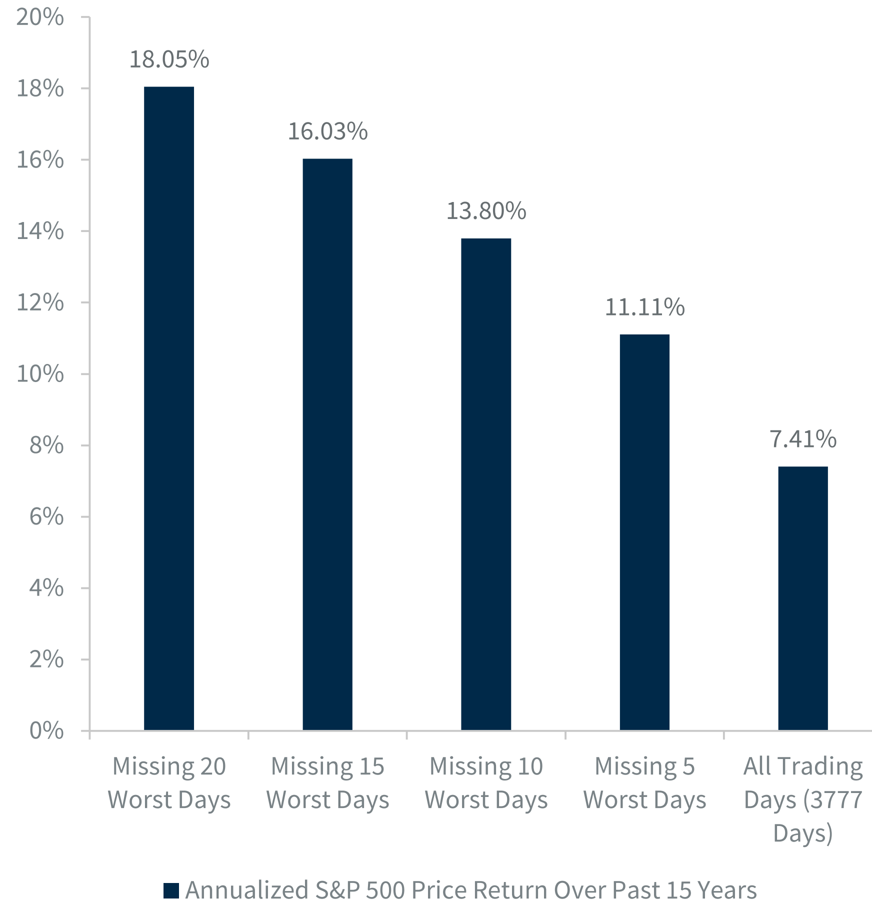
Source: FactSet, as of 1/8/2021

ASSET ALLOCATION | MISSING BEST AND WORST DAYS

Missing the Best Days



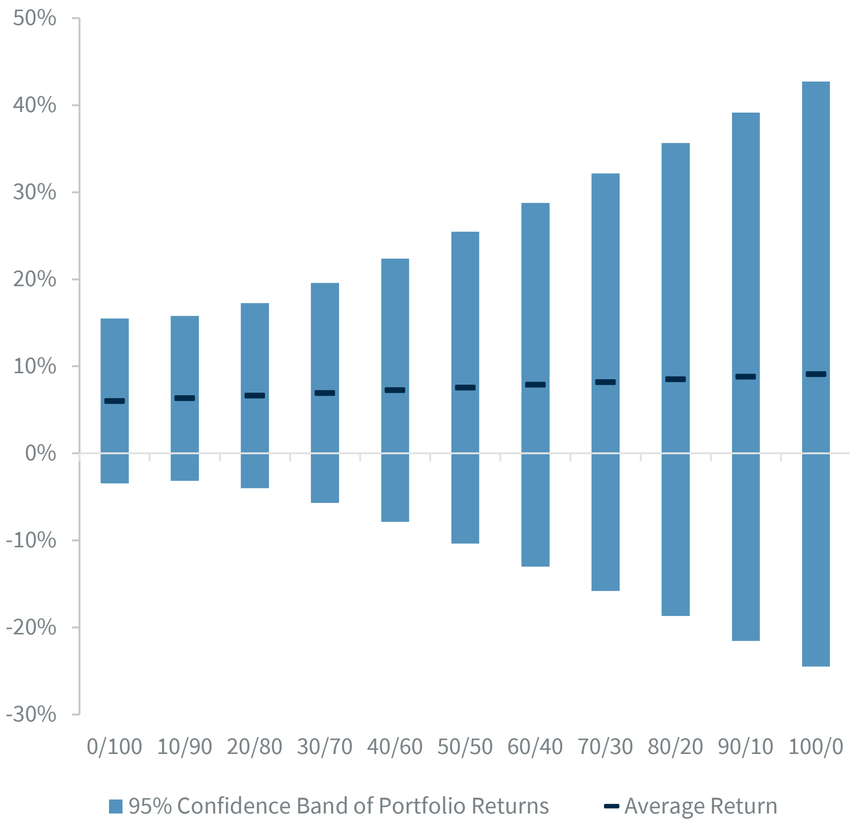
Missing the Worst Days



Source: FactSet, as of 12/31/2020

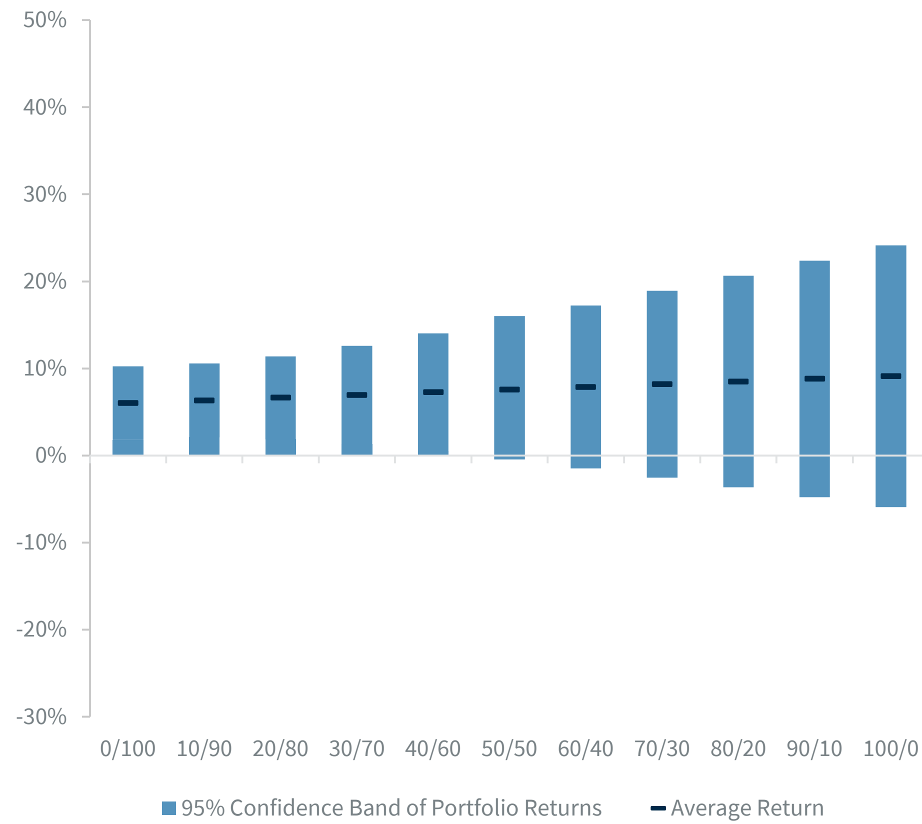
ASSET ALLOCATION | PORTFOLIO BUCKET RETURNS

1-Year Annual Return by Portfolio Bucket



Source: FactSet, as of 12/31/2020

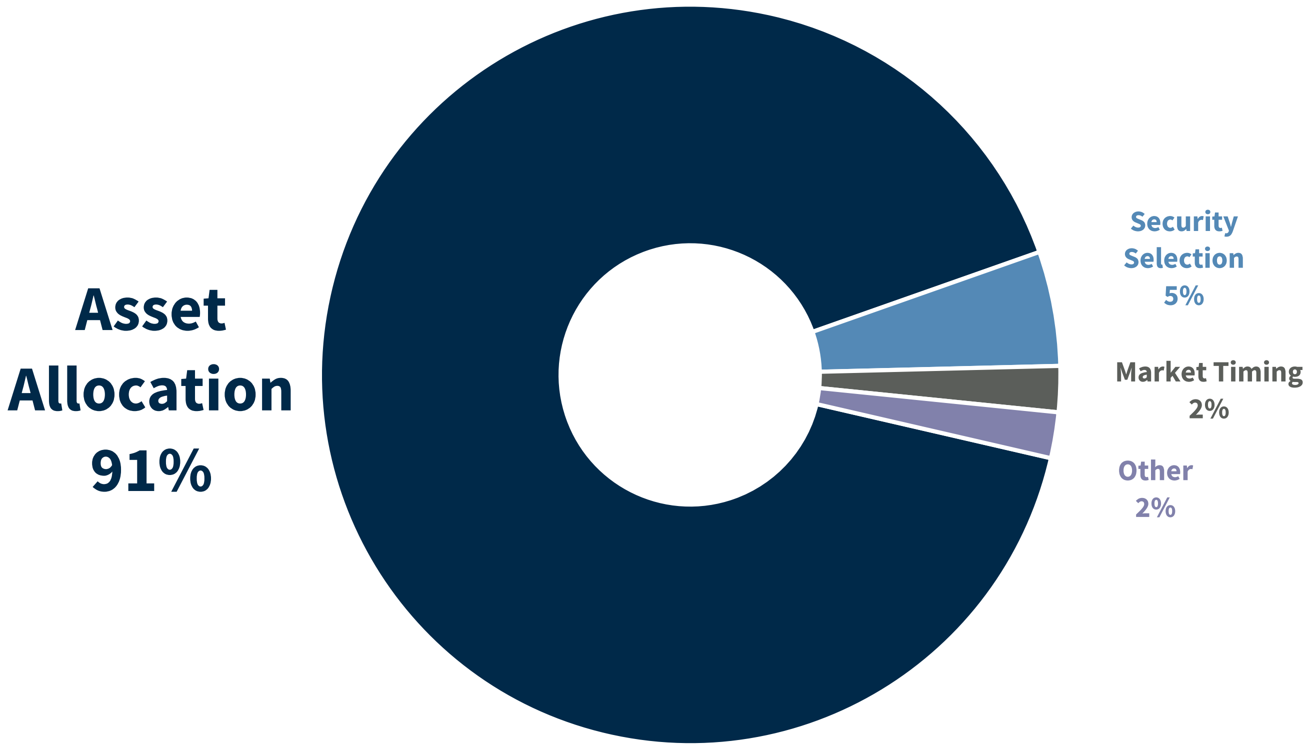
5-Year Annual Return by Portfolio Bucket



Source: FactSet, as of 12/31/2020

ASSET ALLOCATION | DETERMINANTS OF PORTFOLIO PERFORMANCE

Asset Allocation is Critical to Portfolio Construction



Source: Determinants of Portfolio Performance, Gary P. Brinson, L. Randolph Hood and Gilbert L. Beebower, Financial Analysts Journal, Vol. 42, No. 4 (Jul. - Aug., 1986), pp. 39-44

QUARTERLY TOPICS | COVID-19: AN UNPRECEDENTED YEAR

"There is hope as Americans get the first doses of the coronavirus vaccines. The virus spread rapidly, yet there was also unprecedented speed in developing vaccines. 2021 is likely to look quite different than 2020 and we believe a return toward normality is likely."

-**Chris Meekins,**
Director, Healthcare Policy Analyst,
Equity Research

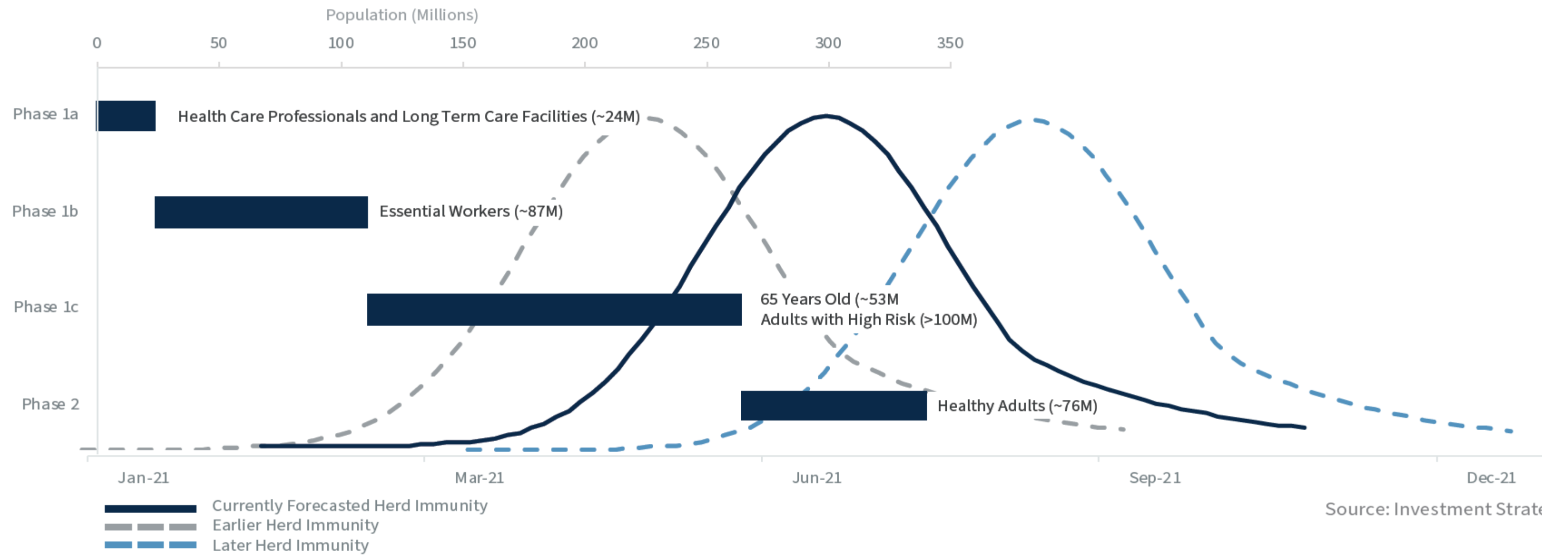
KEY CONSIDERATIONS FOR 2021

Hospitals are likely to be overwhelmed in the first half of 2021.	Vaccines could change the game by the second half of the year.
Expect a '100 Days of Mask Wearing' push from President-elect Biden.	Even with vaccines, many mitigation measures are likely to continue for some time.
President-elect Biden plans to tackle our nation's testing problem.	Many flexibilities are likely to stick around for good.
Expect top-down messaging to sound much different than current messaging.	Expect the unexpected.

Source: Investment Strategy Quarterly January 2021

"For the complete article, ask your advisor for a copy of the January 2021 Investment Strategy Quarterly."

QUARTERLY TOPICS | VACCINES



Source: Investment Strategy

"We anticipate 'herd immunity' and a full return to normal within the US (i.e., excluding international travel to countries where a vaccine is not as widely available) by the second half of 2021, so long as vaccine manufacturers hit their target dose goals and the public sufficiently uses the vaccine."

-**Steve Seedhouse,**
Director, Biotechnology Analyst, Equity Research

Source: Investment Strategy Quarterly January 2021

"For the complete article, ask your advisor for a copy of the January 2021 Investment Strategy Quarterly."

QUARTERLY TOPICS | US EQUITY

"We believe it is important to maintain a healthy allocation to the areas operating best through the pandemic while also accumulating areas with the greatest leverage to the economic recovery. Thus, our current overweight sector recommendations — Technology, Communication Services, Health Care, Consumer Discretionary, and Industrials — reflect a combination of this strategy."

-**J. Michael Gibbs,**
Managing Director, Equity Portfolio & Technical Strategy

2021 Year-End Outlook

S&P 500	EPS ESTIMATE	P/E	PRICE
Bull Case	$190	22x	4,180
Base Case	$175	23x	4,025
Bear Case	$160	20x	3,200

Source: Investment Strategy Quarterly January 2021

"For the complete article, ask your advisor for a copy of the January 2021 Investment Strategy Quarterly."

ASSET CLASS	BENCHMARK
Cash & Cash Alternatives	Bloomberg Barclays US Treasury - Bills (1-3 M)
Fixed Income	Bloomberg Barclays US Aggregate
US Equities	S&P 500 (TR)
World Equities	MSCI World ex USA
Commodities	Bloomberg Commodity Index
Real Estate	FTSE EPRA/NAREIT United States
Materials	S&P 500 (TR) / Materials - SEC
Industrials	S&P 500 (TR) / Industrials - SEC
Comm Services	S&P 500 (TR) / Communication Services -SEC
Utilities	S&P 500 (TR) / Utilities - SEC
Consumer Discretionary	S&P 500 (TR) / Consumer Discretionary - SEC
Consumer Staples	S&P 500 (TR) / Consumer Staples - SEC
Health Care	S&P 500 (TR) / Health Care - SEC
Information Technology	S&P 500 (TR) / Information Technology - SEC
Energy	S&P 500 (TR) / Energy - SEC
Financials	S&P 500 (TR) / Financials - SEC
Real Estate	S&P 500 (TR) / Real Estate - IG
S&P 500	S&P 500 (TR)
Large Value	S&P 500 Value
Large Blend	S&P 500
Large Growth	S&P 500 Growth
Mid Value	S&P Mid Cap 400 Value
Mid Blend	S&P Mid Cap 400
Mid Growth	S&P Mid Cap 400 Growth
Small Value	S&P Small Cap 600 Value

ASSET CLASS	BENCHMARK
Small Blend	S&P Small Cap 600
Small Growth	S&P Small Cap 600 Growth
US Large Cap	S&P 500
EM Eastern Europe	MSCI EM Eastern Europe
Europe ex UK	MSCI Europe ex UK
Developed Markets	MSCI EAFE
United Kingdom	MSCI United Kingdom
Japan	MSCI Japan
EM Latin America	MSCI EM Latin America
Emerging Markets	MSCI EM (Emerging Markets)
EM Asia	MSCI EM Asia
Pacific ex Japan	MSCI Pacific ex JP
Long-Term Bond	Bloomberg Barclays US Aggregate Credit - Long
High Yield	Bloomberg Barclays US High Yield - Corporate
Aggregate Bond	Bloomberg Barclays US Aggregate
Credit	Bloomberg Barclays US Aggregate Credit
Emerging Market Bond	Bloomberg Barclays Emerging Markets USD Aggregate
Treasury	Bloomberg Barclays US Aggregate Government - Treasury
Municipal	Bloomberg Barclays Municipal Bond
Agency	Bloomberg Barclays US Agency CMBS
MBS	Bloomberg Barclays MBS 1000
Global Bond ex US	Bloomberg Barclays Global G6 (G7 x US)
US TIPS	Bloomberg Barclays US TIPS (1-3 Y)
Short-Term Bond	Bloomberg Barclays US Treasury Bellwethers (2 Y)
T-Bill	Bloomberg Barclays US Treasury - Bills (1-3 M)

DISCLOSURES

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INTERNATIONAL INVESTING | International investing involves additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability. These risks are greater in emerging markets.

SECTORS | Sector investments are companies engaged in business related to a specific economic sector and are presented herein for illustrative purposes only and should not be considered as the sole basis for an investment decision. Sectors are subject to fierce competition and their products and services may be subject to rapid obsolescence. There are additional risks associated with investing in an individual sector, including limited diversification.

OIL | Investing in oil involves special risks, including the potential adverse effects of state and federal regulation and may not be suitable for all investors.

CURRENCIES | Currencies investing are generally considered speculative because of the significant potential for investment loss. Their markets are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising.

GOLD | Gold is subject to the special risks associated with investing in precious metals, including but not limited to: price may be subject to wide fluctuation; the market is relatively limited; the sources are concentrated in countries that have the potential for instability; and the market is unregulated.

FIXED INCOME | Fixed-income securities (or “bonds”) are exposed to various risks including but not limited to credit (risk of default of principal and interest payments), market and liquidity, interest rate, reinvestment, legislative (changes to the tax code), and call risks. There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices generally rise.

US TREASURIES | US Treasury securities are guaranteed by the US government and, if held to maturity, generally offer a fixed rate of return and guaranteed principal value.

DOMESTIC EQUITY DEFINITION

S&P 500 | The **S&P 500 Total Return Index:** The index is widely regarded as the best single gauge of large-cap U.S. equities. There is over USD 7.8 trillion benchmarked to the index, with index assets comprising approximately USD 2.2 trillion of this total. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

LARGE GROWTH | **S&P 500 Growth Total Return Index:** This index represents a segment of the S&P 500 Index with a greater-than-average growth orientation.

LARGE VALUE | **S&P 500 Value Total Return Index:** This index represents a segment of the S&P 500 Index with a less-than-average growth orientation.

SMALL GROWTH | **S&P Small Cap 600 Growth Total Return Index:** This index represents a segment of the S&P 600 Index with a greater-than-average growth orientation.

SMALL BLEND | **Russell 2000 Total Return Index:** This index covers 2000 of the smallest companies in the Russell 3000 Index, which ranks the 3000 largest US companies by market capitalization. The Russell 2000 represents approximately 10% of the Russell 3000 total market capitalization. This index includes the effects of reinvested dividends.

SMALL VALUE | **S&P Small Cap 600 Value Total Return Index:** This index represents a segment of the S&P 600 Index with a less-than-average growth orientation.

MID VALUE | **S&P 400 Value Total Return Index:** This index represents a segment of the S&P 400 Index with a less-than-average growth orientation.

MID VALUE | **S&P Small Cap 400 Value Total Return Index:** This index represents a segment of the S&P 400 Index with a less-than-average growth orientation.

MID BLEND | **S&P Small Cap 400 Total Return Index:** The index measures the investment return of mid-capitalization stocks in the United States.

FIXED INCOME DEFINITION

AGGREGATE BOND | **Bloomberg Barclays US Agg Bond Total Return Index:** The index is a measure of the investment grade, fixed-rate, taxable bond market of roughly 6,000 SEC-registered securities with intermediate maturities averaging approximately 10 years. The index includes bonds from the Treasury, Government-Related, Corporate, MBS, ABS, and CMBS sectors.

MUNICIPAL | **Bloomberg Barclays Municipal Total Return Index:** The index is a measure of the long-term tax-exempt bond market with securities of investment grade (rated at least Baa by Moody's Investors Service and BBB by Standard and Poor's). This index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds.

INTERNATIONAL EQUITY DEFINITION

EMERGING MARKETS EASTERN EUROPE | **MSCI EM Eastern Europe Net Return Index:** The index captures large- and mid-cap representation across four Emerging Markets (EM) countries in Eastern Europe. With 50 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

BLOOMBERG BARCLAYS CAPITAL AGGREGATE BOND TOTAL RETURN INDEX | This index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. The index is designed to minimize concentration in any one commodity or sector. It currently has 22 commodity futures in seven sectors. No one commodity can compose less than 2% or more than 15% of the index, and no sector can represent more than 33% of the index (as of the annual weightings of the components).

EMERGING MARKETS ASIA | **MSCI EM Asia Net Return Index:** The index captures large- and mid-cap representation across eight Emerging Markets countries. With 554 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

EMERGING MARKETS LATIN AMERICA | **MSCI EM Latin America Net Return Index:** The index captures large- and mid-cap representation across five Emerging Markets (EM) countries in Latin America. With 116 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

EMERGING MARKETS | **MSCI Emerging Markets Net Return Index:** This index consists of 23 countries representing 10% of world market capitalization. The index is available for a number of regions, market segments/sizes and covers approximately 85% of the free float-adjusted market capitalization in each of the 23 countries.

PACIFIC EX-JAPAN | **MSCI Pacific Ex Japan Net Return Index:** The index captures large- and mid-cap representation across four of 5 Developed Markets (DM) countries in the Pacific region (excluding Japan). With 150 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

JAPAN | **MSCI Japan Net Return Index:** The index is designed to measure the performance of the large and mid cap segments of the Japanese market. With 319 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan.

FOREIGN DEVELOPED MARKETS | **MSCI EAFE Net Return Index:** This index is designed to represent the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada. The index is available for a number of regions, market segments/sizes and covers approximately 85% of the free float-adjusted market capitalization in each of the 21 countries.

EUROPE EX UK | **MSCI Europe Ex UK Net Return Index:** The index captures large and mid cap representation across 14 Developed Markets (DM) countries in Europe. With 337 constituents, the index covers approximately 85% of the free float-adjusted market capitalization across European Developed Markets excluding the UK.

MSCI EAFE | The **MSCI EAFE** (Europe, Australasia, and Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 22 developed nations.

WORLD EQUITIES | The MSCI World ex USA Index captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries*-- excluding the United States. With 1,003 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

COMMODITY DEFINITIONS

US DOLLAR INDEX | The US dollar index (USDX) is a measure of the value of the US dollar relative to the value of a basket of currencies of the majority of the US's most significant trading partners. This index is similar to other trade-weighted indexes, which also use the exchange rates from the same major currencies.

DATA SOURCE:

FactSet

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Comparative Performance Analysis Report

Sewerage and Water Board of New Orleans ERS

December 31, 2020

Pension Committee

Q4 2020

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Sewerage and Water Board of New Orleans ERS Total Composite

As of December 31, 2020

CONTENTS

Sewerage and Water Board of New Orleans ERS Total Composite

Market Performance

As of December 31, 2020

Name	Description	Q4-20	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs
US Equity							
Russell 3000	Broad	14.68	20.89	20.89	14.49	15.43	13.79
S&P 500	Large Cap Core	12.15	18.40	18.40	14.18	15.22	13.88
S&P 500 Equal Weighted TR	Large Cap Core	18.46	12.83	12.83	10.43	12.95	12.66
Russell 1000	Large Cap Core	13.69	20.96	20.96	14.82	15.60	14.01
Russell 1000 Growth	Large Cap Growth	11.39	38.49	38.49	22.99	21.00	17.21
Russell 1000 Value	Large Cap Value	16.25	2.79	2.79	6.07	9.74	10.50
Russell 2500	SMid Core	27.41	19.99	19.99	11.33	13.64	11.97
Russell MidCap	Mid Cap Core	19.91	17.10	17.10	11.61	13.40	12.41
Russell 2000	Small Cap Core	31.37	19.96	19.96	10.25	13.26	11.20
Russell 2000 Growth	Small Cap Growth	29.61	34.63	34.63	16.19	16.36	13.48
Russell 2000 Value	Small Cap Value	33.36	4.63	4.63	3.72	9.65	8.66
International Equity							
MSCI ACWI	Global Equity	14.68	16.25	16.25	10.06	12.26	9.13
MSCI World ex USA	International Equity	15.85	7.59	7.59	4.22	7.64	5.19
MSCI EAFE	Developed Equity	16.05	7.81	7.81	4.28	7.45	5.51
MSCI Emerging Markets	Emerging Equity	19.70	18.31	18.31	6.17	12.81	3.63
Fixed Income							
91 Day T-Bills	Cash and Cash Equivalents	0.02	0.45	0.45	1.48	1.13	0.59
BBgBarc US Aggregate TR	Fixed Core	0.67	7.51	7.51	5.34	4.44	3.84
BBgBarc US Govt/Credit TR	Fixed Core	0.82	8.92	8.92	5.97	4.98	4.19
BBgBarc US Municipal TR	Fixed Muni	1.82	5.21	5.21	4.64	3.91	4.63
BBgBarc US High Yield TR	Fixed High Yield	6.45	7.11	7.11	6.24	8.59	6.80
FTSE WGBI TR	Global Fixed	2.77	10.11	10.11	4.96	4.78	2.32
FTSE WGBI ex US TR	International Fixed	4.82	10.78	10.78	4.63	5.17	1.88
Real Estate							
FTSE NAREIT All REIT	Real Estate	9.18	-5.86	-5.86	4.96	6.66	9.10
NCREIF Property Index	Real Estate	1.15	1.61	1.61	4.89	5.91	9.00
Alternatives							
HFRI Fund of Funds Composite Index	Hedge Funds	7.59	10.34	10.34	4.71	4.46	3.27
Inflation							
Consumer Price Index	Inflation	0.07	1.36	1.36	1.85	1.95	1.74

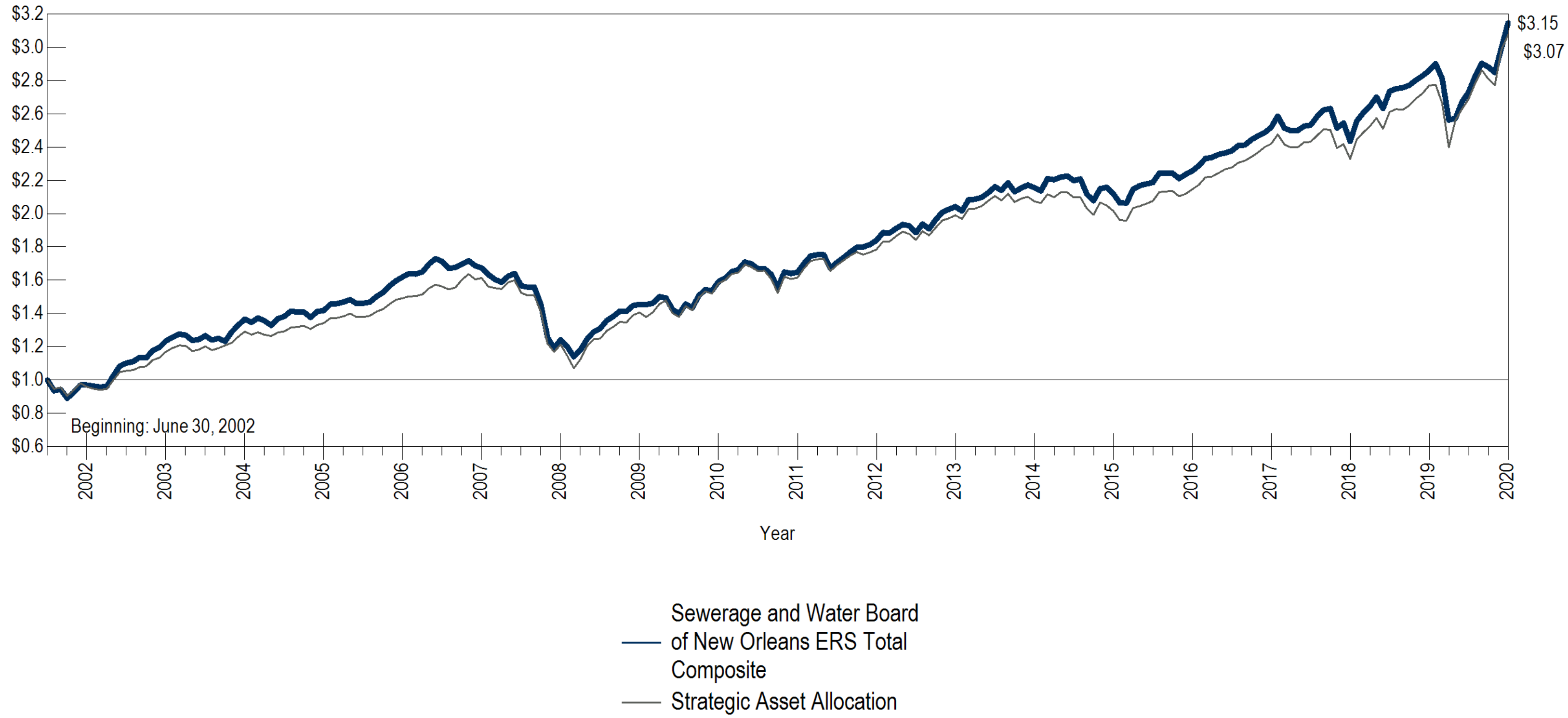
Sewerage and Water Board of New Orleans ERS
Total Composite
Investment Analysis

Sewerage and Water Board of New Orleans ERS Total Composite

Sewerage and Water Board of New Orleans ERS Total Composite Information

As of December 31, 2020

Growth of a Dollar



Summary Of Cash Flows

	Fourth Quarter	Year-To-Date	One Year	Three Years	Five Years	Ten Years	Inception 7/1/02
Beginning Market Value	$220,546,849	$225,441,131	$225,441,131	$223,356,249	$53,629,652	$21,323,505	--
Contributions	$4,003,084	$26,750,974	$26,750,974	$130,014,396	$130,014,396	$130,014,396	$130,014,396
Withdrawals	-$9,316,352	-$36,912,105	-$36,912,105	-$159,939,011	-$159,939,011	-$159,939,011	-$159,939,011
Net Cash Flow	-$5,313,268	-$10,161,131	-$10,161,131	-$30,169,767	-$30,169,767	-$30,169,767	-$30,535,000
Net Investment Change	$19,961,683	$19,915,263	$19,915,263	$42,008,781	$211,735,378	$244,041,525	$265,730,264
Ending Market Value	$235,195,264	$235,195,264	$235,195,264	$235,195,264	$235,195,264	$235,195,264	$235,195,264

RAYMOND JAMES®

Sewerage and Water Board of New Orleans ERS Total Composite

Sewerage and Water Board of New Orleans ERS Total Composite Performance

As of December 31, 2020

	Market Value ($)	% of Portfolio	1 Mo (%)	3 Mo (%)	YTD (%)	1 Yr (%)	2 Yrs (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Sewerage and Water Board of New Orleans ERS Total Composite	**235,195,264**	**100.00**	**4.98**	**9.18**	**10.02**	**10.02**	**13.68**	**7.69**	**8.22**	**6.37**	**7.05**	**6.39**	**Jul-02**
Strategic Asset Allocation			*2.95*	*9.39*	*10.98*	*10.98*	*14.89*	*8.30*	*8.80*	*6.41*	*6.88*	*6.26*	*Jul-02*
Equity Composite	**120,690,561**	**51.32**	**5.43**	**17.83**	**21.11**	**21.11**	**25.09**	**13.90**	**--**	**--**	**--**	**13.90**	**Jan-18**
Equity Balanced Index			*5.66*	*18.05*	*20.00*	*20.00*	*24.23*	*12.56*	--	--	--	*12.56*	*Jan-18*
Earnest Partners	47,501,189	20.20	18.14	13.61	9.01	9.01	12.01	1.61	7.47	3.93	--	7.02	Oct-11
MSCI ACWI ex USA			*5.41*	*17.01*	*10.65*	*10.65*	*15.96*	*4.88*	*8.93*	*4.82*	--	*7.44*	*Oct-11*
NewSouth Capital	29,399,931	12.50	3.96	19.61	9.21	9.21	19.12	12.10	11.61	9.80	--	13.47	Sep-11
Russell 2500 Value			*6.95*	*28.51*	*4.88*	*4.88*	*13.84*	*4.33*	*9.43*	*6.84*	--	*12.26*	*Sep-11*
iShares S&P 500 Growth ETF	28,796,128	12.24	4.00	10.75	33.82	33.82	32.46	20.57	--	--	--	19.22	Mar-16
Russell 1000 Growth			*4.60*	*11.39*	*38.49*	*38.49*	*37.44*	*22.99*	--	--	--	*23.27*	*Mar-16*
Barrow, Hanley, Mewhinney, & Strauss	14,992,740	6.37	4.35	19.61	5.10	5.10	15.92	8.51	12.30	9.83	10.63	7.52	Aug-06
Russell 1000 Value			*3.83*	*16.25*	*2.79*	*2.79*	*14.05*	*6.07*	*9.74*	*8.20*	*10.50*	*6.99*	*Aug-06*
Chicago Equity Partners - (Residual Asset)	573	0.00											
Fixed Income Composite	**78,893,182**	**33.54**	**0.75**	**2.41**	**9.65**	**9.65**	**9.92**	**6.40**	**--**	**--**	**--**	**6.40**	**Jan-18**
Fixed Income Balanced Index			*0.35*	*1.30*	*7.59*	*7.59*	*8.44*	*5.46*	--	--	--	*5.46*	*Jan-18*
Pyramis Global Advisors (Fidelity)	78,855,813	33.53	0.75	2.41	9.65	9.65	9.91	6.39	5.90	5.10	4.71	5.24	May-07
BBgBarc US Aggregate TR			*0.14*	*0.67*	*7.51*	*7.51*	*8.11*	*5.34*	*4.44*	*4.09*	*3.84*	*4.46*	*May-07*
Zazove Associates, LLC (Residual Asset)	37,369	0.02	-0.45	9.15	10.00	10.00	27.64	25.38	--	--	--	25.38	Jan-18
ICE BofA Convertibles Securities TR			*7.91*	*21.68*	*55.68*	*55.68*	*38.41*	*24.48*	--	--	--	*24.48*	*Jan-18*
Real Estate Composite	**18,271,046**	**7.77**	**2.71**	**9.31**	**-4.37**	**-4.37**	**11.20**	**5.22**	**--**	**--**	**--**	**5.22**	**Jan-18**
Real Estate Balanced Index			*3.16*	*11.16*	*-8.70*	*-8.70*	*6.54*	*2.25*	--	--	--	*2.25*	*Jan-18*
Vanguard Real Estate ETF	18,271,046	7.77	2.71	9.31	-4.37	-4.37	11.20	5.22	5.75	8.52	8.74	9.05	May-10
MSCI US REIT			*3.16*	*11.16*	*-8.70*	*-8.70*	*6.54*	*2.25*	*3.51*	*6.46*	*6.99*	*7.32*	*May-10*

Sewerage and Water Board of New Orleans ERS Total Composite

Sewerage and Water Board of New Orleans ERS Total Composite Performance

As of December 31, 2020

	Market Value ($)	% of Portfolio	1 Mo (%)	3 Mo (%)	YTD (%)	1 Yr (%)	2 Yrs (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Alternatives Composite	**17,215,062**	**7.32**	**0.01**	**4.00**	**2.30**	**2.30**	**3.95**	**1.16**	**--**	**--**	**--**	**1.16**	**Jan-18**
Alternatives Balanced Index			*3.14*	*7.59*	*10.34*	*10.34*	*9.36*	*4.71*	--	--	--	*4.71*	*Jan-18*
Prisma Capital Partners LP	17,196,149	7.31	0.01	4.00	2.30	2.30	3.95	1.16	1.82	1.64	2.61	2.79	May-07
HFRI Fund of Funds Composite Index			*3.14*	*7.59*	*10.34*	*10.34*	*9.36*	*4.71*	*4.46*	*3.61*	*3.27*	*2.18*	*May-07*
Equitas Capital Advisors (Residual Asset)	18,912	0.01	0.01	-2.92	2.66	2.66	0.34	-0.38	--	--	--	-0.38	Jan-18
HFRI Fund of Funds Composite Index			*3.14*	*7.59*	*10.34*	*10.34*	*9.36*	*4.71*	--	--	--	*4.71*	*Jan-18*
Cash & Equivalents	**125,413**	**0.05**											
Cash Account	125,413	0.05											

- Strategic Asset Allocation = 27% Russell 3000 / 20% MSCI ACWI ex USA / 35% BBgBarc US Universal TR / 8% HFRI Fund of Funds Composite Index / 9% MSCI US REIT / 1% FTSE T-Bill 1 Month TR
- Equity Balanced Index = Weighted Average of MSCI ACWI ex USA / Russell 2500 / S&P 500 Growth / Russell 1000 / Russell 1000 Value
- Fixed Income Balanced Index = Weighted Average of BBgBarc US Universal TR / ICE BofA All US Convertibles TR
- Real Estate Balanced Index = Weighted Average of MSCI US REIT
- Alternatives Balanced Index = Weighted Average of HFRI Fund of Funds Composite Index

-Performance for all accounts and composites reported gross of fees unless otherwise indicated. Reported activity, units, unit values, and the resulting performance for commingled fund managers including Earnest Partners, Barrow Hanley, Pyramis/Fidelity and Prisma Capital Partners have a 30 to 45 day period reporting lag with the custodian. Shown values, prices and performance can be reflective of 30-60 days prior.

Sewerage and Water Board of New Orleans ERS Total Composite

As of December 31, 2020

	Ending December 31, 2020										
	2020 (%)	2019 (%)	2018 (%)	2017 (%)	2016 (%)	2015 (%)	2014 (%)	2013 (%)	2012 (%)	2011 (%)	2010 (%)
Sewerage and Water Board of New Orleans ERS Total Composite	**10.0**	**17.5**	**-3.4**	**11.6**	**6.4**	**-1.7**	**5.6**	**11.0**	**11.7**	**3.5**	**9.4**
Strategic Asset Allocation	*11.0*	*18.9*	*-3.8*	*12.8*	*6.4*	*-2.8*	*4.2*	*11.5*	*10.5*	*2.2*	*12.5*
Large Cap Core											
Chicago Equity Partners - (Residual Asset)											
Large Cap Growth											
iShares S&P 500 Growth ETF	33.8	31.1	-0.1	26.9	--	--	--	--	--	--	--
Russell 1000 Growth	*38.5*	*36.4*	*-1.5*	*30.2*	--	--	--	--	--	--	--
Large Cap Value											
Barrow, Hanley, Mewhinney, & Strauss	5.1	27.8	-4.9	16.5	19.9	-0.7	8.7	20.2	16.6	1.7	17.3
Russell 1000 Value	*2.8*	*26.5*	*-8.3*	*13.7*	*17.3*	*-3.8*	*13.5*	*32.5*	*17.5*	*0.4*	*15.5*
SMID Cap Equity											
NewSouth Capital	9.2	29.9	-0.7	11.9	9.8	-0.8	12.0	26.0	16.7	--	--
Russell 2500 Value	*4.9*	*23.6*	*-12.4*	*10.4*	*25.2*	*-5.5*	*7.1*	*33.3*	*19.2*	--	--
International Equity											
Earnest Partners	9.0	15.1	-16.4	30.7	4.6	-6.3	-2.5	12.4	18.5	--	--
MSCI ACWI ex USA	*10.7*	*21.5*	*-14.2*	*27.2*	*4.5*	*-5.7*	*-3.9*	*15.3*	*16.8*	--	--
Fixed Income											
Pyramis Global Advisors (Fidelity)	9.7	10.2	-0.3	4.7	5.7	0.1	6.2	-3.5	7.6	7.8	10.0
BBgBarc US Aggregate TR	*7.5*	*8.7*	*0.0*	*3.5*	*2.6*	*0.5*	*6.0*	*-2.0*	*4.2*	*7.8*	*6.5*
Zazove Associates, LLC (Residual Asset)	10.0	48.1	21.0	--	--	--	--	--	--	--	--
ICE BofA Convertibles Securities TR	*55.7*	*23.1*	*0.7*	--	--	--	--	--	--	--	--
Real Estate											
Vanguard Real Estate ETF	-4.4	29.3	-5.8	4.7	8.4	2.6	30.5	2.4	17.7	8.3	--
MSCI US REIT	*-8.7*	*24.3*	*-5.8*	*3.7*	*7.1*	*1.3*	*28.8*	*1.3*	*16.5*	*7.5*	--
Alternatives											
Prisma Capital Partners LP	2.3	5.6	-4.2	7.0	-1.2	0.1	2.3	11.1	7.3	-3.2	8.0
HFRI Fund of Funds Composite Index	*10.3*	*8.4*	*-4.0*	*7.8*	*0.5*	*-0.3*	*3.4*	*9.0*	*4.8*	*-5.7*	*5.7*
Equitas Capital Advisors (Residual Asset)	2.7	-1.9	-1.8	--	--	--	--	--	--	--	--
HFRI Fund of Funds Composite Index	*10.3*	*8.4*	*-4.0*	--	--	--	--	--	--	--	--
Cash											
Cash Account											

Sewerage and Water Board of New Orleans ERS Total Composite

Strategic Asset Allocation Policy

12/31/1989-8/31/1994

CG Broad Bond	75%
S&P 500	25%

9/1/1994-8/31/1997

CG Broad Bond	55%
Russell 1000 Value	25%
Russell 1000 Growth	11%
Russell 2000 Growth	9%

9/1/1997-2/28/1999

CG Broad Bond	45%
Russell 1000Value	30%
Russell 1000 Growth	14%
Russell 2000 Growth	11%

3/1/1999-8/31/2000

CG Broad Bond	45%
Russell 1000Value	30%
S&P 500	14%
Russell 2000 Growth	11%

9/1/2000-8/31/2001

CG Broad Bond	45%
Russell 1000 Value	30%
Russell 1000 Growth	14%
Russell 2000 Growth	11%

9/1/2001-1/31/2002

CG Broad Bond	45%
Russell 1000 Value	30%
Russell 1000 Growth	14%
Russell 2000	11%

2/01/2002-2/28/2005

CG Broad Bond	35%
Russell 1000 Value	30%
Russell 1000 Growth	14%
Russell 2000	11%
ML IG Conv. Bonds	10%

3/1/2005-6/30/2007

Russell 3000	40.00%
MSCI ACWI exUS	7.75%
CG Broad Bond	25.00%
CG World Govt Bond	10.00%
CSFB Tremont/Hdge	7.25%
90-Day US T-Bill	10.00%

7/1/2007-8/31/2008

Russell 3000	40.00%
MSCI ACWI exUS	7.75%
CG Broad Bond	25.00%
CG World Govt Bond	10.00%
CSFB Tremont/Hdge	7.25%
DJ Global Index	10.00%

9/01/2008-11/30/2008

Russell 3000	40.00%
MSCI ACWI exUS	7.75%
CG Broad Bond	25.00%
CG World Govt Bond	10.00%
CSFB Tremont/Hdge	7.25%
DJ Wilshire xUS Resi	5.00%
90 Day US T-Bill	5.00%

12/01/2008-4/30/2009

Russell 3000	40.00%
MSCI ACWI exUS	7.75%
CG Broad Bond	25.00%
CG World Govt Bond	10.00%
CSFB Tremont/Hdge	7.25%
DJ Wilshire xUS Resi	5.00%
90 Day US T-Bill	5.00%

5/01/2009-9/30/2009

Russell 3000	30.00%
MSCI ACWI exUS	7.75%
Barclays Agg Bond	25.00%
Barclays Global Tips	10.00%
CSFB Tremont/Hdge	7.25%
90 Day US T-Bill	20.00%

10/01/2009-3/31/2010

Russell 3000	33.50%
MSCI ACWI exUS	8.50%
Barclays Agg Bond	28.00%
Barclays Global Tips	9.00%
CSFB Tremont/Hdge	8.75%
S&P GSCI	7.25%
DJ Wilshire xUS Resi	1.75%
MSCI REIT	3.25%

4/01/2010-4/30/2014

Russell 3000	33.50%
MSCI ACWI exUS	8.50%
Barclays Agg Bond	28.00%
Barclays Global Tips	9.00%
CSFB Tremont/Hdge	8.75%
S&P GSCI	7.25%
MSCI REIT	3.25%
FTSE EPRA/Nareit xUS	1.75%

5/01/2014-11/30/2015

Russell 3000	33.00%
MSCI ACWI exUS	9.00%
Barclays Agg Bond	28.00%
Barclays Global Tips	9.00%
HFRI Fund of Funds	8.75%
S&P GSCI	7.25%
MSCI REIT	3.25%
FTSE EPRA/Nareit xUS	1.75%

12/01/2015-2/28/2016

Russell 3000	33.00%
MSCI ACWI exUS	9.00%
Barclays Agg Bond	37.00%
HFRI Fund of Funds	8.75%
S&P GSCI	7.25%
MSCI REIT	3.25%
FTSE EPRA/Nareit xUS	1.75%

3/1/2016-4/30/2016

Russell 3000	33.00%
MSCI ACWI exUS	9.00%
Barclays Aggregate	37.00%
HFRI Fund of Funds	8.75%
MSCI REIT	3.25%
30 Day T-Bill	9.00%

5/1/2016 -8/31/2019

Russell 3000	40.25%
MSCI ACWI exUS	9.00%
Barclays Universal	37.00%
HFRI Fund of Funds	8.75%
MSCI REIT	3.25%
30 Day T-Bill	1.75%

9/01/2019 - Present

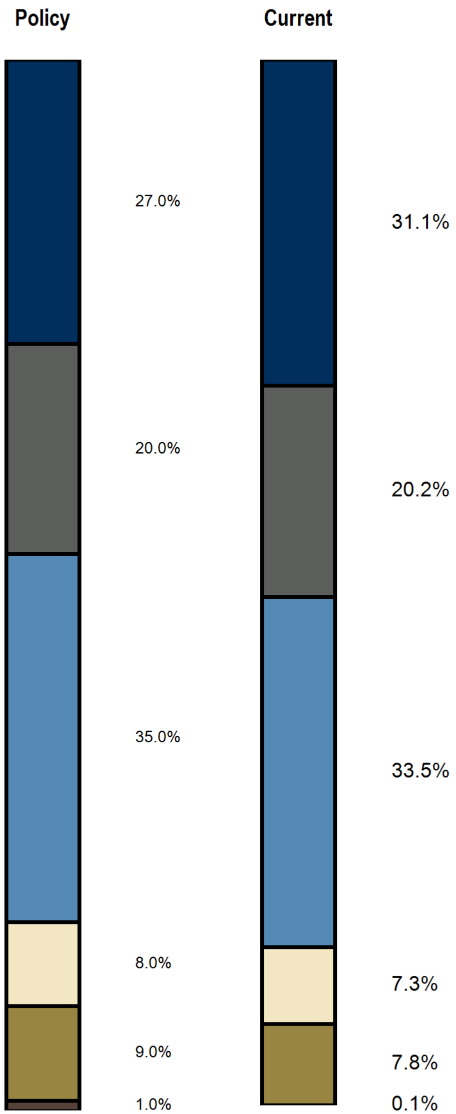
Russell 3000	27.00%
MSCI ACWI exUS	20.00%
Barclays Universal	35.00%
HFRI Fund of Funds	8.00%
MSCI REIT	9.00%
30 Day T-Bill	1.00%

Historical data from inception through Dec 31, 2008 provided by FIS Group, Inc
Historical data from January 1, 2009 throughMarch 31, 2018 provided by FFC Capital Managemen
Historical data from April 30, 2018 to Present provided by FFC Investment Advisors of Raymond James.

Sewerage and Water Board of New Orleans ERS Total Composite

Sewerage and Water Board of New Orleans ERS Total Composite Allocation

As of December 31, 2020



Allocation vs. Targets and Policy

	Current Balance	Current Allocation	Target	Target Range	Difference	Within IPS Range?
US Equity	$73,189,372	31.1%	27.0%	15.0% - 35.0%	4.1%	Yes
NewSouth Capital	$29,399,931	12.5%	11.3%	10.1% - 12.4%	1.3%	No
iShares S&P 500 Growth ETF	$28,796,128	12.2%	9.3%	8.3% - 10.2%	3.0%	No
Barrow, Hanley, Mewhinney, & Strauss	$14,992,740	6.4%	6.5%	5.8% - 7.2%	-0.1%	Yes
Chicago Equity Partners - (Residual Asset)	$573	0.0%				
Non-US Equity	$47,501,189	20.2%	20.0%	15.0% - 30.0%	0.2%	Yes
Earnest Partners	$47,501,189	20.2%	20.0%	18.0% - 22.0%	0.2%	Yes
US Fixed Income	$78,893,182	33.5%	35.0%	25.0% - 50.0%	-1.5%	Yes
Pyramis Global Advisors (Fidelity)	$78,855,813	33.5%	34.0%	31.5% - 38.5%	-0.5%	Yes
Zazove Associates, LLC (Residual Asset)	$37,369	0.0%				
Alternatives	$17,215,062	7.3%	8.0%	5.0% - 12.0%	-0.7%	Yes
Prisma Capital Partners LP	$17,196,149	7.3%	8.0%	7.2% - 8.8%	-0.7%	Yes
Equitas Capital Advisors (Residual Asset)	$18,912	0.0%				
Real Estate	$18,271,046	7.8%	9.0%	5.0% - 12.0%	-1.2%	Yes
Vanguard Real Estate ETF	$18,271,046	7.8%	9.0%	8.1% - 9.9%	-1.2%	No
Cash	$125,413	0.1%	1.0%	0.0% - 1.0%	-0.9%	Yes
Cash Account	$125,413	0.1%	1.0%	0.0% - 1.0%	-0.9%	Yes
Total	**$235,195,264**	**100.0%**	**100.0%**			

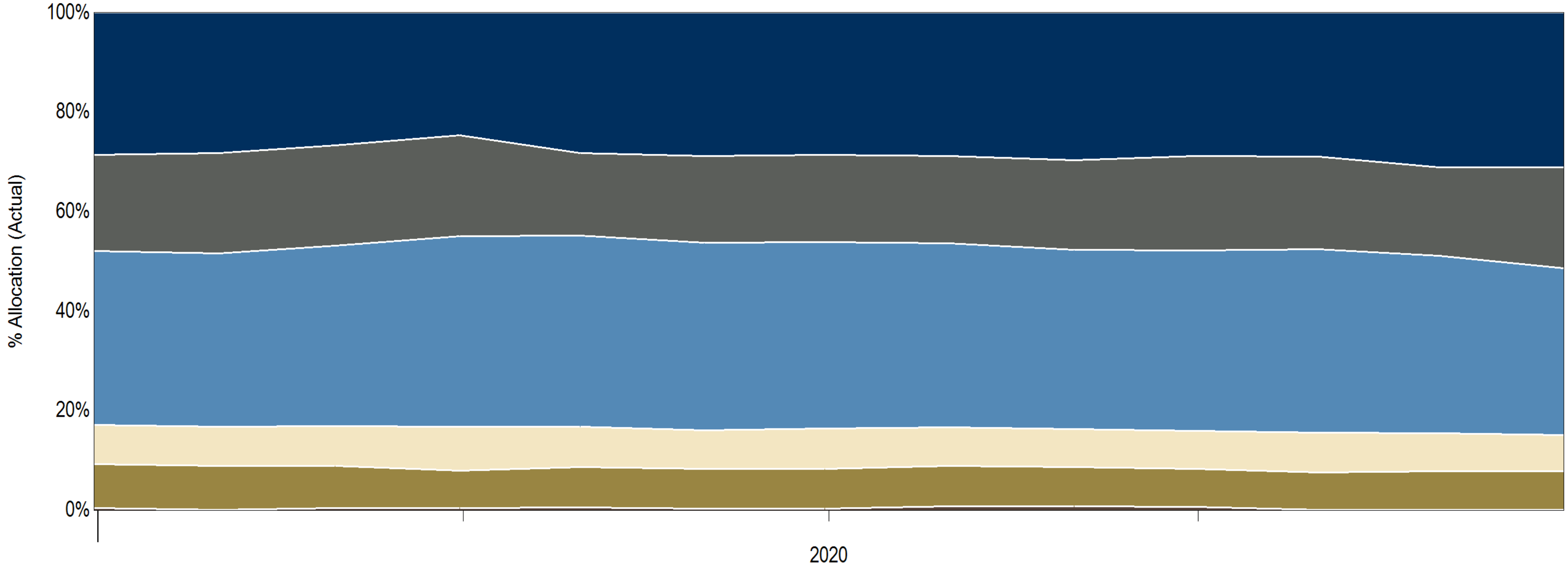
RAYMOND JAMES®

Sewerage and Water Board of New Orleans ERS Total Composite

Sewerage and Water Board of New Orleans ERS Total
Composite Allocation History

As of December 31, 2020

Asset Allocation History
1 Year Ending December 31, 2020



US Equity	24.6	28.6	28.8	31.1
Non-US Equity	20.3	17.5	19.0	20.2
US Fixed Income	38.3	37.5	36.3	33.5
Alternatives	8.9	8.0	7.6	7.3
Real Estate	7.5	8.0	7.6	7.8
Cash	0.5	0.3	0.7	0.1

US Equity　Non-US Equity　US Fixed Income　Alternatives　Real Estate　Cash

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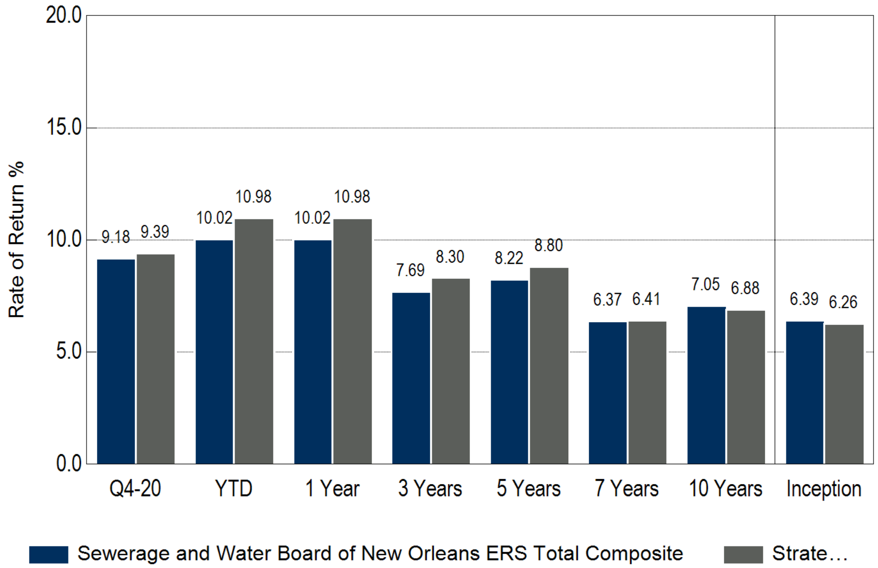
Sewerage and Water Board of New Orleans ERS Total Composite

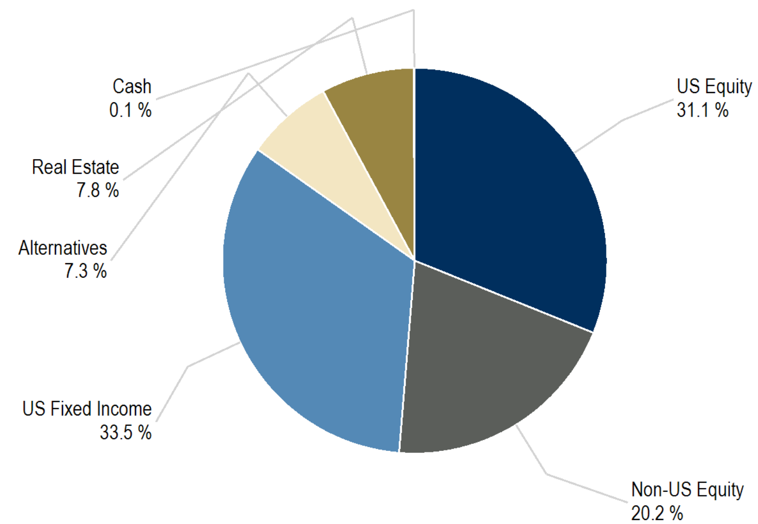
Sewerage and Water Board of New Orleans ERS Total Composite Performance

As of December 31, 2020

Return Summary (%)



Current Allocation



Summary of Cash Flows

	Quarter-To-Date	Year-To-Date
Beginning Market Value	$220,546,849	$225,441,131
Contributions	$4,003,084	$26,750,974
Withdrawals	-$9,316,352	-$36,912,105
Net Cash Flow	-$5,313,268	-$10,161,131
Net Investment Change	$19,961,683	$19,915,263
Ending Market Value	$235,195,264	$235,195,264
Net Change	$14,648,415	$9,754,133

RAYMOND JAMES®

Sewerage and Water Board of New Orleans ERS Total Composite

As of December 31, 2020

Asset Allocation by Manager vs. Difference from Target

As Of December 31, 2020

	Total Market Value	% of Portfolio	US Equity	Non-US Equity	US Fixed Income	Alternatives	Real Estate	Cash
US Equity								
NewSouth Capital	$29,399,931	12.5%	$29,399,931					
iShares S&P 500 Growth ETF	$28,796,128	12.2%	$28,796,128					
Barrow, Hanley, Mewhinney, & Strauss	$14,992,740	6.4%	$14,992,740					
Chicago Equity Partners - (Residual Asset)	$573	0.0%	$573					
Non-US Equity								
Earnest Partners	$47,501,189	20.2%		$47,501,189				
US Fixed Income								
Pyramis Global Advisors (Fidelity)	$78,855,813	33.5%			$78,855,813			
Zazove Associates, LLC (Residual Asset)	$37,369	0.0%			$37,369			
Alternatives								
Prisma Capital Partners LP	$17,196,149	7.3%				$17,196,149		
Equitas Capital Advisors (Residual Asset)	$18,912	0.0%				$18,912		
Real Estate								
Vanguard Real Estate ETF	$18,271,046	7.8%					$18,271,046	
Cash								
Cash Account	$125,413	0.1%						$125,413
Total	**$235,195,264**	**100.0%**	**$73,189,372**	**$47,501,189**	**$78,893,182**	**$17,215,062**	**$18,271,046**	**$125,413**
Percent of Total			31.1%	20.2%	33.5%	7.3%	7.8%	0.1%
Difference from Target (%)			4.1%	0.2%	-1.5%	-0.7%	-1.2%	-0.9%
Difference from Target ($)			$9,686,650	$462,137	-$3,425,160	-$1,600,559	-$2,896,528	-$2,226,540

Sewerage and Water Board of New Orleans ERS

As of December 31, 2020

Allocation vs. New Targets and Policy	Current Balance	Current Allocation	Target	Difference	Target Range	Within IPS Range?
US Equity	$73,189,372	31.1%	27.0%	$9,686,650	15.0% - 35.0%	Yes
Non-US Equity	$47,501,189	20.2%	20.0%	$462,137	15.0% - 30.0%	Yes
US Fixed Income	$78,893,182	33.5%	35.0%	-$3,425,160	25.0% - 50.0%	Yes
Alternatives	$17,215,062	7.3%	8.0%	-$1,600,559	5.0% - 12.0%	Yes
Real Estate	$18,271,046	7.8%	9.0%	-$2,896,528	5.0% - 12.0%	Yes
Cash	$125,413	0.1%	1.0%	-$2,226,540	0.0% - 1.0%	Yes
Total	**$235,195,264**	**100.0%**	**100.0%**			

Sewerage and Water Board of New Orleans ERS Total Composite

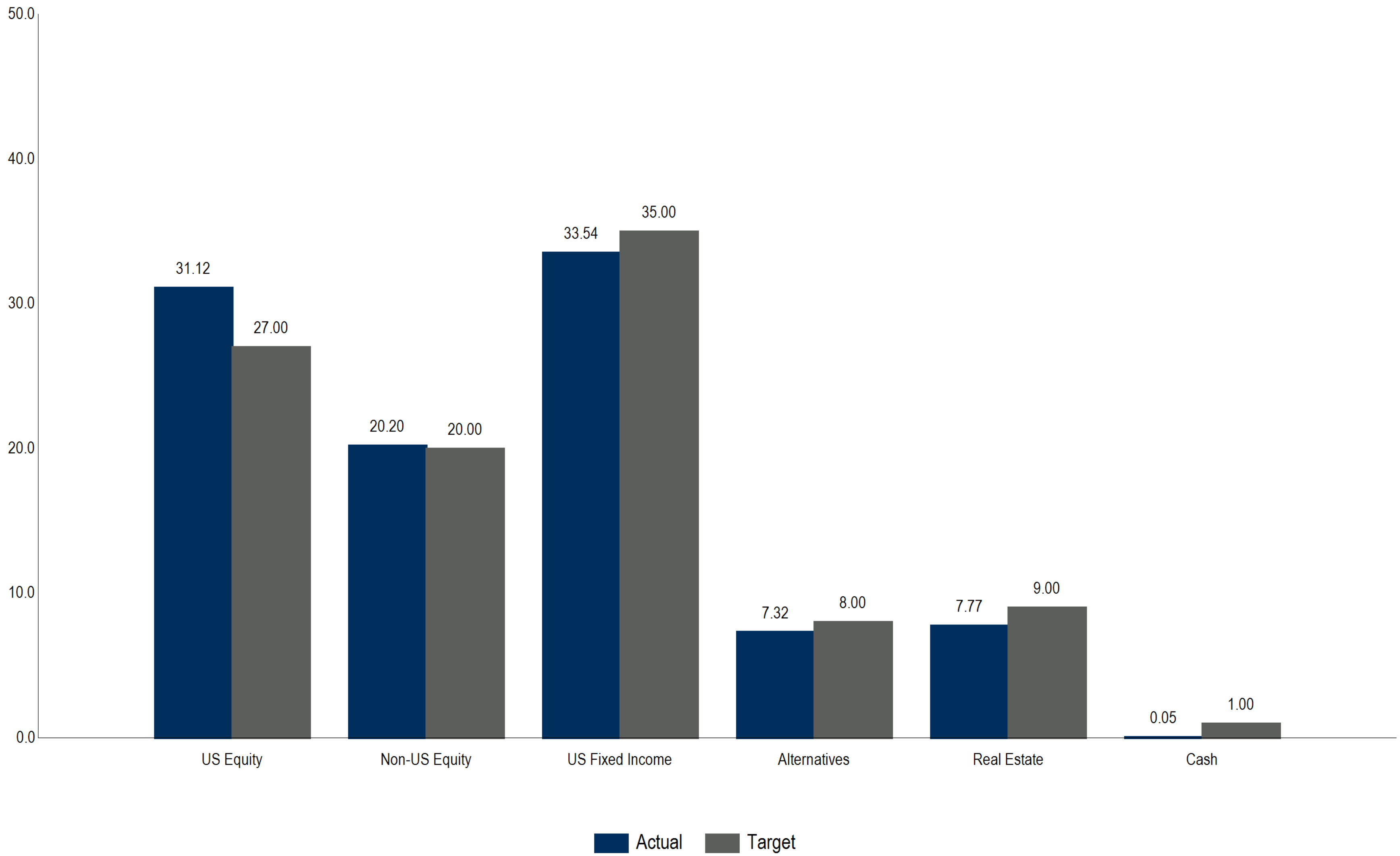
As of December 31, 2020

Investment Expense Analysis As Of December 31, 2020				
Name	Market Value	% of Portfolio	Expense Ratio	Estimated Expense
Equity Composite	**$120,690,561**	**51.3%**		
Earnest Partners	$47,501,189	20.2%	0.85%	$403,760
NewSouth Capital	$29,399,931	12.5%	0.90%	$264,599
iShares S&P 500 Growth ETF	$28,796,128	12.2%	0.18%	$51,833
Barrow, Hanley, Mewhinney, & Strauss	$14,992,740	6.4%	0.63%	$94,454
Chicago Equity Partners - (Residual Asset)	$573	0.0%	0.35%	$2
Fixed Income Composite	**$78,893,182**	**33.5%**		
Pyramis Global Advisors (Fidelity)	$78,855,813	33.5%	0.20%	$157,712
Zazove Associates, LLC (Residual Asset)	$37,369	0.0%	0.00%	$0
Real Estate Composite	**$18,271,046**	**7.8%**		
Vanguard Real Estate ETF	$18,271,046	7.8%	0.12%	$21,925
Alternatives Composite	**$17,215,062**	**7.3%**		
Prisma Capital Partners LP	$17,196,149	7.3%	1.00%	$171,961
Equitas Capital Advisors (Residual Asset)	$18,912	0.0%	0.00%	$0
Cash & Equivalents	**$125,413**	**0.1%**		
Cash Account	$125,413	0.1%		
Total	**$235,195,264**	**100.0%**	**0.50%**	**$1,166,248**

Sewerage and Water Board of New Orleans ERS

As of December 31, 2020

Actual vs Target Allocation (%)
As of December 31, 2020

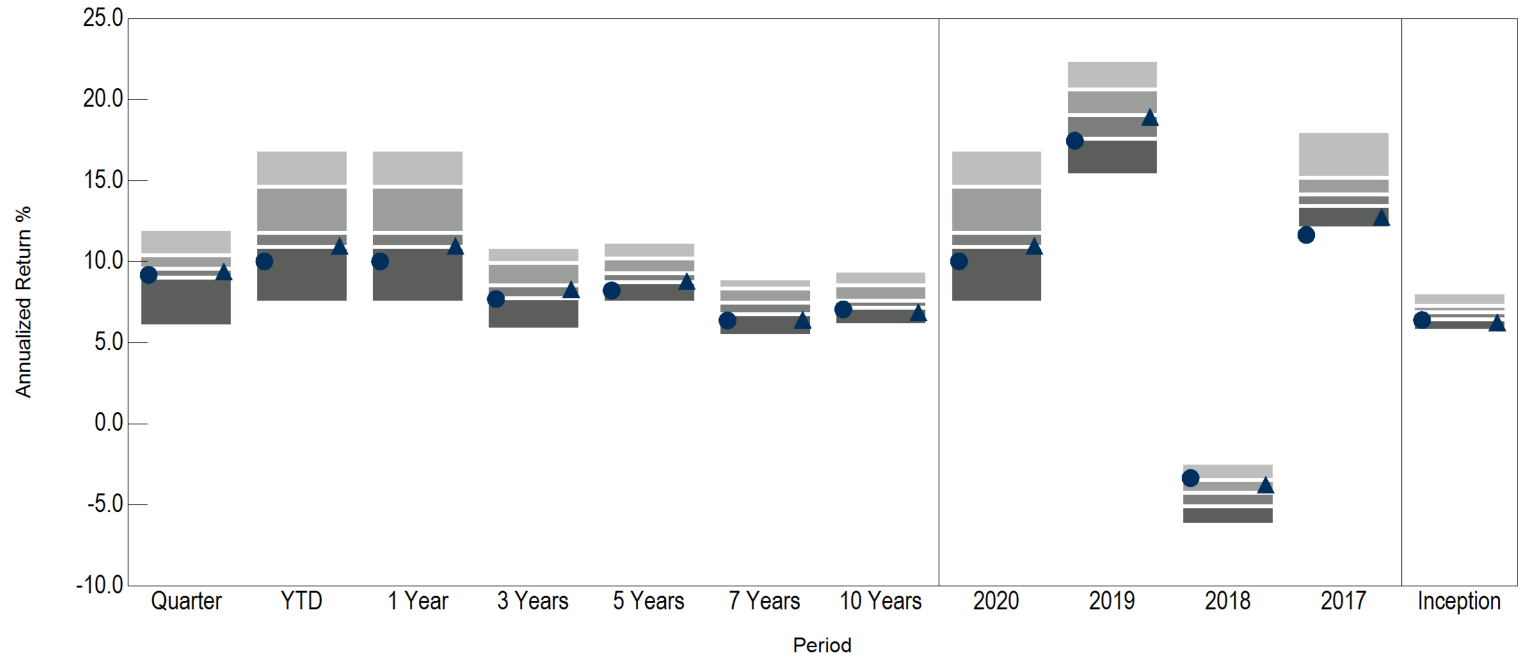


Sewerage and Water Board of New Orleans ERS Total Composite

Sewerage and Water Board of New Orleans ERS Total
Composite Universe Performance

As of December 31, 2020

Sewerage and Water Board of New Orleans ERS Total Composite vs. InvMetrics Public DB $50mm-$250mm Net



Return (Rank)	Quarter	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	2020	2019	2018	2017	Inception
5th Percentile	11.9	16.8	16.8	10.9	11.1	8.95	9.42	16.8	22.4	-2.41	18.0	8.07
25th Percentile	10.4	14.6	14.6	9.95	10.2	8.37	8.54	14.6	20.6	-3.45	15.1	7.29
Median	9.59	11.7	11.7	8.54	9.30	7.49	7.62	11.7	19.0	-4.25	14.1	6.89
75th Percentile	9.01	10.9	10.9	7.75	8.73	6.77	7.17	10.9	17.6	-5.07	13.4	6.47
95th Percentile	6.03	7.49	7.49	5.83	7.49	5.42	6.10	7.49	15.3	-6.20	12.0	5.74
# of Portfolios	82	81	81	78	73	69	57	81	157	146	74	28
● **Sewerage and Water Board of New Orleans E**	9.18 (67)	10.0 (84)	10.0 (84)	7.69 (76)	8.22 (86)	6.37 (86)	7.05 (82)	10.0 (84)	17.4 (77)	-3.35 (23)	11.6 (98)	6.39 (79)
▲ **Strategic Asset Allocation**	9.39 (58)	10.9 (74)	10.9 (74)	8.30 (53)	8.80 (72)	6.41 (85)	6.88 (84)	10.9 (74)	18.9 (52)	-3.76 (34)	12.7 (86)	6.26 (81)

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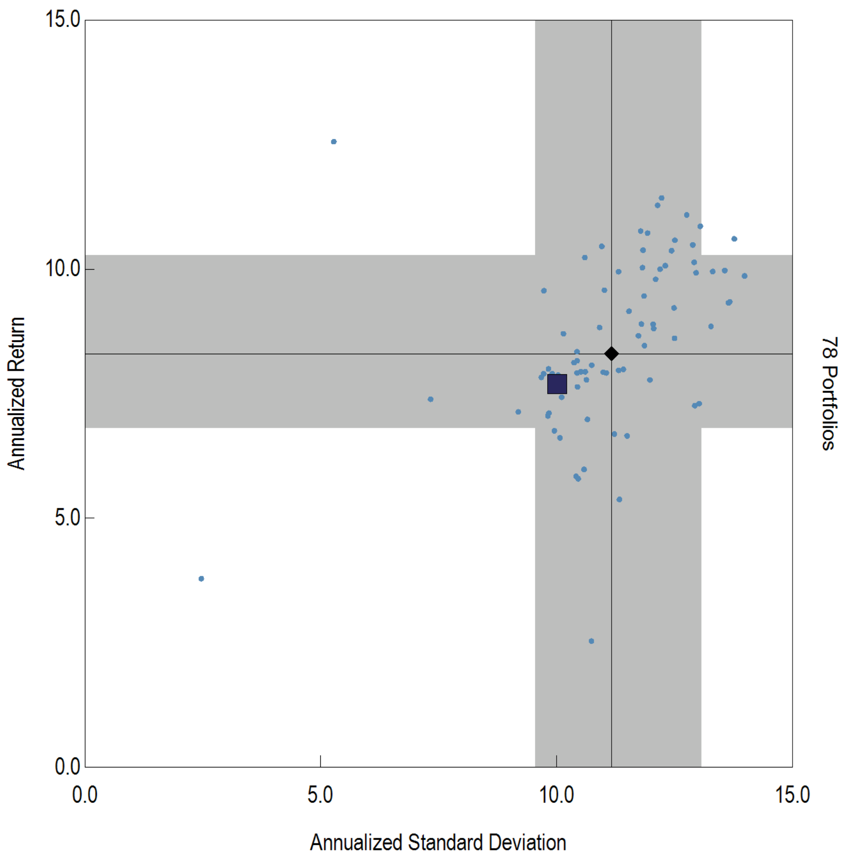
Sewerage and Water Board of New Orleans ERS Total Composite

Sewerage and Water Board of New Orleans ERS Total Composite Risk/Return

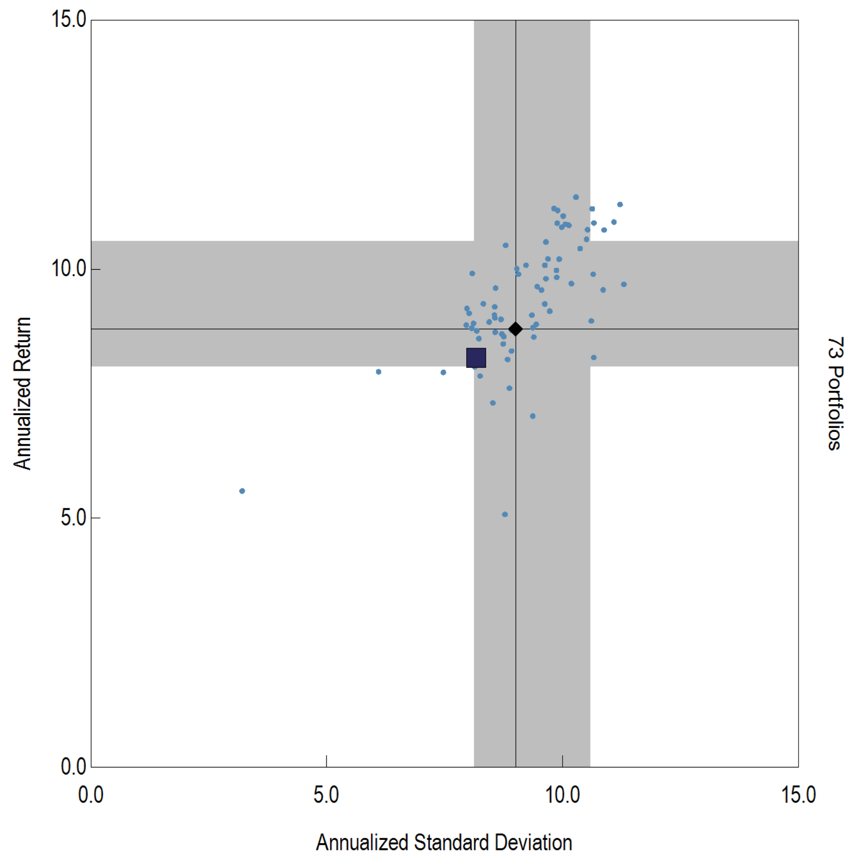
As of December 31, 2020

3 Year Risk/Return



- Sewerage and Water Board of New Orleans ERS Total Composite
- Strategic Asset Allocation
- 68% Confidence Interval
- InvMetrics Public DB $50mm-$250mm Net

5 Year Risk/Return



- Sewerage and Water Board of New Orleans ERS Total Composite
- Strategic Asset Allocation
- 68% Confidence Interval
- InvMetrics Public DB $50mm-$250mm Net

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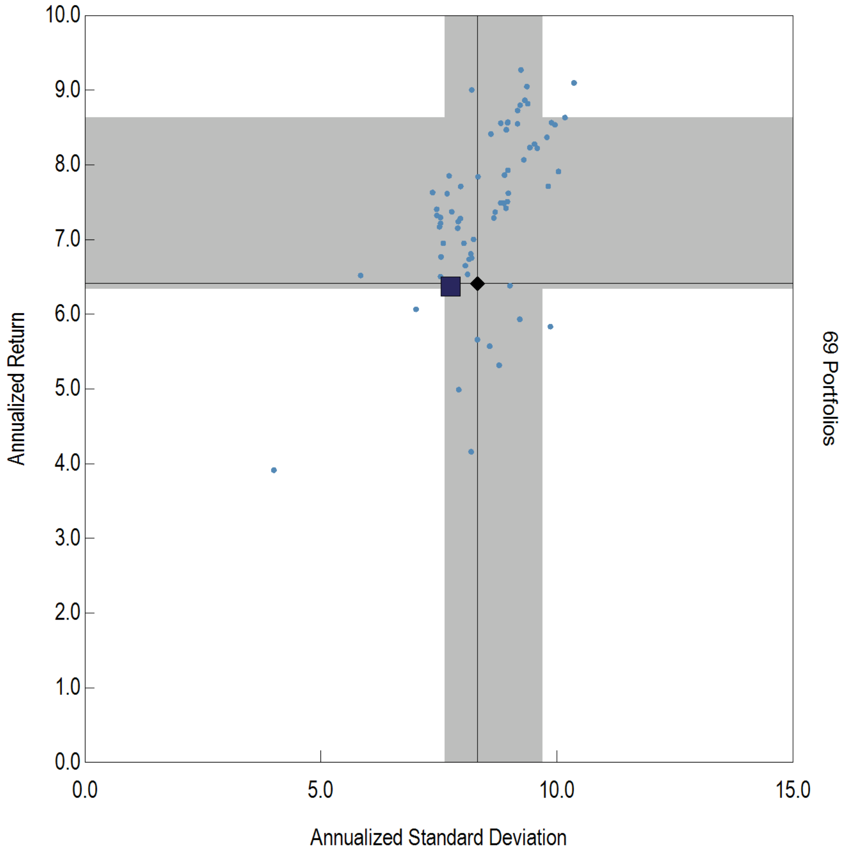
Sewerage and Water Board of New Orleans ERS Total Composite

Sewerage and Water Board of New Orleans ERS Total Composite Risk/Return

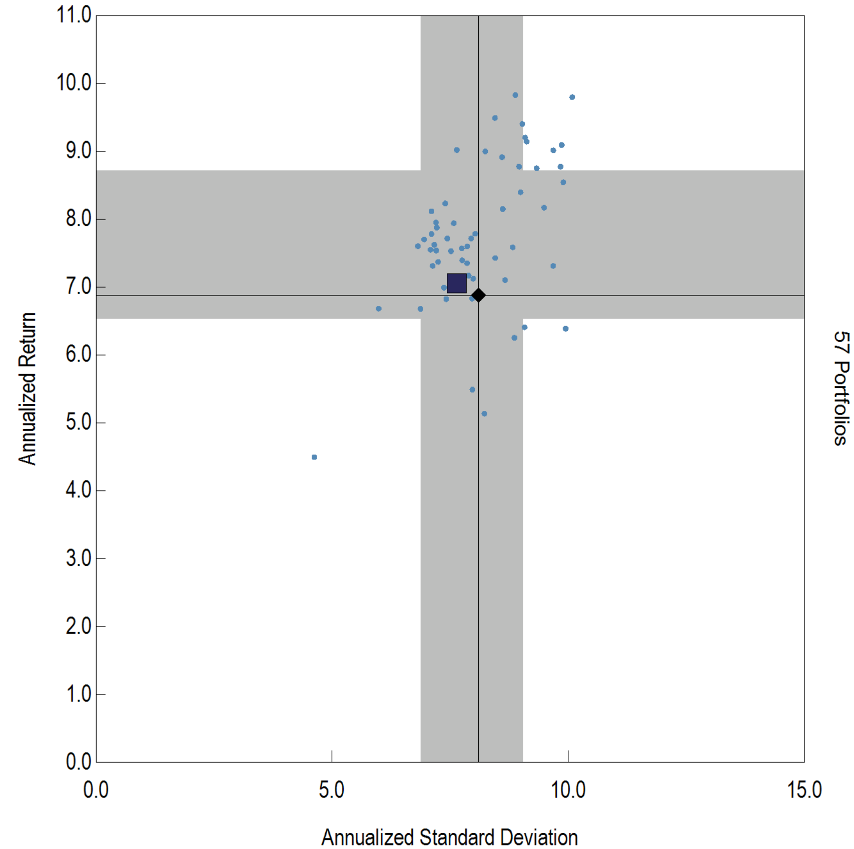
As of December 31, 2020

7 Year Risk/Return



- Sewerage and Water Board of New Orleans ERS Total Composite
- Strategic Asset Allocation
- 68% Confidence Interval
- InvMetrics Public DB $50mm-$250mm Net

10 Year Risk/Return



- Sewerage and Water Board of New Orleans ERS Total Composite
- Strategic Asset Allocation
- 68% Confidence Interval
- InvMetrics Public DB $50mm-$250mm Net

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Sewerage and Water Board of New Orleans ERS Total Composite

Sewerage and Water Board of New Orleans ERS Total Composite Risk Statistics

As of December 31, 2020

7 Year Risk Statistics

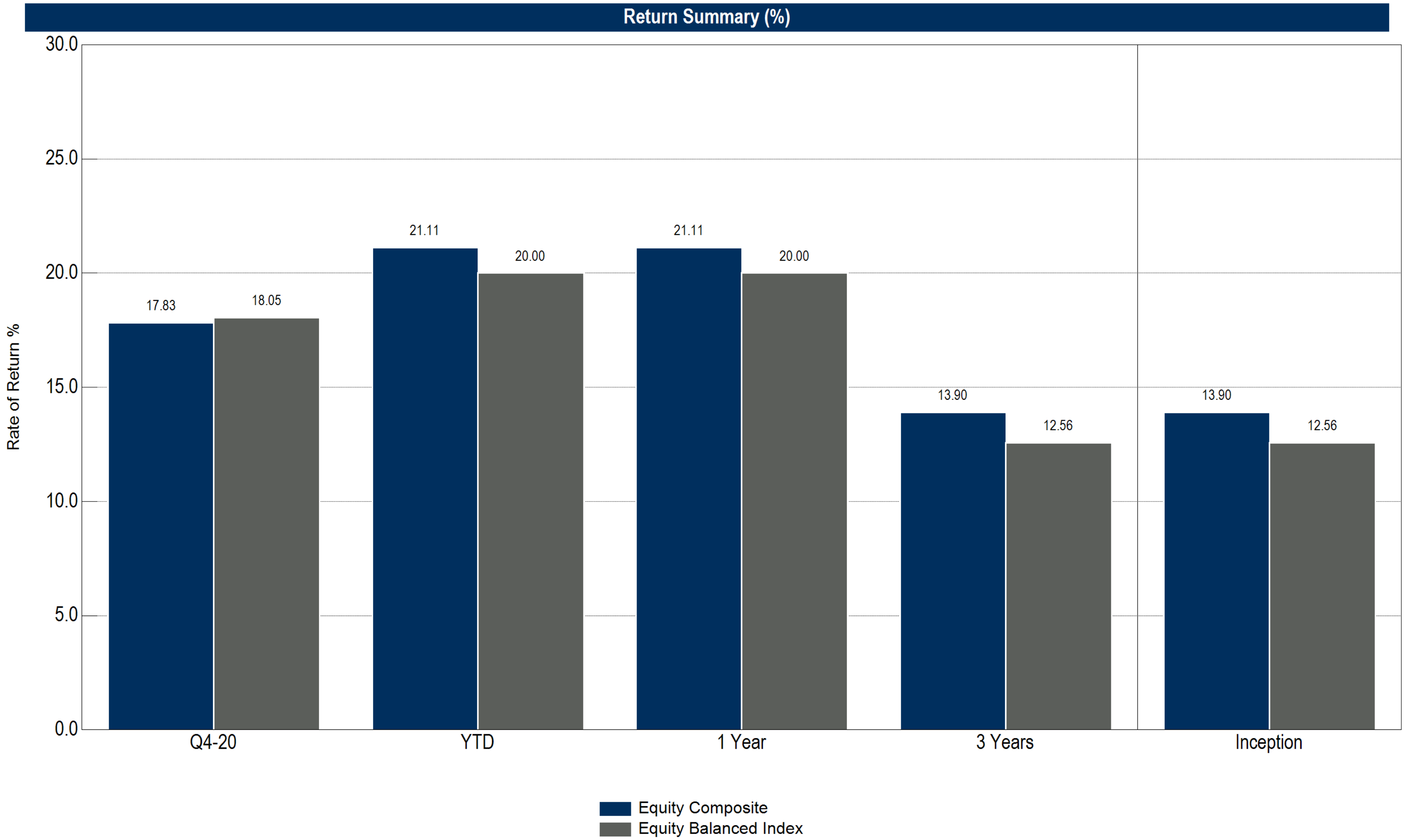
	Annualized Return (%)	Annualized Standard Deviation	Annualized Alpha (%)	Beta	Tracking Error	Up Market Capture Ratio (%)	Down Market Capture Ratio (%)	Sharpe Ratio	Information Ratio
Sewerage and Water Board of New Orleans ERS Total Composite	6.37	7.75	0.84	0.86	3.14	91.98	92.89	0.71	-0.01
Strategic Asset Allocation	6.41	8.31	0.00	1.00	0.00	100.00	100.00	0.67	--
Earnest Partners	3.93	16.46	0.68	0.67	14.00	64.01	86.68	0.19	-0.06
MSCI ACWI ex USA	4.82	14.67	0.00	1.00	0.00	100.00	100.00	0.27	--
NewSouth Capital	9.80	17.01	4.05	0.84	6.95	81.20	85.03	0.53	0.43
Russell 2500 Value	6.84	18.82	0.00	1.00	0.00	100.00	100.00	0.32	--
Barrow, Hanley, Mewhinney, & Strauss	9.83	15.88	3.53	0.77	11.54	45.61	47.07	0.57	0.14
Russell 1000 Value	8.20	14.88	0.00	1.00	0.00	100.00	100.00	0.50	--
Chicago Equity Partners - (Residual Asset)	-9.13	36.31	-11.58	0.19	38.09	-2.77	68.19	-0.27	-0.58
Russell 1000	13.04	14.53	0.00	1.00	0.00	100.00	100.00	0.84	--
Pyramis Global Advisors (Fidelity)	5.10	3.49	1.13	0.97	1.89	118.47	97.39	1.22	0.54
BBgBarc US Aggregate TR	4.09	3.02	0.00	1.00	0.00	100.00	100.00	1.08	--
Vanguard Real Estate ETF	8.52	16.06	2.28	0.97	1.75	106.16	96.33	0.48	1.18
MSCI US REIT	6.46	16.54	0.00	1.00	0.00	100.00	100.00	0.34	--
Prisma Capital Partners LP	1.64	6.27	0.52	0.31	7.05	56.66	79.63	0.13	-0.28
HFRI Fund of Funds Composite Index	3.61	5.23	0.00	1.00	0.00	100.00	100.00	0.53	--
Cash Account	34.95	69.40	-13.78	58.35	69.34	11,927.44	--	0.49	0.49
FTSE T-Bill 3 Months TR	0.84	0.25	0.00	1.00	0.00	100.00	--	0.00	--

Manager and Fund Investment Analysis

Equity Composite Investment Analysis

Equity Composite Performance

As of December 31, 2020



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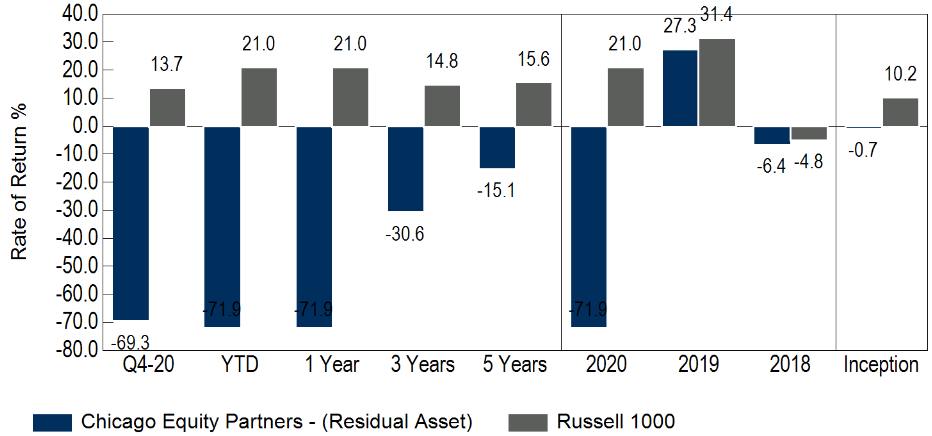
Chicago Equity Partners - (Residual Asset)

As of December 31, 2020

Account Information

Account Name	Chicago Equity Partners - (Residual Asset)
Account Structure	Separate Account
Investment Style	Active
Inception Date	5/31/06
Account Type	US Stock Large Cap Core
Benchmark	Russell 1000
Universe	Large Cap MStar MF

Return Summary



3 Year Risk/Return Statistics

	Chicago Equity Partners - (Residual Asset)	Russell 1000
RETURN SUMMARY STATISTICS		
Number of Periods	36	36
Maximum Return	44.89	13.21
Minimum Return	-63.77	-13.22
Annualized Return	-30.57	14.82
Total Return	-66.53	51.37
Annualized Excess Return Over Risk Free	-32.13	13.26
Annualized Excess Return	-45.39	0.00
RISK SUMMARY STATISTICS		
Beta	-0.05	1.00
Upside Deviation	31.67	11.51
Downside Deviation	64.97	12.77
RISK/RETURN SUMMARY STATISTICS		
Annualized Standard Deviation	54.52	19.37
Alpha	-1.24	0.00
Sharpe Ratio	-0.59	0.68
Excess Return Over Market / Risk	-0.83	0.00
Tracking Error	58.21	0.00
Information Ratio	-0.78	--
CORRELATION STATISTICS		
R-Squared	0.00	1.00
Correlation	-0.02	1.00

Summary Of Cash Flows

	Fourth Quarter	Year-To-Date	One Year	Inception 5/31/06
Beginning Market Value	$1,868	$16,197,224	$16,197,224	--
Contributions	$0	$18,549	$18,549	$392,418
Withdrawals	-$1	-$15,185,758	-$15,185,758	-$25,339,937
Net Cash Flow	-$1	-$15,167,209	-$15,167,209	-$24,298,019
Net Investment Change	-$1,294	-$1,029,442	-$1,029,442	$24,298,592
Ending Market Value	$573	$573	$573	$573

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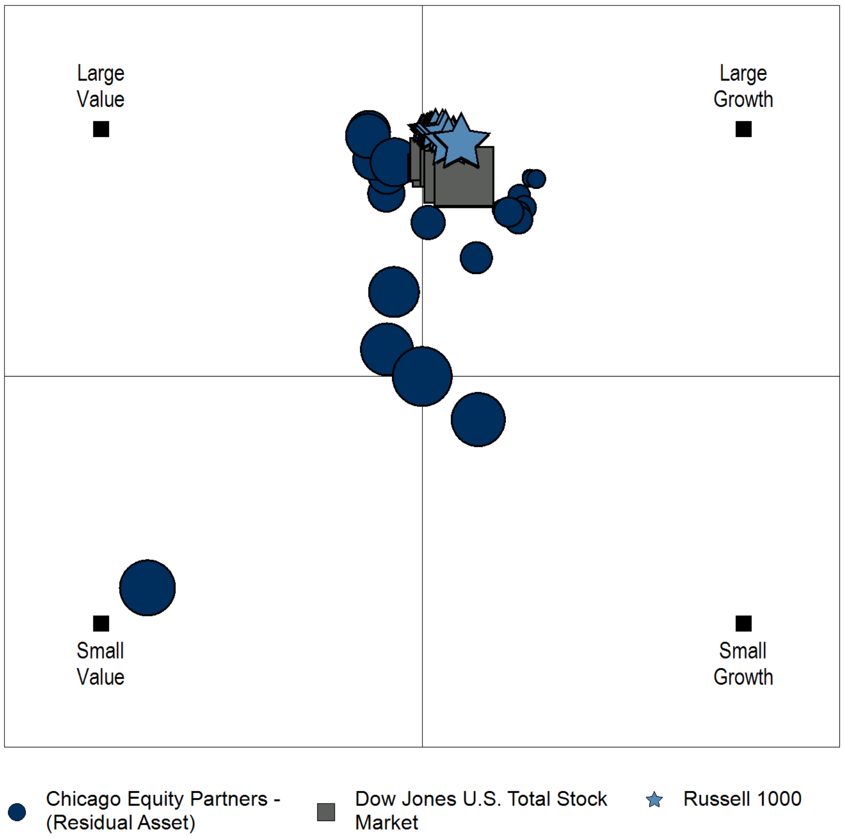
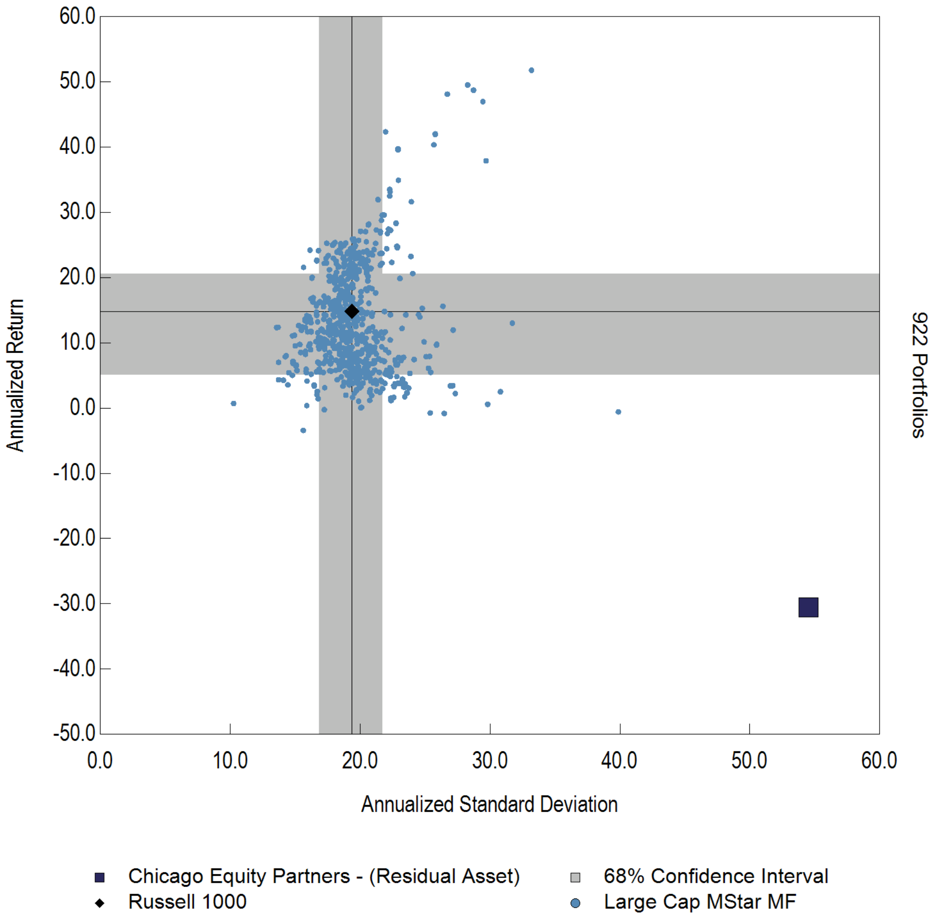
Chicago Equity Partners - (Residual Asset)

As of December 31, 2020

3 Year Style Map



3 Year Risk/Return



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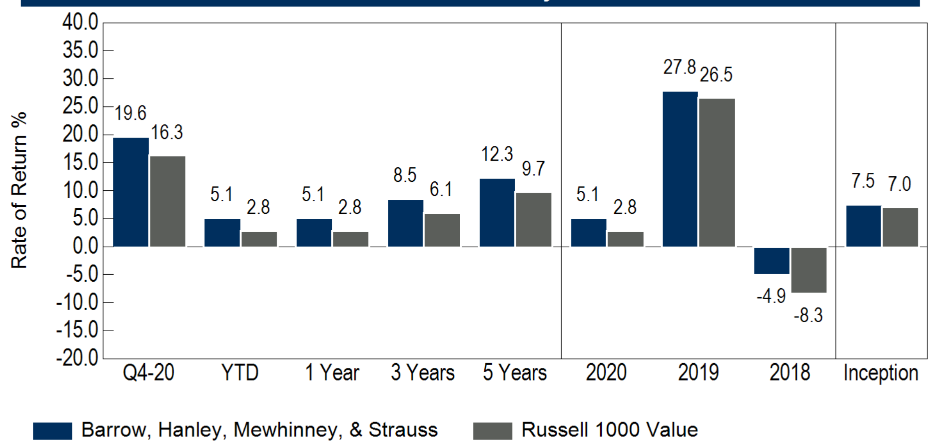
Barrow, Hanley, Mewhinney, & Strauss

As of December 31, 2020

Account Information

Account Name	Barrow, Hanley, Mewhinney, & Strauss
Account Structure	Mutual Fund
Investment Style	Active
Inception Date	8/01/06
Account Type	US Stock Large Cap Value
Benchmark	Russell 1000 Value
Universe	Large Value MStar MF

Return Summary



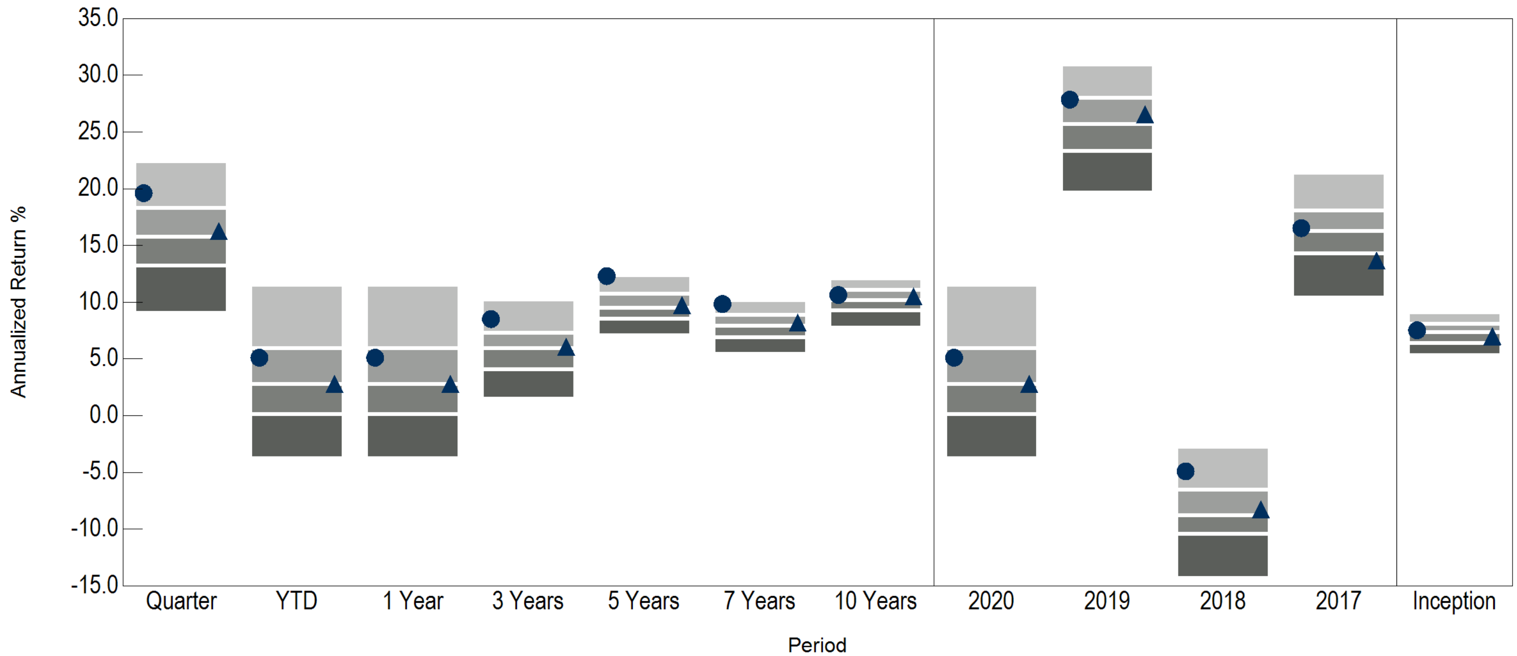
3 Year Risk/Return Statistics

	Barrow, Hanley, Mewhinney, & Strauss	Russell 1000 Value
RETURN SUMMARY STATISTICS		
Number of Periods	36	36
Maximum Return	15.19	13.45
Minimum Return	-19.23	-17.09
Annualized Return	8.51	6.07
Total Return	27.77	19.32
Annualized Excess Return Over Risk Free	6.95	4.50
Annualized Excess Return	2.45	0.00
RISK SUMMARY STATISTICS		
Beta	1.06	1.00
Upside Deviation	12.31	11.56
Downside Deviation	18.19	16.57
RISK/RETURN SUMMARY STATISTICS		
Annualized Standard Deviation	21.41	19.90
Alpha	0.18	0.00
Sharpe Ratio	0.32	0.23
Excess Return Over Market / Risk	0.11	0.00
Tracking Error	3.74	0.00
Information Ratio	0.65	--
CORRELATION STATISTICS		
R-Squared	0.97	1.00
Correlation	0.99	1.00

Summary Of Cash Flows

	Fourth Quarter	Year-To-Date	One Year	Inception 8/1/06
Beginning Market Value	$12,579,635	$10,815,275	$10,815,275	$25,348,242
Contributions	$0	$3,000,000	$3,000,000	$3,051,578
Withdrawals	-$44,867	-$139,442	-$139,442	-$16,128,460
Net Cash Flow	-$44,867	$2,860,558	$2,860,558	-$13,148,864
Net Investment Change	$2,457,972	$1,316,908	$1,316,908	$2,793,362
Ending Market Value	$14,992,740	$14,992,740	$14,992,740	$14,992,740

Barrow, Hanley, Mewhinney, & Strauss vs. Large Value MStar MF



	Return (Rank)											
5th Percentile	22.3	11.5	11.5	10.2	12.3	10.1	12.0	11.5	30.9	-2.77	21.3	9.10
25th Percentile	18.3	5.99	5.99	7.31	10.7	8.90	11.0	5.99	28.0	-6.50	18.1	8.12
Median	15.7	2.83	2.83	5.98	9.53	7.95	10.2	2.83	25.7	-8.74	16.3	7.38
75th Percentile	13.2	0.17	0.17	4.14	8.58	6.94	9.31	0.17	23.3	-10.4	14.3	6.44
95th Percentile	9.06	-3.71	-3.71	1.55	7.10	5.45	7.76	-3.71	19.6	-14.2	10.4	5.33
# of Portfolios	293	293	293	286	270	257	235	293	303	301	295	200
● **Barrow, Hanley, Mewhinney, & Strauss**	19.6 (19)	5.10 (29)	5.10 (29)	8.51 (14)	12.3 (7)	9.83 (9)	10.6 (37)	5.10 (29)	27.8 (27)	-4.91 (16)	16.5 (48)	7.52 (46)
▲ **Russell 1000 Value**	16.2 (44)	2.79 (51)	2.79 (51)	6.07 (49)	9.74 (45)	8.20 (44)	10.5 (39)	2.79 (51)	26.5 (41)	-8.27 (43)	13.6 (82)	6.99 (62)

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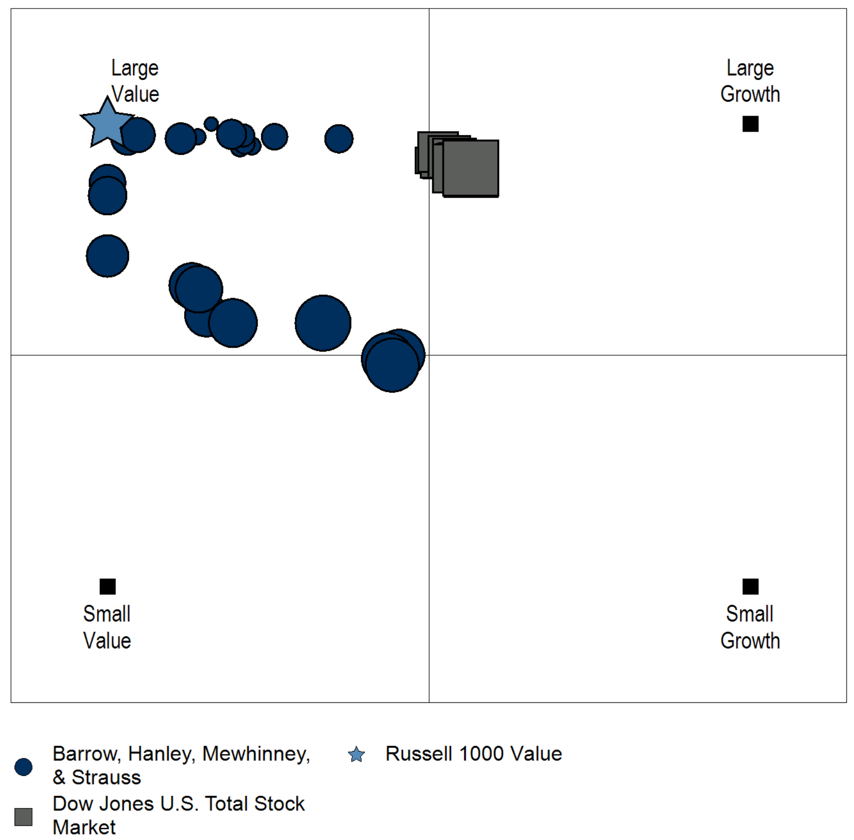
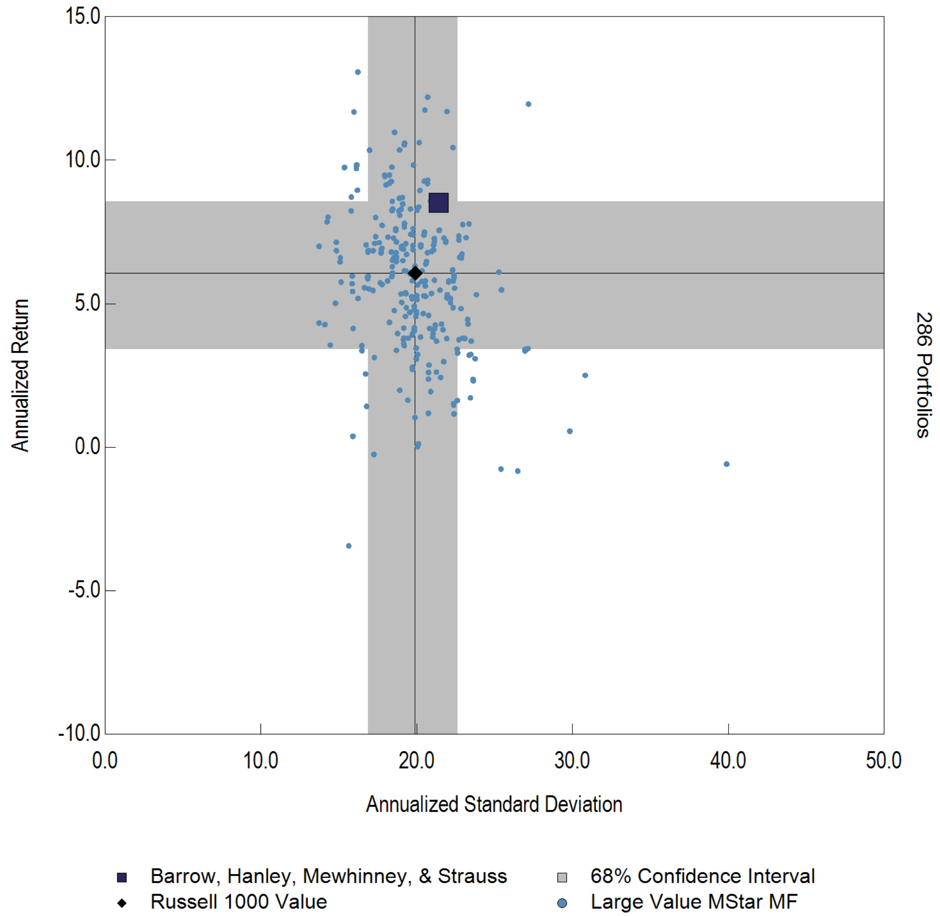
3 Year Style Map



3 Year Risk/Return



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NewSouth Capital

As of December 31, 2020

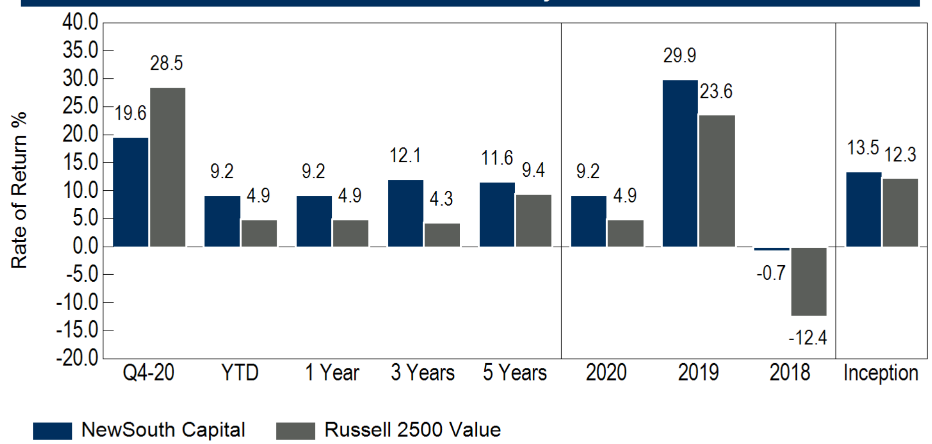
Account Information

Account Name	NewSouth Capital
Account Structure	Separate Account
Investment Style	Active
Inception Date	9/30/11
Account Type	US Stock Small/Mid
Benchmark	Russell 2500 Value
Universe	SMID Blend MStar MF

3 Year Risk/Return Statistics

	NewSouth Capital	Russell 2500 Value
RETURN SUMMARY STATISTICS		
Number of Periods	36	36
Maximum Return	15.66	17.50
Minimum Return	-20.39	-24.93
Annualized Return	12.10	4.33
Total Return	40.85	13.58
Annualized Excess Return Over Risk Free	10.53	2.77
Annualized Excess Return	7.76	0.00
RISK SUMMARY STATISTICS		
Beta	0.85	1.00
Upside Deviation	13.96	14.36
Downside Deviation	19.06	22.91
RISK/RETURN SUMMARY STATISTICS		
Annualized Standard Deviation	22.54	25.40
Alpha	0.63	0.00
Sharpe Ratio	0.47	0.11
Excess Return Over Market / Risk	0.34	0.00
Tracking Error	7.22	0.00
Information Ratio	1.08	--
CORRELATION STATISTICS		
R-Squared	0.92	1.00
Correlation	0.96	1.00

Return Summary



Summary Of Cash Flows

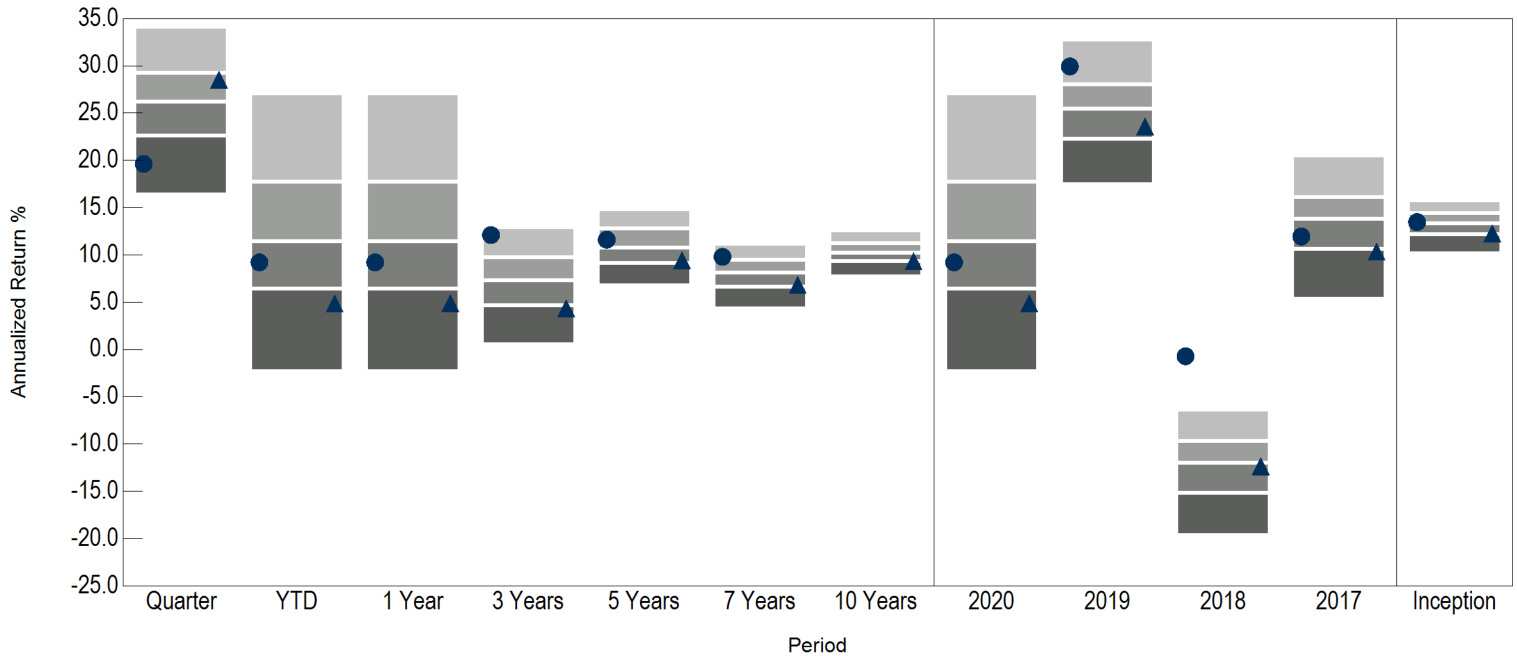
	Fourth Quarter	Year-To-Date	One Year	Inception 9/30/11
Beginning Market Value	$24,924,437	$20,383,009	$20,383,009	$29,721,873
Contributions	$95,391	$6,217,383	$6,217,383	$6,625,372
Withdrawals	-$504,334	-$673,685	-$673,685	-$15,524,987
Net Cash Flow	-$408,943	$5,543,698	$5,543,698	-$8,899,614
Net Investment Change	$4,884,436	$3,473,224	$3,473,224	$8,577,672
Ending Market Value	$29,399,931	$29,399,931	$29,399,931	$29,399,931

RAYMOND JAMES®

NewSouth Capital

As of December 31, 2020

NewSouth Capital vs. SMID Blend MStar MF

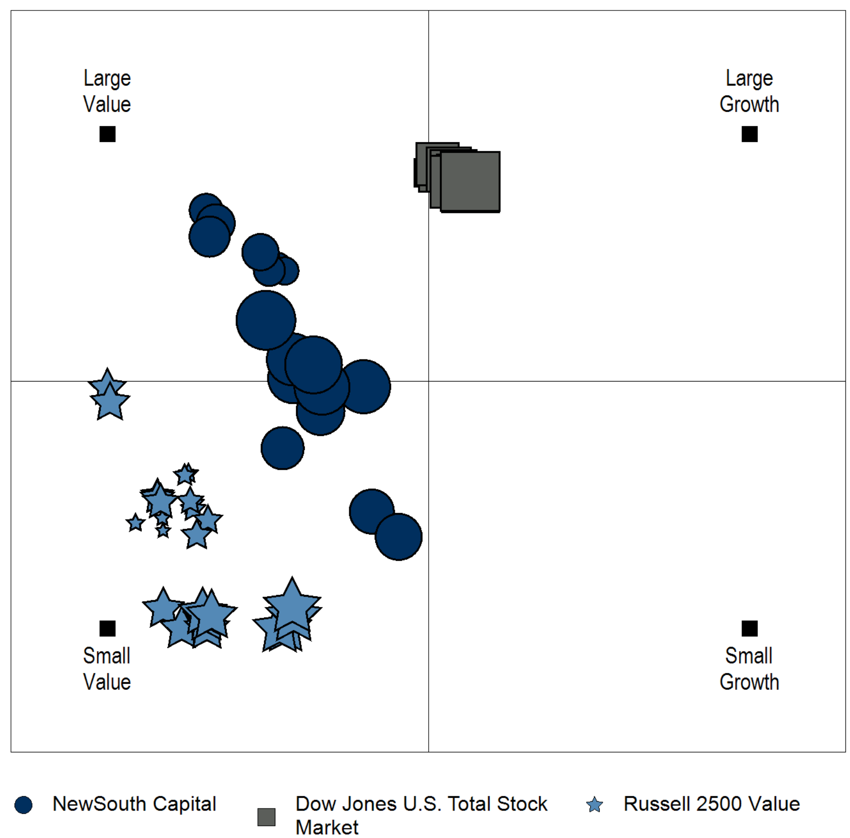


Return (Rank)

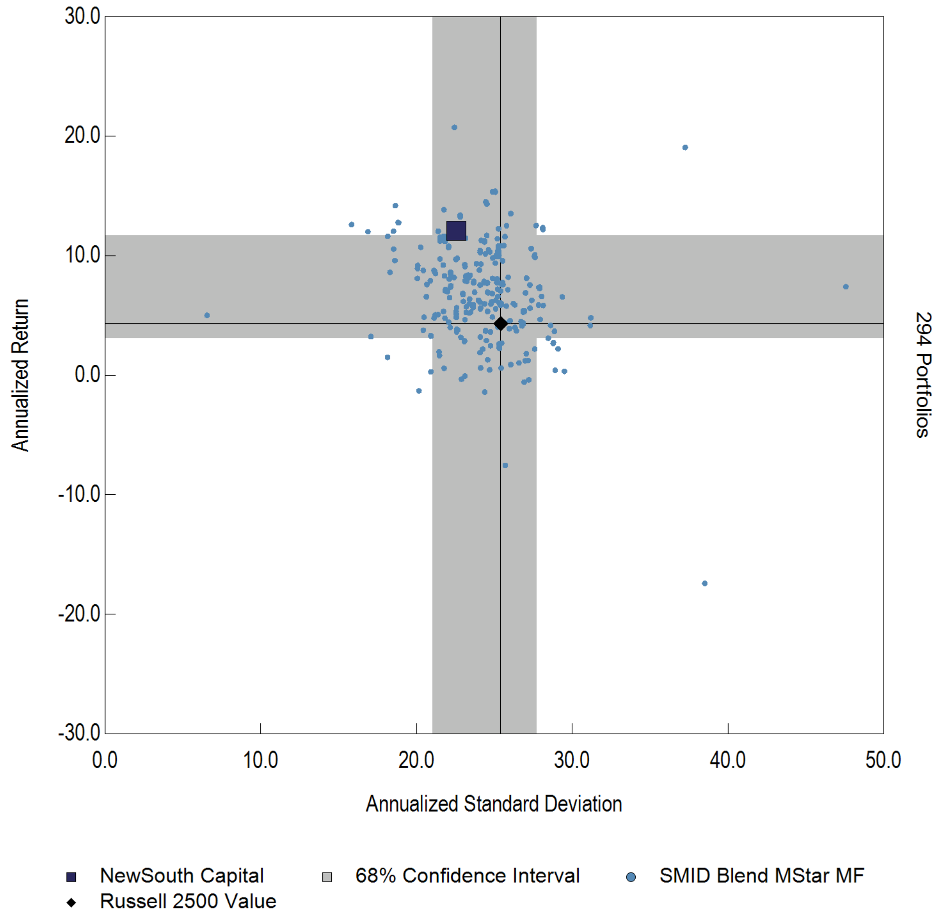
	Quarter	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	2020	2019	2018	2017	Inception
5th Percentile	34.0	27.0	27.0	12.9	14.8	11.1	12.5	27.0	32.7	-6.39	20.5	15.7
25th Percentile	29.3	17.7	17.7	9.81	12.8	9.49	11.2	17.7	28.0	-9.62	16.1	14.4
Median	26.2	11.4	11.4	7.38	10.8	8.18	10.2	11.4	25.5	-11.9	13.8	13.3
75th Percentile	22.6	6.48	6.48	4.70	9.16	6.64	9.38	6.48	22.3	-15.1	10.6	12.2
95th Percentile	16.4	-2.23	-2.23	0.59	6.79	4.37	7.75	-2.23	17.5	-19.5	5.36	10.1
# of Portfolios	310	306	306	294	283	260	223	306	309	340	330	233
● **NewSouth Capital**	19.6 (86)	9.21 (66)	9.21 (66)	12.1 (8)	11.6 (42)	9.80 (18)	-- (--)	9.21 (66)	29.9 (17)	-0.73 (1)	11.9 (68)	13.4 (46)
▲ **Russell 2500 Value**	28.5 (29)	4.88 (79)	4.88 (79)	4.33 (78)	9.43 (73)	6.84 (73)	9.33 (77)	4.88 (79)	23.5 (67)	-12.3 (56)	10.3 (78)	12.2 (74)

RAYMOND JAMES®

3 Year Style Map



3 Year Risk/Return



RAYMOND JAMES®

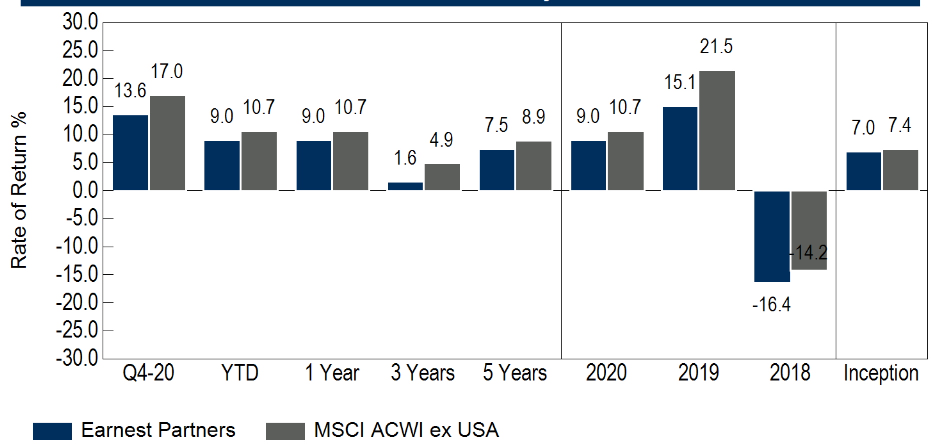
Earnest Partners

As of December 31, 2020

Account Information

Account Name	**Earnest Partners**
Account Structure	**Separate Account**
Investment Style	**Active**
Inception Date	**10/01/11**
Account Type	**International**
Benchmark	**MSCI ACWI ex USA**
Universe	**Foreign MStar MF**

Return Summary



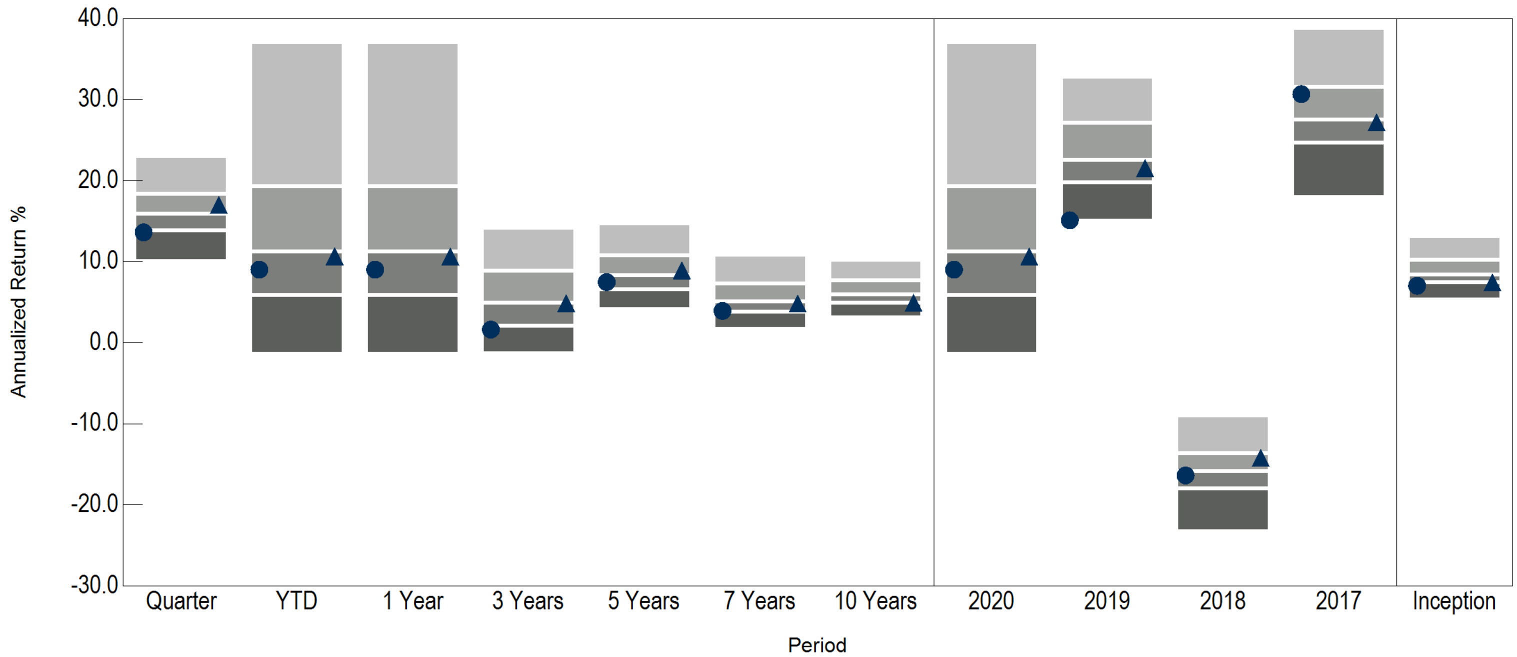
3 Year Risk/Return Statistics

	Earnest Partners	MSCI ACWI ex USA
RETURN SUMMARY STATISTICS		
Number of Periods	36	36
Maximum Return	18.14	13.45
Minimum Return	-19.23	-14.48
Annualized Return	1.61	4.88
Total Return	4.92	15.37
Annualized Excess Return Over Risk Free	0.05	3.32
Annualized Excess Return	-3.27	0.00
RISK SUMMARY STATISTICS		
Beta	0.49	1.00
Upside Deviation	14.29	10.52
Downside Deviation	16.38	12.26
RISK/RETURN SUMMARY STATISTICS		
Annualized Standard Deviation	21.08	18.19
Alpha	0.06	0.00
Sharpe Ratio	0.00	0.18
Excess Return Over Market / Risk	-0.15	0.00
Tracking Error	21.25	0.00
Information Ratio	-0.15	--
CORRELATION STATISTICS		
R-Squared	0.18	1.00
Correlation	0.42	1.00

Summary Of Cash Flows

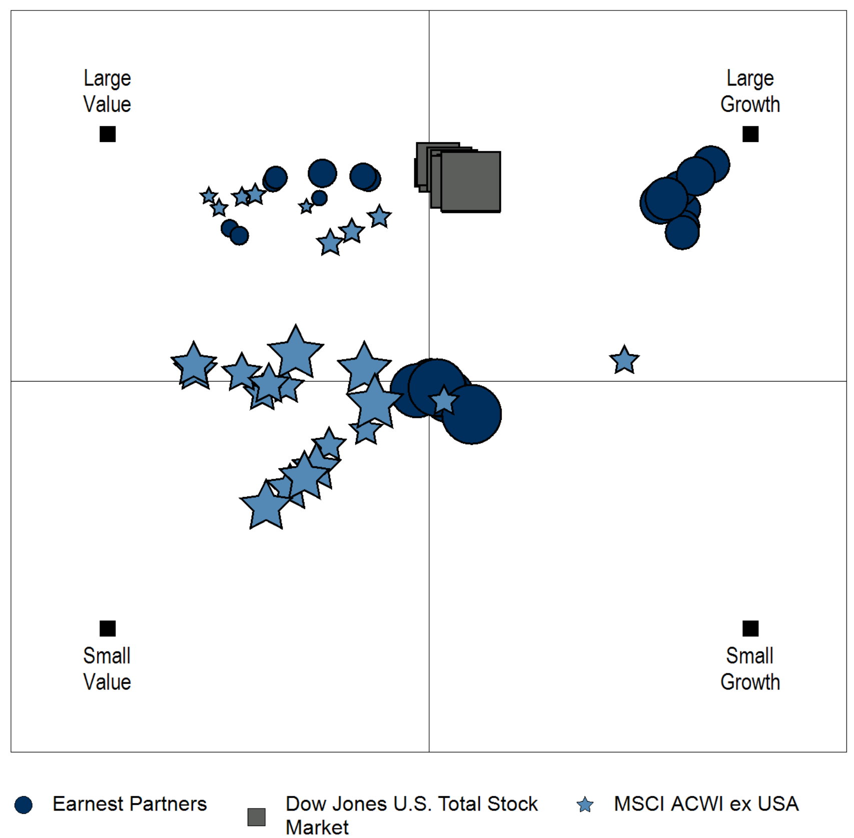
	Fourth Quarter	Year-To-Date	One Year	Inception 10/1/11
Beginning Market Value	$41,816,864	$43,596,342	$43,596,342	--
Contributions	$0	$0	$0	$24,013,500
Withdrawals	-$6,718	-$20,061	-$20,061	-$1,101,946
Net Cash Flow	-$6,718	-$20,061	-$20,061	$23,171,716
Net Investment Change	$5,691,043	$3,924,908	$3,924,908	$24,329,473
Ending Market Value	$47,501,189	$47,501,189	$47,501,189	$47,501,189

Earnest Partners vs. Foreign MStar MF

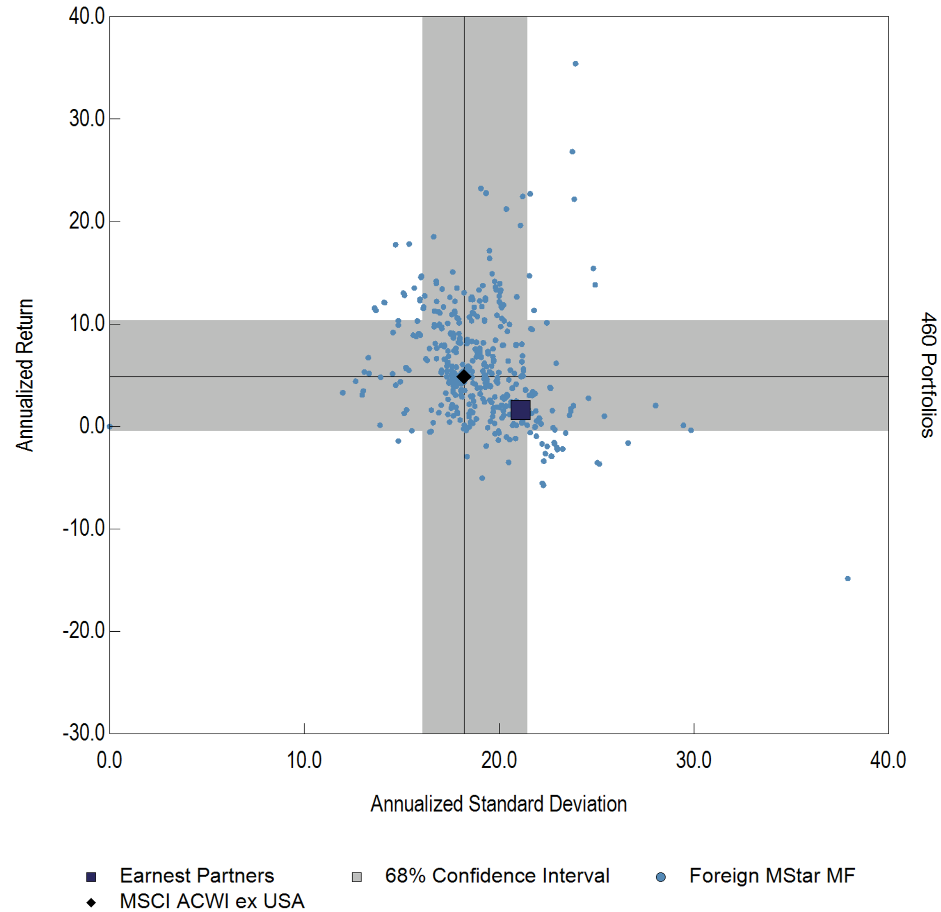


Return (Rank)	Quarter	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	2020	2019	2018	2017	Inception
5th Percentile	23.0	37.0	37.0	14.1	14.6	10.7	10.2	37.0	32.8	-8.96	38.7	13.1
25th Percentile	18.4	19.3	19.3	8.90	10.8	7.31	7.75	19.3	27.1	-13.5	31.6	10.3
Median	15.9	11.3	11.3	4.94	8.36	5.11	6.02	11.3	22.6	-15.8	27.5	8.44
75th Percentile	13.8	5.92	5.92	2.12	6.64	3.83	5.00	5.92	19.8	-17.9	24.7	7.51
95th Percentile	10.1	-1.34	-1.34	-1.30	4.20	1.72	3.14	-1.34	15.1	-23.2	18.0	5.34
# of Portfolios	509	501	501	460	424	371	325	501	494	475	464	336
● Earnest Partners	13.6 (80)	9.01 (60)	9.01 (60)	1.61 (79)	7.47 (65)	3.93 (74)	-- (--)	9.01 (60)	15.1 (96)	-16.3 (57)	30.6 (30)	7.02 (83)
▲ MSCI ACWI ex USA	17.0 (39)	10.6 (53)	10.6 (53)	4.88 (52)	8.93 (44)	4.82 (56)	4.92 (77)	10.6 (53)	21.5 (63)	-14.2 (34)	27.1 (54)	7.44 (77)

3 Year Style Map



3 Year Risk/Return



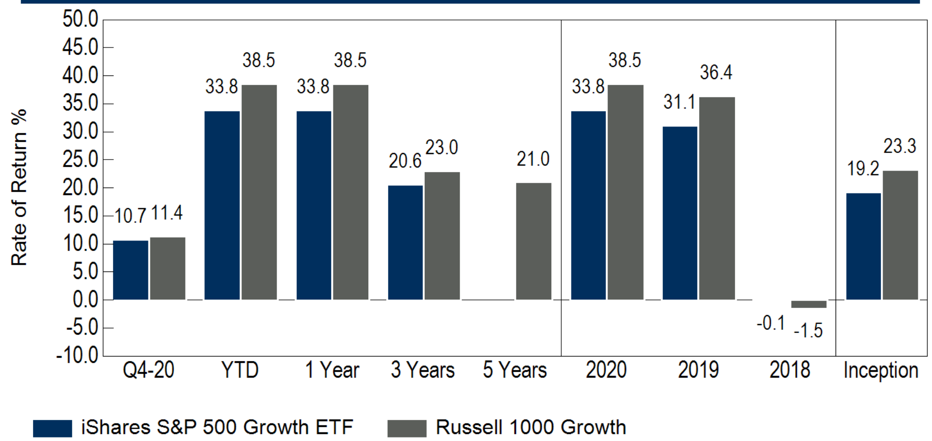
iShares S&P 500 Growth ETF

As of December 31, 2020

Account Information

Account Name	iShares S&P 500 Growth ETF
Account Structure	Separate Account
Investment Style	Passive
Inception Date	3/01/16
Account Type	US Stock Large Cap Growth
Benchmark	Russell 1000 Growth
Universe	Large Growth MStar MF

Return Summary



Year Ending 2020 Risk/Return Statistics

	iShares S&P 500 Growth ETF	Russell 1000 Growth
RETURN SUMMARY STATISTICS		
Number of Periods	12	12
Maximum Return	14.25	14.80
Minimum Return	-10.29	-9.84
Annualized Return	33.82	38.49
Total Return	33.82	38.49
Annualized Excess Return Over Risk Free	33.24	37.91
Annualized Excess Return	-4.67	0.00
RISK SUMMARY STATISTICS		
Beta	0.97	1.00
Upside Deviation	13.30	14.06
Downside Deviation	11.11	9.74
RISK/RETURN SUMMARY STATISTICS		
Annualized Standard Deviation	25.69	26.57
Alpha	-0.21	0.00
Sharpe Ratio	1.29	1.43
Excess Return Over Market / Risk	-0.18	0.00
Tracking Error	1.60	0.00
Information Ratio	-2.91	--
CORRELATION STATISTICS		
R-Squared	1.00	1.00
Correlation	1.00	1.00

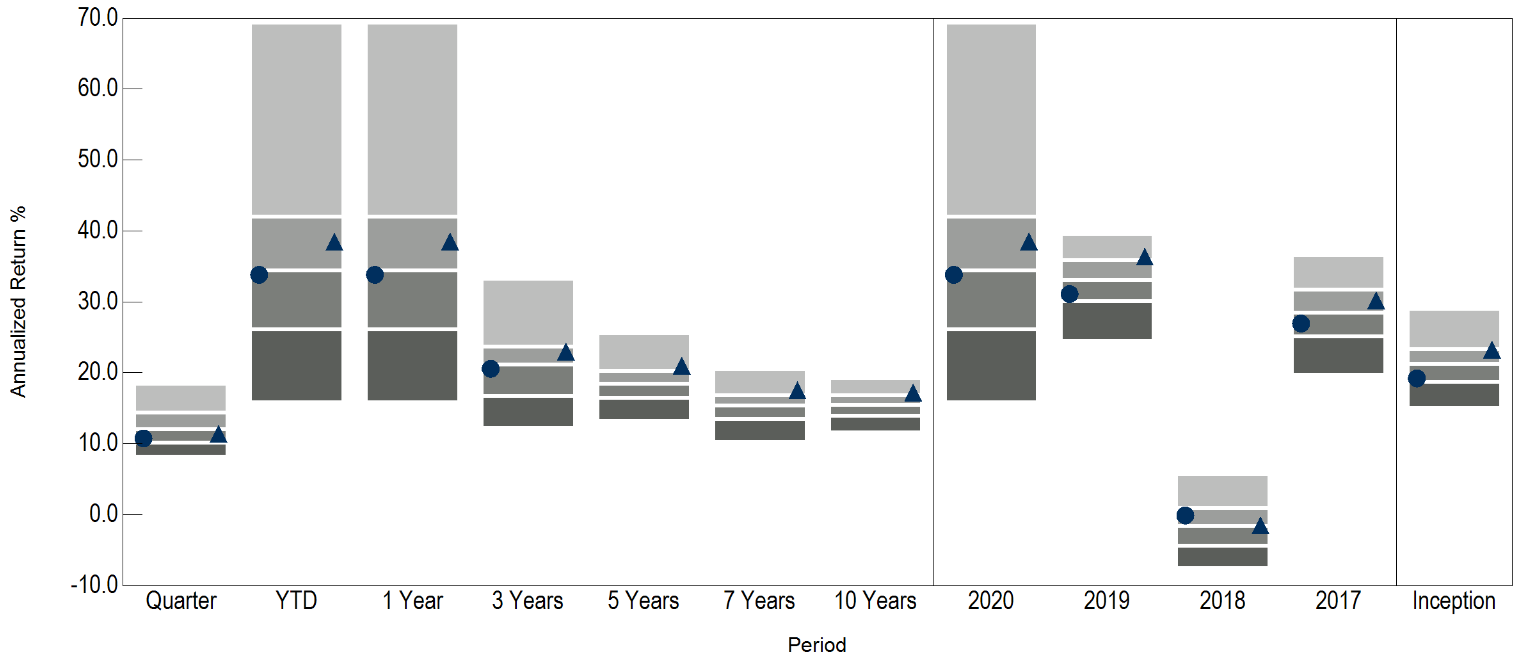
Summary Of Cash Flows

	Fourth Quarter	Year-To-Date	One Year	Inception 3/1/16
Beginning Market Value	$26,069,035	$17,143,077	$17,143,077	--
Contributions	$0	$5,000,009	$5,000,009	$5,012,947
Withdrawals	-$65,986	-$268,889	-$268,889	-$4,092,113
Net Cash Flow	-$65,986	$4,731,120	$4,731,120	$1,035,721
Net Investment Change	$2,793,079	$6,921,931	$6,921,931	$27,760,407
Ending Market Value	$28,796,128	$28,796,128	$28,796,128	$28,796,128

iShares S&P 500 Growth ETF

As of December 31, 2020

iShares S&P 500 Growth ETF vs. Large Growth MStar MF



Return (Rank)	Quarter	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	2020	2019	2018	2017	Inception
5th Percentile	18.3	69.3	69.3	33.2	25.5	20.4	19.2	69.3	39.5	5.66	36.5	29.0
25th Percentile	14.4	42.0	42.0	23.7	20.2	16.8	16.8	42.0	35.9	0.99	31.7	23.3
Median	12.1	34.5	34.5	21.1	18.4	15.4	15.5	34.5	33.1	-1.51	28.5	21.2
75th Percentile	10.1	26.1	26.1	16.7	16.5	13.5	13.9	26.1	30.1	-4.29	25.2	18.7
95th Percentile	8.24	15.8	15.8	12.2	13.2	10.3	11.6	15.8	24.5	-7.47	19.8	15.0
# of Portfolios	326	325	325	316	302	289	266	325	326	321	309	303
● **iShares S&P 500 Growth ETF**	10.7 (67)	33.8 (54)	33.8 (54)	20.5 (57)	-- (--)	-- (--)	-- (--)	33.8 (54)	31.1 (67)	-0.10 (37)	26.9 (64)	19.2 (72)
▲ **Russell 1000 Growth**	11.3 (59)	38.4 (35)	38.4 (35)	22.9 (33)	21.0 (19)	17.5 (18)	17.2 (19)	38.4 (35)	36.3 (20)	-1.51 (51)	30.2 (37)	23.2 (27)

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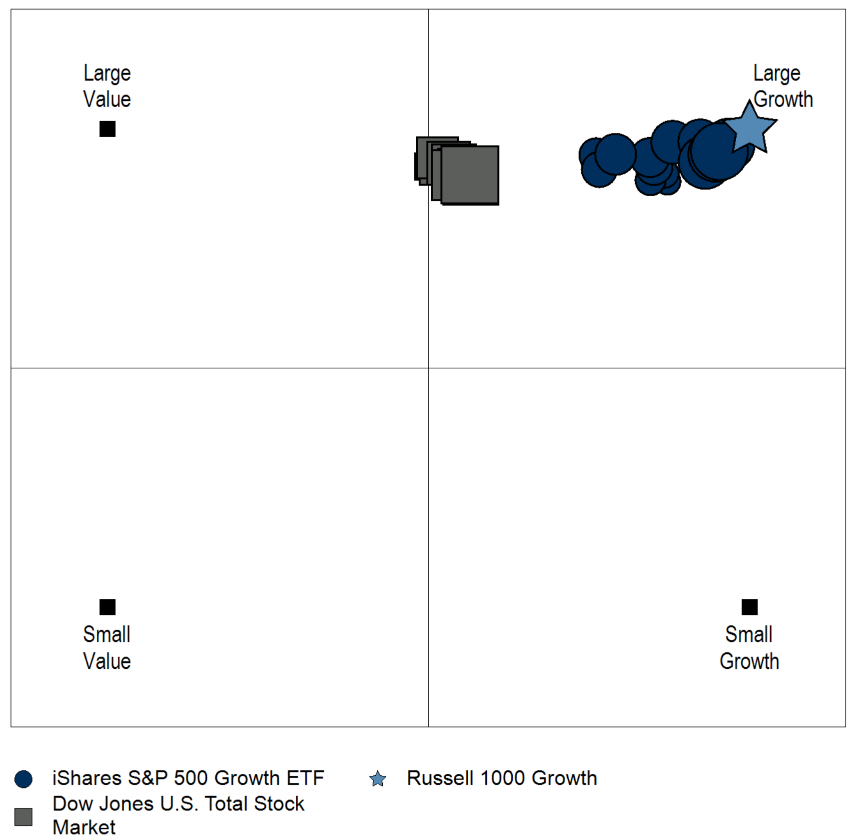
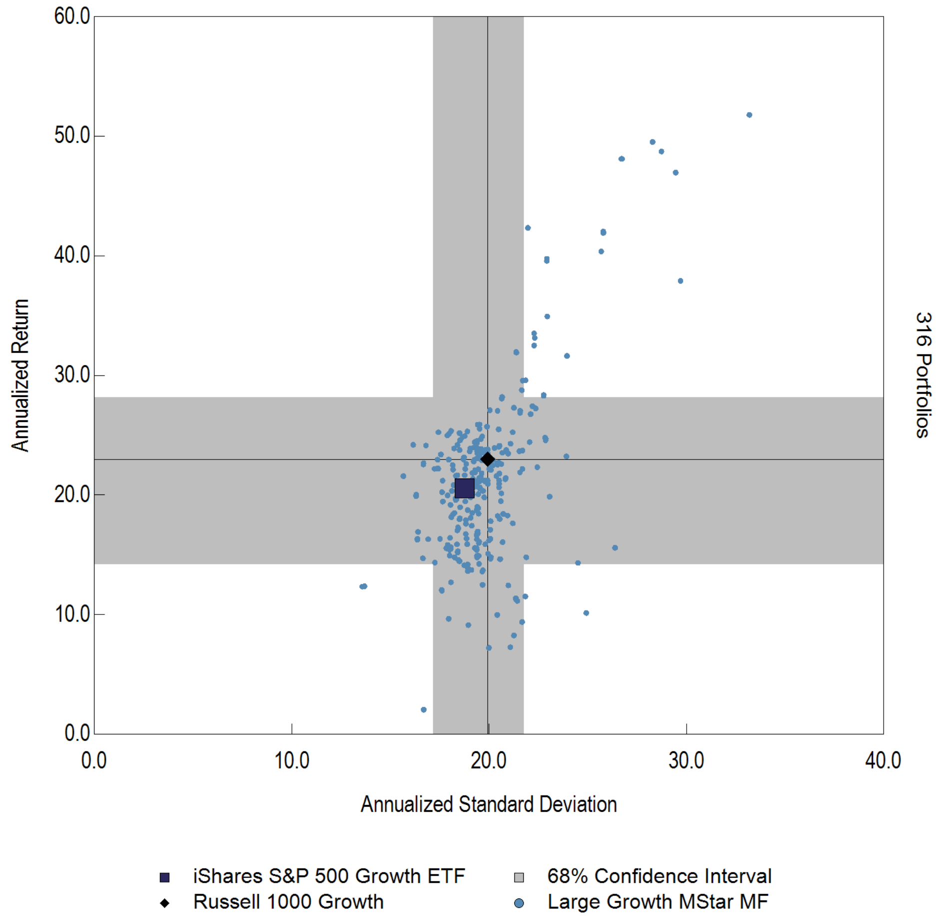
3 Year Style Map



3 Year Risk/Return

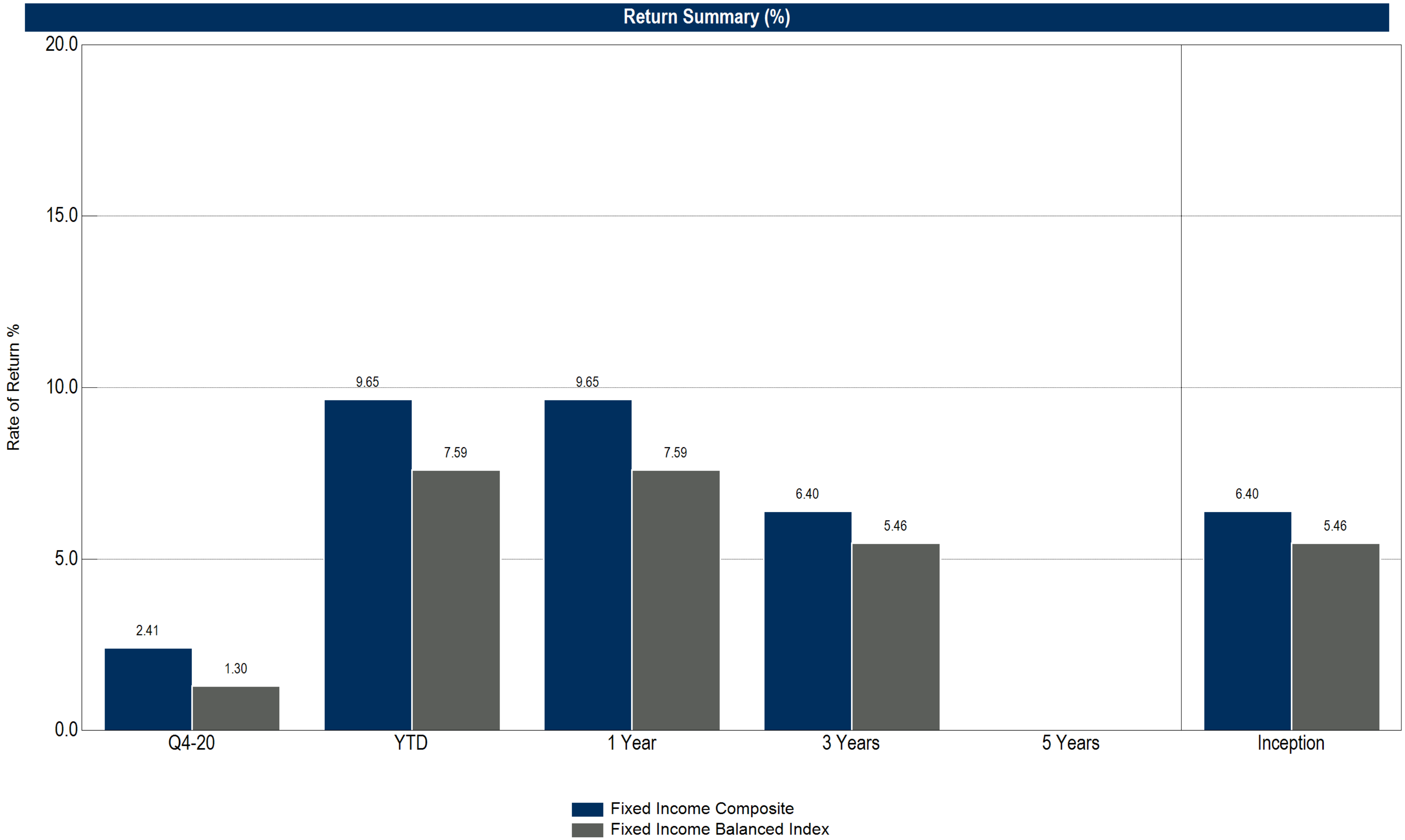


RAYMOND JAMES®

Fixed Income Composite Investment Analysis

Fixed Income Composite Performance

As of December 31, 2020



RAYMOND JAMES®

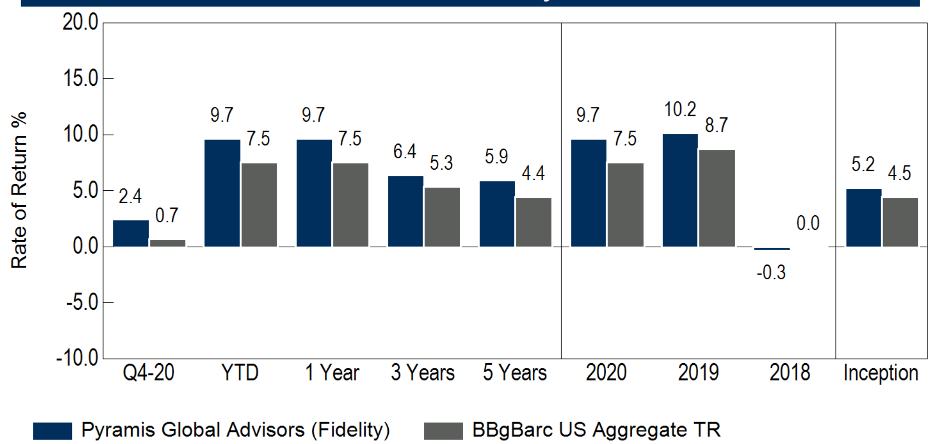
Pyramis Global Advisors (Fidelity)

As of December 31, 2020

Account Information

Account Name	Pyramis Global Advisors (Fidelity)
Account Structure	Separate Account
Investment Style	Active
Inception Date	5/01/07
Account Type	Fixed Income
Benchmark	BBgBarc US Aggregate TR
Universe	Intermediate Core Bond MStar MF

Return Summary

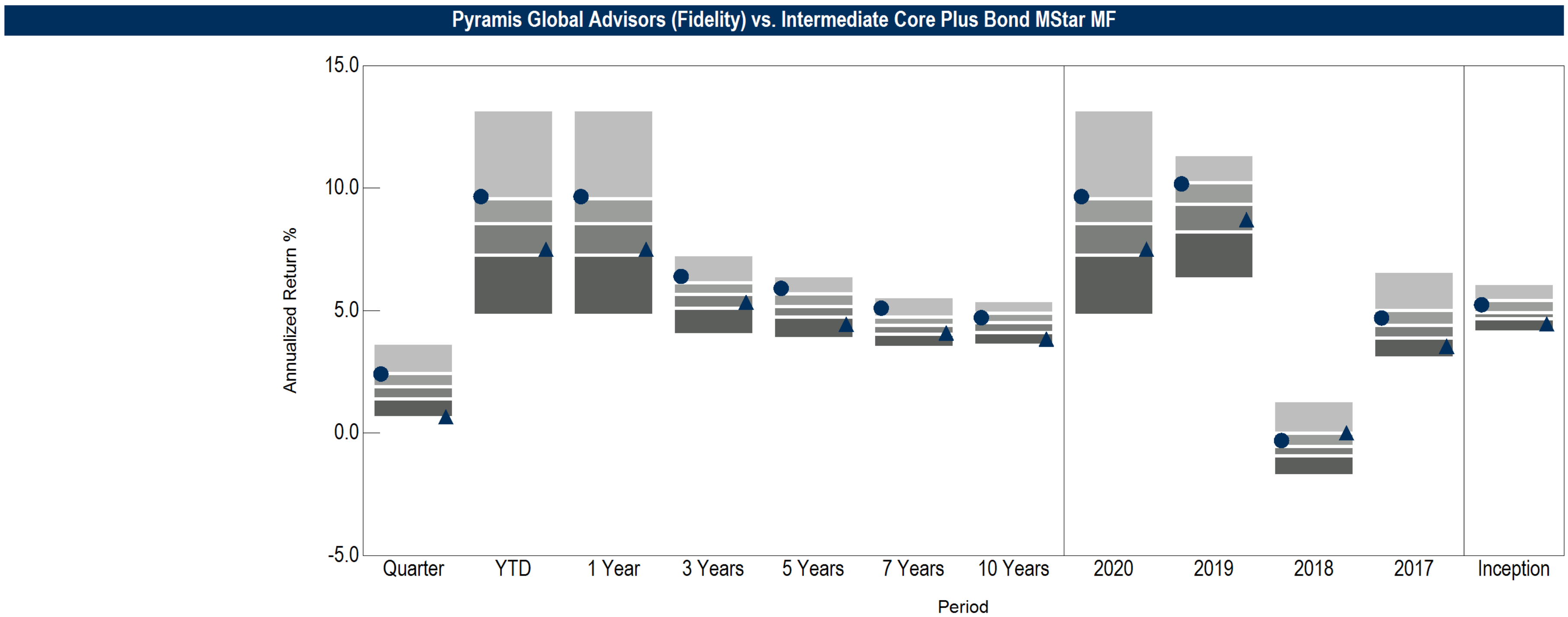


3 Year Risk/Return Statistics

	Pyramis Global Advisors (Fidelity)	BBgBarc US Aggregate TR
RETURN SUMMARY STATISTICS		
Number of Periods	36	36
Maximum Return	2.89	2.59
Minimum Return	-3.83	-1.15
Annualized Return	6.39	5.34
Total Return	20.44	16.89
Annualized Excess Return Over Risk Free	4.83	3.78
Annualized Excess Return	1.05	0.00
RISK SUMMARY STATISTICS		
Beta	1.00	1.00
Upside Deviation	2.75	2.59
Downside Deviation	3.78	1.30
RISK/RETURN SUMMARY STATISTICS		
Annualized Standard Deviation	4.24	3.40
Alpha	0.09	0.00
Sharpe Ratio	1.14	1.11
Excess Return Over Market / Risk	0.25	0.00
Tracking Error	2.53	0.00
Information Ratio	0.42	--
CORRELATION STATISTICS		
R-Squared	0.64	1.00
Correlation	0.80	1.00

Summary Of Cash Flows

	Fourth Quarter	Year-To-Date	One Year	Inception 5/1/07
Beginning Market Value	$79,958,196	$78,636,542	$78,636,542	--
Contributions	$0	$1,629,666	$1,629,666	$2,124,483
Withdrawals	-$3,013,456	-$7,210,689	-$7,210,689	-$17,247,339
Net Cash Flow	-$3,013,456	-$5,581,024	-$5,581,024	-$14,622,826
Net Investment Change	$1,911,074	$5,800,295	$5,800,295	$93,478,639
Ending Market Value	$78,855,813	$78,855,813	$78,855,813	$78,855,813

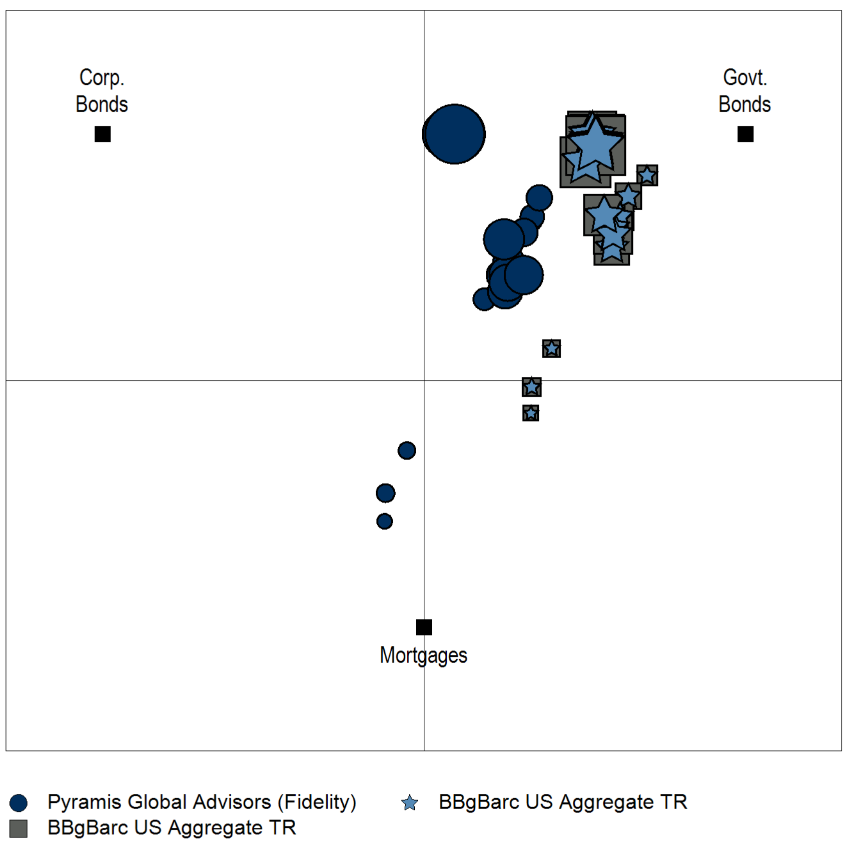


Return (Rank)	Quarter	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	2020	2019	2018	2017	Inception
5th Percentile	3.67	13.1	13.1	7.27	6.42	5.56	5.41	13.1	11.3	1.32	6.60	6.11
25th Percentile	2.45	9.57	9.57	6.14	5.70	4.76	4.90	9.57	10.2	0.02	5.03	5.42
Median	1.89	8.55	8.55	5.68	5.17	4.40	4.51	8.55	9.36	-0.53	4.40	4.93
75th Percentile	1.41	7.27	7.27	5.11	4.74	4.05	4.12	7.27	8.22	-0.92	3.88	4.67
95th Percentile	0.64	4.82	4.82	4.02	3.87	3.51	3.59	4.82	6.29	-1.74	3.07	4.15
# of Portfolios	163	159	159	147	139	132	121	159	156	160	156	104
● **Pyramis Global Advisors (Fidelity)**	2.41 (26)	9.65 (23)	9.65 (23)	6.39 (18)	5.90 (18)	5.10 (15)	4.71 (40)	9.65 (23)	10.1 (26)	-0.31 (36)	4.70 (40)	5.24 (33)
▲ **BBgBarc US Aggregate TR**	0.67 (94)	7.51 (73)	7.51 (73)	5.34 (71)	4.44 (85)	4.09 (72)	3.84 (90)	7.51 (73)	8.72 (68)	0.01 (26)	3.54 (83)	4.46 (87)

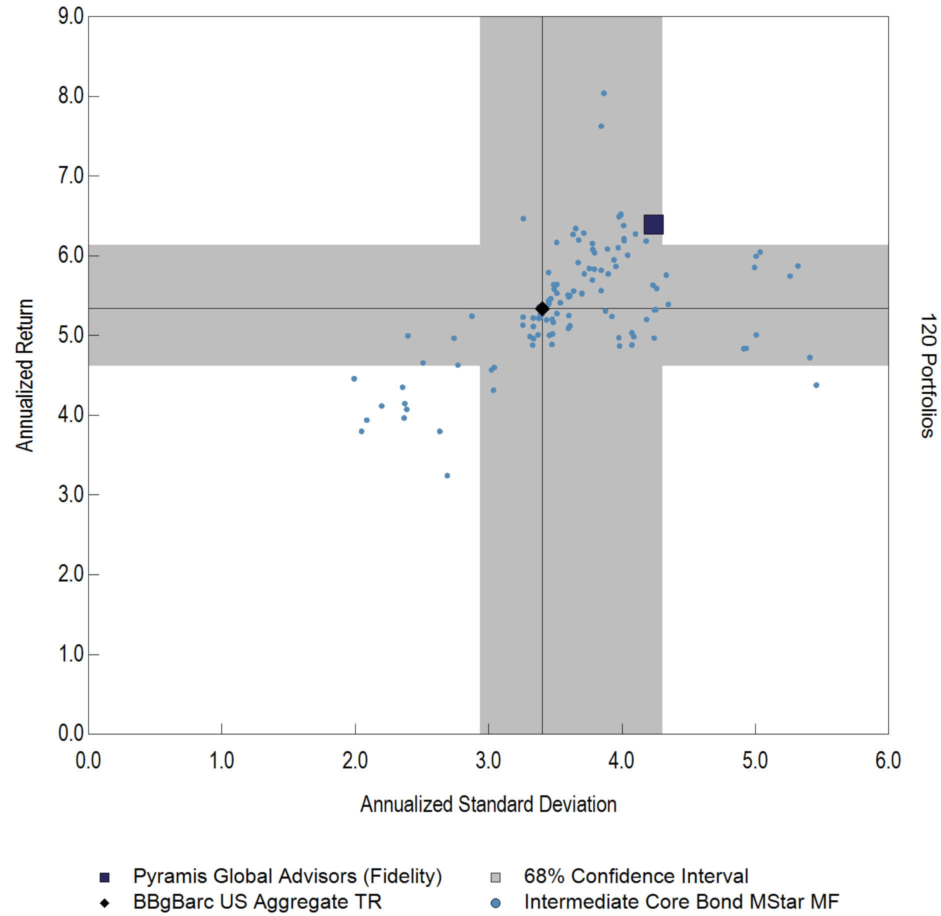
Pyramis Global Advisors (Fidelity)

As of December 31, 2020

3 Year Style Map



3 Year Risk/Return

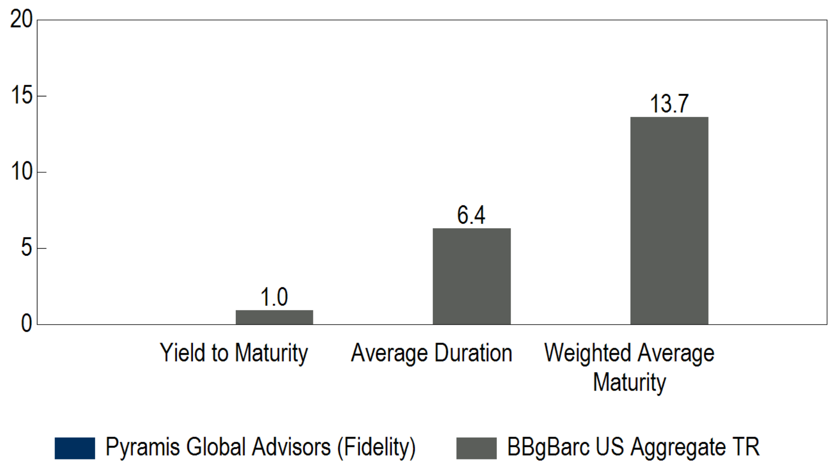


RAYMOND JAMES®

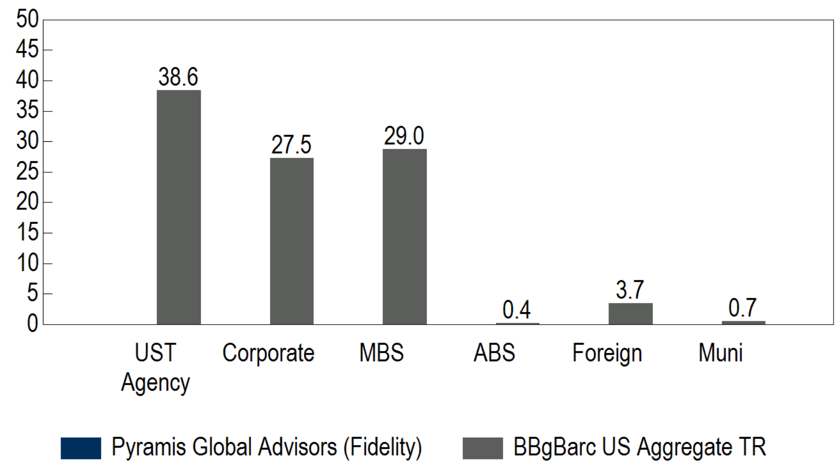
Pyramis Global Advisors (Fidelity)

As of December 31, 2020

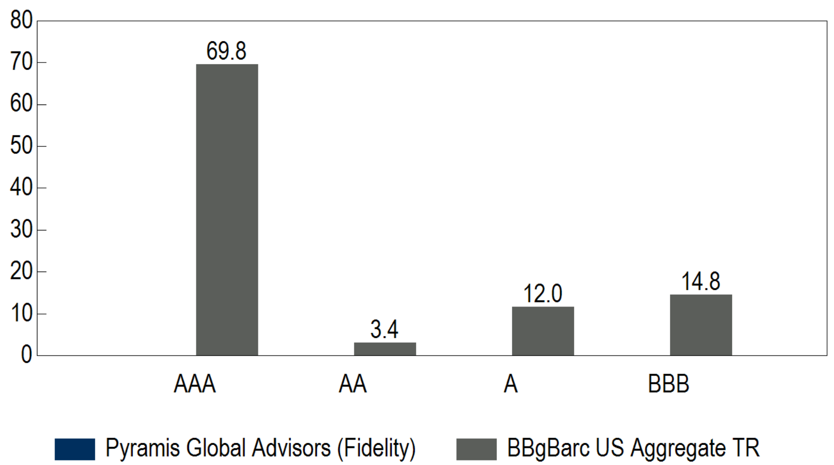
Fixed Income Characteristics



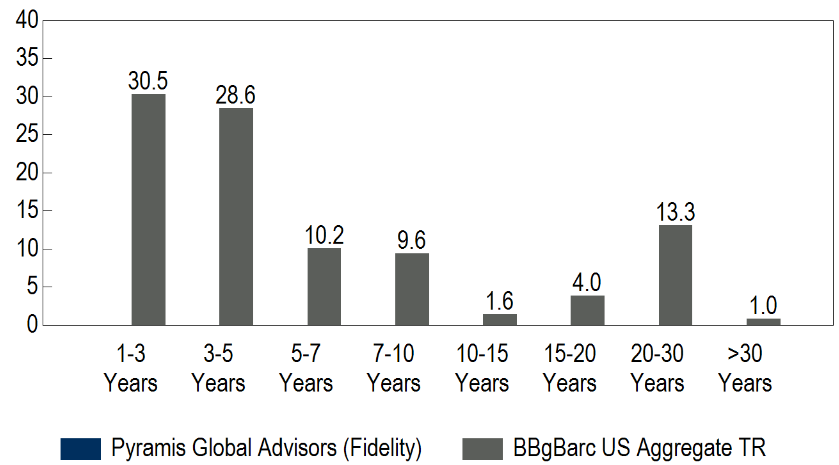
US Sector Allocation



Credit Quality Allocation



Maturity Allocation



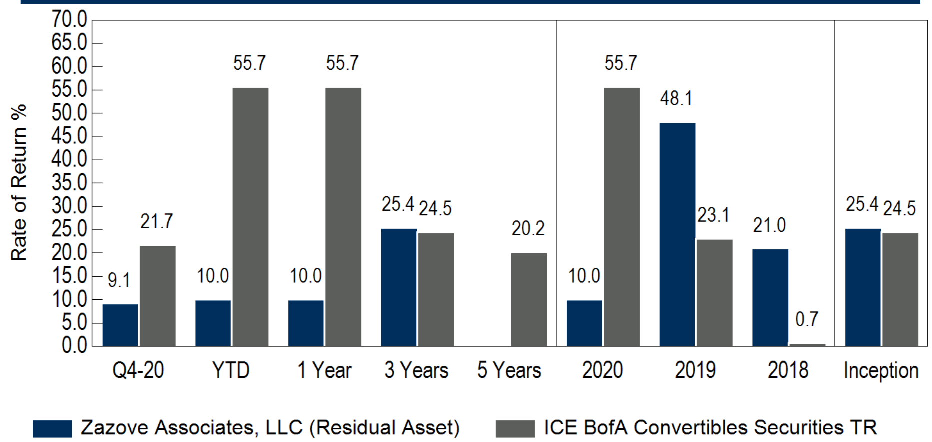
Zazove Associates, LLC (Residual Asset)

As of December 31, 2020

Account Information

Account Name	**Zazove Associates, LLC (Residual Asset)**
Account Structure	**Separate Account**
Investment Style	**Active**
Inception Date	**1/01/18**
Account Type	**Fixed Income**
Benchmark	**ICE BofA Convertibles Securities TR**
Universe	**Intermediate Core Plus Bond MStar MF**

Return Summary



Year Ending 2020 Risk/Return Statistics

	Zazove Associates, LLC (Residual Asset)	ICE BofA Convertibles Securities TR
RETURN SUMMARY STATISTICS		
Number of Periods	12	12
Maximum Return	10.95	14.22
Minimum Return	-20.54	-13.60
Annualized Return	10.00	55.68
Total Return	10.00	55.68
Annualized Excess Return Over Risk Free	9.42	55.10
Annualized Excess Return	-45.68	0.00
RISK SUMMARY STATISTICS		
Beta	0.89	1.00
Upside Deviation	14.97	12.10
Downside Deviation	30.12	20.47
RISK/RETURN SUMMARY STATISTICS		
Annualized Standard Deviation	30.69	26.72
Alpha	-2.41	0.00
Sharpe Ratio	0.31	2.06
Excess Return Over Market / Risk	-1.49	0.00
Tracking Error	19.64	0.00
Information Ratio	-2.33	--
CORRELATION STATISTICS		
R-Squared	0.60	1.00
Correlation	0.77	1.00

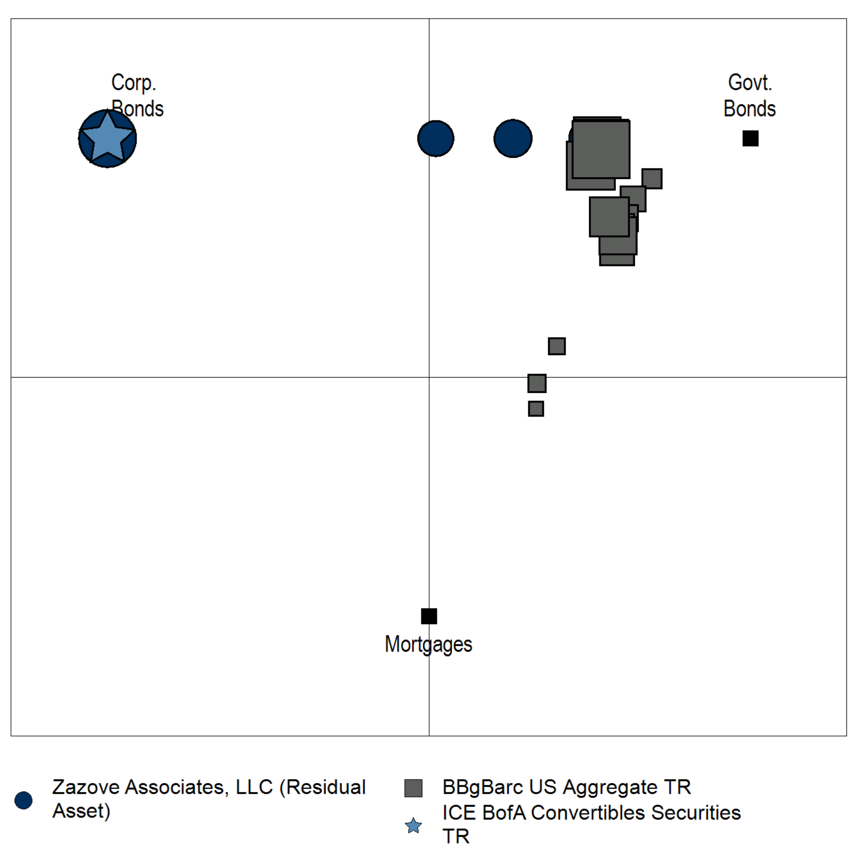
Summary Of Cash Flows

	Fourth Quarter	Year-To-Date	One Year	Inception 1/1/18
Beginning Market Value	$34,242	$37,322	$37,322	$25,895
Contributions	$0	$0	$0	$24
Withdrawals	-$6	-$3,479	-$3,479	-$10,129
Net Cash Flow	-$6	-$3,479	-$3,479	-$8,484
Net Investment Change	$3,133	$3,525	$3,525	$19,958
Ending Market Value	$37,369	$37,369	$37,369	$37,369

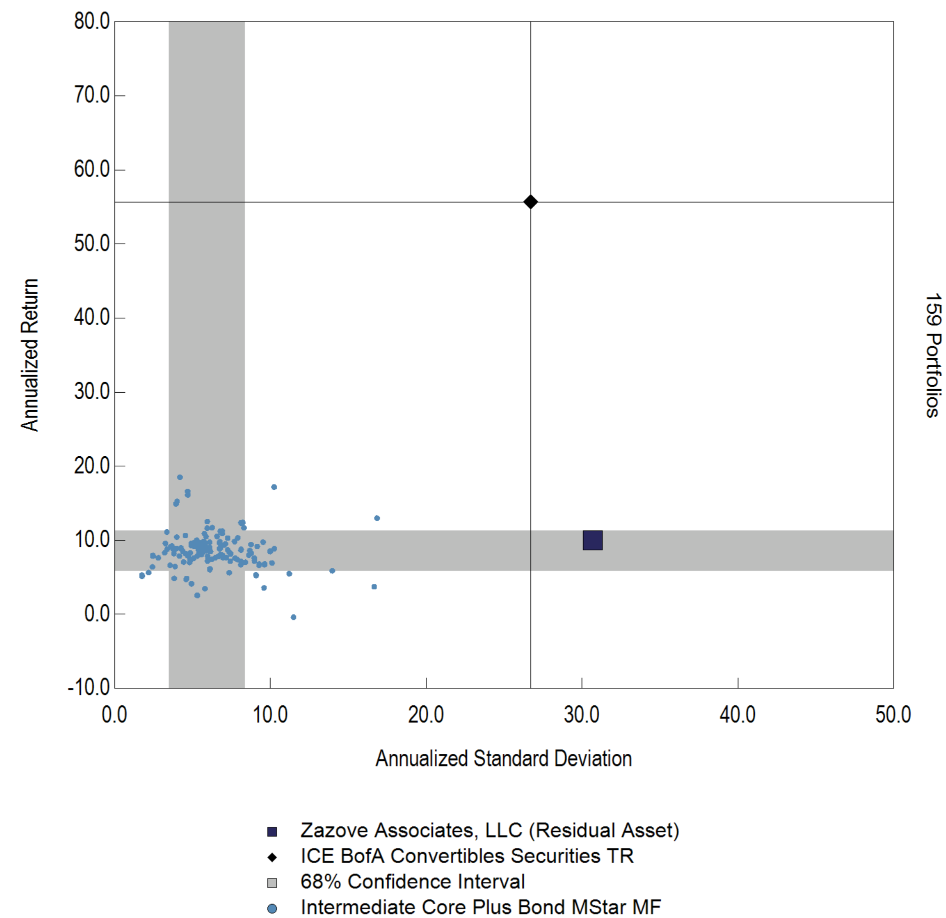
Zazove Associates, LLC (Residual Asset)

As of December 31, 2020

3 Year Style Map



Year Ending 2020 Risk/Return

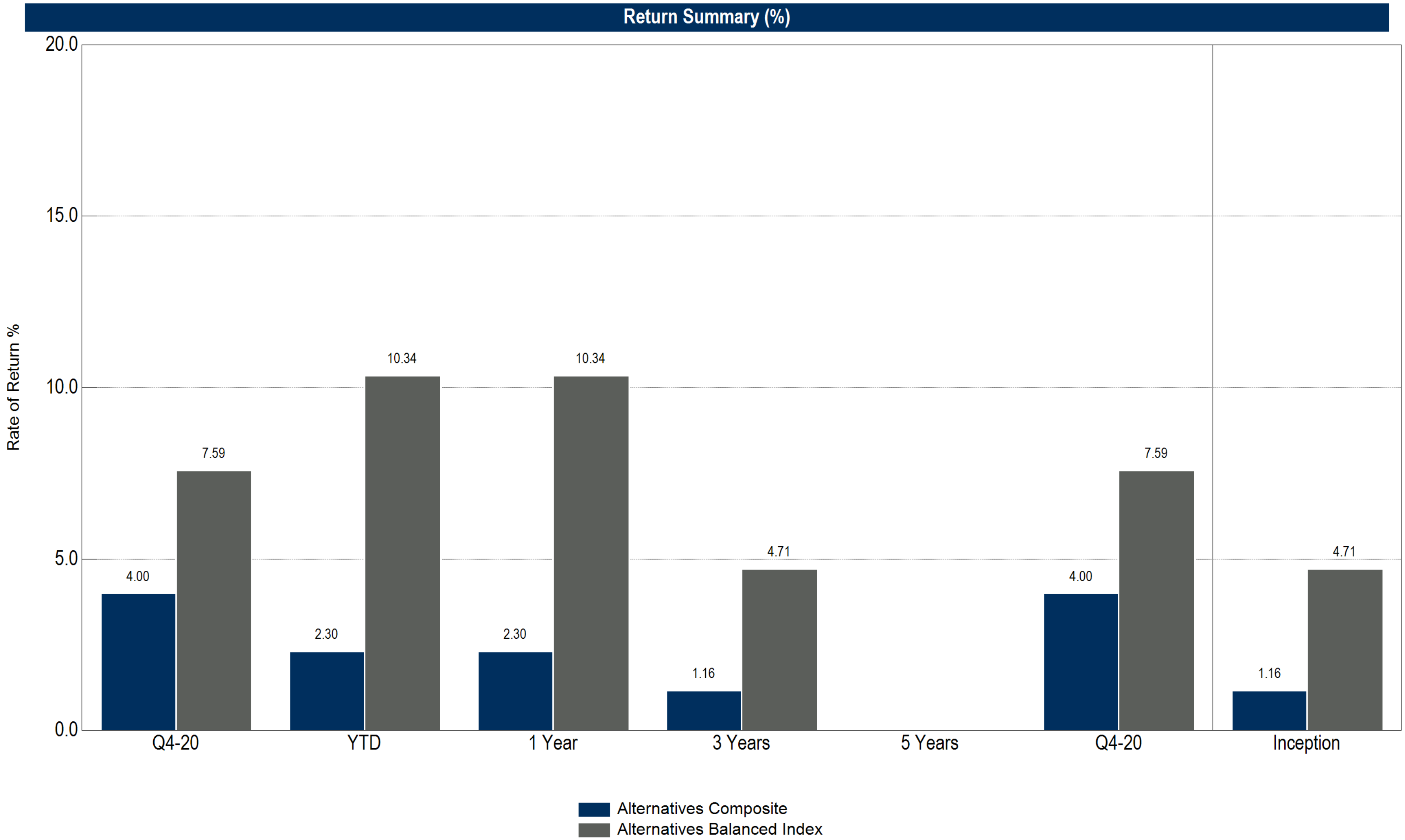


RAYMOND JAMES®

Alternatives Composite Investment Analysis

Alternatives Composite Performance

As of December 31, 2020



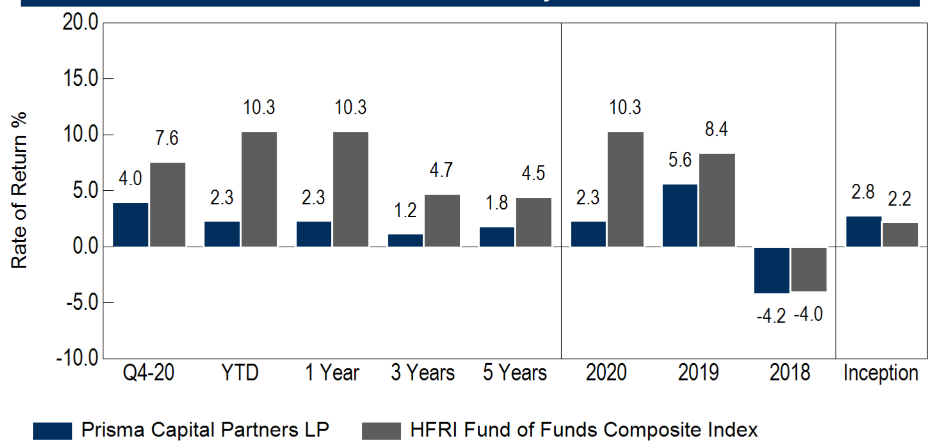
Prisma Capital Partners LP

As of December 31, 2020

Account Information

Account Name	**Prisma Capital Partners LP**
Account Structure	**Hedge Fund**
Investment Style	**Active**
Inception Date	**5/01/07**
Account Type	**Alternatives**
Benchmark	**HFRI Fund of Funds Composite Index**
Universe	**Tactical Allocation Mstar MF**

Return Summary



3 Year Risk/Return Statistics

	Prisma Capital Partners LP	HFRI Fund of Funds Composite Index
RETURN SUMMARY STATISTICS		
Number of Periods	36	36
Maximum Return	5.57	3.99
Minimum Return	-10.14	-7.63
Annualized Return	1.16	4.71
Total Return	3.51	14.79
Annualized Excess Return Over Risk Free	-0.41	3.14
Annualized Excess Return	-3.55	0.00
RISK SUMMARY STATISTICS		
Beta	0.11	1.00
Upside Deviation	4.86	3.93
Downside Deviation	9.40	6.94
RISK/RETURN SUMMARY STATISTICS		
Annualized Standard Deviation	8.44	7.14
Alpha	0.08	0.00
Sharpe Ratio	-0.05	0.44
Excess Return Over Market / Risk	-0.42	0.00
Tracking Error	10.56	0.00
Information Ratio	-0.34	--
CORRELATION STATISTICS		
R-Squared	0.01	1.00
Correlation	0.09	1.00

Summary Of Cash Flows

	Fourth Quarter	Year-To-Date	One Year	Three Years	Five Years	Ten Years	Inception 5/1/07
Beginning Market Value	$16,749,147	$17,611,271	$17,611,271	$20,968,736	$21,009,019	$18,028,529	$11,899,960
Contributions	-$572	-$735	-$735	$2,873,566	$2,873,566	$2,873,566	$2,873,566
Withdrawals	-$221,677	-$815,698	-$815,698	-$4,632,114	-$4,632,114	-$4,632,114	-$4,632,114
Net Cash Flow	-$222,249	-$816,433	-$816,433	-$3,998,719	-$3,998,719	-$3,998,719	-$3,998,719
Net Investment Change	$669,251	$401,312	$401,312	$226,132	$185,849	$3,166,339	$9,294,908
Ending Market Value	$17,196,149	$17,196,149	$17,196,149	$17,196,149	$17,196,149	$17,196,149	$17,196,149

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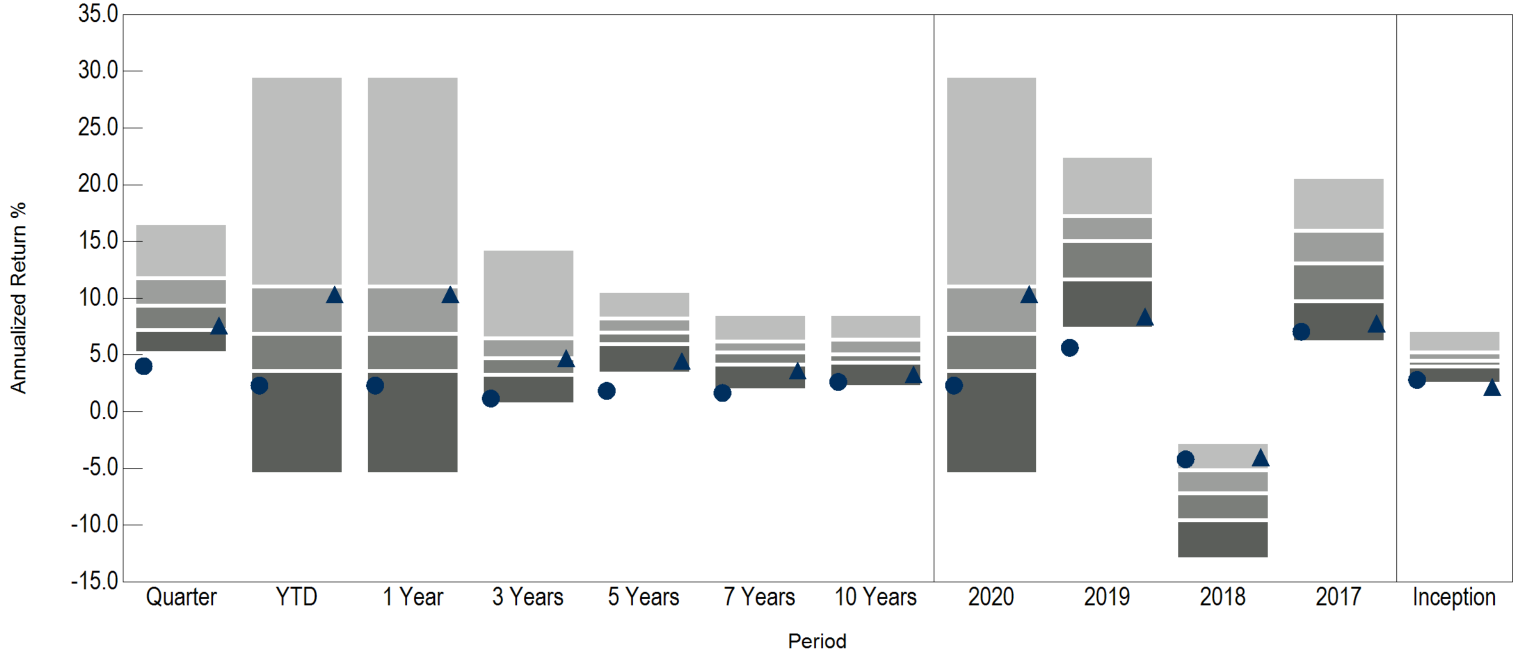
Prisma Capital Partners LP

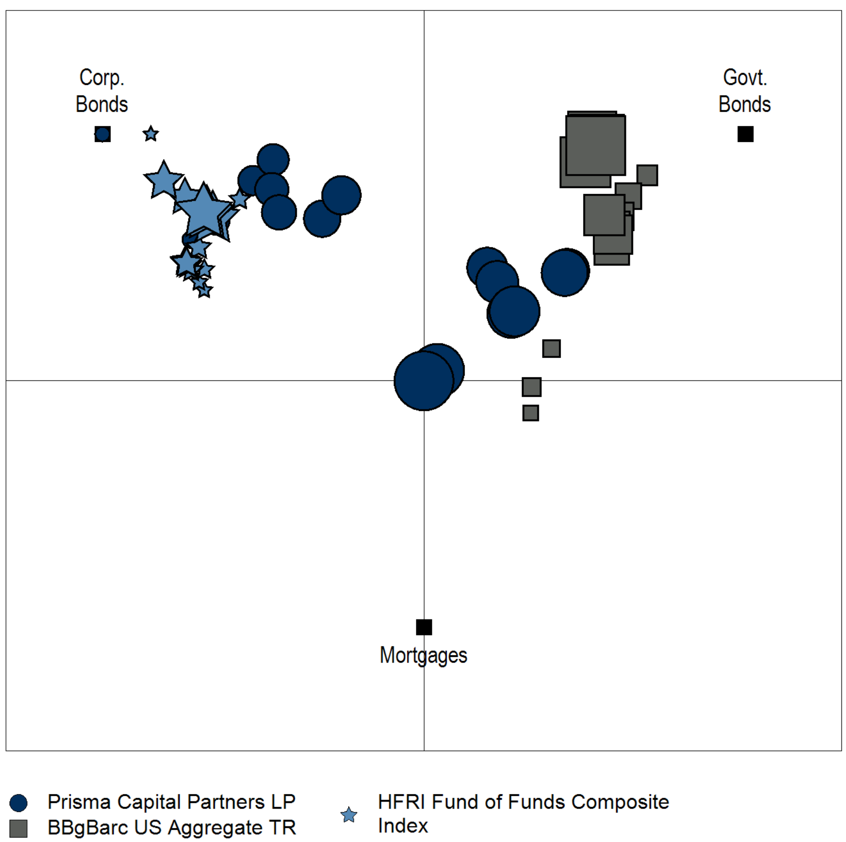
As of December 31, 2020

Prisma Capital Partners LP vs. Tactical Allocation Mstar MF

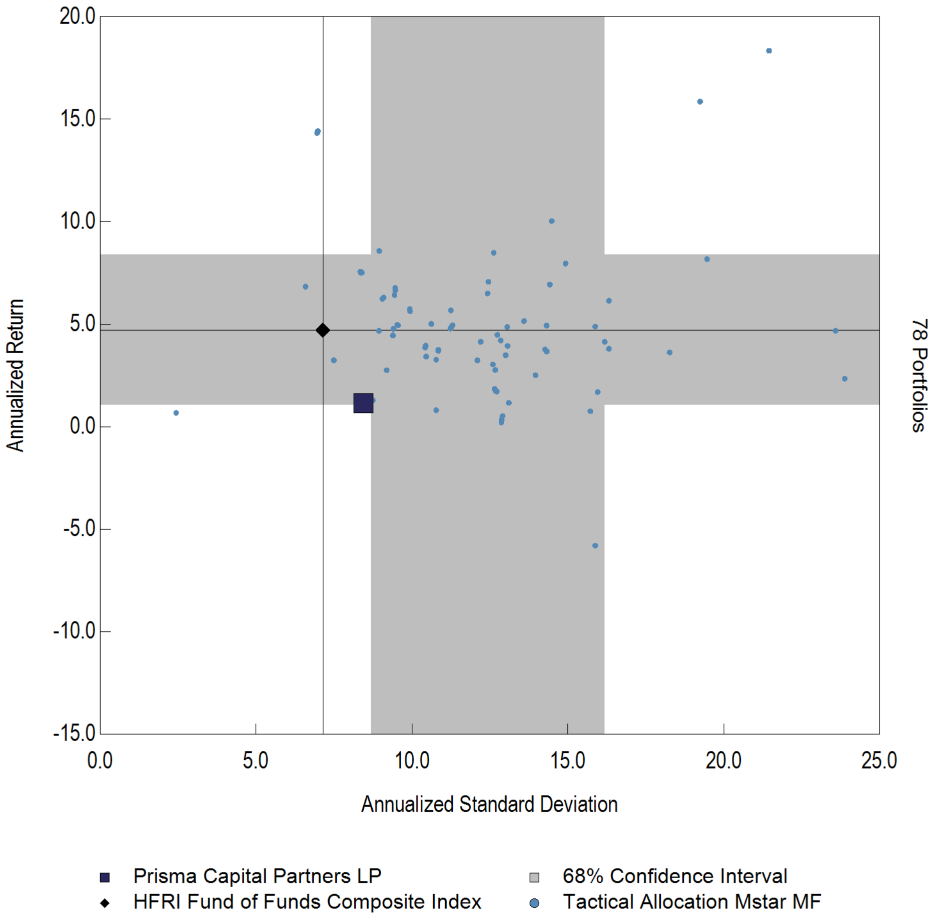


Return (Rank)	Quarter	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	2020	2019	2018	2017	Inception
5th Percentile	16.5	29.5	29.5	14.3	10.6	8.57	8.60	29.5	22.5	-2.74	20.6	7.16
25th Percentile	11.7	11.0	11.0	6.48	8.25	6.21	6.36	11.0	17.2	-5.16	15.9	5.24
Median	9.34	6.86	6.86	4.72	6.98	5.24	5.10	6.86	15.0	-7.15	13.0	4.54
75th Percentile	7.25	3.63	3.63	3.25	5.96	4.16	4.33	3.63	11.7	-9.55	9.76	3.98
95th Percentile	5.21	-5.45	-5.45	0.65	3.40	1.89	2.22	-5.45	7.34	-13.0	6.16	2.50
# of Portfolios	82	81	81	78	73	62	32	81	84	83	87	22
● Prisma Capital Partners LP	4.00 (98)	2.30 (81)	2.30 (81)	1.16 (91)	1.82 (99)	1.64 (96)	2.61 (91)	2.30 (81)	5.63 (97)	-4.21 (16)	7.05 (90)	2.79 (89)
▲ HFRI Fund of Funds Composite Index	7.59 (68)	10.3 (28)	10.3 (28)	4.71 (51)	4.46 (90)	3.61 (79)	3.27 (80)	10.3 (28)	8.39 (86)	-4.02 (15)	7.77 (88)	2.18 (96)

3 Year Style Map



3 Year Risk/Return



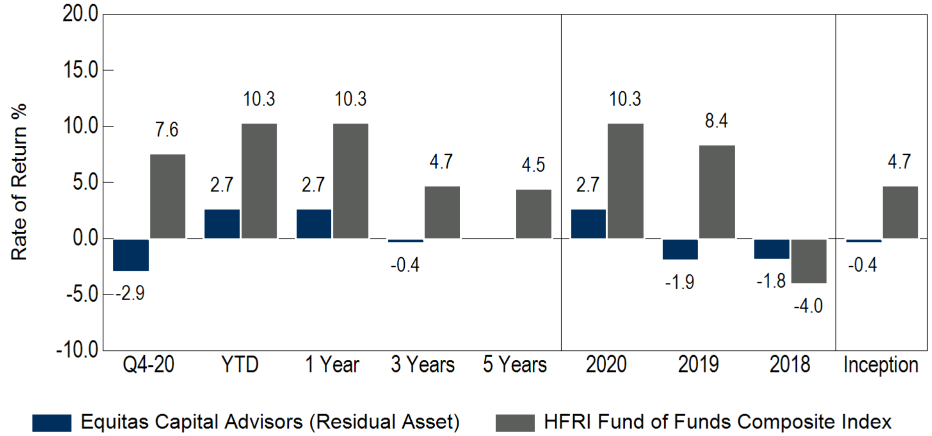
Equitas Capital Advisors (Residual Asset)

As of December 31, 2020

Account Information

Account Name	Equitas Capital Advisors (Residual Asset)
Account Structure	Hedge Fund
Investment Style	Active
Inception Date	1/01/18
Account Type	Alternatives
Benchmark	HFRI Fund of Funds Composite Index
Universe	Tactical Allocation Mstar MF

Return Summary



Year Ending 2020 Risk/Return Statistics

	Equitas Capital Advisors (Residual Asset)	HFRI Fund of Funds Composite Index
RETURN SUMMARY STATISTICS		
Number of Periods	12	12
Maximum Return	6.52	3.99
Minimum Return	-2.94	-7.63
Annualized Return	2.66	10.34
Total Return	2.66	10.34
Annualized Excess Return Over Risk Free	2.08	9.76
Annualized Excess Return	-7.68	0.00
RISK SUMMARY STATISTICS		
Beta	0.07	1.00
Upside Deviation	7.53	4.39
Downside Deviation	5.34	13.76
RISK/RETURN SUMMARY STATISTICS		
Annualized Standard Deviation	7.46	10.84
Alpha	0.17	0.00
Sharpe Ratio	0.28	0.90
Excess Return Over Market / Risk	-1.03	0.00
Tracking Error	12.48	0.00
Information Ratio	-0.62	--
CORRELATION STATISTICS		
R-Squared	0.01	1.00
Correlation	0.11	1.00

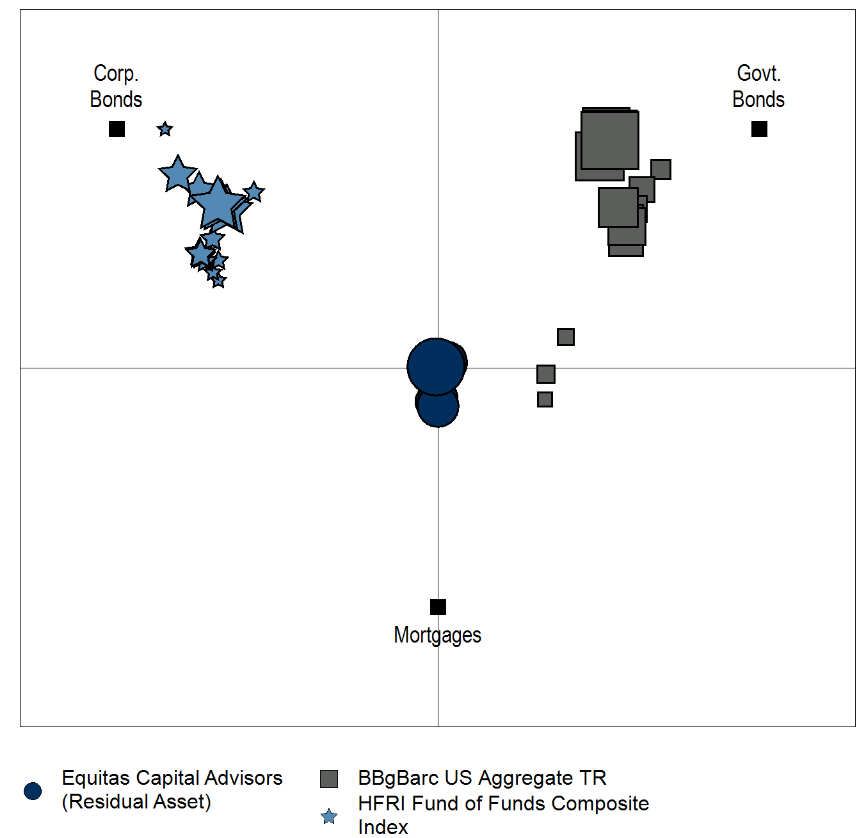
Summary Of Cash Flows

	Fourth Quarter	Year-To-Date	One Year	Inception 1/1/18
Beginning Market Value	$19,485	$18,431	$18,431	$22,687
Contributions	$0	$0	$0	$14
Withdrawals	-$3	-$9	-$9	-$3,515
Net Cash Flow	-$3	-$9	-$9	-$3,501
Net Investment Change	-$569	$491	$491	-$274
Ending Market Value	$18,912	$18,912	$18,912	$18,912

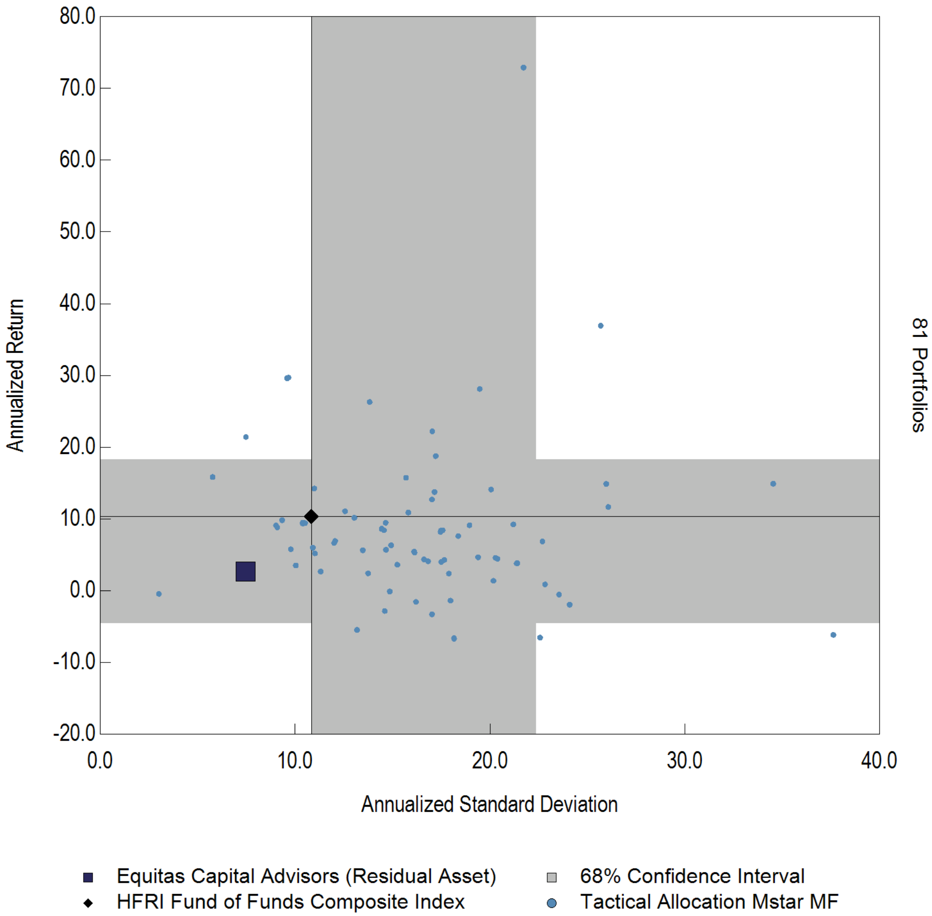
Equitas Capital Advisors (Residual Asset)

As of December 31, 2020

3 Year Style Map



Year Ending 2020 Risk/Return



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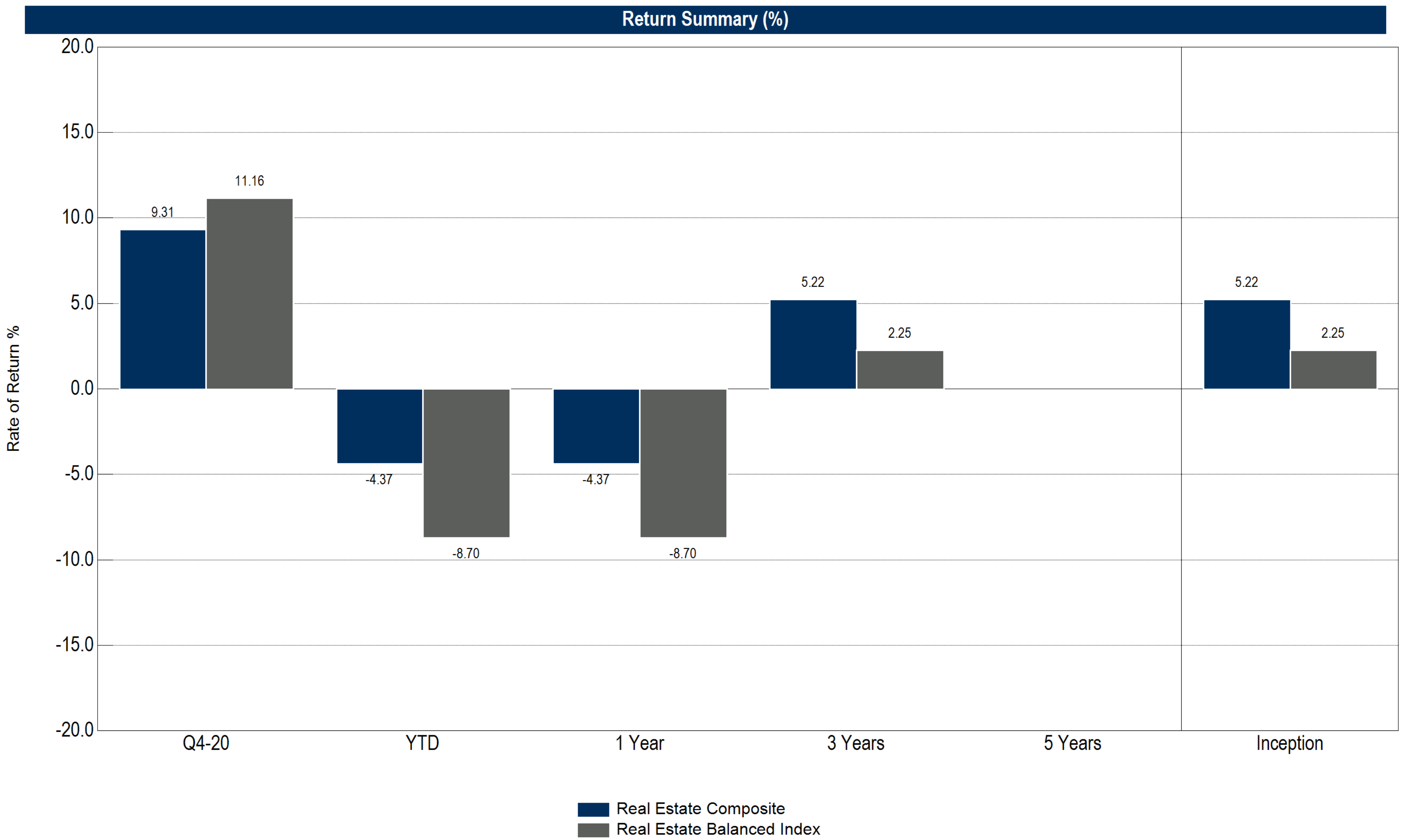
Real Estate Composite Investment Analysis

Real Estate Composite Performance

As of December 31, 2020



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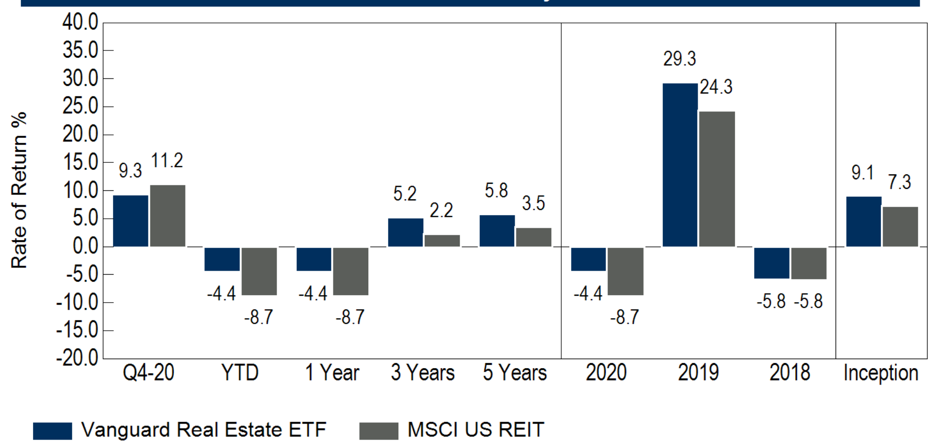
Vanguard Real Estate ETF

As of December 31, 2020

Account Information

Account Name	Vanguard Real Estate ETF
Account Structure	Separate Account
Investment Style	Passive
Inception Date	5/01/10
Account Type	Real Estate
Benchmark	MSCI US REIT
Universe	Real Estate MStar MF

Return Summary



3 Year Risk/Return Statistics

	Vanguard Real Estate ETF	MSCI US REIT
RETURN SUMMARY STATISTICS		
Number of Periods	36	36
Maximum Return	11.86	11.72
Minimum Return	-19.26	-21.79
Annualized Return	5.22	2.25
Total Return	16.49	6.90
Annualized Excess Return Over Risk Free	3.66	0.69
Annualized Excess Return	2.97	0.00
RISK SUMMARY STATISTICS		
Beta	0.93	1.00
Upside Deviation	10.38	10.59
Downside Deviation	18.29	20.27
RISK/RETURN SUMMARY STATISTICS		
Annualized Standard Deviation	18.94	20.17
Alpha	0.24	0.00
Sharpe Ratio	0.19	0.03
Excess Return Over Market / Risk	0.16	0.00
Tracking Error	2.46	0.00
Information Ratio	1.21	--
CORRELATION STATISTICS		
R-Squared	0.99	1.00
Correlation	0.99	1.00

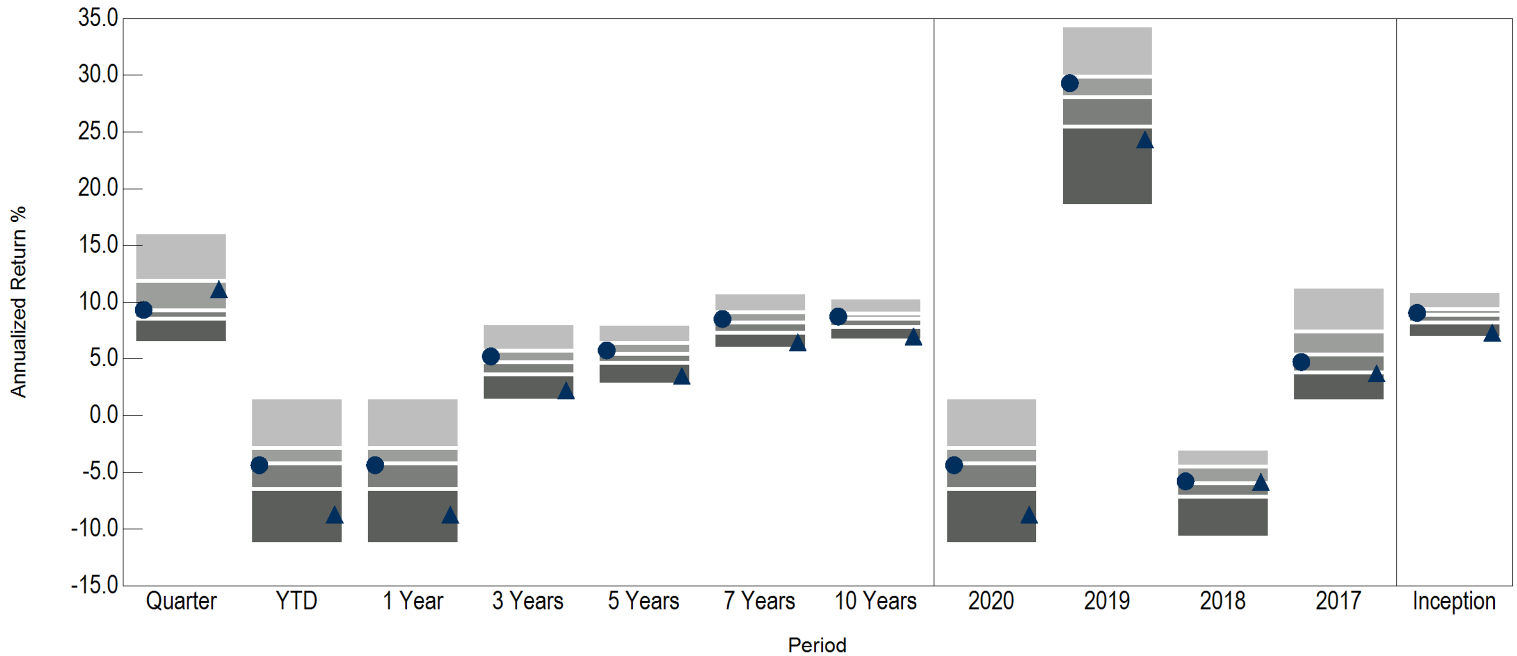
Summary Of Cash Flows

	Fourth Quarter	Year-To-Date	One Year	Three Years	Five Years	Inception 5/1/10
Beginning Market Value	$16,847,838	$19,865,059	$19,865,059	$7,220,189	$4,295,037	$3,208,661
Contributions	$0	$0	$0	$12,341,047	$12,341,047	$12,341,047
Withdrawals	-$130,153	-$667,592	-$667,592	-$2,200,283	-$2,200,283	-$2,200,283
Net Cash Flow	-$130,153	-$667,592	-$667,592	$10,316,330	$10,316,330	$10,316,330
Net Investment Change	$1,553,362	-$926,421	-$926,421	$734,527	$3,659,678	$4,746,054
Ending Market Value	$18,271,046	$18,271,046	$18,271,046	$18,271,046	$18,271,046	$18,271,046

Vanguard Real Estate ETF

As of December 31, 2020

Vanguard Real Estate ETF vs. Real Estate MStar MF

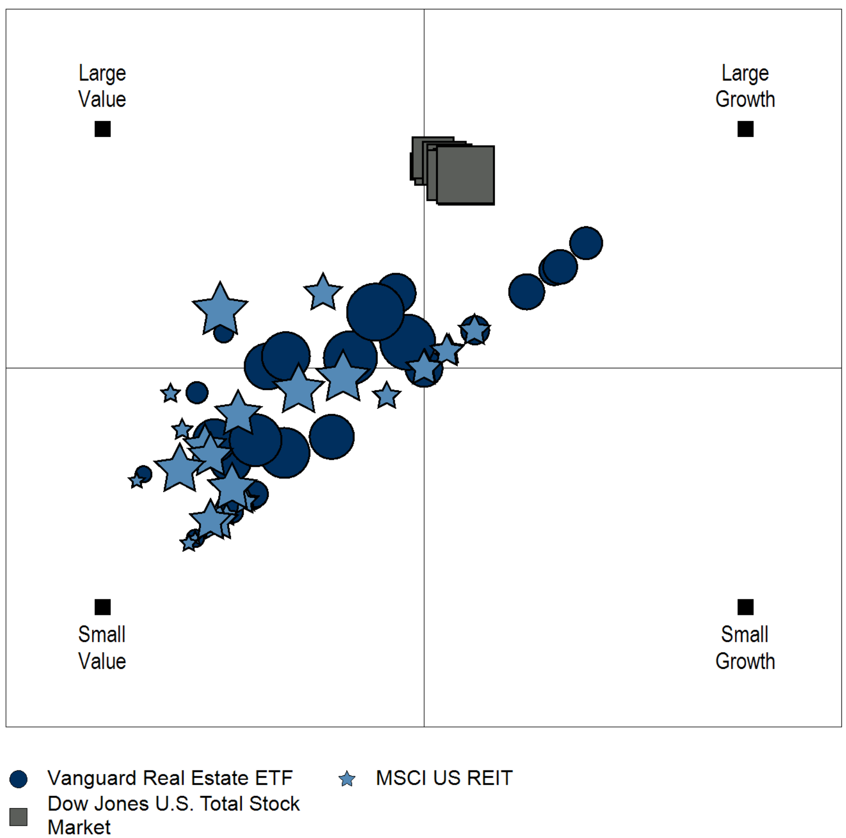


Return (Rank)	Quarter	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	2020	2019	2018	2017	Inception
5th Percentile	16.1	1.56	1.56	8.12	8.07	10.8	10.4	1.56	34.3	-2.96	11.3	10.9
25th Percentile	11.8	-2.81	-2.81	5.73	6.44	9.13	9.04	-2.81	29.9	-4.46	7.45	9.39
Median	9.33	-4.19	-4.19	4.75	5.48	8.21	8.56	-4.19	28.1	-5.93	5.44	8.94
75th Percentile	8.58	-6.45	-6.45	3.66	4.67	7.31	7.86	-6.45	25.5	-7.13	3.86	8.23
95th Percentile	6.44	-11.2	-11.2	1.37	2.76	5.91	6.67	-11.2	18.4	-10.7	1.27	6.89
# of Portfolios	69	69	69	68	65	63	57	69	71	67	68	56
● **Vanguard Real Estate ETF**	9.31 (52)	-4.37 (55)	-4.37 (55)	5.22 (34)	5.75 (42)	8.52 (43)	8.74 (39)	-4.37 (55)	29.3 (36)	-5.79 (48)	4.73 (61)	9.05 (44)
▲ **MSCI US REIT**	11.1 (27)	-8.70 (87)	-8.70 (87)	2.25 (91)	3.51 (86)	6.46 (92)	6.99 (93)	-8.70 (87)	24.3 (85)	-5.83 (48)	3.74 (78)	7.32 (94)

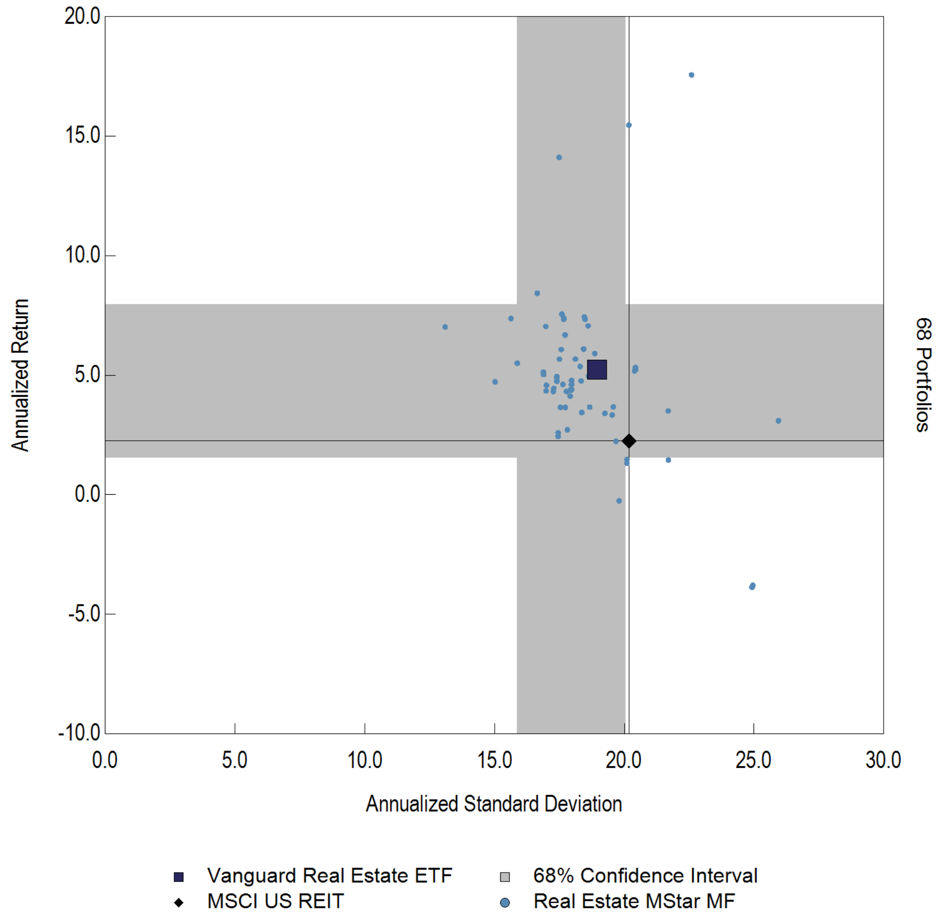
Vanguard Real Estate ETF

As of December 31, 2020

3 Year Style Map



3 Year Risk/Return



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IMPORTANT DISCLOSURES

This information is provided for your convenience, but should not be used as a substitute for your account's monthly statements and trade confirmations. Material is provided for informational purposes only and does not constitute a recommendation. It has been gathered in a manner which we believe to be reliable, but accuracy is not guaranteed. It is not intended as tax advice. Past performance does not guarantee future results.

Diversification and strategic asset allocation does not ensure a profit or protect against a loss. No investment strategy can guarantee success. Investments are subject to market risk, including possible loss of principal.

Investing in small and mid-cap stocks are riskier investments which include price volatility, less liquidity and the threat of competition. International investing involves additional risks such as currency fluctuations, differing financial accounting standards and possible political and economic instability. These risks are greater in emerging markets. Alternative investment strategies involve greater risks and are only appropriate for the most sophisticated, knowledgeable and wealthiest of investors. Managed futures involve specific risks that maybe greater than those associated with traditional investments and may be offered only to clients who meet specific suitability requirements, including minimum net worth tests. You should consider the special risks with alternative investments including limited liquidity, tax considerations, incentive fee structures, potentially speculative investment strategies, and different regulatory and reporting requirements. Commodities are generally considered speculative because of the significant potential for investment loss. REITs are financial vehicles that pool investors' capital to purchase or finance real estate. REITs involve risks such as refinancing, economic conditions in the real estate industry, changes in property values and dependency on real estate management.

Alternative investments such as Hedge Funds involve substantial risks that may be greater than those associated with traditional investments and are not suitable for all investors. They may be offered only to clients who meet specific suitability requirements, including minimum-net-worth tests. These risks include, but are not limited to, limited liquidity, tax considerations, incentive fee structures, potentially speculative investment strategies, and different regulatory and reporting requirements. Investors should only invest in hedge funds if they do not require a liquid investment and can bear the risk of substantial losses. There is no assurance that any investment will meet its investment objectives or that substantial losses will be avoided. Investors should carefully review any offering materials or prospectuses prior to investing. A Non marketable security is typically a debt security, that is difficult to buy or sell due to the fact that they are not traded on any normal, major secondary market exchanges. Such securities, if traded in any secondary market, are usually only bought and sold through private transactions or in an over-the-counter (OTC) market. For the holder of a non-marketable security, finding a buyer can be difficult, and some non-marketable securities cannot be resold at all because government regulations prohibit any resale.

Performance: Performance results are annualized for time periods greater than one year and include all cash and cash equivalents, realized and unrealized capital gains and losses, and dividends, interest and income. The investment results depicted herein represent historical performance. As a result of recent market activity, current performance may vary from the figures shown. Please contact your Financial Advisor for up to date performance information.

Indices: Raymond James reserve the right to change the indices at any time. Benchmark indices and blends included in this material are for informational purposes only, are provided solely as a comparison tool and may not reflect the underlying composition and/or investment objective(s) associated with the account(s). In some circumstances, the benchmark index may not be an appropriate benchmark for use with the specific composite portfolio. For instance, an index may not take into consideration certain changes that may have occurred in the portfolio since the inception of the account(s), (e.g., changes from a brokerage to an advisory account or from one advisory program to another, asset class changes, or index changes for individual managers). The volatility of the index used for comparison may be materially different from that of the performance shown. Indices are unmanaged and not available for direct investment. Index returns do not take into account fees or other charges. Such fees and charges would reduce performance. Please see the Benchmark Definitions section of this material for additional information on the indices used for comparison.

Performance Inception Month End: Performance Inception Month End refers to performance calculated from the end of the month in which the accounts became eligible for performance. Calculating performance from the Performance Inception Month End allows for a comparison to be made to appropriate benchmarks. Performance Inception Month End does not necessarily correspond to the account opening date.

Realized/Unrealized Gain/Loss: The gain and loss information is provided for informational purposes only, may not be complete, is not a substitute 1099 form (or any other appropriate tax form), and should not be used for tax planning or preparation. Gain and loss values are estimates and should be independently verified. We are not responsible for any gain and loss information provided by you or another financial institution. You are responsible for ensuring the accuracy of such information.

Projected 12 Month Income: Projected Next 12 Months income includes cash income such as interest and cash dividends, based on current yields and may include income from Raymond James & Associates, Inc. and externally held accounts where data is available. These are projections based on historical data and the actual income may be lower or higher than the projections. Raymond James & Associates, Inc. member New York Stock Exchange/SIPC. Investment advisory services offered through Raymond James & Associates.

Investors should consider the investment objectives, risks, charges and expenses of an investment company carefully before investing. The prospectus contains this and other information and should be read carefully before investing. The prospectus is available from your investment professional.

Index Descriptions

It is not possible to invest directly in an index.

31 Day T-Bills – The average discount rate at which the US government is issuing short term-debt.
BBgBarc Municipal Bond: 1-10 Year Blend - A component of the BBgBarc Capital Municipal Bond Index with municipal bonds in the 1-10 year blend (1-12) maturity range.
BBgBarc 1-5 Government/Credit - BBgBarc 1-5 Year Government/Credit Index: Includes all medium and larger issues of U.S. government, investment-grade corporate, and investment-grade international dollar-denominated bonds that have maturities of between 1 and 5 years and are publicly issued.
BBgBarc 1-5 Year Government - An inclusion of securities within the BBgBarc Government Index that have a maturity range from 1 up to (but not including) 5 years.
BBgBarc 1-5 Year Treasury - The 1-5 year component of the BBgBarc Capital U.S. Treasury Index with securities in the maturity range from 1 year up to (but not including) 5 years.
BBgBarc Credit 1-3 Year - BBgBarc 1-5 Year Credit Index: Includes all medium and larger issues of U.S. government, investment-grade corporate, and investment-grade international dollar denominated bonds that have maturities of between 1 and 3 years and are publicly issued.
BBgBarc U.S. Government/Credit (BCGC) - The Government/Credit component of the U.S. Aggregate. The government portion includes treasuries (public obligations of the U.S. Treasury that have remaining maturities of more than one year) and agencies (publicly issued debt of the U.S. Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. Government). The credit portion includes publicly issued U.S. corporate and foreign debentures and secured notes that meet specified maturity, liquidity, and quality requirements. Must be a publicly issued, dollar-denominated and non-convertible, U.S. Government or Investment Grade Credit security. Must be rated investment-grade (Baa3/BBB- or higher) by at least two of the following rating agencies: Moody's, S&P, Fitch; regardless of call features, have at least one year to final maturity, and have an outstanding par value amount of at least $250 million.
BBgBarc Intermediate U.S. Government/Credit (BCIGC) - The intermediate component of the BBgBarc Capital Government/Credit Index with securities in the maturity range from 1 up to (but not including) 10 years.
BBgBarc Global Aggregate - The index is designed to be a broad based measure of the global investment-grade, fixed rate, fixed income corporate markets. The major components of this index are the US Aggregate, Pan-European Aggregate, and the Asian-Pacific Aggregate Indices. The index also includes Eurodollar and Euro-Yen corporate bonds, Canadian government, agency and corporate securities.
BBgBarc Global Aggregate Intermediate - The intermediate component of the BBgBarc Global Aggregate index with securities in the maturity range from 1 up to (but not including) 10 years.
BBgBarc U.S. Government: Intermediate - The intermediate component of the BBgBarc Capital U.S. Government Index with securities in the maturity range from 1 up to (but not including) 10 years.
BBgBarc U.S. Government: Long - The long component of the BBgBarc Capital U.S. Government Index with securities in the maturity range from 10 years or more.
BBgBarc LT Muni - A component of the BBgBarc Capital Municipal Bond Index with municipal bonds with a maturity range greater than 20 years.
BBgBarc Municipal Bond Index - A rules-based, market-value weighted index that is engineered for the long-term tax-exempt bond market. Bonds must be rated investment-grade (Baaa3/BBB- or higher) by at least two of the following rating agencies: Moody's, S&P, Fitch. The bonds must be fixed rate, have a dated-date after December 31, 1990, have an outstanding par value of at least $7million, and be issued as part of a transaction of at least $75 million. The four main sectors of the index are: general obligation bonds, revenue bonds, insured bonds (including all insured bonds with a Aaa/AAA rating), and prefunded bonds. Remarketed issues, taxable municipal bonds, floating rate bonds, and derivatives, are excluded from the benchmark.
BBgBarc U.S. Treasury - A component of the U.S. Government Index. Must be publicly issued, dollar-denominated and non-convertible, fixed rate (although it may carry a coupon that steps up or changes according to a predetermined schedule) U.S. Treasury security. Must be rated investment-grade (Baa3/BBB- or higher) by at least two of the following rating agencies: Moody's, S&P, Fitch; regardless of call features, have at least one year to final maturity, and have an outstanding par value amount of at least $250 million.
BBgBarc U.S. Treasury: Intermediate (BCIT) - The intermediate component of the BBgBarc Capital U.S. Treasury Index with securities in the maturity range from 1 year (but not including) 10 years.
BBgBarc U.S. Treasury: Long - The long component of the BBgBarc Capital U.S. Treasury Index with securities in the maturity range from 10 years or more.
BBgBarc U.S. Treasury: U.S. TIPS - Comprised of Inflation-Protection securities issued by the U.S. Treasury. Must be a fixed rate, publicly issued U.S. Treasury Inflation Note that is dollar-denominated and non-convertible. Must be rated investment-grade (Baa3/BBB- or higher) by at least two of the following rating agencies: Moody's, S&P, Fitch; have at least one year to final maturity, and have an outstanding par value amount of at least $250 million.
BBgBarc High Yield Composite BB - A component of the BBgBarc U.S. Corporate High Yield Bond Index with bonds in the BB or better.
FTSE 1-3 Year U.S. Treasury - Component of the FTSE U.S. Treasury that measures total returns for U.S. Treasuries with a maturity between 1-3 years.
FTSE 3 Month U.S. Treasury Bill - This index measures monthly return equivalents of yield averages that are not marked to market. The Three-Month Treasury Bill Indices consist of the last three three-month Treasury bill issues.
FTSE World Government Bond - FTSE World Government Bond Index (WGBI), includes the most significant and liquid government bond markets globally that carry at least an investment grade rating.
FTSE World Government Bond ex US – Similar to the FTSE World Government Bond Index (WGBI), includes the most significant and liquid government bond markets globally that carry at least an investment grade rating but excludes bonds from the United States.

Consumer Price Index - All Urban Consumers (CPI-U) - As an economic indicator, and as the most widely used measure of inflation, the Consumer Price Index (CPI) is an indicator of the effectiveness of government policy, and as a guide in making economic decisions for business executives, labor leaders, and other private citizens. Published on a monthly basis by the U.S. Bureau of Labor Statistics (BLS), the CPI is a measure of the average change in prices over time of goods and services purchased by households. CPI for All Urban Consumers (CPI-U) encompasses approximately 87 percent of the total U.S. population which includes, in addition to wage earner and clerical worker households, groups such as professional, managerial, and technical workers, the self-employed, short-term workers, the unemployed, and retires and others not in the labor force.

Dow Jones UBS Commodity - Provides a diversified representation of commodity markets as an asset class. The index is comprised of exchange-traded futures on physical commodities; representing 19 commodities which are weighted for economic significance and market liquidity. To promote diversification, weighting restrictions are placed on individual commodities and commodity groups.

FTSE NAREIT U.S. Real Estate - All REITs - The index is designed to represent a comprehensive performance of publicly traded REITs which covers the commercial real estate space across the US economy, offering exposure to all investment and property sectors. It is not free float adjusted, and constituents are not required to meet minimum size and liquidity criteria.

HFRI Equity Hedge Fund Index - The index is designed to represent strategies which maintain positions both long and short in primarily equity and equity derivative securities. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques; strategies can be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure, leverage employed, holding period, concentrations of market capitalizations and valuation ranges of typical portfolios. Equity Hedge managers would typically maintain at least 50% exposure to, and may in some cases be entirely invested in, equities - both long and short.

HFRI (Hedge Fund Research, Inc.) Fund of Funds Composite Index (1) - The index only contains fund of funds, which invest with multiple managers through funds or managed accounts. It is an equalweighted index, which includes over 650 domestic and offshore funds that have at least $50 Million under management or have been actively trading for at least 12 months. All funds report assets in US Dollar, and Net of All Fees returns which are on a monthly basis.

MSCI ACWI - A free float-adjusted market capitalization index that is designed to measure the equity market performance of both developed and emerging markets. This “All Country World Index” reflects performance across the Americas, Europe & the Middle East, Africa, Asia, and the Pacific.

MSCI EAFE - A free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada. As of December 31, 2010 the MSCI EAFE Index consists of 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom.

MSCI EAFE Value -Net Dividend - A free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada. Value attribute for index construction is defined using: book value to price ratio, 12-months forward earnings to price ratio, and dividend yield. Net total return indices reinvest dividends after the deduction of withholding taxes, using (for international indices) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

MSCI EAFE Growth -Net Dividend - A free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada. Growth attribute for index construction is defined using: long-term forward earnings per share (EPS) growth rate, short-term forward EPS growth rate, current internal growth rate, long-term historical EPS growth trend, long-term historical sales per share growth trend. Net total return indices reinvest dividends after the deduction of withholding taxes, using (for international indices) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

MSCI Emerging Markets - A free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. As of December 31, 2010, the MSCI Emerging Markets Index consists of the following 21 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

MSCI World - A free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. As of December 31, 2010, the MSCI World Index consists of the following 24 developed market country indices: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

NCREIF - The index is a quarterly time series composite total rate of return measure of investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only. Information on this index is available at ncreif.com.

Russell 1000 - Based on a combination of their market cap and current index membership, this index is comprised of approximately 1,000 of the largest securities from the Russell 3000. Representing approximately 92% of the Russell 3000, the index is created to provide a full and unbiased indicator of the large cap segment.

Russell 1000 Growth - Measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Value - Measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower expected growth values.

Russell 2000 - Based on a combination of their market cap and current index membership, this index is comprised of approximately 2,000 of the smaller securities from the Russell 3000. Representing approximately 8% of the Russell 3000, the index is created to provide a full and unbiased indicator of the small cap segment.

Russell 2000 Growth - Measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 2000 Value - Measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower expected growth values.

Russell 2500 - Based on a combination of their market cap and current index membership, this index is comprised of approximately 2,500 of the smallest securities from the Russell 3000. Measures the performance of the small to mid-cap (smid) segment of the U.S. equity universe.

Russell 2500 Growth - Measures the performance of those Russell 2500 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 2500 Value - Measures the performance of those Russell 2500 companies with lower price-to-book ratios and lower expected growth values.

Russell 3000 - Representing approximately 98% of the investable U.S. equity market, the Russell 3000 index measures the performance of the largest 3,000 U.S. companies.

Russell 3000 Growth - Measures the performance of the broad growth segment of the U.S. equity universe which includes Russell 3000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 3000 Value - Measures the performance of the broad growth segment of the U.S. equity universe which includes Russell 3000 companies with lower price-to-book ratios and lower forecasted growth values.

Russell Midcap - A subset of the Russell 1000 index, the Russell Midcap index measures the performance of the mid-cap segment of the U.S. equity universe. Based on a combination of their market cap and current index membership, includes approximately 800 of the smallest securities which represents approximately 27% of the total market capitalization of the Russell 1000 companies. The index is created to provide a full and unbiased indicator of the mid-cap segment.

Russell Midcap Growth - Measures the performance of those Russell Mid-cap companies with higher price-to-book ratios and higher forecasted growth values.

Russell Midcap Value - Measures the performance of those Russell Mid-cap companies with lower price-to-book ratios and lower expected growth values.

Standard & Poor's 400 MidCap - Comprised of 400 domestic stocks that are chosen based upon market capitalization, liquidity and industry representation. The medium size US firms range with a market capitalization between $2 billion to $10 billion, and are between the S&P 500 Index and the S&P Smallcap 600 Index. It is a market-weighted index, which represents approximately 7% of the aggregate market value of US companies.

Standard & Poor's 500 - Representing approximately 75% of the investable US equity market, the S&P 500 measures changes in stock market conditions based on the average performance of 500 widely held common stocks. It is a market-weighted index calculated on a total return basis with dividend reinvested.

Stark 300 Trader - The Stark 300 index tracks the performance of the top-300 futures and forex traders. The index is calculated monthly using an equity-weighted formula to determine performance.

Index Abbreviations

Bloomberg Barclays – Abbreviated as BBgBarc and then a descriptor. For example BBgBarc US Aggregate TR is the Bloomberg Barclays United States Aggregate Total Return.

Statistics and General Definitions

Alpha – Measures how well a portfolio performed versus its benchmark after factoring in the amount of risk (as measured by beta) taken. Technically, alpha is the difference between the excess return of a portfolio and the excess return of the benchmark multiplied by beta. Excess return is simply the actual return minus the return of the risk-free asset, U.S. Treasury Bill. A positive alpha indicates the portfolio has performed better than the benchmark on a risk-adjusted basis.

Allocation Effect – Attributable to the asset allocation of the portfolio.

Annual Standard Deviation – A measure of variability in returns. The annual standard deviation measures the dispersion of annual returns around the average annualized return.

Annualized Return – A statistical technique whereby returns covering periods greater than one year are converted to cover a one year period.

Attribution – Analytical technique used to evaluate the performance of the portfolio relative to a benchmark. Attribution shows where value was added or subtracted as a result of the investment manager's decisions. The four main attribution effects are: Selection or Manager Effect, Allocation Effect, Currency Effect, and Interaction Effect.

Beta – A coefficient measuring a portfolio's relative volatility with respect to its market. Technically, beta is the covariance of a portfolio's return with the benchmark portfolio's return divided by the variance of the benchmark portfolio's return. Thus, a portfolio with a beta greater than 1.00, indicates the portfolio experienced greater volatility than the benchmark, whereas a portfolio with a beta less than 1.00, indicates the portfolio experienced less volatility than the benchmark.

Commitments – Also called Committed Capital. The amount an investor has agreed to contribute towards the funding of a venture capital fund. May be paid at one time or over a longer period.

Consumer Price Index – Measures the change in consumer prices, as determined by a monthly survey of the U.S. Bureau of Labor Statistics. CPI components include housing costs, food, transportation and electricity.

Correlation – Measures the strength of association between two variables. The value ranges between -1 and +1. The strongest linear relationship is indicated by a correlation of -1 or +1. The weakest linear relationship is indicated by a correlation of 0. Positive correlation means if one variable gets bigger, the other variable tends to get bigger. Negative correlation means that if one variable gets bigger, the other variable tends to get smaller.

Currency Effect –The effect that changes in currency exchange rates over time affect excess performance

Downside Capture Ratio – Measures investment manager's performance in down markets relative to a particular benchmark. A down-market is defined as those periods (months or quarters) in which market return is less than 0%.

Duration – A measure of the price sensitivity of a bond or bond portfolio to a change in interest rates.

Information Ratio – Describes the risk / reward trade-off of alpha and tracking error. Because the formula for calculating information ratio is Alpha divided by Tracking Error, the larger the information ratio, the more attractive the portfolio is from an overall risk return profile.

Interaction Effect – The portion that is not accounted for by the Selection/Manager Effect or Allocation effects.

R2 – Also called the coefficient of determination. On the detail page, R2 measures how much of the variation in the investment manager's returns can be explained by movements in the market (benchmark).

Sharpe Ratio – A risk-adjusted measure calculated using standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe ratio, the better the manager's historical risk-adjusted performance.

Selection or Manager Effect – attributable to the invement manager's stock selection decisions

Tracking Error – A measure that describes the volatility of the expected excess return (alpha) achieved through active management. Since excess return can only be achieved through a portfolio that actively differs from the benchmark, the level of tracking error is indicative of how different the portfolio will perform relative to any given benchmark.

Upside Capture Ratio – Measures investment manager's performance in up markets relative to a particular benchmark. An up-market is defined as those periods (months or quarters) in which market return is greater than 0%.

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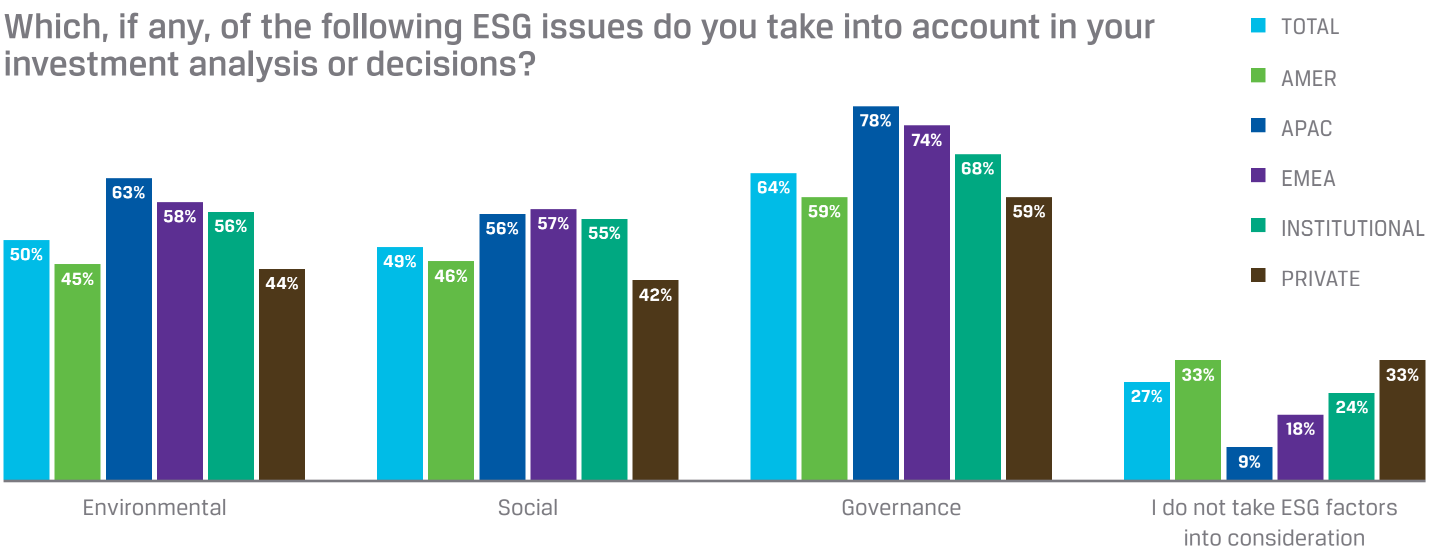
CFA Institute

ESG ISSUES IN INVESTING: INVESTORS DEBUNK THE MYTHS

This survey explains how investors view environmental, social, and governance (ESG) issues and data and the role ESG issues play in their investing process.

Which, if any, of the following ESG issues do you take into account in your investment analysis or decisions?



MYTH #1

Firms offer ESG products primarily for reputational reasons.

REALITY

The top reason investors consider ESG products is to adequately manage risk, and client demand is growing.

Why do you or why do you not take ESG issues into account in your investment decisions?

Top Reasons Why[1]

- **63%** To help manage investment risks
- **44%** Clients/investors demand it
- **38%** ESG performance is a proxy for management quality
- **37%** It's my fiduciary duty
- **37%** To help identify investment opportunities
- **30%** My firm derives reputational benefit

Top Reasons Why Not[2]

- **47%** Lack of demand from clients/ investors
- **35%** These issues are not material—no added value
- **21%** Lack of information/data
- **21%** Insufficient knowledge of how to consider these issues
- **15%** Inability to integrate ESG into my quantitative models

[1]Results are representative of the 73% who take ESG issues into account, n=967.
[2]Results are representative of the 27% who do not take ESG issues into account, n=358.

MYTH #2
ESG issues are mostly about environmental issues and climate change in particular.

REALITY
The top factor considered is board accountability, a governance issue.

Rate the following ESG issues in terms of importance to your investment analysis and decisions.[1]

Percentage selecting 4 or 5 on a 5-point scale

- **78%** Board accountability
- **62%** Human capital
- **61%** Executive compensation
- **54%** Environmental degradation
- **52%** Resource scarcity
- **50%** Demographic trends
- **47%** Supply chain
- **41%** Board diversity
- **40%** Climate change

MYTH #3
ESG implementation is primarily done through exclusionary screening.

REALITY
An integrated approach to ESG issues is now the most widely used method.

How do you take ESG issues into consideration in your investment analysis and decisions?[1]

- **57%** ESG integration in investment analysis and decision making
- **38%** Best-in-class investing and positive alignment
- **36%** Exclusionary screening
- **26%** Active ownership
- **23%** Thematic investing
- **21%** Impact investing
- **4%** Other

Use of ESG Data by Investors

How do you get ESG information and data?[1]

- **75%** Public information
- **66%** Third-party research
- **64%** Reports and statements from the company
- **50%** Direct engagement with the company
- **46%** Regulatory filings
- **4%** Other

Do you agree that public companies should be required to report at least annually on a cohesive set of sustainability indicators in accordance with the most up-to-date reporting framework?[1]

- **61%** of respondents agree
- A significantly higher percentage of respondents from APAC and EMEA agree, **84%** and **82%** respectively, compared with the Americas (**51%**)

Do you believe independent verification is necessary for ESG disclosures? If so, at what level?[1]

- **69%** of respondents think it is important that ESG disclosures be subject to independent verification
- Of these, **44%** believe that verification at a high level of assurance, similar to an audit, is necessary, whereas **46%** believe limited verification, or a lower level of assurance, is necessary

How much should be spent to obtain independent verification?

Of those in favor of independent verification:

- **26%** don't know
- **21%** say it should be <25% of this cost
- **18%** say it should be <50% of this cost
- **16%** say it should be <10% of this cost
- **10%** say it should be as much as the cost of the audit of financial statements
- **6%** say it should be <5% of this cost
- **3%** other

Survey Methodology

- **SAMPLE SIZE: 1,325** portfolio managers and research analysts (members of CFA Institute)
- **SURVEY TIME FRAME:** 26 May–5 June 2015
- **SURVEY RESPONSE RATE:** 3%
- **MARGIN OF ERROR:** ±2.7%

RESPONDENT PROFILE

- **REGION: 68%** from the Americas, **21%** from EMEA, **11%** from APAC
- **PRIMARY ASSET BASE: 41%** primarily deal with institutional clients, **31%** private, **16%** both, **12%** not applicable

For CFA Institute educational content on ESG issues in investing, please visit www.cfainstitute.org/ESG.

[1]Results are representative of the 73% who take ESG issues into account, n=967.

ESG: The Intersection of Investing and Ideology

Profits with a Purpose

FOREWARD

Historically, investing and philanthropy have been distinctly different disciplines. The investor seeks a competitive return on capital while the philanthropist seeks the betterment of society without the expectation of profit. However, a significant trend has shown that the two aims are no longer mutually exclusive. In rapidly growing numbers, modern investors have made their newfound objective clear: they want their capital working not just for themselves, but also for others. The increasing size, scale, and scope of 'sustainable investing' has shown that this movement is here to stay, and its impact on investing as a whole has been indelible.

HISTORY

The origins of sustainable investing are many, yet almost all have their roots in the concept of conscious capital allocation in accordance with ideological objectives. That is to say, investing with individual values in mind.

One of the most prominent precursors to this modern notion was organized religion, whose precepts precluded certain financial practices. Notable examples include laws against usury (i.e.,

KEY TAKEAWAYS

The increasing size, scale, and scope of 'sustainable investing' has shown that this movement is here to stay, and its impact on investing as a whole has been indelible.

A broad consensus has emerged amongst academics and industry professionals: sustainable investing may not sacrifice performance.

Available data suggests that the most sustainably savvy firms have actually boosted their performance because of their focus on these factors, not in spite of it.

Sustainable investing now comprises a significant share of global assets.

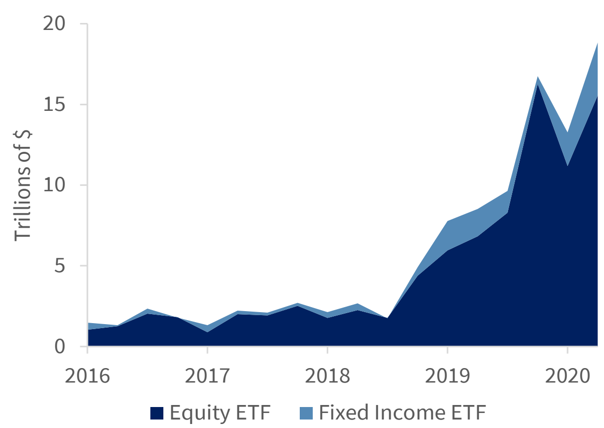
The trend in sustainable investing is neither transitory nor insignificant, as evidenced by the steadily increasing volume of sustainable products and the incorporation of ESG components into traditional financial research.

lending money at unreasonably high rates of interest) within both Christianity and Islam. Over time, different religious doctrines encouraged the faithful investor to divest of assets or businesses tied to 'sinful' activities (including the slave trade, weapons, alcohol, tobacco, and a variety of other industries).

By the 20th century, this approach had evolved to such an extent that it encompassed all activities deemed to be 'socially responsible investing' (SRI), including the consideration of environmental and governmental objectives. An emblematic example of the effective application of SRI was its prominent role in ending the apartheid regime in South Africa from the 1970s through the 1990s. A coordinated effort by international investors sought to divest assets tied to South Africa, exerting significant economic pressure upon the regime. The pressure ultimately became so great that South African business leaders banded together to call for an end to apartheid. In addition to international sanctions by the United Nations and other governments, this economic pressure from responsibly-minded investors has turned out to be a crucial component in effecting significant social and governmental change.

Fast forward to 2020— though the 'E' for Environment and the 'G' for Governance have typically been the more important aspects of ESG and more readily measured, the COVID-19 pandemic and social unrest across the country have turned the spotlight on the 'S' for Social. Increased focus is being placed on how companies prioritize work place safety for their employees, safety for their customers, and work hours and flexibility for employees to work from home if possible. Investors are also looking to see whether companies have diversity and anti-bias policies in place and if they are actually backing those policies and giving back to their communities. All of this awareness has influenced a record amount of investment in sustainable funds in the United States. In fact, in the third quarter of 2020, the value of assets invested in exchange-traded sustainable funds in the US reached a record $18.84 trillion, almost doubling from the beginning of the year.

Value of Assets Invested In Sustainable ETFs



Source: Bloomberg, as of 9/30/2020

DEFINITIONAL DISCREPANCIES

Sustainable investing can be generally defined as conscious capital allocation in accordance with ideological objectives. That is, investing with individual values in mind. Admittedly, this is an extraordinarily broad framework. However, it is fitting given that the scope of sustainable investing is itself similarly broad, mirroring the varied spectrum of human virtues and values. Furthermore, a broad framework has been utilized in sustainability analysis because a specific standard that has been universally adopted does not yet exist. A discrete definition of 'sustainable investing' that is both widely embraced and encompasses all aspects of the practice has yet to be penned.

In fact, even amongst the leaders in the field, wide discrepancies exist in sustainability ratings. Most of these discrepancies can be attributed to variability in reporting standards and availability of data. Specifically, large-capitalization companies generally enjoy greater coverage and higher ratings than their mid- or small-capitalization peers, while companies domiciled in jurisdictions with higher sustainability reporting standards, such as Europe, also enjoy greater coverage and higher ratings than companies domiciled in jurisdictions with relatively lower sustainability standards (e.g., the United States).

SUSTAINABILITY RATINGS

A notable anecdotal example of sustainability rating disparity can be found in the comparison of Tesla, an electric car manufacturer, and General Motors (GM), which primarily manufactures traditional combustion engine vehicles. The Sustainalytics scores of each company can be found below.* Tesla is often regarded as a quintessential sustainable company, given that its overarching business model focuses on the aggressive reduction of carbon emissions through the production of electric vehicles. Yet, it still scores lower on its total ESG score than GM. More ironic still, both score lower than Exxon Mobil, one of the biggest producers of fossil fuels in the world. While Tesla logically holds the highest environmental score, the weighting of each of the governance and social scores results in Tesla holding the the lowest total score amongst all three companies.

	TESLA	GM	EXXON
E	**78.4**	9.5	55.6
S	2.7	73	**76.2**
G	8.1	**93.2**	41.1
TOTAL	24.3	60.8	**68.2**

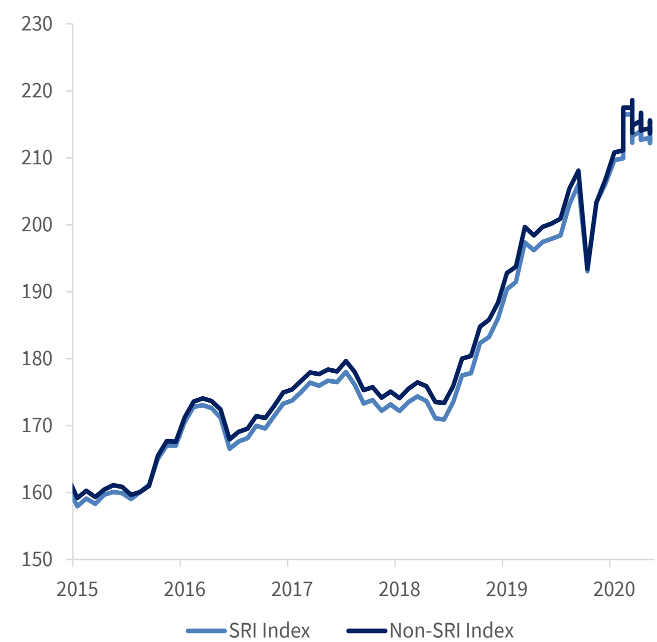
Source: Bloomberg, as of 10/21/2020

* Sustainalytics is a leader in the field of scoring companies on sustainability criteria

SHIFTING THE PERFORMANCE PARADIGM

While definitional discrepancies between ratings agencies abound and ESG ratings contribute only a piece of the performance puzzle, a broad consensus has emerged amongst academics and industry professionals: sustainable investing may not sacrifice performance. On the contrary, preliminary evidence indicates that sustainable investing actually contributes to outperformance in respect to both alpha and beta (i.e., return and volatility). Given that sustainable investing focuses on non-monetary elements, these findings would appear to be paradoxical. How could firms focusing on factors beyond profitability outperform their peers that have no such constraints? This is made all the more curious when one considers that most sustainably-minded investors are generally willing to accept marginally lower returns in exchange for the intangible benefits that a sustainable firm renders to society at large. Yet, over the long term, available data suggests that the most sustainably savvy firms have actually boosted their performance because of their focus on these factors, not in spite of it. Turning from stock to bond performance, data suggests that a focus on sustainability does not necessarily contribute to either alpha or beta. However, as with stocks, sustainable bonds may not sacrifice performance in any significant fashion. As measured by the Bloomberg Barclays MSCI Corporate Investment Grade indices, the SRI index tracked its non-SRI index almost identically.

SRI vs Non-SRI Index: No Meaningful Difference



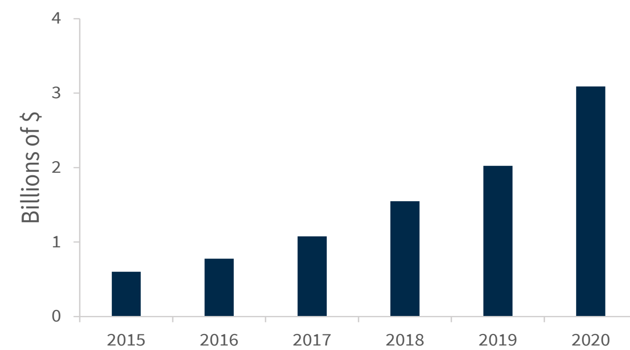
Source: FactSet, as of 10/21/2020

Separately, the highest scoring sustainability companies around the world enjoy a significantly lower average cost of capital relative to their lowest scoring peers, a finding that is consistent across sectors.

FOLLOW THE FUND FLOWS

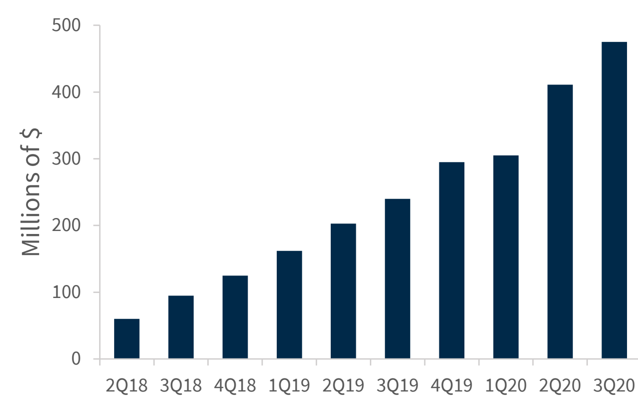
Aside from performance metrics, the other most significant trend in sustainable investing has been its rapid and prolific growth over the past two decades. Broadly defined, sustainable investing now comprises a significant share of global assets as net fund flows to ESG mutual fund strategies have accelerated at a rapid pace. At Raymond James, there has been a similar trend in the growth of asset flows to ESG focused strategies, which have more than tripled in less than two years. This trend has held for individual products (mutual funds and ETFs) as well as for the Freedom ESG portfolios. It is readily evident that the movement towards sustainable investing is broad in both scale and scope, and is not limited to any particular investor classification.

Raymond James Mutual Funds & ETFs



Source: Raymond James Mutual Funds Research, as of 10/21/2020

Raymond James Freedom ESG Portfolios



Source: Raymond James Asset Management Services, as of 10/26/2020

INDELIBLE IMPACT

In short, the trend in sustainable investing is neither transitory nor insignificant, as evidenced by the steadily increasing volume of sustainable products and the incorporation of ESG components into traditional financial research. At the intersection of investing and ideology, this approach is a force to be reckoned with, and its sheer size, scale, and scope warrants attention.

All content written and assembled by the Investment Strategy Group.

ADDITIONAL DISCLOSURES

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This is not a recommendation to purchase or sell the stocks of the companies pictured/mentioned. Be sure to contact a qualified professional regarding your particular situation before making any investment.

Inclusion of indexes are for illustrative purposes only. Indices are not available for direct investment.

Exchange-traded funds are designed to provide investment results that generally correspond to the price and yield performance of their respective underlying indexes, the funds may not be able to exactly replicate the performance of the indexes because of fund expenses and other factors.

Every type of investment, including mutual funds, involves risk. Risk refers to the possibility that you will lose money (both principal and any earnings) or fail to make money on an investment. Changing market conditions can create fluctuations in the value of a mutual fund investment. In addition, there are fees and expenses associated with investing in mutual funds that do not usually occur when purchasing individual securities directly. Investors should consider the investment objectives, risks, charges and expenses of an exchange traded products and mutual funds carefully before investing.

Bond prices and yields are subject to change based upon market conditions and availability. There is an inverse relationship between interest rate movements and bond prices. Generally, when interest rates rise, bond prices fall and when interest rates fall, bond prices generally rise.

ESG investment refers to the composition of portfolios by the active selection of only those companies that meet a defined ranking hurdle established by environmental, social and governance criteria. This investment strategy may result in investment returns that may be lower or higher than if decisions were based solely on investment considerations. Graphs included are for illustrative purposes only and are not intended to reflect the actual performance of any security. The figures include the Freedom balanced ESG, balanced with growth ESG and growth equity ESG portfolios.

Additional considerations should be taken into account when considering a fee-based account as an alternative to paying commissions, including the anticipated level of trading activity and use of the products and services available in the account. You should understand that the annual advisory fee charged in the Freedom Account program is in addition to the management fees and operating expenses charged by mutual funds. These additional considerations, as well as the Freedom fee schedule, are listed more fully in the Client Agreement and the Raymond James & Associates Wrap Fee Program Brochure.

Bloomberg Barclays MSCI Sustainability Index: The index is designed to positively screen issuers from existing Bloomberg Barclays fixed income indexes based on MSCI ESG Ratings, which are an assessment of how well an issuer manages ESG risks relative to its industry peer group. ESG Ratings are available for corporate, sovereign, and government-related issuers. The minimum threshold applied to Bloomberg Barclays fixed income indexes is an ESG rating of BBB or better.

Bloomberg Barclays MSCI Socially Responsible (SRI) Index: The index is designed to negatively screen out issuers from existing Bloomberg Barclays fixed income indexes that may be involved in business lines or activities that are in conflict with investment policies, values or social norms. These indexes use MSCI Business Involvement Screening Research (BISR) and MSCI ESG Controversies to identify exposure to screened issues.

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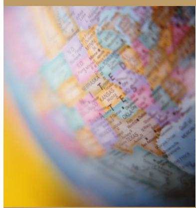

CENTER for RETIREMENT RESEARCH at BOSTON COLLEGE

STATE AND LOCAL PENSION PLANS

NUMBER 74, OCTOBER 2020

ESG INVESTING AND PUBLIC PENSIONS: AN UPDATE

*By Jean-Pierre Aubry, Anqi Chen, Patrick M. Hubbard, and Alicia H. Munnell**

Introduction

Public pension funds have engaged in social investing since the early 1970s, when several states passed laws to screen out "sin" stocks, such as tobacco, alcohol, and gambling. The practice was broadened in the early 1980s in the wake of a major campaign to encourage pension funds and others to divest from companies doing business in South Africa. States have also aimed to achieve domestic goals, such as promoting union workers, economic development, and homeownership. In the mid-2000s, the focus shifted to "terror-free" investing in response to the Darfur genocide and to weapons proliferation in Iran. And, after mass shootings in Aurora, CO and Newtown, CT, some public funds shed their holdings in gun manufacturers. In the last few years, state legislation has renewed the call to divest from Iran and has increasingly targeted fossil fuels to combat climate change.

Interestingly, a "new" form of investing – called ESG (environmental, social, and governance) – has gained traction among public plans themselves – as opposed to being imposed by state legislatures. A key tenet of ESG investing is that certain non-financial factors – such as a firm's environmental impact, its relationship with communities where it operates, and its management culture – are also relevant to long-term value.[1] Proponents believe that, by integrating these ESG factors into existing methods of financial analysis, investors can both earn higher returns and promote socially beneficial practices and outcomes.[2] This *brief* explores whether this new form of investing can fulfill its claims.

**All of the authors are with the Center for Retirement Research at Boston College (CRR). Jean-Pierre Aubry is associate director of state and local research. Anqi Chen is assistant director of savings research. Patrick M. Hubbard is a research associate. Alicia H. Munnell is director of the CRR and the Peter F. Drucker Professor of Management Sciences at Boston College's Carroll School of Management.* *The authors thank John Murray for excellent research assistance and Keith Brainard, Alex Brown, Lynda Dennen, Brett Hammond, Steve Kreisberg, Dulari Pancholi, and Wendy Pulling for helpful comments.*

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The discussion proceeds as follows. The first section describes various approaches to social investing and the U.S. Department of Labor's guidance on this activity. The second and third sections analyze the impacts of traditional social investing and ESG investing on social change and returns, respectively. The fourth section offers further thoughts on the relationship between decisionmakers and stakeholders and on the differences in social goals across stakeholders. The final section concludes that social investing of any form does not appear to improve returns and has the potential to reduce them; hence, it is not appropriate for public pension funds.

Background on Social Investing

The concept of social investing has been around since the 1970s and has involved a variety of approaches.[3] In response, the U.S. Department of Labor, which regulates private pension plans covered by the Employee Retirement Income Security Act of 1974 (ERISA), has issued a number of statements about the appropriateness of social investing in private defined benefit plans. The following discusses both the methodology and regulation of social investing.

The Evolution of Social Investing

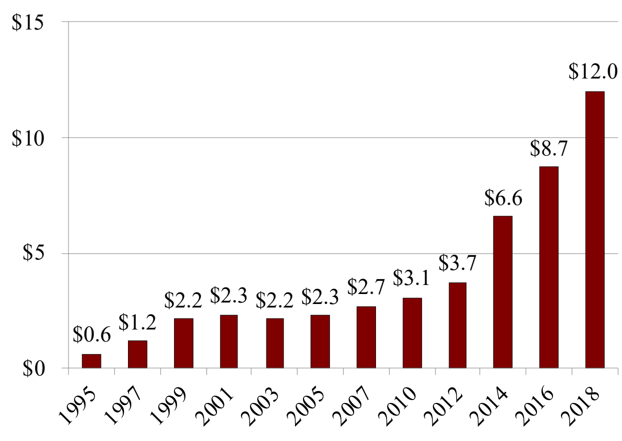
Over the years, social investing has been undertaken in a number of ways, including economically targeted investments, shareholder advocacy, and stock selection (either divesting stocks of undesirable companies or, more recently, investing in "good" companies).

Economically targeted investments, generally undertaken by public pension funds in response to legislation, were aimed primarily at fostering local economic development, protecting jobs, and increasing homeownership. Although advocates generally contended that these goals could be achieved without any loss of return, early reports revealed that plans were losing money. A 1983 study showed that many states were foregoing up to 200 basis points on mortgage-backed pass-through securities designed to increase the supply of mortgage funds in their state.[4] Similarly, Connecticut's state pension fund lost $25 million attempting to shore up Colt Industries in an effort to protect jobs.[5] In Kansas, the state pension fund lost $100-$200 million on defaulted loans from an in-state investment program.[6] Since the losses in the 1980s and early 1990s, very few pension funds have introduced new policies for economically targeted investments.

Another approach to fostering broader social goals has been shareholder advocacy – that is, investors engage directly with companies regarding social, environmental, and governance issues. In 2018, 165 institutional investors and 54 investment managers filed shareholder resolutions.[7] More than half of these initiatives were undertaken by faith-based institutions and money managers; public pension funds accounted for only 8 percent of the total. The leading issue was proxy access – the ability of shareholders to nominate directors to corporate boards.[8] The popularity of this approach is still relatively limited; the organizations that filed shareholder resolutions controlled only about $2 trillion in assets in 2018, less than 4 percent of the total of $47 trillion under financial management.[9]

The main approach to social investing was, and continues to be, stock selection. The two most popular strategies today are screening out companies viewed as undesirable, and the systematic inclusion of social factors in the process of financial analysis. Money managers have offered socially responsible funds since Pax World was introduced in 1971, but for decades these funds did not gain a lot of traction. However, in the last 10 years – with the emergence of so-called ESG funds – social investing has surged (see Figure 1). This surge reflected both the desire of financial service firms to offer new high-fee products and receptive investors interested in both higher returns and social impact. As noted, the underlying premise of ESG investing is that environmental,

Figure 1. Assets in Funds with ESG Criteria, 1995-2018, Trillions of Dollars



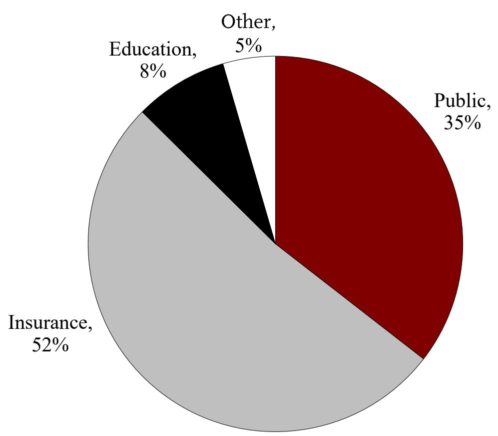
Sources: The Forum for Sustainable and Responsible Investments (2016 and 2018).

social, and governance considerations are relevant to a firm's long-term value, so taking them into account will lead to more valuable investments.[10]

In 2018, money managers applied some kind of ESG criteria in their investment decisions for about $12 trillion of assets. Of this amount, roughly $3 trillion was invested on behalf of individual investors and $9 trillion on behalf of institutional investors.

Public pension funds represent a substantial share of institutional assets to which ESG criteria are applied (see Figure 2).[11] And public pensions applied ESG to at least $3 trillion in assets, which represents more than half of all assets in public pension funds.[12]

Figure 2. Assets in Funds, by Type of Institutional Investor, 2018



Note: The "other" category includes: foundations, healthcare, labor, faith-based, nonprofit, and family officer.
Source: The Forum for Sustainable and Responsible Investments (2018).

Importantly, virtually none of the institutional ESG assets are held by private sector defined benefit plans. This status reflects the U.S. Department of Labor's (DOL) stringent interpretation of ERISA's duties of loyalty and prudence.[13] As early as 1980, a key official DOL article warned that the exclusion of investment options would be very hard to defend under ERISA's prudence and loyalty tests.[14] But, from 1994 to 2015, the DOL issued a number of subsequent statements, which tended to take an increasingly favorable tone towards social investing (see Box).[15] This trend culminated in a 2015 assertion that ESG factors may have a direct impact on the economic value of a plan's investment and, as such, should be integrated into quantitative models of risk and return calculations. However, in June 2020, the DOL announced a proposed rule that discourages the inclusion of nonpecuniary factors in investing decisions, opining that such an approach usually involves trading off returns for social goals and thereby has no place in ERISA plans.[16]

Box: Evolution of DOL Guidance on ESG Investing, 1994-2015

Since the mid-1990s, the DOL has issued three *Interpretive Bulletins* on a fiduciary's ability to consider ESG factors under ERISA.

The 1994 *Bulletin* aimed to "correct the popular misconception" that ESG factors were incompatible with ERISA fiduciary requirements. The *Bulletin* reiterated that plan fiduciaries may not accept lower expected returns or greater risks in order to promote non-economic benefits; however, ESG goals can be considered as tie-breakers if investment alternatives present equal expected risks and returns.

In 2008, the DOL replaced the 1994 *Bulletin* with new guidance that the use of non-economic factors in selecting investments should be rare. Fiduciaries considering these non-economic factors must demonstrate their compliance with ERISA.

The 2015 *Bulletin* withdrew the language from the 2008 *Bulletin*, reinstating the 1994 *Bulletin* position. The 2015 *Bulletin* then went further to clarify that ESG factors may directly affect the economic returns of an investment and may be incorporated when assessing an investment.

The 2020 *Bulletin* rejected the notion that non-pecuniary factors can be considered as "tie-breakers," opining that tie-breaking situations rarely arise and adding special analysis and documentation requirements when fiduciaries claim to be choosing among "indistinguishable" investments.

Sources: U.S. Department of Labor (1994, 2008, 2015, and 2020).

It is important to note that the DOL rules do not apply to state and local government plans because these plans are not covered by ERISA. Nevertheless, the prior DOL guidance may have had an indirect impact on public plan behavior by legitimizing the role of ESG factors in investment decisions. It remains to be seen whether the recent reversal by the DOL will curb ESG activity among public plans.

Can Social Investing Solve Social Problems?

Is the goal of social investing simply to make a statement against, say, tobacco, or in favor of, say, a stop to global warming? Or do social investors think that they are going to affect the financial fate of targeted firms and thereby cause a decline in smoking or reduce the use of fossil fuels? The rhetoric suggests that investors think they will have a real impact.[17] The mechanism apparently must work through a decline in the value of stocks at "bad" companies and an increase in the value of stocks at "good" companies – thereby encouraging more companies to adopt "good" behaviors.

Those inclined to see ESG investing as a way to generate social change, however, face two problems. First, the standards of ESG investing are often unclear. MIT researchers looked at the methods used by six different ESG-rating providers and found that their assessments differed significantly.[18] Another group of researchers found a wide range of rating outcomes for a given company. For example, Wells Fargo received a top score on ESG issues from one provider and below average from another.[19] These inconsistencies in classification make it difficult for investors to accurately and consistently evaluate the ESG performance of companies in which they may want to invest.[20] Contributing to this inconsistency in classification may be the broad range of ESG goals. The environmental, social, and governance categories are extraordinarily diverse and, in many cases, quite distinct from one another. And the goals of investors may range from wanting to simply make a statement that they care about non-financial issues to specific, actionable goals, such as limiting fossil fuel pollution or the proliferation of guns.

The second problem is that the academic literature suggests stock selection is unlikely to affect the price of either the "good" or the "bad" companies. According to standard finance theory, the price of any stock equals the present discounted value of the company's expected future cash flows. Thus, the stock of a particular firm has many close substitutes, which makes the demand curve for a particular stock, in economists' terms, almost perfectly elastic.[21] That is, even a big change in the quantity demanded will lead to only a small change in price. And any significant deviation from the fundamental price would represent a profitable trading opportunity that market participants would quickly exploit and thus correct.[22] In other words, boycotting tobacco stocks or international companies doing business in Iran may result in a temporary fall in the stock price, but as long as some buyers remain they can swoop in, purchase the stock, and make money. And the buyers are out there. The Vitium Fund (formerly the Vice Fund and the Barrier Fund), which was established in 2002, stands ready to buy alcohol, tobacco, arms, and gambling stocks screened out of standard portfolios. Thus, the textbooks suggest that boycotting tobacco companies or international companies doing business in Iran is unlikely to have any impact on the price of their stocks.[23]

And, in 1999, a comprehensive survey on the effect of the South African boycott – the largest and most visible social investing action – documents virtually no effect on share prices, suggesting the real world mirrors the textbook model.[24] A series of event studies concluded that the anti-apartheid shareholder and legislative boycotts had no negative effect on the valuations of banks or corporations with South African operations or on the South African financial markets. This is not to say that the boycott was not important politically, but merely that it did not impact financial markets.[25]

Boycotting companies is unlikely to have any impact on the price of their stocks.

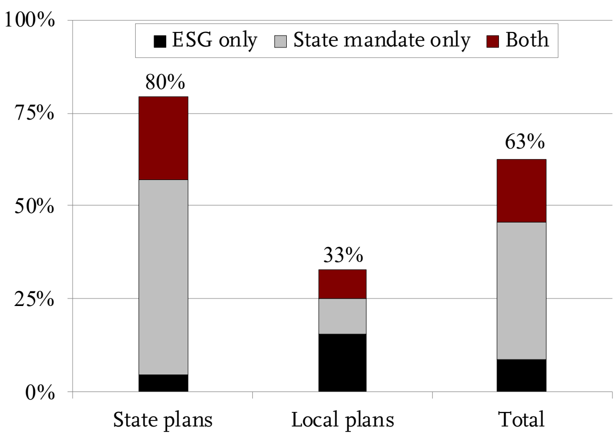
In short, stock selection is unlikely to stop smoking, slow global warming, or change the behavior of "terrorist" countries.[26]

Does Social Investing Affect Returns?

While investing based on social factors may not bring about the desired social goals, it would be nothing but a diversion if it did not adversely affect returns. Given that many public plans were early participants in social investing through state-mandated requirements and more recently have themselves embraced ESG investing, they are a natural place to assess the investment performance of these two approaches. For 176 plans in our *Public Plans Database,* for each year from 2001-2018, we identified state investment directives (for state-administered plans) and scanned the investment policy statements of both state and local plans for the adoption of any ESG policies.[27]

Of the 176 plans reviewed, roughly two-thirds currently have either a social investing state mandate or an ESG policy in place (see Figure 3).

Figure 3. Type of Social Investing by State and Local Plans, 2018

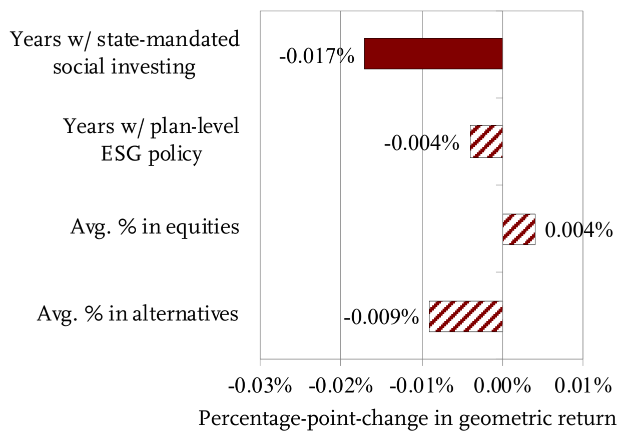


Note: See Endnote 28.
Source: Authors' calculations from the *Public Plans Database* (PPD) (2001-2018).

The types of state mandates and ESG policies for public plans run the gamut. State mandates include the traditional forms of social investing such as divestment from Iran, Sudan, fossil fuels, tobacco, and weapons, and other policies include mandates to invest locally and/or in minority-owned businesses. The ESG policies are focused mainly on requiring (or, at least, allowing for) ESG criteria – such as ecological impacts, labor practices, business ethics, etc. – to be considered alongside pecuniary factors.[29]

To relate state mandates and ESG policies to public pension investment performance, the analysis uses two types of regressions. The first regression explores the relationship between the average rate of return for the 160 plans with complete data over the period 2001-2018, the number of years that the plan faced a state social-investing mandate, and the number of years that it had an ESG policy, controlling for plan size and asset allocation. The results show a negative relationship between the rate of return and both state mandates and ESG policies, although only the coefficient for the state mandate is statistically significant (see Figure 4). It suggests that having a state mandate in place for a single year was associated with an annualized return that was nearly two basis points lower over the 18-year period. To put this finding in context, plans with state mandates have had them for an average of 10 years. So, the average annualized return for those with a state mandate would be 20 basis points lower than for those without a mandate.

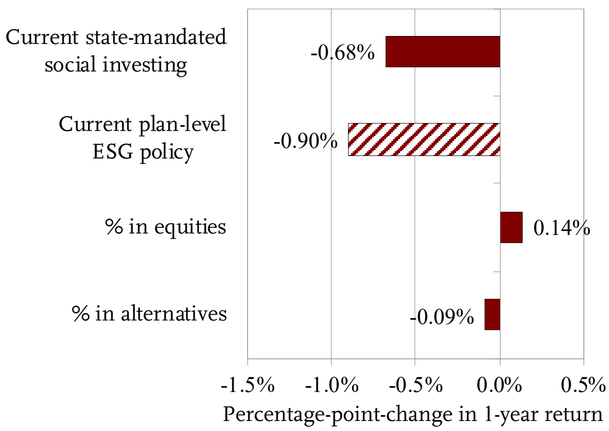
Figure 4. OLS Regression: Factors that Affect Geometric Returns for 2001-2018



Note: Solid bar is statistically significant at the 5-percent level.
Source: Authors' calculations from the PPD (2001-2018).

While the first regression shows an association between social investing activity and returns, it cannot establish causation – for example, maybe only plans with poor investment managers are under state mandates or ESG policies. To establish a causal link, the second equation uses a fixed-effects model. This equation relates one-year investment returns for a given plan over the period 2001-2018 to the presence of either a state mandate or a plan-level ESG policy, controlling for plan size and asset allocation. In essence, for each plan, it looks at the difference in returns for periods with and without social investing activity. The results in Figure 5 (on the next page) show that state mandates and ESG policies reduce annual returns by 70 to 90 basis points, albeit the coefficient of ESG investing is only marginally statistically significant (10-percent level).[30]

Figure 5. Fixed Effect Regression: Factors that Affect 1-Year Returns for 2001-2018



Note: Solid bars are statistically significant at the 5-percent level.
Source: Authors' calculations from the PPD (2001-2018).

The negative relationship between state mandates and returns in both equations is consistent with the results of earlier studies.[31] The fact that having an ESG policy is also negatively related to returns (with 10-percent significance) appears to contradict the assertion that focusing on social factors produces market or better returns.[32]

As a check on our regression results, we compared the returns on ESG mutual funds to unrestricted Vanguard funds over 1-year, 5-year, and 10-year periods (see Table 1).[33] With the exception of the short-duration bond funds, the Vanguard funds generally outperform their ESG counterparts, often by a considerable margin.[34] Part of the reason is that the fees in the ESG funds are roughly 80 basis points higher than their Vanguard counterparts, which may reflect the additional resources required to perform the screening.

Final Comments on Pension Fund Social Investing

The question of whether social investing should play a role in public pension investing goes beyond returns. Even assuming that divestment and ESG inclusion were effective mechanisms to stop terrorism and slow the rise in the earth's temperature and that state legislatures and pension fund boards are the right bodies to make foreign and climate policy, pension funds are not an appropriate vehicle for social investing.

Table 1. Average Net Returns of ESG Mutual Funds and Comparable Vanguard Mutual Funds, 2020

Asset class	Type	1-year	5-year	10-year	Expense ratio	Average AUM ($ billions)	Benchmark index
Bond – short	ESG	5.29%	3.63%	3.46%	0.90%	$1.1	Barclays US 1-5 Year Credit Index
	Vanguard	4.85	2.92	2.68	0.20	62.6	
Bond – long	ESG	10.98	6.34	4.54	0.76	0.2	Barclays US Long Credit
	Vanguard	16.77	9.18	8.11	0.22	20.2	
Equities large cap	ESG	6.75	8.13	11.58	1.04	2.1	S&P 500 Index
	Vanguard	7.47	10.69	13.95	0.04	533.6	
Equities mid cap	ESG	-1.56	5.21	10.12	0.92	1.3	Russell Midcap Value
	Vanguard	-0.20	6.99	12.47	0.05	106.9	
International	ESG	2.08	5.00	7.24	1.16	0.5	MSCI ACWI
	Vanguard	4.64	8.01	10.79	0.48	6.4	
Real estate	ESG	4.95	2.45	2.41	0.89	0.6	Barclays Securitized, MSCI US Real Estate
	Vanguard	-6.93	5.36	9.71	0.12	55.8	

Notes: Data as of July 31, 2020. Comparable funds are both from the same asset class and have the same benchmark index. Funds with less than 10 years of returns history are excluded. Returns are net of fees.
Source: Authors' calculations from The Forum for Sustainable and Responsible Investments (2020); Bloomberg's ESG Data Service (2020); and Vanguard Mutual Funds (2020).

The most important factor regarding whether or not public pension funds should engage in social investing is that the decisionmakers and the stakeholders are not the same people. The decisionmakers are either the fund board or the state legislature, or a combination of the two. The stakeholders are tomorrow's beneficiaries and/or taxpayers. If social investing produces losses either through higher administrative costs or lower returns, future retirees will receive lower benefits or tomorrow's taxpayers will have to ante up. The welfare of these future actors is not well represented in the decisionmaking process.

Even if decisionmakers always tried to act in the best interests of beneficiaries and future taxpayers, it is still very difficult to determine how different beneficiaries value ESG factors.[35] For example, one beneficiary may accept lower returns for fossil-free but not firearms-free investments, while another may accept lower returns for terror-free but not fossil-free investments, and a third may not accept lower returns at all. Given different preferences, it would be difficult for public pension funds to fully incorporate the value of ESG factors for all beneficiaries. Additionally, these preferences may change over time as social values and political views shift.[36] Therefore, the range and variation in preferences provide one more argument for why public plans are not an appropriate vehicle for social investing, especially given that both fees are higher and returns are lower. On the other hand, if individual investors, who know their own preferences, want to pay the higher fees for ESG funds, they should go ahead and do it.

Conclusion

The evolution of social investing from economically targeted investments and state-mandated divestments, where public plans clearly sacrificed return, to shareholder engagement and ESG investing, where the goal, at least, is to maintain market or better returns, is definitely a step forward. But both data and theory show that stock selection is not the way to reduce smoking or slow the rise in the earth's temperature. And focusing on social factors, at least for public pension plans, does not appear to be costless – plans earn less in returns and fail to capture beneficiaries' interests. Most importantly for public plans, the people who are making the decisions are not the ones who will bear the brunt of any miscalculations.

Endnotes

1 Bhagat and Hubbard (2020) argue – as Milton Friedman did in 1970 – that firms should focus on long-term value creation, not socially beneficial business practices. But they also note that many socially beneficial business practices align with long-term value creation and conclude that better incentives for long-term thinking by managers and boards, as well as government schemes to help firms internalize more of the benefits from socially desirable business practices, would promote these natural alignments. At the same time, the authors make clear that some issues like climate change cannot be solved by corporations and must be addressed by government policy.

2 Not all advocates of ESG investing agree that financial returns will be higher, but that mitigating negative externalities is itself a form of value creation that should be considered on equal footing with pecuniary factors (Impact-Weighted Accounts Project 2020).

3 Rifkin and Barber (1978).

4 Munnell (1983).

5 Schwimmer (1992) and Langbein, Stabile, and Wolk (2006).

6 White (1991).

7 The Forum for Sustainable and Responsible Investments (2018).

8 Corporate political activity, climate change, labor force issues, executive pay, and human rights were also major concerns.

9 Proxy voting on ESG issues, which is less pro-active than filing a shareholder resolution, is more widespread.

10 Many of the largest ESG-focused mutual funds directly consider companies' long-term sustainability and impact as central to their viability as a business (see Hale 2020). This incorporation of long-run value along social and environmental guidelines goes beyond simply considering monetary return (see The Forum for Sustainable and Responsible Investments 2020).

11 To understand the types of institutional investors that use ESG, the US SIF Foundation surveyed 496 institutional investors representing $5.6 trillion of the total $9 trillion in institutional ESG assets reported by money managers. While the survey did not cover all institutional ESG assets, it did include all the ESG assets for public pensions – about $3 trillion. For Figure 2, the remaining $6 trillion in institutional ESG assets were apportioned based on the proportion of non-pension ESG assets surveyed by US SIF.

12 The $3.0 trillion figure is from The Forum for Sustainable and Responsible Investments (2018). The Federal Reserve's *Flow of Funds* data report total assets for state and local pension plans of $5.0 trillion in 2018.

13 ERISA requires a fiduciary to act "solely in the interests of the [plan] participants and beneficiaries... for the exclusive purpose" of providing benefits to them. A fiduciary must also act "with the care, skill, prudence, and diligence" of the traditional "prudent man." See Langbein, Stabile, and Wolk (2006).

14 Lanoff (1980).

15 U.S. Department of Labor (1988, 1994, 2008, and 2015).

16 U.S. Department of Labor (2020). See also Scalia (2020).

17 According to the *2018 Report on US Sustainable, Responsible and Impact Investing Trends* (from The Forum for Sustainable and Responsible Investments), "Many of these money managers and institutions, concerned about racial and gender discrimination, gun violence and the federal government's rollbacks of environmental protections, are using portfolio selection and shareowner engagement to address these important issues."

18 Berg, Kölbel, and Rigobon (2020).

19 Li and Polychronopoulos (2020).

20 Kotsantonis and Serafeim (2019).

21 For an in-depth discussion, see Munnell and Sundén (2005) and Munnell (2007).

22 See Brealey and Myers (1988).

23 See Fabozzi, Ma, and Oliphant (2008); Hong and Kacperczyk (2009); and Statman and Glushkov (2009).

24 Teoh, Welch, and Wazzan (1999).

25 Yes, the regime changed in South Africa, but many South Africans say that it was the cultural boycott – particularly in sports – rather than the divestiture of companies with South Africa-linked activities that resulted in the peaceful ascendance of Nelson Mandela as president. See Authers (2007).

26 Further, O'Connor and Labowitz (2017) estimate that only about 8 percent of the criteria used to vet companies for socially responsible policies actually capture whether the policies have any effect on social goals, so companies may be rated favorably regardless of their impact.

27 In many cases, the assets of multiple plans are jointly held in a pension trust that is overseen by a single investment entity that sets a uniform policy for all assets in the trust.

28 Eleven locally administered plans match state guidance on divestment: Baltimore Fire & Police, Boston Retirement System, Chicago Municipal, Chicago Police, Chicago Teachers, Cook County Employees, Miami Fire & Police, Montgomery County MD ERS, NYC ERS, NYC Police, and NYC Teachers.

29 Sustainability Accounting Standards Board (2020).

30 Brown, Pollet, and Weisbenner (2015) examined the investment behavior and performance of 27 state pension plans that manage their own equity portfolios. Interestingly, the authors found that both overweighting the equity of firms headquartered within the state and the presence of political influence on stock selection yielded excess returns for pension funds. Their sample, however, represented 12 percent of state plans and 50 percent of assets.

31 See Mitchell and Hsin (1994); Munnell (2007); Munnell and Chen (2016); Winegarden (2019); Ciciretti, Dalò, and Dam (2019); and Azmi, Mohamad, and Shah (2020).

32 Two other studies focusing on ESG investing have also found a negative impact on returns (see Auer and Schuhmacher (2016) and Halbritter and Dorfleitner (2015).

33 Requiring 10 years of data necessarily reduces the sample size of ESG funds for comparison. Hence, we repeated the exercise for funds for a larger sample of funds that have been in existence for only 5 years, and the results were the same for the 5-and 1-year periods. Similarly, we also compared only the top third of ESG funds to their Vanguard counterparts, and found similar differences in returns and expense ratios.

34 Similar analyses suggest that some ESG funds may hold up well against Index funds. For example, if the sample of ESG funds is limited to the top third in each asset class based on the 10-year return, ESG funds outperform Vanguard funds in Large Cap Equities and International Equities. Similarly, Hildebrand (2020) and Lefkowitz (2020) found that ESG funds outperformed broad indices in the first quarter of 2020. Nonetheless, several academic studies find that a focus on ESG factors hurts market performance (Grewal, Riedl, Serafeim (2017), Christensen et al. (2017), Manchiraju and Rajgopal (2017), Hoque et al. (2016), and Christensen, Hail, Leuz (2018)).

35 Social investing can be viewed as a form of value-driven investing – which is dependent on personal preferences – rather than returns-driven investing. Some stakeholders may be willing to risk lower returns because they believe the incorporation of ESG components increases the value in intangible ways that may not be reflected in price growth alone.

36 Further, in the absence of a standardized ESG rating system, year-to-year fluctuations in institutional priorities are likely to lead to difficulty in expressing and measuring impact (see O'Connor and Labowitz 2017).

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APPENDIX

Table A1. OLS Regression: Factors that Affect Geometric Returns for 2001-2018

Variables	(1) Geometric returns (from 2001)
Years w/ state-mandated social investing	-0.000174**
	(8.70e-05)
Years w/ plan-level ESG policy	-0.000039
	(9.75e-05)
Avg. % in equities	0.0000396
	(9.41e-05)
Avg. % in alternatives	-0.0000895
	(8.95e-05)
Ln. of average assets	0.000766**
	(0.000380)
Constant	0.0480***
	(0.00760)
Observations	160
R-squared	0.043

Notes: Robust standard errors in parentheses. *** p<0.01, ** p<0.05.
Source: Authors' calculations from the PPD (2001-2018).

Table A2. Fixed Effects Regression: Factors that Affect 1-Year Returns for 2001-2018

Variables	(1) 1-year returns
Current state-mandated social investing	-0.00681**
	(0.00327)
Current plan-level ESG policy	-0.00897*
	(0.00526)
% in equities	0.00140***
	(0.000350)
% in alternatives	-0.000911***
	(0.000288)
Stock market downturn	-0.193***
	(0.00286)
Constant	0.0505**
	(0.0221)
Observations	2,724
Number of plans	160
R-squared	0.532

Notes: Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1.
Source: Authors' calculations from the PPD (2001-2018).

About the Center

The mission of the Center for Retirement Research at Boston College is to produce first-class research and educational tools and forge a strong link between the academic community and decision-makers in the public and private sectors around an issue of critical importance to the nation's future. To achieve this mission, the Center conducts a wide variety of research projects, transmits new findings to a broad audience, trains new scholars, and broadens access to valuable data sources. Since its inception in 1998, the Center has established a reputation as an authoritative source of information on all major aspects of the retirement income debate.

Affiliated Institutions

The Brookings Institution
Mathematica – Center for Studying Disability Policy
Syracuse University
Urban Institute

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PRI Principles for Responsible Investment

An investor initiative in partnership with
UNEP Finance Initiative and UN Global Compact

A BLUEPRINT
FOR RESPONSIBLE INVESTMENT

RESPONSIBLE INVESTORS | SUSTAINABLE MARKETS | A PROSPEROUS WORLD FOR ALL

www.blueprint.unpri.org
@PRI_News – #PRIBlueprint

ABOUT THE PRI

“Our aim over the next 10 years is to bring responsible investors together to work towards sustainable markets that contribute to a more prosperous world for all.”

The PRI is the world's leading proponent of responsible investment

The six Principles for Responsible Investment are a voluntary set of investment principles that offer a menu of possible actions for incorporating environmental, social and governance (ESG) issues into investment practice. The Principles were developed by investors, under the leadership of the United Nations (UN). They have attracted a global signatory base representing a majority of the world's professionally managed investments.

The PRI supports its international network of signatories in implementing the Principles. As long-term investors acting in the best interests of their beneficiaries and clients, our signatories work to understand the contribution that ESG factors make to investment performance, the role that investment plays in broader financial markets and the impact that those investments have on the environment and society as a whole.

Our aim over the next 10 years is to bring responsible investors together to work towards sustainable markets that contribute to a more prosperous world for all.

The PRI's Mission

"We believe that an economically efficient, sustainable global financial system is a necessity for long-term value creation. Such a system will reward long-term, responsible investment and benefit the environment and society as a whole.

The PRI will work to achieve this sustainable global financial system by encouraging adoption of the Principles and collaboration on their implementation; by fostering good governance, integrity and accountability; and by addressing obstacles to a sustainable financial system that lie within market practices, structures and regulation."

The six Principles for Responsible Investment

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

THE BLUEPRINT

responsible, *adj. and n.* (rɨˈspɒnsɨbl)

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.

sustainable, *adj.* (səˈsteɪnəbl)

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

prosperous, *adj.*, (ˈprɒsp(ə)rəs/

Flourishing, thriving. Consistently successful, esp. economically. Of a person or community, relating to well-being: the state of being healthy, happy.

Over the next 10 years, the PRI will focus on the following areas of impact:

RESPONSIBLE INVESTORS

We will strengthen, deepen and expand our core work: to lead responsible investors in their pursuit of long-term value and to enhance alignment throughout the investment chain.

- EMPOWER ASSET OWNERS
- SUPPORT INVESTORS INCORPORATING ESG ISSUES
- FOSTER A COMMUNITY OF ACTIVE OWNERS
- SHOWCASE LEADERSHIP AND INCREASE ACCOUNTABILITY
- CONVENE AND EDUCATE RESPONSIBLE INVESTORS

SUSTAINABLE MARKETS

We will address unsustainable aspects of the markets that investors operate in, to achieve the economically efficient, sustainable global financial system that responsible investors and beneficiaries need.

- CHALLENGE BARRIERS TO A SUSTAINABLE FINANCIAL SYSTEM
- DRIVE MEANINGFUL DATA THROUGHOUT MARKETS

A PROSPEROUS WORLD FOR ALL

We will enable signatories to improve the real world – now and in the future – by encouraging investments that contribute to prosperous and inclusive societies for current and future generations.

- CHAMPION CLIMATE ACTION
- ENABLE REAL-WORLD IMPACT ALIGNED WITH THE SDGs

TAKING RESPONSIBILITY

“The vision set out in this blueprint will ultimately empower our signatories to create long-term value for their beneficiaries, for the societies they inhabit and that future generations inherit.”

Martin Skancke

PRI Chair

I am delighted to present our blueprint for the next ten years of responsible investment.

After more than a decade establishing the PRI as the global voice of the responsible investment movement, it is time for us to set out our vision for the direction of the PRI and the wider responsible investment community over the next 10 years.

Our challenge is to focus ever more deeply on what it truly means to be a responsible investor – and to then embed that so fundamentally and comprehensively in how all investors work that responsible investment as a standalone concept melts away.

If we do this well, the power and influence exerted by the collective force of the world's biggest investors will see the effects resonate out beyond the confines of the investment industry, into broader financial markets and on to enrich the world in which we all live.

Investors' responsibility to use beneficiaries' money in line with their best interests extends beyond providing a return on their capital: it includes ensuring that that money is being invested in ways that support sustainable development towards a world in which beneficiaries can live fulfilling lives. And just as responsibility sits with investment organisations towards their beneficiaries today, we are all individually responsible for passing on tomorrow the prosperous and inclusive societies that future generations deserve, set in the thriving natural environment that requires.

That environmental, social and governance factors each contribute to creating long-term value is a case well-understood by many, but remains new to many others – so it is a case we must continue to make. We must recognise the diverse range of circumstances in which investors operate: markets, jurisdictions and individual styles vary significantly, and our work must support the full spectrum of approaches this necessitates.

We must also identify and address obstacles to the financial system having the structure, regulations and incentives that enable responsible investment to flourish. Without such a system, investors' progress will continue to be frustrated.

Ultimately, the work at the core of our movement must influence sustainable development in the real world that we and future generations share. Our signatories' success at building issues such as energy efficiency, working conditions and board diversity into their investment approach has to be considered not only in terms of its boost to their beneficiaries' returns, but also in terms of its contribution to a more prosperous world for society at large.

The PRI, just over 10 years on from its UN-led launch, is uniquely positioned to drive these changes. Our signatories, controlling the majority of the world's managed assets, bring unparalleled collective value to the PRI, and our work must reflect that by providing value to them. This includes being focused: we will seek to solve problems where we can play to our strengths and bring comparative advantage, we will seek to collaborate, not compete, and we will set out metrics by which our progress can be measured.

The vision set out in this blueprint will ultimately empower our signatories to create long-term value for their beneficiaries, for the societies they inhabit and that future generations inherit. We thank our signatories for the dedicated contribution they've made to shaping this blueprint, we applaud their efforts in driving responsible investment forward and we challenge them to take it to ever greater heights in the years ahead.

DELIVERING A MORE PROSPEROUS WORLD FOR ALL

"Now is the time for action: we're ready, our signatories are ready and the world's people deserve a response."

Fiona Reynolds

PRI Managing Director

The PRI's Mission is to achieve a sustainable global financial system focused on creating long-term value. This is because we believe that such a system will not only reward its users financially, but also "benefit the environment and society as a whole". This blueprint lays out how our core work supporting signatories implementing the Principles will lead to that goal.

The work undertaken by responsible investors has come a long way since the Principles were launched in 2006. We know, however, that much more can still be achieved – by reaching new audiences and by enhancing the work already underway.

Over the next decade we will deepen our work producing tools that empower asset owners: to incorporate ESG factors into their investing decisions; to engage with companies, governments, policy makers and other stakeholders; to work with managers and consultants and to embed ESG considerations throughout their organisation. We will continue to push for policies, regulation and industry standards that better enable and reinforce our signatories' responsible investment work. We will continue to develop our ability to benchmark signatories' progress and performance – showcasing leadership and calling out inaction.

Out of this will grow a new, systematic approach to our work towards a sustainable financial system. Responsible investors need a financial system that works with, not against, their pursuit of long-term value: a system that incentivises long-term investment, that takes into account social and environmental impacts beyond the reach of any individual investor and that works in the interests of its ultimate beneficiaries.

Ultimately this work will manifest itself in the societies and environment in which beneficiaries live, and that will be passed on to the next generation. To strengthen the link between the work of responsible investors and sustainable development in the real world, we will connect our work to the UN's Sustainable Development Goals (SDGs), and enable signatories to do the same.

This will allow us to better understand and measure investors' contribution to the kind of world beneficiaries want – one of prosperous and inclusive societies in a healthy natural environment.

There is no one action or outcome to promote – we must work hard to lay out a set of approaches that reflects the diverse global investment community's variety of needs. In our work so far on climate change, for example, we have explored – and supported signatories in implementing – actions that have included divestment, asset reallocation, green bond investing, company engagement, policy engagement and many more. Large, complex problems need a suite of tailored and nuanced solutions from which to choose.

We will continue to pay particular attention to climate change – signatories repeatedly tell us it is the highest priority ESG issue they face. We will champion climate action from governments, companies and investors, and continue to provide signatories with a wide range of tools and approaches so that they are empowered to respond in the way that is most impactful for them.

Across the globe, governments have come together and for the first time achieved meaningful, widespread agreement on a sustainable direction for the world – including ending poverty, improving education and protecting natural resources through the SDGs, and a zero-carbon future through the Paris Agreement. The PRI's role over the next decade is to work with investors on playing their part in delivering this future.

This blueprint will guide our work to do so. Our 10-year anniversary has provided an opportunity to evaluate our impact so far, to consult extensively with signatories on the road ahead and to understand the role that those currently outside the responsible investment community see the PRI as being able to play.

The biggest and most likely risks the world faces cannot be addressed without responsible investment. Now is the time for action: we're ready, our signatories are ready and the world's people deserve a response.

CREATING THE BLUEPRINT

HAVING IDENTIFIED INITIATIVES THAT WOULD BE IMPORTANT TO OUR SIGNATORIES, WE CONSIDERED THE COMPARATIVE ADVANTAGES THAT THE PRI AND OUR SIGNATORIES COULD BRING, TO DETERMINE WHETHER WE ARE BEST PLACED TO ACT:

- Our signatory base is a coalition of asset owners, investment managers and service providers from around the world, in one body. Our investor signatories represent a majority of the world's professionally managed assets.
- We have substantial intellectual capacity, amongst our signatories and our own staff.
- We have a unique convening power to bring together investors, companies, governments and academics. We have strong links with the UN through our two founding partners: UN Global Compact and UNEP Finance Initiative (UNEP FI).

THE PRI CANNOT SOLVE THE CHALLENGES THE WORLD FACES – SUCCESS RELIES ON ENABLING OUR SIGNATORIES TO ACT.

In deciding which initiatives should be part of our 10-year vision, we asked: Would the initiative address an issue of importance to our signatories?

To mark the PRI's 10-year anniversary in 2016, we undertook a series of initiatives to review progress so far and to create an ambitious and achievable vision for how the PRI and the wider responsible investment community should progress over the next 10 years. This included global signatory and stakeholder surveys, an independent impact evaluation and major signatory consultations. These activities culminated in the launch of this blueprint in 2017, setting the direction of our work for the 10 years ahead.

We are committed to continuing to consult with signatories on the three-year strategies and annual work programmes that will underpin this vision. We will be disciplined, systematic and intensely focused on our Mission in deciding everything we do. We will ensure without exception that our activities bring value to signatories.

NEARLY
2,000 INDIVIDUALS

ATTENDED REGIONAL CONSULTATION WORKSHOPS AND WEBINARS, FROM OVER 520 ORGANISATIONS (NEARLY 50% OF ALL SIGNATORIES)

OVER
500
WRITTEN RESPONSES TO OUR **ACCOUNTABILITY AND DIVERSITY CONSULTATION**

NEARLY
200
WRITTEN RESPONSES TO OUR **SUSTAINABLE, FINANCIAL SYSTEM, PRINCIPLES, IMPACT CONSULTATION**

STRONG STAKEHOLDER ENGAGEMENT

120+ WERE FROM **NON-SIGNATORIES**

An independent evaluation of the PRI's impact over its first decade made the following recommendations for the future:

CLARIFY
PURPOSE AND AMBITION

ENHANCE
FOCUS AND ADDED VALUE

IMPROVE
THE ACCOUNTABILITY PROCESS

MEASURE
REAL-WORLD IMPACT

OUR ACTIONS

EMPOWER ASSET OWNERS

WE WILL:

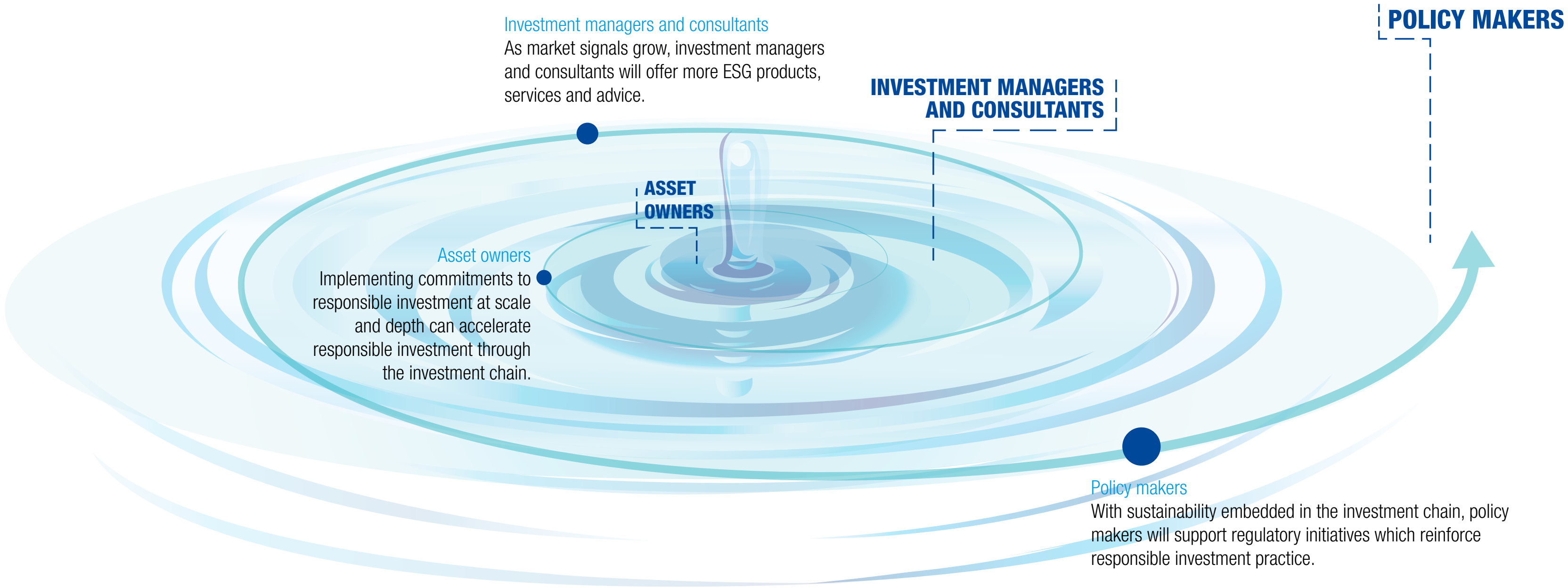
- champion ESG incorporation throughout organisations, from areas such as strategy, policies and trustee capacity through to portfolio/plan-level decisions including asset allocation;
- enable asset owners to effectively oversee and monitor investment managers, consultants and others in order to meet their responsibilities to beneficiaries;
- demonstrate how long-term global trends will shape the investment environment of tomorrow;
- establish that asset owners' responsibilities to their beneficiaries extend beyond the risk/return profile of their investments to include making decisions that benefit the world beneficiaries live in.

Principle 4
"We will promote acceptance and implementation of the Principles within the investment industry."

Heading the investment chain, asset owners wield enormous power and influence

Asset owners set the direction of markets: the mandates they award to managers determine the objectives that the world's biggest pools of money are put to. To fulfil their duties to beneficiaries in the 2020s and beyond, asset owners will need robust approaches to investment that acknowledge the effects their investments have on the real economy and the societies in which their beneficiaries live.

THE MULTIPLIER EFFECT OF ASSET OWNERS' INFLUENCE – ON THEIR MANAGERS, ON POLICY MAKERS AND BEYOND:



SUPPORT INVESTORS INCORPORATING ESG ISSUES

WE WILL:

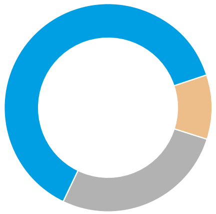
- increase the depth of insight and practice in asset classes where ESG incorporation is mature and penetration high – such as listed equity and corporate and government debt;
- build the foundations for ESG incorporation in asset classes where it is still new – such as commodities, hedge funds and supranational and asset-backed debt;
- lead signatories' awareness and response to existing and emerging ESG issues.

Principle 1
"We will incorporate ESG issues into investment analysis and decision-making processes."

Environmental, social and governance issues affect investment performance across companies, sectors, regions and asset classes

OUT OF
2,000+
STUDIES
SINCE 1970

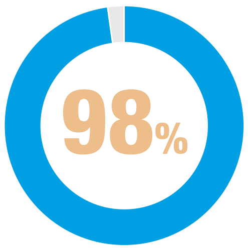
63%
FOUND A
POSITIVE LINK



ONLY
10%
FOUND A
NEGATIVE LINK

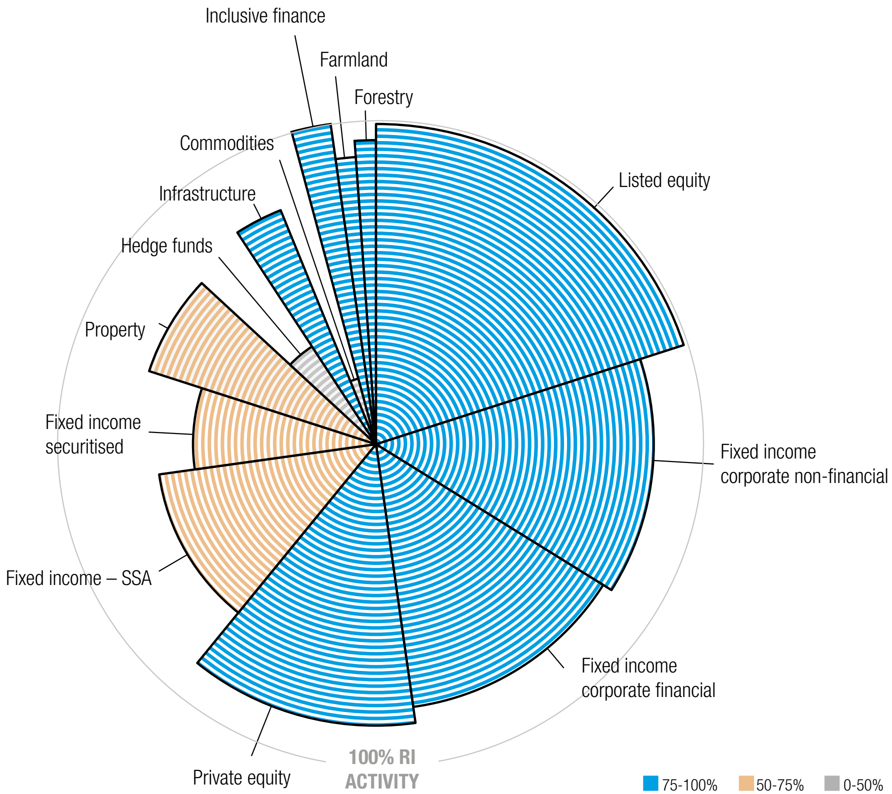
BETWEEN A COMPANY'S ESG PERFORMANCE AND ITS FINANCIAL PERFORMANCE [1]

Since the launch of the Principles, the investment industry has made great progress in making ESG factors a part of investment decisions. Deep, systemic incorporation of ESG issues across a firm's entire spectrum of assets, however, is rare, and for investors who do not yet address ESG issues, getting started can be challenging.



OF **INVESTMENT MANAGER** SIGNATORIES
APPLY RI PRACTICES
TO THEIR **LISTED EQUITY** HOLDINGS

The proportion of investment managers directly investing in a given asset class that reported conducting some level of responsible activity on their investments in that asset class in 2016:



1 ESG & Corporate Financial Performance: Mapping the global landscape, Deutsche Asset & Wealth Management, December 2015

FOSTER A COMMUNITY OF ACTIVE OWNERS

WE WILL:

- increase signatories' understanding of how to exercise their rights as active owners, across all asset classes;
- continue to coordinate collaborative engagements to maximise investors' collective impact, expanding the coalitions and sharing lessons learnt;
- promote alignment of proxy voting practices with responsible investment beliefs;
- enhance the PRI Collaboration Platform to make it a global hub for active ownership.

Principle 2

"We will be active owners and incorporate ESG issues into our ownership policies and practices."

Engaging companies on ESG issues improves their sustainability, their management and their risk/return profiles

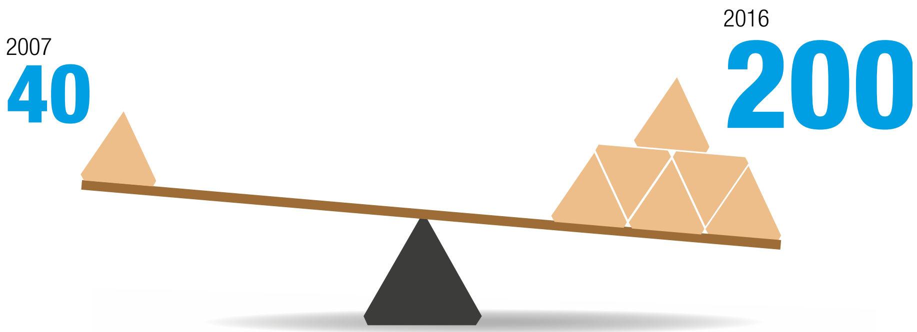
Investors who do not have an active relationship with the companies they are invested in risk holding poorly governed companies that do not perform well over the long term, and risk neglecting beneficiaries' interests.

Effective engagement has clear objectives and milestones, focuses on the quality of dialogue and sees investors following through on their investment strategy and policies in their proxy voting. Crucially, for active ownership to be a success, it relies on the investor fully using the information collected when making portfolio decisions.

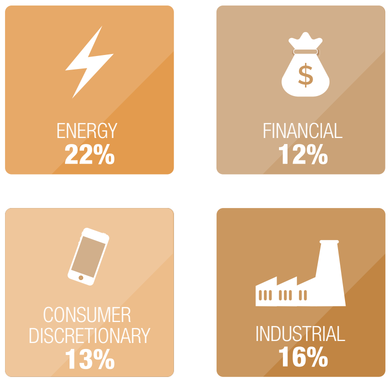
Investors have a much bigger influence on companies when acting together than alone, and collective action allows institutional investors to address issues that affect them as universal owners – as owners whose holdings are so large and so diversified that they effectively own a slice of the overall markets and economies in which they operate. These investors' scale means they are affected by, and collectively can affect, aspects of those markets and economies that individual investors targeting individual portfolio companies could not.

ENCOURAGING AND ACCELERATING ENGAGEMENT AND PROXY VOTING:

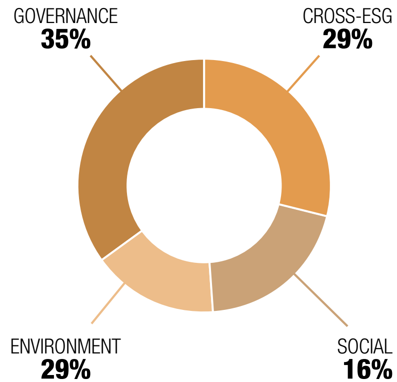
NUMBER OF ASSET OWNERS WHO REPORTED REGULARLY ENGAGING WITH INVESTEE COMPANIES – DIRECTLY OR THROUGH THEIR MANAGERS



MOST TARGETED SECTORS ON THE COLLABORATION PLATFORM:



COLLABORATION PLATFORM ACTIVITY BY THEME:



SHOWCASE LEADERSHIP AND INCREASE ACCOUNTABILITY

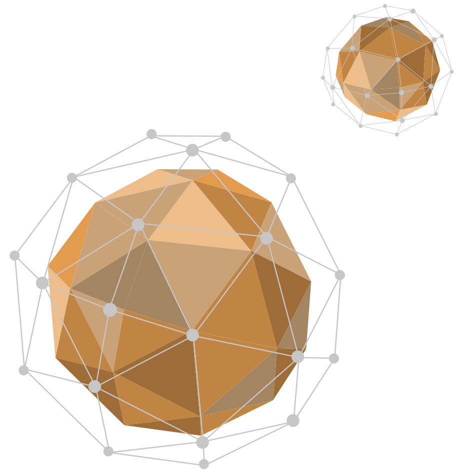
WE WILL:

- launch a responsible investment leadership table and awards, to reward and highlight top performers;
- share examples of what the best are doing;
- define a minimum standard of activity that signatories must achieve;
- monitor and engage with those that are not meeting this standard and delist any that fail to do so over a two-year period;
- delist signatories that contravene the spirit of the Principles.

Principle 6

"We will each report on our activities and progress towards implementing the Principles."

A race to the top and a clear rulebook improve results



We welcome responsible investment new starters, those who have been leading the field for years and everyone in between. In doing so, it is important to celebrate the successes of the best that others can learn from, to highlight the progress made across the spectrum and to guard against complacency, at the top or the bottom.

Signing up to the Principles brings signatories benefits ranging from the reputational (a badge of honour to prove their responsible investment credentials) to the practical (being eligible for signatory-only contracts). Beneficiaries get the reassurance that their money is being managed with a focus on long-term returns, and in ways that support the kind of world they want to live in.

For signatory status to be meaningful, and for beneficiaries to see the benefits they are entitled to, we must ensure that signatories are living up to the commitments they make when signing up to the Principles. Strong accountability processes will identify opportunities for the PRI to engage with struggling signatories and support progress, and will enable us to respond when signatories are not acting in good faith.

CONVENE AND EDUCATE RESPONSIBLE INVESTORS

WE WILL:

- focus global recruitment on growing the number of asset owner signatories;
- reach new markets and institutions, including establishing a strong Asian signatory base, having more signatories in developing markets and achieving penetration rates in North America never previously seen outside Europe;
- introduce an Associate Member category for asset owners new to responsible investment – with an emphasis on learning, development and education;
- expand the reach of responsible investment training, including the formalised courses provided by the PRI Academy.

Principle 5
"We will work together to enhance our effectiveness in implementing the Principles."

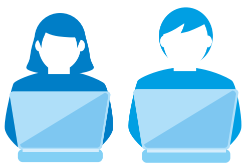
Sharing knowledge, reaching new people and supporting development will benefit everyone

Connecting signatories with each other and reaching out to potential new ones is central to the work of the PRI – many signatories consider meeting their peers to share knowledge to be a primary reason for joining the PRI community. Our regional networks – geographic groups of signatories working together on responsible investment in their region – have been instrumental in promoting and advancing responsible investment around the world, particularly in markets with smaller investment management sectors.

We provide formal training through the PRI Academy, which runs CFA-accredited, interactive online courses on how ESG issues impact company performance, shareholder value and investment decisions.

PRI | ACADEMY

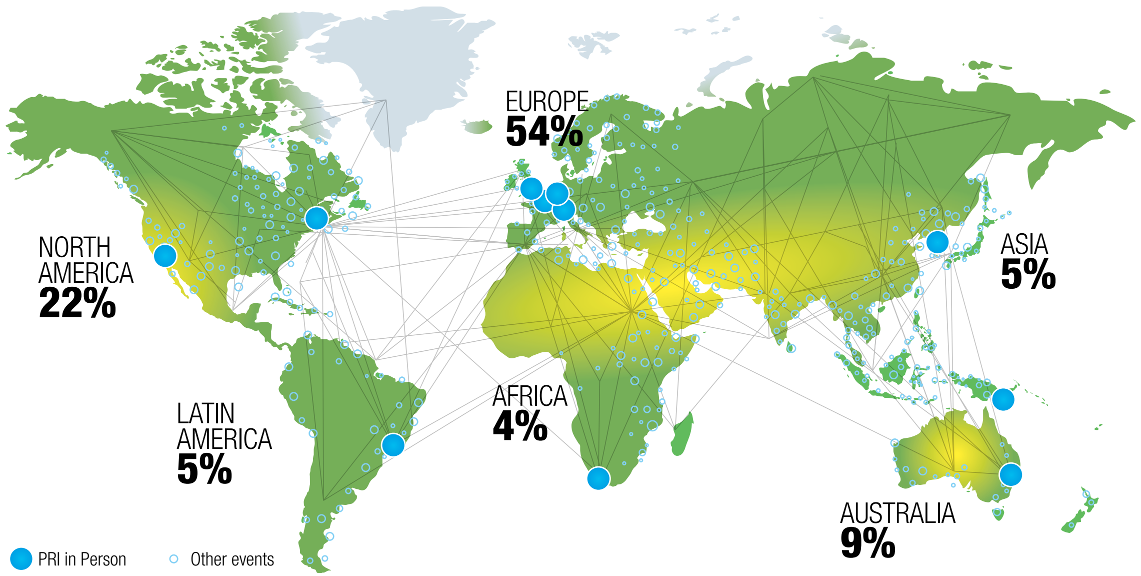
RI FUNDAMENTALS RI ESSENTIALS ENHANCED FINANCIAL ANALYSIS



1,000+
ENROLMENTS

PRI SIGNATORIES' PRESENCE AND PRI EVENT LOCATIONS

A GLOBAL NETWORK



PRI in Person

SINCE	MORE THAN	FROM OVER	REPRESENTING OVER
2006	**4,000**	**50**	**1,000**
WE'VE BROUGHT TOGETHER	PARTICIPANTS	COUNTRIES	ORGANISATIONS

CHALLENGE BARRIERS TO A SUSTAINABLE FINANCIAL SYSTEM

WE WILL:

- address key obstacles to creating the sustainable financial system that long-term investment performance requires;
- champion changes to the financial system's structure that would promote long-term investing;
- target behaviours, practices and incentives within the financial system that create short-termism.

From the PRI Mission:

"We believe that an economically efficient, sustainable global financial system is a necessity for long-term value creation."

SUSTAINABLE MARKETS

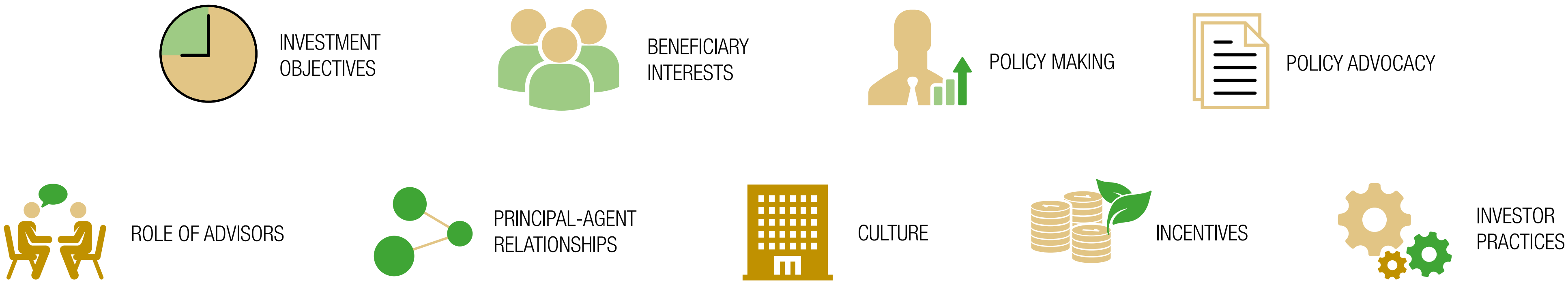
Creating long-term value requires a sustainable global financial system

For investors to fully pursue responsible investing, they need the global financial system that they operate in to be sustainable. The global financial crisis of 2007–2008 gave dramatic and incontrovertible evidence that investors need to play their role in ensuring the stability and sustainability of the financial system on which they rely. Excessive leverage, dealing in complex derivatives and high-frequency trading may benefit some in the short term, but they undermine the resilience of the system as a whole.

The financial system should enable individuals, organisations and governments to reliably store their assets for future use, and should support sustainable economic development by making those assets available for responsible, productive use by others in the meantime.

We will work on the parts of the system where we can make a difference – beneficiaries; investors; their advisors and service providers; companies and issuers; securities exchanges; regulators – and will monitor environmental, social, technological, economic and political trends that will continue to reshape the financial system as we work.

WE PUT TO SIGNATORIES MORE THAN 30 ASPECTS OF THE FINANCIAL SYSTEM THAT COULD CONTAIN THREATS TO ITS SUSTAINABILITY, AND THEN PRIORITISED NINE UNDERLYING AREAS THAT WE WILL ADDRESS:



DRIVE MEANINGFUL DATA THROUGHOUT MARKETS

WE WILL:

- advocate for meaningful, forward-looking and globally comparable company disclosure and investor reporting;
- promote the inclusion of material ESG information alongside other financial data;
- encourage consolidation of reporting standards and regimes;
- seek to understand and overcome situations where available data is not being used effectively;
- develop the PRI Reporting Framework to measure the contribution that responsible investment makes to tangible ESG improvements in the real world;
- enhance the PRI Data Portal, empowering asset owners to assess investment managers' responsible investment activity.

Principle 3

"We will seek appropriate disclosure on ESG issues by the entities in which we invest."

SUSTAINABLE MARKETS

Good decisions need good data

Reliable, timely information is needed for beneficiaries to understand and influence their investments, for asset owners to monitor their managers and for investment managers to accurately price assets and assess risk. That this includes information on material ESG issues is fundamental to responsible investment, but opinions vary on what ESG data companies should disclose and investors should report and how, making analysis difficult.

As beneficiary and asset owner demands change, investment managers will increasingly have to share information on any screening they have applied to the pool of securities considered and how they are integrating material ESG issues into their analysis. Asset owners and investment managers will both need to better demonstrate what the impact of their investment decisions has been in the real world.

STOCK EXCHANGES

12	STOCK EXCHANGES INCORPORATE ESG DISCLOSURE REQUIREMENTS IN THEIR LISTING RULES	▲
15	STOCK EXCHANGES PROVIDE FORMAL GUIDANCE TO ISSUERS	▲
23	STOCK EXCHANGES HAVE COMMITTED TO INTRODUCE ESG REPORTING GUIDANCE, THANKS TO THE SUSTAINABLE STOCK EXCHANGES INITIATIVE	▲

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

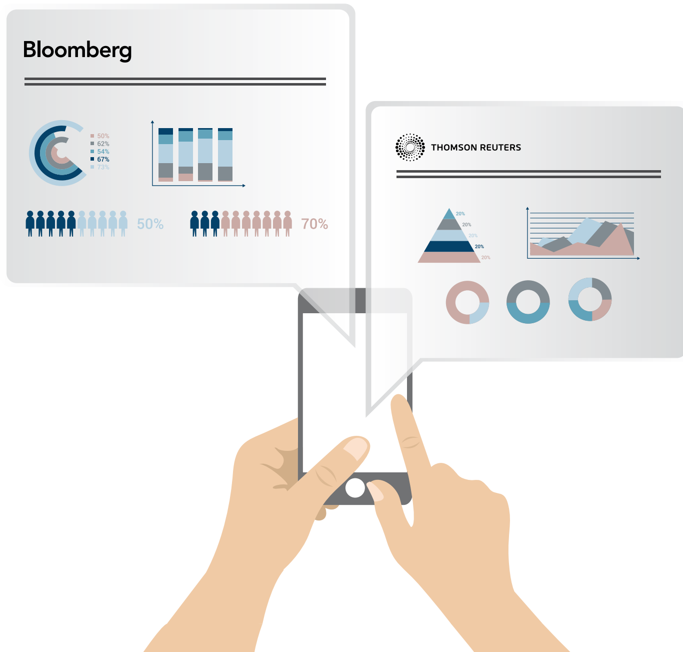
THERE ARE MORE THAN
400
CLIMATE/SUSTAINABILITY REPORTING STANDARDS

IN 2016
OVER 1,000 SIGNATORIES
REPORTED PUBLICLY ON THEIR PROGRESS TOWARDS IMPLEMENTING THE SIX PRINCIPLES

Corporate Register

Almost 13,000 organisations
HAVE VOLUNTARILY PRODUCED CORPORATE RESPONSIBILITY REPORTS

MAJOR INFORMATION PROVIDERS TRACK ESG DATA ON THOUSANDS OF COMPANIES



CHAMPION CLIMATE ACTION

WE WILL:

- work with our UN partners to meet the Paris Agreement;
- empower investors to assess how well-positioned companies, issuers and their portfolios are for a just transition to a low-carbon economy;
- align the PRI Reporting Framework with the Financial Stability Board's Task Force on Climate-related Financial Disclosures;
- convene investor engagement with companies on climate risks and opportunities;
- encourage investors to make substantial allocations to clean assets and technologies;
- demonstrate the investment implications of national governments' climate change goals;
- collaborate with policy makers to address the barriers investors face in scaling up clean investments.

In PRI signatory satisfaction surveys, signatories have repeatedly identified climate change as their highest priority ESG issue.

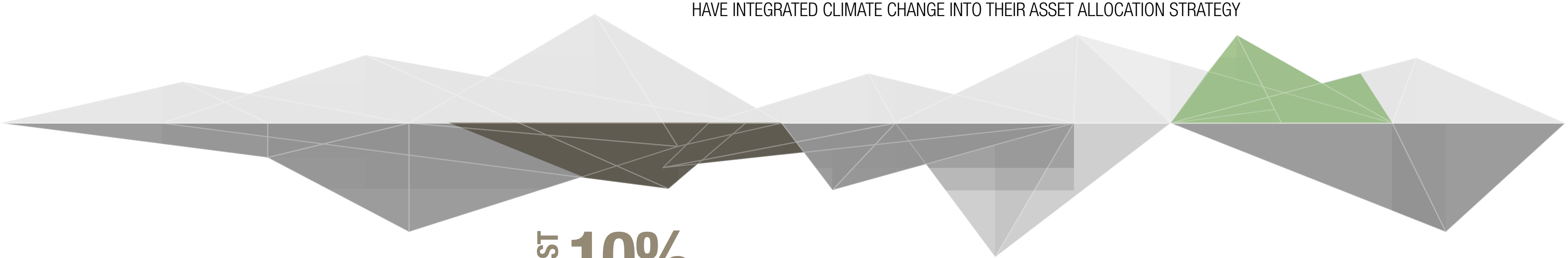
A PROSPEROUS WORLD FOR ALL

Climate change is the highest priority ESG issue facing investors

It is in signatories' interests that global warming is limited in line with the Paris Agreement: well within $2^{\circ}C$ of pre-industrial levels, with an aim of $1.5^{\circ}C$. Investors' interpretations of what this means for their investment activities will vary, but ambitious action will be required to protect portfolios from risks and to expose them to opportunities in the shift to a low-carbon global economy.

We will continue to collaborate in our climate change work with our UN partners (UNEP FI and the UN Global Compact) and existing investor initiatives and networks such as CDP, the Portfolio Decarbonization Coalition, Ceres/the Investor Network on Climate Risk, the Institutional Investor Group on Climate Change and the Investor Group on Climate Change Australia, New Zealand & Asia.

ONLY 11%
OF ASSET OWNERS
HAVE INTEGRATED CLIMATE CHANGE INTO THEIR ASSET ALLOCATION STRATEGY



JUST 10%
OF INVESTEMENT MANAGERS
HAVE INTEGRATED CLIMATE CHANGE INTO THEIR ASSET ALLOCATION STRATEGY

ENABLE REAL-WORLD IMPACT ALIGNED WITH THE SDGs

WE WILL:

- work with our UN partners to deliver the SDGs, such as by leveraging UNEP FI's Principles for Positive Impact Finance and the UN Global Compact's Ten Principles;
- set out steps and develop tools for investors to align their investment activities with the SDGs;
- encourage investors to seek, through the full range of active ownership activities, corporate responsibility enhancements that advance the SDGs;
- encourage capital towards projects with positive, real-world impact;
- introduce the SDGs into the PRI Reporting Framework;
- map our work against the SDGs, and report on our contribution towards them;
- engage policy makers to encourage public policy that supports the SDGs.

From the signatory declaration to the Principles:
"Applying these Principles may better align investors with the broader objectives of society."

A PROSPEROUS WORLD FOR ALL

Driving sustainable development in line with the UN SDGs will create a more prosperous world, to live in today and to pass on tomorrow

For us to fully realise our mission, adoption of the Principles must contribute to a sustainable global financial system and ultimately create prosperous and inclusive societies for current and future generations: for our impact on investors to be meaningful, it needs to be reflected in their impact, through companies, on the real world we all share.

The UN's 17 Sustainable Development Goals (SDGs) and their targets provide a way for us to measure our real-world impact. They provide an opportunity for responsible investors to demonstrate how their efforts to incorporate issues such as climate change, working conditions and board diversity into their investment approach are contributing to sustainable development.

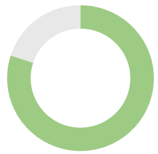
The SDGs also provide investors with a clear vision of how government decision making and company behaviour will shape how the global economy develops over the next 15 years. By setting policy makers' priorities, the SDGs will be a key driver of global GDP growth and source of investment opportunities.

WORKING WITH OUR UN PARTNERS

By incorporating the UN Global Compact's Ten Principles, companies meet their fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption.

UNEP FI's Principles for Positive Impact Finance provide a framework for the financing of sustainable development.

MORE THAN 80% OF INSTITUTIONAL INVESTORS



PLAN TO ENGAGE WITH INVESTEE COMPANIES ON THE SDGs, AND ALLOCATE CAPITAL TO INVESTMENTS THAT SUPPORT THE GOALS

> "Investors can play a central role in achieving the Sustainable Development Goals"

ShareAction, March 2016

MEASURING SUCCESS

WE WILL:

- be transparent in measuring the implementation of our 10-year ambitions;
- outline, in the three-year strategies that will underpin this vision, the key performance indicators (KPIs) that we will measure our progress against;
- report annually against the KPIs active in any given year, throughout the life of the blueprint;
- monitor developments such as technological disruption, market shocks and changing regulation that could impact our work as the blueprint unfolds;
- report publicly, as our signatories do.

The PRI will demonstrate measurable progress towards the objectives set out in this blueprint – as our signatories demonstrate measurable progress towards implementing the Principles

Over the 10-year life of this blueprint (2017–2027), responsible investors' actions, the nature of markets and the world we live in will change – with or without our intervention. The most meaningful way to assess our effectiveness will therefore be to create specific and timely measures for the individual projects we initiate within the blueprint programme. We envisage these measures covering areas such as:

OUR GROWTH AMONGST ASSET OWNERS
AND IN UNDER-REPRESENTED MARKETS, USING PRI SIGNATORY NUMBERS

OUR WORK TOWARDS THE SDGs
USING NATIONAL AND UN DATA

SIGNATORIES' CONTRIBUTIONS TOWARDS THE SDGs
USING CAPITAL FLOW DATA AND CORPORATE RESPONSIBILITY DATA

THE CHARACTERISTICS OF THE FINANCIAL SYSTEM
USING SYSTEMS ANALYSIS AND SIGNATORY IMPLEMENTATION OF RECOMMENDATIONS

THE DEPTH AND BREADTH OF RESPONSIBLE INVESTMENT
THROUGHOUT ORGANISATIONS, USING PRI REPORTING FRAMEWORK DATA

ALIGNMENT OF PROXY VOTING WITH RI POLICIES
USING PRI REPORTING FRAMEWORK DATA AND PUBLICLY AVAILABLE DATA

ASSET OWNERS' ASSESSMENT
OF INVESTMENT MANAGERS' CAPABILITIES, USING PRI DATA PORTAL DATA

INVESTORS ENGAGING COMPANIES AND POLICY MAKERS ON CLIMATE CHANGE
USING PRI REPORTING FRAMEWORK DATA

INVESTOR SUPPORT FOR CLEAN ASSETS AND TECHNOLOGIES
USING CAPITAL FLOW DATA

QUANTITY AND QUALITY OF ESG REPORTING
USING PRI REPORTING FRAMEWORK DATA

ENGAGEMENT ACTIVITY
USING PRI REPORTING FRAMEWORK DATA AND PRI COLLABORATION PORTAL DATA

QUALITY OF INVESTOR ESG REPORTING
USING PRI REPORTING FRAMEWORK DATA

UPTAKE OF RI TRAINING
USING NATIONAL AND UN DATA

QUANTITY AND QUALITY OF CORPORATE ESG REPORTING
USING SUSTAINABLE STOCK EXCHANGES DATA AND PUBLICLY AVAILABLE DATA

We welcome continuing input from signatories and beyond to shape the work we start within the blueprint programme, in pursuit of the goals we've laid out. The progress we can make towards those goals will depend on the actions of our signatories.

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THE PRI is an investor initiative in partnership with
UNEP Finance Initiative and UN Global Compact